Standard Bank Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1969/017128/06)
Share code: SBPP ISIN: ZAE000056339
("Standard Bank Group") or ("the Company")

PRE-LISTING STATEMENT

Prepared in terms of the Listings Requirements of the JSE Securities Exchange South Africa ("the JSE") relating to:

- **an offer for subscription of 5 000 000 non-redeemable, non-cumulative, non-participating Standard Bank Group preference shares with a par value of R0,01 each at a subscription price of R100 per preference share; and**
- **a private placement of 20 000 000 non-redeemable, non-cumulative, non-participating Standard Bank Group preference shares with a par value of R0,01 each at a subscription price of R100 per preference share.**

Opening date of the offer for subscription (09:00)	**Monday, 14 June 2004**
Closing date of the offer for subscription (12:00)	**Friday, 2 July 2004**
Listing date (09:00)	**Wednesday, 7 July 2004**

Subscriptions can only be made for a minimum subscription amount of R100 000 per single addressee acting as principal.

At the date of listing, the authorised share capital of Standard Bank Group will comprise 1 750 000 000 ordinary shares of R0,10 each ("the ordinary shares"), 8 000 000 6,5% first cumulative preference shares of R1,00 each ("the FCP shares") and 1 000 000 000 non-redeemable, non-cumulative, non-participating preference shares of R0,01 each ("the preference shares"). The issued share capital of Standard Bank Group will comprise of 1 345 515 867 ordinary shares, 8 000 000 FCP shares and 25 000 000 preference shares (assuming that the offer for subscription is fully subscribed). The preference shares will rank *pari passu* with one another. The JSE has granted Standard Bank Group a listing of a maximum of 30 000 000 preference shares, in the Specialist Securities – "Preference Shares" sector under the abbreviated name SBPP, subject to the condition referred to in paragraph 6.4 of this Pre-Listing Statement. It is anticipated that the listing will be effective from the commencement of business on Wednesday, 7 July 2004.

The preference shares will only be traded in electronic form and accordingly all preference shareholders who elect to receive certificated preference shares will have to dematerialise their certificated preference shares should they wish to trade on the JSE.

All the directors of Standard Bank Group, whose names are set out herein, collectively and individually accept full responsibility for the accuracy of the information provided in this Pre-Listing Statement and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-Listing Statement contains all information required by law and the JSE Listings Requirements.

The investment bank and joint sponsor, legal adviser, independent lead sponsor, joint auditors and the transfer secretaries have consented in writing to act in the capacity stated and to their names being included in this Pre-Listing Statement and have not withdrawn their consent prior to the publication of this Pre-Listing Statement.

Any prospective investor with questions in relation to the Standard Bank Group Preference Share Offer is invited to contact Standard Bank Group's information agent service provider, Georgeson Shareholder Communications, on 0800 006 709 or +27 (0)11 373 0041 if calling from outside South Africa. Calls may be monitored for quality control purposes. Queries may also be directed by email to preferenceshares@standardbank.co.za.

An abridged version of this Pre-Listing Statement was published in the press and on the Securities Exchange News Service on Monday, 14 June 2004.

Investment bank and joint sponsor
Standard Bank

Legal adviser
Bowman Gilfillan Attorneys

Joint auditors
KPMG
PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration no 1998/012055/21)

Independent lead sponsor
Deutsche Securities
Member of the Deutsche Bank Group

This Pre-Listing Statement is available in English. Copies may be obtained from the registered office of Standard Bank Group, the sponsors and the transfer secretaries whose addresses are set out in the "Corporate Information" section of this Pre-Listing Statement.

Date of issue: 14 June 2004

CORPORATE INFORMATION

Secretary and registered office

Loren Wulfsohn (BCom LLB)
Standard Bank Group Limited
(Registration number 1969/017128/06)
9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg
(PO Box 7725, Johannesburg, 2000)

Investment bank and joint sponsor

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
3 Simmonds Street
Johannesburg
(PO Box 61344, Marshalltown, 2107)

Legal adviser

Bowman Gilfillan Inc.
(Registration number 1998/021409/21)
9th Floor
Twin Towers West
Sandton City
Sandton
(PO Box 785812, Sandton, 2146)

Independent lead sponsor

Deutsche Securities (SA) (Proprietary) Limited
(Registration number 1995/011798/07)
3rd Floor
3 Exchange Square
87 Maude Street
Sandton
(Private Bag X9933, Sandton, 2146)

Transfer secretaries

Computershare Investor Services 2004
(Proprietary) Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
(PO Box 61051, Marshalltown, 2107)

Joint auditors

KPMG Inc.
(Registration number 1999/021543/21)
85 Empire Road
Parktown
(Private Bag 9, Parkview, 2122)

PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
2 Eglin Road
Sunninghill
(Private Bag X36, Sunninghill, 2157)

TABLE OF CONTENTS

The definitions and interpretations on pages 2 and 3 of this Pre-Listing Statement apply, *mutatis mutandis*, to this table of contents.

DEFINITIONS AND INTERPRETATIONS

Throughout this Pre-Listing Statement and the annexures hereto, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and words in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and any reference to one gender shall include the other genders:

"Act"	Companies Act, 1973 (Act 61 of 1973), as amended;
"Banks Act"	Banks Act, 1990 (Act 94 of 1990), as amended;
"Charter"	Financial Sector Charter adopted by the Financial Sector (as defined in paragraph 2.25 of the Charter) on 17 October 2003, as amended from time to time;
"Common Monetary Area"	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
"CSDP"	Central Securities Depository Participant;
"directors"	directors of Standard Bank Group;
"FCP shares"	6,5% first cumulative preference shares with a par value of R1,00 each in the issued share capital of Standard Bank Group;
"the Group"	Standard Bank Group and its subsidiaries;
"Income Tax Act"	Income Tax Act, 1962 (Act 58 of 1962), as amended;
"JSE"	JSE Securities Exchange South Africa;
"last practicable date"	last practicable date before the finalisation of this Pre-Listing Statement, being Friday, 4 June 2004;
"Liberty"	Liberty Group and its subsidiaries;
"Liberty Group"	Liberty Group Limited (Registration number 1957/002788/06), a company incorporated in South Africa (being a subsidiary of Standard Bank Group) and listed on the JSE;
"Liberty Holdings"	Liberty Holdings Limited (Registration number 1968/002095/06), a company incorporated in South Africa and listed on the JSE;
"listing"	listing of the preference shares on the JSE in the Specialist Securities – "Preference Shares" sector under the abbreviated name SBPP, subject to the condition referred to in paragraph 6.4 of this Pre-Listing Statement;
"listing date"	proposed date of the listing of the preference shares which is expected to be on Wednesday, 7 July 2004;
"NSX"	Namibian Stock Exchange;
"offer for subscription"	offer to subscribe for preference shares at a minimum subscription amount of R100 000 per single addressee acting as principal;
"ordinary shares" or "Standard Bank Group ordinary shares"	ordinary shares with a par value of R0,10 each in the issued share capital of Standard Bank Group;
"preference shareholder"	registered owner of preference shares;

"preference shares" or "Standard Bank Group preference shares"	non-redeemable, non-cumulative, non-participating preference shares in Standard Bank Group with a par value of R0,01 each, the rights and privileges of which are set out in Annexure 2 of this Pre-Listing Statement;
"Pre-Listing Statement"	Pre-Listing Statement and its annexures and attachments, dated Monday, 14 June 2004;
"prime rate"	prime overdraft lending rate of Standard Bank from time to time;
"private placement"	private placement of 20 000 000 preference shares at a subscription price of R100 per share;
"Registrar"	Registrar of Companies in South Africa;
"SARB"	South African Reserve Bank;
"SENS"	Securities Exchange News Service;
"shareholders" or "Standard Bank Group shareholders"	holders of ordinary shares;
"shares"	collectively, ordinary shares, FCP shares and preference shares in the share capital of Standard Bank Group;
"South Africa"	the Republic of South Africa;
"sponsors"	Standard Bank and Deutsche Securities (SA) (Proprietary) Limited;
"Stanbic Africa"	Stanbic Africa Holdings Limited (Registration number 849806), a company incorporated in the United Kingdom (being a wholly-owned subsidiary of Standard Bank Group);
"Standard Bank"	The Standard Bank of South Africa Limited (Registration number 1962/000738/06), a company incorporated in South Africa (being a wholly-owned subsidiary of Standard Bank Group) and registered as a bank in terms of the Banks Act;
"Standard Bank Group" or "the Company"	Standard Bank Group Limited (Registration number 1969/017128/06), a company incorporated in South Africa and listed on the JSE and the NSX;
"Standard Bank London"	Standard Bank London Limited, a company incorporated in the United Kingdom (being a wholly-owned subsidiary of Standard Bank Group);
"Standard Chartered"	Standard Chartered Bank plc (Registration number 966425), a company incorporated in the United Kingdom;
"STANLIB"	STANLIB Limited (Registration number 1997/014748/06), a company incorporated in South Africa;
"STRATE"	STRATE Limited (Registration number 1998/022242/06), a registered central securities depository in terms of the Custody and Administration of Securities Act, 1992 (Act 85 of 1992), as amended;
"STRATE system"	a clearing and settlement environment for security transactions to be settled and transfer of ownership to be recorded electronically, managed by STRATE;
"subscription price"	subscription price of the preference shares, being an amount of R100 each, which is equivalent to a par value of R0,01 and premium of R99,99 per preference share; and
"transfer secretaries"	Computershare Investor Services 2004 (Proprietary) Limited (Registration number 2004/003647/07), a company incorporated in South Africa.

SALIENT FEATURES

1. INTRODUCTION AND PURPOSE

Standard Bank Group wishes to raise cost effective permanent share capital as part of a general capital management programme and to provide the Company with funding for strategic initiatives.

This Pre-Listing Statement:

– provides investors and the market with information relating to Standard Bank Group, its operations and its directors;
– enables Standard Bank Group to undertake the offer for subscription of R500 000 000 following the private placement of R2 000 000 000 and to bring about the listing of the preference shares; and
– sets out the salient dates, terms and times of the offer for subscription and the procedure for completing and returning the application form.

2. DETAILS OF THE OFFER FOR SUBSCRIPTION, THE PRIVATE PLACEMENT AND THE LISTING

2.1 Particulars of the offer for subscription

Subscription price per preference share	R100
Minimum Rand value of subscription per applicant acting as principal	R100 000
Number of preference shares offered	5 000 000
Amount to be raised in terms of the offer for subscription	R500 000 000

2.2 Important dates for the offer for subscription

Opening date of the offer for subscription (09:00)	Monday, 14 June 2004
Closing date of the offer for subscription (12:00)	Friday, 2 July 2004
Listing date (09:00)	Wednesday, 7 July 2004

2.3 Private placement

Prior to the issue of this Pre-Listing Statement, 20 000 000 preference shares were placed with selected institutional investors at a subscription price of R100 per share. Irrevocable commitments have been obtained from these institutions to subscribe for all 20 000 000 preference shares, thereby raising R2 000 000 000.

2.4 Condition to the listing

The JSE has granted Standard Bank Group a listing of a maximum of 30 000 000 preference shares in the Specialist Securities – "Preference Shares" sector. The listing is subject to the condition that Standard Bank Group meets the requirements of the JSE in respect of the requisite spread of preference shareholders, being a minimum of 50 (fifty) public preference shareholders, excluding employees and their associates.

3. SALIENT FEATURES OF THE PREFERENCE SHARES

The preference shares are non-redeemable, non-cumulative and non-participating. Preference dividends are payable semi-annually at least 7 (seven) business days prior to the date on which Standard Bank Group pays its ordinary dividend, if any, in respect of the same period. 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.

3.1 Voting rights

The preference shares are non-voting, save for the circumstances as prescribed under Section 194 of the Act. Preference shareholders will only be entitled to vote during periods when a preference dividend which has been declared, or any part thereof, remains in arrears and unpaid after six months or when a resolution of Standard Bank Group is proposed which directly affects the rights attached to the preference shares or the interests of the preference shareholders.

3.2 Entitlements to dividends

Preference shareholders will receive, if declared, an annual dividend, payable in two semi-annual instalments, of not less than 70% of the prime rate multiplied by the subscription price of the preference shares held by a preference shareholder. Preference shareholders will be entitled to receive dividends out of profits of Standard Bank Group after the holders of the FCP shares. Standard Bank Group will not declare an ordinary dividend unless the preference share dividend has been declared.

4. FURTHER COPIES OF THIS PRE-LISTING STATEMENT

Copies of this Pre-Listing Statement can be obtained during normal business hours prior to 12:00 on Friday, 2 July 2004, from Standard Bank Group, the sponsors and the transfer secretaries, the addresses of which are set out in the "Corporate Information" section of this Pre-Listing Statement. Alternatively, copies of this Pre-Listing Statement can be viewed and/or printed from the Standard Bank Group website, **www.standardbank.co.za.**

Any prospective investor with questions in relation to the Standard Bank Group Preference Share Offer is invited to contact Standard Bank Group's information agent service provider, Georgeson Shareholder Communications, on 0800 006 709 or +27 (0)11 373 0041 if calling from outside South Africa. Calls may be monitored for quality control purposes. Queries may also be directed by email to preferenceshares@standardbank.co.za.

Standard Bank Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1969/017128/06)
Share code: SBPP ISIN: ZAE000056339

PRE-LISTING STATEMENT

1. INTRODUCTION AND PURPOSE

Standard Bank Group wishes to raise cost effective permanent share capital as part of a general capital management programme and to provide the Company with funding for strategic initiatives. More specifically, the proceeds of the offer for subscription and the private placement, which will qualify as regulatory primary capital, will enable the Company to:

- return ordinary shareholders' equity by way of ordinary share repurchases and/or special or increased dividends; and/or
- facilitate possible black economic empowerment transactions to enable Standard Bank Group's attainment of the Charter direct ownership points.

This Pre-Listing Statement:

- provides investors and the market with information relating to Standard Bank Group, its operations and directors;
- enables Standard Bank Group to undertake the offer for subscription of R500 000 000 following the private placement of R2 000 000 000 and to bring about the listing of the preference shares; and
- sets out the salient dates, terms and times of the offer for subscription and the procedure for completing and returning the application form.

Potential investors' attention is drawn to the fact that subscriptions can only be made for a minimum subscription amount of R100 000 per single addressee acting as principal.

2. IMPORTANT CONSIDERATIONS FOR PROSPECTIVE INVESTORS

Prospective investors should be aware that any future actions by Standard Bank Group referred to in paragraph 1 above could have the effect of reducing the Group's ordinary shareholders' equity. These actions are also likely to reduce the Group's regulatory capital adequacy ratio.

In making an investment decision, prospective investors should, accordingly, assume that Standard Bank Group may elect to take certain actions that could reduce ordinary shareholders' equity by approximately R4 billion. This should be seen in the context of the Group's ordinary shareholders' equity of R28.7 billion as at 31 December 2003.

The issue of preference shares will increase both primary and total capital adequacy. For illustrative purposes, based on the Group's total capital adequacy ratio of 14,8% at 31 December 2003, a preference share issue of R2 billion would increase this ratio by 0,8% and a subsequent reduction in ordinary shareholders' equity of R4 billion would reduce it by 1,6%, resulting in a potential net reduction of 0,8% to 14,0%.

3. INFORMATION RELATING TO STANDARD BANK GROUP

3.1 Incorporation

Standard Bank Group is the holding company of one of the leading banking and financial services groups based in South Africa and was incorporated in South Africa in 1969. The Company was listed on the JSE in 1970. Standard Bank Group changed its name from Standard Bank Investment Corporation Limited with effect from 3 June 2002.

3.2 Background

The Group was established as The Standard Bank of British South Africa Limited and incorporated in London in 1862.

In 1962, Standard Bank was formed and registered as a South African company, operating as a subsidiary of Standard Bank in London (which became Standard Chartered). Standard Bank Group (then known as Standard Bank Investment Corporation Limited) was established in 1969 as the holding company of Standard Bank. Standard Chartered sold its 39% stake in Standard Bank Group in 1987, transferring complete ownership of the holding company to South African shareholders.

The re-establishment of Standard Bank's African links began in 1988, when a branch was set up in Swaziland. In 1992, the Group set up operations in Botswana and acquired a major African banking operation, the long-established ANZ Grindlays network in Botswana, Kenya, Uganda, Zaire, Zambia and Zimbabwe and minority holdings in Ghana and Nigeria. Standard Bank Group's African operations, Stanbic Africa, has one of the biggest single networks of banking services in Africa.

The Group has also continued to expand internationally. Standard Bank London was established in 1992 and, in the same year, operations in Jersey and the Isle of Man were acquired. Three years later, the Isle of Man bridgehead was broadened considerably with the acquisition of Standard Chartered's banking activities on the island. Standard Bank Group also has a full branch in Taipei, offices in Hong Kong, London and New York and trading operations in New York and Hong Kong. Standard Bank Group completed the acquisition of Jardine Fleming Bank Limited in July 2001.

3.3 **Group structure**

The structure under which the Group operates is set out in the diagram below.

Standard Bank Group

- Standard Bank
  - Diners Club SA (Proprietary) Limited
  - Blue Bond Investments Limited
  - Standard Bank Insurance Brokers (Proprietary) Limited
- Melville Douglas Investment Management (Proprietary) Limited
- Stanbic Insurance Limited
- Standard Executors and Trustees Limited
- Stanvest (Proprietary) Limited
- Lesotho Bank (1999) Limited (70%)
- Standard Bank Lesotho Limited
- Standard Bank Namibia Limited
- Standard Bank Swaziland Limited (65%)
- Stanbic Africa
  - Stanbic Bank Limited Malawi (60%)
  - Stanbic Bank Botswana Limited
  - Stanbic Bank Congo s.a.r.l.
  - Stanbic Bank Ghana Limited (97%)
  - Stanbic Bank Kenya Limited (95%)
  - Stanbic Bank Nigeria Limited (93%)
  - Stanbic Bank Tanzania Limited
  - Stanbic Bank Uganda Limited (90%)
  - Stanbic Bank Zambia Limited
  - Stanbic Bank Zimbabwe Limited
  - Stanbic Finance Zimbabwe Limited
  - Standard Bank Mauritius Offshore Banking Unit Limited
- SBIC International Limited
  - **British Virgin Islands**
    - SBIC Finance Limited
    - SML Limited
  - **Isle of Man**
    - Stanbic International Insurance Limited
    - Standard Finance IOM Limited
- Standard International Holdings S.A.
  - **UK**
    - Standard Bank London
  - **Asia**
    - Standard Bank Asia Limited
    - Standard Merchant Bank (Asia) Limited
  - **USA**
    - Standard Americas Inc.
    - Standard New York Inc.
    - Standard New York Securities Inc.
  - **Brazil**
    - Banco Standard de Investimentos S.A.
  - **Czech Republic**
    - Standard Aval s.r.o
  - **Turkey**
    - Standard Yatirim Menkul Kiymetler A.S.
  - **Russia**
    - ZAO Standard Bank
- Standard Bank Offshore Group Limited
  - **Jersey**
    - Standard Bank Jersey Limited
    - Standard Bank Fund Administration Jersey Limited
    - Standard Bank Offshore Trust Company Jersey Limited
    - Standard Bank Unit Trusts Jersey Limited
  - **Isle of Man**
    - Standard Bank Isle of Man Limited
    - Triskelion Trust Company Limited
  - **Mauritius**
    - Standard Bank Trust Company (Mauritius) Limited
  - **British Virgin Islands**
    - Mellville Douglas International Limited
- Liberty Holdings (54,7%)
  - Liberty (54,2%)
    - Charter Life Insurance Company Limited
    - Electric Liberty (Proprietary) Limited
    - Liberty Ermitage Jersey Limited
    - Liberty Group Properties (Proprietary) Limited
    - Liberty Healthcare (Proprietary) Limited
    - Liblife (Jersey) Limited
    - LIBSIL Holdings (Proprietary) Limited
- **(37,4%) STANLIB (37,4%) effective 48,5%**
  - STANLIB Collective Investments Limited
  - STANLIB Multi-Manager Limited
  - STANLIB Wealth Management Limited
  - STANLIB Asset Management Limited
  - Standard Bank Unit Trusts Limited

Notes:

This diagram depicts principal subsidiaries only as per the Company's 2003 Annual Report.

The holding in subsidiaries is 100% unless otherwise indicated.

3.4 Nature of business

The Group has established itself as a leading provider of banking services in South Africa, has one of the biggest single networks of banking services in Africa and has continued to expand internationally. In addition to its banking operations, the Group enjoys a strategic interest in the insurance industry through control of Liberty, one of Africa's leading life offices and financial services groups. The Group's major businesses or divisions are described in more detail below.

Retail Banking

Retail Banking provides banking, investment, insurance and other financial services to individual clients, the agricultural sector and small to medium-sized enterprises throughout South Africa. In line with the **"Simpler. Better. Faster."** payoff line, Retail Banking has enabled the Standard Bank brand to become more tangible and beneficial to its diverse client base.

Standard Bank's real-time internet banking system offers a convenient and flexible way to transact and to manage Standard Bank accounts. Online share trading is available through the Online Share Trading site. Mobile phone banking and telephone banking provide clients with convenient and easy solutions.

Products and Services

Standard Bank offers a wide range of savings accounts, specialised transactional accounts, credit cards and a variety of foreign exchange services. Standard Bank has two initiatives for its high net worth clients. The Priority Suites compete with most other private banks in the South African market and they have an entry level of R400 000 as a minimum annual income. Standard Private Bank, on the other hand, would be suitable for those individuals that have already accumulated substantial wealth and would find access to a dedicated Private Banking team helpful in managing that wealth.

Standard Bank offers investment products and services such as Standard Bank Offshore, Standard Executors and Trustees, unit trusts, investment deposits and portfolio management services. Insurance products offered include homeowner's insurance, personal insurance, short-term and travel insurance. Standard Bank also offers a range of home loans and personal loans.

Vehicle and Asset Finance

This division finances a wide range of new and used moveable assets, such as passenger vehicles, leisure goods, commercial vehicles and capital equipment.

Specialised finance solutions offered include leasing and instalment sales. A range of products is also available for fleet management.

Corporate and Investment Banking

Corporate Banking

The team of corporate banking specialists delivers a personalised and comprehensive service to medium and large corporate and institutional clients. Each client is managed by an account executive that ensures that clients receive advice, holistic solutions and superior service on products ranging from routine banking enquiries to complex financial transactions.

The Corporate Banking team controls the "customer relationship management" by providing the client with a single contact point within the Group. Clients, however, retain access to the complete range of banking services and specialist products, including cash management, transactional and electronic banking through this division.

Correspondent Banking

The Correspondent Banking team provides payment, trade and other investment banking solutions to banks and financial institutions on a global basis. Supported by Standard Bank Group's experience in commodities and emerging markets, the team of resource banking specialists provides a comprehensive range of risk management, financial and banking solutions to clients in the resources sector.

Structured Debt Finance

Structured Debt Finance provides innovative solutions for all long-term financing requirements. Working with other specialist divisions within Standard Bank, the division provides creative and innovative solutions as well as an understanding of the client's business and industry.

Trade Finance

Dedicated industry sector specialists are able to provide clients with customised solutions for a wide spectrum of trade and commodity finance requirements. The division assists clients throughout the commodity and goods supply chain. Although the division has a global coverage, the focus remains on Africa, Latin America, the Middle East, Eastern Europe and Asia.

Project Finance

The team of project finance specialists provides advisory and arranging services to companies and consortia for limited recourse projects and other structured solutions. These include project evaluation and risk management strategies, credit enhancement options, structuring and negotiated solutions.

Capital Investments Division

Capital Investments Division is the private equity arm of Standard Bank. The division's primary objective is to take proprietary equity positions that will yield attractive returns over time. This division has the capability to provide the full range of funding, including senior debt in co-operation with Corporate Banking, mezzanine debt and equity.

International Trade Services

International Business Centres offer a variety of trade options, from payment mechanisms to financing techniques, and also host a variety of trade seminars on an ongoing basis.

Capital Markets and Treasury

– Capital Markets: Services the long-term lending and borrowing requirements of clients in the private and public sectors of the economy. Standard Bank is an appointed dealer in South African Government bonds and also provides extensive research, stockbroking and advisory services.
– Domestic Money Markets: Services corporate and institutional funding and investment requirements and trading in inter-bank and money market securities.
– Equity derivatives: Standard Bank is one of the leading equity derivatives houses in South Africa and has been instrumental in leading the growth in the South African Futures Exchange. Services offered include execution and market making in exchange traded and over the counter index futures and options, portfolio risk analysis, hedging programmes and structured equity products, including asset swaps.
– Fixed-income products: Standard Bank trades all fixed-income instruments, such as spots, options, futures and repurchase agreements. Structured fixed interest products are also provided according to clients' requirements as well as fixed-interest research, broking and advisory services.
– Precious and base metals: Standard Bank provides precious metal price risk management and structured financial solutions to the South African mining industry.
– Foreign Exchange Trading: Standard Bank is the recognised leader in the domestic foreign exchange market, handling more than 30% of South Africa's foreign exchange volume.

Corporate Finance

Corporate Finance provides strategic advice to South African and African organisations. These organisations range from large blue chip corporations to emerging companies and national governments. Corporate Finance provides advice within the context of mergers and acquisitions, stock exchange listings, corporate restructuring, capital raising, privatisations, business valuations, Black Economic Empowerment and stock exchange sponsor services.

In addition, Standard Bank has recently formed the Acquisition Finance Group which tailor-makes acquisition financing structures, incorporating a combination of debt and equity financing, to finance a variety of transactions.

Financial Asset Services

Financial Asset Services is the leading provider of a comprehensive range of custodial and investment related services in South Africa and sub-Saharan Africa. Products and services offered include settlement and safekeeping services for local equities, bonds and money market instruments, monitoring of corporate actions, global custody services, securities lending, trustee services and investment administration.

Business Online

Business Online offers business clients an integrated window to all the online business services offered by Standard Bank. These services currently range from traditional banking to trading in various financial markets as well as electronic procurement and related online business services.

International

Standard Bank London is the headquarters of the international investment banking activities of Standard Bank Group. Through an expanding international network, the bank offers specialist banking services and promotes trade, investment and business flows with an emerging market focus on a worldwide basis.

Standard Bank London offers trade finance, forfeiting and project finance services. Utilising its support in Africa, North and South America, the Far East and Eastern Europe, Standard Bank London also offers flexible pre and post export financing for commodities and capital goods. In addition, Standard Bank London trades in precious and base metals, offers treasury products and is active in mining finance and advisory services. It is also involved in sovereign debt market and in corporate debt trading on an international basis.

The Group has 21 offices outside Africa, offering international investment banking services. The principal international operating subsidiaries are Standard Bank London, Standard Bank Asia Limited, Standard New York Inc. and private banking entities within the Standard Bank Offshore Group Limited. New investment banks were established in Brazil and Russia during 2003.

Africa

The Group, recognising the strategic importance of trade and investment between South Africa and the rest of Africa has, over the past few years, substantially increased its presence on the African continent. It is represented in 16 African countries, excluding South Africa, with over 100 points of representation. The Group operates in the rest of Africa under the trade name of "Stanbic".

The Stanbic Africa banks are integrated into the host countries' economies and play an important part in their national economic and business development.

Stanbic Africa provides retail, commercial and investment banking services, with products tailored to meet the needs of chosen market segments and services the business requirements of foreign and domestic companies in each market. With the support of the Corporate and Investment Banking division and Standard Bank London, Stanbic Africa offers clients specialised services such as project finance, privatisation, structured lending and channelling of donor agencies' funds to Africa.

STANLIB

STANLIB brings together the wealth, asset management and wealth product marketing of two large financial service brands in South Africa – Standard Bank and Liberty. STANLIB was officially launched in May 2002 and is owned by Standard Bank, Liberty Group and a Black Economic Empowerment Consortium.

STANLIB serves both local and African markets and offers a product mix featuring both local and global brands. It is a significant participant in the South African financial services industry, with funds under management and administration exceeding R152 billion.

Products offered to investors include:

– unit trusts (both onshore and offshore);
– multi-manager unit trusts, which attempt to reduce investment risk by diversifying across asset managers and investment styles in each asset class and to increase returns by selecting the best managers per asset class;
– linked investments, which are packaged investment products that include collective investments such as unit trusts, structured portfolios and offshore portfolios from all sectors of the collective investments industry. This enables the investor to structure a portfolio to suit his/her risk profile and specific needs;
– structured investments, which are usually five-year policies launched in batches and where performance can be geared or capped; and
– matured endowments, which are policies which are at least five years old and have passed the original maturity date.

STANLIB Asset Management Limited offers the institutional and retirement fund client a multitude of investment opportunities and channels. Pooled portfolios meet the needs of most smaller clients who typically have less than R50 million to invest. Larger clients, or those who require some level of customisation, may prefer to opt for a segregated portfolio.

Liberty

Liberty is a progressive financial services group that adopts a sophisticated approach to providing financial solutions. Liberty boasts high levels of security and good governance supporting its various obligations to its investors. Superior investment performance in relation to the clients' risk tolerance is of paramount importance to Liberty and all major asset classes are managed to achieve this result. Liberty's key strength remains its high-quality, highly trained and growing agency, franchise and broker marketing forces.

Liberty offers a comprehensive and complementary range of non-banking financial services and is recognised for its contemporary approach to product design. Product development remains a key competence. Sophisticated domestic and offshore investment and risk products which meet ever-changing client needs can be brought from actuarial concept to market offering within days or weeks.

Various life cover, disability cover and dreaded disease cover policies are offered to clients. Investment products (such as capital bonds, retirement annuities, international investments and private equity investments) can be linked to a wide range of portfolios, to best suit individual investment needs. Liberty is dedicated to the provision of value for money healthcare solutions and currently offers the Liberty Medical Scheme and Medical Lifestyle PLUS Scheme.

Well-structured and efficient employee benefit plans for businesses include health products, retirement products and business assurance. Corporate bond investment products and Corporate Connection offer secure and flexible investment options for businesses.

3.5 Historical financial information

Relevant financial information for Standard Bank Group, extracted from the consolidated annual financial statements of Standard Bank Group for the three financial years ended 31 December 2003, is set out in Annexure 1 to this Pre-Listing Statement.

4. DIRECTORS

4.1 Directors

The full names, ages, nationalities (if not South African), addresses and profiles of the directors as at the last practicable date are set out below:

4.1.1 **Douglas Denoon Balharrie Band**	Non-executive Director
Appointed:	1997
Age:	60
Business address:	1st Floor Equity House 18 Bompas Road Dunkeld West
Qualifications:	BCom (Wits), CA(SA)
Directorships:	Standard Bank Group, Standard Bank, STANLIB, Tiger Brands Limited, Business Against Crime South Africa, MTN International (Proprietary) Limited, MTN Group Limited, The Bidvest Group Limited
4.1.2 **Elisabeth Bradley**	Independent Non-executive Director
Appointed:	1986
Age:	65
Business address:	Wesco House 10 Anerley Road Parktown
Qualifications:	BSc (Free State), MSc (London)
Directorships:	Standard Bank Group, Standard Bank, Wesco Investments Limited (Chairman), Toyota SA Limited (Chairman), The Tongaat-Hulett Group Limited, Sasol Limited, Metair Investments Limited
4.1.3 **Derek Edward Cooper**	Independent Non-executive Chairman
Appointed:	1993
Age:	64
Business address:	9th Floor Standard Bank Centre 5 Simmonds Street Johannesburg
Qualifications:	CA(SA)
Directorships:	Standard Bank Group, Standard Bank (Chairman), Standard Bank London, Liberty Holdings (Chairman), Liberty Group (Chairman), Reunert Limited (Chairman), Business Unity South Africa (Vice President), The Business Trust
4.1.4 **Trevor Evans**	Independent Non-executive Director
Appointed:	2003
Age:	59
Business address:	114 Dennis Road Atholl Gardens Sandton
Qualifications:	BSc (Rhodes), Executive Programme (Marketing) (Cape Town), Executive Programme (Stanford)
Directorships:	Standard Bank Group, Standard Bank, BlowMocan Holdings Limited, Nampak Limited (Chairman)

4.1.5	**Thulani Sikhulu Gcabashe**	Independent Non-executive Director
	Appointed:	2003
	Age:	46
	Business address:	Eskom Megawatt Park Maxwell Drive Sunninghill
	Qualifications:	BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)
	Directorships:	Standard Bank Group, Standard Bank, Eskom Enterprises (Proprietary) Limited (Chairman), Eskom Holdings Limited (Chief Executive)
4.1.6	**Derek Aubrey Hawton**	Independent Non-executive Director
	Appointed:	1995
	Age:	66
	Business address:	4th Floor Sun International 27 Fredman Drive Sandton
	Qualifications:	FCIS (Natal)
	Directorships:	Standard Bank Group, Standard Bank, Liberty Holdings, Liberty Group, STANLIB, Kersaf Investments Limited (Chairman), Allied Electronics Corporation Limited, City Lodge Hotels Limited, International Resorts Limited, Nampak Limited, Sun Hotels International Limited, Woolworths Holdings Limited (Chairman)
4.1.7	**Sir Paul Judge** (British)	Independent Non-executive Director
	Appointed:	2003
	Age:	55
	Business address:	88 The Panoramic 152 Grosvenor Road London SW1V 3JL United Kingdom
	Qualifications:	MA (Cambridge), MBA (Pennsylvania)
	Directorships:	Standard Bank Group, Standard Bank, Schroder Income Growth Fund plc, Barclays Private Bank plc (advisory board), Businessdynamics Trust, The Royal Institution, The American Management Association (New York), St Dunstan's College, The Royal Society of Arts (Chairman)
4.1.8	**Sakumzi Justice Macozoma**	Non-executive Director
	Appointed:	1998
	Age:	47
	Business address:	Ground Floor Executive Suite 17 Melrose Boulevard Melrose Arch Melrose
	Qualifications:	BA (Unisa), BA (Honours) (Boston)

	Directorships:	Standard Bank Group, Standard Bank, STANLIB (Chairman), Liberty Holdings, Liberty Group, Volkswagen of South Africa (Proprietary) Limited, Andisa Capital (Proprietary) Limited (Chairman), Soweto Heritage Trust, Safika Holdings (Proprietary) Limited, Murray and Roberts Holdings Limited, The Business Trust (Co-chairman), Alisa Holdings (Proprietary) Limited t/a Hertz Rent-a-Car (Chairman), New Africa Investments Limited
4.1.9	**John Helenius Maree**	Chief Executive
	Appointed:	1997
	Age:	48
	Business address:	9th Floor Standard Bank Centre 5 Simmonds Street Johannesburg
	Qualifications:	BCom (Stellenbosch), MA (Oxford), PMD (Harvard)
	Directorships:	Standard Bank Group, Standard Bank (Chief Executive), Standard Bank London (Chairman), Liberty Holdings, Liberty Group, Standard International Holdings S.A. (Chairman), International Monetary Conference
4.1.10	**Richard Peter Menell**	Independent Non-executive Director
	Appointed:	1997
	Age:	48
	Business address:	ARM House Block C 29 Impala Road Chislehurston Sandton
	Qualifications:	BA (Hons), MA (Cambridge), MSc (Stanford)
	Directorships:	Standard Bank Group, Standard Bank, African Rainbow Minerals Limited (Deputy Chairman), Telkom SA Limited, SA Tourism Board (Chairman), Mutual & Federal Insurance Company Limited, Assmang Limited, Village Main Reef Gold Mining Company (1984) Limited, National Business Initiative, The Business Trust
4.1.11	**Kgomotso Ditsebe Moroka**	Independent Non-executive Director
	Appointed:	2003
	Age:	49
	Business address:	6th Floor Innes Chambers Pritchard Street Johannesburg
	Qualifications:	BProc (University of the North), LLB (Unisa)
	Directorships:	Standard Bank Group, Standard Bank, Electronic Media Network Limited (M-Net), Gobodo Forensic & Investigative Accounting (Proprietary) Limited, Land and Agricultural Development Bank of South Africa, South African Breweries Limited, Schindler Lifts (SA) (Proprietary) Limited

4.1.12	**Andrew Christoffel Nissen**	Independent Non-executive Director
	Appointed:	2003
	Age:	45
	Business address:	12th Floor Southern Life Centre 8 Riebeeck Street Cape Town
	Qualifications:	BA Hons, MA Humanities (Cape Town), Diploma in Theology
	Directorships:	Standard Bank Group, Standard Bank, Sea Harvest Corporation Limited (Chairman), Namibian Fishing Industries Limited, Tiger Brands Limited, Umoya Fishing (Proprietary) Limited (Chief Executive), Boschendal Limited (Chairman), Woolworths Holdings Limited
4.1.13	**Robin Alan Plumbridge**	Independent Non-executive Director
	Appointed:	1980
	Age:	69
	Business address:	Navarre Farm Somerset West
	Qualifications:	MA (Oxford), LLD (hc) (Rhodes)
	Directorships:	Standard Bank Group, Standard Bank, Newmont Mining Corporation (USA)
4.1.14	**Myles John Denniss Ruck**	Executive Director
	Appointed:	2002
	Age:	49
	Business address:	3rd Floor Liberty Centre 1 Ameshoff Street Braamfontein
	Qualifications:	BBus Sc (UCT), PMD (Harvard)
	Directorships:	Standard Bank Group, Standard Bank, STANLIB, Liberty Holdings (Chief Executive), Liberty Group (Chief Executive), Standard Bank London
4.1.15	**Sir Robert Smith** (British)	Independent Non-executive Director
	Appointed:	2003
	Age:	59
	Business address:	Inchmarnock 39 Palmerston Place Edinburgh
	Qualifications:	Chartered Accountant and Fellow of the Institute of Bankers in Scotland, Honorary degrees (Edinburgh, Glasgow, Paisley)
	Directorships:	Standard Bank Group, Standard Bank, The Weir Group plc (Chairman), British Broadcasting Corporation (Governor and Chairman), Broadcasting Council for Scotland, Scottish and Southern Energy plc (Deputy Chairman)

4.1.16 **Christian Lodewyk Stals** Independent Non-executive Director

Appointed:	2000
Age:	69
Business address:	8 Glenvista Close Woodhill Pretoria
Qualifications:	BCom, MCom, DCom (Pretoria)
Directorships:	Standard Bank Group, Standard Bank

4.1.17 **Conrad Barend Strauss** Independent Non-executive Director

Appointed:	1984
Age:	68
Business address:	9th Floor Standard Bank Centre 5 Simmonds Street Johannesburg
Qualifications:	BA PhD (Rhodes), MS (Cornell), AMP (Harvard), FIBSA, DEcon (hc) (Rhodes), DSc (hc) (Pretoria)
Directorships:	Standard Bank Group, Standard Bank, Sasol Limited, African Oxygen Limited, The Hans Merensky Foundation

4.2 Qualifications, borrowing powers and appointment of directors

The relevant provisions of the articles of association of Standard Bank Group governing the appointment, qualification, remuneration and borrowing powers of directors are set out in Annexure 2 to this Pre-Listing Statement.

4.3 Remuneration of directors

The remuneration received by the directors is in respect of their directorships in the Group. Relevant extracts detailing directors' remuneration, as required by the JSE Listings Requirements, are set out in Annexure 3 to this Pre-Listing Statement.

4.4 Directors' interests

At the last practicable date, the directors had direct, indirect, beneficial and non-beneficial interests in Standard Bank Group ordinary shares as set out in the table below.

	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect	Total ordinary shares	Percentage of total ordinary shares in issue
D D B Band	11 921	–	–	–	11 921	0,001
E Bradley	1 050	282 736	–	423 599	707 385	0,053
D E Cooper	–	–	–	14 330	14 330	0,001
T Evans	–	4 624	–	–	4 624	–
T S Gcabashe	–	–	–	–	–	–
D A Hawton	12 960	–	–	–	12 960	0,001
Sir Paul Judge	–	–	–	–	–	–
S J Macozoma	–	–	–	–	–	–
J H Maree	145 000	–	–	–	145 000	0,011
R P Menell	–	–	–	–	–	–
K D Moroka	600	–	–	–	600	–
A C Nissen	–	–	–	–	–	–
R A Plumbridge	102 029	–	–	–	102 029	0,008
M J D Ruck	368 609	–	–	–	368 609	0,027
Sir Robert Smith	–	–	–	–	–	–
C L Stals	–	–	–	–	–	–
C B Strauss	1 696	121 356	–	–	123 052	0,009
	643 865	**408 716**	**–**	**437 929**	**1 490 510**	**0,111**

4.5 **Directors' declaration**

All the directors have confirmed in terms of Schedule 21 of the JSE Listings Requirements that they have not been:

– disqualified by any court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
– convicted of an offence resulting from dishonesty, fraud or embezzlement or any offence under legislation relating to the Act;
– adjudged bankrupt or entered into any voluntary creditors liquidation or been sequestrated in any jurisdiction or been a director of any company at the time or within the 12 months preceding any of the following events taking place: receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with creditors generally or any class of creditors; or
– barred from entry into any profession or occupation.

4.6 **Corporate governance**

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 ended 31 December 2003, complied with the requirements set out in the Code of Corporate Practices and Conduct (King II).

Director appointments are made in terms of formal and transparent procedures whilst the composition of the board is annually considered by the directors' affairs committee. Each appointment follows the agreed board appointment process, which includes consideration and recommendation of the appointment by the directors' affairs committee to the board for approval. In terms of the articles of association, the appointments made between annual general meetings are only effective until the next annual general meeting, at which time the shareholders will be asked to approve each appointment.

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 of directors. 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 committees are as follows:

– Directors' affairs;
– Group audit;
– Group risk management;
– Group credit;
– Transformation; and
– Group remuneration.

For a full report of the Company's corporate governance policies, potential investors are referred to the Company's 2003 Annual Report which may be obtained from Standard Bank Group's website, **www.standardbank.co.za.**

5. SHARE CAPITAL OF STANDARD BANK GROUP

5.1 Authorised and issued share capital

The authorised and issued share capital of Standard Bank Group, before and after the private placement and the offer for subscription, assuming that all the preference shares up to an aggregate value of R2 500 000 000 are allotted and issued, is set out below.

Before the private placement and the offer for subscription

	R million
Authorised share capital	
1 750 000 000 ordinary shares of R0,10 each	175,00
8 000 000 6,5% first cumulative preference shares of R1,00 each	8,00
1 000 000 000 non-redeemable, non-cumulative, non-participating preference shares of R0,01 each	10,00
Total authorised share capital	**193,00**
Issued share capital	
1 345 515 867 ordinary shares of R0,10 each	134,55
8 000 000 6,5% first cumulative preference shares of R1,00 each	8,00
Total issued share capital	**142,55**
Share premium	
On 1 345 515 867 ordinary shares of R0,10 each	2 411,00

After the private placement and the offer for subscription

	R million
Authorised share capital	
1 750 000 000 ordinary shares of R0,10 each	175,00
8 000 000 6,5% first cumulative preference shares of R1,00 each	8,00
1 000 000 000 non-redeemable, non-cumulative, non-participating preference shares of R0,01 each	10,00
Total authorised share capital	**193,00**
Issued share capital	
1 345 515 867 ordinary shares of R0,10 each	134,55
8 000 000 6,5% first cumulative preference shares of R1,00 each	8,00
25 000 000 non-redeemable, non-cumulative, non-participating preference shares of R0,01 each	0,25
Total issued share capital	**142,80**
Share premium	
On 1 345 515 867 ordinary shares of R0,10 each	2 411,00
On 25 000 000 non-redeemable, non-cumulative, non-participating preference shares of R0,01 each	2 499,75
Total share premium	**4 910,75**

The Company's authorised share capital was increased by R10 000 000 (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 by special resolution approved by the requisite number of shareholders at the Annual General Meeting of Standard Bank Group held on Thursday, 20 May 2004.

Also at the Annual General Meeting of Standard Bank Group held on 20 May 2004, shareholders approved the ordinary resolution placing the preference shares under the control of the directors of the Company who were authorised to allot and issue the preference shares at their discretion until the next Annual General Meeting of the Company.

5.2 Alterations to share capital

The authorised but unissued preference shares will be under the control of the directors until Standard Bank Group's next Annual General Meeting, subject to the provisions of the Act, the Banks Act and the JSE Listings Requirements.

5.3 Rights attaching to preference shares

The preference shares are non-redeemable, non-cumulative and non-participating. Preference dividends are payable semi-annually at least 7 (seven) business days prior to the date on which Standard Bank Group pays its ordinary dividend, if any, 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.

5.3.1 *Voting rights*

The preference shares are non-voting, save for those circumstances prescribed under Section 194 of the Act. Preference shareholders will only be entitled to vote during those periods when the preference dividend (if declared), or any part thereof, remains in arrears and unpaid after six months from the relevant preference share dividend payment date or when a resolution of Standard Bank Group is proposed which resolution directly affects the rights attached to the preference shares or the interests of the preference shareholders, including a resolution for the winding-up of Standard Bank Group or for the reduction of its capital.

5.3.2 *Entitlements to dividends*

Preference shareholders will be entitled to receive dividends out of profits of Standard Bank Group, that it determines to distribute, after the holders of the FCP shares but in priority to any payment of dividends to the holders 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 shall be calculated by multiplying the subscription price of the preference share by 70% of the prime rate on the preference dividend accrual date, on a daily basis, in arrears, but not compounded. The period of the preference share dividend will be from the date following the previous preference dividend accrual date until and including the preference dividend accrual date immediately following. The preference dividend accrual dates shall be 30 June and 31 December each year. 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 31 December 2004. The preference dividend rate shall be advised by no later than 10 (ten) business days before the last day to trade.

5.3.3 *Changes to tax status*

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 the payment of 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. The auditors, in deciding whether such increase is required, 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.

The entire terms and conditions of the preference shares, as set out in the articles of association of Standard Bank Group, have been included in Annexure 2 to this Pre-Listing Statement.

6. DETAILS OF THE OFFER FOR SUBSCRIPTION, THE PRIVATE PLACEMENT AND THE LISTING

6.1 Particulars of the offer for subscription

Subscription price per preference share	R100
Minimum Rand value of subscription per applicant acting as principal	R100 000
Number of preference shares offered	5 000 000
Amount to be raised in terms of the offer for subscription	R500 000 000

6.2 Important dates for the offer for subscription

Opening date of the offer for subscription (09:00)	Monday, 14 June 2004
Closing date of the offer for subscription (12:00)	Friday, 2 July 2004
Listing date (09:00)	Wednesday, 7 July 2004

6.3 Private placement

Prior to the issue of this Pre-Listing Statement, 20 000 000 preference shares were placed with selected institutional investors at a subscription price of R100 per preference share. Irrevocable commitments have been obtained from these institutions to subscribe for all 20 000 000 preference shares, thereby raising R2 000 000 000.

6.4 Condition to the listing

The JSE has granted Standard Bank Group a listing of a maximum of 30 000 000 preference shares in the Specialist Securities – "Preference Shares" sector. The listing is subject to the condition that Standard Bank Group meets the requirements of the JSE in respect of the requisite spread of preference shareholders, being a minimum of 50 (fifty) public preference shareholders, excluding employees and their associates.

6.5 Applications

Applications to subscribe for preference shares in terms of the offer for subscription must be made in accordance with the application procedure set out below.

6.5.1 *Application form*

Applications for certificated preference shares may only be made on the application form, which accompanies this Pre-Listing Statement, or copies or reproductions thereof, and in accordance with the requirements, terms and conditions set out in the application form and this Pre-Listing Statement.

Applications for preference shares submitted through CSDPs or brokers must be made in accordance with the agreement governing the relationship with the CSDP or broker.

Application forms and further copies of this Pre-Listing Statement can be obtained during normal business hours prior to the closing of the offer for subscription from Standard Bank Group, the sponsors and the transfer secretaries, the details of which are set out in the "Corporate Information" section of this Pre-Listing Statement. Application forms and further copies of this Pre-Listing Statement can also be viewed and/or printed from the Standard Bank Group website, **www.standardbank.co.za.**

6.5.2 ***Minimum number***

Applications must be for a minimum number of 1 000 preference shares per applicant acting as principal.

6.5.3 ***Applications irrevocable***

Applications will be irrevocable and may not be withdrawn once received by Standard Bank Group and/or the transfer secretaries.

6.5.4 ***Copies***

Copies or reproductions of the application form will be accepted.

6.5.5 ***Reservation of rights***

The directors of Standard Bank Group reserve the right to accept or refuse any application(s), either in whole or in part in accordance with the procedure set out in paragraph 6.8 below, or to abate any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

6.5.6 ***Receipts***

Receipts will not be issued for applications, application monies or supporting documents received.

6.5.7 ***Minors and deceased estates***

Preference shares may not be applied for in the name of a deceased estate.

No documentary evidence of capacity to apply need accompany the application form but Standard Bank Group reserves the right to call upon any applicant to submit such evidence for noting, which evidence will be held on file with the transfer secretaries or returned to the applicant at the applicant's risk.

6.5.8 ***Submission of application forms***

6.5.8.1 *Certificated preference shares*

Submission of application forms may only be made by hand delivery or postal delivery as set out below.

Hand delivery

Application forms must be delivered by hand in a sealed envelope, marked "Standard Bank Group – Preference Share Offer", together with the payment referred to in paragraph 6.5.9 below, to Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, so as to be received by no later than 12:00 on Friday, 2 July 2004.

Postal delivery

Application forms must be posted, at the risk of the applicant concerned, in a sealed envelope, marked "Standard Bank Group – Preference Share Offer" together with the payment referred to in paragraph 6.5.9 below, to Computershare Investor Services 2004 (Proprietary) Limited, PO Box 61051, Marshalltown, 2107, so as to be received by no later than 12:00 on Friday, 2 July 2004.

6.5.8.2 *Dematerialised preference shares*

In respect of those applicants opting for dematerialised preference shares, application forms must be sent to the addressees' duly appointed CSDP or broker, in the manner and time stipulated in the agreement governing their relationship with such CSDP or broker, together with the method of payment as stipulated in such agreement. The CSDP or broker will then process such applications electronically with the transfer secretaries. No late applications will be accepted, unless approved by the directors of Standard Bank Group.

6.5.9 ***Payment***

6.5.9.1 *Certificated preference shares*

Each application form must be accompanied by payment of the total monetary value of the preference shares applied for by way of a cheque or banker's draft, crossed "not transferable" with the words "or bearer" deleted and drawn in favour of **"Standard Bank Group – Preference Share Offer"**. Such cheques and/or banker's drafts will be deposited immediately for payment. Should any cheque or banker's draft be dishonoured, the directors of Standard Bank Group, in their absolute discretion, may regard the relevant application as revoked or take such other steps in regard thereto as they deem fit.

6.5.9.2 *Dematerialised preference shares*

Each application form must be made to the applicant's CSDP or broker in terms of the relevant custody agreement. Payment of the total monetary value of the preference shares applied for will be made in terms of the existing agreement with the appointed CSDP or broker. The method of delivery versus payment will apply.

6.5.10 ***Application monies***

The amount payable in respect of the application for preference shares in terms of the offer for subscription is payable in full in the currency of South Africa.

All monies received in respect of applications for certificated and dematerialised preference shares will be held by Standard Bank in a designated trust account. If the condition referred to in paragraph 6.4 of this Pre-Listing Statement is not met by the closing date of the offer for subscription, or if there are over-subscriptions, such monies will be refunded by cheque, posted at the risk of the applicant within seven business days of such date or to the applicant's CSDP or broker for those applications received through a CSDP or broker.

6.5.11 ***Issue of preference shares***

Preference shares applied for and subscribed for in terms of this Pre-Listing Statement will be issued at the expense of Standard Bank Group. All preference shares issued in terms of this Pre-Listing Statement will be allotted and issued subject to the provisions of the articles of association of Standard Bank Group.

6.5.12 ***Trading of preference shares***

The JSE introduced STRATE, which was designed to eliminate the risks inherent in the previous method of clearing and settling transactions executed on the JSE. The principal features of STRATE are as follows:

- trades executed on the JSE must be settled on a T+5 basis, being five days after the date of the trade;
- there are penalties for late settlement;
- electronic record of ownership replaces share certificates and physical delivery thereof; and
- all investors are required to appoint either a broker or CSDP to act on their behalf and to handle their settlement requirements.

The preference shares will be listed on the listing date against receipt of application monies from a CSDP or broker. Should preference shareholders require a certificate for their preference shares and have indicated so on their application form, the requisite certificate will be issued within five business days of the listing date and will be sent by registered post.

6.6 Exchange Control Regulations

The following summary is intended as a guide and is therefore not comprehensive. If you are in any doubt in regard hereto, please consult your professional adviser.

6.6.1 *South African Exchange Control Regulations*

In terms of the South African Exchange Control Regulations:

6.6.1.1 a former resident of the Common Monetary Area who has emigrated may use emigrant blocked funds to subscribe for preference shares in terms of this Pre-Listing Statement;

6.6.1.2 all payments in respect of subscriptions for preference shares by an emigrant using emigrant blocked funds must be made through the authorised dealer in foreign exchange controlling the blocked assets;

6.6.1.3 any preference share certificates that might be issued pursuant to the use of emigrant blocked funds will be endorsed "non-resident" and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and

6.6.1.4 if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for preference shares in terms of this Pre-Listing Statement emanating from emigrant blocked accounts will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants' blocked accounts. Applicants resident outside the Common Monetary Area should note that, where preference share certificates are in fact issued, such preference share certificates will be endorsed "non-resident" in terms of the South African Exchange Control Regulations.

6.6.2 *Applicants resident outside the Common Monetary Area*

6.6.2.1 In terms of the Exchange Control Regulations of South Africa, non-residents, excluding former residents of the Common Monetary Area will be allowed to subscribe for preference shares in terms of this Pre-Listing Statement provided payment is received either through normal banking channels from abroad or from a non-resident account. All applications by non-residents must be made through an authorised dealer in foreign exchange.

6.6.2.2 A person who is not resident in the Common Monetary Area should obtain advice as to whether any governmental and/or legal consent is required and/or whether any other formality must be observed to enable a subscription to be made in terms of the offer for subscription.

6.6.2.3 This Pre-Listing Statement is not an offer in any area of jurisdiction in which it is illegal to make such an offer. In such circumstances, this Pre-Listing Statement and application form are sent for information purposes only.

6.7 Underwriting and minimum subscription

The offer for subscription is not underwritten. The offer for subscription is not conditional on the placing of 5 000 000 preference shares. The listing will occur, regardless of the amount raised, subject only to the condition referred to in paragraph 6.4 above. Subscriptions can only be made for a minimum amount of R100 000 per single addressee acting as principal.

6.8 Over-subscriptions

The directors of Standard Bank Group reserve the right to accept all subscriptions, in whole or part up to a maximum of R1 billion.

If the offer for subscription is oversubscribed, all applications will be reduced *pro rata* on an equitable basis, as determined by the directors in their sole discretion, subject to the minimum subscription amount of R100 000 for a single addressee.

6.9 Brokerages and commissions

Commissions of 0,25% will be payable by the Company to brokers and/or agents who place the preference shares. Save for the above, no commission or consideration has been paid by Standard Bank Group in respect of the allotment or issue of shares during the three years preceding the date of this Pre-Listing Statement.

7. EXPENSES OF THE OFFER FOR SUBSCRIPTION, THE PRIVATE PLACEMENT AND THE LISTING

The cash expenses of the offer for subscription, the private placement and the listing, as detailed below, are estimated to be R6 906 837 and relate, *inter alia*, to:

- the printing, publication and distribution costs of this Pre-Listing Statement and other related announcements of R125 000;
- fees payable to the transfer secretaries of R125 000;
- fees payable to professional advisers of R145 000;
- stamp duties on the preference shares to be issued in terms of the offer for subscription and the private placement of R6 250 000; and
- JSE documentation and listing fees of R29 700 and R232 137 respectively.

All the fees payable to the parties below are exclusive of VAT.

	Amount
Bowman Gilfillan Inc.	R50 000
Computershare Investor Services 2004 (Proprietary) Limited	R125 000
Deutsche Securities (SA) (Proprietary) Limited	R75 000*
INCE (Proprietary) Limited	R125 000
Joint auditors – KPMG Inc. and PricewaterhouseCoopers Inc.	R20 000

* This fee has been set off against an annual retainer fee that Standard Bank Group has agreed with Deutsche Securities (SA) (Proprietary) Limited in respect of sponsor services.

8. ADVISERS' INTERESTS

None of the advisers of Standard Bank Group had an interest in the issued share capital of the Company as at the last practicable date.

9. MATERIAL CHANGES

Other than in the ordinary course of business or as set out in this Pre-Listing Statement, there have been no material changes in the financial or trading position of Standard Bank Group between the release of its audited results for the year ended 31 December 2003 and the last practicable date.

10. MATERIAL CONTRACTS, ACQUISITIONS OR DISPOSALS AND DIRECTORS' INTERESTS IN TRANSACTIONS

Saki Macozoma, a director of the Company, is a material shareholder in Safika Holdings (Proprietary) Limited, which is a member of two different consortia that acquired an interest in Andisa Capital (Proprietary) Limited and STANLIB, as disclosed in the Company's 2003 Annual Report. No other material contracts have been entered into since the publication of the Company's 2003 Annual Report.

A company in which Doug Band, a director of Standard Bank Group, has a beneficial interest has provided consulting and certain management services to the Capital Investment Division of Standard Bank.

Except as noted above, none of the directors had any interests, direct or indirect, in any transactions during the current or immediately preceding financial year or in an earlier year which remain in any respect outstanding or unperformed.

11. **DIRECTORS' RESPONSIBILITY STATEMENT**

All the directors of Standard Bank Group, whose names are set out herein, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-Listing Statement contains all information required by law and the JSE Listings Requirements.

12. **LITIGATION STATEMENT**

The Group is not, and has not in the 12 months preceding the date of publication of the annual financial results and the date for the signature of this Pre-Listing Statement, been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Group aware of any such proceedings that are pending or threatened.

13. **EXPERTS' CONSENTS**

The investment bank and joint sponsor, legal adviser, joint auditors, independent lead sponsor and transfer secretaries have consented in writing to act in the capacities stated and to their names being included in this Pre-Listing Statement and have not withdrawn their consent prior to the publication of this Pre-Listing Statement.

14. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of Standard Bank Group during normal business hours (excluding Saturdays, Sundays and public holidays) from the date of issue of this Pre-Listing Statement up to and including Friday, 2 July 2004:

14.1 the memorandum and articles of association of Standard Bank Group;

14.2 the audited annual financial statements of Standard Bank Group for the three financial years ended 31 December 2003;

14.3 written consents of the investment bank and joint sponsor, legal adviser, joint auditors, independent lead sponsor and transfer secretaries to the inclusion of their names in this document in the context and form in which they appear; and

14.4 a signed copy of this Pre-Listing Statement.

SIGNED IN JOHANNESBURG BY OR ON BEHALF OF ALL THE DIRECTORS OF STANDARD BANK GROUP LIMITED ON 10 June 2004.

HISTORICAL FINANCIAL INFORMATION OF STANDARD BANK GROUP

The consolidated financial information for the years ended 31 December 2003, 31 December 2002 and 31 December 2001 set out below has been extracted from Standard Bank Group's annual financial statements for the years ended 31 December 2003 and 31 December 2002. The 31 December 2001 financial information is representative of the 31 December 2002 comparative information. Each of these financial statements were audited by Messrs KPMG Inc. Chartered Accountants (SA) and PricewaterhouseCoopers Inc. Chartered Accountants (SA), and were all issued without qualification.

Shareholders should note that AC 133 became effective on 1 January 2003 and as retrospective application is not required, the effects of AC 133 do not form part of the financial statements for the years ended 31 December 2002 and 31 December 2001.

BALANCE SHEET
at 31 December

	Note	2003 Rm	2002 Rm	2001 Rm
ASSETS				
Standard Bank operations		**444 195**	307 592	306 196
Cash and balances with banks	2	**22 081**	36 641	24 992
Short-term negotiable securities	3	**22 018**	11 577	17 194
Derivative assets	4	**104 723**	9 218	
Trading assets	5	**31 811**	26 578	
Investment securities	6	**19 487**	18 649	45 722
Loans and advances	7	**220 375**	178 925	162 002
Other assets	9	**19 611**	22 146	52 647
Interest in associates and joint ventures	10	**541**	276	187
Goodwill and other intangible assets	11	**508**	671	714
Property and equipment	12	**3 040**	2 911	2 738
Liberty		**96 195**	85 761	89 038
Current assets	13	**3 687**	3 754	2 979
Investments	14	**91 869**	81 491	85 531
Goodwill and other intangible assets	15	**276**	194	175
Equipment and furniture	16	**363**	322	353
Total assets		**540 390**	393 353	395 234
EQUITY AND LIABILITIES				
Liabilities		**505 302**	361 293	363 568
Standard Bank operations		**417 518**	283 614	282 694
Derivative liabilities	4	**98 634**	4 007	
Trading liabilities	17	**18 162**	13 482	
Deposit and current accounts	18	**272 677**	239 715	237 006
Other liabilities and provisions	19	**20 989**	19 656	39 789
Subordinated bonds	20	**7 056**	6 754	5 899
Liberty		**87 784**	77 679	80 874
Other liabilities	21	**2 444**	2 136	2 082
Convertible bonds	22	**1 500**	1 947	2 874
Policyholder liabilities	23	**83 840**	73 596	75 918
Capital and reserves		**28 667**	26 062	25 693
Share capital	24	**142**	141	140
Share premium	25	**2 273**	2 141	2 047
Reserves		**26 252**	23 780	23 506
Minority interest		**6 421**	5 998	5 973
Total equity and liabilities		**540 390**	393 353	395 234
Ordinary shareholders' funds				
Adjusted for the increase in market value over the carrying value of Liberty		**30 465**	28 303	28 330

INCOME STATEMENT
for the year ended 31 December

	Note	**2003 Rm**	2002 Rm	2001 Rm
Standard Bank operations				
Interest income	27.1	**36 796**	31 055	24 368
Interest expense	27.2	**25 359**	20 535	16 191
Net interest income before provision for credit losses		**11 437**	10 520	8 177
Provision for credit losses	27.3	**1 848**	1 955	1 603
Net interest income		**9 589**	8 565	6 574
Non-interest revenue	27.4	**12 790**	11 448	9 135
Total income		**22 379**	20 013	15 709
Operating expenses		**13 608**	12 587	9 940
Staff costs	27.5	**7 581**	6 934	5 347
Other operating expenses	27.6	**6 027**	5 653	4 593
Operating profit		**8 771**	7 426	5 769
Income from associates and joint ventures	10	**102**	96	49
Goodwill amortisation	11.2	**(173)**	(151)	(65)
Exceptional items	29.4	**144**	–	–
Income before taxation		**8 844**	7 371	5 753
Taxation	30.1	**2 773**	2 435	1 756
Income after taxation		**6 071**	4 936	3 997
Attributable to minorities		**104**	122	77
Standard Bank income attributable to ordinary shareholders		**5 967**	4 814	3 920
Liberty				
Operating profit		**1 713**	1 369	2 438
Realised investment gains/(losses) attributable to shareholders' assets		**471**	(363)	1 102
Goodwill amortisation and impairment		**(78)**	(14)	(16)
Income before taxation		**2 106**	992	3 524
Taxation	30.2	**823**	368	1 431
Income after taxation	28.1	**1 283**	624	2 093
Attributable to minorities		**904**	441	1 488
Liberty income attributable to ordinary shareholders		**379**	183	605
Group income attributable to ordinary shareholders		**6 346**	4 997	4 525
Earnings per share (cents)	29.3	**475,7**	376,2	343,1
Fully diluted earnings per share (cents)	29.3	**469,8**	371,2	337,9
Headline earnings per share (cents)	29.3	**468,3**	396,3	335,1
Fully diluted headline earnings per share (cents)	29.3	**462,5**	391,0	329,9
Dividends per share (cents)	29.2	**151,0**	124,0	102,0

CASH FLOW STATEMENT
for the year ended 31 December

	Note	2003 Rm	2002 Rm	2001 Rm
Operating activities				
Cash receipts from customers	31.2	**70 762**	61 075	50 310
Cash paid to customers, employees and suppliers	31.3	**(55 738)**	(47 333)	(40 052)
Dividends received	31.4	**1 962**	1 871	1 689
Net cash flows from operating activities	31.1	**16 986**	15 613	11 947
Changes in operating funds				
(Increase)/decrease in income-earning assets	31.5	**(46 047)**	7 878	(81 900)
Increase/(decrease) in deposits, other liabilities and provisions	31.6	**37 916**	(5 063)	70 723
Net cash flows (used in)/from operating funds		**(8 131)**	2 815	(11 177)
Taxation paid	31.7	**(3 243)**	(3 627)	(2 341)
Investing activities				
Capital expenditure on – property		**(505)**	(84)	(116)
– equipment, furniture and vehicles		**(1 308)**	(1 437)	(1 033)
– intangible assets		**(365)**	(106)	–
Proceeds from sale of – property		**541**	119	55
– equipment, furniture and vehicles		**231**	218	130
Proceeds from sale of business operations		**208**	–	–
Increase in amount invested by insurance operations		**(4 240)**	(3 561)	(67)
Investment in subsidiaries	31.8	**(188)**	(393)	(1 362)
Investment in associates	10	**(237)**	(135)	(50)
Net cash flows used in investing activities		**(5 863)**	(5 379)	(2 443)
Financing activities				
Proceeds from issue of share capital to shareholders		**133**	95	71
Proceeds from issue of share capital to minorities		**39**	44	27
Increase in subordinated bonds		**440**	855	2 442
Dividends paid	31.9	**(2 371)**	(2 076)	(3 398)
Net cash flows used in financing activities		**(1 759)**	(1 082)	(858)
Effects of exchange rate changes on cash and cash equivalents		**(2 088)**	(3 311)	4 291
Net (decrease)/increase in cash and cash equivalents		**(4 098)**	5 029	(581)
Cash and cash equivalents at beginning of the year		**48 492**	42 902	32 178
Cash and cash equivalents of subsidiaries acquired	31.8	**51**	561	11 305
Cash and cash equivalents at end of the year		**44 445**	48 492	42 902

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

for the year ended 31 December

	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)**
– edge 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 below. 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.

Accounting policies before adoption of AC 133	Accounting policies adjusted for AC 133
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				Inter-national	Africa	Stanlib	Central funding	Standard Bank opera-tions	Liberty	Standard Bank Group
	Retail Banking Rm	Corporate and Invest-ment Banking Rm	Central services Rm	Total Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Net interest income before provision for credit losses	**6 773**	**2 081**	**(166)**	**8 688**	**1 094**	**1 421**	**47**	**187**	**11 437**		**11 437**
Provision for credit losses	1 128	177	7	1 312	317	172	–	47	1 848		1 848
Net interest income	**5 645**	**1 904**	**(173)**	**7 376**	**777**	**1 249**	**47**	**140**	**9 589**		**9 589**
Non-interest revenue	**5 618**	**3 037**	**52**	**8 707**	**2 842**	**884**	**515**	**(158)**	**12 790**		**12 790**
Fees and commission revenue	5 321	1 107	5	6 433	606	629	474	(158)	7 984		7 984
Trading revenue	–	1 249	(7)	1 242	2 232	221	39	183	3 917		3 917
Other revenue	297	681	54	1 032	4	34	2	(183)	889		889
Total income	**11 263**	**4 941**	**(121)**	**16 083**	**3 619**	**2 133**	**562**	**(18)**	**22 379**		**22 379**
Operating expenses	**7 463**	**2 271**	**(256)**	**9 478**	**2 407**	**1 319**	**458**	**(54)**	**13 608**		**13 608**
Staff costs	2 593	1 074	1 303	4 970	1 725	645	227	14	7 581		7 581
Other operating expenses	4 870	1 197	(1 559)	4 508	682	674	231	(68)	6 027		6 027
Operating profit	**3 800**	**2 670**	**135**	**6 605**	**1 212**	**814**	**104**	**36**	**8 771**		**8 771**
Income from associates and joint ventures	28	41	–	69	–	33	–	–	102		102
Goodwill and exceptional items	(17)	(8)	155	130	(29)	(84)	6	(52)	(29)		(29)
Income before taxation											
– Standard Bank operations	**3 811**	**2 703**	**290**	**6 804**	**1 183**	**763**	**110**	**(16)**	**8 844**		**8 844**
– Liberty										**2 106**	**2 106**
Taxation	1 281	544	223	2 048	346	285	33	61	2 773	823	3 596
Income after taxation	**2 530**	**2 159**	**67**	**4 756**	**837**	**478**	**77**	**(77)**	**6 071**	**1 283**	**7 354**
Attributable to minorities	–	17	–	17	–	55	31	1	104	904	1 008
Income attributable to ordinary shareholders	**2 530**	**2 142**	**67**	**4 739**	**837**	**423**	**46**	**(78)**	**5 967**	**379**	**6 346**
Headline earnings	**2 542**	**2 150**	**(83)**	**4 609**	**866**	**489**	**40**	**(26)**	**5 978**	**270**	**6 248**
Return on equity (%)	**32,3**	**31,5**		**31,4**	**14,7**	**28,3**	**16,5**	**(1,1)**	**24,0**		**22,8**
Cost-to-income ratio (%)	**60,2**	**44,4**		**54,5**	**61,2**	**57,2**			**56,2**		**56,2**
Net interest margin (%)	**6,63**	**1,65**		**3,73**	**1,21**	**6,72**	**3,71**		**3,50**		**3,50**
Credit loss ratio (%)	**1,10**	**0,31**		**0,83**	**0,78**	**1,71**			**0,91**		**0,91**
Total assets (excluding inter-divisional balances)	116 277	202 895	7 347	326 519	112 064	22 264	1 341	(17 993)	444 195	96 195	540 390
Total liabilities (excluding inter-divisional balances)	108 082	194 712	6 759	309 553	107 711	20 485	1 176	(21 407)	417 518	87 784	505 302
Average equity	7 872	6 820	–	14 692	5 910	1 727	243	2 343	24 915	2 442	27 357
Number of employees	18 169	2 987	6 531	27 687	1 318	5 488	541	–	35 034	3 399	38 433
Interest in associates and joint ventures	63	196	–	259	–	231	4	47	541	–	541
Capital expenditure	543	290	356	1 189	41	254	30	–	1 514	664	2 178
Depreciation and amortisation	241	134	339	714	95	124	25	46	1 004	177	1 181
Impairments	38	–	55	93	–	64	–	–	157	66	223

1. **SEGMENT REPORTING** (continued)

2002	Domestic Banking				International	Africa	Stanlib	Central funding	Standard Bank operations	Liberty	Standard Bank Group
	Retail Banking Rm	Corporate and Investment Banking Rm	Central services Rm	Total Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Net interest income before provision for credit losses	**6 094**	**1 809**	**43**	**7 946**	**1 231**	**1 321**	**53**	**(31)**	**10 520**		**10 520**
Provision for credit losses	1 048	346	22	1 416	487	58	–	(6)	1 955		1 955
Net interest income	**5 046**	**1 463**	**21**	**6 530**	**744**	**1 263**	**53**	**(25)**	**8 565**		**8 565**
Non-interest revenue	**4 851**	**2 914**	**5**	**7 770**	**2 277**	**923**	**509**	**(31)**	**11 448**		**11 448**
Fees and commission revenue	4 635	1 059	7	5 701	722	607	443	(57)	7 416		7 416
Trading revenue	–	1 370	(50)	1 320	1 547	254	54	65	3 240		3 240
Other revenue	216	485	48	749	8	62	12	(39)	792		792
Total income	**9 897**	**4 377**	**26**	**14 300**	**3 021**	**2 186**	**562**	**(56)**	**20 013**		**20 013**
Operating expenses	**6 654**	**2 101**	**(364)**	**8 391**	**2 506**	**1 364**	**444**	**(118)**	**12 587**		**12 587**
Staff costs	2 246	945	1 139	4 330	1 687	674	232	11	6 934		6 934
Other operating expenses	4 408	1 156	(1 503)	4 061	819	690	212	(129)	5 653		5 653
Operating profit	**3 243**	**2 276**	**390**	**5 909**	**515**	**822**	**118**	**62**	**7 426**		**7 426**
Income from associates and joint ventures	24	36	–	60	–	38	–	(2)	96		96
Goodwill and exceptional items	–	(26)	–	(26)	(35)	(26)	–	(64)	(151)		(151)
Income before taxation											
– Standard Bank operations	**3 267**	**2 286**	**390**	**5 943**	**480**	**834**	**118**	**(4)**	**7 371**		**7 371**
– Liberty										**992**	**992**
Taxation	1 105	482	406	1 993	86	305	23	28	2 435	368	2 803
Income after taxation	**2 162**	**1 804**	**(16)**	**3 950**	**394**	**529**	**95**	**(32)**	**4 936**	**624**	**5 560**
Attributable to minorities	–	16	–	16	–	73	33	–	122	441	563
Income attributable to ordinary shareholders	**2 162**	**1 788**	**(16)**	**3 934**	**394**	**456**	**62**	**(32)**	**4 814**	**183**	**4 997**
Headline earnings	**2 162**	**1 814**	**(16)**	**3 960**	**429**	**482**	**62**	**32**	**4 965**	**298**	**5 263**
Return on equity (%)	**31,1**	**31,7**		**31,2**	**6,3**	**27,4**	**20,6**	**1,7**	**21,2**		**20,3**
Cost-to-income ratio (%)	**60,8**	**44,5**		**53,4**	**71,4**	**60,8**			**57,3**		**57,3**
Net interest margin (%)	**7,29**	**1,49**		**3,83**	**1,17**	**6,18**	**4,46**		**3,22**		**3,22**
Credit loss ratio (%)	**1,24**	**0,68**		**1,04**	**1,14**	**0,66**			**1,08**		**1,08**
Total assets (excluding inter-divisional balances)	89 240	124 393	1 940	215 573	80 005	20 693	1 573	(10 252)	307 592	85 761	393 353
Total liabilities (excluding inter-divisional balances)	81 923	119 010	1 724	202 657	75 622	18 945	1 173	(14 783)	283 614	77 679	361 293
Average equity	6 958	5 722	–	12 680	6 810	1 760	301	1 902	23 453	2 417	25 870
Number of employees	17 775	2 797	6 589	27 161	1 267	5 470	611	–	34 509	3 282	37 791
Interest in associates and joint ventures	11	125	–	136	–	91	1	48	276	–	276
Capital expenditure	300	94	719	1 113	90	102	78	–	1 383	220	1 603
Depreciation and amortisation	141	101	334	576	123	143	17	64	923	199	1 122
Impairments	–	–	–	–	–	–	–	–	–	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	2001 Rm
2. **CASH AND BALANCES WITH BANKS**			
Coin and bank notes	**4 371**	5 582	3 920
Balances with central banks	**3 882**	21 512	11 313
Balances with other banks	**13 828**	9 547	9 759
	22 081	36 641	24 992

	2003 Rm	2002 Rm	2001 Rm
3. SHORT-TERM NEGOTIABLE SECURITIES			
Originated by the entity	**2 251**		
Held at fair value	**19 767**		
Held at amortised cost		11 577	17 194
	22 018	11 577	17 194

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 and 2001 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.

4.3 Derivative assets and liabilities

	Maturity analysis of net fair value <1 year 2003 Rm	1–5 years 2003 Rm	>5 years 2003 Rm	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* 2002 Rm	Fair value of assets 2002 Rm	Fair value of liabilities 2002 Rm	Contract/ notional amount 2002 Rm
Derivatives held for trading											
Foreign exchange derivatives	**(559)**	**790**	**(312)**	**(81)**	**24 737**	**(24 818)**	**636 116**	54	33 138	(33 084)	561 504
Forwards	**(438)**	**700**	**87**	**349**	**19 330**	**(18 981)**	**501 444**	(597)	29 680	(30 277)	504 533
Futures	**(225)**	**(170)**	**–**	**(395)**	**442**	**(837)**	**20 208**	(32)	369	(401)	13 716
Options	**104**	**260**	**(399)**	**(35)**	**4 965**	**(5 000)**	**114 464**	683	3 089	(2 406)	43 255
Interest rate derivatives	**2 625**	**5**	**(444)**	**2 186**	**53 713**	**(51 527)**	**2 674 995**	1 041	44 887	(43 846)	2 977 632
Forwards	**(539)**	**136**	**(20)**	**(423)**	**1 597**	**(2 020)**	**1 093 321**	191	1 370	(1 179)	924 446
Caps and floors	**50**	**(24)**	**–**	**26**	**161**	**(135)**	**44 596**	11	103	(92)	36 421
Swaps	**3 088**	**(119)**	**(227)**	**2 742**	**50 393**	**(47 651)**	**1 394 925**	(325)	37 683	(38 008)	1 467 285
Swaptions	**6**	**–**	**–**	**6**	**28**	**(22)**	**64 017**	(38)	15	(53)	8 013
Bonds and options	**20**	**12**	**(197)**	**(165)**	**1 534**	**(1 699)**	**78 136**	1 202	5 716	(4 514)	541 467
Commodity derivatives	**458**	**(218)**	**56**	**296**	**17 947**	**(17 651)**	**419 863**	3 280	8 646	(5 366)	280 620
Forwards	**526**	**(329)**	**21**	**218**	**16 177**	**(15 959)**	**334 825**	2 851	3 995	(1 144)	28 728
Futures	**(2)**	**(1)**	**–**	**(3)**	**–**	**(3)**	**108**	2	2	–	76
Options	**(66)**	**112**	**35**	**81**	**1 770**	**(1 689)**	**84 930**	427	4 649	(4 222)	251 816
Credit derivatives	**281**	**(7)**	**(88)**	**186**	**1 494**	**(1 308)**	**30 820**	(129)	399	(528)	31 634
Credit default swaps	**(15)**	**(103)**	**(18)**	**(136)**	**178**	**(314)**	**27 114**	(53)	132	(185)	23 547
Credit linked notes	**–**	**134**	**–**	**134**	**883**	**(749)**	**132**	8	16	(8)	3 516
Total return swaps	**296**	**(38)**	**(70)**	**188**	**433**	**(245)**	**3 574**	(84)	251	(335)	4 571
Equity derivatives	**1 680**	**680**	**(327)**	**2 033**	**4 541**	**(2 508)**	**519 725**	965	6 543	(5 578)	399 647
Forwards	**221**	**–**	**–**	**221**	**241**	**(20)**	**158 360**	22	22	–	138
Futures	**3**	**1**	**–**	**4**	**5**	**(1)**	**10 042**	–	73	(73)	15 939
Options	**1 777**	**29**	**(285)**	**1 521**	**3 607**	**(2 086)**	**350 816**	855	6 340	(5 485)	382 302
Swaps	**(4)**	**16**	**–**	**12**	**34**	**(22)**	**501**	(7)	13	(20)	–
Other	**(317)**	**634**	**(42)**	**275**	**654**	**(379)**	**6**	95	95	–	1 268
Total derivative assets/ (liabilities) held for trading	**4 485**	**1 250**	**(1 115)**	**4 620**	**102 432**	**(97 812)**	**4 281 519**	5 211	93 613	(88 402)	4 251 037
Derivatives held for hedging											
Derivatives designated as fair value hedges – interest rate swaps	**1 188**	**302**	**(113)**	**1 377**	**2 199**	**(822)**	**28 392**				
Derivatives designated as cash flow hedges – currency swaps	**–**	**27**	**–**	**27**	**27**	**–**	**1 550**				
Derivatives designated as hedges of net investments in subsidiaries	**65**	**–**	**–**	**65**	**65**	**–**	**958**				
Forward exchange contracts	**4**	**–**	**–**	**4**	**4**	**–**	**161**				
Currency options	**45**	**–**	**–**	**45**	**45**	**–**	**668**				
Swaps	**16**	**–**	**–**	**16**	**16**	**–**	**129**				
Total derivative assets/ (liabilities) held for hedging	**1 253**	**329**	**(113)**	**1 469**	**2 291**	**(822)**	**30 900**				
Total derivative assets/ (liabilities)	**5 738**	**1 579**	**(1 228)**	**6 089**	**104 723**	**(98 634)**	**4 312 419**	5 211	93 613	(88 402)	4 251 037

* Comprises net derivative assets of R9 218 million and net derivative liabilities of R4 007 million.

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.

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	2001 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).

	Carrying value 2003 Rm	Valuation 2003 Rm	Carrying value 2002 Rm	Valuation 2002 Rm	Carrying value 2001 Rm	Valuation 2001 Rm
6. **INVESTMENT SECURITIES**[1]						
Listed	**17 257**	**17 450**	15 127	15 429	35 346	35 674
– Securities of, or guaranteed by, the South African Government	**15 016**	**15 209**	8 359	8 733	10 765	11 119
– Other	**2 241**	**2 241**	6 768	6 696	24 581	24 555
Unlisted	**2 230**	**2 230**	3 906	3 699	10 461	10 520
	19 487	**19 680**	19 033	19 128	45 807	46 194
Provision for credit risk inherent in dated investment securities (note 8)			(384)	–	(85)	–
	19 487	**19 680**	18 649	19 128	45 722	46 194
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	42 031	42 334
Undated securities	**1 271**	**1 271**	1 554	1 605	3 776	3 860
	19 487	**19 680**	19 033	19 128	45 807	46 194
Maturity analysis						
The maturities represent periods to redemption of the investments recorded.						
– Redeemable on demand	**435**		1 238		2 668	
– Maturing within 1 month	**614**		1		1 032	
– Maturing after 1 month but within 6 months	**1 689**		1 498		2 794	
– Maturing after 6 months but within 12 months	**806**		393		1 592	
– Maturing after 12 months	**15 943**		15 903		37 721	
	19 487		19 033		45 807	

[1]2001 includes trading assets.

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, 2001: R44 397 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.

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	2001 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	3 274
– Loans granted under resale agreements	**16 176**	7 832	2 475
Loans and advances to customers			
– Loans and overdrafts	**78 395**	74 366	80 708
– Card debtors	**5 600**	4 392	3 743
– Mortgage advances	**77 456**	58 714	48 802
– Instalment sale and finance leases	**29 655**	24 904	21 365
– Preference shares and debentures	**570**	592	1 235
– Loans granted under resale agreements	**7 223**	6 004	–
– Trade, other bills and bankers' acceptances	**2 472**	2 936	3 721
	224 283	182 312	165 323
Provision for credit losses (note 8)	**(3 908)**	(3 387)	(3 321)
	220 375	178 925	162 002

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.

	2003 Rm	2002 Rm	2001 Rm
Maturity analysis			
The maturity analysis is based on the remaining periods to contractual maturity from year end.			
– Redeemable on demand	**20 832**	26 915	29 212
– Maturing within 1 month	**27 454**	14 167	16 599
– Maturing after 1 month but within 6 months	**37 406**	25 134	22 969
– Maturing after 6 months but within 12 months	**17 426**	17 645	14 472
– Maturing after 12 months	**121 165**	98 451	82 071
	224 283	182 312	165 323
Segmental analysis – industry			
Agriculture	**4 646**	4 294	4 432
Construction	**1 636**	1 447	1 805
Electricity	**2 215**	3 945	2 322
Finance, real estate and other business services	**67 143**	47 198	38 503
Individuals	**83 590**	67 051	57 891
Manufacturing	**12 297**	14 799	15 615
Mining	**4 670**	5 938	7 785
Other services	**34 854**	24 891	23 706
Transport	**9 038**	9 231	7 154
Wholesale	**4 194**	3 518	6 110
	224 283	182 312	165 323

	2003 %	2003 Rm	2002 %	2002 Rm	2001 %	2001 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	69	113 064
Africa	**5**	**11 023**	5	9 088	5	8 585
International	**26**	**59 493**	27	48 956	26	43 674
	100	**224 283**	100	182 312	100	165 323
7.2 **Unearned finance charges deducted from instalment sale and finance leases (accounting policy number 13)**		**6 058**		7 258		4 546

	2003 Rm	2002 Rm	2001 Rm
8. PROVISION FOR CREDIT LOSSES			
Balance at beginning of the year	**3 771**	3 406	3 474
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	3 474
Credit losses written off	**(1 218)**	(1 314)	(2 141)
Discount element recognised in interest income	**(353)**		
Net provisions raised and released (note 27.3)	**2 117**	2 136	1 836
Exchange and other movements	**(143)**	(457)	237
Balance at end of the year	**3 908**	3 771	3 406
Comprising:			
Loans and advances			
Provisions against non-performing loans	**2 418**	1 834	1 830
Provisions against performing loans	**1 490**	1 553	1 491
	3 908	3 387	3 321
Credit risk inherent in investment securities			
Specific provisions		384	85
	3 908	3 771	85

	2003 Rm	2002 Rm	2001 Rm
Segmental analysis of provisions against non-performing loans – industry			
Agriculture	**96**	176	61
Construction	**38**	23	6
Electricity	**2**	5	17
Finance, real estate and other business services	**388**	358	264
Individuals	**684**	406	415
Manufacturing	**188**	117	421
Mining	**447**	266	122
Other services	**442**	326	385
Transport	**25**	33	28
Wholesale	**108**	124	111
	2 418	1 834	1 830

	2003 %	**2003 Rm**	2002 %	2002 Rm	2001 %	2001 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	69	1 268
Africa	**10**	**241**	5	86	11	204
International	**25**	**597**	19	361	20	358
	100	**2 418**	100	1 834	100	1 830

9. OTHER ASSETS

	2003 Rm	2002 Rm	2001 Rm
Trading account assets	**10 455**	12 994	41 172
Items in the course of collection	**736**	704	800
Accrued interest	**2 746**	2 377	2 371
Current tax assets	**221**	215	1 235
Deferred tax (note 19.2)	**406**	245	87
Acceptances outstanding	**154**	156	315
Other debtors	**4 893**	5 455	6 667
	19 611	22 146	52 647

	2003 Rm	2002 Rm	2001 Rm
10. INTEREST IN ASSOCIATES AND JOINT VENTURES			
Carrying value at beginning of the year	**276**	187	100
Share of profit	**102**	96	49
Net acquisitions	**237**	135	50
Share of direct reserve movements	**–**	(72)	36
Goodwill amortised (note 11.2)	**(39)**	(46)	(14)
Distribution of profit	**(35)**	(24)	(34)
Carrying value at end of the year	**541**	276	187
Comprising:			
Cost of investments	**510**	273	138
Share of reserves	**130**	63	63
Goodwill amortised	**(99)**	(60)	(14)
	541	276	187
Valuation			
Unlisted investments	**558**	276	187

Goodwill on acquisition of associates of R219 million (2002: R117 million, 2001: R75 million) is amortised over five years.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	2003 Rm	2002 Rm	2001 Rm
Goodwill (note 11.1)	**262**	381	403
Other intangible assets (note 11.3)	**246**	290	311
	508	671	714

11.1 Goodwill

Goodwill on acquisition of subsidiaries	2003 Rm	2002 Rm	2001 Rm
Cost at beginning of the year	**532**	464	–
Acquisitions	**135**	122	363
At acquisition fair value adjustments	**3**	16	–
Disposals	**(151)**	–	–
Exchange movements	**(34)**	(70)	101
Cost at end of the year	**485**	532	464
Accumulated amortisation at beginning of the year	**(151)**	(61)	–
Amortisation	**(134)**	(105)	(51)
Disposals	**50**	–	–
Exchange movements	**12**	15	(10)
Accumulated amortisation at end of the year	**(223)**	(151)	(61)
Balance at end of the year	**262**	381	403

	2003 Gross goodwill Rm	2003 Amortisation period Rm	2003 Net goodwill Rm	2002 Net goodwill Rm	2001 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	109
Standard Bank Asia Limited	**82**	**5 years**	**41**	66	108
Protea Chemicals (Proprietary) Limited	**–**	**5 years**	**–**	81	106
Stanbic Bank Limited (Malawi)	**72**	**5 years**	**36**	58	80
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	403

	2003 Rm	2002 Rm	2001 Rm
11.2 **Goodwill amortisation**			
Goodwill amortisation on acquisition of subsidiaries	**(134)**	(105)	(51)
Goodwill amortisation on acquisition of associates (note 10)	**(39)**	(46)	(14)
	(173)	(151)	(65)
11.3 **Other intangible assets**			
Computer software			
Cost at beginning of the year	**434**	394	252
Additions	**159**	90	127
Assets decommissioned	**(171)**	–	–
Exchange movements	**(15)**	(50)	15
Cost at end of the year	**407**	434	394
Accumulated amortisation at beginning of the year	**(144)**	(83)	(36)
Amortisation	**(82)**	(84)	(43)
Impairments	**(116)**	–	–
Assets decommissioned	**171**	–	–
Exchange movements	**10**	23	(4)
Accumulated amortisation at end of the year	**(161)**	(144)	(83)
Balance at end of the year	**246**	290	311

12. PROPERTY AND EQUIPMENT

12.1 Summary

	2003 Cost Rm	2003 Accumulated depreciation Rm	2003 Net book value Rm	2002 Cost Rm	2002 Accumulated depreciation Rm	2002 Net book value Rm
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

12.2 Movement

	2002 Net book value Rm	Additions Rm	Disposals Rm	Impairments Rm	Depreciation Rm	Exchange movements Rm	2003 Net book value Rm
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**

Standard Bank operations

	2001 Net book value Rm	Additions Rm	Disposals Rm	Impair-ments Rm	Deprecia-tion Rm	Exchange move-ments 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, 2001: R1 243 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	2001 Rm
13. **CURRENT ASSETS**			
Net outstanding premiums, accrued investment income and other debtors	**3 341**	3 480	2 263
Cash and balances with banks	**346**	274	716
	3 687	3 754	2 979

	2003 Rm	2002 Rm	2001 Rm

14. INVESTMENTS

14.1 Summary

	2003 Rm	2002 Rm	2001 Rm
Marketable securities			
Government, municipal and utility stocks (note 14.2)	**12 687**	9 432	9 503
Debentures (note 14.2)	**4 910**	4 257	2 841
Listed equities	**42 062**	38 410	43 046
Derivatives	**132**	71	
Unit trusts	**13 173**	10 408	12 330
Total marketable securities	**72 964**	62 578	67 720
Other investments			
Financial assets			
– Unlisted equities	**2 067**	1 558	1 087
– Mortgages and loans	**788**	1 985	1 826
– Deposits and money market securities	**4 987**	5 263	5 703
– Insurance policies	**614**	505	–
	8 456	9 311	8 616
Non-financial assets			
– Investment properties (note 14.3)	**9 724**	8 977	8 562
– Owner-occupied properties (note 14.4)	**725**	625	633
	10 449	9 602	9 195
Total other investments	**18 905**	18 913	17 811
Total investments	**91 869**	81 491	85 531
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		

	2003 Rm	2002 Rm	2001 Rm

14.2 Maturity analysis of government, municipal and utility stocks and debentures

Maturing within 1 year	**207**	178	256
Maturing after 1 year but within 5 years	**7 522**	3 783	3 172
Maturing after 5 years but within 10 years	**4 431**	4 790	2 996
Maturing after 10 years	**5 437**	4 938	5 920
	17 597	13 689	12 344

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.

14.3 Investment properties

Completed properties			
Open-market value at beginning of the year	**8 872**	8 557	8 124
Capitalised subsequent expenditure	**265**	16	96
Disposals	**(147)**	(56)	(142)
Reclassifications	**(45)**	2	–
Revaluations	**674**	356	479
Transfers from/(to) properties under development	**105**	(3)	–
Balance at end of the year	**9 724**	8 872	8 557
Properties under development			
Cost at beginning of the year	**105**	5	–
Additions	**–**	97	5
– Acquisitions	**–**	8	–
– Capitalised subsequent expenditure	**–**	89	5
Transfers (to)/from completed properties	**(105)**	3	–
Balance at end of the year	**–**	105	5
Total investment properties	**9 724**	8 977	8 562
Comprising:			
Office buildings	**1 335**	1 489	1 570
Shopping malls	**6 839**	6 055	5 804
Hotels	**1 217**	1 045	940
Other	**333**	388	248
	9 724	8 977	8 562

	2003 Rm	2002 Rm	2001 Rm

14.4 **Owner-occupied properties**

	2003 Rm	2002 Rm	2001 Rm
Open-market value at beginning of the year	**625**	633	647
Capitalised subsequent expenditure	**18**	–	–
Revaluations	**37**	(6)	(14)
Reclassifications	**45**	(2)	–
Balance at end of the year	**725**	625	633
Carrying amount that would have been included in the financial statements had owner-occupied properties been carried at cost less accumulated depreciation	**136**	121	134

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	2001 Rm
Goodwill (note 15.1)	**80**	158	113
Other intangible assets (note 15.2)	**196**	36	62
	276	194	175

15.1 **Goodwill**

	2003 Rm	2002 Rm	2001 Rm
Cost at beginning of the year	**186**	135	130
Acquisitions	**–**	67	5
Disposals	**–**	(16)	–
Cost at end of the year	**186**	186	135
Accumulated amortisation at beginning of the year	**(28)**	(22)	(7)
Amortisation	**(16)**	(14)	(15)
Disposals	**–**	8	–
Impairments*	**(62)**	–	–
Accumulated amortisation at end of the year	**(106)**	(28)	22
Balance at end of the year	**80**	158	113

* Full impairment of goodwill relating to Hightree Financial Services.

	Gross goodwill Rm	2003 Amortisation period Rm	Net goodwill Rm	2002 Net goodwill Rm	2001 Net goodwill Rm
Comprising:					
Liberty Ermitage Jersey Limited	**119**	**10 years**	**80**	92	104
Hightree Financial Services Limited	**67**	**10 years**	**–**	66	–
Liberty Specialised Investments (Proprietary) Limited	**–**	**–**	**–**	–	4
Simeka Financial Services (Proprietary Limited	**–**	**–**	**–**	–	5
	186		**80**	158	113

	2003 Rm	2002 Rm	2001 Rm
15.2 **Other intangible assets**			
Cost at beginning of the year	**134**	118	66
Additions	**206**	16	52
Disposals	**(4)**	–	–
Cost at end of the year	**336**	134	118
Accumulated amortisation at beginning of the year	**(98)**	(56)	(17)
Amortisation	**(38)**	(29)	(27)
Impairments	**(4)**	(13)	(12)
Accumulated amortisation at end of the year	**(140)**	(98)	(56)
Balance at end of the year	**196**	36	62

	Gross intangibles Rm	2003 Amortisation period Rm	Net intangibles Rm	2002 Net intangibles Rm	2001 Net intangibles Rm
Comprising:					
Present value of in-force life insurance business acquired	**133**	**10 years**	**122**	**–**	**–**
Computer software	**203**	**5 years**	**74**	36	62
	336		**196**	36	62

	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

	2003 Cost Rm	2003 Accumulated depreciation Rm	2003 Net book value Rm	2002 Cost Rm	2002 Accumulated depreciation Rm	2002 Net book value Rm
Office furniture, computer equipment and other tangible assets	**1 075**	**712**	**363**	929	607	322

16.2 Movement

	2002 Net book value Rm	**Additions Rm**	**Disposals Rm**	**Deprecia-tion Rm**	**Exchange move-ments Rm**	**2003 Net book value Rm**
Office furniture, computer equipment and other tangible assets	**322**	**175**	**(22)**	**(111)**	**(1)**	**363**

	2001 Net book value Rm	Additions Rm	Disposals Rm	Deprecia-tion Rm	Exchange move-ments 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 and 2001: 89%) of the total net book value.

	2003 Rm	2002 Rm	2001 Rm

17. TRADING LIABILITIES

	2003 Rm	2002 Rm	2001 Rm
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.

	2003 Rm	2002 Rm	2001 Rm
Deposits and loans from banks	**26 564**	23 949	38 063
– Deposits from banks and central banks	**16 915**	17 109	31 777
– Deposits from banks under repurchase agreements	**9 649**	6 840	6 286
Customers' current accounts	**89 658**	71 381	67 991
Customers' savings accounts	**22 411**	19 049	16 986
Other deposits and loan accounts	**117 149**	113 634	97 843
Negotiable certificates of deposit (NCD)	**11 071**	8 714	13 094
Customer deposits received under repurchase agreements	**5 824**	2 988	3 029
	272 677	239 715	237 006

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	2001 Rm
– Repayable on demand	**141 125**	114 186	112 674
– Maturing within 1 month	**40 290**	56 025	67 312
– Maturing after 1 month but within 6 months	**47 264**	43 240	31 170
– Maturing after 6 months but within 12 months	**19 763**	9 854	11 767
– Maturing after 12 months	**24 235**	16 410	14 083
	272 677	239 715	237 006

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	2001 %	2001 Rm
South Africa	**75**	**203 351**	65	156 718	58	137 319
Africa	**6**	**17 189**	7	16 481	6	15 223
International	**19**	**52 137**	28	66 516	36	84 464
	100	**272 677**	100	239 715	100	237 006

	2003 Rm	2002 Rm	2001 Rm

19. OTHER LIABILITIES AND PROVISIONS

19.1 Summary

	2003 Rm	2002 Rm	2001 Rm
Trading account liabilities*	**2 871**	4 233	20 529
Items in the course of transmission	**1 459**	1 238	2 073
Accrued interest	**6 388**	5 768	4 684
Current taxation liabilities	**453**	299	435
Deferred taxation (note 19.2)	**2 373**	2 116	3 369
Provision for post-retirement benefits (note 19.4)	**572**	347	329
Acceptances outstanding	**154**	156	315
Other liabilities and provisions	**6 719**	5 499	8 055
	20 989	19 656	39 789

* 2001 includes net derivative and trading liabilities.

19.2 Deferred taxation analysis

	2003 Rm	2002 Rm	2001 Rm
Accrued interest	**23**	171	105
Assessed losses	**(79)**	(96)	(498)
Assets on lease	**407**	433	400
Depreciation	**67**	184	165
Derivatives	**1 713**	1 135	2 860
Fair value adjustments of financial instruments	**(2)**		
Provision for credit losses	**(604)**	(330)	(262)
Post-retirement benefits	**(172)**	(102)	(98)
Other differences	**614**	476	610
Deferred taxation closing balance	**1 967**	1 871	3 282
Deferred taxation liability	**2 373**	2 116	3 369
Deferred taxation asset	**(406)**	(245)	(87)

19.3 Deferred taxation reconciliation

	2003 Rm	2002 Rm	2001 Rm
Balance at beginning of the year	**1 871**	3 282	2 286
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	2 286
Various categories of originating/(reversing) temporary differences for the year:	**182**	(1 411)	996
Accrued interest	**(148)**	66	21
Assessed losses	**17**	402	(498)
Assets on lease	**(26)**	33	(59)
Depreciation	**(117)**	19	25
Derivatives	**578**	(1 725)	1 229
Fair value adjustments of financial instruments	**55**		
Provision for credit losses	**(245)**	(68)	5
Post-retirement benefits	**(70)**	(4)	(7)
Other differences	**138**	(134)	280
Balance at end of the year	**1 967**	1 871	3 282

	2003 Rm	2002 Rm	2001 Rm
19.4 Provision for post-retirement benefits			
Balance at beginning of the year	**347**	329	304
Net provision raised	**225**	18	25
Balance at end of the year	**572**	347	329

Details on post-retirement benefits are provided in note 35.

20. SUBORDINATED BONDS

Unsecured, subordinated, redeemable

	2003 Rm	2002 Rm	2001 Rm
Qualifying as secondary capital in terms of applicable banking legislation:	**5 722**	5 754	5 899
– Redeemable in 2010[1]	**1 263**	1 200	1 200
– Redeemable in 2010[2]	**1 500**	1 500	1 500
– Redeemable in 2010[3]	**668**	857	998
– Redeemable in 2011[4]	**150**	150	150
– Redeemable in 2013[5]	**75**	47	51
– Redeemable in 2013[6]	**2 066**	2 000	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	5 899

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 and 2001: 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.

	2003 Rm	2002 Rm	2001 Rm

21. OTHER LIABILITIES

21.1 Summary

	2003 Rm	2002 Rm	2001 Rm
Outstanding claims, policyholders' benefits and other liabilities	**1 778**	1 467	1 292
Provisions	**74**	52	118
Current taxation liabilities	**124**	249	410
Deferred taxation (note 21.2)	**313**	225	126
Shareholders for dividends	**–**	–	1
Post-retirement medical aid (note 35.4)	**155**	143	135
	2 444	2 136	2 082

21.2 Deferred taxation reconciliation

	2003 Rm	2002 Rm	2001 Rm
Balance at beginning of the year	**225**	118	(58)
Change in accounting policy			
Fair value adjustments	**(39)**		
Restated balance at 1 January 2003	**186**	118	(58)
Net temporary differences	**127**	107	184
Balance at end of the year	**313**	225	126
Comprising:			
Net prepaid commission accruals	**(15)**	20	17
Depreciation	**–**	4	4
Unrealised gains on shareholders' investments	**77**	97	113
Unrealised gains on policyholders' investments	**266**	104	356
Deferred tax liability included in the life funds	**–**	–	(356)
Assessed losses	**–**	–	(5)
Provisions	**(15)**	–	(3)
	313	225	126

22. CONVERTIBLE BONDS

	2003 Rm	2002 Rm	2001 Rm
6,5% Liblife International B.V. 2004			
Nominal value (US$238,5 million (2002: US$239,5 million))	**1 582**	2 061	3 053
Unamortised bond issue costs	**(3)**	(11)	(26)
	1 579	2 050	3 027
Liability component	**1 500**	1 947	2 874
Equity component – shareholders' portion	**23**	30	153
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), 2001: US$251,6 million (R3.0 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 and 2001: 484) shares for every US$5 000 of bonds, which is equivalent to US$10,33 (2002 and 2001: 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	2001 Rm
23. POLICYHOLDER LIABILITIES			
Liabilities under insurance contracts	**49 723**	75 562	62 138
Liabilities under investment contracts[1]	**23 873**		
Policyholder liabilities at beginning of the year	**73 596**	75 562	62 138
Change in accounting policy	**131**		
Restated balance at 1 January 2003	**73 727**	75 562	62 138
Net premium income and inflows from investment contracts	**18 122**	16 415	14 122
Investment income attributable to policyholders	**3 607**	3 590	3 300
Investment gains/(losses) attributable to policyholders	**6 508**	(6 085)	11 841
Claims, policyholders' benefits and payments under investment contracts	**(13 625)**	(11 914)	(11 192)
Commissions	**(1 612)**	(1 559)	(1 229)
Management expenses	**(1 528)**	(1 303)	(1 193)
Taxation	**(640)**	(221)	(905)
Deferred capital gains tax	**–**	–	356
Operating profit from insurance operations after taxation	**(719)**	(889)	(1 320)
Balance at end of the year	**83 840**	73 596	75 918
Comprising:			
Liabilities under insurance contracts	**56 296**	73 596	75 918
Liabilities under investment contracts[1]	**27 544**		
	83 840	73 596	75 918

[1] As required by AC 133 comparative amounts have not been restated.

Standard Bank Group

	2003 Rm	2002 Rm	2001 Rm
24. SHARE CAPITAL			
24.1 Authorised			
1 750 000 000 (2002 and 2001: 1 750 000 000) ordinary shares of 10 cents each	**175**	175	175
8 000 000 (2002 and 2001: 8 000 000) 6,5% first cumulative preference shares of R1,00 each	**8**	8	8
	183	183	183
24.2 Issued			
1 338 729 667 (2002: 1 331 078 467, 2001: 1 324 938 167) ordinary shares of 10 cents each	**134**	133	132
8 000 000 (2002 and 2001: 8 000 000) 6,5% first cumulative preference shares of R1,00 each	**8**	8	8
	142	141	140

	2003 Rm	2002 Rm	2001 Rm
24.3 Unissued shares			
277 397 366 (2002: 285 813 686, 2001: 292 568 016) ordinary shares of 10 cents each, of which 133 107 847 (2002: 285 813 686, 2001: 292 568 016) 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	30
133 872 967 (2002: 133 107 847, 2001: 132 493 817) 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	13
	41	42	43

24.4 Interest of directors in the capital of the company

Number of shares as at 31 December	2003	2002	2001
Beneficial ordinary	**870 581**	1 365 534	1 503 332
Options	**3 049 900**	5 714 418	3 829 218

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, 2001: 61 634 449).

During the year, 7 651 200 (2002: 6 140 300, 2001: 4 922 200) 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, 2001: 15 805 200) ordinary shares were granted during the year in terms of the scheme and 5 421 749 (2002: 3 918 197, 2001: 1 671 566) options lapsed.

25. SHARE PREMIUM – ORDINARY SHARES

	2003 Rm	2002 Rm	2001 Rm
A premium of R132 million (2002: R94 million, 2001: R461 million) was raised on the allotment and issue during the year of 7 651 200 ordinary shares (2002: 6 140 300, 2001: 17 814 246)	**2 273**	2 141	3 094
Cancellation of treasury shares	**–**	–	(1 047)
	2 273	2 141	2 047

	2003 Rm	2002 Rm	2001 Rm

26. CONTINGENT LIABILITIES AND COMMITMENTS

26.1 Contingent liabilities

	2003 Rm	2002 Rm	2001 Rm
Letters of credit	**4 920**	4 369	5 449
Guarantees	**16 562**	21 112	19 199
	21 482	25 481	24 648

No material losses are anticipated as a result of these transactions.

26.2 Capital commitments

	2003 Rm	2002 Rm	2001 Rm
Contracted capital expenditure	**215**	467	84
Capital expenditure authorised but not yet contracted	**505**	167	38
	720	634	122

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:

	2003 Rm	2002 Rm	2001 Rm
Properties			
Within 1 year	**129**	106	121
After 1 year but within 5 years	**619**	535	537
After 5 years	**908**	942	868
	1 656	1 583	1 526
Equipment			
Within 1 year	**10**	7	8
After 1 year but within 5 years	**64**	93	52
After 5 years	**3**	–	–
	77	100	60

	2003 Rm	2002 Rm	2001 Rm

27. SUPPLEMENTARY INCOME STATEMENT INFORMATION

27.1 Interest income

	2003 Rm	2002 Rm	2001 Rm
Interest on loans and advances and short-term funds	**32 210**	26 957	21 118
Interest on investment securities	**3 559**	3 518	2 735
Discount element recognised from provision for credit losses	**353**		
Fair value adjustments on dated financial instruments	**(10)**		
Dividends on dated investment securities	**684**	580	515
	36 796	31 055	24 368

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:

	2003 Rm	2002 Rm	2001 Rm
Listed equities	**–**	2	5
Unlisted equities	**684**	578	510
	684	580	515

27.2 Interest expense

	2003 Rm	2002 Rm	2001 Rm
Current accounts	**627**	482	355
Savings and deposit accounts	**3 242**	3 498	3 608
Market bid accounts	**12 081**	9 884	7 106
Foreign finance creditors	**199**	335	490
Subordinated bonds	**834**	741	743
Other interest-bearing liabilities	**8 376**	5 595	3 889
	25 359	20 535	16 191

27.3 Provision for credit losses

	2003 Rm	2002 Rm	2001 Rm
Net provisions raised and released	**2 117**	2 136	1 836
Recoveries	**(269)**	(181)	(233)
	1 848	1 955	1 603
Comprising:			
Provisions against non-performing loans	**1 398**	1 794	1 379
Provisions against performing loans	**450**	161	224
	1 848	1 955	1 603

		2003 Rm	2002 Rm	2001 Rm
27.4	**Non-interest revenue**			
	Fees and commission revenue	**7 984**	7 416	5 724
	Point of representation	**3 440**	3 095	2 360
	Card-based commission	**1 189**	1 070	638
	Knowledge-based fees and commission	**933**	1 113	450
	Electronic banking	**589**	481	381
	Insurance: fees and commission	**408**	380	
	Foreign currency service fees	**398**	335	
	Documentation and administration fees	**261**	233	
	Other	**766**	709	1 895
	Trading revenue	**3 917**	3 240	2 279
	Foreign exchange	**1 584**	1 337	963
	Debt securities	**918**	1 051	620
	Commodities	**767**	591	528
	Equities	**378**	128	57
	Other	**270**	133	111
	Other revenue	**889**	792	1 132
	Banking and other	**545**	550	639
	Insurance: underwriting and bancassurance profit*	**344**	242	493
		12 790	11 448	9 135

* 2001 includes insurance fees and commission.

		2003 Rm	2002 Rm	2001 Rm
27.5	**Staff costs**			
	Salaries and allowances	**7 175**	6 640	5 206
	Retirement benefit costs	**406**	294	141
		7 581	6 934	5 347

	2003 Rm	2002 Rm	2001 Rm
27.6 **Other operating expenses**			
Amortisation – intangible assets	**82**	84	43
Auditors' remuneration	**63**	63	57
Audit fees			
– Current year	**39**	42	32
– Prior year	**–**	1	2
Fees for other services	**24**	20	23
Depreciation	**749**	688	444
Property			
– Freehold	**25**	24	19
– Leasehold	**16**	29	21
Equipment			
– Computer equipment	**475**	415	314
– Motor vehicles	**109**	120	16
– Office equipment	**34**	27	19
– Furniture and fittings	**89**	72	52
– Capitalised leased assets	**1**	1	3
Loss/(profit) on sale of equipment	**8**	(17)	23
Operating lease charges	**499**	433	369
Properties	**461**	407	347
Equipment	**38**	26	22
Premises	**549**	530	421
Professional fees	**569**	453	411
Managerial	**18**	19	30
Technical and other	**551**	434	381
Other expenses	**3 508**	3 419	2 825
	6 027	5 653	4 593

28. SUPPLEMENTARY INCOME STATEMENT INFORMATION

28.1 Income after taxation

Income after taxation is arrived at as follows:

	2003 Rm	2002 Rm	2001 Rm
Operating profit from insurance operations	**719**	889	1 320
Operating profit from insurance operations before taxation	**1 359**	1 110	2 225
Taxation on transfer to operating profit from insurance operations	**(640)**	(221)	(905)
Revenue earnings attributable to shareholders' funds	**291**	203	181
Gross operating income from financial services operations	**299**	336	298
Investment income attributable to shareholders' assets and financial services operations	**421**	398	311
Investment gains attributable to shareholders' assets held for trading	**64**	–	–
Management expenses attributable to shareholders and financial services operations	**(335)**	(393)	(353)
Taxation attributable to shareholders and financial services operations	**(158)**	(138)	(75)
Preference dividend in subsidiary	**(95)**	(82)	(43)
Realised investment gains/(losses) attributable to shareholders' assets	**446**	(372)	959
Investment gains/(losses) attributable to shareholders' assets before taxation	**471**	(363)	1 102
Capital gains tax attributable to shareholders' investment gains	**(25)**	(9)	(143)
Goodwill amortisation and impairment	**(78)**	(14)	(16)
Secondary taxation on companies relating to capital reduction	**–**	–	(308)
	1 283	624	2 093

	2003 Rm	2002 Rm	2001 Rm
28.2 **Management expenses**			
Management expenses include the following:			
Administration fees	**–**	–	1
Amortisation – intangible assets	**38**	29	27
Auditors' remuneration	**12**	9	8
Current year audit fees	**9**	7	5
Fees for other services	**3**	2	3
Consultancy fees	**52**	34	45
Actuarial	**1**	1	–
Other	**51**	33	45
Defined benefit pension fund contributions	**10**	9	17
Defined contribution provident fund contributions	**59**	52	40
Depreciation – appurtenances	**12**	52	30
Depreciation – equipment and furniture	**111**	104	106
Furniture and fittings	**16**	15	11
Computer equipment	**77**	75	80
Other	**18**	14	15
Impairment losses	**4**	13	12
Operating lease charges	**47**	30	17
(Profit)/loss on sale of equipment and furniture	**(5)**	–	1
Other related South African taxes	**239**	223	187
Financial services levy	**9**	8	6
Non-recoverable value added tax	**207**	160	128
Regional services council levies	**13**	18	21
Stamp duty	**10**	37	32

	2003 Rm	2002 Rm	2001 Rm

29. SUPPLEMENTARY INCOME STATEMENT INFORMATION

29.1 Emoluments of Standard Bank Group directors

	2003 Rm	2002 Rm	2001 Rm
Executive directors			
Emoluments of directors in respect of services rendered:			
While directors of Standard Bank Group			
– as directors of subsidiary companies	**23**	41	25
– 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	5
While directors of Standard Bank Group			
– as directors of subsidiary companies	**3**	3	3
– otherwise in connection with the affairs of Standard Bank Group or its subsidiaries	**2**	2	2
Pensions of past directors	**1**	1	1
	39	54	36

[1] Including gains on exercise of options.

29.2 Dividends

	2003 Rm	2002 Rm	2001 Rm
Ordinary			
2002 final No. 67 of 90,0 cents per share (2001: 74,0 cents, 2000: 63,0 cents), paid on 14 April 2003 to shareholders registered on 11 April 2003	**1 199**	981	887
Interim No. 68 of 41,5 cents per share (2002: 34,0 cents, 2001: 28,0 cents), paid on 15 September 2003 to shareholders registered on 12 September 2003	**554**	452	399
	1 753	1 433	1 286
Dividends received on treasury shares held in subsidiary	**–**	–	(90)
	1 753	1 433	1 196

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, 2001: 102,0 cents).

Preference

6,5% first cumulative preference shares:

No. 68 of 3,25 cents per share (2002 and 2001: 3,25 cents) paid on 15 September 2003 to shareholders registered on 12 September 2003.

No. 69 of 3,25 cents per share (2002 and 2001: 3,25 cents) payable on 13 April 2004 to shareholders registered on 8 April 2004.

		2003	2002	2001
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	4 525
	Headline earnings (Rm)	**6 248**	5 263	4 419
	Weighted average ordinary shares in issue (number of shares)	**1 334 098 578**	1 328 192 411	1 318 696 288
	Earnings per share (cents)	**475,7**	376,2	343,1
	Headline earnings per share (cents)	**468,3**	396,3	335,1
	Weighted average ordinary shares in issue (number of shares)	**1 334 098 578**	1 328 192 411	1 318 696 288
	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	20 599 118
	Average fair value of one ordinary share during the year (R)	**31,66**	31,00	31,35
	– Value of shares traded in the year (R'000)	**28 751 308**	20 886 559	16 038 000
	– Number of shares traded in the year ('000)	**908 179**	673 703	511 549
	Average exercise price for shares under option (R)	**24,00**	22,17	19,93
	– Total exercise value of outstanding in-the-money share options (R'000)	**1 657 176**	1 398 497	1 126 968
	– Total number of in-the-money share options outstanding ('000)	**69 058**	63 072	56 548
	Fully diluted weighted average ordinary shares in issue (number of shares)	**1 350 806 747**	1 346 157 664	1 339 295 406
	Fully diluted earnings per share (cents)	**469,8**	371,2	337,9
	Fully diluted headline earnings per share (cents)	**462,5**	391,0	329,9

	2003 Rm	2002 Rm	2001 Rm
29.4 Headline earnings			
Group income attributable to ordinary shareholders	**6 346**	4 997	4 525
Standard Bank operations income adjusted for:			
Goodwill amortised	**173**	151	65
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	(325)
– Goodwill amortised and impaired	**78**	14	16
– Realised investment (gains)/losses attributable to shareholders' assets	**(471)**	363	(1 102)
– Attributable to minorities	**276**	(265)	761
Taxation on the above items	**8**	3	154
– Capital gains tax	**25**	9	143
– Secondary tax on companies relating to capital reduction	**–**	–	308
– Attributable to minorities	**(17)**	(6)	(297)
	6 248	5 263	4 419

	2003 Rm	2002 Rm	2001 Rm

30. TAXATION

30.1 Standard Bank operations

	2003 Rm	2002 Rm	2001 Rm
Current year			
Taxation on income	**2 422**	1 821	1 326
– South African normal taxation	**1 466**	2 764	187
– South African deferred taxation	**286**	(1 497)	800
– Foreign normal and withholding taxation	**755**	468	258
– Foreign deferred taxation	**(85)**	86	81
Transaction and other taxes	**388**	382	315
– Regional services council levies	**90**	65	58
– Value added tax	**264**	297	210
– Duties	**16**	11	14
– Secondary tax on companies	**–**	–	6
– Skills development levy (net of recoveries)	**18**	9	27
Payments to trusts	**–**	24	–
Prior years	**(37)**	208	115
South African normal taxation	**17**	86	–
South African deferred taxation	**(7)**	122	115
Foreign normal and withholding taxation	**(37)**	–	–
Foreign deferred taxation	**(10)**	–	–
	2 773	2 435	1 756

	2003	2002	2001
South African taxation rate reconciliation (%)			
The taxation charge for the year as a percentage of operating profit before taxation	**32**	33	31
Regional services council levies and stamp duties	**(1)**	(1)	1
Value added tax	**(3)**	(4)	4
Duties, STC and skills development levy	**–**	–	1
Taxation relating to prior years	**–**	(3)	2
Net taxation charge	**28**	25	23
The charge for the year has been reduced/(increased) as a consequence of:			
– Dividends received	**3**	4	6
– Other non-taxable income	**3**	3	2
– Other permanent differences	**(4)**	(2)	(1)
Standard rate of South African taxation	**30**	30	30

Future taxation relief

The group has estimated tax losses of R264 million (2002: R190 million, 2001: R1 883 million) which are available for set-off against future taxable income, of which the full amount (2002: R104 million, 2001: R1 659 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, 2001: R1 588 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.

	2003 Rm	2002 Rm	2001 Rm
30.2 **Liberty**			
Normal taxation	**388**	329	399
Current year	**411**	404	408
Prior year	**(8)**	(86)	(77)
Deferred taxation	**(15)**	11	68
South African capital gains tax	**169**	(224)	378
Current year	**5**	28	21
Deferred taxation	**164**	(252)	357
Other related South African taxes	**237**	251	201
Retirement fund taxation	**150**	156	169
Secondary tax on companies	**87**	95	32
Foreign taxation	**4**	3	2
Capital gains tax attributable to shareholders' investment gains	**25**	9	143
Attributable to ordinary shareholders	**8**	3	43
Attributable to minorities	**17**	6	100
Secondary tax on companies relating to capital reduction	**–**	–	308
Attributable to Standard Bank	**–**	–	111
Attributable to minorities	**–**	–	197
	823	368	1 431
Comprising:			
Taxation attributable to life insurance operations	**640**	221	905
Taxation attributable to shareholders' funds	**158**	138	75
Capital gains tax attributable to shareholders' investment gains	**25**	9	–
	823	368	980

Future taxation relief

Liberty has estimated tax losses attributable to shareholders' funds of R212 million (2002: R227 million, 2001: R158 million) which are available for set-off against future taxable income.

31. CASH FLOW STATEMENT NOTES

31.1 Reconciliation of operating profit to cash flows from operating activities

	2003 Rm	2002 Rm	2001 Rm
Operating profit	**10 484**	8 795	8 207
Adjusted for:			
Amortisation of bond issue costs	**6**	9	8
Amortisation of fixed interest securities	**127**	(260)	(195)
Amortisation of intangible assets	**120**	113	70
Depreciation – appurtenances	**12**	52	30
Depreciation – property and equipment	**860**	792	580
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	12
Investment (gains)/losses attributable to policyholders' liabilities	**(6 508)**	6 085	(11 841)
Loss/(profit) on sale of equipment and furniture	**3**	(17)	24
Provision for credit losses	**1 848**	1 955	1 603
Provision for post-retirement benefits	**225**	18	25
Transfers to/(from) policyholders' liabilities	**10 113**	(1 966)	13 424
Cash flows from operating activities	**16 986**	15 613	11 947

31.2 Cash receipts from customers

	2003 Rm	2002 Rm	2001 Rm
Interest income	**38 107**	30 475	23 853
Fees and commission revenue	**7 984**	7 416	5 724
Trading and other revenue	**24 671**	23 184	20 733
	70 762	61 075	50 310

31.3 Cash paid to customers, employees and suppliers

	2003 Rm	2002 Rm	2001 Rm
Interest expense	**(25 494)**	(20 535)	(16 191)
Total operating expenses	**(30 244)**	(26 798)	(23 861)
	(55 738)	(47 333)	(40 052)

31.4 Dividends received

	2003 Rm	2002 Rm	2001 Rm
Dividends from investment securities	**1 927**	1 847	1 689
Dividends from associates	**35**	24	–
	1 962	1 871	1 689

31.5 (Increase)/decrease in income-earning assets

	2003 Rm	2002 Rm	2001 Rm
Net derivative assets	**(863)**	(5 211)	
Trading assets	**(5 233)**	(4 346)	
Investment securities	**(713)**	6 649	(27 435)
Loans and advances	**(42 514)**	(18 730)	(34 714)
Other assets	**3 276**	29 516	(19 751)
	(46 047)	7 878	(81 900)

	2003 Rm	2002 Rm	2001 Rm
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	45 047
Deposits received under repurchase agreements	**5 645**	513	2 773
Negotiable certificates of deposit	**2 357**	(4 380)	6 587
Trading liabilities	**4 680**	13 482	
Other liabilities and provisions	**835**	(18 951)	16 316
	37 916	(5 063)	70 723
31.7 Taxation paid			
Amounts unpaid at beginning of the year	**(559)**	(93)	(245)
Taxation charge for the year	**(3 353)**	(4 093)	(2 189)
Amounts unpaid at end of the year	**669**	559	93
	(3 243)	(3 627)	(2 341)
31.8 Investment in subsidiaries			
Cost of acquisition of subsidiaries	**(183)**	(399)	(1 271)
Effects of exchange rate changes	**(5)**	6	(91)
	(188)	(393)	(1 362)
Comprising:			
Cash and cash equivalents	**(51)**	(561)	(11 305)
Investment and trading securities	**(125)**	(1 808)	(1 722)
Loans and advances	**(538)**	(148)	(2 111)
Other assets	**(290)**	(289)	(473)
Property and equipment	**–**	(73)	(107)
Total assets acquired	**(1 004)**	(2 879)	(15 718)
Deposit and current accounts	**561**	2 303	13 754
Other liabilities and provisions	**395**	269	998
Net asset value	**(48)**	(307)	(966)
Minority interests	**–**	30	58
Net assets acquired	**(48)**	(277)	(908)
Goodwill	**(135)**	(122)	(363)
Cash consideration	**(183)**	(399)	(1 271)
Effects of exchange rate changes	**(5)**	6	(91)
	(188)	(393)	(1 362)
31.9 Dividends paid			
Amounts unpaid at beginning of the year	**–**	(1)	(1)
Dividends to ordinary shareholders	**(1 753)**	(1 433)	(1 196)
Dividends to minority shareholders in subsidiaries	**(618)**	(642)	(2 531)
Capitalisation share reward	**–**	–	329
Amounts unpaid at end of the year	**–**	–	1
	(2 371)	(2 076)	(3 398)

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

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 and 2001 effect on income has not been restated.

	2002 Previously disclosed Rm	Net derivative positions[1] Rm	Other assets[2] Rm	Short-sale positions[3] Rm	Other balances[4] Rm	2002 Balance reclassi-fied Rm
32.3 Prior year reclassifications						
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	2001 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:

	2003 Rm	2002 Rm	2001 Rm
Asset management	**66 576**	60 027	66 279
Fund management	**199 469**	171 489	174 612
	266 045	231 516	240 891
Geographical area			
Africa (including Stanlib)	**202 750**	175 946	181 557
International	**63 295**	55 570	59 334
	266 045	231 516	240 891

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.

34.2 Subsidiaries

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, 2001: R55 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, 2001: R43 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, 2001: R485 million) as well as term deposits and money market securities to the value of R673 million (2002: R358 million, 2001: R257 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 Annexure 3 and Paragraph 3 of this Pre-Listing Statement 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%.

Standard Bank operations

	2003 Rm	2002 Rm	2001 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	329
	572	347	329

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.

	2003 Rm	2002 Rm	2001 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	2001 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, 2001: R406 million). The value of plan assets at 31 December 2003 was R901 million (2002: R800 million, 2001: R894 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, 2001: R135 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

EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF STANDARD BANK GROUP

DIRECTORS

NUMBER

71. Unless otherwise determined by the Company in general meeting the number of directors shall be not less than 5 (five) nor more than 25 (twenty five).

75. The directors shall have power to appoint any person as a director to fill a casual vacancy but the person so appointed shall cease to hold office at the termination of the first annual general meeting to be held after the appointment of such person as a director unless his appointment is confirmed at such annual general meeting and, for the purposes of the rules for the rotation of directors contained in these Articles, such person shall be deemed to have been appointed a director on the same date as the director for whom he has been substituted.

QUALIFICATION

77. A director shall not be required to hold any qualification shares in the share capital of the Company.

REMUNERATION

81.

81.1 The directors shall be entitled to such remuneration as may be determined from time to time by the Company in general meeting provided that no director shall be entitled to vote in respect of his own remuneration. In addition, the directors shall be entitled to all reasonable expenses in travelling to and from meetings of the directors, and the Company may also refund to such director all reasonable expenses incurred by him while acting in the course of the business of the Company including travelling, hotel and other reasonable expenses.

81.2 If any director be called upon to perform extra services or to make any special exertions in going or residing abroad, or otherwise, for any of the purposes of the Company, the Company in general meeting or the directors may remunerate that director either by salary or by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to, or in substitution for, any other remuneration determined under 81.1.

81.3 Unless the Company so resolves in general meeting or the directors so resolve, an alternate director shall not be entitled to any remuneration or to receive reimbursement of any expenses which he has incurred while acting in the course of the business of the Company but must look to the director appointing him for such remuneration or reimbursement.

DISCLOSURE OF INTERESTS

84.

84.1 Every director shall comply with the provisions of Sections 234 to 240, inclusive, of the Act.

84.2 Without derogating from the provisions of 84.1, every director shall declare any material interest, direct or indirect, which such director has in any contract or arrangement which at the time of such declaration has been proposed or has been entered into by the Company with any person whomsoever. For the purposes of this Article a director shall be deemed to have an interest in any contract between the Company and any company or partnership in which such director is a member, director or partner. Every interest to be declared in terms of this Article shall be declared and minuted in the manner and at the time prescribed by Sections 235 and 239 of the Act. A director who has made such disclosure may contract with the Company and may act by himself or his firm in a professional capacity for the Company and retain any profit or remuneration therefrom.

84.3 A director who has made disclosure in accordance with the aforegoing may take part in any discussion or vote on any matter in which he has such an interest and be counted in the quorum.

85. Nothing contained in Article 84 shall be construed so as to debar any director as a member from taking part in and voting upon all questions submitted to a meeting of members.

VACATION OF OFFICE

86.

86.1 All the directors shall retire at the first annual general meeting of the Company and thereafter at each annual general meeting one-third of the directors, or, if the number is not a multiple of three, then the number nearest to, but not exceeding, one-third shall retire from office. Subject to the provisions of Article 101 the directors retiring in terms of the preceding sentence shall be the directors who have been longest in office. The length of time a director has been in office shall, subject to the provisions of Article 75 of these Articles, be computed from his last election or appointment. As between directors of equal seniority, the directors to retire shall, in the absence of agreement, be selected by lot. Notwithstanding anything herein contained, if at the date of any annual general meeting any director shall have held office for a period of at least 3 (three) years since his last election or appointment, he shall retire at such meeting, either as one of the directors to retire in pursuance of the foregoing or in addition thereto. A retiring director shall act as a director throughout the meeting at which he retires.

86.2 Retiring directors shall be eligible for re-election, but no person not being a retiring director shall be eligible for election to the office of director at any general meeting unless he, or some member intending to propose him, has not less than 7 (seven) nor more than 14 (fourteen) days before the meeting left at the office of the Company a notice in writing duly signed signifying his candidature for the office, or the intention of such member to propose him and a notice in writing signed by the proposed director stating his willingness to accept appointment as a director.

87. The office of director shall, notwithstanding the provisions of any agreement between the Company and the director, be vacated, *ipso facto,* if the director:

87.1 ceases to be a director or becomes prohibited from becoming a director by virtue of any provision of the Act; or

87.2 resigns his office by notice in writing to the Company; or

87.3 is removed by ordinary resolution of the Company of which special notice has been given, provided that the other formalities prescribed by Section 220 of the Act are complied with; or

87.4 is removed by resolution in writing signed by a majority of his co-directors; or

87.5 is absent for more than 6 (six) months, without permission of the directors from meetings of directors held during that period, is not represented at any of the said meetings by an alternate director and is removed by resolution in writing signed by a majority of his co-directors; or

87.6 becomes insane; or

87.7 becomes insolvent or compounds with his creditors or is sequestrated, whether provisionally or finally; or

87.8 reaches the age of 70 (seventy) whereupon he shall notwithstanding the aforegoing cease to be a director from the end of the annual general meeting of the Company next after his 70th birthday (unless the directors have resolved prior to the convening of the annual general meeting in question that the director shall not retire at that meeting and a statement to that effect is made in the notice convening that meeting).

EXECUTIVE DIRECTORS

101. The directors may from time to time appoint one or more of their body to any executive office in the Company, and may from time to time remove or dismiss the person or the persons so appointed and appoint another person or persons in his or their place or places. Every such appointment shall be made by a quorum of disinterested directors. No director shall be appointed to any such office for a period in excess of 5 (five) years at any one time. Such a director shall not be subject to retirement by rotation.

102. The remuneration of executive directors appointed in terms of Article 101 shall from time to time be fixed by a quorum of disinterested directors or the remuneration committee of directors or by the Company in general meeting.

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 may 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 deem fit, and may from time to time revoke, withdraw, alter or vary all or any such powers.

104. A person appointed to an executive office in terms of Article 101 shall be subject to the like provisions relating to vacation of office as the other directors of the Company, and if he ceases to hold the office of director from any cause he shall *ipso facto* cease to hold such executive office.

BORROWING POWERS

113. Subject to the provisions of the Banks Act and Article 79, the directors:

113.1 may borrow from time to time for the Company such amounts as they deem fit; and

113.2 may secure the payment or repayment of any amount borrowed in terms of 113.1 or for which the Company is liable under any other circumstances whatsoever on the terms and conditions which they deem fit and in particular may pass mortgage bonds and/or issue debentures of the Company.

EXTRACTS FROM ARTICLES OF ASSOCIATION OF TERMS OF NON-REDEEMABLE, NON-CUMULATIVE, NON-PARTICIPATING 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;

18.4.1.2 "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 the 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.

184.2.11 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*.

DETAILS OF STANDARD BANK GROUP DIRECTORS' REMUNERATION

The remuneration and fees received by the directors for year ended 31 December 2003 are set out below together with share options granted to, and gains made by, executive directors during the year.

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 contribu-tions 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 March 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 amounts paid.

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
Maree J H	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
Ruck M J D	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											
Ruck M J D	–	166 000	02-06-2003	–	–	166 000	166 000	02-06-2003	48.50		31-03-2009

1. Gains included under emoluments above.
2. 299 900 of M J D Ruck's share options have further conditions attached to them in terms of the Standard Corporate & 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

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

Standard Bank Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1969/017128/06)
Share code: SBPP ISIN: ZAE000056339
("Standard Bank Group") or ("the Company")

APPLICATION FORM

An offer for subscription of 5 000 000 non-redeemable, non-cumulative, non-participating Standard Bank Group preference shares with a par value of R0,01 ("preference shares") at a subscription price of R100 per preference share, subject to a minimum subscription of R100 000 per single addressee acting as principal.

Please refer to the instructions overleaf before completing this application form. This application form, when completed, should be sent to one of the relevant addresses below.

Certificated preference shares:

In respect of those applicants opting for certificated preference shares, application forms must be delivered to Computershare Investor Services 2004 (Proprietary) Limited, in an envelope marked **"Standard Bank Group – Preference Share Offer"** together with a cheque (crossed "not transferable" with the words "or bearer" deleted) or banker's draft in South African currency and drawn in favour of **"Standard Bank Group – Preference Share Offer"** either by post (PO Box 61051, Marshalltown, 2107), or by hand (Ground Floor, 70 Marshall Street, Johannesburg, 2001) to be received by no later than 12:00 on Friday, 2 July 2004.

Dematerialised preference shares:

In respect of those applicants opting for dematerialised preference shares, to their duly appointed Central Securities Depositary Participant ("CSDP") or broker, in the manner and time stipulated in the agreement governing their relationship with their CSDP or broker, together with the method of payment required in terms of the relevant agreement with such CSDP or broker.

Each application submitted must be in one name only and show only one address. The directors of Standard Bank Group reserve the right to accept any application, in whole or in part (in accordance with the procedure set out in paragraph 6.8 of the Pre-Listing Statement), particularly if the instructions overleaf and as set out in the Pre-Listing Statement are not properly complied with.

The offer for subscription is for a minimum subscription amount of R100 000 per single addressee acting as principal. Standard Bank Group will reject any application that does not comply with this condition.

To the directors:

Standard Bank Group Limited

I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the Pre-Listing Statement, hereby irrevocably apply for and request you to accept my/our application for the undermentioned number of preference shares in Standard Bank Group or any lesser number that may, in accordance with the procedure set out in paragraph 6.8 of the Pre-Listing Statement, be allotted to me/us subject to the articles of association of Standard Bank Group.

I/We enclose a crossed cheque/banker's draft made out in favour of **"Standard Bank Group – Preference Share Offer"**, for the appropriate amount due in terms of this application.

I/We understand that the issue of preference shares in terms of the Pre-Listing Statement is conditional on the granting of a listing, by Wednesday, 7 July 2004, or such later date as the directors may determine, in the Specialist Securities – "Preference Shares" sector of the JSE Securities Exchange South Africa ("the JSE") lists, of the preference shares of Standard Bank Group as more fully set out in the Pre-Listing Statement.

Dated ____ 2004

Telephone number (office hours) (   ) ________________________________

Signature ____

Assisted by ____

(where applicable)

Surname of individual or **Name of corporate body**	Mr Mrs Miss Other title
First names in full (if an individual)	
Postal address (preferably PO Box address) Refund cheque (if any) and preference share certificate (if applicable) will be sent to this address	Postal Code:
Total number of preference shares applied for **SUBSCRIPTIONS MUST BE FOR AT LEAST** **1 000 PREFERENCE SHARES**	(Enter figures only – not words)
Total amount of cheque or **banker's draft** to cover the number of preference shares applied for herein at R100 per preference share	**R** (Enter figures only – not words)

Please note the preference shares that will be allocated in relation to this application will be in certificated form. Applicants who wish to receive dematerialised shares must contact their CSDP or broker.

The CSDP or broker will add their confirmation that they hold a securities account in their books in your name and forward an application, duly authenticated, in terms of STRATE system for processing the issue. Payment will be effected on a delivery versus payment basis.

If you do not wish to receive the allocated preference shares in dematerialised form, kindly tick the box below and insert your details in the space provided and the preference share certificate will be sent to you, per registered post at your own risk.

APPLICANTS WISHING TO RECEIVE CERTIFICATED SHARES

☐ I wish to receive my preference shares in certificated form and I acknowledge that these preference shares will not be tradeable on the JSE until dematerialised.

Kindly post the preference share certificate to the following address:

Name:

Address:

Postal code:

Broker's stamp

N.B. Preference shares will only be traded on the JSE in electronic form and, as such, all preference shareholders who elect to receive certificated preference shares will have to dematerialise the certificated preference shares should they wish to trade therein.

APPLICANTS WANTING TO RECEIVE DEMATERIALISED SHARES MUST CONTACT THEIR CSDP OR BROKER

INSTRUCTIONS:

1. Applications may be made on this application form or copies or reproductions thereof.
2. Applications are irrevocable and may not be withdrawn once submitted to the transfer secretaries.
3. Please refer to the terms and conditions of the offer for subscription set out in paragraph 6 of the Pre-Listing Statement. Applicants should consult their stockbroker, banker or other professional adviser in case of doubt as to the correct completion of this application form.
4. Applicants must submit only one application form and one cheque or banker's draft in respect of each application.
5. Receipts will not be issued for applications, application monies or supporting documents received.
6. If any cheque or banker's draft is dishonoured, Standard Bank Group may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
7. A full signature must authenticate all alterations on this application form.
8. Blocked Rand may be used by former residents of the Common Monetary Area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of this offer and reference should be made to paragraph 6.6 of the Pre-Listing Statement which deals with South African Exchange Control Regulations.
9. If the condition referred to in paragraph 6.4 is not met, all monies will be appropriately refunded within seven business days of such date.

Any prospective investor with questions in relation to the Standard Bank Group Preference Share Offer is invited to contact Standard Bank Group's information agent service provider, Georgeson Shareholder Communications, on 0800 006 709 or +27 (0)11 373 0041 if calling from outside South Africa. Calls may be monitored for quality control purposes. Queries may also be directed by email to preferenceshares@standardbank.co.za.

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