1H25 Results presentation
14 August 2025
Speaker notes

Sim Tshabalala – Standard Bank Group CEO
A very good morning to you all.
On behalf of the board and management of the Standard Bank Group, thank you for joining us for the presentation of our financial results for the first half of 2025.

This has been a half of continued good progress towards our financial and strategic targets. The Standard Bank Group continues to do what we say we will do. As is customary, I will begin by placing this half's financial and strategic achievements in their broader context. Our Chief Financial Officer, Dr Arno Daehnke, will then take us through the results in detail. I will conclude by describing the immediate and medium-term outlook for the Group. As our presentation today will show, we remain Africa's largest and most capable financial institution. Our performance was pleasing, and our prospects are bright.

Starting with the macro-economic environment in this half. The main feature of the period was that United States administration announced, and then began to implement, new trade policies. These have raised tariffs to levels last seen in the 1930s.The direction, scale and pace of these policy changes were all unexpected, causing market volatility to spike; investor and consumer confidence to decline; and global growth expectations for this year to be reduced.

In most of sub-Saharan Africa, inflation eased, allowing most central banks to hold or decrease rates. In South Africa, inflation was lower than expected and interest rates declined 50 bps over the half. Sentiment in the South African economy was negatively affected because the United States is South Africa's second-largest trading partner, because of other tensions between the two countries; and because of uncertainty around the national budget process. This resulted in growth expectations being lowered as the period progressed.

Despite this worsening outlook, the Standard Bank Group performed very well over the half. Arno will shortly discuss the numbers in more detail so I will only point out a few highlights. Earnings grew well. Net fee and commission earnings were up 12% and CIB's trading revenue was up 22%. Headline earnings were up 8%, and headline earnings per share were up 10%, with the difference largely explained by share buybacks. Our balance sheet remained highly robust, with our common equity tier one ratio at 13.2%

Looking at the return metrics, we are particularly pleased to be able to report our best-ever Group cost-to-income ratio of 49.4%. Our return on equity was an equally pleasing 19.1% - the best this has ever been under current regulatory capital requirements. These Group numbers reflect strong franchise performance in each of our business units. The next few slides list some highlights from each business unit. I will pick one or two measures from each to illustrate the strength of our franchise.

Starting with Corporate and Investment Banking, we achieved a record R123 billion in investment banking origination, and we earned almost R12 billion in trading revenue from client and market making activity.

Turning to Business and Commercial Banking. During the half, BCB gained 65 000 new clients, and deposits from clients grew to over half a trillion Rand. Our new, highly competitive, acquiring platform enabled us to grow the number of businesses using our point-of-sale devices by 19% on the prior period.

In South Africa, disbursements to BCB clients grew strongly, thanks to quicker digital credit scoring, the introduction of structured debt capability, and excellent uptake of our BizFlex offering, which is a cashflow-linked lending solution.

In Personal and Private Banking, we now have over 16 million clients, who are doing more with us. Net fees and commissions from retail clients in South Africa grew by a pleasing 11%, and revenue from Value-added services grew by 24% half-on-half.

The Insurance and Asset Management business had a strong half. In Insurance, new business value was up 11%. In short term insurance, gross written premiums were up 10%. On the investment side, assets under management or administration were up 10% to R1.6 trillion, and cash flow into Stanlib's unit trusts more than doubled.

Collaboration between PPB and IAM continued to accelerate over the half. Through this collaboration, we are reaching more of our clients with a broad range of competitive insurance and investment solutions. We are doing so digitally, and via our broker and branch network. With Flexible Life sales up more than 50%; gross written premiums for Funeral up over 20%; and policies sold by our financial advisors up 10%, we are making good progress on insurance.

On the investment side, more than 85% of our core discretionary and money market funds outperform peers. We believe that there are large opportunities ahead for the PBB-IAM collaboration both in in South Africa and over the medium-term in Africa Regions.

Our technology underpins and enables the strategic progress of our business units – and, in turn, our Group results. Highlights of the half include first:

- the fact that 60% of client queries were successfully resolved by our chatbot in the mobile app in South Africa
- second, that we are in our 26th straight month without a serious outage Group-wide, and that we are rated first in South Africa for stability by *Downdetector*
- third, that we continue to prevent material cyber incidents, despite incessant attacks by well organised criminal syndicates
- fourth, that we now have 57% of our computing across the Group in the public cloud, which improves the time it takes to deliver client features; and improves the resilience and efficiency of our infrastructure.

As I have mentioned at the start of the presentation, Standard Bank does what we say we will do.This is a tribute to the expertise, the professionalism and discipline of our people, and also reflects our high level of diversification and sheer scale.As shown in the left-hand graph, our banking income has risen at a compound annual rate of 10% since the first half of 2020. Our efficiency – as measured by our cost-to-income ratio – has improved by 800 basis points over the period.

In the middle block, you can see that headline earnings have risen at an average rate of 26% over these five years and – as I said – Group ROE is now at a record high of 19.1%.

And on the righthand side, we show the diversity of our earnings: this half, 49% from South Africa, 41% from Africa Regions, 6% from our Offshore businesses and 4% from our share of ICBCS.
I now had you over to Arno to discuss our financial performance in more detail.

<u>Arno Daehnke – Standard Bank Group CFO</u>
Thank you, Sim. I am now going to cover section 2 of the presentation which sets out the group's interim results for 2025.

In the first half of 2025, Standard Bank Group headline earnings grew by 8% and headline earnings per share grew by 10%. Dividends per share also grew at 10%. Pleasingly, return on equity improved to 19.1%

Within banking, we achieved positive jaws and the cost-to-income ratio improved. The credit loss ratio ended at a similar level to the prior period.
As Sim has covered, this performance was driven by continued robust franchise momentum in our underlying businesses. In a challenging period of low retail loan growth and declining interest rates, we are pleased that our diversified portfolio of businesses and revenue streams delivered continued good growth and returns.

Slide 15 is our group income statement illustrating the drivers of our 8% earnings growth. Subdued net interest income growth was supplemented by strong non-interest revenue growth to deliver total income growth of 7%. Costs were well managed at 6% growth.

Charges for credit impairments increased by a small amount after a reduction in the prior period, as the charge for corporate impairments normalised.
Headline earnings from banking activities grew by 7% to R21 billion.
Good performances from insurance and asset management activities, as well as from our investment in ICBCS, lifted earnings growth for the group to 8%.

The slides that follow cover our banking business unit results.

Slide 17 illustrates trends in deposit gathering over the last 5 years.
In the last 12 months, deposits grew by 11% to R 2.3 trillion. Deposit growth benefited from strategic client acquisition, retention and entrenchment initiatives.

In South Africa, customer deposits grew by 10%, driven by a larger client base and competitively priced offerings. In Africa Regions, customer deposits increased by 13%, driven in particular strong momentum in the West Africa Region.

On slide 18 we show lending balances over the last 5 years.
In the most recent reporting period, growth in gross loans and advances to customers was 6%. Corporate lending grew by 12% driven by strong investment banking origination across a variety of sectors.
Retail and business lending growth was muted as growth in disbursements was offset by higher repayments due to higher disposable income linked to lower interest rates.

A regional analysis of loan growth shows South Africa increasing by 5% and Africa Regions growing a robust 13%.
Across all our portfolios, our origination strategies remain prudent and selective and subject to customer affordability criteria.

Slide 19 analyses loan growth sequentially with the first column showing the last 6 months of 2024 and the middle column showing the first 6 months of 2025. The last column shows the 12-month growth we saw on the previous slide.
You can see here, In the most recent six-month period shown in the middle column, we have recorded loan growth accelerating in corporate lending, business lending, personal unsecured lending and in card. This demonstrates the good momentum in these businesses.
Vehicle and asset finance growth has slowed in the last six months as retail origination reduced, and this is driven by a strategic shift to focus on our own clients.

This slide shows loan disbursements or payouts in the most recent six months. Investment Banking disbursements across our network amounted to R123 billion, building on the momentum which started to develop in the second half of 2024 across a variety of sectors and especially in energy and infrastructure.

Excellent growth in business lending disbursements in South Africa can be attributed to an increase in client demand for digitally-originated flexible lending products and good client acquisitions in the second quarter of 2025.

Home loan payouts in South Africa have increased by a pleasing 9% to R23 billion.

Net interest income grew by 2% for the period to R51.4 billion. The waterfall graph on slide 21 shows our margin dropping by 8 basis points to 489 basis points.

Balance sheet mix was positive for margins in the period due to higher margin growth in Africa Regions outpacing growth in South Africa. Within Africa Regions, local currency lending growth was strong, which also benefited margins. The negative endowment impact of lower average interest rates was 24 basis points, or R2.6 billion. This was mitigated by our endowment hedging programme which contributed an additional R600m of downside protection in the period.
While margin outcomes are in line with our expectation, asset growth has been lower than expected, which has resulted in lower NII growth than planned.

The standout feature of this set of results for me is the excellent growth in net fee and commission revenue of 12% to R17 billion. Fees collected are an excellent indicator of client activity levels and franchise health. We are therefore particularly pleased with the 11% increase in fees recorded in PPB SA.
Client engagement with our digital platforms continued to accelerate, driving increased digital sales and transaction volumes. In this period, the group rolled out over 350 new products and enhancements to the SBG Mobile app and we saw strong take up of value-added services like the purchasing of vouchers. These activities contributed to the 8% growth in electronic banking fees we see on this slide. Arrangement and knowledge-based fees were up 40% linked to robust deal origination and advisory activities in CIB.

Across the globe we have seen record trading revenue performances from banks in the first half of 2025 due to volatile markets triggered by tariff announcements and geopolitical uncertainty. Our experience was no different as clients looked for opportunities to hedge their positions in volatile markets and group trading revenue grew by 20% to R11.8 billion.

Our record revenues are testament to the scale of our global markets business, its market-leading capabilities and its large and diverse client base.
While opportunities for market making revenues were higher than normal in this period, client franchise related revenues remained at 80% of total Global Markets revenues.

Turning now to credit provisions on slide 24.
On the left-hand side of the slide you will see that the book growth was in line with provision growth at 3% and total coverage therefore remained intact at 4%.
Stage 3 loans (or NPLs) remained consistent at 6% of the book. The increase in Stage 3 coverage is mainly driven by secured lending accounts progressing through legal stages, as well as deceased and insolvent estates, which are all taking longer to resolve and therefore attract higher provisions.

This slide looks at loan performance trends for specifically for our retail business in South Africa. The easing rate cycle, real growth in wages and lower inflation trends in South Africa have all contributed to improving the financial health of consumers.

On the left hand side we note a continued trend of declining early delinquencies. We attribute these declines to the steady improvement in consumer finances and increased outsourced capabilities with debt collection agencies, successful debt sales and redesigned customer assistance programmes, which have resulted in higher collections and slowed flows into non performing loans.

On the right hand side we show non performing loans, continuing grow, but at a much slower rate. At December 2024 we saw an encouraging dip in NPL balances, but this has subsequently risen, due to normal seasonality in these books. We are making slow progress working through “sticky” NPLs and, as the reducing rate cycle takes hold, and supported by improving restructure and collection processes, we do anticipate fewer accounts to roll into stage 3. We believe these non performing loan balances will reduce in the second half of the year.

The income statement charge for credit increased marginally by 2% period on period. Credit impairment charges in the retail and business segments declined on the back of diligent collections strategies. Credit impairment charges related to the corporate portfolio normalised off a low base in the prior period.
The credit loss ratio was broadly flat at 93 basis points and this is within our target range.

This slide shows credit impairment charges of R8 billion, split by product. Business lending saw a large decline in credit impairments due to improved early interventions for distressed clients and higher repayments; and corporate lending saw the largest increase off a very low base, to account for single names which became non-performing during the period.

Operating expenses grew by 6% to R40.8 billion. Annual salary increases, higher performance-related incentives and a shift in headcount composition to specialist skills, resulted in a 6% increase in staff costs.
Total other operating expenses increased by 5%.
Software, cloud and technology-related costs increased by 7% due to continued investment in digital capabilities which has led to enhanced client experience and improved system stability and security, as referred to earlier by Sim.
Other expense growth was driven by annual increases in municipal and utility rates and increased marketing and advertising linked to client campaigns.

The rise in digital payments in South Africa has allowed us to reshape our branch infrastructure in a number of ways set out on slide 29:

1. We have largely moved cash handling out of branches and into ATM and cash centre infrastructure. For example, 84% of cash deposits and 97% of cash withdrawals are now done outside of branches. Of course, This has allowed the number and average size of traditional branches to be reduced. We currently have 491 branches in South Africa, of which 65 are cashless.
2. Also, we have ramped up alternative and cashless points of representation like kiosks inside retailers. These points of representation are innovative and relatively inexpensive access points where customers can conveniently open accounts and solve queries.
3. Also, Our mix of frontline staff has pivoted towards more multi-skilled consultants, rather than the traditional cash tellers. The number of cash consultants in branches is 50% lower than in 2020.

These changes that we have made to optimise our infrastructure position us well in an evolving payments landscape.

Total technology function spend, which includes software and cloud costs, technology staff costs, amortisation and depreciation, increased by 6% to R11.6 billion. Our revenue to total technology spend has stayed around a multiple of 7 times for the last 3 reporting periods, which we believe is an appropriate measure of technology productivity.

Over the last five years, savings in “on premises” technology costs and amortisation have been invested in cloud and software subscription costs and technically skilled staff. IT intangible assets on balance sheet are valued at R8 billion as at 30 June, and this compares with R21 billion in 2017. This shift illustrates our ways of work changing from large multi-year projects to smaller agile projects and shows our steady replacement of on-premises, owned and bespoke technology, to utilising cloud-based software as a service.

We continue to focus on positive operating leverage. In this reporting period total income growth again exceeded cost growth, resulting in positive jaws of 0.6% and an improvement in the cost-to-income ratio to 49.4%.

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

Insurance and asset management, headline earnings grew by 11% to R1.8 billion and ROE improved to 19.7%. The significant improvement in the ROE was driven by both better earnings performance and the capital optimisation actions executed over the last two years. The ROE for this business prior to compensating the banking business units for business generated via their networks is an impressive 31.4%.

Insurance operations delivered earnings growth of 21%. This result was due to an improved performance from the South African short-term business with lower weather-related claims; and due to better-than-expected risk experience in the life insurance business and also improved persistency.
Asset management operations grew earnings by 4% due to positive local and offshore investment market movements and improved customer inflows. On a constant currency basis, the Nigerian pension management business recorded robust double-digit growth driven by higher fees and growth in assets.
The shareholder portfolio delivered a profit of R120 million supported favourable investment market outcomes.
The solvency capital requirement cover of Liberty Group Limited and Standard Insurance Limited both remained strong.

Turning now to the group's robust capital position.

On slide 35 we illustrate the progression of the group's common equity tier 1 capital ratio. The ratio has declined slightly since December due to higher distributions and growth in risk-weighted assets.
This ratio remains well above the regulatory minimum of 9.5% which includes the Positive Cycle Neutral Countercyclical Buffer requirements in South Africa and remains above our internal targets of 12.5%.
You can also see the group's liquidity ratios both remained well above the 100% regulatory requirements.

The graph on slide 36 illustrates the build up of common equity tier 1 capital over time. And you can see here, we think about our capital base in 3 buckets:

1. The blue bars represent minimum regulatory capital and should grow in line with risk-weighted asset growth. In the current period we also see a step up to support the new regulatory requirement to hold capital for countercyclical buffers. This large capital base supports our ongoing franchise growth.

2. The grey bars represent internal capital buffers held for macro uncertainties and to bolster our resilience. This capital is available to absorb macro and business stresses that may arise. These buffers take our Common equity tier 1 ratio to 12.5%.
3. The purple bars represent the capital available for expansion, dividends and share buybacks.

While our operating environment today is highly uncertain, we have a large and robust capital base and a track record of proven capital management. We are confident that we have the size and flexibility to both buffer downside risks and take advantage of growth opportunities that may arise.

On this slide the graph on the left shows the group's ROE relative to cost of equity and the graph in the middle represents that gap as shareholder value added. The group's annualised ROE is 19.1%, well anchored in our current target range of 17-20%, and also well above the group's cost of equity.
The graphs on the right show distributions to shareholders. Our interim ordinary dividend declared today is R8.17 per share and equates to a dividend payout ratio of 56%.
In the current period, 69% of the group's earnings were returned to shareholders in the form of ordinary dividends, preference share dividends as well as share buy backs. We executed share buy backs totalling R7 billion over the last 18 months.
On slide 39 we have represented the group's headline earnings by business unit on the left, by product in the middle and by legal entity on the right.

Clearly, these charts illustrate the breadth and depth of our franchises. Across our four lines of business, we can meet individual and corporate needs throughout their lifecycle, and we are uniquely positioned to serve our clients when individual and corporate and small enterprise needs overlap.

Corporate & Investment Banking remains our largest business unit generating half of the group's earnings.
On a product basis, transactional banking products were impacted by the negative endowment impact on our large deposit and transactional franchises.
In the legal entity pie on the right, Africa Regions contributed 41% of the group's earnings.

On slide 40 we show the build-up of group earnings by business unit.
Corporate & Investment Banking saw strong earnings growth of 16%, on the back of excellent income growth. CIB generated an ROE of 22.9%.
Personal & Private Banking earnings were flat on the prior period and a return on equity of 20% was delivered. Within this result, PPB in South Africa grew earnings by 6% and this growth was diluted by a decline in offshore earnings.
Business & Commercial Banking earnings were 5% lower than the prior period and a strong ROE of 37.2% was delivered. Total income was flat on the prior period with margins impacted by the lower interest rates.
I have already covered the key drivers of Insurance and asset management performance.

ICBCS, via the group's 40% stake, contributed R834 million, a 40% increase. The biggest driver of the ICBCS increase in earnings were higher client activity and trading opportunities linked to higher precious metals prices. This performance is expected to normalise somewhat in the second half.

On the left hand side of this slide we have shown our large local banking subsidiary, namely SBSA's earnings and returns over time. In the current period of political uncertainty and low growth, revenue was up 6%, earnings up 2% and a return on equity of just under 16% was delivered.
The analysis on the right hand side shows Africa Regions split by sub-region. Despite a complex and mixed operating environment, our portfolio of Africa Regions' franchises delivered another excellent performance in the current period with total earnings growth of 8% in Rands and 13% in constant currency. An overall ROE of 27.2% was delivered. Over the period illustrated here, the Africa Regions portfolio has delivered an average annual growth rate in earnings of 15% in Rands.

The portfolio diversification effect of these franchises is evident here. Our highest ROE is from the West Africa region, the strongest earnings compound annual growth rate has been from the East Africa region and the largest contributor is the South and Central region. We continue to look to these franchises to deliver strong earnings growth and returns.

I will now cover our expectations for the remainder of 2025.
First from a macro perspective, and since we provided guidance in March this year, our biggest change in expectations relates to GDP growth.
Our GDP growth forecasts have been moderated down, particularly in South Africa where we now see growth below 1% for 2025. Global turmoil due to US tariff announcements has been the main driver of our downgraded forecasts in South Africa. Inflation expectations are slightly lower, but interest rate expectations have, on average, remained the same.
And from a currency perspective, we still anticipate the gap between Rand and CCY earnings to continue to narrow.

Here we are pleased to reaffirm our guidance for the group's three core metrics as follows:

- Banking revenue growth of mid to high single digits. While NII is expected to be lower than initially expected, NIR growth is likely to be higher, allowing total income growth to remain within our guidance range;
- Banking cost-to-income ratio is expected to be flat to marginally down year on year; and
- The Group return on equity will remain well anchored in the group's 2025 target range of 17% to 20%.

Our guidance for credit loss, common equity tier 1 and dividend payout ratios remain unchanged.

The metrics represented here clearly demonstrate that the group is firmly on track to achieve the ambitious targets we set in 2021 for 2025. I look forward to returning to this podium in six months' time, with every indicator still showing a green tick. As a group, our strategic focus is now firmly directed toward the future: ensuring success in the medium term while positioning ourselves for long-term sustainability. We remain committed to superior client experience, operational excellence, and driving growth and returns for our shareholders.

I will now hand over to Sim to take you through our focus areas to 2028, thank you.

Thank you, Arno.
As those green ticks indicate, we have very high confidence that we will reach the targets that we set for the end of this financial year. I now turn, therefore, to the Group's medium-term targets to 2028, as first announced at our 2024 results presentation earlier this year.

Starting on the left of this slide, it's important to emphasise that our Group is, in fact, four highly competitive businesses, each with a strong set of capabilities, and each able to collaborate effectively with the other in service of our clients. As a result, we are uniquely well positioned to meet the full range of our clients' needs across their whole lifecycle.
Next, the map of our beloved continent. We have well-established, local franchises in Africa – a network that we have been building for many decades. As you can see, having received all the necessary approvals to open a representative office, we can now officially colour Egypt in Standard Bank blue. Our office there will enable us to link our African and multinational clients more closely to the growing trade and investment corridor between Africa and the Gulf Cooperation Council countries. The metrics next to the map reflect our unmatched scale across the continent, our established presence and deep local knowledge in each market, and the robustness of our portfolio. We remain, quite simply, number one on the continent.

And lastly, the eight points on the righthand side of the slide state our key competitive advantages, including our strong brand, highly competitive businesses, robust and efficient technology, deep management bench and fortress balance sheet. This slide summarises who we are today – a formidable player on the continent. Importantly, we start our next phase from a position of strength.

Confidence does not equal complacency. As we all know, geopolitics are currently unusually volatile, and the global economic order is undergoing very rapid change. We have tested our 2028 targets against the range of 'known unknowns' listed on the left of this slide by estimating their effects on our forecasts. As can be seen, even in the downside case, we expect that the Group's ROE should at least reach the bottom of our 18 to 22% ROE target range in 2028. In the upside case, our ROE in 2028 should be closer to the top end of that range.

In March we said that we would be pursuing three new growth opportunities to 2028 and beyond. Here they are again.

We intend to lead Africa's energy and infrastructure development, funding as much as possible of the immense demand for new infrastructure in Africa. We will also attract external funding, both through our own advocacy and efforts, and though the work we are doing as part of the B20 process.We have market-leading capabilities in the energy and infrastructure sectors, and have made very good progress in mobilising sustainable finance, as I said at the beginning of the presentation. We want to build Africa's leading private bank, and we are already very good at providing higher-end retail financial services in many markets and through our offshore hubs.

Our third growth opportunity is to optimise our portfolio to respond to client demand in Africa's growing economies. And, as I mentioned earlier, we have just expanded our presence into Egypt. In the same way as we consistently report our other strategic progress, from now on we will report the progress that we make in these areas. We will continue to protect and nurture the key enablers that support these ambitions. We value our brand. It has been built over 160 years. It represents the trust our clients place in us each and every day. We will continue to protect it fiercely and to build on it.

As Africa's number one rated employer in the Forbes World's Best Employers rankings for 2024, Standard Bank constantly works hard to ensure that we attract and retain skills. Standard Bank has diverse talent, with a strong leadership succession pipeline. This is a powerful competitive advantage which we will continue to nurture. We will continue to invest in technology to keep improving customer experience, develop innovative solutions and drive ongoing efficiencies.

Our partners include our clients, regulators, and even – sometimes – our competitors as we work to:
Firstly, deepen our collective understanding of Africa's dynamics and opportunities,
and secondly develop the physical and technological infrastructure needed to drive financial services on the continent forward.

Over the half, for example, as part of our B20 work, we are aiming to ensure that Africa's risk becomes more realistically and – therefore – better rated. Similarly, we continue to support the development of modern and robust domestic and cross border payments systems for Africa.

Here, finally, are the key takeaways we would like to leave you with today. First, that this has been a half of strong earnings, good balance sheet growth and improving returns. Second, that we are highly confident we will reach the targets for 2025 that we set in 2021. And third, that we are confident in our ability to deliver compelling growth and shareholder returns over the medium term. We are now working towards our targets over this period, which runs from 2026 to 2028.

Just to recap, these:

- First growing headline earnings per share at a compound annual growth rate of between 8 and 12% from 2026 to 2028
- And second lifting our Return on Equity to within a new, higher, range of 18 to 22% by 2028.

Thank you. That concludes our presentation. We'll now take your questions.
Thank you for your time and your interest.