FY21 Results presentation
11 March 2022
Speaker notes

Sim Tshabalala, Chief Executive Officer

Good morning, ladies and gentlemen. Thank you for joining us as we present our results for 2021. If you are joining us on Blue Jeans and would like to ask a question, please do so by clicking the Q&A link on the right-hand side of your screen. If you are joining us via Chorus Call, you will have an opportunity to ask questions at the end of the presentation.

2021 was a year of recovery for the world economy, which grew at 5.9%, a vast improvement from the 3.1% decline in 2020. In the second half of the year, increased demand and supply chain disruptions caused inflation and the prospect of tighter monetary policy increased volatility. Climate change, and then the omicron variant, dominated the global agenda in the latter part of the year.

In sub-Saharan Africa, the recovery was more muted, with the regional economy growing at 4%. Following a very severe contraction in 2020, the South African economy is estimated to have grown by 4.9% in 2021. Social grants provided support to low and no-income households. And debt levels in middle- and upper-income households remain below previous levels, indicating their capacity to borrow.

The events that took place in KwaZulu-Natal and Gauteng in July were a harsh reminder of South Africa's weaknesses, including our exceptionally high level of unemployment. While the financial impact on our business was limited, these events resulted in disruptions to business and knocked confidence.

The fiscal position benefitted from commodity-related windfall tax collection. Pleasingly there was some progress on structural reform, particularly in the electricity and transport sectors, but in general the pace of reform remains slow.
Overall, the global, Africa and South African recoveries created tailwinds for our business in 2021

We are of course very conscious of the rapidly developing situation in Ukraine and Russia and its wider consequences. We are closely monitoring events to ensure that we comply with all relevant local and international laws and guidelines; and in order to manage the consequences for our businesses and our clients. Although we have limited direct exposure to Russia through our controlled operations, we do however have some clients with businesses that are being directly affected. We will support them as appropriate and to the best of our ability. While it is too early to say what the wider second-round and long-term effects of these events are likely to be, we have already seen volatility in markets and commodities.

ICBCS, as an emerging markets and commodities business, has exposure to certain entities which are being impacted. ICBCS is responding to developments in line with its contingency plans. At this stage, given the uncertainties and fluid nature of the developments, it is not possible for ICBCS to assess the impact on its 2022 result.

In Africa, somewhat slower economic growth is also possible, although the pattern of effects will differ across the continent. Some countries, including the oil and gas producers, may benefit from higher commodity prices. If the war drags on, some African countries may be at risk of

worsened food insecurity. Only a few African countries – notably Egypt and Malawi - have significant direct exposure to Russian or Ukrainian trade and investment.
South Africa, for instance, sells 0.3% of our total goods exports to Russia, and receives 0.7% of our goods imports from Russia. Further, as a commodity exporter, South Africa's terms of trade are somewhat shielded as prices rise.

Moving to our financial highlights, I am very pleased to report that the group recorded record pre-provision operating profit in the second half of 2021. For the full year, pre-provision operating profit equated to R47.8 billion, 5% up on 2020. The Group's earnings rebounded 57% to R25 billion. As you will see when Arno presents the numbers in more detail, this improvement was driven both by a recovery in client activity and by growth in our franchise. Group Return on equity improved to 13.5%. Standard Bank activities' return on equity was 14.7%, in line with cost of equity. The group ended the year with a common equity tier one ratio of 13.8%. The Board approved a final dividend of 511 cents per share. This equates to a dividend payout ratio of 60% in the second half of the year and 55% for the full year.

During 2021 we made strong progress in three key areas. We achieved franchise growth across all three of our core businesses. We made good progress in developing new revenue streams by scaling up our digital platforms and partnerships. We remained focused on the diligent allocation of capital to fund expansion, while carefully managing costs, and we successfully completed the Liberty minority buyout last week.

In August last year, at our strategic update, we revised our strategic priorities and defined and presented our 2025 targets. This is our commitment to you, and I am pleased to report that we are on track to deliver on this commitment.

Starting with number one, core franchise growth. This strong set of results is underpinned by our high quality, growing client franchise and our leading market shares. On client franchise growth, Consumer and High Net Worth grew clients by 8% and Business and Commercial, by 5%. And CIB added new clients to its already enviable list of local and global corporates and institutions.

Our main market transactional account and flexible funeral product were key drivers of the Consumer and High Net Worth growth in South Africa. Our digital SME onboarding, servicing, and flexible lending solutions supported BCC client acquisition in Africa Regions. It's also worth noting that - in line with our "develop once and roll out many times" philosophy - our digital onboarding solution has been rolled out in 7 countries and our automated SME scored lending capability in 9 countries.

Pleasingly, our investment in digital solutions, including origination and fulfilment, is showing up in new digital applications, larger digital engagement volumes, and more digital fulfilment. We have more digital clients, doing more things, more often. From a market position perspective, we took advantage of our strengths and grew our leading market shares in mortgages and card in South Africa. We also retained our leading position in deposits in the country. We retained our dominant positions in FX and custody across most of our presence countries.

In South Africa, we ranked number one in ZAR debt and DCM. In 2021, we continued to build our Sustainable Finance franchise. We structured a number of market firsts, including Africa's first sustainability-linked bond. We committed to finance over R19 billion in renewable projects in South Africa. We facilitated over R20 billion in sustainable finance for our clients and issued almost R5bn for our own sustainable projects, with a focus on renewables and affordable housing for women. The Group also issued our own first Tier 2 green bond and our first social bond. The funds raised will be applied to fund renewable energy and financial inclusion, aligned to the SDGs. We are the 3rd largest asset manager on the continent and remain the leading pension fund provider in Nigeria.

In 2021, we won a wide range of awards across our countries and business areas. This range is testament to the breadth and depth of excellence that makes Standard Bank Group the most valuable bank Brand in Africa. Pleasingly, our efforts were also reflected in improvements in our client experience ratings. In particular, in South Africa where our SA-CSI rating improved for the 2nd year in a row.

Turning to our banking balance sheet. We have very deliberately managed our risk appetite in order to continue to support our clients through the pandemic. On this slide we show how our balance sheet has grown and shifted over the last 3 years. Starting with deposits. On the top left, we have successfully attracted retail-priced deposits, reducing our need for more expensive market funding.

On the bottom left, our Africa Regions and International franchises have recorded exceptional growth. Our International deposit franchise has reached a remarkable GBP6.5 billion. In terms of customer loans, our retail and business portfolio growth has been strong. And again, our Africa Regions portfolio outstripped growth in South Africa. These trends clearly reflect our success in growing cheaper retail deposits as well as in allocating capital to grow our portfolio in Africa Regions.

How does this translate into the core franchise numbers? Simply put, we achieved a record performance across net interest income, non-interest revenue and pre-provision operating profit in the second half of 2021.I will leave Arno to delve into the details.

Moving to our new business opportunities and new revenue streams. Regarding payments, we are very conscious that the market for payments is evolving quickly. The modernisation and digitisation of payments presents threats and opportunities. While we recognise that regulation is changing and competition increasing, we are strongly of the view that certain functions and revenue streams will remain within the purview of banks. This includes deposits and interchange. Importantly, we understand and operate across the full spectrum of payments today, from large corporate settlements and bulk collections through to small mobile wallet transfers. We will leverage our differentiated value propositions to protect our relationships, protect our current revenue streams, and increasingly build new sources of revenue. We will do so across corporates, merchants, and individuals.

Turning now to partnerships, It bears repeating that, in our digital age, markets will increasingly be defined and dominated by networks of partnerships. As we have mentioned on previous occasions, we are increasingly open to partnerships. In fact, we have already built an enviable network of partners across FinTechs, BigTechs and Telcos. Together we offer much better, more secure, more convenient solutions to our clients. Talking of partnerships, Founders Factory Africa continues to be a valuable source of innovative, Africa-relevant, start-ups – and enables us to achieve our objective of supporting the development of local enterprises.
We were also pleased to announce our new partnership with Flutterwave, an African success story and a disruptor in digital payments.

In 2021, we remained focused on simplifying the group. We continued digitising our processes, increasing our digital fulfilment from 22% to 28% of services. We continued to engage with ICBC on a path to exit our stake in ICBCS. And we completed the Liberty transaction in line with our timetable. To those of you who have become Standard Bank shareholders as a result of that transaction, welcome. We look forward to engaging with you and we commit to delivering attractive shareholder returns. We managed costs tightly and delivered positive jaws and a declining cost-to-income ratio. And we continued to invest in our people, our systems, our digital solutions, and our data management.

In closing, while I recognise that there is always more to do, I am very pleased with the way we delivered against what we set out to do. I will now hand over to Arno to describe how our strategic progress translates into our financial performance. Arno, over to you.

Arno Daehnke, Chief Finance and Value Management Office

Thank you, Sim.
I am now going to take you through the group's results for the year ended 31 December 2021, starting on slide 12.

The group's earnings rebounded strongly in 2021. Pre-provision operating profit grew by 5% for the year. This was driven by positive jaws and hence a lower cost-to-income ratio. Headline earnings grew by 57% to R25 billion and this growth was supported by a significantly lower credit charge, shown here as a credit loss ratio of 73 basis points. This robust result allowed the declaration of a final dividend of 511 cents per share, bringing the total dividend to 871 cents per share, a 55% payout ratio for the year. The group's ROE recovered to 13.5%, from 8.9% in the prior year.

On slide 13 we walk you through our headline earnings growth by income statement line item, to end at R25bn. The standout driver is clearly the recovery in credit impairments, shown as the large gold bar in the center of the chart.

At the bottom of the chart, we have shown the Rand and the CCY growth rates for the various income statement line items. As you can see, the relative strength of the Rand had a large impact in dampening results from non-SA entities in the period. Headline earnings growth of 57% in Rand translates to growth of 70% when measured in constant currency.

Slide 14 shows our income statement, including a 2019 column for comparison against a more normalised pre-pandemic period. Using this analysis, we can see that revenues are up 5% on last year and up 3% on 2019. Within total revenues, NIR is 8% higher than 2019 but NII is still slightly below 2019 levels given the negative endowment impact of lower interest rates in 2020 and 2021. The charge for credit impairments at R9.9 billion has more than halved compared to 2020 but remains elevated when compared with 2019.

Standard Bank activities headline earnings growth was 59% in Rands and 71% in CCY and, after including results from ICBCS and Liberty, Group earnings growth dilutes slightly to 57%. The group's average balance sheet has grown over the year, with average interest-earning assets growing by 1% and interest-bearing liabilities growing by 4%.

The average retail and business lending portfolios grew 9% year on year. This was offset by lower average corporate and other lending books, down 11%, coming off a record high base in 2020. In South Africa, our two largest retail asset classes of mortgages and vehicle and asset finance saw record disbursements of R80 billion and R47 billion, respectively. Investment Banking disbursements were R180 billion in 2021.

Average interest-bearing liabilities growth was supported by strong growth in retail priced deposits. After absorbing the impact of lower interest rates in 2020 and the first half of 2021, NII growth resumed in the second half of 2021. The cumulative negative endowment impact on NII for these 3 periods is almost R10 billion.

NII growth of 2% for the year was supported by the continued growth in our balance sheet and slightly increasing margins. The endowment impacts, while still negative, waned in the second half. The stronger growth in the retail and business loan book and the growth in retail-priced deposits I referred to earlier, drove favourable mix changes which was supportive for margins. Net interest margin (NIM) increased 3 basis points to 373 basis points for the year.

Our largest contributor to NIR, Net fee and commission income, increased 4% as client activity levels and transactional volumes improved relative to the prior year. In South Africa, the negative impact of pricing adjustments to ATM and cash transaction fees, the discontinuation of cheques, and the continued migration to digital channels. was more than offset by client growth and higher transaction volumes. Digital transaction fees recorded double digit growth as we expanded our digital functionality and clients embraced our innovative, convenient digital solutions. Good growth in our active merchant account base and point of sale devices, combined with higher spending, drove higher card acquiring and issuing turnover, and associated fees.

Trading revenue grew by 7% to R14.8 billion. The South African business recorded a strong performance, driven by structured trades and foreign exchange client sales. This more than offset a decline in Africa Regions, which came off a high base in 2020.
Other gains and losses benefited from the partial reversal of prior year equity revaluation losses.

On slide 18 we turn to credit provisions and start by looking at our balance sheet positions at year end. Year-end lending balances grew by 12% and stage 3 loans make up 4.7% of the book. This has reduced from 5.5% as non-performing loans were repaid or moved back into stage 1 and 2 as conditions improved.

In the right-hand graph, you can see provisions grew further off a high base to R51.4 billion. Stage 3 provisions of R36 billion are held against the Stage 3 book of R70 billion, providing a coverage ratio of 52%, up from 46% this time last year.

On slide 19 we compare the build up in provisions in 2020 to 2021.
Net provisions raised in 2021 have almost halved as lower forward-looking provisions were required and customers resumed payments or repaid loans. Offsetting this somewhat, the SA card portfolio saw continued strain in the expired payment holiday book, which required increased provisions in 2021.

Write offs increased against legacy corporate exposures in 2021 and we saw a resumption of bad-debt book sales in the card and personal unsecured portfolios.

The income statement charge for credit impairments has declined in each of the last 3 reporting periods, from a high in the first half of 2020 when the effects of the Covid-19 pandemic were first accounted for.

The reducing charge can be explained by reduced forward-looking provisions due to an improving outlook, as well as matured debt relief portfolios and a net credit in CIB in 2021.
On slide 21 we can see the group credit impairment charge for 2021 of R9.9 billion split by client segment.

A net release of provisions held on the CIB client portfolio amounted to R311m, as client exposures matured and were paid down. A large decline in credit provisions of 36% in

Consumer and High Net Worth clients is evident, given cures in the payment holiday portfolios and a generally improved operating environment. This reduction absorbs higher provisions in the card portfolio.

In the Business and Commercial client portfolio provisions declined by 37% compared to the prior period, which represents a lower charge in SA offset by a more normalised charge in Africa Regions. We have retained the R500 million central judgmental credit provision created in 2020, given the continued uncertain environment.

Slide 22 represents the credit charge as a loss ratio. The group ratio of 73 basis points is made up of:

- A recovery in CIB of 6 basis points;
- A loss ratio in BCC of 124 basis points; and
- A loss ratio of 137 basis points in CHNW, inside their target range of 100 to 150 basis points.

Cost growth was 4% in 2021 and, if the impact of higher performance-related incentives is excluded, cost growth was 2%. Cost growth was 9% in CCY. Positive jaws of 54 basis points were generated resulting in a Standard Bank activities cost-to-income ratio of 57.9%.

Staff costs increased by 7% driven by annual inflationary salary increases and higher performance-related incentives.

Other opex grew just 1% as higher marketing costs were offset by lower professional fees, lower premises costs, as we rationalised our footprint, and lower depreciation.
Technology costs increased by 3% following strict prioritisation and adoption of a “save to invest” philosophy. This, coupled with efficiencies delivered through our simplification journey and a conscious focus on reducing our dependency on 3rd parties, allowed for investment to be prioritised in the acceleration of our cloud capabilities.

We continue to focus on generating operational leverage and positive jaws and we are pleased that we have been able to regain momentum after pandemic-related revenue pressures in the last two reporting cycles.

In the second half of 2021, revenues rebounded strongly to grow at just below 12% year on year. The higher costs growth in the second half reflects the base effects of prior year adjustments, including on incentives, and is expected to normalise to below inflationary growth for 2022.

On slide 26 we have sliced earnings in 3 ways. The first, and primary representation, is by client segments, based on client types.
The middle chart shows a product, or client solution view, of earnings. In our detailed booklet we break down banking further into home services, vehicle and asset financing, transactional banking, global markets etc. In our current reporting, Liberty is excluded from insurance and investments products.

The third chart is our regional segmental split, where we use legal entities as a proxy for regions. In this period Africa Regions’ contribution to group headline earnings was 36%. The top six contributors to Africa Regions’ headline earnings remained Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda. These charts demonstrate the diversity and breadth of our client franchise across client segment, solution and geography.

Consumer and High Net Worth headline earnings improved by 127% to R6.9 billion and ROE increased to 13.9%. Robust balance sheet growth, particularly home loans in South Africa and unsecured loans in Africa Regions, supported net interest income. A growing client franchise, increased client activity and higher client spend supported non-interest revenue. Credit charges declined 36% as client repayments increased and collections strategies bore fruit. Client experience ratings and active customer numbers improved significantly.

Business and Commercial Client delivered headline earnings of R5.3 billion, an increase of 25% on 2020, and an ROE of 24.5%. Net interest income grew as balance sheet growth more than offset negative endowment headwinds. Non-interest revenue grew as trade and transactional volumes recovered. Credit impairment charges declined 37%, driven primarily by lower charges in South Africa.

CIB headline earnings increased 43% to R13.4 billion and ROE improved to 19.6%. Revenue grew 5% overall, with a smaller average balance sheet and endowment impacting NII. Prior year fair value equity losses reversed, and market volatility provided trading revenue opportunities, to allow NIR growth of 13%. The absence of new non-performing loans, combined with the successful restructuring and repayments of previously impaired advances, led to a net impairment release.

Moving to client solution performance on slide 28.
Banking solutions headline earnings of R23 billion improved considerably, up 62% year on year. Banking solution revenues increased 5%. Costs within banking were well contained, increasing only 4% after absorbing annual salary increases, ongoing work-from-home costs, higher digital capability development costs and the normalising of performance-related incentive costs. An ROE of 17.2% was achieved.

Our insurance business (excluding Liberty) recorded a healthy growth in policies and gross written premium which supported revenue (net of claims) of R4.4 billion. Despite the current elevated level of claims, this business has continued to grow net revenue year on year by 5%. Elevated claims were on the back of a larger policy base, pandemic-related credit and funeral claims, and weather-related short-term claims. Retrenchment claims remained lower than expectations at the beginning of the pandemic. The group, including Liberty, is a significant player in the long-term insurance sector and the largest provider of credit insurance in the South African market. Our simple, digitally enabled funeral product continued to resonate with customers, and we have sold over 1 million policies since its launch in October 2020. The majority of the insurance headline earnings are generated in South Africa. The Africa Regions insurance business is starting to deliver strong growth. Our capital light insurance business continues to deliver a strong ROE of 54.5%.

Turning to investments, Standard Bank Group, including Liberty, is the third largest asset manager on the continent, with combined assets under management, administration and custody of R1.4 trillion. The business shown here excludes Liberty and grew assets under management by 12% year on year, supported by positive market performance. AUM grew across all three regions: SA (+9%), African Regions (+14%) and International (+17%). Revenue grew 2%, dampened by the stronger Rand. Melville Douglas won the coveted Raging Bull Award for the best Offshore Management company in 2021. In addition, our Nigeria pension fund business continued to retain its leading market share and our Ghana institutional business continues to record strong net client cash flows. Headline earnings grew 11% to R755 million and an ROE of 27.3% was achieved.

The Standard Bank of South Africa bounced back strongly: headline earnings were 2.7 times higher than 2020 and ROE recovered to 12.5%. Revenue grew double digits, boosted by higher trading and other revenues. Credit charges more than halved and costs were well contained to deliver positive jaws of just under 200 basis points.

Our Africa Regions' franchise delivered strong top line growth in local currency terms, underpinned by ongoing balance sheet and client franchise growth. Inflation and weaker currencies in key markets dampened translated earnings growth. Headline earnings declined 2% and ROE remained accretive at 18.2%.

Here we break down our Africa Regions operations into our three sub-regions.
In East Africa, revenues held up well in CCY and credit impairments improved. Positive jaws helped headline earnings grow 22% in CCY. In Rands headline earnings improved 10% and ROE improved slightly to 14.7%.

In South and Central Africa, revenues rebounded strongly as interest rates increased in Zambia and Mozambique and fees bounced back after the lifting of waivers in the prior period. Credit impairments increased in Botswana and Mozambique and, together with negative jaws in this region, dampened earnings growth to 8% in CCY. ROE was pleasing at 20.1%.

In West Africa, strong balance sheet growth was not enough to offset the impact of lower margins and NII declined. Fee income growth was strong, but trading revenues declined relative to the excellent trading performance in the prior period. Credit losses were lower. Operating expense growth was high in CCY, driven by increased depositor insurance costs in Nigeria and Ghana. West Africa headline earnings declined marginally in CCY to R3.2 billion, and ROE fell to 18.3%.

Liberty's performance in the reporting period was much improved from the prior year, albeit still negatively impacted by the pandemic. The buyout of the Liberty minority shareholders that was announced on 15 July 2021 was completed on 1 March 2022. Given that Liberty is no longer listed and hence not hosting a results presentation, we have increased the amount of information regarding Liberty in this presentation and in our analyst booklet. Liberty's annual financial statements for 2021 will be loaded on the Standard Bank Group website today.

In 2022 we will be focused on closer integration to unlock value through revenue and capital synergies; and we will be working on including Liberty's results in our insurance and investments solutions reporting.

We are very encouraged by the improvement in Liberty's normalised operating earnings, driven primarily by the South African Insurance Operations. Insurance indexed new business increased 26% and improved sales volumes contributed positively to the increase in the value of new business. The value of new business margin improved to 0.5% but remains below pre-pandemic levels. Stanlib grew assets under management by 14%. Liberty remains well capitalised, with a Solvency Capital Requirement cover ratio of 1.72 times as at the end of last year.

As indicated on the previous slide, and shown here in the middle of the table, Liberty's normalised operating earnings, pre Covid-19 pandemic impacts, amounted to R1.3 billion – a strong turnaround on the prior year.

An additional post tax Covid-19 pandemic reserve of R1.8 billion was raised in 2021 and mortality experience exceeded assumptions by R1.2 billion in the period, both contributing to a normalised headline earnings loss in 2021. A strong recovery in the Shareholder Investment Portfolio helped to shield these impacts. After adjusting for treasury shares, the group's share of the loss amounted to R419 million.

The operational performance of ICBCS continued to be resilient, underpinned by favourable market conditions and increased client activity. In 2021, ICBCS recorded a profit of USD87 million. The group's 40% share of earnings equated to USD35 million or R500 million post translation into Rands.

Two events have recently impacted ICBCS which will affect their 2022 results:

1. In January 2022, ICBCS received a net insurance settlement of approximately USD230 million pre tax, relating to a previous loss following a fire at a client's oil refinery site and their subsequent bankruptcy. The group's post tax share thereof equates to around R1.2 billion.

2. As Sim mentioned earlier, ICBCS has exposures to a number of entities that are being impacted, directly and indirectly, by the war in Ukraine. ICBCS took proactive steps to review its Russian and Ukrainian activities against the backdrop of rising tensions and, where appropriate, reduced its limits for entities which they believed could be affected. Due to the uncertainty and fluid nature of the situation, it is not possible to assess the direct or indirect impact thereof on ICBCS's 2022 results at this stage.

Moving to capital and liquidity. Slide 36 provides an overview of the group's capital stack and CET1 ratios, as well as our liquidity ratios. During the period of the pandemic crisis, the group has maintained robust capital and liquidity positions, which enable us to continue to support our clients and drive their growth aspirations.

As at the end of 2021, our capital levels increased to R230 billion with a strong CET1 ratio of 13.8%. During 2021, the group successfully raised Basel III compliant Additional tier I capital of R3.5 billion and tier II capital bonds of R3.2 billion. 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 144%, above the temporarily reduced minimum regulatory requirement of 80%.

The group ROE recovered to 13.5% in the period and, while improved on the prior period, remains below our cost of equity of 14.7%. Our Standard Bank activities ROE equalled our cost of equity in 2021.

Our dividend payout ratio for the year is 55% and for the second half of 2021 is 60% - at the top end of our guidance range, enabled by strong capital generation.
Capital optimisation is a focus for us in 2022, both from a supply and an allocation perspective. Our disciplined capital allocation processes will ensure:

- Capital is re-allocated away from low ROE businesses;
- More capital is allocated to grow our existing insurance and investments businesses; and
- Increased capital allocation to high growth, high ROE markets and sectors.

We are on track to deliver a return on capital of 17-20% in the medium term.

I am now turning to look forward to 2022. This year, global growth is expected to remain above trend with global real GDP growth of 4.4% and 3.7% in Sub-Saharan Africa. Pent-up consumer demand should fuel spending and support trade.

In many sub-Saharan economies, debt levels are high, and there will be a need to balance fighting inflation and supporting the economic recovery. A broad hawkish bias is expected, with interest rate increases expected in many of our countries of operation.

South Africa's economic recovery is expected to continue, with real GDP growth of 2.0% expected in 2022. Inflation is expected moderate, supporting a gradual rate hiking cycle. We have already seen one 25 basis point hike in 2022 and we expect three more. We remain concerned about high levels of unemployment and believe that structural reforms need to be accelerated to boost confidence, investment and to drive faster growth. As mentioned by Sim, we are monitoring developments related to Ukraine and Russia and the potential spill over effects which may impact these forecasts.

From a financial outcome perspective in 2022, we expect the following:

- higher average interest rates will support margins, which, together with an increased average balance sheet, will support strong net interest income growth.
- Non-interest revenue will continue to grow as our larger client franchise and higher activity-related fees offset potentially lower trading revenues.
- We will maintain a continued focus on costs, in line with our "save to invest" principle, with the objective of delivering positive jaws.
- CIB credit impairments are expected to normalise and the group's credit loss ratio is expected to be at the lower end of the group's through the cycle range of 70 to 100 basis points.
- Deliberate resource allocation, including further capital optimisation, will support a further recovery in ROE, above our cost of equity.

That brings the results analysis to a conclusion. Thank you for your attention.
I will now hand back to Sim to conclude.

Many thanks, Arno. Before I close, I would like to comment briefly on four important elements of our strategy. These four themes are key to understanding our business. They define how we think, shape the choices we make, and are central to constructing our competitive advantages as Africa's leading financial services business

First, we're very much aware that change in African financial services is unrelenting. To keep up, we have a multi-faceted approach to skills development and innovation. Engineering and other advanced skills remain scarce in South Africa and throughout the continent. We therefore continue to invest in internal skills development to deepen our pool of data scientists, engineers, developers, and behavioural science specialists.

During 2021, we encouraged innovation through our internal innovation platform, and we've been delighted with the talent and commercial creativity displayed by our employees. We have also partnered with Microsoft and Amazon to support skills and enterprise development throughout Africa.

Second, we are committed to supporting and accelerating a just transition to a low-carbon economy. We have completed our climate policy and set our initial targets. These will be published in the coming days. Our long-term goal is to achieve a portfolio mix that is net zero by 2050.

Third, the Group remains focussed on creating value for all our stakeholders. This is the most effective way for us to support sustainable and inclusive development in Africa. In 2021, we created value totalling R123 billion. Of this, R37 billion was paid to employees in salaries and benefits; R46 billion to suppliers; R13 billion was paid in taxes; and we returned R12 billion to shareholders in the form of dividends. We retained over R15 billion to reinvest in our business to drive growth.

Fourth, we are committed to delivering positive impacts in seven areas where we believe we can make a meaningful difference. Each of these seven impact areas is directly linked to the UN Sustainable Development Goals. Our Report to Society describes this work in much more detail.

We are pleased – but very far from complacent – about our progress in 2021. We achieved a lot and intend to build on this in 2022.

Looking back: One, our core businesses have strong momentum. Two, we're making good progress in our new business areas; And three, we are allocating our resources with accuracy and discipline.

Looking forward, in 2022, we have three focus areas: First, we will continue to make steady progress towards our 2025 targets. Second, we will integrate Liberty more closely into the broader Group, ensuring that the whole is greater than the sum of its parts. To achieve this, I am very pleased to announce that, subject to regulatory approval, David Munro will be re-joining the Standard Bank as Group Executive responsible for the integration. Yuresh Maharaj is succeeding David as Chief Executive of Liberty.

We have also taken the opportunity to restructure the Liberty board and Yunus Suleman has taken over from Jacko Maree as Chairman. In addition, to Jacko, Jim Sutcliffe, Thembisa Skweyiya, Prins Mhlanga and Laura Hartnady have resigned from the Board effective second of March. We thank all the Liberty Board members for their stewardship.
Third, as we put the pandemic behind us, we will increase our leverage and manage down our capital ratios over the medium term.
We will do this through a combination of dividend payments and ROE-accretive risk weighted asset growth.

As Arno mentioned, we will diligently re-allocate capital from low ROE businesses to high growth, high ROE opportunities. This includes exiting and reallocating capital from ICBCS to opportunities in Africa.

In closing, we remain optimistic about Africa's outlook and we see good opportunities to lend responsibly in South Africa. In executing our strategy, we will leverage our existing strengths and defend our leading market positions while continuing to grow our client franchise. In doing so, we will deliver on our purpose of driving Africa's growth.

Finally, it's necessary to say that 2021 was still a very difficult year for most people, and I am grateful to all my colleagues for their continued courage, resilience, and dedicated work in service of our clients. Thank you everyone – you've done brilliantly, and I'm very proud of you all. And thank you, ladies and gentlemen, for your time and interest in the Standard Bank Group. We will now turn to questions…

As there are no more questions, I'll conclude. Our message this year is really very simple. We remain firmly committed to diligent execution and delivery in line with the commitments we have made and the targets we have established for 2025. We are well on track to meet those targets.

We look forward to engaging with you in more detail on our outcome and plans in the coming days and weeks