

2004 Annual results presentation



Agenda



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

Financial highlights



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

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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

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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

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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

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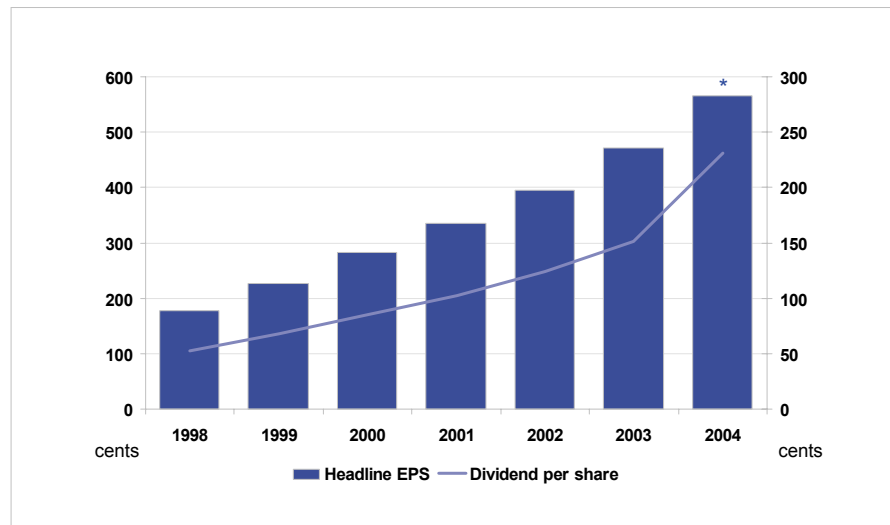
Group income statement highlights



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

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Financial performance



* 2004 normalised

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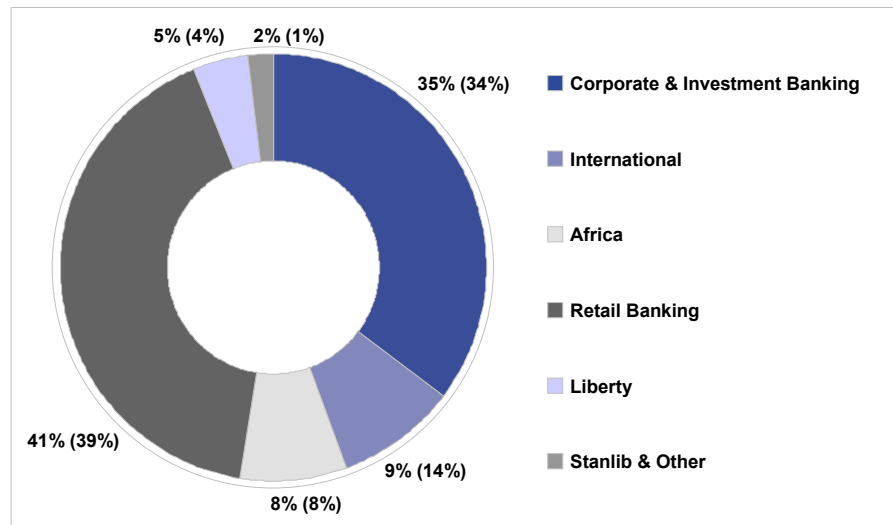
Headline earnings analysis by business unit



	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
Standard Bank operations	7 298	21	6 010
Liberty Life	350	30	270
Standard Bank Group	7 648	22	6 280

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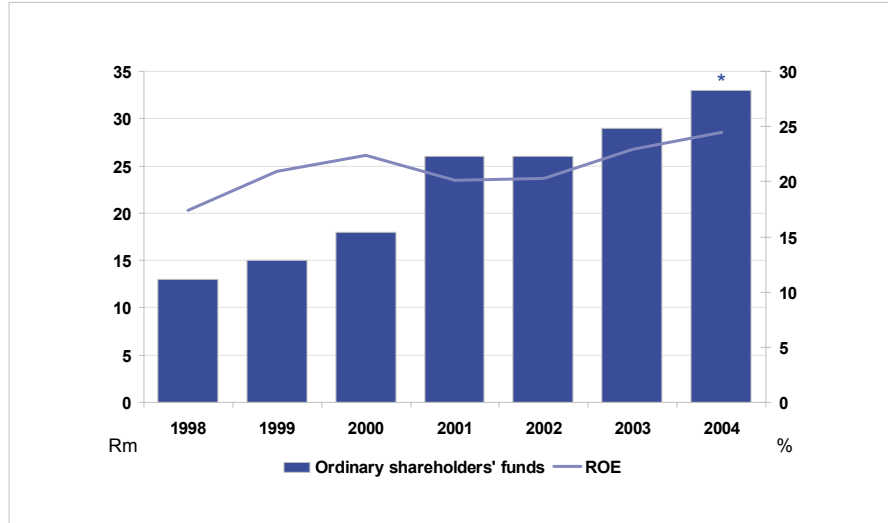
Headline earnings mix



2003 figures in brackets

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Return on equity



* 2004 normalised

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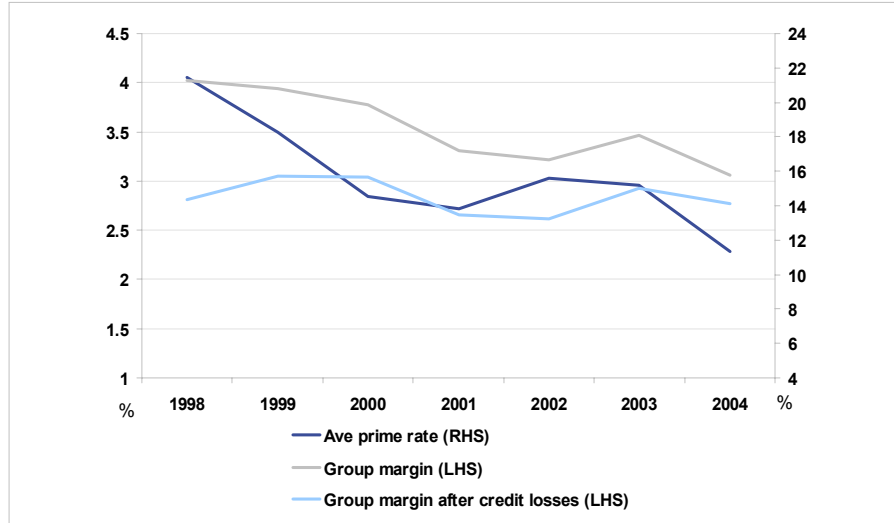
Returns on equity



	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
Standard Bank operations	27.6	24.0	13.8
Liberty Life	14.0	11.1	12.4
Standard Bank Group	26.4	22.9	13.4
Standard Bank Group normalised	24.5		

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Margin analysis



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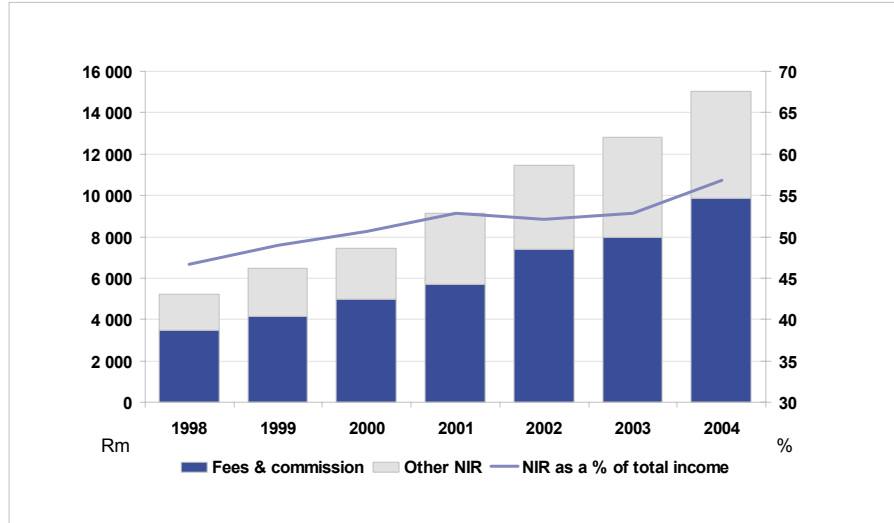
Domestic margin analysis



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

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Non-interest revenue



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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

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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

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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
Standard Bank Operations	57.5	56.2
2004 objective	56.0	
<i>Costs up 12.0%</i>		
<i>Total income up 9.4%</i>		

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

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Balance sheet highlights



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

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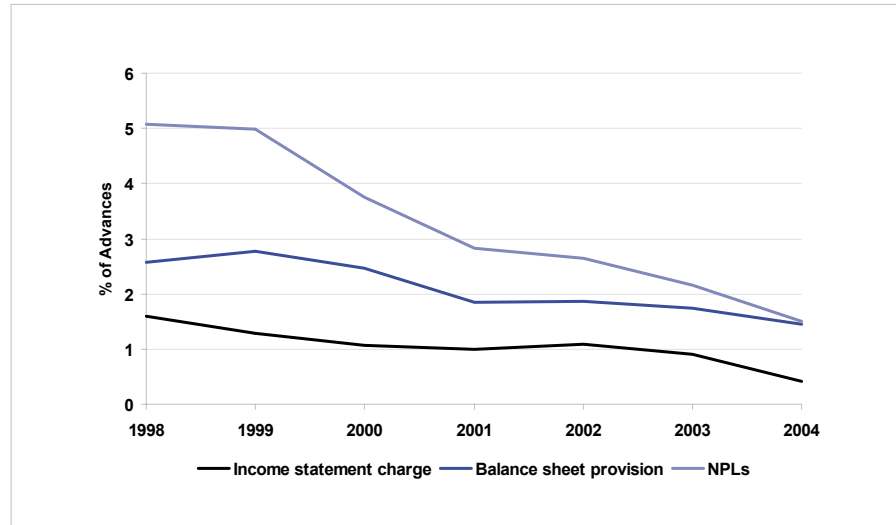
Loans & advances



	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
Group	257	17	220

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Credit loss history



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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
Total income statement charge	1 048	(43)	1 848
Credit loss ratios (%)			
Non performing loans (<i>specific</i>)	0.43		0.69
Performing loans (<i>general</i>)	0.00		0.22
Total	0.43		0.91
2004 objective	< 1.00		

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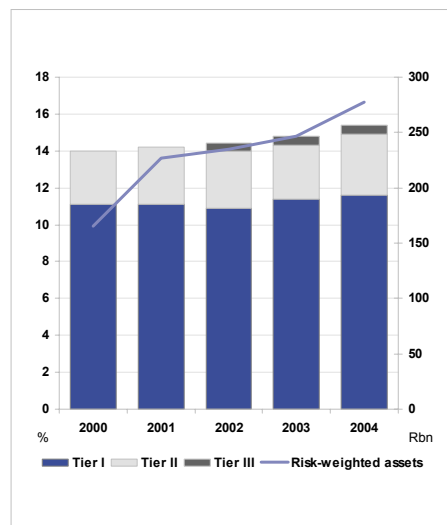
NPLs & balance sheet provisioning



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

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

Capital adequacy



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

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Tier I capital



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

- **Strong ratio allows:**

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

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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

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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%

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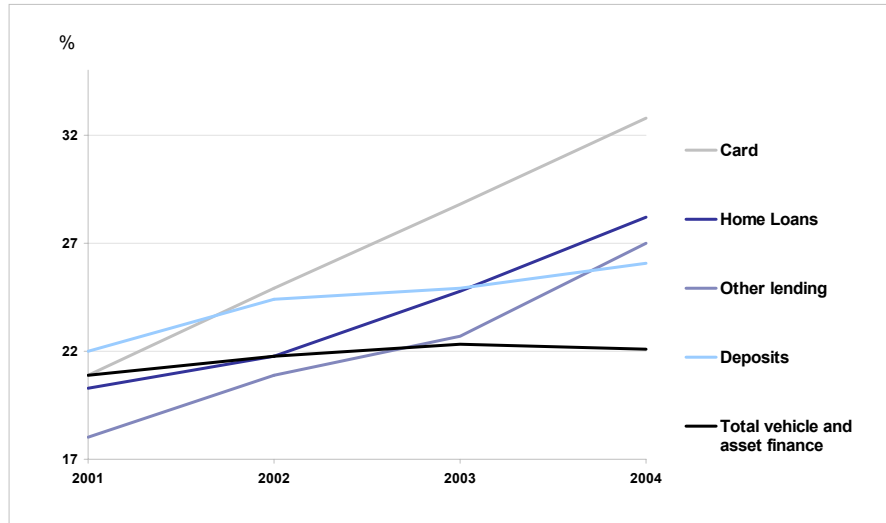
Key product analysis



	Balance 2004 (Rbn)	Balance Growth (%)	Balance 2003 (Rbn)	Industry Growth (%)
Assets				
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
Liabilities				
Current accounts	27	20	23	18
Investment deposits	33	7	31	3
Savings	15	8	14	} 13
EPlan	5	24	4	

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Retail market shares



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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

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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**

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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%)**

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- **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)**

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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

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- **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

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Corporate & Investment
Banking
Ben Kruger



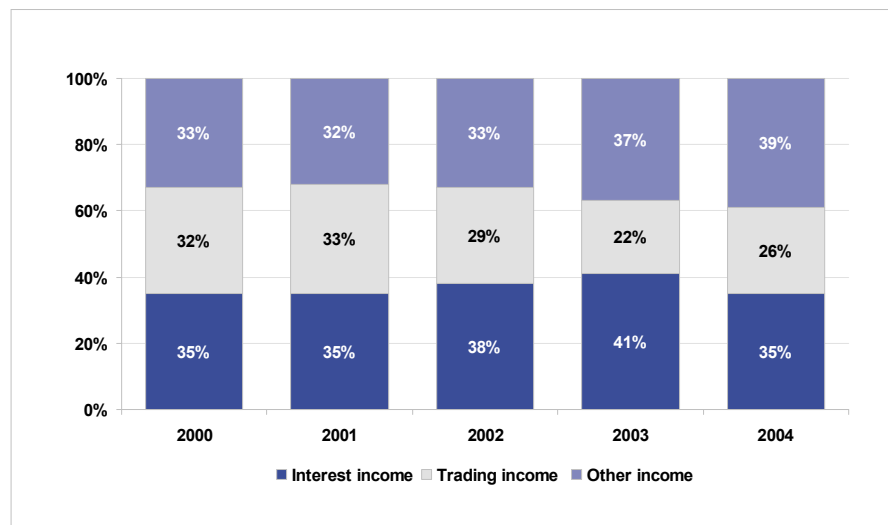
Highlights



- 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

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Diversified income streams



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- **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**

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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**

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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**

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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

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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

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- **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

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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%

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