

STANDARD BANK GROUP RESULTS ANNOUNCEMENT

for the year ended 31 December 2019

Standard Bank Group Limited

Registration number 1969/017128/06
Incorporated in the Republic of South Africa
Website: (www.standardbank.com)

Share codes

JSE share code: SBK ISIN: ZAE000109815
NSX share code: SNB ZAE000109815
A2X share code: SBK
SBKP ZAE000038881 (first preference shares)
SBPP ZAE000056339 (second preference shares)

2019 results overview

“Standard Bank Group’s results for the 2019 financial year are underpinned by the growth and resilience of its core operations.”

- Sim Tshabalala, Group chief executive

Standard Bank Group’s results for the 2019 financial year (FY19) are underpinned by the growth and resilience of its core operations. The constrained macroeconomic environment, particularly in South Africa, and ICBCS losses impacted the group’s results.

The group’s banking operations reported headline earnings up 5% on the prior year (FY18) to R27.2 billion and a return on equity (ROE) of 18.1%. This result was driven by quality top line growth and continued positive operating leverage. While Liberty contributed positively to group earnings growth, the group’s other banking interests were a drag. Group headline earnings were R28.2 billion, an increase of 1% on FY18, and ROE was 16.8%. The group’s capital position remained strong, with a common equity tier 1 capital adequacy (CET1) ratio of 14.0%. A final dividend of 540 cents per share has been declared. Total dividends for the year were 2% higher than the prior year.

Good balance sheet growth underpinned net interest income while non-interest revenue was supported by growth in transaction volumes and trading revenues. Credit impairment charges increased of a low base in FY18. A strong focus on cost containment continued throughout the year resulting in below inflation cost growth and positive jaws of 113 basis points (bps).

Operating environment

In 2019, the US-China trade dispute, increase in geopolitical risks and weaker domestic demand across multiple economies dampened global economic growth. Weaker demand suppressed inflation across local and international markets which prompted central banks to reduce policy rates or adopt growth-supportive monetary policy stances.

Sub-Saharan Africa’s economic growth forecasts were revised downwards consecutively. Headwinds on the external front, alongside the slow pace of reforms, severe weather-related shocks, as well as an increase in security and political tensions in parts of the region, weighed on economic activity.

In South Africa, load-shedding undermined growth prospects, the pace of policy progress and reform was slow, and Eskom’s fiscal concerns remained unresolved. Business and consumer confidence levels remained low, constraining spending and demand for credit. The economy shrank 1.4% in 4Q19 which resulted in a second recession in less than two years. Real GDP growth for the year was 0.2%.

Personal & Business Banking

PBB’s headline earnings grew 6% to R16.5 billion, underpinned by continued balance sheet and customer franchise growth. Net interest income increased 6% to R44.1 billion, supported by balance sheet growth. A favourable change in product mix and higher average rates in South Africa supported an increase in margin. This was largely offset by lower average interest rate across the Africa Regions portfolio and the impact of IFRS 16. This resulted in a net interest margin of 601 bps, 3 bps higher than in FY18. In South Africa, our customers continued to migrate to our digital platforms, in particular the SBG mobile app. SBG mobile app active users increased 55% to 2.0 million and the value of transactions executed via our mobile banking platform increased 46% to R382 billion.

Corporate & Investment Banking

CIB’s headline earnings grew 5%, 7% in constant currency change (CCY), to R11.8 billion. The operating environment remained challenging and market conditions, volatile and fluid. Against this difficult backdrop, CIB continued to deliver the innovative, bespoke solutions our clients need and have come to expect. As a business with on-the-ground operations across 20 countries in Africa, and operations in five financial hubs outside of Africa, it remains uniquely positioned to connect global multinational companies to the African markets and African businesses to international markets. Strong growth in both average assets and liabilities in Transactional Products and Services (TPS) and double-digit average asset growth in Investment Banking (IB) supported revenues. Underlying client revenues grew 7% driven by the Financial Institutions, Mining & Metals, Power & Infrastructure and Telecoms, Media & Technology sectors.

Other banking interests

Despite the tough operating conditions in Argentina, ICBC Argentina (ICBCA) continued its strong performance in FY19. In August 2019, the group exercised its option to sell its 20% stake in ICBCA to ICBC. Headline earnings from the group’s 20% stake amounted to R583 million.

ICBC Standard Bank Plc (ICBCS) recorded a disappointing set of results in FY19. The loss of USD248 million consisted of a single client loss of USD198 million, USD30 million related to restructuring costs and USD20 million of operating losses related to the business operations. The latter was driven by lower revenues on fixed income and currency trading due to subdued market sentiment. The group’s 40% share of the losses equated to R1.4 billion. ICBC and the group, as shareholders, have had robust conversations and made meaningful progress with ICBCS management with regards to how best to put the business on a path to sustainable profitability. These discussions resulted in a number of management actions in ICBCS, including significant headcount reductions and a reduction by ICBCS of business lines and locations in FY19. Closer integration into and cooperation with the ICBC group is an important element of the plan to achieve sustainable profit.

Liberty

Liberty is making progress towards re-building a competitive and sustainable business. While the focus on new business volumes continues, normalised operating earnings improved 10% year on year. In FY19, the Shareholder Investment Portfolio benefited from improved investment market returns, particularly in respect of foreign and local equities. Liberty headline earnings grew 23% to R3.3 billion. The group's share of earnings amounted to R1.9 billion, up 16% on the prior year.

Prospects

Global economic growth is expected to remain slow and downside risks persist. These risks include, amongst others, the impact of the COVID-19 outbreak, a rise in geopolitical and social unrest, and further weather-related disasters. In contrast, subdued inflation and accommodative monetary policy should support financial conditions and, in turn, emerging market flows. Continued strong growth in East Africa and an ongoing moderate recovery in West Africa should favour sub-Saharan Africa's economic growth prospects. Conditions are expected to remain difficult in Malawi, Zambia and Zimbabwe. While the impact of COVID-19 on global growth remains unknown, it is clear that a China slowdown and a disruption of Sino-Africa trade will negatively impact the trade balances of sub-Saharan African commodity exporters and be inflationary for importers.

In South Africa, while there were some positive governance and growth-related developments in 2019, there is still much more to be done. The constraints to growth and productivity are structural and the reforms required are well understood. In the absence of tangible progress, we foresee sustained economic weakness, driven by insufficient electricity supply and low confidence.

The macro-economic outlook in the countries in which we operate is uncertain and the operating environment is expected to remain challenging. Trading conditions are expected to remain difficult, regulatory-imposed constraints and technological change are set to stay, and competition will continue to intensify. Our top priority in 2020 is to increase our competitiveness by improving client experience through the seamless delivery of relevant and personalised financial solutions to our clients in a secure manner via their channel of choice. We will also continue to exercise tight cost discipline and seek to allocate resources efficiently and in support of our strategy to build a future-ready Standard Bank Group.

We are a purpose driven organisation: Africa's our home, we drive her growth. We recognise that the role we play, as the gate-keeper and facilitator of financial flows into and across Africa, is much bigger than profits alone. Our long-term sustainability is inextricably linked to the social and economic upliftment of the people and societies in the countries in which we operate. Accordingly, we will continue to contribute positively to Africa's social, economic and environmental development.

Financial outcome

for the year ended 31 December 2019

Financial statistics

	Change	2019	2018
	%		
Financial indicator (Rm)			
Headline earnings	1	28 207	27 865
Banking activities headline earnings	5	27 216	25 847
Cents per ordinary share			
Basic earnings per ordinary share	(7)	1 593.5	1 722.6
Headline earnings per ordinary share	1	1 766.7	1 748.4
Dividend per ordinary share	2	994	970
Net asset value per ordinary share	3	10 742	10 380
Financial performance			
ROE (%)		16.8	18.0
Credit loss ratio on banking activities (bps)		68	56
Cost-to-income ratio on banking activities ¹ (%)		56.4	57.0

¹ The group has, as permitted by International Financial Reporting Standards (IFRS), including IFRS 16 Leases (IFRS 16), elected not to restate its comparative financial statements. Therefore comparability will not be achieved by the fact that the comparative financial information has been prepared on an IAS 17 Leases basis. Refer to the full results announcement for more detail on the adoption of IFRS16.

Income statement highlights - banking activities

	CCY	Change	2019	2018 ¹
	%	%	Rm	Rm
Net interest income	6	6	62 919	59 505
Non-interest revenue	4	4	47 542	45 826
Total income	5	5	110 461	105 331
Operating expenses	4	4	(62 335)	(60 084)
Operating income	8	6	48 126	45 247
Credit impairment charges	23	23	(7 964)	(6 489)
Taxation	1	—	(9 894)	(9 846)
Other	12	12	349	312
Attributable to non-controlling interests and other equity instrument holders	1	1	(3 401)	(3 377)
Banking activities headline earnings	6	5	27 216	25 847
Banking activities ROE (%)			18.1	18.8

¹ Restated, refer to the full results announcement for details on the restatements.

Headline earnings by business unit

	CCY	Change	2019	2018 ¹
	%	%	Rm	Rm
Personal & Business Banking	6	6	16 510	15 539
Corporate & Investment Banking	7	5	11 795	11 202
Central and other	21	22	(1 089)	(894)
Banking activities headline earnings	6	5	27 216	25 847
Other banking interests	(over 100)	(over 100)	(864)	418
Liberty headline earnings	16	16	1 855	1 600
Group headline earnings	3	1	28 207	27 865

¹ Where responsibility for individual cost centres and divisions within business units change, the comparative figures have been reclassified accordingly.

Declaration of dividends

Shareholders of Standard Bank Group Limited (the company) are advised of the following dividend declarations out of income reserves in respect of ordinary shares and preference shares.

Ordinary shares

Ordinary shareholders are advised that the board has resolved to declare a final gross cash dividend No. 101 of 540 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 24 April 2020. The last day to trade to participate in the dividend is Tuesday, 21 April 2020. Ordinary shares will commence trading ex dividend from Wednesday, 22 April 2020.

The salient dates and times for the cash dividend are set out in the table that follows.

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 22 April 2020, and Friday, 24 April 2020, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited on Tuesday, 28 April 2020.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

Preference shares

Preference shareholders are advised that the board has resolved to declare the following final dividends:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 101 of 3.25 cents (gross) per first preference share, payable on Monday, 20 April 2020, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 17 April 2020. The last day to trade to participate in the dividend is Tuesday, 14 April 2020. First preference shares will commence trading ex dividend from Wednesday, 15 April 2020.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 31 of 389.12 cents (gross) per second preference share, payable on Monday, 20 April 2020, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 17 April 2020. The last day to trade to participate in the dividend is Tuesday, 14 April 2020. Second preference shares will commence trading ex dividend from Wednesday, 15 April 2020.

The salient dates and times for the preference share dividend are set out in the table that follows.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Wednesday, 15 April 2020, and Friday, 17 April 2020, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 20 April 2020.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

The relevant dates for the payment of dividends are as follows:

	Ordinary shares	6.5% cumulative preference shares (First preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (Second preference shares)
JSE Limited			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000109815	ZAE000038881	ZAE000056339
Namibian Stock Exchange (NSX)			
Share code	SNB		
ISIN	ZAE000109815		
Dividend number	101	101	31
Dividend per share (cents)	540	3.25	389.12
Last day to trade in order to be eligible for the cash dividend	Tuesday, 21 April 2020	Tuesday, 14 April 2020	Tuesday, 14 April 2020
Shares trade ex the cash dividend	Wednesday, 22 April 2020	Wednesday, 15 April 2020	Wednesday, 15 April 2020
Record date in respect of the cash dividend	Friday, 24 April 2020	Friday, 17 April 2020	Friday, 17 April 2020
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	Tuesday, 28 April 2020	Monday, 20 April 2020	Monday, 20 April 2020

The above dates are subject to change. Any changes will be released on the Stock Exchange News Service and published in the South African and Namibian press.

Tax implications

The cash dividend received under the ordinary shares and the preference shares is likely to have tax implications for both resident and non-resident ordinary and preference shareholders. Such shareholders are therefore encouraged to consult their professional tax advisers.

In terms of the South African Income Tax Act, 58 of 1962, the cash dividend will, unless exempt, be subject to dividends tax that was introduced with effect from 1 April 2012. South African resident ordinary and preference shareholders that are not exempt from dividends tax, will be subject to dividends tax at a rate of 20% of the cash dividend, and this amount will be withheld from the cash dividend with the result that they will receive a net amount of 432 cents per ordinary share, 2.60 cents per first preference share and 311.296 cents per second preference share. Non-resident ordinary and preference shareholders may be subject to dividends tax at a rate of less than 20% depending on their country of residence and the applicability of any Double Tax Treaty between South Africa and their country of residence.

The issued share capital of the company, as at the date of declaration, is as follows:

- 1 619 709 548 ordinary shares
- 8 000 000 first preference shares
- 52 982 248 second preference shares.

The company's tax reference number is 9800/211/71/7 and registration number is 1969/017128/06.

5 March 2020, Johannesburg

Other information

This announcement is a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decisions by investors or shareholders should be based on a consideration of the full announcement released on SENS or available at www.standardbank.com/reporting and also on the following JSE website: <https://senspdf.jse.co.za/documents/2020/jse/isse/SBK/SBG2019.pdf>

While this report, in itself, is not audited, the consolidated annual financial statements from which this report is derived were audited by KPMG Inc. and PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The full audit opinion, including any key audit matters, is available at www.standardbank.com/reporting. Copies of the full announcement may be requested by emailing InvestorRelations@standardbank.co.za or by phoning +27 11 636 5039. Copies of this announcement are also available at Standard Bank Group Limited's registered office at no charge on weekdays from 09:00 to 16:00.

The directors of Standard Bank Group Limited take full responsibility for the preparation of this announcement including the pro forma constant currency financial information, and that the financial information, where applicable, has been correctly extracted from the underlying audited group financial statements. Due to its nature, the pro forma financial information may not be a fair reflection of the group's results of operations. Refer to the group's full announcement for further details regarding the computation of the group's pro forma constant currency financial information. This announcement has not been audited. The group financial statements were audited by KPMG Inc. and PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The full audit opinion, including any key audit matters, will be available at www.standardbank.com/reporting when the group's full annual financial statements are released on or about 17 April 2020. The group financial statements and auditors' report thereon are available for inspection at the company's registered office.

Registered office: 9th floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg 2001, PO Box 7725, Johannesburg 2000

Independent sponsors: South Africa: JP Morgan Equities (SA) Proprietary Limited, Namibia: Simonis Storm Securities (Proprietary) Limited

Joint sponsor: The Standard Bank of South Africa Limited (acting through its Corporate & Investment Banking business unit)

Directors: TS Gcabashe (chairman), A Daehnke*, MA Erasmus¹, GJ Fraser-Moleketi, GMB Kennealy, BP Mabelane, JH Maree (deputy chairman), NNA Matyumza, KD Moroka, NMC Nyembezi, ML Oduor-Otieno², AC Parker, ANA Peterside con³, MJD Ruck, PD Sullivan⁴, SK Tshabalala* (chief executive), JM Vice, L Wang⁵.

All nationalities are South African, unless otherwise specified. * Executive director ¹ British ² Kenyan ³ Nigerian ⁴ Australian ⁵ Chinese