Purposefully resilient

South Africa Major Banks Analysis

PwC's analysis of major banks' results for the reporting period ended 30 June 2024

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About this publication

PwC's Major Banks Analysis highlights 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 carried out for over a decade.

- This analysis was prepared from publicly available information.
- The data, charts and figures included are based on published information.
- Certain amounts and ratios were recalculated to present comparable annual or 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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Purposefully resilient

> Within an environment shaped by complex macroeconomic conditions and elevated levels of uncertainty, South Africa's major banks continued to demonstrate the durability of their businesses. These results reflect a deep and continuing commitment to executing their strategies with precision and adaptability while focusing on enhanced customer experiences and leveraging the strength of their franchises to build trust through financial services.
>
> — *Rivaan Roopnarain, PwC South Africa Banking and Capital Markets Partner*

South Africa's major banks demonstrated a durable financial performance in the first half of 2024 amid complex operating conditions and elevated levels of uncertainty.

Combined headline earnings growth of 2.5% against 1H23 to R56.8bn, combined ROE of 16.9% (1H23: 17.4%), net interest margin of 457 bps (1H23: 456 bps), credit loss ratio of 100 bps (1H23: 110 bps), cost-to-income ratio of 53.3% (1H23: 51.5%), Common Equity Tier 1 ratio of 13.3% (1H23: 13.2%)

Key themes observed in this reporting period include:

- **Measured balance sheet growth across lending and deposit-taking activities continued to provide the foundation for the major banks to do more with customers.** Accordingly, earnings in 1H24 were supported by resilient revenue growth across both interest income and non-interest revenue, aided by improved credit trends relative to recent periods.
- **Intense strategic focus on the rest of Africa outside South Africa continues to provide strong levels of diversity to overall performance.** The scale and competitiveness of operations in high-growth African markets — and their earnings contributions — have emerged as a clear area of distinction for many of the major banks. However, balancing market-specific and sovereign risks with group-wide efficiencies was complicated in this period due to significant factors such as increased cash reserving requirements and currency volatility in certain key territories. This currency volatility resulted in the major banks' combined foreign currency translation reserves reaching record levels, depressing group results.
- **The consistent theme of the major banks' robust resilience metrics continued, with robust capital and liquidity levels and risk coverage.** Regulatory requirements regarding capital and liquidity were comfortably maintained, while model-driven balance sheet provisions responded to credit risks in specific geographies, sectors and portfolios.

- **Moderated impairment charges, particularly in South African retail lending portfolios, drove down the combined credit loss ratio to 100 bps (1H23: 110 bps).** Improved credit trends in South Africa were supported by slower inflows into early arrears due to, inter alia, proactive customer assistance programmes and enhanced collection processes implemented by the major banks. However, higher impairments were generally evident within corporate lending portfolios. These were driven by counterparty and industry-specific risks. On a combined average basis, the major banks' credit loss ratio remains at the upper end of their average 'through-the-cycle' range.
- **The major banks' combined strategic target of a 50% cost-to-income ratio was challenged in the current period by elevated inflation levels and volatile exchange rates.** With a continued focus on disciplined cost management evident in this period of results, the major banks' cost base remains reflective of investments in talent, technology, and their corporate brands through marketing and sponsorships. Concurrently, strategic priorities in software spending and cloud and technology-related costs reflect contractual increases and subscription costs, which are often paid in foreign currency. In 1H24, the growth in costs outpaced income growth, which had an unfavourable impact on the cost-to-income ratio.
- **The migration of customers to digital banking platforms and channels, while leveraging data as a strategic asset, has moved from theme to certainty.** South Africa's major banks have consistently grown their number of digitally-active clients every reporting period since 2H19 to approaching 20 million. The optimal combination of digitally charged businesses with complementary physical presence remains a focus area for management teams. This is driven by the need to keep pace with customer expectations and accelerate transaction processing.
- **Closely watched non-financial banking industry trends are coalescing around the fast-moving areas of technology change, including the impact of generative AI and climate transition.** Bank management teams continue to view these areas as presenting both opportunities and risks while being aware of the need to customise for the context of the local environments in which they operate. The major banks' sustainable financing targets and reporting against them are increasingly more clearly calibrated and prominent.
- **While prospects for the rest of 2024 remain complex and uncertain, consensus expectations for interest rate cuts across several territories provide a basis for optimism.** Globally, economic sentiment is likely to be consequentially influenced by the combination of the US election, inflationary readings and tense geopolitics. However, the major banks' GDP growth expectations in both SA and various other African countries in which they are present remain cautiously optimistic. This will influence their scenario planning and the positioning of their balance sheets in response to developments in the operating environment.

Summary of results

The start of 2024 was characterised by acute levels of uncertainty as nearly half the global population entered an election year.

Globally, inflation remained sticky and slowed the anticipated pace of interest rate cuts.

Regionally, several sub-Saharan African countries felt the combined impacts of socio-economic events, a challenging El Niño weather pattern, subdued commodity prices and elevated debt levels — against the backdrop of sustained inflationary pressures and currency weakness in some territories.

In South Africa, notable improvements in structural constraints, including electricity supply, and generally positive market reaction to the formation of a Government of National Unity were reflected in lower government debt costs and a stronger rand. However, flat SA GDP growth in the first quarter of 2024 revealed muted household demand and businesses under pressure. This was marginally offset by **second quarter GDP growth of 0.4%**.

Net-interest income ↑ 6.0%

Non-interest revenue ↑ 3.3%

Operating income ↑ 4.9%

Net-interest margin 457 bps
1H23: 456 bps

Cost-to-Income ratio 53.3%
1H23: 51.5%

Credit loss ratio 100 bps
1H23: 110 bps

ROE 16.9%
1H23: 17.4%

CET1 ratio 13.3%
1H23: 13.2%

Operating expenses ↑ 7.1%

Pre-provision operating profit ↑ 2.6%

Credit impairment charge ↓ 6.3%

↑ Headline earnings of R56.8bn increased 2.5% against 1H23

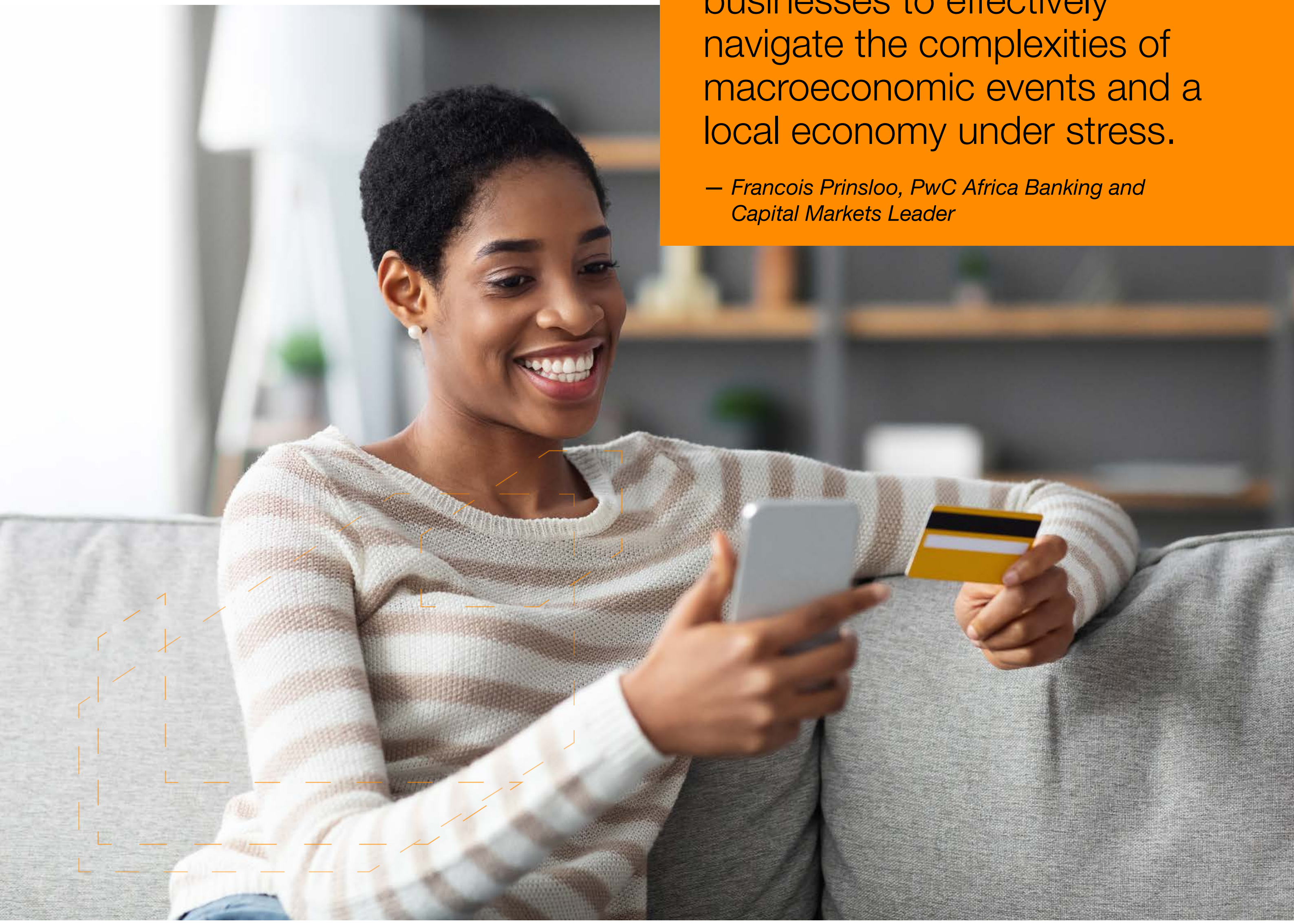
1H24 vs 1H23

> What we note in these results is the continued characteristics of South Africa's major banks being well diversified, resilient and able to unlock growth. Despite challenges and uncertainties anticipated for the rest of 2024, we expect that the major banks will remain focused on supporting clients, managing risk, leveraging technology and developing talent – aligned to their strategic visions.
>
> *— Costa Natsas, PwC Africa Financial Services Leader*

- **Headline earnings:** The major banks' aggregate headline earnings growth of 2.5% against 1H23 to R56.8bn reflects the combination of resilient revenue growth across net interest income (6%) and non-interest revenue (3.3%), supported by a decline in credit impairment charges of 6.3%. Despite robust underlying franchise momentum and strong operating performances outside South Africa, headline earnings growth was impacted by headline earnings growth was impacted by significant foreign currency weakness in some territories and accelerated cost growth in excess of inflation.
- **Loan growth:** Reflecting the challenging operating conditions that prevailed over 1H24, coupled with depressed consumer and business confidence, new loan formation was muted. Combined gross loans and advances grew 3.7% against 1H23 (1.7% against 2H23). Similar to previous periods, growth in individual loan portfolios and industry sectors was differentiated between the major banks. This was based on a combination of strategic focus, geographic footprint and risk appetite. According to Bureau information from the National Credit Regulator (NCR), the number of credit-active South African consumers increased by 464,009 quarter-on-quarter and 854,191 year-on-year to 27.9 million.
- **Credit quality:** We have previously commented on the link between interest rates and impairments — as customer loan portfolios bearing the brunt of elevated interest rates eventually manifest in higher impairments. While this context remained applicable, in 1H24, the major banks benefited from provision releases following the successful restructuring of legacy corporate non-performing loans and a slowdown in early arrears and default in South African retail portfolios on the back of close monitoring and targeted collection initiatives. The combined credit loss ratio (the income statement impairment charge divided by average advances) moderated to 100 bps (1H23: 110 bps) as the income statement credit risk charge decreased 6.3% (from R28.9 billion in 1H23 to R27.1 billion in 1H24). Total non-performing loans increased 8.1% against 1H23, comprising 5.5% of gross loans and advances (1H23: 5.2%). According to the NCR Bureau information referenced above, the number of South African consumers with impaired records in Q1-24 increased by 190,428 to 10.1 million, an increase of 1.9% quarter-on-quarter and 2.7% year-on-year

- **Costs:** As Stats SA notes, "After holding steady for ten months in the 5–6% range, annual consumer price inflation slowed to 4.6% in July from 5.1% in June". Outside SA, elevated inflation was prevalent across several territories where the major banks operate. In this elevated inflationary context, disciplined cost control remained a key focus for the major banks' management teams in 1H24. Key cost drivers largely aligned to strategic focus areas, including cloud-based systems and security costs, as well as continued investments in technology and their corporate brands. Currency weaknesses in African markets outside South Africa counterbalanced rand-based cost growth. Overall, the pace of cost growth (7.1%) exceeded revenue growth (4.9%), resulting in the aggregate cost-to-income ratio expanding to 53.3% (1H23: 51.5%).
- **ROE and capital:** The Impacted by the volatile currency effects on translating foreign operations, the major banks' combined ROE fell 47 bps to 16.9% (1H23: 17.4%), still above their average cost of equity of 15%. Although the combined Common Equity Tier 1 capital ratio moderately increased to 13.3% (1H23: 13.2%), the major banks have all commented on their comfortable levels of capitalisation to support opportunities, risks and stakeholder expectations.

> It is clear from this set of results that in 2023, South Africa's major banks continued to focus intensely on serving their clients while leveraging their technology investments and customer-experience strategies.
>
> We continue to observe the quality of leadership teams and the ability of management teams to position their businesses to effectively navigate the complexities of macroeconomic events and a local economy under stress.
>
> — *Francois Prinsloo, PwC Africa Banking and Capital Markets Leader*



Outlook

As anticipated, 2024 has so far met expectations of being a year characterised by considerable complexity, uncertainty and forecast risk – themes we expect to hold for the rest of the year.

Unresolved conflicts in Eastern Europe and the Middle East continue to elevate regional and global geopolitical tensions and complicate the macroeconomic outlook. Meanwhile, elections in the US in the second half of 2024 – together with key African countries including Mozambique, Ghana and Namibia – add further unpredictability to the outlook.

Overall, the International Monetary Fund forecasts global growth of 3.2% for 2024, with emerging markets and developing economies expected to grow by 4.3% in both 2024 and 2025. In aggregate, the major banks forecast South African GDP growth of 1% in 2024, with the potential for material upside depending on the path and progress of structural reforms. While growth expectations for sub-Saharan Africa remain more favourable than for South Africa, adverse weather-related incidents remain a material forecast concern.

Positively, consensus around the global, regional and local inflation outlook has improved, with expectations for monetary policy action to reduce interest rates – albeit at a modest and measured pace – widely expected to commence in September.

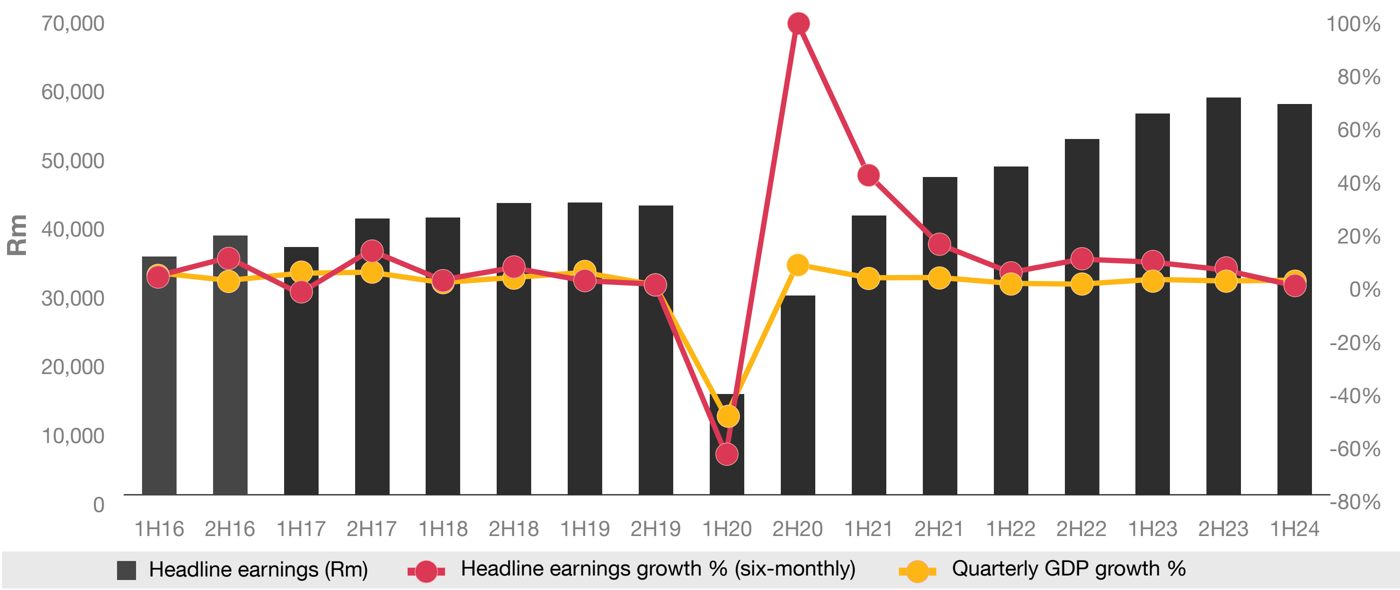
Overall, the major banks have noted their focus remains on executing their carefully calibrated strategies, which include their African operations outside SA, unlocking efficiencies, further enhancing customer experiences and leveraging their balance sheets to support sustainable financing in localised contexts.

Replicating the operating momentum of a strong 2023 and a resilient performance in the first half of 2024 will remain front and centre for management teams amidst acute levels of uncertainty.

A

Appendix: Analysis of financial results

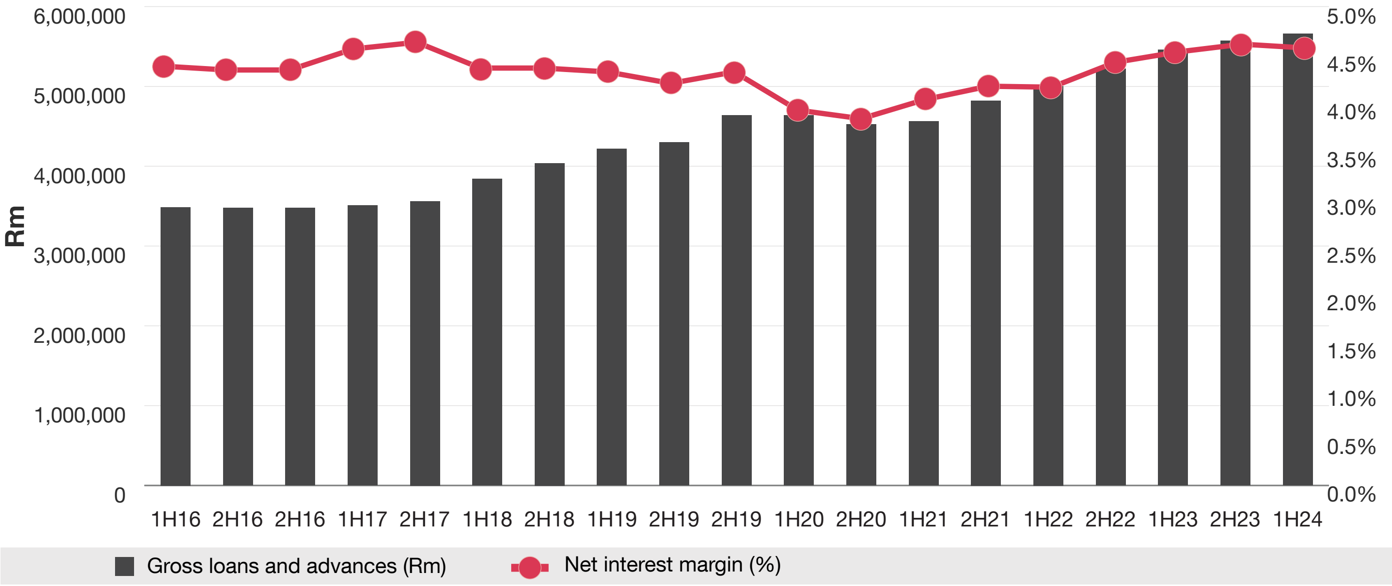
Figure 1: GDP and headline earnings growth



Source: Stats SA, PwC analysis

- Combined headline earnings of R56.8bn increased 2.5% against 1H23 but fell 1.7% against 2H13, reflecting the strong earnings performance in the second half of 2023, which was offset by, among other things, currency volatility in the first half of 2024.
- Significant earnings contributions continued to flow from the major banks' African operations outside South Africa. In terms of their local currency, several of these operations demonstrated strong underlying performance and operational momentum. However, weaker foreign currencies relative to a stronger rand in 1H24 depressed these earnings upon translation and consolidation at group levels.
- Overall, earnings within the major banks' South African operations continued to reflect an interrelationship with South African GDP growth, a long-standing feature depicted in Figure 1.

Figure 2: Net interest margin



Source: PwC analysis

- In 1H24, the major banks' combined balance sheet grew to a new record level, driven by resilient growth in both lending (up 3.7%) and deposits (up 3.6%), well above the GDP growth rates of SA and most territories of operation.
- Rate-sensitive portfolios continued to reflect new loan formation — highlighting resilient customer demand and risk appetite on the part of the major banks. Against 1H23, credit cards grew by 6.6%, residential mortgages recorded 2.9% growth and vehicle and asset finance was up by 6.3%.
- The elevated interest rate environment impacted the major banks' net interest margin through higher funding costs and interest income on the rate-sensitive loan portfolios mentioned above. Overall, new loan growth and the higher interest rate environment supported the combined net interest margin of 457 bps (1H23: 456 bps and 2H23: 461 bps).

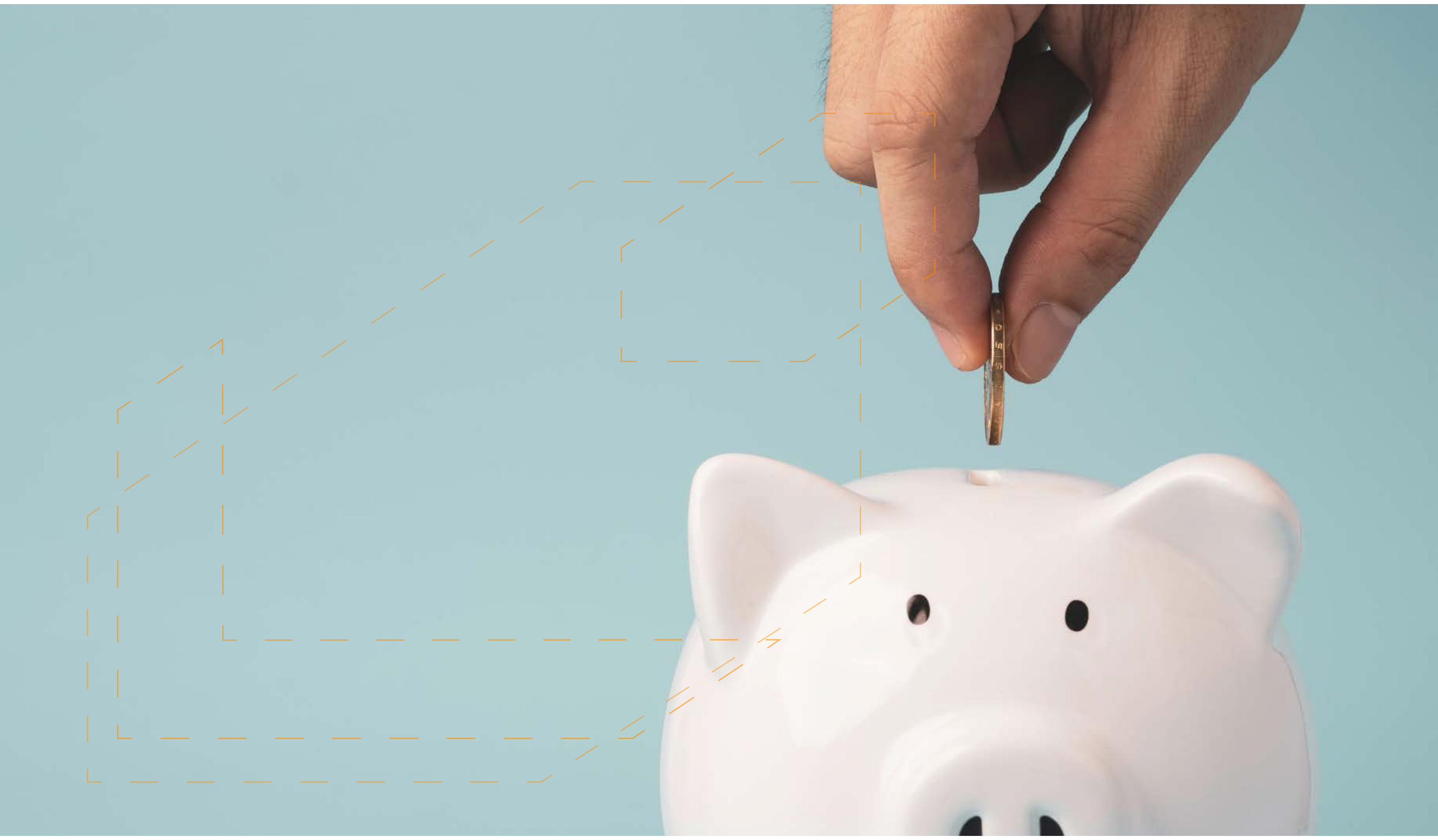
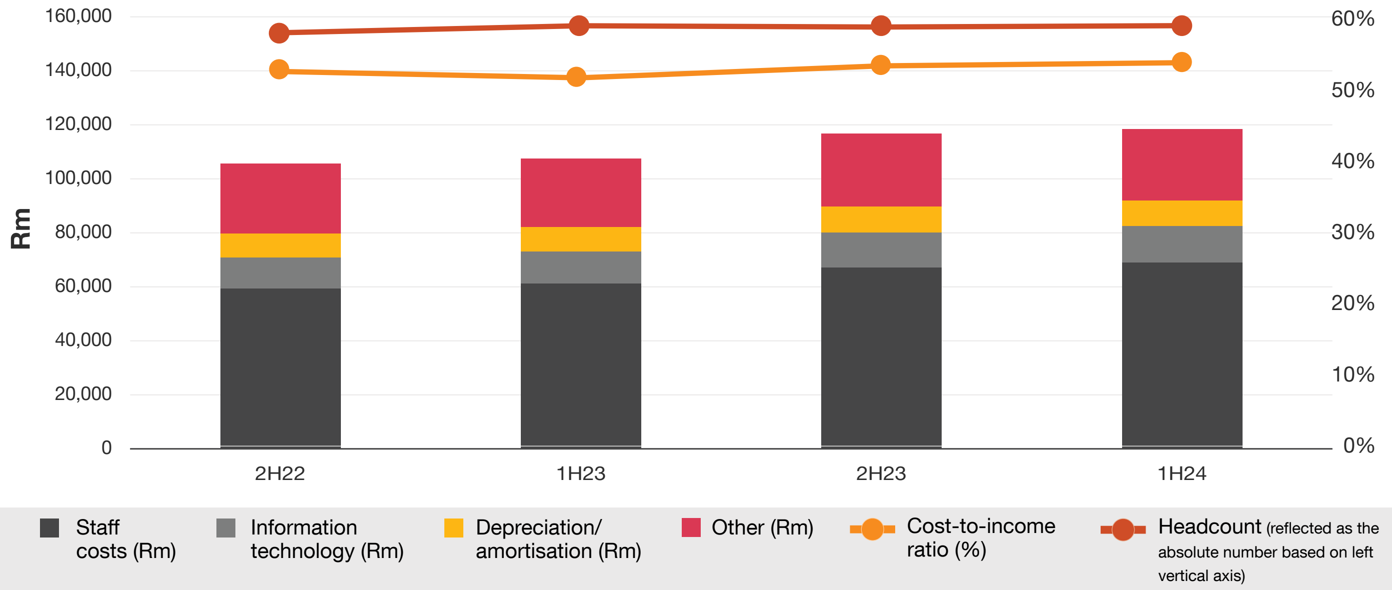


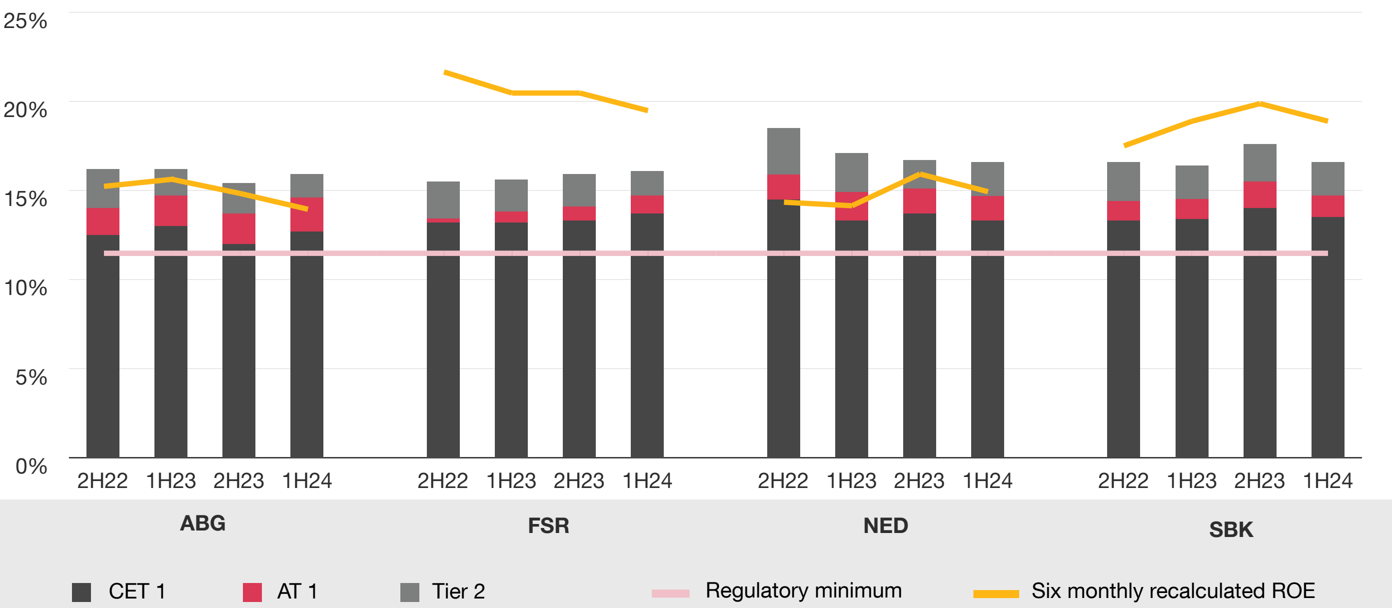
Figure 3: Operating expenses, cost-to-income ratio and headcount



Source: PwC analysis

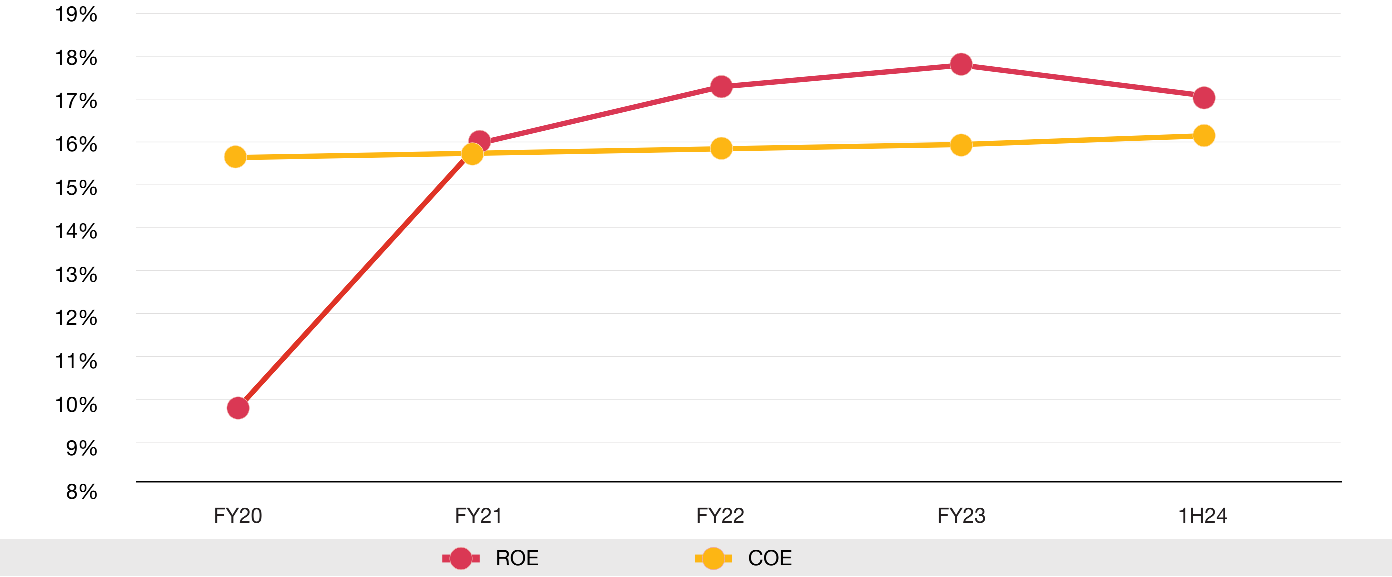
- Consumer price inflation in South Africa was 5.1% in June 2024 and moderately higher than that for most of 1H24. Similarly, inflation remained elevated in most African territories where the major banks operate.
- While consensus expectations are for inflation to moderate both in South Africa and sub-Saharan Africa in the short to medium term, the timing and pace of this remain unclear and subject to various macro and domestic economic factors.
- Against this elevated inflationary backdrop that prevailed throughout 1H24, the major banks' operating expenses increased 7.1% against 1H23 (1.5% against 2H23). Meanwhile, total operating income (net interest income plus non-interest revenue) grew 4.9%, creating negative operating leverage as cost growth outpaced revenue momentum.
- Nonetheless, bank management teams' strategic focus on cost management continued in this elevated-inflation context. The combined cost-to-income ratio deteriorated to 53.3% (1H23: 51.5% and 2H23: 52.8%), with the main cost drivers remaining technology, cloud and cyber security expenditure, while staff costs and performance-based incentive awards were prudently managed.

Figure 4: ROE and regulatory capital levels



Source: PwC analysis

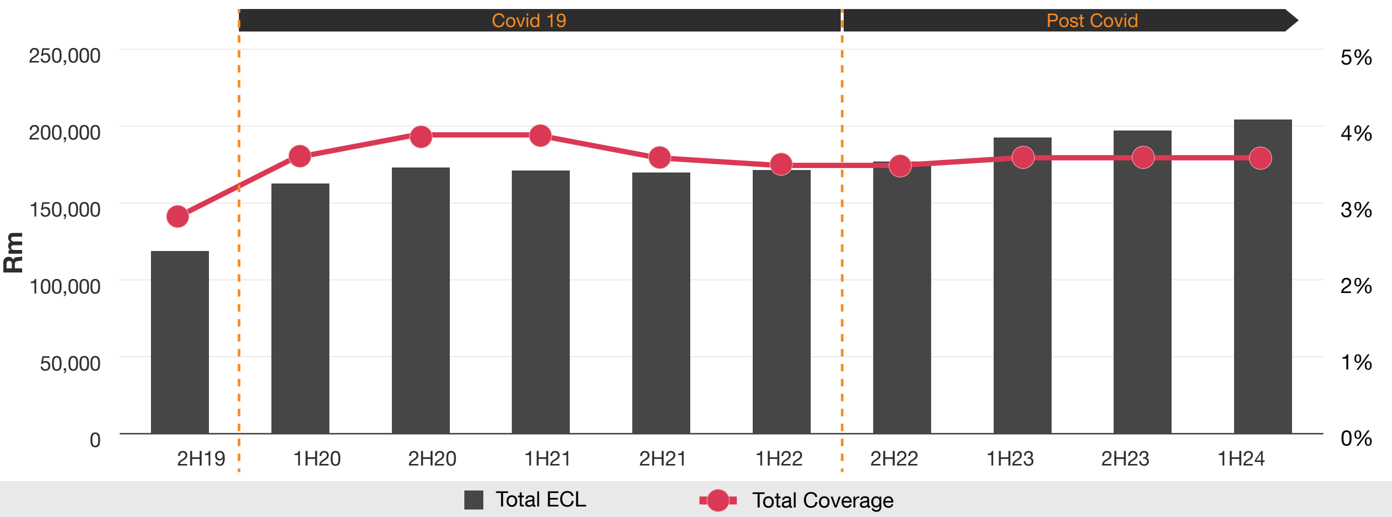
Figure 5: ROE and cost of equity (COE)



Source: PwC analysis

- The ROEs depicted in the graph reflect six-month ratios.
- '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.
- In 1H24, the major banks continued the theme of strongly capitalised balance sheets and generating returns above their average cost of capital of 15% (2H23: 14.8%).
- The major banks' combined Common Equity Tier 1 capital ratio remained robust at 13.3% (1H23: 13.2% and 2H23: 13.3%). This was supported by organic capital (earnings) growth and an ongoing focus on managing risk-weighted assets amid forthcoming regulatory change. The total capital adequacy ratio also remained resilient at 16.3% (1H23: 16.3% and 2H23: 16.4%).
- As previously noted, we continue to observe significant management focus on capital management and optimisation efforts as the prudential regulatory regime in South Africa and globally remains in a period of complex technical reform.

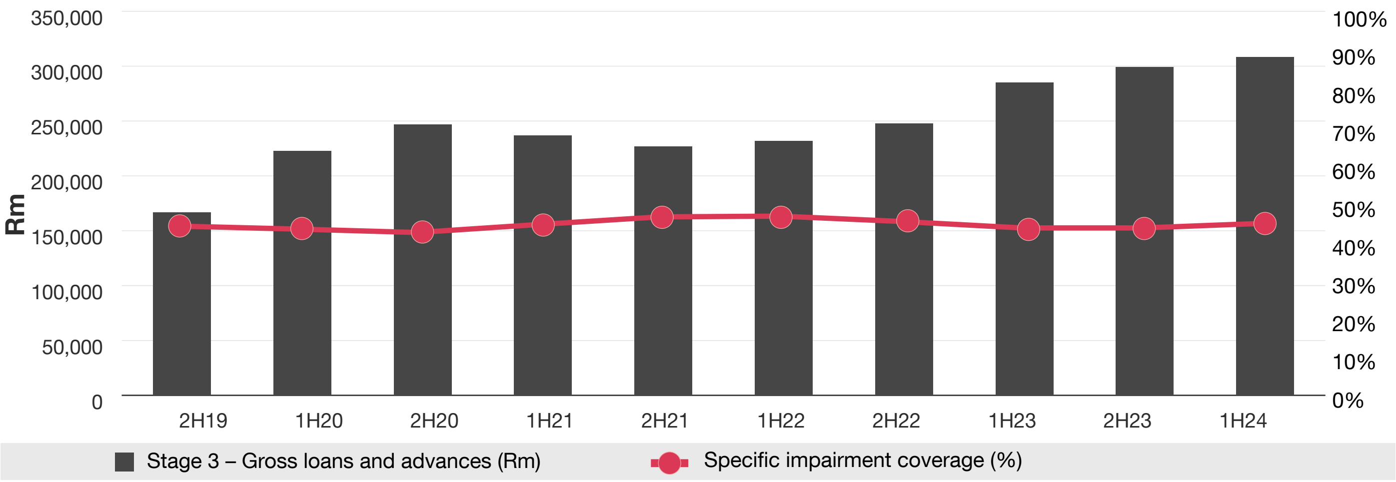
Figure 6: Expected credit loss (ECL) build-up



Source: PwC analysis

- Total balance sheet provisions (expected credit losses) continued to build up in line with book growth in 1H24, increasing 6% against 1H23 to reach R204bn. This build-up in credit provisions reflects, the growth in asset books over the periods, larger inflows into arrears and default. The elevated interest rate environment that has persisted over recent periods, has added to the level of provisions, as credit models incorporate forward-looking requirements under IFRS 9 in their calibrations.
- As previously noted, we expect that as the levels of inflation and interest rates subside, the ECL trend will start to stabilise. Similarly, a more favourable GDP outlook would typically also reduce provisioning in the longer term.

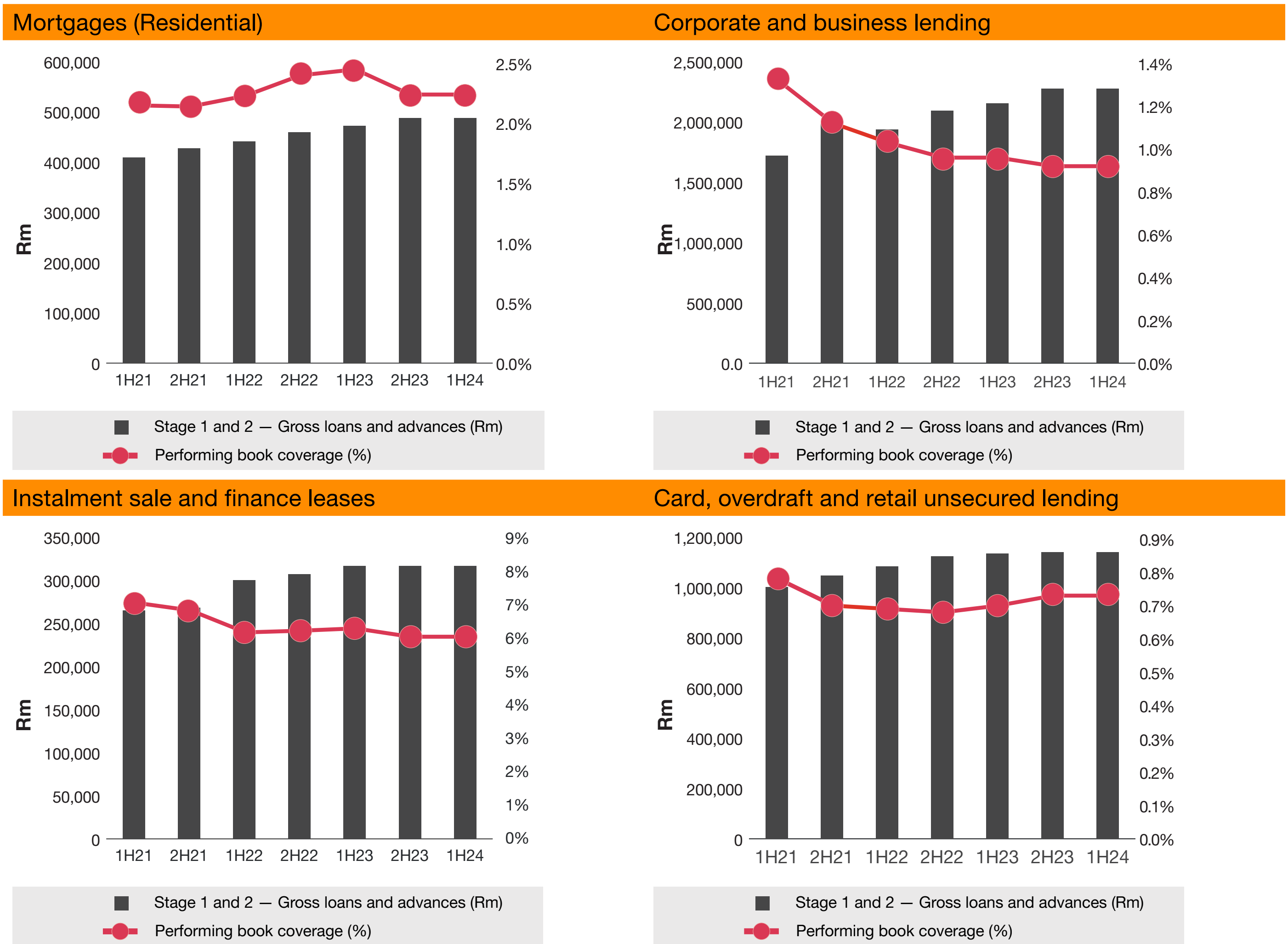
Figure 7: Non-performing loan (stage 3) coverage



Source: PwC analysis

- 1H24 saw an increase in non-performing loans (NPLs) to R308bn (up 8.1% against 1H23 and 3% against 2H23), in part reflecting the late-stage migration of arrear portfolios into default on the back of the sustained elevated rate cycle. Collection houses are continuously faced with large volumes of NPLs and continue to leverage technology to find ways to anticipate customer defaults, and where customers default to work these cases out efficiently.
- As a percentage of gross loans and advances, NPLs comprise 5.3% (1H23: 5.2%). However, these NPLs remain well covered, with the specific impairment coverage ratio at 1H24 amounting to 44.8% (1H23 and 2H23: 43.6%).

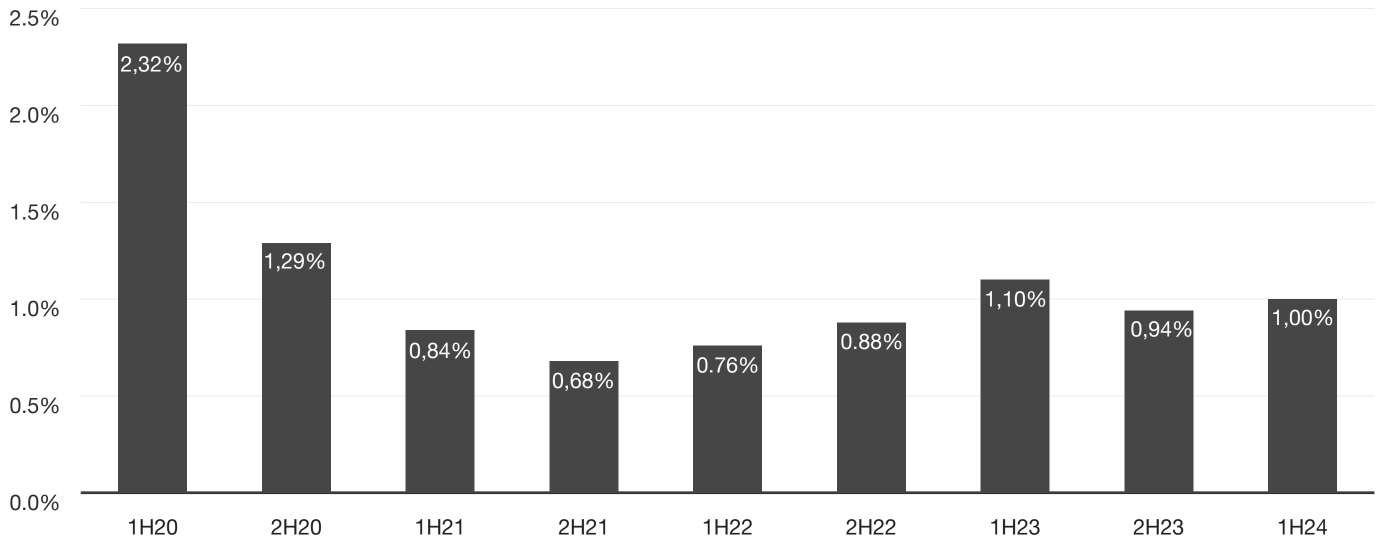
Figure 8: Performing portfolio coverage



Source: PwC analysis

- Credit portfolios exhibiting the highest growth rates in 1H24 included corporate lending and the rate-sensitive retail portfolios of residential mortgages, instalment sale and finance leases and credit cards.
- Portfolio coverage levels across all credit categories remained stable.

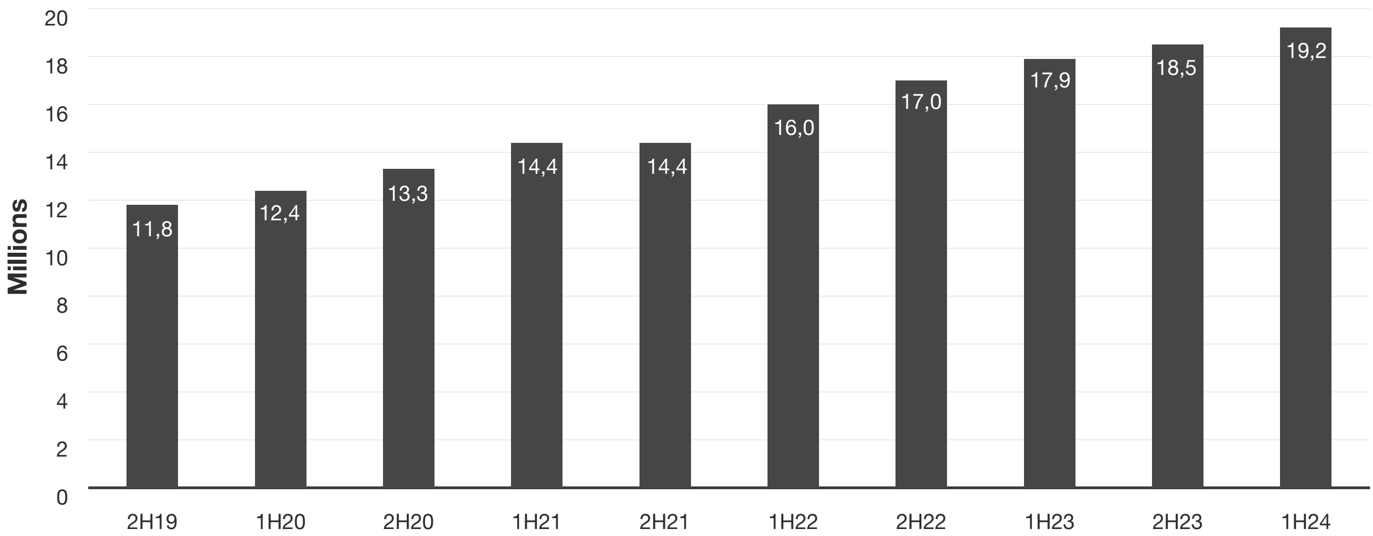
Figure 9: Credit loss ratio



Source: PwC analysis

- We have consistently commented on the relationship between market interest rates and credit impairment charges, which was evident in the major banks' credit loss ratios in 2023.
- However, in 1H24, much of the latent portfolio stress resulting from elevated rates has been incorporated into credit models, muting the effect of new impairments. Additionally, the current period impairment charge also benefited from releases in impairment charges as prior year non-performing loans were worked out.
- Consequently, the combined credit loss ratio improved to 100 bps (1H23: 110 bps), which is generally considered to be at the higher end of the average 'through-the-cycle' range for the major banks of between 70 and 100 bps.
- 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. These include changes in forward-looking macroeconomic outlook scenarios, which are built into IFRS 9 credit models, industry and sector-specific behavioural characteristics and the credit quality of individual counterparties.

Figure 10: Digitally-active clients



Source: PwC analysis

- The strategic focus of the major banks to grow 'digitally-active' clients continued to pay dividends in 1H24, with the number of digitally-active clients reaching new records. These clients generally use at least one digital channel, platform or solution to conduct transactional banking activities.
- The positive trend in the major banks' digitally-active clients remained evident in 1H24, with the total number of digitally-active clients increasing by 7.2% compared to 1H23, to 19.2 million (1H23: 17.9 million).
- This trend continues to reflect the evolving nature of customer behaviour, where greater levels of day-to-day banking take place online and on mobile and digital channels, increasing convenience and ease of access to banking.

B

Appendix: Key banking statistics – 1H24

Key banking statistics – 1H24 *(Restatements are not taken into account in comparative periods where they are not considered significant)*

R'millions

	ABG				FSR				NED				SBK				Combined/Average			
Balance sheet	**1H24**	**2H23**	**1H23**	**2H22**	**1H24**	**2H23**	**1H23**	**2H22**	**1H24**	**2H23**	**1H23**	**2H22**	**1H24**	**2H23**	**1H23**	**2H22**	**1H24**	**2H23**	**1H23**	**2H22**
Gross loans and advances	1,358,983	1,320,923	1,299,583	1,258,288	1,665,706	1,654,812	1,590,447	1,495,883	953,586	921,221	943,260	909,374	1,682,632	1,671,943	1,626,496	1,558,406	5,660,907	5,568,899	5,459,786	5,221,951
Total deposits	1,395,345	1,339,536	1,323,746	1,241,918	2,003,151	1,978,278	1,923,103	1,793,318	1,119,539	1,087,645	1,086,241	1,039,622	2,035,456	2,025,518	1,995,702	1,911,076	6,553,491	6,430,977	6,328,792	5,985,934
Loan-to-deposit ratio	97.4%	98.6%	98.2%	101.3%	83.2%	83.6%	82.7%	83.4%	85.2%	84.7%	86.8%	87.5%	82.7%	82.5%	81.5%	81.5%	86.4%	86.6%	86.3%	87.2%
Profit and loss analysis																				
Net interest income	35,310	34,858	33,069	31,880	41,944	41,510	39,777	36,659	20,784	21,176	20,294	19,073	50,425	50,549	46,946	43,731	148,463	148,093	140,086	131,343
Non-interesting revenue	18,398	17,753	18,850	18,532	32,684	25,824	27,869	25,975	14,375	14,312	13,397	13,643	26,926	28,349	29,340	25,702	92,383	86,238	89,456	83,852
Operating income	53,708	52,611	51,919	50,412	74,628	67,334	67,646	62,634	35,159	35,488	33,691	32,716	77,351	78,898	76,286	69,433	240,846	234,331	229,542	215,195
Operating expenses	-28,326	-28,212	-26,255	-25,611	-39,910	-34,821	-35,460	-31,969	-19,775	-19,830	-18,229	-18,371	-38,406	-41,642	-38,080	-36,509	-126,417	-124,505	-118,024	-112,460
Pre-provision operating profit	25,382	24,399	25,664	24,801	34,718	32,513	32,186	30,665	15,384	15,658	15,462	14,345	38,945	37,256	38,206	32,924	114,429	109,826	111,518	102,735
Bad debt charge	-8,309	-7,255	-8,280	-8,527	-6,151	-6,404	-5,941	-5,008	-4,662	-4,292	-5,313	-3,991	-7,979	-6,873	-9,389	-7,384	-27,101	-24,824	-28,923	-24,910
Other	-1,959	-1,039	-1,084	-1,192	-3,770	1,687	-717	-74	55	-17,289	206	65	-24,182	-697	-394	-1,434	-29,856	-17,338	-1,989	-2,635
Direct tax	-3,600	-3,513	-4,174	-3,702	-5,004	-6,837	-5,735	-6,437	-2,114	-2,180	-2,252	-2,142	-6,784	-6,408	-6,311	-5,394	-17,502	-18,938	-18,472	-17,675
Headline earnings	10,180	10,211	10,715	9,837	18,919	19,135	18,668	18,032	7,911	8,321	7,329	7,396	19,792	20,122	18,720	16,446	56,802	57,789	55,432	51,711
Key ratios (six month recalculated ratios)																				
ROE	14.0%	14.9%	15.7%	15.3%	19.6%	20.6%	20.6%	21.6%	15.0%	16.0%	14.2%	14.6%	19.0%	20.0%	19.0%	17.5%	16.9%	17.9%	17.4%	17.3%
Cost-to-income	52.7%	53.6%	50.6%	50.8%	55.3%	49.9%	52.5%	50.3%	55.3%	54.9%	52.9%	55.5%	49.7%	52.9%	49.9%	52.3%	53.3%	52.8%	51.5%	52.2%
Credit loss ratio (CLR)	1.2%	1.1%	1.3%	1.0%	0.8%	0.8%	0.8%	0.7%	1.0%	1.0%	1.2%	0.9%	0.9%	1.0%	1.0%	0.8%	1.0%	1.0%	1.1%	0.9%
Net interest margin (NIM)	4.7%	4.7%	4.6%	4.6%	4.5%	4.5%	4.6%	4.4%	4.1%	4.2%	4.2%	4.0%	5.0%	5.0%	4.9%	4.7%	4.6%	4.6%	4.6%	4.4%
Capital ratios (six month recalculated ratios)																				
CET 1	12.7%	12.0%	13.0%	12.5%	13.7%	13.3%	13.2%	13.2%	13.3%	13.7%	13.3%	14.5%	13.5%	14.0%	13.4%	13.3%	13.3%	13.3%	13.2%	13.4%
Tier 1	14.6%	13.7%	14.7%	14.0%	14.7%	14.1%	13.8%	16.0%	14.7%	15.1%	14.9%	15.9%	14.7%	15.5%	14.5%	14.2%	14.7%	14.6%	14.5%	15.0%
Total CAR	15.9%	15.4%	16.2%	16.2%	16.1%	15.9%	15.6%	16.0%	16.6%	16.7%	17.1%	18.5%	16.6%	17.6%	16.4%	16.4%	16.3%	16.4%	16.3%	16.8%

ABG – Absa Group Limited | **FSR** – FirstRand Limited | **NED** – Nedbank Limited | **SBK** – Standard Bank Group Limited ('Banking')

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Appendix: PwC's recent thought leadership

2024 Directors Remuneration and Trends Report

Our 2024 Directors Remuneration and Trends Report presents our analysis of executive and non-executive directors' remuneration data from the Johannesburg Stock Exchange (JSE) Top 200 companies. It outlines current remuneration trends and provides valuable market insights.

The report provides a snapshot of executive director pay outcomes, total guaranteed pay (TGP), short-term incentive (STI) and long-term incentive (LTI) outcomes, and total remuneration (TR), as well as remuneration voting insights and trends.

For non-executive directors, our report analyses the proposed fees paid per role for chairperson, deputy chairperson, lead independent director, and board member.

PwC's Global Workforce Hopes and Fears Survey 2024 - African Perspectives

PwC's Global Workforce Hopes and Fears Survey 2024 – African Perspectives highlights the African workforce's struggle with the rationale and pace of workplace transformation. Workers report feeling overwhelmed by rapid changes and express concerns about increased workloads and shifts in team dynamics and daily responsibilities. Despite these challenges, employees are increasingly ready to engage with and embrace change and disruption. Employers should seize this opportunity as they prepare for workplace transformation.

The report analyses responses from 2,000 participants across South Africa, Kenya, Morocco, Algeria and Nigeria who contributed to PwC's 2024 Global Workforce Hopes and Fears Survey. The findings reveal a diverse landscape of challenges and opportunities in the African workforce.

Building resilience for severe but plausible scenarios

In July 2024, a widespread IT outage halted operations across various sectors worldwide, underscoring a fundamental truth: while the digital age has been transformative, it comes with risks that can impact even the most well-prepared organisations.

This incident highlighted how a cybersecurity measure designed to fortify defences paradoxically triggered widespread outages. It is a stark reminder that resilience must extend beyond individual solutions to encompass an enterprise-wide approach to safeguarding critical assets.

This report shares PwC South Africa's perspective on building resilience for severe but plausible scenarios. We offer insights and recommend actions for organisations seeking to enhance their resilience in the face of unforeseen disruptions, including IT system failures and third-party dependencies.

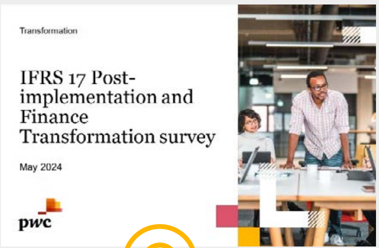
Next in banking and capital markets 2024: Turn uncertainty into opportunity

Using disruption to create a focused and simpler bank: Leadership is tested in adversity, and there's no shortage of that in today's challenging banking environment. Performance is under pressure from both external forces and internal complexity that compounds challenges. It's becoming clear that if banks simultaneously want to improve financial performance, harness technology, and seize growth opportunities, they will need a different operating model.

The current uncertainty is a time to focus on defining what sets your bank apart and simplifying your operations to support your unique advantages.

This report explores pivotal trends falling into the following categories:

- Anticipate regulatory action
- Deliver financial performance
- Accelerate technology transitions
- Embrace responsible GenAI
- Address climate transition.

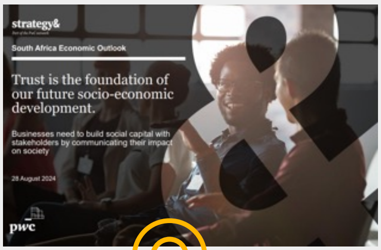


IFRS 17 Post-implementation and Finance Transformation survey 2024

To gain a deeper understanding of the key themes emerging from the IFRS 17 post-implementation process and broader finance transformation, PwC surveyed seventeen insurers across the globe.

Our research confirms that implementing IFRS 17 is just one step in the transformation agenda of insurers' finance functions, and more is expected to come over the next five years. The survey findings highlight that IFRS 17 implementation projects have positively impacted finance functions.

These survey results may help insurers and other stakeholders gain insight into the implications of IFRS 17 on their finance and actuarial functions, as well as new finance transformation initiatives.



South Africa Economic Outlook 2024: August 2024

Trust plays a pivotal role in economic development as it fosters cooperation, reduces transaction costs, and encourages investment and innovation. When people trust one another, they engage in mutually beneficial exchanges, leading to economic growth and development. There is a strong positive relationship between trust and measurements of prosperity.

Six out of ten South Africans trust the business sector to do the right thing, according to the Edelman Trust Barometer 2024. However, South Africans' overall trust levels are only a third as strong as the top-performing countries globally, according to the World Values Survey (WVS). Increased interpersonal trust could have an outsized positive impact on South Africa's economic productivity. According to our estimates, South Africa's productivity could increase by up to 27.1% if societal trust rises to a level similar to that seen in countries with the highest levels of trust.

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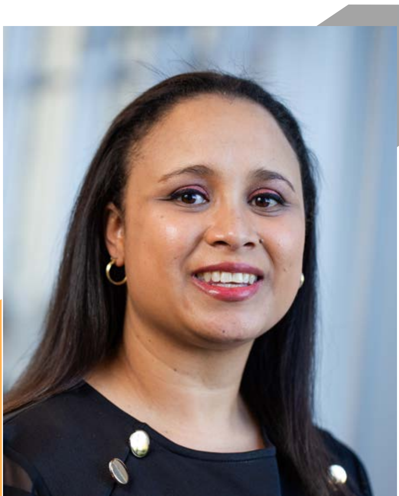

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