



Standard Bank Group

# JP MORGAN CONFERENCE

8 & 9 December 2021



01

# KEY MACRO TRENDS



# 2H21 – Macro outlook

## 01

### Favourable global backdrop expected to persist

- Global growth 6.0%, sub-Saharan Africa 3.4% and South Africa 4.0%<sup>1</sup>

## 02

### Sub-Saharan Africa

- Further infection waves likely; started 2H21 with elevated infection levels in 16 of our 20 markets
- Vaccine rollout expected to gain momentum

## 03

### South Africa

- While the recent unrest dented consumer, business and investor confidence, we do not expect it will meaningfully derail the nascent SA economic recovery in the near term
- A robust commodity cycle, benign monetary policy outlook (interest rates expected to remain unchanged through to year end), and government investment in infrastructure should support growth
- Unforeseen spending pressures are a risk to the fiscal outlook
- Structural reform implementation remains key to sustainable growth and job creation

<sup>1</sup> IMF and Standard Bank Research, 2021 GDP growth impacted by base effects; in 2020, sub-Saharan Africa (ex South Africa) was less impacted by the pandemic than South Africa



# 2H21 - Macro updates since August 2021

## 2H21 – Macro outlook

01

### Favourable global backdrop expected to persist

- Global growth 6.0%, sub-Saharan Africa 3.4% and South Africa 4.0%<sup>1</sup>

02

### Sub-Saharan Africa

- Further infection waves likely; started 2H21 with elevated infection levels in 16 of our 20 markets
- Vaccine rollout expected to gain momentum

03

### South Africa

- While the recent unrest dented consumer, business and investor confidence, we do not expect it will meaningfully derail the nascent SA economic recovery in the near term
- A robust commodity cycle, benign monetary policy outlook (interest rates expected to remain unchanged through to year end), and government investment in infrastructure should support growth
- Unforeseen spending pressures are a risk to the fiscal outlook
- Structural reform implementation remains key to sustainable growth and job creation

<sup>1</sup> IMF and Standard Bank Research, 2021 GDP growth impacted by base effects; in 2020, sub-Saharan Africa (ex South Africa) was less impacted by the pandemic than South Africa

## Global

- Inflation fears and policy uncertainty have driven volatility
- IMF upgraded sub-Saharan Africa to 3.7% and SA to 5.2%<sup>1</sup>

## Sub-Saharan Africa

- Global commodity demand and pricing have dipped, but remain favourable
- New variant discovered and travel restrictions imposed

## South Africa

- July unrest & electricity shortages/ disruptions
- Peaceful municipal elections
- MTBPS<sup>1</sup> – higher revenues to fund expanded support programmes
- Monetary Policy Committee increased rates 25 bps to 3.75%
- “Omicron” – monitoring developments

<sup>1</sup> October 2021



# Macro outlook – subject to a number of unknowns

- The impact of global stimulus being tapered
- Human and economic impact of the new variant, Omicron
- South Africa
  - Medium-term impact of July unrest – jobs, confidence & investment
  - Extent of electricity supply constraints/ disruptions

## Key macro expectations

South Africa	2021	2022	2023
GDP growth, %	5.2	2.0	1.9
Inflation, %	4.5	4.7	4.4
Repo rate	3.75%	3 x 25bps	3 x 25bps

<sup>1</sup> Standard Bank Research, 6 December 2021



**02**

**10M21  
UPDATE**

# 1H21 – SBG performance

Earnings bounce back driven by lower credit charges, well contained costs and improved Liberty performance



Key drivers	FY20	1H21
Net interest margin	370 bps <sup>1</sup>	361 bps
Cost growth	+1%	+1%
Credit loss ratio	151 bps	88 bps
Group HE growth	-43%	+52%
ROE	8.9%	12.9%
Dividend payout ratio	24%	50%

<sup>1</sup> 2H20 NIM, 353 bps

# 10M21 Voluntary trading update – 29 November 2021



- Balance sheet growth supported NII growth in 2H21<sup>1</sup>
  - In South Africa, mortgage, vehicle and asset finance and business disbursements were well above 2020 and 2019 levels. Personal unsecured lending disbursements have recovered to 2019 levels
  - In Africa Regions, personal loan volumes were also higher period on period, driven by a strong recovery across all channels
  - Investment Banking balance sheet recovered to close to December 2020 levels
- NIR
  - Fees supported by ongoing client acquisition, improved sales and higher activity
  - Trading revenue has been better than expected in recent months
- Costs well managed and JAWs to narrow relative to 1H21
- Credit continued to track better than expected – in TTC range
- Relative ZAR strength - constant currency earnings growth was stronger than reported earnings
- ICBC Standard Bank plc's operational performance good year to date – prior period included \$37m Aluminium recovery
- Returns improving and capital position robust

<sup>1</sup> 4 months to October 2021 vs 4 months to October 2020

# Liberty Transaction Update – 29 November 2021



## Preference Share Scheme

- Shareholders approved
- Regulatory approvals obtained
- Consideration paid & shares delisted (23-Nov-21)

## Ordinary Share Scheme

- Shareholders approved
- Regulatory applications submitted - South African Reserve Bank approval required for Scheme and subsequent delisting of Liberty, anti-trust and other regulatory approvals required in Botswana and Tanzania with notification to regulators in Eswatini, Mozambique, Kenya and Uganda
- Scheme Operative Date: 1Q 2022 (subject to regulatory approvals)

# FY21 – SBG guidance

Unchanged



Expectations improved; strong capital generation should support similar dividend payout in 2H21



Key drivers	
Net interest margin	Similar to 1H21 (361 bps)
Cost growth	Sub-inflationary
Credit loss ratio	Within our TTC range <sup>1</sup>
Group HE growth	HE > 20%
ROE	Higher than FY20, 8.9% Below COE, 14.5%
Dividend	~50% payout

<sup>1</sup> Through-the-cycle range, 70 bps – 100 bps



**03**

**SBG 2025**

# SBG 2025: transforming beyond financial services

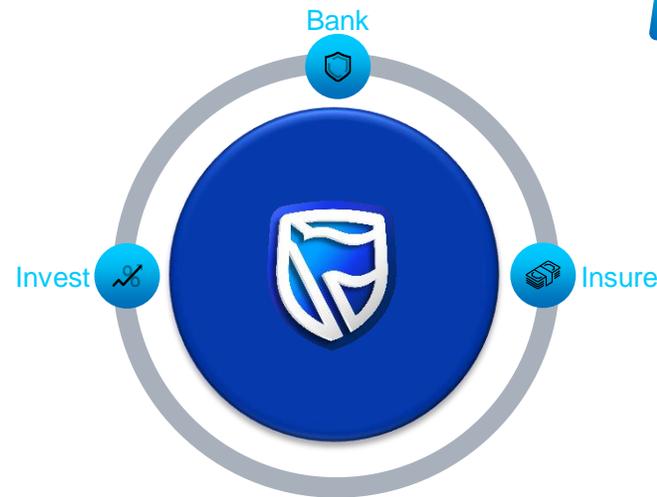


PAST



Trusted bank in South Africa

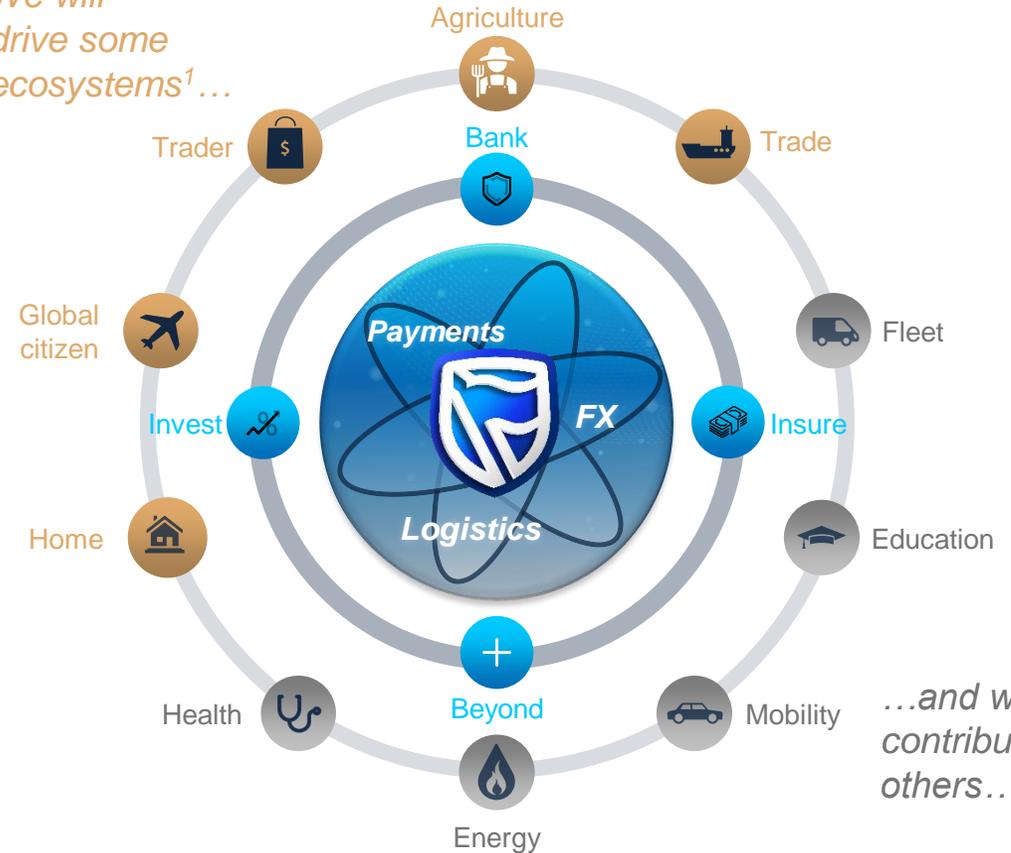
PRESENT



Trusted financial services provider across sub-Saharan Africa

SBG 2025

*We will drive some ecosystems<sup>1</sup>...*



*...enabled by common capabilities*

*...and we will contribute to others...*

<sup>1</sup> A coordinated network of participants and devices (Internet of Things) combining Standard Bank Group's own offering with that of partners, enabling clients, partners and producers to fulfil a broad range of needs seamlessly in a domain.



# SBG 2025: our strategic priorities are the framework for delivery



Our Client Segments will:

- **DEFEND** our current client franchise and market positions
- **GROW** as we capture the opportunities, with specific focus on our ten ecosystems

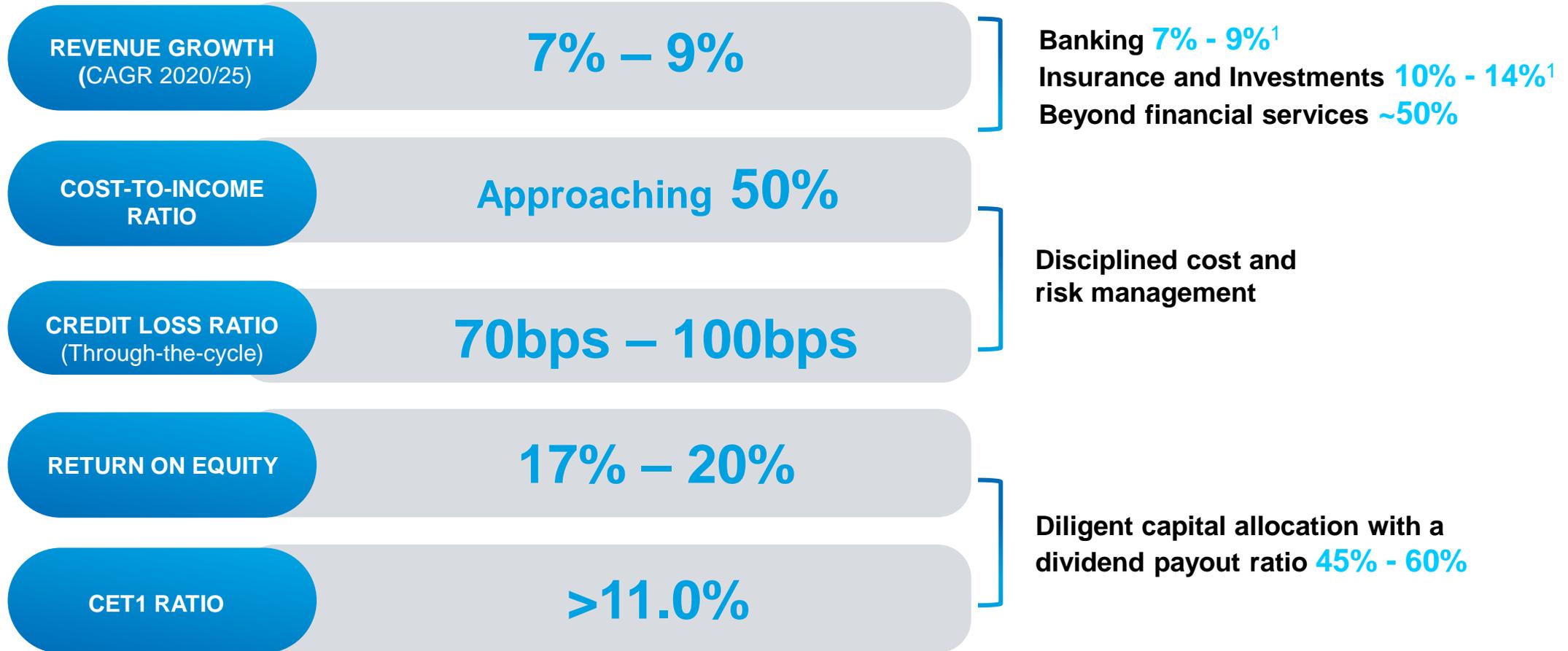
Our Client Solutions, Engineering and Innovation capabilities will:

- **DELIVER** innovative and cost-effective client solutions
- **ENABLE** the Group's platform
- **PARTNER** to drive value

We will be purposeful in:

- Having a **POSITIVE IMPACT**
- Diligently **ALLOCATING RESOURCES**
- Delivering **ATTRACTIVE SHAREHOLDER RETURNS**

# SBG 2025: financial targets



<sup>1</sup> Including interest rate normalisation

# Disclaimer – Forward-looking statements



The Group may, in this document, make certain statements that are not historical facts and relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to our future prospects, expectations, developments and business strategies. Examples of such forward-looking statements include, but are not limited to, the impact of the COVID-19 pandemic on Standard Bank Group's business, results of operations, financial condition and liquidity and statements regarding the effectiveness of any actions taken by the Group to address or limit any impact of COVID-19 on its business; statements regarding exchange rate fluctuations, volume growth, increases in market share, cost reductions, and business performance outlook.

By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. You should understand that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.



THANK  
YOU