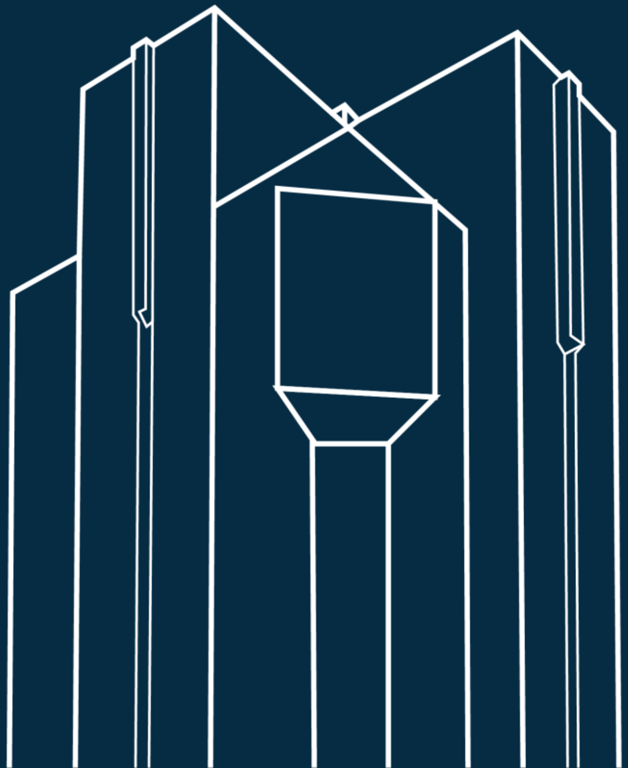
South African Reserve Bank and Prudential Authority Annual Reports for 2023/24

Presentation to the Standing Committee on Finance

10 October 2024

SOUTH AFRICAN RESERVE BANK

Presentation outline



Section 1: South African Reserve Bank Annual Report 2023/24

1. ***About the SARB***
2. ***Macroeconomic outlook and overview***
3. ***Financial Stability***
4. ***SARB Annual Report highlights***

Section 2: Highlights from the Prudential Authority Annual Report 2023/23, including Ibex/Steinhoff-related matters

About the SARB: Our mandate

Primary mandate (enshrined in the Constitution)	**Pursue and maintain price stability** – this protects the value of the currency in the interest of balanced and sustainable economic growth as well as protects and enhances financial stability.
Statutory mandate (prescribed by the FSR Act)	**Protect and enhance financial stability** – In South Africa, this includes identifying and mitigating systemic risks that might disrupt the financial system, while strengthening the safety, soundness and integrity of financial institutions through the Prudential Authority (PA).

The SARB is not profit-driven. It serves the best interest of all South Africans.

What we do

Alongside price and financial stability and the regulation of financial institutions, the SARB also:

- *issues and destroys* ***currency****;*
- *acts as banker to the government, lender of last resort and the designated* ***Resolution Authority*** *in terms of the FSR Act; and*
- *operates, regulates and oversees the* ***national payment system (NPS).***

South African Reserve Bank

About the SARB Group

The SARB wholly owned subsidiaries

CURRENCY-PRODUCING

The South African Mint Company (RF) Proprietary Limited, including its subsidiary Prestige Bullion (RF) Proprietary Limited (South African Mint)

The South African Bank Note Company (RF) Proprietary Limited (SABN)

INVESTMENT SERVICES

The Corporation for Public Deposits (CPD)

DEPOSIT INSURANCE

The Corporation for Deposit Insurance (CODI)

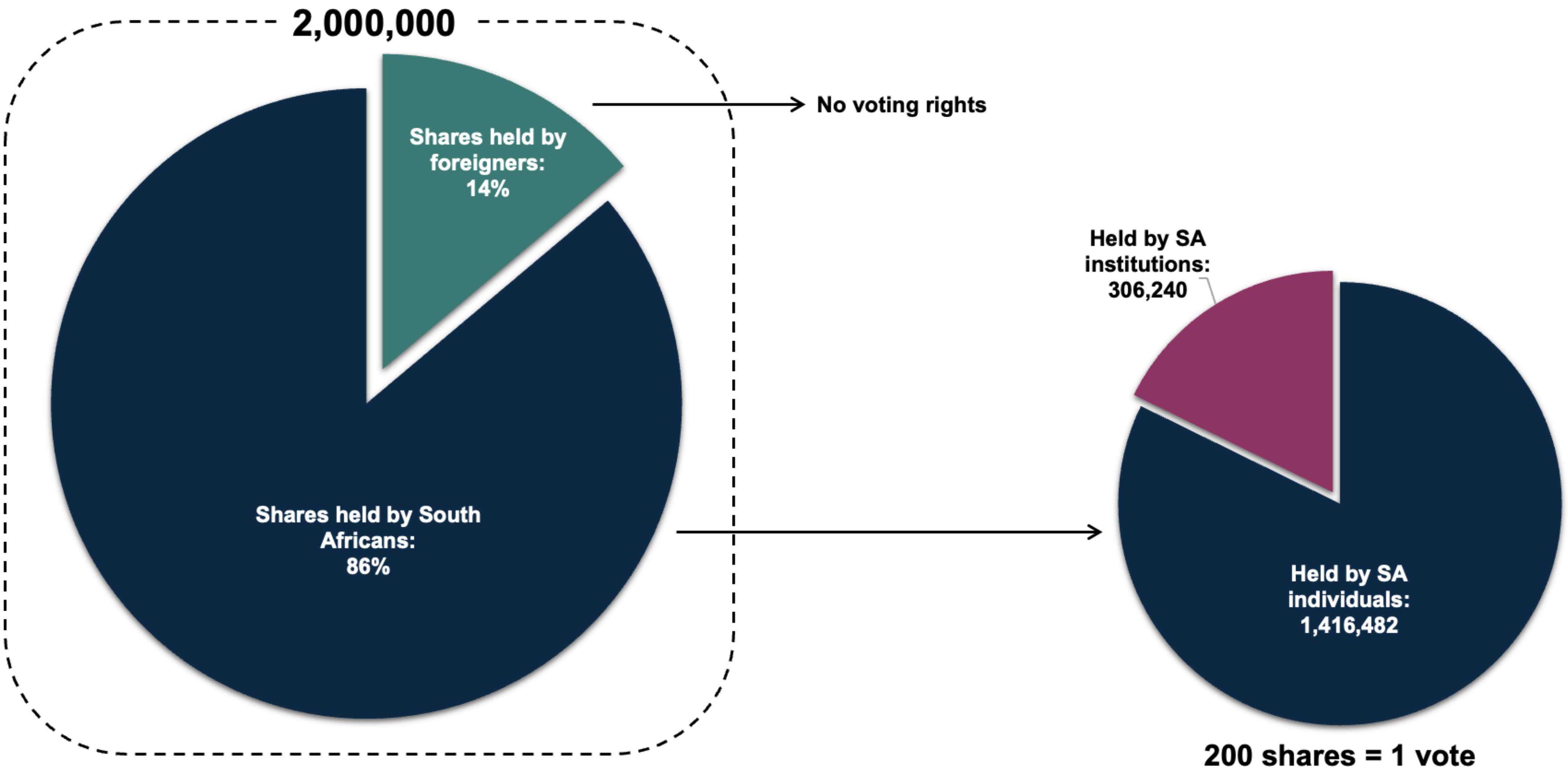
About the SARB: Shareholding

- *As at 31 March 2024, the SARB had 830 shareholders.*
- *Shareholders elect seven of the 11 non-executive directors. The other four and the governors are appointed by the President*
- *Shareholders have **no rights or involvement** in determining monetary policy, financial stability policy or the regulation and supervision of the financial sector.*
- ***Shareholders have 1 vote per 200 shares.***
- ***Share ownership is capped at 10 000 per individual or institution.***
- ***Foreign shareholders have no voting rights.***

Shareholder rights are limited to:

- *considering the SARB's annual financial statements;*
- *electing seven of the non-executive directors;*
- *appointing the external auditors and approving their remuneration.*
- *The non-executive directors, including those appointed by the President, have **no rights or involvement** in determining monetary policy, financial stability policy or regulation and supervision.*

About the SARB: Shareholder breakdown



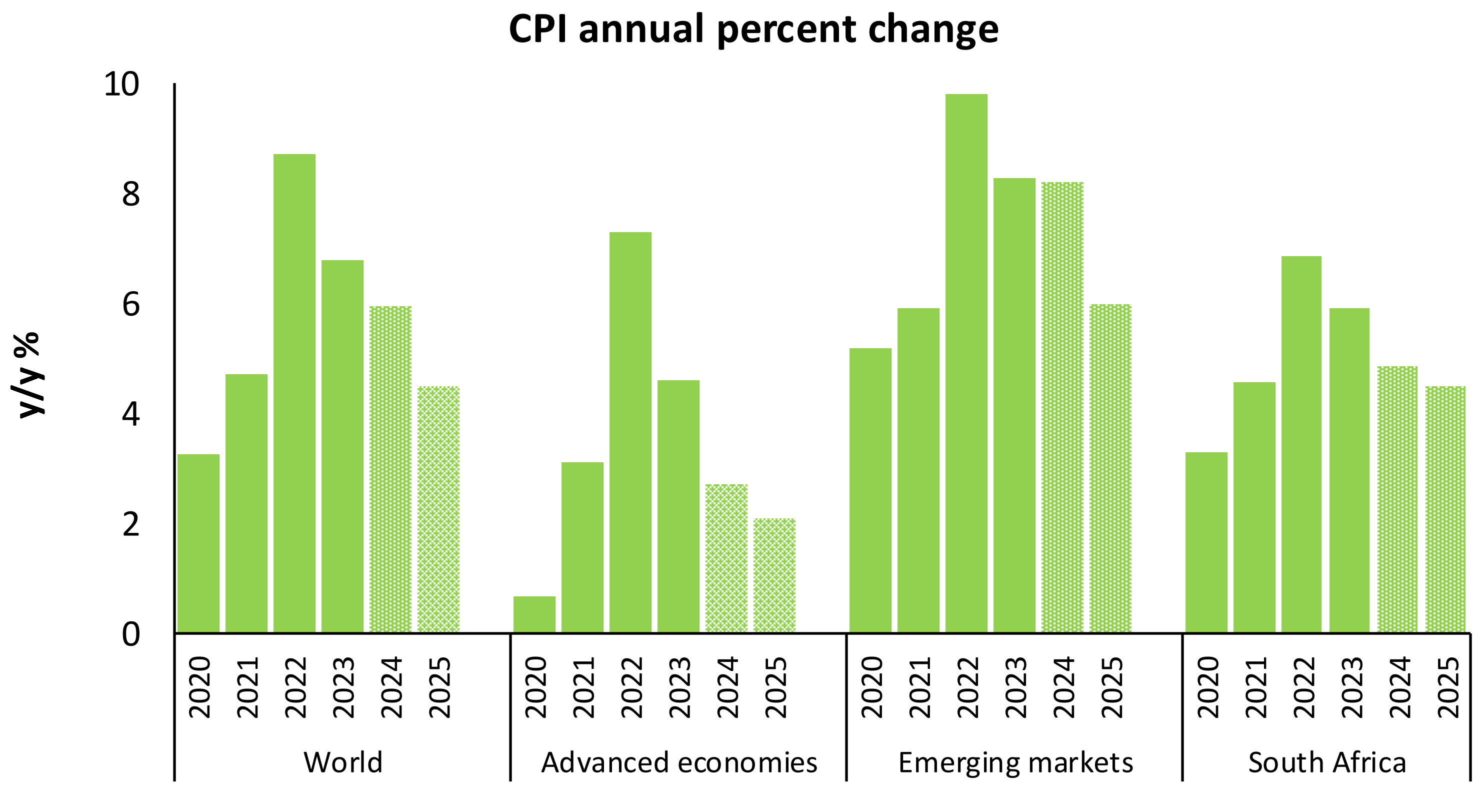
Macroeconomic overview and outlook

SOUTH AFRICAN RESERVE BANK

Summary

- Global inflation continues to moderate while labour markets show signs of cooling…
- … this has created room for central banks to begin lowering policy rates, but cautiously
- The global economy is growing at a steady, but modest, pace
- Domestic growth is still weak despite the suspension of load-shedding, but it is expected to gradually rise over the medium term
- Headline inflation is back to our target; inflation expectations are easing, but are still high
- The SARB lowered the repo rate in September, given lower inflation and more balanced risks.

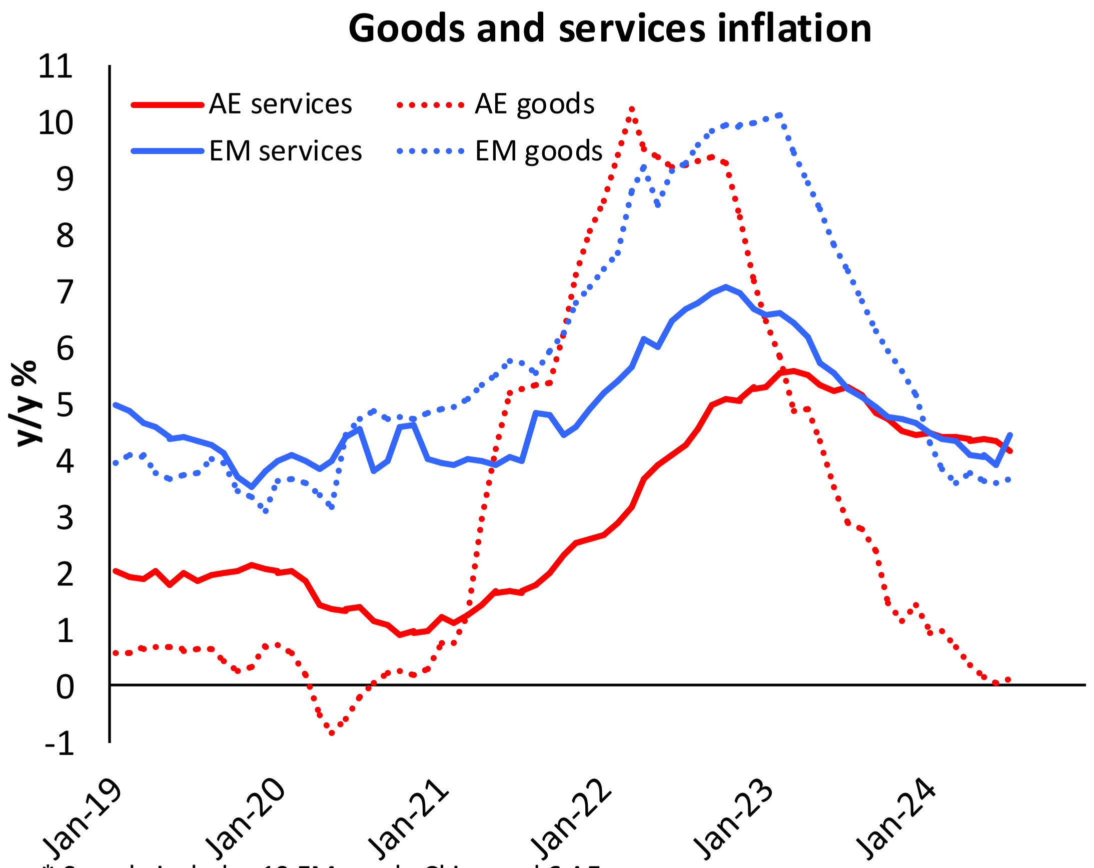
Global disinflation continues…



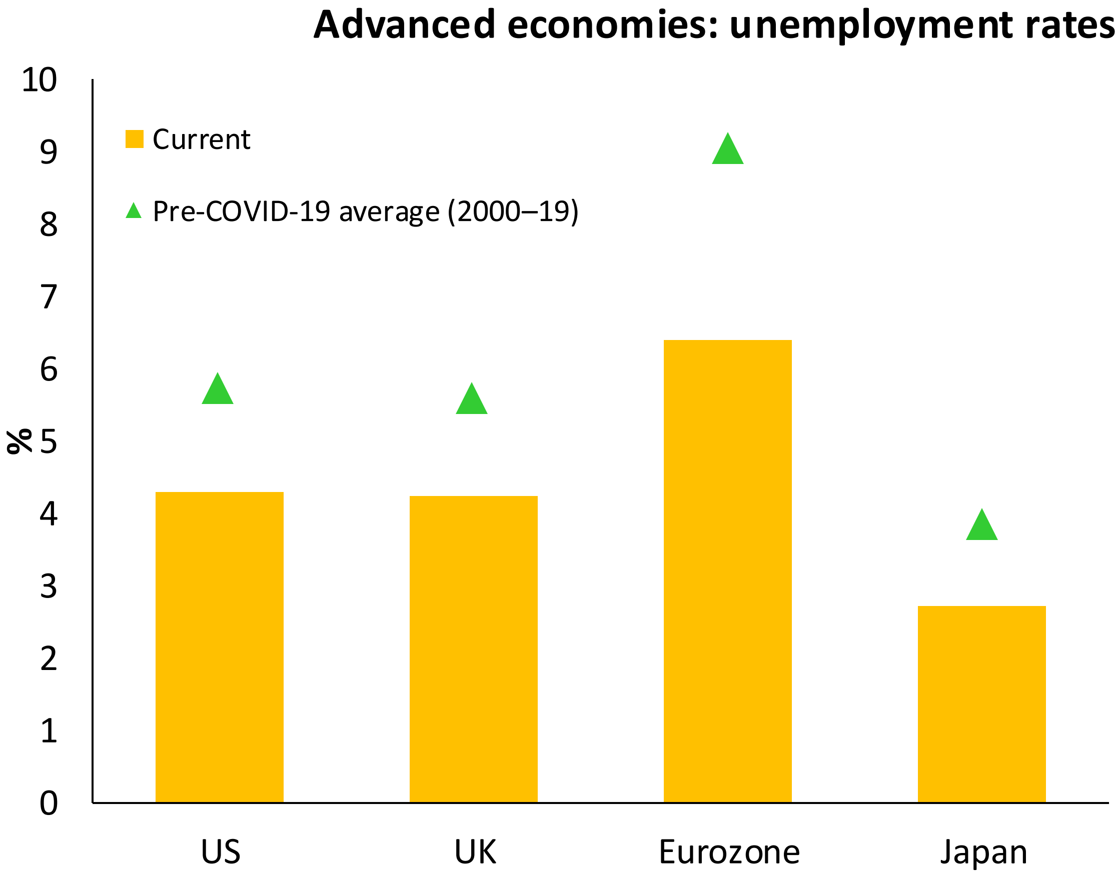
*IMF forecasts for 2024 and 2025
Source: IMF

South African Reserve Bank

…despite sticky services inflation and still firm labour markets



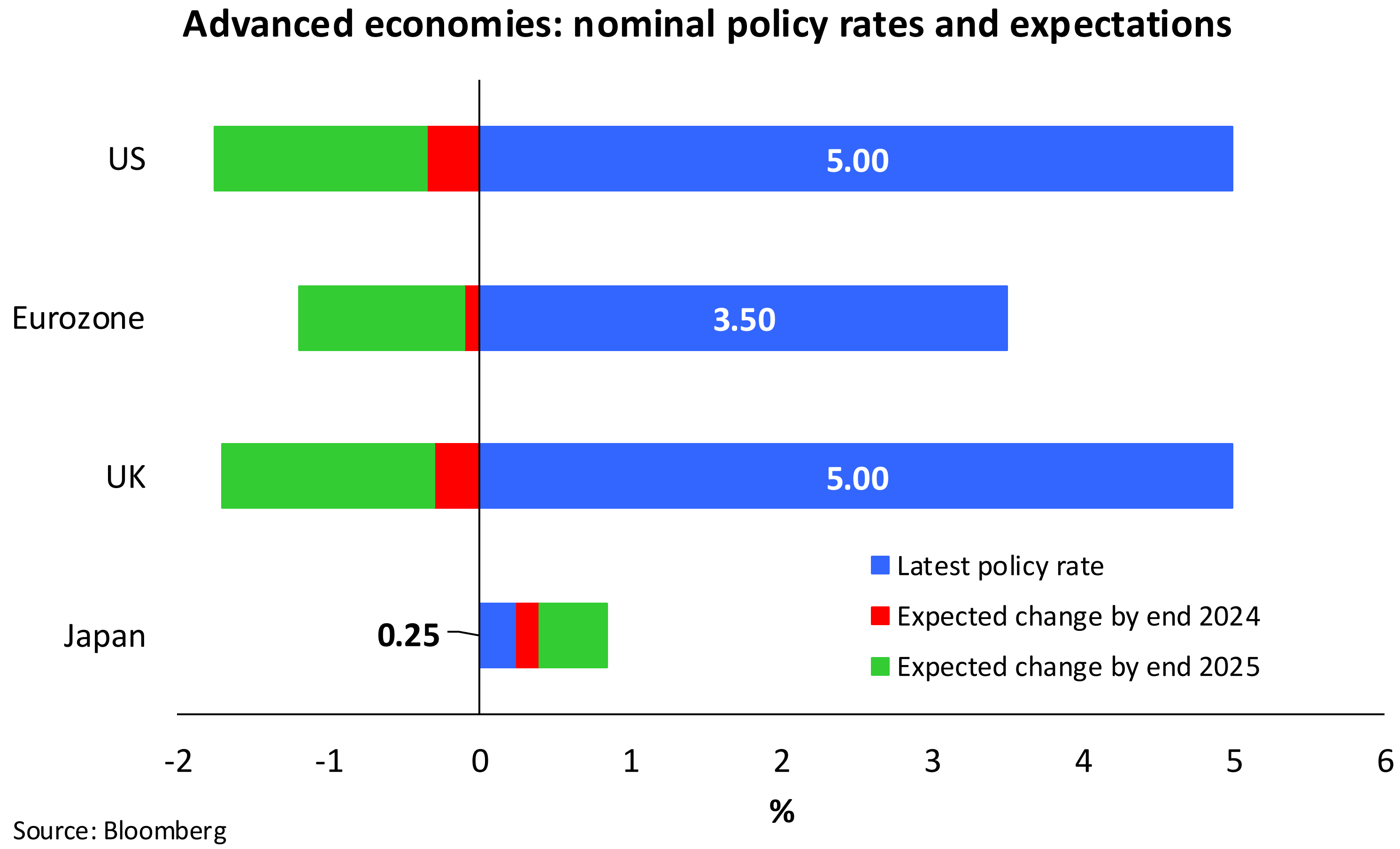
* Sample includes 10 EMs excl.. China and 6 AEs
Sources: Haver and SARB



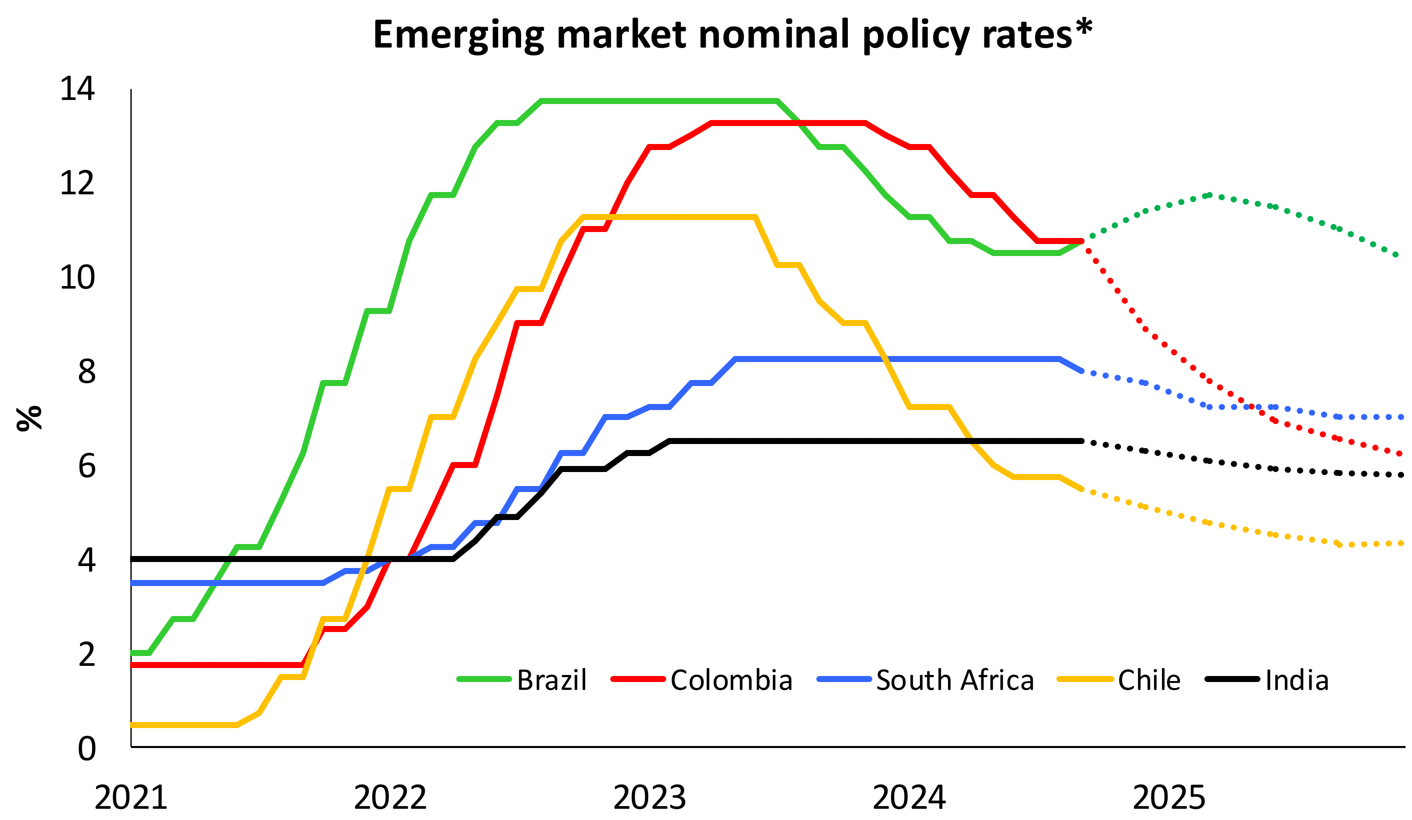
Sources: Haver and SARB

South African Reserve Bank

Major global central banks are in an easing cycle, but with exceptions



Emerging market central banks are cutting rates too, but domestic idiosyncrasies are dictating policy choices

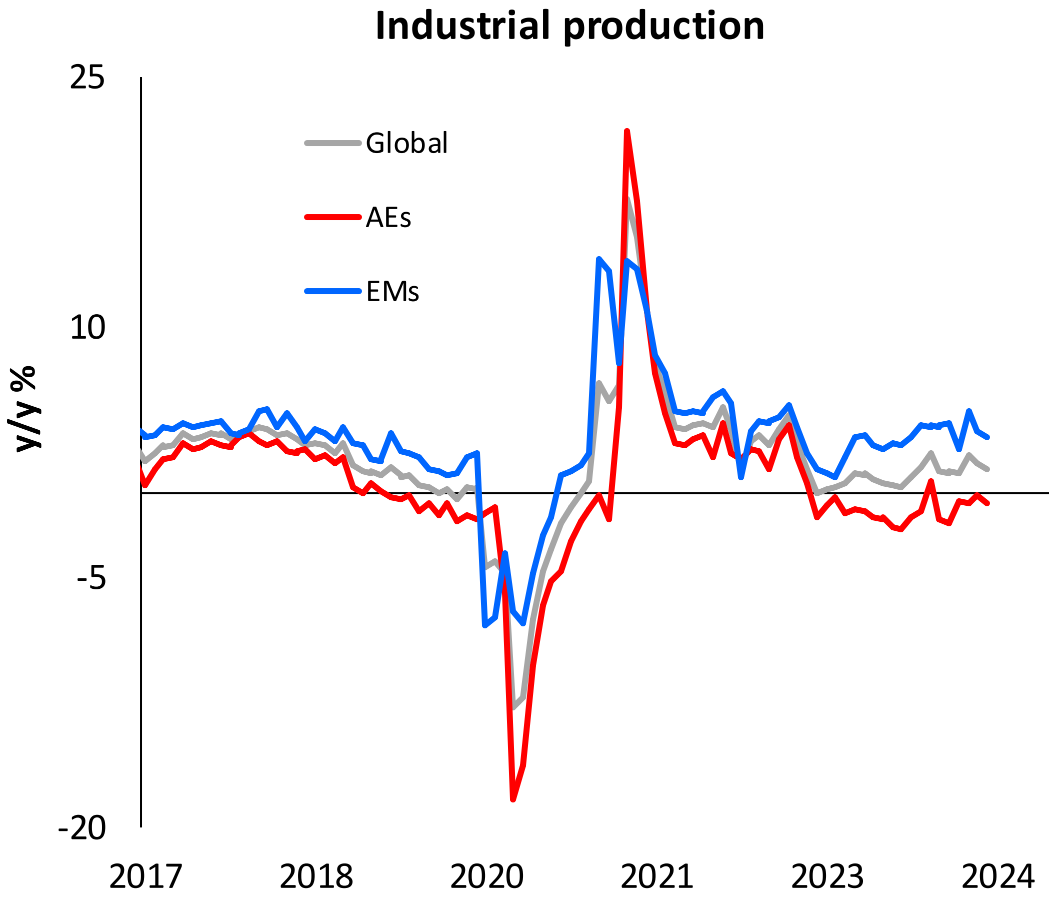


*Dotted lines indicate Bloomberg Consensus forecasts
Source: Bloomberg

South African Reserve Bank

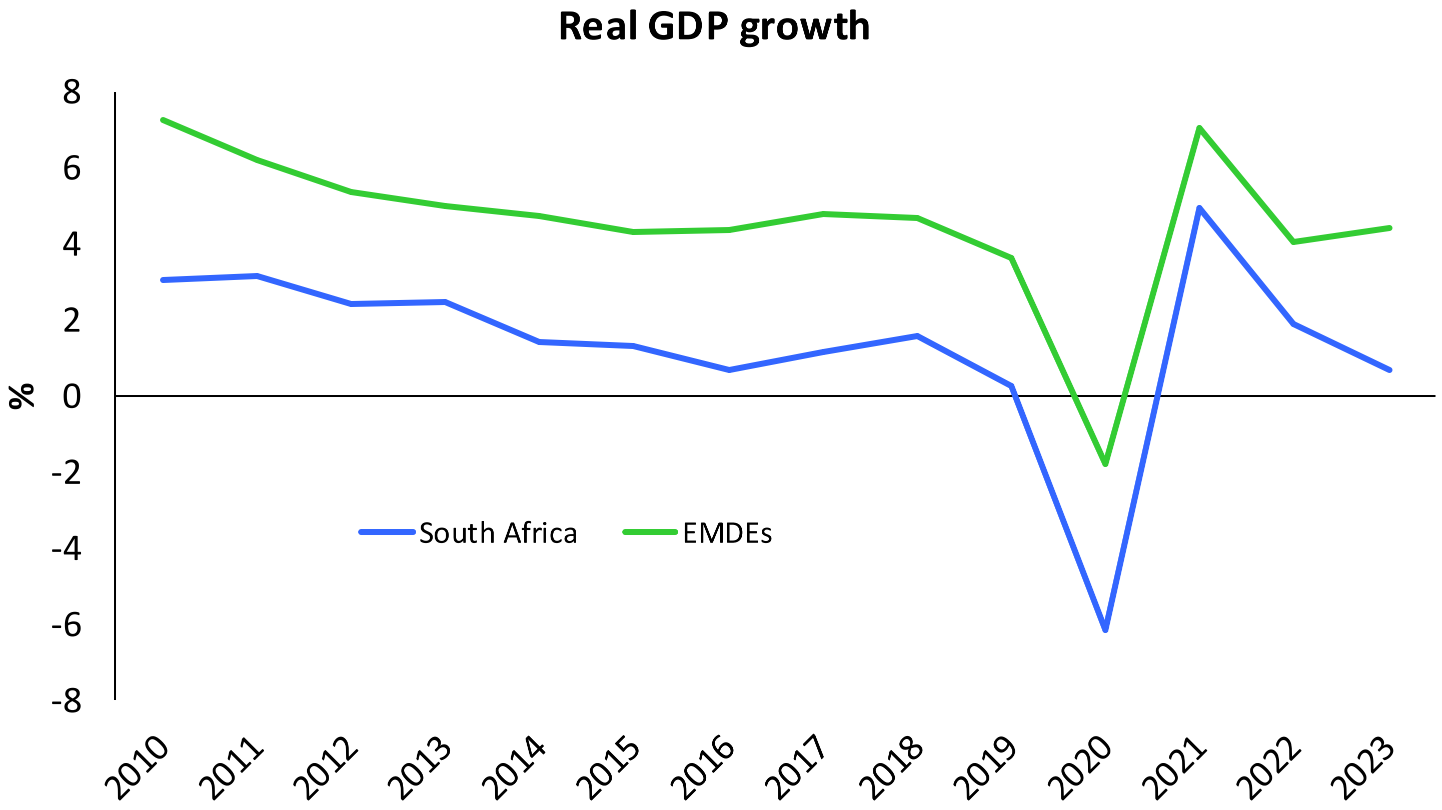
Steady and modest global growth, weighed by continued weak industrial activity

* Dotted lines indicates forecast from IMF *WEO*: July update
Source: IMF



Sources: CPB and Bloomberg

The domestic economy is expanding at a much lower pace…
well below peer emerging markets



Source: IMF and Stats SA

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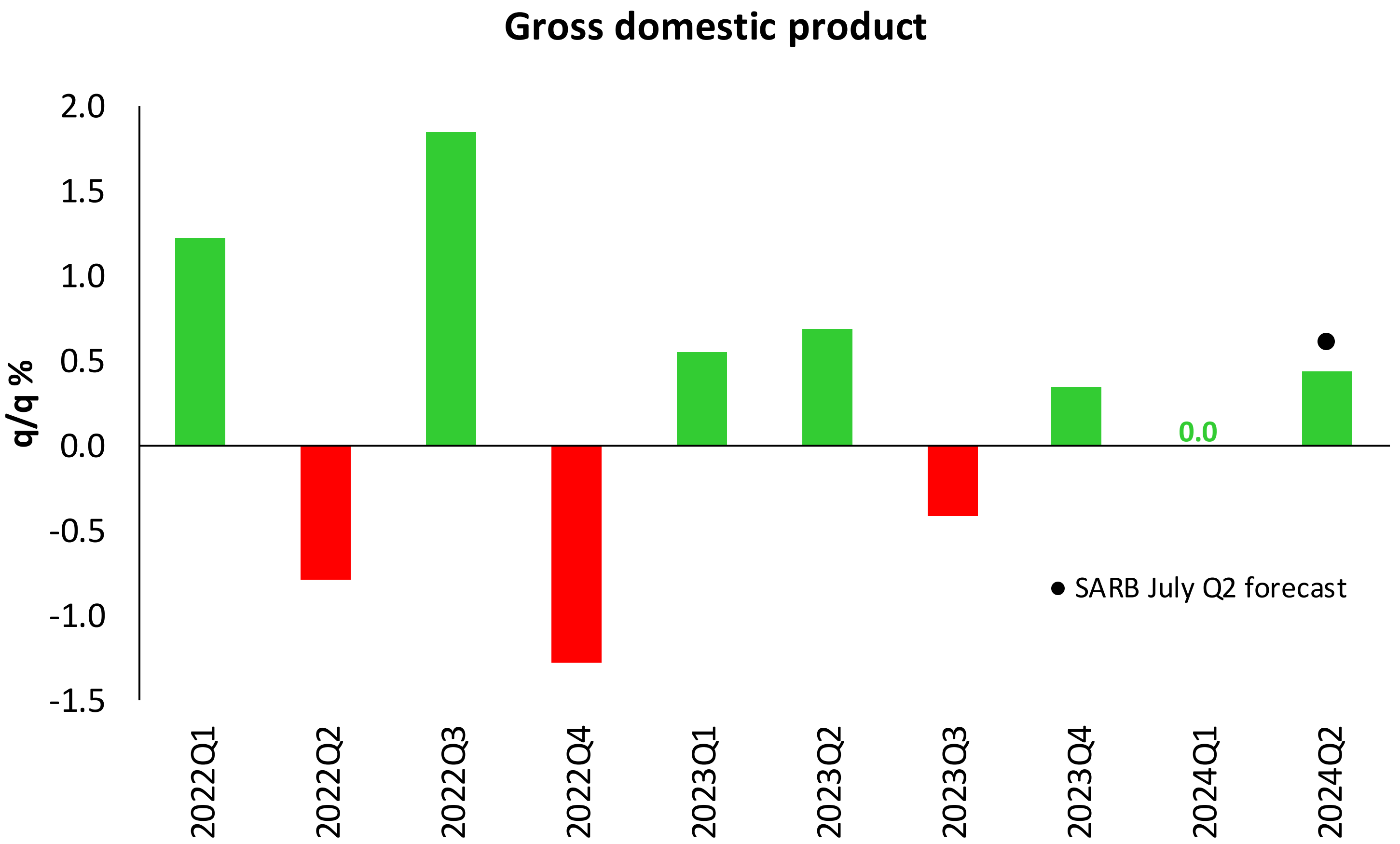
Recent GDP data disappointed despite the absence of load-shedding in Q2



Sources: Stats SA and SARB

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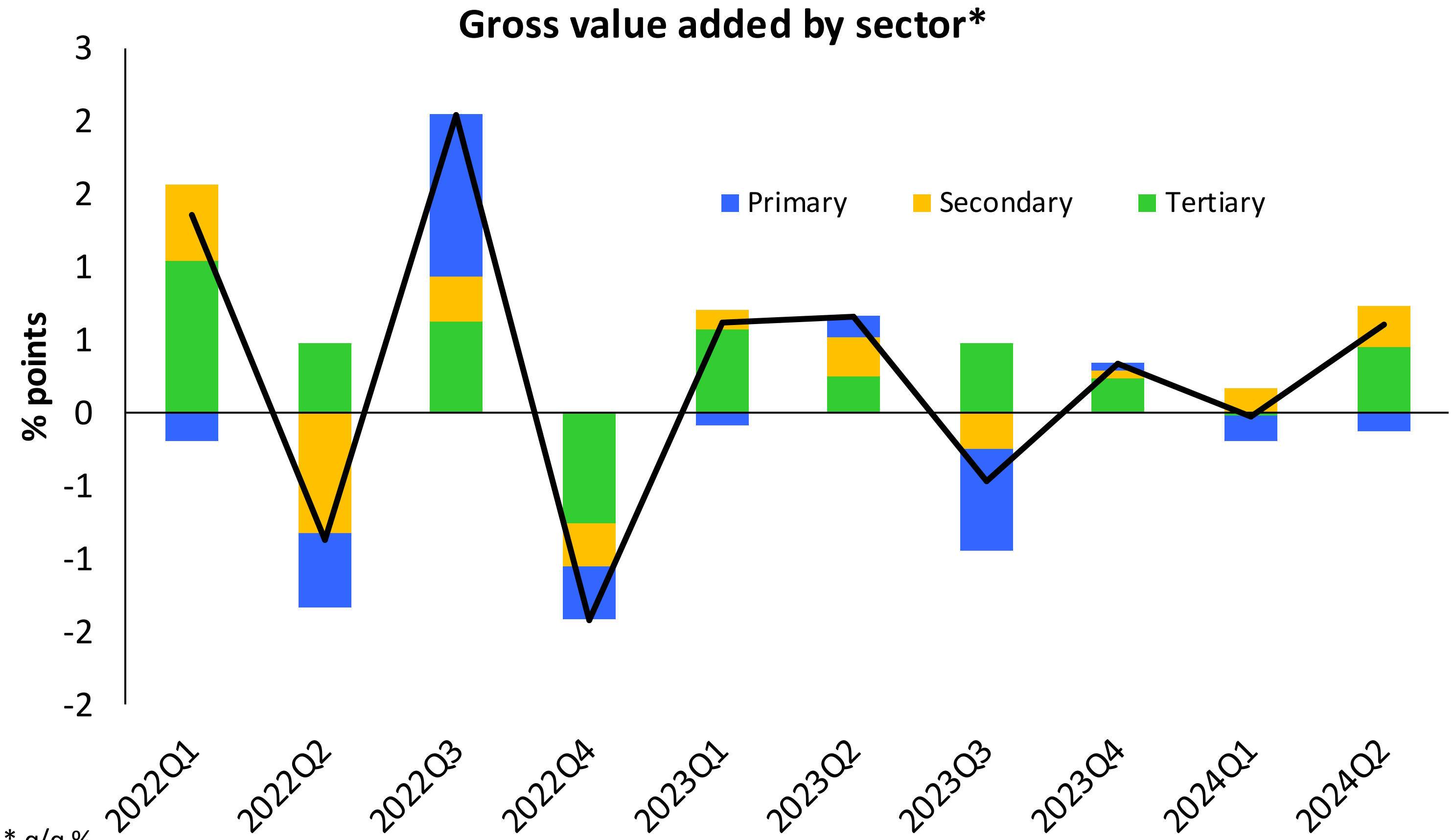
The primary sector dragged growth lower, while the secondary and tertiary sectors lifted it



* q/q %
Source: Stats SA

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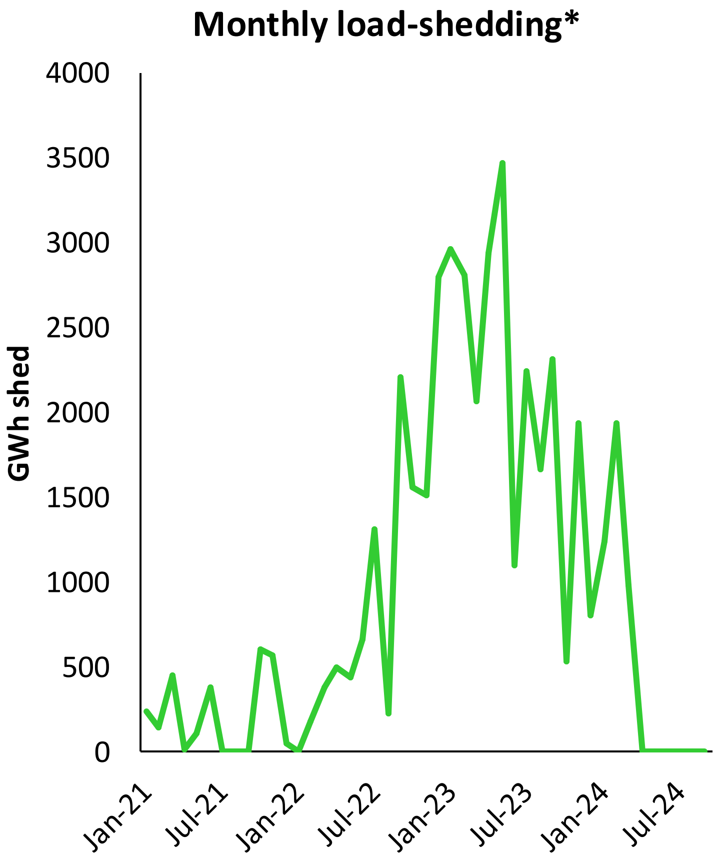
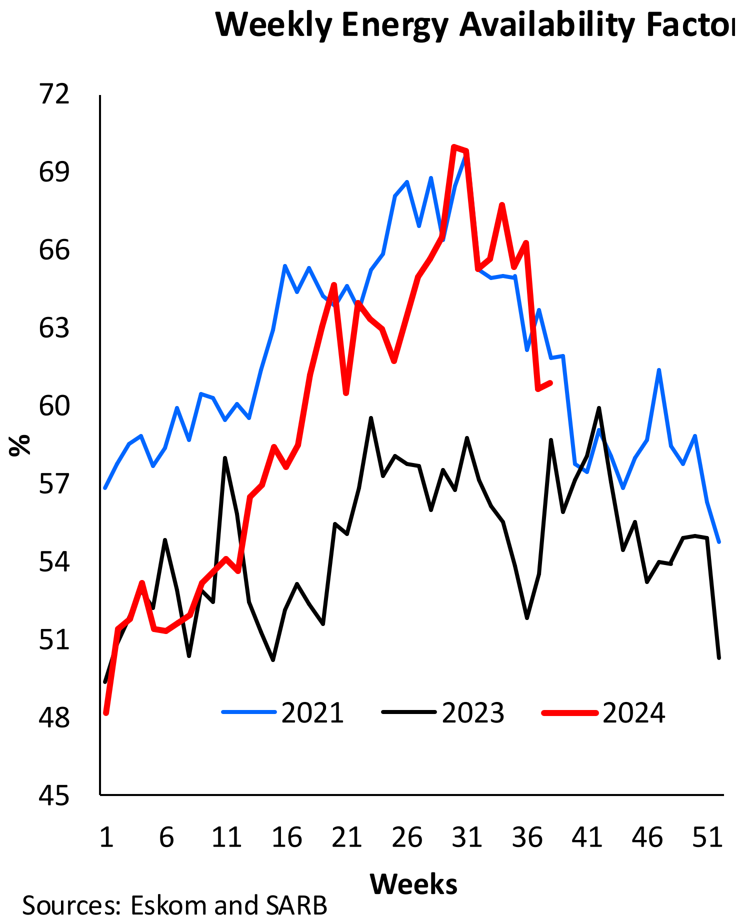
Encouragingly, energy and logistical constraints have become less binding

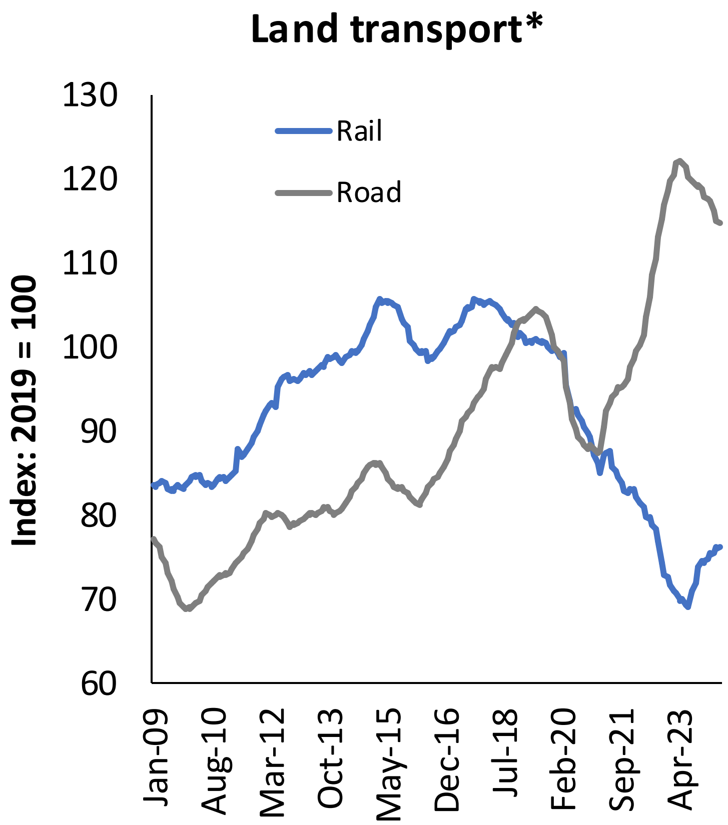
…6 months of no load-shedding, and counting



* as at 23/09/2024
Sources: ESP (app), Eskom X account and SARB



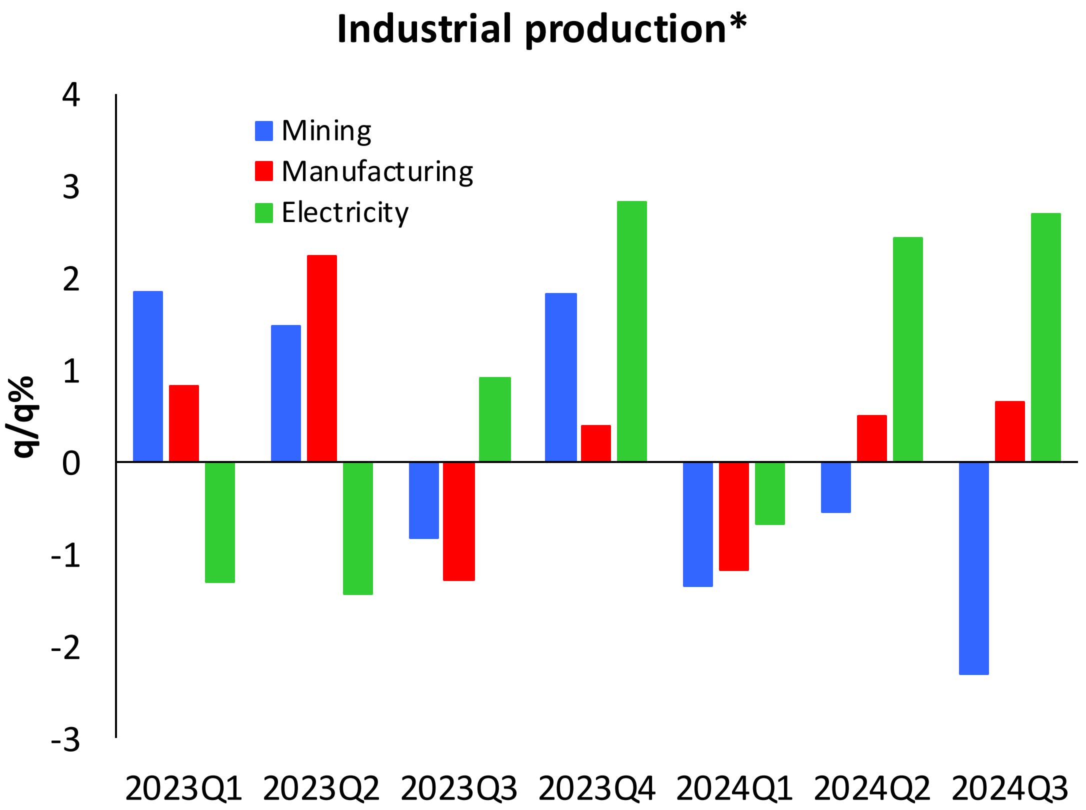
Sources: Eskom and SARB



*Data shows 12-month moving average
Source: Stats SA

South African Reserve Bank

…providing support to economic activity
but recent data suggests challenges remain for productive sectors



*2024Q3 includes only July output
Source: Stats SA

*2024Q3 includes only July
Sources: Naamsa and Stats SA

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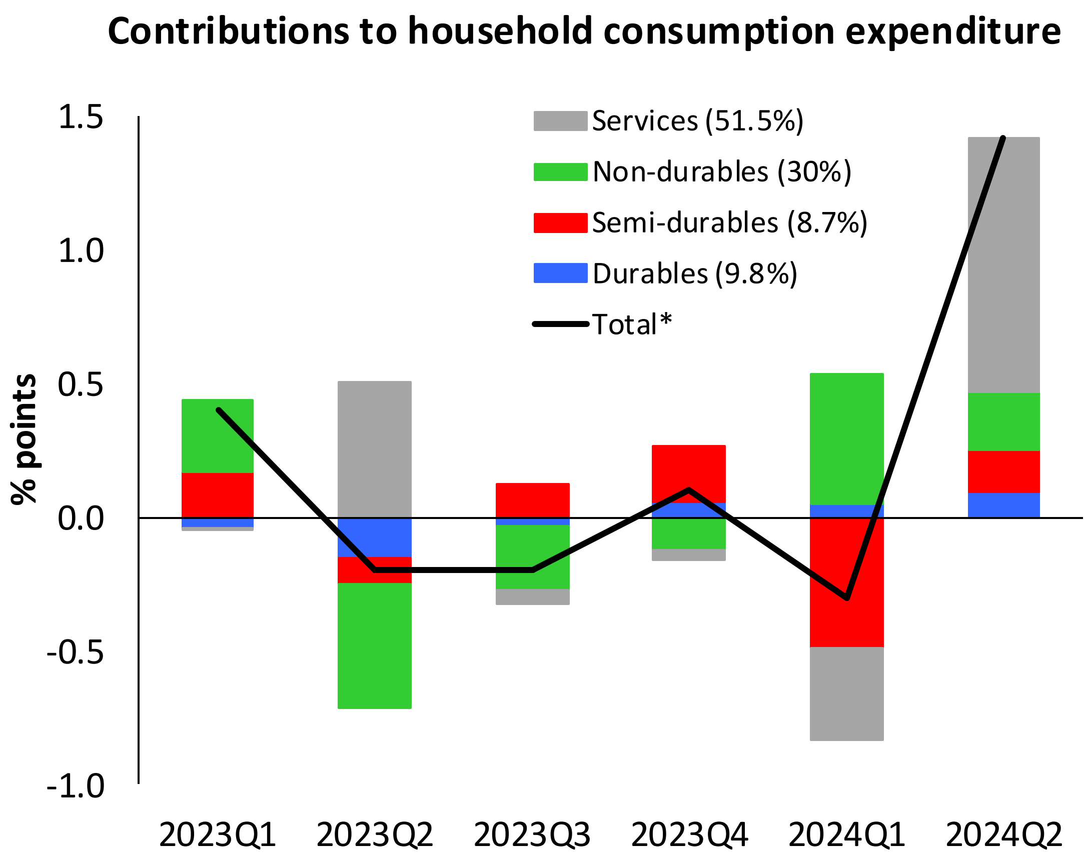
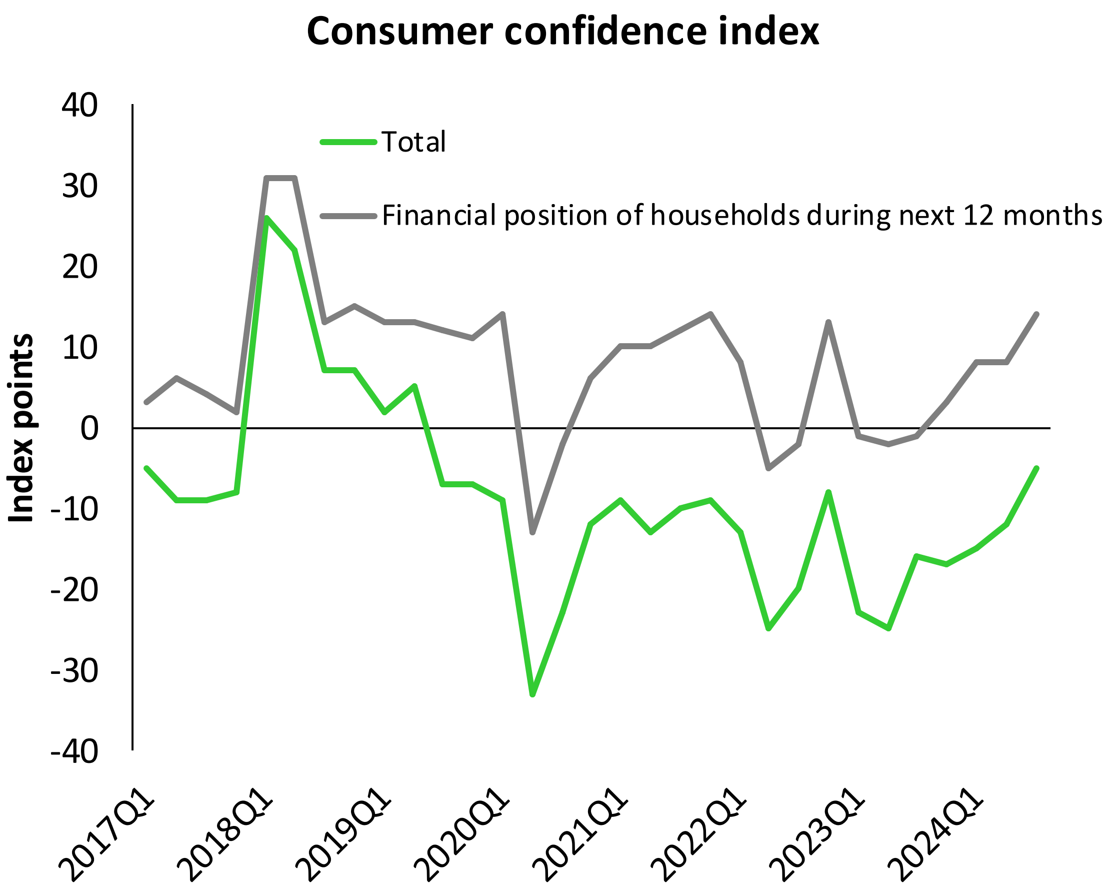
Recovery in household spending and confidence will further support activity



* Quarter-on-quarter percentage change
Source: Stats SA



Source: BER

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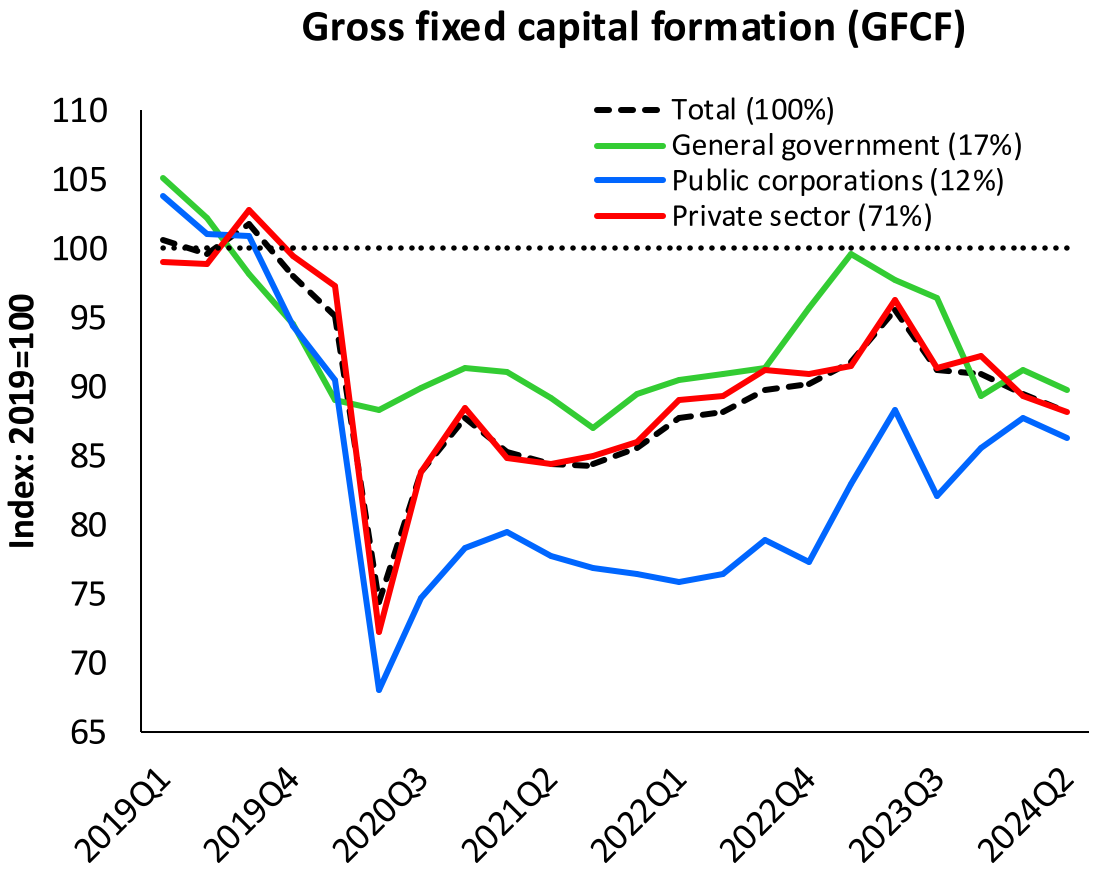
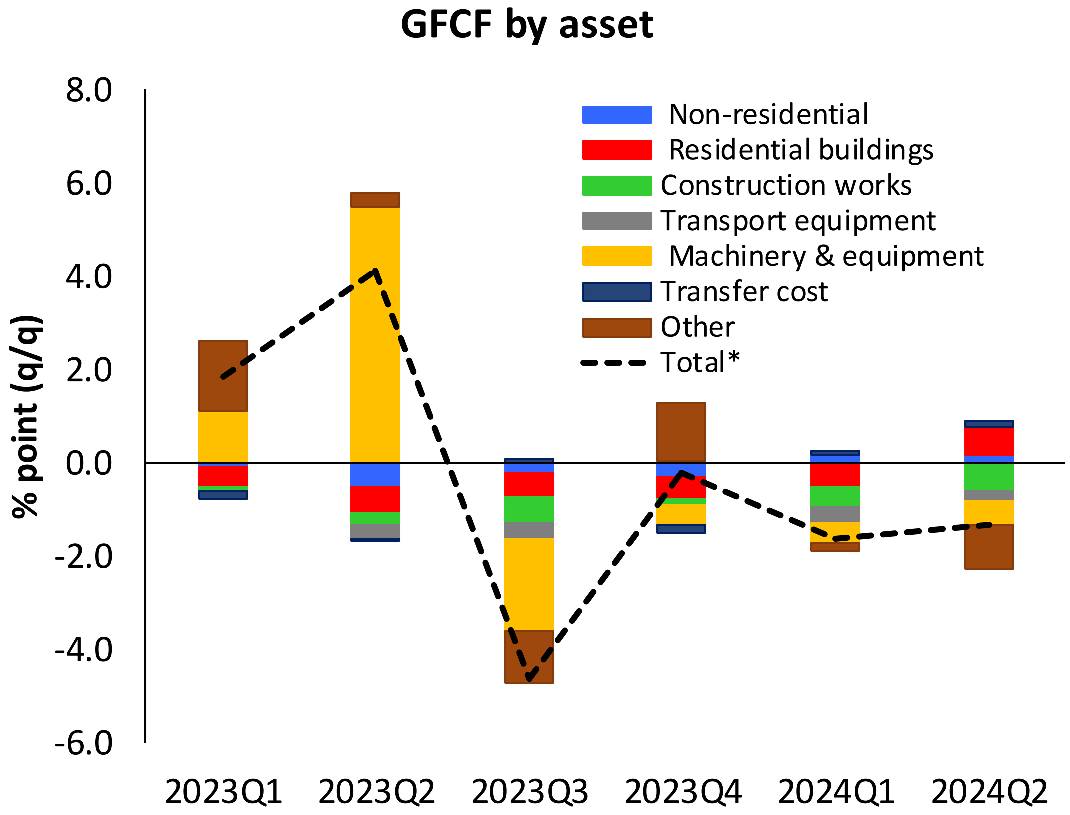
But investment is a drag…

4 consecutive quarters of contraction



Source: Stats SA



* Quarter-on-quarter percentage change
Source: Stats SA

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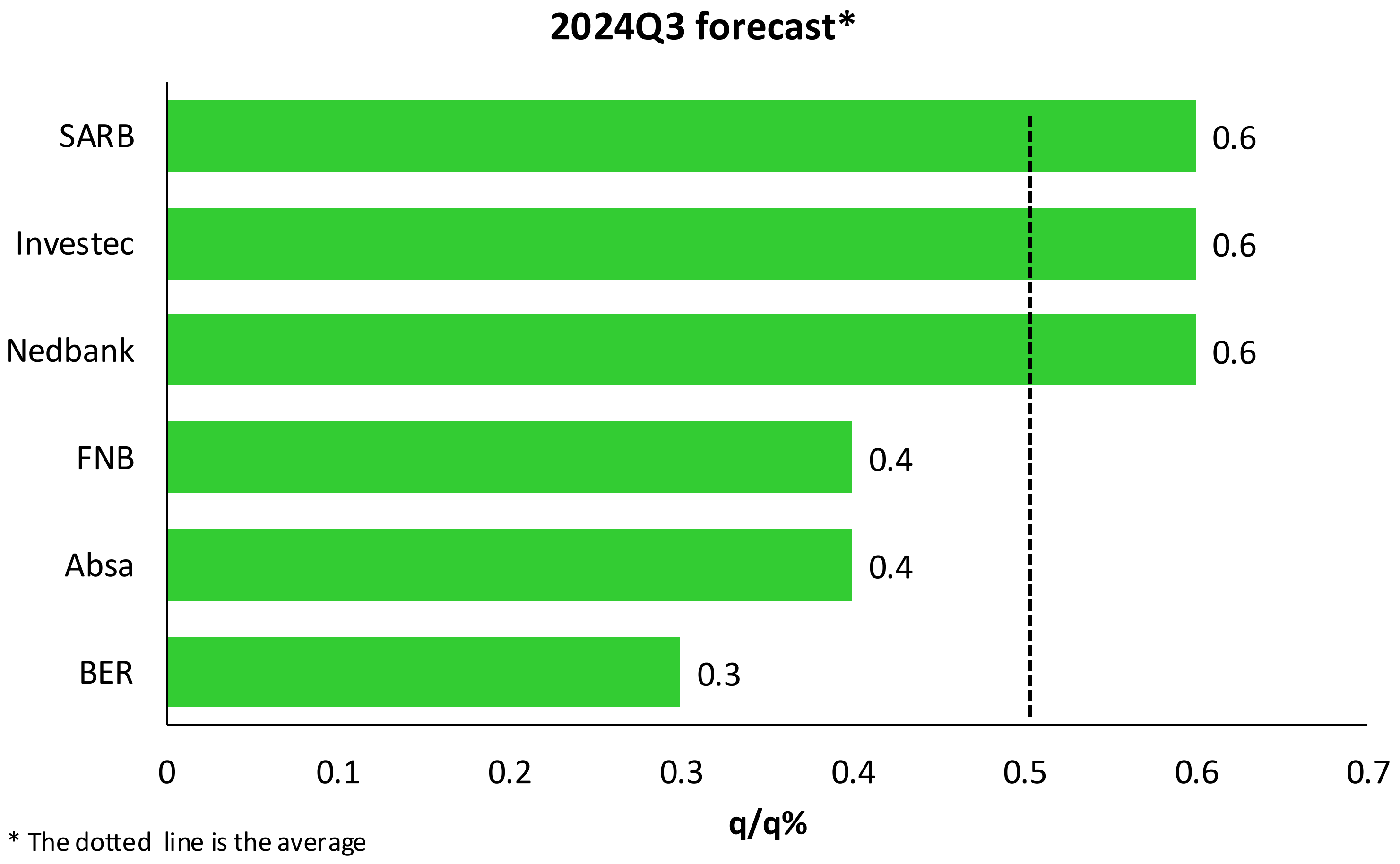
…resulting in only modest projected GDP expansion in the near term



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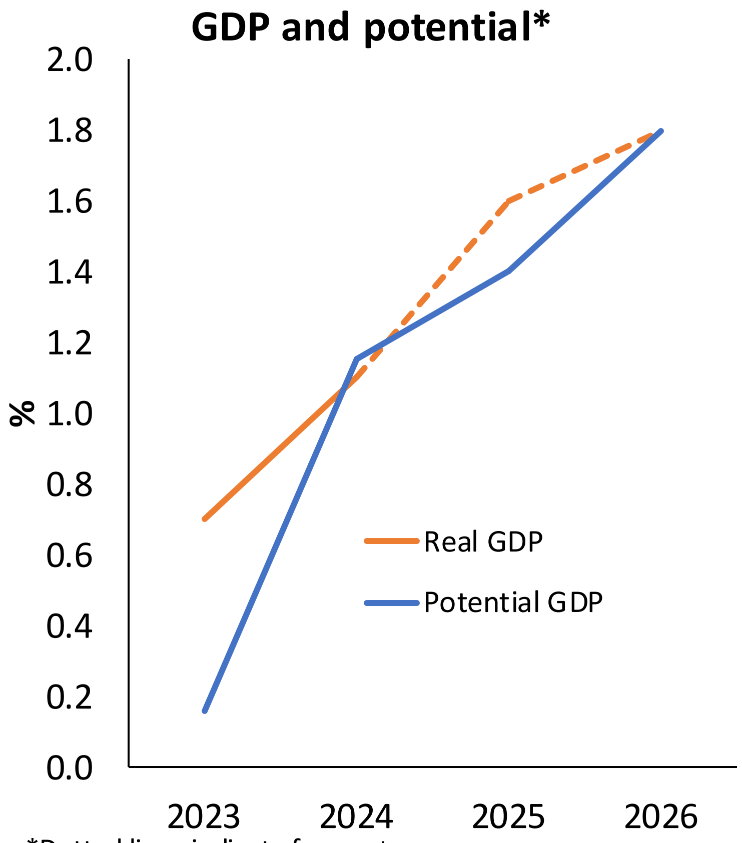
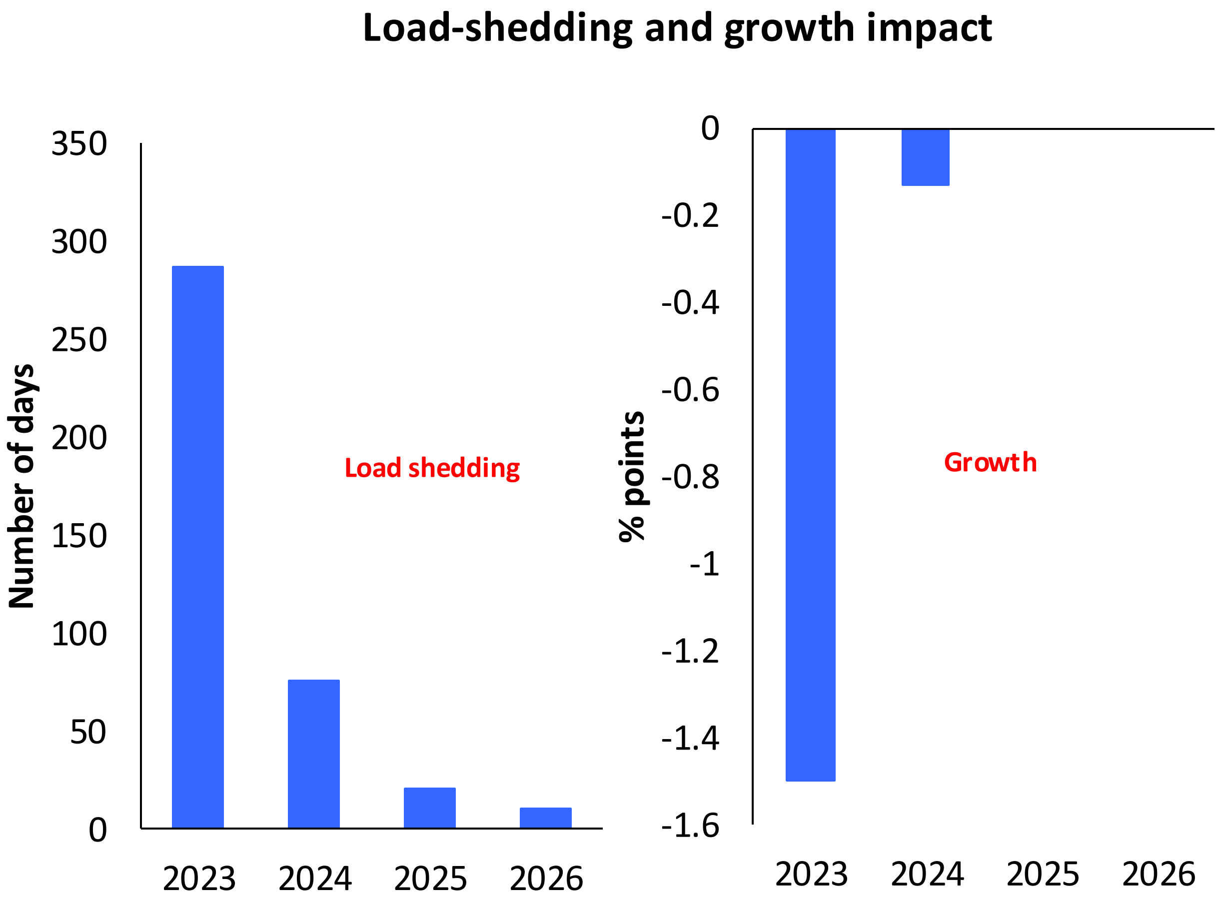
Medium-term growth raised on improved energy supply…



*Dotted lines indicate forecast
Sources: Stats SA and SARB



Source: SARB

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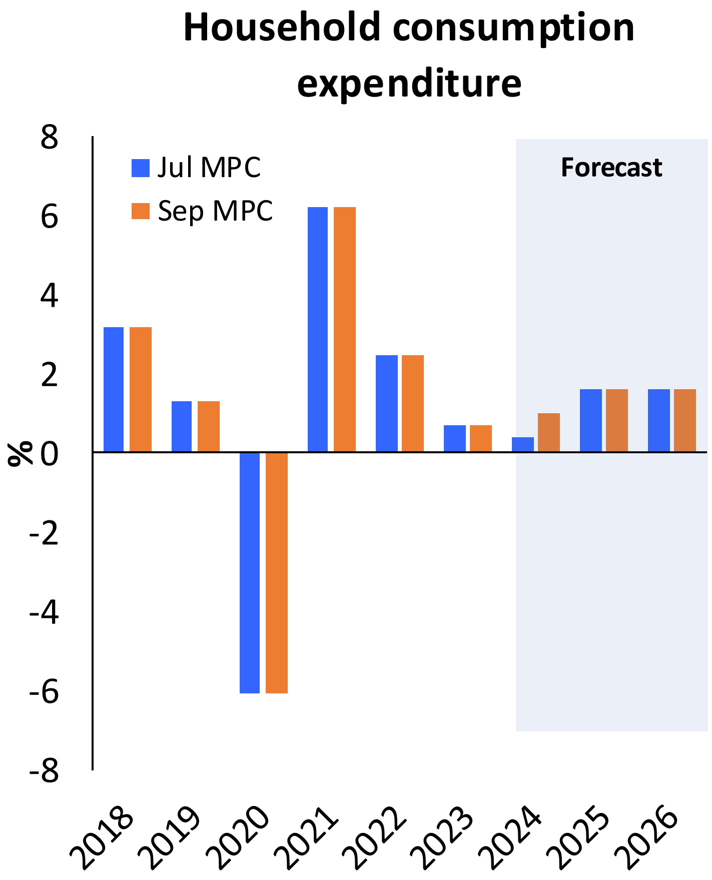
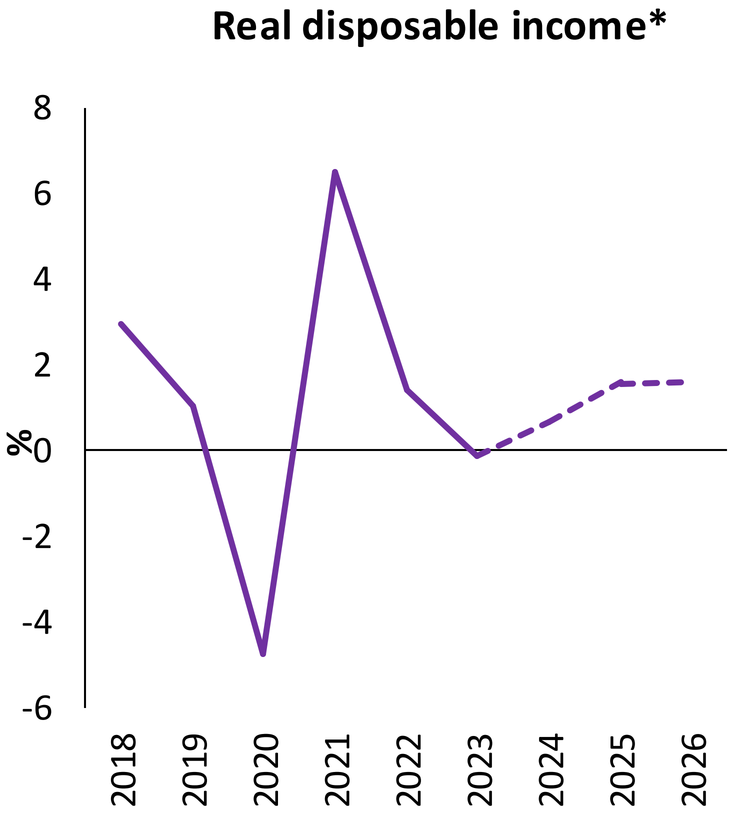
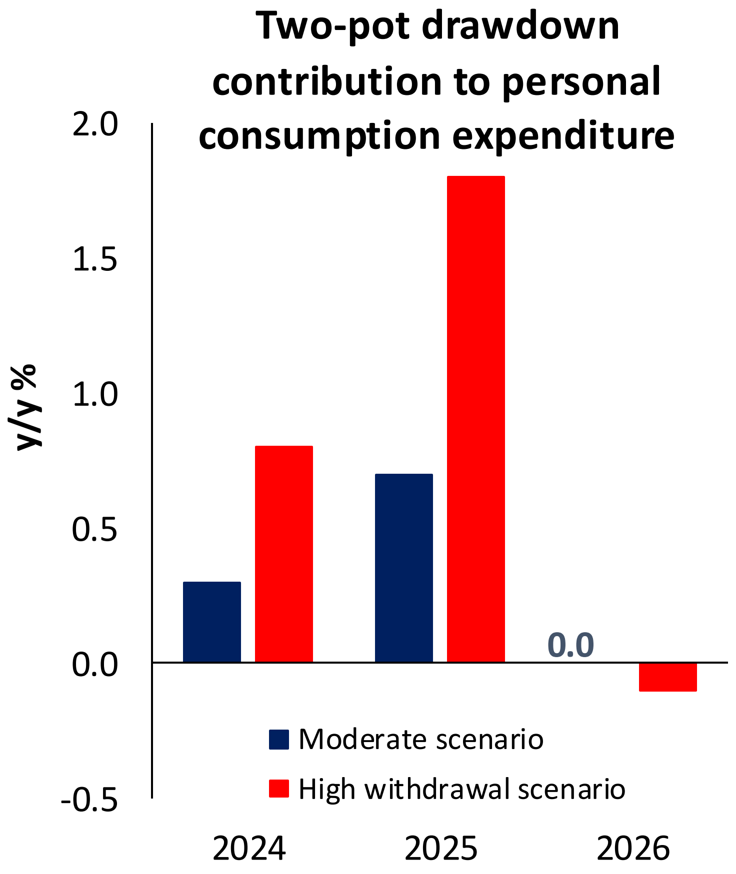
…and household consumption spurred by tailwinds
two-pot withdrawals and declining inflation



Source: SARB



*Dotted lines indicate forecasts
Source: SARB



Source: SARB

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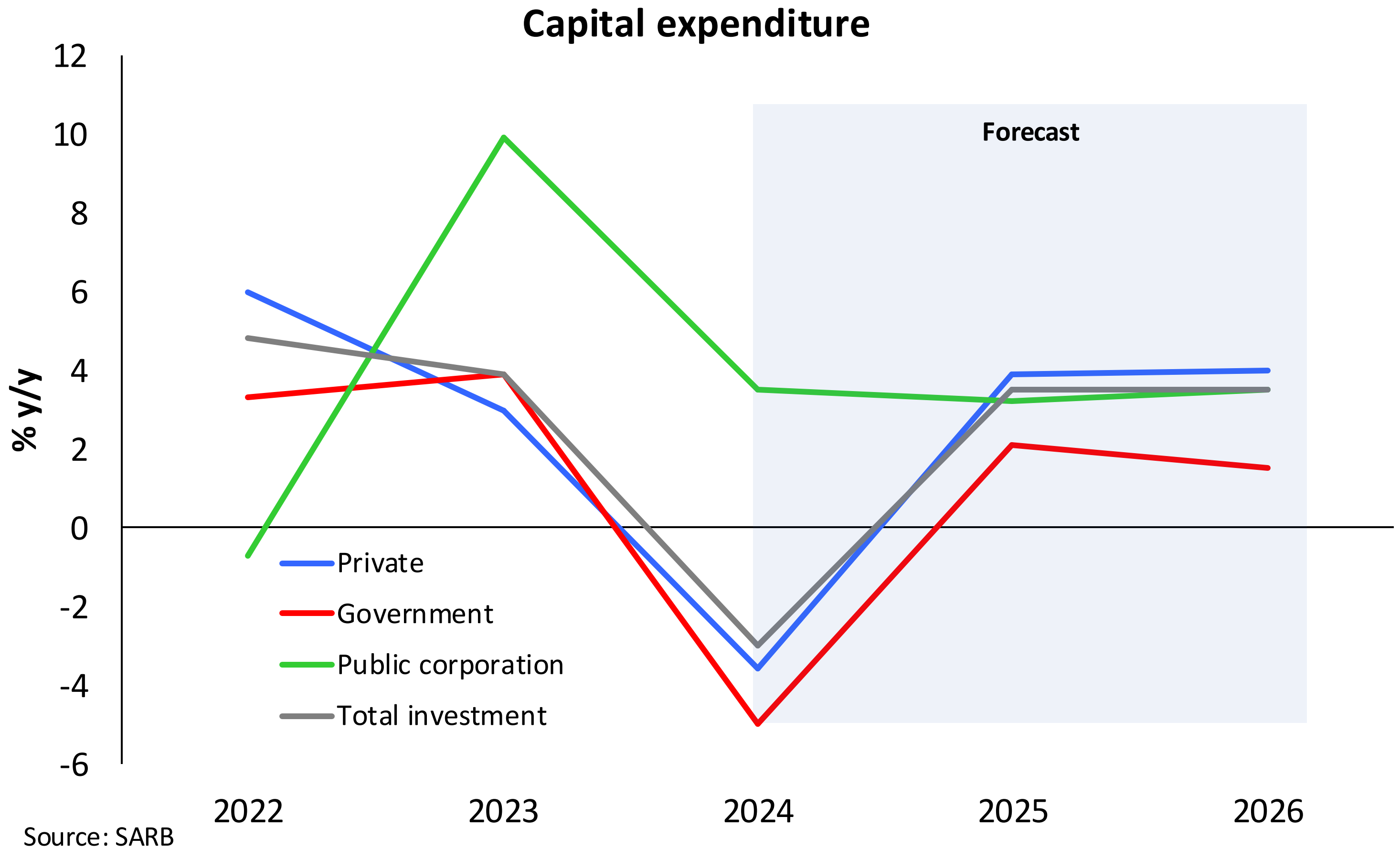
…while investment rebounds, benefitting from embedded generation



Source: SARB

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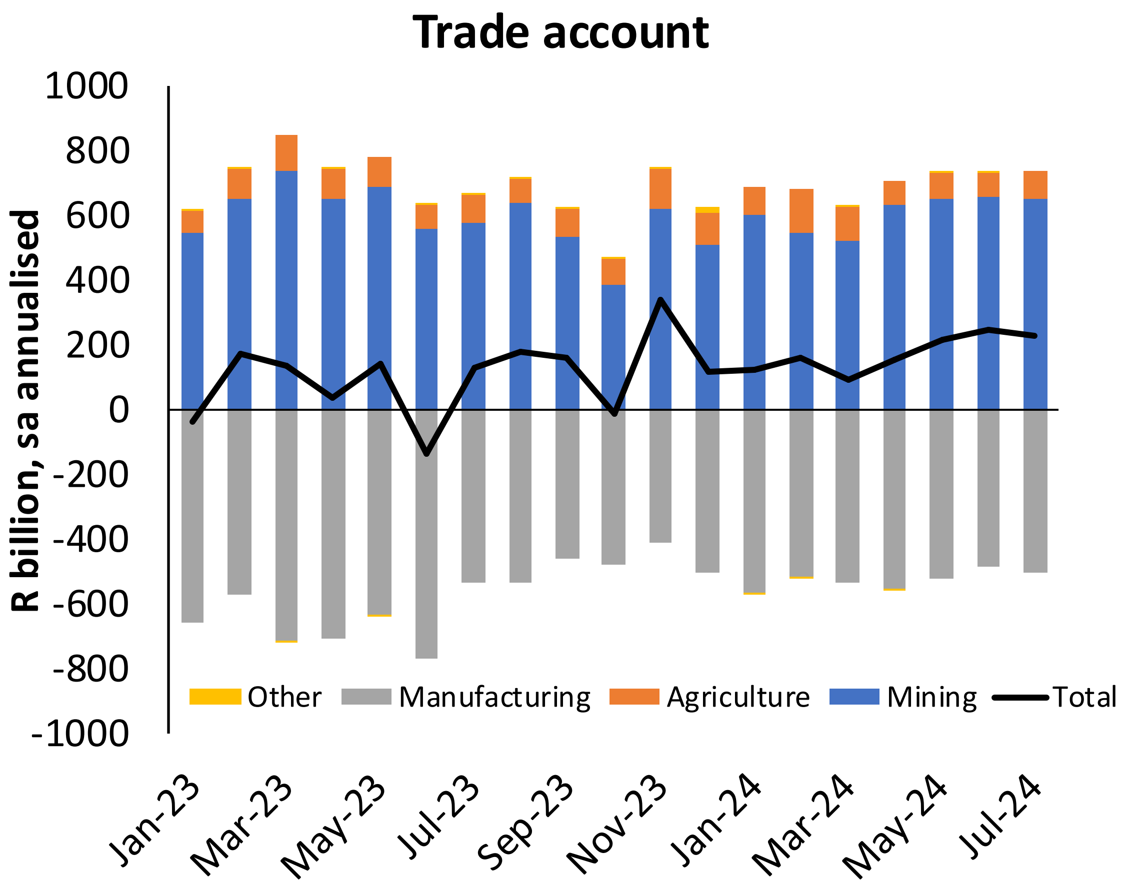
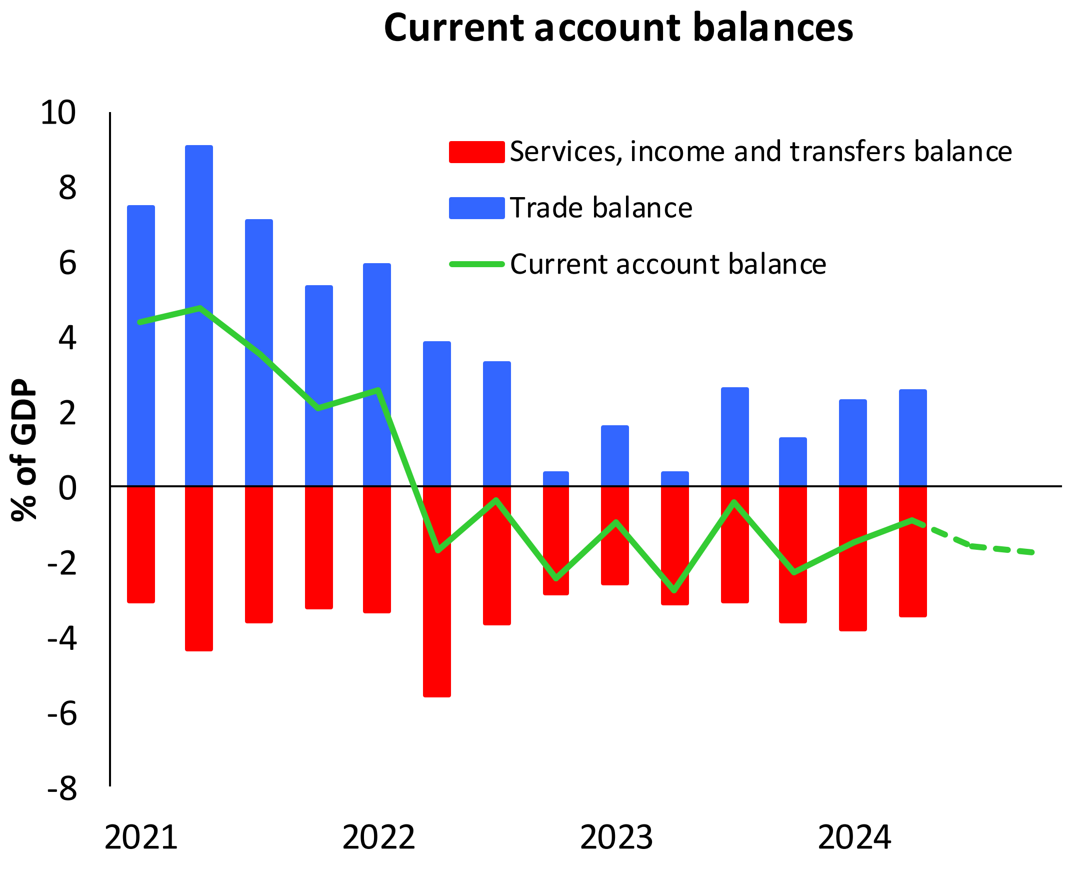
On macro balances, the higher trade surplus and improved services, income and transfers balance support the current account balance

Mining exports are the main support for the trade surplus



Source: SARB



Source: SARB

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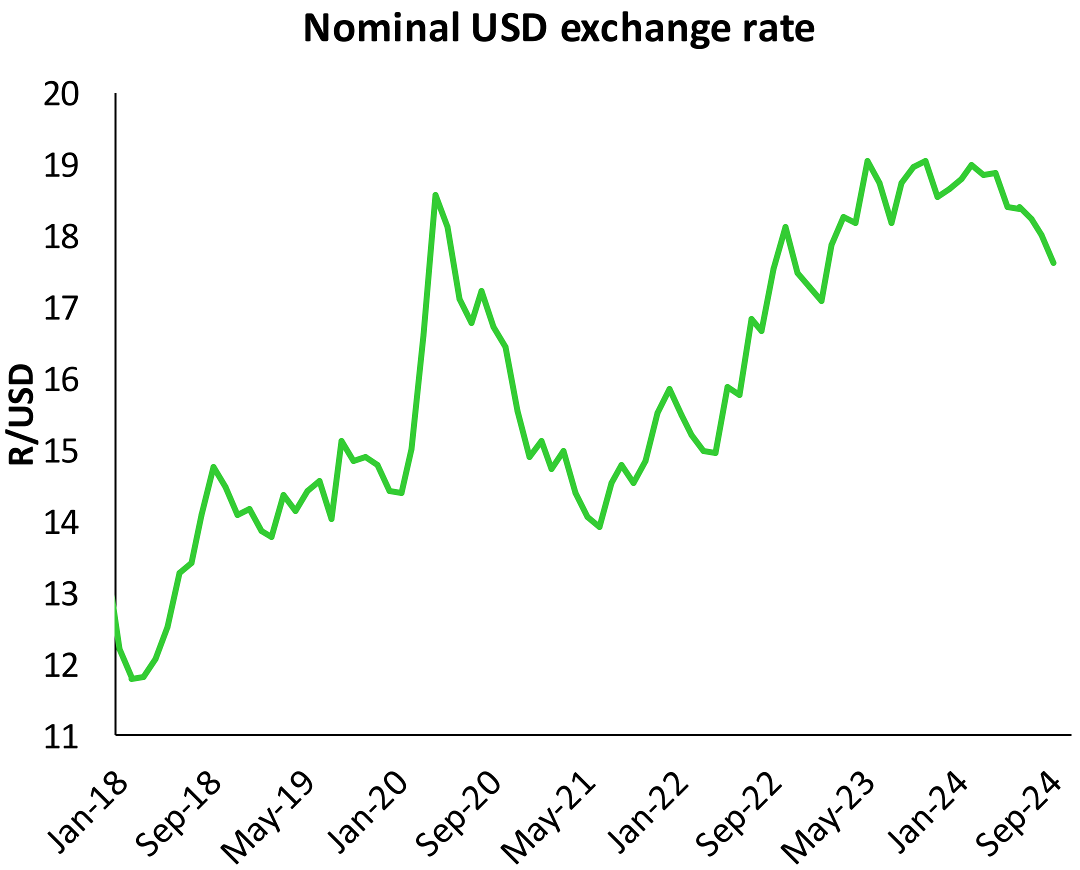
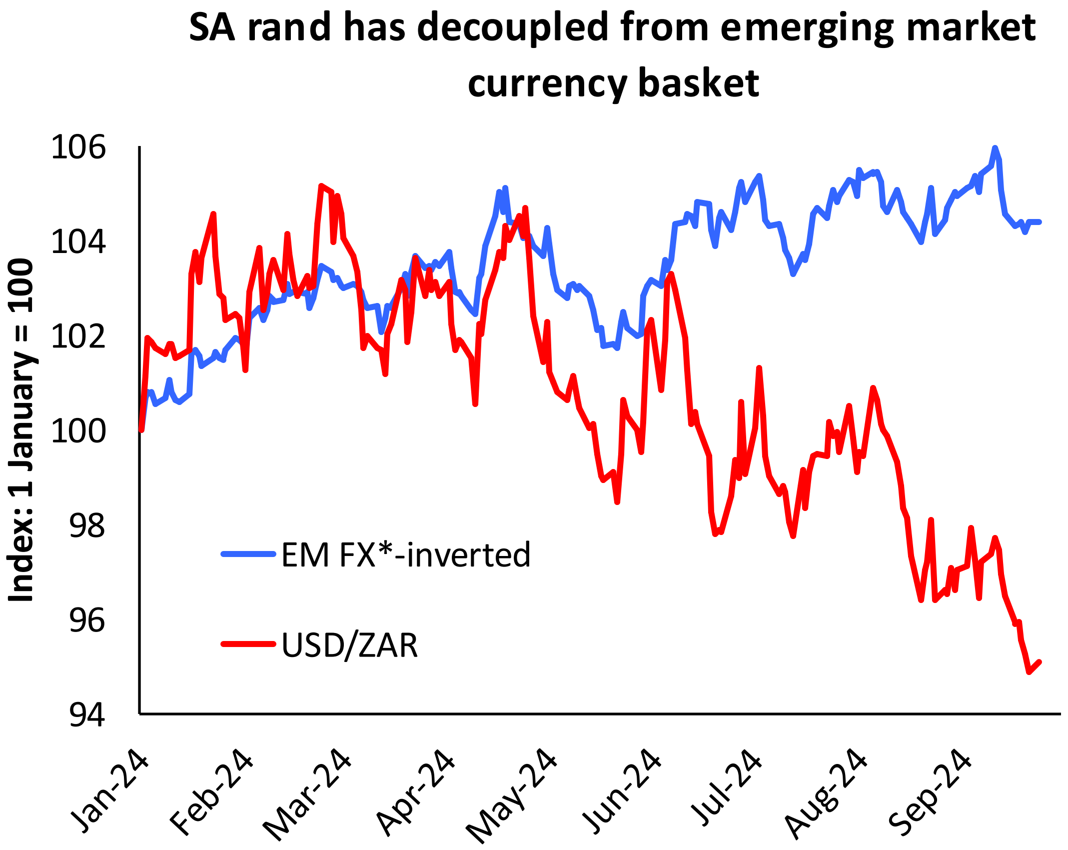
The rand has strengthened considerably against the US dollar
…with feedthrough to inflation



Source: SARB

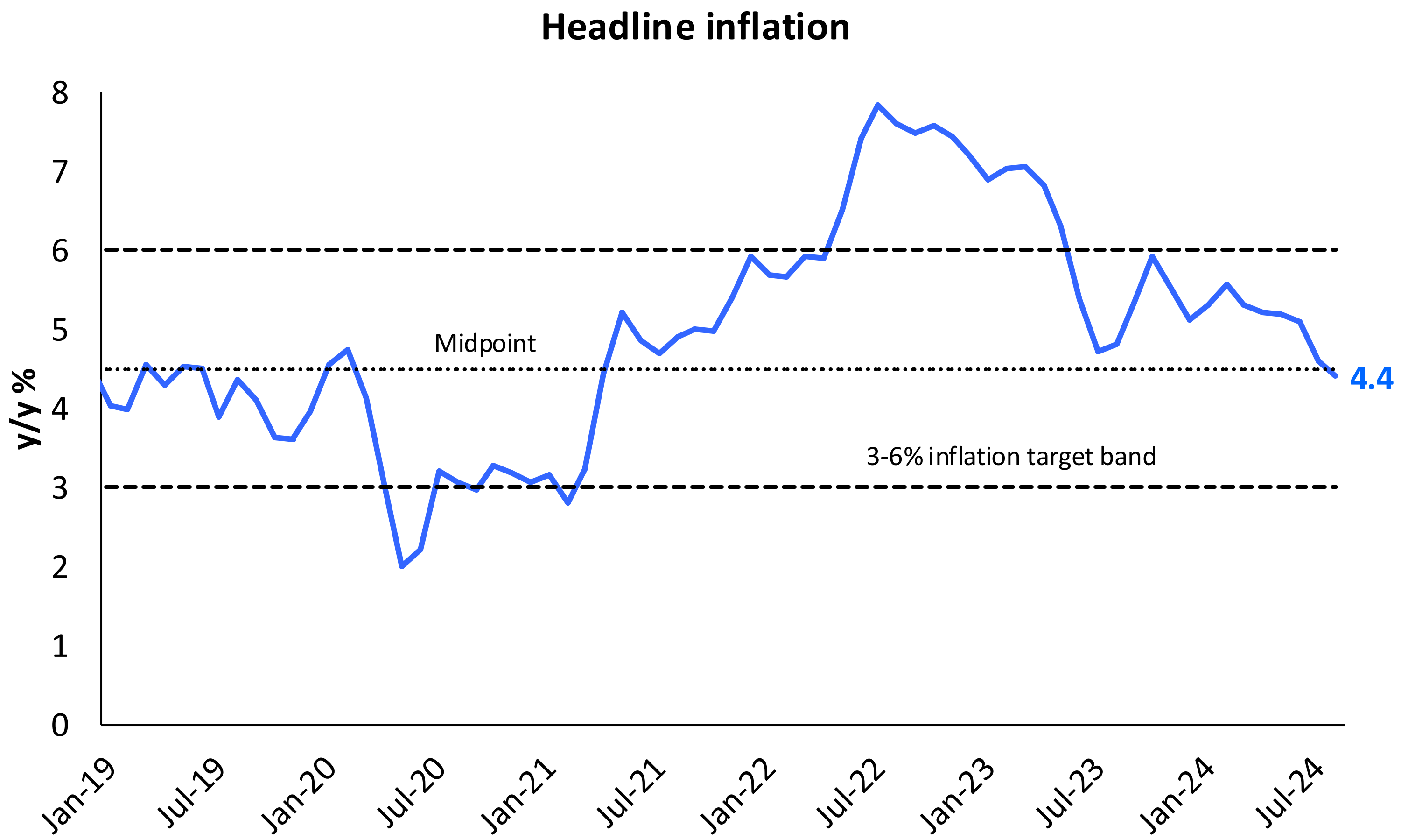


* Emerging market currencies

Source: Bloomberg

South African Reserve Bank

Headline inflation is back at target – the first time since April 2021



Sources: Stats SA and SARB

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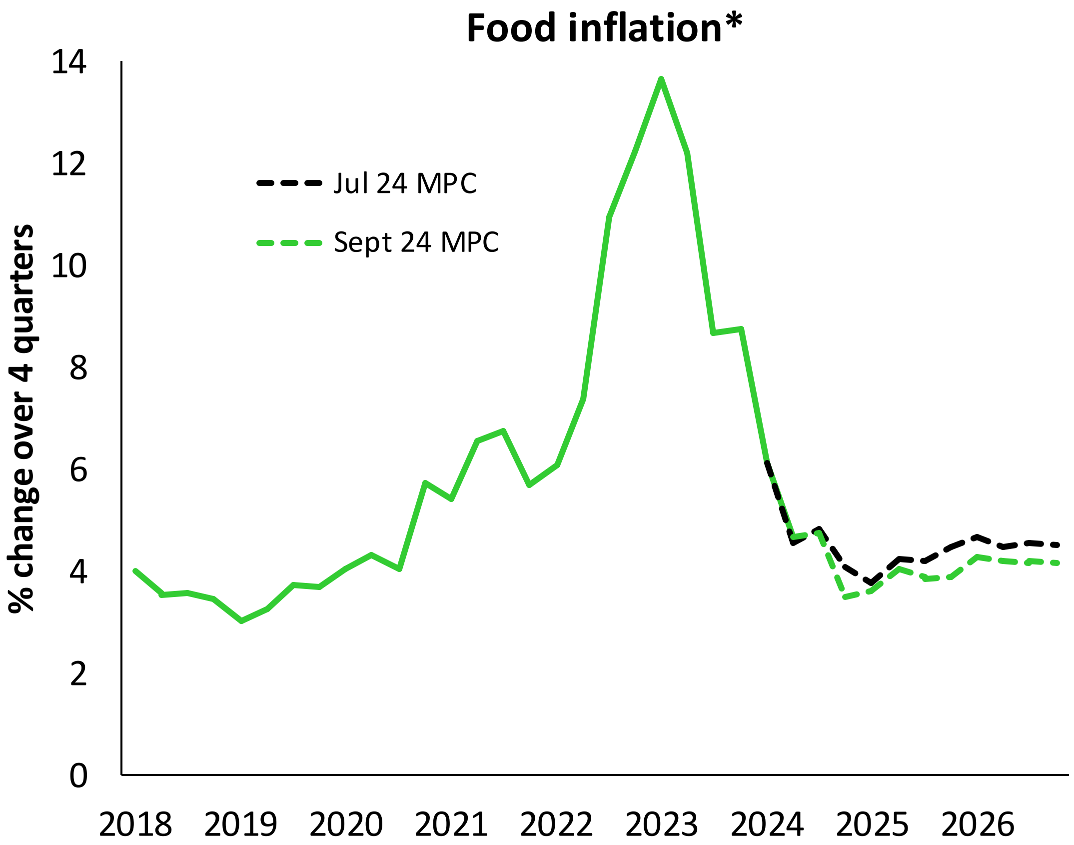
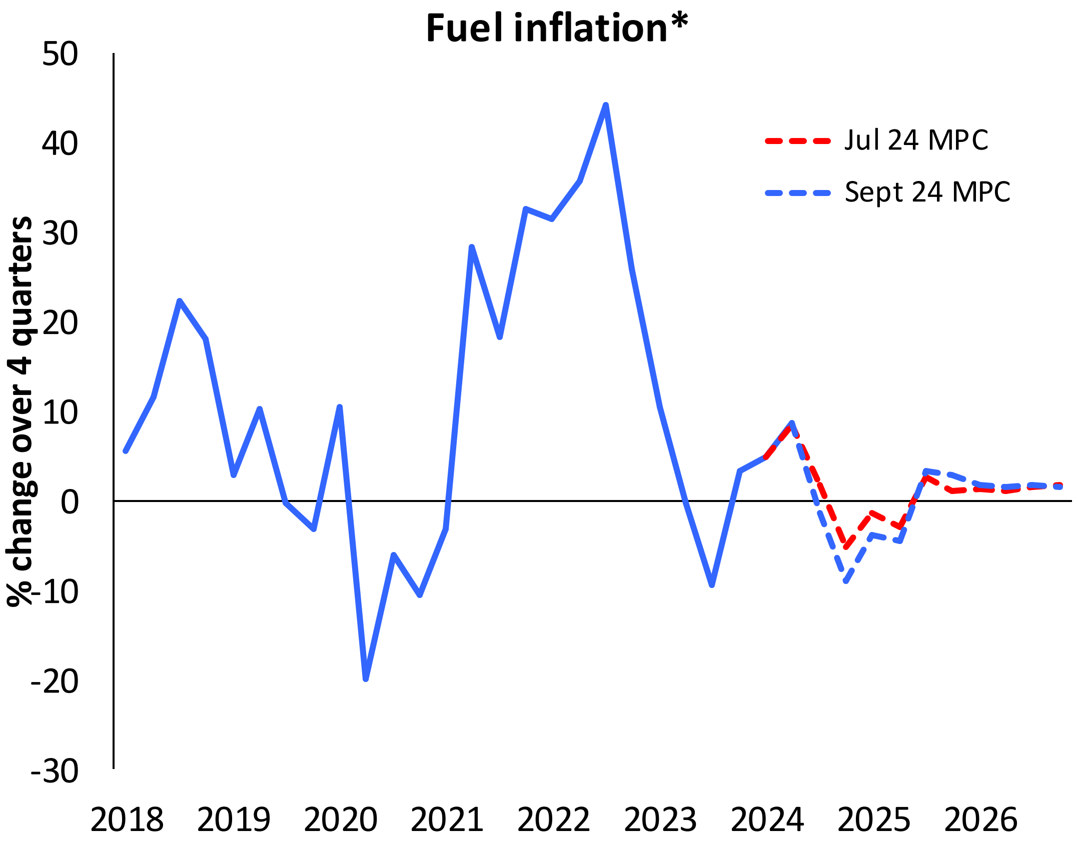
Headline disinflation is mainly supported by petering global supply shocks
…food and fuel inflation markedly lower, though risks remain



* Dotted lines indicate forecasts
Sources: Stats SA and SARB



* Dotted lines indicate forecasts
Sources: Stats SA and SARB

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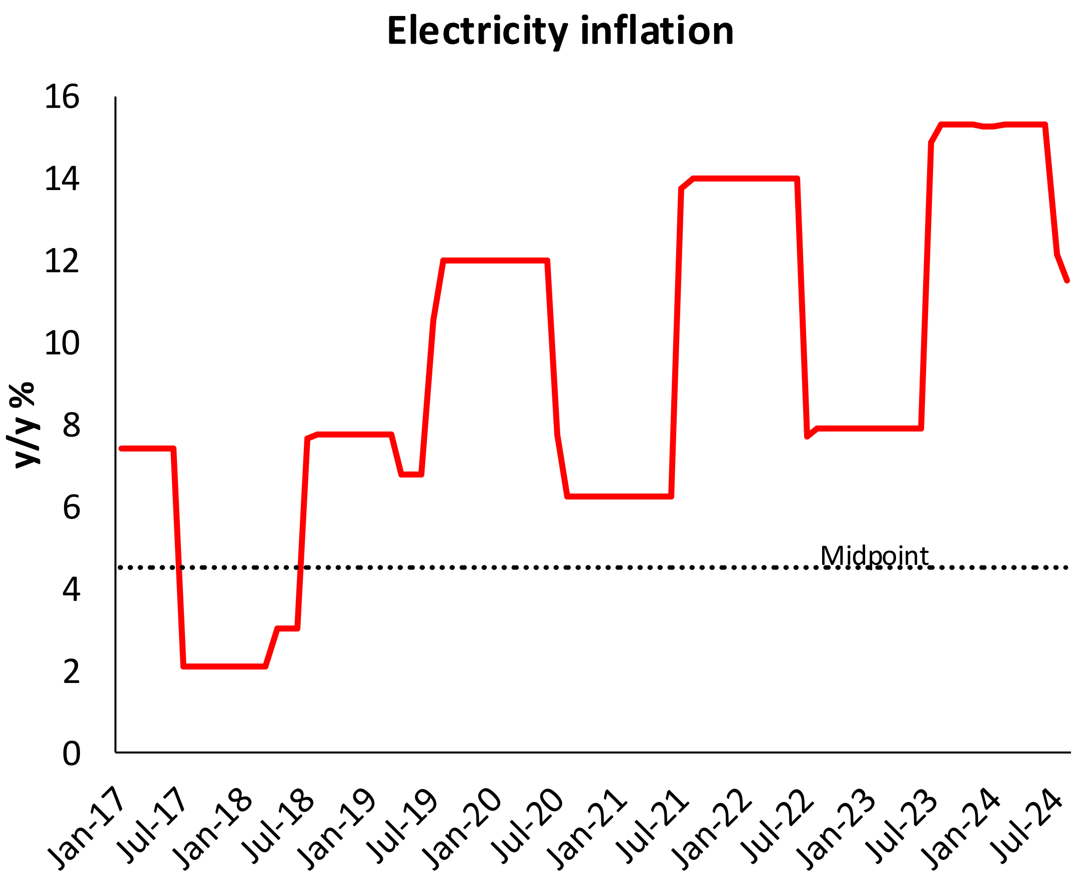
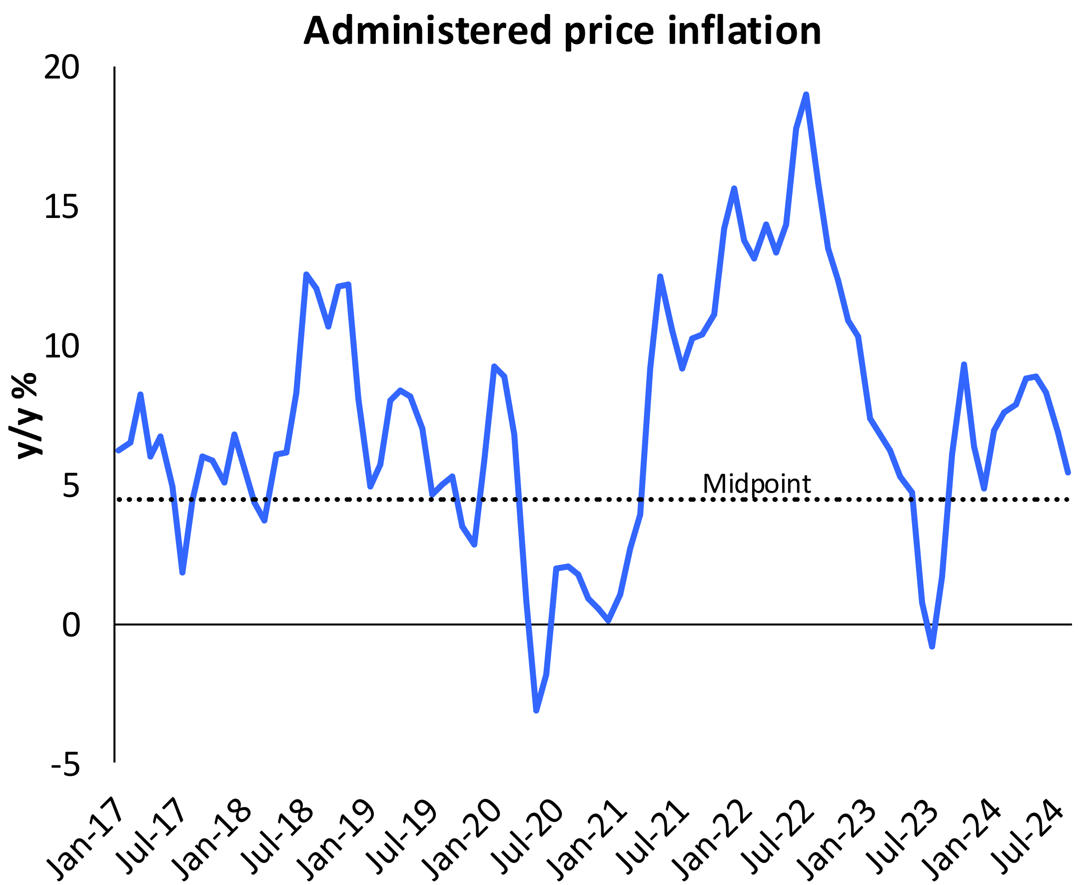
…while electricity exerts upward pressure

electricity is keeping administered price inflation above target



Source: Stats SA



Source: Stats SA

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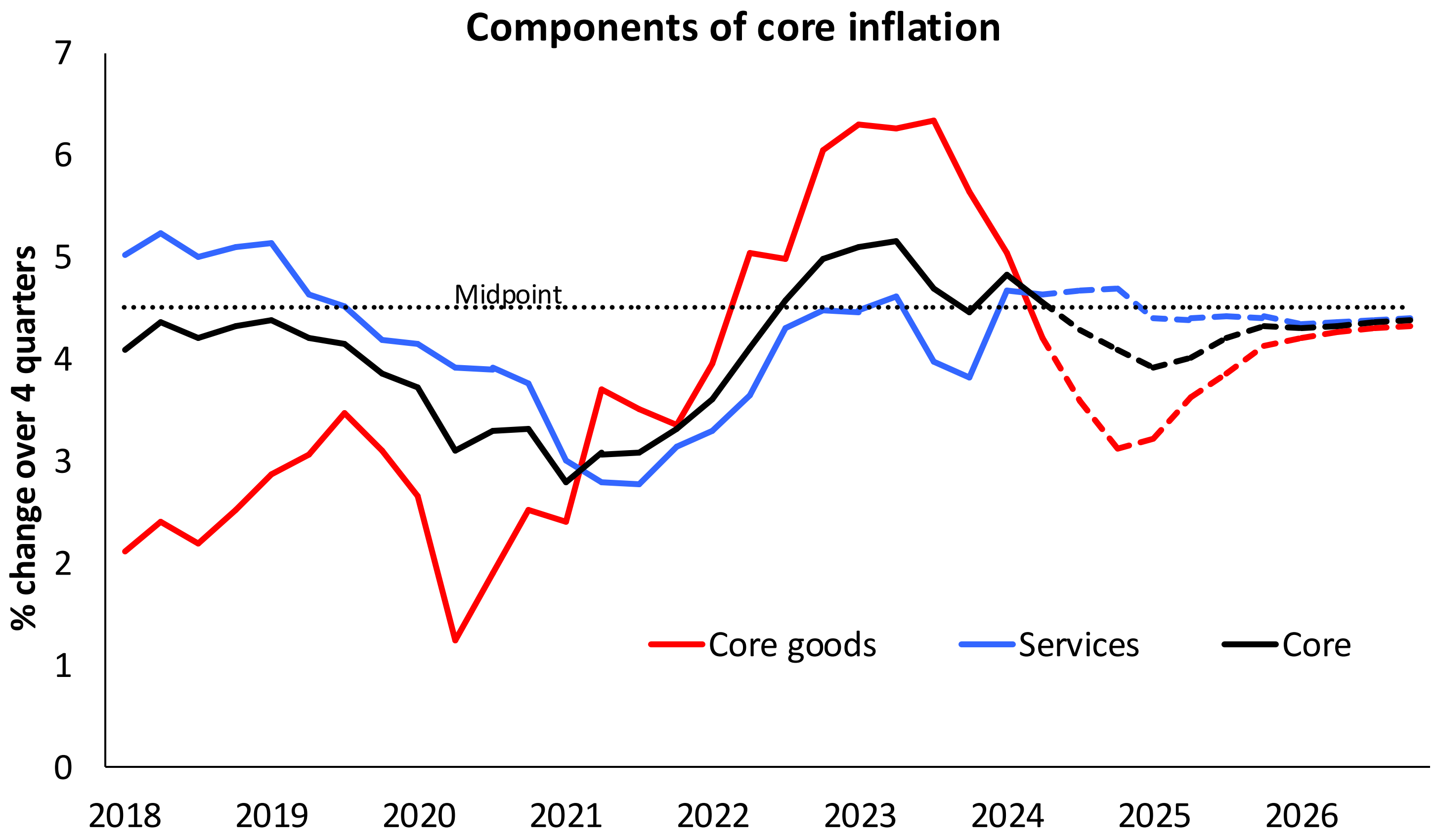
Core inflation dips below the midpoint, pulled lower by strong disinflation in core goods…



* Dotted lines indicate forecasts
Sources: Stats SA and SARB

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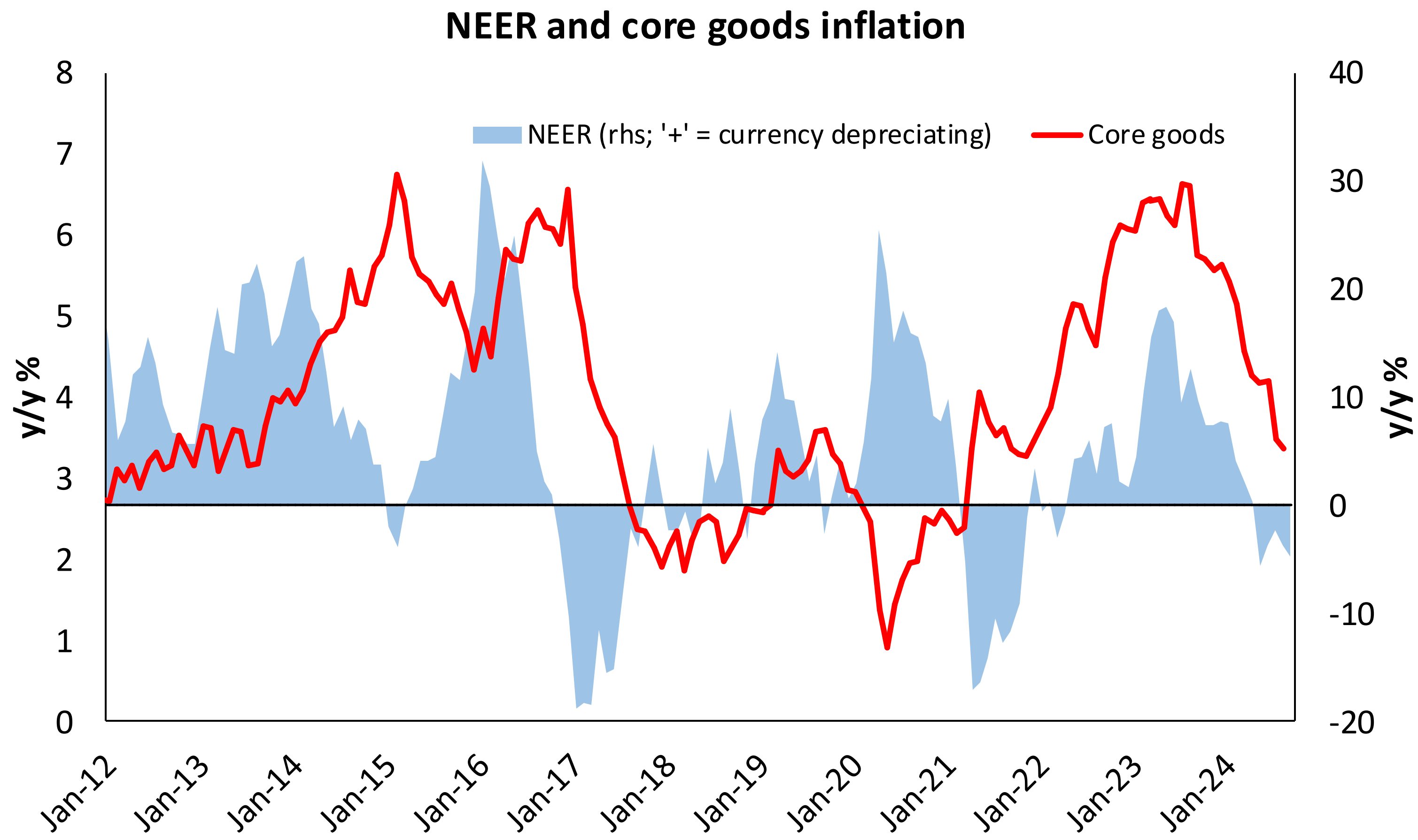
…benefitting from rand strength and easing global goods inflation



Sources: Stats SA and SARB

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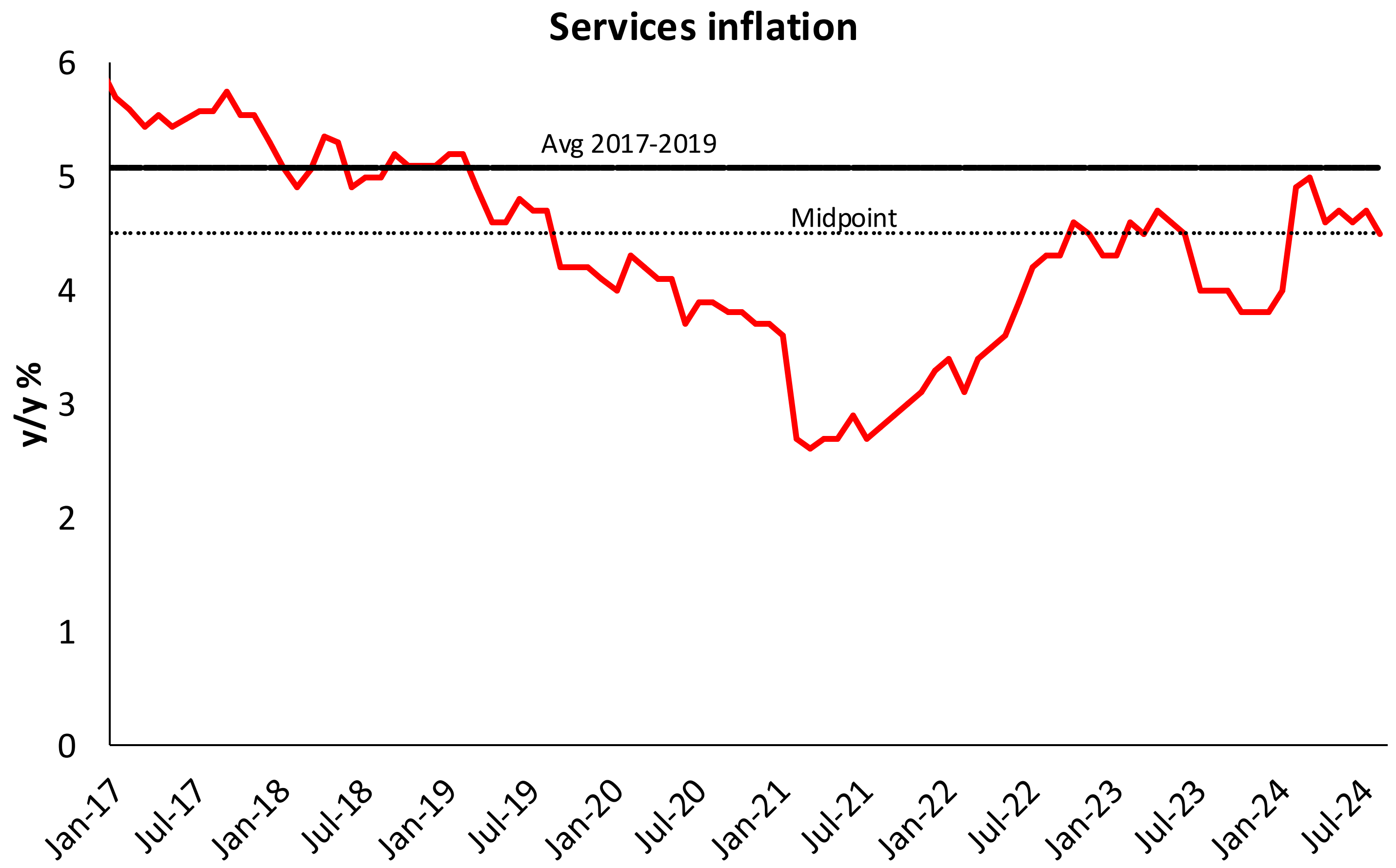
Services inflation pressures have also eased



Source: Stats SA

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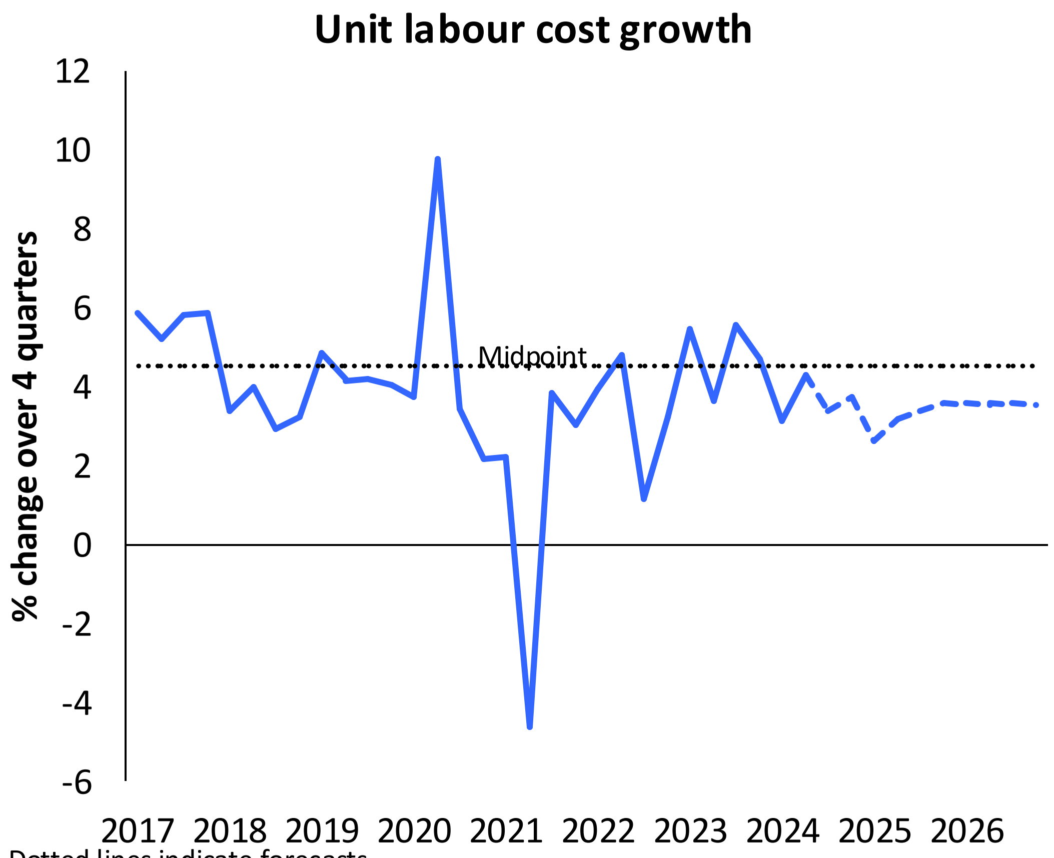
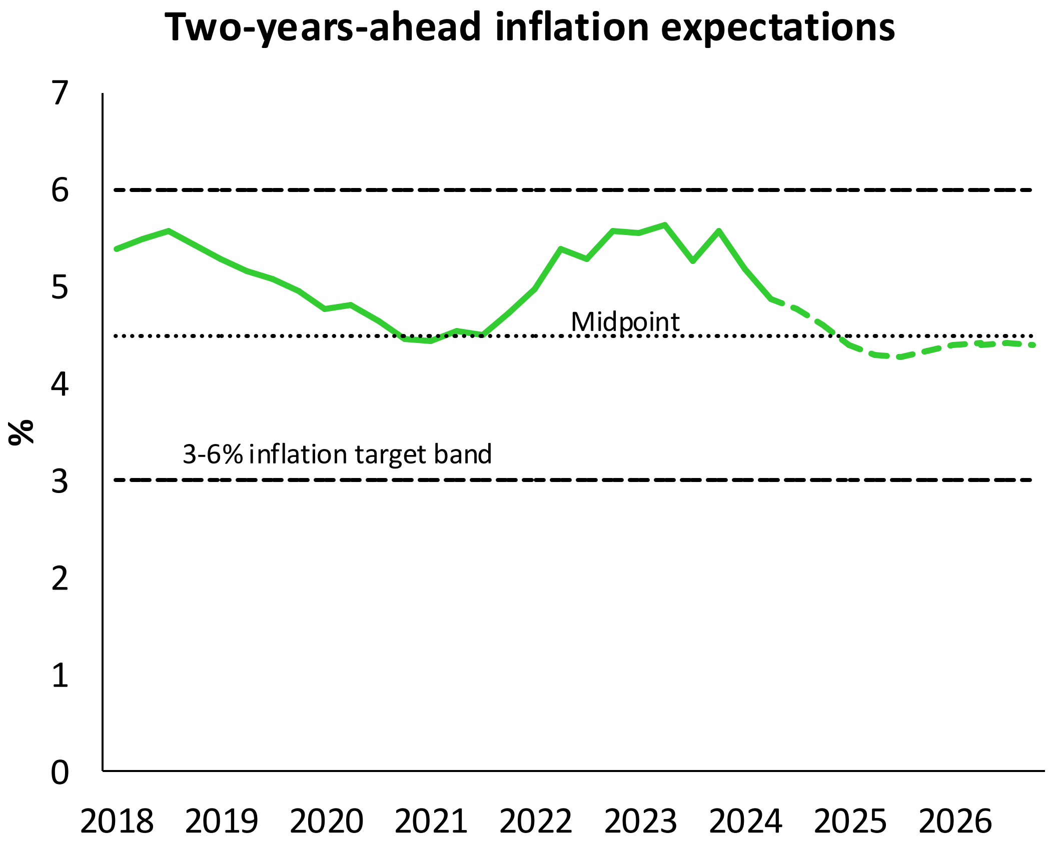
The medium-term services undershoot reflects muted unit labour costs and moderating expectations



* Dotted lines indicate forecasts
Source: SARB



* Dotted lines indicate forecasts
Sources: BER and SARB

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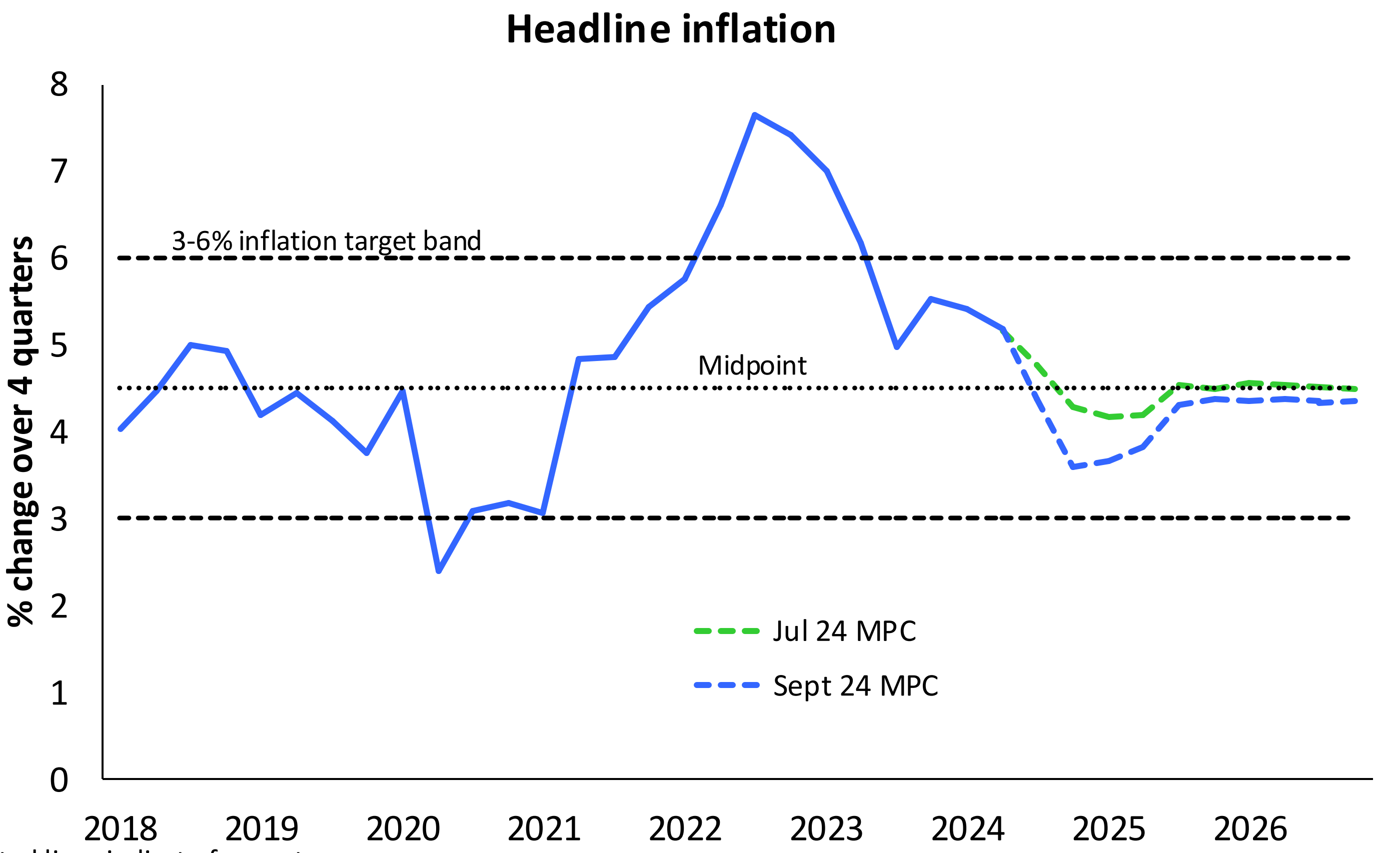
Together, these outcomes imply a more muted headline trajectory



* Dotted lines indicate forecasts
Sources: Stats SA and SARB

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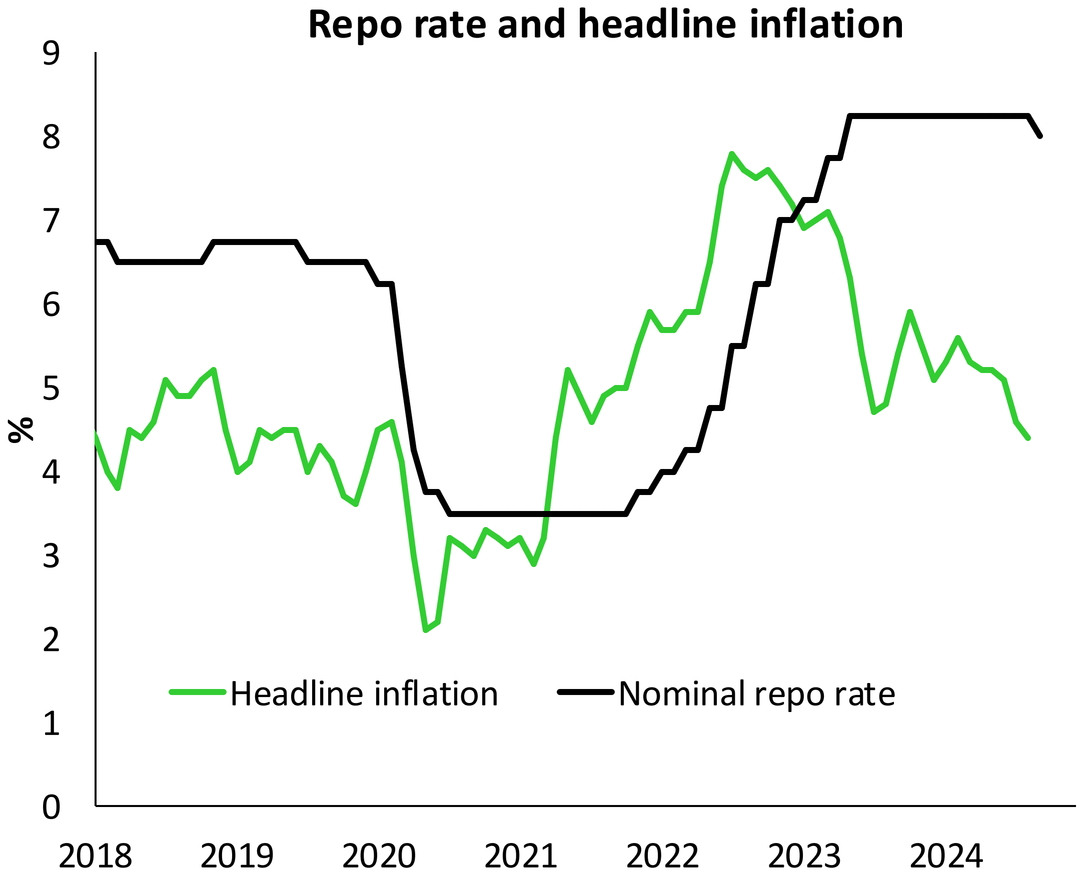
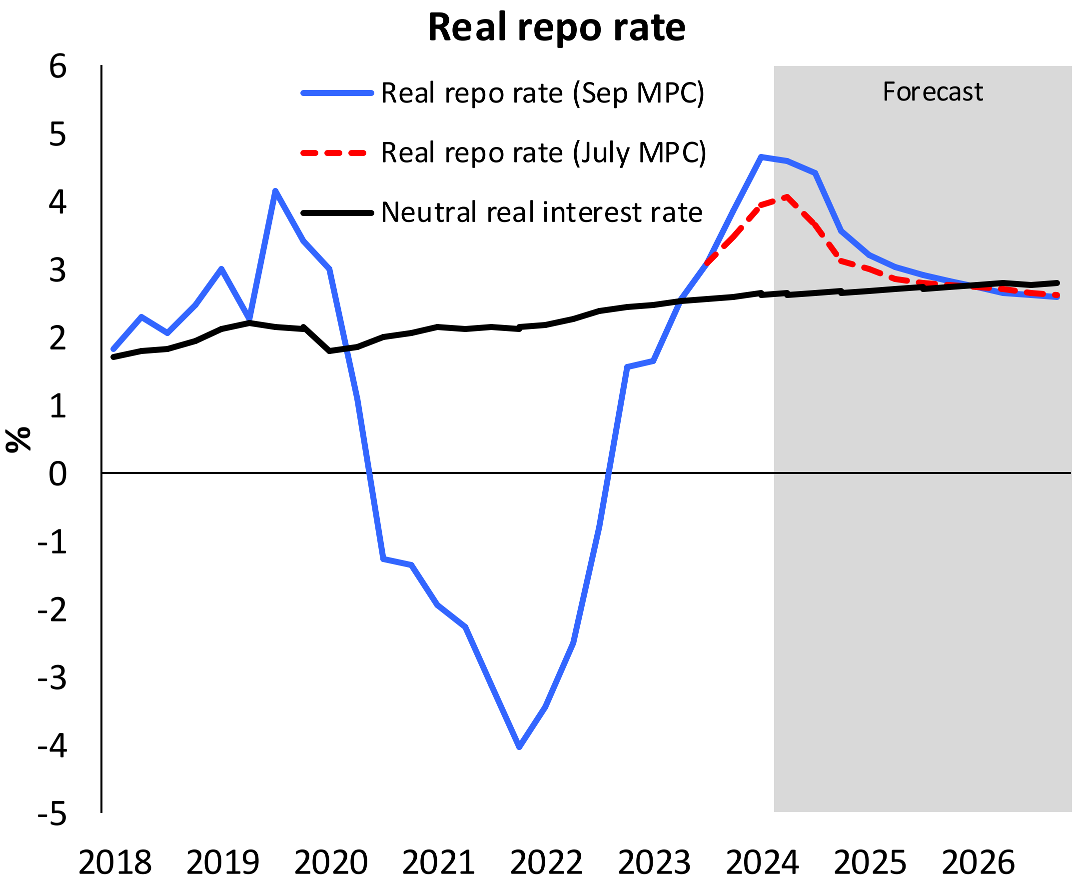
…creating room for the SARB to shave off 25 basis points

policy restrictive in near term



Sources: Stats SA and SARB



Source: SARB

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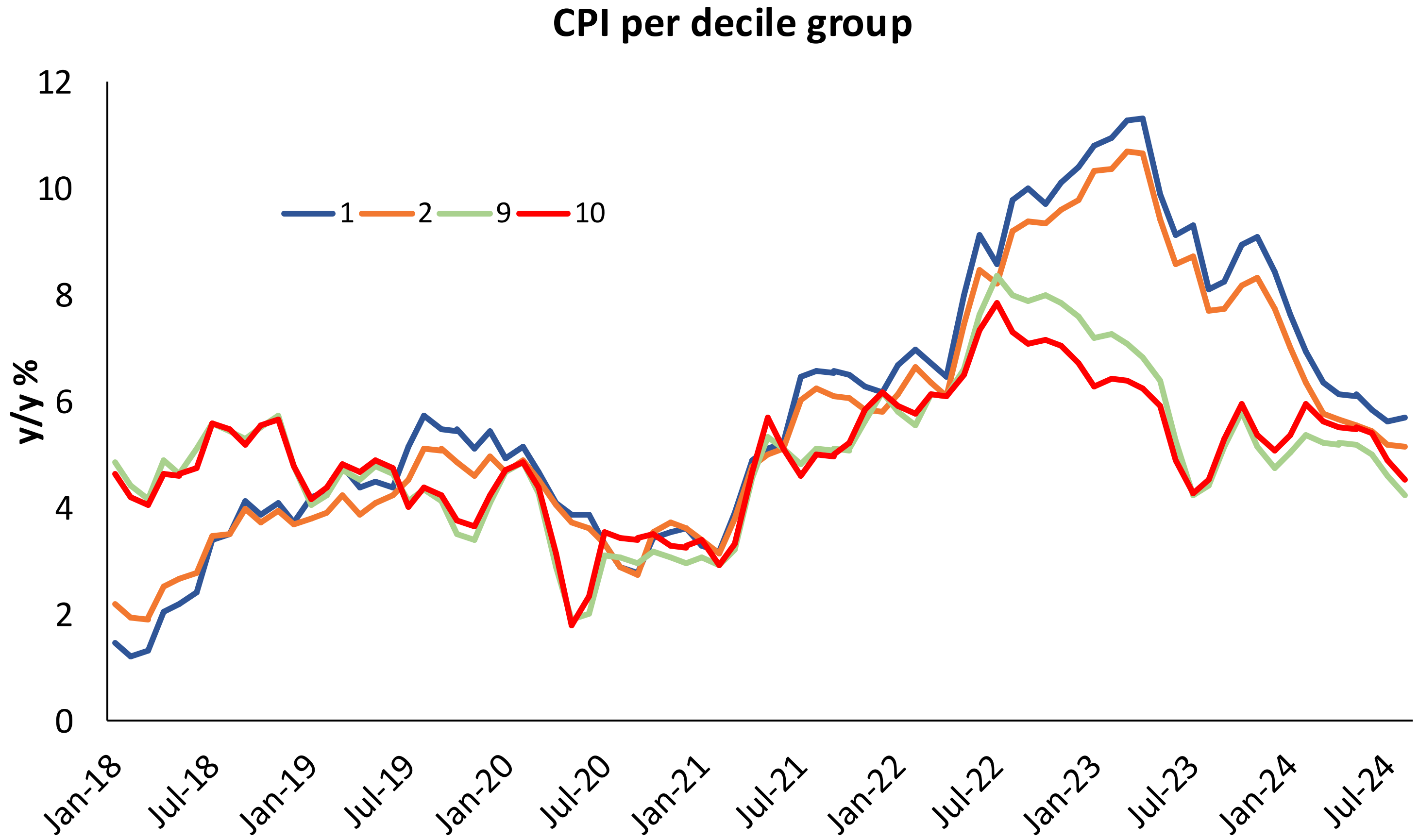
Low inflation allows for lower borrowing costs, and is pro-poor



Source: Stats SA

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Concluding remarks

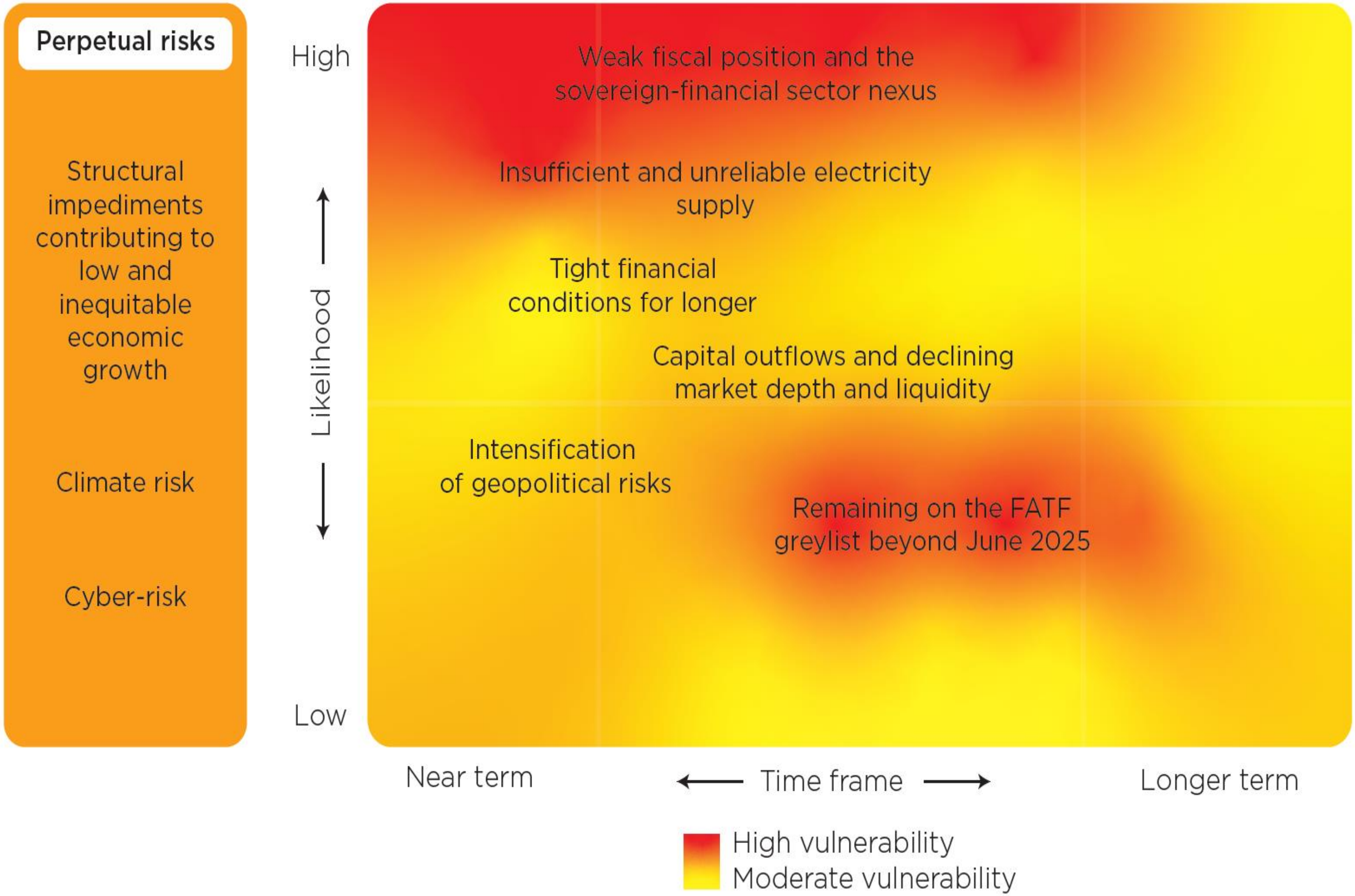
- Easing cycles are underway globally, but how deep and how fast will central banks cut rates?
- Uncertainty mainly reflects geopolitical risks and concerns that neutral rates have risen.
- SA growth is to remain low this year, pointing to debilitating effects of other challenges.
- But growth is to rise in outer years as supply-side constraints abate and the business environment improves.
- Headline inflation is at the midpoint of the target band, but will it stabilise there?
- An anti-inflation policy is a pro-poor policy – the SARB will jealously protect the rand.

Financial Stability

South African Reserve Bank

Key risks to South African financial stability

- Risks are outlined using the SARB **Risks and Vulnerabilities Matrix (RVM)**



SARB RVM: June 2024 *Financial Stability Review*

South African Reserve Bank

Financial stability assessment

- The South African financial system **faces several risks to financial stability**.
- However, **steady progress has been made to reduce the vulnerability of the domestic financial system against the key risks highlighted**, most notably by strengthening the domestic financial safety net and mitigating the impact of a potential systemic event.
- **Prudentially regulated domestic financial institutions**, in aggregate, **remained resilient**, as measured by their ability to maintain adequate capital and liquidity buffers to absorb the impact of shocks.
- Financial institutions have been able to **provide financial services uninterruptedly**.

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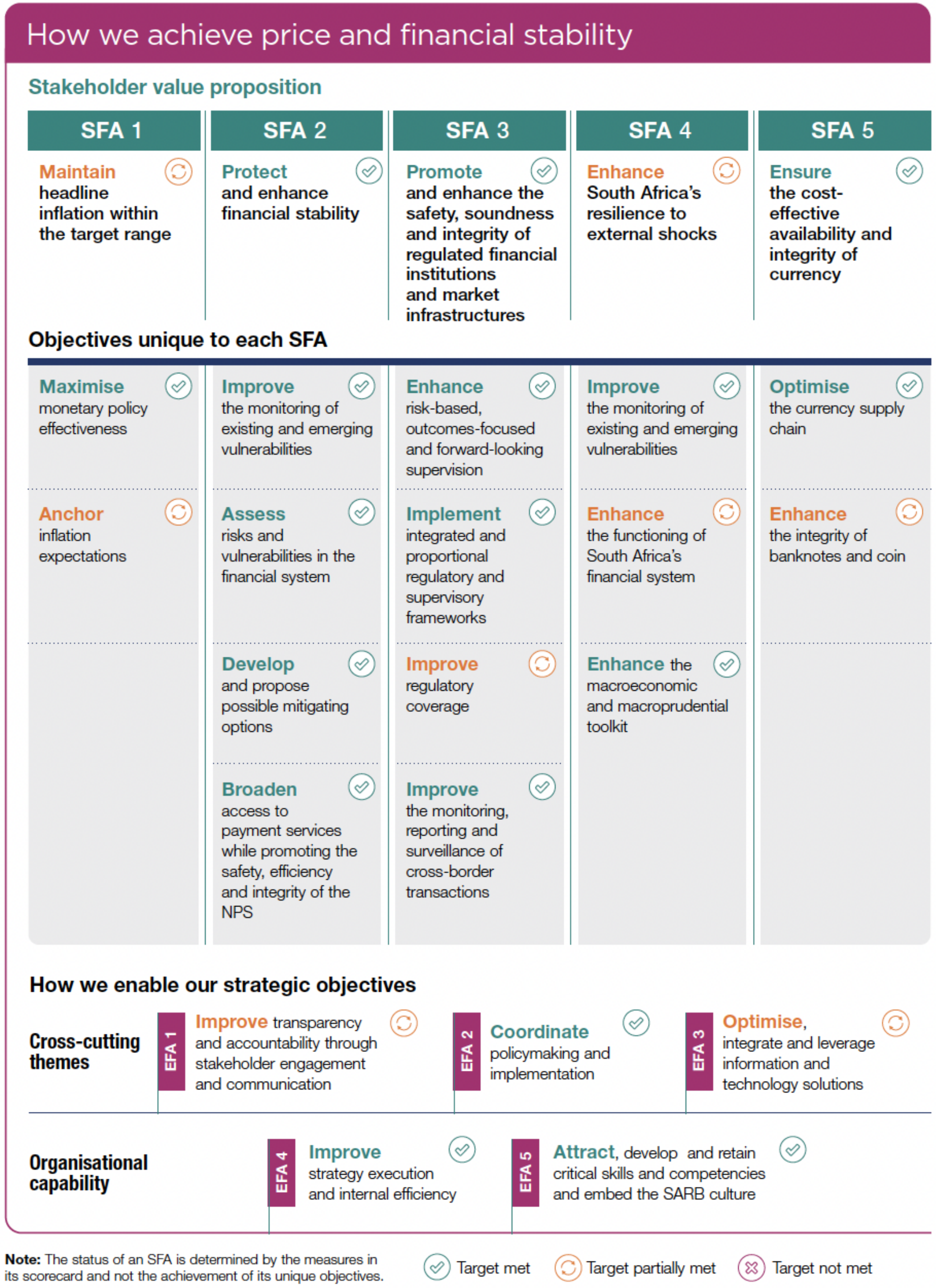
Highlights from the SARB Annual Report 2023/24

South African Reserve Bank

Progress against Strategy 2025

The strategy is articulated through five strategic focus areas (SFAs) that the SARB considers essential in achieving its mandate. This is supported by five enablement focus areas (EFAs) that drive the strategy's execution.

The 2024/25 performance cycle marks the last year of execution of Strategy 2025. The SARB's strategy framework requires that an in-depth review process is undertaken every five years to craft a five-year strategic plan. The process considers developments in the operating environment that may warrant a shift in strategic priorities. Strategy 2030 will be launched in April 2025.



Progress against Strategy 2025

SFA 1

Global and domestic economic conditions have once again impacted the achievement of SFA 1, with headline inflation still above the 4.5% midpoint, even though inflation moved back within the 3–6% target range during the year.

SFA 2

No systemic events occurred in the financial system during the 2023/24 financial year. After many years of legislative and design work, the SARB became the Resolution Authority with effect from 1 July 2023. This means the SARB now has the legal obligation to develop resolution plans for systemically important banks and insurers – or designated institutions – and in the event of a failure, to implement these resolution strategies.

SFA 3

The SARB continued to collaborate with other regulators and entities, including National Treasury, on various issues affecting the financial sector. Systemically important financial institutions (SIFIs) remain sound, profitable and well capitalised, reflecting the resilience of these institutions in a tough economic climate. The supervision of non-SIFIs focused on addressing identified shortcomings in their business strategies, models, solvency and governance effectiveness. The SARB made progress in addressing the FATF greylisting action items, in line with the expectations of the FATF Joint Group.

SFA 4

The SARB continued to monitor external vulnerabilities, while further developing the policy toolkit used to support financial market functioning. The indicators for external resilience still show some shortcomings.

SFA 5

The strategic goal of ensuring 100% on-time, in-full availability of currency to the cash industry was met during the year under review. The integrity of the currency as measured by the incidence of counterfeiting stood well below the threshold. The currency-manufacturing subsidiaries maintained their costs in line with set targets, despite increases in commodity prices and FX volatility.

Operational highlights

Payments	Corporation for Deposit Insurance	Climate Change
The SARB has begun the Payments Ecosystem Modernisation (PEM) programme, which includes the renewal of the South African Multiple Option Settlement (SAMOS) system, faster payment capabilities and a new centralised public payments utility.	• CODI became operational on 1 April 2024. • CODI will manage the country's Deposit Insurance Fund (DIF) which will give qualifying bank depositors access to up to R100 000 of their covered qualifying account balances should their banks fail, bringing further confidence to the financial sector.	The SARB continues to analyse the impact of emerging global and domestic climate-related risks and develop policy responses guided by global best practices.
We continued to invest in maintaining the existing SAMOS and SADC real-time gross settlement (SADC-RTGS) system environments. This included the successful adoption of the ISO 20022 global financial messaging standard for the SADC region in June 2024.	• Membership to CODI is compulsory for all registered banks. • CODI started to collect premiums and fund liquidity contributions from April 2024.	The SARB and PA continue to contribute to the global policy agenda, through the Network for Greening the Financial System (NGFS), the finance streams of the G20, the International Association of Insurance Supervisors (IAIS) and Sustainable Insurance Forum (SIF), and the Sustainable Banking and Finance Network (SBFN).

Financial summary: Group profit breakdown

Group profit after tax

	2024 R'mil	2023 R'mil	Variance R'mil	%
CPD	**929**	537	392	73%
SA Mint (attributable to SARB)	**229**	381	-152	-40%
SABN	**-87**	161	-248	-154%
CODI	**-1**	-	-1	-100%
Share in ABHL profits for the year	**154**	168	-14	-8%
Subsidiaries' and associate profit contribution	**1 224**	1,247	-23	-2%
Intercompany dividend elimination	**-**	-261	261	100%
SARB's net profit after taxation	**12,992**	781	12,211	1 564%
Total Group profit attributable to the parent	**14 216**	1 767	12,449	705%

- **CPD** profit increased by 73% mainly due to a higher Inter-Governmental Cash Co-ordination (IGCC) expected credit loss (ECL) reversal of **R329 million (2023: R22 million)**, higher net interest income of **R383 million (2023: R217 million)** due to growth in the CPD investments portfolio; offset by lower Land Bank fair value gains of **R223 million (2023: R303 million)**. The IGCC ECL reversal follows the amendment and finalisation of provincial treasuries' IGCC agreements. Land Bank fair value gains are due to capital repayments and revaluation of notes from 43 cents to 66 cents in the rand.
- **SA Mint Group** contributed a net profit after tax of **R229 million** to the group, a **decrease** of **40%** from the prior year, mainly due to lower gold bullion sales in Prestige Bullion).
- **SABN** profit **decreased** by **154%** to **R87 million (loss)** from **R161 million profit** in the prior year mainly due to reduced operating income by **R190 million** driven by lower banknote orders from the SARB owing to Project Matrix's cost-saving strategy, as well as increases in banknote wastage and operating costs of **R56 million**.
- **SARB** profit after tax **increased** by **1 564%,** mainly due to:
  - a fair value gains **increase** of **R16 billion** to **R20 billion** (2023: **R4.0 billion**), mainly due to FX reserves portfolios yielding positive returns and the depreciation of the rand against major currencies;
  - an **increase** of **R3 billion in** net interest income to **R6.5 billion** (2023: **R3.3 billion**);
  - an **increase** in operating income of **R600 million** to **R1.1 billion** (2023: **R500 million**) due to higher fee income on banking services; offset by
  - African Bank Holding Limited (ABHL) **impairment loss** of **R982 million** (2023: **R621 million reversal**);
  - an **increase** in operating costs of **R490 million (**2024: **R8.5bn**; 2023 **R8.0bn)**;
  - **a decrease** in dividends received from the SA Mint and Bank for International Settlements of **R261 million** and **R9 million** respectively; and
  - recognition of calculated **taxation expense** of R5 billion (2023: R50mn deferred tax asset) due to higher profit before tax and full utilisation of previously recognised deferred tax asset of R1.0 billion.

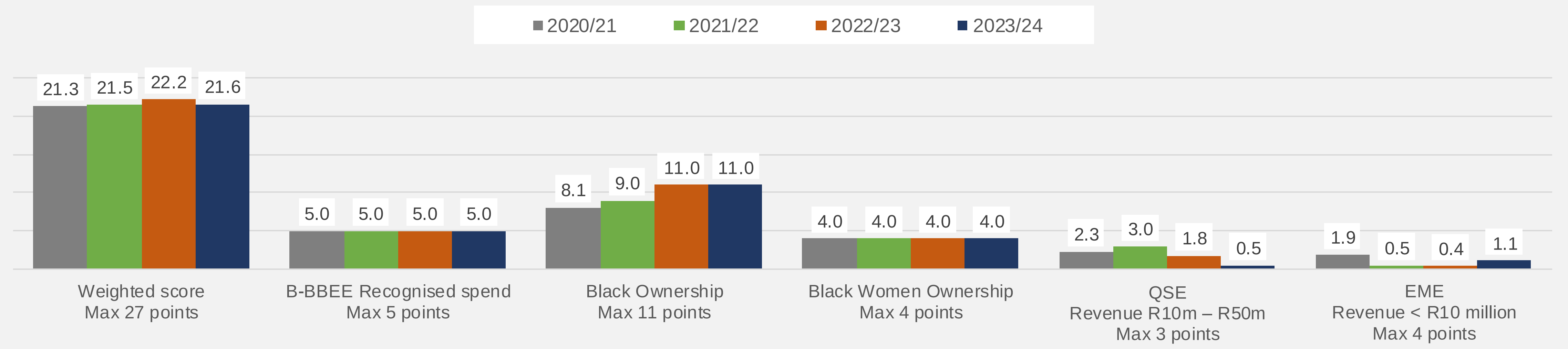
Financial summary: SARB balance sheet

Summarised SARB Balance Sheet				
	2024	2023	Variance	
	R'm	R'm	R'm	%
Gold and FX reserves	1,179,025	1,093,319	85,706	8%
Accommodation to Banks	451	2,398	-1,947	-81%
SA Government Bonds	32,007	33,829	-1,822	-5%
Loans and advances (LGS & BBS)	7,080	10,069	-2,989	-30%
Other assets	2 597	7,974	-5,377	-67%
BIS equity investment	6,605	5,866	739	13%
PPE	3,800	2,336	1,464	63%
Intangible assets	1,367	1,665	-298	-18%
Investments in subsidiaries	1,012	1,011	1	0%
Investment in ABHL	3,106	4,088	-982	-24%
Forward exchange contract assets	118	183	-65	-36%
Current taxation receivable	0	754	-754	-100%
Deferred taxation assets	0	450	-450	-100%
Amounts due by Group companies	777	8	769	9 613%
Inventories	5	1	4	400%
TOTAL ASSETS	1,237,950	1,163,951	73,999	6%
Deposit accounts	363,947	345,616	18,331	5%
GFECRA	531,989	458,715	73,274	16%
Amounts due to Group companies	28,303	25,413	2,890	11%
Notes and coin in circulation	169,504	171,565	-2,061	-1%
Foreign deposits	101,224	127,489	-26,265	-21%
Retirement benefits obligation	2,470	2,450	20	1%
Forward exchange contract liabilities	24	81	-57	-70%
Other liabilities	1,747	7,954	-6,207	-78%
Current tax payable	58	0	58	100%
Deferred taxation liabilities	598	0	598	100%
Share capital	2	2	0	0%
Contingency reserve	33,415	20,423	12,992	64%
Statutory reserve	458	458	0	0%
BIS revaluation reserve	3,426	3,099	327	11%
PPE Revaluation reserve	128	128	0	0%
Post employment revaluation reserve	657	558	99	18%
TOTAL LIABILITIES, CAPITAL AND RESRVES	1,237,950	1,163,951	73,999	6%

- **Gold and FX reserves**: FX reserves growth of R85 billion mainly due to the depreciation of the rand against major currencies and gold value growth of R28 billion due to an increase in the ZAR statutory gold price; offset by
- **Other assets**: R5 billion decrease mainly due to netting off Treasury SDR asset with the Treasury SDR liability as from the current financial year. This was previously accounted for on a gross basis.
- **Loans and advances**: balance lower due to loan guarantee scheme and bounce back scheme capital and interest repayments by commercial banks of R3 billion;
- **Accommodation to banks**: R2 billion decrease in repo agreements due to Monetary Policy Implementation Framework (MPIF); and
- **SA government bonds**: negative movement relating to fair value losses of R2.2 billion, offset by an increase in coupon interest receivable of R0.4 billion.

- **GFECRA**: increase of R73 billion due to net foreign exchange gains and an increase in the statutory ZAR gold price;
- **Deposit accounts**: R18 billion increase mainly due to increases in banks' reserve accounts of R8 billion, R4 billion in banks' current accounts and R6 billion in SA Government accounts;
- **Contingency reserves**: R13 billion increase due to transfer of current year profits to build up reserves; and
- **Loans from group companies**: increase of R3 billion due to an increase in the CPD call account; offset by
- **Foreign deposits**: decrease of R26 billion due to National Treasury foreign currency withdrawals of R81 billion, offset by funding received of R46 billion, and a valuation increase due to the depreciation of the rand against major currencies of R9 billion.
- **Other liabilities**: R6 billion decrease mainly due to netting off Treasury SDR liability with the Treasury SDR asset as from the current financial year. This was previously accounted for on a gross basis.

Preferential procurement



- The SARB has embarked on a strategic journey, to direct more spend towards historically disadvantaged individuals.
- The SARB's B-BBEE score has consistently remained above 20 points. For the 2023/24 financial year, the SARB's B-BBEE points decreased from 22.2 points in the previous financial year to 21.6 points.
- The 0.6 points decrease is as a result of a reduction in **qualifying small enterprise (QSE)** spend for FY2023/24. This is the only category where reduction was seen; all other categories remained consistent or improved. The decrease can be attributed to several of the SARB's previously appointed QSE firms growing and moving into the Generic B-BBEE category. This means that the SARB has directly contributed to their growth and development, transforming them from QSE suppliers to Generic suppliers.
- FY2023/24 saw the SARB achieving maximum points in the **Black Owned (BO)** category for a **second consecutive** year at 11 points. This indicates that the SARB's three-year B-BBEE strategy is showing favourable results relating to Supplier and Enterprise Development.
- The SARB has maintained maximum points for the **Black Women Owned (BWO)** category **since** the **2016/17** financial year, marking eight consecutive years of solid performance in this area.
- There was a 0.6-point increase in the exempted micro-enterprise (**EME)** points compared to the previous financial year's performance. The improvement in EME spend, was due to improved compliance by EMEs relating to their B-BBEE status for FY2023/24 and an **increase in spend analysis to 95%** of overall spend.
- The SARB's approved B-BBEE strategy will focus on improving spend in the **QSE** and **EME** categories during the next two financial years.

Human Resources highlights

- The SARB's overall employee engagement score improved by 1.3% to 72.2% in FY2023/24.
- The overall engagement score is marginally higher than the financial services sector (71.3%) and significantly higher than other organisations of similar size (66.8%).
- The SARB's total staff composition is 84% black (African, Coloured and Indian) and 16% white.
- The composition of the SARB's highest decision-making body – the Governors' Executive Committee (GEC) – is 100% black.
- We have seen a 9 percentage point increase in the number of black people occupying top and senior management positions in FY2023/24 relative to the previous financial year.
- Investment in staff training continues: 95% of staff have attended training interventions and we have spent R116.3 million on training, which represents 5.7% of total payroll.
- The coverage ratio of critical roles increased from 85.0% to 91.0% in FY2023/24 (target: 85%).
- The regrettable turnover ratio remained within target at 1.0% in FY2023/24 (target: < 4%).

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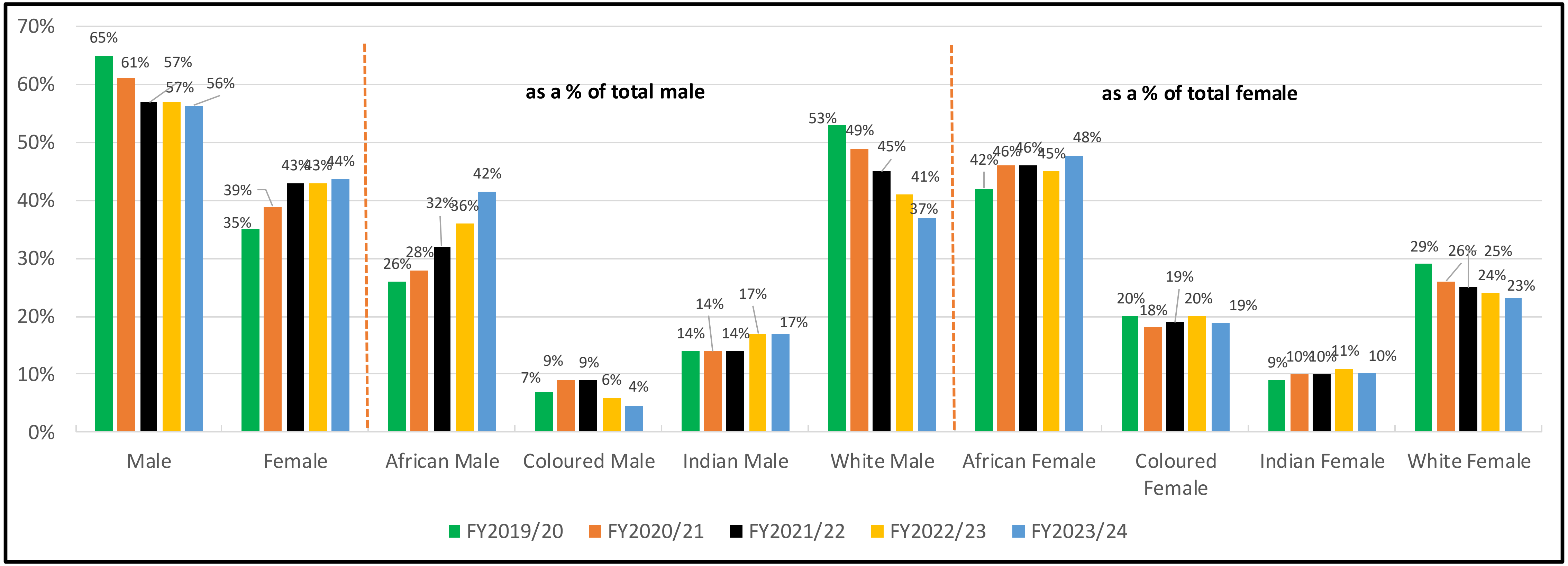
Staff composition: top management



- Female representation increased from 43% in FY2022/23 to 44% in FY2023/24.
- Male representation decreased from 57% in FY2022/23 to 56% in FY2023/24.
- African female representation increased from 45% in FY2022/23 to 48% in FY2023/24.
- Coloured female representation decreased from 20% in FY2022/23 to 19% in FY2023/24.
- Indian female representation decreased from 11% in FY2022/23 to 10% in FY2023/24
- White female representation decreased from 24% in FY2022/23 to 23% in FY2023/24

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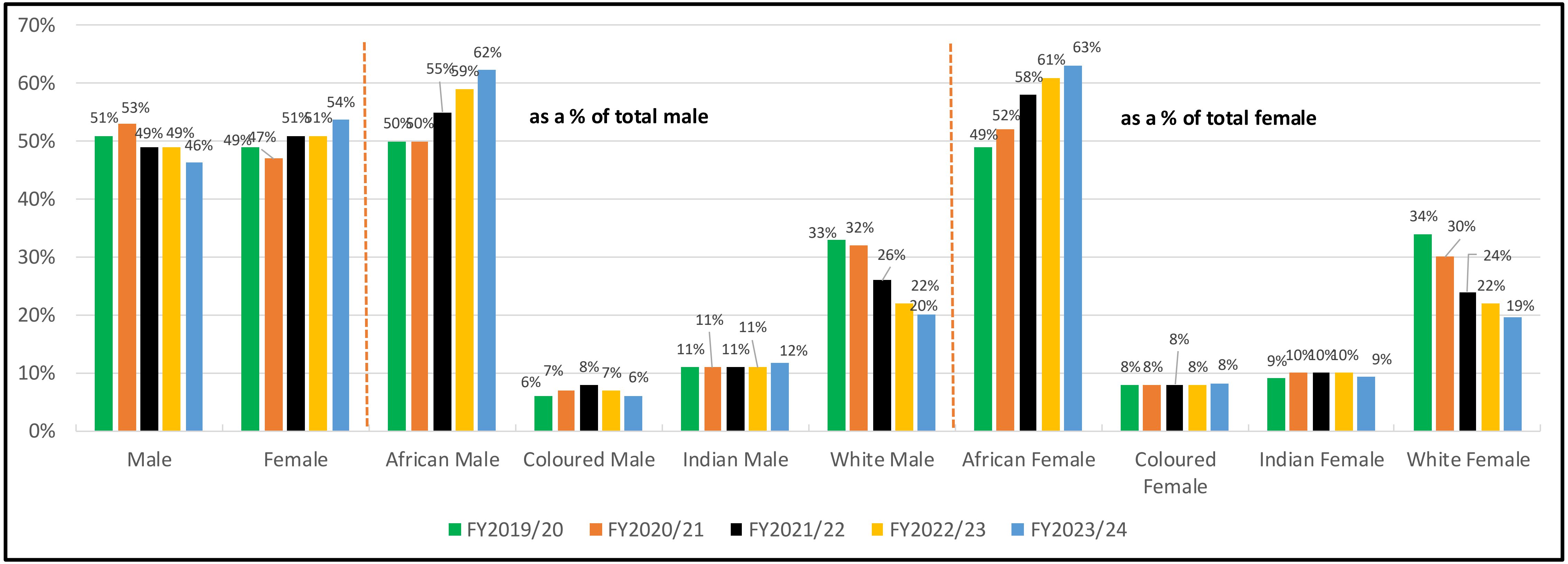
Staff composition: senior management



- Female representation increased from 51% in FY2022/23 to 54% in FY2023/24.
- Male representation decreased from 49% in FY2022/23 to 46% in FY2023/24.
- African female increased from 61% in FY2022/23 to 63% in FY2023/24.
- Coloured female representation remained the same at 8%.
- Indian female representation decreased from 10% in FY2022/23 to 9% in F2023/24
- White female representation decreased from 22% in FY2022/23 to 19% in FY2023/24.

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Corporate Social Investment

SARB CSI initiatives focus on education. The programme works to:

- expand the understanding of monetary policy at high school level;
- develop human capital in the fields of monetary policy and financial stability;
- enhance economic and financial journalism;
- support students with funding;
- and provide support to special-needs schools.

Corporate Social Investment objective	2021/22 Spend	2022/23 Spend	2023/24 Spend
Develop human capital in the fields of monetary policy and financial stability	R5.2 million 43 beneficiaries	R6.440 million 20 beneficiaries	R6.44 million
Improve the quality of economics and financial journalism in South Africa and on the continent	R4.4 million 46 beneficiaries	R3.334 million 33 beneficiaries	R3.5 million 29 beneficiarie
Grow the understanding of monetary policy at high school level	R828 000 1 407 beneficiaries	R4.1 million 1 603 beneficiaries	R5.8 million 2 105 beneficiaries
Support tertiary students with funding	R16.4 million 104 beneficiaries	R20.114 million 200 beneficiaries	R27.40 million 110 beneficiari
Provide support to special-needs schools	0	R3 million	R3.4 million
Total CSI spend	**R26.8 million**	**R36.988 million**	**46.54 million**

Highlights from the Prudential Authority Annual Report 2023/24

Overview of regulated sectors

Registered entities	Number of entities
Banks* (registered banks and local branches of foreign banks)	28
Mutual banks**	3
Co-operative banks	6
Co-operative financial institutions**	24
Life insurers	76
Non-life insurers	70
Composite microinsurers	3
Reinsurers	8
Market infrastructures	7

* *The number of registered banks includes Ubank and Habib.*

** *The total number of co-operative financial institutions includes YWBN Mutual Bank. YWBN was registered as mutual bank in January 2024, which will be reflected as such in the 2024/25 financial year.*

Commercial banks

	Number		Deposits (R millions)		Assets (R million)	
	2023	2024	2023	2024	2023	2024
Large banks	5	5	5 421	5 818	6 543	6 960
Foreign branches	12	11	318	335	457	461
Other locally registered banks	13	12	236	253	311	338
Total	**30**	**28**	**5 975**	**6 406**	**7 311**	**7 759**

The South African banking sector is dominated by the five largest banks which collectively held **89.69%** of the total banking sector assets as at 31 March 2024 (March 2023: 89.50%).

Local branches of international banks accounted for **5.95%** of banking sector assets as at 31 March 2024 (March 2023: 6.25%) while other banks, which constitute other locally registered banks, represented **4.36%** as at 31 March 2024 (March 2023: 4.25%).

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Mutual banks

	Number		Deposits (R millions)		Assets (R million)	
	2023	**2024**	**2023**	**2024**	**2023**	**2024**
Mutual banks	3	3	2 518	2 735	3 444	3 746

Total mutual banking sector assets increased by **8.77%** year on year to **R3 746 million** as at the end of March 2024 from R3 444 million in March 2023, driven by the increase in deposits. Gross loans and advances increased by **20.71%** year on year to **R3 136 million** at the end of March 2024 (March 2023: R2 598 million).

Co-operative banks and CFIs

	Number		Members		Deposits (R millions)		Assets (R million)	
February*	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**
Co-operative banks	5	6	5 585	5 710	405	478	453	529
Co-operative financial institutions	23	24	25 339	12 179	110	116	137	127
Total	**28**	**30**	**30 924**	**17 889**	**515**	**594**	**590**	**656**

** The financial year-end for all co-operative banks and CFIs is February.*

Co-operative banks:

- The **balance sheet size** increased by **16.85%** year on year from R453 million in February 2023 to **R529 million** in February 2024.
- **Net loans** amounted to **R375 million** for the period under review and increased by **19.30%** from the **R314 million** reported in February 2023**.**

Co-operative financial institutions (CFIs):

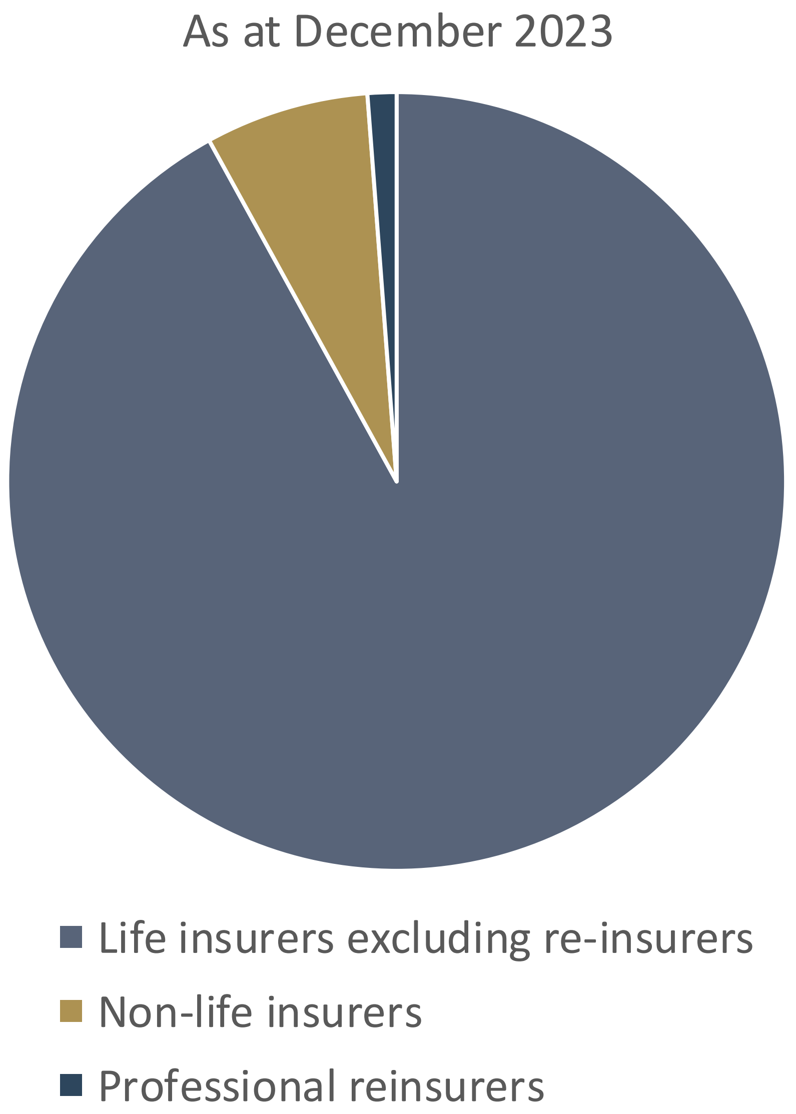
- Total assets in respect of **CFIs** decreased by 7% during the past year.
- **Net loans** amounted to **R47 million** for the period under review and decreased by **15.23%** from the R55 million reported in February 2023.

Insurance sector

Based on total assets, **life insurers** constitute approximately 92.0% and **non-life insurers** constitute approximately 6.8% of the total insurance industry.

South Africa's **life insurance sector** is dominated by the five largest insurers, which collectively held **72%** of the total assets, while the 10 largest non-life insurers contributed **64.9%** of gross premiums as at 31 December 2023.

The eight professional reinsurers are foreign-owned and contribute **1.2%** of the total sector assets.



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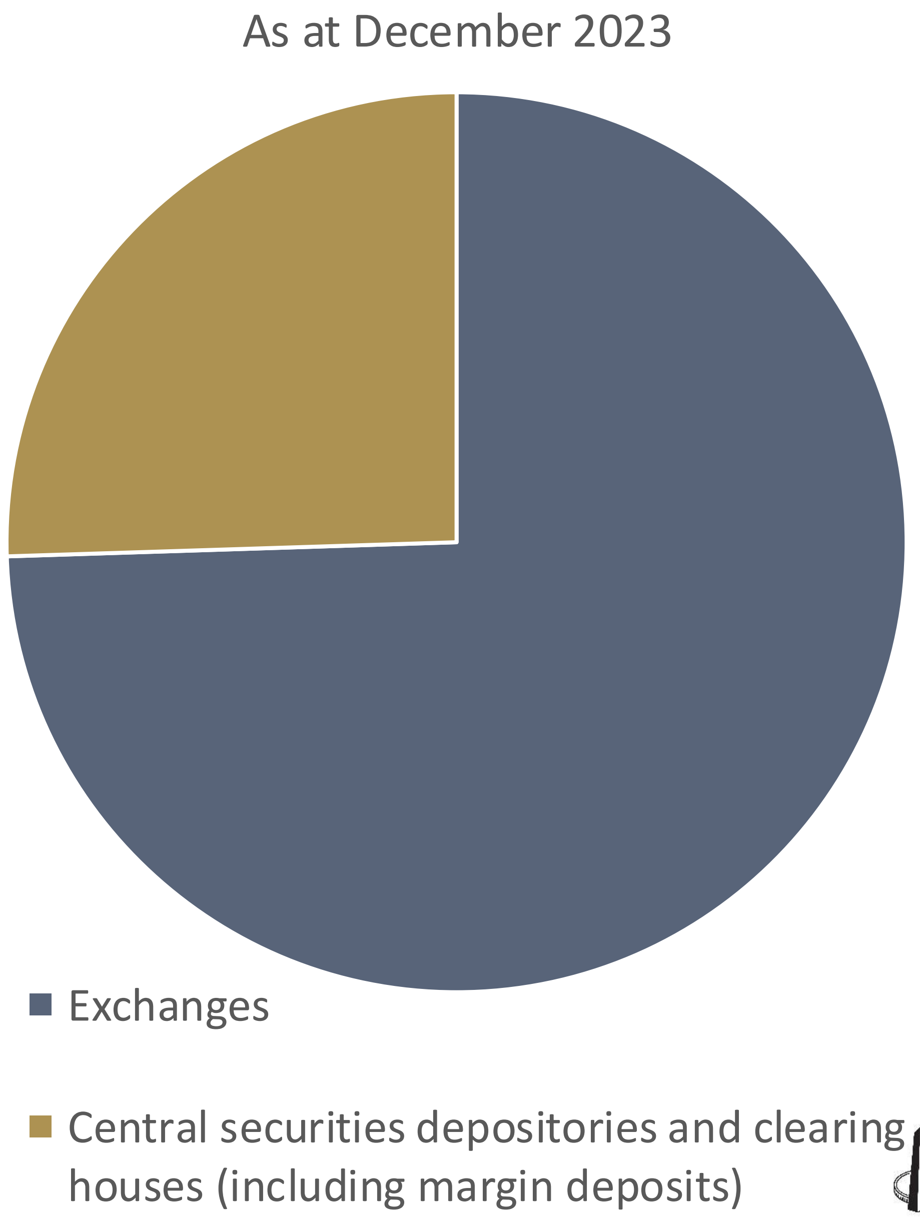
Market infrastructures

Total assets (including margin deposits) and total assets (excluding margin deposits) were at R59.9 billion and R7.4 billion respectively at the end of December 2023 (December 2022: R60.7 billion and R5.5 billion respectively).



Administrative sanctions and penalties

During the period under review, the PA imposed administrative sanctions and penalties in terms of section 167 of the FSR Act on the following institutions:

Name of institution	Sanction/penalty
Old Mutual Insure Limited	Administrative penalty of R30 000
African Bank Holdings Limited and African Bank Limited (collectively known as African Bank)	Administrative penalty of R1 000 000
Professional Provident Society Insurance Company (PPS Insco)	Administrative penalty of R1 650 000 suspended for five years from the date the penalty was imposed
Imvelo Agricultural Co-operative Financial Institution Limited (Imvelo CFI)	Administrative penalty of R 1 000

Administrative sanctions and penalties

During the period under review, the PA imposed administrative sanctions and penalties according to the FIC Act on the following institutions:

Name of institution	Sanction/penalty
African Bank Limited	R19 750 000 with R9 250 000 of the administrative penalty suspended for a period of three years from the date the penalty was imposed (FIC Act)
Grindrod Bank Limited	Administrative penalty of R10 730 000
Centriq Life Insurance Company Limited	Administrative penalty of R200 000 suspended for a period of three years from the date the penalty was imposed

Other PA decisions

Institutions placed under curatorship:

- **3Sixty Life**

  3Sixty Life Limited has been under curatorship for a period of two years and is being monitored closely by the PA. The institution was placed under curatorship on 21 December 2021 for failing to maintain adequate capital and liquidity levels as required. The curator remains in contact with the PA to alert it on the latest developments.

- **Ubank**

  Ubank Limited (Ubank) was placed under curatorship in May 2022. The finalisation of the 2023 external audit has been delayed due to challenges experienced by the external auditors in accessing the Ubank data that has been migrated to African Bank. Once the audit has been completed, the financials and the curator’s final report will be submitted to the PA. The curator’s report will then be shared with the Minister of Finance and the PA will request the Minister to lift the curatorship on Ubank Limited. Subsequently, Ubank will be required to deregister and hand over the banking licence to the PA.

Institutions placed under statutory management:

- **Constantia Insurance Company Limited (CICL)**

  CICL was placed under final liquidation on 14 September 2022 on the recommendation from its erstwhile curators. The liquidation process is ongoing, and the PA continues to hold regular meetings with the liquidators in this regard.

Institutions placed under judicial management

- **Motswedi Financial Services Co-operative Limited**

  On 2 December 2022, the Prudential Authority Regulatory Action Committee (PARAC) approved the recommendation to place the institution under judicial management due to its failure to submit its 2021/22 quarterly returns. Mr Terrence Mathe of Maine Chartered Accountants was duly appointed as the judicial manager on 29 June 2023 by the High Court of South Africa. The PA continues to hold regular meetings with the judicial manager.

Other PA decisions (cont.)

Institutions placed under judicial management

- **People Empowerment CFI Primary Co-operative Limited**

  On 8 November 2023, the PARAC approved the recommendation to place the institution under judicial management following its non-compliance with the solvency and capital requirements. In April 2024, People Empowerment CFI Primary Co-operative Limited was placed under judicial management by the Pietermaritzburg High Court and on 12 April 2024, Mr Arwin Naidoo CA(SA) of NKS Chartered Accountant was duly appointed as the judicial manager.

Winding down/liquidation:

- **Habib Overseas Bank**

  Following the placement of Habib Overseas Bank (Habib) under curatorship on 26 March 2023 by the Minister of Finance, an in-depth assessment and analysis was undertaken by the curator. The curator established that Habib's financial position was significantly worse than that reported by the bank's management.

  The findings by the curator concluded that Habib was insolvent. After numerous consultations with the curator, the PA proceeded to lodge its application for the final winding up of Habib on 21 July 2023. Habib was placed under provisional liquidation on 8 August 2023. The Master of the High Court of South Africa placed Habib under final liquidation on 26 February 2024. The liquidation process is ongoing, and the PA continues to receive regular updates from the liquidator and hold meetings, if need be.

Matters referred to the Financial Services Tribunal:

- Land Bank Insurance Company SOC Limited and Land Bank Life Insurance Company SOC Limited
- Escap SOC Limited

Additional information

Licensing applications

	Approved	In progress	Declined
Banks/mutual banks/co-operative banks	1	5	1
Branches of foreign banks	0	0	0
Representative offices	1	1	0
Co-operative financial institutions	2	4	0
Insurers	4	11	3

Inspections relating to illegal deposit-taking schemes

Total number of schemes	Schemes carried over from previous year	New schemes	Schemes finalised in year of review	Schemes still under investigation
4	3	1	0	4

Inspections relating to unlicensed insurance business*

Total number of schemes	Schemes carried over from previous year	New schemes	Schemes finalised in year of review	Schemes still under investigation
115	36	79	55	60

* *This function has been delegated to the FSCA.*

Financial Action Task Force (FATF) Mutual Evaluation

- In February 2023, South Africa was officially identified as a jurisdiction under increased monitoring by the Financial Action Task Force (FATF) and placed on the 'greylist'.
- As part of this process, 22 action items were identified by the FATF, requiring South Africa to address the identified strategic deficiencies by January 2025. To date, 5 of the 22 items have been addressed and 17 remain in progress.
- The PA has a deadline of January 2025 for addressing the action items and is working constructively towards that goal.

  One more cycle for reporting remains for South Africa as the final deadline is January 2025. For the SARB, the main actions items impact the SARB's Financial Surveillance Department and PA:

  1. The authorities should proactively identify and take action against unlicensed cross-border MVTS.

  2. South Africa should demonstrate that all AML/CFT supervisors apply and monitor implementation of follow-up remedial actions and that effective, proportionate and dissuasive sanctions are being applied

- In monitoring the impact of the FATF greylisting on the South African financial markets, the PA has found no immediate negative impact to correspondent banking relationships, although additional due diligence is now required by certain banks/jurisdictions.
- Following the greylisting, the European Commission and the United Kingdom (UK) His Majesty's Treasury (HM Treasury) placed South Africa on their respective lists of high-risk third countries. Consequently, the European Securities and Markets Authority and the Bank of England derecognised JSE Clear as a third-country central counterparty (CCP).
- It remains imperative that the action items be addressed timeously to avert any long-term negative impact on the South African economy.

South African Reserve Bank

Ibex/Steinhoff matter

Collapse of Steinhoff

- Following the announcement of accounting irregularities in December 2017, the share price of Steinhoff International Holdings N.V. (SIHNV) dropped by more than 95% in value, resulting in investors, including pension funds, losing their investments. The Steinhoff Group lost the confidence of its stakeholders and faced the imminent threat of collapse, with one of the critical issues being the litigation arising from the accounting irregularities.

- This resulted in claims been lodged against the ultimate Dutch parent company, SIHNV and the former listed South African company, Steinhoff International Holdings (Pty) Limited.

- At the time, the Financial Surveillance Department (FinSurv) noted reports which suggested that some of the cross-border transactions undertaken by the Steinhoff Group were not approved and/or were not executed in line with stipulated approval conditions nor in line with prevailing exchange control policy.

Investigation conducted

- An external firm was appointed in 2018 to assist with the investigation.
- The investigation was focused on Steinhoff and other associated individuals and entities.
- The investigation was to, inter alia, determine if there were misrepresentations made by Steinhoff to the SARB and whether the terms and conditions prescribed in various applications between November 2013 and December 2017 were strictly adhered to. The investigation also examined whether any off-balance sheet arrangement/structures created by Steinhoff contravened the prevailing exchange control policies at that time.
- Due to the complexity and extensiveness of the investigation, it has taken a significant amount of time to investigate, at a high cost to the SARB.
- The investigation conducted was broad and so far action has been taken against a number of individuals (6) and entities (8).
- The total value of contraventions in terms of the Exchange Control Regulations identified was estimated to be hundreds of billions of rand. Nonetheless, not all the contraventions identified represent the actual the funds that left the country.
- Ibex and other individuals/entities are litigating against the SARB.

Enforcement actions

- Attached and blocked assets have amounted to approximately R480 million.
- Blocked funds held in bank accounts amount to approximately R8.9 million.
- Forfeiture of approximately R6.2 billion in assets of three Steinhoff entities.
- Forfeited assets of Ms Odendaal amount to approximately R60 million
- Through collaboration with law enforcement agencies, a number of key individuals were arrested or are going to be arrested.
- The SARB has received a number of requests from offshore creditors pertaining to blocked funds held in the name of Ibex and related entities.

South African Reserve Bank

Way forward

- The SARB is continuing with enforcement actions against Ibex and various parties.

- The SARB will continue to collaborate with law enforcement agencies regarding the prosecution of various persons.

- However, the SARB could consider a settlement with Ibex to bring the matter to finality and to avoid protracted litigation.

THANK YOU

SOUTH AFRICAN RESERVE BANK

ADDITIONAL SLIDES

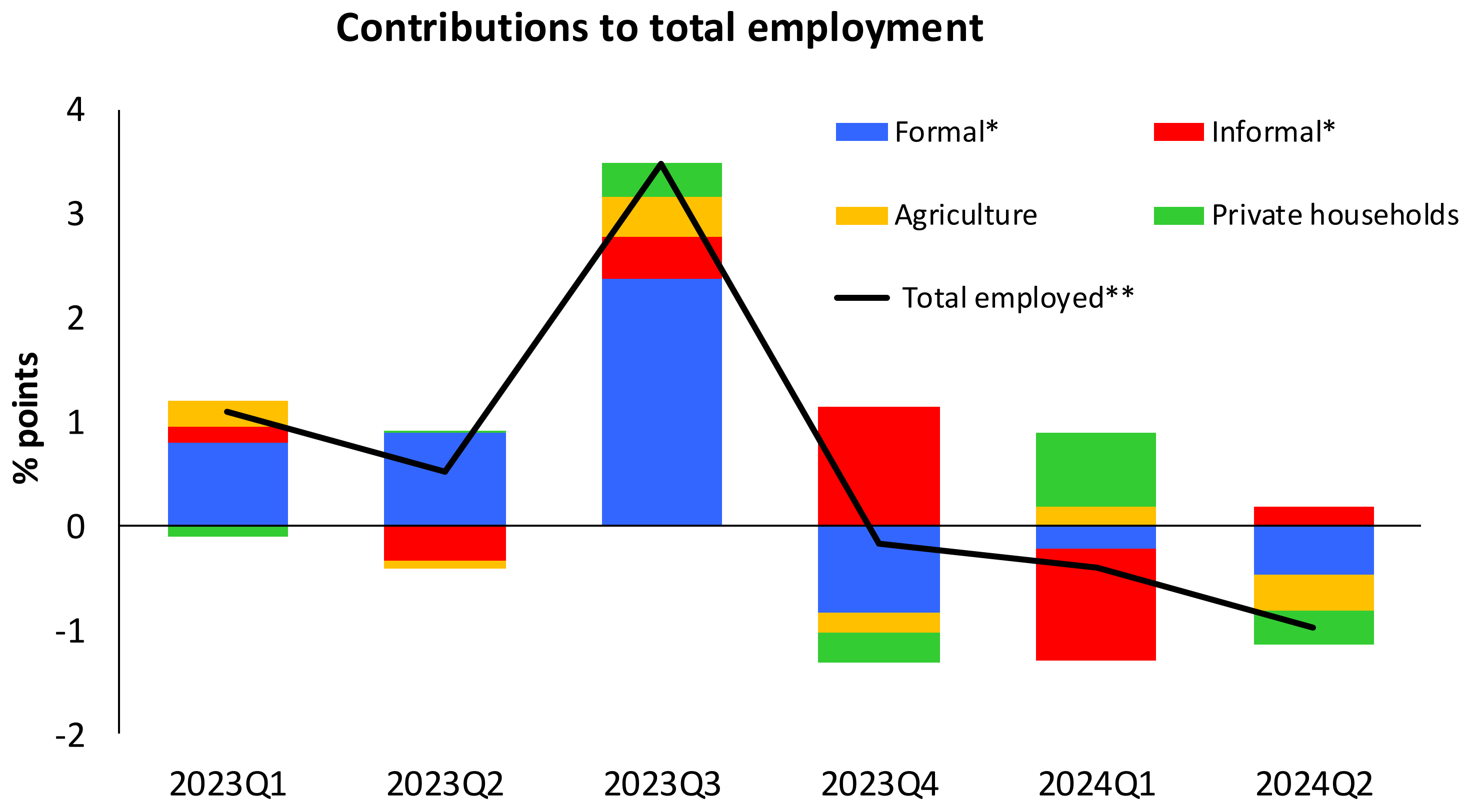
1. Macroeconomic outlook

2. Subsidiaries profit and loss

2. CEO demographics

South African Reserve Bank

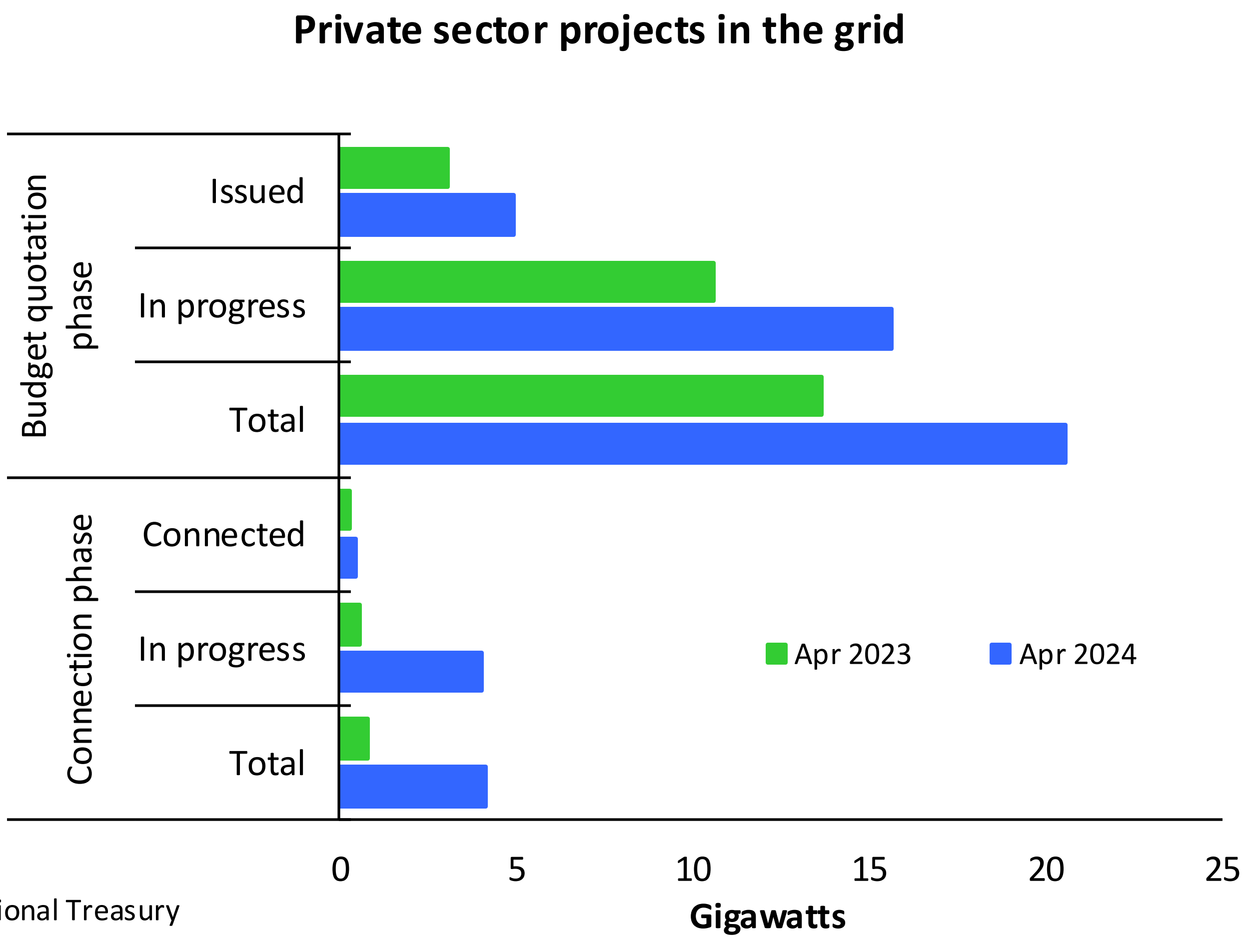
Decreasing employment is a concern



*Non-agricultural
**Quarter-on-quarter percentage change
Source: Stats SA

South African Reserve Bank

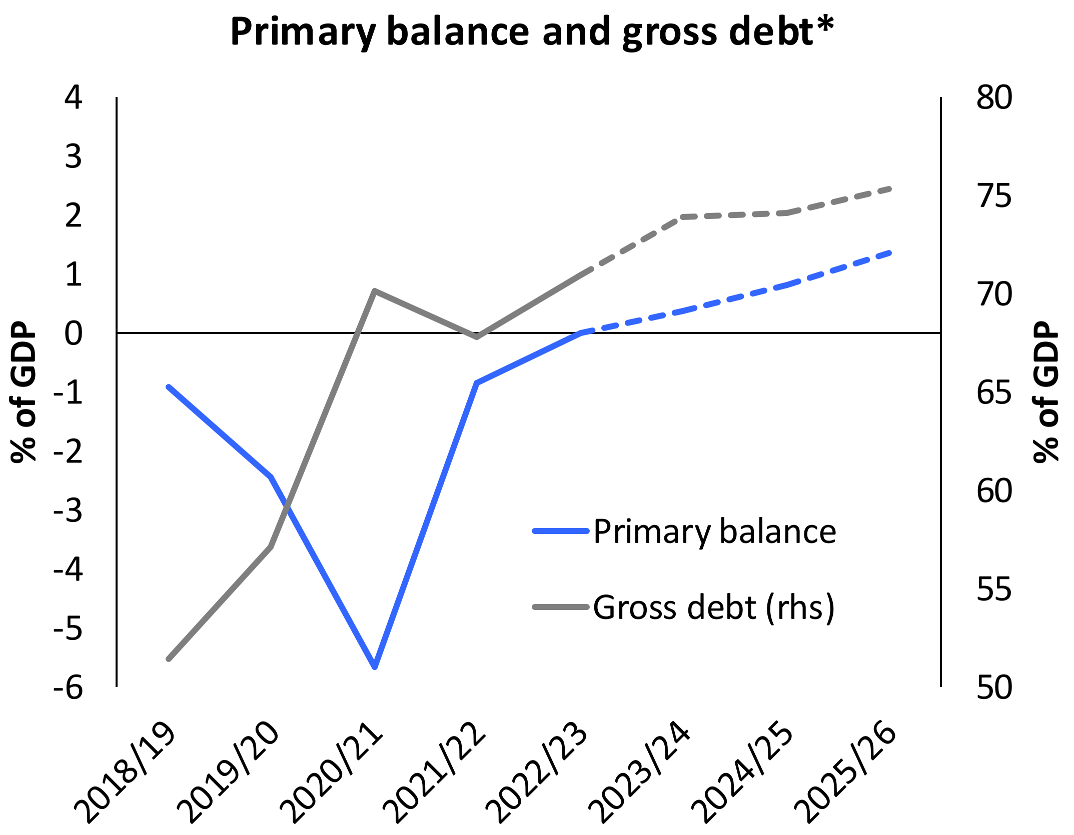
A considerable number of embedded generation projects are in the pipeline
To support investment over the medium term



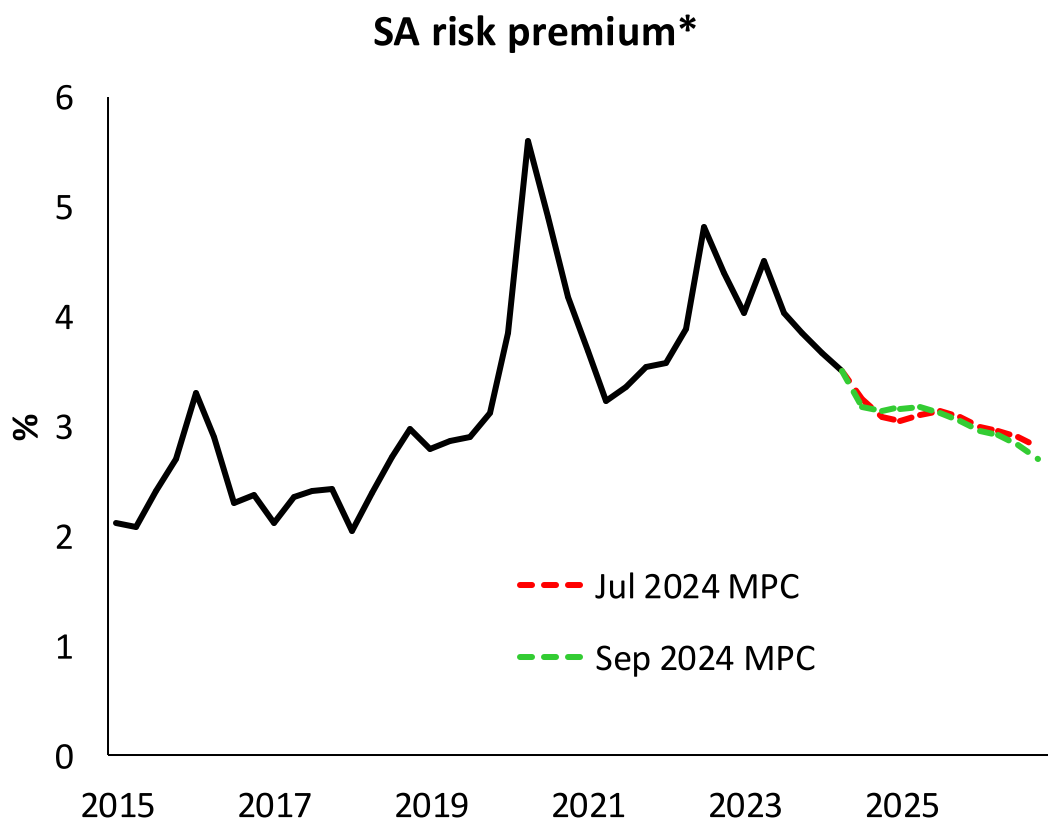
Source: National Treasury

SOUTH AFRICAN RESERVE BANK

Improved fiscal outlook pushes the risk premium lower



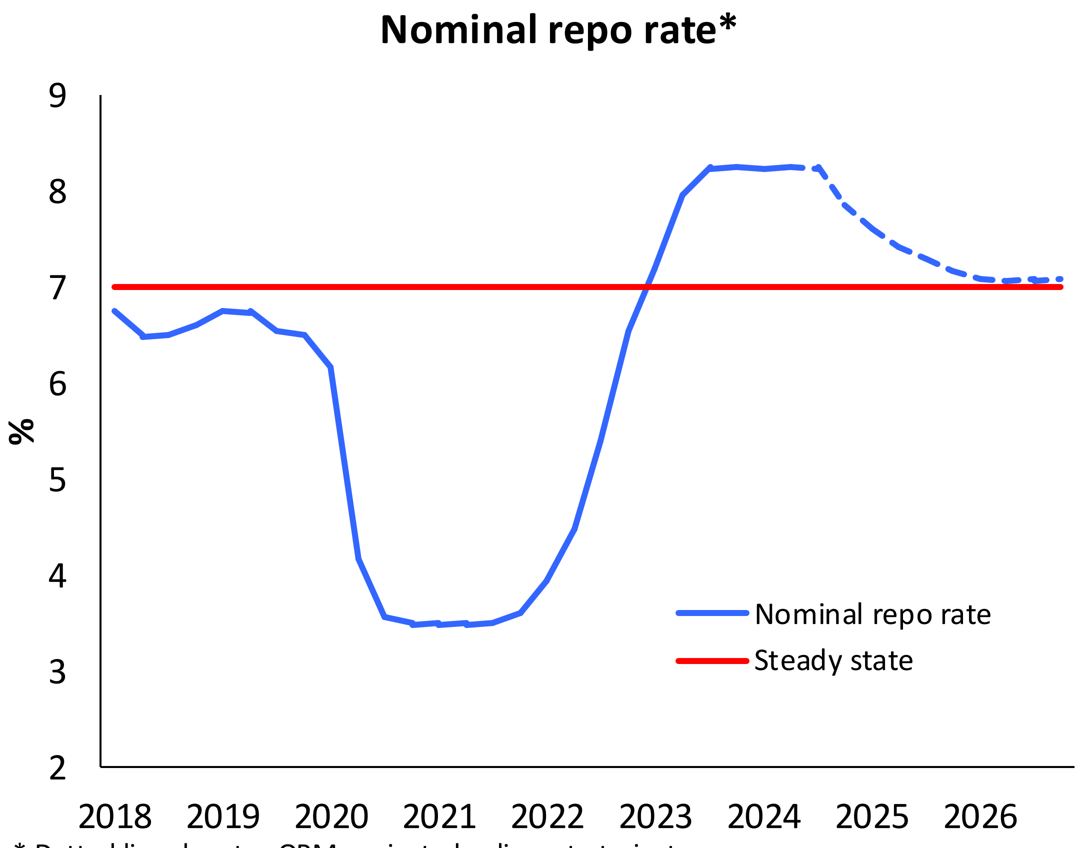
*Dotted lines indicate forecasts
Sources: National Treasury and SARB



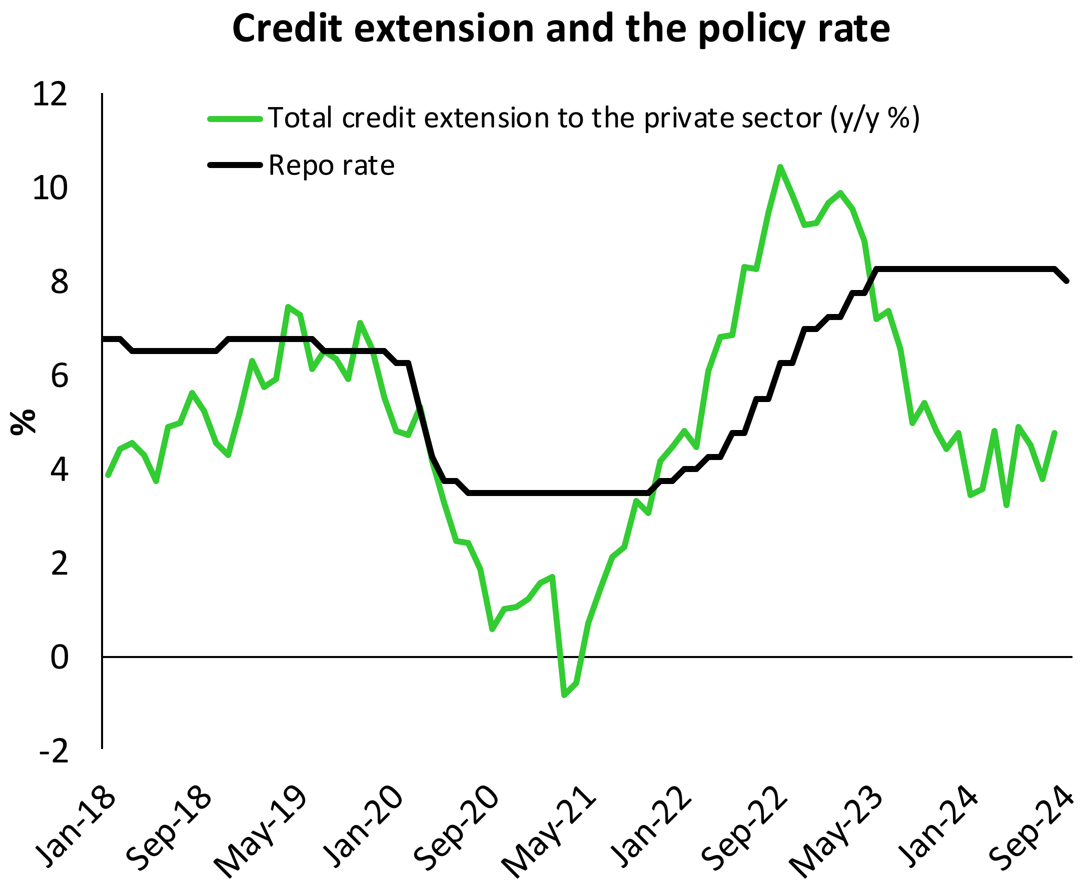
*Dotted lines indicate forecasts
Source: SARB

South African Reserve Bank

The policy stance is moderately restrictive, and is transmitting



* Dotted line denotes QPM-projected policy rate trajectory
Source: SARB



Source: SARB

South African Reserve Bank

Profit and loss
Group and subsidiaries

SARB:
Profit increased by 1 564% to R13bn from R1bn in the prior year

CPD:
Profit increased by 73% to R929mn from R537mn in the prior year

SABN:
Profit decreased by 154% to R87mn loss from R161mn profit in the prior year

SA Mint:
Profit decreased by 40% to R229mn from prior year profit of R381mn

	2024 R'mil	2023 R'mil	Variance R'mil	%	Commentary
CPD	**929**	537	392	73%	1.ECL loss reversal of R329mn (2023: R22mn) 2. Higher net interest income of R383mn (2023: R217mn) due to growth in the CPD investments portfolio 3. Offset by lower Land Bank fair value gains reversals of R223mn (2023: R303mn)
SA Mint	**229**	381	-152	-40%	1. Lower gold bullion sales in Prestige Bullion. Profits in SA Mint significantly offset by losses in Prestige Bullion. 2. Tanzania stock provisions of R22mn 3. Thailand penalties of R10mn
SABN	**-87**	161	-248	-154%	1. Planned loss due to lower volumes: 520mn banknotes FY2023/24 compared to 1.1bn in FY2022/23. Unit costs higher due to low production volumes. 2. Higher waste rate of 15.0% compared to 11.6% for previous year - new Mandela version 6 series. 3. Post-retirement benefits obligation increase by R10mn

Demographics of CEOs for FY2023/24

Type of FI	Total PDI CEOs, of which:	Male CEOs	Female CEOs
Conglomerate banks	4	3	1
Large insurers	4	2	2
Small and medium Insurers	37	29	8
Small and medium local banks	4	3	1
Foreign branches	2	1	1
Mutual banks	2	1	1
Co-operative banks	2	0	2
CFIs	17	8	9

PDI = previously disadvantaged individuals (i.e. Black, Coloured and Indian)