

Standard Bank Group Limited

Financials

Company Update Report



Management guides for higher future profitability

Analyst recommendation

Counter	Share price	Intrinsic value	Upside/(downside)
SBK-ZA	R219.91	R281	28%

As at 03 April 2025

Executive summary

On 13 March 2025, Standard Banks released its FY24 results. Highlights from the results were as follows:

- Net interest income increased by 3% to R101 billion.
 - Average interest earning assets grew by 4%.
 - Net interest margin decreased from 4.94% to 4.90%.
- Non-interest revenue (NIR), including insurance and asset management, increased by 1% to R80 billion.
 - Banking net fee and commission income (representing 40% of the total R80 billion) increased by 4% (11% in constant currency) due to client and volume growth combined with price increases.
 - Combined net income from insurance and asset management had strong growth (+11%) benefiting from positive market movements while insurance also benefitted from 14% growth in new business value.
 - Other gains and losses on financial instruments were a large detractor, with R1.7 billion decrease, impacted by assets being reclassified resulting in the related income being classified to net interest income in 2024.
- Expenses remained reasonably flat at R95 billion, driven mainly by currency movements as the group operating expenses increased by 8% in constant currency.
- The impairment charge decreased by 7% to R15 billion, with the credit-loss ratio declining to 83 basis points (bps). Early arrears and inflows into non-performing loans slowed while the forward-looking provisions improved due to an improved outlook in macroeconomic conditions in South Africa.
- 2025 financial year management guidance:
 - Net interest income and non-interest revenue to grow mid-to-high single digits.
 - Cost-to-income to be flat or lower.
 - Credit loss ratio to be at the middle of the through-the-cycle range of 70 bps to 100 bps.
- Management guided a medium term (2026 to 2028) targeted return on equity of 18% to 22% which is higher than their historical target of 17% to 20%.
- Dividend per share increased by 6% to 1 507 cents per share.
- We maintained our intrinsic value of R281 with a buy recommendation.

Analyst thesis

- Standard Bank is South Africa's bank with the most exposure to Africa, which provides potential higher long-term growth but also exposes it to currency fluctuations and each country's specific risks.
- Standard bank's earnings are more sensitive to changes in interest rates compared to some of its peers. It should face more pressure on its net interest margin in the expected lower interest rate environment.
- The newly provided higher return on equity target aligns it to its peer FirstRand which has a higher pricing multiple and, therefore, potentially warrants a higher multiple for Standard Bank. However, management still needs to deliver on this target which faces some risks such as high trading growth in the base, lower interest rate environment impact on its net interest margin, high inflation in African countries and currency volatility.
- Loan growth and non-interest revenue (from economic activity) should benefit as consumers find some relieve from lower inflation and interest rates.



Table 1: Results summary

Metric (billion)	FY23	FY24	Y/Y (%)
Net interest income	98.2	101.3	3.1
Non-interest revenue	62.0	61.1	-1.5
Insurance and asset management net income	17.4	19.4	11.3
Operating expenses	94.7	95.2	0.4
Impairments	16.3	15.2	-6.8
Cost-to-income ratio	51.4	50.5	-0.9
Earnings per share (rands)	26.4	26.2	-0.6
Deposits	2 002	2 139	6.9
Net loans	1 609	1 652	2.7
Credit loss ratio (bps)	98	83	-15
ROE (%)	18.8%	18.5%	-0.3%
CET1 (%)	13.7%	13.5%	-0.2%

Sources: FactSet and company financials

Valuation

We value Standard Bank's shares by calculating the future earnings per share based on a bear, base and bull case scenario. We then apply a P:E (price to earnings) ratio on the earnings per share for each scenario, enabling us to calculate an intrinsic value for each scenario. These intrinsic values are then weighed according to a probability assigned to each scenario to determine the final probability-weighted intrinsic value. Lower probabilities are applied to the bear and bull cases as these scenarios represent less probable and more extreme case scenarios. Our higher than consensus intrinsic value is mainly due to a higher price to earnings ratio applied.

Table 2: P:E valuation per share

Scenario	Earnings per share	P:E ratio	Intrinsic value	Probability weighting	Upside/down side
Bear	R27.5	7.5	R206	20%	-12%
Base	R29.7	9.5	R282	60%	+20%
Bull	R32.1	11.0	R353	20%	+50%
Weighed			R281	100%	+28%
FactSet consensus	R29.8	8.8	R262	100%	+19%

Source: PSG Wealth research team



Table 3: Qualitative summary

Factor review	Rating	Description
Growth		Expected three-year revenue CAGR of 4.5% and earnings CAGR of 10.4%.
Valuation		Upside to intrinsic value is 28%.
Dividend yield		The forward dividend yield for Standard Bank Group Limited is 7.8%.
Issuance		Standard Bank had a slight increase in its issued shares over the past five years.
Catalyst		<ul style="list-style-type: none"> • Better-than-expected macro environment leading to sooner-than-expected growth with higher interest rates and low impairments. • Environment benefitting Africa, trading, asset management and/or insurance due to its larger exposures compared to peers. • Innovative business model changes including use of tech leading to increased market share, growth and profitability.
Quality of earnings		As a bank, earnings are closely linked to the economic environment. Impairment provisions can be volatile and cause large differences in earnings. Standard Bank compared to peers had moderate profitability and recent strong growth which is currently moderating.
Moat		The banking industry has regulatory hurdles, and brands need to be established to earn consumers' trust. Consumers are reluctant about moving to a new bank, although recently, there have been more entries to the market, with more consumers proving to be open to the idea of changing banks.
Management and governance		Standard bank has a competent senior leadership team led by CEO Sim Tshabalala. Management composition has been reasonably stable.
Balance sheet		Standard Bank Group Limited has total assets of R3 269 billion. Total liabilities are R2 977 billion, which results in a liabilities to assets ratio of 0.91. Non-performing assets to loans were 5.9%. Common equity tier 1 capital ratio was 13.5% while the liquidity coverage ratio was 136%. Although increased African exposure does heighten some risks, its Africa operations are well diversified across its African countries.
Risks		<ul style="list-style-type: none"> • Increased pressure on consumers leading to material credit losses. • Increased credit, inflation and currency devaluation risks from Africa exposures. • Downturn in insurance or trading markets due to increased exposure. • Political and social risks. • Downgrade in SA credit ratings. • Downturn in SA property leading to less loans provided and lower collateral. • Grey listing impact over time.
Regulation		The banking industry is highly regulated, with multiple regulators and having to comply with various Acts of the law, including regulatory capital requirements.
ESG		Standard Bank has an average ESG rank.
Momentum price		Price momentum is positive.
Momentum earnings		In the last three months, earnings for the next financial year have been revised downwards by 0.3%.

Sources: PSG Wealth research team, FactSet and company financials

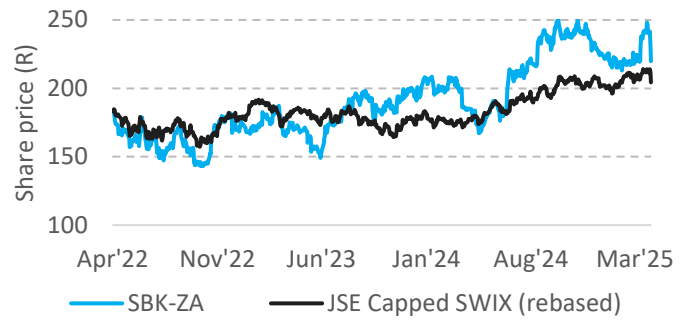


Table 4: Company data

52-week high	R252.76
52-week low	R166.01
Market value (bn)	R364.8
Price momentum	Positive
3m earnings revision	-0.3%
Fiscal year end	2025/12/31

Source: FactSet

Graph 1: Share price history versus benchmark



Source: FactSet

Table 5: Performance versus benchmark

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
Standard Bank Group Limited	-0.8%	-8.1%	-2.2%	-6.9%	21.1%	25.8%	20.0%	119.9%	30.9%
JSE Capped SWIX	2.0%	-3.1%	1.2%	-0.7%	15.8%	13.1%	8.8%	89.1%	31.4%

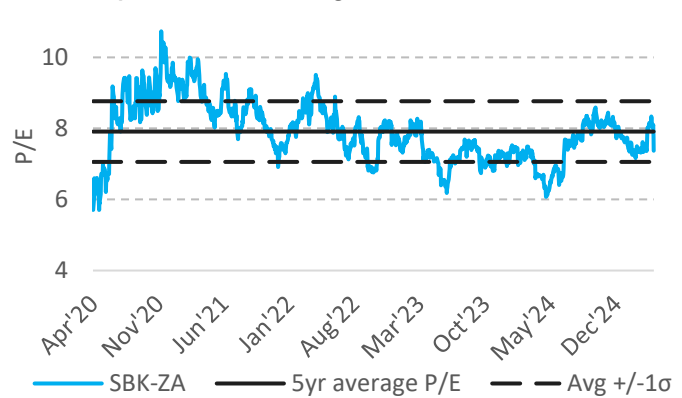
Source: FactSet

Table 6: Valuation multiples

Multiple	Latest:	Last note:
	Apr-2025	Sep-2024
P/E	7.4x	7.9x
P/S	2.0x	2.1x
P/B	1.3x	1.4x
Dividend yield	7.8%	7.3%

Source: FactSet

Graph 2: Price to earnings value



Source: FactSet

Table 7: Key competitors

Company	Code (ZA)	Price (local)	Market cap (R'bn)	Non-interest revenue (R'bn)	Net interest income (R'bn)	Net income (R'bn)	P/BV	P/E	Price % (3m)	Price % (1yr)
Standard Bank Group Limited	SBK	219.9	365	58	107	44	1.4x	7.4x	-2.2%	21.1%
Nedbank Group Limited	NED	239.9	117	30	42	17	1.0x	6.1x	-15.7%	8.6%
Capitec Bank Holdings Limited	CPI	2 796.5	325	20	16	11	7.1x	19.5x	-10.8%	33.2%
FirstRand Limited	FSR	65.6	368	53	87	38	1.8x	8.1x	-15.0%	7.7%
Absa Group Limited	ABG	164.5	147	39	71	22	0.9x	5.4x	-13.9%	13.5%

Source: FactSet



Table 8: Key financials and ratios

Income statement (ZAR bn)	2019	2020	2021	2022	2023	2024		5Yr CAGR	2025E	2026E
Net revenue	134	124	133	148	178	182		6%	-	-
Y/Y growth (%)	-	-7.7	7.3	11.6	19.9	2.3			-	-
Non-interest revenue	48	47	51	55	62	61		5%	74	78
Y/Y growth (%)	-	-0.8	7.8	8.1	12.8	-1.5			20.4	6.5
Net interest income	63	61	62	78	98	101		10%	106	113
Y/Y growth (%)	-	-2.4	1.6	25.6	25.3	3.1			5.1	5.8
Net income from insurance and asset management	24	15	19	15	17	19		-4%	-	-
Y/Y growth (%)	-	-36.0	28.8	-24.0	18.0	11.3			-	-
Provision for credit losses	8	21	10	12	16	15		14%	15	15
Y/Y growth (%)	-	158.6	-52.1	22.2	35.1	-7.0			-0.4	1.3
Net income	25	12	25	34	44	44		11%	49	54
Y/Y growth (%)	-	-51.4	101.2	37.7	29.1	-1.1			11.7	9.9
EPS	16	8	16	21	27	26		11%	29	32
Y/Y growth (%)	-	-51.2	101.2	32.7	28.6	-0.8			9.9	10.6

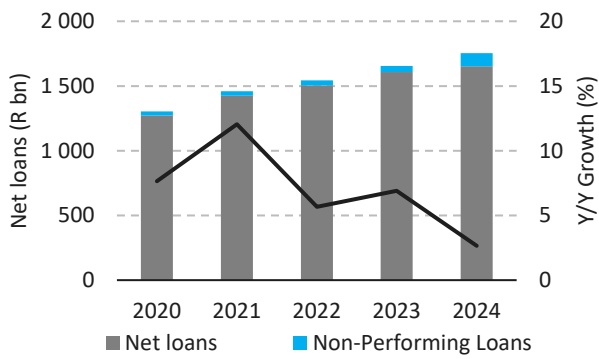
Balance sheet (ZAR bn)	2019	2020	2021	2022	2023	2024		5Yr CAGR	2025E	2026E
Net loans	1 181	1 271	1 424	1 505	1 609	1 652		7%	1 625	1 760
Deposits	1 446	1 567	1 777	1 889	2 002	2 139		8%	2 228	2 443
Total assets	2 276	2 533	2 724	2 882	3 066	3 269		8%	3 498	3 788
Total liabilities	2 072	2 325	2 481	2 624	2 789	2 977		8%	-	-

Ratios (ZAR bn)	2019	2020	2021	2022	2023	2024		5Yr ave.	2025E	2026E
Net interest margin (%)	4.3	3.7	3.8	4.3	4.9	4.9		4.3	4.8	4.6
Cost-to-income ratio	57	59	59	54	51	51		55	52	52
CET1 (%)	14	13	14	13	14	14		14	14	14
Credit loss ratio (%)	152	151	73	83	98	83		98	-	-
Net loans/total assets (%)	52	50	52	52	52	51		52	46	46
Total liabilities/assets (%)	91	92	91	91	91	91		91	-	-
ROA (%)	1.2	0.5	1.0	1.3	1.5	1.4		1.1	-	-
ROE (%)	15	7	13	16	19	18		15	-	-

Source: FactSet

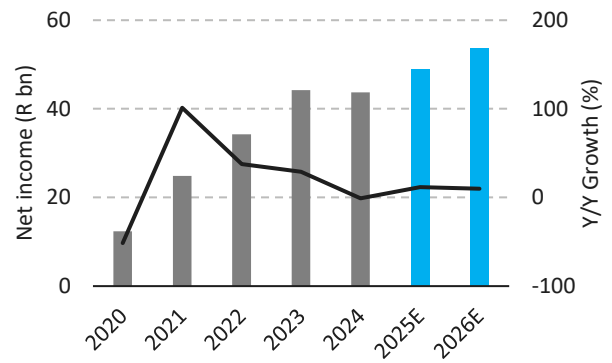


Graph 3: Annual net loans



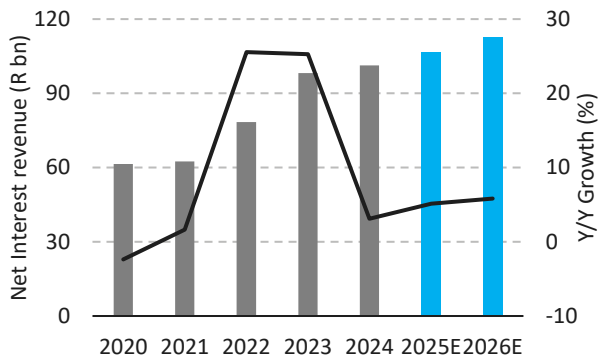
Source: FactSet

Graph 4: Annual net income



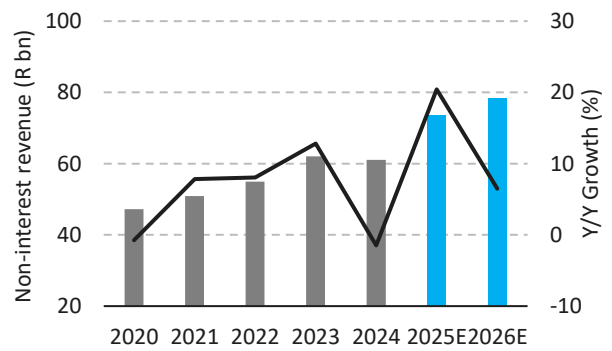
Source: FactSet

Graph 5: Annual net interest income



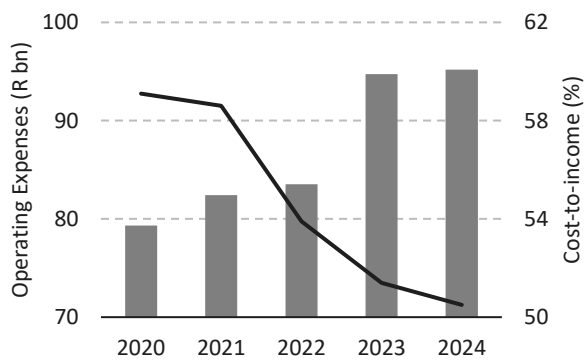
Source: FactSet

Graph 6: Annual non-interest revenue



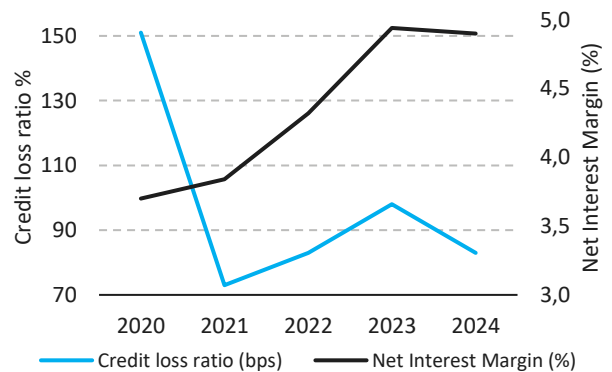
Source: FactSet

Graph 7: Operating expenses and Cost-to-income ratio



Source: FactSet

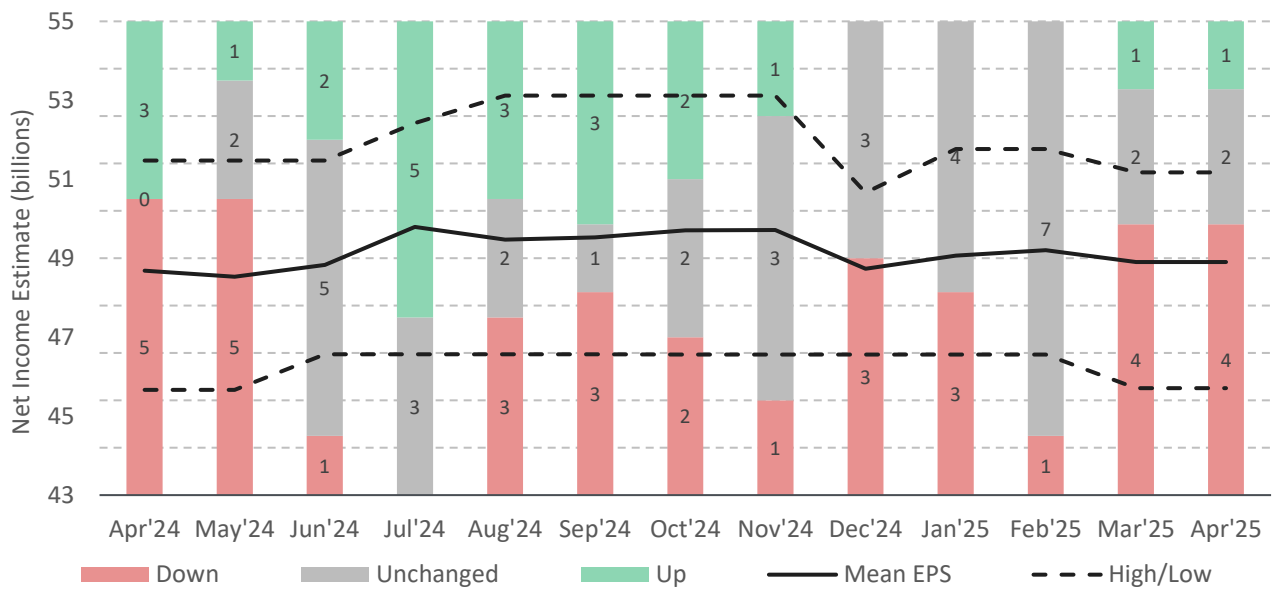
Graph 8: Credit-loss ratio and net-interest margin



Source: FactSet



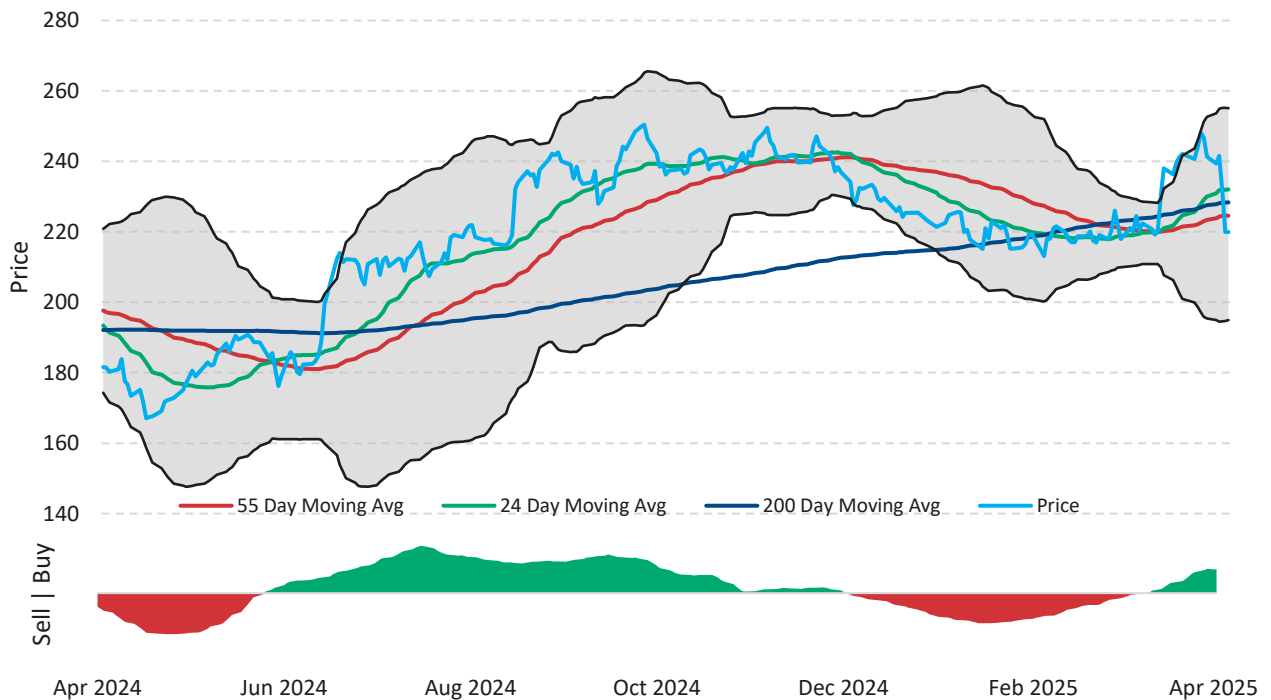
Graph 9: Earnings revision



Source: FactSet

Graph 10: Price momentum

Last: 219.91 | Bollinger Bands: (50,3) [Upper/Lower]: 255.13/194.95



Source: FactSet



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*Share price as at closing.

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