**PRE-CLOSE CALL TRANSCRIPT – 14 June 2022**

Arno Daehnke – Standard Bank Group financial director

I will start with some brief comments on the macro-economic environment and particularly how things have evolved since we released our results in March. I will then turn to the trends we are seeing in our business.

Since reporting in March 2022, the global macro-economic outlook has deteriorated, driven by amongst other things, the ongoing conflict in Ukraine, the strict lockdowns in China, and persistent global supply chain disruptions.

As a result, global growth has slowed, inflation has trended upwards, and uncertainty has increased. In sub-Saharan Africa, higher food, fertilizer, and fuel prices have started to filter through, also driving inflation upwards. Higher inflation has in turn prompted monetary tightening and this is faster than previously expected.

In South Africa, inflation reached 5.9% in April 2022. By 31 May 2022, the Monetary Policy Committee had raised the repo rate by three times and by a combined 100 basis points. The repo rate started the year at 3.75% and has increased to 4.75%. Furthermore, the SARB has indicated that there are likely to be further increases in the second half of the year.

In March 2022, Standard Bank Research expected interest rates in South Africa to increase by 4 times 25 basis points over the year. With 100 basis points increase already achieved, this has been revised up to 175 basis points for the full year.

Turning to our performance and trends for the five months to the end of May. Let's start with revenue.

In the 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 drove higher transactional turnover and supported mid-single digit growth in banking fees. I remind you that the Covid-related restrictions were much more restrictive in the 5 months to May 2021 than those in the five months to May 2022.

In terms of client franchise growth, we continue to attract new clients and our active client base in both the Consumer and High Net Worth and the Business and Commercial clients have grown year-on-year. In recent months, we have onboarded between 70 and 80 thousand new CHNW clients a month in South Africa. We are also focused on entrenching our customers to improve retention and revenue generated per client. I will come back to the customer account issues reported in the media in recent weeks at the end.

Higher insurance premiums, particularly from our flexi funeral policy base, 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 growth period on period was strong and ahead of expectations. Continued client activity delivered mid-teen growth in trading revenue.

Moving to costs.

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, thereby delivering positive jaws.

With regards to credit, a decline in the Consumer and High Net Worth 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.

Credit impairment charges in 5 months year to date were marginally lower than in the 5 months in the comparative prior 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.

Turning to Liberty,

Liberty's operational earnings improved period on period. This was 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 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 remained elevated. The future pandemic-related experience remains uncertain, and the pandemic reserve will be re-assessed as part of the 1H22 reporting process.

STANLIB and the shareholder investment portfolio were negatively impacted by adverse market movements.

Liberty remains well capitalised.

I remind you that we completed the buyout of the Liberty minorities in the 1st quarter of the year. Liberty's earnings were 100% consolidated from 1 February 2022.

Pre the treasury share adjustment, Liberty's contribution to the group for 5M22 was positive. The higher Standard Bank share price resulted in a negative adjustment in the period, however.

The Liberty integration plan is on track. The focus is on unlocking value and delivering the R600 million synergies identified as part of the transaction.

Turning to ICBC Standard Bank plc.  I remind you that this entity received an insurance recovery in January.  Our 40% share thereof equated to R1.2 billion post tax.  Pleasingly, ICBC Standard Bank plc recorded an operational profit in the period, i.e. excluding the insurance recovery.

Regarding capital and returns, the group remains well capitalised and we are pleased to report an ongoing recovery in return on equity.

We reported a common equity tier 1 ratio of 13.5% as at 31 March 2022 and our group ROE for the 5 month period was close to group cost of equity. For reference, our FY21 cost of equity was 14.7%.

Now turning to the outlook and our guidance for the twelve months to 31 December 2022

While the economic outlook has deteriorated and uncertainty increased, opportunities continue to exist to help our clients and in turn, grow our businesses.

Our guidance remains largely unchanged. A higher average balance sheet and positive endowment from higher interest rates should drive strong growth in net interest income. 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 a return on equity above cost of equity in 2022.

We also remain convinced that the strategy we laid out in August 2021 remains valid and that the 2025 targets we set at the time are achievable.

Finally, as noted in the announcement this morning, we expect group headline earnings to be up more than 20% in 1H22 versus 1H21.

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

We will report the group's 1H22 results on 19 August 2022.

Before opening for questions, I would like to make some remarks around the customer account issues reported in the media and the IT outages which we have experienced.

First turning to our customer account issues. Based on our investigation to date, we would like to make the following statement, we have not found this behaviour to be widespread. The number of accounts impacted is small in the context of CHNW SA's total base of 10.2 million active clients. The client accounts impacted were valid accounts for real people and were appropriately KYC'd as part of the onboarding process. The issue which arose was that certain staff funded the new client accounts with small amounts of money to "activate" the accounts. Of the accounts which have been identified as activated in this way, approximately 40% thereof have since been used by customers i.e. actually valid active clients.

In terms of the number of staff potentially involved, 51 people have been suspended. The disciplinary process still underway and by the end of last week 33 people had been dismissed. OF course, we view this behaviour in a very serious light – it is not in line with our values and culture. Any fraudulent activity is unacceptable and will not be condoned. We are purposeful in designing our sales processes and incentives to drive the right behaviour, for example incentives are a small part of staff packages. In light of what has happened, we have also kicked off a broader review of our sales processes and incentives. Lastly on this matter, the investigation is being conducted by group risk. Once completed, we intend having the investigation and findings independently reviewed.

On the IT outages, of course we take this matter very seriously and have done a thorough investigation. We have identified what went wrong and are taking steps to improve our processes. The "Always on and always secure" agenda remains a groupwide and very important focus for us. Every day our Engineering colleagues make decisions; they do so professionally and with the best of intentions. Our IT architecture is complex, however, as outlined in our strategy update last year and we are on a journey to simplify it and improve our resilience, including by moving to the cloud. Of course, we cannot guarantee we will never have another outage. However, we are focused on trying to limit the impact on our customers as much as possible and reducing the extent of the outage and importantly reducing the time to repair. Lastly and importantly, our core systems of record, being SAP and Finacle, and where we invested significant capital, remain robust and effective.

Thank you.