Thriving through turbulence

South Africa – Major Banks Analysis

PwC's analysis of major banks' results for the reporting period ended 30 June 2023

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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. Thriving through turbulence

South Africa's major banks continued to demonstrate resilience against challenging operating conditions and a turbulent macroeconomic environment

- Combined headline earnings growth of 16.8% against 1H22 to R55.8bn
- Combined ROE of 17.6% (1H22: 16.9%), net interest margin of 453 bps (1H22: 418 bps)
- Credit loss ratio of 107 bps (1H22: 76 bps), cost-to-income ratio of 51.5% (1H22: 53.9%)
- Common equity tier ratio of 13.2% (1H22: 13.6%)

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> What we see in this set of results reflects the outcomes of well crafted overall bank strategies that responded to challenging operating dynamics and economic conditions. Earnings growth was underpinned by the diversification of the major banks' strong franchises, and the unrelenting focus on driving customer loyalty through better experiences and continued support.
>
> — Rivaan Roopnarain, PwC Africa Banking and Capital Markets Partner

Key themes observed include:

- **Revenue growth benefited from higher interest rates** through positive endowment effects. At the same time, balance sheet growth and the focus of recent years on superior and increasingly digital customer experiences was leveraged, translating into higher transaction volumes.

- **Volatility in financial markets favoured trading revenues** as customer demand for hedging and risk management products was strong, particularly in relation to foreign exchange, commodity and interest rate markets.

- **Driven by challenging macros, the cost of risk in the form of credit impairments increased across most lending portfolios.** Heightened sovereign and currency risks in several key African territories, coupled with interest rate pressure and the adverse effects of load shedding on South African households and businesses, triggered increased impairments as credit models reacted to fraught conditions.

- **In spite of the amplified risk outlook, the major banks' balance sheets remained resilient.** Key prudential ratios across capital and liquidity continued to be maintained well above regulatory requirements, while balance sheet provisions reached unprecedented levels in anticipation of forecast risks.

- **Sub-Saharan Africa continued on a significantly faster growth path than South Africa.** Those banks with sizable operations across the continent saw the benefits of geographic diversity in the region, resulting in record contributions to earnings growth and a higher growth rate relative to their South African operations.

- **In spite of elevated inflationary pressures, the major banks' deliberate approach to cost management and revenue growth translated into the lowest combined cost-to-income ratio** observed in a decade. Consistent with recent periods, underlying franchise momentum resulted in revenue growth outweighing cost growth, creating positive operating leverage.

- **The digital transformation journeys of the major banks continue to mature and yield a range of positive benefits — both to them and their customers.** At the same time, the retooling of legacy technology estates to be more modular, cloud-based and agile continues to create efficiency and productivity gains, enhanced customer experiences and helped position the major banks to be able to leverage future technology transformation. We see continued investment in fast emerging areas such as artificial intelligence.

- **The sustainability agenda is front and centre — driving a range of implications from emissions targets, reporting and disclosure, lending strategies and risk management.** The major banks have all commented on the growth in their sustainable financing portfolios, their commitments in this area, and the balance between these initiatives and socio-economic development on the continent.

- **The outlook for the rest of the year is expected to remain challenging** as economic conditions are forecast to weigh on consumer, business and corporate confidence. In South Africa, electricity supply constraints are expected to remain a clear and present risk to the local economy, while evidence increasingly emerges that the higher interest rate environment is placing significant pressure on consumers and consumer-facing industries.

2. External environment

Operating environment

South Africa's major banks traversed familiar themes of uncertainty and market turbulence over the first half of 2023. Elevated inflation levels and interest rates, complex geopolitics, slow growth and volatile financial markets combined to create an operating backdrop more challenging than was anticipated at the start of the year.

As observed in our ***PwC South Africa Economic Outlook – August 2023***, "Following easy monetary policy in 2020 2021, the SARB has significantly increased interest rates in 2022 and 2023 so far to undo its previous accommodative stance and also fight elevated inflation. South African households have felt the burden of larger debt repayments, resulting in less disposable income and higher debt to income ratios. The consumer mood is unlikely to improve much until lending rates start declining again."

Globally, the banking industry faced acute scrutiny in the first quarter of the year driven by idiosyncratic events in the regional US banking sector, triggering resolution and other supervisory or market actions. While the South African banking sector was shielded from direct spillovers of these events, the interconnected nature of financial markets, and banking in particular, resulted in reflection and learnings for the industry as a whole.

Regulatory developments

As noted by the Basel Committee on Banking Supervision (BCBS) on 11 September 2023[1], "[t]he banking turmoil of March to May 2023 was the most significant system-wide banking stress since the Great Financial Crisis in terms of scale and scope."

In response, the BCBS completed a stocktake of the regulatory and supervisory lessons of the turmoil, which it confirmed will be published, and which underlined the following themes:

- The importance of banks' risk management practice and governance arrangements as the first and most important source of financial and operational resilience.
- The role of strong and effective supervision in overseeing the safety and soundness of banks.
- The critical importance of a prudent and robust regulatory framework in safeguarding financial stability.

While the Basel III prudential regulatory reforms shielded the global banking system from a more severe episode of banking distress arising from these events, they once again underscored the importance of the evolving prudential regulatory regime.

In South Africa, the Prudential Authority issued Guidance Note 3 of 2023[2] on 18 July 2023 which set out the proposed implementation timeline of several wide-ranging prudential reforms, which will largely take effect from 1 July 2025. These reforms are expected to bring about a significant change in the manner in which capital demand, in the form of banks' risk-weighted assets, is calculated.

[1] *https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-guidance-notes/2023/G3-2023-Proposed-implementation-dates-in-respect-of-specified-regulatory-reforms*
[2] *https://www.bis.org/press/p231109.htm*

3. Major banks' results highlights

Metric	Change / Value	1H22
Net interest income	↑ 22.6%	
Non interest revenue	↑ 11.8%	
Operating income	↑ 18.2%	
Net interest margin	453 bps	1H22: 418 bps
Cost-to-Income ratio	51.5%	1H22: 53.9%
Operating expenses	↑ 13.3%	
Credit loss ratio	107 bps	1H22: 76 bps
Pre provision operating profit	↑ 24%	
ROE	17.6%	1H22: 16.9%
CET 1 ratio	13.2%	1H22: 13.6%
Credit impairment charge	↑ 59.5%	

↑ **Headline earnings** of R55.8bn increased 16.8% against 1H22

1H23 vs 1H22

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> South Africa's major banks deftly steered their diverse portfolios of businesses through challenging conditions in the first half of the year to register an enviable combined financial performance. Having reflected on their strengths and strategies through recent periods, the major banks continued to strike the balance between managing risk and supporting customers in a difficult operating environment.
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> — Costa Natsas, PwC Africa Financial Services Leader

- **Headline earnings:** Building on the record levels of headline earnings seen in the previous reporting period, geographic diversity, balance sheet growth and the underlying momentum of the major banks' franchises contributed to 16.8% growth in earnings. A key earnings growth driver included the positive effect on net interest margins brought about by a high interest rate environment. Non-interest revenues, in the form of fees and commissions, benefited from increased transactional volumes, particularly across digital banking channels.
- **Asset growth:** Loan demand remained resilient, with combined gross loans and advances growing 9.1%. The particular loan portfolios driving growth varied between the major banks, tilted to their areas and geographies of strategic focus and risk appetite. According to ***Bureau information*** from the National Credit Regulator, as of March 2023 the number of credit-active consumers in South Africa increased by approximately 600,000 year-on-year, to a total of 27.1 million (1H22: 26.5 million).
- **Credit quality:** Higher interest rates drove up instalments and dampened affordability, as South African households felt the burden of larger debt repayments, less disposable income and higher debt-to-income ratios.

This consumer distress increased the cost of risk — particularly in home loans, vehicle and asset finance and personal loan portfolios — while consumer-facing corporate sectors and sovereign risks in certain territories amplified credit risks across portfolios. The combined credit loss ratio (measured as the income statement impairment charge divided by average advances) deteriorated to 107 bps (1H22: 76 bps) as the income statement impairment charge increased 59.5% compared to 1H22. Total non-performing loans increased 23%, now comprising 5.2% of gross loans and advances (1H22: 4.6%).

- **Costs:** Consumer price inflation remained outside the SARB's target band of 3 - 6% for most of the first half of the year, but began a slight downward drift since Q2-23. Against the context of heightened inflation in all markets of the major banks' operations, their combined operating expenses grew 13.3%. Key cost contributors remained staff costs, including incentive awards given favourable financial performances, and the previously observed trend of an evolving cost base towards digital and technology-related spend.
- **ROE and capital:** On the back of strong earnings growth, combined ROE grew 75 bps to 17.6% (1H22 16.9%). Having fully surpassed pre-pandemic levels in the previous reporting period, the combined regulatory capital of the major banks was strengthened further on the back of robust earnings and prudent capital management. The combined total capital adequacy ratio amounted to 16.2% (1H22: 17.1%), supporting dividend payout ratios in the period.

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> Despite difficult trading conditions, South Africa's major banks continue to evidence the enduring resilience of their franchises. The strong financial performance in the period was underpinned by a combination of robust operational momentum in their businesses, the increasing benefits of their digitalisation strategies and disciplined cost control.
>
> — Francois Prinsloo, PwC Africa Banking and Capital Markets Leader

4. Outlook

A consensus view among economists, analysts and bank management teams is that downside risks to global and domestic growth remain present. Accordingly, a deterioration in outlook relative to forecasts at the start of the year is generally anticipated, with the challenging operating and economic environment experienced in 1H23 expected to prevail throughout 2023, and possibly into the early parts of 2024.

In South Africa, some commentators have observed that a weaker rand is expected to persist, adversely affecting import inflation. The resolution of currency volatility is broadly contingent on GDP growth, which in turn is dependent on the sustained and successful execution of a range of structural reforms — including those relating to logistics, electricity supply and employment — to unlock the country's economic potential.

Positively, in July, through an initiative driven by Business Unity South Africa, CEOs of over 115 leading corporations — including the major banks — pledged their commitment to the aim of helping to achieve sustainable, inclusive economic growth in South Africa.

On average, the major banks forecast that South Africa's GDP will grow by a tepid 0.6% in 2023. While headline inflation is expected to abate, and to undulate within the mid to higher end of the central bank's target range, interest rate cuts are expected to be modest and measured. Elevated interest rates will therefore continue to pressure consumer and business balance sheets, sustaining a heightened credit risk posture for the major banks.

Regionally, the outlook for sub-Saharan Africa (SSA) remains more favourable than South Africa, with the International Monetary Fund forecasting 3.6% growth for SSA before predicting a rebound to 4.2% in 2024 in line with a global recovery, subsiding inflation, and a gradual wind-down in monetary policy tightening. However, the rapid tightening of global monetary policy has raised borrowing costs for SSA countries both on domestic and international markets, posing debt sustainability and currency challenges in certain territories.

Although downside risks remain regionally, green shoots are evident as some key economies embark on policy reforms to ensure higher and more sustainable growth over the longer term.

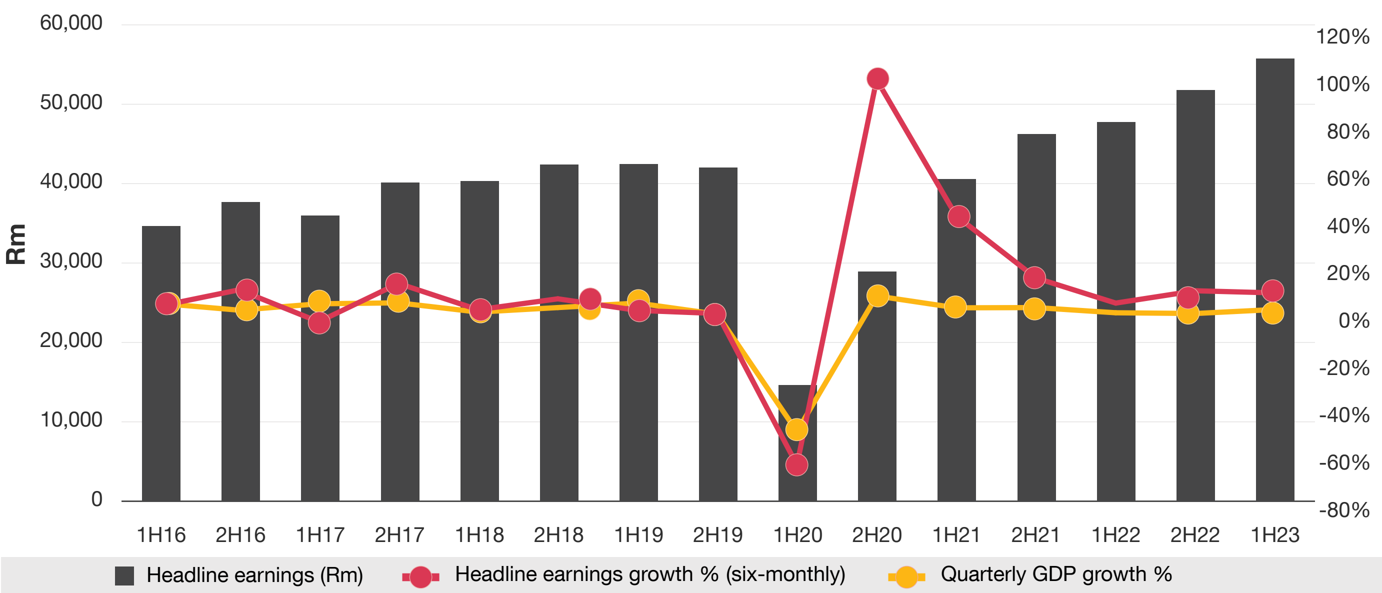
In the short to medium term, the acute societal and corporate focus on sustainability, climate change and renewable energy is expected to create significant opportunities for balance sheet growth and innovative sustainable financing solutions for both businesses and consumers.

Looking ahead, we continue to envisage a period of uncertainty and volatility. For the major banks, and indeed for all banks, the balance between managing day-to-day operations, enhancing customer experiences alongside broader programmes of change, is expected to continue to seize the focus of bank management teams. Fast moving market forces — ranging from persistent technological disruption, new cryptologic asset classes, competition from non-traditional players and geopolitical complexities — will present far-reaching implications to overall bank strategy.

Appendix

A Analysis of financial results

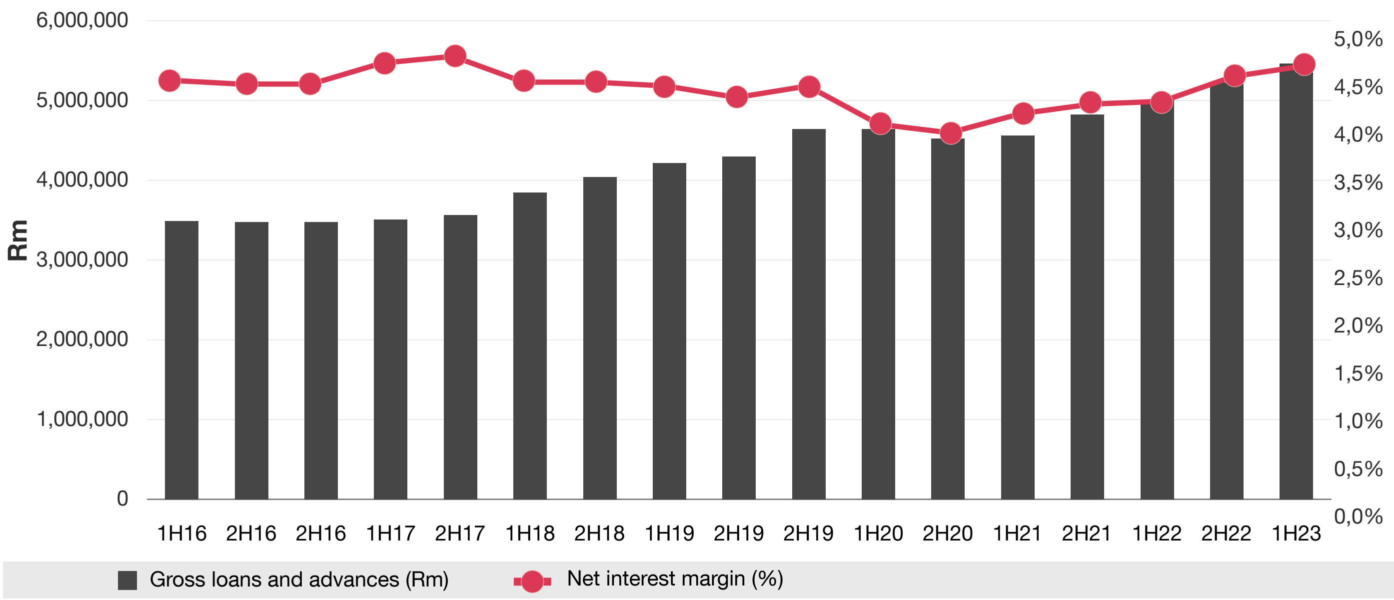
Figure 1: GDP and headline earnings growth



Source: Stats SA, PwC analysis

- Combined headline earnings of R55.8 bn (1H22: R47.8bn) represents a new record earnings level in a six-month period registered by South Africa's major banks.
- The correlation relationship between South African GDP growth and the major banks' headline earnings growth which we have previously commented on continues to be evident. However, in the current period, those banks with sizable physical operations across the African continent saw larger proportions of earnings contributions from operations outside South Africa – reflecting the faster rate of growth observed in sub-Saharan Africa relative to South Africa.

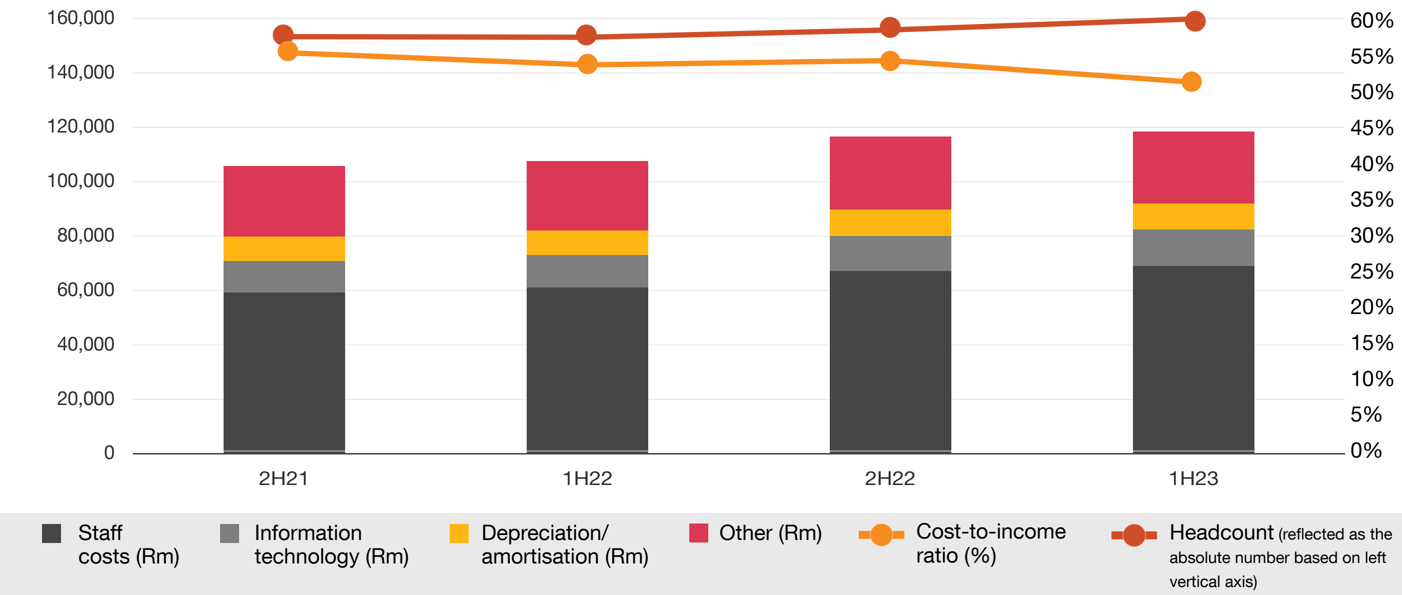
Figure 2: Net interest margin



Source: PwC analysis

- The major banks began 2023 with larger balance sheets than any prior period, providing a larger base from which to generate revenues.
- Gross loans and advances grew by a robust 9.1% against 1H22 and provided a basis for the record combined earnings level achieved in the current period.
- Portfolios that evidenced the strongest growth varied between the major banks and their geographies of operation, tilted based on their individual risk appetites and business models.
- The elevated interest rate environment strongly supported the major banks' combined net interest margin growth of 35 bps to 4.53% (1H22: 4.18%) through positive endowment effects experienced in rate-sensitive lending portfolios.

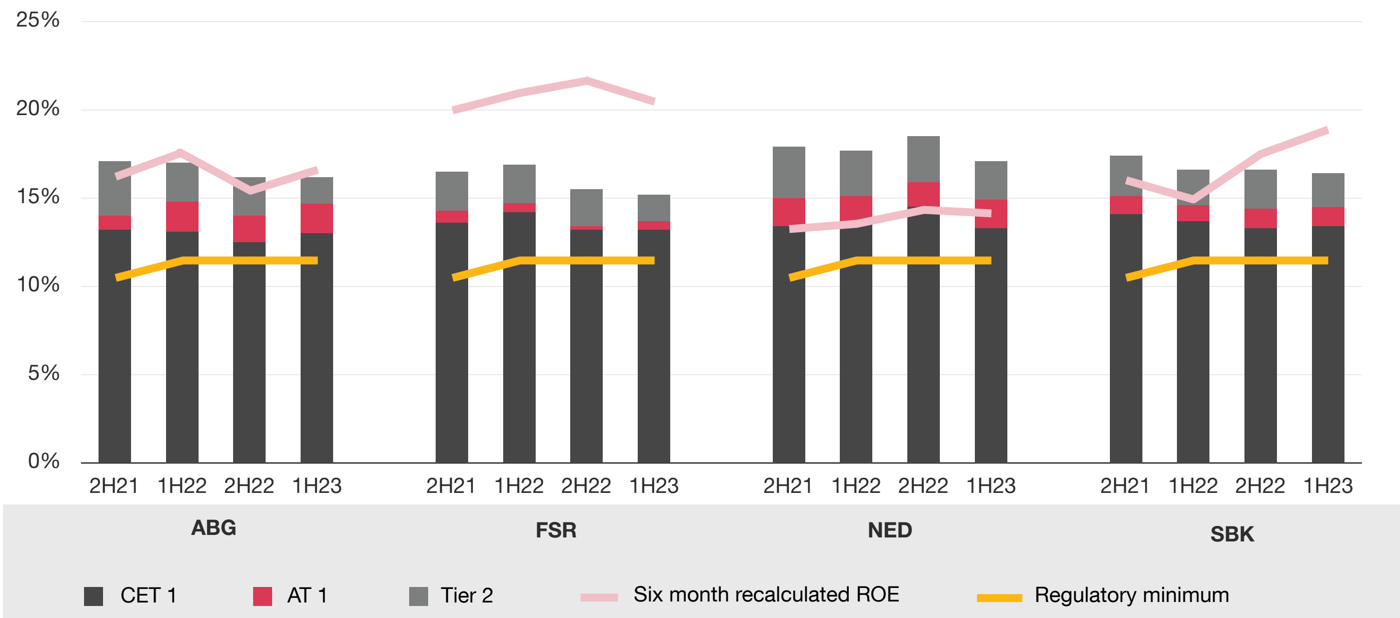
Figure 3: Operating expenses, cost-to-income ratio and headcount



Source: PwC analysis

- As reported by Stats SA, average annual consumer inflation in South Africa remained outside the SARB's target range of 3-6% for most of 1H23, but has begun a downward drift as of Q2-23.
- Against a heightened inflationary backdrop, the major banks' operating expenses increased 13.3% against 1H22, with the main drivers including staff costs, including performance-based incentive awards and IT expenditure.
- Positively, the combined cost-to-income ratio improved to 51.5% (1H22: 53.9%) reflecting both the disciplined approach to cost management in an elevated inflation context and the significant growth of 18.2% in total operating revenues, creating the positive operating leverage that supported earnings.

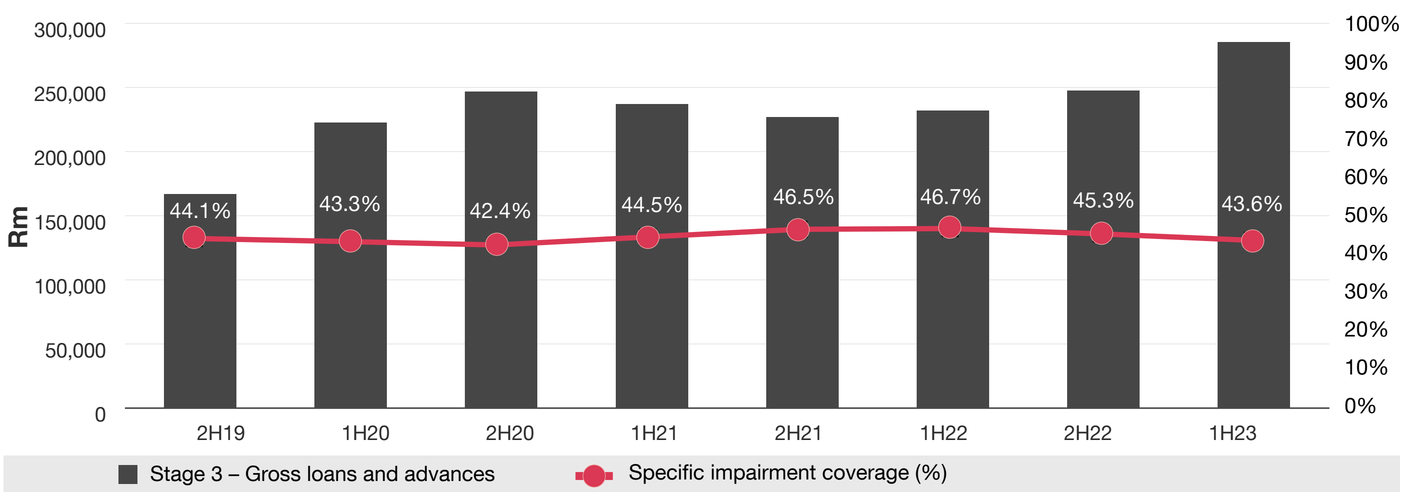
Figure 4: ROE and regulatory capital levels



Source: PwC analysis

- ROEs depicted in the graph reflect a six-month recalculated ratio.
- CET 1, AT 1 and Tier 2 reflects the recalculated six-monthly ratios as a proportion of total risk-weighted assets.
- 'Regulatory minimum' includes the Basel base minimum (8%), the Pillar 2A requirement (1%) and the capital conservation buffer 2.5%), and excludes bank-specific capital requirements.
- The combined Common Equity Tier 1 capital ratio of the major banks remained robust at 13.2% (1H22: 13.6%), and was supported by strong earnings growth and ongoing focus on capital demand (risk-weighted assets). The total Capital Adequacy Ratio also remained resilient at 16.2% (1H22: 17.1%).
- We continue to observe significant management attention directed towards capital management and optimisation efforts as the prudential regulatory regime in South Africa and globally remains in a period of reform and change.

Figure 5: Stage 3 (NPL) Coverage

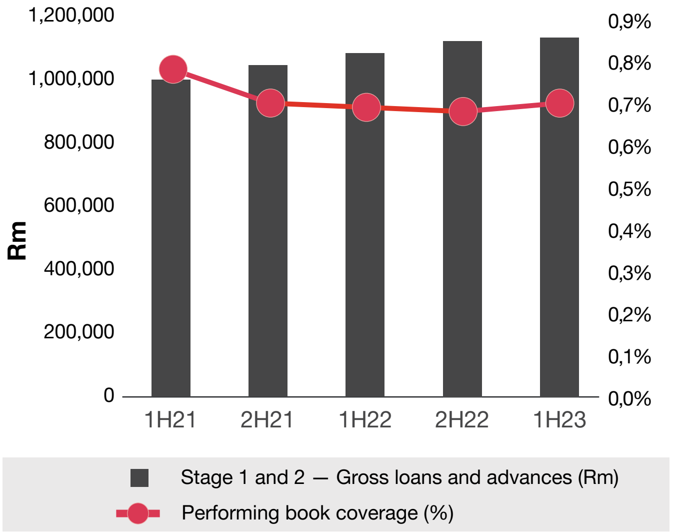


Source: PwC analysis

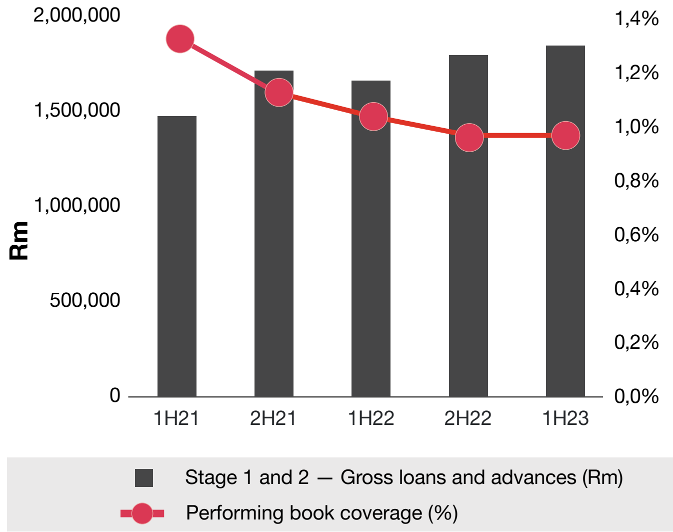
- The total volume of non-performing loans on the major banks' balance sheets increased 23% against 1H22, driven by interest rate sensitive retail lending portfolios.
- As a proportion of total gross loans and advances, NPL stock accounted for 5.2% (1H22: 4.6%).
- The combined specific impairment coverage ratio (reflecting the amount of NPLs already provided for) amounted to 43.6% (1H22: 46.5%).

Figure 6: Performing portfolio coverage

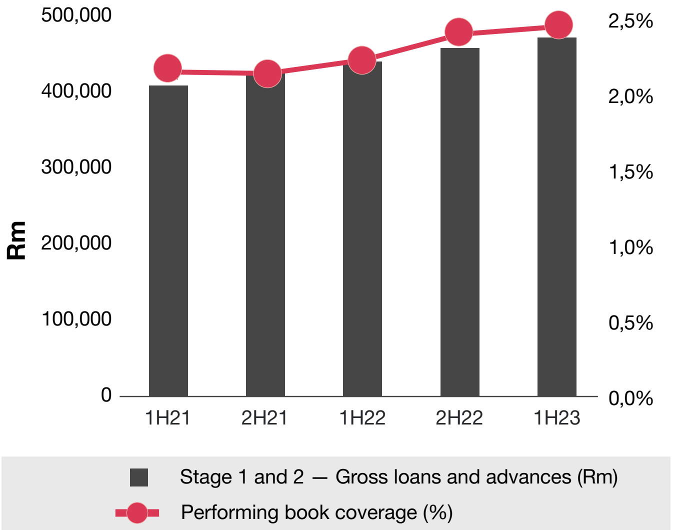
Mortgages (residential)



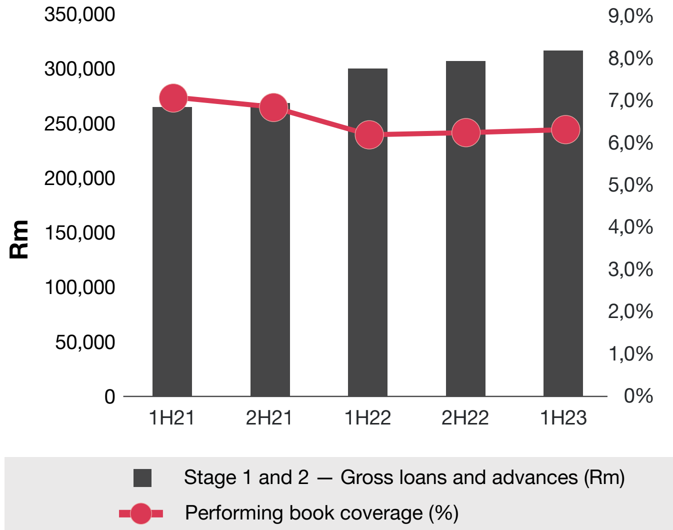
Corporate and business lending



Instalment sale and finance leases



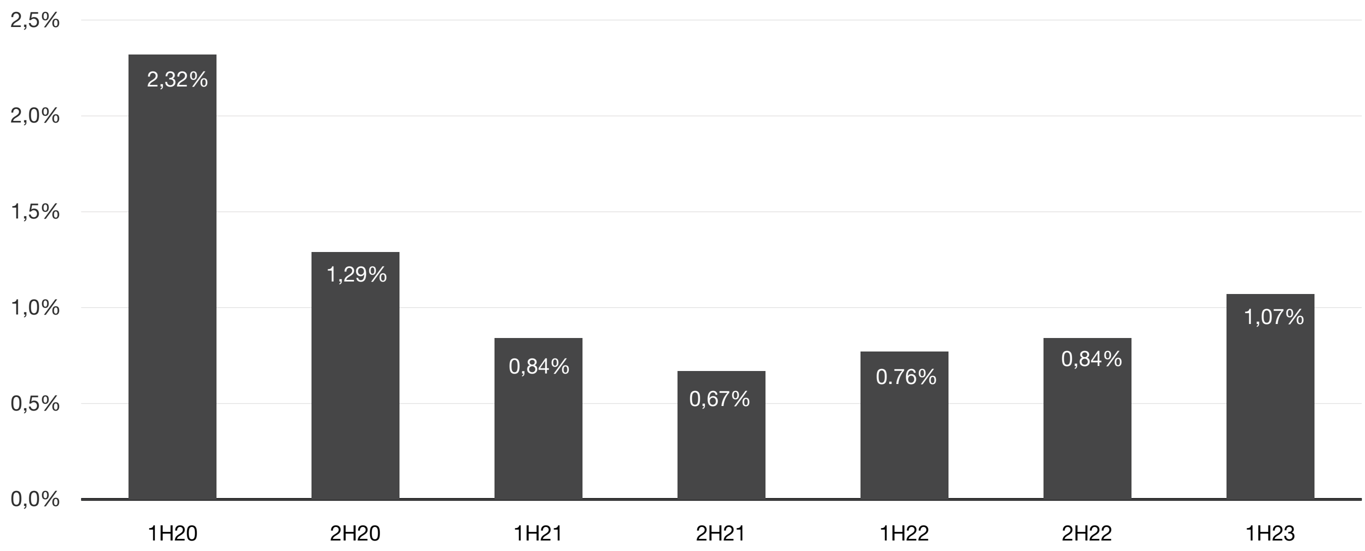
Card, overdrafts and retail unsecured lending



Source: PwC analysis

- In 1H23, performing book coverage levels increased across nearly all loan portfolios as credit models sensitive to economic conditions incorporated the effect of the challenging economic outlook, while individual customers and portfolios of business in certain lending categories migrated between IFRS 9 stages.
- Specifically, interest rate sensitive retail portfolios – including home loans, vehicle and asset finance and personal unsecured lending – all showed steep increases in coverage levels against the backdrop of the elevated interest rate environment.

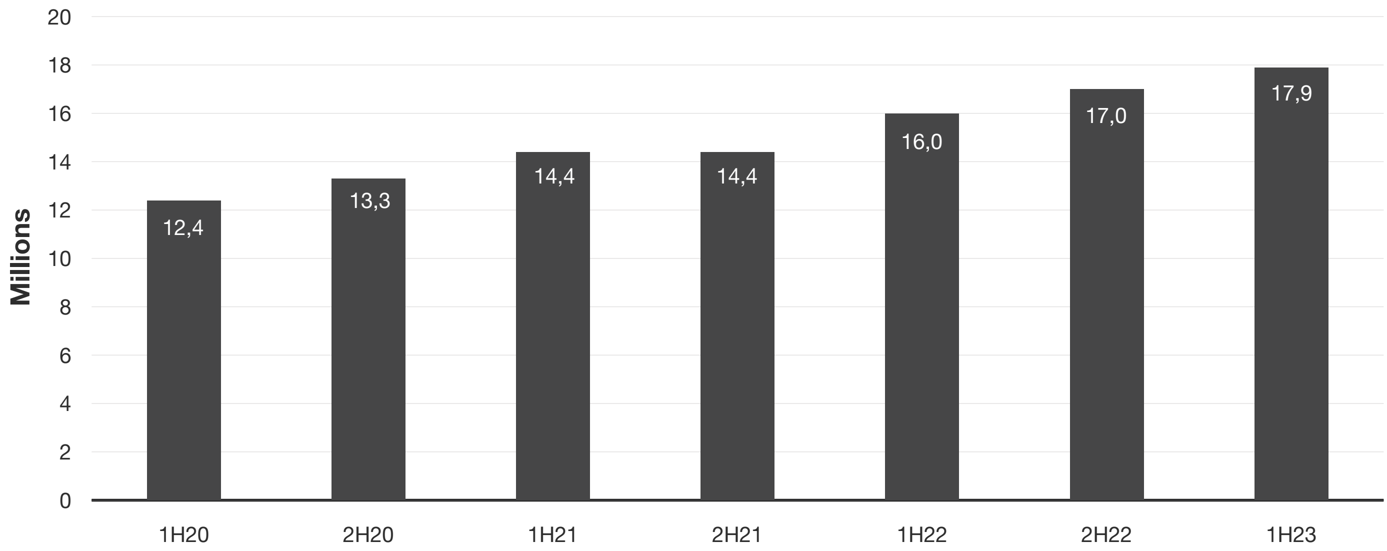
Figure 7: Credit loss ratio



Source: PwC analysis

- In the context of the elevated interest rate environment which has dampened household affordability through higher debt service costs and adversely weighed on consumer-facing retail industries, credit impairment charges increased 59.5% compared to 1H23.
- Consequently, the combined credit loss ratio deteriorated to 107 bps (1H22: 76 bps) reflecting the reactions of the major banks' credit models to the challenging economic climate and deteriorated outlook.
- The credit loss ratio reflects the total income statement impairment charge against average gross loans and advances, and is a measure sensitive to a range of factors – including changes in forward-looking macroeconomic outlooks built into IFRS 9 credit models, industry and sector-specific behavioural factors and the credit quality of individual counterparties.

Figure 8: Digitally-active clients



Source: PwC analysis

- The focus on growing digitally-active clients continued in 1H23. These clients generally reflect those that make use of at least one digital channel, platform or solution to conduct transactional banking activities.
- The upward trend in the major banks' digitally-active clients remained prevalent, with the total number of digitally active clients increasing 12% compared to 1H22 to 17.9 million (1H22: 16 million).
- As we have previously noted, this theme correlates with the major banks' strategic focus on digitalisation, which began in earnest several years ago and picked up pace over the most acute phases of the pandemic.
- The benefits of digitalisation continue to mature – both for the major banks and their customers. Internally, achieving productivity and efficiency gains and positioning their IT estates to be more agile, rank among the main benefits. From a customer perspective, this trend reflects the evolving nature of customer behaviour where greater levels of day-to-day banking take place online and on apps, increasing ease of access to banking.

B Key banking statistics – 1H23

Key banking statistics – 1H23

R'millions

	ABG				FSR				NED				SBK				Combined/Average			
Balance sheet	**1H23**	**2H22**	**1H22**	**2H21**	**1H23**	**2H22**	**1H22**	**2H21**	**1H23**	**2H22**	**1H22**	**2H21**	**1H23**	**2H22**	**1H22**	**2H21**	**1H23**	**2H22**	**1H22**	**2H21**
Gross loans and advances	1 299 583	1 258 288	1 203 294	1 133 697	1 590 447	1 495 883	1 382 058	1 355 666	943 260	909 374	882 922	857 385	1 626 496	1 558 406	1 535 703	1 475 726	5 459 786	5 221 951	5 003 977	4 822 474
Total deposits	1 323 746	1 241 918	1 213 509	1 173 766	1 923 103	1 793 318	1 655 972	1 644 630	1 086 241	1 039 622	1 005 173	967 929	1 995 702	1 911 076	1 859 213	1 797 291	6 328 792	5 985 934	5 733 867	5 583 616
Loan-to-deposit ratio	98,2%	101,3%	99,2%	96,6%	82,7%	83,4%	83,5%	82,4%	86,8%	87,5%	87.8%	88.6%	81,5%	81.5%	82,6%	82,1%	86,3%	87.2%	87.3%	86.4%
Profit and loss analysis																				
Net interest income	33 011	31 880	28 560	27 712	40 935	37 681	34 378	33 478	20 294	19 073	17 204	16 691	46 004	42 455	34 222	32 468	140 244	131 089	114 364	110 349
Non-interesting revenue	19 296	19 291	17 820	16 951	26 572	26 798	24 007	22 849	13 397	13 643	12 528	13 234	29 307	25 737	24 901	26 377	88 572	85 469	79 256	79 411
Operating income	52 307	51 171	46 380	44 663	67 507	64 479	58 385	56 327	33 691	32 716	29 732	29 925	75 311	68 192	59 123	58 845	228 816	216 558	193 620	189 760
Operating expenses	-26 063	-26 370	-23 761	-24 807	-36 142	-32 498	-31 099	-29 925	-18 229	-18 371	-16 958	-17 284	-38 067	-36 487	-32 787	-33 707	-118 501	-113 726	-104 605	-105 723
Pre-provision operating profit	26 244	24 801	22 619	19 856	31 365	31 981	27 286	26 402	15 462	14 345	12 774	12 641	37 244	31 705	26 336	25 138	110 315	102 832	89 015	84 037
Bad debt charge	-8 280	-8 527	-5 176	-3 797	-5 941	-5 008	-3 053	-4 027	-5 313	-3 991	-3 390	-3 256	-8 445	-6 106	-5 928	-4 076	-27 979	-23 632	-17 547	-15 156
Other	-1 073	-1 192	-1 111	-1 123	148	-1 287	28	45	206	65	-93	-682	-389	-1 434	-579	-744	-1 108	-3 848	-1 755	-2 504
Direct tax	-4 299	-3 702	-4 539	-4 093	-5 779	-6 414	-6 352	-5 775	-2 252	-2 142	-2 188	-2 120	-6 313	-5 404	-4 522	-4 551	-18 643	-17 662	-17 601	-16 539
Key ratios (six month recalculated ratios)																				
ROE	16,7%	15,3%	17,5%	16,3%	20,6%	21,8%	21,1%	21,2%	14,2%	14,1%	13,6%	13,3%	19,0%	17,7%	15,3%	16,1%	17,6%	17,2%	16,9%	16,7%
Cost-to-income	49,8%	51,6%	51,2%	55,5%	52,9%	50,7%	52,6%	52,0%	52,9%	55,8%	56,1%	56,9%	50,5%	60,3%	55,5%	57,5%	51,5%	54,6%	53,9%	55,5%
Credit loss ratio (CLR)	1,3%	1,01%	0,91%	0,7%	0,8%	0,7%	0,5%	0,6%	1,2%	0,89%	0,85%	0,8%	1,0%	0,7%	0,8%	0,6%	1,1%	0,8%	0,8%	0,7%
Net interest margin (NIM)	4,6%	4.6%	4.5%	4,5%	4,6%	4,4%	4,4%	4,4%	4,2%	3.9%	3.8%	3,8%	4,8%	4,6%	3,9%	4,0%	4,5%	4,4%	4,2%	4,2%
Capital ratios (six month recalculated ratios)																				
CET 1	13,0%	12,5%	13,1%	13,2%	13,2%	13,2%	14,2%	13,6%	13,3%	14,5%	13,5%	13,4%	13,4%	13,3%	13,7%	14,1%	13,2%	13,4%	13,6%	13,6%
Tier 1	14,7%	14,0%	14,8%	14,0%	13,7%	13,9%	14,7%	14,3%	14,9%	15,9%	15,1%	15,0%	14,5%	14,4%	14,6%	15,1%	14,5%	14,6%	14,8%	14,6%
Total CAR	16,2%	16,2%	17,0%	17,1%	15,2%	16,0%	16,9%	16,5%	17,1%	18,5%	17,7%	17,6%	16,4%	16,6%	16,6%	17,4%	16,2%	16,8%	17,1%	17,2%

ABG – Absa Group Limited

FSR – FirstRand Limited

NED – Nedbank Limited

SBK – Standard Bank Group Limited ('Banking')

Appendix

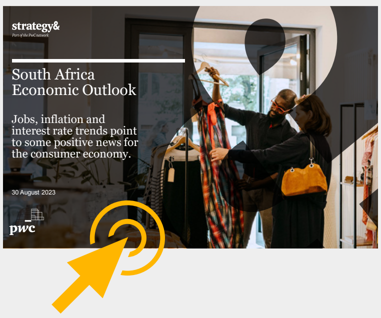
C

PwC's recent thought leadership

Payments Industry Body Design Success: Building consensus in a diverse payments community

In 2021, the South African Reserve Bank (SARB) together with the Payments Association of South Africa (PASA) and the payments industry, embarked on a bold initiative to design a new inclusive industry body that is fully representative of all payment participants and service providers. This undertaking followed extensive pre-work by the SARB and PASA and was pre-emptive of impending regulatory reform that expands payments regulation.

The research for this case study was done through interviews with organisations which participated in the PIB Design process. A total of 19 interviews were conducted and included banks, PSPs, associations, fintechs, Payment System Operators, Design Team members, mobile network operators, retailers, Designated Clearing Participants, PASA and PwC Project Team members.



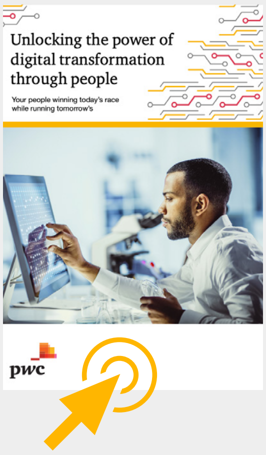
South Africa Economic Outlook – August 2023

We looked at what consumers are seeing on their horizon in the March 2023 edition of this report. However, we believe it is worth revisiting the consumer conversation considering how important consumer welfare is to the struggling economy: some 83% of the country's gross domestic product (GDP) is attributed to final household spending. While there are certainly many factors causing negative consumer sentiment, this report focuses on some good news surrounding the consumer economy.

Non-executive directors: Practices and fees trends report 2023 – 16th edition

In the 16th edition of our Non-executive Director: Practices and Fees Trends Report, we provide an overview of the profile of NEDs of the Johannesburg Stock Exchange (JSE) Top 100 companies and fees paid to NEDs of the JSE Top 200 companies for the period 1 November 2021 to 31 October 2022.

The analysis in this year's report is based on actual fees paid to non-executive directors of the JSE Top 200 companies as disclosed in the annual financial statements of JSE-listed companies for the period under review.



Unlocking the power of digital transformation through people

In our fast-paced and interconnected world, where technology permeates every aspect of our lives, it is undeniable that we are witnessing a seismic shift in the business landscape. This transformation is being driven by the rapid advancement of digital technologies that are reshaping industries and redefining the rules of competition. Digital transformation is not about the technology itself; it's about how technology can offer better solutions to traditional problems, enable creativity and innovation and keep you competitive in an increasingly digital world.

To achieve meaningful transformation in today's context, success relies on addressing the new competitive dynamics. This means that companies must build differentiating capabilities that enable them to deliver value in a unique way, work with digitally enabled ecosystems and tackle some of the world's massive problems.

In this publication we explore digital transformation as a catalyst that empowers organisations to unlock new opportunities, transcend traditional boundaries and deliver unparalleled value to their customers.

Asset and wealth management revolution 2023: The new context

Rising interest rates, uncertainty around inflation, and geopolitical instability have created a new context for the asset management industry. The 2023 Global Asset and Wealth Management Survey and 2027 industry projections highlight the rising shift in investor expectations and the resulting shake-up and shakeout of the asset and wealth management (AWM) industry.

We predict that by 2027, 16% of existing AWM organisations will have been swallowed up or have fallen by the wayside — twice the historical rate of turnover.

The AWM industry is grappling with a set of existential challenges exceeding those of any previous era. Areas that have long been critical such as digital transformation, shifting investor expectations, consolidation and "retailisation", are gaining new ground and posing fresh questions against a backdrop of social, economic and geopolitical disruption.

Financing Sub-Saharan Africa's Climate Action

Implementing Green Public Finance Management (PFM) in Debt Distressed Countries

Green growth – where economies grow without adding to their carbon intensity – is evident across sub-Saharan Africa's major geographies. In the West, East, and Southern Africa (excluding South Africa) regions, carbon intensity is currently the same as it was a decade ago, despite high levels of economic growth over this period.

Nonetheless, sub-Saharan Africa is the region most vulnerable to climate change. African countries need $2.8tn during 2020-2030 to implement their climate action commitments. At the same time, the global supply of bilateral and multilateral funding is not nearly enough to cover this. This report looks at how a focus on Green PFM will enable indebted countries to transform their financial management towards a more sustainable fiscal position and climate-focussed public expenditure, and gives practical examples of how governments can approach debt management.

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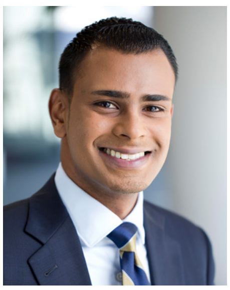

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