

Standard Bank Group

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Overview



- South African based financial services group
 - Headquartered in Johannesburg
 - Listed on JSE
 - Market cap approx R135 billion (US\$18 billion)
- 145 year history in South Africa
- Industrial and Commercial Bank of China is a 20% shareholder

Standard Bank – a growth story



Strong South African base

Selected acquisitions in Africa
and other emerging markets
Establishment of operations
in key emerging markets

International operations
now showing strong growth
after substantial investment



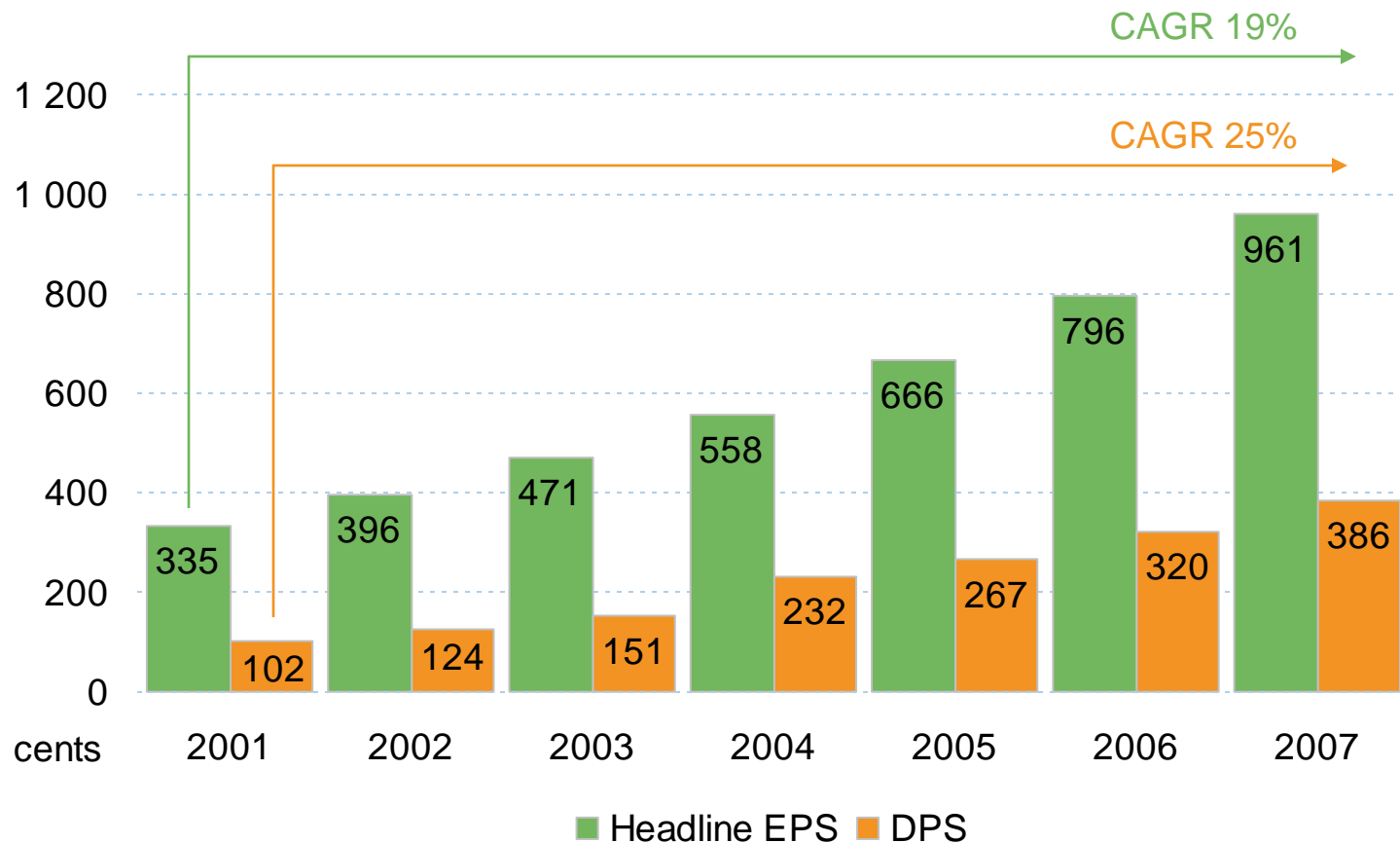
**Standard Bank has grown HEPS and DPS
by an average of 20% per annum
over the past 20 years**

Operating environment in 2007

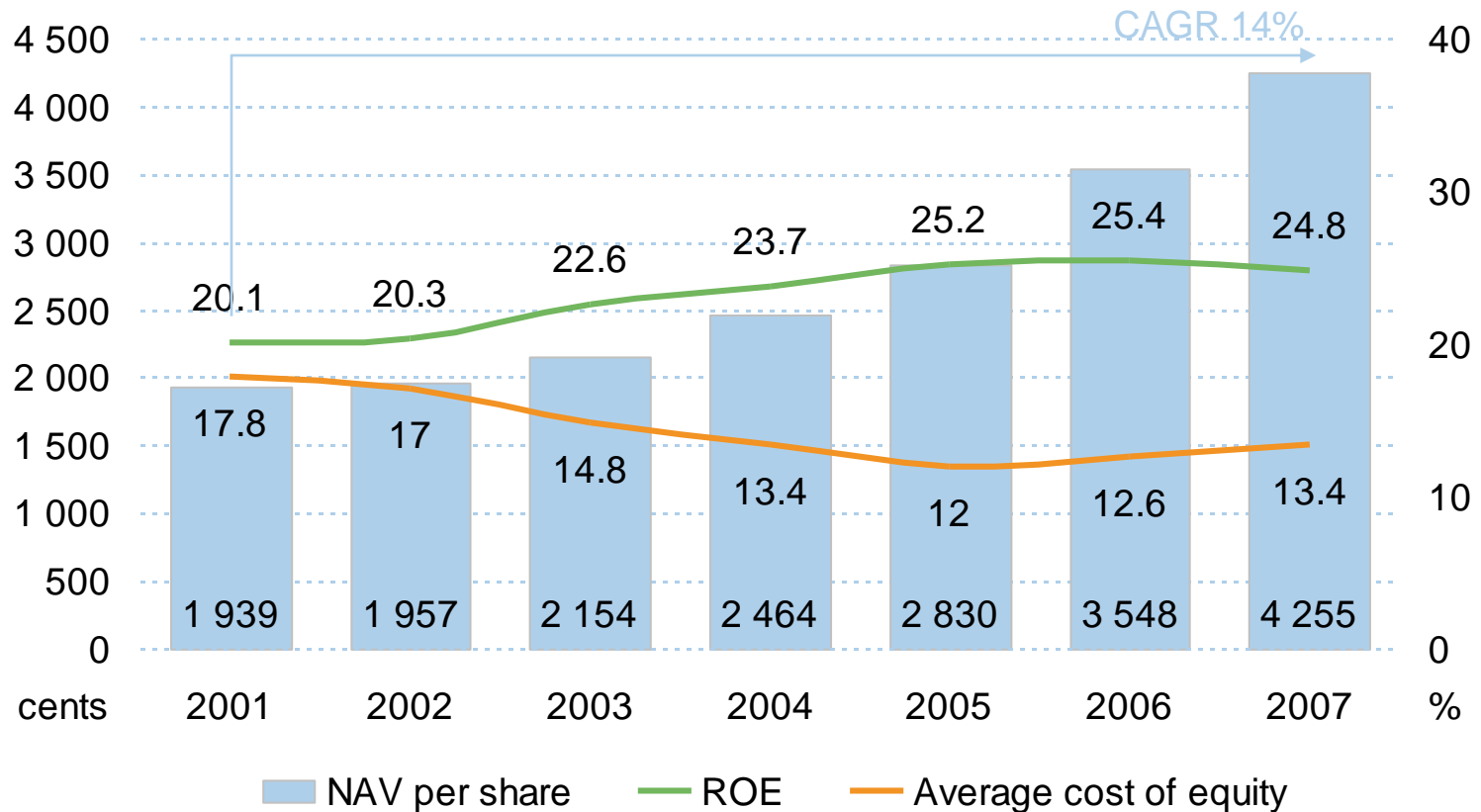


- 1H07
 - Generally favourable operating conditions
 - despite 50bp interest rate hike in South Africa
 - Headline earnings grew 27%
- 2H07
 - Dislocation in global credit markets
 - Global tightening in liquidity
 - Retail slowdown towards the end of the year
 - interest rates increased by a further 150bp in South Africa
 - Headline earnings grew 17%

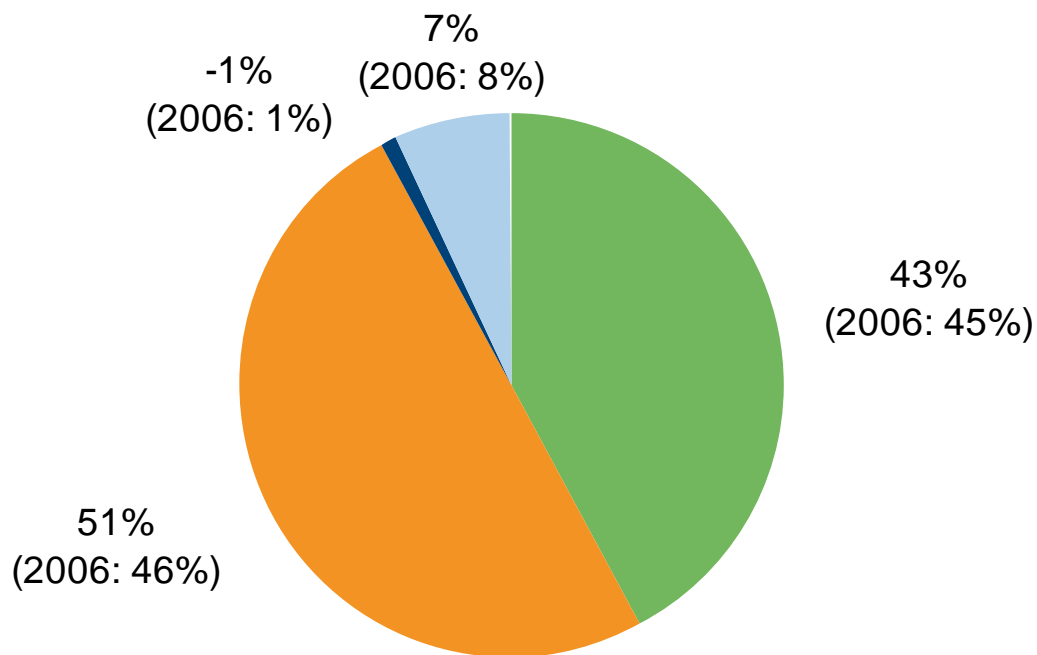
Group headline earnings and dividends per share



Group return on equity



Headline earnings mix by major business unit



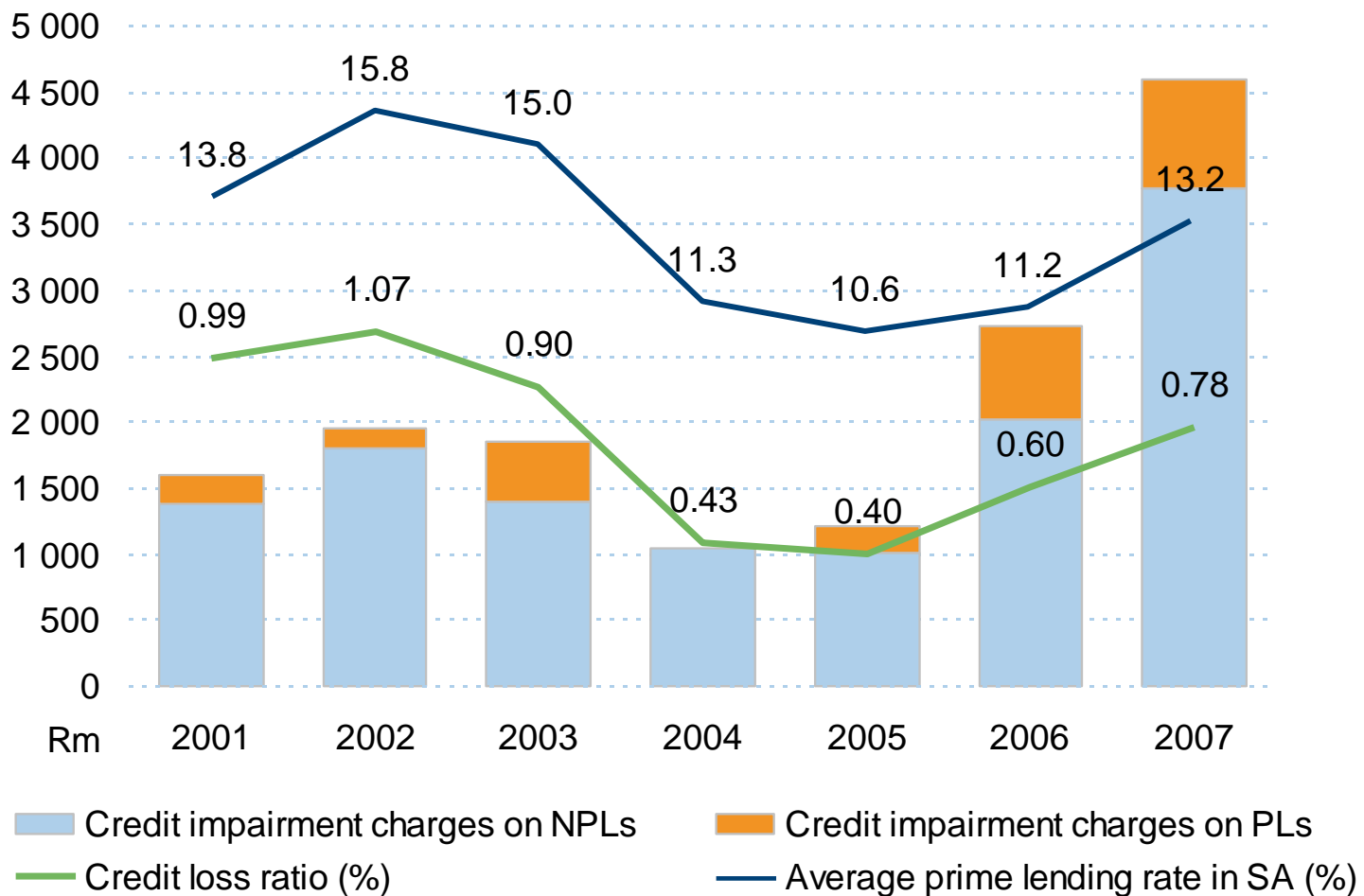
- Personal & Business Banking
- Corporate & Investment Banking
- Central & other
- Liberty Life

Business unit review



2007	Headline earnings Rm	Headline earnings growth %	ROE %
Personal & Business Banking	5 661	18	28.1
Corporate & Investment Banking	6 765	34	27.3
Central funding and other domestic	(246)		
Banking activities	12 180	22	24.7
Liberty Life	973	15	25.8
Standard Bank Group	13 153	22	24.8

Credit impairment trends

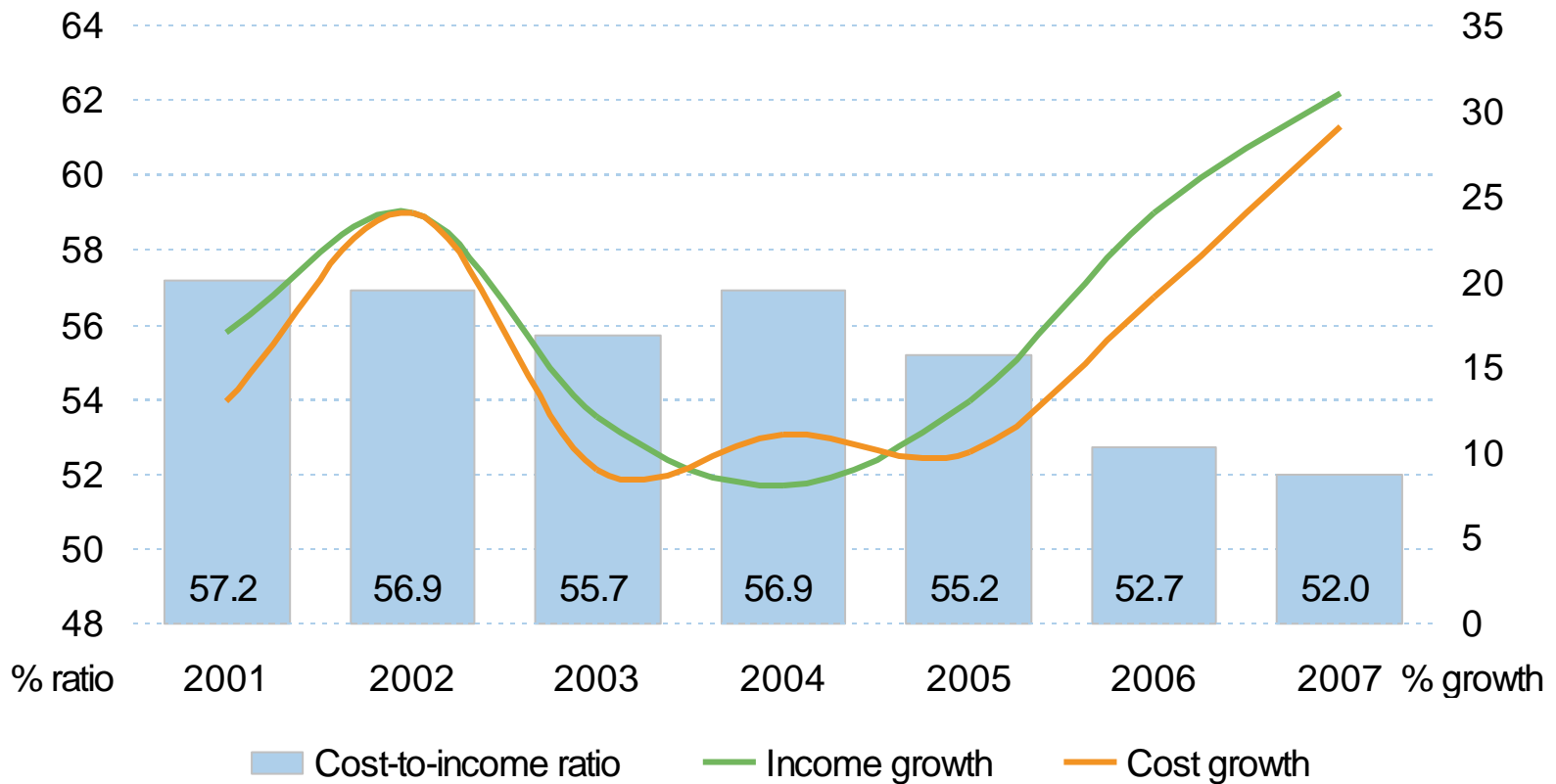


Credit loss ratios by product



	Dec 2007 %	Dec 2006 %
Personal & Business Banking	1.34	1.00
Home loans	0.54	0.27
Vehicle and asset finance	1.49	1.09
Card	7.20	7.03
Other	2.01	1.57
Corporate & Investment Banking	0.09	0.15
Banking activities	0.78	0.60

Cost-to-income ratio



Capital adequacy ratios



	Standard Bank of SA		Group	
	Tier 1 %	Total %	Tier 1 %	Total %
Basel I	8.6	12.5	10.4	14.4
Basel II	8.1	11.4	8.5	11.3
Basel II regulatory minimum	7.0	9.75	7.0	9.75
Pro-forma				
Including ICBC capital			11.2	14.0

Nigeria acquisition



- Acquired 50.1% of IBTC Chartered Bank in Nigeria in September 2007
- Group risk governance framework introduced
- Operations, systems and staff integration completed December 2007
- Market leading position in Global Markets, Investment Banking and Asset Management
- Optimistic on the potential for Personal & Business Banking
- Good progress to date in very competitive markets, but significant investment required in branch and ATM infrastructure
- Headline earnings in excess of \$100m expected in 2008
 - Of which 50.1% will accrue to Standard Bank

Argentina acquisition



- Acquired 77% of Bank Boston in Argentina in April 2007
- People, processes and systems aligned with and integrated into the group
- Significant “overnight” rebranding exercise completed
- Service led sales strategies implemented in Personal & Business Banking with broader segment focus
- Successful client retention strategies in Corporate Banking resulted in limited deposit run-off
- Newly established Investment Banking team gaining momentum
- Headline earnings of US\$40m expected in 2008
 - Of which 77% will accrue to Standard Bank

Credit crisis impact



- No direct sub prime exposure
- Continuous focus on liquidity
 - Group long-term funding ratio increased to 17.8% (2006: 15.5%)
 - Emphasis on structural liquidity mismatch, inclusive of contingent liabilities
 - Surplus liquidity buffer
 - R60bn in excess of prudential liquid asset requirements
- Domestic term funding has become more expensive
- Securitisation demand continued to be weak
- Concentration risks in deposit base managed closely
- Limited exposure to conduits
 - R13bn total exposure
- Fortunate to raise capital through ICBC, at a premium, just prior to credit crisis

Macro environment in SA in 2008



- GDP growth expectations for 2008
 - 4.3% base case, 3.7% adjusted for electricity shortages, 3.3% adjusted for potential further interest rate increases
- Inflation expectations for 2008
 - Base case
 - Peak at around 10%
 - Return to 3-6% target zone at end of 2009
 - Bearish view, given 50-60% increase in electricity prices
 - Peak at around 12%
 - Return to 3-6% target zone in 2010
- Interest rate expectations for 2008
 - Increased 450bp since June 2006
 - Expect another 50bp increase in June, then flat through 2009

Business environment in 2008



- In South Africa
 - Personal & Business Banking
 - Asset growth slowing
 - Consumers showing signs of increased strain
 - Property prices declining marginally
 - Corporate & Investment Banking
 - Business still resilient
 - Financial Sector Charter to be harmonised with the codes of good practice as set out by the DTI

Business environment in 2008 continued



- In the rest of Africa
 - Business benefiting from resources activity
 - Acquisition of 60% of CFC Bank in Kenya
 - \$80m investment
 - Strengthens our presence in East Africa
- In International
 - Resource related business still strong
 - Credit related revenues slowing
- Basel II compliant from 1 Jan 2008

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Inspirados. Motivados. Comprometidos. Inspi
Siyaphembelela. Siyakhuthaza. Siyazibandak
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Geïnspireerd. Gemotiveerd. Betrokke. Geïnsp
創意. 積極. 投入. 創意. 積極. 投入. 創意. 積極. 投入
Inspirée. Motivée. Engagée. Inspirée. Motivée
Re tsohile molota. Re na le tjheseho. Re a ikit
Yaratıcı. Kararlı. İlgili. Yaraticı. Kararlı. İlgili. Ya
Re na le tšhušumetšo. Mafolofolo. Le kamego

Strategic partnership between Standard Bank and ICBC

Strategic options evaluated

the board carefully considered options for growth



“Go it alone”	<ul style="list-style-type: none">• Growth options restricted and limited access to international capital
Minority shareholding = acquired by a developed market bank (20%)	<ul style="list-style-type: none">• Standard Bank limited to being the African arm of an international group• Standard Bank’s international businesses would be closed down or sold before achieving their full potential
Minority shareholding acquired by an international fund (10 – 20%)	<ul style="list-style-type: none">• Source of new capital, but no synergies• Potential share overhang if sold
Minority investment and strategic partnership with a leading bank focused on developing markets	<ul style="list-style-type: none">• Potential earnings benefits through co-operation• Strategic alignment on emerging market growth potential• Source of new capital

Strategic partnership with a banking group focused on developing markets was identified as the preferred option

Principles behind the strategic partnership



- ① Strategic alliance between the largest banks in China and Africa
- ② Leaders from two emerging market regions with the greatest growth potential
- ③ Complementary partnership
- ④ Close strategic co-operation to drive incremental revenue growth and multiple new business opportunities
- ⑤ ICBC wants to grow with Standard Bank in other emerging markets
- ⑥ ICBC will achieve value creation together with existing Standard Bank shareholders

Summary of the transaction



- 20% investment in Standard Bank by ICBC
 - ensures alignment of interests and ICBC will share in the value to be created
- Total consideration of R36.7bn / US\$5.5bn
- New share issue
 - 10% of the issued ordinary share capital immediately after such issue
 - R104.58 per share (30 day VWAP prior to cautionary)
- Scheme of Arrangement
 - 10% of the issued ordinary share capital immediately after the equity issue
 - Acquired from existing shareholders pro rata to current holdings
 - R136.00 per share (30% premium to 30 day VWAP prior to cautionary)

Good for the country and the continent

– Government positive on the transaction



- Transaction approved by the South African Registrar of Banks prior to announcement
- Consistent with Government's objective of strengthening economic ties between South Africa and China

“South Africa needs to position itself to be able to respond to the issue of the growth and expansion of the Chinese economy in a way that would be beneficial for South Africa”

President Thabo Mbeki, May 2007

“Last week's announcement of a R37bn investment by the Industrial and Commercial Bank of China in one of our leading banks indicates that international confidence in our economy is high, and perhaps also signals a new place for Africa in the changing patterns of trade and finance flows of the 21st century”

Trevor Manuel, Minister of Finance, Medium Term Budget Policy Statement, October 2007

“ICBC's twenty percent stake in Standard Bank ... I think it's a good thing. It's starting to help cement the relationship between China and South Africa. ”

Tito Mboweni, Governor of the Reserve Bank, November 2007

The partnership going forward



- Establishes a gateway between Africa and China
- Accelerates the banks' respective international strategies
- Provides support for Standard Bank's next phase of growth
- Demonstrates confidence in South African and African financial services
- Negotiated and gained necessary approvals
 - valuable strategic partner
 - significant injection of tier one capital in a cost effective manner
 - supportive shareholder

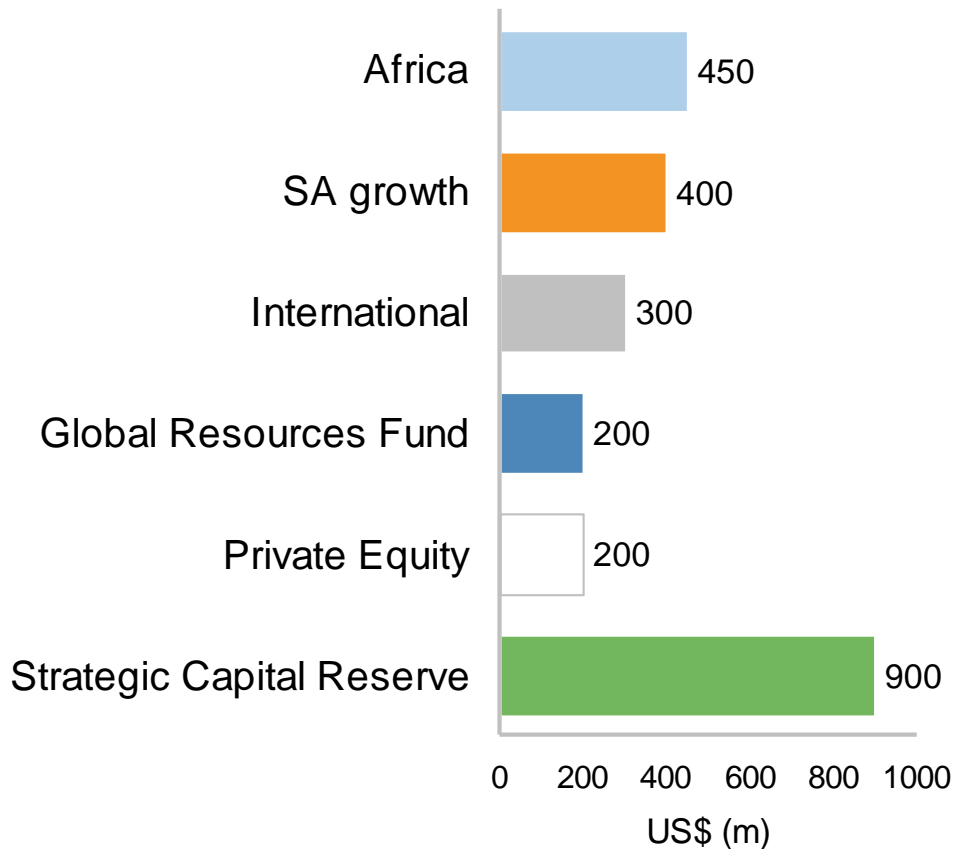
The business co-operation agreement



- 1 China-Africa trade and business flows
- 2 Transactional and investment banking in Africa
- 3 Resource banking and investment banking in China
- 4 International – trade and FDI flows between China and other emerging markets
- 5 Global Resources Fund

Application of the proceeds of new issuance

\$2.4bn, as presented on 23 Nov 2007



- Capital to support accelerated growth in existing markets
- Investments to build critical mass in key markets e.g. Kenya, Ghana, Angola

- Robust corporate asset growth
- Conversion to Basel II

- Accelerated organic growth
- Proposed branch in India

- Global Resources Fund seed capital US\$200m, capital impact up to US\$100m

- Global private equity initiatives

- Capital held for unspecified future opportunities – similar surplus capital position as 18 months ago

Financial effects of the transaction



- New capital injection is dilutive in the short term but extends our growth horizon in the longer term
- Strong capital ratios a competitive advantage
- Business co-operation commences in March 2008
 - Incremental earnings from business co-operation
 - US\$40m – US\$60m expected in year 1
 - US\$160m – US\$200m expected in year 3

Conclusion

2007 – a momentous year



- Weathered global financial market stresses not seen in the last decade
- Finalised acquisitions in the important emerging markets of Nigeria, Argentina and Turkey
- Negotiated and gained necessary approvals for the historic transaction between Standard Bank and ICBC which resulted in
 - valuable strategic position
 - significant injection of tier one capital in a cost effective manner
 - supportive shareholder
- Achieved financial results that exceeded published objectives for headline earnings per share growth and return on equity

Conclusion



- Geographic diversification pays off
- Growth in SA expected to moderate to more “normal” levels from exceptional growth of the past 4 years
- Growth in chosen African countries likely to significantly exceed growth rate in SA, assisted by ICBC business co-operation
- Capital injection allows us to consider further acquisitions in a more “acquisition-friendly” environment

Financial objectives



	2008	Medium term
Normalised ROE	21.0%	22.5%
Normalised growth in headline earnings per share	CPIX + 5%	CPIX + 10%
Credit loss ratio	≤ 1.00%	≤ 1.00%
Cost-to-income ratio	≤ 51%	Continuous improvement

Medium term objectives remain unchanged

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