STANDARD BANK GROUP

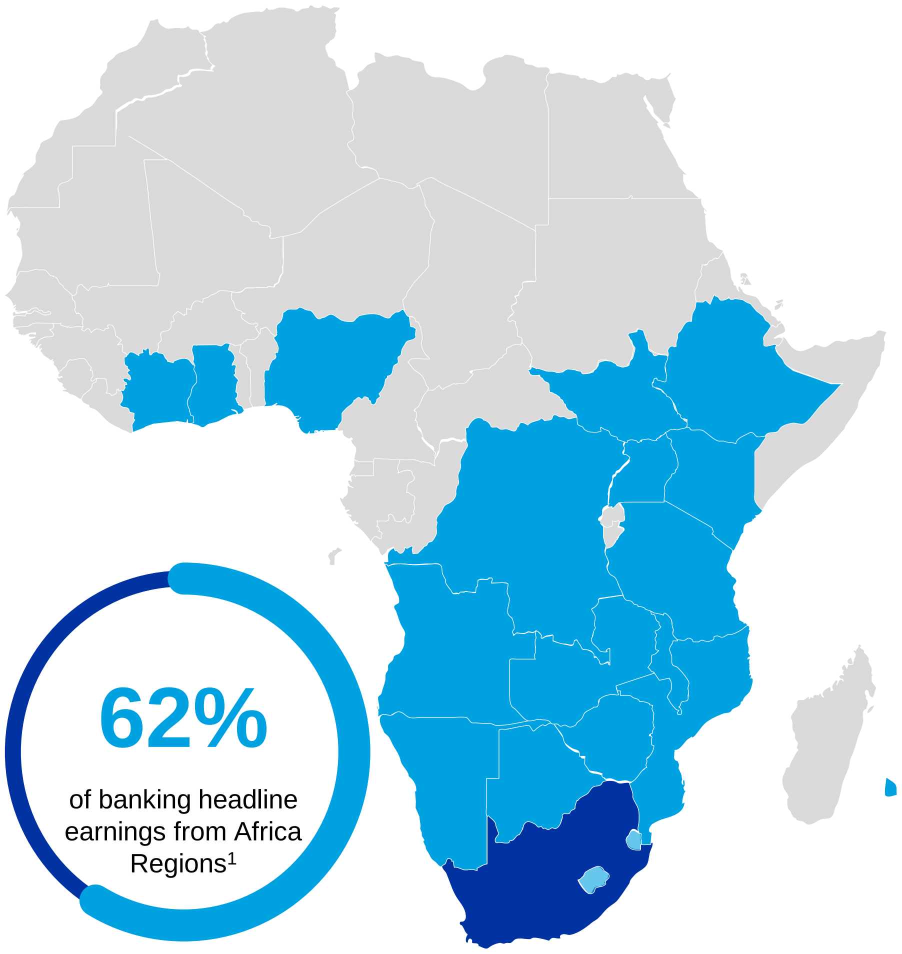
FINANCIAL RESULTS PRESENTATION

1H20

20 August 2020

OUR PURPOSE

AFRICA IS OUR HOME, WE DRIVE HER GROWTH



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[2], 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

[1] Operations in Africa outside of South Africa
[2] Based on CET1 capital above the SARB CET1 regulatory minimum (7.0%)

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[1]
- 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

[1] *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%**

Group headline earnings

1H20: **R7.5bn**

1H19: R13.4bn

↓ **44%**

Common equity tier 1 ratio[1]

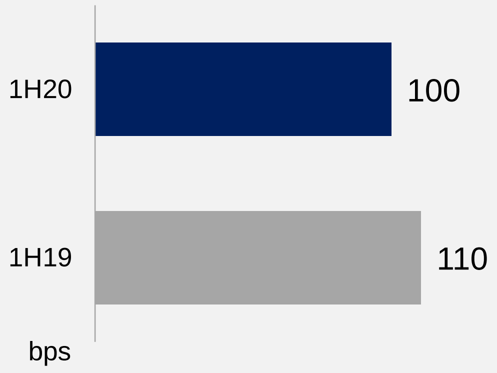
1H20: **12.6%**

1H19: 14.0%

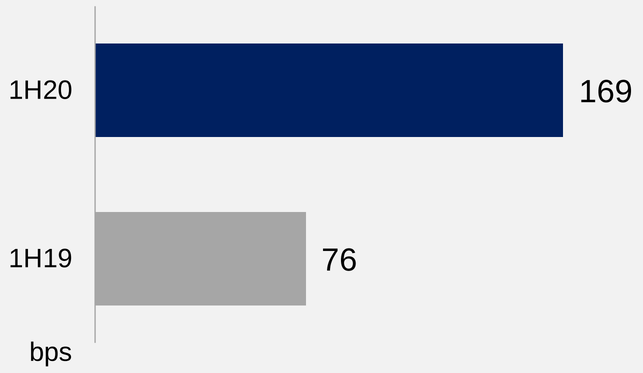
R75bn

Capital capacity[2]

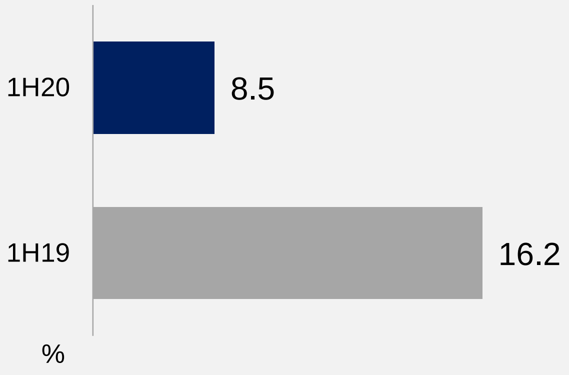
Jaws



Credit loss ratio



Return on equity



[1] Common equity tier 1 (CET1) capital adequacy ratio (based on SARB IFRS 9 phased-in approach)
[2] CET1 capital available to absorb losses i.e. above regulatory minimum of 7.0%

CLIENT FOCUS

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

Trade solutions

- **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

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

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT = FINANCIAL OUTCOME SEE IMPACT

EMPLOYEE ENGAGEMENT

SAFETY FIRST, SKILLS A CLOSE SECOND

Prioritised the protection, safety and support of our employees[1]

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

[1] *Based on employee survey feedback*

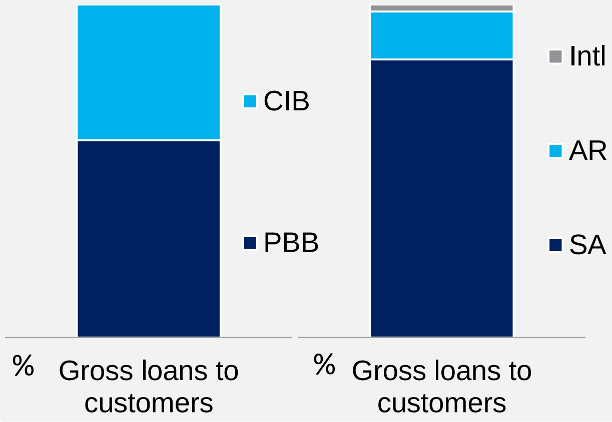
RISK AND CONDUCT

RISK AND CONDUCT

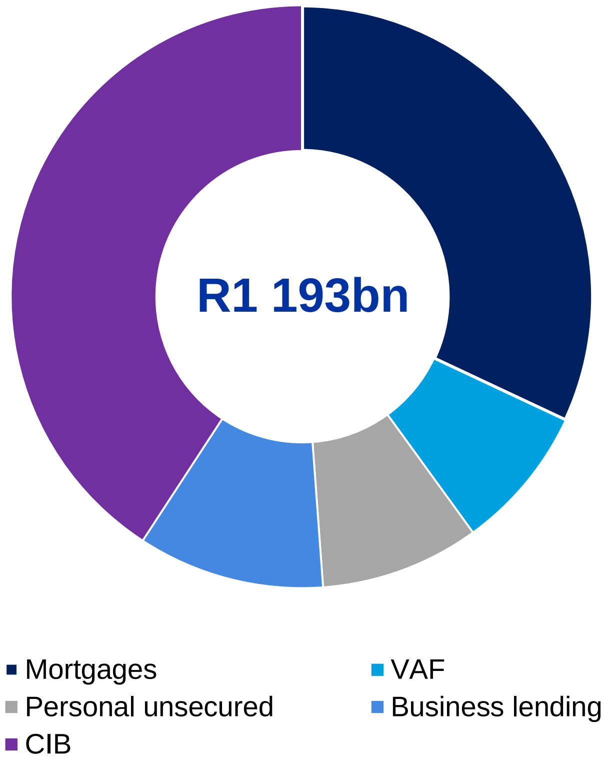
PORTFOLIO RISK MANAGEMENT

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



Gross loans and advances to customers



Mortgages – leading South Africa market share, portfolio LTV[1] of 88% and BTV[2] 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%)

[1] *Original loan to value*
[2] *Outstanding book to value*

RISK AND CONDUCT – ESG RISK

CLIMATE CHANGE RISK – RECOGNISED AS A MATERIAL RISK

Focus areas	Existing, underway and planned	Timing
Strategy Purposeful in the allocation of resources	• A purpose-driven organisation – driving Africa's growth • Recognise the importance of E, S and G[1]	• **Ongoing**
Risk management and governance Policies and procedures	• ESG embedded in existing client onboarding and transaction screening as well as ongoing portfolio management and deal monitoring processes • Developing an overarching ESG Framework	• **Well embedded internally** • **FY20 / FY21**
Sustainable finance Helping our clients' transition	• Sustainable finance business unit • Recognised as a leader in Africa[2] – arranged 40% of all green bonds issued in Africa in 2019	• **FY19** • **FY20**
Transparency Focused on expanding our disclosures	• Published our various group policies[3], ESG report, Sustainability Bond Framework • Focused on expanding our disclosures and committed to TCFD[1]	• **Initial TCFD[1] – 3Q20** • **Fossil fuel policy – YE20**

Standard Bank is a founding signatory of the UN Principles for Responsible Banking and the chair of the UNEP FI[4] Banking Committee

[1] 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
[2] 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
[3] Published polices available on Standard Bank Group's ESG website: https://sustainability.standardbank.com/esg-policies/
[4] United Nations Environment Programme Finance Initiative

FINANCIAL OUTCOME

4.1 GROUP PERFORMANCE

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT = FINANCIAL OUTCOME SEE IMPACT

DRIVERS OF PERFORMANCE

GROUP FINANCIAL OUTCOME

Growth

Average interest-earning assets	↑ 14%
Average interest-bearing liabilities	↑ 15%
Net interest margin	↓ 57 bps

Net interest income	↔ 0%
Impairment charges	↑ >100%
Non-interest revenue	↑ 6%
Operating expenses	↑ 2%
Banking headline earnings	↓ 40%

Other banking interests	↑ >100%
Liberty	↓ >100%
Group headline earnings	↓ 44%

Resilience

CET1[1]	12.6%
Average equity	↑ 8%

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Returns

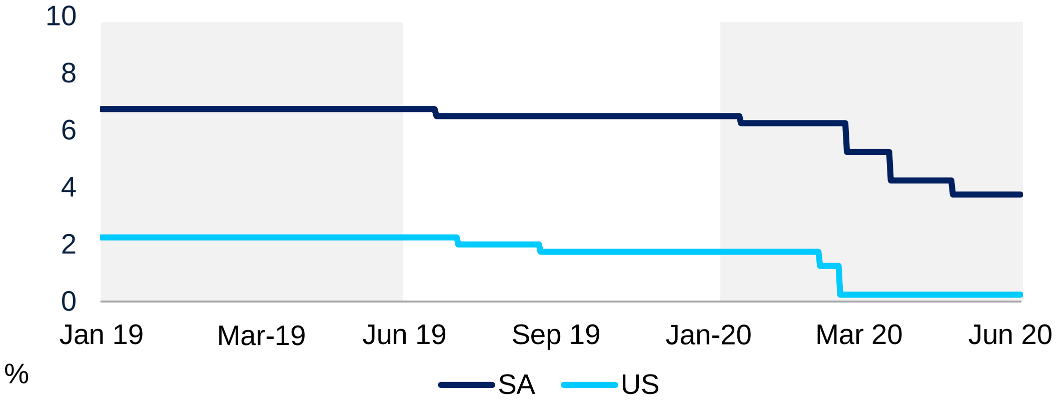
Return on equity	8.5%
Dividend per share	0

[1] *CET1 ratio based on SARB IFRS 9 phased-in approach*

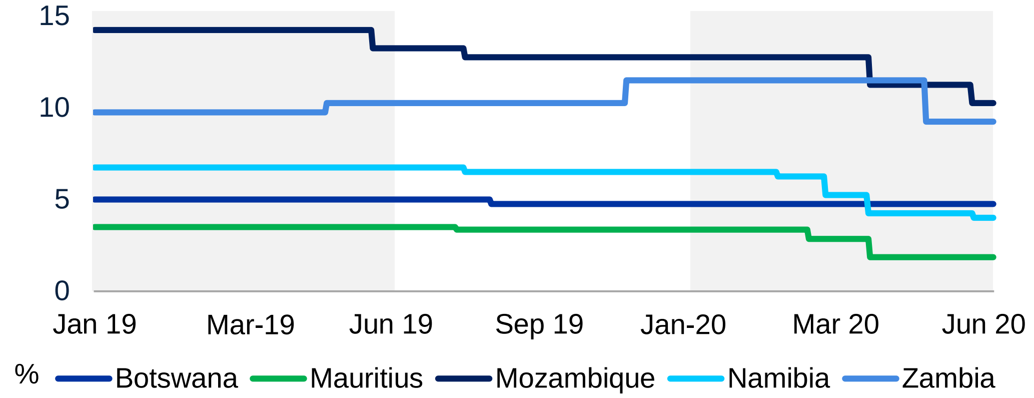
INTEREST RATES

AVERAGE INTEREST RATES LOWER IN ALL COUNTRIES EXCEPT ZAMBIA

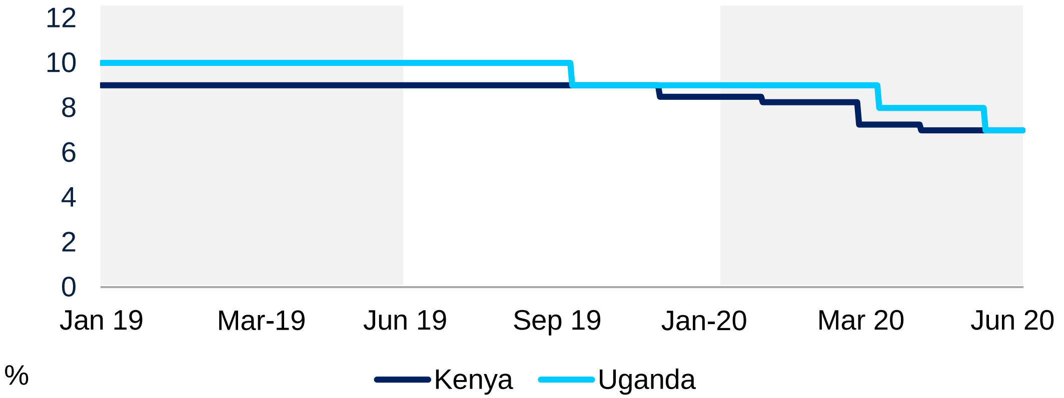
South Africa and International



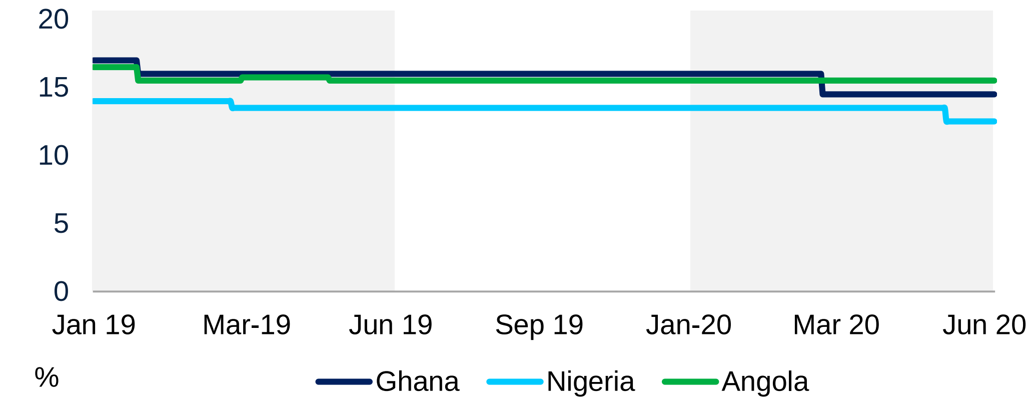
South and Central



East Africa



West Africa

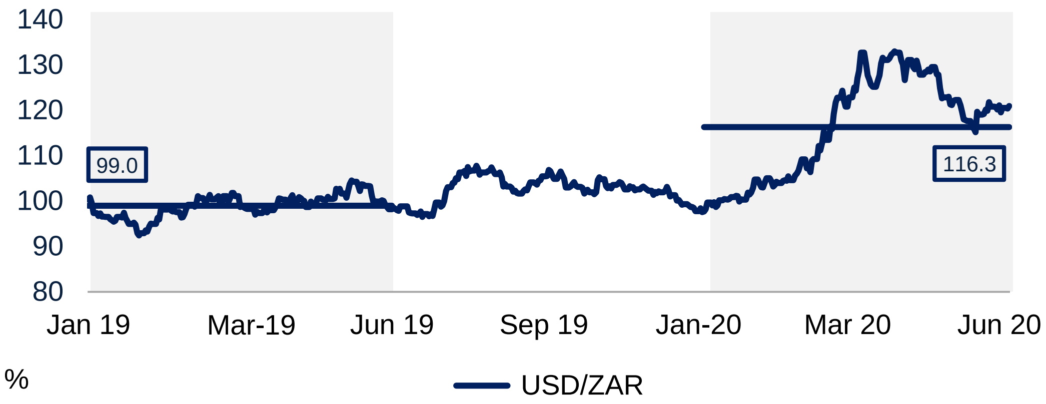


Source: Bloomberg

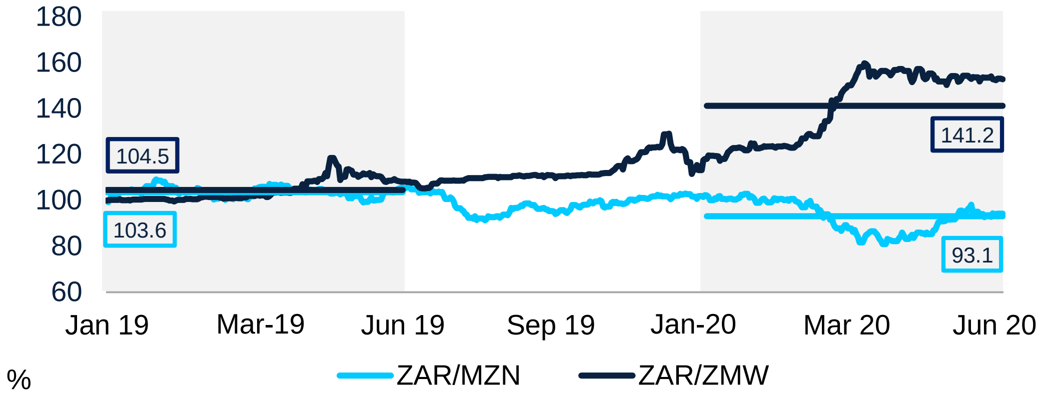
FOREX RATES

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

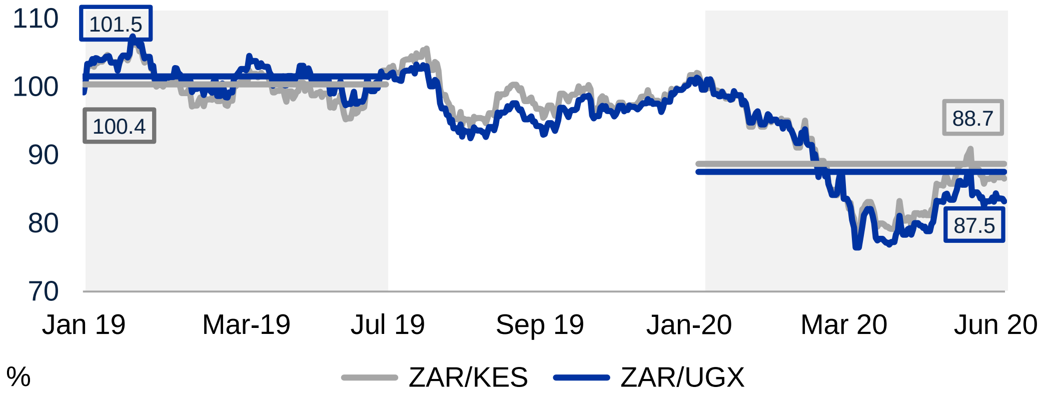
South Africa and International



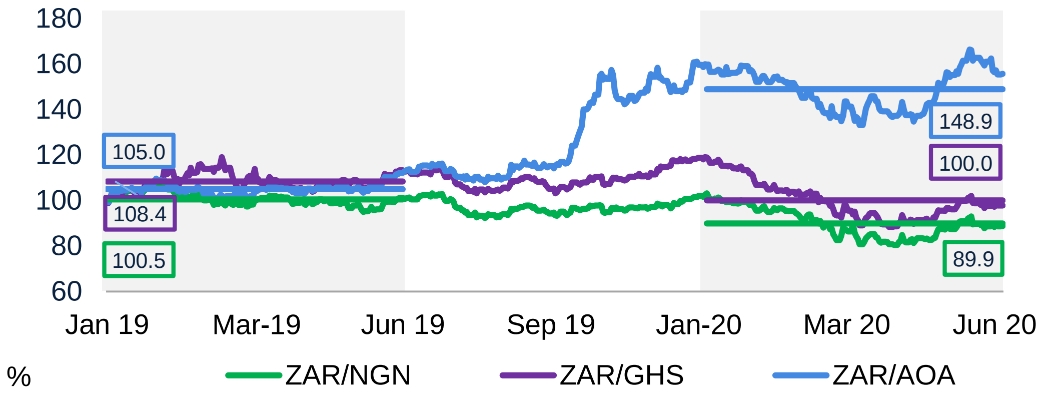
South and Central



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[1]

		South Africa	Africa Regions
Retail customer activity volumes	Branch	↓42%	↓26%
	ATM	↓21%	↓4%

	South Africa small business	South Africa mid-size business
Business turnover	↓14%	↓7%

	South Africa mortgage[5]	South Africa motor[5]
New business disbursements	↓32%	↓38%

Increase in client activity[1]

	South Africa retail	Africa Regions retail	Corporate[2]
Digital transaction volumes	↑78%	↑24%	↑37%

	AUM[3]	Deposits	Life GWP[4]
Wealth activity	↑22%	↑21%	↑10%

	JSE equity trading[6]	Client disbursements[7]	Africa Regions transactions[8]
Corporate activity	↑>100%	↑12%	↑45%

[1] 1H20 vs 1H19
[2] Electronic transaction volumes in Africa Regions
[3] Assets under management and assets under advice
[4] Gross written premium
[5] Value of new business disbursements
[6] Standard Bank traded volumes (vs JSE +25%)
[7] Client origination and facility drawdowns
[8] 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 Rbn	1H19 Rbn	Change %	Change CCY %
Net interest income	31.2	31.2	0	(2)
Non-interest revenue	24.6	23.1	6	4
Total income	**55.8**	**54.3**	**3**	**1**
Operating expenses	(31.5)	(31.0)	2	0
Pre-provision profit	**24.3**	**23.3**	**4**	**2**
Credit impairment charges	(11.3)	(4.2)	>100	>100
Banking activities headline earnings	**7.7**	**12.8**	**(40)**	**(41)**
Other banking interests	0.5	(0.3)	>100	>100
Liberty	(0.7)	0.9	(>100)	(>100)
SBG headline earnings	**7.5**	**13.4**	**(44)**	**(44)**
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 Rbn	1H19 Rbn	Change %
Standard Bank Group headline earnings	**7.5**	**13.4**	**(44)**
Impairment of intangible assets[1]	(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)	
Profit attributable to ordinary shareholders	**3.8**	**13.2**	**(71)**
Net asset value	**179**	**168**	**7**

Key takeouts

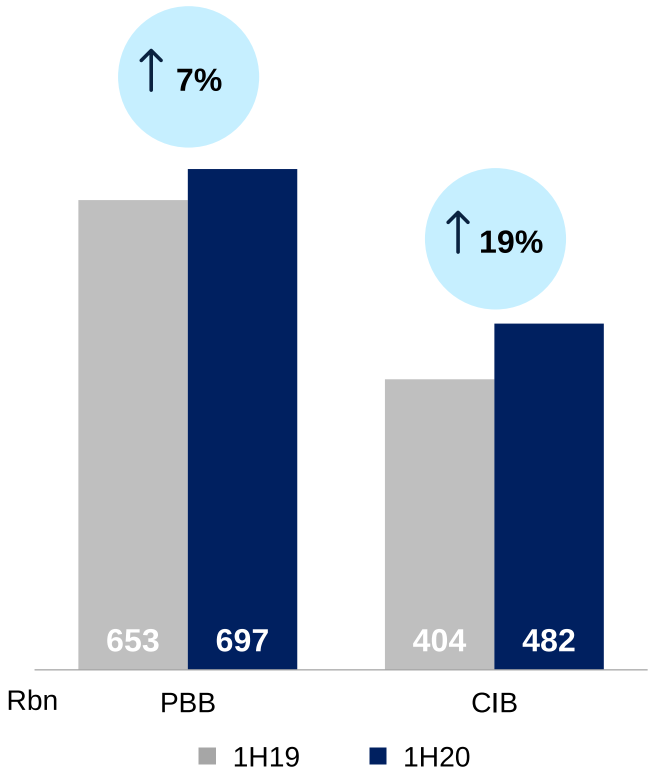
- Impairment of IT-related intangible assets following an internal review, in line with existing accounting policy
- Completion of the sale of the group's 20% stake in ICBC Argentina gave rise to:
  - Gain on sale - proceeds exceeded the carrying value of the investment
  - FCTR release – the impact 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

[1] Post-tax impact of impairments related to CIB (R1.7bn), PBB (R0.2bn) and Liberty (R70m)

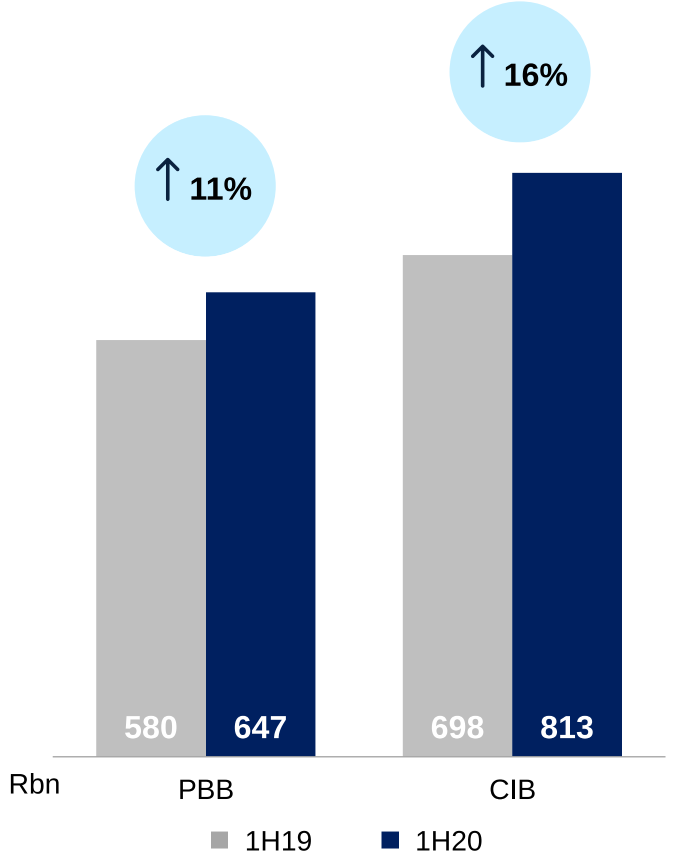
BALANCE SHEET

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[1] 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

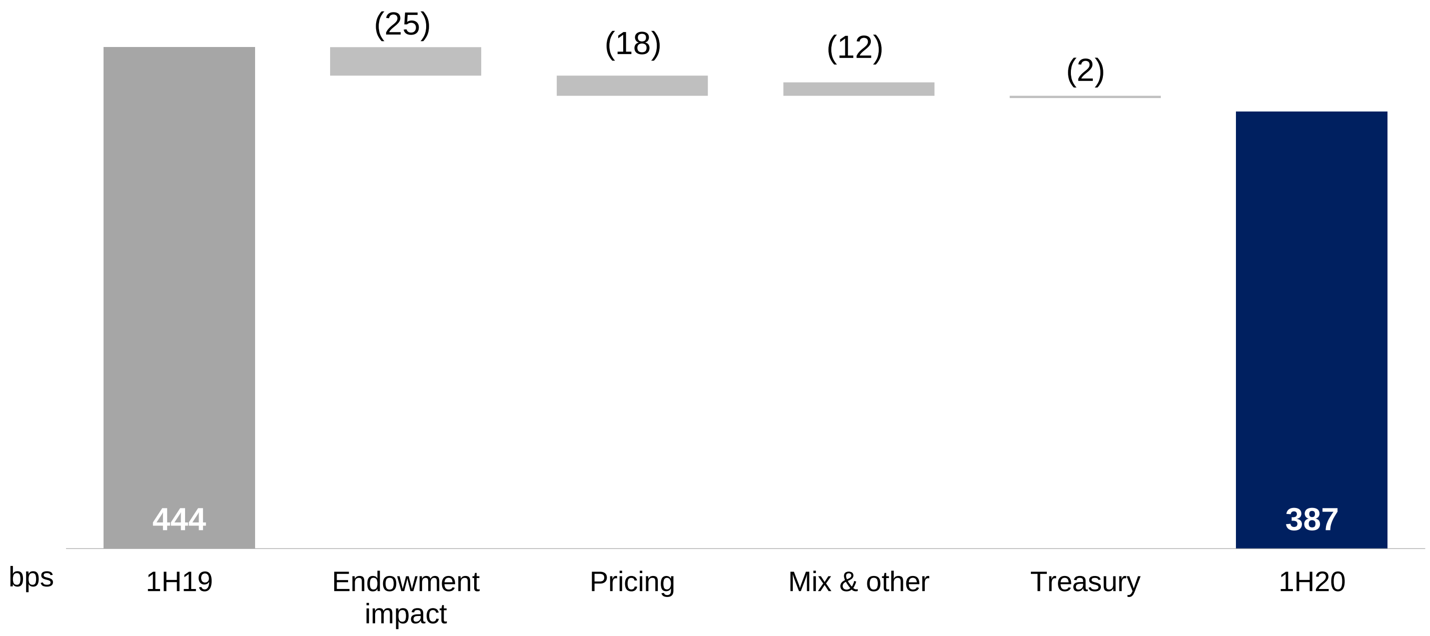
[1] *In particular, in term loans*

NET INTEREST INCOME

MARGIN SQUEEZE DRIVEN BY INTEREST RATE DECLINES AND COMPETITIVE PRICING

Net interest margin

↓57bps



Key takeouts

- Weighted average interest rates declined >150 bps period on period[1]
- 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

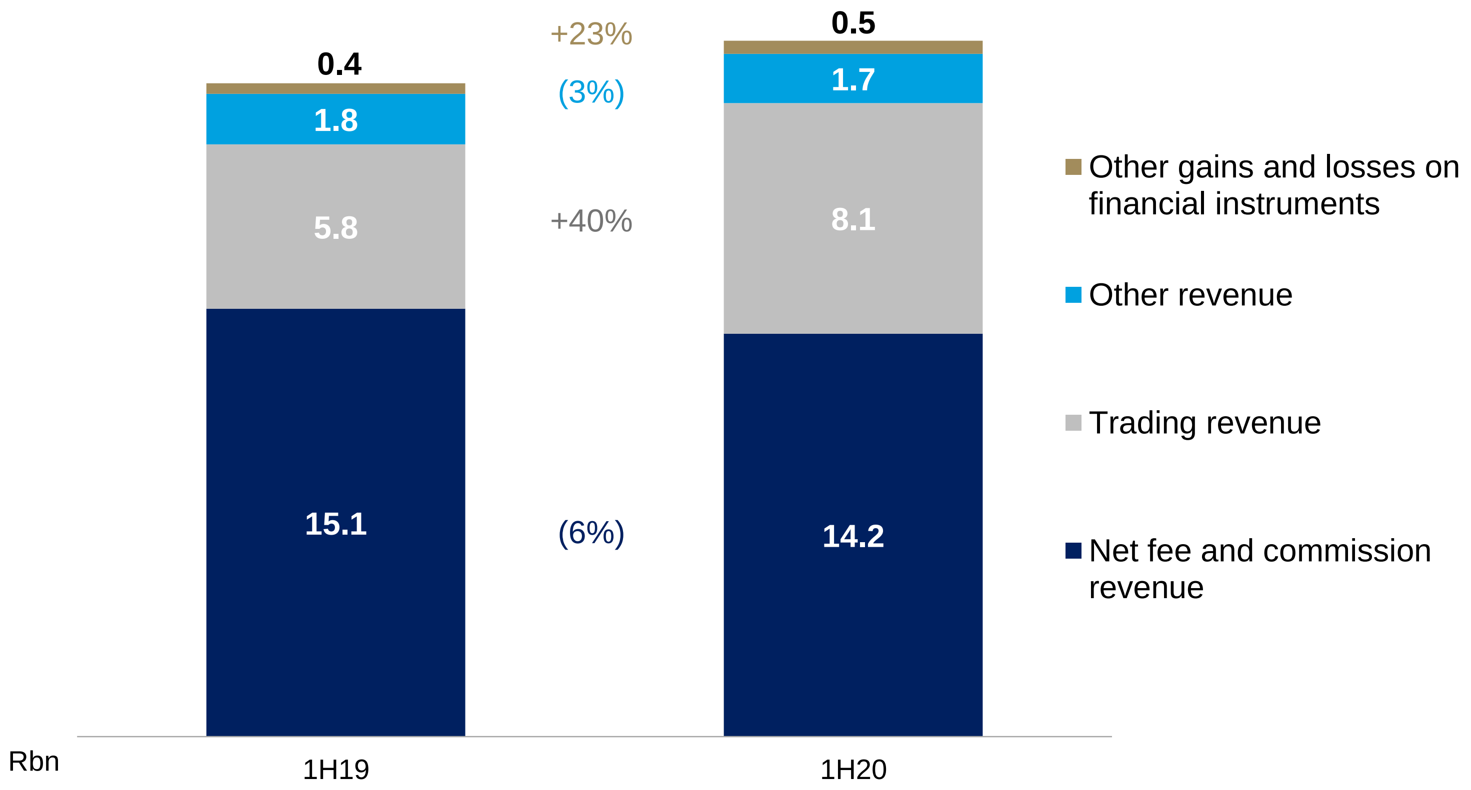
[1] *Based on 11 top countries, interest rate sensitivity in South Africa, a 25 bps movement equates to ~R300m net interest income impact on an annualised basis*

NON-INTEREST REVENUE

STRONG TRADING PERFORMANCE PARTIALLY OFFSET BY FEE PRESSURE

Non-interest revenue

↑6%



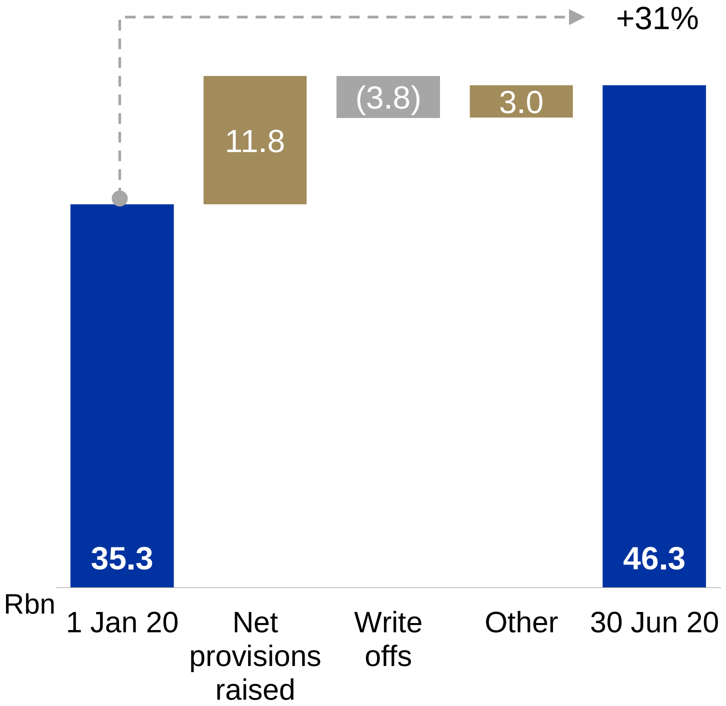
Key takeouts

- 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

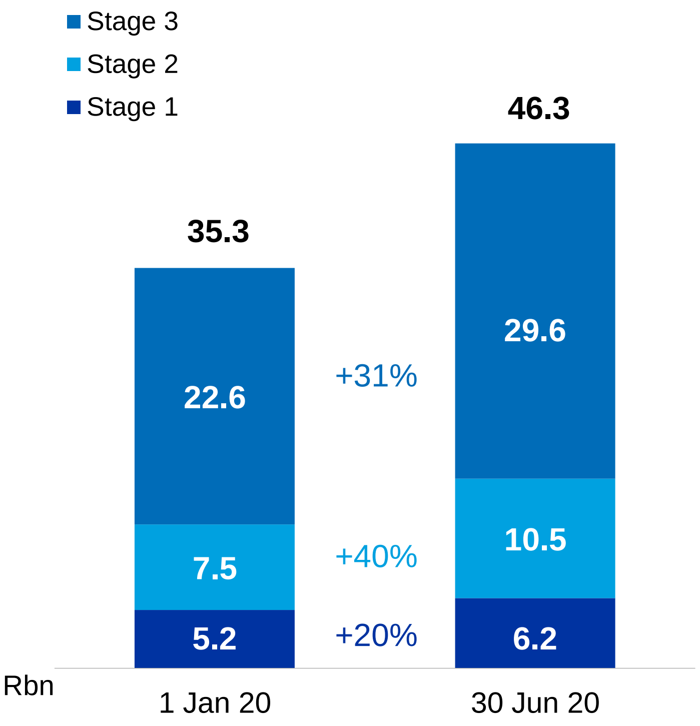
SIGNIFICANT INCREASE IN PROVISIONS AS BEHAVIOUR SCORES AND CLIENT RATINGS DETERIORATED AND DEFAULTS ROSE

Balance sheet provision movement



1H19 Rbn	36.7	5.1	(6.2)	0.9	36.5

Balance sheet provision split



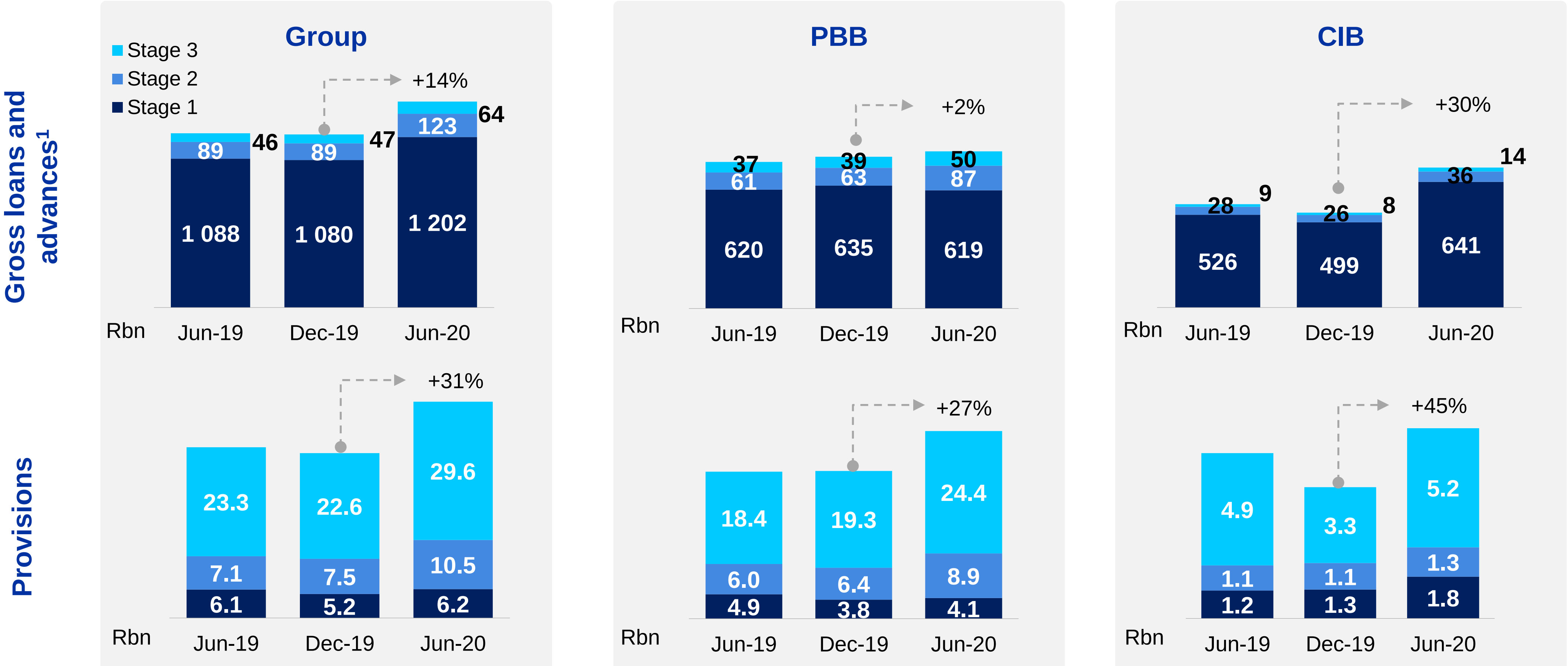
Stage 3 coverage	48%	46%

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



	Group Jun-19	Group Dec-19	Group Jun-20	PBB Jun-19	PBB Dec-19	PBB Jun-20	CIB Jun-19	CIB Dec-19	CIB Jun-20
Total coverage	3.0%	2.9%	3.3%	4.1%	4.0%	5.0%	1.3%	1.1%	1.2%

[1] 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

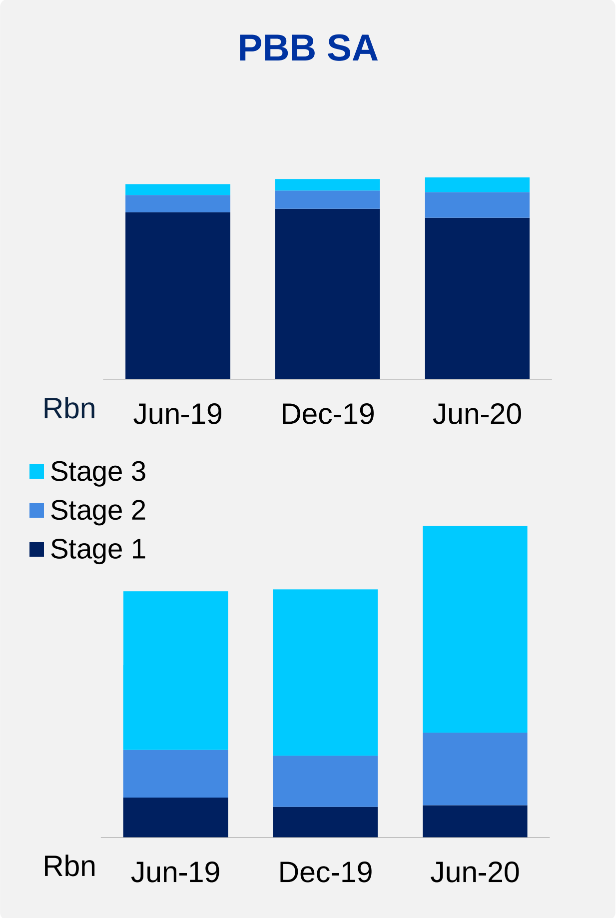
Standard Bank IT CAN BE™

BALANCE SHEET – PBB SA GROSS LOANS AND PROVISIONS[1]

COVERAGE INCREASED ON BASE PORTFOLIO, CLIENT RELIEF PORTFOLIO LOWER COVERAGE DUE TO NATURE THEREOF[2]

Gross loans and advances[1]

Provisions[3]



	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
Total	**595**	**600**	**493**	**107**

Client relief portfolio is 18% of the PBB SA portfolio

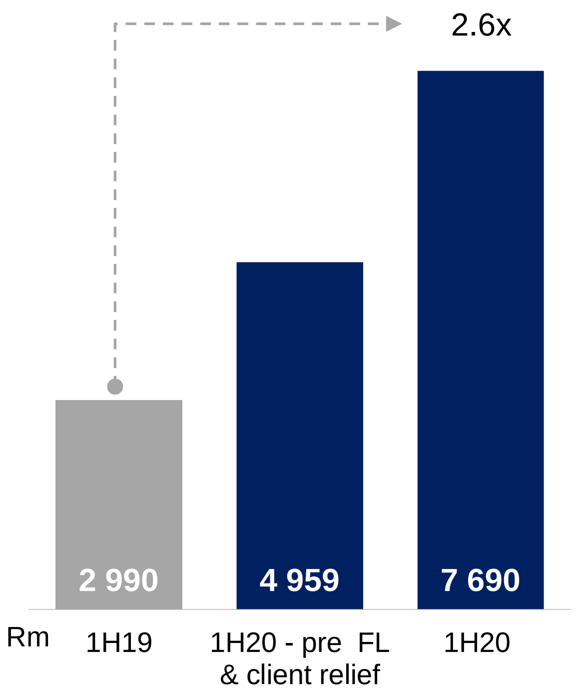
	Provisions, Rbn				Coverage, %			
	Dec-19	Jun-20			Dec-19	Jun-20		
	Total	Total	Base portfolio	Client relief	Total	Total	Base portfolio	Client relief
Stage 3	17.0	21.2	20.9	0.3	50.7	48.3	48.9	26.8
Stage 2	5.2	7.4	5.7	1.7	9.7	9.7	10.5	7.7
Stage 1	3.2	3.3	2.7	0.6	0.6	0.7	0.7	0.8
Total	**25.4**	**31.9**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

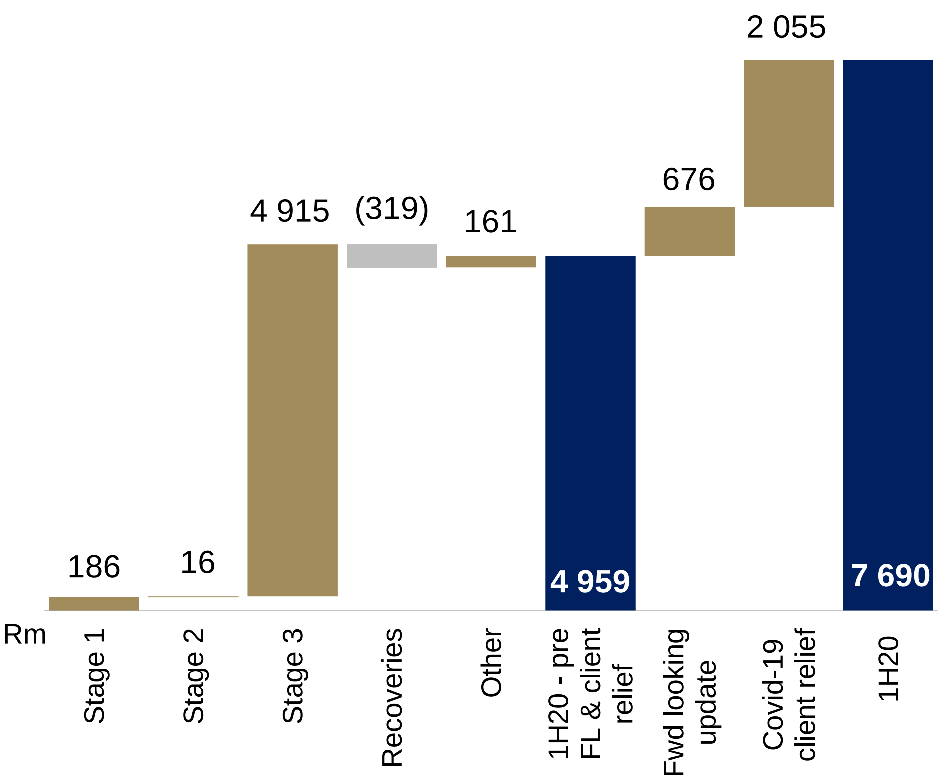
[1] Based on SBSA PBB gross loans and advances and provisions per pages 76-83 of the 1H20 financial analysis booklet
[2] Loans included in the PBB SA client relief portfolio were performing as at 31 March 2020
[3] Total provisions as at 30 June 2020 include R2.0bn for forward looking and R2.6bn for client relief portfolio

CREDIT IMPAIRMENT CHARGES – PBB SOUTH AFRICA

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

Credit impairment charges





CLR	106 bps	169 bps	261 bps

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[1]

- Deterioration of economic outlook and impact of industry specific concerns

Covid-19 client relief provision[2]

- 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

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

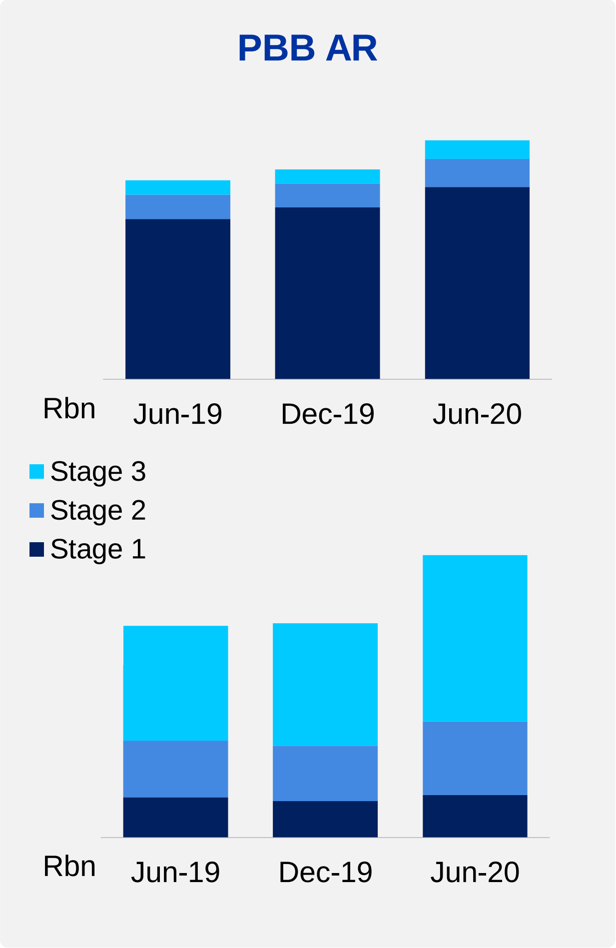
[2] Additional provisions raised on the loans now classified as the client relief portfolio amounted to R2.1bn resulting in total balance sheet provisions held of R2.6bn; stage 1 R68m, stage 2 R1 704m and stage 3 R283m

BALANCE SHEET – PBB AR GROSS LOANS AND PROVISIONS

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

Gross loans and advances to customers

Provisions



	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
Total	**78.0**	**88.8**	**77.9**	**10.9**

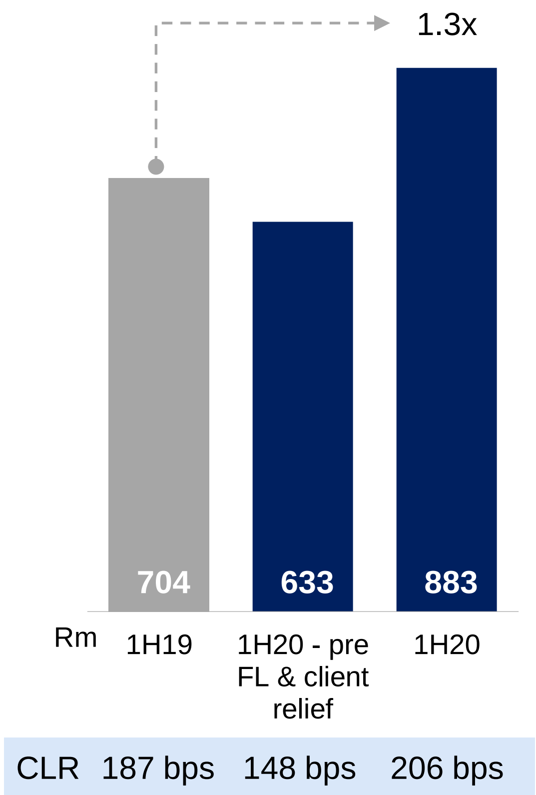
Client relief portfolio is 12% of the PBB AR portfolio

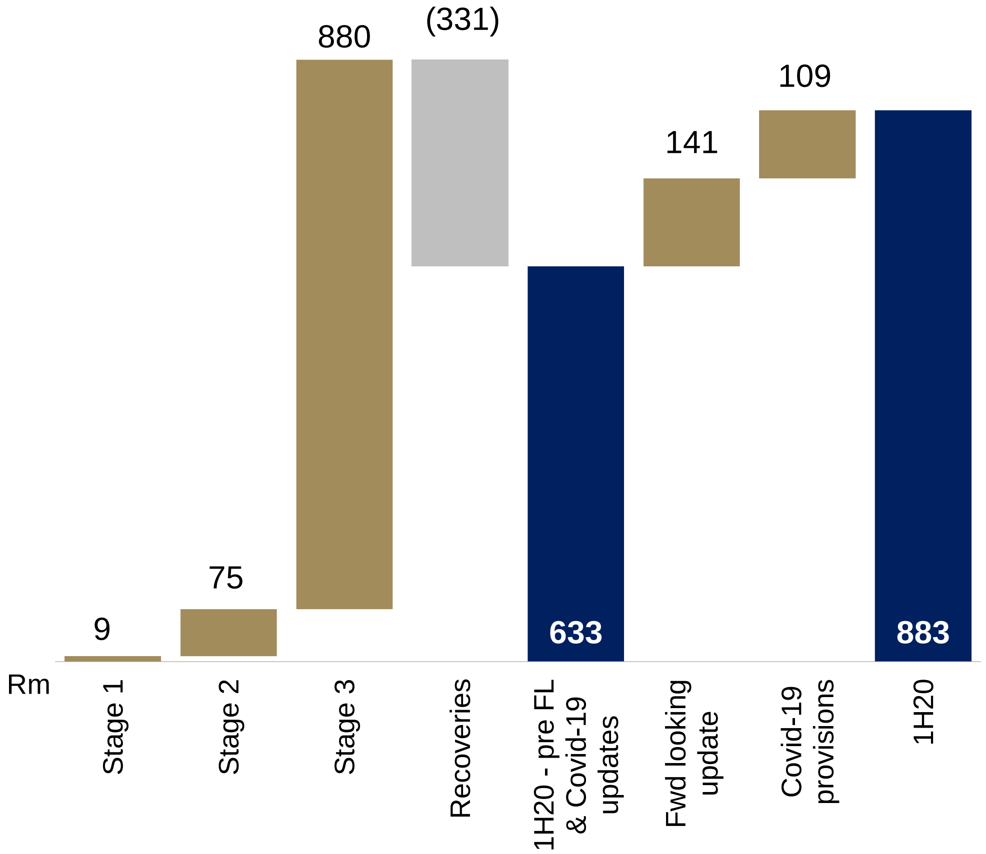
	Provisions, Rbn				Coverage, %			
	Dec-19	Jun-20			Dec-19	Jun-20		
	Total	Total	Base portfolio	Client relief	Total	Total	Base portfolio	Client relief
Stage 3	2.5	3.4	3.4	0.0	47.1	50.0	50.0	50.9
Stage 2	1.1	1.5	1.3	0.2	13.0	14.4	15.3	9.9
Stage 1	0.8	0.9	0.8	0.1	1.2	1.2	1.3	0.9
Total	**4.4**	**5.8**	**5.5**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

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[1]

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

Covid-19 provisions[2]

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

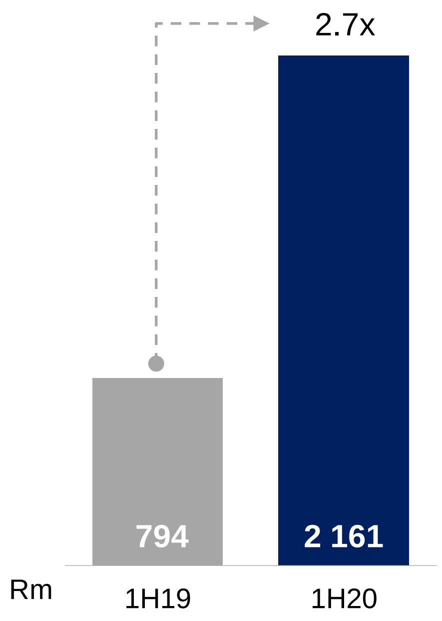
[1] *In 1H20, the PBB Africa Regions forward-looking provision increased by R141m to R554m on the back of the deteriorating macro-economic outlook.*

[2] *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*

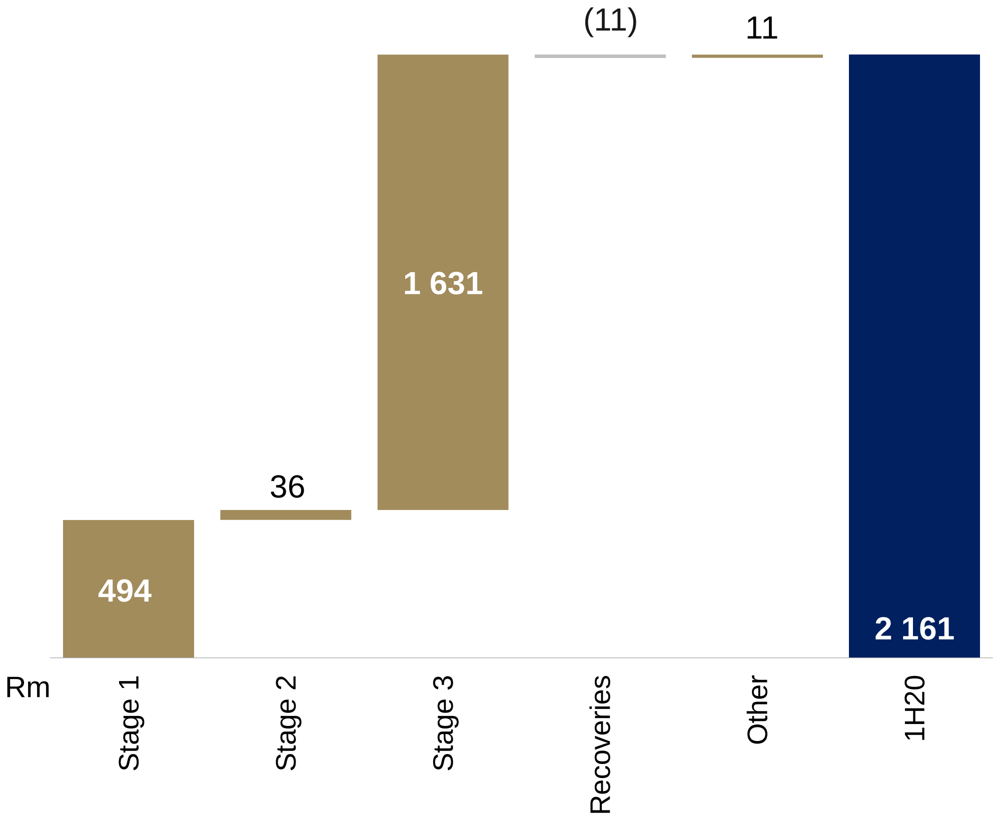
CREDIT IMPAIRMENT CHARGES – CIB

INCREASE LARGELY DRIVEN BY HIGHER DEFAULTS

Credit impairment charges[1]



CLR to customers	40 bps	88 bps



[1] *Relates to credit impairment charges on loans and advances*

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

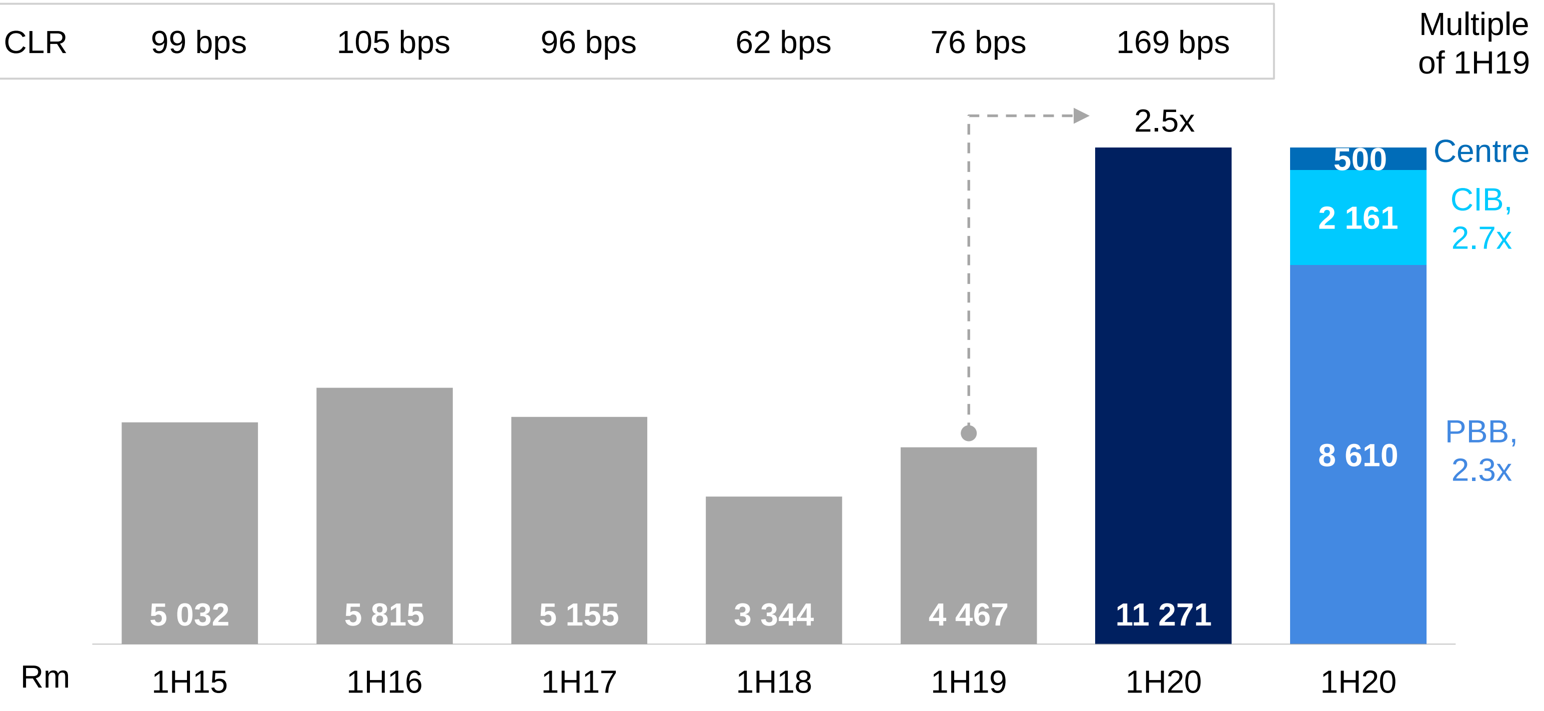
- An increase in provisions raised on stage 3 exposures due to default and higher execution risk on work-outs

CREDIT IMPAIRMENT CHARGES

SIGNIFICANT INCREASE IN CREDIT IMPAIRMENT CHARGES

Credit impairment charges, Rm[1]

CLR	99 bps	105 bps	96 bps	62 bps	76 bps	169 bps



Credit charges on financial investments and guarantees, Rm	(220)	20
Total credit impairment charges, Rm	4 247	11 291

[1] *Graph and CLR represents credit impairment charges on loans and advances*

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

OPERATING EXPENSES

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

	1H20 Rbn	1H19 Rbn	Change %	Change CCY %
Staff costs	**17.6**	**17.4**	**1**	**0**
Other operating expenses	**13.9**	**13.5**	**3**	**0**
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)
Total operating expenses[1]	**31.5**	**30.9**	**2**	**0**

Key takeouts

- Operating costs well managed
- Staff cost growth contained due to:
  - Lower headcount
  - Lower restructuring costs[2]
- 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

[1] *Including Covid-19 costs of R279m*
[2] *In 1H19, PBB completed a branch reconfiguration exercise and CIB reviewed its offices in Singapore and Hong Kong*

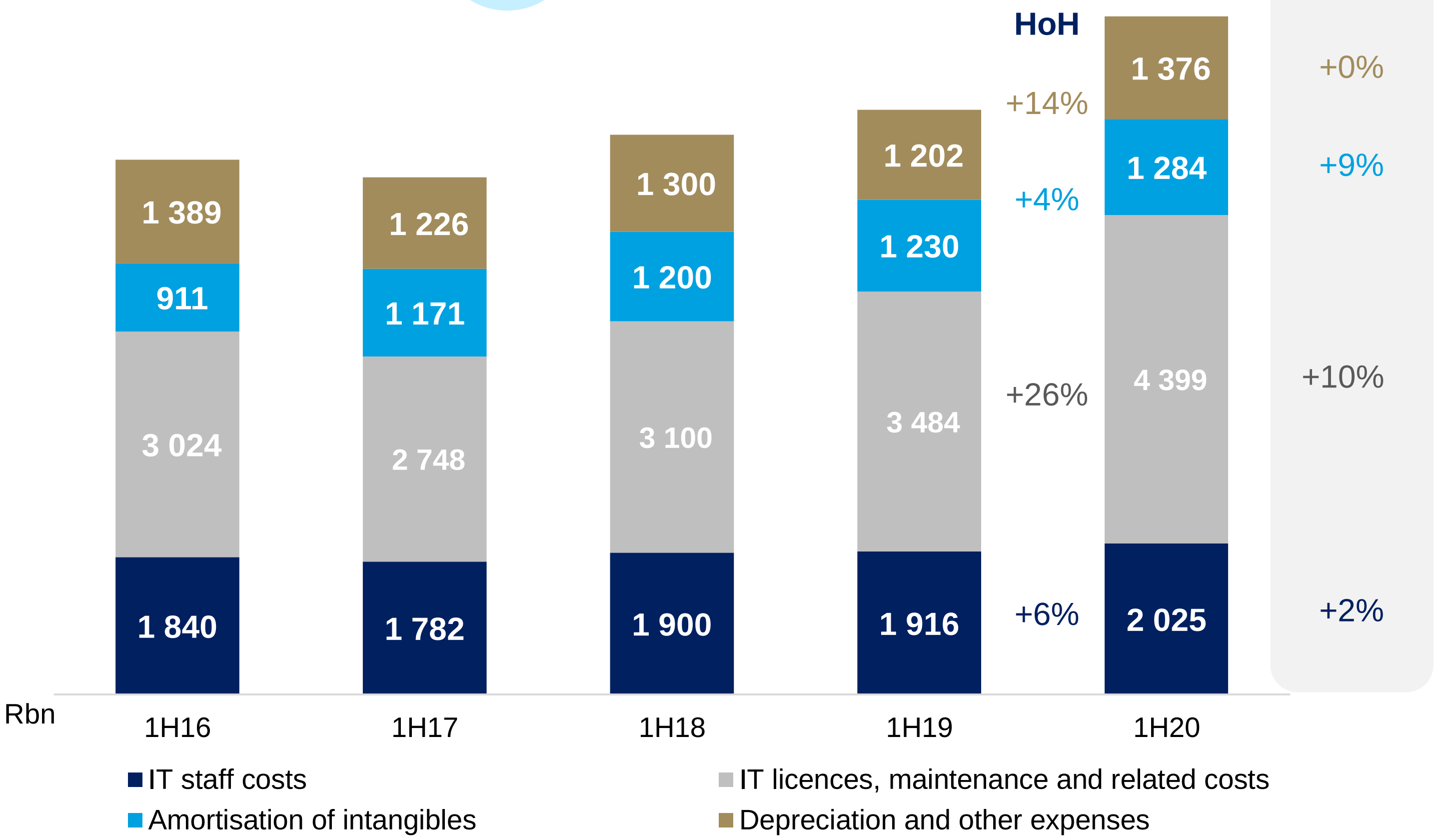
TOTAL IT FUNCTION SPEND

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

LIBERTY

PERFORMANCE NEGATIVELY IMPACTED BY PANDEMIC PROVISION AND MARKET PERFORMANCE

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

[1] *Driven by change in SBK share price. Share price as at 31 December 2019, R168.32 and as at 30 June 2020, R104.50*

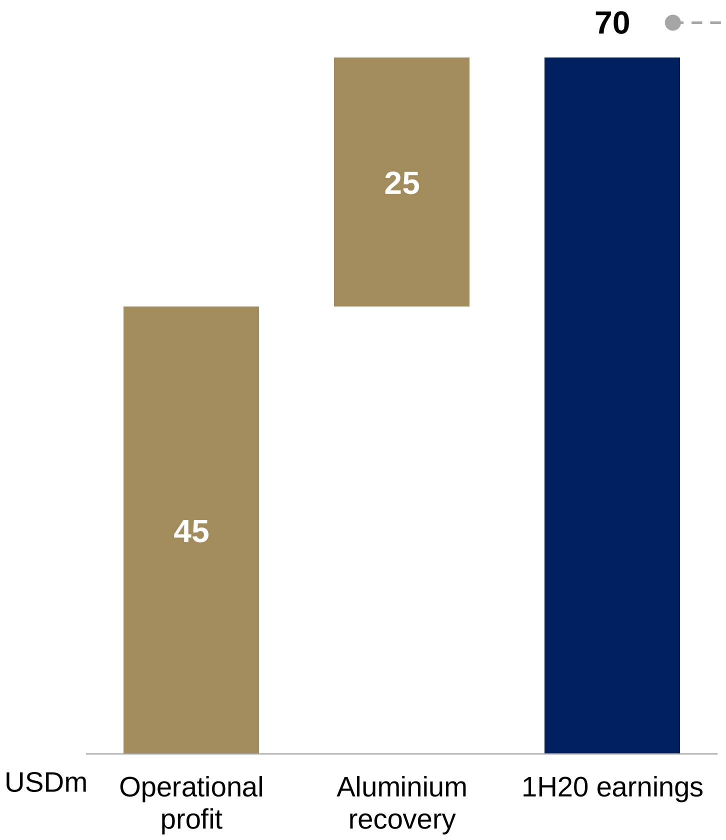
Key takeouts

- 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

ICBC STANDARD BANK PLC

MUCH IMPROVED OUTCOME RELATIVE TO 1H19

ICBCS 1H20 performance, USDm



SBG’s share of earnings / (losses)

	1H20	1H19
ICBCS earnings / (loss), USDm	**70**	**(130)**
@ % stake	*40%*	*40%*
SBG attributable earnings / (loss), USDm	**28**	**(52)**
ZAR/USD[1]	18.1	14.5
SBG attributable earnings / (loss), Rm	**508**	**(752)**

Key takeouts

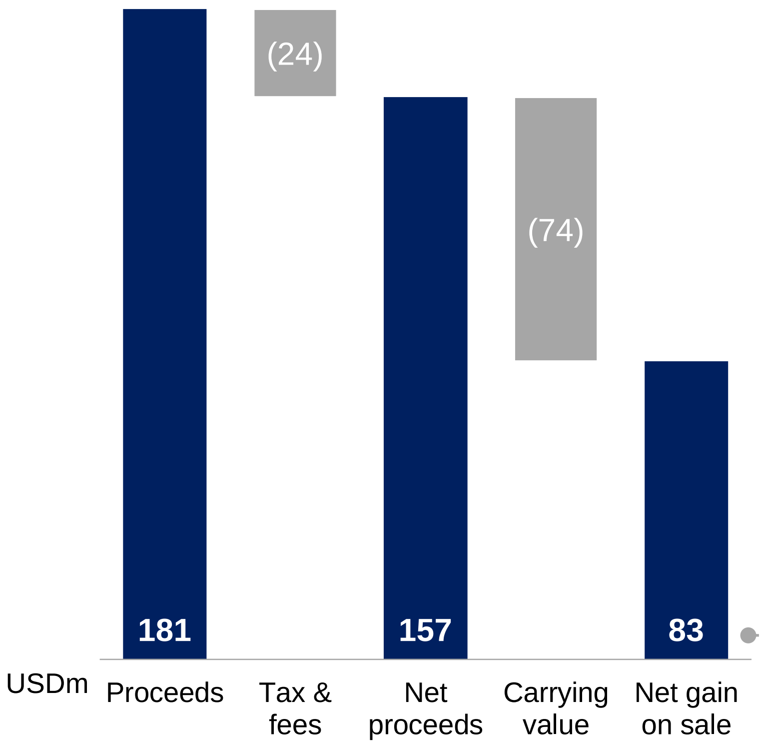
- ICBCS was well positioned to benefit from the market volatility experienced in 1H20
- ICBCS absorbed additional restructuring costs related to the business rationalisation actions announced in 2H19
- ICBCS received an insurance recovery payment following the finalisation of an insurance claim related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

[1] *Represents the effective year-to-date exchange rate from converting monthly ICBCS results to ZAR*

ICBC ARGENTINA

SALE OF 20% STAKE CONCLUDED

Proceeds from sale of 20% stake, USDm[1]



IFRS impact, ZARm

	IFRS impact	HE impact
Net gain on sale, USDm	**83**	**-**
Exchange rate – USD/ZAR	*17.12*	
Net gain on sale, Rbn	**1.4**	**-**
FCTR release[2]	(3.4)	-
Net impact	**(2.0)**	**-**

[2] 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

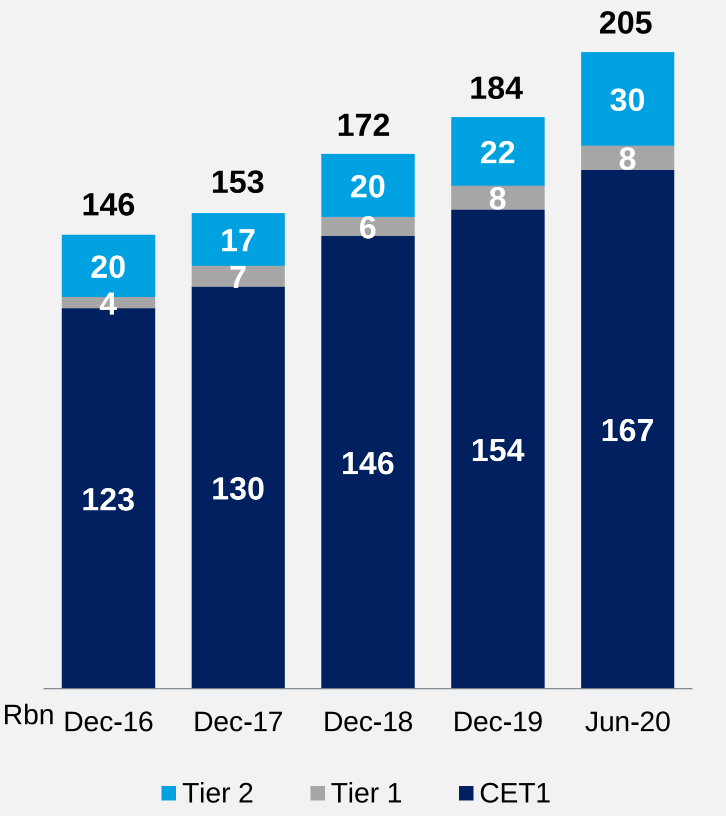
- From Sep-19, the investment was recognised as held for sale and the group ceased recognising its share of profits
- Post receipt of the necessary regulatory approvals, the sale was completed on 29 June 2020
- An FCTR reserve accumulated over the life of the investment due to the devaluation of the 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

[1] 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

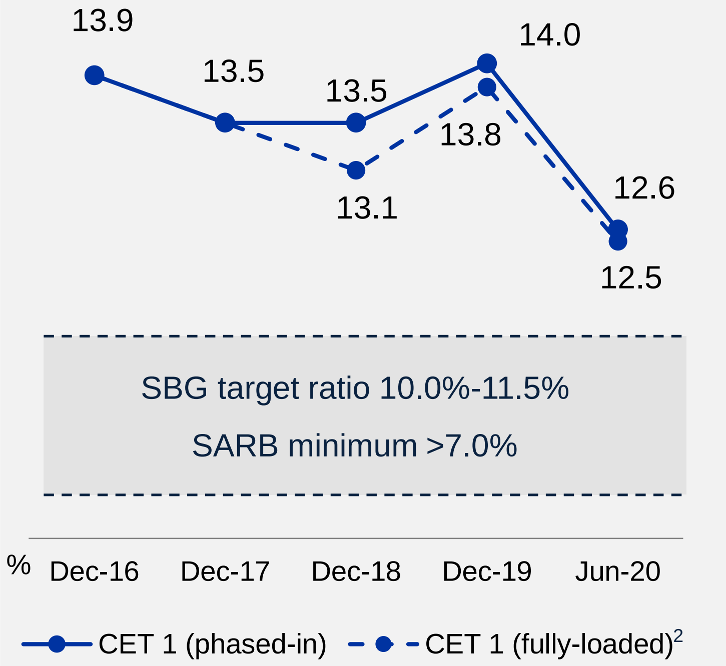
CAPITAL AND LIQUIDITY

ROBUST BASEL III COMPLIANT CAPITAL AND LIQUIDITY POSITIONS

Capital[1]



Capital adequacy[1]



Liquidity

Net stable funding ratio

122%

(1H19: 119%)

Basel III minimum

100%

Liquidity coverage ratio

136%

(1H19: 124%)

Basel III minimum[3]

80%

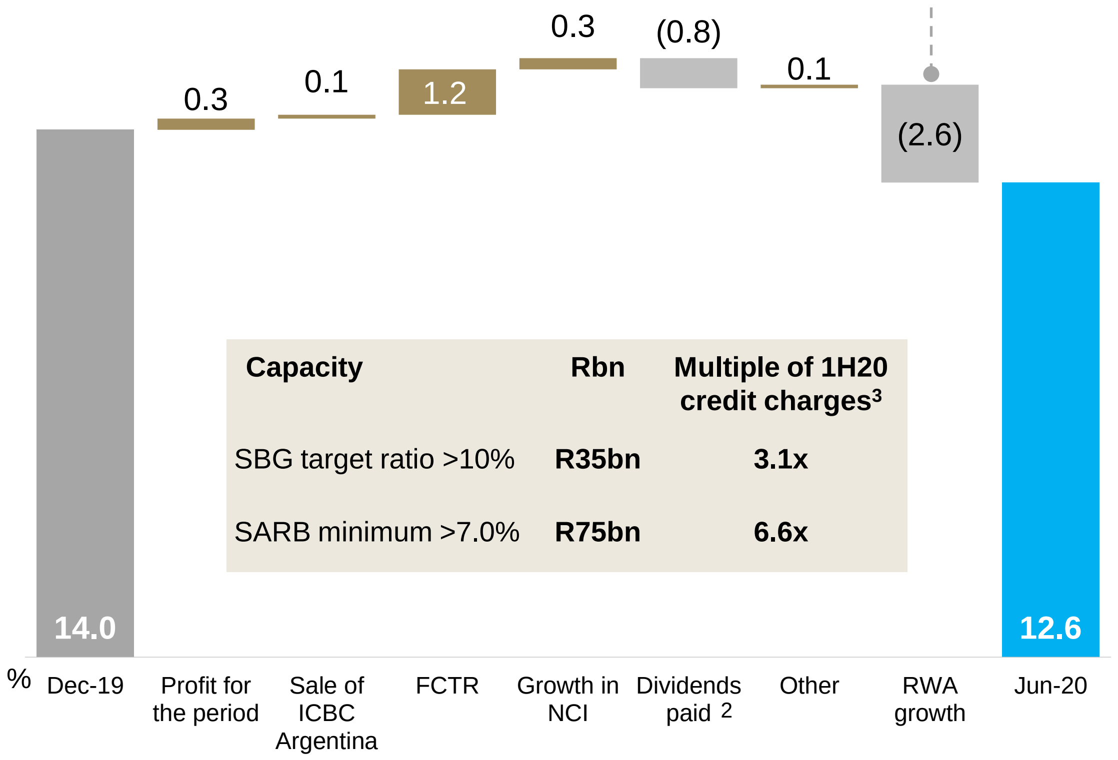
[1] Including unappropriated profits
[2] Including full IFRS 9 transitional impact
[3] Based on temporarily revised SARB requirement

Standard Bank IT CAN BE

CAPITAL

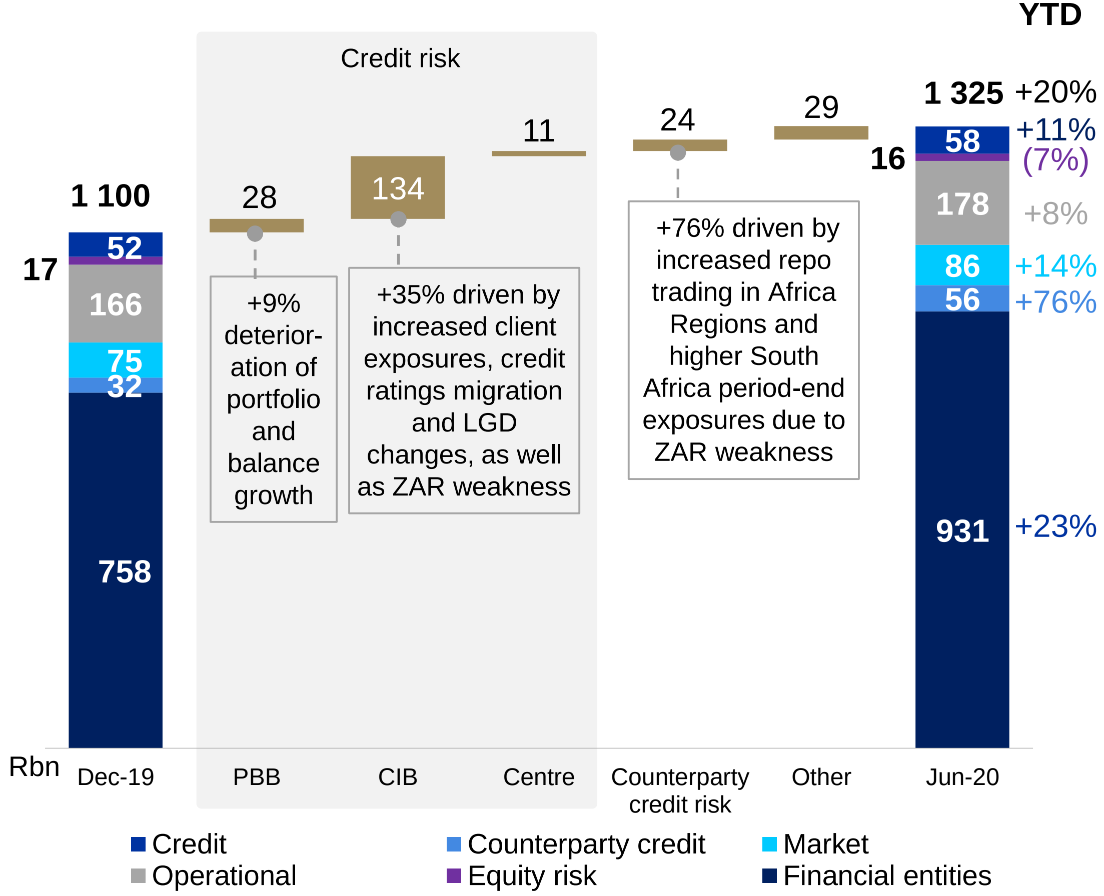
CAPITAL LEVELS REMAIN WELL IN EXCESS OF REQUIREMENTS, PROVIDING CAPACITY TO SUPPORT THE RECOVERY

CET 1 ratio drivers[1]



Capacity	Rbn	Multiple of 1H20 credit charges[3]
SBG target ratio >10%	R35bn	3.1x
SARB minimum >7.0%	R75bn	6.6x

RWA movement

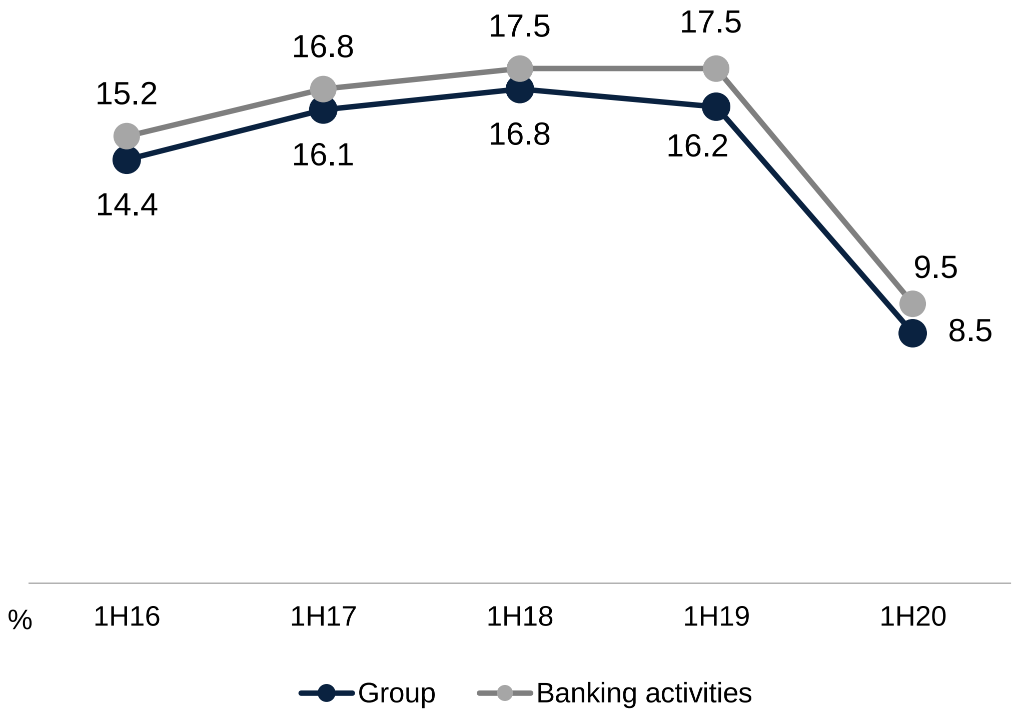


[1] *Including unappropriated profits and IFRS 9 transitional impact*
[2] *Dividend paid related to FY19 final dividend paid in April 2020*
[3] *Multiple based on 1H20 credit impairment charges of R11.3bn*

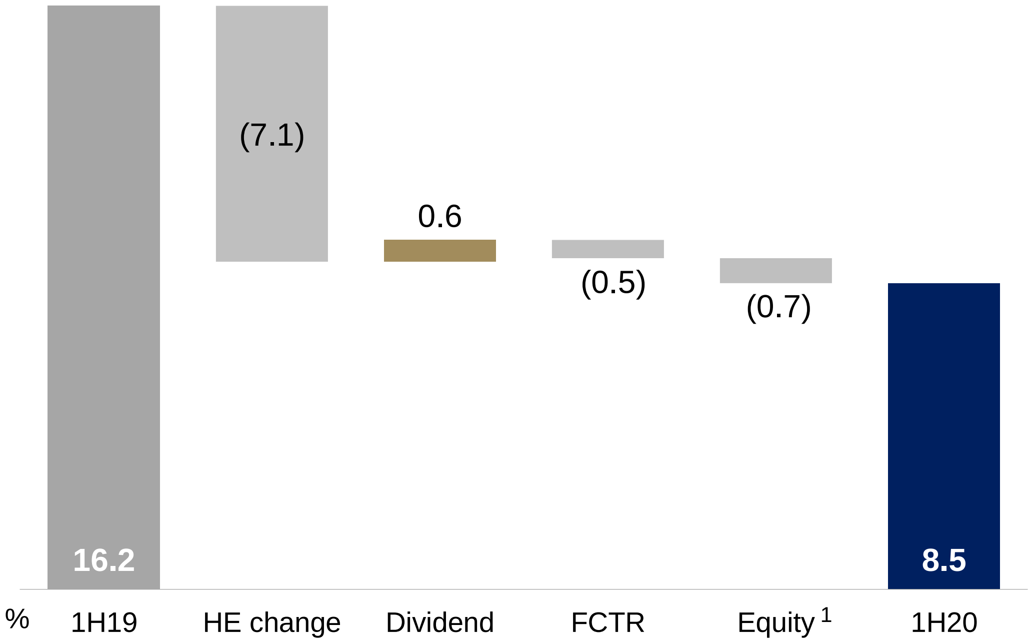
RETURNS

RETURNS NEGATIVELY IMPACTED BY LOWER EARNINGS

Return on equity



Return on equity movement



[1] *Including impact of accumulated earnings and other adjustments*

FINANCIAL OUTCOME

4.2 BUSINESS LINE AND REGIONAL PERFORMANCE

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT = FINANCIAL OUTCOME SEE IMPACT

Standard Bank IT CAN BE™

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%

Geographic split

	South Africa	Africa Regions	Wealth International
Headline earnings 1H20	R1.9bn	R0.5bn	R0.4bn
Headline earnings 1H19	R6.1bn	R0.49bn	R0.7bn
Change	↓68%	↑3%	↓34%
Return on equity % 1H20	7.1%	7.4%	10.9%
Return on equity % 1H19	23.0%	7.4%	22.6%

[1] *Assets under management*

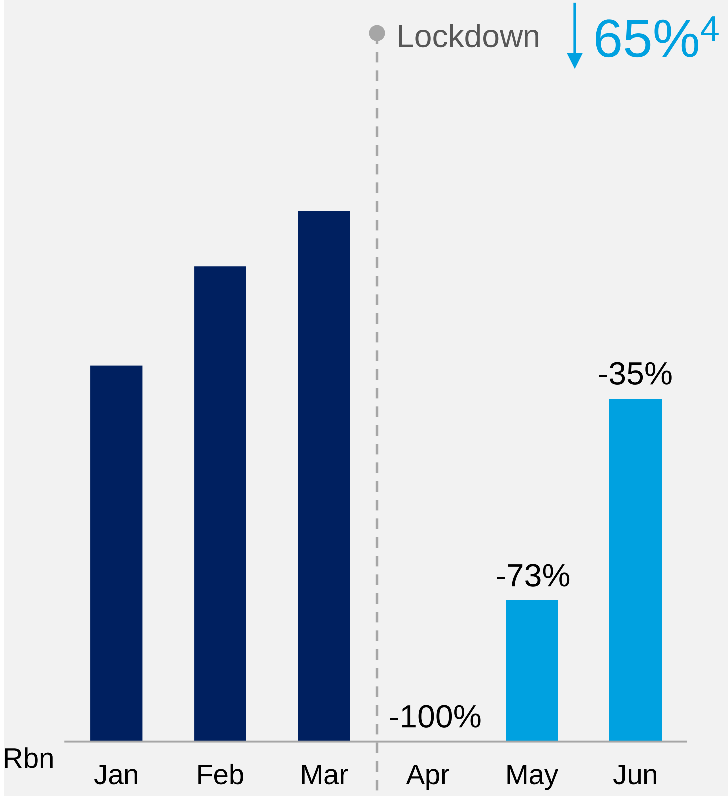
Key takeouts

- 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[1] growth in Nigeria and sub-inflationary cost growth
  - International decline was driven by lower average UK and US interest rates

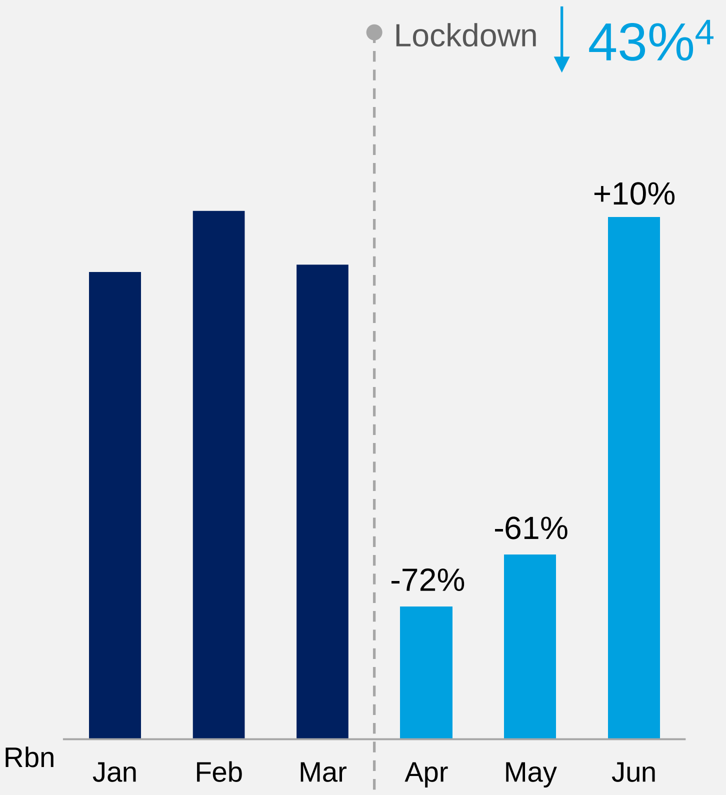
PBB SOUTH AFRICA – ACTIVITY LEVELS

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

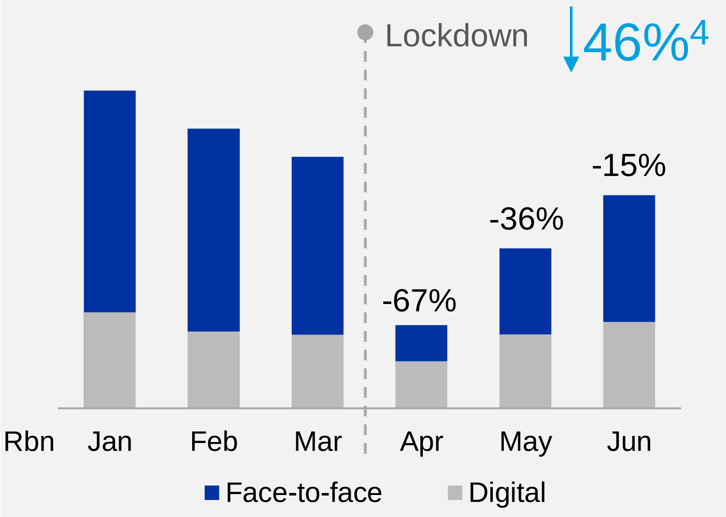
Mortgage disbursements[1]



VAF[2] disbursements[1]



Personal lending disbursements[1]



% change 1Q20 vs 2Q20

↓59% Face-to-face[3]

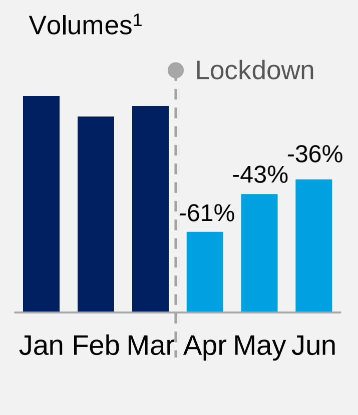
↓16% Digital[3]

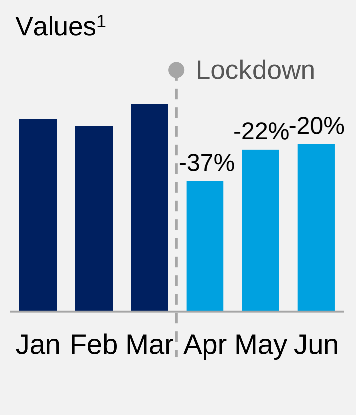
[1] % change relative to March 2020
[2] Vehicle and asset finance
[3] Average for 3 months
[4] 2Q20 change relative to 1Q20

PBB SOUTH AFRICA – ACTIVITY LEVELS

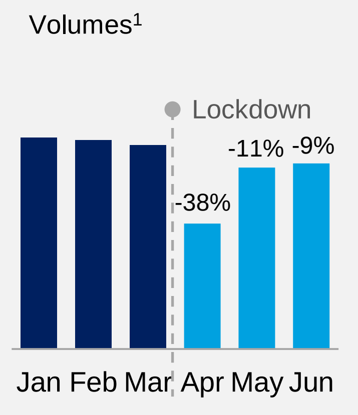
ACTIVITY IMPROVED AS LOCKDOWN LEVELS EASED

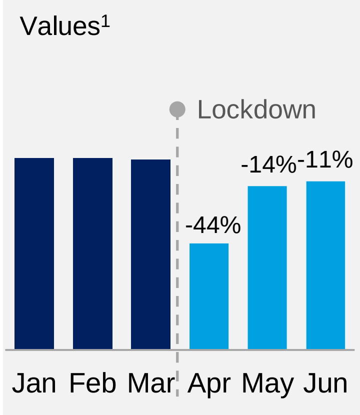
Branch activity



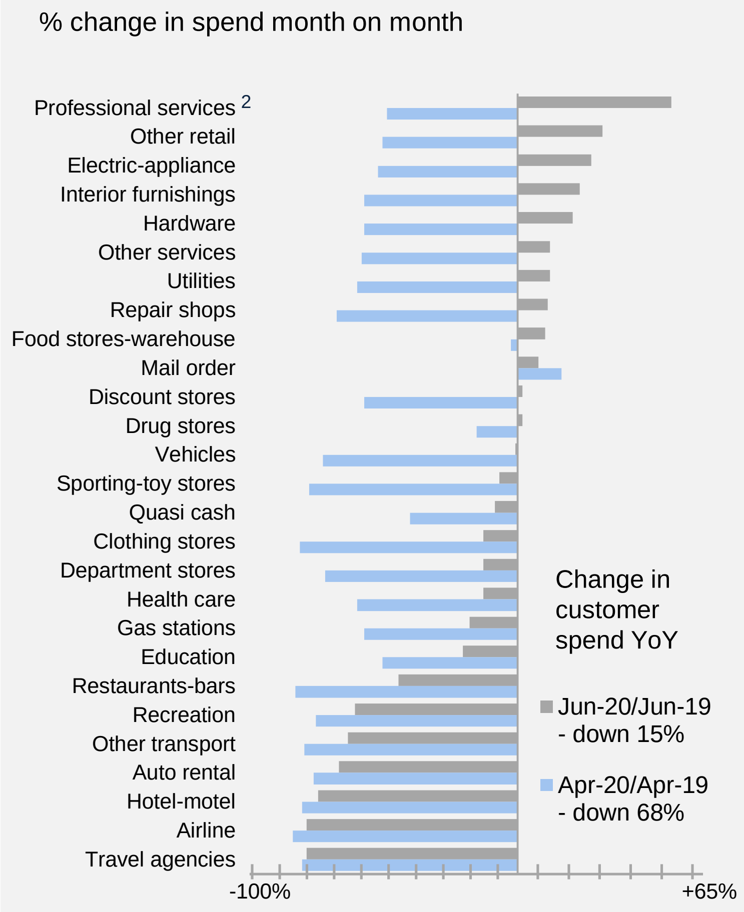


ATM activity

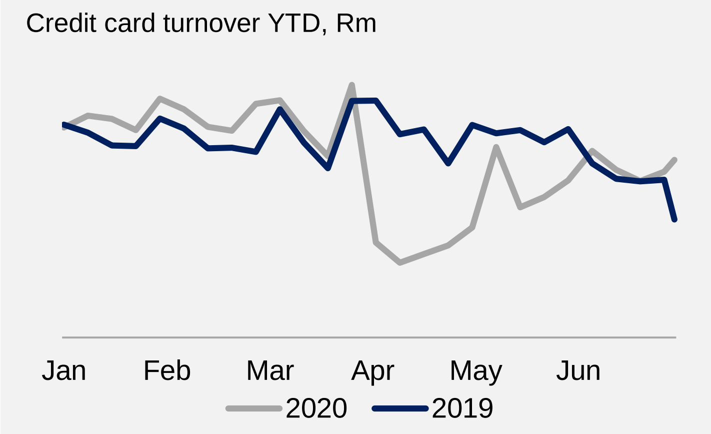


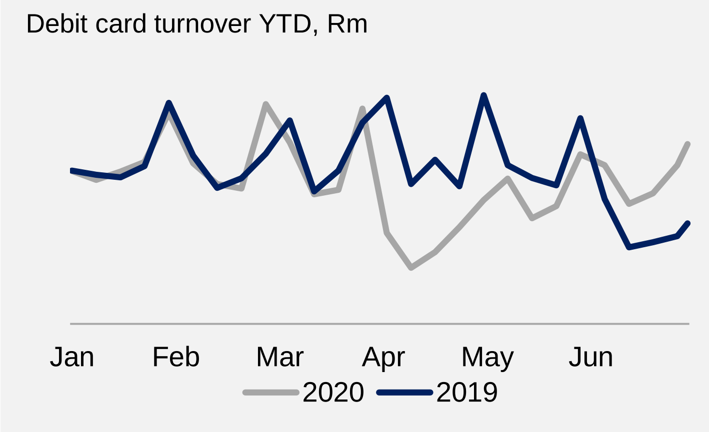


Customer spend



Card issuing turnover[3]





[1] % change relative to March 2020
[2] Professional services includes online service providers
[3] 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%

Return on equity

1H20: **15.1%**

1H19: 19.2%

Product split

Headline earnings

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%

Key takeouts

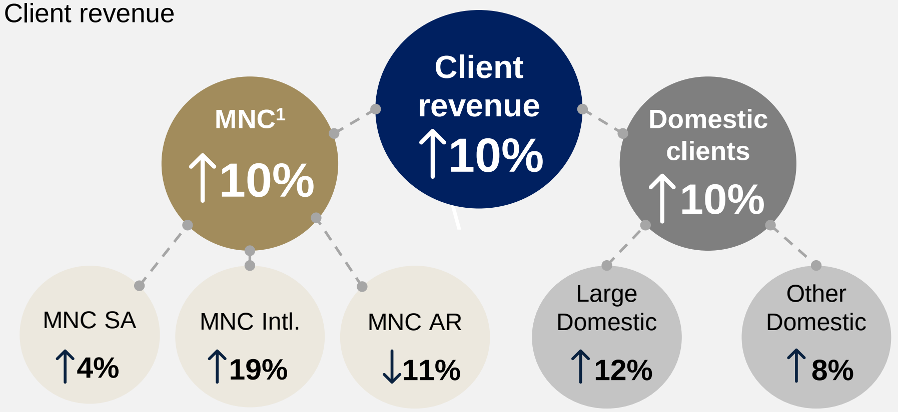
- Business highlights:
  - Sustained client revenue growth in a tough operating environment
  - Focus on cost management delivered a cost-to-income ratio below 50% and positive jaws
  - Increased capital utilisation as a result of client rating downgrades
- Product performance:
  - Global Markets - strong 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

CORPORATE AND INVESTMENT BANKING

DIVERSIFIED CLIENT, SECTOR AND PRODUCT REVENUE STREAMS

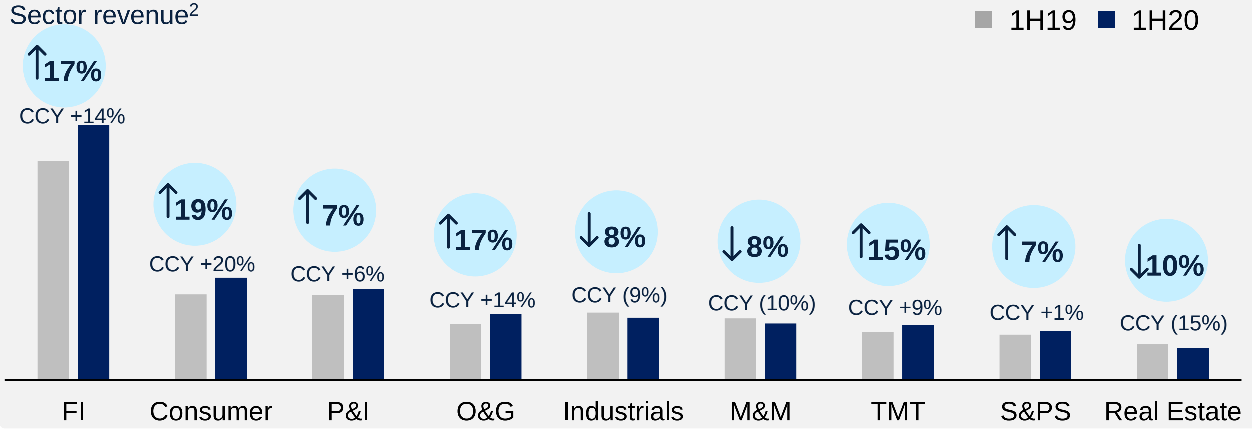
Diversified client base

Client revenue



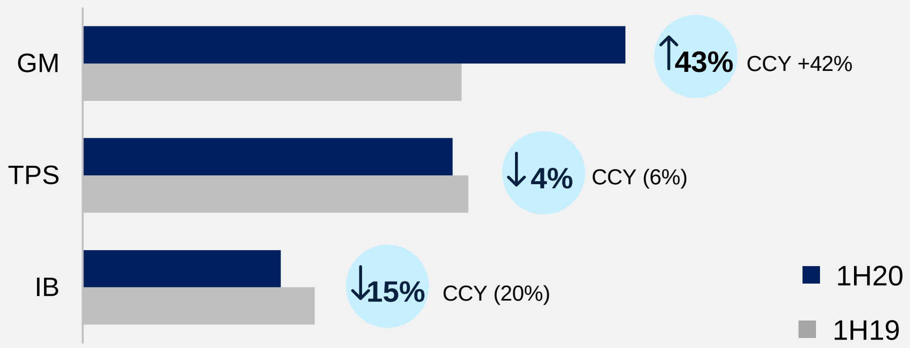
Operating across multiple sectors

Sector revenue[2]



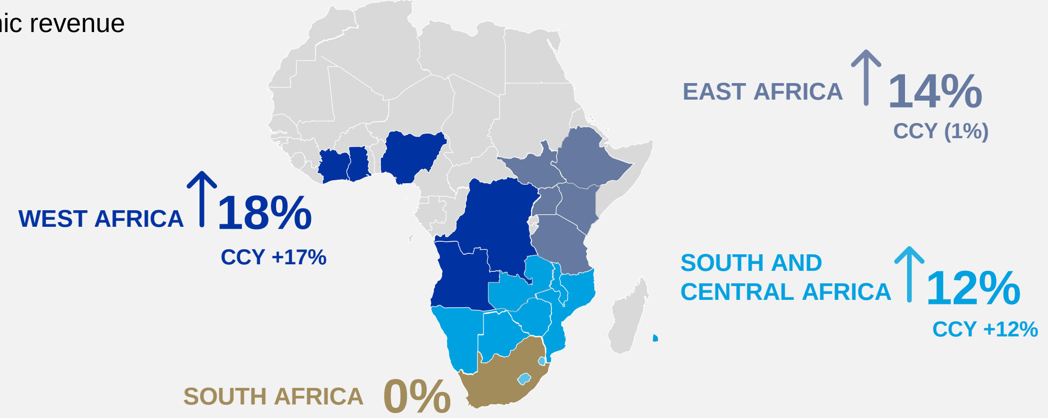
Established product offering

Product revenue[3]



Revenue increased across our regions

Geographic revenue



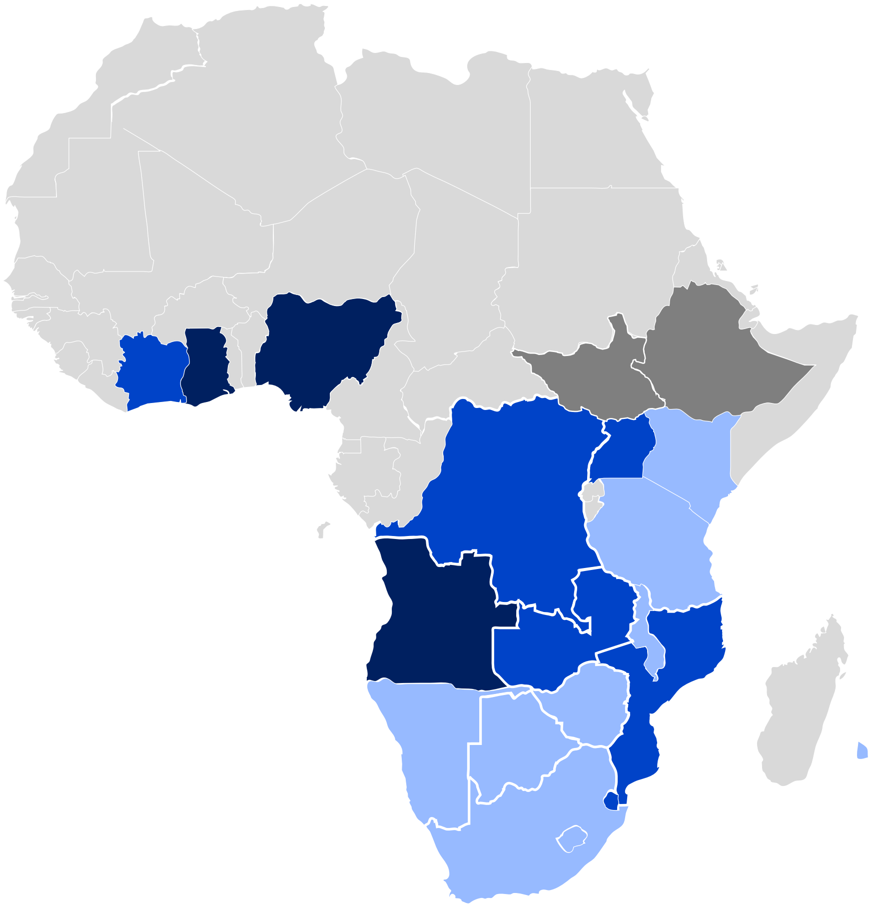
[1] Multinational Corporates (MNC)

[2] 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)

[3] 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



	Headline earnings				Return on equity	
	1H20 Rbn	1H19 Rbn	Change %	Change CCY %	1H20 %	1H19 %
SBSA	**2.0**	**7.4**	**(72)**	**(72)**	**4.1**	**15.2**
Africa Regions	**4.8**	**4.3**	**11**	**7**	**19.9**	**22.3**
East Africa[1]	0.89	0.87	2	(11)	15.4	20.2
South and Central Africa[2]	1.76	1.83	(4)	(3)	19.0	21.7
West Africa[3]	2.16	1.62	33	28	23.7	24.5

Strong performance

Muted performance

Moderate performance

Single representation / development phase

[1] *Kenya, South Sudan, Tanzania, Uganda*
[2] *Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Zambia, Zimbabwe*
[3] *Angola, DRC, Ghana, Côte d'Ivoire, Nigeria*

STANDARD BANK OF SOUTH AFRICA

CUMULATIVE HEADWINDS

	1H20 Rbn	1H19 Rbn	Change %
Net interest income	19.8	20.5	(4)
Non-interest revenue	13.9	14.6	(4)
Total income	**33.7**	**35.1**	**(4)**
Operating expenses	(20.4)	(21.4)	(5)
Pre-provision profit	**13.3**	**13.7**	**(3)**
Credit impairment charges	(9.8)	(3.5)	>100
SBSA headline earnings	**2.0**	**7.4**	**(72)**
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 Rbn	1H19 Rbn	Change %	Change CCY %
Net interest income	10.6	9.6	11	7
Non-interest revenue	9.3	7.6	22	18
Total income	**19.9**	**17.2**	**16**	**12**
Operating expenses	(9.9)	(8.9)	12	8
Pre-provision profit	**10.0**	**8.3**	**20**	**16**
Credit impairment charges	(1.4)	(0.7)	96	91
Africa Regions headline earnings	**4.8**	**4.3**	**11**	**7**
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		

[1] *Loan-to-deposit ratio*

Key takeouts

- Strong loan and deposit growth offset a decline in margin driven by negative endowment and continued reserving and balance sheet (LDR[1]) 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

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[1]	70 - 100 bps
Group HE growth	Sustainable growth
ROE	18.0 - 20.0%
Dividend	Sustainable growth
CET 1 ratio	10.0 - 11.5%

Key performance considerations – FY20

Known positives

- Activity levels recovering from 2Q20 lows
- Strong capital levels to support recovery
- BCM embedded and working well
- Risk management tested
- Robust regulatory environment

Known negatives

- Covid-19 impact on customers, employees and third parties
- Markets sensitive to news flow
- Balance sheet growth to moderate in 2H20
- Lower interest rates
- Credit performance subject to macro developments

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

[1] *Through-the-cycle credit loss ratio*

SOCIAL, ECONOMIC AND ENVIRONMENT

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)[1]
- USD200m raised via a Standard Bank green bond to fund green and social projects in Africa

[1] 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

PURPOSEFUL IN DRIVING AFRICA'S GROWTH

REMAINING RELEVANT FOR ALL OUR STAKEHOLDERS

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[1], 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

[1] *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

Stage triggers

- Initial recognition → **Stage 1**
- Significant increase in credit risk → **Stage 2**
- Credit-impaired (e.g. defaulted) positions → **Stage 3**

Drivers of expected credit losses

- Stage 1 and Stage 2: Largely driven by macro-economic assumptions
- Stage 3: Driven by idiosyncratic factors
- All stages: South Africa and Africa Regions client relief
- All stages: Forward-looking assumptions

Period for expected credit loss measurement

- Stage 1: 12-months
- Stage 2 and Stage 3: Lifetime of financial instrument

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[1] and parameters

Base: 50% weight

		Dec-19 base scenario[2]		Jun-20 base scenario[2]	
Updated baseline scenario[2]		**2020**	**2021-2024**	**2020**	**2021-2024**
Real GDP growth (annual, % change)	South Africa[1]	1.3	2.2	(8.5)	3.3
	Africa Regions[3]	3.7	4.6	(0.6)	6.2
Inflation (annual, %)	South Africa[1]	4.6	4.9	3.4	4.5
	Africa Regions[3]	7.6	7.1	8.2	7.5
Interest rate (%)	South Africa (prime rate)[1]	9.75	10.03	7.25	9.25
	Africa Regions (policy rate)[3]	9.40	8.80	8.71	8.67
Employment growth rate (%)	South Africa[1]	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

Bear: 35% weight

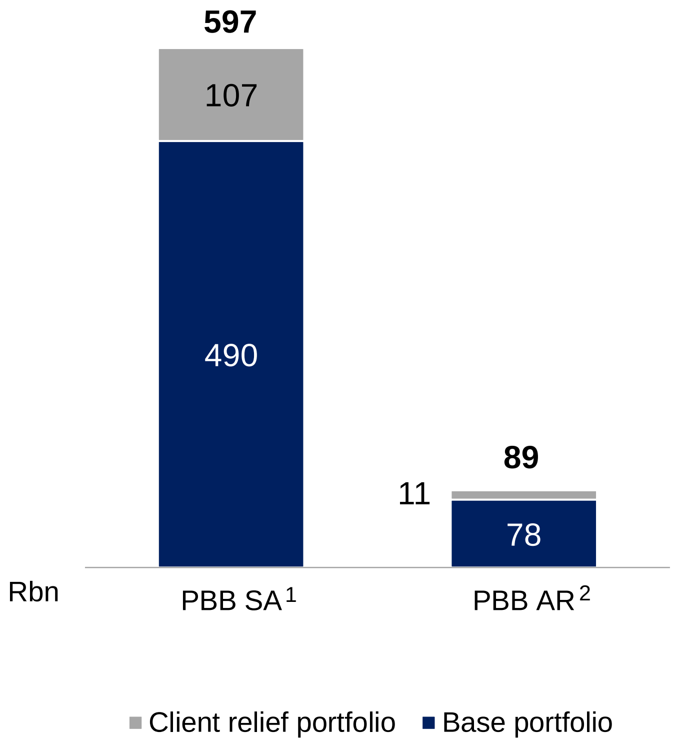
Assumes a deeper and more protracted economic contraction, lack of structural reforms and worse fiscal outlook

[1] Scenario weighting changed with updates to new macro-economic assumptions. As as 31 December 2019, the SA Base scenario weighting was 55%, Bull 25% and Bear 20%
[2] Full list of macro-economic factors included in the Base, Bull and Bear scenarios are included in the 1H20 financial analysis booklet.
[3] Based on average, excluding Zimbabwe, AR scenario weightings set at a country level

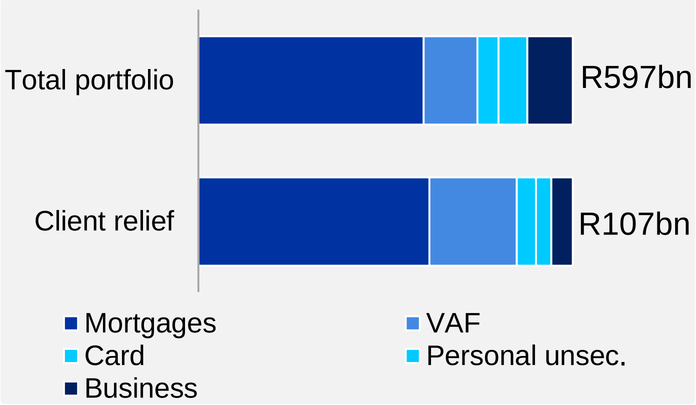
PBB BALANCE SHEET – COVID-19 CLIENT RELIEF

PBB CLIENT RELIEF (R118BN)

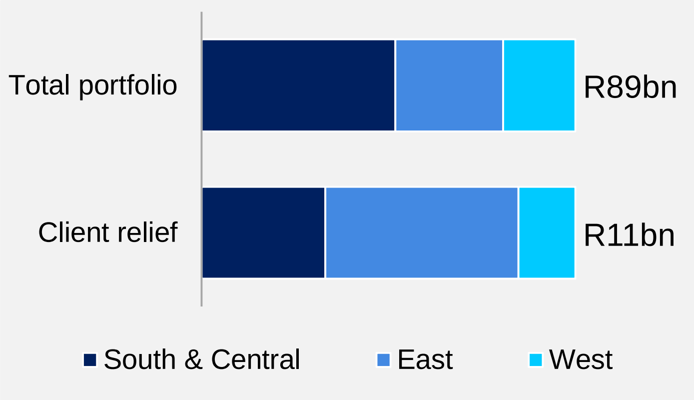
PBB credit portfolio mix



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

[1] *PBB SBSA portfolio is as at 30 June 2020, excluding loans to banks of R3bn*
[2] *PBB Africa Regions portfolio as at 30 June 2020*

PBB SA CLIENT RELIEF – CREDIT TREATMENT FOR RETAIL PRODUCTS[1]

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

1 Do the terms meet SARB client relief conditions[2]

- 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 [3]

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

Covid-19 client relief decision tree

Has the loan been restructured?

Yes

Do the terms of the restructure meet the SARB "client relief" conditions

No → Account for the loan as a **restructure**

Yes

Has the customer been retrenched, received zero turnover or experienced a permanent loss of income

Yes → **High risk** – account for the loan within stage 3

No

Has there been a deterioration in the customer's risk profile?

Yes → **Medium risk** – account for the loan within stage 2

No

Low risk – account for the loan within stage 1

[1] Business lending is 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

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

[3] 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[1]

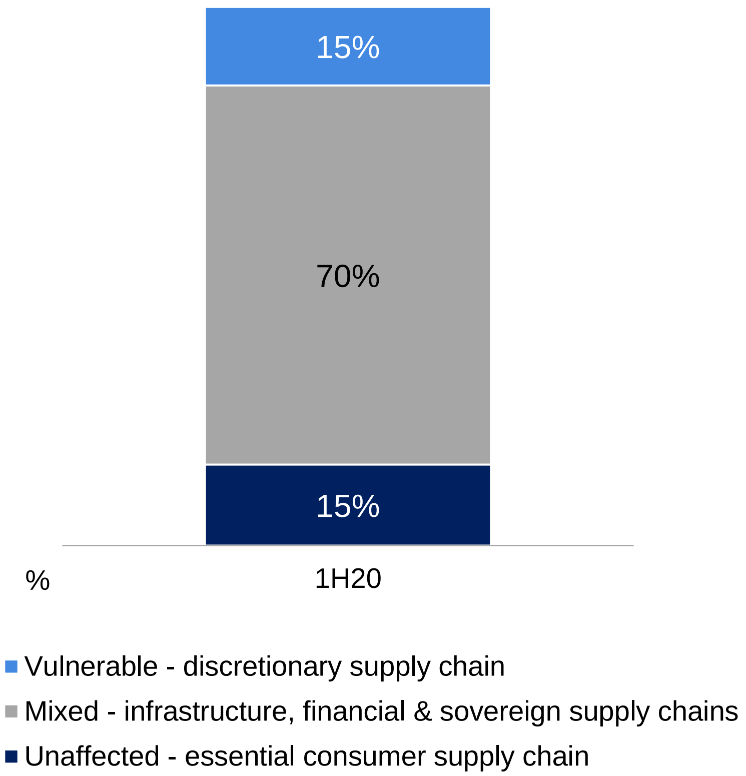
	Loans and advances, Rbn					Provisions, Rbn				Coverage, %			
	Dec-19	Jun-20				Dec-19	Jun-20			Dec-19	Jun-20		
	Total	Total	Base portfolio	Client relief		Total	Total	Base portfolio	Client relief	Total	Total	Base portfolio	Client relief
Mortgages	357.2	359.1	293.3	65.8		10.1	12.4	11.5	0.9	2.8	3.5	3.9	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
Total	**595.0**	**600.3**	**493.8**	**106.5**		**25.4**	**31.9**	**29.3**	**2.6**	**4.3**	**5.3**	**5.9**	**2.5**

[1] 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

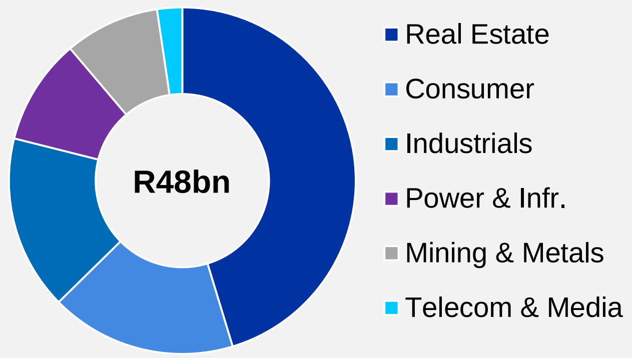
CIB BALANCE SHEET – COVID-19 CLIENT RELIEF

CIB CLIENT RELIEF EXPOSURES (R48BN)

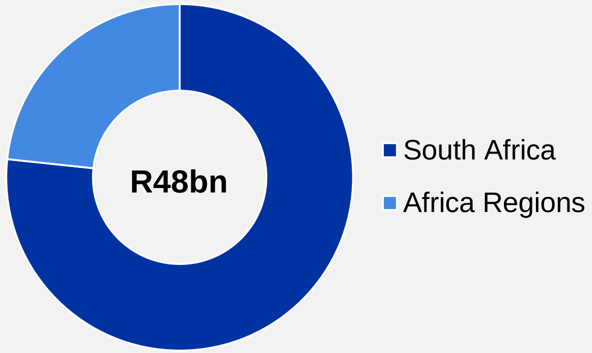
CIB total portfolio mix[1]



CIB relief by sector[2]



CIB relief by geography[2]



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

[1] *Based on internal risk assessment, total portfolio R487bn*
[2] *Based on exposure*

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