PRE-CLOSE CALL SCRIPT – 20 June 2023

Vineshri Reddy – Investor Relations

Good afternoon and thank you for joining the Standard Bank Group pre-close call this afternoon. My name is Vineshri Reddy and I will be managing the call.

As you will be aware, we issued a voluntary trading update and trading statement on SENS this morning. The purpose of this call is to cover the highlights of that announcement and then we will open the line for questions.

On the call today we have Arno Daehnke, the Standard Bank Group financial director and Brooks Mparutsa, Barbara Bell and Thembelihle Ngema, the client segment CFOs, Desmond Oosthuizen (Head of Financial Control), Sayuri Govender (Head of Reporting), and Andrew Lonmin-Davis, CFO from Liberty.

I will now hand over to Arno. Thank you, Arno over to you.

Arno Daehnke – Standard Bank Group financial director

Hello everyone, it is great that you are dialing in and showing interest in the Standard Bank Group.

Economic update:

I will start with some brief comments on the macroeconomic environment and particularly how things have evolved since we released our results in March. I will then turn to the trends we are seeing in our business.

Post our results in March and since our voluntary trading update in April 2023, the global economic and geopolitical environment remains volatile, with global growth slowing in response to persistently high inflation and interest rates.

We have seen public debt as a ratio to GDP increase across the world during Covid-19 and expectations are that these remain elevated, posing a growing challenge for policymakers as interest rates rise and revenue collections slow in many African countries.

In South Africa, the situation is not much different, we expect inflation and interest rates to be higher for longer and economic growth will remain constrained.

At the end of May, the South African repo rate had increased by 125 basis points in 2023 to 8.25%. A further 25 basis point increase is anticipated in the second half of the year.

The rand continues to be pressured by a strengthening USD and dampened investor sentiment.

Despite the macroeconomic environment, the group's results for the period ended 31 May 2023 reflect a healthy and growing franchise.

This growth can be attributable to continued balance sheet growth in support of our clients, the endowment impact of higher interest rates, improved customer activity levels and increased use of our risk management capabilities in volatile trading environments – all of which has contributed to strong top-line revenue growth.

Our Africa Regions franchise has delivered remarkable growth during this period and contributed 46% of the group's headline earnings.

Turning to our performance and trends for the five months to the end of May 2023 for our banking operations

Starting with revenue

In the period, our banking activities revenue growth was in excess of 20%, compared to the same period last year. Continued balance sheet growth and higher than expected average interest rates across most of our markets supported net interest income growth. Our non-interest income growth was supported by continued growth in transactional volumes, fee and commission income, as well as trading revenue.

With regards to costs, a combination of higher fixed remuneration in a high-inflationary environment; higher incentives in line with business performance; as well as increased technology spend on USD-denominated software licences and cloud migration costs, all contributed towards operating expenses growing in the mid-teens for the five months of 2023.

Weighted average inflation across our countries of operation was 11.8% for the period.

I do wish to note that we still achieved strong positive jaws in the current period.

Turning to credit.

Credit impairment charges were almost 50% higher for the five months of 2023, compared to the charges for the first five months of 2022. This was as a result of larger lending books, consumer strain in South Africa, and increased sovereign debt risk in Africa Regions.

The credit loss ratio for the current period was elevated but still within the through the cycle target range of 70 – 100 basis points.

If I unpack credit by our business units, credit impairments related to consumer banking customers are currently elevated, primarily in SA and, particularly, in home loans, on the back of rapid interest rate hikes and sustained high inflation levels which has resulted in some customers being unable to meet their debt obligations in full. Overall, the credit loss ratio for consumer banking clients is currently outside of the target range of 100 – 150 basis points. Coverage levels remain strong for this business.

Credit impairments have also increased within our Business and Commercial Banking segment due to a build-up of new non-performing loans, particularly in single names in Africa Regions and across the small enterprise segment in South Africa. The credit loss ratio for this business is currently also outside the target range of 100 – 120 basis points.

Within Corporate and Investment Banking, corporate credit losses are currently below the 40 – 60 basis point through the cycle range for customer impairments. We note the weak trading results of several closely monitored clients across our network. The knock-on impacts of the deterioration in the SA consumer sector into our corporate client base are being carefully analysed.

Sovereign default continues to be a risk and current levels of credit provisions for financial investments are elevated. For the five months of last year, we had no impairments for financial investments. Our provisions currently reflect adequately in our assessment of these risks across our network as at May 2023.

Turning to Liberty and ICBCS

Liberty Holdings Limited continued to record improved claims experience and strong earnings growth despite losses experienced in the Shareholder Investment Portfolio due to market movements.

ICBC Standard Bank plc recorded an operational profit in the first five months of 2023. I wish to remind you that we had a sizeable insurance recovery in January 2022 which is not repeated in this period which has meant that ICBC Standard Bank plc contribution to overall group profits has declined period on period.

Turning to Capital and returns

Our capital and liquidity levels remain strong. The group's common equity tier 1 ratio as at the 30 April 2023 was 12.9%.

I am pleased to announce that the group's return on equity for the period comfortably exceeded group cost of equity.

Now, turning to the outlook and our guidance for the twelve months to 31 December 2023

While the economic outlook has deteriorated and uncertainty persists, opportunities to help our clients and, in turn, grow our business, exist.

Our group guidance for the twelve months to 31 December 2023 has changed.

Our latest estimates indicate higher net interest income growth compared to the low teen guidance given in March, and higher non-interest revenue growth compared to the earlier mid-single digits guidance provided.

In turn, cost growth is anticipated to be slightly higher than our weighted average inflation rate for the year. Our expectation for strong positive jaws remains.

The group's credit loss ratio is expected to increase towards the upper end of the group's through-the-cycle target range of 70 – 100 basis points.

The group's 2023 ROE is expected to show continued progress into the group's ROE target range of 17 – 20%.

And, we remain committed to serving our clients and achieving the 2025 targets and strategy we laid out in August 2021.

Finally, as noted in the announcement this morning, we expect the group's headline earnings per share and earnings per share to be more than 20% higher in the first half of 2023 compared to the first half of 2022.

We will provide a more specific guidance range once there is reasonable certainty regarding the extent of the increase in earnings.

We will report the group's 1H23 results on 17 August 2023.

Thank you.