



FIRSTRAND

MEMO

To Standing Committee on Finance
From Johan Burger, CEO: FirstRand
Subject FirstRand's submission on progress on transformation
Date 10 March 2017

FirstRand welcomes the opportunity to present its submission to Parliament on the progress the business has made in addressing transformation and inclusivity.

Since the creation of the FirstRand group in 1998, we have recognised the imperative of creating an economy and a society that is completely inclusive, as this will ensure a sustainable and prosperous future, particularly for generations to come.

We believe these hearings represent an opportunity for healthy dialogue, and will demonstrate that both FirstRand and the sector we operate within take transformation and inclusiveness extremely seriously, and continue to make good progress. We acknowledge that there is still much more to do, but hopefully the information contained in our submission and our presentation will address any concerns that we are not fully committed to creating an equal and sustainable society.

We strongly believe the banking sector is a national asset for the country. It is highly regarded throughout the world and is integral to the South African economy. It has an unparalleled set of tools that have already demonstrably been put to work for the people of this country, from credit to buy a home or fund a student loan, to cheap and accessible channels to transact and pay bills and send money home. We have funded large corporates and SMEs to facilitate the creation of jobs and build capacity and we have put our balance sheets to work to create transformational infrastructure in line with the objectives of the National Development Plan.

Of course our stakeholders have also benefited from these initiatives, but a commercially sound and profitable banking system is a non-negotiable. Examples from around the world have demonstrated the devastation that results from banking crises: job losses, recession and social unrest.

There can be no trade-off between maintaining a sound banking system and driving transformation and inclusivity, they are fundamentally complimentary objectives and the latter will never become a reality if the economy falters.

We look forward to a substantive and constructive debate and thank you for this opportunity.

FirstRand's submission on progress on transformation

Johan Burger (CEO: FirstRand)

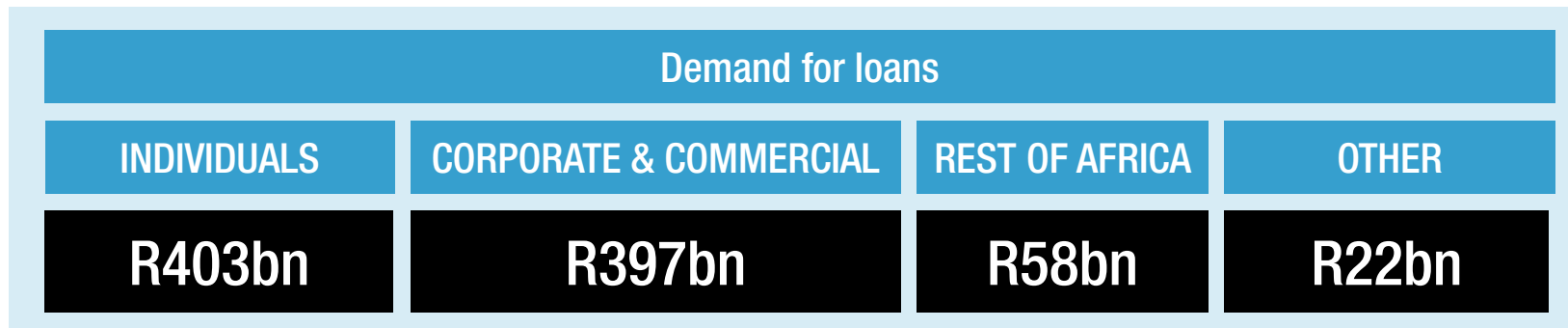
March 2017



FIRSTRAND



We play a central role in facilitating economic activity





The strength of SA's banking system is a national asset

SOUTH AFRICA has one of the most **DEVELOPED, SOPHISTICATED financial systems** in the **world** and has consistently ranked in the **TOP 10** in the world

Country	Rank out of 144 world financial systems
Hong Kong SAR	1
Singapore	2
New Zealand	3
Malaysia	4
Finland	5
Australia	6
South Africa	7
Canada	8
United States	9
Norway	10

Source: World Economic Forum – Competitiveness Report, 2015



We understand our role in ensuring
a sustainable future for the country

SOUTH AFRICA needs:

Transformation

&

Inclusivity

Banks are very IMPORTANT TOOLS in delivering transformation and inclusivity



Measuring our progress against the FSC framework

OWNERSHIP

MANAGEMENT
AND CONTROL

EMPLOYMENT
EQUITY

ENTERPRISE
AND SUPPLIER
DEVELOPMENT

EMPOWERMENT
FUNDING

SOCIAL
DEVELOPMENT

CSI

We recognise the imperative



Dealing with the ownership imperative: FirstRand's BEE transaction

Transaction concluded in 2005

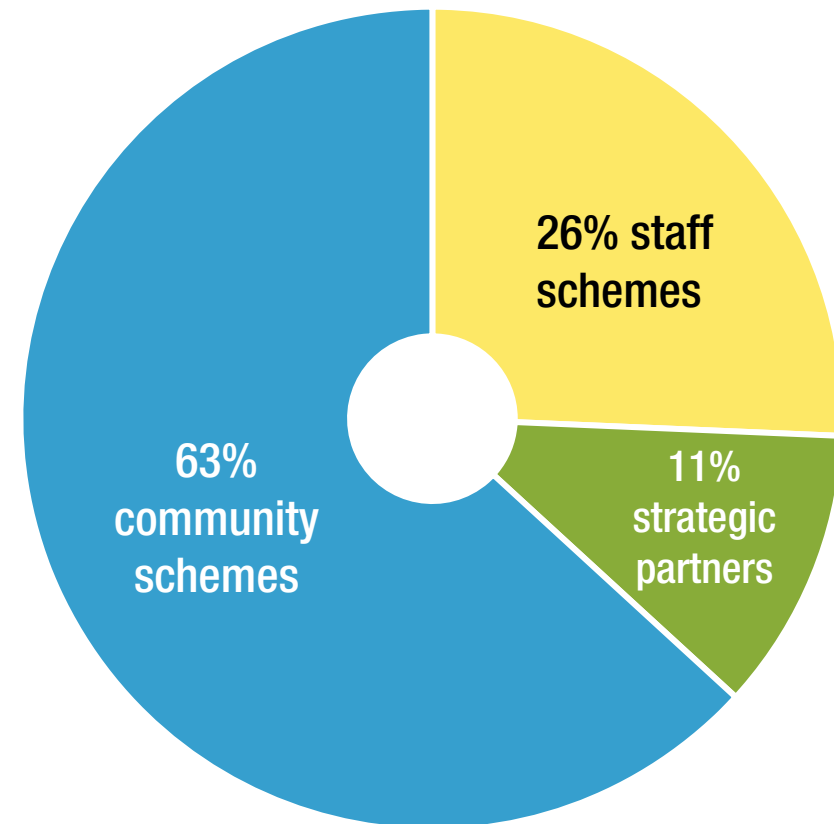
broad based

COMMUNITIES

STAFF

STRATEGIC PARTNERS

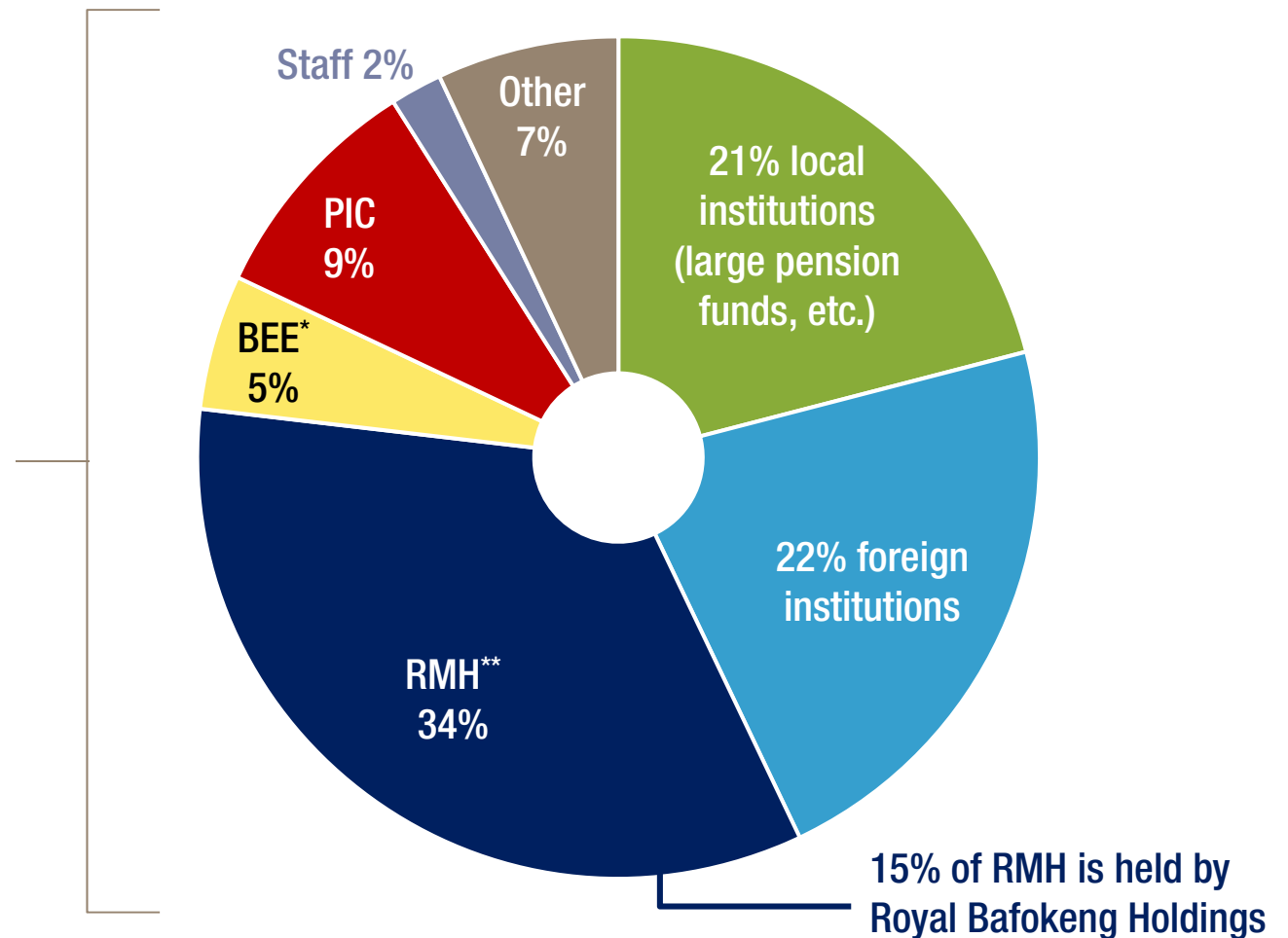
DISTRIBUTION OF R23.5 BILLION VALUE TRANSFER



The transaction delivered **R23.5 BILLION** value transfer



Capital providers = ownership



* Includes strategic partners: the Kagiso Trust, Mineworkers Investment Trust, WDB Trust and the FirstRand Empowerment Foundation.

** Listed on the JSE.

Only approximately 5% of FirstRand directly held by single individuals



Unpacking our black ownership...

BLACK OWNERSHIP = 36.5%

Black women ownership = 16.1%

Calculated on FSC guidelines and methodology. Includes BEE partners, FirstRand Empowerment Trust, FirstRand Staff Assistance Trust and look-through from Royal Bafokeng Holdings.

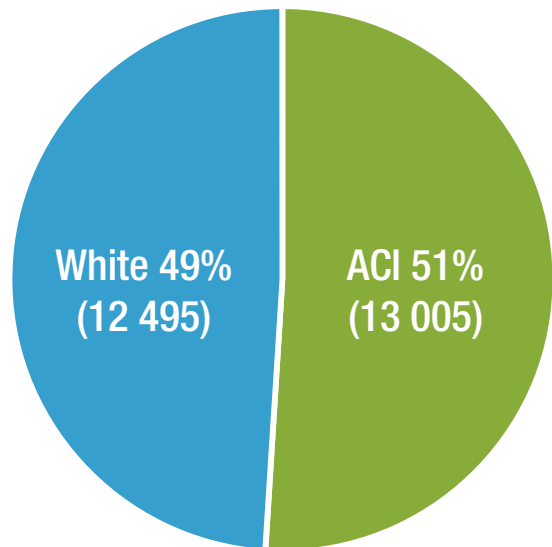
...which demonstrates our commitment to transform ownership



We are proud of our progress in employment equity

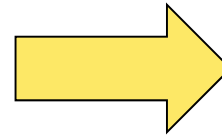
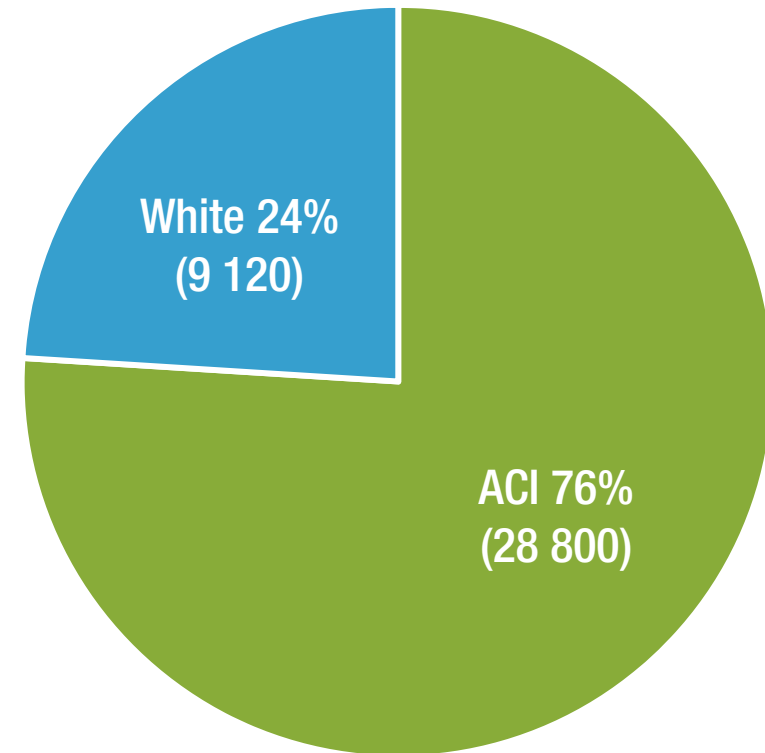
2001

Total SA staff complement 25 500



2016

Total SA staff complement 38 000



12 420 new jobs created

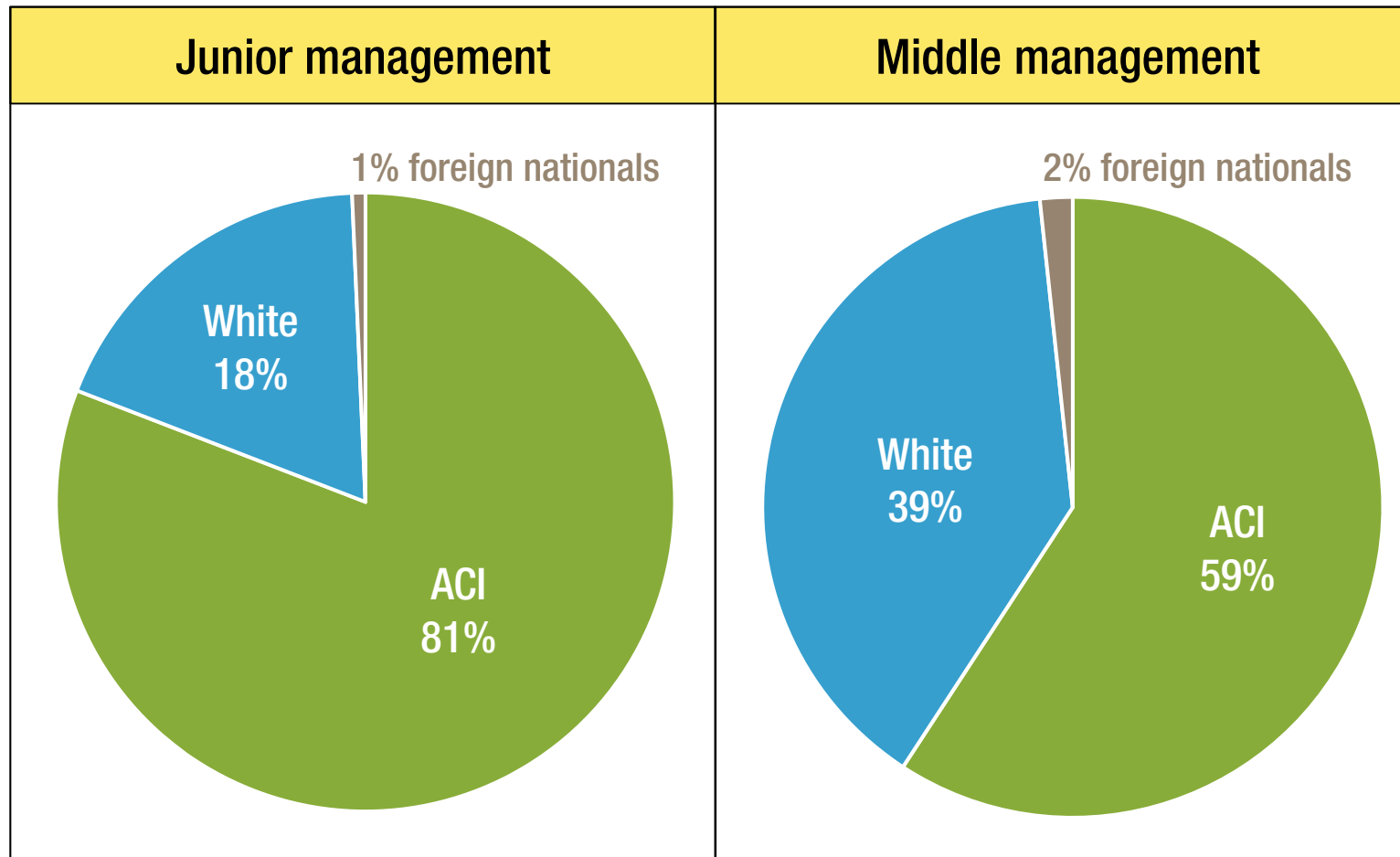
+

3 375 jobs moved from white people to ACI people

= 15 795 new ACI jobs



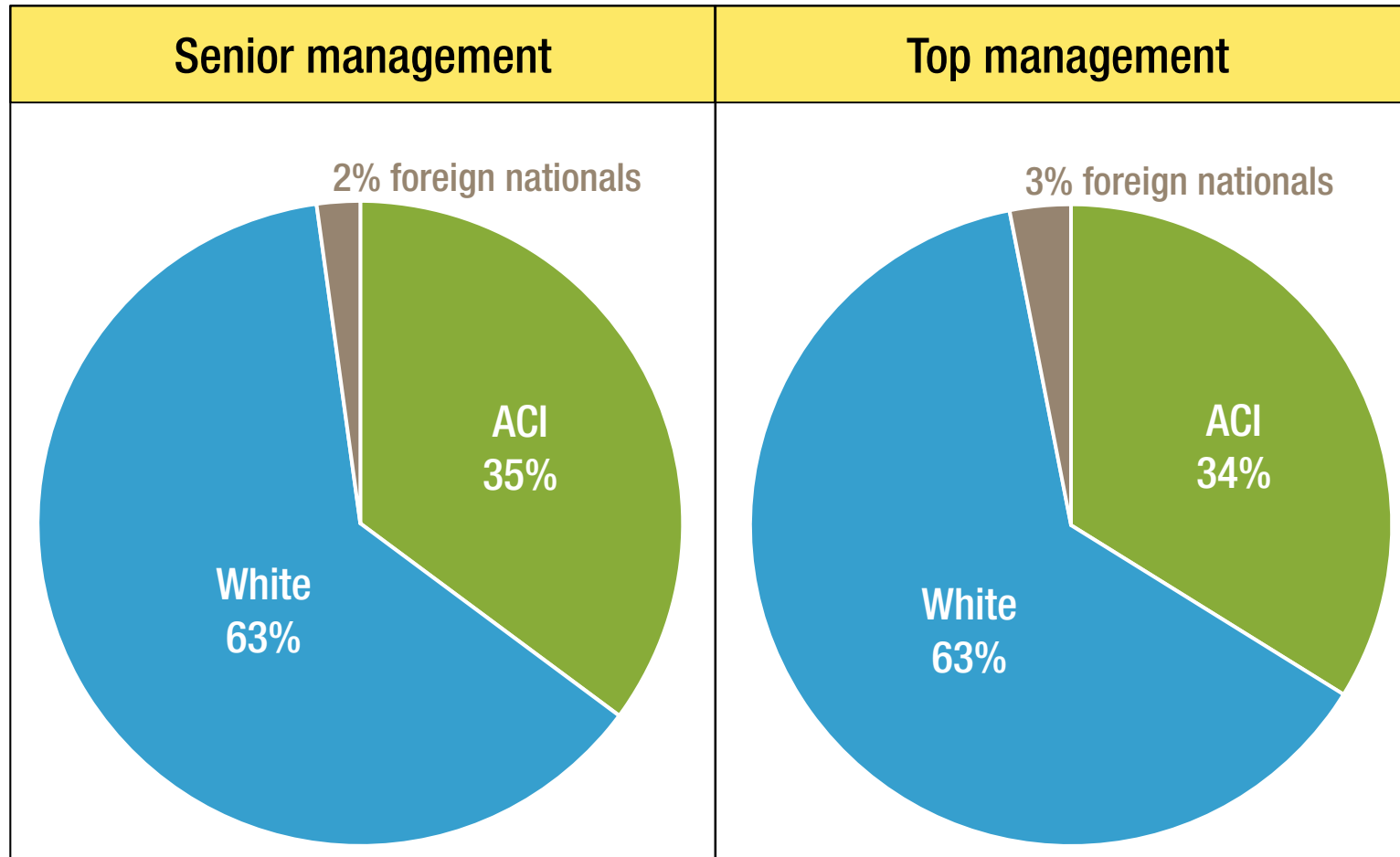
Good progress in junior and middle management...



We continue to drive transformation at all levels of management



...however, top management progress has been slower than hoped



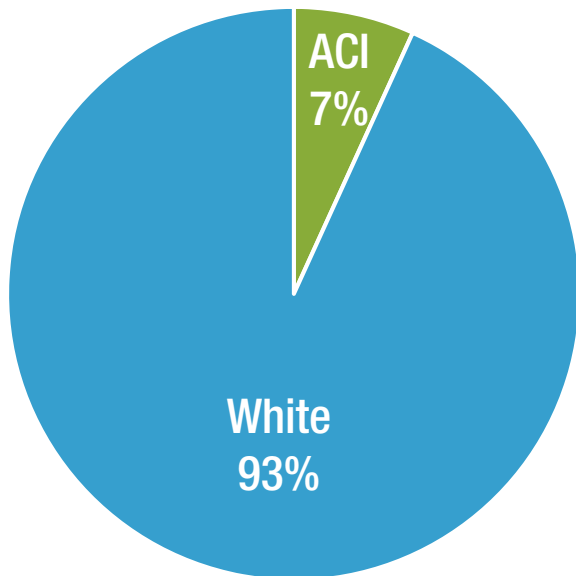
...and more work needs to be done



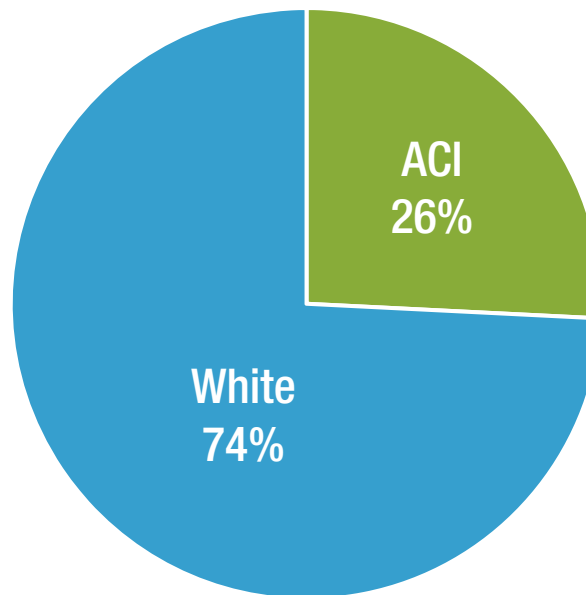
Contextualising progress in top management: supply has been one of the constraints

Using supply of Chartered Accountants as a proxy

2002



2017



Today

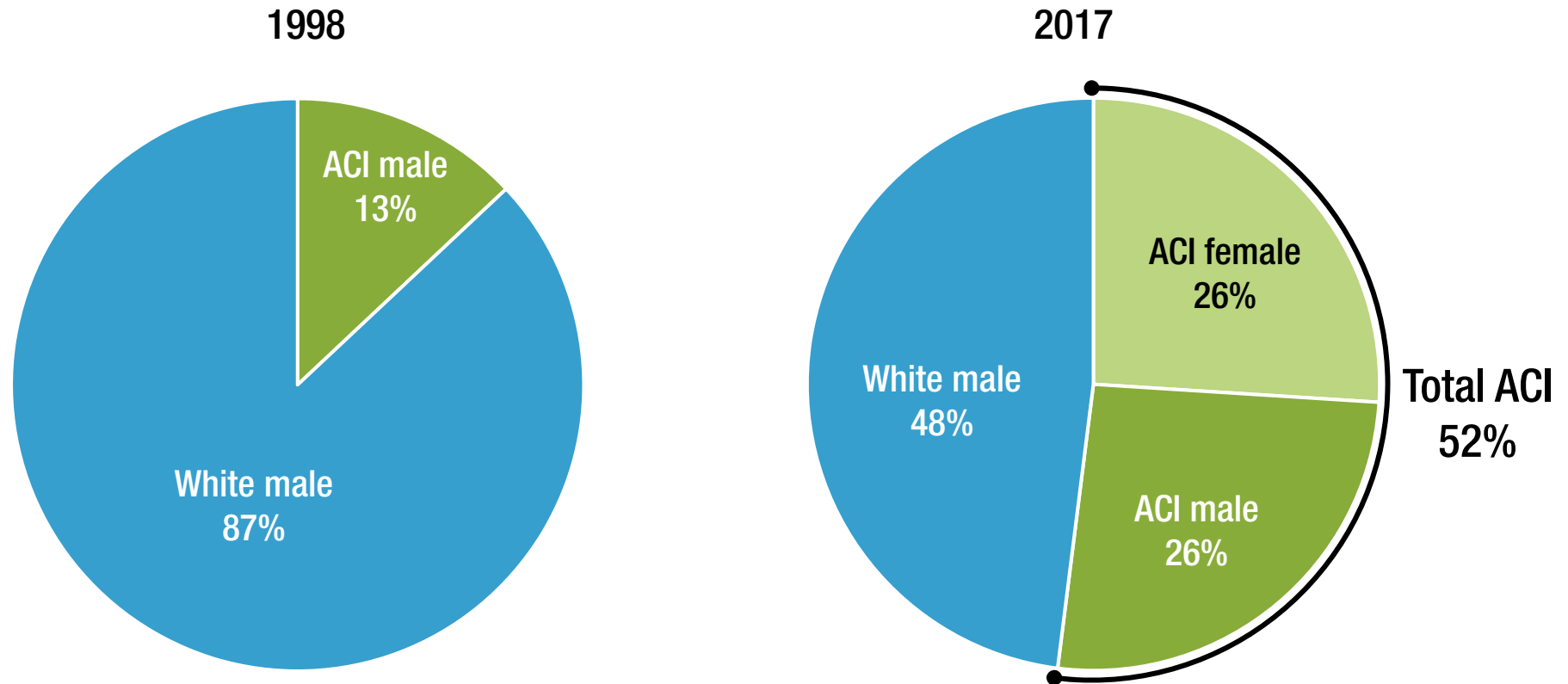
87%

of FirstRand's total
graduate intake is

black



Our board has transformed



Board is ultimately responsible for STRATEGY APPROVAL
and is therefore the custodian for shareholders



Our progress on empowerment funding and enterprise supplier development

RMB has provided

R53 billion

of transformational **INFRASTRUCTURE**
funding (renewable energy, SOEs, transportation projects)

ENTERPRISE DEVELOPMENT

Vumela Fund: **R386 million** under management

R36 billion

B E E

TRANSACTIONS

funded by RMB since 2009



Our progress on empowerment funding and enterprise supplier development

Since 2012 FNB has committed
R10 billion to
MAINSTREAM MARKET HOUSING

WesBank has empowered **633** UBER
DRIVERS with investment of **R110 million**

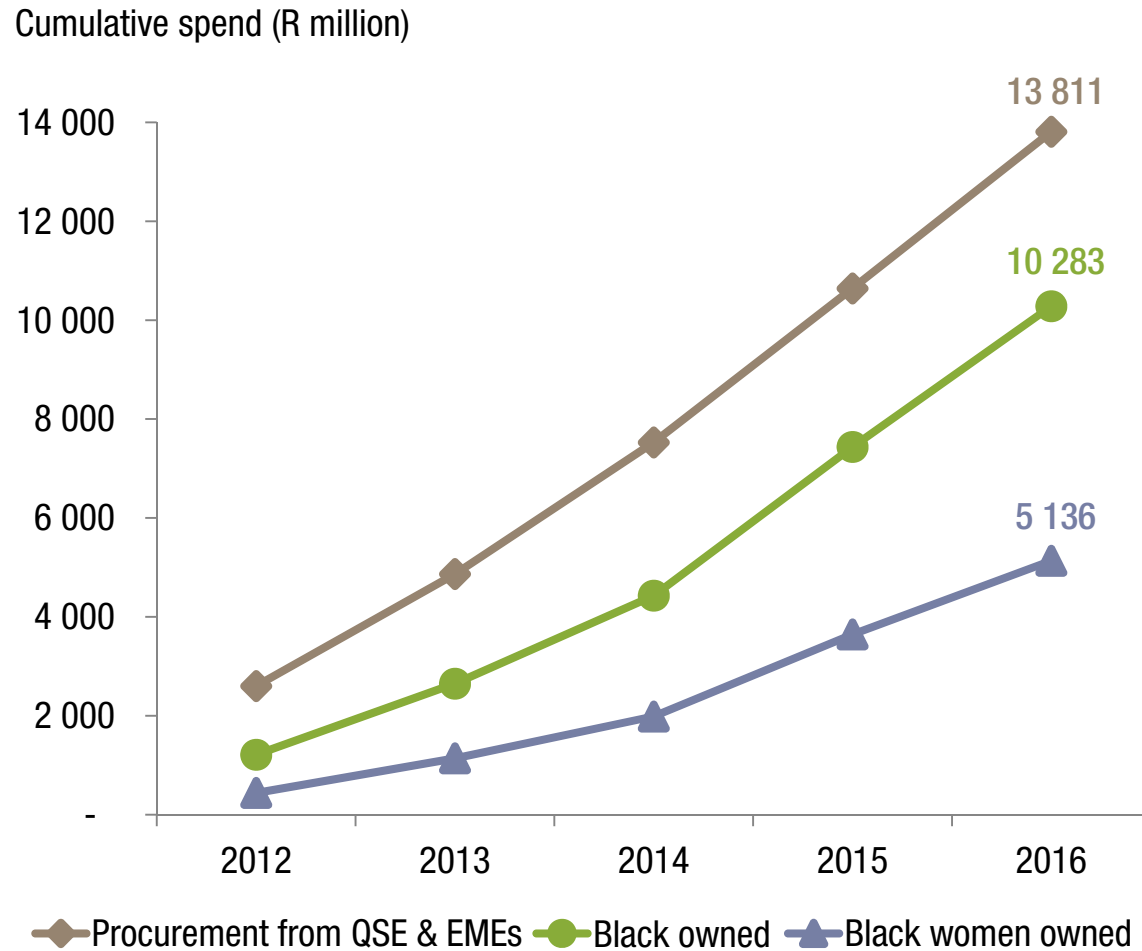
AGRICULTURE transformation –
FNB's BEE exposure **R308 million**

WesBank has invested **R3.5 billion** in
financing the SA taxi industry over the last 3 years

FNB and WesBank provide
R33 billion SME funding:
black SMEs
R8.3 billion



Using our procurement spend to support SMEs

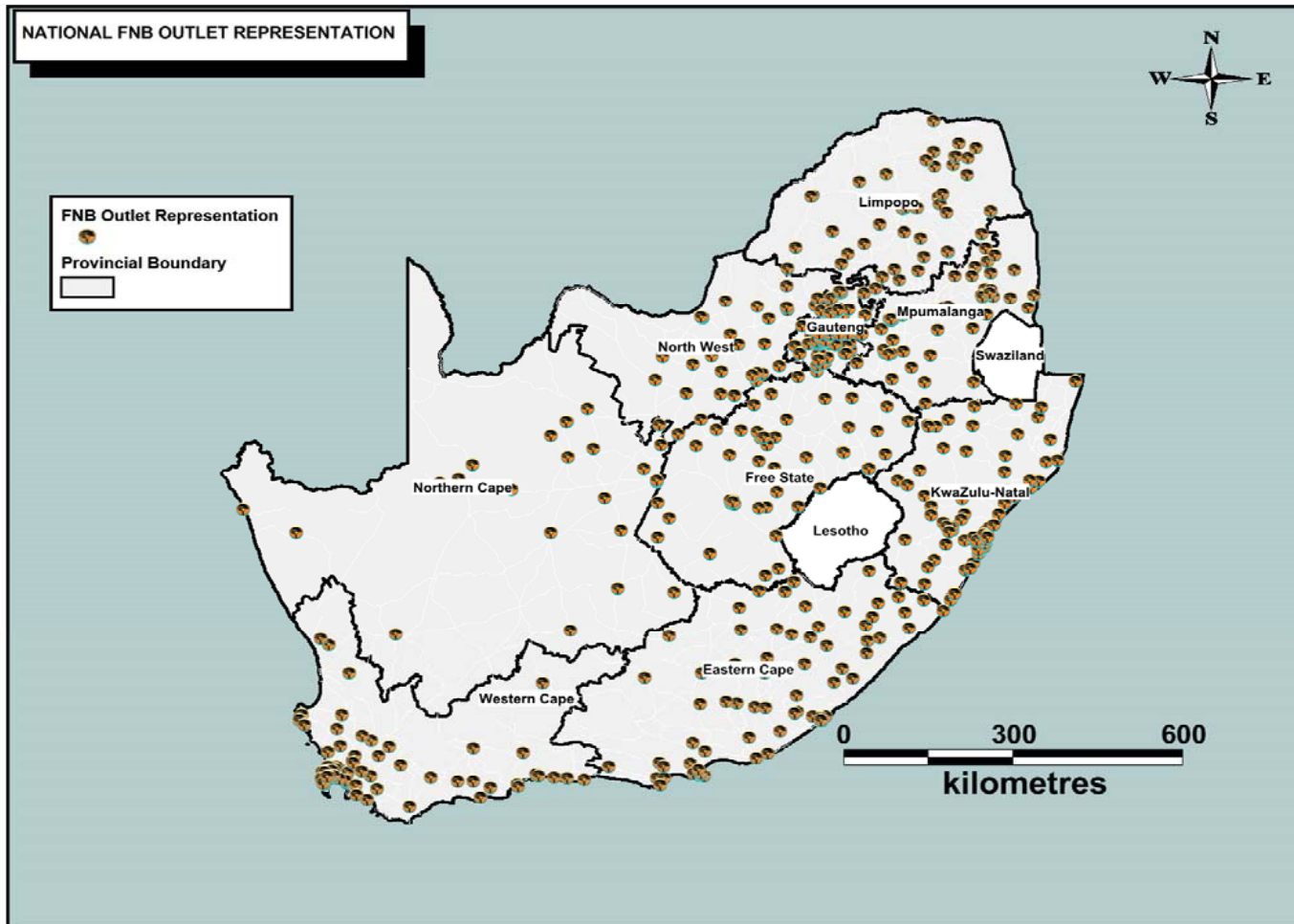


FirstRand's cumulative **PROCUREMENT** spend from 2012 to 2016 on **black-owned BUSINESSES** exceeded

R10 billion



We have delivered access to financial services



Bank wherever you are through:

- Branches
- ATMs, ADTs, Slimline
- Cash @ till mainly through Shoprite, Pick 'n Pay and Spar



Broaden access to Financial Services:

- SASSA cash withdrawals at FNB ATMs = up to 2 million transactions per month to the value of R1.47 billion

The industry reaches 80% of SA households in LSM 1 – 5

Send money anywhere, anytime with eWallet.

How to send an eWallet

Follow these simple steps:

STEP 1

Dial *120*321#

STEP 2

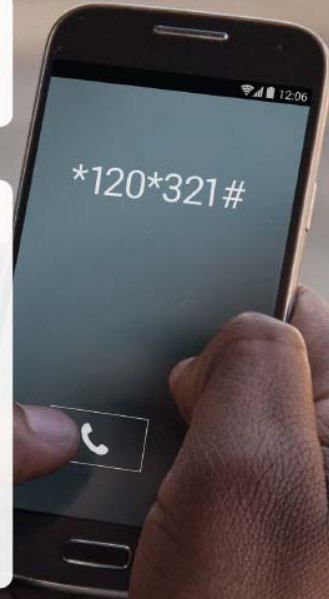
Select 'Send Money', select 'eWallet', select 'Account'

STEP 3

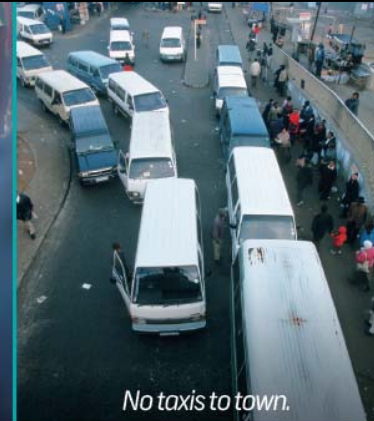
Enter the amount R

STEP 4

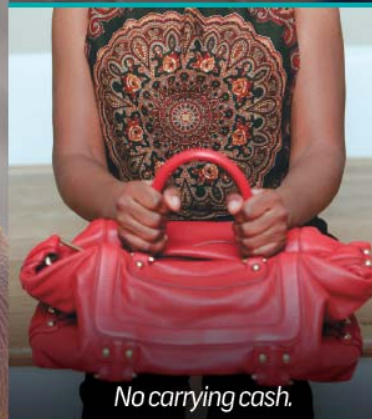
Enter the cellphone number, 'Confirm' and send



No queues.



No taxis to town.



No carrying cash.



No waiting for trading hours.

eWallet is for everything

Dial  *120*321#



FNB National Bank - a division of FirstRand Bank Limited. An Authorised Financial Services and Credit Provider (NCRDPS).

Total eWallet users = 4.3 million:

74%

FREE users

26% FNB customers

FNB is providing access: 3.2 million people use eWallet FOR FREE

We have created two of the largest CSI vehicles in the country



FIRSTRAND
Empowerment
FOUNDATION
at **R6 billion** is one
of the largest endowments in
SOUTH AFRICA and is
black controlled

FIRSTRAND
FOUNDATION

1% of post-tax profits
since establishment in 1998

R1.7 billion

FRF/FREF/FSAT: **R460 million** of available funding per annum



Consequences of bank failures on the economy are devastating

Policy mistakes can lead to bank failures

Bank failures require bailouts from government/taxpayers

Knock-on impacts:

- Unavailability of credit
- Collapse in growth
- Huge increases in unemployment
- Harsh austerity programme measures imposed by bailout conditions

Growth

Jobs

FISCAL STRAIN

Soundness of the banking system a **NON-NEGOTIABLE**



In conclusion

MAINTAINING the STRENGTH
of the banking system, whilst driving

transformation

&

inclusivity

are **COMPLIMENTARY** objectives

ANNEXURES



FIRSTRAND



BEE scorecard extract

Scorecard component	FirstRand points 2016	FSC maximum points
Management control	6.98	8.00
Employment equity	10.90	15.00
Skills dev/learnerships	9.60	10.00
Procurement	16.00	16.00
Ownership	16.86	14.00 + 3 bonus
Enterprise development	5.00	5.00
Access to financial services		
• Geographic	3.77	4.00
• Banking densification	1.90	2.00
• Access Qualifying Products	1.99	3.00
Electronic Access	1.00	1.00
Affordable Housing origination	2.00	2.00
Consumer Education	1.95	2.00
Empowerment financing		
• Transformational infrastructure		
• BAgric financing	12.00	12.00
• Black SME financing		
• Affordable housing		
• BEE Transactions	3.00	3.00
CSI/socio economic development	3.00	3.00
	95.95	100.00

**FirstRand is a
LEVEL 2
B-BBEE
contributor**

* Verified by: SizweNtsalubaGobodo Ratings



Inclusive growth FNB: transformation in FNB Agriculture

- Focus is commercially viable entities with >25% BEE shareholding
- BEE exposure @ January 2017 – R308 million
- Exceptional growth of 41% over past 12 months
- Funding mostly land acquisition, expansion and cultivation of new land
- Pro-active approach with industry role players to fuel further growth

<p>Small Enterprise Finance Agency (SEFA)</p>	<ul style="list-style-type: none"> • R100m Agreement over 15 years • Enable on-lending at reduced interest rates to project beneficiaries • Qualifying black ownership > 51% • Successfully paid out R46m over 5 transactions in 8 months
<p>Housing finance scheme for farm workers</p>	<ul style="list-style-type: none"> • Considering setting up this scheme to ensure tenure of security • Benefitting both commercial farmer and farm workers



How is FirstRand moving the SME needle?

Vumela SME Fund	SA SME Fund
<ul style="list-style-type: none">• FirstRand created Vumela to help address early stage business finance and mentorship• Vumela's majority beneficiary is the Shalamuka Foundation; supporting a broad-based education initiative for black woman teachers• R386m under management – Jobs Fund R127 million• High job creation - Vumela has created 1 395 new direct jobs to date• Uber SA, WesBank and Vumela entered into an initiative which aims to create 1 000 micro-enterprises and empower drivers	<ul style="list-style-type: none">• FirstRand is the largest contributing financial services firm to the private sector-led SME fund• Initiative is aimed to reduce the funding gap that early-stage and growth entrepreneurs face• Provides access to C-suite level mentors



How is FirstRand moving the SME needle?

FNB Innovations	Admin	<ul style="list-style-type: none">• Reduce administrative and regulatory angst to support business efficiencies• Instant Payroll, Invoicing, Accounting• Online account opening and credit scoring, document retention
	Save costs	<ul style="list-style-type: none">• Solutions to help businesses save costs in their day-to-day running• eBucks for Business, Bundled pricing options, pay only when you use facilities, free accounting solutions and document retention
	Get started	<ul style="list-style-type: none">• Tools to help businesses start right• Seamless CIPC registration, BEE scorecard and verification services
	Grow	<ul style="list-style-type: none">• Help support and grow businesses• Business directory, access to accelerators and incubators, awards and recognition, Instant Cash flow forecasting



How is FirstRand moving the SME needle?

FNB: Enabling the ecosystem	Simodisa sponsorship	<ul style="list-style-type: none"> • Collaborative ecosystem development – State, Private Sector, NPOs • Ability to influence SME environment and initiatives • Leverage best practice
	FinTech ecosystem	<ul style="list-style-type: none"> • Network of 10 500 tech and FinTech entrepreneurs, specialists, IT practitioners, investors, accelerators, incubators and SMEs • Grew from 4 000 to 10 500 in 4 years • Sponsorship R1m p/a for 3 years • Assistance with various programs/education, new technology, etc. • Education and linkages • Access to market
	Business innovation awards	<ul style="list-style-type: none"> • Endeavor partnership
	Accelerators/ incubators	<ul style="list-style-type: none"> • Grindstone, Knife Capital, 10Xe, FNB Accelerator



Inclusive growth: RMB's commitment to sustainable renewable energy

RMB's innovative funding solutions are enabling the development of some of the world's largest wind and solar energy projects being deployed under SA's Renewable Energy Programme.

In **2016**, RMB was rewarded the **GREEN FINANCE DEAL OF THE YEAR** by *The Banker* for its funding of the Xina power project – the Abengoa-led 100MW Solar Thermal Electric Power project located in the Northern Cape.



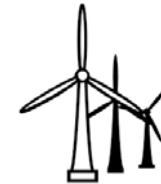
Sole mandated lead arranger in financing the **Aurora and Vredendal solar PV power plants** valued at R400m



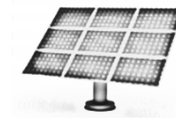
R200m hydro power deal for **NuPlanet (now REH Project Development)**



Lead financier in Abengoa's 100MW, R10.2bn **Xina Power Plant**



Joint mandated lead arranger on the R156m, 138MW **Gouda Wind Farm**



Financier of R2.3bn **Jasper Solar PV Project**



Lead financier in the R12bn **Kathu Solar park**



Inclusive growth: RMB has funded R36 billion of BEE transactions since 2009

Steinhoff Sikhulasonke BEE Transaction
R760m
2015

 Mandated Lead Arranger and co-funder

Refinance of BEE Transaction
R4.5bn
2014

 Lead bank and Co-funder

Refinancing for BEE HoldCo
R4bn
2013

 Mandated Lead Arranger and Transaction Advisor

MTN Zakhele refinancing and restructure
R3bn
2013

 Merchant Bank, Co-Arranger & Co-funder

Preference share funding for acquisitions
R7.8bn
2012

 Co-funder, co-arranger and structurer

Preference share funding for BEE transaction
R450m
2012

 Sole funder

Funding for acquisitions
R726m
2012

 Co-funder

Restructure of existing BEE transaction
R1.3bn
2012

 Merchant bank, debt Advisor, transaction sponsor and co-funder

Acquisition facility
R2bn
2012

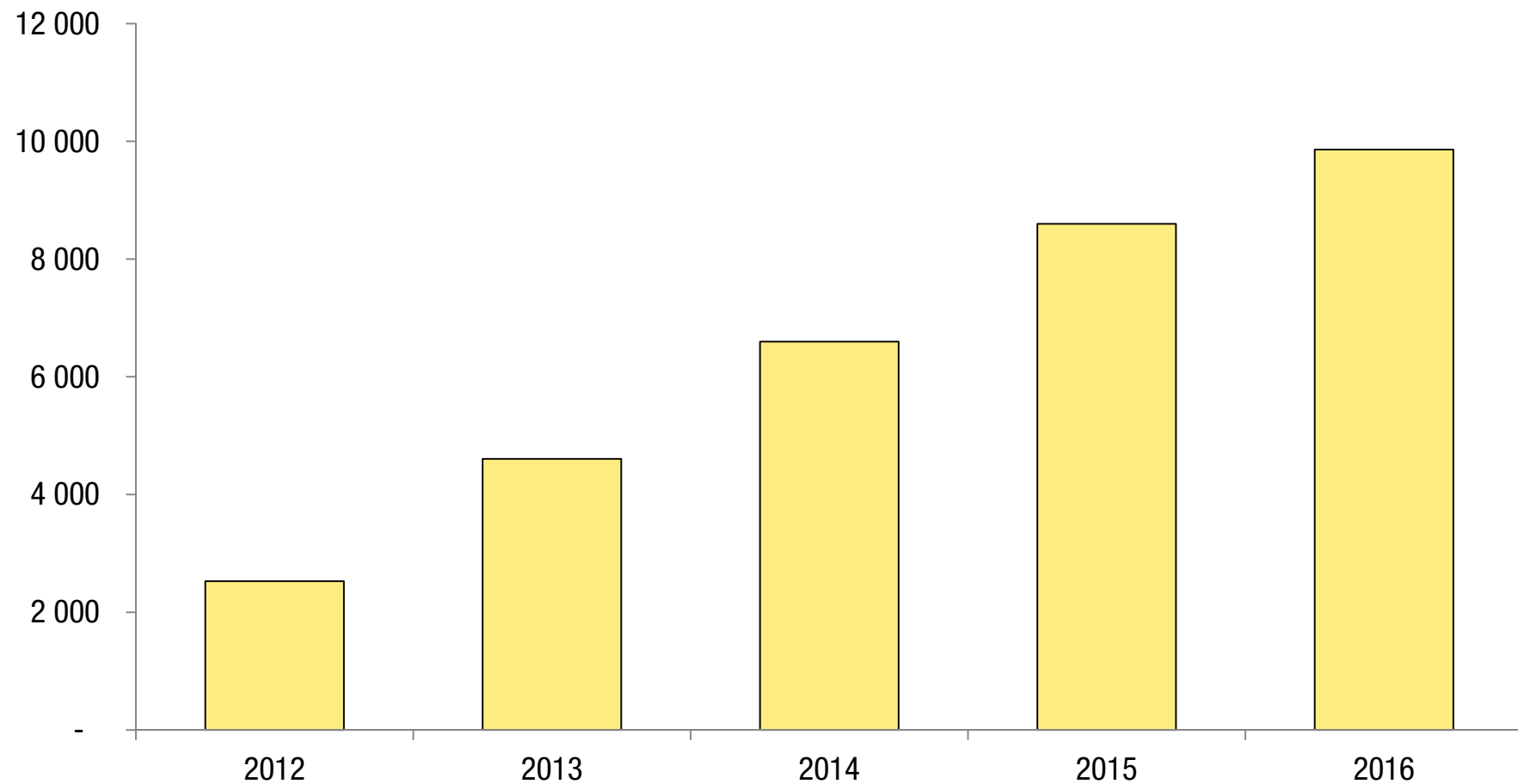
 Co-funder and advisor





Social development: R10 billion committed by FNB to mainstream housing market since 2012

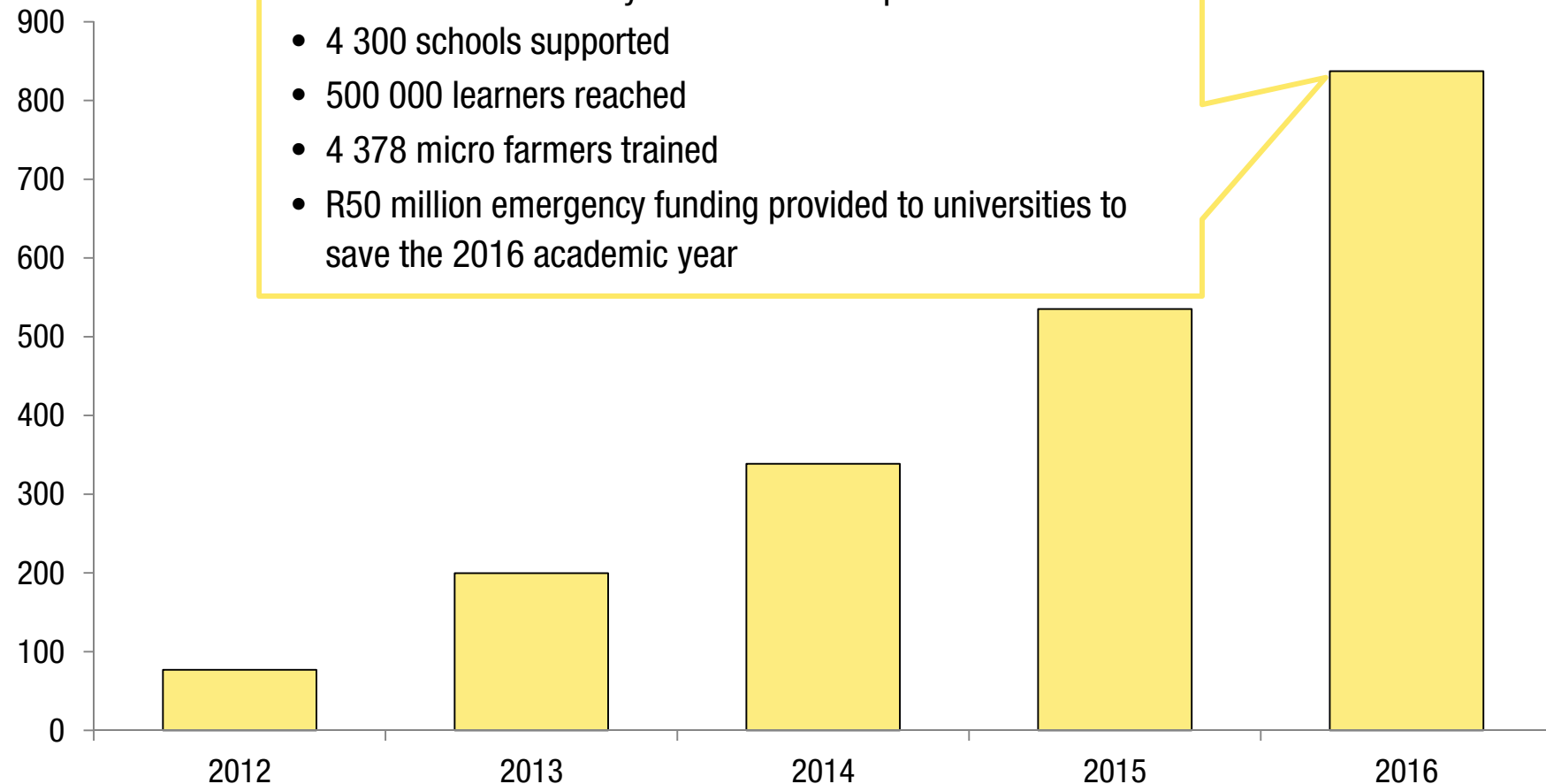
Mainstream market housing payout (R million)





Collaboration a key driver of growth in systemic social impact going forward

R million



- >R800 million donated through FRF, FRSAT and FREF*
- R132 million reinvested for future impact
- 2 266 toddlers in early childhood development
- 4 300 schools supported
- 500 000 learners reached
- 4 378 micro farmers trained
- R50 million emergency funding provided to universities to save the 2016 academic year

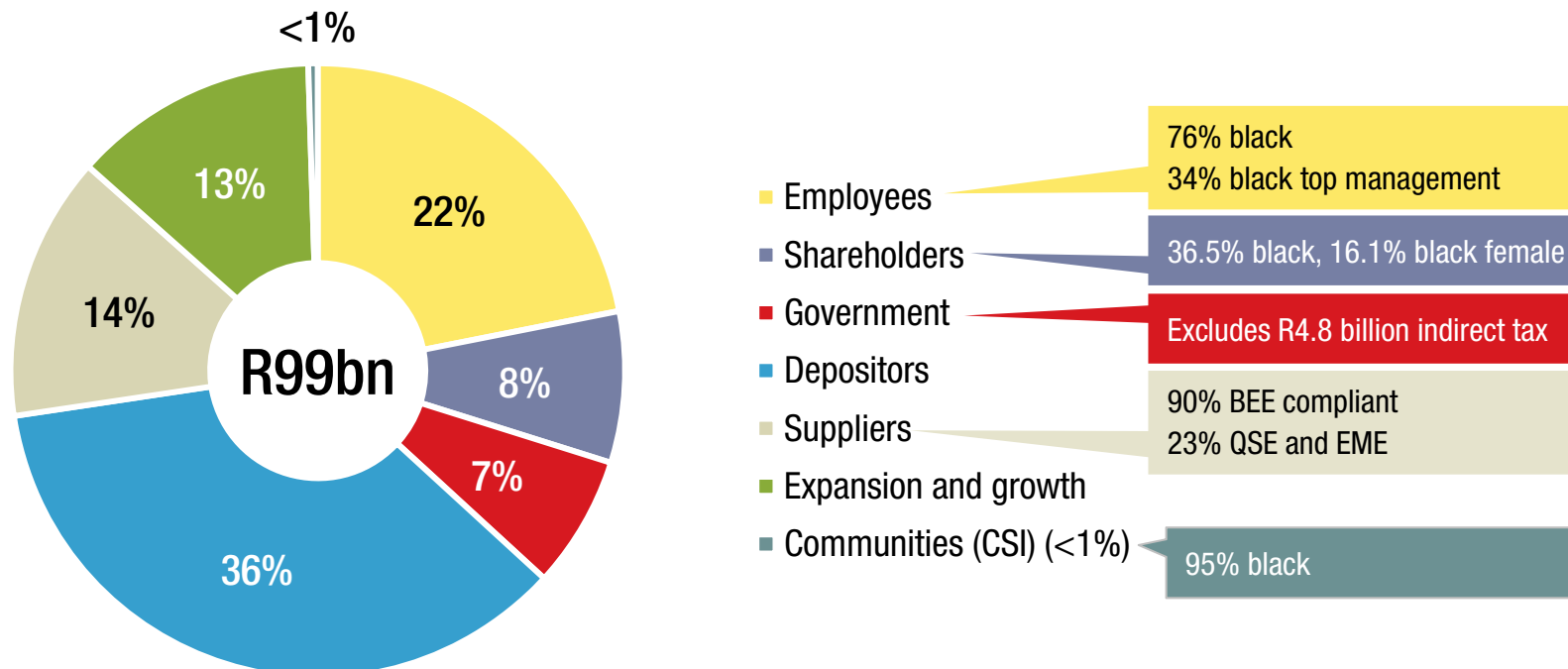
* FRF = FirstRand Foundation, FRSAT = FirstRand Staff Assistance Trust, FREF = FirstRand Empowerment Foundation



FirstRand direct value creation

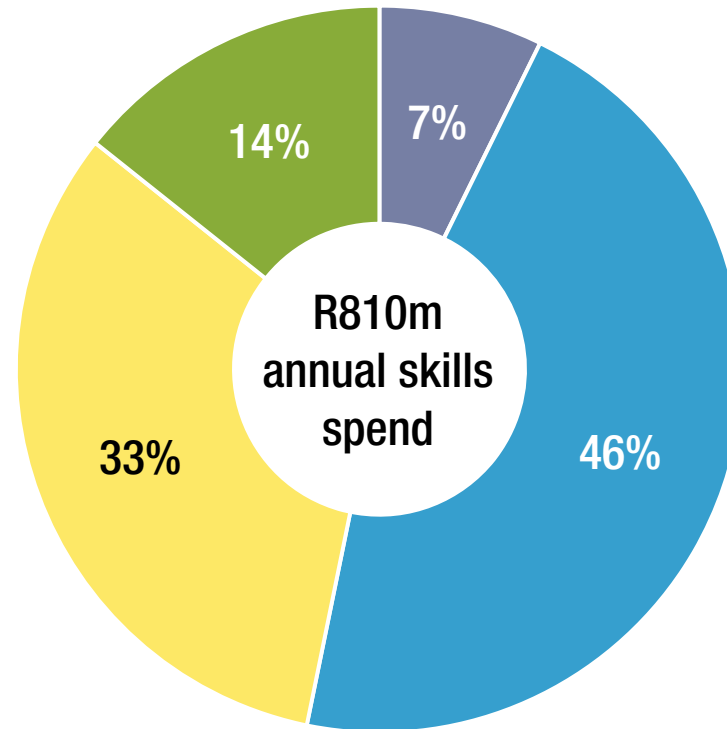
- Since 1998, the group's direct value creation has exceeded **R1 trillion**
- Direct value creation refers to the money paid to stakeholders in the course of doing business which includes profits made by the business and the expenses paid to create those profits

2016 DIRECT VALUE CREATION





73% of skills spend on black employees



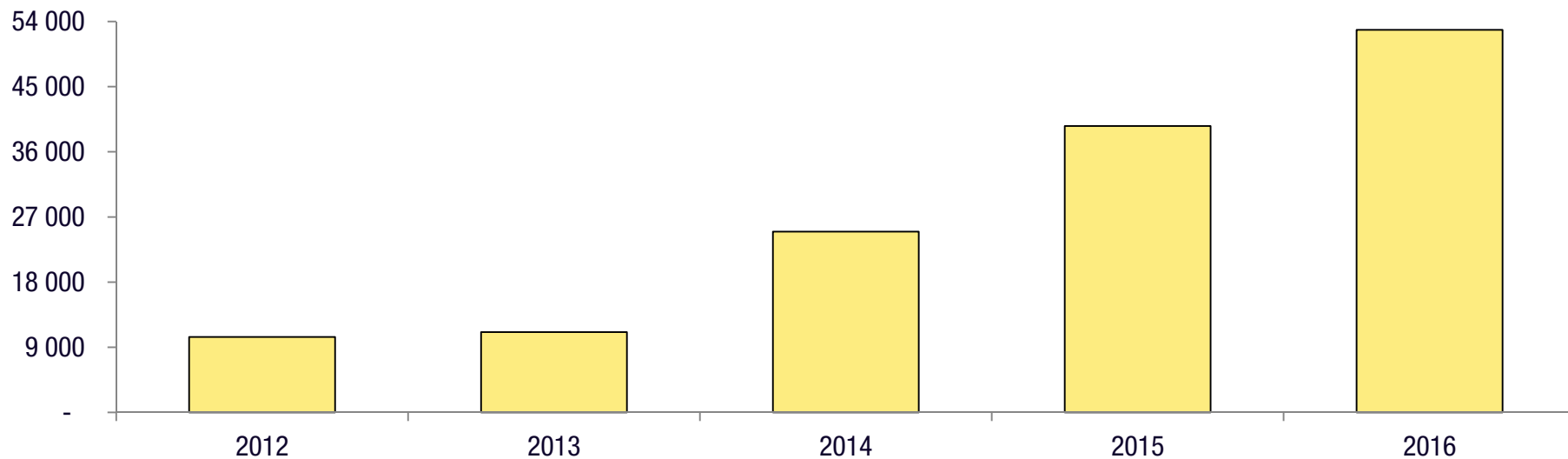
- Spend on senior management
- Spend on middle management
- Spend on junior management
- Spend on semi skilled employees

The country needs to invest in education to create a stable flourishing society



Inclusive growth RMB: R53 billion committed to transformational infrastructure since 2012

Transformational infrastructure payout since 2012 (R million)



- Since 2012 RMB has committed an average of R10.5 billion per year to new transformational infrastructure projects
- Of the total R53 billion in funding:
 - R21 billion went to renewable energy projects representing RMB's commitment to clean energy,
 - R10.5 billion went to initiatives run by municipalities or SOEs, reflecting an ongoing collaboration with the public sector to increase SA's potential for economic growth and development and R5.5 billion went to transport projects to strengthen the infrastructure required for SA's multi-modal transportation system.
 - In 2014, RMB advised Alstom on the R51 billion Gibela project which was a historic agreement with PRASA to supply 600 passenger trains between 2015 and 2025


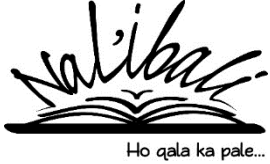







Inclusive growth: RMB empowering BEE hedge fund managers and brokers

- RMB, through its Prime Services division, assists BEE hedge fund managers in establishing successful asset management companies by providing:
 1. **Seed funding capital** to allow a fund to be established and grow in subsequent years based on proof of investment performance. The RMB seed funding “pool” was established in July 2012 with an initial size of R50m and increased to R100m in February 2014
 2. **Operational infrastructure** which allows and supports BEE hedge fund managers to establish their business units
 3. **Experience** and the ability to explain to pension fund trustees and other investors how the investment markets operate and give comfort as to security of assets in a hedge fund
- RMB Morgan Stanley recently launched a programme that provides BEE brokers (who generally require technology to cater to a sophisticated client base) access to its Algo platform. This gives brokers the ability to offer large buy-side institutions access to Morgan Stanley Algo which would effectively execute trades on their behalf



FRF/FREF provide R450 million of funding per annum for various systemic intervention initiatives

<p>ECD (0 to 5 years)</p>	 
<p>School system (6 to 18 years)</p>	   
<p>Tertiary education (16+ years)</p>	<ul style="list-style-type: none"> • ISFAP pilot, (R200m) funded almost entirely by the private sector • FNB Tertiary bursary programme run via FirstRand Foundation (R21m) • FREF emergency funding to save 2016 academic year (Exam writing facilities, 444 laptops and R50m total to UJ, WITS, UP, UCT, UKZN, NMU) • FREF contribution to NSFAS project (R47m)
<p>World of work</p>	



FirstRand Volunteers

As a good corporate citizen, and in line with its values, FirstRand facilitates and encourages employees to donate both time and money to non-profit organisations and schools that they are passionate about through a structured volunteers programme

<p>School Education Drive</p>	<ul style="list-style-type: none"> • 62 FirstRand teams/schools across the country (business units across the franchises) have registered to receive R10 000 to assist an underprivileged day care centre, crèche or school • Total of 80 FirstRand teams can qualify to receive this funding • Schools are all registered non-profit organisations
<p>FirstRand/Symphonia Principles for Possibility Leadership Programme</p>	<ul style="list-style-type: none"> • Run by NGO Symphonia, where business leaders are matched with an underprivileged government school principal for one year • FirstRand business leader works with the principal to identify issues of concern in the school in order to improve the day to day running of the school
<p>FirstRand/Khulisa Mentorship Programme</p>	<ul style="list-style-type: none"> • 7 FirstRand employees have been matched with 7 Grade 11 girls at the RW Fick Secondary School in Westbury to help young girls in underprivileged communities with challenges of day to day life, academics and career choices