1H22 Results presentation

19 August 2022

Speaker notes

Sim Tshabalala, Group Chief Executive Officer

Good morning, everyone. Thank you for joining us as we present our results for the first half of 2022.

The first six months of 2022 were a very difficult time in much of the world. The Russia-Ukraine war has caused terrible suffering and devastation in Ukraine itself, and has had seriously negative knock-on effects worldwide, including on commodity prices and on supply chains already disrupted by the pandemic.

Relationships between the United States and China deteriorated over the period, and tensions between the two great powers remain worryingly elevated.

Inflation has risen sharply worldwide. In June, for example, the UK and US both recorded their highest levels of inflation in 40 years. In response, central banks have raised policy rates faster than expected. Looked at dispassionately, this is the correct response – prolonged inflation causes far more economic and social damage than a period of high rates. But, in the short term, sharply higher interest rates inflict more pain on people and on smaller businesses. This complex backdrop and uncertain outlook drove market volatility. Funding costs increased and asset prices fell.

The impact of the global turmoil differed across our markets. While higher commodity prices supported exporters, food and fuel importers bore the brunt of higher prices and inflation. In the first half, interest rates increased across almost all our markets. In aggregate, Africa's economies continued to grow fairly quickly over the period, and we expect growth of around 3.7% this year.

South Africa was shielded by high commodity prices, strong terms of trade, and a resilient currency for most of the period. The South African policy rate increased by 100 basis points in the period, but both nominal and real interest rates remained low relative to their pre-pandemic levels.

Importantly, consumer balance sheets are also healthier now than they were at the beginning of the last interest rate hiking cycle in 2014. Nevertheless, as in the much of the

world, the recent hikes have been painful. They have happened faster than expected and, as elsewhere, people have experienced them as a double setback: higher prices and higher interest rates.

GDP growth was stronger than expected in the first quarter, but growth in the second quarter was slowed by the floods in KwaZulu Natal and by periods of intense and prolonged load shedding. Structural reform to the South African economy continued over the half. We welcome the progress that has been made, particularly the further liberalisation of the electricity market, the completion of the spectrum auction, and moves to improve freight rail and port capacity.

Investigations into corruption are accelerating as the law enforcement agencies gain resources. Extraditions and prosecutions of people accused of large-scale corruption are underway. South Africa's rule of law is one of our greatest competitive advantages, and it has been good to see it being further reinforced.

We are hardly alone, however, in urging faster and less sporadic progress on both structural and institutional reform. South Africa continues its bad habit of needing to stare into the abyss before addressing legislative and policy execution gaps – as we are currently doing on FATF grey-listing, for example.

Overall, however, we remain moderately bullish on South Africa: we think it's an increasingly consolidated multiparty democracy, and we believe that it has returned to making progress in addressing its very deep structural and social problems.

Turning to the group highlights for the period. We made good progress in all three of the focus areas we highlighted in March.

First, as Arno will point out, we are progressing well towards delivering our 2025 targets. Second, work is underway group-wide to ensure that capital is both allocated and extracted efficiently, with a particular focus on some parts of Africa Regions, Liberty and ICBCS. And, third, the transaction to buy out the minorities in Liberty was successfully completed in March and its integration into the Standard Bank Group is progressing according to plan.

More specifically the Liberty integration, has three focus areas, aligning the sales and adviser teams to drive client franchise growth, the strategic alignment of the Standard Bank and Liberty Africa Regions' teams, and defining the path to deliver the financial benefits identified as part of the transaction.

Turning to our financial performance. In the six months to 30 June, we achieved record headline earnings of R15.3 billion, up 33% on the prior period. This outcome was underpinned by continued balance sheet and franchise growth, another strong trading performance, and well-managed costs and risk.

Our Return on Equity improved to 15.3%, thanks to a good results in all three client segments, in SBSA and Africa Regions, and improved returns from Liberty.

South Africa's headline earnings were up 26% and Africa Regions' headline earnings grew by an impressive 41% on the prior half. Coincidentally, Africa Regions contributed 41% of banking activities headline earnings over the half.

The group's net asset value per share grew by 11% and our common equity tier one ratio ended the period at a robust 13.7%. Taking all of this into account, we have declared an interim dividend of 515 cents per share, which equates to a dividend payout ratio of 55% for the current period.

The following 3 slides provide a snapshot of the key strategic drivers. Arno will cover the financial outcomes.

Starting with Consumer and High Net Worth. This business continues to show good momentum. Overall, revenues grew by 9%, including a 7% increase in net fee and commission revenue. Headline earnings grew by 28%. We have seen good growth in active client numbers and in client activity.

Our clients continue to migrate to – and transact more on – our digital channels. Digital transactions grew by 25% to over 240 million transactions in the six months to June. We continue to expand the functions and solutions available on our digital channels to provide our clients with greater choice and convenience and to create more revenue opportunities for the group, including from value added services such as lotto and airtime.

The CHNW team also made progress in optimising our physical distribution channels. The focus is not on reducing the number and square meterage of our branch network for its own sake. Rather we are adapting to meet our clients' changing needs, both digital and physical, as well as to provide more convenience, through more contact points.

Our leading position in home loans in South Africa is a key differentiator. It provides a loyal client base into which we cross-sell a variety of financial service solutions from insurance to

transactional accounts today. Our home loans business provides an excellent springboard for our home services platform, LookSee.

We recognise that the retail financial services market is becoming ever more competitive – and we remain fiercely determined to keep improving our service and winning market share. As our results show, we are very well able to take on any combination of established competitors and digital insurgents. And take them on head on.

Our Business and Commercial segment delivered an excellent result in the first half, growing lending by 15%, revenues by 17% and headline earnings by 59%. Our Africa Regions BCC business continued to improve its customer franchise, growing its customer base by 9%, and delivering headline earnings growth of 74%. BCC's ROE was 28.2% for the half. One can see why some of South Africa's newer retail banks have started to show an interest in this segment. We're confident that we are more than ready to take on this new competition and to continue to win in this market.

In BCC, we prioritise solving client problems. We develop deep relationships with clients to understand their ambitions. We provide modern digital systems that create ease and convenience in transacting. And we build platform solutions which provide solutions beyond banking. Approximately 50% of our BCC clients are active users of our digital services, and digital transactions in BCC grew by 8% relative to the previous first half.

The Standard Bank Africa Trade Barometer, launched this half, combines our local expertise with third-party data to provide our clients with insights and analysis on trends and opportunities in trade in ten African countries. In line with our commitment to increasing financial inclusion in Africa, and supporting small business development and growth, we have launched a women-focused initiative for both formal and informal businesses in Kenya.

Turning to CIB, CIB delivered record revenues, up 20% from the previous period, thanks to t client franchise revenue growth that was up 24%. Headline earnings grew by 16%. Over many years, including during the pandemic, CIB's revenue has shown remarkable resilience. This is largely due to its diverse client base of private sector corporations and public institutions in many sectors and geographies – and to its diverse revenue streams across Global Markets, Transactional and Investment Banking.

CIB's strong competitive position throughout Africa has been built up over many years. It is underpinned by our deep sector expertise and our on-the-ground presence which together provide us with local insight and enable us to identify client opportunities. Our CIB clients value client-specific solutions that meet their specific needs, including, for example, South

Africa and Africa's first renewable energy baseload project and the first ZAR-based sustainability-linked funding in the South African automotive sector. During the period, CIB launched CreditConnect, a digital bond market platform which allow issuers and institutional investors to execute and engage before, during, and after bond issuances.

Thanks to the strong competitive positions of our client segments, the Group as whole generated record revenues, with double digit growth in both NII and NIR. Within NIR, net fee and commission revenue grew by a market-beating 10%, reflecting the strength of our client franchise.

In contrast to the earlier stages of our recovery from the pandemic, today's result isn't a credit story. As Arno will discuss in more detail, our credit experience is almost unchanged on the first half of 2021. The main force behind this result is revenue growth – a clear sign that we're winning in our markets. Hence, there has been a steady recovery in pre-provision operating profit, which rose from R21 billion in the second half of 2020 to R27.3bn in the first half of this year.

As our long-term investors will know, we have been guided by a "save to invest" philosophy for several years. We have saved money by reducing our hardware costs; our dependency on consultants; and our back-office teams as we increase straight-through processing. This has provided scope to invest in important areas, such as subscriptions to enable our migration to the cloud; automating more tasks; and modern software to improve our employee and client experience.

These investments have delivered a number of tangible benefits, including faster feature delivery, increased resilience, a simplified IT landscape, and an expanding supply of home-grown scarce technical skills. We are seeing revenue uplift from better use of our data and greater share of wallet from existing clients. I want to stress that these savings and investments in cloud will not distract us from continuing to make the necessary investments in infrastructure resilience.

We recognise the inconvenience and frustration that our system outages over the half have caused on our clients, as well as the severe reputational and franchise damage they caused. The outages happened at the worst times of day and month (at month end), and our communication about them was poor.

Our Engineering function is being reorganised under our new Chief Operating Officer. And we are reinforcing the importance of personal accountability – and of getting the basics right – throughout the Group.

It is important to stress that the outages over the first half are not part of a pattern of rising instability. In fact, the opposite is true, with system stability improving 25% improvement so far this year. Equally, if not more importantly, the Group's mean time to repair major incidents has improved by 19% this half.

It's also worth pointing out that the outages were confined to our client interfaces. This doesn't minimise the distress we caused - but we want to emphasise that our core banking systems and systems of record have never been at risk. The resilience of the systems which have migrated to cloud has also been excellent. This makes us even more convinced that the migration to cloud is an imperative.

We have also made significant progress over the half in terms of our commitment to create sustainable social, economic and environmental value. We have delivered a long list of Sustainable Finance market firsts. So far this year, we added the first Sustainability Linked Loan in the Automotive sector (as I said earlier) and the first Social Loan in the REIT sector in South Africa. We have also won several ESG-related awards recently, including best ESG bond house.

As many of you know, we published our Climate Policy in March this year. In addition to the targets we have committed to, we have undertaken to structure and arrange over R250 billion in sustainable finance transactions by the end of 2026. In line with our commitment to Net Zero by 2050, we have started work on the complex process of quantifying the emissions that we finance.

Our climate impacts and climate risks both continue to receive our most serious attention. We are working with regulators, peers and leading industry specialists to find practical and credible ways to fulfil our commitment to support Africa's just transition to a truly inclusive and sustainable economy.

In summary, in the first 6 months of the year, we made good strategic progress and continued to grow our balance sheet and our franchise, while managing our costs and risk appropriately. Combined, this is reflected in a record performance.

I will now hand over to Arno to go through the financial results in more detail.

Arno Daehnke, Group Financial Director

I am now going to take you through the group's financial performance for the six months ended 30 June 2022. In the first half of 2022, the group experienced a meaningful return of client activity and good operating leverage which supported growth in pre-provision operating profit of 20% to R27.3bn.

Headline earnings grew 33% to a record R15.3bn for a six-month period. These results, together with a strong capital adequacy ratio, supported an interim dividend of 515 cps, up 43% on the dividend declared at this time last year. Our cost-to-income ratio declined to 56% and our credit loss ratio declined to 82 basis points. This resulted in a pleasing increase in our ROE from 12.9% to 15.3%.

This slide shows a breakdown of the key drivers of this strong earnings performance. The graph shows the movements period-on-period in Rands and the respective % changes are shown at the bottom. It is clear from this analysis that the standout contribution to this set of results is strong revenue generation, both NII and NIR. Unlike the last few years, credit charges did not impact the results significantly in this period.

Operating expenses (more than half of which are staff costs) increased, but remained below the average rate of inflation for our operations.

Liberty's earnings recovery is evident in this period. The strong result from ICBCS, largely thanks to an insurance claim payout in January, is also noted here as a positive contributor to this set of results.

Turning now, to the group income statement. NII increased by 15%, driven by strong average balance sheet growth and margin expansion to 383 bps. Non-interest revenue grew 13%, with strong growth in fees on the back of a larger franchise and continued recovery in activity, and excellent trading revenues due to client demand linked to market volatility. Total income of over R62bn was generated in these six months, up 14% on the prior period. Operating expenses grew 10%, below the average inflation for our countries of operation of 11%. Positive jaws of 4.5% was delivered.

We continued to raise provisions for credit losses and added almost R6bn to our stock of provisions. This was a small amount at this time last year, but the composition is quite different. I will unpack this, and our 82bps CLR, in more detail on later slides. Standard Bank activities headline earnings of R13.6bn were up 25%.

Liberty's earnings improved period on period and the group's share thereof increased from 57% in January to 100% for the rest of the period. The treasury share adjustment swung from a net positive of R35 million in the first half of last year to a net negative of R197 million in this set of results. I remind you that an increase in the SBK share price, as seen in this period, results in a negative treasury share adjustment.

The contribution from ICBCS increased as illustrated on the previous slide. This culminates in group headline earnings of R15.3bn and an ROE of 15.3%.

Average interest earning assets and liabilities grew by 8%. Asset growth was supported by strong retail lending growth in the second half of 2021, a pick-up in trade activities in 2022 and higher working capital requirements from corporates. Deposit growth continues to benefit from an increase in active client base.

The group's balance sheet mix continues to shift favorably for margins, as higher margin balance sheets in Africa Regions are growing faster than South Africa; and retail deposit growth continues to outpace wholesale deposit growth.

Net interest income increased by 15%: around half of the growth was due to a larger balance sheet and about half the growth was from widening margins.

Margins were significantly enhanced by the endowment impact of higher interest rates in almost all jurisdictions; as well as the mix impact I referred to just now. Client pricing came under some pressure on both lending and deposits. Competitive pressures in mortgages in South Africa have resulted in increased client concessions since June 2021. If we exclude the endowment impact, NII growth would have been a robust 10% higher.

Overall, NIR was up 13%. Net fee and commission revenue increased by 10% due to higher transactional activity as lockdown restrictions eased, as well as the impact of annual price increases. The growth in digital channel volumes continues to outpace that of traditional channels, in line with our client's preference. We continue to expand our digital offering across all areas of our business as we strive to deliver convenience and cost-effective services. In addition, higher customer spending drove higher card acquiring and issuing turnover.

Trading revenue grew by 21% period on period to R8.5 billion, surpassing the previous record set in the first half of 2020 of R8.1bn at that time. This strong performance was due to a combination of strong FX flows in West Africa and South Africa as client demand and FX volatility increased, as well as strong demand for commodity hedging on the back of higher commodity prices, and opportunities in the equities market related to market volatility.

On this slide we see gross loans and advances on the left-hand side, which have grown 4% since December last year. The composition of the book according to the staging of loans has

remained consistent, with 5% of the book classified as Stage 3 non-performing. On the right-hand graph, we see balance sheet provisions for credit impairments, which have grown by 5%, broadly in line with book growth. Here, staging has also remained consistent as a proportion of the provision balance. Coverage ratios have, therefore, remained at similar levels to the end of last year.

This slide shows the build-up of balance sheet provisions over the past 2 and a half years. In 2020 you can see the large provision raised amounting to R21.4bn. In 2021 provisions raised moderated and write offs were elevated. During the last six-month period, we added R6.2bn to our stock of balance sheet provisions.

This slide shows our balance sheet provisions and coverage ratio over a longer time horizon. At June 2022, both provision levels and coverage ratios are significantly above our historical average as well as our post IFRS9 average. We are comfortable that these levels of provisions equip us well as we navigate a rapidly increasing interest rate cycle.

Credit impairment charges in the income statement increased by 2% to R5.9 billion. Book growth, restructures and higher CIB credit charges drove an increase in credit impairment charges, period-on-period. This was partially offset by a decline in charges related to improved collections and improved risk profiles, as customers resumed payments, as well as lower charges on Covid-guarantee loans.

At the centre, we released R151m of the R500m Covid-19 central overlay provision, as risks emerged and were absorbed in segment provisions. The credit loss ratio for the period was 82 basis points, within the group’s through the cycle target range of 70 – 100 bps, and lower than this time last year.

This slide provides the credit impairment charge and CLR trends for each of the 3 client segments. The CHNW & BCC graphs show a similar trend to group - credit charges are lower in the current period relative to the first half last year, but above those recorded in the second half of last year.

The improvement in CHNW period on period can be ascribed to higher collections, lower missed payments, and migrations into performing loans as the payment holiday book expires; and in BCC, to lower charges in South Africa, specifically. In the case of CIB, the charge has reverted from a net recovery in 2021 to a charge in the current period. The increase was driven by an increase in stage 3 loans.

Moving from credit charges to CLR, on the RHS, we can see CHNW, at 137 bps, is within their through-the-cycle range. BCC, at 99 bps, is just below the range. CIB, at 34 bps, and despite the large increase, is lower than their TTC range

Operating expenses increased to just below the average rate of inflation across our markets of 11%. Our biggest expense, staff costs, increased by 7% and was driven by annual salary increases and higher variable remuneration.

IT cost growth was well contained at 7%. An increasing proportion of IT spend is on data, cloud and platforms investments. This increased spend is funded through savings in traditional areas of IT, like hardware maintenance and decommissioning of legacy systems.

Other expense growth has been impacted by activity related spend on depositor insurance (linked to a bigger balance sheet size), derivative clearing fees (linked to volumes) and card processing fees (linked to value of transactions processed via Mastercard and Visa); as well as a normalisation in certain expenses post the pandemic.

In the first half of 2021, the group received an insurance recovery amounting to R233 million related to a Japanese card fraud which occurred in 2016, and which benefitted the opex line. Excluding this once-off recovery in 1H21, cost growth would have been 9%.

While growth in Africa Regions may appear elevated at 14%, this should be seen in the context of a growing franchise, weighted average inflation of 21% in Africa Regions and revenue growth of 21% as well in this region

This slide provides some insight into the drivers of the premises cost line of just under R1bn, which is up 3% in the period, but has reduced by 11% compared to 2020. Increases in municipal and maintenance costs were largely absorbed by savings from the continued rationalisation of group infrastructure in the period.

We continue to shrink our network of owned infrastructure, as clients reduce activities at these points of representation. Our strategy of partnering for points of access means we have over 50 000 third-party cash points. The group’s footprint has reduced accordingly and is now 8% smaller than at the end of 2020.

Operating leverage can be analysed in three distinct phases. In the Pre-pandemic phase – we achieved positive jaws in the three six-month periods preceding the pandemic. In the Pandemic phase – a significant reduction in client activity and declining interest rates placed

strain on revenue in 2H20 and 1H21; and despite rigorous cost management, including a decrease in incentives, we recorded negative jaws for these two consecutive periods. In the Recovery phase – Revenues have recovered as client activity rebounded strongly, costs have been maintained below inflation and strong positive jaws have again been achieved.

On slide 27 we have sliced earnings 3 ways. The first is by client segment, based on client types.

The middle pie is a client solution (or product) view. In this view, banking products dominate. In our detailed booklet we break down banking further into home services, vehicle and asset financing, transactional banking, global markets etc.

Most of you will already be familiar with our regional segmental split, where we use legal entities as a proxy for regions. In this period Africa Regions comprised 37% of Standard Bank Group earnings.

The pie charts demonstrate the diversity and breadth of our client franchise across client segment, solution and geography.

CHNW headline earnings grew by 28% to R3.4 billion and ROE increased to 13.6%. Strong balance sheet growth, combined with expanding margins, supported net interest income. Non-interest revenue benefited from higher transactional activity and annual price increases.

BCC delivered headline earnings of R3.3 billion, an increase of 59% on the first half of last year, and an ROE of 28.2%. Net interest income growth was very strong driven by double-digit balance sheet growth and the positive endowment impact from higher interest rates. Non-interest revenue growth was positively impacted by improved client transactional volumes, particularly increased trade volumes. Planned investment spend drove costs higher, but strong positive jaws were still achieved.

CIB headline earnings increased by 16% to R7.4 billion and ROE improved to over 20%. Revenue grew by 20% to a new record of R22.7 billion. Client revenue growth was achieved across most sectors, regions and business lines. Strong positive jaws of over 9% was achieved.

Our mainstay banking product sets delivered an excellent financial performance with total income up 15% and strong positive jaws of 621 bps, which allowed pre-provision profit

growth of 25%. Strong client activity levels, higher interest rates and client trading opportunities all contributed to this revenue growth performance. Credit impairment charges increased marginally and headline earnings of R12.6bn were delivered.

The group's insurance businesses (excluding Liberty) grew headline earnings to R1.0 billion and delivered an ROE of over 50%. Gross written premiums increased by 9% period on period, driven by double digit growth in short-term and funeral policies. A large decline in credit-life claims was offset by an increase in weather-related short-term claims. The latter was mainly due to the particularly rainy weather experienced in the first quarter in South Africa and catastrophic flooding in KwaZulu-Natal in April.

Our investment solutions businesses (also excluding Liberty) reported an 8% increase in assets under management and administration period on period to R501 billion. Revenue grew by 7%, as fees from a higher asset base more than offset lower performance fees on the back of the difficult market conditions and lower asset valuations. The investment business continued to contribute very positively to group ROE at nearly 34%.

The group’s South African banking business, The Standard Bank of South Africa Limited, recorded a strong rebound. Headline earnings increased by 30% and ROE improved to over 14%. Revenue grew double digits, boosted by a strong trading performance, up 41%, and an ongoing recovery in activity-related fees, up 10%. Credit impairment charges declined but remained above pre-pandemic levels. Costs were well contained to deliver positive jaws of 440 basis points.

Our Africa Regions' franchise grew revenue by 26% driven by a larger balance sheet, higher interest rates, higher transactional volumes, a recovery in international trade as lockdowns eased, and double-digit growth in trading revenue. The business more than absorbed higher costs (linked to higher inflation rates), to deliver positive jaws of over 9%. Africa Regions' headline earnings increased by 41% (and by 35% in constant currency) and ROE recovered to over 20%.

East Africa regional headline earnings increased by 41% in constant currency terms to R1.2 billion. Performance was driven by strong demand for trade solutions as cross border activities resumed, well contained costs, and lower credit impairment charges due to improved credit quality and robust strategies to manage positions in arrears. The ROE improved to just under 18%.

South & Central Africa delivered headline earnings of R2.5bn, up by 33% in constant currency. Effective execution on our digital platforms led to strong balance sheet growth in both loans and deposits in this region. ROE of 21.9% was delivered.

The West Africa region recorded constant currency headline earnings growth of 33%. This performance was driven by excellent revenue growth of 31% given: strong balance sheet growth, the positive endowment impact of higher interest rates, good returns on excess liquidity, strong foreign exchange trading flows, and higher pension fund fees as a result of growth in Assets Under Management. The West Africa region's ROE of 20.3% was noted.

Liberty's financial performance improved as Covid-19 pandemic-related impacts waned and lower risk claims were experienced.

Liberty's South African Insurance operations grew normalised operating earnings, before the impact of the Covid-19 pandemic, by 32% to R759 million. Within the 32% growth, the retail business contributed positively with 16% growth, primarily driven by improved risk variances in the Income Protection Plan book. Liberty corporate returned to profitability and LibFin Markets performance improved.

STANLIB South Africa's earnings decreased by 11% to R215 million. This reduction was due to adverse market returns which had a negative impact on the fees earned from assets under management in the period. Africa Regions recorded a loss as a consequence of adverse market returns in Kenya, and increased claim levels across Kenya, Namibia and Botswana.

On the back of a benign Covid-19 fifth wave, no Covid-19 pandemic reserve top-ups were deemed necessary in 2022. After taking the pandemic impacts into account, Liberty's normalised operating earnings increased strongly to R672 million. Liberty Group Limited remains well capitalised, with a Solvency Capital cover ratio of 1.79 times as at end June.

On the previous slide we discussed the factors impacting Liberty's operational earnings of R672m. Liberty's IFRS headline earnings are impacted by the performance of the Shareholder Investment Portfolio, which, in this period, was negatively affected by market declines across equities and bonds.

The Liberty financial results, as consolidated into the group accounts, reflect earnings of R450 million for the period – which is 57% of Liberty earnings for the first month of the year, until the minority buy out transaction became effective, and then 100% for the remainder of the period.

In January 2022, ICBCS received a net insurance settlement of approximately USD200 million post tax, relating to a previous client loss. The operational performance of ICBCS was the outcome of good risk management and appropriate positioning to take advantage of emerging market opportunities arising from the Russia/Ukraine conflict. In the first half of 2022, including the insurance-related recovery, ICBCS recorded a profit of USD229 million. Our share being 40% equates to R1.4 billion.

Capital and liquidity

The group's capital position remains robust. As at the end of June, the group had capital of nearly R240 billion. As at 30 June 2022, the group's CET1 ratio (including unappropriated profits) was 13.7%. The group's Basel III net stable funding ratio and liquidity coverage ratio remained in excess of the 100% regulatory requirements.

During the period, the group successfully raised Basel III compliant Additional tier I capital of R1.6 billion. The issuance was over 2 and a half times oversubscribed and the issuance priced below the guidance range.

Our ROE for the period was above the group cost of equity, in line with the guidance we provided in March. Taking into account the group's strong capital position, the Board approved an interim dividend of 515 cents per share. This is a payout ratio of 55% and is a 43% increase on the prior period.

The macro outlook for the remainder of 2022 is uncertain. In fact, in its July update the IMF described the outlook as "extraordinarily uncertain, with risks to the downside". We agree, recession concerns have increased.

Growth rates in sub-Saharan Africa are expected to be higher than the rest of the world in 2022, aided by higher export revenues linked to expectations of continued high metal prices. Higher food and energy prices, however, pose a risk to food security. Interest rate increases are set to continue.

In South Africa, further monetary tightening is expected to negatively impact confidence and demand, and constrain real GDP growth in the short term. Inflation is expected to peak in the second half this year. We are anticipating another 75-basis point interest rate hike in September, and a pause thereafter.

Real GDP growth in South Africa remains subject to electricity supply and structural reforms but we are encouraged by recent developments in the energy sector which could unlock significant investment in the medium term.

The environment has changed somewhat since we provided our guidance in March. Our updated guidance is set out on slide 40.

Net interest income is expected to grow by low double digits, supported by balance sheet growth and endowment tailwinds. I remind you that a 1% increase in interest rates in South Africa equates to an annualised uplift in NII of R1.3 billion in SBSA.

Non-interest revenue growth is expected to moderate to high single digit growth, as the impact of the pandemic unwind on fees fades and trading revenue growth slows in the second half.

We will continue to manage our costs judiciously, with a focus on delivering below-inflation cost growth and positive jaws.

We have updated the group credit loss ratio guidance, which is now expected to land between 70 and 85 bps.

Through continuous optimisation of capital allocations, and good earnings growth, the group's ROE is expected to improve year-on-year and remain above our cost of equity.

Our dividend payout ratio range remains between 45 and 60% of earnings.

While the environment remains volatile and uncertain, we are well positioned with strong capital ratios, an unprecedented stock of balance sheet credit provisions, and a committed team ready to drive our business forward. I will now hand back to Sim to conclude.

Thank you Arno. In summary, we have achieved record revenue and earnings, strong positive jaws, and an improving ROE.

As usual, our purpose and strategy remain unchanged. As always, we're purpose-led. Our commitments to making a positive difference, and to maintaining people's trust in us, remain central to how we think and behave. And, as always, we're long-term Africa bulls. We're convinced that Africa is the growth story of this century – and, so far, our confidence has been justified by the facts. For the medium term, we have three strategic priorities – first to transform client experience, second, to execute with excellence, and third, to deliver sustainable growth and value.

Arno has discussed the short-term macro-outlook. We are also thinking systematically through the current geopolitical developments and their medium and longer-term implications for our strategic positioning, risks, costs and opportunities

Looking at the current data, the economic logic and historical precedents, we think that the most likely scenario for the near future is that heightened international tensions will persist - but without accelerating further. Hence, the world and Africa will continue to recover from the pandemic, but growth over the medium term will be slower than it would have been without the Russia-Ukraine war and its knock-on effects.

We attach a low probability to worse outcomes, which could include large scale famine in some African countries, a wider war in Europe, or the imposition of comprehensive mutual sanctions between China on the one hand and the United States and its allies on the other. These disasters could happen but – to reiterate – we think they are highly unlikely.

In all but the most extreme and unlikely scenarios, we remain confident that the Standard Bank Group will continue to be competitive and will continue to support our clients and, thereby, Africa's growth.

Having thought through current developments, we remain confidently committed to meeting our three key financial targets by 2025 – a revenue growth CAGR of 7 to 9%; a cost-to-income ratio approaching 50%; and an ROE of between 17 and 20%.

To be more specific about those targets, and as outlined in my opening remarks, we have a strong franchise underpinned by an enviable client franchise, an expanding solution set, and exceptional people. The diversity of our client franchise and our businesses provides us with revenue opportunities, even in volatile times.

Our scale and reach provide us with access to a significant proportion of Africa's current GDP and with attractive opportunities for growth. We're very much aware that there are an increasing number of competitors, from FinTechs to BigTechs, Telcos to Insurers, as well as incumbents, who want to stand between us and our clients.

Our response? We are focused on delivering value to our clients. How do we intend to do this? By being there for our clients when they need us. By providing a broader and better range of services and solutions than our rivals. And by doing so in a consistently safe and convenient way, digitally and in-person.

In conclusion, we've had a great half. As we have shown you this morning, despite the uncertain macroeconomic and geopolitical outlook, we are very well placed to compete and to win.

I'd like to express our deep gratitude to our clients and our shareholders for your support and for your confidence in us. On 15 October this year we turn 160 years young. We thank you for your support and contribution in getting us this far.

I must also express our sincere gratitude to our regulators for the world class regulatory environment they create for us and for our sector, and I want to thank the governments of the countries in which we work for allowing us to partner with them in improving the business environment.

I'd also like to thank all my colleagues throughout the Standard Bank Group for the brilliant work they have done to deliver the results we presented today.

I should also mention that my colleagues' sterling efforts have been recognised externally through many awards, such as the one shown here – the "African Bank of the Year" in the 2022 African Banker Awards.

Thank you all. That concludes our presentation. We will now take your questions.