PRE-CLOSE CALL TRANSCRIPT – 29 November 2021

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Economic update:

I will start with some brief comments on the recent macroeconomic developments and then turn to Standard Bank Group trends.

Since our nine-month operational update in October 2021, the IMF has upgraded its expectations for GDP growth in 2021 to 3.7% for sub-Saharan Africa and to 5.2% for South Africa. Global commodity demand and pricing have dipped, but remain favourable for sub-Saharan Africa, and specifically for South Africa.

In contrast, inflation fears, and policy uncertainty have caused some volatility in global markets and the pandemic unfortunately continues. New strains of Covid-19 will continue to add to market uncertainty and hence volatility. The roll-out of the vaccines in sub-Saharan Africa is behind targets, which poses a risk.

In South Africa in the last month, we have seen peaceful municipal elections, the Finance Minister presented the 2021 Medium Term Budget Policy Statement (MTBPS) to parliament and the Governor of the South African Reserve Bank published the outcome of the Monetary Policy Committee (MPC) meeting.

The MTBPS highlighted that, while fiscal risks remain, the 2021 revenue collection is expected to be significantly better than initially forecast. This positive development will enable the government to reduce debt and fund the additional support provided through the expanded social and economic programmes. The MPC reviewed the outlook and decided to increase interest rates by 25 basis points to 3.75% from 3.5% (a five-decade low).

Standard Bank Group performance for the ten months to 31 October 2021

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 origination supported a recovery in the Investment Banking loan book balances, offsetting lower foreign currency balances due to the translation impact related to the relatively stronger ZAR. Investment Banking balances closed October 2021 at levels close to those as at the end of 2020.

Revenue:

Revenues continued to recover, supported by higher average balances, a growing client base, improved sales, and higher activity levels relative to the comparative period. Margins benefited from retail balances growing faster than corporate balances as well as Africa Regions' balances growing faster than those in South Africa.

I am pleased to report that, in South Africa, we continue to acquire new retail clients at roughly 100 000 clients a month. This has translated into high single digit growth in South Africa active clients year to date, and should be supportive of fees going forward.

In South Africa, customers continued to transact primarily via our digital channels and enjoy the convenience and flexibility of accessing their funds from any ATM, at no extra cost, and via our expanding range of retail partners. In line with our strategy to digitise, our branch-based cash transaction volumes, and related fees, continue to decline. Card spend recovered to 2019 levels, while merchant acquiring turnover was well in excess thereof.

In Africa Regions, Consumer & High Net Worth (CHNW) digital transaction volumes and Business & Commercial Client (BCC) transaction volumes were above 2020 and above 2019 levels. The Business & Commercial Client segment recorded particularly strong volume growth in Ghana, Kenya, Lesotho and Uganda.

Trading revenue has been better than expected in recent months.

<u>Costs:</u>

Costs remain well managed. Cost growth was driven by higher activity- and performance-related costs, including incentives. While we still expect negative jaws for 2021, we expect jaws to narrow relative to 1H21.

The stronger ZAR, on average period on period, continued to dampen reported revenue and cost growth.

<u>Credit performance:</u>

In the ten months to the end of October continued to track better than expected. Impairment charges declined period on period due to improved collections, higher cures and lower forward-looking provisions together with corporate client releases reported on in August.

The credit loss ratio for the period was within the group's through-the-cycle range of 70 – 100 basis points.

The active client relief portfolios in both CHNW and BCC now represent a very small proportion of the respective portfolios.

As at the end of October, the CHNW active client relief portfolio in South Africa equated to R2bn - less than half a percent of the total CHNW SA loan portfolio. In Africa Regions, the active client relief portfolio also equated to less than half a percent of the Africa Regions CHNW loan portfolio. The lapsed portfolios continued to perform well, with strong payment ratios.

In the BCC segment, the active client relief portfolio represents 0.1% of the total South Africa portfolio and approximately 1% of the Africa Regions portfolio.

Other:
With regards to ICBC Standard Bank plc, the business remained profitable for the period.

With regards to Liberty's performance, please refer to Liberty's voluntary operational update announcement released on SENS on 18 November 2021.

Capital & liquidity:

The group's capital and liquidity levels remain strong. The group's common equity tier 1 ratio was 13.5% as at 30 September 2021.

Group return on equity for the period improved relative to the 12.9% reported for the first half of the year.

Group guidance for the twelve months to 31 December 2021, as provided in August 2021, remains unchanged.

Liberty minority shareholder buyout:

As noted in our announcement earlier today, the buyout of the Liberty minorities is progressing well. In October, the Liberty preference and ordinary shareholders approved the transactions.

With regards to the Liberty preference shareholders, the conditions of the preference share scheme were satisfied, the consideration has been paid and the Liberty preference shares have been delisted.

With regards to the Liberty ordinary shareholders, we are in the process of obtaining the requisite regulatory approvals and still expect to satisfy the conditions and complete the transaction in the first quarter of 2022.

Outlook:
In closing, I will comment briefly on the outlook, recognising that there are a number of unknowns.

The emergence of a new Covid-19 variant and the threat of a fourth wave in South Africa are concerning. As we look out to the end of the year, and the annual summer holiday period, infection rates are on the rise. This may lead to broader restrictions being reintroduced in some of our countries of operation. The combination of vaccinations and economic necessity are however, expected to result in the lockdowns being less restrictive than in previous waves, particularly in South Africa.

While these uncertainties may blur the outlook, we remain confident that our diversified client base, broad portfolio of solutions, and geographic footprint position us well to continue to manage risk and find opportunities to partner our clients in their growth journeys. All three of our client segments are showing good underlying momentum, which bodes well for 2022.

In addition, our robust business continuity plans and strong capital position will enable us to continue to support our clients, our employees, and the societies in the countries in which we operate.

Lastly, we look forward to sharing our year-end results with you on 11th March 2022.

Thank you.

For questions and answers, please refer to the recording.