

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 year ended 31 December 2020

FINANCIAL OUTCOME

for the year ended 31 December 2020

FINANCIAL STATISTICS

	Change (%)	2020	2019
Financial indicator (Rm)			
Headline earnings	(43)	15 945	28 207
Banking activities headline earnings	(42)	15 715	27 216
Cents per ordinary share			
Basic earnings per ordinary share	(51)	777.0	1 593.5
Headline earnings per ordinary share	(43)	1 002.6	1 766.7
Dividend per ordinary share	(76)	240	994
Net asset value per ordinary share	3	11 072	10 742
Financial performance			
ROE (%)		8.9	16.8
Credit loss ratio on banking activities (bps)		151	68
Cost-to-income ratio on banking activities (%)		58.2	56.4

INCOME STATEMENT HIGHLIGHTS - BANKING ACTIVITIES

	CCY (%)	Change (%)	2020 Rm	2019 Rm
Net interest income	(3)	(2)	61 425	62 919
Non-interest revenue	(1)	(1)	47 156	47 542
Total income	(2)	(2)	108 581	110 461
Operating expenses	1	1	(63 182)	(62 335)
Operating income	(7)	(6)	45 399	48 126
Credit impairment charges	(More than 100)	(More than 100)	(20 594)	(7 964)
Taxation	(52)	(52)	(6 367)	(13 151)
Other	(More than 100)	(More than 100)	(568)	5 458
Attributable to non-controlling interests and other equity instrument holders	(59)	(50)	(2 155)	(5 253)
Banking activities headline earnings	(44)	(42)	15 715	27 216
Banking activities ROE (%)			9.6	18.1

HEADLINE EARNINGS BY BUSINESS UNIT

	CCY (%)	Change (%)	2020 Rm	2019 ¹ Rm
Personal & Business Banking	(62)	(61)	6 397	16 573
Corporate & Investment Banking	(9)	(6)	10 566	11 254
Central and other	(More than 100)	(More than 100)	(1 248)	(611)
Banking activities headline earnings	(44)	(42)	15 715	27 216
Other banking interests	More than 100	More than 100	881	(864)
Liberty headline earnings	(More than 100)	(More than 100)	(651)	1 855
Group headline earnings	(44)	(43)	15 945	28 207

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

RESULTS OVERVIEW

"The group's ongoing resilience is underpinned by our diverse client base and varied revenue streams. Our strong capital position enabled us to provide substantial support to our clients, employees and our communities." - Sim Tshabalala, Group Chief Executive

Group results

Standard Bank Group's (SBG or the group) results for the twelve months ended 31 December 2020 (FY20) reflect the very difficult operating environment. Covid-19 placed considerable strain on our retail, business and corporate clients, particularly in South Africa. The group's strong capital position enabled us to respond quickly and significantly.

Group headline earnings were R15.9 billion, a decline of 43% on the prior year (FY19) and return on equity (ROE) was 8.9%. Banking operations headline earnings were R15.7 billion, down 42% on FY19, and ROE was 9.6%. In the first six months of the year (1H20), the group's results were negatively impacted by lower activity levels and higher credit charges. In the second six months of the year (2H20), activity recovered, however credit charges remained elevated and the negative impact of the interest rate cuts in 1H20 became more pronounced. Overall banking revenues declined marginally (down 2%). Costs were well contained (up 1%). This led to negative jaws of 306 basis points (bps) and a cost-to-income ratio of 58.2%. Credit impairment charges increased to R20.6 billion, 2.6 times those reported in FY19. Despite a significant increase in risk weighted assets, the group's common equity tier 1 capital adequacy (CET1) ratio remained robust at 13.3% as at 31 December 2020. A final dividend of 240 cents per share has been declared, representing a payout ratio of 24% on FY20 headline earnings.

The group's diverse client base, geographic footprint and business mix cushioned a weak performance in South Africa. The Standard Bank of South Africa Limited's headline earnings declined 72%. Africa Regions grew headline earnings 9% and 4% in constant currency (CCY). Africa Region's contribution to FY20 banking headline earnings increased to 58%. Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda remained the top six contributors to Africa Regions' headline earnings.

Operating environment

2020 was dominated by the Covid-19 virus. Globally, a significant number of lives were lost, and businesses and jobs were destroyed. The International Monetary Fund (IMF) estimates that the global economy contracted 3.5%, sub-Saharan Africa 2.6% and South Africa 7.5%. In parallel, certain social, technological and environmental trends accelerated.

Personal & Business Banking

In difficult economic conditions, PBB revenues declined 4% to R70.1 billion. Across PBB Group, active customer numbers grew and digital transaction activity continued to grow year on year, while physical transactions have not fully recovered to pre-Covid-19 levels.

Corporate & Investment Banking

CIB delivered a sound performance. Headline earnings were R10.6 billion, down 6% year on year. Client, sector and regional diversification helped cushion the impact of the pandemic. CIB focused on providing tailored solutions to meet the complex and evolving liquidity, capital and risk management requirements of its clients.

Other banking interests

ICBC Standard Bank (ICBCS) recorded a profit of USD125 million in FY20 (FY19: loss of USD248 million). The group's 40% share of ICBCS's earnings equated to R881 million. The group completed the sale of its 20% stake in ICBC Argentina to the Industrial and Commercial Bank of China (ICBC) in June 2020.

Liberty

In FY20, Liberty's performance was negatively impacted by lower earnings across its insurance business areas as well as weak performance in the Shareholders' Investment Portfolio and LibFin Markets. Liberty recognised a Covid-19-related pandemic post-tax reserve of R2.2 billion and reported a headline loss of R1.5 billion (FY19: earnings of R3.3 billion). The group's share of the loss amounted to R0.7 billion (FY19: earnings of R1.9 billion).

Prospects

In 2021, global gross domestic product (GDP) is expected to rebound, underpinned by a vaccine-fuelled improvement in confidence, demand and trade. A world awash with liquidity and stimulus should drive global risk-on sentiment and Emerging Market inflows.

The global recovery is, however, likely to be bumpy and very uneven across different regions. The IMF forecast for sub-Saharan Africa GDP growth is 3.2% (January 2021). South Africa and Nigeria are expected to grow at 4.6% and 0.9% respectively (SBG Research, February 2021). While initiatives to source vaccines for Africa are gaining momentum, some African countries may lack the resources and capabilities to roll them out efficiently and effectively. This is likely to delay an African recovery until 2H21 and into 2022. Further waves of infection and renewed restrictions are likely and risk delaying the recovery further.

South Africa's recovery is expected to be multi-year and, like elsewhere, will be closely linked to the effectiveness of its vaccine rollout programme. Inflation is expected to remain within the SARB's target range and interest rates at current low levels for the duration of 2021. The latter should support credit growth. Governance and structural reform are expected to continue, albeit at a slow pace. Job creation and inclusive growth are key to driving a more favourable long-term outlook. The extension of the Covid-relief grants introduced in 2020 and the government employment programme should

provide some support to low income households and in turn, household expenditure. A recovery in household spending is expected to gain momentum in late 2021, followed by capital investment in 2022. Fiscal consolidation and energy supply constraints remain key risks.

The recovery will bring opportunities to extend the group's balance sheet, facilitate business and consumer activity, and continue to build the franchise. While margins are expected to be lower (stabilising at or around 2H20 levels), balance sheet growth should provide an offset and support NII growth. Higher activity levels should support NIR growth, however this remains at risk from further lockdown disruptions. FY20 trading revenue is a high base. Prolonged downturns will place additional pressure on weaker countries, sectors and clients, particularly leveraged corporates and certain South African state-owned entities. Credit impairment charges are expected to decline from FY20 levels, however, CLR is expected to remain above the group's historic through-the-cycle range of 70-100 bps. To deliver on increasingly digital demands, IT spend is expected to continue to grow above inflation. Total cost management will remain a focus with below-inflation cost growth a target. As and when the recovery gains momentum, group ROE should improve. Recovery of the group's key metrics, namely headline earnings and ROE, to 2019 levels will take some time and the path is unlikely to be linear. We remain committed to growing shareholder returns by allocating capital to revenue-enhancing and ROE-accretive growth opportunities, particularly in Africa Regions. While future dividends remain subject to earnings and capital levels, the group's dividend payout ratio is expected to increase over the medium term towards the lower end of historic levels (45% - 55%).

As a large financial services group operating on the African continent, we recognise the need for inclusive and sustainable growth and environmental sustainability. We will continue to balance these needs in the context of Africa's just transition. In addition, we will continue to improve the transparency and reporting of the group's positions on key matters in line with global best practice.

As we continue to respond to the evolving needs of our clients and employees, we are accelerating the implementation of our future-ready strategy. From 1 January 2021, the group changed from a traditional business line-led structure to a client-led model with three core client segments (namely Consumer & High Net Worth, Business & Commercial and Wholesale clients). This will better enable and support the group's ambition to be truly digital and truly human. In addition, in a fast-changing world, we recognise the need to adapt to evolving risks, optimise resource allocation and drive returns. In doing so, we will leverage our core strengths in financial services, while seeking new ways to expand our offering and diversify our revenue streams further.

Lastly, we thank our colleagues who continue to demonstrate immense courage, discipline and dedication. We mourn the colleagues, family and friends who have passed away. We honour their memory by striving every day to support economic and social development on our continent, as embodied in our purpose: Africa is our home, we drive her growth.

The forecast financial information above is the sole responsibility of the board and has not been reviewed and reported on by the group's auditors.

DECLARATION OF FINAL 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. 102 of 240 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 16 April 2021. The last day to trade to participate in the dividend is Tuesday, 13 April 2021. Ordinary shares will commence trading ex dividend from Wednesday, 14 April 2021.

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, 14 April 2021, and Friday, 16 April 2021 both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited on Monday, 19 April 2021.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date.

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. 103 of 3.25 cents (gross) per first preference share, payable on Monday, 12 April 2021, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 9 April 2021. The last day to trade to participate in the dividend is Tuesday, 6 April 2021. First preference shares will commence trading ex dividend from Wednesday, 7 April 2021.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 33 of 272.93 cents (gross) per second preference share, payable on Monday, 12 April 2021, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 9 April 2021. The last day to trade to participate in the dividend is Tuesday, 6 April 2021. Second preference shares will commence trading ex dividend from Wednesday, 7 April 2021.

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, 7 April 2021, and Friday, 9 April 2021, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 12 April 2021.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date.

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 ¹ (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	102	103	33
Gross distribution/dividend per share (cents)	240	3.25	272.93
Net dividend	192	2.6	218.344
Last day to trade in order to be eligible for the cash dividend	Tuesday, 13 April 2021	Tuesday, 6 April 2021	Tuesday, 6 April 2021
Shares trade ex the cash dividend	Wednesday, 14 April 2021	Wednesday, 7 April 2021	Wednesday, 7 April 2021
Record date in respect of the cash dividend	Friday, 16 April 2021	Friday, 9 April 2021	Friday, 9 April 2021
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	Monday, 19 April 2021	Monday, 12 April 2021	Monday, 12 April 2021

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.

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. 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 192 cents per ordinary share, 2.60 cents per first preference share and 218.344 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.

Shares in Issue

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

- 1 619 941 184 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.

11 March 2021, 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/2021/jse/isse/SBK/SBGFY20.pdf>.

The 2020, including comparatives for 2019 where applicable, *pro forma* constant currency information contained in these results, where applicable, has been reviewed by the group's external auditors and their unmodified limited assurance report prepared in terms of International Standard on Assurance Engagements 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus* (ISAE 3420) is available for inspection at the company's registered office on weekdays from 09:00 to 16:00. The group's 2020 financial information, including comparatives for 2019 where applicable, has been correctly extracted from the underlying audited consolidated annual financial statements, where applicable, for the year ended 31 December 2020. While this report, in itself, is not audited, the consolidated annual financial statements from which the results are 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 and on the following link: <https://reporting.standardbank.com/results-reports/annual-reports/> as part of the group's annual financial statements, which have been released in conjunction with these results. Copies of the full announcement may be requested by emailing InvestorRelations@standardbank.co.za.

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), PLH Cook, 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