A robust recovery

South Africa – Major Banks Analysis

PwC's analysis of major banks' results for the reporting period ended 30 June 2022

www.pwc.co.za/major-banks-analysis

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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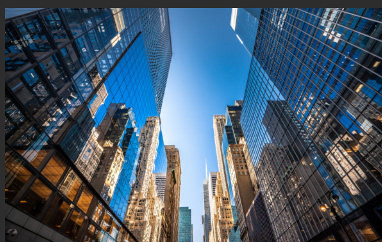
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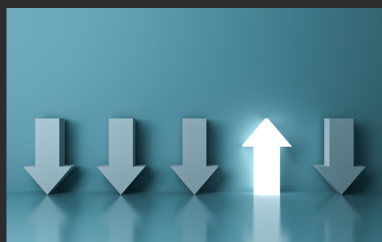
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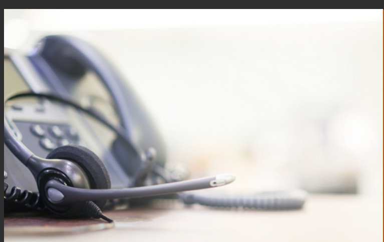
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1 A robust recovery

SA's major banks deliver strong financial performance against complex conditions, underpinned by a disciplined focus on strategy execution

- Combined headline earnings of R48.3bn increased 19% against 1H21
- Combined ROE of 16.9% (1H21: 15.4%),
- Net interest margin of 416 bps (1H21: 403 bps)
- Credit loss ratio of 77 bps (1H21: 84 bps)
- Cost–to–income ratio of 54.1% (1H21: 55.9%)

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Armed with important lessons learned through the volatile experience of the pandemic, and having refined overall bank strategies as a result, the major banks spent the first half of 2022 focused on the customer experience through continued digitisation and on driving the efficient execution of strategic priorities.

Rivaan Roopnarain,
PwC Africa Banking and Capital Markets Partner

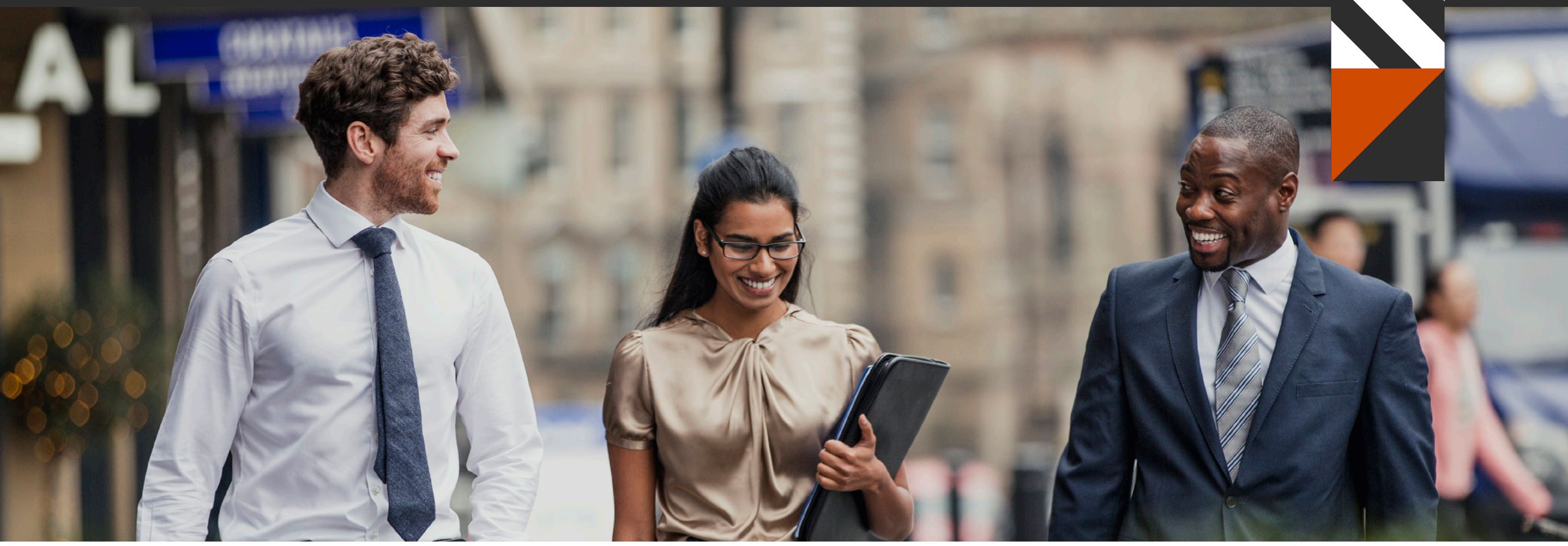
Key themes observed from PwC's Major Banks Analysis include:

- **Resilient consumer and transactional activity, positive endowment effects of higher interest rates and balance sheet growth translated into strong revenue gains** across retail, business and corporate banking franchises. At the same time, better than expected claims experience aided revenues from insurance activities — a strategically relevant and thematically growing part of the major banks' revenue base.
- **Combined headline earnings surpassed pre–pandemic levels, while balance sheet metrics remained robust.** The major banks collectively now have more capital and risk provisions than ever before, which should help to shield against the effects of economic headwinds in the second half of 2022.
- **Credit quality continued to improve** as focus remained on disciplined origination, rigorous credit monitoring and strong collection strategies. Non–performing loan stock reduced marginally while credit coverage ratios were maintained at historically prudent levels.
- **Concentrated cost management efforts continued, with expense growth moderately above average CPI growth for the period.** As we have previously observed, the configuration of the cost base continues to evolve in line with the major banks' focus on digitally–led strategies. Productivity enhancements, digitisation and tight discretionary spend enabled the major banks to manage costs prudently in an elevated inflationary environment. This was offset by expense growth in certain areas coming off a low base, such as travel and marketing.
- **Competition among the major banks remained intense, amplified by new entrants and niche lenders**, with a distinct focus towards further building out Small Medium Enterprise and business banking strategies now increasingly evident. A recent joint report by the International Finance Corporation and World Bank[2] estimated that "the unseen sector" comprising micro, small and medium enterprises constitutes more than 90% of all formal business in the country, employs 50 – 60% of the workforce and contributes 34% of GDP[1].
- **Disciplined strategy execution continued,** with key elements of management attention focused on digital channel innovation as customers now conduct a wider range of more routine banking and ancillary activities online. Meanwhile, branch interaction has increasingly become the domain of more personalised sales and servicing activities in areas such as home loans and wealth management. Other areas of strategic management focus during the period included further digitising IT estates and manual back office processes, limiting system downtime and relentlessly improving overall customer experiences.
- **Hello again!** In early April 2022 South Africa terminated its national 'state of disaster' and lifted most of the mandatory lockdown measures put in place to curb the spread of COVID–19. This prompted a new wave of energy at corporate offices and other physical points of presence — including bank branches — as hybrid working and customer engagement practices become increasingly embedded.
- **The trust imperative.** The yardstick for measuring performance is expanding beyond financial metrics. The major banks increasingly recognise that fostering trust and transparency among stakeholders is a key strategic imperative and competitive differentiator. Simultaneously, international and domestic standard –setting bodies are shifting focus toward finalising a non–financial risk and sustainability reporting regime. While many details remain to be finalised, it's clear that the future of corporate reporting will be broader, more complex and quite different from today.
- **ESG opportunities.** The intense stakeholder focus on more comprehensive sustainability reporting and ESG practices presents sources of strategic opportunities for the banking industry. From the provision of sustainability financing, arranging corporate debt placements of 'green' bonds to their own sustainability–linked issuances, we expect the major banks will play a key role in facilitating an orderly energy transition as economies, markets and companies adapt to evolving climate policy. The policy measures and actions set out in the presidential energy crisis plan in July 2022 are likely to trigger growing focus in this area.
- **The risk outlook remains complex and evolving.** From third party risk management, shoring up operational and cyber resilience to talent retention amidst increasing demand, the risk landscape points to several potentially overlapping challenges, as management teams take proactive steps to respond.

1 StatsSA: Economic recovery from COVID-19: Not all countries are equal

2 IFC: "The Unseen Sector: A Report on the MSME Opportunity in South Africa"

2 External Environment



Operating developments

A complex macroeconomic environment played out globally over the first half of 2022. Against the backdrop of war in Ukraine, higher than expected inflation, especially in the US and major European economies, triggered a tightening of global financial conditions. Moreover, China's economic slowdown has been more severe than anticipated amid COVID–19 outbreaks and subsequent lockdowns. As a result, global output contracted in the second quarter of 2022 **according to data** from the International Monetary Fund (IMF).

In South Africa, trading conditions began 2022 with momentum as the first quarter GDP figure reflected an economy that returned to pre–pandemic levels. This outcome was underpinned by the lifting of lockdown restrictions, strong terms of trade and high commodity prices.

However, several adverse factors tempered that momentum during the first half of the year. These included the reintroduction of load shedding, flooding in KwaZulu–Natal — a province which includes sub–Saharan Africa's biggest container port — increased labour action, elevated inflation levels globally and domestically, slow growth and significantly heightened geopolitical tensions.

According to **data from Stats SA**, South African GDP expanded by 1.9% in the first quarter of 2022, representing a second consecutive quarter of upward growth. This led to real GDP being slightly higher than what it was before the COVID–19 pandemic. However, after two consecutive quarters of positive growth, GDP decreased by 0.7% in the second quarter of 2022, weakening an already fragile domestic economy that had just recovered to pre–pandemic levels.

Regulatory developments

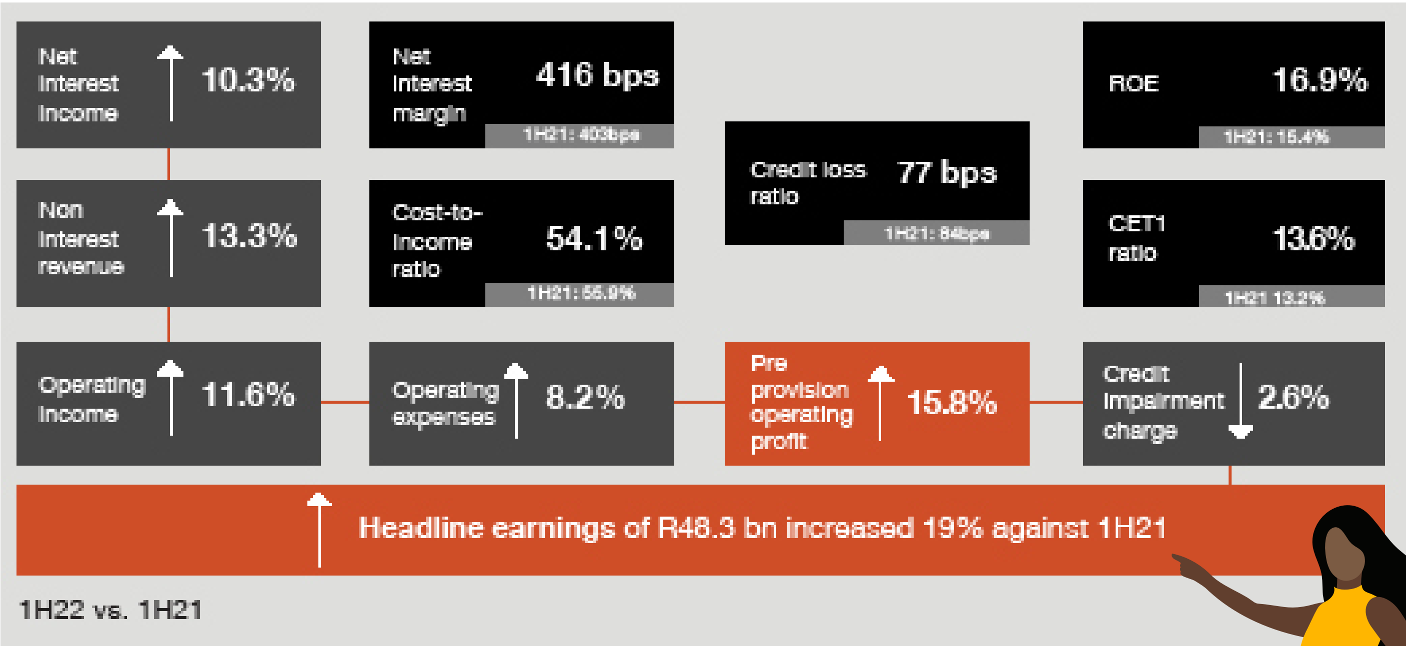
Several banking and financial services regulatory developments played out over the first half of 2022 in South Africa and globally.

Driven by financial services institutions' reliance on technology, increasing complexity and interconnections, international bodies have turned attention towards considering **operational resilience** in the context of the financial system as a whole, in addition to institution specific considerations.

Several pronouncements were issued by the Prudential Authority in the first half of 2022, such as the guidance in respect of the **South African implementation timeline for new prudential standards** (such as the Interest Rate Risk in the Banking Book requirements and other RWA calculation changes) which will impact bank capital demand. Additionally, several directives were issued in response to Basel Committee principles and Financial Action Task Force recommendations.

At the same time, the implementation of significant accounting change in the form of IFRS 17 – Insurance Contracts, which takes effect on 1 January 2023, continues to occupy management time for those groups with insurance operations.

3 Major banks' results highlights



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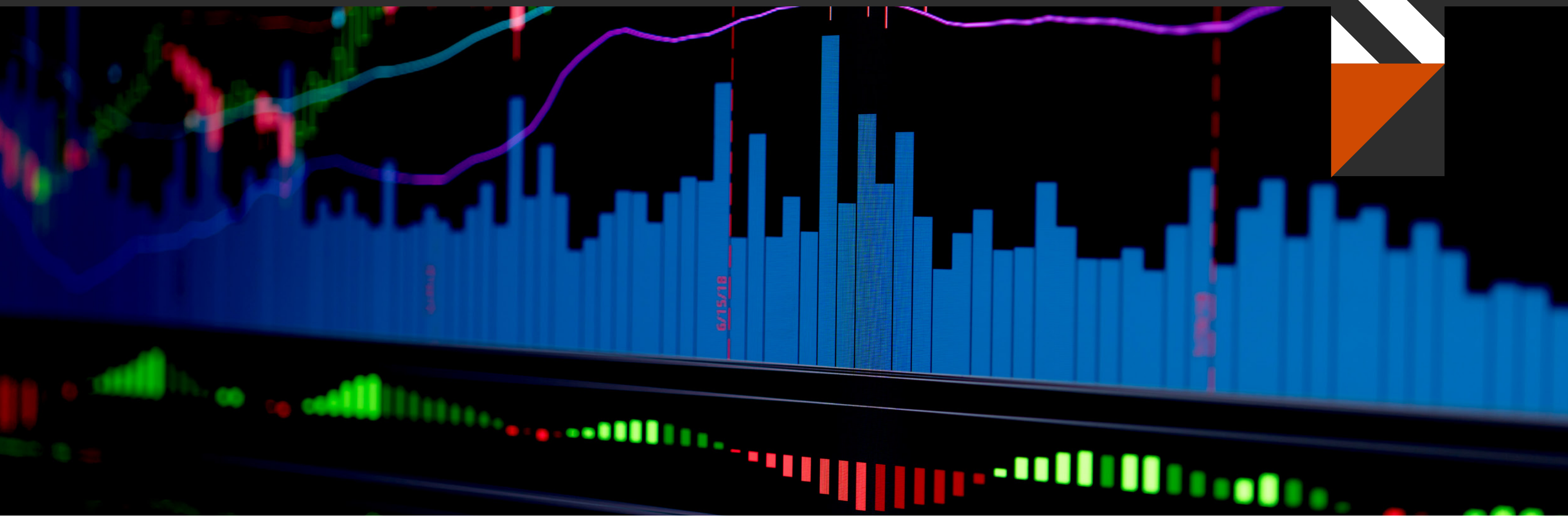
While the first half of 2022 remained challenging and uncertain for many South Africans, there were clear signs that the worst effects of the pandemic were now behind us. What we observe in this set of results is evidence of the quality, strength and diversity of the major banks' franchises, achieved against more buoyant indicators of consumer activity.

Costa Natsas,
PwC Africa Financial Services Leader

- **Headline earnings:** Underpinned by strong transactional activity and revenue growth across product lines, industry sectors and banking franchises, combined headline earnings grew 19% against 1H21. Those banks with large regional presences outside South Africa saw the benefit of geographic diversification — with banking operations in key African markets benefitting from the higher rate environment, a recovery in international trade and strong growth in trading revenues. For some of the major banks, headline earnings reached record levels. Strong balance sheet resilience across key capital, liquidity and provisioning metrics remained a consistent theme for all of the major banks.
- **Asset growth:** Comparatively improved household balance sheets, better consumer and business confidence levels and pent–up demand from the worst phases of the pandemic produced strong credit growth, particularly in secured portfolios including vehicles and home loan financing. Overall, gross loans and advances grew by 9.8% against 1H21.
- **Liquidity and funding:** On the back of higher interest rates and better household and business liquidity levels, demand for term and savings products helped total deposits grow 9.7% against 1H21. The combined loan–to–deposit ratio remained flat at 87%, while liquidity prudential ratios continued to be managed well above regulatory required levels.
- **Credit quality:** Throughout the worst phases of the pandemic, the major banks bolstered their reputations as strong risk managers. That theme continued as they managed risks judiciously during the period, with a bias towards credit quality. The combined credit loss ratio (measured as the income statement impairment charge divided by average advances) fell by 7 bps to 77 bps (1H21: 84 bps). Total non–performing loans remained largely flat, comprising 4.6% of gross loans and advances (1H21: 5.2%), while provisions against these loans increased to 46.5% (1H21: 43.8%).
- **Costs:** Combined operating expenses grew 8.2%, slightly above the 7.4% CPI recorded in June 2022 which represented a 13–year high in South Africa. While tight management of discretionary spend remains a focus area for management teams, the combination of staff costs, technology related spend and a rebound in travel and marketing contributed to the major banks' cost base. Rising inflation has been experienced globally in recent months, driven by complex factors including supply chain disruptions exacerbated through the pandemic and the Russia/Ukraine conflict.
- **ROE and capital:** The combined regulatory capital of the major banks had already surpassed pre–pandemic levels in the previous reporting period. That theme continued in the first half of 2022. The combined Common Equity Tier 1 capital ratio strengthened to 13.6% (1H21: 13.2%) on the back of stronger earnings and disciplined management of risk–weighted assets, while the total capital adequacy ratio amounted to 17.1% (1H21: 16.9%). This provided the foundation for continued investments and supported healthy dividend payout ratios in the period. The major banks' ability to generate robust earnings while maintaining strong capital adequacy levels has long been a feature of the South African banking system. Combined ROE grew 150 bps to 16.9% (1H21: 15.4%).

> "The major banks delivered robust results for the period on the back of focused execution of strategic priorities by management teams. Supported by strong balance sheet metrics across capital, liquidity and credit provisioning, the major banks' results reflect the benefits of underlying franchise momentum and management focus on strategy execution that is centred on enhancing customer experiences.
>
> **Francois Prinsloo, PwC Africa Banking and Capital Markets Leader**

4 Outlook



The outlook for the second half of 2022 is expected to be volatile and uncertain. Geopolitical risks remain tense and acute, and will add to supply chain pressures in the developed world. A dramatic rise in inflation coupled with recessionary risks across several economies is serving as the basis for the most rapid monetary policy tightening in decades. This fraught macroeconomic environment increases risk aversion in global financial markets and generates a material headwind for developing economies.

The International Monetary Fund forecasts 2022 global GDP growth of 3.2% and 3.8% in sub–Saharan Africa. African countries with elevated levels of dollar–denominated sovereign debt may face particularly challenging constraints. In South Africa, persistently high unemployment, the path towards a political elective conference in December and electricity supply constraints all serve as the backdrop for continued uncertainty.

Additionally, the country's potential greylisting by the Financial Action Task Force (FATF) represents a worrying prospect. Implications of a greylisting are broad, including increased monitoring by FATF and more onerous reporting requirements by correspondent banks, possible restrictions on correspondent banking relationships and adverse impacts on funding costs. Unlike other sharp downside risks which are often rapid and unexpected, the possibility of FATF greylisting has been well documented. This has allowed the major banks to engage proactively with stakeholders, including with correspondent banks, to manage potential impacts.

Positively, the disciplined execution of structural reforms — including alleviating energy supply constraints, improvements in logistical infrastructure across freight rail and ports, and generally easing the administration of doing business — could add incrementally to South Africa's GDP prospects.

While the fortunes of the banking industry and the broader economic environment are intertwined, several factors and actions taken by the major banks should help navigate the uncertainties ahead. These include the major banks' strong brands, the bias towards prudence evident in credit provisioning and capital management, the positive endowment effect of higher interest rates, and overall balance sheet growth across loans and deposits which provides the basis for transactional revenues.

We expect the unrelenting focus on the customer experience through digital, product and channel innovation to continue. These themes are consistent with those observed in the recently issued global PwC report, **"Retail Banking 2025 and Beyond"**. Tech–powered transformation, data-enabled customer focus, and broad–based trust are becoming increasingly important. Similarly, integrating climate–related risks and leading ESG practices into lending policies and pricing strategies, existing enterprise risk management and external reporting frameworks will continue to demand management time.

Recent research from our PwC Strategy& Economics team set out several international macroeconomic factors and their local impacts:

	Update on key international factors	Impact on South Africa
Global economy	The IMF World Economic Outlook July 2022 highlighted the extent of challenges in the global economy. These include: • a decline in economic output in some major economies; • decade high inflation rates in many countries; • accelerated monetary policy tightening across the globe; • global supply chain disruptions exacerbated by COVID-19 lockdowns in China; • a growing food crisis due to a drop in exports from Ukraine; • energy price spikes (specifically natural gas); • rising sovereign bonds costs; • declines in stock market and private equity valuations; and • weaker investor appetite. Looking ahead, the IMF noted in July that, given the elements above, the current outlook for the global economy is "extraordinarily uncertain".	Uncertain times are almost always bad news for emerging markets. South Africa's exchange rate, stock market indices and bond valuations have deteriorated of late and could continue on this weaker footing for some time given the current "extraordinarily uncertain" global outlook.
Oil and fuel prices	The price of Brent crude peaked at $120/barrel in early June. Energy prices eased subsequently and Brent declined to $95/barrel in the first week of August as a result of rising fears about a global recession. Apart from some signs that fuel sales may now be slowing following the US during the summer driving seasons, energy experts commented that there was no change in oil market fundamentals during this period - it was all about the global economic outlook. Oil prices resisted trading much lower during the remainder of the month on the back of a slightly improved demand outlook. In mid August, the International Energy Agency (IEA) increased its global demand forecast for oil. It now expects demand to grow by 2.1 million barrels a day (up 380,000 from its previous forecast) due to heatwaves in the Northern Hemisphere and significantly increased natural gas prices boosting demand for fuel products. Furthermore, the IEA does not expect the OPEC+ grouping to increase output in the coming months due to limited spare capacity.	Despite a weaker rand and the end of a R0.75/litre reprieve on the general fuel levy, the easing in global oil and fuel prices during July resulted in local petrol and diesel prices declining by R1.32/litre (4.9% month-on-month) and up to R0.91/litre, respectively, in early August.
Food prices	The Food and Agricultural Organisation's Food Price Index declined by 8.6% month-on-month in July, marking the fourth consecutive monthly decline. Nevertheless, it remained 13.1% year–on–year (YoY) above its value in the corresponding month last year. In July, Russia and Ukraine signed a major deal to facilitate the export of grain from certain Ukrainian ports. These ports have all been severely disrupted by the conflict, substantially pushing up global prices and raising fears of global grain shortages. The deal aims to facilitate the export of 22 million tonnes of wheat, corn and other crops. However, food prices will not return to pre conflict levels due to higher fuel and transport costs, greater demand from China, and reduced agricultural production due to fertiliser shortages, also linked to the conflict.	Retail food inflation was measured at 10.1% YoY in July, including a 13.7% YoY increase in the staple 'bread and cereals' category. However, in terms of production, food products cost 15.1% YoY more to produce in July, with grain mill products costing 22.5% YoY more. This signals more upstream pressure on local retail food prices. The SARB said in July it expects food price inflation to average 7.4% in 2022 and 6.2% next year.
Interest rates	Central banks around the world are tightening monetary policy to try and tame inflation. Data from Trading Economics shows that, following its most recent monetary policy meetings, central banks lifted interest rates for 84 countries, kept them on hold for 75 others, and lowered lending rates for just nine economies. Higher interest rates have adverse effects on economies through many channels, including higher household debt service costs. However, policymakers cannot delay responding to the current significant increase in the cost of living in most countries. The SARB forecast in July that the G3 (the euro area, the US and Japan) interest rates will increase from an average of 0.1% in 2021 to 1.2% this year and 3% in 2023. Reflecting the recent acceleration in interest rate expectations, the 3% figure for 2023 is nearly double the 1.6% projection the SARB made in May.	The SARB has joined other central banks in accelerating monetary policy normalisation. While the SARB does not target a specific exchange rate level, it is necessary for the monetary authority to ensure that local interest rates offer an attractive premium to investors in order to boost the attractiveness of local assets and, by implication, the value of the rand.
Trade and supply chains	The IMF said in July it expects the global volume of goods and services trade to grow by 4.1% this year. This projection is 0.9% lower than its expectations in April. Furthermore, the IMF expects 2.2% growth in trade by Emerging Market and Developing Economies down 1.8% from earlier in the year. The decline in trade growth expectations is linked to weaker global economic growth but also, crucially, supply chain disruptions. The latter is strongly associated with the ongoing Russia/Ukraine conflict as well as periodic lockdowns in China associated with the country's zero-COVID 19 policy. Recent movements in the New York Fed's Global Supply Chain Pressure Index suggest that, while global supply chain pressures have certainly been decreasing in recent months, they remain at historically high levels.	The new sales orders index of the Absa Purchasing Managers' Index declined from 58.5 in May to 46.3 in June and 35.4 in July, partly ascribed to weaker exports. Export flows are also challenged by long standing inefficiencies at South Africa's land and sea ports.

5 Retail Banking 2025 and Beyond

Our five scenarios are a critical thought exercise for incumbent retail banks that want to build the capabilites and resilience necessary to thrive in tomorrow's far more dynamic environment.

> Our global report highlights the massive scope of change that is underway in retail banking and explores how these changes could unfold in the coming decade.
>
> To do this, we developed five hypothetical scenarios for the future of the industry.
>
> These scenarios, which are grounded in trends that have already begun playing out, point to distinct priority areas where banks can and should take proactive steps to adapt.
>
> **Download the full report here: Retail Banking 2025 and Beyond**

Future shock: Five retail banking scenarios for the next decade

Front–end revolution

- Technology, media and entertainment players aggressively capture the customer–facing part of the value chain, without the hurdle of a banking licence, by partnering with licenced banks.
- Regulators uphold market–structure regulation and support opportunities for new entrants.

Winner takes all

- Big Tech and non-traditional banking players (e.g., large retailers) decide to step in, applying for full banking licences and investing in their own banking proposition.
- Only the largest incumbent banks are able to make the technological investments necessary to create a differentiated customer experience.

Scattered landscape

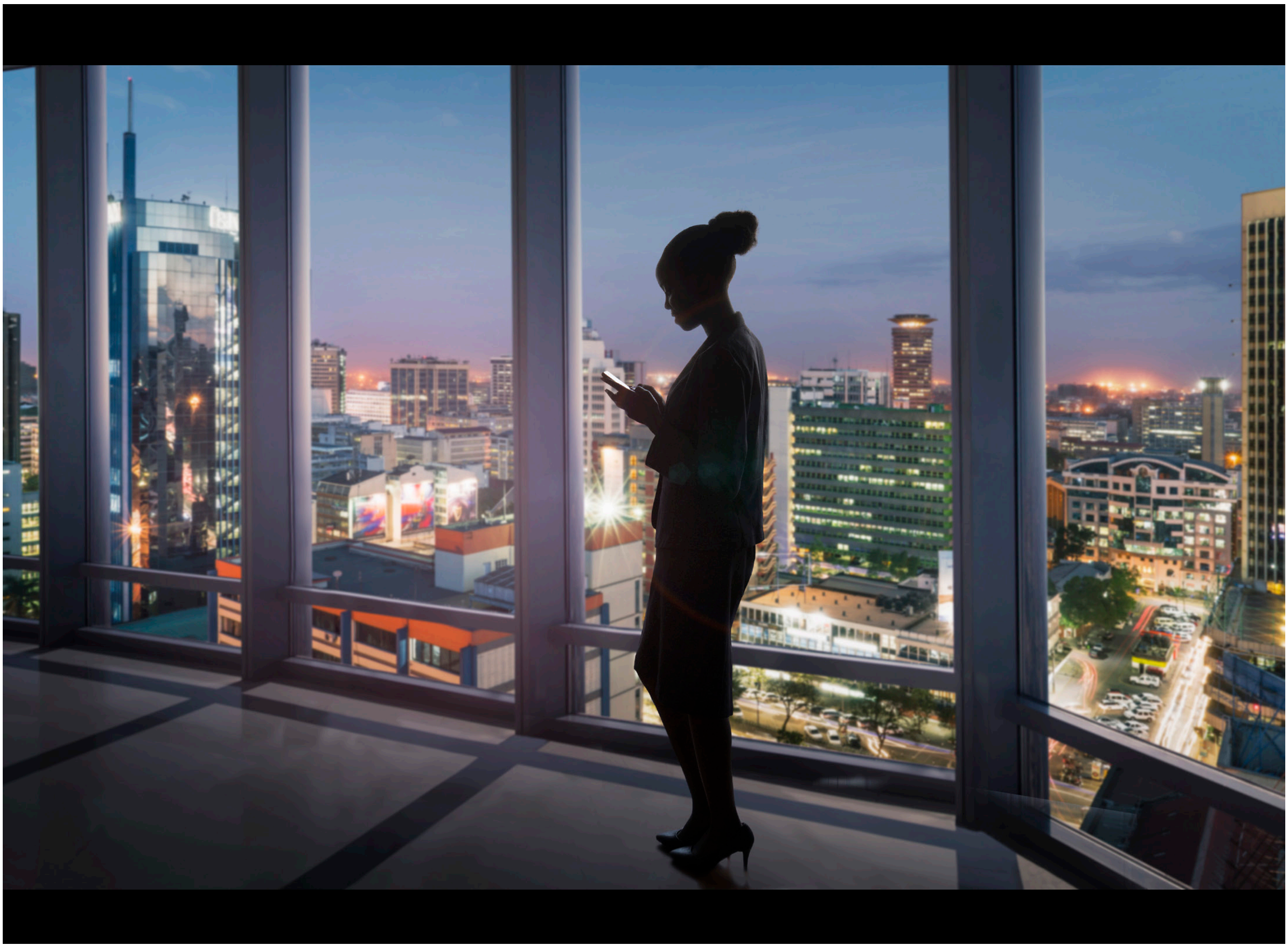
- Deteriorating trust and social segregation incite doubt about institutions with global scale.
- The supervisory regime favours smaller and local banks, and sentiment gravitates towards nationalistic protectionism.

Resurgent regulators

- Regulators increase barriers to entry for new entrants following public concerns about data and privacy and new rules for cybercrime and antitrust.
- Banks rebuild trust and reclaim their role as the central provider of financial products and services.

The rise of central bank digital currencies

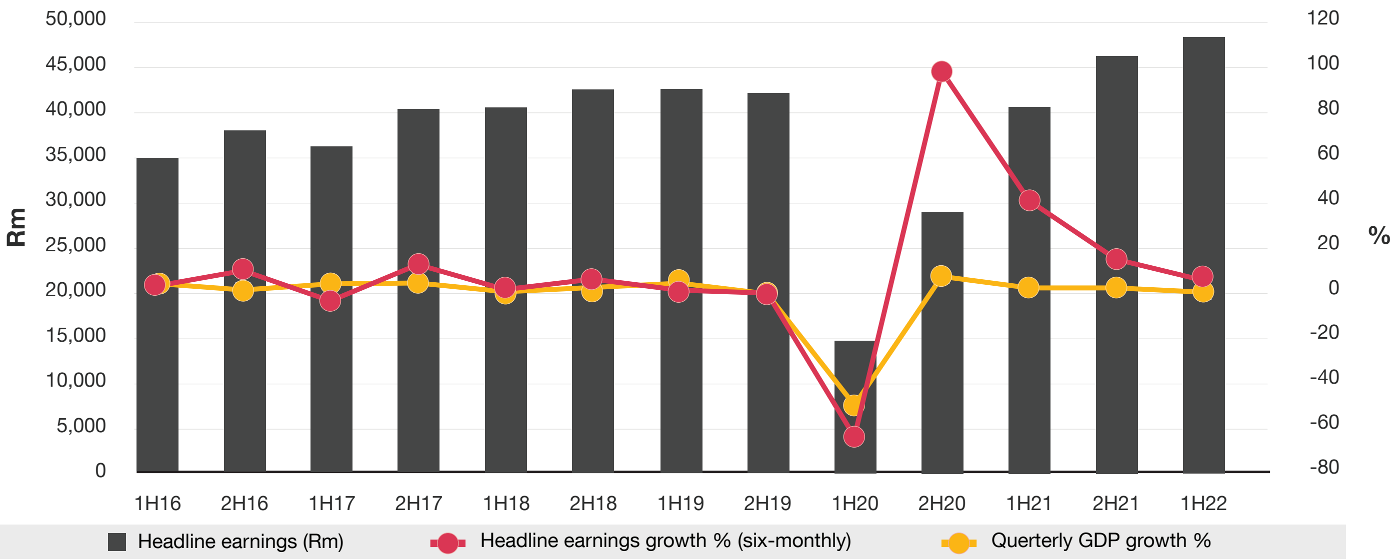
- The rollout of central bank digital currencies cascades across the value chain together with the development of decentralised finance and cryptocurrencies.
- Incumbent banks lose the basic bank account to central banks, leading to eroding margins and the loss of ownership of customer data.



Appendix

A Analysis of financial results

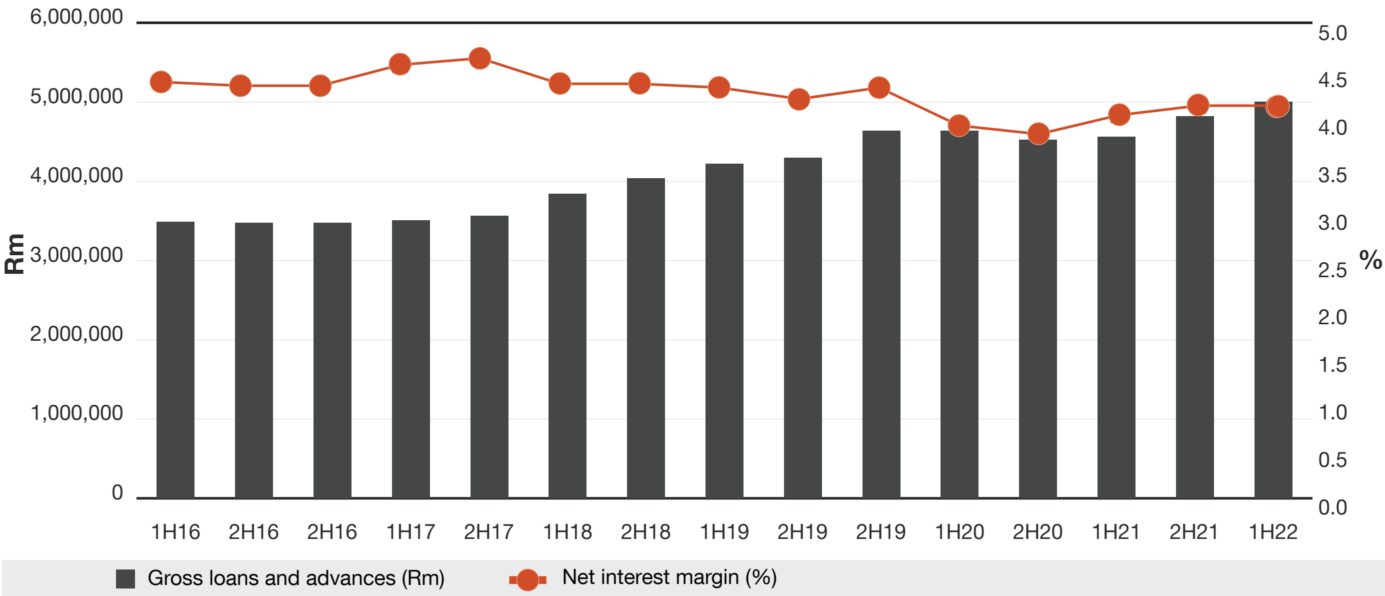
Figure 1: GDP and headline earnings growth



Source: Stats SA, PwC analysis

- Combined headline earnings of R48.3bn (1H21: R40.6bn) represent the highest level achieved in a six month period.
- The relationship between South African GDP growth and the major banks' headline earnings growth continues to be evident.
- While the major banks' earnings benefitted from geographic, industry and product diversification, scale and their established franchises, this relationship highlights the importance to the major banks of SA's longer term GDP prospects and structural reforms.

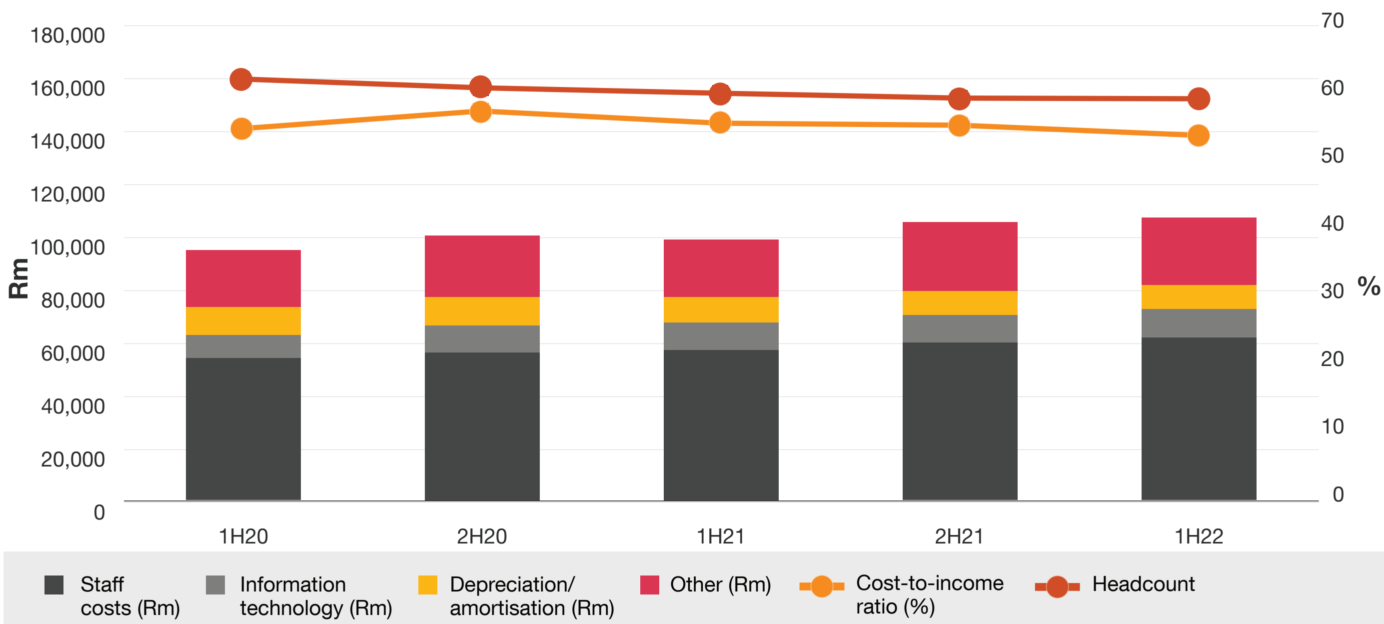
Figure 2: Net interest margin



Source: PwC analysis

- Gross loans and advances grew 9.8% against 1H21 and provided a key basis for record earnings levels in the current period.
- Portfolios that evidenced the strongest growth included retail secured credit such as home loans and instalment leases.
- The increase in the interest rate environment helped improve the major banks' combined net interest margin by 13bps to 4.16% (1H21: 4.03%) through positive endowment effects experienced in rate-sensitive lending portfolios.

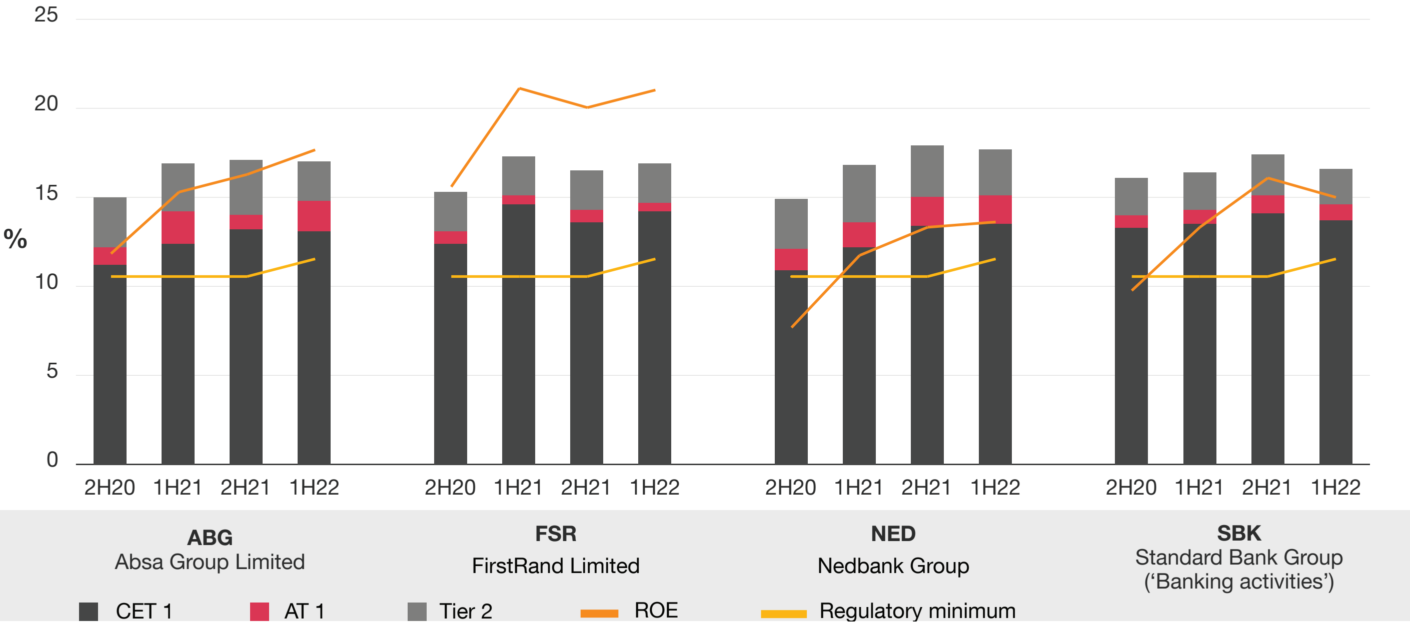
Figure 3: Operating expenses, cost-to-income ratio and headcount



Source: PwC analysis

- As reported by Stats SA, annual consumer inflation increased to 7.4% in June, mainly driven by rising transport and food prices. The June CPI figure represents the highest reading since May 2009 (8%) when the South African economy was facing the headwind of currency depreciation during the global financial crisis.
- Against this context, the major banks' operating expenses increased 8.2% with the primary drivers including staff costs, IT expenditure and, to a lesser extent, the return of travel and marketing expenditure.
- Consistent with our previous observations, the configuration of the major banks' cost base is evolving in line with their strategic focus on digitisation - which includes replacing legacy systems, maintaining and strengthening cyber security, a move towards cloud computing, AI and new ways of working.

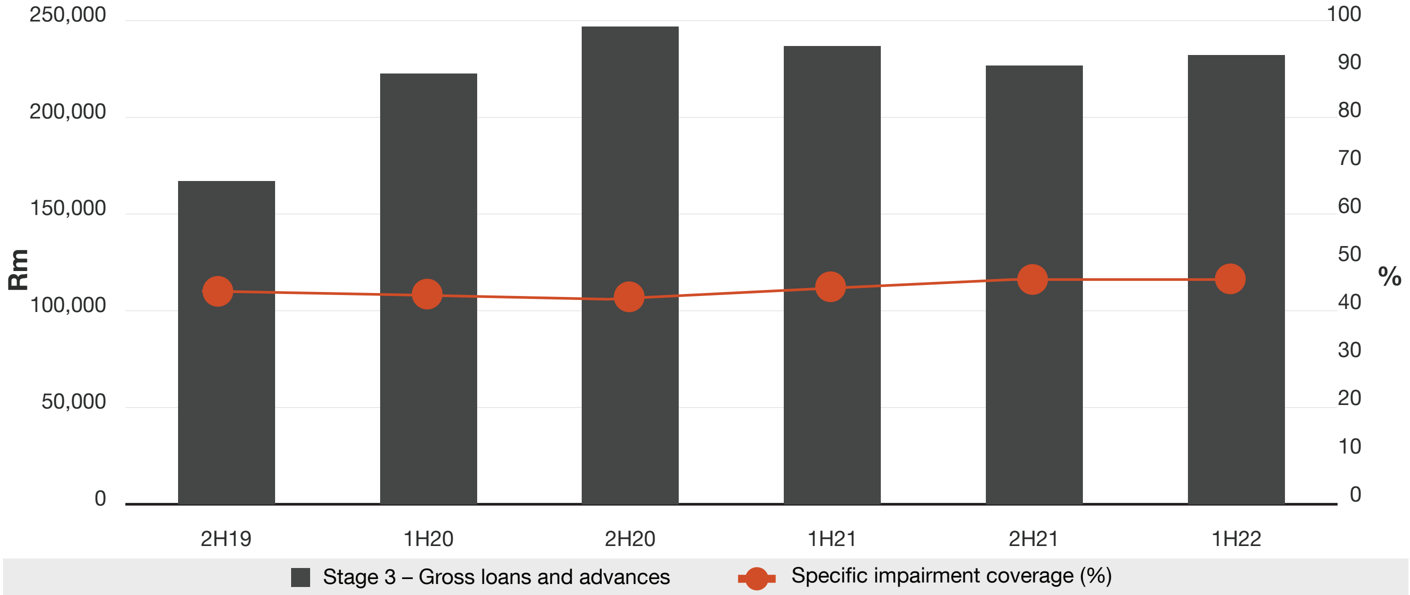
Figure 4: ROE and regulatory capital levels



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 strengthened to 13.6% (1H21: 13.2%) on the back of stronger earnings and disciplined management of risk–weighted assets, while the total Capital Adequacy Ratio increased to 17.1% (1H21: 16.9%).
- Given the prospect of continued regulatory changes–including a 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

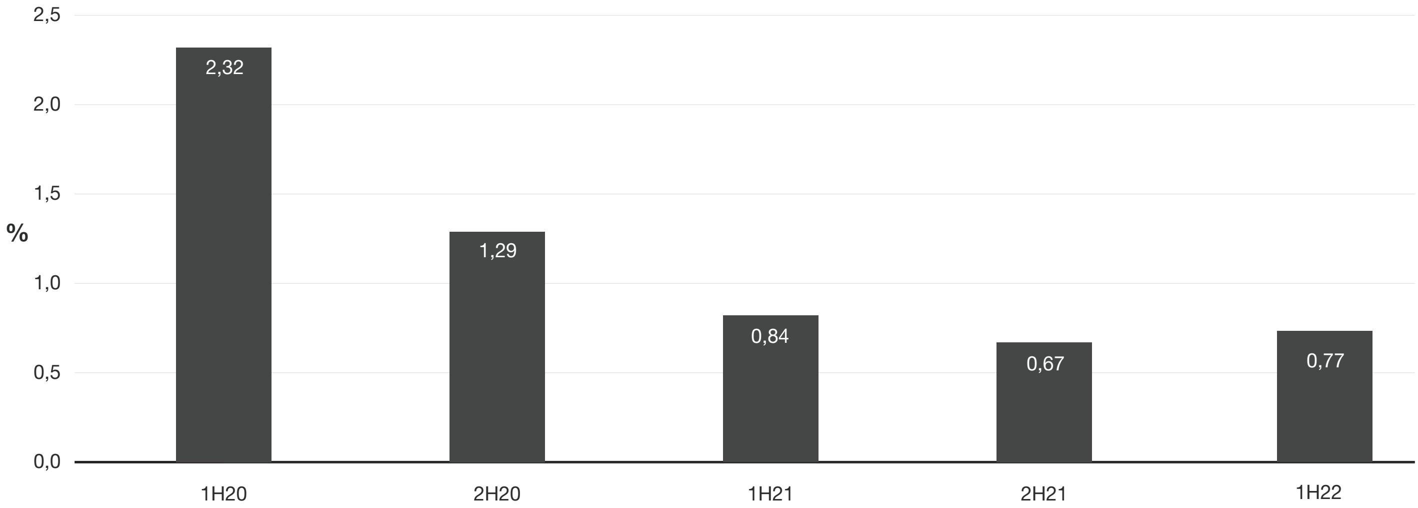
- The total stock of non–performing loans on the major banks' balance sheets reduced by 2.2% against 1H21. However, when compared to 2H21 NPLs increased 2.3%, reflecting specific adverse credit experiences in certain industries and counterparties.
- Overall, at 4.6% NPLs now account for a lower proportion of the major banks' total gross loans and advances than 2H21 (4.7%) and 1H21 (5.2%).
- The combined specific impairment coverage ratio (reflecting the amount of NPLs already provided for) was maintained at 46.5%, the same ratio as at 2H21 (1H21: 43.8%).

Figure 6: Performing portfolio coverage

Source: PwC analysis

- The residential mortgage credit portfolio has continued the growth trajectory observed in previous periods, albeit more moderately, driven by a range of factors including first-time home buyers and competitive offerings from financial institutions. It will be interesting to observe what the outlook for this portfolio will reflect over the medium term given the changing interest rate environment.
- Other retail secured portfolios, including instalment sale and finance leases advances, also exhibited a continued growth trajectory as new and used car sales activity has remained resilient.
- Meanwhile, more pronounced credit demand was observed in retail unsecured portfolios, including credit cards and overdrafts, on the back of, inter alia, more targeted campaigns and increased competition.

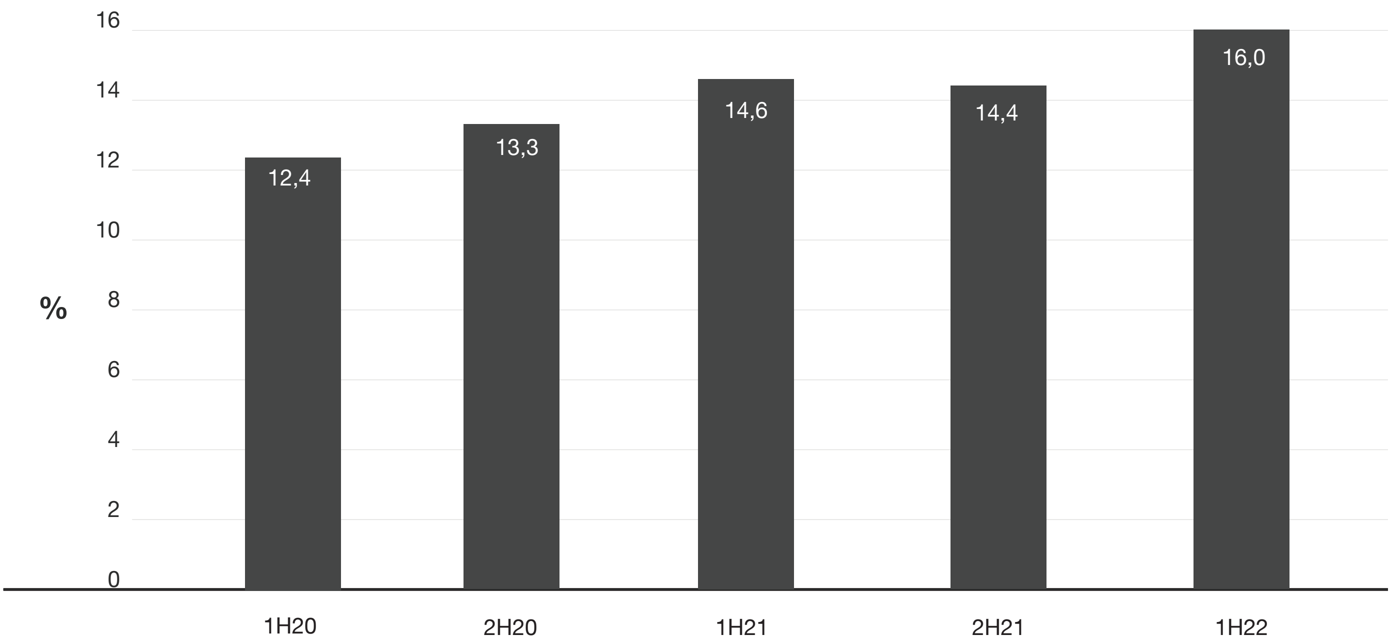
Figure 7: Credit loss ratio



Source: PwC analysis

- Against 1H21, the combined credit loss ratio improved 7 basis points to 0.77% (1H21: 0.84%) but increased against the 0.67% recorded at 2H21.
- The ratio reflects total credit impairment charges 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 sectoral–specific factors and the credit quality of individual counterparties.

Figure 8: Digitally–active clients



Source: PwC analysis

- The growth trend in the major banks' digitally–active clients continued, expanding 10.9% against both 1H21 and 2H21.
- While definitions can vary, digitally–active clients generally reflect those clients which 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.

B Key banking statistics – H122

Key banking statistics – 1H22

R'millions

	ABG					FSR					NED					SBK					Combined/Average				
Balance sheet	**1H22**	**2H21**	**1H21**	**2H20**	**1H20**	**1H22**	**2H21**	**1H21**	**2H20**	**1H20**	**1H22**	**2H21**	**1H21**	**2H20**	**1H20**	**1H22**	**2H21**	**1H21**	**2H20**	**1H20**	**1H22**	**2H21**	**1H21**	**2H20**	**1H20**
Gross loans and advances	1,203,294	1,133,697	1,079,785	1,058,203	1,088,652	1,382,058	1,355,666	1,274,052	1,275,510	1,311,095	882,922	857,385	840,504	868,107	846,568	1,538,590	1,475,726	1,366,536	1,321,241	1,392,131	5,006,864	4,822,474	4,560,877	4,523,061	4,638,446
Total deposits	1,213,509	1,173,766	1,105,237	1,048,000	1,028,394	1,655,972	1,644,630	1,542,078	1,556,904	1,535,015	1,008,021	971,795	935,723	953,715	944,011	1,862,295	1,797,291	1,650,877	1,642,401	1,673,653	5,739,797	5,587,482	5,233,915	5,201,020	5,181,073
Loan-to-deposit ratio	99.2%	96.6%	97.7%	101.0%	105.9%	83.5%	82.4%	82.6%	81.9%	85.4%	87.6%	88.2%	89.8%	91.0%	89.7%	82.6%	82.1%	82.8%	80.4%	83.2%	88.2%	86.3%	87.1%	87.0%	89.5%
Profit and loss analysis																									
Net interest income	28,560	27,712	25,585	24,718	24,072	34,378	33,478	32,494	32,017	31,022	17,204	16,691	15,809	15,112	14,969	13,411	32,468	29,968	30,221	31,204	114,553	110,349	103,856	102,068	101,267
Non-interest revenue	18,385	16,951	15,625	16,586	16,006	24,007	22,849	21,707	21,841	19,635	13,321	13,234	11,793	11,920	12,220	27,721	26,635	24,485	22,576	24,580	83,434	79,669	73,610	72,923	72,441
Operating income	**46,945**	**44,663**	**41,210**	**41,304**	**40,078**	**58,385**	**56,327**	**54,201**	**53,858**	**50,657**	**30,525**	**29,925**	**27,602**	**27,032**	**27,189**	**62,132**	**59,103**	**54,453**	**52,797**	**55,784**	**197,987**	**190,018**	**177,466**	**174,991**	**173,708**
Operating expenses	-24,132	-24,807	-22,605	-23,963	-21,613	-31,099	-29,925	-28,609	-28,733	-26,918	-17,451	-17,284	-16,355	-16,381	-15,391	-34,821	-33,965	-31,770	-31,693	-31,489	-107,503	-105,981	-99,339	-100,770	-95,411
Pre-provision operating profit	**22,813**	**19,856**	**18,605**	**17,341**	**18,465**	**27,286**	**26,402**	**25,592**	**25,125**	**23,739**	**13,074**	**12,641**	**11,247**	**10,651**	**11,798**	**27,311**	**25,138**	**22,683**	**21,104**	**24,295**	**90,484**	**84,037**	**78,127**	**74,221**	**78,297**
Bad debt charge	-5,176	-3,797	-4,702	-5,908	-14,661	-3,053	-4,027	-4,246	-9,414	-18,449	-3,390	-3,256	-3,278	-5,452	-7,675	-5,928	-4,076	-5,797	-9,303	-11,291	-17,547	-15,156	-18,023	-30,077	-52,076
Other	-1,163	-1,123	-992	-1,223	-1,051	28	45	37	-121	-1,112	-93	-682	-242	-1,617	-1,374	-579	-744	-1,065	-668	-3,499	-1,807	-2,504	-2,262	-3,629	-7,036
Direct tax	-4,607	-4,093	-3,511	-2,888	-718	-6,352	-5,775	-5,100	-3,749	-357	-2,187	-2,120	-1,923	-969	-908	-4,817	-4,551	-3,532	-1,224	-1,574	-17,963	-16,539	-14,066	-8,830	-3,557
Key ratios																									
ROE	17.7%	16.3%	15.3%	11.8%	2.6%	21.1%	21.2%	21.2%	15.6%	4.6%	13.6%	13.3%	11.7%	7.6%	4.8%	15.0%	16.1%	13.3%	9.7%	9.5%	16.9%	16.7%	15.4%	11.2%	5.4%
Cost-to-income	51.4%	55.5%	54.9%	58.1%	53.9%	52.6%	52.0%	52.0%	52.8%	53.7%	56.2%	56.9%	58.5%	59.8%	56.4%	56.0%	57.5%	58.3%	60.0%	56.4%	54.1%	55.5%	55.9%	57.7%	55.1%
Credit loss ratio (CLR)	0.9%	0.7%	0.9%	1.1%	2.8%	0.5%	0.6%	0.7%	1.5%	2.9%	0.9%	0.8%	0.9%	1.3%	1.9%	0.8%	0.6%	0.9%	1.3%	1.7%	0.8%	0.7%	0.8%	1.3%	2.3%
Net interest margin (NIM)	4.5%	4.5%	4.4%	4.1%	4.2%	4.4%	4.4%	4.4%	4.3%	4.3%	3.9%	3.8%	3.7%	3.4%	3.3%	3.8%	3.9%	3.6%	3.5%	3.9%	4.2%	4.1%	4.0%	3.8%	3.9%
Capital ratios																									
CET 1	13.1%	13.2%	12.4%	11.6%	10.8%	14.2%	13.6%	14.6%	12.4%	10.6%	13.5%	13.4%	12.2%	11.2%	10.6%	13.7%	14.1%	13.5%	14.0%	12.6%	13.6%	13.6%	13.2%	12.3%	11.2%
Tier 1	14.8%	14.0%	14.2%	12.2%	11.7%	14.7%	14.3%	15.1%	13.1%	11.0%	15.1%	15.0%	13.6%	12.1%	11.7%	14.6%	15.1%	14.3%	14.0%	13.2%	14.8%	14.6%	14.3%	12.9%	11.9%
Total CAR	17.0%	17.1%	16.9%	15.0%	14.7%	16.9%	16.5%	17.3%	15.3%	13.4%	17.7%	17.6%	16.8%	14.9%	14.3%	16.6%	17.4%	16.4%	16.1%	15.5%	17.1%	17.2%	16.9%	15.3%	14.5%

Appendix

C PwC's recent thought leadership

Global Risk Survey: 2022

The world is different than it was two years ago and so is the risk environment in which organisations operate. Change is fast and disruptive. The pandemic caused 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. Ransomware attacks are more frequent and more sophisticated, no doubt a driver of cyber's rise to the top threat to business among CEOs in our 25th Global CEO Survey.

In this turbulent business environment, many executives find the need to revise and adapt their strategies and operating models at a rapid pace. PwC's 2022 Global Risk Survey highlights five key actions that organisations should consider to drive their risk management capabilities forward.

Taxing Times Survey 2022

This 5th edition was conducted during the months of May to July 2022 with 178 corporate taxpayers participating. Several of the survey questions speak directly to SARS' nine strategic objectives, which are not only important drivers for rebuilding the organisation, but to also ensure effective and efficient collection of taxes.

This year's survey was more streamlined, and the questions focussed on four key areas:

- The audit process
  - Corporate income tax
  - Value-added tax
  - Transfer pricing
- The debt management process
- The voluntary disclosure programme
- SARS' service delivery

The survey outcomes serve a dual purpose. They enable us to understand taxpayers' pain points when dealing with SARS and constructively assist and support taxpayers. It is also an equally good platform to engage with SARS about how it can improve public trust, efficiency and confidence in the tax administration system, and improve its stakeholder relationships.

South Africa Economic Outlook: August 2022 edition

South Africa's economic growth rate is slowing to a long term potential of 1.5% p.a. while the global trend is forecast at 2.6% p.a. If these growth rates could be translated into the speed at which a car travels, South Africa would be driving at 60 km/h while the global average is driving above 100 km/h.

Clearly, there are faster–growing markets (compared to the local economy) available to South African firms who are willing to look abroad. Offshore investment is nothing new for South African companies, and during the second quarter of 2022, the country registered to a record–high value of R222bn of outward merger and acquisition deals. Dealmakers are adapting to a new business climate where inflationary pressures, rapidly rising interest rates, short–term volatility in financial markets, supply chain disruptions, and geopolitical tensions all appear to be developing into longer–term trends. Read more in our **South Africa Economic Outlook: August 2022 edition.**

CBI/PwC Financial Services Survey: Q2 2022 Results

This survey was launched in December 1989 and draws on the CBI's considerable expertise in survey analysis. It is one of the CBI's regular business trends surveys, standing together with the long established Industrial Trends Survey, the more recent Distributive Trades Survey and the survey of Consumer, Business and Professional Services launched in 1998.

The survey covers a broad range of financial services activities, including banks, finance houses, securities traders, fund managers and the insurance industry. It offers a unique and up–to–date insight into the recent trends and future prospects for these industries.

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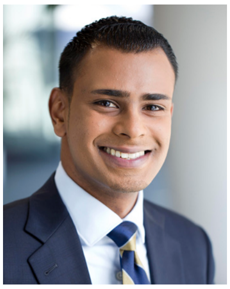

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