

## Standard Bank Group Financial results presentation

for the year ended 31 December 2010

[www.standardbank.com](http://www.standardbank.com)



### Financial highlights

	FY10	change %	FY09
Headline earnings (Rm)	11 283	(4)	11 718
Headline EPS (HEPS) (cents)	715.9	(5)	756.9
Diluted HEPS (cents)	709.6	(5)	750.6
DPS (cents)	386		386
NAVPS (cents)	5 726	2	5 612
ROE (%)	12.5		13.6
Credit loss ratio (%)	1.04		1.60
Cost-to-income ratio (%)	61.7		52.4
Tier I capital adequacy ratio (%)	12.9		11.9

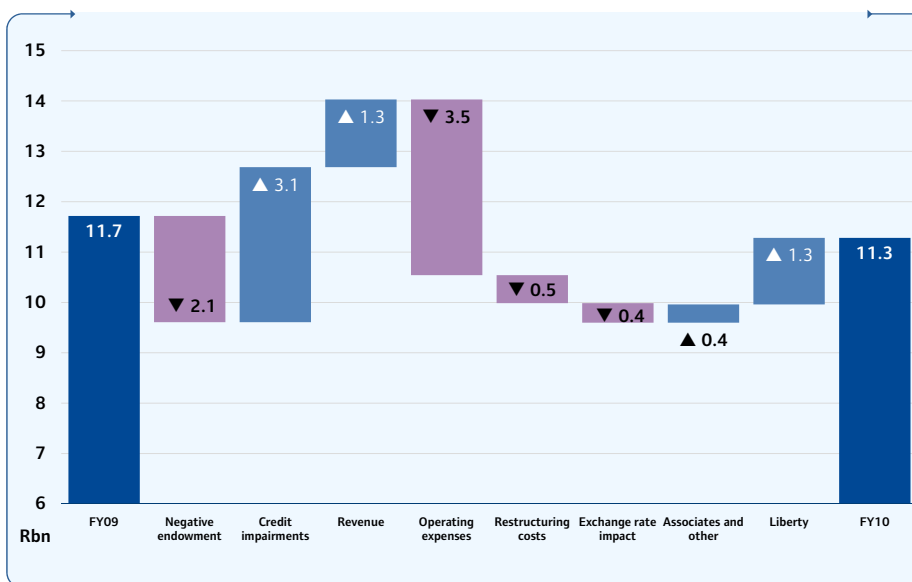
## Income statement highlights

	FY10 Rm	change %	FY09 Rm
Net interest income	28 927	(8)	31 493
Non-interest revenue	29 923	(4)	31 217
<b>Total income</b>	<b>58 850</b>	<b>(6)</b>	<b>62 710</b>
Credit impairment charges	7 524	(38)	12 097
Operating expenses	35 875	9	32 827
Restructuring costs	781		
<b>Banking activities headline earnings</b>	<b>9 890</b>	<b>(15)</b>	<b>11 646</b>
Liberty – share of headline earnings	1 393	>100	72
<b>SBG headline earnings</b>	<b>11 283</b>	<b>(4)</b>	<b>11 718</b>

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## Headline earnings movement analysis



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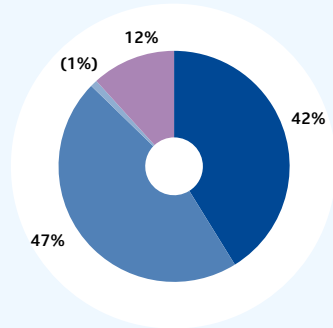
## Business unit view

Headline earnings	FY10 Rm	change %
Personal & Business Banking	4 750	23
Corporate & Investment Banking	5 248	(30)
Central and other	(108)	(>100)
<b>Banking activities</b>	<b>9 890</b>	<b>(15)</b>
Liberty	1 393	>100
<b>SBG</b>	<b>11 283</b>	<b>(4)</b>

ROE	FY10 %	FY09 %
Personal & Business Banking	17.9	15.1
Corporate & Investment Banking	12.7	18.8
<b>Banking activities</b>	<b>11.8</b>	<b>14.5</b>
Liberty	21.9	1.2
<b>SBG</b>	<b>12.5</b>	<b>13.6</b>

### Headline earnings mix



- Personal & Business Banking (FY09: 33%)
- Corporate & Investment Banking (FY09: 64%)
- Central and other (FY09: 2%)
- Liberty (FY09: 1%)

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## Contribution to headline earnings by geography

	FY10 Rm	change %	FY09 Rm
South Africa banking	9 271	(1)	9 327
Liberty	1 393	>100	72
<b>South Africa</b>	<b>10 664</b>	<b>13</b>	<b>9 399</b>
Rest of Africa	746	(38)	1 202
Outside Africa	186	(87)	1 479
Outside Africa – Ongoing	1 284	(11)	1 446
Outside Africa – Curtailed	(1 098)	(>100)	33
Central funding	(313)		(362)
<b>SBG headline earnings</b>	<b>11 283</b>	<b>(4)</b>	<b>11 718</b>

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## Balance sheet

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## Loans and advances

	FY10 Rbn	change %	FY09 Rbn
<b>Personal &amp; Business Banking</b>	<b>419</b>	<b>2</b>	<b>409</b>
Mortgage loans	270	5	256
Instalment sale and finance leases	50	(7)	53
Card debtors	22	(2)	22
Other loans and advances	77	(0)	78
<b>Corporate &amp; Investment Banking</b>	<b>334</b>	<b>(7)</b>	<b>360</b>
Banks	106	(4)	110
Customers	228	(9)	250
Central and other	(23)	15	(27)
<b>Gross loans and advances</b>	<b>730</b>	<b>(2)</b>	<b>742</b>

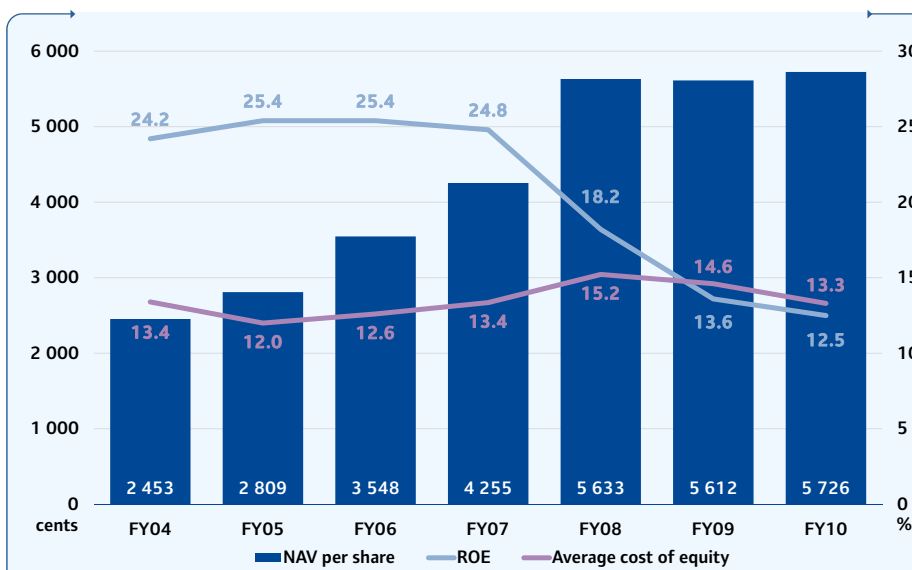
## Deposit and current accounts

	FY10 Rbn	change %	FY09 Rbn
<b>Personal &amp; Business Banking</b>	<b>396</b>	<b>2</b>	<b>389</b>
Retail priced	206	4	198
Wholesale priced	190	0	191
Money market	40	2	40
Securitisation	14	(17)	16
Institutional funding	136	1	135
<b>Corporate &amp; Investment Banking</b>	<b>418</b>	<b>5</b>	<b>399</b>
Central and other	(17)	14	(19)
<b>Deposit and current accounts</b>	<b>797</b>	<b>4</b>	<b>769</b>

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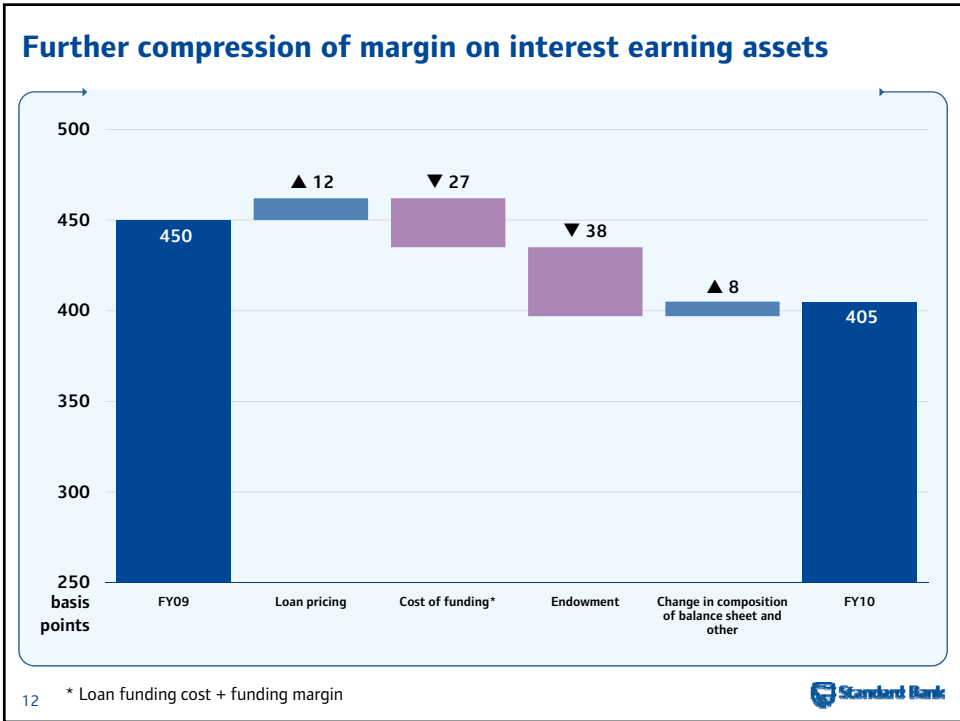
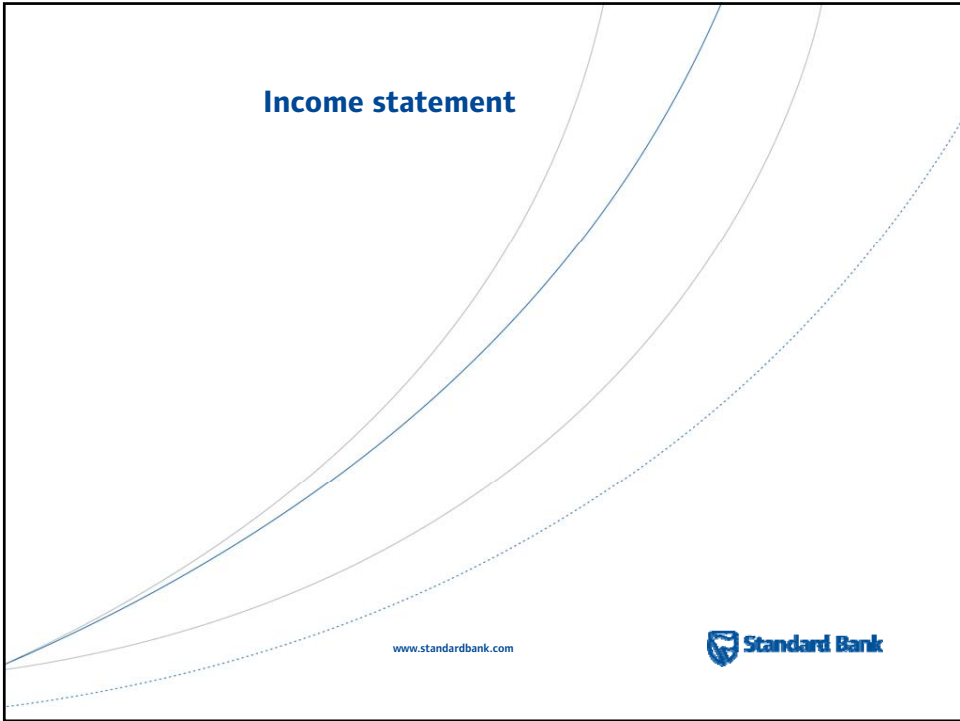


## Group return on equity

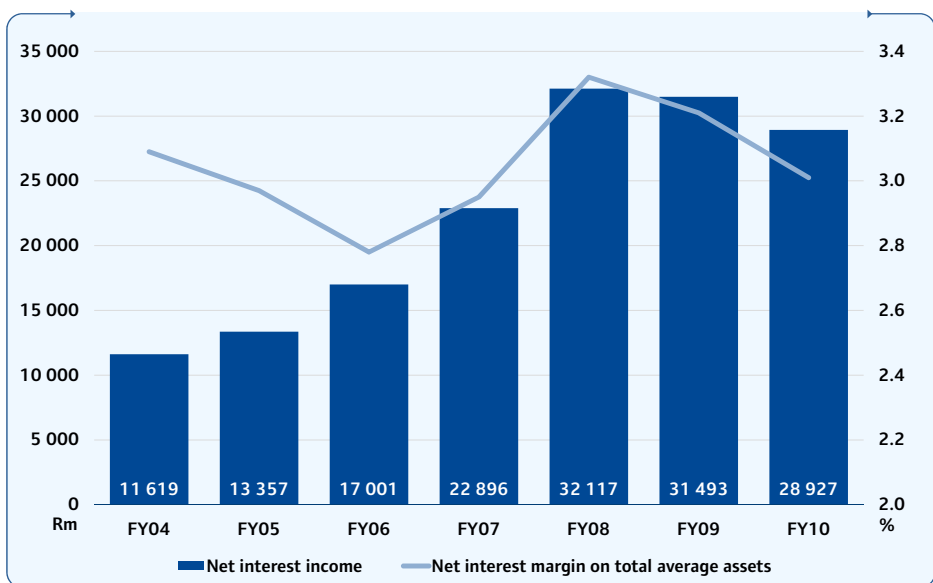


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## Net interest income



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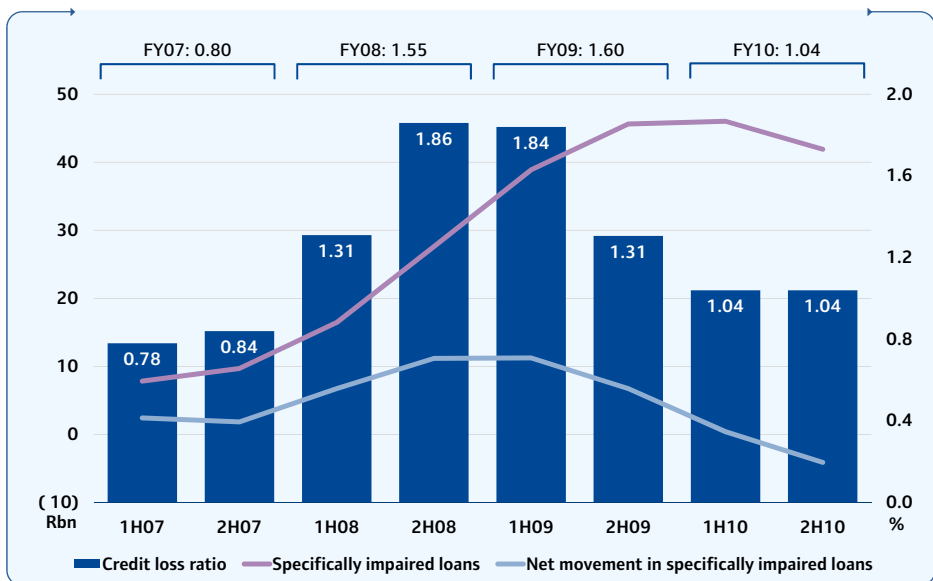
## Non-interest revenue

	FY10 Rm	change %	FY09 Rm
<b>Net fee and commission revenue</b>	<b>18 641</b>	<b>3</b>	<b>18 108</b>
Account transaction fees	8 383	5	7 994
Electronic banking fees	1 748	6	1 644
Knowledge-based fees and commission	2 929	(3)	3 015
Card-based commission	3 817	10	3 481
Other fee and commission	1 764	(11)	1 974
<b>Trading revenue</b>	<b>8 428</b>	<b>(21)</b>	<b>10 621</b>
<b>Other revenue</b>	<b>2 854</b>	<b>15</b>	<b>2 488</b>
<b>Total non-interest revenue</b>	<b>29 923</b>	<b>(4)</b>	<b>31 217</b>

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## Credit impairments continue to improve



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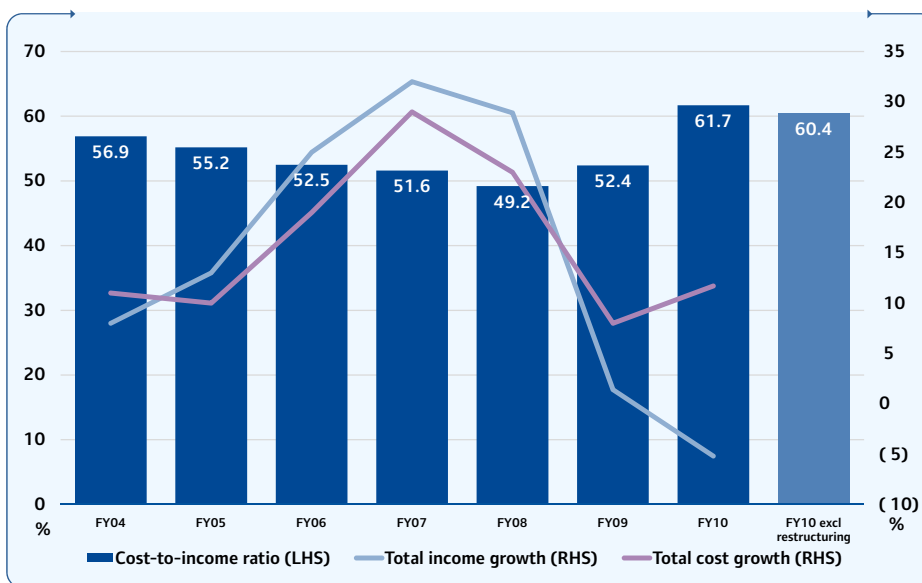
## NPLs decrease and coverage ratios maintained

	NPLs		NPL ratio		Coverage ratio	
	FY10 Rm	FY09 Rm	FY10 %	FY09 %	FY10 %	FY09 %
<b>Personal &amp; Business Banking</b>	<b>33 227</b>	<b>35 041</b>	<b>7.9</b>	<b>8.6</b>	<b>29</b>	<b>29</b>
Mortgage loans	25 236	25 969	9.4	10.1	17	18
Instalment sale and finance leases	2 649	3 428	5.3	6.4	58	52
Credit card	1 527	1 795	7.0	8.1	77	75
Other loans and advances	3 815	3 849	4.9	5.0	67	64
<b>Corporate &amp; Investment Banking</b>	<b>9 474</b>	<b>13 334</b>	<b>2.8</b>	<b>3.7</b>	<b>29</b>	<b>27</b>
Corporate loans	8 425	11 864	2.8	3.6	30	26
Commercial property finance	1 049	1 470	3.0	4.2	20	35
<b>Gross loans and advances</b>	<b>42 701</b>	<b>48 376</b>	<b>5.8</b>	<b>6.5</b>	<b>29</b>	<b>29</b>

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## Cost-to-income ratio



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## Operating expenses

	FY10 Rm	change %
<b>Personal &amp; Business Banking</b>	<b>21 175</b>	<b>10</b>
Staff costs	10 235	12
Operating expenses	10 940	9
<b>Corporate &amp; Investment Banking</b>	<b>14 720</b>	<b>6</b>
Staff costs	8 337	5
Operating expenses	6 383	7
Central and other	(20)	
Restructuring costs	781	
<b>Total banking activities</b>	<b>36 656</b>	<b>12</b>

- CIB operating expenses slowed in 2H10
- Total staff costs up 9%
  - Headcount up 5% pre-retrenchment head count reduction
    - SA up 2% (550 heads)
    - Rest of Africa up 11% (1 258 heads)
    - Outside Africa up 8% (380 heads)
- Total operating expenses up 9%
  - Higher depreciation costs
  - Increased IT and infrastructure costs particularly in Rest of Africa
- Restructuring costs carried centrally

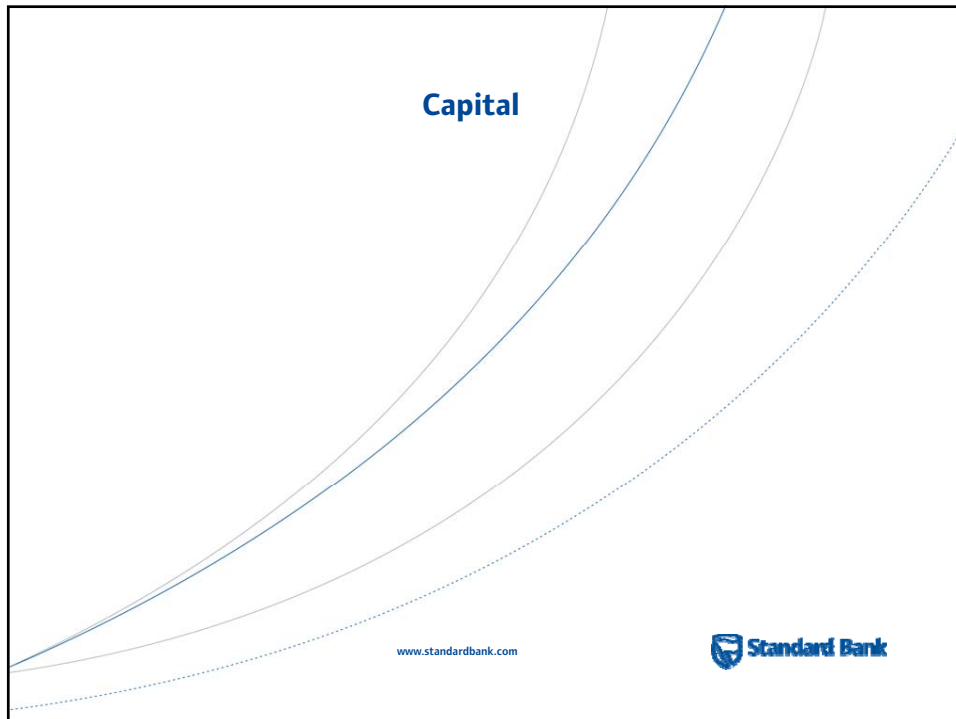
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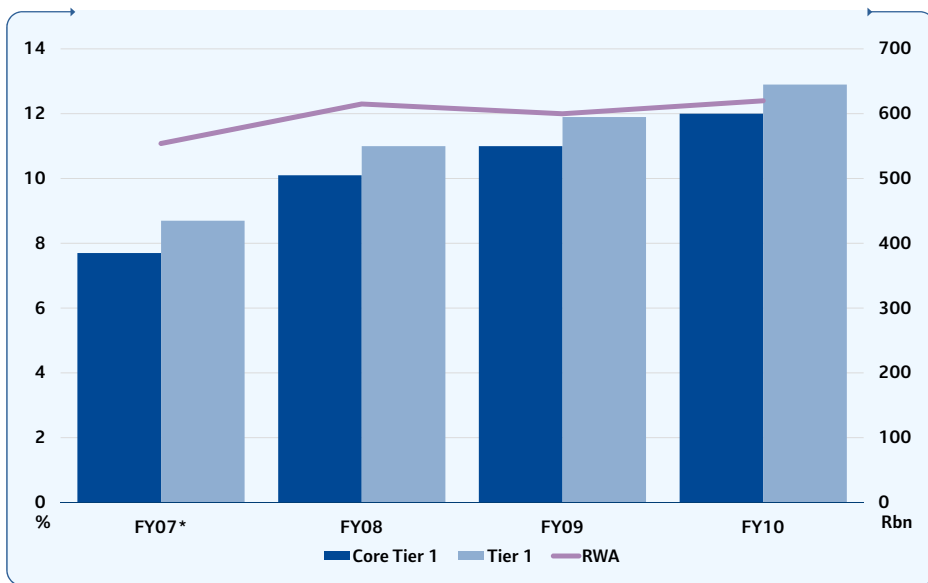
## Restructuring costs

	FY10 Rm	Headcount
<b>Permanent staff retrenched</b>	<b>781</b>	<b>1 260</b>
Johannesburg and London	610	953
Argentina	171	307
<b>Contractors</b>		<b>688</b>
<b>Total reduction in headcount</b>		<b>1 948</b>

## Capital



## Capital ratios



21 \* Pro-forma Basel II basis



## Total dividend per share maintained

- Dividend of 245 cents declared
  - Brings FY10 dividend to 386 cents
  - Cover ratio 1.9 times
- Strong Tier I ratios
- Outlook for profitability is improving
- Economic stress in our chosen markets is easing
- Medium term objective remains 2.5 times cover

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## Corporate & Investment Banking

Rob Leith

[www.standardbank.com](http://www.standardbank.com)



### Operating environment

- 2010 was a challenging year for Corporate & Investment Banking
  - The global financial system was impacted by the Eurozone debt crisis
  - Implications of regulatory reform
  - Reduced client activity
  - Competition in emerging markets intensified, margins compressed
- The difficult market conditions were felt across the wider banking industry
- Led to tightening of strategic focus

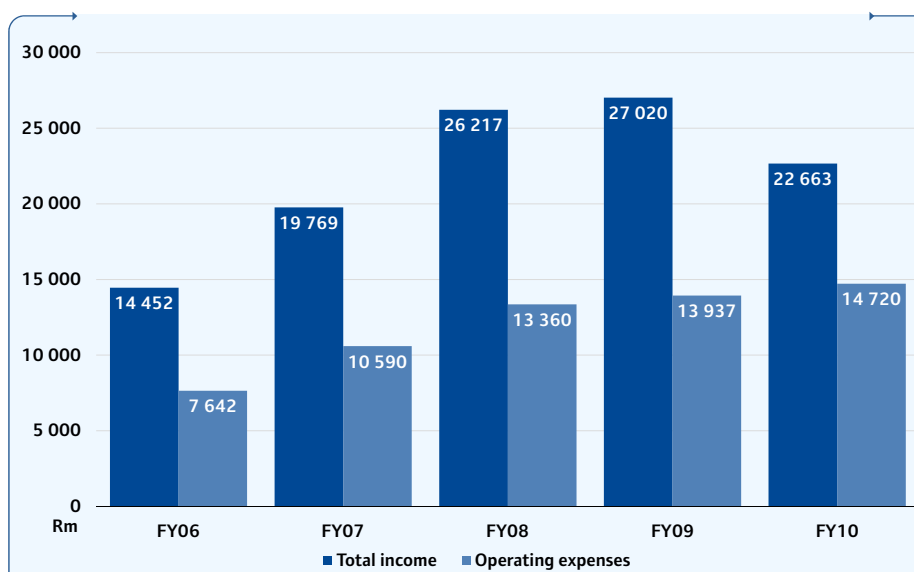
## Abridged income statement and key ratios

	FY10 Rm	change %	FY09 Rm
Net interest income	8 866	(15)	10 475
Non-interest revenue	13 797	(17)	16 545
<b>Total income</b>	<b>22 663</b>	<b>(16)</b>	<b>27 020</b>
Credit impairment charges	523	(81)	2 725
Operating expenses	14 720	6	13 937
<b>Headline earnings</b>	<b>5 248</b>	<b>(30)</b>	<b>7 467</b>
ROE (%)	12.7		18.8
Net interest margin (%)	1.61		1.81
Cost-to-income ratio (%)	63.8		51.2

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## Reduced client activity had a detrimental impact on income



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## Contribution from product areas

	Total income			Headline earnings		
	FY10 Rm	change %	FY09 Rm	FY10 Rm	change %	FY09 Rm
Global markets	9 657	(23)	12 463	2 116	(49)	4 142
Investment banking	6 424	3	6 252	2 548	75	1 459
Transactional products and services	6 109	(11)	6 863	1 142	(30)	1 632
Principal investment management	729	(2)	742	170	(3)	175
Troika / Russia	-	(100)	305	370*	>100	26
Curtailed operations	(256)	(>100)	395	(1 098)	(>100)	33
<b>Corporate &amp; Investment Banking</b>	<b>22 663</b>	<b>(16)</b>	<b>27 020</b>	<b>5 248</b>	<b>(30)</b>	<b>7 467</b>

27 \* Share of running profit R113m and recovery of underlying asset values post acquisition R257m



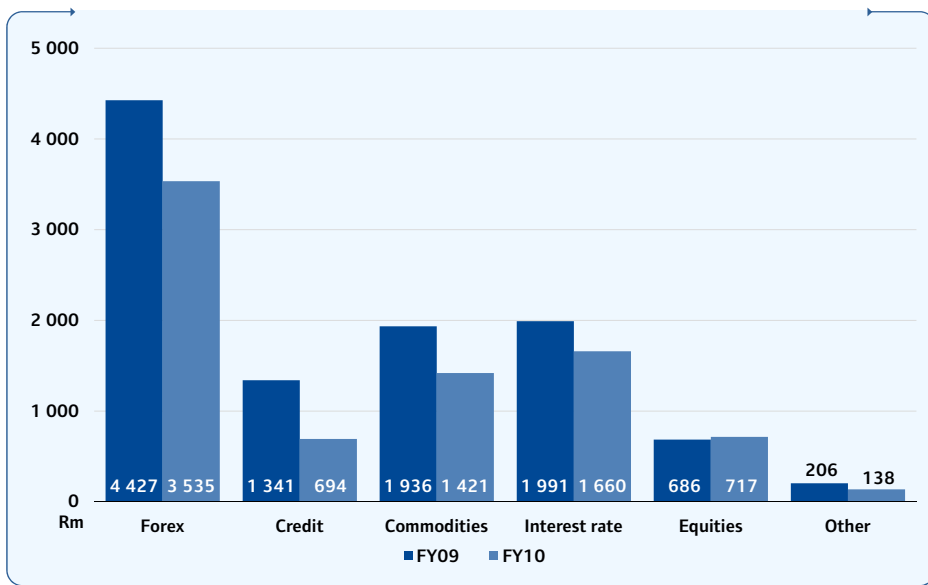
## Market conditions impacted Global markets' performance

- Total income down 23% from relatively high base in 2009
- Trading revenue reduced in South Africa and Outside Africa
  - Lower client activity across majority of asset classes
  - Competition increased placing downward pressure on spreads
  - USD revenues impacted by the translation impact of a stronger ZAR
  - Improving equities franchise
- Rest of Africa produced a resilient set of results
  - Revenues benefiting from increased customer flows and interest rate movements

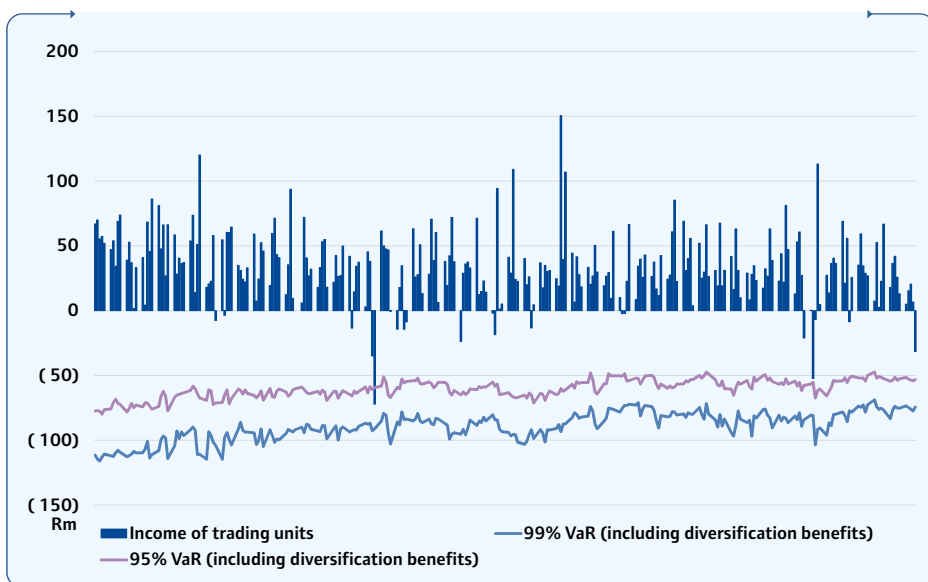
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### Trading revenue remained diversified



### We didn't take on more risk to compensate for lower client flows



















## Improved Investment banking performance

- Total income up 3%
  - Debt capital markets capitalised on an improved pipeline
  - Advisory franchise continues to grow across all regions
  - Cost of term funding still at elevated levels
- Lower margin income due to reduced loan book and margin compression
- Headline earnings benefited from lower credit impairments
- Franchise reflecting strategic growth
  - Domestic business continues to utilise local relationships and expertise
  - Cross border franchise gaining momentum through its core sectors

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## Landmark strategic transactions for Investment banking

 <p><b>State Grid International Development Limited</b></p> <p>2010 <b>USD 1.8 billion</b></p> <p>Buy-side advisor to SGID in its acquisition of seven power transmission companies</p> 	 <p><b>MTN</b></p> <p>2010 <b>ZAR 4 billion</b></p> <p>Acted as the joint lead manager to raise R4 billion across 3, 5 and 7 year tenors - the first corporate issuer to issue out to 7 years since the onset of the credit crisis</p> 	 <p><b>Ghana Cocoa Board</b></p> <p>2010 <b>USD 1.5 billion</b></p> <p>Acted as the joint mandated lead arranger for one of the largest structured soft commodity finance facilities in the African market</p> 	 <p><b>BP - Angola</b></p> <p>2010 <b>USD 3 billion</b></p> <p>Senior mandated lead arranger and the sole African Bank in one of the largest financings done on the continent during 2010</p> 
 <p><b>PA Resources AB</b></p> <p>2010 <b>USD 250 million</b></p> <p>Acted as joint mandated lead arranger and bookrunner for the 5 year medium term reserve base lending facility</p> 	 <p><b>Eurasian Natural Resources Corporation PLC</b></p> <p>2010 <b>USD 299 million</b></p> <p>Buy side advisor to LSE listed ENRC on the purchase of 12.2% of JSE listed Northam Platinum Limited</p> 	 <p><b>Pulkovo Airport Expansion Project</b></p> <p>2010 <b>Euro 1.2 billion</b></p> <p>Mandated lead arranger on the first PPP infrastructure financing in Russia</p> 	 <p><b>Lumwana Project, Zambia</b></p> <p>2010 <b>USD 400 million</b></p> <p>Mandated as advisor and structuring bank to arrange refinancing of original project financing. Brought in ICBC as one of the lead arrangers</p> 

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## Transactional products and services performance

- Total income down 11%
- Performance reflects
  - Negative endowment effect reducing margins
  - Transactional volumes down on subdued market conditions, cash balances up
  - Competition placing downward pressure on margins and fees
  - Growth in Investor Services custody base in Rest of Africa
- Focused investment to maintain our competitive advantage
  - New Business Online rolled out to 13 African countries
  - Launch of host to host offering for ICBC client base

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## Principal investment management performance

- Comprises debt funds, private equity and real estate investments
- Current year performance reflects
  - Solid returns from debt funds
  - Improved private equity performances in South Africa and Turkey
- Strategic focus of the franchise going forward
  - Debt funds and real estate investments
  - Realisation of existing private equity investments

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## Curtailed operations

- Comprises distressed debt business in Asia and structured high net worth lending
- Current year performance reflects
  - Fair value mark downs on SE Asian non-performing loan portfolios
  - Large single credit impairment
- These businesses are being discontinued

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## Corporate & Investment Banking response to improve ROE

- Management have taken action in light of reduced revenue environment
- Focus on revenue generation within tightened strategy
  - Invest in "on strategy" capabilities
    - Investment banking: advisory and sector coverage
    - Global markets: physical commodities and equities
    - Transactional products and services: senior talent and system infrastructure
- Ongoing cost management
  - Restructuring exercise to reduce headcount
  - Continuing review of location efficiencies
- Strengthen competitive position through optimisation of resources
  - Utilisation of people across all regions
  - Better use of capital to improve returns

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## Personal & Business Banking

Peter Wharton-Hood

[www.standardbank.com](http://www.standardbank.com)



### Operating environment

- 2010 results reflect the challenging banking environment across the globe
  - Decreasing interest rates resulting in compressed margins
  - Highly competitive environment
- South Africa
  - Tentative economic recovery
  - Customers continued to deleverage
    - Muted demand for credit in middle market segment
    - Limited savings growth
  - Ongoing increase in unemployment
  - Gradual recovery in house prices

## Operating environment

- Rest of Africa
  - Further strengthening of the Rand against African currencies
  - Increasing consumer demand for credit
- Outside Africa
  - Argentina
    - Solid cyclical rebound
    - Good growth in consumer credit demand
    - High levels of inflation

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## Abridged income statement and key ratios

	FY10 Rm	change %	FY09 Rm
Net interest income	19 118	(4)	19 945
Non-interest revenue	15 857	6	14 910
<b>Total income</b>	<b>34 975</b>	<b>0</b>	<b>34 855</b>
Credit impairment charges	6 860	(31)	9 874
Operating expenses	21 175	10	19 198
<b>Headline earnings</b>	<b>4 750</b>	<b>23</b>	<b>3 874</b>
ROE (%)	17.9		15.1
Credit loss ratio (%)	1.65		2.38
Cost-to-income ratio (%)	60.2		55.4

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## Personal & Business Banking results by geographic region

- South Africa up 35% to R4.6bn on the back of improved credit environment
  - Despite margin compression from
    - Decline in average prime interest rate of 198bps
    - More expensive term funding
- Small loss in Rest of Africa (R14m) as we build for future growth
- Outside Africa up 58% to R120m and includes
  - PBB Argentina, now profitable
  - Offshore banking and wealth businesses in the Channel Islands
    - Previously recognised in Corporate & Investment Banking

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## Contribution from product areas

	Total income		Headline earnings	
	FY10 Rm	change %	FY10 Rm	change %
Mortgage lending	4 805	7	310	>100
Instalment sale and finance leases	2 751	(7)	86	>100
Credit cards	4 525	(4)	659	7
Transactional and lending products	19 846	(1)	2 454	(29)
Bancassurance and wealth	3 048	15	1 241	45
<b>Personal &amp; Business Banking</b>	<b>34 975</b>	<b>0</b>	<b>4 750</b>	<b>23</b>

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## Credit loss ratios per product

	FY10 %	FY09 %
Mortgage lending	1.15	1.59
Instalment sale and finance leases	1.93	3.49
Credit cards	3.78	5.61
Other loans and advances	2.54	3.16
<b>Personal &amp; Business Banking</b>	<b>1.65</b>	<b>2.38</b>

## Personal & Business Banking balance sheet

	FY10 Rbn	change %	FY09 Rbn
<b>Loans and advances</b>	<b>419</b>	<b>2</b>	<b>409</b>
Mortgage loans	270	5	256
Instalment sale and finance leases	50	(7)	53
Credit cards	22	(2)	22
Other loans and advances	77	(0)	78
<b>Deposit and current accounts</b>	<b>260</b>	<b>2</b>	<b>254</b>
Retail priced	206	4	198
Wholesale priced	54	(4)	56

## Personal markets

- Improved distribution footprint
  - 904 new ATMs across our networks
  - 106 new branches in Rest of Africa
  - Internal service measure reached all time high
- Transactions and savings
  - Number of personal current accounts up 11%
  - Strengthening of presence in the South African Youth market
  - Savings and investment balances growth muted in South Africa as customers deleverage
  - Strong growth in savings volumes in Rest of Africa and Argentina
  - Retention of sizeable retail deposit base Offshore despite difficult low margin environment
  - Higher incidents of phishing

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## Personal markets

- Secured lending
  - Proactive pricing management to compensate for increased term funding cost
    - Improved concession rates without market share loss
    - Overall margins on total book improving
  - Some life starting to come back into the business
    - New mortgage applications up 47%
    - New business in motor VAF up 34%
    - Non-motor business starting to pick up
- Unsecured lending
  - Initial trends in low income lending roll-out positive
  - Credit card turnover remains under pressure in South Africa (+1%)
  - Significant focus on credit scoring in Rest of Africa
  - Increase in transactional card volumes in Argentina (+25%)
  - Strong personal loan growth in Argentina (+56%)

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## Personal markets

- Reduction in debt review portfolio from R9.1bn to R6.0bn
  - Uncertain credit regulatory environment
- Dedicated Inclusive Banking offering in South Africa
  - Improved mobile banking capability
  - More than 50 loan centres
  - 7 500 installed and activated “bank shops”
    - Authorised Standard Bank retailer based in a community appointed to act as a facilitator of transactions and services
    - Majority of “bank shops” offer money transfer and airtime sales
    - 1 000 “bank shops” are full service stops offering money transfer, airtime sales and basic banking services
      - Cash-in, cash-out, balance enquiries and purchasing of goods



## Business markets

- Strong market share in all key markets
  - In South Africa
    - Market share of 27% in commercial business market
    - Market share of 26% in SME market
  - Dominant position in trade services and VAF in Argentina
- Dedicated Business Banking focus
  - 55% contribution to headline earnings
  - Focus areas for Rest of Africa include agriculture, trade, distributors and property finance
  - New dedicated sales and service structure in Argentina

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## Business markets

- Transactions and savings
  - Number of current accounts up 3% in South Africa, in a challenging economic environment
  - Deposits from business banking up 60% in Argentina
- Secured lending
  - VAF market share has reduced marginally
  - Increased new business volumes insufficient to offset run-off of ageing book
- Unsecured lending
  - Lending business experienced a moderate growth of 4.7% in term loans
  - Card acquiring volumes increased

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## Bancassurance and wealth

- South Africa
  - 34% growth in contribution from simple embedded products
    - Improved claims loss ratios and increased penetration to 39%
  - Strong sales growth in complex products
  - Good contribution from short-term insurance business
- Rest of Africa
  - 20% increase in policy base supported by client base penetration of 12%
  - Good progress with regulatory approvals
- Outside Africa
  - Substantial turnaround in Argentina with increased market share
  - Majority of offshore investments outperformed comparative market benchmarks
- Liberty co-operation optimised and bancassurance agreement extended

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## Key 2010 Personal & Business Banking actions

- Investment and scale the key theme outside South Africa
  - Capacity and infrastructure built for growth in Rest of Africa
  - Focused on responsibly increasing customer and account base
  - Improved credit capability with 37 credit factories rolled out
  - Double digit asset acquisition on the back of improved credit capability
  - Strong product offering and stable, loyal client base maintained Offshore
  - Achievement of scale through a large branch network in Argentina
  - Substantial growth in quality assets in Argentina off increased customer demand
- Private Clients transformed to a full service Private Bank
  - For top end clients in southern, west and east Africa
  - Offering a full suite of integrated services
  - Quality of service and advice a key differentiator

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## Outlook 2011

- Improving economic environment
- Ongoing cost containment as efficiencies extracted in mature markets
- Investment for growth in our African markets
- Increased emphasis on Business Banking opportunities
- Innovation and expertise in mobile channels to be enhanced
- Increased focus on transaction acquiring
- Attractive asset growth available in core segments
- Clear 3 year plan

## Wealth - Liberty

Peter Wharton-Hood

## Headline earnings – business unit view

	FY10 Rm	change %	FY09 Rm
Retail insurance	899	>100	(82)
Liberty Corporate	103	>100	(29)
LibFin	1 443	>100	(8)
Stanlib	361	0	362
Liberty Properties	96	20	80
Liberty Africa	10	(66)	29
Liberty Health	(43)	9	(47)
Other	(272)	(60)	(170)
<b>Headline earnings</b>	<b>2 597</b>	<b>&gt;100</b>	<b>135</b>
<b>SBG share of headline earnings (54%)</b>	<b>1 393</b>	<b>&gt;100</b>	<b>72</b>

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## Key focus areas 2011

- Liberty well placed to face the challenges of the wealth industry
- Retail SA
  - Focus on
    - Volumes
    - Costs
    - Value of new business
    - Product innovation
- Asset management and corporate
  - Stanlib's new operating model being implemented
  - Systematically build Stanlib's ability and reputation for sustainable excellent investment performance
  - Leverage market opportunities for the corporate and property businesses
- Growth cluster (Africa and Health)
  - Achieve the business case
- Leverage the revised bancassurance arrangement with Standard Bank

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## Strategy and prospects

Sim Tshabalala and Jacko Maree

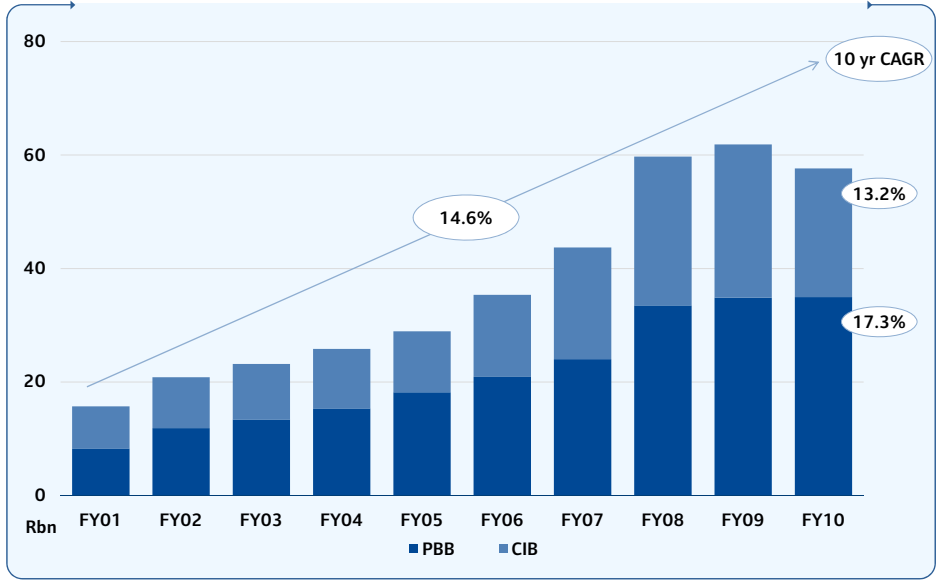
[www.standardbank.com](http://www.standardbank.com)



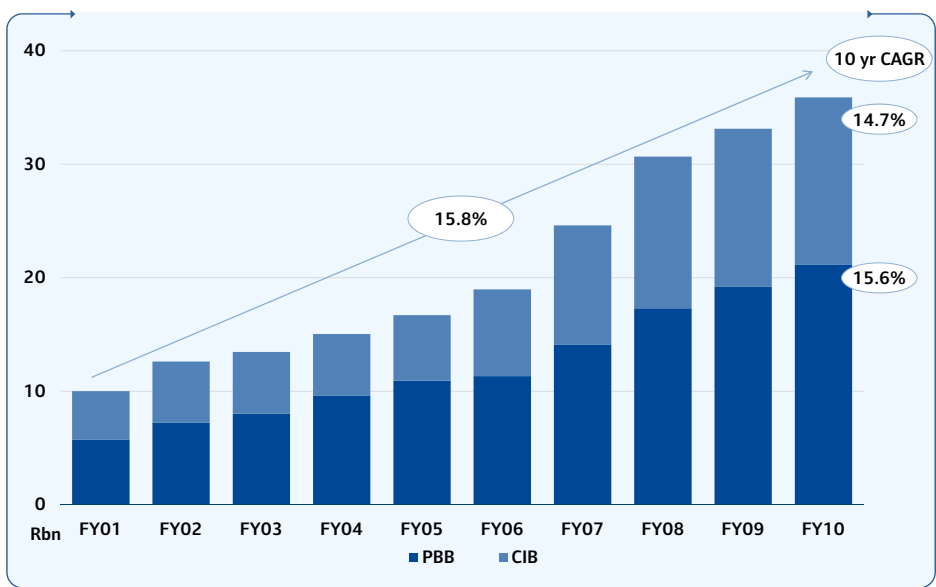
### Overview

- The group is in good health
- We are well capitalised, profitable and have a clear growth path
  - Despite uncomfortable ROE and cost-to-income ratios
- Fundamental revision to strategy is unwarranted
  - Tightening and refinement is required

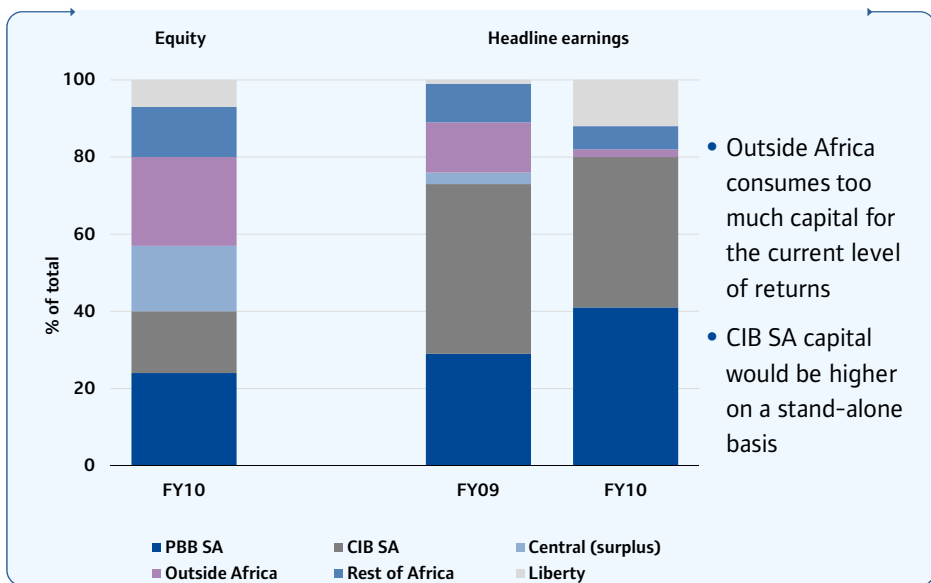
### Revenues declined in 2010 although 10 year growth rate remains high



### Cost growth too fast for revenues



## Equity capital across the Group



- Outside Africa consumes too much capital for the current level of returns
- CIB SA capital would be higher on a stand-alone basis

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## Optimising ROE is important, but what about "g"?

- Tomorrow's "g" is as important as today's ROE
- Standard Bank SA is outperforming Standard Bank outside SA on many measures
- But we believe Standard Bank outside 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"

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## Operations outside South Africa: where are we now?

- Domestic universal banks in Africa
  - 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

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## Operations outside South Africa: where are we now?

- Cross-border – connector of emerging markets
  - Designed to capture flows
    - Trade
    - Fixed investment
    - Portfolio investment
    - Developmental
  - Global sectoral focus
    - Mining and metals
    - Oil and gas
    - Power and infrastructure
  - Enables us to meet customer needs and support their operational footprint
  - Leverage our in-country local relationships and knowledge
  - Builds on our natural competitive advantages
  - Enables us to defend our core franchise from global competitors

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## What challenges are we now facing outside South Africa?

### Regulatory/ rating agencies

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

### Revenues

- 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
  - Impacts profitability of long term dollar lending business

### Competitive forces

- 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 SA

## What are the implications?

Regulatory/  
ratings agency  
changes

Revenue  
pressures

Competitive  
forces

Shareholder  
impatience

Actions to  
improve returns  
while sustaining  
growth

## Strategy 2011

### Previous vision

We aspire to be a leading emerging markets financial services organisation

### Refined strategy

- To build the leading African financial services organisation using all our competitive advantages to the full
- We will focus on delivering superior sustainable shareholder value by serving the needs of our customers through first-class, on-the-ground, operations in chosen countries in Africa. We will also connect other selected emerging markets to Africa and to each other, applying our sector expertise, particularly in natural resources, globally
- Our key differentiator is people who are passionate about our strategy, wherever in the world they are based

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## What does this refinement mean?

- Africa is at our core
  - We will continue to build first-class on-the-ground banks
  - With the benefit of hindsight we could validly be criticised for having invested too quickly given current revenue trends
  - But we are confident that future revenue flows will justify these investments in infrastructure
- We no longer have ambitions to buy or build additional domestic businesses in markets outside Africa
  - We will connect other selected emerging markets to Africa and to each other
    - Particularly in natural resources
- China continues to be critical
- Tight capital management is fundamental
  - Over time lower amounts of capital will be allocated outside Africa

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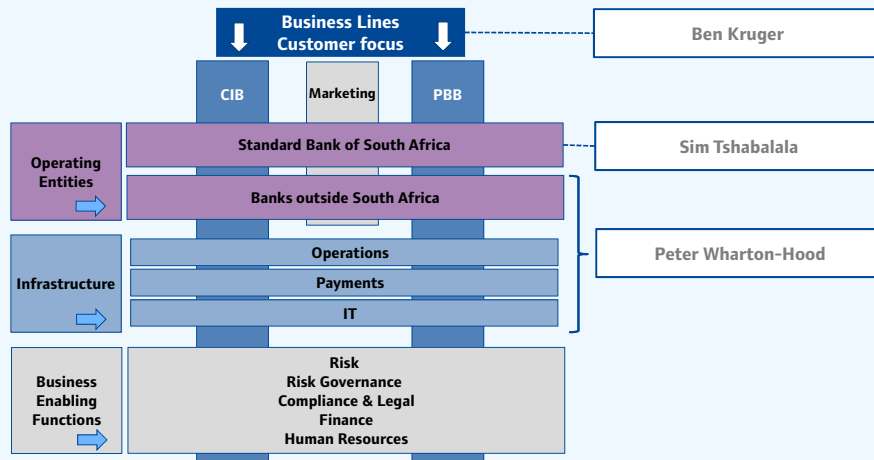
## The role of Standard Bank's international operations headquartered in London

- The international operations are not a stand-alone business
- They are integral to the group strategy
- London contains our dollar balance sheet for cross-border business
- We attract and employ specialist skills in international operations
- However in today's lower return environment the international operations are disproportionately large

## Selected emerging markets

- The following markets outside Africa are key to our cross border strategy and success
  - China
  - Brazil
  - Russia
  - India
- We need a presence or a partnership in each of these countries
- We do not need to own banks in each of these countries

## Change in responsibilities of Deputy Group Chief Executives to better execute our strategy in banking operations



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## Remuneration

- Working towards compliance with Financial Stability Board (FSB) principles
- Remco consists only of non-executive directors
- Remco chairman presented report on 2010 remuneration awards to the full board yesterday
- Remuneration of financial and risk control staff was reviewed separately
- Remco ranks the relationship between risk and remuneration as a top priority
- Remco considered a report from the Head of Risk before considering incentive awards
- No incentive pools are formulaically linked to revenue generation – strongly influenced by group and divisional multi-year performance
- Quantitative and qualitative evaluations underpin decisions on individuals' remuneration

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## Remuneration

- Incentive remuneration above a certain level is deferred for 3 years
  - Up to 40% in SA, 60% in International
- Deferrals are linked to Standard Bank share price
- Clawbacks of deferrals in defined circumstances
- Equity Growth Scheme subject to conditionality
  - Significant loss of prior awards to Exco members given negative earnings growth performance since 2007
- Remuneration policy will be put to the vote at the AGM

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## Prospects

- We have taken decisive action on costs
  - Committed to keeping total costs flat in FY11 compared to FY10
- Credit impairments should improve further
- Environment for revenues remains unclear
  - Dependant on economic conditions
- Strategically we are well positioned
- Strong capital adequacy
- After two extremely difficult years
  - Focusing on improving ROE
    - Revenue generation
    - Cost containment
- We are excited about the future

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