



# 2012

## Financial results presentation

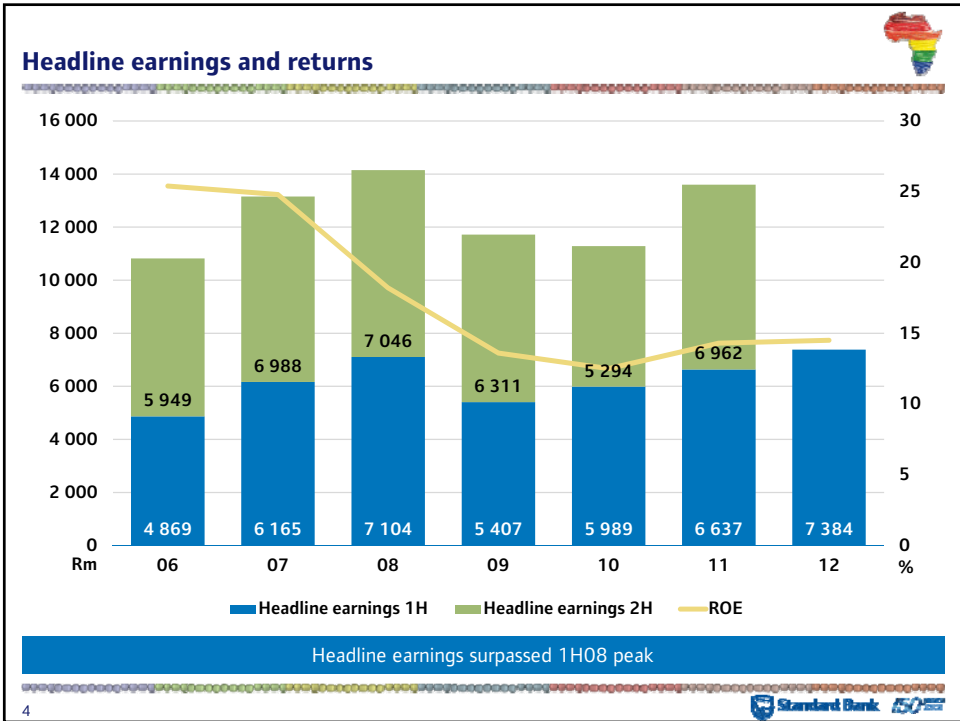
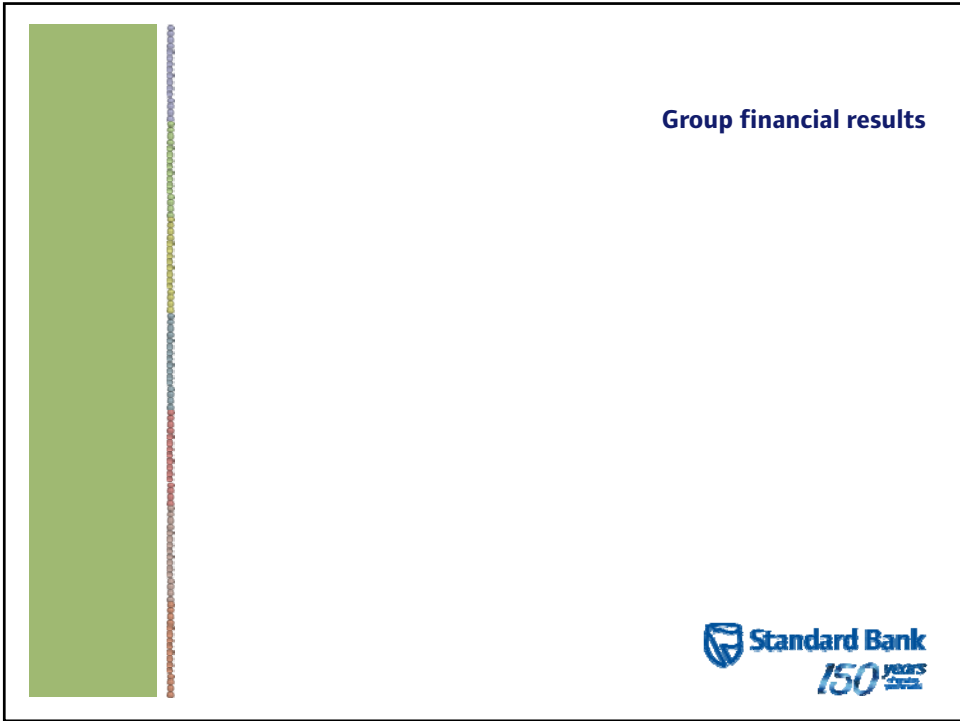
For the period ended 30 June 2012



### External structural and cyclical impacts on results



Macro factor	Consequence
Developing versus developed world	SA and Africa relatively well positioned
Low interest rates generally	Not good for net interest income Good for consumer credit impairments
Increased interest rates in certain African countries	Positive endowment impact Increased credit impairments
Weak Rand	Negative translation impact on non-SA costs
Constrained economic growth	Less client activity, particularly corporate clients
Ongoing regulatory and compliance pressures	Higher costs, more term liquidity, increased liquid asset buffers and increased capital requirements for term transactions



## Key metrics



	1H12	change %	1H11	FY11
Headline earnings (Rm)	7 384	11	6 637	13 599
Headline EPS (HEPS) (cents)	464.1	11	418.4	856.9
Diluted HEPS (cents)	460.9	11	415.9	852.1
DPS (cents)	212	50	141	425
NAVPS (cents)	6 581	11	5 926	6 453
ROE (%)	14.5		14.5	14.3
Credit loss ratio (%)	0.98		0.81	0.87
Cost-to-income ratio (%)	59.1		58.0	58.8
Tier I capital adequacy ratio (%)	11.0		12.4	12.0

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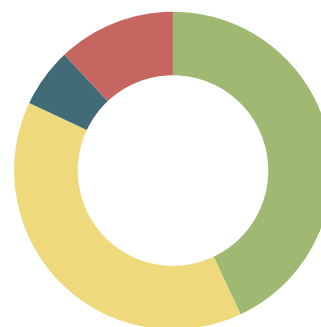


## Business unit view



	Headline earnings	
	1H12 Rm	change %
Personal & Business Banking	3 194	33
Corporate & Investment Banking	2 861	(7)
Central and other	424	(17)
Central and other – Continuing operations	109	(68)
Argentina – Discontinued operations	315	86
<b>Banking activities</b>	<b>6 479</b>	<b>8</b>
Liberty	905	43
<b>Standard Bank Group</b>	<b>7 384</b>	<b>11</b>

Contribution to SBG headline earnings



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

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## PBB summarised income statement



	1H12 Rm	change %	1H11 Rm	FY11 Rm
Net interest income	11 130	22	9 153	19 859
Non-interest revenue	8 870	11	8 016	17 081
<b>Total income</b>	<b>20 000</b>	<b>16</b>	<b>17 169</b>	<b>36 940</b>
Credit impairment charges	3 081	18	2 613	5 426
Operating expenses	12 412	11	11 230	23 162
<b>Headline earnings</b>	<b>3 194</b>	<b>33</b>	<b>2 408</b>	<b>5 860</b>
ROE (%)	18.5		16.8	19.2
Cost-to-income ratio (%)	61.7		65.1	62.4
Credit loss ratio (%)	1.33		1.25	1.25
Net loans and advances (Rbn)	463.0	10	419.4	443.6

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## PBB product view



	Total income		Headline earnings	
	1H12 Rm	change %	1H12 Rm	change %
Mortgage lending	2 542	14	351	>100
Instalment sale and finance leases	1 295	10	163	(17)
Card products	2 168	6	548	19
Transactional and lending products	12 262	21	1 492	18
Bancassurance and wealth	1 733	11	640	29
<b>Personal &amp; Business Banking</b>	<b>20 000</b>	<b>16</b>	<b>3 194</b>	<b>33</b>

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## PBB SA view



	1H12 Rm	change %	1H11 Rm	FY11 Rm
Net interest income	8 854	17	7 600	16 251
Non-interest revenue	7 627	9	6 970	14 987
<b>Total income</b>	<b>16 481</b>	<b>13</b>	<b>14 570</b>	<b>31 238</b>
Credit impairment charges	2 567	7	2 407	4 891
Operating expenses	9 379	7	8 761	17 752
<b>Headline earnings</b>	<b>3 250</b>	<b>32</b>	<b>2 458</b>	<b>6 046</b>
ROE (%)	22.7		20.0	23.3
Cost-to-income ratio (%)	56.6		59.8	56.5
Credit loss ratio (%)	1.27		1.29	1.28
NPL ratio (%)	5.5		7.8	6.1
Net loans and advances (Rbn)	405.0	9	371.3	385.4

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## CIB summarised income statement



	1H12 Rm	change %	1H11 Rm	FY11 Rm
Net interest income	4 666	15	4 055	8 819
Non-interest revenue	7 923	14	6 946	13 738
<b>Total income</b>	<b>12 589</b>	<b>14</b>	<b>11 001</b>	<b>22 557</b>
Credit impairment charges	861	>100	120	1 020
<b>Income from operations</b>	<b>11 728</b>	<b>8</b>	<b>10 881</b>	<b>21 537</b>
Operating expenses	7 900	20	6 600	14 064
<b>Headline earnings</b>	<b>2 861</b>	<b>(7)</b>	<b>3 085</b>	<b>5 532</b>
ROE (%)	12.7		15.5	13.1
Cost-to-income ratio (%)	62.6		59.9	62.2
Credit loss ratio (%)	0.46		0.07	0.30
Net loans and advances (Rbn)	382.4	16	330.9	383.0

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## CIB product view



	Total income		Headline earnings	
	1H12 Rm	change %	1H12 Rm	change %
Transactional Products and Services	3 947	36	1 024	58
Investment Banking	2 872	19	969	(18)
Global Markets	5 037	(5)	649	(50)
Real estate and Principal Investment Management	721	21	271	79
Curtailed operations and Troika	12	>100	(52)	71
<b>Corporate &amp; Investment Banking</b>	<b>12 589</b>	<b>14</b>	<b>2 861</b>	<b>(7)</b>

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## Liberty



	1H12 Rm	change %	1H11 Rm	FY11 Rm
Retail SA	648	(0)	650	1 314
Liberty Corporate	42	(11)	47	36
LibFin	920	>100	345	1 124
Stanlib	200	(0)	201	435
Liberty Properties	25	(24)	33	75
Liberty Africa	16		16	21
Liberty Health	(45)	(>100)	(10)	(65)
Other	(130)	(27)	(102)	(277)
<b>Headline earnings</b>	<b>1 676</b>	<b>42</b>	<b>1 180</b>	<b>2 663</b>
<b>SBG share of headline earnings (54%)</b>	<b>905</b>	<b>43</b>	<b>633</b>	<b>1 428</b>

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## Income statement analysis



## Group summarised income statement

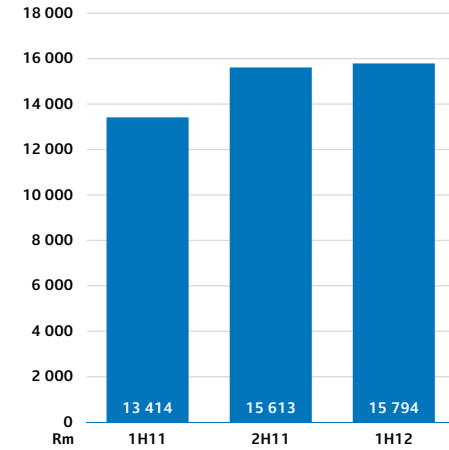


	1H12 Rm	change %	1H11 Rm	2H11 Rm
Net interest income	15 794	18	13 414	15 613
Non-interest revenue	16 504	13	14 646	15 078
<b>Total income</b>	<b>32 298</b>	<b>15</b>	<b>28 060</b>	<b>30 691</b>
Credit impairment charges	3 945	35	2 914	3 522
<b>Income from operations</b>	<b>28 353</b>	<b>13</b>	<b>25 146</b>	<b>27 169</b>
Operating expenses	19 175	17	16 332	18 393
<b>Banking activities headline earnings</b>	<b>6 479</b>	<b>8</b>	<b>6 004</b>	<b>6 167</b>
Liberty – share of headline earnings	905	43	633	795
<b>SBG headline earnings</b>	<b>7 384</b>	<b>11</b>	<b>6 637</b>	<b>6 962</b>

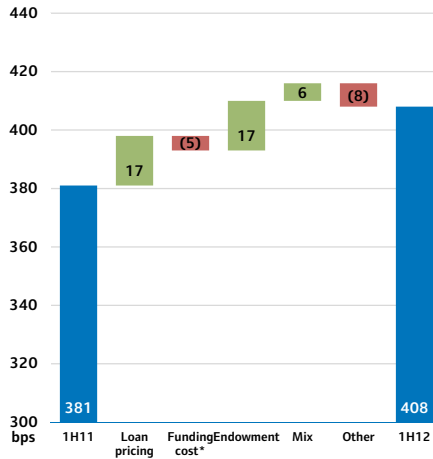
## Net interest income and margin



### Net interest income up 18% (15% on a constant currency basis)



### Margin analysis

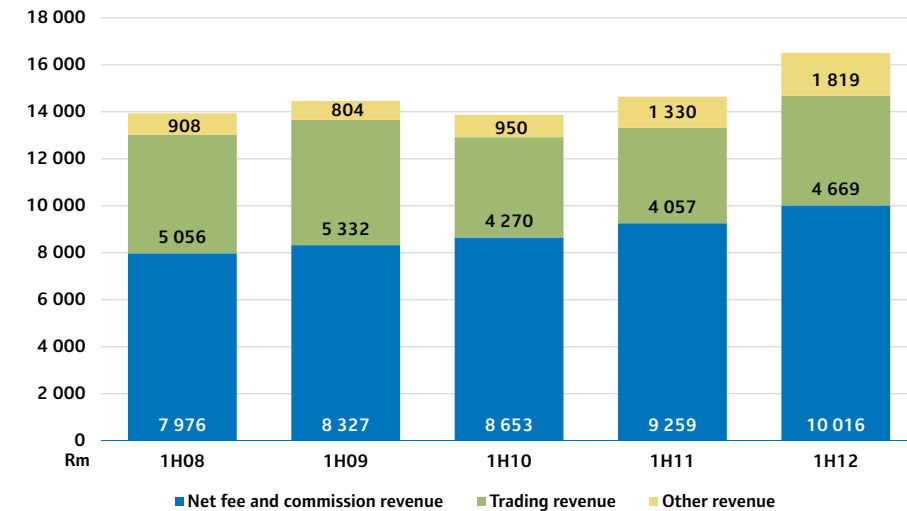


\*Cost of funding + funding margin

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## Non-interest revenue



NIR grew 13% (8% on a constant currency basis)

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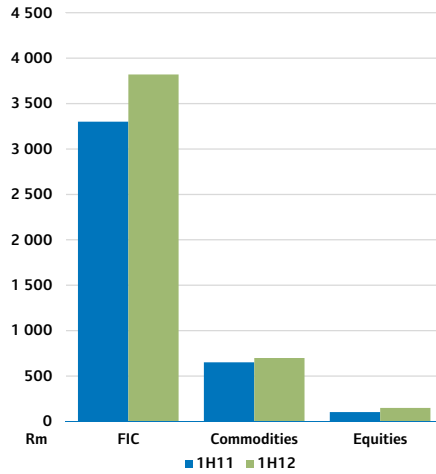
## A closer look at non-interest revenue



### Net fee and commission revenue and other revenue

	1H12 Rm	change %	1H11 Rm
<b>Fee and commission revenue</b>	<b>11 596</b>	<b>7</b>	<b>10 787</b>
Account transaction fees	4 569	5	4 338
Electronic banking	1 005	14	882
Knowledge-based fees	943	(23)	1 232
Card-based commission	1 909	13	1 682
Bancassurance	622	8	574
Other	2 548	23	2 079
Fee and commission expense	(1 580)	(3)	(1 528)
<b>Net fee and commission revenue</b>	<b>10 016</b>	<b>8</b>	<b>9 259</b>
	1H12 Rm	change %	1H11 Rm
<b>Other revenue</b>	<b>1 819</b>	<b>37</b>	<b>1 330</b>

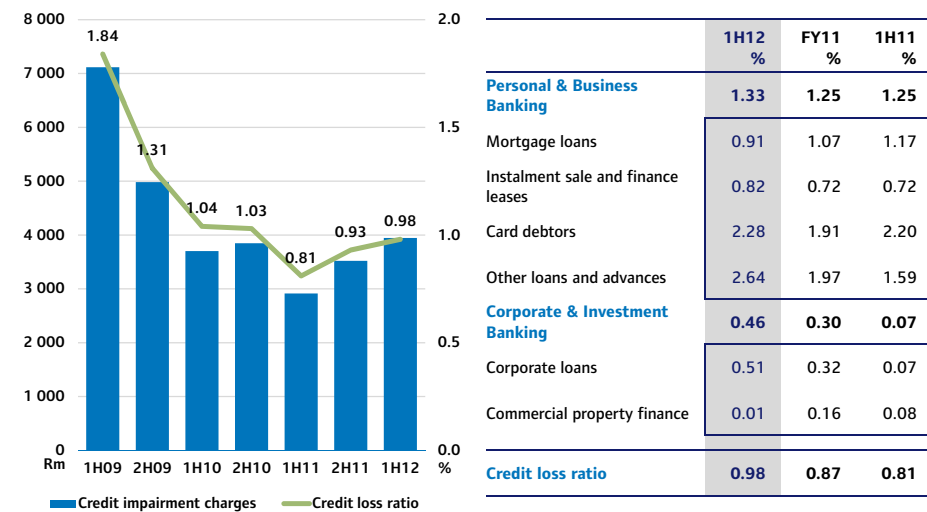
### Trading revenue up 15%



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## Credit impairment charges



	1H12 %	FY11 %	1H11 %
<b>Personal &amp; Business Banking</b>	<b>1.33</b>	<b>1.25</b>	<b>1.25</b>
Mortgage loans	0.91	1.07	1.17
Instalment sale and finance leases	0.82	0.72	0.72
Card debtors	2.28	1.91	2.20
Other loans and advances	2.64	1.97	1.59
<b>Corporate &amp; Investment Banking</b>	<b>0.46</b>	<b>0.30</b>	<b>0.07</b>
Corporate loans	0.51	0.32	0.07
Commercial property finance	0.01	0.16	0.08
<b>Credit loss ratio</b>	<b>0.98</b>	<b>0.87</b>	<b>0.81</b>

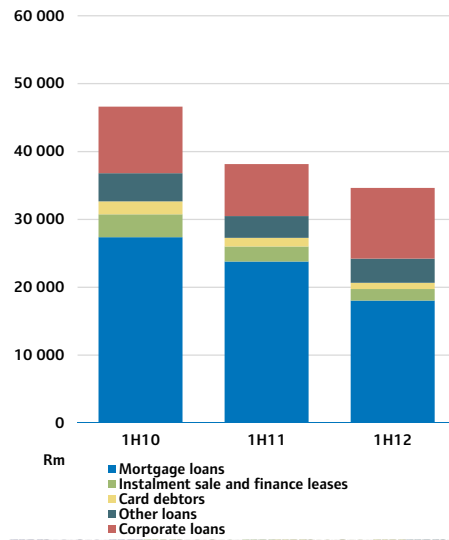
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## NPLs and coverage ratios



### NPLs



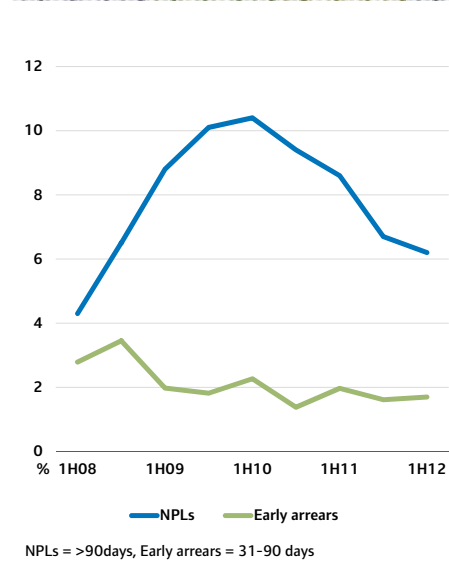
### Coverage ratios

	1H12 %	FY11 %	1H11 %
<b>Personal &amp; Business Banking</b>	<b>32</b>	<b>30</b>	<b>29</b>
Mortgage loans	21	20	18
Instalment sale and finance leases	53	57	59
Card debtors	68	73	75
Other loans and advances	72	66	68
<b>Corporate &amp; Investment Banking</b>	<b>34</b>	<b>31</b>	<b>27</b>
Corporate loans	36	31	28
Commercial property finance	15	22	16
<b>Total coverage ratios</b>	<b>33</b>	<b>30</b>	<b>29</b>

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## Home loans



- Continued reduction in home loan NPLs
  - Decreased by a further R1.1bn from FY11 and R5.7bn from 1H11
  - NPL ratio 6.2% from 6.7% at FY11 and 8.6% at 1H11
- Better quality of new business
  - Higher margins
  - Lower risk
  - Lower cost of origination
  - Higher ROEs
- Specific impairment coverage ratio increased to 21%
  - Total impairment adequacy supplemented by a further portfolio provision of R1.4bn
- SA PIP portfolio is small, 800 PIPs with total value of R270m

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## PBB unsecured lending



- Total unsecured lending is currently 19% of the gross PBB SA loan book (R78.5bn including credit card and business banking)
- Loan book to customers who earn less than R8k per month currently R3.4bn
  - 85% of lending to existing customers
  - Average tenor of 18 months
    - Almost 20% of the book is shorter than 6 months
  - Average loan size of R9k
  - Pricing of loans provides margins able to absorb higher credit impairment charges
  - Loan book is performing well and credit loss ratios are well below expectations
  - Applying stricter criteria as we dynamically manage the portfolio

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## CIB specific credit impairment charges



- Target credit loss ratio 20 – 30bps
- 1H12 credit loss ratio elevated at 46bps
  - Further specific provisions to account for an emerging market natural resources related NPL and a small number of large exposures in the Middle East (R360m)
  - Migration of a few large watchlist names into NPLs in Africa (R235m)

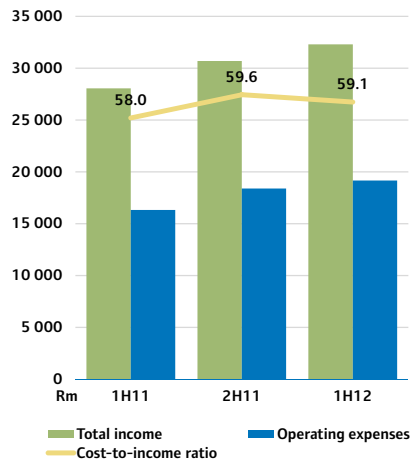
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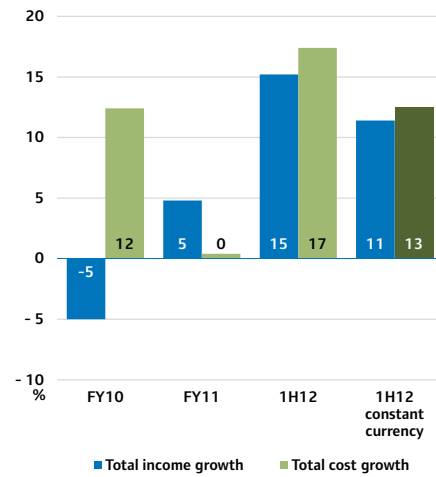
## Costs and revenues



### Cost-to-income ratio



### Jaws analysis



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## Several dynamics impacted the total cost line

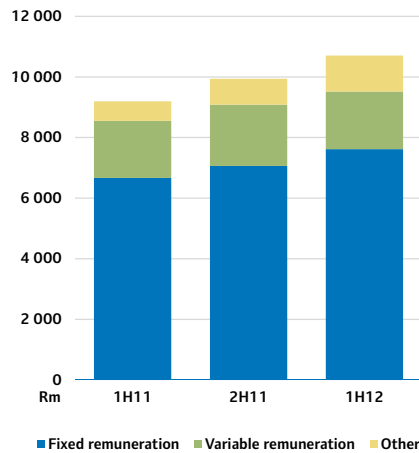


	1H12 Rm	Contribution to group cost growth %
<b>Total costs up by</b>	<b>2 843</b>	<b>17</b>
Currency translation impact	712	4
Spending for growth	876	5
Increased marketing	174	1
African network expansion	702	4
Amortisation and depreciation for new IT systems and capex	236	2
Increased professional fees on new change initiatives	91	1
Recognition of incentive deferrals	69	0
Regulatory and compliance initiatives	144	1
Other	715	4

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## Staff costs



- Up 16% (12% on a constant currency basis)
- Fixed remuneration up due to annual salary increases and increased headcount from network expansions in the Rest of Africa
- Increased proportion of prior year's deferred compensation now amortised
- Other staff costs substantially up
  - Increased use of temporary staff in change initiatives and extended branch hours
  - Lower recognition of pension fund surplus

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## Other operating expenses



	1H12 Rm	change %	1H11 Rm
Information technology*	1 518	(0)	1 520
Depreciation, amortisation and impairment	1 533	23	1 248
Communication	653	9	601
Premises	1 513	11	1 361
Other	3 248	35	2 405
Marketing and advertising	602	44	417
Professional fees	912	36	672
Other	1 734	32	1 316
<b>Total other operating expenses</b>	<b>8 465</b>	<b>19</b>	<b>7 135</b>
<b>Other operating expenses on a constant currency basis</b>	<b>8 465</b>	<b>14</b>	<b>7 438</b>

\* Relates to IT licences, maintenance and related costs. Total IT function spend is R3.9bn, up 18%

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## Outlook for costs

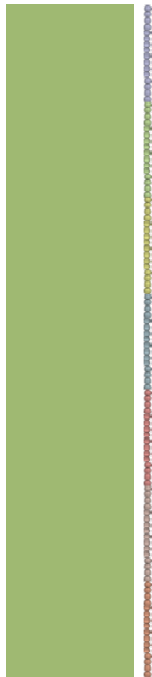


- Assuming a USD/ZAR exchange rate of R8.50 for the 2H12 and that 1H12 ZAR costs are repeated at similar levels
  - We would reflect costs of R39.5bn for FY12
  - Up 14% on FY11 and up 11% in constant currency
- Continued focus is being applied to the group cost base
  - Continued cost growth at elevated levels may not be affordable, given revenue trends
  - Particularly in CIB and enabler functions
  - Mix of local currency versus USD denominated cost base
- Previously targeted \$75m annualised cost saving Outside Africa
  - Reduced scale of operations in Asia and LatAm
  - However
    - Exit costs incurred in 1H12
    - Increased investment required in operational risk and compliance

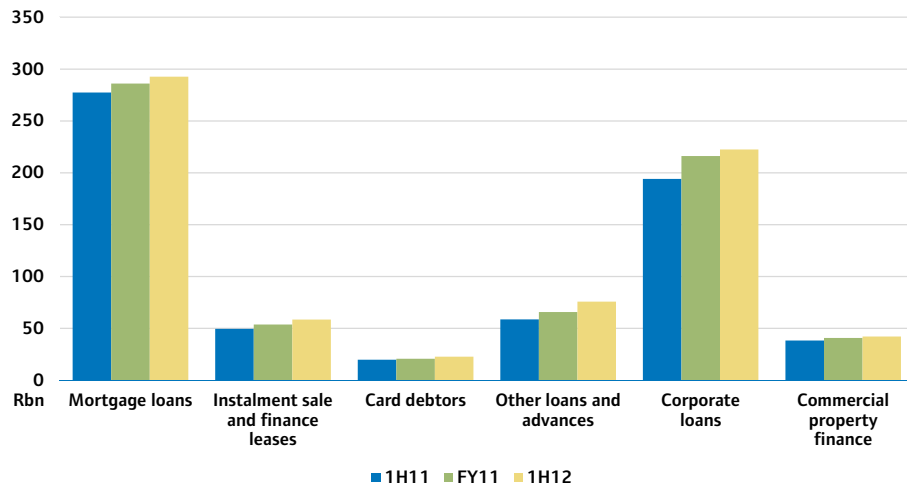
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## Balance sheet and capital



## Loans and advances to customers



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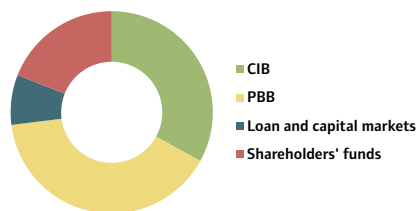


## Funding and liquidity

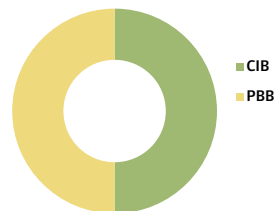


- Overall liquidity position remains strong
  - Appropriate levels of contingent liquidity 1H12 R185bn (FY11: R188bn)
- Robust long-term funding ratio of 24.5%
- Diversified stable funding\* base
  - Stable funding R570bn (FY11: R547bn)
  - PBB retail deposits up 13%
  - CIB current accounts up 21% and cash management deposits up 27%
- Basel 3 liquidity regime
  - On track to meet 2015 LCR requirements
  - Significant challenges remain in meeting 2018 NSFR requirements

Sources of stable funding



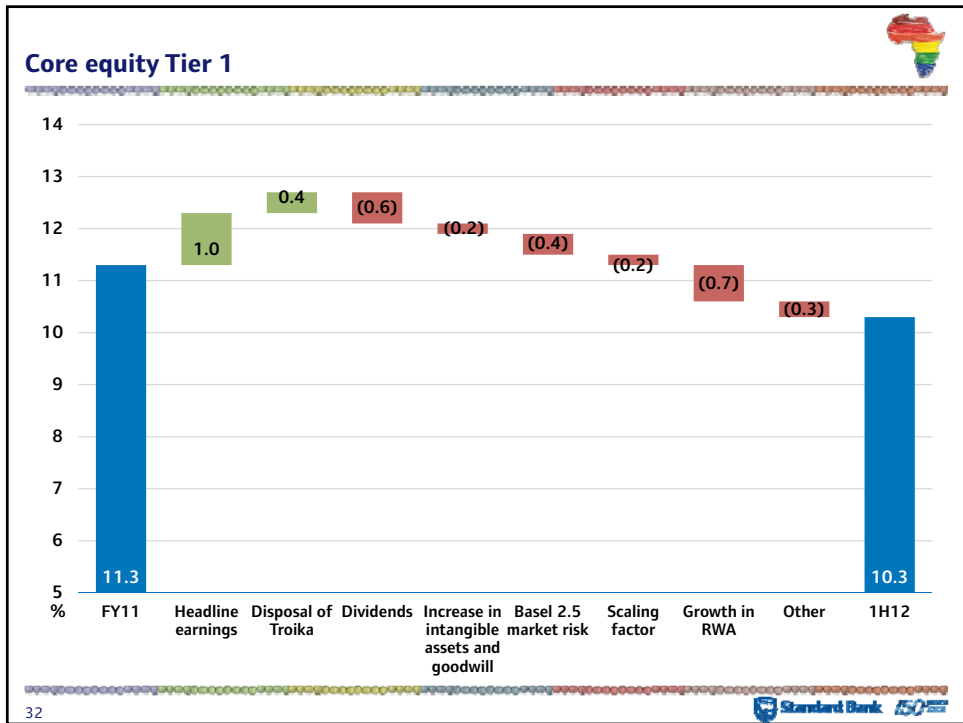
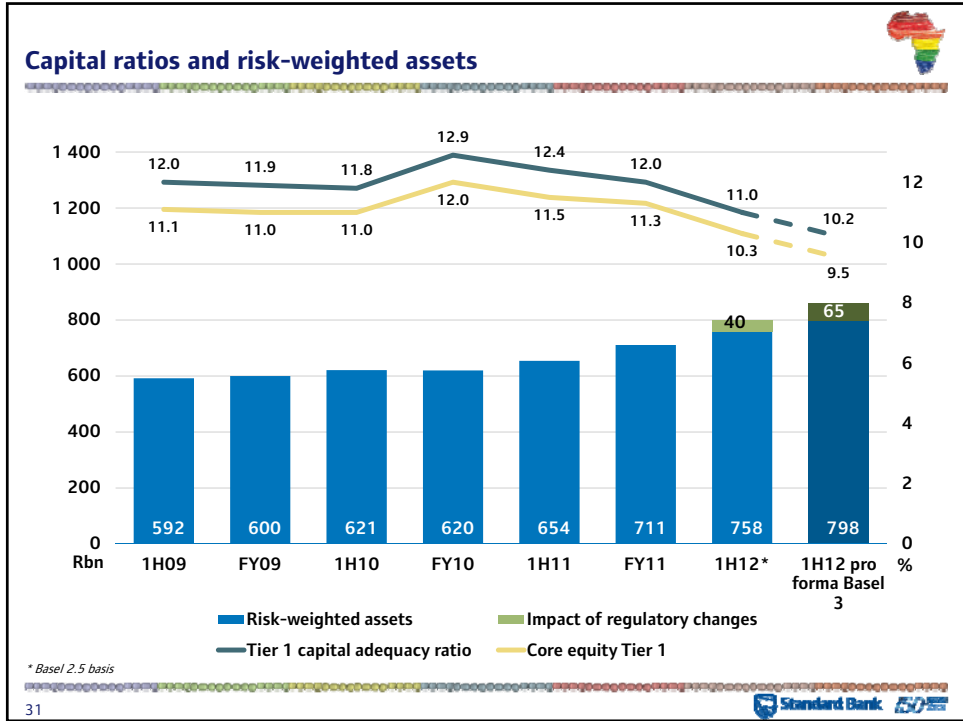
Usage of stable funding



\* Stable funding refers to funding with a maturity ≥12 months, and includes behavioural profiling of transactional accounts

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## Capital planning

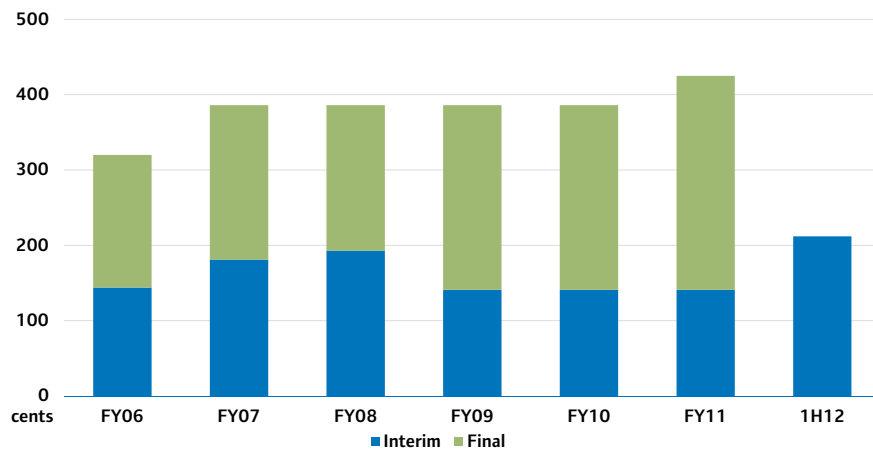


- Robust capital position under Basel 2
- Basel 3 has a significant impact
  - Engaging with SARB to ensure that implementation of Basel 3 is fit for purpose
  - Ensuring that new business outcomes proactively recognise the impact of Basel 3
  - Current pro forma Tier 1 ratio under Basel 3 of 10.2%
  - SARB draft regulations infer a minimum Tier 1 ratio of at least 8.5%, moving to at least 12.5% in 2019
  - Capital plans will ensure that we are appropriately positioned to achieve Basel 3 minimum ratios
  - Capital preservation in future years likely to be key

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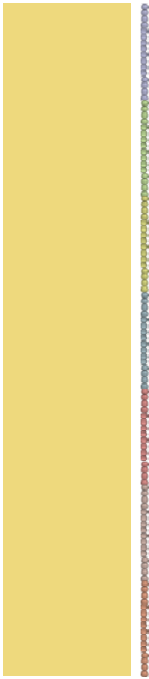
## Interim dividend




- Dividend of 212cps (1H11: 141cps)
- Declaring 50% of total FY11 dividend helps us achieve better balance between interim and final dividend
- Scrip alternative available (no discount) for shareholder flexibility, given recent dividend tax changes

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**Key focus areas**



**High level reflection**




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- Good progress in refining the strategy and focus on Africa
- Business model being aligned around structural industry changes whilst dealing with cyclical economic trends
- SA franchise in good shape, generating good returns with positive momentum in the client franchise
- African franchise delivering good growth with improving returns
- Continued work on right-sizing Outside Africa franchise within current regulatory climate
- Strong performance from a rejuvenated PBB franchise
- Sound performance from CIB given market conditions

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## Winning the war for customers in PBB SA



- Customer service scores at highest levels
- Focus on gaining transactional customers during the period
  - Simple, value-for-money transactional banking products
  - Price reductions
  - Enhancements to our account opening processes
  - Enhancements to our switching processes
  - Provision of a world class banking app for smart phones and tablets
- Increase in customer numbers from 9.5m at 1H11 to 10.5m
- Improved accessibility and convenience of banking
  - Continue to focus on migrating low value transactions to direct channels
  - Significant development in building a new generation bank
- Deposits grew 13% in the period
- Meeting customer lending requirements responsibly
- Growing customers and profits in business banking

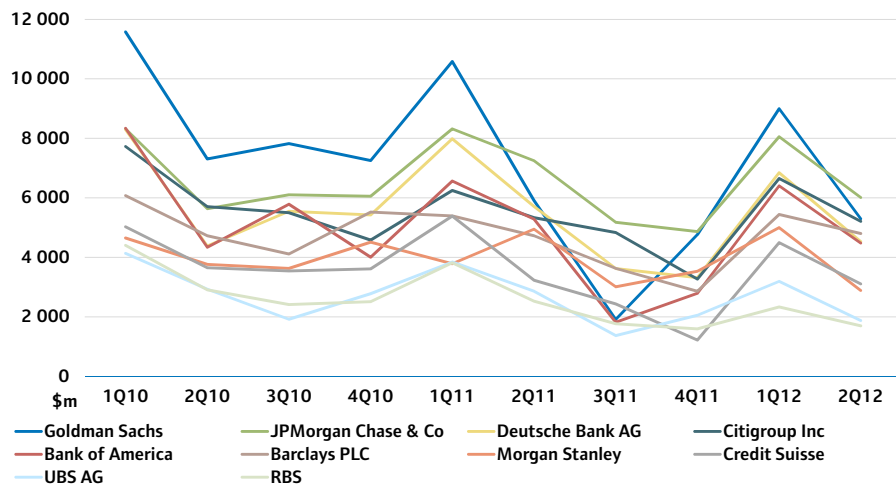
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## Difficult operating environment Outside Africa



Analysis of global Investment Banks' revenue per quarter



Source: Bloomberg

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## Difficult operating environment Outside Africa



- Legal entities Outside Africa operating at a loss (excluding Argentina)
- SB Plc reflecting a headline loss of \$34m
  - Revenues down 5%
    - Increased cost of liquidity due to liquid asset portfolio absorbed in net interest income
    - Difficult second quarter trading environment for Global Markets
    - Investment Banking revenues now recorded in SBSA, replaced by intragroup fee income
  - Credit impairment charges increased substantially in 1H12, but mirror experience of 2H11
  - Costs up 7%
    - Strengthened control environment and investment in compliance
    - Benefit of intragroup recoveries and prior cost saving initiatives outweighed
    - Continued focus given weak outlook for USD denominated revenues
- Reducing balance sheet, costs and capital utilisation will continue to be a protracted and complex process
- The multiple challenges are being addressed
- Focus is on improving CIB's overall ROE rather than legal entity metrics

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## Corporate banking in Africa delivering results



- TPS revenue generated in Africa grew by more than 35%
  - Rest of Africa now equivalent to SA after strong growth
  - Payments and cash management up 33%
  - Trade finance solutions grown in excess of 60%
  - Investor services up 18%
  - Strong performances in foreign exchange and interest rate trading
  - Continued investment in new product platforms
- Flow business in foreign exchange across Africa growing fast
- Linkage with China through ICBC continues apace
- Corporate lending in key sectors continues to gain traction

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## Rest of Africa gaining meaningful traction



- Rest of Africa franchise headline earnings up 84%
- ROE of 10.6%, heading in the right direction
  - ROE excluding goodwill of 13.2%
- Loans and advances to customers up 41%
- Deposits from customers up 32%
- Total income up 38%
  - Exceeded R1bn every month during 1H12
  - NII benefited from positive endowment effect of higher interest rates
- Credit impairments increasing in line with expectations
  - Small number of large specific impairments
- Cost growth still high
  - Cost-to-income ratio improving
  - Despite continued investment spend to support focused growth strategy across key markets

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## Rest of Africa gaining meaningful traction




	Invest and grow markets	Building scale markets	Mature markets
Local currency	change %	Change %	change %
Income growth	13%	31%	37%
Expense growth	20%	20%	18%
Loans and advances growth	42%	16%	16%
Deposit growth	41%	26%	18%

- Invest and grow
  - Nigeria and Angola
- Building scale
  - Botswana, Ghana, Kenya, Mozambique, Tanzania and Zambia
- Mature
  - Lesotho, Malawi, Mauritius, Namibia, Swaziland, Uganda, Zimbabwe and DRC

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**Conclusion**




**What our priorities were in March**


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Concentrate on satisfying our existing customers and clients	✓	
Grow the customer base	✓	
Drive operational and systems excellence	✓	
Maintain cost discipline		USD component of costs too high given outlook for revenue
Invest primarily in organic growth options	✓	
Manage the levers of ROE aggressively but sensibly		Capital deployed Outside Africa still too high USD revenues under pressure

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## Moving forward



- Core franchise is extremely healthy with a strong customer base
- Staff engaged and focused on delivering a good performance
- Co-operation with ICBC a vital building block
- Market conditions remain fragile
- Risk positioning remains key
- Competing to win
- Problems are clearly understood and being addressed
- Our priorities remain unaltered