STANDARD BANK PRE-CLOSE CALL TRANSCRIPT– 31 May 2021

Standard Bank issued a voluntary trading update for the 4 months to 30 April 2021 (4M21) and a trading statement for the six months to the 30th of June 2021 (1H21) this morning. The purpose of this call is to cover the highlights of that announcement and then to open for questions.

Arno Daehnke – Standard Bank Group Chief Financial Officer:

On the economic update, since our first quarter operational update in April 2021, the global environment has improved. Upward revisions to the global growth outlook are positive and the IMF upgraded expectations for global gross domestic product growth in 2021 to 6%.

In South Africa, strong export prices have driven a trade surplus and the fiscal outlook has improved. There are signs that an economic recovery is underway, and sentiment has improved. Inflation is expected to remain contained and interest rates are expected to remain low. Year to date, the Rand has strengthened relative to other major currencies and most of the currencies in the countries in which the group operates.

On the Covid-19 update, in sub-Saharan Africa the Covid-19 vaccine roll-out is underway but vaccine access and distribution remain key hurdles. In South Africa, the mass vaccine rollout has started and is expected to gain momentum in the coming weeks.

Pandemic-related restrictions have largely been rolled back across our countries of operation and economies are showing signs of recovery. Infection waves are expected to continue at different paces and severities and future lockdowns are expected to be more targeted and less restrictive.

Turning to the balance sheet trends and disbursements, in South Africa, in the four months to the end of April, mortgage and vehicle and asset finance disbursements were well above those recorded in the 4 months to April 2020 (4M20). Business disbursements grew double digits relative to the same period last year. In Africa Regions, personal loan volumes were also higher period on period, driven by strong digital channel origination.

Despite relatively strong Investment Banking origination in April 2021, corporate client balances declined as clients took the opportunity to repay loans they drew down a year ago, and foreign currency balances declined due to the translation impact related to the stronger Rand.

Turning to the Income Statement trends for 4M21 relative to 4M20, the stronger Rand reduced both revenue and costs by approximately 5% period on period due to the translation impact.

Net interest income declined by mid-single digits – but was flat in constant currency. Significantly lower margins (driven by lower average interest rates period on period) were partially offset by higher average interest-earning asset balances. Net interest margin remained at a similar level to the second half of 2020 (2H20).

Non-interest revenue declined by high-single digits as trading revenues were lower period on period relative to the high base in 4M20. Net fee and commission revenue were down low-single digits relative to the 4M20 but grew mid-single digits in constant currency.

In South Africa, card issuing turnover was up double digits relative to 2020 and relative to 2019. In Africa Regions, digital transaction growth remained robust. Costs declined low- to mid-single digits relative to the prior period.

Unfortunately, revenue pressure outweighed strong cost containment, and this resulted in negative jaws.

Credit performance in 4M21 was better than expected. Credit impairment charges were significantly lower relative to the prior period, driven by lower forward-looking provisions and releases related to corporate clients.

The credit loss ratio was marginally below the top end of the group's previous through-the-cycle range of 70 – 100 basis points in the period.

The CLR is expected to be above the top end of the previous through-the-cycle range for the full year of 2021 and, ICBCS remained profitable.

Turning to return on equity, the group's ROE recovered relative to the 8.9% reported in the 2020 financial year (FY20). It was closer, but still below, the group's cost of equity.

Turning to capital and liquidity, the group's capital and liquidity levels remain well above regulatory minimums and internal risk appetite thresholds. The group's common equity tier 1 ratio as at 31 March 2021 was 13.2% and this is unchanged from year-end.

Turning to dividends and outlook, the group expects to be in a position to declare an interim dividend in August 2021. The full year 2021 (FY21) dividend payout ratio is expected to be above the 2020 levels but below historic levels of 45% - 55% payout ratios.

Recovery trajectories are likely to differ across the markets in which we operate. Positive global backdrop should provide some support. Group guidance for the twelve months to 31 December 2021, as provided in March 2021, remains unchanged.

Turning to the trading statement, as per our SENS announcement this morning for the 6 months to June 2021, the group's headline earnings per share are expected to be more than 40% higher than in the first half of 2020 (1H20), and earnings per share are expected to be more than 2.8 times the EPS in the first half of 2020 – for the avoidance of doubt this is more than 180% higher than 1H20 earnings per share (EPS).

There are still two months of trading to take into consideration – including the impact of the third wave in South Africa on the group's banking and insurance operations.

We will provide an update, including a guidance range, when are able to do so in the coming months.

Questions and Answers – available on the recording.