

STANDARD BANK

SETTING THE STANDARD

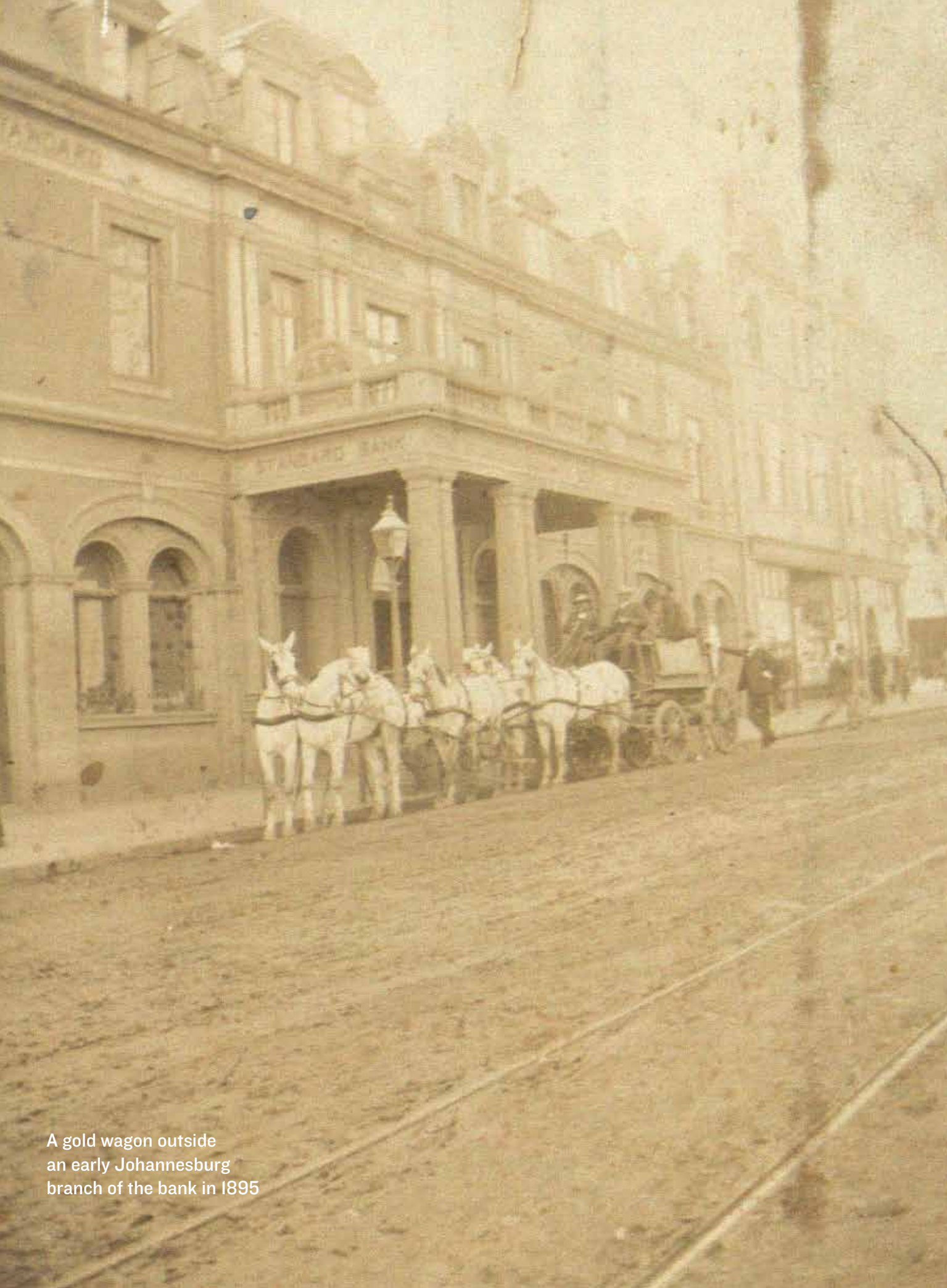


SETTING THE STANDARD

*How Standard Bank plays a key role
within Africa's emerging markets and
its ongoing commitment to the continent*

EDITED BY: WILL DAYNES
RESEARCH BY: RICHARD HALFHIDE





A gold wagon outside
an early Johannesburg
branch of the bank in 1895

The First Quantum Minerals (FQM) story began in the late 90s and spans humble beginnings from a tailings retreatment process at Bwana Mkubwa in Zambia, to its present day achievable aspiration to be one of the world's leading copper producers. The financing and development of Kansanshi marked the transition of the company to a fully fledged miner and the beginning of a spectacular growth story for the company over the last decade. Following the Kansanshi success, FQM expanded their footprint through the African Copper belt, the African continent and then on an international scale as the company diversified into Nickel and acquired Kevitsa and Ravensthorpe. Acquisitions continued with the Antares, Haqira Project in Peru and the most recent widely publicised Inmet acquisition, including the large scale Cobre Panama Project.

FQM GROWTH STORY AND STANDARD BANK SUPPORT

Standard Bank has partnered with the company throughout this story with a relationship dating back to the initial financing of the company's flagship Kansanshi Project – Africa's largest copper mine and the world's eighth largest copper mine today. In December 2003 Standard Bank, as a Co-Lead Arranger and Underwriter, signed a \$120 million export credit and commercial debt facility for the development of Kansanshi. Vaughan Wickins an Executive in the bank's Mining and Metals teams comments, "the Kansanshi financing was a landmark transaction as it was the first

mine financing in Zambia done on a project finance basis. Standard Bank was confident to underwrite the senior loan which included the Export Credit Insurance Corporation of South Africa. The financing structure also incorporated an asset finance, overrun and power line cost element, however the senior loan facility was ultimately awarded the Project Finance Magazine *Mining Deal of 2003 – Africa*". In addition to the senior loan support, Standard Bank signed a \$6 million short term facility to finance the company's capital contribution to ZESCO (the Zambian power utility), providing for the construction and installation of a transmission line and new substation to connect Kansanshi to the ZESCO power grid.

In October 2006, Standard Bank was a lender to the \$400 million corporate facility that enabled the refinancing of the Kansanshi facility and financing for the company's additional projects and general corporate purposes. By the end of 2006, FQM had four African assets including Kansanshi, Bwana Mkuba/Lonshi, Frontier Copper in the DRC and Guelb Moghrein in Mauritania.

2008 was a busy year for FQM. The company acquired Scandinavian Minerals and the Kevitsa nickel-copper-PGE project in Finland - one of the world's largest undeveloped, sulphide nickel deposits at the time - and later in the year announced the acquisition of BHP Billiton's Ravensthorpe nickel operation in Western Australia. FQM was advancing its plans to become one of the world's leading nickel producers. Following a decision to commence development of the Kevitsa Project, Standard Bank was again



mandated as a lead arranger on a \$250 million debt facility to fund development.

STANDARD BANK GROWTH STORY

Standard Bank is the largest bank in Africa with over 150 years of operating history on the continent and employs more than 50,000 people worldwide. The bank operates in 18 countries in sub-Saharan Africa and is building Africa's leading financial services organisation.

Africa is expected to benefit from sustained economic growth in the decade to 2020.

Standard Bank with its on-the-ground presence and unmatched knowledge of Africa's economies, resources, clients and communities, is uniquely positioned to ride the wave of the African growth story. Standard Bank operates around 550 retail branch outlets outside of South Africa and

plans ongoing investment in its operations across the rest of Africa. Including South Africa the bank currently operates around 8,500 ATMs across the continent.

The strategic partnership with its 20 percent shareholder, the Industrial and Commercial Bank of China, has proved rewarding. In 2008 the \$5.5 billion investment was the largest foreign investment into South Africa and largest foreign investment by a Chinese bank internationally. The transaction marries China's appetite for commodities with Africa's vast resources and Standard Bank's expertise on the continent.

Standard Bank's achievements have been acknowledged across the industry, with the bank recently being named as Best Investment Bank in Africa by Euromoney. The award adds to Standard Bank Group's list of accolades received in 2013, including winning eleven

'EMEA Finance Achievement' awards; the 'African Deal of the Year' award for Konkola Copper Mines financing in the 2013 Project Finance Deal of the Year Awards; 'Commercial Deal of the Year' in the 2013 Trade & Forfaiting Review; and being named 'Best Trade Finance Bank in Africa' by Global Finance.

Mr David Munro, Chief Executive of Standard Bank Corporate and Investment Banking said, "Our clients are at the heart of everything we do. We have a unique footprint and physical presence across Africa, global connectivity to serve Africa, unique sector expertise with a specialisation in natural resources and a talented team, all of which reinforce our position as the leading financial services organisation on the continent."

STANDARD BANK'S MINING AND METALS EXPERTISE

Standard Bank's focus on resources is supported by the vast potential of the African continent. It is an institution steeped in mining history with its head office situated in the South African gold region of the Witwatersrand in the Gauteng Province. There are not many institutions that can have their employees look out of the head office windows and see mining headframes in the distance.



Commenting on the bank's support for First Quantum and its mining pedigree, Mr Wickins says "FQM's experience and track record in successfully developing and operating complex projects has set them apart from other miners. It remains a key aspect that has underpinned Standard Bank's ongoing support for the company. It is a similar focus on technical expertise along with our track record that has seen Standard Bank finance the majority of new copper mine developments in Africa over the last decade, this includes financing for FQM, KCM, Equinox, Discovery Metals and Metorex. "

The mining and metals sector is high risk with the challenges only exacerbated in the current climate of falling commodity prices. At times like these it's important for companies to partner with banks that have

“STANDARD BANK'S FOCUS ON RESOURCES IS SUPPORTED BY THE VAST POTENTIAL OF THE AFRICAN CONTINENT”

a long term commitment to the sector and the continent. Mining and metals remains a core business for Standard Bank and its comprehensive service offering includes providing innovative and flexible financing, advisory, trading, ECM and treasury solutions to clients. The bank's mining and metals team includes extensive technical expertise with individuals ranging from the various disciplines of mine engineering, geology, metallurgy and process engineering. We are able to leverage this in-house technical expertise and track record of successfully executed transactions to assist clients achieve their development objectives. The Bank's network of offices in all the major mining regions of the world enables it to provide analyses of global commodity trends and to stay abreast of local developments.

As part of the bank's expertise in supporting the mining sector, Standard Bank is currently the leading ECM platform in Africa, closing twelve transactions in 2012 with a deal value in excess of \$2 billion and being awarded Euromoney's 2013 award for Best Equity House in Africa.

ADDITIONAL PRODUCT SUPPORT TO FQM

While the funding support Standard Bank has provided to FQM has been an important aspect in assisting the company's growth plans, the bank has also been a long standing provider of day to day banking support in Zambia, including provision of new ATMs and branches as well as situating bank staff on the client's premises. The Bank's FX trading teams situated in Lusaka, Johannesburg, NY and London offer real time market views and

“STANDARD BANK IS CURRENTLY THE LEADING ECM PLATFORM IN AFRICA, CLOSING TWELVE TRANSACTIONS IN 2012 WITH A DEAL VALUE IN EXCESS OF \$2 BILLION”

trading solutions to mitigate currency risks and ensure efficient operational management.

In addition to transactional and FX support, the bank has an established capability in commodity trading, notably in the African copperbelt. Steve Reece Head of Base Metals Trading at Standard Bank commented on the physical trading environment in the region: “Standard Bank has actively supported mining companies in the region and established an impressive physical commodity capability over the last ten years. Our support to miners includes the ability to act as an offtaker and take physical Cu metal in a variety of forms including everything from concentrate through to LME grade copper cathode. In addition we have provided short term working capital support linked to physical offtake solutions. In the case of FQM and various other miners, providing short dated QP hedging lines has assisted the miners in managing their near term commodity price exposure, whilst the provision by Standard Bank to many miners of longer dated lines has helped those miners provide their debt-holders and shareholders with price security in extremely volatile times”

FQM has a good understanding of commodity sales and marketing, following the acquisition of the trading company,

Republic House in 2010. The marketing and sale of the company's copper production is handled by Metal Corp Trading, the separate entity it established following the acquisition.

Standard Bank's strength in global commodity trading is supported by 24 hour coverage of spot, forward, options and other derivative instruments in precious and base metals as well as capability in iron ore and other metals.

STANDARD BANK IN ZAMBIA

In Zambia, Standard Bank trades as Stanbic Bank and was established in 1992 offering Personal and Business Banking, Corporate and Investment Banking and Wealth Management. The Bank has 22 branches spread across the country, including the Copperbelt and North Western Province, with 48 ATMs all equipped with VISA facilities. The bank has invested significantly in growing its capacity in Zambia across both these provinces.

Standard Bank's Corporate and Investment Banking business in Zambia serves a wide range of client requirements across banking, finance, trade, risk management and advisory services. The division has built a deep understanding of the market dynamics in Zambia and maintains a specific focus on industry sectors that are



“THE WORK DONE IN ZAMBIA, SOUTH AFRICA AND THE UK HAS ADDED SIGNIFICANT VALUE TO THE CLIENT AND INCREASED THE STRENGTH OF THE RELATIONSHIP”

most relevant to Zambia and have a strong local value proposition, including mining and metals, telecommunications, power and infrastructure, agribusiness and financial institutions. The local team is able to provide clients with relevant experience and deep insight into the local commercial and regulatory environments.

For both FQM and Standard Bank, Zambia remains an important country of focus. Standard Bank's strong presence in Zambia means the bank is well positioned to continue supporting FQM's Zambian growth strategy. FQM's current assets in-country include a strategic investment in Mopani Copper Mines (whose assets include the Mufulira mine, smelter and refinery and the Nkana mine, concentrator and cobalt plant), the expanding Kansanshi Project, construction of a copper smelter at the mine, and the Trident Project incorporating Sentinel (Copper), Enterprise (Nickel) and Intrepid (Uranium).

In terms of location, the flagship Kansanshi mine and Project Trident are situated in the North Western Province of Zambia some 15 kilometres and 150 kilometres west of Solwezi, respectively. Solwezi has quickly grown into a major mining centre serving the aforementioned projects as well as Barrick Gold's Lumwana mine. The area is

capable of producing well in excess of 1 M tonnes per year of copper as well as other by-product metals including gold. The region has become an increasingly important province for the country.

The Trident Project will be built around a new urban development, Kalumbila, in the North Western Province and the Bank has been at the forefront of providing financial services and support to FQM, notwithstanding the relative infancy of this particular initiative.

We are providing a temporary drop-down ATM solution whilst the town and mine are being constructed. Once operations begin in earnest, the Bank shall open a full-service branch at the mine to ensure access by the company to the best commercial banking services possible and minimal disruption to operations at the mine.

Over the last two years, Zambia has introduced significant and far-reaching regulatory changes. Several of these have presented challenges to businesses including FQM, as one of Zambia's largest tax payers. Statutory Instrument 55 (Monitoring of Balance of Payments), introduced in July 2013, has required significant operational planning and adjustments. Standard Bank set about understanding the implications of the new regulations and in collaboration with



FQM and the regulator, formulating solutions and human capital support to guide the client through the process. The work done by the Bank in Zambia, South Africa and the UK has added significant value to the client and increased the strength of the relationship. Particularly noteworthy, underlying the unique relationship that exists between the two businesses is the decision to commit part of the Bank's headcount solely to FQM at Kansanshi as a result of SI55.

Stanbic Zambia continues to service a number of the other major miners in-country, including Barrick Gold and Vedanta Resources. More recently the Standard Bank Group won Project Finance magazine's 2012 African Mining Deal of the Year for the \$700 million project funding for Konkola's development of the Konkola Deep Mining Project.

Paul Richards, Head of Corporate and Investment Banking at Stanbic in Zambia said, "We are African in ethos and culture. I personally take much pride and comfort from

one of our more recent strap lines, which I think describes in two short sentences the essence of our Bank. "They call it Africa. We call it home". We aim 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"

It is a testament to the Zambian Government's commitment to supporting the mining sector that FQM has had the confidence to commit to its large scale development plans in the country. Following commissioning of Sentinel and further Kansanshi expansions, FQM will initially be targeting annual copper production in Zambia of approximately 700,000 tonnes per annum. Planned capital expenditure in-country will be in the order of \$3.4 billion.

Africa is a key focal point for growth within the emerging markets and Standard Bank plays an important role in continuing to support development, leveraging its people, expertise and track record. Standard Bank's commitment to the continent and the sector is evident - "They call it Africa. We call it home". **BE**

For more information about Standard Bank visit:
www.standardbank.com



STANDARD BANK

www.standardbank.com

Produced by:

ACHIEVING BUSINESS EXCELLENCE ONLINE

BE Business Excellence

www.bus-ex.com