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Standard Bank Group Limited - Audited Results And Dividend Announcement
For The Year Ended 31 December 2002
Standard Bank Group Limited
(Incorporated in the Republic of South Africa)
(Registered bank controlling company)
(Reg No 1969/017128/06)
JSE Securities Exchange share code: SBK
Namibian Stock Exchange share code: SNB
ISIN: ZAE000038873

Overview of financial results

Against the backdrop of extended recessionary economic conditions worldwide, Standard Bank Group completed another successful year, growing headline earnings by 19% to R5 263 million.

The diversity of the group's sources of income again provided a foundation for solid results, with the strongest performance in 2002 from banking businesses on the African continent. The group's South African banking operations performed well on both retail and wholesale fronts, while strong growth occurred elsewhere in Africa assisted by good performance from recent acquisitions. Looking abroad, international credit markets deteriorated to levels not seen for many years. The group's international operations are active in both credit origination and trading and were impacted by reduced new business opportunities and the need to substantially increase provision levels. The effect of weak equity markets, evidenced by key indices declining for a third consecutive year, was most noticeable in the group's life assurance and asset management operations.

The domestic banking environment was characterised by a competitive banking sector, rapidly increasing interest rates and a volatile rand exchange rate. Domestic inflation peaked at 14,5% and the prime interest rate increased by four percentage points following a significant weakening in the rand in late 2001.

The current financial year was further marked by a liquidity crisis in the smaller domestic banks in the first half of the year, that resulted in some systemic risk followed by consolidation within the banking sector. Amid these uncertain market conditions, Domestic Banking performed strongly and benefited from a slight improvement in margins and from trading opportunities created by the volatile markets. Improved credit quality in these operations led to a reduction in credit provisioning ratios and improved provision coverage, despite the rising interest rate environment.

The group's key performance highlights were:
ROE increased from 20,1% to 20,3%;
headline earnings of R5 263 million increased by 19%;
headline earnings per share grew by 18% from 335 cents to 396 cents per share;
the cost-to-income ratio improved to 57,3% from 57,4%; and
total dividends of 124 cents per share were declared, 22% higher.

Effect of currency movements on the results

The rand's volatility in 2001 and 2002 has had a material effect on the group's income statement and balance sheet. For income statement purposes, foreign earnings and expenses are included at the average exchange rate for the year and, for 2002, this average rate against sterling was 27% lower than in 2001. This decrease in the average exchange rate was in sharp contrast to the closing rate for the year used in the translation of balance sheet items, that for 2002 was 21% higher than at the previous year end. The overall effect of these differing rates on the translation of foreign amounts into rands has been to increase income statement items and reduce balance sheet items.

The higher closing exchange rate for the year also resulted in a decrease of R3,3 billion in the currency translation reserve. This has been charged directly to reserves in accordance with the group's accounting policy.

## Income statement

### Net interest income

Net interest income grew by 29%, whilst average assets increased by 31%. The margin decreased by 5 basis points to 3,26% mainly due to a change in the mix of average assets. A higher proportion of total average assets consisted of International Operations' assets at lower margins.

### Provision for credit losses

Despite a 400 basis point increase in the domestic prime rate during 2002, the group managed to contain the charge for credit losses to 1,18% of loans and advances, slightly higher than the 1,11% reported in 2001, with this increase attributable to increased provisions in International Operations. The specific provisions raised as a percentage of loans and advances reduced in Domestic Banking and Stanbic Africa from 1,02% and 0,82% in 2001, to 0,94% and 0,44% respectively following improvements in credit quality and collections. The net coverage ratio improved from 174% to 184%. Gross non-performing loans reduced as a percentage of average loans and advances from 3,5% to 2,9%, or by R277 million in absolute terms, reflecting the improvement in credit quality.

### Non-interest revenue

Non-interest revenue rose by 25% and continues to contribute more than half of the revenues of the group.

Fees and commission income grew by 24% due to a combination of an increase in transaction volumes, new fees introduced and repricing initiatives particularly in electronic banking and card based products.

Trading income reflected strong growth of 42%. Improved client volumes and increased spreads due to the volatility of the rand assisted good growth in foreign exchange trading income. Satisfactory growth was also achieved in domestic trading in precious metal commodities, interest rate and equity derivatives. Internationally, trading opportunities in capital and debt markets were successfully exploited.

### Operating expenses

Operating expenses increased by 27%, reflecting the impact of a weaker average exchange rate, acquisitions by Stanbic Africa and the expansion of International Operations. Operating expenses were 18% higher in Domestic Banking, driven mostly by staff cost growth that included a provision made for the resumption of retirement funding contributions and increases in frontline staff to improve service levels. Higher technology costs were incurred as the group continues to upgrade both IT applications and infrastructural capability across all businesses.

A cost-to-income ratio of 57,3% was achieved, compared with 57,4% in 2001. Though improved, the cost-to-income ratio came under pressure due to geographic expansion and low growth in non-interest revenue in International Operations. A notable improvement in this ratio, from 55,9% to 53,4%, was achieved in the domestic banking operations and resulted from strong revenue growth.

### Income from associates

Income from associates grew by R47 million following an increase in the number of equity accounted investment banking interests.

### Goodwill

The goodwill charge increased by R86 million as a result of a full year's amortisation of acquisitions in Asia and Africa.

### Taxation

The effective tax rate increased from 30,8% to 33,5% as a result of an increased level of provisions for general tax risks, together with adjustments relating to prior period items. Indirect taxes increased in absolute terms by 21%.

## Balance sheet

Banking assets reflected a small reduction due to the impact of the stronger rand on assets consolidated from foreign operations. Loans and advances in rand terms in International Operations reduced by 15% and Stanbic Africa's growth was restricted to 7%.

Growth in quality retail lending business generating sustainable annuity income was actively sought, particularly in the following key domestic market segments:

Home loans up 21% (market share up from 18,6% to 20,3%);

Card increased 17% (market share up from 20,9% to 24,9%); and

Instalment finance up 16% (market share up from 20,9% to 21,8%).

Given the high interest rate environment and a possible increase in corporate defaults, a cautious approach to wholesale lending was adopted together with a stricter application of minimum hurdle rates for acceptance of new business. Accordingly, growth rates in SCMB and Business Banking were generally subdued, apart from certain large project finance deals concluded in the second half of the year.

Shareholders' funds

Ordinary shareholders' funds reported a marginal increase to R26,1 billion as a result of strong growth in retained income, mainly offset by the decrease for the year in the currency translation reserve.

Liberty Group

Liberty experienced a challenging year with the extended weak investment market conditions reducing the amount of operating surplus in the life fund. This had a significant effect on the headline earnings included in Standard Bank Group's results, which, at R298 million, were 31% lower than the previous year. Operationally, Liberty Group is performing well with all key indicators, apart from investment returns, showing positive growth.

Capital adequacy

The group capital adequacy ratio reflects a slight increase from 14,2% in the previous year to 14,3%. The change primarily resulted from the issue of R1 billion tier 3 capital during the year. Of the group ratio of 14,3%, 13,8% relates to banking operations and 0,5% to the group's share of regulatory surplus capital in Liberty.

Final dividend

As the group is well capitalised and in some areas has surplus capital, it is planned that the dividend cover will gradually be reduced to a cover of 3,0 times, at which stage it will be reassessed. Consequently, dividend growth over the medium term will be higher than earnings growth. The current year's cover has decreased to 3,2 times from 3,3 times in 2001. A final dividend of 90 cents per share (2001: 74 cents) has been declared to shareholders, bringing the total dividend for the year to 124 cents per share (2001: 102 cents), an increase of 21,6%.

Prospects

Sound economic fundamentals are in place in South Africa and the country is well positioned for sustained growth. It is expected that the group will continue to benefit from efficiencies extracted from its strong domestic base and from its extensive African banking operations. The global political and economic conditions are uncertain but international credit markets are showing signs of improvement. Given the breadth and the ongoing integration of the group's activities, it is well placed to take advantage of any improvements in market conditions. The group has a stated medium-term objective for rand earnings growth of inflation (CPIX) plus 10 percentage points. Whilst the attainment of this target is likely to be difficult in 2003, it nevertheless remains the group's earnings objective.

Derek Cooper, Chairman

Jacko Maree, Chief Executive

Declaration of dividend no. 67

Notice is hereby given that a final dividend no. 67 of 90 cents per ordinary share has been declared payable on 14 April 2003 to shareholders recorded in the books of the company at the close of business on the record date, 11 April 2003. The last day to trade to participate in the dividend is 4 April 2003. Shares will commence trading ex-dividend from Monday 7 April 2003.

The relevant dates for the payment of the dividend are as follows:

| | |
|---|---|
| Last day to trade "CUM" dividend | 4 April 2003 |
| Shares trade "EX" dividend | 7 April 2003 |
| Record date | 11 April 2003 |
| Payment date | 14 April 2003 |

Share certificates may not be dematerialised or rematerialised between Monday 7 April 2003 and Friday 11 April 2003, both days inclusive.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on 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 accounts at their CSDP or broker credited on 14 April 2003.

By order of the board,

Loren Wulfsohn, Group Secretary

4 March 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 2001 except for the adoption of the new accounting statement on Investment Properties (AC 135). In terms of this statement, certain defined owner-occupied properties can no longer be treated as investment properties and are now depreciated under the provisions of the statement dealing with property, plant and equipment (AC 123). This change has been applied retrospectively and comparative amounts for 2001 have been restated.

Implementation of AC 133

The 2003 year sees the introduction of AC 133, a new accounting standard impacting the recognition and measurement of financial instruments. Areas most affected by this standard include the qualification criteria for hedge accounting, discounting cash flows in determining credit provisions and fair value accounting of investment securities. The group has converted its accounting systems and is well placed to comply with the new standard. To accommodate the changes arising from this statement, certain amendments to the calculation of headline earnings were introduced in Circular 07/02 issued by the South African Institute of Chartered Accountants. As the group is adopting AC 133 in the new financial year, it has accordingly excluded Liberty's investment surpluses/deficits, which are of a capital nature, from headline earnings in the current year.

Auditors' report

The auditors, PricewaterhouseCoopers Inc. and KPMG Inc., have issued their opinion on the group financial statements for the year ended 31 December 2002. A copy of the auditors' unqualified report is available for inspection at the company's registered office.

CONSOLIDATED INCOME STATEMENT

| | % change | 2002 R million Audited | 2001 R million Audited |
|---|---|---|---|
| Standard Bank operations | | | |
| Interest income | 28 | 31230 | 24368 |
| nterest expense | 28 | 20697 | 16191 |

Net interest income before
provision for credit losses 29 10533 8177
Provision for credit losses 22 1955 1603
Net interest income 30 8578 6574
Non-interest revenue 25 11435 9135
Total income 27 20013 15709
Operating expenses 27 12587 9940
Staff costs 30 6934 5347
Other operating expenses 23 5653 4593
Operating profit 29 7426 5769
Income from associates 96 49
Goodwill amortisation (151) (65)
Income before taxation 28 7371 5753
Taxation 39 2435 1756
Income after taxation 23 4936 3997
Attributable to outside and
preference shareholders 122 77
Standard Bank income attributable to
ordinary shareholders 23 4814 3920
Liberty Group operations
Operating profit 1369 2438
Exceptional items (14) (324)
Income before taxation 1355 2114
Taxation 359 980
Income after taxation 996 1134
Attributable to outside and preference
shareholders 702 816
Net income before investment (deficit)/surplus (8) 294 318
Net income from continuing operations (29) 298 420
Net income from unbundled operations - 14
Exceptional items (4) (116)
Investment (deficit)/surplus (111) 287
Liberty Group income attributable to
ordinary shareholders 183 605
Group income attributable to ordinary
shareholders 10 4997 4525
HEADLINE EARNINGS
2002 2001
% R million R million
change Audited Audited
Group income attributable to ordinary
shareholders 10 4997 4525
Standard Bank income adjusted for: 151 65
- Goodwill amortised on subsidiaries
acquired 105 51
- Goodwill amortised on associates
acquired 46 14
Liberty Group income adjusted for: 115 (171) -
Secondary tax on companies relating to
capital reduction - 111
- Goodwill amortised on subsidiaries
acquired 4 5
Investment deficit/(surplus) 111 (287)
Headline earnings 19 5263 4419
CONSOLIDATED BALANCE SHEET
2002 2001

| | R million Audited | R million Audited |
|---|---|---|
| ASSETS | | |
| Standard Bank operations | 303937 | 306196 |
| Cash and short-term funds | 45356 | 42186 |
| Investment and trading securities | 43580 | 45722 |
| Loans and advances | 170377 | 162002 |
| Other assets | 40766 | 52647 |
| Interest in associates | 276 | 187 |
| Goodwill | 381 | 403 |
| Intangible assets | 290 | 311 |
| Property and equipment | 2911 | 2738 |
| Liberty Group operations | 85761 | 89038 |
| Current assets | 3754 | 2979 |
| Investments | 81491 | 85531 |
| Goodwill | 158 | 113 |
| Intangible assets | 36 | 62 |
| Equipment and furniture | 322 | 353 |
| Total assets | 389698 | 395234 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | 26062 | 25693 |
| Share capital | 141 | 140 |
| Share premium | 2141 | 2047 |
| Reserves | 23780 | 23506 |
| Minority interest | 5998 | 5973 |
| Liabilities | 357638 | 363568 |
| Standard Bank operations | 279959 | 282694 |
| Deposit and current accounts | 239715 | 237006 |
| Other liabilities and provisions | 33490 | 39789 |
| Bonds | 6754 | 5899 |
| Liberty Group operations | 77679 | 80874 |
| Life funds | 73700 | 75918 |
| Long-term liabilities | 1947 | 2874 |
| Other liabilities | 2032 | 2082 |
| Total equity and liabilities | 389698 | 395234 |
| Ordinary shareholders' funds | | |
| Adjusted for the increase in market value over the carrying value of Liberty Group, investments and property | 28795 | 28330 |

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

| | 2002 R million Audited | 2001 R million Audited |
|---|---|---|
| Balance at beginning of the year | 25693 | 18300 |
| Change in accounting policy | - | (334) |
| Restated balance at beginning of the year | 25693 | 17966 |
| Group income | 4997 | 4525 |
| Dividends paid | (1433) | (1196) |
| Translation (reversal)/gain | (3271) | 4037 |
| Issue of share capital and share premium | 95 | 462 |
| Other reserve movements | (19) | (101) |
| Balance at end of the year | 26062 | 25693 |

CONSOLIDATED CASH FLOW INFORMATION

| | 2002 R million Audited | 2001 R million Audited |
|---|---|---|

| | | |
|---|---|---|
| Cash flows from operating activities | 15589 | 11947 |
| Cash flows used in operating funds | (3650) | (13518) |
| Net cash used in investing activities | (5379) | (2443) |
| Net cash used in financing activities | (1082) | (858) |

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

| | | |
|---|---|---|
| Contingent liabilities | | |
| - letters of credit | 4369 | 5449 |
| - guarantees | 21112 | 19199 |
| | 25481 | 24648 |
| Capital commitments | | |
| - contracted capital expenditure | 467 | 84 |
| - capital expenditure authorised but not yet contracted | 167 | 38 |
| | 634 | 122 |

FINANCIAL STATISTICS

| | % change | 2002 Audited | 2001 Audited |
|---|---|---|---|
| Standard Bank Group | | | |
| Shares in issue (millions) | | | |
| Number of ordinary shares in issue | | | |
| - end of period | | 1331 | 1325 |
| - weighted average | | 1328 | 1319 |
| Cents per ordinary share | | | |
| Headline earnings | 18 | 396,3 | 335,1 |
| Dividends | 22 | 124,0 | 102,0 |
| Earnings | 10 | 376,2 | 343,1 |
| Fully diluted earnings | 10 | 371,2 | 337,9 |
| Net asset value | 1 | 1957 | 1939 |
| Adjusted net asset value | 1 | 2163 | 2138 |
| Financial performance (%) | | | |
| Return on equity | | 20,3 | 20,1 |
| Standard Bank operations | | | |
| Financial performance (%) | | | |
| Return on equity | | 21,2 | 19,9 |
| Return on total assets | | 1,6 | 1,5 |
| Cost-to-income ratio | | 57,3 | 57,4 |
| Effective tax rate | | 33,5 | 30,8 |
| Capital adequacy (%) | | | |
| Capital ratio | | | |
| - primary capital | | 10,9 | 11,1 |
| - total capital | | 14,3 | 14,2 |

SEGMENTAL REPORT

| | % change | 2002 R million Audited | 2001 R million Audited |
|---|---|---|---|
| Headline earnings | | | |
| Domestic Banking | 33 | 3960 | 2971 |
| Retail Banking | 25 | 1796 | 1441 |
| Wholesale Banking | 36 | 2102 | 1542 |
| - SCMB | 36 | 1301 | 955 |
| - Business Banking | 38 | 635 | 461 |
| - Property Finance | 32 | 166 | 126 |
| Central services | | 62 | (12) |
| International Operations | (34) | 429 | 648 |
| Stanbic Africa | 48 | 482 | 325 |
| STANLIB | (24) | 62 | 82 |
| Central funding | | 32 | (41) |

| | | | |
|---|---|---|---|
| Standard Bank operations | 25 | 4965 | 3985 |
| Liberty Group operations | (31) | 298 | 434 |
| Standard Bank Group | 19 | 5263 | 4419 |

Domestic Banking continued the good performance recorded in the first half, with year on year headline earnings growing by 33% to R3 960 million and ROE increasing to 31,2% (2001: 27,0%). The interest margin was up by 12 basis points from 2001.

Retail Banking increased headline earnings by 25% to R1 796 million. Market share increased in lending products, particularly in instalment finance and home loans, whilst customer retention improved across all products. Growth of 18% in non-interest revenue resulted mainly from point of representation fees and card-based commission, while bancassurance income continued to improve its contribution. A decrease in the provision for credit loss ratio from 1,27% to 1,24% was indicative of the improved book quality.

Wholesale Banking's continued focus on optimising operations of core businesses and strong growth in client driven trading income in SCMB helped increase its contribution to group earnings from 35% to 40% in 2002. Headline earnings increased by 36% to R2 102 million. All the major business units performed well and balanced revenue growth was achieved across net interest income, fees and commission income and trading income.

Provisions for credit losses increased by 9% over the previous year, mainly due to general provisions, but remained constant as a percentage of average advances.

International Operations (changes reflected in pound sterling terms) reflected a decline of 48% in headline earnings as a consequence of the difficult trading conditions. Net interest income was 14% higher, with margins decreasing due to the shift in focus away from growth towards limiting risk as market conditions deteriorated. The results were impacted by an increase in the provision for credit losses of 107% and although no significant defaults have occurred, provisions have been raised against appropriate credit risk criteria. Staff costs increased by 15% due to higher staff numbers to ensure that expansion is properly managed. Trading income increased by 5%.

Stanbic Africa's contributions from acquisitions, coupled with strong performances across almost all established operations, assisted in growing revenue lines by an average of 55%. The acquisition of Uganda Commercial Bank in particular, contributed meaningfully to the growth in headline earnings. A focus on collection strategies resulted in a decrease of 33% in the provision for credit losses. The increase in the cost-to-income ratio from 58,3% to 60,8% resulted mainly from acquisitions and the expansion of risk and finance functions based in Johannesburg. The results for the Zimbabwean operations have been consolidated into the group's accounts for both the current and previous years. The net asset value of this investment has been fully provided for.

STANLIB experienced a notably challenging year characterised by declining equity markets worldwide, but performed to expectations in generating headline earnings of R62 million, down 24% mainly as a result of non-recurring items relating to the merger.

Board of Directors

DE Cooper (Chairman)
EAG Mackay (Joint Deputy Chairman)
SJ Macozoma (Joint Deputy Chairman)
JH Maree* (Chief Executive)
MJD Ruck* (Deputy Chief Executive)
RC Andersen*
DDB Band
E Bradley
DA Hawton

RP Menell
RA Plumbridge
CL Stals
CB Strauss
EP Theron
* Executive director
Group Secretary
L Wulfsohn
Registered office
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5 Simmonds Street, Johannesburg, 2001
PO Box 7725, Johannesburg, 2000
Share transfer secretaries in South Africa
Computershare Investor Services Limited
70 Marshall Street, Johannesburg, 2001
PO Box 1053, Johannesburg, 2000
In Namibia
Transfer Secretaries (Proprietary) Limited
Shop 12, Kaiserkrone Centre
Post Street Mall, Windhoek
PO Box 2401, Windhoek
This announcement, together with a financial presentation, is available on the Standard Bank website at:http://www.standardbank.co.za
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2003-03-05 08:05:16
Standard Bank Group Limited - 6,5 percent First Cumulative Preference Shares
Standard Bank Group Limited
("the Company")
(Registration No. 1969/017128/06)
Share code: SBKP
ISIN code: ZAE00003881
6,5 percent First Cumulative Preference Shares
Declaration of Dividend no. 67
Notice is hereby given that preference dividend no. 67 of 3,25 cents per share has been declared for the six months ended 31 December 2002 payable on 14 April 2003 to shareholders of the 6,5 percent first cumulative preference shares recorded in the books of the company at the close of business on 11 April 2003.
In accordance with the provisions of STRATE, the electronic settlement and custody system used by the JSE Securities Exchange South Africa, the relevant dates for the payment of the dividend are as follows:

| | |
|---|---|
| Last day to trade "CUM" dividend | 4 April 2003 |
| Shares trade "EX" dividend | 7 April 2003 |
| Record Date | 11 April 2003 |
| Payment Date | 14 April 2003 |

Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2003 and Friday, 11 April 2003, both days inclusive.
Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholder's bank accounts on 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 accounts at their CSDP or broker credited on 14 April 2003.
By order of the Board
L. Wulfsohn
Group Secretary
4 March 2003

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