The Standard Bank of South Africa Limited

September 2012

Standard Bank

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Agenda

1	**Overview of Operating Environment, Group Strategy and Impact on SBSA**
2	**Balance Sheet Management**
2.1	Funding Position and Strategy
2.2	Capital Position and Strategy
3	**Conclusion**

Overview of Operating Environment, Group Strategy and Impact on SBSA

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SA operating environment

- SA relatively well positioned compared to developed markets
- Low interest rates generally:
  - not good for net interest income
  - good for consumer credit impairments
- Constrained economic growth has led to less client activity (particularly corporate clients)
- Ongoing regulatory and compliance pressures:
  - higher costs
  - more term liquidity
  - increased liquid asset buffers
  - increased capital requirements

Group strategy

- The financial crisis of 2008 resulted in a review of the Group's strategy and a subsequent refinement of the strategy to narrow the focus from broadly emerging markets to Africa
- Africa is at our core – with focus on connection to other selected emerging markets
- China continues to be critical
- Tight capital management and optimal deployment of resources such as capital and liquidity is fundamental
  - over time lower amounts of capital will be utilised outside Africa

What have we done?

- Exited Russia
- Sold strategic stakes in Argentina and Turkey (awaiting regulatory approval)
- Down-sizing in Brazil
- Down-sizing in London (high cost base and heightened FSA requirements)
  - although important to still have a presence there to service clients on the African continent

Group strategy

Impact on SBSA

- SBSA will become the primary balance sheet for the booking of transactions and risk positions for CIB's products
- Has been enabled through the introduction of the Macro Prudential Limit by the SARB in 2010
- Benefits of this:
  - cheaper funding cost
  - diversification benefit
  - allows single risk review
  - cheaper jurisdiction for support services
- Key focus is on maintaining the financial strength of SBSA as the core legal entity within the Group
- Equity capital injection of R2.5 billion into SBSA on 31 July 2012
- Solid performance from the CIB South African franchise in a challenging environment
- Strong performance from a rejuvenated PBB SA franchise

Financial highlights

		1H12	FY11
SBSA Group *			
Income Statement			
Headline earnings	Rm	4 666	9 318
Profit attributable to the ordinary shareholder	Rm	4 676	9 298
Statement of financial position			
Ordinary shareholder's equity	Rm	56 916	55 593
Total assets	Rm	953 142	921 689
Loans and advances	Rm	636 054	611 165
Financial Performance			
ROE	%	16,9	18,0
Non-interest revenue to total income	%	47,4	46,7
Loans-to-deposits ratio	%	89,8	88,8
Credit loss ratio	%	0,83	0,80
Cost-to-income ratio	%	57,7	55,4
Effective taxation rate	%	29,7	29,1
Number of employees		28 084	28 422
SBSA Company			
Headline earnings	Rm	4 533	9 277
Total assets	Rm	940 286	908 125
ROE	%	16.8	18,3
Capital Adequacy			
Total risk-weighted assets	Rm	482 399	430 484
Tier 1 capital adequacy ratio	%	9,5	10,7
Total capital adequacy ratio	%	12,5	13,5
B2 minimum reg req tier 1 capital adequacy ratio	%	7.0	7.0
B2 minimum reg req total capital adequacy ratio	%	9,5	9,5

***** SBSA group and SBSA company reflect results as consolidated into SBG. This includes an adjustment for the difference between the recognised IFRS 2 charge and that recognised in SBG, being the difference between a cash-settled share-based payment accounted for through the income statement in SBSA and an equity-settled share-based payment expense accounted in equity in SBG (1H12: R104 million expense, FY11: R213 million benefit). Excluding this adjustment, SBSA group headline earnings would be R4 562 million (FY11: R9 530 million) and SBSA company headline earnings would be R4 429 million (FY11: R9 489 million).

Balance Sheet Management

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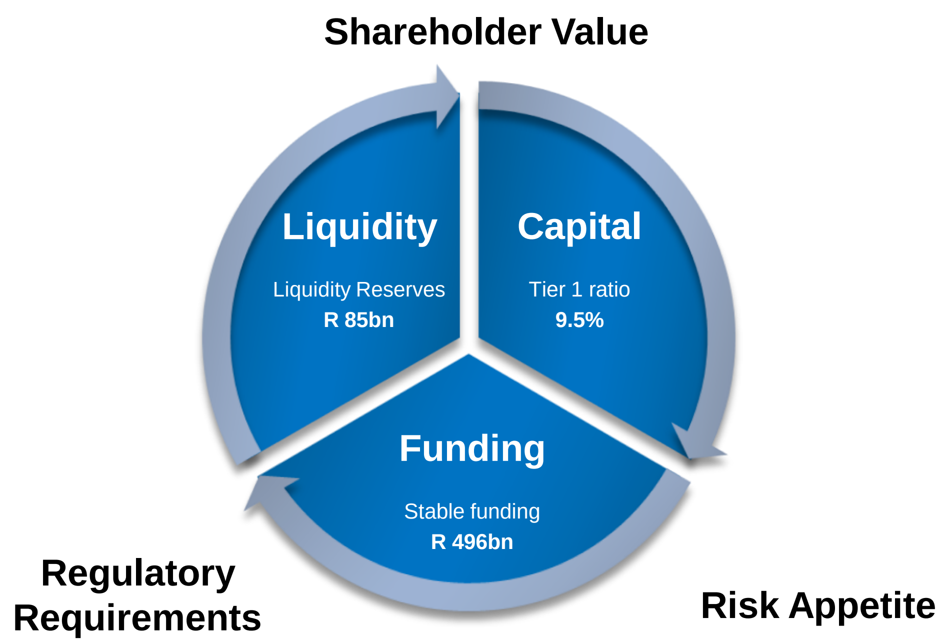
Balance sheet management strategy integrated across capital and funding

- Optimising the deployment and returns on capital and liquidity
- Centralised prioritisation, allocation and pricing of financial resources, informed through group strategic goals, regulatory changes, cost and supply vs demand considerations
- Efficient and increased use of the SBSA balance sheet as the Group's primary asset booking entity, supported by appropriate levels of capital

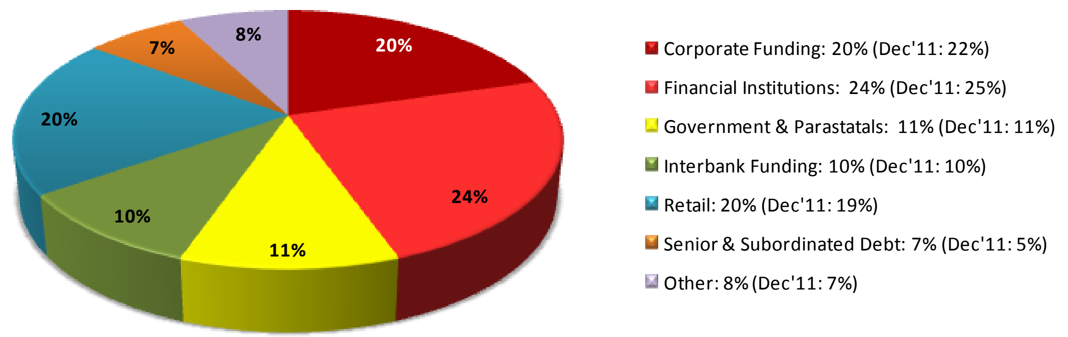


Constrained availability and cost of financial resources given regulatory changes and market dynamics necessitates an effective balance sheet management capability

SBSA loans and advances

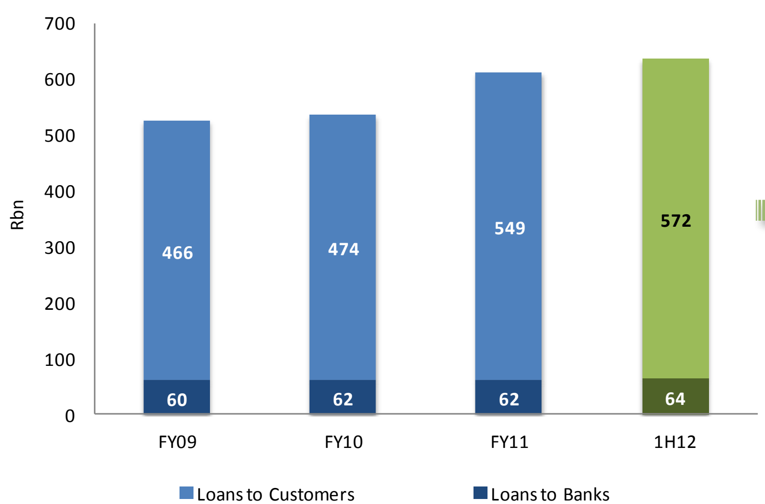
- Net loans and advances increased by 4% (R25bn) from FY11 to 1H12, of which;
  - *PBB: 5% (+ R 20bn)*
  - *CIB:1% (+ R 3bn)*
- Majority of loans and advances are residential mortgage loans (49%)
- Long term loans and advances portfolio funded by stable funding of R496bn

Composition of funding-related liabilities

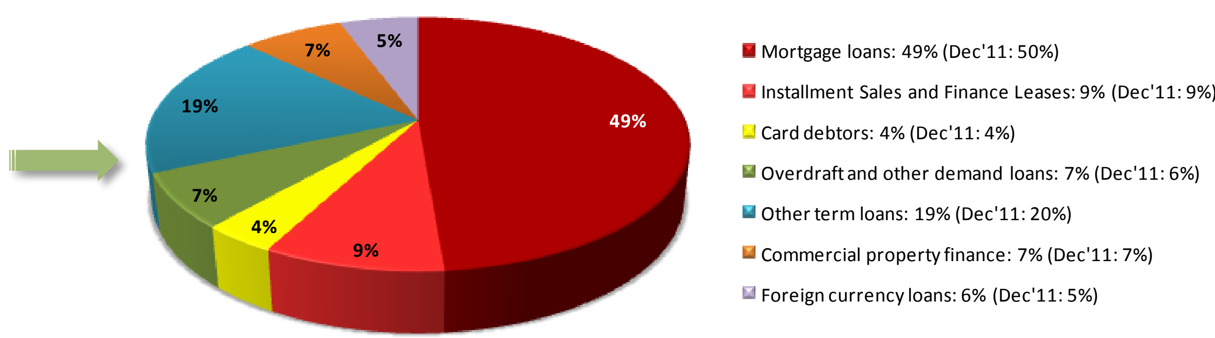


Source: SARB BA900 returns, Jun'12

Net loans and advances



Composition of gross loans and advances to customers



Funding Position and Strategy

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Structurally sound funding base

Prudent liquidity risk management:

- Three-pillar approach:

Tactical Liquidity Management | Structural Liquidity Management | Contingent Liquidity Management

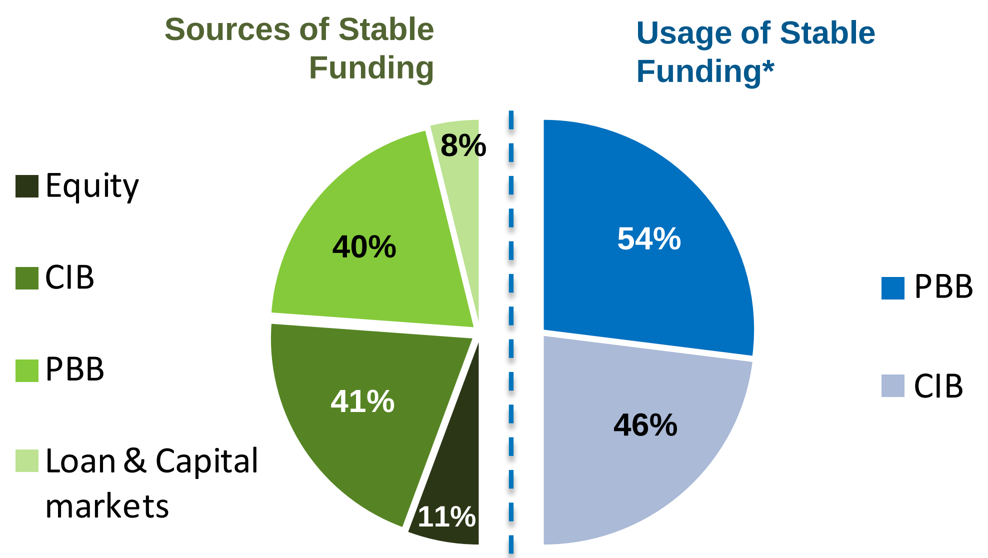
- Based on BA data and key liquidity risk metrics, SBSA rates most prudent in terms of overall liquidity risk (compared to SA Tier 1 banks)

Key liquidity positions:

- R85bn short-term contingent liquidity (12% of R735bn funding base)
- R201bn contractual long term funding (27%)
- R496bn funding classified as stable (67%)

Liquidity ratio Jun'12	SBSA	FirstRand	Nedbank	ABSA
Loan-to-deposit	87.4%	88.0%	92.9%	91.4%
Loan-to-liability	63.3%	67.8%	81.3%	71.5%
Liquid asset-to-deposit	16.2%	21.3%	17.9%	15.8%
Volatility dependency	34.3%	34.0%	34.1%	33.0%
Short-term funding	58.5%	63.2%	54.9%	56.6%
Long-term funding	27.3%	24.0%	28.7%	25.1%

Most favourable Least favourable



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

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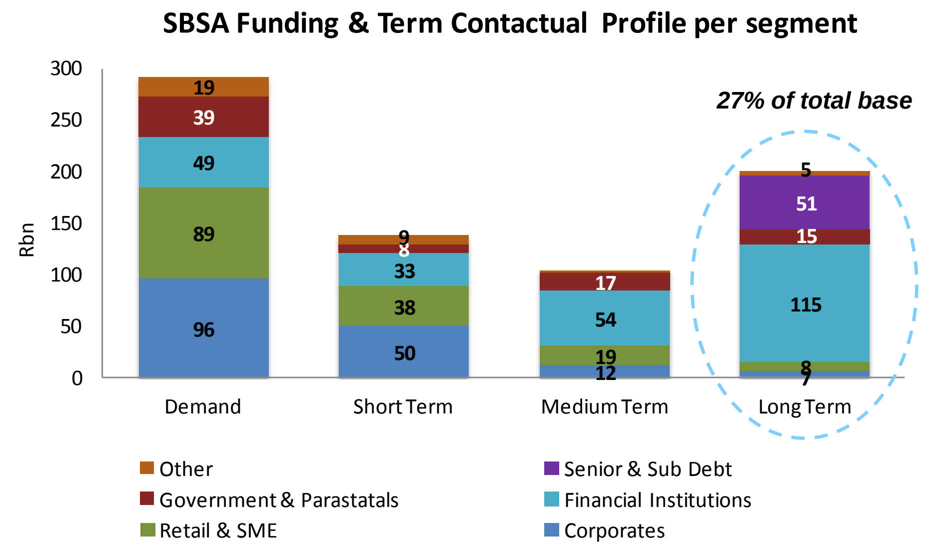
SBSA term funding base

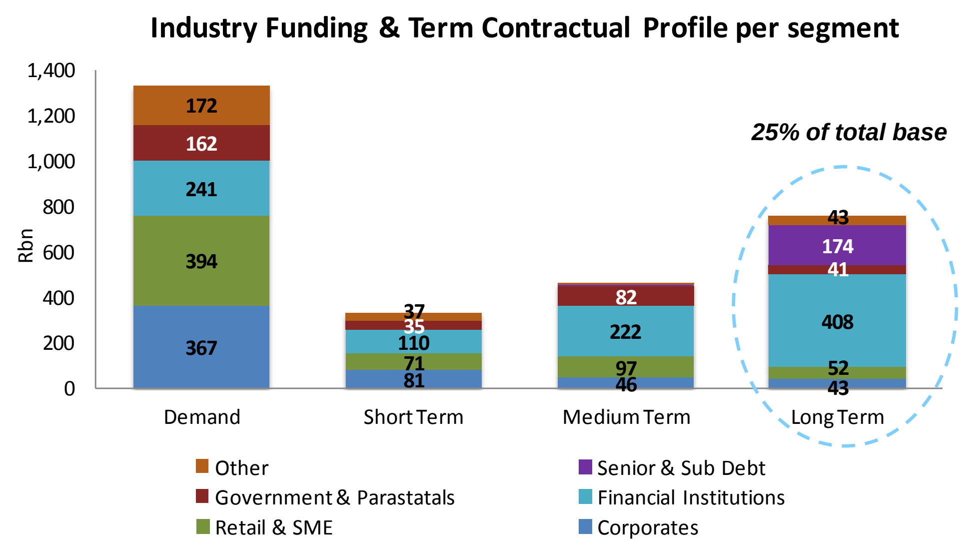
R201bn contractual long term funding:

- Bond market an important source of long term funding

R496bn stable funding:

- Behavioural liquidity profiling aligned with Basel rules
- Retail funding a key source of stable funding
- Focus on maintaining leading retail funding market share (27%)





Source: SARB BA900 returns, Jun'12

Preparing for the Basel III liquidity regime

Basel III readiness:

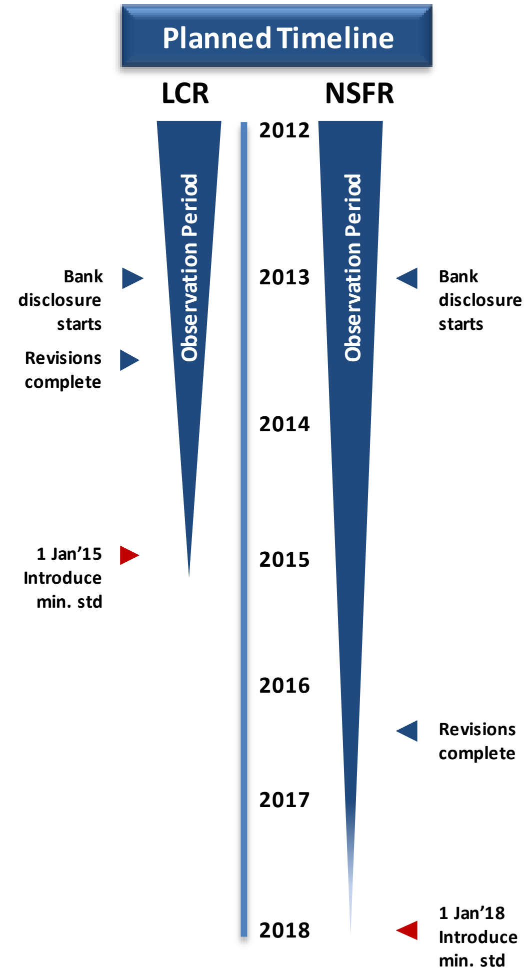
- Standard Bank has conducted a comprehensive financial, business and economic Basel III impact analysis
- Product pricing now includes cost of phased-in Basel III rules
- Standard Bank is on track to meet 2015 LCR requirements

Liquidity Coverage Ratio ("LCR"):

- LCR requirements can be met through the provision of a committed liquidity facility ("CLF") by the SARB
- Standard Bank together with the banking industry is engaging with the SARB to further develop the terms and conditions of the CLF

Net Stable Funding Ratio ("NSFR"):

- Challenges remain in meeting 2018 NSFR requirements
- The banking industry continues to engage with relevant authorities in this regard



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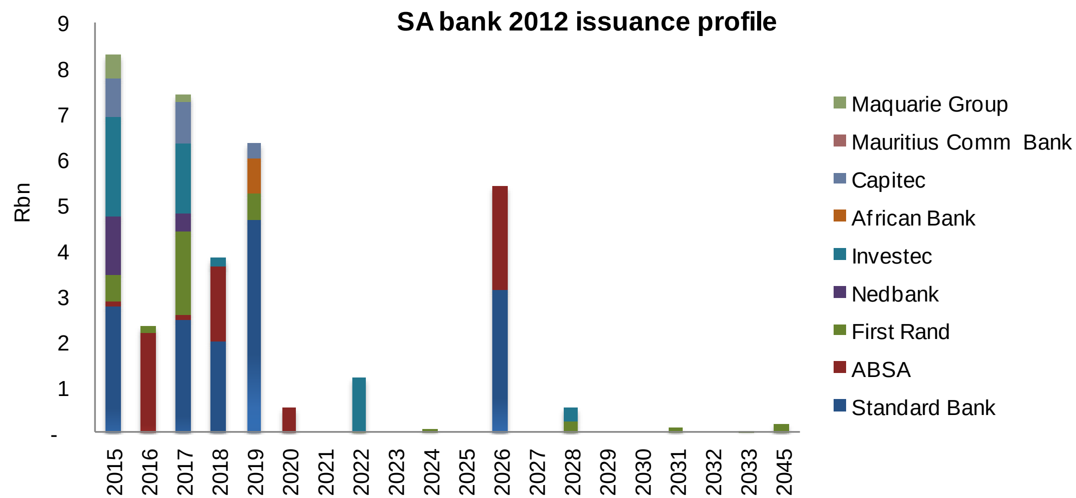
Bank issuance in the local debt capital market - 2012

2012 local market overview:

- To date, SA banks have issued approximately R38.5bn (senior and capital qualifying notes) in the local debt capital market
- 75% floating and 25% fixed rate notes
- R7.6bn of transitional "old style" subordinated Tier 2 debt has been issued by SA banks



Source: JSE bond Data Aug 2012, Strategic Funding
Senior and capital qualifying bonds only

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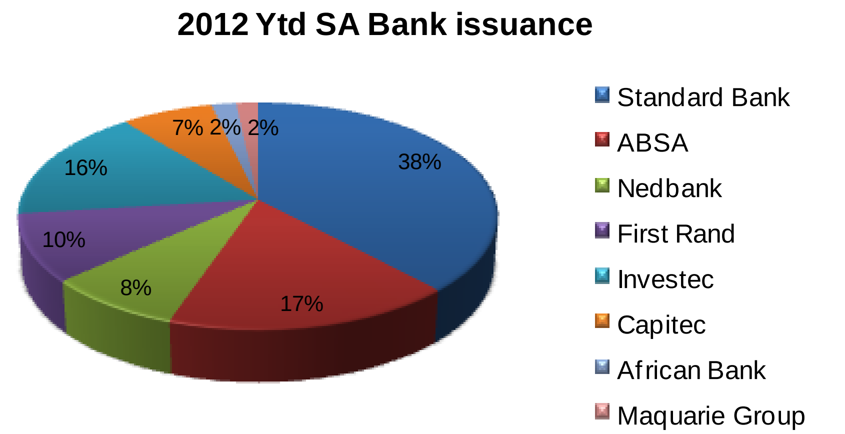
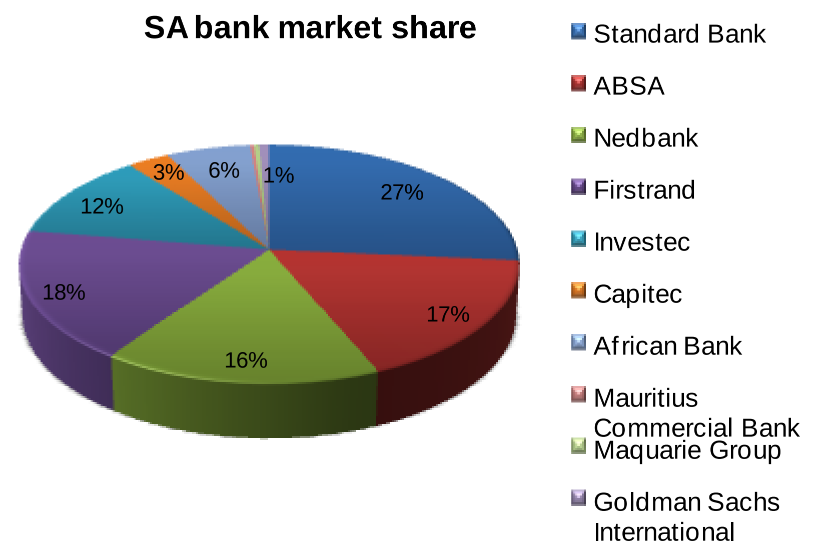
SBSA issuance in the local debt capital market - 2012

SBSA funding during 2012:

- SBSA has issued approximately R15bn senior and capital qualifying bonds in 2012 Ytd
- 45% of issues generated from reverse enquiries
- The SBSA DMTN Programme was updated on 20 August 2012 - no material changes
- EMTN and Structured Note Programmes also updated





Source: JSE bond Data Sep 2012, Strategic Funding
Senior and capital qualifying bonds only

Strategic funding action points

General:

- Optimise Group longer term funding - raise volumes in tenors with profiles driven by demand (refinancing, new asset growth and regulations) for the relevant group borrowers in the most favourable instrument and market at the time, at best pricing
- Maintain and develop a platform of potential diversified funding sources that can be accessed – local and international, vanilla and structured
- Balance consistent base funding requirements with opportunistic transactions
- Focus on capital qualifying debt instruments

Domestic bond market:

- Issuance in the balance of 2012 will be demand driven and opportunistic
- Raise around R10bn+ in 2013 (refinancing of R5bn)
- Reverse enquiries welcome
- Renewed focus on securitisation
- Focus on new capital qualifying debt instruments – bonds and preference shares
- Focus on liability management, liquidity initiatives and local market development

Capital Position and Strategy

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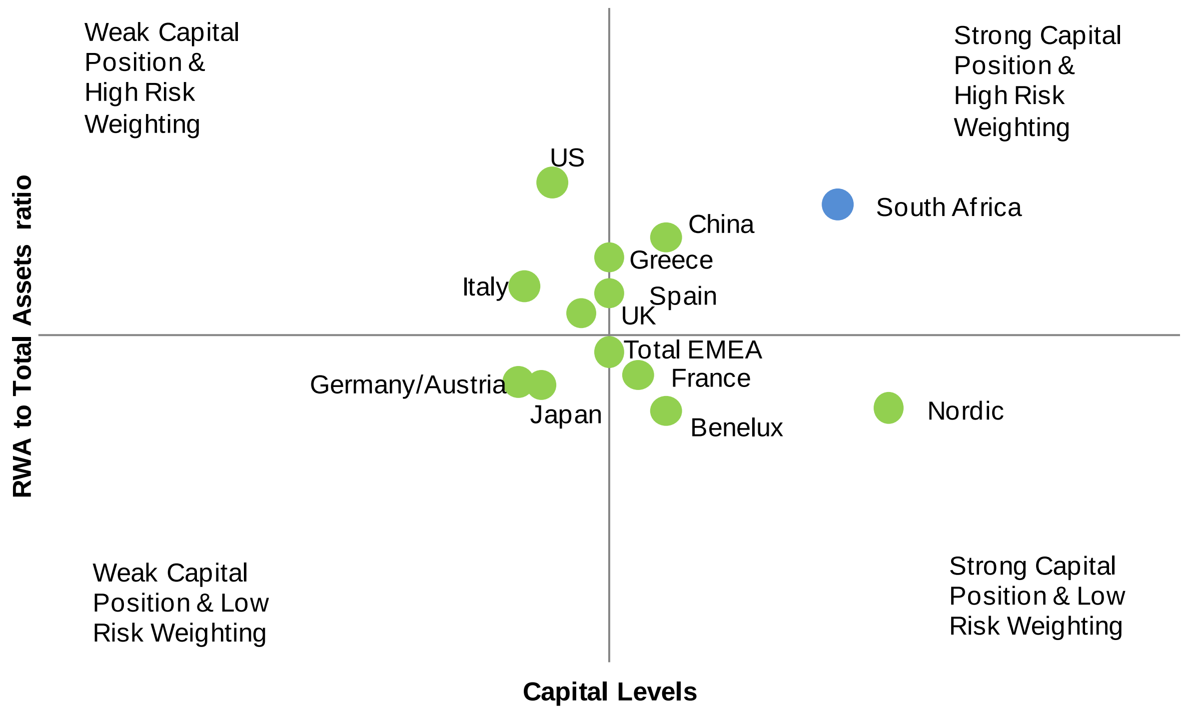
Capital ratios

Sound capital position:

- In excess of internal capital adequacy ratio (CAR) targets
- On track to meet phased-in Basel III regulatory CAR targets

SA peer bank comparison:

- SBSA capital ratios lag SA peer bank comparisons
- Management actions have been identified and are being executed to bolster SBSA capital base



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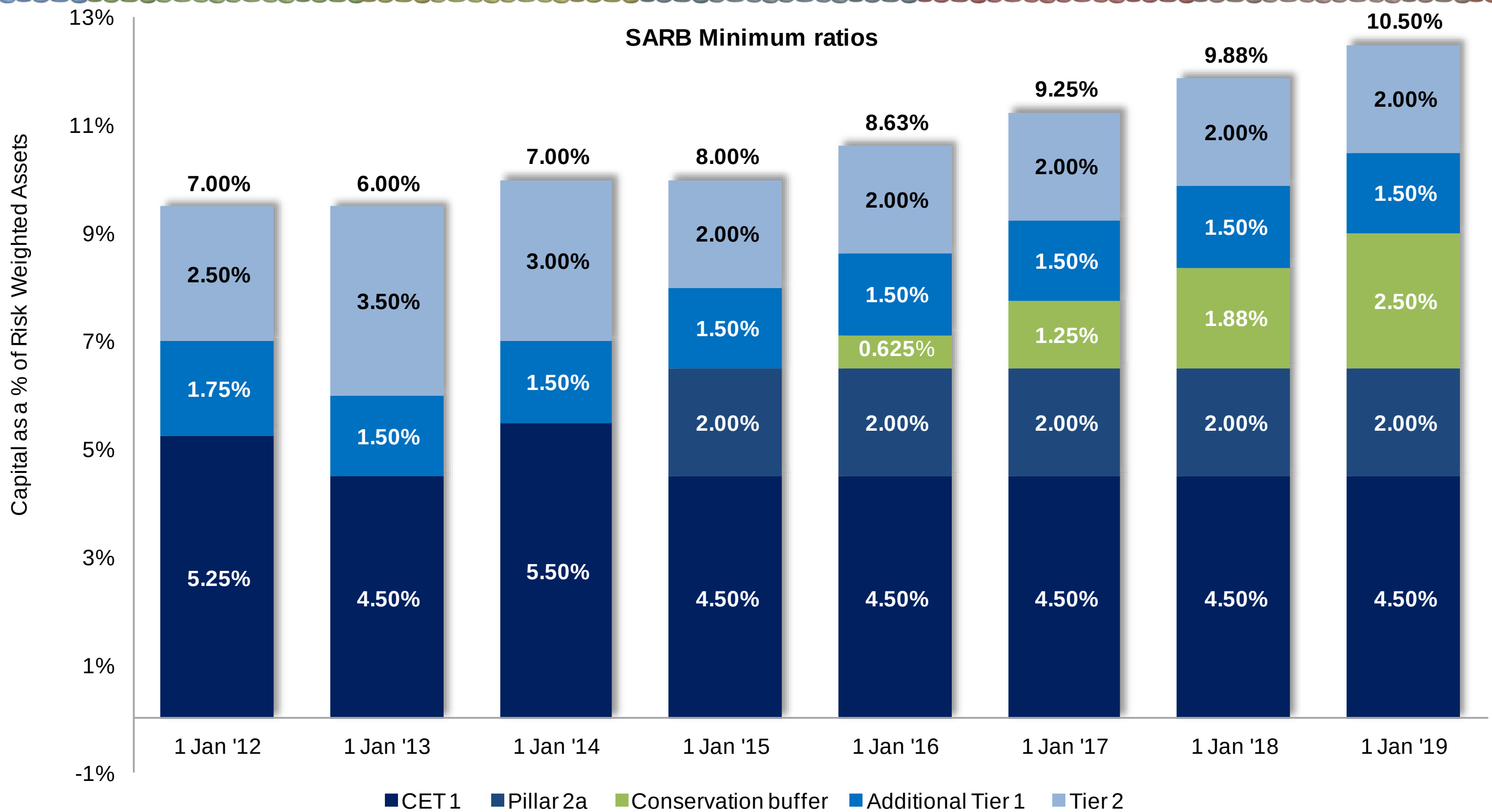
Proposed SARB phase-in arrangements and minimum capital ratios



Excluded from the above diagram:

- Countercyclical buffer of between 0% and 2.5% - phase in from 1 January 2016
- Domestically systemically important banks buffer (D-SIB) - phase in from 1 January 2016
- Individual capital ratio add-on Pillar 2b - effective January 2013

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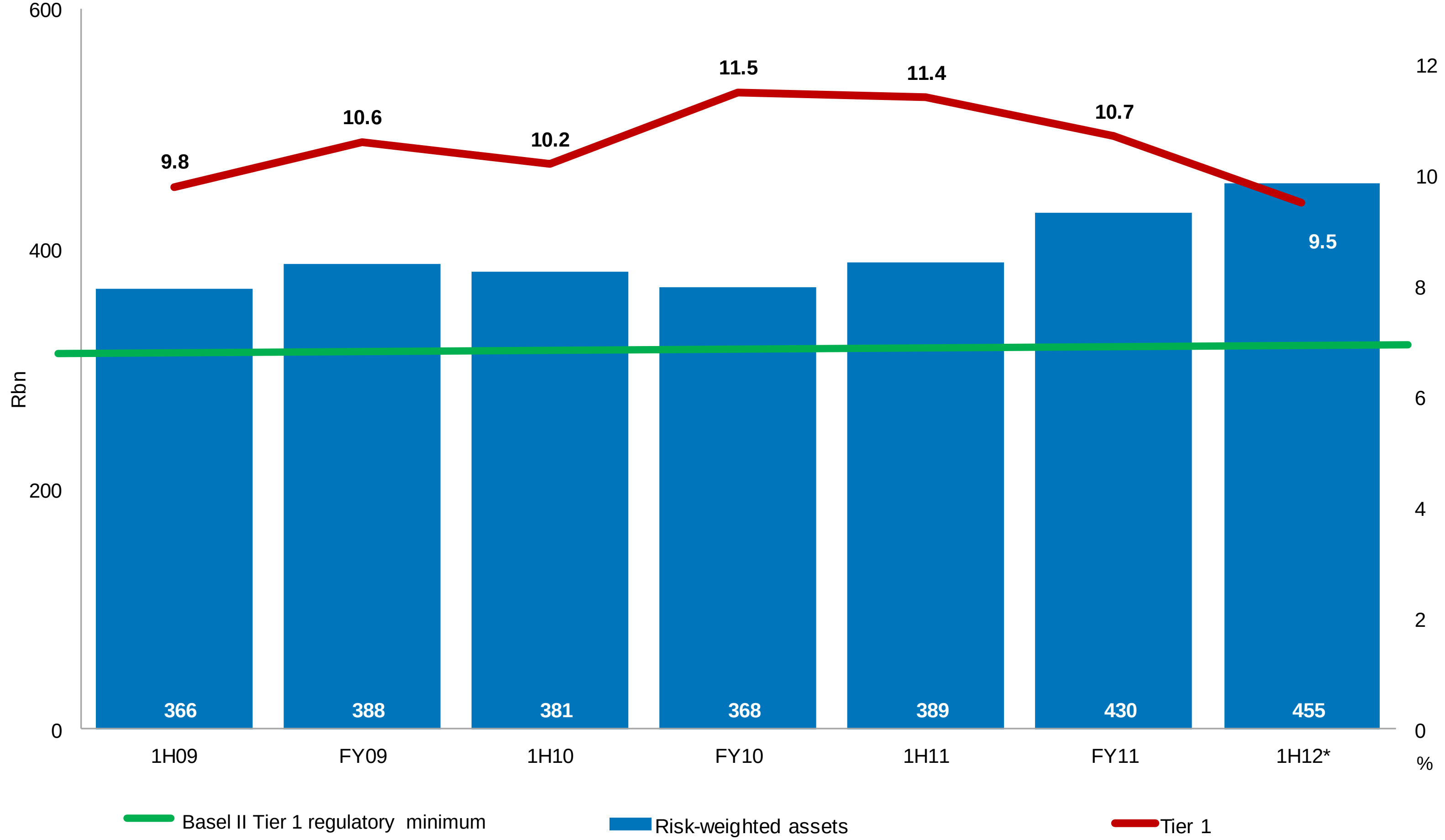
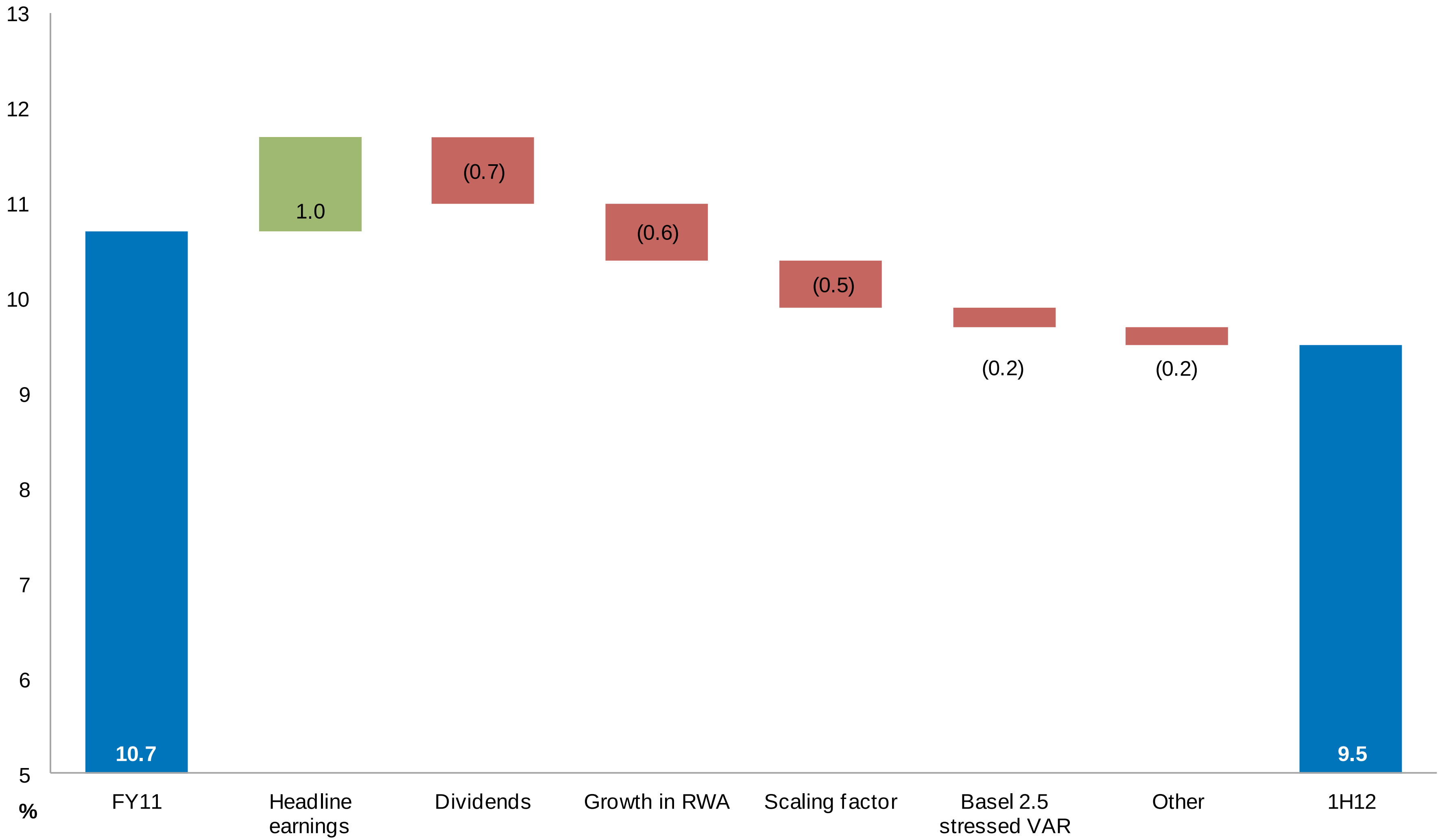
Tier 1 capital ratios and risk-weighted assets



- SBSA's Tier 1 ratio increased to 10.2% on 31 July 2012 arising from a R2.5bn equity capital injection
- Focus on further building SBSA's Tier 1 ratio in H2 2012
- SB Group Tier 1 CAR of 11% as at 30 June 2012

** Basel 2.5 basis*

Tier 1 Ratio: FY11 to 1H12



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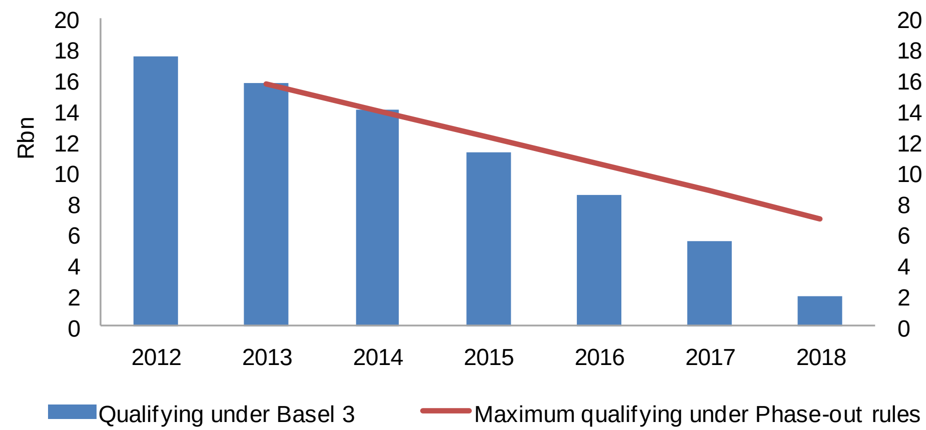
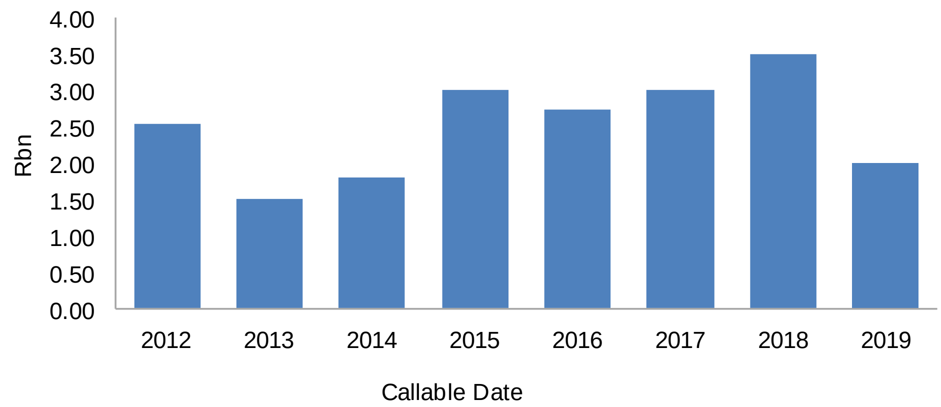
Overview of rational behind raising Basel III compliant AT1 and T2 capital

- Grandfathering of current Tier 2 and preference share instruments effective 1 January 2013
- New capital instruments required to have loss absorption and conversion capabilities
- Will be issuing Basel III compliant AT1 and Tier 2 capital instruments to maintain appropriate composition of Tier 1 and Tier 2

Basel 3 Phasing out of Tier 2 capital - SBSA



SBSA Tier 2 capital instrument maturity profile



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Overview of Basel III compliant AT1 and T2 capital - Illustrative

Instrument Type	Additional Tier 1	Tier 2
Issuer	The Standard Bank of South Africa Limited (Bank)	The Standard Bank of South Africa Limited (Bank)
Main Features	• Perpetual NC5 • Deeply subordinated • Non-cumulative	• 10 NC 5 • Subordinated
Interest Structure	• 5 year reset from year 5	• 5 year reset from year 5 • Fixed for life
Additional Features	• Following a trigger event (likely to be linked to CET1 ratio) resulting in the non-viability of Bank / public sector injection of capital into Bank: – write-off of the instrument; or – conversion into equity of SBG	• Following a trigger event (likely to be linked to CET1 ratio) resulting in the non-viability of Bank / public sector injection of capital into Bank: – write-off of the instrument; or – conversion into equity of SBG
Regulatory Recognition	• Additional Tier 1 at Bank	• Tier 2 at Bank • Amortisation in last 5 years
Potential Issue Size	**TBD**	**TBD**
Pricing	**TBD**	**TBD**

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Capital management actions

- In light of Basel III proposals, plans are underway to strengthen SBSA's capital position
- Completed:
  - Equity capital injection of R2.5 billion into SBSA on 31 July 2012
- Ongoing:
  - Retention of equity capital in SBSA
  - RWA optimisation
  - Efficient utilisation of capital across legal entity balance sheets
  - Risk distribution
- Planned:
  - Part of proceeds from sale of Standard Bank Argentina will be repatriated to South Africa to facilitate further capital injections into SBSA
  - Additional Tier 1 (AT1) capital raising by SBSA planned for 2013
  - Tier 2 capital raising under consideration for 2013

Conclusion

Conclusion

Financial Position

- Alignment to Group strategy
- Strong performance by PBB SA
- Delivery of resilient results by South African CIB franchise

Funding Action Points

- Diversification of funding sources
- Issue of new instruments
- Domestic bond market remains a core funding source

Capital Action Points

- Standard Bank Group well capitalised
- Issuing of Basel III compliant instruments
- Optimising capital efficiencies and allocate across legal entities
- Focus on bolstering SBSA capital base

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Thank You

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