Standard Bank

STANDARD BANK GROUP

RESULTS ANNOUNCEMENT

for the six months ended 30 June 2023

"Standard Bank Group's strong 1H23 performance can be attributed to our differentiated franchise and Africa-focused strategy. We have continued to support our clients and our teams have managed the business well through an uncertain geopolitical environment and volatile market conditions."

– Sim Tshabalala, Group Chief Executive Officer

Africa Regions contributed **44% of group** headline earnings

On-the-ground presence in **20 countries** in sub-Saharan Africa

PRESENCE IN INTERNATIONAL MARKETS

Beijing Dubai
New York London

INTERNATIONAL FINANCIAL SERVICES

Isle of Man Mauritius
Jersey

AFRICA IS OUR HOME, WE DRIVE HER GROWTH

1H23 HIGHLIGHTS

>R7 billion
in rewards awarded to SA customers over the past decade

355 million ▲ 14%
digital banking transactions in six months

R1.8 trillion ▲ 8%
client funds entrusted to us for safekeeping

R1.4 trillion ▲ 6%
assets under management across the continent

18 million ▲ 7%
active clients

R83 billion
sustainable finance mobilised since January 2022

>20 thousand
clients proactively assisted in SA with debt affordability solutions

R45 billion
in interest paid to clients

ROE (%)	18.9	▲	1H22: 15.7 %[1]
HEADLINE EARNINGS (Rm)	21 231	▲ 35%	1H22: R15 691 million[1]
HEADLINE EARNINGS PER ORDINARY SHARE (cents)	1 280.6	▲ 34%	1H22: 955.5 cents[1]
EARNINGS PER ORDINARY SHARE (cents)	1 322.4	▲ 35%	1H22: 980.6 cents[1]
TOTAL DIVIDEND PER ORDINARY SHARE (cents)	690	▲ 34%	1H22: 515 cents[1]
BANKING COST-TO-INCOME RATIO (%)	50.5	▼	1H22: 55.5%[1]
TOTAL INCOME (Rm)	87 160	▲ 29%	1H22: R67 714 million[1]
NET ASSET VALUE PER ORDINARY SHARE (cents)	13 928	▲ 10%	1H22: 12 652 cents[1]

[1] 1H22 and FY22, where applicable, have been restated as a result of the implementation of IFRS 17 *Insurance Contracts*. For further details refer to the full results announcement.

INTERIM DIVIDEND DECLARATION

	Ordinary shares	6.5% cumulative preference shares (first preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (second preference shares)[1]
JSE Limited (JSE)			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000109815	ZAE000038881	ZAE000056339
Namibian Stock Exchange (NSX)			
Share code	SNB		
ISIN	ZAE000109815		
Dividend number	107	108	38
Gross distribution/dividend per share (cents)	690.00	3.25	422.60421
Net dividend	552.00	2.60	338.08337
Last day to trade in order to be eligible for the cash dividend	Tuesday, 12 September 2023	Tuesday, 5 September 2023	Tuesday, 5 September 2023
Shares trade *ex* the cash dividend	Wednesday, 13 September 2023	Wednesday, 6 September 2023	Wednesday, 6 September 2023
Record date in respect of the cash dividend	Friday, 15 September 2023	Friday, 8 September 2023	Friday, 8 September 2023
CSDP/broker account credited/updated (payment date)	Monday, 18 September 2023	Monday, 11 September 2023	Monday, 11 September 2023

[1] The non-redeemable, non-cumulative, non-participating preference shares (SBPP) are entitled to a dividend of not less than 77% of the prime interest rate during the period, multiplied by the subscription price of R100 per share.

GROUP RESULTS

Standard Bank Group Limited's (SBG or group) prior year numbers have been restated following the introduction of IFRS 17 *Insurance Contracts* (IFRS 17). The new standard was effective from 1 January 2023 and applied retrospectively, from 1 January 2022. Details of the adjustments are included in the IFRS 17 Transition Report available on the Investor Relations website. All commentary that follows is relative to the restated numbers.

In the six months to 30 June 2023 (1H23), the group recorded headline earnings of R21.2 billion, up 35% relative to the six months to 30 June 2022 (1H22) and delivered a return on equity of 18.9% (1H22: 15.7%). This performance is underpinned by robust earnings growth across our three banking businesses and improved earnings and returns in our insurance and asset management businesses. Our Africa Regions franchise performed particularly well, contributing 44% to group headline earnings.

Net asset value grew by 10% and the group ended the current period with a common equity tier 1 ratio of 13.4% (31 December 2022: 13.4%). The SBG board approved an interim dividend of 690 cents per share which equates to an interim dividend payout ratio of 54%.

Our banking businesses benefitted from continued client franchise growth, larger balance sheets and increased transaction volumes, as well as certain market and interest rate tailwinds. Revenue growth was well ahead of cost growth which supported strong positive operating leverage and a decline in the cost-to-income ratio to 50.5%. Credit impairment charges increased across all portfolios, reflective of the difficult macroeconomic environment and the deteriorating outlook, as well as client-specific strain. The credit loss ratio increased to 97 basis points, at the upper end of the group's through-the-cycle range of 70 to 100 basis points. Banking operations recorded headline earnings growth of 42% to R18.7 billion and ROE improved to 19.0% (1H22: 15.3%).

Our insurance and asset management business unit (which now combines the businesses previously housed in Liberty Holdings with the other insurance and asset management businesses in the group) recorded improved operational performance and headline earnings of R1.4 billion (1H22: R1.1 billion). The life insurance operations recorded increases in indexed new premiums and the short-term insurance business recorded increased gross written premiums. Group assets under management increased by 6% to R1.4 trillion.

The South African banking franchise headline earnings grew by 17% to R8.4 billion and ROE improved to 15.2% (1H22: 13.7%). The Africa Regions franchise headline earnings grew by 65% and ROE improved to 28.4% (1H22: 20.4%). The top six contributors to Africa Regions headline earnings were Ghana, Kenya, Mozambique, Nigeria, Uganda and Zimbabwe.

During the period, the group proactively assisted over 20 000 South African clients through various client assistance initiatives. The group also continued to assist clients with their sustainability journeys and structured several innovative market firsts in the period. In 1H23, the group mobilised R28 billion in sustainable finance for clients, of which 40% was for clients in Africa Regions. The business is well on its way to delivering on the R50 billion sustainable finance commitment for FY23. We also raised R6.6 billion in green and sustainability-linked treasury finance to support the group's sustainable finance initiatives.

OPERATING ENVIRONMENT

In the first six months of the year, inflation remained elevated, central bank policy rates continued to trend up and global growth slowed. Markets remained volatile. China's recovery has been slower than previously expected, and the financial sector experienced some turbulence.

In sub-Saharan Africa, higher interest payment obligations have placed pressure on sovereigns with high debt levels. Inflation rates remained at elevated levels. During 2023, we have welcomed positive actions in Ghana, Kenya, Nigeria and Zambia which have reduced sovereign credit risks in these markets. The most notable change was the liberalisation of the Naira which, although negative for inflation in Nigeria in the short term, is promising for growth and investment in the medium to long term. Sovereign credit risk remains high, however, in Malawi and has increased in Angola and Mozambique. In February 2023, South Africa and Nigeria were grey listed by the Financial Action Task Force.

South Africa experienced similar inflation and interest rate pressures, exacerbated by continued slow reforms, poor service delivery, and increased electricity and logistics disruptions. Inflation remained outside the South African Reserve Bank's (SARB) target range of 3% to 6% for most of the period, resulting in a further increase in the repo rate of 125 basis points to end the period at 8.25%. Interest rates have increased by 450 basis points since the start of 2022, placing considerable pressure on consumers and businesses. Consumer and business confidence remained low, and demand declined.

PROSPECTS

Downside risks to global growth remain. Inflation is still expected to decline but the rate thereof may slow into 2024. Interest rates are therefore expected to remain higher for longer. The International Monetary Fund (IMF) forecasts global real GDP growth of 3.0% for 2023 and 2024. The IMF expects sub-Saharan Africa to grow at 3.5% and 4.1% in 2023 and 2024 respectively. Significant currency devaluations, for example in Angola and Nigeria, are likely to drive elevated inflation in the short-term.

In South Africa, inflation has recently returned to within the SARB's target range and expectations are that it will move closer to the midpoint in the medium term. Accordingly, in July 2023, the SARB kept interest rates flat, which we believe to be the end of the tightening cycle. Standard Bank Research expects interest rates to remain flat at 8.25% for the rest of the year and real GDP growth to be 0.8% for 2023. Moderating inflation, interest rate cuts (expect cumulative cuts of 125 basis points in 2024) and increased electricity supply should drive an improvement in confidence, demand, and investment in 2024. Real GDP growth is expected to be 1.4% in 2024 and closer to 2.0% in the medium term.

Against this constrained background, for the six months to 31 December 2023 (2H23), we expect high interest rates to constrict demand and balance sheet growth. Interest rates are likely to have peaked and net interest margin tailwinds are expected to fade. Market volatility is unlikely to continue at levels seen in 2022 and 1H23, which will result in lower client trading activity. In 2H23 (versus 2H22), net interest income growth is expected to moderate to low teens, banking fees are expected to grow mid-single digits, while trading revenue is expected to decline by mid-teens if market volatility and increased client activity is not repeated. Cost growth is expected to moderate. In terms of credit impairment charges, while BCB's credit impairment charges are expected to remain elevated, PPB's charges are expected to decline as the book growth slows and specific de-risking initiatives gain traction. CIB's credit impairment charges could match the 1H23 charge given continued sovereign and corporate stress.

For the twelve months to 31 December 2023 (FY23), banking revenue growth is expected to be stronger than previously guided in March 2023 but moderate relative to the strong 1H23 on 1H22 performance. Despite continued management focus, banking cost growth is likely to remain elevated on the back of ongoing inflationary pressures, particularly in Africa Regions, higher performance-related incentives, continued investment in our franchise and to ensure our client propositions remain competitive. Banking revenue growth is expected to remain ahead of cost growth resulting in positive jaws. The credit loss ratio is expected to remain in the upper half of the group's through-the-cycle target range of 70 to 100 basis points driven by year-on-year increases in credit impairment charges across all three banking business units. The group's FY23 ROE is expected to be inside the group's 2025 ROE target range of 17% to 20%.

As in previous cycles, we will continue to support our clients through these difficult times. We remain committed to our purpose of driving Africa's growth. This includes supporting Africa's just energy transition and, particularly, South Africa's renewable energy projects. In South Africa, we continue to work with the authorities to improve the legal and compliance environment in the context of the FATF grey listing recommendations and with the public and private sector to accelerate growth-enhancing initiatives.

In line with our 2025 commitments, we remain focused on delivering earnings growth, attractive returns and continued positive impact in the economies and societies in which we operate.

The forecast financial information above is the sole responsibility of the board and has not been reviewed and reported on by the group's auditors.

ADMINISTRATIVE INFORMATION

This announcement is a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decisions by investors or shareholders should be based on a consideration of the full announcement released on SENS or available at **www.standardbank.com/reporting** or by emailing **InvestorRelations@standardbank.co.za** and also on the following JSE website: **https://senspdf.jse.co.za/documents/2023/jse/isse/SBK/SBGHY23.pdf**

The 30 June 2023 (1H23) results, including comparatives for 30 June 2022 (1H22), where applicable, have not been audited or independently reviewed by the group's external auditors and the directors of the group take full responsibility for the preparation of this announcement. Change percentage reflects 1H23 change on 1H22, unless otherwise indicated.

Copies of the full announcement is available for inspection at the Company's registered office, and the offices of the JSE Sponsor at **jsesponsor@standardbank.co.za**, on weekdays from 09:00 to 16:00 and may be requested by emailing **InvestorRelations@standardbank.co.za**.

Forward-looking statements contained above are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty. The group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements.

Registered office: 9th floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg 2001, PO Box 7725, Johannesburg 2000 **Namibian sponsor:** Namibia: Simonis Storm Securities (Proprietary) Limited **JSE sponsor:** The Standard Bank of South Africa Limited **Directors:** NMC Nyembezi (chairman), LL Bam, PLH Cook, A Daehnke*, GJ Fraser-Moleketi, Xueqing Guan[1] (deputy chairman), GMB Kennealy, BJ Kruger, Li Li[1], JH Maree (deputy chairman), NNA Matyumza, ML Oduor-Otieno[2], ANA Peterside CON[3], SK Tshabalala* (chief executive officer).

* Executive director [1] Chinese [2] Kenyan [3] Nigerian

All nationalities are South African, unless otherwise specified.

Share codes: JSE share code: SBK ISIN: ZAE000109815 NSX share code: SNB ZAE000109815 A2X share code: SBK SBKP ZAE000038881 (first preference shares) SBPP ZAE000056339 (second preference shares)

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