



Standard Bank Group

# FINANCIAL RESULTS PRESENTATION

FOR THE SIX MONTHS ENDED 30 JUNE 2018





# STANDARD BANK GROUP FINANCIAL RESULTS PRESENTATION

1H18

Standard Bank Moving Forward™

Notes

## STRATEGIC FOCUS IS UNCHANGED

<b>Group Purpose</b> it all starts with being more than a bank – the reason we exist	Africa is our home, we drive her growth
<b>Group Vision</b> a picture of what we would like to be in five years	To be the <b>leading</b> financial services organisation <b>in, for and across Africa</b> , delivering <b>exceptional client experiences and superior value</b>

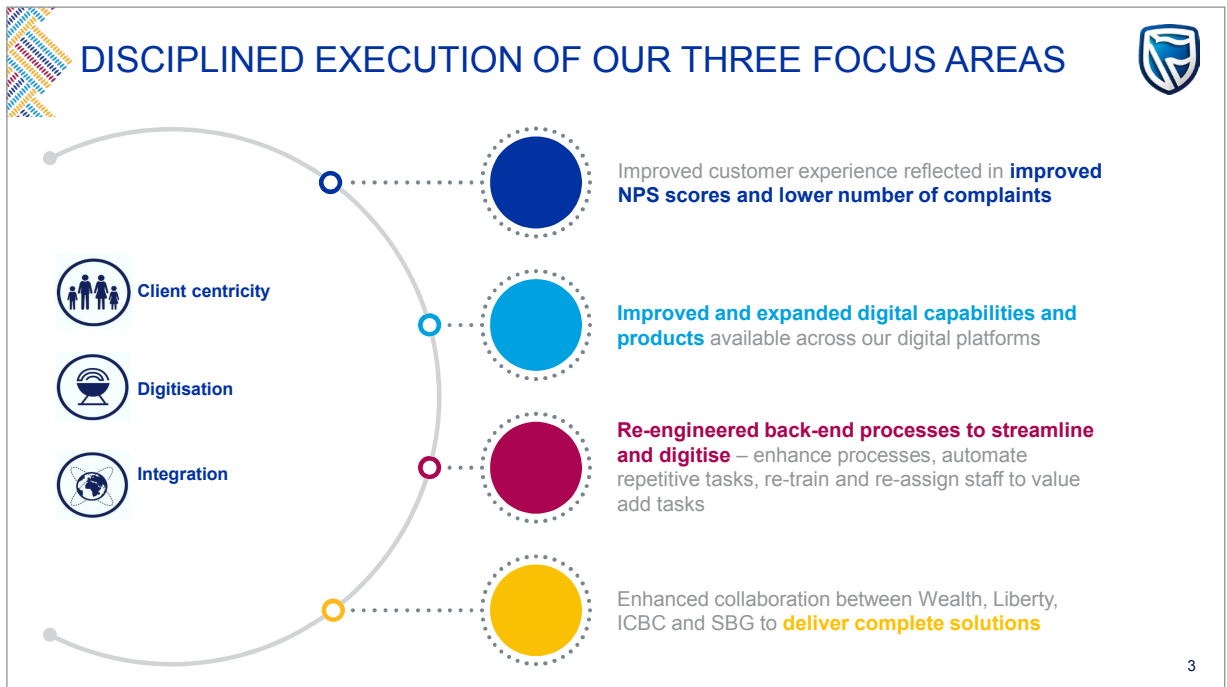
In executing our group strategy our key focus areas are

	<b>Client centricity</b>	Do valuable things for clients
	<b>Digitisation</b>	Digitise front to back
	<b>Integration</b>	Seamlessly deliver relevant, holistic solutions

We measure our progress using five strategic value drivers

SEE = Social, economic and environmental

2



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## FINANCIAL OUTCOME

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## OVERVIEW OF RESULTS



### GROUP HEADLINE EARNINGS

1H18: R12.7bn  
1H17: R12.1bn



### BANKING HEADLINE EARNINGS

1H18: R11.7bn  
1H17: R11.0bn

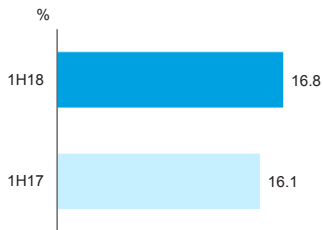


### DIVIDEND PER SHARE

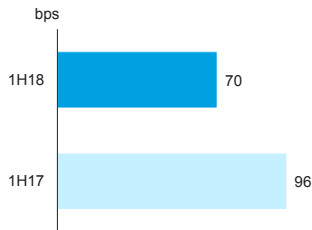
1H18: 430 cents  
1H17: 400 cents



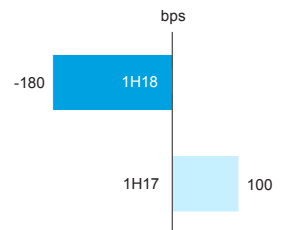
### ROE



### CREDIT LOSS RATIO



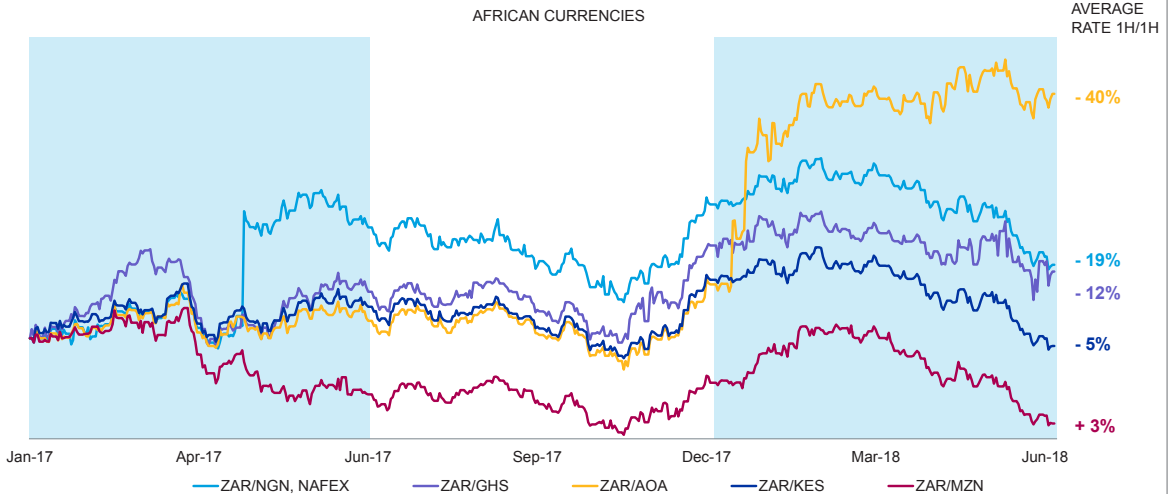
### JAWS



5

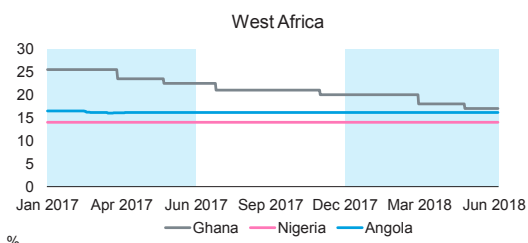
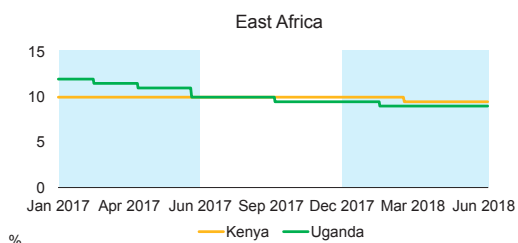
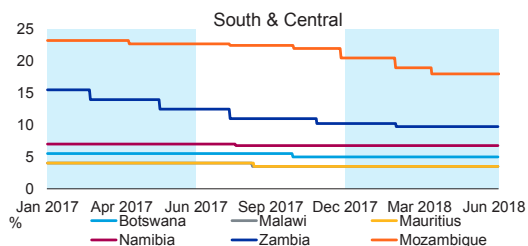
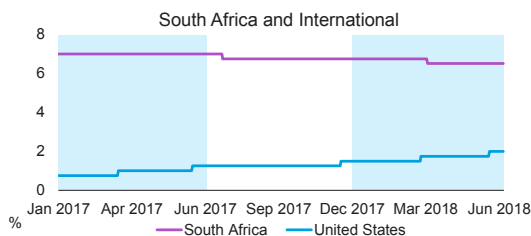
### Notes

## RAND STRENGTH AGAINST AFRICA REGIONS CURRENCIES



6

## LOWER INTEREST RATES ACROSS AFRICA REGIONS



7

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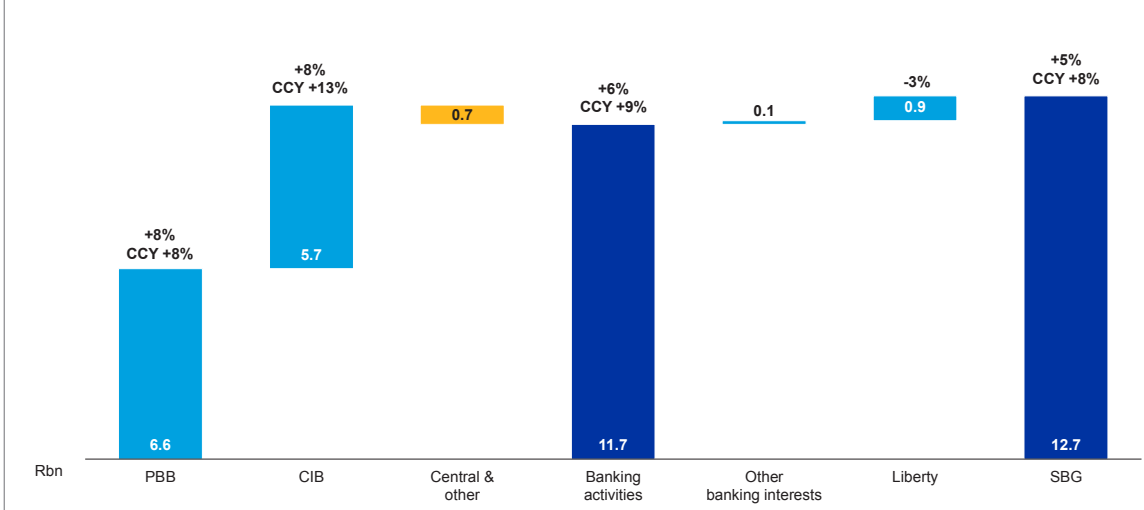
## INCOME STATEMENT



	1H18 Rbn	change %	change CCY %
Net interest income	29.2	1	4
Non-interest revenue	22.0	8	11
<b>Total income</b>	<b>51.2</b>	<b>4</b>	<b>7</b>
Operating expenses	29.2	6	8
<b>Pre-provision profit</b>	<b>22.0</b>	<b>2</b>	<b>6</b>
Credit impairment charges	4.0	(22)	(21)
<b>Banking activities headline earnings</b>	<b>11.7</b>	<b>6</b>	<b>9</b>
Other banking interests	0.1	(38)	(19)
Liberty attributable to the group	0.9	(3)	(3)
<b>SBG headline earnings</b>	<b>12.7</b>	<b>5</b>	<b>8</b>

8

## SEGMENTAL VIEW OF HEADLINE EARNINGS



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### Notes

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## PBB HIGHLIGHTS



### HEADLINE EARNINGS

1H18: R6.6bn  
1H17: R6.1bn



### SOUTH AFRICA

1H18: R6.0bn  
1H17: R5.7bn



### AFRICA REGIONS

1H18: R201m  
1H17: R91m

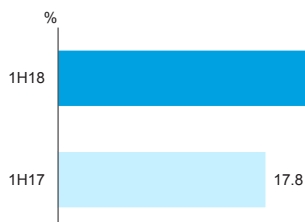


### WEALTH INTL

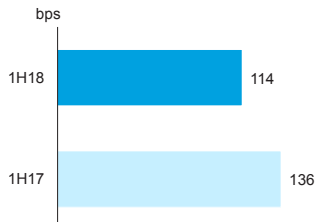
1H18: R432m  
1H17: R331m



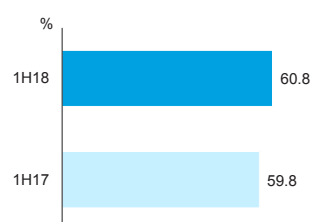
### ROE



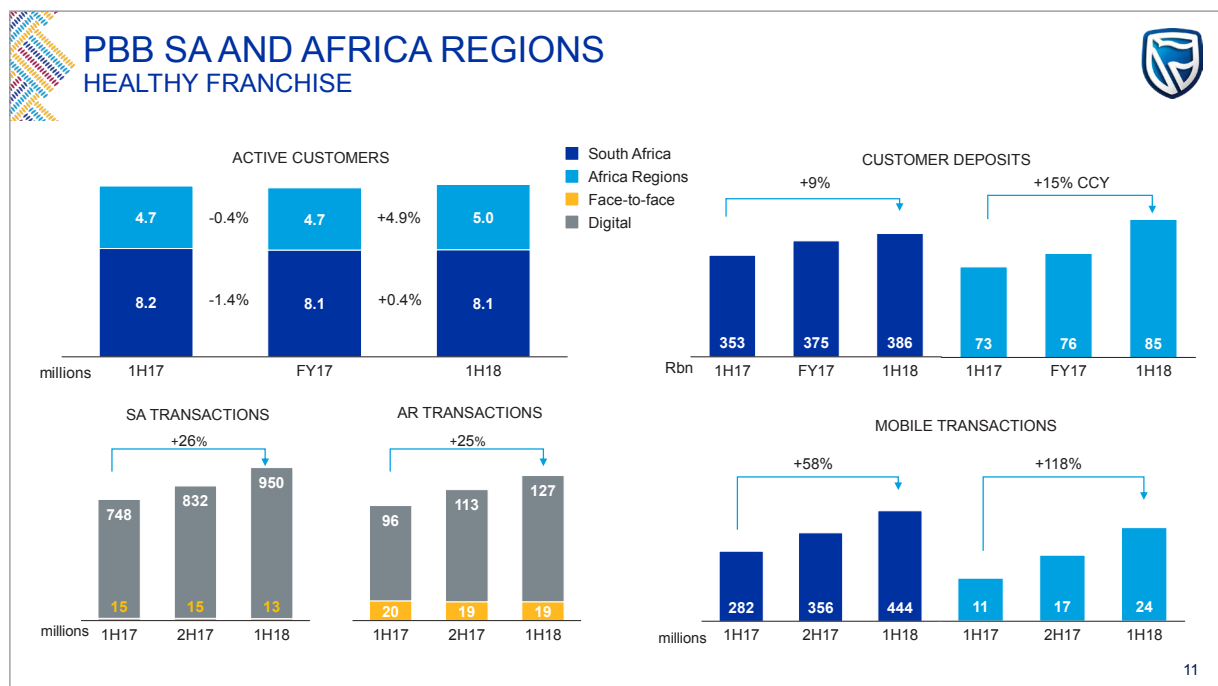
### CREDIT LOSS RATIO



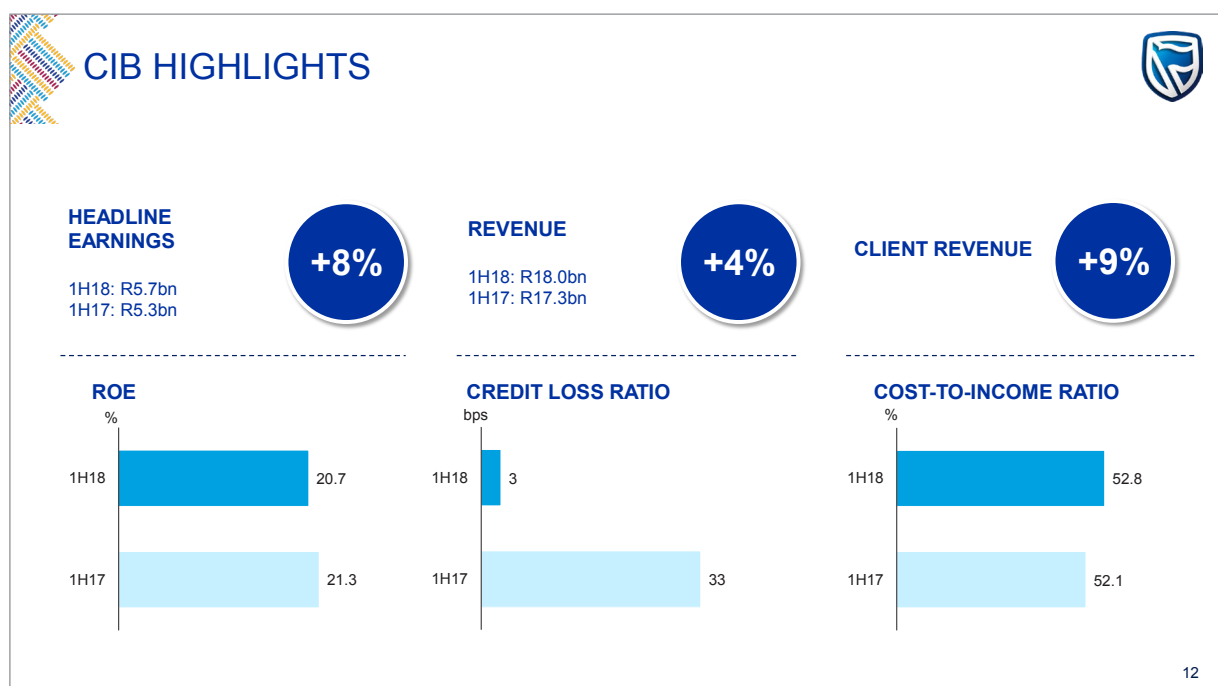
### COST-TO-INCOME RATIO



10

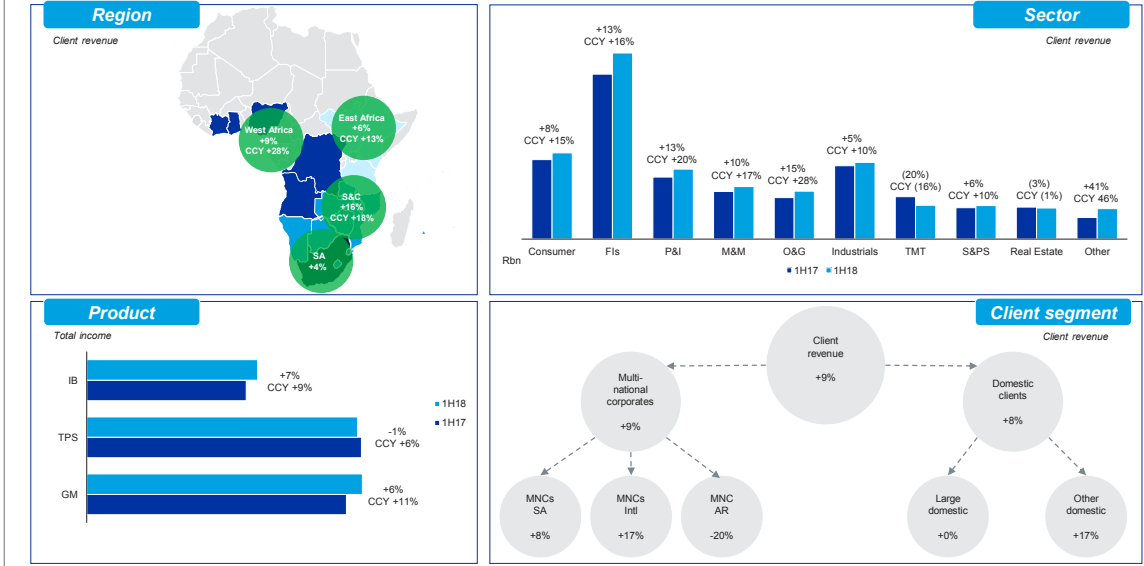


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# CIB CLIENT REVENUE DIVERSIFIED AND GROWING FRANCHISE



13

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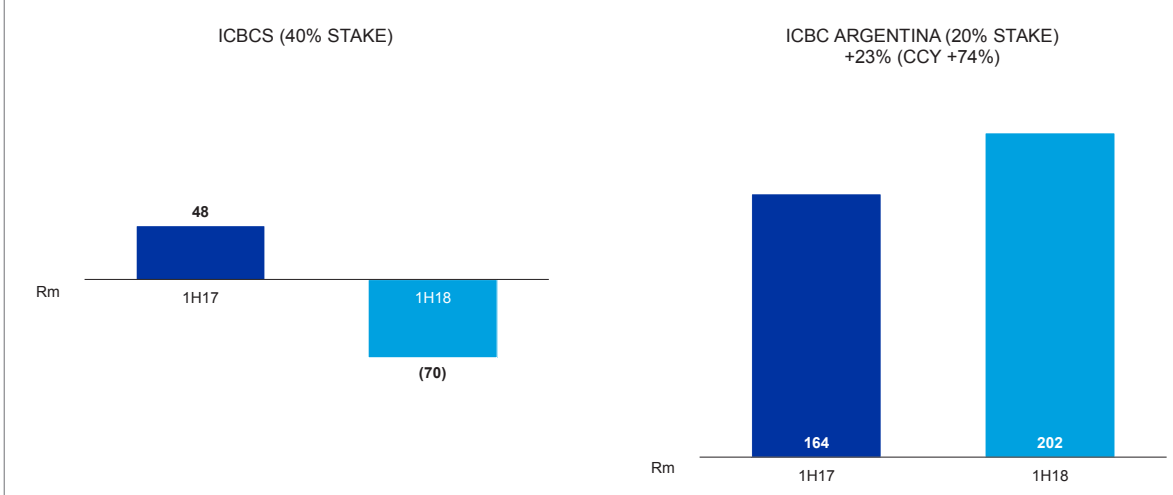


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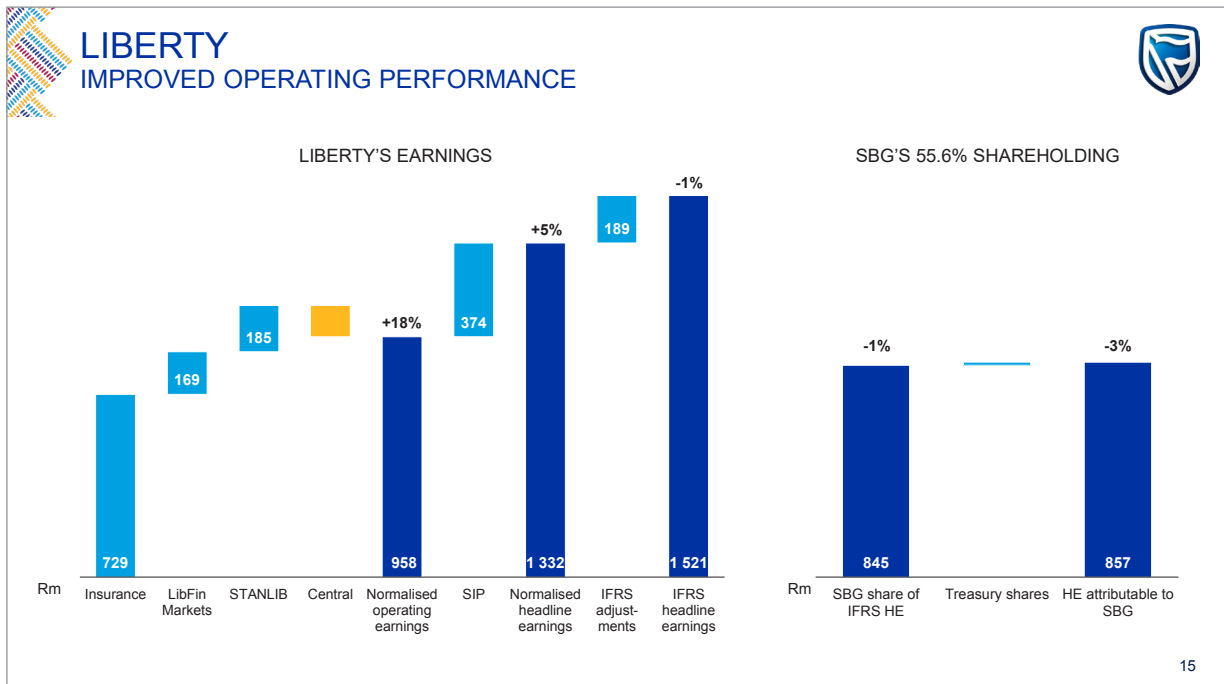


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# OTHER BANKING INTERESTS IMPACTED BY MARKET DYNAMICS

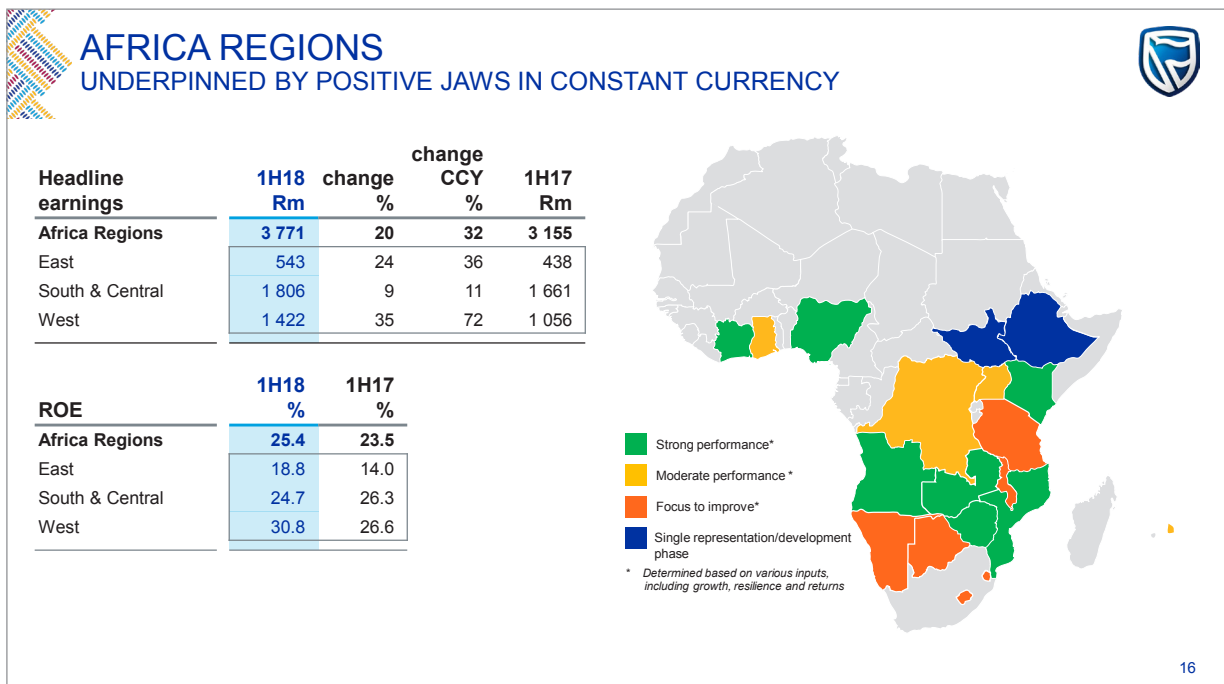


14



15

Notes



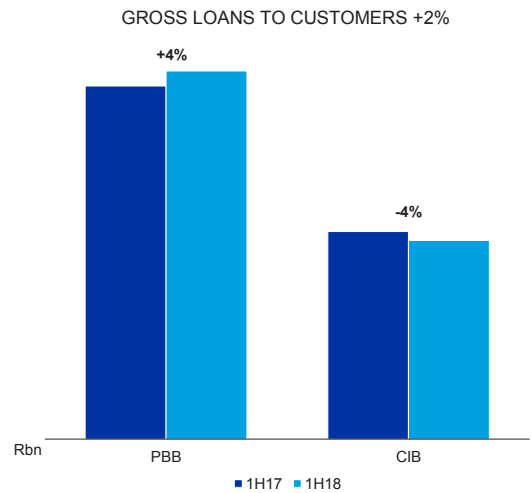
16



## SBSA MUTED NII GROWTH IMPACTED PERFORMANCE



	1H18 Rbn	change %
Net interest income	20.0	1
Non-interest revenue	14.6	6
<b>Total income</b>	<b>34.6</b>	<b>3</b>
Operating expenses	20.6	7
<b>Pre-provision profit</b>	<b>14.0</b>	<b>(3)</b>
Credit impairment charges	3.7	(8)
<b>SBSA headline earnings</b>	<b>7.2</b>	<b>(3)</b>
<b>ROE (%)</b>	<b>15.2</b>	



17

### Notes

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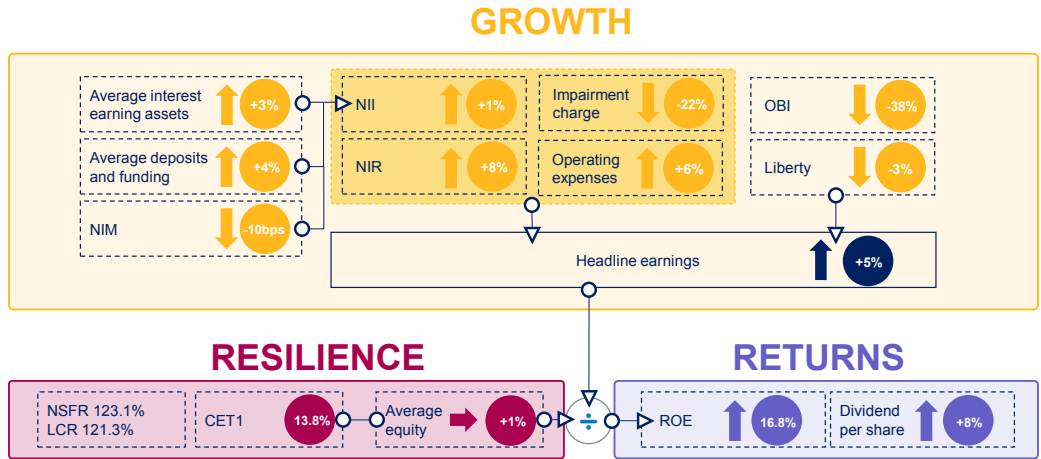


## DRIVERS OF PERFORMANCE

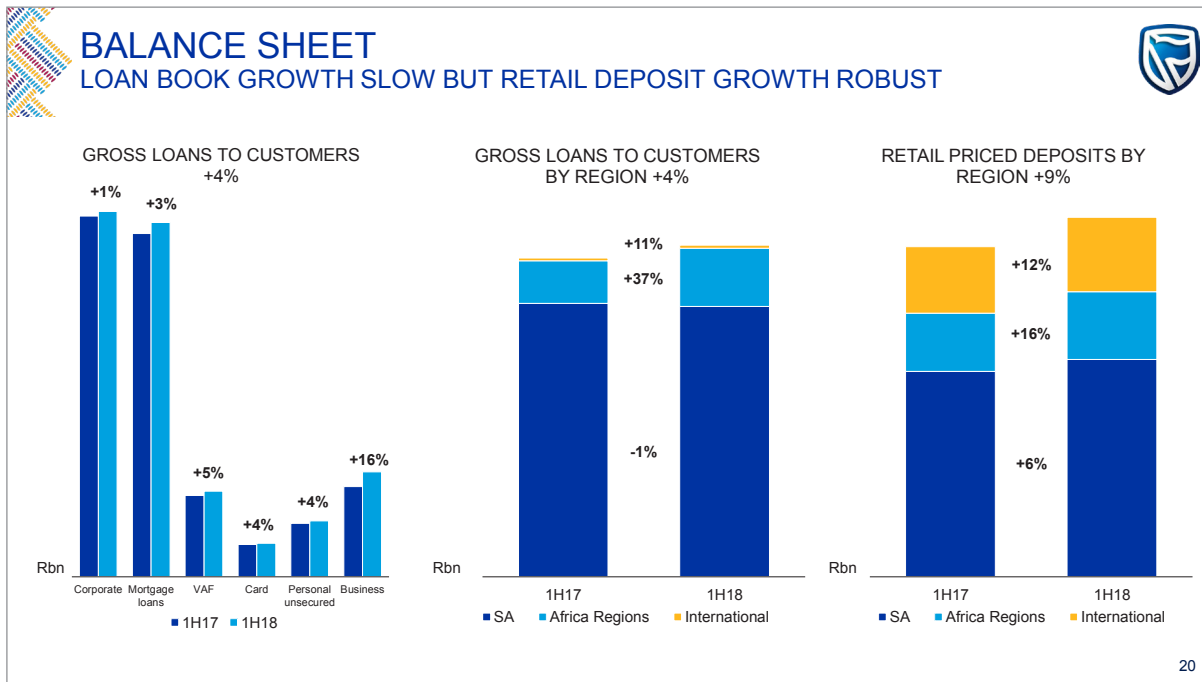
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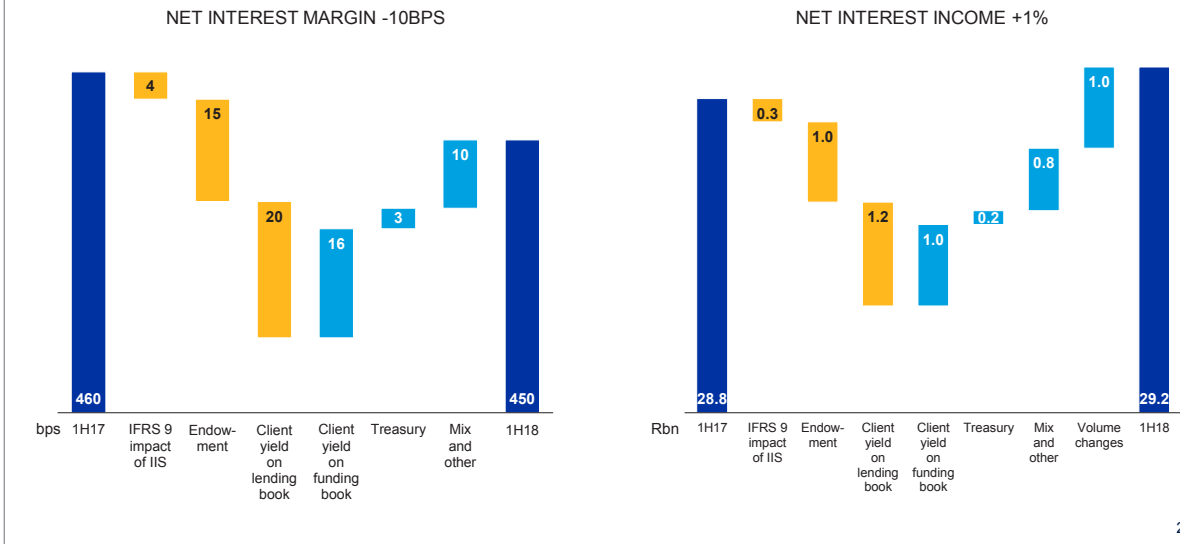
## DRIVING SHAREHOLDER VALUE



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## NET INTEREST INCOME BALANCE SHEET GROWTH OFFSET LOWER NIM



21

### Notes

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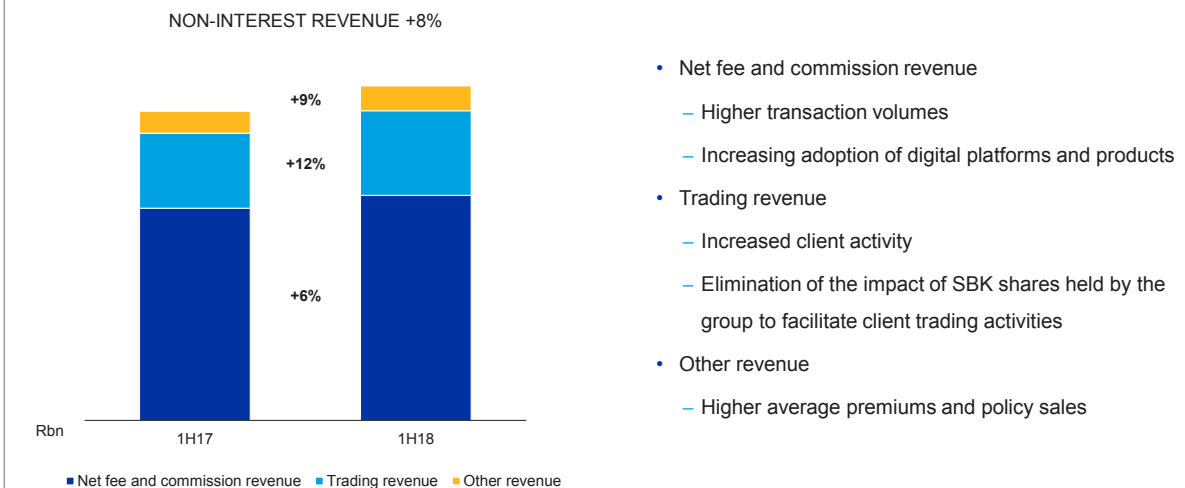


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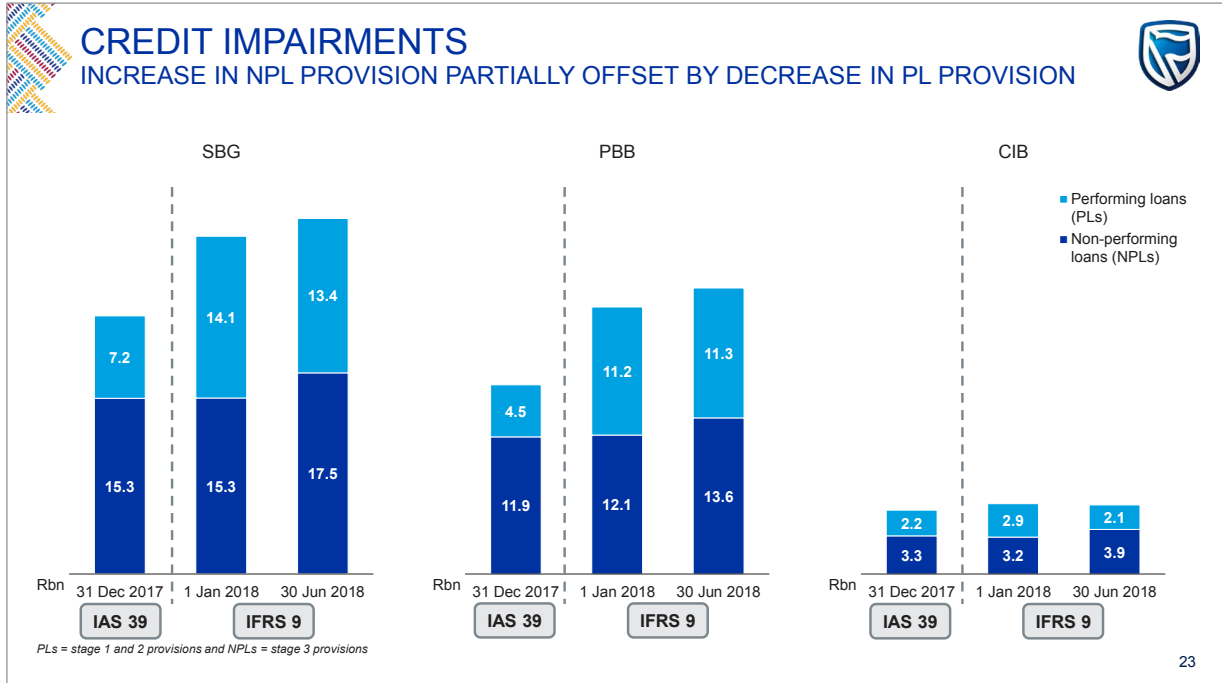


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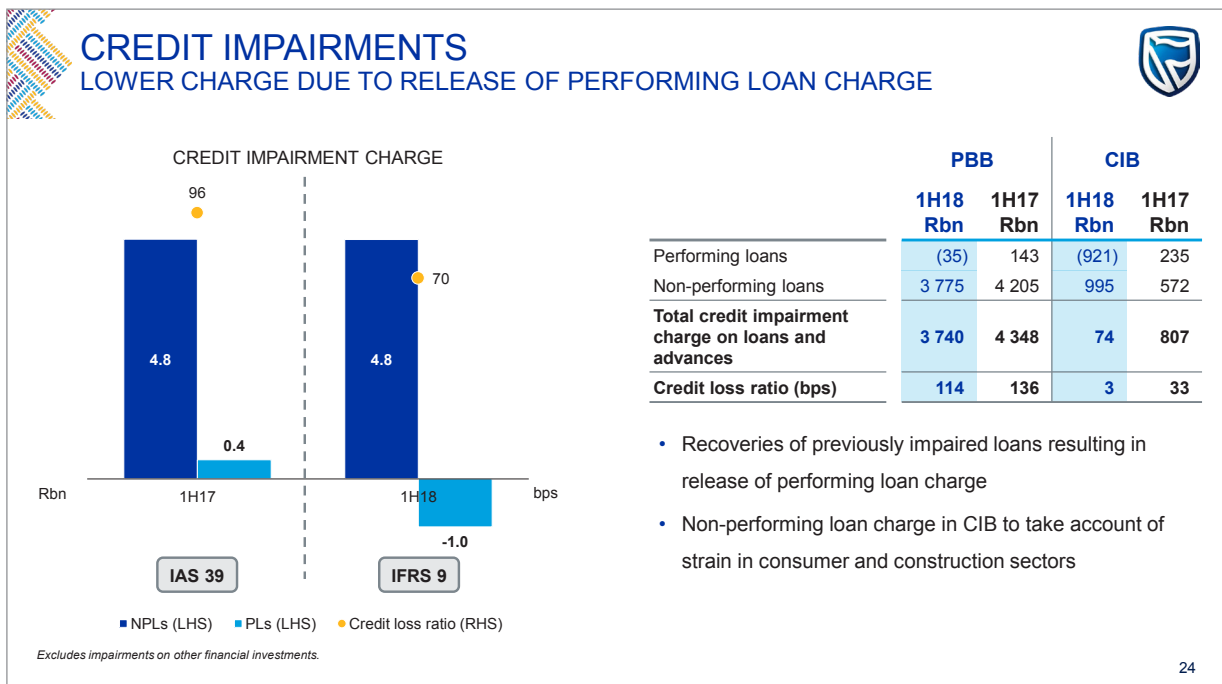
## NON-INTEREST REVENUE GROWTH DRIVEN BY HEALTHY UNDERLYING VOLUMES



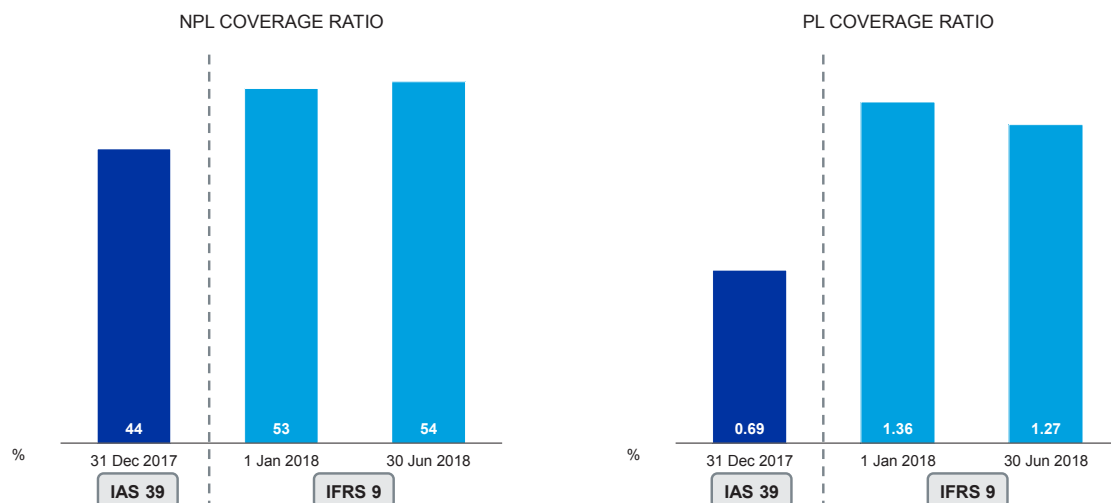
22



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## CREDIT IMPAIRMENTS PROVISION ADEQUACY MAINTAINED



25

### Notes

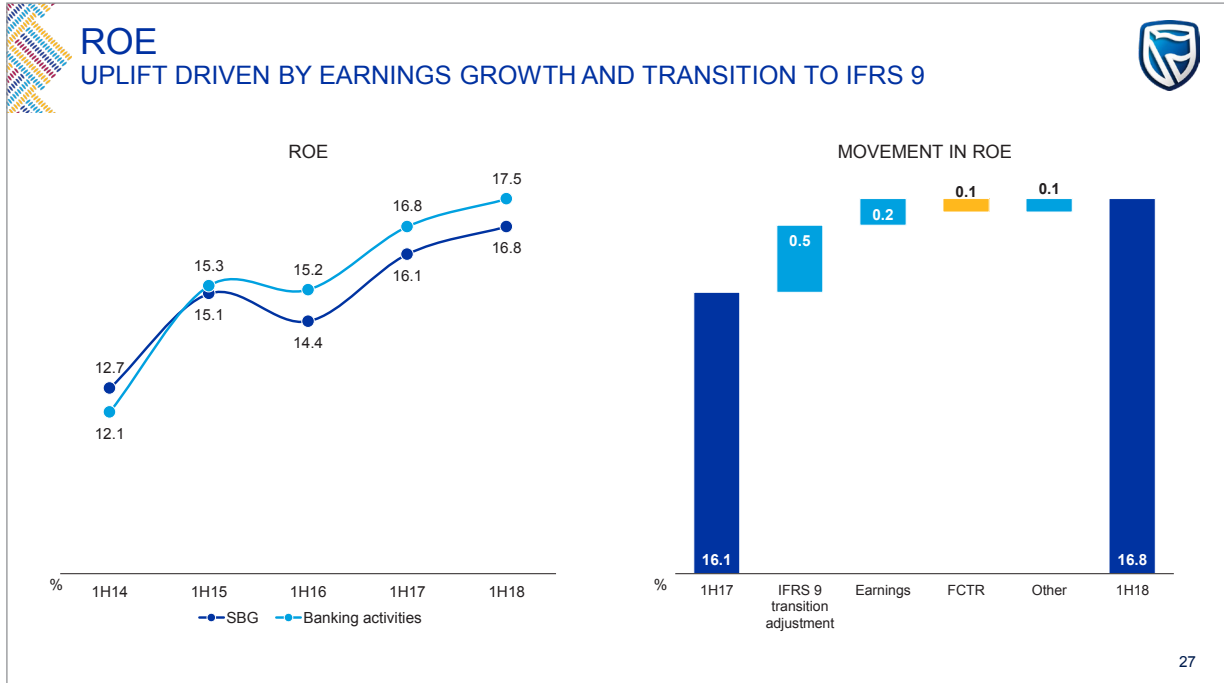
## OPERATING EXPENSES TIGHT COST CONTROL PROVIDED SCOPE TO INVEST IN CUSTOMER PROPOSITION



	1H18 Rbn	change %	change CCY %
<b>Staff costs</b>	<b>16.7</b>	<b>6</b>	<b>9</b>
<b>Other operating expenses</b>	<b>12.6</b>	<b>5</b>	<b>8</b>
IT	3.1	13	14
Premises	1.9	4	7
Depreciation	1.2	(0)	(0)
Amortisation of intangibles	1.2	3	3
Marketing	1.0	11	13
Professional fees	0.8	18	15
Other	3.4	2	7
<b>Total operating expenses</b>	<b>29.2</b>	<b>6</b>	<b>8</b>

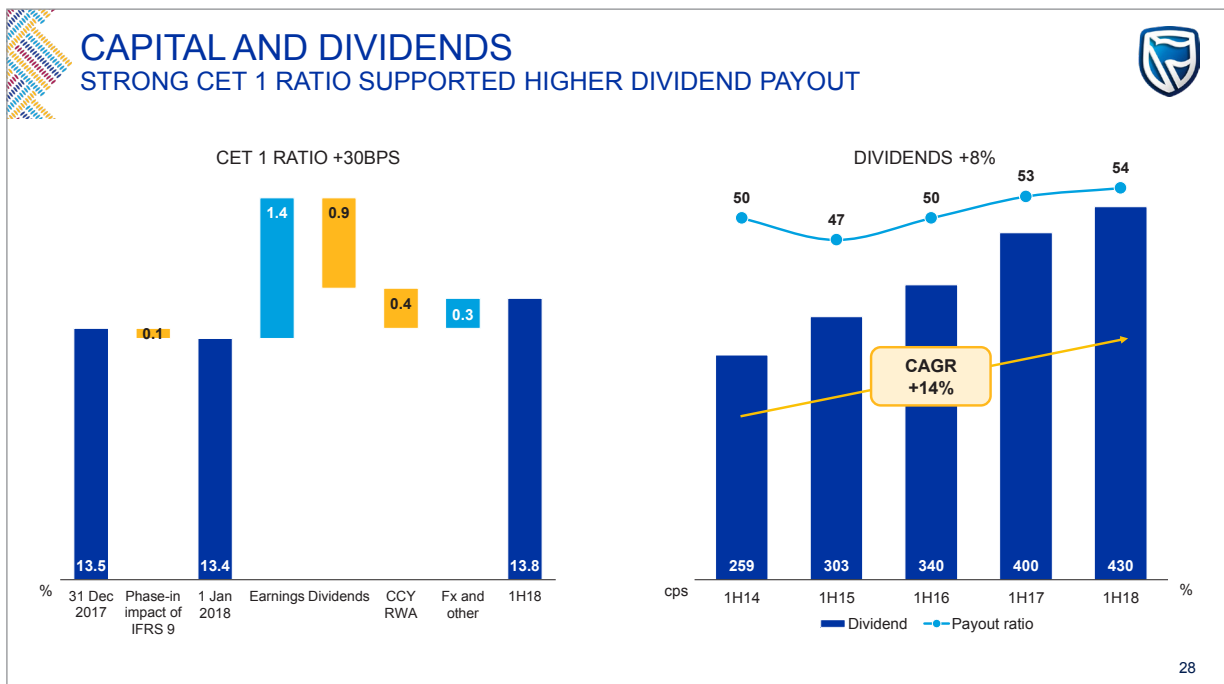
- Staff cost
  - Annual salary increases
  - Higher deferred incentive costs, linked to SBK share price
  - Headcount broadly flat, but additions in IT, risk and compliance offset against digitisation-enabled reductions in the front-line
- Other operating expenses
  - Investment in PBB franchise in SA to support customer proposition
  - Higher licencing fees, infrastructure spend and IT security

26



27

Notes



28



## MEASURING OUR FINANCIAL PROGRESS



	MEDIUM TERM TARGETS	1H18	
GROWTH	Africa Regions contribution*	>30%	32% <span style="color: green;">●</span>
	Cost-to-income ratio	Approaching 50%	57.1% <span style="color: red;">●</span>
	Credit loss ratio	80 – 100bps	70bps <span style="color: green;">●</span>
RESILIENCE	LCR and NSFR	> 100%	> 100% <span style="color: green;">●</span>
	CET 1 ratio	11.0% - 12.5%	13.8% <span style="color: green;">●</span>
RETURNS	Group HE growth	Sustainable growth	+5% <span style="color: orange;">●</span>
	ROE	18% - 20%	16.8% <span style="color: orange;">●</span>

\* Contribution to banking headline earnings

29

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# OUTLOOK

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## THIS RESULT OPERATING MOMENTUM CONTINUES

**PBB HEADLINE EARNINGS**

1H18: R6.6bn  
1H17: R6.1bn

+8%

**CIB HEADLINE EARNINGS**

1H18: R5.7bn  
1H17: R5.3bn

+8%

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**LIBERTY  
NORMALISED OPERATING  
EARNINGS**

1H18: R958m  
1H17: R814m

+18%

**AFRICA REGIONS  
HEADLINE EARNINGS**

1H18: R3.8bn  
1H17: R3.2bn

+32%  
CCY

31

Notes

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## THE OPERATING ENVIRONMENT

- Sub-Saharan African recovery set to continue
- Environment in South Africa will remain sluggish into 2019
  - Positive signs for South Africa
    - Restoration of strong fiscal management
    - Stronger governance and management of SOEs
    - Leading indicators have improved: SARB's leading business cycle indicator, consumer confidence
  - Business confidence still subdued
  - Comprehensive structural reform required
    - Land reform necessary and urgent; no widespread risk to property rights

**REAL GDP GROWTH**

Region	FY17	FY18	FY19
Global	3.7	3.9	3.9
SSA	2.7	3.4	3.8
SA	1.3	1.5	1.7
Nigeria	0.9	2.1	2.3

■ FY17  
■ FY18  
■ FY19

Source: IMF, 16 July 2018

32



Franchise in South Africa is resilient and well positioned for uptick in growth

Our focus on Africa is – and will remain – our main source of sustainable competitive advantage

Competitive pressures and changing client needs will continue to place pressure on revenues

We are focusing on operating expenses over the second half of 2018 to ensure better full year jaws and improved headline earnings growth

We will continue to balance growth, resilience and returns to deliver on our medium-term objectives of growth in earnings and of generating an ROE in our 18% - 20% target range

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