



STRATEGY UPDATE

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Standard Bank Group (SBG)



Key take-aways

Why invest in the Standard Bank Group?

We have updated our **strategic priorities**. We will transform client experience; execute with excellence; and drive sustainable growth and value

We have **powerful scale** advantages and strengths

We have changed our structures and ways of working to become more **efficient** and **competitive**

We are creating **new solutions** and **new partnerships** to serve our clients better and grow our revenues

We have set ambitious new **financial targets** which we are confident we will achieve

These changes are already having positive results



Agenda

- 1 SBG today and strategic progress
- 2 Context and trends
- 3 Our 2025 ambition
- 4 Translating ambition into execution



SBG TODAY AND STRATEGIC PROGRESS



Standard Bank Group TODAY

Our purpose: **Africa is our home, we drive her growth**

 Africa focused

 Comprehensive range of financial services

 Client centered

 Digitally enabled



We are the largest financial services group in Africa¹



Banking

R215bn
Capital
USD15bn

R1.3trn
Lending
USD87bn

R1.6trn
Deposits
USD111bn

Investments¹

R1.2trn
AUA/AUM²
USD83bn

Supported by international offices in Isle of Man and Jersey

Leading pension fund administration business in Nigeria

Insurance¹

15
Markets in sub-Saharan Africa in which we have brokerages

7m
Policy base

R64bn³
Gross written premium



Strategic co-operation with largest bank in the world⁴

158 years

of serving our clients in Africa

15m

active clients

20

countries with on-the-ground presence in sub-Saharan Africa

7

international markets and financial services centres where we have a presence

¹Standard Bank and Liberty, ²Assets under Management and Assets under Administration, ³Life GWP, R57bn and short-term GWP, R7bn, ⁴Industrial and Commercial Bank of China



Underpinned by a diversified client base served by our three client segments



SBG Client Segments



Consumer and High Net Worth clients (CHNW)



Business and Commercial clients (BCC)



Wholesale clients

¹ Segment cut off relationship and country specific, ² Includes Entrepreneurs



We recognise that we have had our challenges...



Client attrition and loss of market share in Consumer and High Net Worth South Africa client franchise



South Africa core banking modernisation journey too long and costly



Slow progress on achieving cost-to-income ratio target



ICBC Standard Bank Plc losses



Insufficient integration with Liberty



... but we have made good strategic progress



Consumer and High Net Worth South Africa client franchise growing again, +4% in 1H21



Ongoing client acquisition, deposit gathering and lending growth in Africa Regions



Modern core banking systems in place, which enables agile development of front-end solutions



Physical channel rationalisation enabled by digitisation of high-volume transactions and digital adoption



ICBCS¹ is more integrated with ICBC and making a profit; exit in the medium-term is a priority



We intend to buy out Liberty minority shareholders to simplify our bancassurance model

¹ ICBC Standard Bank Plc



Our intention to buy out Liberty minority shareholders

Transaction highlights

On 15 July 2021, we announced our intention to buy out Liberty minority shareholders, to integrate Liberty and realise synergies for both sets of shareholders through a simpler, more integrated group

Standard Bank to acquire all remaining ordinary shares in Liberty, not held by the Group

Liberty minority shareholders will hold circa 3.5% of Standard Bank's shares post the completion of the transaction

Post-integration synergies after two years

Liberty expected to be delisted in Q1 2022

Unlocking the potential through Liberty integration

STANLIB



Transaction imperatives

Aligning and leveraging our strengths

Enhancing our client value proposition

Continuing to deliver on the refreshed Liberty and Standard Bank strategies

Retaining key talent and protecting intellectual property

Business case drivers

Risk business

Asset management

Distribution

Africa Regions

Health

Property



CONTEXT AND TRENDS



2010 – 2019: Key trends underpinning recent developments in Africa

Expanding markets for financial services

↑ **30%** Total population to 1.3bn people

- Median age is 19 years
- Middle class grew to 3.4X 2010 levels

↑ **44%** Urban population

- Increased by 180m people over last 10 years

43% Adult bank account penetration from 23%¹

- 33% of adults are active mobile money users

Growing mobile penetration and digital payment solutions adoption

90% Mobile network coverage

840m # of mobile subscribers indicating high level of mobile phone penetration

↑ **3X** # of internet users yet still only 28% of people

The Covid-19 pandemic accelerated the move from cash to digital

Rapid and sustained economic growth

↑ **4%pa** GDP growth of sub-Saharan Africa economies outpaced global average

Increase in GDP per capita 2010 - 2018

- Ethiopia: 125%
- Kenya: 80%
- Ghana: 70%
- Côte d'Ivoire: >40%
- Tanzania: >40%

↑ **1.7%pa** Slower GDP growth in South Africa
A difficult decade

Shaped by increasing focus on sustainable development

- The **Sustainable Development Goals** were set by the UN General Assembly September 2015
- The **Paris Agreement** was signed at COP21 December 2015

Source: Standard Bank Research
¹ 2011 - 2017



2020 – 2030: The fundamental drivers remain intact, which will support ongoing economic growth, as well as strong growth in financial services

Expanding markets for financial services

Growing mobile penetration and digital payment solutions adoption

Rapid and sustained economic growth

Increasing focus on sustainable development

↑ **26%** Total population to increase to 1.7bn people

50% Urban population
 • >400m more people in cities

>220m New bank clients
 • If adult penetration reaches 50%

↑ Continued increase in handset penetration

>1.2bn # of subscribers
if reach global levels of 108 per 100 inhabitants

↓ Decrease in data costs

↑ **4%opa** Expected average growth of sub-Saharan African economies over the next 5 years

↑ AfCFTA will accelerate intra-Africa trade and boost Africa's trading position in the global market

↑ Expect South Africa to grow faster as it recovers from Covid-19 pandemic and structural reforms are implemented

↑ # of corporates who need advice and assistance in accelerating their transition

↑ Interest in sustainable projects



However, financial service firms will have to navigate change, challenge and complexity



Client expectations evolving

- Constantly changing
- “Basics” set by digital native corporates



Competition intensifying

- Threats from incumbents
- Threats from adjacent industries – Telcos
- Threats from new entrants – BigTech, FinTech and InsurTech



Regulatory landscape complex

- Significant regulatory, governance and compliance requirements
- Increasing complexity and costs
- Acceptable risk profile requires local knowledge and a balanced portfolio



Maintaining the status quo would mean decline; there are attractive opportunities for us as we embrace change

No change

- Undifferentiated, narrow offering
- Lose clients to competitors – traditional and non-traditional
- Be disintermediated from clients and become a utility
- Pressure on revenues as fees are eroded/taken by other players
- Negative selection as unable to respond fast enough and price effectively resulting in higher cost of risk
- Operational and regulatory costs unchanged
- Efficiency deteriorates and returns decline



Embrace change

- Grow client base and build loyalty and engagement
- Deliver secure, seamless digital payments
- Scale and diversify to drive revenues
- Become a preferred partner to attract best in class solutions and capabilities
- Digitise and drive lower cost to serve
- Leverage data assets as a competitive advantage
- Absorb regulatory costs and manage complexity
- Improved efficiency and returns



OUR 2025 AMBITION



SBG 2025 is centred around serving the needs of our clients

← Client Segments →



CONSUMER AND HIGH NET WORTH CLIENTS



BUSINESS AND COMMERCIAL CLIENTS



WHOLESALE CLIENTS

CLIENT SOLUTIONS

ENGINEERING

INNOVATION

Capabilities



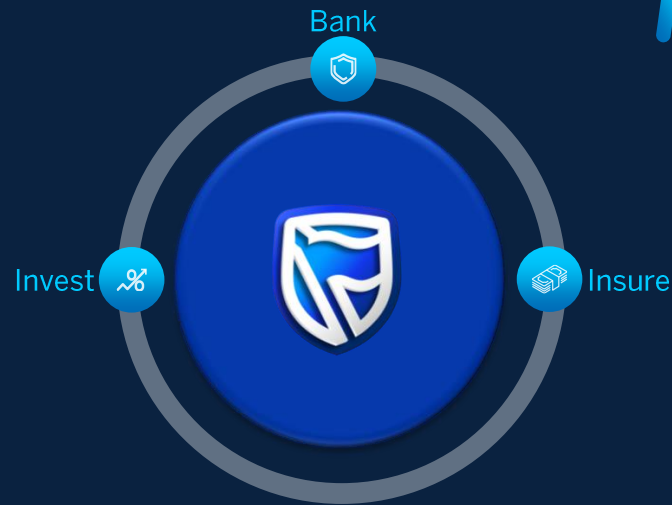
SBG is transforming beyond financial services

PAST



Trusted bank in South Africa

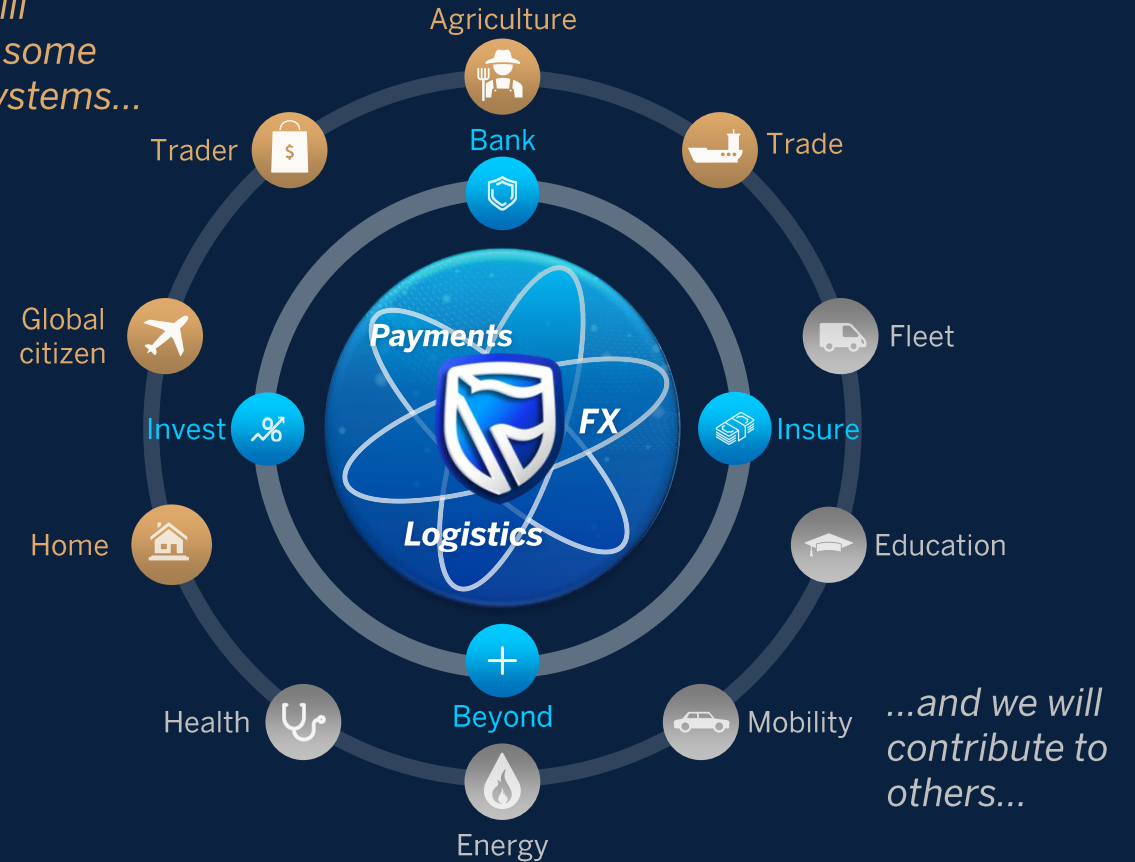
PRESENT



Trusted financial services provider across sub-Saharan Africa

We will drive some ecosystems...

SBG 2025



...enabled by common capabilities

...and we will contribute to others...



Our 10 prioritised ecosystems: accessing value pools totaling USD1.0trn - USD1.2trn

5 ecosystems we will drive



Trader

Activities of small informal traders including sale of FMCGs and small digital products, e.g. airtime



Home

Sale and rent of personal homes, including sales and moving logistics



Global citizen

Participation in a global world, including exchanging currencies and facilitating travel



Trade

International and regional exports and imports of goods, including trade logistics



Agriculture

All agricultural sales, including production tools and final sales of products such as fruits and vegetables

5 ecosystems we will contribute to



Energy

Activities within all sectors which generate energy



Education

All forms of primary and secondary education, both private and public



Health

The provision and coordination of medical and related goods and services



Fleet

The coordination and delivery of goods by road, air or water and the management of the tools used



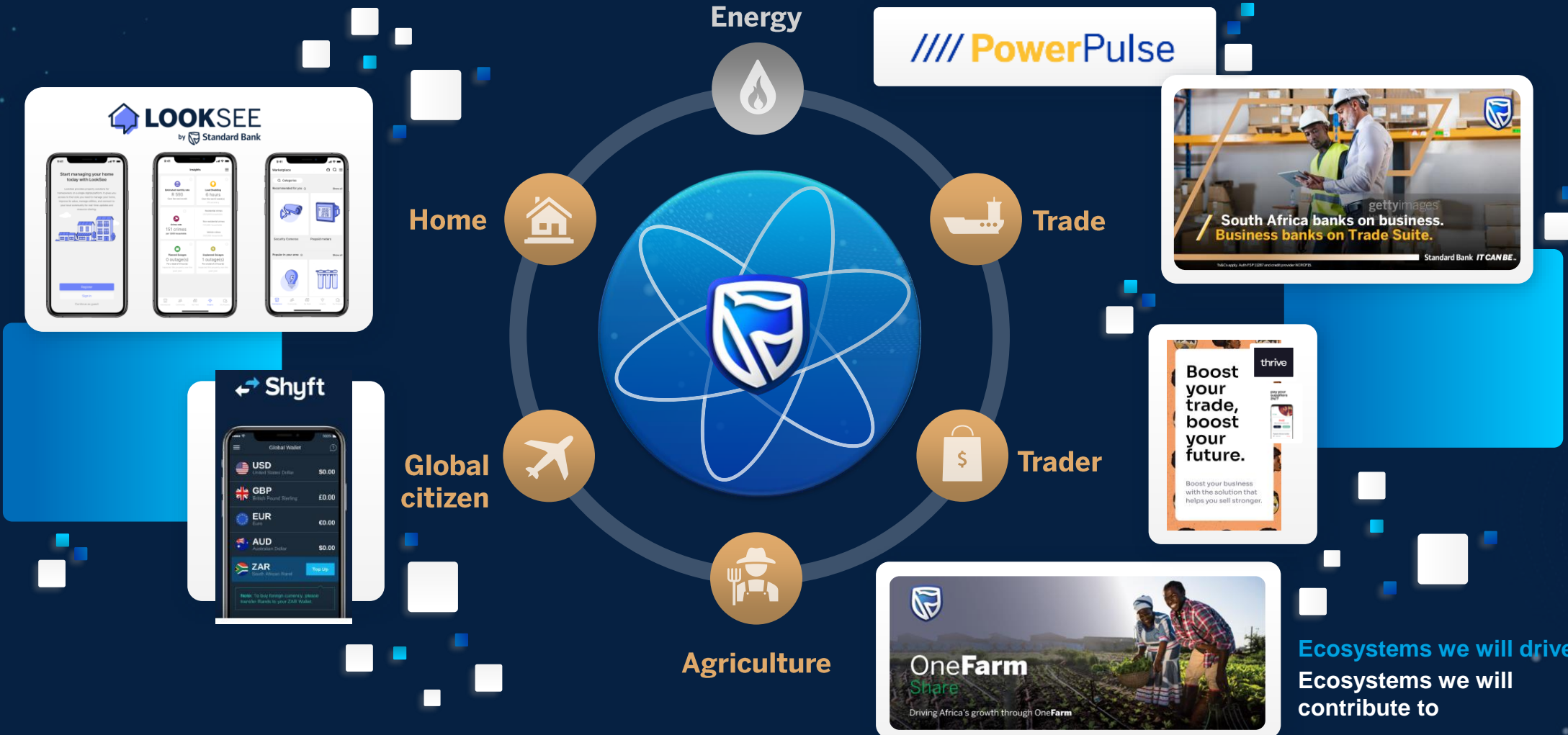
Mobility

Transport of people for day-to-day activities, both public and private and by various modes

¹Fast-moving consumer goods



Work on building our ecosystems is underway, next step scale



Ecosystems we will drive
Ecosystems we will contribute to



Our strategic priorities are the framework for delivery



Our Client Segments will:

- **DEFEND** our current client franchise and market positions
- **GROW** as we capture the opportunities, with specific focus on our ten ecosystems

Our Client Solutions, Engineering and Innovation capabilities will:

- **DELIVER** innovative and cost-effective client solutions
- **ENABLE** the group's platform
- **PARTNER** to drive value

We will be purposeful in:

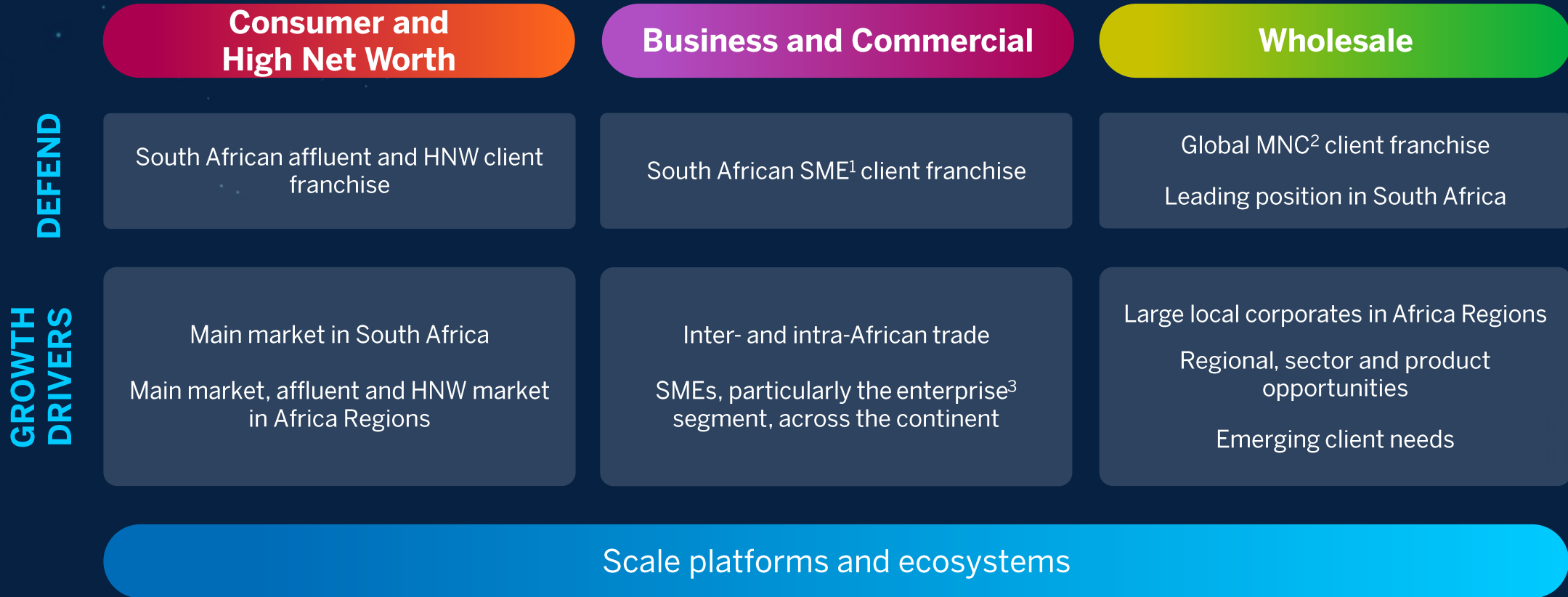
- Having a **POSITIVE IMPACT**
- Diligently **ALLOCATING RESOURCES**
- Delivering **ATTRACTIVE SHAREHOLDER RETURNS**



TRANSLATING AMBITION INTO EXECUTION



Our Client Segments are focused on defending and growing their franchises



¹Small and medium sized businesses, ²Multinational corporates, ³Includes entrepreneurs



Our Client Solutions capability will deliver innovative, open architecture and cost-effective solutions to the Client Segments and our partners

Service the **Solution needs** of the three SBG **Client Segments**

Build **Solution Partnerships** to complement the SBG client value proposition (open architecture)

Build **Distribution Partnerships** to distribute the full, or parts of, the SBG solution set





Our Engineering capability enables the Group's platform

Engineering **provides the always on, always secure, digital foundation required to enable new revenues and a superior client experience**

Engineering will **act as an enabler and integrator** in pursuit of the Group's platform business ambition

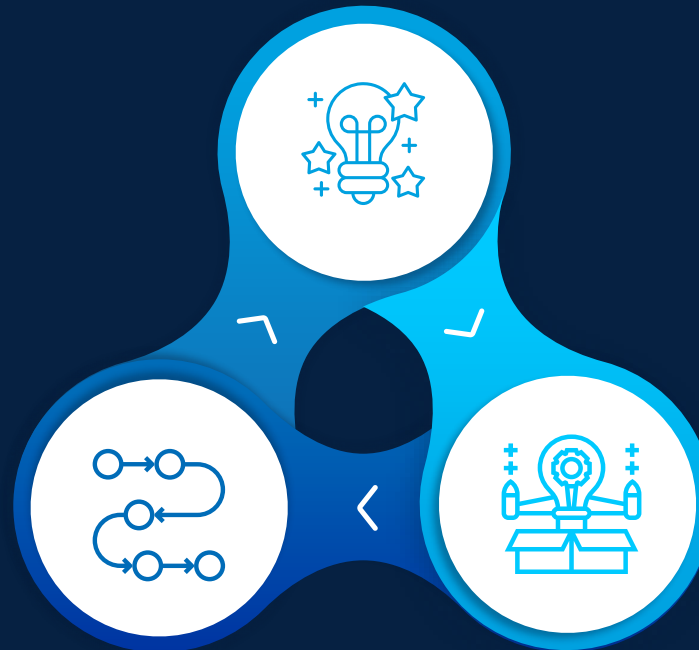




Our dedicated Innovation capability will generate and incubate new solutions and business models with speed and rigour

Culture of innovation

Promote and foster a culture of innovation and provide expertise and skills to amplify and support innovation across the Group



Discipline

Drive rigorous and robust prioritisation of investment and project management

Disruption

Drive and scale new business models, focused on disruption, new markets and ecosystems

Innovation is originated and executed across the organisation



We have developed a number of partnerships with FinTechs to enhance our ability to be disruptive

Strategic investments to enhance our offering

**FOUNDERS FACTORY.
AFRICA**

Create new startups
Scale existing startups

			Strategic investments to enhance our offering	FOUNDERS FACTORY. AFRICA		Create new startups Scale existing startups		



We are focused on accelerating skills development in key areas to develop, attract and retain critical skills and drive platform-thinking



Fostering a growth-mindset across the Group

- **Defined a set of priority future skills**
- Driving self-directed learning via our online learning platform
- Leadership development initiatives to lead strategy execution



Deliberate focus on building skills to enable a platform business

- Bespoke academies and programmes to build digital skills - **cloud, data, experience design, AI¹ / machine learning**
- Leveraging strategic relationships to develop Africa's engineering skills²



Continued drive to build a future-skills pipeline

- Young talent development initiatives – focus on behavioural economics and data and actuarial science
- Voted **SBG Employer of Choice by graduates** in South Africa³



Focus on attracting and retaining critical skills

- Providing an attractive employee value proposition – **innovative, flexible environment with a broad range of opportunities**
- Regular employee engagement

¹Artificial intelligence, ² Partnering Microsoft, AWS and Salesforce to launch skills academy to develop critical engineering skills across the continent, ³ Standard Bank South Africa was awarded the SAGEA Employer of Choice 2021 in the Commercial and Retail banking sector



We are committed to making a positive impact – delivering sustainable social, economic and environmental (SEE) value across sub-Saharan Africa

Our commitments

- Drive positive impact across our 7 impact areas¹ – aligned to the **UN Sustainable Development Goals**
- Signatory to the **Principles for Responsible Banking**
- Net zero by 2050

Our progress

- Published a number of policies outlining our position on key ESG²-related matters, including the financing of fossil fuel projects
- Published our **TCFD³ reports**

What next

- Continue to enhance our disclosures
- We will publish the Group's **climate strategy and targets** in the next reporting cycle (1H22)



¹ Financial inclusion; Job creation and enterprise growth; Infrastructure; Africa trade and investment; Climate change and sustainable finance; Education; Health; ² Environmental, social and corporate governance, ³ Task Force on Climate-related Financial Disclosures



Our ESG commitments are embedded in our day-to-day decisions via our thorough and robust ESG risk management framework and processes

ESG risk assessment

- Underpinned by our ESG framework and Group policies
- Reputational risk considerations are paramount
- Consider emerging trends and regulation
- Consider Africa's developmental needs
- Set sector and country risk appetite parameters
- Engaging the South African Reserve Bank on regulatory developments



Thorough process with multi-stage assessment

- ESG risk assessed at various stages
- Client onboarding
- Client request for proposal
- Deal impact review
- Deal structuring – client commitments, covenants, reporting requirements, tenor and pricing
- Deal management – review against commitments



Execution requires capital re-allocation

Resource allocation approach to deliberately tilt our portfolio



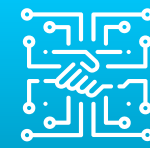
**Protect,
streamline and
continue to grow
the core banking
franchise**



**Grow capital
efficient
businesses**



**Invest in high
growth markets**



**Scale new
business models**



We are committed to delivering our challenging 2025 financial targets

REVENUE GROWTH
CAGR (2020/25)

7% - 9%

- Banking >5%
- Investment and Insurance >9%
- Beyond financial services >29%

COST-TO-INCOME
RATIO

Approaching 50%

Disciplined cost and
risk management

CREDIT LOSS RATIO
(Through-the-cycle)

70 bps - 100 bps

RETURN ON EQUITY

17% - 20%

Diligent capital allocation
with dividend payout ratio
of 45% - 60%

CET 1 RATIO

>11.0%