

Standard Bank Group Limited

Registration number 1969/017128/06

Incorporated in the Republic of South Africa

Website: www.standardbank.com/reporting

JSE bond code: SBKI

("Standard Bank Group" or "the group")

Voluntary trading update for the ten months to 31 October 2022

Since reporting in August 2022, sustained elevated inflation globally has prompted further monetary tightening. Between August 2022 and October 2022, interest rates increased in all our markets of operation except Angola and Zambia. In Angola interest rates declined by 50 basis points in September 2022 and in Zambia, interest rates were flat. Ghana has experienced some sovereign stress.

In South Africa, inflation moderated slightly from a peak of 7.8% in July 2022 to 7.6% in October 2022. Inflation is expected to average 6.9% for 2022. Considering the global backdrop and the inflation outlook, the South African Reserve Bank's Monetary Policy Committee decided at its November meeting to increase the repo rate by 75 basis points to 7.00% (31 December 2021: 3.75%). This takes the year-to-date increase to 325 basis points. On average, over the period, the South African Rand (ZAR) has been weaker relative to the group's basket of currencies.

In the ten months to 31 October 2022 (10M22), relative to the ten months to 31 October 2021 (10M21), robust average balance sheet growth, combined with positive endowment tailwinds from higher average interest rates, resulted in strong double-digit net interest income growth period on period. Non-interest revenue growth remained robust supported by growth in transactional activity, trading revenue and insurance earnings. Insurance earnings growth was underpinned by higher fees mainly due to annual fee increases, continued good funeral policy performance, and lower credit life claims compared to the prior period.

Cost growth was higher than expected, driven by both higher inflation and higher levels of activity, particularly in Africa Regions. Despite upward pressure, cost growth was contained to below the group's weighted average rate of inflation (14%) and the group continued to record strong positive jaws.

Group credit impairment charges increased period on period, influenced by the low base in 2H21. The Consumer and High Net Worth portfolio continued to benefit from better collections and the ongoing normalisation of previous payment holiday portfolios. This was partially offset by increased impairment charges from new business strain as well as pockets of consumer strain. The Business and Commercial Client credit impairment charges were largely flat, as a decline in impairment charges in South Africa were offset by increased charges in Africa Regions. Corporate and Investment Banking charges continued to normalise; with additional provisions raised due to portfolio growth, internal rating downgrades and client-specific provisions. The group remains well provided and can weather an uptick in delinquencies. For the twelve months to 31 December 2022 (FY22), the group's credit loss ratio is still expected to remain in the lower half of the group's through-the-cycle target range of 70 to 100 basis points.

Group earnings growth was boosted further by an ongoing recovery in Liberty earnings, as the pandemic impact waned, as well as an insurance settlement received by ICBC Standard Bank plc (ICBCS) in January 2022. ICBCS also continued to report a positive operational performance for 10M22.

Group return on equity (ROE) remained above the group's cost of equity (1H22 COE: 15.1%) and improved relative to the ROE reported in 1H22 (1H22 ROE: 15.3%).

The group remains well capitalised and liquid. The group's common equity tier 1 ratio (including unappropriated profits) was 13.2% as at 30 September 2022.

FY22 total income growth and cost growth are expected to be higher than guided in August 2022. This is driven principally by faster than expected increases in interest rates and higher inflation. However, we do expect continued positive jaws. We will provide guidance for FY23 when we report in March 2023.

Lastly, the group continues to benefit from strong momentum across all its businesses and geographies and is on track to deliver against the targets committed to in August 2021 by 2025, namely:

- Compound annual revenue growth of 7% to 9%;
- A cost-to-income ratio of approaching 50%; and
- An ROE in our target range of 17% to 20%.

Standard Bank Group will report financial results for the twelve months to 31 December 2022 on 9 March 2023. The event details will be made available on the group's Investor Relations website in due course.

Investor call

Standard Bank Group will host an investor call at 17h00 (South Africa time) on 28 November 2022. To register for the call please use the link below:

[SBG Pre-close call link](#)

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 has not been reviewed or reported on by the group's external auditors.

Queries:

Investor Relations

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Johannesburg
28 November 2022

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