<u>Interim Results presentation – 20 August 2020 10h00</u>

<u>Sim Tshabalala:</u>

OPENING REMARKS

Good morning ladies and gentlemen.

On behalf of everyone at the Standard Bank Group, thank you for joining us for our first fully online results presentation.

If you are joining us on Blue Jeans and would like to ask a question, please do so by clicking on the Q&A link on the right hand side of your screen to submit it. If you are listening on the conference call, please follow the operator's instructions to ask your question.

Before starting the presentation itself, I'd like to take a moment to honour the memory of those Standard Bankers who have lost their lives in the pandemic. Our thoughts are with them and with their loved ones.

I'd also like to express our profound gratitude to health professionals and to other essential workers, including thousands of Standard Bank staff. Thank you for your courage, your determination, your stamina and your empathy.

OUR PURPOSE

The results we are presenting this morning reflect the economic damage caused by the pandemic. But they also reflect the strength of the Standard Bank Group.

They demonstrate our capacity to support our clients and our communities - and to make considerable strategic progress - during the most difficult six months in living memory.

This half, 62% of our banking headline earnings were generated by our Africa Regions businesses.

This illustrates the strength of our Africa-wide portfolio – and of course also sums up the extent of the damage to the South African economy.

Our Corporate and Investment Banking business was another major source of strength over the half, and in particular our Global Markets business, which responded with great accuracy to challenging and volatile market conditions.

1H 20 OPERATING BACKDROP

The first six months of this year saw unprecedented declines in economic activity and asset prices throughout the world.

We have seen fiscal, monetary, public health, technological, and social responses that are equally unprecedented in their pace and scale.

The economic effects in South Africa have been particularly negative, with the economy expected to have its worst year in a century, and with a mounting risk of a sovereign debt crisis.

PURPOSEFUL IN OUR RESPONSE

We have structured our response to the pandemic into three overlapping phases: respond, recover, and re-imagine.

I will say more about 'respond' now, and then address 'recover' and 'reimagine' at the end our presentation.

PRIORITIES FOR 1H20

As the pandemic took hold in March and April, our immediate priorities were to support our clients and to do everything we could to keep our staff safe and well. In our view, these priorities were clearly also in the immediate and longer-run interests of our shareholders.

The Group's essential services have functioned without material disruption throughout the period. We are confident that they will continue to do so as we make the transition back to more normal operations.

Over the first six months of this year, we have provided client relief worth R118 billion to personal and SME clients; assisted corporate clients with R48 billion of exposures; and – with Liberty – paid out R6.4 billion in short term and life insurance claims.

Thanks to extremely hard and rapid work by our facilities and IT teams, we have enabled more than 80% of our colleagues to work from home.

We have done everything we can to make our offices and branches safe for our colleagues and our clients, for example by implementing universal daily symptom checks, and by providing gloves, masks, distance markers and Perspex screens.

OUR IT JOURNEY AND DIGITAL STRATEGY

It has become a cliché that modern financial firms are IT companies. In our case, total IT function spend amounted to nearly a third of our total operating expenses over the half.

This is entirely appropriate: nearly all of our clients want nearly all of our services to be delivered online.

They expect that our services should be at least as reliable as those provided by the global big tech firms.

In order to achieve this, we first needed to replace our legacy systems with a modern core banking system. That has been completed.

Having done that, we then needed to construct, and maintain, an efficient and flexible front end that can deliver our services and solutions securely, 24/7, and in a user-friendly way to our clients.

Our IT investments resemble any other investment portfolio. There's no real return without risk, and some investments won't pay off.

Notably, we have found that aspects of the work performed to improve CIB's client engagement system were no longer suitable, and it was therefore necessary to recognise a large impairment of the previously capitalised asset.

We remain certain that it is far better to innovate than to pursue the false security of trying to take no risks. In our increasingly digital industry, that would simply guarantee obsolescence.

With this commitment to ongoing innovation in mind, we are now in the fourth phase of our IT journey, in which we are aiming to provide increasingly personalised and comprehensive solutions for our clients on our digital platform.

I will provide some specific examples in a few minutes, and say more about our medium-term vision before we conclude.

1H20 RESULTS

Despite the most challenging economic conditions in a century, the Group's pre-provision operating income was up 4%.

The dramatic decline in Group Headline earnings, therefore, is very largely driven by the 166% increase in credit impairment charges over the period. This reflects the extraordinary strain on households and firms imposed by the pandemic, in South Africa in particular.

Our capital and liquidity positions remain strong, and well above the regulatory minima.

At 8.5%, our return on equity reflects the once-in-a-century economic conditions experienced over the half, and our cautious management of credit risk in light of the large uncertainties we continue to face.

CLIENT FOCUS

Now turning to our value drivers, the first of which is client focus.

In addition to the client relief measures mentioned earlier, we have also waived fees, reduced premiums and paid out premium cash-backs, for instance to clients who have been driving less as a result of the lockdowns.

We have played an active role in industry initiatives and public-private partnerships to mitigate the economic damage caused by the pandemic.

CLIENT FOCUS

It's important to emphasise that we have continued to develop and launch new solutions over the half.

Here are some examples of how we are expanding the digital solutions available to our clients.

Entrepreneurship is a major driver of economic growth, particularly when small businesses develop the potential to expand and contribute to job creation. To enable small businesses to grow, we have created a suite of successful digital solutions that support the growth of Africa's SMEs:

- We launched SimplyBlu towards the end of 2019 to enable small enterprises in South Africa to move their businesses online;

- Our BizFlex SME lending solution has been taken up by almost 4 000 SMEs since launch in mid-2019, with R600 million in loans disbursed; and
- The OneFarm platform in Uganda, is now used by more than 500 farmers, and has been proven to significantly increase their crop yields.

Among several other new solutions, I would also draw your attention to:

- Firstly, TradeClub, which connects our clients to more than 20 000 businesses across 60 countries, drawing on our global trade alliance with 14 leading international banks; and
- Secondly, QuantumTrade, which is the first proposition out of our award-winning Quantum Leap Programme for corporate customers. This has reduced the processing time for guarantees and letters of credit from days to an average of just 25 minutes.

We have continued to focus on ensuring that our clients can conveniently and seamlessly meet their needs on our digital platforms:

- We have added new features and services to our mobile banking app six times so far this year, such as the ability to originate Tax-Free Investment accounts and improved functionality for our reward programme;
- Our My360 wealth management app has been downloaded by 27 000 clients;
- Clients continued to enjoy our contactless, virtual and cashless offerings during this time. More than 100 000 new virtual cards were loaded to enable clients to safely shop online; while businesses made 15% more InstantMoney Bulk Payments in this half, as they increasingly adopt this cashless option to pay employees without bank accounts;
- Our LookSee platform has been used by almost 340 000 unique visitors in the last six months, an increase of 25% compared to the prior period; and
- We have 13 times as many subscribers to Standard Bank Mobile as a year ago, with clients enjoying the convenience, affordability and flexibility of this offering.

And of course, we have not stopped innovating. For example, in July, we successfully processed our first client-originated cross-border transaction, end-to-end, using blockchain.

EMPLOYEE ENGAGEMENT

Moving now to Employee Engagement.

In June, we surveyed all staff, asking them how they were doing, and how they are feeling.

We had a good response rate and were very pleased with the results

95% of staff reported that they had adapted well to working from home, or to the socially distanced conditions in their branch or office.

89% of Standard Bankers felt proud of what we have done to support our clients and colleagues during the pandemic. I am part of that large majority.

Just as we have not allowed the pandemic to stop us from innovating in the service of our clients, we have not stopped equipping ourselves with the skills we need for the digital age. Quite the reverse: our colleagues have accessed almost 400 000 learning items from our online learning platform since April.

RISK AND CONDUCT

Turning now to risk and conduct, while we manage a broad range of financial and non-financial risks on an ongoing basis, we have focussed particularly on portfolio and ESG risk over the half.

Looking at the Group's portfolio as a whole, three points are worth emphasising.

First, our book is very well diversified by business line and geography.

Second, despite considerable strain on our clients, we remain within risk appetite.

We have more than enough capital to support our lending comfortably, and to continue to expand lending when appropriate.

Third, we are – and will remain – in a state of heightened vigilance, staying very close to our clients as the pandemic and its aftermath unfold.

RISK AND CONDUCT – ESG RISK

The Standard Bank Group is firmly and clearly committed to doing everything we can to mitigate climate change and to promote a just transition away from carbon-intensive development.

We will publish our first TCFD-aligned disclosures, and our fossil fuel financing policy, before the end of the financial year.

When considering whether or not to support any particular project, we will continue to consider its economic, social and environmental impacts in a balanced and holistic way.

Finally on this point, we do not see these issues as inevitably characterised by stark dichotomies. We think it is usually possible to find solutions that promote both human development and environmental sustainability, while also making a good return for our shareholders. Our Sustainable Finance team is having a lot of success doing just that.

I will now hand over to Arno.

<u>**Arno Daehnke:**</u>

FINANCIAL OUTCOME – GROUP PERFORMANCE

Thank you, Sim.

I am now going to take you through the financial outcome for the group for the six months ended 30 June 2020, starting on slide 17.

DRIVERS OF PERFORMANCE

This slide, which most of you will be accustomed to, illustrates how we think about growth, resilience and returns to drive shareholder value. In a crisis period like we are going through, management's immediate attention and focus has been on ensuring resilience. On this score, we have fared well, with our CET1 ratio at a healthy 12.6%. The ratio is above both the regulatory minimum and our internal targets, providing a large cushion in these difficult times. It also allows us to continue to support our clients in their time of need as you can see from our asset growth on the top left of this slide.

In this tough environment interest margins and fees came under pressure, offsetting an excellent trading result.

The overwhelming impact on this set of results has been the significant increase in the charge for credit impairments which I will discuss in detail on later slides.

Banking activities headline earnings consequently dropped 40% and, as Sim mentioned, Group headline earnings dropped 44%.

In line with the South African Reserve Bank's guidance, the SBG Board has not declared an interim dividend.

INTEREST RATES

Slide 18 provides a snapshot of the interest rate movements in our key markets over the last 18 months

Wide spread interest cuts were experienced in almost all the markets in which we operate. In South Africa, the SARB had started cutting rates in the second half of 2019 and, accelerated by the crisis, cut a further 275bps in the period.

FOREX RATES

Slide 19 shows currency movements, relative to the rand over the same 18-month period.

Rand weakness was a feature of our results this period. South Africa, Angola and Zambian sovereign downgrades were all evident in their currency's weakness in the period.

CLIENT ACTIVITY

Turning to slide 20.

Client activity is our dominant driver of revenue and the impact of various stages of lockdowns and curfews across our operations had a significantly negative impact. We have provided more detailed analysis in the Business Line discussions later, but it is clear from this summarised analysis that, across the board, transactional banking activity was stalled during lockdowns. As can be expected, digital activity levels held up well and further displaced branch-based activity.

Our wealth businesses proved resilient with AUM and deposits increasing. Trading activity and volumes increased as our corporate clients hedged and rebalanced portfolios. Our equities franchise showed excellent growth to increase market and values traded on the JSE by 106%, showing the importance and contribution of our flow and electronic trading capabilities.

STANDARD BANK GROUP INCOME STATEMENT

Slide 21 provides a summarised group income statement.

NII was supported by strong balance sheet growth, albeit at shrinking margins, resulting in a flat outcome on the prior period.

Robust trading revenues helped NIR grow 6%.

Costs were well contained at growth of 1.8%. Positive jaws of 100 bps supported pre-provision operating profit, which grew 4% period on period to R24.3 billion.

Credit impairment charges of R11.3 billion were 2.7 times higher than the prior period, reflective of the very difficult environment and resulted in a credit loss ratio of 169bps.

Consequently, banking operations reported headline earnings of R7.7 billion, down 40% on the prior period.

After accounting for our investments in ICBCS and Liberty, Group headline earnings were R7.5 billion, a decrease of 44% on the first half of 2019 and resulting in group ROE of 8.5%.

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Turning to slide 22 – in the period there were some large items which resulted in a sizeable difference between the group's headline earnings and profit attributable to ordinary shareholders.

Headline earnings is a JSE-mandated measure of operating earnings and excludes items of a capital nature. Profit attributable to ordinary shareholders is calculated including these capital and non-trading items such as, in this reporting period, impairments on intangible assets and the net gain on the exit of our investment in Argentina. After taking these into account, attributable profits were 71% lower than the prior period.

The bulk of the intangible asset impairment in the period relates to a system known as new Business Online.

Our corporate and business clients perform their daily banking on our platform, Business Online. An updated version of this software was rolled out to clients in Africa Regions over the past few years, with SA clients due to be upgraded this year.

We recently made the decision not to migrate South African clients onto the upgraded platform, as we believe our clients will be better served by the deployment of a more modern platform. Components of the build for South African clients were thus assessed as impaired and a R2.1 billion impairment (on a pre-tax basis) was consequently recognised.

BALANCE SHEET

Slide 23 sets out strong balance sheet growth which supported NII.

Average loan growth for the period in CIB was 19%, mainly driven by corporates accessing liquidity. In PBB, growth was slower at 7%, with strong growth in digital disbursement of unsecured loans offset by slower growth in traditional secured lending impacted by lockdowns.

Restructures of loan books during the period were significant; and instalment holidays and a slowdown in prepayments contributed to book growth.

Deposit growth has been strong across the banking sector as clients held on to liquidity in the uncertain environment.

NII

Turning to NII on slide 24

Net interest income was flat as balance sheet growth was offset by margin compression. Margins declined by 57 bps to 387 bps.

- The biggest driver of the decline was the change in interest rates. On a weighted basis, average interest rates declined over 150 bps across our portfolio period on period. This led to negative endowment on capital and funding of 25 bps
- Pricing pressure contributed a further 18 bps to the decline as certain assets repriced faster than deposits and CIB and VAF experienced competitive pricing pressures
- In addition, there was a negative mix impact of 12 bps as CIB loans and deposits grew faster than PBB and additional liquidity resulted in higher cash balances.

NIR

Moving to slide 25, which details non-interest revenue.

Within non-interest revenue, Fee and commission income declined as consumer activity levels and transactional volumes decreased significantly as a result of the lockdowns. Higher digital transaction volumes were offset by lower business and electronic funds transfer fees. Fee and commission revenue was supported, however, by growth in assets under management, predominantly in Nigeria.

Trading income grew 40% to R8.1 billion. Client transaction flows and associated trading revenues increased significantly as clients navigated a complex and volatile environment. Forex trading was the main contributor to this result across all markets.

BALANCE SHEET - PROVISIONS

I am now going to discuss credit provisioning, starting with balance sheet provisions across the group.

The graph on the left provides an overview of the key movements in the balance sheet provision from 1 January to 30 June. Provisions increased 31% from R35bn to over R46bn.

The graph in the middle provides a snapshot of the composition of the balance sheet provision, by stages. As you can see, the biggest increases were in Stage 2, up 40%, and Stage 3, up 31%.

BALANCE SHEET – GROSS LOANS AND PROVISIONS

Turning to slide 27

Across the top of this slide you can see loan formation and staging in the period starting with group on the left, PBB in the middle and CIB on the right.

Stage 1 loans are performing loans. Stage 2 loans have experienced a significant increase in credit risk. Provisions raised against Stage 1 and 2 loans are largely driven by macro-economic experience and assumptions. Stage 3 loans are considered impaired and provisions against these loans are driven by idiosyncratic factors applicable to the specific portfolio or individual name.

Across the top of the slide you can see that Stage 2 and 3 loans have increased as a proportion of the loan books, indicating higher levels of stress in the portfolio. Stage 3 loans have increased to 4.6% of the book, from 3.9% in the prior period.

Across the bottom of the slide you can see the corresponding build up in balance sheet provisions that our detailed modelling indicated was appropriate at this point in the crisis.

Provisions have grown faster than balances in all instances and overall coverage ratios have increased from 2.9% to 3.3%.

BALANCE SHEET – PBB SA GROSS LOANS AND PROVISIONS

In PBB SA we provided unprecedented relief to clients mainly in the form of payment holidays and tenor extensions during the period. The loan book subject to relief conditions amounted to R107 bn at 30 June, 18% of the portfolio. Slide 28 covers PBB SA balance sheet provisions in detail and, to enable detailed analysis, we have shown the client relief portfolios separately.

20% of the balances in the relief portfolio had experienced a deterioration in their risk profile and were hence classified as Stage 2 loans. Less than 1% of the portfolio had been retrenched, received zero turnover or experienced permanent loss of income, and these loans were moved to Stage 3.

Using SARB guidance and our detailed provision models, we calculated that provisions of R2.6 billion were required to be held against the relief portfolio in expectation of defaults as restructure terms are normalised. It is important to note that the clients provided with relief through restructures were all performing at the time of being granted relief, so we are comfortable with the lower coverage ratio on this portfolio.

Overall, PBB SA's coverage ratios have increased from 4.3% to 5.3%. We are confident that collateral values and recoveries are being consistently and conservatively revalued.

CREDIT IMPAIRMENT CHARGES - PBB SA

Turning to slide 29, I will take you through PBB SA's income statement charge for credit.

As reflected in the graph on the left-hand side, PBB SA's total credit charge for the period was R7.7 billion and 2.6 times that of the first half of 2019. This translated into a credit loss ratio of 261bps.

The waterfall graph reflects the build-up of the charge which can be analysed in 3 main buckets:

Bucket #1 - Stage 3 impairments:

these impairments (amounting to R4.9 billion) arose in the ordinary course of lending, where clients' prospects of repayment deteriorated in the period. Our normal credit models and processes were applied here.

Bucket #2 - Forward looking assumption changes:

our credit models are required under IFRS9 to apply forward looking assumptions. We have shown it separately because our forward-looking assumptions changed materially between reporting periods. This change in assumptions added the R676 million to the charge, taking our forward-looking assumption provisions on balance sheet to R2.0 billion

Bucket #3 - The income statement charge for provisions required against the COVID-19 client relief book was an additional R2.1 billion.

BALANCE SHEET - PBB AR GROSS LOANS AND PROVISIONS

In PBB Africa Regions, the relief portfolio amounted to R10.9 billion, or 12% of the book, with most of the book in Stage 1. Our PBB exposures in Africa Regions have been less impacted by Covid-19 than in South Africa. This can be attributed to less severe lockdowns in these economies.

Coverage ratios have been strengthened from 5.6% to 6.5%.

CREDIT IMPAIRMENT CHARGES – PBB AR

Moving to PBB AR income statement charge on slide 31.

Starting on the left-hand side, PBB AR's charges increased to R883 million. This translated into a credit loss ratio of 206 bps.

Turning again to the waterfall graph, the analysis is similar:

1. Stage 3 impairments were the largest increase in the charge on the back on increased Stage 3 loans in Kenya, Mozambique, Tanzania and Uganda.
2. In Africa Regions notable recoveries assisted in diluting the charge.
3. Forward looking assumption changes in AR contributed an additional R141 million charge (bringing the total balance sheet forward-looking provision to R554m), and additional Covid-19 related provisions added another R109 million to the charge.

CREDIT IMPAIRMENT CHARGES - CIB

Moving to CIB credit impairment charges on slide 32 and starting on the left-hand side, CIB's charges increased to R2.2 billion. This translated into a credit loss ratio to customers of 88 bps.

CIB's Stage 3 charge is based on a granular and specific name-by-name risk review of underlying exposures. Forward looking information is integrated into the ratings review processes and probability of default modelling and is therefore not shown separately.

CREDIT IMPAIRMENT CHARGES

In addition to BU-modelled impairment charges, we have raised an additional central provision amounting to R500m as an additional buffer to cater for the realisation of a more bearish outlook that our models have catered for. The outcome of the Covid-19 pandemic is unpredictable and this makes determining scenarios, and the assumptions underlying them, complex. Given this uncertainty, the group has deemed it appropriate to recognise this additional judgemental credit adjustment on the total loans and advances to customers portfolio.

Overall for the group, the credit impairment charge increased to R11.3 billion.

We continue to re-evaluate the depth and expected duration of the current downturn to ensure the appropriate strategies are in place. These include a heightened focus on early identification of distressed accounts, increased collection capability and efficiencies, and proactive rehabilitation policies and processes.

Based on available data and our scenario-based analysis, we are appropriately provided for the severity of the current crisis. However, the outcome of the pandemic is by no means clear and further provisions may be required should the outlook deteriorate beyond our bear-case scenario.

OPERATING EXPENSES

Moving on to operating expenses on slide 34

Cost growth was well contained at 1.8%, supporting positive jaws of 100 bps. Staff costs were up 1% as annual salary increases were offset by lower headcount and lower performance-related incentives. Other costs increased 3% as lockdown-driven reductions in discretionary spend, for example travel and entertainment, were offset by increases in IT costs which were up 26%. The investment in customer proposition development was accelerated, particularly in customer journeys and global markets system investments. The cost of skilled contractors has displaced staff costs in the period as we struggle to source permanent staff with the required skills. Additional expenditure was incurred in the period as we upgraded remote access and firewall software to enable our people working offsite.

TOTAL IT FUNCTION SPEND

Slide 35 provides a breakdown of our total IT spend for the first 6 months over the last 5 years.

Despite the difficult operating environment, we continued our investment to transform to a future-ready group.

Our total IT function spend increased 16% in the period and 6% per annum over the last 4 years. The main drivers of this expense were investments in turnkey consultants, software licences, hardware expenses, datalines and cloud subscription services.

LIBERTY

Turning to Liberty and slide 36.

Liberty's performance was negatively impacted by higher morbidity and mortality claims, new business strain and the creation of a R3 billion pandemic provision to cover future costs related Covid-19. STANLIB South Africa reported improved earnings for the period as well as increased net external third-party client cash inflows. The Shareholder Investment Portfolio performance reflected negative investment market returns, particularly in respect of foreign and local equities. Liberty reported a headline loss of R2.3 billion compared to a profit of R2.0 billion in the prior period. After adjusting for treasury shares, the group's 57% share of the loss amounted to R707 million.

Liberty remains well capitalised and financially strong and remains an important part of our holistic client offering.

ICBCS

Turning to other banking interests which historically included our minority stakes in ICBC Standard Bank plc and ICBC Argentina.

Starting with ICBCS on slide 37. As reflected in the graph on the left-hand side, ICBCS recorded a profit of USD70 million in the period. This was a much-improved outcome relative to the loss of USD130 million in the prior period. The turnaround was driven by the non-repeat of a single client loss last year, revenues earned on the back of the market volatility experienced this year and an insurance recovery payment related to the aluminium-related losses the business incurred in Qingdao in 2015. The group's 40% share of ICBCS' earnings equated to R508 million.

ICBC ARGENTINA

Moving to slide 38. This provides a summary of the accounting implications of the sale of ICBC Argentina. In August 2019, the group exercised its option to sell its 20% stake in ICBC Argentina to the Industrial Commercial Bank of China. From September 2019, the investment was recognised as held for sale and the group ceased recognising its share of profits. A debit FCTR reserve accumulated over the life of the investment due to the devaluation of the Argentine Peso vs the Rand.

The sale was completed on 29 June 2020 and, on completion, the group recognised a gain on sale of R1.4 billion. At the same time, the accumulated FCTR reserve of R3.4 billion was released to earnings.

The net impact of R2.0 billion negatively impacted earnings attributable to the group in this period but was outside of headline earnings.

CAPITAL AND LIQUIDITY

Moving to capital and liquidity. Slide 39 provides an overview of the group's capital stack and CET1 ratios over the last four-and-a-half years as well as our liquidity ratios. Despite the very difficult operating environment and shock to earnings in the period, the group has maintained robust capital and liquidity positions.

Our capital levels increased to R205 billion with a strong IFRS 9 phased-in CET1 ratio of 12.6%.

The group's liquidity position remained strong with a net stable funding ratio in excess of the 100% regulatory requirement. The group's Basel III liquidity coverage ratio amounted to 136%, well in excess of the temporarily reduced minimum regulatory requirement of 80%.

CAPITAL

As we saw on the previous slide, the group ended the period with a CET1 ratio of 12.6%, down from 14% at year end. The waterfall graph on the left-hand side, provides a summary of the key drivers of the decline in CET1 ratio in the period. As you can see, the increase in RWA was the key driver.

On the right-hand side of the slide, we have provided a breakdown of the RWAs as at 31 December and 30 June on either end of the graph as well as the drivers of the growth. Credit RWAs, the biggest category and reflected in the dark blue bars, increased 23% over the period, with CIB driving this increase on the back of a bigger loan book, increased staging of loans, credit rating migrations and higher LGD assumptions.

Importantly, at our current capital levels of a 12.6% CET 1 ratio, we could have absorbed almost 6.6 times the credit charges and remained above the regulatory minimum for CET1.

RETURNS

Slide 41 provides the ROE over the last 5 comparative periods and the key drivers of the decline in this period, most notably the decline in earnings.

FINANCIAL OUTCOME – BUSINESS LINE AND REGIONAL PERFORMANCE

I will now take you through the results for our two Business Units, PBB and CIB

PBB

On slide 43 we have set out PBB's results.

PBB's pre-provision operating profits declined by 6% as revenues declined 1% and costs increased 2%. As discussed, PBB's credit charges increased to R8.6bn which resulted in headline earnings dropping 60%.

Geographically, PBB SA was impacted by negative endowment, elevated impairments, low transactional volumes and a significant decline in loan disbursements in the second quarter which saw headline earnings dropping by 68% to R1.9 billion.

PBB Africa Regions maintained headline earnings at half a billion rand on the back of strong revenue growth and positive jaws. Ongoing customer acquisition, balance sheet growth, as well as asset management and insurance growth, were enough to offset subdued activity levels and regulatory directives on fees.

Wealth International headline earnings dropped by 34% with revenues negatively impacted by lower interest rates. Structural balance sheet changes required in these offshore entities following the South African sovereign downgrade have also impacted performance however underlying client growth has continued, with both client numbers and lending balances increasing.

PBB SA – ACTIVITY LEVELS

Slide 44 sets out the impact of the pandemic on lending activity levels in PBB SA to give some colour to asset formation and revenue generation in the period.

Mortgage and VAF disbursements were significantly impacted by the lockdown and the deeds office in SA was closed during the month of April. In personal lending, where a fully-digital origination alternative exists for clients, we saw digital origination become a bigger proportion of lending transactions.

PBB SA – ACTIVITY LEVELS

Slide 45 sets out transactional activity levels over the period in South Africa. It is clear from these graphs that activity levels improved as lockdown eased. Customer spend on travel agencies, airlines, hotels, car rentals, restaurants and bars have obviously remained negative throughout the second quarter, while a resumption of activity has been noted in professional services (which includes e-commerce), retail stores, appliances, interiors and hardware stores.

CIB

Turning to CIB and slide 46.

During this period of significant volatility and disruption, CIB continued to proactively engage with clients to provide tailored funding, liquidity and risk management solutions. Pre-provision operating profit grew 19% period on period. CIB revenues grew 11% and cost growth was contained at 5%, delivering positive jaws of 639 bps and an improved cost-to-income ratio below 50%.

Significant increases in impairment charges were recorded in East Africa, South & Central Africa, as well as in South Africa. CIB's headline earnings declined 7% to R5.7 billion. This decline in earnings and increase in capital utilisation, led to a decline in ROE to 15.1% from 19.2%.

Global Markets (GM) revenue grew 43% on the back of strong risk management and increased client activity in volatile markets. Africa Regions had a strong half with revenue increasing by 53%, driven principally by Nigeria and Angola. In South Africa, the business maintained its foreign exchange market share and improved its equities market share. Investment in technology platforms resulted in cost growth of 7%. Headline earnings increased 88% to R4.4 billion.

Investment Banking revenues were negatively impacted by muted growth in fees and equity investment write downs on the back of the difficult economic environment. Robust gross loan origination and an increase in drawdowns on unutilised facilities supported average balances, which drove NII growth of 22%. Credit impairment charges increased significantly relative to 1H19, driven by the non-repeat of a prior year recovery, coupled with deteriorating risk grades and increased provisioning across the IB portfolio. Costs were flat. IB headline earnings declined 91% to R181 million.

Transactional Products & Services revenues were negatively impacted by margin pressure as well as adverse regulatory requirements, in particular in Nigeria. Credit impairment charges increased significantly as certain older Africa Regions exposures moved into default. Costs were well contained despite ongoing investment in digital capabilities and higher AMCON charges in Nigeria. TPS headline earnings decreased 36% to R1.2 billion.

CIB

Slide 47 illustrates CIB's resilient client revenues across a diversified client base.

Client revenues increased by 10% in both Multinational and Domestic Clients segments.

From a sector perspective, Financial Institutions continue to be the biggest contributor to the business showing the trust we have built with other banking institutions. The Consumer (up 19%) and Telecoms & Media (up 15%) sectors performed well, weathering the effects of COVID-19. In the Oil and Gas sector we closed some material deals in West Africa and are encouraged by the progress being made in the Mozambique gas developments.

We saw a balanced performance across regions with West Africa growing by 18%, East Africa 14% and South & Central 12%. The challenges in South Africa are well understood with the business being flat on prior year. The product performance was covered in the previous slide.

REGIONAL PERFORMANCE

Moving to our regional performance on slide 48.

The Standard Bank of South Africa's headline earnings declined 72% as the pandemic exacerbated an already difficult environment.

This is in contrast to the group's Africa Regions business which proved relatively resilient delivering headline earnings growth of 11%, and 7% in constant currency (CCY). West Africa's excellent trading performance and positive jaws delivered 28% growth in headline earnings in CCY terms.

The top six contributors to Africa Regions' headline earnings remained Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda.

SBSA

Turning next to SBSA and slide 49. In South Africa we had a very difficult six months. Interrupted power supply extended the fourth quarter 2019 recession into the first quarter of 2020. A sovereign downgrade, the onset of the pandemic and the strict lockdown that followed, strangled an already flailing economy. Excellent cost discipline aided by the impact of cost rationalisation actions in the prior year resulted in positive jaws, but this was not enough to offset shrinking revenues and pre-provision profits declined by 3%.

Credit losses increased to R9.8bn from R3.5bn in the prior period, and headline earnings contracted to R2.0 billion.

SBSA's CET1 ratio dropped to 11.4% but remains above regulatory and internal target ranges.

AR LEGAL ENTITY

Our growing franchise in Africa Regions delivered a resilient performance in the period against a difficult backdrop. Sub-Saharan Africa experienced record capital outflows in the period and financial conditions tightened across the board. Trade and foreign exchange inflows dried up and oil-exporters were negatively impacted by the lower oil price.

Strong positive jaws drove pre-provision profit up 20%. Credit provisions doubled and were somewhat flattered by recoveries in the period.

This resulted in headline earnings of R4.8 billion and an ROE close to 20%.

MEDIUM-TERM TARGETS – UNDER REVIEW

On slide 51 you can see our previously stated medium-term financial targets for the group.

Covid-19 has already had a profound impact globally and there remains much uncertainty as to the ultimate human and economic toll. Therefore, at this stage, there is still too much uncertainty to confirm or revise these targets.

What we do know is that activity levels are recovering, and we have capital and liquidity to support this recovery. This is very encouraging.

But we also know that the pandemic impact on our customers, our employees and our suppliers has been significant. Interest rates are unlikely to pick up for a while. Our outlook may deteriorate overall, or in pockets, which would have an impact on provision levels.

We continue to run scenarios frequently and we are ready to stand by our customers through infection peaks and market lows, through transitions and recoveries.

Forecast risk clearly remains high. But lockdowns will be rolled back, and economies will reopen, and we will remain steadfast in serving our clients and delivering value to all stakeholders.

SEE

We are committed to driving sustainable and inclusive economic growth across Africa. On slide 53 we have set out demonstrable progress that we have made in the last six months towards driving social, economic and environmental impact.

The Group spent an additional roughly R50 million in responding to Covid-19 in the first half of 2020. This included the provision of PPE, hospital infrastructure, and humanitarian support across our countries of operation. For example, Stanbic Kenya donated 192 ventilators to the Ministry of Health, almost doubling the number of ventilators available countrywide.

Further, with the help of our strategic partners ICBC, we coordinated the sourcing and delivery of USD 1.4m of PPE from China.

We immediately understood the consequences of the COVID-19 pandemic for small businesses in SA and, over and above direct relief offered to our clients, we were instrumental in setting up and delivering mechanisms for emergency funding. On behalf of the SA Future Trust we lent R250 million to small businesses to pay the salaries of 22 700 employees. By the end of June, we had approved in excess of R8bn in loans to businesses via the SA Covid-19 government loan guarantee scheme.

We have underwritten in excess of USD 2.3bn for renewable energy projects in Africa producing 2GW of power.

In pursuit of our purpose of driving Africa's growth, we remain purposeful in the allocation of resources and, as Sim mentioned earlier, ESG is intrinsically embedded therein.

Thank you. I will now hand back to Sim to discuss the way forward

Sim Tshabalala:

IMMEDIATE PRIORITIES FOR 2H20

Thank you, Arno.

There may be some recovery in global and South African economic activity as early as the second half – but we are not counting on it.

We don't know whether or not there will be a large second peak in the northern hemisphere; we don't know whether or not the pandemic is still at an early stage in most of Africa; and we don't know how quickly – or even if – better treatments and vaccines will become widely available.

Our dominant themes for the second half, therefore, are to remain resilient, to manage our costs and risks very carefully, and to continue supporting our clients and communities to the best of our ability.

We will continue to digitise over the half – this is clearly a 'no regrets' choice, as it will remain equally relevant during and after the pandemic.

STRATEGY REMAINS RELEVANT

Our broad strategic direction for the medium and longer term remains unchanged. It is our ambition to be a truly human and truly digital group of companies, providing the services, solutions and opportunities that our clients and employees need to achieve growth, prosperity and fulfilment.

Our key focus areas continue to evolve along with changing client expectations and market conditions.

Our commitment to delivering exceptional client experiences has not changed, and will not change. But, of course, this implies that we need to keep updating our understanding of what our clients expect.

In light of these expectations, we must now offer an extended range of services and solutions with the speed, agility, reliability, and extent of personalisation that people have come to expect from the leading digital companies.

To cite our usual example, people no longer want merely a home loan. They are looking for a set of solutions that will provide them with an affordable, comfortable, well-maintained and safe place to live.

The same point applies to our commercial and corporate clients. Companies are not just looking for fleet finance, or for payroll or FX solutions – they are looking for the friction to be taken out of their financial operations so that they can concentrate on their core businesses.

This, in turn, implies that our other two focus areas also need to evolve.

As discussed earlier, our digital focus area has to create the infrastructure that makes this kind of service possible. In addition to being efficient, robust and secure, it must also provide an integrated and comprehensive view of our clients so that we can understand and anticipate their needs.

Our third focus area, 'Integrated and Collaborative', expresses the idea that we want to provide an expanded range of services in a seamless way, and in collaboration with new partners.

One way of thinking of this is to say that, as well as having a shop, we want to own the mall. We'll still have our shop. But we will also think about all the other goods and services our clients are likely to need. We will make sure that those services are safely, conveniently and reliably available in our mall. And we will, of course, collect rent from our tenants in return for the space and services we provide.

PURPOSEFUL IN DRIVING AFRICA'S GROWTH

Finally, we remain purposeful in driving Africa's growth.

Talking of growth, it is clear that the pandemic has significantly altered the global and African outlooks over the medium and longer terms.

While it is too early to be confident about which changes to the global political economy are likely to persist, we do think that public policy and regulation will probably be more risk-averse; that supply chains will be shorter and more diversified; and that a substantial proportion of economic and social life has moved on-line permanently.

Each of these changes has important consequences for the structure of economies, and we are thinking carefully about how to adapt in the best interests of our shareholders and stakeholders.

To conclude, I'd like to re-emphasise the points made on our opening slide.

As soon as we understood that we were entering a once-in-a-century global crisis, our attention shifted away from the financial targets we had set at the end of 2019. Our priorities became doing the right things for our clients, for our staff, and for Africa.

As so often happens, doing the right thing was also the right commercial decision. We earned record revenues, we saw rapid deposit growth, and our pre-provision operating profit is pleasing.

As you have seen, our capital and liquidity positions remain extremely strong. Clearly, our credit experience has been challenging. But – as you have also seen – it is well-managed.

I can't over-emphasise how grateful I am – and how impressed I have been – by the way Standard Bankers have responded to the crisis. They have shown tremendous courage and they have worked extremely hard.

We have all learned a great deal. We are a far more digital organisation than we were in January – progress that might have taken years has happened in months. In general, the pace of the organisation has accelerated remarkably.

We submit, therefore, that we are very well positioned to support the recovery and to compete successfully after the pandemic.

We will now go to questions.

CLOSE