



Standard Bank Group

STANDARD BANK GROUP INVESTOR BRIEFING

February 2023



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Agenda



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01

Market Update

Local Issuance Landscape



Economic Indicators

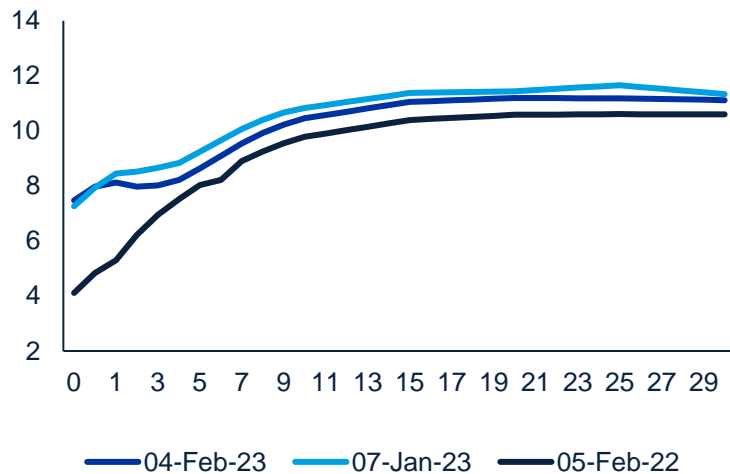
Indicator	2022	2023	2024
GDP	2.30	1.30	1.80
Household Consumption	2.80	1.30	1.70
ZAR/USD (avg)	16.60	16.30	16.50
CPI (avg)	6.90	5.70	4.70
Repo Rate (YE)	7.00	7.25	7.00
10-year bond yield (YE)	10.86	10.35	10.25

Debt capital market issuances (Rbn)

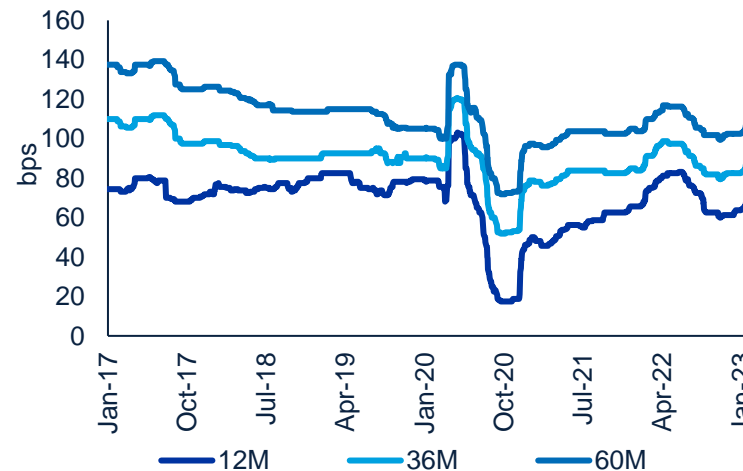
R'bn	2019	2020	2021	2022	2022 vs. 2021	2022 vs. 2019
Corporate	44.3	25.3	31.9	41.4	30%	-7%
Financial	73.6	40.2	56.7	61.2	8%	-17%
Municipality	-	1.7	-	1.0	-	-
Securitisation	20.1	7.4	17.7	16.2	-8%	-19%
SOE	35.8	17.8	8.4	17.2	105%	-52%
Total (bonds)	173.8	92.4	114.7	136.9	19%	-21%
CP	68.2	25.7	12.0	17.0	42%	-75%
Grand total	242.0	118.1	126.7	153.9	21%	-36%

- Bond issuances totalled ~R137bn in 2022, up 19% from 2021. Likely to continue gradual recovery to pre-pandemic levels
- The bond market grew by ~R10bn in 2022 after contracting by ~R3bn in 2021 and ~R28bn in 2020
- Senior spreads increased c.5 – 10 bps over the year
- 28% y/y increase in green, social and sustainability linked issuances in 2022
 - Sustainability type instruments comprise only c.4.6% of bonds outstanding in the local DCM
- AT1 auctions were very well supported
- Improving but slow return of SOE issuers to the market

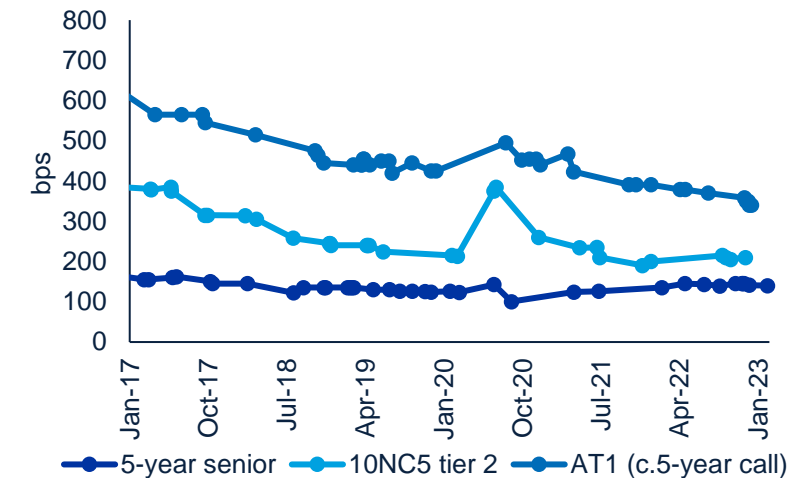
SA Government Curve



Average on-screen NCD Curve



At-Issue Spreads



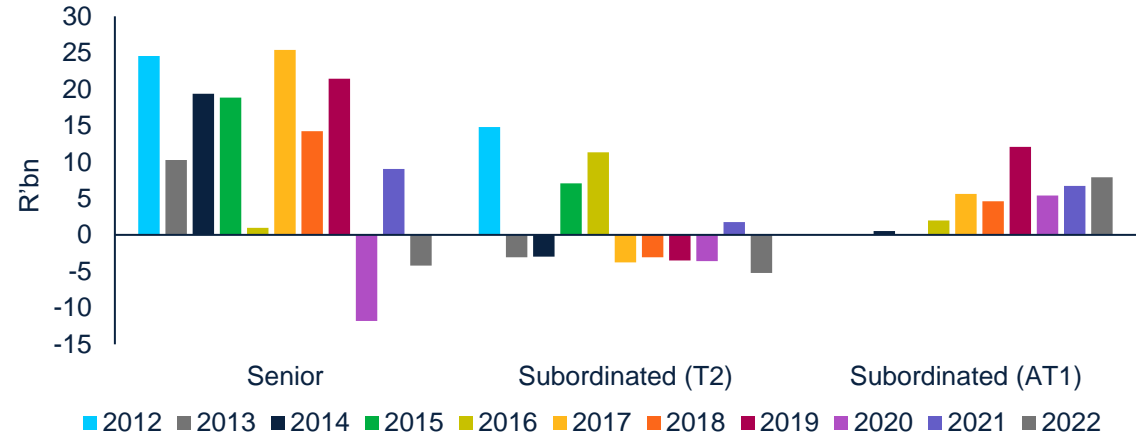
Bank Issuance Landscape and Outlook



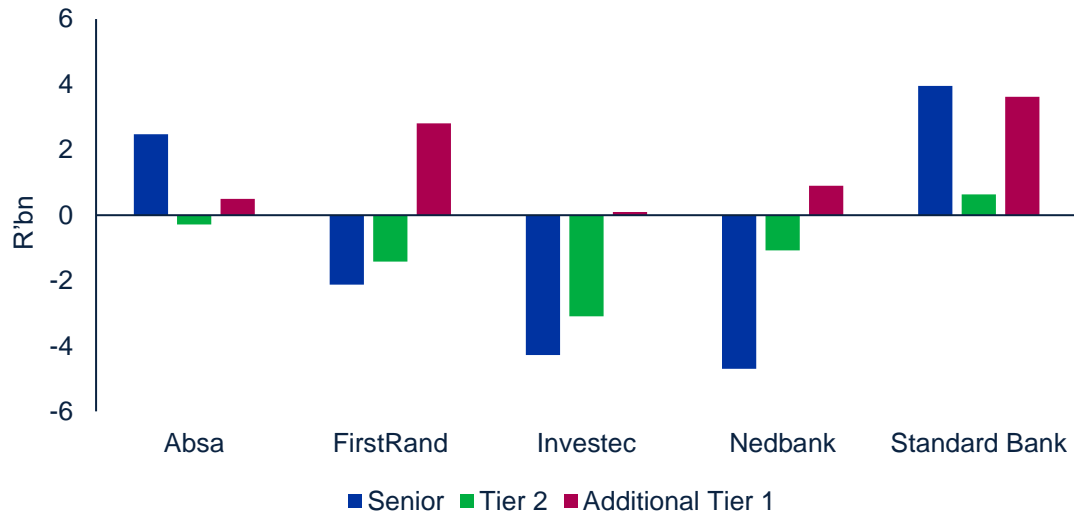
2023 Outlook

- Scheduled bond redemptions in 2023 totaling ~R133bn, 5% higher than in 2022. Financials account for ~R47bn of the total
- Expected net positive senior issuances from Banks and Corporates in 2023 as gross fixed capital formation growth continues
- Strong open to local bond market issuances in 2023

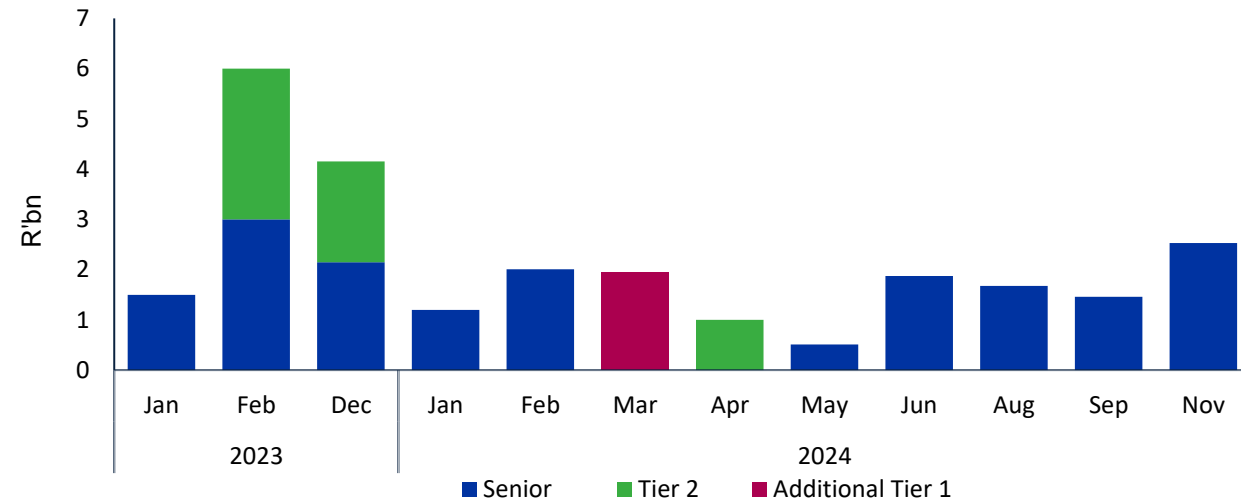
Annual Change in Net Outstanding per Instrument Type (Big Five Banks)



2022 Net Issuance per Instrument Type (Big 5 Banks)



Standard Bank Redemptions





02

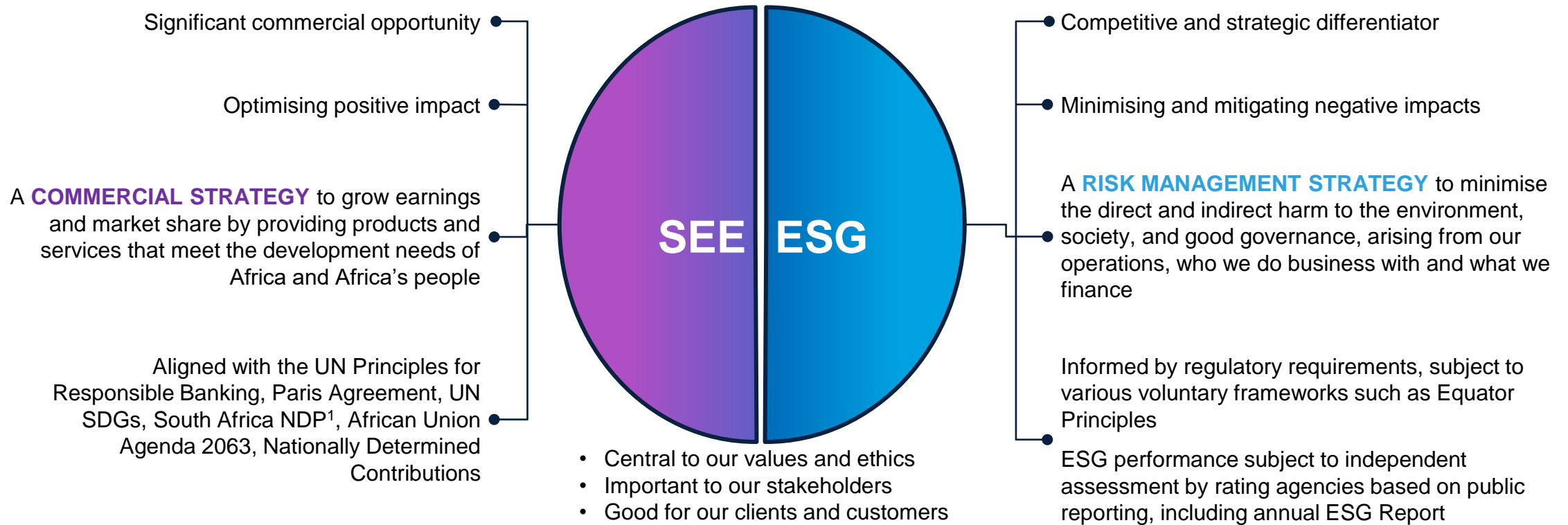
Sustainability Strategy



Sustainability, SEE* and ESG

Africa is our home, we drive her growth

Given our purpose of driving Africa's growth, and that our business includes sectors rated as high ESG risk, best practice ESG risk management is the foundation for delivering positive social, economic and environmental (SEE) impact



SEE is what we aim to achieve, ESG is how we will achieve it



Standard Bank's SEE impact areas

Standard Bank Group impact areas



Financial inclusion

We enable more people to access financial products and services, supporting economic development and reducing inequality.



Job creation and enterprise growth

We work with our clients to understand their challenges and priorities, provide them with appropriate financial solutions to support their growth and expansion and deliver digital solutions to meet their unique needs. This includes targeted support to enable SMEs to develop and grow their businesses.



Infrastructure

We support the development of infrastructure to enable inclusive and sustainable industrialisation by financing large-scale infrastructure projects and partnering with our clients to ensure environmental and social risks are appropriately managed and minimised.



Africa trade and investment

We facilitate the deepening of trade and investment flows between African countries, and with key global markets including China, through the provision of innovative trade finance solutions and cross-border payments and investment solutions.



Climate change and sustainable finance

We work with our clients to develop appropriate solutions for mitigating and adapting to the effects of climate change and develop innovative financial products and services that support the green economy, reduce carbon emissions, increase climate resilience, and enhance socioeconomic development.



Education

We support access to inclusive, quality education and the promotion of lifelong learning opportunities, and help Africa harness the opportunities of the fourth industrial revolution.



Health

We support better health outcomes for Africa's people by financing healthcare providers, and health infrastructure and equipment, providing business development support to healthcare practitioners, investing in our people's health, safety and wellbeing and investing in health-focused corporate social investment (CSI) programmes.

We are aligned to the United Nations SDGs¹:









¹ United Nations Sustainable Development Goals



How we measure our ESG performance

Standard Bank's ESG scores

Rating agencies and index providers provide various types of ESG performance information on publicly listed companies. Standard Bank Group aims to improve our score on selected ESG indices. We have included such improvements as a performance metric under our SEE value driver. Our priority ratings include:

	 Now a Part of S&P Global S&P Global Corporate Sustainability Assessment (Out of 100, higher is better)	 FTSE4Good FTSE4Good Index Series (0 to 5, higher is better)	 MSCI ESG ratings (AAA to CCC)	 CDP DISCLOSURE INSIGHT ACTION Climate score (A to F)	 SUSTAINALYTICS ESG risk rating (Out of 100, lower is better)	 Bloomberg Sustainability Index 2022 (Out of 100, higher is better)
2021	61	Included (3.9)	AA	C	25.6 med risk (298 out of 1011 banks)	67.78 (first year of participation)
2020	60	Included	AA	C	25.5 med risk (226 out of 975 banks)	N/A
2019	51	Included	AA	B-	29.9 med risk (339 out of 943 banks)	N/A
2018	46	Included	AA	B-	32 med risk (226 out of 975 banks)	N/A

Latest S&P CSA
Score: **66**

Latest Sustainalytics
Score: **24.7**



SBG Climate Policy Summary

- SBG's ambition is to **support Africa's fair contribution to 1.5 degrees**
- **Commitment to net zero carbon emissions** from own operations for newly built facilities by 2030, for existing facilities by 2040 and portfolio of financed emissions by 2050
- **How?**
 - Sustainable finance, policies, climate targets, green and transition lending targets, client engagement
- **Progress?**
 - Climate Policy published on the **16th March 2022**
 - Joint initiative **by Group Risk and CIB**
 - **Business owns targets** and commitments
 - Making progress reporting in line with recommendations of **Task Force on Climate Related Disclosures (TCFD)**
 - We will **report on progress** against public commitments in our 2022 Reporting Suite

Initial sector focus

- Oil
- Gas
- Thermal coal
- Agriculture

Expanded sector Focus – by 2025

- Insurance
- Residential and commercial property
- Transportation

SBG Sustainable Finance Targets

- Targeting a cumulative amount in excess of **R250 billion** to mobilise sustainable finance across all banking products by the end of 2026
- 2022 Target of **R40 billion** of sustainable finance mobilised
- This R250 billion target includes **R50 billion** to finance renewable energy over the next three years and underwriting a further **R15 billion** for renewable energy over the same timeframe



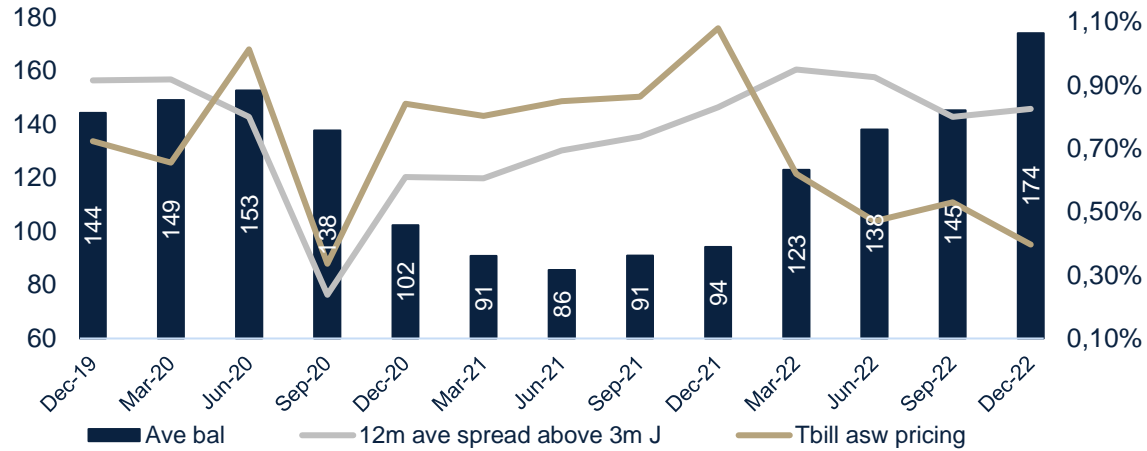
03

Funding and Liquidity

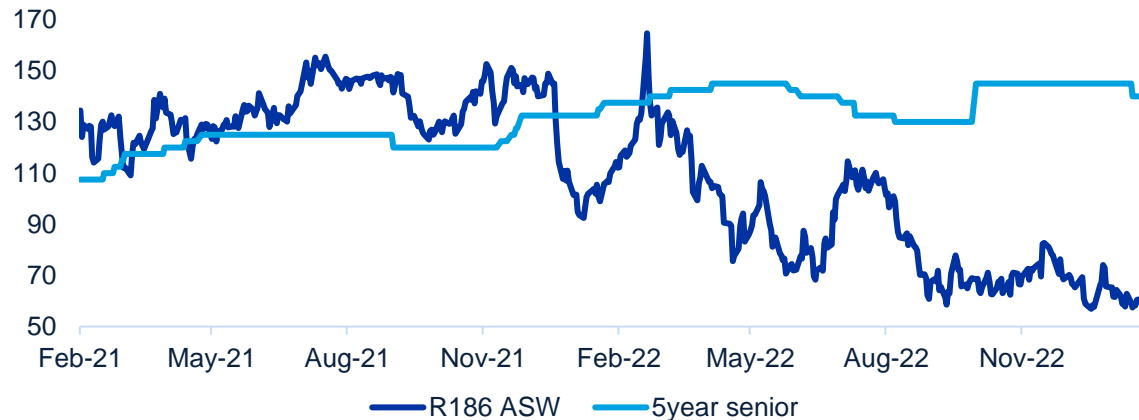


Market Update

NCD Issuances and Pricing Levels (Tbill Comparative)



R186 vs SBSA 5 Senior Unsecured Spread Levels

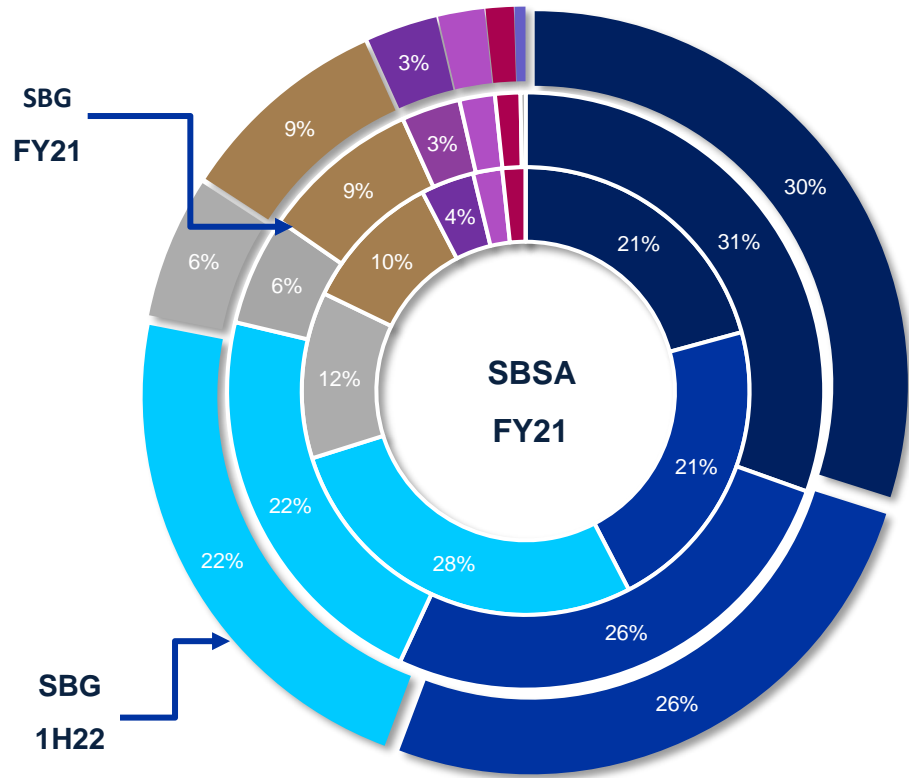


- SBSA NCD issuance market share was relatively high at 34% during 2022
- Benchmark 12-month NCD pricing reduced in H2:2022 driven by improved liquidity ratios as a result of the implementation of the revised Monetary Policy Implementation Framework (MPIF)
- Treasury bill spreads reduced significantly driven by MPIF and reduced issuance
- Bank bond issuance have opened positively in 2023 with high bid/cover ratios and spread compression of 10-15bps
- Significant divergence between bank senior spreads (5yr) and government bond ASW levels (R186)

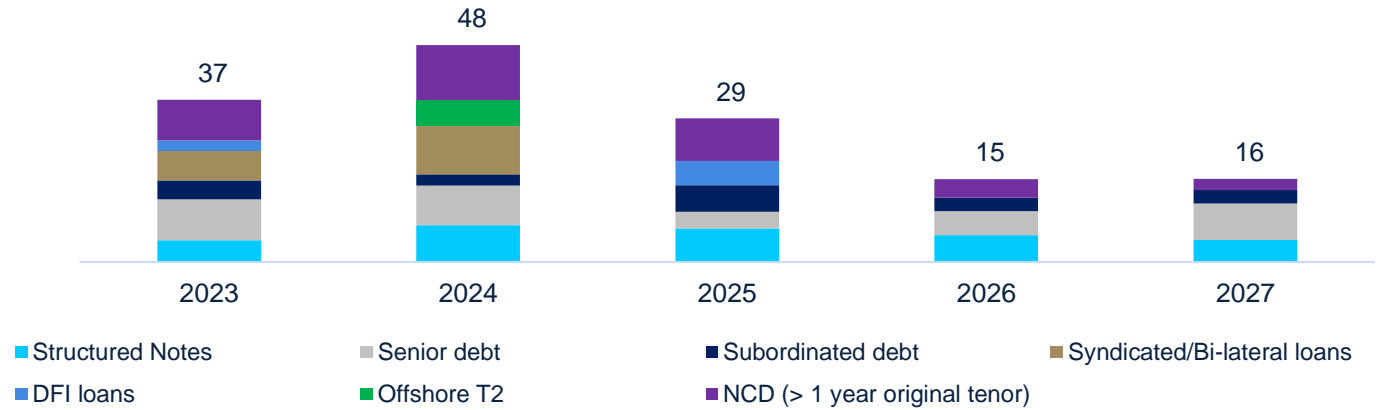


Redemption profiles

SBG and SBSA funding sources



SBSA debt capital markets redemptions (ZARbn)

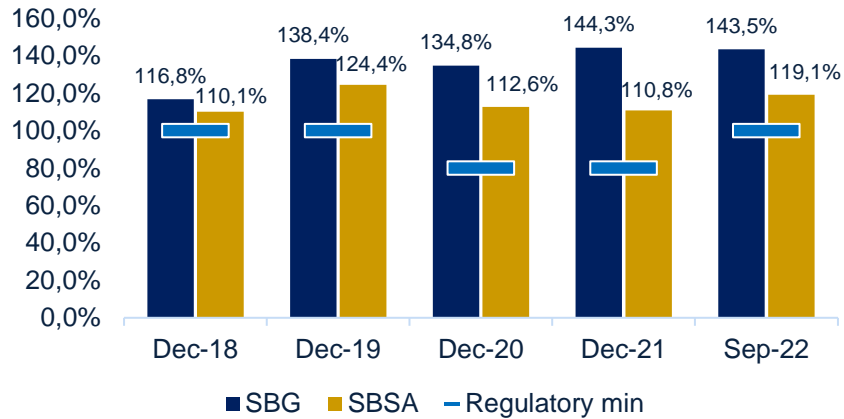


- Funding diversification maintained across products, sectors, geographic regions and counterparties
- Diversified use of platforms across various jurisdictions:
 - Local listed bonds and structured notes
 - Foreign currency loans, bonds and notes
- Funding strategy designed to manage maturity profile and refinancing risk
- SBSA USD400m offshore Tier 2 bond reaches its optional redemption in May 2024

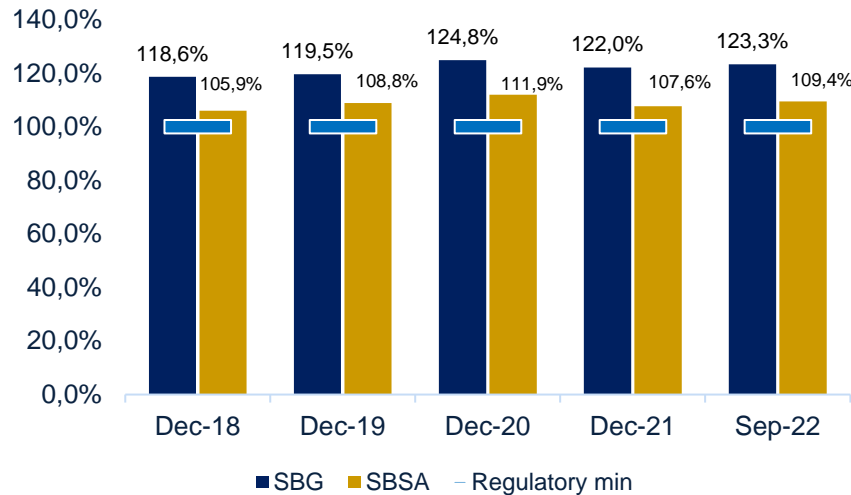


Strong liquidity position

Basel III Liquidity Coverage Ratio



Basel III Net Stable Funding Ratio



Key liquidity ratios remained in excess of minimum regulatory requirements throughout 2022

Liquidity Coverage Ratio (LCR)

- SBSA LCR ratio benefitted from the revised MPIF
- Excess liquidity placed with SARB is now treated as HQLA, this is largely funded through increased deposits from the Corporation for Public Deposits funding moving from SARB to Commercial bank balance sheets

Net Stable Funding Ratio (NSFR)

- SARB issued a directive proposing the gradual phase out relief on NSFR for Non-bank financial Institution deposits (35% Available Stable Funding factor has been applied to ZAR NBFIs deposits with a residual maturity of less than 6 months)
- This will be phased in over 5 years beginning from June 2023
- The industry deposit base impacted is approximately R790bn or R277bn of stable funding at a 35% factor
- This is not expected to impact issuance for the next 2-3 years based on the stronger NSFR buffers and stability of the NSFR ratio, but will be significant over time
 - Approximately R40bn in ASF will be removed from Jun'23 and a further R79bn on Jan'24, Jan'25 and Jan'28



04

Regulatory Update



Proposed resolution regime

Proposed creditor hierarchy

- Financial Sector Laws Amendment Act ("FSLAA") has been signed into law but is not yet effective
- FSLAA amends various aspects of legislation including the Insolvency Act
- Key proposed changes to creditor hierarchy:
 - **Deposits**
Inclusion of deposits covered by proposed deposit insurance scheme
 - **FLAC**
Provide for FLAC instruments to facilitate application of statutory bail-in powers

Secured creditor	<ul style="list-style-type: none"> ▪ Repo's
Preferred creditors	<ul style="list-style-type: none"> ▪ In line with Insolvency Act (e.g. Tax, Staff entitlements, etc)
Covered deposits	<ul style="list-style-type: none"> ▪ Covered through Deposit Insurance ▪ R100k per depositor per bank
Senior unsecured	<ul style="list-style-type: none"> ▪ Not part of Regulatory Capital ▪ Senior unsecured bonds, uncovered deposits, NCDs etc.
FLAC (First Loss After Capital)	<ul style="list-style-type: none"> ▪ Introduced as part of the Bank Resolution framework ▪ Not part of Regulatory Capital ▪ Statutory loss absorption at POR ▪ Liquidation ranking: subordinated to senior unsecured but senior to Tier 2
Tier 2	<ul style="list-style-type: none"> ▪ Regulatory Capital ▪ Statutory principal loss absorption at PONV and/or POR ▪ Liquidation ranking: subordinated to FLAC but senior to Additional Tier 1
Additional Tier 1	<ul style="list-style-type: none"> ▪ Regulatory Capital ▪ Statutory principal loss absorption¹ at PONV and/or POR ▪ Liquidation ranking: subordinated to Tier 2 but senior to CET1 (e.g. ordinary shares)
Common Equity Tier 1	<ul style="list-style-type: none"> ▪ Regulatory Capital ▪ Subject to statutory loss absorption in resolution ▪ Liquidation ranking: subordinated to Additional Tier 1



Resolution strategy and bail-in powers

Proposed creditor hierarchy

Resolution Strategy

Open-bank resolution

- Bank continues to function in its existing form
- Appropriate for banks that are too big and systemically important for a closed-bank resolution to be feasible
- Objective is to resolve a bank in such a way that the provision of critical functions continues i.e. bank stays open for business in its existing form, at least initially

Closed-bank resolution

- Bank ceases to exist in its existing form
- Only feasible for smaller and less complex institutions and focuses mainly on ways to limit losses to creditors and depositors
- Strategies include selling parts or all of the bank, winding down activities, transferring parts of the bank to another entity, or liquidating the bank

Statutory vs. Contractual (Regulatory) Bail-in Powers

Statutory bail-in appropriate for banks with open-bank resolution plans

- Statutory bail-in can only be applied in resolution and has to strictly follow the statutory creditor hierarchy and safeguards in the FSLAB

Contractual (Regulatory) bail-in appropriate for banks with closed-bank resolution plan

- Bail-in can occur before and outside of resolution as a recovery option and can be applied only to AT1 and Tier 2 instruments
- Does not follow the statutory creditor hierarchy, but imposes losses on creditors who have contractually agreed to it

Total Loss Absorption Capacity

FLAC instruments

- Systemically important banks (i.e. banks subject to statutory bail-in) will be required to hold a specific level of FLAC instruments

FLAC Instruments

Qualifying criteria and calibration



Main Qualifying Criteria

- Issued by the holding company (capital and FLAC). Time to be provided for transition of Opco issued instruments to Holdco
- SARB approval of initial terms and any amendments thereto
- Unsecured, and not subject to set-off
- Ranking of the instruments in line with the creditor hierarchy in insolvency
- Minimum initial maturity of 24 months, minimum remaining maturity of 12 months
- Early redemption call permitted if instrument ceases to qualify as FLAC or early redemption does not cause a breach in compliance
- Derivative-linked features not allowed
- Acceleration clauses not allowed
- Issuances under non-SA governing law allowed, resolution and bail-in provisions under SA law



Calibration of Minimum Requirements

- Base minimum FLAC requirement (bMFR) - minimum capital requirement of 8% plus pillar 2A and pillar 2B buffers applied to a bank's post-resolution balance sheet
- Additional FLAC requirements:
 - Market confidence premium (Pm) - range of 0% to 25% of the bMFR
 - Resolvability rebate (Rr) - range of 0% to 15% of the bMFR
 - Excess regulatory capital (CREG) – Possible reduction to the minimum FLAC requirement, limited to the additional FLAC requirement
- $MFR = bMFR * (1 + (Pm - Rr)) - CREG$
- Transition period to mitigate duplication of FLAC and senior debt funding costs



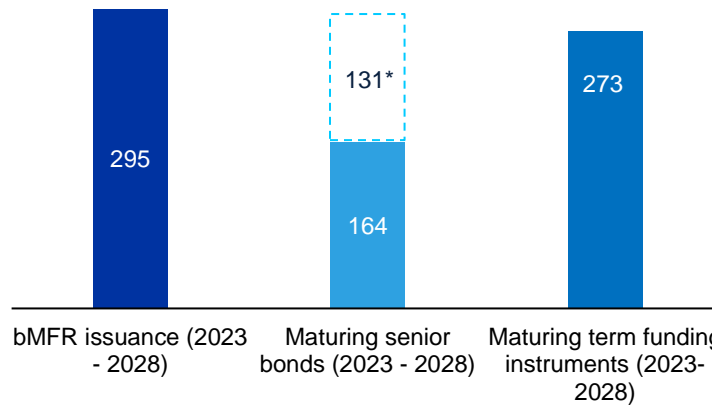
Industry requirements

Base minimum FLAC requirements (bMFR)

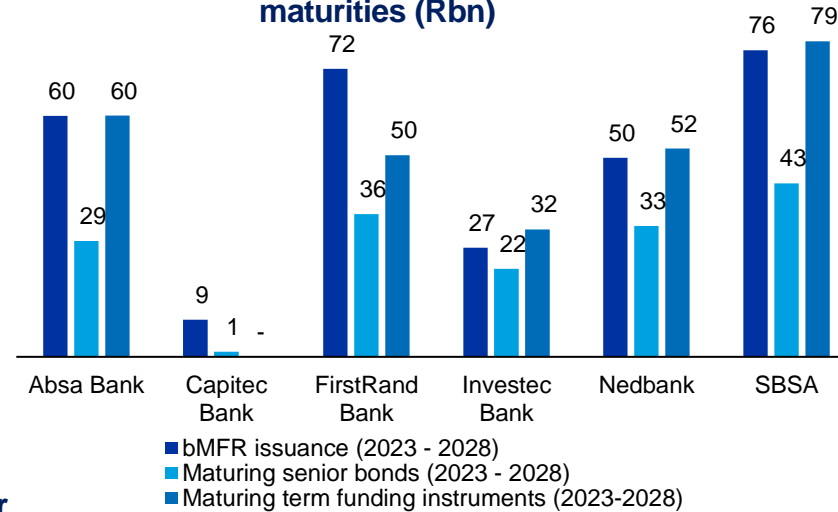
- Estimated total industry bMFR of ~R295bn by 2028
 - Assuming 2023 implementation and six-year phase-in period
 - Maturing senior bonds of ~R164bn
 - Approximately 48% of maturing term funding instruments replaced by FLAC issuances (excluding senior debt)
 - Term funding instruments include NCDs and structured notes

- Estimated bMFR for SBSA of ~R76bn by 2028

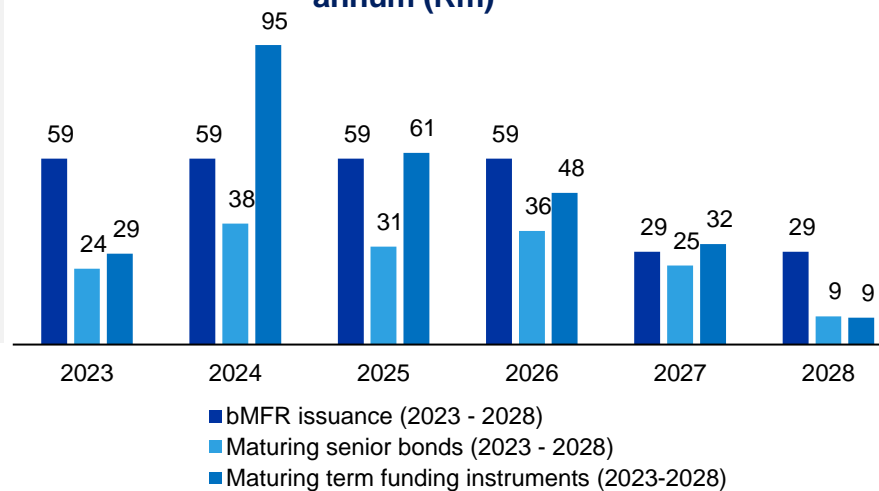
Industry FLAC requirements vs. senior funding maturities (Rbn)



FLAC requirements per bank vs. senior funding maturities (Rbn)



FLAC requirements vs. senior funding maturities per annum (Rm)



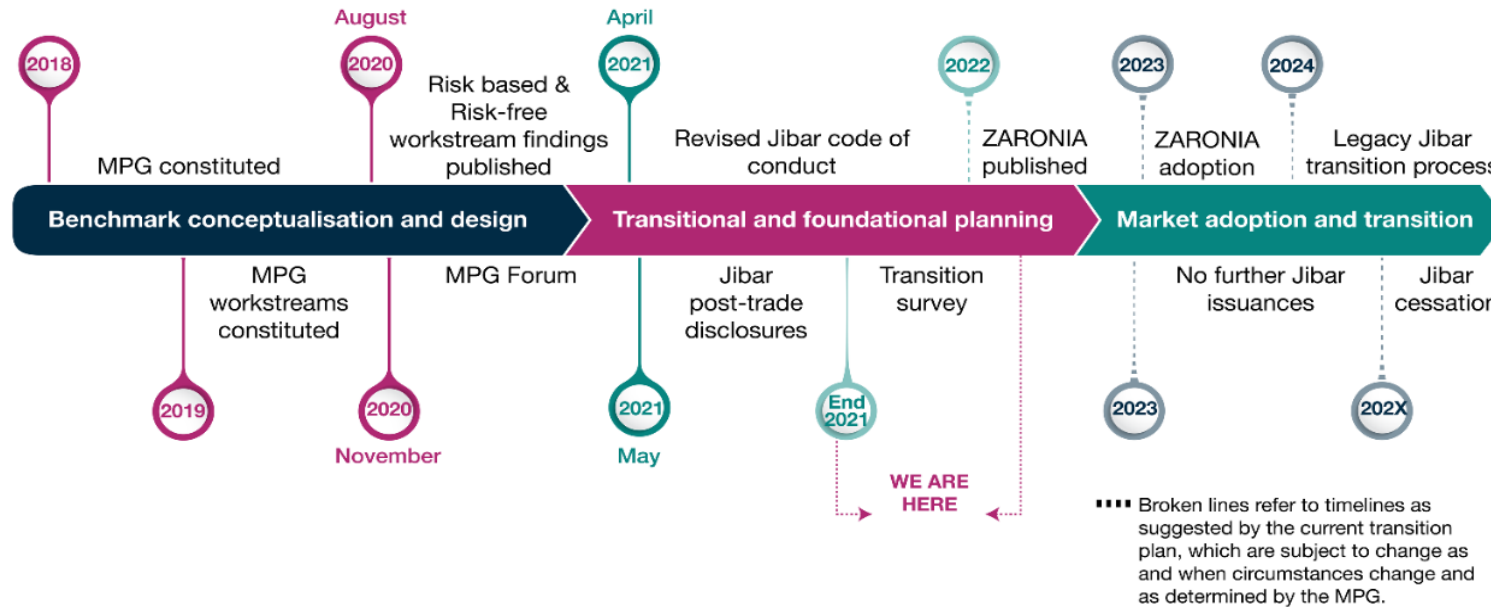
*Senior shortfall

Source: Standard Bank Research September 2022



Interest Rate Benchmark – JIBAR Reform

Interest rate benchmark reform Journey



Source: SARB

- The Market Practitioners Group (MPG) has published a white paper that proposes market conventions for derivative products that will use the newly launched South African Rand Overnight Index Average (ZARONIA) as the designated successor rate to replace both JIBAR and SAFEX ON
- This marks a significant step in the effort to reform domestic reference rates, as the white paper considers the ways in which derivatives market will adopt a more robust interest rate benchmark
- Transition away from JIBAR to ZARONIA will have a significant impact on the derivatives market as derivative instruments account for just under 90% of financial instruments traded in South Africa that reference JIBAR
- The JIBAR transition is currently in the “Transitional and foundational planning” phase and SARB began to publish ZARONIA on its website on **1 November 2022** to allow market participants to observe the rate. Current indications are that there will be a formal 1 year observation period for ZARONIA (during which use is not recommended), but that official endorsement of the rate will occur earlier. Official endorsement is key as it is a requirement for ISDA to include ZARONIA in the ISDA definitions and to develop a Fallback Protocol



05

Capital Management

Capital adequacy

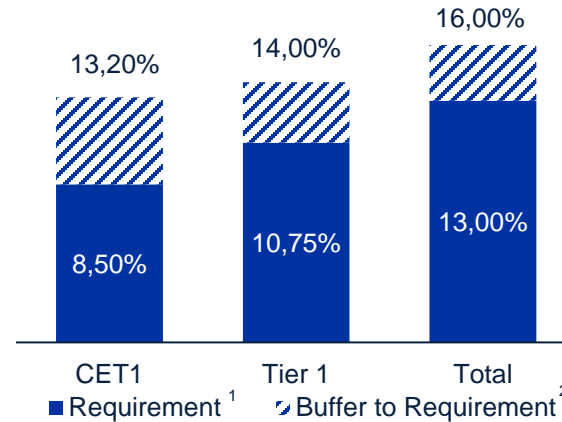
Robust capital position, materially above regulatory requirements



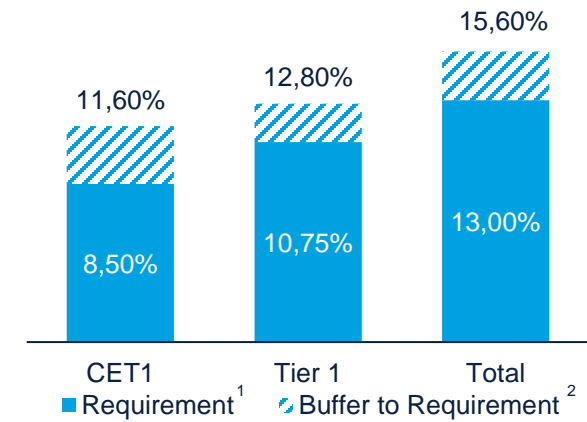
SBG and SBSA meet the Prudential Authority's Basel III aligned requirements

- SBG and SBSA remain adequately capitalised with capital adequacy ratios above minimum requirements
- No material impact from acquisition of minority interest in Liberty
- SBSA's D-SIB buffer requirement reduced effective from 1 July'22
 - Total requirement reduces to 13.0% from 13.5%
 - No impact on CET1 and Tier 1 minimums
- Pillar 2A buffers restored to pre Covid-19 levels
- Leverage ratios significantly above minimum requirements

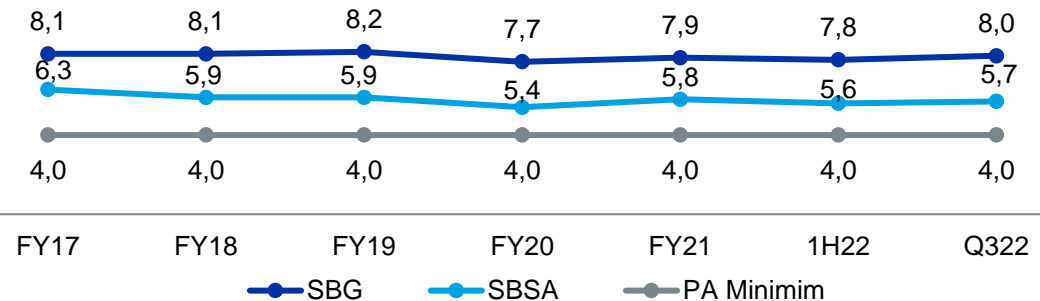
SBG Capital Adequacy



SBSA Capital Adequacy



SBG and SBSA leverage ratio (%)²



¹ Excluding countercyclical buffer and Pillar 2B; ² Capital and leverage ratios inclusive of unappropriated profits;

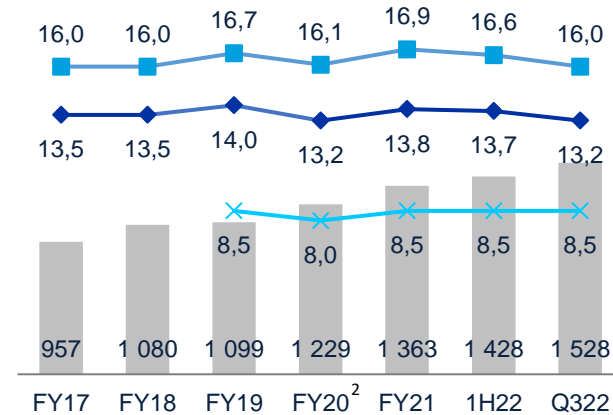


Capital adequacy

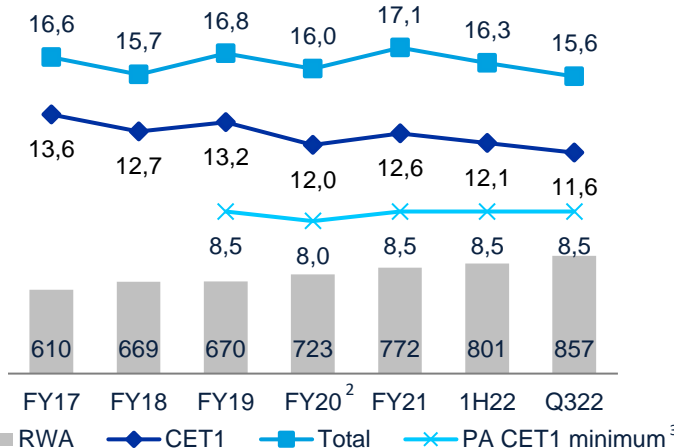
Resilience over time

- Extensive track record of prudent capital management
- September 2022 capital ratios inclusive of 1H22 dividend payments
- Well positioned for implementation of Basel III finalisation rules
 - More significant aspects of the new framework due to be implemented from January 2024
- Strong earnings generation enhances resilience
 - 2.75% average CET1 generation from FY17 – FY21 excluding 2020 which was impacted by Covid-19. 1H22 at 2.4%
 - Earnings resilience enhanced by geographic diversification
 - Array of management actions available for SBG to manage CET1 position
 - Early detection through internal/external processes e.g. stress testing, recovery planning etc.

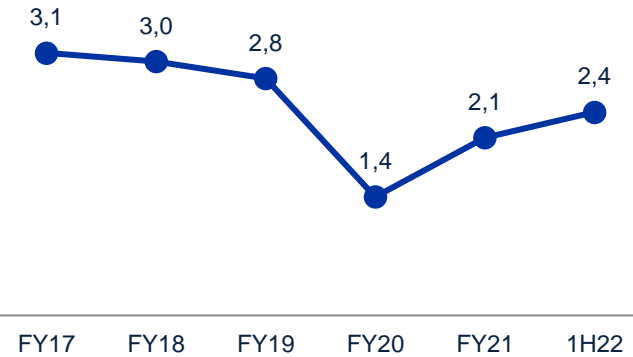
SBG capital adequacy (%) & RWAs (Rbn)



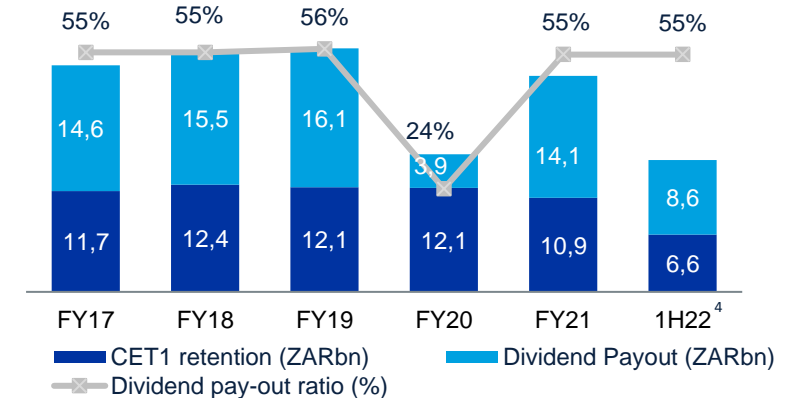
SBSA capital adequacy (%) & RWAs (Rbn)



Organic CET1 generation¹ (%)



Earnings retention & Dividend payout ratio



¹ Return on average RWA. CET1 generation metrics calculated before dividend payments; ² IFRS9 impact fully phased-in from Jan 2021. FY18 and FY19 results on IFRS9 phase-in basis, FY20 results fully loaded; ³ Excludes countercyclical buffer and confidential Pillar 2B requirement. Pillar 2A temporarily removed in 2020 due to Covid-19, re-instated in Jan 2022. FY21 minimum shown inclusive of P2A; ⁴ Earnings for the six months ending 30 June 2022

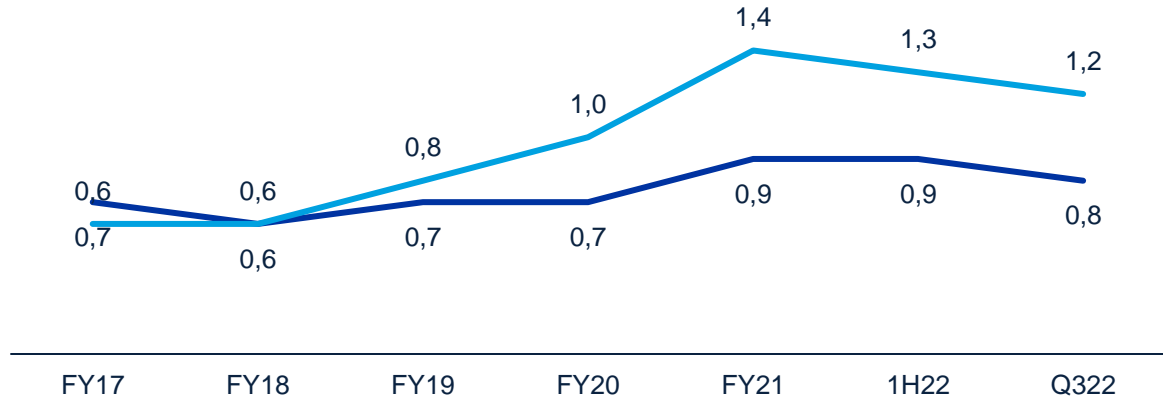


Capital adequacy

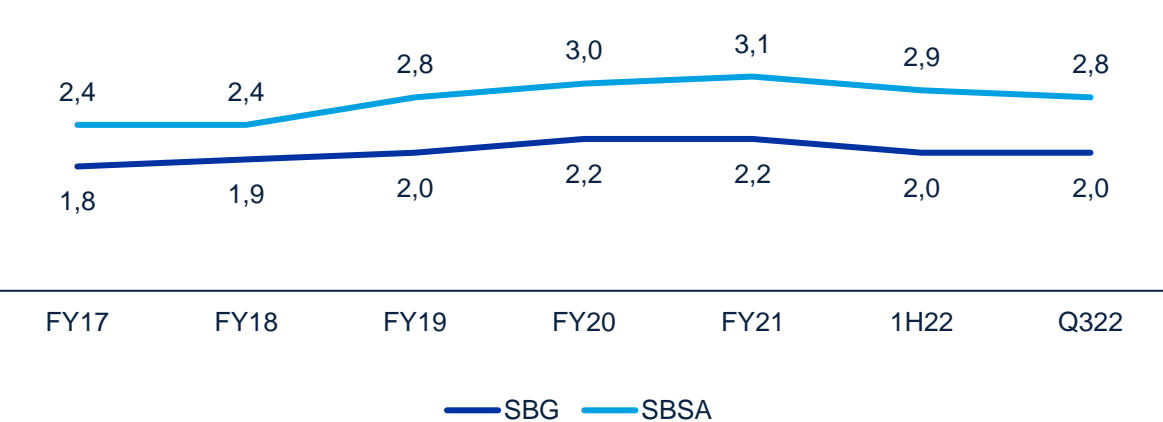
Tier 1 and Tier 2 components of the capital stack

- Tier 1 and Tier 2 capacity of approximately 2.3% of RWA respectively for SBG and SBSA¹
 - Excluding confidential Pillar 2B requirements
 - Lower D-SIB buffer requirements in SBSA impact Tier 2 capacity going forward
- Capacity to further enhance capital stack efficiency through AT1 issuances

SBG and SBSA Tier 1 capital (%)



SBG and SBSA Tier 2 capital (%)



¹ Calculated as difference between Tier 1 minimum requirement and CET1 minimum requirement and between Total minimum requirement and Tier 1 minimum requirement respectively



06

Tier 2 Green Bond

Proposed Transaction – Tier 2 Green Bond



Standard Bank Group Limited's 3rd Tier 2 Green Bond

Proposed Issue

- Up to R2bn [10 Non-Call 5 years] Tier 2 Green Bond to be issued under the Group's Sustainable Bond Framework ("SBF") off its DMTN Programme and listed on the JSE's Sustainability Segment
- The Group's SBF and Second Party Opinions on the SBF are available on the Group's Reporting website (*Standard Bank Investor Relations : ESG*)

Use of Proceeds

- Proceeds raised will be allocated to Renewable Energy Assets aligned with Section 2.1 of the SBF
- Use of Proceeds is aligned to SBG's SEE Impact Areas – Infrastructure, Climate Change and Sustainable Finance and maps to United Nations Sustainable Development Goal 7 (Affordable and Clean Energy)

Project Selection and Management of Use of Proceeds

- SBSA ALCO has approved the asset selection pursuant to eligibility screening
- Management and allocation of proceeds will be in terms of the SBF and an Asset Register will be maintained
- SBG will publish annual allocation and impact reporting. Allocation and management of proceeds will be independently assured

Indicative Offering



DMTN PROGRAMME	
Issuer	Standard Bank Group Limited
Issuer Long Term Rating	Moody's – Global: Ba3 & Fitch – Global: BB-, National: AA+(zaf)
DMTN Programme Size	R50bn listed on the Interest Rate Market of the JSE
KEY TERMS	
Issuance	Green Tier II Capital Note
Auction Date	[27/28 February 2023]
Settlement Date	[Early March 2023]
Issue Size	ZAR1.5bn (option to upsize to ZAR2bn)
Maturity Profile	[10 Non-Call 5 years]
Stock Code	SST203
Instrument	Floating Rate Note
Pricing Benchmark	3m Jibar
Price Guidance	TBC
Auction Methodology	Dutch Auction (no feedback)



07

Thank You

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