

Standard Bank Group Limited

Registration number 1969/017128/06

Incorporated in the Republic of South Africa

Website: www.standardbank.com/reporting

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)

Standard Bank Group

RESULTS ANNOUNCEMENT

for the six months ended 30 June 2020

FINANCIAL OUTCOME

for the six months ended 30 June 2020

FINANCIAL STATISTICS

	Change (%)	1H20	1H19	FY19
Financial indicator (Rm)				
Headline earnings	(44)	7 541	13 361	28 207
Banking activities headline earnings	(40)	7 740	12 806	27 216
Operating income/Pre-provision profit - Banking activities	4	24 295	23 336	48 126
Cents per ordinary share				
Basic earnings per ordinary share	(71)	236.7	827.0	1 593.5
Headline earnings per ordinary share	(43)	473.8	837.4	1 766.7
Dividend per ordinary share	(100)	—	454	994
Net asset value per ordinary share	7	11 265	10 511	10 742
Financial performance				
ROE (%)		8.5	16.2	16.8
Credit loss ratio on banking activities (bps)		169	76	68
Cost-to-income ratio on banking activities (%)		56.4	57.0	56.4

INCOME STATEMENT HIGHLIGHTS - BANKING ACTIVITIES

	CCY (%)	Change (%)	1H20 Rm	1H19 Rm	FY19 Rm
Net interest income	(2)	—	31 204	31 194	62 919
Non-interest revenue	4	6	24 580	23 083	47 542
Total income	1	3	55 784	54 277	110 461
Operating expenses	—	2	(31 489)	(30 941)	(62 335)
Operating income/Pre-provision profit	1	4	24 295	23 336	48 126
Credit impairment charges	over 100	over 100	(11 291)	(4 247)	(7 964)
Taxation	(42)	(43)	(2 673)	(4 685)	(9 894)
Other	(over 100)	(over 100)	(644)	109	349
Attributable to non-controlling interests and other equity instrument holders	12	14	(1 947)	(1 707)	(3 401)
Banking activities headline earnings	(41)	(40)	7 740	12 806	27 216
Banking activities ROE (%)			9.5	17.5	18.1

HEADLINE EARNINGS BY BUSINESS UNIT

	CCY (%)	Change (%)	1H20 Rm	1H19 ¹ Rm	FY19 ¹ Rm
Personal & Business Banking	(61)	(60)	2 876	7 261	16 493
Corporate & Investment Banking	(10)	(7)	5 715	6 138	11 581
Central and other	54	44	(851)	(593)	(858)
Banking activities headline earnings	(41)	(40)	7 740	12 806	27 216
Other banking interests	(over 100)	(over 100)	508	(320)	(864)
Liberty headline earnings	(over 100)	(over 100)	(707)	875	1 855
Group headline earnings	(44)	(44)	7 541	13 361	28 207

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

RESULTS OVERVIEW

“Globally, 1H20 has been dominated by the Covid-19 pandemic and the distressing human and economic cost thereof. During this time, we have remained steadfast in support of our clients, our employees and the communities in the countries we operate in.” - Sim Tshabalala, Group Chief Executive

Group results

Standard Bank Group's (SBG or the group) results for the six months ended 30 June 2020 (1H20) reflect that of a resilient, well diversified underlying franchise, negatively impacted by a very difficult environment, particularly in South Africa. The group's Africa Regions business and Corporate and Investment Banking business, most notably Global Markets, delivered strong top line growth. The group's strong capital and liquidity positions going into this crisis, have allowed us to provide significant temporary relief to clients without constraining our ability to lend to existing and new clients or support new projects.

The group's banking operations' earnings were supported by strong balance sheet growth, robust trading revenues and well contained costs. Positive jaws of 100 bps supported pre-provision operating profit, which grew 4% period on period to R24.3 billion. Credit impairment charges increased to R11.3 billion, 2.7 times those reported in the prior period (1H19) and reflective of the tough environment and outlook. Consequently, banking operations reported headline earnings of R7.7 billion, down 40% on 1H19, and a return on equity (ROE) of 9.5%.

Group headline earnings were R7.5 billion, a decline of 44% on 1H19, and ROE was 8.5%. The group's capital position remained robust, with a common equity tier 1 capital adequacy (CET1) ratio as at 30 June 2020 of 12.6%. Profit attributable to ordinary shareholders declined 71% to R3.8 billion. The difference between headline earnings and profit attributable can be ascribed to a R1.4 billion post-tax gain on the sale of the 20% stake in Industrial and Commercial Bank of China (Argentina) S.A. and its affiliates (ICBCA), the associated R3.4 billion negative impact of the foreign currency translation reserve (FCTR) release on sale and R1.9 billion related to the impairment of certain IT intangible assets. The gain on sale of the group's stake in ICBCA and the reserve impact are both outside of headline earnings and therefore did not impact group headline earnings. The release of the FCTR balance to earnings was a movement between reserves and therefore did not impact the net asset value of the group.

Operating environment

Covid-19 has led to the worst economic shock in living memory. In March 2020, the World Health Organization declared Covid-19 a pandemic and countries responded with widespread lockdowns. Supply chains were disrupted, and demand declined. An oil price war and oversupply drove a swift and significant decline in the oil price. Fear and uncertainty drove a precipitous fall in the markets and a liquidity squeeze in 1Q20. This was quickly followed by extraordinary fiscal and monetary actions and fiscal stimulus (in particular, in developed markets) and a variety of regulatory actions. These bold actions, combined with flattening infection curves, calmed markets somewhat and drove a recovery in 2Q20.

The considerable uncertainty in 1H20 drove an Emerging Market risk-off stance for foreign investors. Sub-Saharan Africa experienced record capital outflows and financial conditions tightened. Trade and foreign exchange inflows dried up and oil-exporters were negatively impacted by the lower oil price. Covid-19 related regulatory actions included wide-spread interest rate cuts, easing of capital and liquidity requirements and fee waivers and restrictions. West Africa was impacted by the lower oil prices, East Africa, by lower trade and a halting of travel and the South and Central economies remained closely coupled with South Africa.

In South Africa, the interrupted power supply extended the 4Q19 recession into 1Q20. Strict lockdowns brought the economy to a near-standstill. Prospects of a modest economic recovery in 2020 were replaced with expectations for a large decline (Standard Bank Research: South Africa's real GDP is forecast to decline 8.5% in 2020 followed by a 4.5% recovery in 2021). The poor economic outlook and declining inflation trend paved the way for cumulative interest rate cuts equating to 275 bps in the period. In addition, the South African government implemented a sizeable stimulus package to support those most vulnerable. Whilst necessary, the additional spending poses a material risk to the public debt trajectory. Fiscal diligence and urgent structural reforms are more important than ever.

Personal & Business Banking

PBB revenues declined 1% to R35.1 billion. Negative endowment, and related margin compression, more than offset the revenue increases related to balance sheet growth. NIM declined 42 bps to 559 bps. NIR declined 5% as increased digital transactional volumes and modest annual price increases were insufficient to offset the significant lockdown-related decline in physical channel volumes, turnover reductions, a drop in trade activity and regulatory restrictions introduced on certain fees in Africa Regions. Credit impairment charges increased to R8.6 billion (1H19: R3.7 billion), 2.3 times 1H19 charges. Lockdowns disrupted businesses and impacted client incomes and encouraged customers to transition to our digital channels leading to digital transaction volumes increasing.

Corporate & Investment Banking

CIB revenues grew 11% to R21.4 billion. During this period of significant volatility and disruption, CIB continued to proactively engage with clients to provide tailored funding, liquidity and risk management solutions. CIB's capabilities and reach remains attractive to domestic clients and multi-national corporates already operating, seeking to operate or seeking to expand on the continent. The business continued to benefit from diversification across clients, sectors and regions. Africa Regions delivered a strong performance. Significant margin pressure offset strong balance sheet growth to deliver flat NII. Cost growth was contained at 5%, delivering positive jaws of 639 bps and an improved cost-to-income ratio of 49.6%. Pre-provision operating profit grew 19% period on period.

Central and other

This segment includes costs associated with corporate functions and the group's treasury and capital requirements that have not been otherwise allocated to the business units. The segment costs, including the R500 million (pre-tax) central provision amounted to R851 million (1H19: R593 million). We continue to proactively manage the costs recorded in the centre.

Other banking interests

ICBC Standard Bank (ICBCS) recorded a profit of USD70 million in 1H20 (1H19: loss of USD130 million). The group's 40% share of ICBCS' earnings equated to R508 million.

In August 2019, the group exercised its option to sell its 20% stake in ICBCA to the Industrial Commercial Bank of China (ICBC). The sale was completed on 29 June 2020, post receipt of the necessary regulatory approvals.

Liberty

In 1H20, Liberty's performance was negatively impacted by higher morbidity and mortality claims, new business strain and the creation of a R2.2 billion post-tax pandemic provision to cover future costs related Covid-19 which are still expected to arise. The Shareholder Investment Portfolio performance reflected negative investment market returns, particularly in respect of foreign and local equities. Liberty reported a headline loss of R2.3 billion (1H19: earnings of R2.0 billion). After adjusting for treasury shares, the group's share of the loss amounted to R0.7 billion (1H19: earnings of R0.9 billion).

Prospects

In the month of July, customer activity and business turnover levels continued to recover. While this should be supportive for NIR growth into 2H20, ongoing uncertainty is expected to constrain balance sheet growth. Lower interest rates are expected to persist throughout 2H20, which will put pressure on NII. Trading revenues are expected to be below 1H20 levels. PBB provision levels, while deemed sufficient, are sensitive to macro-economic developments as well as client behaviour. Where appropriate, PBB has agreed to extend payment holidays and other relief measures. Client behaviour post the expiry thereof will be key. Forecast risk remains high and should the outcome be worse than expected, additional provisions will be required. While current CIB provision levels are deemed appropriate, CIB exposures, by their nature, are lumpy and additional provisions may be required if ratings deteriorate further and/or individual clients experience difficulties. The Board will take into account the SARB's guidance and group's capital position and the outlook before deciding whether to declare a final dividend. We are unable to provide revised medium-term targets at this time.

Covid-19 has already had a profound impact globally and there remains much uncertainty as to the ultimate human and economic toll. In addition, US/China tensions remain a risk. In contrast, lockdowns will be rolled back, and economies will reopen. The International Monetary Fund is forecasting global real GDP to contract by 4.9%, sub-Saharan Africa by 3.2% and South Africa by 8.0% in 2020, followed by a recovery of 5.4%, 3.4% and 3.5% respectively, in 2021. Accordingly, we shift our focus to recovery. Leveraging the group's strong capital position, we will continue to work with our individual, business and corporate clients, in a responsible manner, to find suitable solutions to enable them to participate and support the much-needed transition to the recovery phase.

The world changed fundamentally and, to some extent, permanently, in a matter of weeks. While the pandemic has created distress and anxiety for many people, it has also created new opportunities, specifically the opportunity to accelerate change. As a group operating across the continent, with operations and clients across the globe, we need to adapt to remain relevant. As we re-imagine the future, we remain of the view that our future-ready strategy remains valid. However, we recognise the need to accelerate our digital delivery and, in parallel, drive operational efficiency. We remain committed to delivering a positive societal, economic and environmental impact. Combined, this will ensure we remain relevant to our customers, attractive to our employees and enable us to deliver value to all stakeholders. And, in doing so, we will also deliver on our purpose of driving Africa's growth.

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 (share code SBK on the JSE; ISIN: ZAE000109815 and share code SBN on the Namibian Stock Exchange; ISIN: ZAE000109815) are advised that, in line with the South African Reserve Bank's guidance, the board has not declared an interim dividend (1H19: 454 cents, decrease of 100%).

Preference shares

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

- 6.5% first cumulative preference shares (first preference shares) dividend No. 102 of 3.25 cents (gross) per first preference share, payable on Monday, 14 September 2020, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 11 September 2020. The last day to trade to participate in the dividend is Tuesday, 8 September 2020. First preference shares will commence trading ex dividend from Wednesday, 9 September 2020.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 32 of 333.00 cents (gross) per second preference share, payable on Monday, 14 September 2020, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 11 September 2020. The last day to trade to participate in the dividend is Tuesday, 8 September 2020. Second preference shares will commence trading ex dividend from Wednesday, 9 September 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, 9 September 2020, and Friday, 11 September 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, 14 September 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 PREFERENCE DIVIDENDS ARE AS FOLLOWS:

	6.5% cumulative preference shares (first preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) ¹
JSE Limited		
Share code	SBKP	SBPP
ISIN	ZAE000038881	ZAE000056339
Dividend number	102	32
Gross distribution/dividend per share (cents)	3.25	333.00
Last day to trade in order to be eligible for the cash dividend	Tuesday, 8 September 2020	Tuesday, 8 September 2020
Shares trade ex the cash dividend	Wednesday, 9 September 2020	Wednesday, 9 September 2020
Record date in respect of the cash dividend	Friday, 11 September 2020	Friday, 11 September 2020
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	Monday, 14 September 2020	Monday, 14 September 2020

¹ The non-redeemable, non-cumulative, non-participating preference shares (SBPP) are entitled to a dividend of not less than 77% of the prime interest rate multiplied by the subscription price of R100 per share.

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

Tax implications

The cash dividend received under the preference shares is likely to have tax implications for both resident and non-resident 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 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 2.60 cents per first preference share and 266.400 cents per second preference share. Non-resident 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:

- 1 619 929 317 ordinary shares at a par value of 10 cents each
- 8 000 000 first preference shares at a par value of R1 each
- 52 982 248 second preference shares at a par value of 1 cent each and subscription price of R100.

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

20 August 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/SBG1H20.pdf>

The *pro forma* financial information and 1H20 results, including comparatives for 1H19 where applicable, and forward looking information has not been audited or independently reviewed by the group's external auditors. The group's FY19 financial information has been correctly extracted from the underlying audited consolidated annual financial statements for the year ended 31 December 2019, where applicable. Copies of the full announcement may be requested by emailing InvestorRelations@standardbank.co.za or by phoning +27 11 636 5039.

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.

Forward-looking statements contained above are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty. The group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements.

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

Independent sponsors: South Africa: J.P. Morgan Equities South Africa 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, X Guan² (deputy chairman), GMB Kennealy, JH Maree (deputy chairman), NNA Matyumza, KD Moroka, NMC Nyembezi, ML Oduor-Otieno³, AC Parker, ANA Peterside CON⁴, MJD Ruck, SK Tshabalala* (chief executive), JM Vice, L Wang².

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