

# Standard Bank retrenchments

Press briefing  
29 October 2010



## Understanding the world of banking today

2

- 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

3

- 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

4

- 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

5

- 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

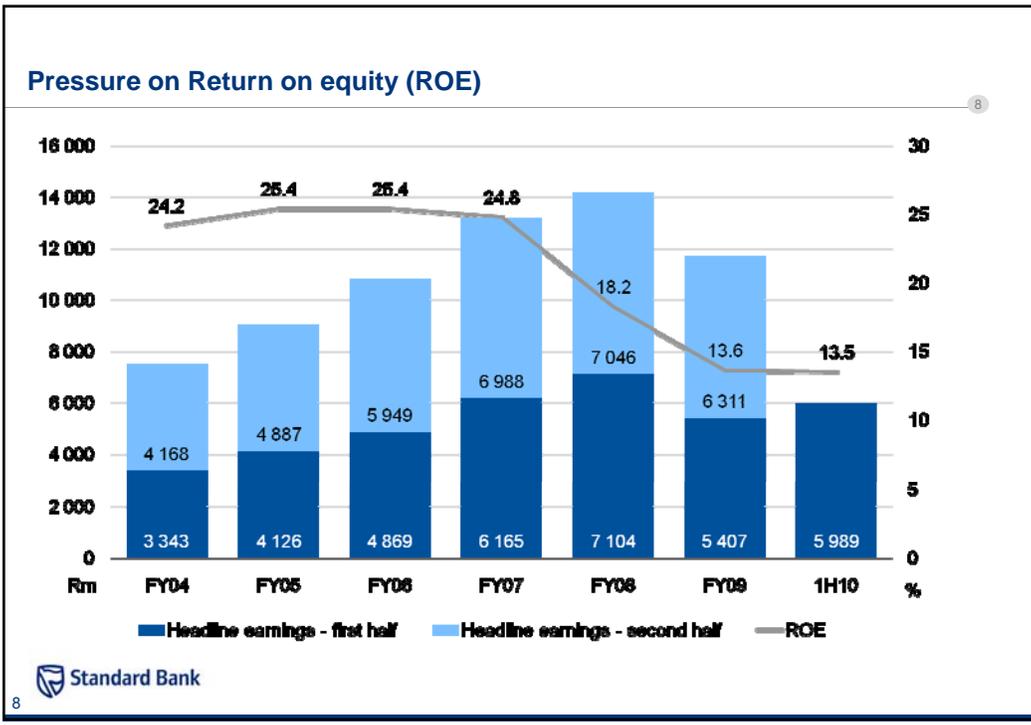
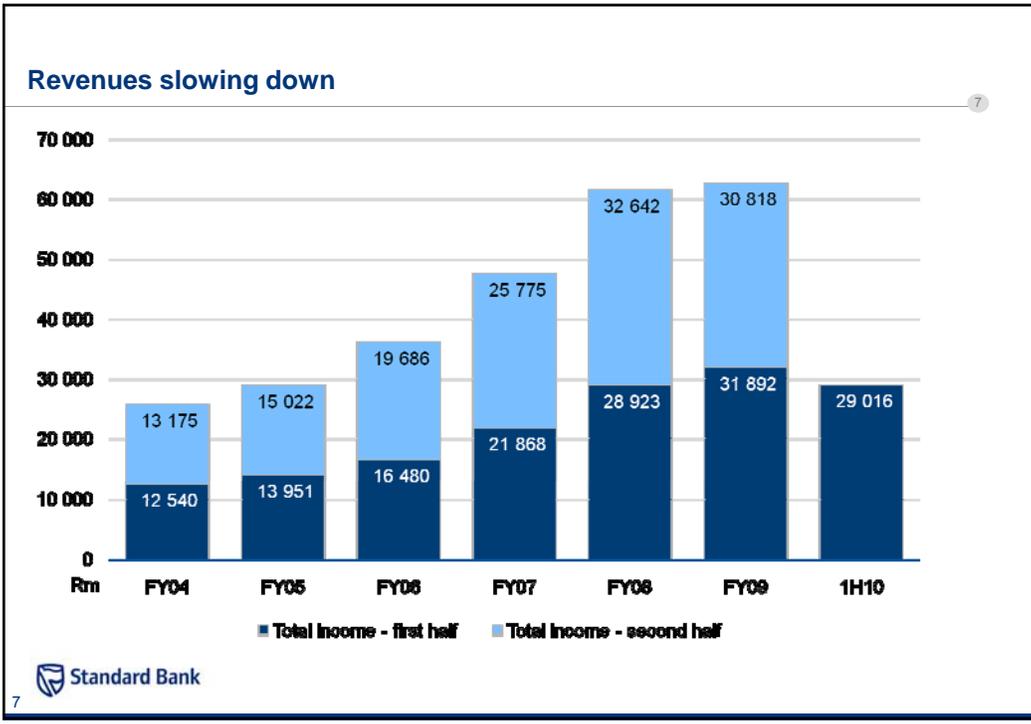


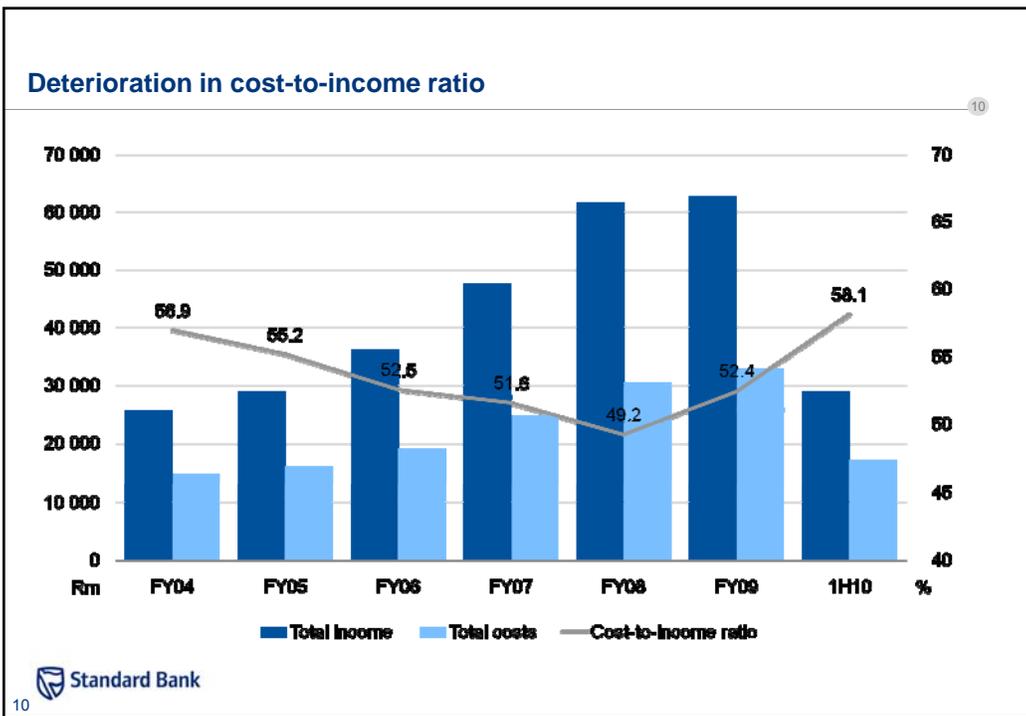
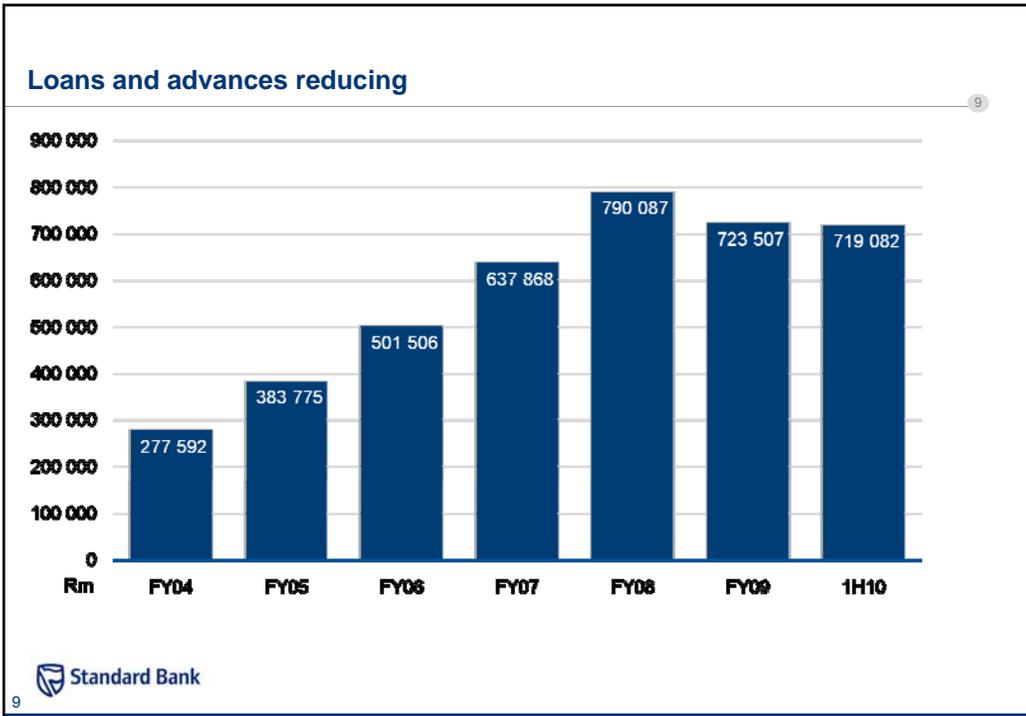
## The competitive environment

6

- 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

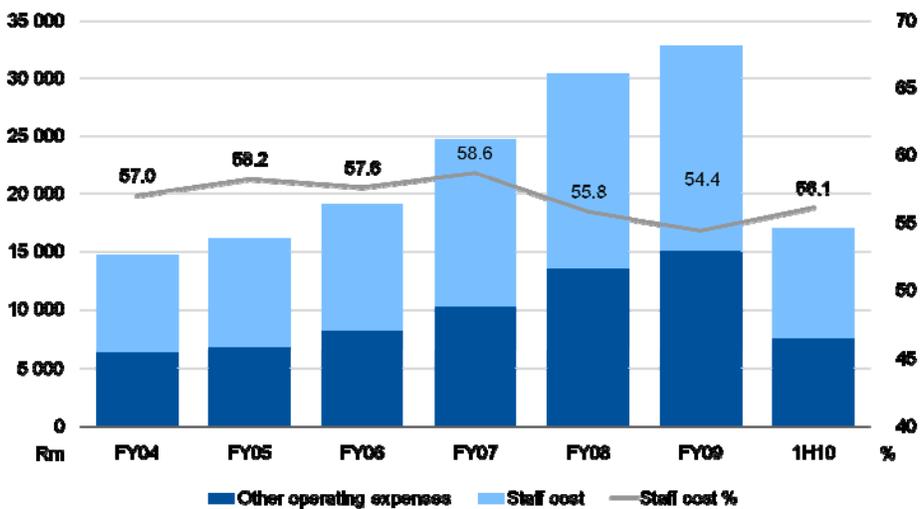
11

- 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

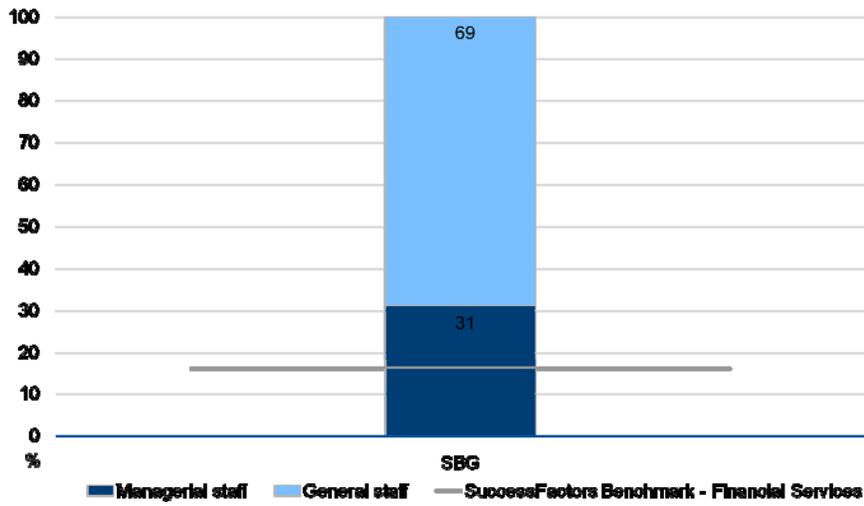
12



12

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

13



### Measures taken to reduce staff costs

14

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

## What we are trying to achieve through retrenchment process

15

- 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

16

- 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

17

	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%
<b>Total Permanent Staff</b>	<b>1,145</b>	<b>4%</b>	<b>160</b>	<b>13%</b>
Contractors / Non-Permanent Staff	600		110	

## What we are doing to assist retrenched employees

18

- 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

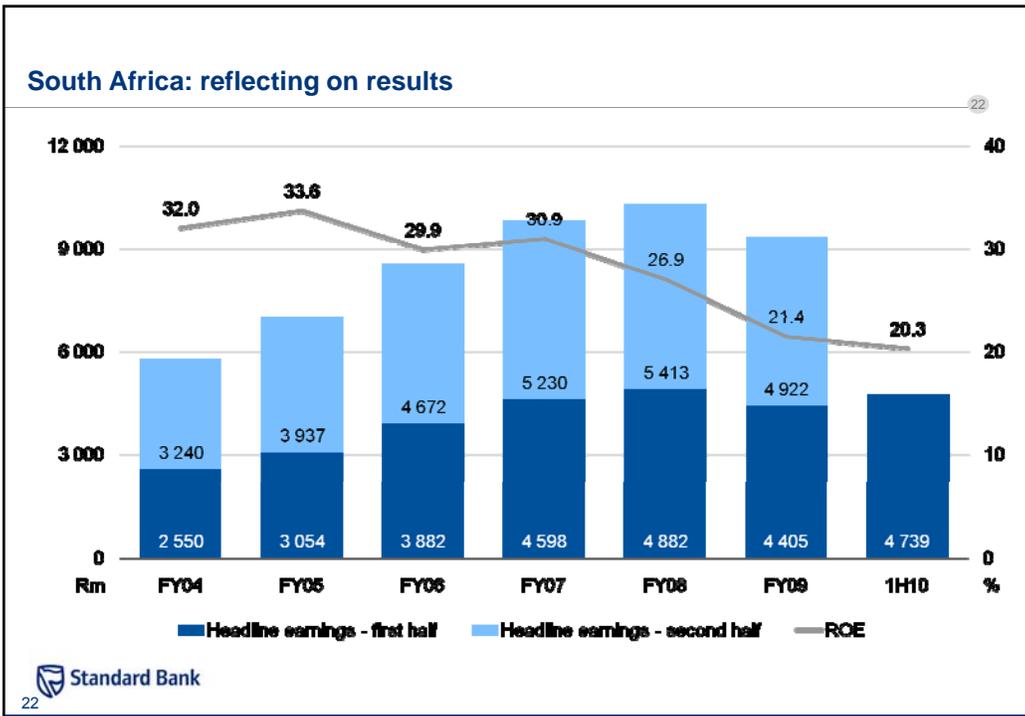
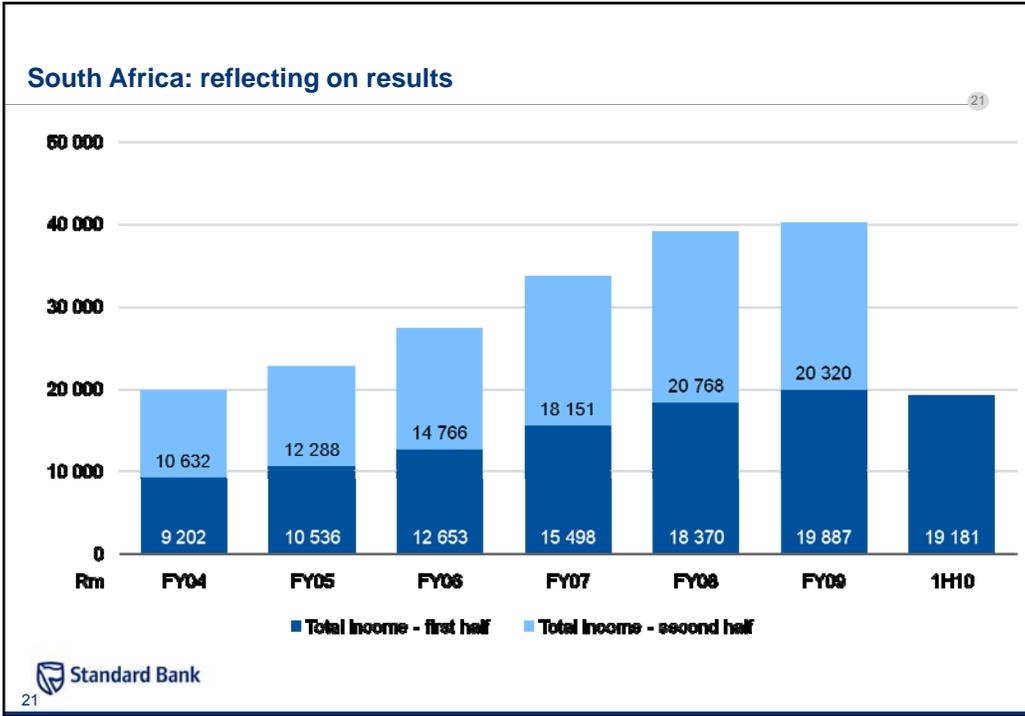
## How we see the medium term

19

- 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

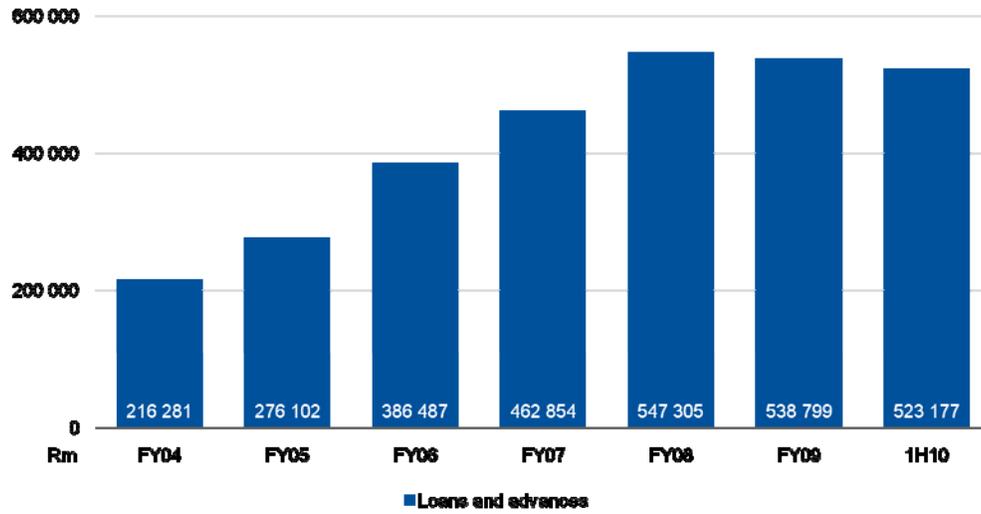
## Questions?





### South Africa: reflecting on results

23



Standard Bank

23