Standard Bank
Also trading as Stanbic Bank

Media Release

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Standard Bank results benefit from its African focus

Standard Bank's core businesses performed well in a difficult environment and are showing good momentum as the group continues to improve its market position in Africa across many of its key products, segments and geographies.

The results of the first half of 2012 support Standard Bank's strategic refinement to strengthen its focus on Africa. A highlight of the results was the good growth trajectory being maintained in the group's on-the-ground banks in the rest of sub-Saharan Africa.

Says Jacko Maree, Standard Bank Group Chief Executive: "Amidst the uncertainty in the world economy and the continuous upheavals in global banking, our broad financial product base and our financial strength have served us well."

Results at a glance

- Total income grew by 15%
- Credit impairments increased 35%
- Costs up by 17%
- Resulted in headline earnings growth of 11%

Key statistics

- Return on equity (ROE): 14,5% (HY11: 14,5%)
- Tier I capital adequacy ratio of 11,0% (HY11: 12,4%)
- Dividend per ordinary share: 212 cents (HY11: 141 cents)
- Cost-to-income ratio: 59,1% (HY11: 58,0%)
- Credit loss ratio: 0,98% (HY11: 0,81%)

"Following a reasonable start to the year, the challenges that hampered the global economy in 2011 intensified in the second quarter, much of this centered on the Eurozone. It has become clear that 2012 has developed into another difficult year for the global economy. Investor confidence remains fragile and financial markets are volatile. This makes for a very challenging operating environment for all banks," said Mr Maree.

Personal & Business Banking (PBB) reported headline earnings of R3 194 million for the six months under review, 33% higher than the prior year. The primary contributors to the increased headline earnings were income growth in excess of cost growth and well-priced loan origination. This result reflects the combination of an excellent result achieved in PBB SA which generated headline earnings of R3 250 million, with improving momentum in the Rest of Africa, which reflected a smaller loss than the same period in the prior year as Standard Bank expands its customer network.

The mortgage business continues to perform well with revenues up by 14% as a result of steady book growth over the last 18 months and a continued improvement in credit experience. NPLs reduced by a further R1 billion in the period from December 2011.

Transaction and lending products achieved good growth in income and earnings. Retail deposits grew 13% in the period, and, together with increased activity levels, provided good impetus to growth in fee and commission revenue, absorbing the impact of the price reductions announced in April in certain segments in South Africa. Strong growth was evidenced in personal term loans, overdrafts and revolving credit facilities in line with expectations given Standard Bank's focused approach to customer acquisition. The credit impairment charge for this grouping of unsecured loans more than doubled and the credit loss ratio was 2,64% for the period, well within pricing assumptions.

Corporate & Investment Banking (CIB) experienced a much more difficult operating environment in the second quarter which put pressure on both revenues and earnings. Headline earnings of R2.9 billion were 7% below the prior period.

The Transactional Products and Services (TPS) business was the strongest performer in the period in CIB, with revenues for the first half of the year up 36% on the prior year comparative. This is a significant result given the core role TPS plays across the wider CIB franchise. The TPS business in the Rest of Africa is now the same size (in revenue terms) as the long-standing TPS business in South Africa. The South African business made a positive contribution with cash management benefiting from growth in average balances and the trade business experiencing an increase in exposures with Asian banks.

The Global Markets business saw revenues reduce 5% compared to the prior period as unfavourable market conditions, driven by the ongoing issues within the Eurozone, led to a subdued second quarter for the Outside Africa operation. The second quarter was severely impacted by subdued client activity and tighter margins; which contributed to revenues being well below the prior period. A positive trading result was achieved in the Rest of Africa due to higher flow business in foreign exchange at improved margins.

Investment Banking reported half year income up 19% on the prior period. In particular net interest income has risen significantly following the focus on loan book growth seen towards the end of 2011. Rest of Africa revenues grew off a low base as a result of increased activity in the period; particularly within Mozambique and Kenya. At a headline earnings level, the positive revenue performance has been somewhat offset by increased credit provisions.

Liberty's headline earnings for the six months to 30 June 2012 were up 41% to R1 797 million. Of these headline earnings, R905 million was attributable to Standard Bank Group. The first half of 2012 reflected the significant operational improvements made across the Liberty group. Retail SA, which successfully remedied the policyholder lapse issues over the last few years, has now demonstrated capability to deliver innovative products and is achieving significant growth in new business and margin. Liberty's ROE for the period was 23,4%.

Dividends

In order to achieve a better balance between interim and final dividend, the board has declared an interim distribution of 212 cents, which represents half of the prior year total. The dividend has been declared as a cash distribution but with an opportunity to elect capitalisation shares to provide flexibility for shareholders, given recent changes to dividend tax in South Africa.

Prospects

Macroeconomic uncertainties are expected to continue to weigh on investor sentiment and client activity in the second half of 2012 and the group therefore expects revenue growth to be subdued in CIB in the second half. The second half of 2012 is also expected to be a more difficult environment for revenue generation for PBB, given the anticipated endowment impact of the recently announced rate cut and the full year impact of price cuts in South Africa. The upward pressure placed on costs as a result of being on an accelerated growth path in certain of the group's operations, having to overhaul legacy IT systems and increasing regulatory and compliance pressures, will remain challenging.

"Our group is in good health and our core businesses have good momentum. We have maintained a strong liquidity and funding profile, asset quality is good and our strict capital and risk discipline means we are on track to comply with Basel III next year. We are mindful of the external challenges but believe that our healthy foundation and our broad product and client base will stand us in good stead," said Mr Maree.

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Notes to Editors

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, and 13 countries outside Africa with an emerging market focus
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 has
more than 1 200 branches on the African continent and representation in key global financial centres.

The group's 52 000 employees across 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 specific global sectoral expertise, particularly in natural resources, with value propositions in: mining and metals; oil and gas; power and infrastructure; and telecoms and media.

Standard Bank Group had total assets of over R1 497-billion (about US$185 billion) at 31 December 2011. Standard Bank's market capitalisation at 31 December 2011 was R157 billion (approximately $19 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.

Standard Bank Plc in London is authorised and regulated by the Financial Services Authority, and is a member of the London Stock Exchange, the London Bullion Market Association, the London Metal Exchange, the London Platinum and Palladium Market and the New York Mercantile Exchange (COMEX Division).

For further information visit: www.standardbank.com/cib