



Shareholders

Delivering to our shareholders

We understand that we earn the right to exist by providing appropriate long-term returns to our shareholders. We try extremely hard to meet our various targets and deliver on our commitments.

Stakeholder review – Shareholders

Highlights

- The Tutuwa Regional Business Groupings process takes Standard Bank's empowerment deal into phase II.
- Standard Bank ranked No. 108 in the world and No. 1 in sub-Saharan Africa, based on Tier 1 capital (The Banker Top 1 000 World Banks, 2005).
- Dividend cover lowered from 3,1 to 2,5 times.
- Our principal subsidiaries rated by relevant credit rating agencies.

Challenges in 2005

- Engaging more effectively with existing and prospective shareholders.
- Ongoing communication with shareholders and the investment community around the implementation of international financial reporting requirements.

Looking ahead we will:

- Refine the communication of our international strategy and presence.

Recognition

At the Investor Relations Magazine 2005 Awards, Standard Bank won the following:

Grand Prix – Best overall investor relations for a company in the JSE Top 40 index.

Best investment community meetings.

Best communication of BEE programme.

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Fourth place in Ernst & Young's 2005 excellence in corporate reporting survey.

Overview

Escalating shareholder activism is a feature of today's global economy. This dynamic environment requires that we facilitate greater levels of understanding of our business among shareholders, and that we respond positively to greater shareholder demand for dialogue.

This has necessitated establishing a "second tier" of management interaction with shareholders, serving to expose the depth of leadership at the bank, and in turn, increasing the resources available to engage more effectively with existing and prospective shareholders.

We continue to evolve the structures necessary to facilitate meaningful engagement with an increasingly diverse shareholder base, as well as the investment community as a whole. This has enabled us to develop an appropriate mix of communication channels that allow us to reach all our shareholders – from individual to institutional shareholders and local to international shareholders.

An example of responding to the needs of a specific shareholder group is our Tutuwa initiative. Internally, the scheme has been supported by an education drive aimed at employee shareholders, which has focused on:

- Defining financial terms and concepts.
- Clarifying the structure of the scheme.
- Ensuring a full understanding of the group's financial results.

We will continue to ensure that all our shareholders' information needs are met and their expectations are positively and transparently managed.

Our corporate website www.standardbank.co.za is increasingly being used to provide easily accessible financial information to a wide range of users.

Overview of financial performance

Financial results

Standard Bank Group headline earnings per share for the year to December 2005 increased by 23% to 702,3 cents per share and a return on equity of 27,8% was achieved. These results are based on International Financial Reporting Standards (IFRS). Certain of the accounting conventions under IFRS distort the results from an economic perspective. As discussed under the normalised results section on page 75 of the Annual Report, the effect of these distortions has been adjusted for in calculating normalised results. On a normalised basis, headline earnings per share grew 19% and the return on equity was 25,2% (2004: 24,2%).

Broadly, 2005 was positive for emerging market economies as macroeconomic fundamentals and demand for exports from these markets improved. Investment inflows to these markets, aided by global liquidity and increased investor risk appetite, lifted economic activity but reduced profit margins of our corporate and investment banking activities.

South Africa's strong economic growth stemmed substantially from strong local demand. High consumer spending was underpinned by relatively low inflation and interest rates. Net job creation, the positive effect of rising equity and house prices, increased household disposable income and the growing middle class resulted in improved consumer confidence and provided a strong platform for consumer and business banking in South Africa.

Prospects

The group's Personal & Business Banking operation is set to continue to benefit from sustained positive economic fundamentals in South Africa, together with increased economic development and organic business growth anticipated across the African continent.

Corporate & Investment Banking should benefit from potential growth in South African infrastructural and empowerment financing, and increasing corporate credit demand. As we improve our regional infrastructure and trading teams across our emerging markets footprint, the division should be well placed to take advantage of opportunities in our chosen markets.

Performance against 2005 objectives

	2005 IFRS %	2005 Normalised %	2005 Objective %
Return on equity	27,8	25,2	22,5
Normalised headline earnings per share growth	23,1	19,3	13,9 ¹
Cost-to-income ratio	56,6		≤55,5
Credit loss ratio	0,41		<0,75

¹Average CPIX for 2005 of 3,9% plus 10,0%.

Stakeholder review – Shareholders continued

Investment Management & Life Insurance earnings may be lower in 2006 due to the potential impact of a lower assumed equity and bond market performance although real growth in embedded value and dividends should be achieved.

Taking the above factors into account, we believe that the group's diversified business spread will underpin returns to shareholders in 2006 that are in line with our principal financial objectives of a normalised return on equity of 24,0% (revised upwards) and normalised headline earnings per share growth of South African inflation (CPIX) plus 10 percentage points.

The impact of IFRS

In line with the Listing Requirements of the JSE Limited, the group has adopted IFRS with effect from 1 January 2005. The date for transition to IFRS was effectively 1 January 2004 – the start of the earliest period of comparative information presented.

The implementation of IFRS has a relatively immaterial impact on the group's financial position and earnings. The most significant IFRS change for Standard Bank is the implementation of IFRS 4 – Insurance Contracts, which results in Standard Bank Group and Liberty Holdings Limited shares held by Liberty Life for the benefit of policyholders being deemed treasury shares for accounting purposes, and eliminated on consolidation. The corresponding movement in policyholders' liabilities is however not eliminated resulting in a mismatch in the group's income statement and equity. It is however important to note that although this treasury share adjustment potentially results in greater volatility in reported earnings, there is no impact on the group's underlying business fundamentals, cash flows, risks, growth strategies or capital management policies.

In light of the potential for increased earnings volatility, the group will ensure that comparable underlying business performance and trends are clearly identified on an ongoing basis.

Tutuwa Regional Business Groupings

In October 2004, Standard Bank sold an effective 10% interest in its South African operations to a broad-based BEE consortium in a deal then worth about R4 billion, and now valued at well over R7 billion.

The trustees of the Community Trust have launched the next phase of our Black Economic Empowerment Ownership (Tutuwa) initiative by beginning the identification and selection of the Small and Medium Enterprises (SMEs) that will be beneficiaries in the Tutuwa Community Trust.

Fifty per cent of the participation rights in this trust have been reserved for black-owned regional business groupings that operate in the SME category, with the remaining 50% reserved for community development groupings.

All SMEs, as defined by the charter, that meet the qualifying criteria, regardless of the financial institution that they bank with, are eligible to become part of the trust.

Approximately 250 SMEs throughout the country will be selected, ensuring that the number of Standard Bank ordinary shares allocated to each entity is meaningful.

Overview of socioeconomic impact

From a sustainability perspective the group's success in 2005 in delivering strong returns to its shareholders should be viewed in the context of the broader socioeconomic impact it achieved, namely:

- In 2005 total wealth created by the group amounted to R23 billion.
- 40 245 people were employed by the group in 2005, of which 28 518 worked in Standard Bank's domestic operations.
- 22 new branches and service centres, and 479 new ATMs extended the bank's delivery of services in South Africa and contributed to the socioeconomic development of previously under-served areas.
- Standard Bank operations contributed over R3,2 billion to the fiscus in the form of taxes in 2005.

It is important to note the relevance of the multiplier effect when considering Standard Bank's contribution to sustainable economic development. Employees earned R9,6 billion in 2005. Research indicates that the financial and business services sector has an employment multiplier of 236 per R100 million of services provided. This means that for every R100 million of services provided, 236 jobs, directly and indirectly, are created in the economy. Similarly, a 97 household multiplier implies that a R100 million increase in the value of services provided by the financial and business services sector will increase household income by R97 million. Of this increase, R19 million will go to low income households.

Standard Bank contributes to the wider development of the communities in which it operates by providing affordable and effective services to diverse individuals and groups. The Standard Bank Mzansi Blue Account and the newly launched MTN Banking are examples of the bank's drive to impact positively on economic stability by delivering accessible and convenient financial services to communities throughout South Africa.

As Standard Bank expands into Africa (and other emerging markets), its entry into these markets brings broader technological and economic development to economies that require such input, in addition to the impact of providing financial services.

As such, our contribution to development extends beyond the economic sphere and we have a central role to play in harnessing the full socioeconomic potential of the markets in which we operate. This, in turn, underpins our ability to create and protect value for our shareholders on a sustainable basis.

Shareholder analysis

	2005		2004	
	Number of shares (million)	% holding	Number of shares (million)	% holding
Ten major shareholders¹				
Public Investment Corporation	175,2	13,0	156,7	11,6
Old Mutual Group	150,8	11,1	165,6	12,2
Tutuwa participants	102,3	7,6	102,3	7,6
Staff	42,0	3,1	42,0	3,1
Strategic partners	40,2	3,0	40,2	3,0
Communities and regional businesses	20,1	1,5	20,1	1,5
Liberty Group ²	46,5	3,4	49,3	3,7
Investment Solutions	41,3	3,1	38,9	2,9
Sanlam Group	37,7	2,8	48,0	3,5
Metlife	14,4	1,1	14,8	1,1
Transnet Pension Fund	13,1	1,0	15,3	1,1
	581,3	43,1	590,9	43,7
Spread of ordinary shareholders				
Public ³	913,1	67,5	915,5	67,7
Non-public	439,3	32,5	436,6	32,3
Directors of Standard Bank, its subsidiaries and embargoed employees ⁴	2,1	0,2	1,9	0,1
Old Mutual Group	150,8	11,1	165,6	12,2
Public Investment Corporation	175,2	13,0	156,7	11,6
Standard Bank Group and Liberty Group retirement funds	8,5	0,6	9,5	0,7
Tutuwa participants ⁵	102,3	7,6	102,3	7,6
Associates of directors	0,4	0,0	0,6	0,1
	1 352,4	100,0	1 352,1	100,0
Spread of 6,5% preference shareholders				
Public ³	7 953 000	99,4	7 953 000	99,4
Non-public	47 000	0,6	47 000	0,6
Directors of Standard Bank, its subsidiaries and embargoed employees	47 000	0,6	47 000	0,6
	8 000 000	100,0	8 000 000	100,0
Spread of 2nd preference shareholders				
Public ³	29 890 952	99,6	29 904 842	99,7
Non-public	109 048	0,4	95 158	0,3
Directors of Standard Bank, its subsidiaries and embargoed employees	71 371	0,3	58 481	0,2
Associates of directors	37 677	0,1	36 677	0,1
	30 000 000	100,0	30 000 000	100,0

International shareholders held 21,8% (2004: 20,9%) of the Standard Bank Group shares.

¹Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of S140A of the Companies Act.

²Policyholders' funds.

³As per S4.25 of the JSE Listings Requirements.

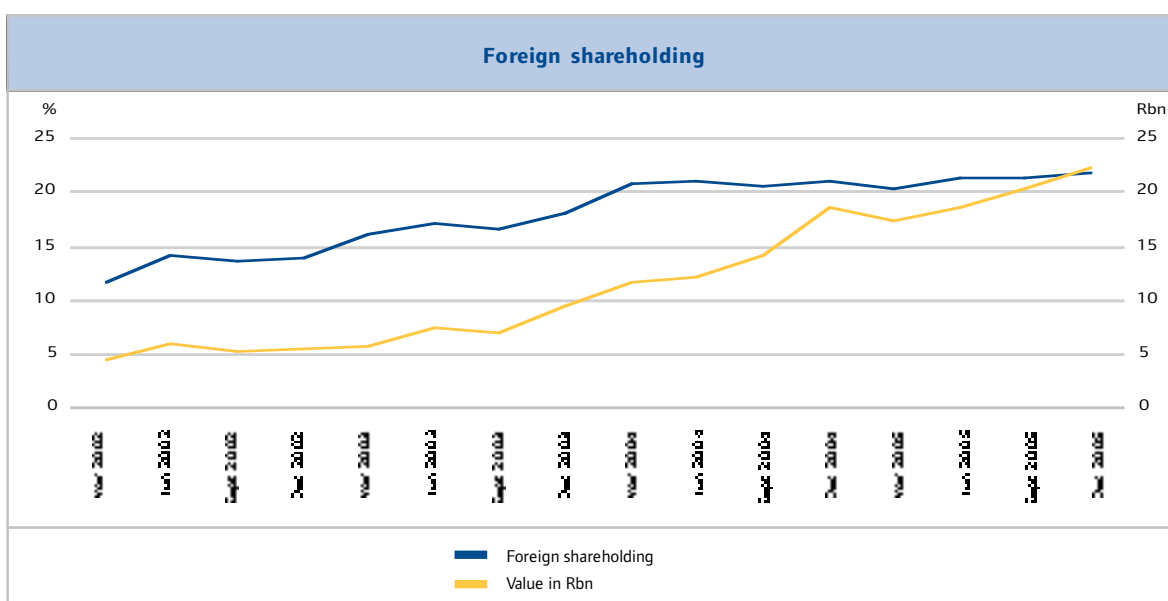
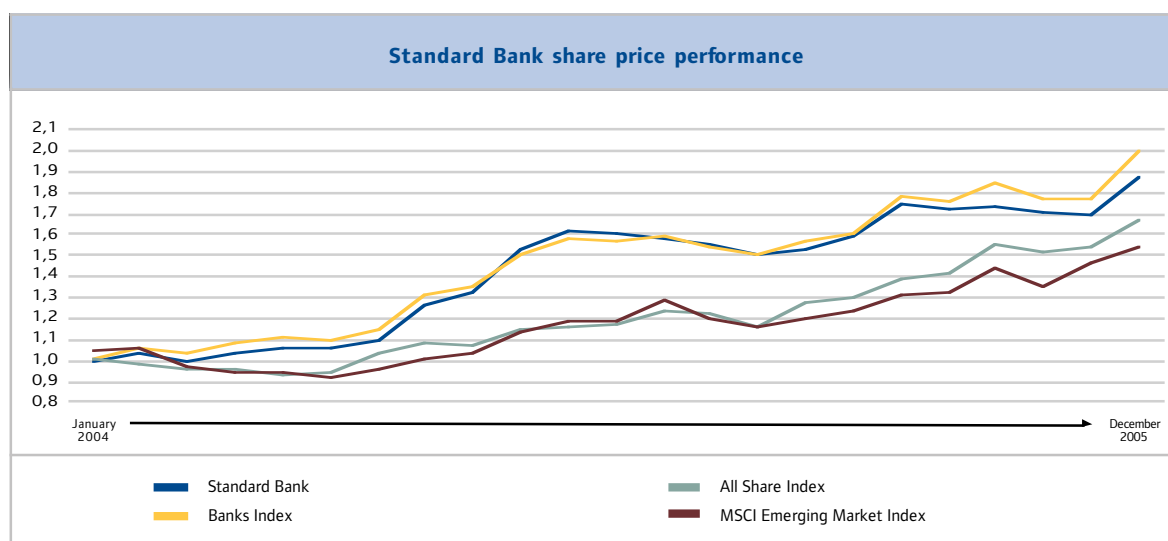
⁴Excludes indirect holdings of strategic partners which are included in the Tutuwa participants.

⁵Includes Tutuwa Strategic Holdings 1 and 2, Tutuwa Staff Holdings 1, 2 and 3, Tutuwa Community and General Staff Share Trust.

Stakeholder review – Shareholders continued

JSE Limited – share statistics

	2005	2004
Share prices (cents)		
– High for the year	7 875	6 750
– Low for the year	5 750	3 686
– 31 December	7 581	6 580
Shares traded		
– Number of shares (000)	841 835	892 633
– Value of shares (Rm)	56 387	40 688
– Turnover in shares traded (%)	62,2	66,0
Number of shares in issue (million)		
– End of period	1 352	1 352
– Weighted average	1 353	1 346



There has been a steady increase in our international shareholding and the group's objective moving forward is to maintain a balance between local and international shareholders.