



UBS SA Financials Conference
"Optimising return on capital in a challenging
new landscape"

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Strategy



Recap of our strategy

To build a leading emerging markets financial services organisation using all our competitive advantages to the full

We focus on delivering superior sustainable shareholder value by serving the needs of our customers and where appropriate connecting them globally

The key differentiator in achieving our strategy is our people

Our calling card is Africa

We aim to be a

- Strong domestic universal bank in chosen markets
- Connector between emerging markets via our sector expertise

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South Africa: our springboard for growth

- Is both
 - A strong domestic universal bank
 - Advantages of scale
 - Obvious growth constraints linked to domestic economy
 - And a cross-border bank
 - Fully integrated with the rest of the group
- Growth will come from
 - Differentiated service levels – focusing on the needs of the customer
 - Cost competitiveness
 - Innovation
 - Niche and underdeveloped business opportunities
 - Leveraging linkages with the rest of the group

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Operations outside South Africa: where are we now?



- Domestic universal banks outside SA
 - In various stages of maturity
 - Mostly we are building
 - People and infrastructure
 - Which comes at a cost
 - We are looking for greater cost effectiveness
 - Achieving scale and efficiency at same time
 - Have performed reasonably well
 - Sources of growth
 - Deepening of financial markets
 - Strengthening transactional banking capabilities
 - First time bank customers
 - Gaining market share
 - Development of contractual savings markets

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Operations outside South Africa: where are we now?



- Cross-border – connector of emerging markets
 - Global sectoral focus
 - Oil and gas
 - Telecoms and media
 - Power and infrastructure
 - Mining and metals
 - Financial institutions
 - Huge scope for growth and diversification
 - Enables us to meet customer needs and support their operational footprint
 - Leverage our in-country local relationships and knowledge
 - Natural competitive advantages

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What challenges are we now facing?



Regulatory/
Rating agencies

Revenues


Competitive forces

- Change in global regulators' approach – increasing capital and liquidity requirements
- Relative size: outside SA size cannot be “too big” for SA banking system
 - More difficult to reach scale outside SA
 - Difficult to acquire domestic banks in non-African countries
- Ratings agencies: more onerous requirements to be “self-sufficient” in dollar funding
 - Limits access to Group funding and requires diversification of portfolio


- Downturn in global economy – revenue environment much tougher – unlikely to return to 07/08 levels for a while
- Narrowing of strategic focus = smaller revenue opportunity
- Cost and availability of dollar funding under pressure
 - Changes viability of long term dollar lending business

- Increased competitive focus on our target markets
- CIB: all global investment banks are now EM-focused
- PBB: renewed focus on Africa
 - Barclays, Stanchart, HSBC, Citi, etc

These challenges are particularly severe outside of SA

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What are the implications?




Regulatory/ ratings agencies changes

Revenue pressures


Competitive forces



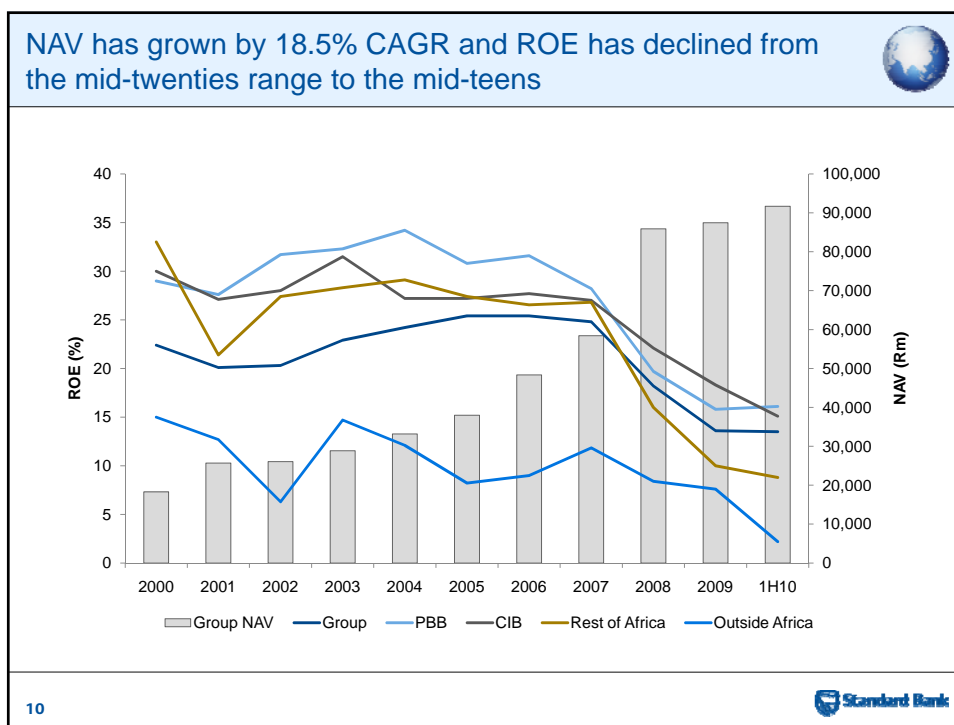
Shareholder impatience



Actions to improve returns while sustaining growth


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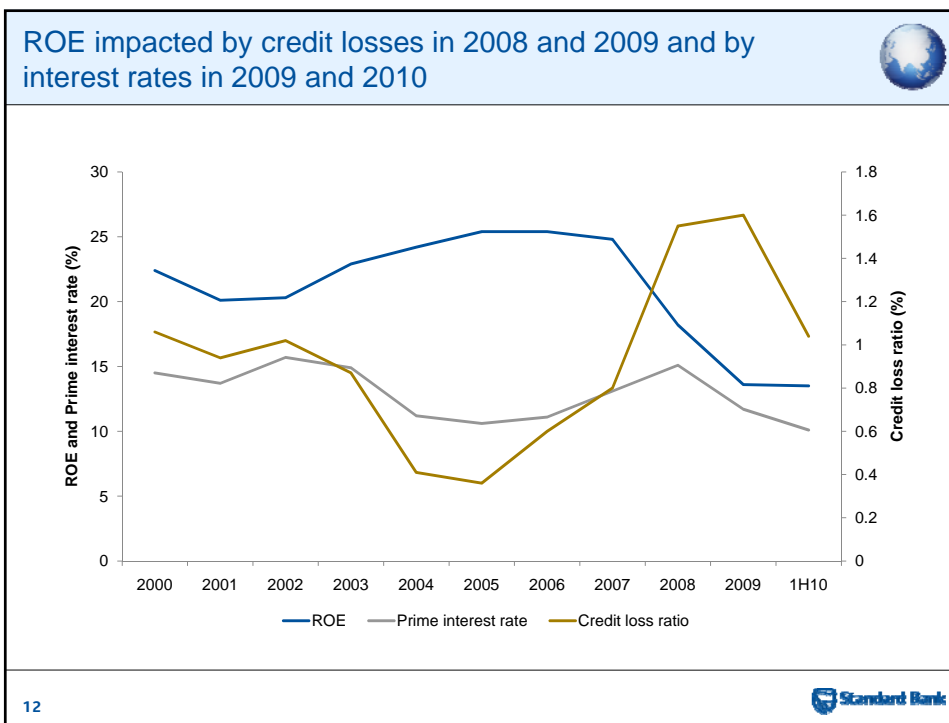
Improving returns while sustaining growth

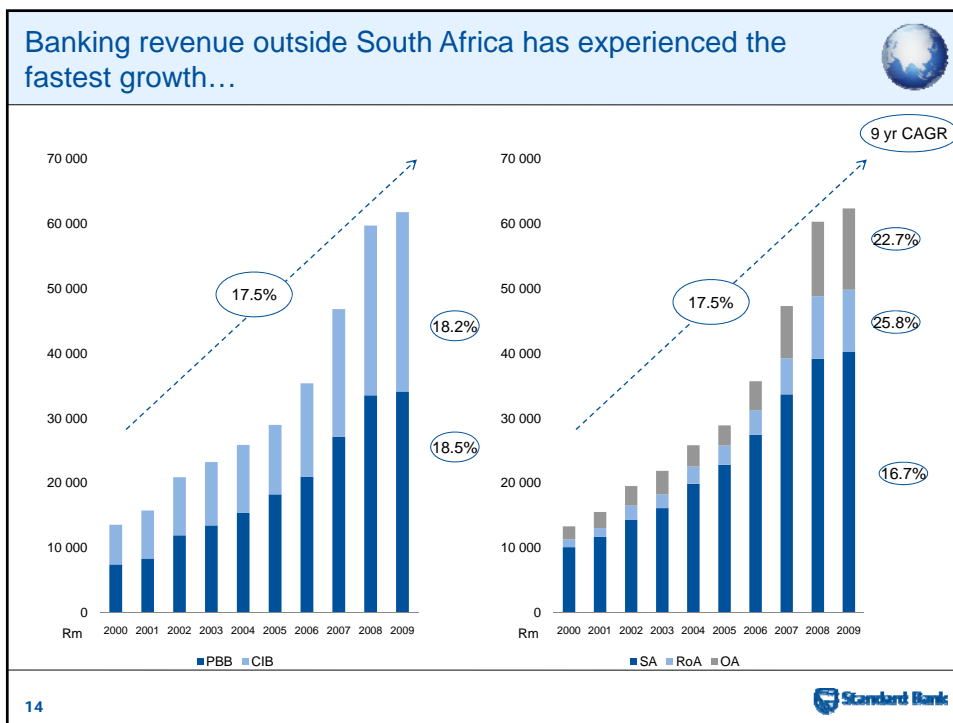
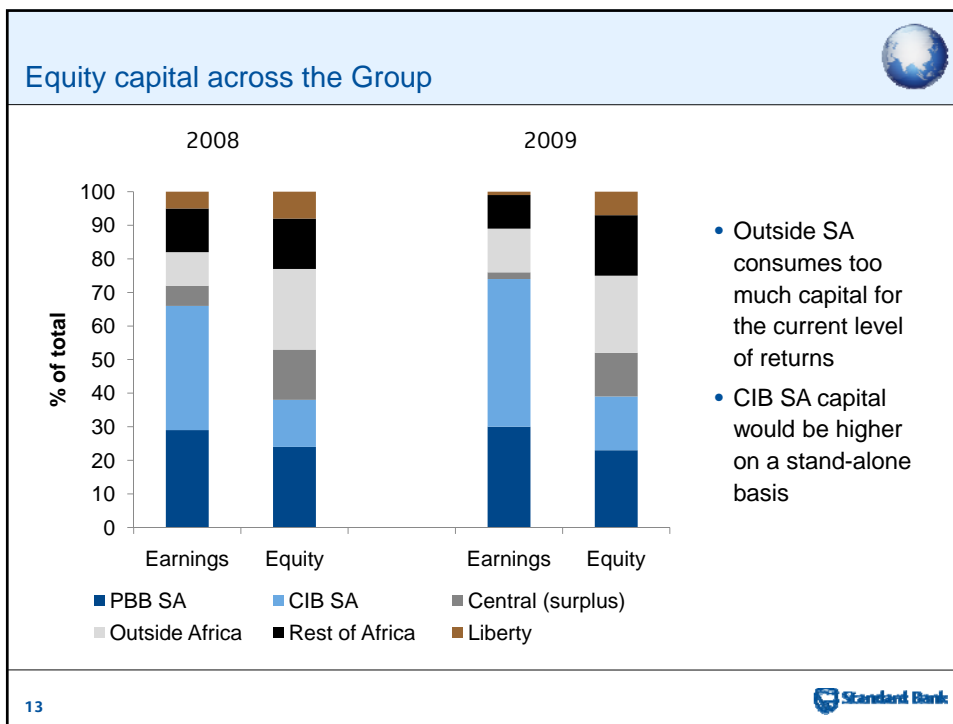


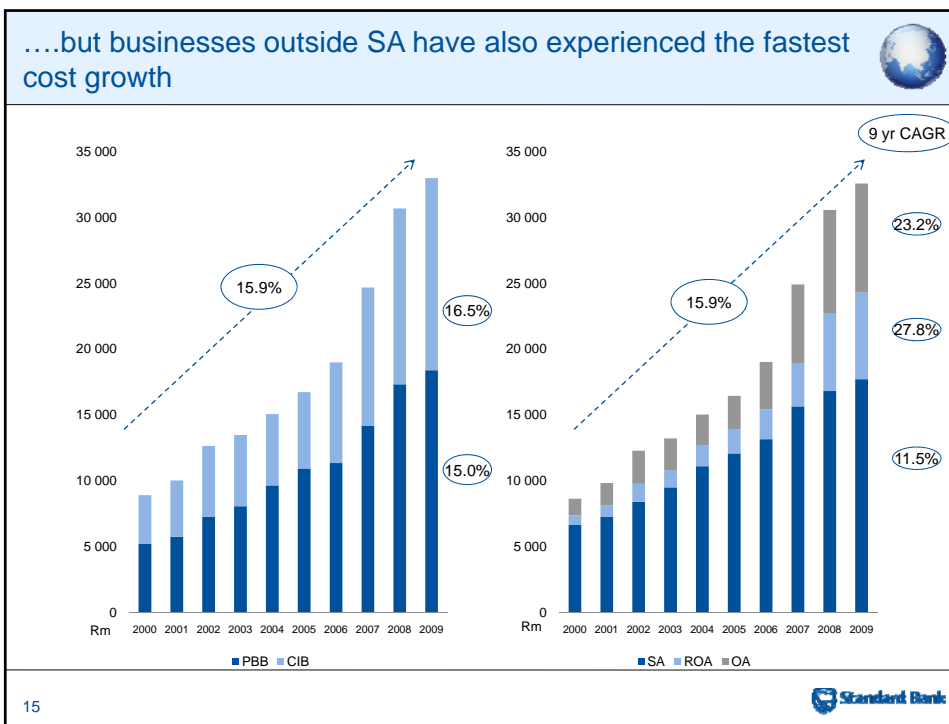
ROE trends since 2007

- First “E” requirement changed
 - B2
 - Global crisis
 - Counterparty and rating agency requirements
 - Attitude of counterparties and regulators towards debt capital changed
 - Sources of new capital constrained
- Then “R” was impacted
 - Credit environment
 - In SA
 - In the Rest of the world
 - Our businesses outside SA were more exposed to the global slowdown
 - Low interest rates from 2009
 - Liberty’s tough year in 2009

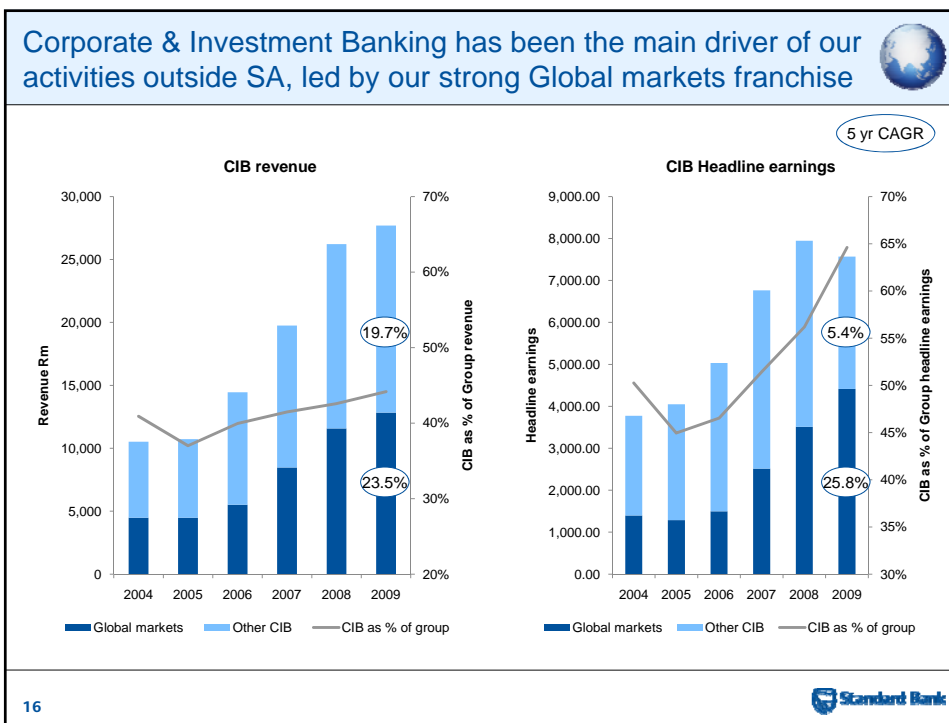








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Global markets: trading revenues by asset class



	1H 2010	FY 2009	FY 2008
Commodities	720	1 936	2 099
Forex	1 818	4 461	4 503
Credit	410	1 341	906
Interest rates	1 287	1 991	1 837
Equities	199	686	(20)
Other	41	206	138
Total	4 475	10 621	9 463
In SA	1 280	2 971	2 812
Rest of world	3 195	7 650	6 651
Total	4 475	10 621	9 463

- A substantial flow business
- Requires a strong international presence

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What is happening to costs?



- Costs are the only tangible lever available to us in the short term
- Non-SA operations are increasing our cost-to-income ratio from SBSA of 51% to Group of 58%
- Drivers of this differential
 - Overlapping head office structures in expensive locations
 - Growing the franchise ahead of revenues
 - African footprint roll-out
 - IT and people investment to support new business
 - Regulatory pressures outside of Africa

Recent revenue slow down has exposed a cost base that grew too quickly

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What are we doing about costs?



- In the short term
 - Removing functional overlaps
 - Rationalising International and African head office structures significantly
 - Closing marginal business lines
- In the medium term
 - IT project prioritisation subject to affordability constraints
 - Relocation of expensive cost bases
 - More selective in branch roll outs in Africa
 - Optimise our legal entity structure

We remain resolute in investing in our high growth franchises outside SA

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Current profitability challenges



IFRS profit attributable to ordinary shareholders as disclosed	2010 Rm	2009 Rm	2008 Rm
1Q	3 027	2 662	3 607
2Q	2 870	2 449	3 789
3Q	2 585	2 106	2 296
4Q	See below	3 837	4 240
FY		11 054	13 932


- YTD (30 Sep 2010) normalised headline earnings R8 931m
- Headwinds in Q4
 - Low interest rates, continued endowment impact
 - Asset growth remains subdued
 - Limited client activity
 - Cost of announced retrenchments

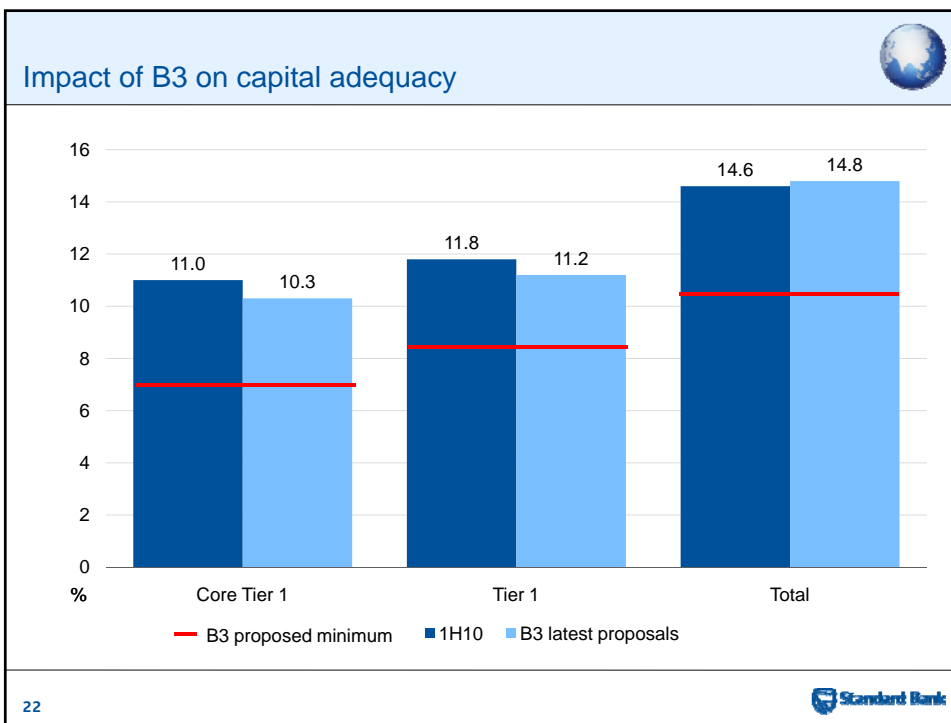
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Influences on equity employed in the Group

	Pressure on "E"
Asset growth expected to remain muted	↓
Some improvement in clarity on B3	↓
Areas of national discretion still to be announced	↑?
Opportunity to utilise SA balance sheet through foreign asset prudential limit	↓
Rating agency considerations	↑
Emphasis on organic growth as opposed to acquisitive growth	↓
Tighter strategic focus	↓

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Other considerations

- Location of capital across the Group
 - Optimising legal entity structures to drive capital efficiency
 - Reviewing business lines that consume substantial capital
- Revised capital adequacy targets
 - Buffers above regulatory minima still under consideration
 - B3 minima already include some buffers previously considered in setting targets
- Surplus capital
 - Not averse to returning capital to shareholders as and when appropriate

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Optimising ROE is important, but what about “g”?

- For Standard Bank, tomorrow’s “g” is as important as today’s ROE
- Clearly Standard Bank SA is outperforming Standard Bank non-SA on many measures
- But we believe non-SA
 - Strengthens the SA franchise
 - Mobilises SA people, liquidity and capital to serve clients worldwide
 - Broadens our thinking
 - Provides access to non-SA talent pools
 - Is critical to the Group’s future “g”
 - Enables us to meet customer needs and support their operational footprint
 - Leverages our in-country local relationships and knowledge
 - Entrenches natural competitive advantage in key sectors
 - Generates cross-border revenue flows

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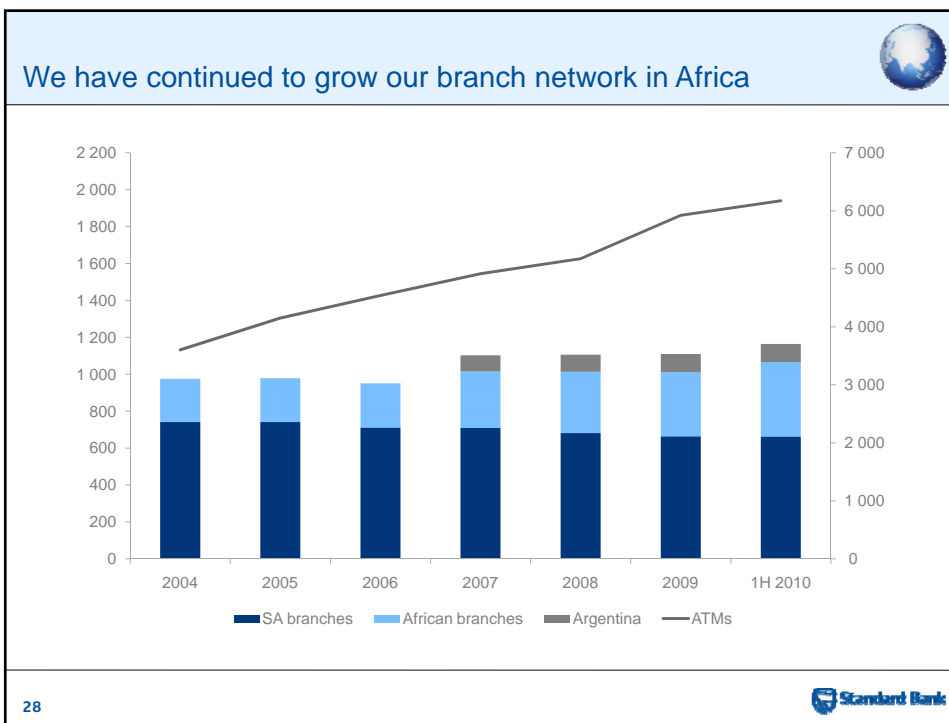
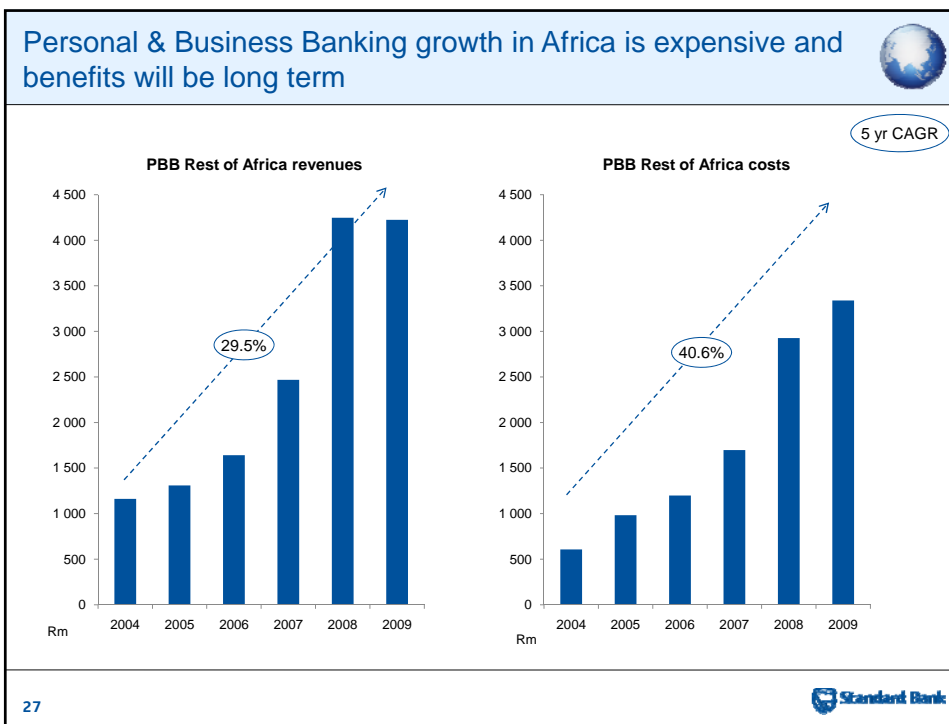


Rest of Africa: Competitor snapshot 						
	Standard Bank	Stan Chart	Barclays	Firststrand ^a	HSBC	Ecobank
Countries	16	13	15	9	7	27
Branches	348	151 ^b	573	n/a	101	749
ATMs	770	292 ^b	936	n/a	229	665
Staff	11 490	6 045 ^b	14 400	n/a	1 800	11 000
PBT (Rm)	2 288	3 374	1 144	1 251	1 568	707
Loans and advances (Rm)	36 093	28 588	42 900	19 645	18 823	33 362

Notes

- Numbers for 2009, unless otherwise stated
- a – for year end June 2010
- b – 2008 numbers

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Rest of Africa: Personal & Business Banking



- Transition from liability led franchises to commercial banking franchises
- Short-term focus on
 - Business banking and Small Medium Enterprises (SMEs)
 - Agriculture
- Low cost infrastructure
- Building for scale
 - Technology
 - Customers
- Fighting mobile disintermediation
- Credit capability and appetite

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Rest of Africa: Corporate & Investment Banking





- Continue building a strong Corporate customer base through our pan-African presence
- Reduce reliance on Global markets income
- Transactional processing capability and technology is a key differentiator
- Trade Finance both a challenge and an opportunity
- Cross-border Investment Banking connectivity in key sectors
- Holistic customer focus
- Flexible risk appetite
- Develop capital markets and become liquidity provider for risk mitigation

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Rest of Africa: The ROE opportunity 		
"Mature" country examples	1H10 ROE	Ave equity (Rm)
Lesotho	41.3%	291
Mozambique	36.7%	559
Namibia	24.9%	1 235
Uganda	39.9%	655
"Growth" country examples	1H10 ROE	Ave equity (Rm)
Kenya	2.0%	2 402
Nigeria	5.9%	4 885

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Rest of Africa: The opportunity in selected countries 			
<i>Illustrative returns achieved by other banks in selected markets</i>	Net income USD m	Capital USD m	Approx ROE %
Nigeria	250	1 370	18
Angola	150	400	37
Kenya	70	240	29


There is good reason to build our own franchises in these key markets

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Conclusion



Our focus areas are 

- Preserve and invest in our South African franchise
- Build a more resilient rest of Africa business as quickly as possible
- PBB
 - Continue striving to be the dominant 'main bank' relationship
 - Rebalance the asset portfolio in SA towards shorter-term assets
 - Low cost production through simplified processes for customers and staff
 - Capitalise on existing economic activity in the informal sector and grow the size of the bankable customer base across the continent
- CIB
 - Continue to operate CIB on an integrated basis across SA, RoA and OA
 - SA and RoA: Domestic and cross border CIB activities
 - OA: Focused IB and GM cross border capabilities in selected emerging markets ("SEMs") with strong connectivity to Africa and China
 - Further leverage ICBC partnership to capitalise on opportunities between China, Africa and SEMs
 - Leading natural resource bank on a global basis with an emphasis on emerging markets

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How we see the medium term



- SA should be a 20%+ ROE business
- Outside SA should be a high teens ROE business
 - Mature, stable businesses would be higher
 - But we are investing
- To get there
 - Step 1 is right-sizing costs
 - Step 2 is optimising capital
- Our strategy will deliver both improved ROE and “g” for shareholders
- Upcoming months will be difficult
- We will emerge leaner, fitter and well adapted to the challenging new landscape

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