



# Standard Bank

*Inclusive Banking*  
Banking the Unbanked



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## Inclusive Banking *Banking the Unbanked*



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Questions to be answered...

- *Is there a market at the bottom of the pyramid?*
- *What is our value proposition?*
- *Can elephants dance?*
- *What will create sustainability in this market?*
- *What was our approach – what did we achieve?*
- *What are the challenges we face?*
- *What is our long term plan?*



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Is there a market at the bottom of the pyramid?

- 2.3 billion people lacking access to banking and other financial services, the need to expand financial inclusion is at the forefront of policy-making worldwide
- Access to financial services provides poor people with the opportunity to invest in income-generating activities, to build assets, and to protect themselves from shock and exploitation
- Banking products connects markets
- 22 million South Africans earn less than R3 000 a month – 66% of these are unbanked!
- The median age of South Africans is 25
- There is R12bn “under mattresses” – high risk savings model
- Over 90% of all transactions at the bottom of the pyramid still in cash
- The average informal market customer lives 50km from a bank branch
- 83% of South Africans are active Cellphone users – 62.3m subscribers (multiple SIMs) with an average ARPU of R157 per month
- Informal lending plays a vital role



Standard Bank believes there is a market to be served at the bottom of the pyramid



What is our vision?

## The Inclusive Banking Vision

Providing access to banking to all customers on a sustainable basis, with banking defined as the:

- **Store of value** (Transactional, Wallet and Savings)
- **Transfer of value** (Transactions and Payments)
- **Protection of value** (Insurance and Assurance)
- **Access to value** (Lending)

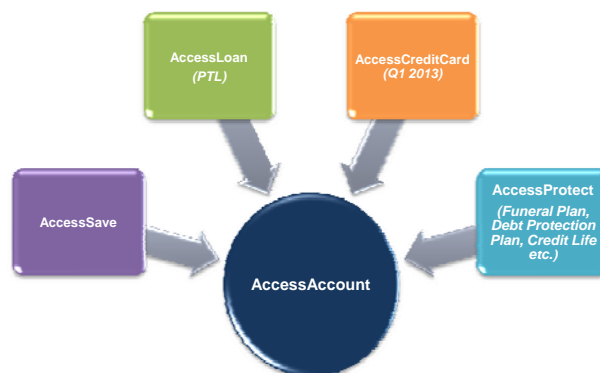
through:

- **Simplicity**
- **Transparency**
- **Convenient access and service**
- **Dignified customer experience, and**
- **Affordable to customers and at a low cost to the bank**



What is our value proposition?

*The Inclusive Banking value proposition is to provide convenient banking access in an affordable and dignified manner, to the communities being served to ensure financial inclusion*



- **Integrated product offering**
- **Based on customer needs**
- **Simple and transparent pricing**
- **Affordable pricing options**



**This value proposition is enabled by a pervasive low cost distribution strategy with Mobile as enabler**



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### Can elephants dance?

- Large banks have big legacy costs and expensive distribution models
- Lean, alternative, cost effective channels are key
- Providing convenient access close to customers is vital
- Introduced alternative low cost channel ecosystem:
  - Loan Centres
  - AccessPoints
  - Mobile sales and service agents
  - Cellphone banking
- Critical to shift customer behaviour to use of low cost channels and self service channels



Standard Bank committed to adapt



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### What will create sustainability in this market?

- Super profits will destroy credibility
- Acquiring the right customer
- Providing access to affordable credit
- Enabling rural businesses to develop and growing local economies
- Keeping costs down – acquisition and servicing
- De-cashing the society
- Continuous consumer education
- Mutually beneficial partnerships with players wanting to be successful in this market



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### What have we achieved so far?

- *Developed and launched a new integrated product offering*
- *Introduced a simple, transparent and affordable pricing structure*
- *Able to acquire at scale and at a low cost*
- *Evolving a low cost servicing capability*
- *Largest Affordable Housing lender*
- *Strong growth in unsecured lending*
- *Rolled out 7 000 AccessPoints*
- *Introduction of cash services*
- *Rolled out over 150 low cost points of presence*
- *Strong take up on Cellphone Banking*



*Balancing cost with revenue opportunities*



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### Standard Bank's lending approach

- *Offering includes both secured and unsecured lending*
- *Offer personalised credit based on customer affordability through prudent risk management practices*
- *Focus is on bringing own customers back who borrow at competitors using our broader product offerings*
- *Through low cost distribution points, i.e. Loan Centres*
- *Challenge for us is to find historical informal markets*
- *Currently exploring alternative lending products for this market*



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### Standard Bank's view on a possible lending bubble

- *Lending bubble: "To be.....or not to be?"*
- *Signs of a balance sheet shift from secured to unsecured lending*
- *We recognise that there are signs of a bubble forming in the market, i.e. High levels of debt consolidation with increased terms*
- *Our view is that it's segment specific – lower end of the pyramid is less indebted than the middle*
- *Acknowledge the hardships if a bubble should form:*
  - *Ongoing risk containment*
  - *Price your risk appropriately*
  - *Build sufficient provision*



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### What are some of the challenges we face?

- *Weakened economic environment*
- *Increased competition (traditional and non-traditional)*
- *Regulatory complexity*
- *Shifting customer behaviour*
- *Accessing the informal lending markets*



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### What is our long term view?

- *Continuous innovation of offerings, process and distribution*
- *Strong focus on acquisition and usage*
- *Cost reduction*
- *Channel adoption*
- *Consumer education*
- *Leading financial activity back to this market*
- *Ensuring a sustainable business*



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### Concluding remarks

- *We understand that this market has a lot of complexity*
- *There is revenue to be made at the bottom of the pyramid*
- *Integrated product offering as value proposition is vital*
- *Cost management key through alternative low cost points of distribution*
- *Mobile is the critical enabler of our business value proposition*



**Enkosi**

**Ni khensile**

**Siyabonga**

**Ke a leboha**

**Ngiyathokoza**

**Ndolivhuwa**

**Dankie**

**Ngiyabonga**

**Ke a leboga**

**Ro livhuwa**

**Thank you**

Questions?

