

FINANCIAL STABILITY REVIEW

First edition
2026



Release of the *Financial Stability Review*

First Edition 2026

Financial Stability Forum

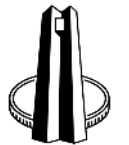
10 June 2026

Dr Herco Steyn



Outline

- Legal basis for the *FSR*
- The SARB's approach to assessing financial stability
- Key developments of relevance to financial stability
- Key risks to domestic financial stability
- Policy actions and initiatives to enhance financial stability, and financial stability assessment



Legal basis for the *FSR*



Legal basis for the *FSR* – FSR Act 9 of 2017

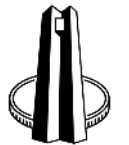
Section 12: The SARB must **monitor** and **keep under review**:

- (a) the **strengths** and **weaknesses** of the financial system; and
- (b) **any risks to financial stability**, and the **nature** and **extent** of those risks.

Section 13: The SARB must, **at least every six months**, make an **assessment of the stability of the financial system**

➔ ***Financial Stability Review (FSR)***

- assess the stability of the financial system during the six-month review period;
- identify and assess risks to financial stability in at least the next 12 months.



The SARB's approach to assessing financial stability



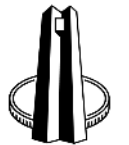
The SARB's approach to assessing financial stability

Phase 1: Risk identification and assessment

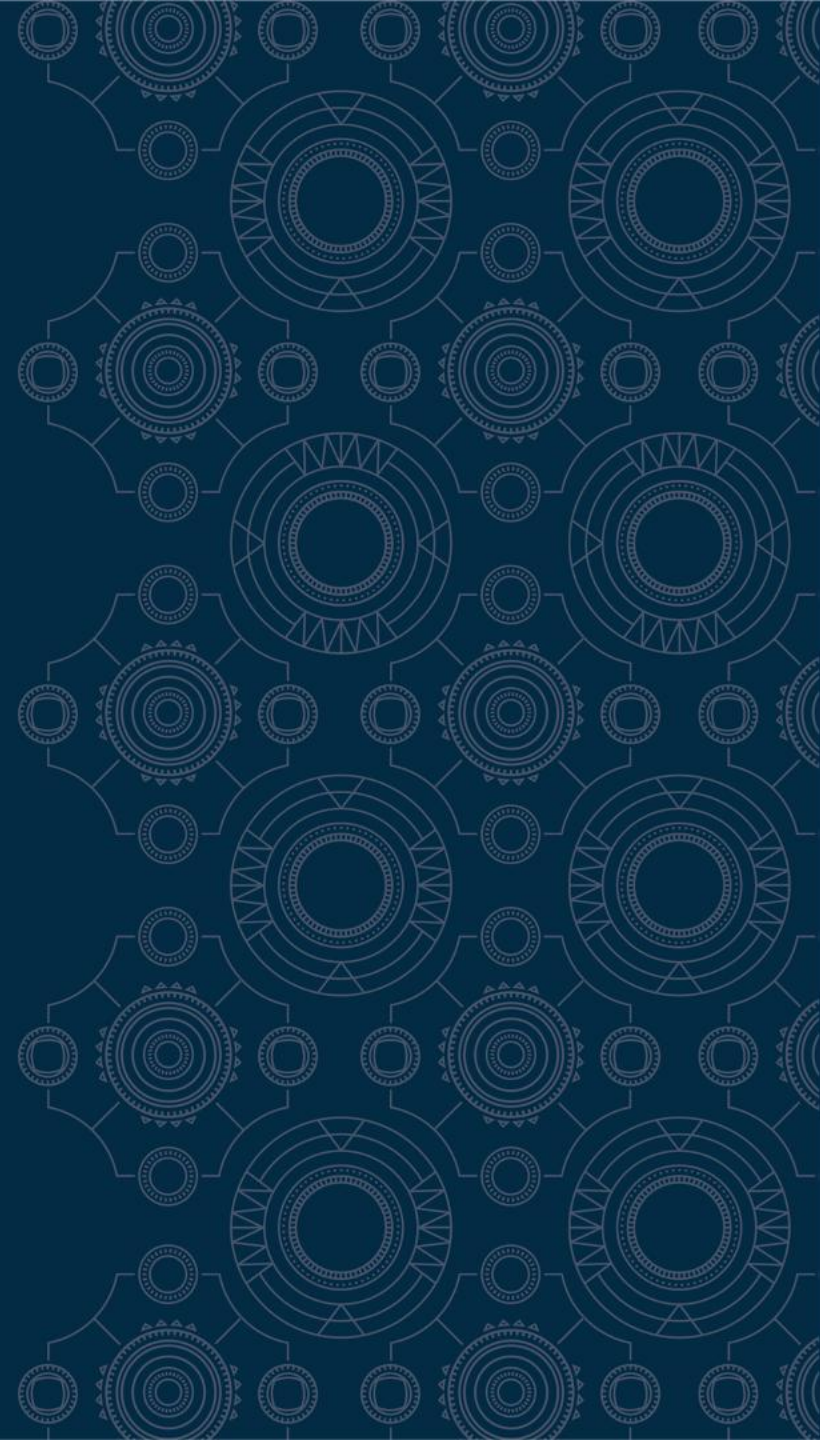
Phase 2: Mitigating action and policy response



Key risks to domestic financial stability (RVM)



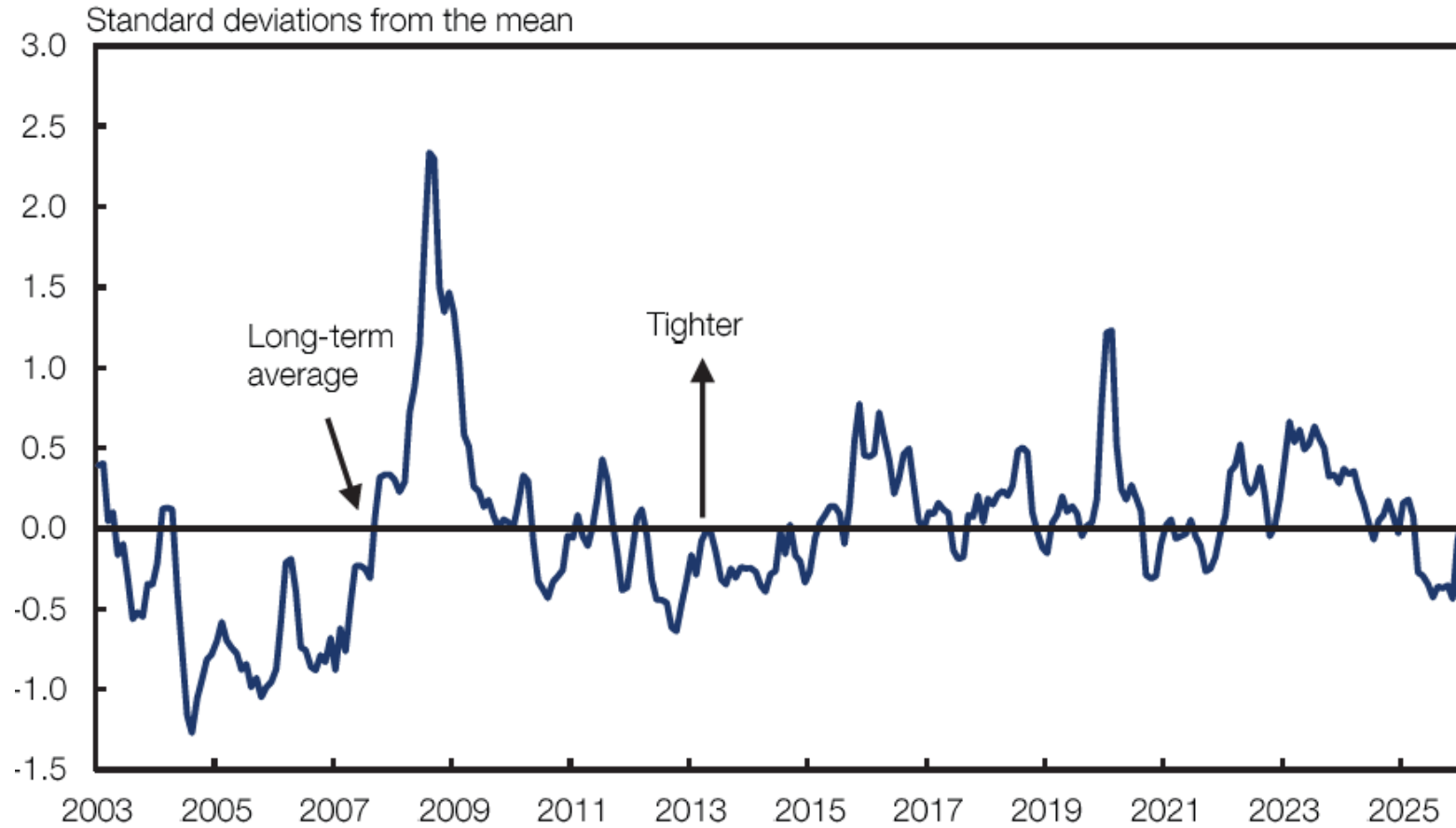
Key developments of relevance to financial stability



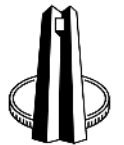
Middle East conflict

1. Tighter financial conditions

SARB Financial Conditions Index (FCI)



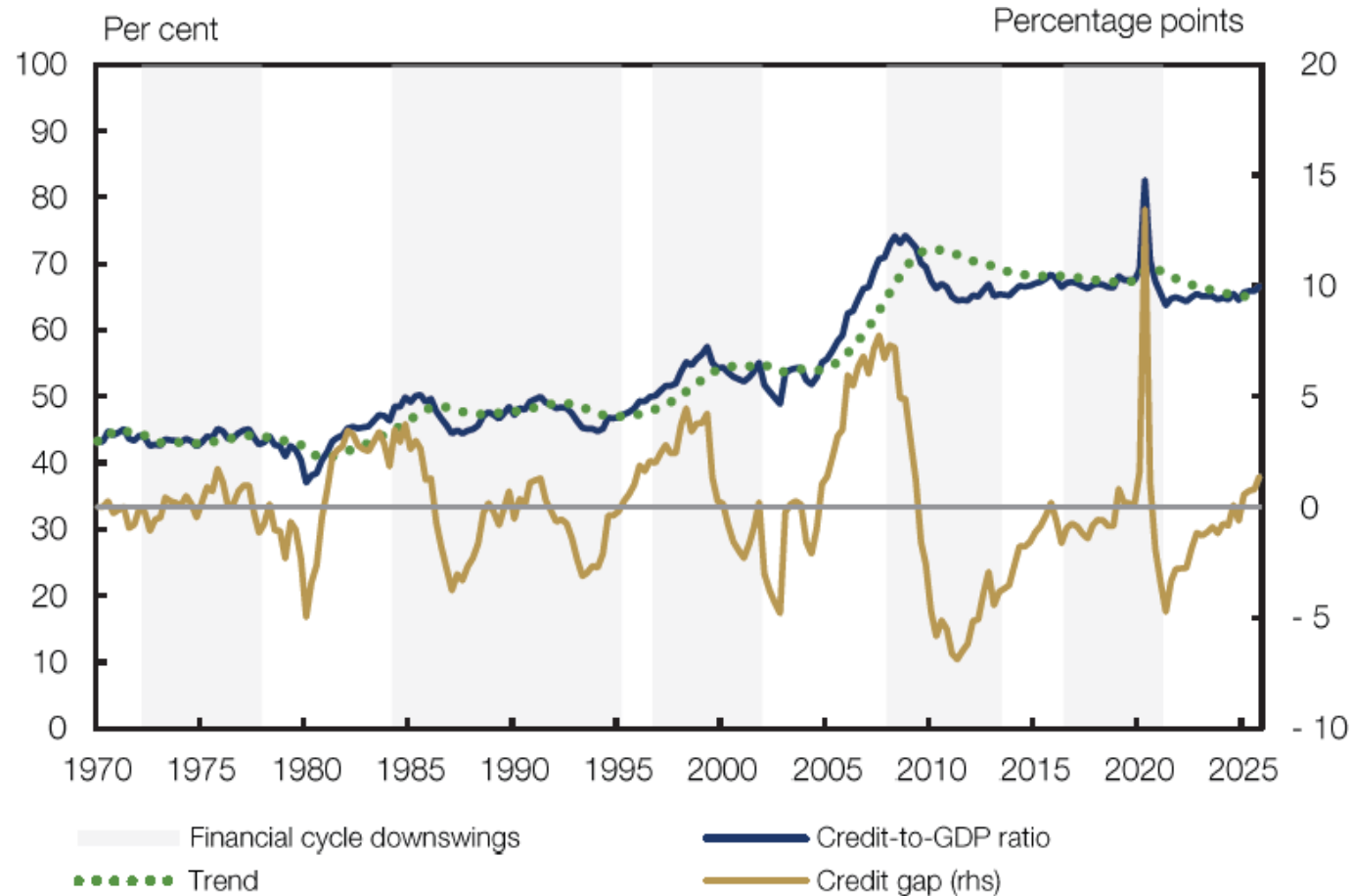
Source: SARB



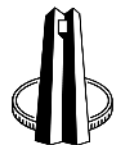
Middle East conflict

2. Reduced credit extension

Credit-to-GDP gap



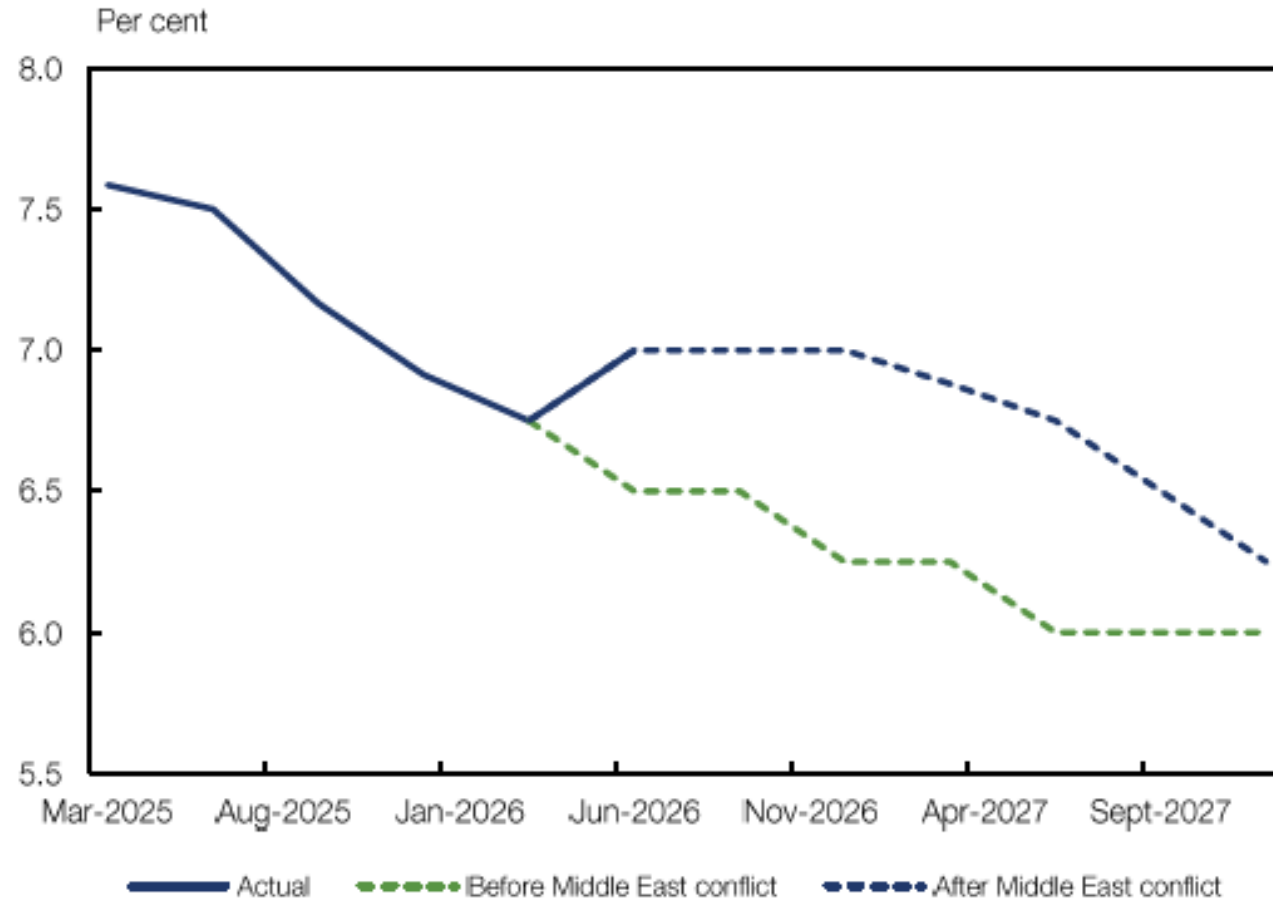
Source: SARB



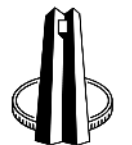
Middle East conflict

3. Tighter monetary policy

Monetary policy outlook for South Africa

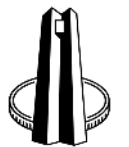


Source: Bloomberg



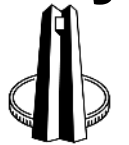
Advances in AI capability – why is this a step change?

- **Prior to Claude Mythos, AI models:**
 - Could perform only **basic, isolated tasks** (e.g. drafting phishing content or writing basic code)
 - Could **not direct and sequence numerous steps** independently
- UK AI Security Institute: **32-step corporate network attack** simulation
- AI model performance **increased roughly six-fold** in the last 2 years **from 1.7 steps to 9.8 steps**



Advances in AI capability – why is this a step change?

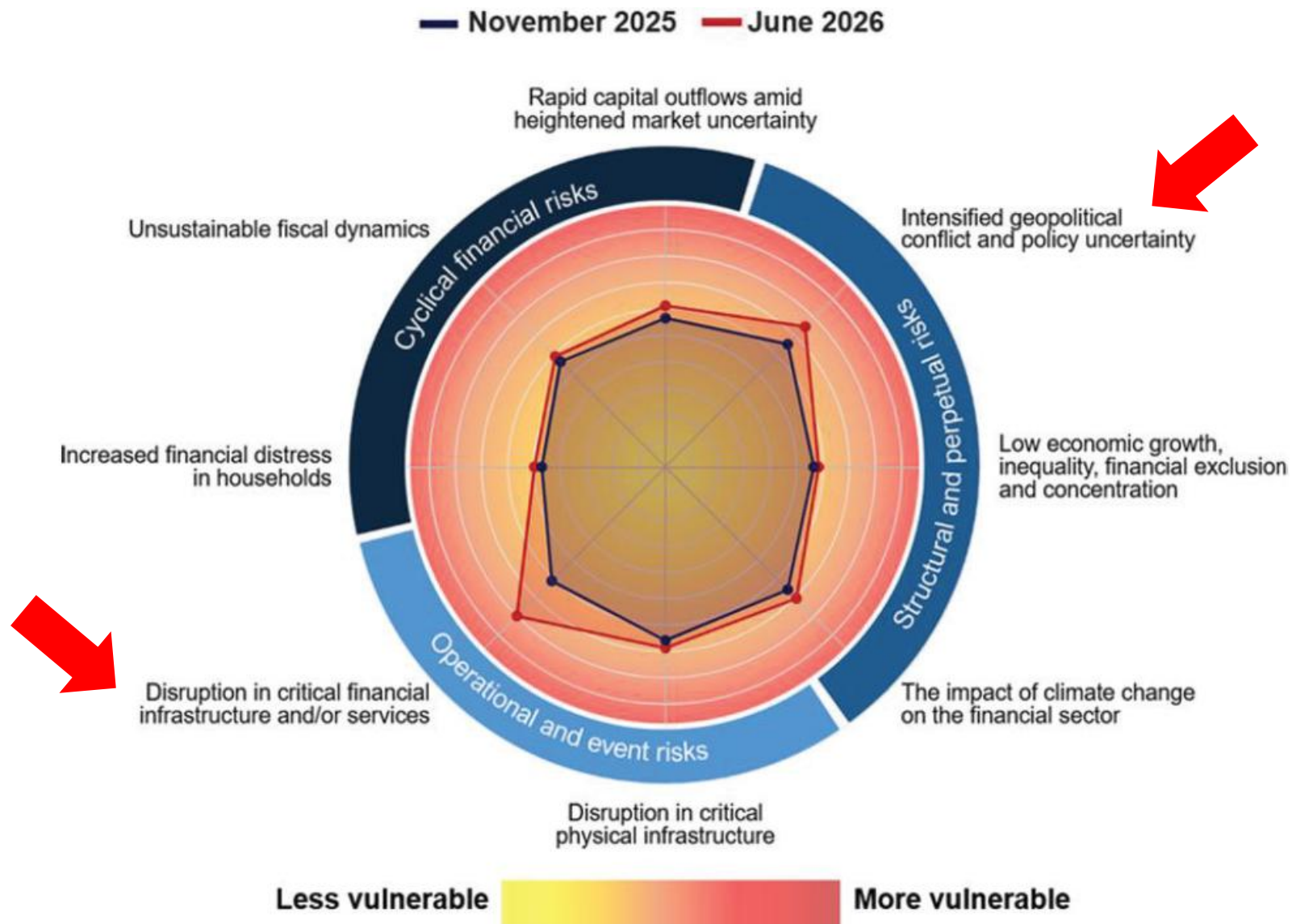
- **Mythos:** completed **all 32 steps** in **3 of 10 attempts**, and 22 out of 32 steps on average
- **Implications:**
 - A **sophisticated multistep attack** that previously required scarce, elite human expertise **can now be attempted for approximately US\$80**
 - The deployment of frontier AI models has led to a **significant increase in software and IT system vulnerability**
- **Key financial stability risk:** near-term **amplification of existing risks**, rather than a **permanent shift in residual vulnerability**



Key risks to domestic financial stability

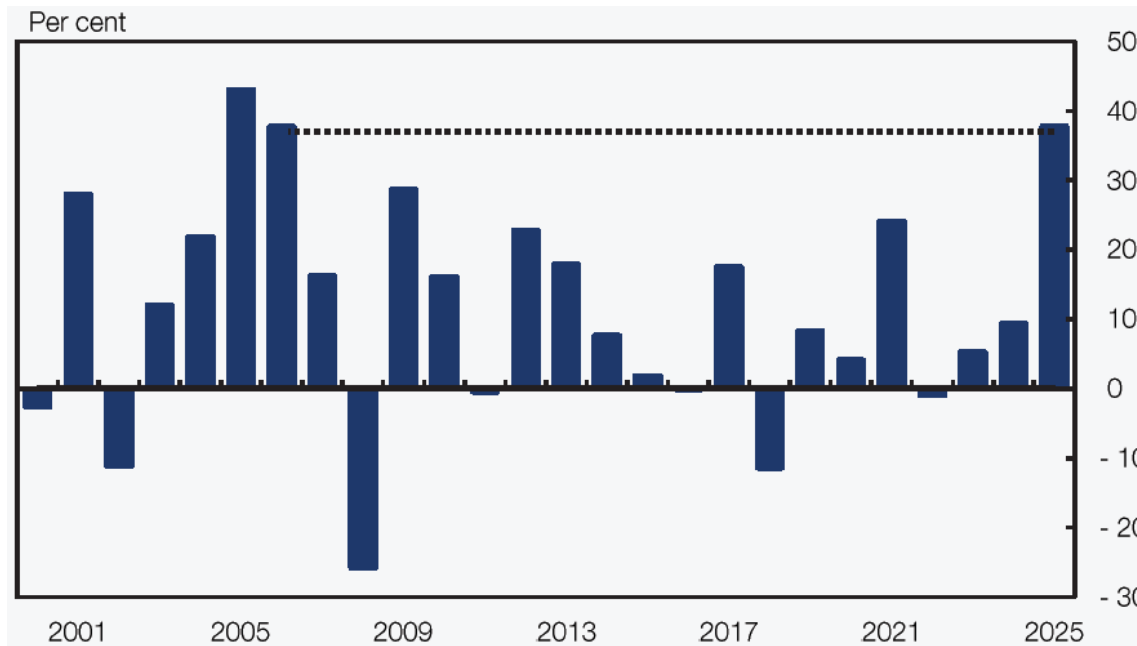


Latest RVM

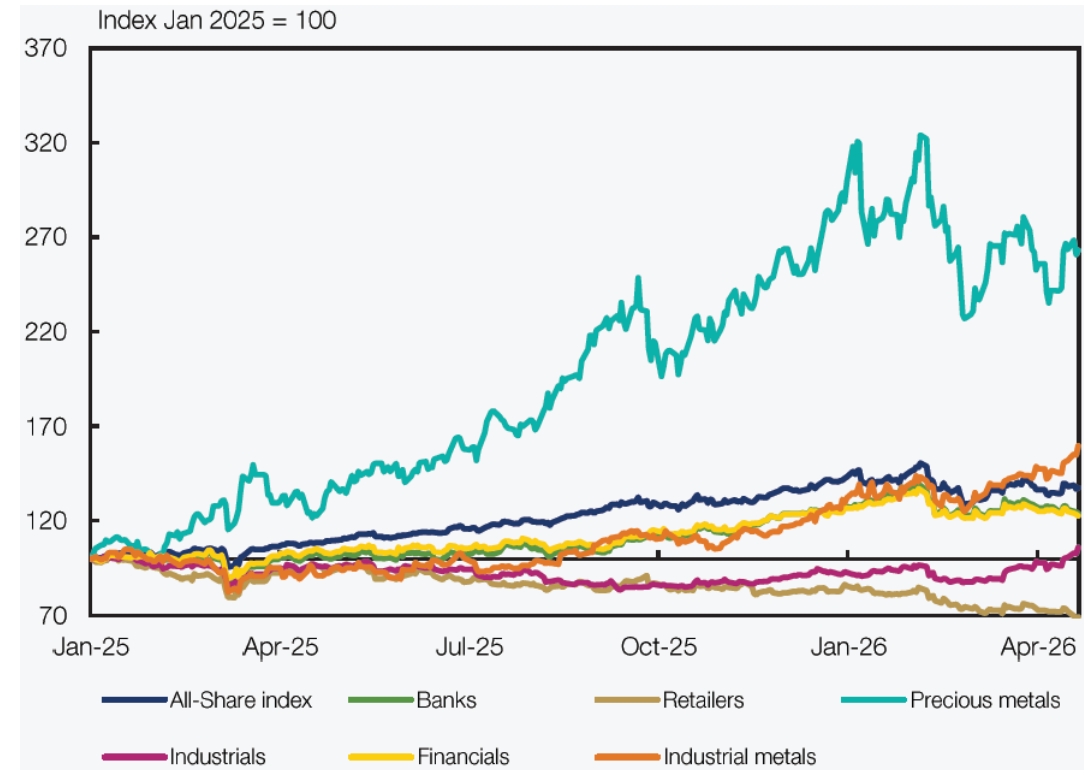


Intensified geopolitical conflict and policy uncertainty

JSE annual returns



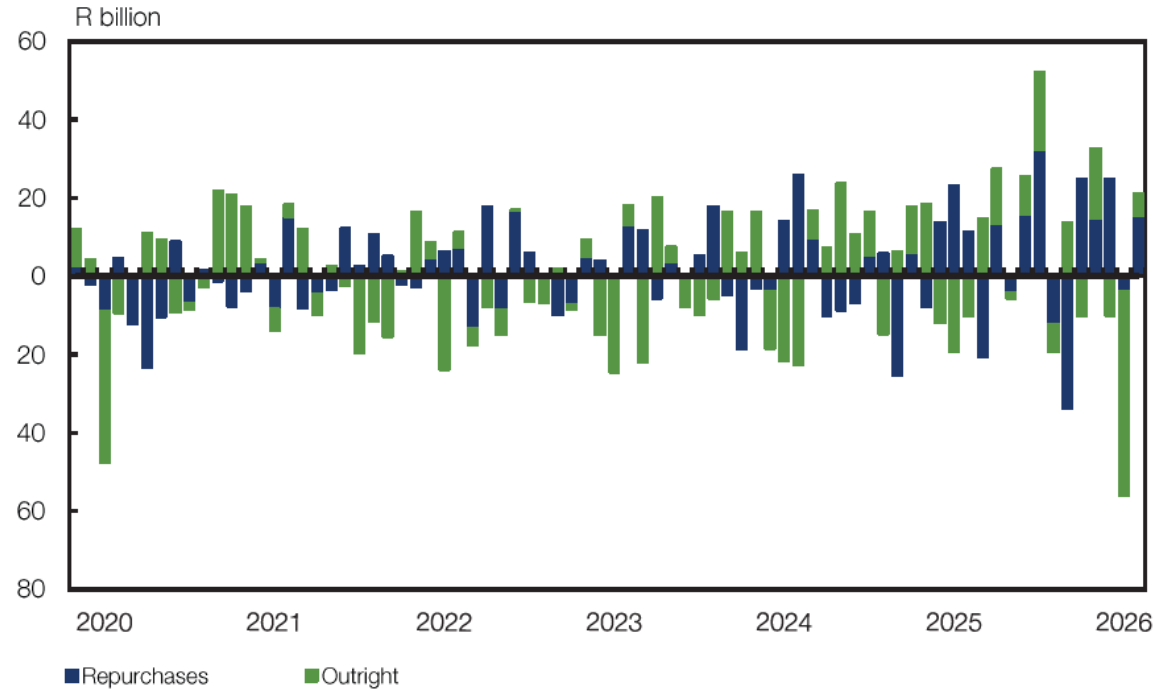
JSE sectoral performance



Source: Bloomberg

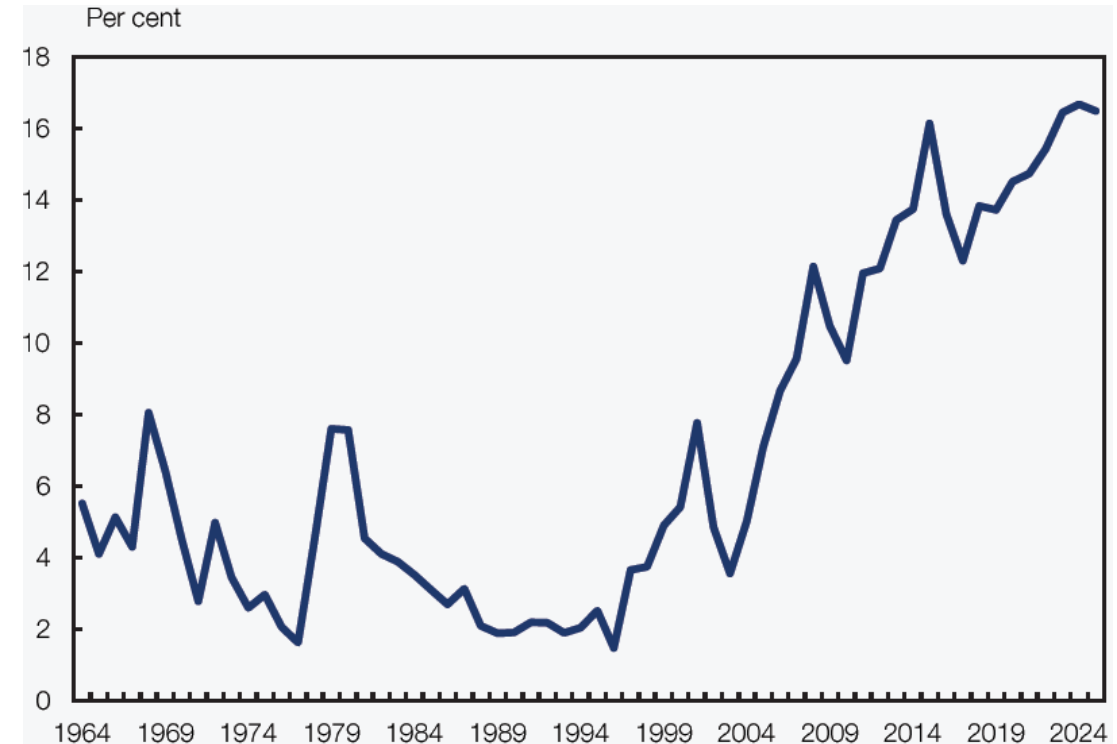
Rapid capital outflows amid heightened market uncertainty

Bond transactions by non-residents



Source: JSE

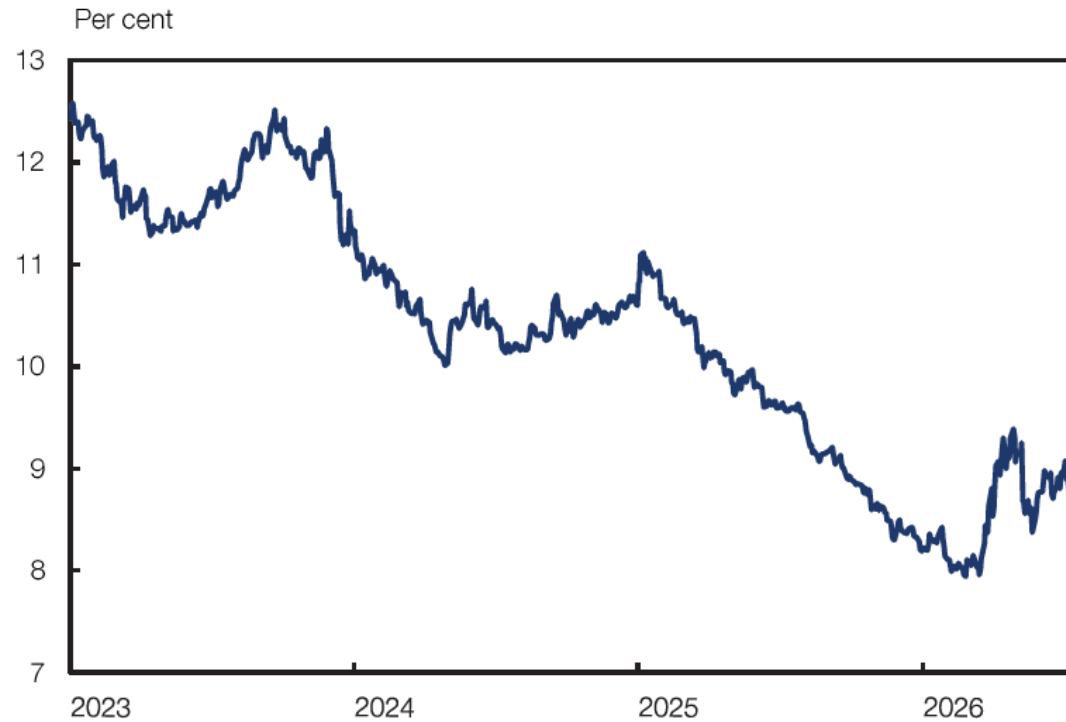
Gross gold and FX reserves as percentage of GDP



Source: SARB

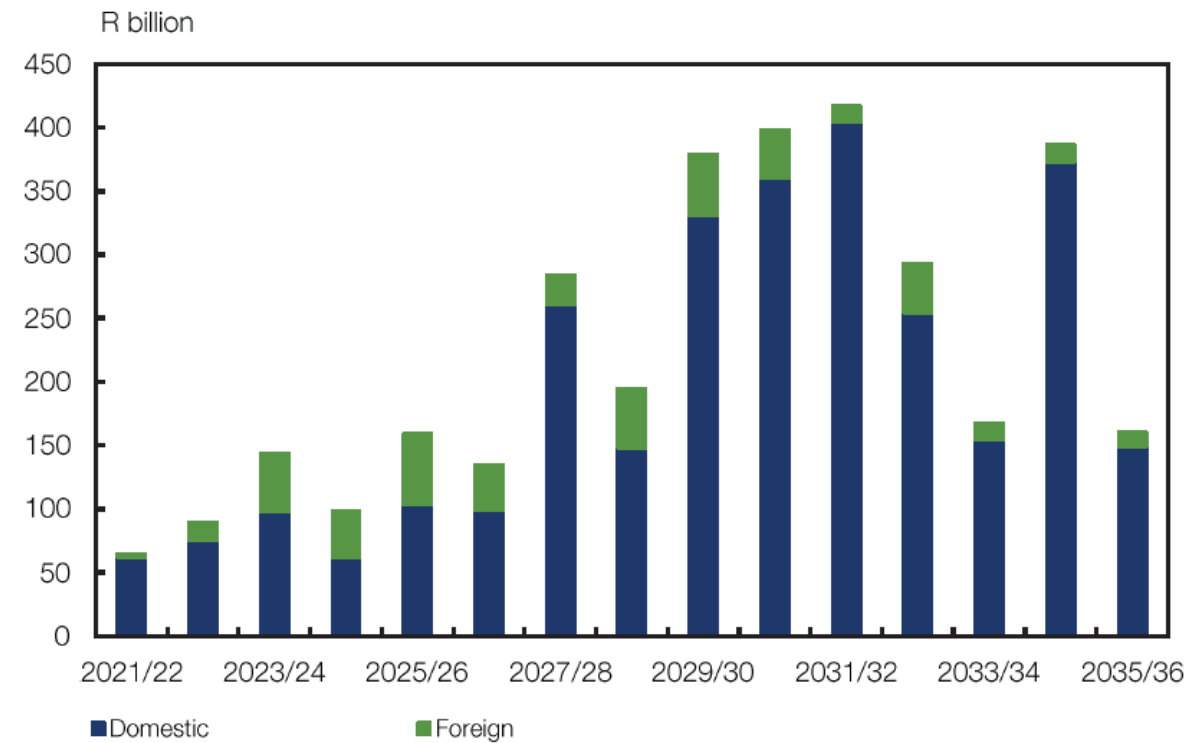
Unsustainable fiscal dynamics

10-year SA government bond yield



Source: Bloomberg

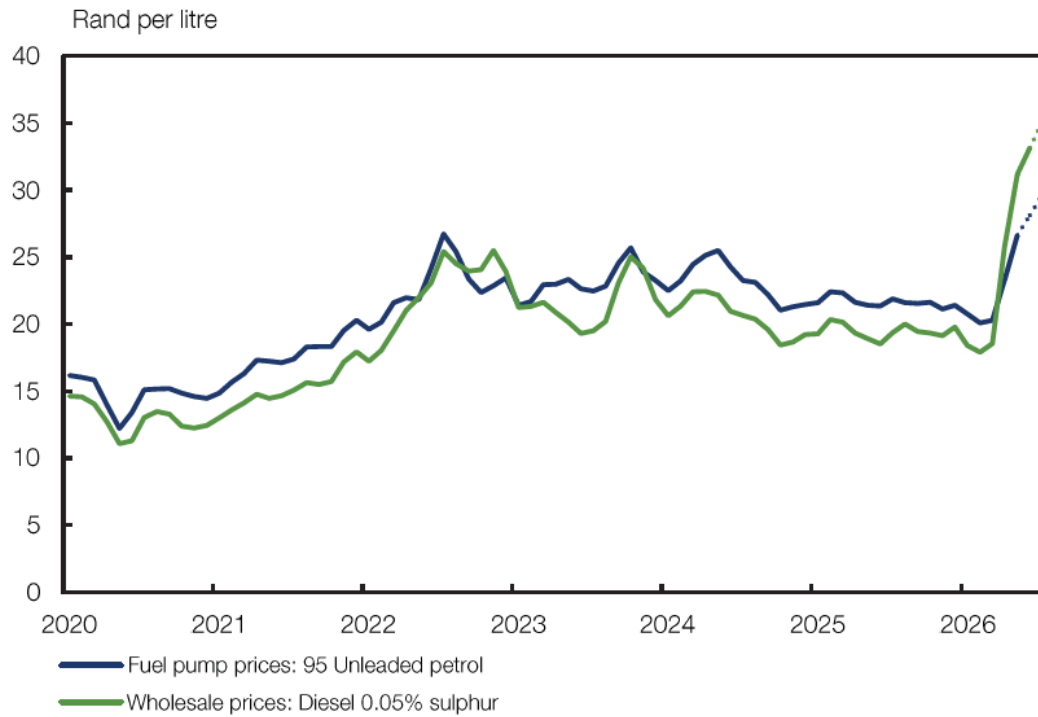
National Treasury debt maturity schedule



Source: NT

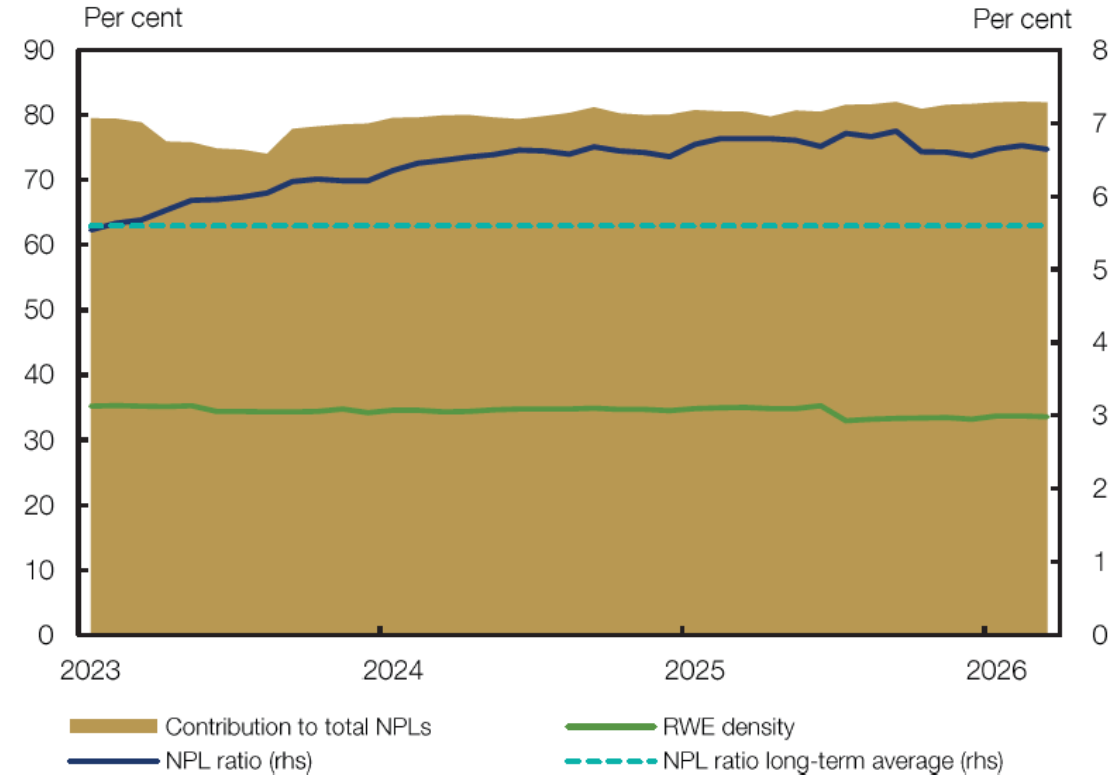
Increased financial distress in households

South African fuel prices



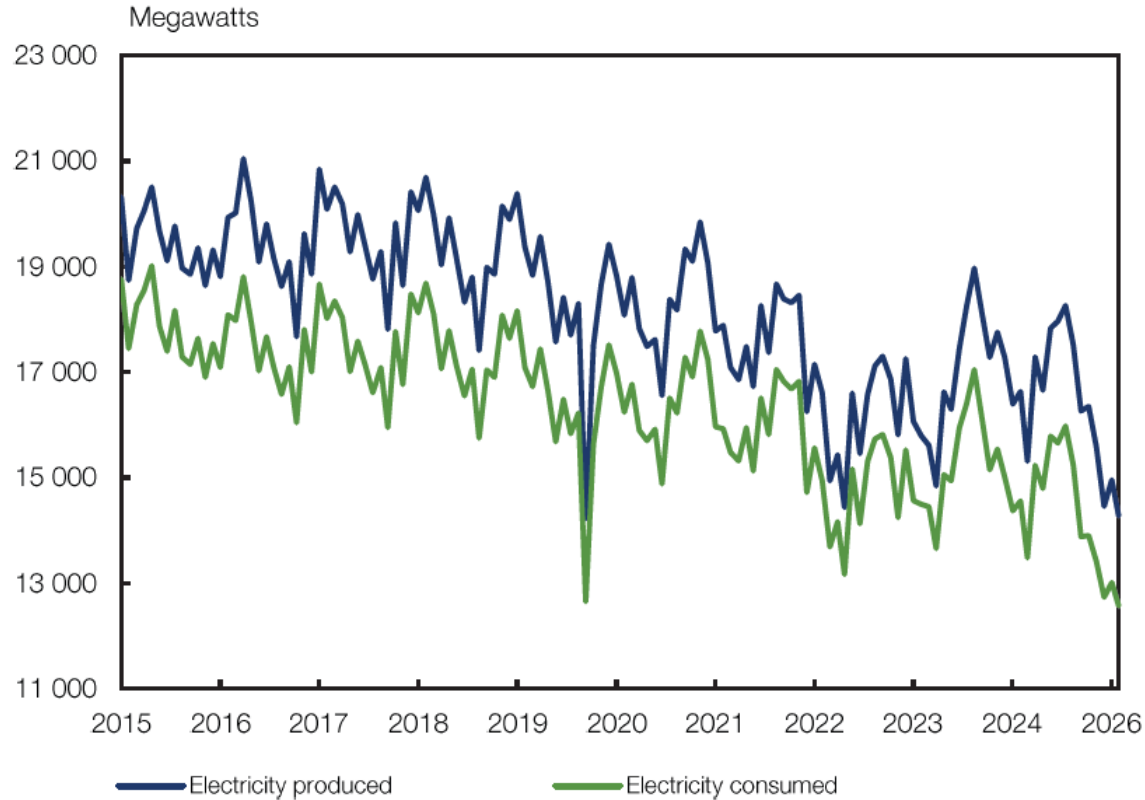
Source: SARB

NPLs for banks' retail portfolios

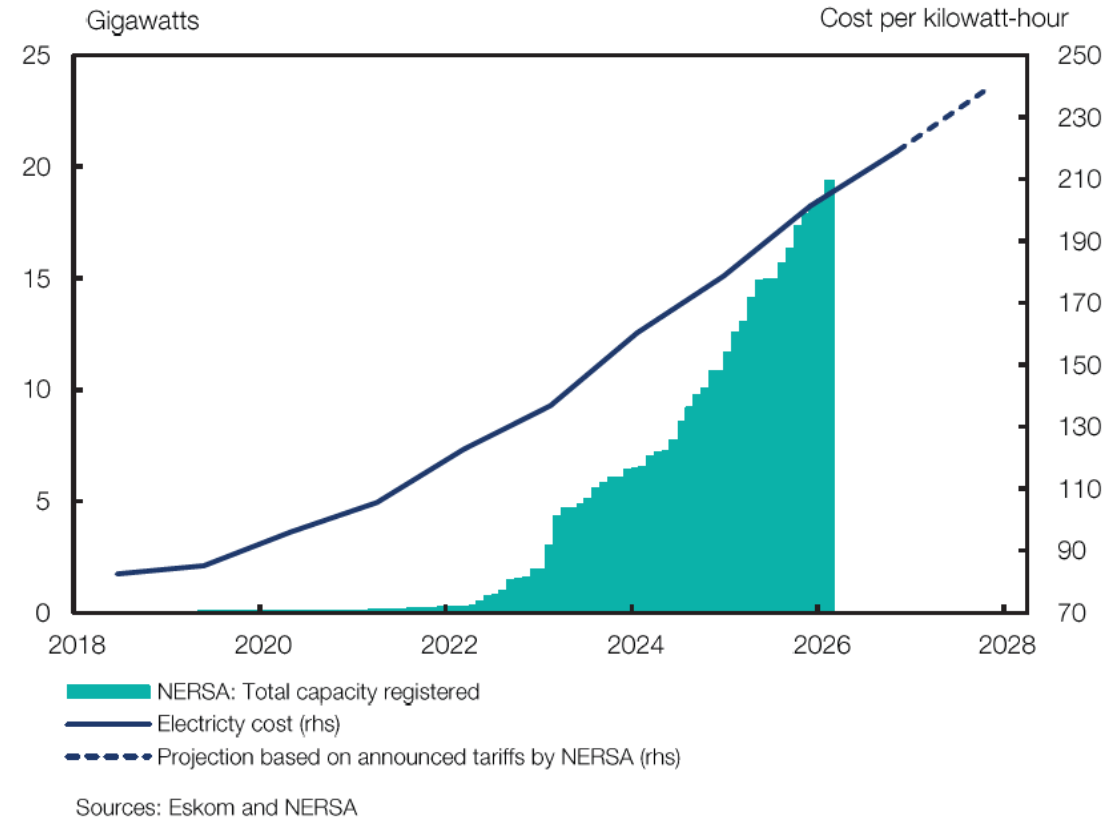


Disruption in critical physical infrastructure

Eskom: electricity produced vs consumed



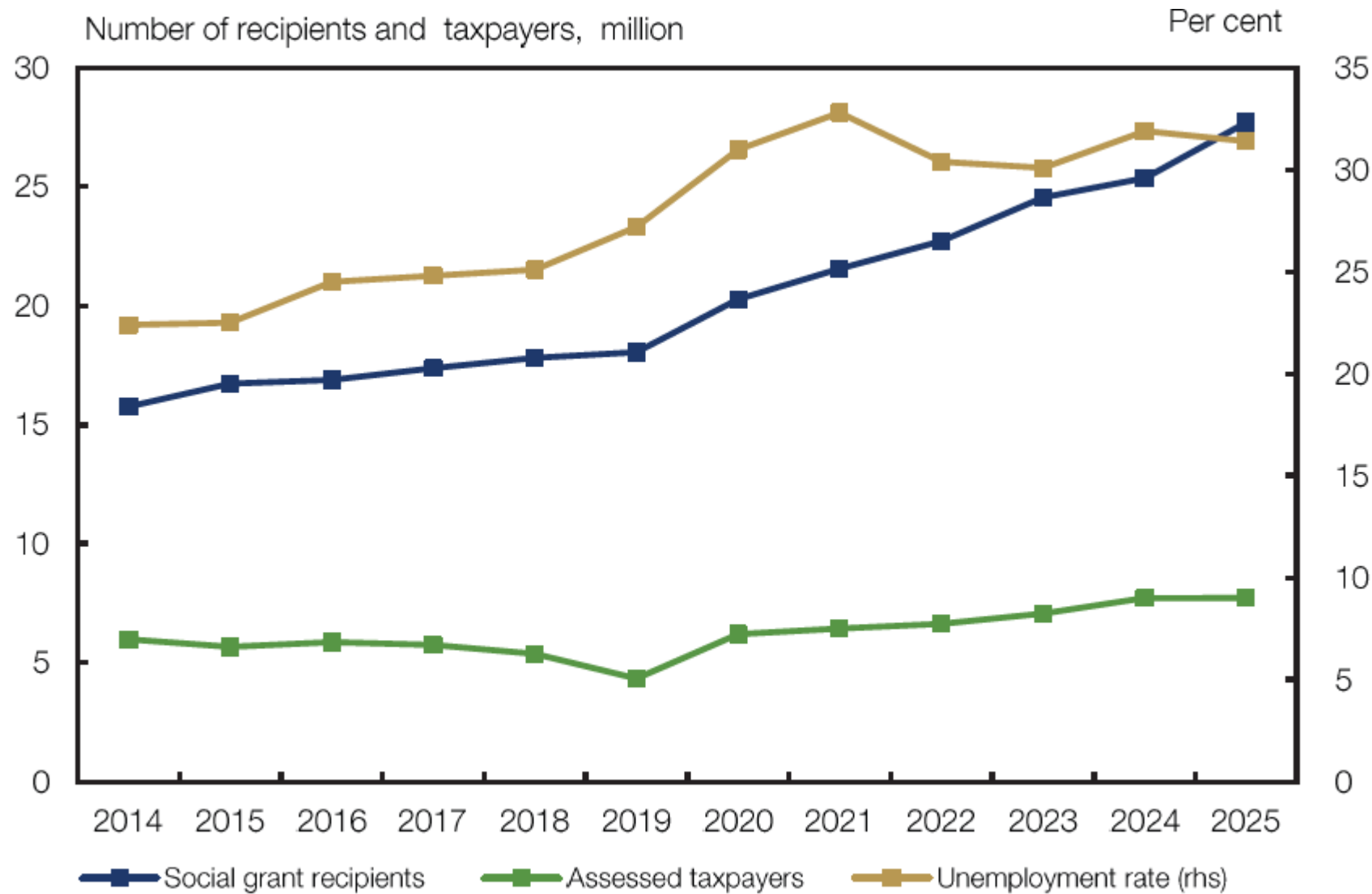
Eskom electricity price vs private generation capacity registered



■ NERSA: Total capacity registered
— Electricity cost (rhs)
- - - Projection based on announced tariffs by NERSA (rhs)

Sources: Eskom and NERSA

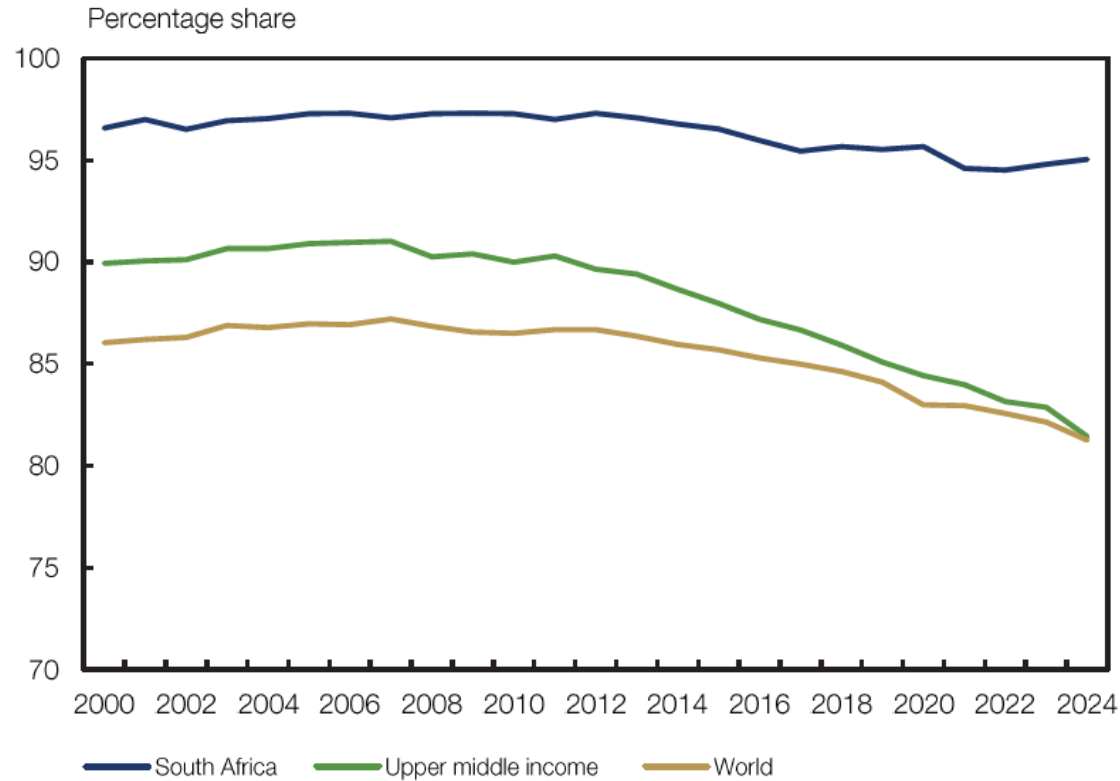
Low economic growth, inequality, financial exclusion and concentration



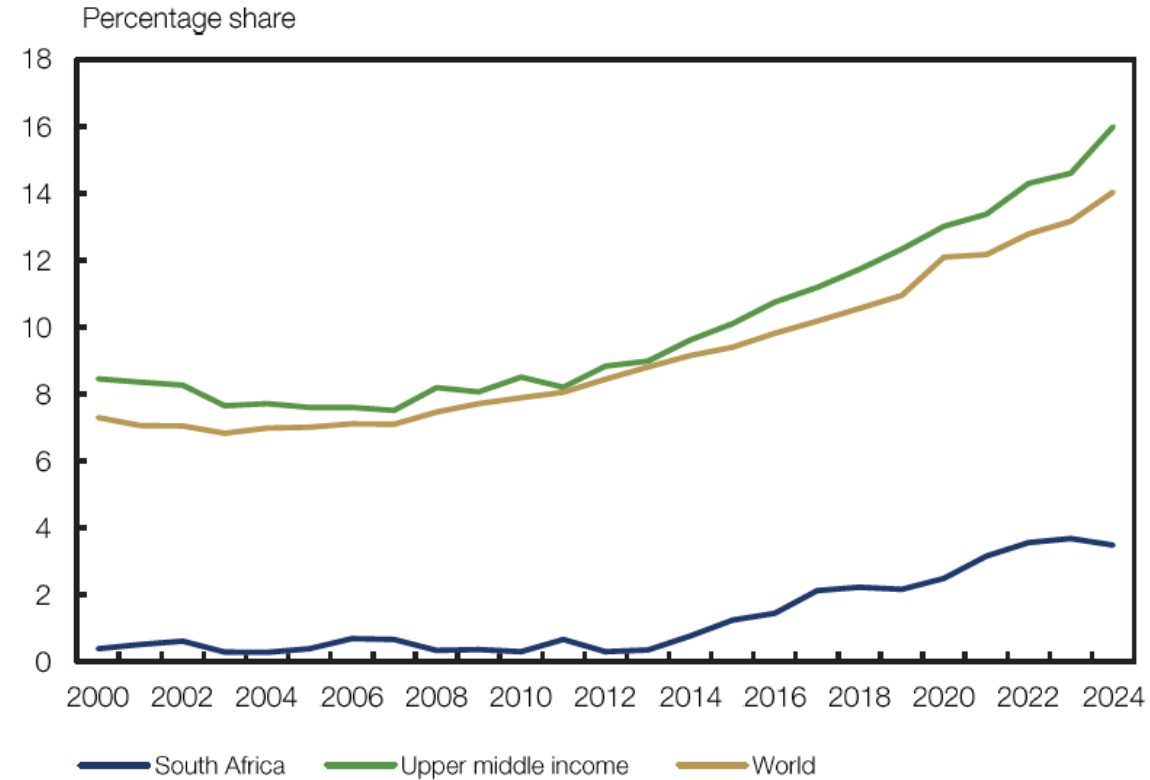
Sources: NT, DSD and SARS

The impact of climate change on the financial sector

Energy consumption: fossil fuels



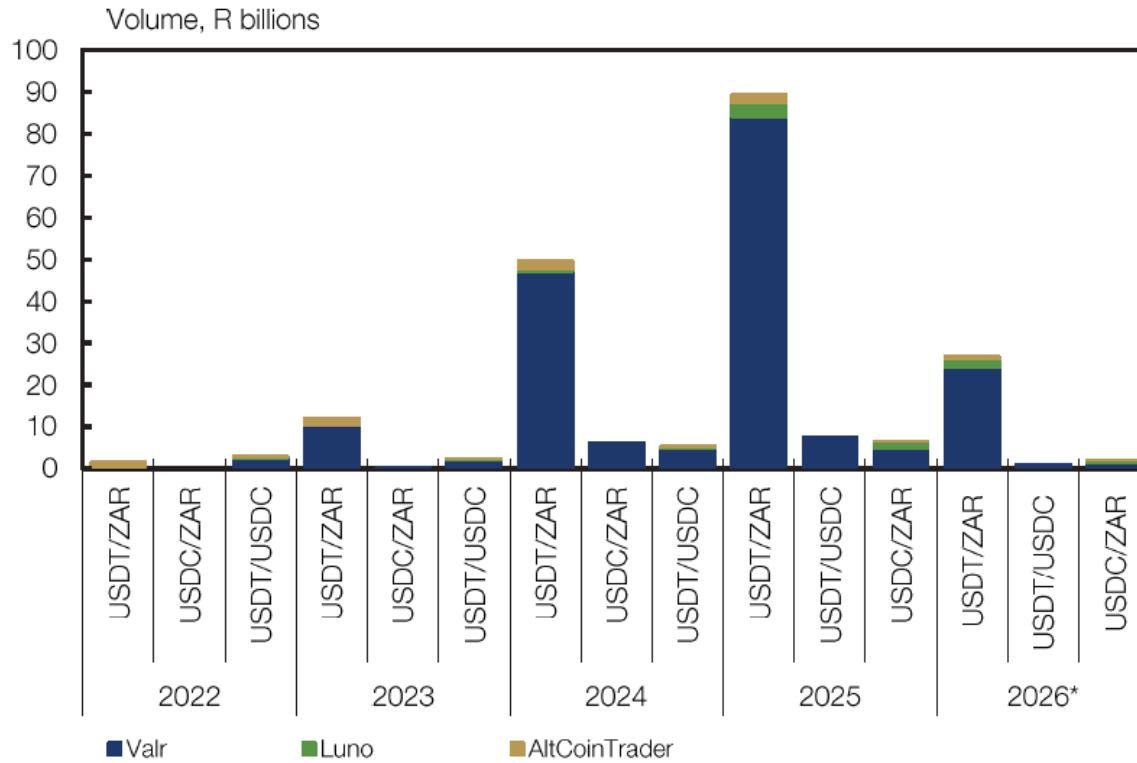
Energy consumption: renewables



Sources: International Energy Agency, United Nations Statistics Division, World Bank

Emerging risk: Stablecoins

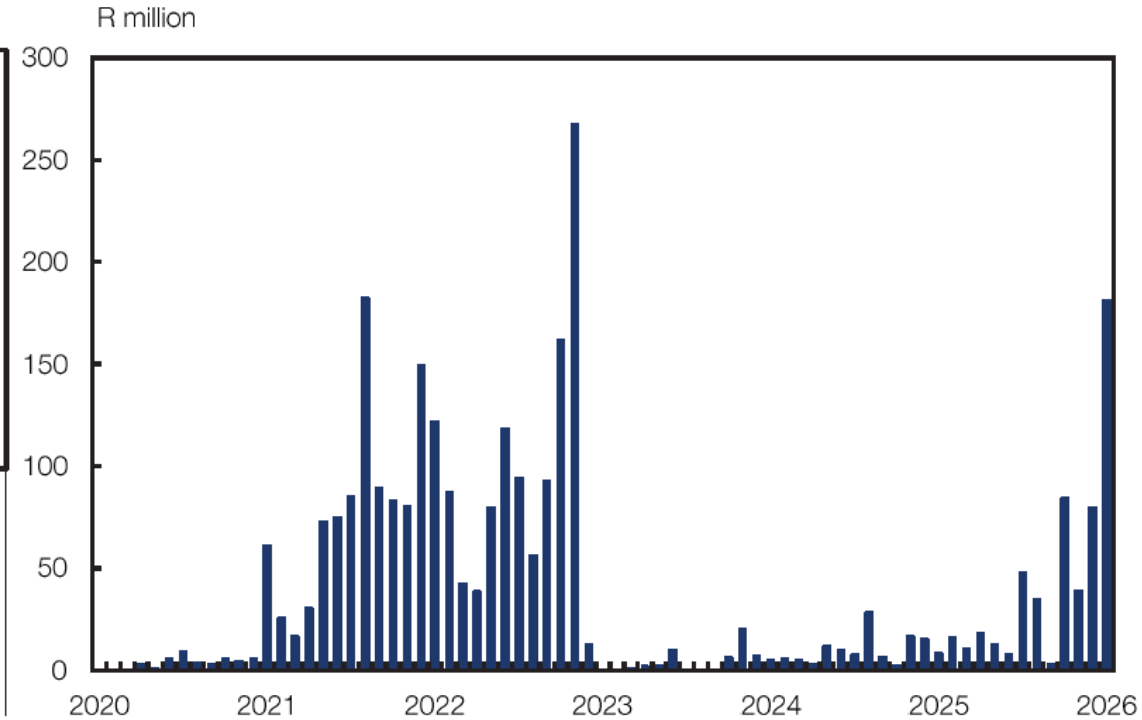
USD-pegged stablecoin activity on South African crypto asset trading platforms



*As at 30 April 2026

Source: Silver Sixpence

Rand-pegged stablecoins: on-chain transactions



Policy actions and initiatives to enhance financial stability, and financial stability assessment



Policy actions and initiatives to enhance financial stability

- Positive cycle-neutral (PCN) countercyclical capital buffer (CCyB): fully phased in by 1 January 2026
- Issuance of first Flac instruments in January 2026
- Decision to to make deposit facilities available to central counterparties by the end of 2026
- The SARB, through the FSCF, continued to strengthen system-wide operational resilience, enhance contingency and recovery arrangements for extreme disruption scenarios

Financial stability assessment

To quote the Governor:

- “Our financial system is nothing if not battle-tested.”
- “We are resilient and we have proven this repeatedly.”

Despite a long – and growing – list of vulnerabilities weighing on the financial stability outlook relative to the SARB’s assessment in November 2025, the South African financial system remains resilient.



THANK YOU



SOUTH AFRICAN RESERVE BANK