SBSA: The short and medium term

Media briefing: 15 March 2011

Sim Tshabalala : CEO Standard Bank of South Africa Ltd

1. Refining the Group's strategy

Refinement of strategy

Previous vision

We aspire to be a leading emerging markets financial services organisation

Refined strategy

- To build the leading African financial services organisation using all our competitive advantages to the full
- We will focus on delivering superior sustainable shareholder value by 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
- Our key differentiator is people who are passionate about our strategy, wherever in the world they are based

Africa is at our core

- 150 years of experience in Africa
- Largest bank in Africa:
  - Operations in 17 African countries
  - 1 159 branches and 6 473 ATMs
  - 42 685 bank employees in Africa

Extensive and deep knowledge of sub-Saharan Africa

- We will continue to build first-class on-the-ground banks
- We are confident that future revenue flows will justify our investment in infrastructure

South Africa: Our springboard for growth

- South Africa is an emerging market with well developed, leading edge and highly competitive financial markets
- We have a successful business with exportable and replicable:
  - Cost effective and efficient systems and infrastructure
  - Products and solutions delivered with excellent customer service
  - Risk and capital management practices
- Strong balance sheet (even under stricter Basel III rules)
- South Africa is increasingly becoming the springboard for growth into other parts of Africa
- Engine room of the group
  - Has generated the capital to grow the group
  - **We earn the right to expand internationally only through achieving excellence in our home base**

2. South African Banking 2010 results

South African banking operations

	FY10 Rm	change %	FY09 Rm
Total income	**39 215**	**(2)**	**40 207**
Headline earnings	**9 271**	**(1)**	**9 327**
Restructuring costs included above	304		
ROE	19.0%		21.4%

3. Regulatory environment

Wave of new international regulations

- Dodd-Frank Act increases regulatory oversight in USA:
  - Volcker rule is part of the Dodd-Frank Act
  - It stops US commercial banks from proprietary trading, owning hedge funds or private equity entities
- European Banking Authority formed, with ability to override national authorities in emergency situations
- UK continues to charge special levies on banks
- Basel III will result in higher holdings of capital and liquidity
- Increased consumer protection becoming the norm globally
- Regulation of banks deemed “too big to fail”
- **Global thinking is manifesting itself in South African policy, laws and regulation**

Wave of new South African legislation

- 2011 will see a number of new laws passed, some of which have unintended negative consequences for banks:
  - **Companies Act** (ability to include symbols in company names resulting in expensive system changes)
  - **Competition Amendment Act** (could change the way banks perform distressed debt work-outs and syndicated loans)
  - **Consumer Protection Act** (potential impact on fixed deposits through lowering power of fixed term contracts)
  - **Labour law amendments** (could impact our ability to employ temporary workers in peak times)
  - **Expropriation Bill** (could impact property rights)
  - **Protection of Personal Information Bill** (UK banks allowed 7 years to implement similar law, but only 1 year allowed in SA)

‘A Safer Financial Sector to Serve SA better’

- Released with the National Budget on 23 Feb 2011
- Focused on five policy priorities:
  1. Financial stability
  2. Improved market conduct
  3. Consumer protection
  4. Financial inclusion
  5. Combating financial crime
- To strengthen financial stability, we’re adopting the “twin peak” model:
  - SARB responsible for macro prudential supervision
  - New retail banking market conduct supervisor to report to FSB
- **“Twin peak” model used in Australia, Netherlands and Canada**

The result of global and local trends will be…

- Greater resources allocated to compliance and policy engagement
- Larger capital and liquidity balances held for doing the same business as before
- Greater emphasis on expanding banking access and lowering fees
- International banks competing more aggressively in South Africa to supplement lower returns in their home markets

Lower bank profitability globally

- NOTE: Credit Suisse, HSBC and Barclays all lowered long-term ROE targets in recent results announcements

4. The competitive environment

It's a competitive world out there

- o Outside South Africa
  - **Africa and emerging markets becoming more crowded**
  - Growing number of multi-nationals cherry-picking deals
  - Range of good domestic banks
  - Full-service banks in-country
    - – VTB, Garanti, Bradesco, Banco Galacia, Zenith, Centenary Bank etc
  - Multi-national banks
    - – Global players competing for CIB deals across EM and Africa
    - – Regional Pan-African banks include Ecobank, UBA, Kenya Commercial Bank, Standard Chartered, Barclays, Citi
    - – Absa, Nedbank and FirstRand all compete in Africa
  - Capital markets in Africa becoming crowded

Regional dynamics

- Standard Bank's strategy of being an African based regional player is no longer unique (South Africans, Nigerians and even Malians are doing the same)

West Africa
- Dominated by the French banking groups
- Nigerians banks expanding
- Nigerian expansion drive may slow for environmental reasons

Central Africa
- Dominated by French banks
- Cameroon becoming a hub
- Nigerian banks building presence as are North African banking groups

Southern Africa
- All four major South African banks have regional presence and ambitions
- Nigerians expanding

Northern Africa
- North Africa dominated by large state-owned banks
- French banking groups important, but Egyptian, Moroccan and Libyan banks competitive

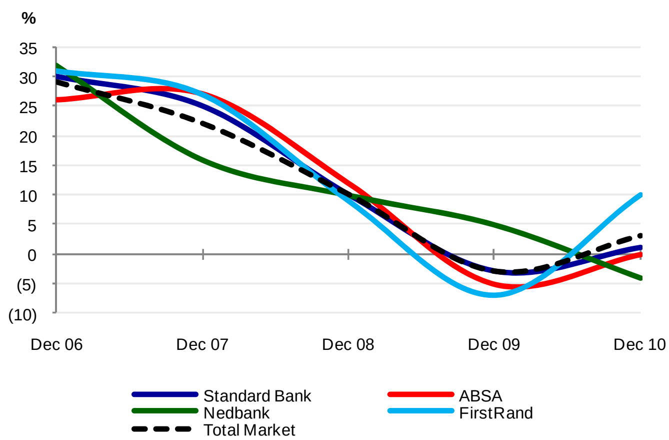
East Africa
- Barclays, Stanchart and Standard Bank
- Kenyans have presence regionally
- Nigerians and Malians also present, albeit insipient

Lusophone Africa
- Dominated by Portuguese banks
- Macau-based group present
- Cameroonians showing interest
- Nigerians and South Africans showing interest

SA market also becoming crowded

- New entrants
  - Retailers and telco's disintermediating
- Multi-national banks
  - Meaningfully back
  - Thinner offshore margins driving them to undercut pricing
  - Building investment banking and equity capabilities
- DFI institutions
  - Present at the bottom end of the market
  - Targeting parastatals, municipalities, BBBEE entities
- Money and capital markets
  - Increasing rate of disintermediation by money market funds
  - Debt capital markets under threat
  - Corporates issuing securitised notes on back of financial assets
- More banks focusing on Africa/EM connections especially SA/China

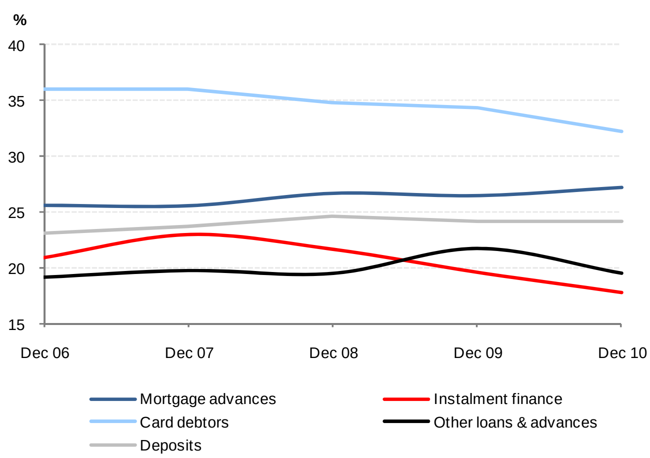
Total loan growth in South Africa by bank



Source: SARB (BA900s)
NOTE: Nedbank's loan growth is negatively impacted by a R48bn decline in inter-bank lending in the year to December 2010. Lending increased 6% when stripping this out

Our market share by product in South Africa

Market share movement for Standard Bank



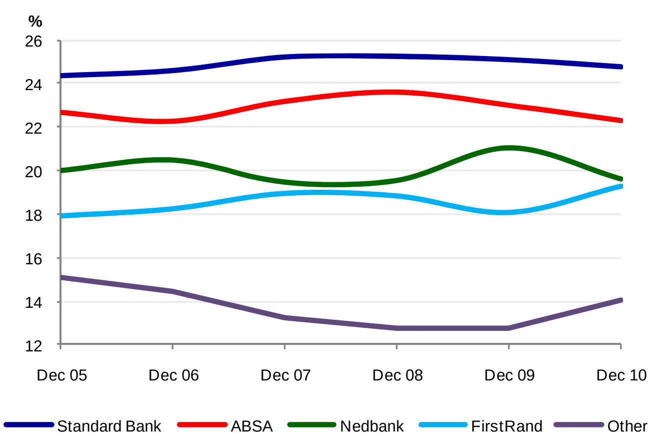
Source: SARB (BA900s)

Banking is a scale and scope business

- One basis for our competitiveness is our sheer size in South Africa:
  - Should allow us to extract economies of scale and scope
  - A major way to defend against international competition
- Some vital signs in South Africa:
  - Total assets of R840.4bn (loans of R536.4bn)
  - Total equity of R48.9bn (14.9% Capital Adequacy Ratio)
  - Banking Operations' earnings of R9.3bn
  - >30 000 employees servicing c10 million customers
  - 705 branches, 5 565 ATMs
  - #1 market share in numerous categories:
    - Total loans
    - Total deposits (Retail and Corporate)
    - Global Markets (particularly Forex)
    - Credit Card lending
    - Business Banking

We are the lending market share leader

Total loans and advances market share per South African bank



Source: SARB (BA900s)

5. SBSA's focus in the short and medium term

Macroeconomic forecasts: South Africa

	2004	2005	2006	2007	2008	2009	2010F	2011F	2012F	2013F
Real GDP growth	4.9%	5.3%	5.6%	5.5%	3.7%	-1.8%	2.8%	3.7%	4.0%	4.6%
Gross fixed capital formation growth	8.9%	11.0%	12.1%	14.2%	11.7%	2.3%	-3.6%	6.1%	7.0%	8.4%
Current account balance (% of GDP)	-3.2%	-3.5%	-5.3%	-7.2%	-7.1%	-4.1%	-3.7%	-4.7%	-5.1%	-5.1%
Headline inflation (annual average)	1.4%	3.4%	4.6%	7.1%	11.5%	7.1%	4.3%	4.3%	5.3%	6.1%
Prime (year end)	11.0%	10.5%	12.5%	14.5%	15.0%	10.5%	9.0%	9.0%	11.0%	12.0%
Prime (average)	11.3%	10.6%	11.2%	13.1%	15.1%	11.8%	9.9%	9.0%	10.2%	11.9%
R/$ exchange rate (average)	6.43	6.33	6.77	7.05	8.22	8.42	7.31	7.08	7.44	8.24

Source: Standard Bank Group Economics forecasts

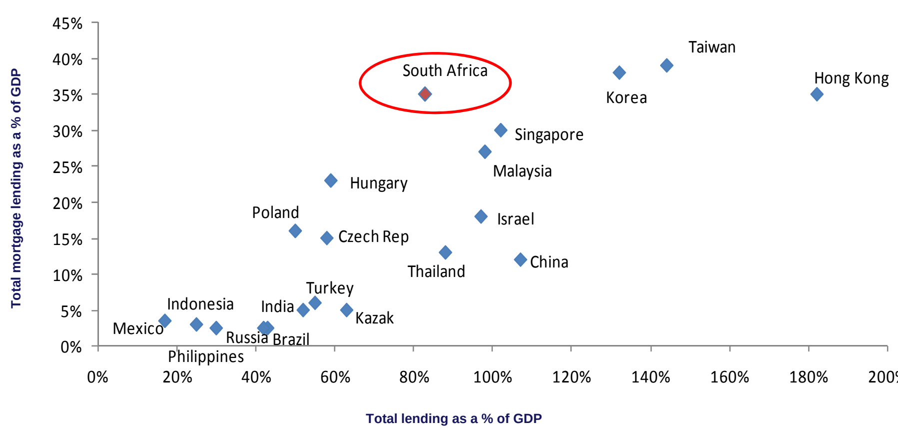
- Real GDP growth to recover well (medium-term 4-5% potential growth)
- Healthy recovery in Gross Fixed Capital Formation growth
- Inflation to remain relatively benign, despite tailwinds
- Interest rates to pick up marginally, starting only in 2012
- Major risks:
  - Sustained increase in oil price
  - Rapid capital outflow impacting Balance of Payments and Rand
  - European fiscal issues
  - Sharp and sustained deleveraging of consumers

South Africa: The growth story

- Global Insight predicts long-term average real GDP growth of 4.5% to 5% through to 2040
- Government and SOEs budgeting for infrastructure spend of more than R800bn over next 3 years
  - SA companies should benefit, stimulating corporate lending
- 14% of our exports are to China and India (fast growing economies), and this share is growing. China was our top export country in 2010
- Structurally lower interest and inflation rates expected in future, driving up consumer credit demand (good precedent in developed markets)
- **Emerging middle class story remains interesting:**
  - Middle income customers (R3.3K-R10.2K per month) have moved from 35% to 55% of population since 2001
  - New Growth Path focusing on job creation
  - Expanding banking access is opening up new markets, with high demand for credit

Secured lending is fairly mature in SA…

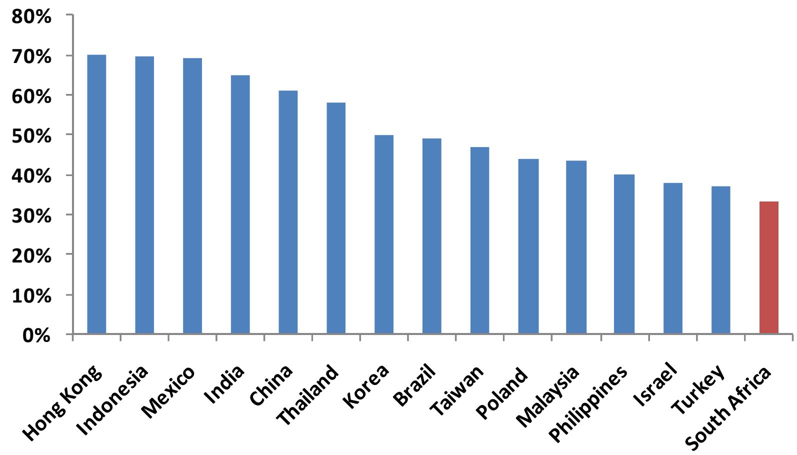
Total credit and mortgages as a % of GDP



Source: UBS Research

…but unsecured lending remains under-penetrated

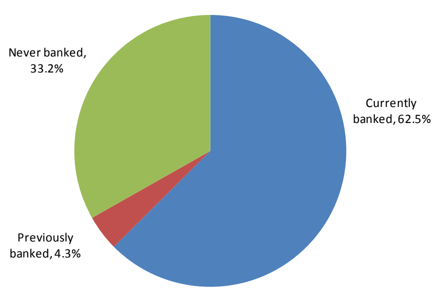
Credit card penetration (% of working population)



Source: UBS Research

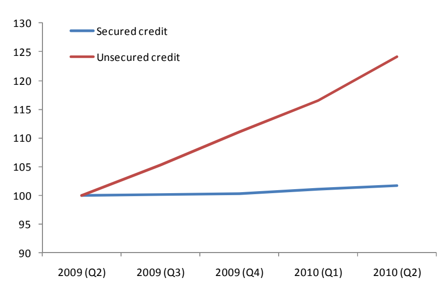
Unbanked opportunity still prevalent

Banking habits of SA adult population



Source: Finscope

Gross debtors book proportion (based to 100)



Source: National Credit Regulator

- Total unbanked is 12.3 million people
- Unsecured lending increasing as a proportion of total lending
  - Currently only 5.4% of total lending
  - Includes short-term credit (<6 month lending)

Transformation becoming more important

- We aspire to be a national champion in transformation
- Our philosophy towards transformation is not limited only to meeting compliance targets
- We aim to embed in the culture of the bank a real sense of why transformation is important
- Transformation is central to our competitive strategy
- Banks play a vital role in driving real transformation through expanding access to financial services, and lending to BEE deals, transformational infrastructure, affordable housing, Black SMEs, Black Agric, etc
- **Real transformation has commercial value:**
  - Greater socio-political stability and hence economic growth
  - This can positively affect the country's credit rating…
  - …and therefore help reduce cost of equity
- Gender and racial diversity improves the quality of our business decisions and opens up new markets

ROE improvement the main short-term focus

- It is untenable that our ROE is below our cost of equity
- Three main areas to focus on:
  - **Costs**
    - Economies of scale to reduce per unit cost
    - Peter Wharton-Hood seeking operational efficiencies
    - Reviewing all our costs aggressively
  - **Revenues**
    - Must gain more out of our existing distribution capabilities
    - PBB-CIB collaboration work
    - Bancassurance
  - **Capital**
    - Strike the balance between efficient capital usage and increased capital requirements under Basel III

What will keep SBSA busy in 2011

- Implementing new business architecture and refined strategy
- Big focus on cost-to-income ratio and ROE:
  - Helping Group attain the goal of keeping costs flat, while actively seeking revenue opportunities
  - More optimal use of capital in South Africa
- Attitude towards transformation aligns with our philosophy
- Ensuring we maintain our premier position by defending against competition, hence giving us the right to execute our geographic diversification
- Ensuring that policy engagement is effective
- Keeping customer service at the centre of all we do
- Strict credit focus persists, to realise full benefit of improving cycle
- Greater teamwork amongst business units to compete as one:
  - PBB-SA and CIB-SA collaboration efforts
  - “One CIB”

Corporate and Investment Banking South Africa

Focusing on the year ahead

Media briefing: 15 March 2011

Kennedy Bungane: Chief Executive

Abridged income statement and key ratios – FY2010

	FY10 Rm	change %	FY09 Rm
Total income	**10 595**	**(8)**	**11 545**
Headline earnings	**4 422**	**(15)**	**5 212**
Loans and advances	215 528	(4)	224 258
Return on Equity (%)	30.6		40.2

- o **Income and headline earnings** were down 8% and 15% respectively from prior year. Slowdown in client activity (especially trading) and negative endowment effect primarily to blame
- o **Credit impairment charges**
  - o Fell dramatically on both Performing Loans and NPLs, with a net benefit booked to the income statement
- o **Operating expenses**
  - o Up on prior year due to increased headcount
  - oThe introduction of several new IT applications
  - o Increased premises costs due to a new recovery site

Challenging operating environment & our response…..

Global Markets
- o Market pressures result in:
  - o decreased client volumes
  - o compressed margins across all
  - o major desks
- o Limited trading opportunities:
  - o the Rand's failure to break out of a narrow range
  - o stable interest rates

Investment Banking
- o Positive signs of recovery:
  - o increased client activity in the second half of 2010
  - o good performances were seen across DCM, ECM, Structured Finance and Advisory

Transactional Products and Services
- o Subdued performance in 2010:
  - o increased negative endowment effect following MPC rate cuts
  - o reduction in Current Account and Cash Management advance balances and margins

A call to focus on 3Cs – Clients, Coordination, and Cost

Clients
- o Heightened focus on client engagements and Business Unit pipelines to capitalise on limited opportunities
- o Integration of TPS products and Corporate Banking Coverage
- o Clients executive sponsorship
- o Leverage off the Standard Bank brand
- o Leverage off the CIB product leadership
- o Client Service Campaign

Coordination
- o Stronger coordination of client service teams
- o Streamline internal processes
- o Draw synergies from PBB & CIB
- o One CIB

Costs
- o Tight discretionary cost control
- o Review of operating structures to extract efficiencies / synergies
- o Doing more with less
- o Improved management of the CIB SA vs. "CIB in SA" investment and operational priorities

Some of the landmark transactions completed last year demonstrate the strength of our domestic franchise…..

Standard Bank, in its capacity as Joint Lead Manager successfully raised a US$2bn bond for the National Treasury of South Africa. This transaction constitutes the largest global bond offering by the National Treasury to date at the lowest absolute US$ coupon

Standard Bank Group underwrote Aus$800-million and also acted as lead arranger and debt advisor in Aspen's acquisition of Sigma's pharmaceutical division, being one of the largest South African debt underwriting deals in more than a year.

Standard Bank was mandated as the sole advisor to ENRC, a leading emerging markets resources company on the purchase of 12.2% of JSE listed Northam Platinum Limited.

Standard Bank funded R3 billion (€300 million) of perpetual preference shares of Steinhoff International Holdings' cash acquisition of French furniture retailer Conforama.

Standard Bank helped MTN raise R3.5 billion in the SA market. Acting as joint lead manager, Standard Bank issued R1.5 billion of commercial paper and R2 billion of 5 and 7 year bonds. This represents the largest corporate bond in South Africa.

We continue to invest in our franchise in order to improve our revenue generating capacity…..

- Formation of the Global Structuring Group
- Establishment of Investment Banking Coverage
- Establishment of SBG Securities
- Offering settlements in Chinese currency – Renminbi
- Launched Host-to-host system to facilitate the banking needs of Chinese corporate clients across Africa
- Upgrading of IT platforms

Standard Bank continues to be recognised as a leading African Investment Bank…..

- National Treasury of South Africa – Emerging Market Deal of the Year
- Best Investment Bank in Africa
- Best Bank in South Africa
- Best Investment Bank in Nigeria
- Best Bank in Africa
- Best Bank in South Africa, Lesotho, Malawi, Uganda and Zimbabwe
- Best Sub-Custodian in Africa
- Best Sub-Custodian in Nigeria

Conclusion…..

- Maintain and protect our leading market position by leveraging our core product and sectoral capabilities
- Continue to operate on an integrated Corporate and Investment Banking model
- Fiercely compete for limited opportunities to grow our franchise
- Continued investment in our client offering, particularly in Cash Equities and Commodities platforms
- Increase cost disciple on non-staff costs such as travel & entertainment and marketing

Personal and Business Banking
Moving forward...

Media briefing: 15 March 2011
Peter Schlebusch : CEO PBB SA

PBB SA Abridged Income Statement

	FY10 Rm	Change %	FY09 Rm
Total income	**28 068**	**0**	**28 160**
Headline earnings	**4 644**	**35**	**3 448**
ROE (%)	21.5		16.5
Loans and advances	**356 846**	**3**	**345 842**
Retail deposits	**190 390**	**6**	**179 977**

A credible result given strong headwinds

PBB achievements in 2010

ASK AFRIKA

ORANGE INDEX® 2011

SUPERIOR SERVICE EXCELLENCE BENCHMARK

PBB was rated as the #1 bank for customer service in SA 2 years running (2009 and 2010)

PBB achievements in 2010

Sunday Times

TOPBRANDS

SBSA was recognised as the # 1 business bank in South Africa in 2010

New origination in 2010...

Customers

'Core' relationship products

- Current Account **+26%**
- Youth **+19%**

Secured lending

- VAF **+34%**
- HL **+70%**

Unsecured lending

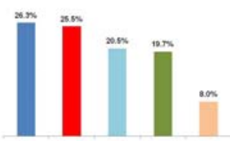
- Business **+9%**
- Personal **+52%**

Insurance and Asset management

- Multi-product **+19%**
- HLP**+89%**

Evolving customer needs leads to greater opportunity

Savings & Investments



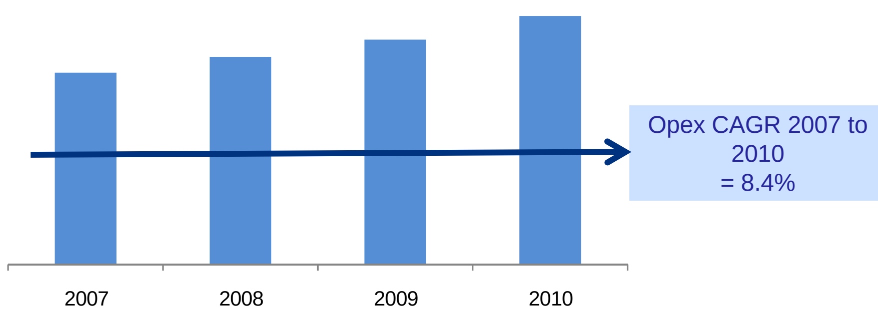
- Market share leader **26.3%**
  - Individuals & Unincorporated business

Customers

Customers

Year on year growth is encouraging - we are open for business!

Managing costs tightly, but investing for future growth...



Improving convenience, accessibility and relevance to customers...

- Growth in distribution footprint
  - > 1 000 new ATM's
  - 45 new physical points of representation
  - > 7 000 bank shops
- ATM & systems uptime exceeding 97%
- Launched a BEE Agri fund of R500m
- Launch of Inclusive Banking

Improving people engagement and moral...

2010 has been a tough year but there are definite improvements....

- The retrenchment process was necessary but painful
- Going forward re-engagement and focus are critical
- More than 6 000 managers have been through our road shows detailing a clear vision for the future (vision 2015) and 2011 plans
- While we are happy engagement is improving we still have significant work to do

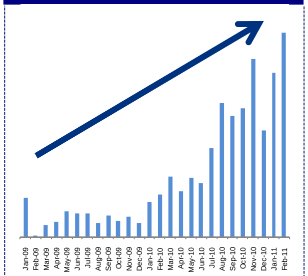
Inclusive Banking

Making banking accessible to all

- Financial inclusion and increasing participation in the economy is a key responsibility of SBSA
- Specific use of technology to reduce costs for customers and for the bank
- Almost 8 000 bankshops deployed
  - >1 000 full service
  - >6 000 value added (airtime and money transfers)
- >47 loan centres
- Spar/MiMoney remittances
- Mobile Banking account – cost effective way to transact
- Customer education focus (Winning Teams board game, assisted self-service)

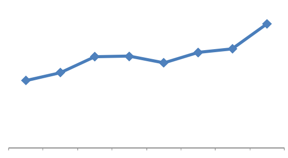
Inclusive Banking

Mobile Banking accounts opened



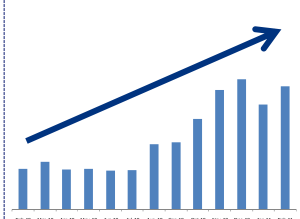
>370% year on year growth

Loan accept rates



Steadily increasing accept rates

New loan disbursements



>200% increase in disbursements

Prospects

2011 for PBB
o Determined, enthusiastic and committed management team
o We are budgeting for good growth and ROE's
o Continued improvement in impairments
o Well positioned to meet customer needs off excellent service platform and main bank sales
o Improving risk appetite
o Continued growth in lending portfolios
o Inclusive Banking strategy – affordable, convenient and accessible banking

Risks on the horizon
o Inflationary pressures and decreases in personal disposable income
o Basel III, particularly liquidity requirements
o Fragile world economic growth
o SA employment and economic growth
o Increased regulation and compliance costs

Sim Tshabalala - Concluding Remarks

What does all this mean?

- The Group's results were disappointing, as discussed at our results presentation
- South African banking operations are still 82% of Group earnings, so are vitally important to us
- We did reasonably well in the South African banking operations
- We are not taking our eye off the ball here
- The South African market is getting more competitive, but we are competing hard
- We remain the biggest player in the domestic market
- South Africa is not ex-growth – there are numerous growth opportunities here that we aim to tap into

Questions ?