Unlocking growth in complex conditions

South Africa – Major Banks Analysis

PwC's analysis of major banks' results for the reporting period ended 31 December 2022

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About this publication

PwC's Major Banks Analysis presents the highlights of the combined local currency results of Absa, FirstRand, Nedbank and Standard Bank and incorporates key themes from other South African banks.

The analysis also identifies common trends shaping the banking industry across all major players and builds on previous PwC analyses for a period of over a decade.

- This analysis has been prepared from publicly available information
- The data, charts and figures included are based on published information
- Certain ratios have been recalculated to present comparable six-month results
- Where applicable, amounts and ratios are based on 'banking activities' only, as contained in the respective entity's published information

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Appendices

1 Unlocking growth in complex conditions

South Africa's major banks delivered strong earnings growth against complex operating conditions, a volatile macroeconomic context and a local economy under strain

- Combined headline earnings growth of 16.1% against FY21 to R100.7bn
- Combined ROE of 17.1% (FY21: 15.9%)
- Net interest margin of 429 bps (FY21: 410 bps)
- Credit loss ratio of 80 bps (FY21: 76 bps)
- Cost-to-income ratio of 53.6% (FY21: 55.8%)
- Common equity tier ratio of 13.5% (FY21: 13.4%)

> "Against complex trading conditions and a volatile macroeconomic backdrop, South Africa's major banks delivered strong earnings growth on the back of robust operating performances across all franchises, larger balance sheets and intense focus on translating superior customer experiences into heightened transactional activity.
>
> — Rivaan Roopnarain, PwC Africa Banking and Capital Markets Partner

Key themes observed include:

- **Robust operational momentum across retail, business and corporate banking franchises**, strong customer activity, strength and depth of transactional and deposit franchises and the positive endowment effects of an elevated interest rate cycle provided the basis for the major banks' revenue growth in 2022.
- **Measured approaches to credit origination, rigorous monitoring and collections strategies** together with relatively improved business and consumer balance sheets in the first half of 2022 facilitated well-managed credit metrics. However, this was partially offset by higher corporate and Ghanaian sovereign impairments. Non-performing loan stock increased largely due to the credit migration effect of new business written in previous periods, while credit coverage levels were maintained at traditionally prudent levels.
- **Driven by organic capital supply through higher earnings and optimised capital demand through disciplined credit quality management, capital ratios remained resilient**, well above regulatory required levels. As we previously observed, South Africa's major banks collectively now have more capital and risk provisions than ever recorded, which helped to shield against economic headwinds that emerged over the second half of 2022.
- **A focus on building and deriving value from more diverse revenue generators continued**, particularly in the form of insurance, wealth management and related activities. Those banks with notable operations in these areas observed strong operational performances and a growing contribution to overall group earnings.
- **Geographic diversity remained central to earnings contributions**, with those banks with sizable physical footprints across the continent, outside South Africa, registering roughly a third of group earnings from these operations. With Africa's young, mobile and IT-savvy population, economic growth expectations across the continent are forecast to exceed South Africa's GDP growth — at least until accelerated progress on structural reforms takes place. Accordingly, some of the major banks will continue to look for opportunities to deploy capital in territories that yield elevated returns.
- **Disciplined cost management in a heightened inflationary environment was a central theme across bank management teams**, and supported strong operating leverage as combined revenue growth surpassed cost growth. The trend of the changing configuration of the major banks' cost base that we commented on previously, continued. Driven by their digitally-led focus, efforts to streamline IT architecture, enhance front-end customer experiences and boost productivity, we continue to see deliberate IT expense growth, together with talent spend, in these areas.
- **Competition in South African retail and business banking remained intense**, amplified by niche lenders with more agile tech stacks and new product offerings. In commenting on their results, the major banks' management teams have acknowledged this trend, and their determination to bolster their strategic plans while focusing on the significant opportunities that technological and competitive disruption presents.
- **Delivering top-tier client experiences particularly in retail transactional and personal banking, and an enhanced ESG focus, remain common themes across the major banks**. Each of the major banks have commented on their stated intentions to play a greater role in enabling corporate and business clients to meet their climate obligations. They now have clear commitments to support renewable energy and infrastructure projects and just energy transition efforts. We expect sustainable financing disclosures, alongside broader measures of performance based on emerging ESG practices, to begin to take greater prominence in corporate reporting.
- **The risk outlook remains dynamic and evolutionary**. While 2022 revealed that traditional financial and economic risks can move quickly, methodologies for their identification and measurement are well established. However, against the backdrop of rapidly evolving financial market digitisation in the form of blockchain technology and asset tokenisation, 2022 also revealed that market shifts represent a generational opportunity to build new growth engines and risk management capabilities that include the identification of second- and third-order risks tied to reputational and societal concerns.

2 External environment

Operating environment

In 2022 the resilience of the South African economy, which began with momentum as the disruptive phase of the COVID-19 pandemic eased, was tested. After rallying in the third quarter, **StatsSA reported** that GDP declined by 1.3% in the fourth quarter, elevating recessionary concerns. The relative cover to the South African economy in the first half of 2022 through a commodity price boom and strong terms of trade faded swiftly as severe electricity supply constraints, the aftermath of the KwaZulu-Natal floods and slow progress on structural reforms strained trading conditions and sentiment. Globally, complex geopolitics, lockdowns in China and the Russia/Ukraine conflict combined to exert significant inflationary pressure on the economy, elevated input costs for most African economies and created choppy financial markets.

Regulatory developments

Despite significant progress by authorities during 2022, in February 2023 the Financial Action Task Force (FATF) greylisted South Africa. As we have previously commented, the implications of the greylisting are broad, and include increased monitoring by FATF, more onerous reporting requirements by correspondent banks, possible restrictions on correspondent banking relationships and potential pressure on funding costs.

Additionally, progress continues to be made in banking prudential regulation, aligned with global developments. In 2022, several new prudential standards came into effect, including the Basel Committee on Banking Supervision's Supervisory framework for measuring and controlling large exposures and Revisions to the securitisation framework.

In line with communicated timelines by the Prudential Authority, new and emerging prudential reforms will continue to be implemented over 2023 and 2024, with potentially significant operational and quantitative implications for how capital demand (risk-weighted assets) is computed.

3 Major banks' results highlights

- Net interest income ↑ 14.8%
- Non interest revenue ↑ 12.9%
- Operating income ↑ 14%
- Net interest margin 429 bps (FY21: 410bps)
- Cost-to-Income ratio 53.6% (FY21: 55.8%)
- Operating expenses ↑ 9.3%
- Credit loss ratio 80 bps (FY21: 76bps)
- Pre provision operating profit ↑ 19.9%
- ROE 17.1% (FY21: 15.9%)
- CET1 ratio 13.5% (FY21: 13.4%)
- Credit impairment charge ↑ 24.2%

↑ **Headline earnings** of R100.7bn increased 16.1% against FY21

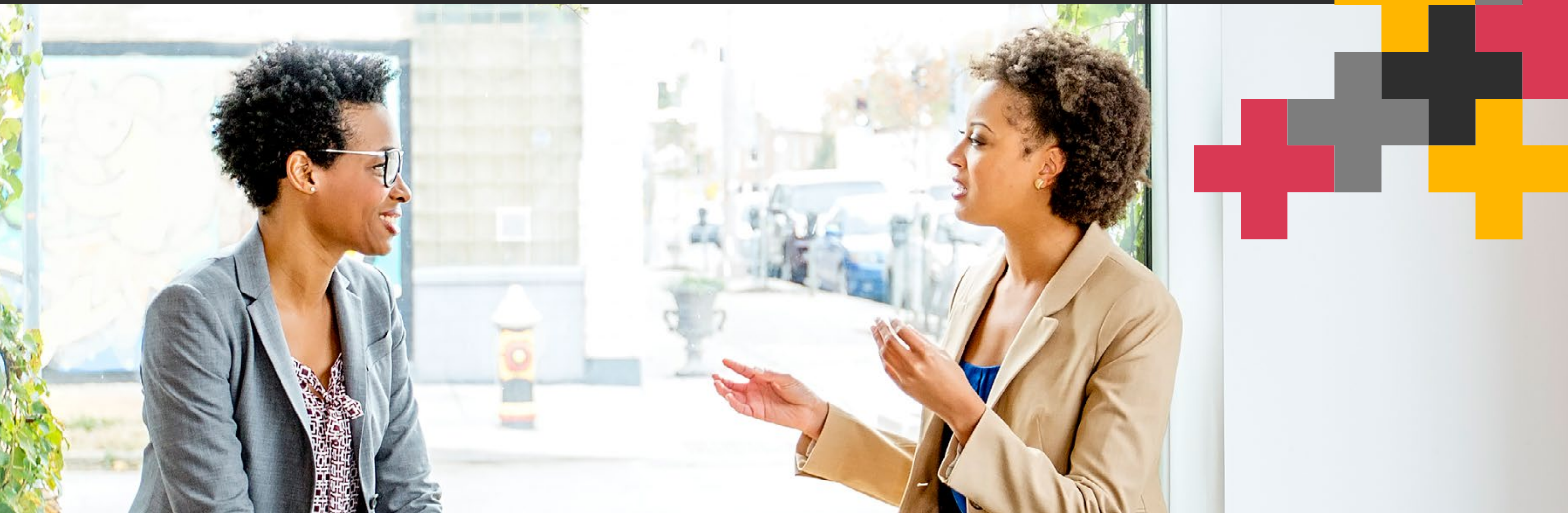
FY22 vs FY21

> Through their consistent focus on helping clients navigate a once-in-a-generation pandemic, refinements to bank strategy in response to this crisis and intense execution of their strategies, South Africa's major banks have shown their resilience. They have surpassed the most rigorous stress test since the global financial crisis, while leveraging and embedding lessons learned to position their businesses to efficiently respond to dynamic and complex conditions.
>
> — Costa Natsas, PwC Africa Financial Services Leader

- **Headline earnings:** For some of the major banks, headline earnings again reached record levels. Key drivers of earnings growth in this period included a combination of cyclical factors — the positive endowment effect on net interest margins brought about by a high interest rate environment and fair value realisations — and those based on disciplined strategy execution, including sustained efforts in prior periods to ensure front-end customer experiences facilitate seamless and efficient transactional activity.
- **Asset growth:** Bureau information from the National Credit Regulator for 2022 revealed that the South African consumer exhibited increased credit demand in the period, with the number of credit-active consumers increasing by 227,924 year-on-year in Q3-22. Secured lending portfolios, in particular residential mortgages, continued on the growth trend observed previously. Overall, gross loans and advances grew 8.3%.
- **Credit quality:** The well-documented theme of judicious credit management continued during 2022, with the combined credit loss ratio (measured as the income statement impairment charge divided by average advances) marginally increasing by 4 bps to 80 bps (FY21: 76 bps). Total non-performing loans increased 9.2%, comprising 4.7% of gross loans and advances (FY21: 4.7%), while expected credit loss provisions against these loans moderated slightly to 44.9% (FY21: 45.8%).
- **Costs:** Against the context of 6.9% average CPI in South Africa in 2022, the combined operating expenses of the major banks grew 9.3%. Key contributors to the combined cost base included relatively familiar themes of staff costs and incentive awards amidst a fierce talent retention backdrop, front- and back-office technology related spend, driven also by cloud and cloud-related software investments, and a resurgence in travel and marketing expenses.
- **ROE and capital:** Having surpassed pre-pandemic levels in the previous reporting period, the combined regulatory capital of the major banks was bolstered further on the back of robust earnings growth and disciplined risk-weighted asset management. The total capital adequacy ratio amounted to 16.2% (FY21: 17.2%) and supported dividend payout ratios in the period. Combined ROE grew 120 bps to 17.1% (FY21: 15.9%).

> The results of the major banks in this period reflect the intense efforts of management teams to take the pulse of the operating environment, and calibrate their actions accordingly. Driven by underlying customer, lending and operating momentum, the deep focus on embedding digital strategies, channel innovation and enhancing overall customer experiences, helped position our banks to the strong levels of growth their results reveal.
>
> — Francois Prinsloo, PwC Africa Banking and Capital Markets Leader

4 Outlook



For 2023, the major banks have commented on their expectations for central banks to pause, or decelerate, their recent rate hiking cycles on the back of moderated inflation forecasts relative to that observed in 2022. While the International Monetary Fund estimates global real GDP growth of 2.9% for 2023, concerns exist for the slowdown in developed economies to escalate as the effects of 2022's high interest rate environment impair household and business incomes and trigger reduced wealth effects. Additionally, the ongoing Russia/Ukraine situation fuels concerns around supply chain bottlenecks, energy constraints and higher production costs.

Meanwhile, sovereign risks across Africa — including in Ghana, Nigeria, Malawi, Zambia and Mozambique — are expected to remain elevated while those countries with fiscal constraints and/or notable levels of dollar-denominated sovereign debt may continue to face economic headwinds.

Globally, the first quarter of 2023 witnessed significant events related to specific institutions in both the US and Switzerland. These events gave rise to renewed interest, public and supervisory scrutiny on the banking sector, and highlighted the importance of robust risk management especially in areas such as interest rate and liquidity risks sensitive to market forces and economic developments. No doubt, all banks will be looking to these events as they unfold to understand root causes and learnings.

In South Africa, the major banks all consistently shared their reflections that the unprecedented levels of load shedding experienced in 2022 and into 2023, coupled with the slow pace of structural reforms, remains a noose around the country's economic growth potential and medium-term growth prospects. On average, the major banks estimate South Africa's GDP to grow by a modest 1.3% in 2023.

As we look ahead, we see that the financial environment is once again entering a period of volatility — with rates, inflationary concerns and geopolitical instability on the rise. To weather these forces, our global research suggests that banks must accelerate and scale their transformation agendas so that they can address 'old' and new challenges simultaneously. Market structures are changing, exposures have become more complex and interconnected, new asset classes are becoming too large to ignore, and non-financial factors such as ESG are now critical business drivers. Our latest global PwC report, *Wholesale Banking 2025 and Beyond*, suggests that banks must manage the tension between day-to-day operations alongside a programme of sustainable change as a range of market forces — including technological disruption, competition from non-traditional players, geopolitical shifts, sharp inflationary spikes and pressure on global supply chains — combine to present new challenges and far-reaching implications to banks.

The major banks' FY22 results, and the drivers behind them, suggest that our banks are acutely aware of these challenges and how to navigate them and incorporate them into the determination and refinement of overall bank strategy. We expect this dynamic process of strategic planning, with internal and external digitalisation and customer centricity at its heart, to continue.

5 Wholesale Banking 2025 and Beyond

Wholesale Banking 2025 – the final report in this series:

- details 4 key trends shaping the wholesale banking industry's transformation agenda: changing market structure, growing ESG mandates, the rise of decentralised finance, and digital assets emerging as a viable asset class;
- offers an integrated approach to balancing daily complexities with the onger time horizon of an enterprise-wide transformation; and
- provides 7 strategic considerations to help leaders identify gaps in their agenda and develop an adaptive capacity to succeed in the years ahead.

Getting proactive about the transformation agenda: Unlocking growth in an evolving market

The wholesale banking industry has only recently come through a difficult period. Focusing on immediate challenges such as the COVID-19 health crisis, which created immeasurable human and business trials and tested financial markets, has meant delaying badly needed transformation. Yet, in helping clients navigate a global recession and prove their resiliency, the industry passed the most rigorous stress test since the global financial crisis with extraordinary success.

This report, the next chapter in PwC's 2025 and Beyond series, focuses on the critical influential trends for wholesale banks in the near future.

Download the full report here:

[Wholesale Banking 2025 and beyond]

Appendix

A Analysis of financial results

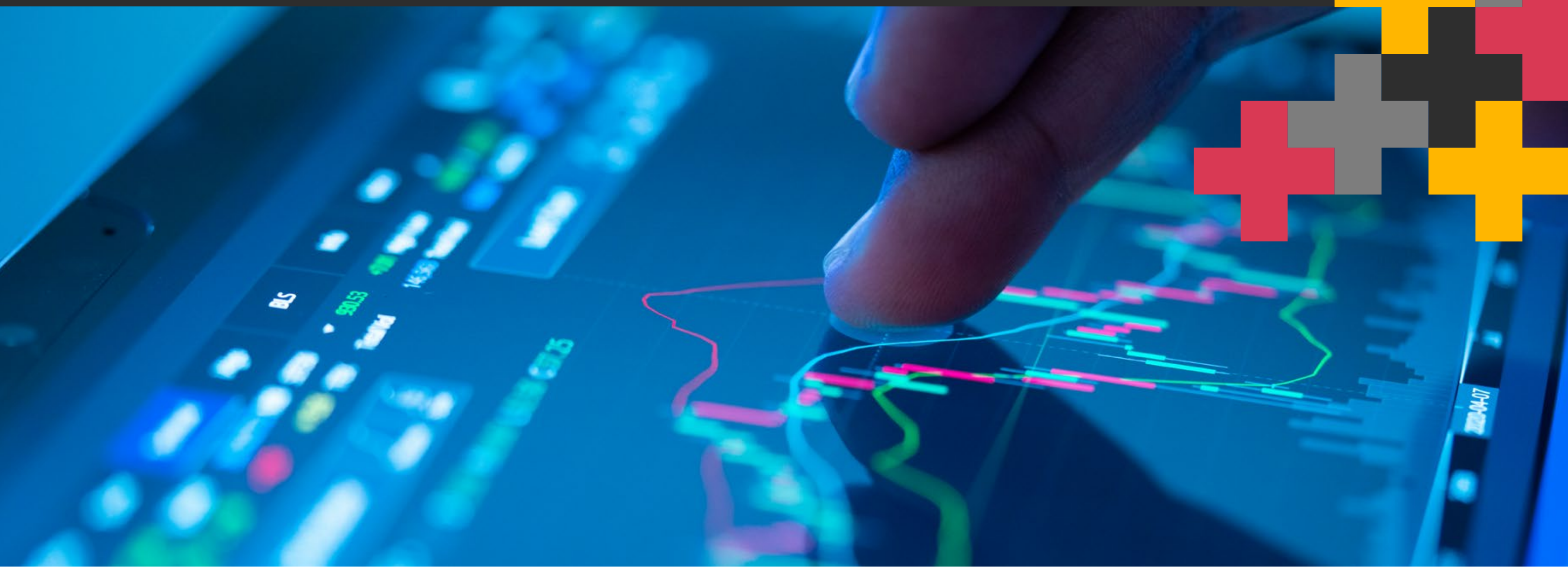
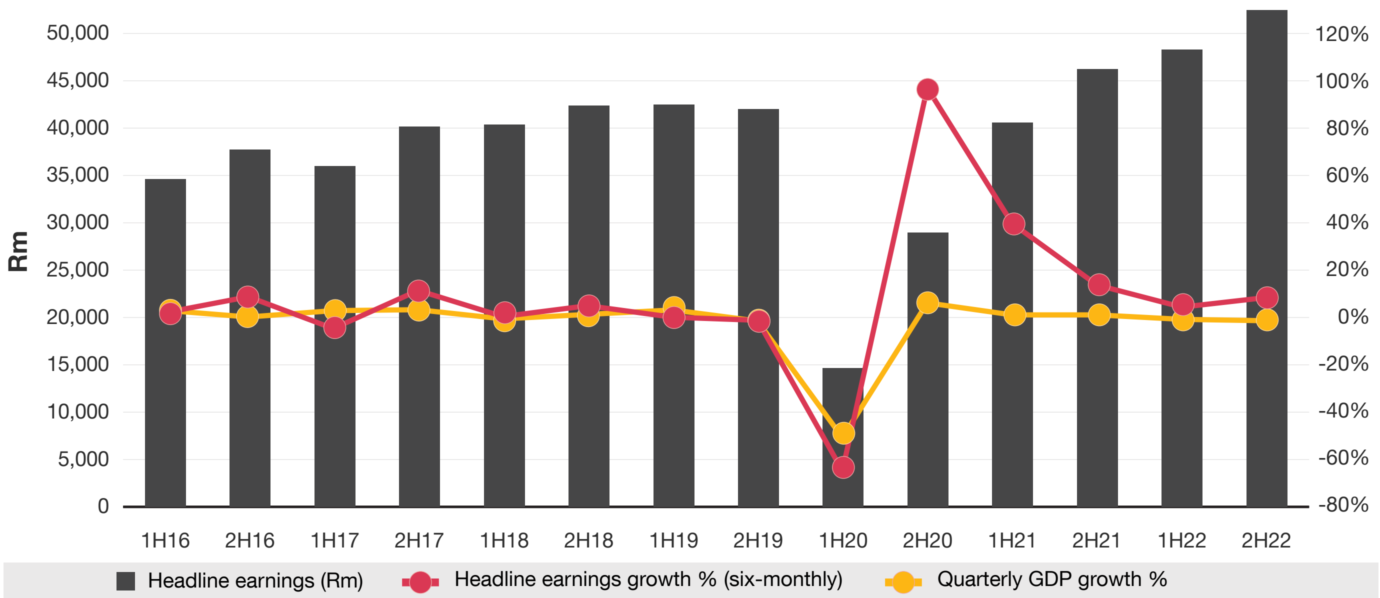


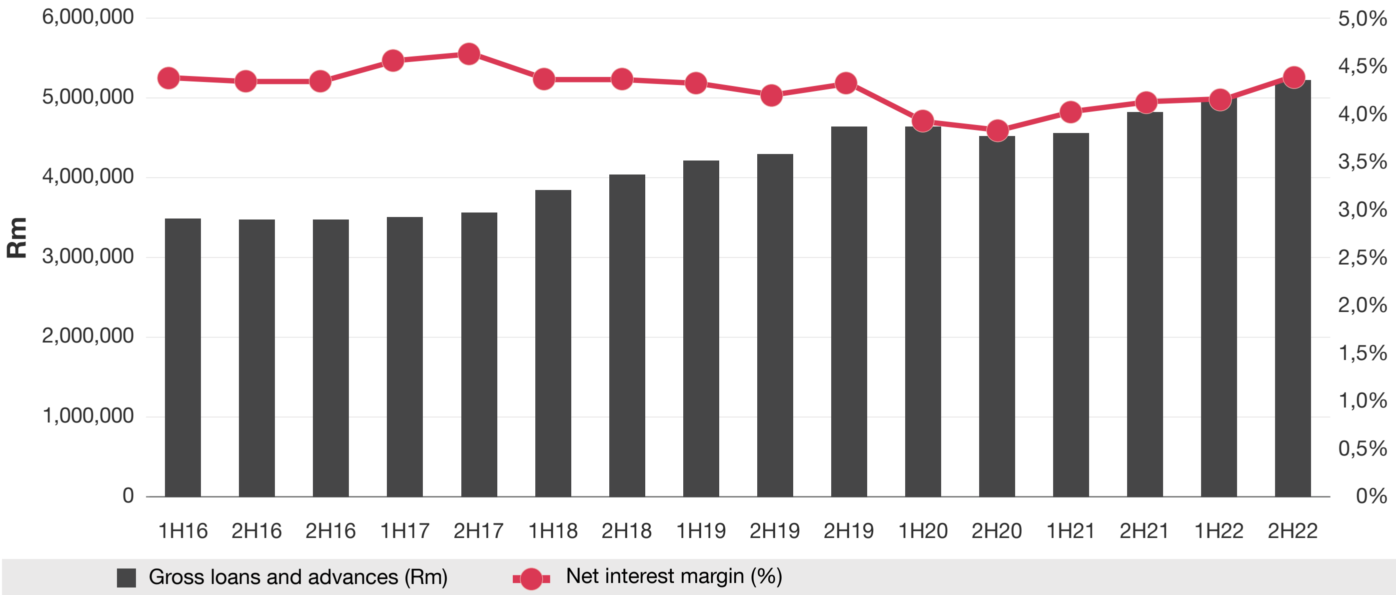
Figure 1: GDP and headline earnings growth



Source: Stats SA, PwC analysis

- Combined headline earnings of R100.7bn (FY21: R86.8bn) represents the highest combined annual earnings achieved by South Africa's major banks.
- The directional relationship between South African GDP growth and the major banks' headline earnings growth which we have previously commented on continues to be evident.
- While the major banks' earnings benefitted from geographic, industry and product diversification, scale and their established franchises, the relationship between bank earnings and SA GDP continues to highlight the importance to the major banks of South Africa's longer term GDP prospects and structural reforms.

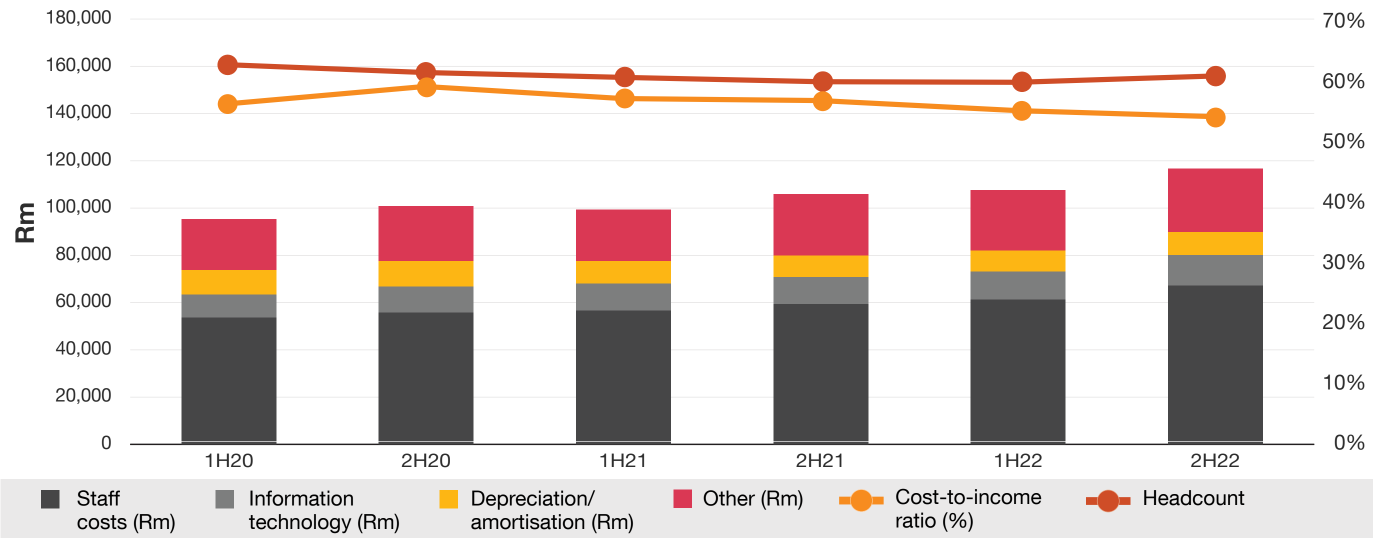
Figure 2: Net interest margin



Source: PwC analysis

- The major banks entered 2022 with larger balance sheets than any prior period, providing a larger base from which to generate revenue. Gross loans and advances grew 8.3% against FY21 and provided a basis for the record combined earnings level in the current period.
- Portfolios that evidenced the strongest growth included instalment sale and finance leases (increased 7.3% against FY21) and card, overdrafts and retail unsecured loans (increased 14.3% against FY21, but only 2.3% against 1H22, reflecting the heightened strain on consumer balance sheets in the second half of FY22).
- The increase in the interest rate environment supported the major banks' combined net interest margin growth of 19bps to 4.29% (FY21: 4.10%) through positive endowment effects experienced in rate-sensitive lending portfolios.

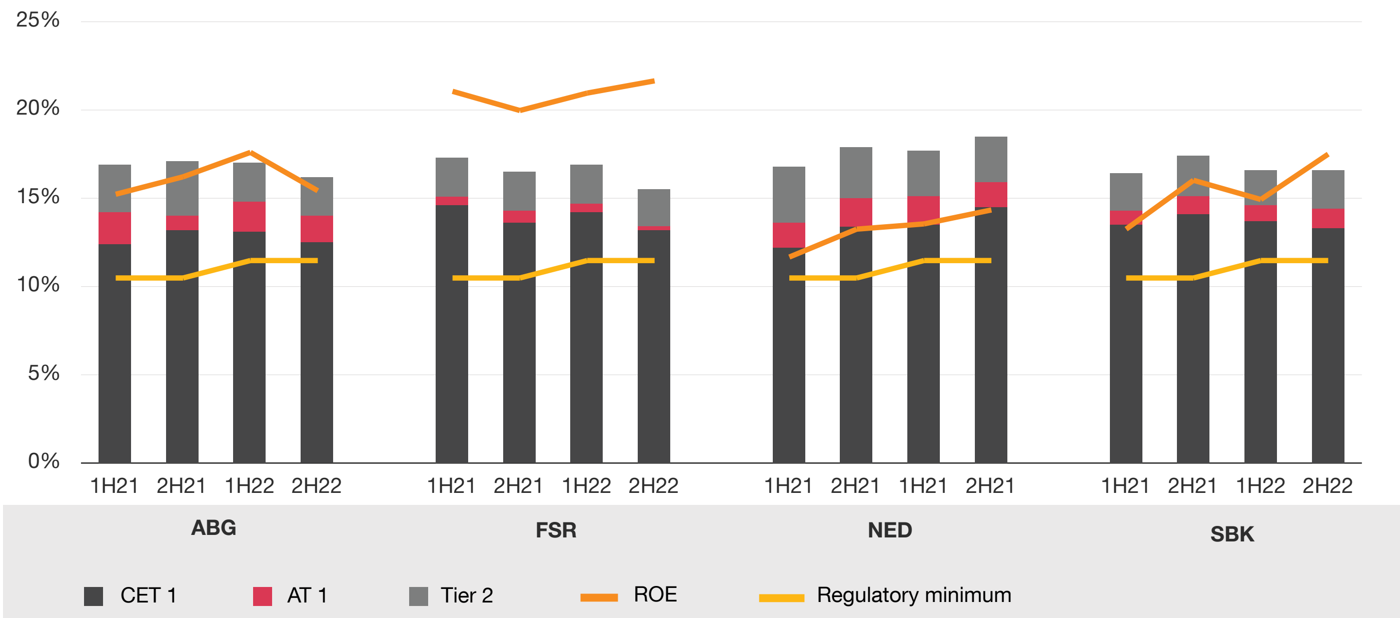
Figure 3: Operating expenses, cost-to-income ratio and headcount



Source: PwC analysis

- As reported by Stats SA, average annual consumer inflation in South Africa for 2022 registered 6.9%, largely driven by rising transport and food prices.
- Against this context, the major banks' operating expenses increased 9.3% with the primary drivers including staff costs, including incentives, IT expenditure and the return of some discretionary spend in areas such as travel and marketing expenditure.
- Consistent with our previous observations, the configuration of the major banks' cost base continues to evolve in line with their strategic focus on digitisation – which includes replacing legacy systems, maintaining and strengthening cyber security and moves towards cloud computing, AI and new ways of working - alongside more recent trends of securing skills in these diverse areas.

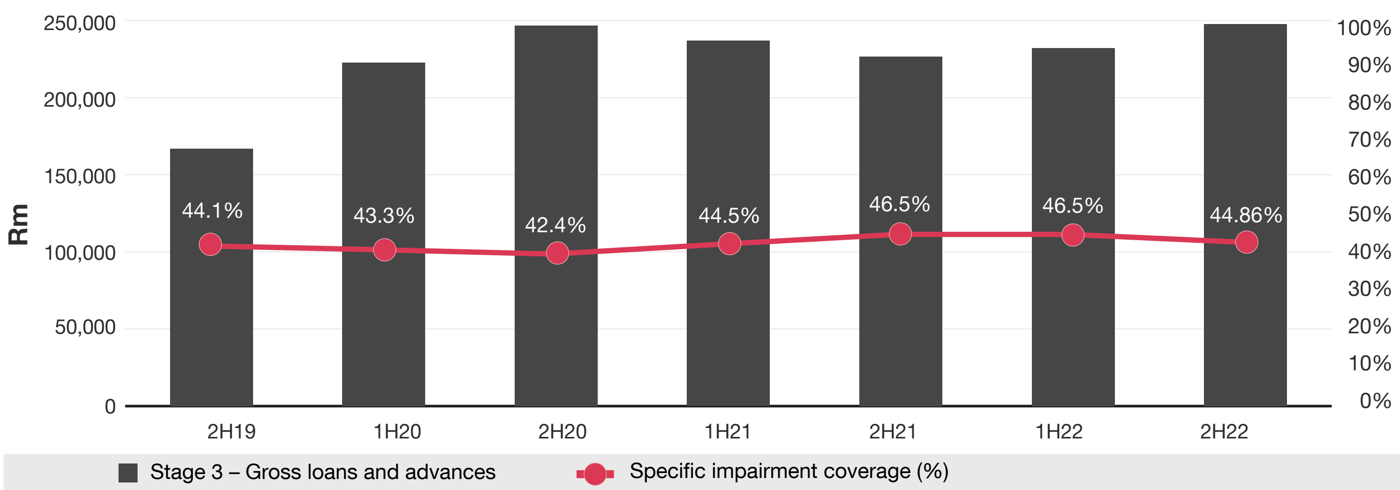
Figure 4: ROE and regulatory capital levels



Source: PwC analysis

- ROEs depicted in the graph reflect a six-month recalculated ratio.
- 'Regulatory minimum' includes the Basel base minimum, the Pillar 2A requirement (which increased to 1% on 1 January 2022) and the capital conservation buffer, and excludes bank-specific capital requirements.
- The combined Common Equity Tier 1 capital ratio of the major banks remained robust at 13.5% (FY21: 13.4%) given strong earnings growth and disciplined management of risk-weighted assets, while the total Capital Adequacy Ratio remained resilient at 16.8% (FY21: 17.1%).
- In light of continued prudential regulatory changes – including a bank resolution regime and significant revisions to the Basel framework – we continue to observe significant management attention directed towards capital optimisation and other operational and readiness efforts to proactively deal with these changes.

Figure 5: Stage 3 (NPL) Coverage

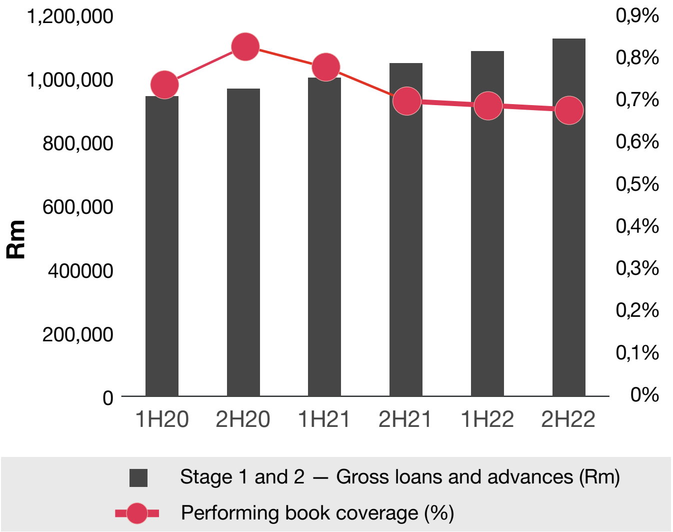


Source: PwC analysis

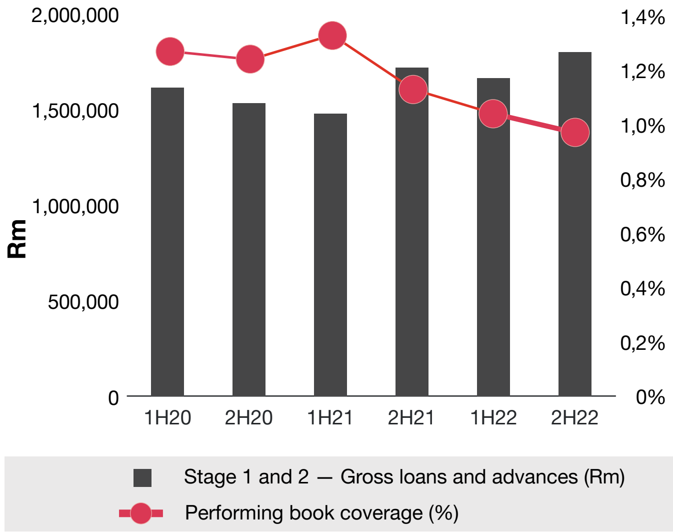
- The total stock of non-performing loans on the major banks' balance sheets increased 9.2% against FY21.
- Overall, at 4.7% NPLs accounted for the same proportion of total gross loans and advances as at FY21 (1H22: 4.7%).
- The combined specific impairment coverage ratio (reflecting the amount of NPLs already provided for) amounted to 44.9% FY21: 45.8%).

Figure 6: Performing portfolio coverage

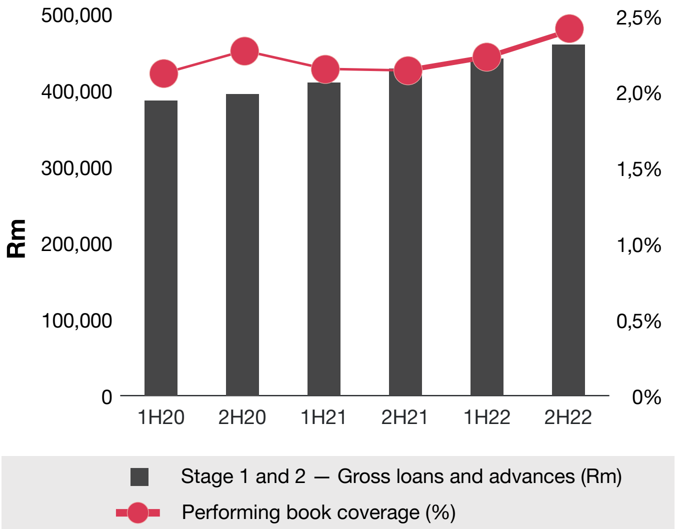
Mortgages (residential)



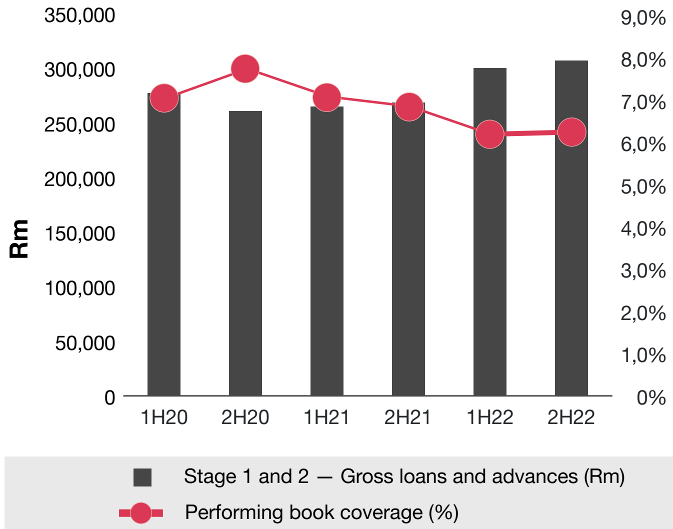
Corporate and business lending



Instalment sale and finance leases



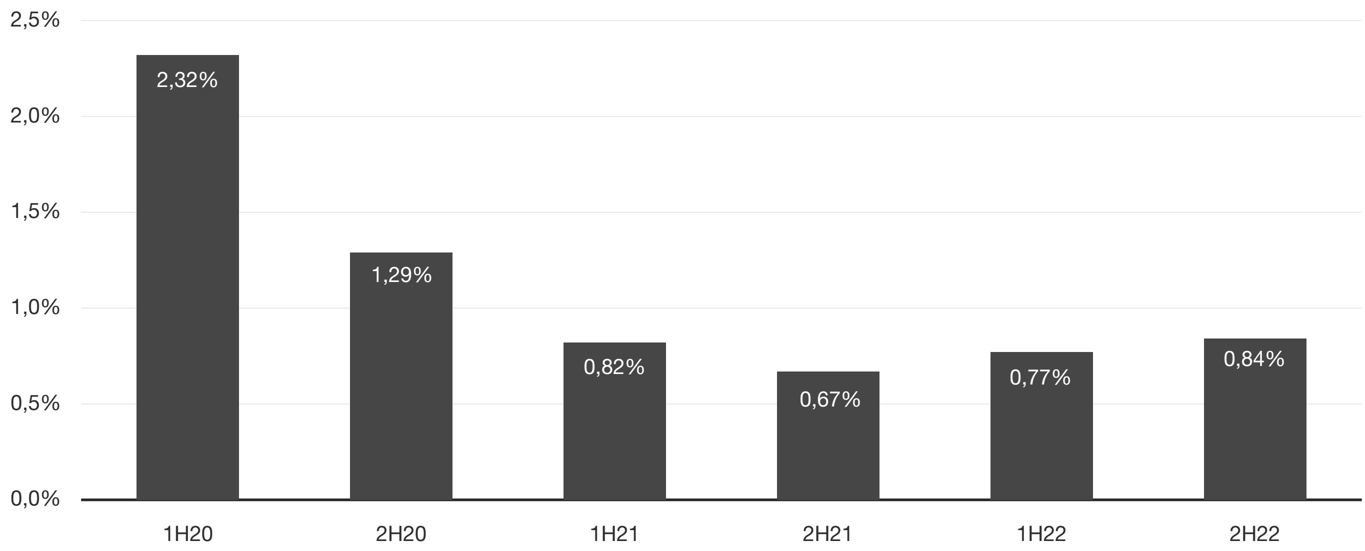
Card, overdrafts and retail unsecured lending



Source: PwC analysis

- The strong growth theme across retail unsecured loan portfolios (credit card, overdrafts and personal unsecured loans) moderated in the second half of 2022 on the back of a range of factors including higher inflation. Overall, this portfolio grew 14.3% against FY21 but 2.3% against 1H21.
- Residential mortgage portfolios continued to exhibit resilient growth, driven by first time buyers, a buoyant property market in key locations and innovative product offerings by the banks. Residential mortgages grew 7.3% against FY21 and 3.6% against 1H21.
- Instalment sale and vehicle financing portfolios grew 4.3% against FY21 but 4.1% against 1H21, while performing Expected Credit Losses ('ECL') levels in this portfolio increased from 223bps to 240bps. To some extent, this reflects both the interest rate outlook as well as credit migration between IFRS 9 stages 1 and 2 for originations that took place in prior periods.
- All of the above-mentioned portfolios are rate-sensitive, and therefore their growth and ECL outlooks against the heightened interest rate environment will be interesting to observe.
- Corporate loan portfolios, on the other hand, registered stronger growth in the second half of 2022 and grew 8.1% against 1H21 (4.7% against FY21) while ECL levels improved from 103bps to 96bps.

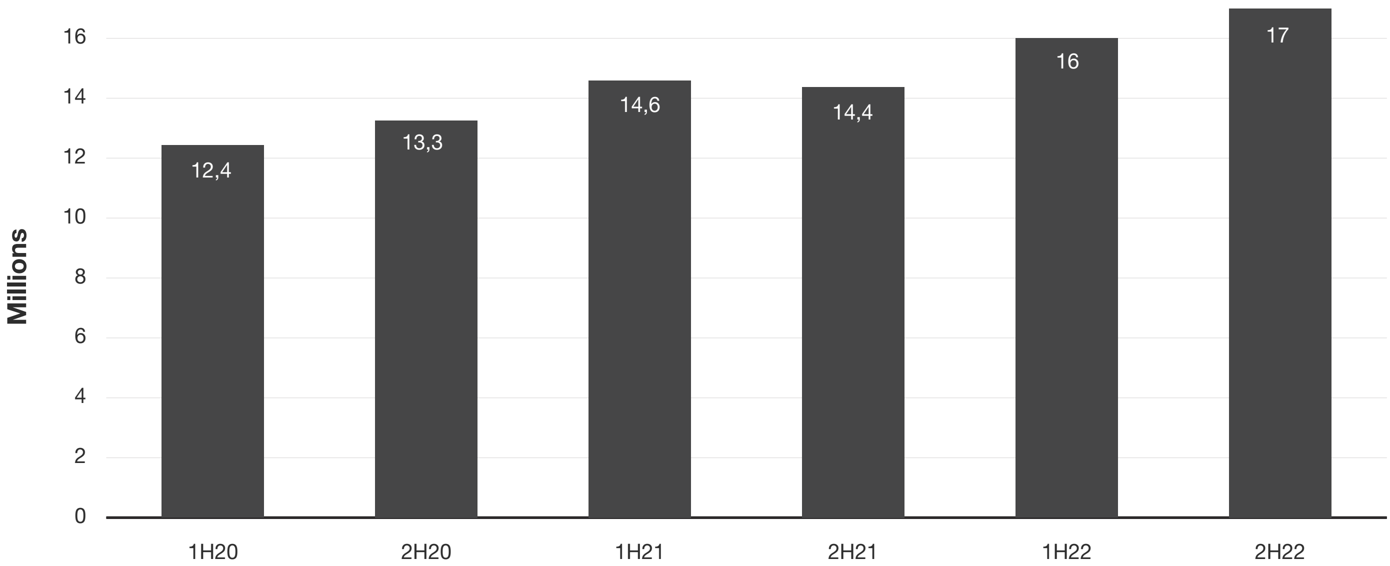
Figure 7: Credit loss ratio



Source: PwC analysis

- Against FY21, the combined credit loss ratio increased by 4 basis points to 0.80% (FY21: 0.76%) on the back of increased impairments in CIB and Ghanaian sovereign exposures.
- The ratio reflects the total income statement impairment charge against average gross loans and advances, and is sensitive to a range of factors including changes in macroeconomic outlooks in IFRS 9 models, industry and sector-specific factors and the credit quality of individual counterparties.

Figure 8: Digitally-active clients



Source: PwC analysis

- The strong growth trend in the major banks' digitally-active clients continued, expanding 18.4% against FY21.
- While definitions continue to vary across banks, digitally-active clients generally reflect those that make use of at least one digital channel, platform or solution to conduct banking activities, and who maintain active balances with the institution.
- This rising trend correlates with the major banks' strategic intentions, which we have commented on previously, to further enhance and digitise customer journeys and experiences across the financial services value chain.

Appendix

B Key banking statistics – FY21

Key banking statistics – FY22

R'millions

	ABG						FSR						NED						SBK						Combined/Average					
Balance sheet	FY22	2H22	1H22	FY21	2H21	1H21	FY22	2H22	1H22	FY21	2H21	1H21	FY22	2H22	1H22	FY21	2H21	1H21	FY22	2H22	1H22	FY21	2H21	1H21	FY22	2H22	1H22	FY21	2H21	1H21
Gross loans and advances	1 258 288	1 258 288	1 203 294	1 133 697	1 133 697	1 079 785	1 495 883	1 495 883	1 382 058	1 355 666	1 355 666	1 274 052	909 374	909 374	882 922	857 385	857 385	840 504	1 560 769	1 560 769	1 538 590	1 475 726	1 475 726	1 366 536	5 224 314	5 224 314	5 006 864	4 822 474	4 822 474	4 560 877
Total deposits	1 241 919	1 241 919	1 213 509	1 173 766	1 173 766	1 105 237	1 793 318	1 793 318	1 655 972	1 644 630	1 644 630	1 542 078	1 039 622	1 039 622	1 008 021	971 795	971 795	935 723	1 913 425	1 913 425	1 862 295	1 797 291	1 797 291	1 650 877	5 988 284	5 988 284	5 739 797	5 587 482	5 587 482	5 233 915
Loan-to-deposit ratio	101,3%	101,3%	99,2%	96,6%	96,6%	97,7%	83,4%	83,4%	83,5%	82,4%	82,4%	82,6%	87,5%	87,5%	87,6%	88,2%	88,2%	89,8%	81,6%	81,6%	82,6%	82,1%	82,1%	82,8%	87,2%	87,2%	88,2%	86,3%	86,3%	87,1%
Profit and loss analysis																														
Net interest income	60 440	31 880	28 560	53 297	27 712	25 585	72 059	37 681	34 378	65 972	33 478	32 494	36 277	19 073	17 204	32 500	16 691	15 809	77 112	42 701	34 411	62 436	32 468	29 968	245 888	131 335	114 553	214 205	110 349	103 856
Non-interesting revenue	38 434	20 049	18 385	32 576	16 951	15 625	50 805	26 798	24 007	44 556	22 849	21 707	27 301	13 980	13 321	25 027	13 234	11 793	56 242	28 521	27 721	51 120	26 635	24 485	172 782	89 348	83 434	153 279	79 669	73 610
Operating income	98 874	51 929	46 945	85 873	44 663	41 210	122 864	64 479	58 385	110 528	56 327	54 201	63 578	33 053	30 525	57 527	29 925	27 602	133 354	71 222	62 132	113 556	59 103	54 453	418 670	220 683	197 987	367 484	190 018	177 466
Operating expenses	-50 907	-26 775	-24 132	-47 412	-24 807	-22 605	-63 597	-32 498	-31 099	-58 534	-29 925	-28 609	-36 425	-18 974	-17 451	-33 639	-17 284	-16 355	-73 274	-38 453	-34 821	-65 735	-33 965	-31 770	-224 203	-116 700	-107 503	-205 320	-105 981	-99 339
Pre-provision operating profit	47 967	25 154	22 813	38 461	19 856	18 605	59 267	31 981	27 286	51 994	26 402	25 592	27 153	14 079	13 074	23 888	12 641	11 247	60 080	32 769	27 311	47 821	25 138	22 683	194 467	103 983	90 484	162 164	84 037	78 127
Bad debt charge	-13 703	-8 527	-5 176	-8 499	-3 797	-4 702	-8 061	-5 008	-3 053	-8 273	-4 027	-4 246	-7 381	-3 991	-3 390	-6 534	-3 256	-3 278	-12 064	-6 136	-5 928	-9 873	-4 076	-5 797	-41 209	-23 662	-17 547	-33 179	-15 156	-18 023
Other	-2 404	-1 241	-1 163	-2 115	-1 123	-992	-1 259	-1 287	28	82	45	37	-28	65	-93	-924	-682	-242	-2 013	-1 434	-579	-1 809	-744	-1 065	-5 704	-3 897	-1 807	-4 766	-2 504	-2 262
Direct tax	-8 379	-3 772	-4 607	-7 604	-4 093	-3 511	-12 766	-6 414	-6 352	-10 875	-5 775	-5 100	-4 326	-2 139	-2 187	-4 043	-2 120	-1 923	-10 548	-5 731	-4 817	-8 083	-4 551	-3 532	-36 019	-18 056	-17 963	-30 605	-16 539	-14 066
Key ratios																														
ROE	16,6%	15,5%	17,7%	16,3%	16,3%	15,3%	21,5%	21,8%	21,1%	21,2%	21,2%	21,2%	14,0%	14,4%	13,6%	13,3%	13,3%	11,7%	16,3%	17,6%	15,0%	16,1%	16,1%	13,3%	17,1%	17,3%	16,9%	16,7%	16,7%	15,4%
Cost-to-income	51,5%	51,6%	51,4%	55,5%	55,5%	54,9%	51,7%	50,7%	52,6%	52,0%	52,0%	52,0%	56,5%	56,8%	56,2%	56,9%	56,9%	58,5%	54,9%	53,8%	56,0%	57,5%	57,5%	58,3%	53,6%	53,2%	54,1%	55,5%	55,5%	55,9%
Credit loss ratio (CLR)	1,0%	1,0%	0,9%	0,7%	0,7%	0,9%	0,6%	0,7%	0,5%	0,6%	0,6%	0,7%	0,9%	0,9%	0,9%	0,8%	0,8%	0,9%	0,8%	0,7%	0,8%	0,6%	0,6%	0,9%	0,8%	0,8%	0,8%	0,7%	0,7%	0,8%
Net interest margin (NIM)	4,6%	4,6%	4,5%	4,5%	4,5%	4,4%	4,4%	4,4%	4,4%	4,4%	4,4%	4,4%	3,9%	4,0%	3,9%	3,8%	3,8%	3,7%	4,3%	4,7%	3,8%	3,9%	3,9%	3,6%	4,3%	4,4%	4,2%	4,1%	4,1%	4,0%
Capital ratios																														
CET 1	12,8%	12,5%	13,1%	13,2%	13,2%	12,4%	13,7%	13,2%	14,2%	14,1%	13,6%	14,6%	14,0%	14,5%	13,5%	13,4%	13,4%	12,2%	13,5%	13,3%	13,7%	14,1%	14,1%	13,5%	13,5%	13,4%	13,6%	13,7%	13,6%	13,2%
Tier 1	14,4%	14,0%	14,8%	14,0%	14,0%	14,2%	14,3%	13,9%	14,7%	14,7%	14,3%	15,1%	15,5%	15,9%	15,1%	15,0%	15,0%	13,6%	14,5%	14,4%	14,6%	15,1%	15,1%	14,3%	14,7%	14,6%	14,8%	14,7%	14,6%	14,3%
Total CAR	16,6%	16,2%	17,0%	17,1%	17,1%	16,9%	16,5%	16,0%	16,9%	16,9%	16,5%	17,3%	18,1%	18,5%	17,7%	17,6%	17,6%	16,8%	16,6%	16,6%	16,6%	17,4%	17,4%	16,4%	16,9%	16,8%	17,1%	17,3%	17,2%	16,9%

Appendix

C Our recent thought leadership

26th Annual Global CEO Survey

Evolve or die, say 4,410 chief executives in our 2023 CEO Survey. But are they spending enough time on business reinvention? Many tell us no.

Forty percent of global CEOs think their organisation will no longer be economically viable in ten years' time, if it continues on its current course. That stark data point underscores a dual imperative facing the 4,410 CEOs from 105 countries and territories who responded to PwC's *26th Annual Global CEO Survey*. Most of these CEOs feel it's critically important for them to reinvent their businesses for the future. They also face daunting near-term challenges, starting with the global economy, which nearly 75% believe will see declining growth during the year ahead.

Wholesale banking 2025 and beyond

The wholesale banking industry has only recently come through a difficult period. Focusing on immediate challenges such as the COVID-19 health crisis, which created immeasurable human and business trials and tested financial markets, has meant delaying badly needed transformation. Yet, in helping clients navigate a global recession and prove their resiliency, the industry passed the most rigorous stress test since the global financial crisis with extraordinary success.

As we look ahead, we see that the financial environment is once again entering a period of volatility, with rates, inflation concerns and geopolitical instability on the rise. To weather the current storm, incumbent banks must accelerate and scale their transformation agendas such that they can address old and new challenges simultaneously. Market structures are changing, exposures have become more complex and interconnected, new asset classes are becoming too large to ignore, and non-financial factors such as ESG (environmental, social and governance issues) are now critical business drivers. The industry stands ready to deliver on an ever-expanding set of client and societal demands.

Retail Banking 2025 and Beyond

Five scenarios for the future of retail banking

Banking that takes place entirely on mobile apps and crypto wallets. Financial services dominated by a handful of mega banks or even by non-traditional banking players. Transactions conducted largely

through digital currencies and tokens. Business models that migrate from product- and fee-based revenue to subscriptions. Retail banks with huge networks of physical locations dismissed as dinosaurs.

These situations may sound exaggerated—but if so, it's not by much. They represent some of the potential outcomes we see when we extrapolate current trends in retail banking.

Global M&A Industry Trends in Financial Services: 2023 Outlook

M&A is, and will continue to be, a driver of transformation in the financial services (FS) sector as incumbents look for strategic partnerships and consolidation opportunities to boost digital capabilities, counter the disruption from platforms and fintechs, and address sustained pressure from regulators.

FS dealmakers nonetheless face challenges from the current uncertain macroeconomic market environment, including slowing GDP growth, inflation, higher interest rates and disruption resulting from the Russia–Ukraine conflict, and fallout from cryptocurrency failures. Other factors compounding these challenges include supply chain disruption in the real economy, indirectly also affecting the FS industry, competition for highly skilled talent, and accelerated digital and cloud transformation. Business owners have not faced such pressures with such intensity before.

Let's change the way we see risk | Modelling risk for C-suite insight

Today's leaders are looking to do more than just mitigate risk, they want to be equipped with insights that help them increase risk-adjusted returns and turn risk into opportunity. They want to understand how their strategies around critical issues such as climate, cyber, financial and business risks can be quantified. The blog explores these evolving demands on risk modelling and suggests two areas where C-suite executives should engage to help ensure they get the risk quantification they need: culture and capabilities. The best performing organisations will be those with a panoramic view of risk enabled through greater data-driven insight.

2022 Global Risk Survey

Embracing risk in the face of disruption

The world has changed in the past two years, as has the risk environment in which organisations operate. Today, change is fast and disruptive: causing disturbance in the labour market and the supply chain. The current volatile geopolitical environment is further exacerbating supply constraints, heightening cyber risks, introducing rapidly evolving sanctions and putting safety and humanity at the forefront of all decisions.

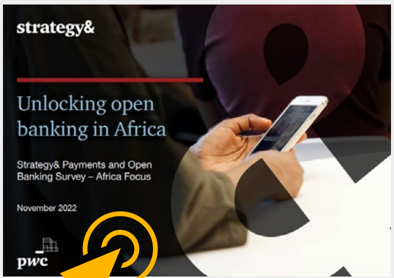
PwC's *2022 Global Risk Survey* highlights five key actions that organisations should consider to drive their risk management capabilities forward.

Digital Trust Insights 2023

A South African Perspective

PwC's *Digital Trust Insights 2023: A South African Perspective* report reveals that several organisations in Africa listed cyber criminals, hackers and their competitors as the top three factors affecting their organisations. These sentiments are shared with thousands of executives at organisations globally, which is shared in our global Digital Trust Insights 2023 report.

The global survey encompasses the results of over 3,500 business, security and IT leaders in various industries across more than 60 territories. Of these, 134 organisations in Africa participated, with 68 being South African-owned.



Unlocking open banking in Africa

The *Strategy& Open Banking and Payments Survey* is a biannual study of consumers' payment and open banking preferences. Since its first issue in October/November 2018, multiple countries across Europe have participated in the study. For the first time in 2022, PwC Africa is participating in the study, with South Africa representing the South Market, Kenya representing the East Market and Nigeria representing the West Market. The three countries were chosen as they represent the largest economies across each market area.

Payment trends series #3 - The New Payments Ecosystem

Anytime, anywhere, all it takes is the push of a button or a tap of a card. Payment successful, value delivered. A seemingly simple exercise, but what does it take to make it happen?

The third installment of the Payment Trends Series, *The New Payments Ecosystem*, explores the transformation within the payments ecosystem that is powering the acceleration of payments convergence and the shift in the value of a payment. We consider new entrants into the payments ecosystem and strategic pivots made by traditional incumbents, how these interactions are being reshaped, and which models are starting to emerge that may have a profound impact on the way value is being created in the new payments ecosystem.

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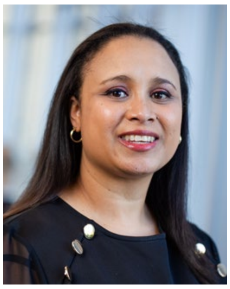

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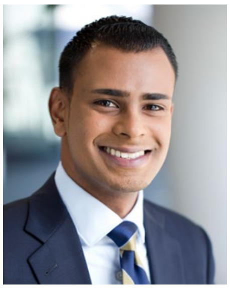

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