

Standard Bank retrenchments

Press briefing
29 October 2010



Understanding the world of banking today

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- Global economic recovery is losing traction
 - US economy – weaker GDP, house sales, consumer sentiment
 - Europe – fiscal challenges constrain growth
 - Emerging markets remain resilient but with mildly weaker fundamentals



Understanding the world of banking today

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- Global financial crisis and global recession have had an unprecedented impact on banks
- Pressure on revenue
 - Sluggish loan growth
 - Low interest rates putting pressure on margins
 - Weak fee income
 - Higher funding costs
- Uncertain regulatory reforms
- Banks continue to play a critical role in the world economy



The environment for the banking sector in SA remains very tough

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- Economy shrank by 1.8% in 2009
 - Most severe momentum loss since World War II
- 1 million jobs lost in 2009
 - Continue to shed jobs in 2010
 - Labour market recovery typically lags economic revival
- The banking sector has battled with falling demand for credit and low interest rates
 - Real private sector credit extension in negative territory
 - Despite lowest interest rates in 30 years



Healthy, growing banks are critical for SA

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- SA financial services sector accounts for about 12% of GDP
 - Employed more than 330 000 people in 2009
- Banks are core to SA's reputation as an investment destination
 - WEF 2010-2011 Global Competitiveness Report
 - ▶ SA ranks # 6 in the world for soundness of banks
 - ▶ SA ranks # 7 in the world for availability of financial services

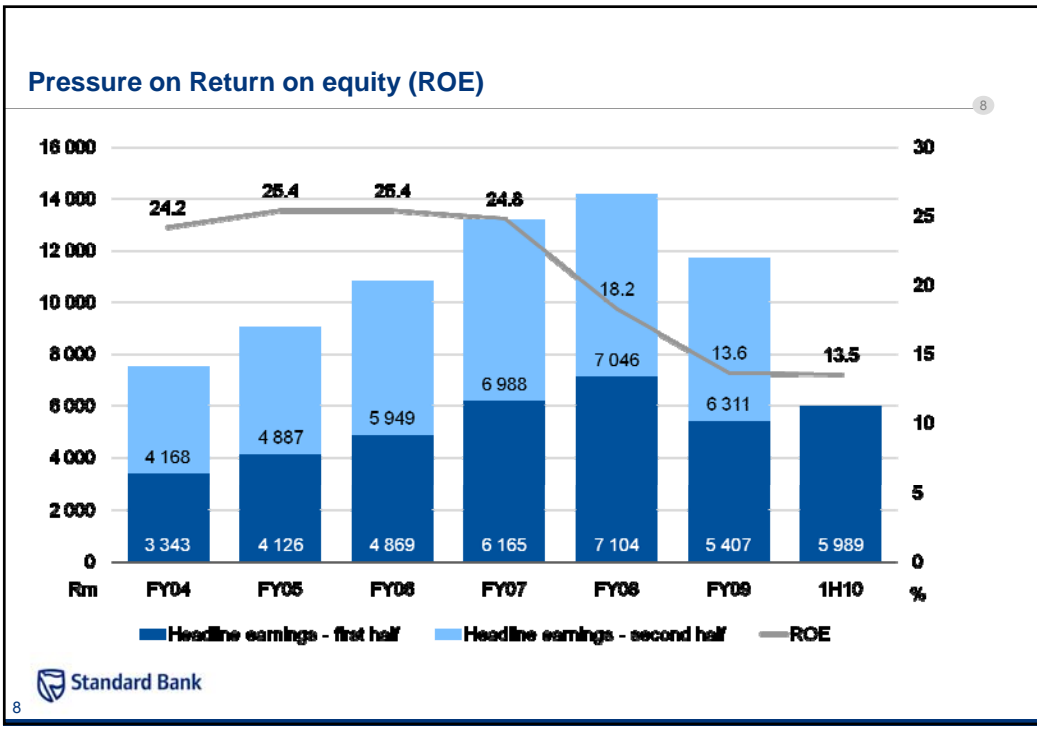
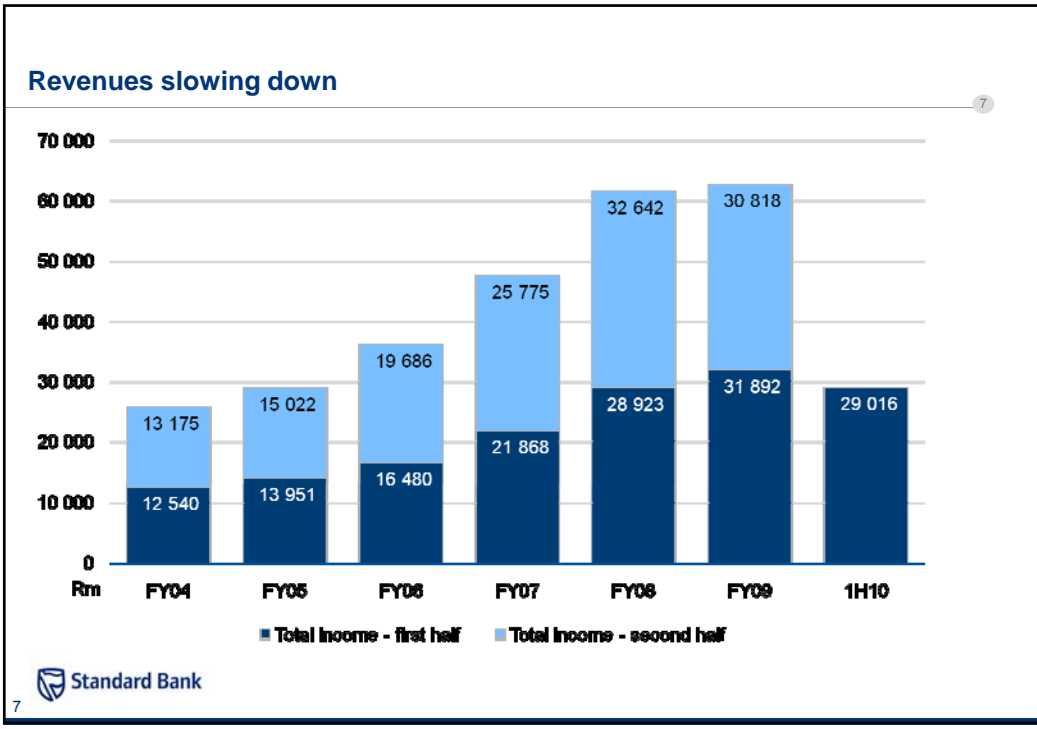


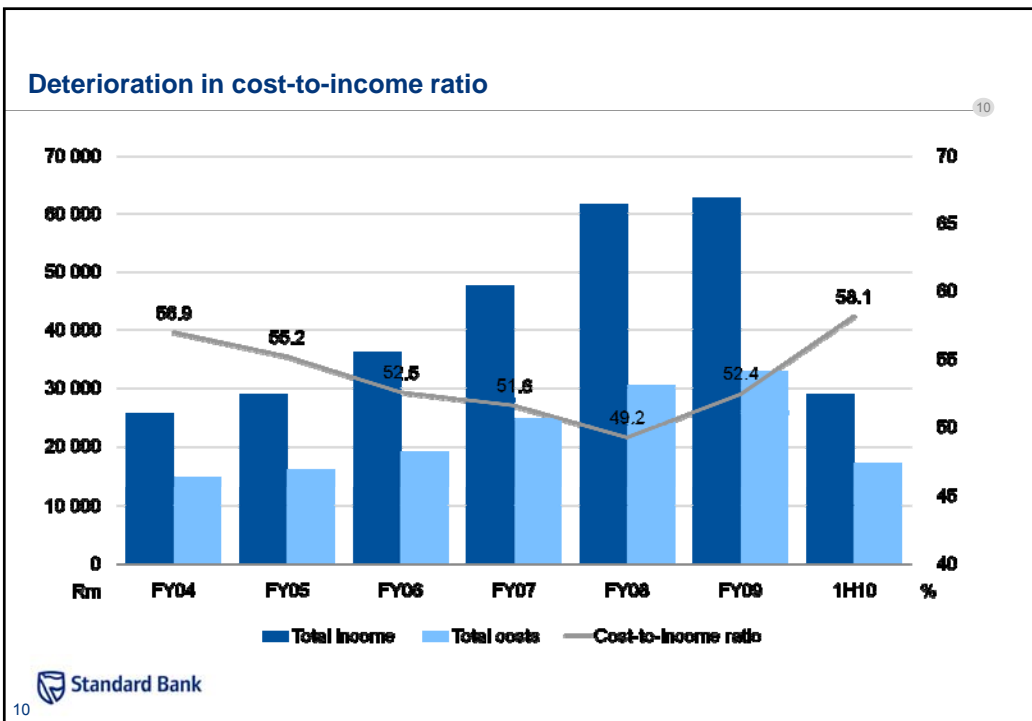
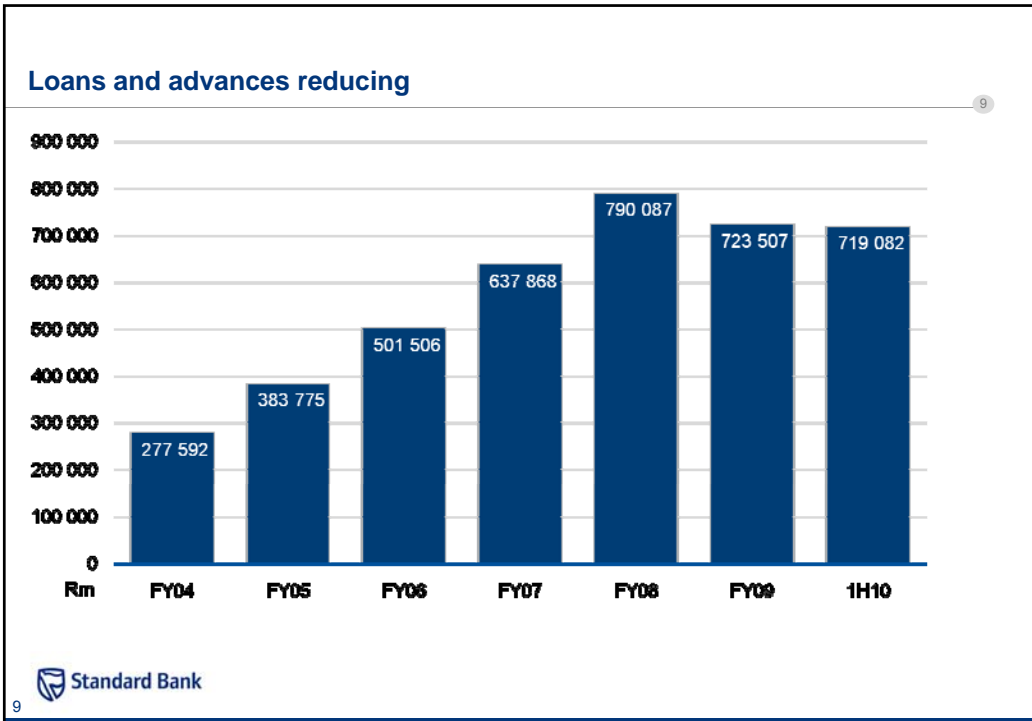
The competitive environment

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- The South African banking market is highly competitive
- Increased competitive focus on our growth target markets
 - All global investment banks are now emerging markets focused
 - Renewed focus on Africa by major international banks







Examples of measures taken to reduce operating costs

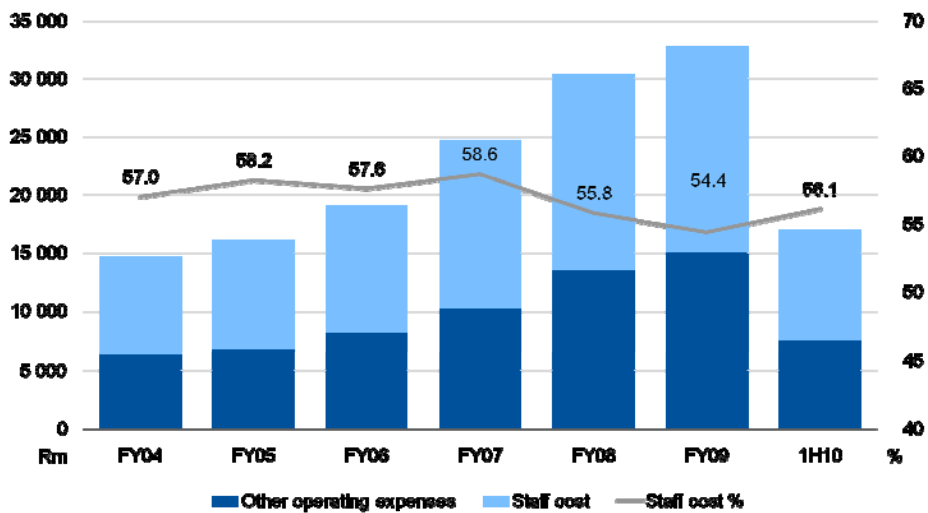
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- Delay and downsizing of various projects, especially in IT
- More selective roll out of branches and ATMs elsewhere in Africa
- Marketing and sponsorship costs reduced significantly
- Reduction in professional fees for consultants
- Premises costs reduced - better utilisation of existing space
- Centralising functions
- Business lines rationalised
- Travel reduced to an absolute minimum
- Conferences and year-end functions cancelled



Staff costs make up more than 50% of total operating expenses

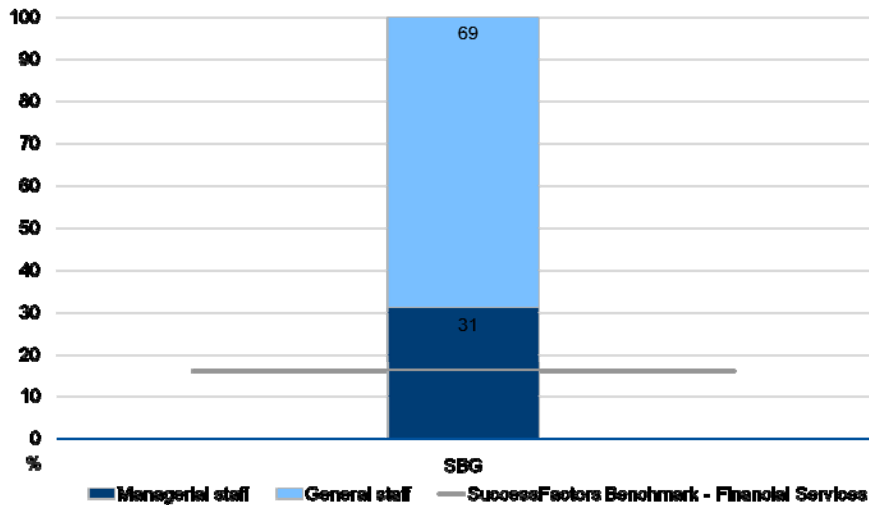
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Our ratio of managers and executives to general staff is too high

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Measures taken to reduce staff costs

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- Freeze on recruitment of new staff
- Non-renewal of short term employment contracts

What we are trying to achieve through retrenchment process

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- Retrenchment process instituted as a last resort to:
 - Arrest widening gap between costs and revenues
 - Improve cost to income ratio
- This process was aimed at:
 - Minimising duplication of functions across the group
 - Making redundant unnecessary functions and positions
- This is about ensuring the long term sustainability of our business, which in turn impacts on our ability to contribute to South Africa and its people
- The key objective is to reduce costs
- We therefore focused on where the majority of the costs sit
 - Executives and managers
- If we don't do something now, we will have to do something more drastic later



The process we followed

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- Ongoing consultation with SASBO, the majority union
- Personal consultation with all affected employees for the past week – still ongoing
- In London, established an appropriate collective consultation forum



Latest Estimate of Redundant Roles

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	South Africa	% of Total SA Workforce	London	% of Total London Workforce
Executives	65	12%	40	16%
Managers	670	7%	75	15%
General Staff	410	2%	45	11%
Total Permanent Staff	1,145	4%	160	13%
Contractors / Non-Permanent Staff	600		110	

What we are doing to assist retrenched employees

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- Ongoing support in search for alternative employment
- Professional counselling service – ICAS
- Outplacement programme to help with developing CVs and interview preparation
- Search firms to help explore opportunities in other organisations
- Financial planning and advice

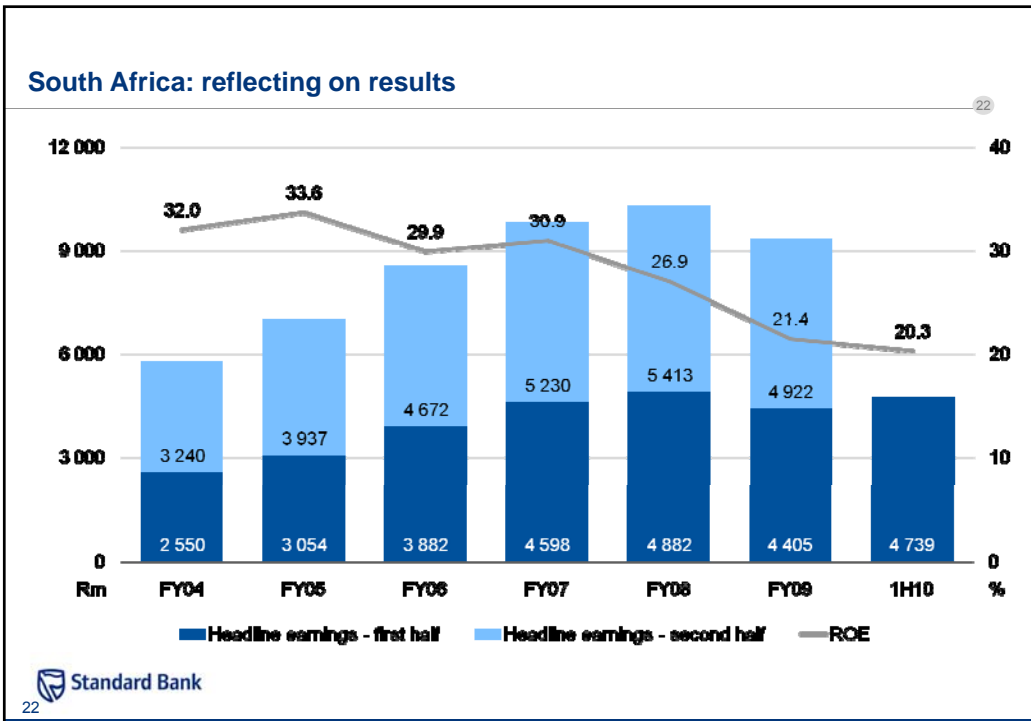
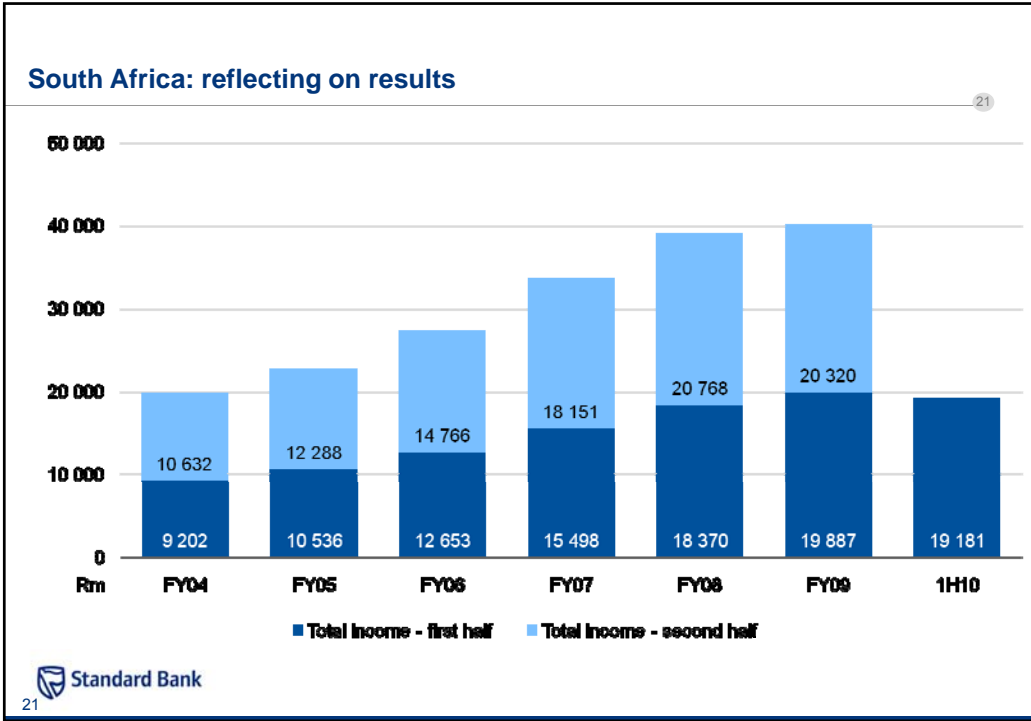
How we see the medium term

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- Banking is highly competitive
- Healthy, growing banks are important for economic growth
- In the long term, this action will be good for Standard Bank and all its stakeholders
- We will better positioned to adapt to the challenging landscape

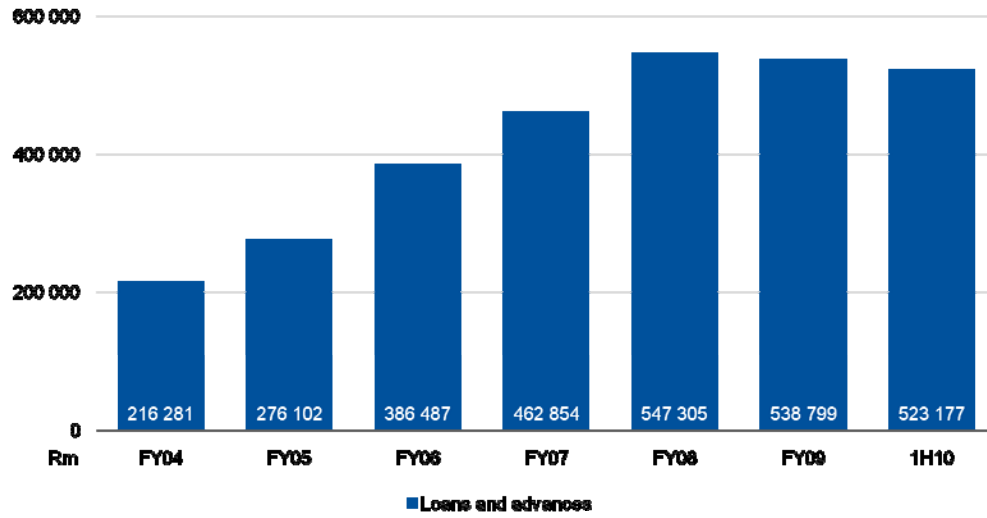
Questions?





South Africa: reflecting on results

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