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Standard Bank Group Limited - Interim results and dividend announcement
STANDARD BANK GROUP LIMITED
JSE Securities Exchange share code: SBK
Namibian Stock Exchange share code: SNB
ISIN: ZAE000038873
Interim results and dividend announcement for the six months ended 30 June 2003
Headline earnings 22% up
Headline earnings per share 22% higher
Cost-to-income ratio improved to 54,9%
Return on equity 22,5%
Business overview
In accordance with South African generally accepted accounting practice, the group is required to adopt the accounting statement AC 133 "Financial instruments: Recognition and Measurement" with effect from 1 January 2003. Full details of the effect of this on the earnings for the period and on the opening equity and asset and liability base are given below in Accounting policies. In summary, the adoption of AC 133 has not had a material effect, with earnings for the period R71 million higher and opening net equity at 1 January 2003 R172 million lower as a consequence.
Standard Bank Group continued its positive long-term growth trend with headline earnings over the period 22% higher at R2 942 million. This favourable result was achieved despite the adverse effect of the stronger rand on consolidated earnings from the group"s international and African operations and the negative impact of depressed equity markets on Liberty.
The South African economy remained firm over the six months despite the lack of growth evident in the major western economies. The prime interest rate peaked at 17% during the period and then commenced a downward cycle in June 2003 as the inflation rate (CPIX) reduced to 8,5% for the period. The group"s domestic banking operations had a successful six months as the Retail Bank benefited from improved interest margins, the buoyant domestic residential mortgage market and an increase in instalment finance lending. The increase in the average prime rate assisted the interest margin in SCMB, but weaker equity markets and volatile interest rates on long-dated instruments dampened trading activities.
The group"s international operations achieved strong earnings growth, assisted by a recovery in international debt markets. Healthy growth was achieved in local currency terms in the African operations, but this was offset to some extent by the stronger rand exchange rate.
The group"s key financial highlights were:
- ROE increased to 22,5% from 18,7%, and exceeded the group"s stated objective of 20%;
- Headline earnings of R2 942 million increased by 22%;
- Headline earnings per share increased by 22% to 220,9 cents per share;
- Dividends per share of 41,5 cents were 22% higher; and
- The cost-to-income ratio improved to 54,9% from 57,5% in 2002.

Broad based empowerment deals concluded
The transformation of South Africa"s social, political and economic environment requires of business that it positions itself at the forefront of the transformation process in recognition of the broader socio-economic changes that are necessary. Standard Bank Group entered into two empowerment deals during the past six months. With effect from 1 August 2003, Standard Bank sold the agency business of SCMB Securities (the bank"s stockbroking arm) together with the bank"s treasury outsourcing business, Standard Risk and Treasury Management Services (SRTMS), to Andisa Capital. This company is now 49% owned by the group and 51% owned by a consortium comprising Safika, Nduna Trust, Simeka and a broad based empowerment trust representing communities from historically disadvantaged backgrounds. It is expected that Andisa"s deep understanding of the broad socio-economic opportunities and challenges of the country will be a platform for the growth of its investment banking operations. In a second empowerment deal, Standard Bank Group and Liberty Group sold 25,2% of STANLIB to the above

consortium, effective 1 July 2003. This latest transaction should place STANLIB in an improved position to retain and source a wide range of external asset management mandates.

Financial commentary

Net interest income

Growth in net interest income of 24% resulted mainly from an improvement in retail interest margins following an increase in the average prime rate and the higher retail deposit base. Home loans, instalment finance and card debtors continued the growth trend started in the first half of 2002 and contributed strongly to the growth in net interest income. Competitive pressures, however, negatively affected retail and corporate lending margins, which were also reduced by additional cash reserving and liquid asset requirements. In terms of AC 133, additional interest income of R164 million was included from the unwinding of the discount element inherent in provisions for non-performing loans.

Provision for credit losses

The provision for credit losses increased from 1,11% of loans and advances to 1,19%. Security values against non-performing loans were reduced as a result of the effect of discounting future cash flows under AC 133, which served to increase the current period"s provision charge by R213 million. This was offset by higher recoveries in SCMB"s loan book and recoveries in a number of African countries. Non-performing loans continued their positive trend and reduced from 2,9% and 2,7% at June 2002 and December 2002 respectively, to 2,5% of loans and advances, reflecting the improved quality of the underlying books. In absolute terms, non-performing loans and provision levels relating to home loans and instalment finance increased over the period due to the lagged effect of high interest rates and strong growth in these lending products.

Non-interest revenue

Non-interest revenue increased by 13% mainly due to healthy growth in Domestic Banking"s fee and commission income, 14%, and International Operation"s trading income, 16%.

Fee and commission income was 11% higher. Growth over the period was enjoyed mainly in Domestic Banking"s branch related income due to a combination of volume increases and repricing initiatives. International Operations increased fees and commissions by 27% in sterling terms following an increase in deal flows in the bond market, commodity trade finance and mining finance. The stronger rand reduced the reported growth in fee and commission income in Stanbic Africa and International Operations, while fee income in STANLIB was negatively impacted by the lower equity markets and non-recurring fees received in 2002.

Trading income was 12% higher. Growth in Domestic Banking of 15% originated mainly from commodities and foreign exchange, partly offset by a muted performance in debt securities. The growth in International Operations" trading income of 40% in sterling terms, was mainly due to increased commodities business flows and a strong performance from emerging market debt securities.

Other income increased by 36% following fair value adjustments on investment securities, higher earnings recognised from private equity investments and increased bancassurance earnings.

Operating expenses

Operating expenses growth of 13% benefited from a saving in non-staff related costs and from the effect of the stronger rand on consolidated expenses from Stanbic Africa and International Operations.

Staff costs for the period were 15% higher, with growth in Domestic Banking of 23% resulting mainly from annual salary increases, accruals for potential incentives and higher staff numbers as the previously outsourced card operations were re-incorporated into the group. International Operations" staff costs increased by 25% in sterling terms as additional investment banking operations were opened in Moscow and Sao Paulo, and restructuring expenses and additional pension fund contributions were incurred.

Other operating expenses were 9% higher, with Domestic Banking"s growth of 12%

occurring mainly in professional fees, information technology costs and marketing and advertising costs related to sport sponsorships. International Operations" cost growth of 14% in sterling terms originated mainly from the implementation of accounting and trading settlement IT systems. In Stanbic Africa, IT was the main driver of cost growth.

Taxation

The effective tax rate of 32,7% was higher than the 31,5% reported in June 2002 as a result of a reduction in dividends and other tax-free income. Indirect taxes remained constant as savings in non-recoverable VAT, resulting from an increase in vatable services supplied, were offset by increases in other indirect taxes.

Banking assets

Banking assets increased by 32% or R105,4 billion. The growth was, however, inflated by the impact of the implementation of new accounting policies leading to gross-ups in derivative positions that resulted in an increase of R89,0 billion in assets. This was offset to some extent by the effect of the stronger rand exchange rate on assets consolidated from International Operations and Stanbic Africa. Loans and advances were 14% higher than at June 2002 with 25% growth in domestic operations. Within the domestic operations, asset growth was mainly in the Retail Bank. The application of stricter criteria on returns on capital in SCMB served to constrain growth in call loans and other thin margin business.

Shareholders" funds

The group"s shareholders" funds increased by 3% since June 2002. Growth in retained earnings was offset by a reversal of the gain previously recorded on the translation of foreign entities. This reversal amounted to R1,3 billion for the six months to June 2003 and was mainly due to the 10% appreciation in the rand/sterling exchange rate.

Liberty

Weak investment markets significantly affected earnings from Liberty. Headline earnings attributable to Standard Bank Group for the period reduced by 47% to R100 million. Liberty"s life fund operating surplus of R253 million was R310 million lower, with the weighted return on the proxy portfolio used to calculate shareholders participation in capital bonuses, some 3,2% lower. Operationally, indexed new business increased by 6% and the net flow of funds remained positive at R1 730 million, with net cash flows up 6%. Liberty remains strongly capitalised with a capital adequacy multiple of 2,6 times.

Capital adequacy

The group"s capital adequacy ratio increased to 14,5% from 14,3% at December 2002 and is well above the weighted average regulatory requirement of 10,6%. The group"s and Standard Bank of South Africa"s primary capital ratios were 10,9% and 7,8% respectively. It is expected that a revised minimum Tier I capital requirement of 7,5% will come into force in South Africa at the end of 2003.

Dividend

The group"s policy is to declare an interim dividend of a third of the previous year"s total dividend per share. An interim dividend of 41,5 cents per share (2002: 34 cents) has accordingly been declared, an increase of 22% on the previous interim dividend. The group"s announced intention to gradually reduce dividend cover to 3,0 over the medium term remains unchanged.

Prospects

Declining interest rates, lower inflation and a strong currency are all signs of a healthy South African economy, but these welcome indicators are likely to have mixed effects on the group and its domestic customers. It is anticipated that domestic bad debt experience will continue to reflect improvement and that retail advances growth should remain reasonably buoyant. However, it is also expected that domestic margins will come under pressure from a series of interest rate cuts and that corporate demand for credit will remain muted.

A good operating performance is expected from the group"s African operations, though reported rand growth is likely to be constrained. The group"s international operations could benefit from further recovery in international markets, but it is considered unlikely that the level of earnings to June from this operation will be repeated in the second half. Improvement in equity markets is uncertain, although Liberty is well positioned to benefit from any such recovery.

In the light of these factors, and particularly an expected tightening in domestic margins, it is not anticipated that similar growth in earnings to that recorded in the first half is achievable for the full year. Accordingly, the target for earnings growth for the full 2003 year remains the group"s stated medium-term growth objective of inflation (CPIX) plus 10 percentage points.

The positive AC 133 related income statement effects to date are unlikely to recur but should be viewed against the probability of greater volatility in reported earnings for companies which have implemented this accounting statement.

Derek Cooper, Chairman

Jacko Maree, Chief Executive

Declaration of dividend No 68

Notice is hereby given that an interim dividend no. 68 of 41,5 cents per ordinary share has been declared payable on Monday, 15 September 2003 to shareholders recorded in the books of the company at the close of business on the record date, Friday, 12 September 2003. The last day to trade to participate in the dividend is Friday, 5 September 2003. Shares will commence trading ex-dividend from Monday, 8 September 2003. The relevant dates for the payment of the dividend are as follows:

Last day to trade "CUM" dividend	Friday, 5 September 2003
Shares trade "EX" dividend	Monday, 8 September 2003
Record date	Friday, 12 September 2003
Payment date	Monday, 15 September 2003

Share certificates may not be dematerialised or rematerialised between Monday, 8 September 2003 and Friday, 12 September 2003, both days inclusive. Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders" bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who have dematerialised their share certificates will have their

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accounts at their CSDP or broker credited on Monday, 15 September 2003.

By order of the board,

Loren Wulfsohn, Group Secretary

12 August 2003

Accounting policies

Basis of preparation

The accounting policies comply in all material respects with South African Statements of Generally Accepted Accounting Practice (SA GAAP) as well as the South African Companies Act of 1973.

Changes in accounting policies

These accounting policies are consistent with those applied in 2002, except for the adoption of the accounting statement on recognition and measurement of financial instruments (AC 133).

In terms of this statement, financial assets and liabilities need to be classified into prescribed categories and measured accordingly. As a result, many investment banking assets previously held at cost are now required to be fair valued.

AC 133 sets out onerous requirements before hedge accounting can be applied. In areas of the bank where these requirements cannot be met, the effect of the unqualifying or ineffective hedge portion of the instruments is reflected in the income statement.

The adoption of the AC 133 cash flow valuation technique to calculate debt provisions has resulted in an increase in specific provisions to include a discount factor to reduce non-performing advances to the present value of future cash flows. Prior to AC 133, consistent with industry practice, the general provision was based on prescribed percentages applied to the performing loan book, in line with minimum regulatory requirements. The new cash flow valuation technique indicates that the general provision should be lower than the amount determined under the previous methodology and a portion of this provision has accordingly been released. A statutory credit risk reserve has been created in order to meet any additional regulatory requirements over and above accounting provisions.

Loans and advances at off-market rates are required to be fair valued under AC 133. This gives rise to an initial loss on recognition, which gradually unwinds through the income statement over the life of the loan. The group offers home loans to staff at concessionary rates which are considered to be off-market.

The statement requires that this significant change in accounting policy be applied prospectively and, as a result, adjustments to determine the new equity, asset and liability bases are treated as opening transitional adjustments in shareholders" equity.

The impact of complying with AC 133 on opening shareholders equity is as follows:

	Available-for-sale revaluation and other reserve R million	Retained earnings R million	Cash flow hedge reserve R million	Statutory general credit risk reserve R million	Total equity impact R million
Adjustments to:					
-Financial instruments	-	(196)	-	-	(196)
-Cash flow hedge reserve	-	-	28	-	28
-Available-for-sale reserve	6	-	-	-	6
-Present value adjustment to specific provisioning	-	(381)	-	-	(381)
-Present value adjustment to staff home loans	-	(164)	-	-	(164)
-Change to general debt provision methodology	-	449	-	-	449
-Taxation	(1)	95	(8)	-	86
	5	(197)	20	-	(172)
Statutory general credit risk reserve - after tax	-	(242)	-	242	-
Change in accounting policy	5	(439)	20	242	(172)

The impact of adopting AC 133 on the current period income statement is as follows:

Income statement impact for the six months ended 30 June 2003

	R million
Net interest income before provision for credit losses	302
Provision for credit losses	(213)
Non-interest revenue	25
Operating profit	114
Income from associates	(17)

Taxation	(25)
Attributable to outside shareholders	(1)
Income after taxation	71

Key ratios restated to exclude the effect of AC 133

	June 2003
	%
- Headline earnings growth	19,5
- Cost-to-income ratio	56,4
- Return on equity	21,9
- Provision for credit losses to average advances	0,97

AC 133 is based on the International Accounting Standard 39 (IAS 39), which is currently subject to revision. In addition, interpretation issues with regard to the implementation of AC 133 in South Africa continue to be deliberated by users of the statement. With respect to the group"s banking operations, there is currently a debate between the Banking Council and the accounting profession as to whether the transitional adjustment to reflect the change in methodology for calculating general debt provisions should be reflected as a change in accounting policy through opening retained earnings, or a change in estimate through the current year income statement. For the interim results, the group has elected to treat the change in general provisioning methodology (release of R449 million) as an adjustment to opening retained earnings together with the other AC 133 transitional adjustments and this release is thus not reflected in the income statement for the current period.

Guidance on the practical implementation of AC 133 in the insurance sector has only recently been issued for comment. At this interim stage, the adoption of AC 133 has not had an impact on the net asset value of the Liberty Group. Uncertainty however remains on aspects of the accounting statement as they relate to this sector. There is an ongoing process to develop guidance for the insurance sector, both from an accounting and actuarial perspective which could lead to changes to the treatment followed in the interim results.

To the extent that resolution of the above issues materially affects the net asset value of the group, appropriate communication will be made to stakeholders and this will be reflected in the full year results to December 2003.

Consolidated income statement

		Six months ended		Year ended
		June 2003	June 2002	Dec 2002
	%	R million	R million	R million
	change	Unaudited	Unaudited	Audited
Standard Bank operations				
Interest income	34	18 763	14 008	31 055
Interest expense	39	12 922	9 312	20 535
Net interest income before provision for credit losses	24	5 841	4 696	10 520
Provision for credit losses	7	1 124	1 049	1 955
Net interest income	29	4 717	3 647	8 565
Non-interest revenue	13	6 085	5 408	11 448
Total income	19	10 802	9 055	20 013
Operating expenses	13	6 543	5 813	12 587
Staff costs	15	3 724	3 237	6 934
Other operating expenses	9	2 819	2 576	5 653
Operating profit	31	4 259	3 242	7 426
Income from associates	20	36	30	96
Exceptional items		(4)	(61)	(151)
Income before taxation	34	4 291	3 211	7 371
Taxation	39	1 393	1 001	2 435
Income after taxation	31	2 898	2 210	4 936
Attributable to outside and preference				

	% change	June 2003	June 2002	Dec 2002
shareholders		60	56	122
Standard Bank income attributable to ordinary shareholders	32	2 838	2 154	4 814
Liberty Group operations				
Operating profit	(60)	501	1 243	1 679
Exceptional items		(8)	(316)	(324)
Income before taxation		493	927	1 355
Taxation		231	306	359
Income after taxation		262	621	996
Attributable to outside and preference shareholders		183	436	702
Net income before investment surplus/(deficit)		79	185	294
Net income	(47)	100	187	298
Exceptional items		(21)	(2)	(4)
Investment surplus/(deficit)		9	39	(111)
Liberty Group income attributable to ordinary shareholders	(61)	88	224	183
Group income attributable to ordinary shareholders	23	2 926	2 378	4 997

Headline earnings

		Six months ended		Year ended
		June 2003	June 2002	Dec 2002
	%	R million	R million	R million
	change	Unaudited	Unaudited	Audited
Group income attributable to ordinary shareholders	23	2 926	2 378	4 997
Adjusted for Standard Bank exceptional items		4	61	151
- Goodwill amortised on subsidiaries acquired		42	52	105
- Goodwill amortised on associates acquired		6	9	46
- Capital profit on sale of properties		(38)	-	-
- Other capital profits		(6)	-	-
Adjusted for Liberty Group exceptional items		12	(37)	115
- Goodwill amortised on subsidiaries acquired		21	2	4
- Investment (surplus)/ deficit		(9)	(39)	111
Headline earnings	22	2 942	2 402	5 263

Consolidated balance sheet

	June 2003	June 2002	Dec 2002
	R million	R million	R million
	Unaudited	Unaudited	Audited
Assets			
Standard Bank operations	432 519	327 124	303 937
Cash and short-term funds	45 637	61 259	48 218
Derivative assets	95 492	6 504	8 850
Trading assets	36 240	30 854	26 578

Investment securities	25 859	24 306	18 649
Loans and advances	198 232	174 087	178 925
Other assets	27 058	26 515	18 859
Interest in associates	355	173	276
Goodwill and other intangible assets	576	788	671
Property and equipment	3 070	2 638	2 911
Liberty Group operations	86 081	89 297	85 761
Current assets	3 631	3 476	3 754
Investments	81 959	85 335	81 491
Goodwill and other intangible assets	146	148	194
Equipment and furniture	345	338	322
Total assets	518 600	416 421	389 698
Equity and liabilities			
Liabilities	486 485	384 358	357 638
Standard Bank operations	408 175	303 705	279 959
Derivative liabilities	95 159	4 816	3 857
Trading liabilities	13 380	11 631	10 991
Deposit and current accounts	257 125	259 786	239 715
Other liabilities and provisions	35 485	20 542	18 642
Subordinated bonds	7 026	6 930	6 754
Liberty Group operations	78 310	80 653	77 679
Other liabilities	2 792	2 699	2 032
Convertible bonds	1 714	2 433	1 947
Life funds	73 804	75 521	73 700
Capital and reserves	26 290	25 636	26 062
Share capital and premium	2 321	2 249	2 282
Reserves	23 969	23 387	23 780
Minority interest	5 825	6 427	5 998

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Total equity and liabilities	518 600	416 421	389 698

Consolidated statement of changes in shareholders" funds

	Six months ended		Year ended
	June 2003	June 2002	Dec 2002
	R million	R million	R million
	Unaudited	Unaudited	Audited
Balance at beginning of the year	26 062	25 693	25 693
Change in accounting policy	(172)	-	-
Restated balance at beginning of the year	25 890	25 693	25 693
Group income	2 926	2 378	4 997
Dividends paid	(1 197)	(980)	(1 433)
Translation reversal	(1 292)	(1 512)	(3 271)
Issue of share capital and share premium	39	62	95
Investment deficits attributable to available-for-sale assets	(87)	-	-
Other reserve movements	11	(5)	(19)
Balance at end of year	26 290	25 636	26 062

Consolidated cash flow information

	Six months ended		Year ended
	June 2003	June 2002	Dec 2002
	R million	R million	R million

	Unaudited	Unaudited	Audited
Net cash inflow from operating activities	2 961	22 114	14 801
Net cash outflow from investing activities	(2 800)	(1 963)	(5 379)
Net cash outflow from financing activities	(1 186)	(192)	(1 082)

Contingent liabilities and capital commitments

	June 2003 R million Unaudited	June 2002 R million Unaudited	Dec 2002 R million Audited
Contingent liabilities			
Letters of credit	3 703	5 430	4 369
Guarantees	23 407	21 048	21 112
Capital commitments			
Contracted capital expenditure	421	166	467
Capital expenditure authorised but not yet contracted	496	300	167

Financial statistics

	% change	Six months ended June 2003 Unaudited	June 2002 Unaudited	Year ended Dec 2002 Audited
Standard Bank Group				
Shares in issue (millions)				
Number of ordinary shares in issue				
- end of period		1 334	1 329	1 331
- weighted average		1 332	1 327	1 328
Cents per ordinary share				
Headline earnings	22	220,9	181,1	396,3
Dividends	22	41,5	34,0	124,0
Earnings	23	219,7	179,3	376,2
Fully diluted earnings	23	217,3	176,7	371,2
Net asset value	2	1 971	1 929	1 957
Financial performance (%)				
Return on equity		22,5	18,7	20,3
Standard Bank operations				
Financial performance (%)				
Return on equity		23,9	19,1	21,2
Cost-to-income ratio		54,9	57,5	57,3
Effective tax rate		32,7	31,5	33,5
Capital adequacy (%)				
Capital ratio				
- primary		10,9	11,2	10,9
- total capital		14,5	14,8	14,3

Segmental report

	% change	Six months ended June 2003 R million Unaudited	June 2002 R million Unaudited	Year ended Dec 2002 R million Audited
Headline earnings				
Domestic Banking	27	2 085	1 638	3 960
- Retail Banking	20	1 087	905	2 110
- SCMB	30	1 028	792	1 788
- Central services		(30)	(59)	62
International Operations	49	499	336	429

Stanbic Africa	8	249	231	482
STANLIB	(24)	31	41	62
Central funding		(22)	(31)	32
Standard Bank operations	28	2 842	2 215	4 965
Liberty Group operations	(47)	100	187	298
Standard Bank Group	22	2 942	2 402	5 263

Domestic Banking

Retail Banking increased headline earnings by 20% and benefited from continued growth in market share in home loans, 21,2% (Dec 2002: 20,3%) and credit cards, 26,6% (Dec 2002: 24,9%) with instalment finance down slightly to 21,5% (Dec 2002: 21,8%). Standard Bank became the South African market leader in credit card lending in March 2003. Net interest income was assisted by a 22% growth in advances since June 2002 and an increase in the retail deposit base. The increase in the provision for credit losses from 1,39% to 1,55% as a percentage of loans and advances, resulted mainly from the impact of discounting expected recoveries in calculating provision requirements related to home loans and instalment finance, and a top-up of general provisions given the market share growth. The key contributors to a growth of 16% in non-interest revenue were point of representation fees and card based commissions. Staff costs were 20% higher due mainly to a 3% increase in the staff complement as the previously outsourced card processes were brought into the group, increased medical and pension contributions and accruals for potential incentives.

SCMB coped well with the mixed domestic business conditions in the first half of the year and increased headline earnings by 30%. Lending margins remained under competitive pressure but a positive endowment effect from an increase in the average prime rate assisted margins. Provision for credit losses improved from 0,61% to 0,44% as a percentage of loans and advances following an increase in recoveries. Non-interest revenue was 28% higher. Trading income increased by 15% with strong performance on the foreign exchange and commodity trading desks offset partly by reduced income in debt securities trading. Other non-interest revenue increased by R208 million as income from consolidated private equity investments gained momentum, coupled with fair value adjustments on investment securities and rental income generated by previously bought-in properties.

International Operations

International Operations benefited from the recovery in emerging economies" debt markets and an improved corporate credit environment in developed markets and increased headline earnings by 49% in rand terms. Interest income improved by 12% with mark-to-market profits recorded on investment debt instruments due to tightening credit spreads. Provision for credit losses reduced by 12% in rand while remaining flat in sterling terms. Trading income increased by 16% as good results were achieved in all aspects of emerging markets fixed income business and on sustained good performances by the resource trading businesses. Fee income benefited from good deal flow in international bond markets, trade finance and mining finance.

Stanbic Africa

Stanbic Africa increased headline earnings by 8% despite a 36% depreciation in the weighted average exchange rate of the countries in which the group operates. The cost-to-income ratio improved slightly from 58,9% to 58,8% despite significant system implementation costs that were incurred. Provision for credit losses as a percentage of net loans and advances reduced from 1,42% to 0,91% as a result of debt recoveries in a number of countries. Return on equity improved from 24,5% to 31,3%.

STANLIB

STANLIB was affected by weak equity markets and its contribution to the group"s earnings reduced by 24% to R31 million. Fee income reduced by 5% as market conditions reduced performance related fees. Merger and integration activities increased cost growth to 13% but these activities are expected to be completed by the fourth quarter of 2003 with the resulting benefits expected from 2004.

Board of Directors

DE Cooper (Chairman)

JH Maree* (Chief Executive)
DDB Band
E Bradley
T Evans
TS Gcabashe
DA Hawton
Sir Paul Judge#
SJ Macozoma
RP Menell
Adv KD Moroka
AC Nissen
RA Plumbridge
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This announcement, together with a financial presentation, is available on the Standard Bank website at: http://www.standardbank.co.za
A live webcast of the results presentation will be available on Wednesday, 13 August at 10h00 (GMT+2). Please login to http://www.standardbank.co.za>.
Questions can be emailed during the presentation.
For Southern African viewers, Summit TV will be broadcasting the presentation live at 10h00 on DSTV channel 55.
A delayed audio webcast will be available from 13h00 (GMT+2) on 13 August 2003.
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