Solid foundations, challenging conditions

South Africa – Major Banks Analysis

PwC's analysis of major banks' results for the reporting period ended 31 December 2023

March 2024

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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 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 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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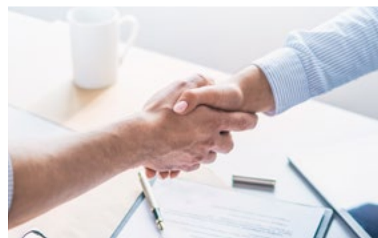
Content

Solid foundations, challenging conditions 4

Summary of results 6

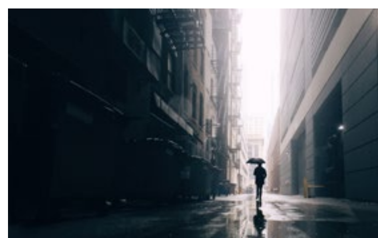
Outlook 9

Appendix A: Analysis of financial results 10



Appendix B: Key banking statistics – FY23 17

Appendix C: PwC's recent thought leadership 18



Contacts 21

Solid foundations, challenging conditions

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The formation of these results — which are enviable by global measures — coupled with solid growth momentum continues to demonstrate the underlying franchise strength of South Africa's major banks. These results demonstrably reflect the positive portfolio effects of a diverse mix of businesses, together with the outcomes of considered strategic decisions taken and refined by management teams within a challenging operating context.

— **Rivaan Roopnarain**, PwC South Africa Banking and Capital Markets Partner

South Africa's major banks registered resilient growth against difficult operating conditions and a complex macroeconomic environment.

- Combined headline earnings growth of 13.8% against FY22 to R113.2bn
- Combined ROE of 17.6% (FY22: 17.1%)
- Net interest margin of 458 bps (FY22: 430 bps)
- Credit loss ratio of 102 bps (FY22: 82 bps
- Cost-to-income ratio of 52.2% (FY22: 53%)
- Common equity tier ratio of 13.2% (FY22: 13.5%)

Key themes observed from this reporting period include:

- **The combination of larger balance sheets, higher interest rates**, strong levels of customer activity and higher transaction volumes underpinned robust revenue growth. In previous reports we highlighted that the favourable endowment effects on interest margins would continue. This materialised in the major banks' FY23 results as market interest rates remained elevated in response to inflation levels.

- **Financial market volatility increased on the back of elevated sovereign risks**, significant movements in African currencies and severe geopolitical tensions. This combination of events sustained resilient demand for risk management products as corporate customers sought to hedge against turbulent foreign exchange, commodity and interest rate markets. Accordingly, the global markets' business units of the major banks benefited from these events.

- **Balance sheet growth** — across both loans and deposits — continued on a purposeful path to record levels, reflecting the many strategic efforts and product decisions by management teams to offer customers convenience and competitive pricing. These included focused efforts to attract new customers, cross-sell and upsell strategies across the full range of financial services products. Accordingly, bank management teams focussed on generating more opportunities for customer activity through increasingly frictionless digital channels.

- **The major banks' key balance sheet metrics remained resilient**, as management teams steered their portfolios of businesses to respond to market and operating dynamics. Prudential measures across capital and liquidity were maintained comfortably in relation to regulatory requirements, while balance sheet provisions grew in response to elevated credit risks in specific sectors and loan portfolios.

- **Risk costs in the form of credit impairment charges increased**, driven by the current economic environment and informed by forward-looking risks in certain rate-sensitive loan portfolios such as home loans. In South Africa, credit impairments increased on a combined basis to the upper ends of "through-the-cycle" levels as credit models reacted to low growth, consumer pressure and the adverse effects of load shedding on South African households and businesses. Beyond South Africa, challenging fiscal positions and sovereign risks intensified in several other African territories in which the major banks operate, generating higher sovereign-related risk costs.

- **The benefits of geographic diversity continued to benefit the major banks through their operations on the continent**. The theme observed at 1H23 of record contributions from their foreign operations (particularly the contributions from their African operations) continued, considerably uplifting group earnings relative to their South African operations. However, the nuances of doing business on the continent were also more acutely visible as political, fiscal, sovereign and currency risks were amplified in several African territories in 2023.

- **In a year of elevated inflationary pressures, a disciplined approach to cost control translated into a new record for the combined cost-to-income ratio of 52.2% (FY22: 53%)**. Key investments continue in talent retention and technology-related spend — consistent with the major banks' strategic initiatives to enhance and digitise customer experiences. The major banks continued to spend to modernise their existing technology infrastructure stacks and to maintain their existing platforms. Several of the banks alluded to transformation programmes to reduce costs whilst enhancing productivity. At the same time, volatile currencies in key African countries played out in translation effects, while higher foreign currency-denominated costs in technology and other areas drove higher operating expenses. These higher costs were however offset by favourable increases in revenues, which led to an overall minor reduction in the cost-to-income ratio.

- **2023 was the inaugural year of the application of IFRS 17**, a new accounting standard dealing with the measurement of insurance contracts which required the restatement of results. While the overall quantitative impact of the standard was largely insignificant measured against the net asset values of the major banks, the operational and technical effort to implement its requirements was demanding.

- **Emerging and rapidly advancing factors such as generative AI**, climate change and complex socio-economic and geopolitical trends all continue to exercise the minds of bank management teams. These factors present both opportunities and risks, with the major banks generally adopting a responsive posture towards each, while maintaining a cautious eye on their varied risk management implications on overall bank strategy.

- **The outlook for 2024 is uncertain and complex**. With the majority of the global population experiencing an election year, there is a wide range of possible outcomes and implications for the global economy, policy decisions and societal impacts. Scenario planning and the need to quickly position their businesses for the effects of global change was highlighted as a key area of focus by management teams in a highly complex and uncertain macro environment.

Summary of results

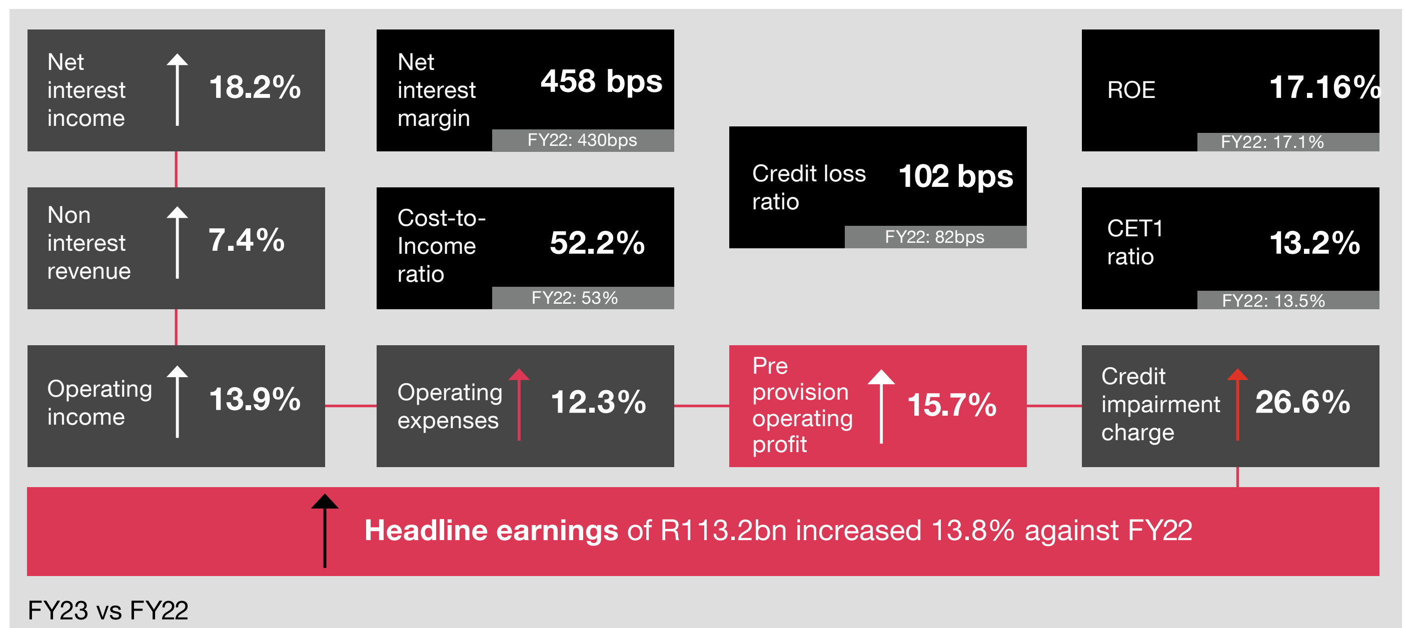
As noted by Stats SA, "South Africa's economy grew by a marginal 0.1% in the fourth quarter [of 2023], taking the annual growth rate for 2024 to 0.6%".

In its February 2024 economic wrap-up report (which comes with the release of various economic indicators for December, and provides final statistics for 2023), *Stats SA further noted*, "The preliminary data point to a lacklustre 2023, with several indicators in the red. Mining production, electricity generation, construction, wholesale trade, retail trade and motor trade were all down in 2023 compared with 2022."

Despite slow growth conditions in South Africa, and the challenging macroeconomic environment that prevailed globally, regionally and domestically throughout 2023, South Africa's major banks' results exhibited their solid operating foundations. Aided by the positive endowment effect of the higher interest rate environment, the major banks continued the performance trajectory observed in the first half of the year, albeit under more difficult trading conditions than may have been anticipated at the start of the year and with the effect of interest rates on impairment charges more visible.

In some of the other large African territories (beyond South Africa), tighter financial conditions, high inflation, debt sustainability issues and foreign exchange volatility remained key focus areas, amplifying several sovereign risk concerns on the continent. Rand results were depressed year-on-year when translating certain foreign currency results during the period.

Notwithstanding these operating conditions, South Africa's major banks continued to demonstrate a combination of clear strategic decisions, strong underlying franchises and disciplined approaches to managing their businesses – all of which supported their financial results for 2023.



These laudable results clearly reflect the portfolio effect of a diverse set of businesses and a balanced mix of earnings. While uncertainties will remain heightened in 2024 — across global, regional and domestic levels — South Africa's major banks have consistently revealed themselves to be responsive, resilient and growingt.

— **Costa Natsas**, PwC Africa Financial Services Leader

- **Headline earnings:** The steady momentum in the major banks' earnings growth observed in the first half of 2023 continued, taking earnings to a combined record level of R113.2 billion. This growth remained underpinned by the strong operating franchises and high levels of brand resonance and customer trust engendered by the major banks in their markets of operation consistently over time. As we previously anticipated, the challenging domestic environment weighed on the results of their South African operations, offset by robust transaction volume growth, strong cost control and the portfolio effects of their geographically diverse businesses.

- **Asset growth:** Loan production remained resilient, with combined gross loans and advances growing 6.6% in FY23. However, individual loan portfolios driving this growth were differentiated between the major banks, based on the strategic focus and risk appetite of each. According to *Bureau information* from the National Credit Regulator, as of September 2023 the number of credit-active consumers in South Africa increased by 767,188 year-on-year to reach a total of 27.4 million (September 2022: 26.6 million). Strong activity in the renewable energy and sustainable finance sectors continued to contribute to book growth across the banks. We also note increased funding of clean water and sanitation initiatives and solar financing solutions, while efforts continue to increase credit granting to small and medium enterprises. The major have also increased their holdings of domestic sovereign debt in South Africa and their countries of operation. While sovereign debt investments has seen attractive returns, the sensitivity of bank balance sheets to sovereign creditworthiness increases. It has also been reported that South Africa has one of the highest ratios of sovereign debt among emerging markets.

- **Credit quality:** We previously highlighted the interrelationship between interest rates and impairments – where higher interest rates eventually manifest in higher impairments. Higher interest rates on the back of elevated inflation levels placed pressure on South African households and businesses as the combination of larger repayments, less disposable income and higher debt-to-income ratios weighed on both customer balance sheets and sentiment. This combination of events 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 (the income statement impairment charge divided by average advances) increased to the top end of their through the cycle ranges at 102 bps (FY22: 82 bps) as the income statement credit risk charge increased 26.6% (from R42.5 billion in FY22 to R53.8 billion in FY23). Total non-performing loans increased 21%, comprising 5.4% of gross loans and advances (FY22: 4.7%).

- **Costs:** In 2023, consumer price inflation in South Africa oscillated at or above the upper end of the SARB's target inflation band of 3 – 6% for most of the year, and remained elevated both regionally and globally. Against this backdrop, the combined operating expenses of the major banks increased 12.6% against FY22. The primary cost contributors continued to be staff costs, including incentive and performance-related awards, together with notable technology and cloud investments. As noted above, combined revenues also grew to offset the impact of higher cost growth, resulting in the cost-to-income ratio improving to 52.2% (FY22: 53%). We also note that investments in AI and other emerging technologies are beginning to increase. These technologies offer potential use cases in a wide range areas such as: client profitability measurement and enhancement, fraud detection and prevention, credit scoring models to advance loans and measure loan performance, marketing to upsell and cross sell to customers, measuring productivity of staff and suggesting enhancements and optimising treasury and cash management activities.

- **ROE and capital:** Driven by organic capital (earnings) growth, the major banks combined ROE grew 56 bps to a commendable 17.6% (FY22: 17.1%), above their average cost of equity of 14.8%. While their combined common equity tier 1 capital ratio reduced to 13.2% (FY22: 13.5%), the major banks remained comfortably capitalised to support future opportunities, contend with emerging risks and maintain 2023 dividend payout ratios at or around analysts' expectations. South Africa's major banks' funding models remain well diversified, which helps to mitigate financing risks from international markets.

> 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

So far, 2024 appears on track to be a year of considerable complexity and uncertainty. In commenting on their expectations of the outlook for the operating environment, the major banks nevertheless struck a collective tone of measured optimism.

On one hand, the late-cycle effects of the elevated interest rate environment that prevailed in 2023 are expected to result in the major banks maintaining a carefully calibrated credit and market risk posture. In South Africa, the risk environment remains amplified by the significant structural constraints and high levels of unemployment constraining the domestic economy. Additionally, populations and countries responsible for generating more than half of global GDP are in an election year in 2024, giving rise to a variety of complex scenarios in the operating environment to be modelled, measured and manoeuvred.

More broadly, concerns over weak global growth prospects were echoed in *PwC's 27th Annual Global CEO Survey*. Approximately 45% of global business leaders surveyed expect world economic growth to decelerate in 2024 compared to the preceding year.

On the other hand, opportunities abound. From sustainable financing initiatives to alleviate concerns associated with high carbon economies to the significant infrastructure investments required to support Africa's economic and population growth expectations, the major banks are acutely aware of their unique positions to extract and provide value within these and other industry-defining opportunities.

With active conflicts in Eastern Europe and the Middle East continuing, lifting regional and global geopolitical tensions, their implications for global economic prospects remain uncertain and complex. At the same time, economic consensus on the inflation path remains mixed and volatile, given several global factors. Expectations for interest rate cuts are anticipated to continue to be modest and measured.

On a combined basis, the major banks forecast that South Africa's GDP will grow by a lukewarm 1.1% in 2023, below the growth levels necessary to lift the unemployment rate and the country's economic prospects. Elevated interest rates are expected to continue to pressure consumer and business balance sheets, sustaining a heightened credit risk posture for the major banks.

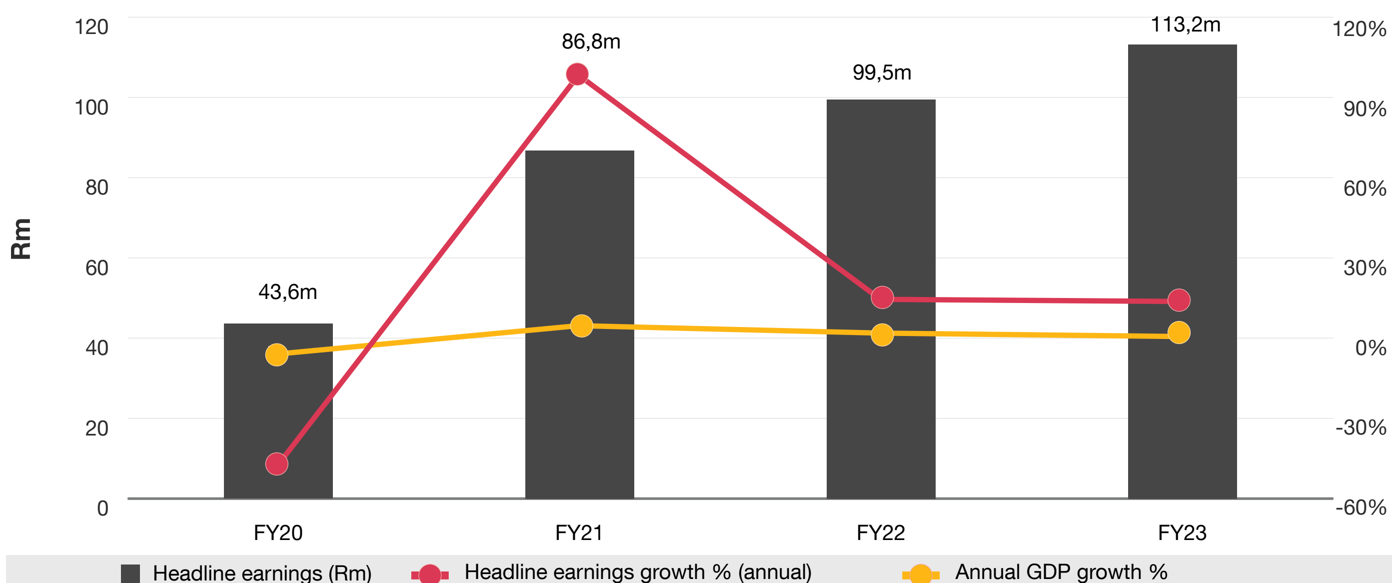
Regionally, the outlook for sub-Saharan Africa (SSA) continues to be more favourable than the outlook for South Africa, with real GDP growth in SSA expected to accelerate from 3.3% to 3.8% as higher levels of growth in East Africa offset lower growth expectations in the large economies of Nigeria and South Africa. African banks generally recognise that participating in East African trade flows, in particular, which revolve around key trade corridors represent significant opportunities for them.

Our expectation remains that, in the short to medium terms, the strong societal and corporate awareness on sustainability, climate change and renewable energy paths will continue to create significant opportunities for balance sheet growth and sustainable financing solutions.

Overall, replicating the base effects of a strong 2023 financial performance will occupy the minds of bank management teams amidst an uncertain and complex year ahead. We continue to expect a heightened focus on cost management, balanced against the investments needed to maintain competitiveness and innovation. Between expectations for a moderately lower interest rate environment and tight cost control, revenue growth and cost growth may overlap, challenging 2023's earnings momentum in 2024.

Appendix A: Analysis of financial results

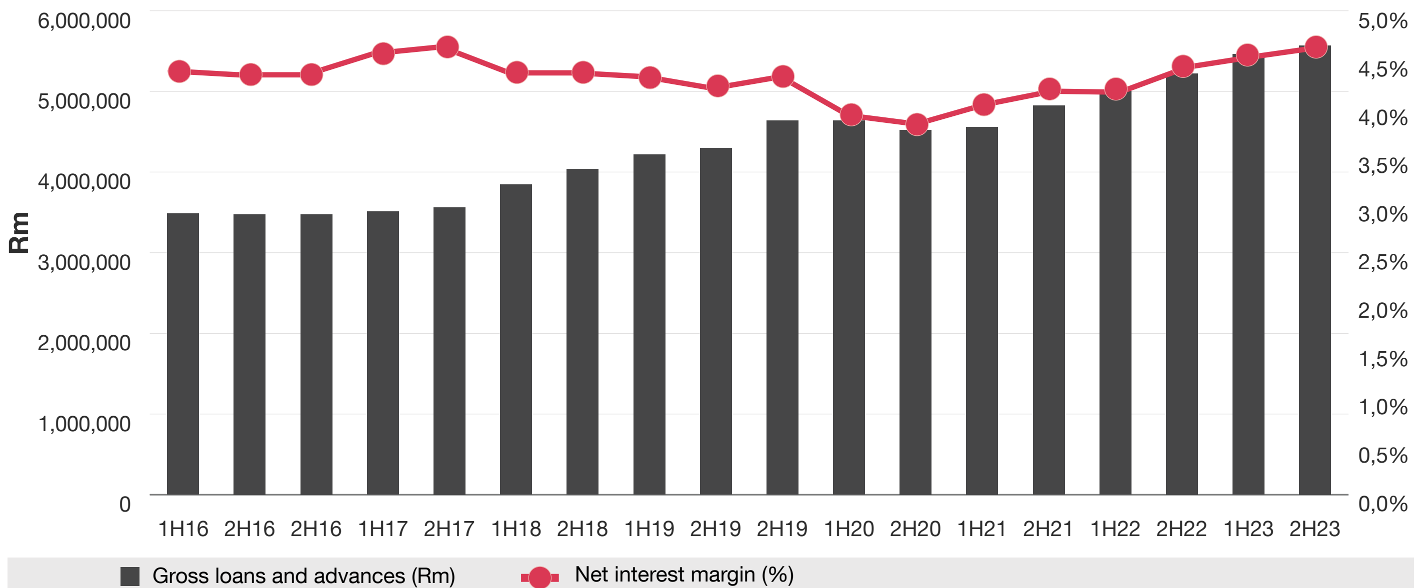
Figure 1: GDP and headline earnings growth



Source: Stats SA, PwC analysis

- Combined headline earnings reached a new record annual level of R113.2 bn (FY22: R99.5bn), with significant earnings contributions arising from the major banks' African (operations outside South Africa).
- Earnings from the major banks' South African operations reflect various symmetries to the low-growth South African GDP environment, which dampened overall earnings growth rates on a combined basis.
- While combined headline earnings grew 13.8% year-on-year (FY23 v FY22), the effects of a more difficult second half of the year are evident in the six-monthly (2H23 v 1H23) headline earnings growth rate of 2.7%.

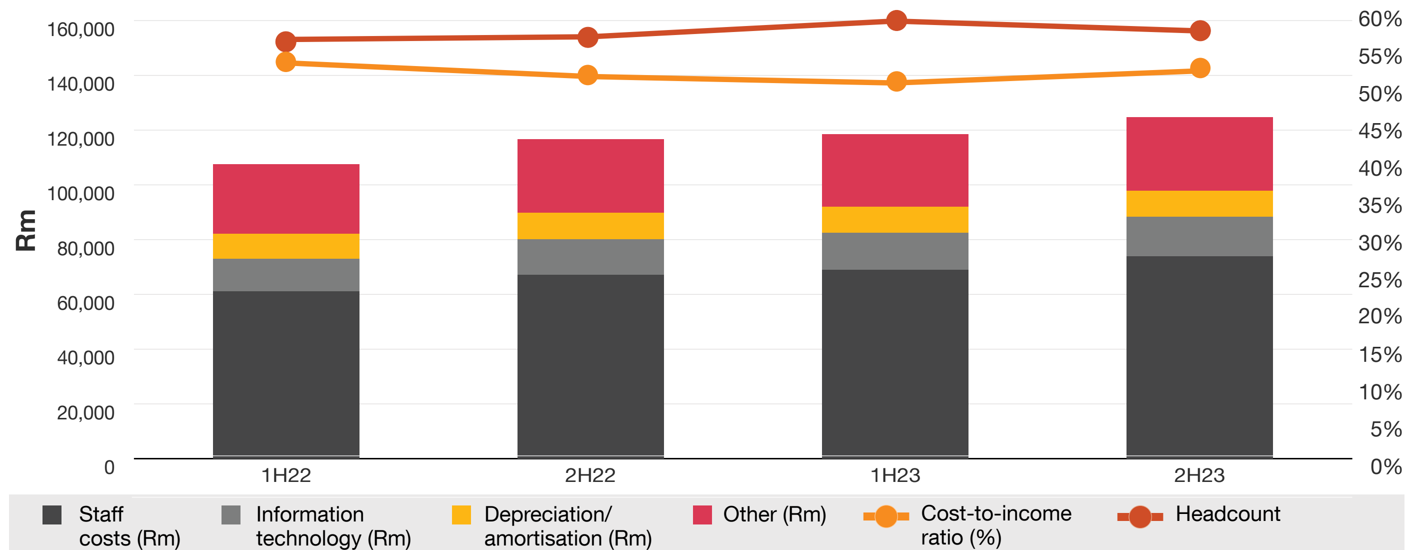
Figure 2: Net interest margin



Source: PwC analysis

- We previously noted that the major banks began 2023 with larger balance sheets than in any prior period. This theme continued with a record combined balance sheet size at the end of 2023, providing a larger base from which to generate operational activity and revenues.
- Gross loans and advances grew 6.6% against FY22 (and 2% against 1H23), well above the economic growth rates of South Africa and most markets in which the major banks operate.
- While individual loan portfolios reflecting the strongest growth varied between the major banks and their geographies of operation, in general terms loan demand appeared softer in certain interest rate-sensitive portfolios such as home loans, vehicle and asset financing and personal loans as consumer debt sustainability concerns increased.
- The elevated interest rate environment provided strong support to the major banks' combined net interest margin of 458 bps, which grew 28 bps from 430 bps at FY22.

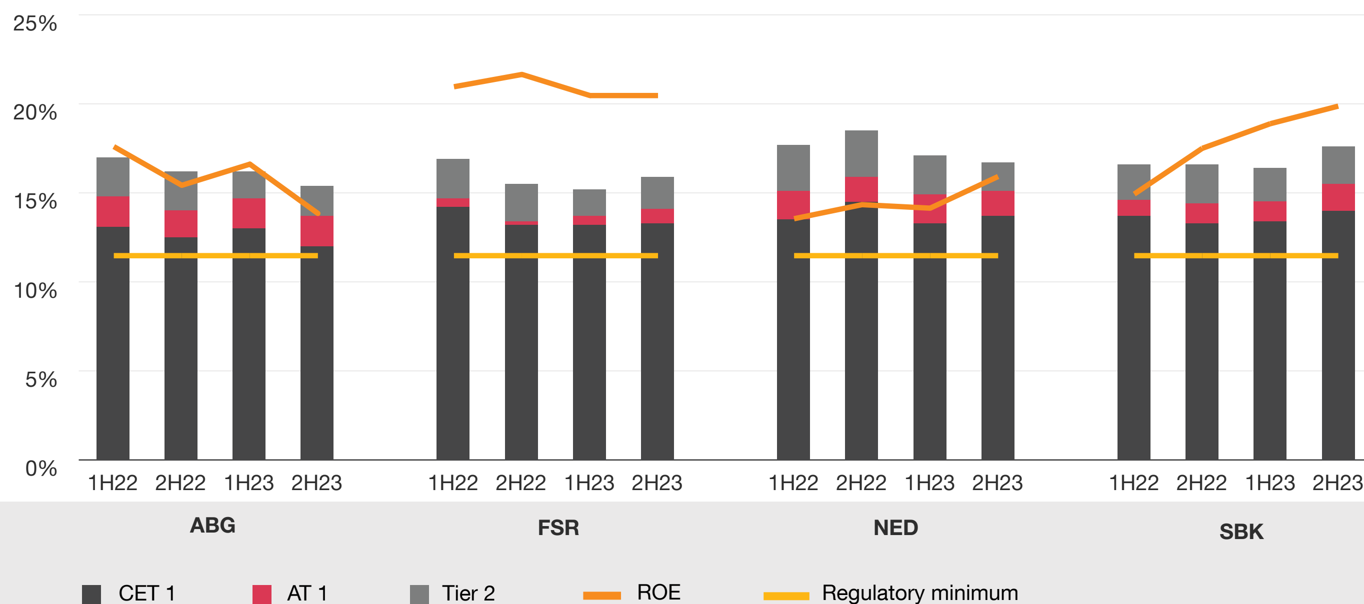
Figure 3: Operating expenses, cost-to-income ratio and headcount



Source: PwC analysis

- Annual consumer price inflation in South Africa ended 2023 at 5.1%. This downward drift in headline inflation that several commentators expected will continue in 2024, crept back up in January 2024, *rising to 5.3%*.
- Outside SA, inflation remained high or elevated in most of the major banks' countries of operation in the rest of the continent.
- Against an elevated inflationary backdrop that prevailed throughout 2023, the major banks' operating expenses increased 12.3% against FY22 while total operating income (net interest income plus non interest revenue) grew 13.9%, creating positive operating leverage that supported earnings.
- Reflecting their determined focus on cost management in a high-inflation context, the major banks' combined cost-to-income ratio improved to 52.2% (FY22: 53%), with the main cost drivers remaining technology expenditure and staff costs, including performance-based incentive awards.

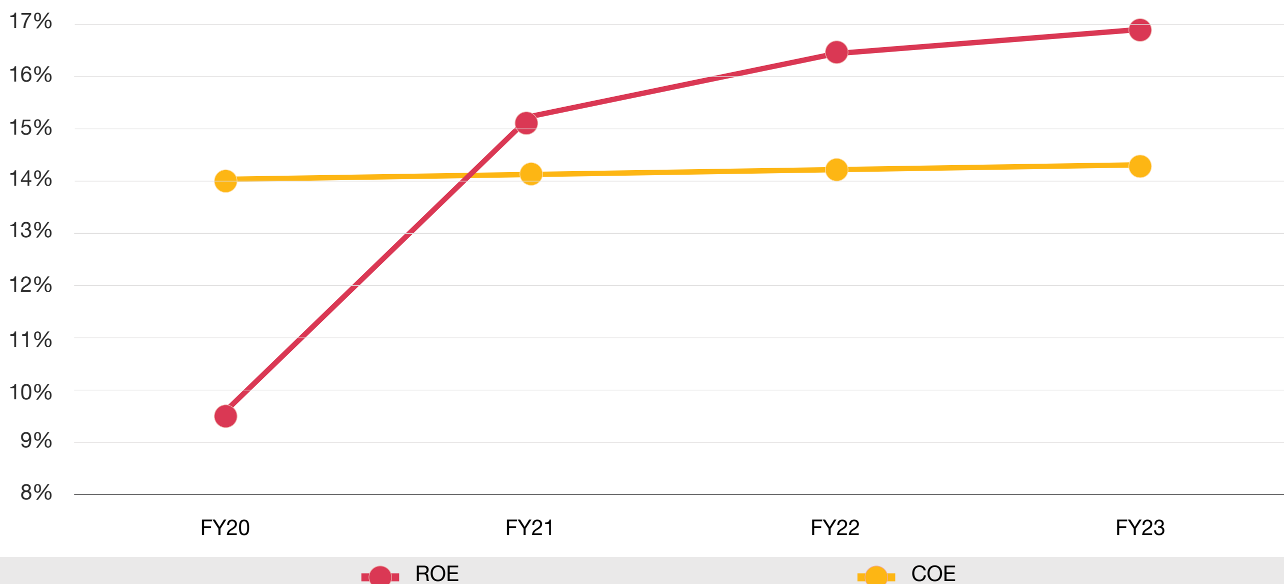
Figure 4: ROE and regulatory capital levels



Source: PwC analysis

ABG: Absa Group Limited
FSR: FirstRand Limited
NED: Nedbank Limited
SBK: Standard Bank Group Limited ('Banking')

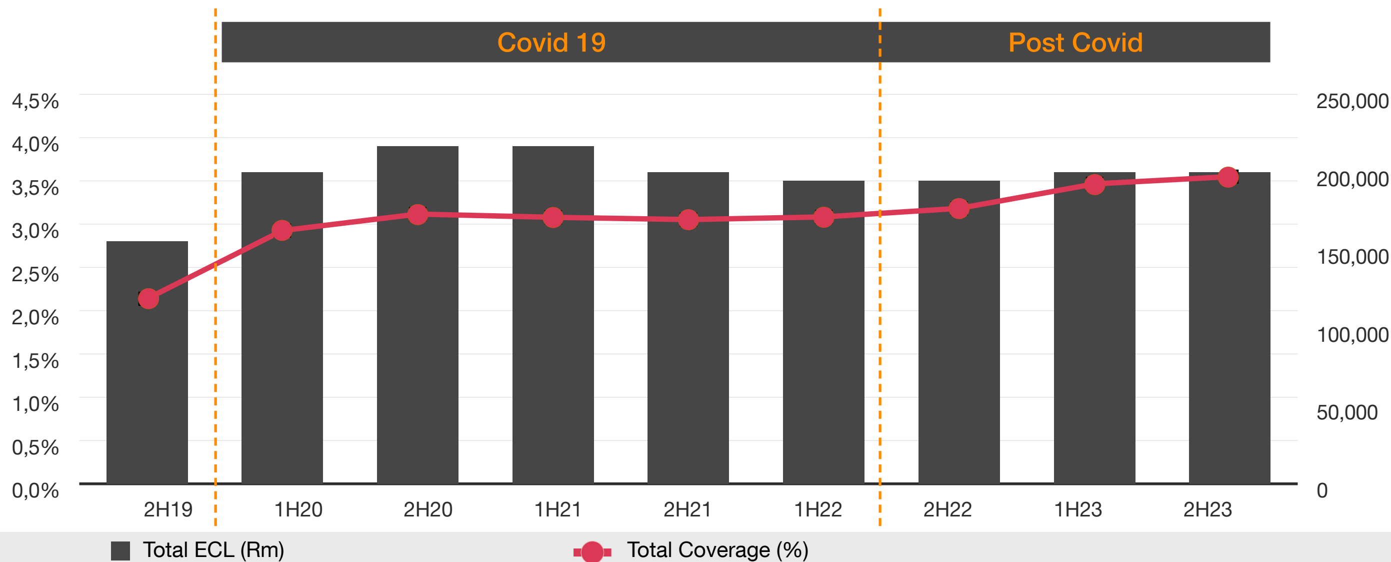
Figure 5: ROE and cost of equity (COE



Source: PwC analysis

- The ROEs depicted in the graph reflect a six-month recalculated ratio.
- '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 2023, the major banks continued the theme of generating returns in excess of their average cost of capital.
- The combined common equity tier 1 capital ratio of the major banks remained robust at 13.2% (FY22: 13.5%), supported by organic capital (earnings) growth and an ongoing focus on managing capital demand (risk-weighted assets). The total capital adequacy ratio also remained resilient at 16.4% (FY22: 16.8%).
- As we have previously mentioned, we continue to observe significant management attention being directed towards capital management and capital optimisation efforts as the prudential regulatory regime in South Africa and globally remains in a period of reform.

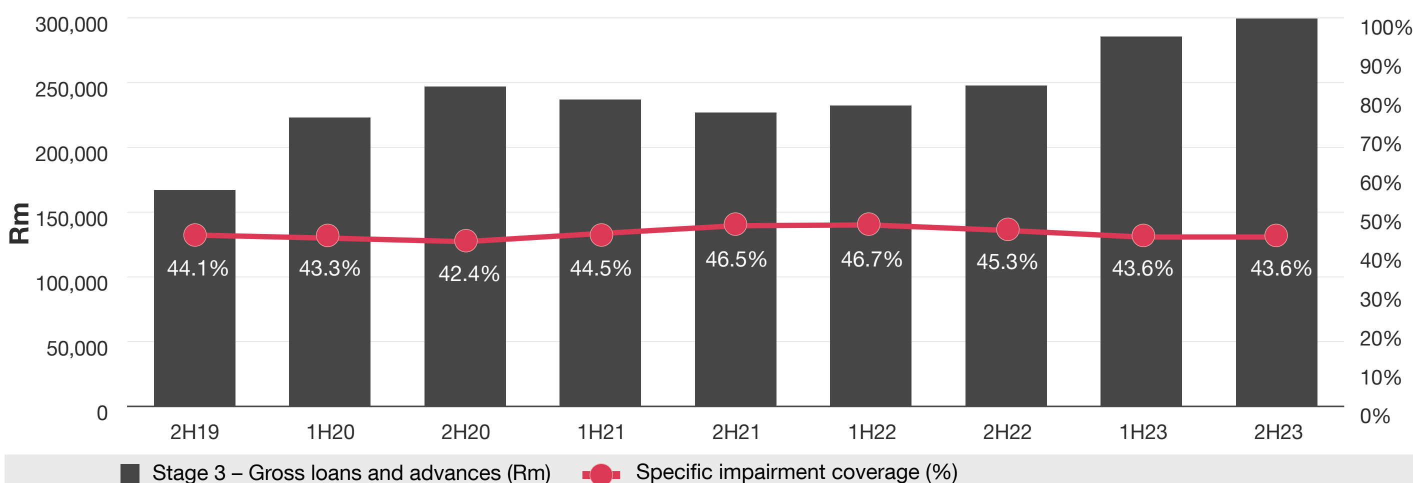
Figure 6: Expected credit loss (ECL) build-up



Source: PwC analysis

- The level of total ECL has marginally increased in 2023, with coverage levels at the higher end of the major banks' through-the-cycle ranges. This is directionally consistent given the relationship that ECL has with rising interest rates.
- We expect that, as the levels of inflation and interest rates subside the ECL trend will start to stabilise and will commence a downward drift back into the mid-point of the major banks' through-the-cycle ranges. A more favourable GDP environment would typically reduce impairment in the longer term.

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



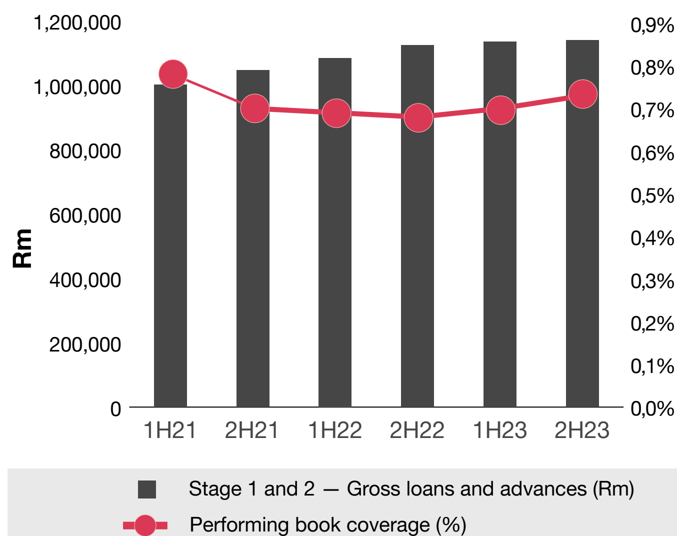
Source: PwC analysis

- As macro-conditions deteriorated, the level of non performing loans increased against FY22.
- Consistent with previous periods, the major banks continue to hold stable level of credit provisions on these loans, as reflected by the specific impairment coverage ratio.
- Collection efforts are starting to be tested as NPL volumes increase in the current credit cycle. Greater focus is therefore expected on collection strategies and execution.

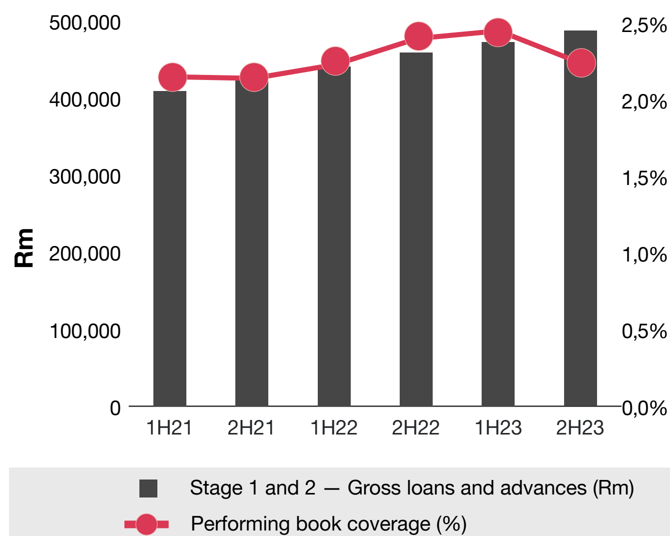
Figure 8: Performing portfolio coverage

The graphs below reflect the combined portfolio size and performing book coverage ratios (i.e., Stage 1 and 2 ECL).

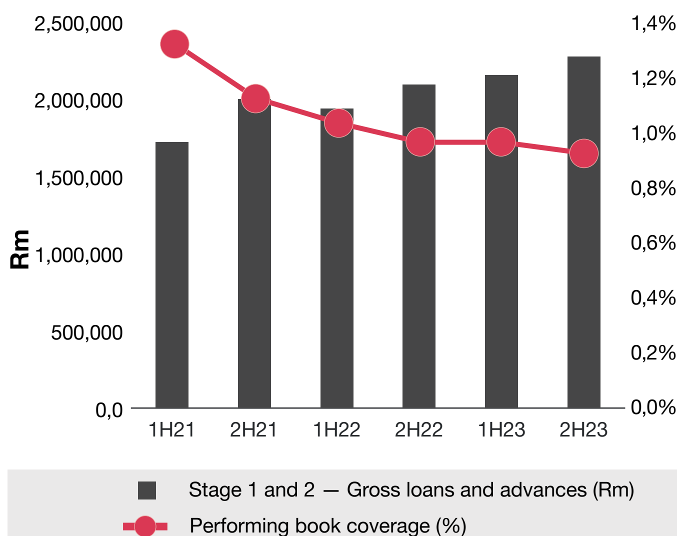
Mortgages (residential)



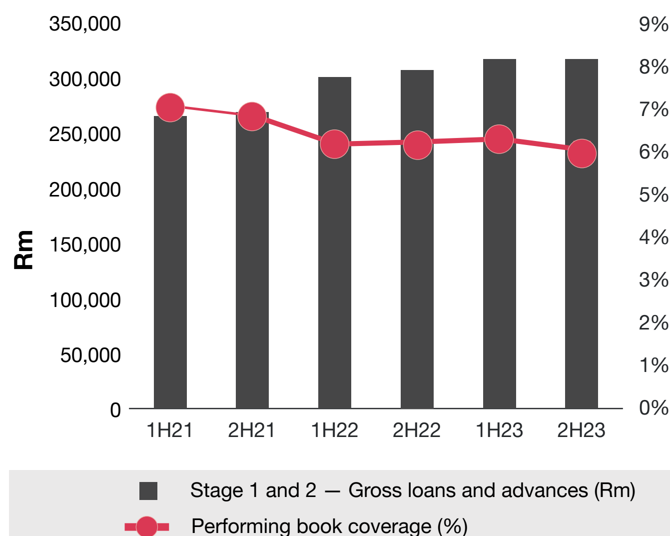
Instalment sale and finance leases



Corporate lending



Card, overdrafts and retail unsecured lending



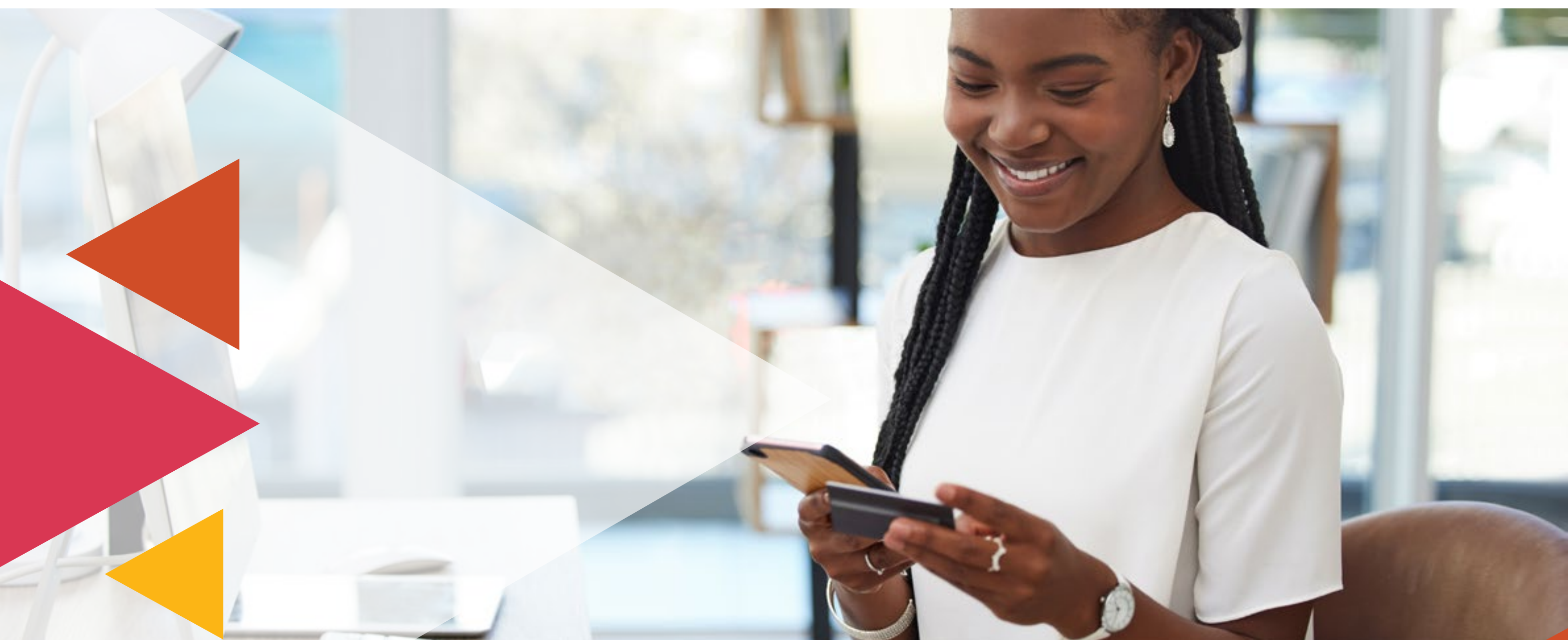
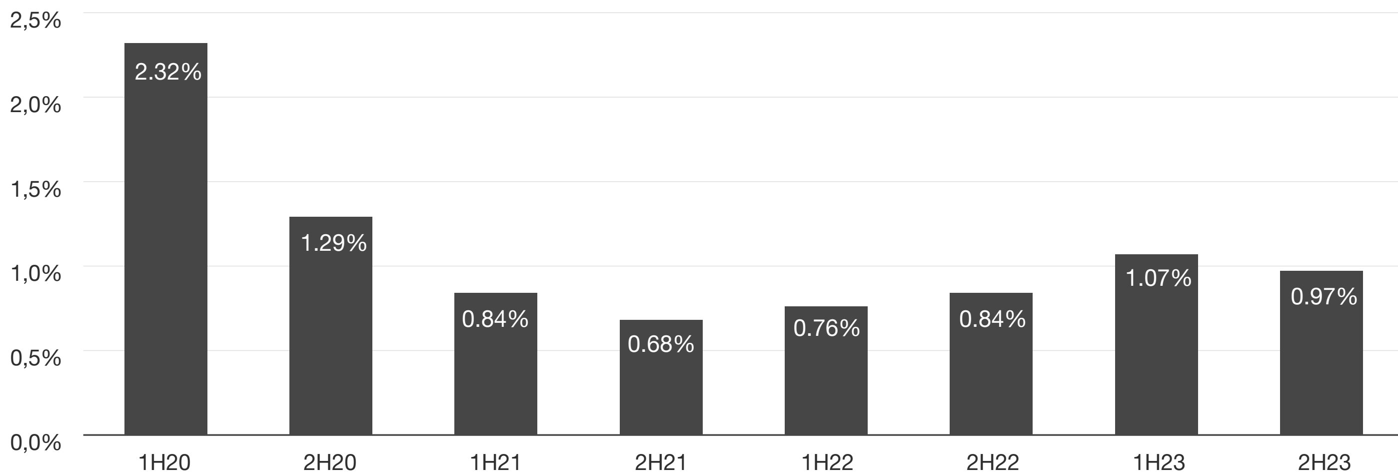


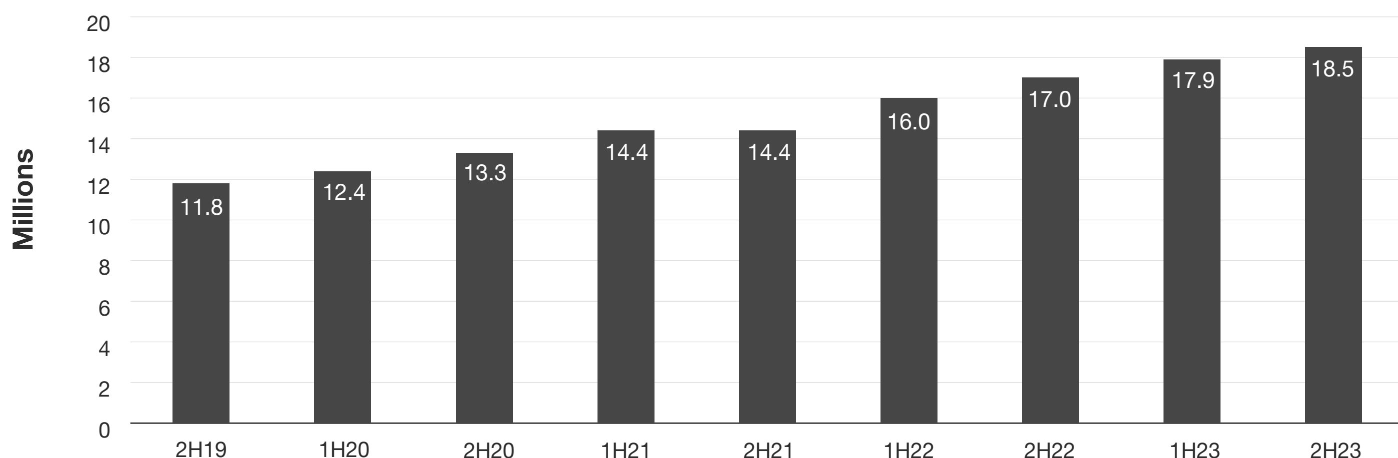
Figure 9: Credit loss ratio



Source: PwC analysis

- We previously commented on the relationship between market interest rates and credit impairment charges beginning to manifest more clearly in the second half of 2023.
- Against constrained household balance sheets and higher debt service costs – impacting not only retail banking consumers, but also retail-facing commercial and corporate industry sectors directly – credit impairment charges increased 26.6% against FY22 (and 28% against 1H23).
- Consequently, the combined credit loss ratio deteriorated to 102 bps (FY22: 82 bps), which is generally considered to be at the higher end of the average "through-the-cycle" range for the major banks.
- 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 factors and the credit quality of individual counterparties.

Figure 10: Digitally-active clients



Source: PwC analysis

- The strategic focus on the part of the major banks to grow 'digitally-active' clients continued throughout FY23. These clients generally reflect those that make use of at least one digital channel, platform or solution to conduct transactional banking activities.
- The positive trend in the major banks' digitally-active clients remains evident, with the total number of digitally active clients increasing 8.8% compared to FY22, to 18.5 million (FY22: 17 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.
- The major banks also noted their continued focus on the use of client data to inform product and service design to allow for a more customised and enhanced client experience.

Appendix B: Key banking statistics – FY23

Key banking statistics – FY23

R'millions

	ABG						FSR						NED						SBK						Combined/Average					
Balance sheet	**FY23**	**2H23**	**1H23**	**FY22**	**2H22**	**1H22**	**FY23**	**2H23**	**1H23**	**FY22**	**2H22**	**1H22**	**FY23**	**2H23**	**1H23**	**FY22**	**2H22**	**1H22**	**FY23**	**2H23**	**1H23**	**FY22**	**2H22**	**1H22**	**FY23**	**2H23**	**1H23**	**FY22**	**2H22**	**1H22**
Gross loans and advances	1,320,923	1,320,923	1,299,583	1,258,288	1,258,288	1,203, 294	1,654,812	1,654,812	1,590,447	1,495,883	1,495,883	1,382,058	921,221	921,221	943,260	909,374	909,374	882,922	1,671,943	1,671,943	1,626,496	1,558,406	1,558,406	1,535,703	5,568,899	5,568,899	5,459,786	5,221,951	5,221,951	5,003,977
Total deposits	1,339,536	1,339,536	1,323,746	1,241,918	1,241,918	1,213,509	1,978,278	1,978,278	1,923,103	1,793,318	1,793,318	1,655,972	1,087,645	1,087,645	1,086,241	1,039,622	1,039,622	1,005,173	2,025,518	2,025,518	1,995,702	1,911,076	1,911,076	1,859,213	6,430,977	6,430,977	6,328,792	5,985,934	5,985,934	5,733,867
Loan-to-deposit ratio	98,6%	98,6%	98,2%	101,3%	101,3%	99,2%	83,6%	83,6%	82,7%	83,4%	83,4%	83,5%	84,7%	84,7%	86,8%	87,5%	87,5%	87,8%	82,5%	82,5%	81,5%	81,5%	81,5%	82,6%	86,6%	86,6%	86,3%	87,2%	87,2%	87,3%
Profit and loss analysis																														
Net interest income	67,927	34,916	33,011	60,440	31,880	28,560	83,467	41,510	41,957	71,037	36,659	34,378	41,470	21,176	20,294	36,277	19,073	17,204	97,495	51,491	46,004	77,953	43,731	34,222	290,359	149,093	141,266	245,707	131,343	114,364
Non-interesting revenue	36,603	17,307	19,296	36,352	18,532	17,820	53,219	25,824	27,395	49,982	25,975	24,007	27,709	14,312	13,397	26,171	13,643	12,528	57,689	28,382	29,307	50,603	25,702	24,901	175,220	85,825	89,395	163,108	83,852	79,256
Operating income	104,530	52,223	52,307	96,792	50,412	46,380	136,686	67,334	69,352	121,019	62,634	58,385	69,179	35,488	33,691	62,448	32 716	29,732	155,184	79,873	75,311	128,556	69,433	59,123	465,579	234,918	230,661	408,815	215,195	193,620
Operating expenses	-54,467	-28,404	-26,063	-49,372	-25,611	-23,761	-71,492	-34,821	-36,671	-63,068	-31,969	-31,099	-38,059	-19,830	-18,229	-35,329	-18 371	-16,958	-79,722	-41,655	-38,067	-69,296	-36,509	-32,787	-243,740	-124,710	-119,030	-217,065	-112,460	-104,605
Pre-provision operating profit	50,063	23,819	26,244	47,420	24,801	22,619	65,194	32,513	32,681	57,951	30,665	27,286	31,120	15,658	15,462	27,119	14,345	12,774	75,462	38,218	37,244	59,260	32,924	26,336	221,839	110,208	111,631	191,750	102,735	89,015
Bad debt charge	-15,535	-7,255	-8,280	-13,703	-8,527	-5,176	-12,345	-6,404	-5,941	-8,061	-5,008	-3,053	-9,605	-4,292	-5,313	-7,381	-3,991	-3,390	-16 262	-7,817	-8,445	-13,312	-7,384	-5,928	-53,747	-25,768	-27,979	-42,457	-24,910	-17,547
Other	-3,022	-25,472	-1,073	-2,303	-1,192	-1,111	-20,463	1,687	-1,191	80	-74	28	-83	-17,289	206	22	65	-93	-1,106	-717	-389	-2,013	-1,434	-579	-24,674	-41,791	-2,447	-4,214	-2,635	-1,755
Direct tax	-7,983	-3,684	-4,299	-8,241	-3,702	-4,539	-12,593	-6,837	-5 756	-12,789	-6,437	-6,352	-4,432	-2,180	-2,252	-4,330	-2,142	-2,188	-12,719	-6,406	-6,313	-9,916	-5,394	-4,522	-37,727	-19,107	-18,620	-35,276	-17,675	-17,601
Headline earnings	20,926	9,767	11,159	20,725	9,837	10,888	37,803	19,135	18,668	35,073	18,032	17,041	15,650	8,321	7,329	14,061	7,396	6,665	38,842	20,137	18,705	29,616	16,446	13,170	113,221	57,360	55,861	99,475	51,711	47,764
Key ratios																														
ROE	15,3%	13,9%	16,7%	16,4%	15,3%	17,5%	20,6%	20,6%	20,6%	21,4%	21,6%	21,1%	15,1%	16,0%	14,2%	14,1%	14,6%	13,6%	19,5%	20,0%	19,0%	16,4%	17,5%	15,3%	17,6%	17,6%	17,6%	17,1%	17,3%	16,9%
Cost-to-income	52,1%	54,4%	49,8%	51,0%	50,8%	51,2%	51,2%	49,9%	52,5%	51,5%	50,3%	52,6%	53,9%	54,9%	52,9%	55,8%	55,5%	56,1%	51,4%	52,3%	50,5%	53,9%	52,3%	55,5%	52,2%	52,9%	51,4%	53,0%	52,2%	53,9%
Credit loss ratio (CLR)	1,2%	1,1%	1,3%	1,0%	1,0%	0,9%	0,8%	0,8%	0,8%	0,6%	0,7%	0,5%	1,1%	1,0%	1,2%	0,9%	0,9%	0,9%	1,0%	1,0%	1,0%	0,8%	0,8%	0,8%	1,0%	1,0%	1,1%	0,8%	0,9%	0,8%
Net interest margin (NIM)	4,7%	4,7%	4,6%	4,6%	4,6%	4,5%	4,5%	4,5%	4,6%	4,4%	4,4%	4,4%	4,2%	4,2%	4,2%	3,9%	4,0%	3,9%	4,9%	5,1%	4,8%	4,3%	4,7%	3,9%	4,6%	4,6%	4,5%	4,3%	4,4%	4,2%
Capital ratios																														
CET 1	12,5%	12,0%	13,0%	12,8%	12,5%	13,1%	13,3%	13,3%	13,2%	13,7%	13,2%	14,2%	13,5%	13,7%	13,3%	14,0%	14,5%	13,5%	13,7%	14,0%	13,4%	13,5%	13,3%	13,7%	13,2%	13,3%	13,2%	13,5%	13,4%	13,6%
Tier 1	14,2%	13,7%	14,7%	14,4%	14,0%	14,8%	13.9%	14.1%	13.7%	14.3%	13.9%	14.7%	15,0%	15,1%	14,9%	15,5%	15,9%	15,1%	15,0%	15,5%	14,5%	14,4%	14,2%	14,6%	14.5%	14.6%	14.5%	14.7%	14.5%	14.8%
Total CAR	15,8%	15,4%	16,2%	16,6%	16,2%	17,0%	15.6%	15.9%	15.2%	16.5%	16%	16.9%	16,9%	16,7%	17,1%	18,1%	18,5%	17,7%	17,0%	17,6%	16,4%	16,5%	16,4%	16,6%	16.3%	16.4%	16.2%	16.9%	17%	17.1%

Appendix C: PwC's recent thought leadership

PwC's 27th Annual Global CEO Survey: Thriving in an age of continuous reinvention

PwC's 27th Annual Global CEO Survey: Thriving in an age of continuous reinvention

Twelve months ago, we reported that nearly 40% of global CEOs believed their companies would no longer be viable in ten years' time if they continued on their current path. The reinvention imperative that this implied caught the attention of our clients, prompting thousands of conversations between PwC partners and CEOs around the world. 'Are we in the 40% or the 60%?' was a question many CEOs posed to themselves and their top teams during or following these discussions. Almost invariably, as they anticipated the magnitude of changes barrelling towards them, those leaders concluded that they needed to be more transformative in their approach if their organisation was to thrive in the decades ahead.

This year's Global CEO Survey, the 27th we've conducted, suggests that the vast majority of companies are already taking some steps towards reinvention. Yet even as CEOs attempt to make meaningful changes to their companies' business models, they are ever more concerned about their long-term viability. Although the 4,702 CEOs responding to this year's survey were more optimistic about global economic growth than last year, 45% of them are still not confident that their companies would survive for more than a decade on their current path.

Africa Business Agenda: Thriving in an age of continuous reinvention

This publication is based on our Global CEO Survey, which included 380 perspectives from executives in Africa. It shows that 51% of CEOs in Africa are optimistic about economic growth prospects over the next 12 months. Following efforts over the past several years to reinvent their businesses, CEOs on our continent are also more optimistic about the long-term viability of their organisations and their revenue outlook, as compared to CEOs globally.

Despite this positive sentiment, many countries around the world are confronted with societal challenges that include demographic shifts, social instability and other accelerating global megatrends. These challenges continue to compel CEOs in Africa to adapt, and it's becoming clear that one critical area primed for innovation and reinvention is their organisations' business models.

This year's survey results reflect an awareness among CEOs that they are navigating critical strategic inflection points, and a sense of urgency and a bias towards action. There is a growing premium on leadership effectiveness to maintain energy, challenge the status quo and increase momentum in Africa and globally.

Building Public Trust through Tax Reporting

In this edition, our focus and findings represent the level of tax transparency provided by the top 100 companies listed on the Johannesburg Stock Exchange (JSE) for the financial year ended 31 December 2022. We consider why tax is material to both internal and external stakeholders. We go 'back to basics', exploring the robust framework that governs tax and providing insights on how tax fits into the business model as well as the operating and technology model that enables it. Today's tax leaders face an enduring imperative to reinvent their approach to tax, rethink how tax fits into a complex operating environment and how they communicate their broader sustainable tax strategy to remain relevant.

Our report also delves deeper into how organisations can adopt innovative approaches to governance, risk management, process improvement, engagement and data-driven approaches to help accelerate their ability to transform.

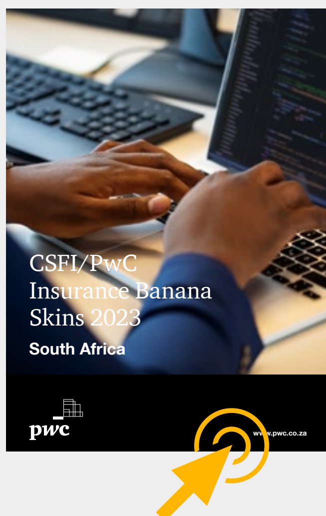
Africa Cloud Business Survey 2023: Unlocking the transformational power of cloud in Africa

Based on the responses of 2,209 business and technology leaders across Europe, the Middle East and Africa (EMEA), our survey reveals that organisations are prioritising and pursuing large-scale migrations towards new technology platforms, with African organisations in particular opting for a more iterative approach.

In a landscape of rapidly advancing technology, CEOs throughout Africa are strategically positioning their investments to secure a competitive advantage through emerging technologies, including generative AI, advanced analytics and industry cloud. Among these, the linchpin for optimising value is cloud transformation — the process of migrating work to the cloud. In Africa, 50% of companies have already adopted cloud capabilities in all or most parts of their businesses, and within the next two years, 61% of companies will have all their operations in the cloud.

Our Africa Cloud Business Survey report provides a deeper perspective on:

- Why African businesses are adopting cloud and their levels of maturity, benefits, changing stakeholders and barriers;
- Five key actions that cloud-powered organisations are taking to deliver value, including a comparative analysis; and
- How African organisations can benefit from industry cloud solutions.



CSFI/PwC Insurance Banana Skins 2023: South Africa

When we last conducted this survey the world was beginning to emerge from the COVID 19 pandemic, with top risks being amplified by

the pandemic but the industry being shown to be incredibly resilient. Fast forward two years, and the risks associated with the pandemic are far less of a worry. Whilst the top risks are broadly similar to those of the last edition, we have seen fundamental shifts in the way people work, accelerated advances in technology, and significant economic shocks.

The macroeconomic outlook was seen as the most severe near-term risk in South Africa. The global concerns about the impact of climate change and cyber crime on the industry were also prevalent in the South African rankings.

Executive Directors: Practices and remuneration trends report 2023

This report deals with the prevalent practices and trends observed in executive remuneration.

The report also provides an overview of remuneration paid to executive directors of the Johannesburg Stock Exchange (JSE) Top 200 companies between 1 March 2022 to 28 February 2023.

PwC's Global Investor Survey 2023

Trust, tech and transformation: Navigating investor priorities

In September 2023, we surveyed 345 investors and analysts across 30 countries and territories, and conducted in-depth interviews with 15 investment professionals. Respondents were predominantly institutional investors, comprising portfolio managers (19%), analysts (18%) and chief investment officers (17%), with 48% having more than ten years of experience in the industry.

Investors want to better understand how companies are managing crises and staying resilient while creating and protecting long-term value in today's fracturing world. They are looking closely at two areas – emerging technology and sustainability – to gauge whether companies can seize opportunities for reinvention and business transformation, or will instead succumb to rivals.

These are among the findings of PwC's Global Investor Survey 2023.

The survey, now in its third consecutive year, queried 345 investors and analysts across geographies, assets classes and investment approaches for insights into the factors that most affect the companies they invest in and cover. Through the survey and follow-up interviews with investment professionals, we explored how investors assess threats and opportunities, allocate capital and determine what is important to their decision-making. We also asked about the degree to which they trust – or mistrust – the information they have available to make decisions.

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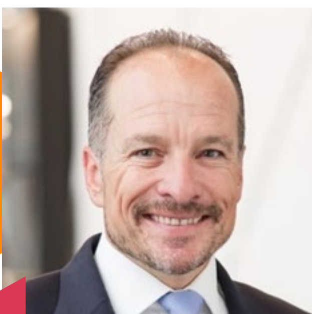

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