



2021 BASA Transformation Report

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- Data supplied by the banks were based on the Financial Sector Code scorecard methodology
- Ownership data were weighted by banks' total assets to determine industry aggregates
- We report on four years of data for each indicator. The relevant years are 2016-2019 for all banks except for Capitec, African Bank and Investec.
- Some 2018 data was restated for certain banks to ensure year-on-year comparability – see appendix for details.

Submitting banks for 2019 data:

1. Absa,
2. African Bank,
3. Albaraka,
4. Bidvest Bank,
5. Capitec,
6. Finbond,
7. FirstRand,
8. Grindrod,
9. Investec,
10. HSBC,
11. Nedbank,
12. Sasfin,
13. Standard Bank,
14. China Construction Bank Corporation,
15. Citi,
16. TymeBank and
17. HBZ Bank
18. uBank

Economic context

Economic environment

- Figures are all pre-Covid 19 impact
- Weak economy: SA GDP grew only 0.2% in 2019, following growth of 0.8% in 2018 and 1.3% in 2017.
- Worsening credit environment
- Low levels of consumer and business confidence

Impact on transformation

- Economy's distress curbs banks' profit growth, which curbs amounts allocated to socioeconomic development and other initiatives based on NPAT
- Lending volumes constrained, making it difficult to grow lending to targeted sectors
- Difficult for banks to incur the costs of enhanced skills and supplier development



Seven banks now have majority black directors (compared to five last year) and seven have majority black executive directors (compared to three last year)



For the first time, there are more African middle managers than white (and 65% of all middle managers are black). The proportion of management who are black increased in all tiers from junior (85.9%) to top senior (34.9%)



Supplier development expenditure increased 38% and enterprise development spend was up 7%



Skills development spend has increased consistently since 2016. Black women's skills development increased from R1,6bn in 2016 to R2,4bn in 2019



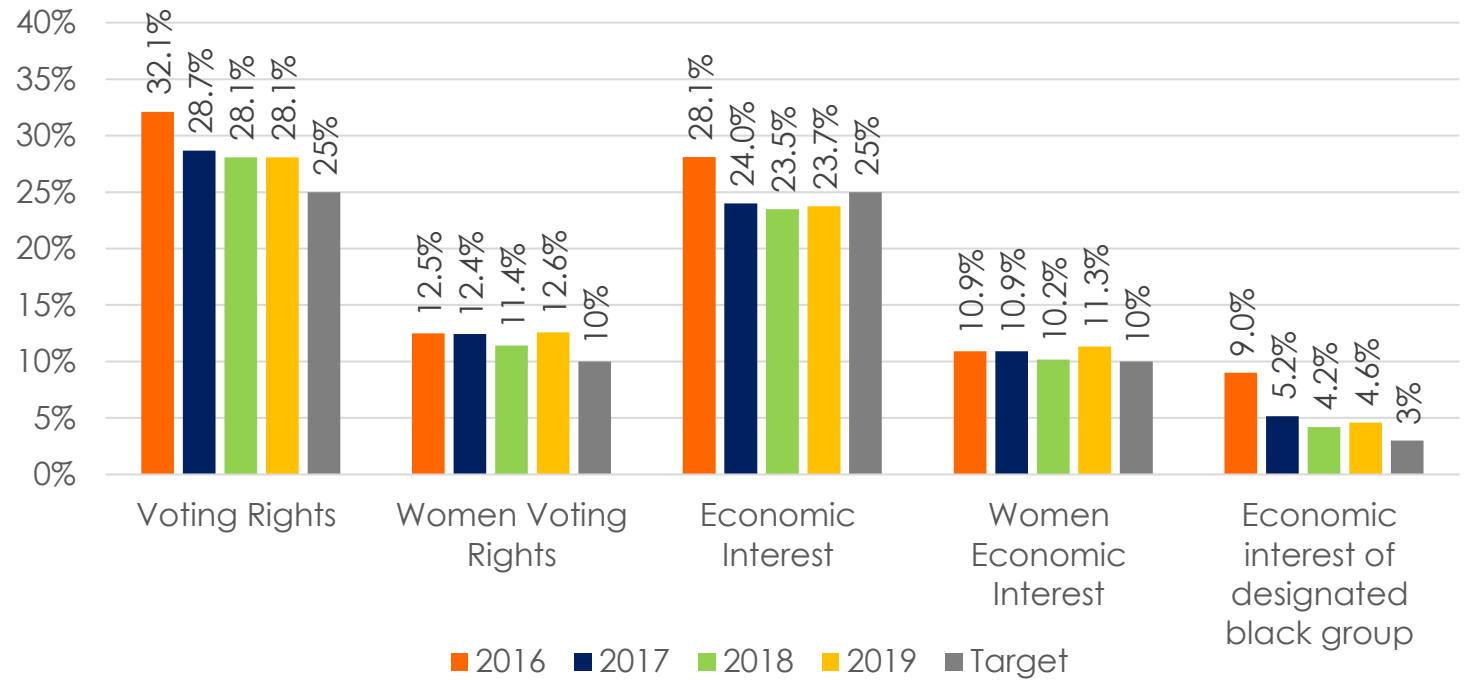
Spending on consumer education increased 18% to R212m

Highlights

Ownership

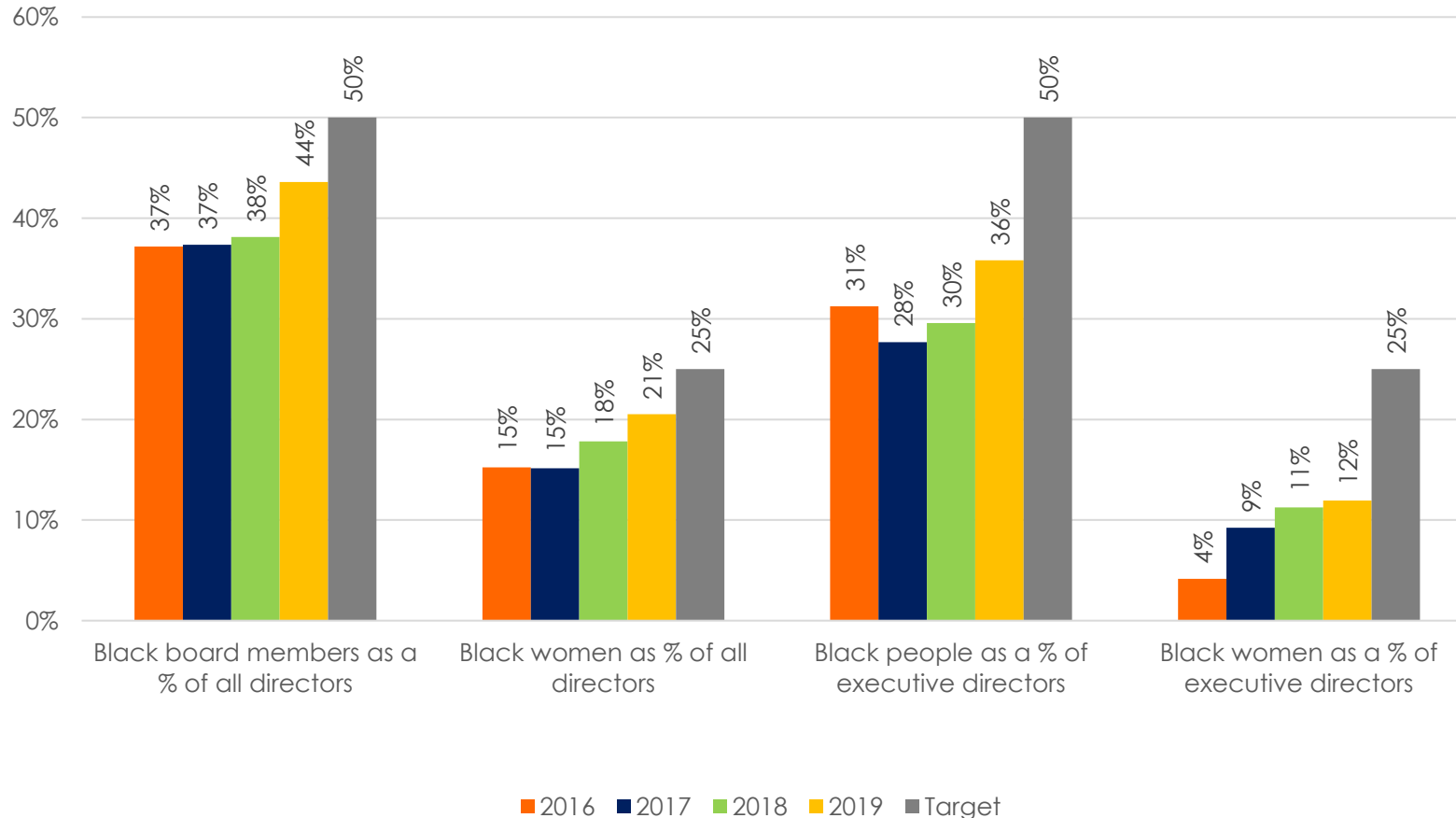
- Ownership levels have remained above the targets, except for economic interest.
- There was a marginal improvement in economic interest and in women's economic interest and voting rights.
- This was a change in trend of reducing black ownership following the maturation of empowerment deals in 2015 and 2016.

Black ownership percentage in banks



Management control – directors

Average % of directors who are black (unweighted)

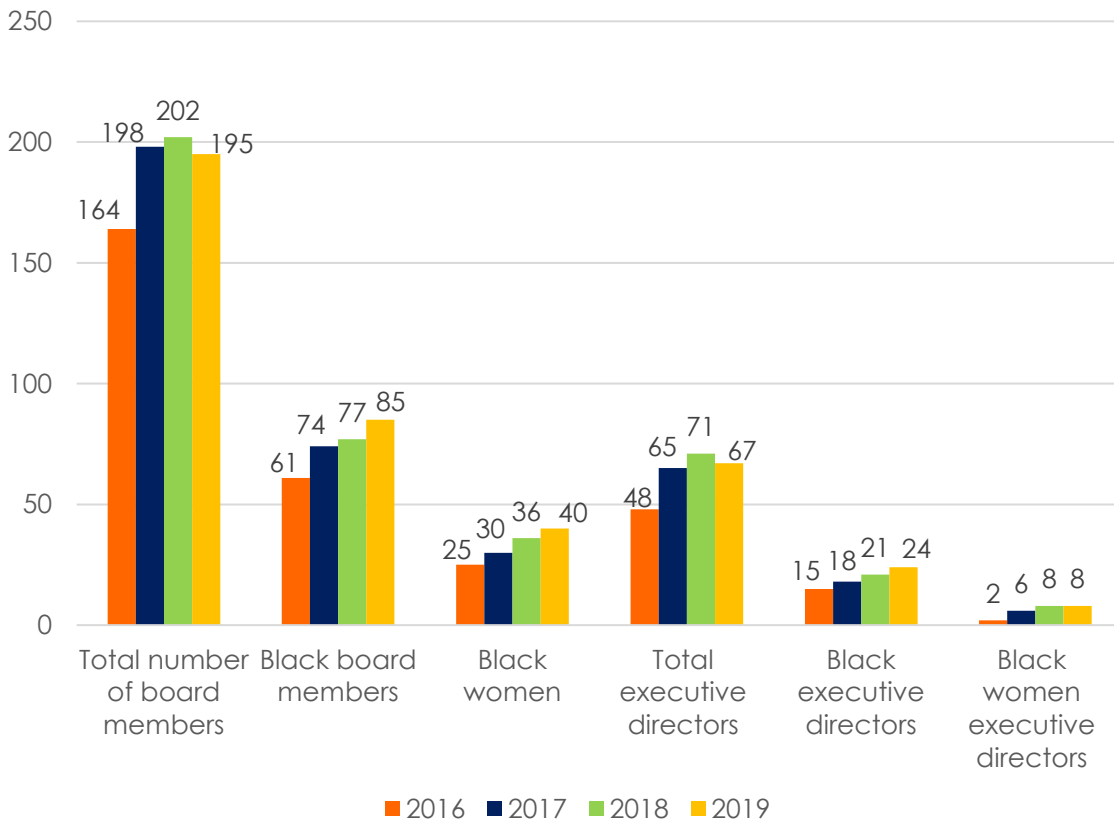


- Improvements recorded in 2019 in all segments.
- While they are still behind targets, the percentage of board members who are black climbed to 44% from 38% in 2018.

Management control – directors

Number of directors

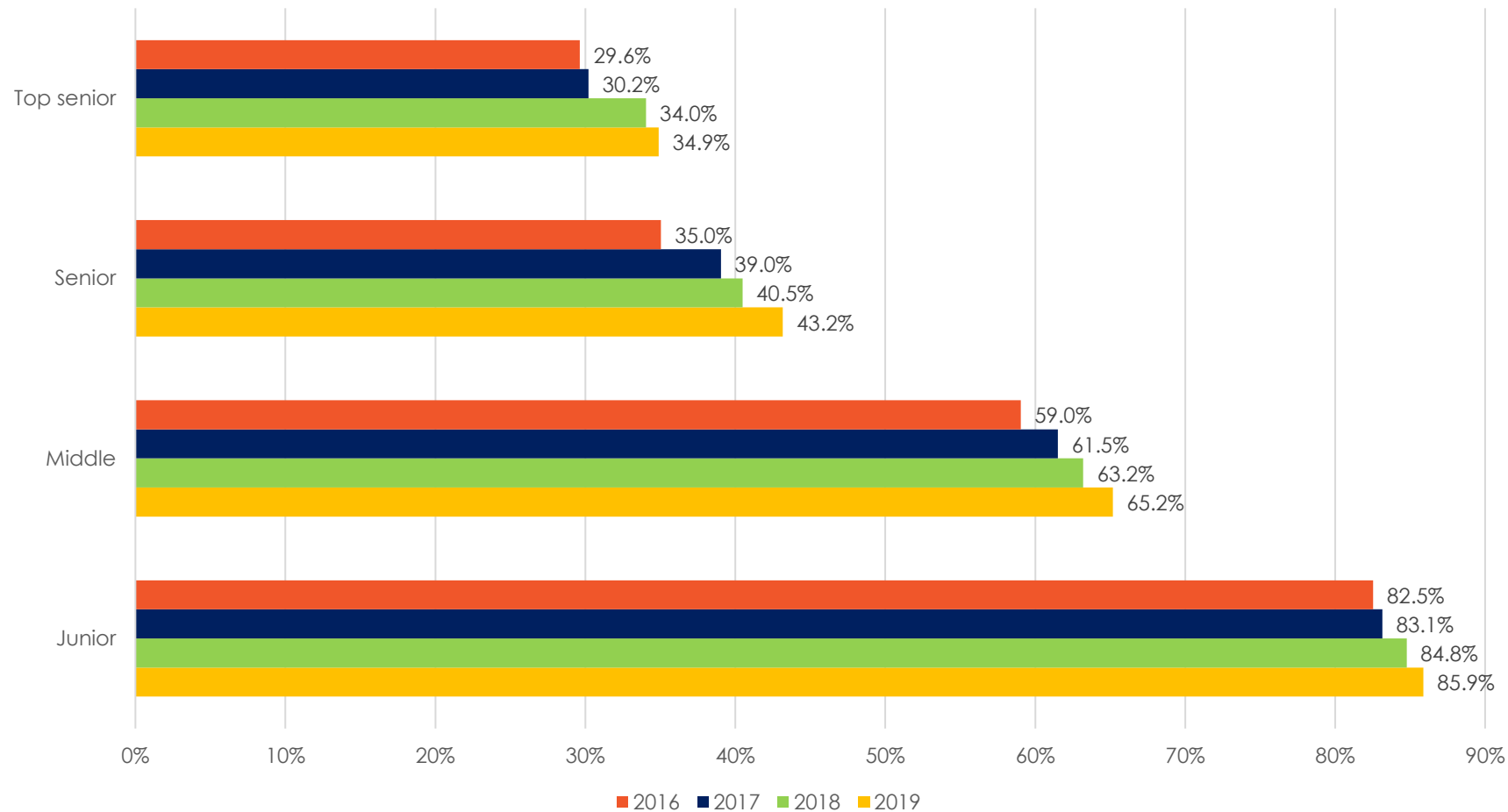
Number of banks at or exceeding targets



	2016	2017	2018	2019
Banks with more than 50% black board members as a of all directors	3	5	5	7
Banks with more than 25% black women	0	2	5	5
Banks with more than 50% black executive directors	3	2	3	7
Banks with more than 25% black women executive directors	1	1	2	3

Management control (senior to junior)

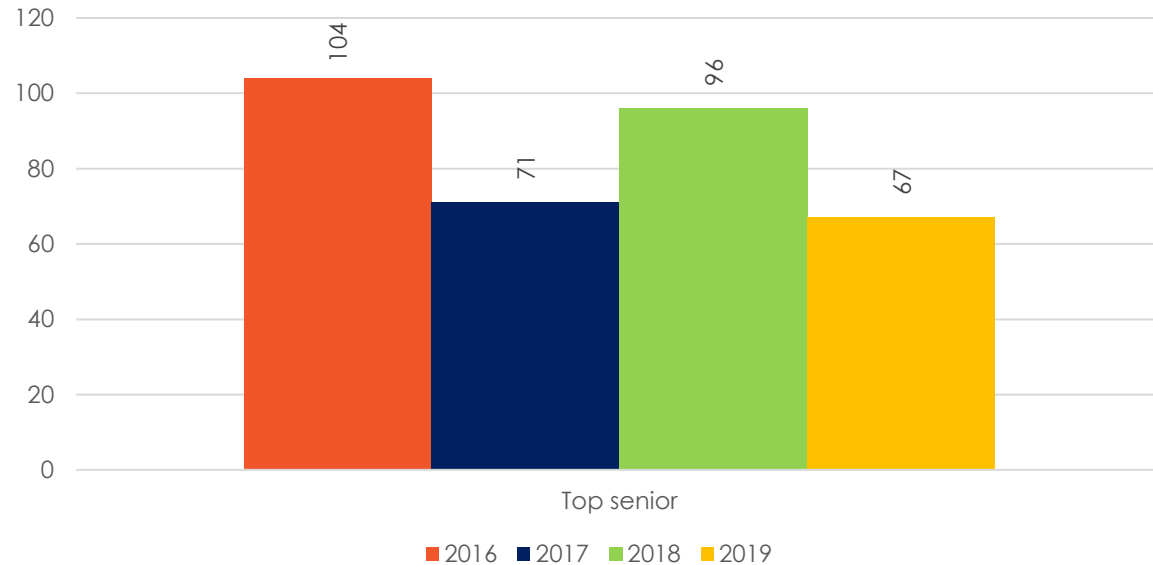
Proportion of managers who are black (%)



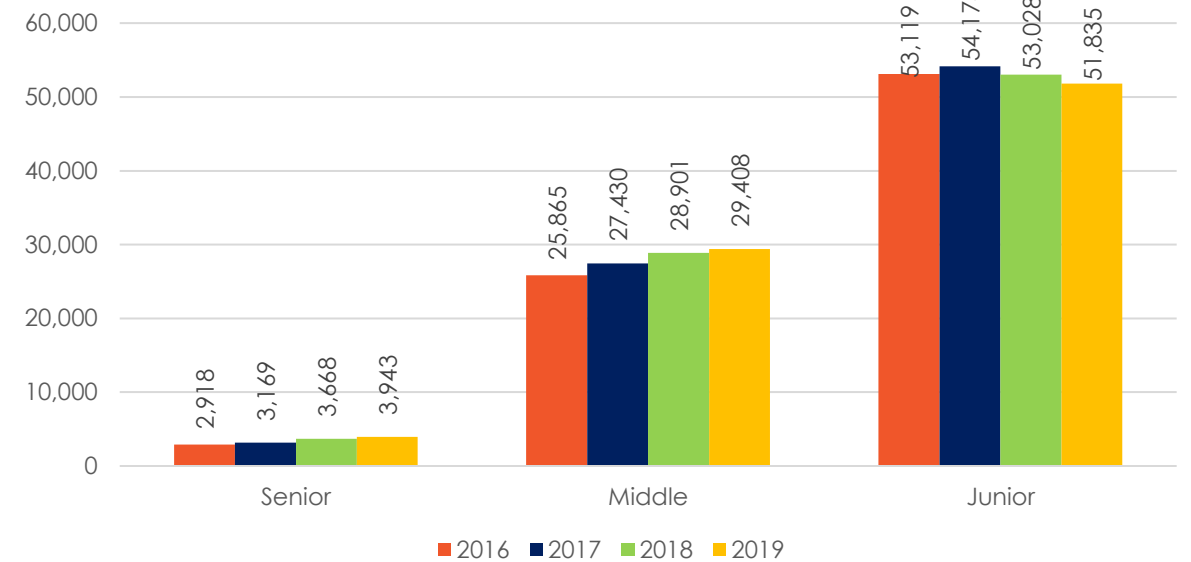
- In percentage terms, there were improvements across all management levels

Management control

Black representation in top senior management (total number)

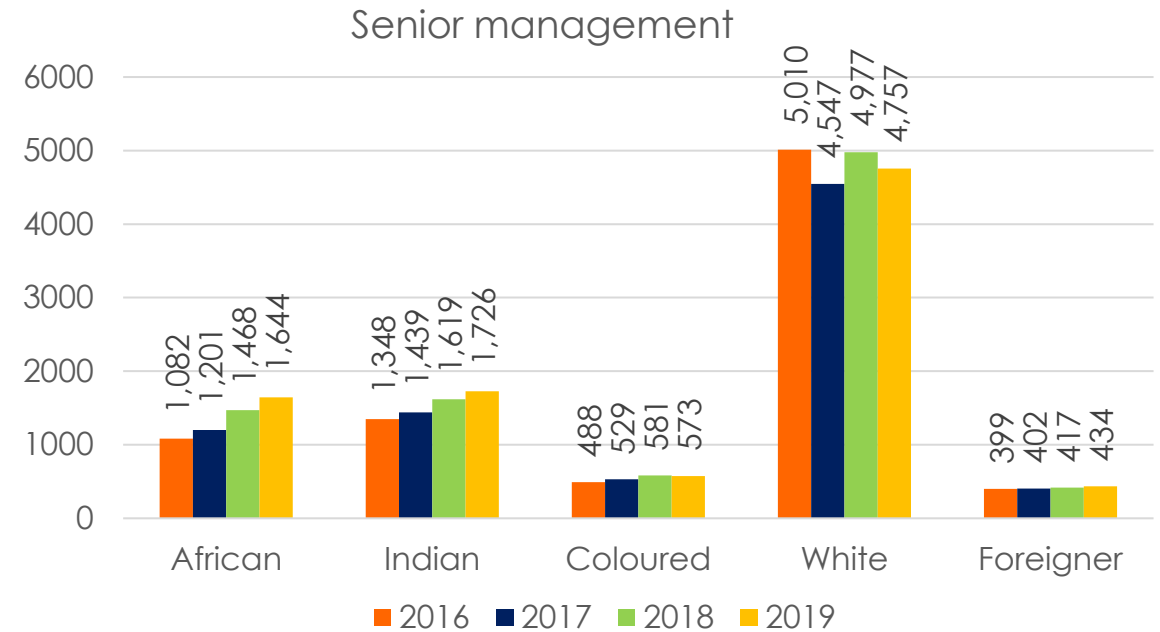
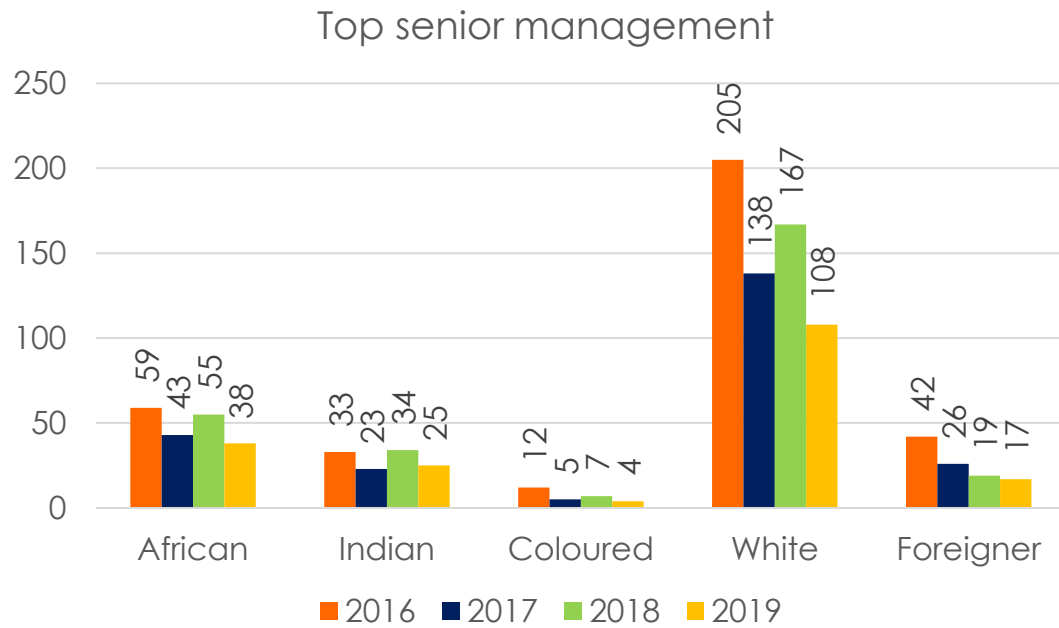


Black representation in management (total number)



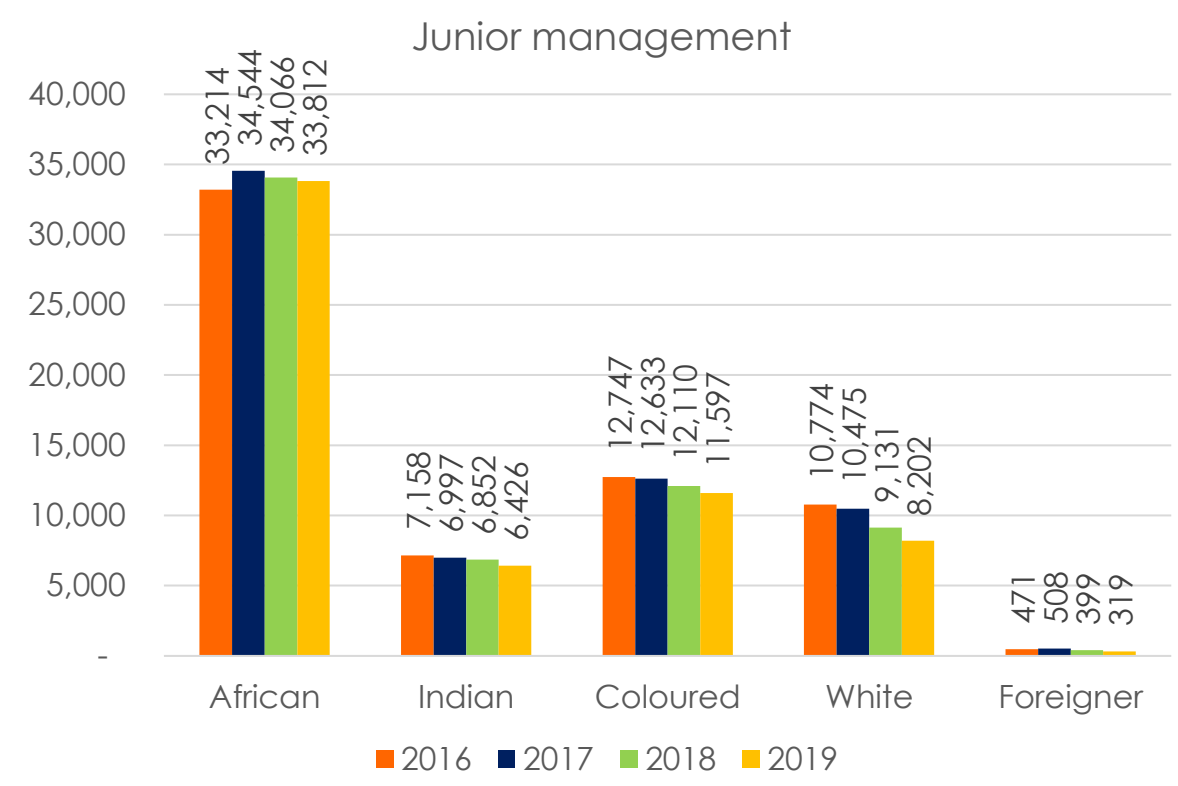
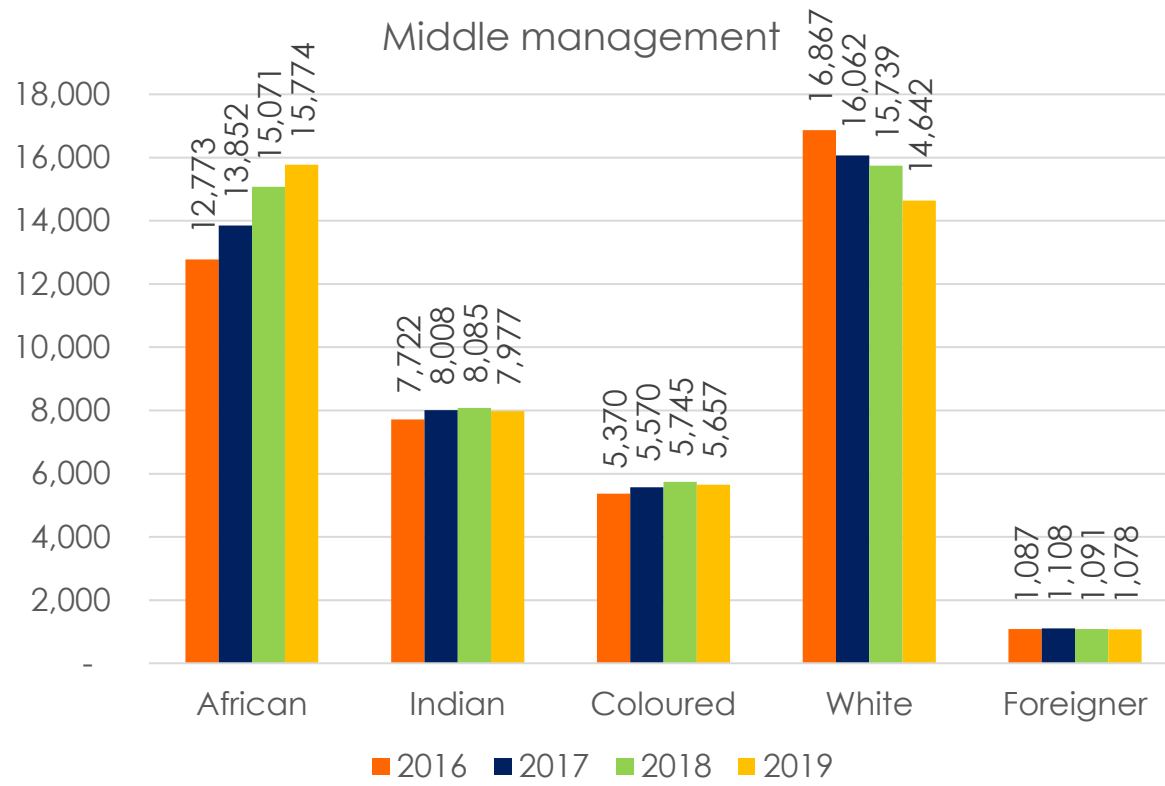
- The total number of directors at top senior and junior levels has declined, but black representation at each level has improved (as per previous slide)

Detailed breakdown of management



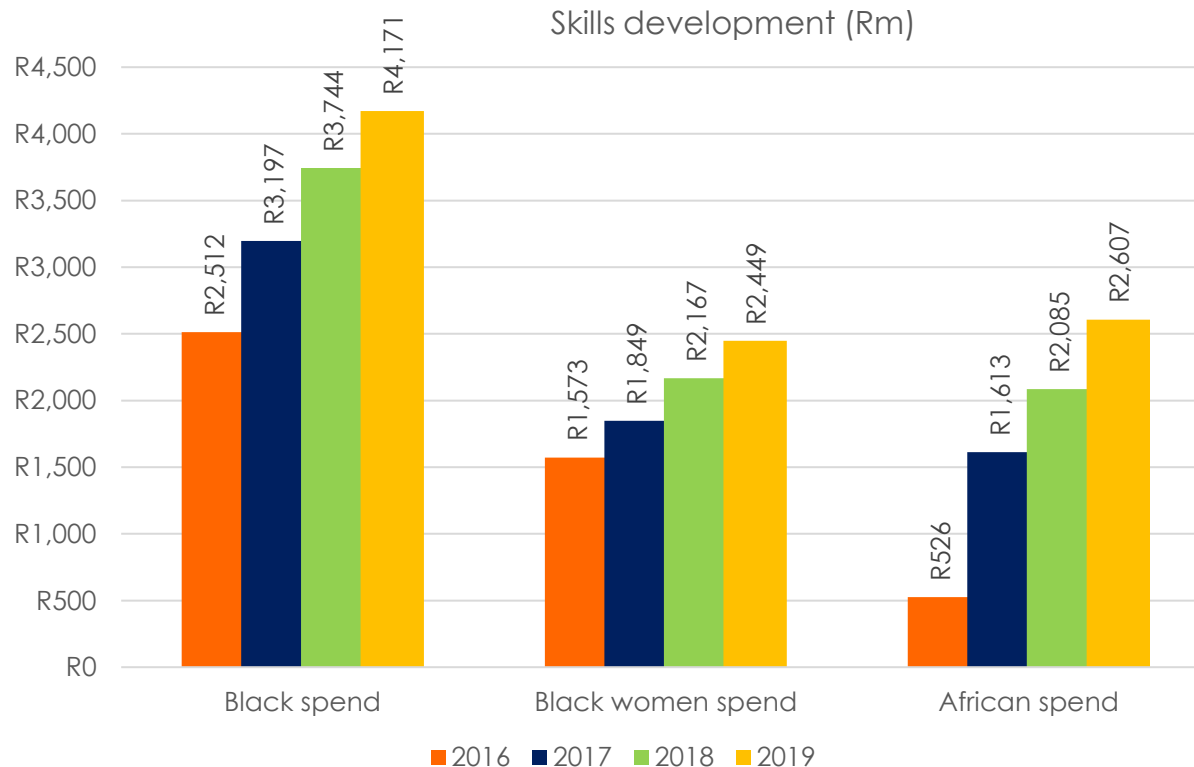
- There were fewer top senior managers across all race groups, with the most marked change being the fall in white top senior managers from 167 to 108
- In senior management, however, the number of Africans jumped to 1,644 from 1,468, with Indians climbing to 1,726 from 1,619

Detailed breakdown of management



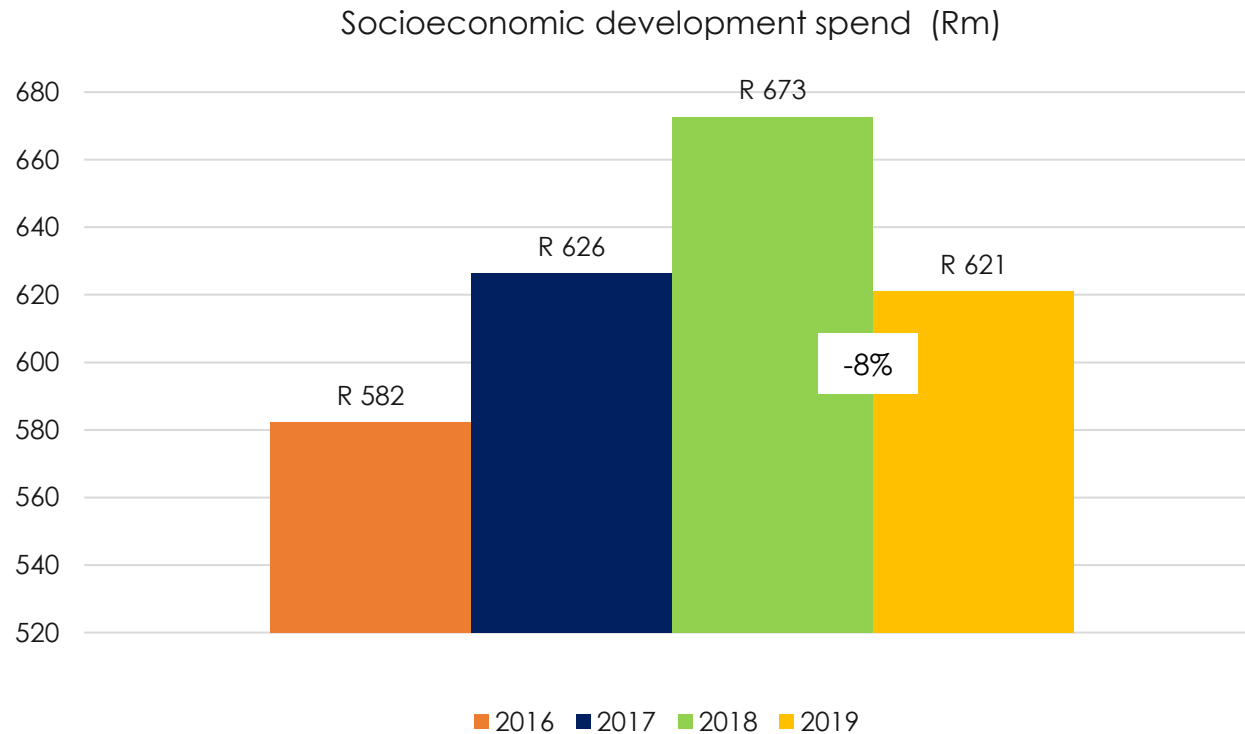
- There has been a sustained increase in the proportion of Africans in middle management but a slight dip in junior management. For the first time there are more African middle managers than white.

Skills development



- Banks continued to channel more resources towards initiatives aimed at developing black skills.
- Since 2016 there has been a healthy year-on-year increase in banks' expenditure on black skills development, from about R2.5bn in 2016 to R4bn in 2019.
- During FY19, banks spent about R4bn on black skills development, 7% more than the previous year.
- Notably, more than 60% of banks' spend on skills development of black employees over the past four years has been on black female employees.

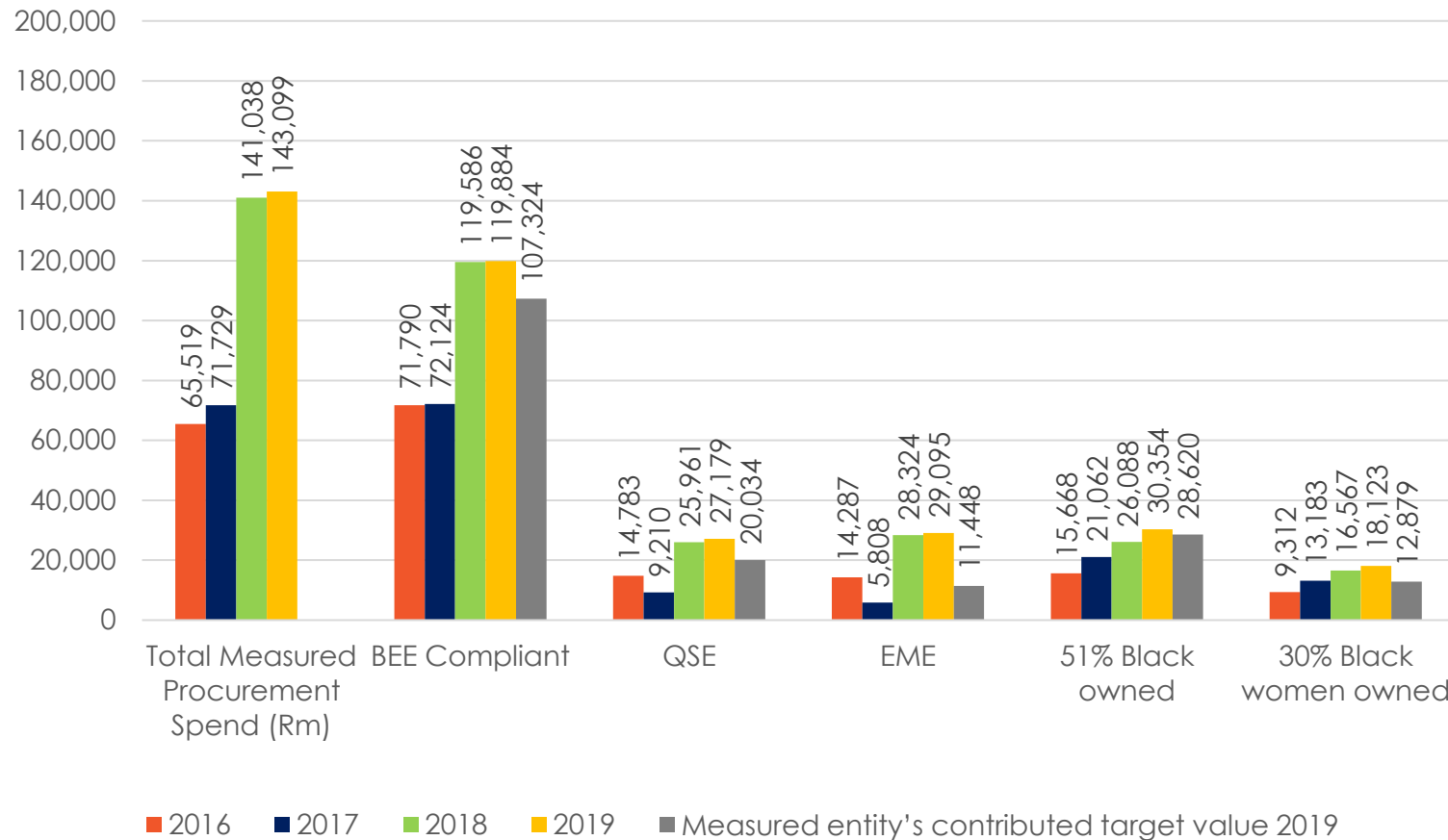
Socioeconomic development



- There was an 8% drop in 2019 socioeconomic development spend.

Preferential Procurement

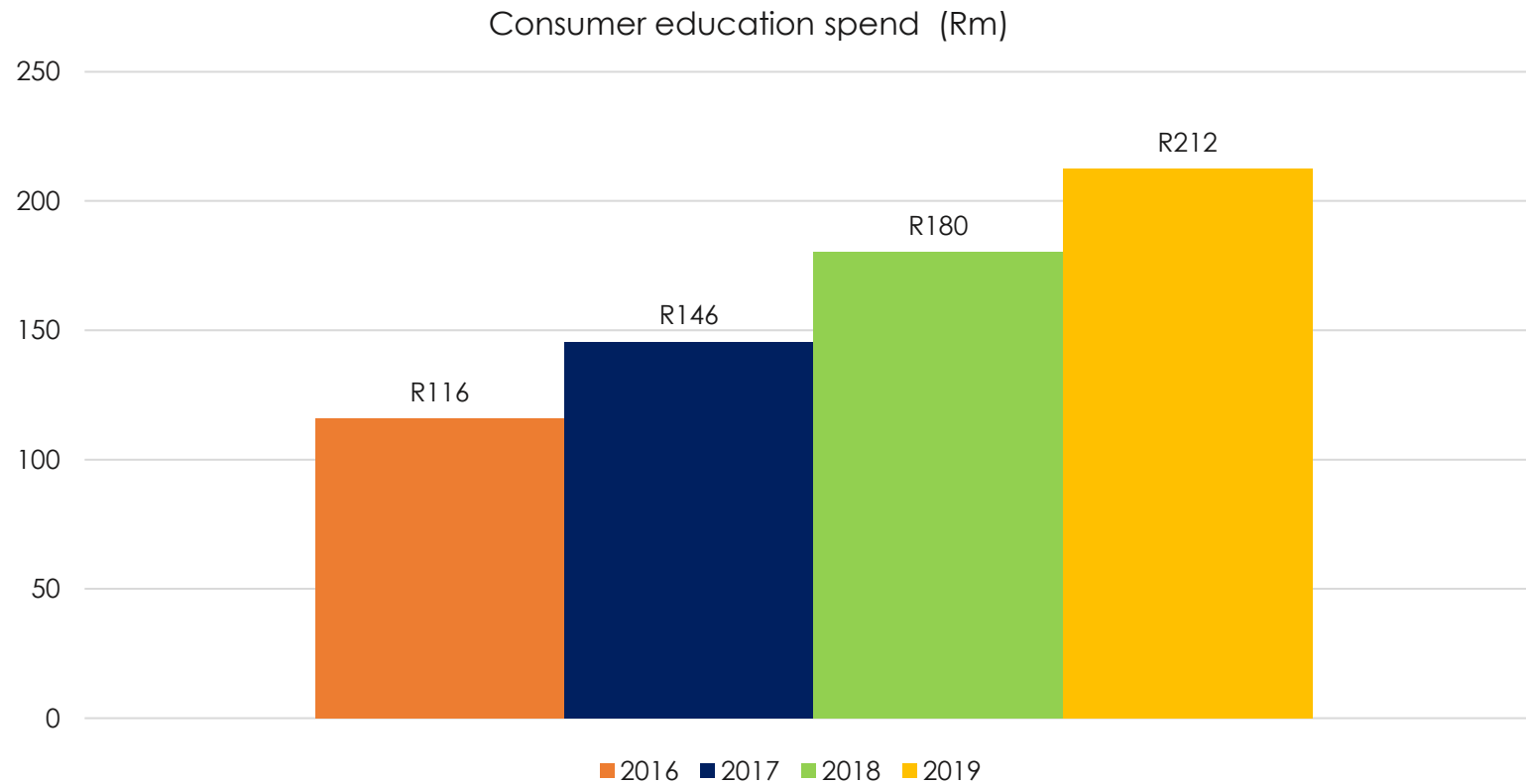
Preferential procurement (Rm)



- Banks' total measured procurement spending inched up 1.5% from 2018 to R143.1bn
- Targets are:
 - 75%, BEE Compliant suppliers
 - 4%, Qualifying Small Enterprises
 - 8%, Exempted Micro Enterprises
 - 20%, 51% black owned
 - 9%, 30% Black women owned.

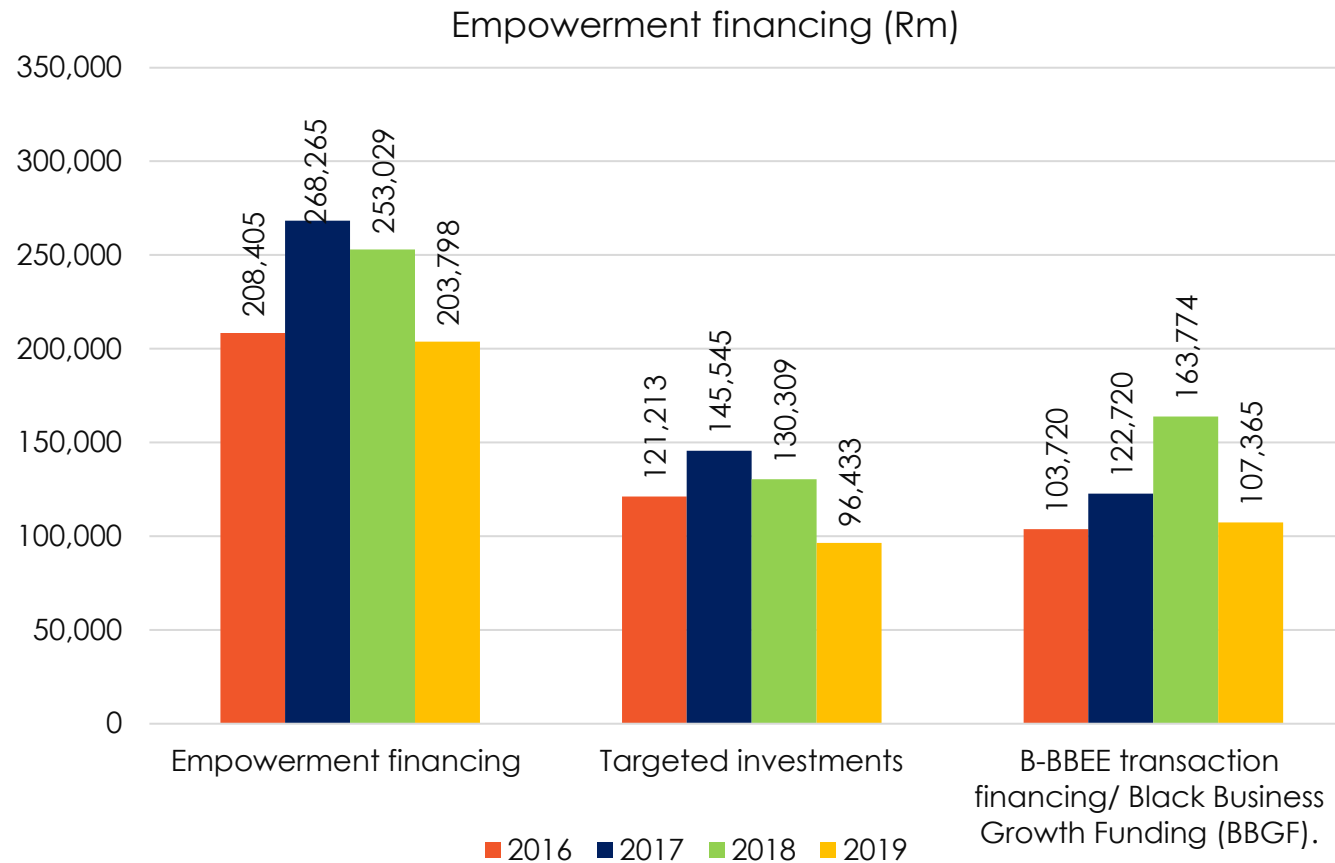
Which are shown in whole numbers in the grey bars on the graph
- Procurement in all segments is ahead of the targets

Consumer education



- Spending on black consumer education climbed 18% from 2018, on a like-for-like basis.

Empowerment financing

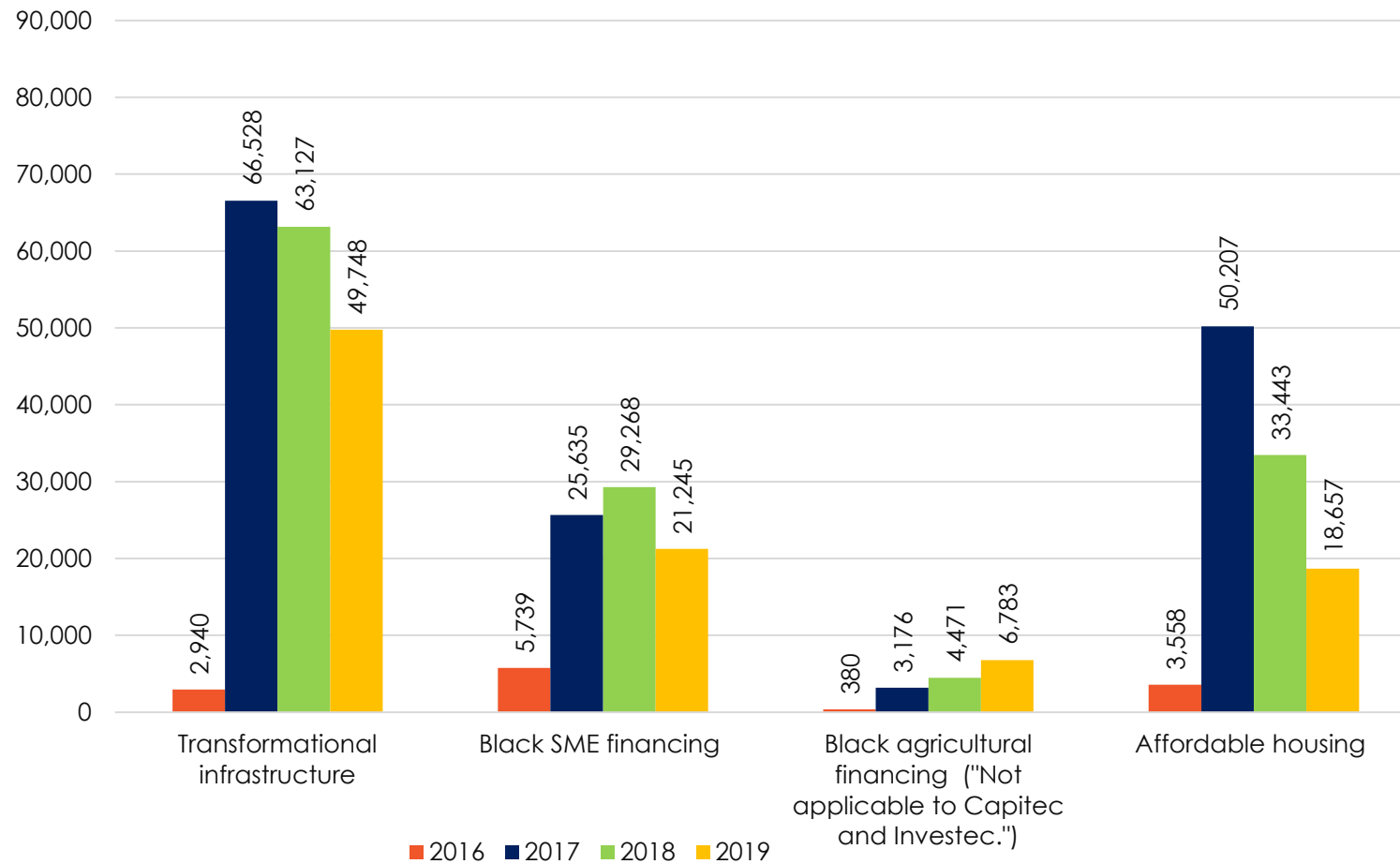


- The main commercial banks' total balance sheet exposure to empowerment financing has fallen but remains well above target.
- Exposure to BEE deals, at R107bn, is 35% lower than the previous year

(The investment targets are set in the following way: BASA allocates a five year projected lump sum value for each bank in accordance to their BA 900 market share. Of this value 4% goes to BSME and 96% to Empowerment Financing. The Empowerment Financing value is then divided between BEE Transactional Financing/BBGF and Targeted investments on a 4:6 ratio)

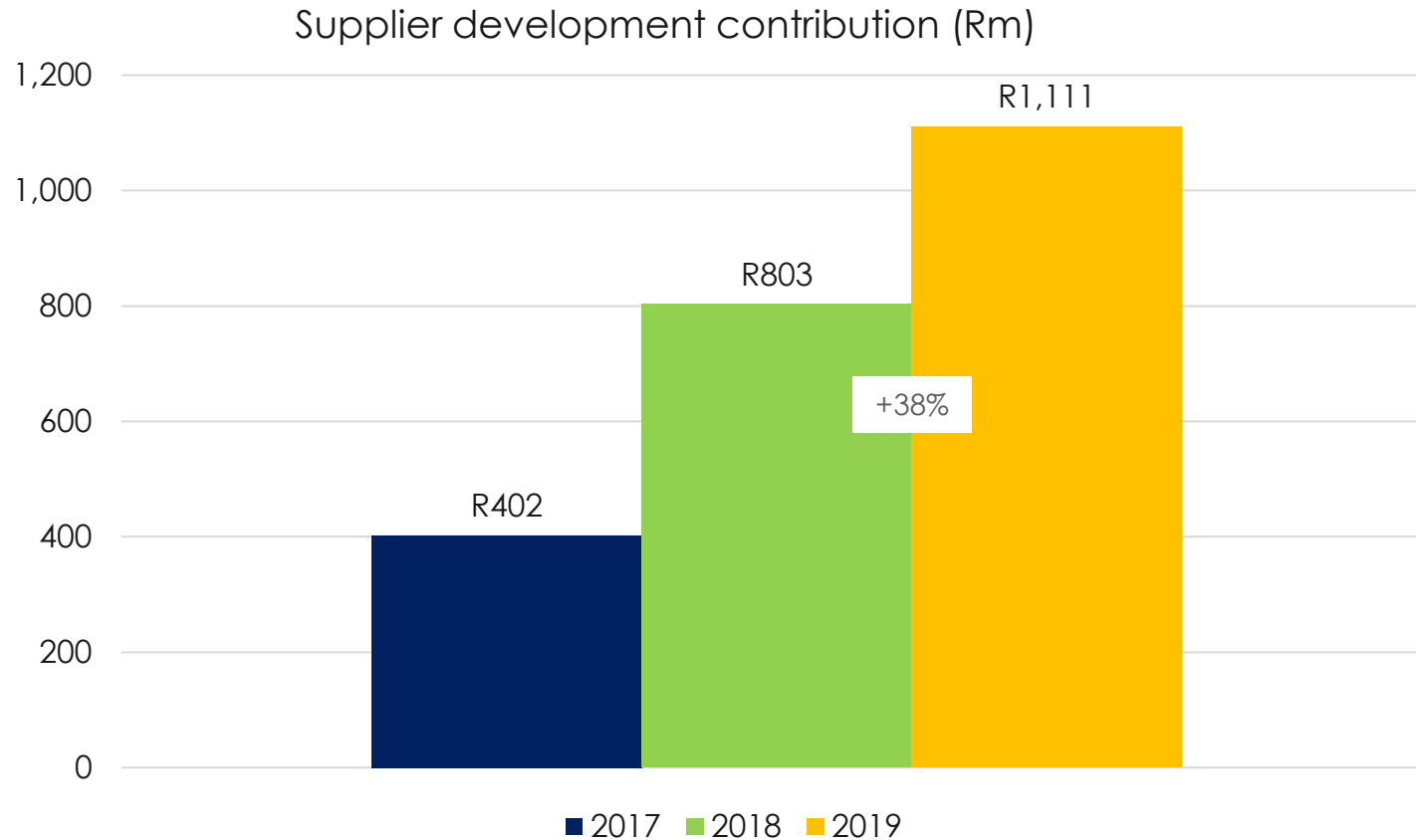
Targeted investments: components

Targeted investments (Rm)



- The empowerment financing value is divided between BEE transactions and targeted investments on a 4:6 ratio, spread over a five-year period
- There were declines particularly in transformational infrastructure and affordable housing

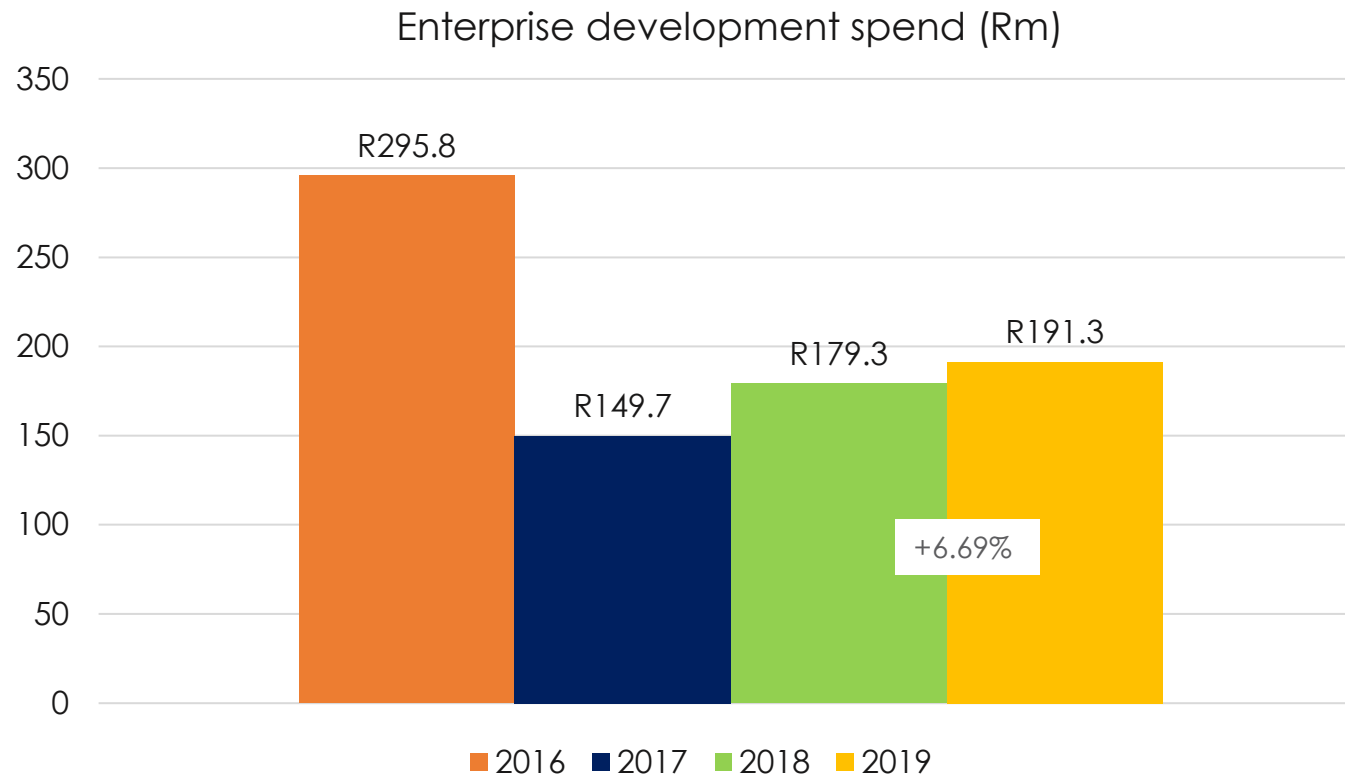
Supplier development contributions



- This element was introduced in 2017; prior to that, related spend was accounted for under enterprise development
- Annual increases have been healthy each year, driven by the big commercial banks
- Targets were 0.9%, 1.35% and 1.88% of NPAT in 2017-2019 respectively

(Too few banks provided NPAT data for us to determine overall industry targets)

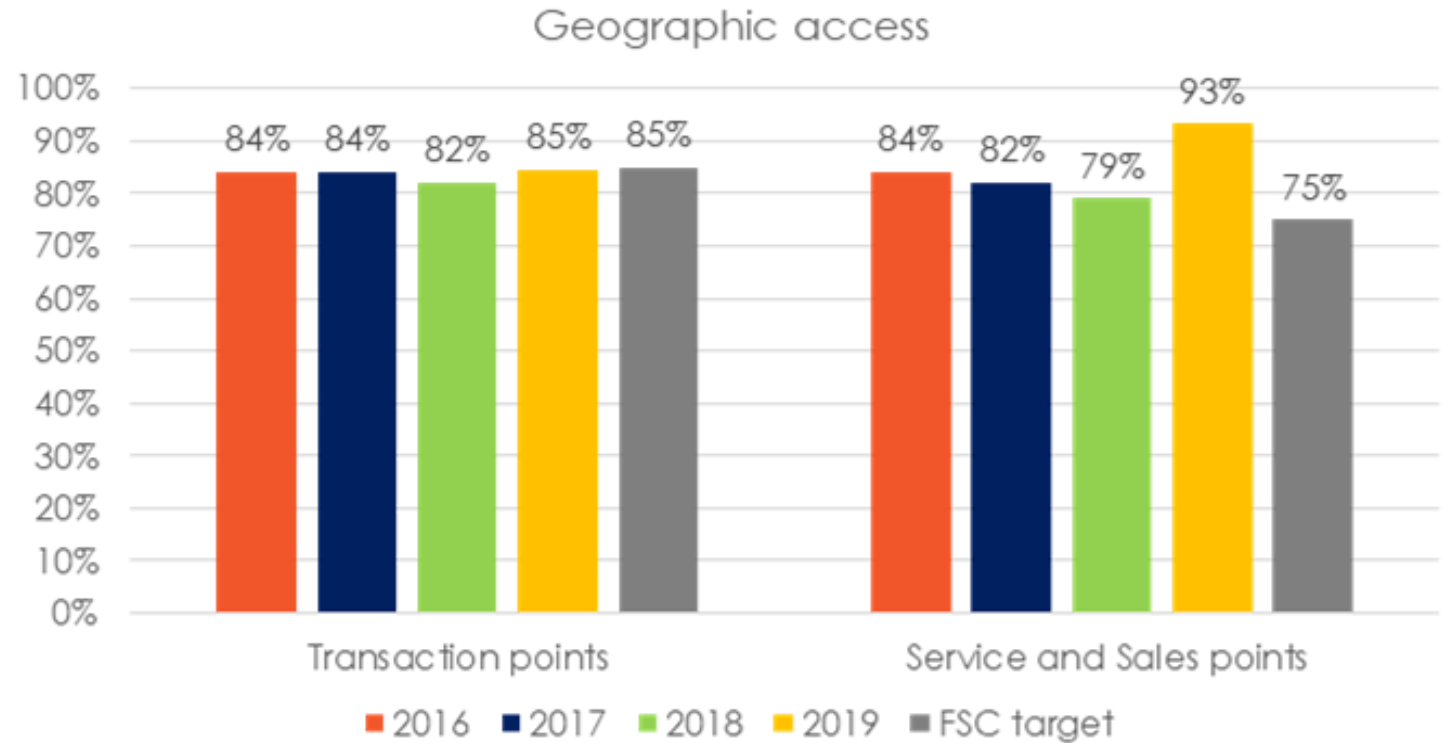
Enterprise development financing



- Having dropped sharply from 2016 to 2017, both large and small banks have steadily increased their enterprise development financing

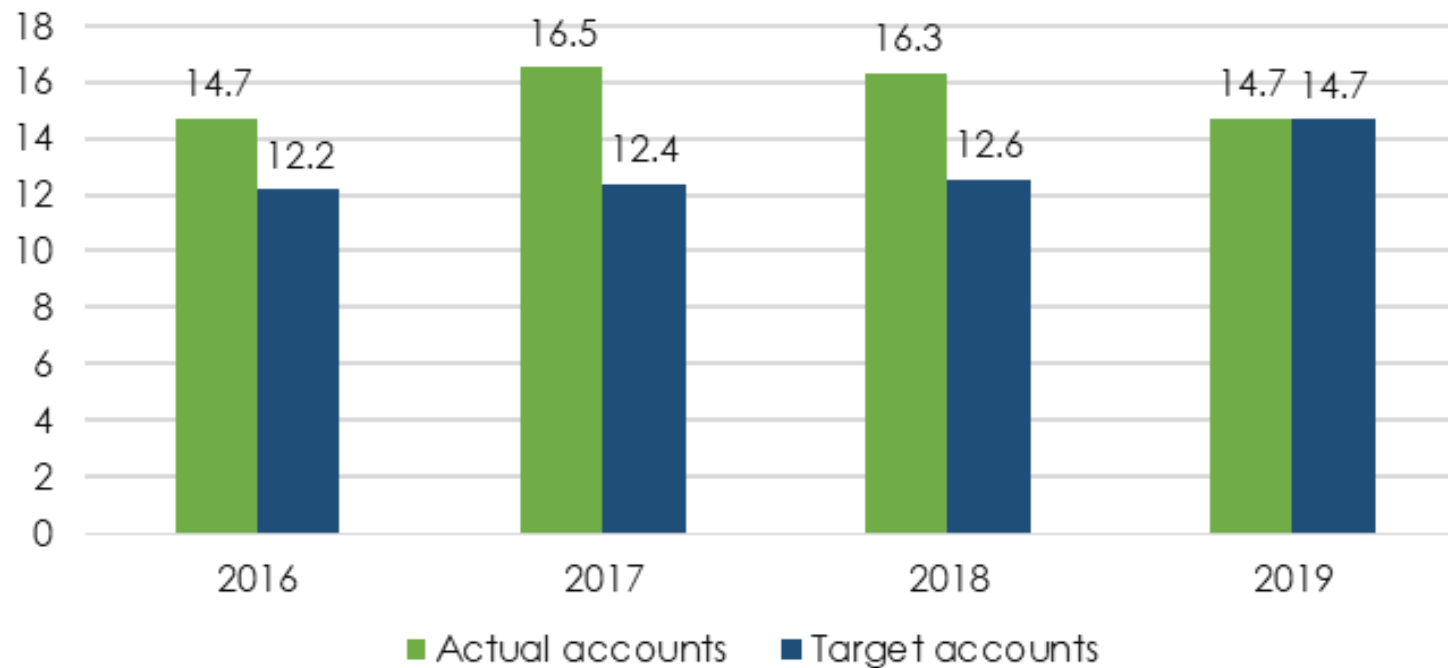
Financial inclusion – geographic access

- Service points and sales points were merged in 2019 (and therefore there is no separate data for sales points for 2019)
- Transaction points edged up from 82% to meet the target of 85%
- Service and sales points at 93% are well ahead of the 75% target



Financial inclusion – product access

Number of active accounts for qualifying products
(millions)



- The number of active accounts fell in both 2018 and 2019.

Changes from base 2018 year (which therefore is occasionally different in this year compared to last)

- Previously held 2018 data was restated with updated 2018 data for banks that gave clear reasons for data changes (when changes were submitted with no reason adjustments were not made).
- Changes that were made:
 - Absa total assets for the FY2018 were restated due to Edcon loan book having been disposed of.
 - Tyme Bank provided data for the first time. This was only partial, covering areas it has begun measuring and for years it has data (ownership/preferential procurement for 2019 only, other subsectors provided data for 2017,18,19).
 - HSBC also submitted for the first time with data for 2018 and 2019 only. Data on black board members was not available but other data were provided where relevant.
 - Following the acquisition of Mercantile by Capitec, total figures for the combined businesses are included in 2019 but no changes were made to earlier years which include data for both banks.
 - Grobank did not submit data for this report and their information from previous years was removed to ensure comparability.
 - Ubank did not submit supplier development data for 2019, so base years were excluded for consistency.

The end