

## Standard Bank and ICBC agree on the sale and purchase of shares of Standard Bank Argentina S.A.

[www.standardbank.com](http://www.standardbank.com)



### Background

- Standard Bank Group's refined strategy is to focus on
  - Serving the needs of our customers through first-class, on-the-ground operations in chosen countries in Africa
  - We will also connect other selected emerging markets to Africa and to each other, applying our sector expertise, particularly in natural resources, globally
- ICBC is the group's strategic partner and 20% shareholder
  - with whom the group has cooperated on a wide range of initiatives in Africa and other emerging markets
- ICBC is the biggest bank in the world
- ICBC's global expansion strategy is to establish a global and multi-functional service chain to follow and serve multi-national companies, enhance global service capability to high-end clients and put emphasis on development in high growth markets

2



### Background continued

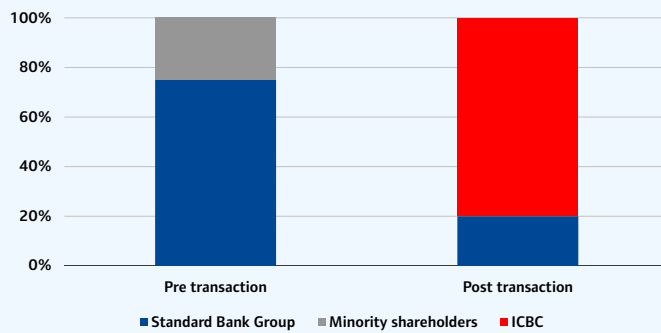
- China is Argentina’s second largest trading partner
  - The proposed transaction will provide ICBC with an entry point into Argentina as the first Chinese bank to operate there
- The proposed disposal by the group of control of SBA to ICBC presents opportunity to
  - Realise value from the group’s successful investment in Argentina
  - Partner with ICBC in growing the business in a country in which Standard Bank would not currently expand, in terms of its refined strategy
- The group’s remaining 20% shareholding will enable the group to continue to connect Argentina to Africa and other selected emerging markets including China and Brazil

3



### The transaction

- 100% of SBA valued at \$750m
  - Independent opinion on fairness from JPMorgan
- ICBC will pay \$600m for 80% of SBA
  - \$412m to Standard Bank Group ( $\$750m \times 55\%$ )
    - \$400m after costs



4



## Implications for Standard Bank Group

- Remaining 20% investment will be equity accounted going forward
- We will retain 2 board memberships, but relinquish management control
- The proceeds on disposal will realise and release a significant amount of capital for the group from outside the African continent
- Transaction expected to close in 1<sup>st</sup> half of 2012
  - Subject to regulatory approvals
- We will communicate potential uses for the capital at that stage

5



## Implications for Standard Bank Group

- Paid \$120m for a 75% stake in SBA in 2007
  - Selling 55% which cost us \$88m
- Proceeds after transaction costs for 55% = \$400m
  - Subsequent pro-rata capital injection of \$20m reduce net cash receipt to \$380m
- Standard Bank Group tangible net asset value increases by R2 billion
- Challenge will be to effectively use the capital to replace the earnings derived from 55% investment in Argentina at an acceptable ROE
  - SBA expected to earn \$68m in FY11 (55% = \$37m)
  - SBA generated \$43m in FY10 (55% = \$24m)


6



### Indicative financial impacts of transaction for Standard Bank Group as at 30 June 2011

	100%	75%	55% sold	20% remaining	Total income statement impact	
NAV of SBA at Dec 2010	\$314m	\$235m				Capital available for redeployment, less \$20m pro-rata capital injection
NAV of SBA at June 2011	\$334m	\$250m	\$183m	\$67m		
Purchase price	\$750m					Profit on sale of 55% stake
Proceeds of sale after costs			\$400m			IFRS requirement to fair value remaining 20% stake
Income statement impact in USD (outside headline earnings)			\$217m	\$69m	\$285m	
Translated into ZAR @ 6.80			R1 475m	R469m	R1 944m	Increase in net asset value
Recognition of negative translation reserve relating to SBA investment					(R654m)	ZAR strengthened by 1/3 against Arg peso since 2007
Income statement impact in ZAR (outside headline earnings)					R1 290m	

7 The above financial impacts are indicative only. The actual financial effects will depend significantly upon variables such as the performance of the business prior to the closing of the transaction and the performance of the Argentine peso vis a vis the rand.



## Questions

[www.standardbank.com](http://www.standardbank.com)

