

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 2023 and trading statement for the six-month period ending 30 June 2023

The global economic and geopolitical environment remains volatile and global growth has slowed in response to persistently high inflation and interest rates. Earlier hopes of inflation easing and steady economic growth in 2023 have receded. Public debt as a ratio to GDP increased across the world during Covid-19 and is expected to remain elevated, posing a growing challenge for policymakers as interest rates are rising and revenue collections are slowing in many African countries.

Since providing an update on the group's operational performance in April, the macro-economic outlook in South Africa has deteriorated further. Expectations are now that inflation and interest rates will be higher for longer and that economic growth will remain constrained. At the end of May, the South African repo rate had increased by 125 basis points in 2023 to 8.25% and a further 25 basis point increase is anticipated in the second half of the year. The ZAR has been pressured by a strengthening USD and dampened investor sentiment.

The group's results for the period ended 31 May 2023 (5M23 or the current period) reflect a healthy and growing franchise. Continued balance sheet growth in support of our clients, the endowment impact of higher interest rates, improved customer activity levels and increased use of our risk management capabilities in volatile trading environments all contributed to strong top-line growth. Our Africa Regions franchise has delivered remarkable growth during this period and contributed 46% of the group's headline earnings.

Standard Bank activities:

In the current period, banking activities recorded revenue growth in excess of 20% higher than the same period in the prior year (5M22). Higher than expected average interest rates across most of our markets and good balance sheet growth supported net interest income growth. Non-interest income growth was supported by continued growth in transactional volumes, fee and commission income and trading revenue.

The operating expenses growth rate was in the mid-teens for 5M23, driven by a combination of higher fixed remuneration in a high-inflation environment, higher incentives in line with business performance; as well as increased technology spend on USD-denominated software licenses and cloud migration costs. Weighted average inflation across our countries of operation for 5M23 was 11.8%. Strong positive jaws was achieved in the current period.

Credit impairment charges for 5M23 were almost 50% higher than the charges in 5M22 as the combination of larger lending books, consumer strain in South Africa, and increased sovereign debt risk

in Africa Regions took effect. The credit loss ratio for the current period was elevated but still within the through the cycle target range of 70 – 100 basis points.

Credit impairments related to consumer banking customers are currently elevated, primarily in SA and, particularly, in home loans, on the back of rapid interest rate hikes and sustained high inflation levels which has resulted in some customers being unable to meet their debt obligations in full. Overall, the credit loss ratio for consumer banking clients is currently outside of the target range of 100 – 150 basis points. Coverage levels remain strong for this business.

Business and Commercial Banking credit impairments have increased due to a buildup of new non-performing loans, particularly in single names in Africa Regions and across the small enterprise segment in South Africa. The credit loss ratio for this business is currently outside the target range of 100 – 120 basis points.

Corporate and Investment Banking corporate credit losses are currently below the 40 – 60 basis point through the cycle range for customer impairments, although we note the weak trading results of several closely monitored clients across our network. The knock-on impacts of the deterioration in the SA consumer sector into our corporate client base are being carefully analysed. Sovereign default continues to be a risk and current levels of credit provisions for financial investments are elevated (compared to no impairments in 5M22). Our provisions adequately reflect our assessment of these risks across our network as at May 2023.

Liberty Holdings Limited

Liberty Holdings Limited continued to record improved claims experience and strong earnings growth despite losses experienced in the Shareholder Investment Portfolio due to market movements.

ICBC Standard Bank plc

ICBC Standard Bank plc continued to record an operational profit in 5M23, however its contribution to the group declined period on period due to the non-recurrence of an insurance recovery recognised by the group in January 2022.

Capital and returns

The group's capital and liquidity levels remain strong. The group's common equity tier 1 ratio at 30 April 2023 was 12.9%. The group's return on equity (ROE) for the period comfortably exceeded group cost of equity.

Outlook

Group guidance for the twelve months to 31 December 2023 has changed. Our latest estimates indicate higher net interest income growth than the low teen guidance given in March, and higher non-interest revenue growth than earlier mid-single digits guidance. In turn, cost growth is anticipated to be slightly higher than our weighted average inflation rate for the year. Our expectation for strong positive jaws remains. The group's credit loss ratio is expected to increase towards the upper end of the group's through-the-cycle target range of 70 – 100 basis points. The group's 2023 ROE is expected to show continued progress into the group's ROE target range of 17 – 20%.

While the geopolitical and economic outlook remains volatile and uncertain, we remain committed to serving our clients and achieving the 2025 targets we laid out in August 2021.

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 2023 are expected to be more than 20% higher than the reported HEPS and EPS for the comparable period (1H22 HEPS: 936.2 cents, 1H22 EPS: 961.4 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 2023 on 17 August 2023. The event details will be made available on the group's Investor Relations website in due course.

IFRS17 transition report

A comprehensive IFRS17 transition report, with fully restated and comparable prior year results and opening equity adjustments, will be released during June 2023.

Investor call

Standard Bank will host an investor call at 17h00 (South Africa time) on 20 June 2023. 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

Email: Relations.Investors@standardbank.co.za

Johannesburg
20 June 2023

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The Standard Bank of South Africa Limited

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