

Standard Bank Group Interim Results Presentation Transcript

15 August 2024

Sim Tshabalala – Chief Executive Officer

Good morning, everyone.

On behalf of the board and management of the Standard Bank Group, it's my pleasure to welcome you to the presentation of our financial results for the first half of 2024.

Agenda

This has been a half of disciplined, steady and successful execution. We have delivered excellent organic growth throughout our businesses.

I will begin by placing our strategic achievements and rapid franchise growth in their broader context.

Our Chief Financial Officer, Dr Arno Daehnke, will then take us through the results in detail.

I will conclude by discussing our strategy and outlook.

Backdrop – despite a difficult macroeconomic environment in 1H24...

The performance of the world economy was dampened by continuing serious geopolitical tension, including major wars in Europe and the Middle East.

De-globalisation, destructive trade rivalries, and the disruption of formerly well-established supply chains have continued – and even accelerated – over the half.

More than a billion people have already voted this year. We have seen serious political uncertainty, and even outright instability, in several major economies.

Although inflation moderated, it did not slow down as fast as had been hoped. Policy rates therefore stayed higher for longer.

Overall, the world economy grew at a lacklustre pace compared to the growth rates recorded earlier in the century, in more peaceful and globalised times.

By contrast, most African countries grew rapidly.

Both Nigeria and Kenya, however, had a difficult half. In both countries, economic reform encountered political and social resistance, reducing confidence and slowing growth. Protest in Kenya peaked during the first half, but Nigeria's '10 Days of Rage' occurred in July and August.

Currency weakness in several major African economies is reflected in the Group's costs and its income. However, as Arno will show, it's important to look through currency effects to the strong underlying growth of these economies and of course, our businesses.

South Africa's first half is best understood as two distinct quarters. The first quarter was characterised by continued electricity and logistical constraints and by rising

political uncertainty in some quarters and that accelerated as the election approached.

Standard Bank was always unshakeable in our optimism. We knew without doubt – and often said so – that Constitutionalism, good sense, macroeconomic orthodoxy and a commitment to transformation would prevail. Of course, the Group did its scenario planning, and we were ready for less positive outcomes. But we are on record as having said that South Africa would remain robust and that, after the election, there would be a rally in confidence and in asset prices, and an acceleration in investment and growth. And so it has proved.

The second quarter saw impressive improvements in both electricity supply and logistics.

It also saw the establishment of a Government of National Unity firmly committed to Constitutionalism and to continued fiscal prudence, transformation, and structural reform.

Inflation improved, but the policy rate stayed very high by historical standards.

... we executed our strategic priorities

The macro conditions are reflected in some aspects of our financials for the first half, as Arno will discuss.

They did not, however, slow us down from executing our strategy, or from delivering successfully against our strategic priorities – to transform client experience, to execute with excellence, and to drive sustainable growth and value.

... enabled by our technology

Our robust and efficient technology enabled much of the successful execution and delivery of our strategy.

We continued to maintain excellent stability in South Africa over the first half. We have had no material client incidents in the last 2 years.

Our investment in technology is delivering best-in-class client platforms, world-class customer relationship management systems, and AI-enabled contact centres.

These successes are not confined to South Africa. We have powerful, full-scale, always-on digital financial services operations in our 20 countries in Africa.

... and we delivered against our 2024 focus areas

These results reflect us doing precisely what we said we would do this year when we last reported in March.

For instance:

- We said we would continue to grow our client franchises. Well, we delivered 5% growth in active client numbers, which resulted in 19.5 million clients.
- We said we would defend and grow our businesses. We delivered a 10% increase in fee income in Personal and Private Banking in South Africa, and we grew assets under management in South Africa by 11%.
- We managed risk effectively while supporting our clients, with the execution of deals for CIB clients worth R105 billion; disbursements in SA of R61 billion, comprising R40 billion to PPB clients and R21 billion to BCB clients; and death, disability and annuity payouts of R13 billion.

- In line with our strong focus on saving to invest, we continued to execute our intention to move our processing into the cloud. By the end of the period, 44% of our processing was in the cloud, delivering reduced costs and increased stability.
- Our Subsidiaries provided a diversified source of dividends for the Group. The integration of Liberty into the wider Group and capital optimisation initiatives have facilitated another R5.7 billion in distributions so far this year – and over R11 billion since the transaction was announced, while our Offshore entities provided a dividend of R4.2 billion to the Group.

SBG – a business that has proved resilient over time...

Our large scale and diversified income streams have enabled us to grow income steadily over the past decade, delivering average growth of 7% over the period.

Similarly, headline earnings have grown on average by 10%. Earnings have grown faster than income, reflecting consistently excellent credit management and steadily improving operational efficiency.

Our Return on Equity has improved by 580 bps over the decade, even including the enormous impact of the pandemic.

Since we listed in 1970, we have only missed one dividend, which was when the South African regulator issued a directive at the height of the pandemic discouraging the payment of dividends. As shown here, our average payout ratio has been 50% or better for the last decade, and we have grown our dividends by an average of 12%.

In summary, we are the largest financial organisation in Africa. We are a resilient and a consistent business. We deliver what we undertake to do. We grow steadily. We generate market-beating returns for our investors.

...and is recognised as a leader on the continent...

Our record of consistent execution and good growth is also reflected in the strength of our brand and our reputation as a leading African financial services business.

In the first half of the year, for example, we won a number of awards which reaffirm our expertise and capabilities across Africa. These include:

- Best Investment Bank in Africa from *The Banker*
- Africa's Best Private Bank from *Euromoney*
- IAM's Sandton City received global recognition from the International Council of Shopping Centres for marketing excellence.
- 'Overall Firm for Research' in the *Financial Mail* Top Analyst Awards – as in eight of the last nine years

We are the Top-ranked bank in South Africa and Africa in *The Banker* Top 1 000 Banks Ranking.

I now hand over to our Arno to take us through the numbers.

Arno Daehnke – Chief Financial Officer

1H24 financial performance

Thank you, Sim.

I am now going to cover section 2 of the presentation which covers the group's results in details.

Performance – we delivered strong returns, improved efficiency, and higher dividends

After an exceptional performance in 2023, we are pleased to be able to demonstrate continued strong organic growth and returns in all our businesses.

In the six months to 30 June 2024, Standard Bank Group delivered record headline earnings of R22.0 billion and delivered a return on equity of 18.5%. Our franchise headline earnings growth (which excludes our investment in ICBCS in London) was a strong 7% in Rands.

The banking results reflected positive jaws to lower the cost-to-income ratio to 49.7%.

We have declared our highest dividend ever of 744 cents per share, growing at 8% and at a payout ratio of 56%.

The group ended the period with a strong common equity tier 1 ratio of 13.5%.

As Sim has covered, our disciplined execution of our strategy and the resilient nature of our group of companies, helped us navigate a complex period from a macro perspective.

When we provided 2024 guidance earlier this year, we flagged that weaker Africa Regions currencies, most notably the Nigerian Niara and Angolan Kwanza, would impact our group results when these subsidiary results were translated into Rands. This is now evident across all income statement and balance sheet line items. As can be seen on this slide, group headline earnings grew by 4% in Rands and by 17% if the impact of currency movements is removed. This currency impact is expected to reduce in the second half of 2024 and to diminish further into 2025.

Banking

Banking overview – growth off a high base, supported by positive jaws and improved credit charges

The slides that follow cover our banking business unit results.

Our banking business benefitted from continued client franchise growth, larger balance sheets and increased transaction volumes.

Total income growth (at 1.4%) was slightly ahead of cost growth, which generated positive operating leverage of 50 basis points.

Credit impairment charges benefitted from a few large restructures completed in June in Corporate and Investment Banking, as well as improved client performance in our retail and business portfolios. Credit charges thus reduced by 15% - lowering the credit loss ratio to 92 basis points, which is back into our 70-100 bps target range.

Banking headline earnings growth of R20 billion were 6% higher and ROE was 19.0%.

The constant currency growth rates illustrated here show strong underlying franchise growth, with revenue up a strong 13%.

Gross loans and advances to customers – growth driven by strong corporate origination

Slide 14 looks at trends in loan growth over the last 5 years.

In the current period gross loans to customers grew by 3%. Our largest book of corporate and sovereign lending grew a robust 8%, supported by strong origination in the Energy & infrastructure sector driven by the continent's infrastructure deficit, and energy transition and sustainable finance mobilisation.

Lending for home services grew by just 1%, as client demand faded, and pricing hurdle rates were maintained. Disbursements were 18% lower in South Africa in home services.

The business lending portfolio declined due to lower client demand, affordability constraints and also lower business confidence.

Our focused retail vehicle and asset finance strategy, where we aim to be the primary provider of vehicle finance solutions for our own customers, has seen us maintain market share in this product.

Across all portfolios, our origination strategies remain prudent and selective and subject to customer affordability criteria.

On the right-hand side, we show good loan growth in South Africa at 6% and Africa Regions at 15% in constant currency.

Deposits – continued growth, particularly term deposits as clients took advantage of higher interest rates

Deposits increased by 2% period on period to over R 2.0 trillion.

More expensive term deposits grew faster than transactional accounts as customers actively searched for yield in a high interest rate environment. PPB South Africa deposit growth was nevertheless 6% as client acquisition, entrenchment and retention strategies paid off.

In South Africa, deposits grew by 4%, supported by growth in term deposits as mentioned. In Africa Regions, deposits grew by 17% in constant currency.

Average balance sheet – continued growth, but slowed due to the difficult environment

On an average balance sheet basis, average interest earning assets and liabilities grew by 5%, and this is a slowdown relative to longer term averages. As interest rates decline and economic activity picks up we should see a reversion to mean growth which will be positive for NII growth in the medium term.

Net interest income – margin expansion as higher interest rates more than offset tighter pricing

Starting on the left, net interest income grew by 7% to R50 billion and margin expanded to 497 basis points.

On the right hand side we have shown the drivers of NII growth which illustrate that:

- Net interest income continues to benefit from asset growth; although to a lesser extent than prior years.
- The positive endowment impact of higher interest rates was R2.2 billion in the period, or 20 basis points. For our portfolio of countries, weighted average interest rates were 40 basis points higher than the same period in the prior year. For the 2023 year, this was 300 basis points, and this evidences the waning tailwind from higher rates in our margins.
- Asset pricing negatively affected margins during the period as competitive pressures were evident, particularly in South Africa, Kenya, Angola and Mozambique. Pricing pressures in South Africa increased in home services, vehicle and asset finance and in corporate lending.

NII benefited in the current period from a new tranche of liquid assets being classified as held at amortised cost and these were held at fair value in prior periods. This was a R1.1 billion uplift in the current period in NII which would have been accounted for in non interest revenue in prior periods.

In South Africa, we started hedging endowment risk in 2022 already and have continued to extend the programme. This has reduced our interest rate sensitivity per 100 basis point rate cut to R932 million despite a growing endowment base. Prior to any hedging activity, the sensitivity would have been R2.1 billion and was R1.2 billion this time last year.

Net fee and commission – continued growth in the active client base, digital adoption and volumes

Net fee and commission revenue increased by 4% to R15.1 billion.

Account transaction fee growth of 8% was supported by a growing active client base, clients doing more with us, and higher client trade and transactional activity, as well as annual price increases.

Ongoing investment in our digital capabilities drove increased adoption rates, growth in activity and, in turn, revenues from our digital platforms. The drag on fees as a result of digitisation and migration away from cash is now largely in the base in South Africa.

- Card-based commissions revenue grew by 6%, linked to increased card turnover in the issuing business and higher revenue from card acquiring, particularly on travel spend.
- As you can see here, electronic banking fees grew by 11%, supported by our clients preference to process transactions in real time.
- Foreign currency service fees were impacted by increased competition in West Africa driving margins down, but showed good growth in constant currency.

Trading revenue – strong underlying trend, down relative to 1H23, but up on 2H23

In line with our expectations, trading revenue was softer against a remarkable performance in the first half of 2023. The graph on the left hand side shows trading revenue for consecutive halves showing that

1. trading revenue has grown by 10% off the 2023 second half base and, that,
2. on average over the last five years, we have a strong and growing client franchise. In the first halves of 2020 and 2023, trading revenue was particularly strong due to increased client activity and trading opportunities in volatile markets. Excluding these periods, the business has recorded sequential increases in average revenues with a focus on growing client revenue.

The graph on the right shows trading revenue by region. Contributions from Africa Regions and SBSA were equal in the reporting period.

Global Markets revenue – client driven franchise

This graph illustrates the portion of total Global Markets revenues which are market making and hence more volatile. Over the 5 year period shown here, on average, less than 20% of revenues are from market making and client revenues show a healthy 11% compound annual growth.

Provisions – balance sheet grew slower than provisions resulting in higher coverage

Turning now to credit provisions on slide 21.

On the left-hand side of this slide you can see an analysis of our loan book which has grown by 3% since June 2023. It shows the percentage of our book which we classify as non-performing, or stage 3, and has remained at 6%.

In the middle graph you can our balance sheet provision levels, with overall balance sheet provisions up 8% since June.

Stage 3 provisions increased to R49 billion, now 73% of our R67 billion of provisions. Stage 3 loans remain well covered at 47%.

Our total coverage ratio, at 4%, remains high and we are confident that we are well positioned to manage risks arising from higher-for-even-longer interest rates.

Provisions – PPB SA evidence of a slowdown in inflows

PPB South Africa makes up two thirds of non-performing loans, so we thought it would be worthwhile spending some time on the trends in this portfolio specifically.

Consumers in South Africa remain under pressure, navigating high inflation and interest rates and low economic growth. Across the industry, customers in debt review have grown by more than 15% over the last year, with this industry-wide portfolio now around R88 billion.

Our customer base continues to demonstrate resilience with consumers proactively trying to find means to protect their assets and their credit records. In our portfolios, many customers are part-paying and customers are becoming better at engaging us to seek alternative solutions and payment arrangements. To respond to this demand, our customer assist programmes have been redesigned to allow for ease of application and simplification of this process.

We are pleased to note that inflows into early delinquencies (shown in the left hand graph) have slowed and overall balances have been reducing for the last 2 reporting periods.

We have also successfully increased outsourced capabilities with debt collection agencies which has resulted in higher collections and lower inflows into non-performing loans.

Non-performing loans, also known as stage 3 loans, continue to build up, but as you can see at a slower rate than previously. Post a positive election outcome and anticipated interest rate reductions in the second half of this year, we are expecting lending demand and affordability to improve; both of which will assist working through the current stock of non-performing loans. Although we expect to continue to see improvements, we anticipate provision levels to remain high through to the end of this year.

Credit impairment charges – decline driven by CIB restructures and a slowdown in PPB and BCB charges

The overall credit impairment charge in the income statement decreased by 15% to R8 billion. This, together with relatively slow loan growth, resulted in a lower credit loss ratio of 92 basis points.

The income statement charge is impacted by

- a small decline in PPB of 3% driven by the slowdown in early arrears and inflows into non-performing loans that we discussed on the previous slide;
- a small decline in BCB, also of 3%, due to improved collection strategies and improvements of client performance in East Africa specifically;
- a large decline in CIB where debt restructures in the period offset increased corporate provisions; and provisions for sovereign risk in the prior period were not repeated.

Credit impairment charges – most products lower, particularly Corporate and Financial investments

Another look at the credit impairment charge by product reveals the relatively stable charges in retail and business lending products, with the large swing evident in corporate and bank lending, as well as in credit impairments for financial investments, where large provisions for sovereign investments in Malawi, Zambia and Ghana were raised in the prior period.

Operating expenses – disciplined cost management and currency weakness in Africa Regions, +1% growth

Disciplined cost management led to well contained cost growth period on period. This, together with Africa Regions relative currency weakness, resulted in less than 1% cost growth for the period.

Staff cost growth was limited to 2%. In constant currency this growth was 8%, in line with weighted average inflation rate of 8.3% for the period. The impact of annual

salary increases and an increase in our skilled staff complement was largely offset by lower performance-related incentives.

Software, cloud and technology-related costs, together with IT amortisation and depreciation, increased by 1%. I will cover these costs on the following slide in more detail.

Premises costs increased by 5% in Rands but 16% in constant currency, ahead of weighted average inflation, as municipal and utility costs increased. In South Africa, lower fuel and maintenance costs from reduced loadshedding, helped to offset this.

All other expenses, when aggregated, were 4% lower, with focus on cost discipline and reduced discretionary spend in the lower revenue growth environment.

IT spend – ongoing diligent “save to invest” strategy led to well-contained cost growth at 2%

Slide 26 shows total IT spend, including IT staff costs. In the graph on the left hand side we show the current period increased of 2%, or 8% in constant currency, relative to the 5 year CAGR of 8%.

In the graph in the middle of the slide, we show the largest component of IT spend (software, cloud and technology related costs) which were 6% higher. Cost pressures were evident in contractual increases on software services and increased licensing fees on client platforms. Continued investment in security software and higher cloud subscription costs added to the cost increases.

These pressures were offset by lower amortisation and depreciation costs.

IT intangible assets on balance sheet are valued at just over R9 billion at the end of this June, compared with R21 billion in 2018, and this illustrates a steady replacement of on-premises, owned and bespoke technology to utilising cloud-based software as a service technology.

IAM

That completes our banking analysis, I am now turning to Insurance and Asset Management

IAM – increasing sales and higher margins, especially in guarantee-type products

Life insurance indexed new business in South Africa grew by 4%, with increasing sales and higher margins especially in increasingly popular guarantee-type products that offer conventional annuities or guaranteed investment plans.

Our insurance operations overall generated new business value of R1.6bn in the period, and this is an increase of 13% over the period. The main driver of new business value remains the South African life business, particularly embedded products.

Assets under management in the South African asset management business increased by 11% to over R1 trillion. This growth was attributed to third party

customer net inflows and positive investment market movements during the period. The Nigerian pension fund business continues to grow in constant currency.

IAM performance – improved insurance earnings, favourable shareholder portfolio, and capital actions drove ROE up

The Insurance & Asset Management franchise headline earnings grew by a pleasing 19% to R1.6 billion.

Insurance operations earnings grew by 15% to R2.1 billion, supported by improved retail persistency, lower new business strain, as well as a risk claims experience which remained in line with our expectations.

Asset management operating earnings decreased by 19% to R472 million, driven primarily by the impact of the devaluation of the Nigerian Naira on translated earnings from our pension fund business in Nigeria.

The shareholder portfolio delivered a profit of R195 million on the back of favourable investment market outcomes.

This improved performance, together with the execution of capital optimisation initiatives, resulted in a higher ROE of 15.5%, broadly in line with the group's cost of capital.

The solvency capital requirement cover of Liberty Group Limited and Standard Insurance Limited both remained robust and within their respective targets.

Capital and returns

Capital – robust capital position

Turning now to the group's robust capital position.

As you can see here, risk-weighted assets grew by 4% since December, and the group's capital position has increased to R276 billion.

The group's common equity tier 1 ratio was 13.5% at end of June 2024.

Our target CET1 ratio of > 12.5% was previously shown as > 11%. This higher target is not a change in risk appetite or a change in dividend policy. We have simply updated the external target to better reflect how we manage the business and how we run the business internally.

The group's liquidity ratios both remained well above the 100% regulatory requirements.

ROE & dividends – consistently above pre-pandemic levels

On this slide the graph on the left shows the group's return on equity relative to cost of equity and the graph on the right shows the group's interim dividend per share and the resultant payout ratio.

The group's annualised ROE is 18.5%, inside our target range of 17-20%, and well above the group's cost of equity.

Our interim dividend of 744 cents per share equates to a dividend payout ratio of 56%, which is also inside our target range.

Segmental disclosures

I will now discuss our business unit and legal entity performance.

SBG portfolio – well-diversified and resilient earnings

On slide 34 we have represented the group's headline earnings by business unit on the left, by products in the middle and by legal entity on the right.

These charts demonstrate the diversity and breadth of our client franchise across our four business units, range of products, and 26 countries.

As you can see, Corporate & Investment Banking remains our largest business unit generating R10.4 billion in earnings.

On a product basis, transactional banking in each of our banking business units combine to generate almost half the group's earnings.

In the legal entity pie, it is noteworthy that the Standard Bank of South Africa's earnings of R9.4 billion grew by a healthy 12%, despite the difficult domestic operating environment.

Business units – PPB and IAM drove franchise growth; BCB and CIB flat on a high base

On slide 35 we have shown the build-up of group earnings by business unit.

PPB generated much of the group's growth in earnings in the period to end at R5 billion at an ROE above 20%.

BCB maintained a strong return on equity of 38% and held earnings flat when compared to the prior period.

CIB saw strong constant currency growth of 17%, but earnings reduced slightly in Rands, generating an ROE of 23%.

I have already covered the key drivers of IAM performance.

ICBCS, via the group's 40% stake, contributed just under R600 million in the period, a decline off a high base this time last year.

SBSA – good franchise momentum, improved credit

As we saw earlier, Standard Bank of South Africa generated R9.4 billion in headline earnings. This is excellent growth in NII was dampened by slower NIR growth to generate total income growth of 4%. NII benefited from loan growth of 6% and expanded margins.

Within NIR, fees were up 6% supported by growth in the active client base, more entrenched customers and increased transactional volumes across our digital channels and network of ATMs as well as points of representation.

Trading revenue was down 4% in this period for SBSA.

Operating expense growth was well contained to 2%, well below average inflation in South Africa of 5.3%. The re-sizing and reconfiguration of our branch network over the last 5 years, which has reduced branch square meters by 40% over this period, has assisted with premises savings.

Improved credit, particularly in CIB, resulted in an improved credit loss ratio of 97 basis points.

SBSA's common equity tier 1 ratio is 12.0%.

Africa Regions – strong underlying franchise growth and continued accretive returns

Despite a complex and mixed operating environment, our portfolio of Africa Regions' franchises delivered another exceptional performance with earnings growth of 27% in local currency.

The weaker average exchange rates dampened earnings growth resulting in a 2% decline in Rands period on period and, on this basis, Africa Regions contributed 41% to group headline earnings.

All 3 sub-regions performed well, with West Africa most impacted by currency translations.

The overall portfolio as you can see here delivered a strong equity of 29.1%.

The top eight contributors to Africa Regions' headline earnings were Angola, Ghana, Kenya, Mauritius, Mozambique, Nigeria, Uganda and Zambia.

Africa Regions – diversified portfolio delivered robust growth in ZAR earnings over time

Our Africa Regions portfolio has delivered robust earnings growth in Rands, shown here, over a long period of time. The graph on the left shows the earnings contribution by sub-region since 2014, delivering an earnings CAGR of 15% in Rands.

On the right-hand side, we have included a split of our individual 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 2024.

We remain convinced that the diversity of this portfolio and the growing client franchises that we have built, will continue to deliver superior returns and growth prospects over the medium and longer term.

That concludes the results analysis, I will now hand back to Sim to cover the group's strategy and outlook. Thank you.

Strategy and outlook

Thank you, Arno.

As you have heard, the Standard Bank Group remains in excellent health and – better yet – is poised for excellent growth over the long term.

Strategy – unchanged

The key strategic point we want to emphasise this half is that we have demonstrated our capacity for disciplined execution and delivery over both the short and long terms.

We will continue to execute against our strategy in order to deliver everything we undertake to do.

Outlook – key macroeconomic trends across our portfolio remain positive

The macroeconomic outlook for the countries in our portfolio is very positive.

Starting on the left, we expect inflation in our businesses to trend downwards in 2024 and 2025, from 7.7% for the Group in 2024 to 7.0% in 2025.

This will provide scope for central banks to reduce interest rates. In South Africa, our economists foresee a decrease in the repo rate of 100 basis points over the next 12 months. This will provide relief to our clients on debt repayments. And, of course, a declining interest rate cycle is also often a signal of the beginning of an investment cycle.

In Africa Regions, we think that interest rates will be higher for longer, with most rate cuts happening in 2025.

The graph on the right shows our forecasts for GDP growth in our markets. We expect average GDP to accelerate to 2.7% in 2025.

SBG – 2024 guidance and 2025 targets reaffirmed

The group expects to continue to deliver robust underlying growth. We expect the dampening effect from weaker currencies in some of our markets will subside in the second half and into 2025.

Accordingly, we reaffirm our guidance for the full year of 2024 for our three core metrics.

Firstly, banking revenue will grow by low single digits.

The cost-to-income ratio is expected to be flat to lower year on year.

The Group's ROE will remain well within the group's target range of 17% to 20%

I also want to re-emphasise that we remain completely on track to meet our commitments to 2025.

Outlook – fact-based optimism about Africa's prospects

We maintain our fact-based optimism about Africa's medium and long-term prospects.

As mentioned, geopolitical and trade tensions are slowing world growth and creating the possibility of higher-for-longer global inflation.

But precisely the same tensions are creating new opportunities for Africa's economies – arising, for example, from outright superpower competition for markets and influence, and from a growing preference for shorter and more diversified supply chains.

Turning to Sub-Saharan Africa itself. We expect that inflationary pressures and sovereign stress should continue to improve. We expect interest rates to start falling in South Africa and in several other African countries.

As the cycle turns and confidence rises, we expect to see more demand for loans, more financial activity in general, and more investment by both the private and public sectors.

Because we have always stood with our clients through good and bad times, we are now ideally positioned to grow both our book and our revenues rapidly.

We continue to expect that Africa will have become the fastest-growing region in the world by 2030.

Over the same period, Africa will continue to become more interconnected, with increasing internal trade under the African Continental Free Trade Area – the largest free trade area in the world.

Africa's trade with the rest of the world will also continue to expand rapidly. We see both trends reflected in client activity – for instance, the discussions at our recent Business and Commercial Banking conference in Cape Town .

Interest in Africa as a trade and investment destination keeps growing in the United States, in the United Kingdom, in the European Union, in China and – very intensely – from investors and traders based in the Gulf. Again, this is something we are hearing and seeing from our clients.

It's not a coincidence that Standard Bank's international network maps exactly to these pools of capital and centres of trade.

Our strategic partnership with the Industrial and Commercial Bank of China – the biggest bank in the world – is, of course, a key element of this network, and creates unique capabilities along the China-Africa corridor.

Standard Bank's clients – and Standard Bank's investors – are perfectly placed to benefit from these growing flows of capital and of trade.

Next, as the global and African energy transitions continue, we are certain that Africa's competitive and comparative advantages in energy supply will continue to improve. As is well known, Africa is endowed with a remarkably attractive combination of renewable resources, transition fuels, and the minerals needed in the production and storage of renewable energy. Again, we see this in our book, where sustainable finance is growing very fast.

As is perhaps less well-known, energy-abundant parts of Africa will also become increasingly attractive sites for manufacturing, with both wages and carbon-intensity comparing well with other regions.

We are sure that Africa's population will continue to grow quickly. Africans will continue to become healthier, wealthier, better educated, more urbanised, more digitally and physically connected, and more productive.

Turning to South Africa, we now look forward to accelerating structural reform, including continued recovery in the network industries. For example, the dramatic improvement in Eskom's plant performance has resulted in no load shedding for more than four and half months. The two-pot retirement system, to be implemented in just over two weeks, is another example of a well-designed reform that is likely to have positive macroeconomic effects.

We look forward to South Africa acting as a host in the G20 next year. We think this should present valuable opportunities to reinforce South Africa's global and regional role as a centre of trade and investment. South Africa is very well positioned as the natural hub for doing business and trade in Africa.

In summary, Standard Bank has always stayed on the front foot in South Africa, and that's where we are now. We are ready to play our full part in supporting the investment and in accelerating transformation and growth in South Africa.

Outlook – medium term growth opportunities

Africa is our home, and we drive her growth.

As we have shown, our Group is exceptionally well positioned to support Africa's short, medium- and long-term growth opportunities.

On top of that, we are also actively pursuing growth opportunities in three areas over the medium-term.

These are:

- first, become a leading financial services business in East Africa;
- second, be the leading private bank in Africa;
- and third, continue to lead Africa's energy transition.

The case for East Africa is clear and simple. It's the fastest-growing sub-region of Africa, increasingly tightly integrated by the East African Community, closely linked to some of the most dynamic economies in the world, including India and the Gulf, the United States, the EU and in fact China and steadily growing at better than 5% a year.

Financial services are a scale business – the most profitable firms are almost always in the top three. We already have strong businesses in East Africa, including the largest bank in Uganda, and we will continue to allocate more resources to the region. We are actively pursuing all available growth opportunities in East Africa – subject, of course, to maintaining tight capital allocation discipline in the interests of our investors.

The case for being the leading private bank in Africa is equally simple and compelling. Africa's development path is rapidly creating middle and affluent segments in need of world-class financial services. We estimate that there are around 2.8 million potential private clients in South Africa, and nearly 5 million potential affluent clients in our Africa Regions markets.

We are actively and already very good at providing higher-end retail financial services in markets including South Africa and Nigeria, and through our offshore hubs. In South Africa, we estimate that we have existing relationships with more than half of the people in this segment.

We will continue to improve client experience and to increase our market share and share of wallet, particularly by continued closer integration of Liberty's capabilities.

Africa's potential for economic growth is heavily dependent on expanding the electricity supply and improving access to electricity. A just transition must balance energy security, food security, economic growth, and human development with the decarbonised environment required to slow and mitigate the impacts of climate change.

We are already Africa's largest and most capable financier of the energy transition, and we are well on our way to meeting our target of R250 billion of sustainable finance mobilised by 2026.

We see Africa's energy transition as inextricably linked to Africa's wider need for more infrastructure and more industrial capacity, which our experts estimate will require new investment of more than \$3.4 trillion.

Best Private Bank in Africa

On behalf of the board and management of the Group, I'd like to thank the 19.5 million clients for their confidence in us.

We remain very grateful to our regulators in South Africa, throughout the continent, and in the global financial centres. Their excellence makes it possible for us to continue to compete sustainably.

We are just as grateful to all our investors.

And, of course, I want to thank and acknowledge all the 51 000 Standard Bankers for their dedication and professionalism.

All of us look forward to the second half – and to the years that follow – with great optimism and confidence.

We are in a very strong position, and we are determined to keep delivering on our commitments, winning in our markets, and growing for our investors.

Thank you. That concludes our presentation.