

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 six months ended 30 June 2022

Results overview

"The group's performance was underpinned by continued balance sheet and franchise growth." - Sim Tshabalala, Group Chief Executive Officer

Group results

Standard Bank Group Limited (SBG or group) delivered record headline earnings of R15.3 billion for the six months to 30 June 2022 (1H22 or the current period), up 33% on the prior period. This performance was underpinned by continued balance sheet and franchise growth. Return on equity (ROE) improved to 15.3% (1H21: 12.9%). Net asset value grew by 15% and the group ended the period (30 June 2022) with a common equity tier one ratio of 13.7% (31 December 2021: 13.8%). The SBG board approved an interim dividend of 515 cents per share. This equates to a dividend payout ratio of 55% for the current period.

The group made good progress on its 2025 commitments, both strategic and financial. The group exceeded internal expectations in terms of revenue growth, delivered strong positive jaws, retained the credit loss ratio within the group's through-the-cycle range, and ROE moved closer to the 2025 target range of 17% to 20%.

Pre-provision operating profit grew by 20% driven by strong revenue growth. Net interest income growth was driven by strong average balance sheet growth and margin expansion. Net fees grew by 10% supported by a larger client base and increased activity. Trading revenue growth was robust, driven by client trades on the back of market volatility. Revenue growth exceeded cost growth, resulting in positive jaws of 450 basis points. Credit impairment charges were broadly flat leading to an 82 basis point credit loss ratio, down from 88 basis points in the six months to 30 June 2021 (1H21). Standard Bank Activities recorded headline earnings growth of 25% to R13.6 billion and ROE improved to 15.0% (1H21: 13.3%).

Liberty Holdings Limited's (Liberty) performance improved period on period as the pandemic-related impact waned. The Liberty minority buyout was successfully completed in March 2022 and the process of integrating Liberty into the group is underway. The initial focus has been on aligning the sales and adviser teams to drive client franchise growth, the strategic alignment of the Standard Bank and Liberty Africa Regions' teams, and defining the path to deliver the financial benefits identified as part of the transaction. The group remains the third largest investment services business on the continent by AUM/AUA, with a combined AUM/AUA of R1.4 trillion.

ICBC Standard Bank Plc (ICBCS) managed risk associated with the emerging market volatility well. It also received an insurance settlement in the current period relating to a previous client loss.

The group's South African banking business, The Standard Bank of South Africa Limited, recorded a strong rebound. Headline earnings increased by 30% and ROE improved to 14.2%. Revenue grew by double digits, boosted by a strong trading performance and an ongoing recovery in activity-related fees, up 41% and 10% respectively. Credit impairment charges declined but remained above pre-pandemic levels. Costs were well contained to deliver positive jaws of 440 basis points.

Our Africa Regions' franchise grew revenue by 26% driven by a larger balance sheet, higher interest rates, higher transactional volumes, a recovery in international trade as lockdowns eased, and double-digit growth in trading revenue. The business more than absorbed higher costs (linked to a spike in inflation) to deliver positive jaws of 943 basis points. Africa Regions' headline earnings increased by 41% (and by 35% in constant currency) and ROE recovered to 20.4%. The top six contributors to Africa Regions' headline earnings remained Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda. Africa Regions' contribution to 1H22 group headline earnings was 37%.

Operating environment

In 1H22, geopolitical tensions increased. The global macroeconomic environment deteriorated and inflation spiked. In response, central banks increased interest rates faster than expected. This complex backdrop and uncertain outlook drove market volatility. Funding costs increased, including in the USA and UK, and asset prices fell.

The impact of the global turmoil differed across our sub-Saharan African countries. While higher commodity prices supported exporters, food and fuel importers bore the brunt of higher inflation. In 1H22, interest rates increased in almost all of our countries of operation. Various countries were impacted by election preparations.

The South African economy was shielded by high commodity prices, strong terms of trade and a resilient currency for most of the period. Repo rate increases (1H22: +100 basis points), while faster than expected, were measured. In 1H22, interest rates remained low relative to pre-pandemic levels. Consumer balance sheets are healthier than at the beginning of the previous interest rate hiking cycle (2014). While 1Q22 real GDP growth was stronger than expected, 2Q22 is expected to be negatively impacted by flooding in KwaZulu-Natal and renewed electricity disruptions. Slow growth and inflation pressures increased the social challenges in the country.

Prospects

In 2H22, global growth is expected to slow as tighter financing conditions take effect. Inflationary pressures are, however, expected to fade. The International Monetary Fund is forecasting global real GDP growth of 3.2% and 3.8% in sub-Saharan Africa for 2022. African countries with high sovereign debt levels are likely to face some constraints.

In South Africa, further monetary tightening is expected to negatively impact confidence and demand and constrain real GDP growth to 2.3% in 2022. Electricity supply issues may constrain growth further. Inflation is expected to peak in 2H22, averaging 6.5% in 2022. Standard Bank Research expects additional pre-emptive interest rate hikes of 75 basis points in 2H22 (in addition to the 75 basis point increase in July 2022), followed by a pause in 2023.

We are focused on delivering continued revenue growth through our client-centric strategy, and our ability to deliver new and relevant solutions to our clients through their channel of choice, as and when they need them.

For the 12 months to 31 December 2022 (FY22), net interest income growth is expected to be low double digits year on year, supported by balance sheet growth and endowment tailwinds. As the pandemic unwind fades, non-interest revenue growth is expected to moderate to high single digits. Trading revenue growth for FY22 is expected to be slower than 1H22. We will continue to manage our costs judiciously, with a focus on delivering below-inflation cost growth and positive jaws. We will continue to proactively manage regulatory challenges and related costs in Africa Regions. The group credit loss ratio is expected to remain in the lower half of the group's through-the-cycle target range of 70 to 100 basis points, subject to the macroeconomic developments relative to the group's current base case outlook. The group FY22 ROE is expected to improve year on year and remain above cost of equity.

We thank all our colleagues for all that they have done to continue to grow our business and deliver record revenues and earnings.

While the environment remains volatile and uncertain, we are well positioned with strong capital ratios, an unprecedented stock of balance sheet credit provisions and a committed team ready to drive our business forward. We will continue to leverage our significant scale, unrivalled geographic footprint, and leading market positions to differentiate ourselves. We remain committed to delivering positive impact and attractive shareholder returns.

FINANCIAL STATISTICS

	Change (%)	1H22	1H21	FY21
Financial indicator (Rm)				
Headline earnings	33	15 263	11 477	25 021
Total income	11	71 909	64 815	132 982
Cents per ordinary share				
Earnings per ordinary share	34	961.4	717.4	1 563.2
Headline earnings per ordinary share	30	936.2	721.4	1 573.0
Total dividend per ordinary share	43	515.0	360.0	871.0
Net asset value per ordinary share	11	12 721.4	11 509.0	12 493.0
Financial performance				
ROE (%)		15.3	12.9	13.5

Declaration of interim 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 an interim gross cash dividend No. 105 of 515.00 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 16 September 2022. The last day to trade to participate in the dividend is Tuesday, 13 September 2022. Ordinary shares will commence trading ex dividend from Wednesday, 14 September 2022.

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 Wednesday, 14 September 2022, and Friday, 16 September 2022 both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited on Monday, 19 September 2022.

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 interim dividends:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 106 of 3.25 cents (gross) per first preference share, payable on Monday, 12 September 2022, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 9 September 2022. The last day to trade to participate in the dividend is Tuesday, 6 September 2022. First preference shares will commence trading ex dividend from Wednesday, 7 September 2022.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 36 of 294.55181 cents (gross) per second preference share, payable on Monday, 12 September 2022, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 9 September 2022. The last day to trade to participate in the dividend is Tuesday, 6 September 2022. Second preference shares will commence trading ex dividend from Wednesday, 7 September 2022.

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, 7 September 2022, and Friday, 9 September 2022, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 12 September 2022.

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 INTERIM 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	105	106	36
Gross distribution/dividend per share (cents)	515.00	3.25	294.55181
Net dividend	412.00	2.60	235.64145
Last day to trade in order to be eligible for the cash dividend	Tuesday, 13 September 2022	Tuesday, 6 September 2022	Tuesday, 6 September 2022
Shares trade ex the cash dividend	Wednesday, 14 September 2022	Wednesday, 7 September 2022	Wednesday, 7 September 2022
Record date in respect of the cash dividend	Friday, 16 September 2022	Friday, 9 September 2022	Friday, 9 September 2022
CSDP/broker account credited/updated (payment date)	Monday, 19 September 2022	Monday, 12 September 2022	Monday, 12 September 2022

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 412.00 cents per ordinary share, 2.60 cents per first preference share and 235.64145 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:

- 1 678 121 389 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.

19 August 2022, 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/2022/jse/isse/SBK/SBG1H22.pdf>

The 1H22 results, including comparatives for 1H21 where applicable, have not been audited or independently reviewed by the group's external auditors and the directors of Standard Bank Group Limited take full responsibility for the preparation of this announcement. Change percentage reflects 1H22 change on 1H21, unless otherwise indicated

Registered office: 9th floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg 2001, PO Box 7725, Johannesburg 2000

Independent sponsor: Namibia: Simonis Storm Securities (Proprietary) Limited

JSE sponsor: The Standard Bank of South Africa Limited

Directors: NMC Nyembezi (chairman), PLH Cook, A Daehnke*, GJ Fraser-Moleketi, X Guan¹ (deputy chairman), GMB Kennealy, BJ Kruger, L Li¹, JH Maree (deputy chairman), NNA Matyumza, KD Moroka, ML Oduor-Otieno², ANA Peterside CON³, MJD Ruck, SK Tshabalala* (chief executive officer), JM Vice. * Executive director ¹ Chinese ² Kenyan ³ Nigerian All nationalities are South African, unless otherwise specified.