Standard Bank
Also trading as Stanbic Bank

Media Release

Friday, 17 May 2013

European capital pull-back gives African banks opportunity to fill trade finance gap
Global capital squeeze opens doors for Africa as exports reach US$500bn

---

International commodity traders are turning to African banks to finance trade transactions as the global economic slowdown, Eurozone debt crisis and tougher capital requirements force international banks to pull back their lending in Africa.

This is the view of Standard Bank's Gwen Mwaba, Executive Vice President, Structured Trade Finance, who says the pull-back forced on global banks is happening at a time when Africa's trade continues to grow across a broad front of geographies and sectors.

Ms Mwaba was speaking on the sidelines of the 5th annual East Africa Trade and Commodity Conference held in Nairobi, Kenya, from May 16-17, 2013. The conference is now widely accepted as the most important annual gathering of influential business leaders and trade finance practitioners in East Africa, who meet to address the critical trade, financial and economic issues of this key commodity production hub.

"The scale of trade finance opportunity is substantial when considering that Africa's exports alone grew to US$500-billion in 2012 from US$445-billion in 2011. It is something of a phenomenon that the general tightening of global credit continues to curtail availability of commodity trade finance from the traditionally dominant players, even as African countries ramp up trade relations with the fastest-growing economies," says Ms Mwaba.

Her views come as exports from key East African countries (Kenya, Tanzania, Uganda, Rwanda and Burundi), ranging from soft commodities (such as tea, coffee and grains) to natural resources (such as oil and metals) reached about US$15-billion in 2012 with a significant portion of goods being exported within the sub-region.

Many international banks have reviewed their risk appetite and have withdrawn from, or limited their exposure to trade finance in Africa. Ms Mwaba says that a funding gap has consequently opened up, creating an opportunity for other players to fill that vacuum.

"This has created great opportunities for African banks to be more active in trade finance because they have strong balance sheets, the necessary capital and liquidity, and risk appetite. For domestic currency transactions they also have competitive funding costs compared to global counterparts," she says.

"More importantly, as European and US demand has continued to decline, the liquidity from African banks has helped to deepen intra-African trade and increase trade flows between the continent and other emerging market regions."

African countries are also importing goods to support infrastructure investment and consumer spending. Standard Bank research shows that imports of machinery, transport equipment and textiles remain buoyant.

"So, we see strong trade and constrained competitors as an ideal growth environment for banks with local presence and technical banking expertise," says Ms Mwaba.

Standard Bank has recently expanded its client base to incorporate new jurisdictions in Africa. Ms Mwaba notes that the appetite from clients that Standard Bank has experienced in issuing letters of credit shows growing understanding in Standard Bank's ability to manage the "Africa risk" portion of these transactions.

Standard Bank has used the opportunity to strengthen its position in trade finance in the energy, natural resources and agricultural sectors, says Ms Mwaba.

In one such recent deal, Standard Bank provided Tanzania's Export Trading Group (ETG) with US$250-million in trade finance facilities. ETG is a leading integrated agricultural supply chain manager in East and Southern Africa.

In another transaction, Standard Bank assisted the Ghana Cocoa Board to secure a US$1.5-billion pre-export finance facility to purchase cocoa beans in the 2012/13 cocoa season. The facility is currently the largest non-oil deal in sub-Saharan Africa.

Oil and oil products remains a dominant influence in the continents GDP and is viewed as being strategically important to the success of the growth achieved by the continent as a whole, and as consumer discretionary spend increases, and car ownership rises, this will continue to be an important trade flow where the bank can provide bespoke trade finance solutions across the supply chain.

Ms Mwaba says: "An important change in growing our share of the trade finance market is that liquidity pressures have made the cost of funding for Standard Bank and its African counterparts more competitive when compared to European banks.

"We are seeing indications in the market that South African and other African banks are participating not only as lenders but co-arrangers on large pre-export finance deals." she says.

Ms Mwaba notes that African banks are increasingly being called upon to step up their lending for trade transactions because of their stronger balance sheets and risk appetite.

"Natural resources, both within the oil and metals markets and the agriculture sector continue to dominate the African landscape. But it is perhaps the processes through which such resources are utilised, both in the facilitating of international and intra-regional trade and establishment of a suitable environment to conduct business that remain the key challenges. Local banks have increasingly found greater opportunities and increasing confidence to support major trade transactions," says Ms Mwaba.

Ends//

Standard Bank
Also trading as Stanbic Bank

Media Release

For further information contact:

Kate Johns
Head: Communications Africa, Standard Bank
+27 (0) 82 805 0210
Kate.Johns@standardbank.co.za

About Standard Bank Group

Standard Bank Group is the largest African bank by assets and earnings. Our strategy is 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. We operate in 18 countries on the African continent, including South Africa.

Standard Bank has a 150-year history in South Africa and started building a franchise outside southern Africa in the early 1990s. In recent years, Standard Bank has concluded key acquisitions on the African continent in Kenya and Nigeria. Africa is at our core and we will continue to build first-class on-the-ground banks.

The group's 49 000 employees in all regions deliver a complete range of services across personal and business banking, corporate and investment banking and wealth management. Standard Bank's Corporate & Investment Banking division offers its clients banking, trading, investment, risk management and advisory services to connect selected emerging markets to Africa and to each other. It has strong offerings in mining and metals; oil, gas and renewables; power and infrastructure; agribusiness; telecommunications and media; and financial institutions.

Normalised headline earnings for 2012 were R15 billion (US$1.8 billion) and total assets were R1 549 billion (about US$183 billion). Standard Bank's market capitalisation at 31 December 2012 was R191billion (about US$23 billion).

The group's largest shareholder is Industrial and Commercial Bank of China (ICBC), the world's largest bank, with a 20,1% shareholding. In addition, Standard Bank Group and ICBC share a strategic partnership that facilitates trade and deal flow between Africa, China and select emerging markets.

For more information: www.standardbank.com