Measured momentum

South Africa – Major Banks Analysis

PwC's analysis of major banks' results reported during the first half of 2026

September 2026

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About this publication

PwC's **Major Banks Analysis** highlights key themes from the combined local currency results of Absa, Capitec, FirstRand, Investec (Investec Limited excluding results of Investec Plc), Nedbank, and Standard Bank based on published results reported during the first half of 2026. We also reflect on the common strategic themes shared by South African banks.

The South African operations of the major banks included in our analysis account for the majority of total banking sector assets in South Africa.

- This analysis was prepared from publicly available information reported during the first half of 2026.
- 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 to account for the different reporting periods of the banks included in this analysis. All information is reconcilable to published financial information.
- Where applicable, amounts and ratios are based on 'banking activities' only, as contained in the respective entities' published information.

The following methodology notes apply to this analysis:

The information contained in this publication is provided for general information purposes only and does not constitute the provision of legal or professional advice in any way. Before making any decision or taking any action, a professional adviser should be consulted. No responsibility for loss to any person who acts or refrains from action as a result of any material in this publication can be accepted by the author, copyright owner or publisher.

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Measured momentum

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South Africa's major banks delivered resilient earnings as a promising domestic recovery met renewed inflation, geopolitical disruption, and a more demanding competitive cycle.

- Combined headline earnings growth of 9.3% against 1H25 to R82.3bn
- Combined *#return on equity (ROE) of 20.5% (1H25: 19.9%)
- **#Net interest margin of 474bps (1H25: 472bps)
- #Credit loss ratio of 199bps (1H25: 185bps)
- #Cost-to-income ratio of 49.6% (1H25: 50.6%)
- Common equity tier 1 (CET1) ratio of 16.3% (1H25: 17.7%)

*Excluding Investec | **Excluding Capitec and Investec |
#Based on normalised results as published by the relevant entities, where applicable

"The first half of 2026 tested the banks' ability to adapt as the expected benefits of lower inflation and interest rates gave way to a more uncertain and complex global environment. Overall, these results were not driven by a single earnings engine but instead reflected the portfolio benefits of diversification across products, sectors, and geographies. A retail recovery, business and wholesale banking momentum, market activity, disciplined cost control, and strategic portfolio choices all contributed in different measure. That breadth, coupled with discerning management actions amid a fast-moving operating environment, are important features of the sector's resilience.

Rivaan Roopnarain
PwC South Africa Banking and Capital Markets Assurance Leader

The results for this period highlight several key strategic themes, outlined below:

- **Client relationships remain the primary competitive battleground.** Competition continues to intensify across retail, business, and corporate banking. Digital activity and transaction volumes increased, while operating models moved closer to customer segments and relationship accountability. The strategic objective is clear: use data, distribution, and product breadth to deliver simpler, more relevant experiences and deepen cross-selling across banking, payments, insurance, and investment propositions. Digital convenience will dominate routine customer servicing. However, trusted human judgement, particularly in a South African context, remains important at moments of complexity, financial stress, issue resolution and high-value decision-making.
- **Payments, merchant services, and adjacent businesses are becoming growth engines.** Payments support fee income, deposits and data-rich client relationships. Merchant services, acquiring capabilities and selected adjacent businesses are receiving greater investment, including through partnerships and acquisitions. The prize is not simply transaction revenue. It is a deeper position in the client's operating flow and financial ecosystem, with opportunities spanning working-capital finance, insurance, value-added services, and analytics. As real-time and embedded payments evolve, the contest is increasingly for the primary relationship rather than ownership of individual products. The South African Reserve Bank's (SARB's) Payments Ecosystem Modernisation Programme aims to make digital payments fast, simple, inclusive, and secure. Developments in this ecosystem are likely to drive competition, including from non-bank financial services players, to consumers benefit.
- **AI is moving from experimentation to enterprise execution.** Consistent with global trends, the major banks are extending AI and intelligent automation into client engagement, fraud management, credit decisioning, software development, and employee productivity. The strongest message coming out of this results period is not the number of AI and automation use cases, but the need to convert technology investment into improved client outcomes, revenue opportunities, faster decisions, and sustainable efficiency. Cloud migration, modern data architecture, improved data quality, effective governance and controls, and investment in employee skills remain fundamental building blocks for organisations seeking to scale AI capabilities safely and realise value from their AI investments.

AI is moving quickly into the operating fabric of banking. Its value will be determined by how well it is embedded into end-to-end processes, underpinned by trusted data, strong governance and controls, explainability, accountability, and effective human oversight. While AI adoption continues to accelerate, many banks continue to refine how they measure and realise value from these investments. Ultimately, the banks that will realise the greatest benefit from AI are those that combine the technology with deep knowledge of their customers and markets, and the expertise of their people, to improve decision-making, enhance customer outcomes, and strengthen risk management.

Yusuf Bismilla
PwC South Africa Technology Partner

- **Operating models are being redesigned around clients, productivity and AI.** Customer-segment structures, clearer accountability, simplified processes, and targeted portfolio actions featured prominently in the period. Some banks are reorganising existing franchises; others are integrating acquired payments, fleet, merchant, and regional capabilities. These moves are intended to improve cross-selling and decision-making, but they also raise the execution bar. Ultimately, value will depend on disciplined integration, removal of duplication and measurable productivity, not organisational change alone.
- **Wholesale and business banking remain balance sheet anchors.** Corporate balance sheets remained relatively healthy, while infrastructure needs across energy, transport, logistics, water, and telecommunications created funding and advisory opportunities for the major banks. Accordingly, corporate and investment banking businesses benefited from improving deal flow, trade finance, and demand for foreign-exchange, commodity, and other risk-management solutions. Business banking also showed stronger momentum as transactional and lending propositions became more integrated.
- **Consumer recovery was interrupted, not extinguished.** Lower rates and moderating inflation had begun to support household affordability, with pockets of improved activity in cards, vehicle finance, home loans, payments, and insurance. Higher fuel and transport costs slowed that progress. The results nevertheless showed the value of disciplined origination, proactive collections, and targeted risk appetite. The consumer outlook is likely to remain uneven by income group and product, making granular portfolio management more important.

- **Pan-African diversification remains compelling, but uneven.** Operations outside South Africa provides access to faster-growing markets, expanding financial-services demand, and favourable demographics. The results in this period also illustrated different routes to regional growth, which span organic investment, customer-segment operating models, partnerships, and selective acquisitions. Currency translation, sovereign risk, liquidity constraints, and differing rate cycles will continue to create volatility for African operations. Diversification is therefore a strategic advantage, but not a guarantee of uniform growth in every reporting period. Where acquisitions are made, they demand a deliberate approach to integration that preserves entrepreneurial agility, local market insight, and customer relationships that made the acquired business valuable in the first place. Heavy-handed integration, imposed structures, or a rush to standardise can erode innovation, local relationships and knowledge, as well as the growth trajectory, that justified the deal.
- **Capital strength creates strategic choice.** Capital and liquidity remained comfortably above regulatory requirements, preserving capacity to support organic growth, invest in technology, return capital to shareholders, and pursue selective acquisitions or partnerships. This flexibility matters as banks absorb regulatory reform, modernise technology and compete for growth without weakening their resilience.

02

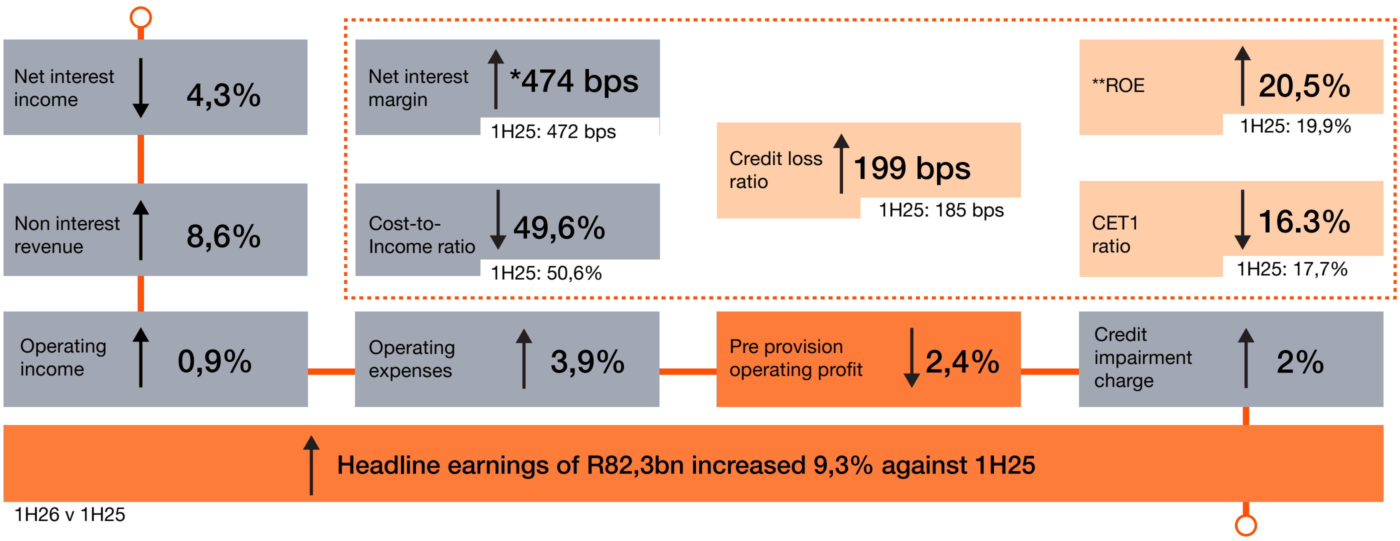
Summary of results

Summary of results

South Africa entered 2026 with improving momentum. More reliable electricity supply, progress in logistics reform, a more credible fiscal trajectory, and favourable sovereign rating actions had begun to strengthen confidence. That recovery proved fragile. **As noted by Stats SA**, the economy contracted by 0.2% in the second quarter after expanding 0.4% in the first, with trade, manufacturing, and mining – engines of our economy – among the primary drags. Household consumption nevertheless remained positive, highlighting the contrast between resilient consumer activity and challenges in several productive sectors of the economy.

The global backdrop also changed sharply. Conflict in the Middle East disrupted energy markets, lifted fuel costs, and revived inflationary pressure. South African inflation reached 5.0% in June before moderating to 4.3% in July. The SARB increased the policy rate by 25 basis points to 7.0% in May and held it there in July, interrupting expectations of continued monetary easing.

These crosscurrents created a challenging earnings environment for South Africa's major banks. Lower average interest rates moderated endowment income on capital and transactional deposits, while the subsequent rate increase renewed pressure on affordability at the customer level. Nonetheless, the results showed positive underlying momentum, supported by different combinations of retail recovery, business and wholesale banking activity, trading and market revenues, cost discipline, and credit performance, offset by institution-specific factors.



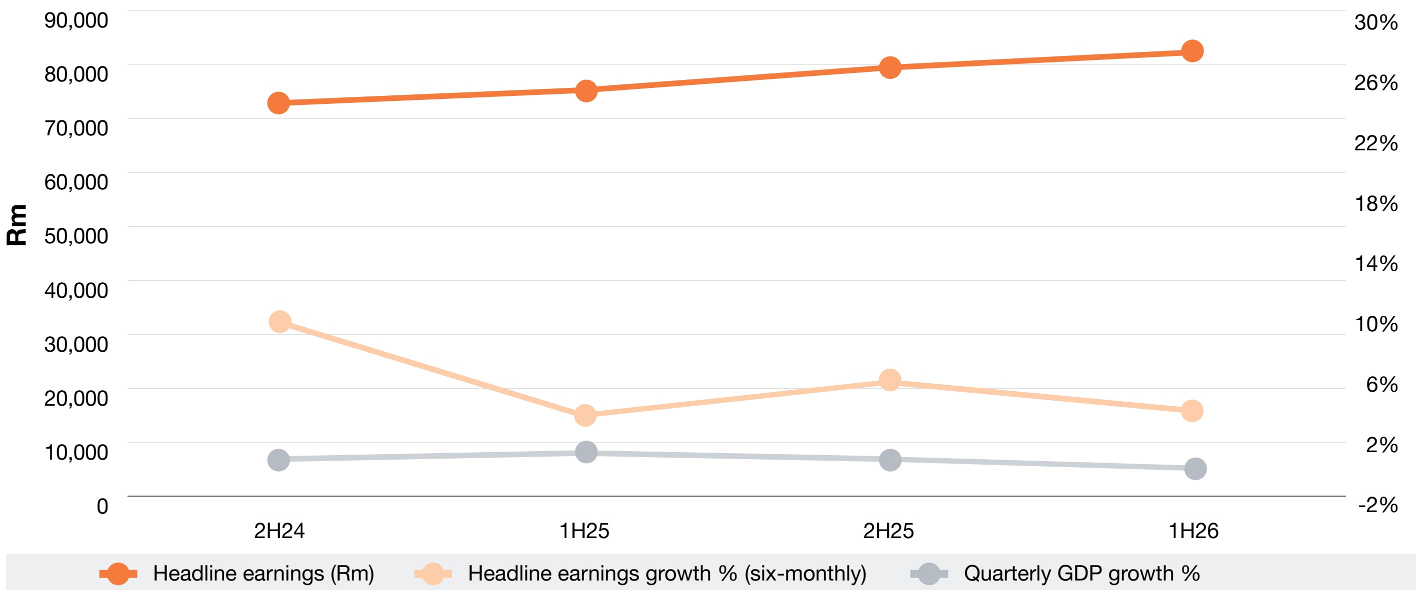
*Excluding Capitec and Investec | **Excluding Investec | All ratios based on normalised results as published by the relevant entities, where applicable

> South Africa's major banks continue to demonstrate financial strength, but their wider role is equally important. They mobilise capital, support infrastructure development, enable trade, and help clients manage risk across the continent. The long-term African opportunity remains compelling, and those institutions that combine scale with disciplined execution and deeper client relevance will be best positioned to capture it.

Costa Natsas
PwC Africa Financial Services Leader

- **Headline earnings:** Combined headline earnings increased 9.3% against 1H25 to R82.3bn, but the composition of growth differed. Some of the major bank results reflected stronger retail and business banking contributions, while wholesale activity, trading income, and improved credit outcomes were more prominent for others. Portfolio changes and differing reporting periods also impact comparability. The common thread between the major banks was diversified earnings capacity rather than dependence on a single driver.

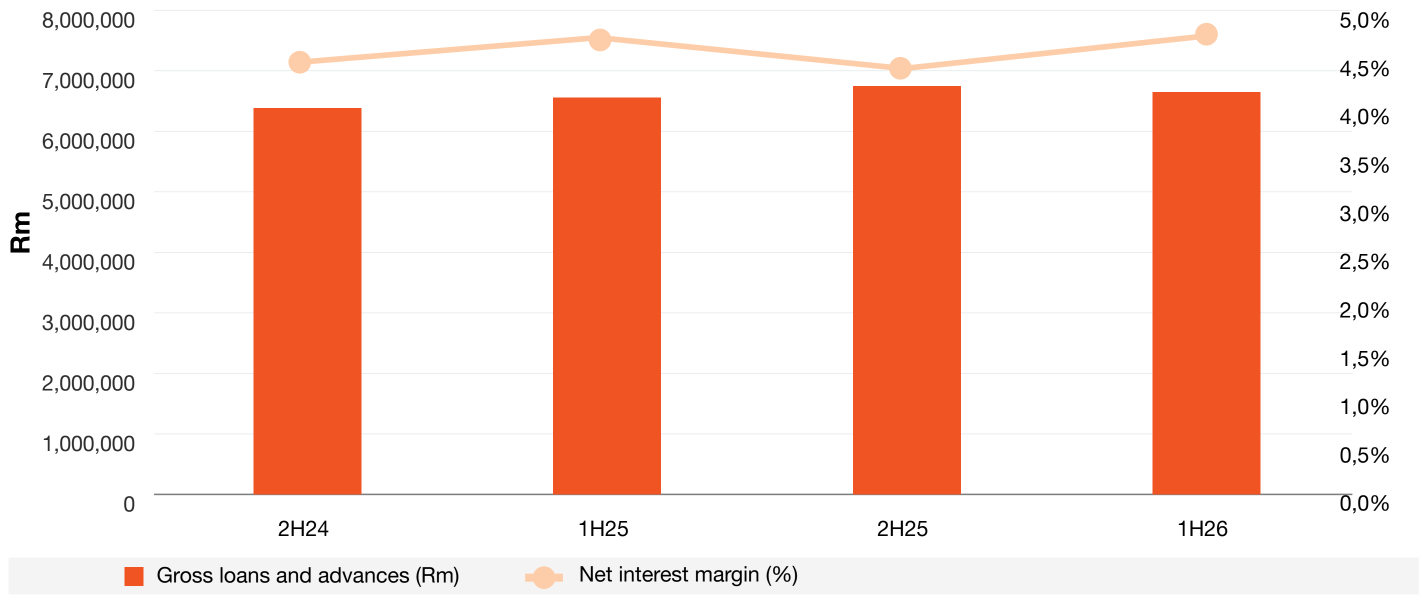
Figure 1: GDP and headline earnings growth



Source: Stats SA, PwC analysis

Revenue and margins: Net interest income fell 4.3% against 1H25 given pressure from lower average rates and competitive deposit pricing. Non-interest revenue (which grew 8.6% against 1H25) was an important counterweight, supported by transactional activity, payments, insurance, merchant services, origination, and client-driven markets income. This robust revenue mix reinforces the strategic importance of capital-light revenues alongside traditional lending activity.

Figure 2: Net interest margin

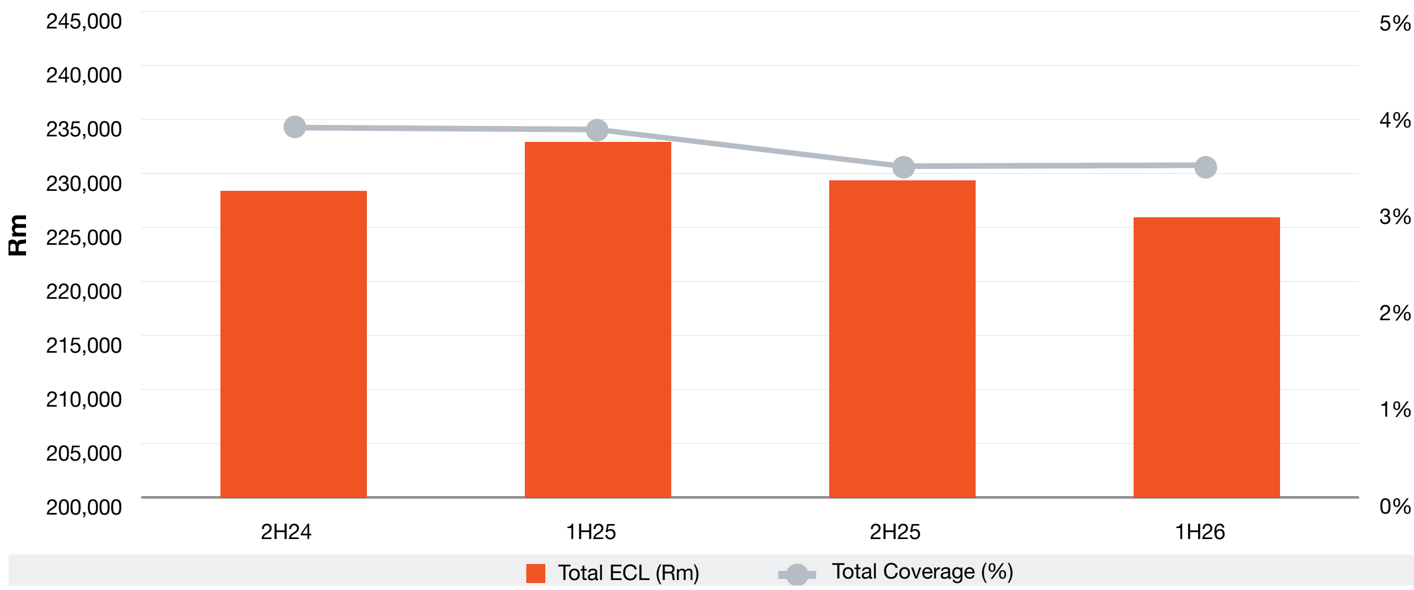


Source: PwC analysis
*Excluding Capitec and Investec

- **Loan formation and deposits:** Corporate and commercial lending showed improving momentum as deal pipelines converted across infrastructure, energy, telecommunications, trade, and other productive sectors. Retail growth was more selective. Deposit franchises remained resilient across transactional, cash-management, and investment products. These relationships matter not only for funding and liquidity, but also as the foundation for payments and wider client ecosystem participation.

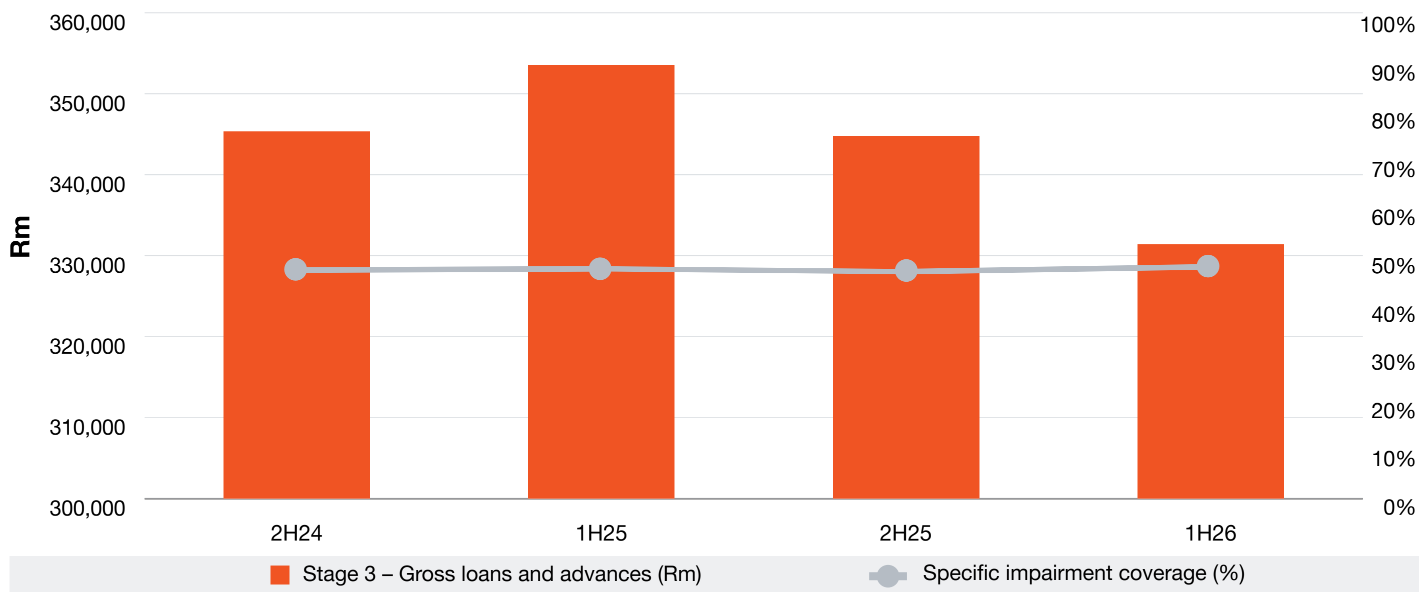
- **Credit quality:** Credit outcomes remained manageable but increasingly differentiated across portfolios. Corporate portfolios generally benefited from healthy balance sheets, cures, and recoveries. Retail outcomes reflected household pressure, portfolio mix impacts, and the timing of risk actions. Proactive collections, disciplined origination, and early-warning capabilities remain central. With inflation and rates changing direction, payment behaviour and early-stage arrears will be important indicators. The combined credit loss ratio of the major banks was reported at 199 bps (1H25: 185 bps), with relative differentiation across individual portfolios and banks reflecting differences in portfolio composition, geographic exposure, and the timing of recoveries and specific charges. Although inflation moderated in July, consumer confidence weakened and the SARB continues to highlight downside risks to household consumption and investment. **As noted in the TransUnion Q1-2026 Industry Insights report**, "South African consumers are reshaping how they access and use credit as affordability pressures persist. The report's findings show that credit demand remained resilient, but diverging risk dynamics are increasingly evident across products and providers. Consumers are relying more heavily on existing credit facilities while also shifting toward more accessible lending options that are typically employed by higher risk borrowers to manage short-term liquidity needs."

Figure 3: Expected credit loss (ECL) build-up



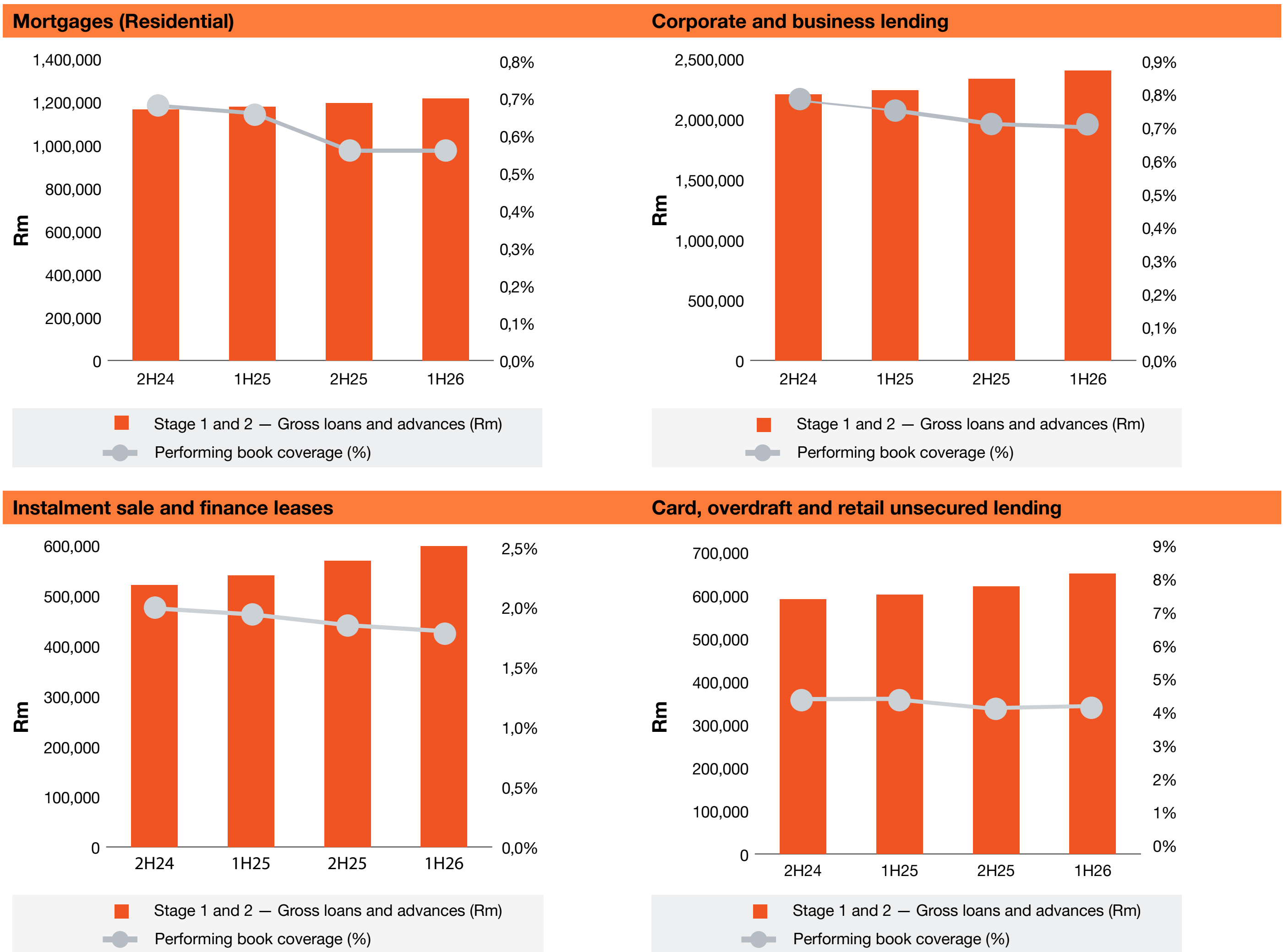
Source: PwC analysis

Figure 4: Non-performing loan (stage 3) coverage



Source: PwC analysis

Figure 5: Performing portfolio coverage



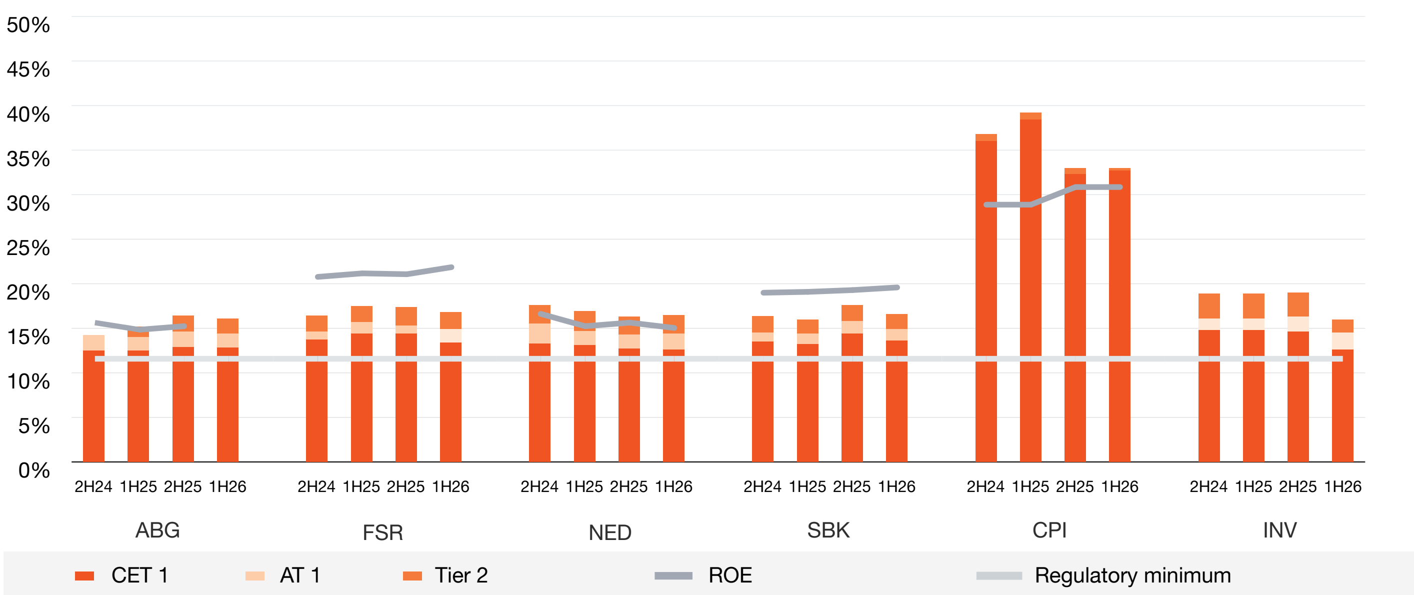
- **Costs and producticity:** Costs and productivity: Cost growth reflected salary adjustments, specialist skills, and continued investment in technology, data, cybersecurity, and cloud capacity. The period also included spending on new operating models, client propositions, and acquired capabilities. Cost management should therefore be judged not only through cost-to-income ratios, but also through the ability to fund growth, simplify operations, and deliver measurable productivity.

Figure 6: Operating expenses, cost-to-income ratio and headcount

Source: PwC analysis

- **Capital and liquidity:** Capital strength continues to provide banks with strategic options, but the differentiator is increasingly capital allocation discipline. This ensures that investments in technology, client acquisition, acquisitions and growth initiatives translate into sustainable returns and measurable shareholder value. The sector is simultaneously absorbing a demanding regulatory agenda, including resolution-related requirements and the transition from JIBAR to ZARONIA.

Figure 7: ROE and regulatory capital levels



Source: PwC analysis
*Excluding Investec

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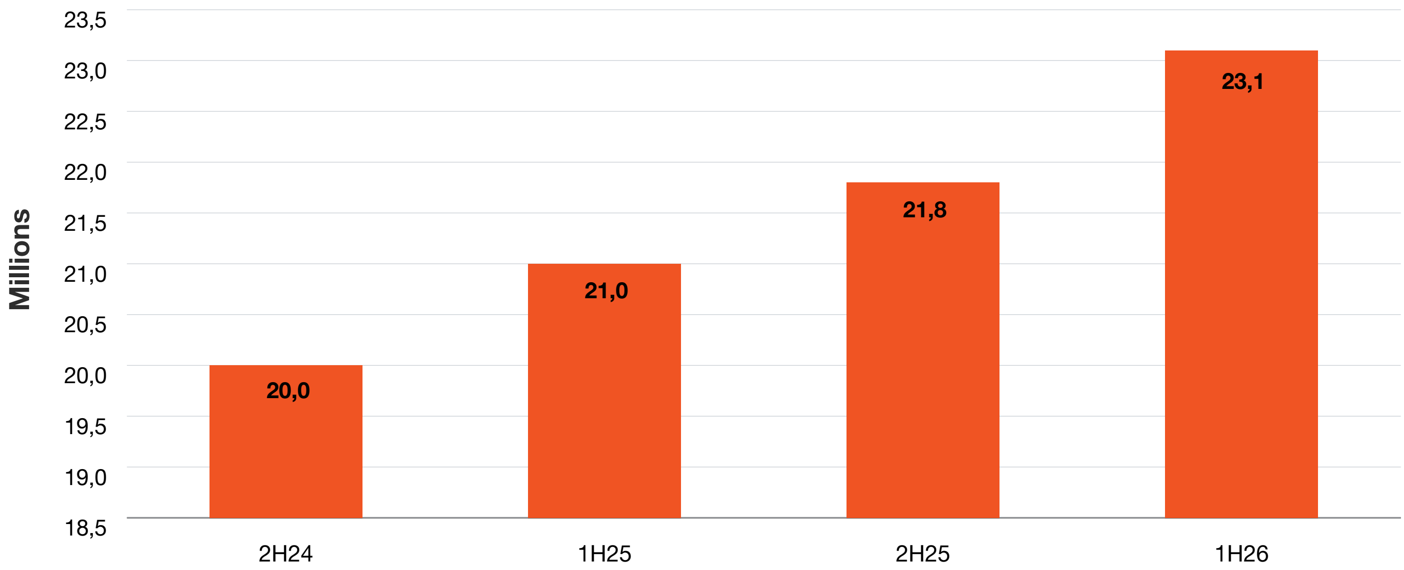
The South African banking sector is actively reshaping how it grows. Client-segment operating models, merchant and payment capabilities, selective acquisitions, technology modernisation, and regional expansion all point to more connected and diversified sources of value. The next phase will be judged less by the initiatives announced and more by the client, commercial, and productivity outcomes they produce.

Francois Prinsloo
PwC Africa Banking and Capital Markets Leader

- **From digital adoption to measurable value:** Digital transformation is increasingly embedded in banks' core businesses rather than managed as a separate programme. The focus is shifting from channel migration and technology deployment towards commercial outcomes: deeper primary relationships, faster service, better fraud prevention, more effective credit decisions, and lower unit costs. Banking is likely to become more digital and more human at the same time. Routine interactions will continue to migrate to self-service and AI-assisted channels, while personal expertise becomes more valuable in complex advice, business banking, fraud disputes, issue resolution, and financial distress. We think the winning model will not choose between digital scale and human trust but will combine them deliberately. For that reason and others, we see a race towards using front-facing client applications to house all products, services, rewards and other elements in one simplified application channel.

Figure 8: Digitally-active clients



Source: PwC analysis
*Excluding Capitec and Investec

- **Infrastructure, sustainability and regional growth:** Africa's infrastructure needs remain a significant commercial opportunity. Energy generation and transmission, transport, water, telecommunications, and digital infrastructure require long-term capital and sophisticated risk allocation. Sustainable finance is therefore evolving from a reporting obligation into a mainstream banking opportunity spanning origination, advisory, syndication, and the mobilisation of institutional capital. Regional expansion offers additional growth but requires selectivity. Local partnerships and targeted acquisitions can provide distribution, market knowledge, and existing customer relationships, while reducing the execution risk of greenfield expansion. The trade-offs are equally clear: regulatory fragmentation, capital constraints, currency volatility, and integration complexity are permanent features of pan-African banking, not temporary entry costs.

03

Outlook

Outlook

South Africa's second-quarter GDP contraction confirmed that the recovery is vulnerable, even as household consumption remained positive and the finance sector continued to grow. Structural reform, improved electricity availability, and fiscal credibility provide a better foundation than in recent years, but weak fixed investment, municipal constraints, and global uncertainty continue to limit momentum.

East Africa remains the continent's fastest growing region, supported by resilient private sector consumption, increased public and private investment, stronger agricultural production and a continuously growing services sector. Growth in East Africa is expected to moderate in 2026 as higher energy prices, geopolitical tensions, and tighter global financial conditions weigh on economic activity. Meanwhile, West Africa's regional economic growth is projected to reach between 4.2% and 4.7% in 2026, supported by robust agricultural output, ongoing domestic policy reforms, and expanding energy and hydrocarbon projects. That growth remains susceptible to macroeconomic developments.

For banks, the consequences of the rate cycle are mixed. Higher rates can support margins and endowment income, but they can also weaken affordability, slow credit demand, and increase impairment risk. Market volatility can stimulate risk management and trading activity while delaying capital formation and corporate investment. Stronger business pipelines, selective retail growth, payments, insurance, and the integration of new capabilities nevertheless continue to provide multiple routes to earnings growth.

The results reported by South African major banks for the first half of 2026 tell a coherent story. Earnings remained resilient. Revenue sources continue to be diverse and strong capital and liquidity remain a core feature of our banking sector. Technology investment is moving towards measurable value. Changes to operating-models, investment in payments capabilities, acquisitions, and regional strategies showed how management teams were positioning their franchises for a more integrated, data-driven and competitive market.

But resilience alone will not define the next competitive cycle.

Banks will differentiate themselves by using digital activity and AI to deepen, human-led relationships, demonstrating sustainable returns from AI and strengthening resilience against evolving cyber and fraud risks. South Africa's major banks remain in a position of strength. The defining question is whether they can convert that strength into simpler client experiences, higher productivity, and more durable growth.

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Appendix: A

Key banking statistics – 1H26

Key banking statistics – 1H26

R'millions

	Combined / Average			
Balance sheet	**1H26**	**2H25**	**1H25**	**2H24**
Gross loans and advances	6,646,457	6,749,583	6,559,252	6,382,425
Total deposits	8,144,953	8,274,709	7,920,268	7,634,460
Loan-to-deposit ratio	81.6%	81.6%	82.8%	83.6%
Profit and loss analysis				
Net interest income	163,707	178,512	171,152	167,120
Non-interest revenue	124,744	119,680	114,839	110,433
Operating income	**288,451**	**298,192**	**285,991**	**277,553**
Operating expenses	-153,660	-153,908	-147,861	-142,910
Pre-provision operating profit	**134,791**	**144,284**	**138,130**	**134,643**
Bad debt charge	-31,293	-27,462	-30,687	-27,756
Other	-2,056	-11,877	-5,235	21,927
Direct tax	-24,100	-27,703	-23,059	-25,297
Headline earnings	82,257	79,424	75,256	72,854
Key ratios				
ROE	20.5%	20.4%	19.9%	20.2%
Cost-to-income	49.6%	50.7%	50.6%	49.9%
Credit loss ratio (CLR)	2.0%	1.8%	1.9%	1.8%
Net interest margin (NIM)	4.7%	4.4%	4.7%	4.5%
Capital ratios				
CET 1	16.3%	16.9%	17.7%	17.3%
Tier 1	17.6%	18.1%	18.9%	18.5%
Total CAR	16.7%	17.4%	18.0%	17.9%

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Appendix: B

PwC’s recent thought leadership

Decoding ROI from AI in Africa

PwC's AI performance study disruption through strategic reinvention

African business leaders have learned to make strategic decisions under constraints. Capital constraints, infrastructure gaps, skills scarcity, currency volatility, and the need to protect fragile operating performance have made building resilience a business imperative. As AI reshapes competition, companies with higher AI fitness are realising outsized returns, which may widen the gap in market leadership and profitability over time. In today's business environment, African CEOs cannot afford to let constraints slow reinvention, as delay may limit their ability to compete for emerging sources of growth.

PwC's AI performance study shows the companies seeing the biggest returns from AI are not simply chasing improved productivity or cost savings. They are making bold decisions, using AI to drive growth and new value creation. The study surveyed 1,217 large companies globally, including 85 in Africa, and found that the top 20% capture 74% of AI-driven financial returns. The highest performers do three things consistently: they aim AI at growth and reinvention, build fit-for-purpose foundations, and embed AI across the enterprise.

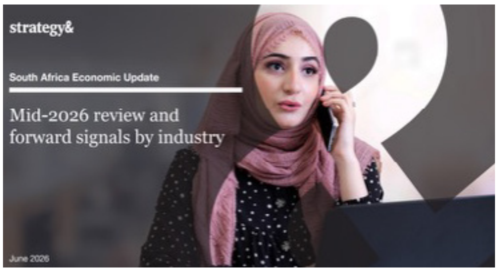
African Furures 2027

New and Native

The past isn't behind us. It's woven into the systems we build, the economies we shape, and the futures we set in motion.

African Futures 2027: New and Native explores how value is in motion across Africa. As legacy systems meet new technologies, informal networks intersect with formal structures, and established models are reimagined. Through insights, storytelling, and future scenarios, the report identifies eight patterns shaping Africa's next chapter of growth, resilience, and reinvention:

- **The legacy of scarcity:** In volatile markets, the competitive edge belongs to organisations that build adaptability into their business models and turn uncertainty into advantage.
- **The shadow price of transparency:** Transparency only creates progress when it is designed to build trust, empower action, and avoid the paralysis that comes from constant scrutiny.
- **The rise of Africa intelligence:** As AI reshapes industries, Africa has an opportunity to integrate local languages, ethics, and indigenous knowledge into technology that reflects its people and realities.
- **The dawn of decentralisation:** As centralised systems come under pressure, decentralised energy, finance, connectivity, and community-led networks are creating more adaptive, resilient, and regenerative ways of operating.
- **Tangled tapestry:** Modernisation is not about erasing legacy systems, but reworking what still matters into more agile, integrated, and future-ready business models.
- **The sweet spot:** The opportunity lies in hybrid models that learn from the speed, trust, and adaptability of informal economies while creating structures that enable inclusion and growth.
- **The road they never chose:** Successful transformation is built with people, not for them. Co-created change turns resistance into ownership and helps new systems take root.
- **The future of work quit yesterday:** The traditional nine-to-five is giving way to more flexible, purpose-led, and outcome-driven ways of working.

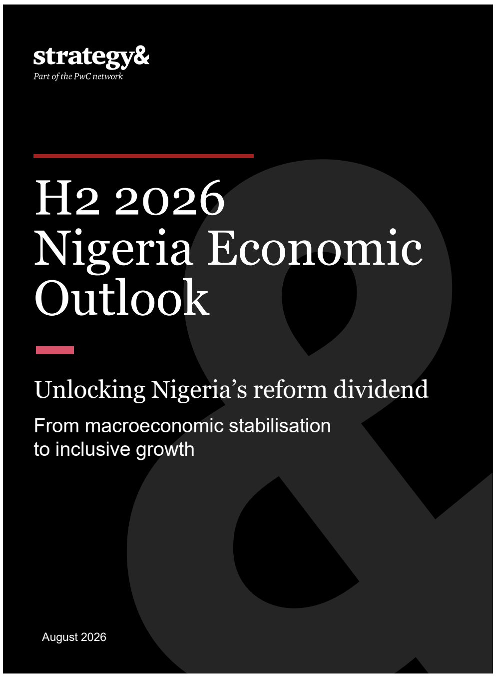


South Africa Economic Outlook

PwC's AI performance study disruption through strategic reinvention

South Africa's economy remains on a recovery path in 2026 but rising global pressures and cost dynamics are slowing momentum and reshaping the outlook for the months ahead. PwC's latest mid-year economic update provides a clear view of the opportunities and risks shaping the business environment, helping leaders translate macroeconomic and geopolitical developments into informed decisions.

This update is designed to help South African businesses and investors navigate a shifting landscape. By understanding the interplay between domestic resilience and external shocks, organisations can better position themselves for the months ahead. PwC's insights provide a foundation for strategic planning, risk management, and capital allocation in a higher-for-longer interest rate environment.



Nigeria Economic Outlookecoding ROI from AI in Africa

Unlocking Nigeria's reform dividend

PwC Nigeria's H2 2026 Economic Outlook examines Nigeria's economic performance in the first half of the year and the next phase of the country's reform journey. Macroeconomic conditions have continued to improve, supported by greater foreign-exchange stability, moderating inflation, stronger external reserves, higher revenue mobilisation and increased capital inflows. The next step is to translate these gains into stronger household incomes, higher productivity, more jobs, and broader-based economic growth.

The next phase of the reform programme will need to focus on how improved macroeconomic conditions translate into stronger economic outcomes for households and businesses. The Outlook identifies four areas that will be critical to unlocking the reform dividend.

Risk and Regulation Rundown podcast series

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