



# STANDARD BANK GROUP FINANCIAL RESULTS PRESENTATION

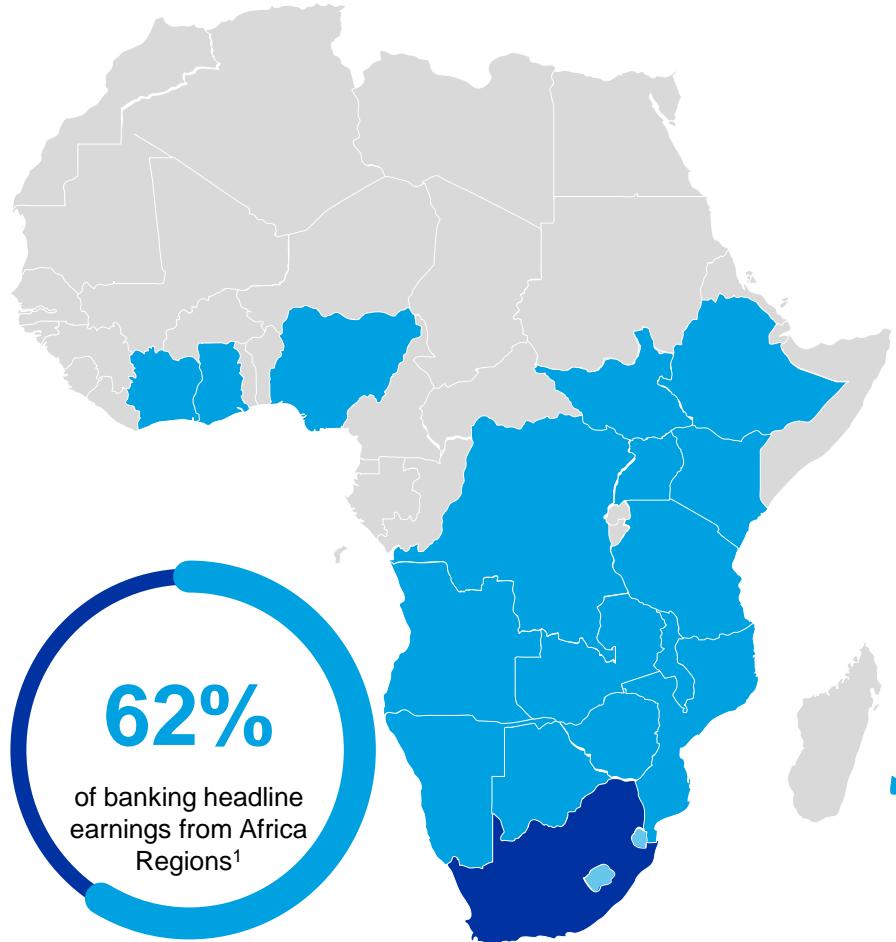
1H20

20 August 2020



# OUR PURPOSE

AFRICA IS OUR HOME, WE DRIVE HER GROWTH



<sup>1</sup> Operations in Africa outside of South Africa

<sup>2</sup> Based on CET1 capital above the SARB CET1 regulatory minimum (7.0%)

## Well positioned to weather the storm

- Record 1H revenues, R56bn
- Good operating performance despite Covid-19 headwinds
- Strong provision levels +30% since FY19 and significantly above GFC levels
- Robust customer deposit growth +19%, supporting liquidity
- Substantial capital capacity<sup>2</sup>, can absorb >6.5x 1H20 credit charges
- Well regulated industry and experienced management team

## Compelling competitive advantages

- Purpose-driven organisation
- Unrivalled African-focused capabilities
- Established, fit-for-purpose franchise with modern digital core
- Robust capital and liquidity position
- Modern IT backbone, focus on accelerating digitisation
- Diversified client base, service offering and revenue streams
- Resources and appetite to support the post-Covid-19 recovery



## 1H20 OPERATING BACKDROP

COVID-19 PANDEMIC DOMINATED, SOUTH AFRICAN ENVIRONMENT DETERIORATED FURTHER



### Globally

- Covid-19 pandemic impact felt across the globe with human and economic cost
- Widespread lockdowns led to a disruption in supply chains and a decline in demand
- Price war and oversupply drove a swift and significant decline in the oil price
- Precipitous fall in markets and liquidity squeeze in 1Q20, followed by unprecedented fiscal and monetary stimulus (in particular, in developed markets)
- Variety of regulatory actions



### Sub-Saharan Africa

- Global uncertainty drove record capital outflows and financial conditions tightened
- Trade and FX inflows dried up
- Oil exporters were negatively impacted
- Infection rates were initially lower than elsewhere, but testing was limited
- Lockdowns, where imposed, were lifted in 2Q20 at varying rates
- Increase in public debt as countries funded pandemic-related efforts, including DFI assistance



### South Africa

- Interrupted power supply cemented recession in 1Q20
- Strict lockdowns restricted the economy
- Prospects of a modest economic recovery in 2020 were replaced with expectations for a large decline (FY20 real GDP growth, -8.5%)
- Large equity and bond market outflows, currency weakness and ratings downgrades
- Implemented a sizable stimulus package – fiscal, monetary and funding actions
- Public debt trajectory a risk to sovereign

# PURPOSEFUL IN OUR RESPONSE

FOCUSED AND DELIBERATE IN OUR ACTIONS



## 3 PHASE APPROACH

### 1 RESPOND

Address immediate Covid-19 threat  
*Rapid response strategies with positive societal impact*

- Focus on business resilience
- Ensure employee safety and wellbeing
- Implement client relief plans
- Manage risk, capital and liquidity
- Engage regulator and industry bodies
- Engage with shareholders
- Support communities

### 2

### RECOVER

Facilitate return to growth  
*Coming out of the crisis*

- Manage / mitigate economic fallout
- Allocate capital to support clients and communities

### 3

### RE-IMAGINE

Adapt to the 'new normal'  
*Remain human-centric and digital*

- Assess client behaviours / demand – new opportunities
- Accelerate digital adoption
- Deliver a future-ready group

# PRIORITIES FOR 1H20

RAPID IN OUR RESPONSE AND BALANCED IN OUR APPROACH



## Support our clients



- Provided temporary relief to retail and SME clients with balances of R118bn
- Assisted corporate clients with R48bn of exposures
- Paid R6.4bn in insurance claims<sup>1</sup>
- Provided >R65m in fee waivers and moratoriums



## Support our employees



- Introduced health and safety protocols
- Enabled >80% of people to work remotely
- Provided digital tools to enable productivity
- Supported ongoing staff learning / re-skilling using digital tools



## Support our communities



- Intentional focus on health, education and jobs
- With the help of ICBC, we co-ordinated the sourcing and delivery of USD1.4m of PPE from ICBC contacts in China
- CSI-related donations of >R20m in South Africa and >USD1.6m in Africa Regions

<sup>1</sup> Claims paid from short term and life insurance businesses



# OUR IT JOURNEY AND DIGITAL STRATEGY

MULTI-YEAR TRANSITION PROVIDES A STRONG FOUNDATION FOR FOCUSED ACCELERATION

## Our IT journey

- Phase 1: Disparate, ageing legacy systems
- Phase 2: Core banking replacement
- Phase 3: Transition to future-ready
- Phase 4: Accelerating future-ready

## ⇒Digitisation key to execution of our strategy

- Deliver what clients want
  - Personalised, instantly available services and solutions
  - Enabled by digital solutions
- Find new revenue opportunities
  - Supporting client ecosystems
  - Building partnerships through a platform mindset
- Drive operational efficiency
  - Digitise and automate processes
  - Simplify and turn off legacy



## 1H20 RESULTS

RESILIENT UNDERLYING PERFORMANCE IN A CHALLENGING OPERATING ENVIRONMENT

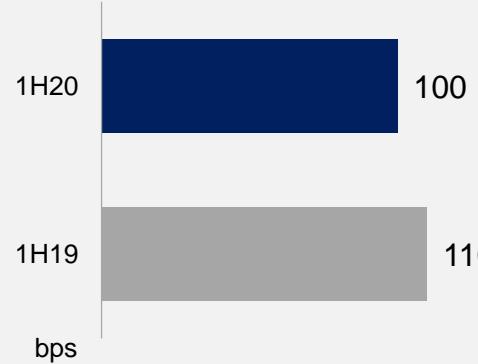
### Pre-provision operating income

1H20: **R24.3bn**

1H19: R23.3bn

↑ 4%

### Jaws



### Group headline earnings

1H20: **R7.5bn**

1H19: R13.4bn

↓ 44%

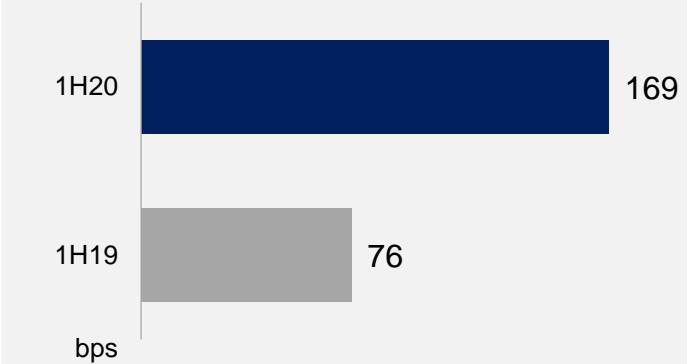
### Common equity tier 1 ratio<sup>1</sup>

1H20: **12.6%**

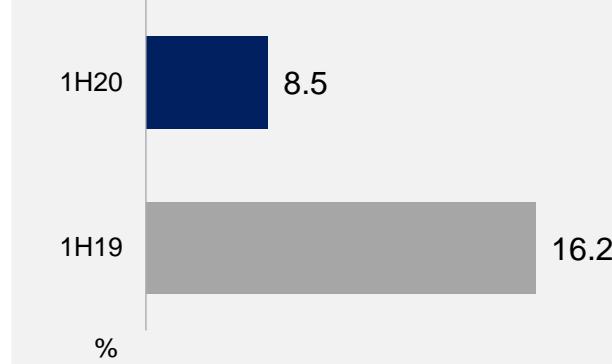
1H19: 14.0%

**R75bn**  
Capital capacity<sup>2</sup>

### Credit loss ratio



### Return on equity



<sup>1</sup> Common equity tier 1 (CET1) capital adequacy ratio (based on SARB IFRS 9 phased-in approach)

<sup>2</sup> CET1 capital available to absorb losses i.e. above regulatory minimum of 7.0%



# CLIENT FOCUS



Standard Bank **IT CAN BE**™

# CLIENT FOCUS

SUPPORTING OUR CLIENTS WHEN IT MATTERED MOST



## Consumer & High Net Worth clients

- **Expanded our client support capabilities** to manage the increased customer relief requests
- **Delivered real value in difficult times** through fee and premium reductions / waivers and free value-add offerings
- **Put money back in our customers' pockets** through insurance premium cash-back and lower reward programme criteria
- **Paid out on customer claims** – loss of income and retrenchment cover



## Business & Commercial clients

- **Focused on keeping our business clients in business:**
  - Provided client relief, liquidity and working capital solutions
  - Waived certain fees for businesses not operating
- Provided online support, advice and tools
- **Supported various industry initiatives** e.g. South Africa SME Guarantee Fund and South Africa Future Trust



## Wholesale clients

- **Helped clients manage their risk**, through ECM and DCM advisory services
- **Enabled our clients to continue to trade** through volatile time, leveraging our deep understanding of African dynamics
- **Provided client-specific relief solutions** - payment holidays, term extension, covenant waivers, amongst others
- Provided ongoing and enhanced client access to global investors and capital



## CLIENT FOCUS

### DELIVERING NEW AND CONVENIENT DIGITAL SOLUTIONS

#### Solutions for SMEs and entrepreneurs

- SimplyBlu** is a simple, cost-effective “ecommerce in a box” solution to help clients start and run an online business
- BizFlex** is a short-term lending solution, providing businesses with the flexibility to repay loans as revenue is earned at a cost guaranteed upfront
- OneFarm platform** provides lending, insurance and agronomy support to farmers, helping them to increase their crop yields
- TradeClub** is our B2B matchmaking platform, connecting trusted businesses across the African continent with China and other markets globally
- QuantumTrade** is an end-to-end digital solution on an online platform for clients to obtain guarantees and letters of credit

#### Trade solutions

#### Helping our clients serve themselves

- New features and improvements on **mobile app and internet banking** make self-service easier
- My360** provides clients with a full view of their balance sheet, regardless of institution or geographic location
- Contactless payment** solutions and **virtual cards** enable clients to transact with merchants without their card or purchase safely online
- InstantMoney** transfers on mobile app and **InstantMoney Bulk Payments** allow clients to safely transfer money without using cash
- @Ease** in Nigeria is an electronic wallet to meet the needs of the informally served and under- and multi-banked
- LookSee** is our free online property guide which helps clients to make an informed decision before they purchase a home
- Digital escrow service** launched reduces the risk of fraud when buying or selling online
- Standard Bank Mobile** provides clients with much more than a mobile network, rewarding them with airtime or data



# EMPLOYEE ENGAGEMENT



Standard Bank **IT CAN BE**™

# EMPLOYEE ENGAGEMENT

SAFETY FIRST, SKILLS A CLOSE SECOND



## Prioritised the protection, safety and support of our employees<sup>1</sup>



95%

of employees adapting well to working from home, and adapting well in the office / branch under the new conditions



83%

of employees accessed content and tools via the Covid-19 Connect App or Intranet Information Hub



89%

of employees are proud of the measures Standard Bank has taken to support them and its clients during the pandemic

## Equipping our employees with future-ready skills

>22 000

employees have accessed our new on-line learning platform

>398 000

learning items completed since go-live at the end of April 2020

>R345m

invested in employee learning capabilities in 1H20

<sup>1</sup> Based on employee survey feedback



# RISK AND CONDUCT

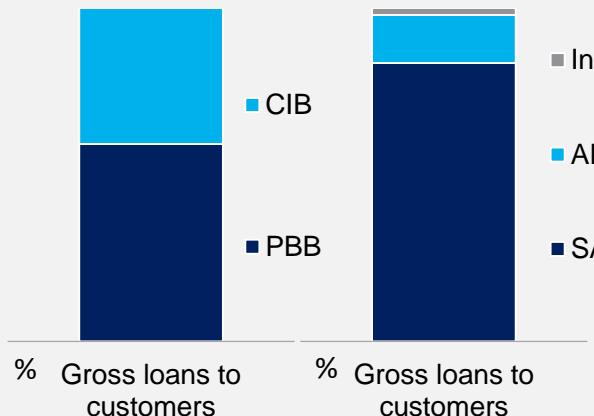


Standard Bank **IT CAN BE**™



### Key takeouts

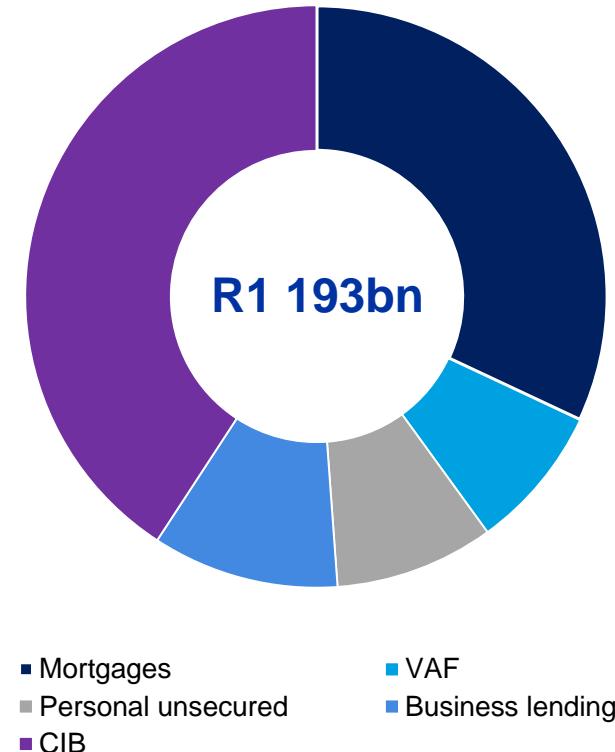
- Book diversified by product and sector and geography
- Staying close to our customers
- Expert teams monitoring risk
- Sectors will recover at different rates
- Much uncertainty remains, and will require ongoing diligent monitoring of developments against expectations



<sup>1</sup> Original loan to value

<sup>2</sup> Outstanding book to value

### Gross loans and advances to customers



**Mortgages** – leading South Africa market share, portfolio LTV<sup>1</sup> of 88% and BTV<sup>2</sup> of 55%, Africa Regions portfolio largely in Namibia

**Vehicle and asset finance (VAF)** – leading commercial franchise and growing retail business

**Personal unsecured lending** – leading card business in South Africa, with sophisticated risk scoring supporting digital origination

**Business lending** – established South African client base, Africa Regions' risk managed through ecosystem approach

**Corporate and Investment banking** – diversified portfolio of domestic and MNC clients; Oil & Gas (8%), Real Estate (15%), Hotel & Leisure (1%)



# RISK AND CONDUCT – ESG RISK

CLIMATE CHANGE RISK – RECOGNISED AS A MATERIAL RISK

| Focus areas  | Existing, underway and planned   | Timing  |
|--|--|---|
| <b>Strategy</b><br>Purposeful in the allocation of resources     | <ul style="list-style-type: none"><li>• A purpose-driven organisation – driving Africa's growth</li><li>• Recognise the importance of E, S and G<sup>1</sup></li></ul>   | <ul style="list-style-type: none"><li>• Ongoing</li></ul>   |
| <b>Risk management and governance</b><br>Policies and procedures | <ul style="list-style-type: none"><li>• ESG embedded in existing client onboarding and transaction screening as well as ongoing portfolio management and deal monitoring processes</li><li>• Developing an overarching ESG Framework</li></ul> | <ul style="list-style-type: none"><li>• Well embedded internally</li><li>• FY20 / FY21</li></ul>                      |
| <b>Sustainable finance</b><br>Helping our clients' transition    | <ul style="list-style-type: none"><li>• Sustainable finance business unit</li><li>• Recognised as a leader in Africa<sup>2</sup> – arranged 40% of all green bonds issued in Africa in 2019</li></ul>  | <ul style="list-style-type: none"><li>• FY19</li><li>• FY20</li></ul>   |
| <b>Transparency</b><br>Focused on expanding our disclosures      | <ul style="list-style-type: none"><li>• Published our various group policies<sup>3</sup>, ESG report, Sustainability Bond Framework</li><li>• Focused on expanding our disclosures and committed to TCFD<sup>1</sup></li></ul>                 | <ul style="list-style-type: none"><li>• Initial TCFD<sup>1</sup> – 3Q20</li><li>• Fossil fuel policy – YE20</li></ul> |

**Standard Bank is a founding signatory of the UN Principles for Responsible Banking and the chair of the UNEP FI<sup>4</sup> Banking Committee**

<sup>1</sup> Environmental, social and governance, in line with the Paris Agreement and Equator Principles. We recognise and support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures

<sup>2</sup> Recognised as the Best Global Investment Bank for Sustainable Finance by Global Finance – delivered the 1st Green Bond in East Africa and the 1st Green Infrastructure Bond in West Africa and pioneered Sustainability Linked Loans

<sup>3</sup> Published policies available on Standard Bank Group's ESG website: <https://sustainability.standardbank.com/esg-policies/>

<sup>4</sup> United Nations Environment Programme Finance Initiative



# FINANCIAL OUTCOME

## 4.1 GROUP PERFORMANCE

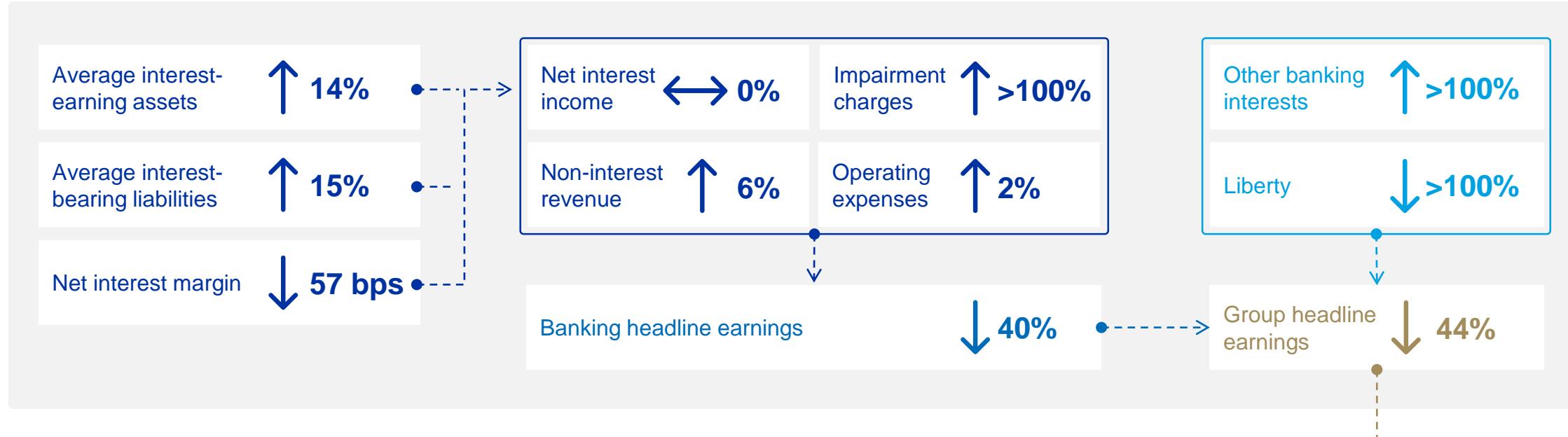




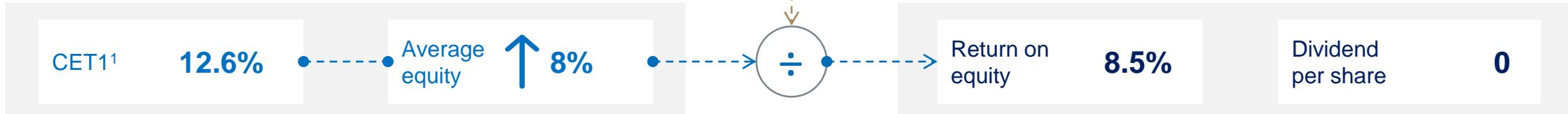
## DRIVERS OF PERFORMANCE

### GROUP FINANCIAL OUTCOME

#### Growth



#### Resilience



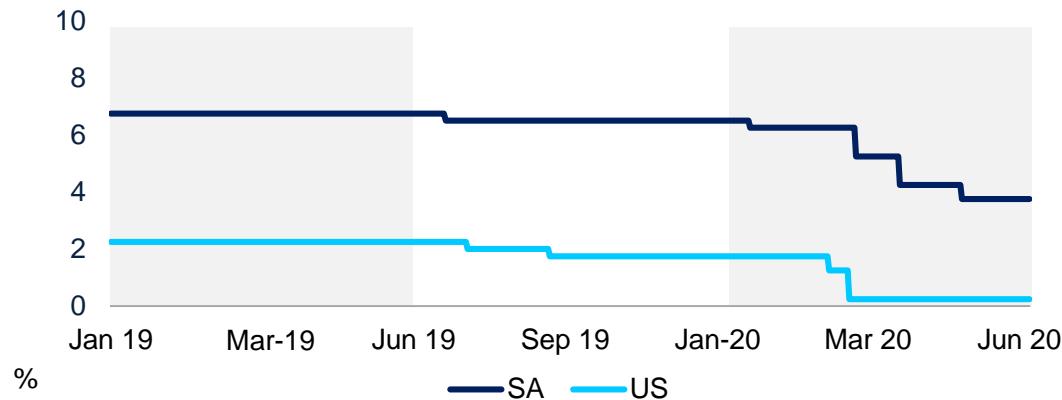
<sup>1</sup> CET1 ratio based on SARB IFRS 9 phased-in approach



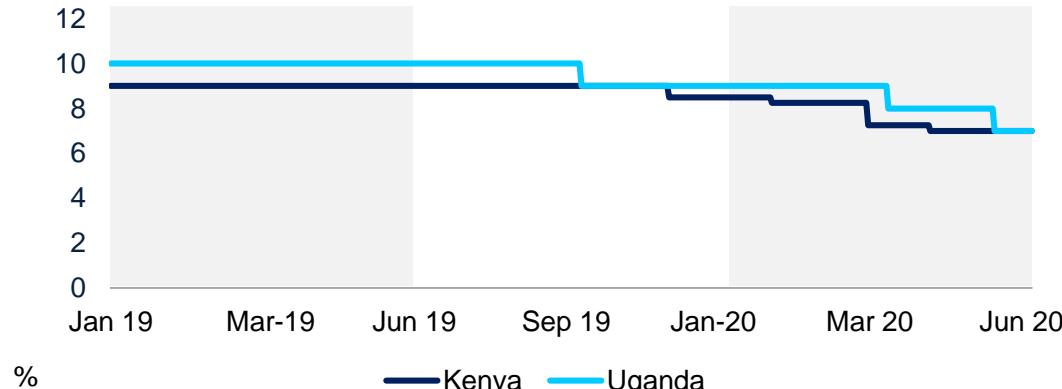
## INTEREST RATES

AVERAGE INTEREST RATES LOWER IN ALL COUNTRIES EXCEPT ZAMBIA

### South Africa and International



### East Africa



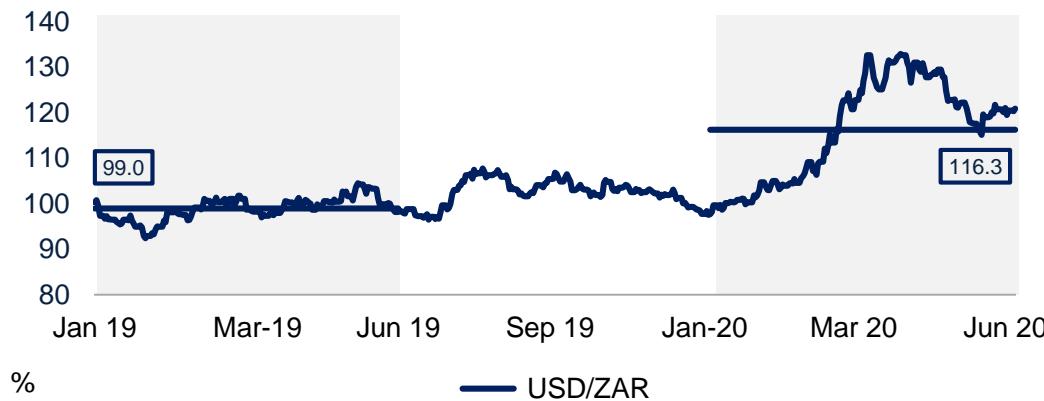
Source: Bloomberg

# FOREX RATES

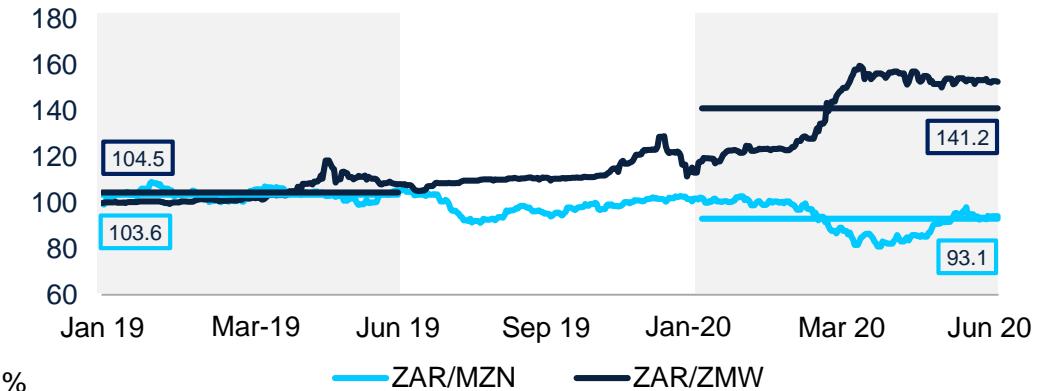
ON AVERAGE, ZAR, AOA AND ZMW WEAKER AND GHS, KES, MZN, NGN AND UGX STRONGER



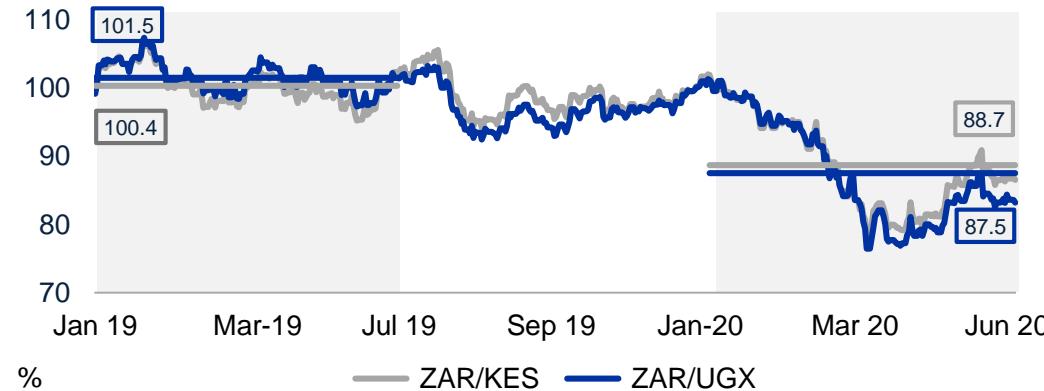
## South Africa and International



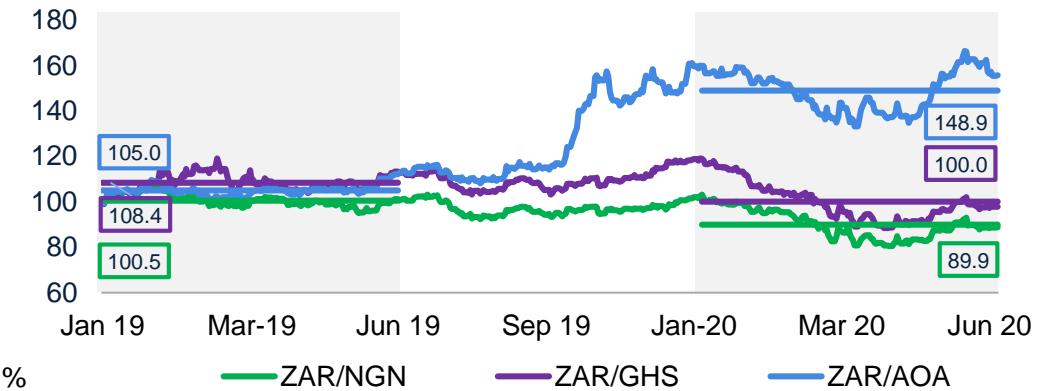
## South and Central



## East Africa



## West Africa



Source: Bloomberg, rates have been re-based to reflect movement since 1 January 2019, straight lines represent the average rebased rates for the respective six month periods



## CLIENT ACTIVITY

CLIENT ACTIVITY A KEY DRIVER OF REVENUE

### Decline in client activity<sup>1</sup>

| Retail<br>customer<br>activity<br>volumes | South Africa | Africa Regions |
|---|--------------|----------------|
|   | Branch       | ↓ 42%          |
| ATM                                       | ↓ 21%        | ↓ 4%           |

### Increase in client activity<sup>1</sup>

|                                   | South Africa<br>retail | Africa Regions<br>retail | Corporate <sup>2</sup> |
|-----------------------------------|------------------------|--------------------------|------------------------|
| Digital<br>transaction<br>volumes | ↑ 78%                  | ↑ 24%                    | ↑ 37%                  |

| Business<br>turnover | South Africa<br>small business | South Africa<br>mid-size business |
|----------------------|--------------------------------|-----------------------------------|
|                      | ↓ 14%                          | ↓ 7%                              |

|                    | AUM <sup>3</sup> | Deposits | Life GWP <sup>4</sup> |
|--------------------|------------------|----------|-----------------------|
| Wealth<br>activity | ↑ 22%            | ↑ 21%    | ↑ 10%                 |

| New business<br>disbursements | South Africa<br>mortgage <sup>5</sup> | South Africa<br>motor <sup>5</sup> |
|-------------------------------|---------------------------------------|------------------------------------|
|                               | ↓ 32%                                 | ↓ 38%                              |

|                       | JSE equity<br>trading <sup>6</sup> | Client<br>disbursements <sup>7</sup> | Africa Regions<br>transactions <sup>8</sup> |
|-----------------------|------------------------------------|--------------------------------------|---|
| Corporate<br>activity | ↑ >100%                            | ↑ 12%                                | ↑ 45%                                       |

<sup>1</sup> 1H20 vs 1H19

<sup>2</sup> Electronic transaction volumes in Africa Regions

<sup>3</sup> Assets under management and assets under advice

<sup>4</sup> Gross written premium

<sup>5</sup> Value of new business disbursements

<sup>6</sup> Standard Bank traded volumes (vs JSE +25%)

<sup>7</sup> Client origination and facility drawdowns

<sup>8</sup> Based on total number of business and wholesale transactions processed on the platform

# STANDARD BANK GROUP INCOME STATEMENT

CREDIT IMPAIRMENT CHARGES A DRAG ON RESULTS



|   | 1H20<br>Rbn | 1H19<br>Rbn | Change<br>% | Change<br>CCY % |
|---|-------------|-------------|-------------|-----------------|
| Net interest income                         | 31.2        | 31.2        | 0           | (2)             |
| Non-interest revenue                        | 24.6        | 23.1        | 6           | 4               |
| <b>Total income</b>                         | <b>55.8</b> | <b>54.3</b> | <b>3</b>    | <b>1</b>        |
| Operating expenses                          | (31.5)      | (31.0)      | 2           | 0               |
| <b>Pre-provision profit</b>                 | <b>24.3</b> | <b>23.3</b> | <b>4</b>    | <b>2</b>        |
| Credit impairment charges                   | (11.3)      | (4.2)       | >100        | >100            |
| <b>Banking activities headline earnings</b> | <b>7.7</b>  | <b>12.8</b> | <b>(40)</b> | <b>(41)</b>     |
| Other banking interests                     | 0.5         | (0.3)       | >100        | >100            |
| Liberty                                     | (0.7)       | 0.9         | (>100)      | (>100)          |
| <b>SBG headline earnings</b>                | <b>7.5</b>  | <b>13.4</b> | <b>(44)</b> | <b>(44)</b>     |
| Net interest margin, bps                    | 387         | 444         |             |                 |
| Credit loss ratio, bps                      | 169         | 76          |             |                 |
| Cost-to-income ratio, %                     | 56.4        | 57.0        |             |                 |
| Jaws, bps                                   | 100         | 110         |             |                 |
| ROE, %                                      | 8.5         | 16.2        |             |                 |

## Key takeouts

- Strong loan and deposit growth, offset by margin decline driven by lower average interest rates
- NIR growth driven by strong trading revenues; more than offsetting a decline in fees due to lower consumer activity and transactional volumes
- Costs were tightly managed, resulting in positive jaws, despite additional business continuity expenses
- Credit impairment charge increase reflective of the challenging macro-economic environment, continued strain on corporates and the consumer and provisions raised on the client relief portfolio



# PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

INTANGIBLE IMPAIRMENTS AND FCTR RELEASE ON ICBCA SALE, SIGNIFICANTLY IMPACTING PROFIT ATTRIBUTABLE

|   | 1H20<br>Rbn | 1H19<br>Rbn | Change<br>% |
|---|-------------|-------------|-------------|
| <b>Standard Bank Group headline earnings</b>        | <b>7.5</b>  | <b>13.4</b> | <b>(44)</b> |
| Impairment of intangible assets <sup>1</sup>        | (1.9)       | (0.1)       |             |
| Gain on sale of ICBC Argentina                      | 1.4         | -           |             |
| FCTR release on sale of ICBC Argentina              | (3.4)       | -           |             |
| Other   | 0.2         | (0.1)       |             |
| <b>Profit attributable to ordinary shareholders</b> | <b>3.8</b>  | <b>13.2</b> | <b>(71)</b> |
| <b>Net asset value</b>                              | <b>179</b>  | <b>168</b>  | <b>7</b>    |

## Key takeouts

- Impairment of IT-related intangible assets following an internal review, in line with existing accounting policy
- Completion of the sale of the group's 20% stake in ICBC Argentina gave rise to:
  - Gain on sale - proceeds exceeded the carrying value of the investment
  - FCTR release – the impact of the devaluation of the ARS/ZAR during the life of the investment was recorded as an adjustment to reserves. IFRS requires it to be taken to earnings
  - Both excluded from headline earnings
- Key drivers on net asset value change:
  - Negative: IT intangible impairment and 2H19 dividend
  - Positive: gain on sale of ICBCA, ZAR weakness and retained earnings
  - No impact: ICBCA FCTR release

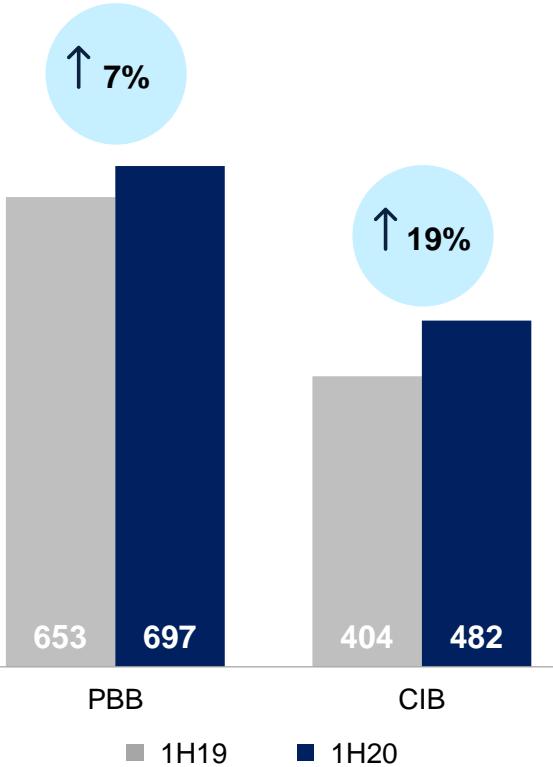
<sup>1</sup> Post-tax impact of impairments related to CIB (R1.7bn), PBB (R0.2bn) and Liberty (R70m)



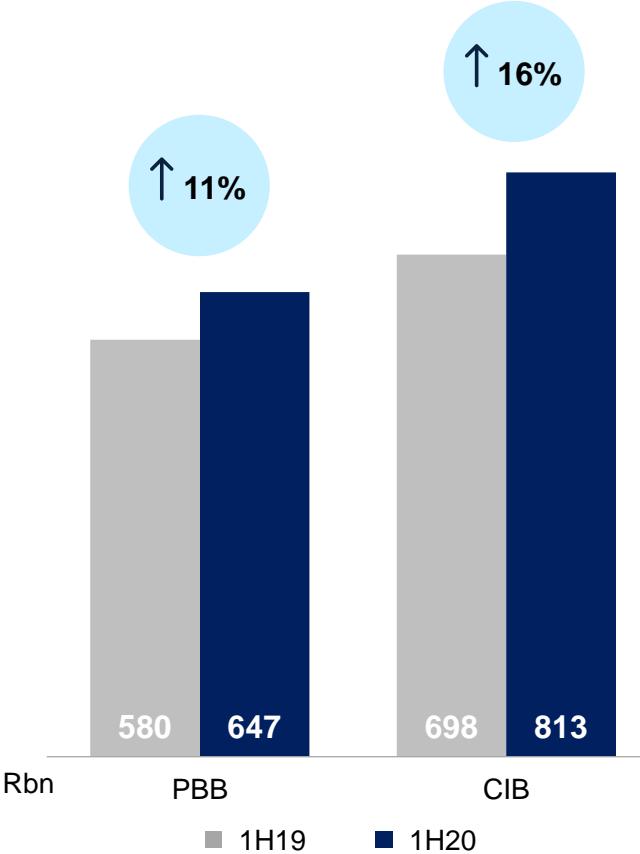
## BALANCE SHEET

STRONG DEPOSIT GROWTH DRIVEN BY CLIENTS' CAUTIONARY RESPONSE TO COVID-19

### Average gross loans to clients by business unit



### Average deposits from clients by business unit



### Key takeouts

- Loan growth due to:
  - Corporates accessing liquidity and / or funding requirements
  - Higher digital disbursements<sup>1</sup> driven by the ongoing roll-out of digital origination capabilities
  - Drop-off in new business due to lockdowns, partially offset by delayed repayments due to payment holidays
  - Deprecation of the ZAR drove higher period-end values on the foreign currency book
- Deposit growth due to:
  - Increased corporate current account balances as economic activity slowed down and clients held liquidity
  - Retail customers reduced spending in lockdown and businesses held liquidity in the uncertain environment

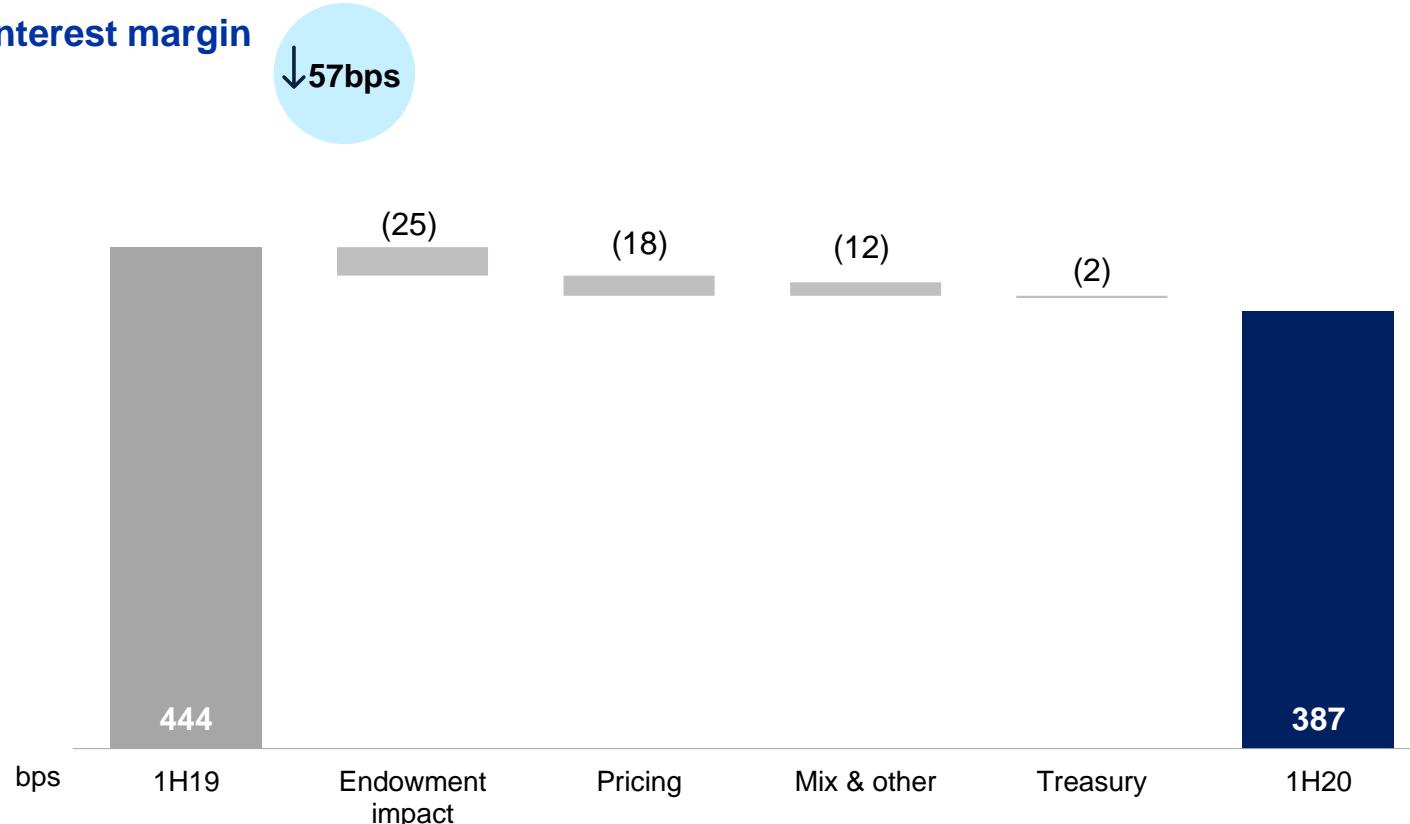
<sup>1</sup> In particular, in term loans



## NET INTEREST INCOME

MARGIN SQUEEZE DRIVEN BY INTEREST RATE DECLINES AND COMPETITIVE PRICING

### Net interest margin



### Key takeouts

- Weighted average interest rates declined >150 bps period on period<sup>1</sup>
- Negative endowment on capital and funding due to lower rates
- Pricing pressure due to:
  - Certain assets repriced faster than deposits resulting
  - Competitive loan pricing, particularly in CIB and VAF
- Negative mix impact as:
  - CIB loans grew faster than PBB
  - CIB deposits grew faster than PBB
  - Additional liquidity resulted in higher cash balances
- Average interest earning assets grew 14%, offsetting margin decline and resulting in flat NII

<sup>1</sup> Based on 11 top countries, interest rate sensitivity in South Africa, a 25 bps movement equates to ~R300m net interest income impact on an annualised basis

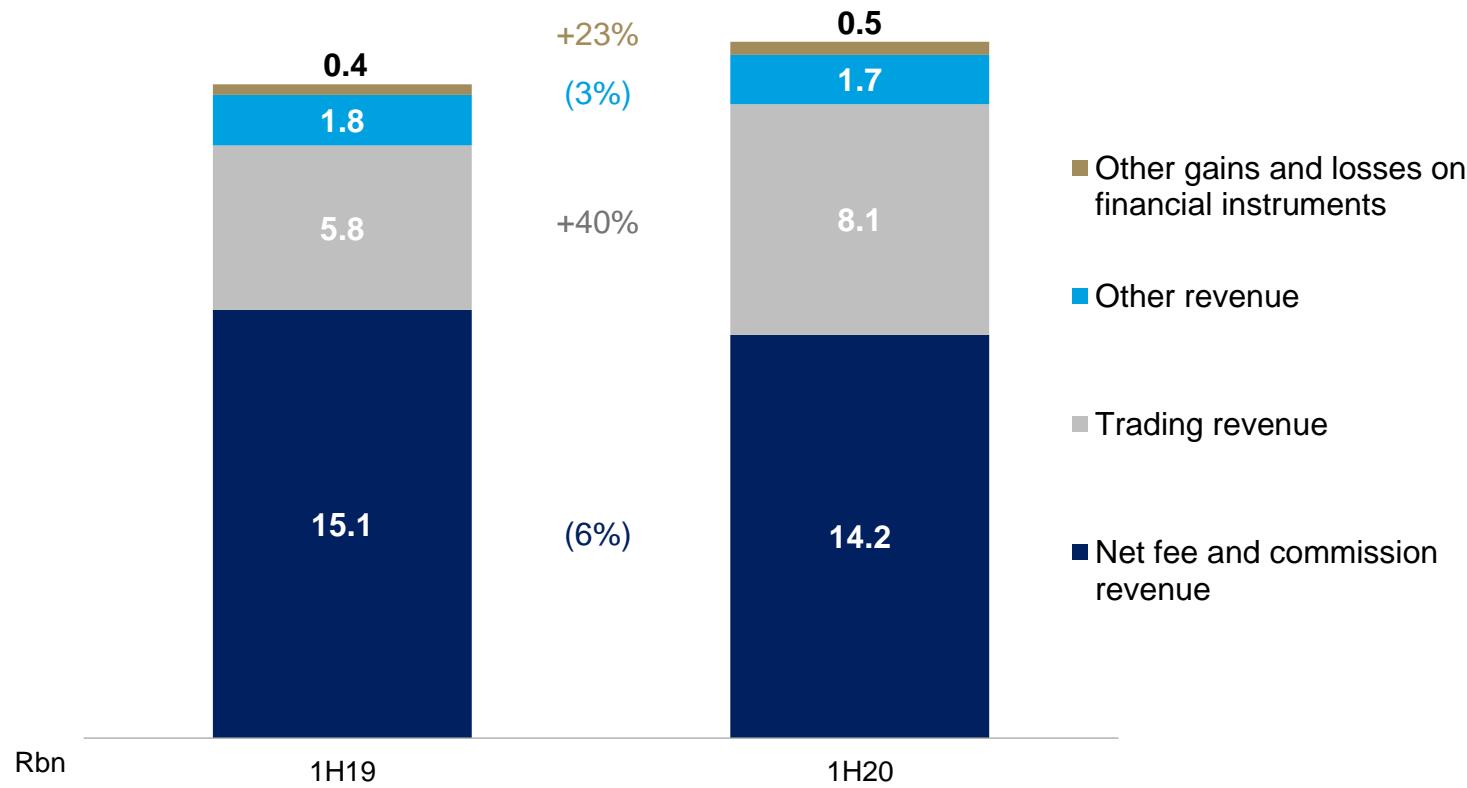


## NON-INTEREST REVENUE

STRONG TRADING PERFORMANCE PARTIALLY OFFSET BY FEE PRESSURE

### Non-interest revenue

↑ 6%



### Key takeouts

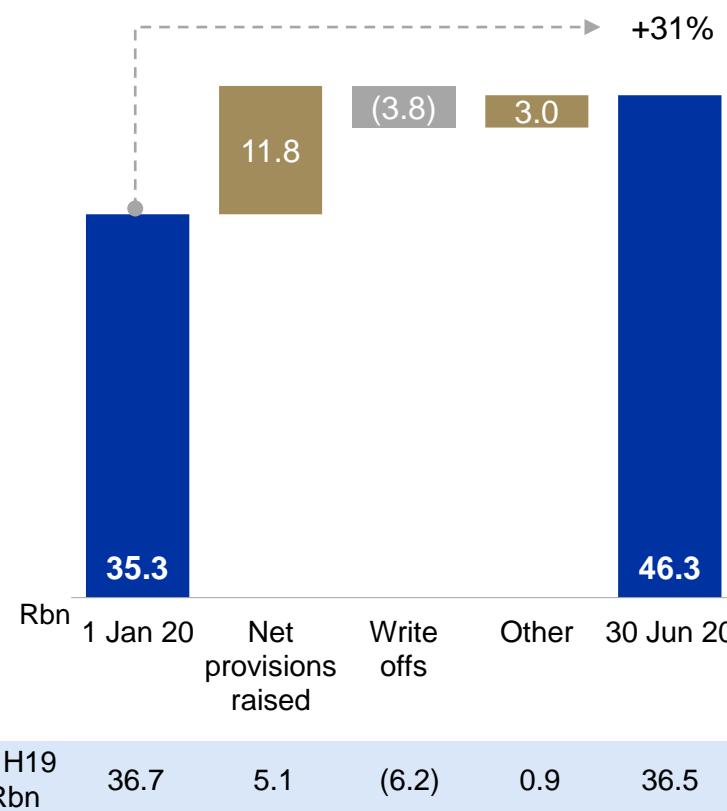
- Net fee and commission income declined due to:
  - Lower consumer activity levels and transactional volumes in lockdown
  - Switch to cheaper digital options accelerated in lockdown
  - Voluntary and regulatory-driven fee waivers and moratoriums
  - Partially offset by continued strong growth in the pension fund business in Nigeria
- Trading revenue increased as a result of higher client activity related to the market volatility
- Other revenue declined due to negative currency hedge losses; partially offset by higher gross written premiums



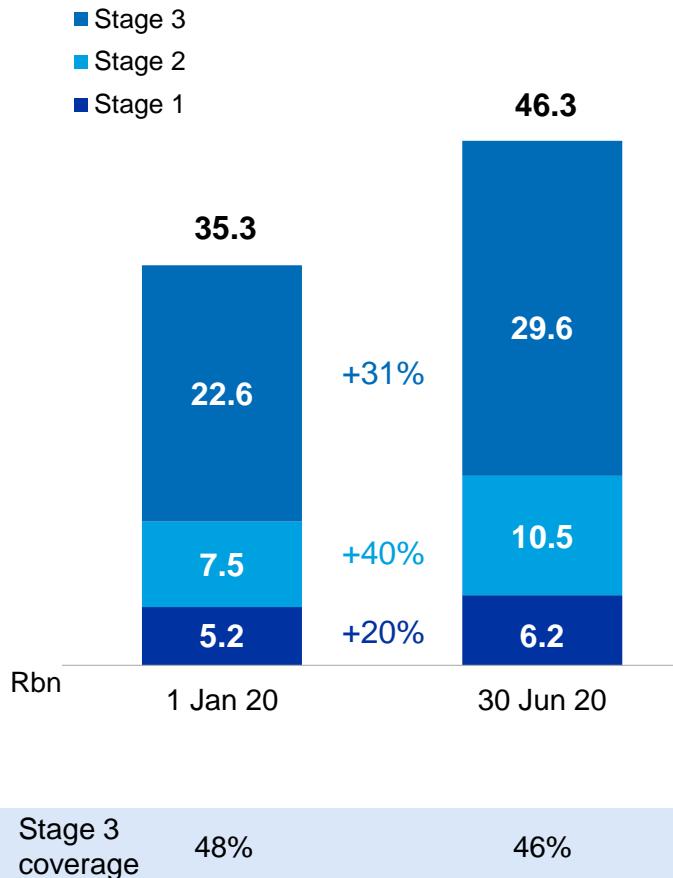
## BALANCE SHEET – PROVISIONS

SIGNIFICANT INCREASE IN PROVISIONS AS BEHAVIOUR SCORES AND CLIENT RATINGS DETERIORATED AND DEFAULTS ROSE

### Balance sheet provision movement



### Balance sheet provision split



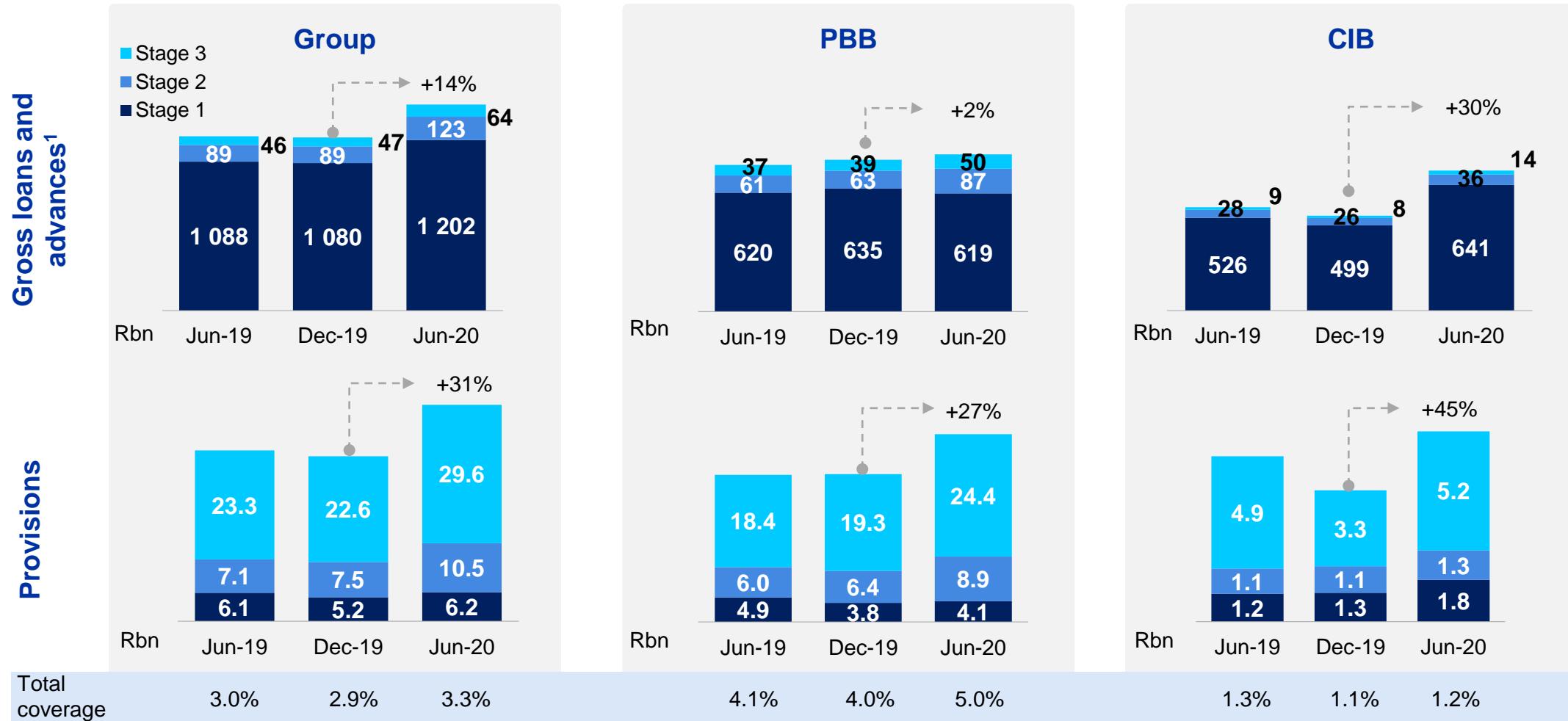
### Key takeouts

- Provisions increased as net provisions raised exceeded write-offs. ZAR weakness drove other adjustments
- Stage 1 – growth driven by balance sheet growth and CIB client risk downgrades
- Stage 2 – growth driven by the deterioration in the existing environment and the outlook (driving forward-looking provisions) as well as provisions on the client relief portfolio
- Stage 3 – a higher number of client defaults resulted in:
  - Existing stage 1 and 2 provisions rolling into stage 3
  - An increase in provisions raised on those exposures
- Higher stage 3 loans drove a higher stage 3 ratio
- Coverage maintained



## BALANCE SHEET – GROSS LOANS AND PROVISIONS

PROVISIONS INCREASED SIGNIFICANTLY MORE THAN LOANS

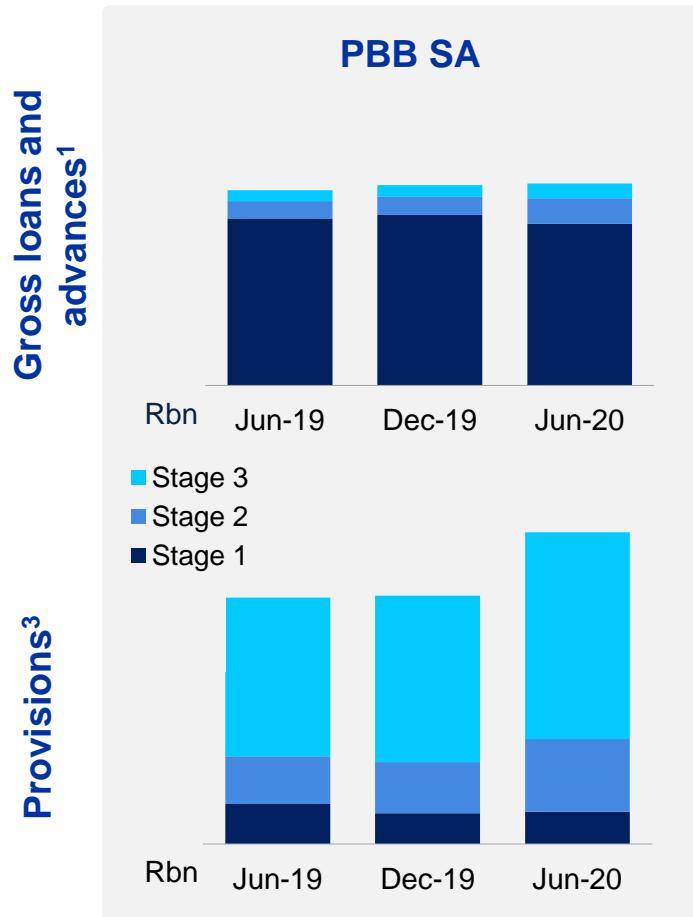


<sup>1</sup> Based on gross loans and advances and provisions per page 52-57 of the 1H20 financial analysis booklet. Group net of interdivisional balances. The CIB portfolio increase driven by a large increase in loans to banks. Group includes the central provision of R500m, split stage 1, R185m and stage 2, R315m



# BALANCE SHEET – PBB SA GROSS LOANS AND PROVISIONS<sup>1</sup>

COVERAGE INCREASED ON BASE PORTFOLIO, CLIENT RELIEF PORTFOLIO LOWER COVERAGE DUE TO NATURE THEREOF<sup>2</sup>



|              | Loans and advances, Rbn |            |                |               |
|--------------|-------------------------|------------|----------------|---------------|
|              | Dec-19                  |            | Jun-20         |               |
|              | Total                   | Total      | Base portfolio | Client relief |
| Stage 3      | 34                      | 44         | 43             | 1             |
| Stage 2      | 54                      | 76         | 54             | 22            |
| Stage 1      | 507                     | 480        | 396            | 84            |
| <b>Total</b> | <b>595</b>              | <b>600</b> | <b>493</b>     | <b>107</b>    |

Client relief portfolio is 18% of the PBB SA portfolio

|              | Provisions, Rbn |             |                |               | Coverage, % |            |                |               |
|--------------|-----------------|-------------|----------------|---------------|-------------|------------|----------------|---------------|
|              | Dec-19          |             | Jun-20         |               | Dec-19      |            | Jun-20         |               |
|              | Total           | Total       | Base portfolio | Client relief | Total       | Total      | Base portfolio | Client relief |
| Stage 3      | 17.0            | 21.2        | 20.9           | 0.3           | 50.7        | 48.3       | 48.9           | 26.8          |
| Stage 2      | 5.2             | 7.4         | 5.7            | 1.7           | 9.7         | 9.7        | 10.5           | 7.7           |
| Stage 1      | 3.2             | 3.3         | 2.7            | 0.6           | 0.6         | 0.7        | 0.7            | 0.8           |
| <b>Total</b> | <b>25.4</b>     | <b>31.9</b> | <b>29.3</b>    | <b>2.6</b>    | <b>4.3</b>  | <b>5.3</b> | <b>5.9</b>     | <b>2.5</b>    |

<sup>1</sup> Based on SBSA PBB gross loans and advances and provisions per pages 76-83 of the 1H20 financial analysis booklet

<sup>2</sup> Loans included in the PBB SA client relief portfolio were performing as at 31 March 2020

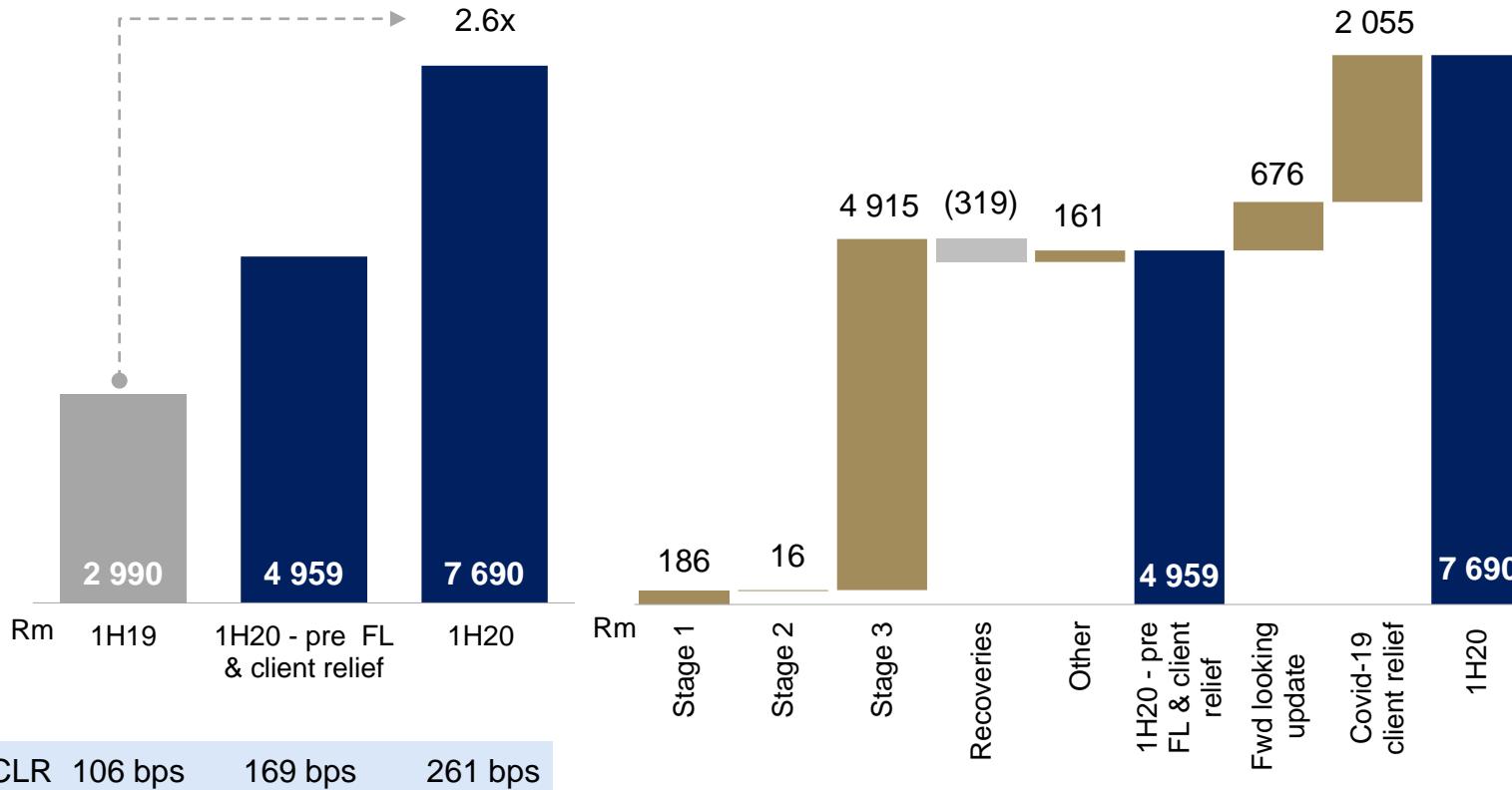
<sup>3</sup> Total provisions as at 30 June 2020 include R2.0bn for forward looking and R2.6bn for client relief portfolio

# CREDIT IMPAIRMENT CHARGES – PBB SOUTH AFRICA

INCREASE DRIVEN BY CUSTOMER RISK PROFILES, DETERIORATING OUTLOOK AND CLIENT RELIEF



## Credit impairment charges



## Key takeouts

### Stage 3 impairments

- Customers impacted by job losses and income reductions
- Constrained collections environment driven by lockdowns
- Protracted legal foreclosure process due to slow down in the courts under lockdown regulations
- Deterioration in customer risk profiles

### Forward looking provision change<sup>1</sup>

- Deterioration of economic outlook and impact of industry specific concerns

### Covid-19 client relief provision<sup>2</sup>

- Certain clients have been provided with relief e.g. payment holidays
- Staging and provisions raised on the client relief portfolio are driven by the customer risk and outlook

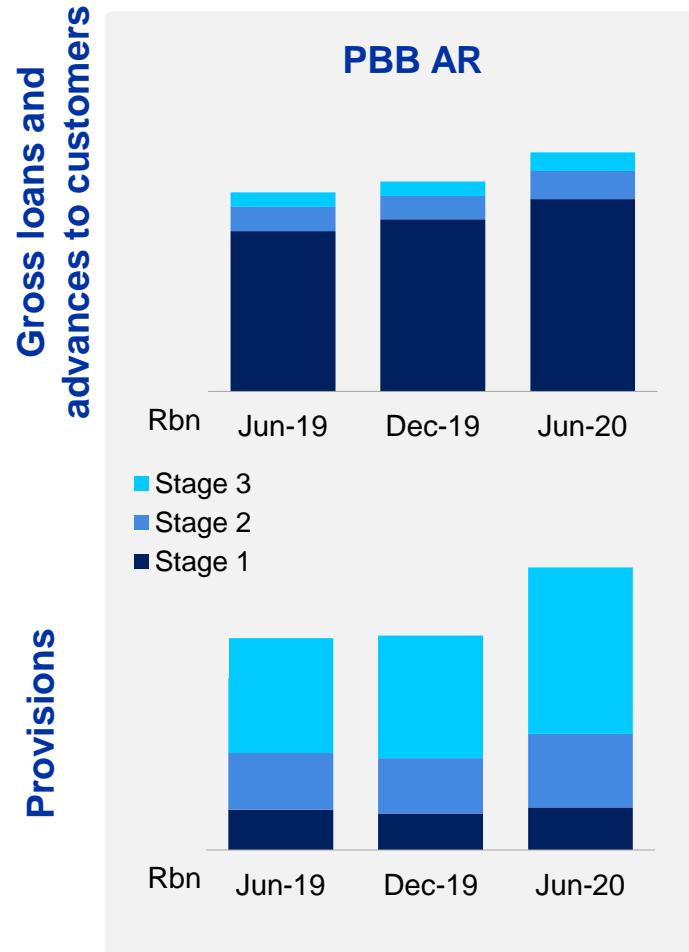
<sup>1</sup> Total balance sheet forward looking provisions increased R676m from R1.3bn to R2.0bn; stage 1 R150m, stage 2 R272m and stage 3 R254m

<sup>2</sup> Additional provisions raised on the loans now classified as the client relief portfolio amounted to R2.1bn resulting in total balance sheet provisions held of R2.6bn; stage 1 R68m, stage 2 R1 704m and stage 3 R283m



# BALANCE SHEET – PBB AR GROSS LOANS AND PROVISIONS

COVERAGE INCREASED ON BASE PORTFOLIO, CLIENT RELIEF PORTFOLIO LOWER COVERAGE DUE TO NATURE THEREOF



|              | Loans and advances, Rbn |             |                |               |
|--------------|-------------------------|-------------|----------------|---------------|
|              | Dec-19                  |             | Jun-20         |               |
|              | Total                   | Total       | Base portfolio | Client relief |
| Stage 3      | 5.3                     | 6.8         | 6.8            | 0.0           |
| Stage 2      | 8.7                     | 10.5        | 8.7            | 1.8           |
| Stage 1      | 64.0                    | 71.5        | 62.4           | 9.1           |
| <b>Total</b> | <b>78.0</b>             | <b>88.8</b> | <b>77.9</b>    | <b>10.9</b>   |

Client relief portfolio is 12% of the PBB AR portfolio

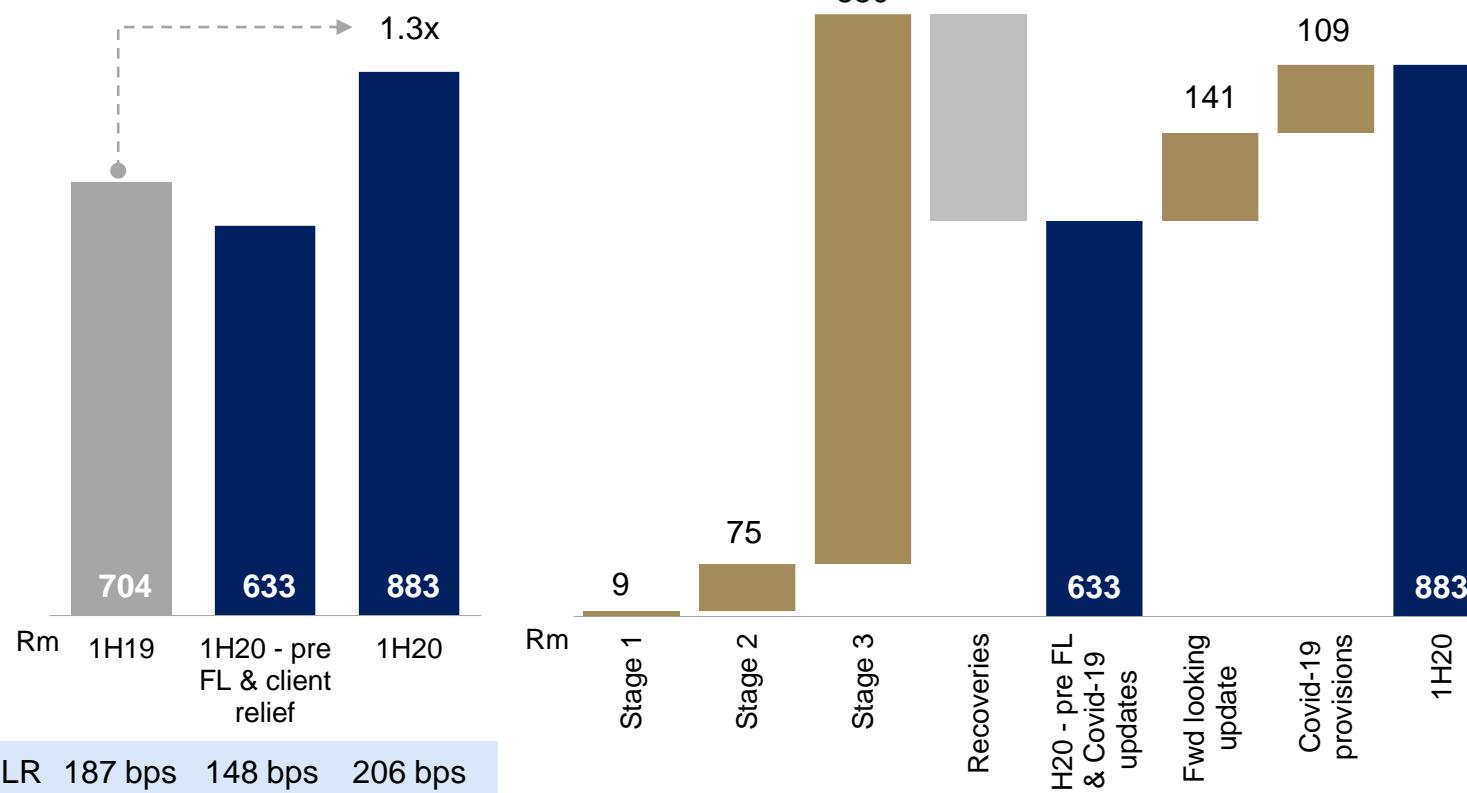
|              | Provisions, Rbn |            |                |               | Coverage, % |            |                |               |
|--------------|-----------------|------------|----------------|---------------|-------------|------------|----------------|---------------|
|              | Dec-19          |            | Jun-20         |               | Dec-19      |            | Jun-20         |               |
|              | Total           | Total      | Base portfolio | Client relief | Total       | Total      | Base portfolio | Client relief |
| Stage 3      | 2.5             | 3.4        | 3.4            | 0.0           | 47.1        | 50.0       | 50.0           | 50.9          |
| Stage 2      | 1.1             | 1.5        | 1.3            | 0.2           | 13.0        | 14.4       | 15.3           | 9.9           |
| Stage 1      | 0.8             | 0.9        | 0.8            | 0.1           | 1.2         | 1.2        | 1.3            | 0.9           |
| <b>Total</b> | <b>4.4</b>      | <b>5.8</b> | <b>5.5</b>     | <b>0.3</b>    | <b>5.6</b>  | <b>6.5</b> | <b>7.1</b>     | <b>2.6</b>    |



# CREDIT IMPAIRMENT CHARGES – PBB AFRICA REGIONS

## SIGNIFICANT STAGE 3 PROVISIONS RAISED FOLLOWING SPECIFIC DEFAULTS

### Credit impairment charges



### Key takeouts

#### Stage 3 impairments

- Charge driven by provisions in Kenya, Mozambique, Tanzania and Uganda

#### Recoveries

- Notable recoveries in Malawi and Nigeria

#### Forward looking provision changes<sup>1</sup>

- Increase in impairment charges to align with the macro-economic outlook deterioration

#### Covid-19 provisions<sup>2</sup>

- Client-specific reviews led to pro-active staging amendments; including on the client relief portfolio

<sup>1</sup> In 1H20, the PBB Africa Regions forward-looking provision increased by R141m to R554m on the back of the deteriorating macro-economic outlook.

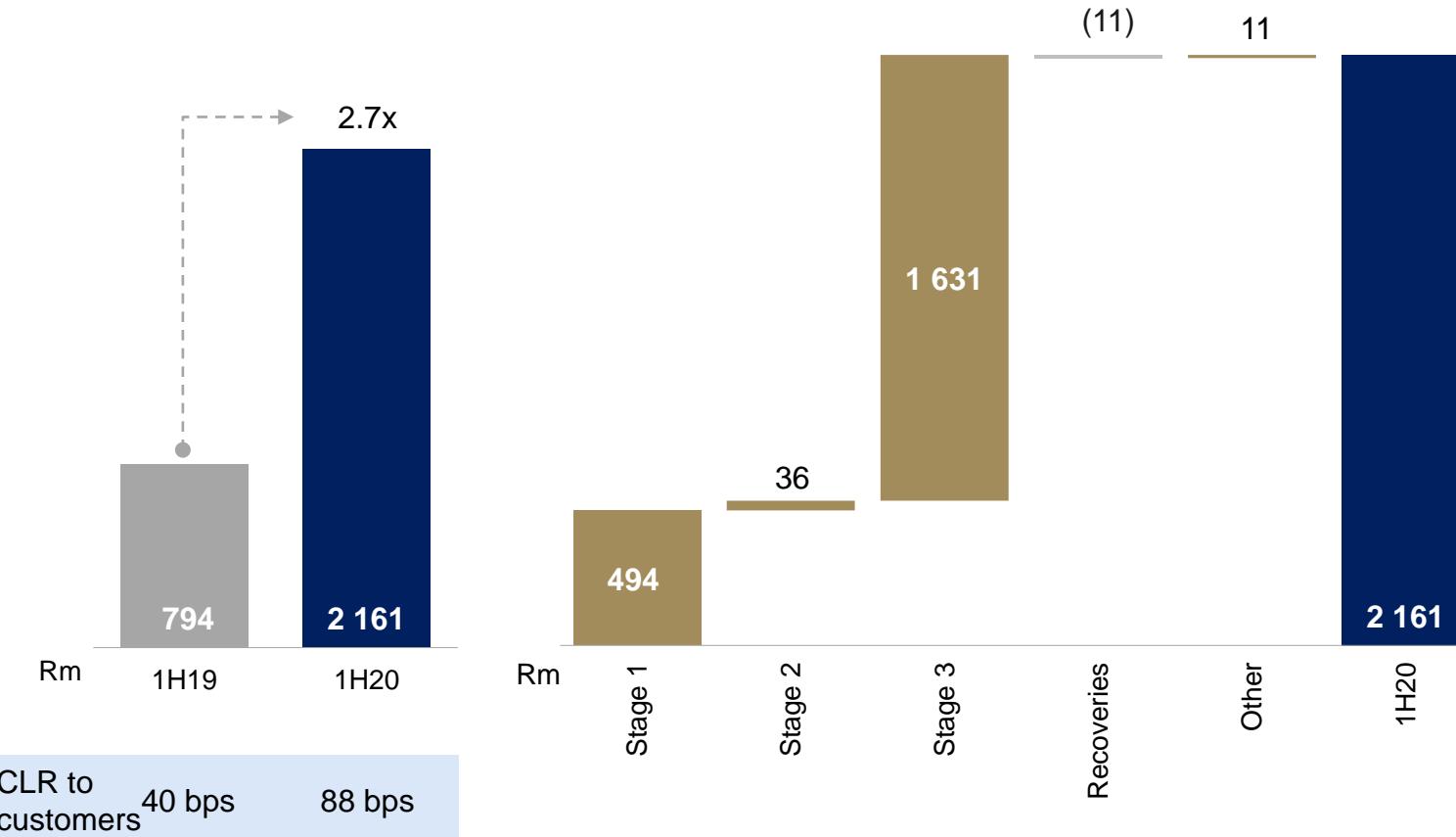
<sup>2</sup> Additional stage 2 and stage 3 provisions raised in 1H20 on specific clients impacted by Covid-19 amounted to R109m; these provisions are included in the base and the client relief portfolios

# CREDIT IMPAIRMENT CHARGES – CIB

INCREASE LARGELY DRIVEN BY HIGHER DEFAULTS



## Credit impairment charges<sup>1</sup>



## Key takeouts

### Credit impairment charges

- Significantly higher than prior period – forward looking embedded in process
- CLR to customers elevated

### Stage 1 impairment charges

- Increase due to client rating downgrades, sovereign risk pressures, and PD deterioration across the performing portfolio, particularly in those sectors most vulnerable to the economic impact of Covid-19 downturn

### Stage 2 impairment charges

- Appear muted due to increased client defaults and migration into stage 3

### Stage 3 impairment charges

- An increase in provisions raised on stage 3 exposures due to default and higher execution risk on work-outs

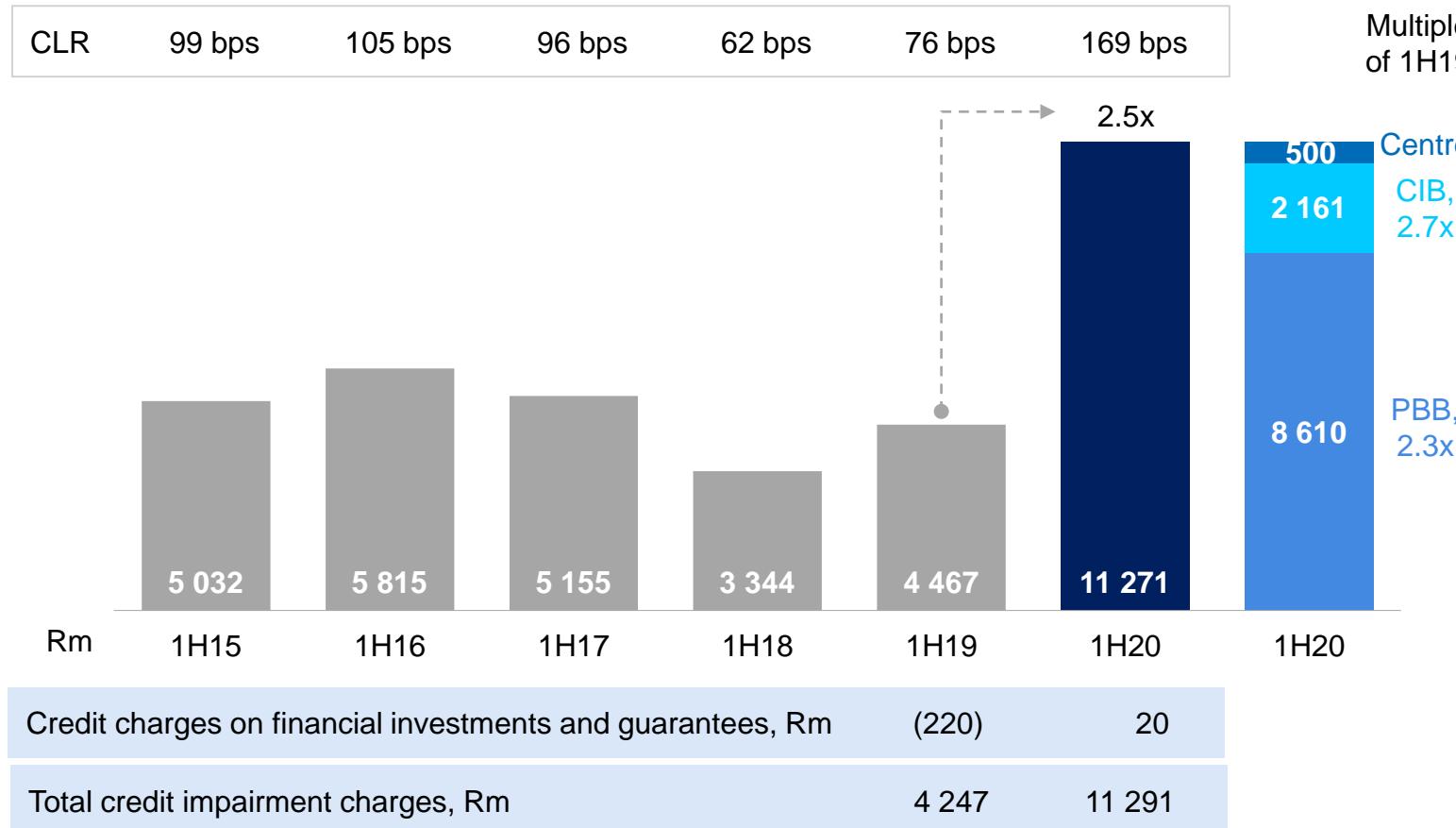
<sup>1</sup> Relates to credit impairment charges on loans and advances



## CREDIT IMPAIRMENT CHARGES

SIGNIFICANT INCREASE IN CREDIT IMPAIRMENT CHARGES

### Credit impairment charges, Rm<sup>1</sup>



### Key takeouts

- Credit charges were 2.5x the prior period, driven by:
  - A deterioration in the macro-economic conditions as well as the outlook
  - Additional provisions raised on the client relief portfolio
  - An additional central provision raised due to the considerable uncertainty
- Credit loss ratio increased to 169bps
- CIB charges 2.7x 1H19, driven by:
  - Corporate and sovereign risk rating changes and an increase in watchlist and NPLs
- PBB charges 2.3x 1H19, driven by:
  - Increased customer strain, protracted legal and foreclosure processes and lower collections in lockdown

<sup>1</sup> Graph and CLR represents credit impairment charges on loans and advances



## OPERATING EXPENSES

WELL MANAGED – CONTINUED IT INVESTMENT, ABSORBED ADDITIONAL COVID-19 RELATED COSTS

|   | 1H20<br>Rbn | 1H19<br>Rbn | Change<br>% | Change<br>CCY % |
|---|-------------|-------------|-------------|-----------------|
| <b>Staff costs</b>                          | <b>17.6</b> | <b>17.4</b> | <b>1</b>    | <b>0</b>        |
| <b>Other operating expenses</b>             | <b>13.9</b> | <b>13.5</b> | <b>3</b>    | <b>0</b>        |
| IT  | 4.4         | 3.5         | 26          | 25              |
| Depreciation                                | 2.2         | 2.3         | (3)         | (5)             |
| Premises                                    | 1.0         | 1.2         | (17)        | (17)            |
| Amortisation of intangibles                 | 1.3         | 1.2         | 4           | 4               |
| Marketing                                   | 0.8         | 0.9         | (8)         | (10)            |
| Professional fees                           | 0.8         | 0.8         | 0           | (2)             |
| Other                                       | 3.3         | 3.5         | (8)         | (11)            |
| <b>Total operating expenses<sup>1</sup></b> | <b>31.5</b> | <b>30.9</b> | <b>2</b>    | <b>0</b>        |

### Key takeouts

- Operating costs well managed
- Staff cost growth contained due to:
  - Lower headcount
  - Lower restructuring costs<sup>2</sup>
- IT cost growth driven by:
  - Spend incurred to deliver on client experience and product development
  - Higher software licence, data lines and cloud costs
  - Costs to support remote working and business continuity management
- Other costs decreased as a result of
  - Non-recurrence of branch reconfiguration expenses
  - Savings on travel and entertainment driven by lockdown regulations

<sup>1</sup> Including Covid-19 costs of R279m

<sup>2</sup> In 1H19, PBB completed a branch reconfiguration exercise and CIB reviewed its offices in Singapore and Hong Kong

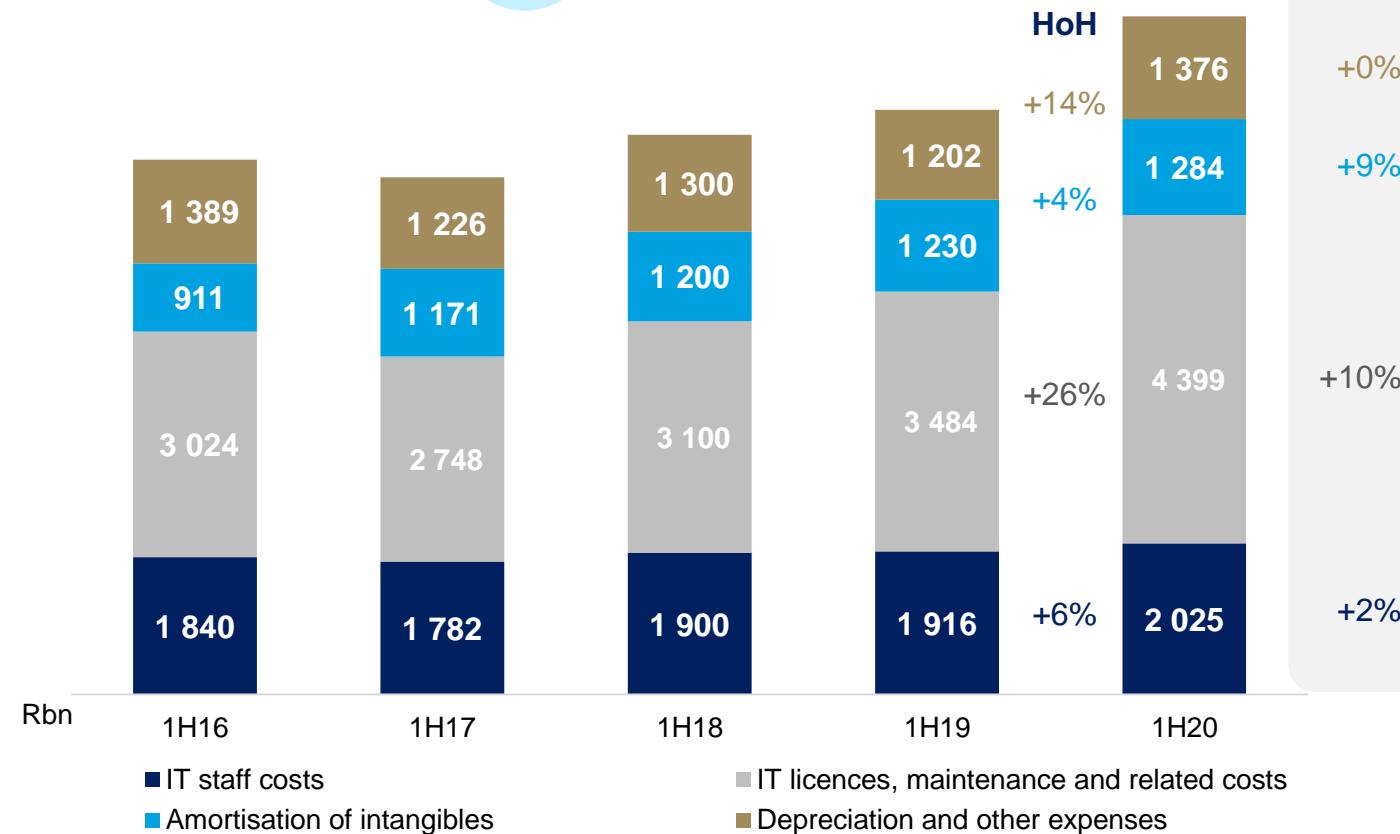


# TOTAL IT FUNCTION SPEND

ONGOING INVESTMENT TO MEET CLIENT EXPECTATIONS AND TO TRANSFORM INTO A FUTURE-READY GROUP

**Total IT function spend**  
4 year CAGR, 6%

↑ 16%



## Key takeouts

Based on 4 year CAGR:

- Staff cost growth low at 2%
  - Reduced headcount post IT function restructure in 2H18
  - Difficulty sourcing skills required
  - Ongoing investment in future-ready skills
- IT licences, maintenance and other costs grew 10% driven by the need to meet growing digital requirements, to support investment in future-ready capabilities and a weaker USD/ZAR exchange rate
- Amortisation grew 9% driven by investment in core banking platforms in South Africa and Africa Regions



|  | 1H20<br>Rm     | 1H19<br>Rm   | Change<br>%      |
|--|----------------|--------------|------------------|
| South African Insurance Operations               | 557            | 1 012        | (45)             |
| STANLIB South Africa                             | 226            | 209          | 8                |
| Africa Regions                                   | 37             | 31           | 19               |
| Other  | (187)          | (161)        | (16)             |
| <b>Normalised operating earnings</b>             | <b>633</b>     | <b>1 091</b> | <b>(42)</b>      |
| Covid-19 pandemic reserve                        | (2 175)        | -            | (>100)           |
| Shareholder Investment Portfolio                 | (631)          | 922          | (>100)           |
| <b>Normalised headline (loss) / earnings</b>     | <b>(2 173)</b> | <b>2 013</b> | <b>(&gt;100)</b> |
| IFRS adjustments                                 | (90)           | (17)         | (>100)           |
| <b>IFRS headline (loss) / earnings</b>           | <b>(2 263)</b> | <b>1 996</b> | <b>(&gt;100)</b> |
| SBG share of IFRS headline earnings              | (1 294)        | 1 123        | (>100)           |
| Treasury share adjustment <sup>1</sup>           | 587            | (248)        | >100             |
| <b>Headline (loss) / earnings attrib. to SBG</b> | <b>(707)</b>   | <b>875</b>   | <b>(&gt;100)</b> |

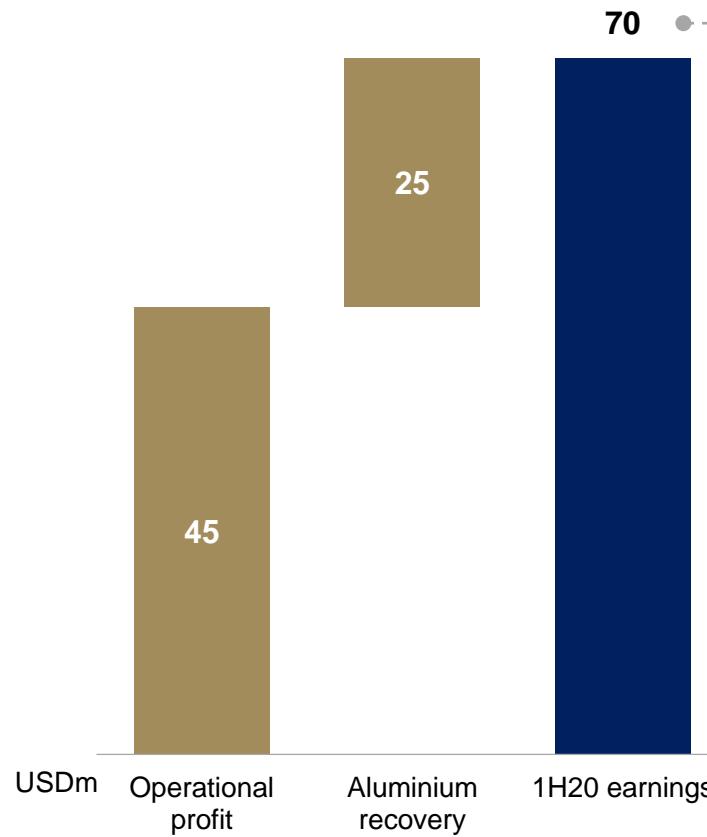
### Key takeouts

- Negative impact on normal operations:
  - Pandemic reserve
  - Investment returns on the insurance book and ALM positions
  - Unbudgeted expenses, including advisor relief
  - Lower advisor productivity as well as increased pressure on new business volumes and margins
- The Retail business displayed resilience:
  - Collection rates were in line with 2019
- STANLIB fund performance improved
- Liberty remains well capitalised and financially strong

<sup>1</sup> Driven by change in SBK share price. Share price as at 31 December 2019, R168.32 and as at 30 June 2020, R104.50



### ICBCS 1H20 performance, USDm



### SBG's share of earnings / (losses)

|   | 1H20       | 1H19         |
|---|------------|--------------|
| <b>ICBCS earnings / (loss), USDm</b>            | <b>70</b>  | <b>(130)</b> |
| @ % stake                                       | 40%        | 40%          |
| <b>SBG attributable earnings / (loss), USDm</b> | <b>28</b>  | <b>(52)</b>  |
| ZAR/USD <sup>1</sup>                            | 18.1       | 14.5         |
| <b>SBG attributable earnings / (loss), Rm</b>   | <b>508</b> | <b>(752)</b> |

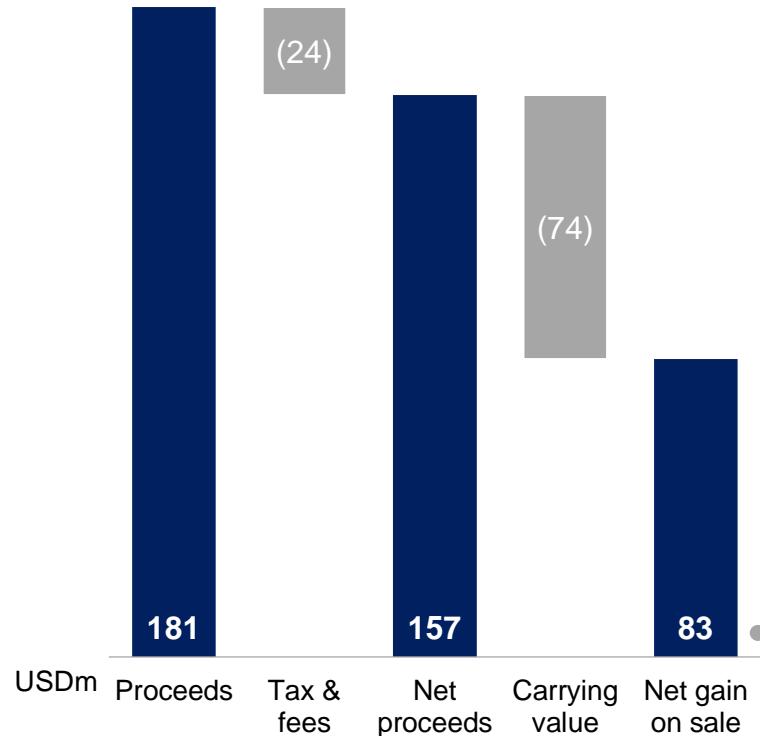
### Key takeouts

- ICBCS was well positioned to benefit from the market volatility experienced in 1H20
- ICBCS absorbed additional restructuring costs related to the business rationalisation actions announced in 2H19
- ICBCS received an insurance recovery payment following the finalisation of an insurance claim related to the aluminium-related losses the business incurred in Qingdao in 2015
- ICBCS incurred a single client loss of USD110m in 1H19

<sup>1</sup> Represents the effective year-to-date exchange rate from converting monthly ICBCS results to ZAR



**Proceeds from sale of 20% stake, USDm<sup>1</sup>**



**IFRS impact, ZARm**

|                                | <b>IFRS impact</b> | <b>HE impact</b> |
|--------------------------------|--------------------|------------------|
| <b>Net gain on sale, USDm</b>  | <b>83</b>          | -                |
| <i>Exchange rate – USD/ZAR</i> | <i>17.12</i>       |                  |
| <b>Net gain on sale, Rbn</b>   | <b>1.4</b>         | -                |
| FCTR release <sup>2</sup>      | (3.4)              | -                |
| <b>Net impact</b>              | <b>(2.0)</b>       | -                |

<sup>2</sup> Due to the devaluation of the ARS vs ZAR over the period, the accumulated FCTR reserve was a debit to equity. On sale it was released to the income statement (debit). The FCTR at the time of exercising the put was c.R2.9bn (debit), the expected gain on sale was estimated to be R600m and the net impact was estimated to be R2.3bn (debit). Between exercising the put and completion, the ZAR/USD depreciated resulting in a higher ZAR gain on sale and the ARS/ZAR depreciated, resulting in an increase in the FCTR. The net impact was largely in line with prior expectations

**Key takeouts**

- From Sep-19, the investment was recognised as held for sale and the group ceased recognising its share of profits
- Post receipt of the necessary regulatory approvals, the sale was completed on 29 June 2020
- An FCTR reserve accumulated over the life of the investment due to the devaluation of the Argentine Peso (ARS) vs ZAR. At the time of the change of control in 2012, the ARS/ZAR rate was c.0.5 and by completion date, c.4
- Both the gain on sale and FCTR release are outside of headline earnings
- Release of the FCTR balance to earnings is a movement between reserves and does not impact group NAV
- CET1 impact of gain on sale, +11bps

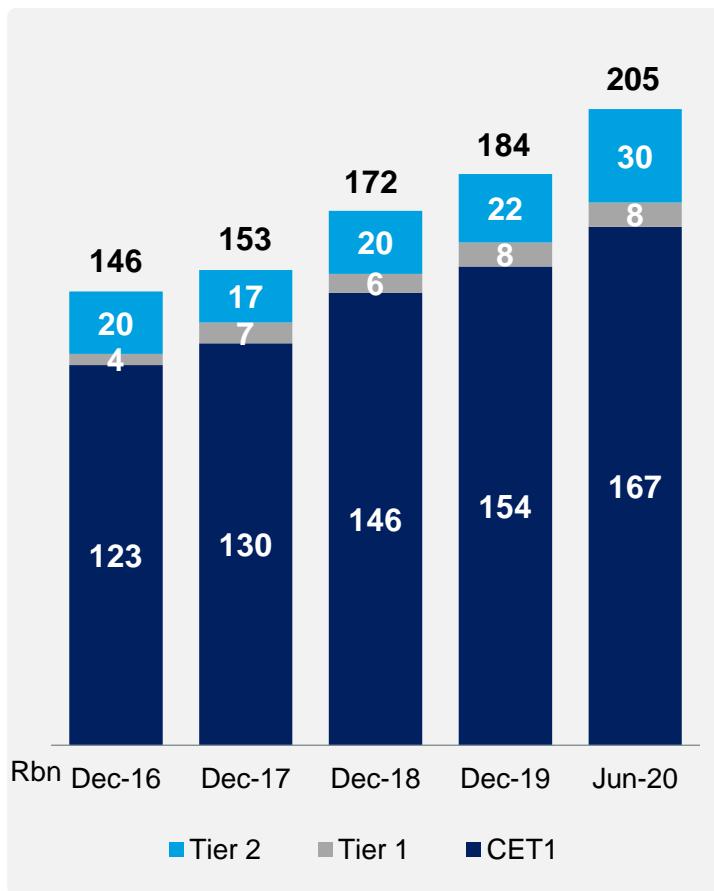
<sup>1</sup> As noted in the investor announcement on 8 August 2019, the group exercised its option to sell its 20% stake in ICBCA to ICBC for USD181m. The price was confirmed to be fair to shareholders by an independent expert approved by the JSE and completion was subject to regulatory approvals



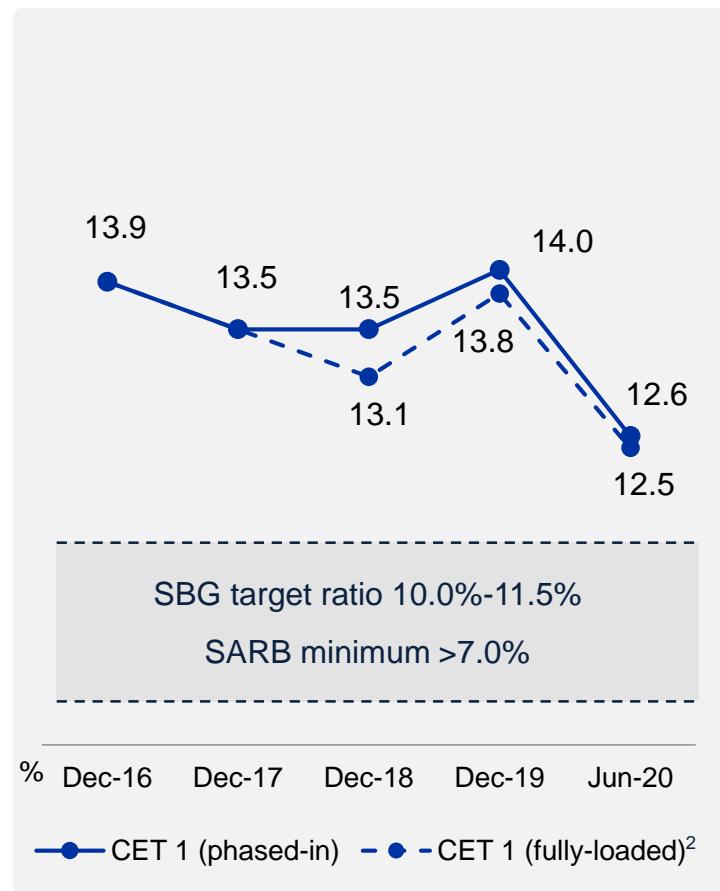
## CAPITAL AND LIQUIDITY

ROBUST BASEL III COMPLIANT CAPITAL AND LIQUIDITY POSITIONS

### Capital<sup>1</sup>

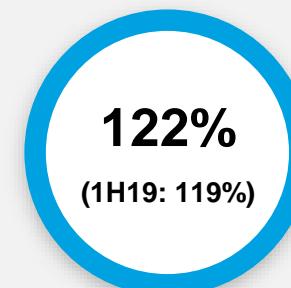


### Capital adequacy<sup>1</sup>



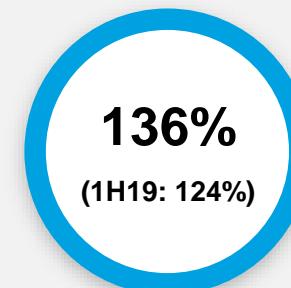
### Liquidity

Net stable funding ratio



Basel III minimum  
100%

Liquidity coverage ratio



Basel III minimum<sup>3</sup>  
80%

<sup>1</sup> Including unappropriated profits

<sup>2</sup> Including full IFRS 9 transitional impact

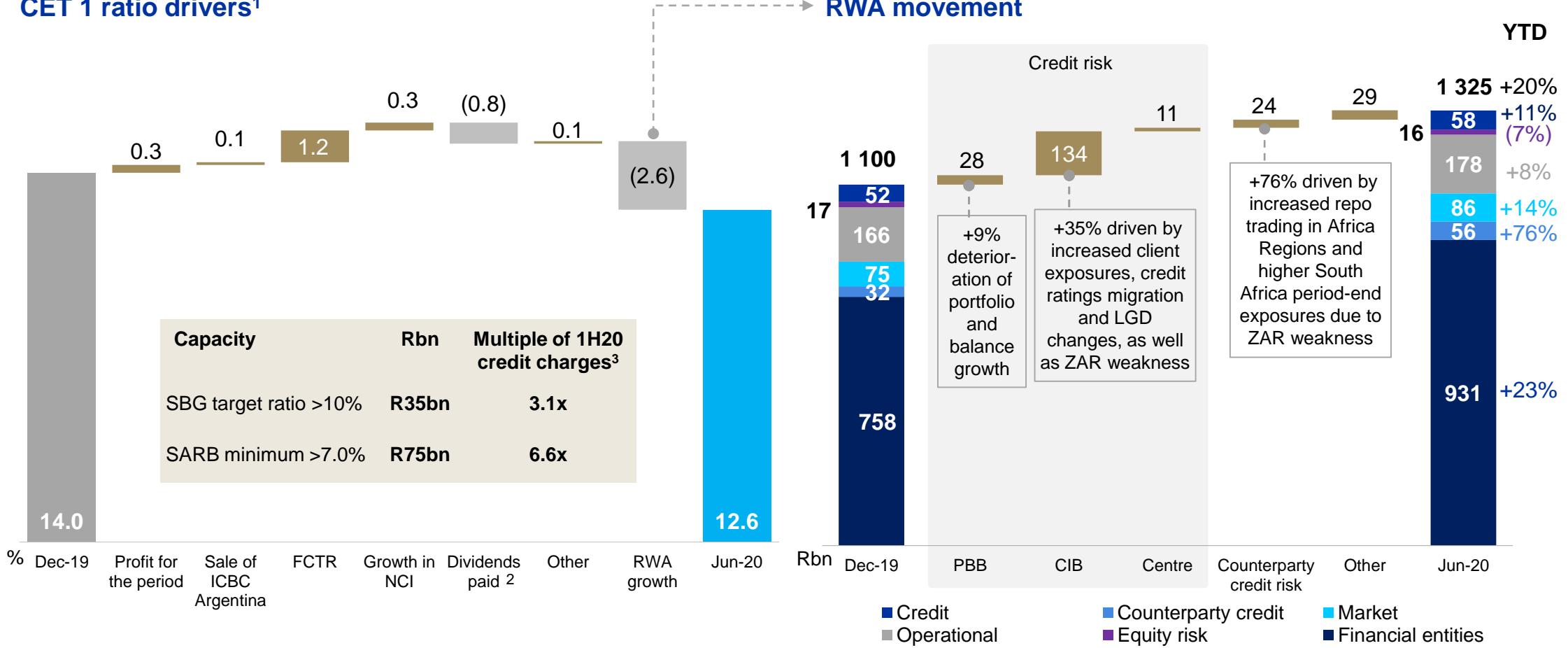
<sup>3</sup> Based on temporarily revised SARB requirement



## CAPITAL

CAPITAL LEVELS REMAIN WELL IN EXCESS OF REQUIREMENTS, PROVIDING CAPACITY TO SUPPORT THE RECOVERY

### CET 1 ratio drivers<sup>1</sup>



<sup>1</sup> Including unappropriated profits and IFRS 9 transitional impact

<sup>2</sup> Dividend paid related to FY19 final dividend paid in April 2020

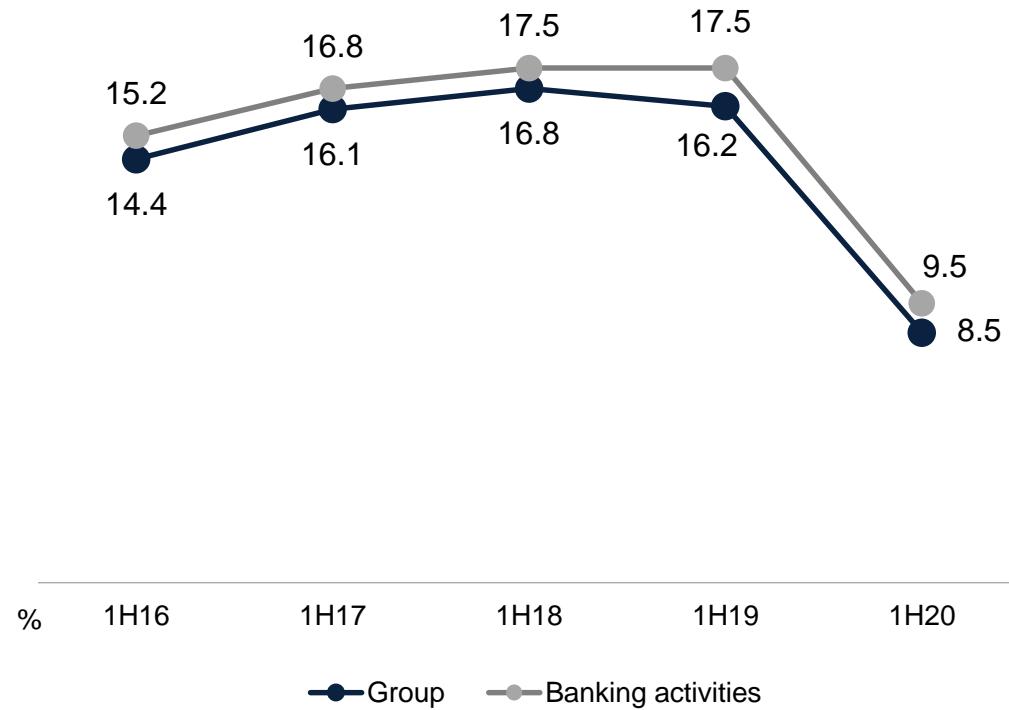
<sup>3</sup> Multiple based on 1H20 credit impairment charges of R11.3bn



## RETURNS

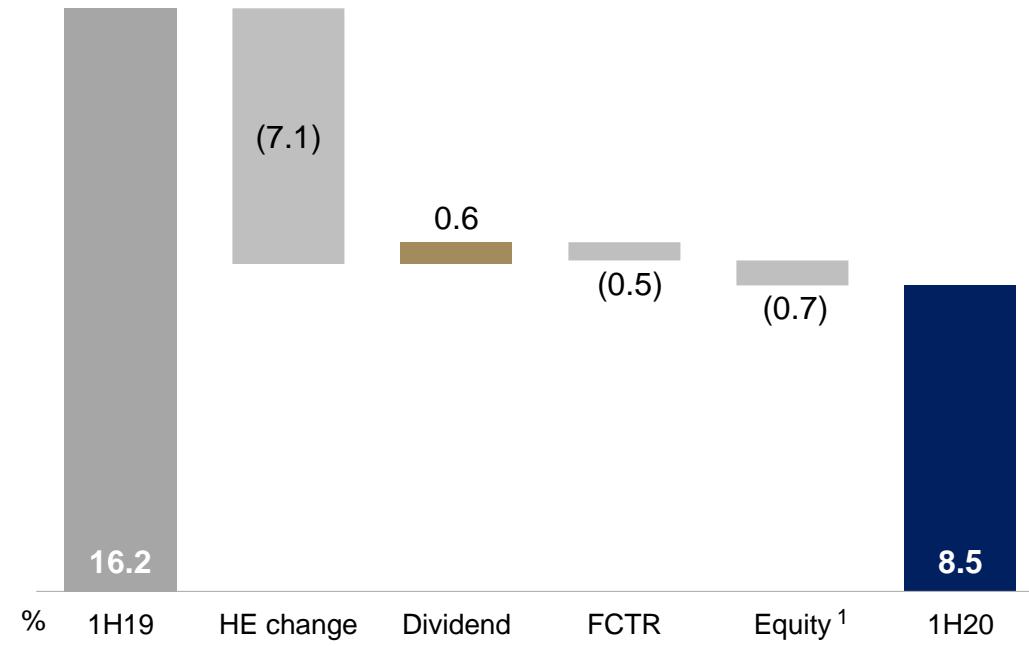
RETURNS NEGATIVELY IMPACTED BY LOWER EARNINGS

### Return on equity



<sup>1</sup> Including impact of accumulated earnings and other adjustments

### Return on equity movement





# FINANCIAL OUTCOME

## 4.2 BUSINESS LINE AND REGIONAL PERFORMANCE





# PERSONAL AND BUSINESS BANKING

NEGATIVE ENDOWMENT, LOWER ACTIVITY AND ELEVATED CREDIT CHARGES ALL HEADWINDS

## Pre-provision operating profit

1H20: **R13.1bn**

1H19: R14.0bn

↓6%

## Headline earnings

1H20: **R2.9bn**

1H19: R7.3bn

↓60%

## Cost-to-income ratio

1H20: **62.6%**

1H19: 60.6%

## Return on equity

1H20: **7.5%**

1H19: 20.1%

## Key takeouts

- Business performance drivers:
  - Lower volumes drove fee pressure
  - Higher impairments driven by current market conditions, deteriorated outlook and pro-active staging of client relief portfolio
  - Uplift from higher cover and higher premium insurance products
- Geographic performance:
  - South Africa impacted by negative endowment, elevated impairments, low transactional volumes and a slowdown in disbursements in 2Q20
  - Africa Regions supported by its expanding client franchise, balance sheet and AUM<sup>1</sup> growth in Nigeria and sub-inflationary cost growth
  - International decline was driven by lower average UK and US interest rates

## Geographic split

### South Africa

1H20: **R1.9bn**

1H19: R6.1bn

↓68%

### Africa Regions

1H20: **R0.5bn**

1H19: R0.49bn

↑3%

### Wealth International

1H20: **R0.4bn**

1H19: R0.7bn

↓34%

Headline earnings

Return on equity

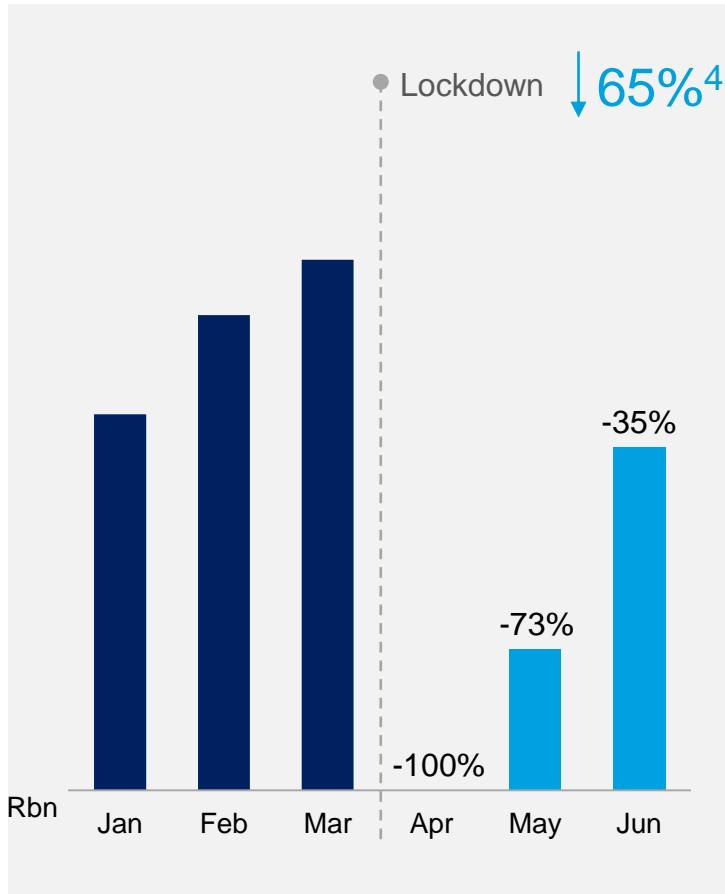
<sup>1</sup> Assets under management



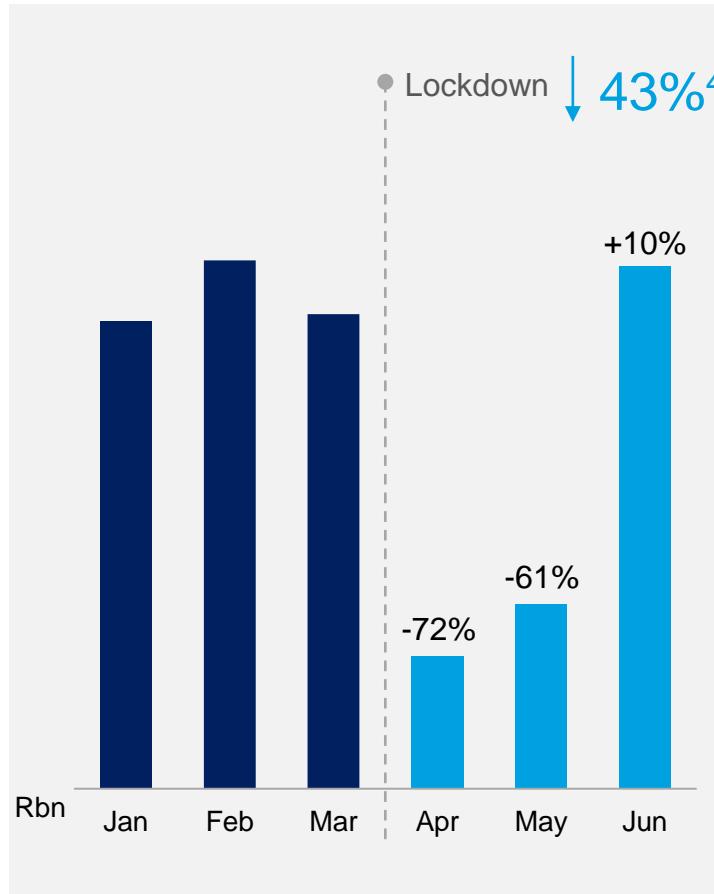
## PBB SOUTH AFRICA – ACTIVITY LEVELS

SIGNIFICANT DECLINE IN DISBURSEMENTS IN APRIL, WITH SOME RECOVERY IN MAY AND JUNE

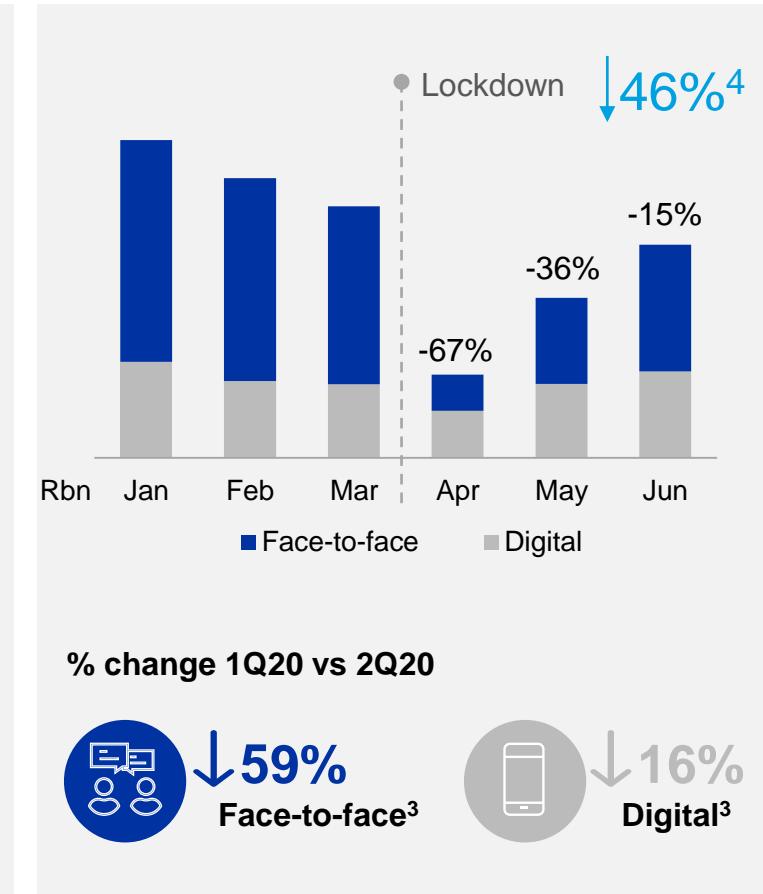
### Mortgage disbursements<sup>1</sup>



### VAF<sup>2</sup> disbursements<sup>1</sup>



### Personal lending disbursements<sup>1</sup>



<sup>1</sup> % change relative to March 2020

<sup>4</sup> 2Q20 change relative to 1Q20

<sup>2</sup> Vehicle and asset finance

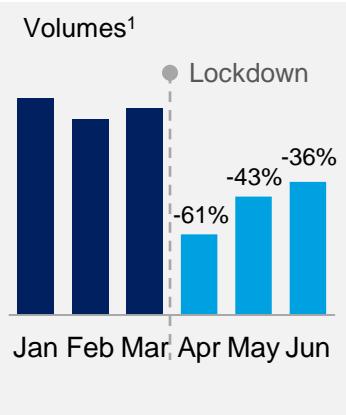
<sup>3</sup> Average for 3 months



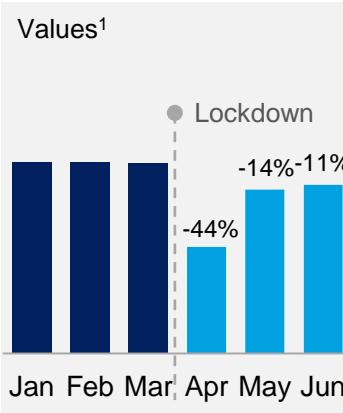
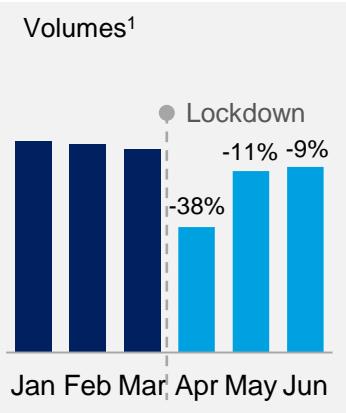
# PBB SOUTH AFRICA – ACTIVITY LEVELS

## ACTIVITY IMPROVED AS LOCKDOWN LEVELS EASED

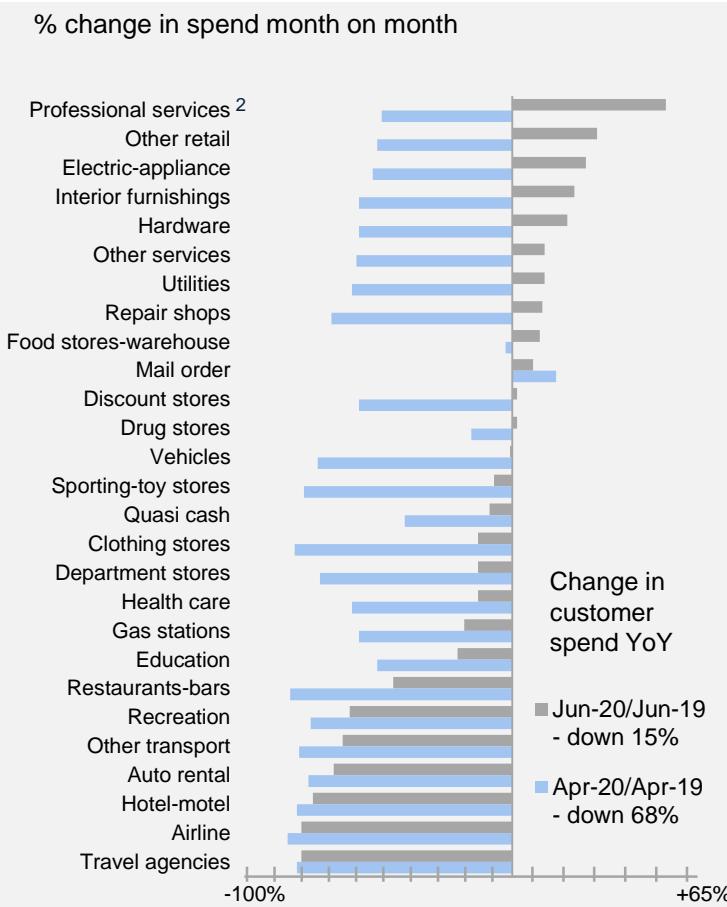
### Branch activity



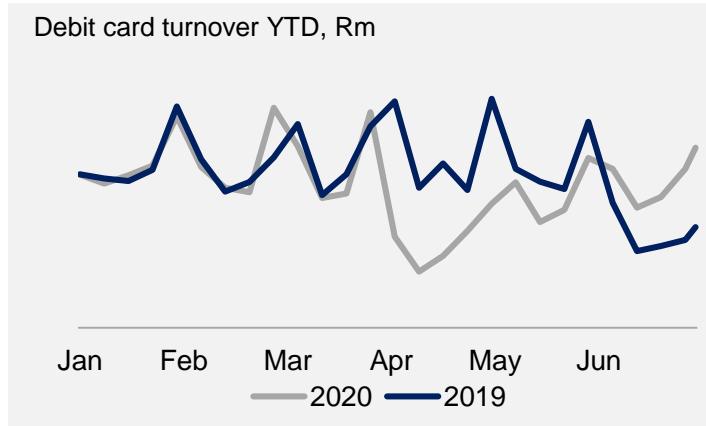
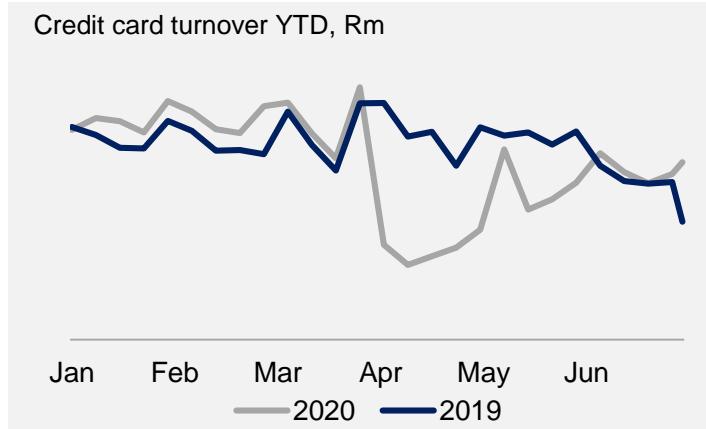
### ATM activity



### Customer spend



### Card issuing turnover<sup>3</sup>



<sup>1</sup> % change relative to March 2020

<sup>2</sup> Professional services includes online service providers

<sup>3</sup> For 6 months to end of June 2019 and 2020



# CORPORATE AND INVESTMENT BANKING

## STRONG TRADING PERFORMANCE AND TIGHT COST MANAGEMENT

### Pre-provision operating profit

1H20: **R10.8bn**

1H19: R9.1bn

↑19%

### Headline earnings

1H20: **R5.7bn**

1H19: R6.1bn

↓7%

### Cost-to-income ratio

1H20: **49.6%**

1H19: 52.7%

### Key takeouts

- Business highlights:
  - Sustained client revenue growth in a tough operating environment
  - Focus on cost management delivered a cost-to-income ratio below 50% and positive jaws
  - Increased capital utilisation as a result of client rating downgrades
- Product performance:
  - Global Markets - strong trading performance driven by client flows
  - Investment Banking - strong balance sheet growth driven by client drawdowns on unutilised facilities and revolving facilities as well as new origination, margin pressure, negative equity revaluations and impairment pressure
  - TPS - adversely impacted by lower interest rates, regulatory changes and elevated impairments

### Product split

#### Global Markets

1H20: **R4.4bn**

1H19: R2.3bn

↑88%

#### Investment Banking

1H20: **R0.2bn**

1H19: R2.0bn

↓91%

#### Transactional Products and Services

1H20: **R1.2bn**

1H19: R1.8bn

↓36%

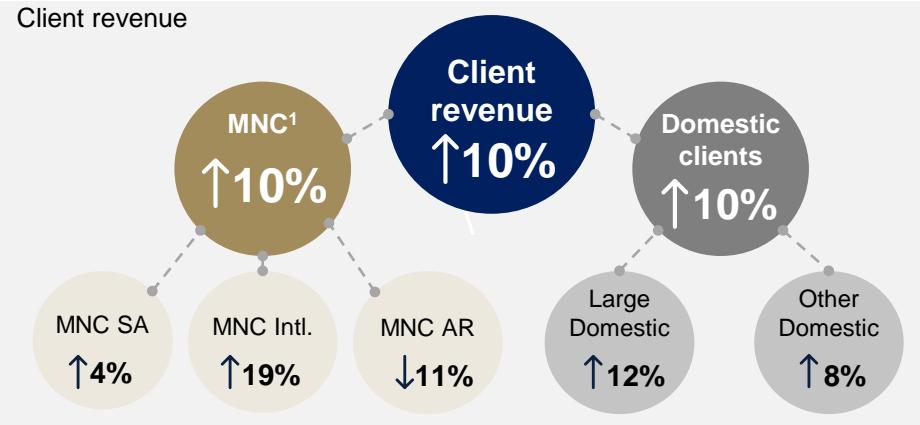
Headline earnings



# CORPORATE AND INVESTMENT BANKING

## DIVERSIFIED CLIENT, SECTOR AND PRODUCT REVENUE STREAMS

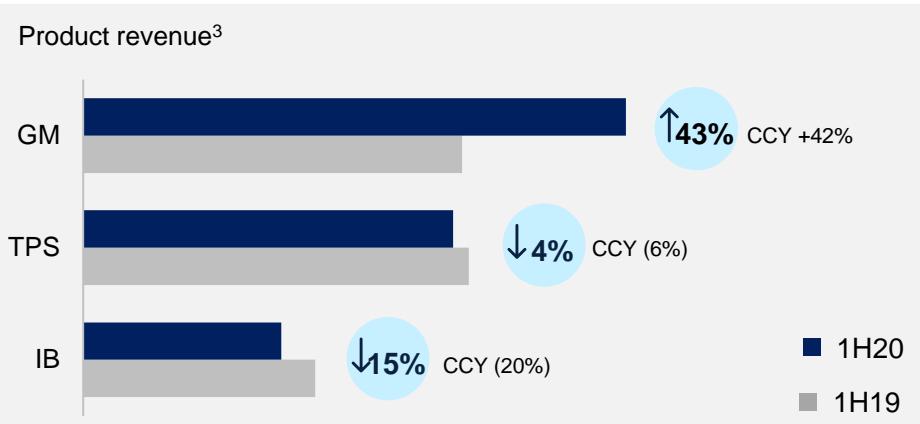
### Diversified client base



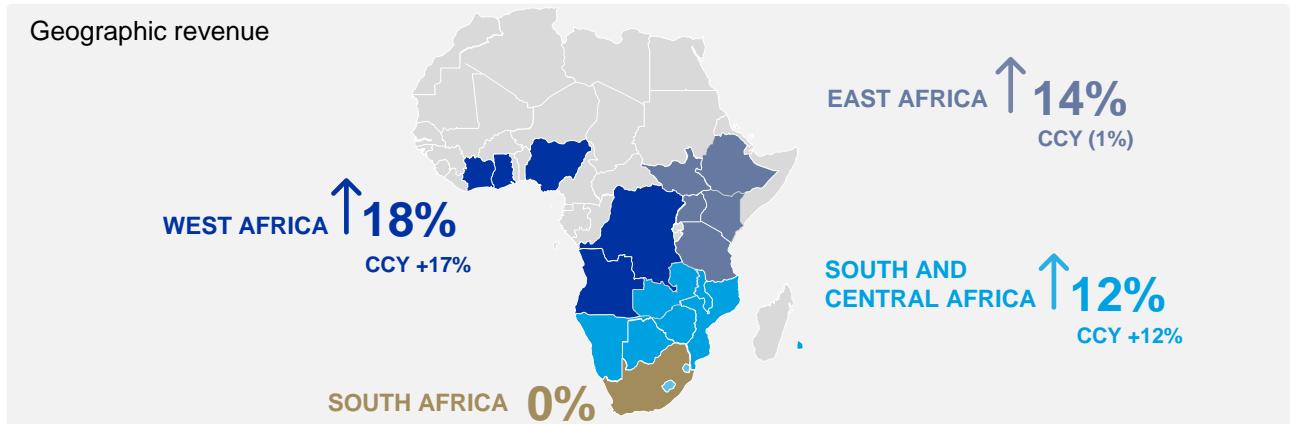
### Operating across multiple sectors



### Established product offering



### Revenue increased across our regions



<sup>1</sup> Multinational Corporates (MNC)

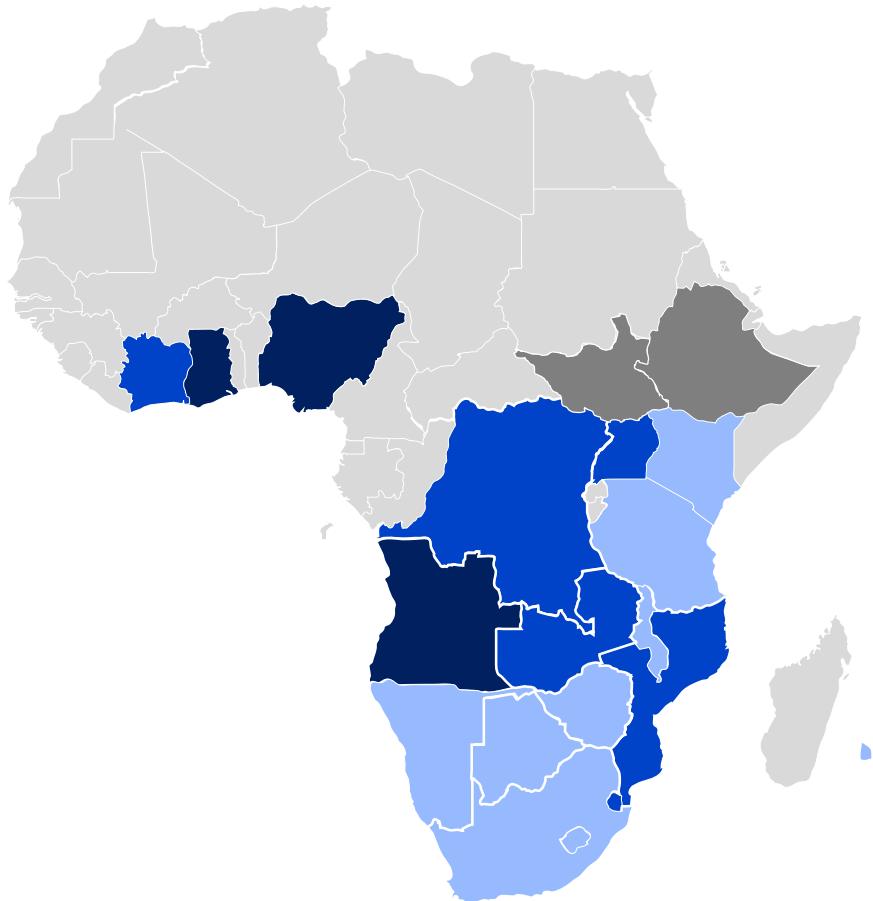
<sup>2</sup> Financial Institutions (FI), Power and Infrastructure (P&I), Mining and Metals (M&M), Oil and Gas (O&G), Technology, Media and Telecommunications (TMT), State and Public Sector (S&PS)

<sup>3</sup> Global Markets (GM), Transactional Products and Services (TPS), Investment Banking (IB)



## REGIONAL PERFORMANCE

A PARTICULARLY STRONG PERFORMANCE FROM THE WEST REGION UNDERPINNED AFRICA REGIONS' GROWTH



SBSA

Africa Regions

East Africa<sup>1</sup>

South and  
Central Africa<sup>2</sup>

West Africa<sup>3</sup>

| Headline earnings |             |             |                 | Return on equity |           |
|-------------------|-------------|-------------|-----------------|------------------|-----------|
| 1H20<br>Rbn       | 1H19<br>Rbn | Change<br>% | Change<br>CCY % | 1H20<br>%        | 1H19<br>% |
| 2.0               | 7.4         | (72)        | (72)            | 4.1              | 15.2      |
| 4.8               | 4.3         | 11          | 7               | 19.9             | 22.3      |
| 0.89              | 0.87        | 2           | (11)            | 15.4             | 20.2      |
| 1.76              | 1.83        | (4)         | (3)             | 19.0             | 21.7      |
| 2.16              | 1.62        | 33          | 28              | 23.7             | 24.5      |

Strong performance

Moderate performance

Muted performance

Single representation / development phase

<sup>1</sup> Kenya, South Sudan, Tanzania, Uganda

<sup>2</sup> Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Zambia, Zimbabwe

<sup>3</sup> Angola, DRC, Ghana, Côte d'Ivoire, Nigeria



|                               | 1H20<br>Rbn | 1H19<br>Rbn | Change<br>% |
|-------------------------------|-------------|-------------|-------------|
| Net interest income           | 19.8        | 20.5        | (4)         |
| Non-interest revenue          | 13.9        | 14.6        | (4)         |
| <b>Total income</b>           | <b>33.7</b> | <b>35.1</b> | <b>(4)</b>  |
| Operating expenses            | (20.4)      | (21.4)      | (5)         |
| <b>Pre-provision profit</b>   | <b>13.3</b> | <b>13.7</b> | <b>(3)</b>  |
| Credit impairment charges     | (9.8)       | (3.5)       | >100        |
| <b>SBSA headline earnings</b> | <b>2.0</b>  | <b>7.4</b>  | <b>(72)</b> |
|                               |             |             |             |
| Credit loss ratio, bps        | 172         | 73          |             |
| Cost-to-income ratio, %       | 60.9        | 61.7        |             |
| Jaws, bps                     | 93          | (100)       |             |
| Return on equity, %           | 4.1         | 15.2        |             |
| CET1 ratio, %                 | 11.4        | 13.1        |             |

### Key takeouts

- Strong loan and deposit growth
- NII pressure due to decline in margin, driven by negative endowment and higher funding costs
- Trading revenue underpinned by higher client flows in a volatile environment
- Low transactional activity, especially in strict lockdown periods (April and May)
- Investment Banking equity investment portfolio valuation declined
- Costs declined due to the non-repeat of branch reconfiguration costs in 1H19, lower headcount and lockdown restrictions e.g. travel and entertainment
- Absorbed additional Covid-19 related spend to deliver positive jaws
- Credit impairments increased in both PBB and CIB on the back of market conditions

# AFRICA REGIONS LEGAL ENTITY

RESILIENT PERFORMANCE AGAINST A DIFFICULT BACKDROP, SUPPORTED BY A GROWING FRANCHISE



|   | 1H20<br>Rbn | 1H19<br>Rbn | Change<br>% | Change<br>CCY % |
|---|-------------|-------------|-------------|-----------------|
| Net interest income                     | 10.6        | 9.6         | 11          | 7               |
| Non-interest revenue                    | 9.3         | 7.6         | 22          | 18              |
| <b>Total income</b>                     | <b>19.9</b> | <b>17.2</b> | <b>16</b>   | <b>12</b>       |
| Operating expenses                      | (9.9)       | (8.9)       | 12          | 8               |
| <b>Pre-provision profit</b>             | <b>10.0</b> | <b>8.3</b>  | <b>20</b>   | <b>16</b>       |
| Credit impairment charges               | (1.4)       | (0.7)       | 96          | 91              |
| <b>Africa Regions headline earnings</b> | <b>4.8</b>  | <b>4.3</b>  | <b>11</b>   | <b>7</b>        |
|   |             |             |             |                 |
| Credit loss ratio, bps                  | 123         | 76          |             |                 |
| Cost-to-income ratio, %                 | 49.8        | 51.6        |             |                 |
| Jaws, bps                               | 410         | 260         |             |                 |
| Return on equity, %                     | 19.9        | 22.3        |             |                 |

## Key takeouts

- Strong loan and deposit growth offset a decline in margin driven by negative endowment and continued reserving and balance sheet (LDR<sup>1</sup>) pressure in Nigeria
- NIR growth driven by strong trading flows (related to market disruptions) and ongoing client franchise growth
- Costs were tightly managed, but impacted by cost of living adjustments in some countries and increased depositor insurance costs in Nigeria, Ghana and Angola
- Credit normalised, in line with expectations. Current year charges include additional impairments in Nigeria, Zambia and Kenya
- Credit recoveries recognised in Malawi, Botswana, Mozambique and Tanzania
- Hyper-inflation adjustments relating to Zimbabwe resulted in a net gain of R46m included in headline earnings

<sup>1</sup> Loan-to-deposit ratio



## MEDIUM TERM TARGETS – UNDER REVIEW

TOO MUCH UNCERTAINTY TO CONFIRM MEDIUM-TERM TARGETS

### Medium-term targets – March 2020

|                                |                    |
|--------------------------------|--------------------|
| Cost-to-income ratio           | Approaching 50%    |
| Credit loss ratio <sup>1</sup> | 70 - 100 bps       |
| Group HE growth                | Sustainable growth |
| ROE                            | 18.0 - 20.0%       |
| Dividend                       | Sustainable growth |
| CET 1 ratio                    | 10.0 - 11.5%       |

<sup>1</sup> Through-the-cycle credit loss ratio

### Key performance considerations – FY20

| Known positives  | Known negatives   |
|--|---|
| <ul style="list-style-type: none"><li>Activity levels recovering from 2Q20 lows</li><li>Strong capital levels to support recovery</li><li>BCM embedded and working well</li><li>Risk management tested</li><li>Robust regulatory environment</li></ul> | <ul style="list-style-type: none"><li>Covid-19 impact on customers, employees and third parties</li><li>Markets sensitive to news flow</li><li>Balance sheet growth to moderate in 2H20</li><li>Lower interest rates</li><li>Credit performance subject to macro developments</li></ul> |

### Known unknowns

- Timing of peak and reaction to threat of a second wave
- Timing and shape of recovery – globally, in Africa and in South Africa

**Scenario analysis remains key to ensure sufficiently prepared for stress**



# SOCIAL, ECONOMIC AND ENVIRONMENT



Standard Bank **IT CAN BE**™

# SOCIAL, ECONOMIC AND ENVIRONMENTAL IMPACT

UNWAVERING COMMITMENT TO DELIVERING A POSITIVE IMPACT



## Society

- Continued our existing community initiatives
- Covid-19 assistance focused on health, education and jobs
- Covid-related donations amounted to R20m in SA and over USD1.6m in Africa regions



## Economy

- Paid out R250m to 22 700 employees (3 500 businesses) on behalf of SA Future Trust
- Approved >R8bn loans to SMEs via the SA Covid-19 loan guarantee scheme
- Converted the Grahamstown Art Festival to a virtual event to assist artists



## Environment

- Underwritten >USD2.3bn for renewable energy in Africa (producing 1,953 MW of power)<sup>1</sup>
- USD200m raised via a Standard Bank green bond to fund green and social projects in Africa

<sup>1</sup> Since 2012



# WAY FORWARD



## IMMEDIATE PRIORITIES FOR 2H20

CONTINUE TO NAVIGATE A DIFFICULT AND UNCERTAIN ENVIRONMENT



Continue to support our clients, employees and communities



Accelerate **digitisation** to better enable our clients and employees



Allocate **capital and liquidity** judiciously in support of the recovery



Manage costs **tightly** in the face of ongoing revenue pressures



Manage the pandemic fallout and **limit** the impact on earnings and **ROE**



# STRATEGY REMAINS RELEVANT

EVOLVING WITH THE TIMES AND ACCELERATING DELIVERY

## GROUP PURPOSE

the reason we exist

Africa is our home, we drive her growth

## GROUP VISION

what we aspire to be

To be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value

### IN EXECUTING OUR GROUP STRATEGY OUR KEY FOCUS AREAS ARE



#### Client centric

Deliver exceptional client experiences



#### Digital

Leverage digital to drive efficiencies



#### Integrated and collaborative

Co-create integrated, platform-based solutions

### IN OUR FUTURE-READY TRANSFORMATION, WE WILL BECOME



#### Truly human

Providing services, solutions and opportunities that our clients and employees need to achieve growth, prosperity and fulfilment



#### Truly digital

Serving clients predominantly online, processing in the cloud, embracing open innovation underpinned by data and insights



**Well positioned to weather the storm**



- Record 1H revenues, R56bn
- Good operating performance despite Covid-19 headwinds
- Strong provision levels +30% since FY19 and significantly above GFC levels
- Robust customer deposit growth +19%, supporting liquidity
- Substantial capital capacity<sup>1</sup>, can absorb >6.5x 1H20 credit charges
- Well regulated industry and experienced management team

**Compelling competitive advantages**



- Purpose-driven organisation
- Unrivalled African-focused capabilities
- Established, fit-for-purpose franchise with modern digital core
- Modern IT backbone, focus on accelerating digitalisation
- Diversified client base, service offering and revenue streams
- Robust capital and liquidity position
- Resources and appetite to support the post-Covid-19 recovery

<sup>1</sup> Based on CET 1 capital above the SARB CET 1 regulatory minimum (7.0%)

# APPENDIX

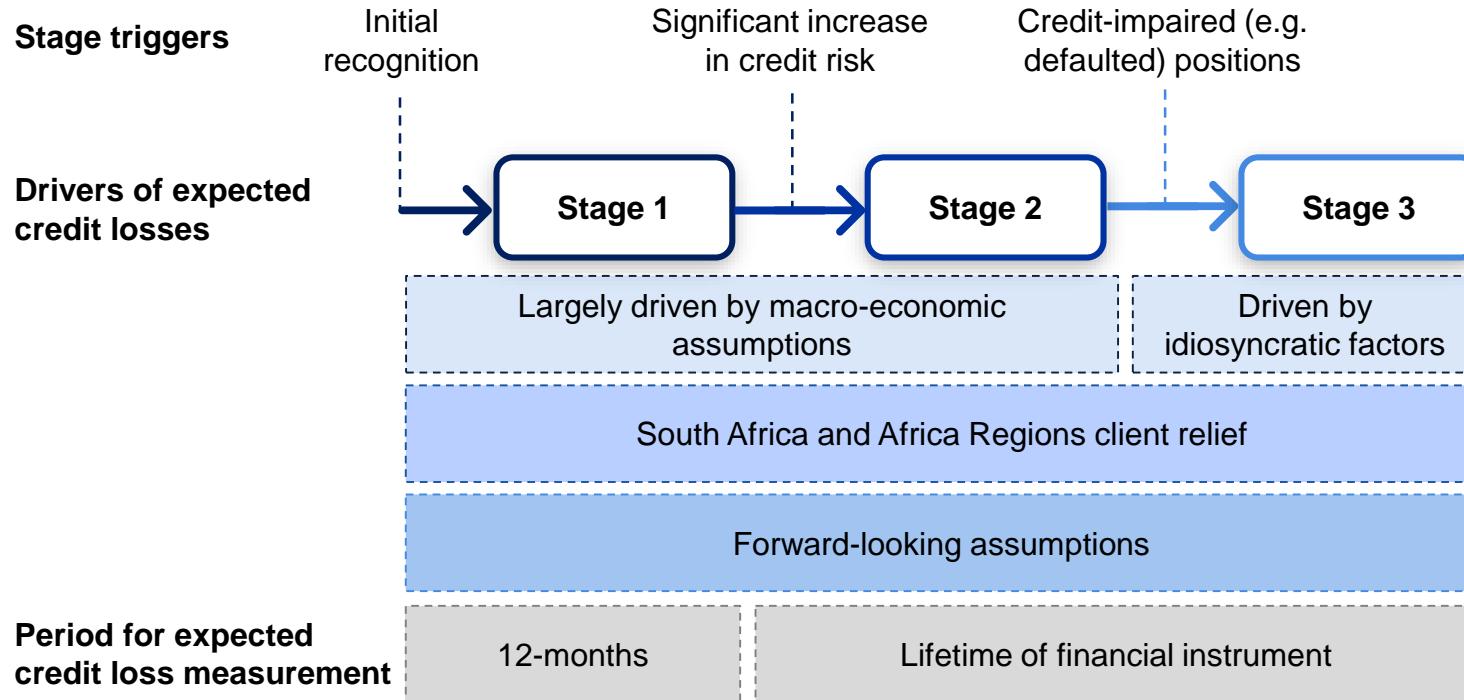




# EXPECTED CREDIT LOSS DRIVERS

IFRS 9 APPROACH

IFRS 9 categorises financial instruments into three stages based on credit risk, these stages determine how expected credit losses are measured



## Key takeouts

### PBB

- Driven by internal client behaviour reviews e.g. income and spending patterns and external data e.g. bureau data

### CIB

- Provisioning driven by individual client risk ratings
- Ratings dependent on sector and geography risk assessment as well as specific client risk profile
- Client risk rating downgrades can trigger move from stage 1 to stage 2



# FORWARD-LOOKING ECONOMIC EXPECTATIONS

## IFRS 9 CREDIT MODEL PARAMETERS AND SCENARIOS

### Scenario weighting<sup>1</sup> and parameters

| Base: 50% weight                   | Updated baseline scenario <sup>2</sup>  | Dec-19 base scenario <sup>2</sup> |           | Jun-20 base scenario <sup>2</sup> |           |
|------------------------------------|---|-----------------------------------|-----------|-----------------------------------|-----------|
|                                    |   | 2020                              | 2021-2024 | 2020                              | 2021-2024 |
| Real GDP growth (annual, % change) | South Africa <sup>1</sup>   | 1.3                               | 2.2       | (8.5)                             | 3.3       |
|                                    | Africa Regions <sup>3</sup>   | 3.7                               | 4.6       | (0.6)                             | 6.2       |
| Inflation (annual, %)              | South Africa <sup>1</sup>   | 4.6                               | 4.9       | 3.4                               | 4.5       |
|                                    | Africa Regions <sup>3</sup>   | 7.6                               | 7.1       | 8.2                               | 7.5       |
| Interest rate (%)                  | South Africa (prime rate) <sup>1</sup>  | 9.75                              | 10.03     | 7.25                              | 9.25      |
|                                    | Africa Regions (policy rate) <sup>3</sup>   | 9.40                              | 8.80      | 8.71                              | 8.67      |
| Employment growth rate (%)         | South Africa <sup>1</sup>   | 0.5                               | 0.9       | (2.6)                             | 0.7       |
| Bull: 15% weight                   | Prevailing crisis accelerates structural reforms and supports post-pandemic recovery, driving infrastructure spend, investment flows and employment in South Africa |                                   |           |                                   |           |
|                                    | Assumes a deeper and more protracted economic contraction, lack of structural reforms and worse fiscal outlook  |                                   |           |                                   |           |

<sup>1</sup> Scenario weighting changed with updates to new macro-economic assumptions. As at 31 December 2019, the SA Base scenario weighting was 55%, Bull 25% and Bear 20%

<sup>2</sup> Full list of macro-economic factors included in the Base, Bull and Bear scenarios are included in the 1H20 financial analysis booklet.

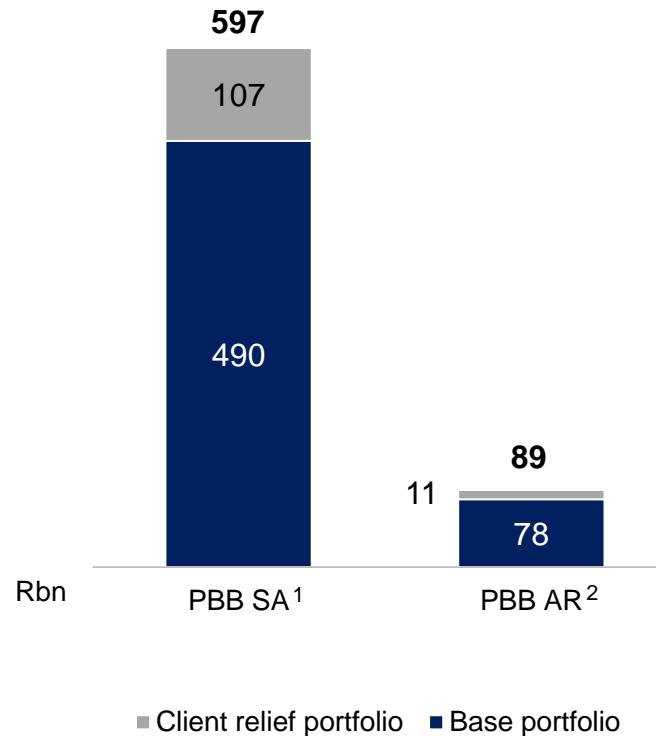
<sup>3</sup> Based on average, excluding Zimbabwe, AR scenario weightings set at a country level



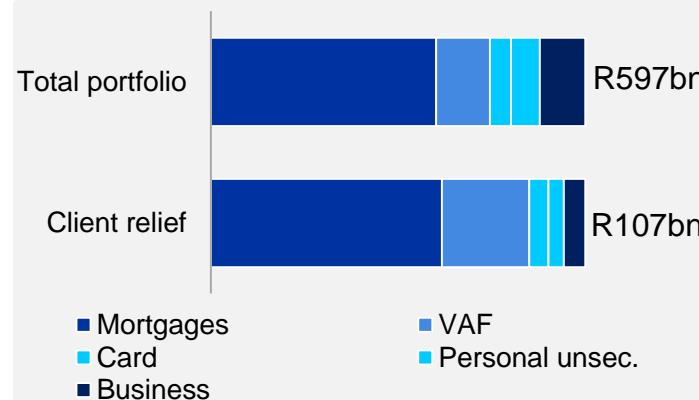
# PBB BALANCE SHEET – COVID-19 CLIENT RELIEF

PBB CLIENT RELIEF (R118BN)

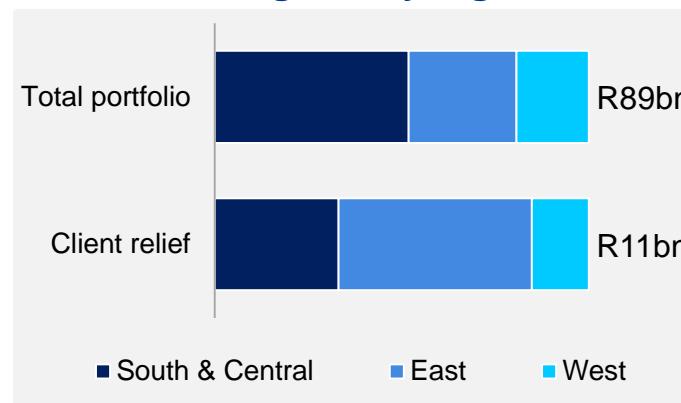
## PBB credit portfolio mix



## PBB SA by product type



## PBB Africa Regions by region



## Key takeouts

### PBB South Africa

- Client relief provided represents 18% of the portfolio
- Mortgages make up the largest part of the client relief portfolio by value, but in line with overall portfolio
- Higher proportion of client relief in VAF – principally to small enterprise customers who were up to date at the end of Mar-20

### PBB Africa Regions

- Client relief provided represents 12% of the portfolio
- Most of the relief, by value, provided in the East Region
- Most impacted sectors - Tourism, Transport, Agriculture, Mining, Oil & Gas Industrials, Telecoms Media & Technology Infrastructure and Floriculture

<sup>1</sup> PBB SBSA portfolio is as at 30 June 2020, excluding loans to banks of R3bn

<sup>2</sup> PBB Africa Regions portfolio as at 30 June 2020



# PBB SA CLIENT RELIEF – CREDIT TREATMENT FOR RETAIL PRODUCTS<sup>1</sup>

BASED ON IFRS 9, COVID-19 CLIENT RELIEF AND RESTRUCTURES GUIDANCE NOTES AND INTERNAL MODELS

## 1 Do the terms meet SARB client relief conditions<sup>2</sup>

- Relief granted post 6 April 2020
- Loan was performing as at 29 February 2020

## 2 Assess if Covid-19 impact is permanent/ high risk

- Assess if relief is considered permanent distress e.g. unemployment, full loss of income, retrenchment

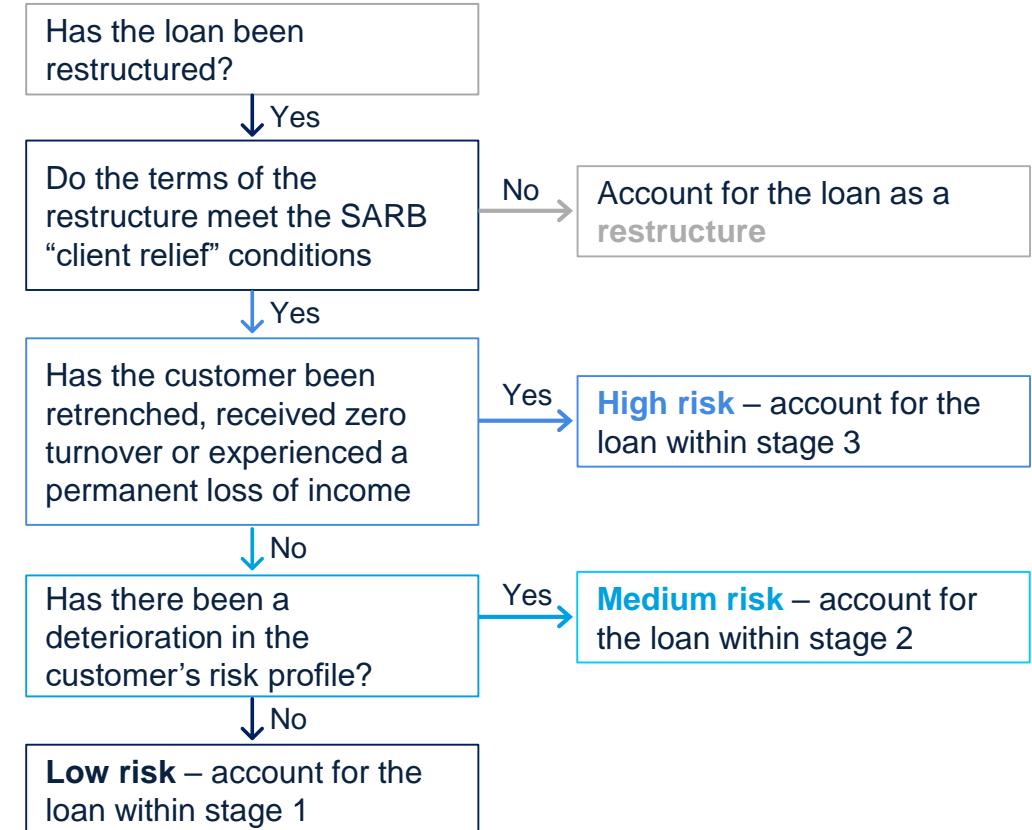
## 3 If not permanent, then assess if medium or low risk

- Determine if counterparty is considered medium or low risk
- Customer score cut offs defined to establish staging at a customer level and applied per product
- Balances classified as Stage 2 – temporary / medium risk:
  - If in Stage 1, reclassify as Stage 2 and raise provisions
  - If in Stage 3, leave in Stage 3

## 4 Other – follow existing restructure treatment<sup>3</sup>

- Distressed restructures classified as Stage 3 accounts
- Monitor payments over 6 months before considering reclassifying

## Covid-19 client relief decision tree



<sup>1</sup> Business lending is scoped out of the temporary / permanent assessment as their scorecards take various factors into account e.g. turnover. This adequately captures the risk of the customer. This combined with the forward-looking provision raised at an industry level adequately captures the appropriate coverage for these accounts

<sup>2</sup> D3 / 2020 – SARB Directive regarding temporary treatment of restructures related to client relief granted due to Covid-19

<sup>3</sup> D7 / 2015 – SARB Directive regarding restructures granted in the ordinary course and / or prior to Covid-19 and associated debt review process



## PBB SA GROSS LOANS AND PROVISIONS BY PRODUCT

BASE PORTFOLIO AND CLIENT RELIEF PORTFOLIO<sup>1</sup>

|              | Loans and advances, Rbn |              |                |               | Provisions, Rbn |             |                |               | Coverage, % |            |                |               |
|--------------|-------------------------|--------------|----------------|---------------|-----------------|-------------|----------------|---------------|-------------|------------|----------------|---------------|
|              | Dec-19                  |              | Jun-20         |               | Dec-19          |             | Jun-20         |               | Dec-19      |            | Jun-20         |               |
|              | Total                   | Total        | Base portfolio | Client relief | Total           | Total       | Base portfolio | Client relief | Total       | Total      | Base portfolio | Client relief |
| Mortgages    | 357.2                   | 359.1        | 293.3          | 65.8          | 10.1            | 12.4        | 11.5           | 0.9           | 2.8         | 3.5        | 3.9            | 1.3           |
| VAF          | 84.9                    | 85.4         | 60.6           | 24.8          | 3.1             | 4.1         | 3.6            | 0.5           | 3.7         | 4.8        | 5.9            | 2.3           |
| Card         | 34.0                    | 33.6         | 28.2           | 5.4           | 2.6             | 3.3         | 2.8            | 0.5           | 7.6         | 9.7        | 9.7            | 9.5           |
| Personal     | 44.8                    | 45.7         | 41.3           | 4.4           | 6.1             | 7.7         | 7.2            | 0.5           | 13.6        | 16.9       | 17.6           | 10.8          |
| Business     | 74.1                    | 76.5         | 70.4           | 6.1           | 3.5             | 4.4         | 4.2            | 0.2           | 4.7         | 5.7        | 6.0            | 3.0           |
| <b>Total</b> | <b>595.0</b>            | <b>600.3</b> | <b>493.8</b>   | <b>106.5</b>  | <b>25.4</b>     | <b>31.9</b> | <b>29.3</b>    | <b>2.6</b>    | <b>4.3</b>  | <b>5.3</b> | <b>5.9</b>     | <b>2.5</b>    |

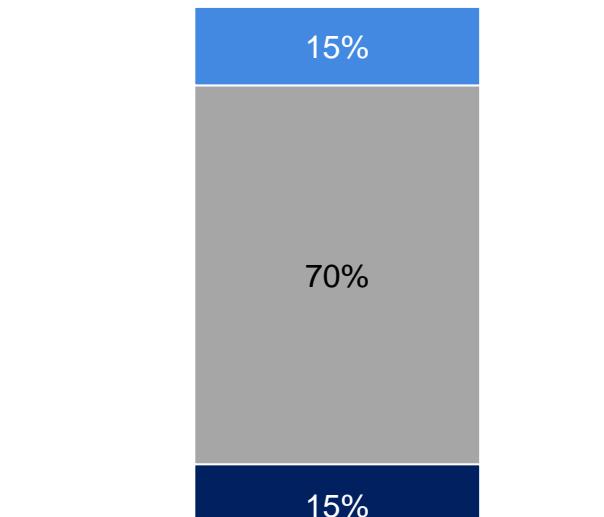
<sup>1</sup> Based on SBSA PBB gross loans and advances and provisions per pages 76-83 of the 1H20 financial analysis booklet. Total forward-looking provisions have been included in the base portfolio and are therefore, not explicitly allocated to the client relief portfolio



# CIB BALANCE SHEET – COVID-19 CLIENT RELIEF

CIB CLIENT RELIEF EXPOSURES (R48BN)

## CIB total portfolio mix<sup>1</sup>

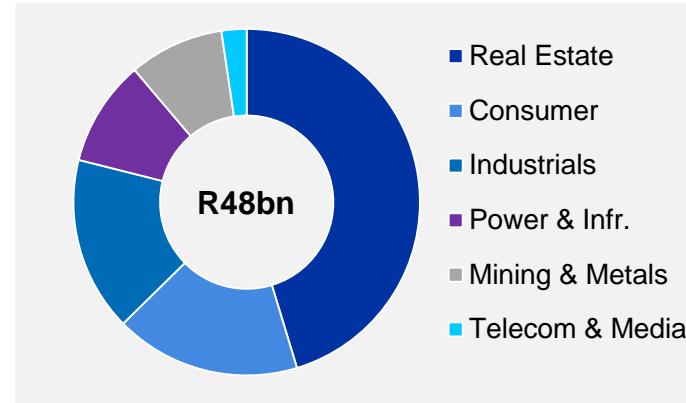


- Vulnerable - discretionary supply chain
- Mixed - infrastructure, financial & sovereign supply chains
- Unaffected - essential consumer supply chain

<sup>1</sup> Based on internal risk assessment, total portfolio R487bn

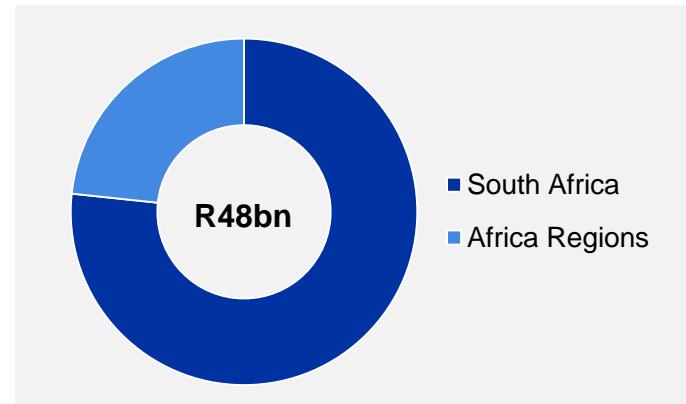
<sup>2</sup> Based on exposure

## CIB relief by sector<sup>2</sup>



- Real Estate
- Consumer
- Industrials
- Power & Infr.
- Mining & Metals
- Telecom & Media

## CIB relief by geography<sup>2</sup>



- South Africa
- Africa Regions

## Key takeouts

- Initial flurry of client requests in March and April but slowed in May and June
- Certain pre-Covid-19 risks aggravated – Zimbabwe, Zambia, South Africa
- Countries impacted by Covid-19 and oil price decline - Angola, Nigeria and Ghana
- Real Estate sector under strain – monitoring valuations, cashflows and debt maturities. CIB RE portfolio splits:
  - South Africa / Africa Regions / International split – 73% / 14% / 13%
  - Retail / Industrial / Office / Residential split – 42% / 32% / 16% / 10%
- Relief provided differs by client – liquidity, capital and interest waivers, covenant waivers and tenor extension
- 2H20 outlook by sector, country, region
- Diversification is a key risk mitigant

# CIB PROVISION METHODOLOGY

IFRS 9 FORWARD-LOOKING APPROACH



| IFRS 9 requirement   | CIB processes / methodology   |
|--|---|
| Probability of Default (PDs) should be calibrated (or based) on normal market conditions and not downturn (stressed) market conditions | Observable market data is used to obtain Point-in-Time PD measures.   |
| Life-time or “stage 2” provisions should be held on transactions where credit risk has increased significantly (SICR)                  | Historic changes in risk grades are used to determine if the risk associated with a transaction has increased significantly |
| Ratings (PDs) should include forward-looking information based on internally agreed macro-economic forecasts                           | Macro-economic forecasts are considered when an entity is rated   |

## Key takeouts

- Expected credit losses (ECLs) are determined in line with IFRS9 - lifetime ECLs are recognised when there is a SICR on a financial instrument
- IFRS9 does not specify when lifetime losses are required, nor does it dictate the exact basis on which entities should determine its forward-looking scenarios
- Updated economic forecasts are considered as part of a counterparty's annual re-rating
- Where a sector is significantly impacted by the updated scenarios, all entities within that sector (e.g. Mining & Metals, Real Estate, Financial Institutions, etc.) are re-rated