

## 2004 Annual results presentation



### Agenda



- |                                           |                           |
|-------------------------------------------|---------------------------|
| • <b>Financial highlights</b>             | <b>Simon Ridley</b>       |
| • <b>Business unit overviews</b>          |                           |
| - <b>Retail Banking</b>                   | <b>Peter Wharton-Hood</b> |
| - <b>Africa</b>                           | <b>Sim Tshabalala</b>     |
| - <b>Corporate and Investment Banking</b> | <b>Ben Kruger</b>         |
| - <b>International</b>                    | <b>Rob Leith</b>          |
| • <b>Conclusion</b>                       | <b>Jacko Maree</b>        |

## Financial highlights



	2004	% Change	2003
Headline earnings ( <i>Rm</i> )	<b>7 648</b>	22	6 280
Headline eps ( <i>cents</i> )	<b>578.7</b>	23	470.7
Fully diluted headline eps ( <i>cents</i> )	<b>562.3</b>	21	464.9
Dividend cover ( <i>times</i> )	<b>2.5</b>		3.1
Dividend per share ( <i>cents</i> )	<b>231.5</b>	53	151.0
ROE (%)	<b>26.4</b>		22.9
Credit loss ratio (%)	<b>0.43</b>		0.91
Cost-to-income ratio (%)	<b>57.5</b>		56.2

3

## Accounting impact of Black Ownership Initiative



- **R4bn investment in empowerment deal**
  - Not recognised as an asset and deducted from equity
  - 8.5% yield not accounted for (*R87m*)
- **R3bn perpetual preference shares**
  - Dividend only accounted for when declared
  - No dividend cost accrued in 2004 (*R114m*)
- **Weighted ave number of shares**
  - Shares held by empowerment participants recognised in eps calculation once paid for
  - Weighted average reduced by 100m shares for 3 months = 24m shares

***Normalised calculations adjust for these anomalies***

4

## Financial highlights normalised



	2004 Disclosed	2004 Normalised	2004 Objective
Headline earnings (Rm)	7 648	7 621	
Headline earnings growth (%)	22	21	
Headline eps (cents)	578.7	566.3	
Headline eps growth (%)	23	20	14.3
ROE (%)	26.4	24.5	20.0
NAV per share (cents)	2 322	2 465	

Full effect of empowerment deal will be more evident in 2005

5

## Key factors driving group performance



- All businesses performing
- Retail advances growth
- Margin compression
- Lower credit default rates
- Transaction volume growth
- Favourable equity markets
- Strong rand

6

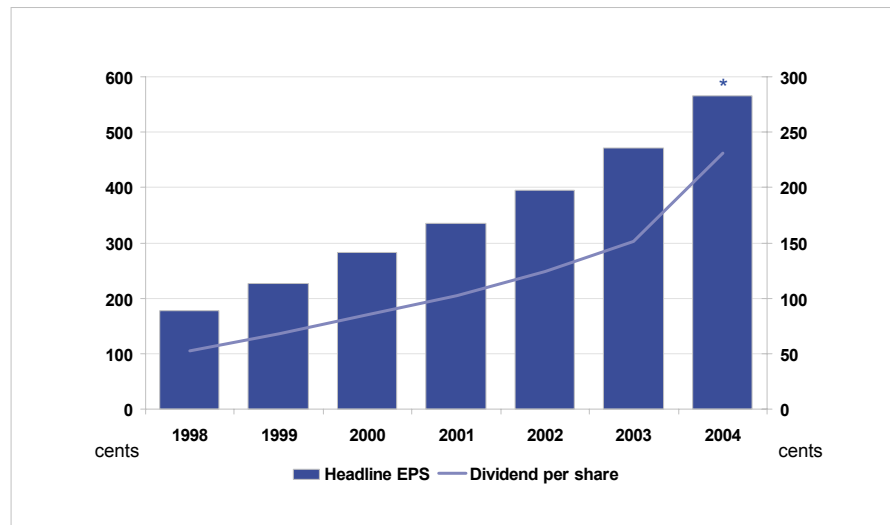
## Group income statement highlights



	2004 Rm	% Change	2003 Rm
Net interest income	11 451	0	11 437
Provisions for credit losses	1 048	(43)	1 848
<b>Net interest income after provisions</b>	<b>10 403</b>	8	9 589
Non-interest revenue	15 048	18	12 790
Operating expenses	15 242	12	13 608
Taxation	2 878	5	2 741
<b>Group headline earnings</b>	<b>7 648</b>	22	6 280
Banking operations headline earnings	7 298	21	6 010
Liberty Life headline earnings	350	30	270

7

## Financial performance



\* 2004 normalised

8

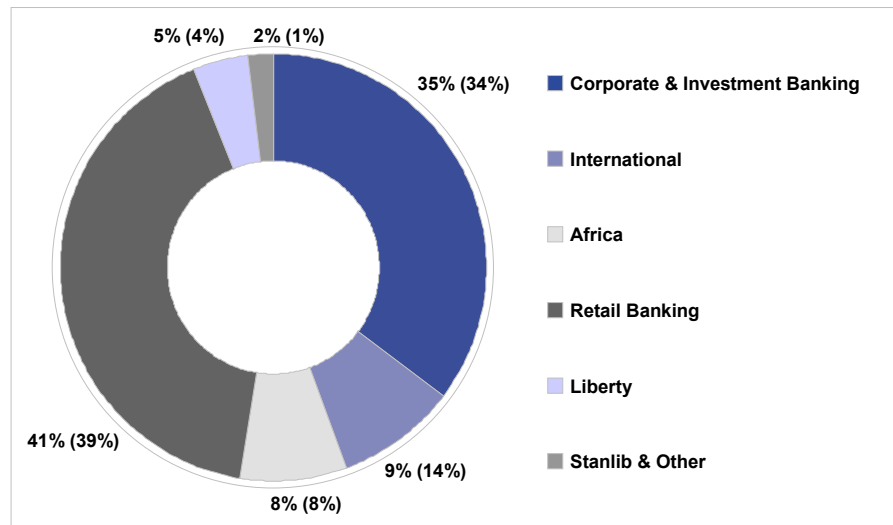
## Headline earnings analysis by business unit



	2004	%	2003
	Rm	Change	Rm
Domestic Banking	5 842	27	4 602
Retail Banking	3 158	28	2 476
Corporate & Investment Banking	2 656	24	2 140
Other domestic operations	28		(14)
Africa	634	30	489
International	685	(21)	866
International USD	107	(7)	115
Stanlib	59	48	40
Central funding	78		13
<b>Standard Bank operations</b>	<b>7 298</b>	21	6 010
Liberty Life	350	30	270
<b>Standard Bank Group</b>	<b>7 648</b>	22	6 280

9

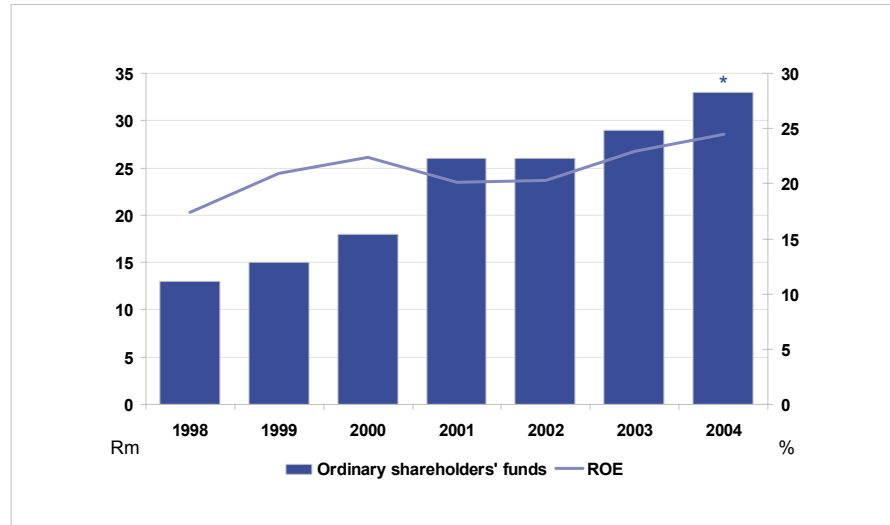
## Headline earnings mix



2003 figures in brackets

10

## Return on equity



\* 2004 normalised

11

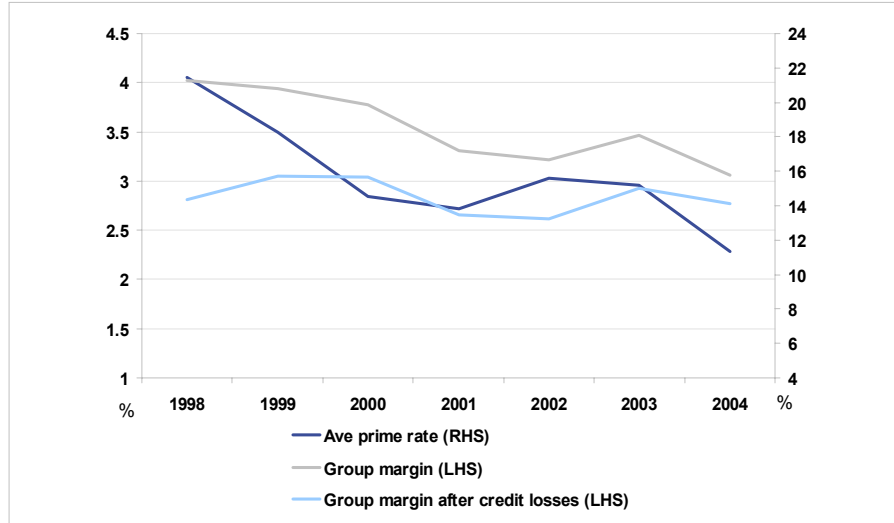
## Returns on equity



	2004	2003	2004
	%	%	Cost of equity %
Domestic Banking	32.3	31.3	13.7
Retail Banking	36.8	35.2	
Corporate & Investment Banking	35.8	29.4	
Africa	30.3	28.3	18.0
International	12.8	14.7	
<i>International USD</i>	12.2	14.7	11.5
<b>Standard Bank operations</b>	<b>27.6</b>	24.0	<b>13.8</b>
Liberty Life	14.0	11.1	12.4
<b>Standard Bank Group</b>	<b>26.4</b>	22.9	<b>13.4</b>
<b>Standard Bank Group normalised</b>	<b>24.5</b>		

12

## Margin analysis



13

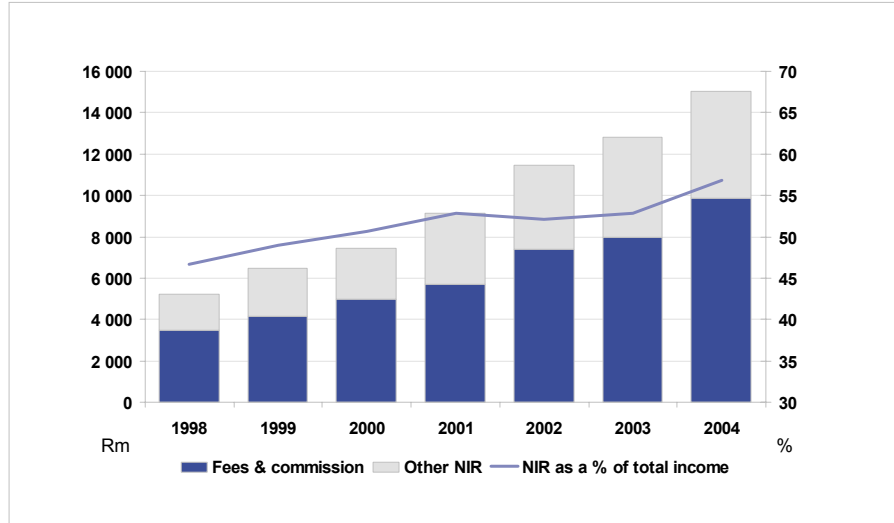
## Domestic margin analysis



	%
<b>Margin at December 2003</b>	<b>3.73</b>
Items previously netted in derivative balances	<b>(0.05)</b>
Endowment effect of low interest rates	<b>(0.42)</b>
Lending	<b>0.01</b>
Effect of asset mix changes	<b>0.09</b>
Funding	<b>(0.10)</b>
Treasury & other activities	<b>0.13</b>
<b>Margin at December 2004</b>	<b>3.39</b>

14

## Non-interest revenue



15

## Non-interest revenue



- **Fees & commission revenue +24%, volume driven**

- Retail Banking +18%
- Africa +28%

- **Trading revenue flat**

- Corporate & Investment Banking +36% - good recovery in fixed income & volume growth in forex
- International flat in USD off a high base

- **Other revenue +36%**

- Corporate & Investment Banking +31% - property related income & private equity gains

16



## Operating expenses



- **Staff costs +12%**

- General staff scheme R127m
- Pension fund provision top up R150m
- Additional incentives & related costs up R170m

- **Other operating expenses +12%**

- Direct IT costs +13%
- Other operating expenses generally increased in line with business volumes

17

## Cost-to-income ratios



	2004	2003
	%	%
Domestic Banking	55.5	54.5
Retail Banking	61.3	60.9
Corporate & Investment Banking	43.0	44.8
Africa	60.3	57.2
International	68.8	61.2
<b>Standard Bank Operations</b>	<b>57.5</b>	56.2
<b>2004 objective</b>	<b>56.0</b>	

*Costs up 12.0%*  
*Total income up 9.4%*

*Cost-to-income ratio is 57.0% excluding the general staff share ownership scheme*

18

## Balance sheet highlights



	2004 Rbn	% Change	2003 Rbn
Cash & short-term securities	52	18	44
Loans & advances	257	17	220
<b>Total banking assets</b>	<b>506</b>	14	444
Deposits	316	16	273
Total shareholders' funds	32	11	29
<b>Total banking equity &amp; liabilities</b>	<b>506</b>	14	444

19

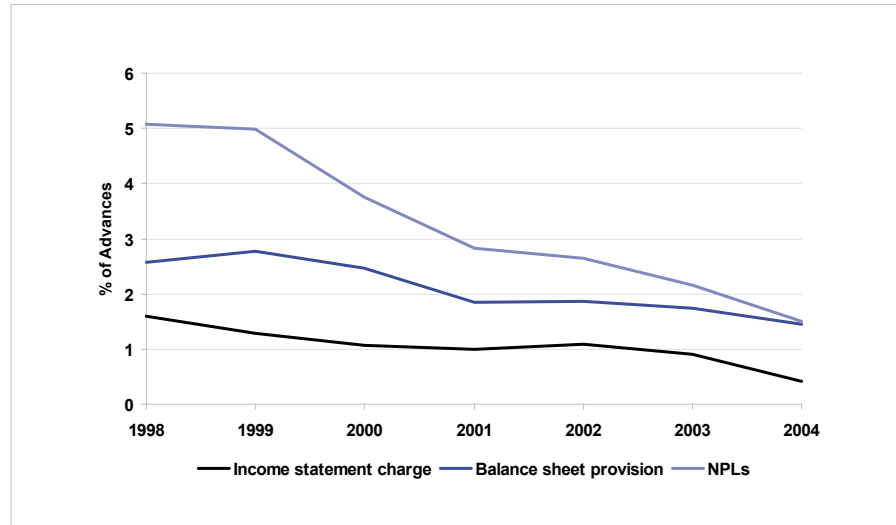
## Loans & advances



	2004 Rbn	% Change	2003 Rbn
Domestic Banking	212	27	167
Retail Banking	151	34	113
Corporate & Investment Banking	61	11	55
International	33	(21)	42
Africa	12	9	11
<b>Group</b>	<b>257</b>	17	220

20

## Credit loss history



21

## Credit provisioning



	2004 Rm	% Change	2003 Rm
Provision for non-performing loans ( <i>specific</i> )	1 041	(26)	1 398
Provision for performing loans ( <i>general</i> )	7	(98)	450
<b>Total income statement charge</b>	<b>1 048</b>	<b>(43)</b>	<b>1 848</b>
<b>Credit loss ratios (%)</b>			
Non performing loans ( <i>specific</i> )	0.43		0.69
Performing loans ( <i>general</i> )	0.00		0.22
<b>Total</b>	<b>0.43</b>		<b>0.91</b>
<b>2004 objective</b>	<b>&lt; 1.00</b>		

22

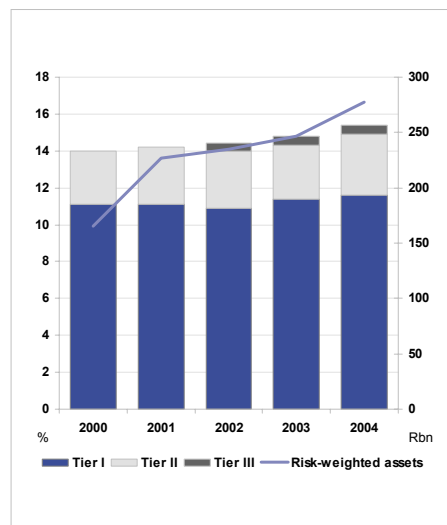
## NPLs & balance sheet provisioning



	2004 Rm	2003 Rm	2004 % of adv	2003 % of adv
<b>Gross NPLs</b>	<b>3 910</b>	4 813	<b>1.5</b>	2.1
Provision for NPLs	<b>2 335</b>	2 418	<b>0.89</b>	1.08
Provision for performing loans	<b>1 461</b>	1 490	<b>0.56</b>	0.66
<b>Total provisions</b>	<b>3 796</b>	3 908	<b>1.45</b>	1.74

NPL coverage ratio (provision for NPLs as a percentage of gross NPLs) increased from 42% to 54% 23

## Capital adequacy



	2004 %	2003 %
<b>Group</b>		
Tier I	<b>11.5</b>	11.5
Tier II	<b>3.4</b>	2.9
Total	<b>15.4</b>	14.9
<b>SBSA</b>		
Tier I	<b>9.1</b>	8.5
Tier II	<b>3.8</b>	3.4
Total	<b>13.4</b>	12.5

24

## Tier I capital



	Tier I %
<b>Target range</b>	<b>9 to 10</b>
December 2004	11.5
Reserved for	
- 2004 final dividends	(0.9)
- future growth initiatives	(0.8)
<b>Capital to support business</b>	<b>9.8</b>

- **Strong ratio allows:**

- Revised dividend policy
- Acquisitions to support business plans
- Possible share buy-backs to eliminate dilution caused by share incentive scheme

25

## Dividend policy



- **Focus on risk-weighted assets**
- **Strong internal capital generation**
- **Draft SARB circular clarifies Tier I approach**
- **Cover of 2.5x now considered appropriate**
- **Annual review to consider further potential reduction in cover subject to**
  - Business growth
  - Acquisition activity
  - Impact of Basel II

26

## Retail Banking Peter Wharton-Hood



### Retail Banking environment



- **Higher disposable income**
  - Generous wage settlements
  - Consecutive tax cuts
  - Employment gains
- **Wealth effect of asset prices**
  - Equity and property
- **14% growth in private sector credit extension (PSCE) confirms that spending growth largely debt financed**
- **Debt remains affordable**
  - Proportion of income spent on debt only risen marginally due to lower interest rates
  - Household debt to disposable income low
    - SA 55.7%, Australia 140%, US 118%, UK 140%
    - SA at same levels as 1994

## Highlights



- Service levels maintained despite increased volumes & new legislation
- Further improved customer segmentation initiatives
- Sales targets exceeded
- Very strong asset growth resulted
- Account & volume growth across all products contributed to strong growth in fee & commission income
- Robust credit criteria
- Total costs up 14%
  - Staff costs increased by 18%

29

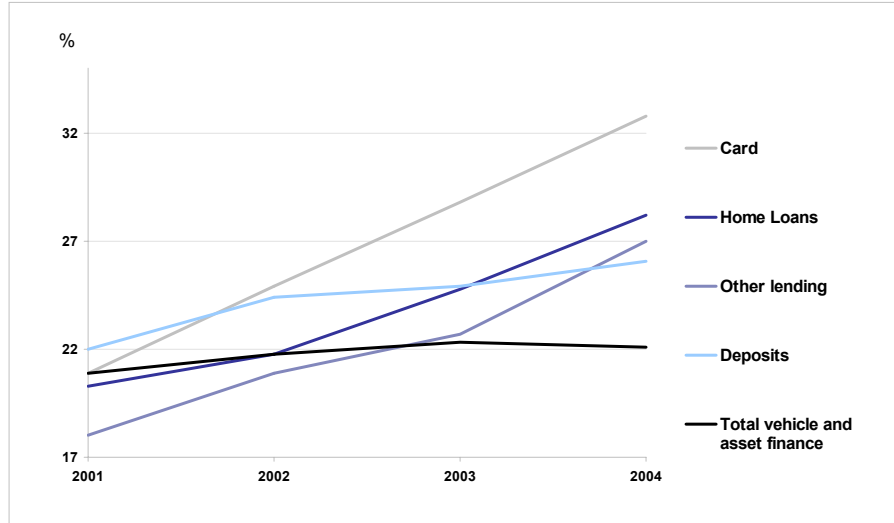
## Key product analysis



	Balance 2004 (Rbn)	Balance Growth (%)	Balance 2003 (Rbn)	Industry Growth (%)
<b>Assets</b>				
Home Loans	92	43	64	26
Vehicle & asset finance	34	19	28	21
Other lending	20	18	17	8
Credit card	8	35	6	25
<b>Liabilities</b>				
Current accounts	27	20	23	18
Investment deposits	33	7	31	3
Savings	15	8	14	} 13
EPlan	5	24	4	

30

## Retail market shares



31

## Credit



- **Credit scorecards & data inputs have been enhanced**
  - Improvement in quality & scope of underlying data sources
  - Consequent lift in predictive capability
  - Credit standards maintained
- **Strong improvement in collections operations & capability**
  - Improvement in early identification & rehabilitation of delinquent accounts processes
  - Risk based collections
  - Elevated focus on after write off recoveries
- **Investment in automated decision support technologies**
  - New collections system to facilitate collections at enterprise level
  - New decision support engines

32



## Home loans



- **Number of registrations up 37%**
- **Rand value of registrations up 65%**
- **Market share of new business 28% (2003: 26%)**
  - Including all origination channels
- **Growth drivers:**
  - Operational processing efficiencies - 66% of applications granted in 7 days  
(Jan 2004: 51%)
  - Performance agreements with key originators
- **Young book with lower 'fall-off' resulting in greater share of balance growth**
- **Average loan to value 69%**
- **Average instalment to income ratio 20%**
- **Diverse origination channels performed well**
- **Internal channel volumes 38% (2003: 41%) of registrations**

33

## Vehicle & Asset Finance



- **Total new deal growth 31%**
- **Improved motor book growth of 32%**
- **Non-motor book growth disappointing & reduced market share**
- **Sales force in process of being aligned to branch network**
- **Continued improvement of operating efficiency**
- **Significant effort to improve customer service levels**
- **Not taken up statistic still a disappointing 65% (2003: 58%)**

34

- **Credit cards**

- Number of cards +10%
- Number of transactions +15%
- Rand value of turnover +25%

- **Point of sale terminals**

- Number of transactions +16%
- Rand value of merchant sales +17%

- **Close relationship between card division & branch network**

- **Barclaycard division performing well**

- **Personal & business current accounts**

- 12% account growth, to 1m accounts
- 8% transaction volume growth

- **12% account growth in E-Plan, to 3.1m active accounts**

- **Pin based debit card: 43% increase in users, 80% volume growth**

- **Signature based ChequeCard: 66% growth in cards, 180% volume growth**

- **Overall deposit market share increased 1%**

## Other lending



- **14% growth in number of customers**
  - Overdrafts
  - Revolving credit
  - Medium term loans
- **Higher demand for credit**
- **17% growth in balances**
- **Increased cross selling**
- **ABIL book grown to R568m (2003: R381m)**

37

## Wealth



Embedded products	Commission received	Number of policies	Penetration
Funeral	+40%	+24%	22% (2003: 19%)
Home Loan Protection	+42%	+23%	17% (2003: 15%)
Personal Loan Protection	+50%	+24%	62% (2003: 54%)

- **Bancassurance**
  - Complex Life Assurance product sales increased 19% (2003: 1%), 88% with Liberty
  - Embedded products commission increased by 37%
- **Short term underwriting**
  - Policy volumes grew by 15%
  - Overall loss ratios improved to 51% (2003: 56%)
- **Stanlib**
  - Increased fee income, positive net inflows & increased assets under management

38

- **Challenging year**
  - Increased volumes
  - FICA
  - FAIS
  - Mzansi
- **Rated number 1 in customer satisfaction ratings (CUSSATS)**
- **Increased cash volumes up 7%**
- **Declining cheque volumes down 13%**
  - Joint processing with ABSA
- **741 Points of representation (2003: 708)**
  - 19 'banks in a box' launched
- **3 289 ATMs (2003: 3 097)**
- **ATM transaction volumes up 9%**

- **Continued focus on customer segmentation**
  - Understand life time cycle of customer
  - Meet customer needs more efficiently
  - Identify areas of underperformance
- **Improve & expand infrastructure**
- **Charter initiatives**
  - Low income housing
  - Black SMEs
  - Access to financial services
- **Integrate Vehicle & Asset Finance into branch network**
- **Grow deposits**
- **Retail initiatives in the rest of Africa**

Africa  
Sim Tshabalala



## Highlights



- **Improved earnings growth despite**
  - Continued Rand strength
  - Margin pressure
- **Delineation between retail & wholesale progressing well**
- **Continued improvement in credit management**
  - Restructured wholesale & retail credit support functions
- **Governance, legal & compliance structures enhanced**
  - Key focus on money laundering controls

- **Rolled-out customer value propositions**
  - Salaried market & business banking
- **Introduced Executive Banking Suites in 12 countries**
- **Launched business banking platforms**
  - 90 branches, serving 74 000 business banking relationships
- **Closed product gap**
  - Introduction of cross-border transactibility
  - Upgraded loans platform
  - Credit/debit cards
  - Instant card issue
  - Embedded bancassurance products

- **Expanded distribution network**
  - 234 branches (+8)
  - 314 ATMs (+103)
- **35 integrated sales & service campaigns in 12 countries**
- **454 000 new accounts, up from 110 000 in 2003**
  - Growth in fees & commission
  - Satisfactory deposit & loans balances growth
- **ATM transactional volumes increased by 73%**
  - Exceed 3.4m per month

- **Wholesale Banking integration with CIB concluded**
- **Bedded down in-country operating model**
  - Aligned to CIB 'best practice'
- **Launched Africa Relationship Management model**
- **Launched Transactional Services model**
  - Further grow non interest income & build cheaper core deposit base
- **Enhanced investment banking origination capabilities**
- **Increased focus on Government and International Organisations (GIO) segment**
  - Intermediate donor flows
- **Upgraded operating systems**

- **Implemented CIB treasury sales model**
  - Dedicated resources to encourage customer flows
- **Rolled out new asset liability management system & processes**
- **Appropriate range of treasury products in all countries**
- **Foreign exchange turnover in US\$ terms +36% in 2nd half of 2004**
- **Trading income +35%**

## Going forward



- Continue to improve operational efficiencies & grow customer base
- Further ongoing process of integration with rest of group
- Increased investments in human capital
- Focused search for acquisition opportunities in key markets

47

Corporate & Investment  
Banking  
Ben Kruger





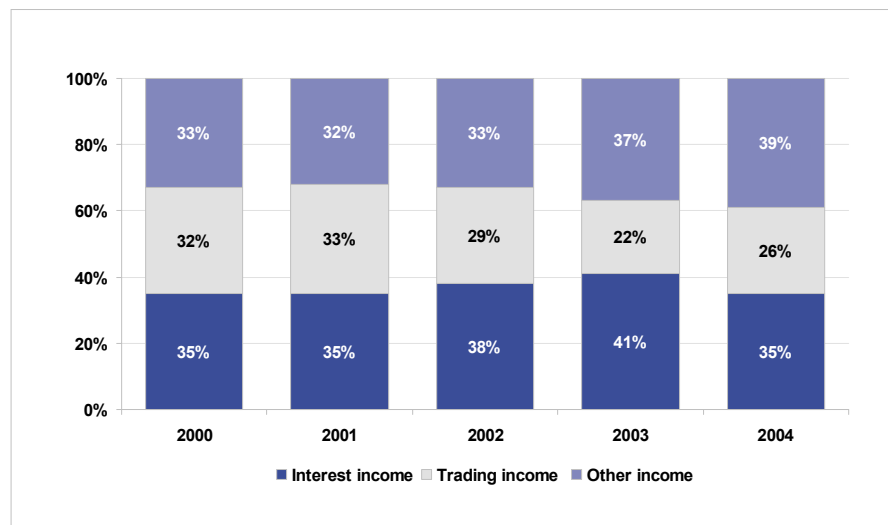
## Highlights



- Business performing well all round
- Static net interest income due to low interest rates
- High level of credit recoveries
- Good growth in advisory & transactional revenues
- Increased contribution from trading income
- Realisations of private equity & property investments boosted Investment revenue

49

## Diversified income streams



50

- **Increased Foreign Exchange revenues assisted by sustained volatility & volume growth**
- **Commodities performance subdued**
- **Debt capital markets performed well under stable market conditions**
- **Equity derivatives delivered another good performance**
- **Record levels for debt origination**
- **Securitisation markets finally on growth path**

- **Margins impacted by**
  - Low interest rates
  - Subdued demand for credit
  - Narrowing spreads in a competitive market
- **Focus on quality assets**
  - Excellent year for recoveries
- **Strong focus on transactional revenues**
  - Good volume growth
  - Cost containment
- **Joined CLS Bank**
- **Assets under custody exceeded R1 trillion**

## Structured debt & property finance



- **New business flows in asset-backed financing**
- **Reduced appetite for tax based structures**
- **Growth in Property Finance lending book**
- **Continued participation in Black Economic Empowerment transactions**

53

## Corporate finance & investments



- **Increased advisory fees in Corporate & Project Finance**
- **Favourable equity market conditions for valuations of investment portfolio**
- **Good investment realisations in private equity & property ventures**

54

## Going forward



- **Maintain revenue diversity**
- **Unrelenting customer centred focus**
- **More of the same as in recent years**
- **Replace private equity & property realised equity positions**
- **Participate in domestic infrastructure & empowerment financing & advisory**

55

International  
Rob Leith



## Highlights



- All round satisfactory results – marginally below USD budget
- Strong customer flows
- Increased geographic & product penetration
- Provisions raised against mining & energy exposures
- Upgrade of IT, risk & support structures

57

## Global markets



- Year of strong growth
- Increased customer activity in interest rate, forex & credit trading
- Brazil, Turkey & Russia performed strongly
- Credit trading benefited from higher margin derivative products
- Strong competition & tight spreads in debt origination
- Equity derivatives principal trading discontinued

58

- **Base metals**
  - Record performance
  - Growth in client activity – notably China
  - Sustained price rises, increased price volatility
- **Precious metals**
  - Steady volumes
  - Reduction in hedging activities of gold producers
- **Energy**
  - Improved market position
- **Growth in structured commodity finance**

- **Trade & corporate financing**
  - Steady in competitive environment
  - Acquisition finance inroads
- **Telecommunications advisory & finance**
  - Transactions in Africa, Russia/Commonwealth of Independent States (CIS) & Asia
- **Distribution**
  - Placed > US\$8bn of syndicated loans, trade finance & forfaiting paper
  - 45 syndicated financings for emerging market borrowers

- Strong growth in private client deposit base
- Margin pressure in offshore businesses
- 3rd party investment assets under management > US\$3bn
- Satisfactory investment performances

- Focus on existing core products & key geographic regions
- Concentrate on systems & people
- Further enhance customer focus
- Expect a stable business environment
- Competition increasing

## Conclusion Jacko Maree



## Reflecting on 2004



- **Black Ownership Initiative implemented**
- **Outward focus has returned**
- **Retail Banking benefiting from years of re-engineering**
- **Another good year for Corporate & Investment Banking**
- **International slightly disappointing – year of consolidation**
- **Africa 30% growth, 30% ROE**
- **Liberty's recovery**



## Looking forward



- Retail Banking – ongoing benefit from lower inflation & interest rates
- Corporate & Investment Banking – funding infrastructure & empowerment
- Further roll out of retail banking in Africa
- International – growth off a stronger platform
- Liberty – more of the same

65

## Financial objectives



### Medium-term

- Normalised ROE of 22.5%
  - Previously 20%
- Normalised headline earnings per share growth of CPIX (*estimate 4%*) + 10%

### 2005

- Cost-to-income ratio at or better than 55.5%
- Credit loss ratio contained within 0.75% of average advances
  - Medium-term remains 1.0%

66

