



Standard Bank

Investor briefing

January 2016

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Agenda

1. South Africa macro environment
2. Debt capital markets overview
3. SBSA treasury update

South Africa macro environment

Upside risks have materialised

- **3 risks to the SARB's CPI forecast:**
 - The Rand
 - Food inflation
 - Electricity prices
- **First half of 2016 contains country-specific risks:**
 - 2016 Budget
 - Platinum sector wage negotiations
 - Local municipal elections
 - Current account deficit may widen
 - S&P and Fitch ratings review in June

Interest rates: risks linger in H1:2016

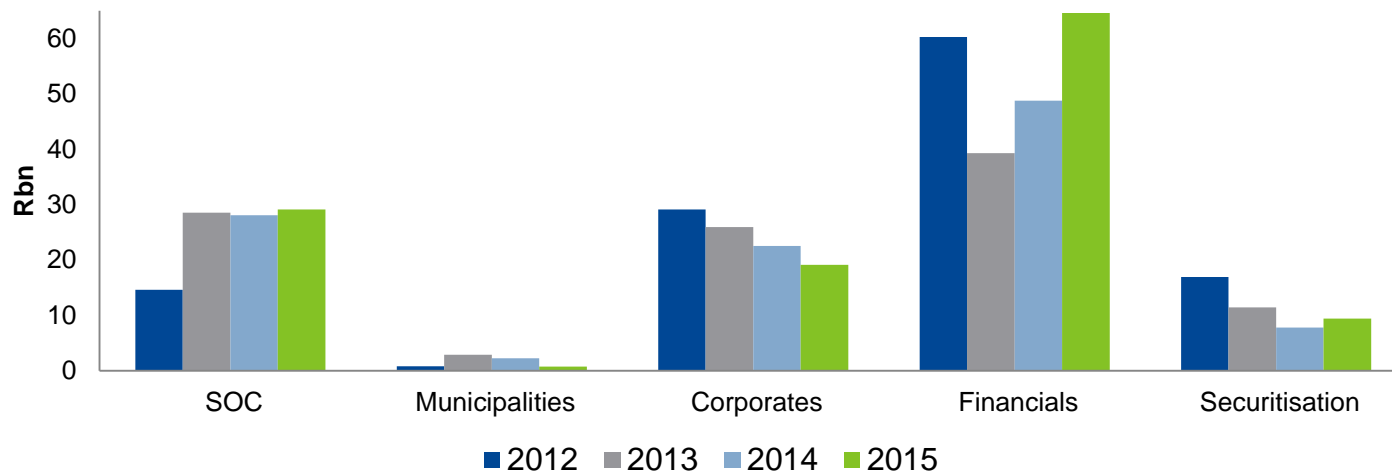
- **Base case assumption:**

- SARB hikes by 100bps in 2016 anchoring inflation expectations
- Inflation averages 6.5% in 2016
- 2016 Budget – expenditure ceiling remains intact, budget deficit projections remain in place due to an increase in taxes and reduced expenditure
- Rand remains on the back foot
- Growth continues to be lacklustre averaging 0.8% in 2016

Debt capital markets overview

2015 issuance overview

Actual listed debt issuances by sector



2015 issuance totals
R123bn, 12.4%
higher than the 2014
full-year tally of
R109.4bn

**Banks drove this
improvement, with
total financial
issuance rising to
R65bn (2015) from
R49bn (2014)**

**Corporate issuance
continued to
disappoint, totaling
R19bn (-15.2% y/y)**

**SOE issuance was
largely stable at
R29bn**

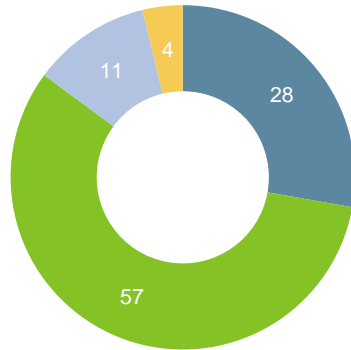
**Securitisation
increased by a
pleasing 20.7% y/y
to R9bn**

**Municipal bond
issuance was
disappointing at just
R750m (2014 –
R2bn)**

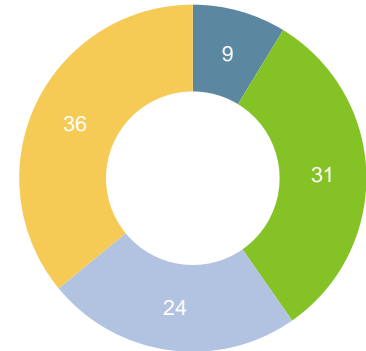
Rbn	2012	2013	2014	2015
SOC	15	29	28	29
Municipalities	1	3	2	1
Corporates	29	26	22	19
Financials	60	39	49	65
Securitisation	17	11	8	9
Total	122	108	109	123

Financial issuance environment

Financial bond issuance tenors (%): 2011



Financial bond issuance tenors (%): 2015

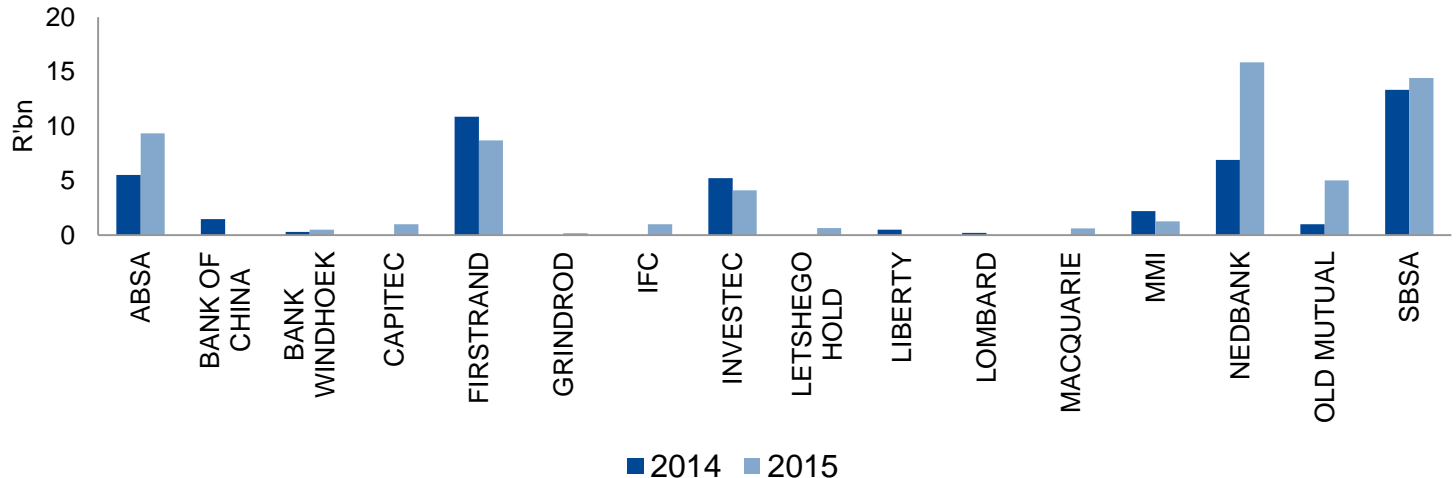


■ 0 - 3 Years ■ 4 - 7 years ■ 8 - 10 years ■ >10 years

Bank preparation for NSFR has driven up the proportion of long-term funding:

- >10 year - 4% (2011) to 36% (2015)
- 8 – 10 years – 11% (2011) to 24% (2015)
- 4-7 years - 57% (2011) to 31% (2015)

Listed financial nominal bond issuances: 2014 – 2015



Financials fund across the curve with a wider range of tenors accessible

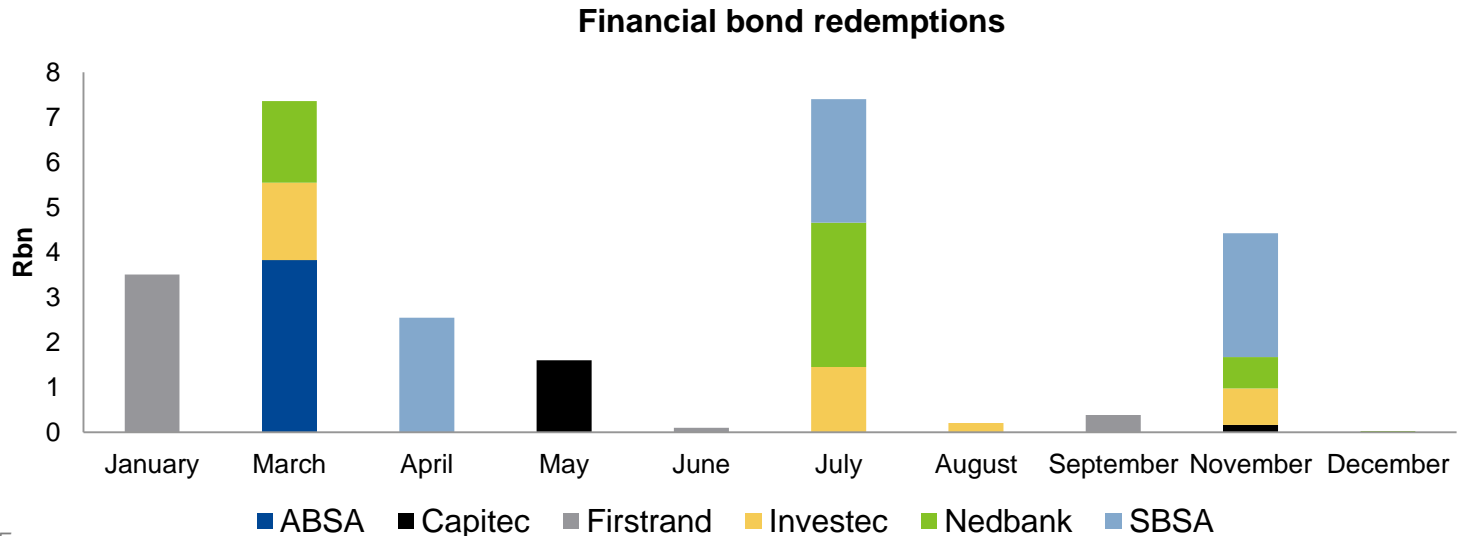
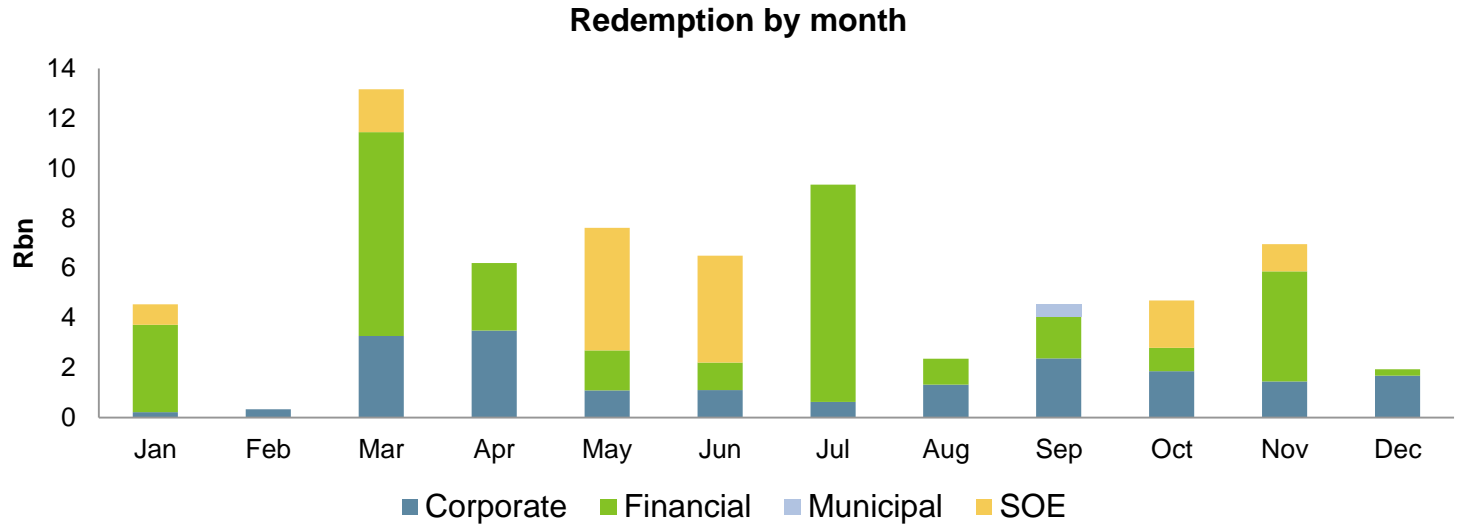
Redemptions due in 2016

Total redemptions:

- FY:2016: R68bn

- Q1:2016: R17bn

- SBSA: R8bn (R5bn senior and R3bn sub-ordinated)



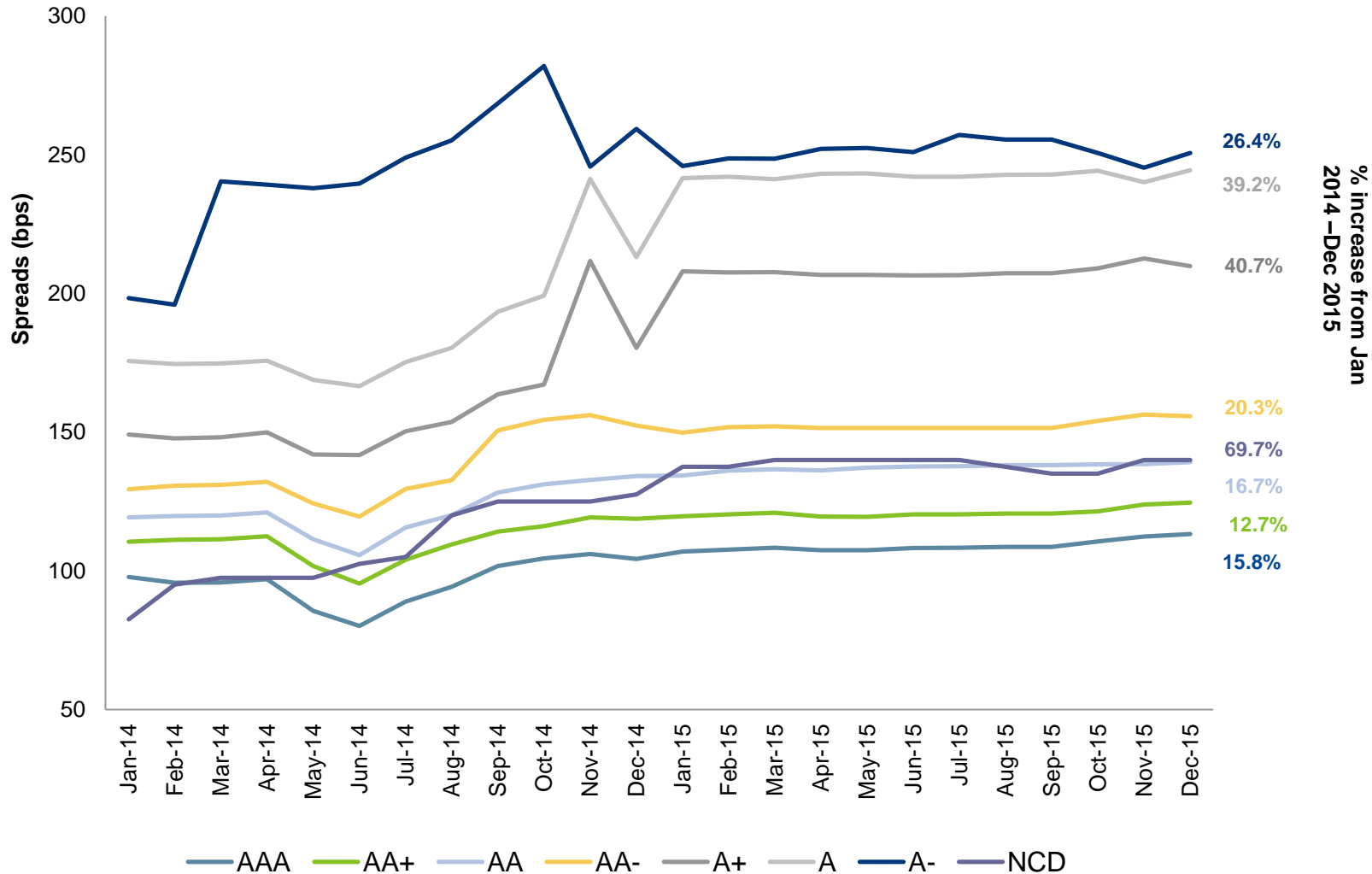
Source: Standard Bank; JSE

Credit spread developments for 5 year tenors

Credit spread widening has been uniform across the credit rating spectrum

Increased pricing differential between highly rated vs lower rated credit

Bank NCD spreads have seen the most widening on a relative basis



Source: Standard Bank, Exchange Capital

SBSA treasury update

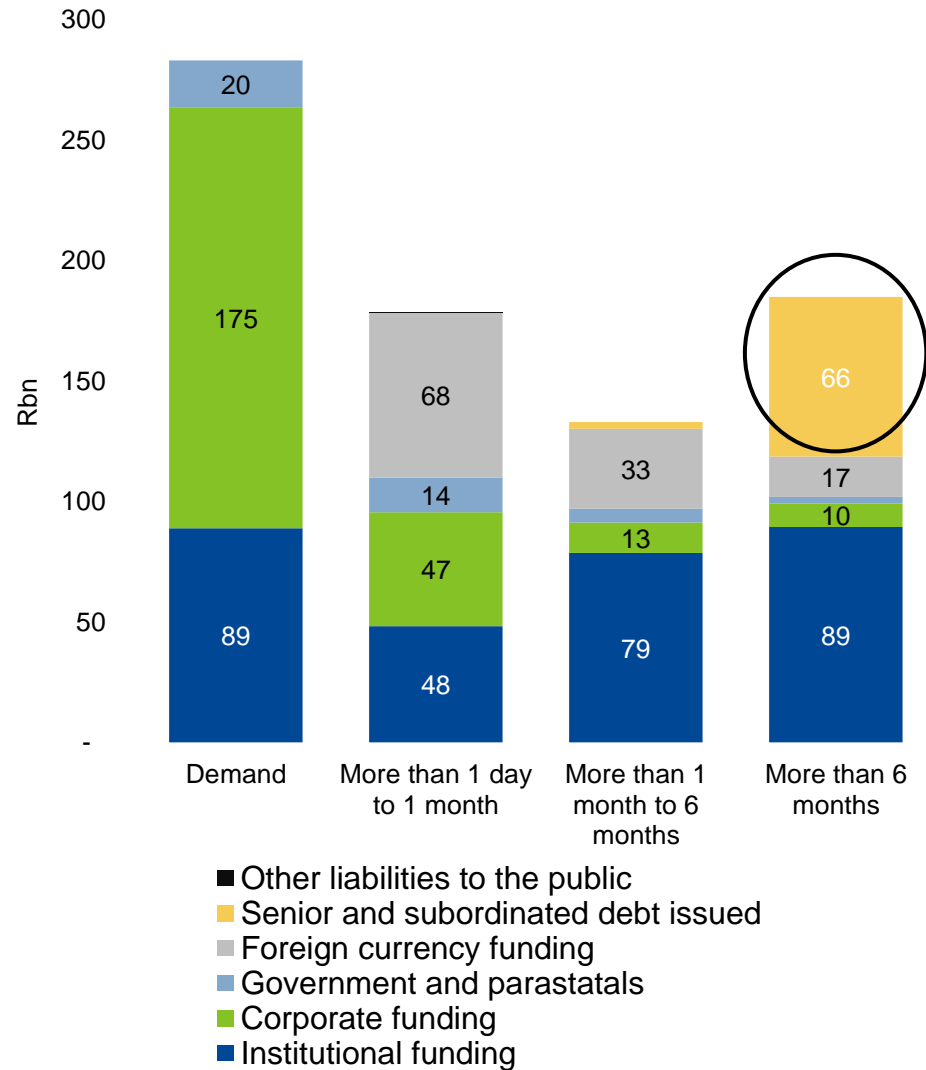
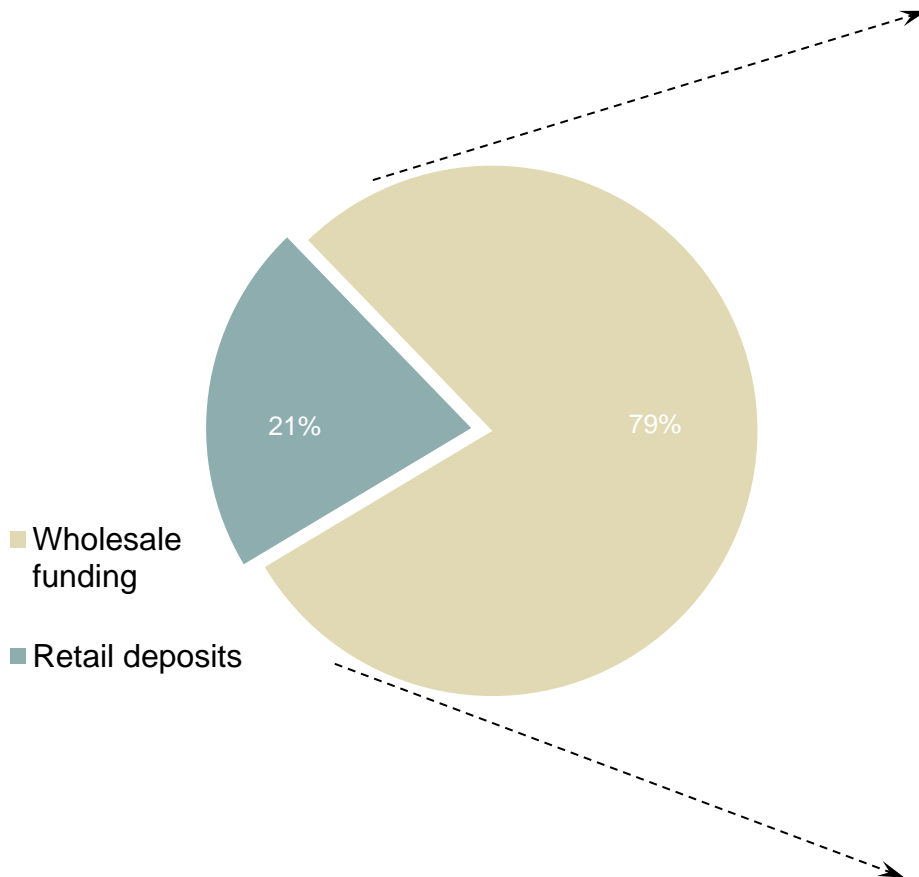
Liquidity management and Basel III

- **Liquidity Coverage Ratio (LCR) – Framework and SARB national discretion finalised**
 - The Basel III LCR was successfully implemented on 01 January 2015
 - SBSA remains comfortable that it will be able to meet the Basel III LCR on a continuous basis as per the phase-in arrangements set by the BIS
- **Net Stable Funding Ratio (NSFR) – SARB national discretion in the process of being finalised**
 - On 18 November 2015 the SARB issued a proposed directive suggesting national discretion, whereby an ASF factor of 35% will be applied to funding received from financial corporates with a remaining maturity of less than 6 months (currently 0% as per NSFR framework)
 - It is estimated that SBSA would have a NSFR in excess of 100% in the event of this discretion being implemented by the SARB
- **Basel III implementation timeline**

		2013	2014	2015	2016	2017	2018	2019
Liquidity	LCR	Regulatory reporting starts		60% minimum standard	70% minimum standard	80% minimum standard	90% minimum standard	100%
	NSFR	Regulatory reporting starts					100%	100%

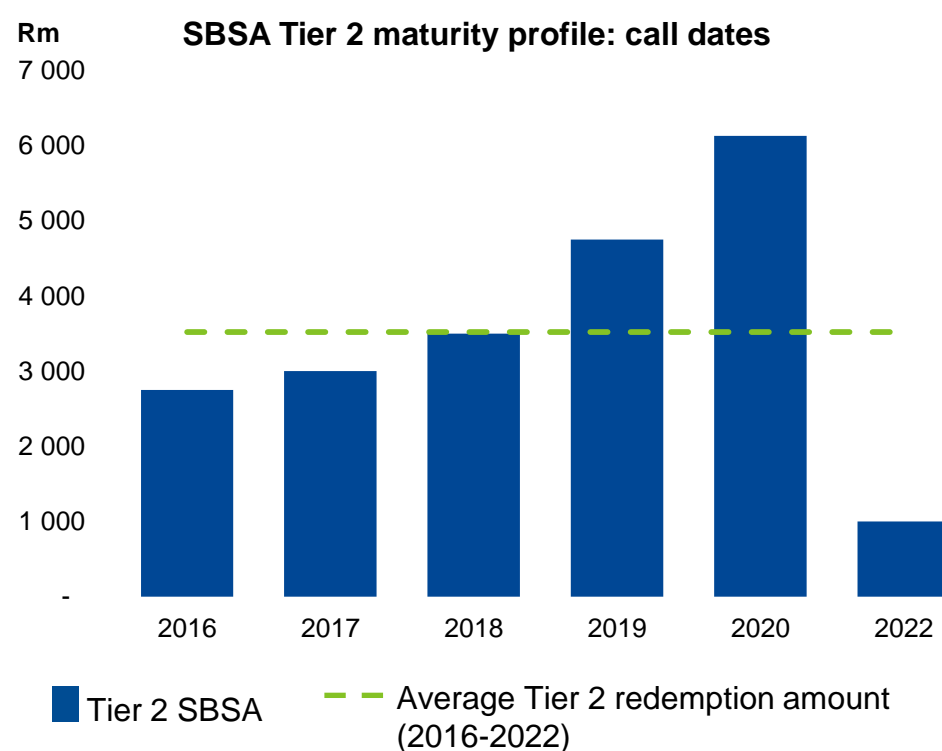
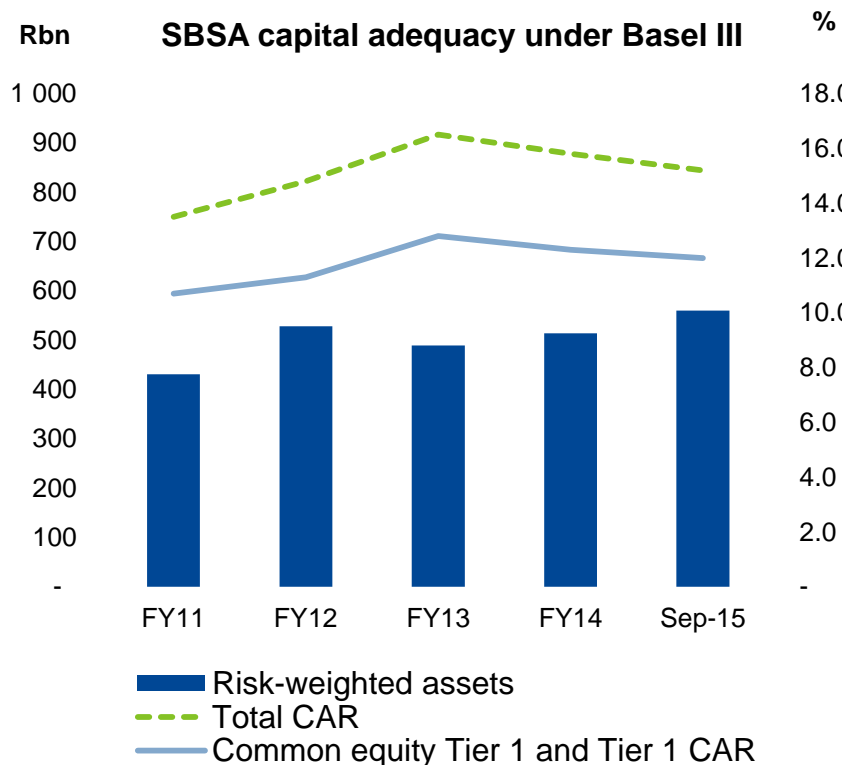
SBSA funding structure – counterparties and tenor

SBSA: R986bn (funding related liabilities)



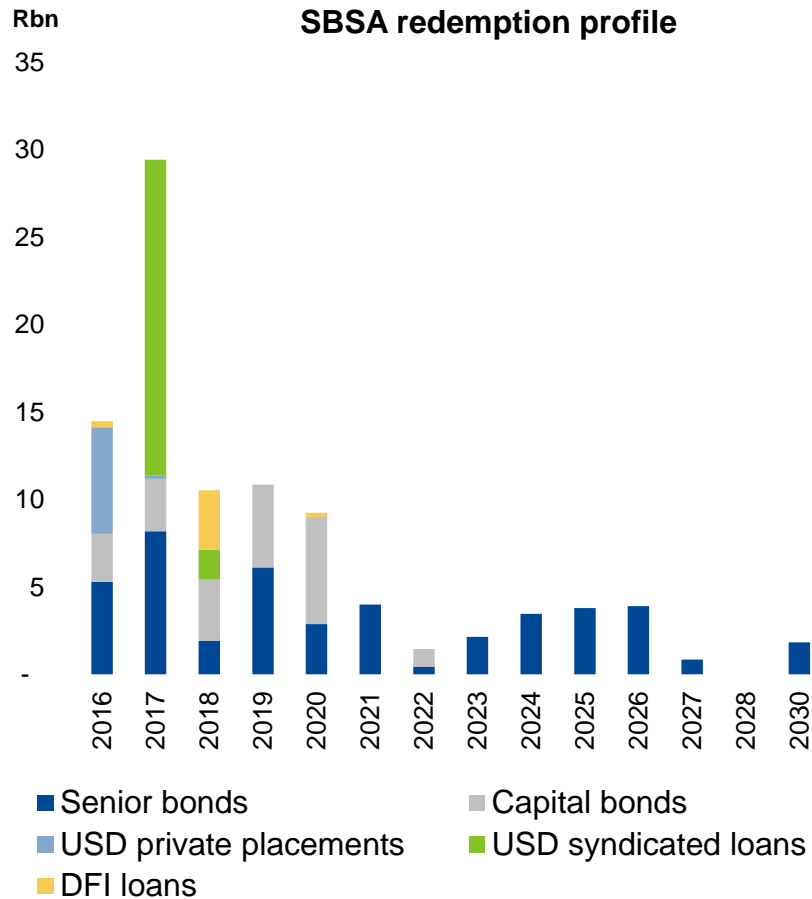
Source: SARB BA 900 (30 November 2015)

Capital management

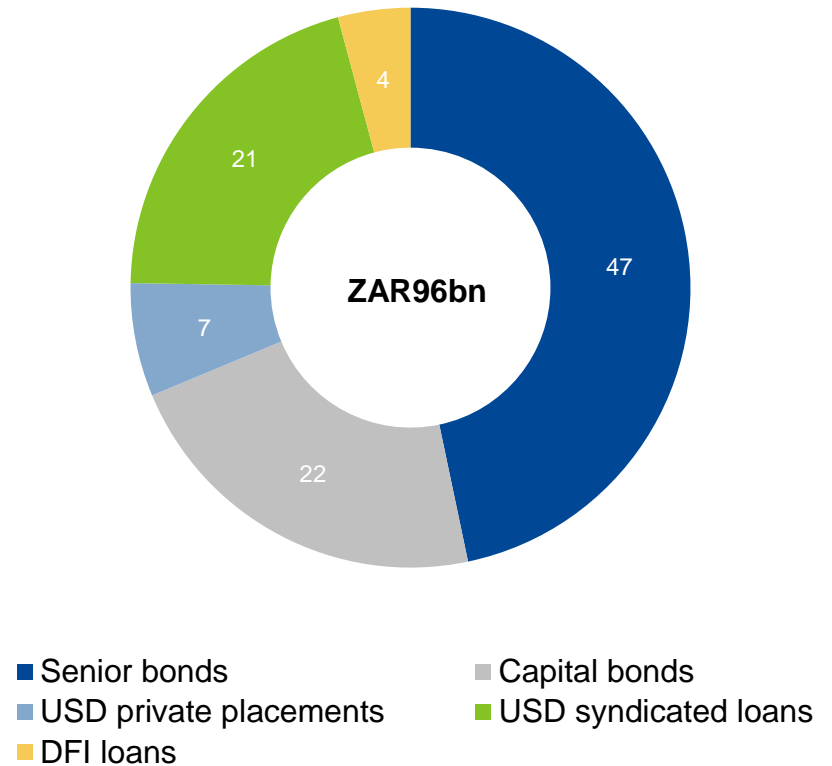


- SBSA continues to be adequately capitalised above Basel III regulatory minima
- Tier 2 instruments remain an important component of SBSA's capital structure
 - Issued R3.6bn Tier 2 bonds locally in 2015
- AT1 instruments can optimise the capital structure

SBSA debt capital and long term funding platforms



SBSA loan and debt capital market composition (%)



SBSA has accessed various markets locally and internationally for funding and debt capital

Source: Standard Bank Data as at 31 December 2015
 Exchange rate: USD/ZAR 15.48

Appendix

Standard Bank Research macroeconomic forecasts

	2014a	2015	2016	2017
Growth data				
Expenditure data on GDP %y/y	1.5	1.4	0.8	1.7
Current account balance % of GDP	-5.4	-4.2	-4.7	-2.7
Prices				
CPI Inflation % y/y	6.1	4.6	6.5	6.4
Interest rates				
Prime interest rate (period-end) %	5.75	6.25	7.25	7.50

	08 Jan 2016	Q1:2016	Q2:2016	Q3:2016	Q4:2016	2016
USD/ZAR						
SBR	15.95	16.00	16.50	16.50	16.17	16.20
GBP/ZAR						
SBR	23.32	24.95	24.75	23.65	22.50	24.00
EUR/ZAR						
SBR	17.35	17.44	17.33	17.00	16.00	17.00

Standard Bank Research (SBR) view

Latest bond taps and new issuances – financials (Source: SBR)

Issuer	Bond Code	Nominal	Coupon/Clearing yield	Settlement date	Tenor	Credit rating	Type of note
GRINDROD BANK	GLB02	0.160	(J+220)	15-Oct-15	3	Baa3.za	Floating
THE STANDARD BANK OF SOUTH AFRICA LTD	SBK24	0.880	(J+350)	19-Oct-15	5	AA	Floating
INVESTEC BANK LTD	INLV02	0.251	(J+370)	19-Oct-15	5	A+	Floating
FIRSTRAND	FRJ25	0.060	(J+200)	21-Oct-15	10	AA	Floating
OLD MUTUAL	OML07	0.460	(R186+300)	2-Nov-15	15	AA	Fixed
ABSA	ABFN15	0.320	(J+145)	11-Nov-15	5	AA	Floating
ABSA	ABS14	0.517	(R208+140)	11-Nov-15	5	AA	Fixed
ABSA	ABFN16	0.589	(J+165)	11-Nov-15	7	AA	Floating
ABSA	ABS15	0.605	(R2023+162)	11-Nov-15	7	AA	Fixed
ABSA	ABS16	0.586	(R186+201)	11-Nov-15	10	AA	Fixed
ABSA	ABS17	0.427	(R186+225)	11-Nov-15	12	AA	Fixed
THE STANDARD BANK OF SOUTH AFRICA LTD	SBS40	1.700	(J+155)	12-Nov-15	5	AA	Floating
THE STANDARD BANK OF SOUTH AFRICA LTD	SBS41	0.851	(R2023+164)	12-Nov-15	7	AA	Fixed
THE STANDARD BANK OF SOUTH AFRICA LTD	SBS42	0.776	(R186+207)	12-Nov-15	10	AA	Fixed
THE STANDARD BANK OF SOUTH AFRICA LTD	SBS43	0.400	(R186+225)	12-Nov-15	12	AA	Fixed
INVESTEC	INVL02	0.025	(J+370)	13-Nov-15	10	A+/AA-	Floating
NEDBANK LTD	NBK28B	0.476	(J+155)	16-Nov-15	5	AA	Floating
NEDBANK LTD	NBK22A	0.952	(R2023+174)	16-Nov-15	7	AA	Fixed
NEDBANK LTD	NBK23A	0.884	(R186+210)	16-Nov-15	10	AA	Fixed
NEDBANK LTD	NBK24A	0.666	(R186+235)	16-Nov-15	12	AA	Fixed
FIRSTRAND	FRBI23	0.050	5.50%	18-Nov-15	8	Aa2.za/AA(zaf)	Fixed
INVESTEC	IBL76	0.532	(J+140)	23-Nov-15	3	A+/AA-	Floating
INVESTEC	IBL77	0.751	(J+165)	23-Nov-15	5	A+/AA-	Floating
INVESTEC	IBL78	0.250	(R2023+175)	23-Nov-15	7	A+/AA-	Fixed
THE STANDARD BANK OF SOUTH AFRICA LTD	SBS42	0.200	(R186+200)	25-Nov-15	10	AA	Fixed
FIRSTRAND BANK LTD	FRBI23	0.050	0.055	25-Nov-15	8	Aa2.za/AA(zaf)	Fixed
INTERNATIONAL FINANCE CORPORATION	IFC01	1.000	(R186+25)	10-Dec-15	9	Aaa	Fixed
FIRSTRAND BANK LTD	FRBI23	0.050	0.055	11-Dec-15	8	Aa2.za/AA(zaf)	Fixed
LETSHEGO HOLDINGS LTD	LHL17	0.335	(J+550)	14-Dec-15	3	Ba3	Floating
LETSHEGO HOLDINGS LTD	LHL18	0.180	(R204+550)	14-Dec-15	4	Ba3	Fixed
LETSHEGO HOLDINGS LTD	LHL19	0.140	(R207+620)	14-Dec-15	4	Ba3	Fixed

Screenshot of SBSA's market making screen

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ZAR Government Bonds ZAR Government Bonds (Spreads) On the Run Senior Bonds Spots and Forwards

Standard Bank South Africa Corps 66) MSG Contributor 10:02:24
Zoom - + 100%

Standard Bank -> Sub Saharan Africa -> South Africa -> On the Run Senior Bonds (GDCO 31901 1)

Name	Security Des	Benchmark	Coupon	Bid	Ask	Time
1) SBS13	STABAN 8.9 09/22/17	R203		68.000	47.000	01/18
2) SBS25	STABAN 8.87 05/24/19	R204		112.000	91.000	01/18
3) SBS29	STABAN 8.69 06/12/19	R204		116.000	95.000	01/18
4) SBS37	STABAN 7.975 01/29/20	R207		130.000	110.000	01/18
5) SBS38	STABAN 9.09 01/29/25	R186		220.000	200.000	01/18
6) SBS15	STABAN Float 04/26/16	3mJ	1.25	35.000	15.000	01/18
7) SBS28	STABAN Float 04/24/17	3mJ	0.88	113.000	93.000	01/18
8) SBS35	STABAN Float 01/29/18	3mJ	1.20	131.000	111.000	01/18
9) SBS24	STABAN Float 05/24/19	3mJ	1.60	149.000	129.000	01/18
10) SBS30	STABAN Float 06/12/19	3mJ	1.05	150.000	130.000	01/18

INDICATIONS ONLY Sales : Theresa de Nobrega & Linda Nyembezi
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 OFFERS ARE INDICATIONS FOR A TAP OF A MINIMUM OF R250 MILLION
 WHERE FLOAT IS AVAILABLE OFFERS WILL BE SHOWN

Calculate your FX Derivative Portfolio Scenario Risk

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Thank you



Notes

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