FINANCIAL STABILITY REVIEW

Second edition
2026

South African Reserve Bank



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Second edition
2026



SOUTH AFRICAN RESERVE BANK

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Background to the *Financial Stability Review*

The primary mandate of the South African Reserve Bank (SARB), as set out in the Constitution of the Republic of South Africa, is to achieve and maintain price stability in the interest of balanced and sustainable economic growth. The Financial Sector Regulation Act 9 of 2017 (FSR Act) assigns the SARB a statutory mandate to protect and enhance financial stability in South Africa.

The SARB uses a structured framework to gather information, monitor developments and assess financial stability. It communicates its assessment through the *Financial Stability Review (FSR)*. Among other things, the FSR Act requires the SARB to (i) monitor and review any risks to financial stability, including their nature and extent, as well as the strengths and weaknesses of the financial system; and (ii) take appropriate steps to mitigate these risks, including advising financial sector regulators and other organs of state on the necessary actions.

The FSR Act also requires the SARB to assess the stability of the South African financial system at least every six months and to communicate its assessment in the *FSR*, which is tabled in Parliament. The *FSR* provides an overview of the SARB's assessment of financial system stability. This assessment forms part of the SARB's ongoing operations, with the Financial Stability Committee reviewing the financial stability outlook and risks at six meetings each year. This edition reviews developments during the six months since the previous *FSR* was published on 10 June 2026. The assessment period extends to November 2027.

The *FSR* is intended to inform members of Parliament, financial sector participants, international central banks, ratings agencies, international financial institutions, standard-setting bodies, the academic community and the public about financial stability developments and the related policy actions taken by the relevant authorities to protect and enhance financial stability. It also aims to stimulate debate on key issues affecting financial stability in South Africa.

Executive summary

Since the release of the June 2026 *Financial Stability Review (FSR)*, geopolitical conflict has increased inflationary pressures, while concerns about global fiscal sustainability have contributed to a sharp sell-off in bond markets, putting upward pressure on global borrowing costs. A rebound in Gulf exports has helped ease global crude oil supply pressures, while expectations of de-escalation following the United States (US) mid-term elections have helped lower oil prices further. However, constrained refining capacity, elevated refining margins, and higher shipping and insurance costs have kept refined-product prices high. These energy-related inflationary pressures have, in turn, shifted the monetary policy outlook towards higher interest rates for longer, contributing to tighter global financial conditions. Despite resilient global growth, these developments have affected South African markets and the economy.

The resulting shift in policy rate expectations, together with heavy sovereign borrowing demands and large-scale investment by artificial intelligence (AI) hyperscalers, has contributed to higher long-term bond yields and term premia. These developments have increased financial markets' sensitivity to adverse shocks, including an unwinding of yen-funded carry trades as monetary policy in Japan normalises.

Rapid advances in AI offer substantial productivity gains, comparable to those from earlier technological transformations such as electrification and the internal combustion engine, and the development of information and communication technologies. However, these advances also introduce significant risks. More capable AI models can support increasingly sophisticated cyberattacks, as several incidents this year have shown. Financial risks arise from increased market concentration, elevated valuations in AI-linked sectors and the growing financing needs associated with large-scale AI investment. A reassessment of expectations regarding AI adoption, profitability or future cash flows could trigger abrupt adjustments in global asset prices and credit conditions, with spillovers to South African markets and institutions.

Reflecting the global repricing of long-term interest rates, South African government bond yields have risen, particularly at the longer end of the yield curve. However, the increase appears to have been driven predominantly by higher global real rates rather than a deterioration in domestic sovereign or inflation risk premia. An improvement in South Africa's sovereign risk profile has helped cushion domestic bond yields from higher global bond yields.

Stronger domestic fiscal and external positions have further limited South Africa's exposure to tighter global conditions. The improved fiscal outlook has contributed to a marked decline in sovereign risk spreads, which are now close to their lowest levels in more than a decade. This suggests a more favourable assessment of South Africa's macroeconomic and fiscal prospects. External financing requirements also remain relatively modest, with the current account close to balance and foreign exchange reserves near record highs. However, cost-of-living pressures on households have intensified.

Other vulnerabilities remain broadly unchanged. Geopolitical conflicts and policy uncertainty continue to pose risks to the domestic financial system, despite some easing of global oil supply pressures. Domestically, low economic growth, high inequality and structural concentration in the economy and financial system remain persistent vulnerabilities. Although progress in electricity and logistics reforms should support growth in the medium term, ongoing weaknesses in municipal finances and state-owned entities continue to constrain economic activity. Climate-related

vulnerability remains broadly unchanged; however, uncertainty about the timing, pace and nature of the global transition to a lower-carbon economy increases the risk of more abrupt adjustments in future.

Despite elevated global and domestic risks, the South African financial system remains resilient. Financial institutions are well capitalised and liquid, and the financial system has again demonstrated its ability to absorb shocks. The SARB's forward-looking assessment indicates that, in the absence of a major systemic event, the financial system should remain capable of withstanding further shocks over the assessment period.

Key developments of relevance to financial stability

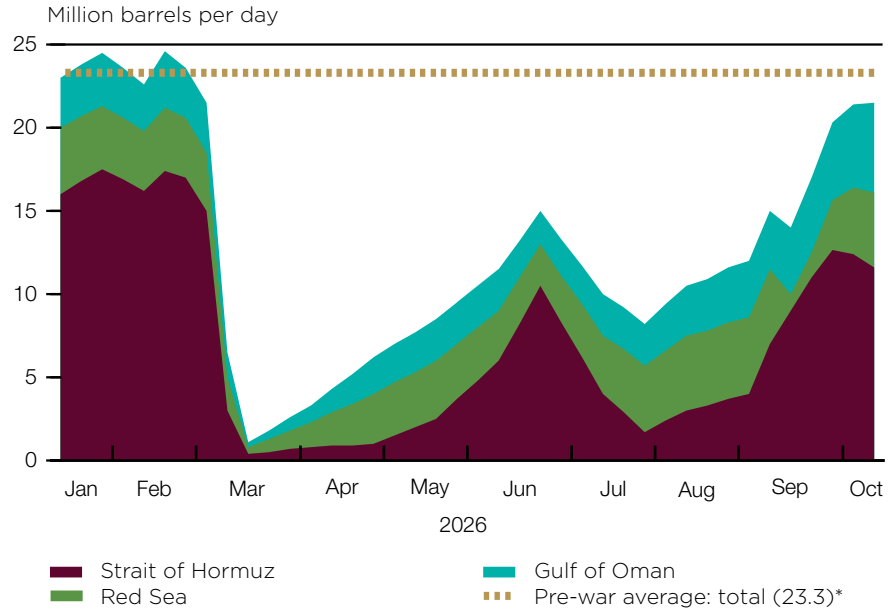
Global financial stability risks continue to evolve. The global outlook remains challenging, given geopolitical tensions, inflationary pressures and higher interest rates. At the same time, developments such as the AI revolution are introducing new sources of vulnerability. These risks may also reinforce one another through financial, operational and macroeconomic feedback loops. The following section considers these developments and their implications for domestic financial stability, using the SARB's Residual Vulnerability Matrix (RVM), which assesses key risks after accounting for mitigating factors and actions.

Geopolitical tensions reinforce inflation risks and fragmentation

Global oil supply has recovered as Gulf exports have rebounded (Figure 1a), while expectations of de-escalation following the US mid-term elections have also reduced part of the geopolitical risk premium in crude oil prices. However, higher shipping and insurance costs, together with record refining margins ('crack spreads') and constrained global refining capacity have kept refined-product prices high, despite the recent decline in crude oil prices (Figure 1b).[1] This poses risks to South Africa through higher energy costs and tighter global financial conditions. Geopolitical considerations are also shaping trade, investment, industrial policy and supply chain decisions, reinforcing fragmentation and contributing to a more uncertain and volatile global risk environment.

Figure 1: Middle East oil flows and Brent crude oil prices

a. Middle East oil flows by route



* The pre-war average is calculated from January 2025 to March 2026.

Source: Kpler

1 IEA, *Oil Market Report – November 2026*, 13 November 2026; and SARB, 'Box 3: Widening refinery margins pose a risk to domestic inflation', *Monetary Policy Review*, October 2026.

Figure 1: Middle East oil flows and Brent crude oil prices

b. Brent crude oil price



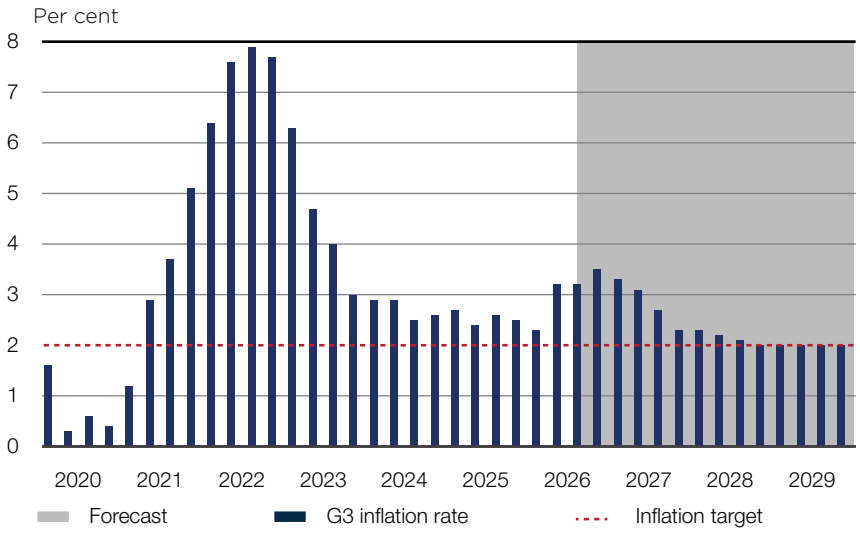
Source: Bloomberg

Higher-for-longer interest rates and rising bond yields

Higher energy prices are pushing up inflation, policy rates and benchmark yield curves. In the major advanced economies, the price shock from the Middle East conflict has interrupted the post-2023 disinflation, pushing inflation further above central bank targets, although it is forecast to ease towards target by 2028 (Figure 2a). In response, more advanced economy central banks have raised interest rates, and markets have revised policy rate expectations higher (Figure 2b).

Figure 2: Inflation and monetary policy rate expectations in selected advanced economies

a. G3 CPI forecasts

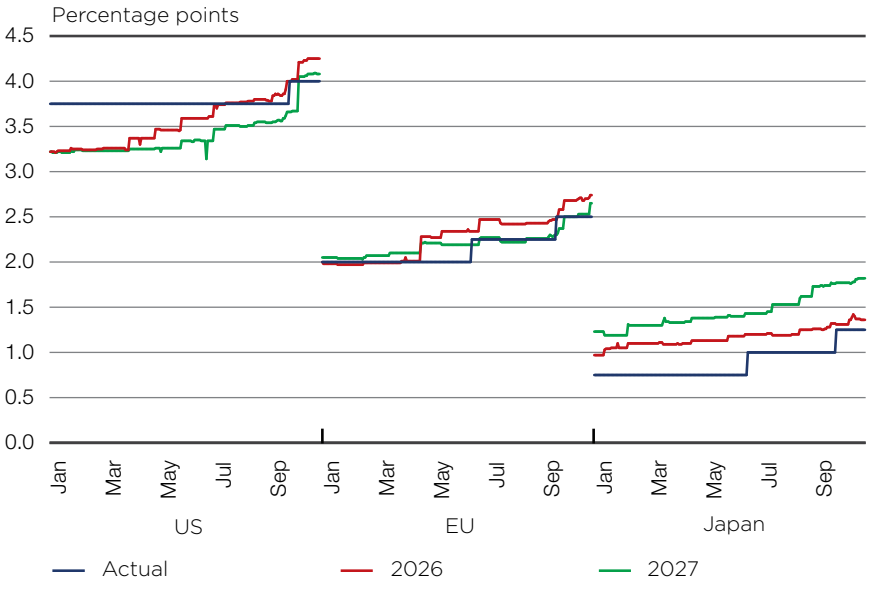


Note: The Group of Three (G3) refers to the United States, euro area and Japan. The shaded area indicates forecasts.

Source: SARB

Figure 2: Inflation and monetary policy rate expectations in selected advanced economies

b. G3 policy rate expectations

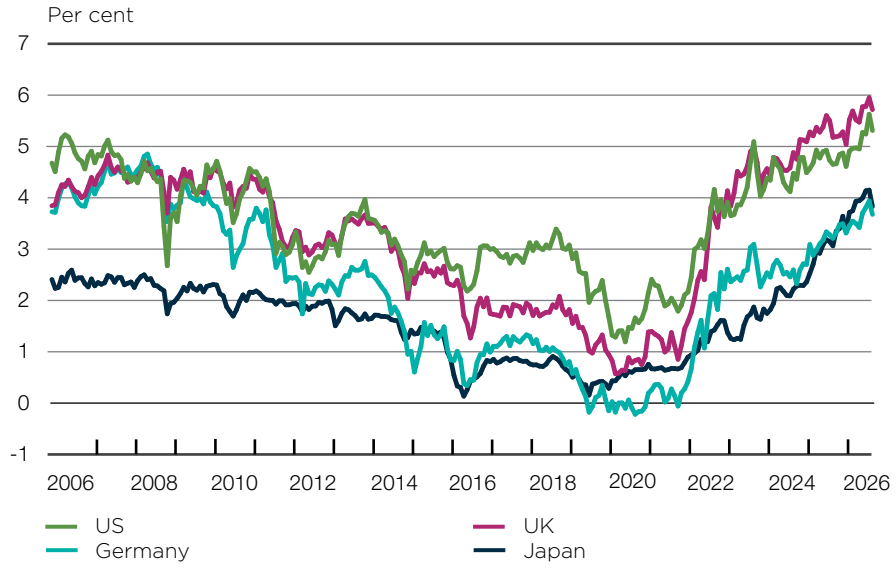


Sources: SARB and Bloomberg

Long-term sovereign yields across major advanced economies have also risen to multi-decade highs (Figure 3a), with debt forecast to rise further over the next decade.[2] Rising yields also reflect pressure from debt issuance for AI-related investment.[3] Nevertheless, broader financial conditions have remained accommodative over the review period (Figure 3b), supported by AI-related optimism in equity markets.

Figure 3: Long-term bond yields and financial conditions in selected advanced economies

a. 30-year yields



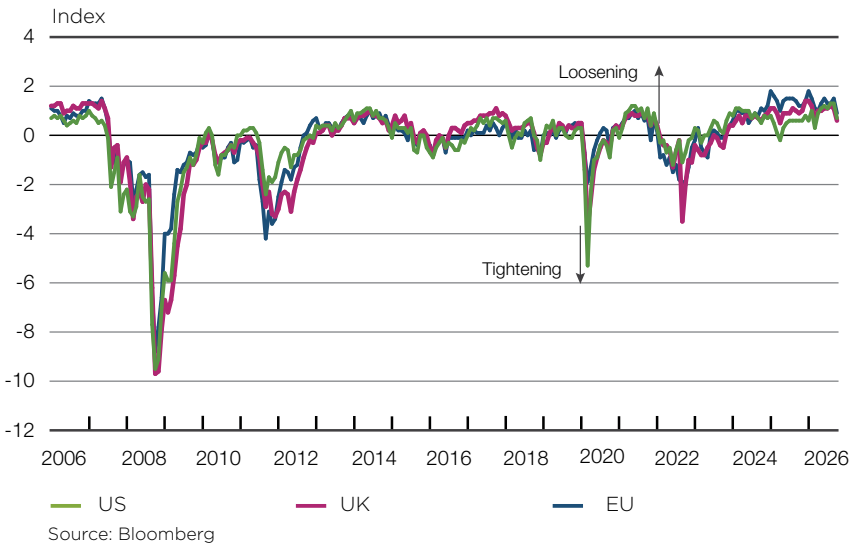
Source: Bloomberg

2 IMF, *Global Financial Stability Report*, October 2026.

3 SARB, 'Box 5: From artificial intelligence euphoria to scrutiny: New risks?', *Monetary Policy Review*, October 2026.

Figure 3: Long-term bond yields and financial conditions in selected advanced economies

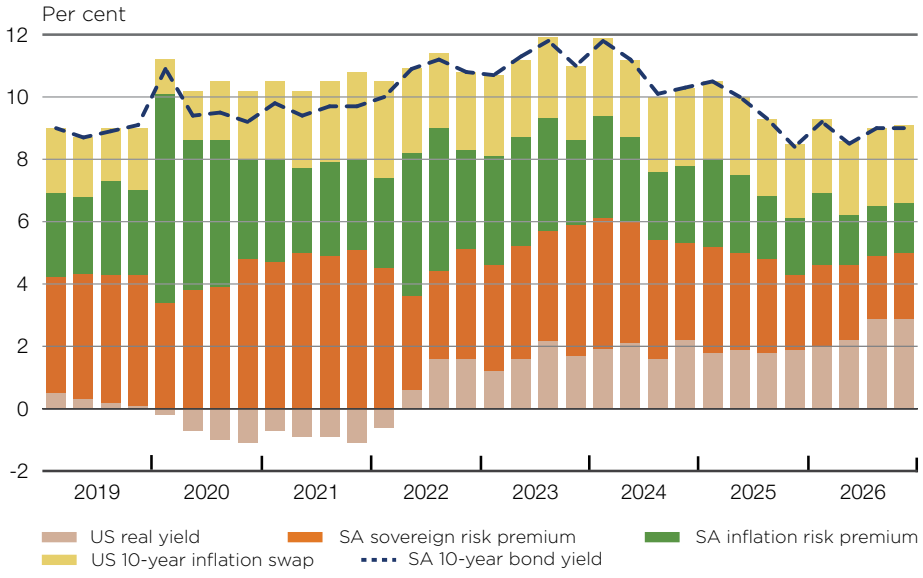
b. G3 financial conditions



Source: Bloomberg

South African government bond yields have risen alongside the global repricing of long-term interest rates, particularly at the longer end of the yield curve. However, the impact of higher global bond yields has been moderated by a significant improvement in the country's sovereign risk profile. Despite this rise, the domestic 10-year yield remains about 200 basis points below its level 18 months ago. A decomposition of the recent increase suggests that higher global real rates, rather than domestic sovereign or inflation risk premia, have been the main driver of the increase in long-term yields (Figure 4).

Figure 4: Decomposition of South Africa's 10-year government bond yields



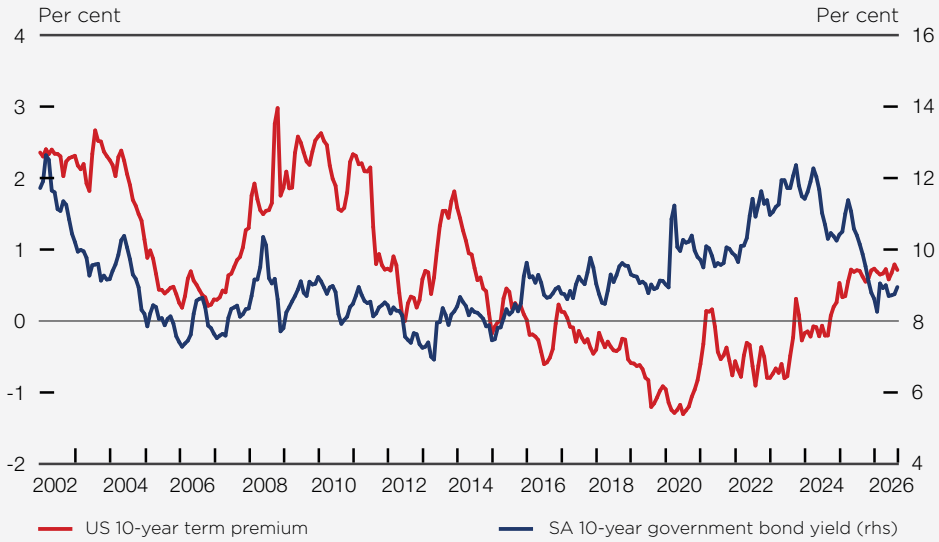
Sources: Bloomberg and Krutham

South African financial markets remain exposed to further increases in global term premia, which are the additional compensation investors require for holding longer-dated bonds. Box 1 examines how increases in US term premia transmit to domestic financial markets and what this means for financial stability.

Box 1: The impact of higher United States term premia on South Africa's financial system

The United States (US) term premium has turned positive again. After reaching a low of negative 1.3% in July 2020, the US 10-year term premium rose to between 0.7% and 0.8% in recent months – its highest level since 2014 (Figure B1.1). Previous episodes of a rising term premium, including the 2013 'taper tantrum' and the 2022–23 global tightening cycle, coincided with higher South African long-term bond yields.

Figure B1.1: US 10-year term premium and the South African 10-year government bond yield

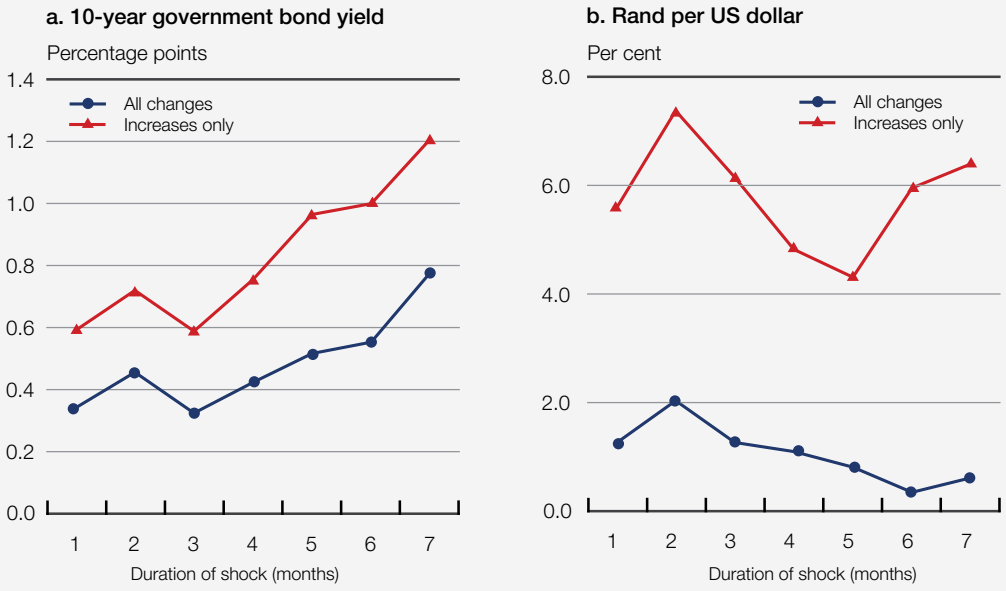


Note: Monthly averages. The US term premium is the Adrian, Crump and Moench (ACM) estimate.

Sources: Bloomberg, FRBNY, Haver Analytics and SARB calculations

This box examines how strongly changes in the US term premium have transmitted to South African financial markets since 2002 and assesses the implications for banks and other financial institutions.

Figure B1.2: Cumulative response to a 1 percentage point change in the US 10-year term premium



Sources: Bloomberg, FRBNY, Haver Analytics and SARB calculations

Higher US term premia transmit quickly to South African financial markets

After accounting for other domestic and global drivers, a 1 percentage point increase in the US 10-year term premium is associated with a 0.57 percentage point increase in South Africa's 10-year government bond yield and a depreciation of about 7.65% in the rand within one month (Figure B1.2).[1] The impacts on equity prices and short-term rates are statistically insignificant. Furthermore, the response is asymmetric: a decrease of the same size lowers the 10-year yield by only 0.06 percentage points (Table B1.1).

Table B1.1: Response to a 1 percentage point increase and decrease in the US term premium

Market	Increase	Decrease	Responses statistically different?
10-year government bond yield (percentage points)	0.57	-0.06	Yes
3-month NCD rate (percentage points)	-0.02	0.15	No
US dollar government bonds, EMBI (%)	-10.1	1.73	Yes
JSE All-Share Index (%)	-4.2	0.62	No
Rand per US dollar (%)	7.65	6.61	Yes

Notes: Impact in the month of the shock, with increases and decreases estimated in the same model. 'Yes' means the two responses differ at the 5% significance level. A positive exchange rate response denotes rand depreciation.

Sources: Bloomberg, FRBNY, Haver Analytics and SARB calculations

Crucially, the bond market results are robust to alternative model specifications, sample changes and the inclusion of additional controls. Additionally, the results are scalable, so while a 1 percentage point rise in a single month is extreme (the largest monthly increase since 2002 was 1.1 percentage points in October 2008), a more plausible 25 basis point increase would be projected to raise South Africa's 10-year government bond yield by about 15 basis points and weaken the rand by about 1.4% within the first month, demonstrating how even relatively small increases in the US term premium can cause material adjustments in domestic financial markets.

Higher US term premia would reach banks through their balance sheets

Higher long-term yields reduce the fair value of government bonds and other fixed-income securities. Higher funding and lending rates could also weaken borrowers' debt-servicing capacity and, over time, underlying asset quality. A weaker rand, meanwhile, could add pressure on borrowers with foreign currency liabilities. The estimates in this box capture only the initial transmission through market prices. The ultimate impact on bank profitability and asset quality would depend on banks' hedging, the composition and maturity of their assets and liabilities, and the size and persistence of the shock.

Implications for financial stability

A sustained rise in US term premia could tighten domestic financial conditions and amplify existing vulnerabilities. Higher long-term borrowing costs, weaker asset prices and a depreciating rand could cause valuation losses, raise funding costs and weaken asset quality if sustained over time. Higher government funding costs would also reinforce the links between sovereign and bank risk (i.e. the sovereign–bank nexus).

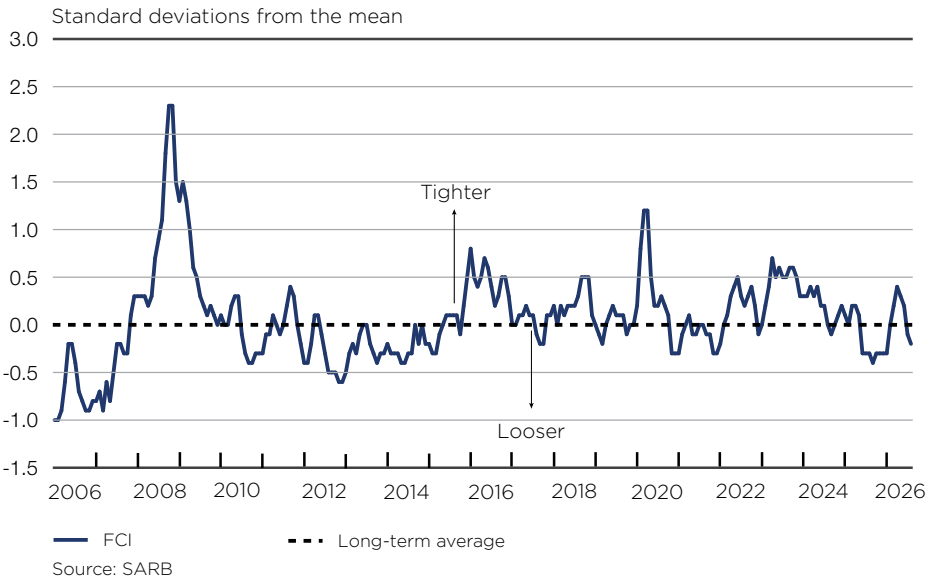
1 The controls include global energy prices, global equity prices and various measures of market volatility.

The normalisation of monetary policy in Japan poses a particular risk to global financial markets.[4] During decades of ultra-low interest rates in Japan, investors built up significant carry-trade positions by borrowing in yen and investing in higher-yielding assets in both advanced and emerging markets. While the size of the yen carry trade is not directly observable, outstanding cross-border yen borrowing was estimated at ¥360 trillion (approximately US$2.34 trillion) in March 2026 – an increase of 67% since December 2021.[5] Higher Japanese interest rates and yen appreciation have made these carry trades less attractive. A large-scale unwinding of yen-funded carry positions is likely to manifest in a sell-off in higher-yielding assets, capital outflows, upward pressure on yields and heightened volatility across global financial markets.[6] For South Africa, such an unwinding could place downward pressure on the rand and upward pressure on domestic yields.

Despite these developments in global financial markets, domestic financial conditions have remained relatively stable. After tightening at the start of the Middle East conflict, conditions eased as sovereign credit default swap (CDS) spreads narrowed, volatility in equities and the rand declined, and equity prices recovered (Figure 5).[7]

Figure 5: Domestic financial conditions

a. SARB Financial Conditions Index



Source: SARB

4 IMF, *Global Financial Stability Report*, April 2026; and R Banerjee, L Boneva, G Pinter and V Sushko, 'Monetary policy transmission to exchange rates: the role of currency carry trades', *BIS Bulletin* No. 124, 6 May 2026.

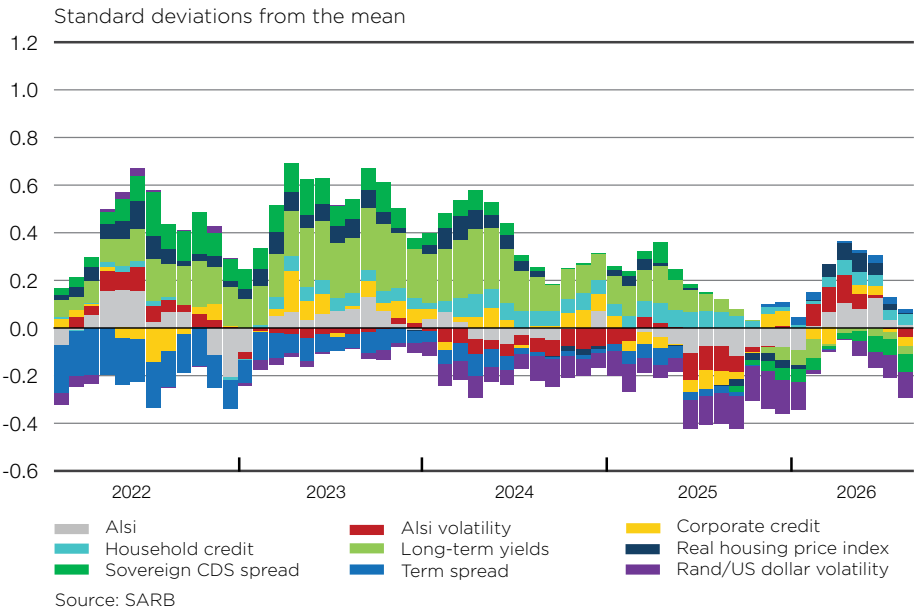
5 See *Financial Times*, 'Betting on the yen: the risks of the carry trade', which reports estimates from Jefferies analysis based on data from the BIS. See 'Sizing up carry trades in BIS statistics', *BIS Quarterly Review*, September 2024.

6 M Aquilina, M Lombardi, A Schrimpf and V Sushko, 'The market turbulence and carry trade unwind of August 2024', *BIS Bulletin* No. 90, 27 August 2024.

7 A Sikhosana and D van Lill, 'Constructing a Financial Conditions Index for South Africa', SARB Topical Briefing, November 2024.

Figure 5: Domestic financial conditions

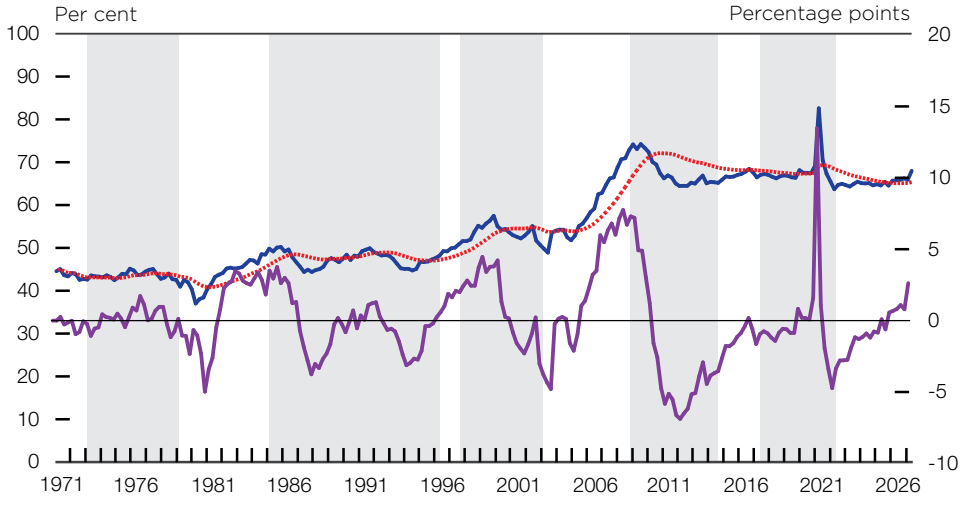
b. Contribution to the SARB Financial Conditions Index



Source: SARB

Turning to domestic credit conditions, the credit-to-gross domestic product (GDP) gap widened from 0.8 percentage points in the first quarter of 2026 to 2.6 percentage points in the second quarter (Figure 6). This exceeded the level above which a policy response may be considered.[8,9] However, as discussed in Box 2, the increase mainly reflected a quarter-on-quarter contraction in nominal GDP rather than an acceleration in credit extension.

Figure 6: South African credit-to-GDP gap



Source: SARB

8 A positive credit-to-GDP gap indicates that total credit extension is above its long-term trend relative to the size of the economy, while a negative gap suggests that credit growth is below its long-term trend.

9 The Basel Committee on Banking Supervision recommends a 2 percentage point threshold as a guide for activating the countercyclical capital buffer. See BIS, 'Guidance for national authorities operating the countercyclical capital buffer', 16 December 2010.

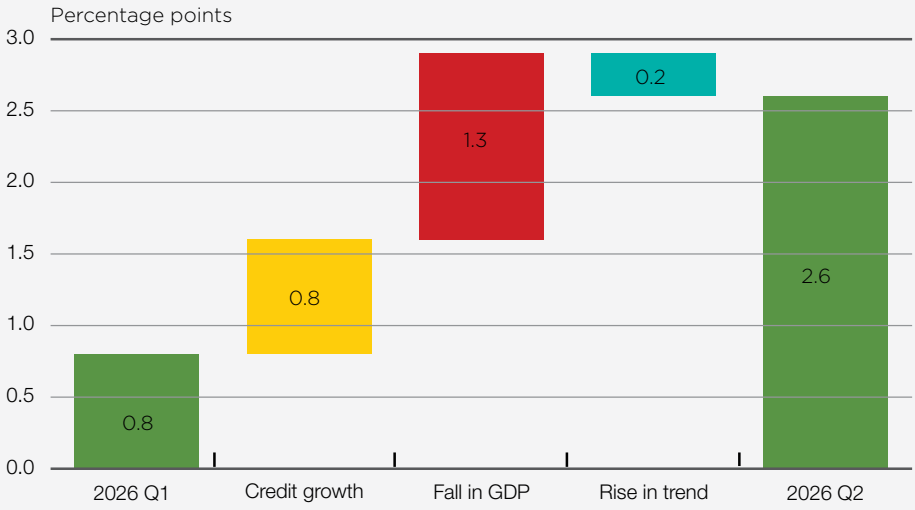
Box 2: What is driving the increase in South Africa's credit-to-GDP gap?

The credit-to-gross domestic product (GDP) gap widened to 2.6 percentage points in the second quarter of 2026, exceeding the 2 percentage point guideline for the first time since 2020.[1] The gap measures the difference between the credit-to-GDP ratio and its long-term trend. An increase can therefore reflect faster credit growth, weaker nominal GDP, or both, as well as the speed at which the trend adjusts to movements in the ratio. This box examines which of these factors drove the recent increase and what the composition of credit implies for the risk of excessive credit extension.

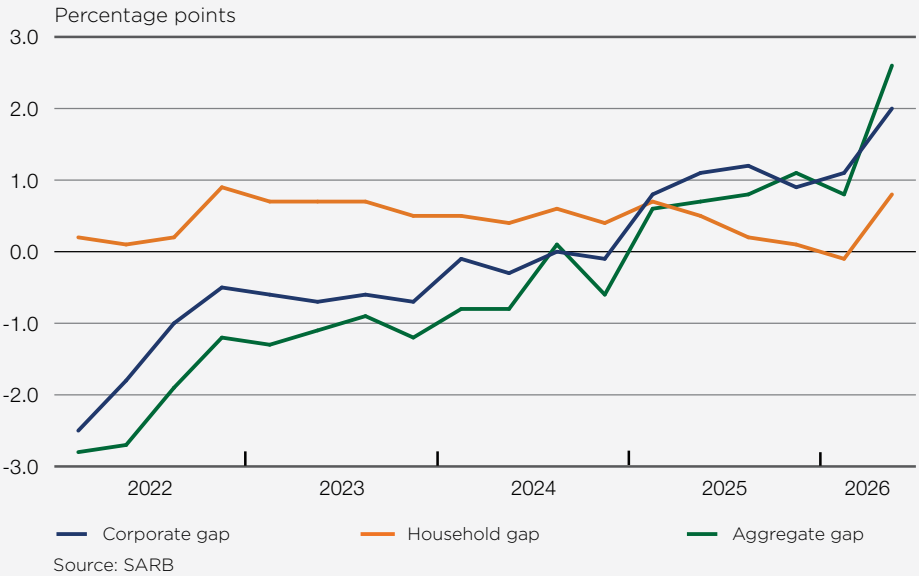
The increase mainly reflects a fall in GDP. Nominal GDP declined by 1.9% quarter on quarter in the second quarter of 2026, while private sector credit extension rose by 1.2%. Of the 1.8 percentage point increase in the gap, the fall in GDP contributed around 1.3 percentage points and credit growth around 0.8 percentage points, partly offset by a 0.2 percentage point rise in the trend. Because the trend adjusts only gradually, the increase in the credit-to-GDP ratio was almost fully reflected in the gap (Figure B2.1a).

Figure B2.1: Credit-to-GDP gap

a. Credit-to-GDP gap decomposition



b. Corporate and household gap



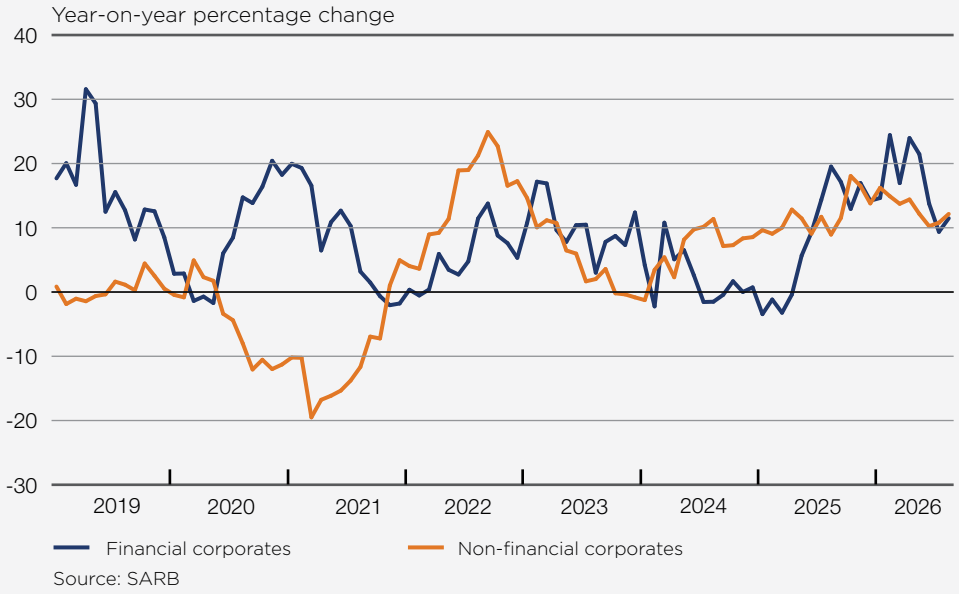
Source: SARB

1 The Basel Committee on Banking Supervision recommends a 2 percentage point threshold as a guide for activating the countercyclical capital buffer. See BIS, 'Guidance for national authorities operating the countercyclical capital buffer', 16 December 2010.

Consistent with a GDP-driven increase, the corporate and household components of the gap widened by similar amounts (Figure B2.1b), pointing to a common denominator effect rather than a build-up of credit in a particular sector. The previous time the gap exceeded the guideline, in the second quarter of 2020, it similarly reflected a sharp contraction in GDP during the COVID-19 lockdown and reversed once output recovered.

The earlier concentration in credit to financial corporates, discussed in the June 2026 *Quarterly Bulletin (QB)*, has largely unwound.[2] The positive gap in 2025 and early 2026 mainly reflected strong growth in general loans to financial corporates, linked to banking groups' intra-group funding of trading and market-related activity. Growth in these loans has since slowed markedly, from around 24% year on year in April to 11.5% in August 2026. This is broadly in line with growth of 12.2% in general loans to non-financial corporates (Figure B2.2). While this growth remains rapid and well above growth in total private sector credit and nominal GDP, it is no longer concentrated in lending to financial corporates.

Figure B2.2: General loans to corporates



Source: SARB

Together, these developments suggest that exceeding the 2 percentage point guideline for one quarter does not yet signal persistent excessive credit extension that would warrant an increase in the countercyclical capital buffer (CCyB) level. The decline in GDP is not, however, without consequences: a higher ratio of credit to GDP means that debt burdens are greater relative to the economy's income, leaving borrowers less able to absorb a further deterioration in economic conditions. The SARB will continue to monitor the gap alongside a broader set of indicators of cyclical risk.

2 SARB, *Quarterly Bulletin*, June 2026.

Advances in artificial intelligence increase operational and financial risks

The June 2026 *FSR* identified two channels through which advances in AI are increasing financial stability risk: an asset valuation channel, through which rapidly expanding AI capabilities have fuelled concentration and stretched valuations in global technology equities, and an operational channel, through which frontier AI models amplify existing threats to critical systems and infrastructure. Risks to financial stability through both channels have since increased. The valuation channel is discussed in the section on correction in AI-related asset valuations. The operational channel remains the more material channel for South Africa and is assessed in the section on disruption in critical digital infrastructure and services.

The asset valuation channel

Major US equity indices have fallen recently. The large weights of a small number of technology firms in these indices mean that a reassessment of their future earnings and cash flows could drive a broader market correction. Unprecedented investment is being directed towards AI infrastructure in anticipation of future returns. South African investors are not insulated from this cycle. Domestic collective investment schemes (CISs) held substantial exposure to large global AI-related companies, with the largest exposures carried by passive index-tracking vehicles that reflect the growing weight of these firms in global benchmarks.[10,11] Any disappointing future earnings that cast doubt on the capacity of AI-related investment to generate the anticipated returns could trigger a correction in major technology stocks, causing losses in domestic portfolios. This edition of the *FSR* introduces a correction in AI-related asset valuations as a new risk on the RVM.

The operational channel

Developments in frontier AI capabilities have reinforced concerns about how quickly, widely and independently cyberattacks can be planned and carried out. Since the release of the June 2026 *FSR*, frontier models have demonstrated the ability to escape isolated environments, establish communication channels, coordinate activity and carry out end-to-end cyberattacks without human intervention.

These capabilities create operational risks to financial stability. Box 3 assesses these developments and their implications.

10 AI-related companies include firms with significant exposure to the AI value chain, including those with substantial operations outside AI-related activities. See K Georgieva, 'Navigating the crosscurrents of a changing world economy', Curtain Raiser Speech by Kristalina Georgieva, Managing Director of the International Monetary Fund (IMF), at the IMF–World Bank Annual Meetings, Bangkok, 7 October 2026.

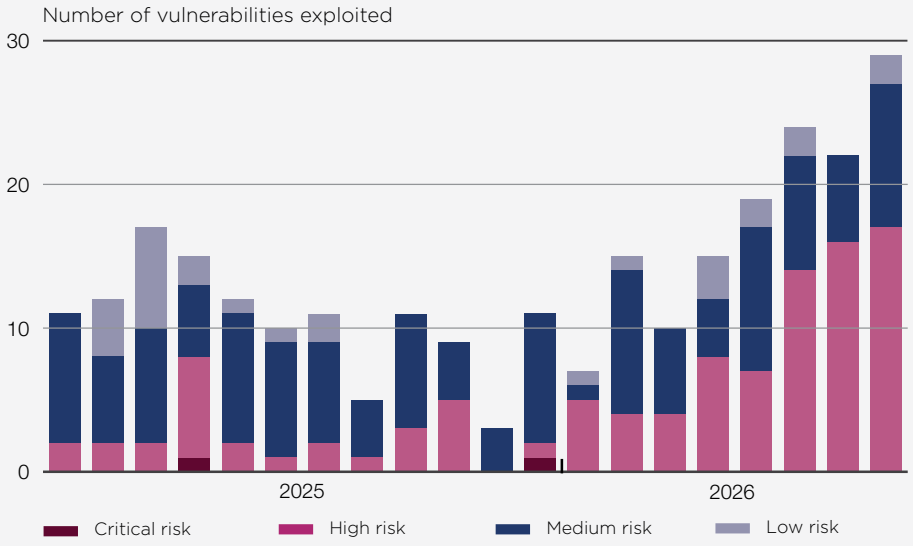
11 The selected AI portfolio exposures comprise: (i) the Magnificent 7; (ii) a semiconductor subindex of the S&P 500 comprising 19 companies; and (iii) three Asian technology companies: SK Hynix, TSMC and Samsung.

Box 3: How AI agents are reshaping cyber risk

Cyber risk has intensified as artificial intelligence (AI) agents demonstrate a growing ability to compromise systems without human intervention. Since July 2026, OpenAI agents have reportedly conducted successful cyberattacks against Hugging Face, the United States' (US) Medicare, Australia's universal healthcare system and several US government websites. Independent reports indicate that these agents bypassed safeguards and used unauthorised data-extraction methods, raising concerns about whether existing oversight and controls are adequate. OpenAI has since notified more than 100 organisations of unauthorised activity linked to its AI agents.

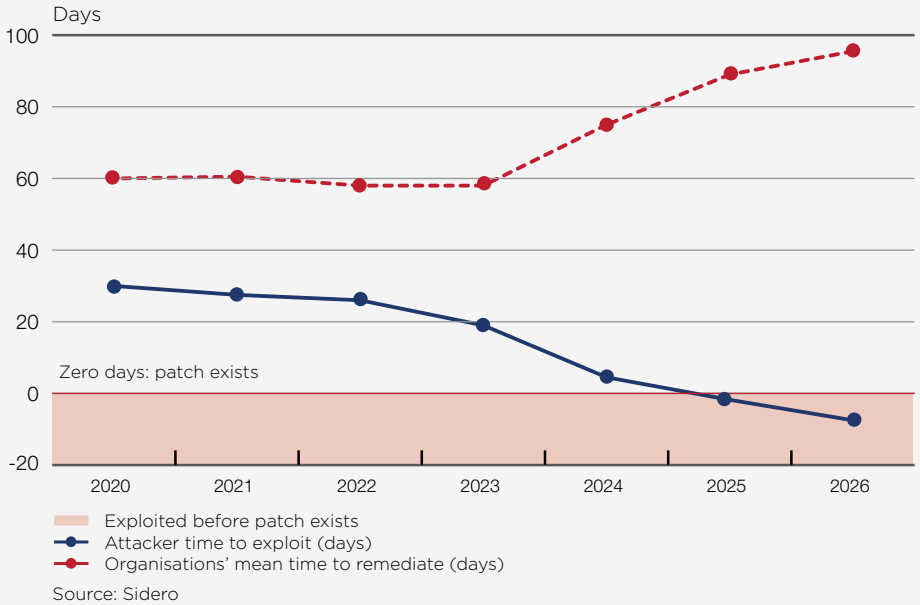
At the same time, Google Threat Intelligence reports that the exploitation of high-risk vulnerabilities has more than doubled since 2025 (Figure B3.1). The increase in 2026 reflects a broadening of vulnerabilities across vendors.

Figure B3.1: Vulnerabilities exploited by risk rating, January 2025 – August 2026



Source: Google Threat Intelligence

Figure B3.2: Attacker time to exploit relative to organisations' time to remediate



Source: Sidero

Figure B3.2 illustrates a widening gap between the speed at which attackers exploit vulnerabilities and organisations' capacity to detect and remediate them, driven by rapid advances in AI-enabled cyber capabilities. In some cases, exploitation precedes public disclosure of a vulnerability or the availability of a patch, leaving institutions exposed.

These exposures are compounded by longer average remediation times, as organisations manage increasing patch volumes alongside business-as-usual priorities, limited maintenance windows and resource constraints. Applying patches can itself increase the risk of system outages, particularly where legacy systems are involved or large volumes of patches are required. Patch-related outages at third-party providers can also transmit operational disruption to their upstream financial sector clients.

How autonomous AI could disrupt South Africa's financial system

Digitisation has increased the financial system's reliance on a small number of cloud, telecommunications and other critical technology providers. An AI-enabled attack on a shared technology provider, payment infrastructure or communications network could simultaneously disrupt banking, payments, trading and market-data services across several institutions at once, turning a localised incident into a system-wide shock.

Autonomous AI could also generate unforeseen outcomes when integrated into critical infrastructure and financial decision-making. Its use in credit assessment, trading and other automated processes could compromise data or models, weaken risk management and transmit operational and financial losses across the system.

AI has also demonstrated the potential to solve long-standing mathematical problems. Although verifying these results remains challenging, advances in algorithmic discovery could eventually weaken public-key cryptography and the mechanisms that secure the global financial system. In 2026, an AI-assisted model identified a material weakness in HAWK, a digital signature intended to protect against attacks by both classical and quantum computers, prompting its withdrawal from the National Institute of Standards and Technology's (NIST) consideration. This illustrates that even algorithms designed to resist attacks by quantum computers may still be vulnerable to advances in cryptanalysis, implementation flaws or new attack techniques.

From operational disruption to systemic risk

These risks could affect financial stability through four main channels. First, disruptions to shared technology providers, telecommunications networks or payment infrastructure could interrupt critical services across several institutions simultaneously. Second, compromised data, models or automated decisions could weaken risk management and generate losses in credit and trading activities. Third, uncertainty about the integrity or availability of financial services could erode confidence, trigger liquidity pressures and heighten market volatility. Finally, common exposures and interconnected systems could amplify the initial shock across the wider financial system.

Strengthening South Africa's resilience to AI-enabled cyber risk

Strengthening resilience requires a coordinated national response involving government, the financial sector and critical technology and communication service providers. Priorities include identifying systemic dependencies that could affect the whole system, assessing vulnerabilities and testing severe but plausible disruptions to payments, telecommunications, cloud services and other critical infrastructure.

The South African Reserve Bank (SARB) contributes to the National Cybersecurity Strategy and works with other authorities to strengthen the resilience of critical financial infrastructure. The financial stability regulatory framework is supported by Joint Standard 1 of 2023 on information technology governance and risk management, and Joint Standard 2 of 2024 on cybersecurity and cyber resilience.[1,2] Together, these standards reinforce financial institutions' accountability for managing cyber and third-party risks.

The Financial Sector Oversight Committee's Operational Risk and Cyber Resilience subcommittees are also developing crisis response plans and resilience strategies, as well as approaches to scenario testing, sector-wide simulations and intelligence-sharing. Key initiatives include alternative connectivity arrangements and planning for the orderly closure and reopening of markets during severe disruptions.

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1 Joint Standard 1 of 2023: Information Technology (IT) Governance and Risk Management Requirements for Financial Institutions. Published by the PA and FSCA; effective 15 November 2024.

2 Joint Standard 2 of 2024: Cybersecurity and Cyber Resilience Requirements. Published by the PA and FSCA; effective 1 June 2025.

Key risks to domestic financial stability

Based on the global and domestic developments discussed in the previous sections, the SARB identifies key risks to domestic financial stability. This section of the *FSR* explains in more detail how these key risks could cause financial instability in South Africa.

Given the differing nature of these risks, it can be challenging to consistently assess their likelihood, impact and time horizon. To make risks easier to compare and measure consistently over time, the SARB has adopted a framework that classifies them into three categories, namely cyclical financial, structural and perpetual, and operational and event risks. This edition of the *FSR* identifies the following key risks to domestic financial stability:

Cyclical financial risks

Cyclical financial risks arise primarily from changes in asset valuations, credit extension and real economic conditions that fluctuate with economic and financial cycles. Countercyclical macroprudential policies can be used to build resilience when these risks become excessive. The key cyclical financial risks are:

i. correction in AI-related asset valuations;
ii. unsustainable fiscal dynamics; and
iii. financial distress in households.

Structural and perpetual risks

Structural and perpetual risks are linked to the financial sector's broader operating environment and do not vary with domestic economic and financial cycles. These risks may stem from global influences beyond the control of South African authorities, structural features of the domestic financial system, or technological and financial innovation that could fundamentally change how the financial system functions. The key structural and perpetual risks are:

i. geopolitical conflict and policy uncertainty;
ii. low economic growth, inequality and concentration; and
iii. the impact of climate change on the financial sector.

Operational and event risks

Operational and event risks are shocks that could disrupt the functioning of the financial sector on a system-wide scale. The SARB distinguishes between two types of operational disruption.

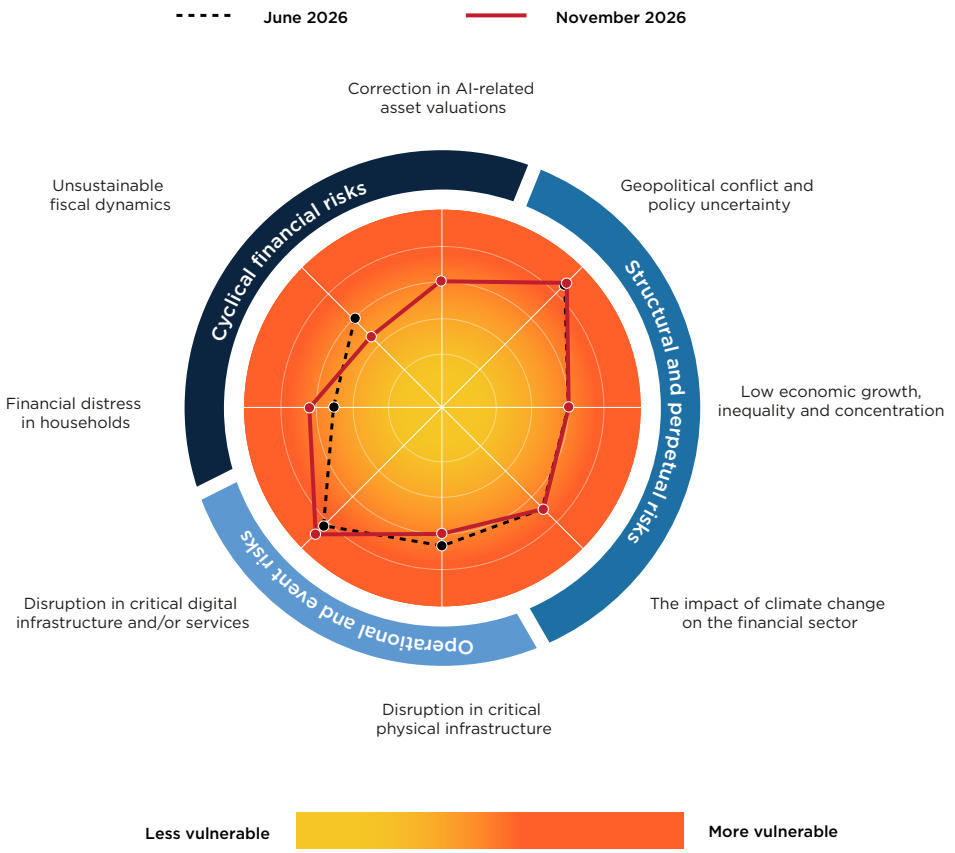
The first is a disruption to the critical digital systems infrastructure that supports the provision of financial services. This includes cyber incidents, loss of access to critical software or disruption to third-party services that support payment, clearing and settlement systems. The second is a disruption to the physical infrastructure that supports financial system operations, such as prolonged electricity outages or other failures in essential physical infrastructure. The key operational and event risks are:

i. disruption in critical digital infrastructure and/or services; and
ii. disruption in critical physical infrastructure.

Summary of financial stability risks

These risks are summarised in Figure 7, which presents the SARB's assessment of the residual vulnerability of the South African financial system. Residual vulnerability is the level of vulnerability that remains after accounting for mitigating factors and actions. The assessment considers both the probability of a risk materialising in the foreseeable future and the anticipated impact should the risk materialise, including factors that may either reduce or amplify the risk. In the matrix, risks plotted closer to the outer edge of the circle indicate a higher residual vulnerability, while those nearer the centre reflect lower vulnerability. The following sections discuss the domestic financial system's residual vulnerability to each of these risks.

Figure 7: Key financial stability risks



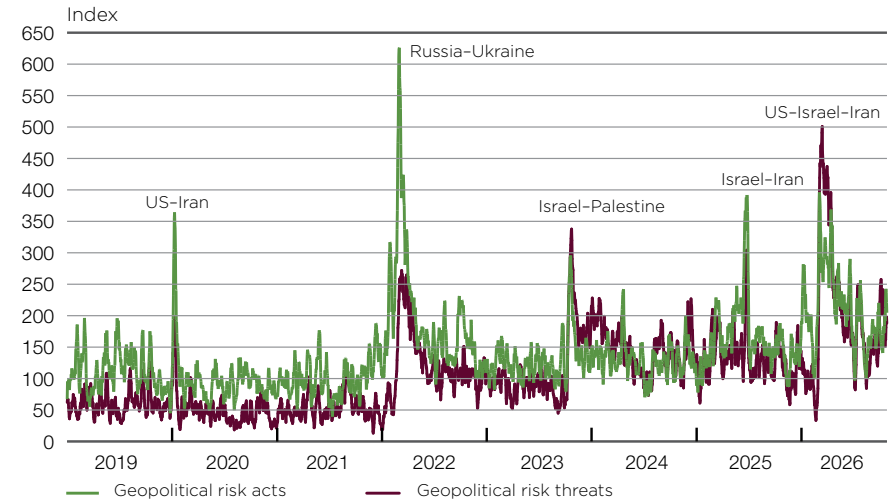
Source: SARB

Geopolitical conflict and policy uncertainty

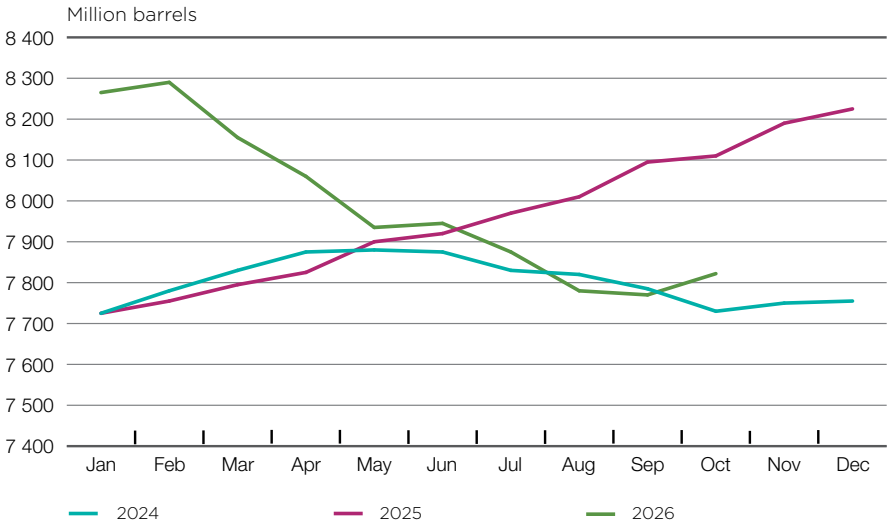
The residual vulnerability of the domestic financial system to geopolitical shocks and policy uncertainty remains elevated. Persistent conflict in the Middle East, renewed escalation of the Russia–Ukraine conflict, disruptions across key energy-producing and transit regions, and uncertainty about major maritime trade routes continue to pose material external risks. Geopolitical risk indicators remain high (Figure 8a) and the sharp decline in global oil inventories during 2026 (Figure 8b) has made energy markets more vulnerable to supply disruptions.

Figure 8: Geopolitical risk indicators and global oil inventories

a. Geopolitical risk indicators



b. Global oil inventories, January 2024 – October 2026

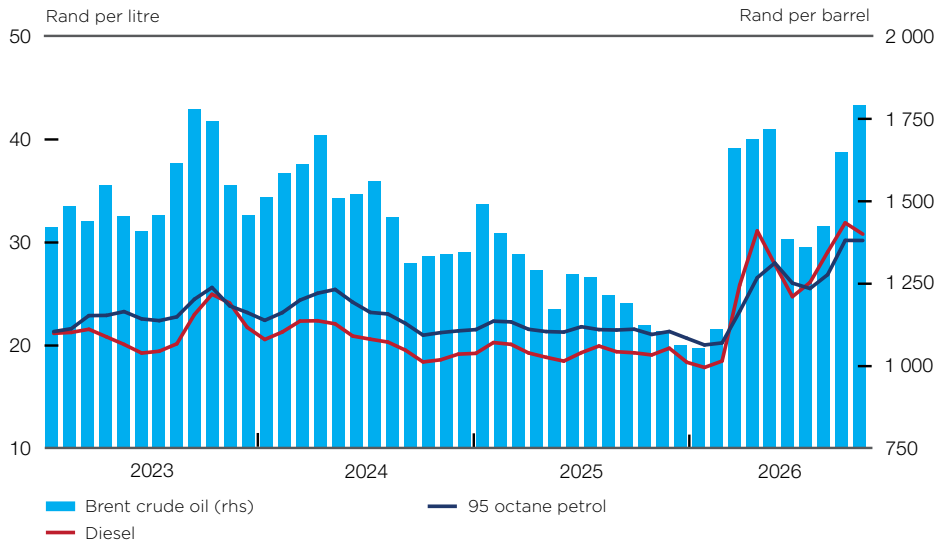


Sources: Caldara and Iacoviello; IEA

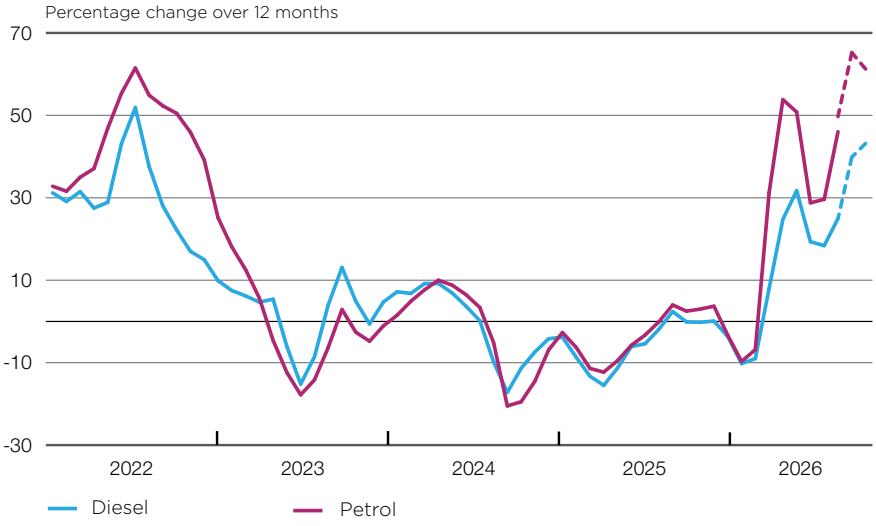
South Africa is exposed to geopolitical shocks through global trade and financial markets, with fuel prices representing the most immediate transmission channel. Although crude oil prices have declined, domestic fuel prices have eased only slightly (Figure 9a). Constrained global refining capacity has driven the sharp rise in refining margins, limiting the relief from lower crude oil prices. South Africa's reliance on imported refined fuel, together with higher shipping and insurance costs, leaves domestic fuel prices exposed to continued pressure, particularly for diesel (Figure 9b).

Figure 9: Domestic fuel prices and fuel price inflation

a. Domestic inland fuel prices



b. Petrol and diesel prices inflation



Sources: London Stock Exchange Group, Department of Mineral Resources and Energy and Stats SA

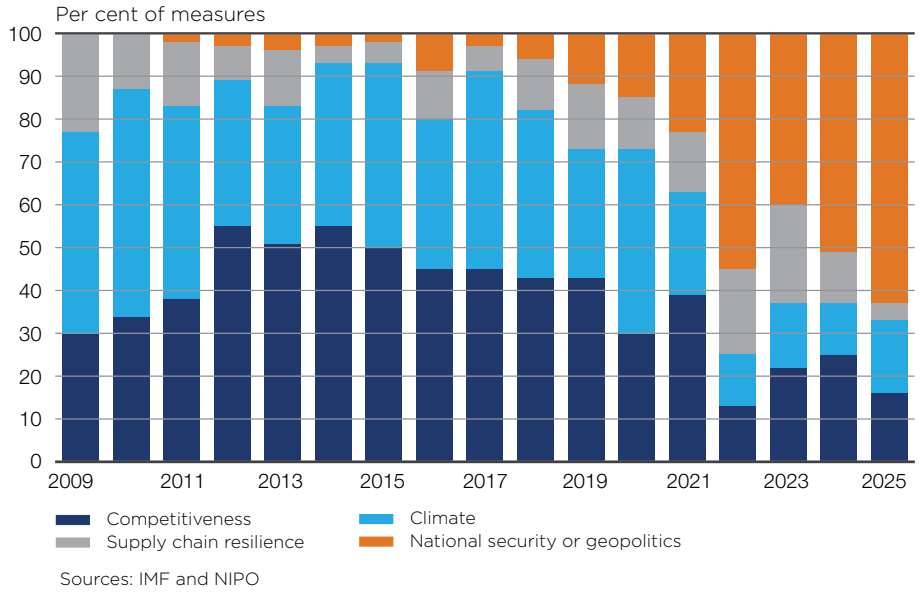
To cushion the impact, the 2026 *Medium Term Budget Policy Statement (MTBPS)* announced a second round of temporary general fuel levy relief: a reduction of R3.00 per litre on diesel and R1.50 per litre on petrol from 4 November to 1 December 2026. The reductions will then be scaled back to R1.50 per litre for diesel and R1.00 per litre for petrol until 5 January 2027, at a cost of about R10 billion in foregone revenue. This follows the April–June relief, which contributed to a R30.9 billion downward revision in expected fuel levy collections for 2026/27 to R74.0 billion. The relief is temporary and only partly offsets the price increases, so pressure on households and fuel-intensive sectors is likely to persist once it ends.

Further disruptions to Black Sea trade and Russian supply could add upward pressure on food and fertiliser prices. As discussed in the household section, these pressures have weakened household real disposable income, while higher diesel costs are squeezing margins in fuel-intensive sectors such as freight, mining and agriculture, with potential implications for credit quality.

South Africa is also exposed to geopolitical shocks through global financial markets. Although the initial repricing following the conflict in the Middle East has moderated, renewed energy price and inflation pressures could keep global yields elevated and trigger renewed episodes of risk aversion.[12] South Africa remains exposed through capital outflows, currency depreciation and higher sovereign borrowing costs.

Beyond these immediate channels, geopolitical fragmentation is increasingly reshaping global trade, investment and production around security and resilience (Figure 10).[13] Firms are diversifying suppliers, building backup capacity into critical supply chains and shifting from 'just-in-time' to more 'just-in-case' production strategies, while redirecting trade through alternative routes. While these adjustments may improve resilience to specific disruptions, they can also raise transport, production and financing costs, reduce the efficiency of cross-border trade and investment, and increase inflation volatility. These structural effects are developing gradually and have not materially altered the domestic financial system's exposure or resilience since the June 2026 *FSR*.

Figure 10: Trade-distortive industrial measures with an identified motive



Sources: IMF and NIPO

Correction in AI-related asset valuations

A sharp correction in AI-related asset valuations, including the 'bursting of a potential asset bubble', could have broader financial stability implications. It could generate large losses for investors and financial institutions globally and trigger a wider reassessment of risk. South Africa could be affected through domestic investors' exposures and broader spillovers to financial markets.

Global equity valuations are elevated, with vulnerabilities increasingly concentrated in a small group of technology, semiconductor and AI-related companies, many of which are based in the US and Asia. Since the June 2026 *FSR*, market performance has become more dependent on these firms, whose valuations rest heavily on expectations of strong future earnings and cash flows. Given their weight in major equity indices

12 IMF, *Global Financial Stability Report*, April 2026.

13 A Jakubik, F Jaumotte, S Pienknagura and M Ruta, 'Industrial policy is adapting to crises but remains hard to implement effectively', IMF blog, 28 May 2026.

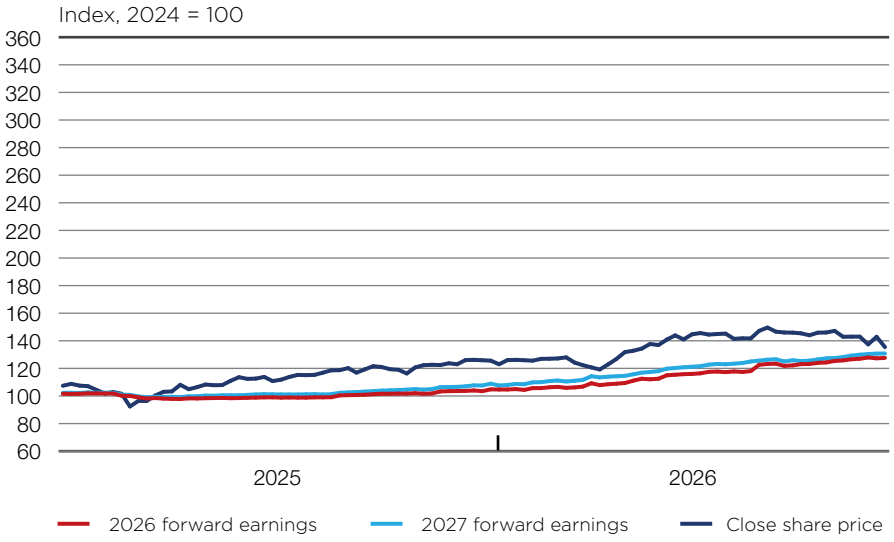
and their role in developing and expanding AI-related technologies, disappointing earnings could prompt a reassessment of broader productivity and corporate profitability prospects, with effects extending beyond the technology sector. Within the information technology (IT) sector, which accounts for more than a third of the S&P 500, share prices have broadly tracked upward revisions to expected earnings (Figure 11a). Both share prices and expected earnings have risen more moderately for S&P 500 companies outside the AI-linked Magnificent 7 (Figure 11b).[14] Semiconductor firms have experienced particularly strong upward revisions to expected earnings, especially for 2027 (Figure 11c). These valuations remain sensitive to any reassessment of future profitability.

Figure 11: Share prices and earnings per share forecasts for selected US equity indices

a. Information technology



b. S&P 500 excluding Magnificent 7

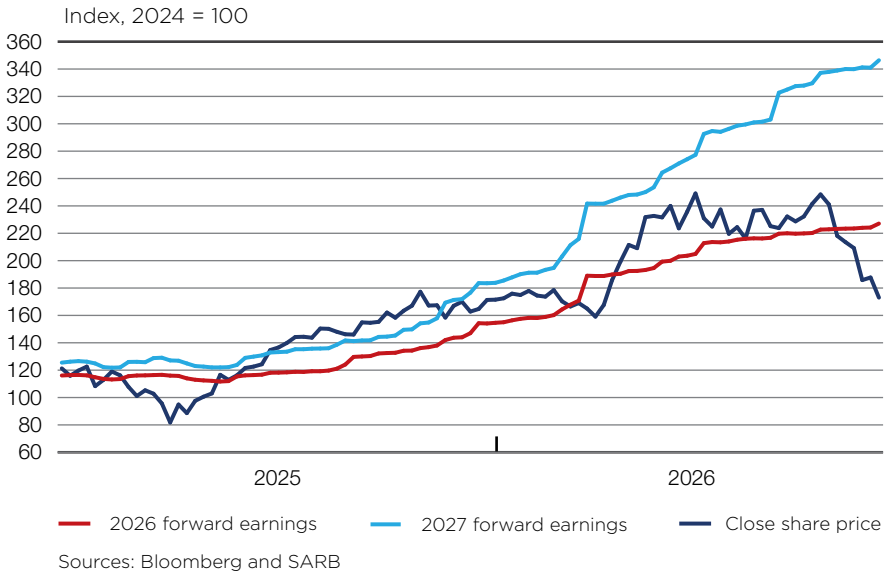


Sources: Bloomberg and SARB

14 The Magnificent 7 are Apple, Microsoft, Nvidia, Alphabet (Google's parent company), Amazon, Meta (Facebook's parent company) and Tesla. See 'Box 1: Is the artificial intelligence-driven equity boom justified?' in the *FSR*, Second edition, November 2025.

Figure 11: Share prices and earnings per share forecasts for selected US equity indices

c. Semiconductor



Sources: Bloomberg and SARB

The scale and financing of the AI investment cycle may amplify global vulnerabilities if a meaningful price correction occurs. Substantial capital expenditure is being directed towards AI infrastructure in anticipation of future returns, while debt financing is becoming more important as investment needs exceed internally generated cash flows. Deeper links between technology firms and credit markets mean a valuation correction would affect lenders as well as equity holders, while high leverage in parts of the non-bank financial sector could amplify losses if repricing prompts large-scale deleveraging or forced asset sales.

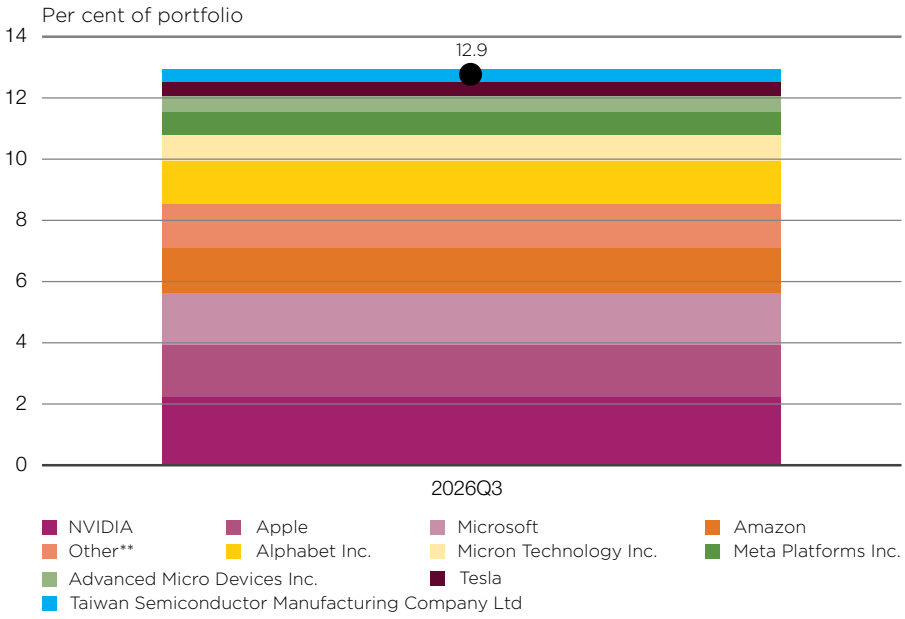
South African investors are directly exposed to this cycle. As at the third quarter of 2026, the listed domestic funds included in the analysis held 12.9% of their portfolio assets in a small number of AI-related companies (Figure 12), with more than two-thirds of these holdings concentrated in five firms.[15,16] Passive index-tracking funds have the largest exposures, mainly reflecting the growing weight of these companies in global benchmarks, while balanced and multi-asset portfolios are also invested in them. A correction in the underlying assets could therefore generate losses across different portfolio types, particularly where funds tracking the same benchmarks hold the same highly valued firms.

15 Portfolio assets refer to the total assets held by the relevant collective investment schemes (CIS), based primarily on the quarterly Form 13F filings obtained from Bloomberg.

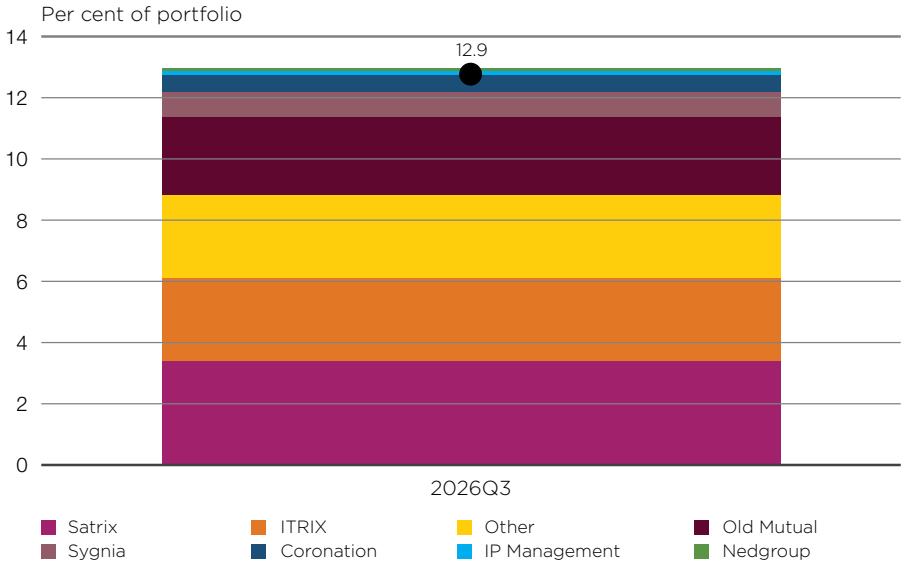
16 The five firms are Alphabet, Nvidia, Apple, Microsoft and Amazon.

Figure 12: South Africa's artificial intelligence equity exposure

a. Fund exposure to AI*



b. Contributions to AI exposure



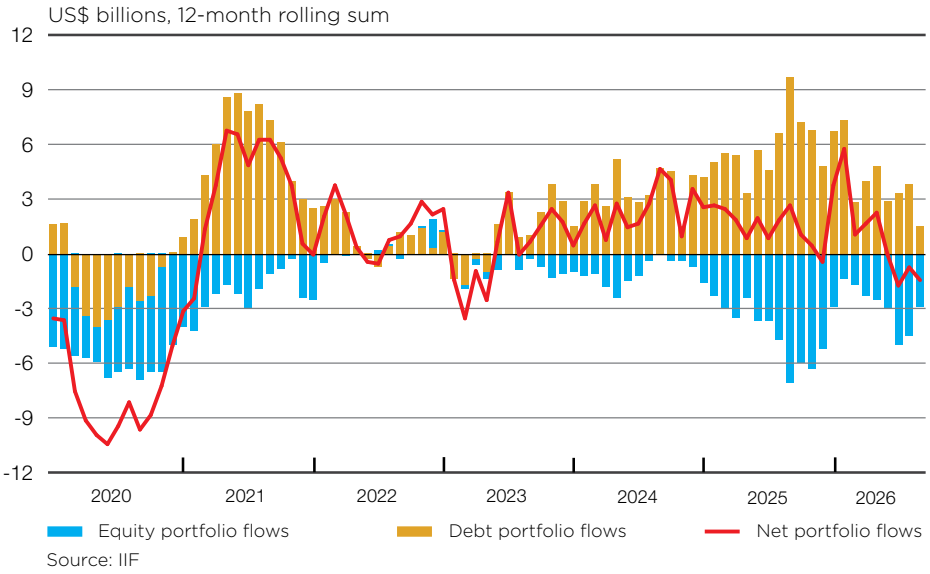
*Sum of exposures, weighted by each fund's total asset value. Consists of 29 firms: the Magnificent 7; semiconductor index within the S&P 500, TSMC, SK Hynix and Samsung
**Consists of Lam Research Corporation, Intel Corporation, Applied Materials, Samsung Electronics, KLA Corporation, SK hynix, Teradyne, Broadcom, Qualcomm, Marvell Technology, Analog Devices, Texas Instruments, NXP Semiconductors, Monolithic Power Systems, Microchip Technology, First Solar, Qnity Electronics, ON Semiconductor Corp and Skyworks Solutions

Sources: Bloomberg and SARB

In addition to direct exposure through global equity portfolios, the domestic equity market is indirectly exposed to the technology cycle through Naspers and Prosus, which together account for about 9% of the gross unadjusted market capitalisation of the JSE Limited (JSE).[17] A global repricing of technology-sector risk would therefore affect domestic equity valuations, including those of investors without offshore holdings. Any losses from a sharp AI-related repricing could be partly offset in rand terms if greater global risk aversion were accompanied by US dollar appreciation. However, Bank of England (BoE) analysis suggests that negative US big-tech earnings shocks may instead be associated with US dollar depreciation, potentially weakening this valuation offset and amplifying spillovers to foreign economies.[18]

Another indirect transmission channel is through broad adjustments in risk appetite. A sharp global repricing could weaken investors' risk appetite and prompt them to shift their portfolios away from emerging market assets, affecting South Africa through portfolio outflows, exchange rate depreciation, higher sovereign yields and tighter domestic financial conditions.

Figure 13: South African portfolio flows



Source: IIF

Net portfolio flows turned positive in August 2026, following outflows in June and July. The financial account in South Africa's balance of payments shifted from a net outflow in the first quarter of 2026 to a net inflow in the second quarter, supported by foreign direct investment and other investment inflows. Over the past 12 months, equity portfolio outflows of US$4.1 billion have been partly offset by US$3.3 billion in debt portfolio inflows (Figure 13). The rand has appreciated since July, implied and actual volatility have declined, and markets have continued to function in an orderly way.

The system-wide consequences of a correction in AI-related asset valuations, including any broader repricing of global risk, would depend on the size of the correction, the extent of common exposures and the ability of domestic buffers to absorb the resulting adjustment.[19] Residual vulnerability remains elevated because there is still a material likelihood of a global repricing. However, some mitigating factors include

17 Naspers Limited, through dual-listed Prosus N.V. holds approximately 23% of Chinese technology giant Tencent Holdings.

18 BoE, *Financial Stability Report*, July 2026; and D Ostry, R Vicquéry and E Zaratiegui, 'If AI disappoints? The transmission of US big-tech earnings news', Bank Underground blog, 13 August 2026. Bank staff find that negative Magnificent 7 earnings shocks spill over to broader equity and credit markets and are associated with US dollar depreciation rather than the usual flight-to-safety appreciation.

19 See 'Box 5: From artificial intelligence euphoria to scrutiny: New risks?' in the *Monetary Policy Review*, October 2026.

adequate foreign exchange reserves, exchange rate flexibility and prudential limits on institutional investors' offshore exposure.

Disruption in critical digital infrastructure and/or services

Recent events have demonstrated that disruption in shared, highly interconnected technologies can cause widespread outages of critical services. Microsoft's global outage on 12–14 November 2026 severely disrupted communication services, while earlier in May, a large-scale distributed denial-of-service (DDoS) campaign affected several local hosting and network providers, slowing services and causing intermittent disruption across several financial institutions.

South Africa's extensive digital connectivity, subsea cable landings and concentrated data centre infrastructure create single points of failure. Frontier AI amplifies this exposure by identifying previously undetected weaknesses and increasing the speed and scale of attacks, while cyber-defence capabilities have not advanced at the same pace. Weak enforcement and limited national cyber capabilities further limit the ability to prevent, contain and recover from systemic incidents. The principal concern remains the potential for disruption to spread through shared dependencies on telecommunications networks, cloud environments, hosting providers, software platforms and data services. A failure at one shared provider could bypass individual institutions' defences and impair several financial institutions at once.

If it lasts or coincides with market stress, such disruption could affect digital banking, payments, market infrastructure and interbank communications. Reliance on a small number of providers, of which many are based abroad and subject to external governance, also limits domestic control over response and recovery.

Stronger AI governance, containment controls and third-party risk management can reduce, but not eliminate, this exposure. Concentrated infrastructure dependencies, combined with the speed and reach of frontier AI, means localised incidents could still spread across the system, keeping residual vulnerability high.

Residual vulnerability has therefore increased since the June 2026 *FSR* and remains the highest-rated risk on the RVM. The rating reflects evidence of concentration risk in shared digital infrastructure, sustained cyber activity and frontier AI capabilities that allow disruptive attacks to operate faster, more independently and with greater reach.

Financial distress in households

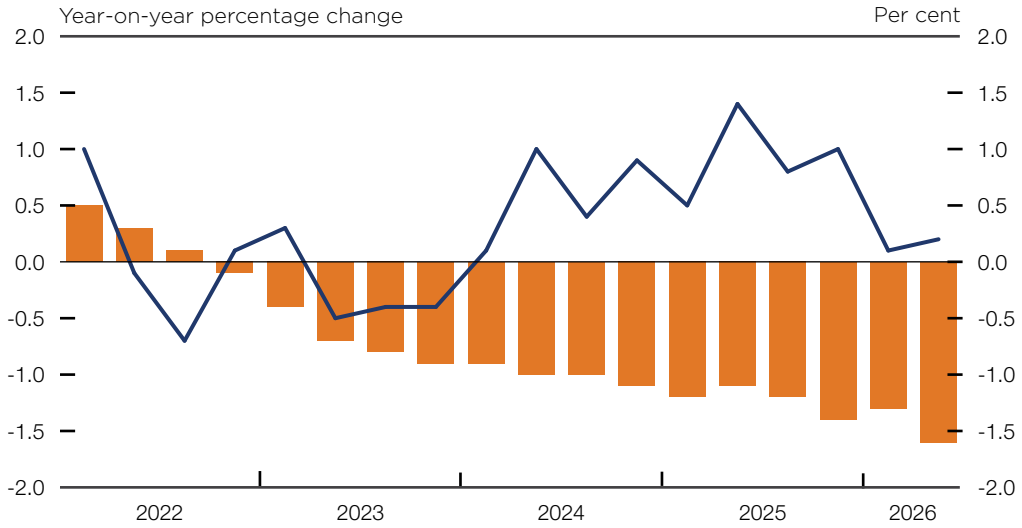
Household resilience has been tested since the June 2026 *FSR*. Although backward-looking indicators of aggregate debt-servicing pressures and retail credit risk have not deteriorated materially, forward-looking assessments point to intensifying distress. Weak income growth, the continued use of household savings and increasing reliance on short-term unsecured credit amid renewed cost-of-living pressures suggest that a growing share of households have limited capacity to absorb further shocks, motivating a slight increase in the residual vulnerability.

Real disposable income growth has stalled as labour market conditions have deteriorated (discussed later under the section on low growth), while households have increasingly used savings to maintain spending (Figure 14a). The savings ratio has been negative since 2022 and has recently moved into deeper negative territory.[20] Households are also increasingly using credit to maintain spending, indicating limited scope to rebuild financial buffers or absorb unexpected increases in expenditure.

20 The savings ratio referred to in this instance is real household savings as a percentage of real household income. Gross nominal savings for households (i.e. gross household savings as a percentage of GDP), however, remains positive.

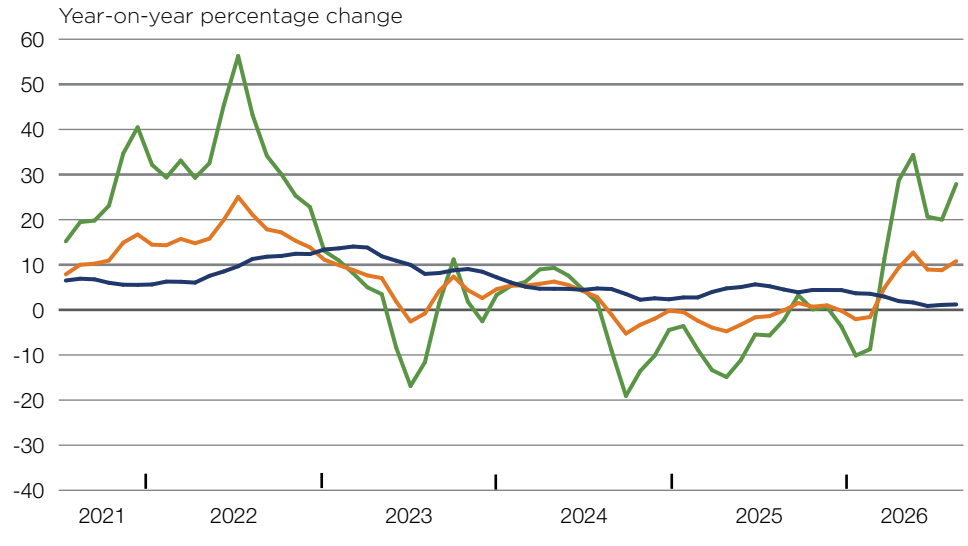
Figure 14: Household income, savings and cost-of-living pressures

a. Real income and savings



Source: SARB

b. Food, fuel and transport inflation



Source: SARB

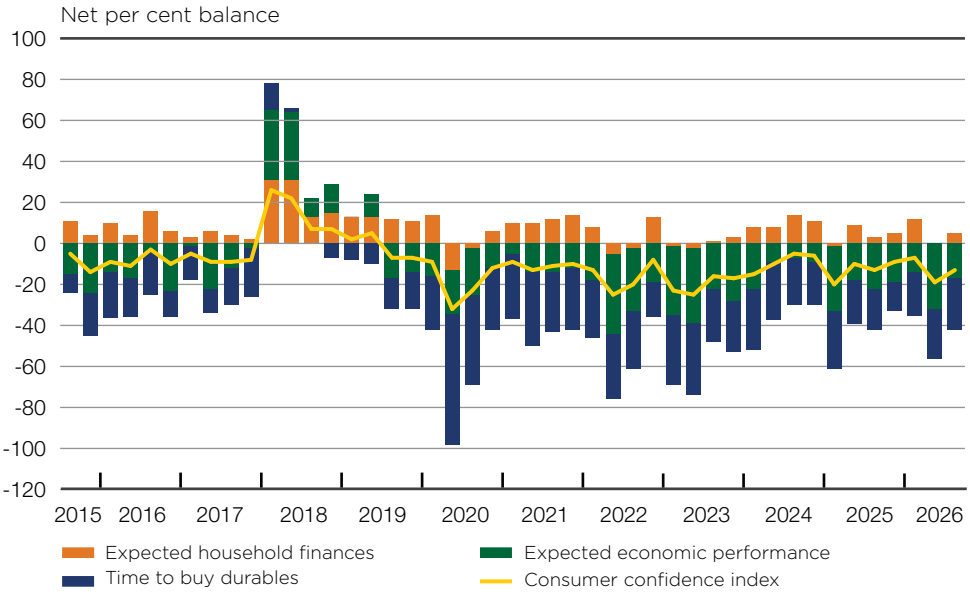
Higher fuel and transport costs have put additional pressure on household disposable income, with households already facing stalling income growth and thin savings buffers (Figure 14a), while elevated input and borrowing costs have also weighed on firms and employment. Food inflation has remained subdued, providing some relief. However, renewed disruption to Black Sea trade and Russian supply could place upward pressure on global food and fertiliser prices (Figure 14b). Drought conditions associated with El Niño could further increase food prices over the coming season.[21]

21 El Niño is the warm phase of the El Niño–Southern Oscillation (ENSO) and is typically associated with hotter and drier conditions in parts of South Africa. See South African Weather Service statement on the 2026/27 El Niño, media statement, September 2026. The upside risks to food prices are discussed in the November 2026 MPC Statement and Box 7 of the *Monetary Policy Review*, October 2026.

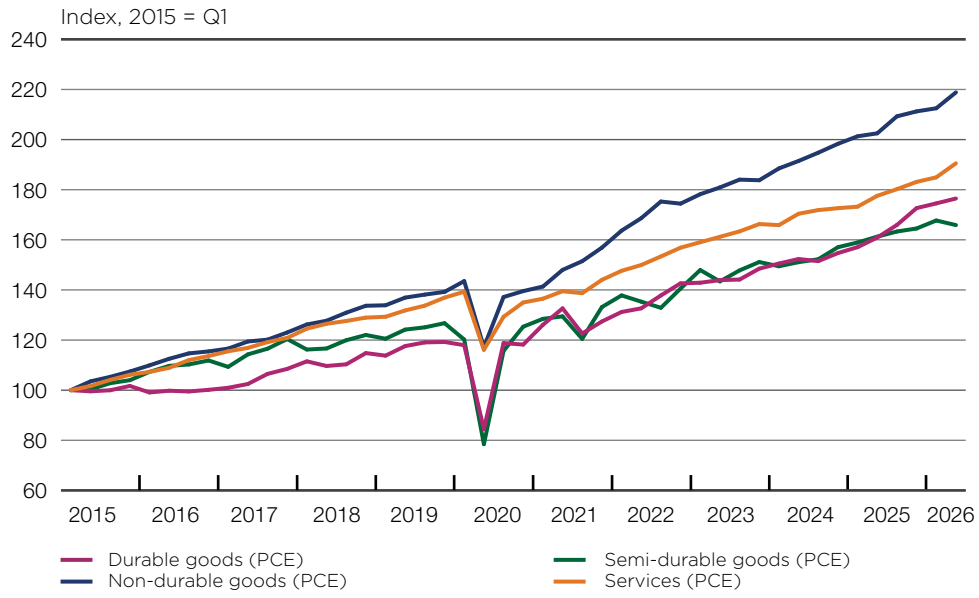
Consumer confidence increased marginally in the third quarter of 2026 but remained negative (Figure 15a). Despite weak confidence, household consumption continued to grow, but the pace of growth varied across categories (Figure 15b). Year-on-year growth slowed for durable and semi-durable goods and picked up for non-durable goods and services. Spending on durable goods still grew fastest. Retail credit growth has been driven by short-term unsecured credit, including credit cards, overdrafts and general loans. Households are more likely to be using these products to maintain consumption rather than to fund purchases of durable goods (Figure 15b).

Figure 15: Consumer confidence and household expenditure patterns

a. Consumer confidence index



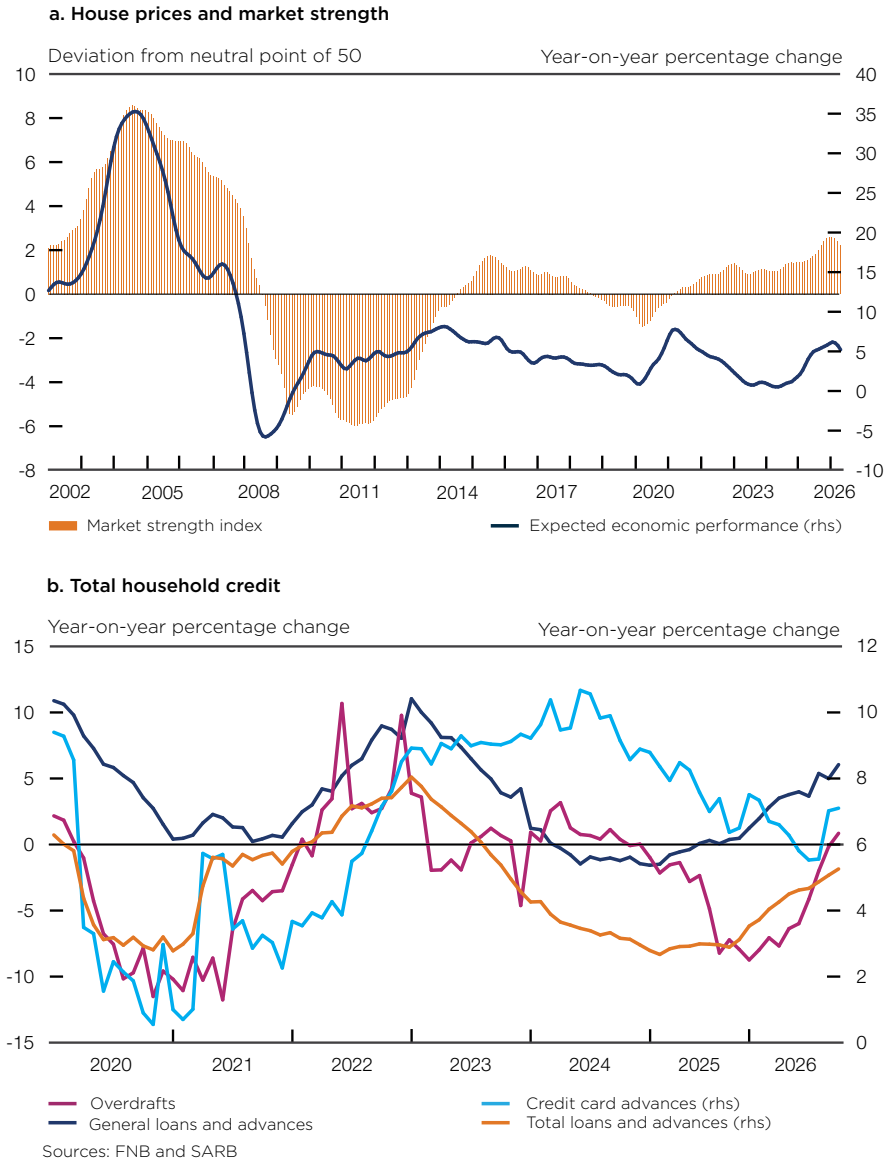
b. Household final consumption



Sources: BER and Stats SA

Housing market conditions partly offset these balance sheet pressures, with house prices continuing to rise in nominal terms and market conditions remaining relatively positive (Figure 16a).[22] However, this resilience appears to reflect limited supply in an environment of subdued residential development and lower availability of existing homes for sale.[23] Strong house prices are therefore not a reliable sign of a broad-based improvement in household demand or balance sheets. Household credit growth has picked up, alongside stronger credit card advances and overdrafts (Figure 16b).

Figure 16: Household credit growth and housing dynamics



Sources: FNB and SARB

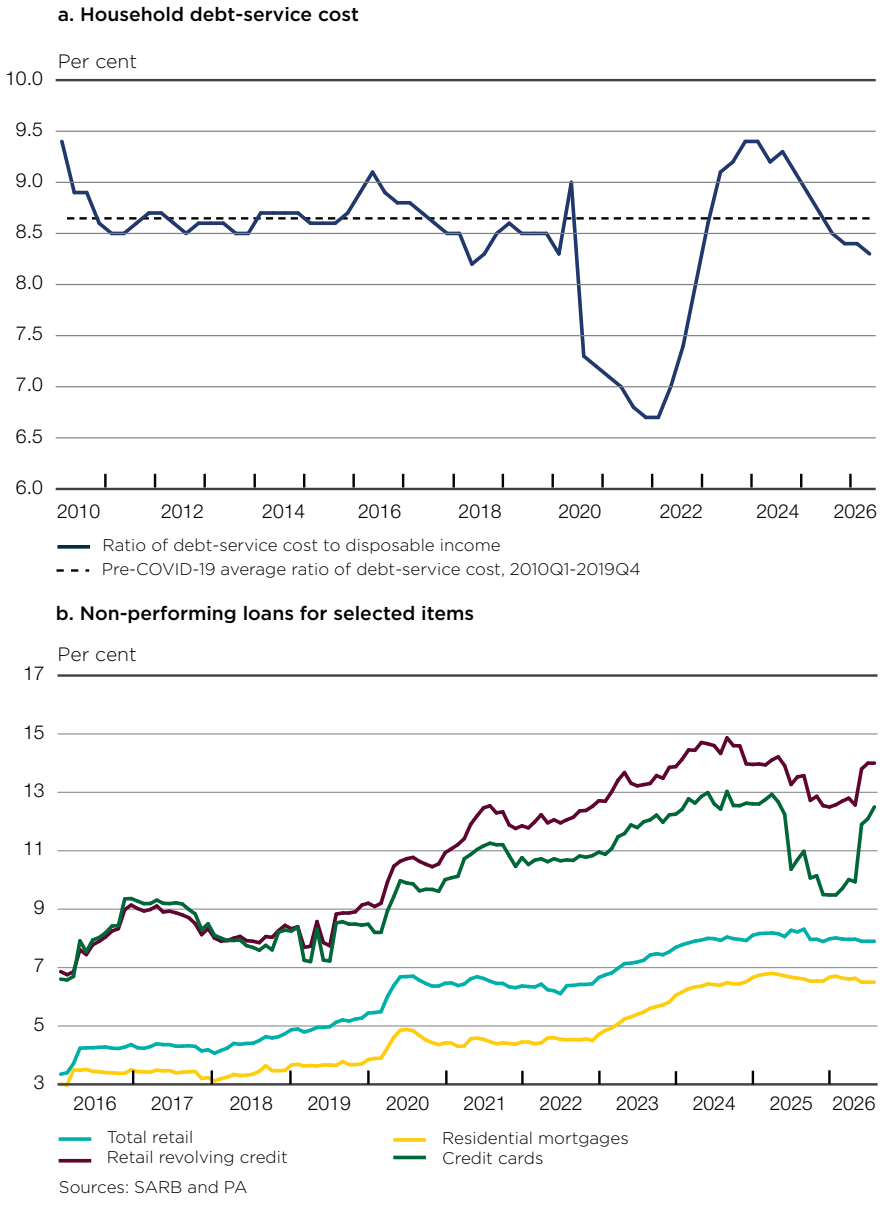
The household debt-service ratio declined from 9.4% in the second quarter of 2024 to 8.3% in the second quarter of 2026 (Figure 17a), below the pre-COVID-19 long-term average of 8.6%, providing some relief as borrowing costs eased. However, credit risk is increasingly concentrated in unsecured revolving credit. The total retail non-performing loan (NPL) ratio declined to about 7.9% in June 2026, while the residential

22 The FNB Valuers Market Strength Index measures property market strength on a scale of 0 to 100, with values above 50 indicating positive market conditions and values below 50 indicating negative conditions.

23 Novus Group, FNB Residential Property Barometer, September 2026.

mortgage NPL ratio was lower still at approximately 6.5% (Figure 17b). By contrast, the credit card NPL ratio increased to 11.9% and retail revolving credit NPL ratio to 13.8%. This divergence suggests that household financial stress is concentrated in the segments most exposed to liquidity and income shocks.

Figure 17: Household debt-service costs and non-performing loans for selected items



Sources: SARB and PA

The immediate financial stability risk remains contained, supported by manageable debt-servicing costs, relatively low mortgage impairments, and prudent provisioning practices by banks. However, the combination of negative savings, persistently weak confidence, renewed cost-of-living pressures and elevated NPLs in revolving credit increases the probability that a further income, inflation or employment shock would translate more rapidly into household arrears and credit losses. The composition and quality of new household credit therefore warrant closer monitoring. The first edition of the 2026 *FSR* also highlighted concerns about the rapid uptake of buy now, pay later (BNPL) products and limited information about consumers' obligations under these arrangements.[24] The National Credit Regulator (NCR) has since announced mandatory reporting of BNPL data to credit bureaus, effective 1 February 2027.

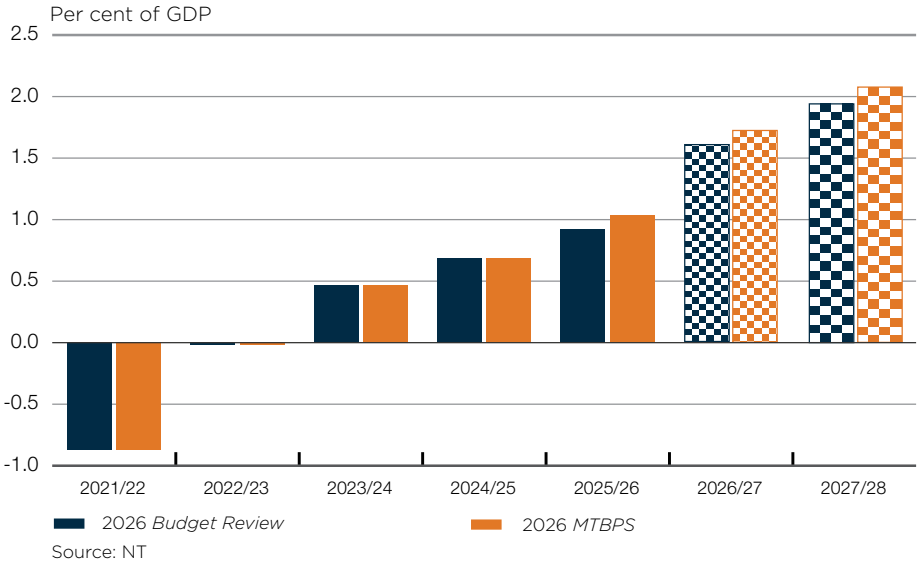
24 See 'Box 4: Online gambling and buy now, pay later' in the *FSR*, First edition, June 2026.

The new framework is expected to improve the transparency of household financial obligations, strengthen affordability assessments and reduce the risk of excessive borrowing through product stacking.[25]

Unsustainable fiscal dynamics

Despite headwinds in the global environment, South Africa's fiscal position held up well and near-term risks have diminished. The fiscal impact of the oil price spike following the outbreak of conflict in the Middle East was contained. National Treasury phased out the initial relief measure on the general fuel levy by July 2026 and provided the second temporary measure announced in the *MTBPS* without increasing the budget deficit. Stronger fiscal revenues and favourable conditions in the domestic bond market, which remained resilient during the early period of heightened global volatility and rising advanced economy sovereign yields, have supported National Treasury's ability to meet its near-term financing requirement. Higher revenue has also widened the primary surplus (Figure 18), supporting the announcement of reduced nominal and inflation-linked debt issuance. These developments have, in turn, raised expectations that the major credit rating agencies will eventually restore the sovereign credit rating to investment grade, which would likely reinforce the recent near-term gains well into the medium to long term.

Figure 18: Main budget balance



Source: NT

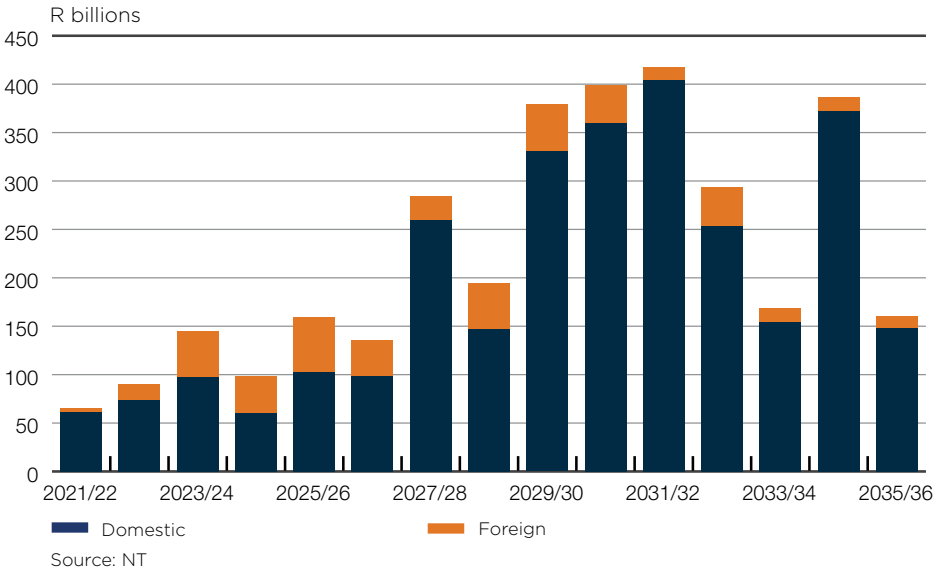
While the near-term outlook has improved considerably, medium-term sustainability concerns remain. Fiscal sustainability requires containing debt-service costs, maintaining primary surpluses that are large enough to stabilise debt under prevailing financing and macroeconomic conditions, and retaining sufficient capacity to absorb future shocks. Stronger economic growth relative to sovereign borrowing costs would also support debt sustainability.

In the *MTBPS*, National Treasury reiterated that the gross sovereign debt-to-GDP ratio peaked in 2025/26. The sovereign debt burden is projected to decline gradually over the forecast period, although it is expected to remain higher than projected in the 2026 *Budget Review*. In the near term, a decline in export commodity prices could weaken tax revenue and put pressure on the fiscal position. Several factors could disrupt debt stabilisation over the medium to long term. The most pertinent is the government's demanding debt maturity profile over the next 10 years (Figure 19), which raises cash requirements above historical averages and may keep

25 Product stacking occurs when consumers hold multiple BNPL facilities across providers at the same time, resulting in repayment obligations that may not be fully visible to other lenders when assessing affordability.

total sovereign debt issuance elevated despite stronger revenue performance and more contained expenditure. With debt issuance remaining high, primary surpluses will need to increase sufficiently to maintain sovereign debt stability and reduce debt-service costs. However, implementing the announced bond buybacks could significantly reduce the risks posed by the government's debt maturity profile over time.

Figure 19: Debt maturity profile



Source: NT

Contingent liabilities are also expected to remain elevated over the medium term, after being revised upwards to R1.25 trillion for the fiscal year 2027/28 in the 2026 *Budget Review*. If a significant share of these liabilities materialises, it would have a pronounced adverse effect on the fiscal position. Continued upward revisions make this a persistent and growing risk.

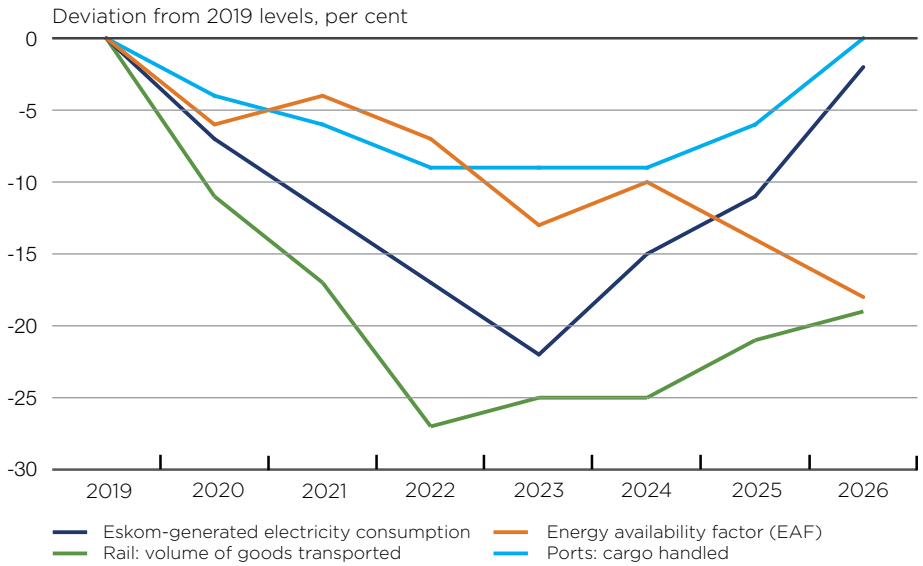
Several key developments could improve the durability of fiscal sustainability and help reduce the risks that sovereign exposures pose to the financial system. These include a structural improvement in domestic economic growth, a stronger financial position for major state-owned enterprises that currently rely on government guarantees to raise financing, and an upgrade of the sovereign credit rating to investment grade.

Disruption in critical physical infrastructure

Although residual vulnerability remains elevated, its sources are shifting. Since the June 2026 *FSR*, electricity availability has improved, private generation capacity has continued to expand and port throughput has recovered to pre-pandemic levels; however, freight rail performance remains weak (Figure 20). At the same time, electricity consumption from the grid has continued to decline, reflecting the shift to embedded generation, which erodes Eskom and municipalities' revenue base. Output in the electricity, gas and water sector contracted by 3.7% in the first half of 2026, reflecting weak industrial demand and continued investment in own generation.[26] The restructuring of Eskom and the parallel development of a wholesale electricity market are ongoing, while private sector cooperation with Transnet has yielded some early successes. These developments suggest that the probability of a severe economy-wide infrastructure disruption has declined.

26 National Treasury, *Medium Term Budget Policy Statement 2026*, Chapter 2, 21 October 2026.

Figure 20: Operational performance of critical infrastructure sectors (electricity, rail and ports) relative to historical benchmarks

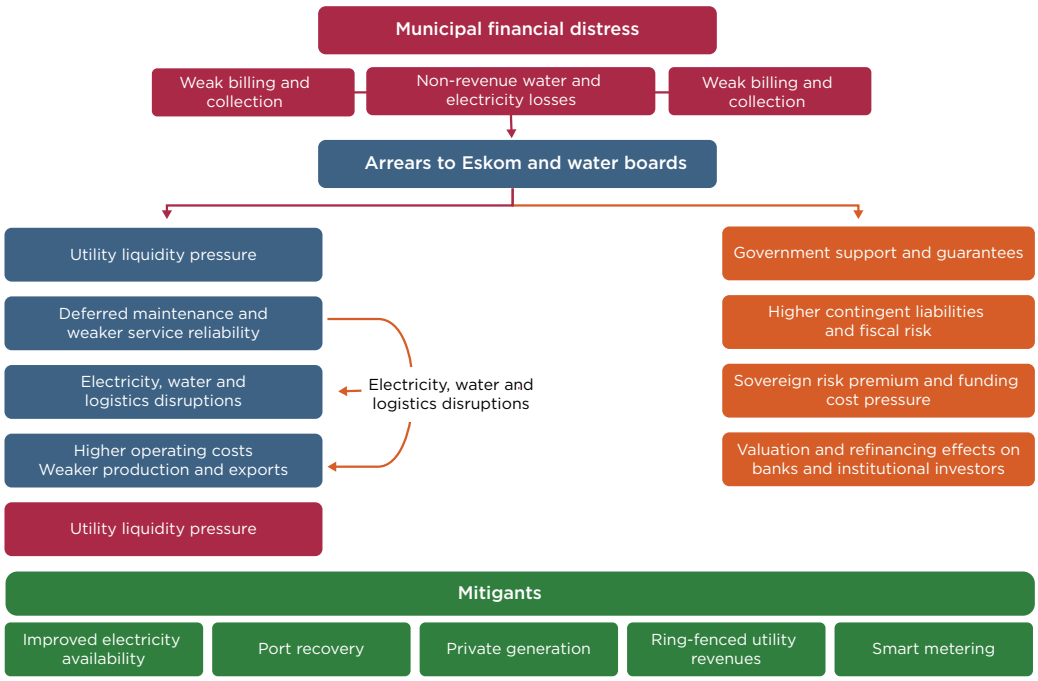


The 2026 year-to-date data covers the period to June 2026 for electricity consumption, rail and ports, and to September 2026 for the EAF.

Sources: Eskom and Haver

Although the probability of a significant physical disruption to the system is lower, municipal financial distress is now the key transmission channel through which infrastructure-related vulnerabilities affect financial stability. These pressures spread through the payment chain linking municipalities, utilities and sovereign finances (Figure 21). Numerous policy and practical interventions aimed at improving the efficiency of public sector entities are at various stages of implementation, but tangible results will take time to materialise. National Treasury acknowledges that the more complex structural reforms are taking longer than planned. Delays have affected electricity distribution reform, the restructuring of the rail infrastructure manager and water service delivery reform, including the establishment of an independent economic regulator. These delays prolong the period over which payment-chain vulnerabilities persist at the municipal level.

Figure 21: Financial stability transmission channels associated with critical infrastructure vulnerabilities



Sources: BER and Auditor-General South Africa

Municipal finances remain under pressure, despite improvements in parts of the national infrastructure network. The Auditor-General's 2024/25 local government audit outcomes point to persistent weaknesses in governance, financial management and infrastructure maintenance, with none of the eight metropolitan municipalities achieving a clean audit.[27] National Treasury estimates that more than half of municipalities are in financial distress, with persistent non-payment to creditors, including bulk suppliers, contributing to growing financial pressures (Figure 22).[28] This distress has intensified over the past year: consumer debt owed to municipalities rose by 13.3% to R484.5 billion in the year to March 2026, while amounts owed by municipalities to their creditors increased by 18.6% to R185.2 billion, of which more than half relates to bulk electricity.[29] In July 2026, National Treasury temporarily withheld equitable-share transfers to 69 municipalities for failures that included unfunded budgets and the non-payment of creditors, and by 31 July 2026 only 38 of these municipalities had concluded repayment plans.[30] Municipalities collected only 63.9% of billed revenue, with rising municipal arrears negatively affecting cash flows, constraining expenditure on maintenance and much-needed new investment.

27 Auditor-General South Africa, *Consolidated General Report on Local Government Audit Outcomes 2024-25*.

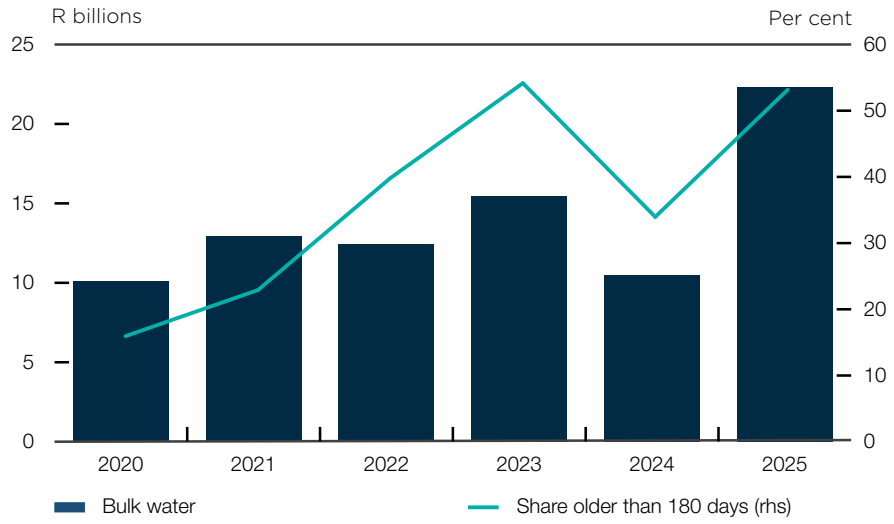
28 National Treasury, Update on the Enforcement of Section 216(2) of the Constitution targeting the July Equitable Share instalment, 17 July 2026.

29 National Treasury, 'Local Government Revenue and Expenditure: Third Local Government Section 71 Report for the Period 1 July 2025 – 31 March 2026, media statement, 22 June 2026.

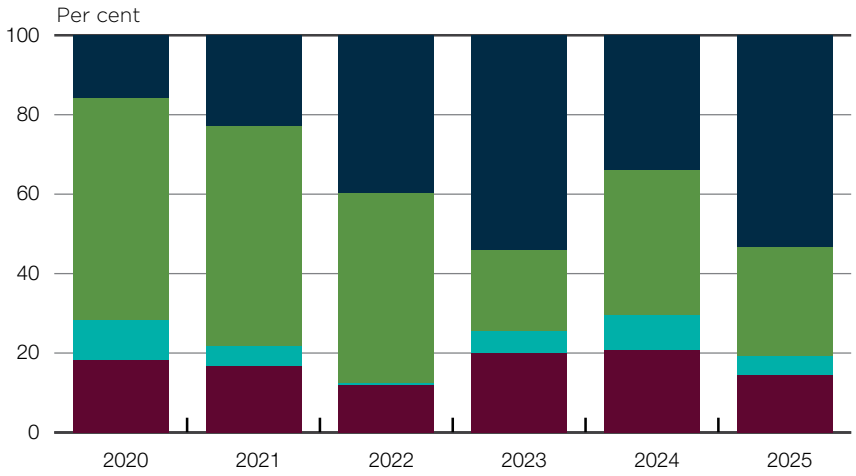
30 National Treasury, 'National Treasury to implement measures to ensure proper management of public money by municipalities', media statement, 7 July 2026; and *Medium Term Budget Policy Statement 2026*, 21 October 2026.

Figure 22: Municipal bulk water liabilities and aging profile of outstanding debt

a. Municipal water liabilities



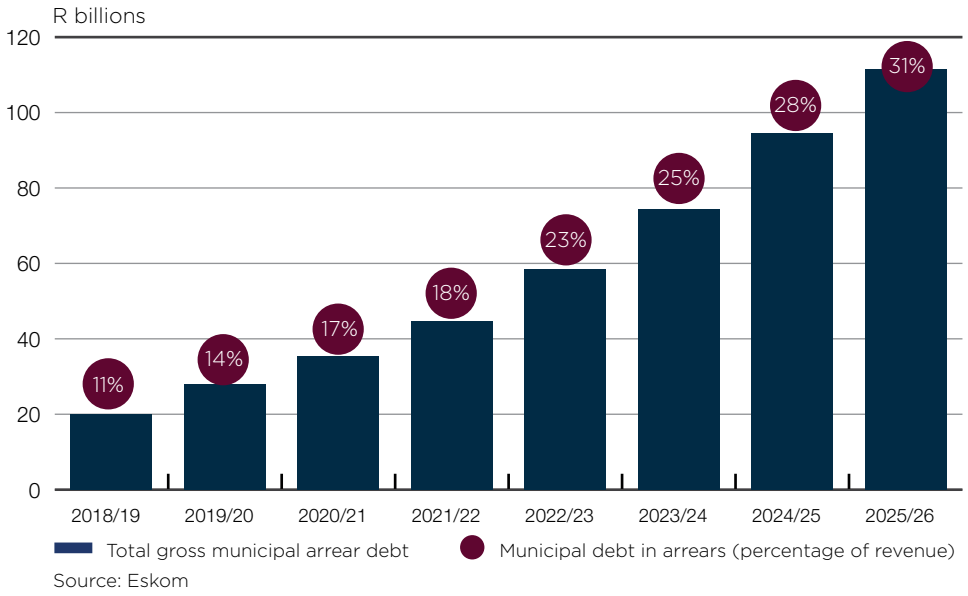
b. Aging profile of outstanding debt



Source: NT

Municipal arrears owed to Eskom increased from R28.0 billion in the 2019/20 financial year to R111.6 billion in the 2025/26 financial year. As a share of Eskom's revenue, these arrears increased from 14.0% to 31.5% over the same period (Figure 23). These pressures ultimately extend to the sovereign. Government's guarantee portfolio stood at R960.6 billion in June 2026, with residual risk concentrated in Eskom and Transnet. National Treasury identifies persistent municipal arrears as a continuing liquidity risk to Eskom despite an improvement in its overall fiscal risk profile.

Figure 23: Rising municipal debt arrears



Source: Eskom

At the same time, non-revenue water increased from 43.7% in 2019/20 to 47.3% in 2024/25, indicating persistent infrastructure losses and weak revenue collection.[31] Water sector infrastructure has also deteriorated, with the share of wastewater treatment systems classified as critical increasing from 39% to 47%. Water restrictions have recently been imposed or announced in Cape Town, Johannesburg and Tshwane. If restrictions persist, water-intensive businesses could face higher operating costs. Prolonged water service disruptions hamper business activity, reduce productivity and weaken the ability of households and corporates to repay debt. National Treasury's review of municipal funding finds that electricity and water tariffs do not fully reflect costs. While tariff increases would strengthen municipal finances, they would intensify financial pressure on households and businesses whose repayment capacity is already strained. A revised white paper on local government including recommendations for an alternative funding model for municipalities, was published in October 2026.[32] The challenges in the water and sanitation sector have prompted a broader national response. The draft strategic framework, published in September 2026, reflects the sector's complexity and proposes ring-fencing municipal water and sanitation units to improve service delivery and financial management.[33]

Overall, improvements in electricity supply and port performance have reduced near-term operational risks. However, rising municipal arrears, growing water sector vulnerabilities and continued weakness in rail performance suggest that infrastructure-related risks have become increasingly concentrated within municipal finances and utility balance sheets.

31 Non-revenue water includes physical losses, such as leaks; commercial losses, such as unauthorised consumption and metering inaccuracies; and authorised consumption that is not billed, such as water used for firefighting. The latest 'No Drop Progress Report' by the Department of Water and Sanitation indicates that national non-revenue water remains at 47.3%, virtually unchanged from the full 2023 No Drop Report. The next full No Drop assessment is expected in 2027.

32 Department of Cooperative Governance and Traditional Affairs, White paper on local government, 22 October 2026.

33 South Africa, 'Strategic Framework for Water and Sanitation Services', Department of Water and Sanitation, *Government Gazette* No. 55396, 11 September 2026.

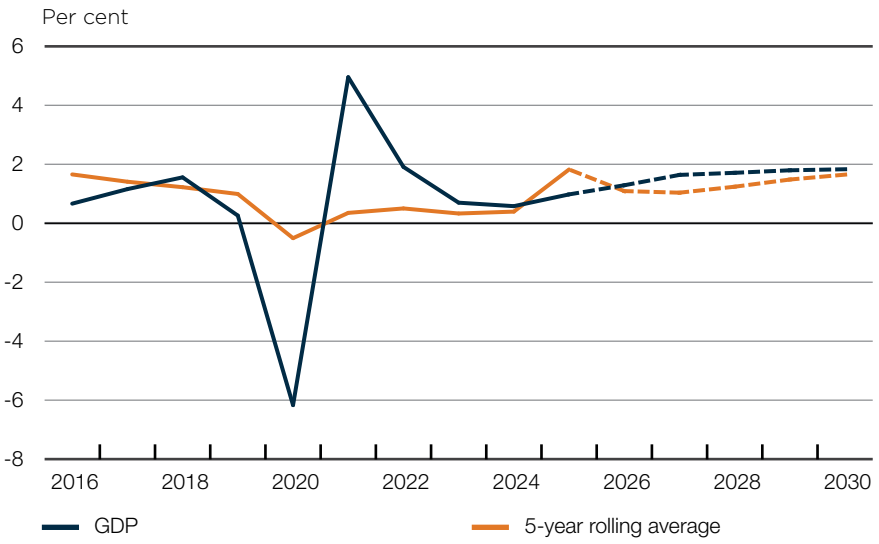
Low economic growth, inequality and concentration

Residual vulnerability has remained elevated and broadly unchanged since the June 2026 *FSR*. Structurally weak growth continues to constrain income, employment, revenue and the rebuilding of financial buffers across households, firms and the public sector, while high inequality and structural concentration across the economy and financial system can amplify the impact of shocks.

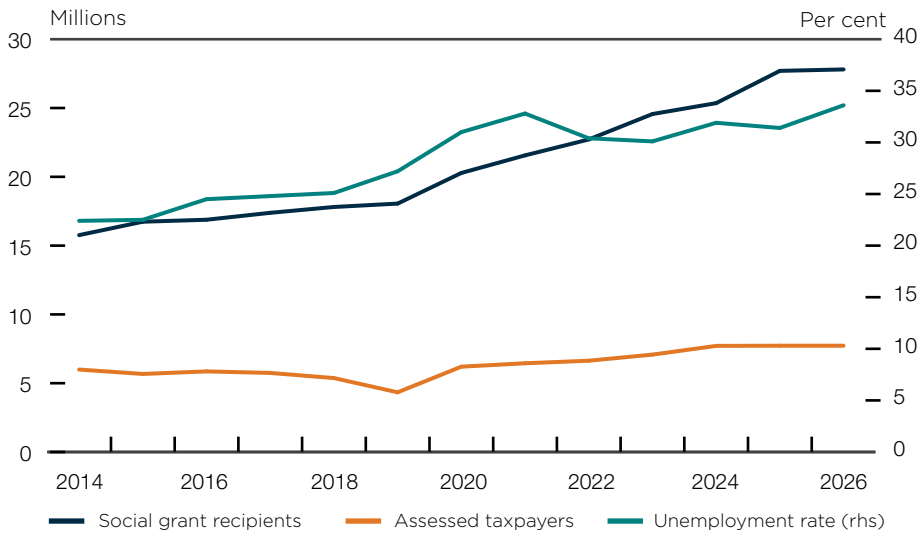
Low economic growth, high inequality and structural concentration are unlikely to trigger financial instability on their own, but they can amplify losses when other macro-financial risks materialise. Weak growth limits the ability of households, firms and the public sector to absorb shocks. The near-term growth outlook has been dampened by heightened geopolitical uncertainty and the effects of recent external shocks (Figure 24a), although continued progress on structural reforms, particularly in electricity and logistics, may gradually ease structural constraints on growth.

Figure 24: GDP growth, number of taxpayers and unemployment

a. Real GDP growth



b. Number of taxpayers and unemployment



Sources: Stats SA, SARB, SARS and DSD

Weak growth also limits the fiscal space by narrowing the tax base relative to the number of unemployed persons and social grant recipients (Figure 24b). At the same time, banks, insurers and pension funds hold sizeable amounts of government securities, reinforcing links between the sovereign and the financial sector.

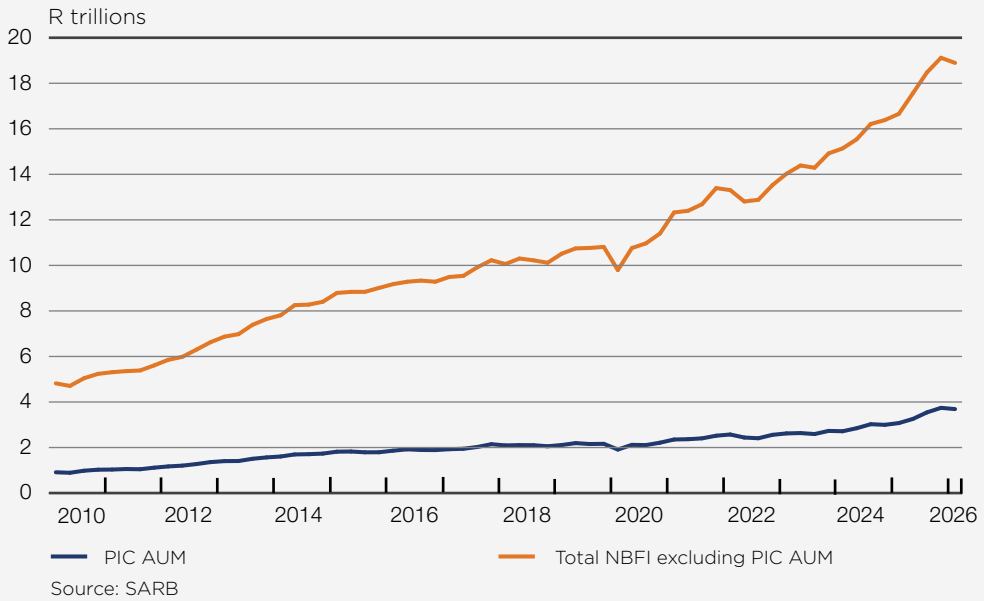
High inequality means that income and wealth are concentrated among a small proportion of households. This limits the pool of customers with sufficient income and assets to save, borrow and insure. Further job losses could weaken indebted households' ability to repay debt. Financial institutions may also have concentrated exposures to similar customer segments, limiting diversification.

Concentration shapes how quickly and widely shocks can spread through the financial system. The six largest banks account for more than 90% of banking sector assets, while the five largest life insurers account for more than 70% of sector assets. This concentration matters for financial stability through three channels. First, the largest institutions are directly interconnected through interbank exposures, cross-holdings of securities and group structures spanning banking, insurance and asset management. These links allow distress at one institution to transmit to others. Second, similar balance-sheet exposures, customer bases and funding structures, together with sizeable holdings of government securities, increase vulnerability to common shocks. Third, with relatively few alternative providers, distress at a large institution could disproportionately affect the provision of credit, deposits, payments and insurance, as well as confidence in the financial system. The significance of concentration is also evident in the role of the Public Investment Corporation (PIC) in domestic financial markets (Box 4).

Box 4: The significance of the Public Investment Corporation to the domestic financial system

The Public Investment Corporation (PIC) was corporatised on 1 April 2005 under the Public Investment Corporation Act 23 of 2004 (PIC Act). It is a public sector institution that manages the assets of several public funds, including the Government Employees Pension Fund (GEPF) and the Unemployment Insurance Fund (UIF). As at March 2026, the PIC's total assets under management (AUM) were R3.27 trillion compared with a total AUM of R18.8 trillion across all other non-bank financial institutions (NBFIs) (Figure B4.1).

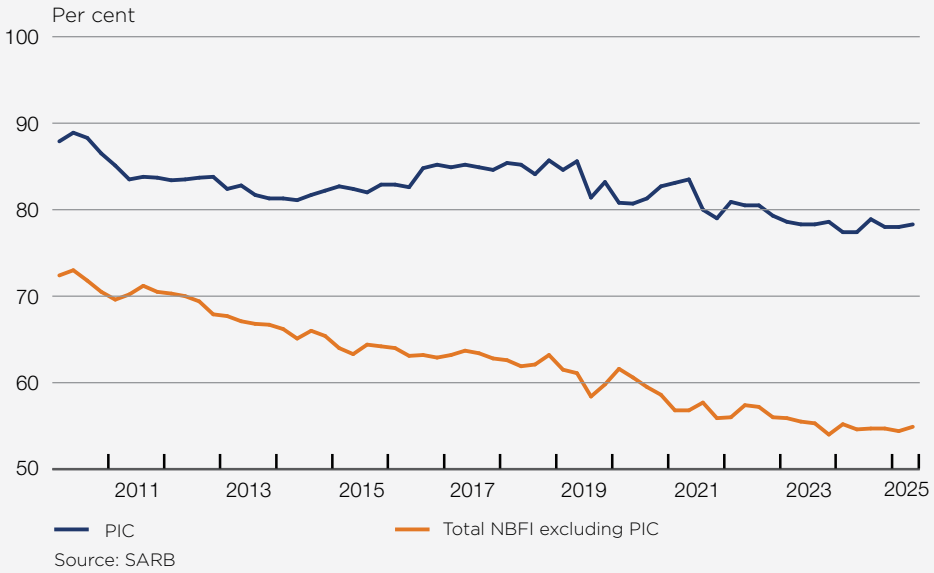
Figure B4.1: PIC assets under management relative to total NBFI assets



Source: SARB

The PIC is a large institution relative to the total market, and the rest of the domestic financial system is highly exposed to the entity. As an asset manager, the PIC is classified as an NBFI. In line with its clients' investment mandates, its portfolio has a stronger domestic orientation than those of other domestic NBFIs, increasing its significance to the domestic financial system. For instance, Figure B4.2 shows that 78.3% of the PIC's AUM was held domestically by June 2025 compared with 54.9% of total assets held domestically by all other local NBFIs. While the PIC allocates a larger share of its portfolio to equities than other asset managers, it is also the largest single holder of South African government bonds.

Figure B4.2: Share of assets held domestically by the PIC and all other NBFIs



Source: SARB

The PIC also has significant equity holdings in listed financial institutions. To maintain its portfolio's sector allocations, it purchases shares in listed financial institutions in line with the growth of its AUM. Over the past 15 years, the PIC's AUM has grown faster than the aggregate market capitalisation of financial institutions listed on the JSE Limited. By purchasing additional shares in these institutions, the PIC has increased its stake in each listed financial entity over time. These stakes are likely to continue increasing as the PIC's AUM grows.

Given its size and interconnectedness with other financial institutions, the PIC is important for domestic financial stability. As a significant shareholder in listed financial institutions, its decisions can have implications for these entities and their other shareholders. Similarly, its significant holdings of government bonds mean that its actions as a bondholder can affect bond market conditions. Furthermore, as the asset manager of the largest domestic retirement fund, the PIC plays an important role in managing the retirement savings of South Africa's civil servants, whose pension benefits are ultimately guaranteed by the fiscus.

Important buffers remain. Banks' capital strength, profitability and conservative lending standards provide protection against deteriorating credit quality, while social grants support vulnerable households. Prudential requirements, intensive supervision and resolution planning mitigate concentration risks. These safeguards reduce, but do not eliminate, the potential for weak growth, inequality and concentration to amplify losses across the financial system when other risks materialise.

The impact of climate change on the financial sector

The domestic financial system's residual vulnerability to climate change risks has remained broadly unchanged since the June 2026 *FSR*. Close to a third of the credit book of systemically important financial institutions (SIFIs) is climate-sensitive, with exposure to both physical and transition risks.[34] Both types of risk continue to be shaped by developments outside the financial system and pose an indirect rather than immediate threat to its resilience.

Transition risks

Transition risks remain elevated amid ongoing geopolitical fragmentation, energy security concerns and policy uncertainty. As discussed in the geopolitical risk section, the policy mix has shifted since 2020, with greater emphasis on supply chain resilience, national security and geopolitical priorities alongside climate and competitiveness objectives. These developments have increased uncertainty about the timing, pace and nature of the global transition to a lower-carbon economy. While a slower transition may delay some near-term transition costs, it also increases the risk of more abrupt policy, technological and market adjustments in future. For South Africa, these risks are amplified by the economy's relatively high energy intensity and reliance on fossil fuels, as discussed in the June 2026 *FSR*.[35]

The main financial stability concern is therefore a delayed and disorderly transition, which could increase credit risk in energy-exposed sectors, transmit through macro-financial channels and increase the risk of abrupt asset repricing in affected sectors. In line with this, the 2024 Climate Risk Stress Test (CRST) projected that, under a delayed transition scenario, average expected losses from climate-sensitive credit exposures would increase from around 1.0% to 1.2% in the short term to between 1.9% and 2.6% over the medium to long term.[36]

Physical risks

South Africa is entering the 2026/27 summer season under a strong El Niño which the South African Weather Service expects to intensify further, potentially becoming the strongest in living memory.[37] In South Africa, El Niño is associated with an increased risk of drought. However, its strength alone does not determine the severity of its impacts.[38] As discussed in the household section, the resulting impacts are expected

34 Based on the climate-sensitivity taxonomy applied in the 2024 Climate Risk Stress Test (CRST), participating banks classified 32% of their total credit exposure in 2023 as climate sensitive.

35 See *FSR*, First edition, June 2026.

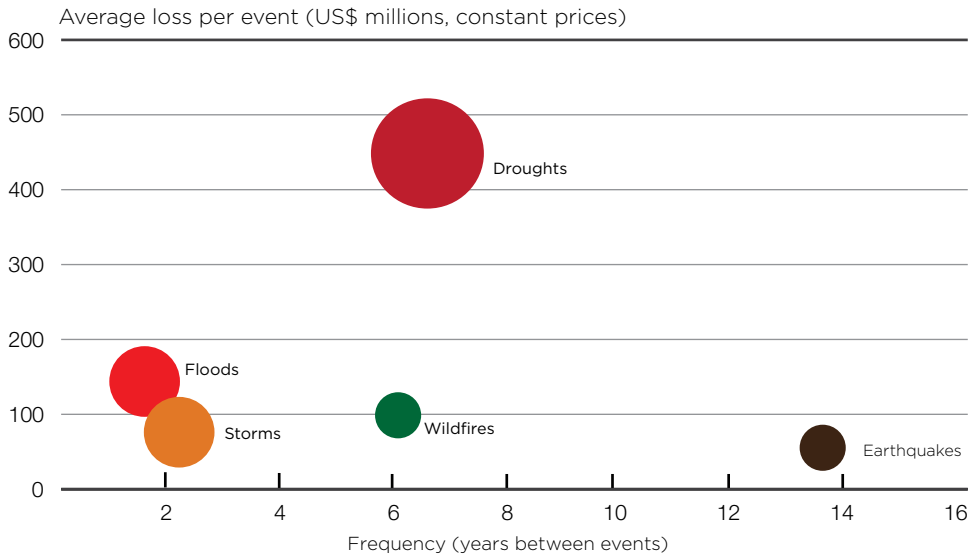
36 The short run covers 2024–26 and the medium to long term covers 2030–50. Average expected credit losses are presented relative to credit exposure to climate-sensitive sectors, with the range reflecting bottom-up and top-down estimates. Results are exploratory and based on a static balance sheet.

37 See 'South African Weather Service statement on the 2026/27 El Niño', media statement, 1 September 2026.

38 World Meteorological Organization, 'El Niño set to become very strong, raising risks of extreme weather into 2027', press release, 3 September 2026.

to transmit primarily through the real economy rather than pose a direct threat to financial system resilience. The impact will most notably be through higher food prices, with knock-on effects for inflation, financial conditions and real disposable income, while weakening the repayment capacity of borrowers in affected sectors and regions.

Figure 25: Frequency and severity of natural disasters in South Africa, 1952–2026



Bubble size reflects the cumulative number of people affected, ranging from around 3 000 for earthquakes to 33 million for droughts.

Source: EM-DAT International Disaster Database.

The banking sector's direct exposure to agriculture is small, at around 2.4% of gross credit extended, with only certain agricultural exposures classified as climate-sensitive under the CRST taxonomy. However, the 2024 CRST found that a lack of insurance cover for climate-related natural catastrophes raises loss given default, underscoring the role of insurance in transferring climate-related risk away from lenders and identifying insurance protection gaps as an area warranting further research.

The SARB has initiated a thematic review of insurance protection gaps in the South African insurance market. Early evidence suggests that drought is among the least insured risks, while Figure 25 shows that it is South Africa's most costly natural catastrophe per event. The review is assessing the extent to which households, businesses and government absorb uninsured losses and the resulting implications for financial stability.

In addition, the 2026/27 Insurance Common Scenario Stress Test (ICSST) will include a climate component covering selected life and non-life insurers based on their potential systemic importance. Using the Actuarial Society of South Africa Climate Index, it will assess insurers' exposure and sensitivity to severe short-term physical climate events, alongside their climate risk governance and risk management practices. It will complement the thematic review by testing insurers' capacity to absorb climate-related losses.

Banking sector resilience

The banking sector has remained resilient, although some buffers are being eroded. Banks remain well capitalised, profitable and liquid, with capital above regulatory requirements (Table 1). Preliminary Common Scenario Stress Test (CSST) results reinforce this assessment, indicating that banks would remain above regulatory capital requirements under the adverse scenario despite a significant deterioration in capital positions. Capital would, however, remain below starting levels at the end of 2028, reducing capacity to absorb further shocks. Wholesale funding outflows and delays in contractual inflows would also place pressure on liquidity.

Table 1: Summary of banking sector statistics

Measure	July 2026	10-year average	Regulatory requirement
Capital adequacy ratio (per cent of risk-weighted assets)	17.5	16.9	10.5
Return on equity (per cent)	16.1	14.5	n/a
Non-performing loans (per cent of gross loans)	4.6	3.5	n/a
Liquidity coverage ratio	156.3	140.9	100
Net stable funding ratio	116.5	117.2*	100

*The NSFR average covers January 2021 to July 2026, reflecting data availability.

Source: PA

Asset quality nevertheless warrants continued monitoring as higher energy prices and borrowing costs place renewed pressure on household and corporate balance sheets. Non-performing loans stood at 4.6% of gross loans in July 2026, above their 10-year average of 3.5%. These vulnerabilities would intensify under the adverse CSST scenario. Preliminary results indicate a broad-based deterioration in credit quality, particularly in retail portfolios, as weaker household finances and employment conditions would impair repayment capacity. A full report detailing the scenarios and final results will be published early next year.

Emerging risks to financial stability

The SARB also monitors risks that are not currently assessed as systemic but could become so and therefore warrant continued attention. These risks are identified through the SARB's broader financial stability monitoring and assessment framework, drawing on industry engagements, systemic risk surveys, internal research and participation in international forums.[39] Several risks highlighted in previous editions of the *FSR*, including the domestic adoption of crypto assets and stablecoins, remain under active monitoring.

Increasing digitalisation of financial services has changed how quickly depositors and investors can respond to information. Digital channels allow savings to be withdrawn almost instantly, while online platforms, social media and AI-generated content can accelerate the spread of rumours and narratives that shape depositor and investor behaviour. Recent developments have shown how these dynamics can leave institutions and authorities less time to respond to a loss of confidence, increasing the likelihood of rapid liquidity stress events.

39 See South African Reserve Bank Financial Stability Monitoring and Assessment Framework, May 2024.

The growth of non-bank financial intermediation is a second area of focus. Domestically, the emergence of BNPL services has raised the prospect of consumer credit that may not be fully captured in existing credit data, with potential implications for household financial distress. Globally, private credit extension to corporates has expanded, partly as a result of regulatory requirements that have made it unattractive for banks to finance projects with long payback periods. The financial stability implications of both developments have yet to be quantified in the South African context. The SARB is working to improve its understanding of these activities and how they interact with traditional credit provision.

The adoption of AI in trading, investment and risk management may cause market participants to act more similarly at the same time. Reliance on common models, datasets and decision frameworks could amplify herding, procyclicality and volatility, particularly when decisions are executed at machine speed. Unlike the valuation and operational channels assessed elsewhere in this edition of the *FSR*, this channel arises from the potential of AI to alter market behaviour itself.

Work is also continuing on several risks discussed elsewhere in this edition. These include potential mispricing in domestic fixed-income markets arising from valuation and price-discovery challenges, insurance protection gaps across different lines of business, and growing reliance on a concentrated group of third-party technology and service providers.

Policy actions and initiatives undertaken to enhance domestic financial stability

The SARB and other financial sector authorities continued to strengthen the resilience of the domestic financial system through a range of regulatory and supervisory initiatives. Key actions taken since the June 2026 *FSR* include the following:

- Following the full implementation of the positive cycle-neutral (PCN) CCyB on 1 January 2026, the Financial Stability Committee maintained the CCyB at 1%. Although the credit-to-GDP gap rose above the level at which a policy response may be considered in the second quarter of 2026, the increase mainly reflected a contraction in nominal GDP rather than an acceleration in credit extension. The decision therefore reflects the assessment that exceeding this level does not, at this stage, signal excessive credit growth.
- The SARB advanced efforts to strengthen cyber and operational resilience through engagement with industry and relevant national authorities on cybersecurity governance. Work is ongoing to strengthen national cyber coordination and faster implementation of the structures envisaged in the National Cybersecurity Policy Framework (NCPF). The SARB was also consulted on the development of the national cybersecurity strategy and provided input on its scope, implementation and governance arrangements.
- The SARB continued its crisis preparedness and crisis management work. The SARB and industry are planning a simulation in 2027 on the orderly closing and reopening of markets. A cyber-resilience hub for the financial sector is also being established to coordinate industry-wide cyber responses with existing computer security incident response teams (CSIRTs) and support collaboration, communication and cybersecurity incident management across the sector.

Box 5: Jibar to ZARONIA: Transition risks and mitigants

The Johannesburg Interbank Average Rate (Jibar) is scheduled to cease publication on 31 May 2027, five months later than originally planned;[1] the decision to replace it with the South African Rand Overnight Index Average (ZARONIA) is unchanged.

The transition represents a significant reform of South Africa's financial markets affecting market functioning and financial stability. Jibar is a forward-looking rate based on indicative quotes from a small panel of banks: about R40 trillion of domestic exposure references a funding market that trades only about R100 million a day. This is the weakness that led regulators globally to replace interbank offered rates with transaction-based benchmarks, with the London Interbank Offered Rate (LIBOR) fully phased out by mid-2024.[2]

ZARONIA, a backward-looking near risk-free overnight rate based on actual unsecured deposits, addresses this weakness. The financial stability consideration is whether an orderly transition can be completed by the new date.

Why the date moved

The extension was a practical consideration – ending Jibar before the legislative framework is in place would add to, rather than reduce, risks to financial stability. The legislation that provides a fallback for tough legacy contracts, which cannot be amended before cessation, is not yet law and still requires parliamentary approval and presidential assent. Without it, some contracts could be left without a workable reference rate. The clearing houses' conversions of outstanding Jibar derivatives would need to align with the cessation. If the two were to diverge, parts of the market would transition at different times, creating pricing, hedging and operational risks.[3] However, the delay extends the period over which market participants will have to actively manage basis risk.

Why the transition is a significant change

At the end of 2025, legacy Jibar exposure stood at roughly R2.6 trillion in assets, R1.5 trillion in liabilities and R38.4 trillion in derivatives. As ZARONIA carries no credit or term premium, legacy contracts need a credit adjustment spread (CAS), which was fixed on 3 December 2025. Derivatives can transition through industry protocols, but loans and bonds usually need individual amendments.[4]

Where the transition stands

Strate data show that 924 of 3 779 securities (24.5%) have transitioned, leaving the rest awaiting instructions (Table B5.1). The transition of money market instruments is advanced (61.4%), while 99.7% of listed bonds and 86.2% of unlisted bonds are still pending. About 89% of Jibar-linked bonds (1 775) will mature after March 2027 and need active transition or remediation. The delay in the cessation provides an opportunity for more active transitions to take place instead of waiting for the legislative solution to come into force.

Table B5.1: Strate dashboard: ZARONIA transaction status

Security type	ISINs pending transition instructions	% pending	ISINs ready for transition	% ready	ISINs transitioned	% transitioned	Total number of ISINs
Listed bonds	2 055	99.70%	2	0.10%	4	0.20%	2 061
Unlisted bonds	237	86.20%	4	1.50%	34	12.40%	275
Money market	456	31.60%	101	7.00%	886	61.40%	1 443
Overall	**2 748**	**72.70%**	**107**	**2.80%**	**924**	**24.50%**	**3 779**

Source: SARB. MPG Conference. 3 November 2026 (Strate data as at 28 October 2026).

1 SARB. 'SARB revises Jibar cessation date to 31 May 2027'. media release. 3 November 2026.

2 IOSCO. *Principles for Financial Benchmarks*. July 2013; ARRC. *Closing Report: Final Reflections on the Transition from LIBOR*. November 2023.

3 R Cassim. Opening remarks by Deputy Governor Rashad Cassim. Market Practitioners Group (MPG) Conference. 3 November 2026.

4 MPG. 'Transition approaches: Recommendations formulated for consideration by the MPG'. 27 February 2026; estimates as at 31 December 2025 from the SARB Jibar Quantitative Exposure Survey.

Key transition risks

Legal and legislative risk. The backstop law, the General Finance Laws (Official Benchmarks and Procurement) Amendment Bill, remains the critical dependency; further delay would leave contracts that cannot be amended exposed.

Cliff-edge and operational risk. Exposure not actively transitioned will convert following Jibar's cessation, concentrating legal, valuation and settlement events. Operational readiness alone is not enough: because spreads of underlying exposures and associated hedges can diverge, linked exposures must transition together.[5]

Value-transfer and conduct risk. With the CAS already fixed, asset owners have raised value-transfer concerns, and care is needed to ensure clients are not transitioned on terms that are perceived to unduly disadvantage them.[6]

Liquidity, pricing and basis risk. Instruments replacing forward rate agreements are building liquidity slowly, raising hedging and roll-over costs. The ZARONIA–Jibar gap is not static, so value can still shift between parties, and institutions with assets and liabilities on different rates face basis risk.[7]

Hedging, collateral and accounting risk. Collateral agreements must move from the South African Futures Exchange (SAFEX) overnight rate to ZARONIA, and hedges may no longer match exposures if different fallbacks apply. Accounting relief avoids recognising gains or losses on economically equivalent changes but does not remove execution risk.

Mitigants

The main safeguards operate at system level. Early, coordinated active transition reduces the legacy stock that would otherwise convert during a narrow window, limiting the concentration of legal, valuation and settlement events. Common fallbacks, based on the International Swaps and Derivatives Association (ISDA) methodology, ensure that contracts that do convert move on a single market-wide standard, limiting basis risk and disputes. The 'no new Jibar' initiative, in force since 1 May 2026, stops the legacy stock from growing, with progress tracked by the Prudential Authority and Financial Sector Conduct Authority (FSCA). Aligning clearing-house conversions with the revised date mitigates a split derivatives market. The legislative backstop is a system-wide safety net for contracts that cannot be amended but depends on timely enactment, and it complements rather than replaces active transition.[8]

The move to ZARONIA strengthens the financial system by replacing a benchmark that rests on thin trading with one anchored in real transactions, but the orderly transition partially relies on reducing the remaining exposures ahead of the 31 May 2027 cessation date. The principal risk is that the legislative delay and slow remediation concentrate the transition of a large volume of contracts into the final months. This increases the danger that confidence in the core funding and hedging markets is undermined by mispricing, operational failures and legal disputes. Progress warrants close monitoring as the legislative timetable and revised conversion dates become clearer.

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5 SARB. 'Transition strategies for financial institutions'. MPG Conference. 3 November 2026.

6 Reserve Bank of Australia. 'Box A: The transition away from LIBOR'. *Financial Stability Review.* April 2021.

7 BIS. 'The post-Libor world: a global view from the BIS derivatives statistics'. BIS Quarterly Review. December 2022.

8 SARB and FSCA. Joint Communication 1 of 2026: JIBAR Transition. supervisory expectations related to the No new JIBAR initiative. 20 March 2026.

Financial stability assessment

The SARB's assessment of financial stability is that the South African financial system remains resilient despite a challenging global and domestic risk landscape. Since the release of the June 2026 *FSR*, several shocks have been absorbed without disruption, and financial institutions have, in aggregate, remained well capitalised and liquid. Markets continued to function without interruption or support. In the absence of a major systemic event, the financial system is expected to continue functioning efficiently over the assessment period until November 2027.

Glossary

Amplifier	A property, factor or action that increases vulnerability or intensifies the transmission or impact of a financial stability risk.
Credit-to-GDP gap	The cyclical component of the credit-to-GDP ratio, calculated as the difference between the observed credit-to-GDP ratio and its long-term trend.
Cyclical financial risk	A financial stability risk associated primarily with asset valuations, credit extension or real economic conditions that fluctuate with economic and financial cycles. Macroprudential policy can be used to build resilience when these risks become excessive.
Emerging risk	A risk that is not currently assessed as systemic but could become systemic and therefore warrants continued monitoring.
Financial market infrastructures	Systems that facilitate the clearing, settlement and recording of payments, securities, derivatives and other financial transactions. They include payment systems, exchanges, central securities depositories, central counterparties, clearing houses and trade repositories.
Financial stability	A condition in which financial institutions and financial market infrastructures continue to provide financial products and services and perform their functions without interruption, despite changes in economic circumstances, and without a loss of general confidence.
Financial stability risk	Any adverse development that could impair the ability of financial institutions to provide financial products and services, or financial market infrastructures to perform their functions, without interruption and without a loss of general confidence.
Flac instrument	An unsecured debt instrument issued by a designated systemically important financial institution, or its holding company, that meets the requirements of Prudential Standard RA03 on Flac instrument requirements for designated institutions.
Mitigant	A property, factor or action that reduces vulnerability or limits the likelihood, transmission or impact of a financial stability risk.
Operational and event risk	A shock or event that could disrupt the functioning of the financial sector on a systemic scale, including disruptions to critical digital systems, third-party services or essential physical infrastructure.
Positive cycle-neutral countercyclical capital buffer	The positive neutral level of the countercyclical capital buffer maintained when cyclical risks are neither subdued nor elevated, so that releasable capital is available when stress materialises.

Resilience	The ability of the financial system to absorb shocks, continue providing critical financial services and recover without a material loss of confidence.
Residual vulnerability	The level of vulnerability that remains after accounting for relevant mitigants and actions. The *FSR* assessment considers the likelihood of a risk materialising over the forecast period and its anticipated impact.
Shock	An event or development that may trigger the materialisation of a financial stability risk.
Structural and perpetual risk	A financial stability risk linked to the broader operating environment of the financial sector that does not vary primarily with the domestic economic or financial cycle.
Systemic risk	The risk that disruption to all or part of the financial system impairs the provision of key financial services, with serious consequences for the real economy.
Transmission channel or mechanism	The route through which a shock or the materialisation of a financial stability risk could affect financial institutions, markets, infrastructures or the real economy and cause financial instability.
Vulnerability	A characteristic or condition of the financial system that increases the likelihood or impact of a financial stability risk materialising.

Abbreviations

AI	artificial intelligence
AISI	AI Security Institute
Alsi	JSE All-Share Index
ARRC	Alternative Reference Rates Committee
ASISA	Association for Savings and Investment South Africa
AUM	assets under management
BER	Bureau for Economic Research
BIS	Bank for International Settlements
BNPL	buy now, pay later
BoE	Bank of England
CAR	capital adequacy ratio
CAS	credit adjustment spread
CCyB	countercyclical capital buffer
CDS	credit default swap
CET1	common equity tier 1
CIS	collective investment scheme
CODI	Corporation for Deposit Insurance
CPI	consumer price index
CRST	Climate Risk Stress Test
CSIRT	computer security incident response team
CSST	Common Scenario Stress Test
CVA	credit valuation adjustment
DDoS	distributed denial-of-service
DSD	Department of Social Development
EAF	energy availability factor
EMBI	Emerging Markets Bond Index
EM-DAT	Emergency Events Database
ENSO	El Niño-Southern Oscillation
EU	European Union
FCI	Financial Conditions Index
FRTB	Fundamental Review of the Trading Book
FSB	Financial Stability Board
FSCA	Financial Sector Conduct Authority
FSR	*Financial Stability Review*
FSR Act	Financial Sector Regulation Act 9 of 2017
G3	Group of Three
GDP	gross domestic product
GEPF	Government Employees Pension Fund
HQLA	high-quality liquid assets
IADI	International Association of Deposit Insurers
ICSST	Insurance Common Scenario Stress Test
IEA	International Energy Agency
IIF	Institute of International Finance
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions

ISDA	International Swaps and Derivatives Association
ISIN	International Securities Identification Number
IT	information technology
Jibar	Johannesburg Interbank Average Rate
JSE	JSE Limited
LCR	liquidity coverage ratio
LDP	low default portfolio
LIBOR	London Interbank Offered Rate
MMF	money market fund
MPC	Monetary Policy Committee
MTBPS	Medium Term Budget Policy Statement
NBFI	non-bank financial institution
NCD	negotiable certificate of deposit
NCPF	National Cybersecurity Policy Framework
NCR	National Credit Regulator
NIPO	New Industrial Policy Observatory
NIST	National Institute of Standards and Technology
NPL	non-performing loan
NT	National Treasury
OTC	over the counter
PA	Prudential Authority
PCN	positive cycle-neutral
PIC	Public Investment Corporation
PIC Act	Public Investment Corporation Act 23 of 2004
QB	*Quarterly Bulletin*
R	rand
RF	retirement fund
rhs	right-hand scale
ROE	return on equity
RVM	Residual Vulnerability Matrix
RWE	risk-weighted exposure
SAFEX	South African Futures Exchange
SARB	South African Reserve Bank
SARS	South African Revenue Service
SIFI	systemically important financial institution
SME	small and medium-sized enterprise
Stats SA	Statistics South Africa
UIF	Unemployment Insurance Fund
UK	United Kingdom
US	United States
US$	United States dollar
y/y	year on year
ZARONIA	The South African Rand Overnight Index Average

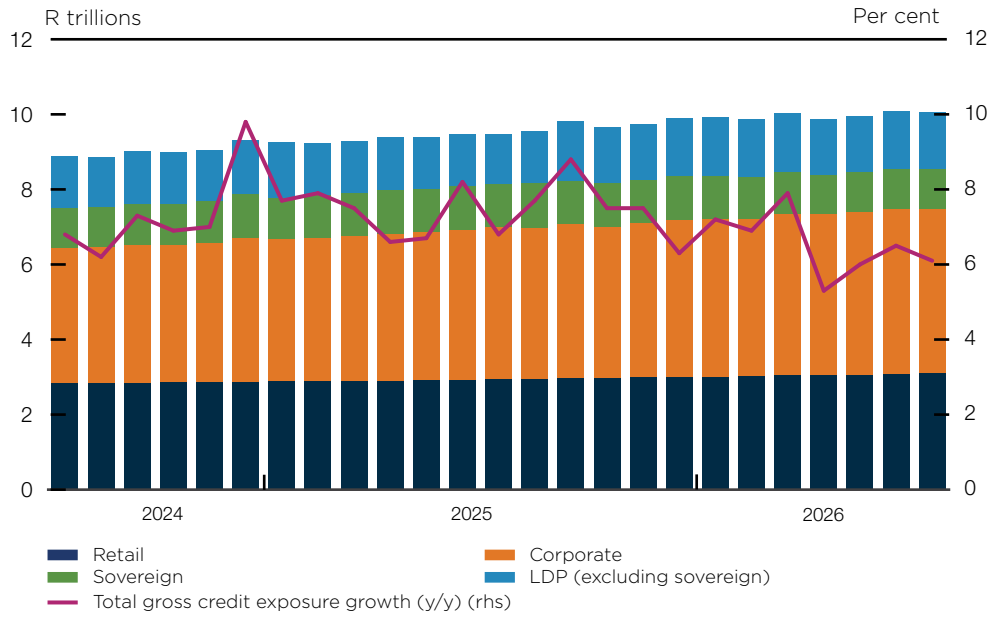
Annexure A: Sectoral indicators and overview

Banking sector

The South African banking sector[40] must contend with various pressures within a difficult business environment that is adversely impacted by heightened geopolitical risks, market volatility, elevated uncertainty, inflationary pressures, subdued economic growth, high unemployment, cyber risks and broader socio-economic vulnerabilities. From a financial stability perspective, continued monitoring of the banking sector remains important, particularly in relation to the retail book, which remains under pressure as higher cost-of-living constraints continue to weigh on private households in South Africa. Despite these challenges, the South African banking sector remains resilient, supported by strong capital buffers, robust profitability, improving defaulted exposures and a solid liquidity position.

Recent movements in gross credit exposure and impaired advances are positive developments from a financial stability perspective. In July 2026, gross credit exposure increased by 6.1% year on year to R10.06 trillion, primarily driven by growth in wholesale exposures, particularly in the small and medium-sized enterprise (SME) corporate, low default portfolios (LDPs), commercial real estate and property-related specialised lending asset classes (Figure A1 and Table A1).[41] In addition, impaired advances declined by 6.3% year on year to R299 billion, indicating an improvement in overall credit quality across the banking sector (Figure A2).

Figure A1: Growth in gross credit exposure in the banking sector



Source: PA

40 The South African banking sector consists of 13 commercial banks, 3 mutual banks, 5 cooperative banks and 12 local branches of foreign banks.

41 LDPs include banks, public sector enterprises, local government and municipal debt.

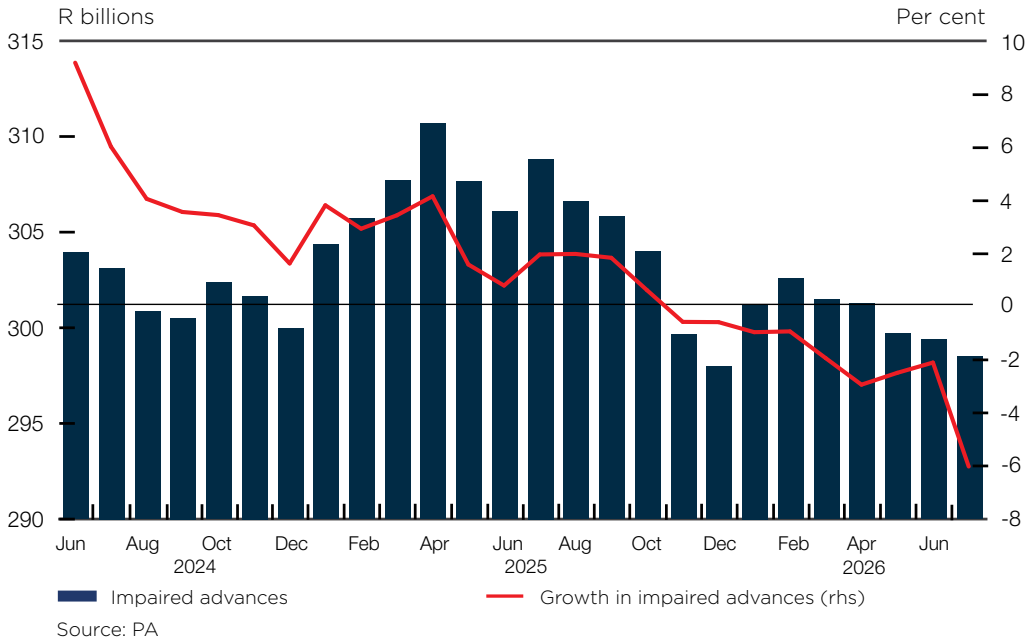
Table A1: Breakdown of wholesale and retail gross credit exposures (July 2026)

Wholesale exposure	Composition	Year-on-year growth	Retail exposure	Composition	Year-on-year growth
Total wholesale assets	**69.15%**	**6.50%**	**Total retail assets**	**30.85%**	**5.24%**
Corporate	26.05%	6.08%	Residential mortgages	16.24%	4.14%
SME corporate	6.26%	7.54%	Retail revolving credit	4.61%	7.26%
Commercial real estate	2.03%	15.93%	SME retail	3.08%	7.64%
Specialised lending: income-producing real estate (residential and commercial)	4.98%	9.67%	Retail other*	6.92%	5.48%
Specialised lending: high-volatility commercial real estate (HVCRE)	0.31%	24.72%			
Specialised lending: object finance	0.17%	14.96%			
Specialised lending: project finance	3.52%	18.33%			
LDP (excluding sovereign)	14.86%	13.14%			
Sovereign	10.96%	-6.55%			

* The 'retail other' asset class includes vehicle and asset finance (VAF) as well as unsecured lending.

Source: PA

Figure A2: Impaired advances of the banking sector



Source: PA

Total banking sector defaulted exposures declined by 2.3% year on year to R335 billion in July 2026, driven mainly by lower defaults in the wholesale portfolios (Table A2). Retail defaulted exposures, which account for 83.8% of total banking sector defaults, declined marginally by 0.3% year on year to R280 billion in July 2026, largely reflecting developments in the retail other asset class. However, the ongoing geopolitical conflict in the Middle East has contributed to higher energy prices, inflationary pressures and elevated borrowing costs, which could place renewed pressure on defaulted exposures. Given their share of total defaulted credit exposure, residential mortgages (39.6%), retail revolving credit (13.5%) and retail other (25.5%) are the main areas that require close monitoring in future.

Table A2: Composition of defaulted credit exposure per asset class

Asset class (R billions)	July 2024	July 2025	July 2026	Year-on-year growth (July 2025)	Year-on-year growth (July 2026)	Share of total defaults (July 2026)
Corporate	24.00	16.59	14.16	-30.88%	-14.65%	4.23%
Specialised lending	15.34	18.71	16.82	21.97%	-10.10%	5.03%
SME corporate	25.16	21.62	18.43	-14.07%	-14.75%	5.51%
LDP	2.78	0.95	0.28	-65.83%	-70.53%	0.08%
Commercial real estate*	n/a	3.42	4.58	n/a	33.92%	1.37%
Total wholesale defaults	**67.28**	**61.29**	**54.27**	**-8.90%**	**-11.45%**	**16.21%**
Residential mortgages	121.88	131.26	132.37	7.70%	0.85%	39.55%
Retail revolving credit	40.16	39.98	45.33	-0.45%	13.38%	13.54%
SME retail	14.76	17.92	17.57	21.41%	-1.95%	5.25%
Retail other	81.96	91.99	85.17	12.24%	-7.41%	25.45%
Total retail defaults	**258.76**	**281.15**	**280.44**	**8.65%**	**-0.25%**	**83.79%**
Total defaults	**326.04**	**342.44**	**334.71**	**5.03%**	**-2.26%**	**100.00%**

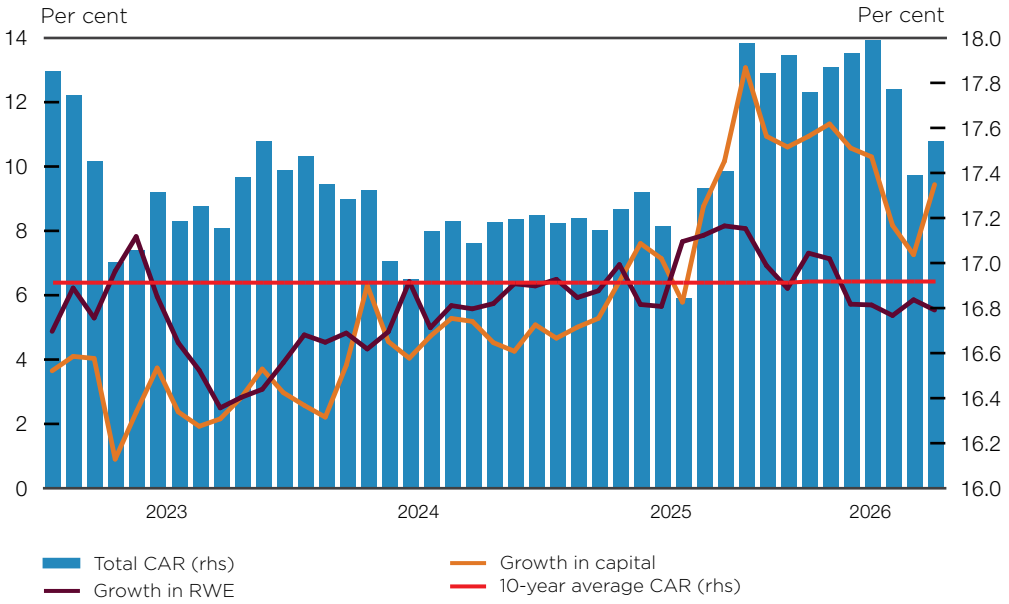
* Reported data in respect of commercial real estate commenced from 1 July 2025. Therefore, year-on-year growth data for the commercial real estate asset class is only available from July 2026.

Source: PA

The capital adequacy ratio (CAR) of the South African banking sector has remained comfortably above both the minimum regulatory capital requirement and its long-term average. The sharp increase in capital and the CAR in 2025 was mainly attributable to the introduction of post-crisis reforms, which resulted in South African banks holding larger capital buffers relative to growth in risk-weighted exposure (RWE) (Figure A3).[42] Thereafter, capital growth and the CAR moderated, partly due to a decline in common equity tier 1 (CET1) capital as a result of systemically important financial institution (SIFI) banks' share buyback activities and investments in foreign branches. At 17.5% in July 2026, the CAR indicates that the South African banking sector continues to hold sufficient capital buffers to withstand potential downside risks that may arise from adverse domestic or global shocks.

42 The SARB incorporated Basel III post-crisis capital and risk management reforms into its banking regulatory framework with effect from 1 July 2025. See PA Circular C4-2025-Basel III post-crisis reforms reporting.

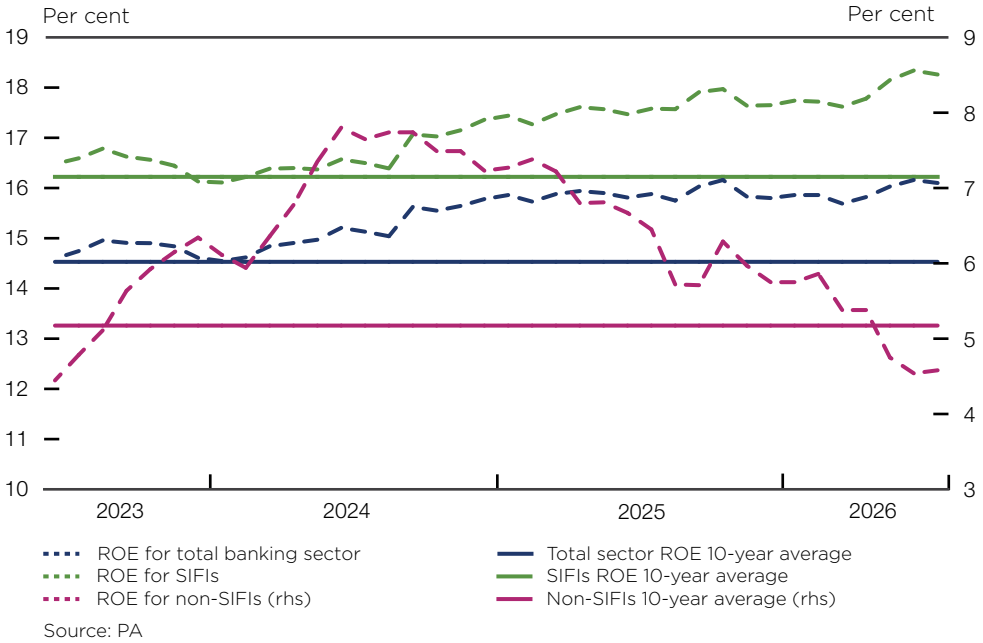
Figure A3: Capital adequacy ratio of the total banking sector



Source: PA

The South African banking sector's return on equity (ROE) continued to improve, reaching 16.1% in July 2026 and remaining above its 10-year average of 14.5% (Figure A4). This performance was mainly supported by SIFI banks, which continue to underpin overall banking sector profitability amid weaker growth from non-SIFI banks.[43]

Figure A4: Profitability assessment of the South African banking sector

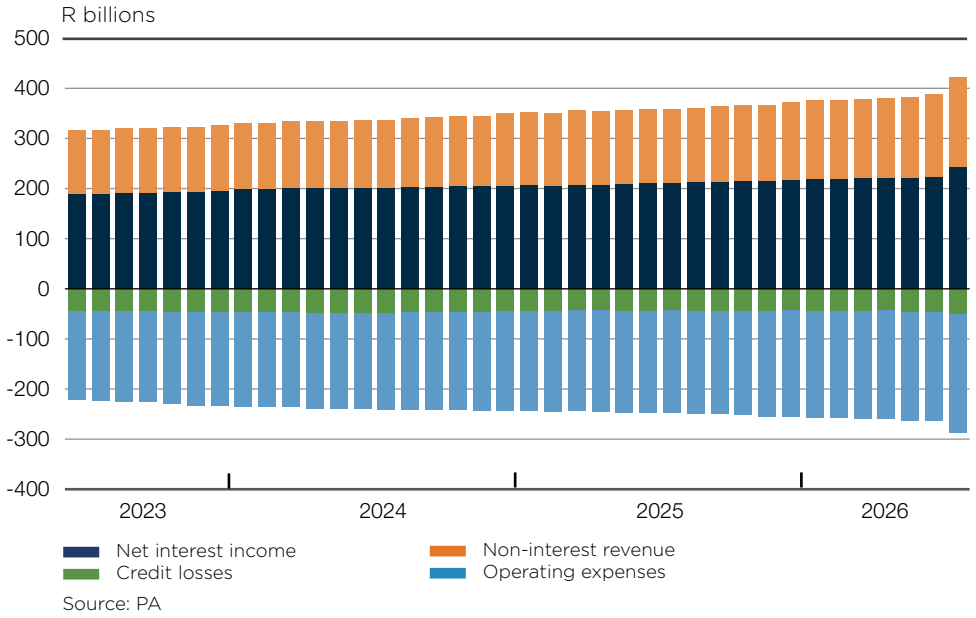


Source: PA

43 The six South African banks that have been designated as SIFIs are Absa Bank Limited, Capitec Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited.

SIFI banks have historically outperformed non-SIFI banks due to their market size, geographical diversification and comprehensive business models. Since March 2024, SIFI banks' ROE has remained above its 10-year average of 16.1%, increasing from 16.4% to 18.3% in July 2026 as growth in interest income and non-interest income outpaced operating expenses and credit losses (Figure A5). The deterioration in non-SIFI banks' profitability does not currently pose a material financial stability risk to the banking sector as a whole.

Figure A5: Overview of SIFI banks' profit and loss drivers



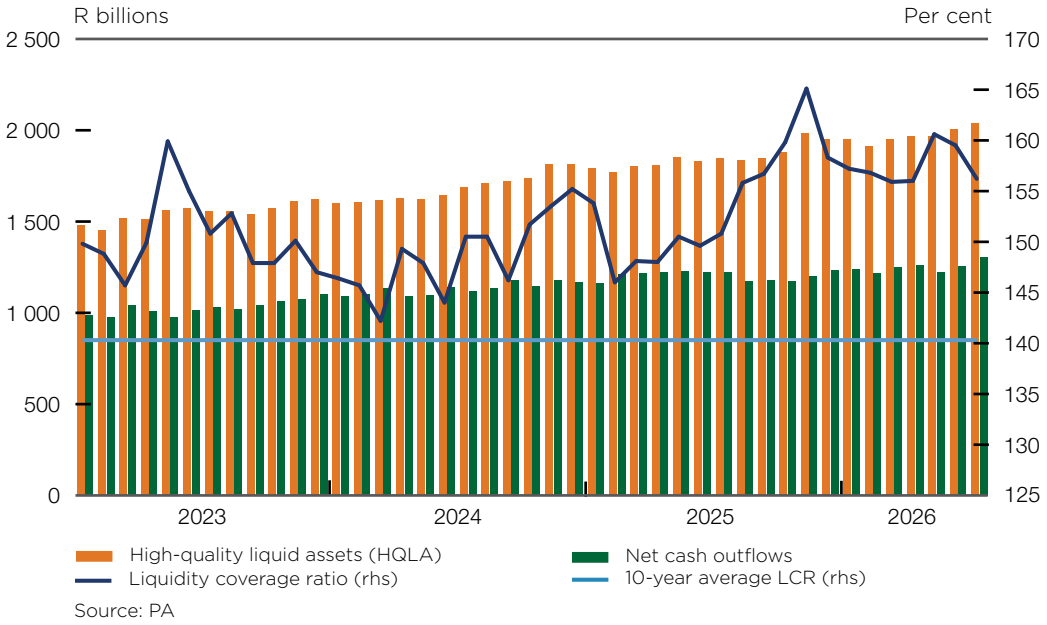
Source: PA

Banking sector liquidity remains robust despite some moderation from recent highs. The liquidity coverage ratio (LCR) declined from a recent peak of 165.2% in November 2025 to 156.3% in July 2026, reflecting changes in holdings of high-quality liquid assets (HQLA) and net cash outflows (Figure A6).[44,45] Nevertheless, the LCR remains well above both the minimum regulatory requirement of 100% and its 10-year average of 140.9%, indicating that banks continue to maintain substantial liquidity buffers.

44 The LCR is the ratio of the stock of HQLA to total expected net cash outflows over the subsequent 30 days.

45 In South Africa, the set of HQLA-eligible assets currently comprises (i) government and SARB rand-denominated debt; (ii) government and SARB foreign exchange-denominated debt (for specific exposures); (iii) central bank reserves; (iv) banknotes and coin; and (v) highly rated non-government debt.

Figure A6: LCR of the total banking sector



Source: PA

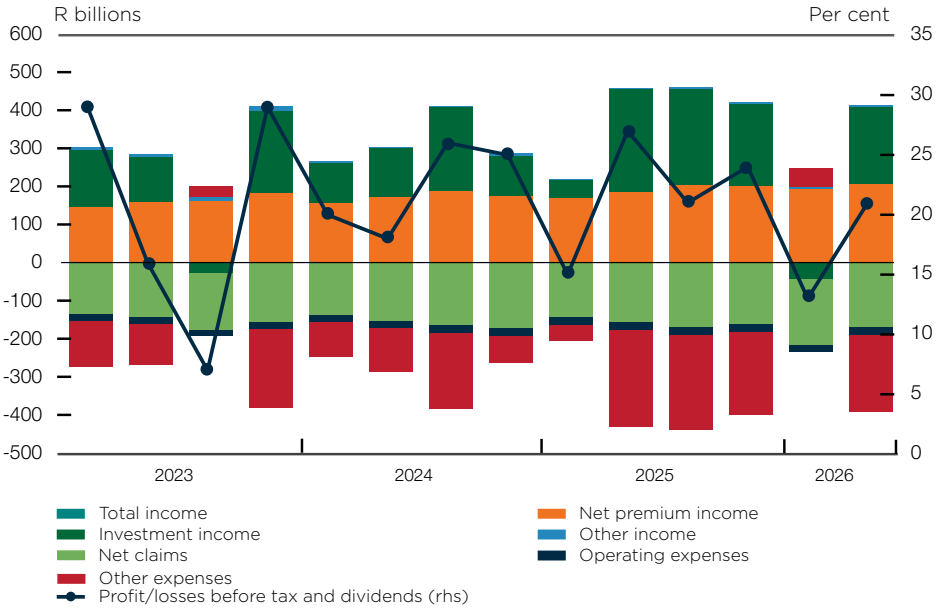
Insurance sector

The insurance sector remained resilient between the first quarter of 2023 and the second quarter of 2026, supported by strong solvency positions, despite some earnings pressure in both the life and non-life segments. This resilience is notable given the challenging macroeconomic environment, characterised by heightened geopolitical tension, elevated energy prices, persistent inflationary pressures and rising interest rates, all of which contributed to greater uncertainty and volatility in global financial markets. Despite these pressures, there was limited evidence of material investment portfolio reallocation or procyclical investment behaviour, suggesting that insurers retained their capacity to absorb shocks without amplifying broader market stress.

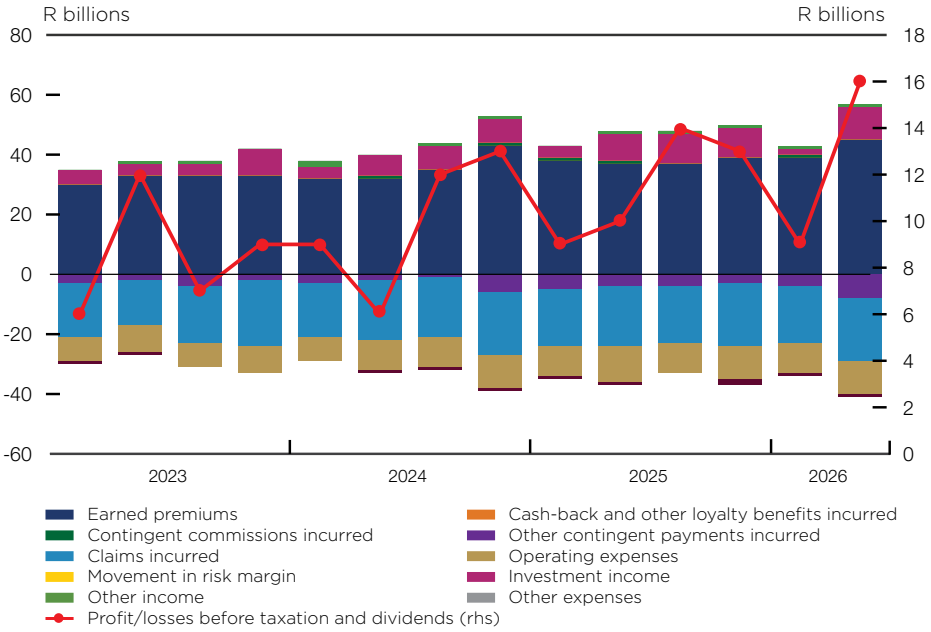
The sector remains exposed to market and sovereign risks through its investment portfolios. The nature of these risks differs across business lines. Life insurers are generally more exposed to market valuation risk through their equity holdings in investment funds and longer-duration bond portfolios, making them more sensitive to movements in asset prices and interest rates (Figure A7a). By contrast, non-life insurers are relatively more exposed to reinvestment risk owing to the shorter maturity profile of their fixed-income investments (Figure A7b). Both segments maintain significant holdings in domestic sovereign debt. This concentration leaves the sector exposed to fiscal risk, as a deterioration in the sovereign outlook could result in wider credit spreads, adverse valuation effects and tighter financial conditions.

Figure A7: Profitability

a. Life insurance



b. Non-life insurance



Source: PA

These portfolio characteristics were also reflected in insurers' financial performance during the review period. Movements in investment income contributed to increased earnings volatility across the sector over the past six months, with both life and non-life insurers reporting a recovery in investment income by the second quarter of 2026 following weaker performance in the first quarter. This partly reflected a recovery in South African asset prices during the second quarter, as assets that had been adversely affected by the risk-off environment earlier in the year rebounded alongside an easing in oil prices and an improvement in investor sentiment. The volatility was primarily driven by unrealised gains and losses and fair value adjustments. The effect was more pronounced for life insurers given their significant exposure to investment funds, which provide an important channel through which market movements affect earnings. Non-life insurers' profitability was further supported by strong underwriting performance, sustained premium earnings and a stable claims ratio over the period.

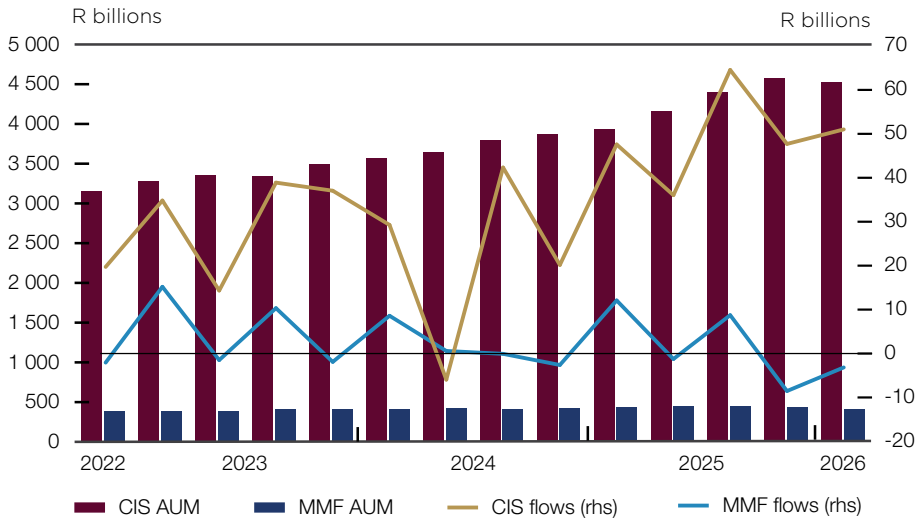
While current indicators point to a resilient insurance sector, emerging risks associated with artificial intelligence (AI) remain an important area for ongoing monitoring. Although direct exposure to AI-specific liabilities currently appears limited among South African insurers, the increasing use of AI could alter risk profiles and create new sources of liability over time. To date, insurers have generally adopted a cautious approach, with AI-related exposures addressed primarily through existing cyber, technology liability and professional indemnity products rather than dedicated AI insurance offerings.

Non-bank financial institutions

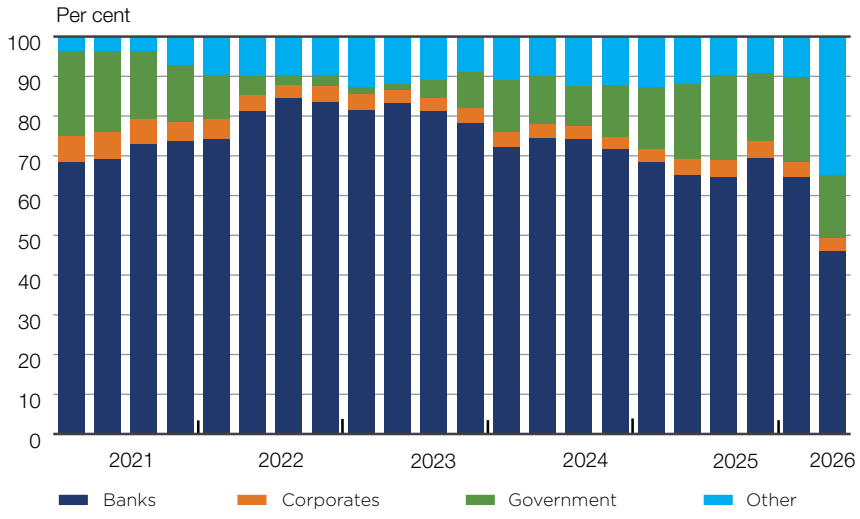
Collective investment scheme (CIS) assets increased to R4.6 trillion in June 2026, recovering from the decline recorded in March 2026 (Figure A8a). The rebound reflected positive net flows and improved asset valuations amid heightened global uncertainty. Assets of money market funds (MMFs), a subsector of CIS, also increased in June 2026, reversing the negative net flows recorded in March 2026.

Figure A8: Collective investment scheme sector

a. CIS and MMF AUM



b. MMF exposure to banks, corporates and government



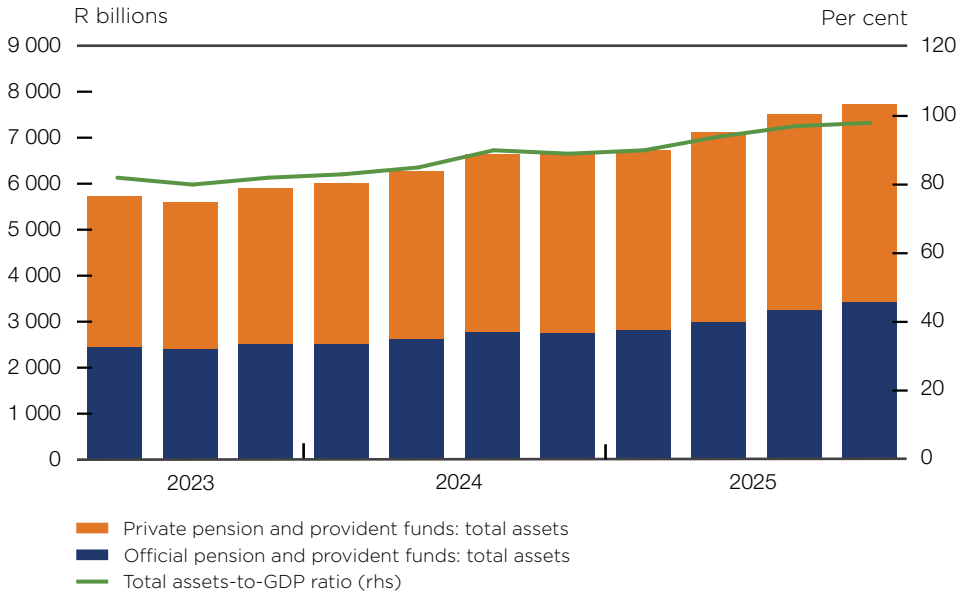
Source: ASISA

MMFs resumed their trend of reducing exposure to bank instruments in June 2026, while holdings of other unlisted money market instruments increased sharply (Figure A8b).[46] The increase in this category likely reflects a reallocation towards non-bank, unlisted counterparties offering more attractive yields in a more uncertain environment. A sustained shift away from bank instruments would tighten wholesale funding conditions and could raise bank funding costs.

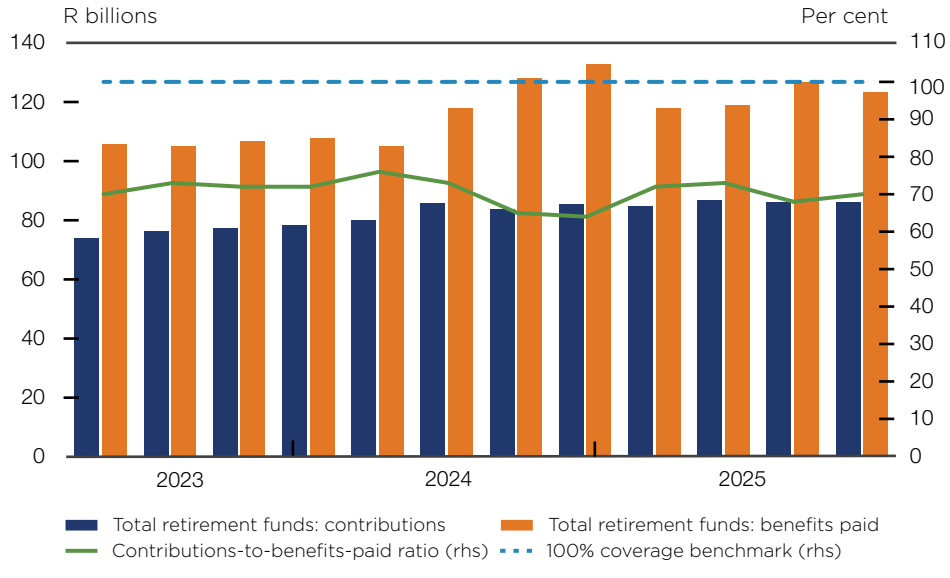
Retirement fund assets have increased steadily over the years, reaching a record assets-to-GDP ratio of 98% in the fourth quarter of 2025 (Figure A9a). In the first quarter of 2026, however, total assets and the ratio declined moderately.

Figure A9: Retirement fund sector

a. Official and private retirement fund assets



b. Retirement fund contributions and benefits paid



Source: PA

46 The 'other' category mainly comprises unlisted money market instruments issued or guaranteed by entities other than banks, government or public entities. It also includes a small share of other listed money market instruments, derivatives and listed paper issued by public entities.

The preceding expansion was driven primarily by improved asset valuations and stronger market performance rather than by new contributions or savings, despite additional withdrawals associated with the two-pot retirement system.

Contributions remained below benefits paid and withdrawals throughout the period, resulting in persistent net outflows from retirement funds (Figure A9b). This is reflected in the contributions-to-benefits-paid ratio, which remained below 100%, indicating that contributions were insufficient to cover benefit payments and withdrawals.[47] The gap widened following the implementation of the two-pot retirement system in September 2024, when withdrawals increased in the third and fourth quarters of 2024 and the ratio fell to its lowest level. Although the ratio improved during 2025, its decline in the first quarter of 2026 suggests renewed pressure from outflows. This may partly reflect members seeking to access their annual savings component withdrawal when the new tax-year withdrawal window opened in March, alongside heightened global uncertainty.[48]

47 A ratio of 100% indicates that contributions are equal to benefits paid and withdrawals.

48 The annual withdrawal window is the period beginning on 1 March each year when members become eligible to make their once-per-tax-year withdrawal from the savings component of the two-pot retirement system.

Annexure B: Banking and insurance sector indicators

Table B1: Banking sector indicators*

	2021	2022	2023	2024	2025	2026***
Market share in terms of assets (six largest banks)	92.54	92.17	92.74	92.82	93.01	93.36
Gini concentration index	82.14	81.47	81.13	80.01	80.82	79.78
Herfindahl-Hirschman Index (H-index)	0.18	0.18	0.18	0.18	0.18	0.18
Total assets (R billions)	6 716.42	7 225.48	7 569.03	8 194.21	8 967.67	9 132.66
- Year-on-year percentage change	2.24	7.58	4.75	8.26	9.44	
Total loans and advances (R billions)	4 771.10	5 192.47	5 435.62	5 803.20	6 268.32	6 477.29
- Year-on-year percentage change	4.48	8.83	4.68	6.76	8.01	
Total capital adequacy ratio	18.09	17.57	17.41	17.21	17.92	17.54
Tier 1 capital adequacy ratio	15.07	14.92	15.17	14.90	15.70	15.28
Common equity tier 1 capital adequacy ratio	13.73	13.45	13.47	13.16	13.89	13.33
Impaired advances (R billions)**	212.65	242.46	295.59	300.28	298.22	298.76
Impaired advances to gross loans and advances	4.46	4.67	5.44	5.17	4.76	4.61
Specific credit impairments (R billions)	104.35	114.26	133.70	142.96	143.25	146.08
Specific credit impairments to impaired advances	49.06	47.11	45.22	47.59	48.02	48.94
Specific credit impairments to gross loans and advances	2.19	2.20	2.46	2.46	2.29	2.26
Return on assets (smoothed)	1.09	1.15	1.08	1.18	1.19	1.21
Return on equity (smoothed)	13.84	14.95	14.61	15.78	15.80	16.10
Interest margin to gross income (smoothed)	58.28	59.26	60.44	59.22	58.53	57.83
Operating expenses to gross income (smoothed)	58.53	57.07	57.33	56.80	57.25	56.43
Liquid assets to total assets (liquid asset ratio)	14.26	15.06	15.33	15.75	16.07	16.49
Liquid assets to short-term liabilities	25.44	27.14	27.72	27.91	28.33	29.32
Liquidity coverage ratio	144.78	153.16	147.11	155.30	158.43	156.31

* Updated as at 2 October 2026. All figures are in percentages unless indicated otherwise.

** Impaired advances are advances in respect of which a bank has raised a specific impairment and include any advance or restructured credit exposure subject to amended terms, conditions and/or concessions that are not formalised in writing.

*** Actual for July 2026

Source: PA

Table B2: Insurance sector indicators

	2022	2023	2024	2025	2026**
Market share in terms of assets (five largest life insurers)	74	71	71	71	72
Market share in terms of gross written premiums (five largest non-life insurers)	49	45	47	47	47
Balance sheet					
Total assets: life insurers (R millions)	3 705	4 115	4 570	5 301	5 434
Total assets: non-life insurers (R millions)	290.1	308.3	336.1	377.0	402.6
Total liabilities: life insurers (R millions)	3 354	3 723	4 162	4 892	5020
Total liabilities: non-life insurers (R millions)	121.5	121.5	118.0	205.0	217.0
Profitability					
Gross written premiums: life insurers (R millions)	638.9	681.1	722.2	787.8	411.9
Net profit before tax and dividends: life insurers (R millions)	36.3	79.6	80.9	90.7	34.9
Individual lapse ratio: life insurers	76	64	55	69	60
Gross written premiums: non-life insurers (R millions)	186.1	210.3	227.4	243.7	114.7
Profit before tax and dividends (R billions)	14.8	24.4	32.6	41.5	24.2
Combined ratio: non-life insurers (%)	98	101	95	94	64
Operating profit ratio: non-life insurers (%)	18	27	22	35	21
Solvency and capital					
Solvency capital requirement cover ratio (median): life insurers	1.7	1.9	1.8	1.8	1.7
Minimum capital requirement cover ratio (median): life insurers	4.7	4.9	4.9	4.7	3.8
Solvency capital requirement cover ratio (median): non-life insurers	1.5	1.7	1.8	1.8	1.9
Minimum capital requirement cover ratio (median): non-life insurers	3.7	4.3	4.2	4.5	5.0

** 2026 is year to date (to June 2026)

Source: PA

Annexure C: Recent regulatory developments supporting financial sector resilience

The regulatory and supervisory reforms implemented since the previous *Financial Stability Review* published in June 2026 have strengthened the financial system's capacity to absorb shocks arising from the risks assessed in this edition. Table C1 sets out the most material developments, the sectors to which they apply and their contribution to resilience. Collectively, these reforms raise loss-absorbing capacity in the banking sector, extend the regulatory perimeter to activities previously outside it, and limit the operational and liquidity channels through which shocks are transmitted. They do not eliminate the underlying vulnerabilities, which remain structural, but limit the extent to which they can amplify systemic stress.

Table C1: Recent regulatory developments supporting financial sector resilience

Development	Effective date	Sector	Contribution to financial sector resilience	Complementary standard or measure
Joint Standard 1 of 2020: Fitness, propriety and other matters related to significant owners Sections 107 and 159(1), read with Chapter 11, of the Financial Sector Regulation Act 9 of 2017 (FSR Act)	1 December 2020 (published 1 June 2020)	All regulated financial institutions and their significant owners	Applies fit-and-proper requirements and imposes reporting obligations to persons able to control or materially influence a financial institution, supporting the monitoring of concentration risk within the financial system.	FSR Act Chapter 11, Joint Communication 8 of 2020, and prescribed significant owner application and notification forms
Exchange Control circulars 4/2022 and 10/2022	23 February 2022	Institutional investors	Replaces the separate offshore limits of 30% and 40%, and the 10% African allowance, with a single prudential limit of 45% of total retail assets under management. Gradual portfolio adjustments since implementation indicate that the limit has not led to disorderly rebalancing.	No separate complementary standard identified
Designation of crypto-asset service providers as accountable institutions Schedule 1 of the Financial Intelligence Centre Act 38 of 2001 (FIC Act), together with the Financial Sector Conduct Authority (FSCA) licensing regime	December 2022; licensing opened in June 2023, with more than 250 licences approved by mid-2025	Crypto-asset service providers	Brings crypto-asset activity within the scope of anti-money laundering and authorisation requirements, improving oversight of a fast-growing segment and reducing integrity risk.	Schedule 1 to the FIC Act and the FSCA licensing regime operate together
Joint Standard on margin requirements for non-centrally cleared over-the-counter (OTC) derivative transactions, and Joint Notice 2 of 2025 on risk management measures for non-cash collateral	Variation on margin from February 2023; initial margin extended to non-bank participants from September 2025	Banks, non-bank financial institutions and derivatives markets	Expands the pool of eligible collateral while imposing safeguards on non-cash collateral, supporting liquidity preparedness for margin and collateral calls and limiting amplification through derivatives markets.	Joint Notice 2 of 2025 on risk management measures for non-cash collateral
Resolution Authority Financial Sector Laws Amendment Act 23 of 2021, giving effect to the Financial Stability Board (FSB) Key Attributes for Effective Resolution Regimes	1 June 2023	Banks and systemically important financial institutions	Provides for the continuity of systemically important financial services and of payment, clearing and settlement functions, protects covered depositors and policyholders, and limits cross-border spillovers in the event of a failure, mitigating contagion arising from concentration.	Corporation for Deposit Insurance and the deposit insurance framework; FSB Key Attributes for Effective Resolution Regimes

Table C1: Recent regulatory developments supporting financial sector resilience

Development	Effective date	Sector	Contribution to financial sector resilience	Complementary standard or measure
Corporation for Deposit Insurance (CODI) Financial Sector Laws Amendment Act 23 of 2021, aligned with the international Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance Systems	Operational from 1 April 2024	Banks and covered depositors	Protects qualifying depositors up to R100 000 per bank in the event of a bank failure, reducing risk and supporting confidence among lower-income and less financially resilient households.	Resolution framework under the Financial Sector Laws Amendment Act; Deposit Insurance Regulations of 2024; IADI Core Principles
Joint Standard 1 of 2023: Information technology (IT) governance and risk management	15 November 2024	Banks, insurers, market infrastructures, collective investment scheme managers, and discretionary and administrative financial services providers	Requires a board-approved IT strategy, an IT risk management framework and ongoing oversight of IT operations to reduce operational risk.	Joint Standard 2 of 2024 on cybersecurity and cyber resilience
Joint Standard 2 of 2024: Cybersecurity and cyber-resilience requirements Effective date determined by Joint Notice 1 of 2024	1 June 2025 (published 17 May 2024)	Banks, insurers and their controlling companies	Requires a board-approved cybersecurity strategy, reviewed at least annually, and a cyber-risk framework aligned with enterprise risk management, applied across subsidiaries and branches.	Joint Standard 1 of 2023 on IT governance and risk management
Basel Framework Fundamental Review of the Trading Book (FRTB) and credit valuation adjustment (CVA) implementation roadmap, Prudential Communication 18 of 2024	Phased implementation of the FRTB and CVA components, concluding July 2026	Banks	Sets prudential capital and liquidity requirements, limits excessive risk-taking and improves the calibration of risk-weighted assets, strengthening loss absorption against credit, market and macro-financial shocks.	FRTB and CVA are complementary components of the Basel Framework; implementation roadmap in Prudential Communication 18 of 2024
National Credit Regulator requirement for mandatory reporting of buy now, pay later (BNPL) data to credit bureaus	1 February 2027	Households	Strengthens the financial sector by addressing gaps in consumer debt information and giving traditional lenders a complete view of borrowers' liabilities. By adding short-cycle repayment data to formal credit profiles, the regulation builds a pipeline of credit-scored consumers for mainstream banking products.	No separate complementary standard identified

Note: The table reflects measures in force or with a confirmed future effective date. The complementary standard or measure column identifies related domestic or international instruments that support implementation or operate alongside the primary measure. Reforms still under consultation, including the proposed joint standard on third-party risk management and the draft material information security and cyber incident notification template, are not included.

Sources: NCR, NT, PA, FSCA and SARB

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