

Banking & Financial Services Sector 2022

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Introduction

This report analyses eight companies from banking, life insurance and the financial services sector as listed on the Johannesburg Stock Exchange (JSE).

Standard Bank Group
FirstRand Bank
Sanlam
Nedbank
Investec
RMB Holdings
Discovery
Liberty Holdings

The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

The banking and financial sector in South Africa is challenged by slow economic growth and high levels of unemployment. Many people do not have access to affordable financial services. The sector is highly concentrated, with a few large banks dominating the market, which can make it difficult for smaller players to compete.

South African Reserve Bank's Prudential Authority reported that the country's five biggest banks (Standard Bank Group, FirstRand Bank, Nedbank, Investec) continue to dominate the sector, despite an increase in competition. Four of these banks are included in the sample, along with some smaller players in the sector.¹

In the South African banking sector, non-traditional players are increasingly exploring new opportunities which challenges traditional banking. These includes things like digital banking and

¹ <https://businesstech.co.za/news/banking/416057/south-africas-banking-sector-is-dominated-by-5-names-who-control-almost-90-of-all-assets/>

low-cost operating models.² The increasing use of mobile banking and other digital technologies, which are making it easier for people to access financial services, is driving this change. This trend is likely to continue, as more and more people in Africa gain access to smartphones and other devices. We see a continued focus on financial inclusion and providing access to affordable financial services for all Africans.

This has forced banks like Standard Bank, Nedbank and Firstrand to respond by finding new and progressive ways to stay relevant. These banks have a distinct advantage over newer players, by harnessing the power of data mining and by leveraging their existing relationships with businesses in South Africa.³ The immediate future looks positive for the banking sector, as interest rates are expected to increase, and this helps banks with income.⁴

Financials

Revenue

The 2020 financial year saw a significant change in the sector's revenue. On average, revenue increased by 16,16% in the sample – back to higher than before the pandemic.

Of the eight companies in our list, four reported increases in revenue: Discovery (55%); Liberty Holdings (53%); Sanlam (50%); and Standard Bank (29%).

RMB Holdings reported a further dramatic loss of revenue (from ZAR 10 billion in 2019 to ZAR 5 billion in 2020 and ZAR 38 million in 2021). First Rand Bank, Nedbank and Investec all reported decreases in revenue. Average revenue in the sector is the highest it's been since we started monitoring these companies.

² <https://www.pwc.co.za/en/publications/the-future-of-banking.html>

³ <https://www.businesswire.com/news/home/20210428005701/en/South-Africa-Banking-Industry-Report-2021-Comprehensive-Information-on-Commercial-and-Central-Banking-Stokvels-and-Other-Credit-Granting-and-Lease-Financing-Organisations---ResearchAndMarkets.com>

⁴ <https://www.ghostmail.co.za/standard-bank-positive-jaws-and-a-strong-outlook/>

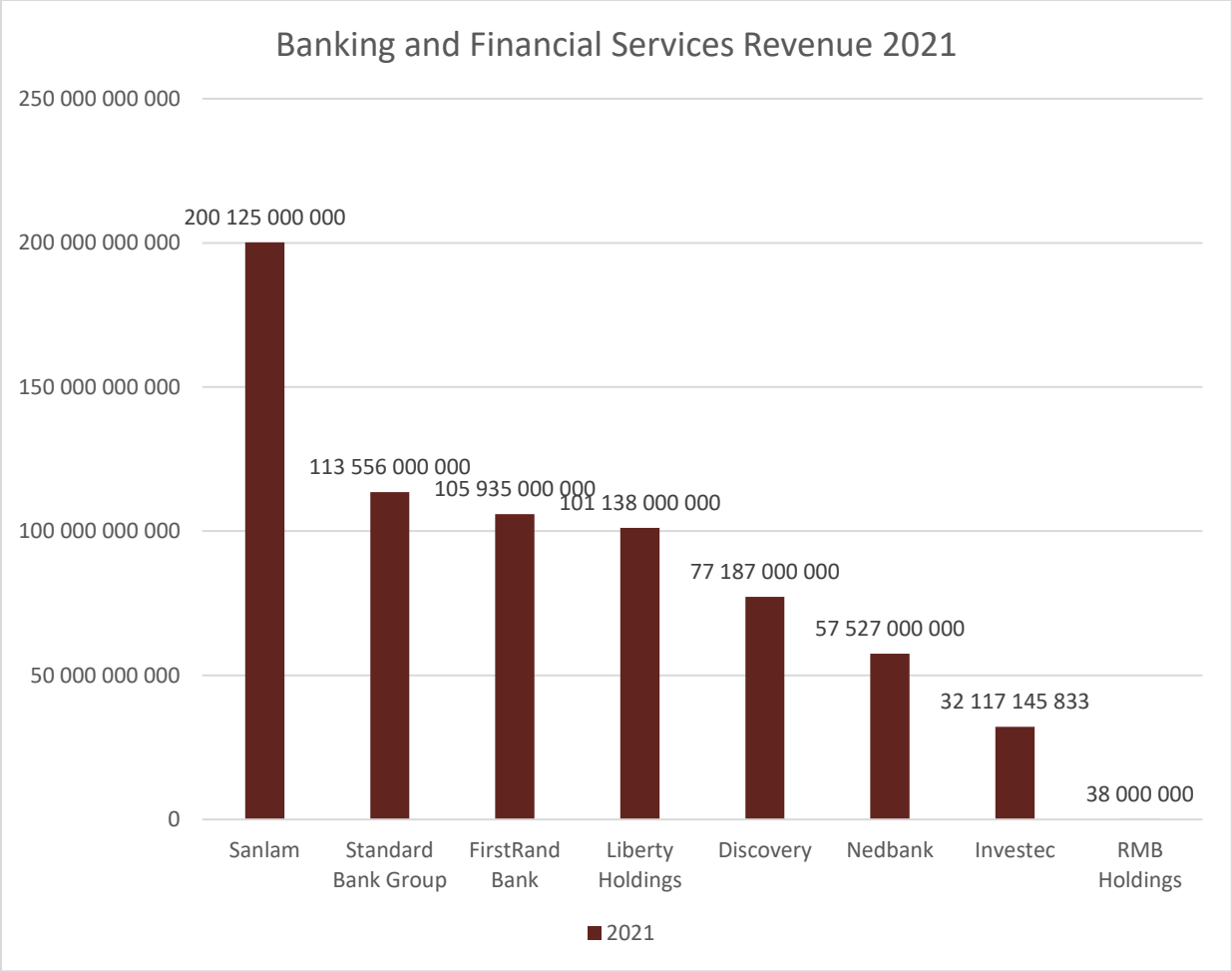


Figure 1 Banking and Financial Services Revenue 2021

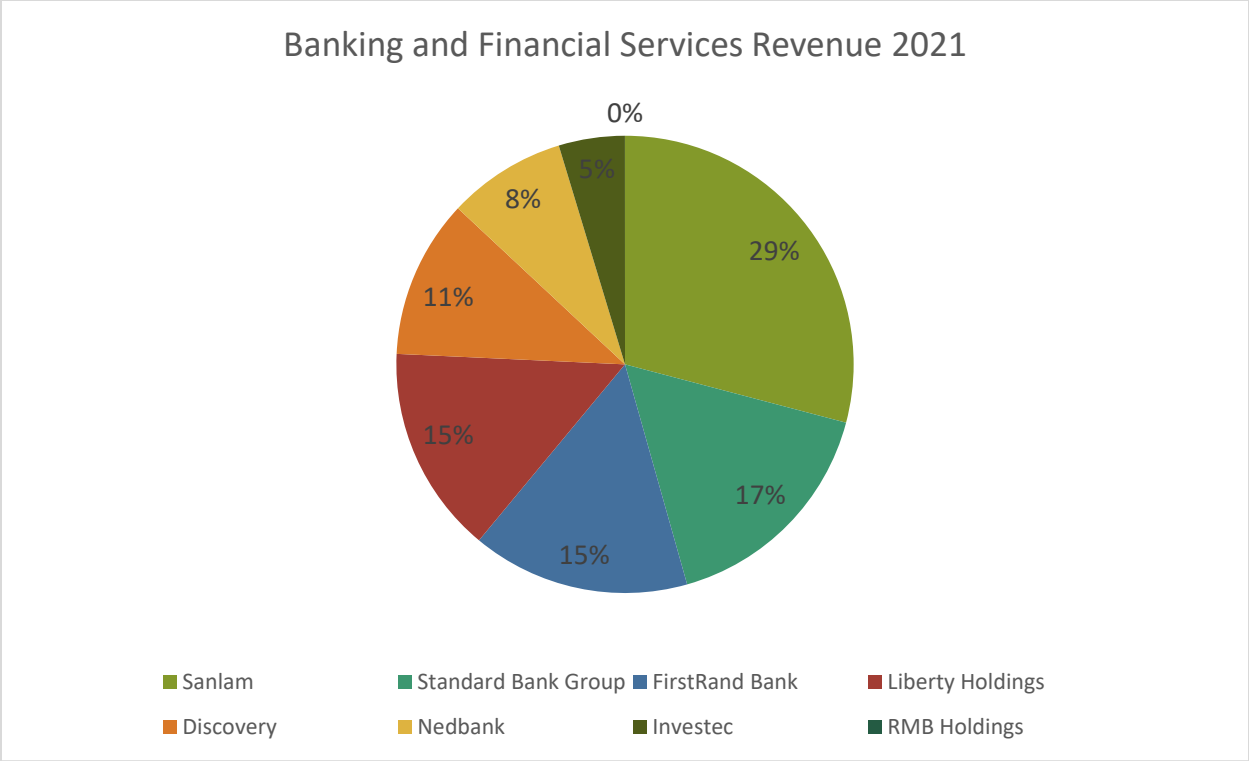


Figure 2 Banking & Financial Sector by Revenue 2021

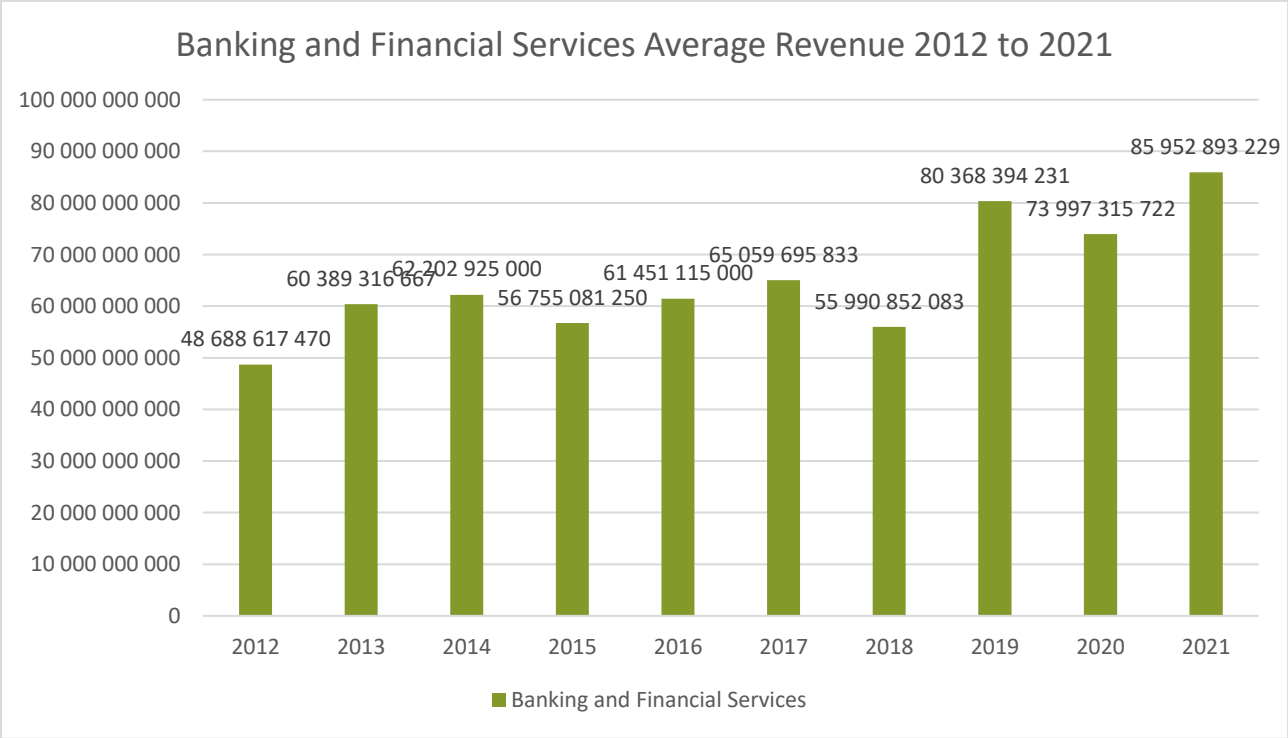
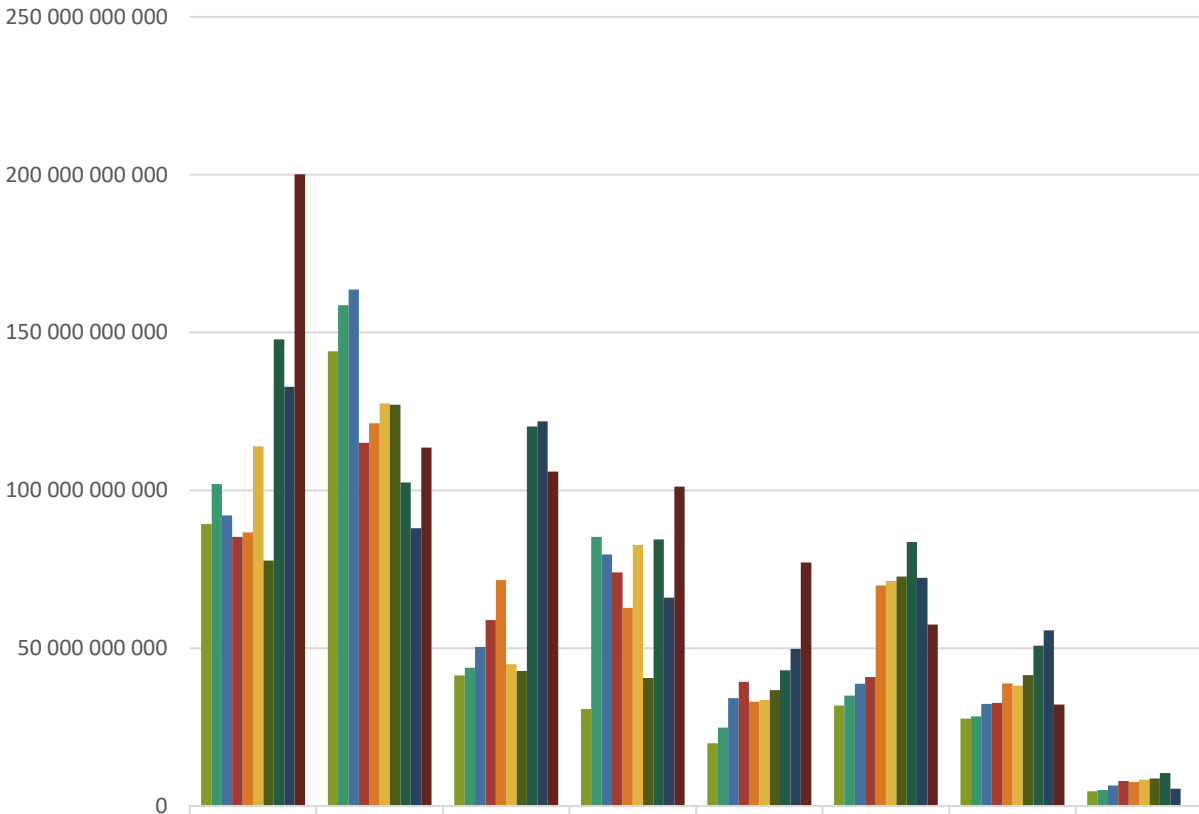


Figure 3 Banking & Financial Sector Average Revenue 2012 - 2021

Banking and Financial Services Revenue 2012 to 2021



	Sanlam	Standard Bank Group	FirstRand Bank	Liberty Holdings	Discovery	Nedbank	Investec	RMB Holdings
2012	89 337 000	144 091 00	41 335 000	30 720 000	19 869 000	31 805 000	27 709 939	4 642 000
2013	102 000 00	158 646 00	43 784 000	85 273 000	24 861 000	35 016 000	28 423 533	5 111 000
2014	92 060 000	163 681 00	50 412 000	79 705 000	34 186 000	38 767 000	32 349 400	6 463 000
2015	85 293 000	115 110 00	58 960 000	73 995 000	39 309 000	40 844 000	32 624 650	7 905 000
2016	86 695 000	121 222 00	71 561 000	62 744 000	33 074 000	69 862 000	38 789 920	7 661 000
2017	113 976 00	127 556 00	44 917 000	82 722 000	33 533 000	71 311 000	38 103 566	8 359 000
2018	77 721 000	127 153 00	42 746 000	40 611 000	36 685 000	72 739 000	41 516 816	8 755 000
2019	147 796 00	102 497 00	120 268 00	84 447 000	43 036 000	83 680 000	50 806 153	10 417 000
2020	132 866 00	87 987 000	121 887 00	66 043 000	49 775 000	72 300 000	55 637 525	5 483 000
2021	200 125 00	113 556 00	105 935 00	101 138 00	77 187 000	57 527 000	32 117 145	38 000 000

■ 2012
 ■ 2013
 ■ 2014
 ■ 2015
 ■ 2016
 ■ 2017
 ■ 2018
 ■ 2019
 ■ 2020
 ■ 2021

Figure 4 Banking & Financial Sector Revenue 2012 to 2021

Profit before Tax

In 2020, every company in the sample reported a decrease in Profit before Tax for 2020 (aside from RMB Holdings that reported a noteworthy increase in PBT - a reflection of discontinued operations and not of actual PBT made). In 2021, every company on the list report an increase in profit before tax (from the relatively low figures in 2020), aside from RMB Holdings which reported a loss for this first time since we started monitoring.

Liberty Holdings managed to turn around a loss in 2020 to Profit before Tax of ZAR 1,8 billion. Standard Bank reported an increase, but the level is still below PBT in 2017. Standard Bank Group is the third largest asset manager in Africa. The investment business grew headline earnings by 11% in 2021.⁵ FirstRand Bank reported a 57% increase but have still not recovered to pre-Covid levels of profit. Sanlam and Nedbank seem to have recovered with big increases in PBT for 2021.

Standard Bank Group bought 100% of Liberty Holdings and will integrate it wholly into Standard Bank Group. The acquisition of Liberty Holdings was completed, and Liberty delisted on 1 March 2023.⁶

⁵ <https://www.ghostmail.co.za/standard-bank-positive-jaws-and-a-strong-outlook/>

⁶ <https://businesstech.co.za/news/banking/506282/standard-bank-in-buyout-offer-for-liberty-holdings/>

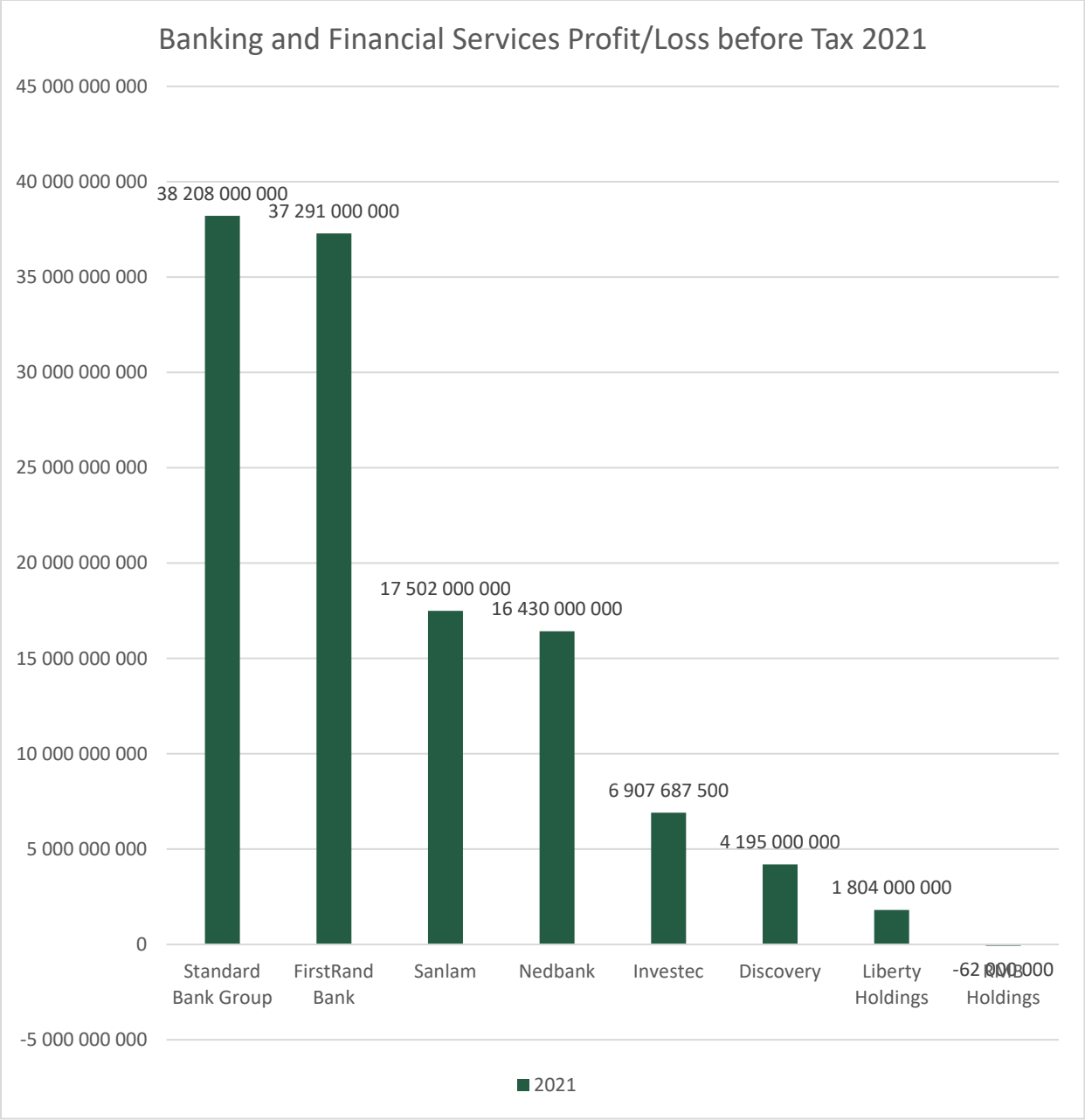


Figure 5 Banking & Financial Services PBT 2021

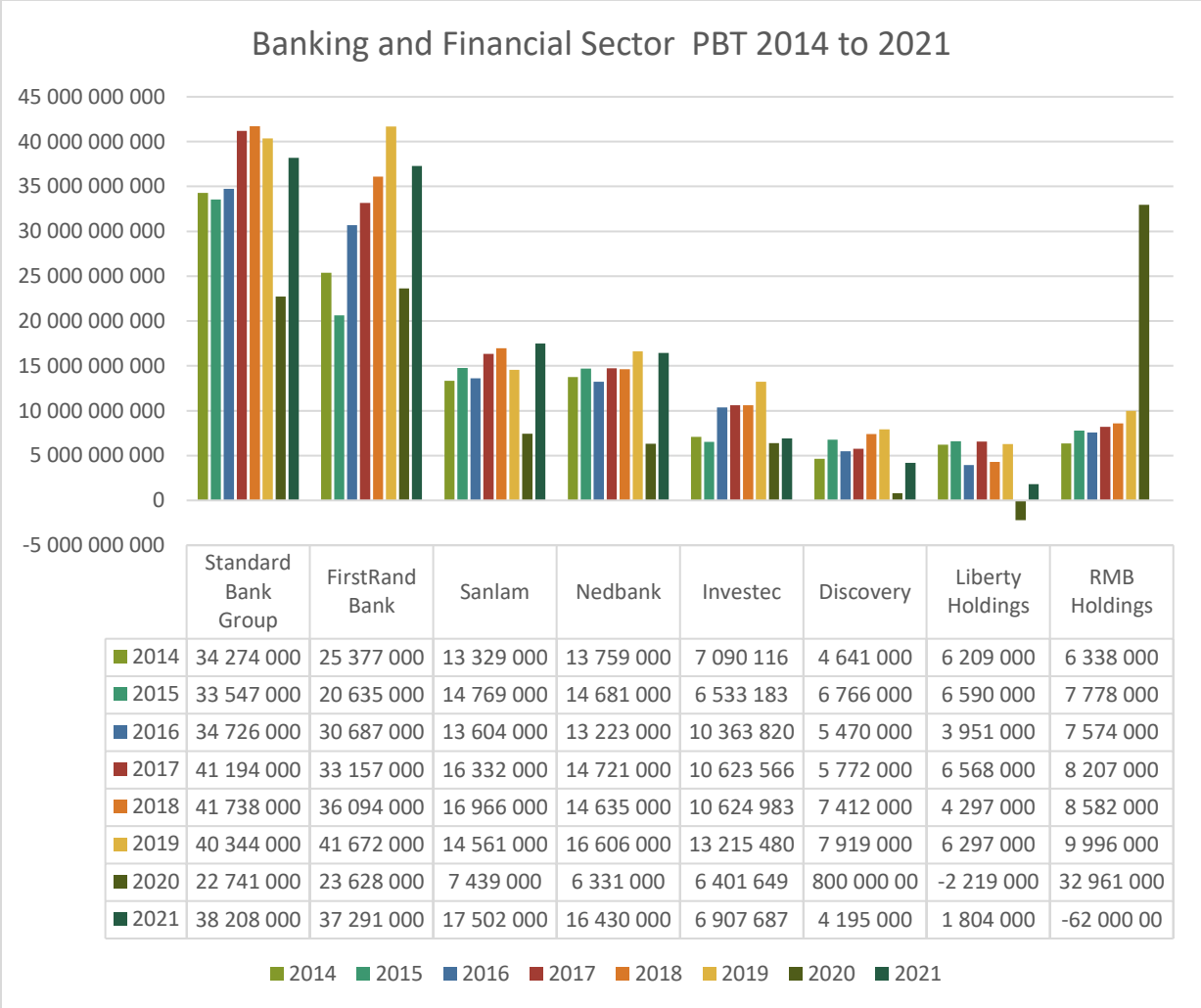


Figure 6 Banking & Financial Sector PBT 2014 to 2021

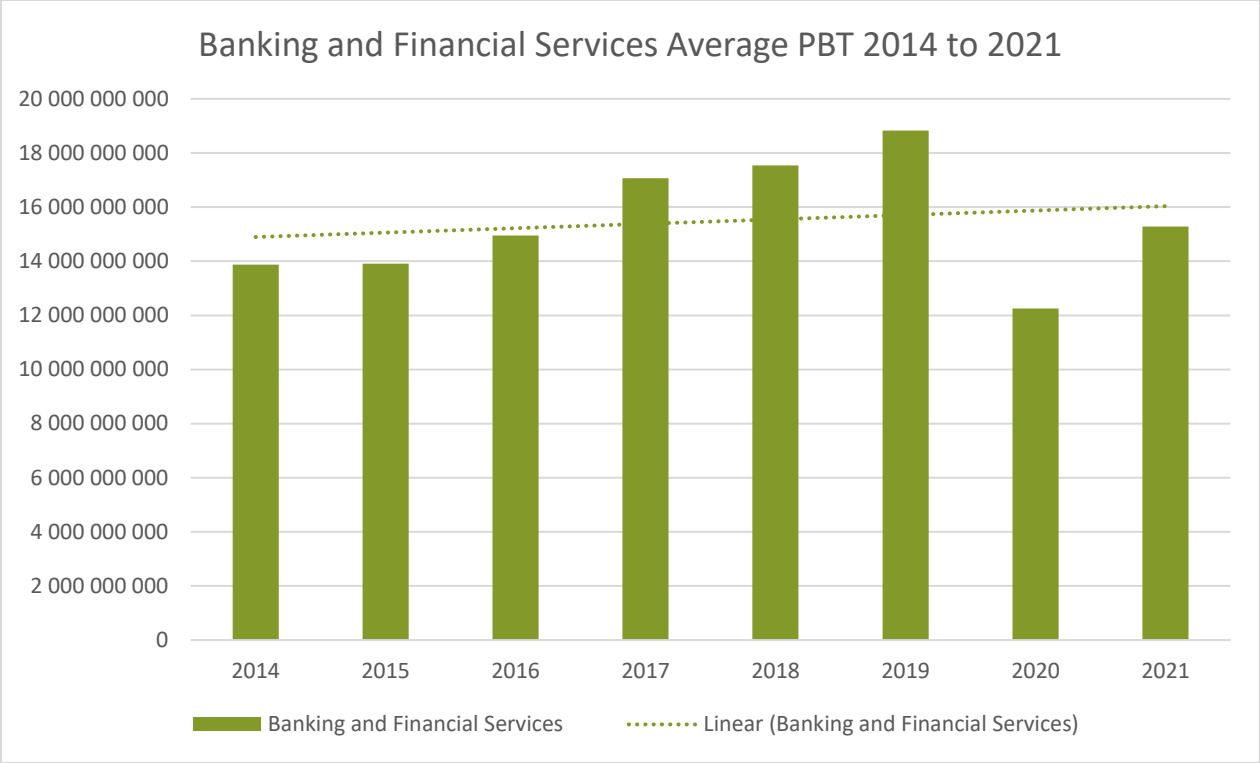


Figure 7 Banking & Financial Sector Average PBT 2014 to 2021

Directors’ Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last eleven years.

In the Banking & Financial sector, and our sample specifically, we see the general trend over time being upwards, with a large spike in 2015 with a big LTI pay-out. However, from 2017 there is a small downward trend in CEO remuneration in the sector. The gap between the average total remuneration without LTI and total remuneration including LTI shows us the significance of LTI payments and why they are important to consider.

This gap gets a little smaller 2020, which was arguably a very difficult year for the Banking & Financial sector. From 2019 to 2020, average total remuneration (including LTI) went down by about 30%. From 2020 to 2021, this same number increased by 26.4%.

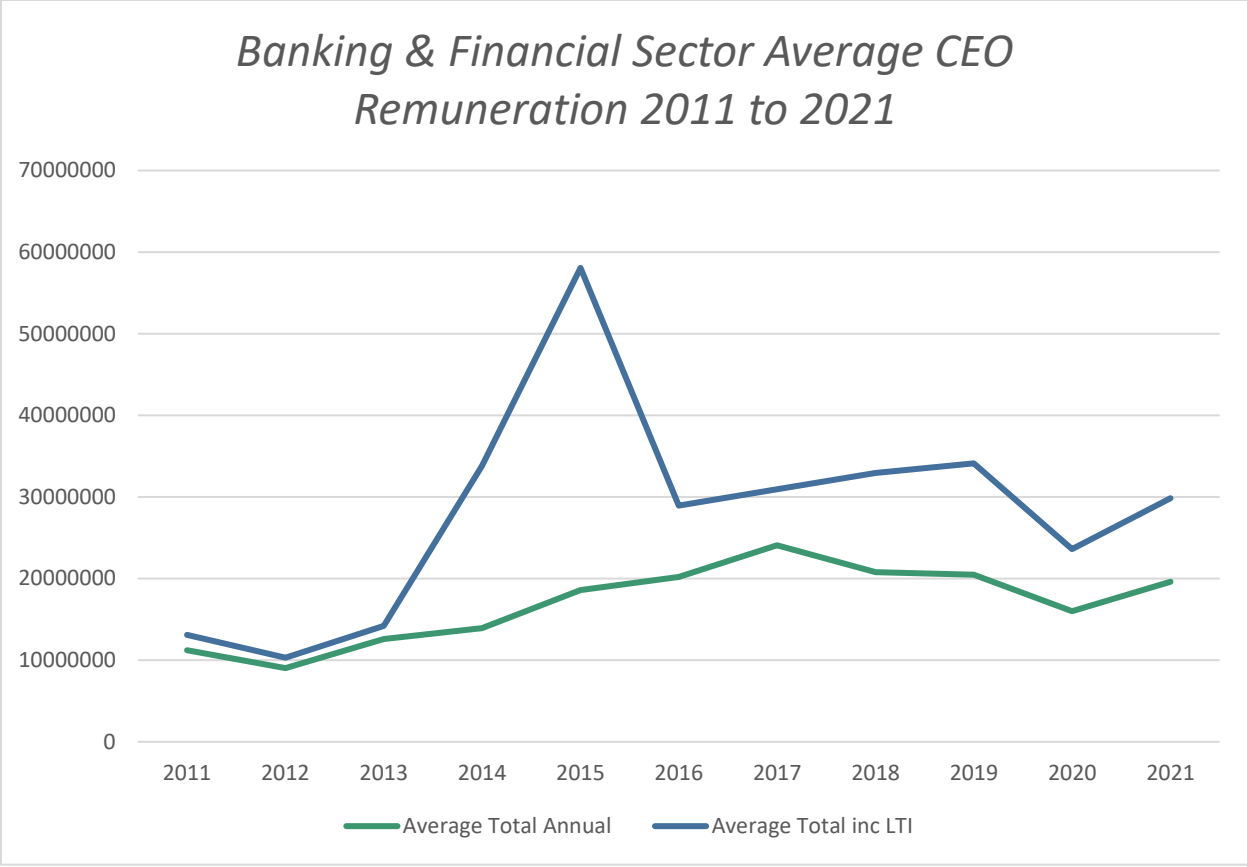


Figure 8 Banking & Financial Sector Average CEO Remuneration 2011 to 2021

CEO Remuneration 2021

In the Banking & Financial sector, the CEO of Liberty Holdings, David Munro, received the highest reported remuneration at ZAR 49 million. This includes an LTI payment of ZAR 31 million – the highest LTI payment in the sample for the period. Pullinger, CEO of Firststrand Bank, received an LTI of ZAR 24 million, which brings his total remuneration for the 2021 financial year to ZAR 45,5 million (17% increase on 2020).

On average, executive remuneration in the sample decreased by around 25% in 2020 but increased by 34% in 2021. Non-executive remuneration on average decreased by 10%.

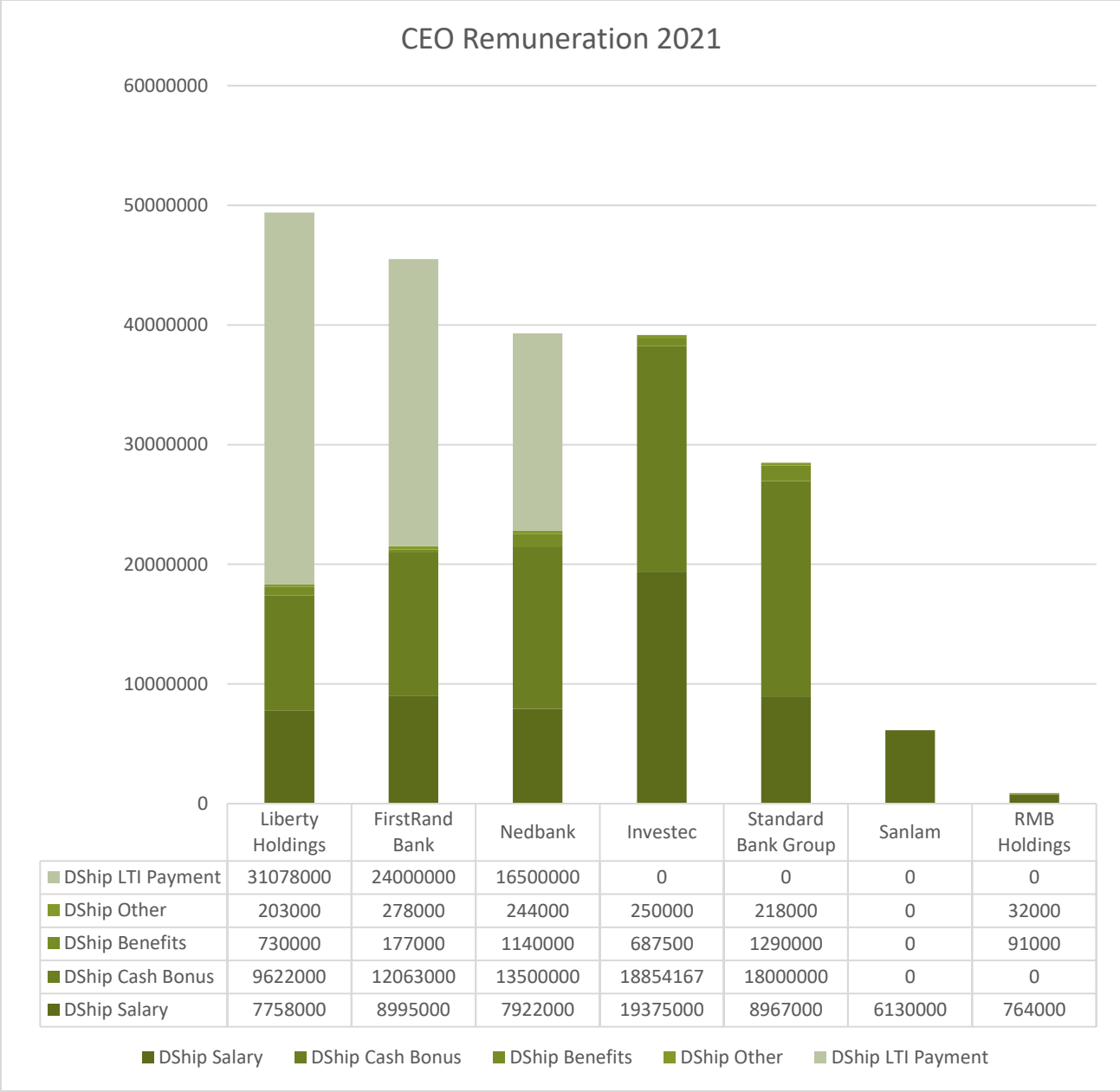


Figure 9 Banking and Financial Sector CEO Remuneration 2021

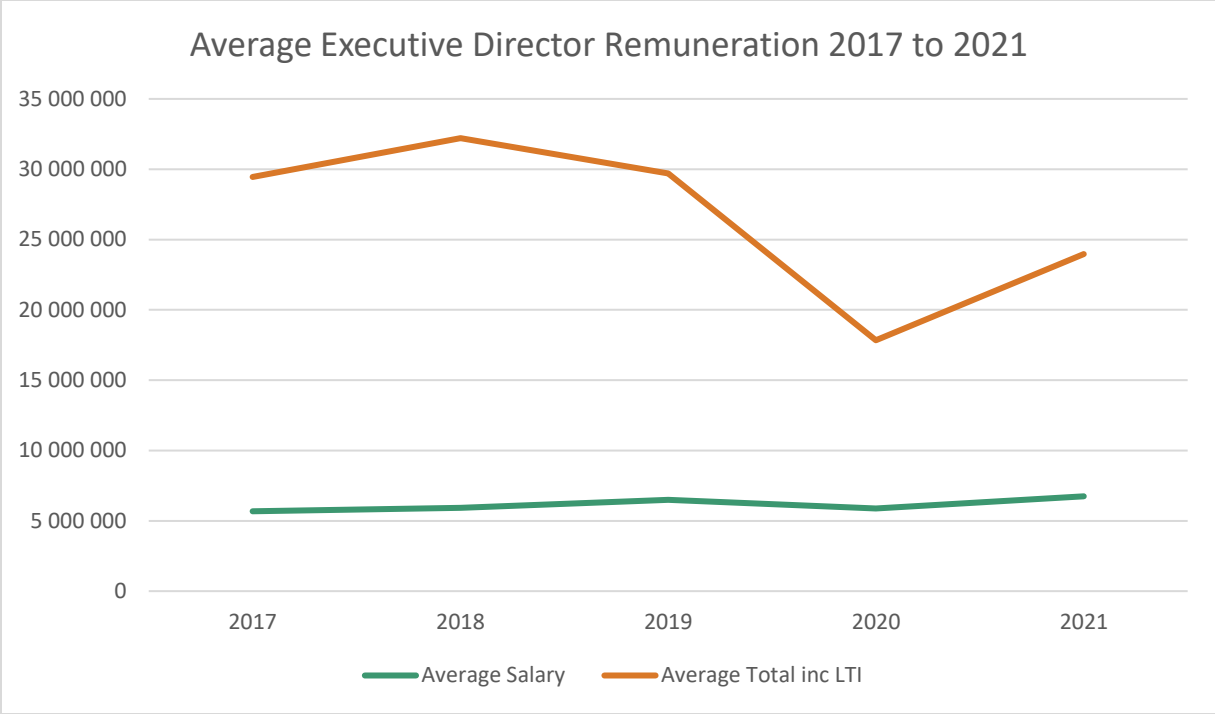


Figure 10 Banking & Financial Sector Average ED Salary & Total Remuneration 2007 - 2021

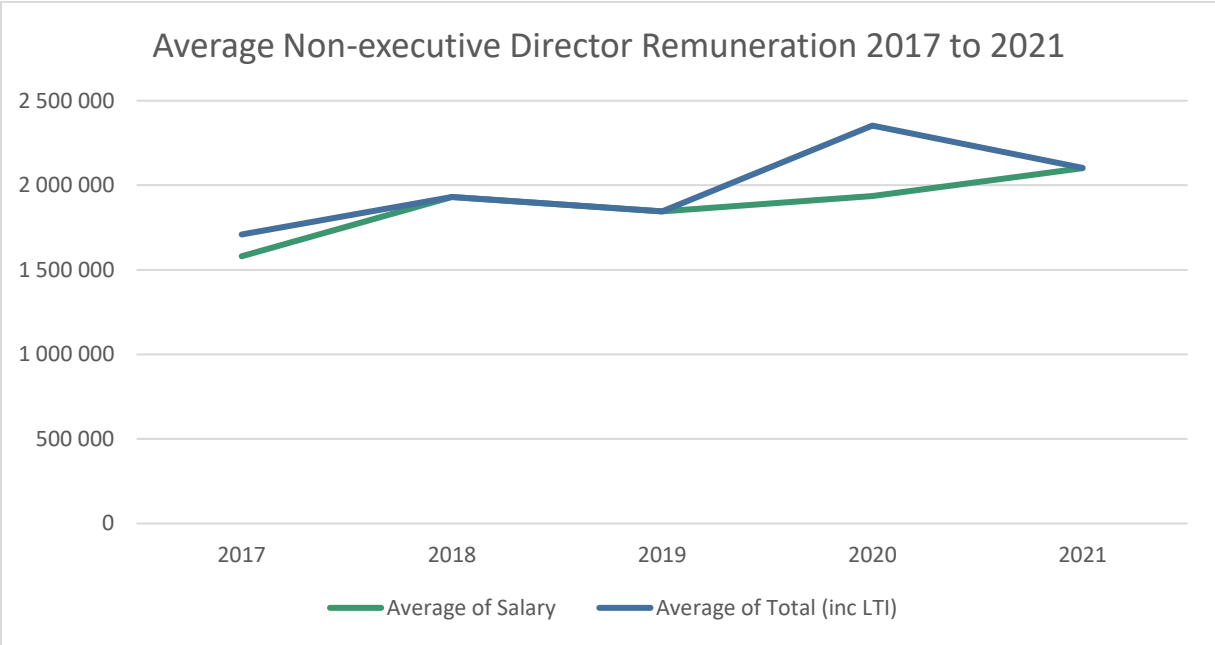


Figure 11 Banking & Financial Sector Average NED Salary & Total Remuneration 2007 to 2021