Standard Bank Group 2023 Annual Results Presentation Transcript

14 March 2024

Sim Tshabalala – Chief Executive

- A very good morning to everyone. On behalf of the board and management of the Standard Bank Group, welcome to the presentation of our financial results for 2023.

Overview – FY23 and beyond

- Starting on slide 2, here is a summary of this morning's presentation – and indeed of our investment case.
- Our Financial Director, Dr Arno Daehnke, and I will take you through the detail, but in a nutshell: our robust portfolio has delivered very good results and our business is in a strong competitive position.
- I will present sections 1 and 3. Arno will present section 2. We will take questions at the end of the presentation.

Franchise performance

Overview – FY23 and beyond

- Turning to the performance of our franchise, the key points we want to demonstrate are that our business is highly robust and that it has a great deal of momentum.
- Our strengths enable us to meet our financial targets and strategic goals even when operating conditions are difficult.

Our purpose, strategy, and targets

- This slide will be familiar to many of you. It summarises our purpose, strategic priorities and our 2025 targets.
- The purpose of the Standard Bank Group does not change. 'Africa is our home, we drive her growth.' We are permanently committed to Africa and are permanently optimistic about Africa's prospects – and with very good reason.
- Our strategic priorities also remain unchanged. We seek to transform client experience, execute with excellence, and drive sustainable growth and value. As this year's results show, we are achieving these priorities.
- Our financial targets to 2025 obviously won't change until then.
- 2023 has strongly reinforced our momentum towards - and confidence in – achieving these targets.

A difficult macroeconomic and geopolitical backdrop

- Turning to slide 6 and starting on the left with the global dynamics which emerged in 2023.
- The war in Ukraine ground on throughout the year, sustaining uncertainty. Further uncertainty has been created by the conflict in Gaza. However, these conflicts did not cause wider spillovers in 2023.
- More positively, in our view, tensions between the superpowers moderated.
- Global inflation eased in the second half in response to rapid increases in policy rates and to base effects.
- Turning next to sub-Saharan Africa.
- Although much less discussed in the international media, serious conflicts also continued in many parts of Africa. These conflicts did not directly affect our business, but they did

place pressure on the economies and societies of several countries where we work, including Nigeria, Ghana, Kenya, the DRC, and Mozambique.
- Inflation remained high and most African central banks continued to raise the policy rate, particularly in the first half.
- While some African sovereigns experienced worsening fiscal pressure, fiscal positions improved in Ghana and Kenya. Indeed, it appears that several larger African governments are again accessing international capital markets.
- Although the liberalisation of the Naira triggered inflation, Nigeria's broad suite of reforms should be positive for growth in the medium- and longer-term.
- The overall regional picture remained positive. Thanks to Africa's impressive resilience and dynamism, the region's economy grew at 3.3%.
- In South Africa, although inflation began to slow in the second half, interest rates remained high.
- Growth continued to be severely constrained by electricity and logistics but, again, there were signs of notable progress in the final quarter of the year.

A business in good health that has proved resilient over time

- Moving to the Standard Bank Group.
- 2023 was an exceptionally good year for the Group.
- Arno will discuss our performance in detail. Before he does, I will briefly comment on the group's performance over a longer term.
- Despite the pandemic, Group income rose by 40% over the five years since 2019, reaching R155 billion in 2023.
- Over the same five-year timeframe, our headline earnings grew 52% to reach R43 billion in 2023, and the Group's return on equity for 2023 was 18.8%, up 200 basis points compared to 2019.
- We declared a total dividend of R14.23 a share. This is a growth of 43% over the five years since 2019. We have retained a strong capital position throughout.
- The group's scale and momentum are unmatched in Africa.
- I now hand over to Arno to take you through the details of our financial performance.

Arno Daenkhe – Chief Financial Officer

Thank you, Sim.

I am now going to present section 2 which covers the group's results in detail. In these slides you will note a strong 2023 performance underpinned by a robust and growing franchise and a diversified portfolio across our 4 businesses and 26 countries. When I turn to 2024, I will share some short-term macro concerns which are likely to slow growth, but I will also illustrate that we remain on track to deliver our 2025 targets.

FY23 highlights – Strong performance underpinned by our robust and growing franchise

In 2023, Standard Bank Group recorded headline earnings of R42.9 billion, up 27% relative to the prior year and delivered a return on equity of 18.8%.

This performance was underpinned by excellent earnings growth from both our banking business, up 31%, and our insurance and asset management business, up 22%.

Revenue growth was well ahead of cost growth which supported strong positive operating leverage and our cost-to-income ratio reduced to 51.4%. Our common equity Tier 1 ratio remained strong at 13.7%.

Banking

The slides that follow cover our banking business results.

I will then cover Insurance & Asset Management, followed by some reflections on the group's business unit and regional performance

Banking overview - strong performance drove improved returns

Our banking business benefitted from continued client franchise growth, larger balance sheets and increased transaction volumes, as well as certain market and interest rate tailwinds.

Revenue growth (at 21%) was well ahead of cost growth (at 15%) which generated strong positive operating leverage of 5.7%.

Credit impairment charges increased across all banking products, reflective of the difficult macroeconomic environment and the credit loss ratio increased to 98 basis points, at the top end of our target range.

- In the 2023 results we have amended our methodology for recognising interest on Stage 3 loans.
- This change resulted in an increase in net interest income and an equal and opposite increase in credit impairment charges, with no change to headline earnings
- The 2022 results have been restated
- In 2023, given the large stage 3 book and high levels of interest rates, this adjustment has added an additional R2 billion to credit impairments. Without this technical correction, the credit loss ratio of 98 basis points would have been 85 basis points, which is in line with previous guidance.

Banking headline earnings of R38.8 billion were 31% higher and ROE improved to 19.5%.

A weakening of Africa Regions exchange rates in the second half of the year (in particular the Niara) has resulted in reported ZAR earnings growth being dampened when compared with constant currency growth rates.

Gross loans and advances to customers - growth dampened by currency movements

Slide 14 looks at trends in loan growth over the last 3 years.

In 2023 gross loans to customers grew by 6%. Our largest book of corporate and sovereign lending grew a robust 16%, supported by renewable-energy deals and higher demand for trade facilities. Lending for home services, however, grew by just 2%, as client demand faded and disbursements were 31% lower in South Africa. Personal unsecured loan applications increased in South Africa, but approvals were lower resulting in 2% book growth.

On the right-hand side, we show good loan growth in South Africa at 8% and Africa Regions at 2%, dampened by currency movements.

Deposits – growth driven by ongoing underlying client franchise growth

Deposit growth momentum has been good over the last 3 years and in 2023, deposits grew by a further 6%. Current and savings balances growth slowed as clients increased spending and/or moved their funds to take advantage of more attractive interest rates. Term deposits grew by 12%.

Once again, the impact of weaker exchange rates dampened growth in Rands and Africa Regions continued to show good deposit growth of 18% in constant currency terms.

NII – higher average interest rates across all regions supported NIM expansion

Net interest margin (shown in the graph on the left-hand side of slide 16) increased by 62 basis points to 494 basis points, of which 55 basis points related to positive endowment given higher average interest rates.

- For our portfolio of countries, we calculate that interest rates were, on a weighted average basis, almost 300 basis points higher in 2023 than in 2022.
- This movement equates to a positive endowment impact of R10.8 billion in the period.
- Asset pricing negatively impacted margins during the period. Competitive pricing pressures in home services, vehicle and asset finance and corporate lending were

evident. Our margin mix continues to benefit from faster growth in Africa Regions local currency lending.

This margin expansion, together with strong average balance sheet growth, supported net interest income growth of 25% to R97.5 billion.

In SA, we started hedging endowment risk in 2022 and extended the programme during 2023. This has reduced our interest rate sensitivity per 100 bps rate cut to R1.4 billion despite a growing endowment base. Prior to any hedging activity, the sensitivity would have been R2.1bn.

Fee and comm – Healthy growth driven by increased clients and activity

Fee and commission revenue grew by 10% and was driven by good momentum in our client franchises. In PPB, for example, active client numbers increased by 6% in SA and 4% in AR, and fees overall were up 13%. Account transaction fees were up a pleasing 8% and increased card spend and travel supported healthy growth in card and foreign exchange related fees. Our customers' preferences for digital channels continues to be evident in good growth in electronic banking fees.

Trading revenue – increased linked to client flow volumes as well as market-specific opportunities

Trading revenue grew by 20% to R20.5 billion. Fixed income and currencies recorded an excellent performance driven by increased and widespread foreign exchange related client activity.

Within CIB trading revenue, client revenues grew by 11% to R14.4 billion. In the first six months of the year, market making made up 38% of CIB's trading revenues and, in the second half of 2023, it comprised a more normalised 20%.

Provisions – increased proportion of Stage 3 loans resulted in higher total coverage

On slide 19 we turn to credit provisions and start by looking at our balance sheet positions at year end. Starting on the left-hand side, year-end lending balances grew by 7% and stage 3 loans increased to 6% of the book.

In the graph shown in the centre of the slide, you can see balance sheet provisions for credit of R64 billion which grew by 15%, faster than book growth. An increasing proportion of these balance sheet provisions relate the Stage 3 loans. We hold R46 billion in provisions against stage 3 loans of R100 billion, giving us a stage 3 coverage ratio of 47%.

This coverage ratio has dipped slightly given a large cohort of home services loans rolling into Stage 3 “pre-legal” category which require lower coverage ratios than loans that are at a “legal” stage. Pre-legal comprise 31% of Stage 3 loans compared with 19% a year ago. Encouragingly, we have recently noted a slowdown of flows into Stage 3 in home services.

Our total coverage ratio, at 3.8%, remains high and we are confident that we are well positioned to absorb any late cycle impacts from interest rates remaining higher for longer as well as further sovereign vulnerabilities.

Provisions – in 2H23 stage 1 and 2 provisions were flat and Stage 3 increased

On slide 20, we illustrate the buildup of provisions over the last 2 years, to show the recent divergence between stage 1 & 2 and stage 3.

Starting on the left, Stage 1 and 2 provisions seem to have peaked around June last year and coverage has remained relatively stable over the period.

Stage 3 provisions, however, which take longer to work through, are increasing across all products and risks remain evident, particularly in home services, business lending in Africa Regions and in specific names in CIB. Stage 3 coverage ratios, while lower than December 2022, have picked up since June.

Credit charges – increase driven by home services and business lending

The resultant credit impairment charge in the income statement increased by 22% to R16.3 billion.

The increase in the charge was driven primarily by home services and business lending where flows into non-performing loans increased.

The R465 million increase in the centre relates to a release in the prior period which was not repeated in 2023.

And the R700 million net release in Financial Investments relates to the partial reversal of a large provision relating to Ghana sovereign risk; offset against new provisions to accommodate increased sovereign risk in Malawi and Mozambique.

The credit loss ratio of 98 basis points is elevated but remained within our target range.

I remind you that the change in methodology for accounting for interest on stage 3 loans referred to earlier, elevated this ratio in 2022 and 2023, by 8 and 13 basis points respectively.

Provisions – bolstered further, driven by client strain and a difficult macro outlook

This longer time series is useful to reflect on our large stock of balance sheet provisions and growing coverage ratios. As we enter a more benign macro environment in the second half of 2024, this level of provisions should more than adequately absorb any further deterioration in the lending book and buffer provisions required from growth in the lending books.

Operating expenses – growth was elevated at 15%

Turning now to expenses on slide 23.

In 2023, we invested in our franchise and our client propositions. We hired over 1 000 people, increased our points of representation in South Africa, launched several new products (including a solar loan) and expanded our digital offerings and functionality.

Operating expenses increased by 15% to R79.7 billion While expense growth was high, revenue growth exceeded it by almost 6%.

Staff costs grew by 17%. This growth was made up of a 12% fixed remuneration increase, linked to overnight inflationary increases and a larger staff complement. Variable remuneration was 35% higher linked to performance and the comparatively lower incentives awarded in the years following 2020.

Costs related to technology investment grew by 9% and I will spend some time on this on the following slide.

Other expenses increased by 16% due to higher business activity-related costs including depositor insurance in Nigeria and Ghana, higher municipal costs within premises expenses, higher legal and audit fees, and increased marketing expenditure in Africa Regions,

IT spend – growth contained at 10%, continued to drive “save to invest” approach

Slide 24 shows total IT spend, including IT staff costs, and illustrates our continued support for strategically important digital initiatives.

Software, cloud, and technology-related costs, as shown in the dark blue bar at the bottom, is the biggest component and increased by 14% due to higher spend on cloud migration and software licenses; as well as personalisation and other focused AI-driven projects. Our call centres and public facing websites are now fully deployed and running on the cloud in SA contributing to better response times and 100% up time.

The IT function’s focus on resilience and stability is bearing fruit with excellent cyber fraud prevention and core system availability throughout the year.

Amortisation declined by 4% as the group's large historic IT programs started to roll off.

I am now turning to Insurance and Asset Management.

Post the Liberty minority buyout in 2022, Liberty has been integrated into the group and is now included, with other related businesses, in the Insurance and Asset Management, or IAM, business unit.

IAM – growth realised across the business despite challenging macroeconomic and business environment

The insurance operations new business value increased by 13% year on year to R3.0 billion; mainly due to an improved claims experience and increased sales. The main driver of new business value is the South African life business, particularly embedded insurance products.

Assets under management in the South African asset management business increased by 8% to R1 trillion. This growth was attributed to positive local and offshore investment market movements during the year.

IAM performance – continued earnings growth and capital efficiencies resulting in improved ROE

Insurance operating earnings grew by 23% to R3.9 billion supported by the South African insurance business which increased operating earnings by 27%.

Asset management operating earnings decreased by 20% to R928 million, largely as a result of higher planned operating expenditure in STANLIB.

Our insurance entities have implemented the new accounting standard IFRS17 and the prior period numbers have been restated accordingly.

Overall, and after attributing profits to banking business units for generating insurance sales, the group's insurance and asset management business unit grew headline earnings by 22% to R2.8 billion.

Liberty has distributed R5.7 billion to the group since the minority buyout. This increased dividend flow is linked to improved performance and a lower targeted capital coverage ratio in Liberty. The buy-out of L2D minorities, completed in late 2023, will deliver capital synergies in 2024. Structural realignments within the group implemented in early 2024 will also deliver capital optimisation opportunities which, cumulatively, are yielding better returns from Liberty without increasing risk.

IAM delivered an improved ROE of 13.1%. The business remains focused on lifting this ratio above the group's cost of capital.

Capital and liquidity – maintained a strong position

The group's robust capital and liquidity positions shown on slide 29 enable both our continued support of client growth and distributions to shareholders.

The group's common equity tier 1 ratio was 13.7% and the group's liquidity ratios remain well above the 100% regulatory requirements.

CET 1 ratio - grew as capital generation outstripped dividends and RWA growth

The increase in the CET 1 ratio is a result of profit generation outstripping dividend payments and risk-weighted asset growth.

Dividend payments shown here of R23 billion are increasingly being funded by our Africa Regions legal entities. Approximately 35% of this dividend is funded from Africa Regions.

ROE & dividends – improved returns and increased dividends

We are pleased that the group's ROE of 18.8% is within our target range of 17-20% and well above cost of equity of 15.1%.

The board has declared a second half dividend of R7.33 per share, bringing the full year dividend to R14.23 per share, up 18%; and a payout ratio of 55%.

I will now turn to our business units and regions.

SBG portfolio – diversified across four businesses and 26 countries, all delivering growth

On slide 33 we have represented the group's headline earnings by business unit on the left and by legal entity on the right.

These charts demonstrate the diversity and breadth of our client franchise across our 4 business units and 26 countries.

In this period, Africa Regions' contribution to group headline earnings was 42%. The large contribution from Offshore stems from significantly increased revenues in our operations in Jersey and the Isle of Man driven by higher interest rates.

Business units – all franchise businesses contributed positively to growth and returns

Our 4 business units all contributed positively to the 2023 results, with increasing revenues, better efficiency ratios and increasing returns.

CIB remains our largest business, contributing 36% of the group's revenues.

Business units – all franchise businesses delivered earnings growth

The waterfall chart on slide 35 illustrates contributions to the group's earnings growth in 2023 and shows, again, that all four business units contributed positively.

- PPB grew headline earnings to R10.7 billion, up 27%.
- BCB improved ROE to 37.0% on the back of 27% headline earnings growth.
- CIB added R4.6 billion in earnings to end at almost R20 billion, up 30% year on year.
- I have already covered the key drivers of IAM performance.
- ICBCS recorded a strong operational performance and our share thereof in Rands was R1.3 billion. Earnings were lower than in the prior year due to the once-off insurance claim receipt in January 2022.

Africa Regions – all 3 regions delivered very strong performances

I will now cover Africa Regions legal entities starting on slide 36.

Africa Regions delivered a record performance. A larger balance sheet, higher interest rates, higher transactional volumes, a recovery in international trade, and strong growth in trading revenue all contributed to the overall outcome of R18.2 billion in earnings, up 49% year on year.

Our Africa Regions financial performance was excellent across all 3 sub-regions in terms of earnings growth and improvement in ROE.

Africa Regions – continued delivery underpinned by our established portfolio across 19 countries

Despite macro issues which have emerged over the last 18 months regarding sovereign vulnerabilities and weaking exchange rates, we remain certain that the value of our Africa Regions portfolio is in its diversity and in its growth profile.

In these graphs, which you are likely now familiar with, we show the headline earnings from Africa Regions since 2013. The diverse portfolio has delivered an impressive 18% compound annual growth rate in earnings in Rands over the period.

On the left-hand side, we have shown our summarised regional split.

On the right-hand side, we have included a split of our top 8 countries and their respective CAGRs are also shown here. Given that some of our listed subsidiaries have not yet released results, we have not included country-specific numbers here for 2023.

You can see from these graphs that, despite Ghana's foreign and local debt default which we were exposed to directly, and which impacted our clients in that country, our West Africa growth rates remain strong at 19% over the period shown here. This illustrates the impact of the portfolio effect of our countries of operation.

SBG 2025 targets

That concludes the discussion on our 2023 results, and I will turn now to our outlook for 2024.

As can be seen on this slide, we are currently tracking ahead of our 2025 targets on a straight-line basis.

While our excellent 2023 result is an important milestone on route to 2025, and places us in an advantageous position to achieve our 2025 targets, we are not there yet.

The next two years to 2025 will require continued diligent resource allocation and cost discipline.

2024 outlook – risks persist, but expect a soft landing

From a macro perspective in 2024, global risks are expected to persist, but our base case is for a soft landing with inflation falling, providing scope for interest rate cuts, and real GDP growth stabilising.

In sub-Saharan Africa we see growth accelerating, driven by East Africa and a generally declining inflation and interest rate environment.

In South Africa, our economics team have pencilled in lower inflation and a cumulative 75 basis points cut in interest rates starting in July 2024. Real GDP growth should improve to 1.2% subject to easing of the electricity shortfalls and logistics constraints. The South African election outcome is not expected to drive a change in policy direction.

SBG network - macros looking constructive

On slide 41, we present a detailed macro analysis, which informs our short-term guidance.

Because of the growing importance of Africa Regions in our mix of earnings, we thought it would be useful to distill a complex set of macros expected to emerge across our countries of operation into 4 key metrics on a portfolio weighted basis.

Let’s start with inflation on the left-hand side. Despite increasing inflation expected in Nigeria, Angola and Zambia, you can see that, mostly, we are expecting inflation to come down in 2024, with the weighted average inflation rate reducing to 7.0%.

On interest rates, we are expecting a more mixed picture, resulting in the weighted average rate reducing marginally to 11.4%.

Real GDP growth is expected to accelerate, on average, from 2.0% in 2023 to 2.2% in 2024.

These macros are generally supportive of growth across our network of operations on a local currency basis and our financial plans evidence this.

However, in 2024, we are expecting further local currency devaluations relative to the Rand, shown in the graph on the far right. On a group weighted average basis, we expect currencies to be 5.8% weaker in 2024.

While local currency balance sheets are growing and revenue growth is expected to remain robust, this translation impact is expected to create a meaningful headwind for ZAR growth in 2024.

FY24 guidance – continued robust growth, but diluted by currency movements

On slide 42 I will take you through our customary short-term guidance and I remind you that this guidance is shown on a Rand basis.

For the twelve months to 31 December 2024, we expect the following:

- Balance sheet growth to remain slow in in the first half but improve in the second half.
- Average interest rates are expected to be marginally down and pricing to remain competitive.
- Accordingly, **net interest income is expected to be up by low-to-mid single digits percentage growth (in rands) year-on-year**.
- Fees will be supported by a larger client base; increased client activity and higher client spend.
- Trading revenue is likely to decline off a high base in 2023 but will be subject to market developments and client flow.
- This results in **non-interest revenue growing by low single digits (as reported in rands)**.
- While there is a heightened focus on costs, we need to continue to invest in our business to remain competitive and to grow. Banking cost growth is expected to be

similar to banking revenue growth and hence we anticipate **flat to slightly positive jaws.**

- On credit, our clients are likely to remain constrained until interest rates start to decline. Credit impairment charges are expected to peak in the first six months of 2024, driven primarily by ongoing strain in the Personal & Private Banking portfolio. For the full year, the **credit loss ratio is expected to remain within but near the top of the group's through-the-cycle credit loss ratio range** of 70 to 100 basis points.
- Earnings growth and improved returns are anticipated from Insurance & Asset Management
- The group's 2024 ROE is expected to remain well anchored **inside the group's target range of 17% to 20%.**
- Ongoing capital generation will support distributions to shareholders and dividend payouts in the range of 45-60%.

This guidance for 2024 keeps us on track to achieve our 2025 targets.

While uncertainty is expected to remain elevated, our business is well diversified, growing, and resilient. We are focused on delivering against our strategic priorities and look forward to delivering another set of robust results in 2024 and beyond.

That brings the results analysis to a conclusion. Thank you for your attention.

I will now hand over to Sim to conclude.

Sim Tshabalala – Chief Executive

- Many thanks Arno

SBG overview – FY23 and beyond

- In closing, I'll spend a few minutes discussing how we see the next few years unfolding, and how we plan to use the strong position we have created to keep on winning in future.

Positive outlook over the medium to longer term

- Starting with slide 45.
- Arno has discussed the short-term outlook. Looking further ahead, we are entirely convinced of the good medium and long-term prospects for sub-Saharan Africa. We think that the economy of sub-Saharan Africa will grow at around 4% a year for the rest of the decade – probably becoming the fastest-growing region in the world from around 2030.
- As both a cause and a consequence of this growth, we estimate that Africa will require around $3.4 trillion in new infrastructure investment over the next two decades. This is financing that we are uniquely well positioned to mobilise.

- As we are seeing, African authorities are adopting more orthodox policies and communicating more effectively with markets. Investors are coming to understand Africa's risk profile more fully. We therefore expect that the higher prices paid by African sovereigns for debt, as compared to equivalently rated non-African countries, should decline. Standard Bank will continue to use our convening power to accelerate this process. We are very well positioned to arrange bond issuances for African sovereigns – as we did in 2023 for Kenya and Uganda.
- We're confident that South Africa's upcoming general election will be free, fair, and largely peaceful. Our base case is that the outcome will encourage broad policy continuity and sustained structural reform, leading to gradually improving economic performance.
- In our view, the extent of structural reform in South Africa has been underappreciated. Just to mention a few examples:
    - 12 thousand megawatts of private electricity generation is being constructed
    - A successful spectrum auction enabled the roll-out of 5G, the Next Generation Radio Frequency Spectrum Policy enables secondary spectrum trading, and the Rapid Deployment policy enables more efficient deployment of towers and fibre
    - The Durban container terminal and Pier 2 have been concessioned, meaning that 46% of South Africa's port traffic will be handled by an international private sector contractor
    - 70% of water use licenses are approved within 90 days
    - And 34 countries are now covered by South Africa's e-visa system.
- We don't expect miracles in South Africa. But we do think there is a very strong case for reasonable optimism that this country will start to grow significantly faster over the medium term.
- We further expect that both Africa as a whole, and South Africa in particular, will continue to make steady progress towards a lower-carbon economy, requiring further massive investments in green energy, urban infrastructure, and climate-resilient agriculture. For example, according to the International Energy Agency, funding Africa's climate adaptation, and providing universal access to modern energy, would together require investment of about $800 billion. Again, the Standard Bank Group is best placed to win in these markets.
- Of course, we have also contemplated the downside risks and upside opportunities. As is widely agreed, the world is looking highly volatile and uncertain, meaning that there is a lot of variability in the possible outcomes.
- However, as the following slides will show, the Standard Bank Group is well prepared for a broad range of possibilities.

Well-diversified business with unmatched scale

- The most successful and sustainable financial services businesses are those which are most robustly diversified and large enough to be able to operate at an efficient scale.
- Through our four business units, we offer the widest and deepest range of financial services available on the continent – to clients ranging from individuals at every income level to the largest multinational corporations.
- Our African portfolio contains well-established businesses in 20 countries in Africa, s linked to the world's key financial centres through our offices in London, New York, Beijing, and Dubai and through our offshore hubs on the Isle of Man and Jersey. Despite geopolitical tensions and rivalries, our brand, franchise, capabilities, and good faith are trusted by regulators and clients alike in the United States, in Europe, in China, and

throughout Africa. We're not complacent about this – we spend a lot of time and energy making sure that we live up to this reputation.
- With total assets of over R3 trillion, R178 billion in revenues, and R43 billion of headline earnings, we are the largest financial services business in Africa by almost every measure.
- Standard Bank has recently been ranked as the most valuable banking brand in Africa in 2024 in *BrandFinance*'s annual ranking of the world's Top 500 Banking Brands. This is the third consecutive year that we have received this accolade, and the award affirms our commitments to providing consistently excellent service for our clients and to driving Africa's growth.

Growing and engaged client franchise

- Moving to slide 47.
- We focus intensely on serving our clients with consistent excellence.
- As a result, we have built a very large, very diverse and, importantly, growing client base.
- PPB and BCB have grown their client numbers steadily over the last three years since 2021, growing annually by seven and four percent respectively.
- The number of clients in our Nigeria pension fund administration business grew annually by 6% over the same three years.
- And total CIB client revenues expanded by 26% annually since 2021. Revenues from multinational clients make up more than 60% of CIB's client revenues.
- Our clients are doing more with us, using our digital channels. PPB's clients performed almost 2.9 billion digital transactions with us, 30% more than in the prior year, and BCB's clients completed 155 million digital transactions, growing by 7%. Our business units are working increasingly closely together to broaden our relationships with our clients. For example, we saw a 40% growth in flexi-funeral gross written premiums, written by IAM through PPB's channels.

Targeted technology enables competitiveness and resilience

- Our digital investments are clearly enabling us to serve our clients better and faster.
- Our systems remain secure and have remained very stable for more than a year and a half.
- We are extracting concrete productivity gains – for instance, our retail clients in South Africa will have noticed much shorter wait times when they call us.
- We are making good use of AI in several parts of the business, including in sales and in credit. AI applications are enhancing both efficiency and client experience. However, it is important to say that we are not trying to be at the 'bleeding edge.' We believe that a 'fast follower' stance on AI is appropriate for the group, at least for the time being.

Capturing opportunities linked to Africa's energy transition

- The energy transition is among the most important social and economic themes of our lifetimes. It is here where the greatest risks arise for Africa – and also where a great deal of money can be made, and the largest positive impact achieved.
- We therefore continue to extend our leadership in sustainable finance.
- In 2023, we mobilised more than R50 billion in sustainable finance, reaching a cumulative total of R105 billion since the beginning of 2022 when we introduced our target to mobilise more than R250 billion of sustainable finance by 2026. We are well on track to meet this target.
- This year, in South Africa, we funded 1 113 MW of new renewable energy, reaching a cumulative total of 3 450 MW.

- In total, our financing of renewable energy in 2023 was more than five times greater than our financing of non-renewable energy. This ratio is significantly better than the average for banks signed up to the Net-Zero Banking Alliance, where renewable energy funding is only 92% of non-renewable funding.
- Our commitment to be a leader of the just transition for Africa is unshakeable. This includes a commitment to support non-renewable energy investments when their social and environmental benefits outweigh their costs, and when they are part of credible transition plans. In some cases, for example, funding new 'brown' energy sources in Africa will be net positive for global emissions.

Steady growth and strong momentum

- The benefits of building the capacities and the reputation discussed on the past few slides are visible on slide 50.
- The Group's earnings have grown at 10% on average over the past decade, and we now generate 42% of our headline earnings from our Africa Regions portfolio.
- We have had a particularly good year in 2023, but we don't want you to miss the bigger picture.
- Thanks to the strength of our portfolio, the breadth of our network, and the depth of our capacities, we deliver on our strategic commitments, and we grow very steadily over the long term – whatever the economic weather.

Focus areas in 2024

- We are well positioned to continue to grow over the longer term and to deliver value to both our clients and our shareholders.
- In 2024 we have the following priorities:
    1. Continue to grow our client base through our unrivalled product offering and network
    2. In all four business units, focus on defending where we lead, growing where we are sub-scale, and optimising to create capacity to invest where needed.
    3. Manage risk effectively while supporting clients
    4. Focus strongly on costs but continue to invest for the future. In a year of slower revenue growth, cost control will be particularly important. We are already working very hard to ensure that our cost metrics for 2024 stay within the targets to which we are committed.
    5. And continue to allocate resources diligently to support continued franchise growth.
- As Arno has indicated, the group will grow more slowly in 2024, requiring us to be disciplined in serving our clients with excellence and efficiency.
- But we remain confident that we will meet our 2025 commitments, and that we will keep winning in our markets.

'Africa's winning bank.'

- As always, our sincere gratitude to our policy makers and regulators for the world class regulatory environments they create for us and for our sector.
- We're equally grateful to our shareholders for their continued support.
- We thank all our people working across Africa and beyond for their professionalism and dedication.
- Most importantly, we thank our nearly 19 million clients for their continued trust in us.

Thank you

- Thank you all. That concludes our presentation.
- We will now take questions.