Standard Bank Group

Standard Bank Group delivered strong earnings growth and improved returns.

14 March 2024 – Standard Bank Group recorded headline earnings of R42.9 billion for the 12 months to 31 December 2023 (FY23), up 27% on the prior year (FY22) and delivered a return on equity of 18.8%. This strong performance is underpinned by the bank's robust and growing franchise and is reflective of the positive momentum in its businesses.

Headline earnings: R42 948 billion, up 27%
Headline earnings per share (HEPS): 2 590.4 cents, up 26%
Return on equity (ROE): 18.8% up from 16.3%
Common equity tier (CET) 1 ratio: 13.7% (FY22: 13.4%)
Net asset value (NAV) per share: 14 269 cents up 8%
Cost-to-income ratio: 51.4% down from 53.9%
Credit loss ratio: 98 bps (FY22: 83 bps)

Net asset value grew by 8% and the group ended the year with a common equity tier 1 ratio of 13.7%. The Group declared a final dividend of 733 cents per share which, when combined with the interim dividend, equates to a dividend payout ratio of 55%.

Sim Tshabalala, Standard Bank Group CEO says: "This strong performance is underpinned by our differentiated franchise and reflective of the good momentum in our business. Our Africa Regions' and Offshore franchises remain key differentiators. Both recorded pleasing performances."

In 2023, the group effectively defended and grew its banking franchise and improved banking earnings and returns. Active customers grew by 6% to 18.8 million. In addition, digital retail clients in South Africa increased by 8% as more clients transitioned to our convenient digital channels. The group processed over 2.8 billion digital transactions for retail clients and distributed over R41 billion on behalf of South African clients via our digital wallet platform. Client satisfaction scores improved across various channels, particularly digital in South Africa.

Standard Bank's Insurance and Asset Management franchise recorded an improved insurance performance and growth in its assets under management year on year. Since the announcement of the Liberty minority buyout, the group has received over R5.7 billion in distributions. The group successfully bought out the minorities of Liberty2Degrees (L2D) in the financial year. L2D holds an attractive portfolio of commercial properties including Sandton City, Nelson Mandela Square, Melrose Arch and Midlands Mall amongst others.

Standard Bank's Africa Regions contributed 42% to group headline earnings. The top eight contributors to Africa Regions' headline earnings were Ghana, Kenya, Mauritius, Mozambique, Nigeria, Uganda, Zambia and Zimbabwe.

"The Standard Bank Group remains committed to our climate policy and sustainable finance targets. We support a Just Transition that aims to achieve environmental sustainability while creating decent work opportunities and promoting social inclusion. By 2030, Standard Bank aims for net-zero carbon emissions from its newly built facilities, and by 2040 Standard Bank plans to achieve net-zero carbon emissions from its existing operations. By 2050, Standard Bank aims to achieve net-zero carbon emissions from its portfolio of financed emissions." says Tshabalala.

In 2023, the group mobilised over R50 billion of sustainable finance for corporate clients and provided over R2 billion in loans to SMEs to help business owners access affordable and reliable alternative energy products. In addition, the group disbursed over R145 million to homeowners and over R840 million to businesses for solar installations in South Africa.

Key Operational Data

- >18.8 million active clients, up 6%

- >2.8 billion digital transactional volumes, up 30%
- >R1.4 trillion assets under management across Africa, up +7%
- >R105 billion cumulative sustainable finance mobilised since 2022
- >R32 billion in affordable housing loans

Operating environment

In 2023, uncertainty remained elevated globally. In the first six months inflation remained elevated and interest rates continued to rise. In the second half, central banks paused whilst monitoring inflation trends and developing geopolitical risks. The International Monetary Fund (IMF) forecast global growth of 3.1% in 2023.

Sub-Saharan Africa also experienced inflationary pressures and monetary policy tightening. There was progress on Ghana's debt restructure, Kenya's funding outlook improved, and Nigeria took steps to liberalise the Naira. While currency movements were mixed across the group's portfolio of countries, they were weaker on average by the end of the year.

In South Africa, inflation peaked in March 2023 at 7.1%, and then declined to end the year at 5.1% in December 2023. The South African Reserve Bank increased interest rates by a cumulative 125 basis points by May 2023 and then paused. While electricity disruptions and logistics constraints placed pressure on businesses, corporates and in turn on the economy, progress was made during the year, particularly in the last quarter. South Africa's real GDP grew at 0.6% in 2023.

Prospects

In 2024, while global risks are expected to persist, the IMF is forecasting a 'soft landing,' with the world's major economies avoiding recession. The IMF expects global real GDP growth to be 3.1% in 2024, in line with 2023. Growth in sub-Saharan Africa is expected to accelerate from 3.3% to 3.8%. Overall, the outlook is positive, but the region remains at risk to global shocks and climate events.

In South Africa, inflation is expected to decline to 5.0% on average in 2024. The repo rate is expected to decline to 7.50% by year end, with 3 cuts of 25 basis points starting in July 2024. Together, this should support an improvement in growth to 1.2% in 2024.

Tshabalala says, “While uncertainty is expected to remain elevated, our business is diversified, growing, and resilient. We are focused on delivering against our strategic priorities and remain on track to deliver on our 2025 targets. The group is also on track to deliver against its ambitious sustainable finance and renewable energy targets.”

“In 2024, we will continue to support our clients, develop our employees, and deliver sustainable growth and value to our shareholders and other stakeholders. In addition, as a leading financial institution on the continent, we recognise our responsibility to have a positive impact in our regions of operation. We do so by delivering against our purpose of driving Africa’s growth.” Tshabalala says.

Group Targets 2025

Revenue Growth (CAGR 2020/2025)	7% - 9%
Cost-to-income ratio	Approaching 50%
Credit loss ratio (Through-the-cycle)	70 basis points – 100 basis points
Return on Equity	17% - 20%
CET1 Ratio	>11.0%

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