Transformation in the Financial Sector

Presentation to Standing Committee on Finance and Portfolio Committee on Trade and Industry

14 March 2017

CHECK AGAINST DELIVERY
Snapshot of our role in South Africa

- Employ 32,805 people, 79% of whom are black
- Over 5 million basic and low-cost accounts
- 12 million retail customers (average of 0.0002% accounts closed per year)
- 6,000 entrepreneurs supported through our Incubator since 2015
- 641 branches, over 7,000 ATMs
- Process 4.8 million transactions a day
- R80 billion in Empowerment Financing
- Level 2 BEE Status in 2017
- R23 billion in affordable home loans since 2010
Who does the money the bank makes actually go to?

Standard Bank South Africa

- **Total income**: R7.0 bn
- **Bad debts**: R20.9bn (cost of non-repayment)
- **Wages**: R18.1bn (to ~32,000 employees)
- **Procurement**: R58.8bn (to ~9,300 businesses)
- **Taxation**: R5.2bn (one of SA’s largest taxpayers)
- **Distributed as dividends**: R5.3bn (to ~60,000 shareholders)
- **Reinvested for growth in South Africa**: R9.3bn
- **Corporate Citizenship**: R5.3bn
- **SA spend on Corporate Citizenship**: R96m
- **Democracy support programme (incl political party funding)**: R9.6m
- **Sports & Arts sponsorship**: R112m
- **Corporate Social Investment (CSI)**: R9.6m

Revenues used:
- **R65.8bn**
- **R7.0bn**
- **R58.8bn**
- **R20.9bn**
- **R18.1bn**
- **R5.2bn**
- **R5.3bn**
- **R9.3bn**
- **R96m**
- **R9.6m**
- **R112m**

Attribution to other sectors:
- **Wages to employees**: ~32,000
- **Procurement to businesses**: ~9,300
- **Corporate Citizenship**: R96m
- **Democracy support programme**: R9.6m
- **Sports & Arts sponsorship**: R112m
- **Corporate Social Investment (CSI)**: R9.6m

Attribution to growth in South Africa:
- **Reinvestment**: R5.3bn

Attribution to shareholders:
- **Distributed as dividends**: R5.3bn

Attribution to tax revenue:
- **Taxation**: R5.2bn (one of SA’s largest taxpayers)

Attribution to bad debts:
- **Bad debts**: R20.9bn (cost of non-repayment)

Attribution to total income:
- **Total income**: R7.0bn

Attribution to bad debts:
- **Bad debts**: R20.9bn (cost of non-repayment)

Attribution to wages:
- **Wages**: R18.1bn (to ~32,000 employees)

Attribution to procurement:
- **Procurement**: R58.8bn (to ~9,300 businesses)

Attribution to tax revenue:
- **Taxation**: R5.2bn (one of SA’s largest taxpayers)

Attribution to distributed as dividends:
- **Distributed as dividends**: R5.3bn (to ~60,000 shareholders)

Attribution to reinvested:
- **Reinvested for growth in South Africa**: R9.3bn
We want what you want - a more equitable society, a growing economy

“We want what you want - a more equitable society, a growing economy

“Economic transformation is about broadening opportunities for all South Africans, but particularly for the historically disadvantaged. It is about raising employment, reducing poverty and inequality, and raising standards of living and education. It includes broadening ownership and control of capital accumulation. In addition, it is about broadening access to services such as banking services, mortgage loans ... This includes equity in ownership of assets, income distribution and access to management, professions and skilled jobs.”

IMF research shows that lifting the share of income that goes to the poor and middle class by 1%, increases a country’s economic growth by 0.38% over five years.

While progress has been made, we recognise that we can, and must, do more.

<table>
<thead>
<tr>
<th>BEE Element</th>
<th>Total points available</th>
<th>Audited SBSA score 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>14 (+3)</td>
<td>16.61</td>
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<tr>
<td>Management Control</td>
<td>8 (+1)</td>
<td>5.55</td>
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<tr>
<td>Employment equity</td>
<td>15 (+3)</td>
<td>11.95</td>
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<tr>
<td>Skills development</td>
<td>10</td>
<td>9.05</td>
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<tr>
<td>Preferential procurement</td>
<td>16</td>
<td>16</td>
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<tr>
<td>Enterprise development</td>
<td>5</td>
<td>4.8</td>
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<tr>
<td>Empowerment finance</td>
<td>15</td>
<td>15</td>
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<tr>
<td>Socio-economic development</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Access to financial services</td>
<td>14</td>
<td>12.6</td>
</tr>
<tr>
<td>Total</td>
<td>100 (+7)</td>
<td>94.56</td>
</tr>
</tbody>
</table>
Who owns Standard Bank?

We have more than 60,000 shareholders – mostly institutional investors representing millions of savers and pensioners saving and investing for their retirements.

Our largest shareholder is ICBC – the world’s largest bank.

Our largest South African shareholder is the GEPF – its stake is worth R28bn.

Shareholders with less than 1% ownership: 58%
Industrial & Commercial Bank of China: 20%
Government Employees Pension Fund: 12%
Other institutional investors: 10%

47% of Standard Bank is South-African owned.

South Africa is a small, open economy and investment in our bank by global investment funds has many benefits and is a strong sign of confidence in our country.
Creating value through our Tutuwa Share Scheme

R10.7 billion
Net value created between 2004 and 2014 for all beneficiaries

Value has been created for
- 6 100 black staff
- 261 small black businesses
- Two strategic BEE partners
- South Africa - more than R1 billion in tax paid

In 2016 the scheme established the Tutuwa Community Foundation to support early childhood development, a more effective schooling system and work-readiness initiatives for youth.
Employment Equity

EE Data SBSA

Black Employees

- Junior Managers: 87%
- Middle Managers: 68%
- Senior Managers: 41%
- Top Managers: 22%

We are working to fix this

Black staff comprise:
- 67% of participants in our leadership development programmes
- +90% of promotions into junior and middle management
- +50% of promotions into senior and executive management
In developing countries, the financial sector enables economic growth

Is our financial sector too large? South Africa is within the acceptable range of the IMF Financial Development Index

Standard Bank banks the “real economy” and funds productive economic activity:
- Home loans
- Infrastructure
- Businesses and Corporations

The right policy and regulatory framework is crucial for the financial system to meet the needs of South Africans

South Africans can choose from more than 35 banks including the Post Bank and more than 5000 registered credit providers

The right policy and regulatory framework is crucial for the financial system to meet the needs of South Africans
“We are committed to transformation by our group Purpose and Values. We cannot honestly claim that ‘Africa is our home, we drive her growth’ unless we are committed to transformation in South Africa. A South Africa crippled by unfairness and inequality cannot take its rightful place in the family of nations.

All of us at Standard Bank – and indeed, all South Africans – must continue to work hard to transform our economy and our society. Our Constitution binds us to do this; our South African patriotism and our commitment to Africa demand it; and our interest in the profitability of our group and in the well-being of our fellow South Africans, our friends and families compels it.”

Chief Executive, Sim Tshabalala
Letter to Staff, January 2016
Thank You