2022 Annual Results Presentation

Speaker notes

Sim Tshabalala – Chief Executive – Standard Bank Group

Good morning, everyone. Thank you all for being with us. It's great to see you all.

2022 was a remarkable year for the global banking industry. Following a decade of sluggish profitability, increased market volatility and higher interest rates have resulted in stronger profits for banks. Indeed global banking profits saw a 14-year high in 2022.

However, despite increased profitability, improvements in return on equity have been relatively muted. Only around half of global banks delivered returns above the cost of equity in 2022.

In 2022, our headline earnings increased by 37% to R34 billion. This outcome was underpinned by continued balance sheet and franchise growth, another strong trading performance, and well-managed costs and risk. We also made good strategic progress in key areas, with excellent performance in all our businesses and in all our geographies. Our return on equity improved substantially, from 13.5% to 16.4%, well above our cost of equity.

Taking into account our robust capital levels, we declared a final dividend of 691 cents. This equates to a 60% payout ratio for the second half of the year, which is at the top end of our guidance range.

Our strong performance is especially noteworthy given the volatile and complex operating environment. Our organisation has proven to be remarkably resilient – and not merely resilient: able to thrive in challenging circumstances.

The global operating environment saw five major shocks simultaneously:

First, a macroeconomic and geopolitical shock, with soaring inflation as a consequence

Second, an asset value shock, with steep declines in the valuation of growth companies and also many property markets around the world, including China

Third, an energy and food shock, mostly related to the war in Ukraine

Fourth, a supply chain shock, which started during the first pandemic lockdowns and has continued as a result of geopolitical tension

Fifth and last, a talent shock, often labelled the “great attrition” as the nature of work tries to find a new equilibrium.

In sub-Saharan Africa too, inflationary pressures mounted and interest rates increased. Most countries experienced currency weakness relative to the strong US dollar. Discussions with the IMF around sovereign debt support programmes continued in various countries. In November 2022, Ghana announced its intention to restructure its debt. Sub-Saharan Africa’s GDP is expected to have grown at around 3.8% in 2022, ahead of global growth of 3.4%.

In South Africa, while high commodity prices and strong terms of trade provided some protection in the six months to 30 June 2022, this faded quickly in the second half of the year. The South African economy – and South Africa’s people – were battered by severe flooding in KwaZulu-Natal, by a drastic escalation in the frequency and severity of loadshedding in the fourth quarter, and the cumulative effects of decades of underinvestment in South Africa’s road, rail and port infrastructure. After a sharp dip in the fourth quarter, the South African economy grew at 2% in 2022.

Rapid inflation was an additional source of stress, and the repo rate increases necessary to combat it were an additional source of stress for most people and businesses. The repo rate rose 325 basis points in 2022 – both faster and higher than expected. Consumer balance sheets remained relatively robust – but by year end signs of stress had started to emerge.

Having said all this, we are also encouraged by the structural reforms made over the past year – reforms that have been bolder and more sweeping that is sometimes appreciated. One case in point is Transnet’s decision to concession the Johannesburg-Durban freight line; another is the Treasury’s requirement that Eskom concession many of its power stations.

We hope that reform will continue to accelerate, particularly in the electricity and transport industries, and to strengthen the stability and capacity of local authorities. We also trust that government will continue to make economically rational policy choices in both domestic matters and international relations, especially considering that we are in competition for capital with other nations.

As has been widely reported, South Africa was grey listed by the Financial Action Task Force in February 2023. This is obviously regrettable and is negative for investor perceptions, but it seems as if the grey listing has already been substantially priced into South African assets.

FATF has emphasised that South Africa's major banks have excellent controls. Standard Bank and indeed our peers have worked very closely with the National Treasury and the South African Reserve Bank to ensure that key stakeholders - including correspondent banks - remain comfortable in continuing to engage and transact with us. Our international partners continue to have a high level of trust in the effectiveness of our money laundering and terrorist financing control frameworks.

While South Africa did not avert the listing, a lot of progress has been made in recent months, including the coming into effect of the General Laws (Anti Money Laundering and Combating Terrorism) Amendment Act and the Protection of Constitutional Democracy against Terrorist and Related Activities Amendment Act.

This should augur well for a relatively short grey listing period. FATF has asked South Africa to focus on eight 'priority actions' over the next three years. In essence, these require the South African authorities to demonstrate that they are more frequently and systematically reporting, investigating and prosecuting financial crimes.

The amount of time that South Africa will spend on the grey list depends to a very large extent on how well-coordinated and energetic these efforts are. One recent positive development in this regard is the signing of an MOU between the Hawks and the South African Revenue Services to share information more systematically and to work much more closely together.

The National Treasury points out that FATF generally expects deficiencies to have been addressed with three years and, indeed, Botswana and Zimbabwe were removed from the grey list after three years. But faster progress is possible. For example, Mauritius,, was removed from the list after 18 months. By all accounts, Mauritius's unusually short time on the grey list was thanks to a great deal of tightly coordinated effort led from the top – and Mauritius is a small economy and society. We would of course be delighted if South Africa were able to move this fast, but a longer period on the grey list seems more likely.

Most people here and on the call are likely to be familiar with this slide, which was introduced at our Strategic Update Event in August 2021. It summarises our purpose, our strategic priorities, and our key group targets for 2025.

Despite the complex operating environment I referred to, we made good progress during the year towards meeting all these targets by 2025. We successfully defended and grew our core client franchise by improving our service.

We have also made good progress in executing our ecosystem and platform strategy. We have over 40 solutions up and running today. These include LookSee, a holistic home management offering; Trader, which assists SMEs with both working capital and logistics; and OneHub, which provides a comprehensive set of solutions for our corporate clients.

Our franchise momentum continued into 2022. We were pleased to have more clients, doing more with us. Starting on the left, Our CHNW active client base grew by 8% to 16.9 million, with the South African client base up 6% and Africa Regions up 12%. We are encouraged by the 16% growth in private banking clients and 13% growth in youth clients. We now have one million active youth clients.

We continued to enhance our digital capabilities and to encourage digital adoption, growing our digitally active client base by 12%. Our digital transaction volumes increased by 25%. Instant Money, our digital wallet, achieved a 22% increase in turnover to more than R32 billion, as we expanded our range of Instant Money partners.

Our BCC client base grew by 4% to 791 000 clients. The number of clients using our digital platforms continued to increase, with more than half of our clients now using our digital channels. This resulted in an increase in digital transactional volumes of 5%. Card acquiring turnover grew by 20% to over R300 billion.

CIB recorded strong revenue growth, 23% higher than the prior year. We expanded our sustainable finance offering – delivering a number of industry firsts. We successfully mobilised R55 billion for clients across a number of sectors and countries. All three of CIB's businesses delivered double digit revenue growth, with a particularly strong performance by TPS, whose total revenue grew by 34%.

Liberty's sales increased. Long-term indexed new business rose 7% to more than R9.8 billion; new business value was up by more than 100% to R390 million, and

normalised operating earnings grew by 17% to over R1.5 billion. Liberty had 3.9 million policyholders.

Our performance was supported by strong revenue growth, which grew by 18% year on year. Within this, net interest income increased by 24%, thanks to good balance sheet growth and cyclically higher interest rates; and non-interest income was 11% higher, thanks to a larger client base and increased client activity. Revenue growth was well ahead of cost growth, which created strong positive operating leverage. Pre-provision operating profit grew by 26% from the prior year.

On the left, we show the trend in our costs over the last 6 years to the end of 2022. Total operating expenses grew by 5% on average. Within this, IT costs grew by 11% in line with our plan, so investment in IT was funded by savings in other areas.

On the right, the graph shows our average cost growth relative to our peers over the 5 years.. Our average cost growth absorbed high inflation in our Africa Regions countries. Our cost growth over this time is lower than that of our peers, aided by deliberate savings in "other operating expenses".

As this slide demonstrates, the pandemic disrupted our progress towards consistently generating positive jaws and hence temporarily worsened our cost-to-income ratio. Since the end of the pandemic, progress towards our 2025 cost goals has resumed. We remain focused on managing our costs diligently and responsibly, as we are acutely aware that operational leverage is the single most important driver of ROE.

In 2022, thanks to strong positive jaws, our cost-to-income ratio declined by 290 basis points to 54.9%. This puts us well on our way to meeting our 2025 cost target, of generating a cost-to-income ratio approaching 50%. I will return to this point later.

This slide shows the Group's eleven-year earnings trend and highlights how the diversity and strength of the Group has delivered growth.

Starting with South Africa: This is the largest part of the Group and is of course extremely important in providing the capital which is used for growth and expansion. Our South African business been very resilient in a slow-growing economy, especially in the difficult pandemic years. We retain our leading positions in many markets including home loans and corporate deposits, and our South African balance sheet is by the far the largest among our peers.

Our Africa Regions business is a portfolio of 19 countries, with great strength and diversity. It has a demonstrated capacity for rapid and sustained growth, having grown on average by 18% over the last eleven years.

Our African Regions portfolio is our most distinctive and hard-to-replicate competitive advantage and source of strategic differentiation. It is the core of our investment case.

As long-term investors will know, we have been building this portfolio up since the 1980s, and it is now a very strong set of businesses. This year, despite a significant disruption in one part of the portfolio – Ghana's restructuring – African Regions still produced a very strong result, up 36% compared to the prior year.

As I mentioned, in 2022, our return on equity rose above our cost of equity again for the first time since the pandemic, meaning that we are generating positive value for our shareholders once again.

The good growth in earnings and our strong capital position supported growth in our total dividend of 38%, with an overall payout ratio of 58%, very close to the upper end of our target payout ratio. The total dividend per share for 2022 of R12.06 equates to a total amount of R20 billion paid to our shareholders from our earnings of R34 billion.

We strive to deliver sustainable growth and shared value in the communities and societies in which we operate, mostly in the ordinary course of our business. For instance, we employ 50 000 people full time, which means that we support another 150 000 people in jobs at the financial sector multiplier of three. We paid R15.5 billion in tax to the governments of the countries where we work. And we provided nearly R5 billion worth of new home loans to over 8 000 affordable housing mortgage clients in South Africa.

However, we probably have the largest positive impacts in supporting the construction of Africa's hard and soft infrastructure. On the hard infrastructure side of things, we support investment in rail, ports, dams, and in power generation and distribution.

On the equally important soft infrastructure side, we support and facilitate investment in health and education, for example in our partnership with the Government of Kenya and General Electric to provide access to advanced diagnostics.

These kinds of investments have highly desirable properties: they increase Africa's potential and actual growth rates. They reduce risk and lower the cost of capital throughout the economy. They support increases in consumer demand. They simultaneously make Africa a better place and improve the profitability and sustainability of our business.

One particularly important sub-set of this kind of investment is investment in energy infrastructure, which is what we are focusing on today. One of the greatest impediments to growth in Africa is the energy shortage – 600 million people in Africa do not have access to reliable electricity. Working with governments and our clients, we need to find ways to lift this constraint. Accordingly, we support the principle of a Just Energy Transition for Africa.

Massive investment is required. New energy solutions require inputs from a variety of client sectors and industries, all of whom we bank today. As the largest financial institution on the continent, we are very well placed to source, to fund and to structure solutions. We aspire to be the market leader in Sustainable Finance in Africa – importantly this extends to funding both green and social projects.

In 2022, we published our climate policy setting out our path to a net zero portfolio by 2050, with sector-based targets. To be clear, this policy enables us to invest in transitional projects where these are part of a credible path towards net zero.

In our view, a refusal to support transitional projects would amount to denying Africa's right to sustainable development. Over the past several centuries, Africa has borne very considerable economic and human costs for other regions. A total or immediate ban on further transitional projects in Africa - in order to help reduce environmental pressure in much richer regions - would be a cost too far.

However, in terms of our climate policy, we are committed to mobilise more than R250 billion of sustainable finance solutions by 2026. In 2022 we made good progress on a number of fronts. Most importantly, we mobilised R55 billion in sustainable finance, 2.4 times more than in 2021.

With that I will hand over to Arno Daehnke to take you through the detail of our results. Thank you.

Arno Daehnke – Chief Financial Officer – Standard Bank Group

Thank you, Sim.

I am now going to take you through the group's results for the year ended 31 December 2022, starting on slide 16.

The Standard Bank Group delivered a strong financial performance across all key metrics. The group recorded continued positive momentum and client franchise growth across all our businesses and geographies.

Revenue growth was well ahead of cost growth which supported strong positive operating leverage, 26% growth in pre-provision operating profit and a decline in the cost-to-income ratio to 54.9%. Group headline earnings of R34.2 billion was generated, that is 37% higher than in the prior year. This growth was supported by a credit loss ratio of 75 basis points, slightly higher than the prior year. And our board has approved a total dividend for the year of R12.06, 38% higher than in 2021.Our most important metric, return on equity, improved to 16.4%, from 13.5%.

On slide 17 we show the group's income statement. Very strong net interest income growth of 24% and good Non-Interest R growth resulted in total income of R133 billion, up 18%. Expenses grew to R73 billion, up 12% which allowed for the strong pre-provision profit referred to in the previous slide. Credit charges of R12 billion were up 22%.

Standard Bank Activities generated headline earnings of R30.5 billion, and, once we include Liberty and ICBCS are included, the group headline earnings for the year amounted to R34.2 billion, as referred to earlier.

Slide 18 illustrates the largest contributors to the group's growth in headline earnings. The most notable movement in this waterfall chart is the very strong NII growth. Together with NIR growth, total income was up an excellent 18%. This robust revenue growth more than absorbed higher costs and normalised credit charges. The excellent turnaround from Liberty and good results from ICBCS are evident here too.

Slide 19 looks at trends in loan growth over the last 3 years. In 2022 gross loans to customers grew by 9%. In home services, disbursements were 12% lower than last

year but still well above pre-pandemic levels. We still added R71 billion of new home loans onto our balance sheet, which translated into 6% book growth. Commercial VAF growth was strong with disbursements up 11% to R19 billion and retail VAF disbursements were flat at R25 billion. This resulted in 8% loan growth overall in VAF.

Business and corporate lending growth was strong; reflecting improved underlying activity levels after a difficult year in 2021. In Investment Banking, both deal origination and disbursements picked up meaningfully in the second half of 2022. You can also see here from a geographic perspective, loan growth in Africa Regions of 14% outpaced growth in South Africa.

Deposit growth momentum has been good over the last 3 years and in 2022, deposits grew 6%. Good growth in current account deposits of 8% was achieved. Over the last year focus was placed on raising longer-term deposits and NCD issuance was resumed in the local market to support asset growth. Deposits placed with our offshore operations in the Isle of Man and Jersey grew to GBP6.7 billion as at 31 December 2022.

The group's commitments to continue to support our clients through the cycle is evident on slide 21. Over a 5 year period, average interest earning assets have grown by a steady 7%, and liabilities by 9%.

In the current reporting period the group's average balance sheet expanded further, with average interest-earning assets growing by 11% and interest-bearing liabilities growing by 9%. Strong average balance sheet growth shown on the previous slide and wider margins supported net interest income growth of 24% to R77 billion.

Here you can see Margins widened by 45 basis points to 427 basis points, of which 34 basis points related to positive endowment. The negative impact of tighter pricing was more than offset by mix benefits of higher-margin Africa Regions balances growing faster than South African balances.

Fee and commission income grew by 7% and was driven by good momentum in our client franchises. In CHNW, and as Sim referred to earlier, our active client base grew to 16.9 million customers and in Business and Commercial to 791 000 clients. Our improved digital capabilities drove higher adoption and hence strong growth in volumes. Customer transactions on digital platforms grew by 14% in SA in CHNW and by 37% in Africa Regions. Transactions processed on our point-of-sale terminals

grew by 17% in SA and by 35% in Africa Regions. These volumes helped drive growth in revenues from electronic banking (up 12%) and card (up 17%).

Trading revenue grew by 15% off a high base in 2021 to R17 billion. Our global markets business remains uniquely positioned to provide flow and structured solutions across the continent. Our client base and sources of income remain diverse and market conditions in 2022 contributed to increased client demand for currency and as well as commodity hedging.

On slide 25 we turn to credit provisions and start by looking at our balance sheet positions at year end. Year-end lending balances as you can see here grew by 6% and stage 3 loans continue to make up 5% of the book.

In the graph shown in the centre of the slide, you can see balance sheet provisions for credit which grew faster than the book to R56 billion. Stage 3 provisions of R39 billion are held against the Stage 3 book of R77 billion, providing a Stage 3 coverage ratio of 50%.

Over a longer time series, it is evident that our stock of balance sheet provisions is high, and coverage remains strong. We are well positioned to weather the impacts of higher inflation and interest rates, and also sovereign vulnerability.

In relation to the group’s exposures to Ghanaian sovereign debt impacted by the proposed sovereign debt restructure, the group’s exposure, net of settlements year to date, equates to R2.6 billion. Balance sheet credit provisions held at year end equated to R1.4 billion and, combined with fair value adjustments, carrying values of sovereign debt have been adjusted by R1.5 billion, and this equates to a 56% coverage ratio.

The credit impairment charge in the income statement increased by 22% to R12.1 billion. The increase in the charge was driven by balance sheet growth, and increased impairments in Africa Regions, particularly in Ghana as I mentioned, where flows into non-performing loans increased and sovereign exposures were revalued.

On slide 28 we can see the group credit impairment charge of R12.1 billion split by client segment.

In Consumer HNW and Business CC charges were fairly similar to the prior year as improved collections processes were successfully implemented and legacy payment holiday portfolios improved.

A reversal in CIB from a release in the prior year to a charge of R2.5 billion in the current year drove the group's increased charge. Increased charges in CIB were driven by

- Single name defaults in Kenya and in the consumer sector in South Africa;
- Increased charges on corporate lending in Ghana given stress in that market; and
- Write downs on Ghanaian foreign currency and local currency sovereign debt.

CIB's CLR to customers of 37 basis points remains below the CIB target range.

In 2022 we released a centrally held Covid-19 provision amounting to R500 million.

Operating expenses increased by 12%, below the group's weighted average rate of inflation of 14.7%.

Staff costs were 12% higher, driven by higher inflation and higher incentive accruals aligned to performance. Other costs were impacted by inflation, higher marketing spend to support customer campaigns and an insurance recovery int eh prior year benefit in the prior year. IT costs are discussed on the next slide.

In South Africa, where inflation was 7%, cost growth was 8% and in Africa Regions, where inflation was, on average, 30%, cost growth was 21%.

This slide shows total IT spend and illustrates our support for strategically important digital initiatives. IT costs increased by 13%, largely due to higher spend on cloud and cloud-related software licences. IT staff costs were up 8%, depreciation up 3% and amortisation down 4%, resulting in overall growth of 8% for the IT function spend across the group. The IT function's focus on resilience and stability is bearing fruit and we had no major outages in the second half of last year. The IT landscape continues to be simplified and continue to decommission legacy systems decommissioned.

Moving to capital and liquidity on slide 31. Capital optimisation remains top of mind, and we are focused on ensuring available capital is put to work or returned to shareholders. The group's common equity tier 1 ratio declined to 13.5% but remains well above minimum requirements. The group's Basel III liquidity coverage ratio as well as the net stable funding ratio were well above regulatory requirements.

On slide 33 we have represented Standard Bank Activities earnings 3 ways. And these are earnings viewsThe first is by client segments, based on client types. The middle chart shows a product, or client solution view, of earnings.

The third chart is our regional split, where we use legal entities as a proxy for regions. In this period Africa Regions' contribution to group headline earnings was 36%. These charts demonstrate the diversity and breadth of our client franchise across client segment, solution and geography.

This waterfall chart illustrates the positive contributions from all our business units to the group's earnings growth.

CHNW delivered headline earnings of R8.9 billion, an increase of 27%, and ROE increased to 17.3%. CHNW's strong performance was largely driven by continued momentum in our client franchise demonstrated by good growth in account transaction fees, card-based commissions and electronic banking fees.

BCC delivered headline earnings of R8.0 billion, an increase of 51%, and an ROE of 33.7%. Net interest income growth was very strong driven by double-digit balance sheet growth and positive endowment impact from higher interest rates.

CIB headline earnings increased by 11% to R14.8 billion and ROE over 19.2%. Revenue grew by double digits across all three CIB business segments and across all client sectors.

Liberty's operational performance improved to deliver a strong turnaround from a loss in the prior period to R1.8bn of earnings in 2022. The new business value, which represents estimated profitability on new contracts, reflected a strong recovery. The Liberty minority buyout was successfully completed in February 2022 and the process of integrating Liberty into the group is well underway.

ICBCS continued to benefit from closer integration into ICBC. Our 40% stake in ICBCS contributed R1.9 billion to group earnings, that is R1.4bn higher than the prior year. R1.2 billion thereof related to an insurance settlement as you may know and R700 million thereof related to improved ICBCS operations.

Our South African (mostly banking) business, SBSA, delivered headline earnings growth of 26% and ROE improved to 15.2%. Revenues grew on the back of balance sheet growth, margin expansion linked to higher interest rates, and good momentum and activity growth in our client franchises. Credit impairment charges increased by 10% reflective of book growth and a difficult economic environment in South Africa. Costs were well managed to deliver positive jaws of 427 basis points.

Our Africa Regions franchise delivered a robust performance. Headline earnings grew by 36% and ROE improved to 21.0%. Revenues grew by 30% driven by a larger balance sheet, higher interest rates, higher transactional volumes, a recovery in international trade, and strong growth in trading revenue. The business more than absorbed an elevated growth rate in costs to deliver positive jaws of 9%.

As Sim mentioned, our Africa Regions portfolio spans 19 countries and its strength is in its diversity and growth profile.

In these graphs we show the headline earnings contribution from Africa Regions. The diverse portfolio has delivered an impressive 18% earnings CAGR in Rands over the period.

On the left-hand side, we have shown our summarised regional split to which you have become accustomed, illustrating a 16% CAGR for South & Central, 17% for East Africa and 29% for West Africa.

On the right-hand side, we have included a split of our top 8 countries and their respective CAGRs are also shown here. Given that some of our listed subsidiaries have not yet released results, we have not included 2022 numbers here. The portfolio recorded a strong rebound in 2022, off a softer base in 2021.

In 2023, global growth is expected to slow, and inflation is expected to decline. This may provide an opportunity for monetary policy easing in certain markets. The International Monetary Fund (IMF) is forecasting global real GDP growth of 2.9% for 2023, accelerating slightly to 3.1% in 2024. China's reopening, post the lifting of Covid restrictions, should provide some support.

The IMF expects sub-Saharan Africa to grow at 3.8% and 4.1% in 2023 and 2024 respectively. High sovereign debt levels in certain African countries remain a concern, particularly Ghana, Kenya, Malawi, and Nigeria.

In South Africa, monetary tightening is expected to slow. We are anticipating an additional 25 basis point hike in interest rates in the first half of 2023, in addition to the 25 basis points increase in January 2023, followed by a pause. Inflation in South Africa is expected to moderate to 5.9% in the year ahead. The economy is expected to grow at 1.2%, held back by severe electricity shortages and structural constraints.

As a group, we have both capital and appetite to support our clients' growth. Our balance sheet growth, however, will remain subject to the economic growth, policy and enabling frameworks in the countries in which we operate, and in turn our clients' confidence to invest. In South Africa, meaningful structural reform and an improvement in electricity supply could lift confidence and accelerate economic growth, job creation and social upliftment. We stand ready to support amongst others, renewable energy and infrastructure projects.

Over the medium term we expect our ROE to progress into the target range using the following levers:

1. The first lever is <u>revenue growth</u> from
    - traditional banking in SA, somewhat constrained by the growth in the country;
    - supplemented by faster growth in faster growing markets particularly where we have opportunities gain market share,
    - good growth in insurance and asset management and
    - new revenues from platforms and partnerships.

2. The second lever is <u>operational efficiencies</u> which will be extracted by growing costs slower than revenues. By growing "business as usual" costs lower than inflation, we allow for investment in chosen areas; and

3. The third lever is <u>capital optimisation</u> where we are focusing on creating an ideal capital structure which allows for high-quality business growth <u>and</u> strong dividend payouts.

For 2023 we expect NII growth to be in the low teens, supported by balance sheet growth, particularly from renewables and infrastructure, and higher average interest rates; and Non-interest revenue growth is likely to moderate to mid-single digits. Trading revenue growth will be subject to client activity and related flows.

We remain committed to delivering below-inflation cost growth and positive jaws. The group's credit loss ratio is expected to increase to above the mid-point of the group's through-the-cycle target range of 70 to 100 basis points.

The group's 2023 ROE is expected to improve from the current 16.4%. Progression into the target range will continue, driven by growth in our mainstay South African banking business, supplemented by deliberate allocation of capital to high growth markets. The dividend payout ratio is likely to remain in our target band of 40-60%.

We strive to deliver increasingly attractive returns to our shareholders and continued net positive impact in the economies and societies in which we operate.

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

Sim Tshabalala – Chief Executive – Standard Bank Group

Thank you, Arno.

We're pleased to be able to report that we have delivered what we said we would in 2022. First, we've made good strategic and financial progress. Second, we have made progress towards optimising our capital and we are well on way to achieving our 2025 targets

Our four focus areas for 2023 are:

- One: Sharpen our competitiveness and continue to meet our clients' needs better. We will focus intensely on growing our market shares and revenues in each of our business units.
- Two: Maintain and extend our leadership in African sustainable finance, particularly in renewables in South Africa.
- Third: Diligently work towards delivering on our 2025 commitments.

- Four: Continue to optimise our capital structure and to rebalance our portfolio to achieve a higher ROE.

Here is a reminder of our 2025 targets. In order to achieve these, all of our businesses have robust plans to defend, grow and optimise their businesses.

We are constantly working on simplifying our organisation in order to maximise the time we spend on meeting our clients' needs.

We will constantly strive to become truly human and truly digital, making progress in areas like Artificial Intelligence and Analytics – but also ensuring that we serve our clients with human empathy and personal advice.

As I emphasised earlier, our large, diverse and robust African franchise is unique and is our most distinctive competitive differentiator. We are the obvious financial services partner for any business or investor with African ambitions.

We are well on our way to delivering our 2025 targets. The graphs on this slide use a straight line to illustrate the Group's trajectory towards achieving these targets – although of course the real world is never linear. The actual outcome will of course depend on environmental and competitive factors, but these straight lines give a reasonable sense of where we are heading.

Our target is to grow our revenues on average by between 7 and 9% from 2020 to 2025. So far, over the last two years, we have grown our revenues by an average of 11%, as a result of growing our client franchise with a diligent focus on meeting the needs of our clients.

We have made excellent progress in reducing our cost-to-income ratio, both by strongly growing our revenues, and by judiciously focusing on our cost growth. This has resulted in our cost-to-income ratio improving to 54.9% in 2022. We are confident that we will achieve a cost-to-income ratio approaching 50% by 2025.

By growing our revenues and generating operational efficiency, and by optimising our capital, we have made progress in lifting our ROE towards the target of between 17 and 20% by 2025.

We are close to the top end of our dividend payout ratio band, paying a remarkable total dividend of R20 billion.

Finally, we are making good progress in mobilising finance for sustainable development.

Recently, the Group was ranked as the ‘Most Valuable Banking Brand in Africa’ by *Brand Finance*. Our brand value increased by over 10% to USD1.74 billion.

This award was the result of my colleagues’ sterling efforts throughout the year, and I’d like to thank them all for the excellent work they have done. I very much admire their courage, energy and expertise, and I’m often in awe of their commitment to serving our clients to the very best of our ability.

I must also express our sincere gratitude to our policy makers and regulators for the world class regulatory environments they create for us and for our sector.

And finally, our deepest gratitude to our clients and our shareholders for your support and confidence in us.

Thank you all. That concludes our presentation.