

## Banking in Africa

*South Africa's major banks have established a continental presence across Africa, pursuing growth beyond their more mature home market. The promise of Africa is defined by its fast-growing economies, expanding financial inclusion, and untapped demand for banking services. In this edition of Intuition, we explore the African narrative among South Africa's leading banks and identify which lender is best positioned to capitalise on Africa's upside potential going forward.*



**James  
Clark**

The “Big Four” banks in South Africa (Absa, FirstRand, Nedbank, and Standard Bank) dominate 85% of the domestic lending market. Additionally, they also contribute meaningfully to the broader financial ecosystem across the African continent. Together, the Big Four have a presence in 18 of Africa's 54 countries. Earnings from the rest of Africa have become a

larger contributor to total earnings over the past decade, growing from an average of 9% across the group in 2014 to 25% ten years later. Although slower domestic growth has flattered this African story to some degree, the underlying momentum in Africa has been significant.

### The Banking Opportunity in Africa

A recent thematic report from Standard Bank Research sized the African banking opportunity by assessing each African country in which the local lenders have a presence. These African countries were assessed using a 14-factor tool, which included factors such as economic growth, population, and economic stability. The banking profit pool from these African countries was estimated to be R196 billion in 2024, equal to roughly 2.2 times SA's total banking profit last year. When adding five additional African nations, the profit pool came to R383 billion in 2024, with expectations to grow to R600 billion by 2030. This growth forecast reveals a game-changing opportunity for local lenders.

The case for African expansion among SA's banks rests on three key categories of growth:

1. Banking penetration: the rest of Africa has a much larger unbanked population than South Africa. Banked individuals average 52% of the population in the rest of Africa, relative to 84% in South Africa, offering room

### SPEED READ

- South Africa's “Big Four” banks (Absa, FirstRand, Nedbank, and Standard Bank) have expanded meaningfully across Africa, where earnings now contribute a quarter of group profits on average.
- Africa's banking profit pool, estimated at R383 billion in 2024, is projected to reach R600 billion by 2030, offering a significant growth opportunity supported by low banking penetration, strong GDP growth, and selective acquisition opportunities.
- Elevated regulatory, political, and currency risks, coupled with rising fintech competition and high sovereign debt levels, remain material considerations for banks expanding into the continent. However, a well-diversified footprint across African markets can help mitigate these risks.
- Standard Bank stands out as the most diversified and entrenched pan-African player, with operations in 20 countries and 41% of group earnings from Africa, creating a key competitive advantage over SA peers.

- for a wave of financial deepening across the continent.
2. Economic growth: Africa is expected to grow significantly faster than South Africa in the coming years, as it has done over the past decade. Greater lending growth accompanies fast growing economies as financing is needed for expansion, creating opportunities for lenders to profit in these fast-developing nations.
  3. Market share gains and select acquisitions: further market share gains and accretive mergers and acquisitions offer additional opportunities for SA banks to grow their African footprints.

Yet, opportunity across Africa comes with a distinct set of challenges that investors should be aware of.

### What are the Risks?

The risks involved with banking across Africa include the following:

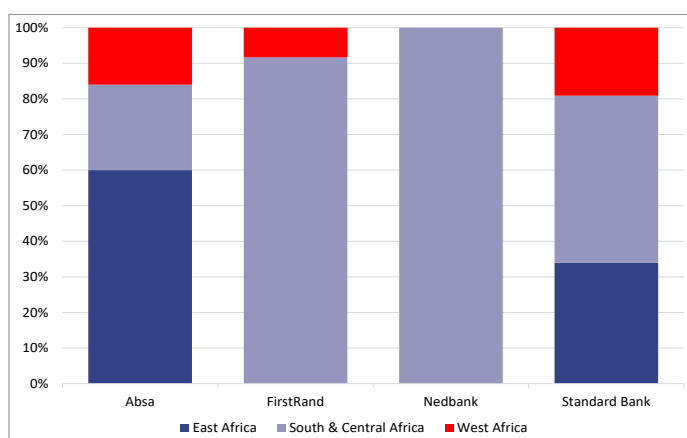
1. Regulatory, policy, and political risks are typically higher in the rest of Africa relative to South Africa.
2. High sovereign debt levels in some African countries can lead to defaults, which would materially impact the banks in those countries, while simultaneously hindering growth.
3. Fintechs and telecommunications companies are a threat to the future of retail banking in Africa, which could dampen the growth of the incumbent South African banks.
4. SA banks with footprints in Africa are exposed to currency risks, given the volatile nature of many African currencies. Over the past decade, many of the larger African countries have recorded currency devaluations of over 50% relative to the Rand. However, each of these large countries has grown at an average of between 13-19% per year despite the negative currency effects, according to Standard Bank's research. This shows that strong growth can offset currency risk.

Although the risks of operating in Africa are notable, better diversification across strong, growing regions in Africa can help mitigate these risks and better optimise the risk-return trade-off. Against this backdrop of opportunity and risk, we determine which SA bank is best positioned in the rest of Africa.

### Which SA bank is best positioned in Africa?

Standard Bank's pan-African network stands out when compared with its peers. Spanning 20 countries, the bank's African footprint captures a wide geographical balance across West, East, Central, and Southern Africa. Importantly, no single country contributes more than 11% to earnings from the rest of Africa, highlighting its well-diversified footprint. Absa follows with operations in 11

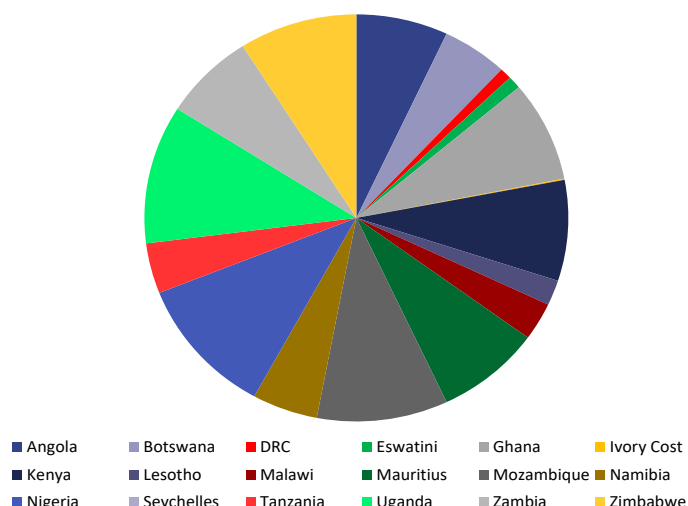
### PROFIT SPLIT BY AFRICAN REGION



*Standard Bank's profit mix demonstrates broader regional diversification than its peers, reducing reliance on any single market and enhancing earnings quality.*

countries, though its business remains heavily weighted toward Kenya and Mauritius, which contribute 20% and 18% to earnings, respectively. FirstRand's African presence is smaller than Absa's, but more concentrated, as Botswana (38%) and Namibia (28%) contribute most of the earnings. Nedbank's African footprint, on the other hand, is the narrowest, with direct exposure primarily to Namibia and Mozambique. The bank recently announced the sale of its 21% stake in Ecobank, a move that has now meaningfully reduced its continental reach.

### STANDARD BANK PROFIT BY COUNTRY



*Standard Bank's profit from the rest of Africa is well-diversified with no single country contributing more than 11% to earnings.*

Standard Bank's earnings from the rest of Africa were R18 billion in 2024, roughly 1.4 times that of its three peers combined. African operations now contribute 41% of Standard Bank's group headline earnings. Absa follows with earnings of R6.6 billion last year, representing 30% of group profits, while FirstRand produced approximately R5 billion (11% of the group). Nedbank's African earnings



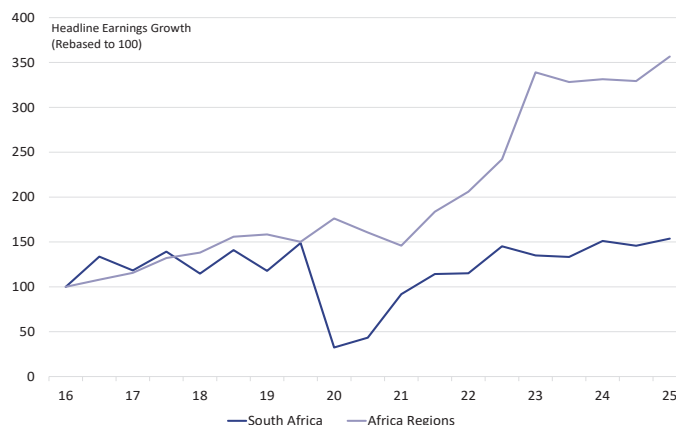
*Standard Bank operates across a large number of countries and cities in Africa, including Nairobi in Kenya*

totalled R1.6 billion (10% of the group) in 2024, though this figure will decline following the Ecobank divestment. Over the long term, Standard Bank's Africa Regions division has compounded earnings at 24% annually since 2011, far outpacing peers and reinforcing the structural growth opportunity that the broader continent offers.

### Concluding Remarks

Among South Africa's banks, Standard Bank is the most entrenched and well-diversified player in Africa. Its extensive footprint and balanced portfolio across sub-Saharan markets enables the group to capture growth while mitigating localised volatility. The bank recently raised their ROE guidance for the medium-term (2026-2028) to 18-22%, up from 17-20%, as Africa continues to achieve greater returns than the bank's domestic business. With Africa now contributing over 40% of group earnings and growth compounding at double-digit rates, Standard Bank offers an attractive mix of defensiveness along with a strong position to capture the significant upside potential from Africa. Its African position remains a defining long-

### STANDARD BANK EARNINGS GROWTH



*Standard Bank's Africa Regions operations have achieved earnings growth that has significantly outpaced its South African business, highlighting the strength and diversification benefits of its broader African footprint.*

term differentiator.

### STANDARD BANK'S AFRICAN FOOTPRINT



*Standard bank has built a well-diversified African footprint, a key differentiator relative to its peers.*



Another year has come and gone, a year that has thrown up its fair share of surprises. Please join us for our year end seminar which will see us dusting off the crystal ball and looking into 2026 for clues as to what the new year might hold."



[Harvard House is on Facebook](#)



[Harvard House is on YouTube](#)

## CONTACT DETAILS:

For more information on the range of products and services offered by Harvard House Investment Management and its associated companies (including Harvard House, Chartered Accountants), or for any financial advice, please contact the Company at:

### HARVARD HOUSE GROUP



3 Harvard Street, Howick, 3290, South Africa



P.O. Box 235, Howick, 3290, South Africa



+27 (0) 33 330 2164

### Topic: Outlook for 2026

#### Natal Midlands

|               |                                              |
|---------------|----------------------------------------------|
| Date:         | Thurs, 4th of December, 2025                 |
| Venue:        | Christ Church Howick, 23 Mare Street, Howick |
| Morning Time: | 10am for 10.30am                             |
| Evening Time: | 5.30pm for 6pm                               |

#### Johannesburg

|        |                                                                                |
|--------|--------------------------------------------------------------------------------|
| Date:  | Thurs, 27th of November, 2025                                                  |
| Venue: | Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham |
| Time:  | 7am for 7.30am                                                                 |

#### Cape Town

|        |                                                                                         |
|--------|-----------------------------------------------------------------------------------------|
| Date:  | Tues, 25th of November, 2025                                                            |
| Venue: | SSISA Conference Centre, Boundary Road, Newlands, Morne du Plessis Boardroom, 4th floor |
| Time:  | 7.30am                                                                                  |
| Venue: | ABRU Motor Studio, Lourensford Wine Estate, Somerset West                               |
| Time:  | 5.30pm for 6pm                                                                          |



+27 (0) 33 330 2617



admin@hhgroup.co.za



www.hhgroup.co.za

The information contained in this newsletter comes from sources believed to be reliable, but Harvard House Investment Management (Pty) Ltd, Harvard House Financial Services Trust, Harvard House Insurance Brokers and Harvard House, Chartered Accountants (collectively known as the Harvard House Group), do not warrant its completeness or accuracy. Opinions, estimates and assumptions constitute our judgment as of the date hereof and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Any investor who wishes to invest with the Company should seek additional advice from an authorized representative of the firm. The Company accepts no liability whatsoever for any loss or damages whatsoever and howsoever incurred, or suffered, resulting, or arising, from the use of this newsletter. The contents of this newsletter does not constitute advice as contemplated in the Financial Advisory and Intermediary Services Act (FAIS) of 2002.

The Harvard House unit trusts are registered under the Boutique Collective Investments. Custodian: Standard Executors & Trustees: Tel (021) 007-1500. Collective Investments are generally medium to long term investments. The value of participating interests may go down as well as up and past performance is not necessarily a guide to the future. Collective Investments are traded at ruling prices and can engage in script lending. Forward pricing is used. Commission and incentives may be paid and if so, are included in the overall cost. This fund may be closed to new investors. Collective Investment prices are calculated on a Net Asset Value basis and auditor's fees, bank charges, trustee and RSC levies are levied against the portfolio. The portfolio manager may borrow up to 10% of portfolio NAV to bridge insufficient liquidity. Boutique Collective Investments (RF) Pty Ltd ("BCI") retains full legal responsibility for the third party named portfolio. Boutique Collective Investments is a member of ASISA and is an authorised Financial Services Provider. Should you have any further queries or complaints regarding the suite of units trusts offered by The Harvard House Group please contact: Boutique Collective Investments Call Centre, Tel: (021) 007-1500, Email: clientservices@bcis.co.za. For your information, the FAIS ombudsman provides an independent and objective advisory service. Should you not be satisfied with the outcome of a complaint handled by Boutique Collective Investments, please write to, The Ombudsman, PO Box 74571, Lynnwoodridge, 0040. Telephone (012) 470 9080/99. Fax (012) 348 3447. Email: info@faisombud.co.za

Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.

Harvard House Investment Management (Pty) Ltd\*, Licence no: 675 Harvard House Insurance Brokers\*, License no. 44138  
Harvard House Financial Services Trust\*, Licence no: 7758 \* Authorised financial service providers in terms of FAIS (2002)