



**Standard Bank  
Group**

blueprint for growth



# Results presentation

For the year ended 31 December 2002

Financial highlights

Jacko Maree

Business unit and Group overview

Myles Ruck

# Main drivers of Group performance

- Domestic margins widening slightly after years of gradual tightening
- Non-interest revenue continued strong growth
- Domestic credit risk well managed
- International credit risk impacted performance
- Internal generation of capital
- Cautious acquisition strategy
- Operating within well managed economy



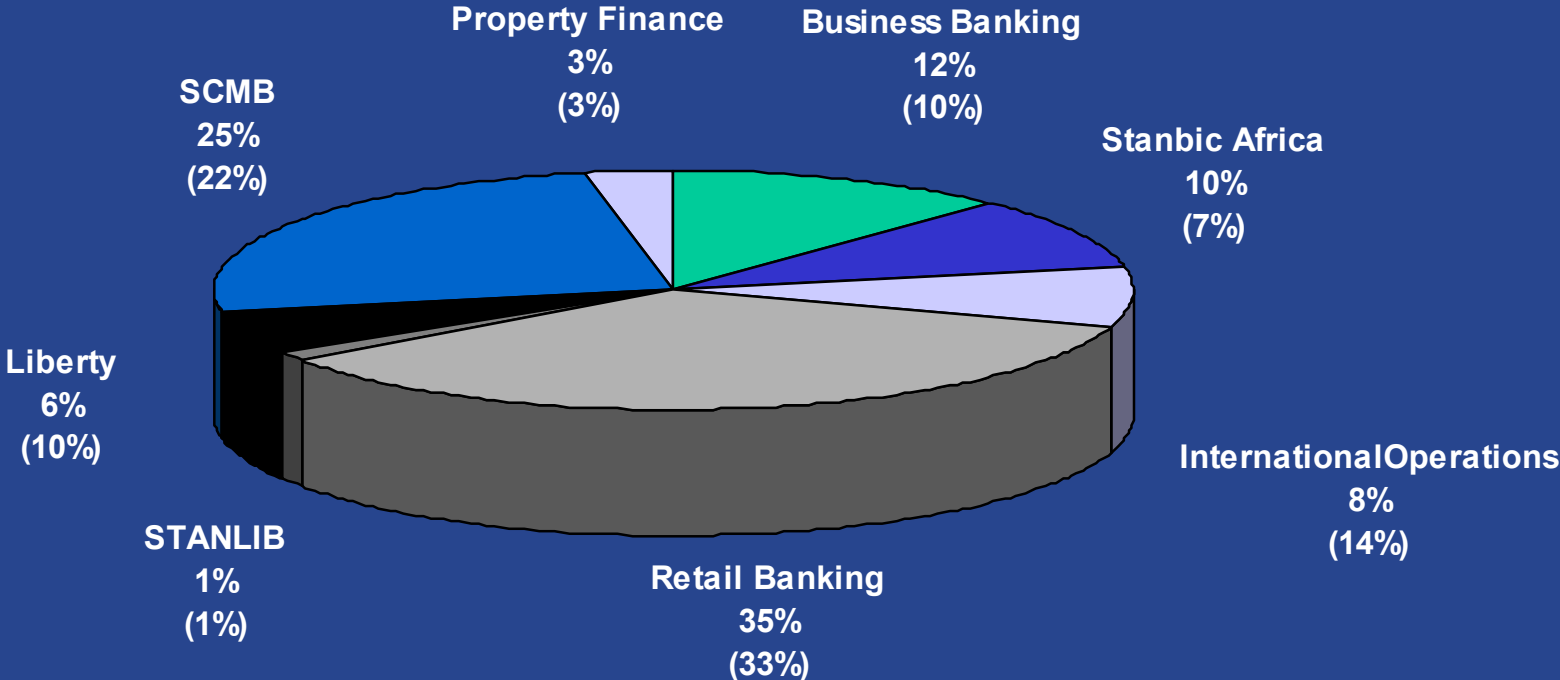
# Key financial statistics

<b>Standard Bank Group</b>		Dec '02	% change	Dec '01
Headline earnings	Rm	5 263	19	4 419
Headline EPS	cents	396	18	335
Dividends per share	cents	124	22	102
Cost-to-income ratio	%	57.3		57.4
Headline ROE	%	20.3		20.1
Translation (reversal)/gain	Rm	(3 271)		4 037
NAV per share	cents	1 957	1	1 939
Total assets	Rbn	390	(1)	395

# Income statement highlights

<b>Standard Bank Group</b>	<b>Dec '02</b>	<b>% change</b>	<b>Dec '01</b>
	<b>Rm</b>		<b>Rm</b>
Net interest income	10 533	29	8 177
Non-interest revenue	11 435	25	9 135
<b>Total income</b>	<b>21 968</b>	<b>27</b>	<b>17 312</b>
Provision for credit losses	1 955	22	1 603
Operating expenses	12 587	27	9 940
<b>Operating profit</b>	<b>7 426</b>	<b>29</b>	<b>5 769</b>
Taxation	2 435	39	1 756
<b>Net income after tax</b>	<b>4 991</b>	<b>24</b>	<b>4 013</b>
Income from associates	96	96	49
Liberty Group	298	(29)	420
Income from unbundled operations	-		14
Outside shareholders	(122)	58	(77)
<b>Headline earnings</b>	<b>5 263</b>	<b>19</b>	<b>4 419</b>

# Headline earnings mix

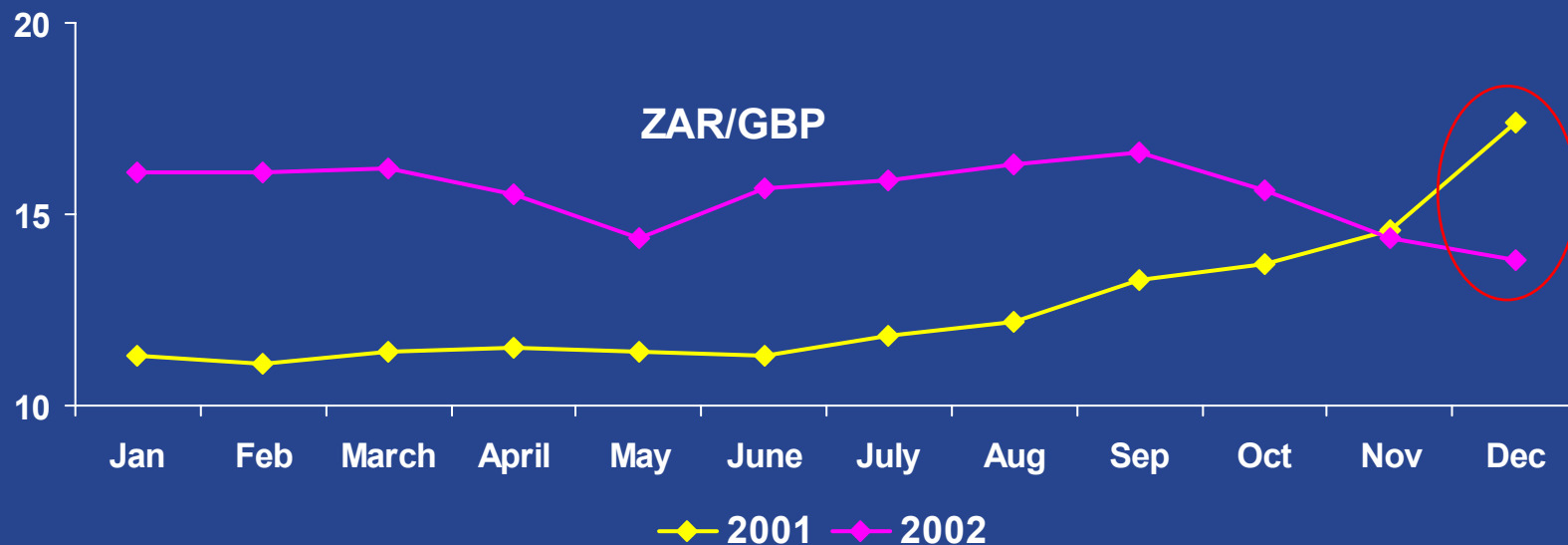


( ) Dec 2001

# Headline earnings breakdown

	Dec '02 Rm	% change	Dec '01 Rm
Domestic Banking	3 960	33	2 971
Retail Banking	1 796	25	1 441
SCMB	1 301	36	955
Business Banking	635	38	461
Property Finance	166	32	126
Central services	62		(12)
Stanbic Africa	482	48	325
International Operations	429	(34)	648
STANLIB	62	(24)	82
Central funding	32		(41)
<b>Standard Bank operations</b>	<b>4 965</b>	<b>25</b>	<b>3 985</b>
Liberty Group operations	298	(31)	434
<b>Standard Bank Group</b>	<b>5 263</b>	<b>19</b>	<b>4 419</b>

# Analysis of the translation effect



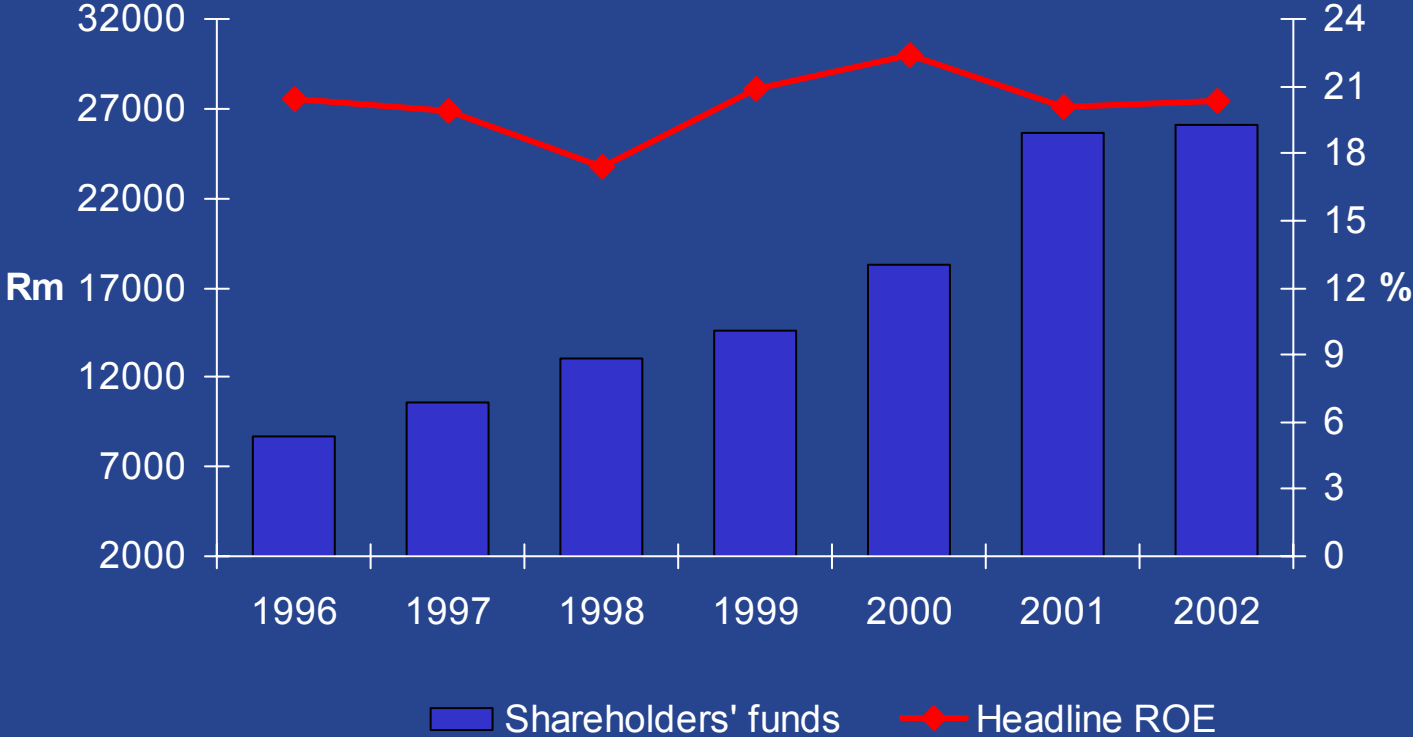
- Rand weaker for most of 2002
- Accounting treatment – movements taken to reserves
- Impact for the year – R3.3bn reversal



# Summarised balance sheet

	Dec '02 Rbn	% change	Dec '01 Rbn
Cash and short-term funds	45.4	8	42.2
Advances	170.4	5	162.0
Other assets	88.1	(14)	102.0
<b>Total banking assets</b>	<b>303.9</b>	<b>(1)</b>	<b>306.2</b>
Liberty	85.8	(4)	89.0
<b>Total assets</b>	<b>389.7</b>	<b>(1)</b>	<b>395.2</b>
Shareholders' funds	26.1	1	25.7
Minorities	6.0	-	6.0
Deposits	239.7	1	237.0
Other liabilities	40.2	(12)	45.6
Liberty	77.7	(4)	80.9
<b>Total equity and liabilities</b>	<b>389.7</b>	<b>(1)</b>	<b>395.2</b>

# Headline return on equity



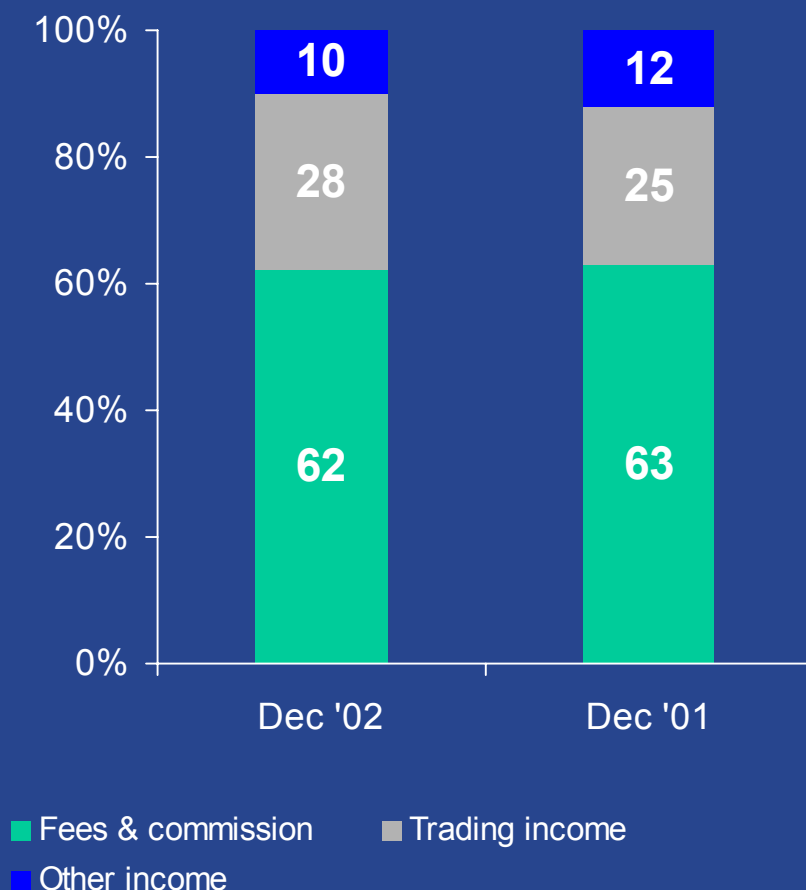
# Returns on equity

	<b>Dec '02 ROE %</b>	<b>Dec '01 ROE %</b>
<b>Domestic Banking</b>	<b>31.2</b>	<b>27.0</b>
Retail Banking	31.7	26.9
SCMB	28.0	26.8
Business Banking	35.2	30.4
Property Finance	28.5	22.3
<b>Stanbic Africa</b>	<b>27.4</b>	<b>21.4</b>
<b>International Operations</b>	<b>6.3</b>	<b>10.9</b>
<b>STANLIB</b>	<b>23.9</b>	<b>54.7</b>
<b>Central funding and Liberty Group</b>	<b>7.6</b>	<b>11.6</b>
<b>Standard Bank Group</b>	<b>20.3</b>	<b>20.1</b>

# The group funds margin analysis

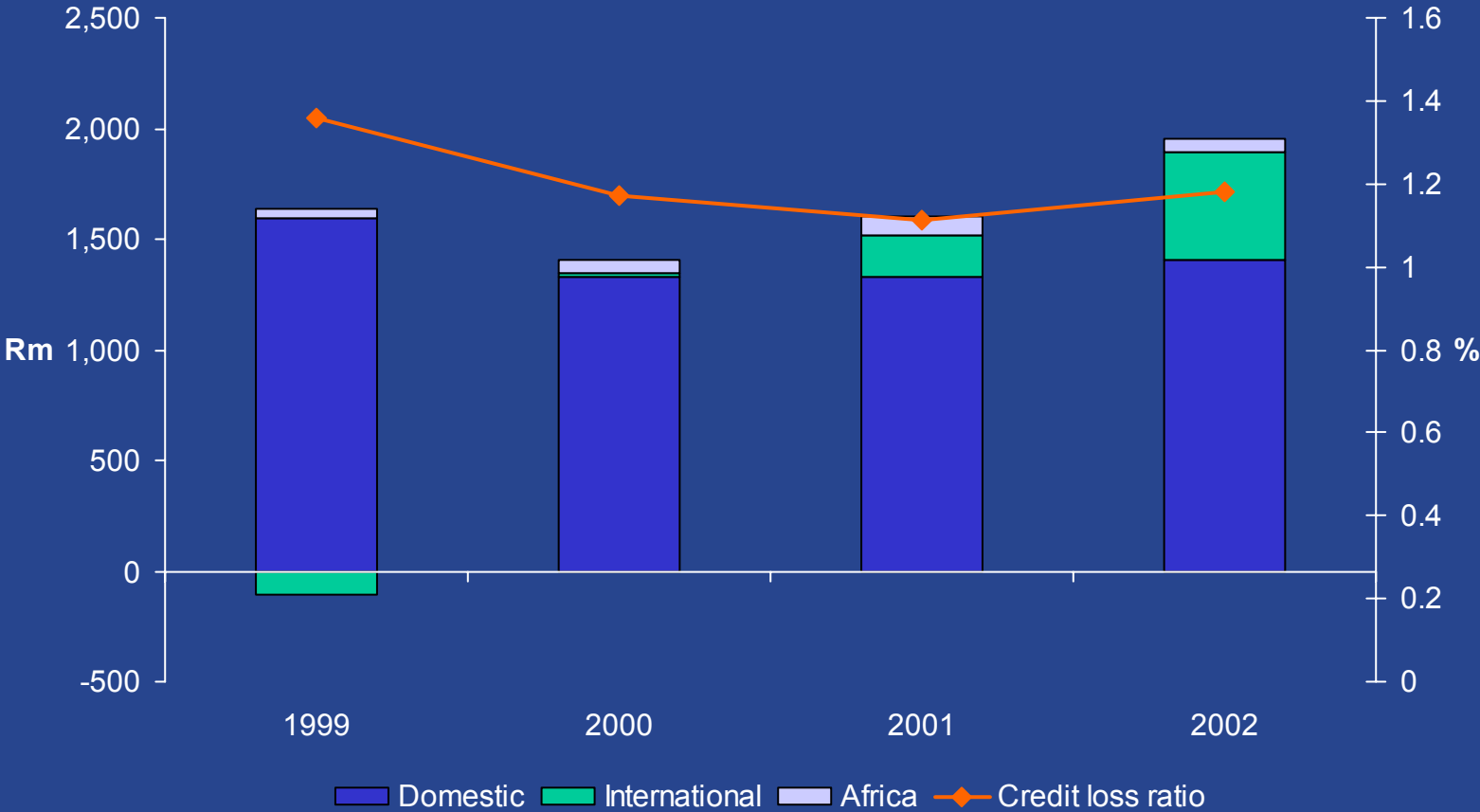
<b>Average funds margin December 2001</b>	3.31
<b>Domestic operations</b>	
<i>Average prime interest rate 2001:13.85% 2002:15.6%</i>	0.07
Higher branch deposits and endowment effect	0.40
Growth in low margin wholesale money market assets	(0.25)
Lending margin	(0.08)
<b>Stanbic Africa</b>	0.02
<b>International Operations</b>	(0.14)
<b>Average funds margin December 2002</b>	3.26

# Non-interest revenue



- Fees & commission +24%
  - Increased volumes & repricing across Domestic Banking
  - Africa – inclusion of Uganda & Malawi
  - International – Project & Mining Finance
- Trading +42%
  - Domestic +47% - commodities, forex, interest rate derivatives
  - Africa – launch of Africa desk at SCMB

# Provision for credit losses



# Non-performing loans

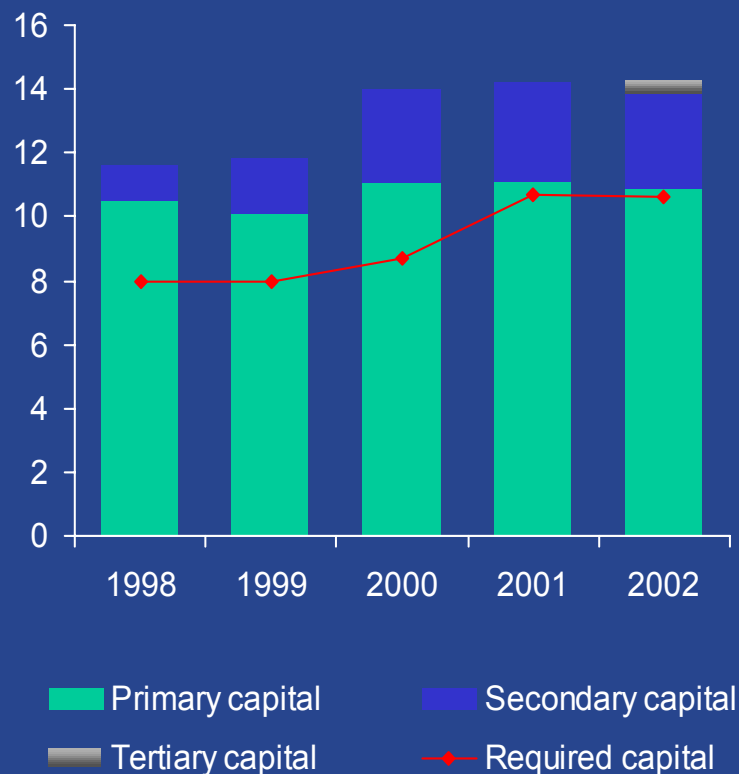
			% of average advances	
	Dec '02 Rm	Dec '01 Rm	Dec '02 %	Dec '01 %
Gross NPLs	4 808	5 085	2.9	3.5
Net NPLs before GDP	4	78	0.0	0.0
Net NPLs after GDP	(1 549)	(1 413)	(0.9)	(1.0)
Coverage: Gross	70%	65%		
Coverage: Net	184%	174%		

# Cost-to-income ratios

	<b>Dec '02</b> %	<b>Dec '01</b> %
<b>Domestic Banking</b>	<b>53.4</b>	<b>55.9</b>
Retail Banking	62.2	64.5
SCMB	49.6	52.8
Business Banking	36.2	39.0
Property Finance	28.9	26.8
<b>Stanbic Africa</b>	<b>60.8</b>	<b>58.3</b>
<b>International Operations</b>	<b>71.4</b>	<b>63.8</b>
<b>Standard Bank operations</b>	<b>57.3</b>	<b>57.4</b>



# Capital adequacy



- Banking capital adequacy 13.8% (Dec 2001: 13.5%)
- Capital adequacy including Liberty 14.3% (Dec 2001: 14.2%)
- R1bn tertiary capital issued in June 2002
- Aggregate regulatory requirement 10.6% (Dec 2001: 10.7%)
- Lower dividend cover

# Taxation

	2002	2001
Standard Bank operations total effective tax rate (%)	33.5	30.8
Standard Bank operations direct effective tax rate (%)	28.2	25.3
Cash tax paid by SBSA (Rm)	(2 273)	(526)

- Reversal of gold book timing differences
- Prudent approach to tax risk

# Other financial issues

---

- AC133
- Retirement funding
- Product vs geographic reporting

# Retail Banking



Standard Bank  
Group

# Highlights

---

- Built a unified sales and service culture
- Integrated sales, service and marketing programs delivering sustainable results
- Improvement in market share across key products
- Quality of book improved for 3rd consecutive year

# Record year for home loans

- Registrations up 48% to R16.6bn
- Retail mortgage book (excl. Property and Business Banking) grew from R39bn to R48bn
- New business market share consistently above 20%
- Highest SA total mortgage balance growth over last four months
- PIP's decreased from 4 200 to 2 600
- All origination channels operating effectively
- NPL's reduced from 2.9% to 2.7% of book

# Successful credit card growth

- Market share growth from 21% to 25%
- 26% growth in debtors
- Record card openings - 164 000 (2001: 63 000)
- NPL's reduced from 1.52% to 0.93% of book
- 27.5% fee growth due to buoyant consumer spending and customer growth
- EDS integration on track for June 2003

# Mass market – demonstrating potential

- Active E-Plan accounts grew from 2.2m to 2.5m
- Transaction balances up 19.8%
- AutoBank E's increased from 120 to 130
- Processes significantly improved
- Total ABIL JV balance at R256m



# Good balance and volume growth

- Current Account and Savings balances up 16.8% to R19bn
- Investment balances grown by 17.8% to R32bn
- Endowment effect boosted Retail's margin
- Fee income up by 15%
- Improved focus on personal middle income market
- Successful account opening campaign
- Simplification of pricing well received

# Branch lending - growth with improved quality

- Balance growth of 7.2%
  - Personal up by 10%
  - Agriculture up by 12%
  - SME flat
- NPL's reduced from R783m to R577m
- Provision adequacy target of 59% achieved (2001: 35%)
- Margin above prime improved by 18bp due to adoption of customer risk based pricing
- 50% of personal overdrafts fulfilled via direct channels
- Balance growth achieved through pre-approved campaigns

# Bancassurance continues to work

Overall pre-tax profit up by 35% to R350m

## Embedded

- Penetration of our customer base continues to increase 2002: 22% (2001: 21%)

## Complex

- First year commission up 16%
- Liberty winning increasing proportion of new business
- Expansion of consultancy force to concentrate on affinity (middle income) market

# Service continues to improve

- Continuous improvement in customer service ratings
- Customer complaints reduced by 30%
- Impact of robberies reduced by 47%
- Branches increased from 674 to 682
- Internet banking customers at 228 000 (2001: 203 000)
- Internet transactions grew by 54%
- Internet response times improved by over 40%
- ATM upgrade project on track and ongoing
  - Installed 260 new machines
  - Upgraded 480 machines
- Consolidation of multiple call centres

# Improve service and market share in 2003

---

- Continue initiatives to become customer service leader
- Continue trend in market share increases
- Grow share of the middle market segment
- Expand our mass market distribution and product offering
- Improve branch and support processes

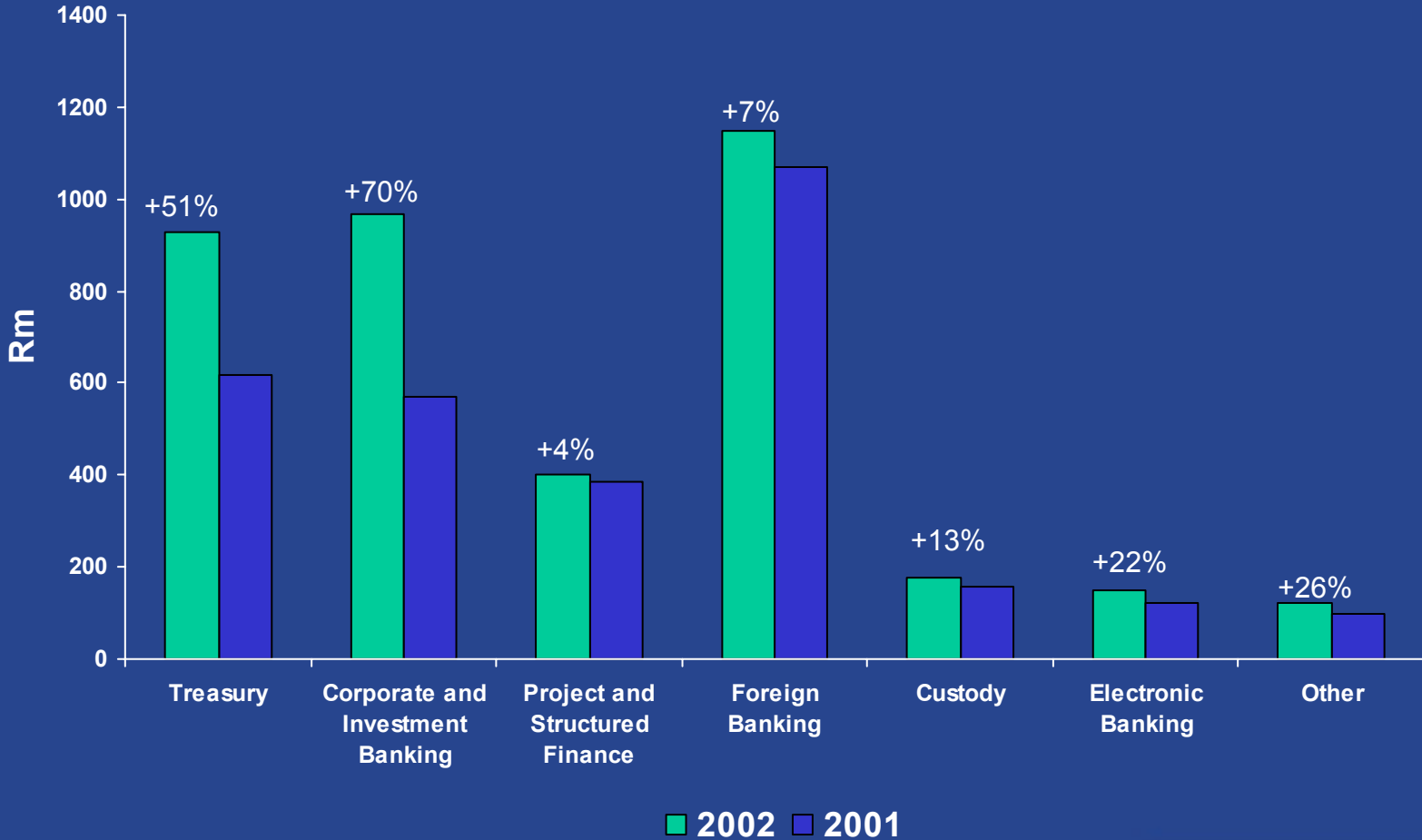
SCMB

# Continued success in 2002

---

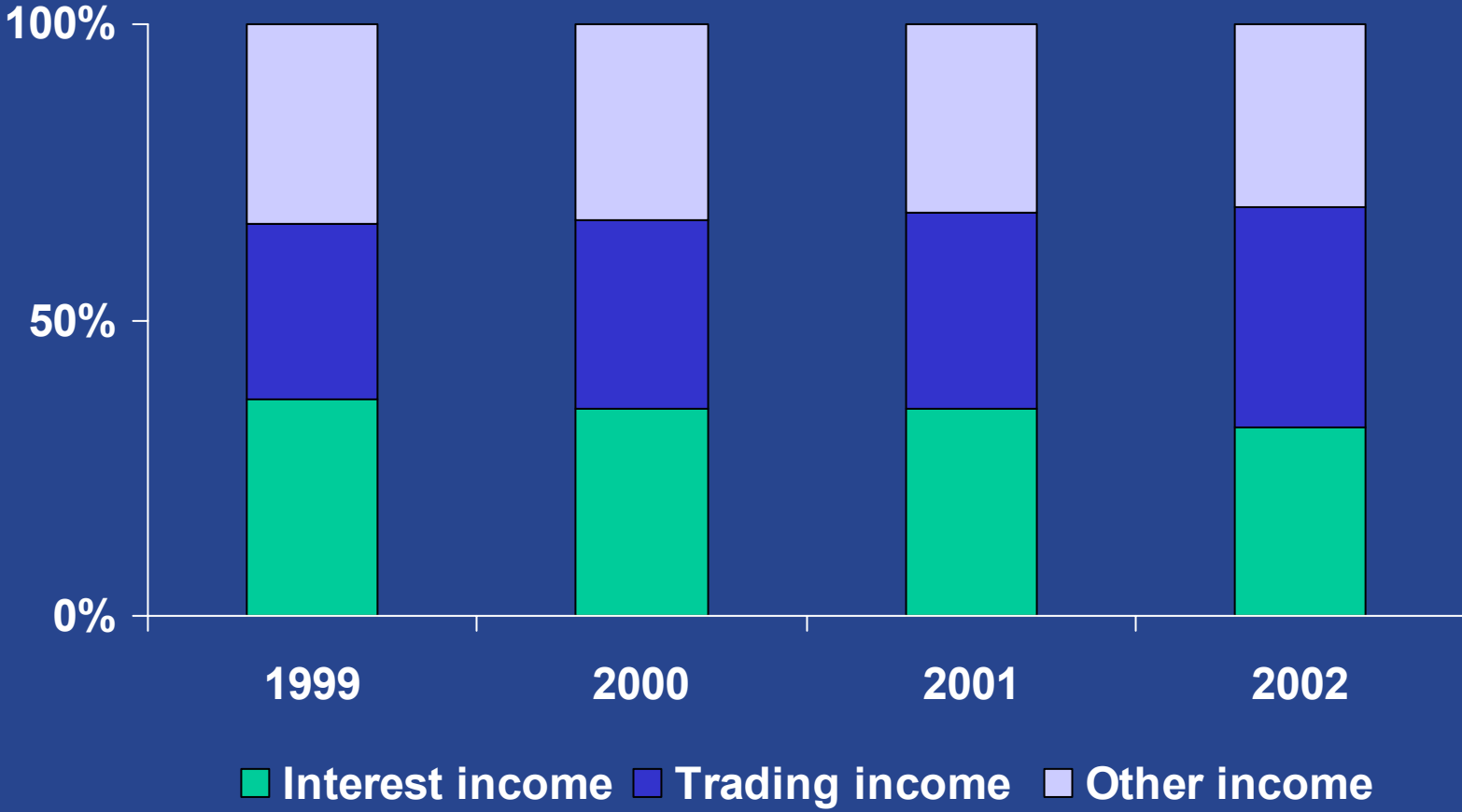
- Strong revenue growth with good performances from core businesses
- Integration of SCMB and International Operations
- Creation of STANLIB
- Strong credit processes
- Improved provision coverage

# Good revenue growth from all businesses



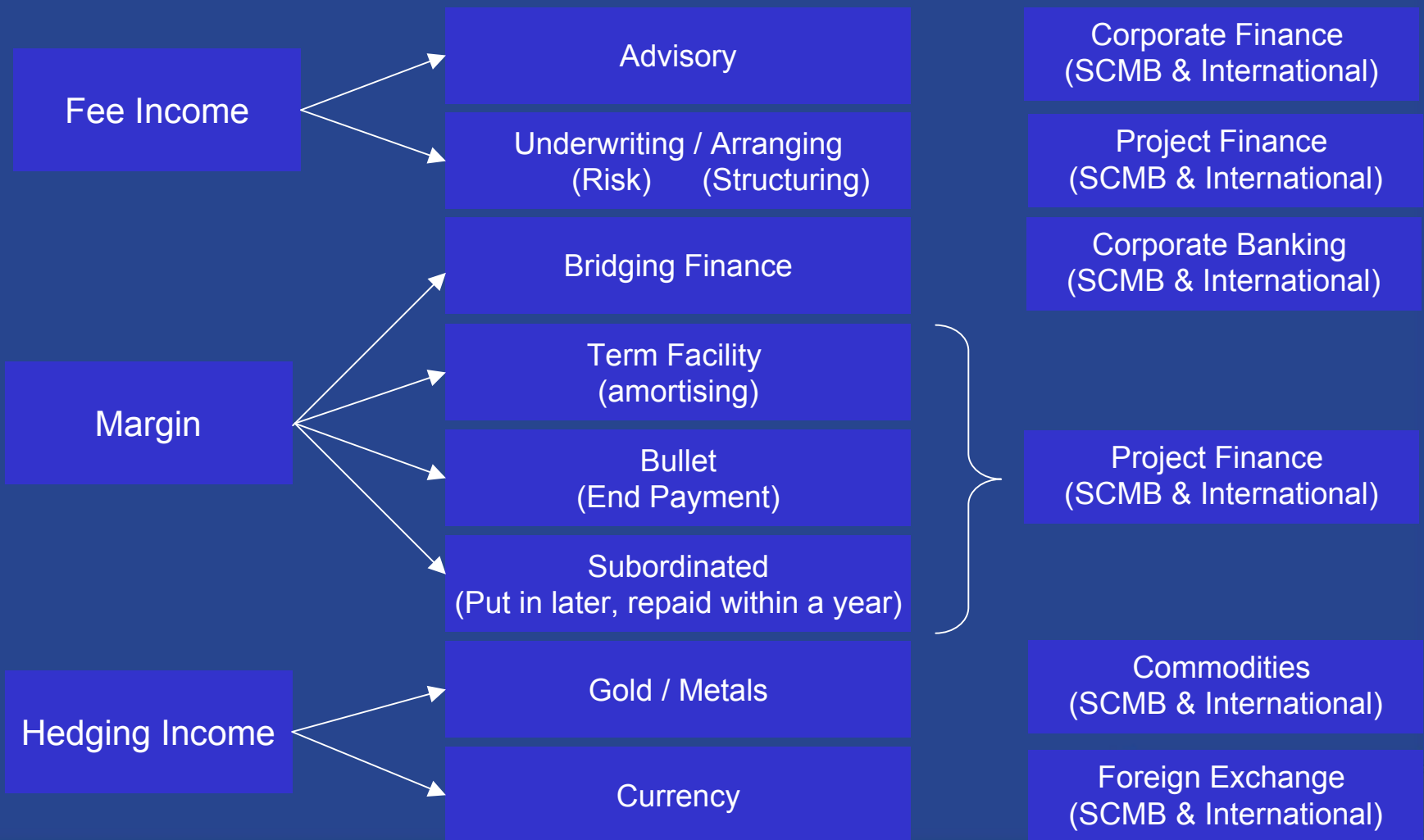


# Diversified income streams



# SCMB/International integration

## Mining deals



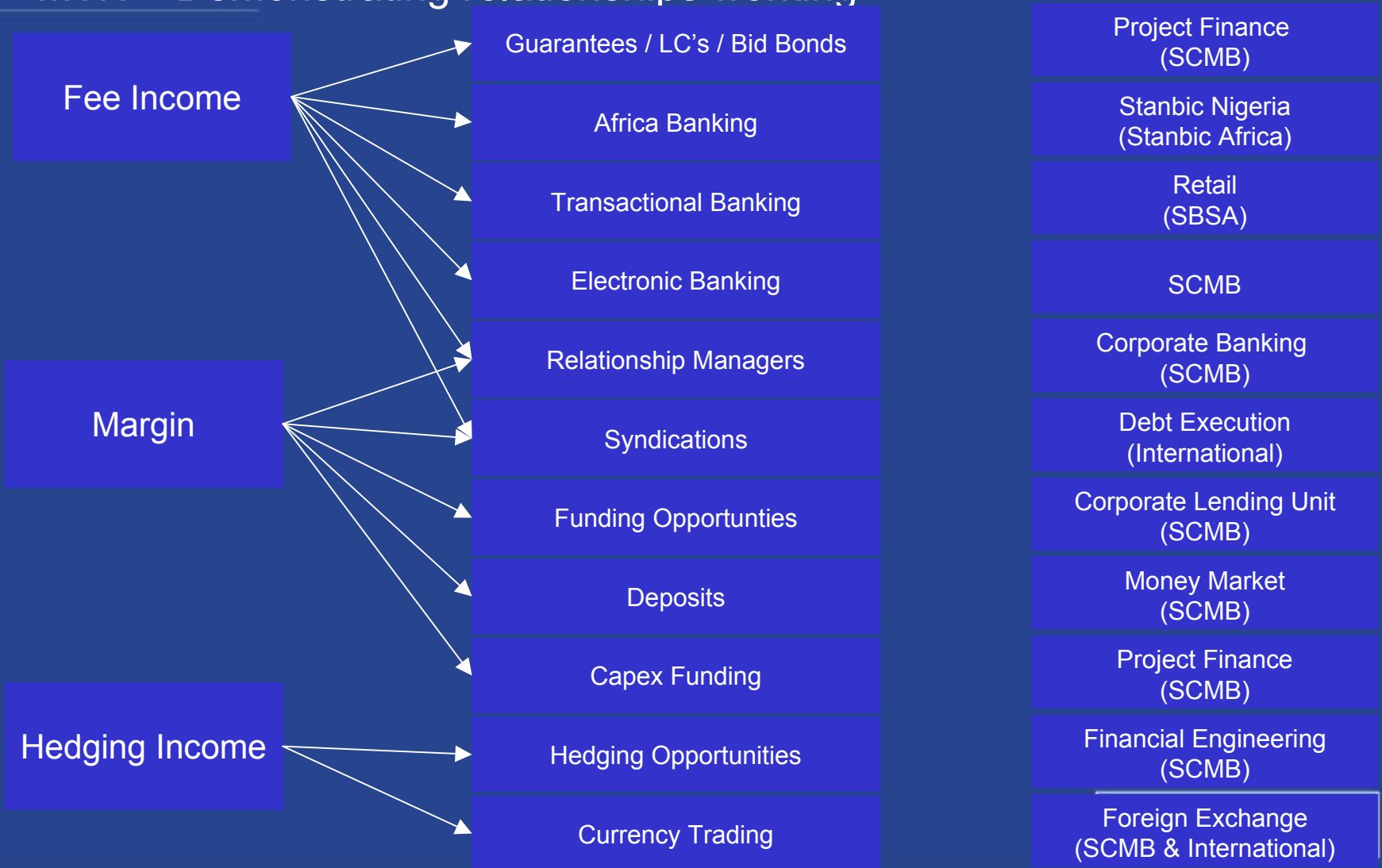
# SCMB / International / Africa Integration

Vodacom Tanzania - Euromoney Africa Deal of 2002



# SCMB / International / Africa Integration

MTN – Demonstrating relationships working



# Build and integrate in 2003

- Maintain market share and positioning in core operations
- Strongly exploit efficiencies inherent in the integration of international treasury operations
- Grow our leadership in provision of electronic business solutions in South Africa
- Focus on cost containment
- Transformation and empowerment
- Continued focus on risk management
- Good franchise with entrepreneurial spirit

# Business Banking

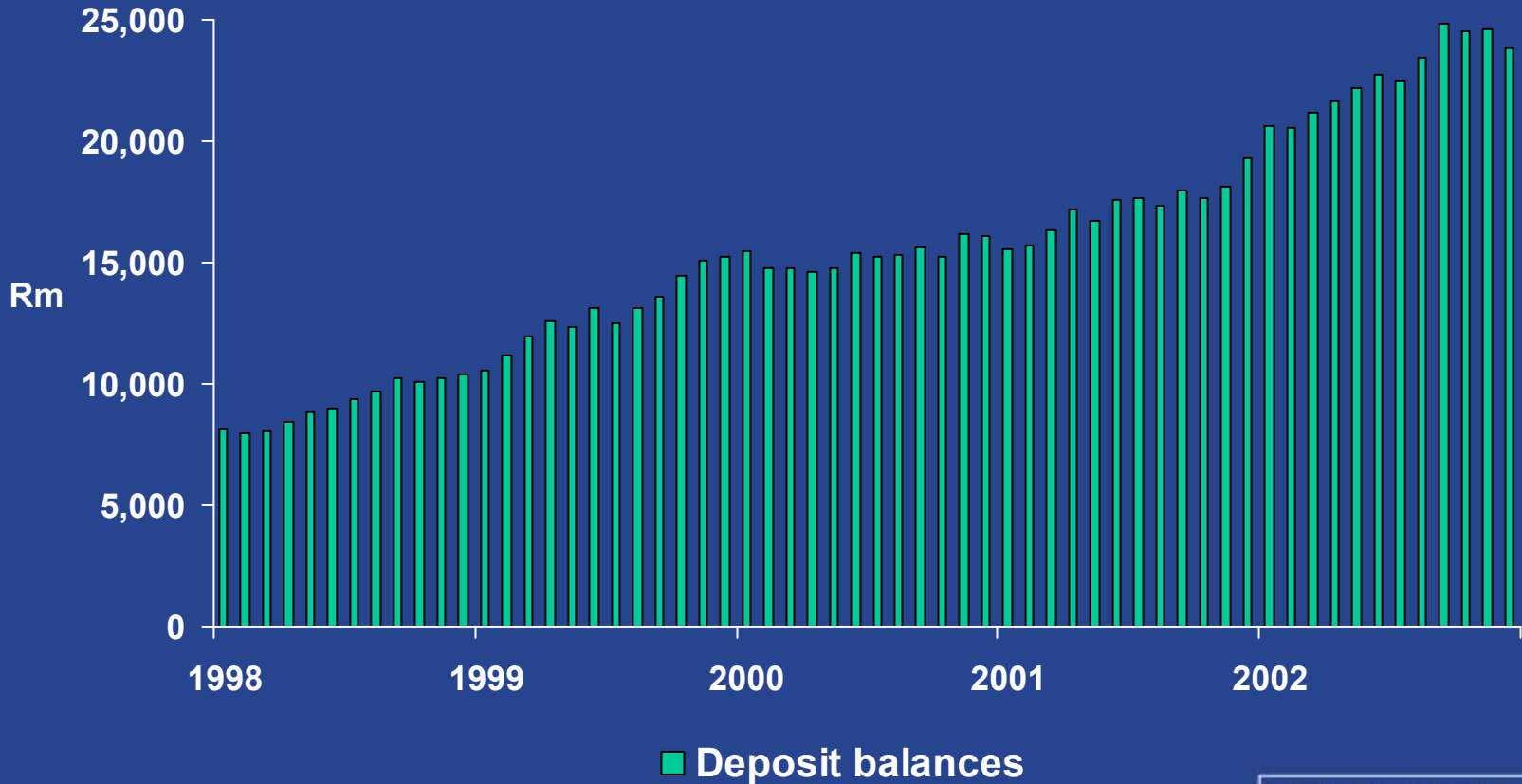


Standard Bank  
Group

# Strong growth in 2002

- Deposit growth 34%
- Stannic asset growth 20%
- Lower provisions in Stannic
- Fee income grown across the board, up 17%

# Deposit growth





# The Stannic turnaround

	1998	1999	2000	2001	2002
Costs (Rm)	610.6	574.0	492.9	437.3	489.2
NPBT (Rm)	37.5	135.0	226.2	313.4	498.2
Bad debts (Rm)	288.8	266.8	194.9	151.9	149.2
Cost-to-income (%)	65	59	54	48	43
ROE pre tax (%)	3	12	20	26	26
Bad debt book (%)	1.65	1.60	1.18	0.89	0.69
Market share (%)		21.35	20.19	19.14	19.81

# Business Banking restructure

---

- Large corporate client segment to SCMB
- Small to medium business client segment to Retail Banking
- Stannic to continue as a product based division, profits split between Retail and SCMB

# Benefits of Business Banking restructure

- Optimum structure for customer focus - two banking divisions: Retail and Corporate
- Business Banking will be merged into these two divisions
- Cost cutting not the driver
- Stannic will continue to operate independently linking into both Retail and Corporate

# Stanbic Africa



Standard Bank  
Group

# 2002 Results review

- Good performances across most businesses
- Broader portfolio of banks creating sustainable earnings growth
- New management in Botswana, Ghana, Nigeria and Swaziland delivered results
- Zimbabwe performed well in local currency, but NAV written down to zero
- Kenya made a positive profit contribution
- Tanzania performed poorly - competitive forces and further provisions
- Operating costs impacted by acquisitions and investment in people

# Integration with the group delivering benefits

- Treasury focus is enhancing revenue
- Retail Africa gaining momentum
- Banking technology upgrade ahead of schedule
- Quality of risk management enhanced
- Active capital management improved returns

# Acquisition successes

---

- Acquisitions in Malawi and Uganda
- Both are performing ahead of expectations
- Integration of the operations is progressing well
- Risk management disciplines are in place

# Progress since 1998

	1998	2001	2002
Representation (# of countries)	14	17	17
Capital (Rm)	830	1 926	1 592
Headline earnings (Rm)	196	325	482
Dividends received (Rm)	121	326	522





# Further expansion in 2003

- Develop an African customer focused wholesale banking offering working with SCMB and SBL
- Increased intensity of Retail Banking rollout in selected markets
- De-emphasise geographic reporting and move towards a focus on product delivery and customer interface
- Improve transactional processing efficiencies
- Acquisitions

# Stanbic Uganda head office branch



# One of the branches in Malawi



# Innovation in Kampala – not the sole preserve of bankers!



# International Operations



Standard Bank  
Group

# Tough global markets

- International operations were affected by
  - Increasing volatility in asset prices
  - Deepening corporate credit pressures
  - Latin American instability

# Revenues net of provisions down by 5%



# Debt capital markets show mixed results

- Customer businesses impacted by weaker markets
- Origination and syndications - strong performance in Eastern Europe offset by poor performance in Latin America
- Sales/trading revenues in line with 2001
- Proprietary trading performed strongly, aided by market volatility
- Provisions raised against investment book



# Resource Banking the flagship

- Successful year for both earnings and business development
- Record performances from precious metals trading and financing businesses
- Base metals recorded solid performance, despite depressed prices and low market activity
- Mining finance reputation well established
- Energy continued to expand

# Private client services & fund management continue to grow

- Third party assets up by 58%
- Energy, Infrastructure and Resources Funds Group formally established
- Offshore Private Banking impacted by weak equity markets

# Deals

August 2002



Ghana

**US\$ 200,000,000**

*Syndicated Term  
Loan Facility*

**MANDATED ARRANGER  
AND BOOKRUNNER**



**Standard Bank  
London**

March 2002

Empresa de  
Telecomunicaciones de  
Bogotá S.A. E.S.P.

Colombia

**US\$ 95,000,000**

*Syndicated Term  
Loan Facility*

**SOLE MANDATED  
ARRANGER AND  
ADMINISTRATIVE AGENT**



**Standard Bank  
London**

October 2002

**НННОМОС·BANK**

Nomos Bank

Russia

**US\$ 47,000,000**

*Syndicated Gold  
Production Facility*

**MANDATED ARRANGER,  
FACILITY AND  
SECURITY AGENT**



**Standard Bank  
London**

# Deals

May 2002



**NORILSK NICKEL**

Russia

**US\$ 200,000,000**

*Syndicated Trade  
Finance Facility*

**MANDATED ARRANGER,  
UNDERWRITER AND  
COLLATERAL AGENT**



**Standard Bank  
London**

August 2002



**Russian Aluminium**

Russia

**US\$ 110,000,000**

*Syndicated Trade  
Finance Facility*

**MANDATED JOINT  
ARRANGER AND  
HEDGE PROVIDER**



**Standard Bank  
London**

December 2002



**Sunway Construction Berhad**

Malaysia

**US\$ 26,000,000**

*Debt Buy Back of  
Euroconvertible Bonds due  
December 2005 issued by  
Sunway Holdings  
Incorporated Berhad*

**ARRANGER**



**Standard Bank  
Asia**

# Provisioning adequacy

- Provisioning charge of £30.9m (2001: £14.9m) reflects extremely difficult credit markets
- Level of GDP maintained at 1.4% of risk weighted banking portfolio
- Liquidity and structural provisions against trading book and longer-term transactions

# Accelerated integration in 2003

- Cautiously optimistic, recognising state of global economy
- Continued focus on customer activities
- Upgrade Brazil and Russia to fully licensed investment banks
- Further benefits from full integration of Asian operations
- Management changes and restructuring benefits to come through
- Best practice risk management remains core focus
- Significant attention applied to cost containment
- Further integration with SCMB

# Conclusion



# Awards received in 2002

- Euromoney - South Africa's best bank
- Global Finance - best bank in South Africa and Africa
- PricewaterhouseCoopers - the bank most other banks in South Africa respect most highly
- The Banker - Africa's Bank of the Year
- Risk magazine Global Derivatives Rankings - first in six categories
- Crystal Crown Award for "corporate excellence and social responsibility to the people of South Africa"
- BMI-TechKnowledge - lead bank for overall business banking for 42% of companies surveyed
- Global Investor – Standard Bank (SCMB) best sub-custodian in SA market



# Standard Bank Group transformation

<b>AIC</b>	<b>2002 %</b>	<b>2001 %</b>
<b>Managerial staff</b>		
ABSA	10	7
FirstRand	24	18
Nedcor	n/a	21
Standard Bank	28	23
<b>Total staff</b>		
ABSA	35	33
FirstRand	50	50
Nedcor	n/a	51
Standard Bank	64	55

*Source: annual reports*

# Risk management

---

- Group's approach is maturing
- Fraud, money laundering
- Tax
- Multiple jurisdictions
- Disaster recovery

# Group priorities for 2003

- Retail Banking
  - Mass market
  - African retail expansion
  - Doing things Simpler. Better. Faster.
  - Bancassurance
- Wholesale Banking
  - Client focus
  - Closer integration of Stanbic Africa, SCMB and International Operations
  - Performance of International Operations

# Group priorities for 2003

---

- Africa
  - Acquisitions
- Capital management
- Financial Services Charter

# Standard Bank Group

## Retail Banking

- South Africa
- Selected African countries

100%

## Life Assurer



LIBERTY

30%

## Wealth

STANLIB

65%

## Wholesale Banking

- South Africa
- Selected emerging markets

100%





**Standard Bank  
Group**

