INTEGRATED
REPORT 2023

THE BANKING
ASSOCIATION
SOUTH AFRICA

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MANDATE

The Banking Association South Africa (BASA) advances the interests of its members; so that banks are better able to provide the financial services that support inclusive economic growth, good governance and environmental and social sustainability in South Africa.

As the national association of domestic and international banks, licenced to operate in South Africa, BASA:

- Advocates the views of the banks on legislation, regulation, and social and economic issues that affect the industry.
- Facilitates the sustainable transformation of the banking industry.
- Promotes inclusive economic growth by working with legislators, regulators, as well as other business associations and stakeholders, to establish a stable and conducive policy and business environment.
- Helps find sustainable solutions to the challenges of poverty, unemployment and inequality by mobilising the skills and resources of the industry.
- Hosts the Southern African Development Community Banking Association (SADC BA), which works with regulators to strengthen the integrity and efficiency of banking services in the region.

As an industry association which represents those banks licenced to operate in South Africa, BASA is not able to resolve customer complaints involving its members. Customer complaints about banking products and services can be referred to the Ombudsman for Banking Services at www.nfosa.co.za.

DIVISIONS

MARKET CONDUCT

Protects and promotes the interests of the banking industry regarding legislation and regulation that affects bank customers and clients.

PRUDENTIAL

The Prudential Division represents the interests of the banking industry to the local and international authorities who are responsible for prudential regulation and financial stability. As part of the global financial system, South Africa has had to adopt a host of global standards and best practices, to maintain its access to international financial markets.

PAYMENTS

The National Payments System (NPS) is an operational and legal system that people, businesses and the government use to transfer money to each other, to pay for goods and services and draw cash.

The BASA Payments Division works towards the sustainability and modernisation of the NPS through research, nurturing collaboration between its stakeholders and advocating the interests of the banking industry.

FINANCIAL INCLUSION AND PUBLIC POLICY

The Financial Inclusion and Public Policy Division (FIPP) represents the interests of the banking industry regarding policy, regulation and legislation, aimed at the social and economic development of the country, which affects the business of banking. The division brings together the affordable housing, agriculture, sustainable finance and financial inclusion departments. Financial Inclusion is responsible for small business development, financial education and transformation, among other social and economic development initiatives supported by BASA. FIPP is responsible for coordinating and leveraging banks' skills and resources – to strengthen their contribution to the national and business imperative of inclusive economic growth.

The division also leads liaison with government departments and agencies, which are not directly responsible for the regulation of banks and other financial service providers.

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CHAIR

LUNGISA FUZILE

The Banking Association South Africa (BASA) continues to advance the interests of the industry with its regulators, legislators and stakeholders. It remains critical that we make banking sustainable and profitable while contributing to South Africa's imperative of transformation. BASA and its members remain committed to working with other stakeholders to find a balanced approach that facilitates a transition to sustainable development, while maintaining social stability.

Global

The global economic backdrop remains fragile, with economic growth in most key economies forecast to stagnate, or even decline; heightened geopolitical risks from ongoing, and potentially further wars; and many countries holding general elections this year. The fiscal strains faced by nations globally have nurtured the rise of crude nationalism, as economic constraints emphasise divisions in societies, both domestically and internationally.

Growth in the United States, the world's biggest economy, continues to surprise on the upside, while the Chinese economy has cooled quite significantly from the lofty heights of a decade ago. For Europe - and most emerging market economies - growth prospects have been hampered by war, stubbornly high inflation and interest rates, and a business and consumer confidence crisis.

While there are green shoots insofar as the resolution of structural constraints besetting the South African economy, there is no doubt that the operating environment here also remains fragile. Correspondingly, against the backdrop of interest rates that have remained elevated for longer, there are growing indications of increasing financial pressure on consumers, with consumer confidence having declined significantly. Deep socio-economic inequalities complicate the implementation of reforms that would otherwise unlock the economy's potential, and ultimately fuels political risk.

South Africa avoided recession in 2023, growing at 0.6%. We expect 1.2% growth in 2024, as the adverse impact from the electricity shortfall should ease notably, given the expected increase in private sector and Eskom's electricity generation capacity. This is lower than the population growth rate, and far from the goal stated in the National Development Plan of mid-single digit gross domestic product (GDP) expansion. This underscores the urgent need to do more, faster, to accelerate GDP growth in SA.

South Africa

South African banks (both domestic and international banks operating in South Africa) are well-regulated and well capitalised. Banks remain steadfast in their commitment to stability and progress, advocating for policies that promote economic resilience and global cooperation. They are ready to put their balance sheets to work in support of economic growth, job creation and prosperity for all.

Slow economic growth is driving our country's fiscal position perilously close to a crisis. At R354.5 billion this fiscal year and R1 267 billion over the Medium Term Expenditure Framework (MTEF), debt service costs are still the fastest growing item of expenditure. Banks' holdings of government securities increased to about 10.8% of the sector's total assets in 2023, according to some estimates. So, among the risks that banks have to watch and manage carefully, is that of sovereign risk.

Despite low GDP growth recorded in recent times, South African banks performed well over the past year. In its 'Major Bank Analysis' for March 2024, consultancy PwC notes that South Africa's big banks reported combined headline earnings of R113 billion – an increase of just under 14% against the previous year. This is in part due to higher interest rates and contributions from operations in the rest of the continent, where governments are hard at work to facilitate investment and improve the business environment.

Recent history has shown that South Africans come together in times of emergency. We remain cautiously optimistic about the country's macroeconomic outlook. While it remains challenging in the short term, ongoing structural and policy reforms, and institutional strength, provide a foundation for growth over the medium to long term. Further, government and the private sector have joined hands in a partnership aimed at bolstering our economy so that it is better able to meet the needs of all South Africans.

BASA, through Business Unity South Africa (BUSA) and Business Leadership South Africa (BLSA) – of which I am also board member - is supporting the joint working groups, set up the private sector and government at the request of President Cyril Ramaphosa, to tackle the energy, logistics and crime and corruption crises in the country.

Major banks provided
R325 billion in sustainable finance,
in 2023.

Some key highlights include:

- BASA member banks are participating in the National Treasury Energy Bounce Back Loan Guarantee Scheme (EBB), an initiative aimed at alleviating the impact of load-shedding on small businesses and households, by providing fiscal support for loans for solar power.
- Business has been able to partner with government in a way that promotes and supports the just energy transition.
- Business has also contributed to the improved performance of the rail and road network, including at ports and border entry points.
- Banks are using their systems to assist the Department of Home Affairs (DHA) in providing smart identity documents and passports, and to ensure that Home Affairs' services become more easily and widely accessible.
- Banks continue to put their infrastructure to assist with social services, like the distribution of social grants.
- Banks are diligently working with relevant entities to help remove South Africa from the Financial Action Task Force (FATF) grey list. They have partnered with the government to strengthen the forensic and financial crime analysis capability of the Directorate for Priority Crime Investigation (the Hawks). Further, and inline with their obligations in terms of the Financial Intelligence Act, in the year to March 2023, banks reported over 420 000 suspicious transactions to the Financial Intelligence Centre.

We need more of these kind of win-win partnerships.

Looking ahead

For South African banks, the year ahead is likely to be equally challenging as persistently high inflation and interest rates make it harder for bank customers to service their loans. Relief from a change in monetary policy does not appear imminent anytime soon. Yes, inflation seems to be under control, but the risks remain roughly evenly balanced.

While the period of elections and the processes that follow is likely to bring about heightened anxiety among some, South Africa has reason to be optimistic about the period ahead. Positives are beginning to outweigh the downside: by June 2024, the country has not experienced any load-shedding in about two full months. The movement of goods through the busiest port of eThekwini had started to be faster and smoother.

Domestic and international inflation is expected to ease; the public-private sector partnerships contribution to the country's economic infrastructure should bring about improved energy security and ease logistical backlogs. As always, we hope for – and will work towards – the best for South Africa.

BASA is a sound and well managed organisation committed to continue facilitating the sustainable transformation of the banking industry. The association will continue to work with the duly elected government of the day to enhance inclusive economic growth and job creation. This requires effective, stable governance; policy continuity and coherence; and respect for the rule of law.

As I bow out as chairman of BASA, I want to commend progress we have made as a country post the pandemic; and the immense contribution the banking sector has made toward transforming our economy. I express my gratitude to the board members who have worked with me, the managing director of BASA, the staff of the association and the bank representatives who have participated in BASA committees and work groups. I wish the best for my successor, Mary Vilakazi, chief executive of FirstRand and offer her my support in her role as the new chair of BASA.

Major banks provided
R366 billion to the manufacturing sector,
in 2023.

Major banks provided
R215 billion for infrastructure,
in 2023.

Major banks provided
R209 billion to agriculture,
in 2023.

MANAGING DIRECTOR

BONGIWE KUNENE

Two more pieces of the complex regulatory regime introduced to increase the safety and resilience of South Africa's banking system and make it better able to meet the needs of its customers and stakeholders came into effect this year: the Corporation for Deposit Insurance (CODI) and the National Financial Ombud Scheme.

The Banking Association South Africa (BASA) has been working with the relevant regulators and government departments to ensure that these – and other legislation and regulation that affects banks – achieves its aim of a well-regulated banking system that is stable, treats its customers fairly and contributes to the development of the country.

The Corporation for Deposit Insurance (CODI), launched on 01 April 2024, will ensure that depositors get qualifying funds back in the unlikely event of a bank failure, increasing the safety of bank deposits and the resilience of the banking industry.

The re-appointment of Lesetja Kganyago as Governor of the South African Reserve Bank (SARB), for the next five years, was an important signal of South Africa's long-term commitment to responsible monetary policy, good management of its reserves and the stability of its financial system. At the same time, Nomfundo (Fundi) Tshazibana and Dr Rashad Cassim were re-appointed as Deputy Governors of the SARB, along with the appointment of Dr Mampho Modise as a Deputy Governor.

Under Governor Lesetja and his team, the South African financial system has remained stable and resilient, despite challenging international and domestic economic conditions. Bank regulation has been transparent and firm; and the SARB's commitment to keeping inflation in check and the currency stable has been of great benefit to the economy and the business environment. It is perhaps testimony to the SARB's stewardship of the banking that South Africa's financial system continues to be recognised as among the best regulated, sophisticated and innovative in the world.

The strength, stability and responsible management of South African banks is an essential business and economic asset for South Africa, which helps to attract and facilitate domestic and foreign investment.

While the SARB has been key in supporting the economy and maintaining good governance and stability in the financial sector, responsible monetary policy alone is not enough to restore the South African economy. The revitalisation of the South African economy needs to the support of the whole of government behind a coherent economic reform programme.

The new National Financial Ombud (NFO) Scheme opened on 01 March 2024. The scheme combines the services of all the financial sector ombuds, including the former Ombud for Banking Services, into a single institution, mandated to ensure that customers of financial institutions have access to free, independent and fair alternative dispute resolution processes, when they have a dispute with their financial services provider. The NFO is independent of the banking industry and government.

BASA supports the work of NFO, as it is important that customers have recourse to a mediator when they have a dispute with their bank, so that the outcome is credible and fair to the customer and the bank.

Among others, the ombuds can adjudicate complaints of unfair discrimination against the banks, which fall within their jurisdiction. BASA and its members are opposed to unfair discrimination of any kind and if there are credible allegations of discrimination by banks, they should be fully investigated and the law applied accordingly. To date, no BASA member bank has been found guilty in a court of law of systemic or institutionalised racism.

South African law and the Financial Sector Conduct Authority's (FSCA) Conduct Standard for Banks allow banks to close accounts and terminate business relationships when the bank has reasons to believe that the account is being used for illegal purposes.

Anti-financial crime legislation is in place to protect the integrity of the banking system. There should be no concerns for bank customers if their accounts are being used for legitimate purposes.

The modernisation of the payments system has been another key area of engagement for BASA over the past year. As has been set out by the South African Reserve Bank's proposal to modernise the payments system, Vision 2025, the country's National Payments System (NPS) must be modernised by maintaining and strengthening its stability, promoting innovation and accommodating new players, to bring the benefits of digital inclusion to more citizens.

Currently, banks and other participants in the financial services industry – fintechs, retailers and telecommunications companies, among others – are collaborating on achieving Vision 2025, which has the objectives of improving financial inclusion; promoting competition and innovation; improving cost effectiveness and interoperability; and increasing regional integration. South Africa is part of the worldwide migration to faster payments systems, which are set to revolutionise commerce across the world.

The purpose of banking in South Africa is to be profitable and commercially sound, so that banks can fund sustainable investment into social and economic infrastructure, which benefits all South Africans. This report is not a comprehensive reflection of the work of BASA Divisions – Prudential, Market Conduct, Payments and Financial Inclusion and Public Policy, among others – but only highlights some of what has been done in the past year to strengthen the banking system, to enable it to better serve the needs of its customers and stakeholders and contribute to the growth and development of South Africa.

Parliament

BASA's participates in Parliamentary hearings on proposed legislation that affects the banking industry, to articulate the mandate of its members and put forward constructive proposals for amendments – informed by research and evidence - to contribute to sound banking regulation and inclusive economic growth.

The association's interaction with Parliament is underpinned by a commitment to constructive, ethical and reciprocal engagement, and to enhancing and safeguarding the regulatory environment for banks in South Africa.

In 2023 and 2024, the association participated in the processes convened by the National Assembly and National Council of Provinces on legislation that affects the business of banks, including the:

- Expropriation Bill
- Climate Change Bill
- Preservation and Development of Agricultural Land Bill
- Taxation Laws Amendment Bill and Taxation Administration Laws Amendment Bill
- The Companies Amendment Bill

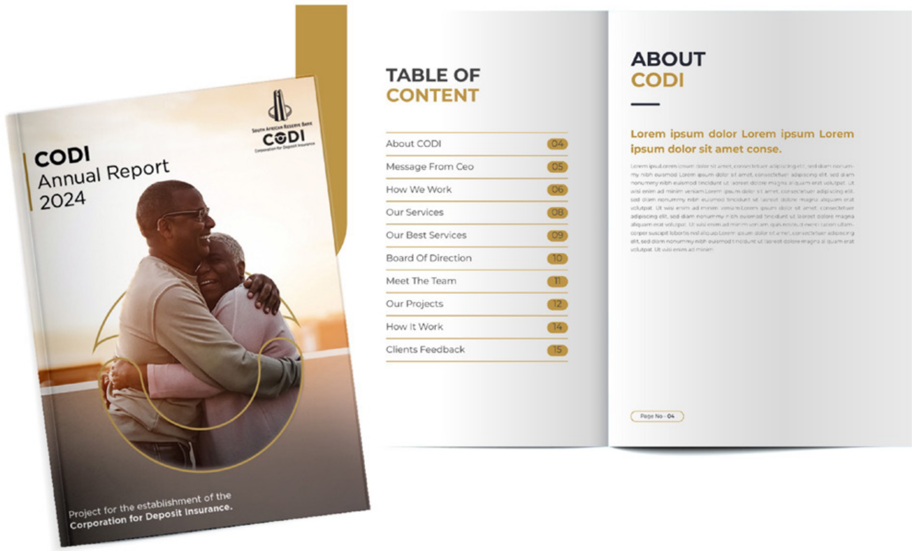
The average legislative process takes months and sometimes years. The association follows the full cycle of the legislative process, participating in different processes on the same or amended pieces of legislation. These include: written submissions and oral presentations to Portfolio and Select Committees of both Houses, stakeholder engagement forums and dialogues on the role of banks in the economy, and workshops on transformation of the financial sector and financial inclusion.

Through its years of engagement with Parliament, BASA has become recognised as a credible representative of the banking industry in the legislative process. Banks will remain engaged corporate citizens and look forward to working the seventh Parliament that begins its term in 2024.

South African Reserve Bank
CODI
Corporation for Deposit Insurance

CODI

CORPORATION FOR DEPOSIT INSURANCE



As many as 40 million South Africans have a bank account, which allows them to actively participate in the economy.

The Corporation for Deposit Insurance (CODI) ensures the safety of bank deposits, strengthens the resilience of the banking system and will increase customer trust and confidence in banks.

Under the scheme, which has been in operation from 01 April 2024, depositors will receive up to R100 000 of the money in their qualifying accounts, in the unlikely event that a bank fails. This is especially important to protect the most vulnerable in society, who are often very reliant on their savings. Qualifying accounts include current accounts, transactional accounts, savings accounts, term and notice accounts and Islamic Murabaha products, among others. All South African banks are by law members of CODI, so the qualifying accounts in every bank are automatically protected. Depositors do not have to register with CODI to be covered.

South African banks are sound and well-regulated. The Prudential Authority of the South African Reserve Bank (SARB) closely supervises banks to ensure that they are investing and lending depositors' money in a responsible manner, and can repay their customer's money, when required.

And even when banks have been in trouble, ordinary depositors have been protected. For example, when VBS went into curatorship, its regular depositors were provided with accounts at another bank which carried over their cash balances, for amounts up to R100 000.

CODI's launch will further bolster public trust in banks, which is an important pillar of financial stability. If a customer has any reason to think a bank won't let them have access to their full deposit when they want it, they will try to withdraw their funds. A run on a bank may start if all depositors try and get their cash out.

Because banks usually do not keep all their assets as liquid as their liabilities – especially the deposit liabilities – bank runs can bring down even healthy institutions. Runs can also spread to other banks, severely disrupting the stability of the entire financial system.

However, by guaranteeing deposits, central banks can remove the incentive for customers to run to withdraw their deposits. If the guarantee is credible, depositors do not have to worry about getting their money, and so a bank run should not even start.

It is international best practice for countries to have a deposit insurance scheme. Until now, South Africa was the only member of the Group of Twenty (G20) countries, which did not have an explicit deposit insurance scheme. In the past, tax money would have to be used to bailout a distressed bank and depositors faced a lengthy and uncertain wait to be paid-out. With CODI operational, customers of a distressed bank will know when and how their money will be paid out.

CODI is allowed to provide funding, guarantees or enter into loss-sharing agreements to support various resolution strategies as determined by the Resolution Authority. It has established the Deposit Insurance Fund, which is supported by, among others, monthly premiums and loan contributions by member banks. Should a bank fail, this fund will be used to cover deposits. Initially, CODI will make sure that depositors receive access to their money within 20 days, however the aim is to reduce this time in line with international best practice. CODI is a member of the International Association of Deposit Insurers (IADI), the global standard-setter for deposit insurance schemes, which has 98 members.

Banks will pay a minimal deposit insurance levy to cover CODI's operational costs. As a subsidiary of the SARB, CODI will receive communications, legal, information technology and financial services support from the central bank.

CODI may increase competition between banks for deposits. A R100 000 deposit is equally safe in any member bank, so customers may feel more comfortable moving their accounts between banks. BASA members believe that increased competition that provides consumers with greater choice is healthy for the industry – as long as all banks are subject to the rules and regulatory supervision, to ensure a level playing field.

BASA Managing Director, Bongiwe Kunene, serves on the board of CODI. BASA congratulates CODI, the SARB and BASA member banks for working diligently and cooperatively to ensure South Africa has a world-class financial system.

Banks provided
1 691 868 mortgages for homes,
in 2023. (unaudited, retail loans)

Banks reported
558 348 suspicious transactions,
in 2023.

South African banks hold in trust the salaries and savings of South African workers, professionals, large and small businesses and the public service. Because they hold over R5.8 trillion in customers deposits, banks are strictly regulated by prudential regulation to ensure that they do not invest or lend these funds recklessly and are able to repay customer deposits on demand.

CODE OF BANKING PRACTICE

The 'Code of Banking Practice' is a voluntary code adopted by members of the Banking Association South Africa (BASA), which commits banks to standards of service and conduct, and to treating customers fairly.

In April 2024, BASA adopted an updated version of the code, to ensure that bank's commitments to their customers remained in line with the latest banking regulations and best practices, including the Financial Sector Conduct Authority's (FSCA) Conduct Standard for Banks and the Conduct of Financial Institutions Bill.

The updated code, which only applies to personal customers or small businesses, sets out bank's responsibilities to:

- Clearly explain to customers what they can reasonably expect of banking products and services.
- Provide suitable advice about a bank's products and services, taking the needs and circumstances of customers into account.
- Ensure that customers do not face unreasonable barriers when they want to change or replace a banking product or service, request a withdrawal, or submit a complaint. Banks must make sure staff members attend to transactions and enquiries.
- Appropriately prioritises their customer's interests.

The Code of Banking Practice covers:

Customer rights and responsibilities
Bank rommitments
Vulnerable customers
The design of banking products and services
Marketing, advertising, promotion and loyalty and rewards programmes
Products
Foreign exchange services and remittances
Identification and verification
Disclosures and terms and conditions
Copies of documents
Confidentiality and privacy
Cards and pins
Charges and fees
Interest rates
Maintenance of banking products and services
Debit orders
Account statements
Protecting accounts
Financial difficulties for personal customers
Setoff
Closing an account
Complaints resolution
The ombud for banking services

The code confirms that the **key principles of fairness, transparency, trust, confidence, accountability, integrity and reliability** will guide banks relationships with customers.

HIGHLIGHTS FROM THE CODE INCLUDE:

Access to banking services

- Banks will provide accessible and appropriate basic banking services and products, subject to eligibility and qualifying criteria continuously being met, by the customer.
- Endeavour to provide financial education to customers so they can make the best use of banking products and services.
- Make sure that all marketing material is clear, fair, transparent, reasonable, and not misleading; and provide information in plain and understandable English. Where reasonably possible, banks will provide services in any of the official national languages.
- Banks will not close a customer account without giving reasonable notice and reasons. However, the law permits exceptions, such as if an account is being used for unlawful purposes. All banking products and services are governed by a set of general or specific terms and conditions.
- Banks will manage complaints in a manner that is fair and reasonable, considering the nature and complexity of the complaint.

Equal Treatment

- Banks will not discriminate unfairly on any prohibited grounds, when providing banking services or products, or in their quality and terms of services. However, banks can have special products or services specifically designed for members of a target market group.
- A bank will provide reasons if it cannot offer or provide certain banking products or services, when required by law. However, they can apply commercially and legally acceptable reasons for declining to offer certain banking products or services.
- In the case of a natural person, grounds for unfair discrimination are limited to race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language, and birth.
- Banks will take reasonable measures to attend to the needs of vulnerable customers who have disclosed their vulnerabilities.

The National Financial Ombud Scheme

Banks accept the jurisdiction of the National Financial Ombud Scheme South Africa, to

- Consider complaints.
- Mediate and negotiate amicable settlements.
- Make binding determinations based on this code and the law. A determination that the Ombud makes can be made an order of the court. The Ombud can publish its determinations and recommendations, and banks refusal to comply, if they refuse to abide by any recommendation of the Ombud (Please refer to the Ombud's website: https://nfosa.co.za).

Identification and verification of Customers

Banks are required by to obtain customer information and to verify the identity of the beneficial owners of accounts, to protect themselves and the public against the misuse of the banking system. The information required includes:

- Where funds that are being used for transactions were obtained.
- The nature and the purpose of the business and the purpose for opening the account.
- Ongoing transaction monitoring to fight financial crime, such as money laundering, tax evasion, and terrorist financing.
- Ensuring that business relationships are assessed for exposure to money laundering, terrorist financing, proliferation financing and the risk of contravening sanctions.
- Ensuring that customers are subjected to appropriate screening to understand exposure to sanctions, politically exposed persons and known close associates and family members;
- Ensuring records regarding customer due diligence are updated and retained.
- In terms of the law, banks may also be required to limit or prohibit customers' ability to transact.

Confidentiality and Privacy

Banks will process personal information lawfully and in a reasonable manner that does not infringe the right to privacy. Personal information will be used in a manner that is consistent with privacy notices and the Promotion of Access to Information Act (PAIA). Manuals setting this out will be available on appropriates websites or at bank branches.

- Banks will not use personal information in a manner that discriminates unfairly or causes undue harm.
- Personal information will not be used for any other purpose than for which it was originally collected, unless there is a valid legal reason to do so. However, personal information can be used, if banks are required to by law, or consent has been given, among other legitimate reasons.
- Banks will store information in a secure manner and in line with applicable legislation; and will notify their customer and the Information Regulator of security compromises in line with applicable laws and the BASA POPIA Code of Conduct.
- Treat information as private and confidential, unless communicated otherwise.

Promotion of Access to Information disclosures and the BASA POPIA Code of Conduct, formally known as the 'The Code of Conduct for the Processing of Personal Information by the Banking Industry', is available on www.banking.org.za.

Major banks paid
R47 billion in tax,
in 2024.

Financial Difficulties

Customers having difficulties meeting their financial commitments must contact their banks as soon as possible, so they can, together, review and develop a plan to address the customers difficulties.

- This can include entering into a repayment arrangement, approaching a debt counsellor for further assistance, or applying to be confirmed as overindebted.
- Customers cannot enter into any further credit agreements covered by the National Credit Act, other than a consolidation agreement.
- The debt counsellor will inform credit providers and bureaus about the customers application for debt review. The debt counsellor must determine if the customer is overindebted and, if so, make a recommendation to the Magistrates' Court, or refer a debt rearrangement agreement to the National Consumer Tribunal or a court for an order consent.

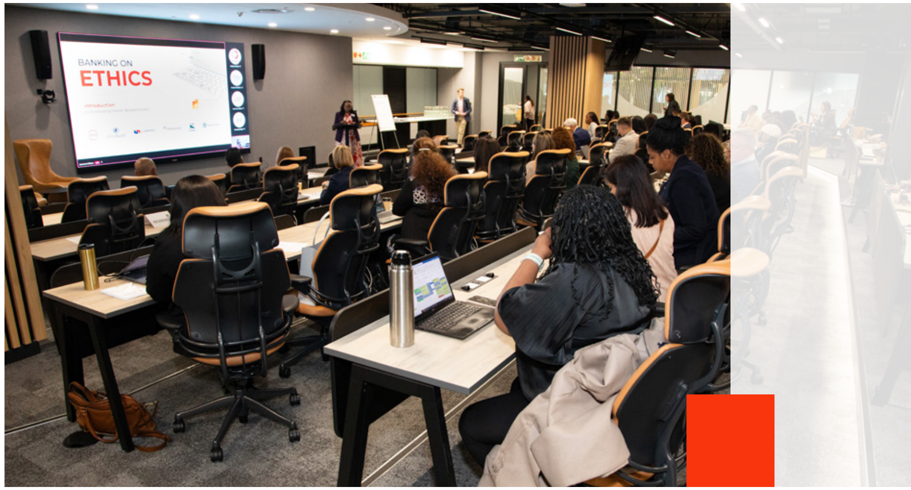
A business experiencing financial difficulties can consider applying for business rescue in terms of the Companies Act. In this process of rehabilitation, a business rescue practitioner will help formulate a business rescue plan.

Customer's responsibilities include:

- As part of any account application, truthfully and accurately disclose all relevant information so that a bank can make an informed decision to open the account or extend credit.
- Take reasonable measures to limit fraud or theft from an account. Banks should be immediately informed when unauthorised activity is discovered on an account.
- Inform banks as soon as possible, when difficulties arise in meeting financial obligations.
- Make sure to keep within their financial means.

A full copy of the code will be available from banks or on the BASA website, www.banking.org.za or the Ombud's website at https://www.nfosa.co.za.

BANKING ON ETHICS



The central role of banks in the economic and financial life of the country places a special responsibility on them to behave ethically towards their customers and stakeholders and act in the overall interest of the communities of which they are a part.

Unethical behaviour in banks can lead to personal financial loss and lasting damage to economies and communities. Ethical banks, regulated to protect the depositor's funds they hold in trust, contribute services – including the ability to transact and funding for entrepreneurship and personal development – to the communities in which they operate; and prevent the abuse of the financial system for crime and corruption that harms all. The Banking Association South Africa (BASA) and its members are committed to maintaining a well-regulated, ethical banking system in South Africa.

The future operations of banks are being determined by regulation aimed at protecting the environment, strengthening sustainable development and good governance (ESG); and the digitisation of government, social and business services, including bank products and services.

The benefits of these trends are clear: the mitigation of the climate crisis; faster and more efficient services and products for bank customers; easier access to financial services for the un- or under banked; and better regulatory protection for clients, among many others.

But, these trends can also have unintended consequences, including the exclusion from services for those who do not have affordable access to digital facilities; possible job losses to technology; and aggravating the tension between those that prioritise environmental sustainability and those who want immediate solutions to social and economic needs, especially in unequal societies, like South Africa.

In many cases, there are no clear, agreed on, local or international guidelines or legislation that banks must abide by when trying to align their business requirements with – often conflicting – demands from government, society and environmental activists. Banks have to navigate this uncertain policy environment, trying to determine the best possible outcomes for all their stakeholders, guided by their own ethics and values and that of the society in which they operate.

The benefits of transitioning to sustainable development projects, like green buildings, for example, are clear and the financing of these projects is not the subject of much debate. The transition to a green economy is an investment and modernisation opportunity for many industries in South Africa.

Ethical and legal conflicts are mostly confined to the use and development of fossil fuels in South Africa and the rest of the continent. Here, the reliance on carbon for energy and the urgent need for resources for social development, make it difficult to meet climate mitigation and environmental protection ideals in the immediate to short-term.

BASA recognises the need for a transition to green energy, but – given the social and economic needs facing our country – seeks a balance that facilitates a transition to sustainable development, while maintaining social stability.

Despite this effort to have a balanced approach, the funding of legally compliant projects still often results in legal action and shareholder activism – bringing about lengthy impasses on projects that could aid development. Nevertheless, banks will continue to look for opportunities to align finance with long-term sustainability. As funders of economic infrastructure and activity, banks need to manage business, activist and regulatory pressures from competing social and development groups. South Africa needs policy certainty and a detailed plan for a transition to a more sustainable economy, which addresses social and economic impacts, and is agreed to among all stakeholders.

Likewise, because of the power and potential of Artificial Intelligence (AI) to fundamentally change the way we live and work, ethical and regulatory guidelines are needed to prevent or mitigate unintended consequences of the rapid adoption of this technology. While there are already some attempts, locally and internationally, to provide a policy and legislative framework for the use of AI, the speed of change of technology, will make it difficult for regulation to remain relevant and keep pace. Also, while regulation is necessary to ensure the ethical use of AI, it must not become a barrier to innovation.

One of the biggest fears is that AI and the increased use of technology will lead to widescale job losses, especially in industries that have so far seemed to be largely untouched by technology, such as creative arts. However, banks are approaching AI as an opportunity to empower employees to process data faster, to allow them to make better business decisions and increase productivity, which will grow the economy and create new jobs. AI will be introduced to to empower and augment employees.

But, for this to work, employees and young people will have to be given the chance to acquire the skills that will enable them to make use of the opportunities that can be created by AI. Business, government and academics must work together to ensure that the country creates the right skills in science, technology, engineering, mathematics and critical thinking, for AI to be a growth opportunity and not a risk to jobs.

In general, AI is used to assist bank employees with their work and to help improve customer service. It can be used to digitise local content to improve access in local languages and analyse networks to help combat fraud and money laundering, among others.

However, the data that AI is trained on often reflects the historical bias of a society - and South Africa is a very divided society. The development and use of AI must not amplify existing biases of race and class, among others, but rather be an opportunity to identify and correct them.

So, bank use of AI requires a rigorous focus on the quality of the data used and its security; close monitoring of the applications in the workplace to ensure they are correctly serving their purpose; and human peer review, to ensure outcomes are ethical, fair and beneficial to customers and the community in which the bank operates. Education and good governance are key to alleviating some of the fears around AI, in the workplace and society.

> Until basic needs are met, the priority will be household services, rather than the natural environment. What will determine the success or failure of South Africa is how we manage to deal with extreme inequality."

Risk Management

To manage these and other ethical challenges that will confront them in the future, banks have put in place a range of governance structures and operational procedures. Banks are required to have Board Social and Ethics committees. Other initiatives include: online portals, where employees can declare a conflict of interest; the protection of whistleblowers; and the adoption of codes and incentives that bind and aligns the actions of executives and other employees to ethical standards and company values.

Banks have significantly improved their risk management and compliance systems as domestic and international anti-financial crime, money laundering and terrorism financing, regulations have been tightened over the years. But, as the Commissioner of the FSCA said in his address to the 2024 'Banking on Ethics Conference': "The challenge lies in balancing the legitimate need to prevent illicit activities with the moral obligation to ensure access to financial services. It is important to consider the fairness to bank clients. While banks possess the legal right under contract law to terminate client relationships, the lack of a bank account can severely limit an individual's or a business's ability to engage fully in the economy." The Zondo Commission of Enquiry into State Capture also recommended that banks provide customers with an opportunity to defend themselves before their accounts are closed.

To be clear, banks do not simply close accounts because of the fear of reputational damage. If banks fund or facilitate crime they face financial sanctions, or even the loss of their licence. The Code of Banking Practice and the FSCA Conduct Standard for Banks already require that banks meaningfully engage with customers and provide them with reasonable notice and reasons for the closure of their accounts. Customers also have the right to appeal or seek redress to ensure the process remains just and equitable. Equally customers have an obligation towards their banks to act ethically and lawfully in the manner in which they use their bank accounts.

Banks support the work of the National Financial Ombud Scheme, which seeks to protect consumers, including those who are vulnerable, and offer accessible dispute resolution services for consumer complaints against banks, among others. Customers also have recourse to the courts.

Ultimately though, these do not replace the responsibility of individual bank employees to apply their minds and behave ethically and in-line with the values of their institutions. South Africa expects that they will fulfil the letter and spirit of the law.

> Stakeholder engagement is not about ticking a compliance box or trying to reach a consensus. It's about having difficult conversations and finding the best possible outcome for something that is bigger than individual institutions. This is going to become more difficult in a tightening economic climate, when everyone is under pressure to find the best outcome for themselves."

An Ethics Checklist for Bankers

- ✓ Is it legal and in the spirit of the law?
- ✓ Is it in line with the policies and values of the institution?
- ✓ Are you happy for your actions to be in the public domain?
- ✓ Would you want to be serviced, or treated, in the same way?
- ✓ Will your conscious be clear?

> Banks are in the business of taking deposits and investing them. It doesn't serve them to terminate a banking relationship. But if banks fund or facilitate criminal or unethical enterprises they face financial sanctions, the potential loss of their licence, damage to employee morale, and other companies are deterred from doing business with them."

PAYMENT MODERNISATION

In South Africa, every salary payment, bank transfer or use of a card in a shop is handled by banks and payments infrastructure. In March 2024, the nominal value of transactions was R1.31 trillion, while the number of transactions reached 156.1 million.

The Payment System Modernisation (PayMod) Programme of the Banking Association South African (BASA) is working to set out the initiatives and investments that must be undertaken by banks to ensure that the National Payment System (NPS) is able to continue to meet the diverse and changing needs of the South African economy. These include:

- South Africa's being grey-listed by the Financial Action Task Force and the impact of anti-financial crime legislation on the ease of account opening and provision of payment services.
- High preference for cash in sectors of the economy, despite levels of criminality that result in the violent robbery of cash-in-transit vehicles and clients carrying cash. Cash is also often used to commit illegal activities, like avoiding tax and laundering the proceeds of crime.
- Technology and regulatory reforms have increased the number and nature of participants in the provision of payments and the payment supply-chain. There are now more than 400 non-banks robustly participating in the NPS, including third-party payment providers, mobile network operators and retailers who perform banking and payments activities, through sponsorship by licensed banks.

Globalisation, digitisation and technology have made domestic and international payments easier and more secure. In South Africa, digitisation and technology has already modernised the authentication of debit orders, through DebiCheck. BASA member banks and the South African Reserve Bank (SARB) collaborated to launch PayShap, a faster payments system, in March 2023. BankservAfrica has reported that PayShap has processed 14 million transactions, with a settlement value in excess of R9 billion, between March 2023 and February 2024.

Digitisation of government and business services and operations, and individual transactions, has increased demand for faster – instant – payment services. Digitisation has also broadened the scope for financial inclusion – such as the provision of credit – by reducing the cost and increasing the accessibility of services. So, despite the ongoing demand for cash, there is a need for safe, trusted and relevant digital alternatives for all sectors of the economy.

However, increased digital transactions increases the risk of payment fraud and financial crime, through social engineering, online scams and phishing, among others. Technology improves risk management and compliance capacity when it comes to dealing with fraud and financial crime. In the year to March 2023, banks reported 558 348 suspicious transactions to the Financial Intelligence Centre, and more than 4.2 million transactions were reported as having breached cash thresholds.

Globalisation has also given South Africans access to goods and services provided by companies based outside of the country. Globalisation of payment services has meant the traditional boundaries between local and global payment schemes are disappearing. Domestic and cross border, low and high value, and card and EFT payment schemes, are all merging. The management of interbank counterparty risk, liquidity management, interbank settlement and currency exchange is also changing.

To meet the challenge of these ongoing changes, the NPS needs to be effective, agile, innovative, appropriately scaled and cost effective. The current priority for PayMod is to migrate domestic payments onto modernized payments platforms, which use rich data standards and provide better support to pre- and post-payment services.

FINANCIAL INCLUSION

Financial inclusion provides individuals and businesses with access to appropriate and affordable financial products and services that allows them to make payments, save and have responsible access to credit. By facilitating account-holders' ability to engage in economic activity, financial inclusion boosts inclusive growth and development, enables entrepreneurship, reduces poverty and inequality, and improves the quality of people's lives.

In November 2023, the National Treasury published its 'Financial Inclusion Policy Framework for South Africa. The document acknowledges that over the past decade South Africa has made much progress in achieving financial inclusion, with more than 80% of the country's adult population having bank accounts. However, it goes on to say that low economic growth and rising unemployment, and the cost of remittance and other financial products, among other reasons, hamper the use of financial services. Small businesses often struggle to access to financial services because they do not have access to necessary information. The framework calls on providers of financial services to work with National Treasury, to increase and strengthen financial inclusion.

Expanding financial inclusion is central to the business of banks, as they need inclusive economic growth to increase demand for their goods and services. As primary providers of financial services, banks are pivotal to extending access to the unbanked and under- banked. BASA members are committed to:

- Ensuring that banking services are accessible, physically and through digital services.
- Providing cost-effective financial products that cater to the needs of the poor.
- Enhancing financial literacy to empower individuals to make informed financial decisions. Financial literacy rates have improved, with more than 70% of South Africans demonstrating basic financial knowledge.
- Leveraging technology to develop solutions that address barriers to financial inclusion. The adoption of digital financial services has surged, with over 60% of the population now using mobile banking and digital wallets, according to studies.

Banks provided
R261 billion in retail loans to small businesses,
by March 2024.

The perception that banks do not want to fund SMEs is wrong and prevents conversations to target the real challenges around access to finance for small businesses. Small businesses often do not know that there are financing facilities available to them, other than from banks. Poor record keeping by small businesses and the absence of data required to assess creditworthiness makes it challenging for banks to assess credit risk, monitor actions and enforce repayment. Regulation 23A of the National Credit Act (NCA), 34 of 2005, prescribes that only certain types of documents can be used as proof of income. This may be discriminatory to individuals and small businesses that are unable to provide proof of income in the required format. The lack of collateral is also major barrier to access finance; as banks rely on collateral to assess credit risk and ensure repayment of loans. Finally, some small businesses want to remain informal and outside of the banking system.

Longer-term initiatives include: a 'Business Credit' project (BusCRI), being investigated by the South African Credit Risk and Reporting Association (SACRRA), to provide credit providers with information to better assess the credit risk of small businesses; while the BASA Small and Medium Enterprise Committee has proposed establishing a public-private policy forum to enhance collaboration and to create an enabling environment for SMEs. Plans for this platform are underway.

Beyond their support for small businesses, as part of their ongoing commitment to economic transformation, banks have set a target of providing R150 billion in empowerment financing between 2023 and 2028. BASA is finalising a guidance note for this target.

In 2025, South Africa assumes the presidency of the Group of 20 (G20) major economies, which is committed to advancing financial inclusion worldwide and the implementation of the G20 High-Level Principles for Digital Financial Inclusion.

The G20's focus on financial inclusion reflects a concern that the economic potential of large population groups remains untapped because they do not have access to financial services, especially in developing countries. Under South Africa's leadership, financial inclusion will remain a priority for the group, in line with global efforts to bridge economic divides and foster inclusive prosperity.

The six big banks employed
187 000 people,
in 2023.

Banks paid
R59 billion to shareholders,
including pension funds and empowerment schemes.

28.8%,
of voting rights in banks are held by black shareholders.

22.5%,
of economic interest in banks is held by black shareholders.

StarSaver is a national financial literacy initiative that teaches school children the importance of saving and prudent financial management. The programme, implemented in collaboration with the South African Reserve Bank (SARB) and BASA members, aims to instil a culture of savings among the youth.

- Over one million students have participated in the StarSaver program since its inception, in 2008.
- More than 10 000 teachers have been trained to deliver financial literacy education effectively.
- The program has developed and distributed educational materials, including workbooks, interactive modules, and online resources.

BASA also participated in a career exhibition: "Empowering the Next Generation'. The two-day event showcased skills and training opportunities, raised awareness about careers and entrepreneurship, and promoted cyber-safety and essential life skills such as financial management. There were financial education sessions on budgeting and safe ATM usage, among other topics, using StarSaver animated content.

By equipping young people with financial knowledge, the program aims to foster a financially savvy generation capable of contributing to the country's economic stability.

Corporate Social Investment

Education and training is a significant focus of Corporate Social Investment (CSI). An aggregate of published bank reports indicates that over R135.2 million has been directly invested in various educational programs, benefitting more than 37 676 individuals. Initiatives range from vocational and digital skills development, support for early childhood development centres, to substantial contributions to numeracy and financial literacy. These efforts reflect a commitment to improving educational opportunities and addressing the skills gap, crucial to empowering the youth and driving socioeconomic growth.

The past year has also seen investments in supporting youth employment and entrepreneurial development exceeding R300 million. These initiatives are intended to bridge the gap between education and employment, offering a spectrum of opportunities that range from internships and vocational training to entrepreneurship programs. By focusing on technical, vocational, social, and digital skills development, these programs equip the youth for the demands of the modern workforce and encourage the establishment of new businesses.

Nearly R500 million has been committed to programs aimed at supporting vulnerable groups, particularly focusing on women and youth. These initiatives include promoting entrepreneurship through microfinancing, supporting women-owned businesses, and implementing comprehensive financial literacy programs designed to demystify financial management for the broader public.

Nick Rockey, Managing Director at Trialogue, notes "The financial industry has not only embraced its role in advancing the Sustainable Development Goals but has also emerged as a leader in channelling substantial resources towards impactful social investments, underscoring a commitment to fostering a resilient and inclusive society."

Banks spent
R1.06 billion on corporate social responsibility programmes,
in 2023.

GOVERNANCE

The Banking Association South Africa (BASA) Board of Directors is committed to the association maintaining the highest corporate governance standards. BASA's governance arrangements are outlined in the Memorandum of Incorporation (MoI), which is aligned to the Companies Act 71 of 2008 (Act).

The Board of Directors

The BASA Board of Directors has eleven non-executive directors, made up of representatives of member banks, and the Managing Director of BASA.

The representatives of member banks are:

- The Chief Executive Officers (CEOs) of the six major South African banks, namely: ABSA, Capitec, FirstRand, Investec, Nedbank and Standard Bank South Africa.
- Two CEOs representing Tier-2 South African banks (Bank tiers are a categorisation of banks based on their size relative to the banking market)
- Two CEOs representing international banks operating in South Africa

The Board has an approved charter, which sets out its roles, duties, powers and responsibilities. It has adopted the King Report on Corporate Governance in South Africa (King IV), making the chair of the Board an independent non-executive director and the role separate from that of the managing director. The Board chair rotates every two years as per a schedule maintained by the company secretary. The incoming chair acts as the deputy chair.

The roles and responsibilities of the Board, as set out in the charter, includes:

- Setting the strategic direction for BASA.
- Acting as the custodians of good corporate governance.
- Effectively representing and promoting the interests of all BASA members.
- Appointing a fit and proper person as an executive managing director and directing and supervising them on delegated affairs.
- Approving and ratifying policies developed by the managing director and management.
- Monitoring the effectiveness of BASA's risk management and internal controls.
- Conducting a performance review of the managing director, the association and the board, at least once a year.

During the reporting period, the Board convened three meetings as per the approved meeting calendar. The minutes of the meetings detail the deliberations of the Board, resolutions, and attendance. A Board member who is not able to attend a scheduled meeting appoints an alternate member to attend on their behalf. Alternate members do not constitute a quorum and have no voting rights.

The Board is satisfied that it has delivered according to its charter.

Board Committees

The Board has constituted three committees to assist in executing its fiduciary responsibilities and oversight of the BASA mandate. The duties, responsibilities and authority delegated to each board committee is set out in their approved terms of reference, which are subject to periodic review by the Board, or as and when it is required.

Board Executive Committee (Board Exco)

Board Exco has the authority to act on behalf of the Board to ensure the execution of technical matters and advise it on strategy, policies, business plans and budgets. Its eleven members also make recommendations to the Board on responses to developments in the financial services sector.

Audit and Risk Committee (ARC)

The ARC is responsible for, among others, the appointment of external auditor, the audited annual financial statements and their recommendation to the Board for endorsement. The committee discusses with the external auditor their engagement letter, the nature and scope of the audit, their quality control procedures and their response to changes in regulations and other guidelines. The committee reviews the external auditor's management letter and audit report. It recommends the audit fee to the Board.

With the assistance of the external auditors, the committee reviews the adequacy, maintenance and effectiveness of the association's internal control systems, including for internal finance, information technology and security.

The ARC is responsible for the enterprise risk management framework and must review the policies and processes for identifying, assessing and management of business to the association. This includes oversight of the association's Risk Management Assessment and its review, annually or when necessary.

Remuneration and Ethics Committee (Remco)

The BASA Human Resources Policy is overseen by the Remco. The policy encourages employees to enhance the association's work and to ensure they are fairly rewarded for their individual contributions and performance, as per defined criteria. To attract, retain and motivate employees of the quality required by the association, the committee positions employees' pay levels relative to local industry standards. It plays an integral part in succession planning, particularly in respect of the managing director and the heads of divisions.

The committee monitors the association's social and ethics activities, as required by the relevant legislation or prevailing codes of best practice, including:

- Social and economic development
- Good corporate citizenship
- The environment, health and public policy
- Consumer relationships
- Labour and employment
- Ethical conduct and leadership
- Stakeholder Engagement
- Ensuring that there is promotion of equality, prevention of unfair discrimination, and reduction of opportunity of corruption in the organisation.

DELEGATION OF AUTHORITY

BASA operates on an approved Delegation of Authority (DOA) Framework, which is periodically reviewed, or as and when it is required.

The Board, without absolving itself of its responsibilities and accountability, delegates appropriately to board committees, individual members, and the managing director. While the Board guides and approves BASA's strategy, its implementation and day-to-day management is vested in the managing director.

The managing director is assisted by an Executive Committee (Exco), which is comprised of the divisional heads. Exco assists in the development of procedures and operating frameworks for the association and its members regularly report to the board committees and to the Board.

COMPANY SECRETARY

BASA is a Non-Profit Company but has appointed a company secretary to align with best practice. The company secretary provides advisory services to the Board, individual board members and the executive management.

The company secretary's functions are enshrined in the Companies Act and are executed for BASA, the Centre of Excellence in Financial Services (COEFS) and the Southern African Development Community Banking Association (SADC BA). Other responsibilities are assigned from time to time, including but not limited to administration of the membership register and acting as the deputy information officer.

CODE OF CONDUCT AND ETHICS

The Code of Conduct and Ethics Policy was enhanced during the reporting period by ensuring that all staff declared their financial interests and real or perceived conflict of interest with BASA.

During the reporting period, BASA implemented an induction process to ensure employees are aware of the organisational mandate, and key policies and procedures to be adhered to, to embed BASA's culture. The Board will enforce the Code of Conduct and Ethics, to enhance its effectiveness and demonstrate ethical leadership.

The Board cannot force banks operating in South Africa to become members of BASA. Ensuring compliance with the Code of Conduct for registered banks operating in South Africa is the responsibility of the Prudential Authority, of the South African Reserve Bank (SARB). However, the BASA MOI, empowers the Board to cancel the membership of any member bank, who brings the industry into disrepute.

ANTI-COMPETITIVE PRACTICES

At every meeting, BASA representatives are reminded to adhere to national and international laws restricting the exchange of information amongst competitors, which might influence market conditions and or lead to abuse. The Anti-Competitive Policy Statement is a standing agenda item at the Board and board committee meetings, to remind representatives to refrain from exchanging or discussing such information.

Independent Auditors' Report

To the Members of The Banking Association South Africa (NPC)

Opinion

We have audited the financial statements of The Banking Association South Africa (NPC) (the company) set out on pages 7 to 21, which comprise the statement of financial position as at 31 December 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Banking Association South Africa (NPC) as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "The Banking Association South Africa (NPC) annual financial statements for the year ended 31 December 2023", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Leonie Els
SizweNtsalubaGobodo
Grant Thornton Inc. Director
REGISTERED AUDITOR

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of The Banking Association South Africa (NPC) for the year ended 31 December 2023.

1. Nature of business

The Banking Association South Africa was established with the primary objective of promoting proactively the interests of the banking industry amongst its various stakeholders. The company is registered as a non-profit company in accordance with item 1 (1) of chapter 1 of the Companies Act of South Africa of 2008, as amended.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements at www.banking.org.za.

3. Directors

The directors in office at the date of this report are as follows:
L Fuzile (Chairman)
PB Kunene (Managing Director)
JKB Bedu-Addo (*Resigned 31 December 2023)*
MWT Brown
K Bungane (*Appointed 30 November 2023)*
L Chen (*Appointed 01 January 2024)*
GM Fourie
HD Kallner
AP Pullinger
A Rautenbach
MEE Sassoon (*Resigned 30 November 2023)*
PW Taylor
RJ Wainwright

4. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Going concern

The company's members are committed to contributing membership fees that will ensure that the company is able to meet all its approved operational cash flow requirements for the foreseeable future. The annual financial statements have been prepared on the accounting policies applicable to a going concern. This basis presumes that funds will be available to finance the future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

6. Secretary

The company secretary is V Skosana.

STATEMENT OF
Financial Position
AS AT 31 DECEMBER 2023

	2023	2022
ASSETS		
Non-Current Assets		
Property, plant and equipment	946 975	1 174 526
Current assets		
Other financial assets	27 884	26 546
Prepayments	211 813	244 629
Trade and other receivables	2 936 183	1 030 036
Cash and cash equivalents	79 408 135	56 847 893
	82 584 015	**58 149 104**
Total Assets	**83 530 990**	**59 323 630**
EQUITY AND LIABILITIES		
Equity		
Reserves	4 686 465	4 657 702
Accumulated surplus	22 321 133	17 729 903
	27 007 598	**22 387 605**
LIABILITIES		
Non-Current Liabilities		
Retirement benefit liability	12 675 122	11 438 373
Current Liabilities		
Deferred income	33 476 075	17 256 848
Trade and other payables	10 372 195	8 240 804
	43 848 270	**25 497 652**
Total Liabilities	**56 523 392**	**36 936 025**
Total Equity and Liabilities	**83 530 990**	**59 323 630**

STATEMENT OF

Comprehensive Income

AS AT 31 DECEMBER 2023

	2023	2022
Revenue	**92 030 018**	**95 278 116**
Other income	1 346 082	316 260
Operating expenses	(91 856 616)	(88 459 193)
Operating surplus	**1 519 484**	**7 135 183**
Net deficit from special projects	(2 653 096)	(7 672 783)
Investment revenue	7 174 715	3 891 968
Finance costs	(1 449 873)	(1 366 212)
Operational risk surplus	-	884 994
Surplus for the year	**4 591 230**	**2 873 150**
Other comprehensive income		
Items that will not be reclassified to surplus		
Actuarial gains on defined benefit plans	28 763	1 397 050
Other comprehensive income for the year	**28 763**	**1 397 050**
Total comprehensive surplus for the year	**4 619 993**	**4 270 200**

THE BANKING
ASSOCIATION
SOUTH AFRICA