

# How did SA's major banks fare in an unprecedented crisis?

The impact of the Covid-19 pandemic and the resultant economic stresses and strained operating environment reflect in the major banks' results ending June 2020...



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Against unprecedented levels of market turbulence and operating uncertainty, PwC's [Major Banks Analysis](#) highlights key themes from the combined local currency results of Absa, FirstRand, Nedbank and Standard Bank. include:

- **The major banks entered the crisis with resilient balance sheets, sound capital and liquidity levels and strong franchises.** These foundations helped anchor the course as they swiftly turned attention to ensuring the safety of their workforces, maintaining cost discipline, operational and balance sheet resilience, and providing colleague, community and customer support.
- **Driven by heightened customer risks and depressed economic outlooks across loan product classes,** industry sectors and geographies, credit provisioning levels soared against expectations for rising volumes of distressed and non-performing loans. Sharply increased credit impairment charges translated into deep contractions in headline earnings and depressed ROEs. Although subject to significant estimation uncertainty, PwC's research suggests that South African economic output could take between 2-7 years to return to 2019 levels.
- **While different banking segments and products reacted with different levels of acuity to crisis conditions,** the major banks remained open for business and focused on operational stability - positioning themselves for a recovery of unknown timing and shape and maintaining an eye towards strategising the longer-term impacts on their businesses and operating models.
- **Robust digital transactional volumes were insufficient to offset the significant lockdown-related decline** in trading activity, negatively impacting revenues.
- **Supported by robust technology architecture and years of strategic focus on customer centricity,** innovation and channel development, foundational capabilities were leveraged to facilitate customer experiences through online channels as lockdowns rapidly accelerated digitisation of banking services - ranging from collection capabilities, transactional channels and enabling new product sales.
- **Underpinned by a focus on operational excellence,** innovation efforts and partnerships with niche fintech players continued and were accelerated in a climate characterised by new ways of working. These efforts ranged across diverse aspects including Artificial Intelligence, robotic process automation, cloud computing and application programming interfaces, amongst others.

- **Tight cost control and intense management of discretionary spend** represented a key focus area over the period in response to lower revenue growth and significant operating uncertainty.
- **The major banks recognise that their business models will need to continue to be refined.** This will include a redesign of distribution structures with a focus on reskilling teams to further enable delivery of the digital customer experience of the future.
- **Regulatory capital and liquidity ratios reflected continued resilience** and were maintained well above required levels, aided by a consistent track record of prudential discipline, risk management and balance sheet fortitude.
- **Evolution of the risk landscape began long before the pandemic** with the emergence of cyber risks, vendor risks, climate and sustainability risks, among others, increasingly ranking alongside primary risk types. These emerging risks took on renewed prominence as crisis conditions emboldened malign actors in areas ranging from data theft to exploiting operational vulnerabilities.

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