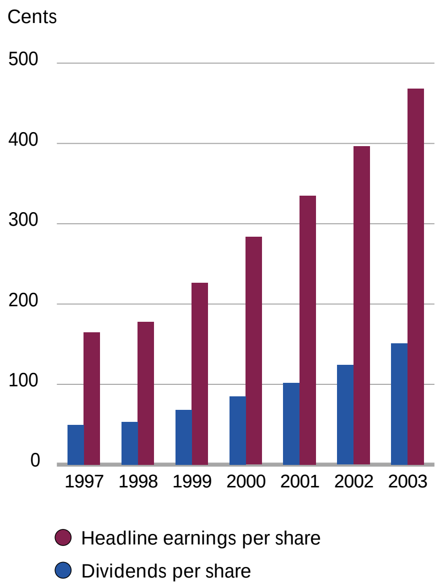
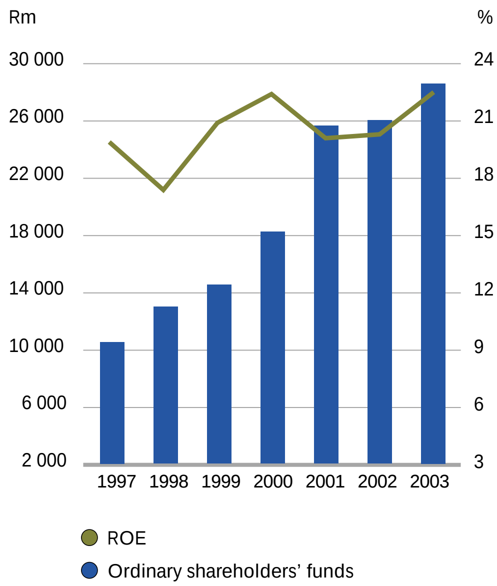
Group highlights

- Headline earnings of **R6 248 million, 19% up**
- Return on equity **22,8%**
- Cost-to-income ratio improves from 57,3% to **56,2%**
- Credit loss ratio improves from 1,08% to **0,91%**
- Headline earnings per ordinary share of **468 cents, 18% higher**
- Dividends per ordinary share of **151 cents, 22% up**

Headline earnings and dividends per share



Return on equity

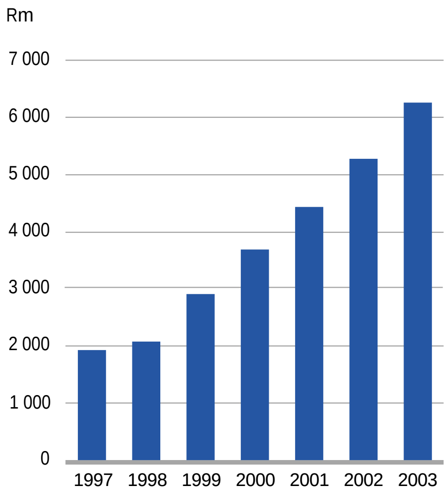


Financial highlights

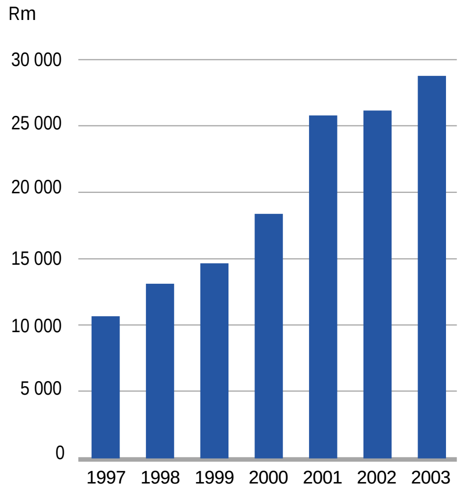
	2003	2002	% change	2003 US$ equivalent
Standard Bank Group				
Income statement (Rm)				
Headline earnings	**6 248**	5 263	19	828
Income attributable to ordinary shareholders	**6 346**	4 997	27	841
Balance sheet (Rm)				
Ordinary shareholders' funds	**28 659**	26 054	10	4 290
Total assets	**540 390**	393 353	37	80 897
Derivative assets	**104 723**	9 218	>100	15 677
Ordinary shareholders' funds adjusted for the increase in market value over the carrying value of Liberty	**30 465**	28 303	8	4 561
Financial performance (%)				
Return on equity	**22,8**	20,3		
Return on risk-weighted assets	**2,6**	2,3		
Share statistics per ordinary share (cents)				
Earnings	**475,7**	376,2	26	63,0
Headline earnings	**468,3**	396,3	18	62,0
Dividends	**151,0**	124,0	22	20,0
Net asset value	**2 141**	1 957	9	321
Net asset value – adjusted for Liberty's market value	**2 276**	2 126	7	341
Dividend cover (times)	**3,1**	3,2		
Capital adequacy				
Total risk-weighted assets (Rm)	**247 025**	235 047	5	36 980
Tier I qualifying capital to risk-weighted assets (%)	**11,4**	10,9		
Total qualifying capital to risk-weighted assets (%)	**14,8**	14,3		

The 2003 rand/US dollar exchange rates : period end rate – R6,68 (2002: R8,58)
: average rate – R7,55 (2002: R10,50)

Standard Bank Group
Headline earnings



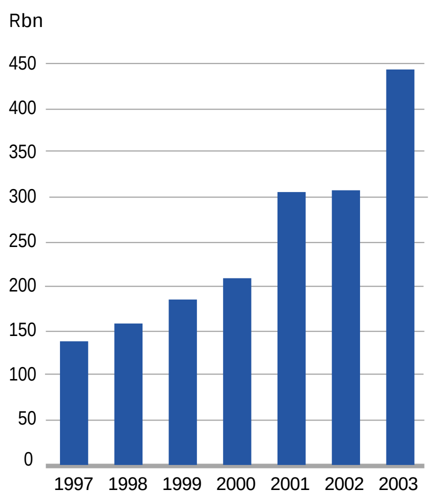
Standard Bank Group
Ordinary shareholders' funds



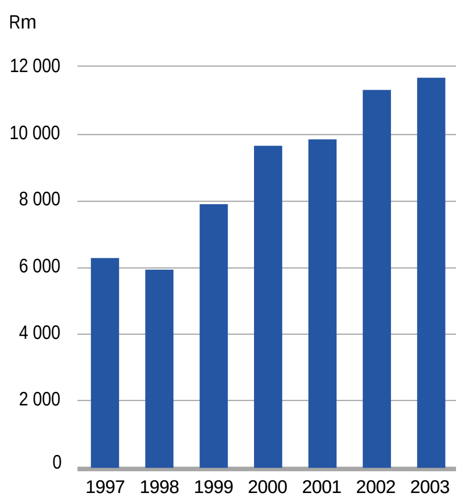
	2003	2002	% change	2003 US$ equivalent
Standard Bank operations[1]				
Income statement (Rm)				
Operating profit before exceptional items	**8 771**	7 426	18	1 162
Income attributable to ordinary shareholders	**5 967**	4 814	24	790
Headline earnings	**5 978**	4 965	20	792
Balance sheet (Rm)				
Ordinary shareholders' funds	**26 175**	23 653	11	3 918
Total assets	**444 195**	307 592	44	66 496
Loans and advances	**220 375**	178 925	23	32 990
Selected returns and ratios (%)				
Return on equity	**24,0**	21,2		
Return on risk-weighted assets	**2,6**	2,3		
Net interest margin	**3,50**	3,22		
Credit loss ratio	**0,91**	1,08		
Balance sheet credit provisions to gross loans and advances	**1,74**	1,86		
Non-interest revenue to total income	**52,8**	52,1		
Cost-to-income ratio	**56,2**	57,3		
Effective tax rate	**31,7**	33,5		
Liberty[2]				
Headline earnings (Rm)	**949**	1 069	(11)	126
Return on embedded value (%)	**9,3**	7,9		
Embedded value per Liberty share (cents)	**5 758**	5 528	4	862
New business premium income (Rm)	**11 667**	11 301	3	1 545

[1] Standard Bank Group excluding Liberty
[2] Liberty Group as published

Standard Bank operations
Total assets



Liberty
New business premium income



2003 awards

Investment Analysts Society Squirrel award

Banking Adjudicator award

Global Finance Magazine Best bank in South Africa

Banking Adjudicator Award for Excellence in Dispute Management

Investment Analysts Society overall Squirrel award for effective and credible communications with investors

Finance Week and Finansies & Tegniek inaugural financial services company of the year award

Rated South Africa's most trusted bank and second most trustworthy company in an independent survey conducted by Ask Africa

Investor Relations Magazine South Africa Award for best corporate governance

Top banking brand in the Markinor Sunday Times Brands survey

Achieved joint first place in Markinor CUSSATS customer services survey

Voted by peers as the best in corporate banking, foreign exchange trading, bonds and derivatives trading in the PricewaterhouseCoopers survey

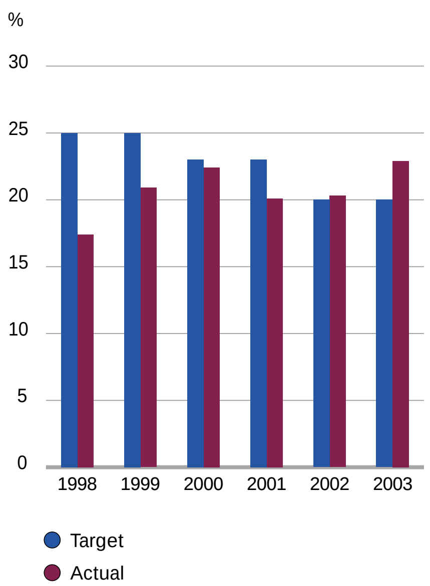
Ranked as top lead manager by volume for all Brazilian non-public international bond issues by the National Association of Investment Bank and Securities Dealers (Brazil)

Financial objectives

Performance against objectives	Objective	Actual
Return on equity	20%	22,8%
Headline earnings growth	16,8%[1]	18,7%
Cost-to-income ratio	57%	56,2%
Credit loss ratio	1,0%	0,91%

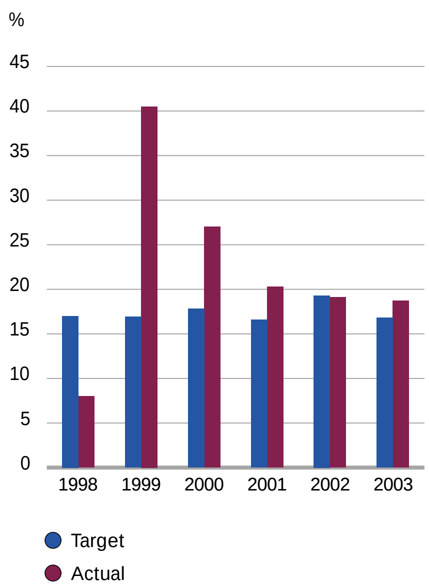
[1] Average CPIX for 2003 of 6,8% + 10,0%

Return on equity



As disclosed in each annual report

Headline earnings growth



Assumed target of CPIX plus 10%

Medium-term objectives

Return on equity of 20%

Headline earnings growth to exceed domestic inflation (CPIX) by 10 percentage points

Cost-to-income ratio to be at or better than 56%

Credit losses to be contained within 1,0% of average gross advances

Economic overview of 2003 and outlook for 2004

The salient characteristic of the contemporary global economy is an environment of compounded uncertainties.

Global conditions improved steadily during 2003. By year end, general consensus pointed to a turnaround in the global economy. This was particularly so in the case of the emerging economies, some of which, such as Brazil and Russia, experienced dramatic changes in their national fortunes. China and India maintained their impressive performances, despite recording marginal declines in their growth rates. China's rising demand for commodities, in particular, was unprecedented and critical for buoyant demand and, hence, for price movements.

Among the developed countries, the United States (US) reported the single most impressive growth rate of the year despite its considerable macroeconomic and fiscal misalignments. Notwithstanding this positive example, the overall performance of the developed economies left much to be desired.

The European economies, in particular, continued to register lacklustre growth rates. This situation was further complicated by the ongoing fiscal problems of Germany and France, the two largest economies of the European Union (EU), which violated the Growth and Stability Pact and raised doubts about the pact's credibility and sustainability.

Uncertainties emanating from global terrorism, from the US-led invasion of Iraq and the wider instability in the Middle East continued to undermine global investment confidence. Commodity prices, on the other hand, were the main beneficiaries of this environment. Gold and platinum registered price increases last seen in the 1980s. To some extent, this contributed to the rand's continued strength.

Early indications are that 2004 is likely to be a year of adjusting to and operating within, an environment of compounded uncertainties. This is the salient characteristic of the contemporary global economy. In this environment, policy priorities are likely to be reordered, with greater scrutiny being exercised on the movements of capital and its potential use by terrorist operatives. The global situation is likely to sustain the relatively high commodity prices that have arisen recently.

Africa's economic growth prospects improved considerably on the back of rising prices for oil, gold, platinum and other resources. The continent's average growth rate projections are expected to exceed projected growth rates for the global economy. For the Southern African Development Community (SADC) region, high commodity prices augur well for higher growth rates.

Angola is projected to be Africa's second fastest growing economy with a growth rate of 11,4%, while Tanzania is expected to realise a growth rate of 6,3%. Mozambique is expected to register a growth rate of 8% because of rising direct investment (including the US$1,2 billion natural gas project due to come on stream during the first quarter of 2004) coupled with sustained political and economic reforms. Despite these positive developments, Zimbabwe's deteriorating crisis continues to weigh on the region.

For South Africa, higher commodity prices are favourable, despite the likelihood of oil prices remaining high and impacting on the domestic economy. The dramatic fall in the country's inflation rate during 2003 suggests that, for 2004, the consumer price index (CPI) is likely to average at below 2% for the year as a whole, and the CPIX (consumer price inflation excluding mortgage costs) will, in all likelihood, average below 5%, provided that food and energy prices do not register exceptional increases.

Despite the country's prevailing drought, it is unlikely that food price increases during 2004 will be substantial enough to jeopardise meeting the inflation target range. These developments are likely to consolidate South Africa's entry into a low inflationary environment, which, in turn, will impact on interest rate movements.

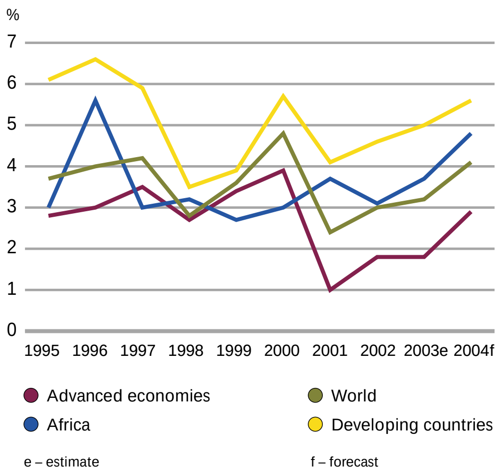
Throughout 2003, the rand continued to strengthen and was accompanied by a fall in the growth rate of domestic inflation from 12,4% in December 2002 to 0,31% in December 2003, and cuts in domestic interest rates of 550 basis points. This configuration of macroeconomic variables created substantial changes to the terms of trade, despite certain commodities – gold and platinum in particular – experiencing considerable price increases. Nevertheless, the relative contribution of exports to economic growth declined.

In general, rapidly declining inflation constrained the price-setting power of industries, which led to a decline in their nominal return on capital. This was particularly pronounced in the export-orientated industries that were subjected to a combination of declining inflation and rising exchange rates. The industries that are solely dependent on the export market were hardest hit, especially during the first six months of 2003, when global demand was slack.

In general, as prices stabilise, so do interest rates. The only risk in 2004 would arise from a sudden and substantial currency reversal. Despite some discernible pressure during the opening weeks of the year, the overall configuration of financial markets is in favour of currency stability.

With the establishment of a two-way view of the currency – largely as a result of changes in the

Real GDP growth



Source: IMF World Economic outlook – September 2003

prudential and policy environment, conventional economic wisdom would lead one to suggest that, increasingly, the volatility of the currency will diminish, thereby reflecting the ongoing normalisation of the foreign exchange market in South Africa. A key feature of this normalisation has also entailed the closure of the net open position and, indeed, the closure of the entire forward book of the South African Reserve Bank. This latter condition has in recent years been the Achilles heel of the domestic foreign exchange market.

With the South African government's delivery of infrastructure being substantially improved and, in particular, with the provincial governments being in better shape, it is likely that fiscal spending will begin to match budgetary allocations, with little, or at least less, money left unspent. This would lead to more effective fiscal policy.

After experiencing disappointing growth in 2003, South African growth prospects for 2004 are expected to be higher, and early projections indicate that growth could reach 3%. It is anticipated that this will initially be driven by domestic spending in the wake of the recent extensive interest rate cuts, but the global context of accelerated growth will prove crucial to sustaining national growth.

"Standard Bank has an important role to play in transforming and growing South Africa's economy by supporting black economic empowerment."

Derek Cooper, chairman.

Standard Bank embraces the challenges of transformation

During 2003, the financial sector developed and announced a voluntary charter as a framework to enable broad-based black economic empowerment. Through its challenges and opportunities, the Financial Sector Charter (charter) is set to become the most important vehicle for transforming the country's banking and financial services industry. We believe that Standard Bank has the vision, strategy and people to embrace the spirit and tenets of the charter to the benefit of all our stakeholders.

Standard Bank was intimately involved in the charter development process. The charter commits members of 11 key industry bodies, including the Banking Council of South Africa and its member banks, to focus on and achieve specific economic transformation targets, which are focused on creating greater opportunities for black people.

South Africa's racially based social and economic inequalities still inhibit the country's ability to reach its full economic potential as a large portion of its citizens are still, by and large, excluded from participating in the mainstream economy.

The charter will help to redress these past imbalances by promoting development, empowerment and reduction of inequalities and poverty in our society. The vision of the parties to the charter was to actively promote "a transformed, vibrant and globally competitive sector that reflects the demographics of South Africa, and contributes to the establishment of an equitable society by effectively providing accessible financial services to black people and by directing investment into targeted areas in the economy."

Group chairman, Derek Cooper, says the charter has transformed the way we think about banking and that it is set to stimulate meaningful transformation of our economy and society:

"Guided by the charter, Standard Bank has an important role to play in transforming and growing South Africa's economy by supporting black economic empowerment (BEE). We are rising to our BEE challenges, ever mindful of our ongoing responsibilities to deliver appropriate returns to our shareholders and to honour our commitments to our other stakeholders.

For such reasons, we were happy to have had our chief executive, Jacko Maree, in his capacity as chairman of the Banking Council, devote much of his time in 2003 to help negotiate the charter's framework, principles and content after many months of diligent efforts by the financial services industry. Jacko's role has been widely acknowledged and is something of which we are all justifiably proud."

Financial Sector Charter in a nutshell

Launched in October 2003, the charter was developed voluntarily by the financial sector for the financial sector.

The charter provides a framework to enable broad-based BEE. It establishes empowerment targets and responsibilities to enable the financial sector to track and evaluate BEE progress.

Jacko Maree in his capacity as chairman of the Transformation Committee of the Banking Council, presenting the charter to Finance Minister Trevor Manuel.

In terms of the charter, black people means all Africans, Coloureds and Indians and includes black companies.

Key charter areas

The charter covers six main focus areas:

- promoting diversity in human resources;
- advancing BEE procurement and enterprise development;
- increasing access to financial services and products;
- committing to support empowerment financing;
- facilitating equity-based ownership; and
- further advancing corporate social investment.

In order to calculate the group's performance against targets, each area is allocated a weighting in the balanced scorecard as set out alongside.

While Standard Bank has been active in many of these focus areas prior to implementing the charter, this has now been formalised and committed to by all members of the financial services industry, thereby giving true impetus to the sector's transformation.

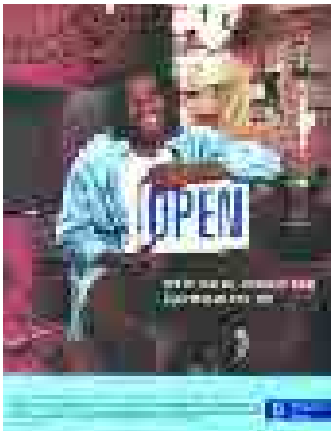
Standard Bank will be rated in terms of the scorecard for the first time at the end of 2004. Some of our achievements to date are as follows:

- black people comprise 58% of our South African staff and 30% of management;
- our procurement spend with BEE-accredited suppliers totalled R544 million;
- we continued to increase access to affordable banking and related financial services and products to lower income black people;
- we continued to fund BEE deals, infrastructure funds and other economic development initiatives;
- we have four black board members (24%);
- we formed a financial services BEE company, Andisa Capital;
- BEE company Safika acquired 25,2% ownership of Stanlib; and
- we dedicated R42 million to the corporate and social responsibility programme.

The scorecard

		Points
Human resources development (HRD)		**20**
Senior management	5	
Middle management	5	
Junior management	5	
Skills spend	3	
Learnerships	2	
Procurement and enterprise development		**15**
Access to financial services		**18**
Empowerment financing		**22**
Targeted investments	17	
BEE transactions	5	
Ownership and Control		**22**
Ownership	14	
Board of directors	3	
Executive management	5	
Corporate social investment		**3**
Scorecard total		**100**

Standard Bank brand



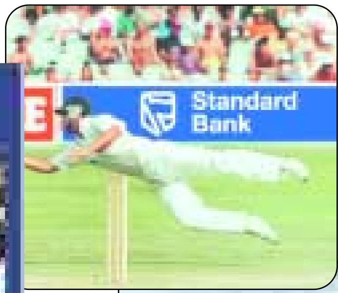
As an integral part of the fabric of South Africa for the past 141 years and represented in 38 countries, the Standard Bank brand continues to grow from strength to strength. The brand has been voted the number one financial services brand in the Markinor Brands and Branding Survey for the past seven years and also features in the Top 10 Most Admired and Trusted South African Brands rankings.

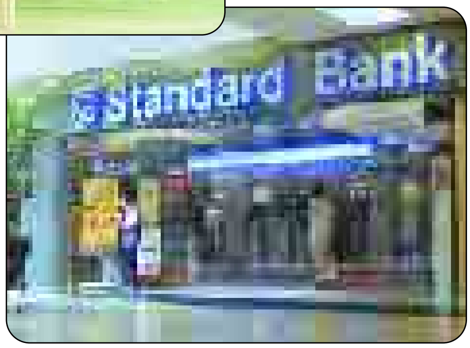
In an increasingly competitive financial services arena, branding has become more than a logo and campaign strap line. The Standard Bank brand is at the core of the organisation and the concept of making a real difference to all audiences, both internal and external, is the very essence from which strategies and communication are developed.

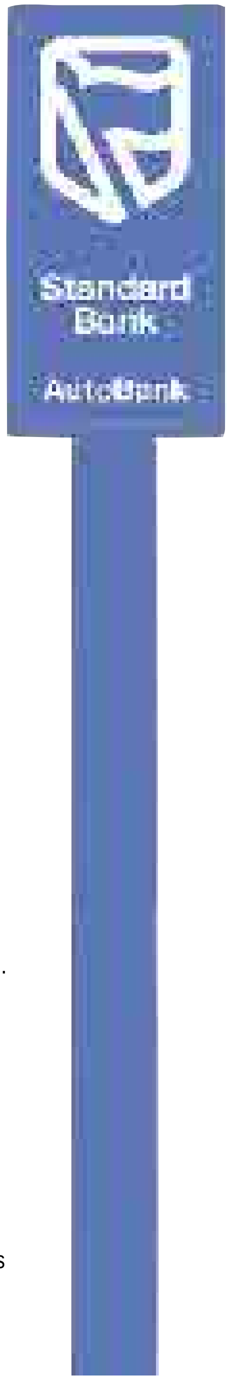
Following comprehensive research and analysis in 2003, both locally and internationally, a decision was taken to actively align our brand architecture and positioning to support one brand; Standard Bank. This means that divisions such as SCMB and Stannic, which previously had their own brand identities, have been brought under the Standard Bank umbrella brand and are now referred to as Corporate and Investment Banking and Vehicle and Asset Finance respectively.

The only exception is the use of the Stanbic Bank brand in the African operations outside of South Africa where Standard Bank is legally required to differentiate itself from UK-based Standard Chartered.

The realignment of Standard Bank's brand architecture and positioning supports the group's internal business strategy of continuously improving co-operation between the different business units to drive customer focus whilst delivering relevant and differentiated products and services.







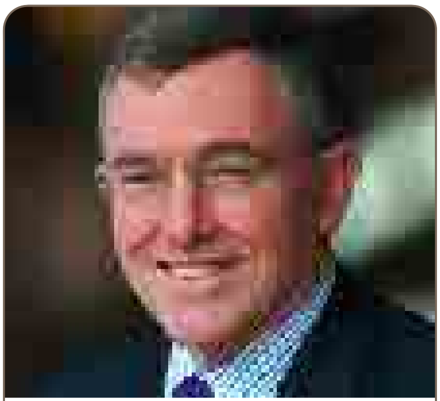
In addition, we use our corporate sponsorships to assist us to grow brand value. In 2003 a significant investment was made in the Cricket World Cup, which delivered value to the brand.

In 2003 three core strategies were driven from a marketing perspective across the group: to build one Standard Bank brand, to deliver across our three key audiences (customers, staff and investors) and to co-ordinate the marketing plans to integrate, align and focus our product, service and channel offerings.

The Standard Bank brand is more than a graphic representation of the organisation. It is an evolving aspiration that relies on ongoing understanding and engagement with customers and stakeholders. Standard Bank strives to understand the things that really matter in people's lives. This then enables us to make a real difference to customers, employees and opinion formers. Only by continuing to listen and respond effectively to their needs will we be able to deliver on our promise.

The group's strategy of incrementally building a portfolio of growth options across different financial products and markets has remained largely unchanged in recent years.

2003 Group review



Derek Cooper, chairman

Jacko Maree, chief executive

We are pleased to report that the Standard Bank Group continued its long-term growth trend by completing another successful year. The group's medium-term financial objectives published in the previous annual report were all met. The year was characterised by favourable domestic economic conditions and improvements in other markets in which the group operates. A significant feature of the year was the appreciation of the rand which enabled the South African Reserve Bank to close its forward book and increase its foreign reserves.

The group's efforts over the last four years to simplify its structures in order to align business activities on the basis of related customer and product groupings continued in 2003. These efforts are now visible and have contributed to the strong performance which is evidenced by better service to customers, increased business volumes and improved profitability.

A constant challenge in banking and financial services is to ensure that revenue opportunities are transacted at acceptable levels of risk, particularly during periods of strong business growth. Improved risk management has been a consistent factor in the group's financial performance in recent years and this remains a key focus area. The group's credit risk indicators reflected further improvements during 2003.

The group's strategy of incrementally building a portfolio of growth options across different financial products and markets has remained largely unchanged in recent years. Activities are now concentrated in three main areas: retail banking, wholesale banking and wealth management.

The domestic performance of Retail Banking was characterised by excellent loan growth and increased market share in key products. The division continues to focus on customer service leadership and on extracting further benefits from existing operations and expansion in Africa. Our competitive advantage in other African countries lies primarily within the retail arena and to this end, the alignment of sales, processing and risk management activities are well underway and executive management structures have been combined with those of Retail Banking. A sound operating performance in Africa was reduced on conversion of local currencies to the strong rand.

With respect to wholesale banking activities, the alignment of the domestic and international corporate and investment banking operations is proceeding well. Focus on customers and their product needs, rather than on geographic location, is now more evident. This is reflected in the significant increase in customer activity in our international operations, whose 2003 performance improvement was a particular highlight. Domestically, Corporate and Investment Banking continued its track record of leadership in providing banking solutions for corporate and institutional customers.

During the year the Business Banking division was successfully absorbed into either Retail Banking or Corporate and Investment Banking, depending on customer size and classification.

Liberty Group, the major component of our wealth management activities, reported reduced headline earnings in 2003. Standard Bank is now playing a more active role in supporting Liberty, evidenced by former deputy chief executive, Myles Ruck, being appointed as chief executive of Liberty. We believe Liberty and its bancassurance arrangements with Standard Bank offer great potential. Current initiatives in Liberty are focused on improvements in customer service, cost control and ensuring that the right management talent is in place.

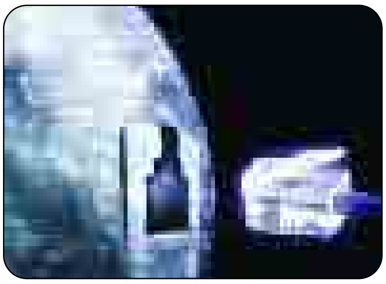
Financial Sector Charter

During the year, the South African financial sector developed and announced a voluntary charter as a framework to enable the development of meaningful black economic empowerment in the financial services sector. Standard Bank was intimately involved in the development of the charter and is fully committed to achieving the relevant targets set out in the charter scorecard.

The bank believes the charter reflects an appropriate balance between the mechanisms to redress the inequalities of South Africa's past and the ongoing stability of the banking industry. The charter should contribute significantly to the long-term sustainability of the South African economy.

Commitment to corporate governance and sustainability

Good corporate governance seeks to protect shareholders' interests by balancing entrepreneurial leadership with transparency and control mechanisms, without compromising value creation and efficient decision-making. We have enhanced our disclosure and information on risk management and corporate governance in this year's annual report. Once again, we have detailed our involvement with our stakeholders and communities in the sustainability report. These areas will continue to receive the board's attention to ensure continuous improvement.



Through our 17 operations in Africa (including South Africa), we are fully supportive of the New Partnership for African Development (Nepad). The successful implementation of this initiative, which aims to entrench good governance and democracy as well as restore existing and build new infrastructure, will benefit our businesses on the continent.

In the broader context of normalising South Africa's business environment, we were pleased with the formation of Business Unity of South Africa (BUSA) which brings all South Africa's significant representative business bodies under one umbrella organisation. It is important that the voice of business in the National Economic Development and Labour Council (Nedlac) is a strong one and we are confident that BUSA, with the support of the broader business community, is now able to fulfil this function.

The Standard Bank brand

Standard Bank is committed to a single-brand strategy. SCMB has changed its name to Corporate and Investment Banking and Stannic to Vehicle and Asset Finance, both operating under the umbrella brand of Standard Bank. The only exception is the use of the Stanbic Bank brand in certain of our African operations where we are legally required to clearly differentiate ourselves from UK-based Standard Chartered.

Prospects

Sound economic fundamentals, together with low inflation and lower interest rates in South Africa, are expected to support further growth in credit demand, although at a lower rate than that experienced in 2003.

The performance of our domestic business remains particularly sensitive to net interest margins. Should interest rates remain at current levels, domestic margins will be narrower than in 2003, as less interest will be earned on transactional deposit balances and capital. It is, however, expected that lower credit losses and the current momentum of strong asset growth will partly compensate for this effect. Reduced cost growth in a lower inflationary environment should also provide further assistance in maintaining domestic financial performance.

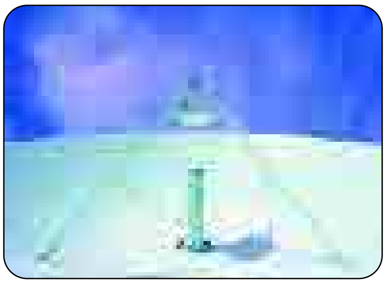
The positive outlook for emerging markets is likely to continue into 2004 and should assist in sustaining earnings in dollar terms from International at around 2003 levels. Earnings growth in Africa will benefit from the newly acquired operations in Botswana and Moçambique.

The challenges in the year ahead will be demanding, but the group's diverse spread of business, quality of staff and strong brand should result in the group producing returns to shareholders in line with our published objectives. Standard Bank's principal financial objectives for 2004 remain unchanged at a return on equity of 20% and headline earnings growth of inflation (CPIX) plus 10 percentage points.

Directorate

We thank the board for their support and continued substantial contribution to the group's well-being.

There are several changes to report at board level. Graham Mackay resigned as joint deputy chairman and from the board in June due to his increasing international business commitments. We would like to thank him for his invaluable contribution to the group. At the same time Saki Macozoma entered into a business relationship



with the group as a shareholder in Andisa and Stanlib and consequently also resigned as joint deputy chairman. Saki remains a valued member of our board.

New appointments were made to the board to improve the composition in terms of both skills and diversity. Trevor Evans, Thulani Gcabashe, Sir Paul Judge, Kgomotso Moroka, Chris Nissen and Sir Robert Smith agreed to join the board in July. We welcome these new members of the board and look forward to their contribution. Details of these new directors are set out in the notice of the annual general meeting.

Employees

As a group whose primary asset is its people, we are constantly focused on attracting and retaining the top talent in our industry. During the year the appointments of deputy managing directors in Retail Banking (Sim Tshabalala, 36) and Corporate and Investment Banking (Dave Munro, 33) were announced and illustrate the emphasis placed on succession planning in the group.

We would like to thank our employees, without whom our achievements would not be possible. The enthusiasm with which they run this business is truly outstanding. Their commitment to do what is right for our customers and shareholders should enable Standard Bank to rise to the tremendous opportunities which lie ahead.

Shareholders

Finally, to our shareholders, we thank you for your continuing support and, once again, assure you of our commitment to the continued creation of shareholder value.

Derek Cooper, chairman
Jacko Maree, chief executive

Priorities for 2004

The priorities of 2004 are an extension of those we set out for 2003:

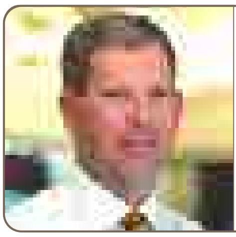
- continue to focus on customer service;
- implement the charter;
- expand our retail presence in Africa by broadening our product range and geographic reach while continuing the alignment with domestic retail operations;
- selectively search for acquisitions in Africa;
- leverage off International’s existing skills base in chosen emerging markets;
- derive further benefit from the alignment of the group’s wholesale banking operations; and
- achieve the group’s medium-term financial objectives.

Executive management

Chief executive

Jacko Maree 48
Group chief executive
BCom (Stellenbosch)
MA (Oxford) PMD (Harvard)
Appointed 1999

Major operating units



Peter Wharton-Hood 38
Managing director
Retail Banking
BCom (Hons) (Wits) CA (SA)
Appointed 2001

Retail Banking

Banking, investment, insurance and other financial services to individual customers and small to medium-sized enterprises throughout South Africa.

Sim Tshabalala 36
Managing director
Africa
BA LLB (Rhodes) LLM
(University of Notre Dame USA)
H Dip Tax (Wits)
Appointed 2001

Africa

Retail, commercial and investment banking services in 16 African countries outside of South Africa.

Ben Kruger 44
Managing director
Corporate and Investment Banking
BCom (Hons) (Pretoria)
CA (SA) AMP (Harvard)
Appointed 2002

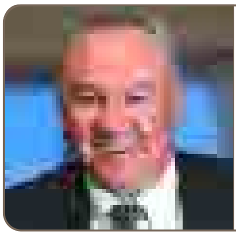
Corporate and Investment Banking

Commercial and investment banking services to larger corporates in South Africa, foreign banks and international counterparties.

Rob Leith 41
Chief executive
International
BCom (Hons) (UCT) CA (SA)
Appointed 2003

International

Investment banking activities focused on developing markets and natural resources through offices in 21 countries outside Africa.



Myles Ruck 48
Chief executive
Liberty Group
BBus Sc (UCT) PMD (Harvard)
Appointed 2003

Liberty (effective holding 29,6%)

Value-added financial and associated non-banking services both locally and internationally.

Other executive functions

Iraj Abedian 48
Economics
BA (Hons) MA Econ (UCT)
PhD (Simon Fraser)
Appointed 2000

Chris Lombard 57
Retail Credit
BA (Hons) (Stellenbosch)
PMD (Harvard)
Appointed 2000

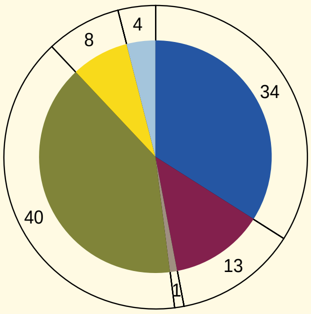
Sipho Ngidi 48
Human Resources
BAdmin (Zululand) BCom (Hons) (Natal)
Appointed 2001

Dipak Patel 40
Vehicle and Asset Finance
MBA (Wits) MSc (London)
Appointed 2002

Simon Ridley 48
Finance
BCom (Natal) CA (SA)
AMP (Oxford)
Appointed 2002

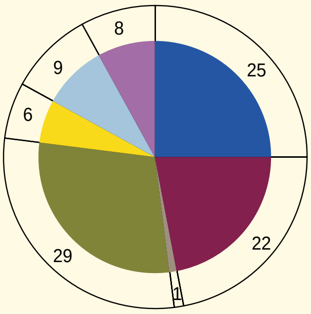
Paul Smith 49
Risk
BCom (Natal) CA (SA)
Appointed 1999

Contribution to headline earnings in 2003



- Corporate and Investment Banking: 34% (2002: 35%)
- International: 13% (2002: 8%)
- Stanlib: 1% (2002: 1%)
- Retail Banking: 40% (2002: 41%)
- Africa: 8% (2002: 9%)
- Liberty: 4% (2002: 6%)

Composition of average equity in 2003



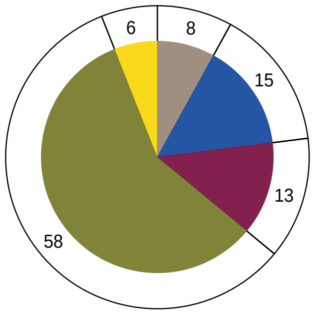
- Corporate and Investment Banking: 25% (2002: 22%)
- International: 22% (2002: 26%)
- Stanlib: 1% (2002: 1%)
- Retail Banking: 29% (2002: 27%)
- Africa: 6% (2002: 7%)
- Liberty: 9% (2002: 9%)
- Central funding: 8% (2002: 8%)

The nationwide campaign to enhance our service ethos and create a more vigorous sales culture is starting to produce results.

How we did

	2003	2002
Net advances (Rm)	**112 751**	88 502
Headline earnings (Rm)	**2 542**	2 162
ROE (%)	**32,3**	31,1
Cost-to-income ratio (%)	**60,2**	60,8
Headline earnings contribution (%)	**40**	41

Revenue streams (%)



Dedicated efforts lift earnings

Retail Banking increased headline earnings by 18% to R2 542 million in a highly competitive South African banking sector. The business unit performed well by:

- increasing market share for several products;
- improving customer service;
- building on a robust brand;
- refining credit control and risk management systems;
- strengthening staff teamwork, morale and incentives, especially in the sales and service environment; and
- advancing information technology and support infrastructure, including our electronic commerce offering.

In line with our Simpler. Better. Faster. payoff line, Retail Banking has enabled the Standard Bank brand to become more tangible and beneficial to its diverse customer base.

Keener focus on building customer satisfaction

The nationwide campaign to enhance our service ethos and create a more vigorous sales culture is starting to produce results. Key to this initiative has been the implementation of a refined sales measurement and analysis system. The three strongest performers were the Card division with card sales up by 66%, Home Loans where grants were up by 32% and Branch lending with facilities granted up by 42%.

At the beginning of 2003, the Business Banking division was restructured and the small to medium client segment was transferred to Retail Banking. These operations have been integrated effectively. This initiative has ensured that customers are introduced to appropriate relationship managers who address their needs more effectively and efficiently.

Home Loans recorded growth in registrations well ahead of property inflation, which resulted in the year end book growing by 33% to R63 billion. This growth is attributed to maintaining new business market share of 25% on total market new business of R105 billion, while keeping the book fall-off lower than that of competitors.

Total average assets grew by 23% to R102 billion. This increase was experienced across all customer segments and was achieved without compromising our robust credit criteria and stringent compliance and risk management processes.

Using a sophisticated customer service satisfaction model, we have improved service levels in most branches. Our Customer Evaluation of Branch Service (CEBS) scores improved from an average of 8,28 to 8,54. The bank also won the Banking Adjudicator's Award for Excellence in Dispute Management.

Market share growth through external channels increased marginally compared with internal channels to 65% of registered new business (2002: 62,5%), with 35% being achieved through independent originator groups and the balance of 30% through Standard Bank mobile sales force relationships with independent estate agents. Retail market share at December 2003 was 20% compared with 17% for 2002. Credit losses continue to improve with reductions in the size of the legal, pre-legal and properties in possession (PIP) portfolios. Non-performing loans were 2,8% (2002: 3,5%) of the book at year end.

Vehicle and Asset Finance has grown its loan book by 24% to R28,2 billion, boosted by the reduction in interest rates and an increase in market share to 21% (2002: 20%). The business mix has improved with good growth being achieved in the capital goods, aircraft and office automation sectors. The credit loss ratio has increased marginally, although the ratio remains low and well within the industry average. The continuous focus on managing our customer base has resulted in sales to existing customers now comprising 64% of new retail business. A further benefit of improving the ratio of sales to existing customers is that default experience is significantly lower for Standard Bank customers. The name Stannic was changed to Standard Bank Vehicle and Asset Finance from 1 March 2004.

Other lending products achieved 14% growth in loans mainly due to strong growth in the personal segments assisted by the declining interest rate cycle. Scorecard improvements have been made to facilitate the introduction of a risk-based approach to customer pricing. Involvement by credit management earlier in the collections process has resulted in non-performing loans reducing from R885 million to R611 million.

Card division increased its market share to 29% (2002: 25%) with 272 000 card accounts opened compared with 164 000 in 2002. Debit balances have grown by 28% to R5,6 billion mainly due to significant new business volumes generated through the branch network, as well as increased cardholder sales. Card turnover has grown by 17%.

Transaction products increased the number of active current accounts by 8% compared with the prior year growth of 1%. This growth was mainly experienced in the Affinity and SME segments. Transaction deposit account balances increased by 15% (predominantly due to the 20% increase in term deposits) as a result of the greater number of accounts and higher average balances. Active E Plan accounts grew by 13% from 2,45 million to 2,76 million.

The total ABIL joint-venture micro-loan book balance at year end was R380 million. A controlled and cautious, but innovative microlending approach ensures that profitability is maintained.

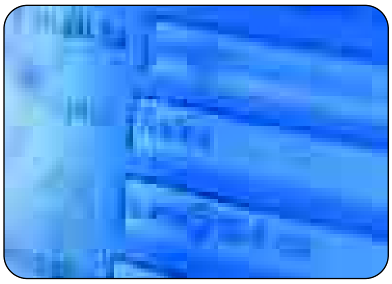
Bancassurance achieved a solid performance with embedded assurance products' commission increasing by 47%, mainly attributed to good performance in the mass market and home loan products. The comparatively modest 1% increase in first-year commission for complex life assurance products was affected by investment markets' disappointing performance.

Higher growth rates can be achieved in this product portfolio during the ensuing months as investment market conditions improve and new opportunities arise to build our alliance with Liberty.

Distribution

The automated teller machine (ATM) network was strengthened with the addition of 133 ATMs in response to customer demand, bringing the total number of ATMs to 3 097. Through our strategically located branch network, we have gained significant ground in growing our mass market presence and, to this end another 14 Auto E service centres were established.

Growth in online applications for products and services has been excellent and, by December,



we had achieved a 26% growth in our Internet banking subscriber base to 287 000 customers.

Continually striving for improvement

Retail Banking continues to analyse its sources of revenue, missed revenue opportunities, profit opportunities and internal inefficiencies. The goal is to maintain a balance between distribution, products and customer requirements.

Other current initiatives aimed at improving efficiency and service include:

- strengthening our bancassurance partnership, with 84% of business currently being placed with Liberty;
- aligning the former Business Banking, Agricultural and the SME operations into one business;
- closer alignment of the vehicle and asset finance sales and support functions to those of the other Retail Banking functions;
- simplifying pricing and ensuring fee structures are transparent;
- aligning more closely the Retail Banking and Retail Credit operations and unlocking process improvements for both operations; and
- consolidating 11 provincial structures into three major provincial offices to improve teamwork, communication, service and efficiency.

Expansion of African retail operations

As the group expands in Africa, we have a unique opportunity within our strategic objectives to align the activities in different divisions wherever feasible. In this way, we can leverage off centres of excellence, avoid duplication, reduce costs and manage risk consistently.

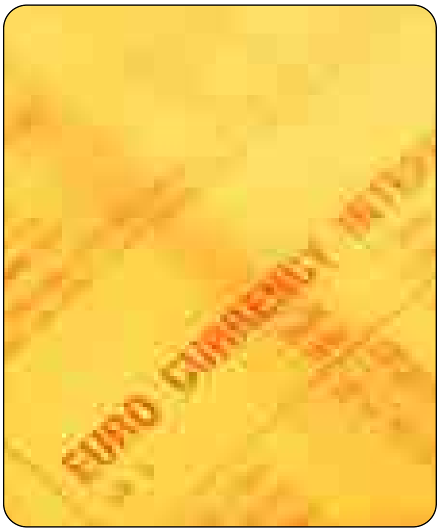
To promote greater co-operation and consistency, Sim Tshabalala, managing director of our African operations, has also been appointed deputy managing director of Retail Banking.

Information technology developments

Several new information technology (IT) systems and system enhancements were successfully integrated. The most notable projects were an improved disaster recovery process and the “bank at any centre” service offering, which enables customers to process home branch transactions at any point of representation. The integration of card processing has been successful since reassuming this previously outsourced administrative function from EDS. We also implemented additional Internet banking security measures.

Priorities for 2004

Our key priorities for 2004 include initiatives to: • contain costs and maintain margins in an environment of lower inflation and interest rates; • transform customer feedback into more productive ways of meeting their needs; • sustain higher sales and service levels without compromising risk and cost management criteria; • implement a new and enhanced branch delivery and support system in keeping with our practice of continuous IT improvement; • explore new retail opportunities in other African countries; • expand our mass market offering; and • implement systems and programmes to meet the charter’s requirements.

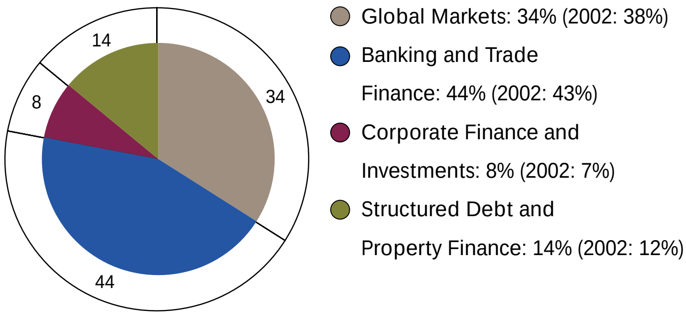


Strategic goals and objectives are motivated by the desire to develop a strongly client-focused and globally integrated business.

How we did

	2003	2002
Net advances (Rm)	**57 178**	53 625
Headline earnings (Rm)	**2 150**	1 814
ROE (%)	**31,5**	31,7
Cost-to-income ratio (%)	**44,4**	44,5
Headline earnings contribution (%)	**34**	35

Revenue streams (%)



Sound focus ensures further growth

In pursuit of continued good performance and improvement in core businesses, the Corporate and Investment Banking business again contributed appreciably to group income in 2003. Headline earnings rose by 19% to R2 150 million with all major businesses contributing positively. Revenue, once again, was diversified and well balanced across the main income streams of net interest income, trading revenue, fees and commission and other income, although trading revenue was below the record level achieved in 2002.

Credit losses reduced substantially due to further improvements in risk management and credit control processes together with a high level of recoveries. Costs increased by 8% primarily as a result of additional investments in key information technology projects, client-focused management information systems

and specialised skills needed to maintain high standards of risk management, client service, business innovation and all-round competitiveness.

Corporate and Investment Banking's strategic goals and objectives are motivated by the desire to develop a strongly client-focused and globally integrated business, extracting greater value out of existing capital activities and infrastructure.

Sharper customer focus

Intense focus on our clients is a business strategy that puts our clients first and positions the Corporate and Investment Banking business to improve earnings from clients. During the year, a new-generation customer relationship management system was successfully implemented. The keener drive to satisfy customer requirements has also created unprecedented levels of dedicated virtual teamwork.

Global integration

Good progress has been made in alignment with international operations. A number of key global appointments have been made in order to facilitate the running of businesses along global product lines. Integration will continue to be an important theme in the next few years as we leverage off the appropriate group platform in both business and support.

Global Markets

All units in Global Markets met or exceeded expectations in 2003 with the exception of the rand interest rate trading area. Downward restatements to CPIX and rand strength led to larger and faster than anticipated reductions in interest rates which negatively impacted the unit's trading revenues. Equity Derivatives performed on target despite depressed market conditions and increased competition.

The Money Market and Commodities trading units fared particularly well and exceeded expectations. The Fixed Income unit was voted first for the second year in a row at the annual BESA Spire Awards. The Primary Markets unit also won Spire awards for the best bond issue and innovator of the year for the Eagle Bonds transaction. Foreign Exchange revenues were again strong as the unit took advantage of the underlying currency and interest rate trends. The client franchise continues to grow favourably in an increasingly competitive environment.

Banking and Trade Finance

The year proved to be successful for Banking and Trade Finance, which produced good results

in a period that saw, among other highlights, the successful integration of the mid-sized corporate market, which previously was separately operated in the Business Banking division. Despite a reduced and highly competitive interest rate environment, overall business volumes were marginally improved, with deposits showing good growth and resulting in a strong margin performance.

The overall quality of the asset book remains sound. Once again, cash and cheque volumes showed good increases, but trends of migration to electronic channels and significant competitive pressures dampened growth in fee revenues.

The International Business Centres launched the International Trade System (ITS), an Internet-based foreign trade system.

International Banking Services' performance was particularly good in Africa, Latin America and the Middle East. Strong inroads were made into corporates requiring exchange control services and two successful syndicated loans were arranged.

During 2003, a comprehensive strategic review of the bank's online business services was conducted. This review resulted in the development of the bank's online strategy for the wholesale market in Africa and elsewhere in the world and the establishment of a new Corporate Payment Solutions unit to develop innovative transactional solutions for top-tier clients. Business Online was rated the preferred business electronic service in the annual BMI Technology survey.

The custody and securities lending business was rated as the most improved custodian in emerging markets by the international publication, GSCS Benchmarks, and the top custody services bank in South Africa by the Global Custodian magazine. In line with the investment markets, transaction volumes were lower than for 2002, with an improvement reported towards the end of 2003. With assets under custody now at a record level, the outlook for 2004 is positive.

Structured Debt and Property Finance

Structured Finance reported strong growth during the latter half of 2002, which was continued into 2003. The division was awarded, in partnership with Tri-linear Specialised Finance, the Airfinance Journal Middle East and African Deal of the Year 2003 award for financing the US$120 million delivery of one of South African Airways' three new Airbus A340-600 passenger aircraft.

Project Finance grew loans by 32%. The division won three key Project Finance magazine 2003 awards for deals of the year: the Middle East-African Telecoms, Mining and Public Private Partnership deals of the year. The focus for most project finance transactions remains in four key economic sectors: energy; infrastructure; mining; and telecommunications.

Properties posted excellent results with lower interest rates impacting favourably on the property market and the listed property sector. Headline earnings increased by 45% through steady loan growth, cost containment and profits from joint ventures and listed property investments.

Corporate Finance and Investments

Corporate Finance had a successful year with record advisory fees and investment banking profits. Significant BEE deals completed included the formation of Andisa Securities and the Stanlib empowerment transaction. The Capital Investment division, which manages the group's private equity interests, also had a profitable year with the sale of investments in Prochem and Wetherlys and is well placed for sound performance in 2004.

Transformation

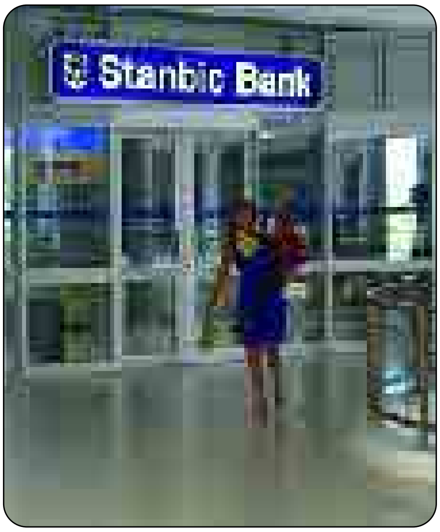
The bank has actively pioneered transformation in South Africa through its leading role in facilitating and structuring black empowerment initiatives. Through an extensive network of key clients drawn from a broad spectrum of the economy, we have participated in numerous groundbreaking transactions. We believe that successful BEE will lead to enhanced business flow with multiple revenue streams.

Risk management and support services

Risk management remains a core focus within Corporate and Investment Banking and the investment in skilled resources and technology systems is key to the bank's ongoing success. Talent development and retention is being conducted hand-in-hand with our ongoing employment equity drive.

Priorities for 2004

Our key priorities for 2004 are an extension of those from 2003 and include initiatives to:
- position the business for both internal and external transformation and promote management of employee talent, with specific focus on the charter;
- reinforce appropriate alignment with the group's international and African wholesale operations, enabling the businesses to operate along global product lines;
- maintain focus on client service through the customer relationship management system; and
- continue focused investments in back office, front office and risk systems.

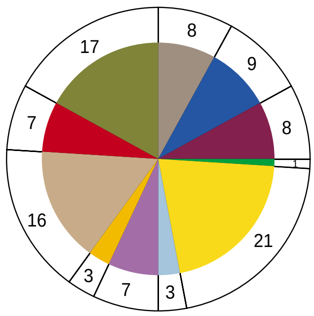


Focused investments were undertaken to improve service, introduce new products and upgrade technology platforms and risk management systems.

How we did

	2003	2002
Net advances (Rm)	**10 674**	8 886
Headline earnings (Rm)	**489**	482
ROE (%)	**28,3**	27,4
Cost-to-income ratio (%)	**57,2**	60,8
Headline earnings contribution (%)	**8**	9

Revenue streams (%)

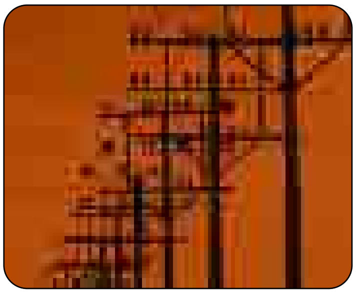


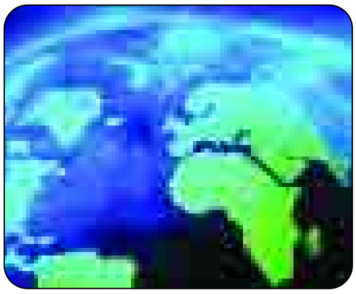
- Botswana: 8% (2002: 7%)
- Lesotho: 9% (2002: 8%)
- Malawi: 8% (2002: 12%)
- Mauritius: 1% (2002: 1%)
- Namibia: 21% (2002: 20%)
- Nigeria: 3% (2002: 3%)
- Swaziland: 7% (2002: 7%)
- Tanzania: 3% (2002: 5%)
- Uganda: 16% (2002: 17%)
- Zambia: 7% (2002: 8%)
- Other: 17% (2002: 12%)

Earnings maintained despite significant rand strength

Africa continued to expand its products and strengthened its base of corporate and individual customers. As a result of many of the countries in which we operate having US dollar-based economies, the growth in rand profits was hampered by the appreciation of the rand against the US dollar. Consequently, Africa's contribution to group headline earnings increased only marginally to R489 million. Local currency earnings growth was good in most countries.

Uganda, Botswana, Namibia and Swaziland all experienced good growth in their advances books, resulting in higher levels of net interest income. A marked increase in non-interest revenue was achieved in Botswana, Lesotho and Swaziland. Strong revenue growth enabled the following countries to increase local currency





headline earnings – Uganda by 33%, Botswana by 38%, Lesotho by 102%, Namibia by 9% and Swaziland by 32%.

Management changes in Tanzania assisted in this operation becoming profitable in 2003. Despite Malawi incurring significant rebranding costs during the year, the operation managed to increase local currency earnings by 27%. Rapidly declining interest rates affected operations in Zambia and Kenya, resulting in a decline in earnings compared with the prior year. Headcount in the important central functions of risk, finance and operations was increased to improve the resilience of our processes and this had some impact on costs. Revenue growth from the investment in retail banking in selected countries should materialise in the medium-term.

Provisions for credit losses have increased substantially compared with the prior year. This was mainly due to the elimination of increased Zimbabwe profits through the provisioning line. A review of a number of books was also conducted and subsequent provisions raised, as well as a lower charge in Uganda and Kenya in the prior year. Accordingly, provision levels have increased but the non-performing book has shown significant improvement with non-performing loans reducing to 2,3% from 3,1% in the previous year.

Two acquisitions were completed during the period and will contribute to Africa's results in 2004. Our investment in Banco Standard Totta de Moçambique (BSTM) was increased from 40% to 96%. The acquisition of Investec Botswana in the latter half of the year helped grow retail banking assets in this operation.

Drive to enhance systems, skills and service

We continued to undertake focused investments to improve service, introduce new products and upgrade technology platforms and risk management systems in line with our pursuit of sustainable growth and continuous operational improvement. The head office employee complement was increased to support the new matrix management structure. This new structure was implemented to improve knowledge management, increase speed to market and reduce costs.

In a significant move to achieve desired banking structures and service offerings, Africa segmented its banking operations into retail and wholesale operations. All retail banking operations have since been aligned with the operating processes and procedures of Retail Banking in South Africa. Africa has also implemented the Corporate and Investment Banking Treasury sales model in the common monetary area countries and in Botswana and Kenya.

Key computer systems were upgraded to enable greater system up-time and to create additional systems capacity to handle increased volumes of customers and transactions and enhance risk management capabilities. The most recent version of Bankmaster is now fully operational in all countries in which we operate.

A major project to expand the installation of ATMs was successfully completed. In Uganda, for example, the ATM network was enhanced and enabled us to achieve the highest ATM up-time of all banks operating in that country. The first phase of the project to enhance our wholesale electronic banking offering (CATS) has been implemented in 11 countries.

Launch of integrated marketing and sales campaigns

Integrated marketing and sales campaigns were run for the first time – with encouraging results. In most countries, the bank continues to grow its customer base and market share, while also promoting migration to online channels, building stronger employee skills at all levels and creating tighter risk management systems. Such key benefits will enable the bank to reduce operational costs appreciably, while also improving customer service.

While exchange rate fluctuations will most likely continue to pose challenges in the year ahead, Africa is committed to expanding its contribution to group earnings through a combination of extracting efficiencies in existing operations, organic growth and acquisitions. To this end, we are focused on increasing non-interest revenue, maintaining stringent cost control and high standards of risk management. The introduction of new wholesale and retail products and further enhancement of business processes and systems are expected to produce higher revenue growth. Trends experienced on the African continent of economic restructuring and liberalisation; high economic growth rates; ongoing infrastructural development; the inflow of donor and aid funds; and the growing demand for international banking products and financial services, will all support growth.

Priorities for 2004

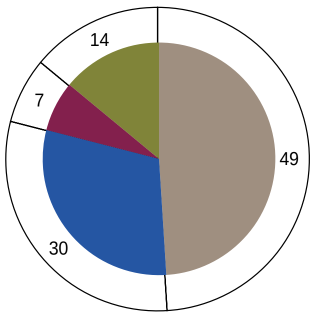
Our key priorities for 2004 include initiatives to: • increase focus on income generation from non-interest revenue; • further segment the business into retail and wholesale and introduce new products into both segments; • implement the Corporate and Investment Banking Treasury sales model in all countries; • implement a refined South African bancassurance model in phases throughout our retail banking operations; • expand and upgrade branch and ATM networks; and • continue the selective search for acquisitions.

Supported by the growing reputation of the Standard Bank brand within our selected international markets, we continued to build on our developing markets and natural resources franchise.

How we did

	2003	2002
Headline earnings (Rm)	**866**	429
Headline earnings (GBPm)	**70**	27
ROE (%)	**14,7**	6,3
Cost-to-income ratio (%)	**61,2**	71,4
Headline earnings contribution (%)	**13**	8

Revenue streams (%)

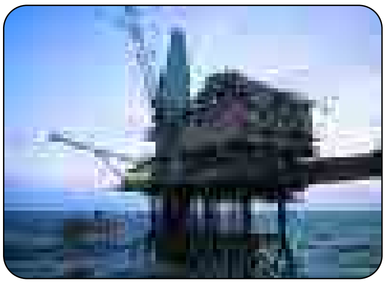


Commodities and Resource Banking: 49% (2002: 44%)
Global Markets: 30% (2002: 28%)
Banking and Trade Finance: 7% (2002: 12%)
Fund Management: 14% (2002: 16%)

Global strategy unlocks further growth

All core product areas and major regions of International performed well in 2003. Headline earnings increased by 102% to R866 million as a result of improved market conditions, increased customer flows and enhanced regional and product penetration. In UK sterling terms, earnings rose by 158%.

Supported by the growing reputation of the Standard Bank brand within our selected international markets, our international franchise remains strongly focused on developing markets – principally on debt and currency products in those markets – and on natural resources. These are areas in which International's capabilities and profile are already well established, and upon which we continue to build and develop.



Overall market conditions in these areas were favourable throughout the year.

Client base expanded

All major businesses enjoyed increased volumes in 2003, marked by strong growth in customer revenues. This is in line with International's efforts to further develop its client relationships. Greater focus on cross-selling is producing encouraging results.

The management team was bolstered by a number of senior appointments within the International network. These included the recruitment of key global product and infrastructure heads to serve across both international and South African investment banking. Such appointments reinforce the ongoing process to optimise alignment in the group-wide corporate and investment banking operations.

A systematic upgrade of International's infrastructure and systems was commenced in order to enable greater product sophistication and improve risk management and customer relationship management. This process will continue for the next few years.

Enhanced geographic penetration

All core product areas extended their regional penetration. Our regional footprint includes Latin America, Central and Eastern Europe, the Former Soviet Union, the Middle East, South-East Asia and China.

The establishment of new investment banks in Brazil and Russia is expected to yield positive results during 2004. The upgrade to licenced banks enables the group to participate in developing local debt capital and currency markets in these two countries.

Global Markets

The Global Markets division, comprising the bank's client-driven capital markets and treasury activities, delivered strong revenue growth across all product lines.

The bond origination group recorded an excellent year on the back of strong issuance out of Latin America. Standard Bank is now considered a leader in this market in Brazil, having topped the 2003 league tables for the arrangement of Brazilian non-public international bond issues.

The local markets and sales/trading businesses continued to grow, supported by an enhanced product range and greater geographic penetration. The foreign exchange and money market activities reported increasing volumes, with further strengthening and diversification of the customer base. The client financing business enjoyed a good year, despite increased competition and tightening spreads.

The principal trading activities produced very strong results, with the fixed income unit boosted by the general resurgence in emerging markets. The equity derivatives trading unit generated a healthy performance in its first full year of operations.

Commodities and Resource Banking

This division enjoyed a record performance, with superior results from both our precious and base metals interests. Markets for both classes were buoyant for much of the year and helped to facilitate a significant increase in client activity.

Regional expansion of our precious metals activities continued to contribute to increased business flows. Whilst physical bullion demand dropped off in the Middle East, activity in Eastern Europe and in Asia continued to grow. In the base metals arena, International's position as one of the market leaders is complemented by a geographical strength in the key commodity countries of Russia and China.

Mining finance and structured commodity finance also experienced strong growth. Further strides were made in advancing the bank's oil and gas business.

Banking and Trade Finance

The Banking and Trade Finance businesses, including forfaiting, syndications and telecommunications finance, experienced consistent deal flows.

The African trade finance business continued to develop opportunities in conjunction with the Africa network and Corporate and Investment Banking. The telecommunications finance unit extended its African market leadership position to other developing markets, particularly Eastern Europe, closing a number of substantial syndicated financing transactions.

The forfaiting and syndications business maintained overall volumes as well as its market leadership position.

Fund Management

The wealth management businesses, including private client services and asset management, generally performed well. Significant advances were made in developing private client activities through our international networks. The private banking operations comprising Standard Bank Offshore Group, however, came under earnings pressure due to reduced margins in the low interest rate environment.

The asset management business, which focuses on managing third-party fixed income funds, enjoyed a strong inflow of new business.

Priorities for 2004

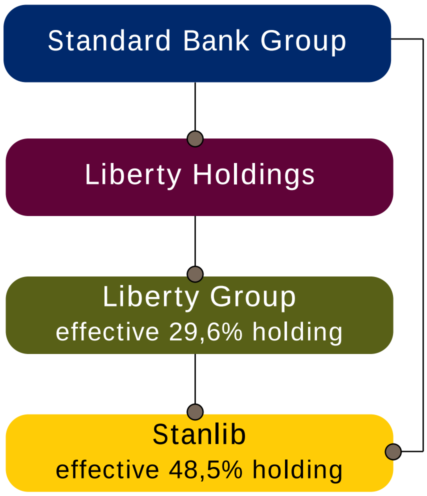
Our key priorities for 2004 include initiatives to: • further enhance client focus; • sustain focus on core product areas; • develop our banks in Hong Kong, Brazil and Russia and leverage client flows through these operations; • extend efficiencies through improved resource utilisation; • reinforce appropriate alignment with the group's domestic and African wholesale operations, enabling the businesses to operate along global product lines; and • reinforce information technology and back-office infrastructures together with Corporate and Investment Banking.

Net cash flows from insurance operations were positive which was encouraging.

How we did

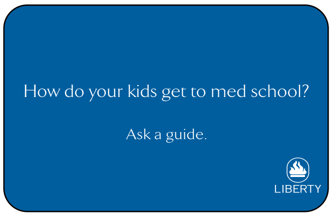
	2003	2002
Total assets (Rm)[1]	**96 558**	86 260
Headline earnings (Rm)[1]	**949**	1 069
Total embedded value (Rm)[1]	**15 817**	15 127
Premium income and inflows from investment contracts (Rm)[1]	**18 122**	16 415
Capital adequacy requirement (times covered)[1]	**2,6**	3,0
Headline earnings attributable to Standard Bank (Rm)	**270**	298
Headline earnings contribution (%)	**4**	6

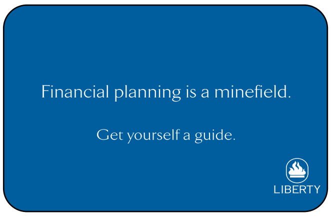
[1] Liberty Group as published

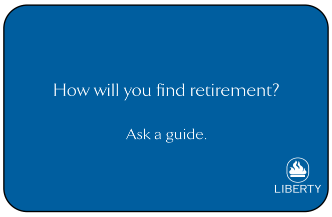


Background

The life insurance industry experienced a difficult year in 2003. In an environment characterised by volatile equity markets and continued strengthening of the rand, investors became increasingly risk averse and the flow of money into alternative investments such as money market funds increased steadily throughout the year. New compliance and regulatory requirements, while necessary for the protection of the investing public, increased the cost base of life assurers and diverted much management time and attention from the business.







Performance highlights

Against this background, Liberty finished the year with a creditable overall performance. Indexed new business grew 5% year on year, from R3,6 billion to R3,8 billion. Market share in new single premium business (including Charter Life) increased from 20,2% to 22,4%, which helped restrict the decline in absolute value in this business given that the single premium market declined as a whole. The value of new business was up marginally from R604 to R608 million and margins remained constant at around 20%. Net cash flows from insurance operations were positive at R4,5 billion – much the same as the previous year – which was encouraging given the negative outflows experienced by other large players in the industry. Post AC 133, headline earnings were down 11% and the company remained strongly capitalised at 2,6 times – from 3,0 the previous year. Liberty's dividend was maintained at the same level as in 2002.

Stanlib

Stanlib has now completed the merger of the asset management businesses of Liberty and Standard Bank. While the merger consumed some management attention, net assets under management grew from R149 billion to R178 billion, of which R12 billion was attributable to net new cash inflows. Towards the end of last year, the appointment of Bruce Hemphill as full time CEO of Stanlib was announced. The business is now focused on delivering returns for policy and unit trust holders.

The year ahead

There have been initial signs of improving investor confidence and should this continue, increased new business volumes are expected in the months to come. Should growth in financial markets continue at 2003 levels during 2004, headline earnings for 2004 are expected to reflect a real increase over 2003. The focus areas for 2004 reflected below are not complicated. They are premised on the understanding that everything we do must focus on adding value for customers.

Priorities for 2004

Our key priorities for 2004 include initiatives to: • improve service levels; • reduce costs; • concentrate on existing domestic operations including new market segments within these operations, and Africa; • put emphasis on people; • manage the capital position; • implement the charter; • reposition the brand; and • focus on product development.

Board of directors

From top, left to right:

1. Doug Band 59
BCom (Wits), CA (SA)
Appointed: 1997

Directorships: Standard Bank Group, The Standard Bank of South Africa, Stanlib, Tiger Brands, Business Against Crime South Africa, MTN International, MTN Group, The Bidvest Group
Member: Group audit committee, directors' affairs committee, group remuneration committee, group credit committee, Africa credit committee

2. Elisabeth Bradley 65*
BSc (Free State), MSc (London)
Appointed: 1986

Directorships: Standard Bank Group, The Standard Bank of South Africa, Wesco Investments (chairman), Toyota SA (chairman), The Tongaat-Hulett Group, Sasol, Anglogold, Metair Investments
Member: Group audit committee, directors' affairs committee

3. Derek Cooper 63*
CA (SA)
Appointed: 1993

Directorships: Standard Bank Group (chairman), The Standard Bank of South Africa (chairman), Standard Bank London, Liberty Holdings (chairman), Liberty Group (chairman), Reunert (chairman), Business Unity South Africa (vice president), Business Trust
Member: Directors' affairs committee (chairman), group risk management committee, group remuneration committee, transformation committee, group credit committee (chairman), Africa credit committee

4. Trevor Evans 59*
BSc (Rhodes), Executive Programme (Marketing) (Cape Town), Executive Programme (Stanford)
Appointed: 2003

Directorships: Standard Bank Group, The Standard Bank of South Africa, BlowMocan (Holdings), Nampak (chairman), Nampak Holdings (UK), Nampak International
Member: Group remuneration committee

5. Thulani Gcabashe 46*
BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)
Appointed: 2003

Directorships: Standard Bank Group, The Standard Bank of South Africa, Eskom Enterprises (chairman), Eskom Holdings (chief executive)

6. Buddy Hawton 66*
FCIS (Natal)
Appointed: 1995

Directorships: Standard Bank Group, The Standard Bank of South Africa, Liberty Holdings, Liberty Group, Stanlib, Kersaf Investments (chairman), Allied Electronics Corporation, City Lodge Hotels, International Resorts, Nampak, Sun Hotels International, Woolworths Holdings (chairman)
Member: Group remuneration committee (chairman), group risk management committee

7. Sir Paul Judge 54*[Π]
MA (Cambridge), MBA (Pennsylvania)
Appointed: 2003

Directorships: Standard Bank Group, The Standard Bank of South Africa, Schroder Income Growth Fund, Barclays Private Bank (advisory board), Businessdynamics Trust, The Royal Institution, The American Management Association (New York), St Dunstan's College, The Royal Society of Arts (chairman)

8. Jacko Maree 48[#]
BCom (Stellenbosch), MA (Oxford), PMD (Harvard)
Appointed: 1997

Directorships: Standard Bank Group (chief executive), The Standard Bank of South Africa (chief executive), Standard Bank London (chairman), Liberty Holdings, Liberty Group, Standard International Holdings SA (chairman), International Monetary Conference
Member: Group executive committee (chairman), transformation committee, credit committee, Africa credit committee

9. Saki Macozoma 46
BA (Unisa), BA (Honours) (Boston)
Appointed: 1998

Directorships: Standard Bank Group, The Standard Bank of South Africa, Stanlib (chairman), Liberty Holdings, Liberty Group, New Africa Investments (chief executive), VW South Africa, Andisa Capital (chairman), Soweto Heritage Trust, Safika Holdings, Murray and Roberts Holdings, Business Trust (co-chairman), Hertz Rent a Car (chairman)
Member: Transformation committee (chairman), directors' affairs committee

10. Rick Menell 48*
MA (Cambridge), MSc (Stanford)
Appointed: 1997

Directorships: Standard Bank Group, The Standard Bank of South Africa, Anglovaal Mining (chairman), Telkom SA, SA Tourism (chairman), Mutual & Federal, Assmang, Avgold, Village Main Reef, National Business Initiative, Business Trust
Member: Group risk management committee, group remuneration committee

11. Kgomotso Moroka 49*
BProc (University of the North), LLB (Unisa)
Appointed: 2003

Directorships: Standard Bank Group, The Standard Bank of South Africa, Electronic Media Network (M-Net), Gobodo Forensic & Investigative Accounting, Landbank, South African Breweries, Schindler Lifts (SA)

12. Chris Nissen 45*
BA Hons, MA Humanities (Cape Town), Diploma in Theology
Appointed: 2003

Directorships: Standard Bank Group, The Standard Bank of South Africa, Sea Harvest Corporation (chairman), Namibian Fishing Industries, Inkgqubela Fisheries & Marine Development, National Sea Rescue Institute, Tiger Brands, Umoya Fishing (chief executive)
Member: Transformation committee

13. Robin Plumbridge 68*
MA (Oxford), LLD (hc) (Rhodes)
Appointed: 1980

Directorships: Standard Bank Group, The Standard Bank of South Africa, Newmont Mining Corporation (USA)
Member: Group audit committee (chairman), group risk management committee (chairman)

14. Myles Ruck 48[#]
BBus Sc (UCT), PMD (Harvard)
Appointed: 2002

Directorships: Standard Bank Group, The Standard Bank of South Africa, Stanlib, Liberty Holdings (chief executive), Liberty Group (chief executive), Standard Bank London
Member: Group executive committee, group credit committee, Africa credit committee (chairman)

15. Sir Robert Smith 59*[Π]
CA and Fellow of the Institute of Bankers in Scotland, Honorary degrees (Edinburgh, Glasgow, Paisley)
Appointed: 2003

Directorships: Standard Bank Group, The Standard Bank of South Africa, The Weir Group (chairman), British Broadcasting Corporation (governor and chairman), Broadcasting Council for Scotland, Scottish and Southern Energy (deputy chairman)

16. Chris Stals 68*
BCom, MCom, DCom (Pretoria)
Appointed: 2000

Directorships: Standard Bank Group, The Standard Bank of South Africa
Member: Group risk management committee

17. Conrad Strauss 68*
BA PhD (Rhodes), MS (Cornell), AMP (Harvard), FIBSA, DEcon (hc) (Rhodes), DSc (hc) (Pretoria)
Appointed: 1984

Directorships: Standard Bank Group, The Standard Bank of South Africa, Sasol, Afrox, The Hans Merensky Foundation

* Independent non-executive director   [#] Executive director   [Π] British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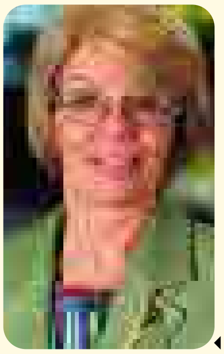
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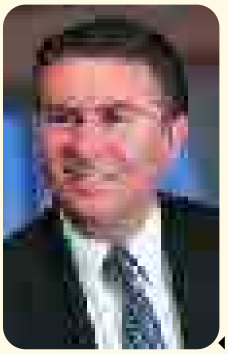
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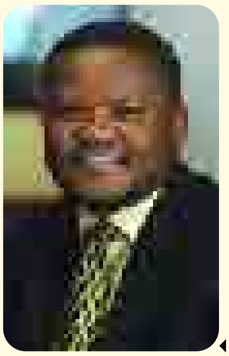
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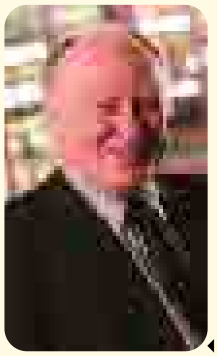
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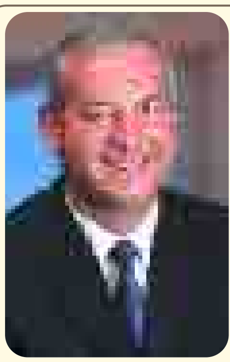
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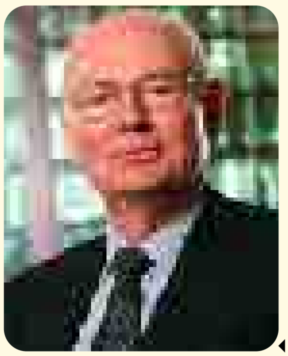
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The group maintains high standards of governance, including transparency and accountability and, during the year under review, complied with the requirements set out in the Code of Corporate Practices and Conduct.

Contents

Standard Bank Group views the implementation of best corporate governance practices as a fundamental characteristic of its operations. The board of directors is committed to the consideration and implementation of initiatives to improve corporate governance for the benefit of all shareholders. A focus on sustainable value for shareholders will benefit all the group's other stakeholders.

Codes and regulations

As the group operates in a highly regulated industry, compliance with all relevant laws, regulations and codes of business practice is essential.

The group is committed to complying with legislation, regulation and best practice, where appropriate, in all jurisdictions in which it has a presence. Practices are constantly monitored to ensure that they are the best fit for the group and serve to enhance business and community objectives.

The group maintains high standards of governance, including transparency and accountability and, during the year under review, complied with the requirements set out in the Code of Corporate Practices and Conduct (King II). There remain certain recommendations that can and will be strengthened. This forms part of the work to constantly improve governance practices.

The Standard Bank of South Africa Limited (SBSA) is a major subsidiary of the group and endorses the principles set out in the Code of Banking Practice (the code). For the first time this past year, compliance with the code was audited. Group Internal Audit conducted the audit, which was ratified by an independent firm of auditors and certified SBSA's satisfactory compliance with the code.

Liberty Group is also a significant subsidiary of the group. It has another set of regulatory and legislative practices to which it must adhere. Its compliance and commitment to these are set out in its annual report that can be viewed at www.liberty.co.za.

Both Standard Bank London and Stanlib have their own well-defined governance frameworks.

The Banks Act and its regulations require the board to agree a governance process, set objectives in terms of this process and annually evaluate achievement against those objectives. The board agreed objectives for 2003, the Governance and Nominations Committee monitored performance against objectives and the board considered its performance against those objectives at year end. Further, during 2002, the South African Reserve Bank appointed Advocate John Myburgh to review the governance practices of the country's leading banking groups. His report was released during 2003 and affirmed the group's commitment to governance principles.

Board and directors

Board structure

The group continues to advocate an integrated approach to corporate governance as evidenced by the governance framework.

The group is led by an effective and independent board that provides strategic direction and has ultimate responsibility for the functioning of the company and the group. A unitary board structure is in place. The board currently comprises 17 directors, of whom two are executive directors and 13 are independent non-executive directors. The directors have the right mix of competencies and experience. Two directors are not independent: Doug Band (who has a consulting relationship with the group) and Saki Macozoma (who has a business relationship with the group through Stanlib and Andisa Capital). There are no shadow directors on the board.

The strong contingent of independent non-executive directors ensures that independent thought is brought to bear on board decisions. The board is accountable for all decisions taken by it, board committees and management. It has responsibility to ensure that the company has effective management and that adequate succession plans are in place. The board is satisfied that consideration is continually given to succession.

The board and its committees all operate in terms of agreed mandates that set out their terms of reference. The mandates were revised during March 2003 to ensure compliance with King II. They have subsequently again been revised to keep pace with international developments. The mandates are, of necessity, viewed as dynamic documents and will continue to be regularly reviewed.

Each of the board and committee mandates ensure unrestricted access to company information, any resources required to fulfil responsibilities and the ability to obtain legal advice, at the group's expense, where necessary.

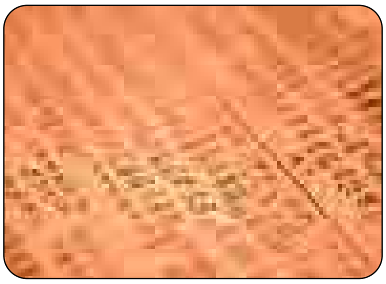
Each mandate establishes the:
- purpose of a board or committee;
- its responsibilities; and
- conditions of operation.

The board's mandate requires it to annually review all committee mandates.

The key terms of reference in the board mandate are as follows:

Board mandate

- Agree the group's objectives and the strategies and plans to achieve these.
- Determine the terms of reference and procedures of all board committees and review their minutes and reports where appropriate.
- Ensure that an effective risk management process exists and is maintained throughout the group.
- Review and monitor the performance of the chief executive and the executive team.
- Approve the remuneration to be paid to non-executive directors on the board and board committees based on recommendations made by the group remuneration committee, for ultimate shareholder approval.
- Ensure that an adequate budgetary and planning process exists, that performance is measured against budgets and plans, and approve annual budgets for the group.
- Approve, among other things, significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances by the company or its subsidiaries.
- Consider and approve any significant changes proposed in accounting policy or practice on recommendation of the group audit committee.
- Consider and approve the annual and interim financial statements; and consider whether or not the group is a going concern.
- Have ultimate responsibility for systems of financial, operational and internal controls, and regulatory compliance, the adequacy and review of which are delegated to subcommittees. Ensure that reporting on these issues is adequate.
- Ensure balanced and understandable reporting to stakeholders.
- Specifically agree matters for the decision of the board, including those that may be delegated to a sub-committee.



Strategy

The board considers and approves the group's objectives, strategies and plans to achieve these, at an annual meeting with management. This meeting is held prior to preparation of the annual budgets, which are then formulated in line with the approved strategies. Thereafter, the board continuously monitors performance against strategies and agreed budgets.

Delegation of authority and effective control

The board retains effective control over its operations and has established committees to assist in providing detailed attention to specific areas of expertise.

The board has specifically agreed matters that are reserved for its decision but retains the right to delegate these to a committee where appropriate.

Board-delegated authorities are reviewed regularly and directors have full access to subsidiary board and committee documentation.

Authority has been delegated to the chief executive to manage the business. The board has reviewed the delegated authority and recommends that the articles of association be amended to provide greater clarity on the extent of this delegation. The content of the proposal to amend the articles is set out in the chairman's letter to shareholders (on page 256) and in special resolution number 5 being proposed at the annual general meeting (on page 266).

Chairman and chief executive

There is a clear division between the roles of chairman and chief executive and the roles remain separate and distinct. The chairman of the board is an independent non-executive director.

Board effectiveness

The board operates in terms of an established structure that ensures there are adequate processes in place to monitor operations. Assessment of the effectiveness of both the structure and processes is vital to the achievement of objectives. Methods used for assessing effectiveness include:

- Annual consideration by the governance and nominations committee (GNC) of the review of performance of both the board and board committees against their respective mandates. This report, prepared by management, considers each mandate and assesses performance against the mandate's terms. This is then reviewed by the external auditors who provide a report to the GNC. For the year under review, the board and committees substantially complied with their mandates.
- Annual assessment of corporate governance performance against objectives set by the board in compliance with Regulation 38 of the Banks Act. This is also considered by the external auditors and a report submitted to the Registrar of Banks.

- An assessment of its own effectiveness. Each director completed an evaluation questionnaire on the board's performance. The questionnaire was divided into three areas of evaluation: structure, process and effectiveness. In addition, the chairman invited comments on each individual director from other board members. A special meeting was convened to discuss the outcome and address any areas of concern. At the same meeting, the performance of the chairman and chief executive (who both recused themselves from the meeting during the course of these discussions) was also evaluated.

In future, each of the board committees will be required to annually assess and report to the board on the committee's own effectiveness.

Appointments, induction and training

Director appointments are made in terms of formal and transparent procedures. The board has approved a revised policy for board, executive management and entity appointments.

Composition of the board is annually considered by the GNC.

During the year, the group appointed six new directors. Each appointment followed the agreed board appointment process, which included consideration and recommendation of the appointment by the GNC to the board for approval. In terms of the articles of association, the appointments are only effective until the annual general meeting (AGM), at which time the shareholders will be asked to approve each appointment. Each of the appointees complied with the requirements of the Companies Act, Banks Act and JSE Securities Exchange South Africa (JSE).

The directors bring skills, knowledge and experience from their own respective fields to the board.

Each new director receives a governance manual that includes the group timetable, mandates, management structures, minutes from previous meetings, significant reports, details of delegated authorities and relevant legislation. The directors also receive detailed orientation on the company's operations, senior management and the business environment.

Ongoing training and development will be structured to cater for the needs of individual directors. In addition, the board is continually briefed on relevant legislation and regulations, as well as changing commercial risk affecting the company. All directors have access to the advice and services of the group secretary.

Board meetings

In addition to the strategy meeting, the board schedules four quarterly meetings during the year. Additional meetings are held whenever deemed necessary. In March 2004, the board meeting was extended to evaluate the performance of the board.

Six board meetings were held during the 2003 year and the record of attendance is set out below:

Member	Mar		May	Aug	Oct	Dec
Derek Cooper (chairman)	✔	✔	✔	✔	✔	✔
Roy Andersen[1]	✔	A	A			
Doug Band	✔	✔	✔	✔	✔	✔
Elisabeth Bradley	✔	A	✔	✔	✔	✔
Trevor Evans[2]				✔	✔	✔
Thulani Gcabashe[2]				A	✔	✔
Buddy Hawton	A	✔	✔	✔	✔	✔
Sir Paul Judge[2]				✔	✔	✔
Graham Mackay[3]	A	A	A			
Saki Macozoma	✔	R	✔	✔	✔	✔
Jacko Maree[4]	✔	✔	✔	✔	✔	✔
Rick Menell	✔	✔	✔	✔	✔	✔
Kgomotso Moroka[2]				✔	A	✔
Chris Nissen[2]				✔	✔	A
Robin Plumbridge	✔	✔	✔	✔	✔	A
Myles Ruck[4]	✔	✔	✔	✔	✔	✔
Sir Robert Smith[2]				A	✔	✔
Chris Stals	✔	✔	✔	✔	✔	✔
Conrad Strauss	✔	✔	✔	✔	✔	✔
Eddie Theron[5]	✔	✔	✔			

[1] Retired 31 May 2003.
[2] Appointed 1 July 2003.
[3] Resigned 18 June 2003.
[4] Executive director.
[5] Retired 19 May 2003.
A = apologies
R = recused

Board committees

Board committees have clearly defined, written terms of reference setting out their role and function, term, responsibility, scope of authority and procedures for reporting to the board. The committees fulfil an essential role in assisting the board in the performance of its duties. The committees, except for the transformation committee, are each chaired by an independent non-executive director.

The membership of the committees at 31 December 2003 was as follows:

- Governance and nominations – Derek Cooper (chairman), Doug Band, Elisabeth Bradley, Saki Macozoma.
- Group audit – Robin Plumbridge (chairman), Doug Band, Elisabeth Bradley, Alan Romanis.
- Group risk management – Robin Plumbridge (chairman), Derek Cooper, Buddy Hawton, Rick Menell, Chris Stals.
- Group credit – Derek Cooper (chairman), Doug Band, Arnold Gain, Chris Lombard, Jacko Maree, Simon Ridley, Myles Ruck, Paul Smith.
- Transformation – Saki Macozoma (chairman), Derek Cooper, Jacko Maree, Chris Nissen.
- Group remuneration – Buddy Hawton (chairman), Doug Band, Derek Cooper, Trevor Evans, Rick Menell.

Risk management

The board has ultimate responsibility for risk management, which includes evaluating key risk areas and ensuring that processes for risk management and systems of internal control are implemented. To assist in fulfilling this duty, the board has appointed a number of risk committees, i.e. group audit, group risk management and group credit. Full details of the group's approach to risk management, including an analysis of risks faced by the group, are set out in the report on pages 58 to 75.

Group audit committee

The group audit committee (GAC) comprises a majority of independent non-executive directors who are financially literate and suitably qualified for the committee to perform its mandate. There are subsidiary audit committees in various jurisdictions within the group where required by legislation. The Liberty Group, Stanlib and most banks within the group also have audit committees. The board chairman attends meetings by invitation only. The GAC chairman attends the annual general meeting.

Five GAC meetings were held during the year with attendance as follows:

Member	Feb		May	Aug	Nov
Robin Plumbridge (chairman)	✔	✔	✔	✔	✔
Doug Band	✔	✔	✔	✔	✔
Elisabeth Bradley	✔	✔	✔	✔	✔
Alan Romanis	✔	✔	✔	✔	✔

Alan Romanis is not on the Standard Bank Group board but is a director of Liberty and is a member of the Liberty and Stanlib audit committees. He provides an important link between these committees. Both the articles of association and the committee's mandate support the co-option of individuals with special expertise to assist in meeting the committee's mandate.

Communication between the board, executive management, internal audit and the external auditors is encouraged. The committee's key terms of reference are divided into various categories and responsibilities and include the following:

Group audit committee

External auditors and external audit

- Review the audit plan and consider areas of special concern, the procedures to monitor and contain risks, and the audit approach for these areas.
- Approve the guidelines for using external auditors for non-audit work to ensure that the independence of the external auditors is retained and there is disclosure in the annual report.
- Review, with management, reports and letters from the external auditors concerning deviations from, and weaknesses in, accounting and operational controls, and ensure that management takes prompt action.
- Review significant differences of opinion between the external auditors and management on the application of Generally Accepted Accounting Practices (GAAP).
- Obtain assurance from the external auditors that adequate accounting records are being maintained.
- Review and monitor the external auditors' independence and objectivity, taking into consideration relevant professional and regulatory requirements.
- GAC to meet with the external auditors at least annually without the presence of management.

Group audit committee continued

Financial reporting and financial control

- Review reports on the adequacy of capital, provisions for bad debts and diminution in the value of any assets.
- Review the accounting policies and practices and all proposed changes thereto, and recommend such changes where appropriate.
- Review the effectiveness of financial management and the quality of internal accounting control systems, and reports produced by financial management.
- Review reports on major defalcations.
- Review the group's interim and audited annual financial statements, dividend announcements and all financial information for distribution.
- Consider whether or not the interim report should be subject to an independent review by the external auditors.
- Review significant adjustments resulting from the audit.
- Review the basis on which the company has been determined as a going concern and make recommendations to the board.

Internal audit

- Review reports by the Internal Audit division on the group's subsidiaries detailing the adequacy and overall effectiveness of the group's internal audit function, the scope and depth of audit coverage, reports on internal control and any recommendations, and confirm that appropriate action has been taken.
- Review significant differences of opinion between management and the internal audit function.
- Annually evaluate the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system and ensure that it is adequately resourced and has appropriate standing within the group.
- Review reports and activities of the forensic audit department.
- Review co-ordination between the internal audit function and the external auditors.

Compliance

- Review the group compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the group.
- Annually evaluate the role, independence and effectiveness of the compliance function and ensure that it is adequately resourced and has appropriate standing within the group.
- Review reports detailing the extent of compliance with applicable legislation and governance codes.
- Consider reports and letters received from the regulatory authorities and management's responses.

Risk management

- Review the minutes of the group risk management committee.
- Consider any matters of significance raised at the risk management committee meetings.

Ethics

- Monitor the ethical conduct of the group and consider the development of ethical standards and requirements.
- Review reports from management on violations of the code of ethics.
- Review and make recommendations on any potential conflicts of interest relating to situations of a material nature.
- Review complaints handling and reporting procedures.

Group risk management committee

The group risk management committee (GRMC) was established to assist the board in its appreciation of the risks facing the group, and in discharging its responsibility for effective risk management and control. An extensive report on the group's overall risk management philosophy commences on page 58.

The GRMC's mandate includes the following key terms of reference:

Four meetings were held during the year with attendance as follows:

Member	Feb	May	Aug	Nov
Robin Plumbridge (chairman)	✔	✔	✔	✔
Derek Cooper	✔	✔	✔	✔
Buddy Hawton	✔	✔	✔	✔
Rick Menell	A	✔	✔	A
Chris Stals	✔	✔	✔	✔
Eddie Theron[1]	✔	✔		

[1] Retired 19 May 2003. A = apologies.

Group risk management committee

- Review management reports detailing the adequacy and overall effectiveness of the group's risk management function and implementation by management, and reports on internal control and recommendations, and confirm that appropriate action has been taken. Any significant control failings or weaknesses identified are included in the reports, as well as their potential impact.
- Review risk philosophy, strategy, policies and processes recommended by management and consider reports by management on implementation and communication to ensure incorporation into the culture of the group.
- Ensure that risk definitions and contributory factors, together with risk policies, are regularly reviewed.
- Review the acceptability of the risk profile in conjunction with the overall risk appetite of the group, taking into consideration all risk mitigation factors, including (but not limited to) insurance, business continuity and disaster recovery planning and internal controls, and ensure compliance with the overall risk profile of the group.
- Review risk identification and measurement methods.
- Review any legal matters that could have a significant impact on the group's business and the adequacy of insurance cover.
- Monitor procedures to deal with and review the disclosure of information to customers, the resolution of major customer complaints and compliance with the Banking Council's code of banking practice.

Group credit committee

This committee is established in terms of the Banks Act and is responsible for the group's credit risk.

The committee's main terms of reference include:

Group credit committee

- Setting the group's credit governance structure to ensure that there are clearly defined mandates and delegated authorities within the structure.
- Reviewing the group's credit portfolio, including trends and provisions and ensuring alignment with the group's credit strategy and risk appetite.
- Noting and/or approving large exposures as required by the regulatory authorities.

Four meetings were held during the year under review with attendance as follows:

Member	Feb	May	Aug	Nov
Derek Cooper (chairman)	✔	✔	✔	✔
Doug Band	✔	✔	✔	✔
Arnold Gain[1]			✔	✔
Chris Lombard[1]			✔	✔
Jacko Maree	✔	✔	✔	A
Simon Ridley	✔	✔	✔	✔
Myles Ruck	✔	✔	✔	✔
Paul Smith	✔	✔	✔	✔

[1] Appointed August 2003. A = apologies.

Governance and nominations committee (now directors' affairs committee)

Three meetings were held during the year under review with attendance as follows:

Member	Apr	May	Dec
Derek Cooper (chairman)	✔	✔	✔
Doug Band	✔	✔	✔
Graham Mackay[1]	A	A	
Saki Macozoma	A	A	✔
Elisabeth Bradley[2]			✔

[1] Resigned 18 June 2003.
[2] Appointment confirmed August 2003.
A = apologies.

During the year, the Banks Act was amended to include reference to a directors' affairs committee. After consideration of the amendments and the current operation of the governance and nominations committee (GNC), the board has agreed to disband the GNC and reconstitute it as the directors' affairs committee. The new committee will assume most of the functions previously dealt with by the GNC and will now also assume those additional functions required by the Banks Act. The new committee has been tasked with the following responsibilities:

Directors' affairs committee

- Identify, evaluate and recommend nominees to the board of directors, board committees, subsidiary boards and other entities in terms of an agreed process.
- Review and evaluate candidates for executive director appointments and make recommendations to the board (including the chief executive position).
- Ensure that all board directors receive a formal letter of appointment setting out their roles and responsibilities and the company's expectations, and ensure that an appropriate induction course is in place for all new directors and that there is ongoing development for directors.
- Monitor the adequacy and effectiveness of the group's corporate governance structures.

Directors' affairs committee continued

- Annually review the structure, size and composition of the board taking into account the requirements of board committees, and make recommendations to the board regarding any required changes.
- Maintain a board directorship continuity programme, which includes:
  – satisfying the board that there are succession plans in place for both executive directors and executive management;
  – ensuring continuity of non-executive directors; and
  – regular review of the composition of skills and experience and other qualities required for the effective functioning of the board.
- Consider methodologies for the annual assessment of the performance of the board, committees and contribution of the individual directors and make recommendations to the board, and annually review the effectiveness and role of this committee.
- Review periodically the format and content of the board and committee mandates and ensure that appropriate board and committee structures are in place.
- Ensure that there are succession plans in place for the chairman, non-executive directors and board committees.
- Review and make recommendations on the re-election of directors retiring by rotation.
- If required to do so by the board, provide a forum for non-executive directors to meet without executive directors and management.
- Assess the extent of compliance with relevant legislation and codes.
- Assist the board in determining whether the appointment of any director should be terminated.
- Address any other governance issues that are not dealt with by another board committee.

Transformation committee

The transformation committee was originally established to promote transformation, primarily against equity employment targets, within the group's domestic operations.

Two meetings were held during the year under review with attendance as follows:

Member	Feb	Jul
Saki Macozoma (chairman)	✔	✔
Derek Cooper	✔	✔
Jacko Maree	✔	✔
Chris Nissen[1]		

[1] Appointment confirmed August 2003.

SBSA has committed itself to meeting the targets of the charter which was finalised during 2003. The board has agreed to reconstitute this committee to not only monitor transformation targets, but also the implementation of processes to achieve the targets set out in the charter. The terms of reference for this committee will be reviewed during 2004 to ensure that it is structured to meet this objective.

Dealing in securities

The policy applicable to directors has recently been amended and complies with the new JSE Listings Requirements. There is an agreed process in terms of which the permission of the chairman of the board is required before any director, or associate as defined, may trade in group securities. The same prohibition on trading in group securities and the timing thereof applicable to designated staff, also applies to the directors.

The group has a policy prohibiting dealing in its securities by officers and selected employees for specified periods preceding the announcement of its financial results or in any other period considered sensitive. In terms of the policy, designated staff are prohibited from trading in group securities (including warrants and debt instruments) from 1 June up to the release of interim results and from 1 December up to the release of final results. All trading in Standard Bank instruments by employees has to be conducted through the Group Share Incentive Scheme administration area.

Certain nominated staff are also prohibited from trading in designated securities as a result of information they may obtain by virtue of their employment. Lists of these employees and the relevant securities are maintained and continuously monitored.

Group secretary

The group secretary has been empowered by the board to play a role in supporting the board in matters of governance and has assisted the group in complying with its statutory duties. She assists directors in properly discharging their responsibilities in the best interests of the group.

Going concern

In the 2002 financial year, the board recorded its reasons for adopting the going concern basis of accounting. During the interim reporting period, the group audit committee reviewed these findings and made a recommendation to the board. As there had been no significant changes in the assumptions, the board agreed to continue adopting the going concern basis for preparing accounts.

The board has again reviewed the facts and assumptions on which it relied and, based on these, will continue to view the group as a going concern for the foreseeable future.

Sustainability

The group continues to view sustainability issues as fundamental to its operations. The sustainability report commences on page 199.

Organisational integrity

The group has adopted a code of ethics. There are various ways in which the ethical climate is monitored in the organisation. The board, through the GAC, assesses the ethical climate of the organisation through the work conducted by the Forensic Audit team. Details of their activities are listed in the Sustainability Report. The director, forensic investigations, provides a biannual report to the GAC detailing activities and the extent of their successes (or failures).

During 2004, the group will continue with an extensive project started at the end of 2003 to review the group's vision and values.

Group structure, communication with shareholders and investor relations

The holding company of the group is Standard Bank Group Limited, which has a primary listing on the JSE Securities Exchange South Africa (JSE) and a secondary listing on the Namibian Stock Exchange (NSX). It is a registered bank controlling company. The main subsidiary is The Standard Bank of South Africa Limited, which is a registered bank. Liberty Group Limited is also a significant subsidiary and is separately listed on the JSE. The establishment of subsidiaries within the group is carefully managed to ensure compliance with both domestic and international regulatory requirements. Details of shareholder information can be found on page 48.

The group values its relationship with shareholders. Details of the programmes established to assist with this are set out on page 211 of the sustainability report.

Shareholder information at 31 December

Ten major shareholders[1]	2003 Number of shares (million)	2003 % holding	2002 Number of shares (million)	2002 % holding
Old Mutual Group	185,0	13,8	268,8	20,2
Public Investment Commissioner	168,1	12,6	163,9	12,3
Liberty Group[2]	63,0	4,7	64,9	4,9
Sanlam Group	57,2	4,3	72,6	5,4
Investment Solutions	43,6	3,3	31,9	2,4
Transnet Pension Fund	33,8	2,5	44,8	3,4
Momentum Life Assurance (SA)	20,0	1,5	13,5	1,0
Metlife	19,2	1,4	18,3	1,4
Standard Bank Group Retirement Fund	17,9	1,3	21,1	1,6
Sentinel Mining Industry Retirement Fund	17,3	1,3	7,0	0,5
	625,1	46,7	706,8	53,1

[1] Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of S140 A of the Companies Act.
[2] Policyholders' funds.

Spread of ordinary shareholders

	2003 Number of shares (million)	2003 % holding	2002 Number of shares (million)	2002 % holding
Public[1]	964,4	72,0	873,3	65,6
Non-public	374,3	28,0	457,8	34,4
– Directors of Standard Bank and its subsidiaries	1,9	0,1	3,0	0,2
– Old Mutual Group	185,0	13,8	268,8	20,2
– Public Investment Commissioner	168,1	12,6	163,9	12,3
– Standard Bank and Liberty Group retirement funds	18,8	1,4	21,6	1,6
– Associates	0,5	0,1	0,5	0,1
	1 338,7	100,0	1 331,1	100,0

Spread of 6,5% preference shareholders	2003 Number of shares (thousands)	2003 % holding	2002 Number of shares (thousands)	2002 % holding
Public[1]	7 953	99,4	7 953	99,4
Non-public	47	0,6	47	0,6
	8 000	100,0	8 000	100,0

[1] As per JSE Listings Requirements.

JSE Securities Exchange South Africa – share statistics	2003	2002
Share prices (cents)		
– High for the year	3 960	3 810
– Low for the year	2 650	2 595
– 31 December	3 918	3 015
Shares traded		
– Number of shares (000)	908 309	673 703
– Value of shares (Rm)	28 794	20 887
– Turnover in shares traded (%)	67,8	50,6
Number of shares in issue (million)		
– End of period	1 339	1 331
– Weighted average	1 334	1 328

Share and bond codes	Codes
JSE (ordinary shares)	SBK
JSE (6,5% cumulative preference shares)	SBKP
NSX (ordinary shares)	STB
I-Net Bridge	SBK
Bloomberg	SBK.SJ
Reuters	SBKJ.J
ISIN	
ordinary shares – JSE	ZAE000038873
– NSX	ZAE000014858
6,5% cumulative preference shares	ZAE000038881
Subordinated debt SBK 1	ZAG000016569
Subordinated debt SBK 2	ZAG000017955
Subordinated debt SBK 3	ZAG000018086
Subordinated debt SBK 4	ZAG000019597

Remuneration

Remuneration philosophy

The board establishes remuneration policy in line with approved strategy and objectives. Remuneration policy is premised on ensuring a correct balance between the interests of employees and those of shareholders to ensure that the group attracts and retains the talent required to achieve its objectives. This applies to remuneration policy across the group.

Remuneration governance

Board responsibility

The board of directors is responsible for remuneration. To assist the board in fulfilling its duties, it has appointed a committee, the group remuneration committee (Remco), and agreed a mandate for that committee. Remco's purpose is to help the board monitor the implementation of policy. The board, on recommendation from Remco, in some instances refers matters to shareholders for approval (board and committee fees). The chairman of Remco, or in his absence a member of Remco, attends the AGM to answer shareholder queries.

Subsidiaries and group operations

International

- Standard Bank London Limited (SBL) operates within a regulatory environment that requires it to have a remuneration committee dedicated to the consideration of remuneration issues. The committee has a mandate, approved by Remco, that is in keeping with the group remuneration philosophy. This committee, chaired by an independent non-executive director of SBL, reviews remuneration practices in the group's international operations based on best practice within those jurisdictions. There are, however, certain items that require the final approval of Remco. Items referred for final approval of Remco include:
  - mandate incorporating terms of reference;
  - remuneration of non-executive directors;
  - short- and long-term incentives; and
  - allocation of Standard Bank Group shares in terms of the share incentive schemes.

Africa

The remuneration of executive management in African countries outside of South Africa is reviewed and approved by Remco. Where appropriate and relevant, group practices are adopted across all of these operations.

Liberty

Liberty Group board decides remuneration philosophy and practices for Liberty Group. It has an established remuneration committee to monitor the implementation of policy. This committee also performs an oversight function of the Stanlib remuneration committee.

Remco operation

An independent non-executive director chairs Remco. He also chairs the Liberty and Stanlib remuneration committees, which ensures consistency of approach. The majority of committee members are independent non-executive directors who are kept informed of current remuneration practices. Three meetings were held during the year. The membership and attendance at meetings were as follows:

Member	Feb	Aug	Dec
Buddy Hawton (chairman)	✔	✔	✔
Doug Band	✔	✔	✔
Derek Cooper	✔	✔	✔
Trevor Evans[1]		✔	✔
Rick Menell	A	✔	✔
Graham Mackay[2]	A		

[1] Appointment confirmed in August 2003.
[2] Resigned 18 June 2003.
A = apologies.

The chief executive attends meetings by invitation. Other executive management, for example the group human resources director and the director, compensation and benefits, are invited to attend where appropriate.

No individual, whether an executive director, non-executive director or a manager, is present when his or her remuneration is discussed.

Remco sets the remuneration of non-executive directors and executive directors (including the chief executive).

In regard to non-executive directors, competitor data on directors' fees is considered and proposals put forward to the board. The board then reviews these and makes recommendations to shareholders for approval at the AGM. In 2003, the board made a number of appointments, including two international directors. In line with both the recommendations of the governance and nominations committee to improve board composition, and remuneration philosophy to attract and retain the right calibre of individual at all levels, the board agreed that it would be appropriate to pay these directors an amount exceeding that agreed by shareholders at the AGM. In line with the articles of association, shareholders' approval will be sought to ratify these payments and approve an amount going forward at the AGM.

Non-executive directors receive a fixed amount of fees for service on boards and board committees. Non-executive directors do not receive share options or any other rights to acquire shares.

The remuneration of the chairman and chief executive is set by Remco. An assessment of their individual performance was conducted by the board.

In line with other employees, the remuneration of the chief executive includes a basic guaranteed portion, a pension amount and an incentive component comprising both short- and long-term incentives.

The key terms of reference for Remco include the following:

Group remuneration committee

Group remuneration strategy and policy

- Review remuneration policy and strategy for Standard Bank Group including:
  - policy regarding executive remuneration;
  - remuneration policies and practices applicable below executive management level;
  - positioning relative to the market regarding total company remuneration levels;
  - balance between guaranteed and performance-based remuneration; and
  - the nature and structure of performance-based remuneration.
- Approve general principles relating to terms and conditions of employment contracts and approve any material changes.

Remuneration

- Determine the following with regard to board and executive remuneration:
  - remuneration of executive directors;
  - remuneration of the chairman of the board for consideration by the board and ultimate approval by shareholders; and
  - remuneration of non-executive directors, including the members of the committee, for the approval of the board and ultimately shareholders.

Group remuneration committee continued

- Having regard to performance and market factors, consider the following elements of remuneration:
  - the guaranteed remuneration, annual performance bonus and pension incentive of the chief executive, executive directors and the 20 highest paid executive managers in the group, excluding Liberty Group and Stanlib, as well as the remuneration ranges applicable to the executive management reporting to them; and
  - the average percentage cost of annual increases in guaranteed remuneration of the executive management across all operations of the group.
- Agree the remuneration of executive directors and executive management of the group, giving consideration to both the short- and long-term components of remuneration.

Incentive schemes and retirement funds/ benefits

- Ensure the adequacy of retirement and healthcare funding for executive directors and executive management.
- Agree the compulsory employee benefits applicable to all levels and categories of employees in the group, notably retirement funding and healthcare benefits.
- Review the group performance measures to be used for purposes of annual incentive payments for all employees, and approve criteria for participation and the applicable terms.
- Approve recommendations for awards in terms of approved long-term incentive plans, including the Group Share Incentive Scheme and retention payments.

Remuneration structure

The components of employee remuneration are:

Guaranteed amount

All levels of employees receive a guaranteed element of remuneration. In South Africa, the managerial remuneration approach is based on a cost to company (CTC) philosophy. CTC comprises a fixed cash portion, compulsory benefits (medical aid, life cover and retirement fund membership) and optional benefits (motor vehicle benefits).

The rate of increase of the guaranteed amount, as a proportion of total CTC, is being slowed with an emphasis on increasing the proportion of performance-related payments. This is premised on the need to constantly improve performance to achieve objectives, at both group and individual levels.

The approach to non-managerial remuneration is based on a basic salary plus benefits (medical aid, life cover, retirement fund membership, housing benefit and a travel allowance for select levels).

Remco ensures that there is appropriate funding of retirement and health care for executives and executive management. It also agrees the risk benefits applicable to all levels of employees which include retirement funding, life insurance, health care benefits and their cost implications.

Short-term incentives

Short-term incentives are premised on achieving stipulated annual goals.

All non-managers in South Africa participate in the Non-Managerial Bonus Scheme (Value Sharing). The bonus is contingent on the attainment of specific corporate targets (set in terms of budgetary goals, based on group strategy). For the past two years, these have been customer service objectives.

All managers in South Africa participate in the Managerial Bonus and Pension Incentive Scheme. The bonus and pension incentive is contingent on the attainment of corporate financial objectives. Individual awards are based on a combination of job level and individual performance. In keeping with the remuneration philosophy, the bonus and pension incentive schemes give high-performing managers the opportunity to earn total remuneration (CTC plus bonus and pension incentive) that is in line with the philosophy to attract and retain talent.

Similar remuneration philosophies are applied in both International and Africa.

Long-term incentives

It is essential that the group retains key individuals for the longer term. Long-term incentives are designed to ensure the alignment of the longer-term objectives of relevant stakeholders.

- Group Share Incentive Scheme

  The principal method of providing longer-term incentives to employees is the Group Share Incentive Scheme (GSIS), a scheme approved by shareholders.

  The object and purpose of GSIS is to promote an identity of interest between the company and its subsidiaries and their respective employees, to attract new, skilled and competent personnel and to retain their services.

  In relation to Standard Bank Group share options granted to executive directors and employees:

  – The specific grant is not subject to prior shareholder approval. The share option scheme has been approved by shareholders in general meeting and subsequent amendments are also approved at a general meeting, where necessary.

  – No options are issued at a pricing discount nor have they been repriced.

  – The directors have the discretion to vary the vesting periods. Different vesting periods are applied depending on the individual and the nature of their employment. Longer vesting periods are applied where retention is a key factor in granting the option. The majority of options are granted with vesting periods of 50%, 75% and 100% in years 3, 4 and 5, respectively.

- Other long-term incentive schemes

  In addition to the GSIS, there are other schemes to provide longer-term benefits targeted at a small number of specialist investment banking staff both in South African and internationally. They provide a cash incentive to select employees based on the relevant business unit's performance.

- Retention agreements

  Where employees are key to the long-term growth of the organisation or are of a very specialist nature, the group will, in select circumstances, enter into agreements in terms of which a retention payment is made with terms and conditions for repayment should any such individual leave before the expiry of stipulated periods.

The group's chief executive, Jacko Maree, is not subject to a retention agreement.

Myles Ruck, chief executive of Liberty Group, has a retention agreement with Liberty.

Terms of service

In terms of the articles of association, non-executive directors are required to retire at the age of 70. Directors are appointed by the shareholders at the AGM. Interim board appointments are allowed, in terms of the articles of association, between AGMs. These appointees are required to retire at the next AGM where their appointment will be confirmed by the shareholders. In addition, one-third of the directors are required to retire at each AGM and may offer themselves for re-election.

If supported by the board (and as recommended by the GNC/directors' affairs committee), the board then proposes their re-election to the shareholders. This rotational selection of directors ensures that shareholders are continuously able to affirm their support for the board and individual directors.

Executive directors are not subject to the rotational requirements of the articles of association. Jacko Maree is required to give six months notice as part of his terms of employment. Myles Ruck is required to give three months notice to terminate his services at Liberty Group.

Remuneration for 2003

The remuneration and fees received by the directors for 2003 are set out on pages 55 to 57 together with share options granted to, and gains made by, executive directors during the year.

Further details of the GSIS are contained in Annexure D on page 193 of the annual report.

Share options for the year ended 31 December 2003

Gains on the exercise of share options[1]

	Number of options	Issue date	Issue price (R)	Exercise date	Exercise/ market price (R)	Gain 2003 R'000
Maree J H	40 000	07-09-1993	8,70	27-05-2003	31,10	896
	50 000	05-09-1994	10,80	27-05-2003	31,10	1 015
Ruck M J D	30 000	05-09-1994	10,80	04-04-2003	28,00	516
	50 000	04-09-1995	12,50	04-04-2003	28,00	775
	150 000	30-11-1998	14,15	04-04-2003	28,26	2 116
	30 000	31-08-1998	13,50	04-04-2003	28,26	442
						5 760

	Balance of options as at 1 January 2003	Number of options allocated in 2003	Issue date	Lapsed	Number of options exercised during the year	Balance of options as at 31 December 2003	Number of options	Issue date	Issue price	Vesting category[4]	Expiry date
Standard Bank Group options											
J H Maree	2 080 000	–		–	90 000	1 990 000	100 000	04-09-1995	12,50	A	04-09-2005
							200 000	02-09-1996	17,10	A	02-09-2006
							50 000	01-09-1997	20,50	A	01-09-2007
							40 000	31-08-1998	13,50	A	31-08-2008
							100 000	14-04-1999	17,15	A	14-04-2009
							250 000	08-09-1999	18,00	A	08-09-2009
							250 000	15-03-2000	25,00	A	15-03-2010
							975 000	13-03-2001	31,90	A	13-03-2011
							25 000	23-05-2001	33,50	A	23-05-2011
M J D Ruck	1 798 200	–		478 300[3]	260 000	1 059 900	150 000	02-09-1996	17,10	A	02-09-2006
							40 000	01-09-1997	20,50	B	01-09-2007
							10 000	31-08-1998	13,50	A	31-08-2008
							50 000	30-11-1998	14,15	A	30-11-2008
							150 000	30-11-1998	14,15	B	30-11-2008
							30 000	14-04-1999	17,15	A	14-04-2009
							20 000	14-04-1999	17,15	B	14-04-2009
							7 200[2]	15-03-2000	25,00	–	31-08-2008
							143 800[2]	15-03-2000	25,00	–	30-11-2008
							25 000[2]	15-03-2000	25,00	–	14-04-2009
							5 500[2]	27-11-2000	26,40	–	31-08-2008
							110 000[2]	27-11-2000	26,40	–	30-11-2008
							8 400[2]	27-11-2000	26,40	–	14-04-2009
							60 000	13-03-2001	31,90	A	13-03-2011
							250 000	13-03-2002	27,80	A	13-03-2012
Liberty Group options											
M J D Ruck	–	166 000	02-06-2003	–	–	166 000	166 000	02-06-2003	48,50		31-03-2009

[1] Gains included under emoluments on page 56.

[2] 299 900 of M J D Ruck's share options have further conditions attached to them in terms of the Standard Corporate and Merchant Bank Shadow Share Incentive Scheme. His last allocation in terms of this scheme was on 27 November 2000.

[3] 250 000 share options previously granted to M J D Ruck have been cancelled. 228 300 options had additional conditions attached and these options have lapsed.

[4]

Vesting category	Years	Percentages	Expiry
A	3, 4, 5	50, 75, 100	10 years
B	5, 6, 7	50, 75, 100	10 years

Directors' emoluments 2003

	Services as directors of Standard Bank Group and its subsidiaries R'000	Cash portion of package R'000	Bonus and pension incentives/ performance related payments[8] R'000	Expense allowances R'000	Other benefits R'000	Pension contributions R'000	Otherwise in connection with the affairs of Standard Bank Group or its subsidiaries R'000	Total annual remuneration R'000	Gains on exercise of share options[7] R'000	Total emoluments R'000
Executive directors										
Andersen R C[1]		1 012	1 400	77	57	231		2 777		2 777
Maree J H		3 615	6 948	1	152	581		11 297	1 911	13 208
Ruck M J D	182	2 564	5 800[6]	1	288	310		9 145	3 849	12 994
Total	182	7 191	14 148	79	497	1 122	–	23 219	5 760	28 979
Non-executive directors										
Cooper D E (chairman)	3 202				18		24	3 244		3 244
Band D D B	310						2 369	2 679		2 679
Bradley E[2]	186							186		186
Evans T[5]	90							90		90
Gcabashe T S[5]	70							70		70
Hawton D A	479							479		479
Judge, Sir Paul[5]	235							235		235
Mackay E A G[3]	125							125		125
Macozoma S J	245							245		245
Menell R P	215							215		215
Moroka K D[5]	70						12	82		82
Nissen A C[5]	85							85		85
Plumbridge R A	380						48	428		428
Smith, Sir Robert[5]	235							235		235
Stals C L	180							180		180
Strauss C B	140				3			143		143
Theron E P[4]	90			2				92		92
Total	6 337	–	–	2	21	–	2 453	8 813	–	8 813
Total	6 519	7 191	14 148	81	518	1 122	2 453	32 032	5 760	37 792

[1] Retired 31 May 2003.

[2] Individual not recipient of fees – fees paid to company.

[3] Resigned 18 June 2003.

[4] Retired 19 May 2003.

[5] Appointed 1 July 2003.

[6] R2,8 million was a bonus and pension incentive paid by Standard Bank for services rendered to 31 May 2003 and R3 million was a sign-on bonus with retention conditions paid by Liberty Group.

[7] Amounts relate to options exercised by the directors during the course of the year.

[8] In order to align incentive awards with the performance to which they relate, the performance-related payments above reflect the amounts accrued in respect of each year and not the amounts paid.

Directors' emoluments 2002

	Services as directors of Standard Bank Group and its subsidiaries	Cash portion of package	Bonus and pension incentives/ performance related payments[8]	Expense allowances	Other benefits	Pension contributions	Otherwise in connection with the affairs of Standard Bank Group or its subsidiaries	Total annual remuneration	Gains on exercise of share options	Total emoluments
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive directors										
Andersen R C		2 367	2 000	185	116	545		5 213		5 213
Maree J H		4 227	5 981	2	158	584		10 952	1 120	12 072
Prinsloo P C[1]		5 674			1 792	8 508[7]		15 974	1 997	17 971
Ruck M J D[2]	59	2 054	5 600	3	258	331		8 305	1 226	9 531
Total	59	14 322	13 581	190	2 324	9 968	–	40 444	4 343	44 787
Non-executive directors										
Cooper D E (chairman)	3 031						24	3 055		3 055
Band D D B	217						2 246	2 463		2 463
Bradley E[3]	116							116		116
Evans A R[4]	113							113		113
Hawton D A	325							325		325
Khoza R J[5]	130							130		130
MacFarlane W S[4]	105							105		105
Mackay E A G	424							424		424
Macozoma S J	191							191		191
Masekela B J M[4]	–							–		–
Menell R P	138							138		138
Plumbridge R A	272						48	320		320
Rapp M[6]	55							55		55
Romanis A[4]	136						12	148		148
Stals C L	270							270		270
Strauss C B	109							109		109
Theron E P	122			3				125		125
Total	5 754	–	–	3	–	–	2 330	8 087	–	8 087
Total	5 813	14 322	13 581	193	2 324	9 968	2 330	48 531	4 343	52 874

[1] Resigned 31 December 2002.

[2] Appointed 18 January 2002.

[3] Individual not recipient of fees – fees paid to company.

[4] Resigned 12 March 2002.

[5] Resigned 29 November 2002.

[6] Individual not recipient of fees – fees paid to company; Resigned 12 March 2002.

[7] Of this amount, R8,1 million relates to the establishment of international pension benefits approved by Remco in 1999 and accrued in 2002 on receipt of regulatory approvals.

[8] In order to align incentive awards with the performance to which they relate, the performance-related payments above reflect the amounts accrued in respect of each year and not the amounts paid in that year.

Through effective risk management, we are better able to make sound business decisions to enable us to balance the diverse elements of risk and reward.

Contents

Risk management

The effective management of risk in a diverse and complex organisation such as Standard Bank Group requires a strong risk management culture. This culture ensures that sound business decisions can be taken to adequately balance the diverse elements of risk and reward, both of which are integral to banking.

Approach to risk management

The group's risk management approach is based on five main principles – risk governance structures, risk ownership, risk management policies, risk identification and measurement, and risk reporting:

- **Risk governance structures**

  A risk governance structure is in place to ensure independent oversight. It begins with the board of directors, who review and accept the type and level of risk that the group is willing to take in pursuit of growth and maximising opportunities.

- **Risk ownership**

  Risk management, and the accountability therefore, is integrated into the business units.

- **Risk management policies**

  Risk management policies are formally documented and approved. The accountability for developing and maintaining group risk policies rests with Group Risk Management.

- **Risk identification and measurement**

  Risks are identified and measured consistently across the group and, where appropriate, to the requirements of the individual business units.

- **Risk reporting**

  Risks are reported within business units through the decentralised risk management areas and ultimately to the group risk management committee.

The New Basel Capital Accord (Basel II)

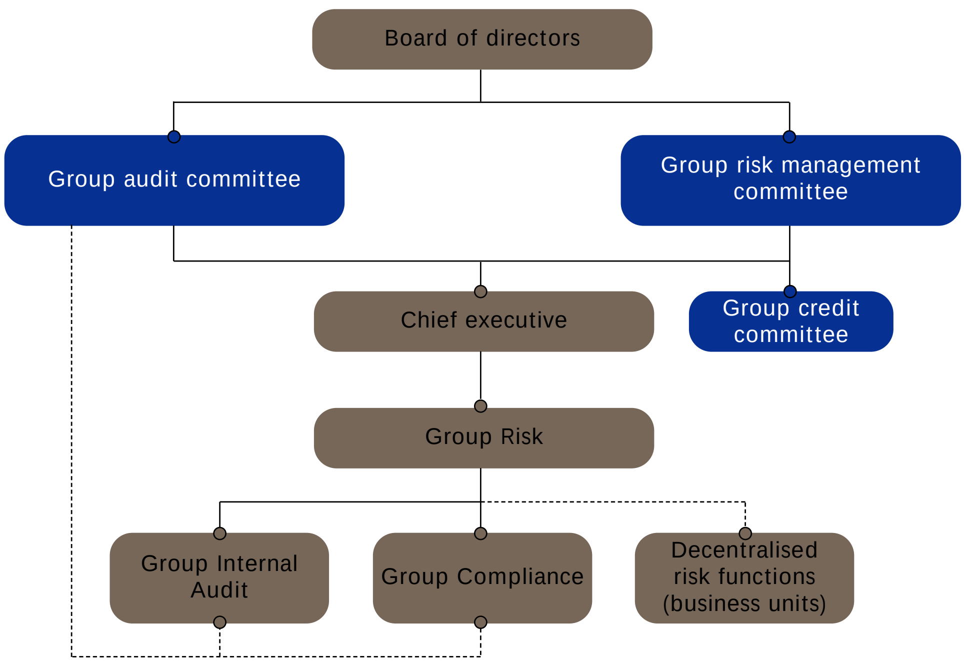
The group has compared risk management policies, processes and systems to the Basel II proposals. Several projects, as discussed in the individual risk sections, are in progress to address development areas.

Please refer to the financial review on page 92 for further information.

Risk governance structure

In response to the nature, complexity and risk inherent in the group's activities, a robust risk governance structure is in place to ensure adequate oversight (see below).

Risk governance structure



Role of the board of directors

Risk management and oversight begins with the board of directors, who review and accept the type and level of risk that the group is willing to take in pursuit of growth. The board has delegated its risk related responsibilities to three committees which focus on different aspects of risk management. The board committees and their functions are described in the corporate governance report on page 41.

The three board committees are the group risk management committee, the group audit committee and the group credit committee.

Role of Group Risk

The Group Risk function exists to develop, communicate and oversee the processes for managing risks across the group.

The director, group risk, reports directly to the chief executive. The divisions within Group Risk are Group Risk Management, Group Internal Audit, Group Compliance, Group Legal and Group Secretarial Services.

Group Risk Management

Group Risk Management's main areas of activity are to:

- understand business and risk profiles;
- develop risk measurement processes, strategies and practices;
- monitor, assess and support risk management practices; and
- report on the state of risk and risk practices to executive management, the group risk management committee and the group audit committee.

Group Internal Audit

Group Internal Audit independently audits the adequacy and effectiveness of the group's risk management, control and governance processes. The director, group internal audit, has unrestricted access to the chief executive and chairmen of the group audit committee and the board of directors. All internal auditors in the group report to Group Internal Audit.

It operates under a mandate from the group audit committee and has the authority to determine the scope and extent of work to be performed. It assists executive management in meeting their business objectives by examining the group's activities, assessing the risks involved and evaluating the adequacy and effectiveness of processes, systems and controls to manage these risks. Material or significant control weaknesses and planned management remedial action are reported to the group audit committee.

Forensic Services

Forensic Services is an independent specialised capability housed within Group Internal Audit. The director, forensic services, operates under a mandate from the group audit committee. The primary focus is to ensure that the threat of fraud is adequately addressed across all entities.

Ongoing focus on fraud risk, fraud prevention, detection, investigation and whistle-blowing resulted in fraud losses being significantly reduced over previous years. A zero tolerance approach towards fraud and dishonesty is adopted.

Forensic Services represents the group at industry forums locally and internationally.

Group Compliance

Group Compliance is structured as an integral component of the overall risk management framework and is positioned centrally in Group Risk. The director, group compliance, has unrestricted access to the chief executive and chairmen of the group audit committee and the board of directors. A decentralised approach has been implemented within business units, which is closely aligned with the group's organisational structures. Dedicated compliance officers have been appointed in each significant business unit. There is regular communication between the business unit heads of compliance and the director, group compliance to allow major compliance issues to be identified and addressed on a consistent basis across the group.

Group Legal

The management of legal risk is primarily carried out by legal practitioners within each significant business unit. Group Legal regularly communicates with these legal practitioners to ensure that all major legal matters are identified timeously.

Other responsibilities of Group Legal include contract negotiation, provision of ad hoc legal advice and managing litigation matters. It also represents the group at various industry forums.

Group Secretarial Services

Group Secretarial Services (GSS) is responsible for managing the board of directors' governance framework to ensure that the systems, procedures and practices by which the group is managed and controlled accord with the highest standards of corporate governance. Corporate governance developments, both locally and internationally, are monitored and where appropriate, recommendations are made to the board of directors for their inclusion in the existing governance practices. GSS is also responsible for sustainability reporting (the sustainability report starts on page 199).

Decentralised risk functions

The major business units have established risk functions to assist them in fulfilling their responsibility for managing risk. In addition to reporting to the business unit head, each risk function has an indirect reporting line to the director, group risk management.

Major risks

The group is exposed to seven major forms of risk:

- credit risk arising from counterparty default;
- market risk – the risk of a decrease in the market value of a portfolio of financial instruments caused by an adverse move in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads and implied volatilities on all of the above;
- liquidity risk – the risk that the group has insufficient funds or marketable assets available to fulfil its future cash flow obligations on time;
- compliance risk – the risk of non-compliance with any statutory requirements of central or local government, including regulations imposed by the South African Reserve Bank (SARB), the Financial Services Board and the various financial exchanges;
- operational risk resulting from inadequate or failed internal processes, people and systems or from external events;

- reputational risk – the risk of damaging the group's image which may impair its ability to retain and generate business; and
- insurance related risks, unique to the business of life insurance and include investment and underwriting risks. The group is exposed to insurance related risks through its shareholding in Liberty.

Credit risk

Credit risk management

In lending transactions, credit risk arises through non-performance by a customer with respect to facilities utilised. These facilities typically take the form of loans and advances, the advancement of securities and contracts to support customer obligations (letters of credit and guarantees).

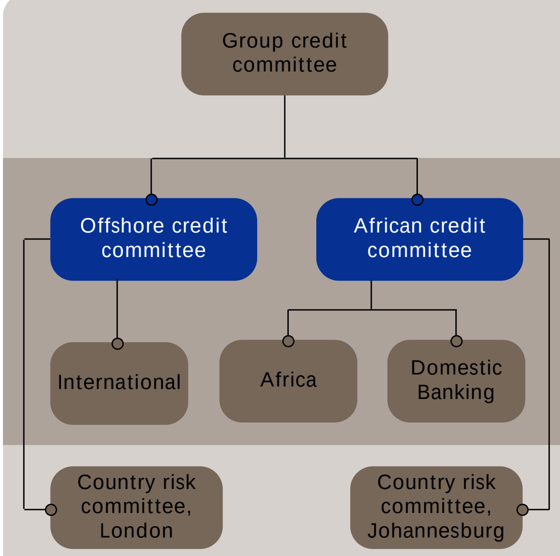
In trading activities, credit risk arises due to non-performance or defaults by a counterparty and comprises the following:

- settlement risk: the risk that a settlement within a transaction does not take place as expected which results in one party having delivered full value prior to receipt of value;
- replacement risk: the risk of having to replace a defaulted or cancelled in-the-money derivative instrument with a comparable instrument; and
- issuer risk: the risk that a particular principal payment or set of payments due from the issuer of an instrument will not be forthcoming as scheduled.

Country risk is viewed as a component of credit risk. It represents the risk of loss arising when conditions or events in a particular country reduce the ability of counterparties in that country to meet their financial obligations. These conditions include, but are not limited to, the imposition of exchange controls, a debt moratorium, insufficient foreign exchange, political instability and war.

Approach to managing credit risk

Credit risk is managed within a governance structure supported by clearly defined mandates and delegated authorities.



Responsibilities

Ensures that effective credit governance is in place and reviews the credit portfolio against the group's appetite for credit risk.

Approval of credit proposals and the active management of individual portfolios by:

- reviewing portfolio trends and provisioning;
- monitoring problem exposures and reviewing large exposures; and
- monitoring portfolio exposures and trends.

Approval of country limits and active management of portfolios through:

- regular review of countries;
- monitoring and management of watch-listed country exposures; and
- monitoring portfolio exposures and trends.

The group credit committee delegates authority to the Africa and offshore credit committees for the approval of credit proposals. These committees further delegate authority within their limits. The delegated authorities are documented and take into consideration the various levels of credit quality, exposure limits, and committee representation.

Measurement of credit risk

Corporate banking and financial institutions

Credit exposure to the corporate banking and financial institution sectors is usually in the form of short- and long-term loans and advances and exposures created through foreign exchange and derivative contracts. In these sectors, credit risk management is characterised by a close working relationship between the counterparty, the customer relationship team and an independent credit manager. Credit decisions are based on an in-depth knowledge of the counterparty and the industry in which it operates, as well as an assessment of the credit-worthiness of the counterparty based on a review of the audited financial statements and underlying risk parameters.

The group believes that the use of sophisticated modelling techniques combined with an in-depth knowledge and understanding of each customer, are essential in assessing the credit risk of each counterparty with whom it deals. To this end, a common credit rating framework has been developed to house credit rating models for each counterparty type. The probabilities of default produced from these models are an important component of the formal credit assessment process for both new and existing business. In addition, these models form the basis for continual monitoring of changes in credit quality. The validation and ongoing enhancement of the predictive qualities of these models will remain a focus area. In order to apply advanced credit management practices, initiatives include the enhancement of default management and collateral management systems. Together these initiatives will allow the group to understand and manage the inherent risk dynamics of the credit portfolio more effectively.

Retail

Retail credit exposures comprise mortgage loans, credit card facilities, personal loans, overdrafts and asset finance facilities.

The underlying method for credit extension is determined by the nature of the product. Application scoring techniques are widely applied in instalment finance, card debtors and mortgage loans. In the branch network, credit is extended through a combination of application and behavioural scoring methods for low-value/ high-volume loans.

Conventional and intuitive methods are applied to loans in excess of scoring limits. Decisions are taken in a centralised credit environment at strategically located credit centres.

A diverse range of performance analysis techniques is applied across product sets in recognition of differing asset and maturity profiles. Defaulting accounts receive prompt attention and, in instances where loss is anticipated, they are handled centrally by collection functions organised by product. Collections are a key component of the credit cycle and the underlying philosophy is to collect appropriately and promptly, using available technologies as the principal driver.

Analysis of loans and advances by credit performance category

December 2003 (Rm)	Total	Non-performing loans Sub-standard	Doubtful	Loss	Total	Performing loans Special mention	Standard
Retail Banking	114 428	1 228	1 191	312	2 731	2 361	109 336
Corporate and Investment Banking	55 667	633	215	321	1 169	92	54 406
Other	74	–	–	50	50	–	24
Domestic Banking	170 169	1 861	1 406	683	3 950	2 453	163 766
Africa	11 024	83	59	108	250	237	10 537
International	43 025	310	277	26	613	839	41 573
Other	65	–	–	–	–	–	65
Gross loans and advances	224 283	2 254	1 742	817	4 813	3 529	215 941
Percentage of total book	100%	1,00%	0,78%	0,37%	2,15%	1,57%	96,28%
December 2002 (Rm)							
Retail Banking	89 921	1 361	952	393	2 706	2 090	85 125
Corporate and Investment Banking	48 908	153	429	428	1 010	277	47 621
Other	235	–	–	235	235	–	–
Domestic Banking	139 064	1 514	1 381	1 056	3 951	2 367	132 746
Africa	8 955	62	59	156	277	536	8 142
International	34 122	114	327	139	580	1 007	32 535
Other	171	–	–	–	–	–	171
Gross loans and advances	182 312	1 690	1 767	1 351	4 808	3 910	173 594
Percentage of total book	100%	0,93%	0,97%	0,74%	2,64%	2,14%	95,22%

For the purposes of this analysis intra-group loans and advances are eliminated against individual business units.

The summary of the total loans and advances portfolio above is presented in line with the following regulatory guidelines:

Standard	Items that are fully current and full repayment of the contractual principal and interest amounts is expected.
Special mention	Items where the loan is performing but evidence exists that the borrower is experiencing difficulties. Ultimate loss is not expected but could occur if adverse conditions persist.
Sub-standard[1]	Items that show underlying well-defined weaknesses that could lead to probable loss if not corrected. The risk that these items may be impaired is probable and the group relies to a large extent on the available security.
Doubtful[1]	Items which are considered to be impaired, but are not yet considered final losses because of some pending factors which may strengthen the quality of the items.
Loss[1]	Items which are considered to be uncollectable and where the realisation of collateral and institution of legal proceedings have been unsuccessful. These items are considered of such little value that they should no longer be included in the net assets of the group.

[1] Classified as non-performing for accounting purposes.

Non-performing loans at 31 December (Rm)

Loans and advances are classified as non-performing in line with the sub-standard, doubtful and loss regulatory classifications.

	Gross non-performing loans		Securities and expected recoveries		Net after securities and expected recoveries		Provisions for non-performing loans	
	2003	2002	2003	2002	2003	2002	2003	2002
Retail Banking								
– Home loans	1 749	1 635	1 307	1 433	442	202	442	202
– Card	81	32	35	–	46	32	46	28
– Instalment sales and leases	290	154	126	60	164	94	164	94
– Other loans and advances	611	885	124	350	487	535	487	535
Corporate and Investment Banking	1 169	1 010	842	578	327	432	327	432
Other	50	235	–	139	50	96	50	96
Domestic Banking	3 950	3 951	2 434	2 560	1 516	1 391	1 516	1 387
Africa	250	277	104	191	146	86	146	86
International	613	580	255	219	358	361	358	361
	4 813	4 808	2 793	2 970	2 020	1 838	2 020	1 834
Staff home loan impairment in terms of AC 133							104	–
Provision for sovereign risk							74	22
Credit risk inherent in other asset classes							220	362
							2 418	2 218

Domestically, non-performing loans as a percentage of total book have continued to decrease across most business units. This was due mainly to the improved economic environment and continued management focus on the credit granting and collection processes.

Non-performing loans in Africa have continued to decrease following the intense focus on collection activities. International non-performing loans have increased in line with the growth experienced in the total book.

Provisions for non-performing loans

Specific provisions for credit losses relating to corporate banking and financial institution counterparties are raised on a case-by-case basis and take into account expected recoveries.

Within the retail environment, specific provisions for credit losses are raised and are based on predetermined rules which take into consideration the number of days an account has been in arrears and past loss experience.

Provisions for performing loans

The group has adopted an approach which calculates the expected loss on the performing book at a portfolio level. This is in line with the Basel II requirements which focus on credit modelling, utilising the building blocks of probability of default, loss given default and exposure at default. There is a constant process of refinement as credit modelling is enhanced and additional data becomes available.

Credit risk on trading activities

The group enters into forward, swap and option contracts, both exchange traded and over-the-counter, on a range of underlying instruments. Counterparties to these contracts may be customers of the group, other financial institutions or market professionals. The contracts enable both the group and its customers to manage their foreign exchange, interest rate, credit, commodity, precious metal and equity risks.

To the extent that a derivative contract requires performance by the counterparty at a future date, it may create credit risk for the group. This is mitigated by master netting agreements (such as International Swaps and Derivatives Association (ISDA) agreements) between the group and its counterparties, which permit the offset of amounts due from and to a counterparty in the event of default.

Master netting agreements are enforceable in the jurisdictions of our major counterparties. Entering into collateral arrangements with many of our counterparties provides further protection against default.

Credit risk exposure on derivatives and foreign exchange contracts is measured in terms of current exposure and potential future exposure:

- *current credit exposure* represents the loss to the group assuming the customer defaults at the time the exposure is being measured; and
- *potential future credit exposure* represents an estimate of the potential loss to the group assuming the counterparty defaults at some future date over the remaining term of the transaction. Potential credit exposure is estimated by simulating the impact of expected changes in market rates over the life of the contract.

Credit exposure related to derivative financial instruments at 31 December (Rm)

	Current credit exposure		Potential credit exposure	
	2003	2002	2003	2002
Foreign exchange contracts				
Less than one year	4 659	8 584	10 555	12 434
One to five years	1 388	1 732	4 226	2 628
More than five years	1 064	515	1 860	997
Interest rate contracts				
Less than one year	1 245	1 271	12 756	9 956
One to five years	2 801	3 806	3 614	9 924
More than five years	6 216	3 169	14 200	8 316
Commodities and other				
Less than one year	7 803	3 927	10 296	7 984
One to five years	2 320	2 563	2 889	3 337
More than five years	813	386	1 587	524
Total	28 309	25 953	61 983	56 100

Country risk

Country risk is monitored through continual review of economic and political data. The group uses external sources of information, a network of representative offices and subsidiaries, and visits key countries in order to evaluate local operating conditions. Individual countries are rated by using an internal rating model. Attention is also paid to known future events that may have a material impact on the assessment of a particular country's risk profile. The results of this process are compared with those of reputable rating agencies in order to validate the consistency of our model.

Exposures to individual countries are managed within limits set on a risk-weighted basis. The various factors considered in setting these limits include value-at-risk (VaR) methods. The limits cover the overall country risk appetite and are subdivided into product limits.

Market risk

Market risk management

Market risk exists wherever the group has trading, banking or investment positions. Major exposures to market risk occur in markets served by formal financial exchanges and over-the-counter markets, both in South Africa and internationally. These exposures arise from customer-driven business and from proprietary positions.

Approach to managing market risk

Market risk exposure on trading positions

Market risk exposures as a result of trading activities are contained within the group's three major trading operations of Domestic Banking, International and Africa. For Domestic Banking and Africa, the board of directors grants general authority to take on market risk exposure to the Africa asset and liability committee (ALCO), which is chaired by the chief executive. The managing director of Africa chairs the Stanbic Africa ALCO, which reports to the Africa ALCO. For International, general authority is granted to the Standard Bank London ALCO. This committee is chaired by a Standard Bank London executive director and it co-ordinates and delegates responsibility to the ALCO of each of the Standard International Holdings subsidiaries.

The group manages market risk through risk limits. The group uses a range of risk measurement methodologies and tools to establish limits, including VaR, stress testing, loss triggers and traditional risk management measures.

The group generally uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal market conditions. While VaR, calculated daily, provides an indication of possible losses under normal market conditions, the group supplements VaR with stress tests. The stress testing takes into account event risks that characterise the markets in which the group trades. The group back-tests its VaR models to verify the predictive power of the VaR calculations. Back-testing compares the daily profit and losses under the buy and hold assumption with the estimates forecast using VaR models. Loss triggers are designed to contain daily, monthly and year-to-date losses for individual business units by enforcing management intervention at pre-determined loss levels. Several traditional risk measures specific to individual business units are used. These measures include permissible instruments, concentration of exposures, gap limits and maximum tenor.

The table on page 69 shows the aggregated historical VaR calculations for our international and domestic operations in the markets in which the group holds trading positions. The minimum and maximum VaR amounts show the bands within which the values fluctuated during the periods specified.

The group calculates VaR with a holding period of one day and a confidence interval of 95%.

Market risk management units, independent of trading operations and accountable to business unit ALCOs, monitor market risk exposures due to trading activities. The units monitor exposures and respective excesses daily, and report monthly to ALCO and quarterly to the group risk management committee.

The chart below shows the VaR, with and without diversification, and actual income of the trading units throughout the year.

The chart and tables exclude Africa because its exposures are considered to be immaterial.

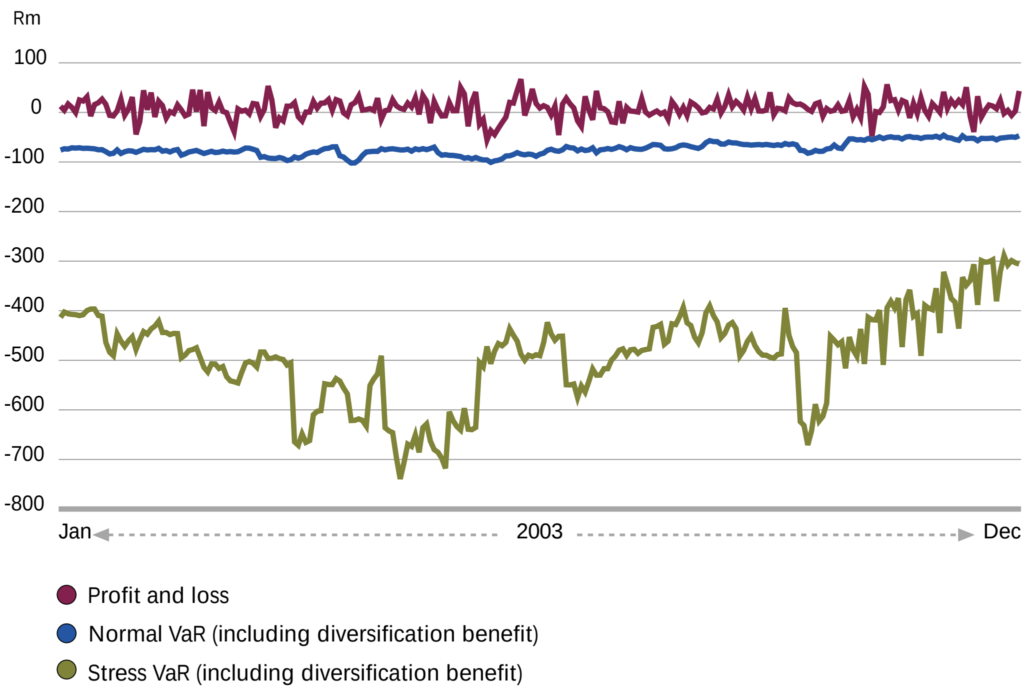
Market risk on equity investments

Equity management committees approve investments in listed and unlisted entities within an approval limit framework. Market risk on investments is managed in accordance with the purpose and strategic benefits of such investments, rather than purely on market considerations. Periodic reviews and re-assessments are undertaken.

Market risk exposure on banking positions

Banking-related market exposure is primarily interest rate risk and is managed predominantly within the group's three major treasury operations. Independent asset and liability management functions monitor exposures to this, which is the potential adverse effect of interest rate movements on net interest income.

Income of trading units and value at risk



Trading book value-at-risk analysis (Rm)

2003

Market variable	Normal VaR[2]				Regulatory capital[4]	Stress VaR[3]			
	Maximum[1]	Minimum[1]	Average	31 Dec	31 Dec	Maximum	Minimum	Average	31 Dec
Interest rates – SA	85,2	19,8	45,6	20,7	271,6	674,7	134,8	360,6	152,6
Emerging market debt	38,8	11,2	18,9	21,0	160,8	205,2	59,1	99,8	110,8
Equities – SA	34,7	0,0	8,7	0,0	114,4	91,9	0,0	26,5	0,0
Interest rates – other	25,9	2,6	8,8	9,6	246,5	217,5	19,0	55,3	82,4
Equities – other	22,3	13,0	18,8	19,7	61,9	117,7	68,7	99,5	103,9
Credit derivatives	17,1	7,6	11,4	8,6	297,8	98,1	14,3	46,3	30,6
Base metals	14,1	0,8	5,0	6,2	168,8	74,5	4,2	26,4	32,6
Foreign exchange	10,7	2,6	4,9	3,0	110,5	56,7	14,9	28,2	22,3
Energy	9,5	1,5	4,1	3,5	77,7	50,4	7,9	21,5	18,7
Precious metals	7,8	3,3	4,9	5,3	53,4	113,7	13,3	56,8	40,7
Commodities	1,3	0,1	0,3	0,1	0,0	3,5	0,2	0,9	0,3
High-yield/ distressed debt	1,2	0,0	0,8	0,0	18,7	6,5	0,0	4,1	0,0
Diversification benefit			(59,6)	(50,6)				(336,3)	(288,8)
Aggregate	102,1	45,9	72,6	47,1	1 582,1	739,4	289,0	489,6	306,1

2002

Market variable	Normal VaR[2]				Regulatory capital[4]
	Maximum[1]	Minimum[1]	Average	31 Dec	31 Dec
Interest rates – SA	38,5	10,3	21,8	38,1	949,1
Emerging market debt	37,7	11,9	22,0	19,2	414,3
Equities – SA	40,3	0,0	6,7	21,9	74,7
Interest rates – other	10,7	3,3	6,7	4,1	229,0
Equities – other	8,6	1,7	3,5	8,6	56,0
Credit derivatives	18,6	11,8	14,9	16,2	0,0
Base metals	6,7	0,5	2,1	1,2	251,9
Foreign exchange	8,0	1,8	4,0	3,6	350,6
Energy	5,9	0,4	2,0	3,1	222,3
Precious metals	54,5	3,3	7,0	3,8	155,4
Commodities	0,7	0,0	0,2	0,2	0,0
High-yield/ distressed debt	5,8	0,5	3,1	1,2	52,8
Diversification benefit			(44,6)	(49,1)	
Aggregate	74,7	38,8	49,4	72,1	2 756,1

[1] The maximum (and minimum) VaR figures reported for each market variable did not necessarily occur on the same days. Accordingly, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these VaR values may have occurred on different dates.

[2] Normal VaR is based on a holding period of one day and a confidence interval of 95%.

[3] Stress VaR is based on a holding period of between 10 and 20 days and a confidence interval of 99,7%. To enhance VaR disclosure, stress VaR has been included from 2003.

[4] Regulatory capital reflects only position risk. Counterparty and large exposures are not included as these relate to credit risk. The drop in exposure from 31 December 2002 is mainly due to a reduction in position risk on rand interest rates portfolios (interest rates-SA).

Within International's treasury, banking-related interest rate risk, which is primarily in US dollar and sterling, is managed on an integrated basis together with the trading book interest rate risk. This is overseen by Standard Bank London ALCO.

The transfer of interest rate risks to treasury operations has the dual purpose of managing the risk at an acceptable level according to the group's risk appetite and enhancing net interest income. Changes to the interest rate profile are achieved mainly by using derivatives, particularly interest rate swaps, where the shape of the yield curve and the group's own view of interest rates are used as guidelines.

The main analytical techniques used to measure banking book interest rate risk in Domestic Banking are scenario analysis which is forward looking, and repricing gap analysis which measures interest rate risk at a point in time. In addition, the risk is managed within a limit process. The results obtained from analytical techniques assist the group in evaluating optimal hedging and yield-enhancing strategies on a risk-return basis.

Domestic Banking's (where the primary banking positions of the group reside) three-month cumulative repricing gap for the financial year end is reflected in the table on page 71. All assets, liabilities and derivative instruments are placed in gap intervals based on their repricing characteristics. Assets and liabilities for which no specific contractual repricing or maturity dates exist are placed in gap intervals according to management's judgement and statistical behaviour, as applicable, based on the most likely repricing behaviour. The cumulative mismatch has increased through the period primarily as the result of the strong growth in variable rate retail advances. The asset growth has been partially funded by term funding and, as a consequence, there has been an increase in the repricing sensitivity. It is our view that interest rates are unlikely to reduce further and consequently, the repricing gap position is being lengthened to benefit from an increasing rate cycle.

Whilst the group remains asset sensitive and exposed to interest rate reductions, there has been a marginal decline in the interest rate sensitivity. For every 1% reduction in interest rates, there is an adverse annualised income impact of R210 million which represents 2,42% of net interest income for a projected twelve-month period for Domestic Banking. The exposure as a percentage of net interest income has decreased by 0,08% from 2,50% in December 2002. Hedging strategies, predominantly on the liability portfolio, have been adopted to keep the income sensitivity to interest rate changes within a narrow range. From time to time, ALCO strategies are implemented to hedge outlying interest rate scenarios.

Repricing analysis of assets, liabilities and shareholders' funds as at 31 December (Rm)

Domestic Banking operations in South Africa[1]	2003 Call-3 months Rm	4-6 months Rm	7-12 months Rm	Over 12 months Rm	Non-rate sensitive Rm	Total Rm
Total assets	188 585	5 224	5 658	13 832	104 516	317 815
Total liabilities and shareholders' funds	165 435	4 369	4 071	18 936	125 004	317 815
Interest rate sensitivity gap	23 150	855	1 587	(5 104)	(20 488)	–
Cumulative interest rate sensitivity gap	23 150	24 005	25 592	20 488	–	–
2002						
Total assets	159 275	5 664	2 476	13 103	35 911	216 429
Total liabilities and shareholders' funds	148 780	6 563	3 707	7 566	49 813	216 429
Interest rate sensitivity gap	10 495	(899)	(1 231)	5 537	(13 902)	–
Cumulative interest rate sensitivity gap	10 495	9 596	8 365	13 902	–	–

[1] Domestic Banking excluding foreign branches.

Liquidity risk

Liquidity risk management

The nature of banking, investment and trading activities results in continuous exposure to liquidity risks in respect of balance sheet activities.

Liquidity obligations arise from requirements to:

- repay deposits;
- advance committed funds; and
- make interest and other expense payments.

Sound liquidity management is crucial in protecting the group's capital, maintaining market confidence and ensuring future growth.

The monitoring of liquidity risk is facilitated by the adoption of a series of limits that are in line with guidelines issued by the Financial Services Authority (FSA) in the United Kingdom. Liquidity risk is monitored by the group's ALCOs on a monthly basis.

Approach to managing liquidity

Several elements are regarded as fundamental in the management of liquidity. These include:

- the maintenance of a portfolio of marketable assets over and above prudential requirements;
- effective daily and forecast cash flow management;
- implementation of long-term funding strategies;
- diversification of funding; and
- adequate contingency plans as and when considered appropriate.

During the course of 2003, the group maintained adequate levels of liquidity despite activities to reduce interest rate risk in a declining interest rate cycle.

Liquid and marketable assets

The group uses various liquid and marketable assets, as well as repurchase and reverse repurchase agreements, to manage its short-term liquidity. Throughout 2003, SARB continued to use various instruments to drain excess liquidity from the market, such as debentures, reverse repos and dollar swaps. Standard Bank participated in these activities. In the latter half of 2003, the need for draining reduced substantially and, as a result, the maturing cash flows were reinvested in other markets, notably in the interbank and foreign exchange markets.

The group held liquid assets above the required statutory ratio, both for interest rate risk management purposes and for trading opportunities. The average amount of surplus liquid assets in domestic operations was R3,2 billion in 2003 (2002: R2,3 billion).

Cash flow management and long-term funding strategies

In retaining and generating adequate funding, the group has implemented cash flow management strategies where limits have been set on the maximum net outflow of funds for specified periods.

The daily management of funding is achieved by monitoring future cash flows to ensure that cash requirements can be met. Monitoring and reporting take the form of cash flow projections, particularly over a short-term horizon.

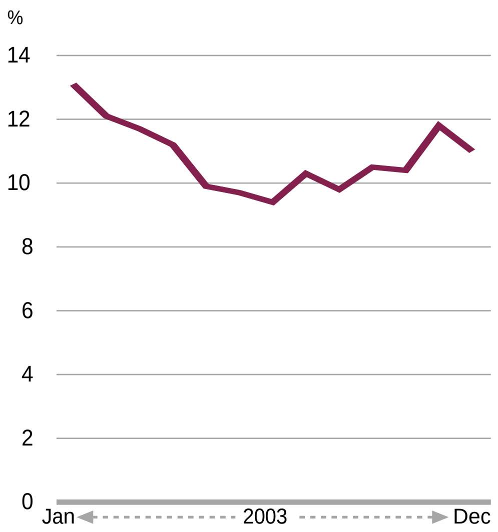
In addition, the group is committed to maintaining and increasing its core deposits and improving the long-term maturity profile of the deposit portfolio.

The group uses the FSA guidelines to ensure that appropriate liquidity mismatch limits are maintained. By way of illustration, the one month mismatch guideline set by the FSA is a maximum net outflow of 5%. In Domestic Banking, the liquidity gap (taking behavioural adjustments into account) as a percentage of total liabilities was -1,85% compared with -1,44% in 2002. The negative percentage depicts a net inflow of funds in the period. For International, the comparable liquidity gap was -10,4%, indicative of a favourable liquidity mismatch position.

International's liquidity is robust due to the nature of the balance sheet which has a strong tendency to liquid, realisable assets, and client financings which themselves are collateralised by liquid collateral. This collateral is used by International to supplement funding activities in addition to its own developed and stable private banking and wholesale deposits. International's term liquidity risk is also mitigated by the use of term funding raised through the syndicated loan market.

The ratio of long-term funding, defined as those deposits where the remaining term to maturity is greater than six months, to total funding is also closely monitored by Domestic Banking. The ratio declined from 13,1% in December 2002 to 10,9% in December 2003. The decline was attributable to a strategy to shorten the funding profile ahead of the declining interest rate cycle and thereby reduce interest rate exposure. In the second half of 2003, client demand for term funding increased resulting in an increase in the ratio. As discussed under market risk, the interest exposure in relation to the increased term funding was hedged with interest rate swaps.

Long-term deposits as a percentage of total deposits for Domestic Banking



Diversity of funding

Funding diversification and the constant monitoring of depositor concentrations are other key elements of liquidity management. Diversification is achieved by variation of the counterparty, instrument and term. To ensure that the group does not place undue reliance on a single entity as a funding source, it sets a limit to the amount of deposits it will accept from any one entity, and depositor concentrations are reviewed monthly at ALCO meetings.

International's deposit base continues to demonstrate diversity and strength, particularly by virtue of deposits sourced from Private Client Services activities. The London repurchase agreements market is also used, both as a funding source and as a low-risk placement alternative for surplus short-term liquidity.

Contingency plans

The liquidity framework incorporates contingency planning and the identification of alternative sources of funding to ensure that commitments can be met in the event of general market disruption or adverse economic conditions.

Compliance risk

Compliance risk management

The group is subject to wide-reaching supervisory and regulatory regimes in all countries in which it operates. The group's lead regulator is the Bank Supervision Department of the SARB. A policy of constructive engagement is followed with all regulators and the SARB Bank Supervision Department, in particular, is regarded as a key stakeholder.

The management of compliance risk has continued to evolve as a distinct discipline within the group's overall risk management framework. Ultimate responsibility for compliance risk management lies with the board of directors. The chief executive and the executive management team play a key role in the appropriate delegation of responsibility. Compliance risk management is considered integral to the responsibilities of all our employees.

Approach to managing compliance risk

The group seeks to manage compliance risk through a combination of key activities, notably training, monitoring and services:

- training staff and other impacted stakeholders on their rights and responsibilities related to legislation;
- monitoring compliance with legislation; and
- delivering services to provide assurance that the various regulations are identified, understood and effectively managed.

Given the significance of regulatory developments and the impact they have on the group, particularly domestic operations, several focus areas have been formally established in Group Compliance. These are referred to on the next page.

Money laundering control

The group has prioritised measures to mitigate the risk of systems being abused by criminals for the purpose of money laundering. To this end, a group money laundering control policy has been approved, and appropriate group minimum standards have been adopted and implemented to address:

- customer identification (know-your-customer procedures);
- effective record-keeping;
- the reporting of unusual or suspicious transactions; and
- training all staff on their obligations.

A money laundering control office has been established to ensure compliance with the above requirements and, in particular, with the Financial Intelligence Centre Act (FICA) in South Africa, which came into effect on 1 July 2003.

Provision of financial advice

The intention of new legislation governing the provision of financial advice is to provide clarity and information to customers about the range and nature of financial products, and to ensure they receive the most appropriate advice for their unique circumstances. Comprehensive implementation, training and accreditation plans will be rolled out to give effect to these requirements and to ensure that customer needs and expectations are met.

Health and safety

The group is committed to ensuring that employees and other impacted stakeholders, including customers and contractors, are appropriately protected during the execution of their duties and during interactions while on the group's premises.

Operational risk

Operational risk management

Standard Bank has a group operational risk management framework which outlines the management process, the governance structure and the culture for managing operational risk.

The role of operational risk managers is to:

- identify and evaluate the risks inherent in the business activities and processes, and to manage them within established tolerances; and
- provide support for sound business decisions through a balanced focus on risk and return in decision-making and through ongoing staff awareness.

Operational risk managers are assigned throughout the group to assist business units in fulfilling their operational risk management responsibilities. The tools to support the effective management of operational risk include:

- risk control and self-assessment (RCSA), an internally driven analysis of risks and controls to achieve a common understanding of the strengths and weaknesses of the operational risk environment;
- an incident management system to enable operational losses to be recorded, reported, managed and monitored;
- the use of key risk indicators to provide management with early-warning signals on potential operational risk exposures in order to initiate preventative action; and
- the maintenance of policies and procedures that are key to sustaining effective risk management practices.

Insurance, in general, is a component of the management of operational risk and, where appropriate, insurance cover is purchased to mitigate potential losses associated with such risks. The group maintains a comprehensive insurance programme as additional protection against potential losses from fraud, theft, loss of physical assets and professional liability claims.

Business continuity management (BCM)

The group's capacity to respond to abnormal conditions is strengthened through a process of simulations in identified critical business areas. Emphasis has been placed on rehearsal of the recovery capability which focuses on the ability to respond to a crisis, recover critical processes and resume normal operations. A significant amount of training and involvement of BCM practitioners within the business units has ensured widespread buy-in to the process.

Information risk management

Information risk is the possibility of harm being caused to a business as a result of a loss of the confidentiality, integrity or availability of information.

Emphasis is on monitoring the status of the group's information security and in measuring the effectiveness of information security processes.

Reputational risk

Failure to effectively manage and control any of the major risk types facing the group could damage the group's reputation.

Potential reputational risks are identified and managed primarily through the compliance and operational risk structures and processes. These have been discussed earlier in this section.

Ultimately, all significant acquisitions or changes to the nature of the group's activities, including the countries in which those activities are conducted, are discussed and approved by the board.

Insurance related risks

The Liberty Group has a separate risk management function to oversee the processes for identifying, evaluating and managing its risks, including the development of policies that are specific to the insurance business. A risk committee, under the chairmanship of an independent non-executive director and accountable to the board of directors, meets quarterly to consider the adequacy and effectiveness of risk management within Liberty Group.

The Liberty Group's risk management philosophy is aligned with that of Standard Bank Group. The significant risks unique to Liberty Group are:

- investment risk – the risk that the investment returns on policyholders' assets will not be sufficient to cover contractual investment performance guarantees and reasonable policyholders' benefit expectations;
- underwriting risk – the risk that the actual exposure to mortality, disability and medical risks in respect of policyholders' benefits will exceed prudent expectations of future exposure; and
- claims risk – the risk that Liberty Group will incur excessive mortality and morbidity losses on any group of policies.

A comprehensive description of these risks is included in Liberty Group's annual report and is available on www.liberty.co.za.

The group's diversity across different markets, financial products and customers once again provided a sound base for creating shareholder value.

Contents

This report expands on the financial results of the group and should be read in conjunction with the annual financial statements of Standard Bank Group set out on pages 101 to 198.

Overview of financial results

Standard Bank Group continued its long-term growth trend in 2003 with headline earnings for the year 19% higher at R6 248 million. Results for the year were achieved against the backdrop of a strengthening South African economy and improvements in global markets, particularly financial markets in emerging economies. In South Africa, economic fundamentals continued to improve, with reductions in inflation and interest rates, and a significant strengthening in the external value of the rand. The group's diversity across different markets, financial products and customers once again provided a sound base for creating shareholder value.

The group's domestic banking operations produced earnings growth of 16% and returns on equity in excess of 30% in both Retail Banking and Corporate and Investment Banking. This was supported by ongoing improvements in credit management, substantial growth in advances in the higher-margin retail categories and good growth in non-interest revenue. In local currency terms, strong profit growth was achieved in the African operations but this was largely offset on translation by the effect of the stronger rand. A highlight of the group's 2003 performance was the exceptional growth achieved by the group's international operations which more than doubled earnings in rand terms despite the exchange rate effect.

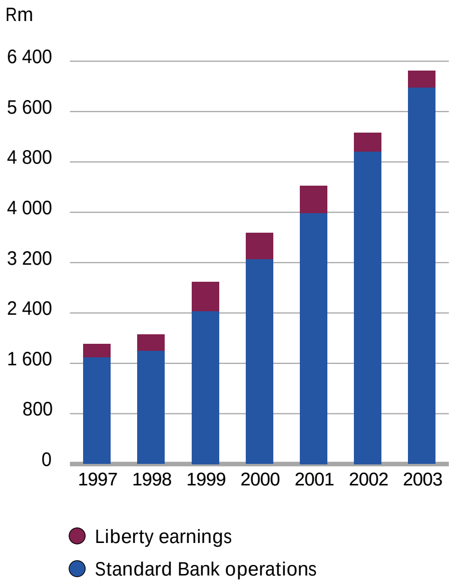
The group's key financial performance indicators for 2003 were as follows:

- return on equity of 22,8% compared with 20,3% in 2002;
- headline earnings of R6 248 million, 18,7% up;
- headline earnings per share of 468,3 cents, 18,2% higher;
- credit loss ratio improved to 0,91%;
- dividends of 151 cents per share, 21,8% up; and
- the cost-to-income ratio improved to 56,2% from 57,3%.

Performance against objectives

The group's achievements against objectives for the past six years, since group objectives were formally announced, are illustrated on page 5 of the annual report. The group's medium-term financial objectives published a year ago were: return on equity of 20%; headline earnings growth of inflation (CPIX) plus 10%; cost-to-income ratio of 57%; and a group credit loss ratio of 1%. All of these objectives were achieved in 2003.

Headline earnings



- **Return on equity:** Return on equity (ROE) remains a key focus area and the group achieved a ROE of 22,8% (2002: 20,3%), well above its objective of 20%. Noteworthy are the high ROEs achieved in Retail Banking, 32%, Corporate and Investment Banking, 32%, and International, 15% in sterling terms.
- **Headline earnings:** The group achieved growth of 18,7% in headline earnings, which compares to a target of 16,8% based on an average CPIX of 6,8% plus 10%.
- **Cost-to-income ratio:** The group aims to continuously improve this ratio and had set an objective of 57% for 2003. The achieved ratio of 56,2% (2002: 57,3%) is the result of single-digit cost growth in the group without compromising income growth.
- **Credit loss ratio:** The group achieved a loss ratio of 0,91% (2002: 1,08%) of gross loans and advances, which compares favourably against the target loss ratio of 1%.

Key factors impacting the results

- **Improvement in emerging markets:** The markets in which the group operates have, over the past 15 months, provided a more stable business environment relative to that of the previous year.

  Following a sharp deterioration in credit markets towards the end of 2002, strong rallies were experienced in emerging market debt in 2003. These favourable conditions enhanced International's earnings, as it is particularly active in emerging markets, both in credit origination and trading activities. Headline earnings for the year more than doubled to R866 million, an increase of R437 million over last year, despite the stronger rand exchange rate. In sterling terms, off a low base in 2002, headline earnings were 158% up.

- **Advances growth:** Strong growth occurred in domestic mortgage lending, card lending and instalment finance areas following the buoyant property market and growth in consumer spending. International took advantage of recovering economies in Russia, Brazil and Turkey to grow its loan portfolio by 37% in sterling terms.

- **Provision for credit losses:** The year was characterised by significant recoveries of previously impaired loans in both Domestic Banking and International. This has resulted in a decrease in the total charge for credit losses from R2 billion to R1,8 billion, notwithstanding growth of 23% in loans and advances, and a 180% increase in the charge against performing loans.

- **Translation gain reversals:** During 2003, the rand continued its appreciation from its weak position recorded in late 2001 and ended the year at 6,675 to the United States dollar (US dollar), a level not seen for the past three years. The rand also strongly appreciated against most African currencies. By year end, the rand had strengthened by 14% against sterling and 22% against the US dollar. The impact of this on the consolidated net asset value of foreign subsidiaries was a reduction of R1,9 billion, which has been charged directly against the translation reserve consistent with the group's longstanding accounting policy. The strengthening of the rand also had a negative impact of R392 million on headline earnings for 2003.

- **Adoption of AC 133:** In accordance with South African Generally Accepted Accounting Practice (SA GAAP), the group adopted the accounting statement AC 133, Financial Instruments: Recognition and Measurement, with effect from 1 January 2003. The effect of this on the earnings for the year and on the opening equity and liability base are given on page 174. In summary, the adoption of AC 133 has not had a material effect, with earnings for the year R76 million higher and opening net equity at 1 January 2003, R234 million lower as a consequence.


Income statement analysis

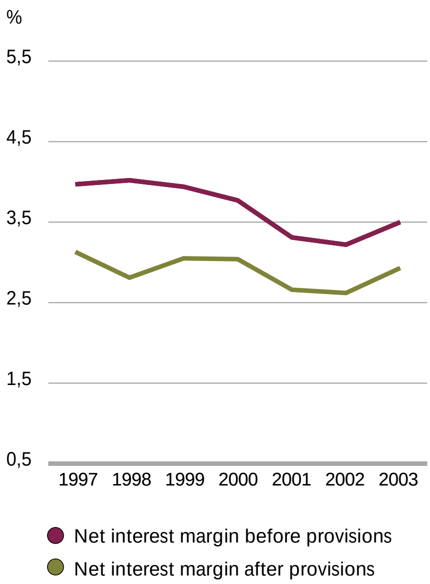
Net interest income – up 9%

	2003	2002
Growth in net interest income	9%	29%
Net interest margin – group (excluding derivative gross-ups)[1]	3,50%	3,22%
Net interest margin – Domestic Banking	3,73%	3,83%

[1] Following the introduction of AC 133, it is not considered meaningful to include derivative gross-ups as these do not have a funding impact.

From February 2002, the South African prime lending rate rose by 300 basis points, followed by a sharp decline from June 2003 of 550 basis points resulting in a 50 basis points reduction in the average prime rate compared to that of 2002. This differential, together with the sharp decline in rates in the second half of the year, caused some margin contraction domestically and restricted growth in net interest income in the latter part of the year.

Net interest margin



The impact of the lower margins was partly offset by healthy growth in most retail lending categories. Interest income was also positively impacted by the requirement of AC 133 to accrue for interest on impaired loans. Given the significant interest rate volatility experienced in the last two years, asset and liability management continues to be an important focus in both the domestic and African operations. Interest rate hedging strategies, predominantly on the liability portfolio, have been implemented to reduce the adverse effects of the interest rate cycle on the group's domestic banking portfolios.

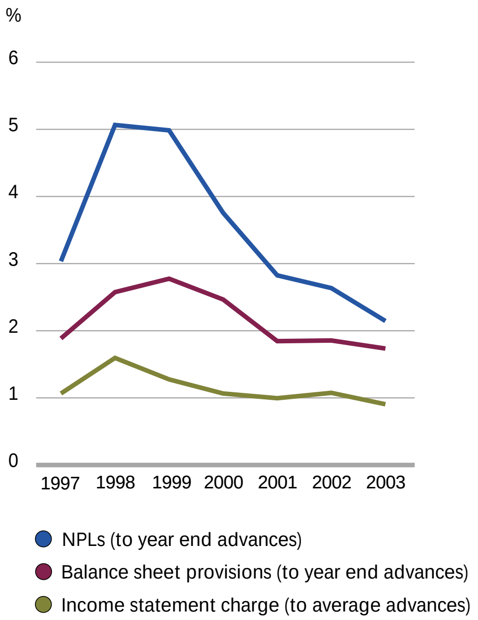
Provision for credit losses – reduction of 5%

	2003	2002
Growth in provision charge	(5%)	22%
Credit loss ratio	0,91%	1,08%
Balance sheet provisions as a % of gross loans and advances	1,74%	1,86%
Gross non-performing loans (NPLs) (Rm)	4 813	4 808
Gross coverage ratio	42%	38%

The reduction in the overall charge for credit losses is the net effect of a 22% decrease in the charge for non-performing loans to R1 398 million and a 180% increase in the charge against performing loans to R450 million.

The charge in respect of non-performing loans, previously termed specific provisions, was reduced due to improved credit processes

Credit loss history



throughout the group and favourable economic conditions in most of the markets in which the group operates. Specific factors included more robust credit origination processes, lower domestic interest rates, improved collections and improvements in international credit conditions. This lower charge was achieved despite an increase in the provision in recognition of the discounting of future recoveries in terms of AC 133.

Provisions relating to performing loans, previously termed general provisions, are based on impairments quantified over the estimated life of advances portfolios, which is consistent with both AC 133 and the future requirements of Basel II. The substantial increase in these provisions was due to several factors, including, a significant growth in retail lending portfolios of a term nature and the associated increase in market shares. The prior year charge in this category was based on a regulatory matrix and is not comparable.

The group's total credit loss ratio improved from 1,08% to 0,91%, and non-performing loans reduced from 2,6% of gross loans and advances to 2,1% at year end.

Non-interest revenue – up 12%

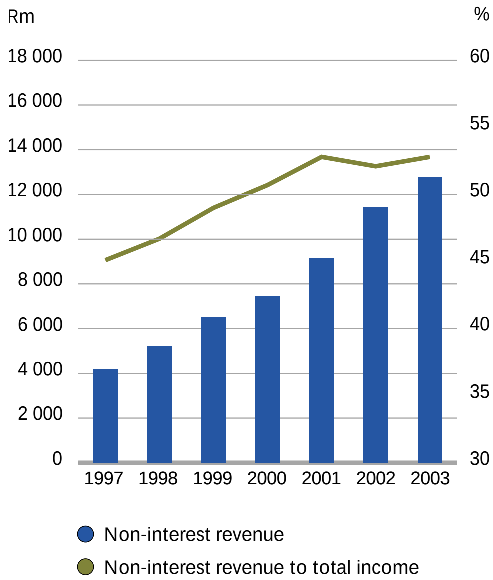
	2003	2002
Growth in non-interest revenue	12%	25%
NIR as a % of total income	52,8%	52,1%

The growth in non-interest revenue was a combination of fee and commission income up 8%, trading income 21% higher and other sources of non-interest income up 12%.

Domestic Banking's fees and commissions increased by 13%, mainly due to the growth in the customer base and higher transaction volumes. This was partly offset by the impact of a stronger rand on fees from Africa and International.

Trading income increased by 21%, primarily as a result of International's 44% growth. Domestic trading income declined by 6% off the high base

Non-interest revenue

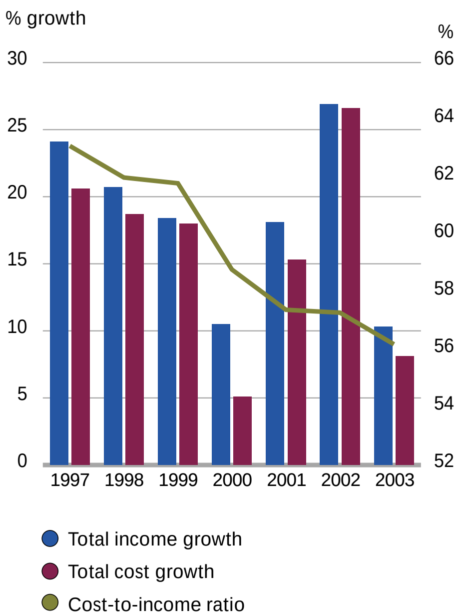


of the previous year. Sustained recoveries in international fixed income and natural resources markets, coupled with good new business flows, were the primary reasons for growth in International. Domestically, the performance of debt and capital markets trading was disappointing, while foreign exchange trading produced satisfactory results. The increase of 12% in other income originated mainly from investment realisations, fair-value changes in equity investments and increased rental income from group property companies.

Operating expenses – up 8% (staff costs up 9% and other costs up 7%)

	2003	2002
Growth in Domestic Banking	13%	18%
Growth in International and Africa (rands)	(4%)	51%
Growth in total operating expenses	8%	27%
Cost-to-income ratio	56,2%	57,3%

Cost-to-income ratio



Domestically, costs increased by 13% as the group continued to invest in branch infrastructure, IT capacity, staff training and incentive programmes. The stronger rand exchange rate had the effect of reducing costs in rand terms for international and African operations, although expenditure in local currency was intentionally increased to grow geographical presence and ensure more robust systems and risk management processes.

A 2% increase in headcount was recorded across the group, mainly due to credit card processes being brought back in house, additional staff to cope with higher levels of retail business volumes and new operations outside South Africa.

Income growth surpassed cost growth for the seventh consecutive year, and the cost-to-income ratio improved accordingly.

Exceptional items

Exceptional items are summarised as follows and are excluded from headline earnings due to their capital nature:

	2003 Rm		
	Gross	Tax	Net
Profit on sale of properties	238	(9)	229
Impairment of properties	(41)	–	(41)
Impairment of intangibles	(116)	35	(81)
Profit on sale of businesses and divisions	57	(8)	49
Other capital profits	6	–	6
	144	18	162

The group's annual review of intangible assets indicated impairments of R81 million after tax related to several IT systems which no longer fit the group's integration strategy and are required to be written off. Capital profits on the realisation of properties, net of property impairments, amounted to R188 million and a profit of R49 million was realised on the sale of businesses to empowerment consortiums and the sale of the bluebean book to a joint venture with Barclaycard.

Goodwill

The charge represents the continued amortisation of goodwill that arose on acquisitions in recent years. Goodwill on the banking operation's balance sheet amounted to R262 million (2002: R381 million) at year end.

Taxation

	2003	2002
Total effective tax rate	31,7%	33,5%
Effective income tax rate	27,3%	28,2%
Effective indirect tax rate	4,4%	5,3%

The effective tax rate decreased from 33,5% to 31,7%. The direct tax rate reflected a slight decrease from 28,2% to 27,3%, while the indirect tax rate declined from 5,3% to 4,4% due to a change in the mix of the domestic bank's revenues.

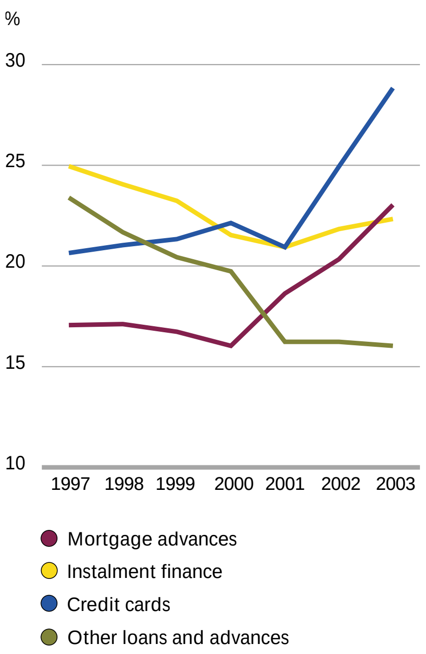
Balance sheet analysis

	2003	2002
Growth in total banking assets	44%	0%
Growth in total banking assets excluding derivative assets	14%	0%
Growth in loans and advances	23%	1%
Growth in ordinary shareholders' funds	10%	1%
Net asset value per share (cents)	2 141	1 957

Banking assets increased by 44% or R137 billion. The growth was, however, inflated by the effect of the implementation of new accounting policies that required the grossing up of derivative positions, resulting in an increase of R96 billion in assets. Loans and advances were 23% higher, with strong growth recorded in all operations. Domestic loan growth of 20% was primarily due to a focus on increasing term lending to individuals, particularly in the following key product areas:

- mortgage loans, which were 32% higher, reflected growth in both volume and value terms assisted by the buoyant property market;
- instalment finance, which was 19% up, with loans to the commercial and retail sectors growing by 22% and 19% respectively; and
- card debtor balances and revolving credit plan balances, which were 28% and 38% higher respectively.

Domestic market share



An increased focus over recent years on retail service levels and customer retention is generating results as market share was gained in mortgage lending, 23,0% (2002: 20,3%), credit card, 28,8% (2002: 24,9%), and instalment finance 22,3% (2002: 21,8%). In line with the group's strategy of not pursuing low-margin corporate lending business, domestic growth in this area remained subdued, although, within this category, Structured Finance increased its loans by 36%.

International's lending portfolio grew by 37% in UK sterling terms, off a low 2002 base. Collateralised lending in emerging economies, together with precious and base metals financing, were the main areas of growth.

In view of the majority of International's revenues being denominated in US dollars, International's measurement currency for its statutory entities has been converted from sterling to US dollars with effect from 1 January 2004.

Shareholders' funds

Ordinary shareholders' funds grew by 10% to R29 billion. The net increase in shareholders' funds for the year includes a reversal of R1 866 million in gains previously recorded on the translation of foreign net assets. The group's policy of accounting for translation movements through equity has been consistently applied.

Liberty Group

The long-term insurance industry experienced a difficult operating environment in 2003. Although there was a late rally in the local and international equity markets, Liberty's headline earnings decreased by 11% (9% excluding the impact of Stanlib), mainly due to releases from the policyholder liabilities in 2002 associated with lower projected policy renewal costs, not repeated in 2003. Indexed new business of R3,8 billion was 5% up on 2002 with net inflows of cash remaining strong at R4,5 billion. The number of in-force policies increased by 3% during 2003. Liberty remains strongly capitalised with a capital adequacy multiple of 2,6 times.

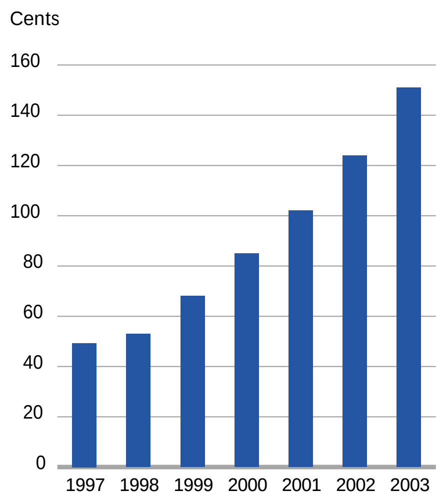
Liberty Group's equity-accounted earnings from Stanlib are included in Standard Bank operations as part of the consolidation of Stanlib into the group results. Consequently, Liberty Group's published earnings are adjusted to exclude all earnings related to Stanlib. Profits and losses recognised in Liberty Group on the disposal of business units to Stanlib are deferred and goodwill recognised on the creation of Stanlib eliminated until realised by Standard Bank Group.

Dividends

	2003	2002
Growth in dividends per share	22%	22%
Dividend cover	3,1%	3,2
Dividend yield	3,9%	4,1%

A final dividend of 109,5 cents per share (2002: 90 cents) has been declared, thereby bringing the total dividend for 2003 to 151 cents per share (2002: 124 cents), an increase of 22% at a dividend cover of 3,1 times. In line with the

Dividends per share



previously stated intention to reduce the group's dividend cover, it is anticipated that the dividend cover for 2004 will be reduced to 3,0 times, at which stage the dividend policy will be reviewed to assess the possibility of further reductions in cover.

Currency impact on earnings

The rand strengthened in 2003 against most of the currencies in which the group operates. The consolidated earnings of the group are impacted by changes in the rand exchange rate against the US dollar, pound and, to a lesser extent, African currencies.

On a line-by-line basis, the income statement impact of the stronger average rand exchange rate was as follows:

Currency impact

	2003 Rm
Net interest income before provision for credit losses	(679)
Provision for credit losses	(102)
Net interest income	(577)
Non-interest revenue	(1 040)
Total income	(1 617)
Operating expenses	(1 044)
Operating profit	(573)
Income from associates	(9)
Exceptional items	12
Income before taxation	(570)
Taxation	(172)
Income after taxation	(398)
Minorities	(18)
Standard Bank operations	(380)
Liberty	–
Standard Bank income attributable to ordinary shareholders	(380)
Headline earnings	(392)

The negative impact on headline earnings resulted from the following business units:

	2003 Rm
International and central funding	(281)
Africa	(111)
	(392)

The stronger closing rand exchange rate reduced total consolidated assets from foreign entities by R22 billion.

Product reporting

The group is currently arranging its management structures and reporting processes to enable product management across divisional and geographic boundaries.

Global product management has already been in place in prior years for several wholesale product lines such as commodities and structured debt finance, but 2003 saw increased momentum in both retail and wholesale areas of the group.

Reflected alongside is the contribution to total income and to headline earnings by main product type across the group, for both the current and the previous year.

Global retail

Global retail contributed 55% (2002: 54%) to the group's total income and 44% (2002: 45%) to the group's headline earnings. Improved performance in the domestic retail bank has contributed to all product areas reporting satisfactory earnings growth. Domestically, headline earnings growth in mortgage lending and instalment finance was dampened by the new business cost of increased new loans, including the effect of the amortisation period of origination fees on home loans being shortened from six to five years. Future earnings will, however, benefit from the growth in new business acquired during the latter part of 2003.

Card benefited from increased card volumes and cost savings.

Global wholesale

Global wholesale contributed 40% (2002: 41%) to the group's total income and increased its contribution from 47% to 51% of the group's headline earnings. Global markets reported strong earnings growth from increased customer flows, improved credit spreads and strengthening emerging market asset prices.

Structured debt and property finance enjoyed strong advances growth from structured finance and project finance products, and growth in the domestic commercial mortgages book exceeded expectations.

Accounting policy changes

Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of financial instruments classified as instruments available-for-sale, held at fair value or derivative instruments, as well as investment and owner-occupied properties in the group's insurance operations.

The accounting policies comply in all material respects with SA GAAP, as well as with the South African Companies Act of 1973 and the Long-term Insurance Act of 1998.

Analysis by product

	Total income			Headline earnings		
	2003 Rm	% change	2002 Rm	2003 Rm	% change	2002 Rm
Global retail	13 411	13	11 874	2 760	17	2 358
Instalment finance	1 170	8	1 082	260	7	242
Mortgage lending	1 925	19	1 624	563	11	505
Card	1 568	17	1 335	145	81	80
Retail transactional products	7 967	11	7 181	1 594	16	1 372
Bancassurance	785	20	653	209	25	167
Other	(4)	>(100)	(1)	(11)	(38)	(8)
Global wholesale	9 782	9	8 984	3 167	27	2 496
Commodities and resources	1 100	13	973	218	25	175
Global markets	3 872	6	3 669	1 435	36	1 057
Banking and trade finance	3 299	2	3 219	815	8	752
Corporate finance and investments	404	22	330	215	23	175
Structured debt and property finance	921	21	760	484	44	337
Other	186	>100	33	–	–	–
Global fund management	1 119	(0)	1 124	81	(16)	96
Life insurance				270	(9)	298
Other	(85)	>(100)	(14)	(30)	>(100)	15
Standard Bank Group	24 227	10	21 968	6 248	19	5 263

Changes in accounting policies

These accounting policies are consistent with those applied in 2002 except for the adoption of the new accounting statement, Financial Instruments: Recognition and Measurement (AC 133) with effect from 1 January 2003. The changes resulting from the adoption of the statement are set out on pages 114 to 115 in the accounting policies. The most significant changes are:

- Financial assets are now categorised based on their intended use.
- Certain investment banking assets previously held at cost are now fair-valued through the income statement (held at fair value instruments) or fair-valued directly to reserves until realised, with the profit transferred to the income statement on realisation (available-for-sale instruments).
- Provisions for credit losses on performing loans (previously termed general provisions) were based on regulatory prescribed percentages. Provisioning for loans and advances is now based on impairments resulting from the application of a discount factor to expected cash flows. Any regulatory requirements over and above those of SA GAAP are now accounted for in a statutory general credit risk reserve as part of equity.
- The discounted cash flow methodology used to determine the recoverable amount of a non-performing loan results in additional provisions where time to recovery of security and other recoveries had not previously been taken into account. Thereafter the discounting portion of the provision unwinds over time as interest income.
- Loans and advances with off-market interest rates are impaired on initial recognition to achieve the recognition of a market-related interest rate over the period to repayment.
- Derivative assets and liabilities were mainly disclosed on a net basis and are now disclosed gross.
- Formal hedging criteria are now being adhered to before hedge accounting may be applied, with the ineffective portion of the hedge accounted for in the income statement.
- Derivatives used for hedging purposes are now accounted for on-balance sheet.
- Assets subject to fair value hedging relationships are now fair-valued for the risk being hedged.
- Insurance contracts continue to be valued in terms of the Financial Soundness Valuation (FSV) basis with the actuarially determined liabilities now being disclosed separately from liabilities under investment contracts. Investment contracts are valued at fair value.
- Previously in terms of the actuarial guideline PGN104, a portion of the profit on single-premium investment contracts was recognised at point of sale. These investment contracts are now subject to statements of GAAP and consequently profit is recognised over the life of the contracts.

As required by the transitional provisions of AC 133, the change in accounting policy has been applied prospectively and comparative amounts for 2002 have therefore not been restated. Certain reclassifications have, however, been made to allow for the expanded disclosure required by AC 133. The impact of adopting AC 133 in 2003 was as follows:

Impact of AC 133 on key ratios (%)

	2003 Excluding AC 133	2003 Including AC 133
Headline earnings growth	17,3	18,7
ROE	22,6	22,8
Cost-to-income ratio	57,0	56,2
Credit loss ratio	0,80	0,91

Impact of AC 133 on the income statement

	2003 Rm
Net interest income before provision for credit losses	343
Unwind of discounting relating to provisioning	353
Mark-to-market of interest-bearing financial instruments	(10)
Provision for credit losses	219
Discounting adjustments related to NPLs	171
Performing loan adjustment	48
Net interest income	124
Non-interest revenue	(2)
Total income	122
Operating expenses	–
Operating profit	122
Income from associates	7
Income before taxation	129
Taxation	41
Income after taxation	88
Minorities	1
Standard Bank operations	87
Liberty	(11)
Standard Bank income attributable to ordinary shareholders	76

Anticipated changes in accounting standards

Improvements to current standards and alignment with IFRS

South African standards currently are closely aligned with International Financial Reporting Standards (IFRS). Subject to the standard setting process followed by the Accounting Practices Board, South African standards will be fully aligned with effect from 2005.

The International Accounting Standards Board (IASB) recently completed an improvement project of its current standards that is also effective from 1 January 2005. It is not expected that these revisions will have a material negative impact on the group's results.

On 17 December 2003, the IASB issued revisions to the statement on Financial Instruments: Recognition and Measurement (AC 133 in South Africa), effective from 1 January 2005. The purpose of the revision process was not to reconsider the fundamental approach to accounting for financial instruments, but to reduce complexity by clarifying and adding guidance and to eliminate inconsistencies. Included in these changes is a possible revision to the provisioning basis of performing loans using an incurred loss model rather than an expected loss model and this may result in a material reduction in these provisions. The application of the incurred loss model is currently being clarified in conjunction with the audit firms and the South African Institute of Chartered Accountants.

Macro-hedging was, however, not included in the revisions above and is currently being revised separately but is also expected to be effective from 1 January 2005. The current strict requirements of AC 133 reduce the group's ability to apply formal hedge accounting principles as envisaged in the statement. Revisions to hedge accounting principles to allow macro-hedging will reduce practical difficulties currently being experienced within the banking industry.

Share-based Payments (AC 139)

The new statement on Share-based Payments, AC 139, effective from 1 January 2005, will be applied retrospectively for all options granted after 7 November 2002 that have not vested on the effective date. This statement requires the recognition of an expense equal to the fair value of options granted to employees. This fair value will be amortised over the vesting period of the options. During 2003, the group granted 18 million options with an estimated fair value of R145 million, which will be amortised over vesting periods of between three and five years.

Secondary Tax on Companies

AC 501: Accounting for Secondary Tax on Companies (STC) was issued during 2003. In terms of this statement, a deferred tax asset should be recognised for the unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. The statement becomes effective for the group as from 1 January 2004.

Capital adequacy and allocation

The group manages its capital base to achieve a balance between maintaining prudent capital ratios to support business growth and depositor confidence, and the objective to provide competitive returns to shareholders.

Regulatory capital

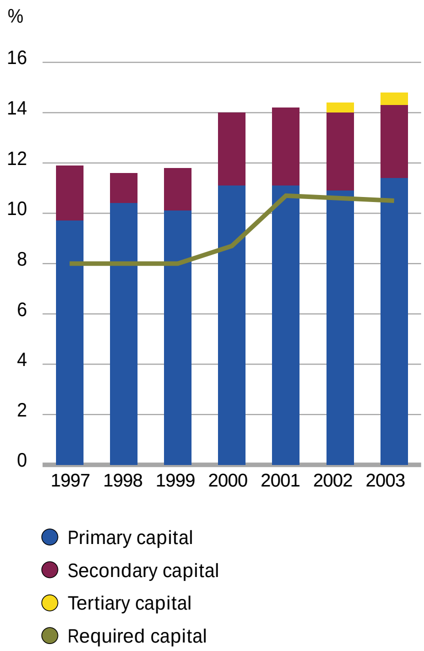
The group is subject to regulation and supervision by various South African and international regulators.

The 25 banks in the group are required to meet minimum capital requirements of regulators in those countries in which they operate. Banking regulations are generally based on the guidelines developed by the Basel Committee under the auspices of the Bank for International Settlement. In addition to the requirements of host country regulators, all banking operations are also required to comply with the capital adequacy requirements of the South African Reserve Bank. As a consequence, the group's individual banking operations are always capitalised at the higher capital adequacy levels in terms of either host country or South African requirements.

The capital adequacy ratio, which reflects the capital strength of an entity compared to the minimum regulatory requirement, is calculated by dividing qualifying capital by risk-weighted assets.

- Qualifying capital is split into three tiers. Tier I (primary capital) represents the permanent forms of capital such as share capital, share premium and retained profits. Tier II (secondary capital) includes medium-term to long-term debt capital, revaluation reserves and general debt provisions. Tier III (tertiary capital) represents short-dated debt instruments to support a bank's trading activities.

Capital adequacy



Capital adequacy – Regulatory capital and risk-weighted assets

	Rand Rm	US$ UK£ Rm	Other Rm	2003 Rm	% change	2002 Rm
Primary capital						
Share capital and reserves	18 496	8 390	1 773	28 659	10	26 054
Minority interest	345	–	149	494	51	328
Shareholders' funds not qualifying as primary capital[1]	(184)	–	–	(184)		–
Impairments	(478)	(312)	(72)	(862)	(21)	(713)
	18 179	8 078	1 850	28 107	9	25 669
Secondary capital						
Preference share capital	8	–	–	8	–	8
Tier II bonds	4 829	668	225	5 722	(1)	5 754
Qualifying general debt provision	927	318	104	1 349	12	1 203
Revaluation reserve	68	–	42	110	62	68
	5 832	986	371	7 189	2	7 033
Tertiary capital						
Tier III bonds	1 000	334	–	1 334	33	1 000
Total capital	25 011	9 398	2 221	36 630	9	33 702
Risk-weighted assets						
On-balance sheet				181 907	7	169 501
Off-balance sheet				14 052	(3)	14 491
Total non-trading assets				195 959	7	183 992
Trading activity notional assets				51 066	0	51 055
Total risk-weighted assets				247 025	5	235 047
Group primary capital to risk-weighted assets (%)				11,4		10,9
Group total capital to risk-weighted assets (%)				14,8		14,3
Banking capital to risk-weighted assets (%)				14,4		13,8
Aggregate regulatory capital requirement (%)[2]				10,5		10,6
Liberty Group (calculated in terms of the Long-term Insurance Act – CAR times covered)				2,6		3,0

[1] Impairment for regulatory purposes, arising from additional general provisions on performing loans to comply with a regulatory general debt provisioning matrix.

[2] Some foreign jurisdictions require higher than 10% capital adequacy resulting in a 10,5% aggregate requirement for the group's banking operations.

Analysis of risk-weighted assets

	2003 Unweighted assets Rm	2003 Risk-weighted assets Rm	2002 Unweighted assets Rm	2002 Risk-weighted assets Rm
On-balance sheet assets				
Domestic Banking	326 519	139 543	215 573	122 423
International	112 064	18 620	80 005	24 893
Africa	22 264	11 867	20 693	10 805
Stanlib and central funding after group eliminations	(16 652)	1 787	(8 679)	2 810
Liberty	96 195	10 090	85 761	8 570
	540 390	181 907	393 353	169 501
Off-balance sheet assets				
Domestic Banking		10 577		11 804
International		2 010		1 947
Africa		1 380		740
Central funding		85		–
		14 052		14 491
Trading notional assets				
Domestic Banking		29 305		29 710
International		21 761		21 345
		51 066		51 055
Total risk-weighted assets		247 025		235 047

- Risk-weighted assets are determined by applying prescribed risk weightings to on- and off-balance sheet exposures according to the relative credit risk of the counterparty. Included in overall risk-weighted assets is a notional risk weighting for market risks, counterparty risks and large exposure risks relating to trading activities.

The use of non-equity forms of regulatory capital plays an important part in the capital management process of the group's banking activities. The raising of R1 billion of tertiary capital to support domestic trading activities during 2002 was supplemented by US$50 million of tertiary capital raised by Standard International Holdings during the first half of 2003. Stanbic Botswana continued to pioneer the issue of debt capital in the African market outside of South Africa with a further Tier II capital issue of BP20 million (Botswana pula) to support its operations. In the South African context, Standard Bank of South Africa is well capitalised and it was thus unnecessary to raise any form of debt capital locally during 2003.

The group's insurance operations based in South Africa are regulated by the Financial

Capital adequacy of banking subsidiaries

	2003 Primary capital %	Secondary capital %	Tertiary capital %	Total capital %	2002 Primary capital %	Secondary capital %	Tertiary capital %	Total capital %
South Africa								
The Standard Bank of South Africa	8,5	3,4	0,6	12,5	7,2	3,5	0,6	11,3
Africa								
Standard Bank Namibia	6,9	4,5	–	11,4	8,4	5,2	–	13,6
Standard Bank Swaziland	7,6	1,5	–	9,1	7,8	2,3	–	10,1
Standard Bank Lesotho	24,6	0,5	–	25,1	7,8	0,8	–	8,6
Lesotho Bank (1999)	28,0	0,4	–	28,4	24,6	0,4	–	25,0
Stanbic Bank Zimbabwe	13,3	8,6	–	21,9	9,6	4,8	–	14,4
Stanbic Bank Zambia	17,9	0,1	–	18,0	23,1	0,1	–	23,2
Stanbic Bank Kenya	14,5	–	–	14,5	12,3	–	–	12,3
Stanbic Bank Botswana	8,7	8,7	–	17,4	10,2	5,8	–	16,0
Stanbic Bank Congo[1]	–	–	–	–	–	–	–	–
Stanbic Bank Uganda	12,0	1,2	–	13,2	20,1	1,6	–	21,7
Stanbic Bank Tanzania	12,5	–	–	12,5	14,8	–	–	14,8
Stanbic Bank Ghana	27,6	–	–	27,6	6,2	–	–	6,2
Stanbic Bank Nigeria	18,3	0,3	–	18,6	31,5	–	–	31,5
Stanbic Bank Mauritius	19,3	0,5	–	19,8	29,7	0,3	–	30,0
Stanbic Bank Malawi	20,2	4,6	–	24,8	18,3	5,2	–	23,5
International								
Standard International Holdings, incorporating	8,3	6,1	0,9	15,3	9,7	7,0	–	16,7
– Standard Bank London								
– Standard London Asia								
– Standard Bank Asia								
– Standard New York								
– Standard Merchant Bank Asia								
– Banco Standard de Investimentos								
– ZAO Standard Bank								
Standard Bank Jersey	10,2	2,9	–	13,1	10,5	2,9	–	13,4
Standard Bank Isle of Man	9,0	6,2	–	15,2	9,3	4,4	–	13,7
Standard Bank Group	11,4	2,9	0,5	14,8	10,9	3,0	0,4	14,3

The schedule details the capital to risk-weighted asset ratios of the principal banking subsidiaries and the consolidated capital adequacy ratios of the group as at 31 December. These have been determined in accordance with the host country regulatory requirements, inclusive of current year income retentions.

[1] Due to the uncertain political situation in the Democratic Republic of Congo, regulatory capital has not yet been directly invested.

Services Board. The capital requirement is calculated by the statutory actuary in terms of the guidance notes issued by the Actuarial Society of South Africa. Consistent with the group focus on optimising capital utilisation and shareholder value, Liberty Group similarly has an ongoing process to review its capital structure.

Capital adequacy ratios

The group's capital adequacy ratio increased to 14,8% from 14,3% at December 2002, above the weighted average regulatory requirement of 10,5% for the 25 banks across the group. The group's primary capital ratio was 11,4% compared to 10,9% at 31 December 2002. Optimisation of capital within Standard Bank is a key focus. Internal capital generation remains positive, ensuring that strategic considerations and normal business growth are not constrained by capital limitations.

The group and the various banking entities are well positioned to meet the anticipated 7,5% minimum primary capital to risk-weighted assets ratio announced by SARB.

Liberty Group is well capitalised with a capital adequacy cover of 2,6 times (2002: 3,0 times) the minimum regulatory capital adequacy requirement.

Currency profile of group capital

A significant proportion of the group's activities are based outside South Africa. As a consequence, 35% (2002: 40%) of the group's net asset value is exposed to foreign currency fluctuations; 6% (2002: 5%) supports Africa and 29% (2002: 35%) supports International or is held as surplus capital for future expansion. With the conversion of Standard International Holdings to a US dollar-based entity effective from 1 January 2004, most of the group's foreign capital outside Africa would have been exposed to US dollar currency movements. Appropriate hedging strategies were implemented to mitigate the resulting dominance of the US dollar in the group's foreign capital base in favour of a more balanced spread of the exposure of capital to US dollar, sterling and euro.

Economic capital

Allocation of economic capital to business units and the determination of appropriate returns are important components in a comprehensive approach to optimise capital utilisation and to create shareholder value.

The allocation of economic capital is run as a joint process between Group Risk and Group Finance divisions. The quantification of risks undertaken by individual business units is an important element as economic capital is regarded as a more complete and dynamic indicator of risk than either regulatory capital or invested (book) capital.

Risk-adjusted performance measures based on economic capital allocations form part of a balanced set of business unit financial performance indicators, which are monitored regularly. The group calculates weighted average cost of capital estimates for all the markets in which the group operates to serve as objective performance benchmarks and investment criteria.

The new Basel capital accord

In June 1999, the Basel Committee on Banking Supervision first released a proposal to replace the 1988 capital accord on capital adequacy with a more risk-sensitive framework.

The Basel Committee is expected to publish the final version of the new capital accord (Basel II) in 2004 for implementation in 2007. Individual countries are in the process of determining their own approach to the implementation of the new accord in their jurisdictions.

The revision to the capital accord focuses mainly on improvements in the quantification and management of credit and operational risks, enhancements to the supervisory review process and more extensive public disclosure of risk. Basel II aims to incentivise banks to improve their risk management processes through lower capital requirements.

During 2003, the group assessed its risk management policies, processes and systems in terms of the proposed Basel II requirements. A number of projects are in progress to address areas where further development is required. Progress is monitored regularly through a steering committee.

Standard Bank participates in the South African Reserve Bank's Accord Implementation Forum steering committee and subcommittees. The forum has been established to promote the implementation of the standards prescribed by Basel II in a manner that promotes a sound banking and financial system.

Priorities for the year ahead

A focus of the group's finance function is to continually strive to improve on the quality and relevance of information provided to stakeholders. To aid in this, it constantly reviews relevant external developments and trends. Further objectives and initiatives are prioritised for 2004 as follows:

- Managing the group's capital in the most efficient manner is crucial to ensure that shareholders' returns are optimised. A key element of this is the effective allocation of economic capital to all divisions in the group which optimises the performance potential of divisions while allowing for the use of increasingly rigorous risk-adjusted performance measures to evaluate financial performance of business units. An increasingly important facet of capital management is forecasting and managing currency impact on the group's net asset value. All these components of capital management will remain key focus areas of the group's finance function.
- Preparation for the implementation of the requirements of the Basel Capital Accord as a joint process between Group Risk and Group Finance divisions.
- Proactive budgeting and forecasting has become increasingly important due to changing macro-economic forces in the markets in which the group operates. Accordingly, a monthly rolling forecast process will be formally implemented across the group.
- Preparation for the conversion to IFRS in 2005 for all South African listed companies.

The group's financial objectives are set out on page 5. In the context of uncertain global and local political and economic trading conditions, the group's key financial focus remains the creation of shareholder wealth on a sustainable basis.

Seven-year review

Consolidated balance sheet

	2003 US$m	2003 UK£m	2003 €m	CAGR[1] %	2003 Rm
Assets					
Standard Bank operations	66 496	37 171	52 755	21	444 195
Cash and short-term funds	6 602	3 690	5 238	16	44 099
Trading assets	4 762	2 662	3 778	52	31 811
Investment securities	2 917	1 631	2 314	35	19 487
Loans and advances	32 990	18 441	26 173	13	220 375
Derivative and other assets	18 613	10 405	14 767	67	124 334
Interest in associates and joint ventures	81	45	64		541
Goodwill and intangible assets	76	43	60		508
Property and equipment	455	254	361	3	3 040
Liberty[2]	14 401	8 050	11 424	9	96 195
Current assets	552	309	438		3 687
Investments	13 753	7 688	10 911	9	91 869
Goodwill and intangible assets	41	23	32		276
Equipment and furniture	55	30	43	6	363
Total assets	80 897	45 221	64 179	25	540 390
Equity and liabilities					
Liabilities	75 645	42 285	60 011	25	505 302
Standard Bank operations	62 503	34 939	49 586	22	417 518
Deposit and current accounts	40 820	22 818	32 384	15	272 677
Derivative and other liabilities	20 627	11 530	16 364	55	137 785
Subordinated bonds	1 056	591	838	50	7 056
Liberty[2]	13 142	7 346	10 425	10	87 784
Other liabilities	366	204	290	4	2 444
Convertible bonds	225	126	178	(1)	1 500
Policyholder liabilities	12 551	7 016	9 957	11	83 840
Capital and reserves	4 291	2 399	3 405	18	28 667
Minority interest	961	537	763		6 421
Total equity and liabilities	80 897	45 221	64 179	25	540 390

[1] CAGR refers to compound annual growth rate based on rand amounts for the period 1997 to 2003 (Liberty – 1999 to 2003).
[2] Liberty became a subsidiary with effect from 1 January 1999.

Figures included in the seven-year review have been restated where necessary to provide a meaningful comparison of performance over the period.

	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm	1997 Rm
Assets						
Standard Bank operations	307 592	306 196	209 337	185 087	160 713	140 261
Cash and short-term funds	48 218	43 544	31 111	32 155	24 025	18 077
Trading assets	26 578	23 346	9 186	5 249	2 523	2 618
Investment securities	18 649	23 490	7 355	7 703	3 925	3 241
Loans and advances	178 925	176 604	136 895	118 647	114 143	105 817
Derivative and other assets	31 364	35 573	21 766	18 491	10 716	5 653
Interest in associates and joint ventures	276	187	100	65	2 733	2 253
Goodwill and intangible assets	671	714	216	–	–	–
Property and equipment	2 911	2 738	2 708	2 777	2 648	2 602
Liberty[2]	85 761	89 038	75 643	68 866		
Current assets	3 754	2 979	3 694	3 694		
Investments	81 491	85 531	71 476	64 877		
Goodwill and intangible assets	194	175	172	7		
Equipment and furniture	322	353	301	288		
Total assets	393 353	395 234	284 980	253 953	160 713	140 261
Equity and liabilities						
Liabilities	361 293	363 568	259 864	232 874	147 604	129 600
Standard Bank operations	283 614	282 694	193 644	173 034	147 604	129 600
Deposit and current accounts	239 715	237 006	168 845	155 536	135 660	119 050
Derivative and other liabilities	37 145	39 789	21 342	17 463	11 750	9 930
Subordinated bonds	6 754	5 899	3 457	35	194	620
Liberty[2]	77 679	80 874	66 220	59 840		
Other liabilities	2 136	2 082	2 254	2 090		
Convertible bonds	1 947	2 874	1 828	1 566		
Policyholder liabilities	73 596	75 918	62 138	56 184		
Capital and reserves	26 062	25 693	18 300	14 584	13 050	10 607
Minority interest	5 998	5 973	6 816	6 495	59	54
Total equity and liabilities	393 353	395 234	284 980	253 953	160 713	140 261

Consolidated income statement

	2003 US$m	2003 UK£m	2003 €m	CAGR[1] %	2003 Rm
Standard Bank operations					
Net interest income before provision for credit losses	1 515	928	1 342	14	11 437
Provision for credit losses	245	150	217	10	1 848
Net interest income	1 270	778	1 125	16	9 589
Non-interest revenue	1 694	1 038	1 501	20	12 790
Total income	2 964	1 816	2 626	18	22 379
Operating expenses	1 802	1 105	1 597	15	13 608
Operating profit	1 162	711	1 029	25	8 771
Income from associates and joint ventures	13	8	12		102
Exceptional items and goodwill amortisation	(4)	(2)	(3)		(29)
Income before taxation	1 171	717	1 038	22	8 844
Taxation	367	225	325	26	2 773
Income after taxation	804	492	713	20	6 071
Attributable to minorities	14	8	12		104
Standard Bank income attributable to ordinary shareholders	790	484	701	20	5 967
Liberty[2]					
Operating profit	227	139	201		1 713
Investment gains/(losses) attributable to shareholders' assets	62	38	55		471
Goodwill amortisation and impairment	(10)	(6)	(9)		(78)
Income before taxation	279	171	247		2 106
Taxation	108	67	97		823
Income after taxation	171	104	150		1 283
Attributable to minorities	120	73	106		904
Liberty income attributable to ordinary shareholders	51	31	44		379
Group income attributable to ordinary shareholders	841	515	745	21	6 346
Headline earnings	828	507	733	22	6 248

Average exchange rates during 2003: US$ – 7,55 (2002: 10,50)
UK£ – 12,32 (2002: 15,74)
Euro – 8,52 (2002: 9,89)

[1] CAGR refers to compound annual growth rate based on rand amounts for the period 1997 to 2003.
[2] Liberty became a subsidiary with effect from 1 January 1999.

	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm	1997 Rm
Standard Bank operations						
Net interest income before provision for credit losses	10 520	8 177	7 229	6 761	5 972	5 095
Provision for credit losses	1 955	1 603	1 406	1 527	1 804	1 072
Net interest income	8 565	6 574	5 823	5 234	4 168	4 023
Non-interest revenue	11 448	9 135	7 430	6 500	5 225	4 181
Total income	20 013	15 709	13 253	11 734	9 393	8 204
Operating expenses	12 587	9 940	8 618	8 198	6 946	5 854
Operating profit	7 426	5 769	4 635	3 536	2 447	2 350
Income from associates and joint ventures	96	49	16	10	295	246
Exceptional items and goodwill amortisation	(151)	(65)	(37)	(13)	(17)	93
Income before taxation	7 371	5 753	4 614	3 533	2 725	2 689
Taxation	2 435	1 756	1 334	1 049	665	683
Income after taxation	4 936	3 997	3 280	2 484	2 060	2 006
Attributable to minorities	122	77	68	31	8	3
Standard Bank income attributable to ordinary shareholders	4 814	3 920	3 212	2 453	2 052	2 003
Liberty[2]						
Operating profit	1 369	2 130	1 880	2 431		
Investment gains/(losses) attributable to shareholders' assets	(363)	1 102	(782)	577		
Goodwill amortisation and impairment	(14)	(16)	(7)	–		
Income before taxation	992	3 216	1 091	3 008		
Taxation	368	1 123	457	849		
Income after taxation	624	2 093	634	2 159		
Attributable to minorities	441	1 488	447	1 522		
Liberty income attributable to ordinary shareholders	183	605	187	637		
Group income attributable to ordinary shareholders	4 997	4 525	3 399	3 090	2 052	2 003
Headline earnings	5 263	4 419	3 673	2 892	2 059	1 910

Statistics, returns and capital adequacy

	CAGR[1] %	2003	2002	2001	2000	1999	1998	1997
Standard Bank Group								
Share statistics								
Number of ordinary shares in issue (thousands)								
– weighted average		1 334 099	1 328 192	1 318 696	1 295 841	1 277 018	1 158 005	1 160 450
– end of period		1 338 730	1 331 078	1 324 938	1 309 179	1 279 313	1 158 693	1 161 533
Dividend cover (times)		3,1	3,2	3,3	3,3	3,3	3,4	3,3
Dividend yield (%)		3,9	4,1	3,3	2,8	2,7	2,9	2,3
Earnings yield (%)		12,0	13,1	10,7	9,3	8,9	9,9	7,7
Price earnings ratio (times)		8,4	7,6	9,3	10,8	11,3	10,1	13,0
Price to adjusted book ratio (times)		1,7	1,4	1,5	1,9	1,8	1,4	1,8
Share price (cents) – high		**3 960**	3 810	3 605	3 120	2 650	3 290	2 320
– low		2 650	2 595	2 600	2 000	1 590	1 035	1 780
– closing	11	3 918	3 015	3 120	3 050	2 555	1 800	2 140
Number of shares traded (thousands)		908 179	673 703	511 549	434 756	401 884	222 159	116 960
Turnover in shares traded (%)		67,8	50,6	38,6	33,2	31,4	19,2	10,1
Market capitalisation (Rm)	13	52 451	40 132	41 338	39 930	32 686	20 856	24 857
Share statistics per ordinary share (cents)								
Earnings	18	475,7	376,2	343,1	262,3	242,0	177,2	172,6
Headline earnings	19	468,3	396,3	335,1	283,4	226,5	177,8	164,6
Dividends	21	151,0	124,0	102,0	85,0	68,0	53,0	49,3
Net asset value	15	2 141	1 957	1 939	1 397	1 139	1 126	913
Net asset value – adjusted for increases in market value	11	2 276	2 126	2 138	1 619	1 413	1 252	1 200
Selected returns (%)								
Return on equity		22,8	20,3	20,1	22,4	20,9	17,4	19,9
Return on risk-weighted assets		2,6	2,3	2,3	2,4	2,1	1,7	1,8
Ordinary shareholders' funds adjusted for the increase in market value over the carrying value of Liberty (Rm)	14	30 465	28 303	28 330	21 194	18 071	14 503	13 939

[1] CAGR refers to compound annual growth rate based on rand amounts for the period 1997 to 2003.

	CAGR[1] %	2003	2002	2001	2000	1999	1998	1997
Capital adequacy								
Risk-weighted assets (Rm)	14	247 025	235 047	227 490	164 800	144 946	125 407	110 233
Primary qualifying capital (Rm)	18	28 107	25 669	25 182	18 330	14 647	13 101	10 653
Total qualifying capital (Rm)	19	36 630	33 702	32 311	23 153	17 124	14 488	13 120
Primary qualifying capital to risk-weighted assets (%)		11,4	10,9	11,1	11,1	10,1	10,5	9,7
Total qualifying capital to risk-weighted assets (%)		14,8	14,3	14,2	14,0	11,8	11,6	11,9
Market indicators at 31 December								
Prime overdraft rate (%)		11,50	17,00	13,00	14,50	15,50	23,00	19,25
JSE All Share Index – closing	11	10 387	9 277	10 457	8 164	8 357	5 016	5 466
JSE Banks Index – closing	3	14 153	12 035	12 812	13 697	12 482	9 778	12 050
Exchange rates at 31 December								
US$	5	6,68	8,58	12,00	7,57	6,16	5,89	4,87
UK£	7	11,95	13,82	17,45	11,30	9,92	9,63	7,99
Euro		8,42	9,01	10,68	7,10	6,17	n/a	n/a
Standard Bank operations[2]								
Selected returns and ratios								
Headline earnings (Rm)	23	5 978	4 965	3 985	3 249	2 428	1 795	1 693
Return on equity (%)		24,0	21,2	19,9	22,1	20,7	18,4	21,4
Return on risk-weighted assets (%)		2,6	2,3	2,1	2,2	1,8	1,6	1,7
Average ordinary shareholders' funds to average total assets (%)		6,6	7,6	7,8	7,5	6,8	6,6	6,2
Net interest margin (%)		3,50	3,22	3,31	3,77	3,94	4,02	3,97
Non-interest revenue to total income (%)		52,8	52,1	52,8	50,7	49,0	46,7	45,1
Cost-to-income ratio (%)		56,2	57,3	57,4	58,8	61,8	62,0	63,1
Credit loss ratio (%)		0,91	1,08	1,00	1,07	1,28	1,60	1,07
Effective tax rate (%)		31,7	33,5	30,8	29,0	31,5	27,4	28,0
Headline earnings per employee (rand)		170 634	143 876	120 444	107 175	74 394	56 503	52 718
Number of employees at year end		35 034	34 509	33 086	30 315	32 637	31 768	32 114

[1] CAGR refers to compound annual growth rate based on rand amounts for the period 1997 to 2003.
[2] Standard Bank Group excluding Liberty.

Financial definitions

Standard Bank Group

Dividend cover (times)
Headline earnings per share divided by ordinary dividends per share.

Dividend yield (%)
Dividends per share as a percentage of the closing share price.

Earnings per share (cents)
Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Earnings yield (%)
Headline earnings per share as a percentage of the closing share price.

Headline earnings
Earnings attributable to shareholders excluding goodwill amortisation and capital profits and losses.

Headline earnings per share (cents)
Headline earnings divided by the weighted average number of ordinary shares in issue.

Net asset value per share (cents)
Ordinary shareholders' funds divided by the number of ordinary shares in issue at year end.

Price earnings ratio (times)
Closing share price divided by headline earnings per share.

Price to adjusted book ratio (times)
Market capitalisation divided by shareholders' funds adjusted for Liberty's market value.

ROE (%)
Headline earnings as a percentage of average ordinary shareholders' funds.

Return on risk-weighted assets (%)
Headline earnings as a percentage of average risk-weighted assets.

Standard Bank operations

Cost-to-income ratio (%)
Operating expenses as a percentage of total income, before deducting the provision for credit losses.

Credit loss ratio (%)
Total provision for credit losses per the income statement as a percentage of average gross loans and advances.

Effective tax rate (%)
The income statement tax charge as a percentage of income before tax, excluding income from associates and joint ventures.

Gross coverage ratio (%)
Non-performing loan provisions as a percentage of gross non-performing loans.

Net interest margin (%)
Net interest income as a percentage of monthly average total assets, excluding derivative assets.

Non-interest revenue to total income (%)
Non-interest revenue as a percentage of total income before provision for credit losses.

Non-performing loan provisions
Provisions for specific identified credit losses, net of the present value of estimated recoveries (previously termed specific provisions).

Performing loan provisions
Provisions for unidentified credit losses inherent in the performing loan book (previously termed general provisions).

ROE (%)
Headline earnings, excluding income from Liberty, as a percentage of average ordinary shareholders' funds, after deducting capital relating to Liberty.

Return on risk-weighted assets (%)
Headline earnings, excluding income from Liberty, as a percentage of average risk-weighted assets of the banking operations.

Annual financial statements

Contents

Contents – notes to the annual financial statements

Report of the independent auditors

To the members of Standard Bank Group Limited

We have audited the annual financial statements of the group and company set out on pages 105 to 193 for the year ended 31 December 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the group and company at 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
9 March 2004

Directors' responsibility for financial reporting

In accordance with Companies Act requirements, the directors are responsible for the preparation of the annual financial statements which conform with South African Statements of Generally Accepted Accounting Practice and which fairly present the state of affairs of the group and the company as at the end of the financial year, and the net income and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for group assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the group. Greater detail of such, including the operation of the internal audit function, is provided in the corporate governance and risk management sections of the report starting on pages 36 and 58 respectively.

Based on the information and explanations given by management and the internal and external auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the year and up to the date of this report. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements which appear on pages 105 to 193, were approved by the board of directors on 9 March 2004 and signed on its behalf by

Derek Cooper
Chairman

Jacko Maree
Chief executive

Group secretary's certification

Compliance with Companies Act 61 of 1973

In terms of the Companies Act 61 of 1973 (the Act), and for the year ended 31 December 2003, I certify that Standard Bank Group Limited has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.

Loren Wulfsohn
Group secretary
9 March 2004

Principal activities

Standard Bank Group Limited is the holding company for the interests of the Standard Bank Group.

Group results

A general review of the business and operations of major subsidiaries is given in the 2003 Group review and business unit reviews commencing on pages 12 and 18 respectively.

A financial review on the results of the Standard Bank Group for the year is given on page 76.

Property and equipment

There was no change in the nature of the property and equipment of the group or in the policy regarding their use during the year.

Share capital and bonds

During the year, 7 651 200 ordinary shares (2002: 6 140 300) were issued in terms of the group share incentive scheme.

The following bonds were issued during the year:

- New issue of US$50 million.
- Additional issue of BP20 million (Botswana pula).

Refer to note 20 on page 156, for the terms and conditions of the bonds.

Directors' interest in shares

At the date of this report, the directors held, directly and indirectly, interests in the company's ordinary issued share capital as reflected in the table on page 109.

Elisabeth Bradley, in her capacity as trustee of a testamentary trust, has an indirect non-beneficial interest in 47 000 6,5% preference shares issued by the company.

The company has not been informed of any changes in these holdings at the date of this report.

Group share incentive scheme

Information on options granted to executive directors under the group share incentive scheme is given in the remuneration review on page 55. Details of options granted to all employees under the scheme are given in Annexure D on page 193.

Shareholder analysis

The analysis of ordinary shareholders is given on page 48.

Shareholders at the close of the financial year, holding beneficial interests in excess of 5% of the issued share capital, determined from the share register and investigations conducted on our behalf, were as follows:

	% held
Old Mutual Group	13,8%
Public Investment Commissioner	12,6%

Distribution to ordinary shareholders

Interim

On 12 August 2003, an interim dividend of 41,5 cents per share (2002: 34,0 cents) was declared to shareholders recorded at the close of business on 12 September 2003 and paid on 15 September 2003.

Final

On 9 March 2004, a final dividend of 109,5 cents per share (2002: 90,0 cents) was declared to shareholders recorded at the close of business on 8 April 2004, to be paid on 13 April 2004.

Preference dividends

Interim

On 12 August 2003, an interim dividend of 3,25 cents per share (2002: 3,25 cents) was declared to shareholders recorded at the close of business on 12 September 2003 and paid on 15 September 2003.

Final

On 9 March 2004, a final dividend of 3,25 cents per share (2002: 3,25 cents) was declared to shareholders recorded at the close of business on 8 April 2004, to be paid on 13 April 2004.

Directorate

The directorate is listed on page 34.

The following changes in directorate have taken place since the last annual report issued on 4 March 2003:

Standard Bank Group Limited

Appointments

T Evans	as director	1 July 2003
T S Gcabashe	as director	1 July 2003
Sir Paul Judge	as director	1 July 2003
Adv K D Moroka	as director	1 July 2003
A C Nissen	as director	1 July 2003
Sir Robert Smith	as director	1 July 2003

Resignation

E A G Mackay	as director and joint deputy chairman	18 June 2003

Retirements

E P Theron	as director	19 May 2003
R C Andersen	as director	31 May 2003

The Standard Bank of South Africa Limited

Appointments

T Evans	as director	1 July 2003
T S Gcabashe	as director	1 July 2003
Sir Paul Judge	as director	1 July 2003
Adv K D Moroka	as director	1 July 2003
A C Nissen	as director	1 July 2003
Sir Robert Smith	as director	1 July 2003

Resignation

E A G Mackay	as director and joint deputy chairman	18 June 2003

Retirements

E P Theron	as director	19 May 2003
R C Andersen	as director	31 May 2003

Liberty Holdings Limited

Appointments

M J D Ruck	as director	11 March 2003
	and chief executive	1 June 2003
A W B Band	as director	1 October 2003
Dr S P Sibisi	as director	1 October 2003
S J Macozoma	as director	3 December 2003
Prof L Patel	as director	1 January 2004

Retirements

R C Andersen	as director and chief executive	31 May 2003
W S MacFarlane	as director	30 June 2003

Liberty Group Limited

Appointments

M J D Ruck	as director	11 March 2003
	and chief executive	1 June 2003
A W B Band	as director	1 October 2003
Dr S P Sibisi	as director	1 October 2003
S J Macozoma	as director	3 December 2003
Prof L Patel	as director	1 January 2004

Retirements

R C Andersen	as director and chief executive	31 May 2003
D S Nohr	as director	31 May 2003
M J Jackson	as director	30 June 2003
W S MacFarlane	as director	30 June 2003

Group secretary and registered office

The group secretary is Loren Wulfsohn. The address of the group secretary is that of the registered office, 9th floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, 2001.

Restructuring and acquisitions during the year

Andisa Capital (Proprietary) Limited

On 1 August 2003, a black empowerment consortium and Standard Bank Group Limited formed an independent and diversified financial services company. The intention was to establish a business model unique in the context of South Africa's social and economic framework that will contribute to the broader imperative of national upliftment. The consortium owns 51% of Andisa Capital and Standard Bank Group 49%.

Stanlib Limited

In terms of the transaction, effective 1 July 2003, an empowerment consortium acquired a 25,2% interest in Stanlib. The consortium's interest is held in a company which was formed for this purpose. Standard Bank Group and Liberty Group each hold 37,4% of Stanlib.

Stanbic Bank Botswana Limited

Standard Bank Group, through its wholly-owned subsidiary, Stanbic Bank Botswana Limited, acquired a 100% shareholding in Investec Bank (Botswana) Limited from Investec Holdings (Botswana) Limited, a company incorporated in Botswana. This private banking operation will be integrated into Stanbic Bank Botswana and is expected to give the group the opportunity to broaden its retail base in the Botswanan market.

Banco Standard Totta de Moçambique s.a.r.l.

On 7 October 2003, the group increased its shareholding in Banco Standard Totta de Moçambique s.a.r.l. from 40,7% to an effective controlling shareholding of 96%.

Triskelion Trust Company Limited

During November 2003, the group acquired a 100% shareholding in Triskelion Trust Company Limited, a trust administration business in Isle of Man. Its operations are essentially the same as that of Standard Bank Offshore Group's existing trust administration businesses in Jersey and Isle of Man.

Management by third parties

A company in which Doug Band, a director of Standard Bank Group, has a beneficial interest provides consulting and certain management services to the Capital Investment Division of The Standard Bank of South Africa Limited. There are no other businesses of the company or its subsidiaries, that have been managed by a third party, or a company in which a director held an interest.

Subsidiaries, associates and joint ventures

The interests in subsidiary, associated and joint venture companies, where considered material in the light of the group's financial position and results, are set out in Annexure B on page 187, and Annexure C on page 191, respectively.

Special resolutions during the year

Group companies passed the following resolutions during the year for the purposes indicated:

Amendments to articles of association

Increase in the authorised share capital:

- The Standard Bank of South Africa Limited;
- Andisa Securities (Proprietary) Limited;
- Banco Standard de Investimentos S.A.;
- Stanbic Bank Ghana Limited;
- Stanbic Bank Kenya Limited;
- Stanbic Bank Zimbabwe Limited;
- Standard Bank Jersey Limited;
- Standard Bank London Holdings Plc; and
- Standard Yatirim Menkul Kiymetler.

Name changes

- Andisa Securities (Proprietary) Limited (from SCMB Securities (Proprietary) Limited);
- Stanbic Bank Limited (from Commercial Bank of Malawi Limited); and
- Standard Bank London Holdings Plc (from Standard Bank London Holdings Limited).

Other

- Banco Standard de Investimentos S.A.: Amended to expressly include foreign exchange activity.
- Standard Bank Group Limited: Amended to enable the directors to appoint specialists to board committees.

Approval of voluntary winding-up:

- Ayrton Holdings Limited;
- Ayrton (Europe) Limited;
- Ayrton Metals Limited; and
- Standard Bank Services Limited.

Approval of mergers and revised memorandum and articles of association:

Standard Bank Jersey Limited – merger with Standard Bank Stockbrokers (CI) Limited, Standard Bank Asset Management Jersey Limited, Standard Bank Channel Islands Limited, Standard Bank Offshore Services Limited, Standard Bank Financial Services (Jersey) Limited, Standard Bank Investment Management (Jersey) Limited, One Waverly Place Limited and Valiant Heart Limited to form a single merged company.

Standard Bank Offshore Trust Company (Jersey) Limited – merger with Standard Bank Trust Company (Jersey) Limited to form a single merged company.

Converting authorised share capital from sterling to US dollar:

- SBIC Investments S.A.;
- Standard Bank London Limited; and
- Standard International Holdings S.A.

Authority to repurchase securities by company or subsidiary:

- Standard Bank Group Limited;
- Liberty Holdings Limited; and
- Liberty Group Limited.

Other:

- Standard Bank London Holdings Plc: Adoption of new memorandum and articles of association to give effect to the change in company status to a public company.

Contracts

Saki Macozoma, a director of the company, has a material shareholding in Safika Holdings (Proprietary) Limited, which is a member of two different consortia that, respectively, were party to the Andisa and Stanlib transactions as described on page 107.

Insurance

The group protects itself against the effects of crime and third party claims by carrying banker's comprehensive crime and professional indemnity cover with R30 million for its own account, whereafter the risks are fully insured up to R1,5 billion.

Events subsequent to balance sheet date

There is no material fact or circumstance that has occurred between the balance sheet date and the date of this report.

Directors' interest in ordinary shares

Director	Beneficial		Non-beneficial	
	2003	2002	**2003**	2002
D D B Band	**11 921**	11 921	**–**	–
E Bradley	**283 786**	338 385[2]	**423 559**	369 000
D E Cooper	**–**	–	**14 330**	14 330
T Evans[1]	**2 624**		**–**	
T S Gcabashe[1]	**–**		**–**	
D A Hawton	**12 960**	12 960	**–**	–
Sir Paul Judge[1]	**–**		**–**	
S J Macozoma	**–**	–	**–**	–
J H Maree	**145 000**	223 100	**–**	–
R P Menell	**–**	–	**–**	–
K D Moroka[1]	**600**		**–**	
A C Nissen[1]	**–**		**–**	
R A Plumbridge	**102 029**	102 029	**–**	–
M J D Ruck	**188 609**	108 609	**–**	–
Sir Robert Smith[1]	**–**		**–**	
C L Stals	**–**	–	**–**	–
C B Strauss	**123 052**	123 052	**–**	–
	870 581	920 056	**437 889**	383 330

[1] Appointed 1 July 2003.
[2] Reclassified in terms of JSE Listings Requirements.

Balance sheet

at 31 December 2003

		Group	
	Note	**2003 Rm**	2002 Rm
Assets			
Standard Bank operations		**444 195**	307 592
Cash and balances with banks	2	**22 081**	36 641
Short-term negotiable securities	3	**22 018**	11 577
Derivative assets	4	**104 723**	9 218
Trading assets	5	**31 811**	26 578
Investment securities	6	**19 487**	18 649
Loans and advances	7	**220 375**	178 925
Other assets	9	**19 611**	22 146
Interest in associates and joint ventures	10	**541**	276
Goodwill and other intangible assets	11	**508**	671
Property and equipment	12	**3 040**	2 911
Liberty		**96 195**	85 761
Current assets	13	**3 687**	3 754
Investments	14	**91 869**	81 491
Goodwill and other intangible assets	15	**276**	194
Equipment and furniture	16	**363**	322
Total assets		**540 390**	393 353
Equity and liabilities			
Liabilities		**505 302**	361 293
Standard Bank operations		**417 518**	283 614
Derivative liabilities	4	**98 634**	4 007
Trading liabilities	17	**18 162**	13 482
Deposit and current accounts	18	**272 677**	239 715
Other liabilities and provisions	19	**20 989**	19 656
Subordinated bonds	20	**7 056**	6 754
Liberty		**87 784**	77 679
Other liabilities	21	**2 444**	2 136
Convertible bonds	22	**1 500**	1 947
Policyholder liabilities	23	**83 840**	73 596
Capital and reserves		**28 667**	26 062
Share capital	24	**142**	141
Share premium	25	**2 273**	2 141
Reserves		**26 252**	23 780
Minority interest		**6 421**	5 998
Total equity and liabilities		**540 390**	393 353
Ordinary shareholders' funds			
Adjusted for the increase in market value over the carrying value of Liberty		**30 465**	28 303

Income statement

for the year ended 31 December 2003

		Group	
	Note	**2003 Rm**	2002 Rm
Standard Bank operations			
Interest income	27.1	**36 796**	31 055
Interest expense	27.2	**25 359**	20 535
Net interest income before provision for credit losses		**11 437**	10 520
Provision for credit losses	27.3	**1 848**	1 955
Net interest income		**9 589**	8 565
Non-interest revenue	27.4	**12 790**	11 448
Total income		**22 379**	20 013
Operating expenses		**13 608**	12 587
Staff costs	27.5	**7 581**	6 934
Other operating expenses	27.6	**6 027**	5 653
Operating profit		**8 771**	7 426
Income from associates and joint ventures	10	**102**	96
Goodwill amortisation	11.2	**(173)**	(151)
Exceptional items	29.4	**144**	–
Income before taxation		**8 844**	7 371
Taxation	30.1	**2 773**	2 435
Income after taxation		**6 071**	4 936
Attributable to minorities		**104**	122
Standard Bank income attributable to ordinary shareholders		**5 967**	4 814
Liberty			
Operating profit		**1 713**	1 369
Realised investment gains/(losses) attributable to shareholders' assets		**471**	(363)
Goodwill amortisation and impairment		**(78)**	(14)
Income before taxation		**2 106**	992
Taxation	30.2	**823**	368
Income after taxation	28.1	**1 283**	624
Attributable to minorities		**904**	441
Liberty income attributable to ordinary shareholders		**379**	183
Group income attributable to ordinary shareholders		**6 346**	4 997
Earnings per share (cents)	29.3	**475,7**	376,2
Fully diluted earnings per share (cents)	29.3	**469,8**	371,2
Headline earnings per share (cents)	29.3	**468,3**	396,3
Fully diluted headline earnings per share (cents)	29.3	**462,5**	391,0
Dividends per share (cents)	29.2	**151,0**	124,0

Cash flow statement

for the year ended 31 December 2003

		Group	
	Note	**2003 Rm**	2002 Rm
Operating activities			
Cash receipts from customers	31.2	**70 762**	61 075
Cash paid to customers, employees and suppliers	31.3	**(55 738)**	(47 333)
Dividends received	31.4	**1 962**	1 871
Net cash flows from operating activities	31.1	**16 986**	15 613
Changes in operating funds			
(Increase)/decrease in income-earning assets	31.5	**(46 047)**	7 878
Increase/(decrease) in deposits, other liabilities and provisions	31.6	**37 916**	(5 063)
Net cash flows (used in)/from operating funds		**(8 131)**	2 815
Taxation paid	31.7	**(3 243)**	(3 627)
Investing activities			
Capital expenditure on – property		**(505)**	(84)
– equipment, furniture and vehicles		**(1 308)**	(1 437)
– intangible assets		**(365)**	(106)
Proceeds from sale of – property		**541**	119
– equipment, furniture and vehicles		**231**	218
Proceeds from sale of business operations		**208**	–
Increase in amount invested by insurance operations		**(4 240)**	(3 561)
Investment in subsidiaries	31.8	**(188)**	(393)
Investment in associates	10	**(237)**	(135)
Net cash flows used in investing activities		**(5 863)**	(5 379)
Financing activities			
Proceeds from issue of share capital to shareholders		**133**	95
Proceeds from issue of share capital to minorities		**39**	44
Increase in subordinated bonds		**440**	855
Dividends paid	31.9	**(2 371)**	(2 076)
Net cash flows used in financing activities		**(1 759)**	(1 082)
Effects of exchange rate changes on cash and cash equivalents		**(2 088)**	(3 311)
Net (decrease)/increase in cash and cash equivalents		**(4 098)**	5 029
Cash and cash equivalents at beginning of the year		**48 492**	42 902
Cash and cash equivalents of subsidiaries acquired	31.8	**51**	561
Cash and cash equivalents at end of the year		**44 445**	48 492

Statement of changes in shareholders' funds

for the year ended 31 December 2003

	Note	Share capital and premium Rm	Translation reserve Rm	Statutory general credit risk reserve Rm	Cash flow hedging reserve Rm	Available-for-sale revaluation reserve Rm	Revaluation and other reserves Rm	Retained earnings Rm	Total Rm
Balance at 1 January 2002		2 187	5 618				1 334	16 554	25 693
Items accounted for directly in reserves			(3 271)				(19)		(3 290)
– Currency translation reversal			(3 271)						(3 271)
– Capital deficit							(19)		(19)
Investment deficit transferred to revaluation reserve							(111)	111	–
Transfer of revaluation and other reserves							(4)	4	–
Group income								4 997	4 997
Dividends paid	29.2							(1 433)	(1 433)
Issue of share capital and share premium		95							95
Balance at 31 December 2002		2 282	2 347				1 200	20 233	26 062
Balance at 1 January 2003		**2 282**	**2 347**	**–**	**–**	**–**	**1 200**	**20 233**	**26 062**
Change in accounting policy	32.1			**242**	**20**	**59**		**(555)**	**(234)**
Re-allocation of opening reserves						**311**	**(943)**	**632**	**–**
Restated balance at 1 January 2003		**2 282**	**2 347**	**242**	**20**	**370**	**257**	**20 310**	**25 828**
Items accounted for directly in reserves			**(1 866)**	**(58)**	**3**	**80**	**(26)**	**58**	**(1 809)**
– Currency translation reversal			**(1 934)**						**(1 934)**
– Hedge of net investments – net fair value gains			**68**						**68**
– Cash flow hedges – net fair value gains					**3**				**3**
– Decrease in statutory general credit risk reserve				**(58)**				**58**	**–**
– Mark-to-market of available-for-sale assets						**12**			**12**
– Unrealised investment gains/(losses) attributable to shareholders' funds						**68**	**(26)**		**42**
Realised investment gains attributable to shareholders' funds recycled from reserves on disposal						**(78)**			**(78)**
Group income								**6 346**	**6 346**
Dividends paid	29.2							**(1 753)**	**(1 753)**
Issue of share capital and share premium		**133**							**133**
Balance at 31 December 2003		**2 415**	**481**	**184**	**23**	**372**	**231**	**24 961**	**28 667**

All balances are stated net of any applicable taxation and minorities.

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

The accounting policies are consistent with those adopted in the previous year, except for changes made as a result of the adoption of the new accounting statement on Financial Instruments: Recognition and Measurement (AC 133), the South African equivalent of the International Accounting Standard, IAS 39.

The impact on the financial results and position of the group following the adoption of this statement is detailed in note 32 on page 174. AC 133 has been applied prospectively in accordance with the requirements of this standard and therefore comparative financial information has not been restated but reclassification of balance sheet comparatives has occurred where required.

The following significant accounting policy changes occurred relating to financial instruments as a result of the adoption of AC 133 and the resulting consequences on interpretations of Financial Instruments: Disclosure and Presentation (AC 125):

Summary of accounting policy changes resulting from AC 133

Accounting policies before adoption of AC 133	Accounting policies adjusted for AC 133
Short-term negotiable securities and investment securities In the banking operations, short-term negotiable securities and investment securities were measured at amortised cost or cost, providing only for permanent impairments in value.	These securities are classified according to their underlying nature and intent, with the accounting treatment dependent on the classification. Generally, the securities are classified as held at fair value or available-for-sale and are measured at fair value. Changes in securities held at fair value are recognised in the income statement. Changes in available-for-sale securities are recognised in equity until disposal, at which stage the gain or loss is transferred to the income statement but excluded from headline earnings. Where the group has the ability and intent to hold these securities to maturity, they are classified as financial assets held-to-maturity. Where the group has originated the securities by advancing funds directly to a debtor, they are classified as securities originated by the group. Held-to-maturity securities and securities originated by the group are accounted for at amortised cost.
In the insurance operations, assets held for investment purposes on behalf of shareholders were fair-valued with revaluation gains and losses included in the income statement but excluded from headline earnings.	These assets are classified as available-for-sale assets, with fair value changes recognised in equity until disposal, at which stage the gain or loss is transferred to the income statement but excluded from headline earnings.

Provision for credit losses	
Specific provisions for non-performing loans were calculated based on the difference between the book value of the loan and expected recoveries. Interest income was suspended on non-performing loans.	Provisions for non-performing loans are based on the difference between the book value of the loan and the present value of the expected future cash flows discounted to the reporting date. The discounting of future cash flows results in additional provisions which unwind over time as interest income.
The general provisions for performing loans were calculated on a matrix methodology based on the regulatory provisioning requirements of the South African Reserve Bank.	Portfolio provisions for the impairment of performing loans cover losses which, although not yet specifically identified, are present in any portfolio of bank advances. Provisions are based on historic loss patterns adjusted for economic conditions and the credit cycle at the balance sheet date.
Loans with off-market interest rates	
Loans with off-market interest rates were carried at amortised cost.	These loans are impaired on initial recognition to achieve the recognition of a market-related interest rate over the period to repayment.
Derivatives	
The fair values of derivative financial assets and liabilities were disclosed on a net basis and included in other assets.	Derivatives are separately disclosed as derivative assets or liabilities and offsetting is only applied to the extent that a legal right of set-off exists and the group intends to settle on a net basis.
Hedge accounting	
Previously the effectiveness of a hedge was the main qualifying criterion in applying hedge accounting.	Hedging instruments are formally designated at the inception of the hedge relationships to the hedged items. Strict hedging criteria, including requirements for hedge documentation, and effectiveness are now applied in accordance with AC 133.
Derivatives subject to hedging relationships were carried off-balance sheet.	Assets subject to fair value hedging relationships are fair-valued for the risk being hedged. Derivatives used for hedging purposes are accounted for on-balance sheet.
Insurance liabilities	
Both insurance and investment contracts were valued in terms of the Financial Soundness Valuation (FSV) basis, which is actuarially determined.	Insurance contracts continue to be valued on the FSV basis, with investment contracts valued at fair value.
Insurance income	
In terms of actuarial guidelines, a portion of the profit on single premium investment contracts was recognised at point of sale.	These investment contracts are considered to be financial instruments and consequently, profit is recognised over the life of the contracts.

Due to the specialised nature of banking and life insurance businesses, the accounting policies appropriate to each business, where required, are separately detailed below.

1 Basis of preparation

These consolidated financial statements are prepared in accordance with, and comply with, South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice, the South African Companies Act of 1973 and the Long-term Insurance Act of 1998. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of financial instruments, classified as instruments available-for-sale, held for trading, instruments held at fair value, derivative instruments and Liberty's investment and owner-occupied properties.

All monetary figures appearing in the financial statements, unless otherwise indicated, are stated in millions of rands (Rm).

2 Basis of consolidation

The financial statements of subsidiaries are consolidated from the date on which effective control is acquired by the group, up to the date that such effective control ceases. For this purpose, subsidiaries are companies over which the group, directly or indirectly, has the ability to control the financial and operating activities so as to obtain the benefits from their activities.

Special purpose entities, including securitisation vehicles, are consolidated when the substance of the relationship between the group and the special purpose entity indicates that the group effectively controls the entity.

Subsidiaries are excluded from consolidation when control is intended to be temporary due to the subsidiary being acquired and held exclusively with a view to its subsequent disposal in the near future. These subsidiaries are treated as investments as described in accounting policy number 8.

All inter-company transactions, balances and unrealised gains and losses within banking and insurance operations are eliminated on consolidation.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Investments in subsidiaries and associates of the company are accounted for at cost. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

3 Associates and joint ventures

An associate is a company, not being a subsidiary, in which an investment is held and over whose financial and operating policies the group is able to exercise significant influence.

These investments are accounted for by means of the equity method. Equity accounting involves recognising the group's share of the associate's profit or loss for the year in the income statement. This method is applied from the date on which the enterprise becomes an associate, up to the date on which it ceases to be an associate.

Where an investment is acquired and held exclusively with a view to its disposal in the near future, it is not accounted for under the equity method. These investments are accounted for on the basis set out in accounting policy number 8.

A jointly controlled entity is a contractual arrangement that establishes joint control over the economic activity of an entity.

The group's interests in jointly controlled entities are accounted for using the equity method.

Interests in associates and jointly controlled entities are carried in the balance sheet at an amount that reflects the group's share of the net assets of the associate or jointly controlled entity and includes the unamortised portion of goodwill on acquisitions after 1 January 2000.

Jointly controlled assets are assets contributed or acquired for the purpose of a joint venture. Each venturer has control over its share of future economic benefits through its share in the jointly controlled assets. The group recognises its share of the jointly controlled assets, liabilities, income and expenses in respect of its interest in the joint venture.

Inter-company profits and losses are eliminated in determining the group's share of equity accounted profits.

4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary, associate or joint venture at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries, associates or joint ventures occurring on or after 1 January 2000, is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life, not exceeding 20 years.

Goodwill is carried at cost less any accumulated amortisation. The carrying amount of goodwill is reviewed annually and written down for impairment where considered necessary.

Negative goodwill relating to identifiable expected losses is recognised in the income statement when the future losses or expenses are recognised.

5 Translation of financial statements in foreign currencies

Foreign entities

Foreign entities are operations of which the activities are not an integral part of those of the reporting enterprise.

Assets and liabilities of foreign entities are translated into South African rands at year end exchange rates. Capital and reserves are translated at historical rates. Goodwill on the balance sheets of foreign entities is treated as an asset of the foreign entity and translated at closing rates at balance sheet date. Income statement items are translated at the average exchange rates for the year.

Translation differences arising from foreign entities are taken directly to equity. On disposal of foreign entities, such translation differences are recognised in the income statement as part of the profit or loss on disposal.

All foreign operations have been accounted for as foreign entities in Standard Bank operations as their activities are not an integral part of the reporting entity.

Integrated foreign operations

Integrated foreign operations are operations of which the activities are an integral part of those of the reporting enterprise. Non-monetary assets and liabilities of these operations are translated into South African rands at rates of exchange ruling at the transaction date. Monetary assets and liabilities of these operations are translated into South African rands at rates of exchange ruling at the balance sheet date.

Income and expenditure of integrated foreign operations are translated into South African rands at the average rate of exchange during the year. Translation differences arising from the translation of integrated foreign operations are accounted for in accordance with the treatment of the underlying instrument.

6 Foreign currency transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Such balances are translated at year end exchange rates. Translation differences on non-monetary available-for-sale financial assets are recognised directly in equity.

7 Cash and balances with banks

Cash and balances with banks comprise coin and bank notes, balances with central banks and balances with other banks.

8 Short-term negotiable securities, trading assets and investment securities

Recognition and measurement

Financial assets are held for liquidity, investment, trading or hedging purposes. All financial assets are measured initially at cost including transaction costs. These financial assets are recognised on the date the group commits to purchase the assets (trade date) and are derecognised when the group no longer has control over the assets. Gains or losses on disposal are determined using the average costing method.

Standard Bank operations

Management determines the appropriate classification at the time of the purchase. Short-term negotiable securities and investment securities with fixed maturity, where management has both the intent and the ability to hold the securities to maturity, are classified as held-to-maturity. Short-term negotiable securities and investment securities originated by the enterprise are financial assets that are created by the enterprise by providing money directly to a debtor, other than those that are originated with the intent to be sold immediately or in the short term. Financial assets classified as held-to-maturity or originated by the group are carried at amortised cost, using the effective yield method, less any provision for impairment.

Financial assets that the group holds for short-term profit taking are classified as assets held for trading. Subsequent to initial recognition, trading assets are measured at fair value. All related realised and unrealised gains and losses arising from the change in fair value of trading assets are included in trading income in the income statement. Interest earned and dividends received while holding trading assets are included in trading income.

In terms of AC 133, an accounting option exists to carry any financial asset at fair value. Where the group has elected this option, these financial assets are classified as assets held at fair value and subsequent to initial recognition, are carried at fair value. All related realised and unrealised gains and losses arising from the change in fair value of these financial assets are included in interest income for all dated financial assets and in other income for all undated financial assets. Such classification is not changed subsequent to initial recognition.

Financial assets that are not held for trading purposes, originated by the group or held-to-maturity, are classified as available-for-sale assets. Unrealised gains or losses arising from the changes in the fair value of available-for-sale assets are recognised in equity. On disposal of available-for-sale assets, the fair value adjustments accumulated in equity are recognised in the income statement as gains or losses from available-for-sale assets.

Liberty

At initial recognition, management determines the appropriate designation of financial assets attributable to shareholders' or policyholders' funds. Policyholders' financial assets are classified as financial assets held at fair value through the income statement. Shareholders' financial assets, other than those which specifically qualify as held for trading financial assets, held-to-maturity assets or loans and receivables originated by the entity, are classified as available-for-sale.

All gains and losses arising from a change in fair value or on disposal of held for trading and held at fair value financial assets, are included in the income statement as investment gains or losses and are shown as attributable to shareholders' or policyholders' funds as appropriate. Gains and losses arising on disposal of loans and receivables originated by the entity, are included in the income statement as investment gains or losses and are shown as attributable to shareholders' or policyholders' funds as appropriate. Due to the fact that policyholders' assets back policyholders' liabilities, the gains or losses are subsequently transferred to or from the policyholder liabilities.

Unrealised gains and losses arising from a change in fair value of available-for-sale assets, are recognised directly against equity. On disposal, realised gains and losses are included in the income statement, but excluded from headline earnings.

Fair value

The fair value of trading assets, financial assets held at fair value and available-for-sale assets are based on quoted bid prices, excluding transaction costs. Fair values for unquoted equity financial assets are estimated using applicable fair value models. If a quoted bid price is not available for dated financial assets, the fair value is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date for a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

If specific circumstances occur that disqualify a financial asset from continuing to be accounted for at amortised cost, the difference between amortised cost and fair value is accounted for in the income statement in the period in which it arises.

Impairment

A review for impairment indicators is carried out at each financial year end. If impairment indicators are present, an impairment test is carried out. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount of a financial asset measured at fair value is the present value of expected cash flows discounted at the current market rate of interest for a similar financial asset or at the original effective interest rate in the case of held-to-maturity assets.

Where a financial asset which has been remeasured to fair value directly through equity is impaired, and a loss on the financial asset was previously recognised directly in equity, the cumulative net loss that had been recognised in equity is transferred to the income statement and recognised as part of the impairment loss.

Where a financial asset measured to fair value directly against equity is impaired, and an increase in the fair value of the financial asset was previously recognised in equity, the increase in fair value of the financial asset recognised in equity is reversed to the income statement to the extent that the asset is impaired and recognised as part of the impairment loss.

Any additional impairment loss is recognised in the income statement. If in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

9 Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. All derivatives are accounted for as trading instruments unless they meet the criteria for hedge accounting. Derivatives are initially recognised at cost, including transaction costs, and subsequently remeasured to fair value. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models, and option pricing models which consider current market and contractual prices for the underlying instruments as well as time value of money.

All derivative instruments of the group are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described in accounting policy number 23. Realised and unrealised gains and losses are recognised in the income statement.

Embedded derivatives included in hybrid instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. Where separated from the host contracts, embedded derivatives are accounted for and measured at fair value with any gains or losses from the change in fair value included in the income statement. The host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument.

10 Hedge accounting

On the date that a derivative contract is designated as a hedging instrument, the group designates the derivative as either:

- a hedge of the fair value of a recognised asset or liability (fair value hedge); or
- a hedge of future cash flow attributable to a recognised asset or liability, a forecast transaction or a firm commitment (cash flow hedge); or
- a hedge of a net investment in a foreign entity.

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting period; and
- for a hedge of a forecast transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit.

Hedge accounting requires that the hedging instrument be measured at fair value. The fair value of a derivative hedging instrument is calculated in the same manner as the fair value of a trading instrument.

Where a hedge relationship is designated as a fair value hedge, the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the fair value hedge and the hedged item, are recognised in the income statement. Fair value adjustments relating to the hedged instrument are allocated to the same income statement category as the related hedged item.

The effective portion of changes in the fair value of derivatives that are cash flow hedges are recognised in equity. The ineffective part of any gain or loss is recognised in the income statement. Where a forecast transaction or firm commitment results in the recognition of an asset, liability, income or expense, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset, liability, income or expense.

When a hedging instrument or hedge relationship is terminated, but the hedged transaction is still expected to occur, the cumulative gains or losses recognised in equity remains in equity and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity is immediately recognised in the income statement and is classified as trading income.

The group hedges net investments in foreign entities where considered appropriate. For such hedges, the foreign exchange difference arising on the hedging instrument and relating to the effective portion of the hedge, is recognised directly in equity. Any ineffective portion is immediately recognised in the income statement. On the disposal of a foreign entity, the cumulative gains or losses relating to the effective portion of the hedge is recognised in the income statement.

11 Loans and advances

Loans and advances originated by the group are classified as originated loans and advances. Purchased loans that the group has the intent and ability to hold to maturity are classified as held-to-maturity assets. Originated loans and loans held-to-maturity are accounted for at amortised cost. Origination transaction costs are capitalised to the value of the loan and amortised through interest income. Where the group has elected to classify and account for any loan at fair value, the movement in the fair value is accounted for in the income statement as interest income.

12 Provision for credit losses

Advances and other assets are stated after the deduction of provisions for loan impairments. Advances and other assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such impairment indicators signify that it is probable that the group will be unable to collect all amounts due, a provision for impairment is made to reduce the carrying amount of the asset to its estimated recoverable amount.

Provisions for non-performing loans, covering identified doubtful debts, are based on periodic evaluations of advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure.

Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions.

When a loan carried at amortised cost has been identified as impaired, the carrying amount of the loan is reduced to an amount equal to the present value of expected future cash flows, discounted at the original effective interest rate of the loan. The resulting loss is accounted for as a provision for loan impairment in the income statement.

Subsequent to impairment, the effects of discounting unwind over time as interest income, based on the original effective interest rate.

Portfolio provisions for the impairment of performing loans cover losses which, although not yet specifically identified, are present in any portfolio of bank advances based on historic loss patterns.

Statutory reserve requirements that exceed the provisions for loan impairments are recognised in reserves by a transfer directly from retained earnings to a separate category of equity.

The amounts required to finance the assessed level of provisions for loan impairments and any subsequent reversals thereof or recoveries of amounts previously written off are charged to the income statement. Advances are written off using specific provisions for loan impairments once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

Property in possession represents the excess of the bought-in cost of properties over the loan balances and is measured at the discounted expected surplus cash flows resulting from the realisation of the bought-in security.

13 Assets leased to customers and instalment sale contracts – lessor accounting

Lease and instalment sale contracts are regarded as financing transactions and rentals and instalments receivable, less unearned finance charges, are included in loans and advances on the balance sheet.

Finance charges earned are computed using the effective interest rate method. The benefits arising from investment allowances on assets leased to customers are accounted for in taxation.

14 Repurchase and resale agreements and lending of securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as trading or investment securities and valued in terms of accounting policy number 8. The liability to the counterparty is included under deposit and current accounts.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers as appropriate.

The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with accounting policy number 8. Securities borrowed are not recognised in the financial statements unless these are sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

15 Property and equipment

Investment properties are held to earn rentals and for capital appreciation, whereas owner-occupied properties are held for use in the supply of services or for administrative purposes, or in the case of Liberty, including earning rentals or capital appreciation for the benefit of policyholders.

Equipment, furniture, vehicles and other tangible assets are stated at cost less accumulated depreciation and are depreciated on the straight-line basis over the estimated useful lives of the assets to expected residual values. The carrying value of assets is reviewed regularly to assess whether there is any indication of impairment and where the carrying amounts of assets are greater than their recoverable amounts, the assets are written down to these recoverable amounts. The recoverable amount is the greater of the net selling price of the asset or the value in use. Depreciation and impairment losses are included in the income statement.

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income. Gains and losses on disposals of assets are included in the income statement.

Standard Bank operations

Freehold buildings are classified as owner-occupied properties and accounted for in terms of the cost method. These buildings are depreciated on the straight-line basis over their estimated useful lives, not exceeding 40 years. The freehold land portion is not depreciated.

Leasehold buildings are depreciated over the period of the lease or over such lesser period as is considered appropriate.

The estimated useful lives of tangible assets are as follows:

Property	–	not exceeding 40 years
Computer equipment	–	5 years
Motor vehicles	–	5 years
Office equipment	–	5 to 8 years
Furniture and fittings	–	5 to 13 years
Capitalised leased assets	–	over the shorter of the lease term or its useful life

Liberty

Both investment properties and owner-occupied properties are reflected at a valuation based on open-market fair value at balance sheet date, which is determined annually by independent registered professional valuators. The open-market fair value is based on the open market net rentals for each property. Investment properties are not subject to depreciation, whereas accumulated depreciation relating to owner-occupied properties is eliminated against the gross carrying amount of the assets, and the net amount restated to the revalued amount of the asset.

The fair value movement on investment properties is included in the income statement as investment gains or losses in the period in which these gains or losses arise. Where properties are partly held to earn rentals or for capital appreciation and partly held for use in the production or supply of goods or services or for administration purposes, the properties are accounted for in proportion to their use. Properties under development are reflected at cost.

Unrealised gains or losses arising on the valuation of completed properties and realised gains or losses on disposal of properties are included in the income statement as investment gains or losses and are shown as attributable to policyholders' or shareholders' funds as appropriate. Any revaluation gains or losses on the revaluation of owner-occupied properties are taken directly to revaluation and other reserves.

The expected useful lives of other tangible assets are as follows:

Office furniture	–	not exceeding 10 years
Computer equipment	–	not exceeding 5 years

16 Intangible assets

Computer software

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, strategic information technology development costs that are clearly associated with an identifiable and unique system which will be controlled by the group and has a probable benefit exceeding one year, are recognised as intangible assets.

Computer software costs recognised as assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets, not exceeding five years, and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds the recoverable amount.

Present value of in-force life insurance business acquired

Where a portfolio of life insurance business is acquired, the present value is recognised as an asset and is amortised in the income statement on the straight-line basis at rates appropriate to the expected useful life of the asset. The present value of in-force life insurance business acquired is carried in the balance sheet at cost less any accumulated amortisation and impairment losses.

17 Provision for leave pay

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees as a result of services rendered up to the balance sheet date.

18 Other provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

When the effect of discounting is material, provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

19 Taxation

Income tax and capital gains tax on the profit or loss for the year comprise current and deferred tax and represent the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred income tax and deferred capital gains tax are provided for on the comprehensive basis, using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets and liabilities are not discounted.

Deferred tax related to fair value re-measurements of available-for-sale assets and cash flow hedges which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Indirect taxes, including non-recoverable value added tax (VAT), regional service council (RSC) levies, skills development levies and other duties for banking operations, are included in the taxation charge in the income statement.

20 Lessee accounting

Leases, where the group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the effective interest rate method to identify the finance cost, which is charged against income over the lease period, and the capital repayment which reduces the liability to the lessor.

Leases of assets under which all the risks and benefits are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

21 Convertible bonds

Convertible bonds issued by the group are valued at cost net of amortised bond issue expenses. The expenses incurred are amortised over the period of the bonds. The fair value of the liability component, at initial recognition, is calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity component, is included within shareholders' equity.

22 Policyholder liabilities

Policyholder contracts that do not transfer significant insurance risk are carried in the financial statements at fair value, with changes in fair value being accounted for in the income statement. These contracts are disclosed in the notes to the balance sheet as "Policyholder liabilities under investment contracts". The premiums and benefit payments relating to these investment contracts have been excluded from the income statement and accounted for directly as part of the liability. Fees earned from these contracts are disclosed separately.

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the FSV basis contained in PGN104 issued by the Actuarial Society of South Africa and are reflected as "Policyholder liabilities under insurance contracts".

Liberty's statutory actuary calculates the liabilities under insurance contracts and investment contracts annually at the balance sheet date in accordance with prevailing legislation, Generally Accepted Actuarial Standards in South Africa and South African Statements of Generally Accepted Accounting Practice as appropriate. The transfers to policyholder liabilities reflected in the notes to the financial statements represent the increase or decrease in liabilities, including provisions for policyholders' bonuses, net adjustments to policyholders' bonus stabilisation reserves and net adjustments to margins held within policyholder liabilities.

23 Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

24 Equity

Preference shares

Preference shares in issue, which carry a cumulative coupon and are non-redeemable, are classified as equity.

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity is deducted from equity, net of related taxation. All other share issue costs are expensed immediately.

Dividends on ordinary shares

Dividends are recognised in the period in which they are declared. Dividends declared after balance sheet date are disclosed in the dividends note.

25 Revenue and expenditure

Revenues described below represent the most appropriate equivalent of turnover.

Standard Bank operations

Revenue is derived substantially from the business of banking and related activities and comprises net interest income and non-interest revenue.

Net interest income

Interest income and expenses are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Net interest income includes fair value adjustments on interest-bearing financial instruments held at fair value, excluding financial instruments held for trading. Dividends received on lending activities are included in interest income.

External expenses incurred directly as a result of bringing margin-yielding assets on-balance sheet are amortised through interest income over the life of the asset.

Non-interest revenue

Non-interest revenue includes dividends from investments, fees and commissions from banking, insurance and related transactions, net revenue from exchange and securities trading and net gains on the realisation or revaluation of investment banking assets.

Dividends are recognised in the period in which right to receipt is established. Scrip dividends are recognised as dividends received to the extent that it compares to cash dividends in a similar entity, after taking into account the purpose of the scrip dividends. Fees and commissions are recognised when the related service is performed.

Liberty

Revenue is derived substantially from the business of insurance and related activities and comprises premium, investment and other income.

Premium income

Premiums, other than in respect of the Lifestyle series of policies and group schemes, are recognised in the income statement when due. Premiums in respect of the Lifestyle series of policies are recognised in the income statement on a receipts basis. Premiums receivable in respect of group schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premium income is shown net of reinsurance. Inflows on investment contracts are excluded from premium income from 1 January 2003.

Policy fees

Service fees on investment contracts are recognised on an accrual basis when the services are rendered.

Investment income

Investment income comprises income from financial services activities, net rental income from properties, interest and dividends. Dividends are recognised when the right to receive payment is established. Interest and other investment income are accounted for on an accrual basis. Net rental income comprises rental income net of property expenses. Rental income in respect of owner-occupied properties is eliminated on consolidation.

Claims and policyholder benefits

Provision is made in the policyholder liabilities under insurance contracts for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date. Outstanding claims and benefit payments are stated net of reinsurance.

Commissions

Commissions, comprising commissions on new insurance and investment policies along with renewal commissions, as well as expenses related thereto, including bonuses payable and the company's contribution to agents' pension and medical aid funds, are shown net of reinsurance commission received. Commissions relating to unearned premiums are deferred in liabilities on insurance policies and accounted for in the same period in which those premiums are accounted for.

New business costs

New business costs are recognised when incurred and their recovery is provided for in the calculation of actuarial liabilities in accordance with Generally Accepted Actuarial Standards.

26 Post-retirement benefits

The group operates a number of defined contribution plans based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee-administered funds. Contributions to these plans are charged to the income statement in the period to which they relate.

The group also operates a number of defined benefit funds, with membership generally limited to employees who were in the employment of the various companies at specified dates. These funds are governed by the Pension Funds Act 1956. Employer companies contribute to the cost of benefits taking account of the recommendations of the actuaries. Statutory actuarial valuations are required every three years using the projected unit credit method. Interim valuations are also performed annually at the balance sheet date.

These obligations are measured at the present value of the estimated future cash outflows using interest rates of government bonds with maturity dates that approximate the expected maturity of the obligations.

The group's current service costs to the defined benefit funds are recognised as expenses in the current year. Any shortfall arising within the fund as a result of defined benefits, would be measured using the projected unit credit method, and recognised over the expected service period of active employees and immediately for past services. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised as expenses or income in the current year to the extent that they relate to retired employees. For active employees, these items are recognised as expenses or income systematically over a period not exceeding the expected remaining service period of employees.

The group operates two unfunded post-retirement medical aid schemes, with membership limited to employees who were retired or in the employment of the various companies at specified dates and complying with specific criteria. Medical aid costs are included in the income statement, immediately in relation to retired employees, and over the period during which services are rendered in relation to active employees. For past service, the group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using the projected unit credit method. Valuations of these obligations are carried out by independent qualified actuaries.

Unrecognised actuarial gains or losses are accounted for over a period not exceeding the remaining working life of active employees.

27 Equity participation plans

Share options are granted to eligible employees. No compensation cost is recognised as the options are granted at market value on the date of the grant. Proceeds received are credited to share capital (par value) and the surplus, net of any transaction costs, is credited to share premium.

28 Segment reporting

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Segments with a majority of income earned from external customers and whose total income, operating profit or total assets are 10% or more of the group total, are reported separately. Transactions between segments are priced at market-related rates.

29 Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. Details of balance sheet reclassifications are provided in note 32.3.

1 Segment reporting

2003	Domestic Banking Retail Banking Rm	 Corporate and Investment Banking Rm	 Central services Rm	 Total Rm
Net interest income before provision for credit losses	**6 773**	**2 081**	**(166)**	**8 688**
Provision for credit losses	1 128	177	7	1 312
Net interest income	**5 645**	**1 904**	**(173)**	**7 376**
Non-interest revenue	**5 618**	**3 037**	**52**	**8 707**
Fees and commission revenue	5 321	1 107	5	6 433
Trading revenue	–	1 249	(7)	1 242
Other revenue	297	681	54	1 032
Total income	**11 263**	**4 941**	**(121)**	**16 083**
Operating expenses	**7 463**	**2 271**	**(256)**	**9 478**
Staff costs	2 593	1 074	1 303	4 970
Other operating expenses	4 870	1 197	(1 559)	4 508
Operating profit	**3 800**	**2 670**	**135**	**6 605**
Income from associates and joint ventures	28	41	–	69
Goodwill and exceptional items	(17)	(8)	155	130
Income before taxation				
– Standard Bank operations	**3 811**	**2 703**	**290**	**6 804**
– Liberty				
Taxation	1 281	544	223	2 048
Income after taxation	**2 530**	**2 159**	**67**	**4 756**
Attributable to minorities	–	17	–	17
Income attributable to ordinary shareholders	**2 530**	**2 142**	**67**	**4 739**
Headline earnings	**2 542**	**2 150**	**(83)**	**4 609**
Return on equity (%)	**32,3**	**31,5**		**31,4**
Cost-to-income ratio (%)	**60,2**	**44,4**		**54,5**
Net interest margin (%)	**6,63**	**1,65**		**3,73**
Credit loss ratio (%)	**1,10**	**0,31**		**0,83**
Total assets (excluding inter-divisional balances)	116 277	202 895	7 347	326 519
Total liabilities (excluding inter-divisional balances)	108 082	194 712	6 759	309 553
Average equity	7 872	6 820	–	14 692
Number of employees	18 169	2 987	6 531	27 687
Interest in associates and joint ventures	63	196	–	259
Capital expenditure	543	290	356	1 189
Depreciation and amortisation	241	134	339	714
Impairments	38	–	55	93

International	Africa	Stanlib	Central funding	Standard Bank operations	Liberty	Standard Bank Group
Rm	Rm	Rm	Rm	Rm	Rm	Rm
1 094	**1 421**	**47**	**187**	**11 437**		**11 437**
317	172	–	47	1 848		1 848
777	**1 249**	**47**	**140**	**9 589**		**9 589**
2 842	**884**	**515**	**(158)**	**12 790**		**12 790**
606	629	474	(158)	7 984		7 984
2 232	221	39	183	3 917		3 917
4	34	2	(183)	889		889
3 619	**2 133**	**562**	**(18)**	**22 379**		**22 379**
2 407	**1 319**	**458**	**(54)**	**13 608**		**13 608**
1 725	645	227	14	7 581		7 581
682	674	231	(68)	6 027		6 027
1 212	**814**	**104**	**36**	**8 771**		**8 771**
–	33	–	–	102		102
(29)	(84)	6	(52)	(29)		(29)
1 183	**763**	**110**	**(16)**	**8 844**		**8 844**
					2 106	**2 106**
346	285	33	61	2 773	823	3 596
837	**478**	**77**	**(77)**	**6 071**	**1 283**	**7 354**
–	55	31	1	104	904	1 008
837	**423**	**46**	**(78)**	**5 967**	**379**	**6 346**
866	**489**	**40**	**(26)**	**5 978**	**270**	**6 248**
14,7	**28,3**	**16,5**	**(1,1)**	**24,0**		**22,8**
61,2	**57,2**			**56,2**		**56,2**
1,21	**6,72**	**3,71**		**3,50**		**3,50**
0,78	**1,71**			**0,91**		**0,91**
112 064	22 264	1 341	(17 993)	444 195	96 195	540 390
107 711	20 485	1 176	(21 407)	417 518	87 784	505 302
5 910	1 727	243	2 343	24 915	2 442	27 357
1 318	5 488	541	–	35 034	3 399	38 433
–	231	4	47	541	–	541
41	254	30	–	1 514	664	2 178
95	124	25	46	1 004	177	1 181
–	64	–	–	157	66	223

1 Segment reporting

2002	Domestic Banking Retail Banking Rm	Corporate and Investment Banking Rm	Central services Rm	Total Rm
Net interest income before provision for credit losses	**6 094**	**1 809**	**43**	**7 946**
Provision for credit losses	1 048	346	22	1 416
Net interest income	**5 046**	**1 463**	**21**	**6 530**
Non-interest revenue	**4 851**	**2 914**	**5**	**7 770**
Fees and commission revenue	4 635	1 059	7	5 701
Trading revenue	–	1 370	(50)	1 320
Other revenue	216	485	48	749
Total income	**9 897**	**4 377**	**26**	**14 300**
Operating expenses	**6 654**	**2 101**	**(364)**	**8 391**
Staff costs	2 246	945	1 139	4 330
Other operating expenses	4 408	1 156	(1 503)	4 061
Operating profit	**3 243**	**2 276**	**390**	**5 909**
Income from associates and joint ventures	24	36	–	60
Goodwill and exceptional items	–	(26)	–	(26)
Income before taxation				
– Standard Bank operations	**3 267**	**2 286**	**390**	**5 943**
– Liberty				
Taxation	1 105	482	406	1 993
Income after taxation	**2 162**	**1 804**	**(16)**	**3 950**
Attributable to minorities	–	16	–	16
Income attributable to ordinary shareholders	**2 162**	**1 788**	**(16)**	**3 934**
Headline earnings	**2 162**	**1 814**	**(16)**	**3 960**
Return on equity (%)	**31,1**	**31,7**		**31,2**
Cost-to-income ratio (%)	**60,8**	**44,5**		**53,4**
Net interest margin (%)	**7,29**	**1,49**		**3,83**
Credit loss ratio (%)	**1,24**	**0,68**		**1,04**
Total assets (excluding inter-divisional balances)	89 240	124 393	1 940	215 573
Total liabilities (excluding inter-divisional balances)	81 923	119 010	1 724	202 657
Average equity	6 958	5 722	–	12 680
Number of employees	17 775	2 797	6 589	27 161
Interest in associates and joint ventures	11	125	–	136
Capital expenditure	300	94	719	1 113
Depreciation and amortisation	141	101	334	576
Impairments	–	–	–	–

International	Africa	Stanlib	Central funding	Standard Bank operations	Liberty	Standard Bank Group
Rm	Rm	Rm	Rm	Rm	Rm	Rm
1 231	**1 321**	**53**	**(31)**	**10 520**		**10 520**
487	58	–	(6)	1 955		1 955
744	**1 263**	**53**	**(25)**	**8 565**		**8 565**
2 277	**923**	**509**	**(31)**	**11 448**		**11 448**
722	607	443	(57)	7 416		7 416
1 547	254	54	65	3 240		3 240
8	62	12	(39)	792		792
3 021	**2 186**	**562**	**(56)**	**20 013**		**20 013**
2 506	**1 364**	**444**	**(118)**	**12 587**		**12 587**
1 687	674	232	11	6 934		6 934
819	690	212	(129)	5 653		5 653
515	**822**	**118**	**62**	**7 426**		**7 426**
–	38	–	(2)	96		96
(35)	(26)	–	(64)	(151)		(151)
480	**834**	**118**	**(4)**	**7 371**		**7 371**
					992	**992**
86	305	23	28	2 435	368	2 803
394	**529**	**95**	**(32)**	**4 936**	**624**	**5 560**
–	73	33	–	122	441	563
394	**456**	**62**	**(32)**	**4 814**	**183**	**4 997**
429	**482**	**62**	**32**	**4 965**	**298**	**5 263**
6,3	**27,4**	**20,6**	**1,7**	**21,2**		**20,3**
71,4	**60,8**			**57,3**		**57,3**
1,17	**6,18**	**4,46**		**3,22**		**3,22**
1,14	**0,66**			**1,08**		**1,08**
80 005	20 693	1 573	(10 252)	307 592	85 761	393 353
75 622	18 945	1 173	(14 783)	283 614	77 679	361 293
6 810	1 760	301	1 902	23 453	2 417	25 870
1 267	5 470	611	–	34 509	3 282	37 791
–	91	1	48	276	–	276
90	102	78	–	1 383	220	1 603
123	143	17	64	923	199	1 122
–	–	–	–	–	13	13

1 Segment reporting continued

The principal business units in the group are as follows:

Business unit	Scope of operations
Domestic Banking	Represents mainly banking operations in South Africa and consists of:
Retail Banking	Banking, investment, insurance and other financial services to individual customers, the agricultural sector and small and medium sized enterprises.
Corporate and Investment Banking	Commercial and investment banking services and property finance to corporate and medium sized clients in South Africa, foreign banks and international counterparties.
Central services	Support functions to business i.e. finance, human resources, risk and corporate affairs.
International	International banking operations headquartered in London, focused on developing markets and natural resources, with presence in Asia, Europe and the Americas, and private client banking services in Isle of Man, Channel Islands and British Virgin Islands.
Africa	Commercial, retail, insurance and investment banking services in Botswana, Democratic Republic of Congo, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.
Stanlib	Management of institutional and retail funds and investment portfolios, and provision and marketing of a wide range of financial products to mainly retail clients.
Central funding	Consolidation unit housing group investments, funding initiatives, central costs and group eliminations.
Liberty	Investment and risk products designed to cater for personal and corporate investment, life insurance, disability, health insurance and retirement needs.

During the year, the activities of Business Banking, a division that provided financial services to medium sized businesses, was incorporated into the Retail Banking and Corporate and Investment Banking divisions.

Where reporting responsibility for individual divisions within business units changes, the segmental analysis is reclassified accordingly.

Standard Bank operations

	2003 Rm	2002 Rm
2 Cash and balances with banks		
Coin and bank notes	**4 371**	5 582
Balances with central banks	**3 882**	21 512
Balances with other banks	**13 828**	9 547
	22 081	36 641
3 Short-term negotiable securities		
Originated by the entity	**2 251**	
Held at fair value	**19 767**	
Held at amortised cost		11 577
	22 018	11 577

4 Derivative instruments

As a result of the adoption of AC 133, all derivatives have been reclassified as either derivatives held for trading or derivatives held for hedging. In accordance with the transitional provisions of AC 133, the statement has been applied prospectively and the 2002 results have therefore not been restated.

4.1 Fair values

The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

4.2 Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the group's participation in derivative contracts.

Standard Bank operations

	Maturity analysis of net fair value < 1 year 2003 Rm	1 – 5 years 2003 Rm	> 5 years 2003 Rm
4.3 Derivative assets and liabilities			
Derivatives held for trading			
Foreign exchange derivatives	**(559)**	**790**	**(312)**
Forwards	(438)	700	87
Futures	(225)	(170)	–
Options	104	260	(399)
Interest rate derivatives	**2 625**	**5**	**(444)**
Forwards	(539)	136	(20)
Caps and floors	50	(24)	–
Swaps	3 088	(119)	(227)
Swaptions	6	–	–
Bonds and options	20	12	(197)
Commodity derivatives	**458**	**(218)**	**56**
Forwards	526	(329)	21
Futures	(2)	(1)	–
Options	(66)	112	35
Credit derivatives	**281**	**(7)**	**(88)**
Credit default swaps	(15)	(103)	(18)
Credit linked notes	–	134	–
Total return swaps	296	(38)	(70)
Equity derivatives	**1 680**	**680**	**(327)**
Forwards	221	–	–
Futures	3	1	–
Options	1 777	29	(285)
Swaps	(4)	16	–
Other	(317)	634	(42)
Total derivative assets/(liabilities) held for trading	**4 485**	**1 250**	**(1 115)**
Derivatives held for hedging			
Derivatives designated as fair value hedges – interest rate swaps	**1 188**	**302**	**(113)**
Derivatives designated as cash flow hedges – currency swaps	**–**	**27**	**–**
Derivatives designated as hedges of net investments in subsidiaries	**65**	**–**	**–**
Forward exchange contracts	4	–	–
Currency options	45	–	–
Swaps	16	–	–
Total derivative assets/(liabilities) held for hedging	**1 253**	**329**	**(113)**
Total derivative assets/(liabilities)	**5 738**	**1 579**	**(1 228)**

Net fair value 2003 Rm	Fair value of assets 2003 Rm	Fair value of liabilities 2003 Rm	Contract/ notional amount 2003 Rm	Net fair value[1] 2002 Rm	Fair value of assets 2002 Rm	Fair value of liabilities 2002 Rm	Contract/ notional amount 2002 Rm
(81)	24 737	(24 818)	636 116	54	33 138	(33 084)	561 504
349	19 330	(18 981)	501 444	(597)	29 680	(30 277)	504 533
(395)	442	(837)	20 208	(32)	369	(401)	13 716
(35)	4 965	(5 000)	114 464	683	3 089	(2 406)	43 255
2 186	53 713	(51 527)	2 674 995	1 041	44 887	(43 846)	2 977 632
(423)	1 597	(2 020)	1 093 321	191	1 370	(1 179)	924 446
26	161	(135)	44 596	11	103	(92)	36 421
2 742	50 393	(47 651)	1 394 925	(325)	37 683	(38 008)	1 467 285
6	28	(22)	64 017	(38)	15	(53)	8 013
(165)	1 534	(1 699)	78 136	1 202	5 716	(4 514)	541 467
296	17 947	(17 651)	419 863	3 280	8 646	(5 366)	280 620
218	16 177	(15 959)	334 825	2 851	3 995	(1 144)	28 728
(3)	–	(3)	108	2	2	–	76
81	1 770	(1 689)	84 930	427	4 649	(4 222)	251 816
186	1 494	(1 308)	30 820	(129)	399	(528)	31 634
(136)	178	(314)	27 114	(53)	132	(185)	23 547
134	883	(749)	132	8	16	(8)	3 516
188	433	(245)	3 574	(84)	251	(335)	4 571
2 033	4 541	(2 508)	519 725	965	6 543	(5 578)	399 647
221	241	(20)	158 360	22	22	–	138
4	5	(1)	10 042	–	73	(73)	15 939
1 521	3 607	(2 086)	350 816	855	6 340	(5 485)	382 302
12	34	(22)	501	(7)	13	(20)	–
275	654	(379)	6	95	95	–	1 268
4 620	102 432	(97 812)	4 281 519	5 211	93 613	(88 402)	4 251 037
1 377	2 199	(822)	28 392				
27	27	–	1 550				
65	65	–	958				
4	4	–	161				
45	45	–	668				
16	16	–	129				
1 469	2 291	(822)	30 900				
6 089	104 723	(98 634)	4 312 419	5 211	93 613	(88 402)	4 251 037

[1] Comprises net derivative assets of R9 218 million and net derivative liabilities of R4 007 million.

Standard Bank operations

4.4 Use and measurement of derivative instruments

In the normal course of business, the group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange and interest rate exposures. Derivative instruments used by the group in both trading and hedging activities include swaps, options, forwards, futures, and other similar types of instruments based on foreign exchange rates, interest rates, credit risk and the prices of commodities and equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

Following the introduction of AC 133 in 2003, the fair value of all derivatives is recognised on the balance sheet and is only netted to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

In 2002, trading derivatives were recognised on-balance sheet and netting took place with the same counterparties. Hedging derivatives were accounted for off-balance sheet.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. The major types of swap transactions undertaken by the group are as follows:

- Interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate.
- Cross currency interest rate swaps involve the exchange of interest payments based on two different currency principal balances and interest reference rates and generally also entail exchange of principal amounts at the start and/or end of the contract.
- Credit default swaps are the most common form of credit derivatives, under which the party buying protection makes one or more payments to the party selling protection during the life of the swap in exchange for an undertaking by the seller to make a payment to the buyer following a credit event, as defined in the contract, with respect to a third party.
- Total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and rewards is affected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded over-the-counter (OTC) or on a regulated exchange.

Forwards and futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated exchanges.

4.5 Derivatives held for trading

The group trades derivative instruments on behalf of customers and for its own positions. The group transacts derivative contracts to address customer demands both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The group also takes proprietary positions for its own accounts. Trading derivative products include the following derivative instruments:

4.5.1 Foreign exchange derivatives

Foreign exchange derivatives are used to hedge foreign currency risks on behalf of customers and for the group's own positions. Foreign exchange derivatives primarily consist of forward exchange contracts, foreign exchange futures and foreign exchange options.

4.5.2 Interest rate derivatives

Interest rate derivatives are used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers and for the group's own positions. Interest rate derivatives primarily consist of forward rate agreements, swaps, swaptions, bonds and options, caps and floors.

4.5.3 Commodity derivatives

Commodity derivatives are used to address customer commodity demands and to take proprietary positions for the group's own accounts. Commodity derivatives primarily consist of commodity forwards, commodity futures, and commodity options.

4.5.4 Credit derivatives

Credit derivatives are used to hedge the credit risk from one counterparty to another and manage the credit exposure to selected counterparties on behalf of customers and for the group's own positions. Credit derivatives primarily consist of credit default swaps, credit linked notes and total return swaps.

4.5.5 Equity derivatives

Equity derivatives are used to address customer equity demands and to take proprietary positions for the group's own accounts. Equity derivatives primarily consist of options, index options, forwards, futures, swaps and other equity related financial derivative instruments.

4.6 Derivatives held for hedging

The group enters into derivative transactions which are designated and qualify as either fair value, cash flow, or net investment hedges for recognised assets or liabilities or forecast transactions. Derivatives held for hedging consist of:

4.6.1 Derivatives designated as fair value hedges

The group's fair value hedges principally consist of currency futures, interest rate swaps and cross currency interest rate swaps that are used to protect against changes in market interest rates and currencies.

Standard Bank operations

4.6.2 Derivatives designated as cash flow hedges

The group uses currency swaps and exchange traded currency options to protect against changes in cash flows of certain variable rate debt issues. The group applies hedge accounting for its non-trading interest rate risk in major currencies by analysing expected cash flows on a group basis. The objective is to protect against changes in future interest cash flows resulting from the impact of changes in market interest rates and reinvestment or reborrowing of current balances.

4.6.3 Derivatives designated as hedges of net investments

The objective of hedges of net investments is to limit the risk of a decline in net asset value of the investment in a foreign entity brought about by changes in exchange rates. To limit the risk, currency option contracts have been purchased where considered appropriate.

	2003 Rm	2002 Rm
5 Trading assets		
Listed	**23 666**	21 721
– Securities of, or guaranteed by, the South African Government	**6 504**	5 076
– Other	**17 162**	16 645
Unlisted	**8 145**	4 857
	31 811	26 578
Dated	**26 687**	20 316
Undated	**5 124**	6 262
	31 811	26 578
Maturity analysis		
The maturities represent periods to redemption of the trading assets recorded.		
– Redeemable on demand	**2 056**	1 578
– Maturing within 1 month	**3 881**	1 521
– Maturing after 1 month but within 6 months	**5 311**	2 591
– Maturing after 6 months but within 12 months	**2 398**	2 689
– Maturing after 12 months	**18 165**	18 199
	31 811	26 578

Repurchase commitments

Trading assets included securities sold subject to repurchase commitments to the value of R10 117 million at 31 December 2003 (2002: R7 453 million).

Redemption value

Dated trading assets had a redemption value at 31 December 2003 of R32 234 million (2002: R22 837 million).

Standard Bank operations

	Carrying value 2003 Rm	Valuation 2003 Rm	Carrying value 2002 Rm	Valuation 2002 Rm
6 Investment securities				
Listed	**17 257**	**17 450**	15 127	15 429
– Securities of, or guaranteed by, the South African Government	**15 016**	**15 209**	8 359	8 733
– Other	**2 241**	**2 241**	6 768	6 696
Unlisted	**2 230**	**2 230**	3 906	3 699
	19 487	**19 680**	19 033	19 128
Provision for credit risk inherent in dated investment securities (note 8)			(384)	–
	19 487	**19 680**	18 649	19 128
Comprising:				
Investment securities held at fair value	**10 813**	**10 813**		
Investment securities available-for-sale	**2 071**	**2 071**		
Investment securities held-to-maturity	**6 603**	**6 796**		
	19 487	**19 680**		
Dated securities	**18 216**	**18 409**	17 479	17 523
Undated securities	**1 271**	**1 271**	1 554	1 605
	19 487	**19 680**	19 033	19 128
Maturity analysis				
The maturities represent periods to redemption of the investments recorded.				
– Redeemable on demand	**435**		1 238	
– Maturing within 1 month	**614**		1	
– Maturing after 1 month but within 6 months	**1 689**		1 498	
– Maturing after 6 months but within 12 months	**806**		393	
– Maturing after 12 months	**15 943**		15 903	
	19 487		19 033	

Repurchase commitments

Investment securities included securities sold subject to repurchase commitments to the value of R6 027 million at 31 December 2003 (2002: R3 884 million).

Redemption value

Dated investment securities had a redemption value at 31 December 2003 of R18 298 million (2002: R19 047 million).

Registers of investment securities are available for inspection by members, or their authorised agents, at the registered offices of the company and its subsidiaries.

Standard Bank operations

7 Loans and advances

The group extends advances to the personal, commercial and corporate sectors as well as to the public sector. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts and credit card borrowings. A significant portion of the group's advances to commercial and corporate borrowers consists of advances made to companies engaged in manufacturing, finance and service industries.

Loans and advances are classified as originated by the group and are held at amortised cost.

	2003 Rm	2002 Rm
7.1 Loans and advances net of provision for credit losses		
Loans and advances originated by the group		
Loans and advances to banks		
– Loans and overdrafts	**6 736**	2 572
– Loans granted under resale agreements	**16 176**	7 832
Loans and advances to customers		
– Loans and overdrafts	**78 395**	74 366
– Card debtors	**5 600**	4 392
– Mortgage advances	**77 456**	58 714
– Instalment sale and finance leases	**29 655**	24 904
– Preference shares and debentures	**570**	592
– Loans granted under resale agreements	**7 223**	6 004
– Trade, other bills and bankers' acceptances	**2 472**	2 936
	224 283	182 312
Provision for credit losses (note 8)	**(3 908)**	(3 387)
	220 375	178 925
Loans and advances included net positive fair value adjustments of R506 million relating to loans and advances which were subject to fair value hedging relationships.		
Maturity analysis		
The maturity analysis is based on the remaining periods to contractual maturity from year end.		
– Redeemable on demand	**20 832**	26 915
– Maturing within 1 month	**27 454**	14 167
– Maturing after 1 month but within 6 months	**37 406**	25 134
– Maturing after 6 months but within 12 months	**17 426**	17 645
– Maturing after 12 months	**121 165**	98 451
	224 283	182 312

Standard Bank operations

	2003 Rm	2002 Rm
Segmental analysis – industry		
Agriculture	**4 646**	4 294
Construction	**1 636**	1 447
Electricity	**2 215**	3 945
Finance, real estate and other business services	**67 143**	47 198
Individuals	**83 590**	67 051
Manufacturing	**12 297**	14 799
Mining	**4 670**	5 938
Other services	**34 854**	24 891
Transport	**9 038**	9 231
Wholesale	**4 194**	3 518
	224 283	182 312

	2003 %	2003 Rm	2002 %	2002 Rm
Segmental analysis – geographic area The following table sets out the distribution of the group's gross loans and advances by geographic area where the loans are recorded. The geographic spread of loans and advances within the various regions of South Africa closely follows the demographic and economic activities within the country.				
South Africa	**69**	**153 767**	68	124 268
Africa	**5**	**11 023**	5	9 088
International	**26**	**59 493**	27	48 956
	100	**224 283**	100	182 312
7.2 Unearned finance charges deducted from instalment sale and finance leases (accounting policy number 13)		**6 058**		7 258

Standard Bank operations

	2003 Rm	2002 Rm
8 Provision for credit losses		
Balance at beginning of the year	**3 771**	3 406
Change in accounting policy	**(266)**	
Present value adjustment to non-performing loan provisions	**381**	
Fair value adjustment to staff loans at off-market rates	**164**	
Methodology change to performing loan provisions	**(449)**	
Reclassification on fair value of investment securities	**(362)**	
Restated balance at 1 January 2003	**3 505**	3 406
Credit losses written off	**(1 218)**	(1 314)
Discount element recognised in interest income	**(353)**	
Net provisions raised and released (note 27.3)	**2 117**	2 136
Exchange and other movements	**(143)**	(457)
Balance at end of the year	**3 908**	3 771
Comprising:		
Loans and advances		
Provisions against non-performing loans	**2 418**	1 834
Provisions against performing loans	**1 490**	1 553
	3 908	3 387
Credit risk inherent in investment securities		
Specific provisions		384
	3 908	3 771
Segmental analysis of provisions against non-performing loans – industry		
Agriculture	**96**	176
Construction	**38**	23
Electricity	**2**	5
Finance, real estate and other business services	**388**	358
Individuals	**684**	406
Manufacturing	**188**	117
Mining	**447**	266
Other services	**442**	326
Transport	**25**	33
Wholesale	**108**	124
	2 418	1 834

Standard Bank operations

	2003 %	2003 Rm	2002 %	2002 Rm
Segmental analysis of provisions against non-performing loans – geographical area The following table sets out the distribution of the group's provisions by geographic area where the loans are recorded.				
South Africa	**65**	**1 580**	76	1 387
Africa	**10**	**241**	5	86
International	**25**	**597**	19	361
	100	**2 418**	100	1 834

	2003 Rm	2002 Rm
9 Other assets		
Trading account assets	**10 455**	12 994
Items in the course of collection	**736**	704
Accrued interest	**2 746**	2 377
Current tax assets	**221**	215
Deferred tax (note 19.2)	**406**	245
Acceptances outstanding	**154**	156
Other debtors	**4 893**	5 455
	19 611	22 146
10 Interest in associates and joint ventures		
Carrying value at beginning of the year	**276**	187
Share of profit	**102**	96
Net acquisitions	**237**	135
Share of direct reserve movements	**–**	(72)
Goodwill amortised (note 11.2)	**(39)**	(46)
Distribution of profit	**(35)**	(24)
Carrying value at end of the year	**541**	276

Standard Bank operations

	2003 Rm	2002 Rm
Comprising:		
Cost of investments	**510**	273
Share of reserves	**130**	63
Goodwill amortised	**(99)**	(60)
	541	276
Valuation		
Unlisted investments	**558**	276

Goodwill on acquisition of associates of R219 million (2002: R117 million) is amortised over 5 years.

Associates and joint ventures are listed in **Annexure C** on page 191.

11 Goodwill and other intangible assets

	2003 Rm	2002 Rm
Goodwill (note 11.1)	**262**	381
Other intangible assets (note 11.3)	**246**	290
	508	671

11.1 Goodwill

	2003 Rm	2002 Rm
Goodwill on acquisition of subsidiaries		
Cost at beginning of the year	**532**	464
Acquisitions	**135**	122
At acquisition fair value adjustments	**3**	16
Disposals	**(151)**	–
Exchange movements	**(34)**	(70)
Cost at end of the year	**485**	532
Accumulated amortisation at beginning of the year	**(151)**	(61)
Amortisation	**(134)**	(105)
Disposals	**50**	–
Exchange movements	**12**	15
Accumulated amortisation at end of the year	**(223)**	(151)
Balance at end of the year	**262**	381

Standard Bank operations

	2003 Gross goodwill Rm	Amortisation period	Net goodwill Rm	2002 Net goodwill Rm
Comprising:				
Triskelion Trust Company Limited	**46**	**10 years**	**45**	–
Stanlib Limited	**70**	**10 years**	**56**	82
Melville Douglas Investment Management (Proprietary) Limited	**103**	**5 years**	**47**	74
Standard Bank Asia Limited	**82**	**5 years**	**41**	66
Protea Chemicals (Proprietary) Limited	**–**	**5 years**	**–**	81
Stanbic Bank Limited (Malawi)	**72**	**5 years**	**36**	58
Stanbic Bank Uganda Limited	**17**	**5 years**	**10**	18
Standard Yatirim Menkul Kiymetler A.S.	**2**	**5 years**	**1**	2
Investec Bank (Botswana) Limited	**27**	**5 years**	**26**	–
Erf 224 Edenburg (Proprietary) Limited	**17**	**1 year**	**–**	–
Grand Central Shopping Centre (Proprietary) Limited	**15**	**1 year**	**–**	–
Gleneagles Retail Centre (Proprietary) Limited	**34**	**1 year**	**–**	–
	485		**262**	381

	2003 Rm	2002 Rm
11.2 Goodwill amortisation		
Goodwill amortisation on acquisition of subsidiaries	**(134)**	(105)
Goodwill amortisation on acquisition of associates (note 10)	**(39)**	(46)
	(173)	(151)

Standard Bank operations

	2003 Rm	2002 Rm
11.3 Other intangible assets		
Computer software		
Cost at beginning of the year	**434**	394
Additions	**159**	90
Assets decommissioned	**(171)**	–
Exchange movements	**(15)**	(50)
Cost at end of the year	**407**	434
Accumulated amortisation at beginning of the year	**(144)**	(83)
Amortisation	**(82)**	(84)
Impairments	**(116)**	–
Assets decommissioned	**171**	–
Exchange movements	**10**	23
Accumulated amortisation at end of the year	**(161)**	(144)
Balance at end of the year	**246**	290

	2003			2002		
	Cost Rm	Accumulated depreciation Rm	Net book value Rm	Cost Rm	Accumulated depreciation Rm	Net book value Rm
12 Property and equipment						
12.1 Summary						
Property						
Freehold	**944**	**296**	**648**	986	335	651
Leasehold	**197**	**80**	**117**	240	88	152
	1 141	**376**	**765**	1 226	423	803
Equipment						
Computer equipment	**2 607**	**1 289**	**1 318**	2 369	1 164	1 205
Motor vehicles	**452**	**110**	**342**	554	205	349
Office equipment	**260**	**97**	**163**	213	93	120
Furniture and fittings	**1 006**	**554**	**452**	832	405	427
Capitalised leased assets	**–**	**–**	**–**	8	1	7
	4 325	**2 050**	**2 275**	3 976	1 868	2 108
	5 466	**2 426**	**3 040**	5 202	2 291	2 911

Standard Bank operations

	2002 Net book value Rm	Additions Rm	Disposals Rm	Impairments Rm	Depreciation Rm	Exchange movements Rm	2003 Net book value Rm
12.2 Movement							
Property							
Freehold	**651**	**200**	**(113)**	**(41)**	**(25)**	**(24)**	**648**
Leasehold	**152**	**22**	**(19)**	**–**	**(16)**	**(22)**	**117**
	803	**222**	**(132)**	**(41)**	**(41)**	**(46)**	**765**
Equipment							
Computer equipment	**1 205**	**695**	**(88)**	**–**	**(475)**	**(19)**	**1 318**
Motor vehicles	**349**	**192**	**(85)**	**–**	**(109)**	**(5)**	**342**
Office equipment	**120**	**103**	**(19)**	**–**	**(34)**	**(7)**	**163**
Furniture and fittings	**427**	**143**	**(15)**	**–**	**(89)**	**(14)**	**452**
Capitalised leased assets	**7**	**–**	**(5)**	**–**	**(1)**	**(1)**	**–**
	2 108	**1 133**	**(212)**	**–**	**(708)**	**(46)**	**2 275**
	2 911	**1 355**	**(344)**	**(41)**	**(749)**	**(92)**	**3 040**

	2001 Net book value Rm	Additions Rm	Disposals Rm	Impairments Rm	Depreciation Rm	Exchange movements Rm	2002 Net book value Rm
Property							
Freehold	751	46	(63)	–	(24)	(59)	651
Leasehold	211	52	(13)	–	(29)	(69)	152
	962	98	(76)	–	(53)	(128)	803
Equipment							
Computer equipment	1 131	570	(51)	–	(415)	(30)	1 205
Motor vehicles	172	488	(182)	–	(120)	(9)	349
Office equipment	92	61	(4)	–	(27)	(2)	120
Furniture and fittings	373	148	(7)	–	(72)	(15)	427
Capitalised leased assets	8	1	–	–	(1)	(1)	7
	1 776	1 268	(244)	–	(635)	(57)	2 108
	2 738	1 366	(320)	–	(688)	(185)	2 911

12.3 Valuation

The open-market value of freehold property, based on valuations undertaken during 2001 by valuers registered under the Valuers Act of 1982, was estimated at R1 074 million (2002: R1 145 million). Registers of property are available for inspection by members, or their authorised agents, at the registered offices of the company and its subsidiaries. Valuation was generally in terms of the investment method whereby net income is capitalised having regard to tenancy, location and the physical nature of the property.

Liberty

	2003 Rm	2002 Rm
13 Current assets		
Net outstanding premiums, accrued investment income and other debtors	**3 341**	3 480
Cash and balances with banks	**346**	274
	3 687	3 754

	2003 Rm	2002 Rm
14 Investments		
14.1 Summary		
Marketable securities		
Government, municipal and utility stocks (note 14.2)	**12 687**	9 432
Debentures (note 14.2)	**4 910**	4 257
Listed equities	**42 062**	38 410
Derivatives	**132**	71
Unit trusts	**13 173**	10 408
Total marketable securities	**72 964**	62 578
Other investments		
Financial assets		
– Unlisted equities	**2 067**	1 558
– Mortgages and loans	**788**	1 985
– Deposits and money market securities	**4 987**	5 263
– Insurance policies	**614**	505
	8 456	9 311
Non-financial assets		
– Investment properties (note 14.3)	**9 724**	8 977
– Owner-occupied properties (note 14.4)	**725**	625
	10 449	9 602
Total other investments	**18 905**	18 913
Total investments	**91 869**	81 491
Marketable securities comprise:		
Held at fair value	**68 816**	
Held for trading	**479**	
Available-for-sale	**3 669**	
	72 964	
Financial assets comprise:		
Held at fair value	**6 953**	
Available-for-sale	**1 180**	
Originated by the entity	**323**	
	8 456	

Liberty

	2003 Rm	2002 Rm
14.2 Maturity analysis of government, municipal and utility stocks and debentures		
Maturing within 1 year	**207**	178
Maturing after 1 year but within 5 years	**7 522**	3 783
Maturing after 5 years but within 10 years	**4 431**	4 790
Maturing after 10 years	**5 437**	4 938
	17 597	13 689

Equity scrip lending activities at the balance sheet date amounted to R563 million (2002: R517 million). Other investments included an amount of R398 million (2002: R1 895 million) representing forward sales of equities in terms of agreements entered into with appropriately accredited institutions.

Details of listed and unlisted investments are recorded in registers which may be inspected by members, or their duly authorised agents, at Liberty's registered office.

	2003 Rm	2002 Rm
14.3 Investment properties		
Completed properties		
Open-market value at beginning of the year	**8 872**	8 557
Capitalised subsequent expenditure	**265**	16
Disposals	**(147)**	(56)
Reclassifications	**(45)**	2
Revaluations	**674**	356
Transfers from/(to) properties under development	**105**	(3)
Balance at end of the year	**9 724**	8 872
Properties under development		
Cost at beginning of the year	**105**	5
Additions	**–**	97
– Acquisitions	**–**	8
– Capitalised subsequent expenditure	**–**	89
Transfers (to)/from completed properties	**(105)**	3
Balance at end of the year	**–**	105
Total investment properties	**9 724**	8 977
Comprising:		
Office buildings	**1 335**	1 489
Shopping malls	**6 839**	6 055
Hotels	**1 217**	1 045
Other	**333**	388
	9 724	8 977

Liberty

	2003 Rm	2002 Rm
14.4 Owner-occupied properties		
Open-market value at beginning of the year	**625**	633
Capitalised subsequent expenditure	**18**	–
Revaluations	**37**	(6)
Reclassifications	**45**	(2)
Balance at end of the year	**725**	625
Carrying amount that would have been included in the financial statements had owner-occupied properties been carried at cost less accumulated depreciation	**136**	121

Investment and owner-occupied properties were independently valued as at 31 December 2003 by a valuer who is a registered professional valuer with the South African Council for the Property Valuers Profession and is a member of the Institute of Valuers of South Africa.

Details of property investments are recorded in registers, which may be inspected by members or their duly authorised agents, at Liberty's registered office.

Owner-occupied properties are carried at fair value as the majority of properties are held to match policyholders' liabilities.

15 Goodwill and other intangible assets

	2003 Rm	2002 Rm
Goodwill (note 15.1)	**80**	158
Other intangible assets (note 15.2)	**196**	36
	276	194
15.1 Goodwill		
Cost at beginning of the year	**186**	135
Acquisitions	**–**	67
Disposals	**–**	(16)
Cost at end of the year	**186**	186
Accumulated amortisation at beginning of the year	**(28)**	(22)
Amortisation	**(16)**	(14)
Disposals	**–**	8
Impairments[1]	**(62)**	–
Accumulated amortisation at end of the year	**(106)**	(28)
Balance at end of the year	**80**	158

[1] Full impairment of goodwill relating to Hightree Financial Services.

Liberty

	2003 Gross goodwill Rm	2003 Amortisation period	2003 Net goodwill Rm	2002 Net goodwill Rm
Comprising:				
Liberty Ermitage Jersey Limited	**119**	**10 years**	**80**	92
Hightree Financial Services Limited	**67**	**10 years**	**–**	66
	186		**80**	158

	2003 Rm	2002 Rm
15.2 Other intangible assets		
Cost at beginning of the year	**134**	118
Additions	**206**	16
Disposals	**(4)**	–
Cost at end of the year	**336**	134
Accumulated amortisation at beginning of the year	**(98)**	(56)
Amortisation	**(38)**	(29)
Impairments	**(4)**	(13)
Accumulated amortisation at end of the year	**(140)**	(98)
Balance at end of the year	**196**	36

	2003 Gross intangibles Rm	2003 Amortisation period	2003 Net intangibles Rm	2002 Net intangibles Rm
Comprising:				
Present value of in-force life insurance business acquired	**133**	**10 years**	**122**	–
Computer software	**203**	**5 years**	**74**	36
	336		**196**	36

Liberty

	2003 Cost Rm	**2003 Accumulated depreciation Rm**	**2003 Net book value Rm**	2002 Cost Rm	2002 Accumulated depreciation Rm	2002 Net book value Rm
16 Equipment and furniture						
16.1 Summary						
Office furniture, computer equipment and other tangible assets	**1 075**	**712**	**363**	929	607	322

	2002 Net book value Rm	**Additions Rm**	**Disposals Rm**	**Depreciation Rm**	**Exchange movements Rm**	**2003 Net book value Rm**
16.2 Movement						
Office furniture, computer equipment and other tangible assets	**322**	**175**	**(22)**	**(111)**	**(1)**	**363**

	2001 Net book value Rm	Additions Rm	Disposals Rm	Depreciation Rm	Exchange movements Rm	2002 Net book value Rm
Office furniture, computer equipment and other tangible assets	353	91	(20)	(104)	2	322

Computer equipment and office furniture represent 82% (2002: 89%) of the total net book value.

Standard Bank operations

	2003 Rm	2002 Rm
17 Trading liabilities		
Listed	**14 306**	7 415
Unlisted	**3 856**	6 067
	18 162	13 482
Dated	**11 959**	10 728
Undated	**6 203**	2 754
	18 162	13 482

18 Deposit and current accounts

Deposit products include cheque accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. The repricing maturities analysis for banking operations in South Africa for December 2003 is disclosed on page 71.

	2003 Rm	2002 Rm
Deposits and loans from banks	**26 564**	23 949
– Deposits from banks and central banks	**16 915**	17 109
– Deposits from banks under repurchase agreements	**9 649**	6 840
Customers' current accounts	**89 658**	71 381
Customers' savings accounts	**22 411**	19 049
Other deposits and loan accounts	**117 149**	113 634
Negotiable certificates of deposit (NCD)	**11 071**	8 714
Customer deposits received under repurchase agreements	**5 824**	2 988
	272 677	239 715

Deposit and current accounts were increased by fair value adjustments of R555 million relating to deposit and current accounts which were subject to fair value hedging relationships.

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	2003 Rm	2002 Rm
– Repayable on demand	**141 125**	114 186
– Maturing within 1 month	**40 290**	56 025
– Maturing after 1 month but within 6 months	**47 264**	43 240
– Maturing after 6 months but within 12 months	**19 763**	9 854
– Maturing after 12 months	**24 235**	16 410
	272 677	239 715

Standard Bank operations

Segmental analysis – geographic area

The following table sets out the distribution of the group's deposit and current accounts by geographic area. The geographic spread within the various regions of South Africa closely follows the demographic and economic activities within the country.

	2003 %	**2003 Rm**	2002 %	2002 Rm
South Africa	**75**	**203 351**	65	156 718
Africa	**6**	**17 189**	7	16 481
International	**19**	**52 137**	28	66 516
	100	**272 677**	100	239 715

	2003 Rm	2002 Rm
19 Other liabilities and provisions		
19.1 Summary		
Trading account liabilities	**2 871**	4 233
Items in the course of transmission	**1 459**	1 238
Accrued interest	**6 388**	5 768
Current taxation liabilities	**453**	299
Deferred taxation (note 19.2)	**2 373**	2 116
Provision for post-retirement benefits (note 19.4)	**572**	347
Acceptances outstanding	**154**	156
Other liabilities and provisions	**6 719**	5 499
	20 989	19 656
19.2 Deferred taxation analysis		
Accrued interest	**23**	171
Assessed losses	**(79)**	(96)
Assets on lease	**407**	433
Depreciation	**67**	184
Derivatives	**1 713**	1 135
Fair value adjustments of financial instruments	**(2)**	
Provision for credit losses	**(604)**	(330)
Post-retirement benefits	**(172)**	(102)
Other differences	**614**	476
Deferred taxation closing balance	**1 967**	1 871
Deferred taxation liability	**2 373**	2 116
Deferred taxation asset	**(406)**	(245)

Standard Bank operations

	2003 Rm	2002 Rm
19.3 Deferred taxation reconciliation		
Balance at beginning of the year	**1 871**	3 282
Change in accounting policy	**(86)**	
– Fair value adjustments of financial instruments	**(57)**	
– Provision for credit losses	**(29)**	
Restated balance at 1 January 2003	**1 785**	3 282
Various categories of originating/(reversing) temporary differences for the year:	**182**	(1 411)
Accrued interest	**(148)**	66
Assessed losses	**17**	402
Assets on lease	**(26)**	33
Depreciation	**(117)**	19
Derivatives	**578**	(1 725)
Fair value adjustments of financial instruments	**55**	
Provision for credit losses	**(245)**	(68)
Post-retirement benefits	**(70)**	(4)
Other differences	**138**	(134)
Balance at end of the year	**1 967**	1 871
19.4 Provision for post-retirement benefits		
Balance at beginning of the year	**347**	329
Net provision raised	**225**	18
Balance at end of the year	**572**	347

Details on post-retirement benefits are provided in note 35 on page 177.

Standard Bank operations

	2003 Rm	2002 Rm
20 Subordinated bonds		
Unsecured, subordinated, redeemable		
Qualifying as secondary capital in terms of applicable banking legislation:	**5 722**	5 754
– Redeemable in 2010[1]	**1 263**	1 200
– Redeemable in 2010[2]	**1 500**	1 500
– Redeemable in 2010[3]	**668**	857
– Redeemable in 2011[4]	**150**	150
– Redeemable in 2013[5]	**75**	47
– Redeemable in 2013[6]	**2 066**	2 000
Qualifying as tertiary capital in terms of applicable banking legislation:	**1 334**	1 000
– Redeemable in 2005[7]	**1 000**	1 000
– Redeemable in 2005[8]	**334**	–
	7 056	6 754

[1] 15,5% bonds issued in rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal amount on 1 June 2005 or on any interest payment date thereafter. After this option date, the coupon switches to floating at the Johannesburg interbank agreed rate plus 260 basis points, until maturity on 1 June 2010.

[2] 13,75% bonds issued in rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal amount on 2 December 2005 or on any interest payment date thereafter. After this option date, the coupon switches to floating at the Johannesburg interbank agreed rate plus 217 basis points, until maturity on 2 December 2010.

[3] Bonds issued in US dollars (US$100 million) and paying interest at a floating rate equal to the aggregate of 3% per annum and the offered rate for three-month US dollar deposits in the London interbank market. The bonds carry an option to be called at their nominal amount on 25 November 2005 or on any interest payment date thereafter. After this option date, the coupon switches to the aggregate of 3,5% per annum and the offered rate for three-month US dollar deposits in the London interbank market, until maturity on 24 November 2010.

[4] 12% bonds issued in Namibian dollars (N$150 million) and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal amount on 20 November 2006 or on any interest payment date thereafter. After this option date, the coupon switches to the bid yield rate for the Republic of Namibia GC10 12% Bond plus 280 basis points, until maturity on 20 November 2011.

[5] Bonds issued in Botswana pula ((BP50 million) (2002: BP30 million)) and paying interest at a floating rate equal to 125 basis points over three-month Botswana Certificates. The bonds convert into preference shares in the event that Stanbic Bank Botswana eliminates its net worth.
After 12 December 2008, the coupon switches to 200 basis points over three-month Botswana Certificates, until maturity on 12 December 2013.

[6] 11,25% bonds issued in rands and paying a fixed semi-annual coupon. The bonds carry an option to be called at their nominal amount on 31 October 2008 or on any interest payment date thereafter. After this option date, the coupon switches to floating at the average mid-market yield rate per annum for three-month ZAR deposits plus 209 basis points, until maturity on 31 October 2013.

[7] 12,5% bonds issued in rands and paying a fixed semi-annual coupon. The due date for payment of any principal or interest in respect of the bonds may be deferred if so requested by the Registrar of Banks, subject to any conditions as may be prescribed by the Registrar of Banks. The bonds are redeemable on 15 February 2005.

[8] Bonds issued in US dollars (US$50 million) and paying interest at a floating rate equal to the aggregate of 2,75% per annum and the offered rate for three-month US dollar deposits in the London interbank market. The bonds are redeemable on 21 February 2005.

Liberty

	2003 Rm	2002 Rm
21 Other liabilities		
21.1 Summary		
Outstanding claims, policyholders' benefits and other liabilities	**1 778**	1 467
Provisions	**74**	52
Current taxation liabilities	**124**	249
Deferred taxation (note 21.2)	**313**	225
Post-retirement medical aid (note 35.4)	**155**	143
	2 444	2 136
21.2 Deferred taxation reconciliation		
Balance at beginning of the year	**225**	118
Change in accounting policy		
Fair value adjustments	**(39)**	
Restated balance at 1 January 2003	**186**	118
Net temporary differences	**127**	107
Balance at end of the year	**313**	225
Comprising:		
Net prepaid commission accruals	**(15)**	20
Depreciation	**–**	4
Unrealised gains on shareholders' investments	**77**	97
Unrealised gains on policyholders' investments	**266**	104
Provisions	**(15)**	–
	313	225
22 Convertible bonds		
6,5% Liblife International B.V. 2004		
Nominal value (US$238,5 million (2002: US$239,5 million))	**1 582**	2 061
Unamortised bond issue costs	**(3)**	(11)
	1 579	2 050
Liability component	**1 500**	1 947
Equity component – shareholders' portion	**23**	30
Equity component – attributable to minority interest	**56**	73

Convertible bonds comprise:

US$238,5 million (R1,6 billion) (2002: US$239,5 million (R2,1 billion)) 6,5% convertible bonds issued by Liblife International B.V. in July 1994. The bonds are convertible by the holders into ordinary shares of Liberty Group Limited on the basis of 484 (2002: 484) shares for every US$5 000 of bonds, which is equivalent to US$10,33 (2002: US$10,33) per Liberty Group Limited ordinary share. Unless previously purchased and cancelled, or converted, the bonds will be redeemed on 30 September 2004.

Liberty

	2003 Rm	2002 Rm
23 Policyholder liabilities		
Liabilities under insurance contracts	**49 723**	75 562
Liabilities under investment contracts[1]	**23 873**	
Policyholder liabilities at beginning of the year	**73 596**	75 562
Change in accounting policy	**131**	
Restated balance at 1 January 2003	**73 727**	75 562
Net premium income and inflows from investment contracts	**18 122**	16 415
Investment income attributable to policyholders	**3 607**	3 590
Investment gains/(losses) attributable to policyholders	**6 508**	(6 085)
Claims, policyholders' benefits and payments under investment contracts	**(13 625)**	(11 914)
Commissions	**(1 612)**	(1 559)
Management expenses	**(1 528)**	(1 303)
Taxation	**(640)**	(221)
Operating profit from insurance operations after taxation	**(719)**	(889)
Balance at end of the year	**83 840**	73 596
Comprising:		
Liabilities under insurance contracts	**56 296**	73 596
Liabilities under investment contracts[1]	**27 544**	
	83 840	73 596

[1] As required by AC 133 comparative amounts have not been restated.

Standard Bank Group

	2003 Rm	2002 Rm
24 Share capital		
24.1 Authorised		
1 750 000 000 (2002: 1 750 000 000) ordinary shares of 10 cents each	**175**	175
8 000 000 (2002: 8 000 000) 6,5% first cumulative preference shares of R1 each	**8**	8
	183	183
24.2 Issued		
1 338 729 667 (2002: 1 331 078 467) ordinary shares of 10 cents each	**134**	133
8 000 000 (2002: 8 000 000) 6,5% first cumulative preference shares of R1 each	**8**	8
	142	141

Standard Band Group

	2003 Rm	2002 Rm
24.3 Unissued shares		
277 397 366 (2002: 285 813 686) ordinary shares of 10 cents each, of which 133 107 847 (2002: 285 813 686) are under the general authority of the directors which authority expires at the annual general meeting to be held on 20 May 2004.	**28**	29
133 872 967 (2002: 133 107 847) ordinary shares of 10 cents each are reserved to meet the requirements of the group share incentive scheme in terms of the authority vested in the directors by members' resolution dated 19 May 2003.	**13**	13
	41	42

24.4 Interest of directors in the capital of the company

The directors' interests are listed on pages 55 and 109.

Number of shares as at 31 December		
Beneficial ordinary	**870 581**	1 365 534
Options	**3 049 900**	5 714 418

24.5 Group share incentive scheme

The number of options available to be granted under the terms of the group share incentive scheme as at the end of the year was 51 926 045 (2002: 56 265 176).

During the year, 7 651 200 (2002: 6 140 300) ordinary shares were issued to persons who exercised their options under the group share incentive scheme. Additional options over 18 177 200 (2002: 16 041 800) ordinary shares were granted during the year in terms of the scheme and 5 421 749 (2002: 3 918 197) options lapsed.

The group share incentive scheme reconciliation is given in **Annexure D** on page 193.

25 Share premium – ordinary shares

	2003 Rm	2002 Rm
A premium of R132 million (2002: R94 million) was raised on the allotment and issue during the year of 7 651 200 ordinary shares (2002: 6 140 300)	**2 273**	2 141

Standard Bank Group

	2003 Rm	2002 Rm
26 Contingent liabilities and commitments		
26.1 Contingent liabilities		
Letters of credit	**4 920**	4 369
Guarantees	**16 562**	21 112
	21 482	25 481
No material losses are anticipated as a result of these transactions.		
26.2 Capital commitments		
Contracted capital expenditure	**215**	467
Capital expenditure authorised but not yet contracted	**505**	167
	720	634
The expenditure will be funded from the group's internal resources.		
26.3 Operating lease commitments		
The future minimum payments under non-cancellable operating leases are as follows:		
Properties		
Within 1 year	**129**	106
After 1 year but within 5 years	**619**	535
After 5 years	**908**	942
	1 656	1 583
Equipment		
Within 1 year	**10**	7
After 1 year but within 5 years	**64**	93
After 5 years	**3**	–
	77	100

	2003 Rm	2002 Rm
27 Supplementary income statement information		
27.1 Interest income		
Interest on loans and advances and short-term funds	**32 210**	26 957
Interest on investment securities	**3 559**	3 518
Discount element recognised from provision for credit losses	**353**	
Fair value adjustments on dated financial instruments	**(10)**	
Dividends on dated investment securities	**684**	580
	36 796	31 055
Dated securities are held in connection with normal banking business and income derived therefrom is included above in interest on loans and advances and interest on investment securities. Dividends on dated investment securities as shown above arose as follows:		
Listed equities	**–**	2
Unlisted equities	**684**	578
	684	580
27.2 Interest expense		
Current accounts	**627**	482
Savings and deposit accounts	**3 242**	3 498
Market bid accounts	**12 081**	9 884
Foreign finance creditors	**199**	335
Subordinated bonds	**834**	741
Other interest-bearing liabilities	**8 376**	5 595
	25 359	20 535
27.3 Provision for credit losses		
Net provisions raised and released	**2 117**	2 136
Recoveries	**(269)**	(181)
	1 848	1 955
Comprising:		
Provisions against non-performing loans	**1 398**	1 794
Provisions against performing loans	**450**	161
	1 848	1 955

Standard Bank operations

	2003 Rm	2002 Rm
27.4 Non-interest revenue		
Fees and commission revenue	**7 984**	7 416
Point of representation	**3 440**	3 095
Card-based commission	**1 189**	1 070
Knowledge-based fees and commission	**933**	1 113
Electronic banking	**589**	481
Insurance: fees and commission	**408**	380
Foreign currency service fees	**398**	335
Documentation and administration fees	**261**	233
Other	**766**	709
Trading revenue	**3 917**	3 240
Foreign exchange	**1 584**	1 337
Debt securities	**918**	1 051
Commodities	**767**	591
Equities	**378**	128
Other	**270**	133
Other revenue	**889**	792
Banking and other	**545**	550
Insurance: underwriting and bancassurance profit	**344**	242
	12 790	11 448

	2003 Rm	2002 Rm
27.5 Staff costs		
Salaries and allowances	**7 175**	6 640
Retirement benefit costs	**406**	294
	7 581	6 934

Standard Bank operations

	2003 Rm	2002 Rm
27.6 Other operating expenses		
Amortisation – intangible assets	**82**	84
Auditors' remuneration	**63**	63
Audit fees		
– Current year	**39**	42
– Prior year	**–**	1
Fees for other services	**24**	20
Depreciation	**749**	688
Property		
– Freehold	**25**	24
– Leasehold	**16**	29
Equipment		
– Computer equipment	**475**	415
– Motor vehicles	**109**	120
– Office equipment	**34**	27
– Furniture and fittings	**89**	72
– Capitalised leased assets	**1**	1
Loss/(profit) on sale of equipment	**8**	(17)
Operating lease charges	**499**	433
Properties	**461**	407
Equipment	**38**	26
Premises	**549**	530
Professional fees	**569**	453
Managerial	**18**	19
Technical and other	**551**	434
Other expenses	**3 508**	3 419
	6 027	5 653

Liberty

	2003 Rm	2002 Rm
28 Supplementary income statement information		
28.1 Income after taxation		
Income after taxation is arrived at as follows:		
Operating profit from insurance operations	**719**	889
Operating profit from insurance operations before taxation	**1 359**	1 110
Taxation on transfer to operating profit from insurance operations	**(640)**	(221)
Revenue earnings attributable to shareholders' funds	**291**	203
Gross operating income from financial services operations	**299**	336
Investment income attributable to shareholders' assets and financial services operations	**421**	398
Investment gains attributable to shareholders' assets held for trading	**64**	–
Management expenses attributable to shareholders and financial services operations	**(335)**	(393)
Taxation attributable to shareholders and financial services operations	**(158)**	(138)
Preference dividend in subsidiary	**(95)**	(82)
Realised investment gains/(losses) attributable to shareholders' assets	**446**	(372)
Investment gains/(losses) attributable to shareholders' assets before taxation	**471**	(363)
Capital gains tax attributable to shareholders' investment gains	**(25)**	(9)
Goodwill amortisation and impairment	**(78)**	(14)
	1 283	624

Liberty

	2003 Rm	2002 Rm
28.2 Management expenses		
Management expenses include the following:		
Amortisation – intangible assets	**38**	29
Auditors' remuneration	**12**	9
Current year audit fees	**9**	7
Fees for other services	**3**	2
Consultancy fees	**52**	34
Actuarial	**1**	1
Other	**51**	33
Defined benefit pension fund contributions	**10**	9
Defined contribution provident fund contributions	**59**	52
Depreciation – appurtenances	**12**	52
Depreciation – equipment and furniture	**111**	104
Furniture and fittings	**16**	15
Computer equipment	**77**	75
Other	**18**	14
Impairment losses	**4**	13
Operating lease charges	**47**	30
Profit on sale of equipment and furniture	**(5)**	–
Other related South African taxes	**239**	223
Financial services levy	**9**	8
Non-recoverable value added tax	**207**	160
Regional services council levies	**13**	18
Stamp duty	**10**	37

Standard Band Group

	2003 Rm	2002 Rm
29 Supplementary income statement information		
29.1 Emoluments of Standard Bank Group directors		
Executive directors		
Emoluments of directors in respect of services rendered:		
While directors of Standard Bank Group		
– as directors of subsidiary companies	**23**	41
– otherwise in connection with the affairs of Standard Bank Group or its subsidiaries[1]	**6**	4
Non-executive directors		
Emoluments of directors in respect of services rendered:		
As directors of Standard Bank Group	**4**	3
While directors of Standard Bank Group		
– as directors of subsidiary companies	**3**	3
– otherwise in connection with the affairs of Standard Bank Group or its subsidiaries	**2**	2
Pensions of past directors	**1**	1
	39	54

[1] Including gains on exercise of options.

Details of directors' emoluments are given on pages 55 to 57.

	2003 Rm	2002 Rm
29.2 Dividends		
Ordinary		
2002 final No. 67 of 90,0 cents per share (2001: 74,0 cents), paid on 14 April 2003 to shareholders registered on 11 April 2003	**1 199**	981
Interim No. 68 of 41,5 cents per share (2002: 34,0 cents), paid on 15 September 2003 to shareholders registered on 12 September 2003	**554**	452
	1 753	1 433

A final dividend No. 69 of 109,5 cents per share, payable on 13 April 2004, was declared to shareholders registered on 8 April 2004, bringing the total dividends declared in respect of 2003 to 151,0 cents per share (2002: 124,0 cents).

Preference

6,5% first cumulative preference shares:

No. 68 of 3,25 cents per share (2002: 3,25 cents) paid on 15 September 2003 to shareholders registered on 12 September 2003.

No. 69 of 3,25 cents per share (2002: 3,25 cents) payable on 13 April 2004 to shareholders registered on 8 April 2004.

	2003	2002
29.3 Earnings per share The calculations of earnings and headline earnings per share and fully diluted earnings and fully diluted headline earnings per share are as follows:		
Attributable earnings (Rm)	**6 346**	4 997
Headline earnings (Rm)	**6 248**	5 263
Weighted average ordinary shares in issue (number of shares)	**1 334 098 578**	1 328 192 411
Earnings per share (cents)	**475,7**	376,2
Headline earnings per share (cents)	**468,3**	396,3
Weighted average ordinary shares in issue (number of shares)	**1 334 098 578**	1 328 192 411
Dilution from shares eligible for issue in terms of the group share incentive scheme – 24,2% (2002: 28,5%) of in-the-money share options outstanding (number of shares)	**16 708 169**	17 965 253
Average fair value of one ordinary share during the year (R)	**31,66**	31,00
– Value of shares traded in the year (R'000)	**28 751 308**	20 886 559
– Number of shares traded in the year ('000)	**908 179**	673 703
Average exercise price for shares under option (R)	**24,00**	22,17
– Total exercise value of outstanding in-the-money share options (R'000)	**1 657 176**	1 398 497
– Total number of in-the-money share options outstanding ('000)	**69 058**	63 072
Fully diluted weighted average ordinary shares in issue (number of shares)	**1 350 806 747**	1 346 157 664
Fully diluted earnings per share (cents)	**469,8**	371,2
Fully diluted headline earnings per share (cents)	**462,5**	391,0

Standard Bank Group

	2003 Rm	2002 Rm
29.4 Headline earnings		
Group income attributable to ordinary shareholders	**6 346**	4 997
Standard Bank operations income adjusted for:		
Goodwill amortised	**173**	151
Exceptional items	**(144)**	–
– Profit on sale of properties	**(238)**	–
– Impairment of properties	**41**	–
– Impairment of intangibles	**116**	–
– Profit on sale of businesses and divisions	**(57)**	–
– Other capital profits	**(6)**	–
Taxation on the above items	**(18)**	–
Liberty income adjusted for:		
Adjustments before taxation	**(117)**	112
– Goodwill amortised and impaired	**78**	14
– Realised investment (gains)/losses attributable to shareholders' assets	**(471)**	363
– Attributable to minorities	**276**	(265)
Taxation on the above items	**8**	3
– Capital gains tax	**25**	9
– Attributable to minorities	**(17)**	(6)
	6 248	5 263

Standard Bank operations

	2003 Rm	2002 Rm
30 Taxation		
30.1 Standard Bank operations		
Current year		
Taxation on income	**2 422**	1 821
– South African normal taxation	**1 466**	2 764
– South African deferred taxation	**286**	(1 497)
– Foreign normal and withholding taxation	**755**	468
– Foreign deferred taxation	**(85)**	86
Transaction and other taxes	**388**	382
– Regional services council levies	**90**	65
– Value added tax	**264**	297
– Duties	**16**	11
– Skills development levy (net of recoveries)	**18**	9
Payments to trusts	**–**	24
Prior years	**(37)**	208
South African normal taxation	**17**	86
South African deferred taxation	**(7)**	122
Foreign normal and withholding taxation	**(37)**	–
Foreign deferred taxation	**(10)**	–
	2 773	2 435
South African taxation rate reconciliation (%)		
The taxation charge for the year as a percentage of operating profit before taxation	**32**	33
Regional services council levies and stamp duties	**(1)**	(1)
Value added tax	**(3)**	(4)
Taxation relating to prior years	**–**	(3)
Net taxation charge	**28**	25
The charge for the year has been reduced/(increased) as a consequence of:		
– Dividends received	**3**	4
– Other non-taxable income	**3**	3
– Other permanent differences	**(4)**	(2)
Standard rate of South African taxation	**30**	30

Future taxation relief

The group has estimated tax losses of R264 million (2002: R190 million) which are available for set-off against future taxable income, of which the full amount (2002: R104 million) has been applied to reduce the deferred taxation balance.

Secondary tax on companies

The group has accumulated STC credits of R1 814 million (2002: R1 230 million) which have arisen as a result of dividends received and receivable exceeding dividends declared. The taxation effect of these has not been raised as an asset.

Liberty

	2003 Rm	2002 Rm
30.2 Liberty		
Normal taxation	**388**	329
Current year	**411**	404
Prior year	**(8)**	(86)
Deferred taxation	**(15)**	11
South African capital gains tax	**169**	(224)
Current year	**5**	28
Deferred taxation	**164**	(252)
Other related South African taxes	**237**	251
Retirement fund taxation	**150**	156
Secondary tax on companies	**87**	95
Foreign taxation	**4**	3
Capital gains tax attributable to shareholders' investment gains	**25**	9
Attributable to ordinary shareholders	**8**	3
Attributable to minorities	**17**	6
	823	368
Comprising:		
Taxation attributable to life insurance operations	**640**	221
Taxation attributable to shareholders' funds	**158**	138
Capital gains tax attributable to shareholders' investment gains	**25**	9
	823	368

Future taxation relief
Liberty has estimated tax losses attributable to shareholders' funds of R212 million (2002: R227 million) which are available for set-off against future taxable income.

Standard Bank Group

	2003 Rm	2002 Rm

31 Cash flow statement notes

31.1 Reconciliation of operating profit to cash flows from operating activities

	2003 Rm	2002 Rm
Operating profit	**10 484**	8 795
Adjusted for:		
Amortisation of bond issue costs	**6**	9
Amortisation of fixed interest securities	**127**	(260)
Amortisation of intangible assets	**120**	113
Depreciation – appurtenances	**12**	52
Depreciation – property and equipment	**860**	792
Discount element recognised from provision for credit losses	**(353)**	
Dividends from associates	**35**	24
Fair value adjustments on dated financial instruments	**10**	
Impairment losses	**4**	13
Investment (gains)/losses attributable to policyholders' liabilities	**(6 508)**	6 085
Loss/(profit) on sale of equipment and furniture	**3**	(17)
Provision for credit losses	**1 848**	1 955
Provision for post-retirement benefits	**225**	18
Transfers to/(from) policyholders' liabilities	**10 113**	(1 966)
Cash flows from operating activities	**16 986**	15 613

31.2 Cash receipts from customers

	2003 Rm	2002 Rm
Interest income	**38 107**	30 475
Fees and commission revenue	**7 984**	7 416
Trading and other revenue	**24 671**	23 184
	70 762	61 075

31.3 Cash paid to customers, employees and suppliers

	2003 Rm	2002 Rm
Interest expense	**(25 494)**	(20 535)
Total operating expenses	**(30 244)**	(26 798)
	(55 738)	(47 333)

31.4 Dividends received

	2003 Rm	2002 Rm
Dividends from investment securities	**1 927**	1 847
Dividends from associates	**35**	24
	1 962	1 871

Standard Bank Group

	2003 Rm	2002 Rm
31.5 (Increase)/decrease in income-earning assets		
Net derivative assets	**(863)**	(5 211)
Trading assets	**(5 233)**	(4 346)
Investment securities	**(713)**	6 649
Loans and advances	**(42 514)**	(18 730)
Other assets	**3 276**	29 516
	(46 047)	7 878
31.6 Increase/(decrease) in deposits, other liabilities and provisions		
Customers' current, savings and other deposits, and deposits and loans from banks	**24 399**	4 273
Deposits received under repurchase agreements	**5 645**	513
Negotiable certificates of deposit	**2 357**	(4 380)
Trading liabilities	**4 680**	13 482
Other liabilities and provisions	**835**	(18 951)
	37 916	(5 063)
31.7 Taxation paid		
Amounts unpaid at beginning of the year	**(559)**	(93)
Taxation charge for the year	**(3 353)**	(4 093)
Amounts unpaid at end of the year	**669**	559
	(3 243)	(3 627)

Standard Bank Group

	2003 Rm	2002 Rm
31.8 Investment in subsidiaries		
Cost of acquisition of subsidiaries	**(183)**	(399)
Effects of exchange rate changes	**(5)**	6
	(188)	(393)
Comprising:		
Cash and cash equivalents	**(51)**	(561)
Investment and trading securities	**(125)**	(1 808)
Loans and advances	**(538)**	(148)
Other assets	**(290)**	(289)
Property and equipment	**–**	(73)
Total assets acquired	**(1 004)**	(2 879)
Deposit and current accounts	**561**	2 303
Other liabilities and provisions	**395**	269
Net asset value	**(48)**	(307)
Minority interests	**–**	30
Net assets acquired	**(48)**	(277)
Goodwill	**(135)**	(122)
Cash consideration	**(183)**	(399)
Effects of exchange rate changes	**(5)**	6
	(188)	(393)
31.9 Dividends paid		
Amounts unpaid at beginning of the year	**–**	(1)
Dividends to ordinary shareholders	**(1 753)**	(1 433)
Dividends to minority shareholders in subsidiaries	**(618)**	(642)
Amounts unpaid at end of the year	**–**	–
	(2 371)	(2 076)

Standard Bank Group

32 Change in accounting policy

The effects of the change in accounting policy are as follows:

32.1 Restatements to the opening balance of reserves

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

	Statutory general credit risk reserve Rm	Cash flow hedging reserve Rm	Available-for-sale revaluation reserve Rm	Retained earnings Rm	Total Rm
Change in accounting policy					
Classification and valuation of financial instruments				(285)	(285)
Creation of cash flow hedging reserve		28			28
Creation of available-for-sale revaluation reserve			60		60
Present value adjustment to non-performing loan provisions				(381)	(381)
Fair value adjustment to staff loans at off-market rates				(164)	(164)
Methodology change to performing loan provisions				449	449
Investment contract liabilities adjustment				(39)	(39)
Taxation on adjustments		(8)	(1)	107	98
	–	20	59	(313)	(234)
Creation of statutory general credit risk reserve – after taxation	242			(242)	–
	242	20	59	(555)	(234)

32.2 Effect on current period income

	Rm
Standard Bank operations	
Effect of adopting AC 133 on income	129
Taxation	(41)
Amount attributable to minorities	(1)
	87
Liberty	
Effect of adopting AC 133 on income	(52)
Taxation	16
Amount attributable to minorities	25
	(11)
Standard Bank Group	76

In terms of the requirements of AC 133, the statement has been applied on a prospective basis and consequently the 2002 effect on income has not been restated.

32.3 Prior year reclassifications

	Previously disclosed Rm	Net derivative positions[1] Rm	Other assets[2] Rm	Short-sale positions[3] Rm	Other balances[4] Rm	Balance reclassified Rm
Effect on assets						
Standard Bank operations		–	–	3 655	–	
Cash and balances with banks	32 988				3 653	36 641
Short-term negotiable securities	12 368				(791)	11 577
Derivative assets	–	9 218				9 218
Trading assets	24 931				1 647	26 578
Loans and advances	170 377		12 201		(3 653)	178 925
Other assets	40 766	(9 218)	(12 201)	3 655	(856)	22 146
Effect on liabilities						
Standard Bank operations		–	–	3 655	–	
Derivative liabilities	–	4 007				4 007
Trading liabilities	–			13 482		13 482
Other liabilities and provisions	33 490	(4 007)		(9 827)		19 656
Liberty		–	–	–	–	
Other liabilities	2 032				104	2 136
Policyholder liabilities	73 700				(104)	73 596

[1] Reclassification of net derivative positions to accommodate additional line item disclosures (derivative assets and liabilities).

[2] Reclassification of long dated forward sale agreements from other assets to loans and advances to disclose the lending nature of these balances.

[3] Reclassification of short-sale positions from other assets and liabilities to disclose trading liabilities separately.

[4] Reclassification of money market (R3 653 million), commodity trading (R856 million) and trading NCD's (R791 million) to align the disclosure of International and Corporate and Investment Banking and, Liberty's deferred taxation (R104 million) attributable to policyholder liabilities reclassified to deferred taxation.

	2003 Rm	2002 Rm
33 Third party funds under management		
Members of the group provide discretionary and non-discretionary investment management services to institutional and private investors. Commissions and fees earned in respect of trust and management activities performed are included in the income statement. Assets managed on behalf of third parties include:		
Asset management	**66 576**	60 027
Fund management	**199 469**	171 489
	266 045	231 516
Geographical area		
Africa (including Stanlib)	**202 750**	175 946
International	**63 295**	55 570
	266 045	231 516

Standard Bank Group

34 Related party transactions

34.1 Associates and joint ventures

During the year, the company and its subsidiaries, in the ordinary course of business, entered into various non-material transactions with associates and joint ventures. These transactions occurred under terms that are no more favourable than those arranged with third parties. Details of investments in, and income from associated entities are disclosed in note 10 and Annexure C.

34.2 Subsidiaries

Details of interests in subsidiaries are disclosed in note 36 and Annexure B. Transactions between subsidiaries are conducted in the ordinary course of business at arm's length.

All inter-company transactions, balances and unrealised gains and losses within banking and insurance operations are eliminated on consolidation.

Transactions between Standard Bank operations and Liberty are summarised as follows:

Bancassurance

In terms of the joint venture agreement with Liberty Group Limited and Charter Life Insurance Company Limited, Standard Bank Group accrued R129 million (2002: R105 million) in respect of embedded products profits and complex products embedded value. The amounts accrued are expected to realise in future periods with R95 million (2002: R82 million) to be received in the coming year. In addition, fees and commission income were earned by Standard Bank operations in respect of bancassurance activities.

Banking arrangements and forward exchange contracts

At 31 December 2003, Liberty held cash and cash equivalents of R273 million (2002: R259 million) as well as term deposits and money market securities to the value of R673 million (2002: R358 million) with Standard Bank. These deposits were made in the normal course of business at prevailing market rates. No unrealised profits or losses existed at year end between Standard Bank operations and Liberty. All Liberty Ermitage Jersey's forward exchange contracts are placed with Standard Bank.

34.3 Directors

Details relating to directors' emoluments and shareholdings in the company are disclosed in the corporate governance statement and the directors' report on pages 55 to 57 and 109 respectively.

Empowerment deals

In June 2003, Standard Bank and Liberty announced the sale of 12,6% each of their stakes in Stanlib to a new entity called Quantum Leap Investments 740 (Proprietary) Limited. The key parties to the transaction were Safika Holdings (Proprietary) Limited (Safika), a broad-based empowerment trust and Nduna Trust. Liberty and Standard Bank provided the financing for this transaction on commercial terms. Following the completion of the transaction, Saki Macozoma, who is a director of Safika, assumed the chairmanship of Stanlib. Saki Macozoma is also a director of Liberty Holdings and Standard Bank Group.

Standard Bank Group together with a black empowerment consortium, of which Safika is a member, entered into a deal which led to the establishment of Andisa Capital (Proprietary) Limited. The consortium owns 51% and Standard Bank Group 49%.

34.4 Shareholders

The principal shareholders of the company are detailed in the directors' report on page 105.

Standard Bank operations

	2003 Rm	2002 Rm
35 Post-retirement benefits		
Amounts recognised in the balance sheet		
Retirement fund	**180**	–
Post-retirement healthcare benefits	**392**	347
– Provider Fund	**21**	–
– Other	**371**	347
	572	347

35.1 Retirement fund

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF) exceeds 95% of Standard Bank operations' permanent staff in South Africa. The fund, one of the largest in South Africa, is a trustee-administered defined contribution fund governed by the Pension Funds Act, 1956. Member-elected trustees represent 50% of the trustee board. The assets of the fund are held independently of the group's assets.

The fund is subject to statutory financial review by actuaries at an interval of not more than three years. The 31 December 2003 valuation is in progress and should be finalised in due course. The most recent valuation at 31 December 2000 confirmed that the fund was financially sound.

Employees who were members of the fund on 31 December 1994, have guaranteed benefits available under the rules of the defined benefit fund. A specific liability has been recognised within the fund to provide for guaranteed benefits which may arise under the rules of the scheme. New members from 1 January 1995 participate only in the benefits of the defined contribution fund.

In December 2003, the group received approval from the Financial Services Board for a transfer of R653 million from the employer reserve to an employer surplus account, effective 31 December 2001. At 31 December 2003, the employer surplus account amounted to R338 million. Account has not been taken of any remaining surplus at 31 December 2003 as the valuation of the fund, the determination of its position and the apportionment of the surplus, if any, are still to be approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001.

Standard Bank operations

	2003 Rm	2002 Rm
The amounts recognised in the balance sheet in respect of the retirement fund are determined as follows:		
Present value of unfunded obligations	**10 174**	9 691
Fair value of plan assets	**(10 512)**	(9 691)
Surplus	**(338)**	–
Unrecognised actuarial gains	**518**	–
Included in other liabilities and provisions in the balance sheet	**180**	–
Unrecognised actuarial gains or losses are deferred and recognised in the income statement over a period not exceeding the estimated service lives of the employees.		
The amounts recognised in the income statement are determined as follows:		
Current service cost	**204**	150
Interest cost	**1 086**	–
Expected return on plan assets	**(1 109)**	–
Included in staff costs	**181**	150
Movement in the liability recognised in the balance sheet		
Balance at beginning of the year	**–**	–
Income statement charge	**181**	150
Contributions paid	**(1)**	(150)
Balance at end of the year	**180**	–

The majority of employees in South Africa who are not members of the SBGRF are members of two other funds designed for their occupational groups. Employees in territories beyond South African jurisdiction are members of either defined contribution or defined benefit plans governed by legislation in their respective countries. Defined benefit plans are fully funded.

35.2 Post-retirement healthcare benefits

The bank provides the following post-retirement healthcare benefits to its employees:

Provider Fund

A post-retirement healthcare benefit fund provides eligible employees, who were employed in South Africa on 1 March 2000, with a lump sum benefit on retirement enabling them to purchase an annuity to be applied towards their post-retirement healthcare costs. This benefit is prefunded in a provident fund. Any shortfall in the payment to be made by these employees towards their healthcare costs subsequent to retirement is not the responsibility of the bank. The last actuarial valuation was performed on 1 March 2001 and reflected an excess in the fund.

The group received approval from the Financial Services Board to transfer the excess to an employer reserve.

Other

The largest portion of this liability represents a South African post-retirement healthcare benefit scheme that covers all employees who retired before 1 March 2000. The liability is unfunded and is valued every year using the projected unit credit method. The latest full statutory actuarial valuation was performed on 31 December 2002.

Standard Bank operations

	2003 Rm	2002 Rm
The amounts recognised in the balance sheet in respect of post-retirement healthcare benefits are determined as follows:		
Present value of unfunded obligations	**901**	959
Fair value of plan assets	**(652)**	(575)
Unfunded obligation	**249**	384
Unrecognised actuarial gains/(losses)	**143**	(37)
Included in other liabilities and provisions in the balance sheet	**392**	347
The amounts recognised in the income statement are determined as follows:		
Current service cost	**24**	–
Interest cost	**105**	63
Expected return on plan assets	**(54)**	(12)
Included in staff costs	**75**	51
Movement in the liability recognised in the balance sheet		
Balance at beginning of the year	**347**	322
Income statement charge	**75**	51
Contributions paid	**(30)**	(26)
Balance at end of the year	**392**	347

The principal actuarial assumptions used for accounting purposes were:

	Retirement fund %	Provider Fund %	Other %
Discount rate	11,0	11,0	9,5
Return on investments	11,5	11,5	
Salary/benefit inflation	6,5	8,5	6,5
CPI inflation	6,5	6,5	5,0
Medical inflation			7,0

Liberty

35.3 Pension fund

The defined benefit pension scheme, closed to new employees from 1 March 2001, is governed by the Pension Funds Act, 1956. With effect from 1 March 2001, approximately 85% of staff members, representing approximately 70% of the active member liability, accepted an offer to convert their retirement plans from defined benefit to defined contribution. This resulted in a net transfer of R124 million from the defined benefit to the defined contribution fund.

With regards to the defined benefit pension fund, the actuarial present value of funded obligations as at 31 December 2003 was R513 million (2002: R472 million). The value of plan assets at 31 December 2003 was R901 million (2002: R800 million). No asset is recognised in respect of the surplus as the apportionment still needs to be approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001. The latest full actuarial valuation was performed on 31 December 2002.

35.4 Post-retirement medical aid

For past service, Liberty recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis.

A net liability of R155 million (2002: R143 million) has been recognised in the balance sheet in respect of the scheme.

The principal actuarial assumptions used for accounting purposes were:

	Defined benefit pension fund %	Post-retirement medical aid %
Discount rate	13,0	13,0
Return on investments	13,0	13,0
Salary/benefit inflation	10,0	
Medical inflation		11,0
Retirement age – executives	63	63
– others	65	65

Balance sheet

at 31 December 2003

	Note	Company 2003 Rm	2002 Rm
Assets			
Investment securities		**8**	–
Current tax assets		**93**	176
Other assets		**14**	14
Interest in subsidiaries	36	**13 186**	12 446
Interest in associates	37	**131**	110
Total assets		**13 432**	12 746
Equity and liabilities			
Liabilities			
Other liabilities and provisions		**28**	18
Capital and reserves		**13 404**	12 728
Share capital	24	**142**	141
Share premium	25	**2 273**	2 141
Reserves		**10 989**	10 446
Total equity and liabilities		**13 432**	12 746

Income statement

for the year ended 31 December 2003

	Note	2003 Rm	2002 Rm
Dividends from subsidiaries		**2 509**	3 623
Interest income		**22**	5
Total income		**2 531**	3 628
Interest expense		**–**	6
Net income		**2 531**	3 622
Operating expenses		**10**	4
Operating profit		**2 521**	3 618
Exceptional items	38	**(53)**	466
Income before taxation		**2 468**	4 084
Taxation	39	**180**	37
Income attributable to ordinary shareholders		**2 288**	4 047

Cash flow statement

for the year ended 31 December 2003

	Note	Company 2003 Rm	Company 2002 Rm
Net cash flows from operating activities	40.1	**2 521**	3 618
Interest income		**22**	5
Interest and other expenses		**(10)**	(10)
Dividends received		**2 509**	3 623
Net cash flows from operating funds		**10**	11
Decrease in other assets	40.2	**–**	3
Increase in other liabilities and provisions	40.3	**10**	8
Taxation paid	40.4	**(97)**	(37)
Net cash used in investing activities		**(814)**	(2 254)
Interest in subsidiaries	40.5	**(793)**	(2 208)
Interest in associates	37	**(21)**	(46)
Net cash flows used in financing activities		**(1 620)**	(1 338)
Proceeds from issue of share capital		**133**	95
Dividends paid	40.6	**(1 753)**	(1 433)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of the year		**–**	–
Cash and cash equivalents at end of the year		**–**	–

Statement of changes in shareholders' funds

for the year ended 31 December 2003

	Note	Share capital and premium Rm	Revaluation reserve Rm	Retained earnings Rm	Total Rm
Balance at 1 January 2002		2 187	3 100	4 732	10 019
Income attributable to ordinary shareholders				4 047	4 047
Dividends paid	29.2			(1 433)	(1 433)
Issue of share capital and share premium		95			95
Balance at 31 December 2002		2 282	3 100	7 346	12 728
Balance at 1 January 2003		**2 282**	**3 100**	**7 346**	**12 728**
Change in accounting policy[1]				**8**	**8**
Restated balance at 1 January 2003		**2 282**	**3 100**	**7 354**	**12 736**
Income attributable to ordinary shareholders				**2 288**	**2 288**
Dividends paid	29.2			**(1 753)**	**(1 753)**
Issue of share capital and share premium		**133**			**133**
Balance at 31 December 2003		**2 415**	**3 100**	**7 889**	**13 404**

[1] Fair value of investments

Company

	2003 Rm	2002 Rm
36 Interest in subsidiaries		
Shares at cost	**13 572**	12 326
Net indebtedness	**(386)**	120
– Indebtedness to the company	**548**	573
– Indebtedness by the company	**(934)**	(453)
	13 186	12 446

Subsidiaries and investments and loans therein are listed in **Annexure B** on page 187.

	2003 Rm	2002 Rm
37 Interest in associates		
Carrying value at beginning of the year	**110**	64
Net acquisitions	**21**	46
Carrying value at end of the year	**131**	110
Valuation		
Unlisted investments	**131**	110

	2003 Rm	2002 Rm
38 Exceptional items		
Reduction in shareholding in subsidiary	**(53)**	–
Profit on sale of Standard Bank Unit Trusts Limited	**–**	463
Deregistration of Rabenk Investments (Proprietary) Limited	**–**	3
	(53)	466

	2003 Rm	2002 Rm
39 Taxation		
Current year		
Taxation on income	**169**	36
– South African normal taxation	**165**	20
– Foreign and withholding taxes	**5**	16
– Deferred taxation	**(1)**	–
Transaction and other taxes	**11**	1
– Regional services council levies	**9**	–
– Value added tax	**2**	1
	180	37

Company

	2003 Rm	2002 Rm
South African taxation rate reconciliation (%)		
The taxation charge for the year as a percentage of operating profit before taxation	**7**	1
The charge for the year has been reduced/(increased) as a consequence of:		
– Dividends received	**24**	26
– Other non-taxable income	**(1)**	3
Standard rate of South African taxation	**30**	30

Secondary tax on companies

The company has accumulated STC credits of R1 313 million (2002: R998 million) which have arisen as a result of dividends received and receivable exceeding dividends declared. The taxation effect of these has not been recognised as an asset.

40 Cash flow statement

	2003 Rm	2002 Rm
40.1 Reconciliation of income before taxation to cash flows from operating activities		
Income before taxation	**2 468**	4 084
Adjusted for:		
– Loss/(profit) on sale of investment in subsidiary	**53**	(463)
– Deregistration of subsidiaries	**–**	(3)
Cash flows from operating activities	**2 521**	3 618
40.2 Decrease in other assets		
Other assets	**–**	3
40.3 Increase in other liabilities and provisions		
Other liabilities and provisions	**10**	8

Company

	2003 Rm	2002 Rm
40.4 Taxation paid		
Amounts prepaid at beginning of the year	**176**	176
Income statement charge	**(180)**	(37)
Amounts prepaid at end of the year	**(93)**	(176)
	(97)	(37)
40.5 Interest in subsidiaries		
Cost of acquisition of subsidiaries net of disposal	**(1 299)**	(1 155)
Movement in net indebtedness	**506**	(1 053)
	(793)	(2 208)
40.6 Dividends paid		
Amounts unpaid at beginning of the year	**–**	–
Dividends to ordinary shareholders	**(1 753)**	(1 433)
Amounts unpaid at end of the year	**–**	–
	(1 753)	(1 433)

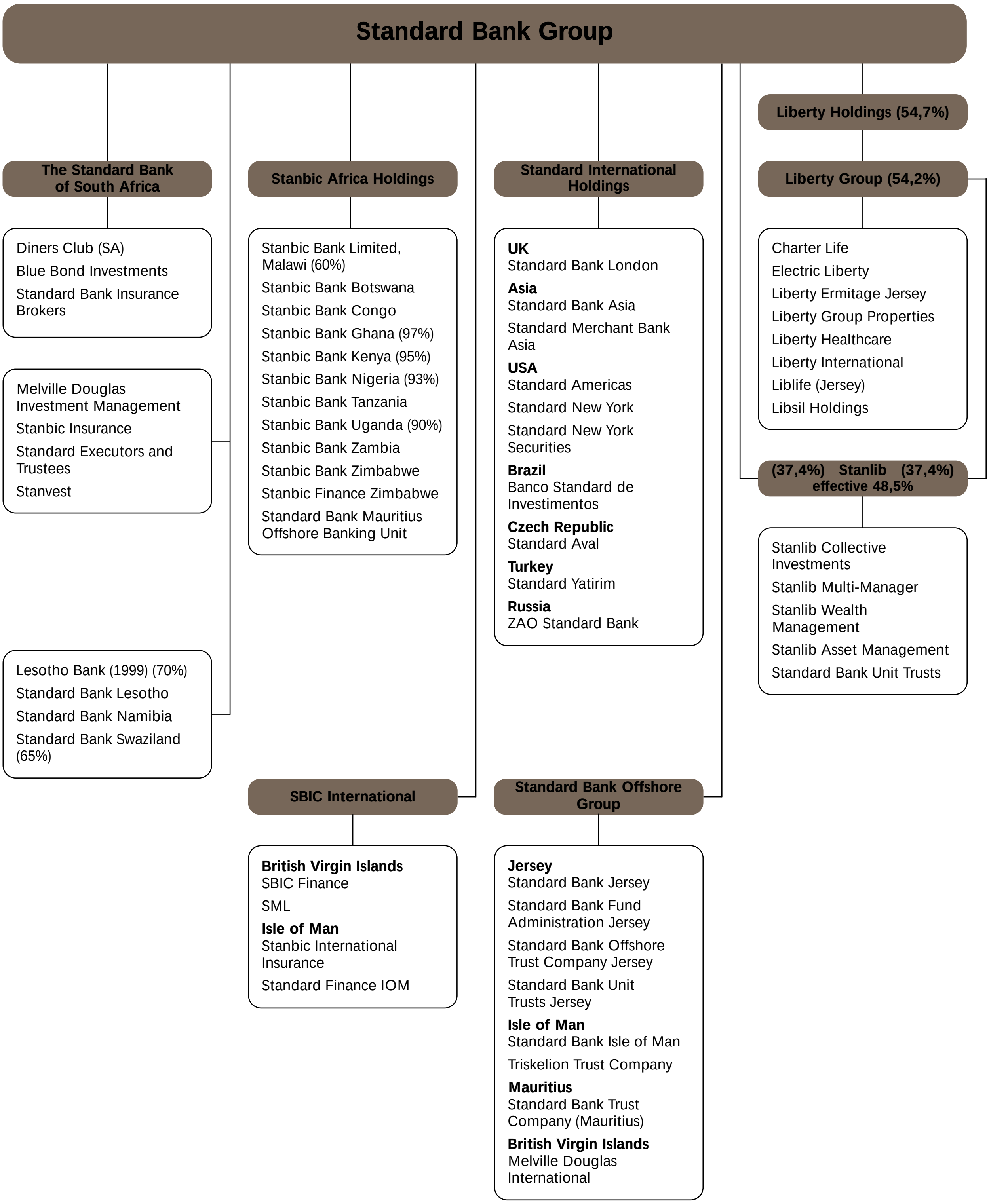
Annexure A – currency balance sheet

Standard Band Group

	2003					
	Rand Rm	UK£ Rm	US$ Rm	€ Rm	Other Rm	Total Rm
Assets						
Standard Bank operations	313 086	14 398	63 026	14 281	39 404	444 195
Cash and balances with banks	1 123	549	14 884	1 620	3 905	22 081
Short-term negotiable securities	15 648	255	1 402	111	4 602	22 018
Derivative assets	85 496	9 718	(312)	2 948	6 873	104 723
Trading assets	9 776	1 391	6 582	6 729	7 333	31 811
Investment securities	16 458	3	2 083	8	935	19 487
Loans and advances	168 722	1 891	34 009	2 451	13 302	220 375
Other assets	12 482	442	4 359	414	1 914	19 611
Interest in associates and joint ventures	540	–	–	–	1	541
Goodwill and other intangible assets	312	69	–	–	127	508
Property and equipment	2 529	80	19	–	412	3 040
Liberty	93 440	188	2 560	7	–	96 195
Total assets	406 526	14 586	65 586	14 288	39 404	540 390
Liabilities						
Standard Bank operations	307 856	15 773	48 208	12 698	32 983	417 518
Derivative liabilities	77 779	4 321	872	5 976	9 686	98 634
Trading liabilities	7 200	76	6 987	587	3 312	18 162
Deposit and current accounts	202 702	9 758	36 835	6 033	17 349	272 677
Other liabilities and provisions	14 346	1 618	2 512	102	2 411	20 989
Subordinated bonds	5 829	–	1 002	–	225	7 056
Liberty	86 281	–	1 503	–	–	87 784
Total liabilities	394 137	15 773	49 711	12 698	32 983	505 302
Net assets including minority interest	12 389	(1 187)	15 875	1 590	6 421	35 088
Net off-balance sheet currency position	21 517	5 427	(17 075)	(3 082)	(6 812)	(25)
Net open foreign currency position	33 906	4 240	(1 200)	(1 492)	(391)	35 063

	2002					
	Rand Rm	UK£ Rm	US$ Rm	€ Rm	Other Rm	Total Rm
Net open foreign currency position	21 181	6 319	3 755	325	348	31 928

Annexure B – subsidiaries



Notes: This diagram depicts principal subsidiaries only.
The holding in subsidiaries is 100% unless otherwise indicated.

	Nature of operation	Issued capital Rm	Effective holding 2003 %	Effective holding 2002 %	Book value of shares 2003 Rm	Book value of shares 2002 Rm	Net indebtedness 2003 Rm	Net indebtedness 2002 Rm
Standard Bank Group will ensure that, except in the case of political risk, its banking subsidiaries, and its principal non-banking subsidiaries denoted by #, are able to meet their contractual liabilities.								
Banking subsidiaries								
Banco Standard de Investimentos S.A. (Brazil) [1]	Investment bank	**	**100**	100				
Investec Bank (Botswana) Limited [1]	Private bank	7	**100**	–				
Lesotho Bank (1999) Limited (Lesotho) [1]	Commercial bank	35	**70**	70				
Stanbic Bank Limited (Malawi), formerly Commercial Bank of Malawi Limited [1]	Commercial bank	13	**60**	60				
Stanbic Bank Botswana Limited (Botswana) [1]	Commercial bank	31	**100**	100				
Stanbic Bank Congo s.a.r.l (D R Congo) [1]	Commercial bank	**	**100**	100				
Stanbic Bank Ghana Limited (Ghana) [1]	Commercial bank	78	**97**	86				
Stanbic Bank Kenya Limited (Kenya) [1]	Commercial bank	149	**95**	93				
Stanbic Bank Nigeria Limited (Nigeria) [1]	Commercial bank	62	**93**	93				
Stanbic Bank Tanzania Limited (Tanzania) [1]	Commercial bank	13	**100**	100				
Stanbic Bank Uganda Limited (Uganda) [1]	Commercial bank	21	**90**	90				
Stanbic Bank Zambia Limited (Zambia) [1]	Commercial bank	21	**100**	100				
Stanbic Bank Zimbabwe Limited (Zimbabwe) [1]	Commercial bank	55	**100**	100				
Stanbic Finance Zimbabwe Limited (Zimbabwe) [1]	Finance company	10	**100**	100				
Standard Bank Asia Limited (Hong Kong) [1]	Merchant bank	587	**100**	100				
Standard Bank Channel Islands Limited (Jersey) [1]	Merchant bank	19	**100**	100				
Standard Bank Isle of Man Limited (Isle of Man) [1]	Merchant bank	25	**100**	100				
Standard Bank Jersey Limited (Jersey) [1]	Merchant bank	25	**100**	100				
Standard Bank Lesotho Limited (Lesotho)	Commercial bank	17	**100**	100	**13**	13		
Standard Bank London Limited (United Kingdom) [2]	Merchant bank	1 160	**100**	100	**929**	–		
Standard Bank Mauritius Offshore Banking Unit (Mauritius) [1]	Commercial bank	226	**100**	100				
Standard Bank Namibia Limited (Namibia)	Commercial bank	2	**100**	100	**9**	9	**–**	81
Standard Bank Swaziland Limited (Swaziland)	Commercial bank	9	**65**	65	**56**	56	**16**	13
Standard London (Asia) Limited (Hong Kong) [1]	Deposit taking company	78	**100**	100				

	Nature of operation	Issued capital Rm	Effective holding 2003 %	Effective holding 2002 %	Book value of shares 2003 Rm	Book value of shares 2002 Rm	Net indebtedness 2003 Rm	Net indebtedness 2002 Rm
Standard Merchant Bank (Asia) Limited (Singapore) [1]	Merchant bank	**	**100**	100				
The Standard Bank of South Africa Limited	Commercial bank	60	**100**	100	**5 514**	5 014	**(71)**	312
ZAO Standard Bank (Russia) [1]	Investment bank	**	**100**	100				
Non-banking subsidiaries								
Andisa Securities (Pty) Limited, formerly SCMB Securities (Pty) Limited [1 #]	Stockbrokers	**	**100**	100				
Blue Bond Investments Limited [1]	Participation mortgage bond finance	**	**100**	100				
Blue Titanium Conduit [3]	Asset backed commercial paper conduit							
Diners Club (S.A.) (Pty) Limited [1 #]	Travel and entertainment card	**	**100**	100				
Erf 224 Edenburg (Pty) Limited [1]	Property owning and investing company	**	**100**	–				
Gleneagles Retail Centre (Pty) Limited [1]	Property owning and investing company	**	**100**	–				
Grand Central Shopping Centre (Pty) Limited [1]	Property owning company	**	**100**	–				
Liberty Group Limited [1, 4]	Insurance company	27	**30**	30				
Liberty Holdings Limited [4]	Insurance holding company	14	**55**	55	**2 304**	2 304		
Melville Douglas International (British Virgin Islands) [1 #]	Portfolio management	**	**100**	100				
Melville Douglas Investment Management (Pty) Limited [#]	Portfolio management	**	**100**	100	**53**	53		
SBIC Finance Limited (British Virgin Islands) [1]	Project finance	**	**100**	100				
SBIC International Limited (British Virgin Islands)	Investment holding company	**	**100**	100	**3 630**	3 630	**–**	1
SBIC Investments S.A. (Luxembourg) [1 #]	Investment holding company	287	**100**	100				
SML Limited (British Virgin Islands) [1]	Investment holding	**	**100**	100				
SMT Limited (British Virgin Islands) [1]	Investment company	**	**100**	100				
Stanbic Africa Holdings Limited (United Kingdom) [2]	Investment holding company	158	**100**	100	**118**	118		
Stanbic Insurance Limited [#]	Short-term insurance	15	**100**	100	**30**	30		
Stanbic International Insurance Limited (Isle of Man) [1]	Insurance company	1	**100**	100				
Standard Americas, Inc (USA) [1 #]	Trading company	**	**100**	100				
Standard Aval s.r.o. (Czech Republic) [1]	Trade and other finance	**	**100**	100				
Standard Bank Fund Administration Jersey Limited (Jersey) [1 #]	Fund administration	**	**100**	100				
Standard Bank Insurance Brokers (Pty) Limited [1 #]	Insurance broking	**	**100**	100				
Standard Bank London Holdings Plc (United Kingdom) [1]	Investment holding company	672	**100**	100				

	Nature of operation	Issued capital Rm	Effective holding 2003 %	Effective holding 2002 %	Book value of shares 2003 Rm	Book value of shares 2002 Rm	Net indebtedness 2003 Rm	Net indebtedness 2002 Rm
Standard Bank Manx Holdings Limited (Isle of Man) [1]	Investment holding company	1	**100**	100				
Standard Bank Offshore Group Limited (Jersey) [2]	Investment holding company	17	**100**	100	**49**	49		
Standard Bank Offshore Trust Company (Jersey) Limited (Jersey) [1 #]	Trust company	2	**100**	100				
Standard Bank Stockbrokers (Isle of Man) Limited (Isle of Man) [1 #]	Stockbrokers	3	**100**	100				
Standard Bank Trust Company (Isle of Man) Limited (Isle of Man) [1 #]	Trust company	1	**100**	100				
Standard Bank Trust Company (Mauritius) Limited (Mauritius) [1 #]	Trust company	**	**100**	100				
Standard Commodities (Asia) Limited (Hong Kong) [1]	Commodities trading	**	**100**	100				
Standard Executors and Trustees Limited [1 #]	Trust company	**	**100**	100				
Standard Finance (Isle of Man) Limited (Isle of Man) [1 #]	Finance company	**	**100**	100				
Standard Fund Management S.A. (United Kingdom) [1 #]	Fund management	**	**100**	100				
Standard International Holdings S.A. (Luxembourg) [2 #]	Investment holding company	72	**100**	100	**99**	99		
Standard London (Asia) Sendirian Berhad (Malaysia) [1]	Introducing broker	1	**100**	100				
Standard New York Securities, Inc (USA) [1 #]	Securities broker/dealer	**	**100**	100				
Standard New York, Inc (USA) [1 #]	Investment holding company	**	**100**	100				
Standard Resources Limited (United Kingdom) [1]	Services company	**	**100**	100				
Standard Risk and Treasury Management Services (Pty) Limited [1]	Risk and treasury management services	**	**100**	100				
Standard Yatirim Menkul Kiymetler (Turkey) [1 #]	Securities broker/dealer	41	**100**	100				
Stanlib Limited [2]	Wealth and asset management	**	**49**	65	**683**	910	**2**	–
Stanvest (Pty) Limited [2]	Investment holding company	1	**100**	100				
Triskelion Trust Company Limited [1]	Trust company	3	**100**	–				
Miscellaneous	Finance companies		**100**	100	**85**	41	**(333)**	(287)
					13 572	12 326	**(386)**	120

[1] Held indirectly.
[2] Effective holding comprises direct and indirect holdings.
[3] Special purpose entity, no shareholding.
[4] Listed on the JSE.
** Issued share capital less than R1 million.

The issued share capital of foreign subsidiaries has been stated in the above table at their rand equivalents at the rates of exchange ruling on the dates of provision of capital. Detailed information is not given in respect of subsidiaries which are not material to the financial position of the group, including those acquired through realisation of securities held by banking companies.

Annexure C – associates and joint ventures

Associates

	Travelex Rand Travellers Cheques Limited		Banco Standard Totta de Moçambique s.a.r.l. (Mozambique)		South African Home Loans (Proprietary) Limited	
Nature of business	Travellers cheques		Banking		Finance	
Year end	December		December		February	
Date to which equity accounted	31 December 2003		31 December 2003		31 December 2003	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm
Effective holding (%)	**49**	49	**96**[1]	41	**43**	49
Carrying value	**2**	2	**231**	91	**47**	51
Directors' valuation	**2**	2	**231**	91	**47**	51
Balance sheet						
Non-current assets	**–**	–	**93**	373	**4 556**	2 393
Current assets	**35**	14	**1 932**	2 115	**101**	150
Non-current liabilities	**–**	(34)	**(47)**	(136)	**(402)**	(47)
Current liabilities	**(28)**	–	**(1 806)**	(2 128)	**(4 183)**	(2 447)
Loans to associates	**–**	–	**–**	–	**256**	350
Attributable income	**–**	–	**33**	38	**–**	(2)

	JR163 Investments (Proprietary) Limited		Andisa Capital (Proprietary) Limited		Mathomo Group Limited	
Nature of business	Pharmaceuticals and photographic equipment		Securities trading		Retailer	
Year end	April		December		September	
Date to which equity accounted	31 December 2003		31 December 2003		31 December 2003	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm
Effective holding (%)	**30**	30	**49**	–	**41**	–
Carrying value	**108**	72	**(17)**	–	**42**	–
Directors' valuation	**108**	72	**–**	–	**42**	–
Balance sheet						
Non-current assets	**355**	205	**54**	–	**16**	–
Current assets	**169**	611	**142**	–	**98**	–
Non-current liabilities	**(38)**	(356)	**(37)**	–	**(34)**	–
Current liabilities	**(59)**	(135)	**(181)**	–	**(66)**	–
Loans to associates	**5**	9	**53**	–	**–**	–
Attributable income	**37**	24	**(17)**	–	**6**	–

[1] The investment has been equity accounted pending final approval of the acquisition by the Mozambican authorities.

Associates	Other associates		Total associates	
Nature of business	Various			
Year end	Various			
Date to which equity accounted	31 December 2003			
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
Effective holding (%)	**Various**	Various		
Carrying value	**95**	60	**508**	276
Directors' valuation	**95**	60	**525**	276
Balance sheet				
Non-current assets	**191**	186	**5 265**	3 157
Current assets	**457**	336	**2 934**	3 226
Non-current liabilities	**(180)**	(140)	**(738)**	(713)
Current liabilities	**(236)**	(142)	**(6 559)**	(4 852)
Loans to associates	**42**	2	**356**	361
Attributable income	**14**	12	**73**	72

Joint ventures	African Bank Investments Limited		Other joint ventures		Total joint ventures	
Nature of business	Banking		Various			
Year end	September		Various			
Date to which equity accounted	31 December 2003		31 December 2003			
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm
Effective holding (%)	**50**	50	**Various**	Various		
Carrying value	**29**	–	**4**	–	**33**	–
Directors' valuation	**29**	–	**4**	–	**33**	–
Balance sheet						
Non-current assets	**380**	256	**267**	–	**647**	256
Current assets	**15**	10	**15**	–	**30**	10
Non-current liabilities	**(254)**	(9)	**(272)**	–	**(526)**	(9)
Current liabilities	**(22)**	(193)	**(11)**	–	**(33)**	(193)
Loans to joint ventures	**119**	90	**–**	–	**119**	90
Attributable income	**29**	24	**–**	–	**29**	24

	Option price range	Number	
	2003 (cents)	**2003**	2002
Group share incentive scheme reconciliation			
Options outstanding at beginning of the year		**76 842 671**	70 859 368
Granted	**2 715 – 3 485**	**18 177 200**	16 041 800
Exercised	**835 – 3 190**	**(7 651 200)**	(6 140 300)
Lapsed	**1 350 – 3 570**	**(5 421 749)**	(3 918 197)
Options outstanding at end of the year		**81 946 922**	76 842 671

The following options granted to employees and executive directors had not been exercised at 31 December 2003:

Number of ordinary shares	Option price range (cents)	Weighted average price (cents)	Option expiry period
740 600	1 080 – 1 715	1 210	Year to 31 December 2004
1 295 000	1 250 – 2 500	1 385	Year to 31 December 2005
2 062 300	1 710 – 3 190	1 792	Year to 31 December 2006
3 003 500	1 830 – 3 200	2 093	Year to 31 December 2007
14 205 105	1 350 – 2 890	2 005	Year to 31 December 2008
6 712 200	1 715 – 2 640	1 835	Year to 31 December 2009
9 389 617	2 205 – 2 950	2 538	Year to 31 December 2010
13 213 500	2 770 – 3 590	3 186	Year to 31 December 2011
13 901 200	2 725 – 3 620	2 794	Year to 31 December 2012
17 423 900	2 715 – 3 485	2 799	Year to 31 December 2013
81 946 922			

Abridged financial statements

of principal banking subsidiary

	The Standard Bank of South Africa Limited 31 December	
	2003 Rm	2002 Rm
Balance sheet		
Cash and balances with banks	**8 201**	25 312
Short-term negotiable securities	**15 160**	5 771
Derivative assets	**79 573**	4 521
Trading assets	**6 821**	6 145
Investment securities	**14 566**	9 654
Loans and advances	**153 345**	125 075
Other assets	**10 180**	16 387
Interest in group companies, associates and joint ventures	**30 587**	18 968
Intangible assets	**209**	226
Property and equipment	**2 149**	2 136
Total assets	**320 791**	214 195
Derivative liabilities	**73 701**	–
Trading liabilities	**4 757**	3 655
Deposit and current accounts	**198 982**	172 728
Other liabilities and provisions	**13 062**	13 727
Subordinated bonds	**5 830**	5 700
Liabilities to group companies	**9 284**	6 641
Total liabilities	**305 616**	202 451
Share capital	**60**	60
Share premium	**5 643**	5 145
Reserves	**9 472**	6 539
Total capital and reserves	**15 175**	11 744
Total equity and liabilities	**320 791**	214 195
Income statement		
Interest income	**31 517**	26 249
Interest expense	**22 652**	18 332
Net interest income before provision for credit losses	**8 865**	7 917
Provision for credit losses	**1 341**	1 359
Net interest income	**7 524**	6 558
Non-interest revenue	**7 672**	7 006
Total income	**15 196**	13 564
Operating expenses	**9 210**	8 233
Operating profit	**5 986**	5 331
Income from associates and joint ventures	**32**	36
Goodwill amortisation	**(4)**	(2)
Exceptional items	**114**	258
Income before taxation	**6 128**	5 623
Taxation	**1 888**	1 806
Income attributable to ordinary shareholder	**4 240**	3 817

Average balance sheet and interest rates

The table sets out daily average balances for the assets, liabilities and equity of Domestic Banking for the year indicated. For interest-earning assets and interest-bearing liabilities, the table reflects the amount of interest earned or paid and the average rate of interest. In this table, average balances are calculated on daily balances and the interest rate represents interest income or expense as a percentage of the corresponding average balance.

Domestic Banking	Year ended 31 December 2003 Average balance Rm	2003 Interest Rm	2003 Average rate %	2002 Average balance Rm	2002 Interest Rm	2002 Average rate %
Assets						
Cash and balances with banks	**25 380**	**474**	**1,9**	26 772	678	2,5
Short-term negotiable securities	**10 401**	**1 845**	**17,7**	5 350	1 140	21,3
Investments	**26 121**	**2 823**	**10,8**	18 855	3 058	16,2
Loans and advances	**157 706**	**21 982**	**13,9**	131 175	18 326	14,0
– Overdrafts	**11 303**	**1 715**	**15,2**	10 607	1 596	15,0
– Mortgages	**62 774**	**8 836**	**14,1**	49 524	7 108	14,4
– Foreign currency lending	**8 732**	**272**	**3,1**	11 179	419	3,7
– Other[1]	**74 897**	**11 159**	**14,9**	59 865	9 203	15,4
Total interest-earning assets	**219 608**	**27 124**	**12,4**	182 152	23 202	12,7
Derivative assets	**67 772**	**519**	**0,8**	4 649		
Interest in group companies	**163**			50		
Property and equipment	**2 607**			2 484		
Other non-earning assets[2]	**16 019**			18 288		
Total assets	**306 169**	**27 643**	**9,0**	207 623	23 202	11,2
Liabilities						
Deposit and current accounts	**197 453**	**18 190**	**9,2**	166 723	14 578	8,7
– Demand deposits	**18 925**	**220**	**1,2**	17 806	231	1,3
– Savings deposits	**55 361**	**4 901**	**8,9**	47 408	4 265	9,0
– Negotiated rate deposits	**98 788**	**11 184**	**11,3**	74 474	8 705	11,7
– Foreign currency deposits	**11 270**	**156**	**1,4**	15 900	324	2,0
– Other deposits	**13 109**	**1 729**	**13,2**	11 135	1 053	9,5
Subordinated bonds	**5 830**	**765**	**13,1**	5 213	678	13,0
Total interest-bearing liabilities	**203 283**	**18 955**	**9,3**	171 936	15 256	8,9
Derivative liabilities	**65 858**					
Trading liabilities	**6 136**			5 927		
Other non-interest bearing liabilities	**16 200**			17 080		
Capital and reserves	**14 692**			12 680		
Total equity and liabilities	**306 169**	**18 955**	**6,2**	207 623	15 256	7,4
Net interest income and margin on average assets		**8 688**	**2,8**		7 946	3,8

[1] Other lending includes cash management, staff home loans, call loans, medium-term advances, credit card balances, vehicle and asset finance, assets on lease, preference shares and other earning advances.

[2] Other non-earning assets include remittances in transit, accrued interest and general debtors.

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Sustainability report

Contents

Economic

Social

Environment

- Shareholders
- Customers
- Employees
- Society
- Suppliers
- Government
- Environment

Global Reporting Initiative (GRI)

Introduction by the chairman and chief executive

Derek Cooper, chairman

Jacko Maree, chief executive

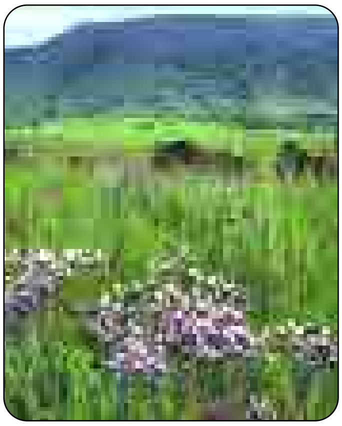
Standard Bank is a substantial contributor to the South African economy and, increasingly, to several emerging African economies. The group continues to show satisfactory financial growth.

Whilst Standard Bank is commited to creating and preserving shareholder value, we acknowledge that this requires that we continue to be a responsible corporate citizen. We are accountable to all stakeholders, including the communities we operate in, government, regulators and employees.

With this in mind, we are pleased to present the 2003 sustainability report. The report follows on from our previous report, guided by the criteria contained in the Global Reporting Initiative (GRI) Sustainability Guidelines. The report is mainly focused on our activities in South Africa but also incorporates, for the first time, aspects of our operations elsewhere in Africa. Liberty, a subsidiary of the group, has its own sustainability report that can be viewed at www.liberty.co.za.

The launch of the Financial Sector Charter recognised the need for all South African financial institutions to contribute to the stability of the political and social environment in which they operate. It is a carefully constructed approach that ensures the involvement of previously disadvantaged people in all aspects of an organisation's endeavours: as shareholders, employees, suppliers and customers.

The launch of this voluntary charter for the transformation of the South African financial sector was a landmark for this sector's sustainability. Standard Bank is proud to have been at the forefront of its development. The charter recognises the need for financial services organisations to be relevant to the majority of citizens. They need to fundamentally change both the way they are structured and their approach to the many, mainly black people, who have not yet become customers.



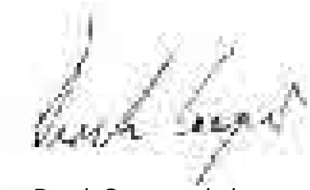
Our corporate social responsibility programme demonstrates our commitment to developing greater socioeconomic capacity in South Africa and, increasingly, in the other African countries where we have a presence. We concentrate most of our social investments on projects that uplift and empower underresourced people and organisations.

In 2004, we are celebrating 10 years of democracy. During the last decade, great progress has been made in correcting many of the inequalities of the past. There is however, still a long road ahead.

Our priorities for 2004 are primarily to build on the groundwork undertaken in recent years. The goal is to improve our overall performance in the economic, social and environmental domains.

This includes the advancement of human diversity in the workplace and to stimulate economic transformation in South Africa in line with the charter. We believe the people of Standard Bank have the skills, the structures and the collective will to meet these priorities.

We encourage you to provide us with feedback on our report. This will assist us in better addressing our stakeholders' views in future reports.



Derek Cooper, *chairman*

Jacko Maree, *chief executive*

9 March 2004

Executive summary

Corporate governance

- The group subscribes to best corporate governance practice. This is demonstrated through its governance and risk framework detailed on the reports starting on pages 36 and 58 respectively.
- There was increased focus on fraud awareness training as part of the group's zero tolerance approach to fraud and corruption.

Economic performance

- The group delivered a positive performance against its financial objectives; headline earnings up 19%, a return on equity of 22,8% and an improvement in the cost-to-income ratio.
- There was a 15% increase in wealth creation, from R15,3 billion to R17,7 billion. The distribution to stakeholders was: 43% employees, 16% government, 10% shareholders with 31% being retained to support future growth.

Social performance

- There was continued focus on leadership development, talent management and skills development.
- Good progress was made with transformation. The percentage of black people at managerial level has increased from 19% in 2000 to 30% in 2003.
- Initiatives are in place to promote knowledge and awareness of HIV/Aids.
- Initiatives are under way to extend financial services to previously underserviced areas.
- There was a continued focus on supplier transformation. The spend with black suppliers of R544 million exceeded the target set by the group by R9 million.
- There was a continued commitment to sustainable development in the community.

Environmental performance

- The group implemented its occupational health and safety policy and plans are in place to monitor the workplace for health and safety risks.
- Participation in project financing transactions is subject to the performance of independent environmental due diligences, where appropriate.
- There was continued commitment to reducing water and energy consumption, and waste generation.
- Environmental education was provided to children at Mogales Gate. More than 23 000 children have visited Mogales Gate since 1997.

Future commitments on the sustainability development journey

- To improve on stakeholder engagement, thereby ensuring that future reports integrate the interests of all stakeholders.
- To implement a system to assist in the regular monitoring and reporting of sustainable development within the group.
- To create greater awareness of sustainability within the organisation.
- To obtain internal and ultimately external verification of sustainability reports.
- To expand the scope of future sustainability reports to include global operations.

Group value added statement

for the year ended 31 December 2003

	2003 Rm	%	2002 Rm	%
Value added				
Interest, commissions and other revenues	50 368		42 782	
Interest paid to depositors and cost of other services	32 704		27 473	
Wealth created	17 664		15 309	
Distribution of wealth				
Employees				
Salaries, wages and other benefits	7 581	43	6 934	46
Government[1]	2 802	16	2 484	16
Shareholders	1 857	10	1 555	10
Dividends paid to shareholders	1 753		1 433	
Earnings attributable to outside and preference shareholders	104		122	
Retentions to support future business growth	5 424	31	4 336	28
Retained surplus	4 593		3 564	
Depreciation and amortisation	831		772	
Wealth distributed	17 664	100	15 309	100

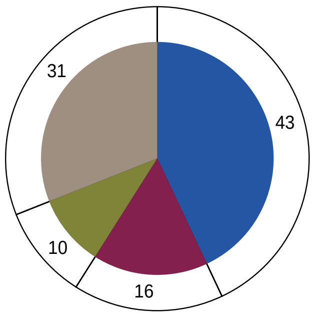
	2003 Rm	2002 Rm
[1] Central and local governments		
Local and foreign income taxes	2 201	3 318
South African deferred tax	279	(1 375)
Foreign deferred tax	(95)	86
Regional services levies	90	65
Rates and taxes paid to local authorities	29	49
Value added tax	264	297
Duties	16	11
Skills development levy	18	9
Payments to trusts	–	24
	2 802	2 484

Value added distribution over five years (%)

	2003	2002	2001	2000	1999
Employees	43	46	44	46	48
Government	16	16	15	14	12
Shareholders	10	10	10	10	10
Retentions	31	28	31	30	30

Value added is the wealth created by the group from providing banking and other financial services. The group's effective share in Liberty has been included in interest, commissions and other revenues.

Distribution of wealth created by the group (%)



- Employees: 43% (2002: 46%)
- Government: 16% (2002: 16%)
- Shareholders: 10% (2002: 10%)
- Retentions: 31% (2002: 28%)

"Standard Bank Group has demonstrated a very good overall sustainability performance compared to the industry average and reflects the successful integration of economic and environmental aspects into its business strategy."

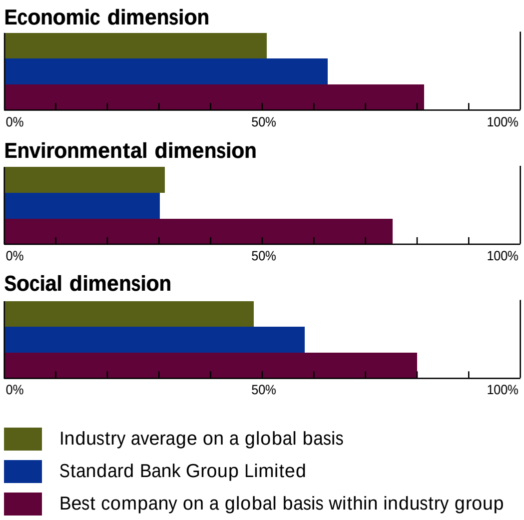
Dow-Jones Sustainability Index (DJSI).

Introduction

The group participated in the Dow-Jones Sustainability Index, and we hope to participate in the JSE Securities Exchange South Africa (JSE) Socially Responsible Investment (SRI) Index as part of the process of benchmarking our sustainability practices.

Dow-Jones Sustainability Index

This is our fourth successive year of participating in the DJSI. We are the only African financial institution and one of only three South African companies included in the index. The results of our performance are shown in the graphs below:



JSE SRI Index

The JSE has developed criteria to measure the triple bottom-line performance of companies in the new SRI Index. The index, a first of its kind in an emerging market, will be launched by the JSE in 2004. Participation in the index is voluntary and limited to the top 160 companies listed on the JSE. The group has accepted the invitation to participate in the index and we are currently awaiting the results of our submission.

Awards

In 2003, numerous awards were received in recognition of the group's achievements. Some of these included:

- The Investor Relations Magazine South Africa's Best Corporate Governance Award.
- The Investment Analysts' Society's (IAS) Best Financial Reporting and Communication Award. This award recognises those companies that are perceived to be effective and credible in communicating with investors.
- A merit award for corporate integrity and ethics in the Deloitte & Touche Good Governance Awards.
- The Banking Adjudicator Award for Excellence in Dispute Management. The office of the Banking Adjudicator resolves individual customer complaints about banking services and products. Markinor, an independent research company, identifies the winner based on an overall assessment of the quality of the dispute-handling mechanisms applied by South Africa's four largest banks.
- First place in the financial institutions category of the Markinor-Sunday Times Top Brands Survey. Standard Bank took third place in the overall brand relationship category.
- Fifth place in the Ernst & Young Excellence in Financial Reporting Awards in a survey of 100 listed companies.

"The hallmark of a successful corporate strategy is the ability to balance the protection and growth of underlying value with competitiveness and profitability."

King II.

In recognition of the group's endeavours to balance the needs of long-term prosperity with short-term profit goals, the group subscribes to best practices in corporate governance. This is evidenced through a continued focus on improving financial and sustainability reporting.

Recognition of the group's commitment to transparency and excellence in corporate reporting, is evidenced by the awards listed on page 206.

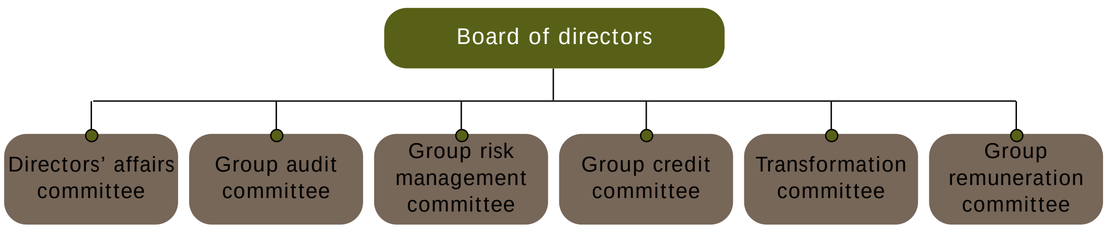
Governance framework

A summary of the group's governance framework, consisting of the board and its committees, is shown below. Full details of the group's integrated approach to governance is given in the corporate governance report commencing on page 36 which sets out the group's commitment to, and compliance with, King II. It also provides detail on the board, its committees, and the operation of the governance framework.

It is essential that, as a custodian of customer funds, the group ensures that the governance framework not only monitors compliance with legislation, regulation and best practice, but is also able to monitor the ethical climate within the organisation. Some assurance is provided by Group Internal Audit, in particular the forensic team, that reports their findings to the group audit committee.

Ethics and values

The culture of high ethical standards is reflected by the manner in which the group conducts its business. The group remains committed to the principles of responsible corporate conduct. A code of ethics was adopted in 1998 with the intention of codifying acceptable behaviour. The group has embarked on a process of reflection and consultation that will result in the formulation of its vision and values. To date, input has been gathered from various related projects in different business units and is being assimilated. This process will, among other things, identify building blocks for the future to appropriately satisfy stakeholder needs. In line with this project, it is anticipated that the code of ethics will be reviewed.



Financial crime

The group will not condone any acts of fraud, corruption, theft, maladministration or any other dishonest activity, either from within or outside the organisation. The group has a zero tolerance approach to fraud and corruption and applies both proactive and reactive measures to curb such acts and is supportive of efforts aimed at creating an environment hostile to fraud and corruption.

Our standards require that all employees act honestly and with integrity at all times, and safeguard the tangible and intangible assets for which they are responsible. Appropriate action will be taken against any employee involved, directly or indirectly, in the commission of a fraud. It is an accepted principle that the group seeks legal recourse against all parties involved in any fraudulent or dishonest acts. Giving effect to the group's public-private partnership with the criminal justice system, its prosecution and conviction rate has improved.

The group's fraud policy requires that all fraud and impropriety be investigated within the laws of the country in which they occur. Employees are required to fully assist with such investigations. A fraud hotline to facilitate whistle-blowing has been successfully implemented within the group.

Legislation such as the Financial Intelligence Centre Act (FICA), the Financial Advisory and Intermediary Services Act (FAIS) and the Electronic Communications and Transactions Act (ECT), are all designed to curb criminal conduct and strengthen corporate governance. Compliance with this legislation is part of the group's ongoing endeavours.

To ensure best practice and the timeous communication of information on fraud risks, the group maintains membership of local and international industry organisations, some of which are:

- The Banking Council of South Africa;
- South African Banking Risk Intelligence Centre (SABRIC);
- International Banking Security Association (IBSA);
- Association of Certified Fraud Examiners (ACFE);
- International Chamber of Commerce (ICC); and
- South African Fraud Prevention Services (SAFPS).

Strategy and key objectives to attain a fraud intolerant culture is developed by Group Internal Audit Forensic Services and approved by the group audit committee. It is reviewed on a regular basis. Some of the successes achieved during 2003 were:

Fraud prevention

An incentivised fraud prevention initiative is in place that encourages employees to identify, prevent and report on crime. Employees are rewarded individually for their vigilance. As a result of this initiative, the number of fraud incident reports increased by 80% during the year. This is not indicative of increased fraud within the group, but rather that the fraud prevention and staff incentive programmes are succeeding.

Fraud hotline 0800 113 443

The group's fraud hotline, which encourages whistle-blowing, has proved to be an important tool in the fight against fraud. Continued promotion of the hotline during 2003 also contributed to the increase in fraud reports.

Fraud detection

In line with our experience of fraud trends and patterns, technology is increasingly being used to detect transactional fraud online in near real

time. As a result of this, significant amounts of fraud were successfully frustrated. This has a direct impact on fraud loss minimisation, thereby contributing to the group's profitability.

Fraud awareness and training

Training in anti-fraud measures and the identification of fraudulent transactions receive ongoing focus. The group uses various media to communicate with and educate staff in addressing fraud risks, including:

- satellite anti-fraud awareness training;
- video presentations – these videos were produced to illustrate the fraud trends experienced during the past year;
- onsite presentations; and
- secondment of employees from domestic business units and our African operations to Group Internal Audit Forensic Services for specialist training in fraud prevention, detection and investigation.

As part of our corporate responsibility, fraud awareness training is provided to clients and staff on an ongoing basis.

In addition, anti-fraud prevention and detection seminars/workshops were held. These were attended by more than 2 200 delegates and included delegates from the bank's African operations. The bank was also the sponsor of a seminar on money laundering and "advance fee frauds" jointly hosted by Interpol and the South African Police Service (SAPS) for delegates from West African countries.

Forensic investigations

Due to the focus being placed on fraud prevention and the heightened awareness of fraud risks among staff, dishonesty-related investigations reduced by 28% in 2003.

Register of Employees Dismissed

In managing fraud and dishonesty, banks individually cannot rely only on their internal controls, compliance and policies. A concerted effort through public-private partnerships and industry initiatives is necessary to combat dishonest behaviour.

The objective is to sustain an ongoing drive to reduce dishonesty-related dismissals and to expand this initiative to the broader financial services industry.

Prior to 1999, incidents of staff dishonesty showed a disturbing upward trend. This trend was not unique to Standard Bank, but was indicative of the banking industry as a whole. It was evident that corrupt and dishonest practices were a general problem and that staff were being dismissed from one bank just to join another to continue their dishonest activities. To counter this, Standard Bank initiated the establishment of a data file to record the names of all staff dismissed as a result of dishonesty. Referral to this database is mandatory prior to employment. This database is referred to in the industry as the Register of Employees Dismissed (REDs), and is independently managed by the Banking Council.

Participation in REDs is compulsory for all member banks of the Banking Council.

Through this initiative, banking clients are assured that banks will not tolerate any form of dishonesty and the public's trust in the banking industry is thus enhanced. In addition, banking staff members are aware of the impact that acts of dishonesty will have on their careers.

Since the introduction of REDs, the levels of dishonesty within the industry have dropped by 14% between 2000 and 2003. A more positive trend is evident for Standard Bank, where its listings have reduced by 29%.

> "We are committed to providing shareholders and the investment community with timeous, regular credible information, consistent with legal and regulatory requirements."

Kim Howard, director investor relations.

We value the support of all providers of capital and seek to communicate with them regularly and honestly, providing reliable and timely information about the group. Throughout the year, our Investor Relations department maintained a communication programme with current and potential shareholders. Communication activities since our last sustainability report include workshops, results presentations, local and international roadshows, one-on-one meetings with major shareholders and analysts, and external presentations by senior management. Our primary communication channels remain the Stock Exchange News Service (SENS) and media releases.

The group's corporate website – www.standardbank.co.za – is being used increasingly to provide easily accessible financial information to a wide range of users. Information available on the investor relations site includes:

- annual and interim results presentations;
- annual and interim results analyses;
- interactive annual report;
- media releases; and
- credit ratings.

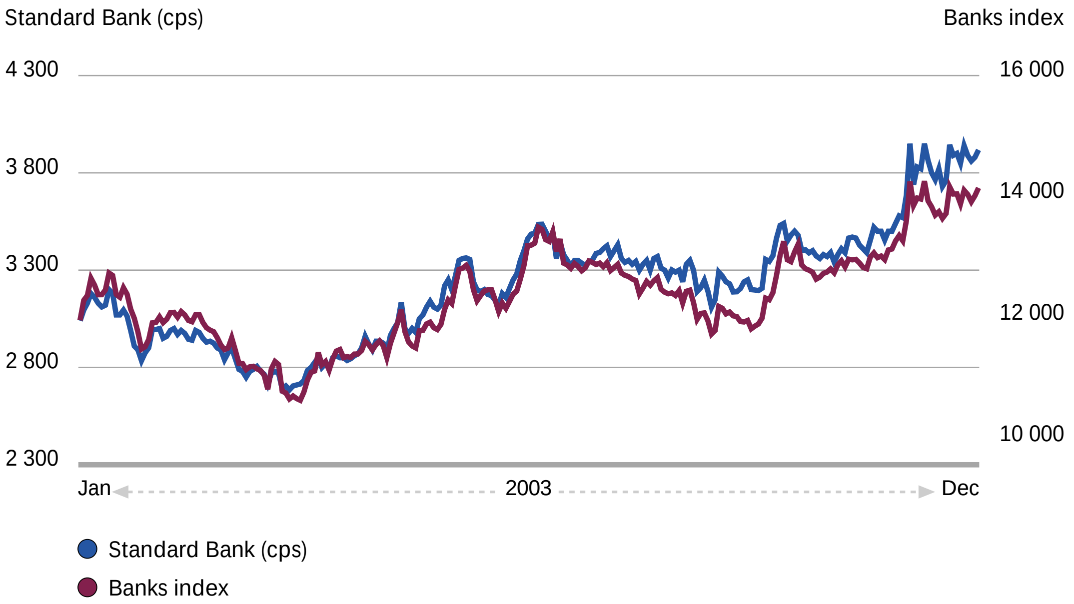
In our effort to increase knowledge of our business, the group supports a number of media initiatives. Regular economic briefings and explanatory sessions for financial editors and journalists were provided throughout Africa, including:

- a three-day course for journalists on financial reporting. In 2003, the course was held in Botswana;
- the African economic editors' forum, a think-tank for the continent's senior economic writers to share ideas on how to develop their reporting skills in line with world trends; and
- quarterly economic briefings for South African financial media and analysts presented by the group chief economist, Iraj Abedian, on topical issues affecting our economy.

To complement these undertakings, we plan to launch a series of biannual treasury media briefings in 2004, to facilitate an understanding of changing treasury trends.

With the increased focus on sustainability, the group acknowledges the importance of triple bottom-line reporting to all stakeholders. Investors are increasingly interested in the social and environmental dimensions of business. The key issue for investors is the business case for sustainable development – the extent to which economic, social and environmental responsibilities, risks and opportunities are managed to preserve and grow shareholder value.

Standard Bank Group – share price performance



Financial Sector Charter

In terms of the recently signed charter, ownership is one of the "empowered organisation" criteria. In order to receive the full 14 points (out of 100) allocated to ownership on the balanced scorecard, the group must have 25% black ownership by 2010. Of this, a minimum of 10% needs to be held directly by black people and the balance may be held indirectly on behalf of blacks through, for example, pension funds.

The ownership criteria in the charter relate to the group's South African operations. The size of a transaction that would meet all the direct ownership criteria for Standard Bank's South African banking operations would be approximately R4 billion, which at the year-end share price, equates to approximately 7% of the group's market capitalisation.

As part of the group's commitment to empowerment, the following empowerment deals were concluded during the year:

- **Andisa Capital**

  Andisa Capital was established on 1 August 2003 between a black empowerment consortium and Standard Bank, to create an independent and diversified financial services company. The intention was to establish a business model unique in the context of South Africa's social and economic framework that could contribute to the broader imperative of national upliftment. The consortium owns 51% of Andisa Capital and Standard Bank Group 49%.

- **Stanlib**

  In terms of the transaction, effective 1 July 2003, an empowerment consortium acquired a 25,2% interest in Stanlib. The consortium's interest is held in a company that was formed for this purpose. Standard Bank

Group and Liberty Group each hold 37,4% of Stanlib.

Value created for shareholders

Standard Bank Group has achieved a compound annual growth rate in dividends per share over the last seven years of 21% and headline earnings per share of 19%. We have set medium-term financial objectives of:

- headline earnings growth of CPIX plus 10%;
- return on equity of 20%;
- cost-to-income ratio to be at or better than 56%; and
- provision for credit losses to be contained within 1,0% of average gross advances.

Shareholder information

During the year, there have been changes in the composition of our major shareholders. Old Mutual Group has reduced its beneficial stake in the group from 20% to 14% at year end. The group's foreign shareholding has increased from 14% in 2002 to 18% at year end partly as a result of continued efforts to diversify our shareholder base. In Finance Week magazine's annual ratings and rankings review, Standard Bank was the most widely held share in local unit trust portfolios at June 2003.

Credit ratings

The latest credit ratings for The Standard Bank of South Africa Limited (SBSA) are detailed below:

Credit ratings	Short-term	Long-term	Outlook
Fitch Ratings (November 2003)			
Foreign currency	F3	BBB	Stable
Local currency		A-	Stable
Standard & Poor's (January 2004) public information rating			
Local currency		BBBpi	
Moody's Investors Services (July 2003) public information rating			
Bank deposit rating	P-2	Baa2	Stable
Financial strength rating			C+
RSA Sovereign ratings: Foreign currency			
Fitch Ratings		BBB	
Standard & Poor's		BBB	
Moody's Investors Services		Baa2	
RSA Sovereign ratings: Local currency			
Fitch Ratings		A-	
Standard & Poor's		A	
Moody's Investors Services		A2	

> "The Standard Bank brand is more than a graphic representation of the organisation. It is an evolving aspiration that relies on ongoing understanding and engagement with customers and stakeholders."

Sarah-Anne Orphanides, director group marketing.

Standard Bank is committed to helping all personal and business customers in meeting their banking requirements through its major operating units, which include:

Retail Banking: Banking, investment, insurance and other services to individual customers, the agricultural sector and small to medium sized enterprises throughout South Africa.

Corporate and Investment Banking: Commercial and investment banking services to larger corporates in South Africa, foreign banks and international counterparties.

Africa: Retail, commercial and investment banking services in 16 African countries outside South Africa.

International: Investment banking activities focused on developing markets and natural resources through offices in 21 countries outside Africa.

Information on the performance and strategies of each business unit is provided in the business unit reviews commencing on page 18.

Black economic empowerment

BEE has undoubtedly become one of South Africa's most pressing political, social and economic challenges. To facilitate the advancement of BEE in South Africa, we continue to sponsor, support and facilitate various initiatives to promote BEE. Some of the initiatives under way are set out below:

Black small and medium enterprises

A dedicated Small Medium Enterprise (SME) Strategic Investments unit focused on black SMEs was established with the aim of providing access to finance for black business people for viable business ventures. The approach is firstly to provide funding with business support and skills transfer and secondly to provide equity funding using mezzanine finance (a hybrid of debt finance and equity). Deals will be originated through existing Retail and business banking structures, Procurement, Project Finance, franchising, local and national government parastatals, and industry-related initiatives.

African Bank Investment Limited

A joint venture with African Bank Investment Limited (ABIL) enabled microloans to be offered to E Plan customers through the medium of their E Plan accounts. The joint venture has grown from strength to strength. The approach to microlending from the outset has been controlled and cautious yet innovative, to ensure profitability is maintained and that it supports the broader low-income segment strategy. Advances grew by 45% year-on-year, largely as a result of improved market conditions, expanded distribution and entrance into new markets.

Edu-Loan

In January 2004, Standard Bank acquired a 45% equity stake in the established education finance company, Edu-Loan. Standard Bank will extend loan funding to the company to expand its business of providing educational finance to students, primarily from low-income households.

The alliance is two-fold; firstly to increase revenue growth for both parties and secondly, to reinforce the commitment made in terms of the charter, which is to help black people gain access to financial services.

E Plan account

The E Plan account was specifically designed to meet the needs of low-income customers. There are about 2,8 million E Plan accounts, a growth of 13% on 2002. The number of outlets country-wide has grown to 144.

Society scheme

This is a savings scheme targeted at groups of people who join together in a savings initiative. The balance on these savings accounts has increased by 9% year-on-year.

FuneralPlan

This product provides funds to cover funeral expenses in the event of the death of the principal or nominated family members. More than 630 000 policies have been sold since inception in 2000, with an active policy growth of 32% in 2003.

Infrastructure financing

The group is involved in the following infrastructure funds:

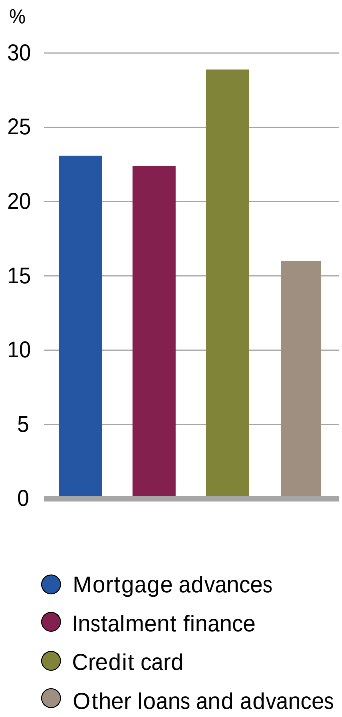
- **African Infrastructure Investment Fund (AIIF)**

  The group is one of the cornerstone investors in a new R675 million private equity fund that will invest in African infrastructure projects such as bridges, roads, ports, power and water projects. AIIF aims to be the single largest private-sector investor in African infrastructure and is expected to exceed R1 billion after a second round of fund-raising. Says Dave Munro, deputy managing director of Corporate and Investment Banking: “The charter focuses on investment in infrastructure as a means of supporting economic growth and social upliftment, and our investment in the fund is a positive move in supporting this goal.” AIIF is the successor fund to the South African Infrastructure Fund.

- **Emerging Africa Infrastructure Fund (EAIF)**

  EAIF provides debt finance to commercially viable private-sector infrastructure projects in sub-Saharan Africa, with the social objectives of poverty relief and economic growth that match the environmental and infrastructural objectives of New Partnership for Africa Development (Nepad).

Market share in 2003



Market share

Standard Bank gained market share in most categories of advances with some of the highlights as follows:

Mortgage advances 23,0% (2002: 20,3%):
The increase was mainly due to improved application processing, supported by greater use of systematic scorecards, initiatives towards increasing customer retention, and building on key relationships within the industry.

Credit card 28,8% (2002: 24,9%):
Credit card achieved good growth mainly due to improved sales and system efficiencies. Card sales were 66% up on the previous year.

Privacy of information

Standard Bank subscribes to the Code of Banking Practice, which emphasises the importance of treating all customer information as private and confidential. The group reference guide, an internal document that governs the conduct and duties of bank employees, further emphasises the importance of customer privacy and details the procedures that must be closely observed in matters regarding confidential information. A new revised code will become effective on 1 October 2004.

Independent survey results

Independent survey results show that Standard Bank is the market leader in a number of areas. These include electronic banking, bond trading, corporate banking, global and domestic custody and foreign exchange sales. In a recent survey of financial institutions conducted by PricewaterhouseCoopers, Corporate and Investment Banking was the overall top performer.

Customer relations management

In order to identify current business trends, market research has been conducted across our business client base to establish current business needs. As a result, we are focused on improving our provision of specialist knowledge with tailor-made, integrated solutions that demonstrate innovative ideas. We aim to be dynamic partners to our clients by providing proactive solutions for their business needs.

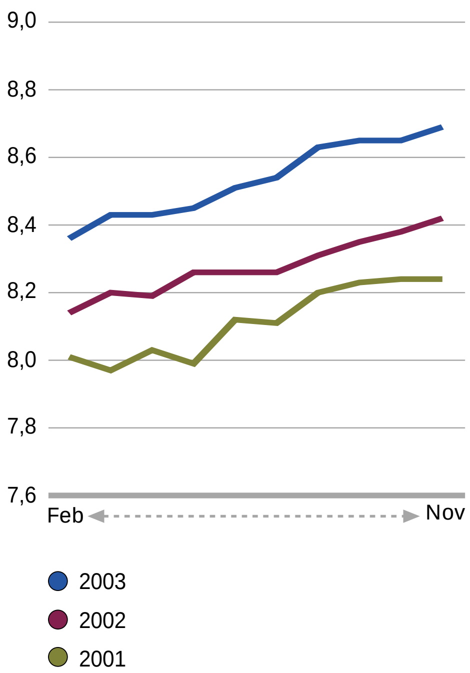
The customer relations management initiative is seen as a strategic project, central to being market leaders in bringing solutions to business clients. The aim is the development of integrated customer strategies. This exercise is underpinned by a comprehensive information platform on our customers.

Customer service

Customer service remains a key focus area for the group. Customer surveys are conducted regularly in order to measure and improve service to customers.

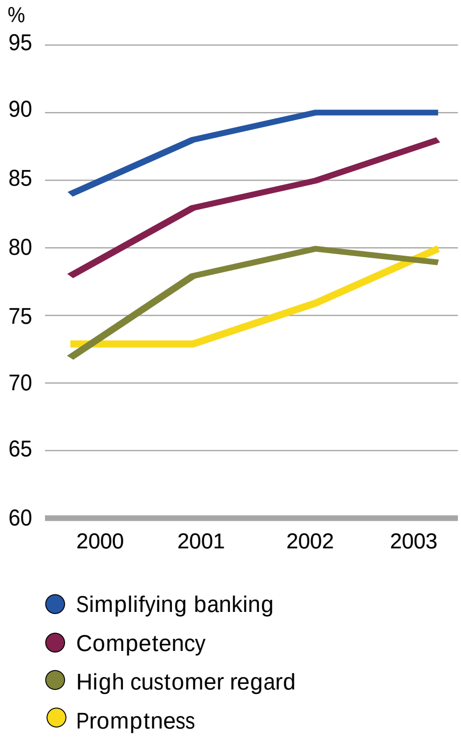
Key measures of customers' perceptions of the service offered by the bank show that the overall rating of Standard Bank's service has

Service rating of Standard Bank (out of 10)



Source: SBSA proprietary service measurement

Perceptions of Standard Bank



Source: SBSA proprietary survey

improved over the past three years. This is evidenced through a monthly customer satisfaction survey, conducted by an independent market research company. The results over the past three years are shown in the graph, above left.

Issues that were identified as key to driving customer loyalty are the extent to which the company shows regard for its customers, makes banking simpler, and is competent and prompt. Not only do these attributes underpin the bank's Simpler. Better. Faster. payoff line, but they are regularly tracked to ensure that the bank lives up to its promise of delivering quality customer service. The customers' perceptions of Standard Bank's delivery on these attributes has mainly improved over the past few years as shown in the graph, above right.

Standard Bank is committed to the principles of fairness and good banking practice and supports the banking adjudicator's endeavours to improve customer service. Our customer relations centre is the focal point for all complaints from customers. When complaints cannot be resolved satisfactorily at a point of representation or at provincial level, the centre's staff will ensure that service recovery occurs. Over the past year, there was a 28% increase in the number of submissions from all banks lodged at the office of the Banking Adjudicator (2003: 2 321; 2002: 1 817). The bank's share of complaints in 2003 was 610 (2002: 426), an increase of 43%, most of which related to automated teller machine (ATM) claims. Attention is being given to addressing the increase in ATM crime.

Corporate clients can lodge complaints through call centres, directly to senior management or to the corporate relationship manager. Formal procedures are in place to deal with a variety of complaints.

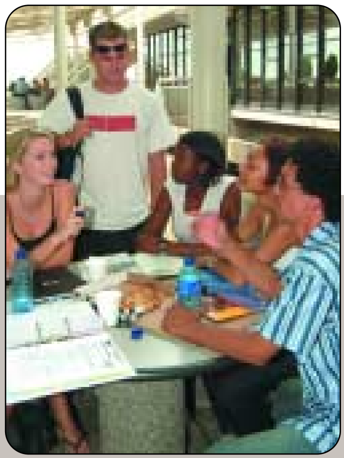
A highlight in 2003, was winning three Banking Adjudicator Awards, which included the overall award for Excellence in Dispute Management.

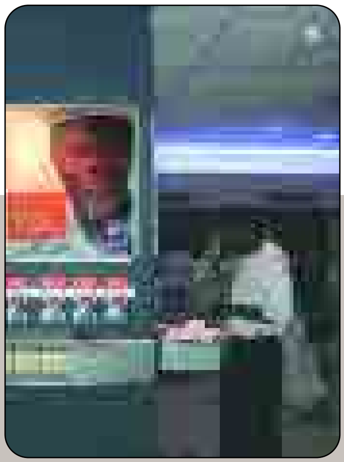
Brand

Following comprehensive research and analysis, both locally and internationally, a decision was taken to actively align our brand architecture and positioning to support one brand, Standard Bank. This means that divisions such as SCMB and Stannic, which previously had their own brand identity, have been brought under the Standard Bank umbrella brand and are now referred to as Corporate and Investment Banking, and Vehicle and Asset Finance respectively. Further details on the brand can be found on page 10.

Some of the highlights around the brand's achievements included:

- The Markinor-Sunday Times Top Brands Survey for 2003: Awarded first place in the financial institutions category. In the overall category of the top ten brand relationship, we were awarded third place; and
- Emerging as South Africa's most trustworthy bank following an independent survey known as The Trust Barometer©. This survey measures the level of trust people have in the organisations to which they are exposed.





Crossing the Line

In order to provide the best possible solutions to our customers, it is important that we really understand our customers' lives and needs. This type of understanding cannot come only from a research report or from behind a desk. It is important that we get management out into the marketplace and into the daily lives of our customers.

To achieve this, Standard Bank has set in place a series of formal interventions called Crossing the Line, where staff are taken to meet specific target audiences to gain a deeper understanding of the needs and aspirations of customers.

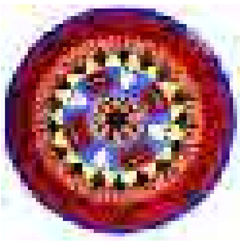
The first event focused on our broad personal markets and involved an excursion for about 600 staff into Soweto and Pretoria. The event used experiential theatre to introduce certain specific customer characteristics and also to highlight unique cultural traditions. Home visits allowed us to meet customers in their home environment and to understand their needs, problems and activities.

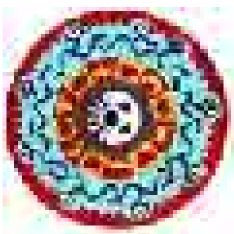
The second event also involved nearly 600 staff and focused on the youth and student markets. After an early-morning "exam" to test their knowledge of youth culture, staff were sent out in small groups with a young person as a chaperone. These groups spent the day with their chaperones doing the things young people would do during the day. Presentations from experts in marketing to youth and a healthy debate with members of the Wits Debating Society, rounded off the day.

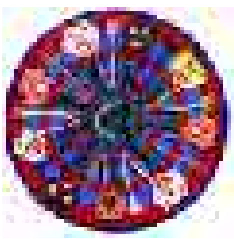
These events have helped raise awareness of customer needs, bring key issues for specific customer groups to the fore and create a heightened customer focus among Standard Bank staff.

"With committed leaders helping talented people give of their best, the result is superior customer service and business growth. This increases the wealth created by our business, thereby ensuring sustainability and directly benefiting employees, government and shareholders."

Sipho Ngidi, director, human resources.







Leadership

The quality of an organisation's leadership shapes not only its values and culture, but also its ability to attract and retain people with a strong commitment to supporting the organisation's values and objectives. This is key to the success of ongoing transformation.

To maintain the group's successful track record, not only in business but also in the communities it serves, the group continues to develop and promote the skills and strength of its leaders at executive, management and supervisory levels.

Structured development programmes equip managers with the competencies needed to progress from one management level to the next. For example, the group has implemented the following key leadership programmes over the last three years:

- International Consortium Programme for executive management

  This is an executive leadership development joint venture between large, industry-leading organisations operating on an international basis. The objective of the programme is to deliver an exceptional leadership experience that develops a deeper understanding of global economic, business and societal challenges in a highly responsive and open learning environment. There were 10 executives on the programme in 2003.

- Wings for senior management

  This programme builds an international understanding of the local context of doing business, as well as looking at international best practice. The programme is run in collaboration with the Gordon Institute of Business Science. There were 27 employees on the programme in 2003.

- Challenge for senior management

  This is a programme designed to present a challenge to delegates in terms of current business and leadership practices. There were 75 employees on the programme in 2003.

- Compass and Nova for junior to middle management

  These programmes provide guidance to future leaders on leadership tools necessary for development. There were 87 employees on the Compass programme and 159 employees on the Nova programme in 2003.

The focus on leadership development will be further enhanced in 2004 with the implementation of a customised 360-degree leadership review process. This is a follow-up to the exercise conducted in 2000 and will involve executives and managers across all levels.

A leadership skills index is being developed for implementation during 2004. This index will be used to improve performance management, development, promotion and recruitment activities.

Transformation

Transformation remains a key business imperative for Standard Bank. The group's transformation committee continues to monitor progress and provide strategic guidance. Our employment equity forums in South Africa meet regularly to monitor progress and provide feedback on our employment equity to the transformation committee.

The charter brings more challenges to the transformation agenda and we are committed to achieving its objectives. Some of the challenges for 2004 include:

- increased competition for black and female talent and fewer job market opportunities for whites;
- developing workforce management initiatives to defend our transformation achievements and maintain the advantage that we currently enjoy; and
- reinforcing our development processes.

During the year over 400 jobs were created. New appointees for the year were 68% black and 32% white.

Culture change

A consequence of transformation is a culture that values diversity. Good progress has been achieved in recent years in establishing a culture that encourages ethnic and cultural differences. Business units continue to run a variety of diversity workshops for line managers and staff to experience the group's cultural diversity firsthand.

Headcount per Standard Bank band, race and gender (%) (SBSA)

Band[2]	Year	Black[1] Female	Black[1] Male	Black[1] Total	White Female	White Male	White Total
Executive management	2003	2,6	15,0	17,6	11,0	71,4	82,4
	2002	1,8	12,9	14,7	7,5	77,8	85,3
Senior management	2003	4,3	14,0	18,3	16,2	65,5	81,7
	2002	3,2	13,2	16,4	14,8	68,8	83,6
Middle management	2003	7,6	16,3	23,9	24,9	51,2	76,1
	2002	6,0	14,0	20,0	24,6	55,4	80,0
Junior management	2003	17,2	20,2	37,4	30,4	32,2	62,6
	2002	16,4	18,5	34,9	31,2	33,9	65,1
Total management	2003	12,3	18,1	30,4	26,1	43,5	69,6
	2002	11,3	16,4	27,7	26,4	45,9	72,3
Supervisory	2003	40,4	16,0	56,4	34,3	9,3	43,6
	2002	38,3	15,1	53,4	36,6	10,0	46,6
Clerical	2003	51,1	23,6	74,7	20,7	4,6	25,3
	2002	50,6	22,8	73,4	21,9	4,7	26,6
Service	2003	25,0	71,4	96,4	1,1	2,5	3,6
	2002	18,3	72,4	90,7	0,5	8,8	9,3
Total non-managerial	2003	43,9	20,7	64,6	26,7	8,7	35,4
	2002	44,2	20,0	64,2	28,5	7,3	35,8
Total	2003	37,5	20,2	57,7	26,4	15,9	42,3
	2002	37,1	19,3	56,4	28,6	15,0	43,6

Headcount per Standard Bank broadband and age group (%) (SBSA)

Band[2]	Up to 20	21-30	31-40	41-50	51-60	61+
Executive management	0,0	2,1	38,5	40,6	18,4	0,4
Managerial	0,0	19,2	41,6	26,4	12,4	0,4
Non-managerial	1,7	43,1	32,1	16,7	6,1	0,3
Total	1,3	37,5	34,2	19,0	7,6	0,4

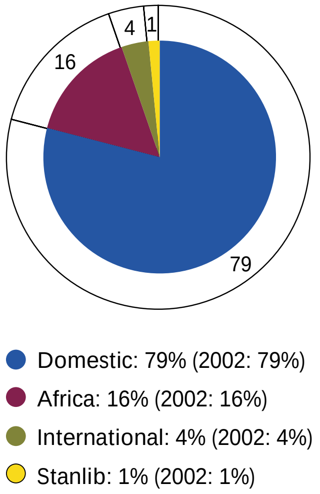
Headcount per Standard Bank race and age group (%) (SBSA)

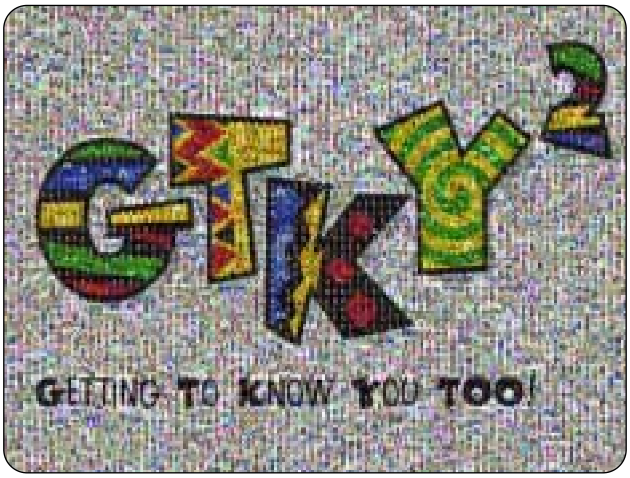
Race	Up to 20	21-30	31-40	41-50	51-60	61+
Black[1]	1,6	46,9	33,9	14,4	3,0	0,2
White	0,9	25,1	34,6	25,1	13,7	0,6
Total	1,3	37,5	34,2	19,0	7,6	0,4

[1] Black includes Africans, Coloureds and Indians.

[2] The Standard Bank bands are reported according to internal definitions and are not yet aligned to the charter definitions.

Standard Bank operations headcount (%)





To improve communications and working relationships within the group, a Getting To Know You campaign was launched in November 2002. Following the success of that campaign, a sequel, Getting To Know You Too (GTKY^2), was run in 2003. This extended the reach of the campaign to the Africa network and encouraged broader participation from staff in South Africa. Themed, This is My World, the two-month campaign recognised staff as individuals who contribute at work, home and in the community. Together they form the Standard Bank family.

As a contribution towards realising our future vision an initiative was started in 2003 that consisted of two projects run in tandem:

- Values project – To identify a set of values across the business, that will help realise our vision and develop a plan to introduce the values to the organisation.
- Living the brand project – understanding our customer and employee needs, developing an internal brand that will mobilise the organisation, and developing a plan that will encourage everyone to deliver against their own and customers' needs.

Information gathering and analysis of the findings is progressing well and is expected to be completed in 2004, followed by a rollout to all parts of the organisation.

Talent management

The group maintains a two-pronged approach to managing talent:

- managing, developing and retaining our current complement of talented employees; and
- creating talent pipelines to facilitate the continued flow of new talent into the organisation.

To aid this process, comprehensive talent reviews are undertaken twice a year. With proactive succession planning being one of the major outcomes of the process, the group executive committee and all business unit executive committees dedicate time to identifying, developing and mentoring talented individuals with the potential to fulfil key roles at business unit and corporate levels.

From a talent pipeline perspective, three important initiatives have been implemented, all of which place a strong emphasis on employment equity:

- Graduate development programmes

  This is aimed primarily at university-leavers who want to pursue careers in investment or commercial banking. Promising employees with limited experience who are completing their academic qualifications are also encouraged to apply to the programmes. There were 43 Retail Banking and 25 Corporate and Investment Banking graduates on the programme in 2003.

- Kellogg Banking Group Programme

  The WK Kellogg Foundation and Standard Bank launched the programme in 2003, which is aimed at integrating talented undergraduate students into the banking industry prior to graduation. There were 90 students on the programme in 2003.

- TOPP programme (training accountants outside public practice)

  This is a programme where accounting trainees are able to complete their commercial articles within the group over a three year period to qualify as chartered accountants. There were 13 trainees on the programme in 2003.

Employee value proposition

We are a service business operating in competitive markets and our success does, to a large extent, depend on the people we employ. To attract and retain talented people, we must be the employer of choice. To achieve this, we are undertaking a number of initiatives, one of which is to establish an effective employee value proposition that can be successfully implemented and will be unique to Standard Bank.

Skills development

The group maintains a needs-based training approach in a continuously changing environment. This flexible and dynamic approach requires ongoing diagnosis of evolving training and development needs. The group recognises that investing in people is crucial in developing human capital and enhancing its competitiveness.

The group supports the objectives of legislation aimed at promoting training, education and

development. Recent legislation includes the South African Qualifications Authority Act of 1995 and the Skills Development Levies Act of 1999. The total skills development levy paid in 2003 was R37 million and an amount of R19 million was received as a rebate.

An increase in training activities is planned for 2004 and will emphasise compliance with FAIS and the charter.

In 2003, one of the training needs was to support compliance with the Financial Intelligence Centre Act, 2001. The banking sector's education and training authority (Bankseta) commissioned the development of training material for use within the industry. Each organisation then delivered training according to their needs.

Human resources transformation

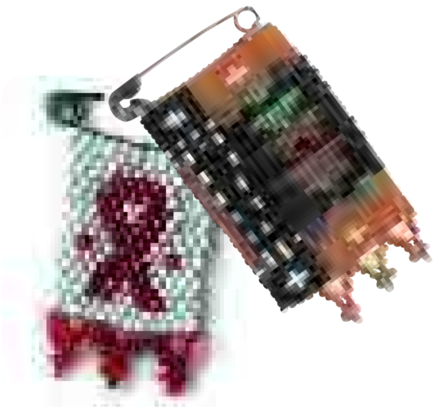
A review of the focus and structure of the human resources function was completed in 2002. The review concluded that, to improve human resources service delivery and the ability to manage talent, line management would assume ownership of, and accountability for, people management. The various human resources teams would be repositioned as change agents and business partners together with line managers. Detailed implementation planning was completed in 2003 and the implementation of most of these changes will be completed during 2004.

Human resources system

We are launching our new SAP HR system in phases. Release one was implemented in 2003 and releases two and three will be implemented during 2004. This will substantially complete the implementation of SAP HR in South Africa. Implementation in our international and African operations will follow.

The successful implementation of the computerised SAP HR management system will:

- enable long-term cost savings;
- create more efficient human resource management; and
- position Standard Bank competitively against international best practice and benchmarks.



Employee relations

The group supports individual human rights and ensures that group policies comply with the human rights provisions of the South African constitution. Where necessary, specific policies exist to promote such rights.

The group subscribes to the principle of freedom of association. Employees are free to belong to trade unions. The group recognises Sasbo as the representative and collective-bargaining agent for their members below managerial level.

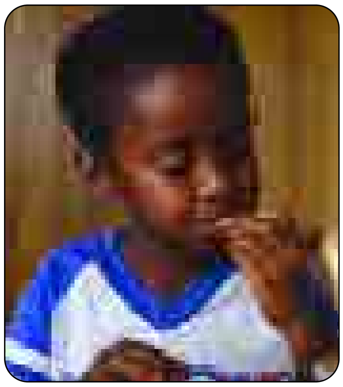
Since restructuring is ongoing within the group, a comprehensive agreement has been concluded with Sasbo to regulate the manner in which we undertake employee dismissals based on operational requirements. This new agreement provides for appropriate consultation with Sasbo and is aimed at ensuring fair treatment of staff whose job security is affected by changing operational requirements.

The group and Sasbo agreed to implement an alternative dispute resolution procedure in Gauteng from January to June 2004. This new procedure, a first in the South African banking sector, provides for certain disputes to be arbitrated by a private, independent dispute resolution agency. It is expected that the alternative dispute resolution process will significantly reduce the time taken to resolve dismissal disputes.

Compliance with labour legislation enjoys a high priority and we monitor labour policies and practices regularly to ensure our compliance with legal requirements.

A senior Sasbo representative says: “It is evident that a concerted effort has been made over the past few years to modernise and improve the human resource policies and practices. We view Standard Bank as one of the leaders in this arena – and this cuts right across from training and conditions of service to transformation.

We feel that this new way of doing things will contribute to Standard Bank becoming the employer of choice, thereby setting an example to the rest of the banking sector. They recognise us as a responsible union, committed to service excellence, professionalism and integrity.”



Employee well-being

The Independent Counselling and Advisory Service (ICAS), provides a comprehensive service to all staff members and their immediate families. The services offered by ICAS range from emotional support on a variety of issues (trauma, relationships, stress, health including HIV/Aids) to a consultancy service that gives managers access to professional assistance and coaching, and exposure to best practice on all people issues.

The utilisation of the service offered has increased. More than 4 000 cases were recorded from an average domestic staff complement in excess of 28 000. At just over R5 million, the cost of the service compares favourably with standard health care rates. The greatest value of this service is the benefit to the individual. A quarterly statistical report is compiled that provides useful information on trends without compromising confidentiality.

HIV/Aids

Jacko Maree says: “The HIV/Aids pandemic is one of the most challenging issues facing Africa and Standard Bank is taking it very seriously. While we pay attention to the facts and figures, we must not lose sight of what is really at stake here – people. We encourage all staff to equip themselves with knowledge that may well save their lives and those of their families, friends and colleagues”.

Standard Bank, together with Bankmed, FirstRand, ABSA and Nedcor, undertook a national banking sector prevalence survey between June and September 2003. More than 29 000 employees from the major banks volunteered to be tested. According to this survey, the South African banking sector has an estimated prevalence rate of 3,4%.

Africa – knowledge, attitude, perceptions and behaviour (KAPB) survey

In line with the intention of standardising all business operations and replicating best practice throughout our African operations, including South Africa, the group is committed to building its competitive advantage by developing and empowering human talent. The group has therefore launched an intensive drive to ensure that all of our African human resource practices are in line with established best practice.

The statistics on HIV/Aids released by UNAIDS show that sub-Saharan Africa is the worst affected region in the world. Some statistics on the region are as follows:

- 29,4 million people have the disease;
- there were 2,4 million Aids-related deaths in the past year;
- 10 million young people (aged 15-24) are living with HIV/Aids; and
- 3 million children under the age of 15 have the disease.

Any bank based in Africa must take the impacts of HIV/Aids seriously. As part of this process, the bank has implemented its life-threatening diseases policy in all the countries in which it operates in Africa.

Through this policy, the group is committed to facilitating staff access to education, prevention treatment and care for all life-threatening diseases, including HIV/Aids. This policy also details the group's stance on non-discrimination and the remedial procedures should any discriminatory incidents arise.

Corporate Human Resources, together with external consultants, developed a questionnaire-based survey to better assess employee knowledge, attitudes and sexual behaviour in the light of the HIV/Aids pandemic. About 7 000 questionnaires were dispatched to our operations in 12 countries.

The table below reflects the results of the survey on a number of interesting dimensions:

Total respondents	3 232
Average age of respondents	35,7 years
Percentage of staff in the 12 African countries surveyed claiming to have an HIV-positive family member	32%
Percentage of staff claiming to have had treatment for sexually transmitted infections (STI)	18%
Percentage of staff claiming to feel comfortable talking about HIV/Aids	71%
Percentage of staff claiming to have more than one sexual partner regularly	18%

The survey findings were communicated to all employees. We will also develop country-specific HIV management initiatives during 2004 to increase employee knowledge. The group remains committed to making a positive difference to the lives of our employees and their communities in all the countries in which we operate.

The table below shows the UNAIDS estimated adult prevalence rates per country.

Country	UNAIDS Adult[1] HIV prevalence estimate (%)
Botswana	38,8
Ghana	3,0
Kenya	15,0
Lesotho	31,0
Malawi	15,0
Namibia	22,5
Nigeria	5,8
South Africa	20,1
Swaziland	33,4
Tanzania	7,8
Uganda	5,0
Zambia	21,5
Zimbabwe	33,7

[1] UNAIDS/WHO Epidemiological Fact Sheet (2002 update) (http://www.unaids.org)

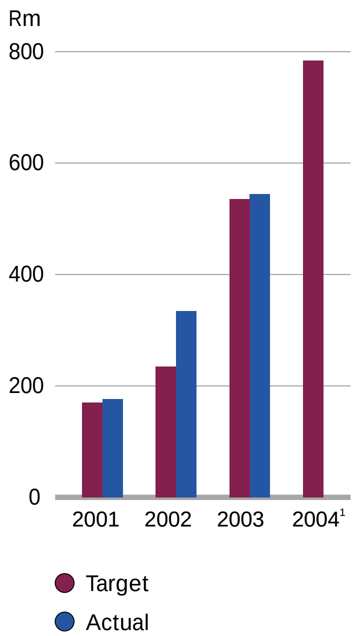
The table below sets out the Global Reporting Indicators for HIV/Aids and a description on how the bank is addressing these indicators.

Performance indicators	Topic	Description
Labour practices – HIV/Aids		
Good governance		
HIV1	Description of HIV/Aids policy	The life-threatening diseases policy was implemented in 2001. In terms of this policy, the group commits itself to facilitating access to education, knowledge, prevention, treatment, care and support for all staff in South Africa. A similar policy was implemented in the group's other African operations during 2003. The policies are in line with the International Labour Organisation's (ILO) code of best practice.
HIV2	Strategy for managing the HIV/Aids risk	The group has established a database of indicators based on inputs from an analysis of various sources to monitor and track the impacts of HIV/Aids, as well as the effect on staff of the group's various management initiatives.
HIV3	Extent of preparedness and contingency planning in anticipation of expected HIV/Aids impacts	The anticipated impacts in terms of our staff, have been adequately addressed through a number of internally focused initiatives. The group is exploring the feasibility of ensuring that all major suppliers and other major third parties are adequately covered by HIV-specific policies in their places of work.
HIV4	Monitoring of progress and reports in respect of indicators 1-3 above	Group Internal Audit regularly assesses the soundness of the group's management systems in place. Regular internal audit reports are presented to the human resources director for discussion with the chief executive.
HIV5	Stakeholder involvement in formulation of policy, strategy and implementation	Input was gathered from a host of experts: Internal (human resources and line management) and external (Sasbo and medical practitioners).
Measurement, monitoring and evaluation		
HIV6	Prevalence rates	Standard Bank, together with Bankmed, FirstRand, ABSA and Nedcor, undertook a national banking sector prevalence survey between June and September 2003. More than 29 000 employees from the major banks volunteered to be tested. According to this survey, the South African banking sector has an estimated prevalence rate of 3,4%.
HIV7	HIV/Aids-associated costs and losses	Estimated cost not available.
HIV8	Total assumed future HIV/Aids-associated costs/losses	Estimated cost not available.

Performance indicators	Topic	Description
Workplace conditions and HIV/Aids management		
HIV9	Workplace-related HIV/Aids programmes and interventions	The group uses a multimedia approach to communicate educative and motivational material. The Pieter-Dirk Uys Aids awareness videos produced in 2002 now form part of the branch staff induction programmes. A case study on the HIV project was published on the World Economic Forum's website: http://www.weforum.org/pdf/initiatives/GHI_HIV_CASESTUDY_StandardBank.pdf
HIV10	Budget allocation	R1,7 million for internal education and communication in 2003.
Depth/quality/sustainability of programmes		
HIV11	Voluntary counselling and testing	Confidential counselling is provided by ICAS, the group's employee well-being service provider sponsored by Standard Bank. The Bankmed HIV programme provides members with access to an additional R30 000 a year for each beneficiary, which covers all monitoring costs and, if required, the provision of antiretroviral therapy.
HIV12	Other support programmes	The group regularly runs targeted internal communication campaigns in conjunction with Bankmed (the group's medical aid) to promote staff health and well-being, which include an emphasis on nutrition, exercise and stress reduction.
HIV13	HIV/Aids education and training programmes	The "know your status" campaign and the Bridges of Hope intervention provide education and awareness and motivate behavioural change. These are presented to staff by trained peer educators. Information on all aspects of the group's education, training and support programmes is readily available to all staff on the intranet.
HIV14	Condom and femidom distribution programme	The group has installed condom dispensers in all staff toilets. Femidoms are not distributed.
HIV15	General health care provision	The Corporate Health department provides various health care services and regularly undertakes educational initiatives on a variety of health topics.
HIV16	Additional benefits and support for employees sick, dying or deceased from Aids-related conditions	The group provides an additional funeral benefit scheme, which is funded at group rates by staff contributions. All permanent staff are members of the Standard Bank Group Retirement Fund under which they are entitled to various death benefits, widows and orphans benefits and pension benefits.

> “We believe that a successful implementation of supplier transformation will accelerate economic transformation.”
>
> Jacko Maree, chief executive.

Spend with black suppliers



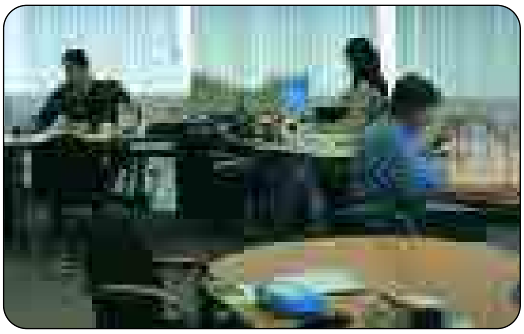
[1] Internal target to be be reviewed in the context of the charter objectives.

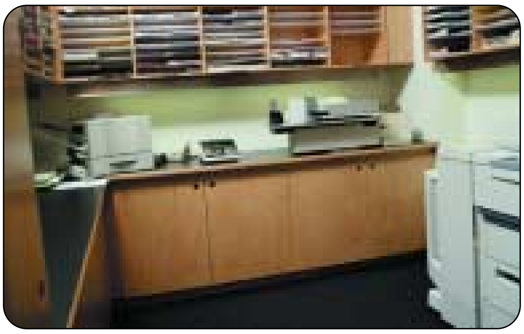
The group is committed to actively assisting broad-based black economic empowerment (BEE) initiatives in the South African economy. The group’s supplier transformation programme will contribute to the creation of a more equitable society, while aligning the group with South African business imperatives. The group will support these entities through the purchase of goods and services from such entities where appropriate, as well as encouraging its own suppliers to work with BEE suppliers in respect of the goods and services provided to the group.

The graph above shows that the total spend with black suppliers in 2003 of R544 million exceeded the group’s target.

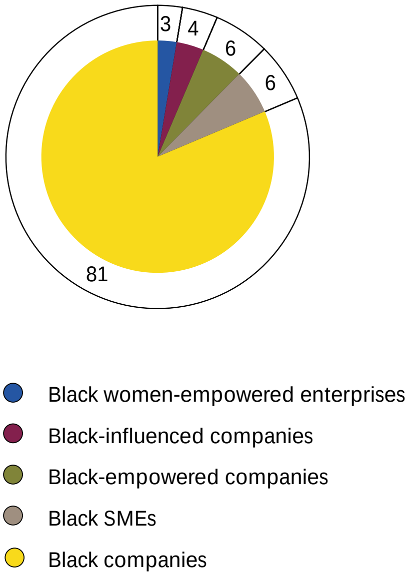
The group promotes the principles of openness, integrity and fairness in its drive to implement best procurement practices. The group’s supplier transformation policy, the small and medium enterprises (SME) procurement policy and the preferential procurement policy, together with the requirements of the charter, will govern the supplier transformation process across the group. The group is also an active participant in the interbank charter workgroup which is formulating guidelines that will govern procurement processes in line with the charter requirements.

The procurement function continually analyses the group’s controllable procurement spend to determine the potential spend that can be channelled through BEE suppliers. In determining the potential broad-based BEE spend, issues such as business risk, capital investment required to supply the goods or services, technical complexity and geographic delivery patterns are considered. A database of SME vendors has been developed to facilitate the achievement of the group’s BEE spending targets.





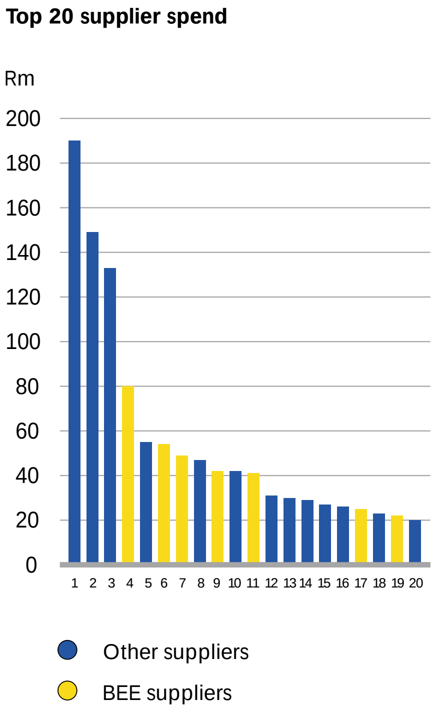
Allocation of BEE spend 2003 – in line with the charter definitions (%)

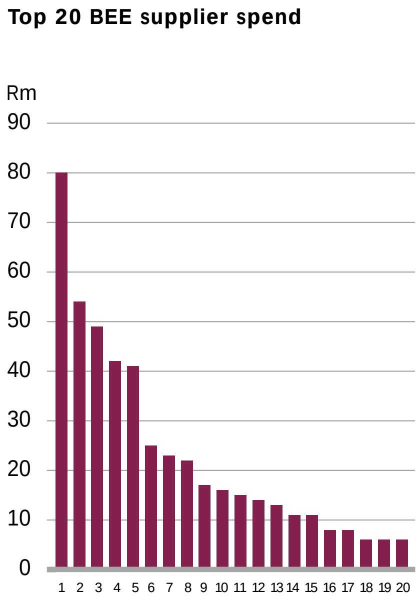


The pie chart above shows the 2003 breakdown of supplier spend categories. Significant opportunities exist to increase the group's spend in all categories of BEE suppliers. The group will put specific processes and procedures in place to achieve its BEE objectives in line with the requirements of the charter. A preferential procurement policy has been formulated to assist BEE suppliers in competing for the group's business. Focus areas in the policy include:

- driving BEE procurement behaviour at cost centre level;
- helping BEE SMEs complete tender documentation;
- making BEE status part of the supplier selection process;
- monitoring and evaluating growth in the number of, and value spend with, BEE suppliers per category; and
- developing BEE suppliers through funding initiatives and quality management.

Specialist functions have been created to manage the group's supplier transformation policy and procedures, thereby ensuring that BEE suppliers who are capable of providing a meaningful competitive service to the group are engaged. These suppliers are added to our approved supplier database and are then considered for any business requirements that may arise.





The group's supplier transformation policy, coupled with the charter, will provide the framework for engaging suppliers. When tenders are awarded, our tender adjudication panels are fully aware of the group's transformation policies, as well as our social and environmental responsibilities.

The graph above left, shows that seven of the top 20 suppliers in terms of rand spend are black suppliers.

Priorities

The charter established a standard methodology to enable participating parties to measure financial institutions' spend on a comparative basis against a target to be achieved over the next 10 years. The group is committed to meeting the charter targets of 50% spend with black suppliers by 2008 and 70% by 2014.

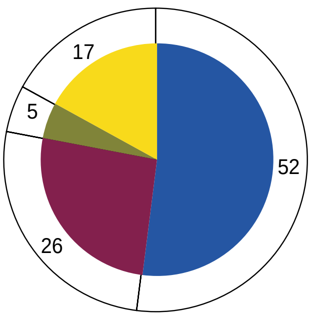
During 2004, the accreditation of all our major suppliers, representing 80% of our spend, will be a focus area. A supplier engagement strategy will be formulated to ensure the achievement of the group's supplier transformation objectives. Special attention will be given to BEE SMEs to provide assistance for them to obtain accreditation and improve their competitiveness.

Supplier transformation is an ongoing process and the group is committed to supporting and promoting BEE suppliers.

> "The public image of the bank and the quality of its relationships with a broad spectrum of stakeholders such as government, organised business, non-governmental organisations and labour, have a direct impact on how the bank conducts business."

Ricky Naidoo, director, social strategy.

Corporate social responsibility spend in 2003 (%)



- Corporate social investment – R22 million
- Public affairs – R11 million
- Corporate subscriptions – R2 million
- Sponsorship development – R7 million

Corporate Social Responsibility (CSR)

The four pillars of the CSR function are corporate social investment (CSI), public affairs, corporate subscriptions and sponsorship development. Further details on CSI can be found on page 237.

In 2003, the Bank committed R42 million towards its CSR programme.

Public Affairs

The mandate of the Public Affairs division is to monitor the policy and legislative environment, establish and maintain relationships with stakeholders and deal proactively with their perceptions, as well as foster public-private partnerships in furtherance of good corporate citizenship.

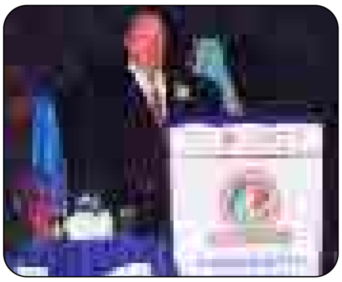
In 2003, the total spend for public affairs was R11 million. The activities of the Public Affairs division are focused in four areas: public sector training, public interest projects, service excellence and SME capacity building initiatives.

- **Public sector training**

  In 2003, the Bank spent R2,3 million on a capacity building programme targeted at the public sector. The strategic objective of this programme was to provide financial and leadership training to political decision makers and officials working in the finance environment at national, provincial and local government level.

  The bank is a partner with, and supports, the Applied Fiscal Research Centre (Afrec) that offers a Public Financial Management Training Initiative (PFMTI) to political decision-makers and financial managers in the public sector. This programme is aimed at building the management and financial skills of both these target groups at national and provincial government and is endorsed by the National Treasury.

  Similar to the PFMTI, the bank is a partner with the KwaZulu-Natal Local Government



Association (Kwanaloga) and the University of Durban-Westville and grants financial support to their executive leadership programme. The programme focuses on leadership and municipal budgeting and financial management at local government level. The association presented graduation certificates to 30 course participants during the year.

These programmes are conducted to promote good financial accountability and quality service delivery in the public sector.

- **Public interest projects**

In pursuit of its policy objectives of building a positive public image of the Bank and establishing strategic partnerships through the promotion of economic development, strengthening civil society and entrenching multiparty democracy we spent over R5,7 million on a range of public interest projects.

Major projects supported in 2003 included:

- the launch of Southern African Development Community Organisation of Public Accounts Committees (SADCOPAC) – the association will play an active role in ensuring transparency and accountability in the public sector within the South African Development Community (SADC) countries;
- New Partnership for Africa Development (Nepad) – in partnership with the Nelson Mandela Metropolitan Council. The conference attracted delegates from across Africa;
- the Northern Cape International Trade and Investment Expo;
- the African Renaissance Conference;
- the South African Jewish Board of Deputies;
- the Gauteng Women's Dialogue;
- the Institute of Local Government of South Africa;
- the Kwanaloga Municipal Manager Conference; and
- the South African National Editors Forum.

- **Premier's Service Excellence Awards**

The Premier's Service Excellence Awards is a flagship project managed by the Public Affairs division. Through its investment of R1,5 million, the bank, in partnership with Government, has focused on an innovative way to promote excellent service delivery within the public sector.

Six provinces are currently participating in the awards scheme. Discussions are under way to include the Free State, Western Cape and Limpopo provinces.

- **Small and medium enterprise capacity building**

Cognisant of the reality that our country is faced with the problem of unemployment and that small businesses struggle to access finance, the group develops partnerships with a view to supporting capacity-building programmes for SMEs.

The SME capacity-building programme is motivated by the need to develop the skills base of SMEs and grow the economy. Three partnership agreements, totalling R1,5 million, were signed between Standard Bank and the following control projects:

- the Uitenhage Despatch Development Initiative;
- the Ethekwini municipality; and
- the Western Cape Provincial Government.

Standard Bank has joined the Gauteng Provincial Government in a drive that will help entrepreneurs create viable businesses. The programme, Blue Catalyst, is a public-private sector partnership between the provincial government's Blue IQ development project and a virtual network of organisations and individuals dedicated to uplifting small businesses.

Corporate subscriptions

To build constructive and mutually beneficial relationships in South Africa, Africa and increasingly, around the world, Standard Bank retains active membership of several important international and regional organisations.

In this regard, the Bank has contributed R2 million as part of its corporate subscriptions to various organisations including the Black Management Forum, Business Against Crime, World Economic Forum, National Business Initiative, South African Institute for International Affairs and Centre for Development Enterprise.

Policies and practices

The Standard Bank Public Affairs division maintains an ongoing programme of reviewing the group's public affairs policies and practices. The goal is to maintain and, where possible, enhance an effective public affairs strategy that adapts to the changing South African political, social and economic environment. This challenge has grown in importance over the last decade in line with South Africa's national transformation agenda and the evolution of the country's democracy.

Our Public Affairs team revised the group's public affairs policy and strategy during 2003. The new policy and strategy will be phased in during 2004.

Standard Bank continues to broaden its focus on stakeholders and, in general, to increase its programmes aimed at building relationships, lobbying and managing the important public perceptions and issues of our time.

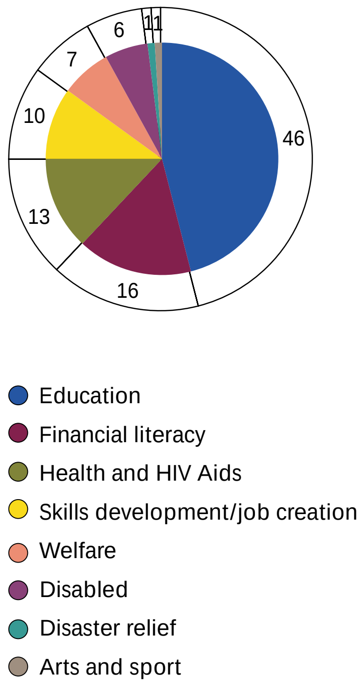
Political party funding

In recognition of the tenth anniversary of democratic rule and in support of multiparty democracy, the group has decided to make an exception to its political party funding policy by allocating R5 million to the registered political parties contesting the 2004 election. The formula for the group's funding allocation is in accordance with that used by the Independent Electoral Commission.

> "We celebrate the 10th anniversary of South Africa's democracy with a great sense of achievement, but also realise that we face many developmental challenges in the next decade."

Ricky Naidoo, director, social strategy.

Corporate social investment spend in 2003 (%)



Through the Standard Bank Foundation (the foundation), we support projects that contribute to the socio-economic development and empowerment of historically disadvantaged groups in areas such as education, financial literacy, health and job creation. We also sponsor the arts and sport. In pursuit of the objectives of the charter, the foundation supports developmental projects that contribute towards the transformation of South African society.

Corporate social investment

The CSI spend in 2003 was R22 million (2002: R12 million). The spend allocation is shown in the pie chart above.

Education

Education and community development continues to remain as the key focus areas for the Bank's CSI programme.

As a priority focus area, the Bank continues to increase its investment in the education sector. In this regard, we invested R9 million in the following flagship projects:

- Financial Literacy;
- The Standard Bank and Liberty Learning Channel; and
- The Mindset Network.





Financial Literacy

The financial literacy programme has been integrated into secondary-school curricula across South Africa. The Gauteng Institute for Educational Development produced the educational material in partnership with the bank and the Gauteng Department of Education.

The programme partners successfully piloted the financial literacy programme through 1 000 Gauteng schools in 2000.

The programme is part of the Government's outcomes-based education curricula. Since 2000, it has been introduced to more than 2,5 million learners across South Africa. Aimed at young South Africans, the programme has three primary objectives:

- to increase and improve financial literacy and awareness;
- to improve personal financial management skills; and
- to promote entrepreneurship and financial independence in pursuing careers.

Since inception, the group has spent in excess of R10,5 million on the project and more than 1,6 million learner guides and 11 000 educator guides have been distributed countrywide. Plans are under way to include the Limpopo and Mpumalanga provinces.

Standard Bank and Liberty Learning Channel

The foundation has also partnered the Liberty Foundation on the Liberty Learning Channel to promote mathematics and science education at primary and secondary school levels. A total of R5 million was spent on this programme in 2003. This programme is further underpinned by a print initiative with the major national and provincial media.

Mindset Network

Mindset Network, a multi-million rand project was launched in 2003 with SBSA as one of the founding partners. The high school channel,

Activate, delivers free educational content material through the broadcast and print media. The focus of the Activate channel is on promoting mathematics, science, biology and English.

Some of the other educational project highlights include:

- the Centre for Education in Economics and Finance. Africa (CEEF.Africa), that plays a prominent role in providing education to public sector officials. It provides postgraduate diplomas in economic principles, and masters degrees in economics and finance, in conjunction with the University of London.
- the Mathematics Centre for Professional Teachers (MCPT), which is dedicated to helping mathematics educators advance and improve the teaching of mathematics in secondary and primary schools, and in developing effective teaching aids for mathematics. The centre operates countrywide and, during 2003, Standard Bank sponsored the MCPT's programme to assist 40 underresourced schools in the Free State and Northern Cape.
- the Programme for Technological Careers (Protec), which prepares secondary school learners for successful integration into businesses in scientific and technological fields;
- the Supplementary Education Programme (Supedi), which provides supplementary education through 35 centres countrywide to school learners on Saturday mornings and during school vacations for mathematics, science and English;
- the Star Schools Incubator Saturday School, which provides supplementary lessons for grade 11 and 12 learners in mathematics, accounting, science and English; and
- the award-winning Ntataise Trust, which has already trained 2 000 rural women to become pre-school teachers and to assist, in turn, 60 000 children.

Community development

Funds were invested to assist with poverty alleviation, crime prevention, health care, welfare and the fight against the HIV/Aids pandemic. The foundation supports disadvantaged communities, in particular women, children and the disabled.

Major projects in 2003

Robben Island – R1 million

Standard Bank sponsored the Robben Island Gateway for the Education and Training programmes. The programmes are aimed at empowering and educating South African children, youth and adults about the importance of Robben Island and its heritage.

Cape Women's Forum – R1 million

Standard Bank Foundation supports the Philani Project which is a health programme implemented at national level. The aim is to

train primary health workers in farming communities.

Topsy Foundation – R600 000

The Topsy Foundation partners rural communities to bring about change through a multifaceted approach to the consequences of HIV/Aids. Three interrelated programmes operate together to prevent HIV/Aids and alleviate its consequences. The three programmes are the home-based care community outreach programme, the in-house care programme and the training and poverty alleviation programme.

National Institute for the Prevention of Crime and Rehabilitation of Offenders (NICRO) – R400 000

The Economic Opportunities Programme, managed by NICRO, works with families and individuals affected by crimes. They receive skills and entrepreneurship training. The aim of the programme is to equip these individuals with skills that will enable them to contribute to the upkeep of their households. The Standard Bank Foundation is currently funding the programme in Mpumalanga, Limpopo and the Northern Cape.

Heartbeat – R400 000

HeartBeat is a developmental NGO that currently works in Gauteng, Limpopo and Mpumalanga. It does community development with the aim of providing care and support for child-headed households.

SA Academy of Family Practice and Primary Care – R225 000

The Foundation is a non-profit organisation formed in 1980 to develop and promote the discipline of family medicine, and to ensure that standards of family practice were maintained. Today, the Academy is the only national academic organisation in South Africa dedicated to the ongoing education and professional development of general practitioners. Its mission is to deliver quality education to doctors, empowering them to provide appropriate health care to individuals, families and communities so that all people may make an effective contribution to the nation.

Zakhele Training Trust – R200 000

The Trust provides basic and entrepreneurial skills development courses to rural women, including those with disabilities. Training is provided for skills development in such handicrafts as ceramics, curtain-making, decorative wirework, quilting and toy-making.

Once trained, the women have an opportunity to buy discounted raw materials through the trust and to sell their handiwork through various local markets, including the Zakhele store in a high-traffic tourist area alongside the route of the Banana Express train in KwaZulu-Natal.

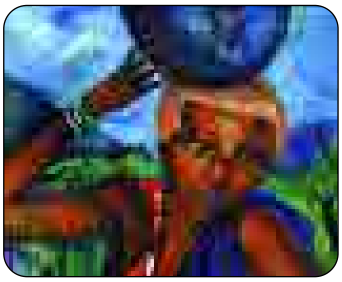
Some of the other projects that the bank is involved with include the following:

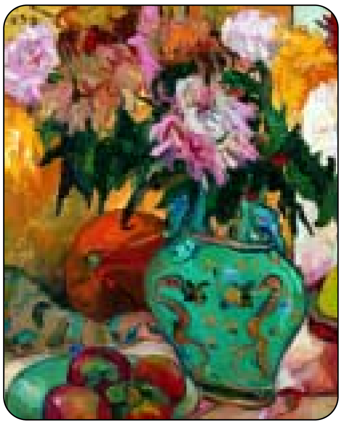
- Women Against Child Abuse – R200 000; and
- Masoyi – R200 000.

Environmental education

Standard Bank supports the World Wildlife Fund's Educating for Sustainability Programme, which focuses on using permaculture practices as a model to develop knowledge, awareness and skills on a variety of environmental issues.

Irma Stern





The programme also contributes to the schools' feeding scheme and food security within the area by providing the local communities with the necessary skills to establish home-based gardens. The foundation also supports the Delta Environmental Centre's schools outreach programme that aims to educate and train educators and learners.

Origins of humankind

Standard Bank continues to sponsor palaeoanthropological research, education and conservation in Gauteng by sponsoring the Palaeoanthropological Scientific Trust (Past). In 2003, we contributed an amount of R700 000 to Past.

Arts

Standard Bank was the senior sponsor in conjunction with the Eastern Cape Provincial Government of the National Arts Festival in Grahamstown. The annual Standard Bank Young Artists Awards are part of the festival programme.

The Standard Bank Art Gallery in central Johannesburg remains a platform for exhibiting paintings, sculptures and other works of art produced by leading South African and international artists. The gallery's highlight of the year was an exhibition of works by Irma Stern. The bank also continues to support indigenous artistic talent by purchasing original artworks for the Standard Bank Art Collection.

The Standard Bank Joy of Jazz festivals, held at various South African cities during the year, attracted many jazz enthusiasts. These festivals provide a platform for promoting both established and emerging jazz musicians. Sponsorships included the National Youth Jazz Band, the Johannesburg Philharmonic Orchestra, Buskaid and the Alexandra Music Project. In 2003, we contributed an amount of R1,7 million to jazz development.

Sport

Cricket development

Standard Bank has been the principal sponsor of one-day cricket in South Africa since 1996.

The sponsorship helps aspiring young cricketers hone their skills and obtain the necessary equipment, especially in remote and poorer communities. Through merchandising cricket souvenirs at one-day cricket matches, we are able to donate royalty income to South Africa's Cricket Development Fund. Cricketing equipment and scoreboards were donated to cricket clubs in historically disadvantaged communities.

The Legacy Programme

Last year we announced the formation of the three-year, R25 million, Legacy Programme in partnership with the United Cricket Board (UCB), South African Breweries, the departments of Sport and Recreation, and Trade and Industry. We are involved in building and upgrading 50 cricket ovals around South Africa as part of a wider UCB cricket development programme to promote a passion for cricket in underresourced communities.

Standard Bank, in partnership with the UCB's regional offices, also donates cricket equipment to underresourced schools around South Africa.

Branch involvement

Our ongoing cricket sponsorship programme provides opportunities for our retail branch staff to undertake marketing and customer relations exercises with a cricketing theme. The retail branches are also involved in the annual Standard Bank cricket weeks run for schools and universities. We contributed R750 000 towards sponsoring cricket weeks during 2003.

"The environment is held in public trust for the people, the beneficial use of environmental resources must serve the public interest and the environment must be protected as the people's common heritage."

The National Environmental Management Act No. 107 of 1998.

The group is committed to continually improving the management of environmental responsibilities through effective policies and programmes and responsible environmental performance.

Financial institutions can and do impact on natural and social environments – directly through internal operations and indirectly through credit extension and project financing. In the areas of direct impact, however, financial institutions have a much lower impact than other industries.

The group complies with relevant environmental legislation and regulations applicable to our operations. Any major non-conformance in environmental management is reported to the group risk management committee or the group audit committee.

With increased developments around sustainability, the group has dissolved the environmental committee and is in the process of forming a sustainability working group, to focus on the three sustainability pillars of economic, social and environmental performance. The challenge going forward is to embed the various sustainability concepts within the group.

The bank has a representative on the United Nations Environmental Programme (UNEP FI) African Task Force. This UNEP FI body is tasked with promoting an awareness of sustainability issues in Africa.

Environmental review

The group does not participate in project financing transactions before qualified independent external environmental specialists have performed a thorough environmental due diligence and risk assessment. Such assessments identify all relevant environmental risks and enable the bank to make informed decisions on the terms of participation and to avoid association with any project that may contain or create material environmental liabilities. Project Finance loan documentation contains warranties, covenants and undertakings that borrowers comply with environmental laws, environmental management plans and environmental impact reports.

Energy

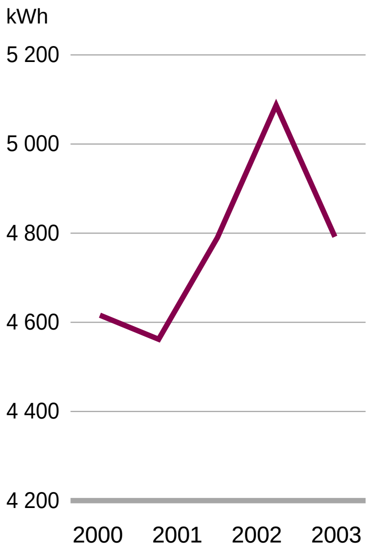
The group is committed to reducing its internal consumption of energy (mostly in the form of electricity). At our main head office in Simmonds Street in central Johannesburg, we operate building management systems to monitor and control air-conditioning and lighting.

These systems enable us to monitor the peak loads and to thereby efficiently control electricity consumption.

We conduct energy audits to monitor energy consumption and cost, and to improve the buildings' energy and indoor comfort, as well as environmental performance.

The graph on the right shows the average energy consumption of the head office buildings over the last four years. The consumption peaked in 2002 due to increased equipment installation such as personal computers and various upgrades. An additional factor was climatic conditions, which necessitated additional cooling and heating in that year.

Average energy consumption for head office over four years (kWh)



Waste

Waste is generated through the bank's normal business operations. The types of waste generated include paper, spent printer cartridges and irreparable computer parts. Initiatives are under way to recycle this waste. The amount of paper consumed throughout head office in 2003 was approximately 369 tonnes, of which approximately 36% was recycled. About 20 000 cartridges were used, of which 2% were recycled.

Water

Water consumption is regularly monitored through monthly municipal accounts and various sub-meters installed in air-conditioning units. Problems were experienced in obtaining accurate water readings and, as a result, the bank will be installing its own meters to monitor water consumption.

We have instituted systems to conserve water consumption. Humidification water from our air-conditioning units is recovered to supply recycled water for bathrooms at the head office buildings in Simmonds Street. Water is also recycled for evaporative cooling.

Emissions

Emissions to air and water are limited due to the nature of our business. Great care, however, is taken to enhance environmental conditions through the improvement of air quality and maintenance of good air volumes in the buildings.

The refrigerants used in our cooling plants comply with the Montreal Protocol and contain no banned chlorofluorocarbons (CFCs).

Occupational health and safety (OHS)

The group is committed to providing a safe and healthy work environment for employees and complying with all applicable legislative, regulatory and supervisory requirements, in particular the Occupational Health and Safety Act of 1993.

The OHS department released the group's occupational health and safety policy in April 2003. The policy is communicated to staff through our intranet site, our Blue Wave internal television broadcasts and information pamphlets.

Examples of our major health and safety risks include:

- emergency preparedness and response;
- ergonomics;
- accidental falls and slips;
- contractor management; and
- cash-in-transit robberies.

The OHS department's main responsibilities include:

- communicating responsibilities in terms of the Occupational Health and Safety Act;
- staying abreast of changes in the laws and regulations impacting the group's business and communicating this to the appropriate parties by meeting with stakeholders, management and staff;
- annually reviewing and updating our group OHS policy;
- establishing competence and awareness through effective training and communication;
- monitoring compliance with the Occupational Health and Safety Act of 1993; and
- regularly reporting the status of all key group occupational health and safety issues to management.

There is continual monitoring of the workplace health and safety risks through applied risk management plans. Regular reports are submitted to the group executive committee and the group audit committee. The South African businesses reported 249 workplace-related injuries in 2003 compared with 209 in 2002. There was one cash-in-transit fatality during 2003.

Contractors

Standard Bank is committed to providing a safe and healthy workplace for contractors and subcontractors in accordance with the Occupational Health and Safety Act, and internal policy.




In meeting these requirements, the group seeks to:

- ensure that contractors and subcontractors work in a healthy and safe manner and are not harmed (or do not cause harm to others) while working on the bank's premises;
- promote measures to prevent injury and illness by insisting on safe methods, safe equipment, proper materials and safe practices at all times; and
- maintain a list of preferred contractors who are eligible to tender for work in terms of meeting or exceeding the group's standard for health and safety.

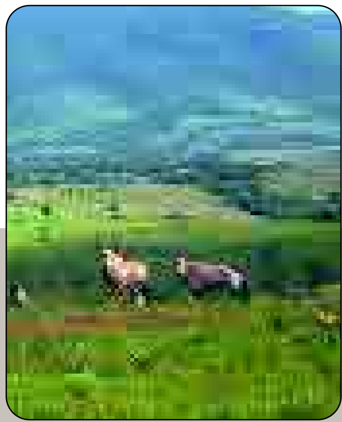
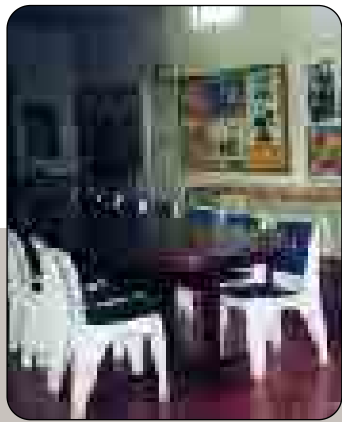
Priorities going forward

One of the priorities is to provide ongoing general awareness in the development and delivery of appropriate health and safety training that will assist in the management of OHS within the group.

Future focus will be on providing in-house skilled, comprehensive and professional advisory service to all employees and customers, including contractors, and addressing the individual and particular needs of the organisation as well as industry-based issues on modern health and safety management.



MOGALE'S GATE

Mogale's Gate – The gate to the past and the key to the future

As part of the group's commitment to conservation and education, it owns a 3 060ha farm, Mogale's Gate, about 20 kilometres north-west of Mogale City (Krugersdorp).

Mogale's Gate is an ideal place to learn about the environment at either the Bush School or the Environmental Educational Centre. The types of animals found on the farm include eland, blesbok, giraffe and wildebeest. There are more than 900 different species to be found, including birds and insects. More than 23 000 children have visited Mogale's Gate since 1997. With a Standard Bank Foundation donation, the farm entertained and educated 11 schools and institutions for the mentally challenged, the hearing impaired and children from black communities in 2003.

A typical day at the farm begins with the children arriving at the Bush School in the morning, followed by a game drive. After the game drive, there is a presentation and discussion about conservation. The children get to handle animal skins and horns. The children then move down to the Environmental Educational Centre where they have lunch. After lunch, they are taken on a bush walk along the river and return to the Environmental Educational Centre at the end of the day.

This farm is also used for teambuilding, workshops, conferences and client meetings. More than 2 000 clients and Standard Bank staff were hosted at the farm during the year.

In September 2001, Standard Bank donated 100ha of Mogale's Gate to the Cradle of Humankind to enable the building of the site's main interpretation centre. The project should be completed in 2005. It is expected that more than 500 000 tourists will visit this World Heritage Site annually.

> "We are firmly committed to achieving the balance between creating value for our shareholders, through our involvement and investment in the development of the continent, and the well-being of the society in which we operate."

Sim Tshabalala, managing director, Africa.

The group has a presence in 16 African countries outside South Africa. Through this network, we offer a wide range of banking products in retail, business and investment banking.

Operational review

Throughout 2003, the proliferation of a retail banking offering to selected markets in Africa continued and Africa's branch network now exceeds 210 points of representation and 200 ATMs in selected countries. The continued expansion of our ATM network in Africa has been welcomed in local markets.

During 2003, a customer market segmentation framework was agreed whereby our retail offering will be expanded to five specific market segments covering the full spectrum of the bankable population.

Expanding our product offering to include the full range of transactional, deposit, loan and card products remains a priority and good progress has been made.

Significant capital investments have been made to upgrade our branch network, install a new IT platform and implement a uniform operating model aligned to our South African operations. This has resulted in improved focus on operational efficiency, service delivery and sales growth as evidenced by a 55% increase in the opening of new accounts since the fourth quarter of 2003.

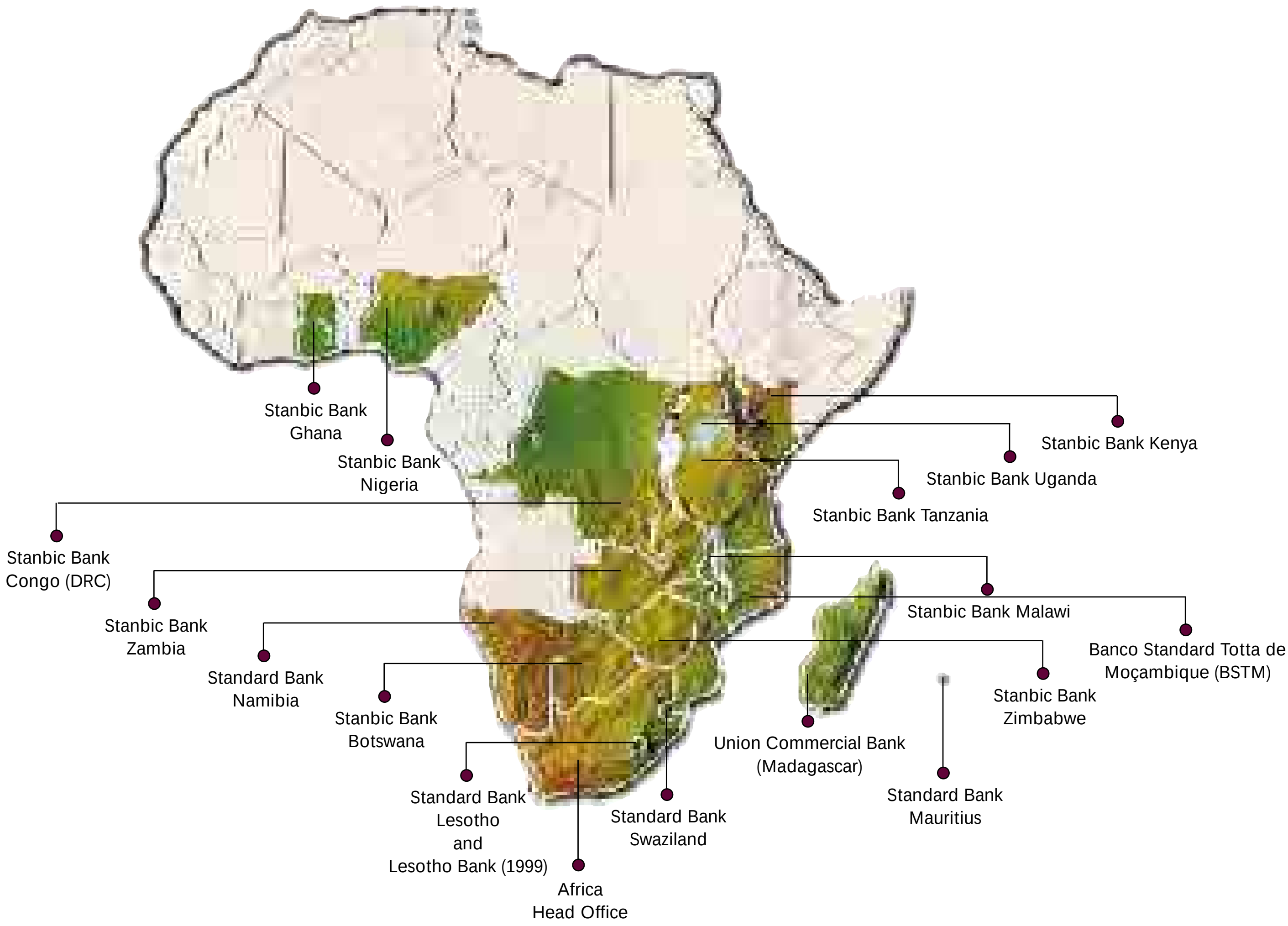
The response to our rebranding initiatives was positive and the recent introduction of high-profile sales campaigns, underpinned by team-based staff incentives, have resulted in higher than expected inflows of new accounts in some of our key retail markets.

Following the improved capacity, capabilities and competencies in the branch network, a decision was made to conduct an experimental customer acquisition campaign in Uganda. This campaign was run over 10 weeks and was underpinned by a brand positioning communication campaign and a branch staff incentive. The inflow of new accounts, during the 10 week campaign, more than doubled to 37 000 and ATM volumes now exceed 240 000 transactions per month in Uganda.

Investments have been made in the training of our staff and a number of new training and development programmes were introduced throughout the network in 2003. Examples include leadership development programmes, product knowledge and sales, and service soft skills training. Career development programmes have also been implemented in newly acquired operations.

In upgrading our infrastructure across Africa, we have adopted an approach whereby local in-country suppliers are used. This has already been implemented in Malawi, Uganda and Zimbabwe.

Africa representation



In managing our suppliers, emphasis is placed on accredited BEE partners, both domestically and across Africa.

Corporate social responsibility

Africa believes in acting as a non-exploitative and socially responsible bank through both its core business practices and the support of community programmes aimed at the betterment of the societies within which it operates. Each African operation commits one percent of profit after-tax towards funding social responsibility programmes.

Africa focuses its social investment spend in four defined focus areas for the greatest impact. These are science; technology and energy; human development; and skills development in the field of commerce.

During 2003, some 80 corporate social investment projects were supported throughout Africa.

GRI content index

The content index below comprises indicators from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, as well as references to the indicators in the report.

Performance indicators	Topic	Page	Description
1	Vision and strategy	12, 202	2003 Group review/ Introduction by the chairman and chief executive
2.1 – 2.8	Organisational profile	18, 128	Business unit reviews/Segment reporting
2.9	List of stakeholders	201	Sustainability reporting framework
2.10	Contact details	275	Contact details
2.11	Reporting period	111	Year ended 31 December 2003
2.12	Date of most recent previous report	–	31 December 2002
2.13	Scope/boundaries	202	Domestic operations in the main
2.14	Significant changes in size, structure, ownership, products/services	18, 105	Business unit reviews/Directors' report
2.15	Basis for reporting	114, 250	Accounting policies/GRI content index
2.16	Restatements of information	114, 174	Accounting policies/Change in accounting policy
2.17	Decision not to apply GRI principles	–	Some principles applied, to be improved on in future reports
2.18	Criteria/definitions	100	Only financial definitions provided
2.19	Significant changes in measurement methods	–	Not relevant
2.20 – 2.21	Independent assurance	–	Not commissioned
2.22	Information availability	211, 275	Investor relations and website/ Contact details
3.1 – 3.5	Governance	36-57	Corporate governance
3.6	Organisational structure and key individuals responsible for oversight, implementation and audit of economic, environmental, social and related policies	58, 243	Risk management report/Environment
3.7	Code of conduct	47, 207	Corporate governance
3.8	Mechanisms for shareholders to provide recommendations for direction to the board of directors	256	Shareholders encouraged to attend AGM
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3.13	Precautionary principle	–	Awaiting executive committee approval
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3.15	Industry and business association membership	208, 236	Governance/Public affairs
3.16	Policies for supply chain management	231	Suppliers
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3.18	Decisions regarding location or changes in operations	12, 105, 196	2003 Group review/Directors' report/ International representation
3.19	Programmes and procedures relating to social, economic and environmental performance	199-253	Sustainability report
3.20	Certification status	–	Not certified

Performance indicators	Topic	Page	Description
	Economic performance indicators		
EC1	Net sales	111	Income statement
EC2	Geographic breakdown of markets	128	Segment reporting
EC3	Cost of all goods and services purchased	205	Value added statement
EC4	Percentage of contracts paid in accordance with agreed terms	–	Not measured for purposes of this report
EC5	Total employee remuneration	111, 205	Income statement/Value added statement
EC6	Distributions to providers of capital	205	Value added statement
EC7	Increase in retained earnings	113	Statement of changes in shareholders' funds
EC8	Total taxes of all types paid	111, 205	Income statement/Value added statement
EC9	Subsidies received	225	Skills development levy
EC10	Donations by type	237	Society and the community
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EN2	Percentage of materials used that are recycled material wastes from external sources	243	Environment
EN3	Direct energy use	243	Environment
EN4	Indirect energy use	243	Environment
EN5	Total water use	243	Environment
EN6	Land leased, owned or managed in biodiversity-rich habitats		Not available but direct impact of group's activities not significant in all instances
EN7	Description of the major impacts on biodiversity associated with the organisation's activities and/or products in terrestrial, freshwater, and marine environments		Not available but direct impact of group's activities not significant in all instances
EN8	Greenhouse gas emissions		Not available but direct impact of group's activities not significant in all instances
EN9	Ozone-depleting substances emissions		Not available but direct impact of group's activities not significant in all instances
EN10	Significant air emissions by type		Not available but direct impact of group's activities not significant in all instances
EN11	Total amount of waste by type and destination		Not available but direct impact of group's activities not significant in all instances
EN12	Significant discharges to water by type		Not available but direct impact of group's activities not significant in all instances
EN13	Significant spills of chemicals, oils and fuels		Not available but direct impact of group's activities not significant in all instances
EN14	Significant environmental impacts of principal products and services		Not available but direct impact of group's activities not significant in all instances
EN15	Percentage of weight/volume of products sold that are reclaimed by the reporting organisation after use		Not available but direct impact of group's activities not significant in all instances
EN16	Incidents/fines for non-compliance with international conventions or local legislation	–	Not significant

Performance indicators	Topic	Page	Description
	Social performance indicators		
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LA2	Net employment creation and average turnover	221	Employees – average turnover not disclosed
LA3	Union representation	–	Not disclosed
LA4	Policies/procedures on negotiations with employees over changes in operations	226	Employees
LA5	Occupational accidents and diseases	244	Occupational health and safety – information on lost days and absentee rates not disclosed
LA6	Health and safety committees		
LA7	Injury, lost days and absentee rates and work related fatalities		
LA8	Policies and programmes on HIV/Aids	227-230	Employees
LA9	Average hours of training per employee	–	Not disclosed
LA10	Transformation policies and procedures	221	Employees
LA11	Composition of senior management and corporate governance bodies	34, 36, 222	Board of directors/Corporate governance/Employees
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HR1	Policies and guidelines dealing with human rights	226	Employees
HR2	Consideration of human rights impacts in making business decisions		
HR3	Policies/procedures to evaluate human rights performance within supply chain		
HR4	Global policy/procedures preventing discrimination of any form		
HR5	Policy on freedom of association independent of local laws		
HR6	Policy excluding child labour		
HR7	Description of policy to prevent forced and compulsory labour		
	Society		
SO1	Policies to manage impact of operations on communities	237	Society and the community
SO2	Policy/procedures for addressing bribery and corruption	60, 208	Risk management/Corporate governance
SO3	Policy/procedures for managing political lobbying and contributions	236	Public affairs
SO4	Awards received for social, environmental and ethical performance	4, 206	2003 awards/External recognition
	Product responsibility		
PR1	Policy for preserving customer health and safety	–	Limited relevance
PR2	Product information and labelling policy/ procedures	–	Product information provided to customers
PR3	Consumer privacy	216	Customers

Standard Bank sustainability report feedback form

As part of our commitment to improving our sustainability reporting, we would appreciate your feedback on our 2003 sustainability report.

What is the nature of your relationship with Standard Bank?

Academic		Journalist	
Analyst		NGO	
Customer		Shareholder	
Employee		Supplier	
Government offical		Other	

Does this report address the sustainability issues that are of greatest importance to you?

Comprehensively		Partially	
Not at all			

What was your overall impression of the report in terms of:

	Excellent	Good	Fair	Poor
Content				
Design				

Additional comments

____

____

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____

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Can we quote your comments in the future?

Yes ☐ No ☐

Name, address and email (optional):

____

____

____

____

Thank you for your participation.

Please forward your comments to:
Group secretary
Fax: 011 636 4207
email: Loren.wulfsohn@standardbank.co.za
www.standardbank.co.za

Shareholder information

Contents

Chairman's letter to shareholders

Dear shareholder

The annual general meeting of the Standard Bank Group Limited will be held in the HP de Villiers Auditorium, Standard Bank Centre, 6 Simmonds Street, Johannesburg on Thursday, 20 May 2004 at 9h30. This letter explains the business to be conducted at the meeting.

The annual report for the year ended 31 December 2003 will also be available on the website at www.standardbank.co.za.

Explanatory note on resolutions

Resolution 1

Receive and adopt the annual financial statements for the financial year ended 31 December 2003 – this is ordinary business and there are no special items to bring to the attention of shareholders.

Resolution 2

Ratify the payment of £10 000 in respect of directors' fees for international directors – during the financial year the board of directors sought to attract and retain directors of highest quality and to increase international representation on the board. Two international directors were appointed to the company's board and pro rata directors' fees, in line with international norms, have been paid to them. You are requested to ratify the payment of these fees by passing this resolution.

Resolution 3

Approve the non-executive directors' fees for 2004 – in resolutions 3.1 to 3.10, you are asked to approve the fees for non-executive directors for 2004. The fees are considered by the remuneration committee to be in line with market trends and have been recommended by the board.

Resolutions 4.1 to 4.9

Elect directors – reappoint those directors who retire by rotation and those who were appointed for the first time during 2003, all of whom offer themselves for re-election. Abridged curriculum vitae are included in the notice.

Resolution 5.1

Group Share Incentive Scheme ("Scheme") – control of shares. This resolution provides the directors with the ability to allot and issue shares for the practical functioning of the scheme.

Resolution 5.2

Control of unissued ordinary shares – this resolution provides the directors with the ability to allot and issue ordinary shares, other than those required for the Scheme, during the course of the year up to a maximum of 10% of the ordinary shares in issue at 31 December 2003.

Resolution 5.3

Control of unissued non-redeemable, non-cumulative, non-participating preference shares – this resolution provides the directors with the ability to allot and issue the abovementioned preference shares, subject to the passing of special resolutions numbers 2 and 3 (which seek to create such shares).

Resolution 5.4

General authority to make payments to shareholders – this resolution permits the directors to make payments to shareholders in terms of section 5.85(b) of the JSE Securities Exchange South Africa Listing Requirements, subject to compliance with the Companies Act and provided such payments in any one financial year do not exceed 20% of the Company's issued share capital. Any such payments would be made on a pro rata basis to all shareholders. The articles of association permit such payments.

Special resolution 1

This is a renewal of the authority given by shareholders at the previous AGM and will allow the repurchase of the company's ordinary shares by the company or any subsidiary during the course of the year.

Special resolution 2
The effect of this special resolution is to create non-redeemable, non-cumulative, non-participating preference shares of R0,01 each subject to and carrying the rights, restrictions, privileges and conditions set out in the proposed new article 184 of the Company's articles of association.

Special resolution 3
This special resolution amends the Company's articles of association by the insertion of a new article 184, that sets out the rights, privileges, restrictions and conditions that will attach to the preference shares created pursuant to the passing of special resolution 2.

Special resolution 4
The effect of this special resolution is to amend paragraph 4 of the Company's memorandum of association to reflect the increased authorised share capital of the Company pursuant to the passing of special resolution 2 to create a new class of preference shares.

Special resolution 5
The reason for this special resolution is to amend the Company's articles of association to clarify the delegation and sub-delegation of powers by the board of directors of the Company and to harmonise article 103 with other articles in the articles of association.

Attendance at the annual general meeting
Details of the time and venue of this meeting appear at the top of this letter. I encourage you to attend and vote your shares at the AGM.
If you are not able to attend, I would urge you to complete the proxy form in accordance with the instructions and return it to the address indicated.

If you have dematerialised your shares on STRATE you must submit your proxy or voting instructions to your Central Securities Depository Participant (CSDP) or broker. You will need to contact them regarding their particular cut-off time for votes to be lodged with us. If you wish to attend the meeting, you will have to approach your CSDP or broker to provide you with the necessary authority in terms of the agreement that you have entered into with them.

The introduction of the Financial Intelligence Centre Act of 2001 requires both the Company and our transfer secretaries in South Africa, to keep certain documentation (e.g. original certified copies of identity documents) on file in order to verify the identity of a shareholder when dealing with or acting on the instructions of the shareholder. We would appreciate your co-operation when you are requested to submit such documentation and thank you for your understanding in this matter.

I look forward to welcoming you at the AGM.

Derek Cooper
Chairman
9 March 2004

Notice to members

Notice is hereby given that the 35th annual general meeting of Standard Bank Group Limited ("Standard Bank Group" or "the Company") will be held in the HP de Villiers Auditorium, Standard Bank Centre, 6 Simmonds Street, Johannesburg on **Thursday, 20 May 2004** at **9h30**, for the following business:

Ordinary resolutions

1 To receive and adopt the annual financial statements for the year ended 31 December 2003, including the reports of the directors and auditors;

2 To ratify the payment of £10 000 in respect of directors fees for international directors;

3 To approve the proposed fees payable to the non-executive directors for 2004:

3.1 Chairman of Standard Bank Group[1] – R2 044 900 per annum;

3.2 Director of Standard Bank Group – R83 000 per annum;

3.3 International director of Standard Bank Group – £20 000 per annum;

3.4 Group credit committee
Member – per meeting R9 000;

3.5 Directors' affairs committee[2]
Member – R18 000 per annum;

3.6 Group risk management committee
Chairman – R94 500 per annum;
Member – R47 250 per annum;

3.7 Group remuneration committee
Chairman – R83 000 per annum;
Member – R41 500 per annum;

3.8 Transformation committee
Chairman – R71 000 per annum;
Member – R35 500 per annum;

3.9 Group audit committee
Chairman – R142 000 per annum;
Member – R71 000 per annum;

3.10 Ad hoc meeting attendance[3] – R9 000 per meeting.

4 To elect directors in place of those retiring in accordance with the provisions of the Company's articles of association.

Messrs D D B Band and D A Hawton as well as Mrs E Bradley, retire by rotation and are eligible for re-election. Messrs T Evans, T S Gcabashe, Sir Paul Judge, A C Nissen, Sir Robert Smith and Adv. K D Moroka are required to retire at the annual general meeting following their appointment and are eligible for re-election. All retiring directors offer themselves for re-election.

All the abovementioned non-executive directors, with the exception of D D B Band, are independent. Details of these directors are as follows:

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[1] Standard Bank Group Chairman's fee includes the board and all committee memberships but does not include fees for Liberty Holdings Ltd, Liberty Group Ltd or Standard Bank London Ltd. The Chairman was the chairman of the group governance and nominations committee (now the directors' affairs committee) and is currently the chairman of the group credit committee and a member of the group remuneration, transformation and group risk management committees.

[2] Previously group governance and nominations committee.

[3] Fee per meeting for attendance by non-executive director or person acting in an alternate capacity (not a member of the committee). This same fee is applicable to all committees where attendance is on an ad hoc or alternate capacity.

4.1 **Doug Band**
Age: 59
Appointed: 1997
Educational qualifications: BCom (Wits), CA(SA)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Stanlib, Tiger Brands, Business Against Crime South Africa, MTN International, MTN Group, The Bidvest Group
Member: Group audit committee, directors' affairs committee, group remuneration committee, group credit committee, Africa credit committee

4.2 **Elisabeth Bradley**
Age: 65
Appointed: 1986
Educational qualifications: BSc (Free State), MSc (London)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Wesco Investments (chairman), Toyota SA (chairman), The Tongaat-Hulett Group, Sasol, Anglogold, Metair Investments
Member: Group audit committee, directors' affairs committee

4.3 **Trevor Evans**
Age: 59
Appointed: 2003
Educational qualifications: BSc (Rhodes), Executive Programme (Marketing) (Cape Town), Executive Programme (Stanford)
Directorships: Standard Bank Group, The Standard Bank of South Africa, BlowMocan (Holdings), Nampak (chairman), Nampak Holdings (UK), Nampak International
Member: Group remuneration committee

4.4 **Thulani Gcabashe**
Age: 46
Appointed: 2003
Educational qualifications: BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Eskom Enterprises (chairman), Eskom Holdings (chief executive)

4.5 **Buddy Hawton**
Age: 66
Appointed: 1995
Educational qualifications: FCIS (Natal)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Liberty Group, Liberty Holdings, Stanlib, Kersaf Investments (chairman), Allied Electronics Corporation, City Lodge Hotels, International Resorts, Nampak, Sun Hotels International, Woolworths Holdings (chairman)
Member: Group remuneration committee (chairman), group risk management committee

4.6 **Sir Paul Judge**
Age: 54
Appointed: 2003
Educational qualifications: MA (Cambridge), MBA (Pennsylvania)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Schroder Income Growth Fund, Barclays Private Bank (advisory board), Businessdynamics Trust, The Royal Institution, The American Management Association (New York), St Dunstan's College, The Royal Society of Arts (chairman)

4.7 **Kgomotso Moroka**
Age: 49
Appointed: 2003
Educational qualifications: B.Proc (North), LLB (Unisa)
Directorships: Standard Bank Group, The Standard Bank of South Africa, Electronic Media Network (M-Net), Gobodo Forensic & Investigative Accounting, Landbank, South African Breweries, Schindler Lifts (SA)

4.8 **Chris Nissen**
Age: 45
Appointed: 2003
Educational qualifications: BA Hons and MA (Cape Town), Diploma in Theology
Directorships: Standard Bank Group, The Standard Bank of South Africa, Sea Harvest Corporation (chairman), Namibian Fishing Industries, Inkgqubela Fisheries & Marine Development, National Sea Rescue Institute, Tiger Brands, Umoya Fishing (chief executive)
Member: Transformation committee

4.9 **Sir Robert Smith**
Age: 59
Appointed: 2003
Educational qualifications: CA and Fellow of the Institute of Bankers in Scotland, Honorary Degrees (Edinburgh, Glasgow, Paisley)
Directorships: Standard Bank Group, The Standard Bank of South Africa, The Weir Group (chairman), British Broadcasting Corporation (governor and chairman), Broadcasting Council for Scotland, Scottish and Southern Energy (deputy chairman)

5 To consider and if deemed fit to pass, with or without modification, the following resolutions as ordinary resolutions:

5.1 **"Resolved** that all the ordinary shares required for the purpose of carrying out the terms of the Standard Bank Group Share Incentive Scheme ("the Scheme"), other than those which have specifically been appropriated for the Scheme in terms of ordinary resolutions duly passed at previous annual general meetings of the Company, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to allot and issue those shares in terms of the Scheme."

5.2 **"Resolved** as an ordinary resolution that the unissued ordinary shares in the authorised share capital of the Company (other than those specifically identified in ordinary resolution number 5.1), be and are hereby placed under the control of the directors of the Company who are authorised to allot and issue the ordinary shares at their discretion until the next Annual General Meeting of the Company, subject to the provisions of the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Securities Exchange South Africa, subject to the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution being limited to ten percent of the number of ordinary shares in issue at 31 December 2003."

5.3 **"Subject** to the passing and registration of special resolutions numbers 2 and 3, resolved as an ordinary resolution that the unissued non-redeemable, non-cumulative, non-participating preference shares ("Preference Shares") in the authorised share capital of the Company, be and are hereby placed under the control of the directors of the Company who are authorised to allot and issue the Preference Shares at their discretion until the next Annual General Meeting of the Company, subject to the provisions of the Companies Act, 61 of 1973, as amended, the Banks Act, 94 of 1990, as amended and the Listings Requirements of the JSE Securities Exchange South Africa."

5.4 **"Resolved** that, subject to the provisions of the Companies Act 61 of 1973, as amended, ("the Companies Act") the Banks Act 94 of 1990, as amended, and the Listings Requirements of the JSE Securities Exchange South Africa ("the Listings Requirements"), the directors of the Company be and are hereby authorised and given a renewable general authority to make payments to shareholders in terms of section 5.85(b) of the Listings Requirements, subject to the following conditions–

(a) payments to shareholders in terms of this resolution shall be made in terms of section 90 of the Companies Act and be made pro rata to all shareholders;

(b) in any one financial year, payments to shareholders in terms of this resolution shall not exceed a maximum of 20% of the Company's issued share capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE Securities Exchange South Africa prepared within the last six months, measured as at the beginning of such financial year; and

(c) this general authority to make payments to shareholders shall be valid until the next annual general meeting of the Company or for 15 months from the date of this resolution, whichever period is the shorter."

The directors of the Company are of the opinion that, taking into consideration the effect of the maximum payment in terms of this authority:

– the Company and the group would be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the notice of this annual general meeting ("the next year");

– the assets of the Company and group, fairly valued in accordance with Generally Accepted Accounting Practice, would be in excess of the liabilities of the Company and the group for the next year; and

– the share capital and reserves of the Company and the group for the next year will be adequate.

Special resolutions

6 To consider and if deemed fit, to pass, with or without modification, the following resolutions as special resolutions:

6.1 Special resolution number 1

The directors of the Company intend, if the circumstances are appropriate, to implement a repurchase of the Company's ordinary shares as permitted in terms of the Companies Act 61 of 1973, as amended ("the Companies Act") and the Listings Requirements of the JSE Securities Exchange South Africa ("the Listings Requirements") either by the Company or one of its subsidiaries. The reasons for and effect of special resolution number 1 is to generally approve, in terms of section 85(2) of the Companies Act and, in terms of section 89 of the Companies Act, the acquisition by the Company and/or a subsidiary of the Company, of ordinary shares issued by it subject to the Listings Requirements. The directors of the Company are of the opinion that, taking into consideration the maximum number of ordinary shares that could be repurchased:

– the Company and the group would be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the notice of this annual general meeting ("the next year");

– the assets of the Company and group, fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice, would be in excess of the liabilities of the Company and the group for the next year; and

– the share capital and reserves of the Company and the group for the next year will be adequate.

"**Resolved** as a special resolution that the Company approves, as a general approval in terms of section 85(2) of the Companies Act 61 of 1973, as amended, ("the Companies Act"), the acquisition by the Company and, in terms of section 89 of the Companies Act, the acquisition by any subsidiary of the Company from time to time, of such number of ordinary shares issued by the Company and at such price and on such other terms and conditions as the directors may from time to time determine, subject to the following requirements of the Companies Act and the Listings Requirements of the JSE Securities Exchange South Africa (JSE):

- the authority shall be valid only until the next annual general meeting of the Company or 15 months from the date on which this resolution is passed, whichever is the earlier;
- any such acquisition will be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades being prohibited);
- the acquisition must be authorised by the Company's articles of association;
- the authority is limited to the purchase of a maximum of 20% of the Company's issued ordinary share capital in any one financial year;
- acquisition must not be made at a price more than 10% above the weighted average of the market value for the ordinary shares of the Company for the five business days immediately preceding the date of acquisition;
- the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf;
- the Company may only acquire its ordinary shares if, after such acquisition, it still complies with the shareholder spread requirements as set out in the Listings Requirements of the JSE;
- the acquisition may not take place during a prohibited period (as defined in the Listings Requirements of the JSE);
- in the case of an acquisition by a subsidiary of the Company, the authority shall be valid only if –
  - the subsidiary is authorised by its articles of association;
  - the shareholders of the subsidiary have passed a special resolution authorising the acquisition; and
  - the number of shares to be acquired is not more than 10% in the aggregate of the number of issued shares of the Company."

6.2 Special resolution number 2

The directors intend to create non-redeemable, non-cumulative, non-participating preference shares of R0,01 each subject to and carrying the rights, restrictions, privileges and conditions set out in the new article 184 of the Company's articles of association. The effect of special resolution number 2 is to create such preference shares and to increase the Company's share capital accordingly.

"Resolved as a special resolution that the Company's authorised share capital be increased by R10 000 000,00 (ten million Rand) by the creation of 1 000 000 000 (one billion) non-redeemable, non-cumulative, non-participating preference shares of a nominal value of R0,01 each, subject to and carrying the rights, restrictions, privileges and conditions set out in the new article 184 of the Company's articles of association."

6.3 Special resolution number 3

The reason for special resolution number 3 is to amend the Company's articles of association to set out the rights, privileges, restrictions and conditions which will attach to the preference shares created pursuant to special resolution number 2. The effect of special resolution number 3, if passed, will be to amend the Company's articles of association to set out the rights, privileges, restrictions and conditions which attach to the preference shares.

"**Subject** to the passing and registration of special resolution number 2, resolved as a special resolution that the Company's articles of association be amended by inserting the following new article 184 into the articles of association:

"NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING, VARIABLE RATE PREFERENCE SHARES

184

184.1 For purposes of this Article 184 –

184.1.1 "issue price" means the actual issue price of each preference share, being the par value of a preference share plus the premium at which a preference share is allotted and issued;

184.1.2 "business day" means any day other than a Saturday, Sunday or statutory public holiday in the Republic;

184.1.3 "deemed value" means the deemed value of each preference share for purposes of calculation of the preference dividend, being an amount determined by the directors at the time of allotment and issue of the first preference share/s, notwithstanding the issue price of each preference share which may vary because of a difference in the premium at which the preference shares may be issued from time to time;

184.1.4 "Income Tax Act" means the Income Tax Act No. 58 of 1962, as amended from time to time;

184.1.5 "preference dividend" means a non-cumulative, non-participating, preference cash dividend calculated in accordance with Article 184.2.4;

184.1.6 "preference dividend accrual date" means 30 June and 31 December in each year;

184.1.7 "preference dividend payment date" means a date at least 7 (seven) business days prior to the date on which the Company pays its ordinary dividend, if any, in respect of the same period, but in any event the preference dividend, if declared, shall be payable not later than 120 (one hundred and twenty) business days after 30 June and 31 December, respectively;

184.1.8 "preference dividend rate" means, subject to Article 184.2.7, a rate that will not exceed a percentage, determined by the directors at the time of allotment and issue of the first preference shares, of the prime rate;

184.1.9 "preference shares" means the 1 000 000 000 (one billion) non-redeemable, non-cumulative, non-participating, variable rate, par value preference shares of R0,01 (one cent) each in the share capital of the Company; and

184.1.10 "prime rate" means the publicly quoted basic rate of interest expressed as a percentage per year, compounded monthly in arrear and calculated on a 365 (three hundred and sixty five) day year factor (irrespective of whether or not the year is a leap year) from time to time quoted by The Standard Bank of South Africa Limited ("SBSA") as being its prime overdraft rate as certified by any manager of SBSA, whose appointment and/or designation need not be proved. A certificate from any manager of SBSA as to the prime rate at any time shall constitute prima facie proof thereof.

184.2 The following are the rights, privileges, restrictions and conditions which attach to the preference shares:

184.2.1 Each preference share will rank as regards to dividends and a repayment of capital on the winding-up of the Company prior to the ordinary shares and any other class of shares in the capital of the Company not ranking prior to or pari passu with the preference shares, other than the 6.5% first cumulative preference shares of R1 (one Rand) each, referred to in Article 182 ("the 6.5% first preference shares").

184.2.2 Each preference share shall confer on the holder of the preference share the right of a return of capital on the winding-up of the Company, after the holders of the 6.5% first preference shares have been paid in full, an amount equal to the aggregate of the par value and premium in respect of the preference shares then in issue divided by the number of preference shares in issue, after the 6.5% first preference shares in priority to any payment in respect of any other class of shares in the capital of the Company not ranking prior to or pari passu with the preference share.

184.2.3 Each preference share will confer on the holder of the preference share the right to receive out of the profits of the Company, after the holders of the 6.5% first preference shares have been paid in full, which it shall determine to distribute, in priority to any payment of dividends to the holder of any other class of shares in the capital of the Company not ranking prior to or pari passu with the preference shares, the preference dividend calculated in terms of Article 184.2.4.

184.2.4 The preference dividend shall be calculated –

184.2.4.1 by multiplying the deemed value of the preference share by the preference dividend rate applicable on the preference dividend accrual date (determined on a 365 day year factor, irrespective of whether the year is a leap year or not), on a daily basis, in arrear, but never compounded, for the appropriate period referred to in Article 184.2.4.2; and

184.2.4.2 from the date following a preference dividend accrual date until and including the preference dividend accrual date immediately following, provided that the first dividend payment, in respect of the first tranche of preference shares issued, shall be calculated from the issue date up to and including the first preference dividend accrual date after the issue date.

184.2.5 The preference dividends shall, if declared –

184.2.5.1 accrue on the preference dividend accrual date, in arrear, calculated in accordance with Article 184.2.4;

184.2.5.2 be payable on the preference dividend payment date; and

184.2.5.3 failing payment by the relevant preference dividend payment date, be considered to be in arrear.

184.2.6 If a preference dividend is not declared by the Company in respect of the period to which such preference dividend accrual date relates, the preference dividend shall not accumulate and shall accordingly never become payable by the Company whether in preference to payments to any other class of shares in the Company or otherwise.

184.2.7 If there is an amendment or amendments to the Income Tax Act that results in the preference dividends being taxable in the hands of the preference shareholders and which results in payment of the preference dividends becoming a deductible expense for the Company, provided such amendment is uniformly applicable to all corporate tax payers and not only because of the particular circumstances of the Company or any preference shareholder, the percentage of the prime rate will be increased by the Company. Such increase will be limited to the extent that the Company incurs less cost in servicing the preference shares, which cost savings it would not have obtained but for such amendments to the Income Tax Act. If such amendments to the Income Tax Act do not result in the Company incurring lesser costs in servicing the preference shares, then, notwithstanding that such amendment may result in a decrease in the after tax returns of any preference shareholder on its holding of preference shares, no change shall be made to the percentage of the prime rate. The Company shall be entitled to require its auditors to verify whether it is obliged to increase the percentage of the prime rate in accordance with this Article 184.2.7. The auditors, in deciding whether such increase is required in terms of this Article 184.2.7, shall act as experts and not as arbitrators and their decision shall, in the absence of manifest error, be final and binding on the Company and all preference shareholders. The costs of such auditors shall be borne and paid by the Company.

184.2.8 Save as set out in Articles 184.2.1, 184.2.2, 184.2.4, 184.2.6 and 184.2.7, the preference shares shall not be entitled to any participation in the profits or assets of the Company, or on a winding-up in any of the surplus assets of the Company.

184.2.9 The holders of the preference shares shall not be entitled to receive notice of any meeting of the Company and shall not be entitled to be present or to vote, either in person or by proxy, at any meeting of the Company, by virtue of or in respect of the preference shares, unless either or both of the following circumstances prevail at the date upon which notice convening the meeting in question is posted to members –

184.2.9.1 the preference dividend, or any part thereof, remains in arrear and unpaid as determined in accordance with Article 184.2.5.3 after 6 (six) months from the relevant preference dividend payment date; and/or

184.2.9.2 a resolution of the Company is proposed which resolution directly affects the rights attached to the preference shares or the interests of the holders of the preference shares, including a resolution for the winding-up of the Company or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

184.2.10 At every general meeting of the Company at which holders of preference shares as well as other classes of shares are present and entitled to vote, a preference shareholder shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him bears to the aggregate amount of the nominal value of all shares issued by the Company.

Notwithstanding the provisions of Article 184.2.1, no shares in the capital of the Company ranking, as regards rights to dividends or, on a winding-up as regards return of capital, in priority to the preference shares, shall be created or issued, without the prior sanction of a resolution passed at a separate class meeting of the holders of the preference shares in the same manner mutatis mutandis as a special resolution. At every meeting of the holders of the preference shares, the provisions of these articles relating to general meetings of ordinary members shall apply, mutatis mutandis, except that a quorum at any such general meeting shall be any person or persons holding or representing by proxy at least 2 (two) of the preference shares, provided that if at any adjournment of such meeting a quorum is not so present, the provisions of the articles relating to adjourned general meetings shall apply, mutatis mutandis.” ”

6.4 Special resolution number 4

The reason for special resolution number 4 is to amend paragraph 4 of the Company's memorandum of association to reflect the increased authorised share capital of the Company pursuant to special resolution number 2 and this special resolution will have that effect.

"Subject to the passing and registration of special resolutions numbers 2 and 3, resolved as a special resolution that the Company's memorandum of association be amended by deleting the existing paragraph 4 of the memorandum of association and replacing it with the following new paragraph 4:

‘4. The capital of the Company is R193 000 000 (One Hundred and Ninety Three Million Rand) divided into:

1 750 000 000 (One Billion Seven Hundred and Fifty Million) ordinary shares of R0.10 (Ten Cents) each.

8 000 000 (Eight Million) 6.5% first cumulative preference shares of R1 (One Rand) each.

1 000 000 000 (One Billion) non-redeemable, non-cumulative, non-participating preference shares of R0,01 (One Cent) each.’”

6.5 Special resolution number 5

The reason for special resolution number 5 is to amend the Company's articles of association to clarify the delegation and sub-delegation of powers by the board of directors of the Company and to harmonise article 103 with the other articles in the articles of association which allow the sub-delegation of powers. The effect of special resolution number 5 will be to amend the Company's articles of association to set out the powers of the board to delegate and sub-delegate their powers under the articles of association.

"Resolved as a special resolution that the Company's articles of association be amended by deleting the existing article 103 and replacing it with the following new article:

'103. The directors may from time to time entrust to and confer upon:

103.1 a managing director and/or other executive director for the time being such of the powers exercisable under these articles by the directors as they deem fit, and may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the directors in that regard, and may from time to time revoke, withdraw, alter or vary all or any of such powers;

103.2 a managing director or other executive director for the time being the power to sub-delegate the powers referred to in Article 103.1 to such person or persons as he/she thinks fit, subject to such terms and conditions as the managing director or other executive director for the time being may think fit, and may from time to time revoke, withdraw, alter or vary all or any such powers.'"

Notes in regard to other Listings Requirements applying to special resolutions number 1 and 2 and ordinary resolution 5.4

1 Details of directors

Directors' details as required by the Listings Requirements of the JSE Securities Exchange South Africa, are set out on page 34 of the annual report that accompanies this notice of annual general meeting.

2 Directors' responsibility statement

The directors, whose names are given on page 34 of the annual report that accompanies this notice of annual general meeting, collectively and individually accept full responsibility for the accuracy of the information given in these notes 1 – 7 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement in these notes 1 – 7 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by the JSE Securities Exchange South Africa Listings Requirements.

3 Interests of directors

The interests of the directors in the share capital of the Company are set out on page 109 of the annual report that accompanies this notice of annual general meeting.

4 Major shareholders

Details of major shareholders of the Company are set out on page 48 of the annual report that accompanies this notice of annual general meeting.

5 Share capital of the Company

Details of the share capital of the Company are set out on page 158 of the annual report that accompanies this notice of annual general meeting.

6 Material change

There has been no material change in the financial or trading position of the Company and its subsidiaries since the date of publication of the Standard Bank Group's annual results on 10 March 2004.

7 Litigation

The Company and its subsidiaries are not, and have not in the 12 months preceding the date of this notice of annual general meeting, been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Company and its subsidiaries, nor is the Company aware of any such proceedings that are pending or threatened.

Standard Bank Group shareholders holding certificated shares and shareholders of the Company who have dematerialised their shares and have elected own name registration in the sub-register maintained by the CSDP, may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the Company) to attend, speak and vote at the annual general meeting on behalf of such shareholder. A proxy form is attached to this notice of annual general meeting. Duly completed proxy forms must be returned to the transfer secretaries of Standard Bank Group or the registered office of the Company to the addresses set out below, by not later than 9h30 on Wednesday, 19 May 2004.

Standard Bank Group shareholders who have dematerialised their shares through a CSDP or broker and who have not elected own name registration in the sub-register maintained by a CSDP and who wish to attend the annual general meeting, should instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the annual general meeting, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

By order of the board
L Wulfsohn
Group secretary
9 March 2004

Registered office

9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001
(P O Box 7725, Johannesburg, 2000)
Fax No. +27 11 636 4207

Transfer secretaries in South Africa
Computershare Services Limited

11th Floor
70 Marshall Street
Johannesburg, 2001
(P O Box 61051, Marshalltown 2107)
Fax No. +27 11 370 5390

Transfer secretaries in Namibia
Transfer Secretaries (Pty) Ltd

Shop 12, Kaiserkrone Centre
Post Street Mall
Windhoek, 9000
(P O Box 2401, Windhoek)
Fax No. +264 61 248 531

Directorate

Standard Bank Group Limited

D E Cooper
Chairman

J H Maree[1]
Chief executive

D D B Band

E Bradley

T Evans

T S Gcabashe

D A Hawton

Sir Paul Judge[3]

S J Macozoma

R P Menell

Adv K D Moroka

A C Nissen

R A Plumbridge

M J D Ruck[1]

Sir Robert Smith[3]

Dr C L Stals

Dr C B Strauss

The Standard Bank of South Africa Limited

D E Cooper
Chairman

J H Maree[1]
Chief executive

D D B Band

E Bradley

T Evans

T S Gcabashe

D A Hawton

Sir Paul Judge[3]

S J Macozoma

R P Menell

Adv K D Moroka

A C Nissen

R A Plumbridge

M J D Ruck[1]

Sir Robert Smith[3]

Dr C L Stals

Dr C B Strauss

Standard Bank London Limited

J H Maree
Chairman

R A G Leith[1,3]
Chief executive

M J Botha[1,3]

D P H Burgess[3]

D E Cooper

W S Dorson[1,4]

D Feld[1,4]

I G Gibson[1,3]

N J Holden[1,3]

B J Kruger[2]

R M Mansell-Jones[3]

J M K Pearson[1,3]

M J D Ruck

C J Sheridan[3]

T R Smeeton[3]

B A Ursell[3]

T G Wheeler[1,3]

M J Wilde[1,3]

Liberty Holdings Limited

D E Cooper
Chairman

M J D Ruck[1]
Chief executive

A W B Band

D A Hawton

S J Macozoma

J H Maree

Prof L Patel

M Rapp[3]

A Romanis[3]

M J Shaw

Dr S P Sibisi

Liberty Group Limited

D E Cooper
Chairman

M J D Ruck[1]
Chief executive

H I Appelbaum[1]

A W B Band

D A Hawton

S J Macozoma

J H Maree

Prof L Patel

M Rapp[3]

A Romanis[3]

M J Shaw

Dr S P Sibisi

[1] Executive director
[2] Alternate to M J D Ruck
[3] British
[4] American

Shareholders' diary

2003 financial year

Annual general meeting	20 May 2004 at 9h30

2004 financial year

Financial year end	31 December

Reports

Interim report and declaration of interim dividend	August 2004
Summarised annual financial statements and declaration of final dividend	March 2005
Publication of annual report	April 2005

Dividend payments

Ordinary shares:	
Interim	September 2004
Final	April 2005
6,5% cumulative preference shares:	
Six months ending 30 June 2004	September 2004
Six months ending 31 December 2004	April 2005

Annual general meeting	May 2005

Standard Bank Group Limited

(Registration number 1969/017128/06)
("the Company")

For use only by Standard Bank Group Limited shareholders holding share certificates and shareholders who have dematerialised their share certificates and have elected own-name registration through a Central Securities Depository Participant ("CSDP") or broker, at the annual general meeting of the Company to be held at 9h30 on Thursday, 20 May 2004.

If you are a shareholder entitled to attend and vote at the abovementioned annual general meeting, you can appoint a proxy to attend, vote and speak in your stead. A proxy need not be a shareholder of the company.

If you are a shareholder and have dematerialised your share certificates through a CSDP or broker (and have not selected own-name registration in the sub-register maintained by a CSDP), do not complete this form of proxy but instruct your CSDP or broker to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, provide your CSDP or broker with your voting instructions in terms of your custody agreement entered into with them.

I/We ____ (Name in block letters)
of ____ (Address in block letters)
being a shareholder(s) and the holder(s) of ordinary shares of 10 cents each and entitled to vote hereby appoint (see note 1)

1. ____ **or, failing him/her**

2. ____ **or, failing him/her**

the Chairman of the annual general meeting,

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of shareholders to be held at 9h30 on Thursday, 20 May 2004, in the HP de Villiers Auditorium, Standard Bank Centre, 6 Simmonds Street, Johannesburg, and at any adjournment thereof as follows:

		Number of votes		
		For*	**Against***	**Abstain***
1	**Ordinary resolution to:** Adopt annual financial statements			
2	Ratify payment of international directors' fees			
3	**Remuneration:** Approve non-executive directors' fees (2004):			
3.1	Standard Bank Group chairman			
3.2	Standard Bank Group director			
3.3	Standard Bank Group international director			
3.4	Group credit committee			
3.5	Directors' affairs committee			
3.6	Group risk management committee			
3.7	Group remuneration committee			
3.8	Transformation committee			
3.9	Group audit committee			
3.10	Ad hoc meeting attendance			

	For*	Against*	Abstain*
	Number of votes		
4 To elect directors: 4.1 Doug Band			
4.2 Elisabeth Bradley			
4.3 Trevor Evans			
4.4 Thulani Gcabashe			
4.5 Buddy Hawton			
4.6 Sir Paul Judge			
4.7 Kgomotso Moroka			
4.8 Chris Nissen			
4.9 Sir Robert Smith			
5 Ordinary resolution to: 5.1 Place shares for the Group Share Incentive Scheme (“Scheme”) under control of directors			
5.2 Place unissued ordinary shares under control of directors			
5.3 Place unissued non-redeemable, non-cumulative, non-participating, preference shares under control of directors			
5.4 Give general authority to make payments to shareholders			
6 Special resolution to: 6.1 Give general authority to repurchase the company’s ordinary shares			
6.2 Create non-redeemable, non-cumulative, non-participating preference shares of R0,01 each			
6.3 Amend the Company’s articles of association by the insertion of a new article 184, setting out the rights, privileges, restrictions and conditions that will attach to the preference shares created pursuant to special resolution 2			
6.4 Amend paragraph 4 of the Company’s memorandum of association to reflect the increased authorised share capital of the Company pursuant to special resolution 2			
6.5 Amend the Company’s articles of association relating to the delegation of powers by the board			

* Insert a cross or tick or number of votes. If no options are marked, the proxy can vote as he/she deems fit.

Signed at ______________________________ on ___________________________________ 2004

Signature ____

Assisted by (where applicable) (state capacity and full name) ______________________________

Please provide contact details: Tel: ______________________________

Fax: ______________________________

Email: ______________________________

SBSA 101123-3/04

Please read the notes on the opposite page.

Proxy notes

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. To be effective, completed proxy forms must be lodged by not later than 9h30 on Wednesday, 19 May 2004 with either transfer secretaries or the registered office.

   Transfer secretaries:

   South Africa:
   Computershare Limted
   11th Floor, 70 Marshall Street
   Johannesburg
   PO Box 61051, Marshalltown, 2107
   fax number +27 11 370 5390

   Namibia:
   Transfer Secretaries (Pty) Limited
   Shop 12, Kaiserkrone Centre,
   Post Street Mall, Windhoek
   PO Box 2401, Windoek
   fax number +264 61 248 531

   Registered office:
   9th Floor, Standard Bank Centre
   5 Simmonds Street, Johannesburg
   PO Box 7725, Johannesburg, 2000
   fax number +27 11 636 4207.
3. The completion and lodging of this form of proxy will not preclude the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person thereat instead of the proxy.
4. The Chairman of the annual general meeting may accept or reject any proxy form which is completed and/or received other than in compliance with these notes.
5. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.
6. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company.
7. Where there are joint holders of ordinary shares:

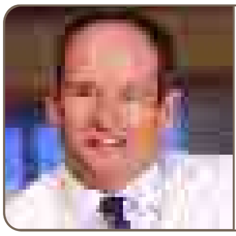
   (a) any one holder may sign the proxy form; and

   (b) the vote of the senior ordinary shareholder (for that purpose seniority will be determined by the order in which the names of the ordinary shareholders who tender a vote (whether in person or by proxy) appear in the Company's register) will be accepted at the exclusion of the vote(s) of the other joint shareholders.
8. All beneficial shareholders of ordinary shares who have dematerialised their shares through a CSDP or broker, other than those shareholders who have elected to dematerialise their shares in "own-name" registrations, must provide their CSDP or broker with their voting instructions. Voting instructions must reach the CSDP or broker in sufficient time to allow the CSDP or broker to advise the company or its transfer secretaries of this instruction by no later than 9h30 on Wednesday, 19 May 2004. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   If you have dematerialised your shares and wish to attend the meeting in person, you may do so by requesting your CSDP or broker to issue you with a letter of representation in terms of the custody agreement entered into with your CSDP or broker. Letters of representation must be lodged with the Company's transfer secretaries or at the registered office of the Company by no later than 9h30 on Wednesday, 19 May 2004. We recommend that you contact your CSDP or broker to ascertain their deadline for submission.

   Shareholders who hold certificated shares and shareholders who have dematerialised their shares in "own-name" registrations, must lodge their completed proxy forms with the Company's transfer secretaries or at the registered office of the Company by not later than 9h30 on Wednesday, 19 May 2004.

Contact details



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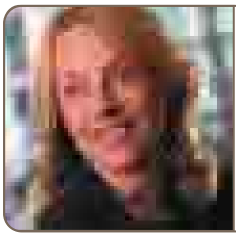
Group secretary
Loren Wulfsohn
Telephone: +27 11 636 5119
email: Loren.Wulfsohn@standardbank.co.za



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Ordinary share codes

JSE Securities Exchange South Africa
Share code: SBK
ISIN code: ZAE000038873

Namibian Stock Exchange
Share code: STB
ISIN code: ZAE000014858

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