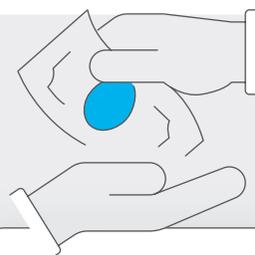


# Empowerment financing and enterprise and supplier development

Businesses, large and small, require access to finance to expand their operations and improve productivity. Accessing finance enables them to access supply chains and equipment and as well as access new markets, creating jobs but also boosting profitability. We scored 20.88 out of 25 for the empowerment financing and enterprise development element. This is below our score of 24.51 out of 29 in 2017. New targets for empowerment financing have been agreed at the Banking Association of South Africa (BASA). The Financial Sector Transformation Council (FSTC) is expected to issue an updated guidance note that reflects these targets.



## Empowerment financing

Standard Bank continues to drive economic transformation through empowerment financing. We have been involved in several major transactions over the past year, which have increased economic participation by black people and led to the creation of new companies and jobs. We have also contributed significantly in the funding of critical infrastructure required for driving economic growth. Transactions include:

- The financing of several renewable energy projects under the fourth round of South Africa's renewable energy independent power producers programme (REIPPP), lending to municipalities, and lending to state owned enterprises responsible for economic infrastructure. (See our Reporting to Society for details.)
- Advised on, structured and part-financed a major black economic empowerment deal for the South African National Taxi Council (SANTACO). The R1.7 billion deal enabled Santaco to acquire a 25% stake in SA Taxi, a subsidiary of Transaction Capital that specialises in sales, financing and insurance of minibus taxis. The deal will benefit thousands of taxi operations and drivers, enabling SANTACO to expand into higher margin upstream sectors, including vehicle sales, finance, and insurance.
- Financed Seriti Resources' acquisition of Anglo American's Eskom-supplying coal assets. Seriti is a 91% black owned and controlled South African mining company. The acquisition makes Seriti Eskom's largest black-controlled coal supplier.
- Facilitated the merger of Peregrine Securities and Legae Securities (South Africa's oldest stockbroker), resulting in the formation of Legae Peresec and creating the largest stockbroker on the JSE.
- Facilitated Afropulse Group's subscription of 25% of the share capital in Imperial Logistics Advance, making Imperial Logistics Advance the only 100% black-women owned company in the logistics industry.
- Provided funding for AdaptIT for a pipeline of acquisitions.
- Structured an acquisition finance facility for the African Pioneering Group (APG), enabled it to acquire the remaining shares in Pioneer Fishing.

## Enterprise development

Entrepreneurs and start-ups struggle to access finance to get off the ground. Many start-ups fail within the first two years, making them a risky proposition for credit providers. We're working with our small enterprise clients to develop financial and business support solutions in ways that meet their needs and support growth in this crucial sector while minimising risk to the bank.

During 2018, we invested R38.6 million on enterprise development projects and a rand equivalent of R87.2 million on supplier development. We also worked to create better coordination of our combined enterprise and supplier development programmes.

For example, we've signed a cooperation agreement with the Limpopo Provincial Treasury in South Africa to provide access to funding for SMEs who have secured government contracts but lack the finance to execute such projects. We have committed R300 million (\$21.4 million) over three years to this initiative. Funding includes a short-term/once off revolving facility, for suppliers undertaking work valued below R500 000; and short, medium-term and asset finance for contracts above R500 000.

SBSA's Tshwaranang Trust, established in 2016 as a means to provide collateral against which to extend loans to small businesses, experienced a rising default rate during 2018. Concerns were also raised by the relevant regulator regarding the use of a trust mechanism as a means of disbursing enterprise development funds. We have undertaken an extensive review of the model, drawing on the lessons learned to develop better ways of enabling access to finance for SMEs that lack collateral or surety.

Standard Bank's agribusiness transformation programme develops black commercial farmers and black owned agribusinesses to contribute to the transformation and economic viability of the agricultural sector in the Free State, support job creation and improve food security. Objectives include developing black sustainable commercial farmers, developing sustainable secondary agribusinesses, cultivating mutually beneficial relationships amongst stakeholders, strengthening agricultural training and development networks in Africa, improving academic programme and graduate employability. We aim to develop a model replicable across South Africa and potentially in other African countries.

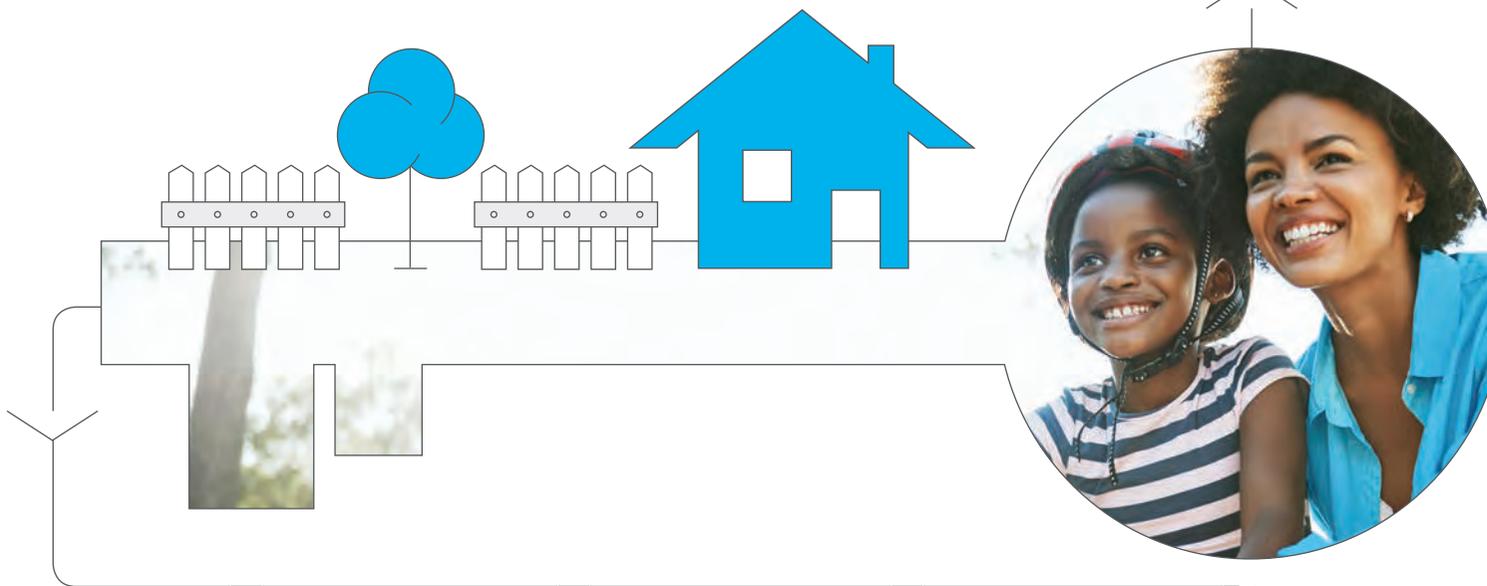


## Enabling home ownership to improve financial inclusion

Helping people buy a home is one of the most important roles we play in society. A home provides shelter and dignity for families and provides an opportunity to build inter-generational wealth. Standard Bank is a major provider of home loans in South Africa, with a 34% market share.



Since 2013, we have helped over **103 000 women** register **R73.2 billion** in home loans, of which R13 billion were registered in 2018, an 11% increase on the prior year



Since 2013 we have helped over **189 000** historically disadvantaged customers register R108 billion in home loans

In 2018 we registered **R20.5 billion** in loans for historically disadvantaged customers, a 16% increase on the prior year

Total number of home loans on our books: 538 195 accounts to the value of **R306 billion**

In 2018, **2 054** home loans were restructured to keep families in their homes

## Affordable housing The Financial Sector Code

requires banks to provide funding/loans for affordable housing for consumers that earn a gross income between R3 500 and R23 300. Standard Bank's Affordable Housing book is valued at around R25 billion. As the largest lender in the affordable housing sector, we have assisted 96 359 customers to purchase a new home since 2008. We work closely with the Department of Human Settlements to enable access to finance, and access to information to support responsible debt management. In 2018, we helped 4 958 South African affordable housing customers purchase a home.

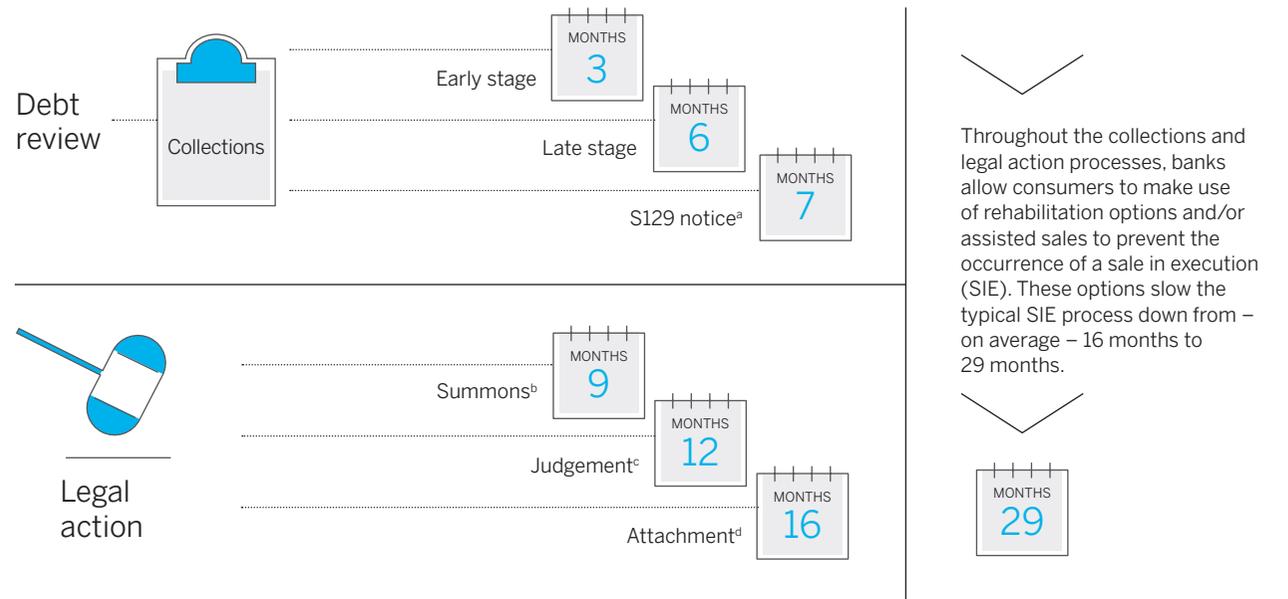
We offer our affordable housing mortgage customers online or classroom-based training to help manage their home ownership obligations. Training is provided by external service providers and funded by the bank. In 2018, 726 customers participated in the programme.

Despite South Africa's tough economic conditions, 88% of our affordable housing customers are keeping up with their repayments. We're working with 7% of our customers who are showing signs of struggling to service their home loan to get back on track, providing them with alternative options that include a pause on their loan, an extension on the loan terms or a reduced repayment. In 2018, 2 054 home loans were restructured to keep families in their homes.



We do everything we can to help our customers stay in their homes. However, in 2018, we regrettably had to enter legal processes with 5% of our customers who were in default, after all alternative arrangements had been exhausted. Over the past two years, we have undertaken a wide range of engagements with government officials, members of parliament, and civil society groups to gain a better understanding of what we as a bank can do to try to prevent mortgage defaults. Our group social and ethics committee has mandated various areas within the bank to communicate more proactively with stakeholders regarding the processes followed in cases of default, and the various options available to customers, including loan restructuring and assisted sales. We have also increased our focus on ensuring the courts have the relevant information on steps taken to try to assist clients in distress prior to taking the matter to court. We continue to work with National Treasury, Lungelo Lethu Human Rights Foundation and other relevant stakeholders to try to develop practical and sustainable solutions. We recognise the need to provide more regular, user-friendly communication to customers, to better support understanding of their rights and responsibilities, and how they can access assistance when payments first fall behind. We're working with Lungelo Lethu to improve our communication in this regard.

## KEEPING PEOPLE IN THEIR HOMES: THE LEGAL PROCESS WE FOLLOW WHEN CLIENTS FALL BEHIND ON THEIR MORTGAGES



a. A Section 129 notice is the first step in the legal process when one has defaulted on a loan repayment. It is the notice issued in terms of Section 129 of the National Credit Act (NCA), advising a consumer that they are in arrears of a certain amount in unpaid instalment(s) at a given date. A credit provider, or an attorney appointed by the credit provider, may issue notice according to Section 129 of the NCA at any time after the client has been in arrears for more than 20 business days. The credit provider may not proceed with any legal action without having fully complied with NCA requirements as contemplated in Sections 129 and 130.

b. An order to appear before a judge or magistrate.

c. Decision by the court.

d. The transfer of the property to the creditor or the sale of such property to recover outstanding debt.