Standard Bank Group Limited
Registration No. 1969/017128/06
Incorporated in the Republic of South Africa
JSE and A2X share code: SBK
ISIN: ZAE000109815
NSX share code: SNB
SBKP ZAE000038881 (First preference shares)
SBPP ZAE000056339 (Second preference shares)
("Standard Bank" or "the group")

Voluntary trading update for the four months to 30 April 2021 and trading statement for the six-month period ending 30 June 2021

Pre-close trading update

Since our operational update in April 2021, the global environment has improved. Upward revisions to the global growth outlook are positive - the IMF upgraded its expectations for global gross domestic product (GDP) growth in 2021 to 6%. The interest rate hiking cycle is expected to be delayed. Strong global commodity demand and pricing are favourable for sub-Saharan Africa, and South Africa in particular.

In South Africa, strong export prices have driven a trade surplus and the fiscal outlook has improved. There are signs that an economic recovery is underway, and sentiment has improved. Inflation is expected to remain contained and interest rates are expected to remain low. This should support household demand and expenditure. Year to date, the South African Rand (ZAR) has strengthened relative to other major currencies and most of the currencies in the countries in which the group operates.

The global COVID-19 vaccine roll-out has gained good momentum. In sub-Saharan Africa, the roll-out is underway but vaccine access and distribution remain key hurdles. In South Africa, the mass vaccine rollout has started and is expected to gain momentum in the coming weeks. Pandemic-related restrictions have largely been rolled back across our countries of operation and economies are showing signs of recovery. Infection waves are expected to continue at different paces and severities (for example, South Africa has just entered a third wave and Kenya has emerged from theirs). Future lockdowns are expected to be more targeted and less restrictive.

Unless indicated otherwise, all commentary below refers to the group's performance for the four months to 30 April 2021 (4M21). The prior period is the four months to 30 April 2020 (4M20) and the period before that is the four months to 30 April 2019 (4M19). The stronger ZAR reduced both revenue and costs by 5% period on period. Commentary on constant currency performance has been included where relevant.

In 4M21, mortgage and vehicle and asset finance disbursements in South Africa were well above 4M20 and business disbursements grew double digits. In Africa Regions, personal loan volumes were also higher period on period, driven by strong digital channel origination. Despite relatively strong Investment Banking origination in April 2021, corporate client balances declined as clients took the opportunity to repay loans. In addition, foreign currency balances declined due to the translation impact related to the stronger ZAR.

In 4M21, net interest income (NII) declined mid-single digits but was flat in constant currency. Significantly lower margins (driven by lower average interest rates period on period) were partially offset by higher average interest-earning assets. Net interest margin remained at a similar level to 2H20 (2H20: 353 bps). NII was down low-single digits relative to 4M19.

In 4M21, non-interest revenue (NIR) declined high-single digits as trading revenues were lower period on period relative to the high base in 4M20. Net fee and commission revenue were down low-single digits relative to 4M20 levels but grew mid-single digits in constant currency. Card issuing turnover in South Africa was up double-digits period on period. Digital transaction volumes in Africa Regions also recorded strong growth. NIR was up mid-single digits relative to 4M19.

Costs declined low- to mid-single digits relative to 4M20. Unfortunately, revenue pressure outweighed strong cost containment, resulting in negative jaws. Costs increased low-single digits in constant currency. Costs increased by low-single digits relative to 4M19.

Credit performance in 4M21 was better than expected. Credit impairment charges were significantly lower in 4M21 relative to 4M20, driven by lower forward-looking provisions and releases related to corporate clients. The credit loss ratio for 4M21 was marginally below the top of the group's previous through-the-cycle range of 70 – 100 basis points. Credit charges and the credit loss ratio remained elevated relative to 4M19. Credit loss ratio for FY21 is still expected to be above the top of the previous through-the-cycle range.

ICBC Standard Bank plc remained profitable for the period. With regards to Liberty Holdings Limited's (Liberty) performance, please refer to Liberty's voluntary operational update announcement released on SENS on 15 May 2021.

Group return on equity recovered relative to the 8.9% reported in FY20 and was closer to the group's cost of equity (FY20: 14.4%).

Recovery trajectories are likely to differ across the markets in which we operate, the positive global backdrop should provide some support. Group guidance for the twelve months to 31 December 2021, as provided in March 2021, is unchanged.

The group's capital and liquidity levels remain well above regulatory minimums and internal risk appetite thresholds. The group's common equity tier 1 ratio (including unappropriated profits) was 13.2% as at 31 March 2021 (31 December 2020: 13.2%). Additional capital and liquidity information can be found in the group's Pillar 3 Report available on the group's Investor Relations website.

The group expects to be in a position to declare an interim dividend in August 2021. The FY21 dividend payout ratio is expected to be above FY20 levels but below historic levels of 45% - 55%.

Standard Bank will release its financial results for the first half of 2021 on 19 August 2021 and will host a Strategic Update event for shareholders on 20 August 2021. The group will provide an update on the group's medium-term financial targets as part of the Strategic Update event. The event will be virtual and details will be made available on the group's Investor Relations website in due course.

<u>Trading statement</u>

In terms of the Listings Requirements of the JSE Limited, a listed company must publish a trading statement once it is satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported will differ by at least 20% from reported financial results for the previous corresponding period.

Shareholders are advised that Standard Bank Group's headline earnings per share (HEPS) for the six-month period ending 30 June 2021 are expected to be more than 40% higher than the reported HEPS for the comparable period (1H20 HEPS: 473.8 cents) and earnings per share (EPS) are expected to be more than 2.8 times the reported 1H20 EPS (1H20 EPS: 236.7 cents). In 1H20, the group's EPS were negatively impacted by the finalisation of sale of the group's 20% stake in ICBC Argentina and certain IT intangible impairments.

We will provide a more specific guidance range once there is reasonable certainty regarding the extent of the increase in earnings.

Investor call

Standard Bank will host an investor call at 17h00 (South Africa time) on 31 May 2021. The call registration details are available on the Standard Bank Group Investor Relations website - https://reporting.standardbank.com/

A replay will be available on the Investor Relations website after the end of the call.

Shareholders are advised that the information contained in this voluntary trading update and trading statement has not been reviewed or reported on by the group's external auditors.

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Johannesburg
31 May 2021

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