

Standard Bank Group Limited

Registration number 1969/017128/06
Incorporated in the Republic of South Africa
Website: www.standardbank.com/reporting

Share codes

JSE and A2X share code: SBK
ISIN: ZAE000109815
NSX share code: SNB
SBKP ZAE000038881 (First preference shares)
SBPP ZAE000056339 (Second preference shares)
JSE bond code: SBKI
("Standard Bank Group" or "the group")

Voluntary trading update for the five months to 31 May 2022 and trading statement for the six-month period ending 30 June 2022

Since reporting in March 2022, the global macro-economic outlook has deteriorated. Growth has slowed, inflation has risen, and uncertainty has increased. Key drivers include the ongoing conflict in Ukraine, the strict lockdowns in China, and persistent global supply chain disruptions. In sub-Saharan Africa, higher food, fertilizer, and fuel prices have started to filter through, driving inflation upwards. Higher inflation has prompted monetary tightening.

In South Africa, inflation reached 5.9% in April 2022. By 31 May 2022, the Monetary Policy Committee had raised the repo rate by 100 basis points to 4.75% and indicated that there were likely to be further increases in the second half of the year. In March 2022, SB Research expected interest rates in South Africa to increase by 100 basis points for the full year. This has been revised up to 175 basis points.

Standard Bank activities:

In the five months to 31 May 2022 (5M22 or the current period), the group recorded low double digit revenue growth. A larger average balance sheet and higher interest rates drove low-teen net interest income growth. A growing client franchise and higher client activity (fewer Covid-related restrictions in 5M22 than in 5M21) drove higher transactional turnover and supported mid-single digit growth in banking fees. Higher insurance premiums and lower pandemic-related claims were partially offset by higher short-term insurance claims. The latter was driven by inclement weather and floods in KwaZulu Natal, South Africa. Trading revenue grew mid-teens supported by continued client activity; this is off a high base in the five months to 31 May 2021 (5M21 or the prior period) and ahead of expectations.

Costs grew high single digits driven by a combination of higher staff costs, normalisation of certain post-pandemic spend and inflation more generally. In 5M22, weighted average inflation across our countries of operation was close to 10%. Revenue growth exceeded cost growth, delivering positive jaws.

Credit impairment charges in 5M22 were marginally lower than in 5M21. A decline in the Consumer and HNW and the Business and Commercial client segments credit impairment charges period on period was partially offset by the normalisation of Corporate and Investment Banking charges from a net recovery in the prior period to a net charge in the current period. The credit loss ratio for the current period was at the lower end of the group's through-the-cycle target range of 70 – 100 basis points. It is important to note that as we enter a rising interest rate cycle, the group's balance sheet provision levels remain well above historic levels.

Liberty Holdings Limited

Liberty Holdings Limited's (Liberty) operational earnings improved period on period driven mainly by lower funeral and death claims in SA Retail and Liberty Corporate, and improved persistency in SA

Retail. Sales on both SA Retail and Liberty Corporate have increased relative to the prior period. While the pandemic impact was broadly in line with expectations, and significantly lower than in the prior period, risk claims remain elevated. The future pandemic-related experience remains uncertain. The pandemic reserve was used to absorb adverse experience variances as intended and will be reassessed as part of the 1H22 reporting process. STANLIB and the shareholder investment portfolio were negatively impacted by market movements. Liberty remains well capitalised with a solvency capital ratio within our target range of 1.5x to 2.0x cover.

Liberty's earnings were 100% consolidated from 1 February 2022. The adjustment for Standard Bank shares held for the benefit of Liberty policyholders (Treasury Share Adjustment) was negative due to the increase in the group share price from 31 December 2021 to 31 May 2022. Post the Treasury Share Adjustment, Liberty's contribution to the group was marginally negative for 5M22.

The Liberty integration plan is on track. The focus is on unlocking value and delivering the synergies identified as part of the transaction.

ICBC Standard Bank plc

Despite difficult market conditions, ICBC Standard Bank plc recorded an operational profit in 5M22 (i.e. excluding the insurance recovery reported on 11 March 2022). The group's 40% share of the insurance recovery equated to R1.2 billion post tax.

Capital and returns

The group's capital and liquidity levels remain strong. The group's common equity tier 1 ratio was 13.5% as at 31 March 2022.

Group return on equity (ROE) for the period was close to group cost of equity (FY21 cost of equity was 14.7%).

Outlook

Group guidance for the twelve months to 31 December 2022 remains largely unchanged. A higher average balance sheet and positive endowment from higher interest rates should drive strong net interest income growth. A larger client base and higher client activity is expected to continue to support fee growth. Trading revenues are subject to market volatility and related client activity. While the group's credit loss ratio is expected to remain at the lower end of the group's through-the-cycle target range, balance sheet provisioning and associated credit charges are subject to macro-economic developments, including the frequency and quantum of further interest rate increases across our countries of operation throughout the rest of the year. We remain committed to delivering cost growth below inflation, positive jaws and an ROE above cost of equity in 2022.

While the economic outlook has deteriorated and uncertainty increased, opportunities exist to help our clients and in turn, grow our business. We remain convinced that the strategy we laid out in August 2021 remains valid and that the 2025 targets we set are achievable.

Trading statement

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) and earnings per share (EPS) for the six-month period ending 30 June 2022 are expected to be more than 20% higher than the reported HEPS and EPS for the comparable period (1H21 HEPS: 721.4 cents, 1H21 EPS: 717.4 cents).

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

Standard Bank Group will report financial results for the six months to 30 June 2022 on 19 August 2022. The event details will be made available on the group's Investor Relations website in due course.

Investor call

Standard Bank will host an investor call at 17h00 (South Africa time) on 14 June 2022. To register for the call please use the link below:

[Chorus call Registration](#)

Alternatively, 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 shortly 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.

Queries:

Investor Relations

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Johannesburg

14 June 2022

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