The Standard Bank of South Africa annual report

2011

Standard Bank

Standard Bank

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Performance

The financial results and commentary describe the consolidated results of The Standard Bank of South Africa Limited group (the group or Standard Bank) unless otherwise indicated as relating to The Standard Bank of South Africa Limited (the company or SBSA). SBSA is a wholly owned subsidiary of Standard Bank Group Limited (SBG) and is incorporated in South Africa.

Headline earnings
R9 530 million
2010: **R7 954 million**

Return on equity (ROE)
18,4%
2010: **17,1%**

Number of employees
28 422
2010: **30 396**

Transformation score
92,47 out of 107
2010: **92,83 out of 107**

New loans extended to individuals and small businesses during the year
R75 billion
2010: **R50 billion**

Tier I capital adequacy
10,7%
2010: **11,5%**

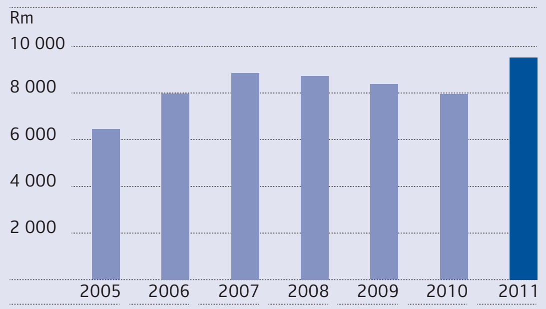
Carbon footprint
180 403 metric tons of CO_2
2010: **177 289 metric tons of CO_2**

Customer satisfaction survey result[1]
9,40 out of 10
2010: **8,85 out of 10**

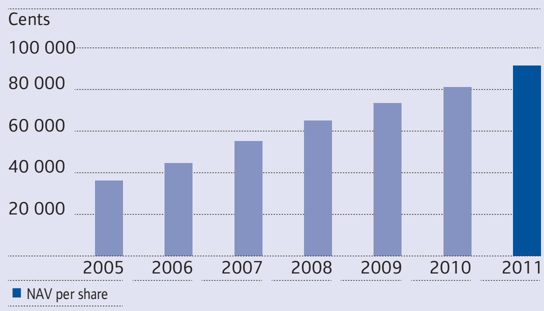
Cost-to-income ratio
54,7%
2010: **55,3%**

Credit loss ratio
0,80%
2010: **1,18%**

Headline earnings



Net asset value per share



[1] *Customer experience measurement survey result for branches.*

Highlights and recognition

We have **703 branches and loan centres** and more than **9,8 million retail and business banking customers**

Our South African ATM system achieved **96,5%** availability

We **invested in energy efficiency projects** to the value of R19,1 million which contributed to a reduction in energy usage over the year

We were voted the most **trusted company in South Africa** and first in the Sustainability Index in the *Ask Afrika 2011 Trust Barometer Survey*

We were the **top empowerment company in South Africa** in 2011 according to Empowerdex

We were recognised by *Global Finance* magazine as **Best Investment Bank in South Africa**

We were voted the **Best Banking Brand in South Africa** according to the *BrandFinance Banking 500 Awards*

Our values

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

Socioeconomic impact

- R3 billion in affordable housing loans granted to low-income earners

- Since 2007, Standard Bank has helped place more than 300 000 South African low-income earning households into homes

- R75 billion worth of personal and small business loans provided to our customers in South Africa

- R167 million of dividends paid out to black managers and black small and medium enterprises (BSMEs) participating in our black economic empowerment ownership initiative (Tutuwa) trusts

- 41 000 distressed customers in South Africa were assisted so that they were able to retain their homes and vehicles

- We increased our financing to BSMEs by R632 million which is a 28% increase to a book total of R2 890 million (2010: R2 258 million)

- The Financial Literacy Outreach programme increased its reach in South Africa to approximately 2 500 schools and approximately 500 000 grade 10 and 11 learners

- Assisted 37 415 families by paying out R299 million in funeral claims during 2011

- Standard Bank's corporate and social investment (CSI) spend totalled R72 million with R32 million and R24 million allocated to education and enterprise development respectively

- 7 006 ATMs and 703 branches and service centres available for customers to access financial services

- Weighted procurement spend from black economic empowerment (BEE) suppliers amounted to R17,3 billion

- 1 356 636 new customers that had previously been unbanked

Business structure

Group

Personal & Business Banking

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

What we offer

- Mortgage lending
- Instalment sale and finance leases
- Credit cards
- Transactional and lending products
- Bancassurance

Headline earnings
R5 763 million
2010: **R4 158 million**

ROE
27,3%
2010: **22,2%**

Cost-to-income ratio
55,8%
2010: **56,8%**

Credit loss ratio
1,27%
2010: **1,73%**

Corporate & Investment Banking

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

What we offer

- Global markets
- Transactional products and services
- Investment banking
- Property finance

Headline earnings
R4 497 million
2010: **R4 291 million**

ROE
27,8%
2010: **30,4%**

Cost-to-income ratio
50,1%
2010: **49,3%**

Credit loss ratio
(0,12)%
2010: **(0,06)%**

Other services

Includes the results of centralised support functions (back office), including those functions that were previously embedded in the business segments. The direct costs of support functions are recharged to the business segments

"Standard Bankers understand that the real measures of success are how much we learn from our disappointments and how quickly we get up and carry on Moving Forward. We are unshakably confident in the ability of Standard Bankers to come back stronger from every setback; to keep providing outstanding service to all our customers and clients; to continue building Africa's leading financial services organisation – and to win many more prestigious awards along the way."

Headline earnings

R9 530 million

2010: **R7 954 million**

ROE

18,4%

2010: **17,1%**

Net asset value per share

91 330 cents

2010: **81 108 cents**

Sim Tshabalala, *chief executive*

A solid performance by Standard Bank in a challenging business environment reflects the strength of the franchise and also the resilience of the South African economy.

Operating environment

Following the relatively brisk growth rate of 4,6% recorded in early 2011, real growth in the South African economy declined during the year and growth of 3,1% was recorded. The declines during the year were especially visible in the main goods-producing sectors of the economy. Other contributors to the deceleration were the poor performance of the agricultural sector due to a smaller maize crop, as well as the manufacturing sector which also contracted significantly.

Real household disposable income continued to grow in the second and third quarters, but more slowly than in early 2011. This was reflected in weaker real household consumption spending. While households took on additional debt, growth was lower than the increase in disposable income, bringing down the household debt-to-disposable income ratio to 75% from 78% in 2010. Household savings remained at very low levels.

Heightened risk aversion led international investors to withdraw funds from emerging markets, particularly towards the end of the third quarter. This weakened the rand significantly in September and October 2011 and volatility in the rand exchange rate continued for the rest of the year. The weaker rand, along with higher food, fuel and electricity prices, pushed up the prices of consumer goods with the consumer price index (CPI) breaching the upper band of the inflation target in November and December of 2011. Nonetheless, given the level of global uncertainty, the relatively poor growth performance of the domestic economy and the expectation that the inflation rate will return to the target range, the Monetary Policy Committee of the South African Reserve Bank (SARB) kept the repo rate unchanged in 2011.

Overview

In spite of the slow economic recovery and unrelenting pressure from an increasingly competitive banking environment, the domestic businesses of Personal & Business Banking and Corporate & Investment Banking delivered good growth in both revenues and headline earnings in the year.

In a competitive environment we have concentrated on defending our existing customer bases, while, at the same time, building new sources of revenue. Both Personal & Business Banking and Corporate & Investment Banking have made important progress in developing innovative new revenue streams within the boundaries of acceptable risk, while growing deposits to record a loan-to-deposit ratio of 88,8%.

Standard Bank has maintained its reputation as a stable and trustworthy organisation in the global banking and investment communities – it was particularly gratifying for the bank to be recognised as the most trusted company in South Africa in the annual *Ask Afrika 2011 Trust Barometer Survey.*

An example which demonstrates our commitment to serve and support our customers responsibly through good times and bad is the 50% increase in the amount we lent to our South African personal and business customers in 2011. With loans amounting to R75 billion, we enabled almost 60 000 people to buy homes, in excess of 85 000 people to secure adequate transport, 5 000 students to fund their studies and 2 700 small businesses to either open their doors or continue operating.

Strategy

Standard Bank is strongly positioned to take up the opportunities of a growing and transforming South African marketplace. Our strategy is to serve the full value chain of customers in our domestic operation – from the basic to the most sophisticated of financial services needs – and to maintain high standards of customer service and cost-effective delivery channels.

The group is both a strong domestic bank, which leverages the advantages of its considerable size and scope, and a cross-border bank, fully integrated with the rest of SBG. Growth constraints in the domestic economy and the faster pace of growth in other emerging markets, particularly in Africa, validate SBG's strategic focus on Africa and other selected emerging economies. The South African operation remains our home base and provides the springboard for the group's strategy, and the capacity and capability developed in the domestic operations provide the foundation of knowledge and experience required in our markets in sub-Saharan Africa and selected emerging market economies.

As SBG's largest business entity, Standard Bank's balance sheet is an important resource for the group, allowing transactions that are too large for in-country balance sheets to be booked in South Africa. We are now actively making better use of our available prudential limit in South Africa to book foreign currency lending transactions originated in our core sectors on the South African balance sheet, which has reduced the pressure on the group's London balance sheet – previously the main dollar balance sheet of the group. This reduces the capital utilisation in London but increases capital utilisation in South Africa. It also makes the South African business less comparable with local banking peers.

Building new revenue streams

Standard Bank's strategy to make financial services more inclusive aims to create banking and insurance solutions that are accessible to the millions of economically active people in South Africa who fall outside the mainstream financial sector. In 2010, to effectively serve our customers who earn less than R8 000 a month, Standard Bank developed an inclusive banking unit dedicated to providing an integrated offering to these more than five million customers, which includes five financial products for this market: a basic transactional account, a low-income loan, a credit life protection policy, a funeral policy and a basic savings product. The build of this strategy continued in 2011, with a thrust to simplify product offerings and to reduce and simplify fees.

We currently offer these inclusive banking customers the most convenient banking footprint in South Africa, with almost 5 000 active bank shops available to serve customers in previously disadvantaged areas and 105 inclusive banking loan centres typically located along high density commuter routes. Through these services, coupled with mobile business origination teams and retail partnerships in smaller towns and townships, we are starting to generate solid growth in the low-income segment of our customer base.

Standard Bank is committed to providing access to finance for low-income customers and the personal loans book for this market grew significantly off a very small base of R433 million in the prior year to R2 billion at the end of 2011. Although inclusive banking is a critical market to get right in terms of our strategy of being able to lend across the spectrum in South Africa, the balance represents only 0,5% of Personal & Business Banking's book and 3% of Personal & Business Banking's unsecured book. The number of transactions through these low-cost channels is increasing, currently at an average of 5,8 revenue-generating transactions per customer per month.

Inclusive banking is much broader than a single product to low-income earners. Standard Bank is a banker to the whole nation and our inclusive strategy is about providing financial inclusion to all informal enterprises that would benefit from financial inclusion and can be served in commercially viable ways. Standard Bank is committed to getting inclusive banking in South Africa right so that we can transport our learnings to the rest of Africa.

Standard Bank has also realised a number of other new revenue-generation opportunities in the public sector, renewable energy and youth markets.

In South Africa, we provide the public sector with a comprehensive offering that includes Corporate & Investment Banking and Personal & Business Banking. In 2011, we raised an R850 million 10-year bond for the City of Johannesburg Metropolitan Municipality and a R1 billion term loan was advanced to the City of Tshwane. In addition to existing mandates from local authorities, we have been awarded mandates to provide transactional banking services to a number of new local authorities. As a dealer on the Development Bank of South Africa's Domestic Medium Term Note Programme, we raised approximately R1,7 billion in bonds for the development bank. In the tertiary education sector we were appointed the transactional bankers for the University of South Africa and the Nelson Mandela Metropolitan University, in addition to the transactional banking services we already provide to the University of KwaZulu-Natal and Stellenbosch University.

Key focus areas for Corporate & Investment Banking have been strengthening client engagement, leveraging the value of collaboration and improving the efficiency of business operations. An important new revenue opportunity is the development of a renewable energy sector in South Africa and Corporate & Investment Banking has been active in advising, arranging finance for and funding a growing number of renewable energy projects associated with the South African Government's Renewable Energy Independent Power Producer Procurement (REIPPP) programme.

We supported 22 bids for 850 megawatts of planned renewable energy capacity in wind and solar energy generation in the first round of government's REIPPP bids, and our clients won 13 bids with an installed renewable energy capacity of 605 megawatts. This represents a total financing requirement of R8,2 billion for projects that will produce approximately 1 450 gigawatt hours of renewable energy a year. Together with our clients we are engaging with the industry and the South African Government in addressing issues to ensure that projects are successful and affordable and have secured a number of further mandates to fund a number of developers through the second round of bidding.

During 2011, Personal & Business Banking launched the Student Achiever internet portal, a first for South Africa. This online multi-channel portal caters to the needs of the youth market and offers users, predominantly between the ages of 16 and 22, relevant, easy-to-understand information about financial services and products. We also developed a partnership with e.tv youth programmes to provide interactive webcasts of interviews with relevant celebrities and experts for users of the portal. We will use this tool to guide the creation of new products and services for this market. Our youth strategy is an inexpensive customer acquisition strategy, with the aim of attracting these customers to the bank now and as they mature to offer them the transactional and lending products and services they will require. Over 125 500 youth portal registrations have taken place since its launch in July 2011.

Enterprise development

Growth of the small and medium enterprises (SME) market is essential for job creation and sustainable development, particularly in emerging markets. Standard Bank's enterprise development model aims to contribute to wealth creation by providing entrepreneurs with access to finance and non-financial support, to enable them to grow and sustain their businesses.

We have introduced a new credit evaluation approach that considers an entrepreneur's business acumen, as opposed to only considering the historical financial performance of the business. Together with risk, affordability and fraud management assessments, this new approach to SME lending has enabled us to increase our risk appetite and reduce our loan disbursement timeframe, while making the application process easier.

Since the launch of our enterprise development model in mid-2010, over 90 businesses have benefited from our business development support. During 2011, we grew our BSME loan book by 28%, lending an additional R632 million to this segment of the market.

Standard Bank is committed to developing agriculture in South Africa. Agriculture financing offers the bank the opportunity to develop innovative solutions and offer relevant products to assist customers working in this sector. Our objective is to be the leading bank in agricultural transformation in South Africa. To achieve this we have realigned our agriculture offering to other parts of our business such as vehicle and asset finance and short-term insurance. At December 2011, our total net agriculture book was R11,7 billion, an increase of 18% on 2010. We have committed R500 million to financing BSME farming enterprises in South Africa.

Regulatory environment

The regulatory environment in South Africa is constantly evolving, and there has been substantial growth in the volume and pace of legislative and regulatory developments over the past five years. Our proactive engagement with the South African Government and regulators enables us to contribute to shaping our local regulatory environment and we believe our ability and readiness to respond to regulatory developments is a competitive advantage for us.

A primary focus is the forthcoming regulation of capital and liquidity requirements for banks as part of South Africa's implementation of Basel III. Extensive work has been conducted to understand the impact of these regulations on both the bank as well as the South African economy in general and engagement with the authorities is ongoing.

New legislation that will materially affect our operations includes the policy proposals outlined in government's paper titled 'A safer financial sector to serve South Africa better' published in February 2011. This proposes a new model of regulation and supervision of banks and other financial services firms, in which the SARB is responsible for all prudential supervision and the Financial Services Board (FSB) for regulating market conduct. It also proposes that a new market conduct regulator for banks is established under the ambit of the FSB, to focus on issues of consumer protection and treating customers fairly. We have engaged with the authorities on the implications of these proposals.

The Protection of Personal Information Bill provides for general principles of data privacy and protection of personal information. The Bill impacts extensively on the group, particularly in relation to cross-border information flows. We are in the process of strengthening our systems in preparation for this new legislation, which is expected to become law in 2012 or 2013.

The Financial Markets Bill updates the regulatory framework for South African financial markets and also introduces an enabling framework for the regulation of derivatives in line with other G20 countries. Standard Bank has engaged with government on this draft legislation which is expected to be passed in Parliament during 2012.

We continue to engage with all stakeholders in our efforts to advance the development of the Financial Sector Charter (the charter). The process to convert the voluntary status of the charter to that of a sector code in terms of the relevant legislation was concluded in principle at the end of 2011, with Standard Bank being an active participant in the process. The negotiating parties achieved positive positions around the ownership, empowerment finance, enterprise development and access to financial services pillars. The Financial Sector Code of Good Practice is expected to be gazetted for the second phase of public opinion at the end of March 2012. Our transformation progress is currently measured against the Department of Trade and Industry's (dti) Codes of Good Practice for Broad-based Black Economic Empowerment (codes). During 2011, accredited BEE verification agencies conducted independent assessments of Standard Bank's BEE performance against the dti codes. Standard Bank qualifies favourably as a level two contributor in a nine-level model, with verified overall scores of 92,47 out of 107.

Financial performance

The Standard Bank of South Africa group produced headline earnings of R9 530 million, up 20% on 2010 and the group's ROE improved from 17,1% in 2010 to 18,4%, as we grew total income, controlled operating expenses and saw a further reduction in credit impairment charges. The group remained well capitalised, with a tier I capital adequacy ratio of 10,7%.

Total income improved 3% to R40 billion, following a 5% increase in net interest income and a 2% increase in non-interest revenue.

Net interest income improved as a result of buoyant loan growth of 14%, improved pricing on new business written and lower funding costs. This was partly offset by the negative endowment impact on capital and transactional balances of a 90 basis point reduction in the average prime interest rate for the year.

Non-interest revenue grew to R18,6 billion, with net fee and commission revenue increasing 7% driven by a larger customer base, higher transaction volumes and more points of representation. Trading revenue was up 15% to R3,1 billion as a result of increased levels of coordination between originating teams which led to several large transactions throughout the year. In addition we saw a substantial return of client flow in the second half of the year, particularly within the foreign exchange business as rand volatility returned to the market. The commodities franchise grew revenues in line with the additional investment and focus on natural resources.

Credit impairment charges were 27% lower at R4,6 billion (credit loss ratio of 0,80%) from R6,4 billion (credit loss ratio of 1,18%) in 2010, reflecting the improved credit environment. Non-performing loans (NPLs) reduced to 4,1% of the book at year end (2010: 6,4%) as debt serviceability continued to improve. A provision of R40 million held centrally was raised in 2010 for country risk, which did not recur in 2011. This assisted the benefit of reduced credit impairment charges.

Operating expenses were up 2% to R21,8 billion (2010: R21,4 billion) as a result of tight cost control in line with the rest of SBG. Staff costs increased 3%, partly assisted by the decline in headcount of 6%, and other operating expenses increased just 2%. The cost-to-income ratio improved to 54,7% from 55,3%.

Personal & Business Banking reported good growth in headline earnings of 39%, from R4 158 million in 2010 to R5 763 million. Earnings benefited from growth in net interest income of 4% as the business recorded loan book growth of 8% and continued to reprice new loans, particularly in mortgage lending. Fees and commissions improved a commendable 9% on the back of an increase in both current and credit card accounts, while credit impairment charges reduced further than expected by 23%. This was partly offset by an overall increase in costs of 4% driven mainly by IT spend and increased depreciation. The cost-to-income ratio for Personal & Business Banking was down to 55,8% from 56,8%, and the ROE improved to 27,3% (2010: 22,2%).

Corporate & Investment Banking produced headline earnings of R4 497 million, up 5% from the prior year. Net interest income increased a commendable 9% to R5 billion, partly due to the reduced cost of funding, while non-interest revenue fell 6%, mainly as a result of the non-recurrence of positive adjustments on unlisted equity investments in the prior year as well as negative adjustments to private equity investments during 2011, and despite trading revenue recording a 15% increase. Corporate & Investment Banking recorded only a 2% increase in operating expenses and the cost-to-income ratio increased marginally to 50,1% (2010: 49,3%). ROE remained at an acceptable 27,8% (2010: 30,4%).

Prospects

It is clear that the global economy will remain under pressure for as long as the Eurozone debt crisis persists, and this will continue to impact growth in the South African economy. As a consequence, we anticipate ongoing caution in the approach of both our personal and corporate customers to borrowing, in an environment of increased competition for less business. The implementation of Basel III will have a growing impact, particularly on long-term lending as funding costs continue to escalate in the coming years. In response to these challenges, we will strengthen our focus on building new revenue streams, while maintaining firm cost management and attention to customer service.

We remain confident that our resilience in a challenging environment and the commitment of our people, together with the group's clear strategic focus, will enable us to overcome the difficult period ahead while we continue to play a significant role in the long-term growth of the South African economy.

Sim Tshabalala
Chief executive

Executive committee[1]




1	2
3	4

1 Sim Tshabalala
2 Libby King
3 Peter Schlebusch
4 Kennedy Bungane



5	6
7	

5 Richard Pantcheff[2]
6 Isabel Lawrence[2]
7 Shirley Zinn

[1] *The executive committee was established with effect from 1 January 2011.*
[2] *Appointed 1 January 2012.*

Sim Tshabalala (44)

Chief executive

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

Sim Tshabalala joined SBG in 2000 in the project finance division of Standard Corporate and 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 Personal & Business Banking. He was appointed chief executive of Personal & Business Banking in 2006. In June 2008, he became chief executive of SBSA. In 2009, Sim was appointed deputy chief executive of SBG.

Sim currently serves on the board of SBSA as well as the Banking Association of South Africa.

Libby King (47)

Chief financial officer

BAcc (Wits), CA (SA), BCom (Wits)

Libby King joined the financial control department of SCMB in 1994, and was appointed head of this department in 1998. In 2008, she was appointed chief operating officer of Corporate & Investment Banking South Africa. In 2011, Libby was appointed chief financial officer of SBSA and chief financial officer of SBG Personal & Business Banking.

Peter Schlebusch (45)

Chief executive, Personal & Business Banking

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

Peter Schlebusch joined SBG in 2002 in Personal & Business Banking where he was responsible for the transactional and lending products, home loans, vehicle and asset finance and credit card divisions. At the beginning of 2006, he was appointed deputy chief operations officer, and in September 2006 was appointed deputy chief executive of Personal & Business Banking South Africa. At the beginning of 2008, he was appointed chief executive, Personal & Business Banking South Africa.

Kennedy Bungane (37)

Chief executive, Corporate & Investment Banking

BCom (Natal), MBA (University of Pretoria GIBS Campus), AMP (Harvard)

Kennedy Bungane joined SBG in 1996 at the Vereeniging branch as part of the Retail bank's development programme. He then transferred to SCMB as a forex dealer in 1996 after which he held a variety of roles including: head of Global Markets Sales and Structuring, head of Strategic and Equity Investments and head of Corporate Banking. In 2008, Kennedy was appointed deputy chief executive of Corporate & Investment Banking South Africa. In 2009, he was appointed chief executive of Corporate & Investment Banking South Africa.

Richard Pantcheff (53)

Chief risk officer

BA (Oxon), MA (Oxon), ACIB

Richard joined SBG in 2006 as chief credit officer for Corporate & Investment Banking South Africa and the Rest of Africa. In 2007, he took over as chief risk officer for these business units. Richard was appointed group chief credit officer of SBG in 2010 and as chief risk officer of SBSA in 2012, performing both roles concurrently. Before joining SBG, Richard's previous roles focused on credit risk in emerging markets.

Isabel Lawrence (43)

Group chief compliance officer

BA (Hons) (RAU), BA LLB (RAU), LLM in Banking Law (RAU)

Isabel joined SBG in 1998 in the group legal division, where she was responsible for legal risk and transacting for Personal & Business Banking. Isabel was appointed as head, Group Legal Division in 2003. In January 2012, Isabel was appointed group chief compliance officer.

Shirley Zinn (50)

Director, human resources

BA (UWC), HDip Ed (UWC), BEd (Hons) (Unisa), EdM (Harvard), EdD (Harvard), Professor (Extraordinaire) of Human Resources Management (University of Pretoria)

Shirley Zinn joined SBG in 2010 as human resources director of SBSA, and also holds the position of deputy global head of human resources for SBG. Shirley has a wealth of experience in the financial services field.

Financial review

The results

Overall, we delivered a strong set of results in 2011. We lifted headline earnings to R9 530 billion, an increase of 20% on the prior year and ROE improved to 18,4%, compared to 17,1% in the prior year.

Financial results and ratios

		Change %	2011	2010
ROE	%		18,4	17,1
Headline earnings	Rm	20	9 530	7 954
Headline earnings per ordinary share	cents	20	15 884	13 257
Tier I capital adequacy ratio[1]	%		10,7	11,5
Net asset value per ordinary share	cents	13	91 330	81 108
Non-interest revenue to total income	%		46,7	47,6
Credit loss ratio	%		0,80	1,18
Cost-to-income ratio	%		54,7	55,3

[1] *Company.*

Business unit performance

Personal & Business Banking delivered headline earnings of R5,8 billion, 39% higher than the prior year. The main contributors to this result were the continued reduction in credit impairment charges, income growth that outstripped cost growth, and well-priced loan growth. ROE improved to 27,3% (2010: 22,2%).

Corporate & Investment Banking reported headline earnings of R4,5 billion, 5% higher than the prior year. This robust result was delivered in a particularly challenging environment for our investment banking and global markets businesses. The resulting ROE was 27,8% (2010: 30,4%)

Other services' headline earnings was down by 47%, due to the impact of the SARB cash processing fees introduced in April 2010, higher staff costs due to a lower pension fund release in the current year, which was partially offset by lower marketing and IT spend relative to prior year.

Business unit performance

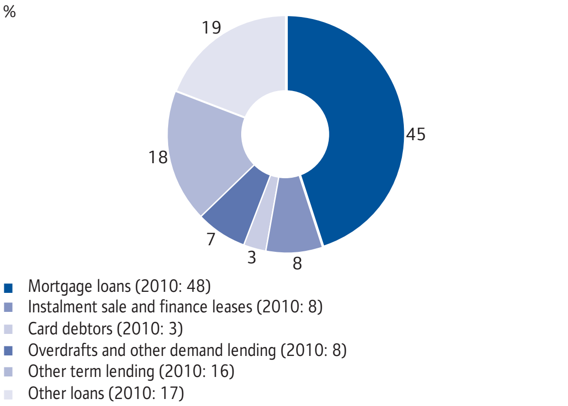
		Headline earnings		ROE	
	Change %	2011 Rm	2010 Rm	2011 %	2010 %
Personal & Business Banking	39	5 763	4 158	27,3	22,2
Corporate & Investment Banking	5	4 497	4 291	27,8	30,4
Other services	(47)	(730)	(495)		
Total	20	9 530	7 954	18,4	17,1

Balance sheet analysis

Total assets increased by 10% to R922 billion. The main contributors to this growth were an increase in loans and advances and trading assets. Refer to the seven-year review on page 19 for the statement of financial position.

Total loans and advances were up 14%, with Corporate & Investment Banking reporting growth of 26% and Personal & Business Banking growth of 8%.

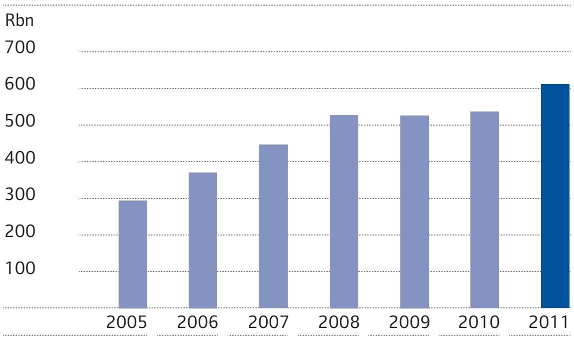
Composition of gross loans and advances



Within Personal & Business Banking, the movement per major product line is explained as follows:

Mortgage loans increased by 5%, supported by an improved credit environment, including a historically low prime lending rate, which allowed for more favourable lending criteria. The number of new applications continued on an upward trend, growing 18%. We continued to price new business more appropriately for term funding and credit risk. The average lending rate for new business was prime plus 11 basis points, compared to prime less 20 basis points for the prior year. Market share increased from 27,1% in 2010 to 28,8% in 2011.

Loans and advances



Instalment sale and finance leases grew by 11% due to improved market conditions. Payouts improved during the year with buoyant vehicle sales. Market share increased for the first time in many years to 18,3%, albeit from a low base.

Card debtors reflected a 5% increase and the overall credit card debtors' book grew to R20 billion, with lower average balances as household credit uptake remained low due to high debt levels.

After the deleveraging in 2010, corporate customers regained some risk appetite and began to take up loans again. We focused on strengthening existing client relationships and improving origination levels to reverse the decreasing trend in the loan book.

Deposits and current accounts increased by 13%, which amounted to R80 billion. Corporate & Investment Banking contributed R49 billion, a 18% increase, mainly due to growth in the deposit book attributed to an increase in deposits from banks and central banks and higher balances within term deposits. Personal & Business Banking deposits increased R18 billion, a 5% change, mainly due to growth in both the average balance per account and the number of current accounts.

Cash and balances with banks were 15% up to R20,9 billion as a higher liability base required additional investment in government stock and balances with banks held for liquidity purposes.

Trading assets increased by 78% to R25 billion and trading liabilities grew by 50% to R14 billion as a consequence of higher bond holdings at year end due to higher bond trading activity.

Derivative assets decreased by 11% and derivative liabilities by 4%. The decrease in derivative assets was due to lower volume of new deals affecting mainly interest rate derivatives and forex derivatives.

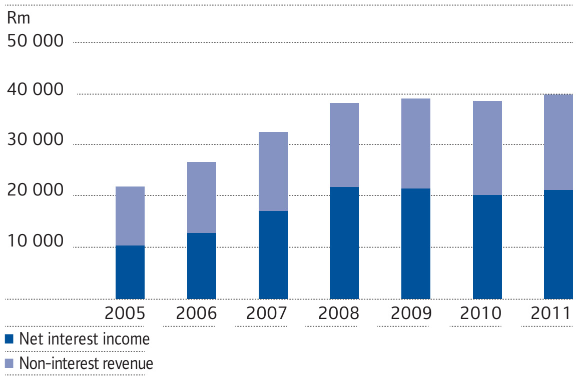
The group's ordinary shareholder's funds grew by 13%.

Income statement analysis

Net interest income

Net interest income was up by 5% as a result of the growth in average assets predominantly driven by the 14% growth in loans and advances, improved pricing on new loan registrations and the reduced cost of liquidity. This was offset by lower average interest rates which have reduced the impact of unwinding of the IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) discount on expected recoveries of non-performing loans to interest income. The negative endowment impact on capital and reserves and transactional balances, was brought about by the almost 90 basis point decline in the average prime rate.

Income contribution



Non-interest revenue

Non-interest revenue increased by 2% during the year with net fee and commission revenue up 7%, trading revenue up 15% and other revenue down 51%.

The increase in net fee and commission revenue is largely due to increased transaction fees driven by a larger customer base, higher transaction volumes, increased number of points of representation and annual price increases in Personal & Business Banking. In Corporate & Investment Banking net fee and commission revenue increased due to structuring, origination, advisory and syndication fees.

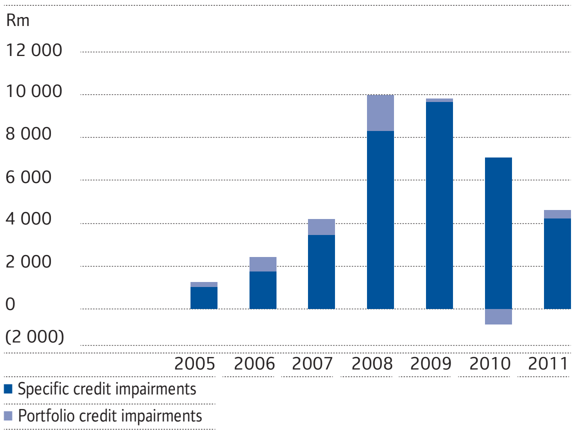
Trading revenue increased 15%, mainly due to large hedging transactions arranged for clients in structured solutions, increased forex trading activity following increased market volatility, higher earnings from commodities mainly due to profits earned on the agricultural and precious metals desks and profit earned on equities, attributed to favourable market positions.

Other revenue decreased 51% primarily due to unfavourable fair value adjustments on the listed property portfolio, the impairment of shareholder loans in an associate and the non-recurrence of fair value gains on unlisted equity portfolios.

Credit impairment charges

Credit impairment charges decreased by 27% and the credit loss ratio improved to 0,80% (2010: 1,18%). Non-performing loans continue to reduce as a percentage of the total book with the notable slowing of new defaults contributing to the reduced non-performing loan impairments raised. A detailed analysis of performing and non-performing loans is provided in the risk and capital management report on page 68.

Credit impairment charges



Lower interest rates and the improvement in economic conditions assisted customers to service debt and resulted in a significantly slower flow of new defaults into impaired loans.

The group improved its rehabilitation and recovery capabilities but pressure on recovery values of distressed assets continued. The portfolio subject to debt review has reduced due to the active management of this portfolio, together with improved clarity in the regulatory process under the National Credit Act 34 of 2005. Corporate loan impairments benefited from the non-recurrence of numerous provisions raised on specific corporate clients in the prior year.

Operating expenses

The group's cost-to-income ratio improved marginally to 54,7% (2010: 55,3%) due to slightly higher revenues of 3%, a 2% increase in operating expenses, together with the non-recurrence of the 2010 restructuring costs.

Operating expenses

	Change %	2011 Rm	2010 Rm
Staff costs	3	11 360	11 073
Restructuring costs	(100)		304
Other operating expenses	5	10 469	9 998
Total operating expenses	2	21 829	21 375
Cost-to-income ratio (%)		54,7	55,3

Staff costs increased by 3% as a result of annual wage increases. This was partially offset by the reduction in headcount following the 2010 restructuring process, natural attrition and tight headcount management.

Headcount by business unit

	Change %	2011	2010
Personal & Business Banking	(6)	13 584	14 528
Corporate & Investment Banking	(14)	1 168	1 360
Other services	(6)	13 670	14 508
Total	(6)	28 422	30 396

Other operating expenses grew by 5% due to the higher IT spend as the group continued to invest in IT and infrastructure to achieve efficiencies across its operations, increased operational risk losses relating to cheque and debit card fraud, ongoing branch refurbishments, the rollout of loan centres and the associated increased depreciation charge.

Share of profit from associates and joint ventures

The group's share of profit from associates and joint ventures declined by 33% to R83 million (2010: R124 million). This was due to a general decrease in earnings from associates.

Liquidity and capital management

The group's capital position was sustained in 2011 due to strong internal capital generation which supported robust growth in loans and advances. At 31 December 2011, we had a core tier I capital adequacy ratio of 10,7%, a tier I capital adequacy ratio of 10,7% and a total capital adequacy ratio of 13,5%.

Following subdued asset growth during 2010, the liquidity focus during 2011 was optimisation of liquidity resources while efficiently managing buffers.

Ongoing attention was applied to the implications of the latest Basel III regulations and the potential far-reaching business effects of the proposals. New term lending volumes were carefully monitored and priced to include consideration of potential costs associated with the anticipated regulatory changes.

The price of term funding was stable during the first half of the year while conditions tightened during the second half with renewed domestic demand combined with the effects of the ongoing Eurozone sovereign debt crisis. Investor appetite for capital markets issuance remained reasonably healthy and the group successfully placed R8,9 billion of debt funding in the domestic bond market. The group ended the year with an ample liquidity buffer totalling R75,4 billion (2010: R66,5 billion).

For more information, refer to the detailed risk and capital management report on page 54.

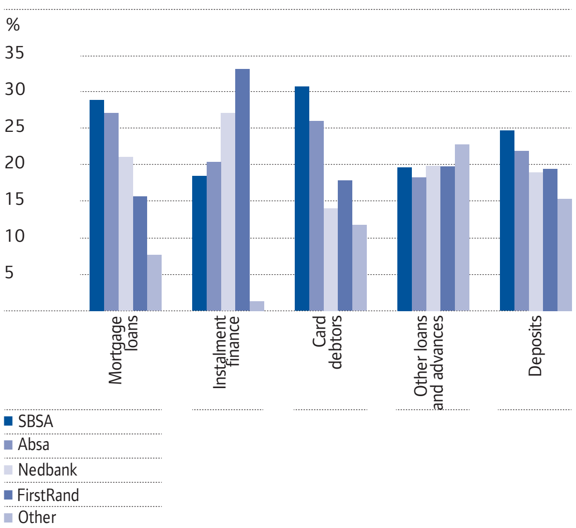
Seven-year review

Statement of financial position[1]

	CAGR[2] %	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Group								
Assets								
Cash and balances with the central bank	17	**20 865**	18 181	14 470	13 547	14 286	11 058	8 149
Trading assets	7	**24 626**	13 825	20 802	24 019	29 456	17 826	16 391
Pledged assets	(2)	**3 737**	2 035	1 057	2 243	1 750	2 914	4 204
Financial investments	13	**79 809**	79 388	62 008	60 079	40 608	36 683	37 975
Loans and advances	13	**611 165**	536 188	525 500	527 253	445 356	370 066	293 964
Derivative and other assets	9	**104 489**	111 370	81 212	121 816	54 494	55 572	63 071
Interest in group companies, associates and joint ventures	21	**62 099**	63 013	77 998	103 095	88 960	47 296	19 775
Goodwill and other intangible assets	79	**6 469**	4 410	2 913	1 997	1 450	592	196
Property and equipment	22	**8 430**	7 906	5 141	4 281	3 574	2 829	2 605
Total assets	13	**921 689**	836 316	791 101	858 330	679 934	544 836	446 330
Equity and liabilities								
Equity	17	**54 847**	48 704	44 027	39 003	33 049	26 655	21 724
Equity attributable to the ordinary shareholder	17	**54 795**	48 662	44 027	39 003	33 049	26 655	21 718
Non-controlling interest	43	**52**	42					6
Liabilities	13	**866 842**	787 612	747 074	819 327	646 885	518 181	424 606
Deposit and current accounts	14	**688 062**	608 089	574 460	604 796	524 733	399 758	320 531
Derivative, trading and other liabilities	6	**127 678**	123 952	106 369	159 791	95 667	85 751	91 996
Subordinated debt	13	**16 095**	15 683	15 814	11 809	12 985	10 862	7 832
Liabilities to group companies	42	**35 007**	39 888	50 431	42 931	13 500	21 810	4 247
Total equity and liabilities	13	**921 689**	836 316	791 101	858 330	679 934	544 836	446 330

[1]The 2006 – 2010 balances have been restated, refer to annexure B – restatements.
[2]CAGR refers to compound annual growth rate for the period 2005 to 2011.

South African market share analysis



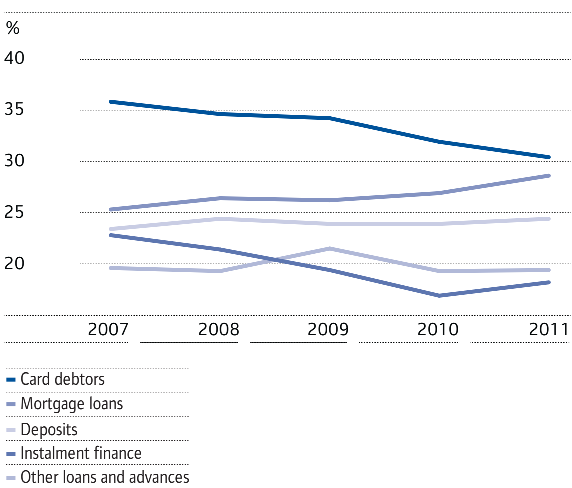
Source: BA 900

Income statement[1]

	CAGR[2] %	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Group								
Net interest income	13	21 241	20 185	21 474	21 828	17 130	12 817	10 414
Interest income	9	49 607	51 601	67 420	83 846	53 696	39 550	29 088
Interest expense	7	28 366	31 416	45 946	62 018	36 566	26 733	18 674
Non-interest revenue	8	18 606	18 329	17 489	16 346	15 388	13 818	11 473
Total income	11	39 847	38 514	38 963	38 174	32 518	26 635	21 887
Credit impairment charges	24	4 623	6 352	9 831	10 015	4 196	2 414	1 256
Income after credit impairment charges	9	35 224	32 162	29 132	28 159	28 322	24 221	20 631
Operating expenses	10	21 829	21 375	18 214	17 044	15 976	13 273	12 078
Net income before goodwill impairment	8	13 395	10 787	10 918	11 115	12 346	10 948	8 553
Goodwill impairment		46						13
Net income	8	13 349	10 787	10 918	11 115	12 346	10 948	8 540
Share of profits/(losses) from associates and joint ventures	(14)	83	124	(104)	165	267	221	206
Net income before indirect taxation	7	13 432	10 911	10 814	11 280	12 613	11 169	8 746
Indirect taxation	8	745	856	582	600	610	476	461
Profit before direct taxation	7	12 687	10 055	10 232	10 680	12 003	10 693	8 285
Direct taxation	11	3 167	2 147	2 120	1 968	2 689	2 546	1 737
Profit for the year	6	9 520	7 908	8 112	8 712	9 314	8 147	6 548
Attributable to non-controlling interest		10	50					
Attributable to the ordinary shareholder	6	9 510	7 858	8 112	8 712	9 314	8 147	6 548

[1] *The 2006 – 2010 amounts have been restated, refer to annexure B – restatements.*
[2] *CAGR refers to the compound annual growth rate for the period 2005 to 2011.*

SBSA's market share movement

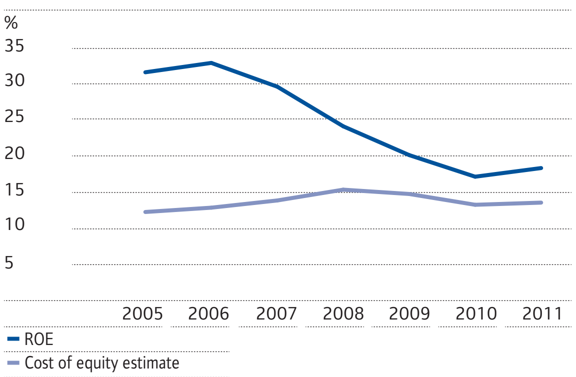


Statistics, returns and capital adequacy[1]

	CAGR[2] %	2011	2010	2009	2008	2007	2006	2005
Group								
Headline earnings (Rm)	7	9 530	7 954	8 380	8 737	8 863	7 980	6 453
Share statistics								
Number of ordinary shares in issue (thousands)								
– weighted average		59 997	59 997	59 997	59 997	59 997	59 997	59 997
– end of period		59 997	59 997	59 997	59 997	59 997	59 997	59 997
Share statistics per ordinary share (cents)								
Basic earnings	6	15 851	13 097	13 521	14 520	15 524	13 579	10 914
Headline earnings	7	15 884	13 257	13 967	14 562	14 772	13 301	10 756
Dividends	4	12 335	4 167	9 167	6 000	17 084	12 834	9 583
Net asset value	17	91 330	81 108	73 382	65 008	55 085	44 427	36 198
Selected returns and ratios								
ROE (%)		18,4	17,1	20,2	24,3	29,7	33,0	31,7
Non-interest revenue to total income (%)		46,7	47,6	44,9	42,8	47,3	51,9	52,4
Average ordinary shareholder's equity to average total assets (%)		5,9	5,7	5,0	4,7	4,9	4,9	4,9
Loans-to-deposits ratio (%)		88,8	88,2	91,5	87,2	84,9	92,6	91,7
Cost-to-income ratio (%)		54,7	55,3	46,9	44,5	48,7	49,4	54,7
Credit loss ratio (%)		0,80	1,18	1,87	2,02	1,02	0,72	0,50
Effective tax rate (%)		29,1	27,5	25,0	22,8	26,2	27,1	25,1
Headline earnings per employee (rand)	6	335 304	261 679	284 126	294 542	286 810	264 378	233 711
Number of employees		28 422	30 396	29 494	29 663	30 902	30 184	27 611

[1]The 2006 – 2010 information has been restated, refer to annexure B – restatements.
[2]CAGR refers to the compound annual growth rate for the period 2005 to 2011.

Financial performance

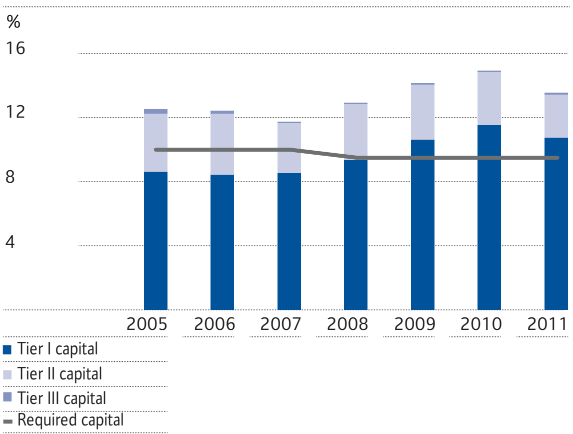


Statistics, returns and capital adequacy[1] continued

	CAGR[2] %	2011	2010	2009	2008	2007	2006	2005
Company								
Capital adequacy[3]								
Risk-weighted assets (Rm)	11	430 484	368 262	367 839	358 752	340 929	306 620	235 540
Tier I capital (Rm)	14	44 769	40 267	38 946	33 344	28 922	25 620	20 218
Total capital (Rm)	12	56 839	53 060	51 853	43 826	40 042	37 752	29 400
Tier I capital adequacy ratio (%)		10,7	11,5	10,6	9,3	8,5	8,4	8,6
Total capital adequacy ratio (%)		13,5	14,9	14,1	12,2	11,7	12,3	12,5
Headline earnings (Rm)	8	9 489	7 697	8 121	8 728	8 885	7 911	5 948
Return on average risk-weighted assets (%)		2,4	2,1	2,2	2,5	2,7	2,9	2,7
Rand exchange rates at 31 December								
US dollar	4	8,09	6,64	7,37	9,31	6,81	7,05	6,36
Sterling	2	12,48	10,29	11,88	13,64	13,64	13,80	10,95
Euro	6	10,46	8,87	10,61	13,02	10,00	9,29	7,52
Market indicators at 31 December								
SA prime overdraft rate (%)		9,0	9,0	10,5	15,0	14,5	12,5	10,5
JSE Limited (JSE) All Share Index	10	31 986	32 119	27 666	21 509	28 958	24 915	18 097
JSE Banks Index	6	41 178	40 985	36 675	30 566	35 876	36 121	29 234

[1]The 2009 – 2010 information has been restated, refer to annexure B – restatements.
[2]CAGR refers to the compound annual growth rate for the period 2005 to 2011.
[3]Basel II was implemented on 1 January 2008. Capital adequacy numbers relating to the financial years from 2008 are shown on a Basel II basis, all other comparative numbers are on a Basel I basis.

Capital adequacy – SBSA company[1]
(including unappropriated profit)



[1] Basel II implemented 1 January 2008, and 2008 to 2011 are shown on a Basel II basis. All other historical comparatives are shown on a Basel I basis.

Ensuring our sustainability

Corporate governance statement

Introduction

This statement sets out the governance framework adopted by the board, which is derived from the Standard Bank Group Limited's governance framework, which in turn is based on principles in the King Report on Governance for South Africa 2009 (King Code). The governance framework enables the board to balance its role of providing risk oversight and strategic counsel with ensuring adherence to regulatory requirements and risk tolerance.

The group continues to apply the principles of the King Code. The SBG board was satisfied with its compliance in this regard. The instances of non-compliance have been considered and explained in SBG's annual integrated report.

The board

The board of directors is the highest decision-making body and is ultimately responsible for governance. The board operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value. The group has a unitary board structure comprising 17 directors, 12 (70%) of whom are independent non-executive directors, two (12%) are non-executives and three (18%) are executives. The chairman is an independent non-executive and the roles of chairman and chief executive are separate. This board composition ensures there is a balance of power on the board, so no individual or group can dominate board processes or decision-making, and stimulates robust challenge and debate.

Ethics and organisational integrity

The board provides effective leadership based on an ethical foundation, and ensures that its conduct and that of management is aligned to the group's values and code of ethics. The group's code of ethics (the code) is designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles. The code interprets and defines the group's values and provides a values-based decision matrix to guide our conduct and interaction with our stakeholders. The code is designed to ensure that we adhere to the highest standards of responsible business practice. It is aligned with other group policies and procedures, and supports the relevant industry regulations and laws. The Ethics Institute of South Africa has certified that the code meets the highest standards of international best practice.

Ethics incidents are reported through the ethics and fraud hotline, group financial crime control unit, the human resources department, ethics mailbox, business unit ethics officers and line managers. Each business unit has an ethics officer who is responsible for ensuring that there is an awareness of the code within the business unit and for providing guidance on individual ethical concerns that may be raised by staff. The group maintains a confidential and anonymous hotline operated by an independent service provider. Awareness building and training is undertaken throughout the organisation to ensure employees are aware of the ethics reporting options available to them.

Board responsibilities

In discharging its duties, the board delegates authority to relevant board committees and individuals with clearly defined mandates and delegated authorities although the board retains its responsibilities.

Strategy

The board is responsible for the group's strategic direction. The board ensures the strategy is aligned with the group's values and performance targets, and monitors its implementation in relation to the group's risk profile. Financial performance is monitored through quarterly management reports. With SBG's refined strategy of focusing on Africa, the current socioeconomic development challenges on the continent and focus on corporate citizenship, SBG has agreed a social compact statement, which demonstrates our social commitment to various stakeholders.

Social compact

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

In line with banking regulations, the board agrees 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. The self-assessment for the period under review found that the group had materially achieved its corporate governance and risk management objectives.

Independent non-executive directors

The directors' affairs committee evaluates the independence of board members for board approval. Independence is determined according to the definitions in the King Code, which includes the number of years a director has served on the board. An annual review, in terms of an agreed methodology, is conducted of all directors who have served longer than nine years. Currently there are two such directors, namely Doug Band (appointed 1 May 1997) and Saki Macozoma (appointed 1 October 1998). The board concluded that Doug Band is independent both in character and judgement notwithstanding tenure.

Saki Macozoma and Cyril Ramaphosa are not considered to be independent due to their respective interests in the SBG's strategic empowerment partners, Safika and Shanduka. All other non-executive directors are considered to be independent.

Succession planning

Succession planning is a key focus and the directors' affairs committee considers the composition of the board and its committees on an ongoing basis. This review is aimed at ensuring that the board is able to meet strategic objectives.

Retaining board members with considerable experience is seen as imperative in ensuring that appropriate levels of oversight are maintained, together with an ongoing consideration of future board needs to ensure adequate board succession planning.

Sir Paul Judge and Sam Jonah KBE are, in terms of the memorandum of incorporation, due to retire from office at the group's annual general meeting on 31 May 2012. Both directors will not be standing for re-election. Sir Paul Judge was appointed to the board in 2003 and Sam Jonah KBE was appointed in 2006. They have been valued independent board members and the chairman and board would like to extend their appreciation for their contributions.

With regard to management, the board is satisfied that the current leadership pipeline available to the group, and the work being done to strengthen it, provides adequate succession depth over the short and long term.

Access to information and resources

There is ongoing engagement between executive management and the board. External auditors are invited to attend the audit committee and the risk and capital management committee meetings. Non-executive directors meet without the executive directors in closed sessions at each board meeting. Directors have unrestricted access to management and company information, as well as the resources to carry out their roles and responsibilities. This includes access to external legal advice at the group's expense in terms of an approved policy.

Appointment policy

The board regularly reviews the group's nominations and appointments policy, which is aligned with applicable legislation and regulations. These include, but are not limited to, the requirements of the Companies Act 71 of 2008 (Companies Act) and Banks Act 94 of 1990 (Banks Act). The policy sets out the process for nominating and appointing directors and key executives. In terms of the policy, management requires permission for external board appointments, which is only granted in exceptional circumstances. This reduces potential conflicts of interest and helps ensure that management devotes sufficient time and focus to group business.

In making an appointment, the board takes cognisance of the knowledge, skills and experience of a potential director, as well as other attributes considered necessary for the role. The board also considers the need for appropriate demographic and gender representation. Board candidates are subject to a fit-and-proper enquiry as required by the Banks Act.

Delegation of authority

The board retains effective control through a well-developed governance framework that provides for delegation of authority. Board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas. Each committee has a mandate, which the board reviews at least annually. The board delegates authority to the executive directors to manage the business and affairs of the group. The executive committee assists the chief executive when the board is not in session, subject to statutory parameters and the board's limits on the delegation of authority to the chief executive. The group governance office monitors board-delegated authorities.

The membership of the executive committee is set out on page 12.

Board effectiveness and evaluation

The board measures its effectiveness in a number of ways. Its performance is assessed annually against its mandate, as is the performance of its committees. Findings are reported to the directors' affairs committee after the external auditors have reviewed them. The respective committees and board consider each of the detailed reviews and feedback is provided to the board. During 2011, the board and its committees materially complied with their mandates.

External consultants were engaged to conduct the annual board evaluation. The evaluation process took the form of questionnaires completed by all board directors, followed by structured interviews. The board evaluation covered areas such as board performance, composition and dynamics, including the experience and knowledge of non-executive directors; and communication between the board and board committees. In addition, the board was benchmarked against peer companies and best practices applied by financial services organisations operating in global markets.

The findings were presented to the board at a special session convened for that purpose. The evaluation confirmed that the board continues to operate effectively. Key areas for improvement that have been or are being addressed include:

- strengthening of board expertise in specified areas;
- board training;
- structure and length of board meetings; and
- improved communication between board committees and the board.

The board has agreed a detailed work plan to ensure that agreed actions are implemented. This will be monitored by the directors' affairs committee.

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

Induction and ongoing education

Ongoing director education remains a focus. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the group and its operations. The directors' education programme continued to focus on business issues and additional time was scheduled outside of board meetings for sessions on pertinent issues for the board and its committees. In 2011, one of the annual board training sessions was externally facilitated and included an interactive session focusing on qualitative board effectiveness.

On appointment, each new director receives a governance manual that includes all relevant governance information such as mandates, management structures, significant reports, important legislation and policies. One-on-one meetings are scheduled with management to introduce new directors to the company and its operations. The group secretary is responsible for the induction and ongoing education of directors.

Board committees

Each board committee's mandate sets out the role, responsibilities, scope of authority, terms of reference, composition and procedures to be followed. The mandates are reviewed annually.

Board meetings

Five board meetings were held during 2011, with one meeting dedicated to reviewing the group's strategy. The table on page 27 shows each director's attendance at meetings of the board, audit committee, risk and capital management committee and directors' affairs committee during the period.

Board of directors – meeting attendance

	Board (including strategy)	Audit committee	Risk and capital management committee	Directors' affairs committee
Number of meetings held	5	5	6	4
Chairman				
TMF Phaswana[1]	5		5	4
Independent non-executive directors				
DDB Band	5		6	4
RMW Dunne	5	5	6	
TS Gcabashe	5	5		
SE Jonah KBE	4			
Sir Paul Judge	5			
KP Kalyan	5			
KD Moroka	4			
AC Nissen	4			
MJD Ruck	5		6	
Lord Smith of Kelvin, Kt	5	5		
EM Woods	5	5		
Non-executive directors				
SJ Macozoma	5		6	4
MC Ramaphosa	4			3
Executive directors				
JH Maree	5			
SP Ridley	5			
SK Tshabalala[2]	5			

[1] *Independent non-executive director.*
[2] *SBSA chief executive.*

Directors' affairs committee

Members
Chairman: TMF Phaswana[1]
DDB Band[1]
TS Gcabashe[1, 2]
SJ Macozoma[3]
MC Ramaphosa[3]

[1] *Independent non-executive director.*
[2] *Appointment effective 7 March 2012.*
[3] *Non-executive director.*

The directors' affairs committee assists the board in determining and evaluating the adequacy, efficiency and appropriateness of the group's corporate governance framework and practices. To achieve this, the committee continually considers local and international corporate governance, as well as regulatory and legislative developments.

The committee also functions as the nominations committee for directors. Its role is to identify, evaluate and recommend nominees to the board and board committees, and recommend the board evaluation methodology to ensure the board is able to fulfil its duties. The committee also monitors the process to assess the effectiveness of the board and its committees against their respective mandates and oversees the induction, development and ongoing education of directors.

With the introduction of the new Companies Act in 2011, the committee considered the implications of this new legislation including the definition of prescribed officers for the group and its subsidiaries.

The committee continued to ensure that the King Code requirements were embedded within the group.

The committee has been tasked with monitoring implementation of findings from the board evaluation and this will be a focus for 2012. In reviewing its performance for 2011, the committee considered its composition and recommended the appointment of a further independent non-executive director. Thulani Gcabashe was appointed by the board as a member of the committee with effect from 7 March 2012.

Audit committee

Members
Chairman: RMW Dunne[1]
TS Gcabashe[1]
Lord Smith of Kelvin, Kt[1]
EM Woods[1]

[1] *Independent non-executive director.*

The role of the audit committee is to review the group's financial position and make recommendations to the board on all financial matters, risks, internal financial controls, fraud and IT risks relevant to financial reporting. This includes assessing the integrity and effectiveness of accounting, financial, compliance, internal audit, sustainability and other control systems. The committee has a constructive working relationship with the chief audit officer, chief risk officer (CRO) and chief compliance officer who have access to committee members as required. The committee also ensures effective communication between the board, management, internal auditors, external auditors and regulators.

In accordance with the Banks Act the board has appointed the members of the committee, which is comprised solely of independent non-executive directors, with due consideration of the skills and experience necessary to fulfil the committee's role and responsibilities. There is considerable alignment in the membership of the audit committee and the risk and capital management committee which strengthens governance oversight across all finance and risk matters.

The committee is responsible for the monitoring of the internal control framework which comprises the group's three lines of defence model. The three lines of defence model is designed to separate the relevant duties and ensure independent reporting lines to underpin effective internal control and risk management. The first line of defence includes management of business lines and legal entities. The second line of defence includes oversight functions such as finance, risk management, legal and governance and assurance. The third line of defence is that of group internal audit. This defence model is overlaid by the group's corporate governance framework. More detail is provided on the three lines of defence model in the risk and capital management report on page 54.

Internal financial controls are in place to ensure the integrity of the group's qualitative and quantitative financial information, which is used by a variety of stakeholders. Assurance of the effectiveness of internal financial controls during 2011 was firstly achieved through management confirmation that the financial governance controls and internal financial controls supporting the assertions in the financial statements operated effectively during the year, and secondly, through the audit work conducted by the internal and external auditors, which was coordinated as part of their annual risk-based audit plans.

The committee considered reports from group internal audit on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management to prevent such losses from recurring.

There is a formal policy on non-audit fees, the purpose of which is to ensure that the independence and objectivity of the auditors is not impaired. Non-audit services are approved in terms of the policy and reported to the committee on a quarterly basis.

The audit committee reviewed the financial information published by the group including the content of the annual report, which was recommended to the board for approval. The group continues to keep abreast of reporting developments, in particular around changes in accounting policies and trends in reporting.

IT was a focus during the year and good progress was made in strengthening the IT governance framework with the restructuring of the group strategic technology and operations forum.

The committee reviewed reports and activities of the group's financial crime control unit, which provided comfort that the mitigation and control of fraud and related risks was adequately managed during the year.

Further details on the committee's fulfilment of its statutory obligations are set out on pages 103 and 104.

Risk and capital management committee

Members
Chairman: MJD Ruck[1]
DDB Band[1]
RMW Dunne[1]
SJ Macozoma[2]
TMF Phaswana[1]
EM Woods[1, 3]

[1] Independent non-executive director.
[2] Non-executive director.
[3] Appointment effective 7 March 2012.

The main function of the risk and capital management committee is to provide independent and objective oversight of risk and capital management in the group. The committee also reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are managed effectively, and contribute to a culture of discipline and control that reduces the opportunity for fraud.

Richard Dunne is the chairman and Ted Woods is a member of the audit committee. This common membership ensures effective oversight of all finance and risk issues, and that agendas are aligned and duplication is avoided.

The risk and capital management committee considered the group's risk profile relative to current and future group strategy. The committee reported to the board following each meeting on its consideration of the risk profile of the group and any longer-term macro or perceived strategic threats to the group, and made recommendations as appropriate. Through this oversight, the risk and capital management committee was satisfied that there were no material risks that may threaten the long-term sustainability of the group.

At each meeting of the risk and capital management committee, the CRO provided the committee with an overview of the key risk issues discussed at the group risk oversight committee. An update was also given by the individual group risk type heads on the specific issues of group-level significance as well as other relevant items in their respective areas of responsibility.

The group risk framework provides a basis for ongoing self assessment of appropriate risk appetite and compliance with the group's minimum control requirements, as articulated in the group governance standards for business continuity, capital management, country, credit, insurance, liquidity, market and operational risk.

The risk and capital management committee received regular reports on the development of the group risk framework during 2011. The approach to group risk appetite was developed significantly in the latter part of 2010 and during 2011, and continues to be enhanced. Risk appetite, the current risk profile and projected risk tendency were regularly reviewed by the risk and capital management committee which makes recommendations to the board on risk appetite as part of this ongoing process.

During the course of the year, the mandate was expanded to include credit risk.

The board is responsible for IT governance and ensures that IT strategy is aligned with the group's strategic objectives and performance targets. The audit and risk and capital management committees assist the board in discharging its duties in respect of IT governance. The group strategic technology and operations forum, chaired by the group chief information officer, is tasked with IT governance and oversight. During 2011, the IT governance framework was further strengthened by realigning existing governance structures. These improvements focused on better supporting the group's business architecture and resulted in creating a dedicated IT function for group enabling functions and operations. This entails a single IT function across the group's business lines and geographies.

Large exposure credit committee

This committee is designated by the board to discharge the responsibility of ensuring compliance with the Banks Act regulations in respect of large exposures, as defined in the regulations. This committee reported quarterly to the board through its chairman on all large exposures as defined in the regulations. The committee meets on an ad hoc basis with the requirements for a quorum being mandatory in terms of guidance from the South African Reserve Bank.

Transformation

Monitoring transformation initiatives and matters relating to BEE are key agenda items of the committee. Compliance with current and evolving legislation and related regulations such as the charter, the dti codes and the Employment Equity Act 55 of 1998 will continue to be important focus areas for the committee. The process to convert the voluntary status of the charter to that of a sector code in terms of the relevant legislation was finalised at the end of 2011, with Standard Bank being an active participant in the process. The Financial Sector Code of Good Practice was gazetted for the second phase of public opinion at the end of March 2012.

Standard Bank continued to make good progress in its performance against the dti codes and was rated as an AA level two value-adding contributor, with an overall score of 92,47, detailed on page 41. An accredited BEE verification agency conducted an independent assessment of the bank's BEE performance in terms of the dti codes. Further detail on the bank's transformation progress is contained in the group sustainability report, available at **www.standardbank.com,** under sustainable development.

The regional business grouping element of the Tutuwa Share Scheme provides for the equity participation of SMEs through the Tutuwa Community Trust (the trust). Initial participation rights were awarded to 250 SMEs in 2006. For various reasons, a small number of our SME beneficiaries no longer qualified in terms of the rules and the bank actively looked to replace these SMEs. A list of candidates was considered, with 13 additional candidates being selected to participate in the trust. In six cases the level of black female ownership is 50% or higher, with two firms being 100% owned by black women. The original beneficiaries each hold 35 753 shares worth approximately R2 million as at 31 December 2011. The replacement beneficiaries each hold 20 000 shares worth approximately R1,1 million as at 31 December 2011.

Group secretary

One of the roles of the group secretary is to ensure the board remains cognisant of its duties. In addition to guiding the board on discharging its responsibilities, the group secretary keeps the board abreast of relevant changes in legislation and governance best practice. The group secretary also oversees the induction of new directors, as well as the ongoing education of directors. To enable the board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments that may affect the bank and its operations. All directors have access to the services of the group secretary.

Going concern

On the recommendation of the audit committee, the board annually considers and assesses the going concern basis in the preparation of the annual financial statements at year end. At the interim reporting period, a similar process is followed to enable the board to consider whether or not there is sufficient reason for this conclusion to be affirmed. In addition, the audit committee and the board also considered the solvency and liquidity requirements of the Companies Act.

Connecting with our stakeholders

The group's relevance to the markets and societies in which we operate depends on continued and meaningful engagement with all our stakeholders. The group's stakeholder management approach involves the optimal application of the organisation's resources to build and maintain good relationships with stakeholders. This helps the group to manage the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

Stakeholder engagement is a quarterly board agenda item, where feedback from various business units engaging with stakeholders is reported. The stakeholder relations management unit is tasked with ensuring consistent engagement with the group's various stakeholders. The reputation management forum, a management committee, was established in 2011 to facilitate a coordinated approach to stakeholder engagement. It looks at Standard Bank's reputation among different stakeholder groups. In addition, a government engagement committee was set up in 2011 to specifically focus on Standard Bank's interactions with government stakeholders in South Africa, focusing on policy and regulatory advocacy and public sector business development.

The group is supportive of resolving disputes in the most beneficial manner. The group has a robust dispute resolution process in place, which involves a well-developed complaints management process and an internal Ombudsman. For cross-border transactions, every effort is made to arbitrate rather than to revert to legal action.

Numerous stakeholder engagement initiatives took place during the year. More information on these initiatives can be found in the sustainability report available at **www.standardbank.com** under sustainable development.

In addition, key issues raised by stakeholders and Standard Bank's response can be found on page 40.

Sustainability

SBG's 2011 sustainability report aims to present a balanced analysis of the group's sustainability performance in relation to issues that are relevant and material to the group and its stakeholders. Printed copies of the sustainability report can be obtained from the group secretary. Alternatively, stakeholders are encouraged to visit our sustainability website at **www.standardbank.com** under sustainable development which provides more detail on the group's sustainability performance.

Political party contributions

As part of the group's commitment to support South Africa's democratic processes, Standard Bank makes financial contributions to political parties. In terms of the bank's policy, agreed in 2005, funds are distributed based on the Independent Electoral Commission's funding formula. In line with this formula Standard Bank makes annual donations to political parties in proportion to their representation in the National Assembly. The total allocation to political parties for the five-year election cycle from 2010 to 2014 will be R13,5 million. The amount donated in 2011 was R2,1 million.

Codes, regulation and compliance

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving its strategy. The board delegates responsibility for compliance to management and monitors this through the compliance function and a dedicated regulatory and legislative oversight function. Oversight of compliance risk management is delegated to the audit committee, which reviews and approves the mandate of the group chief compliance officer, who reports on a quarterly basis on, among other issues, the status of compliance risk management in the group, significant areas of non-compliance, as well as providing feedback on interaction with regulators. The group compliance function as well as the compliance policy and governance standards are subject to review and audit by group internal audit. The regulatory and legislative oversight committee is a dedicated management committee that assesses the impact of proposed legislation and regulation. Material regulatory issues are escalated to the group risk oversight committee and the risk and capital management committee.

Code of banking practice

A code of banking practice, endorsed by the members of the Banking Association of South Africa, of which Standard Bank is a member, safeguards the interests of consumers. The code of banking practice was revised in 2010 to take into account the recommendations of the Competition Commission's inquiry into banking in South Africa and the new Consumer Protection Act 68 of 2008 (Consumer Protection Act). The revised code of banking practice was agreed and published in 2011, becoming effective on 1 January 2012. The code of banking practice covers issues such as the rights of customers in bank dealings and complaints resolution procedures. Standard Bank has embarked on a project to ensure compliance with the new requirements.

Codes of conduct

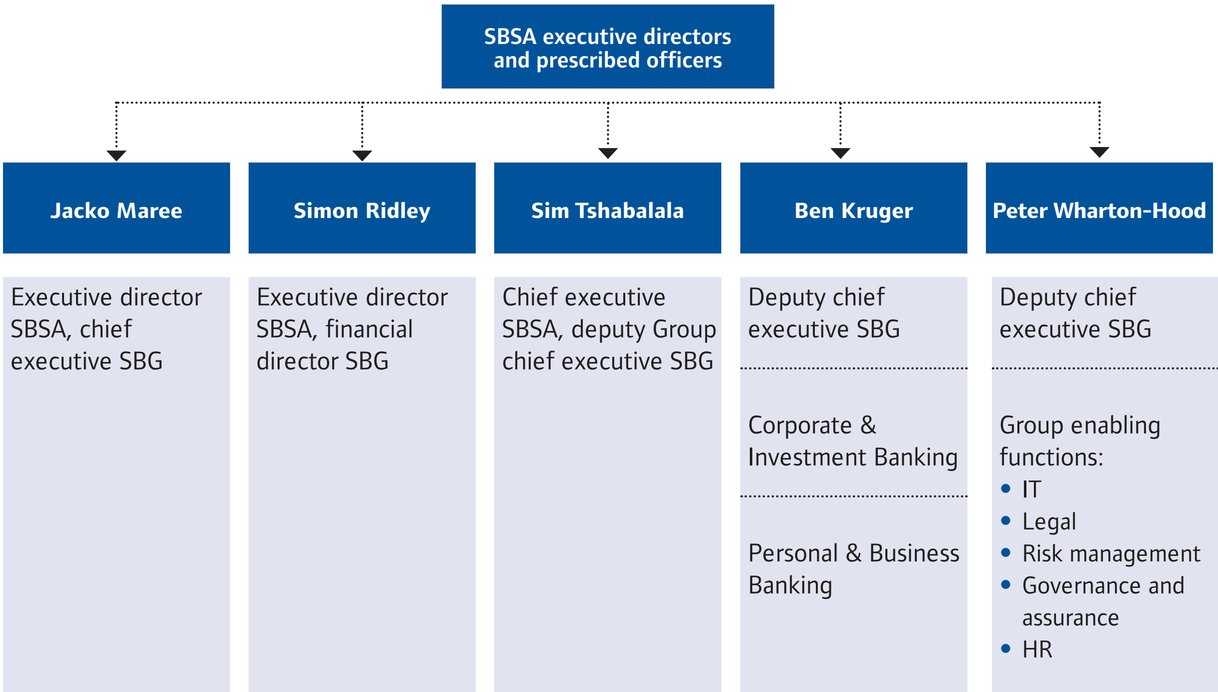
Standard Bank has adopted the Banking Association of South Africa's code for the selling of unsecured credit which governs the relationship between banks and their customers in respect of credit extension. Regular risk reviews are embedded in the credit function and provide the means to regulate credit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

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

Companies Act

The introduction of the new Companies Act has necessitated changes in the group. Some of these changes included redrafting the group's memorandum of incorporation, previously known as the articles of association. The directors' affairs committee deliberated the definition of prescribed officers and, together with the board, has agreed the prescribed officers are those key executives who are responsible and have control over major business lines and participate in strategic decisions relating to those business lines. In addition, the remuneration disclosures have been extended to include prescribed officers. The diagram on the following page illustrates the executive directors and the prescribed officers.

SBG established a group social and ethics committee during 2011 in terms of the new Companies Act and Regulations. The group transformation committee's mandate was expanded to include the relevant statutory requirements. This committee will perform those functions on behalf of Standard Bank including monitoring the bank's activities in respect of: social and economic development; transformation; labour and employment policies, practices and procedures; environmental impacts; consumer relationships; and ethical conduct.



Board of directors

Fred Phaswana




1	2
3	4

1 Sim Tshabalala
2 Doug Band
3 Richard Dunne
4 Thulani Gcabashe




5	6
7	8

5 Sam Jonah KBE
6 Sir Paul Judge
7 Koosum Kalyan
8 Saki Macozoma

9	10
11	12

9 Jacko Maree
10 Kgomotso Moroka
11 Chris Nissen
12 Cyril Ramaphosa

13	14
15	16

13 Simon Ridley
14 Myles Ruck
15 Lord Smith of Kelvin, Kt
16 Ted Woods

Fred Phaswana (67)
BA, BA (Hons) and MA (Unisa), BCom (Hons) (RAU), BA (Philosophy, Politics and Economics) (Unisa)

Appointed 2009

Fred Phaswana is chairman of Standard Bank Group and The Standard Bank of South Africa. He is also chairman of the South African Institute of International Affairs and non-executive director on the board of Naspers.

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

He chairs the directors' affairs committee and is a member of the risk and capital management committee, and the large exposure credit committee.

Sim Tshabalala (44)
BA LLB (Rhodes), LLM (University of Notre Dame USA), HDip Tax (Wits), AMP (Harvard)

Appointed 2008

Sim Tshabalala is the chief executive of The Standard Bank of South Africa. He joined Standard Bank Group in 2000 in the project finance division of Standard Corporate and Merchant Bank. From 2001 to 2006 he was managing director of Stanbic Africa, and from 2003 he served concurrently as deputy chief executive of Personal & Business Banking. He was appointed chief executive of Personal & Business Banking in 2006. In June 2008, he became chief executive of SBSA. In 2009, Sim was appointed deputy chief executive of Standard Bank Group.

Sim currently serves on the board of The Standard Bank of South Africa as well as the Banking Association of South Africa.

Sim is a member of the large exposure credit committee.

Doug Band (67)
BCom (Wits), CA (SA)

Appointed 1997

Doug Band is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He currently serves as a director of the Bidvest Group, Gymnogene Investments, Deplian Investments and MIH Holdings. Previously, Doug served as managing director of CNA Gallo, chief executive of the Argus Holdings Group and chairman and chief executive of the Premier Group.

Doug is a member of the directors' affairs committee and risk and capital management committee, as well as the large exposure credit committee.

Richard Dunne (63)
CTA (Wits), CA (SA)

Appointed 2009

Richard Dunne is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He currently serves on the boards of Anglo Platinum, AECI and Tiger Brands, and was previously the chief operating officer of Deloitte & Touche in South Africa.

Richard is chairman of the audit committee and is a member of the risk and capital management committee.

Thulani Gcabashe (54)
BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)

Appointed 2003

Thulani Gcabashe is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is currently chairman of Imperial Holdings and MTN Zakhele and executive chairman of BuiltAfrica Holdings, and serves on the boards of the South African Energy Association and the Passenger Rail Agency of South Africa. Previously, he was chief executive of Eskom and a director of the National Research Foundation.

Thulani is a member of the directors' affairs committee[1] and the audit committee.

Sam Jonah KBE (62)
ACSM, MSc, DIC, DSc (UK)

Appointed 2006

Sam Jonah KBE is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is the chairman of Jonah Capital and Gulf Resources and deputy chairman of Iron Mineral Beneficiation Services. He serves as a non-executive director of Alkemi International, South African Titanium and Vodafone Plc, and is a director of Jonah Mining, Bayport Management and Range Resources.

Sam Jonah KBE is a member of the United Nations Global Compact on Governance and serves on the International Investment Advisory Council of President Kufuor (Ghana).

Sir Paul Judge (62)
MA (Cambridge), MBA (Pennsylvania), Honorary Degrees (Cambridge, Westminster and City University), Honorary Professor (Cyprus International Institute of Management and the Sinerghia Institute in Moscow)

Appointed 2003

Sir Paul Judge is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Schroder Income Growth Fund Plc and a director of Abraaj Capital, Eurasian Natural Resources Corporation Plc, Panoramic Lease, Tempur-Pedic International Inc., Westminster Corporate Finance and United Kingdom Accreditation Service.

Sir Paul previously undertook a number of international postings and projects with Cadbury Schweppes.

Koosum Kalyan (56)
BCom (Hons) (Durban-Westville)

Appointed 2007

Koosum Kalyan is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. She is chairman of Edgo Merap and a director of Kgontsi Holdings, MTN Group, South African Bank Note, South African Mint Company, Omega Risk Solutions, Euromax, Hayleys Energy Services and Petmin Mining.

Koosum was previously senior business development manager at Shell International Exploration and Production in London, general manager for Shell Southern Africa, senior economist at the Chamber of Mines and economist at the Electricity Commission of Victoria, Melbourne Australia.

[1] *With effect from 7 March 2012.*

Saki Macozoma (54)
BA (Unisa), BA (Hons) (Boston)
Appointed 1998

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

Saki is a member of the directors' affairs committee and risk and capital management committee.

Jacko Maree (56)
BCom (Stellenbosch), MA (Oxford), PMD (Harvard)
Appointed 1997

Jacko Maree is chief executive of Standard Bank Group and a director of The Standard Bank of South Africa, Standard Bank Plc, Liberty Holdings, Stanbic Africa Holdings and Stanbic IBTC Bank PLC. He is a member of the board of the Institute of International Finance.

Jacko is a member of the large exposure credit committee.

Kgomotso Moroka (57)
BProc (University of the North), LLB (Wits)
Appointed 2003

Kgomotso Moroka is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. She is chairman of Gobodo Forensic & Investigative Accounting and is a director of Multichoice South Africa Holdings, Netcare and South African Breweries.

Kgomotso is a senior advocate. She has acted as a judge in the Witwatersrand Local Division and was past chairperson of Advocates for Transformation (Johannesburg branch). She is currently a trustee of the Nelson Mandela Children's Fund, Project Literacy, the Market Theatre, the Apartheid Museum and Tswaranang Legal Advocacy Centre.

Chris Nissen (53)
BA (Hons), MA Humanities (Cape Town), Diploma in Theology
Appointed 2003

Chris Nissen is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Boschendal, Cape Empowerment and Ascension Properties, and is a director of Woolworths.

Cyril Ramaphosa (59)
BProc (Unisa)
Appointed 2004

Cyril Ramaphosa is a non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Shanduka Group, Auram Restaurants Company (t/a McDonalds SA), the Bidvest Group and MTN Group. He is co-chairman of Macsteel Services Centre SA and Mondi Plc.

Cyril is a director of Alexander Forbes Equity Holdings, Kangra Coal, Lonmin Plc, SABMiller Plc, TBWA Hunt Lascaris and Tutuwa Strategic Holdings 1.

Cyril is a member of the directors' affairs committee.

Simon Ridley (56)
BCom (Natal), CA(SA), AMP (Oxford)
Appointed 2009

Simon Ridley is an executive director of Standard Bank Group and The Standard Bank of South Africa. He serves as a director of Standard Bank Argentina SA, Standard International Holdings SA, Stanbic Africa Holdings and SBIC Investments, as well as Tutuwa Staff Holdings and Tutuwa Community Holdings.

Simon is a member of the large exposure credit committee.

Myles Ruck (56)
BBusSc (Cape Town), PMD (Harvard)
Appointed 2002

Myles Ruck is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Standard Bank Argentina SA and a director of Aveng, Mr Price Group and Thesele Group.

Myles was previously chief executive of Standard Corporate and Merchant Bank, deputy chief executive of Standard Bank Group and chief executive of Liberty Group.

Myles is chairman of the risk and capital management committee and the large exposure credit committee.

Lord Smith of Kelvin, Kt (67)
CA, Fellow of the Institute of Bankers (Scotland), Honorary Degrees (Edinburgh, Glasgow, Paisley)
Appointed 2003

Lord Smith is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He is chairman of Scottish and Southern Energy Plc, The Weir Group Plc and 2014 Commonwealth Games Organising Committee.

Lord Smith was formerly chairman and chief executive of Morgan Grenfell Private Equity and chief executive of Morgan Grenfell Asset Management, before becoming vice chairman of Deutsche Asset Management. He has also held a number of other positions in the financial services industry. He is a past president of the Institute of Chartered Accountants of Scotland.

Lord Smith is a member of the audit committee.

Ted Woods (65)
BCom (Wits), MBA (Cape Town), CA(SA), CFA
Appointed 2003

Ted Woods is an independent non-executive director of Standard Bank Group and The Standard Bank of South Africa. He was previously chairman of Deutsche Securities in South Africa.

Ted is a member of the audit committee and risk and capital management committee[1].

[1] *With effect from 7 March 2012.*

Managing sustainable development

As a financial services group, our most important contribution to sustainable development is to support and facilitate economic growth and development. Through access to credit savings and insurance products, individuals are able 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 solving global challenges such as energy and food security, resource depletion and climate change.

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

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

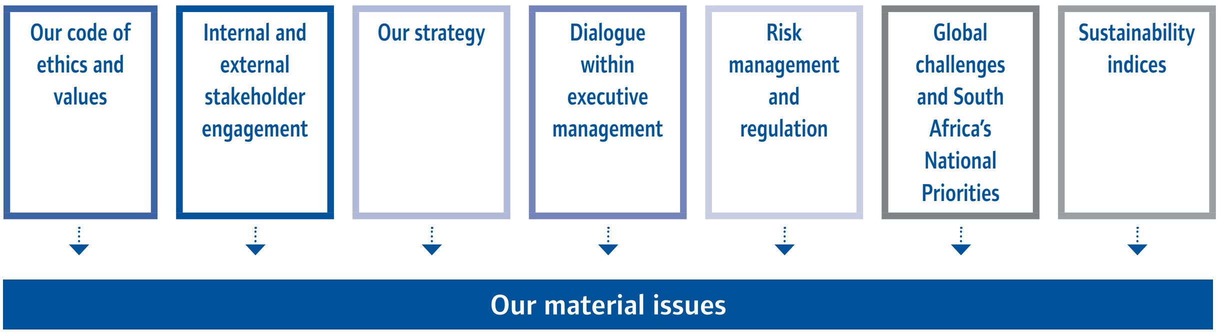
Ultimate accountability and responsibility for sustainable development rests with the board. Through the group's governance structures, this responsibility is delegated to appropriate board and management committees.

The SBG social and ethics committee also guides and monitors the social, ethical, economic, environmental and transformation initiatives of the group.

Identifying our material issues

An issue is material when it impacts our ability to remain commercially viable and socially relevant to the communities in which we operate. In particular, material issues are those that have a strong bearing on our stakeholders' assessments and decisions about the group's long-term sustainability and its commitment to their needs. How effectively we manage these issues affects our ability to execute our strategy. Our material issues are reviewed annually and are approved by the group executive committee. Inputs into the identification of our material issues are set out in the diagram below.

How we identify our material issues



Our material issues are

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

Benchmarking

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

Sustainability indices

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

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

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

Carbon Disclosure Project

The group participates in the Carbon Disclosure Project (CDP), an independent initiative encouraging transparency on all climate change-related issues and emissions performance. In the 2011 CDP, Standard Bank scored 74% (2010: 74%) and was included in the South African CDP Leadership Index.

Assurance

The King Code advocates that sustainability reporting should be independently assured. SBG's sustainability report has been independently assured since 2005. The 2011 SBG sustainability report was independently assured by KPMG Services Proprietary Limited. Assurance was provided over 12 key performance indicators with seven of these indicators assured at a reasonable assurance level and the five remaining at a limited assurance level. The full assurance statement can be found in the sustainability report. An extract from the stand-alone sustainability report of issues material to our stakeholders and the group's long-term sustainability has been included in this report. Internal audit's review of the sustainability report, in line with the combined assurance approach under the King Code, provides support for the assurance statement by KPMG Services Proprietary Limited.

Stakeholders

Stakeholder engagement

The group's operations directly and indirectly impact on and are impacted by social, political, economic, environmental, legal and regulatory factors. We have developed systems that help us to deal proactively with our broad business environment and maintain strategic relationships with a range of stakeholders to manage social expectations, minimise reputational risk and form strategic partnerships.

Our stakeholder relations management strategy is to continuously improve the alignment between the group and its key stakeholders. Stakeholder expectations regarding social, environmental and economic issues are identified and researched, followed by discussions with internal stakeholders. Detailed quarterly reports on stakeholder relationships and related issues are provided to the board. We have broad and diverse stakeholders.

Our major stakeholders are depicted below. The South African Government, including national, provincial and local government, is a priority stakeholder and as such we have introduced a government relations committee to share information and coordinate our engagement with government across all business units and functions.

During 2011, we engaged with key stakeholders in both the political and civil arenas, the highlights of which are included in the table on the following page. For a detailed list of issues raised by our stakeholders, refer to the SBG sustainability report.

Examples of interaction with our stakeholders during 2011

Stakeholder	Issues raised	Our response
Employees	Effectively engaging with our employees	• We have begun implementing employee engagement sessions in certain business units and similar approaches are being considered across the group. • A number of employee surveys are planned for 2012 to measure engagement and organisational culture. • The most common issues raised through Independent Counselling and Advisory Services, a confidential support service, are increased stress levels, legal and relationship problems and issues related to the workplace. • We have a comprehensive employee wellness programme that helps employees deal with these concerns.
South African Government	The financial services sector's contribution to the development of the economy and partnerships with government on these development initiatives	• We provide government with a wide range of advisory and financial services. • We facilitate infrastructure development and build capacity by sharing our knowledge and experience. • We work with government on areas of common interest. Some of the projects we sponsored or partnered with government include: the Department of International Relations and Cooperation Heads of Mission Conference; the City of Tshwane Investment Seminar; the African Renaissance Conference; and the launch of the South African Local Government Association Gauteng Induction Programme for new councilors.
South African Government and non-governmental organisations	Climate change and rising greenhouse gas emissions, the shortage of energy and funding coal-fired power stations	• Energy scarcity remains a challenge and it is not possible for a developing country to stop using coal-fired power stations at this time. • In the first bidding phase of the REIPPP programme, together with our clients we won 13 bids with an installed renewable capacity of 605 megawatts, a total financing requirement of R8,2 billion. • During 2011, we invested R19,1 million in energy efficiency projects in our operations, including photovoltaic systems in two office complexes and a national re-lamping project. • We have developed and implemented environmental and social risk management tools to ensure that companies we lend to mitigate these risks. • We launched programmes enabling our customers to access carbon credits to reduce their own carbon footprint. • As a member of the Equator Principles Steering Committee and chair of the African outreach working group, we engage with government and other financial institutions in emerging markets on environmental and social risk management measures in their debt and equity business. During 2011, we presented at the Nigerian Sustainable Finance Week and engaged with the China Banking Regulatory Commission, thereby contributing towards the respective development of the Nigerian Sustainable Banking Principles and the Chinese Green Credit Guidelines.

Transformation

For Standard Bank, transformation is a fundamental change process which affects every aspect of our business, either directly or indirectly, by virtue of being a South African company. At a national level, the ultimate purpose of transformation is to address the systematic exclusion of the majority of South Africans from full participation in the economy, particularly black South Africans, people with disabilities and women.

Transformation is a social and economic imperative for the country's long-term future and has real commercial value. Empowerment contributes to the national imperative of creating jobs, which promotes sustainable growth and social stability. In turn, this positively affects South Africa's credit rating and the perceptions of international investors. By providing access to credit and financial services, banks have a major impact on transformation.

At Standard Bank, our attitude and strategy towards achieving meaningful transformation goes beyond merely meeting compliance targets. We aim to create a culture that embraces openness, fairness and diversity. We want this culture to be a tangible, everyday reality for our employees, customers, stakeholders and the communities we serve. We firmly believe that successful transformation is central to our ongoing competitiveness.

Accordingly, we plan to continue working hard in all of the major areas of transformation, namely employment equity (particularly in leadership positions), preferential procurement, enterprise development, skills development, black agriculture and financial inclusion.

Our transformation progress is currently measured against the dti codes, the Employment Equity Plan as regulated by the Department of Labour and the Workplace Skills Plan which is regulated through the Sector Education and Training Authorities. During 2011, accredited BEE verification agencies conducted independent assessments of Standard Bank's BEE performance against the dti codes. Standard Bank qualifies favourably as a level two contributor in a nine-level model, with a verified overall score of 92,47 out of 107.

While the dti codes provide a framework and balanced scorecard to measure transformation progress, two uniquely financial sector-specific elements are excluded, namely access to financial services and empowerment financing. Given their importance in driving economic transformation, we have continued to deliver and report on the provisions of the charter with respect to these two elements. We have established internal targets for these elements.

The process to convert the voluntary status of the charter to that of a sector code in terms of the relevant legislation was concluded in principle at the end of 2011, with Standard Bank being an active participant in the process. The negotiating parties achieved positive positions around the major pillars of the Financial Sector Codes namely ownership, empowerment finance, enterprise development and access to financial services pillars. The Financial Sector Code of Good Practice is expected to be gazetted for the second phase of public opinion at the end of March 2012.

The newly established SBG social and ethics committee provides board-level oversight and monitors our progress in meeting our transformation targets. It also ensures compliance with current and evolving BEE legislation. This accountability at board level is translated into scorecards for individual business units, which are closely monitored by executive management through the group social and ethics committee.

A comprehensive and consolidated BEE report is available online at **www.standardbank.com** under sustainable development.

Scorecard by category – dti

Category	Available points	2011 Results[1]	2010 Results[1]
Ownership	23	**20,18**	20,00
Control	11	**8,46**	8,25
Employment equity	18	**12,44**	12,54
Skills development	15	**12,02**	12,04
Preferential procurement	20	**19,37**	20,00
Enterprise development	15	**15,00**	15,00
Socioeconomic development	5	**5,00**	5,00
Total score	107	**92,47**	92,83

[1] *Externally verified by Empowerdex.*

Employment equity in South Africa

Economic conditions have impacted our ability to achieve our employment equity targets as prescribed in the dti codes. We have therefore implemented a longer-term view of this key business imperative and have put in place a three-year action plan to address identified challenges.

Personal & Business Banking and Corporate & Investment Banking have clearly defined recruitment and promotion principles. These principles aim to ensure that 80% of all new recruits are black and that 50% of all new recruits and candidates promoted are women. The 80% target has already been achieved at junior staff level across Standard Bank.

Our effort to accelerate the recruitment of people with disabilities is a continuing challenge. Our 2016 target is to have 3% of our workforce being black employees with disabilities. At December 2011, 1,0% (2010: 0,8%) of our workforce were black employees with disabilities.

Socioeconomic development

Standard Bank recognises that the private sector plays a central role in the development of countries. Businesses are able to contribute to the investments required to stimulate economic development and to mitigate risks posed by global challenges.

To this end, we work to provide financial services to marginalised communities through innovative solutions, including financing and supporting small businesses and smallholding farmers. The financial services we supply to businesses support their ability to operate and grow, ultimately facilitating employment. In addition, we invest in infrastructure development, finance and advise governments, facilitate trade between markets, partner with organisations that lead global efforts to fight poverty and HIV/Aids and aid in the distribution of donor funds. Our procurement spending and corporate social investment also encourage social development.

Our customers range from individuals and small businesses to large corporates and governments. To sustain our business performance, we must remain responsive to the markets in which we operate by understanding our customers' different needs and providing relevant products and services. To this end, we must maintain robust governance and risk management frameworks to facilitate transparent pricing structures, responsible lending, customer service and security.

Responsible financial services

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

Various pieces of South African legislation are designed to ensure that consumers' rights are protected and that we offer our customers responsible financial products and services. These include the Consumer Protection Act, the Financial Advisory and Intermediary Services Act 37 of 2002 and the National Credit Act 34 of 2005. We provide ongoing consumer education advising customers of their rights, including the existence of the Banking Ombudsman and the National Consumer Commissioner. Over and above this, the group voluntarily endorses and subscribes to a number of codes of conduct such as the Code of Banking Practice, which sets out the industry's commitment to high standards of responsible customer service.

Treating Customers Fairly

Treating Customers Fairly (TCF) is an approach to market conduct regulation that will be implemented in the South African financial services sector over the next three to four years. Standard Bank was invited to participate in the FSB's TCF self-assessment pilot exercise in 2011. We fully support the principle of TCF and welcomed the opportunity to contribute to the development of this regulatory framework while simultaneously being able to assess our own readiness.

Indebtedness

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

During 2011, growth in lending was strong, despite limited consumer demand for new borrowing. High levels of debt stress continued to impact on arrears. During the year, we successfully adapted our pricing models to more effectively price for risk. This has been most effective in the home loans market, resulting in Standard Bank growing its market share to be the largest provider of residential mortgages in the affordable housing segment, as well as in mainstream residential property, in South Africa.

We reduced the minimum repayment due on outstanding balances across all our credit card accounts from 5% to 3%. Our objective was to make credit more accessible, stimulate consumer demand and assist our customers to manage their monthly expenses more efficiently.

Pricing

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

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

Accessible banking products

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

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

During 2011, we acquired 1 356 636 (2010: 938 052) transactional customers who are new to banking, bringing the number of inclusive banking customers with a transactional account to 5,4 million at December 2011. This accounts for 59% of the total personal banking customer base. Some 4,3 million inclusive banking customers are active. Currently an average of 5,8 revenue-generating transactions per customer per month take place through these low-cost channels.

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

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

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

The initial success of our personal term loan, a lending product for the low-income market, was lower than anticipated. After engaging with target customers, we were able to gain a better understanding of unsecured lending to the informal sector. The product was revised and we increased our market awareness initiatives. The result has been good growth of this product offering with current daily sales in excess of 1 000. This improvement is also attributable to the accessibility of Standard Bank's loan centres as well as risk-based pricing, which ensures that lower-risk customers pay less. At December 2011, Standard Bank held 306 000 personal term loan accounts and had 105 loan centres across South Africa. We have set a target to have 170 loan centres operational at the end of 2012.

Consumer education

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

During 2011, we increased our reach to an additional 800 schools across South Africa, now reaching a total of 2 500 schools and approximately 500 000 grade 10 and 11 learners.

Youth market

During 2011, Personal & Business Banking launched the Student Achiever Youth Portal, a first for South Africa. This online multi-channel portal caters to the needs of the youth market and offers users, predominantly between the ages of 16 and 22, relevant, easy-to-understand information about financial services and products. We developed a partnership with e.tv youth programmes to provide interactive webcasts of interviews with relevant celebrities and experts for users of the portal. Our youth strategy is an inexpensive customer acquisition strategy with the aim to attract these customers now and as they mature to offer them the transactional and lending products and services they require. We will use this tool to guide the creation of new products and services for this market. Over 125 500 Youth Portal registrations have taken place since its launch in July 2011.

Supporting small and medium enterprises (SMEs)

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

Township micro-franchising

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

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

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

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

We plan to grow our market share in the SME segment through the ongoing development of our enterprise development model. We will provide simpler banking through initiatives such as BizConnect and the business response centre.

In 2006, participation rights were awarded to 250 qualifying BSMEs under the Tutuwa Community Trust (Standard Bank's BEE ownership transaction). For various reasons, a small number of these BSME beneficiaries no longer qualified in terms of the rules and we actively looked to replace these BSMEs. During 2011, 13 candidates were selected to participate in the Tutuwa Community Trust. In six cases, the level of black women ownership is 50% or higher with two businesses being 100% owned by black women. At 31 December 2011, each new beneficiary held 20 000 shares worth approximately R1,1 million. These BSMEs are included in our enterprise development initiatives and we provide them with access to our procurement processes to enable them, where feasible, to become suppliers to the bank.

Agriculture financing

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

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

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

Agribusiness Leadership and Mentorship Development

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

Affordable housing

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

During 2011, we granted R3,3 billion in affordable housing loans through approximately 9 500 home loans. Our target is to double our affordable housing home loan book to R20 billion by 2015. Low-income earners who belong to pension and provident funds can enter agreements with the pension-backed lending unit, to access finance to buy, build or renovate a home. In 2011, this unit issued loans to the value of R382 million (2010: R479 million). We are piloting a rent-to-buy housing model designed to help customers with impaired credit records to qualify for home loans in future. The initiative defers ownership for a period of time, for example 12 to 18 months. During this period, the customer pays rent on the home. The bank approves financing once the customer is able to demonstrate that they can afford the rent, rates and other responsibilities, and have completed a debt rehabilitation programme. A portion of the rental amount is used to contribute towards the bond. Part of this initiative is to ensure that these customers are able to afford to pay their debts when interest rates rise.

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

Sustainability in the supply chain

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

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

During 2011, the group's procurement spend from BEE suppliers amounted to R17,3 billion. Standard Bank's provincial operations assist with identifying products and services that can be purchased within the provinces. This guards against an over-concentration of spending in one region and ensures that local small businesses and suppliers benefit from the bank's procurement spend. Our procurement spend at a provincial level amounted to R853 million in 2011 (2010: R901 million).

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

Ethical, social and environmental factors are taken into account in supplier selection. Environmental legislation, such as the National Environmental Management Act 107 of 1998, has been incorporated into Standard Bank's contracts with suppliers. In addition, a sustainability questionnaire is included as part of our supplier tendering process.

Empowerment financing

Targeted investments

Targeted investment refers to financial institutions in South Africa extending financing to areas where gaps or backlogs in economic development and job creation have not been adequately addressed. At December 2011, our targeted investment financing totalled R7 206 million (2010: R7 528 million).

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

BEE transaction financing

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

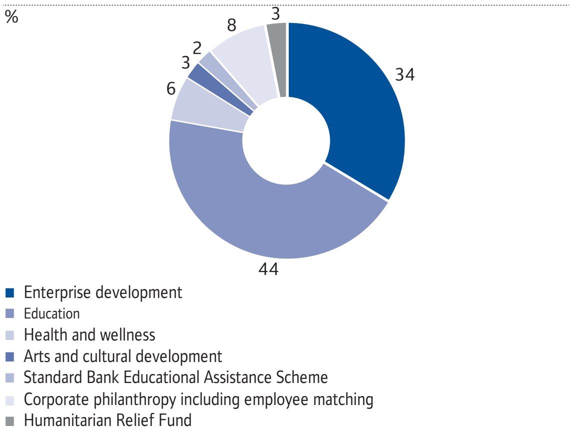
Investing in communities

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

Corporate social investment (CSI)

Our CSI activities are aligned with our strategic business objectives. We use CSI as a mechanism through which we can apply our resources to address social issues that can be barriers to doing business. We work in partnership with the communities in which we operate and prioritise communities in which we want to do business. We employ a research-based approach to understand the socioeconomic needs of these communities by engaging with government, other businesses and community organisations. Through merging business and CSI goals, we aim to create meaningful and lasting mutual benefit. Standard Bank's total CSI spend in 2011 was R72 million (2010: R100 million), with R32 million and R24 million (2010: R36 million and R35 million) being dedicated to education and enterprise development, respectively.

CSI spend



Our people

Employees are the key differentiator in achieving our strategy. We aim to achieve superior business results through a positively contributing workforce. We seek, retain and reward individuals who are passionate about our strategy. By establishing strong people practices and processes that support and enable the contributions and diversity of our people, our employees enjoy an improved experience in all their interactions and engagements within the group.

Key indicators

	2011	2010
Employee headcount	28 422	30 396
Women employees (%)	63	57
Employee total turnover rate (%)	12,5[1]	10,1
Skills development		
Total training spend (Rm)	358	450
Training spend as a % of staff costs (%)	3,2	4,1

[1] Total turnover increased in 2011 due to retrenchment exits and a slight increase in voluntary exits.

In order to achieve our strategy, we have identified five strategic imperatives with regards to our people practices, which are as follows:

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

Talent resourcing

The shortage of specialist skills in the financial market sector is a major challenge for the group. We seek to redeploy and develop internally, as we believe moving people within the group provides our employees with the requisite skills and experience to operate in a multi-national, multi-cultural environment.

We believe in developing our talent pipeline and as such employ top calibre graduates. In 2011, there were 131 participants in our graduate programmes from Standard Bank. Of these participants, 46% were women, and of our South African graduates, 82% were black. In 2011, our graduates were introduced to the group's executives during an induction programme which provided an overview of the group's strategy and business unit operations, and facilitated global networking.

Leadership capability

We take a global approach to leadership development, with tailored implementation depending on business area and region. The Global Leadership Centre is an innovative, high quality and comprehensive learning facility that provides managers with leadership development opportunities.

We have successfully implemented a more consolidated learning approach by combining traditional classroom-based training with practical learning. We have reviewed and enhanced our leadership programmes to ensure customer centricity, so that we are capable of competing in our chosen markets, and have the ability to lead and execute change. These will be implemented in 2012.

Maximising our human capital

Skills development

In 2011, the group's training spend amounted to R358 million, 3,2% (2010: 4,1%) of staff costs. R242 million (2010: R250 million) was spent on black employees, in line with empowerment objectives. We adopt a global approach, but we tailor our implementation to meet the diverse needs of our business areas, geographies, services and customers.

Diversity and inclusion

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

We support our employees and our customers with disabilities. This serves to improve access and provide a supportive environment through initiatives like an online disability awareness tool, a disability website and a disability helpline. Please refer to the following page for information on our employment equity practices.

Performance and reward

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

Remuneration

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

Employee wellness

Elements of our wellness initiatives include policies, employee wellness champions, health interventions, advice and counselling services, private medical insurance and global wellness campaigns. During 2011, we re-evaluated our wellness activities, with the objective of improving our processes, programmes and monitoring systems.

Standard Bank has trained employee wellness champions who are tasked with increasing employee awareness regarding wellness support structures and benefits available to them. In addition, they provide HIV/Aids and general wellness education and support to the bank's customers and the broader community.

We regularly analyse our absenteeism data, identifying employees whose sick leave records indicate potential health and wellness issues that might require support and assistance. HIV/Aids affects our business directly through loss of skills, increased resource requirements and cost of managing the health of our workforce and loss of business due to customer mortality or destitution. We also regularly undertake HIV testing and counselling drives.

Sustainable employment practices

Employee community involvement

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

IT and infrastructure

IT systems and operations infrastructure enable the organisation to be more effective and efficient. Although our investment in these business enablers is a significant part of our expense base, they are critical to improving productivity and maintaining our competitive edge.

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

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

Governance

Our IT governance practices are intended to:

- promote better decision-making;
- increase transparency and accountability;
- ensure that IT activities yield an adequate return on investment and add to shareholder value; and
- improve the overall performance, efficiency and service delivery of our business.

In addition to developing an IT strategy, our corporate governance structures were realigned to ensure board responsibility for IT governance. We have established a central IT function across the group that includes dedicated IT functions for each business area and across geographies that respond to and service individual business needs.

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

IT operations

Corporate & Investment Banking

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

We continued with the rollout of the Murex platform and implemented a price aggregator for our foreign exchange business. We also implemented the new Business Online platform. A new billing solution has been implemented in three business areas, which led to improved fee collection, a consistent pricing and billing process, and improved management of concessions. We have started replacing our legacy systems in the global markets areas with an advanced trading platform. We launched a research portal to provide our customers with immediate access to current and historical research. The portal raises the benchmark in terms of customer interaction with the bank. Going forward, we will provide our customers with related applications for their mobile devices.

Personal & Business Banking

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

During 2011, we completed several projects in our core banking transformation, including projects to reduce our IT carbon footprint and to move towards a paperless environment. Projects have been initiated to decommission approximately 208 legacy applications, which will contribute to a reduction in costs and system complexity. The new core banking system will enable us to create a single view of a customer's interaction with us and assist us in determining their exact needs. This will not only improve our customer service, but will also increase staff productivity and enable cross-selling opportunities.

IT and infrastructure

	2011	2010
IT spend (Rbn)[1]	2 589	2 738
Branch and loan centre network	703	705
ATM network	7 006	7 301

[1] *Operating expenses only.*

Operating infrastructure

Distribution network

Our investment in our distribution network infrastructure is focused on providing customers with a consistent experience and ensuring accessibility, convenience, security and availability. Our average ATM availability (uptime) was 96,5% (2010: 96,5%) against a target of 97%.

Energy security

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

Green buildings

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

Green buildings

Our new office block building under development in Rosebank, Johannesburg, is being designed to achieve a minimum 4-Star Green Star SA rating from the Green Building Council of South Africa. The building will be provided with 150% more fresh air than required by national building regulations, and approximately 60% of the office area will have a high level of natural daylight and a direct line of sight to the outdoors or into a sun-lit atrium. Energy efficient lighting systems and water-efficient fittings and fixtures will be installed, and the consumption of both resources will be effectively managed and monitored with metering and sub-metering systems. Parking bays are to be dedicated to alternative fuel vehicles, motorbikes and scooters, and facilities such as showers, lockers and secure storage will be provided for employees who use bicycles to commute. The building is located in close proximity to public transport facilities, including the Rosebank Gautrain station. The building will have dedicated storage areas for the separation and collection of paper, glass, plastics and metals to facilitate recycling. The building materials being used are sourced with environmental aspects in mind and products are sourced locally where available. During construction, ongoing waste management practices are adhered to with the aim of reusing or recycling 85% of waste generated onsite. We will formally apply for a design rating on our Rosebank building in 2012.

Environment

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

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

2011 highlights

- Launched the **environmental and social appraisal system** in our corporate lending business in addition to Equator Principles screening.
- Committed to mandates for 605 megawatts of **planned renewable energy** capacity, particularly in wind and solar energy generation. This equates to 38% and 58% of the megawatts available from solar and wind projects accepted in the first phase of the government's REIPPP programme.
- **Invested R19,1 million** in projects to increase the energy efficiency of our operations, including photovoltaic plants at Standard Bank Centre and our regional office in Durban, with peak power production of 105 kilowatts and 45 kilowatts, respectively.

Environmental and social risk management

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

We use two approaches to screen and process projects, namely the Equator Principles for project finance loans and an internally developed appraisal system for other financial product types. Environmental and social risk screening evaluates a transaction's potential environmental and social risks and its impacts in its area of influence. We have fully integrated the Equator Principles performance assessment tool into the credit approval process and transaction life cycle of our project financing deals. These apply to all new project finance loans of USD10 million or more. All category A (high risk) and, where relevant, category B (medium risk) projects financed are monitored to ensure that the project-specific conditions set as part of the loan agreement are adhered to. During 2011, we financed one Equator Principle project and played an advisory role in a further 14 projects. Our environmental and social appraisal system provides a risk management measure to protect against possible financial, credit, reputational, regulatory and operational risk and links directly with lender liability associated with environmental and social mismanagement.

Environmental impact of our operations

Energy

Managing and reducing our energy consumption is key, both as part of our climate change mitigation efforts and in response to rising electricity costs and energy supply concerns across Africa. During 2011, we invested R19,1 million (2010: R9,3 million) on energy efficiency projects in our operations. The energy efficiency projects implemented in our head office complex in Johannesburg, in which approximately 42% of our employees are situated, have amounted to a reduction of 900 kilowatts of electricity. This was achieved by using a hybrid thermal solar water heating system, a relamping project and installing alternative power photovoltaic plants at our head office and our regional office in Durban with peak power production of 105 kilowatts and 45 kilowatts, respectively. Photovoltaic technology takes light energy from the sun and converts it to electrical energy.

A national relamping project to replace approximately 20 650 lamps with energy efficient light-emitting diodes (LEDs) also provided an 86% energy saving per lamp fitting.

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

Water

Water scarcity and declining water quality are global challenges that impact directly on health and sanitation, agriculture and industry, as well as the preservation of ecosystems. The world's available fresh water is limited and accounts for less than 1% of water on the planet. We aim to put measures in place to allow us to establish a water baseline and subsequently measure the water we recycle and discharge, as well as establish the quality of the water discharged. We are looking at ways to reduce our operational water footprint.

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

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

Carbon footprint

Our CO_2 equivalent for 2011 was 180 403 (2010: 177 289) metric tons. Our consumption figures cover about 63% of our operations. We have begun the installation of electrical energy metering systems across our national footprint. This will enable us to calculate the carbon footprint of our branch network in 2012.

Our targets

The following environmental efficiency targets have been set using 2009 as a base year. In calculating the 2011 progress against targets, we have used the same scope that was used in 2009.

Category	Target	Progress
Energy consumed	15% reduction by 2015	✓
Water consumed	20% reduction by 2015	✓
General waste produced	20% reduction by 2015	✓
Paper consumed	10% reduction by 2015	✗

✓ *On track.*

✗ *Not on track.*

Climate change and COP17

Africa is highly vulnerable to the effects of climate change and therefore we need to identify the impacts of this global challenge and develop action plans to reduce our own impact, as well as assist our customers to reduce their impact and adapt to a changing world. Sustainability and climate change are increasingly becoming core areas in which our customers require financial services. Our approach to addressing these challenges is to develop and implement innovative business solutions that are both commercially attractive and make a broader contribution to action on climate change.

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

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

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

Our direct impact

Key indicators	2011	2010	2009
Carbon equivalent (metric tons)	**180 403**	177 289	154 538
Energy			
Diesel[1] (litres)	**3 868 631**	4 701 699	Not applicable
Electricity purchased[2] (kWh)	**152 561 816**[3]	145 015 178	132 361 054
Water[4] (kilolitres)	**295 807**	340 889	336 986
Waste[5] (tons)	**3 337**	2 755	1 217

[1] *Diesel consumption includes branches, the Standard Bank and data centres and fuel used in vehicles throughout South Africa.*
[2] *Electricity consumption covers approximately 63% of Standard Bank sites.*
[3] *This figure excludes the branch network but has increased due to a new data centre being commissioned.*
[4] *Water consumption covers approximately nine head office and regional buildings.*
[5] *Paper consumption includes the whole of South Africa.*

Climate finance and carbon trading

We have been pioneering climate finance and carbon trading since 2002. Our business has a broad set of capabilities across the range of climate finance and carbon trading disciplines.

CDM projects are particularly suited to the African continent and during 2011, we made progress in the development of a wide range of programmatic CDM activities. For example, the government has committed to installing one million solar water heaters in mostly low-income residential developments by the end of 2014. Standard Bank has contributed to reaching this target by facilitating the installation of approximately 70 000 solar water heaters in low-income housing under our CDM programmes. We have also made available some R22 million for use by local service providers and manufacturers of solar water heating systems to assist with continued rollout of the project. This is the largest rollout of solar water heaters in South Africa. We have also entered into a pilot programme with one of the world's largest consumer goods companies to further commercial contributions to the cost of solar water heater installation.

Climate finance and carbon trading disciplines

Clean energy and energy efficiency

Balancing the need for significant increases in base load energy while protecting the environment is an ongoing challenge. The need for energy security means that Africa's future energy mix is likely to include coal-fired power stations for some time; however, South Africa has a high level of renewable energy potential and government's renewable energy independent power producer programme is a mechanism to promote the deployment of renewable energy sources. South Africa aims to secure a total of 17 800 megawatts of renewable energy by 2030. We supported 22 bids for 850 megawatts of renewable energy capacity in wind and solar energy generation. Of these we committed to mandates for 605 megawatts. This equates to 38% and 58% of the megawatts available from solar and wind projects accepted in the first phase of government's REIPPP programme.

Risk and capital management

Overview

Introduction

Effective capital and risk management is fundamental to the business activities of the group.

Capital is managed using regulatory and economic capital metrics, at both business line and legal entity level.

Risks are controlled at individual exposure level, as well as in aggregate within and across all business lines, legal entities and risk types.

The group's two business lines are:

- Personal & Business Banking; and
- Corporate & Investment Banking.

The legal entities are listed in annexure C and D of the annual financial statements on pages 215 and 216 respectively.

Sections forming part of the annual financial statements

Specific information on risk and capital management integral to the audited annual financial statements can be found under the following sections of this risk and capital management report:

- risk types;
- capital management;
- credit risk;
- liquidity risk; and
- market risk.

Risk types

Credit risk

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

Credit risk comprises counterparty risk, settlement risk and concentration risk. These risk types are defined as follows:

- **Counterparty risk:** The risk of credit loss to the group as a result of failure by a counterparty to meet its financial and/or contractual obligations to the group. This risk type has three components:
  - **Primary credit risk:** The exposure at default (EAD) arising from lending and related banking product activities, including underwriting the issue of these products in the primary market.
  - **Pre-settlement credit risk:** The EAD arising from unsettled forward and derivative transactions. This risk arises from the default of the counterparty to the transaction and is measured as the cost of replacing the transaction at current market rates.
  - **Issuer risk:** The EAD arising from traded credit and equity products, including underwriting the issue of these products in the primary market.
- **Settlement risk:** The risk of loss to the group from settling a transaction where value is exchanged, but where the group may not receive all or part of the counter value.
- **Credit concentration risk:** The risk of loss to the group as a result of excessive build-up of exposure to a specific counterparty or counterparty group, an industry, market, product, financial instrument or type of security, a country or geography, or a maturity. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their ability to meet contractual obligations being similarly affected by changes in economic or other conditions.

Country and cross-border risk

Country risk is the risk of loss arising when political or economic conditions or events in a particular country inhibit the ability of counterparties in that country to meet financial obligations to the group. Country risk events may include sovereign defaults, banking or currency crises, social instability and governmental policy changes or interventions such as expropriation, nationalisation and asset confiscation.

Country risk also encompasses cross-border risk, which is the risk that government actions may restrict convertibility (local currency into non-local currency) and the transfer of funds, thereby impacting the ability of counterparties to meet financial obligations to the group. Examples of restrictions on the transfer of funds are exchange controls and debt moratoria.

Liquidity risk

Liquidity risk arises when the group, despite being solvent, is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms.

This inability to maintain or generate sufficient cash resources occurs when counterparties who provide the group with funding withdraw or do not rollover that funding, or as a result of a general disruption in asset markets that renders normally liquid assets illiquid.

Market risk

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

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Reputational risk and strategic risk are, in terms of general market convention, excluded from the definition of operational risk. Reputational risk is defined separately below. Strategic risk is included in the definition of business risk that follows.

Business risk

Business risk is the risk of loss, usually from inflexible cost structures or inefficiencies, due to adverse operating conditions caused by market-driven pressures such as decreased demand, increased competition or cost increases, and by group-specific causes such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation.

Reputational risk

Reputational risk results from damage to the group's image which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group's reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

Risk management framework

The group's risk management framework comprises the following components:

- a management organisation structure to support the three lines of defence model as described below;
- governance standards as described on page 58; and
- policies to support the governance standards.

Three lines of defence model

The group adopts the industry standard three lines of defence model. Responsibility for risk management within each line of defence lies at functional and committee level. Reporting lines reinforce segregation of duties and independence within the model.

The three lines of defence are described below.

First line of defence	Second line of defence	Third line of defence
Consists of: • management of business lines and legal entities.	**Consists of:** • finance function; • risk management function; • legal function; and • governance and assurance function excluding internal audit.	**Consists of:** • group internal audit (GIA) function (administratively part of governance and assurance).
Responsibilities: • measures, assesses and controls risks through the day-to-day activities of the business, within the frameworks set by the second line of defence.	**Responsibilities:** • sets frameworks within the parameters set by the board; • provides independent oversight of the first line of defence; and • reports to management and board governance committees.	**Responsibilities:** • sets the internal audit framework; • provides independent assessment of first and second lines of defence; and • reports to board audit committee.

Second line of defence functions

The second line of defence comprises four specialist functions which are set out below.

Finance function	Risk management function	Legal function	Governance and assurance function
Consists of: • treasury and capital management (TCM) function – capital management; – liquidity risk; – banking book interest rate risk; – business risk; and – portfolio management; • group tax function; and • group financial control function.	**Consists of:** • credit risk; • country and cross-border risk; • market risk; • operational risk, including business continuity and resilience; • information risk management; and • integrated risk management.	**Consists of:** • prudential, by geographic region; and • transactional, by product type.	**Consists of:** • governance office; • financial crime control; • sustainability management; • compliance; • occupational health and safety; and • physical security.

Each of these four functions has both resources at the centre and resources embedded within the business lines. The central resources coordinate activities within a function across business lines and legal entities. The resources dedicated to the business lines support business line management in ensuring that business line-specific risks are effectively managed as close to the source as possible.

Finance function

TCM function

The objective of TCM is to contribute to shareholder value through managing the balance sheet and financial resources in a way that is optimised, comprehensive and integrated across the group operations. This includes:

- raising capital and funding in an efficient, cost-effective and sustainable manner;
- ensuring optimal use of capital and liquidity resources through effective planning, prioritisation, allocation and pricing of financial resources;
- managing the supply of and demand for financial resources within the group's risk appetite, ratings and regulatory constraints, the latter including SARB macro prudential limits; and
- managing and positioning the banking book portfolios taking account of economic cycles, availability and cost of financial resources.

Group tax function

The group tax function is headed by the group head of tax and reports to the group financial director, as well as to the group audit committee (GAC). Its mandate is to ensure compliance with group tax policy, in terms of which the group fulfils its responsibilities under tax law, whether in relation to compliance, planning or client service matters. This is discussed in more detail under the taxation risk section on page 93. All group tax employees, whether located centrally or in business units, report to the group head of tax, while those in business units also report administratively to management in their respective business unit.

Group financial control function

The group financial control function provides independent product financial accounting and control for all product houses within SBSA, including all trading desks and investment banking units, and financial control including balance sheet substantiation for legal entities.

Risk management function

Risk management has a matrix structure with functional and business line dimensions and a legal entity overlay.

The functional dimension comprises a risk-type head for each of the risk types described in the table above, while the business-line dimension comprises two chief risk officers (CROs), one for each of the two business lines, namely Personal & Business Banking and Corporate & Investment Banking.

Legal entity CROs are supported by risk management resources from within this matrix structure.

The group's philosophy is to manage risk as close as possible to where it arises. Consequently, 95% of risk employees are embedded within the business lines.

Legal function

All legal practitioners employed in such capacity in the group report primarily to the group's general counsel, with a secondary reporting line to the business lines they serve. To manage legal risk, these legal practitioners anticipate legal risks that may arise during the course of the group's activities and ensure that these risks are appropriately mitigated. This is achieved by providing or sourcing appropriate legal advice, ensuring that legal risks are optimally negotiated, documented and monitored, and that the necessary controls are implemented.

Governance and assurance function

Governance

The governance office ensures that the groupwide corporate governance framework is appropriate and in accordance with both home- and host-country legislative requirements, and that it facilitates effective decision-making.

Financial crime control

The financial crime control function ensures that the group is able to proactively identify and respond to instances of financial crime in order to mitigate economic and reputational loss. It also provides independent forensic auditing services and investigates identified and potential threats.

Sustainability management

The group sustainability management unit is mandated to provide a consistent approach to environmental and social management by facilitating policy, systems, performance standards, monitoring and assurance within the group's operations.

Compliance

The compliance structure comprises heads of business compliance functions who report into the group chief compliance officer. The group compliance function comprises areas of expertise including regulatory support (training and regulatory developments), the sanctions desk, the conflicts control room, money laundering and terrorist financing control, and the operational support unit which includes reporting, policy oversight, budgetary management and information technology projects. In addition, dedicated compliance support is provided to business areas by line of business compliance officers.

The scope of the compliance function's responsibilities includes managing regulatory relationships, advising business on the appropriateness of structures and products from a compliance perspective, and fulfilling an advisory role regarding regulatory expectations. Furthermore, this function manages the monitoring of adherence to laws, regulations and internal policies and controls that fall within the ambit of compliance risk management, in accordance with the three lines of defence model.

Occupational health and safety

This function provides guidance and oversight in managing health, safety and environmental systems, addressing issues such as occupational health and safety in building construction and maintenance, and employee occupational health and safety awareness.

Third line of defence

The GIA function, under the stewardship of the chief audit officer, reports to and operates under a mandate from the GAC. In terms of this mandate, the GIA's role is to provide independent, objective assurance designed to add value and improve group operations. The GIA has the authority to independently determine the scope and extent of work to be performed. All internal audit employees in the group report to the chief audit officer and administratively to management in their country of residence.

Governance standards

The specialist second line of defence functions maintain risk governance standards for each major risk type to which the group is exposed, to ensure that all material risks to the group meeting its strategic and financial objectives are identified and managed proactively. The standards set out minimum control requirements and ensure alignment and consistency in the manner in which the major risk types and capital management metrics across the group are dealt with, from identification to reporting.

All governance standards are applied consistently across the group and are approved by the risk and capital management committee (RCMC). It is the responsibility of executive management in each business unit to ensure the implementation of risk governance standards. Supporting policies and procedures are implemented by the management team and independently monitored by the embedded risk resources.

Compliance with risk governance standards is controlled through annual self assessments and independent reviews by the third line of defence risk functions.

The group's approach to risk appetite

Risk appetite is an expression of the amount, type and tenure of risk the group is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under a range of stress conditions.

The board establishes parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts, under normal and stressed conditions, for the group and each business line and legal entity;
- regularly reviewing and monitoring performance in relation to risk through quarterly board reports; and
- conducting forward-looking analyses of risk tendency against risk appetite under normal and stressed conditions.

The board delegates the determination of risk appetite to the RCMC, which in turn ensures that risk appetite is in line with Standard Bank Group strategy and the desired balance between risk and reward. The Standard Bank Group risk oversight committee (GROC), a management committee, recommends the level of risk appetite to both the RCMC and the board.

Risk appetite is described by the following six quantitative metrics which are supplemented by qualitative criteria:

- headline earnings volatility;
- liquidity;
- regulatory capital;
- economic capital;
- return on equity; and
- dividend cover.

These metrics are converted into limits and triggers across the relevant risk types at group, business line and legal-entity level, through an analysis of the risks that impact them.

The regulatory and economic capital metrics for risk appetite are a function of the available financial resources after the removal of capital buffers. The current risk profile and projected risk profiles based on statistical and macroeconomic scenarios are evaluated against the risk appetite. Risk tendency refers to the nature and scale of the difference between the current risk profile and the projected risk profiles.

The group's approach to stress testing

Stress testing is a key management tool within the group and facilitates a forward-looking perspective on risk tendency.

Stress testing supports a number of business processes including:

- strategic planning and budgeting;
- internal capital adequacy assessment process (ICAAP), specifically capital planning and management, and setting capital buffers;
- assessing the impact of stress conditions on the risk profile;
- identifying and proactively mitigating potential risks through actions such as reviewing and changing risk limits, limiting exposures and hedging; and
- communication with internal and external stakeholders.

Stress tests are conducted at group, business line and legal entity level.

Portfolio-specific stress tests are conducted frequently within business lines, with specific focus on analysing the key drivers to which the portfolios are most sensitive.

Groupwide macroeconomic stress testing is conducted quarterly across all major risk types for various common scenarios. This allows the group to calibrate its risk tendency against its risk appetite, augmented by bottom-up stress testing and sensitivity analysis to identify the drivers of a change in risk tendency and necessary actions to constrain risk.

The appropriateness of the stress scenarios and the severity of the relevant scenarios used for capital planning are approved by the RCMC based on GROC's recommendations.

In response to current volatile conditions, the group extended its stress-testing process to include a formal threat and risk assessment process. This process is undertaken regularly and used as an additional forward-looking risk management tool to supplement the existing risk management and stress-testing processes.

A threat is defined as a potential event with an unknown probability of occurrence, which is seen as plausible and would have a significant impact on the group should it materialise. Both internal and external threats are identified and assessed to determine the potential risk to the business activities of the group.

Threats are considered in terms of their overall potential impact and the effect they could have on the business from a cost, lost opportunity and revenue perspective. Ownership for material threats is assigned to the individual within the three lines of defence determining the appropriate risk responses to these threats, which include mitigating actions and the monitoring of risk triggers.

Capital management

Audited

Objectives

Capital management is a key contributor to shareholder value.

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

The capital management functional pillar of TCM is structured into the following key functions:

- **Strategic capital management function:** Key responsibilities are capital raising, maintaining the dividend policy, facilitating capital allocation and risk-adjusted performance measurement, risk appetite, capital planning, and stress testing.
- **Portfolio analysis and reporting function:** Key responsibilities are to own and manage the regulatory and economic capital results and the engines used to produce the results, capital budgeting, reporting and analysis.
- **Methodology function:** Key responsibilities are capital measurement and allocation, credit risk measurement, risk-adjusted performance measurement and transaction pricing tools.
- **Corporate & Investment Banking and Personal & Business Banking capital management functions:** Key responsibilities are to provide support on capital management matters such as deal pricing, key return measures and management of actual capital against budgets.

Audited

These functions work collectively to achieve the objectives of capital management, which are to:

- maintain sufficient capital resources to support:
  - the group's risk appetite and economic capital requirements;
  - internal and external regulatory capital requirements in the form of management's target ratios;
  - the SARB's minimum ratios set in accordance with Basel II and future Basel III requirements; and
  - minimum requirements set by foreign regulators for the group's foreign-regulated subsidiaries;
- allocate capital to businesses using risk-based capital allocation, to support the group's strategic objectives, including optimising returns on economic and regulatory capital;
- maintain the dividend policy and dividend declarations of the group while taking into consideration shareholder and regulatory expectations; and
- develop, review and approve the internal capital adequacy assessment process, including short- to medium-term capital planning and stress testing.

Regulatory capital adequacy

The group manages its capital base to achieve a prudent balance between maintaining capital levels to support business growth, maintaining depositor and creditor confidence, and providing competitive returns to shareholders.

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

- core tier I;
- tier I; and
- total capital adequacy.

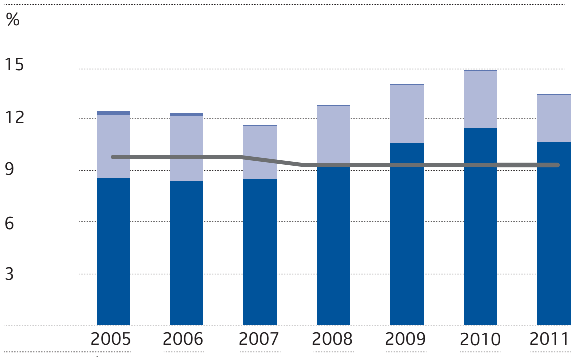
Core tier I capital represents ordinary share capital, share premium and appropriated retained earnings. Total capital includes other items such as subordinated debt and the general allowance for credit impairments.

All these ratios are a measure of the capital supply relative to the total risk-weighted assets and are measured against internal targets and regulatory minimum requirements.

Risk-weighted assets are determined on a granular basis by using risk weights calculated from internally derived risk parameters within regulatory requirements.

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

Capital adequacy – SBSA company[1] (including unappropriated profit)



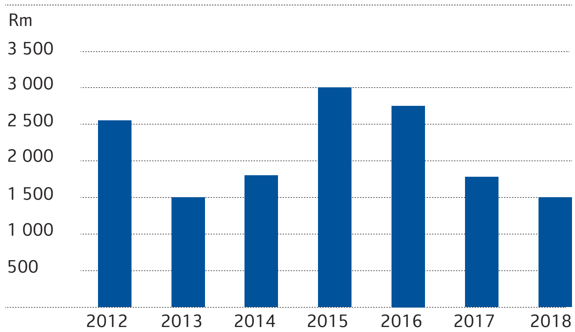
- Tier I capital
- Tier II capital
- Tier III capital
- Required capital

[1] *Basel II implemented 1 January 2008, thus subsequent periods are shown on a Basel II basis. All other historical comparatives are shown on a Basel I basis.*

During the period under review and the comparative period in 2010, the group complied with all externally imposed capital requirements. The main requirements are those specified in the Banks Act and related regulations which are broadly consistent with the Basel II guidelines issued by the Bank for International Settlements.

The group's tier I capital, including unappropriated profit was R46,2 billion at 31 December 2011 (31 December 2010: R42,2 billion) and total capital, including unappropriated profit, was R58,2 billion at 31 December 2011 (31 December 2010: R55,0 billion). The change in SBSA's capital was primarily due to an increase in retained earnings. SBSA maintained a well-capitalised position based on core tier I, tier I and total capital ratios as set out on page 64.

Tier II subordinated debt maturity profile by call date



The group has a balanced tier II subordinated debt maturity profile. Ongoing focus on capital raising opportunities resulted in the successful issue of R1,8 billion of Basel II-compliant tier II instruments in November 2011, further bolstering the group's capital position and smoothing its debt maturity profile.

Further details of the terms and conditions of the capital instruments issued by the group are contained in the annual financial statements on pages 151 and 155.

Audited

Basel II regulatory capital

	2011 Rm	2010 Rm
Tier I		
Issued primary capital and unimpaired reserve funds	53 757	47 614
Ordinary share capital and premium	27 290	25 290
Ordinary shareholders' reserves	26 467	22 324
Less: Regulatory deductions	(7 115)	(5 237)
Intangible assets	(6 433)	(4 372)
Investment in regulated non-banking entities	(20)	(99)
Less: Regulatory deductions – 50% deducted from tier I and tier II respectively	(662)	(766)
Future expected loss exceeding eligible provisions on an incurred loss basis[1]	(624)	(616)
Loans to special purpose entities (SPEs) (first loss credit enhancement)	(38)	(150)
Less: Regulatory exclusions	(1 873)	(2 110)
Other reserves[2]	(428)	(205)
Unappropriated profit[3]	(1 445)	(1 905)
	44 769	40 267
Tier II		
Issued secondary capital and reserves	15 086	15 254
Subordinated debt	14 878	15 098
General allowance for credit impairments	208	156
Less: Regulatory deductions	(3 316)	(2 761)
Investment in banks' tier II subordinated debt instruments	(2 654)	(1 995)
Less: Regulatory deductions – 50% deducted from tier I and tier II respectively	(662)	(766)
Future expected loss exceeding eligible provisions on an incurred loss basis[1]	(624)	(616)
Loans to SPEs (first loss credit enhancement)	(38)	(150)
	11 770	12 493
Tier III		
Subordinated debt	300	300
Total regulatory capital (excluding unappropriated profits)	**56 839**	**53 060**

[1] *Unaudited.*
[2] *Mainly the share-based payment reserve, cash flow hedging reserve and available-for-sale reserve, where applicable.*
[3] *Unappropriated profits of R1,4 billion (2010: R1,9 billion) have been excluded from tier I capital. Reserves qualifying as tier II capital have been deducted. Profits are appropriated by the board of directors.*

Basel II risk-weighted assets and associated capital requirements

	2011 Risk-weighted assets Rm	2011 Capital requirement[1] Rm	2010 Risk-weighted assets Rm	2010 Capital requirement[1] Rm
Credit risk	335 215	31 845	285 399	27 113
Portfolios subject to the standardised approach[2]	16 647	1 581	12 489	1 187
Corporate	13 581	1 290	8 000	760
Sovereign			50	5
Banks	83	8	97	9
Retail mortgages	548	52	2 745	261
Retail other[3]	2 086	198	1 597	152
Securitisation exposure	349	33		
Portfolios subject to the foundation internal ratings-based approach			13 874	1 318
Corporate			13 783	1 309
Sovereign			91	9
Portfolios subject to the advanced internal ratings-based approach	301 719	28 663	245 662	23 337
Corporate	131 736	12 515	89 619	8 513
Sovereign	9 857	936	7 128	677
Banks	15 927	1 513	11 166	1 061
Retail mortgages	70 785	6 725	71 729	6 814
Qualifying retail revolving exposure	37 632	3 575	36 721	3 488
Retail other[3]	32 441	3 082	25 648	2 437
Securitisation exposure	3 341	317	3 651	347
Other assets	16 849	1 601	13 374	1 271
Equity risk in the banking book	15 769	1 498	10 626	1 009
Portfolios subject to the market-based approach	6 322	601	1 884	178
Listed	94	9	88	8
Unlisted	6 228	592	1 796	170
Portfolios subject to the PD/LGD default approach	9 447	897	8 742	831
Market risk	15 020	1 427	8 395	798
Portfolios subject to the standardised approach[2, 4]	8 624	819	4 241	403
Interest rate risk	7 584	720	3 719	354
Equity position risk	158	15	289	27
Foreign exchange risk	287	27	225	21
Commodities risk	595	57	8	1
Portfolios subject to the internal models approach[5]	6 396	608	4 154	395
Commodities	1 539	146	575	55
Forex	1 909	182	1 056	100
Interest rates	5 550	527	4 081	388
Equities	4 740	450	2 256	214
Diversification	(7 342)	(697)	(3 814)	(362)
Operational risk				
Portfolios subject to the standardised approach	64 480	6 126	63 842	6 065
Total risk-weighted assets/capital requirement	430 484	40 896	368 262	34 985

[1] *Capital requirement at 9,5% excludes bank specific add-ons and capital floor.*
[2] *Portfolios on the standardised approach predominantly relate to portfolios for which the application to adopt the internal models approach has not yet been submitted, or for which an application has been submitted but approval has not yet been granted.*
[3] *Retail other includes retail small and medium enterprises, vehicle and asset finance, and term lending exposures.*
[4] *Instruments on the standardised approach for general market risk relate to low-volume structured products and new products recently traded, for which SARB approval to adopt the internal model approach has not yet been granted. The standardised approach for interest rate risk incorporates all specific risk.*
[5] *Portfolios subject to the internal models approach are all value-at-risk (VaR)-based portfolios.*

Capital adequacy ratios

	Minimum regulatory requirement %	Target ratio %	Including unappropriated profits 2011 %	Including unappropriated profits 2010 %	Excluding unappropriated profits 2011 %	Excluding unappropriated profits 2010 %
Total capital adequacy ratio	9,5	11 – 12	**13,5**	14,9	**13,2**	14,4
Tier I capital adequacy ratio	7,0	9,0	**10,7**	11,5	**10,4**	10,9
Core tier I capital adequacy ratio	5,25		**10,7**	11,5	**10,4**	10,9

Economic capital

Economic capital is the basis for measuring and reporting all quantifiable risks faced by the group on a consistent risk-adjusted basis. The group assesses its economic capital requirements by measuring its risk profile using both internally and externally developed models which are independently validated by the central validation function. Economic capital is used for risk management, capital management, capital planning, capital allocation, evaluation of new business and performance measurement.

ICAAP considers the qualitative capital management processes within the organisation and includes the organisation's governance, risk management, capital management and financial planning standards and frameworks. Furthermore, the quantitative internal assessments of the organisation's business models are used to assess capital requirements to be held against all risks the group is or may become exposed to, in order to meet current and future needs as well as to assess the group's resilience under stressed conditions. It informs the board in greater detail of the group's sound capital position and processes which are embedded within the financial, risk and operational management, and control processes of the group.

ICAAP was approved by the board, through the RCMC, and formed the basis for discussion with the SARB on the group's risk profile and capital adequacy.

Economic capital of R40,2 billion (2010: R34,6 billion) is the amount of permanent capital that is required to support the economic risk profile of the group. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst-case loss commensurate with the group's target rating of A- translating to a confidence level of 99,92%.The group is capitalised above levels required to support its current A- target rating.

Stress testing was performed using both the most likely base case scenarios and several low probability but high impact scenarios. This confirmed the availability of financial resources to meet the increased economic capital requirements in a stress scenario.

Economic capital by risk type at end of the year

	2011 Rm	2010[1] Rm
Credit risk	**28 307**	23 765
Equity risk	**4 992**	3 920
Market risk	**619**	468
Operational risk	**4 057**	4 130
Business risk	**1 548**	1 026
Interest rate risk in the banking book	**630**	1 335
Banking activities – economic capital	**40 153**	34 644
Available financial resources	**51 571**	47 075
Capital coverage ratio (times)	**1,28**	1,36

[1] *Restated. Refer to page 100.*

The available financial resources of R51,6 billion (2010: R47,1 billion) covers the minimum economic capital requirement of R40,2 billion (2010: 34,6 billion) by a factor of 1,28 times (2010: 1,36 times), indicating that risks are well covered by available financial resources.

Risk-adjusted performance measurement (RAPM)

One of the core objectives of the RAPM policy is to maximise shareholder value through optimal financial resource management within the agreed risk appetite.

Capital is centrally monitored and allocated based on usage and performance in a manner that enhances overall group economic profit and return on equity. Business units are held accountable to achieve their RAPM targets, ensuring the interests of shareholders and management are aligned.

RAPM is calculated on both regulatory and economic capital measures. RAPM is based on allocated capital on a tier I equivalent basis including buffers.

Cost of equity

The group's rand-based cost of equity (CoE) is estimated using the industry standard capital asset pricing model. CoE is recalibrated twice a year using the latest parameter estimates. Using the latest input parameter estimates, the group's cost of equity is 13,6% (2010: 13,4%), derived as follows:

CoE = Risk-free rate + (Beta x equity risk premium)
13,6% = 7,84% + (0,88 x 6,5%)

Credit risk

Introduction

Primary responsibility for credit risk management resides within the group's business lines supported by the credit risk function, with oversight by GROC, the RCMC and credit governance committees. A group credit governance standard sets out the principles and minimum control requirements under which the group is prepared to assume credit risk.

The principal management committee responsible for the oversight of credit risk is GROC. The group credit governance committees for both Personal & Business Banking and Corporate & Investment Banking report directly to GROC and indirectly through GROC to the RCMC. These committees are responsible for credit risk and credit concentration risk decision-making. The RCMC is the principal board committee responsible for the oversight of credit risk, with the GAC having oversight responsibility for reviewing credit impairment adequacy. The committees have clearly defined mandates and delegated authorities, which are reviewed regularly.

Maximum exposure to credit risk

Loans and advances are analysed and categorised based on credit quality using the following definitions.

Performing loans

Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21 and close monitoring loans are generally rated 22 to 25 using the group's master rating scale.

Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected, but could occur if the adverse conditions persist.

Non-performing loans

Non-performing loans are those loans for which:

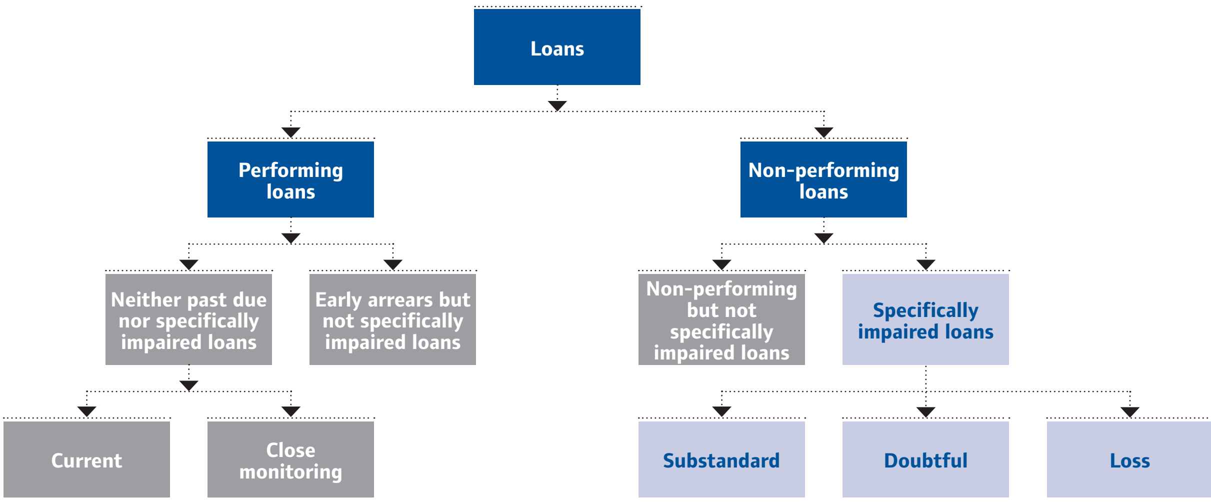
- the group has identified objective evidence of default, such as a breach of a material loan covenant or condition; or
- instalments are due and unpaid for 90 days or more.

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering future cash flows, including collateral.

Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows.

Specifically impaired loans are further analysed into the following categories:

- substandard items that show underlying well-defined weaknesses and are considered to be specifically impaired;
- doubtful items that are not yet considered final losses due to some pending factors that may strengthen the quality of the items; and
- loss items that are considered to be uncollectible in whole or in part. The group provides fully for its anticipated loss, after taking collateral into account.



- Portfolio credit impairments
- Specific credit impairments

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Maximum exposure to credit risk by credit quality

		Performing loans			
		Neither past due nor specifically impaired		Not specifically impaired	
	Gross advances total Rm	Normal monitoring Rm	Close monitoring Rm	Early arrears Rm	Non-performing Rm
2011					
Personal & Business Banking	394 568	335 771	16 775	17 642	
Mortgage loans	276 909	233 564	12 392	12 011	
Instalment sale and finance leases	48 154	43 656	982	1 902	
Card debtors	20 026	16 792	1 935	179	
Other loans and advances	49 479	41 759	1 466	3 550	
Corporate & Investment Banking	230 241	228 607	35	181	313
Corporate loans	189 534	188 934			49
Commercial property finance	40 707	39 673	35	181	264
Other services	(1 619)	(1 619)			
Gross loans and advances	623 190	562 759	16 810	17 823	313
Less: Impairments for loans and advances	(12 025)				
Net loans and advances	611 165				
Add the following other banking activities exposures:					
Cash and balances with central banks	20 865				
Derivatives	93 422				
Financial investments	79 809				
Trading assets	24 626				
Pledged assets	3 737				
Other financial assets	5 897				
Interest in financial instruments of group companies	59 330				
Total on-balance sheet exposure	898 851				
Unrecognised financial assets					
Letters of credit and bankers' acceptances	7 307				
Financial guarantees	30 342				
Irrevocable unutilised facilities	67 641				
Commodities and securities lending transactions	9 012				
Total exposure to credit risk	1 013 153				

Non-performing loans									
Specifically impaired loans								Total non-performing loans Rm	Non-performing loans %
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %		
6 946	14 643	2 791	24 380	17 118	7 262	7 262	30	24 380	6,2
6 269	12 138	535	18 942	15 291	3 651	3 651	19	18 942	6,8
82	599	933	1 614	699	915	915	57	1 614	3,4
136	227	757	1 120	312	808	808	72	1 120	5,6
459	1 679	566	2 704	816	1 888	1 888	70	2 704	5,5
170	903	32	1 105	836	269	269	24	1 418	0,6
4	525	22	551	404	147	147	27	600	0,3
166	378	10	554	432	122	122	22	818	2,0
7 116	15 546	2 823	25 485	17 954	7 531	7 531	30	25 798	4,1

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Maximum exposure to credit risk by credit quality

	Gross advances total Rm	Performing loans: Neither past due nor specifically impaired — Normal monitoring Rm	Performing loans: Neither past due nor specifically impaired — Close monitoring Rm	Performing loans: Not specifically impaired — Early arrears Rm	Performing loans: Not specifically impaired — Non-performing[1] Rm
2010[2]					
Personal & Business Banking	368 080	298 026	17 465	20 219	
Mortgage loans	262 601	213 434	12 850	11 278	
Instalment sale and finance leases	43 325	37 723	988	2 223	
Card debtors	19 150	14 660	2 686	347	
Other loans and advances	43 004	32 209	941	6 371	
Corporate & Investment Banking	183 118	180 246	49		250
Corporate loans	150 280	148 482	24		24
Commercial property finance	32 838	31 764	25		226
Other services	(1 052)	(1 052)			
Gross loans and advances	550 146	477 220	17 514	20 219	250
Less: Impairments for loans and advances	(13 958)				
Net loans and advances	536 188				
Add the following other credit exposures:					
Cash and balances with central banks	18 181				
Derivative assets	105 221				
Financial investments	79 388				
Trading assets	13 825				
Pledged assets	2 035				
Other financial assets	3 385				
Interest in financial instruments of group companies	61 060				
Total on-balance sheet exposure	819 283				
Unrecognised financial assets					
Letters of credit and bankers' acceptances	3 564				
Financial guarantees	26 637				
Irrevocable unutilised facilities	53 296				
Commodities and securities lending transactions	5 673				
Total exposure to credit risk	908 453				

[1] *Includes loans of R196 million that are past due but not specifically impaired.*
[2] *Restated. Refer to page 100.*

Non-performing loans									
Specifically impaired loans									
Sub-standard Rm	Doubtful Rm	Loss Rm	Total Rm	Securities and expected recoveries on specifically impaired loans Rm	Net after securities and expected recoveries on specifically impaired loans Rm	Balance sheet impairments for non-performing specifically impaired loans Rm	Gross specific impairment coverage %	Total non-performing loans Rm	Non-performing loans %
11 365	17 303	3 702	32 370	23 075	9 295	9 295	29	32 370	8,8
10 584	13 725	730	25 039	20 696	4 343	4 343	17	25 039	9,5
139	753	1 499	2 391	996	1 395	1 395	58	2 391	5,5
174	273	1 010	1 457	350	1 107	1 107	76	1 457	7,6
468	2 552	463	3 483	1 033	2 450	2 450	70	3 483	8,1
288	2 180	105	2 573	2 006	567	567	22	2 823	1,5
8	1 660	82	1 750	1 345	405	405	23	1 774	1,2
280	520	23	823	661	162	162	20	1 049	3,2
11 653	19 483	3 807	34 943	25 081	9 862	9 862	28	35 193	6,4

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Ageing of loans and advances past due but not impaired

	Less than 31 days Rm	31 – 60 days Rm	61 – 90 days Rm	91 – 180 days Rm	Total Rm
2011					
Personal & Business Banking	12 131	3 545	1 966		17 642
Mortgage loans	7 665	2 724	1 622		12 011
Instalment sale and finance leases	1 457	338	107		1 902
Card debtors		121	58		179
Other loans and advances	3 009	362	179		3 550
Corporate & Investment Banking[1]	87	91	3		181
Total	12 218	3 636	1 969		17 823
2010					
Personal & Business Banking	15 279	3 131	1 809		20 219
Mortgage loans	7 712	2 204	1 362		11 278
Instalment sale and finance leases	1 634	418	171		2 223
Card debtors		226	121		347
Other loans and advances	5 933	283	155		6 371
Corporate & Investment Banking[1]				196	196
Total	15 279	3 131	1 809	196	20 415

[1] *Relates to exposures from commercial property finance.*

Renegotiated loans and advances

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified due to weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. Renegotiated loans that would otherwise be past due or impaired totalled R6,0 billion in 2011 (2010: R6,9 billion). Renegotiated loans that have arisen from secured lending comprised 63% (2010: 81%) of this amount and predominantly related to mortgage advances.

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Collateral

The table that follows shows the financial effect that collateral has on the group's maximum exposure to credit risk. The table is presented according to Basel II asset categories and includes collateral that may not be eligible for recognition under Basel II but that management takes into consideration in the management of the group's exposures to credit risk. All on- and off-balance sheet exposures which are exposed to credit risk, including non-performing assets, are included.

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Collateral includes:

- financial securities that have a tradable market, such as shares and other securities;
- physical items, such as property, plant and equipment; and
- financial guarantees, suretyships and intangible assets.

Netting agreements which do not qualify for offset under IAS 32 *Financial Instruments: Presentation* but which are nevertheless enforceable are included as part of the group's collateral. All exposures are presented before the effect of any impairment provisions.

In the retail portfolio, 64% (2010: 64%) is fully collateralised. The R897 million (2010: R935 million) of retail accounts that lie within the 1% to 50% range of collateral coverage mainly comprise accounts which are in default, legal and pre-NPLs. The total average collateral coverage for all retail mortgage exposures in the 50% to 100% collateral coverage category is 91%.

Of the group's total exposure, 41% (2010: 43%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

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Collateral

	Total exposure Rm	Unsecured Rm	Secured Rm	Netting agreements Rm	Secured exposure after netting Rm	Total collateral coverage 1% – 50% Rm	50% – 100% Rm	Greater than 100% Rm
2011								
Corporate	278 314	146 929	131 385	5 091	126 294	30 425	46 305	49 564
Sovereign	81 822	79 997	1 825	170	1 655	590	1 060	5
Bank	198 393	104 060	94 333	62 987	31 346	25 980	72	5 294
Retail	380 708	56 442	324 266		324 266	897	79 133	244 236
Retail mortgage	278 744	1 776	276 968		276 968	897	31 835	244 236
Other retail	101 964	54 666	47 298		47 298		47 298	
Total	939 237	387 428	551 809	68 248	483 561	57 892	126 570	299 099
Add: Financial assets not exposed to credit risk	26 611							
Add: Interest in financial instruments of group companies	59 330							
Less: Impairments for loans and advances	(12 025)							
Less: Unrecognised off balance sheet items	(114 302)							
Total exposure	898 851							
Reconciliation to balance sheet								
Cash and balances with central banks	20 865							
Derivative assets	93 422							
Trading assets	24 626							
Pledged assets	3 737							
Financial investments	79 809							
Loans and advances	611 165							
Other financial assets	5 897							
Interests in financial instruments	59 330							
Total	898 851							

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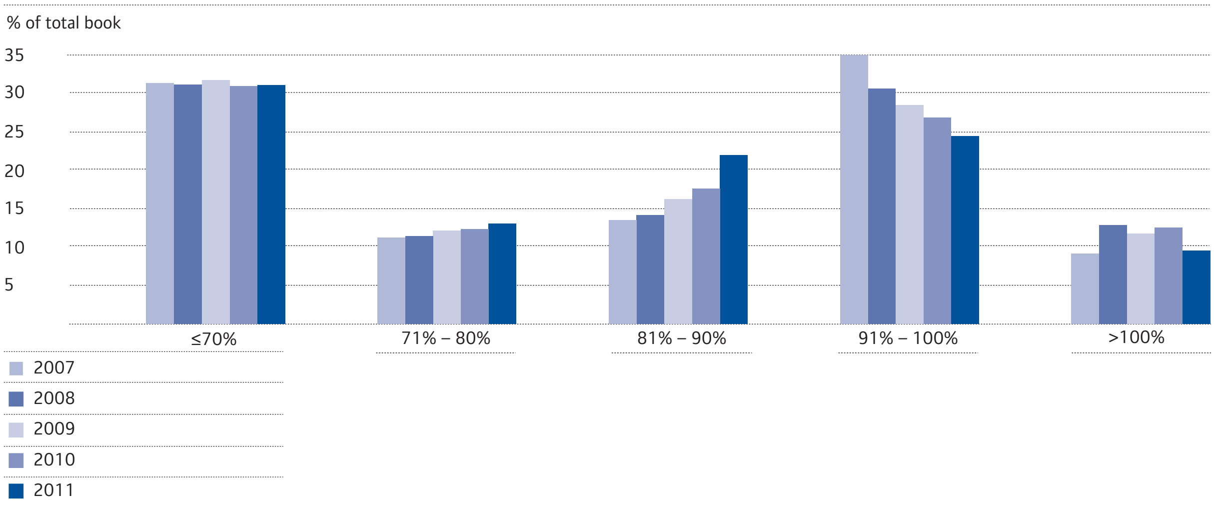
Collateral continued

	Total exposure Rm	Un-secured Rm	Secured Rm	Netting agree-ments Rm	Secured exposure after netting Rm	Total collateral coverage 1% – 50% Rm	50% – 100% Rm	Greater than 100% Rm
2010								
Corporate	214 619	128 517	86 102	3 421	82 681	9 111	21 702	51 868
Sovereign	73 490	66 414	7 076	65	7 011	5 670	1 338	3
Bank	194 027	120 601	73 426	70 193	3 233		9	3 224
Retail	355 781	47 961	307 820		307 820	935	80 012	226 873
Retail mortgage	265 445	1 336	264 109		264 109	935	36 301	226 873
Other retail	90 336	46 625	43 711		43 711		43 711	
Total	837 917	363 493	474 424	73 679	400 745	15 716	103 061	281 968
Add: Financial assets not exposed to credit risk	23 434							
Add: Interest in financial instruments of group companies	61 060							
Less: Impairments for loans and advances	(13 958)							
Less: Unrecognised off balance sheet items	(89 170)							
Total exposure	819 283							
Reconciliation to balance sheet								
Cash and balances with central banks	18 181							
Derivative assets	105 221							
Trading assets	13 825							
Pledged assets	2 035							
Financial investments	79 388							
Loans and advances	536 188							
Other financial assets	3 385							
Interests in financial instruments	61 060							
Total	819 283							

Analysis of the group's residential mortgage portfolio balance-to-value ratios

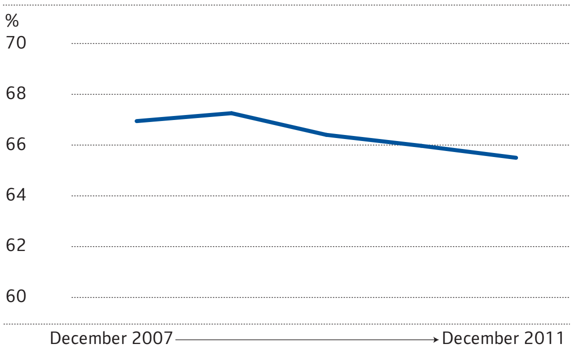
The balance-to-value (BTV) ratios of the group's residential mortgage advances portfolio are set out in the graphs below. The distributions are based on the loan balance as a function of the property value.

Loan balance to initial property value



Overall the average portfolio BTV decreased marginally from 65,9% in 2010 to 65,5% in 2011. The year-on-year increase in the 81% – 90% category is indicative of the increase in total book due to new business concluded during the year. More customers were required to provide deposits on registration and hence the majority of new business concluded during the year formed part of this category. The exposures in the >100% category decreased on the back of lower levels of new business concluded in the >100% category as a result of deposit requirements.

Average closing portfolio BTV



Country and cross-border risk

Country risk is the risk of loss arising when political or economic conditions or events in a particular country inhibit the ability of counterparties in that country to meet financial obligations to the group. Country risk events may include sovereign defaults, banking or currency crises, social instability and governmental policy changes or interventions such as expropriation, nationalisation and asset confiscation.

Country risk also encompasses cross-border risk, which is the risk that government actions may restrict convertibility (local currency into non-local currency) and the transfer of funds, thereby impacting the ability of counterparties to meet financial obligations to the group. Examples of restrictions on the transfer of funds are exchange controls and debt moratoria.

Cross-border obligations include cross-border claims on third parties and investments in and funding of local subsidiaries of the bank. Cross-border claims on third parties include cross-border loans and deposits, counterparty exposures through over-the-counter derivatives and securities financing, and the market value of the inventory of debt securities.

The management of country risk is delegated by the RCMC to the group country risk management committee. This committee is a sub-committee of GROC and recommends country risk appetite for individual countries and ensures, through compliance with the country risk governance standard, that country risk exposures are effectively governed, identified, measured, managed and reported in the group.

An internal rating model is used to determine the rating of each country in which the group has an exposure. These ratings are also a key input into the group's credit rating models. The model inputs are continuously updated to reflect economic and political changes in countries. The country risk model output provides an internal risk grade which is calibrated to a credit risk grade (CR) CR1 to CR25 rating scale. All countries to which the group is exposed are reviewed at least annually. In determining ratings, extensive use is made of the group's network of operations, country visits and external information sources.

Credit loan conditions and covenants are linked to country risk events.

The country risk function also rates sovereigns. Sovereign ratings are distinct from country ratings, in that they focus on sovereign creditworthiness. Country risk ratings provide a more holistic view, covering transfer and convertibility risk, economic (or credit portfolio risk), as well as sovereign risk. The sovereign rating process is an extension of the country rating process. Sovereign risk reviews occur simultaneously with country reviews. The research process underpinning sovereign reviews is comparable with the country risk process.

Countries rated eight (CR08) and higher, referred to as medium- and high-risk countries, are subject to increased analysis and monitoring. For countries with an internal risk grade of seven (CR07) and lower, referred to as low-risk countries, a lesser degree of analysis is generally performed.

Where appropriate, country risk is mitigated through a number of methods including:

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

Liquidity risk

Introduction

The nature of banking and trading results in continuous exposure to liquidity risk. The group's liquidity management framework, which is largely unchanged from the previous reporting period, is designed to measure and manage liquidity positions to ensure that payment obligations can be met at all times, under both normal and stressed conditions.

Banking liquidity risk can be distinguished by two risk categories which are strictly managed by the group.

- **Market liquidity risk:** The risk that the group cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption.
- **Funding liquidity risk:** The risk that the group will not be able to effectively meet both expected and unexpected current and future cash flow and collateral requirements without negatively affecting the daily operations or financial condition of the bank.

Organisational structure and governance

GROC and the board review and set the liquidity risk governance standard annually in accordance with regulatory requirements, international best practice and the group's stated risk appetite. This ensures that a comprehensive and consistent governance framework for liquidity risk management is followed across the group. The group asset and liability committee (ALCO) is responsible for ensuring compliance with liquidity risk policies and reports into the Standard Bank Group ALCO.

Liquidity and funding management

The group manages liquidity in accordance with applicable regulations, international best practice and within the group's risk appetite for liquidity risk.

As part of a comprehensive liquidity management process, the group distinguishes between tactical, structural and contingency liquidity risk. These three risk management categories are governed by a comprehensive internal governance framework to identify, measure and manage liquidity risk exposure. Combining each of these risk management categories allows for effective liquidity risk monitoring.

Liquidity management categories		
Tactical (shorter-term) liquidity risk management: • manage intra-day liquidity positions; • monitor interbank and repo shortage levels; • monitor daily cash flow requirements; • manage short-term cash flows; • manage daily foreign currency liquidity; and • set deposit rates in accordance with structural and contingent liquidity requirements as informed by ALCO.	**Structural (longer-term) liquidity risk management:** • ensure a structurally sound balance sheet; • identify structural liquidity mismatches; • determine and apply behavioural profiling; • manage long-term cash flows; • preserve a diversified funding base; • inform term funding requirements; • assess foreign currency liquidity exposures; • establish liquidity risk appetite; and • ensure appropriate transfer pricing of liquidity costs.	**Contingency liquidity risk management:** • monitor and manage liquidity early warning indicators; • establish and maintain contingency funding plans; • undertake regular liquidity stress testing and scenario analysis; • if needed, convene liquidity crisis management committees; • set liquidity buffer levels in accordance with anticipated stress events; and • advise diversification of liquidity buffer portfolios.
Tools used to manage liquidity across all risk management types:	Liquidity ratios	
	Market triggers	
Liquidity cost management		

The liquidity management process is independently reviewed on a regular basis. In periods of stable market conditions, the group's consolidated liquidity risk position is monitored on at least a monthly basis by ALCO. In periods of increased volatility, the frequency of meetings is increased as required to facilitate appropriate and timely management action.

Tactical liquidity risk management

Active liquidity and funding management is an integrated effort across a number of functional areas. Short-term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and internal requirements.

The group's wholesale funding strategy is derived from the projected net asset growth which includes consideration of Personal & Business Banking and Corporate & Investment Banking asset classes, capital requirements, the maturity profile of existing wholesale funding, and anticipated changes in the retail deposit base. Funding requirements and initiatives are assessed in accordance with ALCO requirements for diversification, tenure and currency exposure, as well as the availability and pricing of alternative liquidity sources.

An active presence is maintained in professional markets, supported by relationship management efforts among corporate and institutional clients.

Structural liquidity risk management

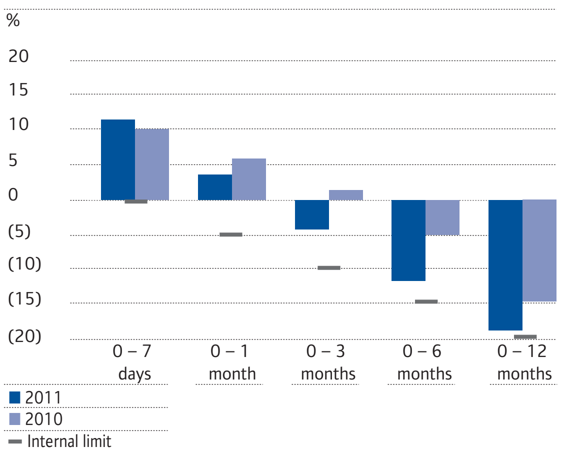
Structural requirements

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of liquid assets and core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the group's defined liquidity risk thresholds.

The graph below shows the group's cumulative maturity mismatch between assets and liabilities for the 0 to 12 months bucket, after applying behavioural profiling. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced. The structural mismatch has remained relatively static between 2010 and 2011 and is comfortably within the stated mismatch risk appetite.

Behaviourally adjusted cumulative liquidity mismatch



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Maturity analysis of financial liabilities by contractual maturity

The tables on the following page analyse cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay (except for trading liabilities and trading derivatives) and will therefore not agree directly to the balances disclosed in the consolidated statement of financial position.

Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. Management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The following tables also include contractual cash flows with respect to off-balance sheet items which have not yet been recorded on-balance sheet. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

Maturity analysis of financial liabilities by contractual maturity

	Redeemable on demand Rm	Maturing within 1 month Rm	Maturing between 1 – 6 months Rm	Maturing between 6 – 12 months Rm	Maturing after 12 months Rm	Total Rm
2011						
Financial liabilities						
Derivative financial instruments	98 728		12	12	33	98 785
Instruments settled on a net basis	68 987		12	12	25	69 036
Instruments settled on a gross basis	29 741				8	29 749
Trading liabilities	13 581					13 581
Deposits from customers and banks	337 499	63 207	120 708	68 311	132 770	722 495
Subordinated debt			520	3 620	15 558	19 698
Other		10 896				10 896
Total	449 808	74 103	121 240	71 943	148 361	865 455
Unrecognised financial instruments						
Letters of credit and bankers' acceptances	7 307					7 307
Financial guarantees	30 342					30 342
Irrevocable unutilised facilities	67 641					67 641
Commodities and securities borrowing transactions	5 275					5 275
Total	110 565					110 565
2010						
Financial liabilities						
Derivative financial instruments	100 360	3	196	446	1 641	102 646
Instruments settled on a net basis	64 352	3	11	18	872	65 256
Instruments settled on a gross basis	36 008		185	428	769	37 390
Trading liabilities	9 031					9 031
Deposits from customers and banks	302 361	42 940	98 416	73 673	131 141	648 531
Subordinated debt			542	620	19 055	20 217
Other		6 541				6 541
Total	411 752	49 484	99 154	74 739	151 837	786 966
Unrecognised financial instruments						
Letters of credit and bankers' acceptances	3 564					3 564
Financial guarantees	26 637					26 637
Irrevocable unutilised facilities	53 296					53 296
Commodities and securities borrowing transactions	3 892					3 892
Total	87 389					87 389

Please refer to the annual financial statements for maturities of assets.

[1] *Restated. Refer to page 100.*

Foreign currency liquidity management

A number of indicators are observed to monitor changes in either market liquidity or exchange rates. Foreign currency loans and advances are restricted to the availability of foreign currency deposits.

Funding strategy

Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment. The group employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to accessing capital and loan markets across the group.

Concentration risk limits are used within the group to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

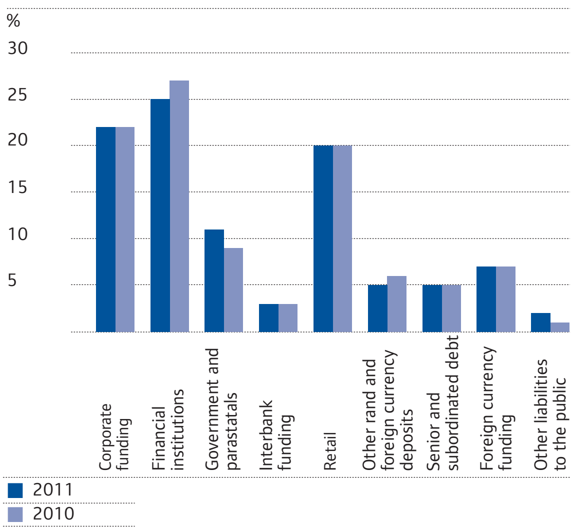
Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital and loan markets. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate to meet its anticipated funding requirements.

Depositor concentration

	2011 %	2010 %
Single depositor	4,5	2,4
Top 10 depositors	17,0	10,8

Depositor concentration was higher at 31 December 2011 compared to 31 December 2010 due to higher balances held reflecting higher year end seasonal deposits.

Funding-related liabilities composition



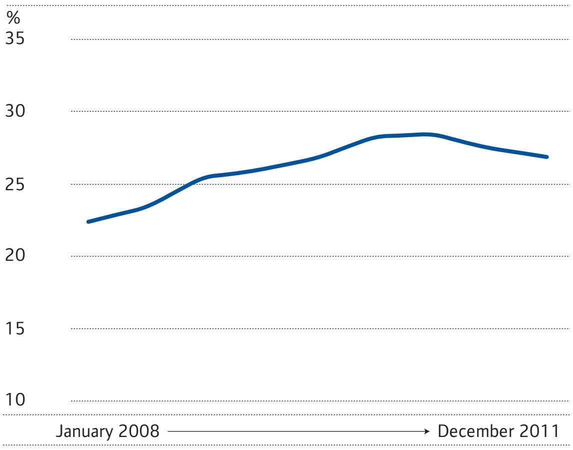
Funding-related liabilities composition

	2011 Rbn	2010 Rbn
Corporate funding	158	142
Financial institutions	182	171
Government and parastatals	76	60
Interbank funding	21	17
Retail deposits	139	124
Other rand and foreign currency deposits	38	38
Senior and subordinated debt	38	32
Foreign currency funding	51	45
Other liabilities to the public	11	8
Total funding-related liabilities	**714**	637

A component of the funding strategy is to ensure sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch limits and guidelines. The long-term funding ratio is defined as those funding-related liabilities with a remaining maturity of greater than six months as a percentage of total funding-related liabilities. The graph below illustrates the group's long-term funding ratio for the period 1 January 2008 to 1 December 2011.

The long-term funding ratio remained fairly stable over 2011 but decreased towards the end of the year due to a material long-term loan deposit moving into the six month maturity bucket.

Long-term funding ratio



Contingency liquidity risk management

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence to ensure a positive outcome in the event of a liquidity crisis. The plans incorporate an early warning indicator methodology supported by clear crisis response strategies. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels. Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications, liquidity generation and operations, as well as heightened and supplementary information requirements.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the funding profiles and liquidity positions of the group. The crisis impact is typically measured over a two-month period, as this is considered the most crucial time horizon for a liquidity event. This may, however, vary depending on the severity of the stress scenario. Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. Under each scenario, loan portfolios are assumed to rollover; however, the rollover of liabilities will be partially impaired resulting in a funding shortfall. The results are assessed against the liquidity buffer and contingency funding plan to provide assurance as to the group's ability to maintain sufficient liquidity under adverse conditions. The results also inform target liquidity buffer positions.

Audited

Liquidity buffer

Portfolios of highly marketable securities over and above prudential requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO-defined limits on the basis of diversification and liquidity.

The table that follows provides a breakdown of the group's surplus marketable securities and foreign currency placements as at 31 December 2011 compared to the 2010 closing position. These portfolios are highly liquid and can be readily sold to meet liquidity requirements.

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Unencumbered surplus liquidity

	2011 Rbn	2010 Rbn
Total unencumbered marketable assets	71,2	60,9
Other readily accessible liquidity	4,2	5,6
Total unencumbered surplus liquidity	**75,4**	66,5

In addition to minimum requirements, surplus liquidity holdings are informed by the results from liquidity stress testing as per Basel principles. Unencumbered surplus liquidity increased to R75,4 billion as at 31 December 2011 (R66,5 billion as at 31 December 2010). The level reflects the continued prudent liquidity management approach as informed by stress-testing requirements and prevailing market conditions. The increase in marketable assets is mainly due to the group increasing liquidity buffers in anticipation of pending future regulations and prudent stress-testing levels.

Credit ratings

The group's ability to access funding at cost-effective levels is dependent on maintaining or improving the borrowing entity's credit rating.

The detailed table representing the major credit ratings for the group's significant banking subsidiaries is provided in the shareholder information section on page 236. The following table provides a summary of the major credit ratings.

Credit ratings
Standard Bank

Long-term	Fitch
Foreign currency issuer default rating	BBB+
RSA Sovereign ratings: foreign currency	BBB+
	Moody's
Foreign currency deposit rating	A3
RSA Sovereign ratings: foreign currency	A3

A reduction in these ratings could have an adverse effect on the group's access to liquidity sources and funding costs, trigger collateral calls through the reduction of the threshold used above which the group's negative mark-to-market must be collateralised, or lead to activation of downgrade clauses associated with certain structured deposits.

Credit ratings are dependent on multiple factors including capital adequacy levels, quality of earnings, credit exposure, the risk management framework and funding diversification. These parameters and their possible impact on the borrowing entity's credit rating are monitored closely and incorporated in the group's liquidity risk management and contingency planning considerations.

Rating downgrades as a collateralisation or termination event are generally conceded only to highly rated counterparties and, whenever possible, on a bilateral reciprocal basis. In exceptional cases, the group might concede such rating downgrades to unrated counterparties when their size, credit strength and business potential are deemed acceptable.

Conduits

The group provides standby liquidity facilities to two conduits, namely Blue Titanium Conduit and Thekwini Warehouse Conduit. These facilities, which totalled R8,3 billion as at 31 December 2011 (31 December 2010: R7,9 billion) have not been drawn on.

The liquidity risk associated with these facilities is managed in accordance with the group's overall liquidity position and represents less than 2% of the group's total funding. The liquidity facilities are included in both the group's static structural liquidity mismatch, which is managed against ALCO-imposed limits and guidelines, and in dynamic liquidity risk stress testing.

Market risk

Introduction

For the purpose of identifying, managing, controlling, measuring and reporting market risk, market risks have been categorised, consistent with the previous financial reporting period, as follows.

Market risk in the trading book

These risks result from trading activities where the primary focus is client facilitation in chosen markets. All trading activities are carried out within the group's Corporate & Investment Banking division. Trading activities comprise market making, arbitrage and proprietary trading, with the latter constituting a small proportion of trading revenues.

Interest rate risk in the banking book

These risks result from the different repricing characteristics of banking assets and liabilities. They include endowment risk, repricing risk, basis risk, optionality risk and yield curve risk.

Equity investments in the banking book

These risks result from price changes in listed and unlisted equity investments.

Foreign currency risk in the banking book

The group's primary exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign operations, intra-group foreign-denominated debt and foreign-denominated cash exposures.

Trading book market risk management

The RCMC-approved market risk governance standard ensures that the measurement, reporting, monitoring and management of market risk across the group follows a common governance framework.

Framework

The board grants general authority to take on trading book market risk exposure to GROC, which delegates this authority to group ALCO. Group ALCO is chaired by the group financial director. There are two types of limits. Level one limits and triggers (for example, capital, VaR and entity stop loss) are approved by the group ALCO. Level two limits and triggers (for example, desk-level limits and desk stop loss) are set by market risk functions.

The market risk functions embedded in the business lines are independent of trading operations and accountable to group ALCO. They are responsible for identifying, measuring, managing, controlling and reporting market risk as outlined in the market risk governance standard, with support from the central market risk function. The market risk functions also have the ability to set individual trader mandates.

Exposures and excesses are monitored and reported daily to business line and group management, monthly to group ALCO and quarterly to Standard Bank Group ALCO, GROC and the RCMC. Where breaches in limits and triggers occur, actions are taken by market risk management units to move exposures back in line with approved market risk appetite, with such breaches being reported to management and group ALCO.

Measurement

The techniques used to measure and control trading book market risk and trading volatility include:

- VaR;
- stop-loss triggers;
- stress tests;
- backtesting; and
- specific business unit and product controls.

Audited

VaR

The group uses the historical VaR simulation approach to derive quantitative measures, specifically for market risk under normal conditions. VaR is based on 251 days of unweighted historical data, a holding period of one day and a confidence interval of 95%. The historical VaR results are calculated in four steps:

- Calculate 250 days' worth of price movements based on 251 days' historical data.
- Calculate hypothetical daily profit or loss for each position using observed market price movements.
- Aggregate all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days.
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

VaR models have been approved by the regulators for all South African trading units except for the structured product desk and specific risk on interest rates. Where the group has received internal model approval, a VaR using a confidence level of 99% and a 10-day holding period is used to determine market risk regulatory capital.

Limitations of historical VaR include:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature.
- The use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully.
- The use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Stress tests

In recognition of the limitations of VaR, stress testing provides an indication of the potential losses that could occur under extreme market conditions and where longer holding periods may be required to exit positions. The stress tests carried out by the group include individual market risk factor testing and combinations of market factors per trading desk and combinations of trading desks. Stress tests include a combination of historical, hypothetical and Monte Carlo-type simulations and provide senior management with an assessment of the financial impact that such events would have on the group's profit. The daily losses experienced during 2011 were within the stress loss scenarios.

Backtesting

The group back-tests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations previously referred to. Backtesting compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's VaR. In addition, VaR is tested by changing various parameters such as confidence intervals and observation periods used in the model.

In this manner, characteristics of the VaR model are captured to ensure the accuracy of the VaR measurement and the effectiveness of hedges and risk-mitigation instruments, again within the limitations previously referred to. Regulators categorise a VaR model as green, amber or red. A green model is consistent with a satisfactory VaR model and is achieved for models that have four or less backtesting exceptions in a 12-month period. All the group's approved models were assigned green status for 2011 with the detailed daily backtesting results shown in the graph on the next page.

Specific business unit and product controls

Other market risk controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenure and stop loss triggers. In addition, only approved products that can be independently priced and properly processed are permitted to be traded. All VaR limits require prior approval from the group ALCOs.

The central validation function independently validates all new pricing models and performs an annual review of existing models to ensure they are still relevant and behaving within expectations.

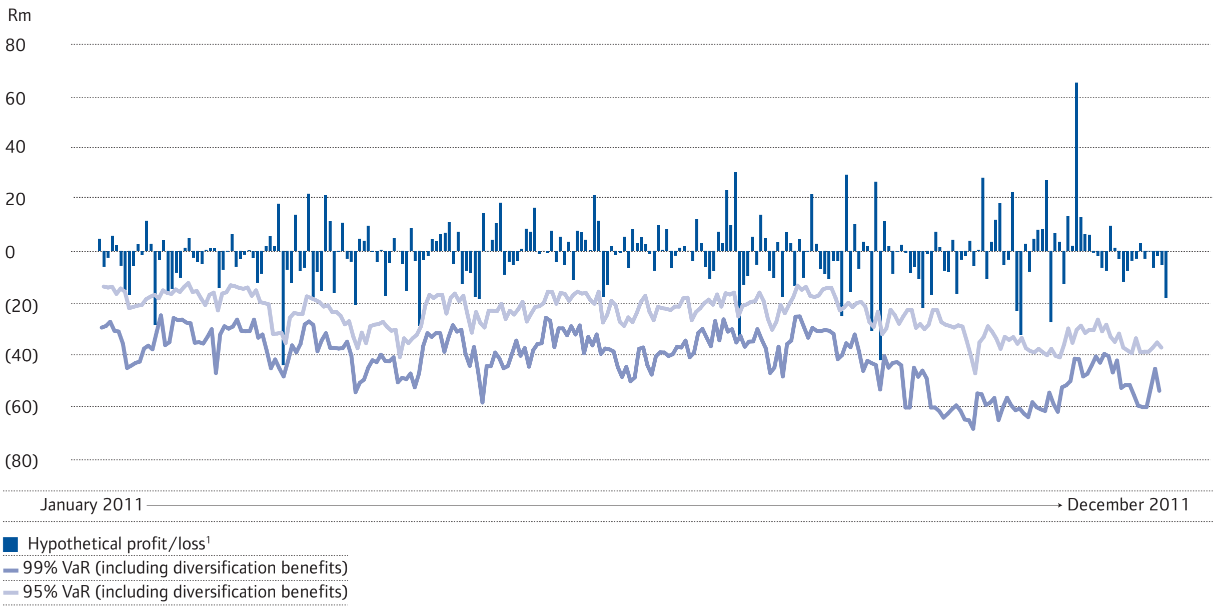
Market risk in the trading book

VaR for the period under review

Trading book market risk exposures arise mainly from client transactions with limited trading for the group's own account. The table on the following page shows the aggregated historical VaR for the group's trading positions by market variable. The maximum and minimum VaR amounts show the bands in which the values at risk fluctuated during the years specified.

In general, the group's trading desks have run low levels of market risk throughout 2011, with VaR reducing on average over the year.

Backtesting: Hypothetical profit/loss and VaR



[1] *Hypothetical profit/loss excludes new deals, fees, commission and is used for the purpose of backtesting.*

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Trading book VaR analysis by market variable

	Normal VaR			
	Maximum[1] Rm	Minimum[1] Rm	Average Rm	Closing Rm
2011				
Commodities	4,8	0,8	1,9	1,4
Forex	11,2	1,9	4,7	4,8
Equities	24,9	8,2	15,7	20,3
Debt securities	45,2	11,0	18,9	24,0
Diversification benefits[2]			(15,6)	(14,6)
Aggregate	44,0	15,6	25,6	35,9
2010				
Commodities	3,4	1,0	1,9	2,4
Forex	16,3	3,5	7,4	3,8
Equities	14,8	0,1	6,4	8,6
Debt securities	44,9	20,9	31,1	21,0
Diversification benefits			(14,6)	(10,3)
Aggregate	45,9	21,6	32,3	25,5

[1] *The maximum and minimum VaR figures reported for each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different dates.*

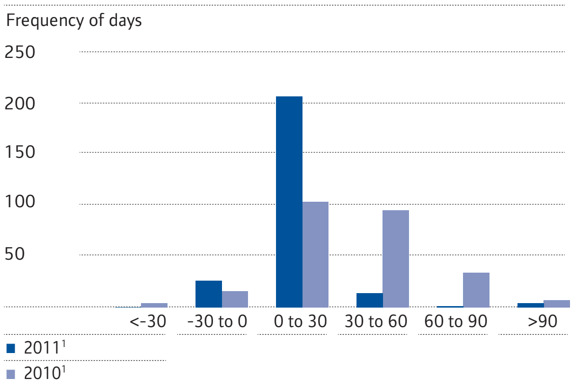
[2] *Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.*

Analysis of trading profit

The graph below shows the distribution of daily profit and losses in 2010 and 2011. It captures trading volatility and shows the number of days in which the group's trading-related revenues fell within particular ranges.

The distribution below is skewed favourably to the profit side with no material negative outliers. For 2011, trading profit was positive for 225 out of 251 days (2010: 231 out of 251 days).

Distribution of daily profit or loss for trading units



[1] *Daily trading profit or loss (Rm).*

Interest rate risk in the banking book

Banking book-related market risk exposure principally involves the potential adverse effect of interest rate movements on net interest income and the economic value of equity.

The group's approach to managing interest rate risk is governed by applicable laws and regulations, and is guided by international best practice and the competitive environment in which the group operates. Banking book interest rate risk is monitored centrally by the group's TCM team, with oversight by group ALCO.

Interest rate risk measurement

The analytical techniques used to quantify banking book interest rate risk include both earnings- and valuation-based measures. Results are monitored on at least a monthly basis by group ALCO. The analysis takes cognisance of embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis. Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing and/or maturity profiles and, where appropriate, the use of derivative instruments.

Interest rate risk limits

Interest rate risk limits are set with respect to changes in forecasted net interest income and the economic value of equity. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

The repricing gaps for the group's non-trading portfolios before tax are shown in the table below.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on management's judgement and statistical analysis.

Interest rate sensitivity gap

		0 – 3 months	3 – 6 months	6 – 12 months	> 12 months
2011					
Interest rate sensitivity gap	Rm	20 627	12 271	5 669	(38 567)
Cumulative interest rate sensitivity gap	Rm	20 627	32 898	38 567	
Cumulative interest rate sensitivity gap as a percentage of total assets	%	2,2	3,6	4,2	
2010					
Interest rate sensitivity gap	Rm	35 823	(1 203)	(630)	(33 990)
Cumulative interest rate sensitivity gap	Rm	35 823	34 620	33 990	
Cumulative interest rate sensitivity gap as a percentage of total assets[1]	%	4,3	4,1	4,1	

[1] *Restated. Refer to page 100.*

Hedging of endowment risk

Interest rate risk in the banking book is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity. The endowment risk emanating from the anticipated downturn in the economic cycle is hedged as and when it is considered opportune, using bonds, fixed rate loans and derivative instruments such as swaps and interest rate swaptions.

The interest rate view is formulated through the ALCO process, following meetings of the monetary policy committees, or notable market developments.

Outside the endowment exposure, all other banking book interest rate risk (basis, repricing, optionality and yield curve) was managed within the global markets portfolio.

Analysis of banking book interest rate sensitivity

The table below indicates the rand equivalent sensitivity of the group's net interest income and equity in response to a parallel yield curve shock, before tax. Hedging transactions are taken into account while other variables are kept constant.

Assuming no management intervention, a downward 100 basis point parallel interest rate shock across all foreign currency yield curves and a 200 basis point parallel interest rate shock across rand yield curves would decrease the forecast 12-month net interest income on 31 December 2011 by R1,7 billion (31 December 2010: R1,6 billion).

Interest rate sensitivity analysis

		ZAR	USD	GBP	Euro	Total
2011						
Increase in basis points		**200**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**1 482**				**1 482**
Sensitivity of equity	Rm	**115**	**(12)**			**103**
Decrease in basis points		**200**	**100**	**100**	**100**	
Sensitivity of annual net interest income	Rm	**(1 688)**				**(1 688)**
Sensitivity of equity	Rm	**(115)**	**12**			**(103)**
2010						
Increase in basis points		200	100	100	100	
Sensitivity of annual net interest income	Rm	1 568	13	(1)	(1)	1 579
Sensitivity of equity	Rm	184	(29)			155
Decrease in basis points		200	100	100	100	
Sensitivity of annual net interest income	Rm	(1 638)	(13)	1	1	(1 649)
Sensitivity of equity	Rm	(184)	29			(155)

Equity investments in the banking book

The equity risk committee, a sub-committee of GROC, approves investments in listed and unlisted entities in accordance with delegated authority limits. Periodic reviews and reassessments are undertaken on the performance of these investments.

Equity price risk sensitivity analysis

The table below illustrates the market risk sensitivity for all non-trading equity investments assuming a 10% shift in the fair value. The analysis is shown before tax.

Market risk sensitivity of non-trading equity investments

	10% reduction Rm	Fair value Rm	10% increase Rm
2011			
Equity securities listed and unlisted	**2 817**	**3 130**	**3 443**
Impact on profit or loss	**(303)**		**303**
Impact on equity	**(10)**		**10**
2010			
Equity securities listed and unlisted	2 537	2 819	3 101
Impact on profit or loss	(265)		265
Impact on equity	(17)		17

Foreign currency risk in the banking book

Framework and governance

The group's primary exposures to foreign currency risk arise as a result of the translation effect on the group's net assets in foreign operations, intra-group foreign-denominated debt and foreign-denominated cash exposures.

The group capital management committee delegates the management of this risk to the net asset value currency risk management committee. This committee manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the group's residual risk by means of forward exchange contracts, currency swaps and option contracts. Hedging is undertaken in such a way that it does not interfere with or constrain normal operational activities. The net asset value currency risk management committee meets regularly to reassess the hedging or diversification strategy in the event of changes in currency views.

Hedging of rand or foreign currency exposure is permitted only for planned, specific future investment-related cash flows.

The repositioning of the currency profile, which is coordinated at group level, is a controlled process based on underlying economic views of the relative strength of currencies. In terms of the foreign currency risk governance process outlined previously, the group does not ordinarily hold open exposures of any significance with respect to the banking book.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships are reported directly in other comprehensive income (OCI), with all other gains and losses on derivatives being reported in profit or loss.

Audited

Foreign currency risk sensitivity analysis

The foreign currency risk sensitivity analysis below reflects the expected financial impact, in rand equivalent, resulting from a 5% shock to foreign currency risk exposures, with respect to designated net investment hedges, other derivative financial instruments and foreign-denominated cash balances. The sensitivity analysis reflects the sensitivity to OCI and profit or loss on the group's foreign-denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

As indicated below, the absolute impact of a 5% change in foreign currency rates on the equity and/or profit or loss of the group before tax is immaterial in 2011 (2010: R18 million).

Audited

Foreign currency risk sensitivity in ZAR equivalents

		USD	Euro	GBP	Total
2011					
Sensitivity	%	**5**	**5**	**5**	**5**
Total net long/(short) position[1]	Rm	**2**	**8**	**8**	**18**
2010					
Sensitivity	%	5	5	5	5
Total net long/(short) position	Rm	304	27	27	358
Impact on equity	Rm	15			15
Impact on profit or loss	Rm		1	2	3

[1] *The total net long positions are immaterial and thus do not have an impact on equity or profit or loss.*

Operational risk

Operational risk management

Introduction

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor indeed 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 in line with the group's risk tolerance, while maximising their operational performance and efficiency.

Framework

The group has set minimum standards for managing operational risk through the group operational risk governance standard. This ensures a common approach.

The framework sets out a structured and consistent approach for managing operational risk across the group. The risk management approach involves identifying, assessing, measuring, managing, mitigating and monitoring the risks associated with operations, enabling comprehensive analysis and reporting of the group's operational risk profile.

The framework is based on the following core components:

- **Risk identification and control methodology:** Facilitates the identification of risks and the management thereof across each business and operational function. It comprises two key elements:
  - **Risk and control self-assessments:** Each business unit and group enabling function is required to analyse their business activities and critical processes to identify the key operational risks to which they are exposed and assess the adequacy and effectiveness of their controls. For any area where management conclude that the level of residual risk is beyond an acceptable level, they are required to define action plans to reduce the level of risk. The assessments are facilitated, monitored and challenged by the relevant operational risk function aligned to each business unit and group enabling function.
  - **Indicators:** Based on the key risks and controls identified above, relevant indicators are used to monitor key business environment and internal control factors that may influence the group's operational risk profile. Each indicator has trigger thresholds to provide an early-warning indicator of potential risk exposures and/or a potential breakdown of controls.

- **Operational risk incidents:** All areas are required to report operational risk incidents to their relevant operational risk function. The definition of operational risk incidents includes not only events resulting in actual loss, but those resulting in non-financial impact as well as near misses. This process is intended to enable the root cause of individual incidents or trends of incidents to be analysed and actions taken to reduce the exposure or to enhance controls. All incidents relating to the group's operations are consolidated within a central group database, which is also integrated with risk and control self assessments and indicators.
- **External data:** The group analyses external industry incidents and loss data through a combination of publicly available data and the confidential loss data available from membership of Operational Riskdata eXchange Association. This enhances the identification and assessment of risk exposures, and provides additional data for scenario analysis purposes.
- **Scenarios:** Scenarios are generated to represent the exposure to potentially severe operational risk losses. Internal subject matter experts develop estimates of potential impact and likelihood, which support the identification and assessment of key risks and controls, and provide data for quantitative modelling purposes.
- **Reporting:** Operational risk reports are produced on both a regular and an event-driven basis. The reports include a profile of the key risks to business units' achievement of their business objectives, relevant control issues and operational risk incidents. Specific reports are prepared on a regular basis for the relevant business unit committees and for group operational risk committee (GORC), GROC and the RCMC.

Managing operational risk

The primary responsibility for managing operational risk forms part of the day-to-day responsibilities of management and employees at all levels. Business line management is ultimately responsible for owning and managing risks resulting from their activities. The risks are managed where they arise.

The operational risk management function is independent from business line management and is part of the second line of defence. It is organised as follows:

- Individual teams are dedicated to each business unit and group enabling function. These teams are based alongside their business areas and facilitate the business's adoption of the operational risk framework. As part of the second line of defence, they also monitor and challenge the business units' and group 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 management framework.
- The primary oversight body for operational risk is the GORC, which reports to GROC, the RCMC and ultimately the board. GORC is chaired by the group head of operational risk and includes representation from group specialist functions and business units. GORC is also responsible for approving group-level operational risk policies and methodologies.
- Specialist functions are responsible for oversight of specific components of operational risk including legal, global financial crime control, physical commodities, information security and business continuity management.
- The physical commodities specialist function is based in Johannesburg, London and Singapore and has been established to manage physical commodities transactions executed within the group. The key role of the team is to focus on the risks embedded in each trade, on a pre- and post-trade basis, to ensure they are understood, tracked, controlled and escalated if appropriate. The team works with approved third parties who play a key role in the process and the provision of related control functions such as ship brokers, insurers, warehouse providers and security companies.

Measuring operational risk

The group continues to calculate capital for its operations based on the standardised approach in accordance with SARB approval granted in 2008.

During 2011, the group developed an internal model quantification capability. At present this is being used to calculate indicative capital requirements for SBSA, which will be run in parallel with the standardised approach calculations throughout 2012. The capital requirement derived from the model is principally driven by data generated from scenarios, although, where available, internal loss data is also used.

This quantitative methodology will be further developed during 2012, both across other parts of the group and for internal purposes, in addition to regulatory capital considerations.

Specialist operational risk types

The definition of operational risk is very broad. Operational risk contains specific sub-risks that are subject to management and oversight by dedicated specialist functions. These include:

- model risk;
- taxation risk;
- legal risk;
- compliance risk;
- environmental and social risk;
- business continuity management and resilience;
- information risk;
- financial crime risk; and
- occupational health and safety.

Model risk

Model risk arises from potential weaknesses in a model that is used in the measurement, pricing and management of a risk. These weaknesses include incorrect assumptions, incomplete information, inaccurate implementation, inappropriate use, or inappropriate methodologies leading to incorrect conclusions by the user.

The group's approach to managing model risk is based on the following principles:

- independence of model development and model validation functions;
- model validation summaries that highlight model limitations and recommend improvements;
- controlled implementation of approved models into production systems;
- ongoing monitoring of model performance;
- review and governance of data that is used as model inputs; and
- governance through committees with appropriate board and executive management members, and through policies which deal with materiality, validation criteria and approval criteria.

Taxation risk

In terms of the group tax policy, the group fulfils its responsibilities under tax law in each jurisdiction in which it operates, whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the group may have in relation to company taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that the group:

- pays neither more nor less tax than tax law requires;
- continually reviews its existing and planned operations in this regard; and
- ensures that where clients participate in group products, these clients are either aware of the probable tax implications, or are advised to consult with independent professionals to assess these implications, or both.

The framework to achieve compliance with the group tax policy comprises four elements:

- identification and management of tax risk;
- human resources policies including an optimal mix of staffing and outsourcing;
- skills development including methods to maintain and improve managerial and technical competency; and
- communication of information affecting tax within the group.

Good corporate governance in the tax context requires that each of these elements is in place, as the absence of any one would seriously undermine the others.

Identifying and managing tax risk is the primary objective of the group tax function. This objective is achieved by applying a tax risk matrix approach, which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the group is exposed, in the context of the various types of activity the group conducts.

Legal risk

Legal risk is defined as exposure to the adverse consequences of non-compliance with legal or statutory responsibilities and/or inaccurately drafted contracts and their execution, as well as the absence of written agreements or inadequate agreements. This includes exposure to new laws as well as changes in interpretations of existing law by appropriate authorities. This applies to the full scope of group activities and may also include others acting on behalf of the group.

Legal risk arises where:
- the group's businesses or functions may not be conducted in accordance with applicable laws in the countries in which it operates;
- regulatory requirements are incorrectly applied;
- the group may be liable for damages to third parties; or
- contractual obligations may be enforced against the group in an adverse way, resulting from legal proceedings being instituted against it.

The following sub-categories of legal risk are recognised:
- contract non-conclusion risk;
- contract unenforceability risk;
- security interest failure risk;
- netting and set-off disallowance risk;
- adverse tax and regulatory treatment risk;
- contract breach, damages and fines risk;
- copyright loss or contravention risk;
- litigation risk; and
- anti-competitive behaviour risk.

Although the group has processes and controls in place to manage its legal risk, failure to manage risks effectively could result in legal proceedings impacting the group adversely, both financially and reputationally.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice that are applicable to its financial services activities.

Approach to compliance risk management

The group's approach to managing compliance risk is proactive and premised on internationally accepted principles of risk management. It is aligned with other group risk type methodologies. Group compliance supports business in complying with current and emerging regulatory developments, including money laundering and terrorist financing control, sanctions management, identifying and managing conflicts of interest and market abuse, treating customers fairly and mitigating reputational risk.

Framework and governance

Compliance risk management is an independent core risk management activity overseen by the group chief compliance officer, who has unrestricted access to the group chief executive and to the chairman of the GAC. The group chief compliance officer reports independently to the GAC.

The group's compliance framework is based on the principles of effective compliance risk management outlined in the Banks Act, and recommendations from international policy-making bodies.

The compliance structure for the group's operations is a hybrid system comprising the central function, which incorporates areas of compliance expertise, and a line of business compliance model that provides compliance support to the businesses. The group operations support the three lines of defence model.

A robust risk management reporting and escalation procedure requires business unit compliance heads to report monthly and quarterly on the status of compliance risk management in the group.

Regulation and supervision

The group operates in a highly regulated industry. Supervision is undertaken by various regulatory bodies in South Africa. The group's primary banking regulator is the Bank Supervision Department (BSD) of the SARB, which supervises the group on a consolidated basis. Senior management engages with the BSD on a regular basis, as well as with regulators in other jurisdictions as and when required.

South African financial services supervisory bodies include the FSB which currently regulates the non-banking activities of the financial services industry in South Africa, the Financial Intelligence Centre which oversees money laundering and terrorist financing control, and various regulatory bodies relating to financial markets. The National Credit Regulator is responsible for regulating the South African credit industry. From a consumer protection perspective there are various ombuds serving the interests of the public, including the newly established Consumer Commission under the Consumer Protection Act.

The details of key legislation impacting the group are available in the group sustainability report which can be accessed on the group's website, www.standardbank.com.

Regulatory developments significantly inform the group's business planning processes. During 2011, the group continued to focus on consumer protection issues, including a qualification regime to accredit financial services advisers. Legislative advances during 2011 included the implementation of the Consumer Protection Act, in the first quarter of 2011. The Financial Advisory and Intermediary Services Act 37 of 2002 introduced compulsory examinations commencing in 2011 for those providing financial advice. The new Companies Act came into effect in May 2011 and has had a number of operational implications for the business, particularly in respect of the new business rescue provisions for financially distressed companies.

Financial Markets Bill

A key piece of upcoming legislation is the Financial Markets Bill, which introduces an enabling framework for the regulation of derivatives trading, including a centralised clearing house for derivatives trades.

A safer financial sector to serve South Africa better

The most significant policy proposals impacting business are those outlined in the 'A safer financial sector to serve South Africa better' document published by the South African Government in February 2011. These proposals include the move toward a 'twin peaks' model of regulation and supervision of banks and other financial services firms, with the SARB being responsible for all prudential supervision and the FSB being responsible for market conduct regulation. A new market conduct regulator for banks will be established under the ambit of the FSB.

Protection of Personal Information Bill

This Protection of Personal Information Bill provides for conditions of privacy and protection of personal information. The Bill seeks to give effect to everyone's constitutional right to privacy and to bring the South African regulatory environment in line with international data protection and privacy standards. It introduces certain minimum conditions such as acquiring customer consent before the processing of personal information and provides for the establishment of an Information Regulator. The Bill impacts extensively on the group, particularly in relation to the manner in which it uses, records and transfers information, both within South Africa and across international borders. We are in the process of strengthening our systems in preparation for this new legislation, which is expected to become law in 2012.

Money laundering and terrorist financing control

Legislation across the group pertaining to money laundering and terrorist financing control imposes significant requirements in terms of customer identification, record keeping and training, as well as obligations to detect, prevent and report money laundering and terrorist financing. The group money laundering control office is committed to continually improving its control measures, including customer monitoring tools.

Sanctions management

The group actively manages the legal, regulatory, reputational and operational risks associated with doing business in jurisdictions that are subject to embargoes and/or sanctions imposed by relevant competent authorities. A group sanctions review committee supported by a sanctions desk is jointly responsible for providing groupwide advice on all sanctions-related matters in a continuously evolving sanctions regime. Systems are continuously enhanced to detect payments to sanctioned persons or entities and processes have been designed to protect the group from participation in transactions that contravene the directives of sanctions enforcement agencies. Sanctions training is provided to relevant business areas as appropriate.

Compliance risk management training

Employees are made aware of their responsibilities in terms of current and emerging legislative and regulatory requirements and developments through induction programmes, ongoing training and awareness initiatives. The compliance team facilitates regulatory employee training within business and the different statutory requirements determine the training approaches adopted in the group. Employees, including senior management, are made aware of their legislative responsibilities either through e-learning, face-to-face interventions or through targeted awareness campaigns.

Environmental and social risk

Environmental and social risk assessment and management encompasses both the threats to global environmental systems which provide clean water, clean air and stable climate as well as risks to livelihoods, the health and rights of communities, and cultural heritage which might arise from business operations and lending activities. The group sustainability management unit develops the strategy, policy and management frameworks which enable the identification, management, monitoring and reporting of these issues. A new environmental and social risk policy was issued in 2011 and is being implemented across the group.

Environmental effects such as energy use, water use, waste production and carbon emissions resulting from our operations are recorded within an environmental management system, which is used both for improving efficiency and reporting to key stakeholders. Environmental efficiency targets have been set for the group.

The group uses two approaches to screen and process projects, namely the Equator Principles for project finance loans and an internally developed appraisal system for other financial product types, including physical commodities which is a growth area for the group. Both tools are designed to identify the risks associated with a transaction and the customer's ability to manage environmental and social issues, as well as the risks associated with the transaction itself, such as the nature and value of the loan, and the industry sector involved.

The group's material issues were grouped into six broad categories, in consultation with the group executive committee. These categories are:

- sustainable long-term financial performance;
- governance, regulation and stakeholder engagement;
- sustainable and responsible financial services;
- socioeconomic development;
- a positive and consistent employee experience; and
- the environment.

These issues will form the basis of engagement on sustainability issues with the group executive committee and the board.

Equator Principles

The Equator Principles are a set of standards for managing social and environmental risks in project finance. As a signatory to the principles, we must ensure that the customers to whom we lend capital or provide an advisory role evaluate and actively avoid, manage or mitigate the social and environmental impacts associated with the projects being financed. The principles apply to all new project finance loans of USD10 million or more, across all industry sectors.

Since adopting the Equator Principles in February 2009, the group has fully integrated this performance assessment tool into the credit approval process and transaction lifecycle of our project financing deals.

Business opportunities

Environmental risks such as global climate change also create business opportunities and the group is actively pursuing commercial funding products for the uptake of cleaner technology, alternative energy and carbon trading. The group's successful strategic partnership with the United Nations Environment Programme's ACAD facility, concluded in December 2011 and has been renegotiated for a second phase. This partnership has placed the group in a strategic position to assist in the development of African carbon markets. Standard Bank actively uses the CDM and concluded a number of significant deals across Africa in 2011.

We are also developing products and services that enable our customers to lower their carbon footprint without creating financial burdens, such as the rollout of solar water heating systems to low-income communities. During 2011, we developed a fleet management product which will help monitor and manage carbon emissions associated with vehicle fleets. We also launched a number of programmatic CDM projects which will help further increase the uptake of energy efficiency measures by South African organisations and reduce the transaction costs associated with CDM projects.

Business continuity management and resilience

Business continuity management is defined as a holistic management process that identifies potential impacts that threaten the group. It provides a framework for building resilience and the capability for an effective response that safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

The group has business resiliency and continuity plans in place to ensure its ability to operate on an ongoing basis and limit losses in the event of severe business disruptions.

Crisis management is based on a streamlined command and control process for managing the business through a crisis to full recovery. These processes may also be deployed to manage non-operational crises, including business crises, at the discretion of senior management.

Business continuity management is an integral component of the group's risk management framework. The group's business continuity strategy is structured to ensure strong central monitoring and reporting and decentralised execution, and is supported by an entrenched governance process. The group continues to ensure that business continuity is managed in an effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Contingency and recovery plans for core services, key systems and priority business activities have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant.

Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of the group's information resources, which compromises confidentiality, integrity or availability. Information risk management deals with all aspects of information in its physical and electronic forms. It focuses on the creation, use, transmission, storage, disposal and destruction of information.

Information risk management is responsible for establishing the information risk management framework, and promotes consistent and sound information risk management policies and practices across the group.

Information risk policies and standards have primarily been developed to provide management direction and support for information risk in accordance with business requirements and relevant laws and regulations. The adoption of standards and guidelines is directed by business requirements and practical implications.

The execution of these policies and standards is driven through a network of information security officers embedded within the business lines. This network is functionally overseen by the group chief information security officer.

Access to information

The Promotion of Access to Information Act 2 of 2000 was passed to give effect to the constitutional right of access to information that is held by a private or public body and that is required for the exercise or protection of any rights.

From January 2011 to date, the group has recorded 21 (2010: 22) requests for access to information, of which 12 were granted, seven refused and two were withdrawn. The main reasons for the denial of access were that:

- the owners of personal information declined to give consent for access to be given to third parties;
- requests fell outside the ambit of the above Act; and
- information to which access was requested was subject to commenced criminal or civil proceedings.

Financial crime control

The group's values enshrine honesty, integrity and ethics. The group will not condone any instance of financial crime or corruption. Where these instances arise, the group takes timely and appropriate remedial action.

Financial crime control is defined as the prevention, detection and response to all financial crime in order to mitigate economic loss, reputational risk and regulatory sanction.

Financial crime includes fraud, money laundering, violent crime and misconduct by employees, customers, suppliers, business partners, stakeholders and third parties. The group financial crime control unit is mandated by the GAC to provide financial crime control capabilities which support the group in minimising the overall impact of financial crime. This ensures the safety of our people and assets as well as trust from our stakeholders. The GAC is provided with a single holistic view of financial crime prevention, detection and response as well as emerging financial crime threats.

The group financial crime control unit functions independently, reporting to the group head of governance and assurance and the GAC. The group head of financial crime control has independent access to executives and the chairperson of the GAC.

During 2011, governance policies dealing with matters relating to financial crime were updated to provide a more comprehensive and inclusive approach to financial crime control.

Occupational health and safety

The health and safety of all employees remains a priority. Training of health and safety officers and employee awareness is an ongoing endeavour. Guidelines which were developed and implemented during 2011 have contributed to the facilitation of health and safety initiatives. Such initiatives to reduce the frequency of occupational incidents are already proving successful. A health and safety incident logging system was developed and implemented during 2011 and will enable more effective management of the function in future.

Business risk

Business risk is the risk of loss, usually from inflexible cost structures or inefficiencies, due to adverse operating conditions caused by market-driven pressures such as decreased demand, increased competition or cost increases, or caused at group level through factors such as a poor choice of strategy, reputational damage or the decision to absorb costs or losses to preserve reputation. Business risk is governed by the group executive committee which is ultimately responsible for managing the costs and revenues of the group.

Business risk includes strategic risk and post-retirement obligation risk.

The group mitigates business risk in a number of ways, including:

- Extensive due diligence during the investment appraisal process (in particular for new acquisitions).
- Both business lines have a new product process through which the risks and mitigating controls for new/amended products and services are tabled and discussed.
- Stakeholder management to ensure favourable outcomes from external factors beyond the group's control.
- Consistently monitoring the profitability of product lines and customer segments.
- Maintaining tight control over the cost base of the group, including the management of its cost-to-income ratio. This allows for early intervention and management action to reduce costs where necessary.
- Being alert and responsive to changes in market forces, exploiting potentially favourable changes and managing the downside risk due to unfavourable changes.
- As part of the group's budget and revised estimate processes, there is a strong focus on achieving headline earnings growth while containing cost growth. In addition, contingency plans are built into the budget that allow for costs to be significantly reduced in the event that expected revenue generation does not materialise.
- The group continually aims to increase the ratio of variable costs to fixed costs, allowing for more flexibility to proactively reduce costs during economic downturn conditions.

Strategic risk

Strategic risk is the risk that the group's future business plans and strategies may be inadequate to prevent financial loss or protect the group's competitive position and shareholder returns.

The group's business plans and strategies are discussed and debated by appropriately qualified and experienced members of management and non-executive board members.

Post-retirement obligation risk

The group operates both defined contribution plans and defined benefit plans, with the majority of its employees participating in defined contribution plans.

Post-retirement obligation risk is the risk to the group's earnings that arises from the requirement to contribute as an employer to an under-funded defined benefit plan.

The risk arises due to either an increase in the estimated value of pension or medical liabilities or a decline in the market value of the fund's assets or reduction in their investment returns. The group maintains a number of defined benefit pension and medical aid provider schemes for past and certain current employees, collectively termed post-retirement obligations.

Further details of post-retirement obligations are included in note 33 on page 185 of the annual financial statements.

Reputational risk

Reputational risk is the risk of damage to the group's reputation, which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. Safeguarding the group's reputation is of paramount importance to its continued success and is the responsibility of every employee.

Each business unit, legal entity or support function executive is responsible for identifying, assessing and determining all reputational risks that may arise within their respective areas of business. Risks to reputation can be evaluated by considering the likelihood of the risk occurring and the likely impact. The impact of such risks is considered alongside financial or other impacts.

Matters identified as a reputational risk to the group will be reported to the group head of governance and assurance who, if required, will escalate these matters to GROC and/or the group executive committee.

Should a risk event occur, the group's crisis management processes are designed to minimise the reputational impact of the event. 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.

Restatements

During the year, the group restated certain financial information. Please refer to annexure B of the annual financial statements on page 212 for details concerning these restatements.

Economic capital

In order to be consistent with the presentation of economic capital requirements during the current reporting period, the comparative period economic capital requirement has been restated. The restatement is due to enhancements in methodology and portfolio coverage to more accurately assess the capital required to cover credit and equity risk.

Annual financial statements

The consolidated and separate annual financial statements were audited in terms of the Companies Act 71 of 2008.

The preparation of the group's consolidated and separate annual financial statements was supervised by the chief financial officer, Libby King, BAcc (Wits), CA(SA), BCom (Wits).

These results were made publicly available on 8 March 2012.

Directors' responsibility for financial reporting

In accordance with the Companies Act, the directors are responsible for the preparation of the annual financial statements. The annual financial statements conform with International Financial Reporting Standards (IFRS) and fairly present the affairs of the company and group[1] as at 31 December 2011, and the net income and cash flows for the year then ended.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls of the group. Management enables the directors to meet these responsibilities. Standards and systems of internal controls are designed and implemented by management to provide reasonable assurance of the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and group assets.

Accounting policies supported by judgements, estimates and assumptions in compliance with IFRS, are applied on the basis that the group shall continue as a going concern. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the group. Greater detail of these systems and controls, including the operation of the group's internal audit function, is provided in the corporate governance and the risk and capital management sections of this annual report.

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the internal financial controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and to maintain accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that a breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the group will have adequate resources to continue in operational existence and as a going concern for the foreseeable future.

The 2011 annual financial statements which appear on pages 106 to 231 and specified sections of the risk and capital management report as set out on page 54, were approved by the board of directors on 7 March 2012 and signed on its behalf by:

Fred Phaswana
Chairman

Sim Tshabalala
Chief executive

Group secretary's certification

Compliance with Companies Act 71 of 2008

In terms of the Companies Act 71 of 2008 (the Act) and for the year ended 31 December 2011, I certify that The Standard Bank of South Africa Limited has filed all returns and notices required by the Act with the Companies and Intellectual Property Commission and that all such returns and notices are true, correct and up to date.

Loren Wulfsohn
Group secretary
7 March 2012

[1]*All references to group hereafter include the separate annual financial statements, where applicable.*

Report of the audit committee

This report is provided by the audit committee, in respect of the 2011 financial year of The Standard Bank of South Africa Limited, in compliance with section 94 of the Companies Act 71 of 2008 (the Act), as amended from time to time and in terms of the JSE Listings Requirements. The committee's operation is guided by a detailed mandate that is informed by the Act, the Banks Act 94 of 1990 (Banks Act) and the King Code and is approved by the board.

The committee is appointed by the board of directors annually. Information on the membership and composition of the audit committee and its activities is provided in greater detail in the corporate governance statement on page 28 of this annual report, of which the annual financial statements form a part.

Execution of functions

The audit committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the group's accounting, internal auditing, internal control and financial reporting practices.

During the year under review the committee, amongst other matters, considered the following:

- In respect of the external auditors and the external audit:
  - approved the reappointment of KPMG Inc. and PricewaterhouseCoopers Inc. as joint external auditors for the financial year ended 31 December 2011, in accordance with all applicable legal requirements;
  - approved the external auditors' terms of engagement, the audit plan and budgeted audit fees payable;
  - reviewed the audit process and evaluated the effectiveness of the audit;
  - obtained assurance from the external auditors that their independence was not impaired;
  - considered the nature and extent of all non-audit services provided by the external auditors;
  - through the chairman approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount;
  - confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005; and
  - considered reports from subsidiary audit committees and from management through the group's governance structures on the activities of subsidiary entities.

- In respect of the financial statements:
  - confirmed the going concern as the basis of preparation of the interim and annual financial statements;
  - examined and reviewed the interim and annual financial statements prior to submission and approval by the board;
  - reviewed reports on the adequacy of the provisions for performing and non-performing loans and impairment of other assets, and the formulae applied by the group in determining charges for and levels of impairment of performing loans;
  - ensured that the annual financial statements fairly present the financial position of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the group was determined to be a going concern;
  - considered accounting treatments, significant unusual transactions and accounting judgements;
  - considered the appropriateness of the accounting policies adopted and changes thereto;
  - reviewed and discussed the external auditors' audit report;
  - considered and made recommendations to the board on the interim and final dividend payments to shareholders;
  - through the chairman, met separately over the course of the year with the chief compliance officer, the chief risk officer, the chief credit officer, the head of financial crime control, management and the external auditors. The committee met with the chief audit officer and the external auditors;
  - reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
  - noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of the annual financial statements, internal controls and related matters.

- In respect of internal control, internal audit and financial crime control:
  - reviewed and approved the annual internal audit mandate and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its mandate;

- considered reports of the internal and external auditors on the group's systems of internal control, including internal financial controls and maintenance of effective internal control systems;
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to such findings;
- noted that there were no significant differences of opinion between the internal audit function and management;
- assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
- based on the above, the committee formed the opinion that at the date of this report there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the group;
- reviewed and approved the mandate of financial crime as an independent risk function; and
- discussed significant financial crime matters and control weaknesses identified.

• In respect of legal, regulatory and compliance requirements:
  - reviewed, with management, matters that could have a material impact on the group;
  - monitored compliance with the Act, the Banks Act, all other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and compliance detailing the extent of this;
  - noted that no complaints were received through the group's ethics and fraud hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters; and
  - reviewed and approved the annual compliance mandate and compliance plan.

• In respect of risk management and information technology:
  - considered and reviewed reports from management on risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going concern assessment; and
  - the chairman is a member of and attended the risk and capital management committee meetings held during the year under review.

• In respect of the coordination of assurance activities, the committee reviewed:
  - the plans and work outputs of the external and internal auditors as well as compliance and financial crime control, and concluded that these were adequate to address all significant financial risks facing the business;
  - considered the expertise, resources and experience of the finance function and the senior members of management responsible for this function and concluded that these were appropriate; and
  - considered the appropriateness of the experience and expertise of the chief financial officer and concluded that these were appropriate.

Independence of the external auditors

The audit committee is satisfied that KPMG Inc. and PricewaterhouseCoopers Inc. are independent of the group. This conclusion was arrived at, *inter alia*, after taking into account the following factors:

- the representations made by KPMG Inc. and PricewaterhouseCoopers Inc. to the audit committee;
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the group;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditors;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies were met.

The audit committee has reviewed the annual report and recommended it to the board for approval.

On behalf of the audit committee

Richard Dunne
Chairman, group audit committee
7 March 2012

Independent auditors' report

To the member of The Standard Bank of South Africa Limited

We have audited the consolidated annual financial statements and annual financial statements of The Standard Bank of South Africa Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2011, and the consolidated and separate income statements, and consolidated and separate statements of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and the directors' report, as set out on pages 106 to 231 and specified sections of the risk and capital management report as set out on page 54.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of The Standard Bank of South Africa Limited as at 31 December 2011, and its consolidated and separate financial performance its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and requirements of the Companies Act of South Africa.

KPMG Inc.

KPMG Inc.
Registered Auditor

Per *Peter MacDonald*
Chartered Accountant (SA)
Registered Auditor

Director

7 March 2012

85 Empire Road
Parktown
2193

PricewaterhouseCoopers Inc.
Registered Auditor

Per *Fulvio Tonelli*
Chartered Accountant (SA)
Registered Auditor

Director

7 March 2012

2 Eglin Road
Sunninghill
2157

Directors' report

for the year ended 31 December 2011

Nature of business

The Standard Bank of South Africa Limited (SBSA) is a wholly owned subsidiary of Standard Bank Group Limited, the listed holding company of the Standard Bank Group (SBG), a global banking group with African roots. SBSA is the single largest operating entity within SBG.

SBSA results

A general review of the business and operations is provided in the chief executive's review commencing on page 6.

A financial review of the results of SBSA group and company for the year is provided on pages 14 to 18.

Property and equipment

There was no change in the nature of the fixed assets of SBSA or in the policy regarding their use during the year.

Share capital

Ordinary shares

During 2011, two ordinary shares (2010: one) were issued at a total premium of R2 000 million (2010: R1 000 million) per share.

Directors' and prescribed officers' interest in shares

At the date of this report, no directors or prescribed officers held, directly and indirectly, interests in the company's ordinary issued share capital and preference share capital of the company.

Equity compensation plans

Information on options or rights granted to executive directors under SBG's equity compensation plans is given on pages 226 to 231.

Directors' and prescribed officers' emoluments

Information relating to the determination of directors' and prescribed officers' emoluments, share incentive allocations and related matters is contained in annexure F on pages 222 to 231.

Shareholder analysis

The company is a wholly owned subsidiary of the Standard Bank Group Limited.

Dividends to shareholders

Ordinary shares

On 2 March 2011, a dividend of R1 billion was declared to shareholders recorded at the close of business on 2 March 2011, and paid on 3 March 2011.

On 1 April 2011, a dividend of R700 million was declared to shareholders recorded at the close of business on 1 April 2011, and paid on 2 April 2011.

On 8 August 2011, a dividend of R1,5 billion was declared to shareholders recorded at the close of business on 30 August 2011, and paid on 31 August 2011.

On 7 September 2011, a dividend of R1 billion was declared to shareholders recorded at the close of business on 8 September 2011, and paid on 9 September 2011.

Board of directors

The board of directors is listed on pages 34 and 35.

There have been no changes in the directorate since the last annual report.

Group secretary and registered office

The group secretary is Loren Wulfsohn. She has advised the group that she will be leaving the group on 30 September 2012. The address of the group secretary is that of the registered office, 9th floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg 2001.

Management by third parties

None of the businesses of the group had, during the financial year, been managed by a third party or a company in which a director had an interest. A company in which Doug Band, a director of SBG and SBSA, has a beneficial interest, provided consulting and certain management services to the private equity division of SBSA for a five year period until 31 December 2004. In terms of the agreement, in future years, he will receive a percentage of the proceeds from the sale of equity-related investments undertaken during the term of the above management services agreement. No payments in respect of this agreement were received by Doug Band in 2011.

Subsidiaries, associates and joint ventures

The interests in subsidiary, associated and joint venture companies, where considered material in the light of the group's financial position and results, are set out in annexure C on page 215 and annexure D on page 216, respectively.

Contracts

Saki Macozoma, a director of the company, has an effective shareholding of 26,62% in Safika which is a member of three different consortia that were party to the Andisa Capital and the Tutuwa transactions. Safika holds effective interests of 2,50% in Liberty Holdings Limited and 1,40% in Standard Bank Group Limited. SBG holds an effective interest of 20,33% in Safika.

Cyril Ramaphosa, a director of the company, has an effective shareholding of 29,63% in Shanduka, which is a member of the Tutuwa consortium. Shanduka holds an effective interest of 1,44% in Liberty Holdings Limited and 1,20% in the Standard Bank Group Limited. SBG holds an effective interest of 13,00% in Shanduka.

Insurance

The bank protects itself against loss by maintaining banker's comprehensive crime and professional indemnity cover. The insurance terms and conditions are reviewed by the group's insurance committee annually to ensure they are 'fit for purpose' against the group's risk exposures.

Statements of financial position

at 31 December 2011

	Note	Group 2011 Rm	Group 2010[1] Rm	Group 2009[1] Rm	Company 2011 Rm	Company 2010[1] Rm	Company 2009[1] Rm
Assets							
Cash and balances with the central bank	3	**20 865**	18 181	14 470	**20 865**	18 181	14 470
Derivative assets	4.7	**93 422**	105 221	76 501	**93 445**	105 181	76 449
Trading assets	5	**24 626**	13 825	20 802	**24 440**	13 453	20 377
Pledged assets	6.1	**3 737**	2 035	1 057	**3 737**	2 035	1 057
Financial investments	7	**79 809**	79 388	62 008	**79 815**	79 388	61 623
Loans and advances	8.1	**611 165**	536 188	525 500	**593 597**	517 507	505 006
Current tax asset	9	**170**	191	142	**170**	184	140
Deferred tax asset	9	**138**	293	363	**108**	265	297
Other assets	10.1	**10 759**	5 665	4 206	**10 269**	5 216	4 197
Interest in group companies, associates and joint ventures	11	**62 099**	63 013	77 998	**66 940**	67 034	81 633
Goodwill and other intangible assets	12	**6 469**	4 410	2 913	**6 433**	4 372	2 913
Property and equipment	13	**8 430**	7 906	5 141	**8 306**	7 885	5 122
Total assets		**921 689**	836 316	791 101	**908 125**	820 701	773 284
Equity and liabilities							
Equity		**54 847**	48 704	44 027	**53 757**	47 614	43 207
Equity attributable to the ordinary shareholder		**54 795**	48 662	44 027	**53 757**	47 614	43 207
Ordinary share capital	14.2	**60**	60	60	**60**	60	60
Ordinary share premium	15	**27 230**	25 230	24 230	**27 230**	25 230	24 230
Reserves		**27 505**	23 372	19 737	**26 467**	22 324	18 917
Non-controlling interest		**52**	42				
Liabilities		**866 842**	787 612	747 074	**854 368**	773 087	730 077
Derivative liabilities	4.7	**98 730**	102 476	75 196	**98 727**	102 461	75 196
Trading liabilities	16	**13 581**	9 031	20 094	**13 581**	8 069	19 131
Deposit and current accounts	17	**688 062**	608 089	574 460	**674 147**	592 930	556 517
Current tax liability	18	**972**	2 074	2 070	**954**	2 099	2 105
Deferred tax liability	18	**702**	3	946	**710**		939
Other liabilities	19.1	**13 693**	10 368	8 063	**13 253**	9 936	7 715
Subordinated debt	20	**16 095**	15 683	15 814	**16 095**	15 683	15 814
Liabilities to group companies	11.3	**35 007**	39 888	50 431	**36 901**	41 909	52 660
Total equity and liabilities		**921 689**	836 316	791 101	**908 125**	820 701	773 284

[1] *2010 and 2009 restated, refer to annexure B – restatements.*

Income statements

for the year ended 31 December 2011

		Group		Company	
	Note	2011 Rm	2010[1] Rm	2011 Rm	2010 Rm
Net interest income		21 241	20 185	21 161	20 127
Interest income	25.1	49 607	51 601	48 731	50 414
Interest expense	25.2	28 366	31 416	27 570	30 287
Non-interest revenue		18 606	18 329	18 082	17 528
Net fee and commission revenue		14 518	13 588	13 779	12 858
Fee and commission revenue	25.3	17 291	16 107	16 537	15 362
Fee and commission expense	25.4	2 773	2 519	2 758	2 504
Trading revenue	25.5	3 086	2 686	3 077	2 699
Other revenue	25.6	1 002	2 055	1 226	1 971
Total income		39 847	38 514	39 243	37 655
Credit impairment charges	25.7	4 623	6 352	4 584	6 291
Income after credit impairment charges		35 224	32 162	34 659	31 364
Operating expenses		21 829	21 375	21 293	20 915
Staff costs	25.8	11 360	11 073	11 169	10 920
Restructuring costs	25.9		304		302
Other operating expenses	25.10	10 469	9 998	10 124	9 693
Net income before goodwill impairment		13 395	10 787	13 366	10 449
Goodwill impairment	25.11	46		39	
Net income before associates and joint ventures		13 349	10 787	13 327	10 449
Share of profits/(losses) from associates and joint ventures	11.2	83	124	(26)	
Net income before indirect taxation		13 432	10 911	13 301	10 449
Indirect taxation	27.1	745	856	745	856
Profit before direct taxation		12 687	10 055	12 556	9 593
Direct taxation	27.2	3 167	2 147	3 035	1 982
Profit for the year		9 520	7 908	9 521	7 611
Attributable to non-controlling interest		10	50		
Attributable to the ordinary shareholder		9 510	7 858	9 521	7 611
Basic earnings per ordinary share (cents)	29	15 851	13 097	15 869	12 686

[1] *Group 2010 restated, refer to annexure B – restatements.*

Statements of other comprehensive income

for the year ended 31 December 2011

	Ordinary share-holder's equity Rm	Non-controlling interest Rm	Total equity Rm
2011			
Group			
Profit for the year	**9 510**	**10**	**9 520**
Other comprehensive income/(loss) after tax for the year[1]	**317**		**317**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	**154**		**154**
Net change in fair value of cash flow hedges	**114**		**114**
Realised fair value adjustments of cash flow hedges transferred to profit or loss	**(12)**		**(12)**
Net change in fair value of available-for-sale financial assets	**61**		**61**
Total comprehensive income for the year	**9 827**	**10**	**9 837**
Attributable to non-controlling interest		**10**	**10**
Attributable to the ordinary shareholder	**9 827**		**9 827**
2010			
Group			
Profit for the year	7 858[2]	50	7 908
Other comprehensive (loss)/income after tax for the year[1]	(278)		(278)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	(79)		(79)
Net change in fair value of cash flow hedges	(680)		(680)
Realised fair value adjustments of cash flow hedges transferred to profit or loss	507		507
Net change in fair value of available-for-sale financial assets	(26)		(26)
Total comprehensive income for the year	7 580	50	7 630
Attributable to non-controlling interest		50	50
Attributable to the ordinary shareholder	7 580		7 580
2011			
Company			
Profit for the year	**9 521**		**9 521**
Other comprehensive income/(loss) after tax for the year[1]	**316**		**316**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	**153**		**153**
Net change in fair value of cash flow hedges	**114**		**114**
Realised fair value adjustments of cash flow hedges transferred to profit or loss	**(12)**		**(12)**
Net change in fair value of available-for-sale financial assets	**61**		**61**
Total comprehensive income attributable to the ordinary shareholder	**9 837**		**9 837**
2010			
Company			
Profit for the year	7 611		7 611
Other comprehensive (loss)/income after tax for the year[1]	(272)		(272)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	(73)		(73)
Net change in fair value of cash flow hedges	(680)		(680)
Realised fair value adjustments of cash flow hedges transferred to profit or loss	507		507
Net change in fair value of available-for-sale financial assets	(26)		(26)
Total comprehensive income attributable to the ordinary shareholder	7 339		7 339

[1] *The income tax relating to each component of other comprehensive income is disclosed in note 27.2.*
[2] *Group 2010 restated, refer to annexure B – restatements.*

Statements of cash flows

for the year ended 31 December 2011

	Note	Group 2011 Rm	Group 2010[1] Rm	Company 2011 Rm	Company 2010 Rm
Net cash flows from operating activities		10 377	12 523	10 270	12 499
Cash flows used in operations		(7 418)	(1 689)	(7 515)	(1 684)
Income before share of profit from associates and joint ventures		13 349	10 787	13 327	10 449
Adjusted for:		(16 138)	(13 627)	(16 074)	(13 579)
Amortisation and impairment of intangible assets	25.10	255	347	253	346
Credit impairment charges on loans and advances	25.7	4 623	6 352	4 584	6 291
Depreciation of property and equipment	25.10	1 442	1 240	1 436	1 232
Discount element recognised from credit impairment for loans and advances	25.1	(942)	(1 721)	(925)	(1 684)
Dividends included in trading revenue	25.5	(124)	(97)	(124)	(97)
Equity-settled share-based payments	25.8	6	68	6	68
Fair value adjustments on dated financial instruments	25.1	312	(1 274)	309	(1 281)
Impairments of associates	11.2	59	43	69	41
Indirect taxation	27.1	(745)	(856)	(745)	(856)
Interest expense		27 735	31 547	26 939	30 418
Interest income		(48 997)	(48 669)	(48 115)	(47 449)
Net movement in post-employment benefits		(271)	(620)	(271)	(620)
Net provision raised for restructuring costs	19.1		165		164
Non-cash flow movements on bonds		631	(131)	631	(131)
Profit on sale of property and equipment	25.10	(122)	(21)	(121)	(21)
Increase in income-earning assets	31.1	(87 582)	(13 326)	(89 791)	(15 542)
Increase in deposits and other liabilities	31.2	82 953	14 477	85 023	16 988
Dividends received		1 671	1 721	1 587	1 656
Interest paid		(27 901)	(31 624)	(27 105)	(30 495)
Interest received		47 469	47 109	46 652	45 890
Direct taxation paid	31.3	(3 444)	(2 994)	(3 349)	(2 868)
Net cash flows used in investing activities		(3 927)	(5 728)	(3 819)	(5 715)
Capital expenditure on					
– property and equipment	13	(2 065)	(4 055)	(1 953)	(4 044)
– intangible assets	12	(2 192)	(1 816)	(2 192)	(1 813)
Proceeds from sales of					
– property and equipment		263	72	259	71
– intangible assets		2	84	2	84
Net increase in subsidiaries			(16)		(16)
Net reduction in investment in associates		65	3	65	3
Net cash flows used in financing activities		(3 920)	(3 005)	(3 920)	(3 000)
Proceeds from issue of share capital to shareholder	31.4	2 000	1 000	2 000	1 000
Subordinated debt issued		1 780		1 780	
Subordinated debt redeemed		(2 000)		(2 000)	
Dividends paid	31.5	(5 700)	(4 005)	(5 700)	(4 000)
Effects of exchange rate changes		154	(79)	153	(73)
Net increase in cash and cash equivalents		2 684	3 711	2 684	3 711
Cash and cash equivalents at the beginning of the year		18 181	14 470	18 181	14 470
Cash and cash equivalents at the end of the year	3	20 865	18 181	20 865	18 181

[1] *2010 restated, refer to annexure B – restatements.*

Statement of changes in equity

for the year ended 31 December 2011

	Note	Ordinary share capital and premium Rm	Foreign currency translation reserve[1] Rm
Group			
Balance at 1 January 2010 as previously reported		24 290	68
Prior period correction (refer to annexure B)			
Restated balance at 1 January 2010		24 290	68
Total comprehensive (loss)/income for the year			(79)
Restated profit for the year			
Other comprehensive loss after tax for the year			(79)
Transactions with the shareholder, recorded directly in equity		1 000	
Equity-settled share-based payment transactions			
Transfer of vested equity options			
Net acquisition of shares in subsidiaries and other movements			
Issue of share capital and share premium	14.2	1 000	
Dividends paid	30		
Balance at 31 December 2010		25 290	(11)
Balance at 1 January 2011		**25 290**	**(11)**
Total comprehensive income for the year			**154**
Profit for the year			
Other comprehensive income after tax for the year			**154**
Transactions with the shareholder, recorded directly in equity		**2 000**	
Equity-settled share-based payment transactions			
Transfer of vested equity options			
Issue of share capital and share premium	14.2	**2 000**	
Dividends paid	30		
Balance at 31 December 2011		**27 290**	**143**

[1] *Refer to accounting policy 2 – Foreign currency translations.*
[2] *Refer to the cash flow hedges section in accounting policy 4 – Financial instruments.*
[3] *Refer to the available-for-sale financial assets section in accounting policy 4 – Financial instruments.*
[4] *Refer to accounting policy 16 – Equity-linked transactions.*

All balances are stated net of applicable tax.

Cash flow hedging reserve[2] Rm	Available-for-sale reserve[3] Rm	Share-based payment reserve[4] Rm	Retained earnings Rm	Ordinary shareholder's equity Rm	Non-controlling interest Rm	Total equity Rm
95	235	301	19 170	44 159		44 159
			(132)	(132)		(132)
95	235	301	19 038	44 027		44 027
(173)	(26)		7 858	7 580	50	7 630
			7 858	7 858	50	7 908
(173)	(26)			(278)		(278)
		(284)	(3 661)	(2 945)	(8)	(2 953)
		68		68		68
		(352)	352			
			(13)	(13)	(3)	(16)
				1 000		1 000
			(4 000)	(4 000)	(5)	(4 005)
(78)	209	17	23 235	48 662	42	48 704
(78)	**209**	**17**	**23 235**	**48 662**	**42**	**48 704**
102	**61**		**9 510**	**9 827**	**10**	**9 837**
			9 510	**9 510**	**10**	**9 520**
102	**61**			**317**		**317**
			(5 694)	**(3 694)**		**(3 694)**
		6		**6**		**6**
		(6)	**6**			
				2 000		**2 000**
			(5 700)	**(5 700)**		**(5 700)**
24	**270**	**17**	**27 051**	**54 795**	**52**	**54 847**

Statement of changes in equity continued

for the year ended 31 December 2011

	Note	Ordinary share capital and premium Rm
Company		
Balance at 1 January 2010		24 290
Total comprehensive (loss)/income for the year		
Profit for the year		
Other comprehensive loss after tax for the year		
Transactions with the shareholder, recorded directly in equity		1 000
Equity-settled share-based payment transactions		
Transfer of vested equity options		
Issue of share capital and share premium	14.2	1 000
Dividends paid	30	
Balance at 31 December 2010		25 290
Balance at 1 January 2011		**25 290**
Total comprehensive income for the year		
Profit for the year		
Other comprehensive income after tax for the year		
Transactions with the shareholder, recorded directly in equity		**2 000**
Equity-settled share-based payment transactions		
Transfer of vested equity options		
Issue of share capital and share premium	14.2	**2 000**
Dividends paid	30	
Balance at 31 December 2011		**27 290**

[1] *Refer to accounting policy 2 – Foreign currency translations.*
[2] *Refer to the cash flow hedges section in accounting policy 4 – Financial instruments.*
[3] *Refer to the available-for-sale financial assets section in accounting policy 4 – Financial instruments.*
[4] *Refer to accounting policy 16 – Equity-linked transactions.*

All balances are stated net of applicable tax.

Foreign currency translation reserve[1] Rm	Cash flow hedging reserve[2] Rm	Available-for-sale reserve[3] Rm	Share-based payment reserve[4] Rm	Retained earnings Rm	Ordinary shareholder's equity Rm
37	95	235	297	18 253	43 207
(73)	(173)	(26)		7 611	7 339
				7 611	7 611
(73)	(173)	(26)			(272)
			(280)	(3 652)	(2 932)
			68		68
			(348)	348	
					1 000
				(4 000)	(4 000)
(36)	(78)	209	17	22 212	47 614
(36)	**(78)**	**209**	**17**	**22 212**	**47 614**
153	**102**	**61**		**9 521**	**9 837**
				9 521	**9 521**
153	**102**	**61**			**316**
				(5 694)	**(3 694)**
			6		**6**
			(6)	**6**	
					2 000
				(5 700)	**(5 700)**
117	**24**	**270**	**17**	**26 039**	**53 757**

Accounting policy elections

The principal accounting policies applied in the presentation of the group's annual financial statements are set out below.

Basis of preparation

The consolidated and separate annual financial statements (annual financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS), its interpretations adopted by the International Accounting Standards Board (IASB), the AC 500 standards as issued by the Accounting Practices Board or its successor, the Listings Requirements of the JSE Limited, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and liabilities for cash-settled share-based payment arrangements that are measured at fair value; and
- post-employment benefit obligations that are measured in terms of the projected unit credit method.

The group has made the following accounting policy elections in terms of IFRS, with reference to the detailed accounting policies shown in brackets:

- regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (accounting policy 4);
- cumulative gains and losses recognised in other comprehensive income (OCI) in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (accounting policy 4);
- jointly controlled entities are accounted for using the equity method (accounting policy 5);
- property and equipment are accounted for using the cost model (accounting policy 7); and
- unrecognised actuarial gains or losses on post-employment benefits are recognised in profit or loss over a period not exceeding the expected average remaining working life of active employees (accounting policy 12).

Functional and presentation currency

The annual financial statements are presented in South African rand, which is the functional and presentation currency of The Standard Bank of South Africa Limited. All amounts are stated in millions of rand (Rm), unless indicated otherwise.

Changes in accounting policies

The accounting policies are consistent with those adopted in the previous year, except for the following:

Adoption of new standards

The group has adopted the following revised IFRS prospectively as of 1 January 2011:

- IAS 1 *Presentation of Financial Statements* (2011 Improvements to IFRS);
- IAS 24 *Related Party Transactions* (revised);
- IAS 34 *Interim Financial Reporting* (2010 Improvements to IFRS); and
- IFRS 7 *Financial Instruments: Disclosures* (2010 Improvements to IFRS).

None of the revised IFRS have had any effect on the group's reported earnings or financial statement position but have affected the group's disclosures with no material impact on the group's accounting policies.

Notes to the annual financial statements

for the year ended 31 December 2011

1. Segment reporting

The principal business units for the group are as follows:

Business unit	Scope of operations
Personal & Business Banking	Banking and other financial services to individual customers and small- to medium-sized enterprises. Mortgage lending – residential accommodation loans mainly to personal market customers. Instalment sale and finance leases – finance of vehicles for personal market customers and finance of vehicles and equipment in the business market. Credit cards – credit card facilities to individuals and businesses (credit card issuing) and merchant transaction acquiring services (card acquiring). Transactional and lending products – transactions in products associated with the various point of contact channels such as ATMs, internet, telephone banking, access points and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products, coupled with debit card facilities to both personal and business market customers. Bancassurance – short-term and long-term insurance products and financial planning services.
Corporate & Investment Banking	Corporate and investment banking services to governments, parastatals, larger corporates, financial institutions and international counterparties. Global markets – includes foreign exchange, commodities, interest rate, credit and equity trading. Transactional products and services – includes transactional banking and investor services. Investment banking – advisory, debt products, structured finance, structured trade and commodity finance, debt capital markets and equity capital markets. Investments in property finance – principal investment management and investments in real estate.
Other services	Includes the results of centralised support functions (back office), including those functions that were previously embedded in the business segments. The direct costs of support functions are recharged to the business segments.

The segment report includes only those business unit activities conducted within the group. No secondary segment information is disclosed, due to the fact that business activities predominantly relate to South Africa. The consolidated results of each business unit, containing all the activities of the business units across SBG, are reflected in the segment report in SBG's annual financial statements.

	Personal & Business Banking	
	2011 Rm	2010[2] Rm
1. Segment reporting continued		
Group		
Net interest income	**16 146**	15 538
Interest income	**34 100**	35 738
Interest expense	**17 954**	20 200
Non-interest revenue	**13 788**	12 670
Net fee and commission revenue	**13 201**	12 085
Trading revenue		
Other revenue	**587**	585
Total income	**29 934**	28 208
Credit impairment charges/(reversals)	**4 864**	6 320
Income/(loss) after credit impairment charges	**25 070**	21 888
Operating expenses	**16 751**	16 071
Staff costs	**4 007**	3 848
Restructuring costs		
Other operating expenses/(recoveries)	**12 744**	12 223
Net income/(loss) before goodwill impairment	**8 319**	5 817
Goodwill impairment	**39**	
Net income/(loss) before associates and joint ventures	**8 280**	5 817
Share of profits/(losses) from associates and joint ventures	**105**	87
Net income/(loss) before indirect taxation	**8 385**	5 904
Indirect taxation	**217**	193
Profit/(loss) before direct taxation	**8 168**	5 711
Direct taxation	**2 437**	1 580
Profit/(loss) for the year	**5 731**	4 131
Attributable to non-controlling interest	**(2)**	1
Attributable to the ordinary shareholder	**5 733**	4 130
Headline earnings	**5 763**	4 158
Operating information		
Total assets	**392 038**	370 268
Total liabilities	**370 399**	350 607
Other information		
Interest in associates and joint ventures	**806**	710
Depreciation and amortisation	**651**	790
Impairment of intangible assets		142

[1] Certain functions within the group have been transferred into Other services pursuant to the new business architecture of the group which mandates the centralisation of group functions. These functions include: legal, human resources, finance, governance and assurance, group IT, group operations, procurement and risk management.

[2] Where reporting responsibility for individual cost centres and divisions within business units changes, the segmental analysis comparative figures are reclassified accordingly. In addition to this, 2010 numbers have been restated, refer to annexure B – restatements.

Corporate & Investment Banking		Other services[1]		Total	
2011 Rm	2010[2] Rm	**2011 Rm**	2010[2] Rm	**2011 Rm**	2010[2] Rm
5 005	4 594	**90**	53	**21 241**	20 185
16 769	13 343	**(1 262)**	2 520	**49 607**	51 601
11 764	8 749	**(1 352)**	2 467	**28 366**	31 416
5 402	5 758	**(584)**	(99)	**18 606**	18 329
2 118	2 123	**(801)**	(620)	**14 518**	13 588
2 968	2 570	**118**	116	**3 086**	2 686
316	1 065	**99**	405	**1 002**	2 055
10 407	10 352	**(494)**	(46)	**39 847**	38 514
(231)	(107)	**(10)**	139	**4 623**	6 352
10 638	10 459	**(484)**	(185)	**35 224**	32 162
5 201	5 118	**(123)**	186	**21 829**	21 375
1 091	1 491	**6 262**	5 734	**11 360**	11 073
			304		304
4 110	3 627	**(6 385)**	(5 852)	**10 469**	9 998
5 437	5 341	**(361)**	(371)	**13 395**	10 787
7				**46**	
5 430	5 341	**(361)**	(371)	**13 349**	10 787
(22)	37			**83**	124
5 408	5 378	**(361)**	(371)	**13 432**	10 911
35	87	**493**	576	**745**	856
5 373	5 291	**(854)**	(947)	**12 687**	10 055
938	945	**(208)**	(378)	**3 167**	2 147
4 435	4 346	**(646)**	(569)	**9 520**	7 908
12	49			**10**	50
4 423	4 297	**(646)**	(569)	**9 510**	7 858
4 497	4 291	**(730)**	(495)	**9 530**	7 954
506 406	456 265	**23 245**	9 783	**921 689**	836 316
490 079	441 668	**6 364**	(4 663)	**866 842**	787 612
427	584	**15**	15	**1 248**	1 309
43	195	**983**	460	**1 677**	1 445
		20		**20**	142

2. Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. No material changes to assumptions have occurred during the year.

2.1 Credit impairment losses on loans and advances

Portfolio loan impairments

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing and non-performing but not specifically impaired loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. At year end, the group applied the following loss emergence periods:

	Average loss emergence period		Sensitivity[1]	
	2011 Months	2010 Months	**2011 Rm**	2010 Rm
Personal & Business Banking	**3**	3	**460**	372
Mortgage lending	**3**	3	**213**	148
Instalment sale and finance leases	**3**	3	**51**	68
Card debtors	**3**	3	**65**	69
Other lending	**3**	3	**131**	87
Corporate & Investment Banking	**6 – 12**	12	**53**	52
			513	424

[1] Sensitivity is based on the effect of a change of one month in the emergence period on the value of the impairment.

Specific loan impairments

Non-performing loans include those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. Management's estimates of future cash flows on individual impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Expected time to recover security, recoveries of individual loans as a percentage of the outstanding balances and the sensitivity to impairment loss has been estimated as follows:

	Expected time to recovery		Expected recoveries as a percentage of impaired loans		Impairment loss sensitivity[1]	
	2011 Months	2010 Months	**2011 %**	2010 %	**2011 Rm**	2010 Rm
Personal & Business Banking	**6 – 15**	6 – 15	**70**	71	**171**	231
Mortgage lending	**10**	10	**81**	83	**153**	207
Instalment sale and finance leases	**6**	6	**43**	41	**7**	10
Card debtors	**15**	15	**28**	24	**3**	4
Other lending	**14**	14	**30**	30	**8**	10
Corporate & Investment Banking	**6**	12	**76**	78	**8**	20
			70	72	**179**	251

[1] Sensitivity is based on the effect of a change of one percentage point in the value of the estimated recovery on the value of the impairment.

2. Key management assumptions continued

2.2 Fair value of financial instruments

The fair value of financial instruments, such as unlisted equity investments and equity derivatives, that is not quoted in active markets is determined by using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments.

The total amount of the change in fair value estimated using a valuation technique not based on observable market data that was recognised in profit or loss for the year ended 31 December 2011 was a profit of R511 million (2010: R331 million profit) for the group and company.

The additional disclosures with regards to fair value measurements of financial instruments are set out in note 22.

2.3 Impairment of available-for-sale equity investments

The group determines that available-for-sale equity investments are impaired and recognised as such in profit or loss when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates, among other factors, the normal volatility in the fair value. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had the declines of financial instruments with fair values below cost been considered significant or prolonged, the group and company would have suffered an additional loss of R34 million (2010: R34 million) in its financial statements, being the transfer of the negative revaluations within available-for-sale reserves to profit or loss.

2.4 Securitisations and special purpose entities (SPEs)

The group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying or selling credit protection. The group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the group controls an SPE, it makes judgements about its exposure to the risks and rewards, as well as its ability to make operational decisions for the SPE in question. In arriving at judgements, these factors are considered both jointly and separately.

The group consolidated SPEs with assets of R16 259 million (2010: R18 643 million) and net profits of R5 million profit (2010: R42 million profit). Further details regarding these SPEs can be found in annexure C on page 215.

2.5 Held-to-maturity investments

The group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement of the group's ability to hold such investments to maturity. If the group fails to hold these investments to maturity other than for specific defined circumstances, it will be required to classify the entire category as available-for-sale. The investment would be measured at fair value and not amortised cost. If the entire category of held-to-maturity investments were tainted in this way, the carrying value would increase by R2 811 million (2010: R2 039 million), for the group with a corresponding entry in OCI.

2.6 Computer software intangible assets

Direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are capitalised and disclosed as computer software intangible assets. Computer software intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of the recoverable amount of each asset requires judgement. The recoverable amount is based on the value in use and calculated by estimating future cash benefits that will result from each asset and discounting these cash benefits at an appropriate pre-tax discount rate. The carrying value of computer software intangible assets capitalised at 31 December 2011 amounted to R6 433 million (2010: R4 372 million) for the group.

2.7 Income taxes

The group is subject to direct and indirect taxation in a number of jurisdictions. There are many transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax expense in the period in which such determination is made.

		Group		Company	
		2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
3.	**Cash and balances with the central bank**				
	Coins and bank notes	**8 187**	5 870	**8 187**	5 870
	Balances with the central bank	**12 678**	12 311	**12 678**	12 311
		20 865	18 181	**20 865**	18 181

Deposits are placed with the central bank for the purpose of satisfying reserving requirements and are therefore not available for use.

4. Derivative instruments

All derivatives are classified as either derivatives held-for-trading or derivatives held-for-hedging.

4.1 Use and measurement of derivative instruments

In the normal course of business, the group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, credit risk, interest rate, commodity and equity exposures. Derivative instruments used by the group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, interest rates, credit risk and the prices of commodities and equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that both a legal right of set-off and an intention to settle on a net basis exists.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. The major types of swap transactions undertaken by the group are as follows:

- interest rate swap contracts which generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate;
- cross currency interest rate swaps involve the exchange of interest payments based on two different currency principal balances and interest reference rates and generally also entail exchange of principal amounts at the start and/or end of the contract;
- credit default swaps which are the most common form of credit derivatives, under which the party buying protection makes one or more payments to the party selling protection during the life of the swap in exchange for an undertaking by the seller to make a payment to the buyer following a credit event, as defined in the contract, with respect to a third-party reference asset; and
- total return swaps which are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is effected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded over-the-counter (OTC) or on a regulated exchange.

Forwards and futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailormade agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated exchanges.

4.2 Derivatives held-for-trading

The group trades derivative instruments on behalf of customers and for its own positions. The group transacts derivative contracts to address customer demand, both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The group also takes proprietary positions for its own account. Trading derivative products include the following derivative instruments:

4.2.1 Foreign exchange derivatives

Foreign exchange derivatives are used to hedge foreign currency risks on behalf of customers and for the group's own positions. Foreign exchange derivatives primarily consist of foreign exchange forwards, foreign exchange futures and foreign exchange options.

4. Derivative instruments continued

4.2 Derivatives held-for-trading continued

4.2.2 Interest rate derivatives

Interest rate derivatives are used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers and for the group's own positions. Interest rate derivatives primarily consist of bond options, caps and floors, forward rate agreements, options, swaps and swaptions.

4.2.3 Commodity derivatives

Commodity derivatives are used to address customer commodity demands and to take proprietary positions for the group's own account. Commodity derivatives primarily consist of commodity forwards, commodity futures and commodity options.

4.2.4 Credit derivatives

Credit derivatives are used to hedge the credit risk from one counterparty to another and manage the credit exposure to selected counterparties on behalf of customers and for the group's own positions. Credit derivatives primarily consist of credit default swaps and credit linked notes.

4.2.5 Equity derivatives

Equity derivatives are used to address customer equity demands and to take proprietary positions for the group's own account. Equity derivatives primarily consist of forwards, futures, index options, options, swaps and other equity-related financial derivative instruments.

4.3 Derivatives held-for-hedging

The group enters into derivative transactions, which are designated and qualify as either fair value or cash flow hedges for recognised assets or liabilities or highly probable forecast transactions. Derivatives designated as hedging instruments consist of:

4.3.1 Derivatives designated as fair value hedges

The group's fair value hedges principally consist of interest rate swaps that are used to mitigate the risk of changes in market interest rates. Refer to accounting policy 4 – *Financial instruments*.

4.3.2 Derivatives designated as cash flow hedges

The group uses currency swaps, forwards, exchange traded currency options and interest rate swaps to mitigate against changes in cash flows of certain variable rate debt issues. The group applies hedge accounting for its non-trading interest rate risk in major currencies by analysing expected cash flows on a group basis. The objective is to mitigate against changes in future interest cash flows resulting from the impact of changes in market interest rates, and reinvestment or reborrowing of current balances.

4.4 Day one profit or loss

Where the fair value of an instrument differs from the transaction price and the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation model whose variables include only data from observable markets the difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument or non-observable market data is used as part of the inputs to the valuation models, any resulting difference between the transaction price and the valuation model is deferred and subsequently recognised in accordance with the group's accounting policies (refer to accounting policy 4 – *Financial instruments*).

4.5 Fair values

The fair value of a derivative financial instrument represents, for a quoted instrument, the quoted market price and for an unquoted instrument, the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly marketplace transaction at year end.

4.6 Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The notional amounts have been translated at the closing rate at the reporting date where cash flows are receivable in foreign currency. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the group's participation in derivative contracts.

4. Derivative instruments continued

4.7 Derivative assets and liabilities

	Maturity analysis of net fair value						
	Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2011							
Group							
Derivatives held-for-trading							
Foreign exchange derivatives	(2 611)	(1 831)	137	(4 305)	23 094	(27 399)	912 515
Forwards	(2 773)	(974)	137	(3 610)	18 910	(22 520)	888 563
Futures	2			2	3	(1)	4 336
Options	160	(857)		(697)	4 181	(4 878)	19 616
Interest rate derivatives	(224)	1 649	(617)	808	65 569	(64 761)	4 147 446
Bond options	34	(245)		(211)	2 272	(2 483)	158 798
Caps and floors	(22)	6	26	10	87	(77)	79 512
Forwards	(285)	(266)	811	260	2 551	(2 291)	1 617 149
Options	(1)	3		2	9	(7)	3 823
Swaps	16	2 151	(1 516)	651	60 375	(59 724)	2 267 958
Swaptions	34		62	96	275	(179)	20 206
Commodity derivatives	(116)	(191)		(307)	2 755	(3 062)	14 721
Forwards	1	(171)		(170)	2 172	(2 342)	13 391
Futures	1			1	45	(44)	52
Options	(118)	(20)		(138)	538	(676)	1 278
Credit derivatives	(1 164)	(277)	34	(1 407)	278	(1 685)	47 476
Credit default swaps	(1 164)	496	34	(634)	278	(912)	46 716
Credit linked notes		(773)		(773)		(773)	760
Equity derivatives	(334)	(291)		(625)	1 150	(1 775)	140 321
Forwards	(69)	23		(46)	84	(130)	2 449
Futures	6	2		8	44	(36)	14 347
Index options	(326)	(249)		(575)	480	(1 055)	114 575
Options	50	(171)		(121)	289	(410)	7 051
Swaps	4	104		108	108		1 899
Other	1			1	145	(144)	
Total derivative (liabilities)/ assets held-for-trading	(4 449)	(941)	(446)	(5 836)	92 846	(98 682)	5 262 479
Derivatives held-for-hedging							
Derivatives designated as fair value hedges	2		(1)	1	2	(1)	26 352
Currency futures	2			2	2		17
Interest rate swaps			(1)	(1)		(1)	26 335
Derivatives designated as cash flow hedges	520	7		527	574	(47)	16 499
Currency swaps	509			509	509		5 264
Equity forwards	11			11	11		85
Interest rate swaps		7		7	54	(47)	11 150
Total derivative assets/ (liabilities) held-for-hedging	522	7	(1)	528	576	(48)	42 851
Total derivative (liabilities)/assets	(3 927)	(934)	(447)	(5 308)	93 422	(98 730)	5 305 330

4. Derivative instruments continued
4.7 Derivative assets and liabilities continued

	Maturity analysis of net fair value: Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2010							
Group							
Derivatives held-for-trading							
Foreign exchange derivatives	2 129	(735)	135	1 529	29 631	(28 102)	816 823
Forwards	2 535	(105)	135	2 565	25 052	(22 487)	679 626
Futures	(1)	(3)		(4)		(4)	11 725
Options	(405)	(627)		(1 032)	4 579	(5 611)	125 472
Interest rate derivatives	3 713	359	(1 107)	2 965	71 021	(68 056)	4 936 502
Bond options	(450)	(157)		(607)	1 073	(1 680)	117 695
Caps and floors	(16)	5	27	16	266	(250)	149 299
Forwards	253	(16)		237	1 765	(1 528)	1 501 398
Swaps	3 874	456	(1 207)	3 123	67 619	(64 496)	3 144 657
Swaptions	52	71	73	196	298	(102)	23 453
Commodity derivatives	(70)	(237)	20	(287)	2 464	(2 751)	30 708
Forwards	(15)	(251)		(266)	1 715	(1 981)	18 912
Futures	(35)			(35)	14	(49)	1 757
Options	(20)	14	20	14	735	(721)	10 039
Credit derivatives							
Credit default swaps	(64)	(46)	3	(107)	419	(526)	72 006
Equity derivatives	(358)	(231)		(589)	1 205	(1 794)	105 516
Forwards	(105)	17		(88)	74	(162)	2 207
Futures	(27)	(1)		(28)	36	(64)	11 604
Index options	(199)	(264)		(463)	624	(1 087)	57 673
Options	(115)	(8)		(123)	257	(380)	12 414
Swaps	40	48		88	95	(7)	
Other	48	(23)		25	119	(94)	21 618
Total derivative assets/ (liabilities) held-for-trading	5 350	(890)	(949)	3 511	104 740	(101 229)	5 961 555
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	604	(169)	(308)	127	452	(325)	27 110
Derivatives designated as cash flow hedges	(383)	(465)	(45)	(893)	29	(922)	6 994
Currency swaps	(365)	(426)		(791)		(791)	5 319
Equity forwards	(18)	(39)		(57)	29	(86)	525
Interest rate swaps			(45)	(45)		(45)	1 150
Total derivative assets/ (liabilities) held-for-hedging	221	(634)	(353)	(766)	481	(1 247)	34 104
Total derivative assets/ (liabilities)	5 571	(1 524)	(1 302)	2 745	105 221	(102 476)	5 995 659

4. Derivative instruments continued

4.7 Derivative assets and liabilities continued

	Maturity analysis of net fair value Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2011							
Company							
Derivatives held-for-trading							
Foreign exchange derivatives	(2 611)	(1 831)	137	(4 305)	23 094	(27 399)	912 515
Forwards	(2 773)	(974)	137	(3 610)	18 910	(22 520)	888 563
Futures	2			2	3	(1)	4 336
Options	160	(857)		(697)	4 181	(4 878)	19 616
Interest rate derivatives	(221)	1 672	(617)	834	65 592	(64 758)	4 136 805
Bond options	34	(245)		(211)	2 272	(2 483)	158 798
Caps and floors	(22)	6	26	10	87	(77)	79 512
Forwards	(285)	(266)	811	260	2 551	(2 291)	1 617 149
Options	(1)	3		2	9	(7)	3 823
Swaps	19	2 174	(1 516)	677	60 398	(59 721)	2 257 317
Swaptions	34		62	96	275	(179)	20 206
Commodity derivatives	(116)	(191)		(307)	2 755	(3 062)	14 721
Forwards	1	(171)		(170)	2 172	(2 342)	13 391
Futures	1			1	45	(44)	52
Options	(118)	(20)		(138)	538	(676)	1 278
Credit derivatives	(1 164)	(277)	34	(1 407)	278	(1 685)	47 476
Credit default swaps	(1 164)	496	34	(634)	278	(912)	46 716
Credit linked notes		(773)		(773)		(773)	760
Equity derivatives	(334)	(291)		(625)	1 150	(1 775)	140 321
Forwards	(69)	23		(46)	84	(130)	2 449
Futures	6	2		8	44	(36)	14 347
Index options	(326)	(249)		(575)	480	(1 055)	114 575
Options	50	(171)		(121)	289	(410)	7 051
Swaps	4	104		108	108		1 899
Other	1			1	145	(144)	
Total derivative (liabilities)/assets held-for-trading	(4 446)	(918)	(446)	(5 810)	92 869	(98 679)	5 251 838
Derivatives held-for-hedging							
Derivatives designated as fair value hedges	2	(1)		1	2	(1)	26 352
Currency futures	2			2	2		17
Interest rate swaps		(1)		(1)		(1)	26 335
Derivatives designated as cash flow hedges	520	7		527	574	(47)	16 499
Currency swaps	509			509	509		5 264
Equity forwards	11			11	11		85
Interest rate swaps		7		7	54	(47)	11 150
Total derivative assets/ (liabilities) held-for-hedging	522	6		528	576	(48)	42 851
Total derivative (liabilities)/assets	(3 924)	(912)	(446)	(5 282)	93 445	(98 727)	5 294 689

4. Derivative instruments continued

4.7 Derivative assets and liabilities continued

	Maturity analysis of net fair value Within 1 year Rm	After 1 year but within 5 years Rm	After 5 years Rm	Net fair value Rm	Fair value of assets Rm	Fair value of liabilities Rm	Contract/ notional amount Rm
2010							
Company							
Derivatives held-for-trading							
Foreign exchange derivatives	1 829	(647)	135	1 317	29 461	(28 144)	816 822
Forwards	2 235	(17)	135	2 353	24 882	(22 529)	679 625
Futures	(1)	(3)		(4)		(4)	11 725
Options	(405)	(627)		(1 032)	4 579	(5 611)	125 472
Interest rate derivatives	3 726	558	(1 107)	3 177	71 190	(68 013)	4 937 261
Bond options	(450)	(157)		(607)	1 073	(1 680)	117 695
Caps and floors	(16)	5	27	16	266	(250)	149 299
Forwards	253	(16)		237	1 765	(1 528)	1 501 400
Swaps	3 887	654	(1 207)	3 334	67 788	(64 454)	3 145 414
Swaptions	52	72	73	197	298	(101)	23 453
Commodity derivatives	(70)	(237)	20	(287)	2 464	(2 751)	30 708
Forwards	(15)	(251)		(266)	1 715	(1 981)	18 912
Futures	(35)			(35)	14	(49)	1 757
Options	(20)	14	20	14	735	(721)	10 039
Credit derivatives							
Credit default swaps	(64)	(46)	3	(107)	420	(527)	72 006
Equity derivatives	(343)	(231)		(574)	1 205	(1 779)	105 532
Forwards	(105)	17		(88)	74	(162)	2 207
Futures	(27)	(1)		(28)	36	(64)	11 604
Index options	(199)	(264)		(463)	624	(1 087)	57 673
Options	(100)	(8)		(108)	257	(365)	12 430
Swaps	40	48		88	95	(7)	
Other	48	(23)		25	119	(94)	21 618
Total derivative assets/(liabilities) held-for-trading	5 078	(603)	(949)	3 526	104 740	(101 214)	5 962 329
Derivatives held-for-hedging							
Derivatives designated as fair value hedges							
Interest rate swaps	565	(170)	(308)	87	412	(325)	14 124
Derivatives designated as cash flow hedges	(382)	(466)	(45)	(893)	29	(922)	6 994
Currency swaps	(364)	(427)		(791)		(791)	5 319
Equity forwards	(18)	(39)		(57)	29	(86)	525
Interest rate swaps			(45)	(45)		(45)	1 150
Total derivative assets/(liabilities) held-for-hedging	183	(636)	(353)	(806)	441	(1 247)	21 118
Total derivative assets/(liabilities)	5 261	(1 239)	(1 302)	2 720	105 181	(102 461)	5 983 447

4. Derivative instruments continued

4.8 Derivatives held-for-hedging

4.8.1 Derivatives designated as fair value hedges

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Gains/(losses) arising from fair value hedges				
on hedging instruments	**312**	23	**312**	23
on the hedged items attributable to the hedged risk	**(274)**	147	**(274)**	147

4.8.2 Derivatives designated as cash flow hedges

The forecasted timing of the release of net cash flows from the cash flow hedging reserve into profit or loss for the group is as follows:

	3 months or less Rm	More than 3 months but less than 1 year Rm	More than 1 year but less than 5 years Rm
2011			
Net cash inflow/(outflow)	**12**	**(33)**	**54**
2010			
Net cash outflow	(1)	(7)	(100)

Reconciliation of movements in the cash flow hedging reserve

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
Balance at the beginning of the year	**(78)**	95	**(78)**	95
Amounts recognised directly in other comprehensive income before tax	**158**	(944)	**158**	(944)
Less: Amounts released to profit or loss before tax				
Net interest income	**(5)**	714	**(5)**	714
Other operating expenses	**(12)**	(10)	**(12)**	(10)
Less: Deferred tax	**(39)**	67	**(39)**	67
Balance at the end of the year	**24**	(78)	**24**	(78)

No hedge ineffectiveness was recognised in profit or loss for the group or company in 2011 or 2010.

There were no transactions for the group or company for which cash flow hedge accounting had to be discontinued in 2011 or 2010 as a result of highly probable cash flows that are no longer expected to occur.

4. Derivative instruments continued

4.9 Day one profit or loss

The table below sets out the aggregate day one profits yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of changes in the balance during the year:

	Group		Company	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Unamortised profit at the beginning of the year	18	81	18	81
Additional profit/(loss) on new transactions	485	(19)	485	(19)
Recognised in profit or loss during the year	(65)	(44)	(65)	(44)
Unamortised profit at the end of the year	438	18	438	18

5. Trading assets

	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
Listed	12 715	5 749	12 529	5 378
Unlisted	11 911	8 076	11 911	8 075
	24 626	13 825	24 440	13 453
Comprising:				
Government, municipality and utility bonds	9 284	2 933	9 097	2 747
Corporate bonds	2 668	1 032	2 668	845
Commodities	1 633	1 229	1 634	1 230
Collateral	1 732	3 990	1 732	3 990
Reverse repurchase agreements	5 200	3 160	5 200	3 160
Treasury bills	878	1 090	878	1 090
Floating rate notes	392	386	392	386
Other instruments	2 839	5	2 839	5
	24 626	13 825	24 440	13 453
Maturity analysis[1]				
The maturities represent periods to contractual redemption of the trading assets recorded.				
Redeemable on demand	1 291	2 665	1 291	2 665
Maturing within 1 month	3 596	4 387	3 596	4 387
Maturing after 1 month but within 6 months	908	856	908	669
Maturing after 6 months but within 12 months	1 633	969	1 633	969
Maturing after 12 months	14 954	3 684	14 767	3 498
Undated	2 244	1 264	2 245	1 265
	24 626	13 825	24 440	13 453

[1] *2010 reclassified to include all commodities as undated assets.*

	Group			Company		
	2011 Rm	2010[1] Rm	2009 Rm	**2011 Rm**	2010[1] Rm	2009 Rm
6. Pledged assets and assets not derecognised						
6.1 Pledged assets						
Financial assets that may be repledged or resold by counterparties						
Government, municipality and utility bonds		259	1 057		259	1 057
Commodity leases	**3 737**	1 776		**3 737**	1 776	
	3 737	2 035	1 057	**3 737**	2 035	1 057
Maturity analysis[2]						
The maturities represent periods to contractual redemption of the pledged assets recorded.						
Maturing after 1 month but within 6 months		132	132		132	132
Maturing after 6 months but within 12 months		127	127		127	127
Maturing after 12 months			798			798
Undated	**3 737**	1 776		**3 737**	1 776	
	3 737	2 035	1 057	**3 737**	2 035	1 057

6.2 Total assets pledged

The carrying amount of financial assets that have been pledged as collateral for liabilities (including amounts reflected in 6.1 above) at 31 December 2011 is R8 715 million (2010: R11 549 million) for the group.

The assets pledged by the group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets.

6.3 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the group is permitted to sell or repledge in the absence of default is R10 624 million (2010: R13 075 million)[3] for the group.

The fair value of financial assets accepted as collateral that has been sold or repledged is R10 624 million (2010: 13 075 million)[3] for the group. The group is obliged to return equivalent securities.

These transactions are conducted under terms that are customary to standard securities borrowing and lending activities.

[1]2010 restated, refer to annexure B – restatements.
[2]2010 reclassified to include all commodities as undated assets.
[3]Restated.

6. Pledged assets and assets not derecognised continued

6.4 Assets transferred not derecognised

Securitisations and other structured transactions

The group enters into transactions in the normal course of business by which it transfers recognised financial assets directly to third parties or SPEs. These transfers may give rise to full derecognition or partial derecognition of the financial assets concerned.

Full derecognition occurs when the group transfers its contractual right to receive cash flows from the financial assets and substantially all the risks and rewards of ownership. The risks transferred include interest rate, currency, prepayment and other price risks.

However, where the group has retained substantially all of the credit risk associated with the transferred assets, it continues to recognise these assets.

The following table analyses the carrying amount of securitised financial assets at 31 December that did not qualify for derecognition and their associated liabilities:

	Carrying amount of transferred assets 2011 Rm	Carrying amount of associated liabilities 2011 Rm	Carrying amount of transferred assets 2010 Rm	Carrying amount of associated liabilities 2010 Rm	Carrying amount of transferred assets 2009 Rm	Carrying amount of associated liabilities 2009 Rm
Group						
Securitisation						
Mortgage lending	12 175	11 986	13 676	13 387	15 879	15 829
Instalment sale and finance leases					365	349
	12 175	11 986	13 676	13 387	16 244	16 178

Other assets transferred not derecognised

The majority of other financial assets that do not qualify for derecognition are debt securities held by counterparties as collateral under repurchase agreements. Risks to which the group remains exposed include credit and interest rate risk.

The following table presents details of other financial assets, that have associated liabilities, which have been sold or otherwise transferred, but which have not been derecognised.

	Carrying amount of transferred assets 2011 Rm	Carrying amount of associated liabilities 2011 Rm	Carrying amount of transferred assets 2010 Rm	Carrying amount of associated liabilities 2010 Rm	Carrying amount of transferred assets 2009 Rm	Carrying amount of associated liabilities 2009 Rm
Group and company						
Repurchase agreements			259	259	1 057	774

	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
7. Financial investments				
Short-term negotiable securities	**53 153**	52 885	**53 153**	52 885
Listed	**532**	6 421	**532**	6 421
Unlisted[1]	**52 621**	46 464	**52 621**	46 464
Other financial investments	**26 656**	26 503	**26 662**	26 503
Listed	**21 796**	17 016	**21 796**	17 016
Unlisted	**4 860**	9 487	**4 866**	9 487
	79 809	79 388	**79 815**	79 388
Comprising:				
Government, municipality and utility bonds	**27 853**	25 445	**27 853**	25 444
Corporate bonds	**17 421**	18 115	**17 421**	18 115
Listed equities	**949**	827	**949**	827
Unlisted equities	**2 170**	1 964	**2 176**	1 965
Mutual funds	**1 005**	5 965	**1 005**	5 965
Treasury bills	**28 725**	26 517	**28 725**	26 517
Other instruments	**1 686**	555	**1 686**	555
	79 809	79 388	**79 815**	79 388
Maturity analysis				
The maturities represent periods to contractual redemption of the financial investments recorded.				
Redeemable on demand	**1 005**		**1 005**	
Maturing within 1 month	**9 738**	15 826	**9 738**	15 826
Maturing after 1 month but within 6 months	**20 211**	18 795	**20 211**	18 795
Maturing after 6 months but within 12 months	**18 414**	12 240	**18 414**	12 240
Maturing after 12 months	**25 989**	23 511	**25 989**	23 511
Undated	**4 452**	9 016	**4 458**	9 016
	79 809	79 388	**79 815**	79 388

[1] *Included in unlisted short-term negotiable securities are SARB debentures and negotiable certificates of deposit.*

	Group			Company		
	2011 Rm	2010[1] Rm	2009[1] Rm	**2011 Rm**	2010 Rm	2009 Rm
8. Loans and advances						
8.1 Loans and advances net of impairments						
Loans and advances to banks	**61 638**	62 364	59 472	**61 471**	62 311	59 276
Call loans	**9 943**	7 267	3 073	**9 943**	7 268	3 074
Balances with banks	**51 695**	55 097	56 399	**51 528**	55 043	56 202
Loans and advances to customers	**549 527**	473 824	466 028	**532 126**	455 196	445 730
Gross loans and advances to customers	**561 552**	487 782	481 475	**544 170**	469 014	460 997
Mortgage loans	**278 406**	263 882	250 479	**266 276**	250 247	234 629
Instalment sale and finance leases (note 8.2)	**48 445**	43 836	47 973	**48 445**	43 836	47 606
Card debtors	**20 026**	19 150	20 116	**18 973**	18 169	19 160
Overdrafts and other demand lending	**34 903**	36 654	37 036	**34 912**	36 659	37 090
Term lending	**109 629**	86 906	89 136	**105 574**	82 969	86 068
Loans granted under resale agreements			1 907			1 907
Commercial property finance	**40 707**	32 838	29 839	**40 554**	32 618	29 548
Foreign currency lending	**29 436**	4 516	4 989	**29 436**	4 516	4 989
Credit impairments for loans and advances (note 8.3)	**(12 025)**	(13 958)	(15 447)	**(12 044)**	(13 818)	(15 267)
Specific credit impairments	**(7 531)**	(9 862)	(10 636)	**(7 599)**	(9 770)	(10 522)
Portfolio credit impairments	**(4 494)**	(4 096)	(4 811)	**(4 445)**	(4 048)	(4 745)
Net loans and advances	**611 165**	536 188	525 500	**593 597**	517 507	505 006
Comprising:						
Gross loans and advances	**623 190**	550 146	540 947	**605 641**	531 325	520 273
Less: Credit impairments	**(12 025)**	(13 958)	(15 447)	**(12 044)**	(13 818)	(15 267)
Net loans and advances	**611 165**	536 188	525 500	**593 597**	517 507	505 006

[1] 2010 and 2009 restated, refer to annexure B – restatements.

The carrying value of loans and advances in the group was reduced by R157 million (2010: increased by R723 million; 2009: reduced by R635 million) for fair value adjustments arising from risks subject to fair value hedging relationships.

8. Loans and advances continued

8.1 Loans and advances net of impairments continued

Maturity analysis

The maturities represent periods to contractual redemption of the loans and advances recorded.

	Group			Company		
	2011 Rm	2010[1] Rm	2009[1] Rm	**2011 Rm**	2010 Rm	2009 Rm
Redeemable on demand	**83 056**	83 925	66 505	**82 453**	83 152	65 856
Maturing within 1 month	**47 017**	52 089	56 917	**46 322**	51 537	56 279
Maturing after 1 month but within 6 months	**52 968**	36 680	40 141	**51 787**	35 459	39 001
Maturing after 6 months but within 12 months	**46 095**	41 567	43 942	**44 117**	40 310	43 222
Maturing after 12 months	**394 054**	335 885	333 442	**380 962**	320 867	315 915
Gross loans and advances	**623 190**	550 146	540 947	**605 641**	531 325	520 273
Segmental analysis – industry						
Agriculture	**11 902**	10 119	5 876	**11 896**	10 109	5 868
Construction	**18 536**	19 159	15 906	**18 480**	19 150	15 897
Electricity	**747**	645	1 692	**745**	645	1 690
Finance, real estate and other business services	**135 907**	127 348	119 078	**131 552**	123 241	115 748
Individuals	**324 980**	299 802	297 227	**312 428**	285 598	280 412
Manufacturing	**21 872**	14 376	17 129	**21 773**	14 290	17 057
Mining	**21 569**	12 973	14 832	**21 562**	12 957	14 821
Other services	**46 271**	29 384	39 394	**45 914**	29 106	39 189
Transport	**9 536**	5 909	5 966	**9 514**	5 892	5 950
Wholesale	**31 870**	30 431	23 847	**31 777**	30 337	23 641
Gross loans and advances	**623 190**	550 146	540 947	**605 641**	531 325	520 273
Segmental analysis – geographic area						
The following table sets out the distribution of the loans and advances by geographic area where the loans are recorded.						
South Africa						
Eastern Cape	**22 117**	17 721	18 024	**21 432**	16 912	17 077
Free State	**13 496**	11 793	8 528	**13 202**	11 384	8 034
Gauteng	**305 992**	278 077	277 227	**295 733**	267 824	266 001
KwaZulu-Natal	**67 129**	60 834	59 339	**64 687**	58 195	56 513
Limpopo	**10 834**	8 179	7 348	**10 639**	7 935	7 022
Mpumalanga	**19 481**	15 789	14 283	**19 005**	15 182	13 529
North West	**12 504**	13 422	10 001	**12 250**	13 014	9 509
Northern Cape	**6 047**	6 098	3 837	**5 938**	5 869	3 627
Western Cape	**84 631**	77 602	76 168	**81 802**	74 386	72 774
Other countries	**80 959**	60 631	66 192	**80 953**	60 624	66 187
Gross loans and advances	**623 190**	550 146	540 947	**605 641**	531 325	520 273

[1] *2010 and 2009 restated, refer to annexure B – restatements.*

	Group			Company		
	2011 Rm	2010[1] Rm	2009[1] Rm	**2011 Rm**	2010 Rm	2009 Rm
8. Loans and advances continued						
8.2 Instalment sale and finance leases						
Gross investment in instalment sale and finance leases	**56 211**	50 144	56 337	**56 211**	50 143	55 951
Receivable within 1 year	**19 624**	19 638	21 122	**19 624**	19 636	20 735
Receivable after 1 year but within 5 years	**36 506**	30 453	34 895	**36 506**	30 454	34 896
Receivable after 5 years	**81**	53	320	**81**	53	320
Unearned finance charges	**(7 766)**	(6 308)	(8 364)	**(7 766)**	(6 307)	(8 345)
Net investment in instalment sale and finance leases	**48 445**	43 836	47 973	**48 445**	43 836	47 606
Receivable within 1 year	**16 631**	16 944	17 319	**16 631**	16 944	16 950
Receivable after 1 year but within 5 years	**31 752**	26 842	30 352	**31 752**	26 842	30 354
Receivable after 5 years	**62**	50	302	**62**	50	302

[1] *2010 and 2009 restated, refer to annexure B – restatements.*

8. Loans and advances continued

8.3 Credit impairments for loans and advances

A reconciliation of the allowance for impairment losses for loans and advances to customers, by class:

	Mortgage lending Rm	Instalment sale and finance leases Rm	Card debtors Rm	Other loans and advances Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2011							
Group							
Specific impairments							
Balance at the beginning of the year	**4 343**	**1 395**	**1 107**	**2 450**	**405**	**162**	**9 862**
Impaired accounts written off	**(2 593)**	**(1 086)**	**(945)**	**(1 757)**	**(370)**	**(133)**	**(6 884)**
Discount element recognised in interest income	**(686)**	**(65)**	**(89)**	**(102)**			**(942)**
Net impairments raised[1]	**2 587**	**671**	**735**	**1 297**	**109**	**93**	**5 492**
Exchange and other movements					**3**		**3**
Balance at the end of the year	**3 651**	**915**	**808**	**1 888**	**147**	**122**	**7 531**
Portfolio impairments							
Balance at the beginning of the year	**979**	**589**	**510**	**1 314**	**704**		**4 096**
Net impairments raised/(released)[1]	**407**	**(148)**	**(82)**	**242**	**(6)**	**(13)**	**400**
Exchange and other movements				**2**	**(180)**	**176**	**(2)**
Balance at the end of the year	**1 386**	**441**	**428**	**1 558**	**518**	**163**	**4 494**
Total	**5 037**	**1 356**	**1 236**	**3 446**	**665**	**285**	**12 025**
2010[2]							
Group							
Specific impairments							
Balance at the beginning of the year	4 639	1 694	1 275	2 246	417	365	10 636
Impaired accounts written off	(2 010)	(1 374)	(1 282)	(1 231)	(74)	(313)	(6 284)
Discount element recognised in interest income	(1 371)	(96)	(127)	(127)			(1 721)
Net impairments raised[1]	3 085	1 171	1 241	1 562	62	110	7 231
Balance at the end of the year	4 343	1 395	1 107	2 450	405	162	9 862
Portfolio impairments							
Balance at the beginning of the year	1 022	740	618	932	1 326	173	4 811
Net impairments (released)/raised[1]	(41)	(151)	(108)	382	(795)		(713)
Exchange and other movements	(2)				173	(173)	(2)
Balance at the end of the year	979	589	510	1 314	704		4 096
Total	5 322	1 984	1 617	3 764	1 109	162	13 958

[1] *Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charges (note 25.7).*
[2] *2010 and 2009 restated, refer to annexure B – restatements.*

8. Loans and advances continued

8.3 Credit impairments for loans and advances continued

	Mortgage lending Rm	Instalment sale and finance leases Rm	Card debtors Rm	Other loans and advances Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2009[1]							
Group							
Specific impairments							
Balance at the beginning of the year	3 137	1 416	708	1 305	88	37	6 691
Impaired accounts written off	(922)	(1 364)	(1 053)	(1 126)	(55)	(4)	(4 524)
Discount element recognised in interest income	(1 351)	(144)	(43)	(116)		(1)	(1 655)
Net impairments raised	3 775	1 786	1 663	2 183	394	339	10 140
Exchange and other movements					(10)	(6)	(16)
Balance at the end of the year	4 639	1 694	1 275	2 246	417	365	10 636
Portfolio impairments							
Balance at the beginning of the year	775	479	817	1 256	1 160	173	4 660
Net impairments raised/(released)	247	261	(199)	(323)	173		159
Exchange and other movements				(1)	(7)		(8)
Balance at the end of the year	1 022	740	618	932	1 326	173	4 811
Total	5 661	2 434	1 893	3 178	1 743	538	15 447
2011							
Company							
Specific impairments							
Balance at the beginning of the year	**4 277**	**1 396**	**1 081**	**2 450**	**404**	**162**	**9 770**
Impaired accounts written off	**(2 570)**	**(1 084)**	**(928)**	**(1 757)**	**(225)**	**(133)**	**(6 697)**
Discount element recognised in interest income	**(668)**	**(65)**	**(89)**	**(103)**			**(925)**
Net impairments raised[2]	**2 569**	**671**	**712**	**1 297**	**109**	**93**	**5 451**
Balance at the end of the year	**3 608**	**918**	**776**	**1 887**	**288**	**122**	**7 599**
Portfolio impairments							
Balance at the beginning of the year	**948**	**589**	**494**	**1 315**	**702**		**4 048**
Net impairments raised/(released)[2]	**403**	**(148)**	**(81)**	**242**	**(6)**	**(13)**	**397**
Exchange and other movements				**2**	**(182)**	**180**	
Balance at the end of the year	**1 351**	**441**	**413**	**1 559**	**514**	**167**	**4 445**
Total	**4 959**	**1 359**	**1 189**	**3 446**	**802**	**289**	**12 044**

[1] *2010 and 2009 restated, refer to annexure B – restatements.*
[2] *Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charges (note 25.7).*

8. Loans and advances continued

8.3 Credit impairments for loans and advances continued

A reconciliation of the allowance for impairment losses for loans and advances to customers, by class:

	Mortgage lending Rm	Instalment sale and finance leases Rm	Card debtors Rm	Other loans and advances Rm	Corporate lending Rm	Commercial property finance Rm	Total Rm
2010							
Company							
Specific impairments							
Balance at the beginning of the year	4 573	1 665	1 256	2 246	418	364	10 522
Impaired accounts written off	(2 008)	(1 352)	(1 245)	(1 231)	(76)	(312)	(6 224)
Discount element recognised in interest income	(1 336)	(95)	(126)	(127)			(1 684)
Net impairments raised[1]	3 048	1 178	1 196	1 562	62	110	7 156
Balance at the end of the year	4 277	1 396	1 081	2 450	404	162	9 770
Portfolio impairments							
Balance at the beginning of the year	984	733	598	933	1 326	171	4 745
Net impairments (released)/raised[1]	(34)	(144)	(104)	382	(795)		(695)
Exchange and other movements	(2)				171	(171)	(2)
Balance at the end of the year	948	589	494	1 315	702		4 048
Total	5 225	1 985	1 575	3 765	1 106	162	13 818
2009							
Company							
Specific impairments							
Balance at the beginning of the year	3 081	1 371	681	1 305	89	36	6 563
Impaired accounts written off	(907)	(1 328)	(993)	(1 126)	(55)	(4)	(4 413)
Discount element recognised in interest income	(1 331)	(141)	(43)	(116)		(1)	(1 632)
Net impairments raised	3 730	1 763	1 611	2 183	394	339	10 020
Exchange and other movements					(10)	(6)	(16)
Balance at the end of the year	4 573	1 665	1 256	2 246	418	364	10 522
Portfolio impairments							
Balance at the beginning of the year	733	465	796	1 256	1 160	171	4 581
Net impairments raised/(released)	251	268	(198)	(323)	173		171
Exchange and other movements					(7)		(7)
Balance at the end of the year	984	733	598	933	1 326	171	4 745
Total	5 557	2 398	1 854	3 179	1 744	535	15 267

[1] *Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charges (note 25.7).*

8. Loans and advances continued

8.3 Credit impairments for loans and advances continued

	Group			Company		
	2011 Rm	2010[1] Rm	2009[1] Rm	2011 Rm	2010 Rm	2009 Rm
Segmental analysis of specific impairments – industry						
Agriculture	199	259	109	199	258	109
Construction	46	406	589	46	406	588
Electricity	2	2	7	2	2	7
Finance, real estate and other business services	666	1 106	1 233	665	1 110	1 252
Individuals	5 729	6 994	7 014	5 667	6 915	6 891
Manufacturing	275	287	306	273	284	305
Mining	10	15	118	10	14	118
Other services	503	499	707	637	491	702
Transport	52	55	126	51	51	124
Wholesale	49	239	427	49	239	426
	7 531	9 862	10 636	7 599	9 770	10 522
9. Current and deferred tax assets						
Current tax asset	170	191	142	170	184	140
Deferred tax asset	138	293	363	108	265	297
	308	484	505	278	449	437
9.1 Deferred tax analysis						
Accrued interest	4	4	4			
Assessed losses	3	1	1			
Assets on lease	(459)	(435)	(397)	(459)	(435)	(397)
Depreciation	(32)	(26)	(54)	(31)	(25)	(53)
Derivatives	(1 592)	(1 222)	(3 084)	(1 599)	(1 221)	(3 084)
Fair value adjustments on financial instruments	(215)	(71)	44	(218)	(78)	19
Impairment charges on loans and advances	527	730	1 553	508	711	1 526
Post-employment benefits	30	99	283	30	99	277
Secondary tax on companies	121	276	297	119	276	297
Share-based payments	218	254	206	218	254	206
Other differences	831	680	564	830	684	567
Deferred tax closing balance	(564)	290	(583)	(602)	265	(642)
Deferred tax asset	138	293	363	108	265	297
Deferred tax liability	(702)	(3)	(946)	(710)		(939)

[1] *2010 and 2009 restated, refer to annexure B – restatements.*

	Group			Company		
	2011 Rm	2010[1] Rm	2009[1] Rm	**2011 Rm**	2010 Rm	2009 Rm
9. Current and deferred tax assets continued						
9.2 Deferred tax reconciliation						
Deferred tax balance at the beginning of the year	**290**	(583)	(2 750)	**265**	(642)	(2 849)
(Reversing)/originating temporary differences for the year:	**(854)**	873	2 167	**(867)**	907	2 207
Accrued interest			(15)			
Assessed losses	**2**		1			
Assets on lease	**(24)**	(38)	(137)	**(24)**	(38)	(135)
Depreciation	**(6)**	28	(33)	**(6)**	28	(33)
Derivatives	**(370)**	1 862	1 778	**(378)**	1 863	1 778
Fair value adjustments on financial instruments[2]	**(144)**	(115)	59	**(140)**	(97)	95
Impairment charges on loans and advances	**(203)**	(823)	224	**(203)**	(815)	225
Post-employment benefits	**(69)**	(184)	(125)	**(69)**	(178)	(131)
Secondary tax on companies	**(155)**	(21)	81	**(157)**	(21)	81
Share-based payments	**(36)**	48	110	**(36)**	48	110
Other differences	**151**	116	224	**146**	117	217
Deferred tax balance at the end of the year	**(564)**	290	(583)	**(602)**	265	(642)
Temporary differences for the year comprise:						
Recognised in other comprehensive income	**(50)**	71	65	**(50)**	71	65
Recognised in profit or loss	**(804)**	802	2 102	**(817)**	836	2 142
	(854)	873	2 167	**(867)**	907	2 207

[1] *2010 and 2009 restated, refer to annexure B – restatements.*

[2] *Included in the fair value adjustments on financial instruments is a deferred tax charge of R50 million (2010: R71 million) relating to other comprehensive income. The R50 million (2010: R71 million) is made up of R39 million (2010: R67 million) relating to fair value adjustments on cash flow hedges and R11 million (2010: R4 million) relating to fair value adjustments on available-for-sale investments.*

With effect from 1 April 2012 Secondary Tax on Companies (STC) will be abolished and will be replaced by Dividends Tax, which is a withholding tax on shareholders. The deferred STC tax asset as at 31 December 2011 will be utilised by 31 March 2012.

		Group			Company		
		2011 Rm	2010[1] Rm	2009[1] Rm	**2011 Rm**	2010 Rm	2009 Rm
10.	**Other assets**						
10.1	**Summary**						
	Trading settlement assets	**4 078**	1 918	1 240	**4 049**	1 898	1 232
	Items in the course of collection	**346**	252	327	**346**	252	327
	Post-employment benefits (note 10.2)	**753**	467	178	**753**	467	178
	Other debtors	**5 582**	3 028	2 461	**5 121**	2 599	2 460
		10 759	5 665	4 206	**10 269**	5 216	4 197
10.2	**Post-employment benefits**						
	Balance at the beginning of the year	**467**	178		**467**	178	
	Net movement for the year	**286**	289	178	**286**	289	178
	Balance at the end of the year	**753**	467	178	**753**	467	178
	Details on post-employment benefits are provided in note 33 on page 185.						
11.	**Interest in group companies, associates and joint ventures**						
	Interest in group companies (note 11.1)	**60 851**	61 704	76 704	**66 209**	66 143	80 698
	Interest in associates and joint ventures (note 11.2)	**1 248**	1 309	1 294	**731**	891	935
		62 099	63 013	77 998	**66 940**	67 034	81 633
11.1	**Interest in group companies**						
	Holding company						
	Indebtedness to the group/company	**131**	131	51	**131**	131	51
	Interest in subsidiary companies				**4 875**	3 877	3 605
	Shares at cost				**84**	72	25
	Indebtedness to the company				**4 791**	3 805	3 580
	Interest in fellow banking subsidiary companies						
	Indebtedness to the group/company	**60 720**	61 573	76 653	**61 203**	62 135	77 042
		60 851	61 704	76 704	**66 209**	66 143	80 698
	Comprising:						
	Shares at cost				**84**	72	25
	Derivative assets	**4 894**	8 313	18 726	**4 921**	8 359	18 766
	Trading assets	**12 106**	15 593	9 508	**12 106**	15 593	9 508
	Loans and advances	**42 949**	37 677	45 677	**46 628**	40 257	48 120
	Other	**902**	121	2 793	**2 470**	1 862	4 279
		60 851	61 704	76 704	**66 209**	66 143	80 698

[1] *2010 and 2009 restated, refer to annexure B – restatements.*

	Group 2011 Rm	Group 2010[1] Rm	Group 2009[1] Rm	Company 2011 Rm	Company 2010 Rm	Company 2009 Rm
11. Interest in group companies, associates and joint ventures continued						
11.2 Interest in associates and joint ventures						
Carrying value at the beginning of the year	**1 309**	1 294	1 544	**891**	935	1 134
Share of profits	**155**	134	234			
Impairments of associates[2]			(366)			(198)
Impairments of private equity associates included in non-interest revenue	**(59)**	(43)		**(69)**	(41)	
Disposal of associate – carrying value	**(145)**	(33)		**(99)**		
Loss on disposal of associate	**(72)**	(10)		**(26)**		
Disposal of associate – fair value	**(73)**	(23)		**(73)**		
Acquisitions	**8**	56	8	**8**	33	8
Disposals		(36)	(9)		(36)	(9)
Distribution of profit	**(20)**	(63)	(117)			
Carrying value at the end of the year	**1 248**	1 309	1 294	**731**	891	935
Comprising:						
Cost of investments	**1 133**	1 198	1 201	**1 133**	1 198	1 201
Share of reserves	**776**	641	580			
Impairments	**(661)**	(530)	(487)	**(402)**	(307)	(266)
Carrying value at the end of the year	**1 248**	1 309	1 294	**731**	891	935
Share of profits/(losses) from associates and joint ventures						
Share of profits	**155**	134	234			
Impairments of associates[2]			(366)			
Impairments of private equity associates included in non-interest revenue						
Loss on disposal	**(72)**	(10)		**(26)**		
Deferred capital gains tax on impairment			28			
	83	124	(104)	**(26)**		

[1] *2010 and 2009 restated, refer to annexure B – restatements.*
[2] *The recoverable amounts utilised to calculate the impairments were based on price-earnings valuations. The average price-earnings ratios of comparable entities were utilised with adjustments made for the liquidity of the entities' shares.*

There are no significant restrictions on the ability of associates and joint ventures to transfer funds to the group in the form of cash dividends or repayments of loans or advances.

Associates and joint ventures are listed in annexure D on pages 216 and 217.

	Group			Company		
	2011 Rm	2010[1] Rm	2009[1] Rm	**2011 Rm**	2010 Rm	2009 Rm
11. Interest in group companies, associates and joint ventures continued						
11.2 Interest in associates and joint ventures continued						
Key financial information of associates and joint ventures						
Statement of financial position						
Non-current assets	**4 912**	5 133	5 818	**4 912**	5 133	5 818
Current assets	**5 417**	5 301	5 305	**5 417**	5 301	5 305
Non-current liabilities	**(4 037)**	(3 797)	(5 135)	**(4 037)**	(3 797)	(5 135)
Current liabilities	**(1 649)**	(1 990)	(2 087)	**(1 649)**	(1 990)	(2 087)
Income statement						
Total income	**5 066**	2 599	6 463	**5 066**	2 599	6 463
Total expense	**(4 821)**	(2 139)	(5 613)	**(4 821)**	(2 139)	(5 613)
Total profit or loss	**246**	414	829	**246**	414	829
11.3 Liabilities to group companies						
Indebtedness by the group/company to:						
Holding company	**1 907**	4 510	4 107	**1 907**	4 510	4 107
Subsidiaries				**1 984**	2 078	2 658
Fellow banking subsidiaries	**33 100**	35 378	46 324	**33 010**	35 321	45 895
	35 007	39 888	50 431	**36 901**	41 909	52 660
Comprising:						
Derivative liabilities	**3 027**	7 009	12 754	**3 027**	7 009	12 754
Deposit and current accounts	**31 719**	31 649	37 677	**33 688**	33 719	39 831
Other	**261**	1 230		**186**	1 181	75
	35 007	39 888	50 431	**36 901**	41 909	52 660

[1] *2010 and 2009 restated, refer to annexure B – restatements.*

		Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
12.	**Goodwill and other intangible assets**				
	Goodwill (note 12.1)	36	36		
	Other intangible assets (note 12.2)	6 433	4 374	6 433	4 372
		6 469	4 410	6 433	4 372
12.1	**Goodwill**				
	Goodwill on subsidiaries				
	Cost				
	Cost at the beginning of the year	36			
	Acquisitions	46	36	39	
	Cost at the end of the year	82	36	39	
	Accumulated impairment				
	Goodwill impairment charge (note 25.11)	(46)		(39)	
	Accumulated impairment at the end of the year	(46)	36	(39)	
	Carrying amount	36	36		

		2011 Gross goodwill Rm	2011 Accumulated impairment Rm	2011 Net goodwill Rm	2010 Gross goodwill Rm	2010 Accumulated impairment Rm	2010 Net goodwill Rm
12.1.1	Group						
	Goodwill comprises:						
	eCentric Switch	36		36	36		36
	Halberg Guss South Africa	7	(7)				
	MTN Mobile Money	39	(39)				
		82	(46)	36	36		36
12.1.2	Company						
	Goodwill comprises:						
	MTN Mobile Money	39	(39)				
		39	(39)				

12. Goodwill and other intangible assets continued

12.2 Other intangible assets

12.2.1 Group

	2011 Cost Rm	2011 Accumulated amortisation and impairment Rm	2011 Net book value Rm	2010 Cost Rm	2010 Accumulated amortisation and impairment Rm	2010 Net book value Rm
Summary						
Computer software	7 784	1 351	6 433	5 466	1 094	4 372
Other intangible assets	13	13		13	11	2
Total	7 797	1 364	6 433	5 479	1 105	4 374

	2010 Net book value Rm	Additions[1] Rm	Disposals Rm	Amortisation Rm	Impairments Rm	2011 Net book value[2] Rm
Movement						
Computer software	4 372	2 316	(2)	(233)	(20)	6 433
Other intangible assets	2			(2)		
Total	4 374	2 316	(2)	(235)	(20)	6 433

	2009 Net book value Rm	Additions[1] Rm	Disposals Rm	Amortisation Rm	Impairments Rm	2010 Net book value[2] Rm
Movement						
Computer software	2 913	1 889	(84)	(204)	(142)	4 372
Other intangible assets		3		(1)		2
Total	2 913	1 892	(84)	(205)	(142)	4 374

[1] *During 2011, R124 million (2010: R76 million) of interest was capitalised.*
[2] *Includes work in progress of R3 765 million (2010: R3 503 million) for which amortisation has not yet commenced.*

12. Goodwill and other intangible assets continued

12.2 Other intangible assets continued

12.2.2 Company

	2011 Cost Rm	2011 Accumulated amortisation and impairment Rm	2011 Net book value Rm	2010 Cost Rm	2010 Accumulated amortisation and impairment Rm	2010 Net book value Rm
Summary						
Computer software	7 784	1 351	6 433	5 466	1 094	4 372
Total	7 784	1 351	6 433	5 466	1 094	4 372

	2010 Net book value Rm	Additions[1] Rm	Disposals Rm	Amortisation Rm	Impairments Rm	2011 Net book value[2] Rm
Movement						
Computer software	4 372	2 316	(2)	(233)	(20)	6 433
Total	4 372	2 316	(2)	(233)	(20)	6 433

	2009 Net book value Rm	Additions[1] Rm	Disposals Rm	Amortisation Rm	Impairments Rm	2010 Net book value[2] Rm
Movement						
Computer software	2 913	1 889	(84)	(204)	(142)	4 372
Total	2 913	1 889	(84)	(204)	(142)	4 372

[1] *During 2011, R124 million (2010: R76 million) of interest was capitalised.*
[2] *Includes work in progress of R3 768 million (2010: R3 503 million) for which amortisation has not yet commenced.*

There are no significant intangible assets to which titles are restricted or which are pledged as security for liabilities.

13. Property and equipment

13.1 Group

	2011 Cost Rm	2011 Accumulated depreciation Rm	2011 Net book value Rm	2010[1] Cost Rm	2010[1] Accumulated depreciation Rm	2010[1] Net book value Rm	2009[1] Cost Rm	2009[1] Accumulated depreciation Rm	2009[1] Net book value Rm
Summary									
Property									
Freehold	**2 108**	**301**	**1 807**	1 650	308	1 342	956	289	667
Leasehold	**1 892**	**382**	**1 510**	1 888	200	1 688	640	103	537
	4 000	**683**	**3 317**	3 538	508	3 030	1 596	392	1 204
Equipment									
Computer equipment	**6 060**	**3 494**	**2 566**	6 315	3 741	2 574	5 659	3 741	1 918
Motor vehicles	**349**	**176**	**173**	470	228	242	465	242	223
Office equipment	**537**	**270**	**267**	472	218	254	396	175	221
Furniture and fittings	**3 419**	**1 312**	**2 107**	2 811	1 005	1 806	2 405	830	1 575
	10 365	**5 252**	**5 113**	10 068	5 192	4 876	8 925	4 988	3 937
Total	**14 365**	**5 935**	**8 430**	13 606	5 700	7 906	10 521	5 380	5 141

	2010[1] Net book value Rm	Additions[2] Rm	Disposals Rm	Depreciation Rm	2011 Net book value[3] Rm
Movement					
Property					
Freehold	1 342	**517**	**(36)**	**(16)**	**1 807**
Leasehold	1 688	**5**		**(183)**	**1 510**
	3 030	**522**	**(36)**	**(199)**	**3 317**
Equipment					
Computer equipment	2 574	**833**	**(14)**	**(827)**	**2 566**
Motor vehicles	242	**69**	**(87)**	**(51)**	**173**
Office equipment	254	**67**		**(54)**	**267**
Furniture and fittings	1 806	**616**	**(4)**	**(311)**	**2 107**
	4 876	**1 585**	**(105)**	**(1 243)**	**5 113**
Total	7 906	**2 107**	**(141)**	**(1 442)**	**8 430**

[1] *2010 and 2009 restated, refer to annexure B – restatements.*
[2] *R42 million of interest was capitalised.*
[3] *Includes work in progress of R1 270 million (2010: R2 296 million; 2009: R238 million) for which depreciation has not yet commenced.*

13. Property and equipment continued

13.1 Group continued

	2009[1] Net book value Rm	Additions[2] Rm	Disposals Rm	Depre-ciation Rm	2010[1] Net book value[3] Rm
Movement					
Property					
Freehold	667	695	(1)	(19)	1 342
Leasehold	537	1 262		(111)	1 688
	1 204	1 957	(1)	(130)	3 030
Equipment					
Computer equipment	1 918	1 403	(8)	(739)	2 574
Motor vehicles	223	128	(39)	(70)	242
Office equipment	221	83	(1)	(49)	254
Furniture and fittings	1 575	485	(2)	(252)	1 806
	3 937	2 099	(50)	(1 110)	4 876
Total	5 141	4 056	(51)	(1 240)	7 906

	2008 Net book value Rm	Additions[2] Rm	Disposals Rm	Depre-ciation Rm	2009[1] Net book value[3] Rm
Movement					
Property					
Freehold	685	1	(1)	(18)	667
Leasehold	183	410		(56)	537
	868	411	(1)	(74)	1 204
Equipment					
Computer equipment	1 648	907	(6)	(631)	1 918
Motor vehicles	223	99	(27)	(72)	223
Office equipment	201	60		(40)	221
Furniture and fittings	1 341	436	(4)	(198)	1 575
	3 413	1 502	(37)	(941)	3 937
Total	4 281	1 913	(38)	(1 015)	5 141

[1] *2010 and 2009 restated, refer to annexure B – restatements.*
[2] *During 2010, R1 million interest was capitalised (2009: R5 million).*
[3] *Includes work in progress of R1 270 million (2010: R2 296 million; 2009: R238 million) for which depreciation has not yet commenced.*

13. Property and equipment continued

13.2 Company

	2011 Cost Rm	2011 Accumulated depreciation Rm	2011 Net book value Rm	2010 Cost Rm	2010 Accumulated depreciation Rm	2010 Net book value Rm	2009 Cost Rm	2009 Accumulated depreciation Rm	2009 Net book value Rm
Summary									
Property									
Freehold	2 039	301	1 738	1 648	308	1 340	954	288	666
Leasehold	1 892	382	1 510	1 888	200	1 688	640	104	536
	3 931	683	3 248	3 536	508	3 028	1 594	392	1 202
Equipment									
Computer equipment	6 004	3 457	2 547	6 268	3 703	2 565	5 626	3 715	1 911
Motor vehicles	334	169	165	452	217	235	447	231	216
Office equipment	506	266	240	468	215	253	392	172	220
Furniture and fittings	3 412	1 306	2 106	2 804	1 000	1 804	2 399	826	1 573
	10 256	5 198	5 058	9 992	5 135	4 857	8 864	4 944	3 920
Total	14 187	5 881	8 306	13 528	5 643	7 885	10 458	5 336	5 122

	2010 Net book value Rm	Additions[1] Rm	Disposals Rm	Depreciation Rm	2011 Net book value[2] Rm
Movement					
Property					
Freehold	1 340	450	(36)	(16)	1 738
Leasehold	1 688	5		(183)	1 510
	3 028	455	(36)	(199)	3 248
Equipment					
Computer equipment	2 565	818	(14)	(822)	2 547
Motor vehicles	235	65	(85)	(50)	165
Office equipment	253	41		(54)	240
Furniture and fittings	1 804	616	(3)	(311)	2 106
	4 857	1 540	(102)	(1 237)	5 058
Total	7 885	1 995	(138)	(1 436)	8 306

[1] *R42 million of interest was capitalised.*
[2] *Includes work in progress of R1 270 million (2010: R2 296 million; 2009: R238 million) for which depreciation has not yet commenced.*

13. Property and equipment continued

13.2 Company continued

	2009 Net book value Rm	Additions[1] Rm	Disposals Rm	Depreciation Rm	2010 Net book value[2] Rm
Movement					
Property					
Freehold	666	694	(1)	(19)	1 340
Leasehold	536	1 263		(111)	1 688
	1 202	1 957	(1)	(130)	3 028
Equipment					
Computer equipment	1 911	1 397	(8)	(735)	2 565
Motor vehicles	216	123	(38)	(66)	235
Office equipment	220	83	(1)	(49)	253
Furniture and fittings	1 573	485	(2)	(252)	1 804
	3 920	2 088	(49)	(1 102)	4 857
Total	5 122	4 045	(50)	(1 232)	7 885

	2008 Net book value Rm	Additions[1] Rm	Disposals Rm	Depreciation Rm	2009 Net book value[2] Rm
Movement					
Property					
Freehold	683	2	(1)	(18)	666
Leasehold	182	410		(56)	536
	865	412	(1)	(74)	1 202
Equipment					
Computer equipment	1 642	903	(6)	(628)	1 911
Motor vehicles	217	93	(26)	(68)	216
Office equipment	200	60		(40)	220
Furniture and fittings	1 338	436	(4)	(197)	1 573
	3 397	1 492	(36)	(933)	3 920
Total	4 262	1 904	(37)	(1 007)	5 122

[1] *During 2010, R1 million interest was capitalised (2009: R5 million).*
[2] *Includes work in progress of R1 270 million (2010: R2 296 million; 2009: R238 million) for which depreciation has not yet commenced.*

A register of freehold land and buildings is available for inspection at the registered office of the company.

There is no significant property or equipment to which title is restricted or which is pledged as security for liabilities.

13.3 Valuation

The fair value of completed freehold property, based on valuations undertaken during 2011 by valuers registered under the Valuers Act 23 of 1982, was estimated at R1 429 million (2010: R1 591 million; 2009: R1 055 million) for the group and R1 360 million (2010: R1 589 million; 2009: R1 043 million) for the company.

		Group		Company	
		2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
14.	**Ordinary share capital**				
14.1	**Authorised**				
	80 000 000 (2010: 80 000 000) ordinary shares of R1 each	**80**	80	**80**	80
	1 000 000 000 (2010: 1 000 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,01 each	**10**	10	**10**	10
		90	90	**90**	90
14.2	**Issued**				
	59 997 123 (2010: 59 997 121) ordinary shares of R1 each	**60**	60	**60**	60
	During the year, two (2010: one) ordinary shares of R1 each were issued at a total premium of R2 000 million (2010: R1 000 million) per ordinary share.				
		60	60	**60**	60
14.3	**Unissued shares**				
	20 002 877 (2010: 20 002 879) ordinary shares of R1 each are under the general authority of the directors, whose authority expires at the annual general meeting to be held on 30 May 2012.	**20**	20	**20**	20
	1 000 000 000 (2010: 1 000 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0,01 each are under the general authority of the directors, whose authority expires at the annual general meeting to be held on 30 May 2012.	**10**	10	**10**	10
		30	30	**30**	30
15.	**Ordinary share premium**				
	Share premium on issue of shares	**27 230**	25 230	**27 230**	25 230

	Group			Company		
	2011 Rm	2010 Rm	2009[1] Rm	**2011 Rm**	2010 Rm	2009[1] Rm
16. Trading liabilities						
Classification						
Listed	**5 978**	3 129	754	**5 978**	3 129	754
Unlisted	**7 603**	5 902	19 340	**7 603**	4 940	18 377
	13 581	9 031	20 094	**13 581**	8 069	19 131
Comprising:						
Government, municipality and utility bonds	**2 794**	1 998	774	**2 794**	1 998	772
Collateral	**2 764**	1 238	1 428	**2 764**	1 238	1 428
Repurchase agreements	**7 413**	3 887	13 512	**7 413**	3 887	13 512
Commodities		471	3 387		471	3 387
Other instruments	**610**	1 437	993	**610**	475	32
	13 581	9 031	20 094	**13 581**	8 069	19 131
Maturity analysis						
The maturities represent periods to contractual redemption of the trading liabilities recorded.						
Repayable on demand	**169**	95	24	**169**	95	24
Maturing within 1 month	**7 279**	1 602	10 433	**7 279**	1 602	10 433
Maturing after 1 month but within 6 months	**135**	2 525	2 310	**135**	1 563	1 347
Maturing after 6 months but within 12 months	**2 113**	1 198	1 742	**2 113**	1 198	1 742
Maturing after 12 months	**3 885**	3 609	2 195	**3 885**	3 609	2 195
Undated		2	3 390		2	3 390
	13 581	9 031	20 094	**13 581**	8 069	19 131

[1] *2009 restated, refer to annexure B – restatements.*

	Group			Company		
	2011 Rm	2010[1] Rm	2009[1] Rm	**2011 Rm**	2010[1] Rm	2009[1] Rm
17. Deposit and current accounts						
Deposits from banks	**64 767**	50 730	54 455	**64 768**	50 730	54 470
Deposits from banks and central banks	**62 839**	49 766	53 957	**62 840**	49 766	53 972
Deposits from banks under repurchase agreements	**1 928**	964	498	**1 928**	964	498
Deposits from customers	**623 295**	557 359	520 005	**609 379**	542 200	502 047
Current accounts	**66 737**	59 293	52 539	**66 737**	59 293	52 539
Cash management deposits	**94 916**	83 455	72 970	**94 916**	83 455	72 970
Card creditors	**1 387**	1 284	1 233	**1 387**	1 284	1 233
Call deposits	**126 371**	108 183	111 035	**126 371**	108 185	111 035
Savings accounts	**19 795**	18 887	18 293	**19 795**	18 887	18 293
Term deposits	**218 528**	189 756	140 176	**212 794**	185 534	136 179
Negotiable certificates of deposit	**73 269**	68 192	98 489	**73 269**	68 192	98 489
Repurchase agreements	**506**	352		**506**	352	
Securitisation issuances	**8 183**	10 941	13 960			
Other funding	**13 603**	17 016	11 310	**13 604**	17 018	11 309
Total deposit and current accounts	**688 062**	608 089	574 460	**674 147**	592 930	556 517

The carrying value of deposits and current accounts in the company and group was increased by R293 million (2010: increased by R804 million; 2009: increased by R214 million) for fair value adjustments arising from risks subject to fair value hedging relationships.

Maturity analysis

The maturities represent periods to contractual redemption of the deposit and current accounts recorded.

	Group			Company		
	2011 Rm	2010[1] Rm	2009[1] Rm	**2011 Rm**	2010[1] Rm	2009[1] Rm
Repayable on demand	**337 481**	298 470	281 898	**337 484**	298 466	280 537
Maturing within 1 month	**62 007**	41 802	35 898	**59 504**	41 642	35 754
Maturing after 1 month but within 6 months	**115 920**	93 891	98 268	**110 763**	87 582	92 794
Maturing after 6 months but within 12 months	**63 622**	68 778	61 559	**63 469**	66 124	58 818
Maturing after 12 months	**109 032**	105 148	96 837	**102 927**	99 116	88 614
	688 062	608 089	574 460	**674 147**	592 930	556 517

[1] *2010 and 2009 restated, refer to annexure B – restatements.*

		Group			Company		
		2011 Rm	2010[1] Rm	2009[1] Rm	2011 Rm	2010 Rm	2009 Rm
18.	**Current and deferred tax liabilities**						
	Current tax liability	972	2 074	2 070	954	2 099	2 105
	Deferred tax liability	702	3	946	710		939
		1 674	2 077	3 016	1 664	2 099	3 044
19.	**Other liabilities**						
19.1	**Summary**						
	Trading settlement liabilities	4 283	1 522	116	4 283	1 522	116
	Items in the course of transmission	106	88	120	143	175	180
	Provision for post-employment benefits (note 19.2)	637	622	953	637	622	953
	Cash-settled share-based payment liability (annexure E)	777	886	735	777	886	735
	Deferred bonus scheme (annexure E)	137	77	21	137	77	21
	Staff-related accruals	2 453	1 728	1 645	2 436	1 722	1 640
	Provision for restructuring costs		165			164	
	Other liabilities and accruals	5 300	5 280	4 473	4 840	4 768	4 070
		13 693	10 368	8 063	13 253	9 936	7 715
19.2	**Provision for post-employment benefits**						
	Balance at the beginning of the year	622	953	969	622	953	969
	Net provision raised/(released)	15	(331)	(16)	15	(331)	(16)
	Balance at the end of the year	637	622	953	637	622	953

[1] 2010 and 2009 restated, refer to annexure B – restatements.

Details on post-employment benefits are provided in note 33 on page 185.

20. Subordinated debt

	Date issued	Rate %	Callable date	Rate after call date %	Notional value LCm	Carrying value 2011[1] Rm	Notional value 2011 Rm	Carrying value 2010[1] Rm	Notional value 2010 Rm
Unsecured, subordinated, redeemable bonds[2]									
Group and company									
Redeemable in 2012 (SBK 10) (Tier III)	2007/11/19	JIBAR[3] + 0,675			ZAR300	302	300	302	300
Redeemable in 2016[4] (SBK 5)	2004/11/17	9,50	2011/11/17[5]	JIBAR[3] + 1,62	ZAR2 000			2 035	2 000
Redeemable in 2017 (USA private placement)	2007/07/31[6]	LIBOR[7] + 0,88 and 6,44	2012/07/31	LIBOR[7] + 1,88	USD355	2 925	2 548	2 404	2 548
Redeemable in 2018 (SBK 8)	2006/04/10	8,20[8]	2013/04/10[5]	JIBAR[3] + 1,50	ZAR1 500	1 528	1 500	1 528	1 500
Redeemable in 2019 (SBK 11)	2009/04/09	CPI indexed[9]	2014/04/10[5]	RY[10] of 7,25	ZAR1 800	2 206	1 800	2 072	1 800
Redeemable in 2020 (SBK 7)	2005/05/24	9,63[8]	2015/05/24[5]	JIBAR[3] +1,97	ZAR3 000	3 033	3 000	3 035	3 000
Redeemable in 2021 (SBK 12)	2009/11/24	10,82[8]	2016/11/24[5]	JIBAR[3] + 3,90	ZAR1 600	1 618	1 600	1 619	1 600
Redeemable in 2021 (SBK 13)	2009/11/24	JIBAR[3] + 2,20	2016/11/24[5]	JIBAR[3] + 4,20	ZAR1 150	1 159	1 150	1 159	1 150
Redeemable in 2022 (SBK 14)	2011/01/01	9,66[8]	2017/12/01[5]	CPI indexed[9] + 2,69	ZAR1 780	1 795	1 780		
Redeemable in 2023 (SBK 9)	2006/04/10	8,40[8]	2018/04/10[5]	JIBAR[3] + 1,68	ZAR1 500	1 529	1 500	1 529	1 500
Total subordinated debt						16 095	15 178	15 683	15 398

[1] *The difference between the carrying and notional value represents transaction costs included in the initial carrying amounts, foreign exchange movements, accrued interest and the unamortised fair value adjustments relating to bonds hedged for interest rate risk.*
[2] *Tier II, unless otherwise stated.*
[3] *JIBAR is the three-month floating Johannesburg interbank agreed rate.*
[4] *Redeemed during 2011.*
[5] *The issuer may redeem on this date, or any subsequent interest payment date.*
[6] *Bonds issued in US dollars (USD355 million) redeemable on 31 July 2017, divided into two categories:*
– Category A – USD230 million bearing interest at 6,44% compounding semi-annually, switching to LIBOR plus 1,88% on 31 July 2012.
– Category B – USD125 million at LIBOR plus 0,88%, switching to LIBOR plus 1,88% on 31 July 2012.
[7] *LIBOR is the London interbank offered rate for three-month USD deposits.*
[8] *Fixed semi-annual coupon.*
[9] *The interest rate is calculated in terms of the pricing supplement using the base rate as defined adjusted for changes in the CPI as published by Statistics South Africa.*
[10] *RY is the real yield, which is the return from an investment adjusted for the effects of inflation, compounded semi-annually.*

21. Classification of assets and liabilities

Accounting classifications and fair values

The table below sets out the group's classification of financial assets and liabilities, and their fair values.

	Note	Held-for-trading[1] Rm	Designated at fair value Rm
Group			
2011			
Assets			
Cash and balances with the central bank	3		
Derivative assets	4.7	93 422	
Trading assets	5	24 626	
Pledged assets	6.1	3 737	
Financial investments	7	542	67 753
Loans and advances to banks	8.1	63	1 525
Loans and advances to customers	8.1		2 028
Interest in group companies, associates and joint ventures	11	17 000	
Other financial assets			
Other non-financial assets			
		139 390	71 306
Liabilities			
Derivative liabilities	4.7	98 730	
Trading liabilities	16	13 581	
Deposits from banks	17		2 352
Deposits from customers	17		81 235
Subordinated debt	20		
Liabilities to group companies	11.3	3 027	
Other financial liabilities			
Other non-financial liabilities			
		115 338	83 587
2010[3]			
Assets			
Cash and balances with the central bank	3		
Derivative assets	4.7	105 221	
Trading assets	5	13 825	
Pledged assets	6.1	1 776	259
Financial investments[4]	7	1 777	62 233
Loans and advances to banks	8.1	450	854
Loans and advances to customers	8.1	3	2 979
Interest in group companies, associates and joint ventures	11	23 906	
Other financial assets			
Other non-financial assets			
		146 958	66 325
Liabilities			
Derivative liabilities	4.7	102 476	
Trading liabilities	16	9 031	
Deposits from banks	17		1 775
Deposits from customers[5]	17		82 170
Subordinated debt	20		
Liabilities to group companies	11.3	7 017	
Other financial liabilities			
Other non-financial liabilities			
		118 524	83 945

[1] Includes derivative assets or liabilities held-for-hedging. Refer to note 4.3.
[2] Carrying value has been used where it closely approximates fair values. Refer to the fair value section in accounting policy 4 – Financial instruments for a description on how fair values are determined.
[3] Group restated to reflect the presentation consequences of the restatements in annexure B – restatements.
[4] An amount of R4 346 million was reclassified from designated at fair value to held-to-maturity for financial investments to reflect the original intention of management. No adjustment to the carrying value of financial investments arose as a result of the reclassification.
[5] An amount of R26 992 million for deposits from customers was reclassified from other amortised cost to designated at fair value to reflect the original intention of management. No adjustment to the carrying value of the deposits from customers arose as a result of the reclassification.

Held-to-maturity Rm	Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	20 865				20 865	20 865
					93 422	93 422
					24 626	24 626
					3 737	3 737
9 115		2 399			79 809	82 621
	60 050				61 638	61 634
	547 499				549 527	549 897
	42 330			2 769	62 099	62 077
	5 897				5 897	5 897
				20 069	20 069	
9 115	676 641	2 399		22 838	921 689	
					98 730	98 730
					13 581	13 581
			62 415		64 767	64 768
			542 060		623 295	623 724
			16 095		16 095	16 490
			31 721	259	35 007	35 007
			10 896		10 896	10 896
				4 471	4 471	
			663 187	4 730	866 842	
	18 181				18 181	18 181
					105 221	105 221
					13 825	13 825
					2 035	2 035
11 106		4 272			79 388	79 500
	61 060				62 364	62 364
	470 842				473 824	477 330
	37 154			1 953	63 013	63 054
	3 385				3 385	3 385
				15 080	15 080	
11 106	590 622	4 272		17 033	836 316	
					102 476	102 476
					9 031	9 031
			48 955		50 730	50 594
			475 189		557 359	558 295
			15 683		15 683	15 882
			31 653	1 218	39 888	39 884
			7 702		7 702	7 702
				4 743	4 743	
			579 182	5 961	787 612	

21. Classification of assets and liabilities continued

Accounting classifications and fair values continued

The table below sets out the company's classification of financial assets and liabilities, and their fair values.

	Note	Held-for-trading[1] Rm	Designated at fair value Rm
Company			
2011			
Assets			
Cash and balances with the central bank	3		
Derivative assets	4.7	93 445	
Trading assets	5	24 440	
Pledged assets	6.1	3 737	
Financial investments	7	542	67 759
Loans and advances to banks	8.1	63	1 525
Loans and advances to customers	8.1		2 028
Interest in group companies, associates and joint ventures	11	17 026	
Other financial assets			
Other non-financial assets			
		139 253	71 312
Liabilities			
Derivative liabilities	4.7	98 727	
Trading liabilities	16	13 581	
Deposits from banks	17		2 352
Deposits from customers	17		81 221
Subordinated debt	20		
Liabilities to group companies	11.3	3 027	
Other financial liabilities			
Other non-financial liabilities			
		115 335	83 573
2010[3]			
Assets			
Cash and balances with the central bank	3		
Derivative assets	4.7	105 181	
Trading assets	5	13 453	
Pledged assets	6.1	1 776	259
Financial investments[4]	7	1 777	62 233
Loans and advances to banks	8.1	450	854
Loans and advances to customers	8.1	3	2 979
Interest in group companies, associates and joint ventures	11	23 952	
Other financial assets			
Other non-financial assets			
		146 592	66 325
Liabilities			
Derivative liabilities	4.7	102 461	
Trading liabilities	16	8 069	
Deposits from banks[5]	17		1 772
Deposits from customers	17		80 593
Subordinated debt	20		
Liabilities to group companies	11.3	7 017	
Other financial liabilities			
Other non-financial liabilities			
		117 547	82 365

1 – 5 Refer to page 156.

Held-to-maturity Rm	Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	20 865				20 865	20 865
					93 445	93 445
					24 440	24 440
					3 737	3 737
9 115		2 399			79 815	82 627
	59 883				61 471	61 470
	530 098				532 126	532 559
	47 608			2 306	66 940	67 435
	5 800				5 800	5 800
				19 486	19 486	
9 115	664 254	2 399		21 792	908 125	
					98 727	98 727
					13 581	13 581
			62 416		64 768	64 768
			528 158		609 379	609 800
			16 095		16 095	16 490
			33 688	186	36 901	36 901
			10 488		10 488	10 488
				4 429	4 429	
			650 845	4 615	854 368	

Held-to-maturity Rm	Loans and receivables Rm	Available-for-sale Rm	Other amortised cost Rm	Other non-financial assets/liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	18 181				18 181	18 181
					105 181	105 181
					13 453	13 453
					2 035	2 035
11 106		4 272			79 388	79 500
	61 007				62 311	62 311
	452 214				455 196	458 148
	41 448			1 634	67 034	67 525
	2 581				2 581	2 576
				15 341	15 341	
11 106	575 431	4 272		16 975	820 701	
					102 461	102 461
					8 069	8 069
			48 958		50 730	50 598
			461 607		542 200	543 048
			15 683		15 683	15 882
			33 719	1 173	41 909	41 909
			7 492		7 492	7 492
				4 543	4 543	
			567 459	5 716	773 087	

22. Financial instruments measured at fair value

22.1 Group

22.1.1 Fair value hierarchy of instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments and the levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2011				
Assets				
Derivative assets	320	91 116	1 986	93 422
Trading assets	10 324	14 096	206	24 626
Pledged assets	3 737			3 737
Financial investments	18 607	49 639	2 448	70 694
Loans and advances to banks	63	1 525		1 588
Loans and advances to customers		2 028		2 028
Interest in group companies	2 484	14 516		17 000
	35 535	172 920	4 640	213 095
Comprising:				
Held-for-trading				139 390
Designated at fair value				71 306
Available-for-sale				2 399
				213 095
Liabilities				
Derivative liabilities	125	96 850	1 755	98 730
Trading liabilities	2 808	10 773		13 581
Deposits from banks		2 352		2 352
Deposits from customers	5 806	75 429		81 235
Liabilities to group companies		3 027		3 027
	8 739	188 431	1 755	198 925
Comprising:				
Held-for-trading				115 338
Designated at fair value				83 587
				198 925

22. **Financial instruments measured at fair value** continued

22.1 **Group** continued

22.1.1 Fair value hierarchy of instruments measured at fair value continued

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2010[1]				
Assets				
Derivative assets	1 077	103 577	567	105 221
Trading assets	5 361	8 244	220	13 825
Pledged assets	2 035			2 035
Financial investments	22 735	43 162	2 385	68 282
Loans and advances to banks	450	854		1 304
Loans and advances to customers	3	2 937	42	2 982
Interest in group companies	2 057	21 849		23 906
	33 718	180 623	3 214	217 555
Comprising:				
Held-for-trading				146 958
Designated at fair value				66 325
Available-for-sale				4 272
				217 555
Liabilities				
Derivative liabilities	2 057	99 849	570	102 476
Trading liabilities	2 476	6 555		9 031
Deposits from banks		1 775		1 775
Deposits from customers		81 721	449	82 170
Liabilities to group companies	8	7 009		7 017
	4 541	196 909	1 019	202 469
Comprising:				
Held-for-trading				118 524
Designated at fair value				83 945
				202 469

[1] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

22. Financial instruments measured at fair value continued

22.1 Group continued

22.1.2 Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Loans and advances to customers Rm	Total Rm
Balance at 1 January 2010	393		1 938	179	2 510
Total gains/(losses) included in profit or loss	249	10	443	(137)	565
Interest income				(137)	(137)
Trading revenue	249	10			259
Other revenue			443		443
Originations and purchases			71		71
Sales			(31)		(31)
Settlements	(75)		(36)		(111)
Transfers into level 3[1]		210			210
Balance at 31 December 2010	567	220	2 385	42	3 214
Balance at 1 January 2011	**567**	**220**	**2 385**	**42**	**3 214**
Total gains/(losses) included in profit or loss	**1 660**	**(14)**	**348**	**(42)**	**1 952**
Interest income				**(42)**	**(42)**
Trading revenue	**1 660**	**(14)**			**1 646**
Other revenue			**348**		**348**
Originations and purchases	**22**		**21**		**43**
Sales			**(6)**		**(6)**
Settlements	**(244)**		**(71)**		**(315)**
Transfers into level 3[1]	**9**				**9**
Transfers out of level 3[2]	**(28)**		**(229)**		**(257)**
Balance at 31 December 2011	**1 986**	**206**	**2 448**		**4 640**

[1] *During 2011 and 2010, the valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred into level 3.*

[2] *During 2011, the valuation inputs of certain level 3 financial assets became observable. The fair value of these assets was transferred into level 2.*

22. Financial instruments measured at fair value continued

22.1 Group continued

22.1.3 Gains/(losses) for the year included in profit or loss for level 3 financial assets held at the end of the year

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Loans and advances to customers Rm	Total Rm
2011					
Interest income				(42)	(42)
Trading revenue	1 660	(13)			1 647
Other revenue			142		142
Total	1 660	(13)	142	(42)	1 747
2010					
Interest income				(136)	(136)
Trading revenue	249	10			259
Other revenue			426		426
Total	249	10	426	(136)	549

22.1.4 Reconciliation of level 3 financial liabilities

The table below sets out the reconciliation of financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Derivative liabilities Rm	Deposits from customers Rm	Total Rm
Balance at 1 January 2010	353		353
Total losses included in profit or loss – trading revenue	234		234
Total losses included in other comprehensive income	16		16
Originations and purchases		449	449
Settlements	(33)		(33)
Balance at 31 December 2010	570	449	1 019
Balance at 1 January 2011	570	449	1 019
Total losses/(gains) included in profit or loss – trading revenue	1 453	(12)	1 441
Total losses included in other comprehensive income	(16)		(16)
Originations and purchases	21		21
Settlements	(494)	(68)	(562)
Transfers into level 3[1]	221		221
Transfers out of level 3[2]		(369)	(369)
Balance at 31 December 2011	1 755		1 755

22.1.5 Losses for the year included in profit or loss for level 3 financial liabilities held at the end of the year

	Derivative liabilities Rm	Deposits from customers Rm	Total Rm
2011			
Trading revenue	1 453		1 453
Total	1 453		1 453
2010			
Trading revenue	234		234
Total	234		234

[1] *During 2011, the valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.*

[2] *During 2011, the valuation inputs of certain level 3 financial liabilities became observable. The fair value of these liabilities was transferred into level 2.*

22. Financial instruments measured at fair value continued

22.1 Group continued

22.1.6 Sensitivity of fair value of level 3 financial instruments

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions based on unobservable inputs and are subject to management judgement. Although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the financial instruments. The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 financial instruments. The table further indicates the effect that a change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date, where the change in the input would change the fair value of the financial instrument significantly. The changes in the inputs that have been used in the analysis below have been determined taking into account several considerations such as the nature of the instrument and the market within which the instrument is transacted.

	Valuation basis/ technique	Main assumptions	Effect on profit or loss Favourable Rm	(Unfavourable) Rm
2011				
Derivative instruments	Discounted cash flow model; Black-Scholes model	Discount, liquidity discount, risk-free and volatility rates	**215**	**(215)**
Trading assets	Discounted cash flow model	Discount and liquidity discount rates	**19**	**(19)**
Financial investments	Discounted cash flow model; earnings multiple; sustainable earnings	Discount and liquidity discount rates; earnings multiple	**211**	**(202)**
			445	**(436)**
2010				
Derivative instruments	Discounted cash flow model; Black-Scholes model	Discount, liquidity discount, risk-free and volatility rates	80	(80)
Trading assets	Discounted cash flow model	Discount and liquidity discount rates	16	(16)
Financial investments	Discounted cash flow model; earnings multiple; sustainable earnings	Discount and liquidity discount rates; earnings multiple	245	(239)
			341	(335)

22. Financial instruments measured at fair value continued

22.2 Company

22.2.1 Fair value hierarchy of instruments measured at fair value

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2011				
Assets				
Derivative assets	320	91 139	1 986	93 445
Trading assets	10 138	14 096	206	24 440
Pledged assets	3 737			3 737
Financial investments	18 607	49 639	2 454	70 700
Loans and advances to banks	63	1 525		1 588
Loans and advances to customers		2 028		2 028
Interest in group companies	2 483	14 543		17 026
	35 348	172 970	4 646	212 964
Comprising:				
Held-for-trading				139 253
Designated at fair value				71 312
Available-for-sale				2 399
				212 964
Liabilities				
Derivative liabilities	125	96 847	1 755	98 727
Trading liabilities	2 808	10 773		13 581
Deposits from banks		2 352		2 352
Deposits from customers	5 792	75 429		81 221
Liabilities to group companies		3 027		3 027
	8 725	188 428	1 755	198 908
Comprising:				
Held-for-trading				115 335
Designated at fair value				83 573
				198 908
2010[1]				
Assets				
Derivative assets	1 077	103 537	567	105 181
Trading assets	4 989	8 244	220	13 453
Pledged assets	2 035			2 035
Financial investments	22 735	43 162	2 385	68 282
Loans and advances to banks	450	854		1 304
Loans and advances to customers	3	2 937	42	2 982
Interest in group companies	2 057	21 895		23 952
	33 346	180 629	3 214	217 189
Comprising:				
Held-for-trading				146 592
Designated at fair value				66 325
Available-for-sale				4 272
				217 189

[1] *Company 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

22. Financial instruments measured at fair value continued

22.2 Company continued

22.2.1 Fair value hierarchy of instruments measured at fair value continued

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Liabilities[1]				
Derivative liabilities	2 057	99 850	554	102 461
Trading liabilities	2 476	5 593		8 069
Deposits from banks		1 772		1 772
Deposits from customers		80 144	449	80 593
Liabilities to group companies	8	7 009		7 017
	4 541	194 368	1 003	199 912
Comprising:				
Held-for-trading				117 547
Designated at fair value				82 365
				199 912

22.2.2 Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Loans and advances to customers Rm	Total Rm
Balance at 1 January 2010	393		1 938	179	2 510
Total gains/(losses) included in profit or loss	249	10	443	(137)	565
Interest income				(137)	(137)
Trading revenue	249	10			259
Other revenue			443		443
Originations and purchases			71		71
Sales			(31)		(31)
Settlements	(75)		(36)		(111)
Transfers into level 3[2]		210			210
Balance at 31 December 2010	567	220	2 385	42	3 214
Balance at 1 January 2011	**567**	**220**	**2 385**	**42**	**3 214**
Total gains/(losses) included in profit or loss	**1 660**	**(14)**	**348**	**(42)**	**1 952**
Interest income				**(42)**	**(42)**
Trading revenue	**1 660**	**(14)**			**1 646**
Other revenue			**348**		**348**
Originations and purchases	**22**		**27**		**49**
Sales			**(6)**		**(6)**
Settlements	**(244)**		**(71)**		**(315)**
Transfers into level 3[2]	**9**				**9**
Transfers out of level 3[3]	**(28)**		**(229)**		**(257)**
Balance at 31 December 2011	**1 986**	**206**	**2 454**		**4 646**

[1] Company 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.
[2] During 2011 and 2010, the valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred into level 3.
[3] During 2011, the valuation inputs of certain level 3 financial assets became observable. The fair value of these assets was transferred into level 2.

22. Financial instruments measured at fair value continued

22.2 Company continued

22.2.3 Gains/(losses) for the year included in profit or loss for level 3 financial assets held at the end of the year

	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Loans and advances to customers Rm	Total Rm
2011					
Interest income				**(42)**	**(42)**
Trading revenue	**1 660**	**(13)**			**1 647**
Other revenue			**142**		**142**
Total	**1 660**	**(13)**	**142**	**(42)**	**1 747**
2010					
Interest income				(136)	(136)
Trading revenue	249	10			259
Other revenue			426		426
Total	249	10	426	(136)	549

22.2.4 Reconciliation of level 3 financial liabilities

The table below sets out the reconciliation of financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Derivative liabilities Rm	Deposits from customers Rm	Total Rm
Balance at 1 January 2010	353		353
Total gains and losses included in profit or loss – trading revenue	234		234
Originations and purchases		449	449
Settlements	(33)		(33)
Balance at 31 December 2010	554	449	1 003
Balance at 1 January 2011	**554**	**449**	**1 003**
Total gains and losses included in profit or loss – trading revenue	**1 453**	**(12)**	**1 441**
Originations and purchases	**21**		**21**
Settlements	**(494)**	**(68)**	**(562)**
Transfers into level 3[1]	**221**		**221**
Transfers out of level 3[2]		**(369)**	**(369)**
Balance at 31 December 2011	**1 755**		**1 755**

22.2.5 Losses for the year included in profit or loss for level 3 financial liabilities held at the end of the year

	Derivative liabilities Rm	Deposits from customers Rm	Total Rm
2011			
Trading revenue	**1 453**		**1 453**
Total	**1 453**		**1 453**
2010			
Trading revenue	234		234
Total	234		234

[1] *During 2011, the valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.*

[2] *During 2011, the valuation inputs of certain level 3 financial liabilities became observable. The fair value of these liabilities was transferred into level 2.*

22. Financial instruments measured at fair value continued

22.2 Company continued

22.2.6 Sensitivity of fair value of level 3 financial instruments

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.

The fair value of level 3 financial instruments is determined using valuation techniques which incorporate assumptions based on unobservable inputs and are subject to management judgement. Although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the financial instruments. The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 financial instruments. The table further indicates the effect that a change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date, where the change in the input would change the fair value of the financial instrument significantly. The changes in the inputs that have been used in the analysis below have been determined taking into account several considerations such as the nature of the instrument and the market within which the instrument is transacted.

	Valuation basis/ technique	Main assumptions	Effect on profit or loss Favourable Rm	Effect on profit or loss (Unfavourable) Rm
2011				
Derivative instruments	Discounted cash flow model; Black-Scholes model	Discount, liquidity discount, risk-free and volatility rates	**215**	**(215)**
Trading assets	Discounted cash flow model	Discount and liquidity discount rates	**19**	**(19)**
Financial investments	Discounted cash flow model; earnings multiple; sustainable earnings	Discount and liquidity discount rates; earnings multiple	**211**	**(202)**
			445	**(436)**
2010				
Derivative instruments	Discounted cash flow model; Black-Scholes model	Discount, liquidity discount, risk-free and volatility rates	80	(80)
Trading assets	Discounted cash flow model	Discount and liquidity discount rates	16	(16)
Financial investments	Discounted cash flow model; earnings multiple; sustainable earnings	Discount and liquidity discount rates; earnings multiple	245	(239)
			341	(335)

23. Financial assets and financial liabilities designated at fair value through profit or loss

23.1 Loans and advances

The maximum exposure to credit risk for loans and advances designated at fair value through profit or loss for the group and company is R3 553 million (2010: R3 833 million). No credit derivatives were used to mitigate credit risk on these instruments.

The cumulative gains or losses due to credit risk is negligible (2010: negligible). The change in fair value of the designated loans and advances that is attributable to changes in credit risk is determined as the amount of change in fair value that is not attributable to changes in market conditions.

23.2 Financial liabilities

The fair value movement of financial liabilities attributable to changes in credit risk cumulative to date is negligible (2010: negligible) for the group and company.

The change in fair value of the designated financial liabilities attributable to changes in credit risk has been calculated by reference to the change in credit risk implicit in the market value of the bank's senior notes.

The amount that would contractually be required to be paid at maturity for financial liabilities designated at fair value through profit or loss for the group is R78 039 million (2010: R78 876 million) and for the company is R78 025 million (2010: R77 296 million), R5 548 million lower (2010: R5 069 million lower) for the group and company than the carrying amount.

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
24. Contingent liabilities and commitments				
24.1 Contingent liabilities				
Letters of credit	**7 307**	3 564	**8 311**	3 564
Guarantees	**30 342**	26 637	**30 752**	26 637
	37 649	30 201	**39 063**	30 201
Loan commitments of R67 641 million (2010: R53 296 million) in the group that are irrevocable over the life of the facility or are revocable only in response to material adverse changes are included in the risk and capital management section on page 68.				
24.2 Capital commitments				
Contracted capital expenditure	**2 200**	1 902	**2 200**	1 902
Capital expenditure authorised but not yet contracted	**4 749**	4 382	**4 749**	4 382
	6 949	6 284	**6 949**	6 284

The expenditure will be funded from internal resources.

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
24. Contingent liabilities and commitments continued				
24.3 Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are:				
Properties				
Within 1 year	**831**	687	**827**	683
After 1 year but within 5 years	**1 898**	1 546	**1 884**	1 527
After 5 years	**266**	335	**266**	335
	2 995	2 568	**2 977**	2 545
Equipment				
Within 1 year	**22**	18	**22**	18
After 1 year but within 5 years	**21**	22	**21**	22
	43	40	**43**	40

These commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the group or company.

24.4 Legal proceedings

In the conduct of its ordinary course of business, the group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims eventuating, that the group has adequate insurance programmes and provisions in place to meet such claims.

	Group		Company	
	2011 Rm	2010[1] Rm	**2011 Rm**	2010 Rm
25. Income statement information				
25.1 Interest income				
Interest on loans and advances and investments	**47 450**	47 045	**46 652**	45 890
Unwinding of discount element of credit impairments for loans and advances (note 8.3)	**942**	1 721	**925**	1 684
Fair value adjustments on dated financial instruments	**(312)**	1 274	**(309)**	1 281
Dividends on dated securities	**1 527**	1 561	**1 463**	1 559
	49 607	51 601	**48 731**	50 414

[1] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

All interest income reported above with the exception of R142 million (2010: R1 349 million) for the group and R132 million (2010: R1 325 million) for the company relates to financial assets not carried at fair value through profit or loss.

		Group		Company	
		2011 Rm	2010[1] Rm	**2011 Rm**	2010 Rm
25.	**Income statement information** continued				
25.2	**Interest expense**				
	Current accounts	**130**	142	**129**	143
	Savings and deposit accounts	**10 135**	9 680	**10 154**	9 694
	Foreign finance creditors	**620**	522	**620**	522
	Subordinated debt	**1 519**	1 511	**1 518**	1 511
	Other interest-bearing liabilities	**15 962**	19 561	**15 149**	18 417
		28 366	31 416	**27 570**	30 287
	All interest expense reported above with the exception of R1 977 million (2010: R2 797 million) for the group and R1 975 million (2010: R2 765 million) for the company, relates to financial liabilities not carried at fair value through profit or loss.				
25.3	**Fee and commission revenue**				
	Account transaction fees	**8 119**	7 531	**8 118**	7 529
	Card-based commission	**3 386**	3 137	**3 017**	2 786
	Knowledge-based fees and commission	**420**	311	**420**	311
	Electronic banking fees	**1 689**	1 593	**1 689**	1 593
	Insurance – fees and commission	**1 210**	1 127	**509**	495
	Foreign currency service fees	**596**	560	**596**	560
	Documentation and administration fees	**623**	501	**612**	487
	Other	**1 248**	1 347	**1 576**	1 601
		17 291	16 107	**16 537**	15 362
	All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss for the group and company.				
25.4	**Fee and commission expenses**				
	Account transaction fees	**920**	821	**920**	821
	Card-based commission	**866**	784	**851**	770
	Electronic banking fees	**506**	495	**506**	494
	Insurance – fees and commission	**322**	323	**322**	323
	Documentation and administration fees	**82**	52	**82**	52
	Other	**77**	44	**77**	44
		2 773	2 519	**2 758**	2 504

[1] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

All fee and commission expenses reported above relate to financial assets or liabilities not carried at fair value through profit or loss for the group and company.

	Group 2011 Rm	Group 2010[1] Rm	Company 2011 Rm	Company 2010 Rm
25. Income statement information continued				
25.5 Trading revenue				
Commodities	238	184	238	184
Foreign exchange	1 751	1 898	1 751	1 898
Credit	579	99	579	88
Interest rates	281	192	272	192
Equities	221	303	221	303
Other	16	10	16	34
	3 086	2 686	3 077	2 699
Interest and dividend income included in trading revenue:				
Net interest income	116	577	116	572
Dividend income	124	97	124	97
	240	674	240	669
25.6 Other revenue				
Banking and other[2]	688	907	914	823
Property-related revenue	(262)	105	(264)	105
Insurance – bancassurance income	578	519	578	519
Net (loss)/gains on financial instruments designated at fair value through profit or loss	(2)	524	(2)	524
	1 002	2 055	1 226	1 971
25.7 Credit impairment charges				
Net credit impairments raised for loans and advances	5 518	7 060	5 848	7 003
Recoveries on loans and advances previously written off	(895)	(708)	(1 264)	(712)
	4 623	6 352	4 584	6 291
Comprising:				
Net specific credit impairment charges	4 597	6 523	4 187	6 444
Specific credit impairment charges (note 8.3)	5 492	7 231	5 451	7 156
Recoveries on loans and advances previously written off	(895)	(708)	(1 264)	(712)
Portfolio credit impairment charges/(reversals) (note 8.3)	400	(713)	397	(695)
Credit (recovery)/loss on off-balance sheet exposure	(374)	542		542
	4 623	6 352	4 584	6 291

[1] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*
[2] *Included in banking and other for the company is dividend income from subsidiaries of R295 million (2010: R85 million).*

		Group		Company	
		2011 Rm	2010[1] Rm	2011 Rm	2010 Rm
25.	**Income statement information** continued				
25.8	**Staff costs**				
	Salaries and allowances	11 324	10 715	11 133	10 562
	Equity-linked transactions (annexure E)	36	358	36	358
	Equity-settled share-based payments	6	10	6	10
	Cash-settled share-based payments	(38)	243	(38)	243
	Equity participation plans (Tutuwa)		58		58
	Deferred bonus scheme (DBS)	68	47	68	47
		11 360	11 073	11 169	10 920
25.9	**Restructuring costs**				
	Retrenchment costs		277		275
	Equity compensation plans		27		27
	Share options and appreciation rights		22		22
	Deferred bonus scheme		5		5
			304		302
25.10	**Other operating expenses**				
	Amortisation – intangible assets (note 12)	235	205	233	204
	Auditors' remuneration	118	109	114	105
	Audit fees – current year	98	75	93	71
	Audit fees – prior year	(1)	24		24
	Fees for other services	21	10	21	10
	Communication expense	757	722	748	706
	Depreciation (note 13)	1 442	1 240	1 436	1 232
	Property				
	– Freehold	16	19	16	19
	– Leasehold	183	111	183	111
	Equipment				
	– Computer equipment	827	739	822	735
	– Motor vehicles	51	70	50	66
	– Office equipment	54	49	54	49
	– Furniture and fittings	311	252	311	252
	Impairments – intangible assets (note 12)	20	142	20	142
	Information technology	2 585	2 738	2 563	2 742
	Operating lease charges	1 285	1 212	1 276	1 206
	Premises	726	620	725	623
	Professional fees	911	1 212	894	1 192
	Profit on sale of property and equipment	(122)	(21)	(121)	(21)
	Other expenses	2 512	1 819	2 236	1 562
		10 469	9 998	10 124	9 693
25.11	**Goodwill impairment**				
	Goodwill impairment charge on subsidiaries (note 12.1)	46		39	

[1] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

		Group		Company	
		2011 Rm	2010[1] Rm	2011 Rm	2010 Rm
26.	**Emoluments of directors and prescribed officers**				
	Executive directors				
	Emoluments of directors in respect of services rendered[1]				
	As directors of the company	34	15	34	15
	While directors of the company				
	– as directors of subsidiary companies				
	– otherwise in connection with the affairs of the company or its subsidiaries	6	3	6	3
	Prescribed officers				
	Emoluments of prescribed officers in respect of services rendered[1]				
	As prescribed officers of the company	22	17	22	17
	While prescribed officers of the company				
	– as prescribed officers of subsidiary companies				
	– otherwise in connection with the affairs of the company or its subsidiaries	9	10	9	10
	Non-executive directors				
	Emoluments of directors in respect of services rendered:				
	As directors of the company	3	3	3	3
	While directors of the company				
	– as directors of subsidiary companies				
	– otherwise in connection with the affairs of the company or its subsidiaries		8		8
		74	56	74	56
27.	**Taxation[2]**				
	Indirect taxation (note 27.1)	745	856	745	856
	Direct taxation (note 27.2)	3 167	2 147	3 035	1 982
		3 912	3 003	3 780	2 838
27.1	**Indirect taxation[2]**				
	Value added tax	639	757	639	757
	Duties and other	11	6	11	6
	Skills development levy (net of recoveries)	95	93	95	93
		745	856	745	856

[1] In order to align emoluments with the performance in the financial year to which they relate, emoluments reflect the amounts accrued in respect of each year and not the amounts paid.
[2] Group 2010 was restated to reflect the presentation consequences of the restatements in annexure B – restatements.

	Group 2011 Rm	Group 2010 Rm	Company 2011 Rm	Company 2010 Rm
27. Taxation continued				
27.2 Direct taxation				
Current year	3 127	2 159	3 035	1 982
South African normal tax	2 335	3 535	2 232	3 398
South African deferred tax	651	(1 435)	661	(1 473)
Normal secondary tax on companies		2		
Deferred secondary tax on companies	155	21	156	21
Foreign normal and withholding tax	(22)	11	(22)	11
Capital gains tax	8	25	8	25
Prior years	40	(12)		
South African normal tax	42	(624)		(616)
South African deferred tax	(2)	612		616
	3 167	2 147	3 035	1 982

The aggregate current and deferred tax relating to items charged or credited to other comprehensive income for the group and company amounted to a credit of R50 million (2010: R71 million charge).

Income tax recognised in other comprehensive income

The table below sets out the amount of income tax relating to each component in other comprehensive income:

	Group Before tax Rm	Group Tax benefit/ (expense) Rm	Group Net of tax Rm	Company Before tax Rm	Company Tax benefit/ (expense) Rm	Company Net of tax Rm
2011						
Exchange differences on translating foreign operations	154		154	153		153
Net change in fair value of cash flow hedges	158	(44)	114	158	(44)	114
Realised fair value adjustments of cash flow hedges transferred to profit or loss	(17)	5	(12)	(17)	5	(12)
Net change in fair value of available-for-sale financial assets	72	(11)	61	72	(11)	61
	367	(50)	317	366	(50)	316
2010[1]						
Exchange differences on translating foreign operations	(79)		(79)	(73)		(73)
Net change in fair value of cash flow hedges	(944)	264	(680)	(944)	264	(680)
Realised fair value adjustments of cash flow hedges transferred to profit or loss	704	(197)	507	704	(197)	507
Net change in fair value of available-for-sale financial assets	(30)	4	(26)	(30)	4	(26)
	(349)	71	(278)	(343)	71	(272)

[1] *Group 2010 was restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

	Group 2011 %	Group 2010[1] %	Company 2011 %	Company 2010 %
27. Taxation continued				
27.2 Direct taxation continued				
South African tax rate reconciliation				
Total taxation charge for the year as a percentage of net income before indirect taxation	29	28	28	27
Value added tax, duties and skills development levy	(6)	(8)	(6)	(8)
STC	(1)		(1)	
Corporate tax charge for the year as a percentage of profit before indirect taxation	22	20	21	19
The charge for the year has been reduced as a consequence of:				
Dividends received	6	5	6	6
Other non-taxable income	2	2	2	2
Other permanent differences	(2)	1	(1)	1
Standard rate of South African tax	28	28	28	28

	2011 Gross Rm	2011 Tax Rm	2011 Non-controlling interest Rm	2011 Net Rm	2010[1] Gross Rm	2010[1] Tax Rm	2010[1] Non-controlling interest Rm	2010[1] Net Rm
28. Headline earnings								
Group								
Profit for the year	12 687	(3 167)	(10)	9 510	10 055	(2 147)	(50)	7 858
Headline earnings adjustable items added/(reversed)	16	4		20	131	(35)		96
Loss on disposal of associate – IFRS 3	72			72	10			10
Goodwill impairment – IFRS 3	46			46				
Profit on sale of property and equipment – IAS 16	(122)	10		(112)	(21)	5		(16)
Impairment of intangible assets – IAS 38	20	(6)		14	142	(40)		102
Headline earnings	12 703	(3 163)	(10)	9 530	10 186	(2 182)	(50)	7 954

[1] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

	2011				2010			
	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
28. Headline earnings continued								
Company								
Profit for the year	12 556	(3 035)		9 521	9 593	(1 982)		7 611
Headline earnings adjustable items (reversed)/added	(36)	4		(32)	121	(35)		86
Loss on disposal of associates – IAS 28	26			26				
Goodwill impairment – IFRS 3	39			39				
Profit on sale of property and equipment – IAS 16	(121)	10		(111)	(21)	5		(16)
Impairment of intangible assets – IAS 38	20	(6)		14	142	(40)		102
Headline earnings	12 520	(3 031)		9 489	9 714	(2 017)		7 697

Headline earnings is calculated in accordance with Circular 3/2009 *Headline Earnings* issued by the South African Institute of Chartered Accountants at the request of the JSE. The circular allows for the inclusion in headline earnings of any gains or losses on the sale of ring-fenced private equity joint ventures or associates that are held by a banking institution. Refer to annexure D on page 217 for the required disclosure in terms of the circular.

	Group		Company	
	2011	2010[1]	2011	2010
29. Earnings per share				
The calculations of basic earnings and headline earnings per ordinary share are as follows[2]:				
Earnings (Rm)				
Basic earnings	9 510	7 858	9 521	7 611
Headline earnings (note 28)	9 530	7 954	9 489	7 697
Weighted average number of ordinary shares in issue (thousands)	59 997	59 997	59 997	59 997
Basic earnings per ordinary share (cents)	15 851	13 097	15 869	12 686
Headline earnings per ordinary share (cents)	15 884	13 257	15 816	12 829

[1] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*
[2] *Basic earnings per ordinary share equals diluted earnings per share as there are no potential dilutive ordinary shares in issue.*

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
30. Dividends				
Ordinary dividends				
Dividend No. 126 of 3 833 cents per share paid on 1 April 2010 to the shareholder registered on 31 March 2010		2 300		2 300
Dividend No. 127 of 1 167 cents per share paid on 1 April 2010 to the shareholder registered on 31 March 2010		700		700
Dividend No. 128 of 1 667 cents per share paid on 28 May 2010 to the shareholder registered on 27 May 2010		1 000		1 000
Dividend No. 129 of 2 500 cents per share paid on 1 April 2011 to the shareholder registered on 31 March 2011	**1 500**		**1 500**	
Dividend No. 130 of 1 167 cents per share paid on 3 March 2011 to the shareholder registered on 2 March 2011	**700**		**700**	
Dividend No. 131 of 500 cents per share paid on 3 March 2011 to the shareholder registered on 2 March 2011	**300**		**300**	
Dividend No. 132 of 1 167 cents per share paid on 2 April 2011 to the shareholder registered on 1 April 2011	**700**		**700**	
Dividend No. 133 of 2 500 cents per share paid on 31 August 2011 to the shareholder registered on 30 August 2011	**1 500**		**1 500**	
Dividend No. 134 of 1 667 cents per share paid on 9 September 2011 to the shareholder registered on 8 September 2011	**1 000**		**1 000**	
	5 700	4 000	**5 700**	4 000

On 8 March 2012 the following dividend was declared:

Dividend No. 135 of 5 334 cents per share payable on 30 March 2012, to the shareholder registered on 30 March 2012, bringing the total dividends declared in respect of 2011 to 12 335 cents per share (2010: 4 167 cents per share).

		Group		Company	
		2011 Rm	2010[1] Rm	2011 Rm	2010 Rm
31.	**Statements of cash flows notes**				
31.1	**Increase in income-earning assets**				
	Financial investments	(349)	(17 410)	(355)	(17 795)
	Trading assets	(10 801)	6 977	(10 987)	6 924
	Pledged assets	(1 702)	(978)	(1 702)	(978)
	Loans and advances	(78 970)	(13 503)	(80 058)	(15 285)
	Net derivative assets	8 195	(1 680)	8 144	(1 707)
	Interest in group companies	853	14 426	(66)	14 029
	Other assets	(4 808)	(1 158)	(4 767)	(730)
		(87 582)	(13 326)	(89 791)	(15 542)
31.2	**Increase in deposits and other liabilities**				
	Deposits and current accounts	79 974	33 628	81 217	36 413
	Trading liabilities	4 550	(11 063)	5 512	(11 062)
	Liabilities to group companies	(4 881)	(10 543)	(5 008)	(10 751)
	Other liabilities	3 310	2 455	3 302	2 388
		82 953	14 477	85 023	16 988
31.3	**Direct taxation paid**				
	Current and deferred tax at the beginning of the year	(1 593)	(2 511)	(1 650)	(2 607)
	Recognised in profit or loss	(3 167)	(2 147)	(3 035)	(1 982)
	Deferred capital gains tax recognised in other comprehensive income	(50)	71	(50)	71
	Current and deferred tax at the end of the year	1 366	1 593	1 386	1 650
		(3 444)	(2 994)	(3 349)	(2 868)
31.4	**Proceeds from issue of share capital to shareholder**				
	Ordinary share capital and share premium	2 000	1 000	2 000	1 000
		2 000	1 000	2 000	1 000
31.5	**Dividends paid**				
	Dividends to ordinary shareholder	5 700	4 000	5 700	4 000
	Dividends to non-controlling shareholders in subsidiaries		5		
		5 700	4 005	5 700	4 000

[1] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

32. Related party transactions

32.1 Parent

The Standard Bank of South Africa Limited is a wholly owned subsidiary of Standard Bank Group Limited.

32.2 Subsidiaries

Details of effective interest, investments in and loans to subsidiaries are disclosed in annexure C on page 215.

32.3 Associates and joint ventures

Details of effective interest, investments in and loans to associates and joint ventures are disclosed in annexure D on pages 216 and 217.

32.4 Key management personnel

Key management personnel for the group and company has been defined as both The Standard Bank of South Africa Limited and Standard Bank Group Limited board of directors and prescribed officers effective for 2011, and both The Standard Bank of South Africa Limited and Standard Bank Group Limited board of directors and executive committees effective for 2010. Non-executive directors are included in the definition of key management personnel as required by IAS 24 – *Related Party Disclosures*. The definition of key management includes the close members of family of key management personnel and any entity over which key management exercises control or joint control. Close members of family are those family members who may be expected to influence, or be influenced by, that person in their dealings with The Standard Bank of South Africa Limited. They include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

	2011 Rm	2010 Rm
The table below sets out for comparison purposes the key management compensation restated for 2010 based on the key management structure effective for 2011.		
Key management compensation		
Salaries and other short-term benefits paid	70	53
Post-employment benefits	4	3
IFRS 2 value of share options and rights expensed	39	29
	113	85
The following table below sets out the key management compensation for 2010 based on the key management structure effective for 2010.		
Key management compensation		
Salaries and other short-term benefits paid		98
Post-employment benefits		4
Other long-term benefits		2
Termination benefits		2
IFRS 2 value of share options and rights expensed		48
		154
The transactions below are entered into in the normal course of business.		
Loans and advances		
Loans outstanding at the beginning of the year	50	19
Change in key management structures	(21)	
Loans granted during the year	19	66
Loans repaid during the year	(21)	(35)
Loans outstanding at the end of the year	27	50
Net interest earned	2	3

Loans include mortgage loans, instalment sale and finance leases and credit cards. No specific impairments have been recognised in respect of loans granted to key management (2010: Rnil). The mortgage loans and instalment sale and finance leases are secured by the underlying assets. All other loans are unsecured.

	2011 Rm	2010 Rm
32. Related party transactions continued		
32.4 Key management personnel continued		
Key management personnel compensation continued		
Deposit and current accounts		
Deposits outstanding at the beginning of the year	527	264
Change in key management structures	(429)	
Net deposits received during the year	31	263
Deposits outstanding at the end of the year	129	527
Net interest expense	2	17
Deposits include cheque, current and savings accounts.		
Insurance		
Premiums received		1
The premiums received relate to life, disability and other insurance.		
Investment products		
Balance at the beginning of the year	1 062	935
Change in key management structures	(897)	
Investments placed during the year	42	367
Investments repaid during the year	(47)	(240)
Balance at the end of the year	160	1 062
Net investment return credited	7	159
Third party funds under management		
Fund value at the beginning of the year	480	589
Change in key management structures	(119)	
Net deposits/(withdrawals) including commission and other transaction fees	25	(109)
Fund value at the end of the year	386	480
Other fees		
Financial consulting fees and commission	9	14
Shares and share options held		
Aggregate details of SBG shares and share options held by key management personnel.		
Shares beneficially owned (number)	11 930 971	12 426 103
Share options held (number)	6 201 500	10 340 300

	Holding company		Subsidiaries		Fellow subsidiaries[1]	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
32. Related party transactions continued						
32.5 Holding company, subsidiaries and fellow subsidiaries						
Assets						
Group[2]						
Assets outstanding at the beginning of the year	**131**	51			**61 573**	76 616
Net movement for the year		80			**(853)**	(15 043)
Assets outstanding at the end of the year	**131**	131			**60 720**	61 573
Interest income earned for the group					**1 100**	1 881
Non-interest revenue earned for the group		2			**258**	848
Company						
Assets outstanding at the beginning of the year	**131**	51	**3 805**	3 580	**62 135**	77 062
Net movement for the year		80	**986**	225	**(932)**	(14 927)
Assets outstanding at the end of the year	**131**	131	**4 791**	3 805	**61 203**	62 135
Interest income earned for the company			**256**	236	**1 296**	2 177
Non-interest revenue earned for the company		2	**372**	331	**186**	779
The loans issued to subsidiaries and fellow subsidiaries are repayable on demand. Interest is charged based on the group's internal calculated funding rate and loans are unsecured.						
Liabilities						
Group[2]						
Liabilities outstanding at the beginning of the year	**4 510**	4 107			**42 288**	54 592
Net movement for the year	**(2 603)**	403			**(402)**	(12 304)
Liabilities outstanding at the end of the year	**1 907**	4 510			**41 886**	42 288
Interest expense for the group	**(135)**	317			**(382)**	978
Company						
Liabilities outstanding at the beginning of the year	**4 510**	4 107	**2 078**	2 658	**41 273**	54 156
Net movement for the year	**(2 603)**	403	**(94)**	(580)	**(316)**	(12 883)
Liabilities outstanding at the end of the year	**1 907**	4 510	**1 984**	2 078	**40 957**	41 273
Interest expense for the company	**135**	317	**93**	146	**380**	971

[1] *Includes both banking and insurance fellow subsidiaries.*
[2] *Group 2010 restated to reflect the presentation consequences of the restatements in annexure B – restatements.*

	Cash balances		Interest earned		Fees charged	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
32. Related party transactions continued						
32.5 Holding company, subsidiaries and fellow subsidiaries continued						
Banking arrangements						
Liberty and its subsidiaries make use of banking facilities provided by the company.						
Details of these balances and transactions are provided below						
Cash and cash equivalents						
– Liberty	**18**	68	**10**	8		
– Liberty subsidiaries	**2 294**	1 187	**42**	48	**33**	40
	2 312	1 255	**52**	56	**33**	40

Information technology outsourcing arrangement

Liberty partially outsources its information technology services to the company in terms of various agreements until 30 April 2021. Fees charged for 2011 amounted to R28 million (2010: R19 million).

Software development

The company has contracted Liberty to develop a commission and specific customer information system. Fees associated with this development have been recognised over five years with the completion date in 2011. An annual renewable contract is now in place for an annual maintenance fee of R2,5 million. 2011 fees paid are R5 million (2010: R3 million) including the annual maintenance fee.

Operating leases

Lease income

Liberty leases a Pretoria property from the company in terms of a lease entered into on 22 December 1999 for a period of 13,5 years terminating on 31 May 2013. Lease escalations are fixed at 12% per annum. Total lease receipts for 2011 amounted to R100 million (2010: R90 million).

Lease expense

The company leases several properties from Liberty, including 50% of its head office at 5 Simmonds Street, Johannesburg, and various retail branches in shopping centres. These leases are governed by numerous separate lease agreements. Total lease payments for 2011 amounted to R68 million (2010: R63 million).

Bancassurance

Liberty has entered into joint venture bancassurance agreements with the company for the manufacture, sale and promotion of insurance, investment and health products through the company's African distribution capability. New business insurance premium income in respect of this business in 2011 amounted to R5 404 million (2010: R4 407 million). In terms of the agreements, Liberty's group subsidiaries pay joint venture profit shares to various operations of the company. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. Income recognised for the year amounted to R608 million (2010: R463 million).

During 2010 Liberty and the company conducted a detailed review of the existing bancassurance agreement and agreed with effect from 1 January 2011 to expand the scope thereof to include asset management, investment and health products in addition to the insurance products. The agreements are evergreen agreements with a 24-month notice period for termination, but neither party may give notice of termination until February 2013.

Insurance

Certain insured risks for Liberty are included in the SBG insurance programme. These include cover for crime, fraud and professional indemnity, directors' and officers' and asset all risks cover. The proportionate share of premiums charged to Liberty by SBG for 2011 is R16 million (2010: R15 million).

32. Related party transactions continued

32.5 Holding company, subsidiaries and fellow subsidiaries continued

Asset management fees

Asset management fees of R11 million (2010: R28 million) were paid to Stanlib Asset Management Limited by The Standard Bank Group Retirement Fund.

Dividend purchase agreement

In May 2007, Liberty entered into a dividend purchase agreement with SBSA. In terms of this agreement, the rights to dividend income from certain share investments were acquired by SBSA. The cost of the rights to dividends was R58 million (2010: R888 million).

Guarantee transactions

As part of the risk management process, a number of collateralised guarantee transactions have been entered into with Standard Bank Plc, of which R225 million (2010: R2 828 million) remains outstanding at year end. Under the transaction, the company provides financial guarantees to Standard Bank Plc and places a deposit for the value of the loan exposure which is assigned as collateral for the obligations under the guarantee contract. Under IFRS, the deposit is recognised on the statement of financial position and guarantee fees are accrued over the life of the deal.

32.6 Transactions with a shareholder of the parent

The following transactions took place between SBSA and Industrial and Commercial Bank of China, a 20% shareholder of SBG:

	2011 Rm	2010 Rm
Revenue		
Trading revenue	29	
Net interest income	41	6
Total revenue earned	70	6
Deposits		
Deposits outstanding at the beginning of the year	953	1 150
Deposits received/(repaid) during the year	323	(197)
Deposits outstanding at the end of the year	1 276	953

32.7 Other contracts

Saki Macozoma, a director and deputy chairman of the company, has an effective shareholding of 26,62% in Safika, which is a member of three different consortia that were party to the Andisa Capital and the Tutuwa transactions. Safika holds an effective interest of 2,50% in Liberty Holdings Limited and 1,40% in Standard Bank Group Limited. SBG holds an effective interest of 20,33% in Safika.

Cyril Ramaphosa, a director of the company, has an effective shareholding of 29,63% in Shanduka, which is a member of the Tutuwa consortium. Shanduka holds an effective interest of 1,44% in Liberty Holdings Limited and 1,20% in Standard Bank Group Limited. SBG holds an effective interest of 13,00% in Shanduka.

In 2010, SBSA agreed to exit from its 33% investment in Jonah Capital Proprietary Limited through a share buyback totaling R56,4 million. The balance of the shares are held by trusts controlled by Sam Jonah KBE, a director of the group, the Jonah family and company management. The divestiture was completed in early 2011.

32. Related party transactions continued

32.8 Post-employment benefit plans

Details of transactions between the company and the group's post-employment benefit plans are listed below:

	2011 Rm	2010 Rm
Fee income	32	44
Deposits held with the bank	407	540
Interest paid	198	170
Value of assets under management	8 404	8 956
Investments held in bonds and money markets	845	387
Number of ordinary SBG shares held (thousands)	1 448	1 908

33. Post-employment benefits

	Group		Company	
	2011 Rm	2010 Rm	2011 Rm	2010 Rm
Amounts recognised as assets in the statement of financial position (note 10.2)				
Retirement fund (note 33.1)	445	215	445	215
Post-employment healthcare benefits – provider fund (note 33.2)	308	252	308	252
	753	467	753	467
Amounts recognised as liabilities in the statement of financial position (note 19.2)				
Post-employment healthcare benefits – medical aid (note 33.2)	637	622	637	622
	637	622	637	622

The total amount recognised as an expense for the defined contribution plan operated by the group amounted to R518 million (2010: R482 million).

33.1 Retirement fund

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF) exceeds 95% of SBSA's permanent staff. The fund, one of the 10 largest in South Africa, is a defined contribution fund governed by the Pension Funds Act 24 of 1956. Member-elected trustees represent 50% of the trustee board. The assets of the fund are held independently of the company's assets.

The fund is subject to statutory financial review by actuaries at an interval of not more than three years. The latest full actuarial valuation was performed on 31 December 2009 and, in the opinion of the actuary, the fund is considered to be financially sound. The next actuarial valuation is to be performed on 31 December 2012.

From 1 January 1995 new employees became entitled to defined contribution benefits only. Employees who were members of the fund on 31 December 1994, were entitled to guaranteed benefits under the old rules of the defined benefit fund. Given the defined benefit nature of the guaranteed benefits, the entire plan is classified as a defined benefit plan and accounted for as such. A specific liability was recognised within the fund to provide for the guaranteed defined benefits.

On 1 November 2009 the fund introduced individual member investment choice for defined contribution members and the pre-1995 members could choose to give up their guaranteed defined benefits and instead accept an offer of a 10% enhancement to their actuarial reserve values. Over 90% of the pre-1995 defined benefit members accepted the offer and converted to defined contribution plans.

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
33. Post-employment benefits continued				
33.1 Retirement fund continued				
The amounts recognised in the statement of financial position in respect of the retirement fund are determined as follows:				
Present value of funded obligations	**20 791**	20 306	**20 791**	20 306
Fair value of plan assets	**(21 889)**	(22 053)	**(21 889)**	(22 053)
Surplus	**(1 098)**	(1 747)	**(1 098)**	(1 747)
Unrecognised actuarial gains	**653**	1 532	**653**	1 532
Included in other assets in the statement of financial position	**(445)**	(215)	**(445)**	(215)
Unrecognised actuarial gains or losses are deferred and fully recognised in profit or loss over a period not exceeding the estimated service lives of the employees.				
Movement in the present value of funded obligations				
Balance at the beginning of the year	**20 306**	19 378	**20 306**	19 378
Current service cost and interest cost	**2 225**	2 258	**2 225**	2 258
Contributions paid by employees	**502**	432	**502**	432
Actuarial gains	**(240)**	(228)	**(240)**	(228)
Benefits paid	**(2 002)**	(1 534)	**(2 002)**	(1 534)
Balance at the end of the year	**20 791**	20 306	**20 791**	20 306
Movement in the fair value of plan assets				
Balance at the beginning of the year	**22 053**	21 110	**22 053**	21 110
Expected return on plan assets	**1 804**	2 201	**1 804**	2 201
Contributions received	**1 011**	862	**1 011**	862
Actuarial losses	**(977)**	(586)	**(977)**	(586)
Benefits paid	**(2 002)**	(1 534)	**(2 002)**	(1 534)
Balance at the end of the year	**21 889**	22 053	**21 889**	22 053
Plan assets consist of the following:				
Cash	**1 180**	2 911	**1 180**	2 911
Equities	**10 667**	8 667	**10 667**	8 667
Government bonds	**6 368**	5 182	**6 368**	5 182
Property and other	**3 674**	5 293	**3 674**	5 293
	21 889	22 053	**21 889**	22 053

Plan assets include R19 million (2010: R15 million) of property held by the group.

The group expects to pay R518 million in contributions to the Standard Bank retirement funds in 2012 (2011: R535 million).

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
33. Post-employment benefits continued				
33.1 Retirement fund continued				
The amounts recognised in profit or loss are determined as follows:				
Current service cost	**522**	430	**522**	430
Interest cost	**1 703**	1 828	**1 703**	1 828
Expected return on plan assets	**(1 804)**	(2 201)	**(1 804)**	(2 201)
Net actuarial gain recognised in the year	**(114)**	(135)	**(114)**	(135)
Curtailment gain	**(28)**		**(28)**	
Included in staff costs	**279**	(78)	**279**	(78)
Actual return on plan assets	**827**	1 520	**827**	1 520

The expected long-term rate of return is based on the expected long-term returns on equities, cash and bonds. The split between the individual asset categories is considered in setting these assumptions. Adjustments are made to reflect the effect of expenses.

Historical information

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Group and company					
Present value of funded obligation	**20 791**	20 306	19 378	19 349	22 486
Fair value of plan assets	**(21 889)**	(22 053)	(21 110)	(19 349)	(22 486)
Surplus	**(1 098)**	(1 747)	(1 732)		
Experience adjustments arising on plan liabilities	**(240)**	(227)	(1 596)	4 959	(1 592)
Experience adjustments arising on plan assets	**(977)**	(586)	78	(4 908)	1 049

33.2 Post-employment healthcare benefits

The bank provides the following post-employment healthcare benefits to its employees:

Provider fund

A post-employment healthcare benefit fund provides eligible employees, who were in service on 29 February 2000, with a lump sum benefit on retirement enabling them to purchase an annuity to be applied towards their post-employment healthcare costs. This benefit is prefunded in a provident fund and replaced the subsidy arrangement that was in place prior to this. Any shortfall in the payment to be made by these employees towards their healthcare costs subsequent to retirement is the responsibility of the employee. The last statutory actuarial valuation was performed on 1 April 2010 and reflected an excess in the fund.

Post-employment medical aid

The liability represents a post-employment healthcare benefit scheme that covers all employees who retired before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method.

The latest full statutory actuarial valuation was performed as at 31 December 2011. The next actuarial valuation will be performed as at 31 December 2012.

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
33. Post-employment benefits continued				
33.2 Post-employment healthcare benefits continued				
The amounts recognised in the statement of financial position in respect of post-employment healthcare benefits are determined as follows:				
Present value of unfunded defined benefit obligation	**637**	622	**637**	622
Present value of funded defined benefit obligation	**861**	694	**861**	694
Total present value of defined benefit obligations	**1 498**	1 316	**1 498**	1 316
Fair value of plan assets	**(1 264)**	(1 340)	**(1 264)**	(1 340)
Unfunded shortfall/(surplus)	**234**	(24)	**234**	(24)
Unrecognised actuarial gains	**95**	394	**95**	394
Included in the statement of financial position	**329**	370	**329**	370
Comprising:				
Provider fund	**(308)**	(252)	**(308)**	(252)
Post-employment medical aid	**637**	622	**637**	622
	329	370	**329**	370
Movement in the present value of defined benefit obligations				
Balance at the beginning of the year	**1 316**	1 213	**1 316**	1 213
Current service cost and interest cost	**141**	143	**141**	143
Actuarial losses	**165**	121	**165**	121
Benefits paid	**(124)**	(161)	**(124)**	(161)
Balance at the end of the year	**1 498**	1 316	**1 498**	1 316
Movement in the fair value of plan assets				
Balance at the beginning of the year	**1 340**	1 237	**1 340**	1 237
Expected return on plan assets	**117**	121	**117**	121
Actuarial (losses)/gains	**(122)**	91	**(122)**	91
Benefits paid	**(71)**	(109)	**(71)**	(109)
Balance at the end of the year	**1 264**	1 340	**1 264**	1 340
Plan assets consist of the following:				
Cash	**249**	210	**249**	210
Equities	**499**	856	**499**	856
Government bonds	**397**	116	**397**	116
Property and other	**119**	158	**119**	158
Balance at the end of the year	**1 264**	1 340	**1 264**	1 340

Plan assets include Rnil (2010: Rnil) of investments in own equity by the group.

The group expects to pay R52 million in contributions to post-employment healthcare benefit plans in 2012 (2011: R51 million).

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
33. Post-employment benefits continued				
33.2 Post-employment healthcare benefits continued				
The amounts recognised in profit or loss are determined as follows:				
Current service cost	**31**	30	**31**	30
Interest cost	**110**	113	**110**	113
Expected return on plan assets	**(117)**	(121)	**(117)**	(121)
Net actuarial gains recognised in the year	**(12)**	(81)	**(12)**	(81)
Included in staff costs	**12**	(59)	**12**	(59)
Actual return on plan assets	**(5)**	212	**(5)**	212

Assumed medical inflation rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in the medical inflation rate would have the following effects on amounts recognised in 2011 and 2010:

	2011		2010	
	1% increase Rm	**1% decrease Rm**	1% increase Rm	1% decrease Rm
Sensitivity analysis for post-employment medical aid fund				
Group and company				
Effect on the aggregate of the current service cost and interest cost	**5**	**(4)**	5	(4)
Effect on the defined benefit obligation	**56**	**(49)**	57	(50)

Historical information

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Group and company					
Present value of defined benefit obligations	**1 498**	1 316	1 213	1 100	1 177
Fair value of plan assets	**(1 264)**	(1 340)	(1 237)	(1 103)	(1 332)
Unfunded shortfall/(surplus)	**234**	(24)	(24)	(3)	(155)
Experience adjustments arising on plan liabilities	**(165)**	(166)	(112)	89	285
Experience adjustments arising on plan assets	**(122)**	91	91	(276)	136

33. Post-employment benefits continued

33.2 Post-employment healthcare benefits continued

The principal actuarial assumptions used for accounting purposes were:

	Retirement fund %	Provider fund %	Post-employment medical aid %
2011			
Discount rate	**8,76**	**8,76**	**8,76**
Return on investments	**8,76**	**8,76**	**8,76**
Salary/benefit inflation	**7,37**	**8,37**	
CPI inflation	**6,37**	**6,37**	**6,37**
Medical inflation			**7,42**
Remaining service life of employees (years)	**12,94**	**16,48**	
2010			
Discount rate	8,26	9,00	8,26
Return on investments	8,26	9,25	8,26
Salary/benefit inflation	5,62	8,00	
CPI inflation	4,62	6,00	4,62
Medical inflation			6,92
Remaining service life of employees (years)	13,42	14,00	

	Group		Company	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
34. Financial assets previously reclassified from held-for-trading to loans and receivables at amortised cost				
The group and company reclassified assets from held-for-trading to loans and receivables for which there was a clear change of intent to hold the assets for the foreseeable future rather than to exit or trade in the short term. No assets were reclassified during the current and previous year.				
Carrying value of reclassified financial assets at the end of the year	**1 383**	2 484	**973**	929
Fair value of reclassified financial assets at the end of the year	**1 409**	2 481	**998**	942
A fair value gain after tax of R49 million (2010: R72 million gain) for the group and R40 million (2010: R32 million gain) for the company would have been recognised in 2011 had this reclassification not been effected.				
The table below sets out the amounts actually recognised in profit or loss:				
Period after reclassification				
Net interest income	**49**	39	**39**	9

Annexure A – detailed accounting policies

Annual financial statements

The principal accounting policies applied in the presentation of the annual financial statements are set out below.

1. Basis of consolidation

Subsidiaries

The annual financial statements of subsidiaries are consolidated from the date on which the group acquires control, up to the date that control ceases. For this purpose, subsidiaries are entities over which the group, directly or indirectly, has the power to govern the financial and operating policies to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Intra-group transactions, balances and unrealised gains and losses are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting policies of subsidiaries conform to the policies adopted by the group.

Investments in subsidiaries are accounted for at cost less impairment losses in the separate financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary.

Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of financial assets. These entities may take different legal forms. A special purpose entity, including a securitisation vehicle, is consolidated when the substance of the relationship between the group and the special purpose entity indicates that the group controls the entity.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The consideration transferred is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Transaction costs for any business combinations prior to 1 January 2010 are capitalised as part of the consideration transferred. Transaction costs on or after 1 January 2010 are recognised within profit or loss as and when they are incurred.

The group elects on each acquisition to initially measure non-controlling interests on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred, the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary over the subsidiary's fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy 6 – *Intangible assets*.

If the consideration transferred, the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary is less than the fair value of the net assets of the subsidiary acquired, the difference, referred to as a gain from a bargain purchase, is recognised directly in profit or loss.

When a business combination occurs in stages, the previously held equity interest is remeasured to fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss.

Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in the gain or loss of control are accounted for as transactions with equity holders of the group. For purchases of additional interests from non-controlling interests, the difference between the purchase consideration and the group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity. Gains or losses on the partial disposal (where a change in ownership occurs and control is not lost) of the group's interest in a subsidiary to non-controlling interests are also accounted for directly in equity.

Common control transactions

A common control transaction is defined as a business combination in which all of the combining entities (subsidiaries) are ultimately controlled by the same party both before and after the business combination, and control is not transitory.

The cost of an acquisition of a subsidiary under common control is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Any costs directly attributable to the acquisition are written off against reserves. On acquisition the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts.

Any excess or deficit of the purchase price over the pre-combination carrying amounts is adjusted directly in equity. Any differences to values of the subsidiary's underlying assets and liabilities compared to those presented by the ultimate holding company and adjustments to achieve harmonisation of accounting policies will be adjusted on consolidation. Under this approach comparatives are not restated.

The principles of when control arises are the same as those for interests in subsidiaries where the acquisition method of accounting is applied.

2. Foreign currency translations

Functional and presentation currency

Items included in the annual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The annual financial statements are presented in South African rand, which is the functional and presentation currency of The Standard Bank of South Africa Limited.

Group companies

The results and financial position of all foreign operations that have a functional currency different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill and fair value adjustments arising on acquisition) are translated at the closing rate on the reporting date;
- income and expenses are translated at average exchange rates for the month, to the extent that such average rates approximate actual rates; and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the foreign currency translation reserve.

On the partial disposal of a subsidiary that includes a foreign operation, a proportionate share of the balance of the foreign currency translation reserve is transferred to the non-controlling interests. For all other partial disposals of a foreign operation, the proportionate share of the balance of the foreign currency translation reserve is reclassified to profit or loss.

On disposal (where a change in ownership occurs and control is lost) of a subsidiary that includes a foreign operation, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss at the time at which the profit or loss on disposal of the foreign operation is recognised.

Transactions and balances

Foreign currency transactions are translated into the respective functional currencies of group entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as qualifying cash flow hedges and qualifying net investment hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as available-for-sale financial assets are recognised in the available-for-sale reserve in OCI (profit or loss) whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the group's foreign currency translation reserve. These gains and losses are recognised in profit or loss either on disposal (loss of control of a subsidiary, loss of significant influence over an associate or the loss of joint control over a jointly controlled entity that includes a foreign operation) or partial disposal (a reduction in an entity's ownership interest in a foreign operation other than a disposal) of an associate or jointly controlled entity that includes a foreign operation. In the case of a partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences recognised in OCI are reclassified to the non-controlling interests in that foreign operation.

3. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of financial position and statement of cash flows consist of cash and balances with central banks. Cash and balances with central banks comprise coins and bank notes, and balances with central banks.

4. Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications as follows:

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Were the group to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in OCI.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any impairment losses.

Held-for-trading financial assets and liabilities

Held-for-trading financial assets and liabilities include those financial assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term, those forming part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, and commodities that are acquired principally by the group for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. Derivatives are also categorised as held-for-trading, unless they are designated as hedging instruments.

Subsequent to initial recognition, the financial instruments' fair values are remeasured at each reporting date. All gains and losses arising from changes in fair value are recognised in profit or loss as trading revenue within non-interest revenue.

Interest and dividends on held-for-trading assets and liabilities are included in trading revenue.

Financial assets and liabilities designated at fair value through profit or loss

The group designates certain financial assets and liabilities, other than those classified as held-for-trading, as at fair value through profit or loss when:

- this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. Under this criterion, the main classes of financial instruments designated by the group are loans and advances and financial instruments in issue. The designation significantly reduces measurement inconsistencies that would have otherwise arisen if the related derivatives were treated as held-for-trading and the underlying financial instruments were carried at amortised cost. This category also includes financial assets used to match investment contracts or insurance contract liabilities;
- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and reported to the group's key management personnel on a fair-value basis. Under this criterion, certain private equity, short-term insurance and other investment portfolios have been designated at fair value through profit or loss; or
- financial instruments contain one or more embedded derivatives that significantly modify the instruments' cash flows.

The fair value designation is made on initial recognition and is irrevocable. Subsequent to initial recognition, the fair values are remeasured at each reporting date. Gains and losses arising from changes in fair value are recognised in interest income (expense) for all debt financial assets (financial liabilities) and in other revenue within non-interest revenue for all equity instruments.

Private equity and property equity investments designated at fair value through profit or loss in terms of the scope exemption in IAS 28 *Investments in Associates* (IAS 28), are accounted for in the designated at fair value through profit or loss category. Mutual funds held by investment-linked insurance funds in which the group holds between 20% and 50% economic interest (resulting in significant influence) are deemed to be interests in associates and are also designated at fair value through profit or loss, based on the scope exemption in IAS 28 relating to investment-linked insurance funds.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the group as at fair value through profit or loss or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the group's loans and advances are included in the loans and receivables category.

Available-for-sale

Financial assets classified by the group as available-for-sale are generally strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or non-derivative financial assets that are not classified within another category of financial assets.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When debt (equity) available-for-sale financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified to interest income (other revenue).

Interest income, calculated using the effective interest rate method, is recognised in profit or loss. Dividends received on available-for-sale instruments are recognised in profit or loss when the group's right to receive payment has been established.

Reclassification of financial assets

The group may choose to reclassify non-derivative trading assets out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets that would not otherwise have met the definition of loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group, at the date of reclassification, has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Reclassifications are made at fair value as of the reclassification date. Effective interest rates for financial assets reclassified to loans and receivables, held-to-maturity and available-for-sale categories are determined at the reclassification date. Subsequent increases in estimates of cash flows adjust the financial asset's effective interest rates prospectively.

On reclassification of a trading asset, all embedded derivatives are reassessed and, if necessary, accounted for separately.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced either by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

When such valuation models, with only observable market data as inputs, or the comparison with other observable current market transactions in the same instrument indicate that the fair value differs from the transaction price, the initial difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If non-observable market data is used as part of the input to the valuation models or where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, the resulting difference between the transaction price and the model value is deferred. The timing of the recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for a financial asset or liability with similar terms and conditions.

Where the fair value of investments in unquoted equity instruments and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are unable to be reliably determined, those instruments are measured at cost less impairment losses. Impairment losses on these financial assets are not reversed.

Impairment of financial assets

Assets carried at amortised cost

The group assesses at each reporting date whether there is objective evidence that a loan or group of loans is impaired. A loan or group of loans is impaired if objective evidence indicates that a loss event has occurred after initial recognition and that loss event has a negative effect on the estimated future cash flows of the loan or group of loans that can be estimated reliably.

Criteria that are used by the group in determining whether there is objective evidence of impairment include:

- known cash flow difficulties experienced by the borrower;
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- breaches of loan covenants or conditions;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

The group first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Non-performing loans include those loans for which the group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of non-performing financial loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as specifically impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the loan is reduced through the use of a specific credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

The calculation of the present value of the estimated future cash flows of collateralised financial assets recognised on an amortised cost basis includes cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If the group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of financial loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Impairment of groups of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods. Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected within credit impairment charges in profit or loss. Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss. Subsequent recoveries of previously written off loans are recognised in profit or loss.

Subsequent to impairment, the effects of discounting unwind over time as interest income.

Renegotiated loans

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is considered to be impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from OCI to profit or loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes in response to an underlying variable, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described under the fair value policy on page 196.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described under the heading "Offsetting financial instruments" on page 197.

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The financial host contracts are accounted for and measured applying the rules of the relevant financial instrument category.

The method of recognising fair value gains and losses depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the hedge relationship, or if they are classified as held-for-trading.

Derivatives that qualify for hedge accounting

When derivatives are designated in a hedge relationship, the group designates them as either:

- hedges of the fair value of recognised financial assets or liabilities or firm commitments (fair value hedges);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecast transaction, or a highly probable forecast intra-group transaction in the consolidated annual financial statements (cash flow hedges); or
- hedges of net investments in foreign operations (net investment hedges).

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met. The group documents, at the inception of the hedge relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is also recognised in the same line item in profit or loss as the related hedged item.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve. The ineffective part of any changes in fair value are recognised immediately in profit or loss as trading revenue.

Amounts recognised in OCI are transferred to profit or loss in the periods in which the hedged forecast cash flows affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses recognised previously in OCI are transferred and included in the initial measurement of the cost of the asset or liability.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The cumulative gains or losses recognised in OCI remain in OCI until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in OCI are immediately reclassified to profit or loss and classified as trading revenue.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss as trading revenue.

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest method.

Preference shares, which carry a mandatory coupon and redemption, or are redeemable on a specific date, at the occurrence of a contingent future event or at the option of the shareholder, are classified as financial liabilities or compound financial instruments. All other preference shares are classified as equity. Dividends on preference shares classified as financial liabilities are accounted for as interest on an amortised cost basis using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.

In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts being recognised in profit or loss.

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell, at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans granted under resale agreements and included under trading assets or loans and advances to other banks or customers, as appropriate. The difference between the purchase and sales price is treated as interest and amortised over the life of the reverse repurchase agreement using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements and are classified and measured in accordance with the measurement policy on page 194. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

Commodities

Commodities that are acquired principally by the group for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin are measured at fair value less cost to sell and are reported as trading assets. All changes in fair value less cost to sell are recognised in trading revenue in the period of the change.

Forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract, are recognised as derivative financial instruments and measured at fair value. All changes in fair value are recognised in trading revenue in the period of the change.

5. Interest in associates and joint ventures

Associates and jointly controlled entities

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence generally accompanies, but is not limited to, a shareholding of between 20% and 50% of the voting rights.

A jointly controlled entity is one where a contractual arrangement establishes joint control over the economic activity of the entity.

Interests in associates and jointly controlled entities are accounted for using the equity method and are measured in the consolidated statement of financial position at an amount that reflects the group's share of the net assets of the associate or jointly controlled entity (including goodwill).

Equity accounting involves recognising the investment initially at fair value, including goodwill, and subsequently adjusting the carrying value for the group's share of the associates' and jointly controlled entities' income and expenses and OCI. Equity accounting of losses in associates and jointly controlled entities is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the group has an obligation or has made payments on behalf of the associate or jointly controlled entity. Unrealised intra-group profits are eliminated in determining the group's share of equity accounted profits. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Equity accounting is applied from the date on which the entity becomes an associate or jointly controlled entity up to the date on which it ceases to be an associate or jointly controlled entity. The accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the policies of the group.

Private equity and property equity investments, which are associates, are either designated on initial recognition at fair value through profit or loss, or equity accounted.

Investments in associates and jointly controlled entities are accounted for at cost less impairment losses in the company's annual financial statements.

Jointly controlled operations

Jointly controlled operations exist where two or more venturers combine their operations, resources or expertise to market or distribute jointly a particular product. Each venturer recognises the assets it controls, the liabilities and expenses that it incurs, and its share of the gains and losses in respect of its interest in the joint venture.

6. Intangible assets

Goodwill

Goodwill represents the excess of the consideration transferred (including transaction costs for acquisitions prior to 1 January 2010) over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or jointly controlled entity at the date of the acquisition. The group's interest in acquired subsidiaries takes into account any non-controlling interest (refer to accounting policy 1 – *Basis of consolidation).*

Goodwill arising on the acquisition of subsidiaries is reported in the statement of financial position as part of 'Goodwill and other intangible assets'. Goodwill arising on the acquisition of associates or jointly controlled entities is included in 'Interest in associates and joint ventures' in the statement of financial position (refer to accounting policy 5 – *Interest in associates and joint ventures*). Goodwill is allocated to cash-generating units and tested annually for impairment. A gain from a bargain purchase is recognised as income in profit or loss in the period in which it arises. Gains or losses on the disposal of an entity are determined after taking into account the carrying amount of goodwill (if any) relating to the entity sold.

Computer software

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets.

Capitalisation is further limited to development costs where the group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (two to 10 years) from the date that the assets are available for use, and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

Other intangible assets

The group recognises the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in profit or loss as incurred.

The group capitalises brands, customer lists, customer contracts, distribution forces and similar rights acquired in business combinations.

Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, not exceeding 20 years, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

7. Property and equipment

Equipment and owner-occupied properties

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Costs that are subsequently incurred are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the group and the cost of the item can be measured reliably. Expenditure which does not meet these criteria is recognised in profit or loss as incurred. Depreciation, impairment losses and gains and losses on disposal of assets are included in profit or loss.

Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Land is not depreciated. Leasehold buildings are depreciated over the period of the lease or over a lesser period, as is considered appropriate.

The assets' residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.

The estimated useful lives of tangible assets are typically as follows:

Property	– 40 years
Computer equipment	– 3 to 5 years
Motor vehicles	– 5 years
Office equipment	– 5 to 10 years
Furniture and fittings	– 5 to 13 years
Capitalised leased assets	– over the shorter of the lease term or its useful life

There has been no change to the estimated useful lives from those applied in the previous financial year.

8. Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss.

9. Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are tested annually for impairment and additionally when an indicator of impairment exists. Intangible assets that are subject to amortisation and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash-generating units). Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

10. Leases

Group as lessee

Leases, where the group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is recognised in profit or loss over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rentals are expensed as they are incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances in the statement of financial position.

Finance charges earned are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. Initial direct costs and fees are capitalised to the value of the lease receivable and accounted for over the lease term as an adjustment to the effective rate of return. The tax benefits arising from investment allowances on assets leased to clients are accounted for in the direct taxation line.

Leases of assets under which the group retains a significant portion of the risks and rewards of ownership are classified as operating leases. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of a penalty is recognised as income in the period in which termination takes place.

11. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is highly likely that economic benefits will flow to the group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the group's control.

Contingent liabilities include certain guarantees, other than financial guarantees, and letters of credit pledged as collateral. Contingent liabilities are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote.

12. Employee benefits

Post-employment benefits

Defined contribution plans

The group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee-administered funds.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

The group also operates a number of defined benefit plans, with membership generally limited to employees who were in the employment of the various companies at specified dates. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. Statutory actuarial valuations are required every three years using the projected unit credit method. Interim valuations are also performed annually at the financial year end.

The liabilities recognised in the statement of financial position in respect of defined benefit pension plans are measured at the present value of the estimated future cash outflows, using interest rates of government bonds with maturity dates that approximate the expected maturity of the obligations, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs.

The group's current service costs are recognised as expenses in the current year. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised in profit or loss in the current year to the extent that they relate to vested benefits of retired employees or past service. For active employees, these items are recognised in profit or loss systematically over a period not exceeding the expected remaining service period of employees.

The group operates a number of funded and unfunded post-employment medical aid schemes, with membership limited to employees who were retired or in the employment of the various companies at specified dates and complying with specific criteria. For past service, the group recognises and provides for the actuarially determined present value of post-employment medical aid employer contributions using the projected unit credit method. Independent qualified actuaries carry out annual valuations of these obligations. Unrecognised actuarial gains or losses are accounted for over a period not exceeding the remaining working life of active employees. Actuarial gains or losses in respect of vested benefits of retired employees are recognised immediately in profit or loss.

Termination benefits

Termination benefits are recognised as an expense when the group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

13. Tax

Normal tax

Direct taxation includes current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and jointly controlled entities (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Secondary tax on companies (STC)

To the extent that it is probable that dividends will be declared against which unused STC credits can be utilised, a deferred tax asset is recognised for STC credits.

The STC effect of dividends paid on equity instruments is recognised in the period in which the company declares the dividend. For financial instruments, such as redeemable preference shares that are classified as liabilities, the STC relating to any contractual payments is accrued in the same period as the interest accrual.

Indirect tax

Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in profit or loss and disclosed separately in the income statement.

14. Non-current assets held for sale and disposal groups

Non-current assets, or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the group's accounting policies and tested for impairment (refer to accounting policy 9 – *Impairment of non-financial assets*). Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

15. Equity

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Distributions on ordinary shares

Distributions are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note.

16. Equity-linked transactions

Equity compensation plans

The group operates both equity-settled and cash-settled share-based compensation plans. All share options issued after 7 November 2002 that had not vested by 31 December 2004 are accounted for as share-based payment transactions.

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options that are expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

Equity participation plans

Equity participation rights issued in terms of the SBG's Tutuwa initiative to black managers had not vested by 31 December 2004 and are accounted for as equity-settled share-based payment transactions as described under equity compensation plans. Refer to annexure E.

17. Revenue and expenditure

Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises interest income, fee and commission revenue, trading revenue and other non-interest revenue.

Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalised – refer to accounting policy 8 – *Capitalisation of borrowing costs*) 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. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates of payments or receipts on financial assets (except those that have been reclassified – refer to accounting policy 4 – *Financial instruments*) or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate.

Fair value gains and losses on realised debt financial instruments, including amounts removed from OCI in respect of available-for-sale debt financial assets, and excluding those classified as held-for-trading, are included in net interest income.

Dividends received on preference share investments form part of the group's lending activities and are included in interest income.

Non-interest revenue

Net fee and commission revenue

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received.

Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

Other revenue

Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss and dividends relating to those financial instruments.

Gains and losses on equity available-for-sale financial assets are reclassified from OCI to profit or loss on derecognition or impairment of the investments. Dividends on these instruments are recognised in profit or loss.

Dividend income

Dividends are recognised in profit or loss when the right to receipt is established. Scrip dividends are recognised as dividends received where the dividend declaration allows for a cash alternative.

Short-term insurance income

Short-term insurance income includes premium income, commission and policy fees earned as well as net incurred claim losses and broker commission paid. Annual business income is accounted for on the accrual basis and comprises the cash value of commission and fees earned when premiums or fees are payable directly to the group. Direct commission income is accounted for as and when cash is received and comprises the cash value of commission earned when premiums are payable directly to the underwriters.

Customer loyalty programmes

The group operates a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions of which they form a part. The consideration allocated to the reward credits is measured at the fair value of the reward credit and recognised over the period in which the customer utilises the reward credits.

Expenses relating to the provision of the reward credits are recognised as an expense as and when they are incurred.

18. Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results are based on the group's internal reporting to management.

Transactions between segments are priced at market-related rates.

19. Fiduciary activities

The group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the group. However, fee income earned and fee expenses incurred by the group relating to the group's responsibilities from fiduciary activities are recognised in profit or loss.

20. Comparative figures

Where necessary, comparative figures within notes have been restated to conform to changes in presentation in the current year.

21. New standards not yet adopted

The following new or revised standards and amendments are not yet effective for the year ended 31 December 2011 and have not been applied in preparing these annual financial statements.

Pronouncement	Title	Effective date
IFRS 7 (amendments)	*Financial Instruments: Disclosures* The amendment requires additional disclosures relating to the transfers of financial assets (e.g. securitisations of financial assets) including the nature of and risks associated with the transferred assets. The amendment will be applied prospectively and will result in additional disclosures.	Annual periods beginning on or after 1 July 2011
IFRS 7	*Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* The amendment requires additional disclosure to assist in understanding the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and financial liabilities, on an entity's financial position. The amendment will be applied retrospectively and will result in additional disclosures.	Annual periods beginning on or after 1 January 2013
IFRS 9	*Financial Instruments* This standard will replace the existing standard on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised within OCI. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2015

Pronouncement	Title	Effective date
IFRS 10	*Consolidated Financial Statements* The standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It introduces a single control model to be applied in determining control. An investor controls an investee when it has: • power over the investee; • exposure, or rights, to variable returns from its involvement with the investee; and • the ability to use its power over the investee to affect the amount of its returns. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2013
IFRS 11	*Joint Arrangements* This standard focuses on the rights and obligations of joint arrangements, rather than the legal form. The standard: • distinguishes between joint operations and joint ventures; • defines joint operations as those arrangements in which the parties have joint control and have rights to the arrangement's assets and liabilities; • defines joint ventures as those arrangements in which the parties have joint control and have rights to the net assets of the arrangement; • requires joint operations to be accounted for by recognising own assets, separately incurred liabilities, own revenue and expenses as well as the share of assets, liabilities, revenue and expenses arising from the joint operation; and • requires joint ventures to be accounted for using the equity method (consistent with the group's existing accounting policies). The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2013

Pronouncement	Title	Effective date
IFRS 12	*Disclosure of Interests in Other Entities* This standard contains disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures seek to provide information to enable users to evaluate: • the nature of, and risks associated with, an entity's interests in other entities; and • the effects of those interests on the entity's financial position, financial performance and cash flows. The standard will be applied retrospectively and will result in additional disclosures.	Annual periods beginning on or after 1 January 2013
IFRS 13	*Fair Value Measurement* The standard provides a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The standard does not introduce any new requirements to measure additional assets or liabilities at fair value. The standard will be applied prospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2013
IAS 19	*Employee Benefits* The amended standard includes the following requirements: • actuarial gains and losses are to be recognised immediately in OCI. This change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and plan assets in profit or loss; and • the expected return on plan assets that is recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The standard will be applied retrospectively. The group currently applies the corridor method to the Standard Bank retirement and post-employment healthcare funds. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2013

Pronouncement	Title	Effective date
IAS 27	*Separate Financial Statements* The amended standard includes both existing and amended accounting and disclosure requirements for separate financial statements. The standard will be applied retrospectively. The standard is not expected to have a material impact on the company's financial statements.	Annual periods beginning on or after 1 January 2013
IAS 28	*Investments in Associates and Joint Ventures* The amended standard carries forward existing accounting requirements for separate financial statements as well as the existing equity accounting requirements for associates and joint ventures for the group financial statements, with minor clarifications. The standard will be applied retrospectively. The standard is not expected to have a material impact on the company or group's financial statements.	Annual periods beginning on or after 1 January 2013
IAS 32	*Offsetting Financial Assets and Financial Liabilities* The amendments clarify the requirements for offsetting of financial assets and liabilities. The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.	Annual periods beginning on or after 1 January 2014

Annexure B – restatements

Balance sheet restatements of prior years' disclosures

	December 2010				December 2009			
	As previously reported Rm	Commodity restatement[1] Rm	Fellow subsidiary restatement[2] Rm	Restated Rm	As previously reported Rm	Commodity restatement[1] Rm	Fellow subsidiary restatement[2] Rm	Restated Rm
Group								
Assets								
Cash and balances with the central bank	18 181			18 181	14 470			14 470
Derivative assets	105 221			105 221	76 501			76 501
Trading assets	13 825			13 825	20 802			20 802
Pledged assets	5 934	(3 899)		2 035	1 057			1 057
Financial investments[3]	79 388			79 388	62 008			62 008
Loans and advances	536 421		(233)	536 188	525 700		(200)	525 500
Current tax asset	191			191	142			142
Deferred tax asset	296		(3)	293	365		(2)	363
Other assets	5 667		(2)	5 665	4 211		(5)	4 206
Interest in group companies, associates and joint ventures	62 981		32	63 013	77 941		57	77 998
Goodwill and other intangible assets	4 410			4 410	2 913			2 913
Property and equipment	7 908		(2)	7 906	5 144		(3)	5 141
Total assets	840 423	(3 899)	(208)	836 316	791 254		(153)	791 101
Equity and liabilities								
Equity	48 917		(213)	48 704	44 159		(132)	44 027
Equity attributable to the ordinary shareholder	48 875		(213)	48 662	44 159		(132)	44 027
Ordinary share capital	60			60	60			60
Ordinary share premium	25 230			25 230	24 230			24 230
Reserves	23 585		(213)	23 372	19 869		(132)	19 737
Non-controlling interest	42			42				
Liabilities	791 506	(3 899)	5	787 612	747 095		(21)	747 074
Derivative liabilities	102 476			102 476	75 196			75 196
Trading liabilities	9 031			9 031	16 707	3 387		20 094
Deposit and current accounts[4]	612 011	(3 899)	(23)	608 089	577 860	(3 387)	(13)	574 460
Current tax liability	2 074			2 074	2 069		1	2 070
Deferred tax liability	3			3	946			946
Other liabilities	10 344		24	10 368	8 065		(2)	8 063
Subordinated debt	15 683			15 683	15 814			15 814
Liabilities to group companies	39 884		4	39 888	50 438		(7)	50 431
Total equity and liabilities	840 423	(3 899)	(208)	836 316	791 254		(153)	791 101

[1] *Following a review of the group's commodity transactions in terms of IFRS and group accounting policies, certain commodity transactions that had previously been classified as deposits from banks were reclassified to trading liabilities in 2009. The subsequent settlement of those trading liabilities reduced pledged assets and deposits from banks in 2010. The group believes that this restatement better reflects the nature of the underlying transactions. The restatement had no impact on reserves or the income statement.*

[2] *It was determined in the current financial period that a small fellow SBG subsidiary had previously been consolidated into the SBSA group. The cumulative results of the subsidiary have been removed from the group's comparative financial statements. The subsidiary continues to be consolidated by Standard Bank Group Limited.*

[3] *An amount of R4 346 million was reclassified from designated at fair value to held-to-maturity for financial investments to reflect the original intention of management. No adjustment to the carrying value of financial investments arose as a result of the reclassification.*

[4] *An amount of R26 992 million for deposits from customers was reclassified from other amortised cost to designated at fair value to reflect the original intention of management. No adjustment to the carrying value of the deposits from customers arose as a result of the reclassification.*

Balance sheet restatements of prior years' disclosures continued

	December 2010 As previously reported Rm	December 2010 Commodity restatement[1] Rm	December 2010 Restated Rm	December 2009 As previously reported Rm	December 2009 Commodity restatement[1] Rm	December 2009 Restated Rm
Company						
Assets						
Cash and balances with the central bank	18 181		18 181	14 470		14 470
Derivative assets	105 181		105 181	76 449		76 449
Trading assets	13 453		13 453	20 377		20 377
Pledged assets	5 934	(3 899)	2 035	1 057		1 057
Financial investments[2]	79 388		79 388	61 623		61 623
Loans and advances	517 507		517 507	505 006		505 006
Current tax asset	184		184	140		140
Deferred tax asset	265		265	297		297
Other assets	5 216		5 216	4 197		4 197
Interest in group companies, associates and joint ventures	67 034		67 034	81 633		81 633
Goodwill and other intangible assets	4 372		4 372	2 913		2 913
Property and equipment	7 885		7 885	5 122		5 122
Total assets	824 600	(3 899)	820 701	773 284		773 284
Equity and liabilities						
Equity	47 614		47 614	43 207		43 207
Ordinary share capital	60		60	60		60
Ordinary share premium	25 230		25 230	24 230		24 230
Reserves	22 324		22 324	18 917		18 917
Non-controlling interest						
Liabilities	776 986	(3 899)	773 087	730 077		730 077
Derivative liabilities	102 461		102 461	75 196		75 196
Trading liabilities	8 069		8 069	15 744	3 387	19 131
Deposit and current accounts[3]	596 829	(3 899)	592 930	559 904	(3 387)	556 517
Current tax liability	2 099		2 099	2 105		2 105
Deferred tax liability				939		939
Other liabilities	9 936		9 936	7 715		7 715
Subordinated debt	15 683		15 683	15 814		15 814
Liabilities to group companies	41 909		41 909	52 660		52 660
Total equity and liabilities	824 600	(3 899)	820 701	773 284		773 284

[1] Following a review of the group's commodity transactions in terms of IFRS and group accounting policies, certain commodity transactions that had previously been classified as deposits from banks were reclassified to trading liabilities in 2009. The subsequent settlement of those trading liabilities reduced pledged assets and deposits from banks in 2010. The group believes that this restatement better reflects the nature of the underlying transactions. The restatement had no impact on reserves or the income statement.

[2] An amount of R4 346 million was reclassified from designated at fair value to held-to-maturity for financial investments to reflect the original intention of management. No adjustment to the carrying value of financial investments arose as a result of the reclassification.

[3] An amount of R26 992 million for deposits from customers was reclassified from other amortised cost to designated at fair value to reflect the original intention of management. No adjustment to the carrying value of the deposits from customers arose as a result of the reclassification.

Income statement restatements of prior years' disclosures[1]

	December 2010		
	As previously reported Rm	Fellow subsidiary restatement Rm	Restated Rm
Group			
Net interest income	20 212	(27)	20 185
Interest income	51 634	(33)	51 601
Interest expense	31 422	(6)	31 416
Non-interest revenue	18 487	(158)	18 329
Net fee and commission revenue	13 730	(142)	13 588
Fee and commission revenue	16 269	(162)	16 107
Fee and commission expense	2 539	(20)	2 519
Trading revenue	2 686		2 686
Other revenue	2 071	(16)	2 055
Total income	38 699	(185)	38 514
Credit impairment charges	6 359	(7)	6 352
Income after credit impairment charges	32 340	(178)	32 162
Operating expenses	21 441	(66)	21 375
Staff costs	11 113	(40)	11 073
Restructuring costs	304		304
Other operating expenses	10 024	(26)	9 998
Net income before associates and joint ventures	10 899	(112)	10 787
Share of profits from associates and joint ventures	124		124
Net income before indirect taxation	11 023	(112)	10 911
Indirect taxation	856		856
Profit before direct taxation	10 167	(112)	10 055
Direct taxation	2 179	(32)	2 147
Profit for the year	7 988	(80)	7 908
Attributable to non-controlling interest	50		50
Attributable to the ordinary shareholder	7 938	(80)	7 858

[1] It was determined in the current financial period that a small fellow SBG subsidiary had previously been consolidated into the SBSA group. The cumulative results of the subsidiary have been removed from the group's comparative financial statements. The subsidiary continues to be consolidated by Standard Bank Group Limited. Basic earnings per ordinary share decreased from 13 231 cents to 13 097 cents and headline earnings per ordinary share decreased from 13 391 cents to 13 257 cents for 2010 as a result of the restatement. This restatement had no effect on SBSA company.

Annexure C – subsidiaries

Subsidiaries	Nature of operation	Issued share capital Rm	Effective holding 2011 %	Effective holding 2010 %	Book value of shares 2011 Rm	Book value of shares 2010 Rm	Net indebtedness 2011 Rm	Net indebtedness 2010 Rm
Accelerator Fund 1 Proprietary Limited[1]	Securitisation vehicle							
Accelerator Fund 2 Proprietary Limited[1]	Securitisation vehicle							
Blue Bond Investments Limited	Participation mortgage bond finance	*	100	100	**	**	163	196
Blue Granite Investments No. 1 Proprietary Limited[1]	Securitisation vehicle						668	668
Blue Granite Investments No. 2 Proprietary Limited[1]	Securitisation vehicle						304	16
Blue Granite Investments No. 3 Proprietary Limited[1]	Securitisation vehicle						753	(167)
Blue Granite Investments No. 4 Proprietary Limited[1]	Securitisation vehicle						193	209
Blue Titanium Conduit Limited[1]	Securitisation vehicle						236	783
Diners Club (SA) Proprietary Limited	Travel and entertainment card	*	100	100	**	**	765	497
Out of the Blue Originator Proprietary Limited	Bond originators	*	100	100	**	**		
Siyakha Fund Proprietary Limited[1]	Securitisation vehicle						(294)	(268)
Standard Bank Insurance Brokers Proprietary Limited	Insurance broking	*	100	100	***	***	(323)	(264)
Miscellaneous	Finance companies		****	****	84	72	342	57
Total investment in subsidiaries					84	72	2 807	1 727

The detailed information is only given in respect of subsidiaries which are material to the financial position of the group.

All subsidiaries are incorporated within South Africa.

[1] *Special purpose entity, no shareholding.*
* *Issued share capital less than R1 million.*
** *Book value less than R1 million.*
*** *Held indirectly.*
**** *Various holdings.*

Annexure D – associates and joint ventures

	RCS Investment Holdings Proprietary Limited		Safika Holdings Proprietary Limited[1]		Edu-Loan Proprietary Limited	
Ownership structure	Associate		Associate		Associate	
Nature of business	Finance		Investment holding company		Student loans	
Year end	March		February		December	
Date to which equity accounted	31 December 2011		31 December 2011		31 December 2011	
	2011	2010	**2011**	2010	**2011**	2010
Effective holding (%)	**45**	45	**17**	17	**29**	29
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**724**	623	**365**	306	**37**	41
Statement of financial position[2]						
Non-current assets	**99**	96	**2 924**	3 703	**13**	14
Current assets	**3 335**	2 732	**521**	602	**331**	338
Non-current liabilities	**(2 039)**	(1 634)	**(714)**	(1 083)	**(89)**	(36)
Current liabilities	**(225)**	(283)	**(409)**	(421)	**(147)**	(190)
Loans to entities[3]	**392**	92				154
Attributable income before impairment	**100**	82	**64**	38	**5**	9

	Reatile Resources Proprietary Limited		Dairy Belle Proprietary Limited		Other associates	
Ownership structure	Associate		Associate		Associate	
Nature of business	Investment holding company		Dairy products		Various	
Year end	February		September		Various	
Date to which equity accounted	31 December 2011		31 December 2011		31 December 2011	
	2011	2010	**2011**	2010	**2011**	2010
Effective holding (%)	**20**	20	**50**	50	**Various**	Various
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value	**50**	33	*****	30	**26**	52
Statement of financial position[2]						
Non-current assets	**327**	170	**405**	492	**1 117**	592
Current assets	**192**	146	**531**	587	**395**	234
Non-current liabilities	**(93)**	(41)	**(242)**	(580)	**(850)**	(418)
Current liabilities	**(115)**	(91)	**(317)**	(350)	**(376)**	(216)
Loans to entities[3]			**231**	224	**35**	38
Attributable income before impairment	**17**	8	**(3)**	(9)	**1**	8

[1] Accounted for as an associate as Saki Macozoma, a director of the company and SBG, has a shareholding of 26,62%. SBG has a shareholding of 20%.
[2] Represents the summarised financial information of the associates and joint ventures.
[3] These loans are provided on an arm's length basis.
** Investment fully impaired.*

	Credit Suisse Standard Securities Proprietary Limited		Integrated Processing Solutions Proprietary Limited		Other joint ventures	
Ownership structure	Joint venture		Joint venture		Joint ventures	
Nature of business	Stockbroker		Banking		Various	
Year end	February		December		Various	
Date to which equity accounted	31 December 2010		31 December 2011		31 December 2011	
	2011	2010	**2011**	2010	**2011**	2010
Effective holding (%)		50	**50**	50	**Various**	Various
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
Carrying value		180	**44**	41	**2**	3
Statement of financial position[1]						
Non-current assets		35	**27**	29		2
Current assets		567	**106**	86	**6**	9
Non-current liabilities			**(4)**		**(6)**	(5)
Current liabilities		(391)	**(53)**	(39)	**(7)**	(9)
Loans to entities[2]					**2**	1
Attributable income before impairment	**(33)**	(6)	**2**	7	**2**	(3)

	Total associates and joint ventures		Private equity/venture capital associates and joint ventures[3]	
Ownership structure	Various		Various	
Nature of business	Various		Various	
Year end	Various		Various	
Date to which equity accounted	31 December 2011		31 December 2011	
	2011	2010	**2011**	2010
Effective holding	**Various**	Various	**Various**	Various
	Rm	Rm	**Rm**	Rm
Carrying value	**1 248**	1 309	**427**	426
Statement of financial position[1]				
Non-current assets	**4 912**	5 133	**4 239**	4 907
Current assets	**5 417**	5 301	**1 604**	1 574
Non-current liabilities	**(4 037)**	(3 797)	**(1 440)**	(2 082)
Current liabilities	**(1 649)**	(1 990)	**(1 165)**	(1 082)
Loans to entities[2]	**660**	509	**268**	264
Attributable income before impairment	**155**	134	**84**	42
Impairments included in non-interest revenue	**(59)**	43	**(59)**	43
Fair value	**1 226**	1 325	**427**	426

[1] *Represents the summarised financial information of the associates and joint ventures.*
[2] *These loans are provided on an arm's length basis.*
[3] *Included in total associates and joint ventures. All investments in associates and joint ventures, other than those recognised at fair value through profit or loss in accordance with IAS 39, made by a private equity organisation are ring-fenced for headline earnings purposes. On the disposal of these associates and joint ventures held by the private equity division of the group, the profit or loss on the disposal will be included in headline earnings in terms of Circular 3/2009 Headline Earnings, issued by the South African Institute of Chartered Accountants at the request of the JSE.*

Annexure E – equity-linked transactions

Share-based payments

	2011 Rm	2010 Rm
Summary of the group and company's share incentive schemes and expenses recognised in staff costs		
Equity-settled share-based payments	6	10
Cash-settled share-based payments	(38)	243
Equity participation plans (Tutuwa)		58
Deferred bonus scheme	68	47
Total expenses recognised in staff costs	36	358
Expenses recognised in restructuring costs		
Share options and appreciation rights		22
Deferred bonus scheme		5
Total expenses recognised in restructuring costs		27
Summary of the liability recognised in other liabilities		
Cash-settled share-based payment liability	777	886
Deferred bonus scheme	137	77
Total liability recognised in other liabilities	914	963

Equity compensation plans

The group's share incentive schemes enable key management personnel and senior employees of SBSA to benefit from the performance of SBG shares.

SBG has two equity-settled schemes, namely the Group Share Incentive Scheme (GSIS) and the Equity Growth Scheme (EGS). 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. The EGS was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights.

The two schemes have three different sub-types of vesting categories as illustrated by the table below:

Vesting categories	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 years
Type B	5, 6, 7	50, 75, 100	10 years
Type C	2, 3, 4	50, 75, 100	10 years

Equity-settled share-based payments

A reconciliation of the movement of share options is detailed below:

	Option price range (rand)	Number of options	
	2011	2011	2010
Group Share Incentive Scheme			
Options outstanding at the beginning of the year		8 311 600	12 120 682
Transfers	27,80 – 111,94	(1 236 200)	522 150
Granted	98,80	72 500	1 438 750
Exercised	27,80 – 98,00	(125 950)	(5 233 932)
Lapsed	40,65 – 111,94	(2 133 000)	(536 050)
Options outstanding at the end of the year		4 888 950	8 311 600

Share options were exercised regularly throughout the year. The weighted average SBG share price for the year was R98,66 (2010: R107,49).

Equity compensation plans continued

Equity-settled share-based payments continued

The following options granted to employees, including executive directors, had not been exercised at 31 December 2011:

Number of ordinary options	Option price range (rand)	Weighted average price (rand)	Option expiry period
333 700	27,80 – 34,40	27,94	Year to 31 December 2012
1 035 000	27,70 – 32,19	27,94	Year to 31 December 2013
1 830 900	39,90 – 48,00	40,75	Year to 31 December 2014
34 500	64,27 – 65,60	65,02	Year to 31 December 2015
51 500	76,40 – 79,50	78,90	Year to 31 December 2016
87 900	98,00	98,00	Year to 31 December 2017
357 800	89,00 – 92,00	91,68	Year to 31 December 2018
331 400	62,39	62,39	Year to 31 December 2019
768 750	104,53 – 114,60	110,99	Year to 31 December 2020
57 500	98,80 – 99,97	99,21	Year to 31 December 2021
4 888 950			

The following options granted to employees, including executive directors, had not been exercised at 31 December 2010:

Number of ordinary options	Option price range (rand)	Weighted average price (rand)	Option expiry period
688 400	30,90 – 33,50	31,42	Year to 31 December 2011
701 600	27,80 – 35,70	28,10	Year to 31 December 2012
1 360 800	27,70 – 32,19	27,93	Year to 31 December 2013
2 353 650	40,65 – 50,91	40,95	Year to 31 December 2014
312 100	64,27 – 65,60	65,43	Year to 31 December 2015
760 400	79,50	79,50	Year to 31 December 2016
599 500	98,00 – 107,91	98,50	Year to 31 December 2017
56 400	89,00 – 92,00	91,65	Year to 31 December 2018
40 000	62,39 – 65,00	62,44	Year to 31 December 2019
1 438 750	111,94 – 114,60	111,96	Year to 31 December 2020
8 311 600			

The share options granted during the year were valued using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting type and the assumptions utilised are illustrated below:

	Type A		Type B	
	2011	2010	2011	2010
Number of options granted	36 250	868 500	36 250	570 250
Weighted average fair value at grant date (rand)	33,29	40,24	35,12	42,23
The principal inputs are as follows:				
Weighted average share price (rand)	98,89	111,95	98,91	111,94
Weighted average exercise price (rand)	98,89	111,95	98,91	111,94
Expected life (years)	5,9	5,9	6,9	6,9
Expected volatility (%)	33,9 – 35,4	35,7 – 38,1	33,9 – 35,4	35,7 – 38,1
Risk-free interest rate (%)	7,0 – 8,2	7,1 – 8,7	7,3 – 8,4	7,1 – 8,7
Dividend yield (%)	3,7	3,7	3,7	3,7

The options granted during the year which are expected to vest, have an estimated fair value of R2 million (2010: R44 million).

Equity compensation plans continued

Cash-settled share-based payments

A reconciliation of the movement of appreciation rights is detailed below:

Equity Growth Scheme	Average price range (rand) 2011	Number 2011	2010
Reconciliation			
Rights outstanding at the beginning of the year		46 432 212	39 474 852
Transfers	60,35 – 114,69	(1 272 890)	1 044 050
Granted	90,50 – 107,55	10 951 475	11 572 441
Exercised[1]	90,50 – 109,32	(2 217 296)	(2 417 567)
Lapsed	62,39 – 111,94	(4 439 199)	(3 241 564)
Rights outstanding at the end of the year[2]		49 454 302	46 432 212

[1] *During the year 306 463 (2010: 502 474) SBG shares were issued to settle the appreciated rights value.*

[2] *At the end of the year the group would need to issue 5 791 127 (2010: 9 219 286) SBG shares to settle the outstanding appreciated rights value.*

The Equity Growth Scheme rights are only awarded to individuals in employment of a group entity domiciled within South Africa. The group is required to ensure that employees' tax arising from benefits due in terms of the scheme is paid in accordance with the Fourth Schedule of the Income Tax Act 58 of 1962 of South Africa. Where employees have elected not to fund the tax from their own resources the tax due is treated as a diminution of the gross benefits due under the scheme. A total of 373 501 (2010: 462 899) SBG shares were issued and sold to settle the employees' tax due during the year. This amount settled reduces the liability due in respect of the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2011:

Number of ordinary rights	Option price range (rand)	Weighted average price (rand)	Option expiry period
2 684 089	60,35 – 65,60	65,56	Year to 31 December 2015
4 667 692	76,40 – 87,00	79,60	Year to 31 December 2016
4 187 364	94,50 – 117,30	98,48	Year to 31 December 2017
8 686 750	69,99 – 100,08	91,82	Year to 31 December 2018
9 532 741	62,39 – 99,00	64,22	Year to 31 December 2019
9 611 941	102,00 – 116,80	111,39	Year to 31 December 2020
10 083 725	90,50 – 107,55	98,83	Year to 31 December 2021
49 454 302			

The following rights granted to employees, including executive directors, had not been exercised at 31 December 2010:

Number of ordinary rights	Option price range (rand)	Weighted average price (rand)	Option expiry period
3 436 049	62,88 – 69,50	65,59	Year to 31 December 2015
5 534 380	76,40 – 87,00	79,61	Year to 31 December 2016
4 918 592	94,50 – 117,30	98,41	Year to 31 December 2017
10 675 950	69,99 – 100,08	91,08	Year to 31 December 2018
10 998 550	62,39 – 99,00	64,23	Year to 31 December 2019
10 868 691	102,00 – 116,80	111,01	Year to 31 December 2020
46 432 212			

Equity compensation plans continued

Cash-settled share-based payments continued

The share appreciation rights granted during the year were valued using a Black-Scholes option pricing model. Each grant was valued separately. The weighted fair value of the options granted per vesting type and the assumptions utilised are illustrated below:

	Type A		Type B	
	2011	2010	**2011**	2010
Number of appreciation rights granted	**5 875 572**	6 908 553	**5 075 903**	4 663 888
Weighted average fair value at grant date (rand)	**33,47**	39,85	**35,26**	41,73
The principal inputs are as follows:				
Weighted average share price (rand)	**98,87**	111,39	**98,81**	111,26
Weighted average exercise price (rand)	**98,87**	111,39	**98,81**	111,26
Expected life (years)	**5,9**	5,9	**6,9**	6,9
Expected volatility (%)	**33,9 – 35,4**	35,5 – 38,3	**33,9 – 35,4**	35,5 – 38,3
Risk-free interest rate (%)	**6,5 – 8,3**	6,9 – 8,8	**6,8 – 8,4**	7,0 – 8,9
Dividend yield (%)	**3,7**	3,7	**3,7**	3,7

The appreciation rights granted during the year which are estimated to vest have a fair value of R279 million (2010: R351 million) at grant date.

Equity participation plans

Tutuwa initiative

SBG entered into a BEE transaction during 2004 which included black managers of the group. This resulted in the recognition of a share-based payment expense. The resultant equity instrument was valued using a number of valuation techniques including the Black-Scholes model and discounted cash flow methods. Due to the uniqueness of the instrument, the mid-point of the range of valuations was used arriving at a value of R8,50 per SBG instrument granted to black managers. This value was expensed over the vesting period ended 31 December 2010. The group recognised a total expense of R58 million in 2010 relating to this initiative. Changes to the terms of the preference share agreements resulted in an additional IFRS 2 expense of R39 million for the year ended 31 December 2010.

Deferred bonus scheme (DBS)

It is essential for the group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these plans is to align the interests of the group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

The group has implemented a scheme to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

All employees who are awarded short-term incentives over a certain threshold will now be subject to a mandatory deferral of a percentage of their cash incentive into the DBS. Vesting of the deferred bonus occurs after three years, conditional on continued employment at that time. The final payment of the deferred bonus is calculated with reference to the SBG share price at payment date. To enhance the retention component of the scheme, additional increments on the deferred bonus become payable at vesting and one year thereafter. Variables on thresholds and additional increments in the DBS are subject to annual review by the remuneration committee, and may differ from one performance year to the next.

The provision in respect of liabilities under the scheme amounts to R137 million at 31 December 2011 (2010: R77 million). The amount charged for the year was R68 million (2010: R52 million) including restructuring costs, after hedging activities.

	Units	
	2011	2010
Reconciliation		
Units outstanding at the beginning of the year	**1 784 466**	1 154 244
Granted	**1 081 285**	758 122
Exercised	**(113 562)**	(4 675)
Lapsed	**(141 725)**	(123 225)
Units outstanding at the end of the year	**2 610 464**	1 784 466
Weighted average fair value at grant date (rand)	**87,93**	96,41
Expected life (years)	**3,00**	3,00
Risk-free interest rate (%)	**6,13**	6,24
Dividend yield (%)	**3,63**	3,45

Annexure F – emoluments and share incentives of directors and prescribed officers

Directors' and prescribed officers' emoluments 2011

	Fixed remuneration			
	Services as directors of SBSA R'000	SBSA committee fees R'000	Services as directors of group subsidiaries R'000	Cash portion of package R'000
Non-executive directors				
DDB Band	302			
RMW Dunne	172			
TS Gcabashe	172			
SE Jonah KBE	172			
Sir Paul Judge	430			
KP Kalyan	172			
SJ Macozoma	172			
KD Moroka	172			
AC Nissen	172			
MC Ramaphosa	172			
MJD Ruck	318			
Lord Smith of Kelvin, Kt	430			
EM Woods	172			
Subtotal	3 028			
Former non-executive directors				
RP Menell[1]	16			
Subtotal	16			
Executive directors				
JH Maree				5 595[2]
SP Ridley				4 087[2]
SK Tshabalala				4 713[2]
Subtotal				14 395
Subtotal board	3 044			14 395
Prescribed officers				
BJ Kruger				5 268[2]
PG Wharton-Hood				5 337[2]
Subtotal prescribed officers				10 605
Total	3 044			25 000

[1] *Resigned on 4 February 2011.*
[2] *The amounts disclosed reflect total remuneration received from Standard Bank Group where prescribed officers and executive directors of SBSA are also prescribed officers and/or executive directors of Standard Bank Group.*
[3] *In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.*
[4] *In terms of the Deferred Bonus Scheme 2012 described on page 227, the amount finally payable is dependent on the performance of the group's share price.*
[5] *Awards granted to key senior executives in March 2012 for the EGS are valued using the Black-Scholes methodology and are subject to a performance condition, over and above the duration of service.*

			Variable remuneration			
Other benefits R'000	Pension contri-butions R'000	Total fixed remune-ration R'000	Cash award R'000	Deferred award R'000	Value of options/ rights granted (EGS) R'000	Total remune-ration for the year R'000
		302				302
		172				172
		172				172
		172				172
		430				430
		172				172
		172				172
		172				172
		172				172
		172				172
		318				318
		430				430
		172				172
		3 028				3 028
		16				16
		16				16
423	895[2]	6 913	8 786[2,3]	9 043[4]	2 500[5]	27 242
212	514[2]	4 813	5 881[2,3]	5 600[4]	1 500[5]	17 794
227	454[2]	5 394	8 200[2,3]	7 900[4]	2 500[5]	23 994
862	1 863	17 120	22 867	22 543	6 500	69 030
862	1 863	20 164	22 867	22 543	6 500	72 074
143	858[2]	6 269	9 506[2,3]	9 763[4]	2 500[5]	28 038
152	840[2]	6 329	8 631[2,3]	8 888[4]	2 500[5]	26 348
295	1 698	12 598	18 137	18 651	5 000	54 386
1 157	3 561	32 762	41 004	41 194	11 500	126 460

Annexure F – emoluments and share incentives of directors and prescribed officers continued

Directors' and prescribed officers' emoluments 2010

	Fixed remuneration			
	Services as directors of SBSA R'000	SBSA committee fees R'000	Services as directors of group subsidiaries R'000	Cash portion of package R'000
Non-executive directors				
DDB Band	252			
RMW Dunne	161			
TS Gcabashe	161			
SE Jonah KBE	161			
Sir Paul Judge	392			
KP Kalyan	161			
SJ Macozoma	176			
RP Menell[1]	161			
KD Moroka	161			
AC Nissen	161			
TMF Phaswana[2]	64			
MC Ramaphosa	161			
MJD Ruck	314			
Lord Smith of Kelvin, Kt	392			
EM Woods	222			
Subtotal	3 100			
Former non-executive directors				
DE Cooper (chairman)[3]				
MJ Shaw[5]	21			
Subtotal	21			
Executive directors				
JH Maree				5 428[6]
SP Ridley				3 184[6]
SK Tshabalala				4 668[6]
Subtotal				13 280
Subtotal board	3 121			13 280
Prescribed officers				
BJ Kruger				5 138[6]
PG Wharton-Hood				4 456[6]
Subtotal prescribed officers				9 594
Total	3 121			22 874

[1] *Resigned on 4 February 2011.*
[2] *Appointed chairman of SBSA on 27 May 2010.*
[3] *Retired as chairman of SBSA effective 26 May 2010.*
[4] *Mr Cooper received a gratuity of R7 500 000 on retirement and R15 000 as a pro-rated payment as a trustee of the pension fund.*
[5] *Retired with effect from 26 May 2010.*
[6] *The amounts disclosed reflect total remuneration received from Standard Bank Group where prescribed officers and executive directors of SBSA are also prescribed officers and/or executive directors of Standard Bank Group.*
[7] *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.*
[8] *In terms of the Deferred Bonus Scheme described on page 227, the amount finally payable is dependent on the performance of the group's share price.*
[9] *Awards granted to key senior executives in March 2011 for the EGS are valued using the Black-Scholes methodology and are subject to a performance condition, over and above the duration of service.*

				Variable remuneration			
Other benefits R'000	Pension contri-butions R'000	Otherwise in connection with the affairs of SBSA and its subsidiaries R'000	Total fixed remune-ration R'000	Cash award R'000	Deferred award R'000	Value of options/ rights granted (EGS) R'000	Total remune-ration for the year R'000
			252				252
			161				161
			161				161
			161				161
			392				392
			161				161
			176				176
			161				161
			161				161
			161				161
			64				64
			161				161
			314				314
			392				392
			222				222
			3 100				3 100
		7 515[4]	7 515				7 515
			21				21
		7 515	7 536				7 536
246	851[6]		6 525				6 525
178	432[6]		3 794	2 623[6,7]	553[8]	8 000[9]	14 970
161	448[6]		5 277				5 277
585	1 731		15 596	2 623	553	8 000	26 772
585	1 731	7 515	26 232	2 623	553	8 000	37 408
232	824[6]		6 194	8 666[6,7]	2 310[8]	8 000[9]	25 170
171	624[6]		5 251	7 492[6,7]	5 185[8]	6 000[9]	23 928
403	1 448		11 445	16 158	7 495	14 000	49 098
988	3 179	7 515	37 677	18 781	8 048	22 000	86 506

Annexure F – emoluments and share incentives of directors and prescribed officers continued

Share incentives

Group Share Incentive Scheme (GSIS)

The GSIS confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group share price at the date the option is granted.

Standard Bank Equity Growth Scheme (EGS)

The EGS allocates participation rights to participate in the future growth of the Standard Bank Group share price. The eventual value of the right is settled by the receipt of Standard Bank Group shares equivalent to the full value of the participation rights.

Director's or prescribed officer's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited for the performance year	Number of share incentives exercised or accepted during the year
JH Maree	**GSIS**					
	2011	**325 000**				**25 000**
	2010	1 300 000				975 000[1]
	EGS					
	2011	**1 625 000**				
	2010	1 250 000	500 000	05/03/2010	125 000	
SP Ridley	**GSIS**					
	2011	**77 500**				**17 500**
						60 000
	2010	117 500				20 000
						20 000
	EGS					
	2011	**525 000**	**200 000**	**04/03/2011**		
	2010	450 000	100 000	05/03/2010	25 000	

[1] *The share incentives exercised or accepted in 2010 were delivered to JH Maree's family trust as the beneficial owner following the rules of the relevant scheme. As disclosed on SENS in March 2010, the share incentives were awarded in 2001, soon after Mr Maree's appointment as group chief executive. Mr Maree's family trust could have taken delivery or sold the share incentives after vesting in 2004, 2005 and 2006, but elected to hold the share incentives as a long-term investment. The expiry date for delivery or sale was March 2011.*

[2] *Conditional awards.*

Deferred Bonus Scheme
Employees who are granted an annual incentive over R1 million (or equivalent) are subject to a mandatory deferral of percentage of their incentive into the Deferred Bonus Scheme. The final payment is calculated with reference to the number of units multiplied by the Standard Bank Group share price at that date.

Deferred Bonus Scheme 2012
Employees are granted a deferred award, as a mandatory deferral of their short-term incentive or as discretionary award, into the Deferred Bonus Scheme. The final value due to the employee is calculated with reference to the number of units multiplied by the Standard Bank Group share price at that date, and is delivered in shares.

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2011	Issue date	Issue or offer price (R)	Vesting category	Expiry date
33,50	**1 621 250**	**300 000**	**300 000**	**11/03/2004**	**40,65**	**C**	**11/03/2014**
31,90	78 367 250	325 000					
		1 625 000	**375 000**	**10/03/2006**	**79,50**	**A**	**10/03/2016**
		1 625 000	**125 000**	**10/03/2006**	**79,50**	**B**	**10/03/2016**
			125 000[2]	**06/03/2008**	**92,00**	**A**	**06/03/2018**
			250 000[2]	**06/03/2008**	**92,00**	**B**	**06/03/2018**
			125 000[2]	**06/03/2009**	**62,39**	**A**	**06/03/2019**
			125 000[2]	**06/03/2009**	**62,39**	**B**	**06/03/2019**
			500 000[2]	**05/03/2010**	**111,94**	**A**	**05/03/2020**
27,90	**1 232 350**						
40,65	**3 460 200**						
27,80	1 750 200	77 500					
27,90	1 748 200						
		725 000	**50 000**	**10/03/2005**	**65,60**	**B**	**10/03/2015**
		525 000	**150 000**	**10/03/2006**	**79,50**	**B**	**10/03/2016**
			15 000	**07/03/2007**	**98,00**	**A**	**07/03/2017**
			15 000	**07/03/2007**	**98,00**	**B**	**07/03/2017**
			25 000[2]	**06/03/2008**	**92,00**	**A**	**06/03/2018**
			50 000[2]	**06/03/2008**	**92,00**	**B**	**06/03/2018**
			60 000[2]	**06/03/2009**	**62,39**	**A**	**06/03/2019**
			60 000[2]	**06/03/2009**	**62,39**	**B**	**06/03/2019**
			100 000[2]	**05/03/2010**	**111,94**	**A**	**05/03/2020**
			100 000[2]	**04/03/2011**	**98,80**	**A**	**04/03/2021**
			100 000[2]	**04/03/2011**	**98,80**	**B**	**04/03/2021**

Share incentives continued

Director's or prescribed officer's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited for the current performance year	Number of share incentives exercised or accepted during the year
PG Wharton-Hood	**GSIS**					
	2011	**300 000**				**50 000**
	2010	500 000				50 000
						100 000
						50 000
	EGS					
	2011	**1 100 000**	**150 000**	**04/03/2011**		
	2010	950 000	200 000	05/03/2010	50 000	
SK Tshabalala[2]	**GSIS**					
	2011	**25 000**				
	2010	25 000				
	EGS					
	2011	**595 000**	**200 000**	**04/03/2011**		
	2010	495 000	125 000	05/03/2010	25 000	

[1] *Conditional awards.*
[2] *SK Tshabalala, has a right to 698 339 SBG shares as a beneficiary of the Tutuwa Managers' Trusts. There is a current liability of R40,82 per share. Special conditions apply to the shares.*

Issue price (R)/ resultant shares	Difference between issue price and closing price on date of delivery (R)	Balance of share incentives 31 December	Number of share incentives as at 31 December 2011	Issue date	Issue or offer price (R)	Vesting category	Expiry date
27,80	3 408 200	250 000	125 000	06/03/2003	27,90	A	06/03/2013
27,80	3 860 000	300 000	125 000	11/03/2004	40,65	A	11/03/2014
35,10	7 928 500						
31,90	3 655 756						
		1 250 000	125 000	10/03/2005	65,60	B	10/03/2015
		1 100 000	300 000	10/03/2006	79,50	B	10/03/2016
			125 000	07/03/2007	98,00	B	07/03/2017
			50 000[1]	06/03/2008	92,00	A	06/03/2018
			100 000[1]	06/03/2008	92,00	B	06/03/2018
			100 000[1]	06/03/2009	62,39	A	06/03/2019
			100 000[1]	06/03/2009	62,39	B	06/03/2019
			100 000[1]	05/03/2010	111,94	A	05/03/2020
			100 000[1]	05/03/2010	111,94	B	05/03/2020
			75 000[1]	04/03/2011	98,80	A	04/03/2021
			75 000[1]	04/03/2011	98,80	B	04/03/2021
		25 000	25 000	11/03/2004	40,65	A	11/03/2014
		25 000					
		795 000	50 000	10/03/2005	65,60	B	10/03/2015
		595 000	22 500	10/03/2006	79,50	A	10/03/2016
			22 500	10/03/2006	79,50	B	10/03/2016
			25 000	07/03/2007	98,00	A	07/03/2017
			25 000	07/03/2007	98,00	B	07/03/2017
			25 000[1]	06/03/2008	92,00	A	06/03/2018
			100 000[1]	06/03/2008	92,00	B	06/03/2018
			50 000[1]	06/03/2008	92,00	B	06/03/2018
			75 000[1]	06/03/2009	62,39	A	06/03/2019
			75 000[1]	06/03/2009	62,39	B	06/03/2019
			62 500[1]	05/03/2010	111,94	A	05/03/2020
			62 500[1]	05/03/2010	111,94	B	05/03/2020
			100 000[1]	04/03/2011	98,80	A	04/03/2021
			100 000[1]	04/03/2011	98,80	B	04/03/2021

Share incentives continued

Director's or prescribed officer's name		Opening balance 1 January	Number of share incentives allocated	Issue or offer date	Number of participation rights forfeited for the performance year	Number of share incentives exercised or accepted during the year
BJ Kruger	**GSIS**					
	2011	**15 700**				**15 700**
	2010	118 900				31 300
						46 900
						25 000
	EGS					
	2011	**1 062 500**	**200 000**	**04/03/2011**		**31 000**
	2010	975 000	200 000	05/03/2010	50 000	62 500

[1] *Conditional awards.*

Deferred Bonus Scheme (prior year awards)

The table below reflects incentive awards made in prior years which have been deferred and which will be paid in future years in terms of their respective conditions. The incentive awards payable and incentive awards deferred for 2011 are reflected in the table on page 222.

	Performance year	Issue date	Amount deferred (R)	Award price (R)	DBS units	Expiry date
JH Maree	2008	06/03/2009	2 593 000	62,39	41 561	30/11/2013
SP Ridley	2008	06/03/2009	887 500	62,39	14 226	30/11/2013
	2009	05/03/2010	817 500	111,94	7 303	30/11/2014
	2010	04/03/2011	552 875	98,80	5 596	30/11/2015
PG Wharton-Hood	2008	06/03/2009	967 500	62,39	15 508	30/11/2013
	2009	05/03/2010	887 500	111,94	7 928	30/11/2014
	2010	04/03/2011	5 184 600	98,80	52 476	30/11/2015
SK Tshabalala	2008	06/03/2009	1 750 000	62,39	28 050	30/11/2013
	2009	05/03/2010	1 930 000	111,94	17 241	30/11/2014
BJ Kruger	2008	06/03/2009	1 870 000	62,39	29 973	30/11/2013
	2009	05/03/2010	1 075 000	111,94	9 603	30/11/2014
	2010	04/03/2011	2 310 000	98,80	23 381	30/11/2015

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 2011	Issue date	Issue or offer price (R)	Vesting category	Expiry date
40,65	960 309						
40,65	2 059 227	15 700					
27,90	3 683 526						
27,80	1 966 000						
7 243	262 341	1 231 500	31 500	10/03/2005	65,60	B	10/03/2015
13 577	2 620 000	1 062 500	300 000	10/03/2006	79,50	B	10/03/2016
			150 000	07/03/2007	98,00	B	07/03/2017
			50 000[1]	06/03/2008	92,00	A	06/03/2018
			100 000[1]	06/03/2008	92,00	B	06/03/2018
			100 000[1]	06/03/2009	62,39	A	06/03/2019
			100 000[1]	06/03/2009	62,39	B	06/03/2019
			100 000[1]	05/03/2010	111,94	A	05/03/2020
			100 000[1]	05/03/2010	111,94	B	05/03/2020
			100 000[1]	04/03/2011	98,80	A	04/03/2021
			100 000[1]	04/03/2011	98,80	B	04/03/2021

Annexure G – segmental statement of financial position

Group	Personal & Business Banking 2011 Rm	Personal & Business Banking 2010 Rm
Assets		
Cash and balances with the central bank		5 273
Derivative assets	(25)	(5)
Trading assets		
Pledged assets		
Financial investments	31	28
Loans and advances	383 919	355 817
Current and deferred tax assets	(176)	(98)
Other assets	1 869	2 591
Interest in group companies, associates and joint ventures	548	358
Goodwill and other intangible assets	3 629	2 742
Property and equipment	2 243	3 562
Total assets	392 038	370 268
Equity and liabilities		
Equity	21 639	19 661
Equity attributable to the ordinary shareholder	21 639	19 659
Ordinary share capital	4	4
Ordinary share premium	4	4
Reserves	21 631	19 651
Non-controlling interest		2
Liabilities	370 399	350 607
Derivative liabilities		16
Trading liabilities		
Deposit and current accounts	357 676	339 954
Current and deferred tax liabilities	934	(245)
Other liabilities	2 469	2 727
Subordinated debt	8 986	8 108
Liabilities to group companies	334	47
Total equity and liabilities	392 038	370 268

[1] *Group 2010 restated, refer to annexure B – restatements.*

	Corporate & Investment Banking		Other services		Total	
	2011 Rm	2010[1] Rm	2011 Rm	2010 Rm	2011 Rm	2010[1] Rm
	13 128	12 908	7 737		20 865	18 181
	92 780	105 440	667	(214)	93 422	105 221
	24 366	14 077	260	(252)	24 626	13 825
	3 737	2 035			3 737	2 035
	77 463	77 037	2 315	2 323	79 809	79 388
	229 291	181 847	(2 045)	(1 476)	611 165	536 188
	158	100	326	482	308	484
	8 200	2 340	690	734	10 759	5 665
	57 117	60 092	4 434	2 563	62 099	63 013
			2 840	1 668	6 469	4 410
	166	389	6 021	3 955	8 430	7 906
	506 406	456 265	23 245	9 783	921 689	836 316
	16 327	14 597	16 881	14 446	54 847	48 704
	16 275	14 557	16 881	14 446	54 795	48 662
	21	21	35	35	60	60
			27 226	25 226	27 230	25 230
	16 254	14 536	(10 380)	(10 815)	27 505	23 372
	52	40			52	42
	490 079	441 668	6 364	(4 663)	866 842	787 612
	98 640	102 418	90	42	98 730	102 476
	13 581	9 031			13 581	9 031
	325 435	275 997	4 951	(7 862)	688 062	608 089
	3 352	3 456	(2 612)	(1 134)	1 674	2 077
	8 238	4 867	2 986	2 774	13 693	10 368
	7 260	6 299	(151)	1 276	16 095	15 683
	33 573	39 600	1 100	241	35 007	39 888
	506 406	456 265	23 245	9 783	921 689	836 316

Annexure H – disclosure in terms of the Home Loan and Mortgage Disclosure Act

The table below sets out the disclosure required in terms of the Home Loan and Mortgage Disclosure Act 63 of 2000. As agreed with the Department of Human Settlements this disclosure is only provided for new loan applications received and therefore excludes re-advances. It relates to South African applications received and excludes staff home loans.

		Received	Approved	Declined[1]	Disbursed
2011					
Number of applications		**281 165**	**101 954**	**179 211**	**46 427**
Value of applications	Rm	**184 464**	**67 965**	**116 499**	**31 299**
2010[2]					
Number of applications		223 561	53 707	169 854	36 034
Value of applications	Rm	142 143	35 462	106 681	24 296
Total number of applications per race group					
2011					
African		**115 707**	**38 123**	**77 584**	**16 154**
Indian		**15 057**	**6 671**	**8 386**	**3 115**
Coloured		**21 267**	**7 990**	**13 277**	**3 604**
White		**127 656**	**48 425**	**79 231**	**23 224**
Unknown[3]		**1 478**	**745**	**733**	**330**
		281 165	**101 954**	**179 211**	**46 427**
2010[2]					
African		87 798	16 857	70 941	10 285
Indian		12 575	3 743	8 832	2 511
Coloured		17 447	3 910	13 537	2 564
White		104 780	28 915	75 865	20 518
Unknown[3]		961	282	679	156
		223 561	53 707	169 854	36 034
Total number of applications by province					
2011					
Eastern Cape		**13 071**	**5 222**	**7 849**	**2 671**
Free State		**8 169**	**3 532**	**4 637**	**1 609**
Gauteng		**151 333**	**49 877**	**101 456**	**22 077**
KwaZulu-Natal		**29 196**	**12 213**	**16 983**	**5 630**
Limpopo		**6 693**	**2 335**	**4 358**	**994**
Mpumalanga		**12 462**	**4 933**	**7 529**	**2 259**
North West		**10 458**	**3 561**	**6 897**	**1 768**
Northern Cape		**1 678**	**770**	**908**	**455**
Western Cape		**48 103**	**19 511**	**28 592**	**8 964**
Other[4]		**2**		**2**	
		281 165	**101 954**	**179 211**	**46 427**
2010[2]					
Eastern Cape		8 675	2 464	6 211	1 632
Free State		5 506	1 716	3 790	1 232
Gauteng		123 479	26 719	96 760	17 777
KwaZulu-Natal		25 601	6 634	18 967	4 537
Limpopo		4 201	1 184	3 017	738
Mpumalanga		8 480	2 465	6 015	1 564
North West		6 979	1 881	5 098	1 301
Northern Cape		1 527	578	949	426
Western Cape		39 106	10 066	29 040	6 827
Other[4]		7		7	
		223 561	53 707	169 854	36 034

[1] *Declines are due to lack of affordability, unacceptable credit record, insufficient documentation, unacceptable security and ineligible applications.*
[2] *As a result of a review being performed on the information sourced for the disclosure in this annexure, the 2010 numbers were restated as the process had been automated in 2011, whereas it had been done manually in 2010.*
[3] *While customers are requested to indicate their racial grouping to assist SBSA with the compilation of this information, it would go against the spirit of the Constitution of South Africa to compel them to do so.*
[4] *Relates to loans issued in Namibia.*

In preparing this disclosure the following definitions have been applied:

Application – a completed and signed home loan application form that is supported by all documentation required by a financial institution.

Home loan – a loan or advance by a financial institution to a person for purposes of constructing, purchasing, renovating or improving in any such way the person's home, with the security of a registered mortgage bond or any other form of acceptable security.

Additional information

Credit ratings

Ratings as at 7 March 2012

	Short term	Long term	Outlook
Fitch Ratings			
The Standard Bank of South Africa			
Foreign currency issuer default rating	F2	BBB+	Negative
Local currency issuer default rating		BBB+	Negative
National rating	F1+ (ZAF)	AA (ZAF)	Stable
RSA Sovereign ratings			
Foreign currency issuer default rating	F2	BBB+	Negative
Local currency issuer default rating		A	Negative
Moody's Investor Services			
The Standard Bank of South Africa			
Foreign currency deposit rating	P-2	A3	Negative
Local currency deposit rating	P-1	A2	Negative
RSA Sovereign ratings			
Foreign currency		A3	Negative
Local currency		A3	Negative
Standard & Poor's			
The Standard Bank of South Africa			
Unsolicited issuer rating[1]	A-2	BBB+	Stable
RSA Sovereign ratings			
Foreign currency[1]	A-2	BBB+	Stable
Local currency[1]	A-1	A	Stable

[1] *On 28 March 2012 Standard & Poor's Ratings Services revised its outlook on the South African sovereign to negative from stable. Accordingly, the outlook on Standard Bank was revised on 29 March 2012 to negative from stable.*

Financial and other definitions

The Standard Bank of South Africa

Additional increments	To enhance the retention components of the DBS, additional increments of the deferred award become payable at vesting and one year thereafter. This feature was replaced by notional dividends for awards in respect of the 2011 financial year.
Basic earnings per ordinary share (EPS) (cents)	Earnings attributable to the ordinary shareholder divided by the weighted average number of ordinary shares in issue.
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).
Broad-based black economic empowerment (BBBEE)	Socioeconomic term concerning formalised initiatives and programmes to enable historically disadvantaged black individuals and groups to participate gainfully and equitably in the mainstream economy.
Capital adequacy ratio (%)	Capital as a percentage of risk-weighted assets.
Cost-to-income ratio (%)	Operating expenses as a percentage of total income including share of profit from associates and joint ventures.
CPI (%)	A South African index of prices used to measure the change in the cost of basic goods and services.
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.
Dividend per share (cents)	Total dividends to the ordinary shareholder in respect of the year expressed on a per share basis. Dividend is calculated using the cash component of any distribution where an election to receive scrip was available.
Dividend yield	Dividend per share as a percentage of the closing share price.
Effective tax rate (%)	Direct and indirect taxation as a percentage of income before taxation.
Exposure at default (EAD)	Counterparty's expected exposure to the group at the time of default.
Headline earnings (Rm)	Earnings attributable to the ordinary shareholder excluding goodwill gain or impairment, capital profits and losses, and recycled profits or losses on available-for-sale financial instruments.
Headline earnings per ordinary share (HEPS) (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).
Loss given default (LGD)	Amount of counterparty's obligation to the group that is not expected to be recovered after default and is expressed as a percentage of the EAD.
Net asset value (Rm)	Equity attributable to the ordinary shareholder.
Net asset value per ordinary share (cents)	Net asset value divided by the number of ordinary shares in issue at year end.
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.
Price-earnings ratio (times)	Market capitalisation divided by net asset value.
Probability of default (PD)	Probability of a counterparty not making full and timely repayment of credit obligations over a specific time horizon.

Profit attributable to the ordinary shareholder (Rm)	Profit for the year attributable to the ordinary shareholder, calculated as profit for the year less non-controlling interests.
Profit for the year (Rm)	Income statement profit attributable to the ordinary shareholder and non-controlling interests for the year.
Real yield (RY)	The return from an investment adjusted for the effects of inflation, compounded semi-annually.
Return on equity (ROE) (%)	Headline earnings as a percentage of monthly average ordinary shareholders' funds.
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.
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 specific identified credit losses on loans and advances, net of the present value of estimated recoveries.
Special purpose entity (SPE)	An entity created to accomplish a narrow and well-defined objective.
Tutuwa	Tutuwa is SBG's black economic empowerment ownership initiative entered into in terms of the Financial Sector Charter.
Weighted average number of ordinary shares (number)	The weighted average number of ordinary shares in issue during the year.

Acronyms and abbreviations

ACAD	Africa Carbon Asset Development
ALCO	Asset and liability committee
ATM	Automated teller machine
Banks Act	South African Banks Act 94 of 1990
Basel	Basel Capital Accord
BEE	Black economic empowerment
board	The Standard Bank of South Africa board of directors
BSD	Bank Supervision Department
BSMEs	Black small and medium enterprises
BTV	Balance-to-value
CAGR	Compound annual growth rate
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CoE	Cost of equity
Companies Act/ the Act	South African Companies Act 71 of 2008
Consumer Protection Act	South African Consumer Protection Act 68 of 2008
CPI	Consumer price index
CR	Credit risk grade under country risk
CRO	Chief risk officer
CSI	Corporate social investment
DBS	Deferred bonus scheme
dti	Department of Trade and Industry of the Government of South Africa
dti codes	Department of Trade and Industry Codes of Good Practice for Broad-Based Black Economic Empowerment
EAD	Exposure at default
EGS	Equity growth scheme
FSB	Financial Services Board
GAC	Group audit committee
GBP	British pound sterling
GIA	Group internal audit
GORC	Group operational risk committee
GROC	Group risk oversight committee
GSIS	Group Share Incentive Scheme
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal capital adequacy assessment process
IFRS	International Financial Reporting Standards
IT	Information technology
JIBAR	Johannesburg interbank agreed rate
JSE	JSE Limited, the licensed securities exchange in Johannesburg
King Code	The Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2009
LCm	Millions of local currency
LEDs	Light-emitting diodes
LGD	Loss given default
Liberty	Liberty Holdings Limited and its subsidiaries
LIBOR	London interbank official rate
NPL	Non-performing loan
OCI	Other comprehensive income
OTC	Over-the-counter
PD	Probability of default
R	South African rand
RAPM	Risk-adjusted performance measurement
Rbn	Billions of rand
RCMC	Risk and capital management committee
REDD +	Advanced mechanisms to combat Deforestation and Degradation
REIPPP	Renewable Energy Independent Power Producer Procurement
Rm	Millions of rand
ROE	Return on equity
RY	Real yield
SA	South Africa
SARB	South African Reserve Bank
SBG	Standard Bank Group Limited
SBGRF	Standard Bank Group Retirement Fund
SBSA	The Standard Bank of South Africa Limited
SCMB	Standard Corporate and Merchant Bank
SME	Small and medium enterprises
SPE	Special purpose entity
SRI	Socially responsible investment
STC	Secondary tax on companies
TCF	Treating customers fairly
TCM	Treasury and capital management
The charter	Financial Sector Charter
The code	The group's code of ethics
The company	The Standard Bank of South Africa Limited
The group	The Standard Bank of South Africa Limited and its subsidiaries
The trust	Tutuwa Community Trust
Tier I	Primary capital
Tier II	Secondary capital
Tier III	Tertiary capital
Tutuwa	Black economic empowerment ownership initiative
UK	United Kingdom
UNFCC – COP17	United Nations Framework Convention on Climate Changes
UPS	Uninterruptible power supply
US/USA	United States of America
USD	United States dollar
VaR	Value-at-risk
VAT	Value added tax
ZAR	South African rand

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