



SOUTH AFRICAN RESERVE BANK
Prudential Authority



PRUDENTIAL AUTHORITY ANNUAL REPORT 2025/26

Promoting and enhancing the
safety, soundness and integrity
of regulated financial institutions





SOUTH AFRICAN RESERVE BANK
Prudential Authority

PRUDENTIAL AUTHORITY ANNUAL REPORT 2025/26

Promoting and enhancing the **safety, soundness and integrity** of regulated financial institutions

Contents

Foreword by the Chairperson of the Prudential Committee	2
Overview by the Chief Executive Officer of the PA	4
Governance and operational structures	6
What we do	6
Operational structure	7
Governance structures	7
Advancing the PA strategy	12
Policy and regulatory initiatives	14
Strengthening and enhancing prudential regulatory and supervisory frameworks	14
Licensing	18
Fit-and-proper assessments	18
Significant owners	19
Designation of insurance groups	19
Unregistered or unlicensed business	19
Banks Act exemptions	20
Auditor applications	20
Supervision	21
Flavour-of-the-year topic and thematic reviews	38
2025 flavour-of-the-year topic findings	38
2025 thematic reviews	39
2026 flavour-of-the-year topic	39
Enforcement	40
Technology and data management system improvements	42
Funding the PA	43

Industry communication and engagement	44
Selected indicators for the South African financial sector	45
Entities supervised by the PA	45
Deposit-taking financial institutions	46
Insurers and reinsurers	53
Market infrastructures	57
PA financial accounts	58
Annexures	61
Abbreviations	67



Foreword by the Governor and Chairperson of the Prudential Committee



“In good times, regulation is perceived as burdensome and an obstacle to greater growth and profits. In bad times, regulators are blamed for lapses that enable crises.”


The Prudential Authority (PA) is in the business of assuring stability – a scarce commodity in today’s uncertain world. The PA does this by supervising entities like banks, insurers and financial market infrastructures (MIs), to ensure that individual entities are prudently managed. It also helps the South African Reserve Bank (SARB) meet its statutory objective to keep the overall financial system safe.

This is not the easiest job. In good times, regulation is perceived as burdensome and an obstacle to greater growth and profits. In bad times, regulators are blamed for lapses that enable crises. There are economies that seem to swing from one extreme to the other, piling on risk in the upswing and new regulations on the downturn. In South Africa, we aim to strike a balance. This means building resilience when there are opportunities, monitoring and tackling stresses when required, and providing support and relief when there are massive shocks, like COVID-19.

For the period under review, the story is mainly about building resilience. We completed the Basel III reforms, concluding our part in the great international project to institutionalise the lessons of the global financial crisis (GFC). We also saw South Africa exit the Financial Action Task Force (FATF) greylist – a project in which the PA, together with other regulatory entities, have invested substantial time and resources. These accomplishments have made the system stronger.

The financial system has also maintained its pre-existing strengths. For instance, banks continue to exceed requirements for the liquidity coverage ratio (LCR), meaning they have enough liquid assets to meet plausible outflows. They likewise have adequate stable funding, avoiding over-reliance on unreliable, short-term financing for their assets. Although we usually have one or two smaller institutions that require heightened scrutiny, the broad narrative is reassuring.

This is important, because the world abounds with risks. For example, we face elevated global debt levels, geopolitical disruption, frothy asset markets, climate change and new cyber threats linked to artificial Intelligence (AI). In these circumstances, it is impossible to feel complacent. Indeed, it is quite hard to believe that things are not worse.



Of course, it is difficult to predict crises and prudent policymakers generally avoid making prophecies. Instead, we prepare as best we can. Such preparations are gradual and mostly take place out of the spotlight. When things are calm, the value of these efforts can be overlooked. But when shocks come – from financial disruptions, perhaps, or real economy effects of wars – it is too late to start constructing resilience. It must be built up patiently, year by year.

The PA continues this steady, vital work, and I am grateful to the team for their efforts. My thanks also to my fellow Prudential Committee (PruCo) members for their robust oversight and thoughtful contributions to the work of the PA.

We look forward to another successful year.



E L (Lesetja) Kganyago

Governor of the South African Reserve Bank and Chairperson of the Prudential Committee

Overview by the Chief Executive Officer of the PA

I am pleased to present an overview of the PA's strategic direction and activities over the past year. Our work continues to be guided by our mandate to promote safety and soundness in the sector, while aligning with the strategy of the SARB.

The global macrofinancial environment in which we operate remains dynamic, shaped by an uncertain policy environment, shifting economic conditions, geopolitical and trade tensions and a calibration of international regulatory standards to emerging risks. These factors have increased volatility and uncertainty in global markets and underscored the importance of resilience and adaptability within our financial system. The PA remains committed to safeguarding stability, while responding proactively to the risks and opportunities presented by the broader international context.

Despite external pressures, the South African financial system continues to stand on a strong foundation. The banking sector remains well capitalised and liquid, demonstrating resilience in a challenging environment. While credit risk remains elevated, ongoing supervisory efforts help ensure continued stability. It should however be noted the smaller deposit-taking institutions face vulnerabilities related to the economic cycle, as well as challenges related to their business models. Insurers have remained similarly robust, supported by sound capital positions and prudent risk management practices. MIs have continued to function effectively, supporting the smooth operation of financial markets, while financial cooperatives play an important role in enhancing financial inclusion and access for underserved communities.

During the year under review, the PA made notable progress in advancing the regulatory framework. The successful implementation of the Basel III post-crisis reforms on 1 July 2025 reflected the PA's commitment as a member of the Basel Committee on Banking Supervision (BCBS). The PA also recognises global calls for regulatory frameworks that balance the need for effective oversight with the imperative to avoid unnecessary regulatory burdens. Our efforts are critical in supporting a stable, resilient financial system that can adapt to evolving risks and opportunities.



The importance of organisational and operational resilience remains an area of supervisory focus. In this regard, supervision remains focused on strengthening governance across all institutions. Strong governance must be end to end at all layers of management as well as at board of directors (board)-level. Succession planning, skills development and fit-and-proper requirements, especially for smaller banks, are under continuous review. The PA is embedding enhanced oversight mechanisms to ensure that regulated entities maintain effective leadership and management structures, thereby supporting long-term institutional stability. To this end, the PA has advanced its work on Directive 4 of 2018,¹ strengthening governance frameworks and clarifying expectations for boards and senior management to further reinforce sector-wide resilience.

Cultivating a robust risk culture and ensuring compliance are equally critical. We are working closely with institutions to foster prudent risk-taking behaviours and embed a culture of accountability at all organisational levels. Efforts to enhance compliance processes are ongoing, with particular attention on emerging risks and the need for adaptable supervisory responses.

In our 2025 flavour-of-the-year topic on third-party risk management, we noted that financial institutions increasingly rely on third-party providers and strategic or alliance partnerships to enhance services, scale up, access expertise, meet strategic goals and cut costs. This reliance increases cybersecurity, privacy and operational resilience risks due to changing threats, interconnected providers and supply-chain issues. Board and survey insights show that third-party risk management is central to resilience and continuity.

¹ Directive 4 of 2018: Matters related to the promotion of sound corporate governance, and in particular in relation to the appointment of directors and executive officers. Available here: <https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-deposit-takers/banks-directives/2018/8825/Directive-4-of-2018.pdf>

However, ongoing difficulties remain in supplier concentration, tracking partnership benefits and exiting deeply embedded partnerships.

The PA and the Financial Sector Conduct Authority (FSCA) issued an AI survey to address a regulatory and supervisory knowledge gap on how South African financial institutions are adopting, governing and managing AI-related risks. The survey's findings highlight gaps and priorities to strengthen governance, risk management and regulatory alignment. This work will inform a forthcoming consultation paper on AI risks, opportunities and governance in the financial sector.

A notable achievement in 2025 was South Africa's removal from the FATF greylist. This accomplishment reflects our comprehensive progress in strengthening anti-money laundering and counter-financing of terrorism (AML/CFT) frameworks. Looking ahead, preparations are underway for the next mutual evaluation, with ongoing efforts focused on addressing any remaining gaps, enhancing regulatory compliance and demonstrating the continued effectiveness of our AML/CFT measures. The PA, in collaboration with other authorities, remains committed to sustaining and building on these gains to ensure the integrity of the financial system.


The PA closely aligns its goals and strategies with those of the SARB. The 2025–2030 Regulatory Strategy highlights this connection by outlining a multi-year plan in six key policy areas,² supporting the SARB's Strategy 2030. This integrated approach ensures consistency in regulatory oversight and fosters a unified response to sector-wide challenges. It also ensures that the PA's regulatory actions are organised, proactive and adaptable to changes in the sector.

A key priority for the coming years is the PA's transition to assume prudential regulation and supervision of retirement funds, collective investment schemes and friendly societies from 1 April 2028. Preparations continue to ensure a smooth and effective transfer of responsibilities from the FSCA, with a focus on maintaining high standards of oversight and protecting the interests of all stakeholders.

We have placed a strong emphasis on strengthening our operations internally to ensure continued alignment with our mandate. Our ongoing efforts with the Umoja platform,³ enhancing our risk appetite and strengthening our operating model, aim to boost organisational efficiency, improve how resources are allocated, and ensure a robust foundation for meeting our regulatory and supervisory priorities. We remain committed to enhancing our operational resilience and agility as a regulator. These initiatives are integral to our ambition to position the PA as a leading prudential authority in a changing global landscape.

I thank the PA team for their dedication and hard work over the past year. Your efforts have been central to our achievements, especially during challenging times. In particular, thank you to my management team and to the PruCo for their guidance and support in shaping our strategic direction and operations.

We remain steadfast in our commitment to upholding a safe and sound financial system. Through ongoing collaboration with stakeholders, continued alignment with the SARB and active participation in global regulatory discussions, the PA is well positioned to navigate future challenges and opportunities. The coming year promises further progress as the PA works to strengthen regulatory frameworks, enhance operational independence and support the long-term stability of South Africa's financial sector.



Fundi Tshazibana

N (Nomfundo) Tshazibana

Deputy Governor of the
South African Reserve Bank and
Chief Executive Officer of the
Prudential Authority

² These policy areas include: strengthening and enhancing the regulation and supervision of deposit-taking institutions, insurers and insurance groups, and MIs (policy areas 1–3); implementing and enhancing the financial conglomerates regulatory and supervisory framework (policy area 4); enhancing AML/CFT supervision (policy area 5); and developing and implementing approaches to the prudential regulation and supervision of retirement funds, collective investments schemes, friendly societies and medical schemes (policy area 6).

³ The Umoja solution is the PA's regulatory data collection and reporting platform. It is used to receive, manage and analyse returns submitted by regulated institutions.

Governance and operational structures

The Financial Sector Regulation Act 9 of 2017 (FSR Act) sets out the PA's governance structure, resources, financial management and reporting obligations.

What we do

The PA regulates and supervises financial institutions to promote a safe and resilient financial system in South Africa, underpinned by robust prudential standards and regulations.



Mandate

- Promote and enhance the safety and soundness of financial institutions (such as banks and insurers) and MIs (such as central counterparties (CCPs), central securities depositories, clearing houses, trade repositories (TRs) and exchanges).
- Protect financial customers against the risk of institutions failing to meet their obligations.
- Support the SARB in maintaining financial stability.

Operational structure

The PA has four departments:

Banking and Insurance Supervision

The department is responsible for the prudential supervision of medium and smaller banks, including branches of foreign banks, insurers, cooperative financial institutions (CFIs), cooperative banks and MIs.

Financial Conglomerate Supervision

The department supervises larger, more diverse and complex financial groups, including institutions designated as financial conglomerates. It also supervises compliance of all deposit-taking institutions and life insurers with AML/CFT and counter-proliferation financing (CPF) regulation.

Policy, Statistics and Industry Support

The department oversees policy development and the implementation of regulatory and supervisory frameworks. It also provides operational support, industry analysis and technical support for capital and accounting requirements as well as support for licensing and enforcement functions.

Risk Support

The department provides regulatory and supervisory support for credit, operational, market, insurance and asset and liability management risks. It also supports quantitative and actuarial analysis.

Governance structures

Prudential Committee

The PruCo is established in terms of the FSR Act to oversee the management and administration of the PA, and to ensure it operates efficiently and effectively. The PruCo may establish subcommittees for the PA and assign functions it deems necessary.

The PruCo is committed to achieving high standards of corporate governance and operates under clearly defined terms of reference, policies and delegations of authority. The PA Management Committee (PA Manco) provides input to the PruCo.



Membership

Chairperson



E L (Lesetja) Kganyago
Governor

Members



N (Nomfundo) Tshazibana
Deputy Governor and
Chief Executive Officer of
the PA



R (Rashad) Cassim
Deputy Governor



M (Mampho) Modise
Deputy Governor

Chairperson

1 **E L (Lesetja) Kganyago** Governor of the SARB

Mr Lesetja Kganyago was appointed Governor of the SARB with effect from 9 November 2014. He was reappointed by the President of South Africa for a second five-year term in 2019, with effect from 9 November 2019 to 8 November 2024. The President has since reappointed Mr Kganyago for a third five-year term, which commenced on 9 November 2024 and concludes on 8 November 2029.

Mr Kganyago serves as the Chairperson of the Monetary Policy Committee (MPC), PruCo and the Financial Stability Committee. He also chairs the Committee of Central Bank Governors of the Southern African Development Community (SADC), co-chairs the FSB's Regional Consultative Group for Sub-Saharan Africa and chairs the FSB Standing Committee on Standards Implementation. He previously served as the Chairperson of the International Monetary and Financial Committee, which is the primary advisory board to the International Monetary Fund Board of Governors, from 18 January 2018 to 17 January 2021. Prior to his appointment as Governor, Mr Kganyago served as Deputy Governor of the SARB from 16 May 2011.

2 **N (Nomfundo) Tshazibana** Deputy Governor and Chief Executive Officer (CEO) of the PA

Ms Fundi Tshazibana is a Deputy Governor of the SARB, the CEO of the PA and a member of the MPC.

As the CEO of the PA, Ms Tshazibana leads the Prudential Cluster of the SARB, which includes the Financial Surveillance Department and the departments within the PA.

Ms Tshazibana represents the SARB at the FSB's Standing Committee on Supervisory and Regulatory Cooperation. She is the Vice Chair of the Network for Greening the Financial System (NGFS) and Chair of the United Nations Development Programme-convened Sustainable Insurance Forum. She chairs the Corporation for Deposit Insurance (CODI) Board's Investment Committee.

Before the rotation of the deputy governors on 1 April 2022, she oversaw the Financial Markets and International Cluster.

She joined the SARB in 2018 as Adviser to the Governor and was appointed by the President as a Deputy Governor in 2019, with effect from 1 August 2019 to 31 July 2024. She was reappointed for a second five-year term, which commenced on 1 August 2024 and concludes on 31 July 2029.

3 **R (Rashad) Cassim** Deputy Governor

Dr Rashad Cassim is a Deputy Governor of the SARB and a member of the MPC. He oversees the Financial Markets and International Cluster, which includes the Financial Markets, International Economic Relations and Policy and Legal Services departments. He is also in charge of the National Payment System Department.

He is the Chair of the Financial Markets Liaison Group, Market Practitioners Group and Corporation for Public Deposits. Before the rotation of the deputy governors on 1 April 2022, he oversaw the Financial Stability and Currency Cluster. He also served as Chairperson of the Irving Fisher Committee on Central Bank Statistics within the Bank for International Settlements.

Dr Cassim joined the SARB as Head of Economic Research and Statistics in March 2011, during which time he acted as the Secretary of the MPC. He was appointed by the President as a Deputy Governor in 2019, with effect from 1 August 2019 to 31 July 2024. He was reappointed for a second five-year term, which commenced on 1 August 2024 to 31 July 2029.

4 **M (Mampho) Modise** Deputy Governor

Dr Mampho Modise is a Deputy Governor of the SARB and a member of the MPC. She oversees the Financial Stability Cluster, which includes the newly established CODI, Economic Statistics Department, the Risk Management and Compliance Department and the Fintech Unit. In addition, she chairs the CODI Board, Resolution Policy Panel, Financial Sector Contingency Forum, SARB Management Committee and Crisis Preparedness Committee, and is a member of the FSB Standing Committee on Standards Implementation.

Dr Modise was appointed Deputy Governor by the President, with effect from 1 April 2024 to 31 March 2029. Before joining the SARB, she was Deputy Director-General of Public Finance at National Treasury, responsible for fiscal and financing monitoring, and the evaluation of policy proposals across national departments.

Prudential Authority Management Committee

The purpose of the PA Manco is to serve as the advisory and decision-making body of the PruCo on policy, regulatory and supervisory matters.

The PA Manco consists of the following members:

- **N (Nomfundo) Tshazibana:** Deputy Governor and Chief Executive Officer of the PA
- **D (Denzel) Bostander:** Head of Department – Financial Conglomerate Supervision
- **K (Kerwin) Martin:** Head of Department – Banking and Insurance Supervision
- **O (Olaotse) Matshane:** Head of Department – Policy, Statistics and Industry Support
- **F (Faizel) Jeena:** Head of Department – Risk Support

Support committees

The following governance structures support the work of the PA:

- Policy Committee
- Licensing Panel
- PA Restructuring and Expansion Committee
- PA Regulatory Action Committee
- Risk and Capital Review Panel
- Designation Panel



Attendance

ATTENDANCE

Members	Capacity	Prudential Committee	PA Management Committee	PARAC
E L Kganyago	Governor and Chairperson	7 + 1 (strategy session)	Not a member	Not a member
R Cassim	Deputy Governor	8 + strategy session	Not a member	4
M Modise	Deputy Governor	8 + strategy session	Not a member	7
N Tshazibana	Deputy Governor and CEO of the PA	8 + strategy session	16	8
D E Bostander	Head: Financial Conglomerate Supervision Department	Standing Invitee 7 + strategy session	16	6
F Jeena	Head: Risk Support Department	Standing Invitee 8 + strategy session	15	7
O Matshane	Head: Policy, Statistics and Industry Support Department	Standing Invitee 7 + strategy session	14	8
K Martin	Head: Banking, Insurance Supervision Department	Standing Invitee 8 + strategy session	16	6

* Required meeting attendance is based on the schedule of matters. Only the CEO is required to attend all meetings.

Key activities conducted

The PruCo plays a central role in advancing the PA's regulatory, supervisory and governance mandate. Over the reporting period, the PruCo approved amendments to the Regulations relating to Banks (Regulations) and the Insurance Act, including matters linked to the finalisation of the Basel III post-crisis reforms. It also approved amendments to the Regulations addressing interest rate risk in the banking book (IRRBB). It approved the promulgation of banking prudential standards on market risk and credit valuation adjustment (CVA). In addition, the PruCo approved the promulgation of Flac-related prudential standards, draft prudential standards relating to resolution planning and the outcomes of the assessment of domestic systemically important banks (D-SIBs),⁴ and the associated higher loss-absorbency capital requirements.

The PruCo reviewed and adopted the PA Regulatory Strategy and approved the PA Scorecard. The PruCo also noted the progress on the annual audit plan, including any outstanding findings and the overall state of internal controls.

The PruCo approved and noted several memoranda of understanding and cooperation agreements with local and foreign regulators (including with authorities in Angola, Zambia, Zimbabwe, the United States and the People's Republic of China).

⁴ A D-SIB is a bank with such a size, interconnectedness, complexity and substitutability that its distress or failure could pose a material risk to the stability of the South African financial system, and which is therefore subject to enhanced supervision and additional capital (higher loss-absorbency) requirements.

Assurance processes

The PruCo further strengthened its quality control and assurance processes to support effective governance, accountability and organisational performance. These processes are increasingly risk-based and outcome-focused, reinforcing sound risk management and compliance practices across the PA. During the year, the PA conducted a supervisory quality assurance exercise to assess the consistent application of supervisory guidelines and practices, strengthening supervisory judgement and support.

Risk management

The PA's core activities, whether strategic, operational or policy-driven, are inherently exposed to a range of risks. These risks are managed through a structured process of identification, monitoring and response, taking global and domestic economic and regulatory developments into account. Risks arising from the PA's strategic and key initiatives are managed within the SARB's Risk Management Framework, ensuring that exposures remain within approved risk appetite and tolerance levels.

The framework is aligned with the principles set out in the *King IV™ Report on Corporate Governance for South Africa, 2016*. In addition, the SARB adopted the International Organization for Standardization (ISO) 31000: Risk Management standard as its enterprise-wide risk management framework. The framework provides internationally recognised risk management across the organisation.

Business continuity

Being in the administration of the SARB, the PA has adopted the SARB framework on business continuity. The SARB maintains a comprehensive business continuity management framework aligned with the Business Continuity Institute's Good Practice Guidelines, which are founded on the ISO 22301: Business Continuity Management System standard. The SARB continues to hold formal ISO 22301 certification, reflecting its adherence to internationally recognised best practice, operational resilience and the continuity of critical functions.





Advancing the PA strategy

In a rapidly evolving world, responsive adaptation of legislation empowers resilience, ensuring that legal frameworks support innovation and stability. The regulatory strategy sets out the PA's key priorities. The PA adopts a collaborative and consultative approach to prudential regulation and supervision.

Strategic priorities

In an environment marked by uncertainty and rapid change, robust regulatory frameworks are essential to underpin stability. The PA's regulatory strategy plays a pivotal role in outlining measures that the PA will put in place to protect the safety and soundness of the financial system.

In terms of section 47 of the FSR Act, the PA publishes its regulatory strategy, setting out the regulatory and supervisory priorities and intended key outcomes. This financial year, the PA released an updated strategy that aligns with the SARB's timeline and strategic focus areas. The PA Regulatory Strategy 2025–2030⁵ reflects a forward-looking regulatory framework. The strategy enables the PA to remain agile and responsive to emerging risks, supporting the evolving needs of the financial sector and ensuring an approach to prudential regulation and supervision that is both collaborative and consultative.

⁵ The PA's Regulatory Strategy 2025–2030 can be accessed here: <https://www.resbank.co.za/content/dam/sarb/what-we-do/prudential-regulation/pa-regulatory-strategy/PA%20Regulatory%20Strategy%202025-2030.pdf>

Performance highlights

- **Overall health of the financial sector:** The PA successfully fulfilled its mandate to enhance the safety and soundness of financial institutions, demonstrated by financial institutions maintaining adequate capital and liquidity buffers. The sector demonstrated resilience, with most institutions meeting regulatory standards. Those found to be non-compliant, primarily smaller entities, were subject to the appropriate regulatory measures and, where required, intensified supervisory measures.
- **FATF greylisting:** The PA played a pivotal role in advancing South Africa's removal from the FATF greylist. Through active participation in Inter-Departmental Committee on AML/CFT meetings and coordination with other financial institution supervisors, the PA ensured that key action items, particularly those related to the banking sector, were promptly addressed. By issuing effective, proportionate and dissuasive sanctions, and swiftly implementing remedial actions, the PA contributed significantly to meeting the FATF requirements.
- **Basel III post-crisis reforms:** For the banking sector, the PA completed the implementation of the remaining Basel III

post-crisis reforms effective from 1 July 2025. This milestone was achieved through the introduction of the amended Regulations and prudential standards, which encompassed updated approaches for credit, operational and market risk, CVA, capital requirements, the leverage ratio, the framework and the output floor.

- **Group of Twenty Presidency:** The PA represented the SARB within the Global Partnership for Financial Inclusion under South Africa's Group of Twenty (G20) Presidency, advanced deliverables and finalised the G20 policy recommendations on shifting focus from financial access to usage, supporting tangible development outcomes.
- **FSR Act compliance:** The PA achieved full compliance with chapter 16 of the FSR Act and delivered all statutory budget, levy and fee determinations, along with public consultations, to National Treasury by 30 October 2025.
- **Automation of regulatory reporting:** The PA delivered banking returns in July 2025 through the PA's Umoja solution in line with Basel III post-crisis reforms.

Performance scorecard: Overall status

Strategic measure	Annual target	Actual performance 2025/26
Resilient financial institutions	Regulated institutions with adequate capitalisation, sufficient liquidity and effective risk management	Regulated institutions are largely meeting regulatory requirements. Instances of non-compliance are under adequate regulatory corrective action.

Unique strategic objectives

- **Strengthen and enhance** the regulation and supervision of deposit-taking institutions.
- **Implement and enhance** the financial conglomerate regulatory and supervisory framework.
- **Strengthen and enhance** the prudential regulation and supervision of MIs.
- **Strengthen and enhance** the regulatory and supervisory frameworks for insurers and insurance groups.
- **Enhance** AML/CFT supervision.
- **Enhance** the PA's risk management framework.
- **Develop and implement** approaches to the prudential regulation and supervision of retirement funds, collective investment schemes, friendly societies and medical schemes.⁶



Target met



Target partially met



Target not met

⁶ The transitional period for pension funds, collective investment schemes and friendly societies has been extended until 31 March 2028 and to 31 March 2029 for medical schemes, as per a ministerial determination published on 28 November 2025 (Notice No. 6883 in *Government Gazette* No. 53729).



Policy and regulatory initiatives

Regulatory resilience is characterised by the capacity to proactively manage change, rather than reacting after it occurs. Within this framework, policy and regulatory initiatives focus on establishing legislative requirements that safeguard the stability and integrity of South Africa's financial system, ensure alignment with international standards, support the development of cross-sectoral regulatory instruments, and enable an effective response to existing and emerging risks. As the environment evolves, the PA continues to implement regulations to enhance sector-wide resilience.

- revised leverage ratio framework;
- revised CVA framework;
- revised market risk framework; and
- output floor.

Strengthening and enhancing prudential regulatory and supervisory frameworks

Banks

Implementation of the Basel III post-crisis reforms

On 1 July 2025, the PA implemented the remaining Basel III post-crisis reforms through the amended Regulations and prudential standards relating to the:

- revised standardised and internal ratings-based⁷ (IRB) approaches for credit risk;
- revised operational risk framework;

Basel III post-crisis reforms

The 2007 GFC is generally regarded as the most severe economic and financial shock that the world has experienced since the Great Depression of the 1930s.

In response to the GFC, G20 leaders agreed to strengthen the international financial regulatory system. In this regard, the BCBS agreed to develop measures to appropriately respond to shortcomings identified in the pre-crisis regulatory framework.⁸ Subsequently, the BCBS published the Basel III framework alongside a suite of amended or newly developed frameworks and requirements, generally referred to as the Basel III post-crisis reforms. The aim of the Basel III post-crisis reforms is to strengthen the regulation, supervision and risk management of banks, and to create a regulatory foundation for a resilient banking system that supports the real economy.

South Africa implemented the Basel III post-crisis reforms to be compliant with international standards. As a member of the BCBS, South Africa committed to the full and consistent implementation of the Basel III framework and related Basel III post-crisis reforms.

The PA framework that regulates and supervises banks and banking groups in South Africa is aligned with the Basel III framework and related Basel III post-crisis reforms published by the BCBS since 2009. All components of the Basel III post-crisis reforms have been implemented apart from the crypto asset standard, which will be implemented in the future. The amended regulatory framework assists the PA in achieving its statutory objectives and discharging its respective functions in line with international best practice.

⁷ Banks may use the standardised and the foundation and IRB approaches for the calculation of the minimum required regulatory capital for credit risk. The standardised approach requires the use of regulatory prescribed risk weights in the calculation. Banks are required to obtain the PA's approval for the adoption of the IRB approaches, with banks on the foundation IRB approach permitted to model the probability of default (PD) and those on the advanced IRB approach permitted to model PD, loss given default, exposure at default and maturity.

⁸ Please see, among others, the Basel Framework and 'Basel III: Finalising post-crisis reforms', available here: <https://www.bis.org/bcbs/basel3.htm>

Commercial Paper Exemption Notice

The Commercial Paper Exemption Notice (CP Exemption Notice) enables corporates to accept money from the general public by issuing short-term debt without falling within the definition of ‘the business of a bank’.⁹ Corporates can access the domestic capital market by issuing commercial paper to raise short-term funding to finance their business and/or operational activities. The evolution of market practices and an increased focus on financial stability requires a review of the exemption notice to further strengthen the resilience and transparency of South Africa’s commercial paper market.

As part of the review, from 2023 to 2025, the PA conducted multiple rounds of stakeholder engagements, published a position paper and conducted an industry survey.

Based on feedback, in March 2026 the PA published the revised draft CP Exemption Notice and launched a final round of public consultation.

Capital requirement and Pillar 3 disclosures

Pillar 3 disclosures aim to encourage market discipline and transparency through a set of requirements that allow market participants to assess key pieces of information on important aspects of banks’ operations. During the reporting period, the PA conducted industry engagements on the Basel III post-crisis reforms to strengthen Pillar 3 disclosures on the D-SIB leverage buffer and the capital treatment of significant insurance investments, and clarified the output floor requirements.

Amendments to the capital requirement and Pillar 3 disclosures:

- revised the Pillar 3 disclosure requirements to align with the latest Basel pronouncements in respect of the disclosure framework;
- implemented the leverage ratio buffer requirements for D-SIBs equalling 50% of higher-loss absorbency requirements imposed on common equity tier 1 (CET1) capital to give effect to Basel III post-crisis reforms, ensuring that the leverage ratio continues to play a credible backstop role to the minimum capital requirements; and
- clarified the regulatory capital treatment of banks’ investment in insurance entities to ensure that banks do not inflate their capital through recognition of post-acquisition reserves arising from their significant investment in insurance.

9 In terms of section 11(1) of the Banks Act 94 of 1990 (Banks Act), no person shall conduct the business of a bank unless such person is a public company and registered as a bank in terms of the Bank Act.

10 Directive 11 of 2025: Prudential treatment of distressed restructured credit exposures. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/D11-2025>

11 Directive 12 of 2025: Implementation roadmap for the Basel III post-crisis reforms. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/D12-2025>

12 Directive 14 of 2025: Large exposure requirements. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/Directive-14-of-2025>

13 A large exposure is a loan that equals or exceeds 10% of a bank’s tier 1 capital.

14 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2026/Prudential-Communication-4-of-2026>

Directive on distressed restructured credit exposures

The PA uses prudential requirements on distressed restructured credit exposures to monitor credit quality. In 2025, the PA issued Directive 11 of 2025,¹⁰ which replaced Directive 7 of 2015. Directive 11 of 2025 requires banks to follow consistent approaches to identifying and classifying distressed restructured credit exposures. Banks are required to apply the Directive 7 of 2015 until 31 December 2026, before transitioning to Directive 11 of 2025.

Directive on the credit risk roadmap

The PA issued Directive 12 of 2025,¹¹ which sets interim reporting requirements and timelines for implementing IRB-related process and model changes. Given to the complexities of the IRB approach, changes require time to implement. Therefore, a phased rollout approach was taken to address the time needed to update the systems and process the changes required to incorporate the revisions into the IRB approach.

Large exposures

The PA issued Directive 14 of 2025¹² to strengthen concentration risk and large exposure governance. Banks were consulted on how best to align the reporting returns of large exposures.¹³ The PA enhanced supervisory oversight by monitoring intraday and same-day settlement exposures.

Prudential standard on requirements for valuers appointed for resolution purposes

The PA implemented Prudential Standard RA04: Requirements for Valuers Appointed for Resolution Purposes in March 2026.¹⁴ The standard sets out the requirements, principles and expectations of valuers appointed by the RA to perform valuations for resolution purposes under the FSR Act. This includes matters relating to independence, competence, governance, methodologies, information access and reporting.

Market infrastructures

Joint standard for exempting an external central counterparty or external trade repository

As part of South Africa's G20 commitments to reform its over-the-counter (OTC) derivative market to reduce vulnerabilities and increase transparency, the PA and the FSCA began the process of developing an appropriate legislative framework. The development of the framework included a new joint standard that came into effect in October 2025 and sets out the criteria for external CCPs and TRs to be exempted from the licensing requirements of the Financial Market Act 19 of 2012.¹⁵ The joint standard is an enabling legal framework that facilitates mandatory central clearing for OTC derivative transactions. This joint standard marks the completion of phase two of South Africa's OTC derivatives central clearing roadmap¹⁶ and aligns to G20 guidelines. In parallel, and to inform phase three, the PA and FSCA are working on eligibility criteria for certain OTC derivatives contracts to be subject to mandatory clearing.

Cross-sector initiatives¹⁷

Sustainable finance and climate-related risk

The PA monitored developments in sustainable finance and climate-related risks to inform the evolution of domestic policy and supervisory frameworks. From an international perspective, this work on climate change included policy discussions, surveys, analytical work and active participation in technical working groups under the FSB, BCBS, NGFS and International Association of Insurance Supervisors (IAIS). The work focused mainly on efforts to strengthen the resilience of regulated institutions and the financial system against climate-related financial risks.

Domestically, the PA has been developing its regulatory and supervisory frameworks to ensure that climate and environmental risks are identified, measured, managed and supervised. In May 2024, the PA published its Climate Roadmap for 2024–2026 and has since updated its guidance on climate-related disclosures to align with the

international disclosure frameworks. The PA also began monitoring implementation of its published guidance notices on climate-related governance, risk management practices and disclosures. In parallel, the PA advanced work to include nature-related and biodiversity risks, as well as the transmission of climate risks through regulated institutions and financial markets.

Cyber risk joint standard

Joint Standard 2 of 2024: Cybersecurity and Cyber Resilience was approved by Parliament and came into effect on 1 June 2025.¹⁸ The standard outlines principles for financial institutions to implement processes, tools and technologies to robustly manage cyber risks, including possible cyberattacks. In an increasingly complex cyber environment, the PA continues to engage the sector on cyber resilience maturity and preparedness for emerging risks.

Cloud computing and data offshoring joint communication

In July 2025, the PA and FSCA issued Joint Communication 2 of 2025: Cloud Computing and Data Offshoring to guide financial institutions on risk mitigation practices.¹⁹ The communication signals the PA and FSCA's intention to address risks that may arise when financial institutions move their systems and data into the cloud or store data outside South Africa.

Auditor appointments

During 2025, the PA issued regulatory instruments to strengthen the quality of information submitted in line with auditor appointment applications. These include:

- Prudential Communication 6 of 2025²⁰ which introduced an updated sheet 2 of the qualitative reporting template for insurers;
- Prudential Communication 7 of 2025, granting insurers a 14-day extension to submit the revised template; and
- Directive 2 of 2025,²¹ Directive 13 of 2025,²² and Prudential Communication 17 of 2025,²³ which set out the updated information required when applying for PA approval of proposed auditors for mutual banks, banks and insurers respectively.

15 Joint Standard 1 of 2025: Criteria for the Exemption of an External Central Counterparty or External Trade Repository from the Provisions of the Financial Markets Act. Available here: <https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-public-awareness/covid-19-response/2025/joint-comms-4-of-2025/Joint%20Standard%201%20-%20of%202025%20-%20Criteria%20for%20exemption%20of%20external%20CCP%20external%20TR%20from%20provisions%20of%20FMA.pdf>

16 Available here: <https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-public-awareness/covid-19-response/2022/Joint%20Roadmap%20for%20the%20development%20of%20a%20regulatory%20framework%20for%20Central%20Clearing%20in%20SA.pdf>

17 Certain policy instruments are applicable to more than one financial subsector.

18 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2024/Joint-Communication-2-of-2024-Publication-of-the-Joint-Standard-Cybersecurity-and-cyber-resilience>

19 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2025/Joint-Communication-2-of-2025>

20 Prudential Communication 6 of 2025: Replacement of quantitative reporting template sheet OF2. Available here: https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2025/prudential-communication-6-of-2025_replacement-of-quantitative-reporting-template

21 Directive 2 of 2025: Matters related to the capital treatment of significant investments in insurance entities. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/D2-2025>

22 Directive 13 of 2025: Directive on the submission of auditor applications for bank. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2025/D13-2025>

23 Prudential Communication 17 of 2025: Submission of auditor applications for insurers. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2025/Prudential-Communication-17-of-2025>

The aim of these updates is to achieve consistent, high-quality submissions aligned with legislative requirements.

Joint survey on artificial intelligence

In November 2025, the PA and the FSCA conducted a joint survey on the use of AI by regulated financial institutions. The survey received more than 2 000 responses across the financial sector. The inaugural *AI in the South African Financial Sector report*²⁴ provided a comprehensive overview of AI adoption, including machine-learning and generative AI. The report identified opportunities to enhance data analytics, operational efficiency and cybersecurity. It also highlighted key risks related to consumer protection, data privacy, bias, reputational exposure and systemic vulnerability. The report noted constraints due to regulatory uncertainty, skills shortages and governance challenges, among others.

AI POLICIES



²⁴ Available here: <https://www.resbank.co.za/content/dam/sarb/publications/prudential-authority/pa-public-awareness/covid-19-response/2025/artificial-intelligence-in-the-south-african-financial-sector/Artificial%20Intelligence%20in%20the%20South%20African%20Financial%20Sector.pdf>.



Licensing

The PA receives applications for new financial institution licences. The PA also receives applications from regulated institutions to expand their business activities and from auditors of prudentially regulated institutions. In assessing these applications, the PA considers financial viability, resilience to withstand economic shocks, regulatory changes and unexpected challenges in applicants' sectors, ensuring depositors and policyholders are not put at risk. This work protects the stability and integrity of the financial system.

Fit-and-proper assessments

The PA assessed whether key persons have the necessary skill, experience, ability and integrity to manage and provide oversight of regulated institutions, in accordance with the prescribed 'fit-and-proper' framework. The PA also conducted independent assessments to verify criminal background checks, related sanctions and adverse media to determine the fitness and propriety of executive officers, key persons and significant owners of regulated financial institutions (Table 1).²⁵

Table 1: Fit-and-proper assessments conducted

Banks	Insurers	CFIs*	Total
577	372	83	1 032

* CFI: Cooperative financial institution Note: Fit-and-proper assessments for MIs are conducted by the FSCA.

²⁵ Statistical information on fit-and-proper assessments conducted during the period under review is set out in Annexure XVII.

Significant owners

The PA assessed the fitness and propriety of significant owners in accordance with the FSR Act, Joint Standard 1 of 2020²⁶ and the applicable financial sector laws (Table 2).²⁷ Significant owners have the ability to exercise influence over an institution and must demonstrate integrity, financial soundness and the ability to support the regulated institution when additional capital is required.

Table 2: Significant owner applications

Entity	Approved	In progress	Declined	Total
Banks	0	0	0	0
Insurers	41	10	2	53

Designation of insurance groups

Insurance groups often manage a wide range of risks across different subsidiaries. By designating insurance groups, the

PA can monitor the overall financial health and solvency of the entire group. Group supervision helps ensure that risk is identified, assessed and mitigated effectively at the group level, rather than just at the individual company level. This includes monitoring intercompany transactions and ensuring that financial challenges at one company do not spillover to the entire group. There was an amendment of the designation of Pepkor Holdings Limited to Abacus Holdco Limited in July 2025.²⁸

Unregistered or unlicensed banking and insurance business

The FSR Act, read together with the Banks Act 94 of 1990 (Banks Act) and the Insurance Act, empowers the PA to regulate and control the activities of unregistered or unlicensed persons who conduct the business of a bank or an insurer. The PA, under the South African Reserve Bank Act 90 of 1989, as amended, appointed temporary inspectors to investigate unregistered banking businesses (Table 3). The FSCA investigated unlicensed insurance business, acting under a delegation of powers by the PA for this function (Table 4).²⁹

Table 3: Summary of inspections relating to illegal deposit-taking schemes

Total number of schemes	Schemes carried over from previous year	New schemes	Schemes finalised in the review year	Schemes under investigation
39	39	0	35	4

Table 4: Summary of inspections relating to unlicensed insurance business

Total number of schemes	Schemes carried over from previous year	New schemes	Schemes finalised in the review year	Schemes under desktop assessment/ investigation
121	115	6	65	56

26 Joint Standard 1 of 2020: Fitness, Propriety and Other Matters Related to Significant Owners. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/PA-financial-sector-regulation/sector-regulation-joint-standards/2020/9970>

27 Statistical information on significant owner applications approved, declined, and in progress during the period under review is set out in Annexure VII.

28 Annexure VIII contains statistics of all designations of insurance groups for the period under review.

29 Statistical information on inspections relating to unregistered banking business conducted during the period under review is provided in Annexure IX, while statistical information on inspections of unlicensed insurance business is set out in Annexure X.

Banks Act exemptions

Securitisation schemes that conduct business in terms of Government Notice No. 2 published in *Government Gazette* No. 30628 on 1 January 2008³⁰ are exempt from the Banks Act, provided that such schemes comply with the provisions of the notice. In terms of paragraph 14(1)(b)(ii) of the notice, special purpose institutions are required to apply to the PA for authorisation to issue commercial paper pursuant to a traditional or synthetic securitisation scheme.³¹

Also exempt from the Banks Act is the acceptance of money from the general public against the issue of commercial paper in terms of the designation of an activity not falling within the meaning of 'the business of a bank' as published in *Government Gazette* No. 16167³² on 14 December 1994. Issuers are not required to seek prior approval from the PA under the CP Exemption Notice.

Auditor applications

The PA received and finalised 31 auditor applications for the financial year. These comprised:

- eight applications from deposit-taking institutions, submitted in terms of section 61 of the Banks Act, and/or section 45 of the Mutual Banks Act 124 of 1993; and
- 23 applications from insurers, submitted in terms of section 14(1) of the Insurance Act.

The PA continues to support regulated institutions by providing clear guidance on auditor appointment requirements and ensuring that submissions meet the standards expected under the prudential framework.



30 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-exemption-notices/2002/2734>

31 Refer to Annexure XI for statistics on securitisation schemes.

32 Refer to <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-exemption-notices/2006/3075>.



Supervision

Effective supervision is the ability to develop a comprehensive view of regulated financial institutions based on an understanding of their business models.

The PA uses supervisory judgement and forward-looking analysis to assess the resilience of financial institutions, how well they are governed and what risks they may pose to the wider financial system. Supervisory work is risk-based and proportionate, focused on identifying problems and detecting weaknesses early to act timeously and appropriately.

Effective supervision helps regulated financial institutions address problems early, improve governance and risk management and enhance sustainable business models. This supports a stable financial system that protects customers and contributes to economic growth, while reducing the risk and impact of financial distress.

At present, the financial system remains stable and continues to function well but faces various risks. At a global level, risks are elevated due to policy uncertainty amid geopolitical events. Domestic conditions had improved prior to the breakout of the war in the Middle East. From a supervision perspective, the intensity and duration of the war will be closely monitored to assess the transmission and amplification of risks.

Banks

Overview

Over the reporting period, the banking sector remained resilient. Governance, strategy and the robustness of risk management frameworks were areas that required continued attention. These reflect the growing complexity of banking groups, changing risk profiles and greater regulatory requirements.

Board- and executive-level retirement challenges to independence and shortages of experienced talent,

especially in Africa region operations, remain areas of ongoing supervisory focus. Skills gaps in key risk and control functions persisted across some banks.

Strategic initiatives, such as pan-African expansion, restructures and acquisition integration, increased execution and oversight risk. Supervision thus focused on whether boards and senior management could maintain effective governance, accountability and control across complex group structures given the increasing intricacy of models, digitalisation and the swift adoption of new technologies requiring different skills at these levels. Supervisory engagement with banks continued to focus on capital adequacy and internal capital adequacy assessment process (ICAAP) outcomes, including the reliability of models, capital add-ons and stress-testing. Capital resilience and regulatory discipline support a stable and resilient banking system.

Islamic banking raised specific prudential considerations, requiring careful assessment of governance, capital treatment and risk management due to its risk and loss-sharing structures.

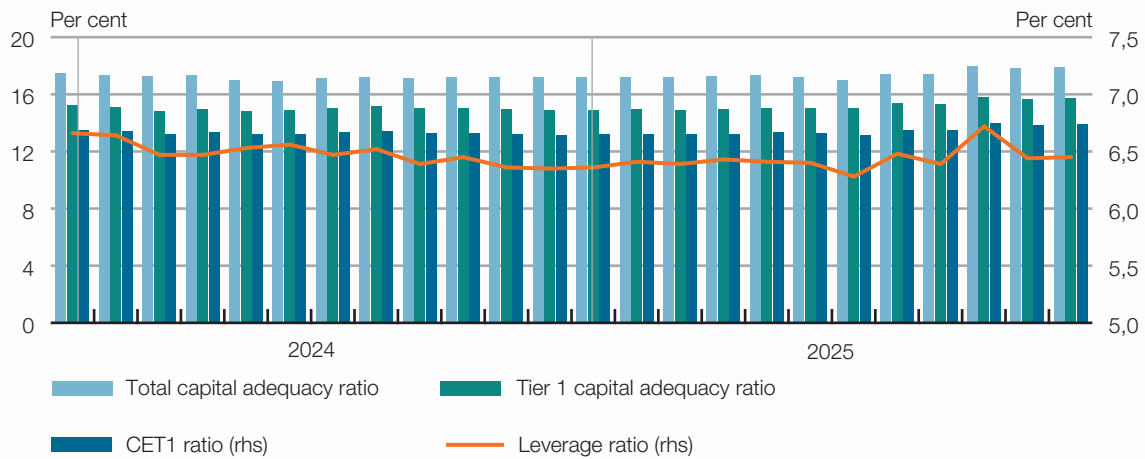
Capital management

Most banks remained adequately capitalised throughout 2025, with higher capital ratios than in December 2024 (Figure 1). The increase in capital ratios was driven partly by banks preparing for the 1% positive cycle neutral countercyclical capital buffer (PCN CCyB),³³ which came into effect on 1 January 2026 after the implementation period ended on 31 December 2025. Furthermore, the higher loss-absorbency requirement for D- SIBs³⁴ remained unchanged in 2025.

³³ The CCyB is a macroprudential capital buffer in terms of the Basel framework that requires banks to hold additional CET1 capital when systemic risk from credit growth is elevated.

³⁴ A D-SIB is a bank with such a size, interconnectedness, complexity and substitutability that its distress or failure could pose a material risk to the stability of the South African financial system, and which is therefore subject to enhanced supervision and additional capital (higher loss-absorbency) requirements.

Figure 1: Capital adequacy and leverage ratios



In 2025, approved potential capital issuances (Table 5) and capital redemptions (Table 6) declined compared to 2024, despite the introduction of the 1% PCN CCyB.³⁵

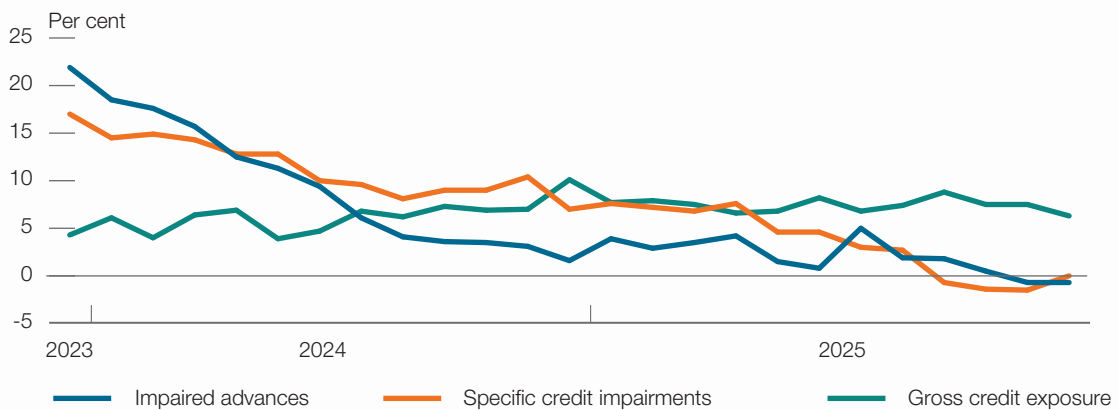
Table 5: Approved potential capital issuances		
	2024 (R billions)	2025 (R billions)
Additional tier 1	25.0	18.0
Tier 2	41.5	30.5

Table 6: Capital redemptions		
	2024 (R billions)	2025 (R billions)
Additional tier 1	8.4	6.5
Tier 2	14.0	4.2

Credit risk

Credit growth in the South African banking sector continued to outpace the growth in impaired advances since the second half of 2024, reflecting an improvement in both credit activity and quality, mainly in the corporate asset classes (Figure 2). However, subdued retail credit growth suggested that consumers continued to experience financial strain.

Figure 2: Growth in credit, impairment advances and specific credit impairments



³⁵ A PCN CCyB rate of 1% is when macroprudential risks are assessed to be neither subdued nor elevated.

Gross credit exposure³⁶ increased by 6.3% year on year to R9.9 trillion in December 2025, mainly due to increased lending to the corporate sector, specifically relating to commercial real estate and renewable energy projects (Figure 3). The pace of credit growth in low default portfolios (LDPs)³⁷ reduced during 2025, reflecting banks' lower exposure to the sovereign, public sector entities and local municipalities (Figure 4). Retail credit growth remained subdued but showed signs of recovery, supported by the domestic policy rate cutting cycle beginning in 2024.

Figure 3: Total gross credit exposure

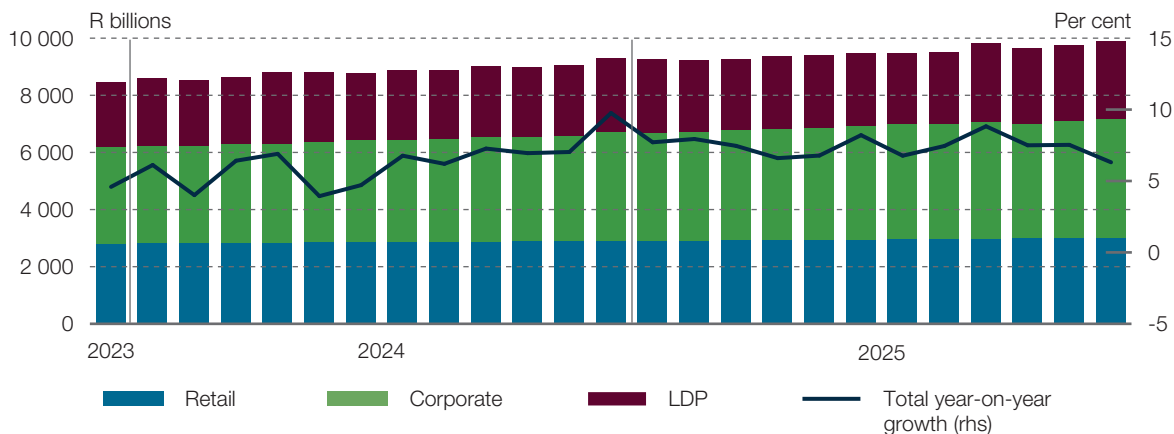
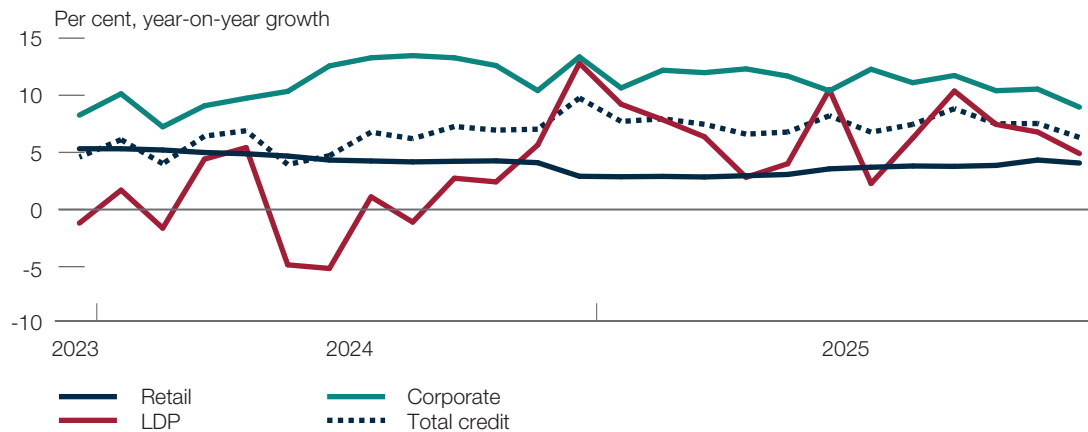


Figure 4: Total credit growth per category



³⁶ Gross credit exposure consists of both on- and off-balance sheet lending as well as derivatives and repurchase agreements.

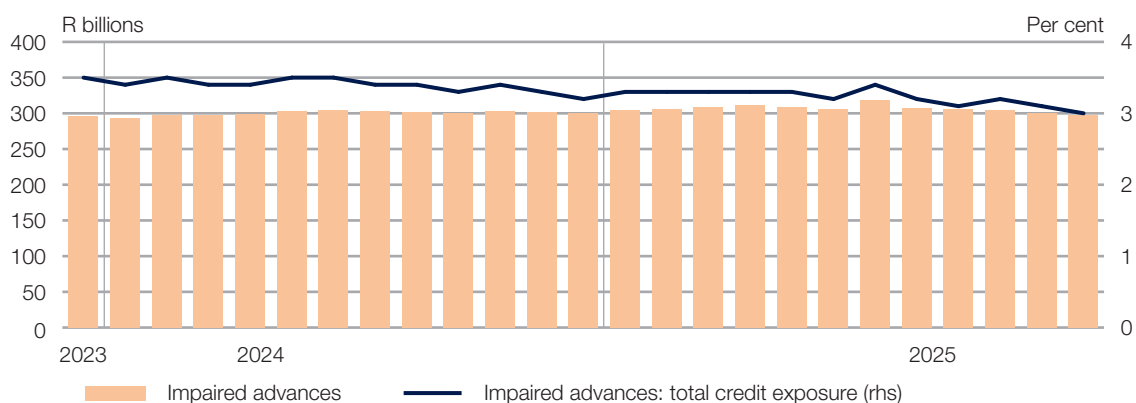
³⁷ Low default portfolios are defined as portfolios that have historically experienced low numbers of default and are generally considered to be low risk (i.e. banks, securities firms, local government and municipalities and sovereign exposures, including central government and the central bank).

Impaired advances were at elevated historical levels but have remained broadly unchanged since 2024 (Figure 5). In line with this trend, specific provisions³⁸ also slowed, while overall credit growth continued to outpace both measures. As a result, credit risk, as measured by impaired advances as a percentage of total credit exposure,³⁹ declined steadily over the period under review, largely driven by the increased credit extension by the banking sector. Credit risk and asset quality pressures continued, especially in retail and unsecured lending, with higher impairments in mortgages and vehicle and asset finance. High sovereign exposures at some banks also remained a supervisory concern due to concentration and potential contagion risks.

Sovereign concentration risk

Sovereign concentration risk remained an important supervisory focus, reflecting the material exposure of banks to domestic sovereign instruments, including Treasury bills, government bonds and government-guaranteed securities. While such exposures play a critical role in liquidity management and market functioning, elevated concentration can strengthen the bank–sovereign nexus and increase banks’ vulnerability to adverse fiscal developments, market repricing and interest rate shocks. The PA continued to assess sovereign concentration through a risk-based supervisory approach, considering the scale, maturity profile and accounting treatment of exposures, as well as banks’ governance, stress-testing and capital planning practices. Banks were expected to manage these risks prudently and in a manner consistent with their business models.

Figure 5: Impaired advances



Banks and insurers rely on external credit ratings issued by credit rating agencies for regulatory capital purposes. Banks are required to use only those ratings issued by eligible external credit assessment institutions (ECAIs) approved by the PA in terms of the Banks Act. The PA completed the reassessment of Moody’s Ratings, Global Credit Rating Co. (Pty) Ltd and S&P Global Ratings. These rating agencies continued to be recognised as eligible ECAIs during the reporting period.

38 For the purposes of this report, non-performing loans (NPLs) are impaired advances. Technically, impaired advances are loans against which the bank has raised a specific credit impairment (i.e. provision). Impaired advances are one indicator of NPLs used to assess credit risk. Specific provisions are, technically, specific credit impairments, which are provisions a bank raises for potential loan losses (or NPLs).

39 The ratio of impaired advances as a percentage of total credit exposure is a key indicator of credit risk and is often referred to as the NPL ratio.

Model risk

In 2025, work continued on the review of model governance for banks using the IRB approach to calculate credit risk regulatory capital. The purpose of the review is to gain better insight into governance frameworks by assessing the overall processes, adequacy and effectiveness in the development and use of models by banks. These models are expected to be accurate, reliable and consistent with regulatory requirements and best practice.

Overall, the PA noted that banks were maturing their management of model risk, in line with international practice. Credit risk model governance was the most mature, with model risk governance continuing to strengthen in other risk areas. Within credit risk model governance, there was inconsistency in approaches by different banks. There were notable differences in the placement of model risk management and validation unit functions within the banks' structures and, depending on the structure, this could compromise the independence of validation. In addition, there were significant differences in how banks' internal audit functions approached the model risk assurance work based on their capacity and skills, impacting the comparability of the outcome and dependability of their work.

To this end, the PA intends to publish a discussion paper on the findings from the model governance reviews to promote consistency in the management of model risk.

Market risk and credit valuation adjustment frameworks

Following the 1 July 2025 implementation of the revised market risk and CVA frameworks, the PA monitored and

assessed the impact of the frameworks through a series of reviews. To date, the implementation has remained broadly stable, with no signs of systemic market disruption nor significant operational issues. The PA instituted a structured post-implementation monitoring period, requiring banks to submit review reports after one, three and six months to identify any material or critical issues.

In addition, during the first quarter of 2026, the PA conducted targeted market risk supervisory on-site visits at selected banks with trading operations to assess the effectiveness of the revised market risk framework, including governance, risk management practices and compliance with the revised regulatory frameworks. Going forward, the PA will continue to supervise banks' trading activities. In 2026, the PA will conduct counterparty credit and equity risk in the banking book supervisory examinations.

• Market risk and credit valuation adjustment methodologies applied

As of March 2026, banks have leveraged either the simplified standardised or standardised approach capitalisation methodologies, with no bank operating under the Basel III internal model approach. In line with international practice and supervisory expectations, no D-SIB is permitted to adopt the simplified standardised approach. Figures 6 and 7 illustrate the proportional distribution of the regulatory approaches by banks as well as the distribution of risk-weighted exposure per approach.

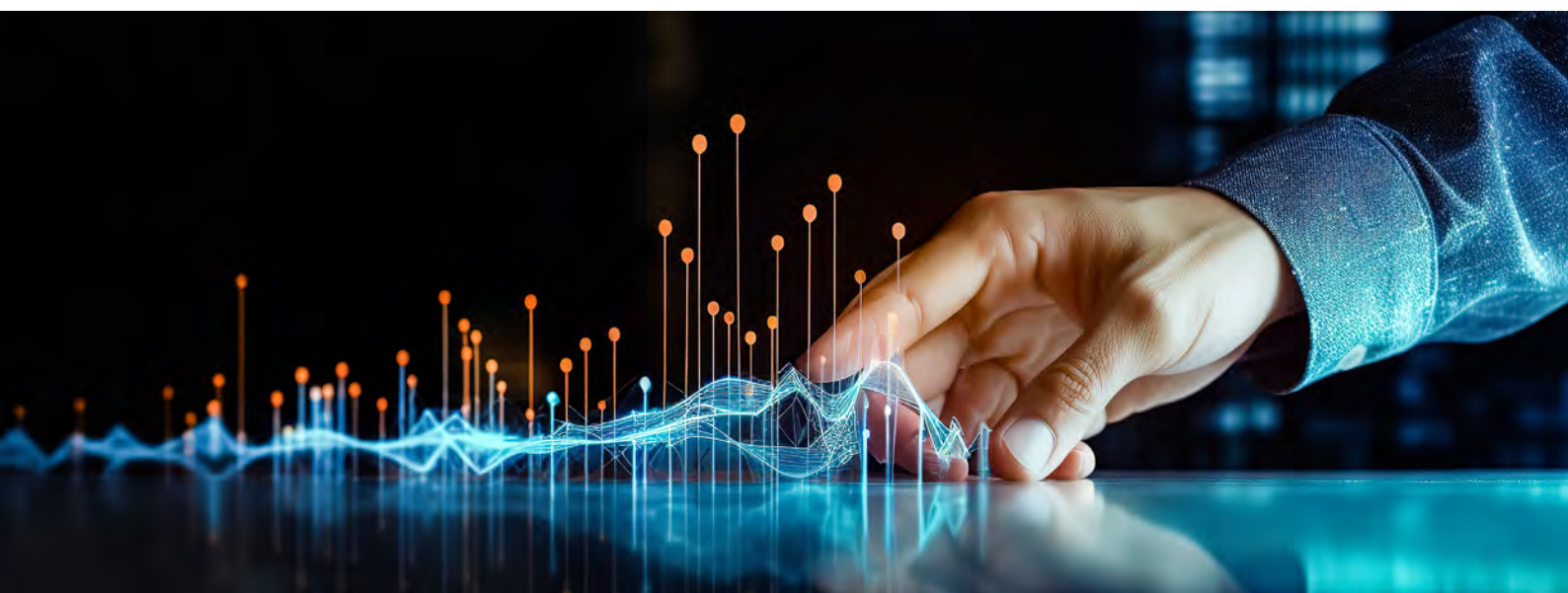


Figure 6: Percentage of banks per market risk regulatory approach

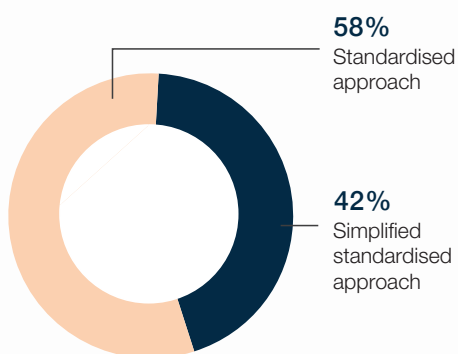
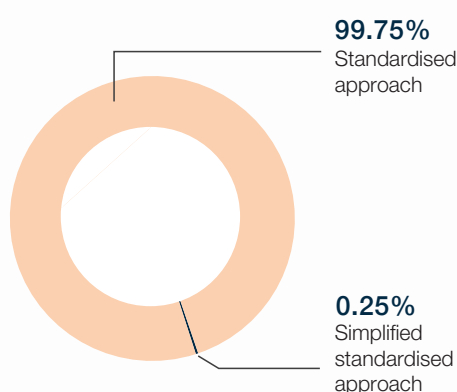
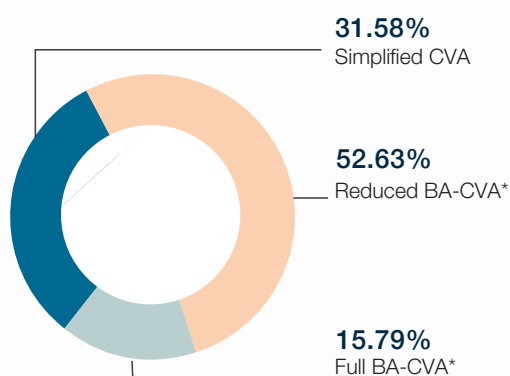


Figure 7: Risk-weighted exposure per market risk regulatory approach



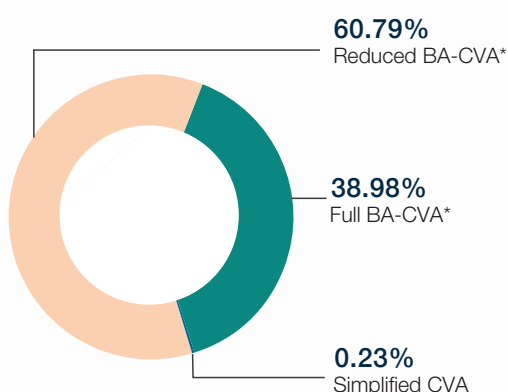
Similarly, under the revised CVA framework, banks may adopt the simplified CVA approach, the basic approach (BA-CVA) or the more advanced standardised CVA approach. Figures 8 and 9 show the number of banks applying each CVA capitalisation methodology and the corresponding distribution of risk-weighted exposure.

Figure 8: Number of banks per CVA regulatory approach



* BA-CVA: Basel approach CVA

Figure 9: Risk-weighted exposure per CVA regulatory approach



Asset and liability management risk

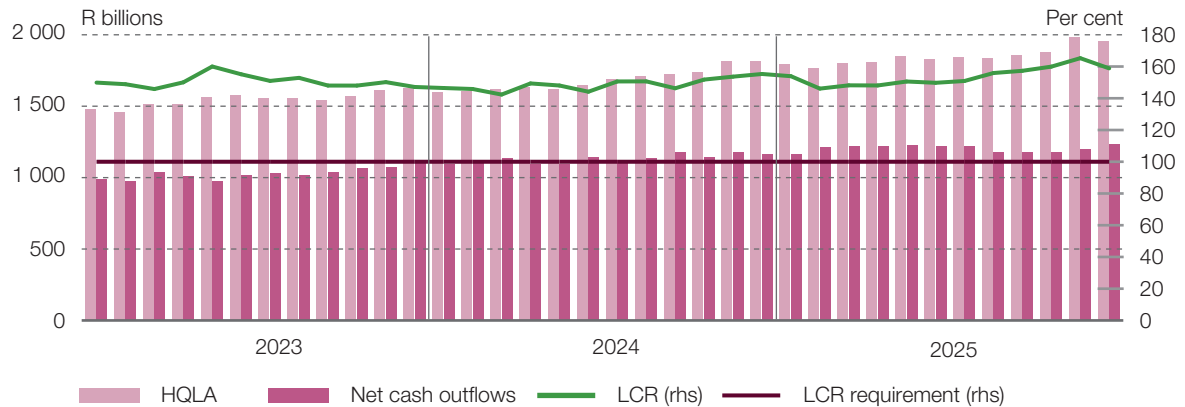
Across the three pillars of asset and liability management risk—short-term liquidity, structural funding and interest rate sensitivity—supervisory data indicated that the financial system maintained buffers in excess of regulatory minimums. Liquidity and interest rate risk metrics suggest the system was well positioned to absorb shocks without requiring extraordinary supervisory intervention.

• Strengthening liquidity risk resilience

South Africa's banking sector maintained a robust short-term liquidity position throughout 2025. The sector's aggregate stock of HQLA consistently exceeded net cash outflows by a wide margin from January 2023 to December 2025, with the HQLA buffer reaching its highest level in November 2025 (Figure 10). The resulting LCR⁴⁰ fluctuated between approximately 140% and 165%, well above the regulatory minimum. The increase in HQLA in the second half of 2025 (even as net cash outflows remained broadly stable) suggested a deliberate strengthening of liquidity buffers. This growing surplus reinforced the sector's resilience to address short-term cash outflows under adverse conditions and supports the sector's stability.

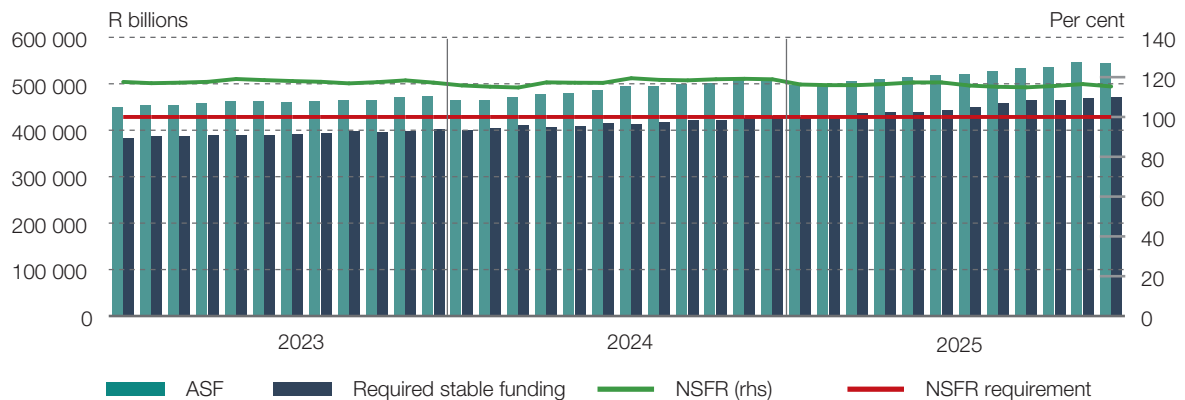
⁴⁰ The LCR requires banks to maintain an adequate stock of HQLA that can be readily converted into cash to meet expected net cash outflows over a 30-day stress period. The minimum required ratio is set at 100%.

Figure 10: Liquidity coverage ratio



The banking sector's longer-term structural funding position, as indicated by the net stable funding ratio (NSFR),⁴¹ remained sound (Figure 11). The NSFR fluctuated within a narrow band of approximately 115% to 119% (above the 100% regulatory floor), indicating the sector's stable and well-diversified funding base relative to the maturity profile of its assets. Periodic variation in the NSFR during this period likely reflected seasonal shifts in funding composition rather than emerging structural weaknesses. It was also notable that the phased reduction in the domestic available stable funding (ASF) dispensation did not materially change the ratio, suggesting that banks had been proactively adjusting their funding profiles to absorb the anticipated regulatory tightening.

Figure 11: Net stable funding ratio



⁴¹ The NSFR requires banks to maintain a stable funding profile by ensuring that ASF is at least equal to required stable funding over a one-year horizon. Set at a minimum of 100% under the Regulations, the NSFR limits excessive reliance on short-term wholesale funding and supports the resilience of banks' balance sheets by better aligning the maturity of assets and liabilities.



Phased reduction of the available stable funding dispensation

The ASF dispensation originated in 2017, when the PA determined that a departure from the international NSFR standard was necessary for banks conducting business in South Africa. Initially, the PA assigned an ASF factor of 35% to short-term rand-denominated funding from non-bank financial corporates (versus the Basel framework ASF factor of 0% for this category). In 2023, the PA proposed a phased unwinding of this dispensation to achieve an orderly convergence with international norms. The phased reduction lowered the ASF factor applicable to short-term rand-denominated funding from non-bank financial corporates from 20% to 10% from January 2025 to December 2027. At the time of writing, the data confirmed that the transition has been proceeding smoothly.⁴²

• Stress simulation exercises

In accordance with Directive 4 of 2021,⁴³ as a forward-looking measure, D-SIBs are required to participate in externally facilitated stress simulation exercises every four years. This provides an additional layer of assurance regarding the sector's liquidity preparedness.

Liquidity stress simulation exercises

Banking operations encompass a wide range of activities that continually change the asset and liability profile of a bank. Irrespective of the business model of a bank, the key considerations in all banking activities include factors related to risk, return and the preservation of capital – including liquidity risk. A liquidity simulation not only focuses on the solvency of the individual bank, and the related impact of the shock on that bank's capital, but it also focuses on the collective behaviour of institutions in response to a shock so as to minimise the probability of a system-wide distress and the associated economic costs.

A liquidity simulation has the key objective of testing the interrelationship between the micro and macroprudential dimensions of financial stability. It is designed to show that the outcome depends not only on the size and nature of the initial shock and the buffers of individual financial institutions, but also on the behavioural responses as the shock unfolds. It also shows interactions of these institutions with each other and other agents, such as shareholders, borrowers, funding providers and regulators.

For participating banks, these liquidity simulations add value by highlighting areas of improvement and the need for robust liquidity risk management. These externally facilitated liquidity stress simulations assist banks in testing numerous facets of dealing with a liquidity crisis by increasing the awareness and impact that a stress scenario will have on the bank as well as its stakeholders.⁴⁴

42 Refer to Directive 1 of 2023: Matters related to the net stable funding ratio. Available here: https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2023/D1_2023-Matters-related-to-the-NSFR

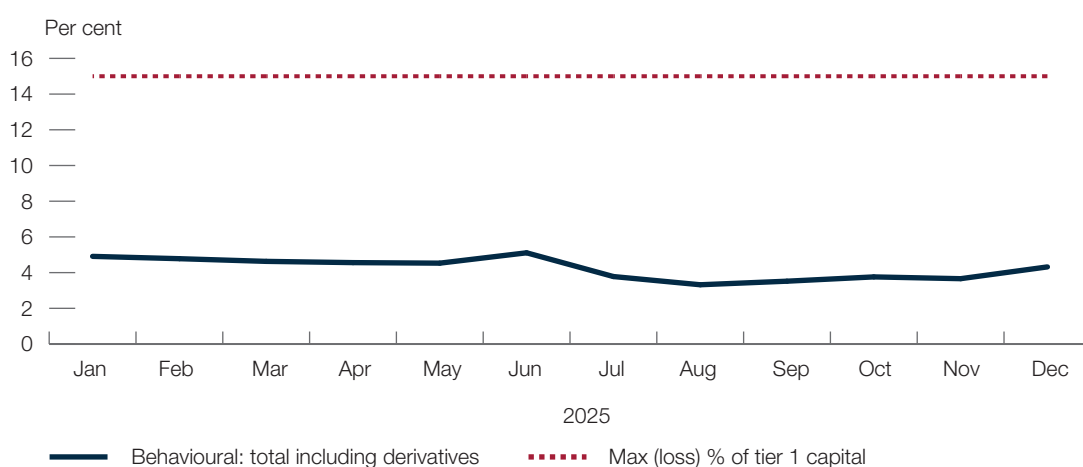
43 Directive 4 of 2021: Externally-facilitated liquidity stress simulations. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-directives/2021/D4---2021---Externally-facilitated-liquidity-stress-simulation>

44 Refer to Directive 4 of 2021 for more information.

• Interest rate risk in the banking book

The IRRBB and credit spread risk in the banking book (CSRBB) are monitored through complementary lenses that capture both earnings and value-based impacts.⁴⁵ The 2025 rate cutting cycle compressed the sector's net interest income (NII), given the sector's asset sensitive cumulative behavioural repricing gap.⁴⁶ The sector's economic value of equity (EVE)⁴⁷ sensitivity drifted downward in 2025 from around 5% at the start of the year to approximately 3.3% by August, before edging back toward 4.4% at year-end (Figure 12). This pattern is consistent with the changes in interest rates during the period, which would have reduced duration mismatches across the sector. The worst case EVE sensitivity across the six prescribed regulatory scenarios, expressed as a percentage of tier 1 capital, was almost 10 percentage points below the PA's regulatory 15% EVE sensitivity ceiling. The substantial headroom between observed EVE sensitivity and the regulatory ceiling confirmed that interest rate risk posed no systemic threat to bank capital under any of the prescribed stress scenarios. The sector was therefore well positioned to absorb further rate movements without breaching prudential limits.

Figure 12: Worst case economic value of equity sensitivity outlier test results



Banks are required to maintain risk limits aligned with their risk appetite, governance structures and the nature of their operations. Since the revised IRRBB regulations came into effect on 1 January 2023, banks have made concerted efforts to upgrade information technology (IT) systems, refine risk modelling techniques and strengthen the expertise of risk management personnel.

The PA will monitor CSRBB through its established supervisory processes, including the ICAAP, thereby enabling ongoing reviews and strengthening supervisory oversight. No further regulatory developments regarding CSRBB were planned given the results of a field-testing exercise, which indicated that CSRBB was not material within the South African financial system.

⁴⁵ Net interest income (NII) sensitivity measures the near-term effect of changes in interest rates and credit spreads on bank earnings over a 12-month horizon, while economic value of equity (EVE) sensitivity assesses the longer-term impact by discounting all future banking book cash flows to present value, incorporating movements in risk-free rates as well as non-default credit spreads. Taken together, these metrics provide a comprehensive view of how changes in interest rates and credit spreads influence near-term profitability, balance sheet valuation and underlying economic capital.

⁴⁶ In practical terms, this means that the banks' assets reprice faster than their liabilities, which amplifies their NII during a rate hiking cycle and compresses their NII during a rate cutting cycle.

⁴⁷ EVE captures the difference between the discounted value of a bank's future cash inflows, principally from loans and other interest-bearing assets, and its future cash outflows from deposits and other interest-bearing liabilities. A decline in EVE signals that asset values are falling faster than liabilities, thereby eroding the bank's regulatory capital buffer. The metric typically excludes goodwill and fixed assets that do not generate interest-linked cash flows.

Non-financial risk

Non-financial risks⁴⁸ have been increasing as global fragmentation, conflicts, sanctions and trade restrictions materialise through operational, legal, third-party and conduct risk channels. These developments have heightened the risk of disruption to critical services, cross-border operations, payment systems and key service providers, while increasing compliance, sanctions and supply-chain risks beyond the direct control of institutions.

The non-financial risk environment in 2025/26 was characterised by regulatory reforms, intensified supervisory scrutiny and a rapidly evolving risk landscape driven by technological change. Key initiatives included progress on Basel reforms, with banks preparing to transition to the standardised approach for operational risk capital from 1 July 2025.

Banks focused on adapting to the new operational risk capital regime, while confronting rising digital fraud, rapid adoption of AI and escalating cyberattacks. Insurers continued to enhance their overall operational risk practices, demonstrating improvements in governance, risk oversight and the management of emerging risks. Similarly, within MLs, supervisory reviews highlighted ongoing efforts to enhance

cybersecurity and control environments, although certain foundational control areas still required further attention.

Cyber and technology risk remained elevated due to increasingly sophisticated and targeted attacks, amplified by growing reliance on digital platforms, interconnected systems and third-party service providers (TPSPs). These vulnerabilities intensified operational disruption, data privacy breaches, concentration risk and reputational damage.

Data-related failures, while non-financial in nature, could rapidly translate into financial stress through the mis-pricing of risk, supervisory breaches, loss of market confidence and operational outages that could pose a material threat to institutional safety and overall financial stability.

Banks continued to implement the standardised approach for calculating operational risk capital, which came into effect on 1 July 2025 and replaced the four previously applied approaches (figures 13 and 14). During the first half of 2025, the 28 registered banks applied the following regulatory approaches:

- the basic indicator approach;
- the standardised approach;
- the alternative standardised approach; and
- the advanced measurement approach.

Figure 13: South African registered banks

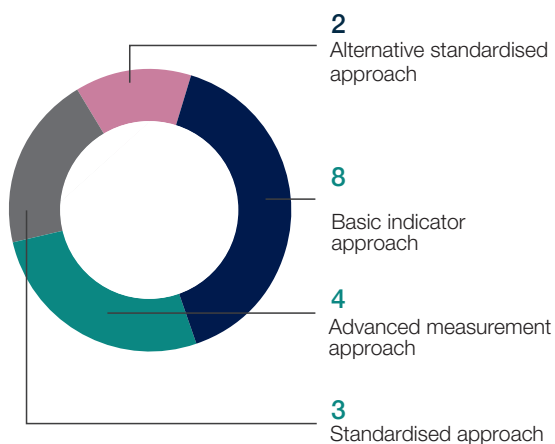
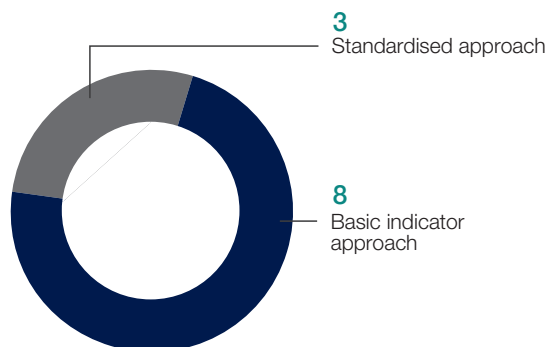


Figure 14: Branches of foreign banks



⁴⁸ Non-financial risk commonly refers to risks arising from operational, IT (including cybersecurity) and data risks.

Execution, delivery and process management (EDPM) failures as well as external fraud events continued to be the primary contributors to operational risk losses. Observations for the larger banks indicated that operational risk governance structures remained robust, with minimal or no material changes following the implementation of the standardised approach. All larger banks reported successful implementation, with projects on track and, in some cases, reviews planned by external audit. Most larger banks had implemented fully or semi-automated processes for operational risk capital calculations and regulatory reporting, while continuing to use internal models for economic capital purposes, with ongoing enhancements underway.

Medium and smaller banks indicated that most retained existing governance structures, with frameworks and policies updated to reflect the standardised approach. Operational risk capital calculations and regulatory reporting processes were largely manual, although plans to automate were underway. In addition, several discrepancies were identified in the mapping between the BA 400 (operational risk) and BA 100 (balance sheet) and BA 120 (income statement) returns, for which the PA subsequently issued comprehensive guidance to support remediation.

• Information technology risk

After coming into effect on 15 November 2024, the PA focused on ensuring consistent industry-wide application of the Joint Standard 4 of 2023: IT Governance and Risk Management.⁴⁹ The PA engaged with institutions to advance IT governance maturity and to strengthen preparedness for emerging digital risks.

In response to technological advancements, many banks were integrating digital innovations. These included AI, robotics and smart embedded devices, designed to enhance customer interactions, improve operational efficiencies, boost productivity and optimise resource management. The PA observed a growing influx of financial technology firms entering the financial ecosystem. This trend underscored the need to strengthen the regulatory and supervisory framework governing these firms.

The PA observed a significant escalation in digital fraud, both in scale and sophistication, driven by social engineering, account takeover, synthetic identity, payment and insider-enabled fraud, with emerging AI-enabled techniques such as deepfake audio and video further amplifying risks.

The widespread availability of generative AI tools and fraud-as-a-service lowered barriers to entry and accelerated the emergence of new fraud typologies. In response, banks strengthened AI-enabled fraud detection and prevention capabilities, while reinforcing its supervisory framework in IT governance, cybersecurity, operational resilience and third-party risk management.

During 2025 it was noted that a moderate number of material IT outages affected digital channels, payments and core banking systems, highlighting gaps in change management, infrastructure resilience and third-party oversight, despite robust recovery capabilities.

Survey results show an overall improvement in the sector's IT risk posture, with IT governance assessed as the most mature domain and new technologies the least mature. This informed supervisory priorities for 2026. In addition, the annual outsourcing returns revealed heightened concentration risks from continued reliance on a limited number of TPSPs, with substitutability challenges persisting in certain niche markets.

• Risk data aggregation and risk reporting

The banking sector made notable progress in embedding the BCBS 239 risk data aggregation and risk reporting (RDARR) principles, strengthening data governance and elevating data management to a strategic priority. The PA intensified its supervisory oversight to ensure effective operationalisation of RDARR, promoting consistency, comparability and alignment with international standards amid evolving risks, Basel reforms and technological innovation.

Supervisory engagements prioritised improvements in data quality, aggregation capabilities, system modernisation, scalability and automation. However, ongoing digitalisation, geopolitical uncertainty and increased reliance on third-party data highlighted the need for resilient and well-governed data management practices, board and senior management focus, and accelerating the transition from manual to automated processes.

Supervisory engagements highlighted persistent weaknesses in data risk management, including underdeveloped and inconsistently applied data quality controls, slow remediation timelines and recurring limitations. The absence of a single source of truth resulted in inconsistent data definitions, duplication and fragmented data lineage, with manual reconciliations and limited end-to-end visibility undermining data completeness, accuracy and reproducibility.

Continued reliance on legacy and disparate systems constrained integration and standardised lineage capture, while insufficient oversight during system transitions introduced inconsistencies between historical and new datasets. These challenges, compounded by fragmented architectures, complex data flows and weak governance and stewardship arrangements, impaired the accuracy, timelines and sustainability of RDARR compliance under business-as-usual conditions.

49 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2023/Joint-Communication-4-of-2023-Publication-of-the-Joint-Standard-IT-Gov-and-Risk>

To align with international best practices, and in response to the recent observed increase in data quality gaps, the PA has been developing a data management and risk methodology. This framework aims to address cross-institutional data weaknesses, set proportionate regulatory expectations, expand the focus to all critical data, and strengthen governance, data management and reporting.

Mutual banks

Within the mutual banking sector, legacy systems and manual processes remained a constraint on operational efficiency. While most mutual banks continued to rely on outdated infrastructure, a shift in recent years has seen mutual banks beginning to automate key processes and adopting technologies. These developments are expected to support improved data integrity, operational resilience and customer engagement over time.

Credit risk management remained a focus area, with the sector experiencing notable increases in gross overdue balances over the past two years. In response, mutual banks implemented a range of remedial actions, including strengthened recovery strategies, enhancements to International Financial Reporting Standard 9 modelling frameworks and refinements to provisioning methodologies. Supervisory engagement remained focused on assessing the effectiveness and sustainability of these interventions.

Governance arrangements within mutual banks showed gradual improvement, with management undertaking measures to strengthen oversight structures. These included reinforcing segregation of duties, enhancing risk management policies and improving accountability frameworks. While progress was evident, continued supervisory attention is required to ensure that governance enhancements are sustainable.

Cooperative financial institutions and cooperative banks

Major structural and operational challenges were identified in the supervision of CFIs and cooperative banks, mainly related to weak data quality, ineffective governance and continued instances of institutional distress.

Data integrity and reliable financial reporting remained key concerns. Weak IT systems and reporting processes delayed the identification of prudential breaches and corrective action. In some cases, poor data quality reduced supervisory confidence in reported financial information.

Continued reliance on manual processes increased the risk of errors and weakened effective risk management.

Governance weaknesses remained significant. In some cases, governance structures were ineffective due to skill shortages and limited technical expertise. Low member participation weakened accountability, creating governance gaps that limited effective decision-making and risk oversight.

Poor governance and reporting were key reasons why several institutions were placed under resolution. This reduced the size of the sector and reinforced the need for proportionate but firm supervision.

Insurers

Overview

Over the reporting period, the insurance sector remained resilient. However, supervision identified some connected structural, financial and governance weaknesses. These reflect the increasing complexity, volatility and capacity pressures facing the industry.

Corporate governance and leadership stability remained key supervisory focus areas. Many board members and executives retired during the year, placing strain on succession planning, institutional knowledge and independent oversight. In some cases, long-standing vacancies or reliance on interim appointments weakened governance and reduced the ability of boards to provide effective oversight during major strategic changes.

Insurers also undertook strategic initiatives that included changes to business models, acquisitions, restructuring, licence exits and regional expansion. While these initiatives could bring benefits, they also increased execution risk and dependence on regulatory approvals, highlighting the need for strong project governance and closer supervisory oversight.

Risk management, compliance and internal audit functions were weakened in specific instances due to skill shortages, while underdeveloped combined assurance frameworks continued to drive supervisory findings and enforcement actions.

From a prudential perspective, solvency levels mostly remained above prescribed minimum requirements.

Supervision also identified ongoing regulatory compliance weaknesses, such as late or incomplete submissions, missed approval requirements and an increase in urgent applications. These practices limited effective supervisory planning. Encouragingly, insurers made progress in using own risk and solvency assessment outcomes more meaningfully in strategic decisions and management of capital.

Structural challenges were reflected in widening insurance protection gaps, driven by climate risks and greater use of exclusions.

Some microinsurers remained particularly vulnerable due to thin margins, volatile claims, limited data and capacity constraints, placing pressure on capital and liquidity.

In the reinsurance market, there was a trend of shifting from subsidiary to branch structures, reflecting a perception that branch models offered greater operational efficiency, simpler group structures and more flexible capital and liquidity management.

Overall, these developments showed an insurance sector experiencing significant change, with resilience increasingly challenged by governance pressures, execution and other evolving risks.

Credit risk

The insurance regulatory framework does not specify the use of credit ratings issued by PA-approved credit rating agencies. In contrast, insurers convert external credit ratings to credit quality steps (CQS) to determine capital requirements.⁵⁰ The PA is currently reviewing CQS data reported by insurers to improve consistency and solvency comparability.

Market risk

During 2025, the PA conducted targeted supervision of selected insurers, with a focus on market risk and counterparty credit risk. These engagements enhanced the PA's understanding of insurers' key risk exposures and the effectiveness of risk management practices. The PA also assessed whether insurers were appropriately considering economic conditions and relevant regulatory requirements. Despite volatile market conditions, insurers demonstrated adequate measures to absorb market shocks. Robust stress-testing frameworks and well-structured hedging programmes supported insurers' ability to mitigate the effects of market volatility.

Looking ahead, the PA intends to expand its supervisory approach through more granular, institution-specific engagements with insurers that exhibit significant market and counterparty credit risk exposures.

Non-financial risk

Insurers used the standardised formula to calculate operational risk capital as no insurer was approved to use an internal model. The PA observed an improvement in the quality of operational risk data submitted by institutions through the quantitative reporting template. These improvements became particularly evident in 2025, and the PA continued to monitor progress and address emerging issues through industry engagements and bilateral communication with insurers. Operational risk supervisory engagements focused on strategic objectives and governance, EDPM events, enterprise change management as well as third-party and outsourcing arrangements.

The PA observed ongoing EDPM control weaknesses, including rising fraud and error-related losses. This highlighted the need for stronger preventive controls, improved use of external data, appropriate quantitative reporting and system-based risk management tools, alongside enhanced first line remediation and governance.

Insurers made progress in formalising enterprise change management through structured frameworks, clearer governance and dedicated resources; however, weaknesses remained due to undocumented processes, key person dependencies and high staff turnover.

In addition, insurers strengthened third-party risk management by expanding risk coverage, aligning with Joint Standard 1 of 2024,⁵¹ and improving oversight of outsourcing, binder holders and fourth- and nth-party risks.⁵² The PA emphasised stronger second line of defence involvement, proactive monitoring and deeper cross-functional engagement to support effective operational resilience.

• Information technology risk

Supervisory engagements covered IT risk strategic objectives and governance, IT risk management frameworks, process maturity, portfolio management and the adoption of emerging technologies.

Reviews indicated that insurers have clear IT strategies aligned to strategic goals, positioning IT as an enabler of operational resilience and control stability rather than a mere technical function. Governance remained key, with active board and senior management involvement in supervision, reflecting a baseline level of maturity across most insurers. However, significant variability persisted in IT portfolio governance, with an excessive number of concurrent programmes constraining effective oversight

50 As provided for in the Prudential Standard Financial Soundness of Insurers 4.1, aligned to the Solvency Assessment and Management framework.

51 Joint Standard 1 of 2024: Outsourcing by Insurers. Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2024/Joint-Communication-1-of-2024-Outsourcing-by-Insurers>

52 Nth-party is any further downstream service provider beyond the fourth party.

and delivery within available resources and time frames.

A recurring weakness related to benefits realisation management, where delivery milestones were prioritised over the sustainability of intended business and risk outcomes.

While automation, data analytics and AI technologies continued to grow, the robustness of the governance frameworks for these technologies were inconsistent across the industry. A notable trend was the conservative adoption of AI, with insurers limiting use cases to non-client-facing functions, such as operational efficiency, data analysis and internal automation.

Technical provisions

Based on information requested from insurers as well as their regulatory returns, the PA conducted technical provision reviews to assess compliance with the provisions of the Insurance Act and prudential standards. These reviews were completed for eight life and eight non-life insurers during 2025. The outcomes suggested that all assessed insurers were largely compliant with the prudential requirements and no material concerns were raised. No material issues were noted at entity-level and methodologies were in line with industry practice. Insurer supervision identified insufficient independence between the lines of defence, along with inadequate documentation of data validation and assumption-setting processes.

Technical provisions review process

The PA uses both desktop and on-site reviews to assess the appropriateness and robustness of insurers' technical provisions. Reviews cover data and systems, the data validation process, assumption-setting, including experience investigations, and the methodologies and models used to calculate technical provisions. Areas of judgement and any recent changes in valuation approaches are discussed with the role players representing the three lines of defence. Insurers are given a risk rating and provided feedback.

Market infrastructures

Overview

Supervisory engagements with MIs indicated that governance remained a challenge for smaller entities. Key issues included the absence of internal audit functions, insufficient segregation of duties, role duplication and ongoing weaknesses in compliance. These factors constrained effective oversight and raised operational and prudential risk.

Following the capital assessment process review, supervisory assessments focused on the adequacy of regulatory capital held by smaller MIs. Ensuring that capital levels remain commensurate with risk profiles and operational complexity remained a key supervisory priority.

Sustainability also emerged as an important theme. In response to commercial pressures, some MIs pursued strategies aimed at increasing revenue by varying licence conditions or diversifying product offerings. While such initiatives may support financial viability, they also introduce additional complexity and risk, reinforcing the need for supervisory scrutiny of governance, risk management and capital adequacy.

Asset and liability management risk

The PA's primary aim is to ensure that MIs maintain robust risk management practices to protect market functioning. MIs are required to hold sufficient liquid resources to reliably facilitate transactions and settlements without disruption, even under stress scenarios such as participant defaults. The recently finalised MI liquidity return was adjusted to correspond with the nature and complexity of each institution's business model. Across the sector, MIs have been embedding liquidity management within their governance frameworks and strengthening contingency planning to mitigate systemic risks. The PA will continue to maintain proactive supervision with an emphasis on regulatory compliance.

Cross-sector supervision

Market risk

- **Margin requirements for non-centrally cleared derivatives**

The PA and the FSCA advanced margin exchange, supervisory oversight and regulatory reporting through targeted assessments on institutional readiness, operational resilience, compliance with Joint Notice 2 of 2024⁵³ and implementation challenges.

The PA and the FSCA also assessed authorised OTC derivative providers, evaluated applications for modelled approaches to initial margin and collateral haircuts, and expanded eligible collateral sets to align margin requirements with international standards.

- **Interest rate benchmark reforms**

The PA and FSCA assessed selected banks' readiness for the transition from the Johannesburg Interbank Average Rate (Jibar) to the South African Rand Overnight Index Average. The Jibar termination date is December 2026. The PA and FSCA plan to broaden supervisory engagement throughout 2026 to branches of international banks and insurers to support an orderly, coordinated transition.

Non-financial risk

The PA decided not to issue the operational risk, IT risk and cyber surveys in 2025 to allow financial institutions to take the necessary steps to embed previously identified gaps.

- **Cyber simulation exercises**

As institutions deepened their reliance on digital platforms, interconnected systems and TPSPs, cyber resilience remained a critical component of operational resilience. In line with the Joint Standard 2 of 2024: Cybersecurity and Cyber Resilience,⁵⁴ the PA emphasised a proactive, forward-looking approach to cyber risk management.

In 2025, the PA observed a range of cyber simulation exercises across banks, insurers and MIs to assess preparedness to detect, respond to and recover from cyber incidents. These exercises – conducted primarily at larger institutions and spanning tabletop, technical and hybrid formats – tested governance, escalation

processes, crisis communication and regulatory reporting. The scenarios reflected current threat trends, including phishing, ransomware, data breaches, third-party and supply chain compromises and technology driven operational disruptions. The PA participated as an observer to gain insight into industry practices and noted a positive trend toward greater board and senior management involvement. This reinforced a top-down approach to cyber resilience and the treatment of cyber risk as a business risk rather than an IT issue alone.

The PA observed that institutions with structured documentation, formal debriefs and clear ownership were better positioned to capture lessons learnt and drive remediation, while insufficient documentation in some cases constrained improvements. The simulations also highlighted areas for further maturity, including incident escalation thresholds, regulatory notification practices and integration between cyber response, business continuity and crisis management teams. Although third-party risks were commonly included in scenarios, limited participation by actual service providers undermined their authenticity and revealed gaps in communication and escalation.

AML/CFT supervision

South Africa was placed on the FATF greylist in February 2023 with 22 action items, including several relating to the PA. The PA strengthened supervisory effectiveness in imposing sanctions for non-compliance and overseeing remedial actions at banks and life insurers. FATF's Africa Joint Group deemed these actions complete, contributing to South Africa's removal from the greylist in October 2025.

Preparations for South Africa's next Mutual Evaluation (2026–2027) are underway and includes work on beneficial ownership requirements and drafting a Financial Institution Integrity Policy.

The PA also enhanced risk return templates for banks, life insurers and cooperative banks, and published updated sector risk assessments in December 2025.

Throughout 2025, the PA conducted domestic and cross-border inspections,⁵⁵ required remedial actions where necessary and enhanced AML/CFT risk return reporting. Updated sector risk assessments for banks and insurers were published in December 2025.

53 A joint notice is a formal regulatory instrument issued jointly by the PA and FSCA to give effect to specific, technical or time-bound regulatory requirements, usually where the enabling legislation explicitly provides for notice-based instruments rather than standards.

54 Available here: <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-public-awareness/Communication/2024/Joint-Communication-2-of-2024-Publication-of-the-Joint-Standard-Cybersecurity-and-cyber-resilience>

55 Refer to Annexure XII for statistics of cross-border AML/CFT inspections.

The PA undertook 22 on-site AML/CFT/CPF inspections in total at both banks and insurers.

Table 7: AML/CFT/CPF inspections conducted

Institution type	No.
Locally registered banks	13
Cross-border inspections (subsidiaries of South African banks)	5
Life insurers	4
Total	22

The PA required remedial action be taken by all domestic supervised entities found to have deficiencies. Remedial action, including quarterly progress reports submissions, had to be taken under the provisions of Directive 43A of the Financial Intelligence Centre Act 38 of 2001 (FIC Act). In cases where cross-border inspections were conducted jointly by the PA and the host central bank, the respective host central bank was responsible for the oversight and monitoring of the remediation progress at the subsidiaries of South African banks.

In the insurance sector, more enforcement actions were taken, including first-time sanctions related to international funds transfer reports and targeted financial sanctions. This points to ongoing weaknesses in risk-based approaches and inconsistent implementation of controls across the life insurance sector.

While there was a general improvement in compliance with the FIC Act and FATF standards in the financial sector, the PA found that some institutions were still struggling to ensure compliance and AML/CFT/CPF controls. Inspections during the period under review revealed deficiencies in:

- the comprehensiveness and effective implementation of risk management and compliance programmes;
- the fulfilment of regulatory requirements for customer files;
- AML/CFT/CPF staff training;
- governance by the boards and senior management; and
- reporting according to the Financial Intelligence Centre (FIC) prescripts.



Securitisation

During the period under review, the PA received 15 securitisation scheme applications. These applications covered activities including issuing additional notes, setting up new programmes, amending or refinancing existing programmes, repurchasing and redeeming notes, and increasing the amount of commercial paper and notes issued under authorised schemes.

Climate-related risk

Since the last reporting period, both the IAIS and BCBS finalised and published frameworks on climate-related disclosures in April and June 2025 respectively. Given these developments, in October 2025, the PA published updated guidance notices on climate-related disclosures for banks and insurers in line with these international frameworks. The key updates relate to the structure of the notices and the inclusion of more detailed guidance on quantitative information, such as geographical and sectoral and important physical and transition indicators.

The PA completed an initial set of climate risk indicators to help track and monitor certain physical and transition risks, including vulnerabilities related to revenue, investment performance, global temperature changes and inflation – particularly food price inflation. Since some of these indicators rely on data from supervised institutions, the PA plans to finalise its supervisory reporting requirements in the future. Additionally, an initial supervisory approach for assessing banks' climate-related credit risks has been developed. This will serve as a foundation for including climate risk in the supervisory risk assessment process, with plans to extend its application to other risk areas and sectors going forward.



Flavour-of-the-year topic and thematic reviews

The PA proactively identifies emerging risks and trends, and continually adapts its understanding of how they affect regulated financial institutions.

Each year, the PA considers whether current developments and/or emerging risks affecting regulated financial institutions are of such significance that additional focus is required. These topics, selected through the PA's governance processes, are communicated to supervised financial institutions and are referred to as 'flavour-of-the-year' topics.

2025 flavour-of-the-year topic findings

Third-party risk management, including strategic and/or alliance partnerships

Financial institutions increasingly relied on TPSPs to improve product offerings, enable scalability, reduce costs and access expertise that were not readily available internally to achieve strategic objectives. However, managing well-known risks, such as cybersecurity, privacy and operational resilience, became more difficult due to the evolving threat landscape. The rise of sophisticated cybercrimes, interconnectedness and interrelations, as well as global conflicts that threatened supply chains, intensified these risks.

The PA held meetings with several boards of financial institutions and conducted surveys where meetings were not held. These interactions facilitated experience- and knowledge-sharing, providing valuable insights into third-party risk management challenges and opportunities as well as board-level awareness and involvement.

The following are the key themes that emerged from the discussions and surveys:

- Third-party risk management was a key pillar of the supervised institutional resilience, business continuity and strategic agility to support strategies and operational stability.
- Most institutions noted extensive reliance on a single or limited number of external suppliers for critical operations.
- Ethical obligations were embedded into contracts and reinforced through boards and employee conflict of interest policies.
- Roles and responsibilities were clearly delineated in the contract lifecycle management. Ongoing stakeholder engagements were supported by a proactive risk management culture, timely interventions and continuous improvement.
- Interconnectedness and interrelations with specific service providers, such as hyperscale providers, remained a challenge.
- Extracting and tracking benefits from strategic partnerships remained a key focus area.
- Terminating some strategic partnerships were complicated due to their inherent interrelationship with supervised institutions.

Third party involvement in financial institutions is expected to increase over time. The PA will continue to monitor TPSPs as part of ongoing supervision. Strengthening governance of third-party relationships is essential to operational resilience.

2025 thematic reviews

Thematic reviews are supervisory exercises through which the PA assesses specific risks, practices or regulatory requirements across a group of regulated institutions. By examining common themes on a sector-wide basis, thematic reviews enable the PA to identify common risks, assess the consistency and effectiveness of regulatory implementation and highlight areas of weakness or good practice. The following thematic reviews were conducted for the period:

Comprehensive transactional information in wire transfers

The PA assessed the extent to which banks complied with FATF Recommendation 16,⁵⁶ the international standard that ensures transparency in wire transfers. The assessment considered whether institutions included complete and accurate originator and beneficiary information in all payment messages. Of the banks reviewed, most demonstrated sound processes and effective system controls, indicating that the safeguards to reduce the risk of payment systems being used for AML/CFT activities were largely in place

The findings supported the PA's broader objective of preserving the integrity of South Africa's financial system and reducing vulnerabilities that could be exploited to facilitate illicit financial flows.

Sanction screening effectiveness

The PA completed a thematic review on sanction screening effectiveness⁵⁷ during the previous financial year, with the work finalised and communicated to institutions in January 2025. The review examined whether institutions updated their screening systems promptly, investigated alerts thoroughly and maintained controls capable of detecting potential sanction breaches. The PA communicated its expectations to institutions to ensure the continued strengthening of sanction-related control environments as well as alignment with domestic and international regulatory standards.

2026 flavour-of-the-year topics

In 2026, the primary focus area for the flavour-of-the-year topic is the effectiveness of AML/CFT/CPF controls. The FIC Act requires all accountable institutions to identify, assess, monitor and manage the risk that their products or services may be used for money laundering (ML), terrorist financing (TF) or proliferation financing (PF). To meet these obligations, institutions must develop, document, maintain and implement a comprehensive programme for managing these risks.

As part of its supervisory mandate, the PA requires accountable institutions to demonstrate the control measures they have put in place to reduce ML, TF and PF risks. Institutions must also show how they assess the effectiveness of their risk management practices based on a clear understanding of their exposure to these risks. Where relevant, this assessment must include risks arising from group structures.

⁵⁶ FATF Recommendation 16 requires financial institutions involved in wire transfers and cross-border payments to include, transmit and retain accurate originator and beneficiary information throughout the payment chain. The objective is to ensure payment transparency, enabling authorities and institutions to detect, investigate and prevent ML, TF and PF. For more information, see: [fatf-gafi.org](https://www.fatf-gafi.org)

⁵⁷ Sanction screening is a review of a financial institution's customer base and transactions against the United Nations Security Council's list, Office of Foreign Assets Control list or any similar sanctions list. Most banks use automated systems for screening whereas smaller institutions commonly use manual processes.

Enforcement

During the review period, the PA considered 166 referrals relating to non-compliance with financial sector laws and the FIC Act.⁵⁸ In response to instances of non-compliance, the PA enforces adherence through appropriate regulatory actions, which could include issuing cautions, granting condonations and imposing administrative penalties.

Distressed financial institutions placed under administration

The PA uses statutory tools, such as curatorship,⁵⁹ judicial management and statutory management, to protect depositors and policyholders. These tools enable the PA to take control of an institution, assess its operations and determine whether recovery is possible or an orderly wind up is required. The Financial Sector Laws Amendment Act 23 of 2021 designates the SARB as the RA for designated institutions. The PA remains responsible for the orderly exit of non-systemically important financial institutions.

Institutions under curatorship

3Sixty Life Limited was placed under curatorship on 21 December 2021 due to inadequate capital and liquidity. The curator has continued engaging with potential investors and is finalising outstanding financial statements. The process remains ongoing.

Ubank Limited entered curatorship in May 2022. Following the submission of final reports and audited financial statements, the PA requested that the Minister of Finance withdraw the curator's appointment. The curatorship is expected to conclude in 2026.

Residual Debt Services Limited (RDS) (under curatorship), formerly African Bank Limited, was placed under curatorship on 10 August 2014 following financial distress arising from a portfolio of impaired legacy assets, which gave rise to significant solvency and liquidity challenges. The curatorship was implemented to facilitate the orderly management, recovery and collection of these assets, with the objective of enabling repayments to restructured creditors. RDS continues to execute on its mandate through the ongoing collection of recoveries and the distribution of proceeds to its restructured creditors.

Institutions under statutory management

New Era Life Insurance Company Limited was placed under statutory management in November 2022 to address capital and governance deficiencies. Due to insufficient progress, its licence was suspended on 22 November 2024. After failing to meet suspension conditions within 90 days, the PA directed licence withdrawal, subject to a business transfer by 30 September 2025. The insurer has applied to the Financial Services Tribunal and the matter remains ongoing.

Institutions under judicial management

Motswedi Financial Services Cooperative Limited has remained under judicial management since December 2022. While operational stability has improved, capital adequacy concerns persist.

How winding up and liquidation protects financial consumers

The PA has a statutory responsibility to promote and maintain the safety and soundness of financial institutions and the stability of the financial system. Allowing non-viable or severely undercapitalised entities to continue operating poses systemic risks, including the possibility of contagion, erosion of market confidence and adverse spillover effects to otherwise sound institutions. The ability to wind up or liquidate failing entities enables the PA to contain prudential risks, prevent the accumulation of losses and maintain confidence in the broader financial sector. An orderly exit mechanism is therefore essential for avoiding sudden, chaotic failures that could undermine financial stability.

Winding up and liquidation powers are fundamental to the PA's ability to protect policyholders, preserve financial stability and uphold the integrity of the prudential framework. An effective PA must be equipped not only to regulate institutions, but also to manage their orderly exit when their continued operation is no longer in the public interest.

⁵⁸ Refer to the Annexure XIV for administrative penalties imposed in terms of financial sector laws and Annexure XV for matters referred to the Financial Services Tribunal.

⁵⁹ Banks that failed or were likely to fail up to 1 June 2023 were placed under curatorship. The Financial Sector Legislation Amendment Act repealed curatorship provisions in the Banks Act such that, from 1 June 2023, banks that failed or are likely to fail are placed in resolution.

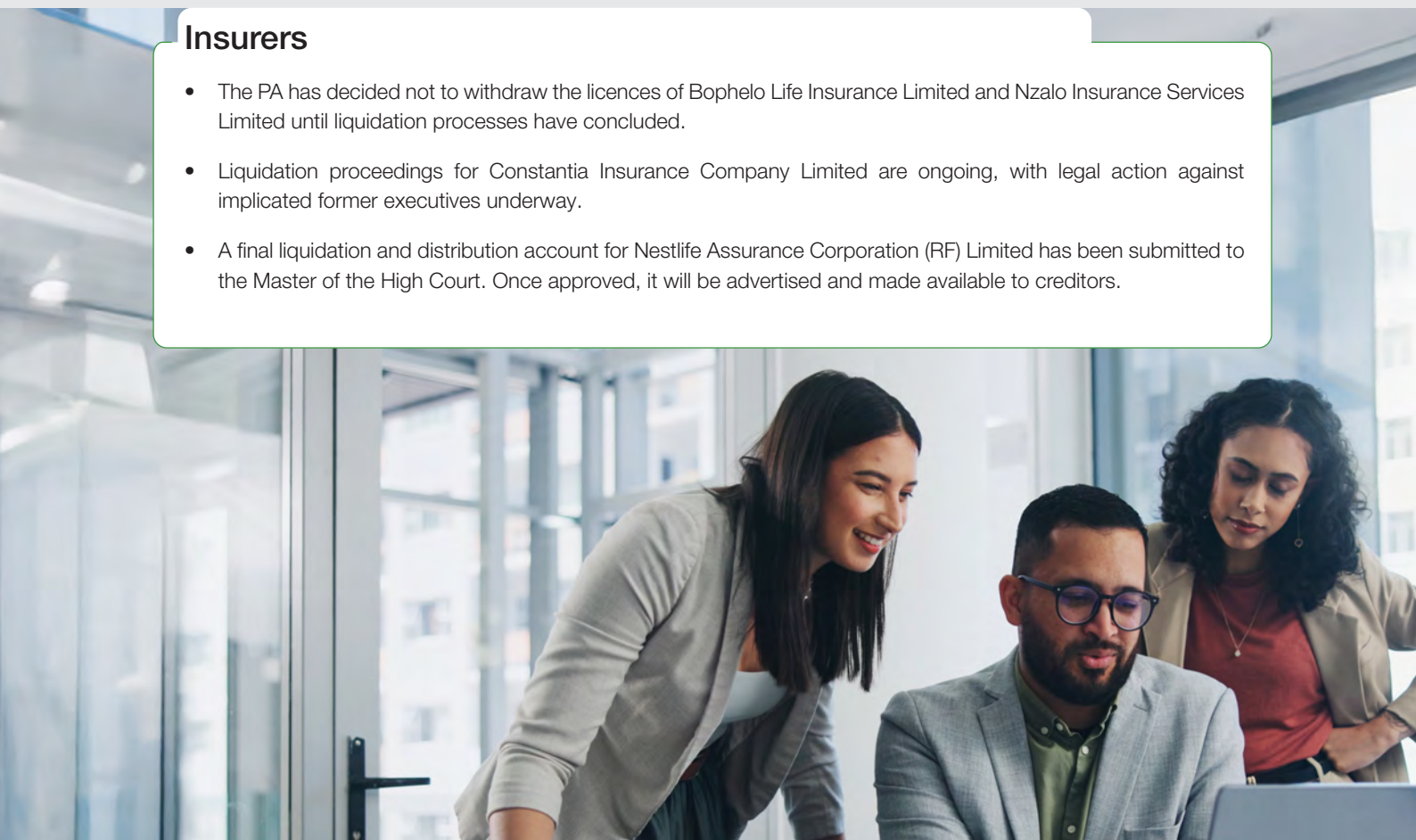
Winding up and liquidation matters

Deposit-taking institutions

- Ditsobotla Primary Savings and Credit Cooperative Bank (DCB) entered resolution on 1 August 2025 following sustained regulatory breaches and operational weaknesses. DCB was finally liquidated on 3 September 2025.
- Habib Overseas Bank Limited was placed into final liquidation on 26 February 2024 after it was deemed unlikely that curatorship would restore its viability. Liquidation procedures continue.
- The PA filed a High Court application on 16 January 2025 to place Ithala SOC Limited into liquidation. Following National Treasury's commitment in December 2025 to repay depositors, the application for liquidation was formally withdrawn on 5 March 2026. A concurrent appeal is currently before the Supreme Court regarding the powers of the repayment administrator.
- Oranjekas Spaar en Krediet Kooperatiewe Beperk was placed under provisional liquidation on 10 July 2025. A final liquidation hearing that was originally scheduled for 9 February 2026 was postponed to 4 May 2026.
- People Empowerment CFI Primary Cooperative Limited was placed under provisional liquidation on 10 July 2025. Complexities pertaining to related entities continue to require PA support.
- VBS Mutual Bank was placed into final liquidation on 13 November 2018, with the first and second liquidation and distribution account approved by the Master of the High Court on 28 January 2022 and 8 November 2024 respectively. The collection and recovery of assets is ongoing. Six convictions have been secured through the criminal investigations.

Insurers

- The PA has decided not to withdraw the licences of Bophelo Life Insurance Limited and Nzalo Insurance Services Limited until liquidation processes have concluded.
- Liquidation proceedings for Constantia Insurance Company Limited are ongoing, with legal action against implicated former executives underway.
- A final liquidation and distribution account for Nestlife Assurance Corporation (RF) Limited has been submitted to the Master of the High Court. Once approved, it will be advertised and made available to creditors.





Technology and data management system improvements

During the year under review, the PA continued to focus on internal functions, processes and innovations to improve internal efficiencies, including data management and analytics practices. The Umoja solution will continue to be rolled out until all institutions' regulatory returns are collected.

Funding the PA

The PA is funded through a combination of levies, regulatory fees and financial support from the SARB. Levies and fees are imposed in terms of legislation⁶⁰ to support the PA's supervisory and regulatory activities. For the year under review, these charges increased by 4.4%, in line with the average inflation rate for 2024.

The PA's budgeted total operating expenditure for the year amounted to R1.8 billion, comprising R937 million in direct costs R491 million in indirect costs and R418 million in other costs.⁶¹ Revenue collected from levies and fees amounted to R575 million, which covered only a portion of total operating costs. To bridge the funding gap, the SARB contributed R1.3 billion, representing 69% of total operating expenditure. The PA continues to rely on SARB funding to carry out its mandate effectively and meet its operational requirements.

Going forward, the PA's funding needs are expected to increase with the transitional arrangements to expand its mandate to include the prudential regulation and supervision of pension funds, collective investment schemes and friendly societies. As the scope of regulation grows, the funding model will need to be reviewed to ensure long-term sustainability.

60 Refer to the Financial Sector and Deposit Insurance Levies Act 11 of 2022, the Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Act 12 of 2022 and the FSR Act.

61 Other operating costs include reserves and IT-related capital and operational costs.

Industry communication and engagement

Financial stability is strengthened when regulatory objectives, standards and supervisory priorities are communicated consistently and openly – and when collaboration reinforces trust and shared responsibility.

Through its stakeholder engagements, the PA facilitates a two-way dialogue with industry, helping both parties better navigate an increasingly complex environment. These interactions take many forms, including written communication, industry association engagements, entity-specific prudential meetings and industry-wide forums.

The PA held its annual industry engagements in February and March 2026. Industry-specific discussions focused on several key topics, including third-party risk, AI adoption and governance and ongoing AML/CFT efforts.

These engagements form an important part of the PA's broader supervisory approach, promoting transparency and constructive dialogue. The benefits are shared: regulated entities are given a platform to share insights and practical perspectives, while the PA gains a deeper understanding of the industry's challenges and opportunities.

The PA also participated in various other engagements, such as with the Actuarial Society of South Africa. The PA presented key features of the insurance industry's annual experience based on information obtained in

the 2024 annual statutory returns submitted under the Insurance Act.

In relation to AML/CFT, the PA held outreach sessions and strengthened collaboration with the FSCA, Banking Association South Africa, FIC, Association of Savings and Investment South Africa, as well as international bodies such as the Basel Anti-money Laundering Expert Group, FATF and the Eastern and Southern Africa Anti-money Laundering Group.

Capacity building in relation to climate-related risk remains a priority, with the PA strengthening its understanding of these risks through internal initiatives like information sessions, bilateral discussions and international collaborations. It maintained global relationships by joining sustainability groups and committees within BCBS, IAIS and NGFS, as well as contributing to the G20 Sustainable Finance Working Group.

The insights gathered from these engagements complement the PA's formal supervisory processes, informing balanced, risk-based and effective regulatory responses.

Selected indicators for the South African financial sector

Entities supervised by the PA

Table 8: Entities supervised by the PA as at 31 December 2025, 28 February 2026 and 31 March 2026⁶²

Entities per sector	No. of entities	Balance sheet size		
		R millions		
		Dec 2025	Feb 2026	Mar 2026
Banking sector	26			9 075 293
Registered banks	15			8 562 949
Local branches of foreign banks	11			512 344
Mutual banking sector	4			4 611
Cooperative sector	26		747	
Cooperative banks	5		603	
Cooperative financial institutions	21		144	
Total insurance sector*	158	5 716 418		
Life insurance sector	78	5 299 395		
Primary insurers	60	5 274 113		
Cell captive entities	4	25 076		
Microinsurers	14	206		
Non-life insurance sector	68	367 640		
Primary insurers	56	257 292		
Cell captive entities	6	65 499		
Captive insurers	6	44 849		
Non-life microinsurers	0	–		
Composite microinsurers	3	2 320		
Reinsurers	9	47 063		
Life reinsurers	0	–		
Non-life reinsurers	1	5 817		
Composite reinsurers	4	41 246		
Branches of foreign reinsurers	4	–		
Market infrastructures**	7	6 815		

* In addition to the licensed 158 insurance entities, the PA also supervises Lloyds and the Road Accident Fund.

** The total assets in respect of MIs exclude margin deposits.

62 CFIs and cooperative banks have a 28 February financial year-end. Insurers, banks and mutual banks have varying financial year-ends, therefore a 31 December date and a 31 March date is used for reporting by insurers and banks/mutual banks respectively, as this is typically the most recent available data on record.

Deposit-taking financial institutions

Banks

The South African banking sector is dominated by the **five largest banks**, which collectively held **89.95%** of the total banking sector assets at the end of March 2026 (March 2025: 89.63%) (Figure 13). **Local branches of international banks** accounted for **5.65%** of banking sector assets as at the end of March 2026 (March 2025: 5.91%) while **other banks**, which constitute other locally registered banks, represented **4.40%** in March 2026 (March 2025: 4.46%).

Figure 13: Total assets of banks

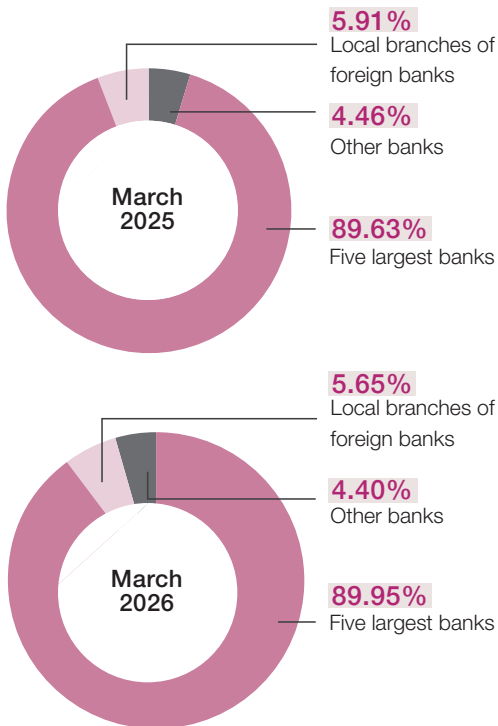


Table 9: Selected indicators for the banking sector

	Mar 2025	Mar 2026	Percentage change (%)
Balance sheet			
Total assets (R billions)	8 231	9 075	10.25
Gross loans and advances (R billions)	5 873	6 405	9.06
Total equity (R billions)	663	729	9.95
Profitability			
Cost-to-income ratio (smoothed) (%)	56.86	57.01	0.26
Return on equity (smoothed) (%)	15.83	15.71	-0.76
Return on assets (smoothed) (%)	1.18	1.18	0.00
Capital adequacy			
Common equity tier 1 capital adequacy ratio (%)	13.18	13.69	3.87
Tier 1 capital adequacy ratio (%)	14.89	15.64	5.04
Total capital adequacy ratio (%)	17.14	17.91	4.49
Leverage ratio (%)	6.39	6.41	0.31
Liquidity			
Liquidity coverage ratio (%)	148.70	156.01	4.92
Net stable funding ratio (%)	116.12	115.98	-0.12
Credit risk			
Impaired advances (R billions)	308	302	-1.95
Impaired advances as % of gross loans and advances	5.25	4.71	-10.29
Specific credit impairments as % of impaired advances	47.82	48.40	1.21
Portfolio credit impairments as % of gross loans and advances	1.01	0.93	-7.92

Total banking sector assets grew by 10.25% to **R9 075 billion** at the end of March 2026 compared to **R8 231 billion** in March 2025, driven by an increase in gross loans and advances as well as increases in investment and trading securities (Table 9). Gross loans and advances increased by **9.06%** to **R6 405 billion** in March 2026 from **R5 873 billion** reported in March 2025.

Equity grew by **9.95%** to **R729 billion** at the end of March 2026 from **R663 billion** in March 2025. This was mainly driven by increased retained earnings and share capital. Equity is comprised primarily of retained earnings and share capital.

The **12-month moving average return-on-equity (ROE)** ratio amounted to **15.71%** at the end of March 2026, down slightly from March 2025 (**15.83%**). **The return-on-assets (ROA) ratio was unchanged at 1.18% in March 2025 and 2026.** The **12-month moving average cost-to-income ratio** deteriorated slightly to **57.01%** at the end of March 2026 from **56.86%** in March 2025.

Banks (on a bank-solo basis) remained adequately capitalised, with capital adequacy ratios (CARs) remaining well above the **minimum statutory requirements.** CET1, tier 1 and total CARs amounted to **13.69%**, **15.64%** and **17.91%** respectively at the end of March 2026, compared to **13.18%**, **14.89%** and **17.14%** in March 2025.

The **LCR** remained above the minimum statutory requirement and amounted to **156.01%** at the end of March 2026 from **148.70%** in March 2025. The NSFR was **115.98%** at the end of March 2026, down from **116.12%** in March 2025.

Impaired advances decreased by **1.95%** to **R302 billion** at the end of March 2026 from **R308 billion** in March 2025. **The ratio of impaired advances to gross loans and advances** improved to **4.71%** at the end of March 2026 from **5.25%** in March 2025. **The ratio of specific credit impairments to impaired advances (coverage ratio)** increased to **48.40%** at the end of March 2026 from **47.82%** at the end of March 2025.



Mutual banking sector

Table 10: Selected indicators for the mutual banking sector

	Mar 2025	Mar 2026	Percentage change (%)
Balance sheet			
Total assets (R millions)	4 165	4 611	10.71
Gross loans and advances (R millions)	3 299	3 280	-0.58
Profitability			
Return on equity (smoothed) (%)	3.85	1.24	-67.79
Return on assets (smoothed) (%)	0.89	0.28	-68.54
Cost-to-income ratio (smoothed) (%)	74.50	77.96	4.64
Liquidity			
The average daily amount of liquid assets held to liquid assets requirement (%)	423.27	519.12	22.65
Credit risk			
Gross amount overdue (R millions)	400	434	8.50
Gross overdue to gross loans and advances (%)	12.11	13.22	9.17
Specific provisions to gross amount overdue (%)	83.66	74.68	-10.73
General provisions to gross loans and advances (%)	1.72	2.04	18.60
Capital adequacy			
Capital adequacy ratio (%)	27.99	28.48	1.75

Total mutual banking sector assets grew by **10.71%** to **R4 611 million** at the end of March 2026 up from **R4 165 million** in March 2025 (Table 10). This was mainly driven by increases in money as well as trading and investment assets. **Gross loans and advances** contracted by **0.58%** to **R3 280 million** at the end of March 2026 from **R3 299 million** in March 2025.

The 12-month moving average ROE ratio deteriorated to **1.24%** at the end of March 2026 from **3.85%** in March 2025, and the ROA ratio declined to **0.28%** at the end of March 2026 from **0.89%** in March 2025. The **12-month moving average cost-to-income ratio** amounted to **77.96%** at the end of March 2026 compared to **74.50%** in March 2025. The **deterioration in the profitability ratios** compared to a year ago was mainly driven by the decrease in profit.

The **sector's total CAR** increased slightly to **28.48%** in March 2026 from **27.99%** in March 2025, mainly driven by the increase in net qualifying capital. **Overdue loans** increased by **8.50%** to **R434 million** at the end of March 2026 compared to **400 million** in March 2025. **Specific provisions as a percentage of the gross amount overdue was 74.68%** at the end of March 2026 (March 2025: 83.66%).

Cooperative financial sector

The **cooperative financial sector** comprised **five cooperative banks** and **21 CFIs** at the end of February 2026. Based on total assets for the period, **cooperative banks** constituted **80.72%** and **CFIs** **19.28%** of the total financial cooperative deposit-taking sector (Figure 14).

Figure 14: Total assets of CFIs

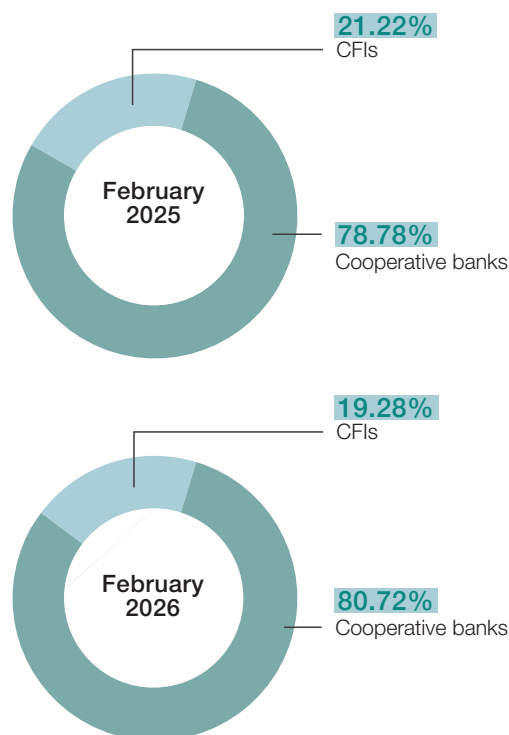


Table 11: Selected indicators for cooperative banks and CFIs**

	Number		Members		Deposits (R millions)		Assets (R millions)	
	2025	2026	2025	2026	2025	2026	2025	2026
February*								
Cooperative banks	5	5	5 939	4 714	524	543	583	603
CFIs	20	21	12 756	10 322	138	128	157	144
Total	25	26	18 695	15 036	662	671	740	747

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

** Throughout this report, data relating to CFIs are based on data submissions received in respect of 13 entities out of 21 registered entities. Although four entities were non-compliant, other non-submission of data related to entities under liquidation, applications in respect of mutual bank licences and one newly registered CFI.

Table 12: Selected indicators for South African cooperative banks

	Feb 2025	February 2026	Percentage change (%)
Balance sheet			
Total assets (R thousands)	582 811	602 904	3.45
Total net loans (R thousands)	416 463	412 252	-1.01
Total liabilities (R thousands)	524 565	542 923	3.50
Total equity (R thousands)	58 246	59 981	2.98
Profitability			
Total income (R thousands)	66 232	65 150	-1.63
Total expenses (R thousands)	56 224	64 506	14.73
Operating profit/income before taxation (R thousands)	10 008	638	-93.63
Cost-to-income ratio (%)	49.99	51.62	3.26
Capital adequacy			
Total capital adequacy ratio (%)	8.91	8.14	-8.64
Asset quality and provisions			
Total delinquent loans (R thousands)	19 325	23 572	21.98
Portfolio delinquent (%)	4.48	5.40	20.54
Total provisions (R thousands)	14 493	23 978	65.45
Provision as % of total loans	3.36	5.50	63.69

The **balance sheet size of South African cooperative banks** increased by **3.45%** to **R603 million** in February 2026 from **R583 million** in February 2025 (Table 12). **Net loans** decreased by **1.01%** to **R412 million** in February 2026 from **R416 million** in February 2025. The sector remained adequately capitalised, with a **CAR** of **8.14%** as at February 2026 (February 2025: 8.91%), well above the **6%** minimum requirement.

Delinquent loans accounted for **5.40%** of the cooperative banking sector's gross loans as at the end of February 2026, an increase of **20.54%** compared to February 2025. The sector continued to provide sufficient funding for potential losses in accordance with regulatory requirements.

The cooperative banking sector remained profitable, with income before taxation standing on **R638 thousand** as at the end of February 2026. **Profitability** did, however, decline by **93.63%** when compared to February 2025, mainly due to lower income. The **cost-to-income ratio** also deteriorated to **51.62%** during the period under review from **49.99%** in February 2025, due to a year-on-year increase in operating expenses of **14.73%** relative to the decline in total income of **1.63%**.

Table 13: Selected indicators for CFIs*

	Feb 2025	Feb 2026	Percentage change (%)
Balance sheet			
Total assets (R thousands)	157 299	144 280	-8.28
Total net loans (R thousands)	65 036	76 530	17.67
Total liabilities (R thousands)	139 117	127 215	-8.56
Total equity (R thousands)	20 866	17 064	-18.22
Profitability			
Total income (R thousands)	24 367	28 256	15.96
Total expenses (R thousands)	32 727	40 252	22.99
Operating profit/income before taxation (R thousands)	-8 360	-11 996	-43.49
Cost-to-income ratio (%)	162.50	167.02	2.78
Capital adequacy			
Total capital adequacy ratio (%)	-13.22	-21.56	-63.09
Total capital adequacy ratio including voluntary shares (%)	12.91	11.61	-10.07
Asset quality and provisions			
Total delinquent loans (R thousands)	21 550	5 278	-75.51
Portfolio delinquent (%)	30.21	6.60	-78.15
Total provisions (R thousands)	6 307	3 502	-44.47
Provision as % of total loans	9.70	4.58	-52.78

* Throughout this report data relating to CFIs are based on data submissions received in respect of 13 entities out of 21 registered entities. Although four entities were non-compliant, other non-submission of data related to entities under liquidation, applications in respect of mutual bank licences and one newly registered CFI.

Total assets in respect of CFIs decreased by **8.28%** during the past year. **Net loans** amounted to **R77 million** for the period under review and increased by **17.67%** from the **R65 million** reported in February 2025. **Profitability** deteriorated, resulting in a loss before tax of R12 million at the end of February 2026, mainly due to operating expenses exceeding income. CFIs' primary focus is not on profitability but on advancing financial inclusion through member-driven financial intermediation. These institutions rely primarily on member contributions to sustain their operations; however, constrained contribution levels, coupled with high personnel and administrative costs, continue to place pressure on their financial sustainability and profitability. The shortage of grants and donations received, together with high personnel and administrative costs, led to profitability challenges. The **cost-to-income ratio** deteriorated to **167.02%** in February 2026 from **162.50%** in February 2025.

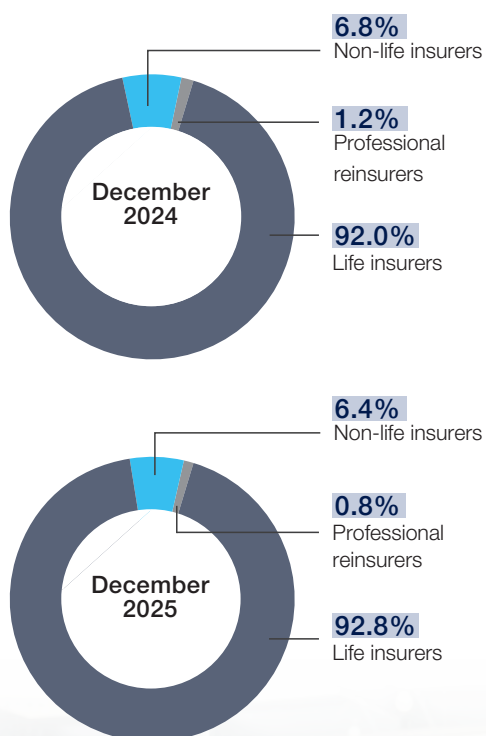
Losses resulting in negative retained earnings, as well as lower capital reported by CFIs, had a negative impact on capital. The **CAR** deteriorated by **63.09%** to **-21.86%** in February 2026 from **-13.22%** at the end of February 2025. The minimum CAR requirement is **6%**. The CAR, including voluntary shares, stood at **11.61%** in February 2026, down from **12.91%** in February 2025. Asset quality did improve during the past year. **Delinquent loans** accounted for **6.60%** of the CFI sector's gross loans at the end of February 2026, down from **30.21%** in February 2025.

Insurers and reinsurers

Selected indicators for insurers and reinsurers

The insurance sector's income and expenditure figures are based on aggregated data for the four quarters ending December 2025, while the solvency and balance sheet items are recorded as at 31 December 2025.

Figure 15: Total assets of insurers



Based on **total assets**, **life insurers** constitute approximately **92.8%** and **non-life insurers** constitute approximately **6.4%** of the total insurance industry.

All nine professional reinsurers are **foreign-owned** and contribute **0.8%** of the total sector assets.

South Africa's life insurance sector is dominated by **five large insurers**, which collectively held **65%** of the total assets, while the **12 largest non-life insurers** contributed **57%** of gross premiums as at 31 December 2025.



Table 14: Selected indicators for life insurers

R millions	Primary	Cell captives	Total Dec 2025	Total Dec 2024
Income				
Net premiums	736 830	22 848	759 678	690 101
Investment income	778 239	3 891	782 130	554 731
Other income	18 807	12	18 819	19 708
Total	1 533 876	26 751	1 560 627	1 264 540
Expenditure				
Benefits	620 348	9 356	629 704	625 703
Commission paid/received	26 843	2 192	29 035	27 851
General expenses	73 619	4 365	77 984	73 763
Other acquisition costs	7 487	-	7 487	8 713
Other expenses	12 533	-	12 533	15 700
Excess of income over expenditure	793 046	10 838	803 884	512 810

The **net premium income**, after deducting premiums for reinsurance, in respect of primary life insurers and cell captives, was reported as **R759 678 million** for the year ended 31 December 2025 compared to R690 101 million for the year ended 31 December 2024. **Benefit payments** stood at **R629 704 million** compared to R625 703 million during 2024.

Insurance companies make a significant portion of their income from investment revenue (both realised and unrealised). The industry experienced an increase in investment income during the review period.

R millions	Assets		Liabilities		MCR*		SCR**	
	2024	2025	2024	2025	2024	2025	2024	2025
Primary	4 540 882	5 274 113	4 162 133	4 885 537	4.9	4.3	1.8	1.7
Cell captives	28 851	25 076	8 329	6 118	4.2	3.9	1.1	1.1
Total	4 569 733	5 299 189	4 170 462	4 891 655	4.6	4.1	1.4	1.4

* MCR: minimum capital requirement (median)

** SCR: solvency capital requirement (median)

The **total assets** in respect of the primary life insurers and cell captives were reported as

R5 299 189 million in December 2025 compared to R4 569 733 million in December 2024.

Total assets were mainly invested in investment funds and equities.

Table 15: Selected indicators for non-life insurers

R millions	Primary	Cell captives	Captives	Total Dec 2025	Total Dec 2024
Income					
Gross premiums	192 354	37 823	7 357	237 534	224 863
Net earned premiums	125 691	24 438	4 822	154 951	142 958
Investment income	28 680	5 577	3 671	37 928	26 366
Other income	2 128	160	42	2 330	2 498
Total	156 499	30 175	8 535	195 209	171 822
Expenditure					
Claims incurred	70 001	10 048	3 464	83 513	78 197
Commission paid/received	11 749	424	-175	11 998	9 443
General expenses	38 614	4 430	199	43 243	39 623
Other expenses	3 672	190	57	3 919	4 041
Excess of income over expenditure	32 463	15 083	4 990	52 536	40 518
Underwriting profit	12 003	1 117	368	13 488	13 010
Operating profit	40 683	6 694	4 039	51 416	39 375

Gross premiums in respect of primary insurers, cell captives and captives in the non-life insurance industry were reported as **R237 534 million** for the 12 months ended 31 December 2025 (Table 15).

Operating profit, which includes investment income, was reported as **R51 416 million** during the review period compared to R39 375 million in the previous year.

R millions	Total assets		Liabilities		MCR*		SCR**	
	2024	2025	2024	2025	2024	2025	2024	2025
Primary	234 233	257 292	118 019	133 887	4.2	4.5	1.8	1.8
Cell captives	57 659	65 499	41 548	46 373	2.8	2.8	1.2	1.2
Captives	38 769	44 849	17 186	20 118	8.0	8.7	2.0	2.2
Total***	330 661	367 640	176 753	200 378	4.2	3.7	1.8	1.5

* MCR: minimum capital requirement (median)

** SCR: solvency capital requirement (median)

*** Totals in respect of 2025 and 2024 exclude reinsurance.

Table 16: Selected indicators for composite reinsurers

With the conversion of one **composite reinsurer** to a branch, four reinsurers were classified as composite reinsurers, writing both life and non-life business.

R millions	December 2025		December 2024	
	Life	Non-life	Life	Non-life
Income				
Gross premiums	14 353	13 121	17 414	22 867
Net premiums/net earned premiums	8 774	2 515	12 233	2 931
Investment income	965	1 119	1 415	918
Other income	12	-47	280	17
Total	9 751	3 587	13 928	3 866
Expenditure				
Claims incurred	6 473	1 402	10 547	2 201
Commission paid/received	236	1 174	-297	1 317
General expenses	721	468	913	584
Other expenses	125	-34	94	200
Excess of income over expenditure	2 196	577	2 671	-436
Underwriting profit		943		329
Operating profit		2 061		1 247

Gross premiums relating to life composites for the 12 months ending 31 December 2025 were reported as **R14 353 million** compared to R17 414 million in 2024 (Table 16).

Non-life composite gross premiums were reported as **R13 121 million** compared to R22 867 million in 2024.

R millions	Dec 2024	Dec 2025	Year-on-year percentage change (%)
Total assets	52 170	41 246	-20.94
Total liabilities	37 762	29 250	-22.54
SCR*	1.9	1.5	
MCR**	4.4	4.1	

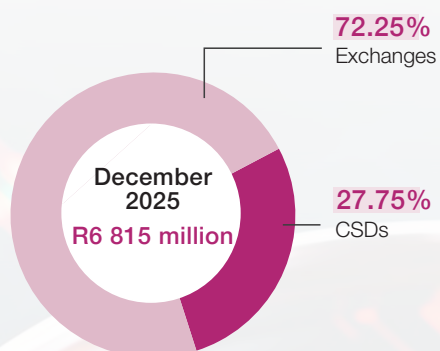
* SCR: solvency capital requirement (median)

** MCR: minimum capital requirement (median)

Market infrastructures

The PA is responsible for the prudential supervision of exchanges, clearing houses, central securities depositories (CSDs), central counterparties and TRs. There are currently four licensed exchanges, two licensed CSDs, one licensed CCP and one licensed associated clearing house. Total assets (including margin deposits) and total assets (excluding margin deposits) amounted to R67 292 million and R6 815 million respectively at the end of December 2025 (December 2024: R55 558 million and R6 480 million respectively) (Figure 16).

Figure 16: Total assets of market infrastructures



* Excluding margin deposits

PA FINANCIAL ACCOUNTS

The PA is the regulator responsible for setting policy and prudential regulatory requirements and the supervisor responsible for overseeing compliance with the regulatory requirements of financial institutions that provide financial products, securities services and MIs in South Africa. Established on 1 April 2018 in terms of the FSR Act, the PA is a juristic person operating within the administration of the SARB. For more detail, refer to the *SARB Annual Report* on the PA, which can be found at <https://www.resbank.co.za/en/home/publications/reports/annual-reports>.

Basis of preparation

In terms of section 55 of the FSR Act, the SARB is required to prepare financial accounts for the PA for each financial year in a manner that reflects the direct costs that accrue to the PA. As the PA is a department within the SARB, it follows the same Financial Reporting Framework and basis of presentation as the SARB. Refer to note 1 of the SARB financial statements for more detail.

Statement of financial position

at 31 March 2026

	Note	Prudential Authority	
		2026 R millions	2025 R millions
Assets			
Other assets	1.1	52	49
Liabilities			
Income received in advance		16	16
Other liabilities		34	21
Unclaimed balances		2	2
Total liabilities		52	49

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2026

Operating income			
Levies	2.1	617	596
Fees	2.2	18	13
Other income		19	-
Total operating income		654	609
Expenditure			
Personnel costs	2.4	(459)	(422)
Operational costs	2.5	(195)	(220)
Total expenditure		(654)	(642)
Personnel costs	2.5	-	33
Profit for the year		-	-

1. Accounting policies

1.1. Other assets

Other assets relate to the notional balance at the end of the reporting period, which represents the difference between cash inflows and outflows during the year in respect of prudential regulatory activity, as well as prepaid expenses. Prepaid expenses relate to operating costs paid before they are due. The prepaid expenses are measured at cost and are recognised when the amount is paid. The prepaid expense balances are subsequently measured at cost and are derecognised in the period in which the related expense is recognised.

1.2. Other liabilities

Other liabilities relate to operating income received in advance. The liabilities are measured at the amount actually received and recognised when the amount is received. The balance is subsequently measured at cost and is derecognised in the period in which the related income is recognised.

1.3. Unclaimed balances

Unclaimed balances relate to amounts recovered from an illegal deposit-taking scheme. The amounts recognised are owed to unidentified investors of the scheme who are yet to claim the amounts due to them. The unclaimed balances are recognised when the amounts are recovered from the scheme and are measured at the amount payable to the investors, being the amount actually recovered. The unclaimed balances are subsequently measured at cost and are derecognised when the amounts are paid to the relevant investors or upon expiry of the right to claim.

1.4. Operating income

Operating income consists of levies, fees, other income and penalties charged to financial institutions. The levies, fees and penalties are charged and measured in accordance with the relevant legislation. Operating income is recognised per the amount invoiced to the financial institution in the period in which the amount relates.

1.5. Personnel and operating costs

Personnel and operating costs relate to direct costs incurred for the administration of the PA. These costs are measured at the transaction amount and are recognised as expenses in the period incurred.

1.6. Amounts borne by the SARB

Net costs incurred for the administration of the PA are borne by the SARB. These costs are measured at the transaction amount and are recognised as income or expenses in the period incurred, net of recoveries.

2. Explanatory notes

2.1. Levies are charged to regulated financial institutions in terms of legislation to cover the direct operating costs of the PA.

2.2. Fees are 'transaction-based' and charged to fund the PA's performance of specific functions under the FSR Act and the relevant sector laws it regulates.

2.3. Penalties are raised for non-compliance by persons within the regulated sector should they be found guilty of contravening a financial sector law or an enforceable undertaking accepted by the PA. The PA deducts from this total all costs incurred in making and enforcing the administrative penalty order. After applying this deduction, the remaining balance, if any, is paid into the National Revenue Fund (NRF). The SARB also has a responsibility in terms of the FIC Act to ensure that banks and life insurance companies comply with the FIC Act. The SARB has authority in terms of the section 45C of the FIC Act to impose administrative sanctions on these entities if and when they fail to comply with a provision, order, determination or directive made in terms of this Act. The SARB issues notices with said penalties to the relevant entities but does not account for the penalties in its financial statements as the penalties imposed are paid directly to the NRF. Total penalties issued on behalf of the South African government in this regard amounted to R25 million (2025: R20 million).

2.4. Personnel and operating costs consist of only the direct costs related to the administration of the PA. Although the PA uses the various support departments of the SARB and incurs costs from these services (such as legal services, IT, risk management, compliance, internal audit, human resources, international economic relations and policy, security and facilities), these costs are borne by the SARB.

	Prudential Authority	
	2026 R million	2025 R million
Operating costs include:		
Professional fees	143	169
Membership fees	2	3
Official functions	10	17
Training (foreign and local)	6	4
Travel expenses (foreign and local)	18	23
Other operating costs	16	4
	195	220

2.5. Amount borne by SARB consists of both direct and indirect expenses (net of recoveries) borne by the SARB for the PA.



ANNEXURES

I. Licence applications: 1 April 2025 – 31 March 2026

	Approved	In progress	Declined
Banks/mutual banks/cooperative banks (Table A1)	0	4	0
Branches	0	0	0
Representative offices (Table A2)	1	0	0
CFIs (Table A3)	1	3	0
Insurers (Table A4)	5	5	3
Controlling companies	1	1	0

II. Financial institutions registered

Table A1: Representative offices registered

Entity name	Effective date
Banque Pictet and Cie SA	23 January 2026

Table A2: CFIs registered

Entity name	Effective date
SA Innovative Financial Services Co-operative	11 November 2025

Table A3: Insurers and insurance controlling companies registered

Entity name	Effective date
New National Assurance Company Limited	11 April 2025
Phuti Life Financial Services (Pty) Limited	29 April 2025
One Insurance Limited	19 June 2025
Venlife (Pty) Ltd	26 June 2025
Badger Holdings South Africa (Pty) Limited	9 September 2025
Moruo Life Limited	8 December 2025

III. Deregistration or withdrawal of licences

Deregistered institutions	Financial institution type	Effective date
HSBC Private Bank (Suisse) SA	Representative office	1 September 2025
Absa Insurance Risk Management Services Limited	Insurer	21 August 2025
Munich Reinsurance Company of Africa Limited	Insurer	10 October 2025
Kwande Group (Pty) Limited	Insurance Group	17 December 2025

IV. Variation of licensing conditions

Entity	Effective date
Workers Life Insurance Limited	16 April 2025
Chubb Insurance South Africa Limited	29 May 2025
AIG Life South Africa Limited	4 June 2025
Dial Direct Insurance Limited	19 June 2025
First for Women Insurance Company Limited	19 June 2025
Auto and General Insurance Company Limited	19 June 2025
Budget Insurance Company Limited	19 June 2025
Bryte Insurance Company Limited	23 June 2025
MiWay Insurance Limited	26 August 2025
OUTsurance Insurance Company Limited	17 October 2025
Absa Insurance Company Limited	10 November 2025
HDI Global SA Limited	16 January 2026
Infiniti Insurance Limited	12 March 2026
Vodacom Insurance Company Limited	26 March 2026
Swiss Re Corporate Solutions Limited	31 March 2026
Hollard Specialist Insurance Limited	31 March 2026

V. Name changes

Old name	New name	Effective date
YWBN Mutual Bank	eNL Mutual Bank	8 July 2025
Tyme Bank Limited	GoTyme Bank Limited	21 January 2026

VI. Transfer of business

Transferor insurer	Transferee insurer	Date approved
Guardrisk Life Limited	Capitec Life Limited	25 June 2025
Centriq Life Insurance Company Limited	Old Mutual Alternative Risk Transfer Life Limited	2 August 2025
Guardrisk Life Limited	Old Mutual Life Assurance Company (South Africa) Limited	24 November 2025
Lombard Insurance Company Limited	The Hollard Insurance Company Limited	22 September 2025

VII. Significant owner applications

Entity type	Approved	In progress	Declined	Total
Banks	0	0	0	0
Insurers	41	10	2	53
Total	41	10	2	53

VIII. Designation of insurance groups

The designation of Pepkor Holdings Limited was amended to Abacus Holdco (Pty) Limited in July 2025.

IX. Inspections of unregistered banking business

Summary of 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 under investigation
39	39	0	35	4*

*Unregistered banking business

While four schemes remain under investigation, one scheme comprises 150 underlying cases (a scheme within a scheme). Currently, 50 cases remain active, with the following statuses:

Sequestration or liquidation phase	41
Deceased estate executor appointed	2
Solvency reports received pending the PA's decision	6
Repayment to be administered	1
Total	50

X. Inspections of unlicensed insurance business

Summary of 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 desktop assessment/investigation
121	115	6	65	56

XI. Banks Act exemptions

	Approved	In progress	Declined
Securitisations	9	2	1

XII. Anti-money laundering and combating the financing of terrorism inspections

Institution type	No.
Locally registered banks	13
Cross-border inspections (subsidiaries of South African banks)	5
Life insurers	4
Total	22

XIII. Administrative sanctions imposed for non-compliance with the Financial Intelligence Centre Act 38 of 2001

The following institutions were sanctioned for non-compliance with the FIC Act:

Name	Non-compliance (simplified)	Administrative sanction
Discovery Bank Ltd	<ul style="list-style-type: none"> Late reporting of suspicious transactions Staff not trained on time Delays in responding to ATM alerts Gaps identified in its Risk Management and Compliance Programme (RMCP) 	Three cautions + R3 million fine (R1 million suspended for 36 months)
Citibank N.A.	<ul style="list-style-type: none"> RMCP not correctly applied to 30% of checked transactions 	One caution + R6 million fine (fully suspended for 36 months)

XIII. Administrative sanctions imposed for non-compliance with the Financial Intelligence Centre Act 38 of 2001 (continued)

Name	Non-compliance (simplified)	Administrative sanction
HBZ Bank Ltd	<ul style="list-style-type: none"> Weak customer due diligence for medium- and high-risk clients Missing records RMCP not fully implemented 	Three cautions, two reprimands + R9 million fine (R1.5 million suspended for 24 months)
Bank of Taiwan (SA)	<ul style="list-style-type: none"> RMCP updates not approved properly Yearly RMCP review not recorded Out-of-date procedures RMCP not applied to correspondent banking checks 	One caution + one reprimand
Absa Bank Limited	<ul style="list-style-type: none"> Customer due diligence Non-compliance with Directive 5/2019 – reported and unreported automated transaction monitoring system alerts were not attended to within 48 hours 10% of suspicious transaction/suspicious activity report alerts were closed beyond the prescribed 15 business days period 	Two cautions, a reprimand and financial penalty of R10 million

XIV. Administrative penalties imposed in terms of financial sector laws

Name	Non-compliance (simplified)	Administrative sanction
African Bank Holdings Ltd and African Bank Ltd	<ul style="list-style-type: none"> Late notification of key person changes Late BA 099 return submissions 	R3 610 000
Momentum Insure Company Ltd	<ul style="list-style-type: none"> Late notifications of key person changes Outsourcing without informing the PA Late submission of required information 	R9 689 390 (50% suspended for 3 years)
Absa Financial Services Ltd	<ul style="list-style-type: none"> Did not notify the PA of key person appointments 	R8 259 897 (R2 064 974 suspended for 3 years)
NASASA Financial Primary Cooperative Ltd	<ul style="list-style-type: none"> Breached prudential standards Took deposits from non-members Offered products not approved by the PA 	R100 000
Access Bank (South Africa) Ltd	<ul style="list-style-type: none"> Late submission of audited financial statements and audit reports 	R2 910 000
Hollard Holdings (Pty) Ltd and subsidiaries	<ul style="list-style-type: none"> Late submission of regulatory returns and financial statements 	R3 147 670
Absa Insurance Company Ltd	<ul style="list-style-type: none"> Conducted insurance business it was not licensed for 	R6 404 000

XV. Matters referred to the Tribunal

Entity name	Brief description	Outcome
Women Building Our Africa Financial Services Primary Co-operative Ltd	Challenged the PA's decision to deregister it as a CFI	Tribunal upheld the PA decision on 6 June 2025
Safire Insurance Company Ltd	Challenged R1.9 million administrative penalty	Tribunal set aside the PA's findings
African Bank Ltd and others	Challenged PA's finding relating to a void transaction	Hearing set for 1 April 2026
Sasfin Bank Ltd	Challenging a R92 million sanction	Hearing date pending
New Era Insurance Company Limited	Challenged the withdrawal of insurance licence	Consideration of the suspension was dismissed by the Tribunal on 13 March 2026

XVI. Matters referred to the FIC Appeal Board

Entity Name	Brief Description	Outcome
Al Baraka Bank Ltd	Appealed a sanction relating to determining sources of funds	Appeal upheld (1 July 2025)
Tyme Bank Ltd	Appealing a R14 million sanction (R7 million payable)	Hearing date pending
Sasfin Bank	Appealing a R99.5 million sanction	Hearing date pending

XVII. Fit-and-proper assessments conducted

For the period under review, the PA conducted assessments on a total of 1 032 applicants, as follows:

Banks	Insurers	CFIs	Total
577	372	83	1 032

Abbreviations

AI	artificial intelligence
AML	anti-money laundering
ASF	available stable funding
Banks Act	Banks Act 94 of 1990
BCBS	Basel Committee on Banking Supervision
board	board of directors
CAR	capital adequacy ratio
CCP	central counterparty
CEO	Chief Executive Officer
CET1	common equity tier 1
CFI	cooperative financial institution
CFT	combating the financing of terrorism
CODI	Corporation for Deposit Insurance
CP Exemption Notice	Commercial Paper Exemption Notice
CPF	counter-proliferation financing
CQS	credit quality steps
CSD	central securities depository
CSRBB	credit spread risk in the banking book
CVA	credit valuation adjustment
D-SIB	domestic systemically important bank
ECAI	external credit assessment institution
EDPM	execution, delivery and process management
EVE	economic value of equity
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FIC Act	Financial Intelligence Centre Act 38 of 2001
fintech	financial technology
Flac	financial loss absorbency capacity
FSB	Financial Stability Board
FSCA	Financial Sector Conduct Authority
FSR Act	Financial Sector Regulation Act 9 of 2017
G20	Group of Twenty
GFC	global financial crisis
HQLA	high-quality liquid assets
IAIS	International Association of Insurance Supervisors
ICAAP	internal capital adequacy assessment process
Insurance Act	Insurance Act 18 of 2017
IRB	internal ratings-based (approach)

IRRBB	interest rate risk in the banking book
IT	information technology
Jibar	Johannesburg Interbank Average Rate
LCR	liquidity coverage ratio
LDP	low default portfolio
MCR	minimum capital requirement
MI	market infrastructure
MPC	Monetary Policy Committee
NGFS	Network for Greening the Financial System
NII	net interest income
NPL	non-performing loan
NRF	National Revenue Fund
NSFR	net stable funding ratio
OTC	over the counter
PA	Prudential Authority
PA Manco	Prudential Authority Management Committee
PARAC	Prudential Authority Regulatory Action Committee
PCN CCyB	positive cycle-neutral countercyclical capital buffer
PF	Proliferation financing
PruCo	Prudential Committee
RA	Resolution Authority
RDARR	risk data aggregation and risk reporting
RDS	Residual Debt Services Limited
Regulations	Regulations relating to Banks
ROA	return on assets
ROE	return on equity
RMCP	Risk Management and Compliance Programme
SARB	South African Reserve Bank
SCR	solvency capital requirement
TPSP	third-party service provider
TR	trade repository

