



2022 BASA Transformation Report

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Dr Stuart Theobald, CFA
Letta Maponyane
Colin Anthony
Nolwandle Mthombeni





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- Data supplied by the banks for 2020 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: 2017-2020. Year-ends are December for all banks except Capitec (Feb), Finbond (Feb), Ubank (Feb), Investec (March), Firstrand (June) Sasfin (June), African Bank (Sep).
- Some data were restated for certain banks to ensure year-on-year comparability – see appendix for details.

Submitting banks for FY 2020 data:

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

Economic context

Economic environment

- Figures are both during and pre-Covid 19 impact
- Weak economy: SA GDP shrank 6.4% in 2020. That followed only 0.2% growth in 2019 and 0.8% in 2018.
- Worsening credit environment
- Low levels of consumer and business confidence
- Sharply reduced bank profitability in 2020

Impact on transformation

- Economy's distress limits banks' profit growth, which curbs amounts allocated to socioeconomic development and other spending based on NPAT proportion
- 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



Ownership levels remained largely level with 2020



The total number of directors fell, but black people as a proportion grew across all sectors thanks to this base effect. More banks than ever are now meeting thresholds for black and black woman directors as a proportion of the total



While management control remains behind targets, there was strong growth in the number of black managers across all management levels accompanied by a fall in the number of white managers, particularly at top senior level



Spending on skills development continued its strong year-on-year growth but socioeconomic development spending fell.



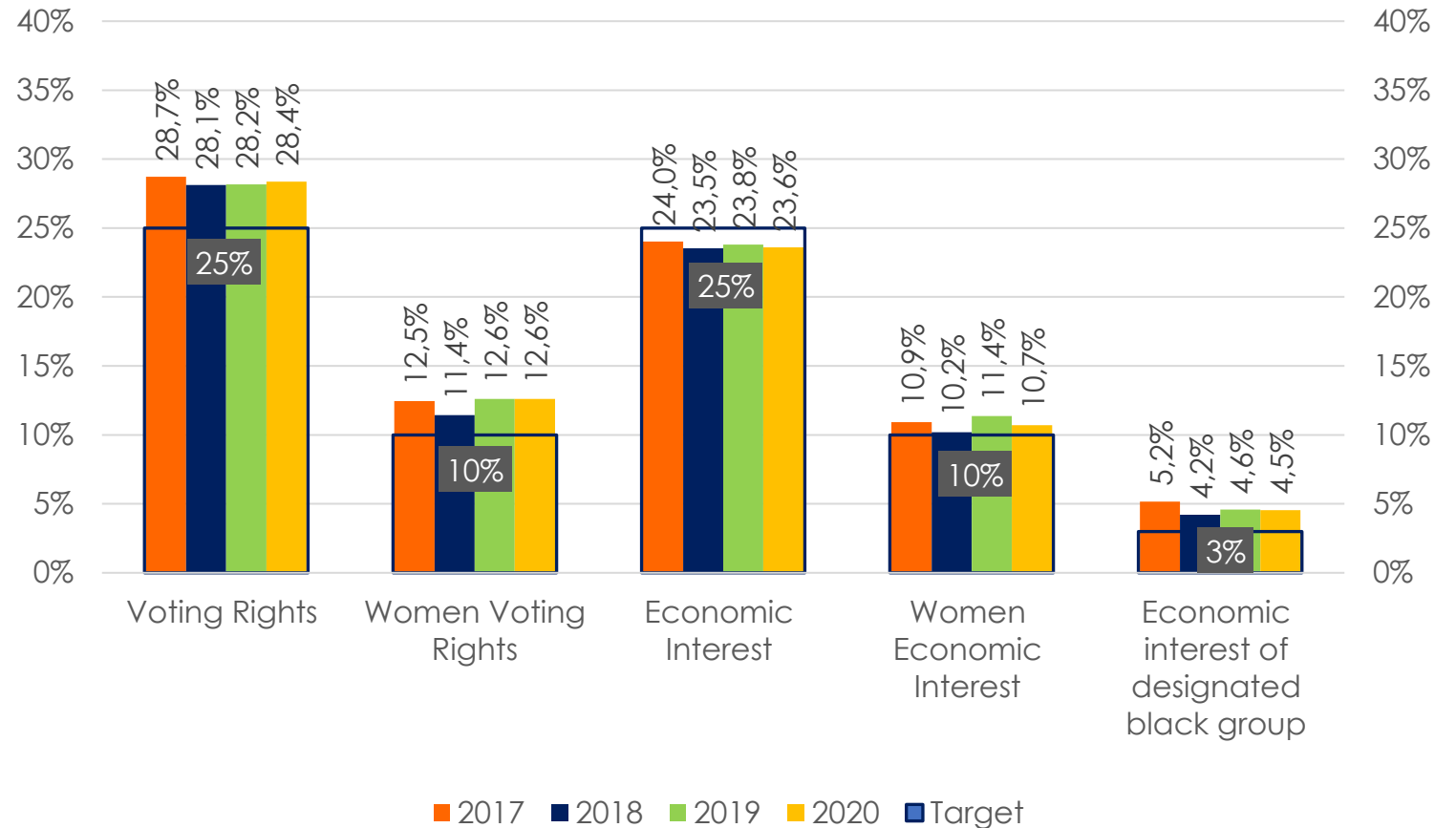
Growth in supplier development spending remains strong despite the lockdown challenges

Highlights

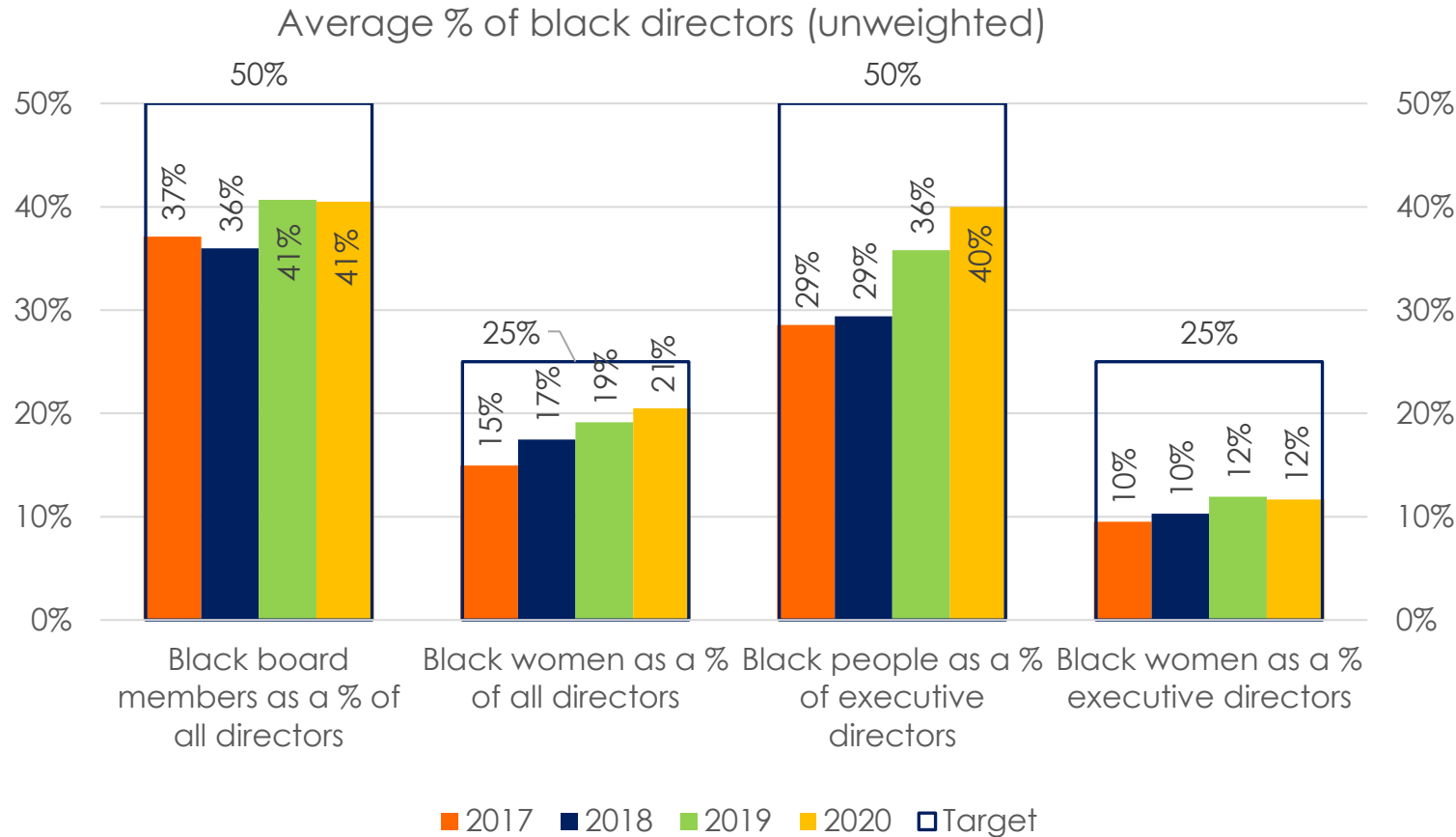
Ownership

- Ownership levels remained largely flat over 2020.
- Except for economic interest, they are slightly above target.

Black ownership measurement in banks



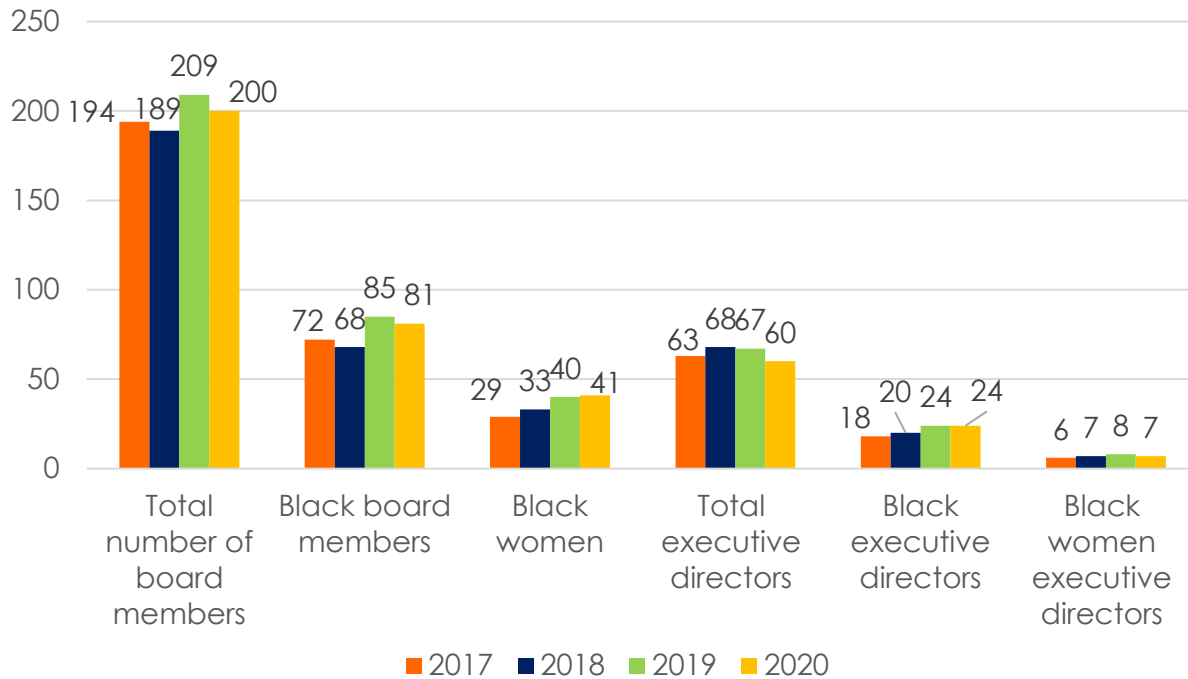
Management control – directors



- All categories of management control remain behind targets.
- There was growth in black people as a percentage of executive directors, from 36% to 40%, while black women as percentage of all directors climbed from 19% to 21%.

Management control – directors

Number of directors

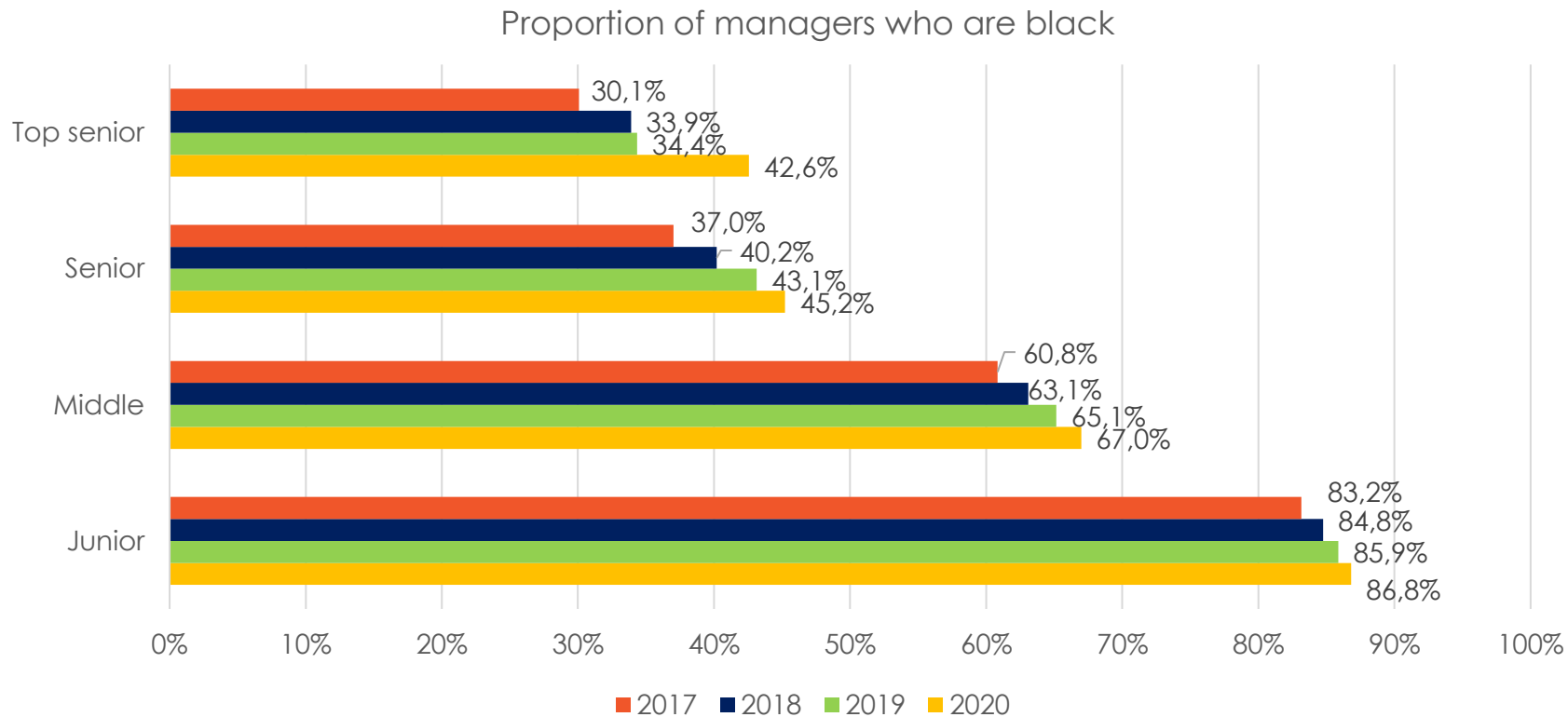


Number of banks at or exceeding director targets

	2017	2018	2019	2020
Banks with more than 50% black board members as a percentage of all directors	6	4	6	7
Banks with more than 25% black women	4	7	8	9
Banks with more than 50% black executive directors	5	6	9	10
Banks with more than 25% black women executive directors	2	4	4	3

- For black women executive directors, only 16% of banks exceeded the 25% target.

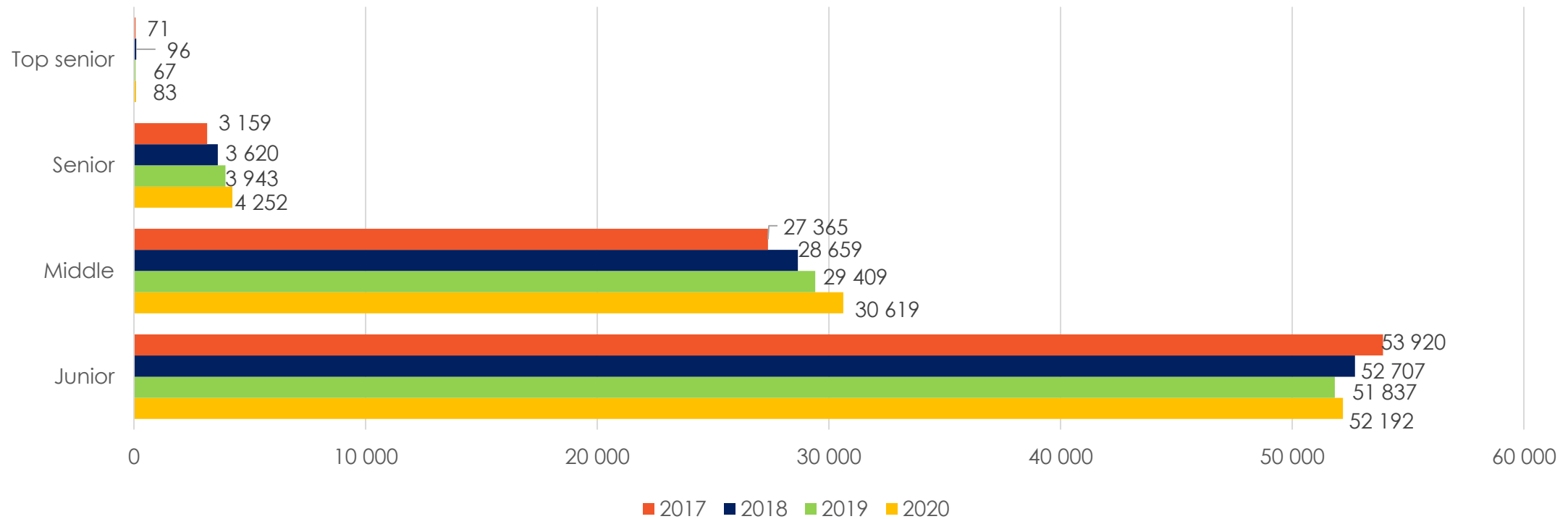
Management control – levels



- There were improvements across all management levels, with growth of 8.2 percentage points at top senior level.
- However, banks remain behind targets on all levels.
 - Top senior: 60%
 - Senior: 60%
 - Middle: 75%
 - Junior: 88%

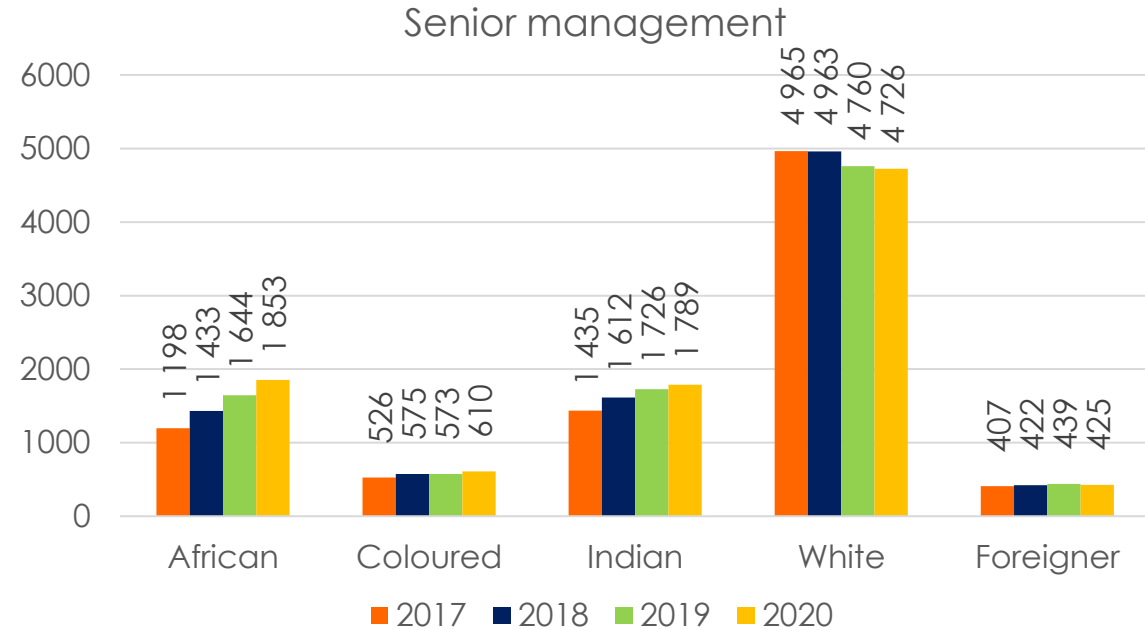
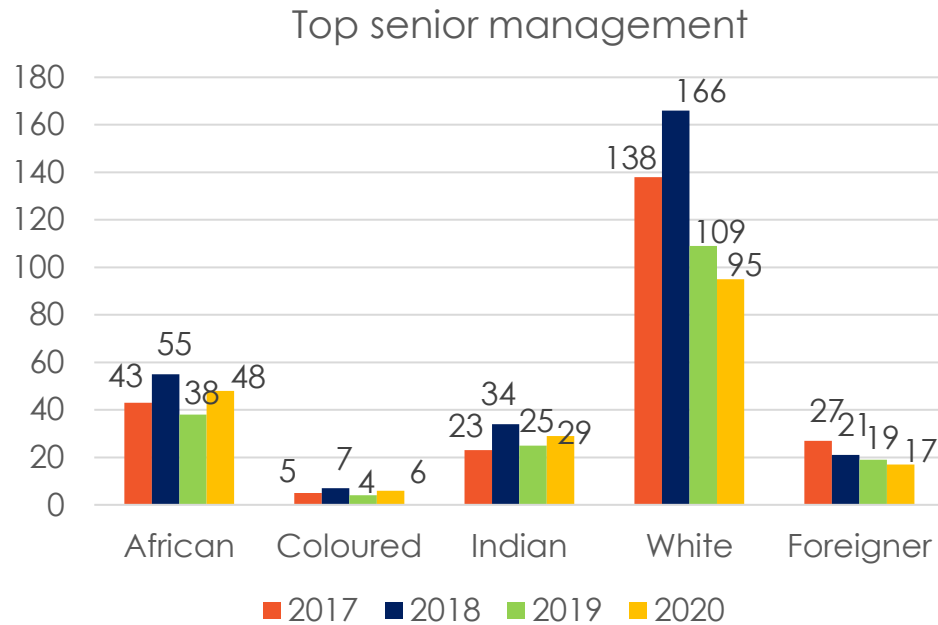
Management control

Black representation in management (total number)



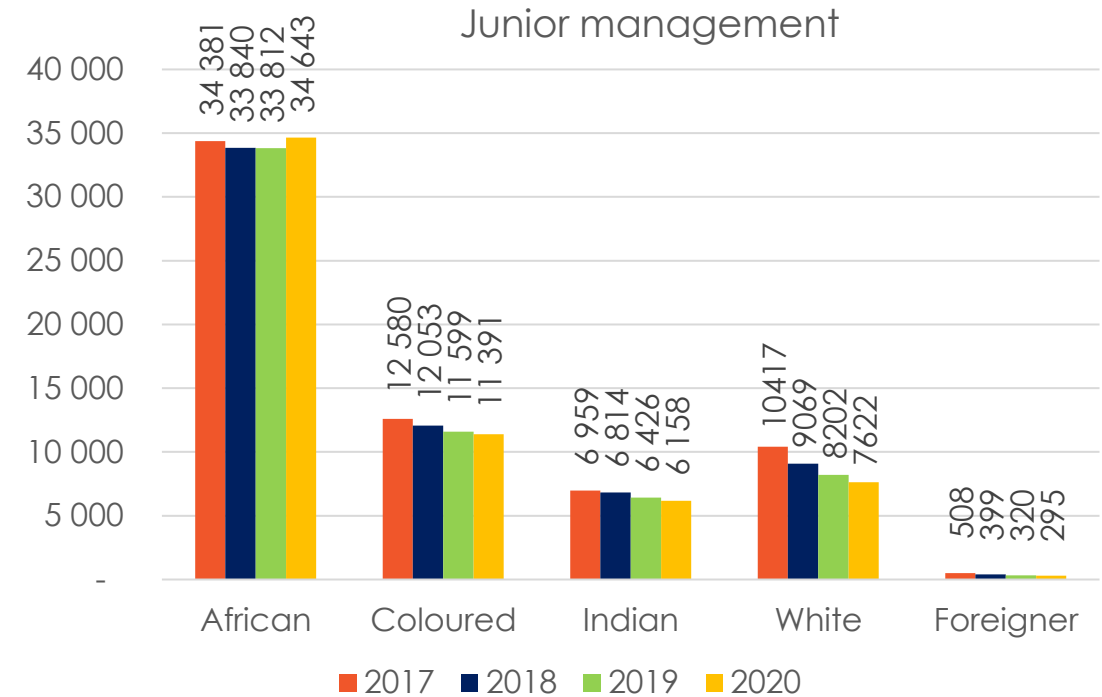
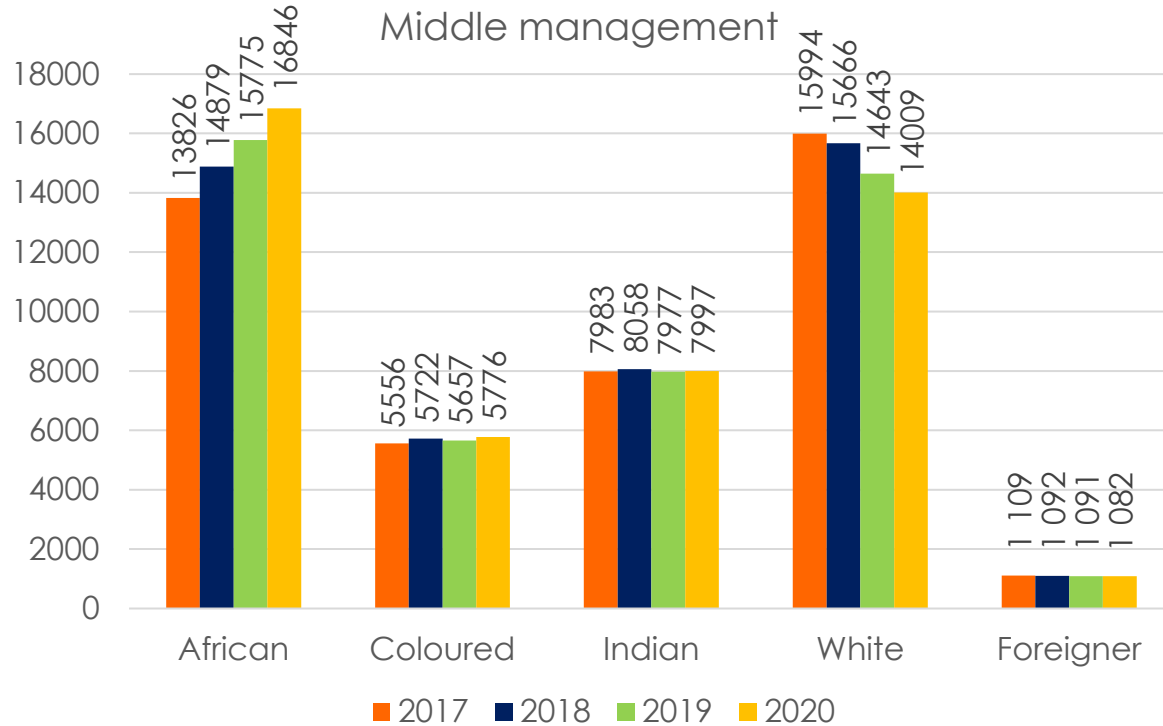
There was an increase in the total number of black managers across all management levels. Top senior grew 23%; senior 8%; middle 4% and junior 0.6%.

Detailed breakdown of management



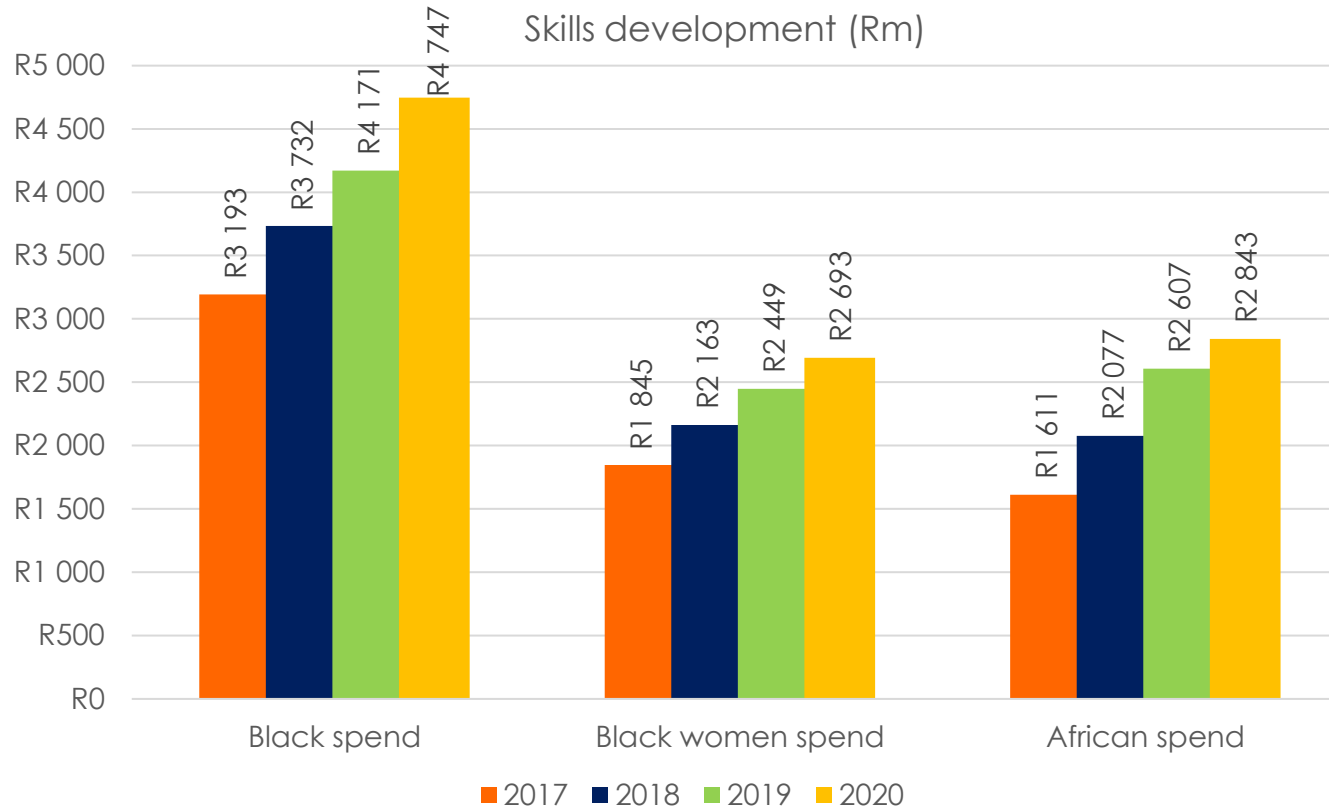
- **Top senior:** The number of white managers has fallen dramatically in the past two years. Black African managers jumped from 38 in 2019 to 48 in 2020 but is still below 2018's 55. Indian and Coloured top senior managers also increased.
- **Senior:** The 12.7% increase in African senior managers brings the total number to 1,853, forming a sizeable pipeline of black managers with the potential to move into top senior level.

Detailed breakdown of management



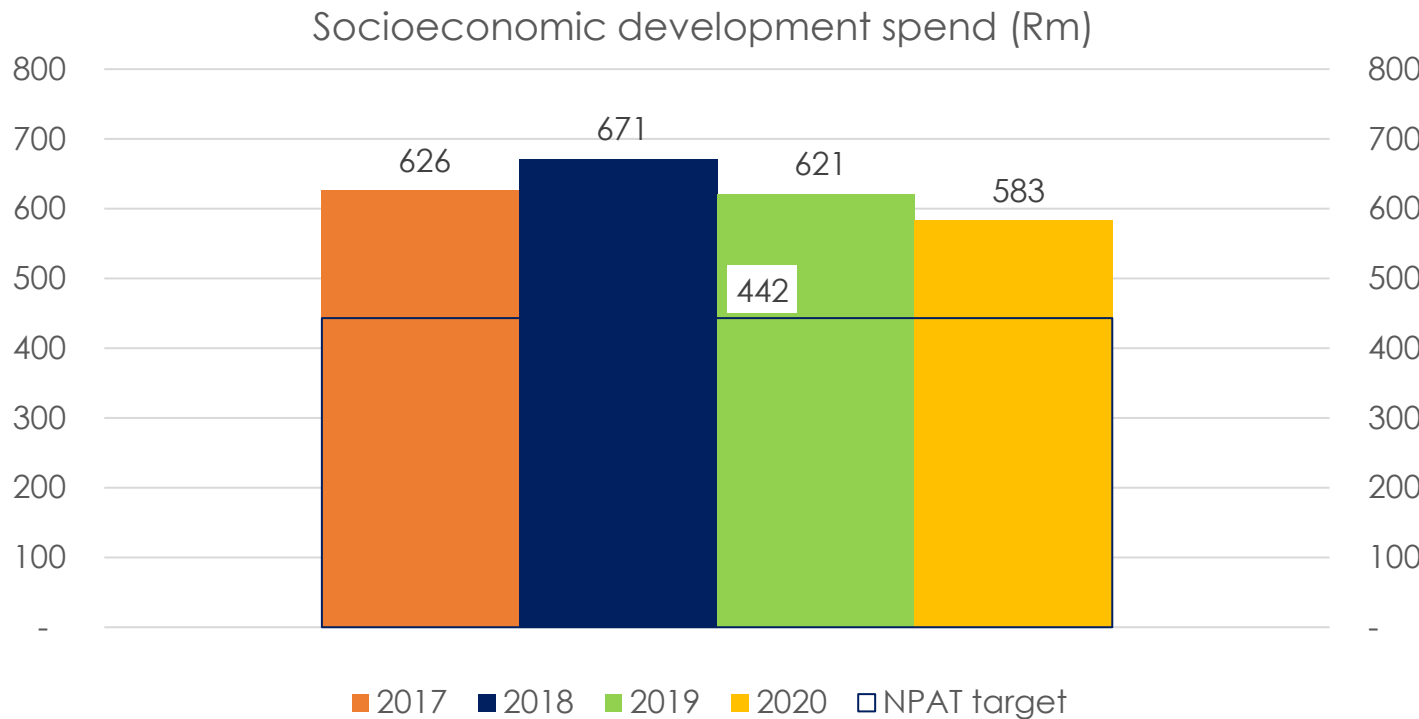
- **Middle management:** In 2019, the number of African middle managers overtook white middle managers for the first time. This trend continues in 2020 with the gap increasing to about 17% from 7%.
- **Junior management:** While there was a 2.5% increase in the number of African managers, all other groups declined.

Skills development



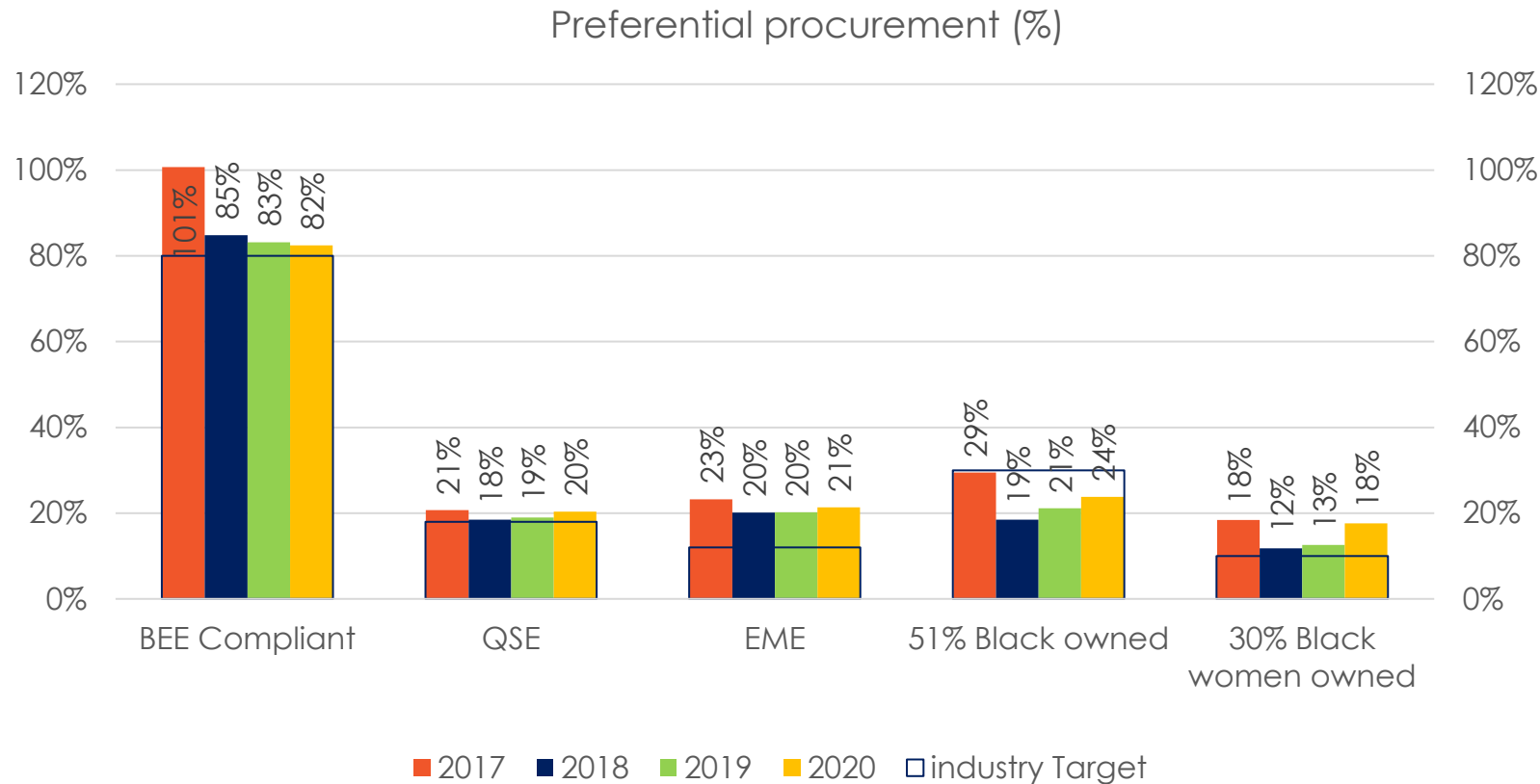
- Banks have increased spending on skills development across all categories for four consecutive years, in spite of lockdown constraints that hampered face-to-face or classroom training sessions.
- Increases from 2019 to 2020: black spend 14%; black women spend 10%; African spend 9%.
- Cannot track against target – no data collected on total payroll to determine if % target is met.

Socioeconomic development



- Socioeconomic spending had decreased before the onset of Covid 19 and fell a further 6% in 2020.
- Many socioeconomic projects were forced to be put on hold in 2020 because of the Covid lockdowns, which constrained spending.
- The 2020 target is 0.6% of a bank's group NPAT, which amounted to R442m. The target was reached with banks spending 0.8%.

Preferential procurement



- Banks' total measured procurement spend dropped 4,6% from 2019 to 82%
- The Covid lockdowns which suspended or restricted many business activities would have significantly reduced procurement activity.
- However, spending in the other targeted segments increased, except for BEE Compliant.
- Businesses owned by black women realised the biggest growth of 33%.
- Targets:
 - 80% BEE-compliant suppliers
 - 18% qualifying small enterprises
 - 12% exempted micro enterprises
 - 30%, 51% black owned
 - 10%, 30% black women owned.
- Procurement spending in all segments is ahead of targets, apart from 51% black-owned.

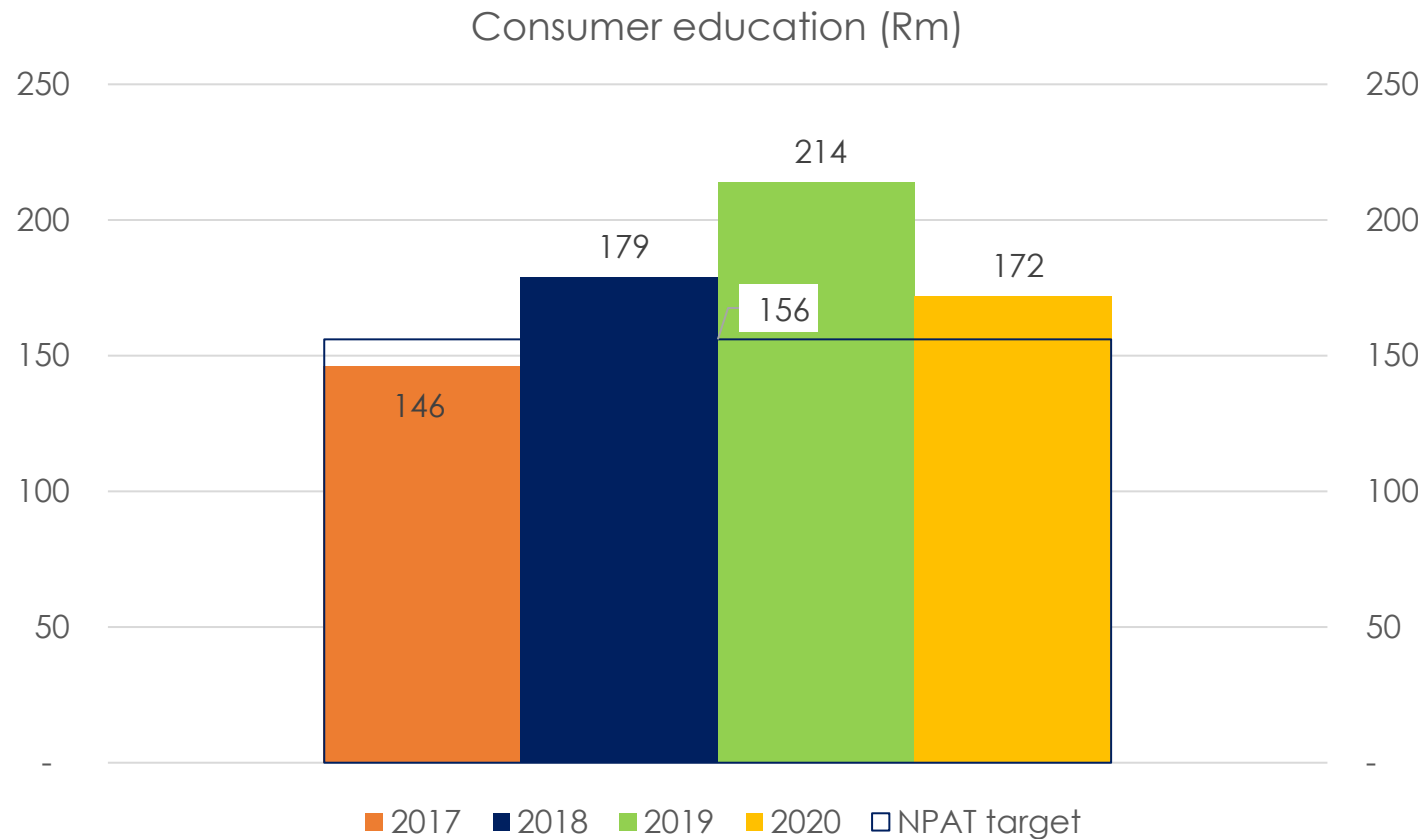
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Preferential procurement (Rbn)

	2017	2018	2019	2020	Target
Total Measured Procurement Spend (TMPS)	R71	R140	R143	R137	
BEE-compliant	R72	R119	R119	R113	R109
QSE	R15	R26	R27	R28	R25
EME	R17	R28	R29	R29	R16
51% black owned (BO)	R21	R26	R30	R33	R41
30% black women owned (BWO)	R13	R17	R18	R24	R14

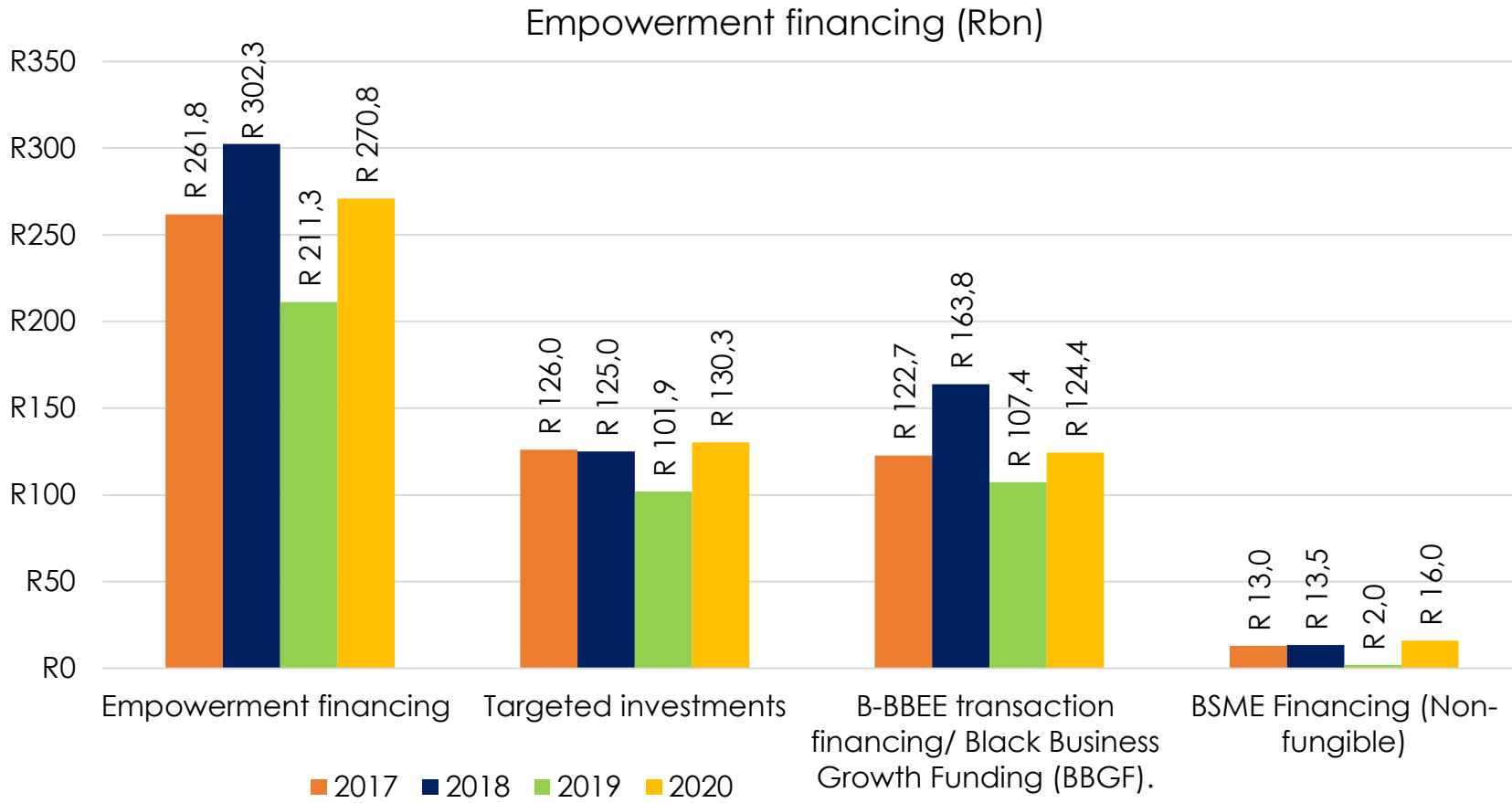
- Banks' total measured procurement spend dropped by R6bn from 2019 to R136.8bn.
- The procurement targets are set every three years as a percentage of total spend.
- Targets that concluded in 2019 are: BEE compliant 75%; QSE 4%; EME 8%; 51% black-owned 20%; 30% black women owned 9%.
- 2020 targets:
 - 80% BEE-compliant suppliers
 - 18% qualifying small enterprises
 - 12% exempted micro enterprises
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Consumer education



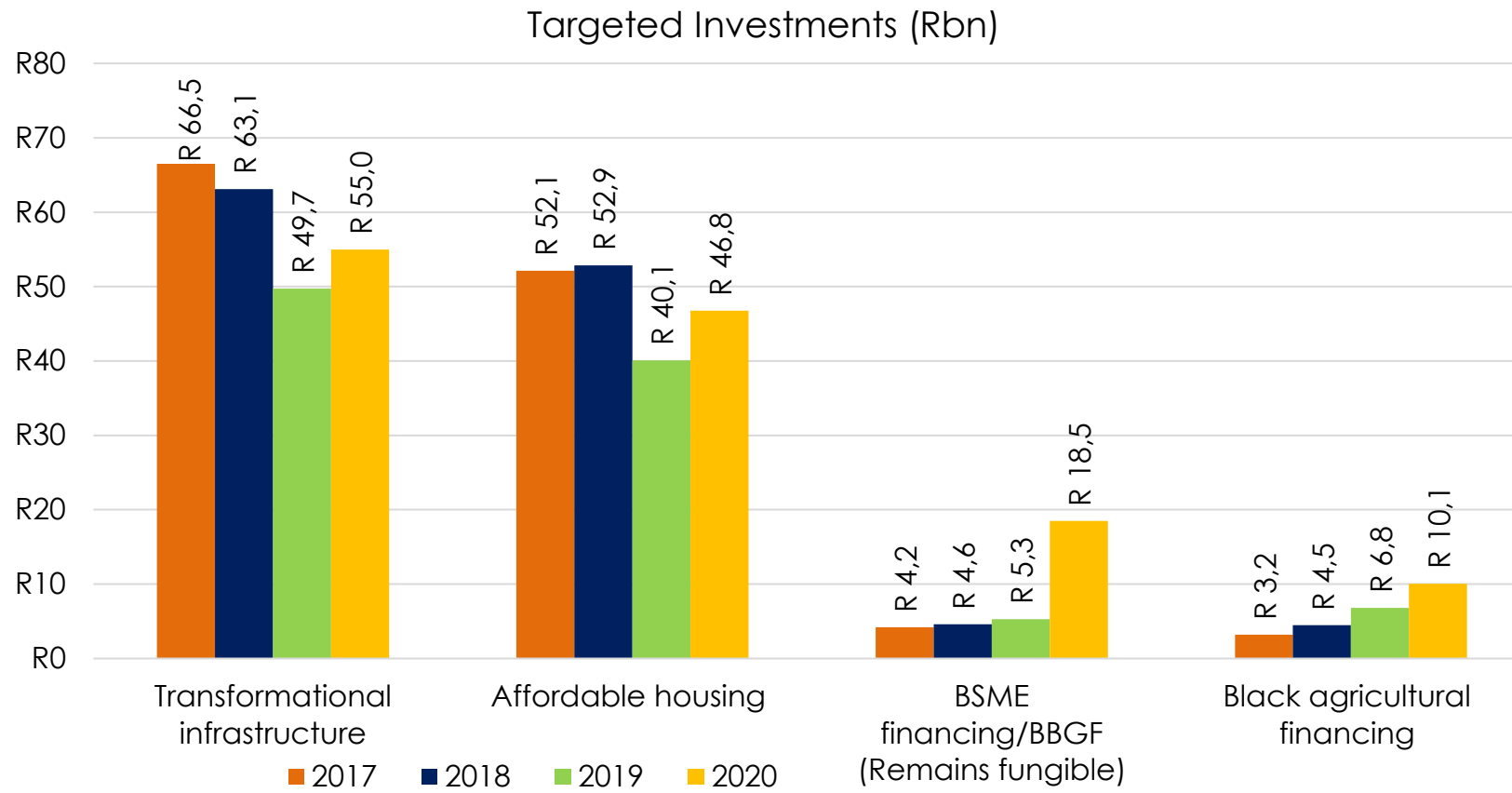
- Spending on consumer education dropped sharply after three consecutive years of steady growth.
- This performance is in line with expectations given that banks had to move from face-to-face to digital interactions while movement was limited due to lockdown restrictions.
- The FSC requirements are in the context of face-to-face interactions and awareness. There is a lack of clarity on how digital interactions are regulated.
- 2020 target: 0.4% of retail division's 2019 NPAT amounted to R156m. The banks are 9.3% ahead of the target despite the sharp reduction in their 2020 NPAT due to lockdowns.

Empowerment financing



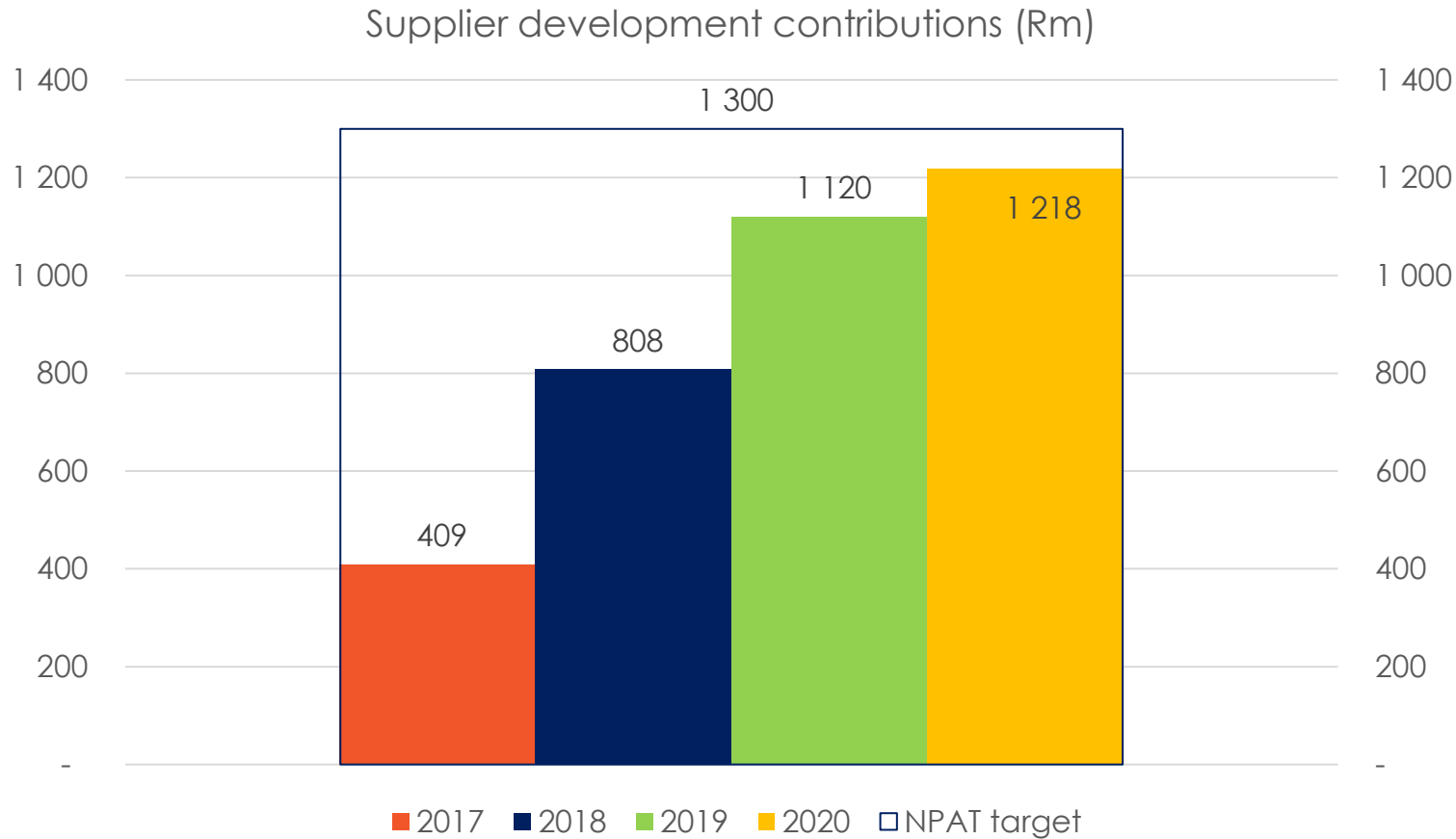
- Despite Covid lockdowns, each category of empowerment financing rebounded after a steep drop in 2019.
- This was driven by extraordinary measures banks took to ease financial distress of clients such as loan restructuring and payments holidays, among others.

Targeted investments: components



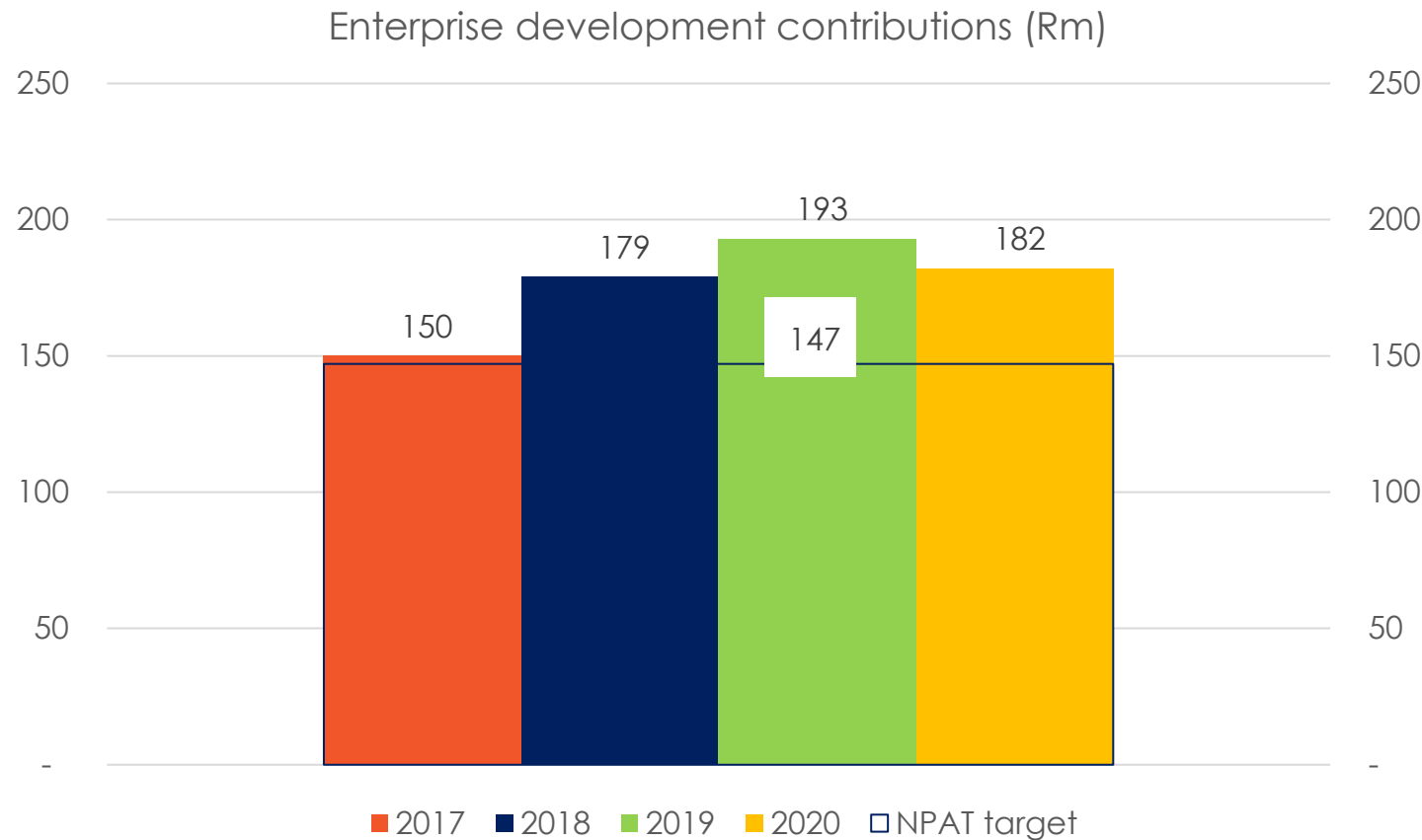
- Similarly, spending on transformational infrastructure rebounded sharply in the Covid-hit 2020.
- The empowerment financing value is divided between BEE transactions and targeted investments on a 4:6 ratio, spread over a five-year period.

Supplier development contributions



- Despite the Covid restrictions on business activities, supplier development spending climbed 9% in 2020, driven by the big commercial banks.
- Banks provided substantial support to suppliers to get them 'Covid ready' and to deal with consequences of the lockdowns.
- 2020 target: 1,8% of 2019 NPAT amounted to R1,3bn. The sector fell 6.7% short of this target.

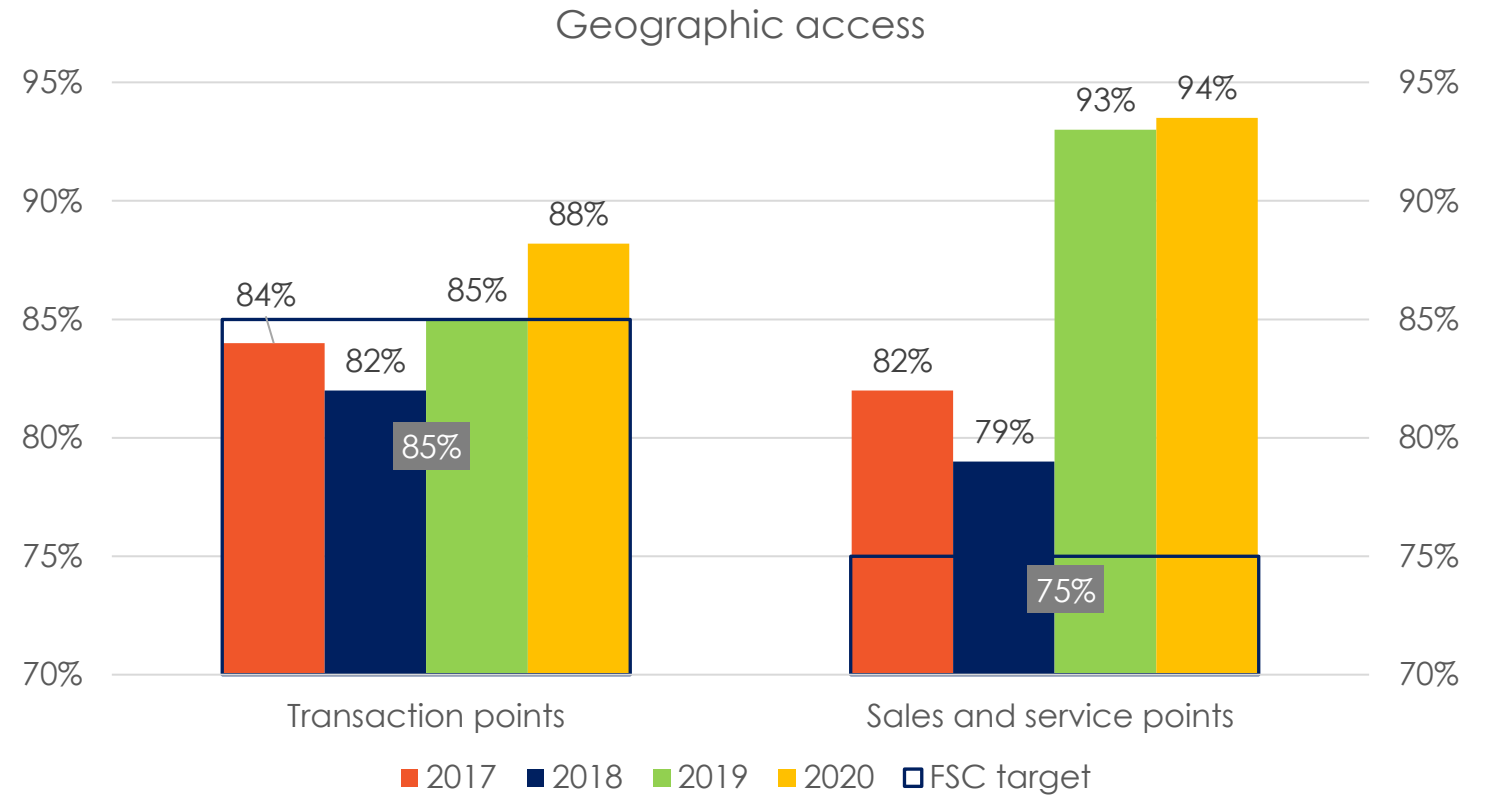
Enterprise development contributions



- Spending on enterprise development, however, dropped 5.5% in 2020 after three years of increases.
- 2020 target: The sector exceeded the R147m target by 19%.

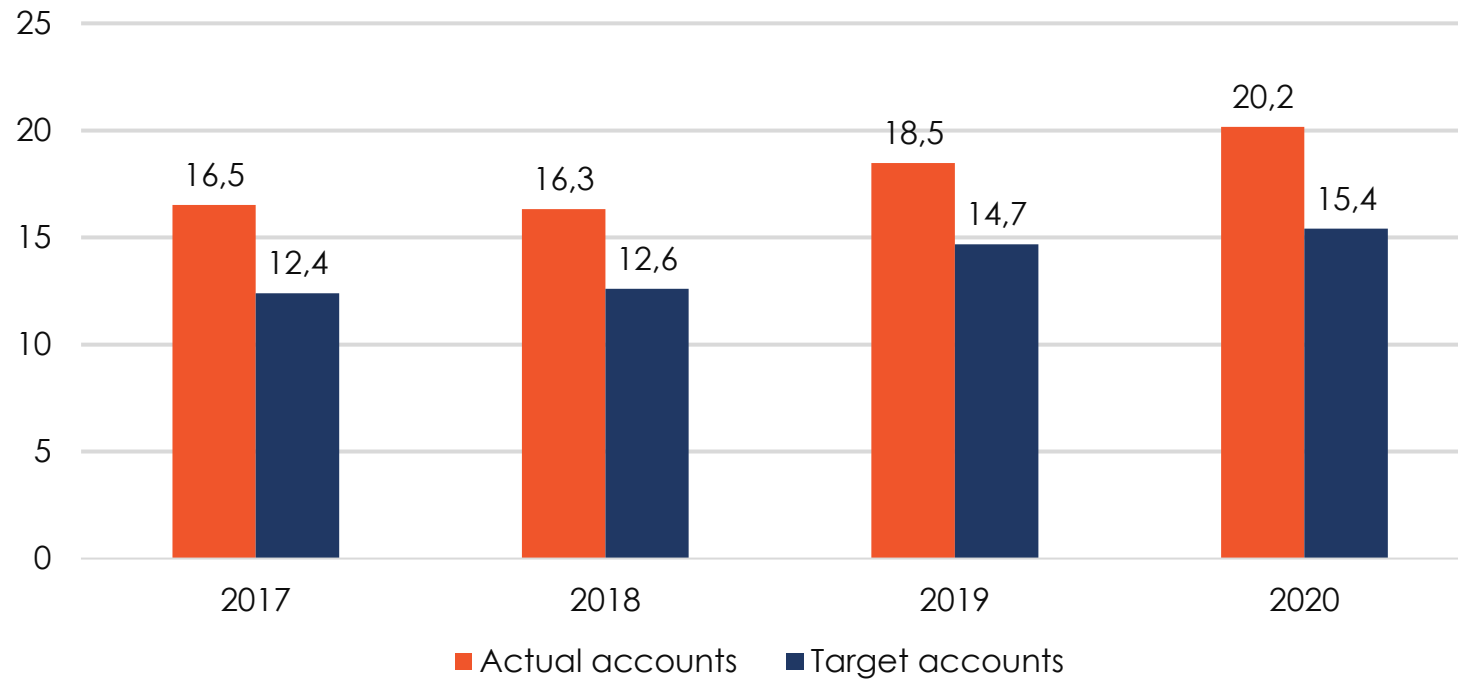
Financial inclusion – geographic access

- Banks continued to increase access to services in remote areas in 2020 and are ahead of targets in both categories.



Financial inclusion – product access

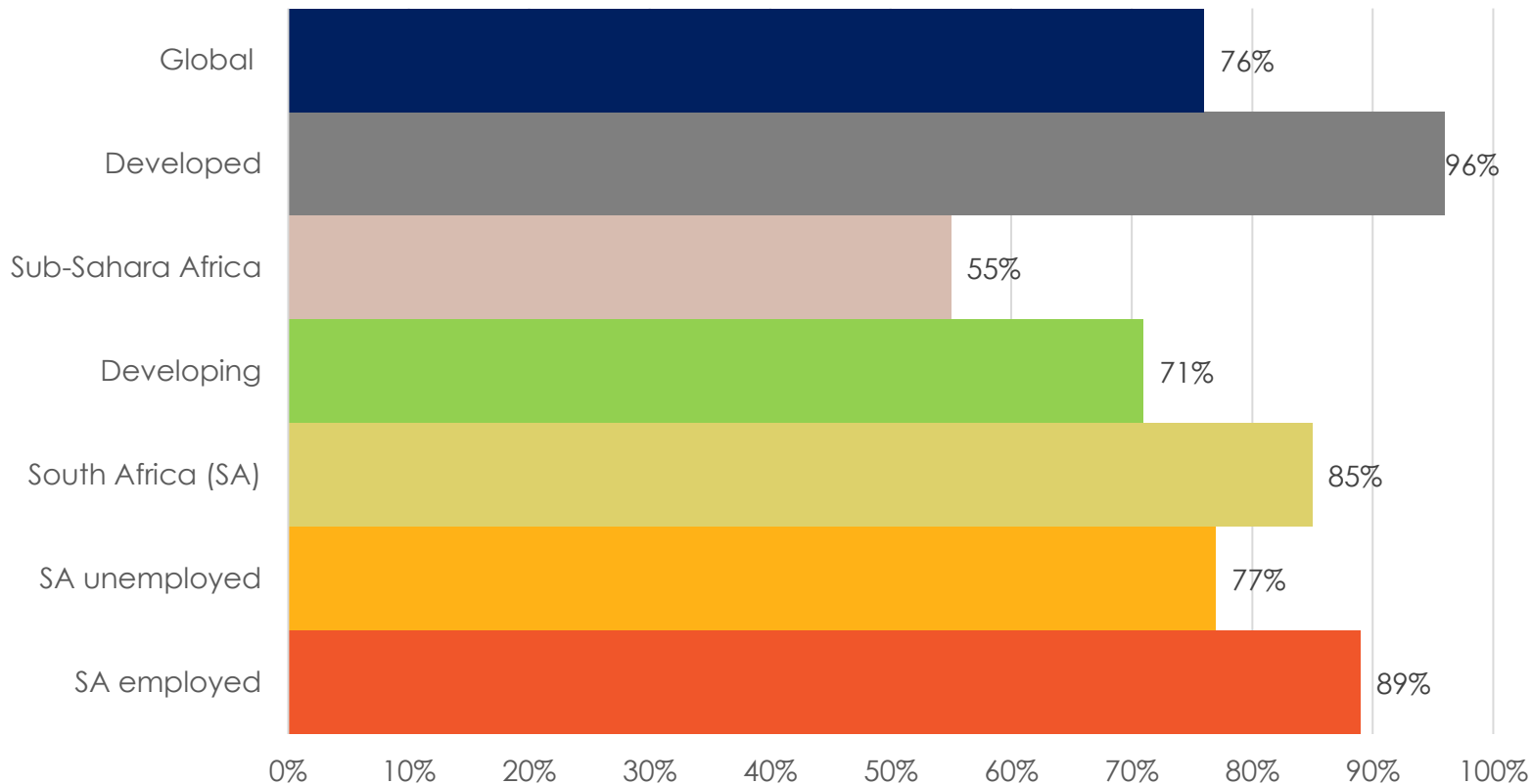
Number of active accounts for qualifying products (millions)



- Again, given the context of Covid restrictions, the 9% growth in accounts is notable.
- Well ahead of targets.

Product access: global comparisons

Average proportion of account (% age 15+)



- South Africa is well above global account access with 85% of the adult population having had a bank account in 2021 compared with 76% globally.
- For comparison, 71% of people in developing economies had an account against 96% in developed economies.
- Notably, the report highlights that SA has “no gender gap” while globally 78% of men but only 74% of women had an account.

Restatements of prior year data

Data from previous years were restated in instances where banks gave clear reasons. When changes were submitted with no reason, adjustments were not instituted.

Changes:

- African Bank's total assets for the covered period were restated. It had previously submitted the value of operations instead of the total assets' values.
- TymeBank's total assets for 2019 were restated because of the "reduced shareholding from African Rainbow Capital Financial Services Holdings. Ownership is in line with the ownership used for the 2020 audit."
- Previously black SME financing was split into two segments and reported as BSME financing/BBGF (Remains fungible) and BSME Financing (Non-fungible).
- Data on TymeBank and Sasfin's full workforce is outstanding.
- UBank restated its 2018 data since as its B-BBEE status had not been verified at the time.
- Bank of Taiwan (branch) provided data for the first time.
- Investec and its Asset Management business demerged in March 2020.

[Ends]