## Standard Bank Group Limited

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

## 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)

### Standard Bank Group

# RESULTS ANNOUNCEMENT

for the year ended 31 December 2022

## FINANCIAL STATISTICS

| | Change (%) | 2022 | 2021 |
|---|---|---|---|
| **Financial indicator (Rm)** | | | |
| Headline earnings | 37 | **34 247** | 25 021 |
| Total income | 18 | **156 920** | 132 724 |
| **Cents per ordinary share** | | | |
| Earnings per ordinary share | 35 | **2 110.9** | 1 563.2 |
| Headline earnings per ordinary share | 33 | **2 087.1** | 1 573.0 |
| Total dividend per ordinary share | 38 | **1 206** | 871 |
| Net asset value per ordinary share | 6 | **13 302** | 12 493 |
| **Financial performance** | | | |
| ROE (%) | | **16.4** | 13.5 |

# Results overview

"Standard Bank Group delivered strong earnings growth which drove returns higher. Earnings growth and robust capital levels supported higher dividends for shareholders. The group is ahead of plan and confident it will deliver its 2025 targets." - Sim Tshabalala, Group Chief Executive Officer

## Group results

Standard Bank Group Limited (SBG or group) delivered record headline earnings of R34.2 billion for the twelve months to 31 December 2022 (FY22 or the current year), up 37% on the twelve months to 31 December 2021 (FY21 or the prior period). The group recorded continued client franchise growth across all its businesses and geographies. Return on equity (ROE) improved to 16.4% (FY21: 13.5%). Net asset value grew by 10% and the group ended the current period with a common equity tier 1 ratio of 13.5% (31 December 2021: 13.8%). The SBG board approved a final dividend of 691 cents per share which equates to a final dividend payout ratio of 60%.

This strong performance has resulted in the group being ahead of plan in terms of delivering on its 2025 commitments. Revenues were boosted by cyclically higher interest rates. Revenue growth was well ahead of cost growth which supported strong positive operating leverage and a decline in the cost-to-income ratio. The group's credit loss ratio was near the bottom of the group's through-the-cycle range and ROE moved closer to the 2025 target range of 17% to 20%.

Strong average balance sheet growth and margin expansion, primarily due to higher interest rates, supported robust net interest income growth. A larger client base, recovery in transactional and foreign exchange activity, as well as increased digital volumes, drove growth in net fee and commission revenue. Increased client activity supported trading revenue. Revenue growth exceeded cost growth, resulting in positive jaws of 579 basis points and a cost-to-income ratio of 54.9% (FY21: 57.8%). Credit impairment charges increased by 22%, driven by higher corporate and sovereign-related charges, particularly related to Ghanaian sovereign exposures. The group's credit loss ratio was broadly flat at 75 basis points (FY21: 73 basis points). Standard Bank Activities recorded headline earnings growth of 22% to R30.5 billion and ROE improved to 16.3% (FY21: 14.7%).

Liberty Holdings Limited's (Liberty) operational performance improved. The business reverted from a net loss in FY21 to a profit of R2.1 billion. In FY21, Liberty raised pandemic-related provisions which negatively impacted performance. The Liberty minority buyout was successfully completed and the process of integrating Liberty into the group is well underway. While there is further work to be done, we remain confident that the full integration of Liberty into the group will create sustainable value for shareholders.

The South African franchise delivered headline earnings growth of 26% and ROE improved to 15.2% (FY21: 12.5%). Revenue grew by 12% driven by balance sheet growth, margin expansion, and a recovery in client activity to pre-Covid-19 levels. Credit impairment charges increased by 10% reflective of the difficult economic environment and deteriorating client trends. Costs were well contained to deliver positive jaws of 427 basis points. South Africa contributed 47% to FY22 group headline earnings.

The Africa Regions franchise delivered a robust performance. Headline earnings grew by 36% and ROE improved to 21.0% (FY21: 18.2%). Revenue grew by 30% driven by a larger balance sheet, higher interest rates, higher transactional volumes, a recovery in international trade, and strong growth in trading revenue. The franchise more than absorbed the increase in costs to deliver positive jaws of 882 basis points. The top six contributors to Africa Regions headline earnings were Angola, Kenya, Mozambique, Nigeria, Uganda, and Zambia. Africa Regions contributed 36% to FY22 group headline earnings.

In line with the group's stated approach to support Africa's just energy transition and its ambition to be the leader in sustainable finance on the continent, the group mobilised R54.5 billion of sustainable finance loans and bonds in FY22, more than doubling origination of the product in FY21.

## Operating environment

In 2022, increased geopolitical tensions, the Russia/Ukraine conflict, and China's Covid-19 related restrictions fuelled inflation, uncertainty, elevated market volatility and an asset price shock. Inflation concerns drove monetary policy tightening and higher funding costs weighed on economic activity.

In sub-Saharan Africa, as higher input costs fed into the economies, inflationary pressures mounted and interest rates increased. Most countries experienced currency weakness relative to the strong US dollar. Discussions with the International Monetary Fund around sovereign debt support programmes continued in various countries. In November 2022, Ghana announced its intention to restructure its debt. The region's GDP is expected to have grown at around 3.8% in 2022, slightly ahead of global growth of 3.4%.

While high commodity prices and strong terms of trade provided South Africa with some protection in the six months to 30 June 2022 (1H22), this faded quickly in the six months to 31 December 2022 (2H22). The aftermath of the KwaZulu-Natal floods, increased electricity disruptions, and stalled structural reforms weighed on sentiment and demand. The repo rate increases (2022: +325 basis points) were both faster and larger than expected. Consumer balance sheets remained relatively robust, however by year end, signs of stress had started to emerge. The South African economy grew at 2.0% in 2022.

## Prospects

In 2023, global growth is expected to slow, and inflation is expected to decline. The International Monetary Fund forecasts global real GDP growth of 2.9% for 2023, accelerating slightly to 3.1% in 2024. China's reopening, post the lifting of Covid-19 restrictions, should provide some support. The IMF expects sub-Saharan Africa to grow at 3.8% and 4.1% in 2023 and 2024 respectively. High sovereign debt levels in certain African countries remain a concern, particularly Ghana, Kenya, Malawi and Nigeria.

In South Africa, monetary tightening is expected to slow. We are anticipating interest rates to increase by an additional 25 basis points in 1H23 (in addition to the 25 basis points increase in January 2023), followed by a pause. Inflation is expected to moderate to 5.9% in the year ahead. The economy is expected to grow at 1.2%, held back by severe electricity shortages and structural constraints. The level of electricity disruptions experienced year to date are unprecedented. We are concerned about the additional strain it is likely to place on our clients. In February 2023, despite making significant progress on the Financial Action Task Force (FATF) recommended actions, South Africa was grey listed by the global money laundering and terrorist financing watchdog. We will continue to work with the authorities to remedy this.

As a group, we have both the capital and appetite to support our clients' growth. However, our balance sheet growth will remain subject to the economic growth, policy and enabling frameworks in the countries in which we operate, and in turn our clients' confidence to invest. In South Africa, meaningful structural reform and an improvement in the electricity supply could lift confidence and accelerate economic growth, job creation and social upliftment. We stand ready to support renewable energy and infrastructure projects and longer term Africa's just energy transition to what is net zero by 2050.

For the 12 months to 31 December 2023 (FY23), balance sheet growth, particularly from renewables and infrastructure, combined with higher average interest rates, should support low-teen net interest income growth year on year. Non-interest revenue growth is expected to moderate to mid-single digits. Trading revenue growth will be subject to client activity and related flows. We remain committed to delivering below-inflation cost growth and positive jaws. The group's credit loss ratio is expected to increase to above the mid-point of the group's through-the-cycle target range of 70 to 100 basis points. The group's 2023 ROE is expected to show continued progress from the current 16.4% into the group's ROE target range, driven by continued growth in our mainstay South African banking business, supplemented by deliberate allocation of capital to high growth markets.

We recognise that the strategic progress we have made in FY22 is the outcome of our clients' trust in us, our employees' resilience, our regulators' and partners' support, and our shareholders' belief in our strategy. We thank all our stakeholders for their continued support.

We strive to deliver increasingly attractive returns to our shareholders and continued positive impact for all stakeholders in the economies and societies in which we operate. We are confident we can deliver on our 2025 commitments to the market.

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.

# Declaration of final dividends

Shareholders of Standard Bank Group Limited (the company) are advised of the following dividend declarations out of income reserves in respect of ordinary shares and preference shares.

## Ordinary shares

Ordinary shareholders are advised that the board has resolved to declare a final gross cash dividend No. 106 of 691.00 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Thursday, 6 April 2023. The last day to trade to participate in the dividend is Monday, 3 April 2023. Ordinary shares will commence trading ex dividend from Tuesday, 4 April 2023.

The salient dates and times for the cash dividend are set out in the table that follows.

Ordinary share certificates may not be dematerialised or rematerialised between Tuesday, 4 April 2023, and Thursday, 6 April 2023, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited on Tuesday, 11 April 2023.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date.

## Preference shares

Preference shareholders are advised that the board has resolved to declare the following final dividends:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 107 of 3.25 cents (gross) per first preference share, payable on Monday, 3 April 2023, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 31 March 2023. The last day to trade to participate in the dividend is Tuesday, 28 March 2023. First preference shares will commence trading ex dividend from Wednesday, 29 March 2023.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 37 of 367.70036 cents (gross) per second preference share, payable on Monday, 3 April 2023, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 31 March 2023. The last day to trade to participate in the dividend is Tuesday, 28 March 2023. Second preference shares will commence trading ex dividend from Wednesday, 29 March 2023.

The salient dates and times for the preference share dividend are set out in the table that follows.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Wednesday, 29 March 2023, and Friday, 31 March 2023, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 3 April 2023.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date.

### THE RELEVANT DATES FOR THE PAYMENT OF DIVIDENDS ARE AS FOLLOWS:

| | 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 | 106 | 107 | 37 |
| Gross distribution/dividend per share (cents) | 691.00 | 3.25 | 367.70036 |
| Net dividend | 552.80 | 2.60 | 294.16029 |
| Last day to trade in order to be eligible for the cash dividend | Monday, 3 April 2023 | Tuesday, 28 March 2023 | Tuesday, 28 March 2023 |
| Shares trade *ex* the cash dividend | Tuesday, 4 April 2023 | Wednesday, 29 March 2023 | Wednesday, 29 March 2023 |
| Record date in respect of the cash dividend | Thursday, 6 April 2023 | Friday, 31 March 2023 | Friday, 31 March 2023 |
| CSDP/broker account credited/updated (payment date) | Tuesday, 11 April 2023 | Monday, 3 April 2023 | Monday, 3 April 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.

## Tax implications

The cash dividend received under the ordinary shares and the preference shares is likely to have tax implications for both resident and non-resident ordinary and preference shareholders. Such shareholders are therefore encouraged to consult their professional tax advisers.

In terms of the South African Income Tax Act, 58 of 1962, the cash dividend will, unless exempt, be subject to dividends tax. South African resident ordinary and preference shareholders that are not exempt from dividends tax, will be subject to dividends tax at a rate of 20% of the cash dividend, and this amount will be withheld from the cash dividend with the result that they will receive a net amount of 552.80 cents per ordinary share, 2.60 cents per first preference share and 294.16029 cents per second preference share. Non-resident ordinary and preference shareholders may be subject to dividends tax at a rate of less than 20% depending on their country of residence and the applicability of any Double Tax Treaty between South Africa and their country of residence.

The company's tax reference number is 9800/211/71/7 and registration number is 1969/017128/06.

## Shares in issue

The issued share capital of the company, as at the date of declaration, is as follows:

- 1 678 324 623 ordinary shares at a par value of 10 cents each
- 8 000 000 first preference shares at a par value of R1 each
- 52 982 248 second preference shares at a par value of 1 cent each and subscription price of R100.

**9 March 2023, Johannesburg**

# 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/SBGFY22.pdf**

The group's 2022 financial information, including comparatives for 2021 where applicable, has been correctly extracted from the underlying audited consolidated annual financial statements, where applicable, for the year ended 31 December 2022. While this report, in itself, is not audited, the consolidated annual financial statements from which the results are derived were audited by KPMG Inc. and PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The full audit opinion, including any key audit matters, is available at **www.standardbank.com/reporting** and **https://reporting.standardbank.com/results-reports/annual-reports/** as part of the group's annual financial statements, which have been released in conjunction with these results. Copies of the full announcement is available for inspection at the Company's registered office, and the offices of the JSE Sponsor, on weekdays from 09:00 to 16:00 and may be requested by emailing **InvestorRelations@standardbank.co.za**.

The directors of Standard Bank Group Limited take full responsibility for the preparation of this announcement, including the *pro forma* constant currency financial information, and that the financial information, where applicable, has been correctly extracted from the underlying audited group financial statements.

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.

The 2022, including comparatives for 2021 where applicable, *pro forma* constant currency information contained in these results, where applicable, has been reviewed by the group's external auditors and their unmodified limited assurance report prepared in terms of International Standard on Assurance Engagements 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus* (ISAE 3420) is available for inspection at the company's registered office on weekdays from 09:00 to 16:00. Due to its nature, the *pro forma* financial information may not be a fair reflection of the group's results of operations. Refer to the group's full announcement for further details regarding the computation of the group's *pro forma* constant currency financial information.

**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 Guan1 (deputy chairman), GMB Kennealy, BJ Kruger, Li Li1, JH Maree (deputy chairman), NNA Matyumza, KD Moroka, ML Oduor-Otieno2, ANA Peterside CON3, SK Tshabalala* (chief executive officer), JM Vice. * Executive director [1] Chinese [2] Kenyan [3] Nigerian All nationalities are South African, unless otherwise specified.