



BANKING & FINANCIAL SERVICES SECTOR REPORT

2023

LRS Labour
Research
Service

**FRIEDRICH
EBERT** 
STIFTUNG 
TRADE UNION COMPETENCE CENTRE
SUB-SAHARAN AFRICA

Contents

Introduction 2

The Sector 3

Financials..... 4

 Revenue 4

 Profit before Tax 8

Directors’ Remuneration 12

 CEO Remuneration 2022..... 13

Table of Figures

Figure 1 Banking and Financial Services Revenue 2022 5

Figure 2 Banking & Financial Sector by Revenue 2022..... 6

Figure 3 Banking & Financial Sector Average Revenue 2012 - 2022 6

Figure 4 Banking & Financial Sector Revenue 2012 to 2022 7

Figure 5 Banking & Financial Services PBT 2022..... 9

Figure 6 Banking & Financial Sector PBT 2014 to 2022 10

Figure 7 Banking & Financial Sector Average PBT 2014 to 2022..... 11

Figure 8 Banking & Financial Sector Average CEO Remuneration 2011 to 2022 12

Figure 9 Banking and Financial Sector CEO Remuneration 2022 14

Figure 10 Banking & Financial Sector Average ED Salary & Total Remuneration 2019 to 2022.. 15

Figure 11 Banking & Financial Sector Average NED Salary & Total Remuneration 2019 to 2022 15

Introduction

This report aims to provide detailed insights into operations within a specific business sector, namely the Banking and Financial Service sector. The JSE lists 43 companies in the Banking and Financial Service sector. There are eight banking and financial services companies included in this report. This sample constitutes 26% of the JSE listed companies in this sector. The sector is still highly concentrated, with the largest banks holding over 85% of the industry's deposits in 2020¹. Additionally, these banks control 70% of the sector's total assets and client base². The role the sector plays is significant in the contribution to employment and job creation from entry-level positions to professional roles.

Sanlam

FirstRand Bank

Standard Bank Group

Nedbank

Liberty Holdings

Investec

Discovery

RMB Holdings

The data extracted from the LRS's [MNC Database](#) enables a retrospective view of company performance over the course of the last eleven years. In undertaking this project analysis, we explain the sector in detail, provide a financial overview of the sector, and conclude by examining the directors' remunerations over the last twelve years period.

¹ <https://www.fsca.co.za/Documents/FSCA%20Financial%20Sector%20Outlook%20Study%202022.pdf>

² <https://www.bis.org/publ/bppdf/bispap04o.pdf>

The Sector

The Banking and Financial Sector is gradually expanding, with the recent launch of the new banks such as TymeBank and Discovery Bank around 2019. The Financial group Old Mutual has stated that they are making progress to establish a new bank in South Africa by the year 2024³.

Despite the new entrants in the banking sector, the 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, even amid increasing in competition. Four of these banks are included in the sample, along with some smaller players in the sector.⁴

The traditional banking sector in South Africa is facing challenges from the rise of digital banking. One key player in this sector is Bank Zero Mutual Bank, which operates entirely online and offers a core banking platform with no monthly account fees or transactional purchase fees. Another digital bank expected to launch in South Africa is Lulalend, which has announced that its focus will be on offering products suited to the small and medium-sized enterprises. TymeBank already operates online without the brick-and-mortar structure of traditional banks.

⁵The introduction of digital banking has led to major changes in the sector, including job cuts in traditional banking. This has prompted established institutions like Standard Bank, Nedbank, and FirstRand to innovate, finding new and progressive ways to stay relevant by tapping into the digital banking market. 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.⁶ In November 2021, the repo rate was raised from 3.5% to 3.75%. By December 2022, it had reached 7.00%, a level last seen before the onset of COVID-19. The heightened competition

³ <https://businesstech.co.za/news/banking/672371/new-bank-launching-in-south-africa-in-2024/>

⁴ <https://businesstech.co.za/news/banking/416057/south-africas-banking-sector-is-dominated-by-5-names-who-control-almost-90-of-all-assets/>

⁵ <https://mg.co.za/business/2022-08-17-digital-disruptor-eats-jobs-at-sa-banks-amid-unemployment-crisis/>

⁶ <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>

among banks led to a higher rate of home loan approvals⁷. Additionally, banks were provided with relief funds to facilitate lending to households and businesses. As a result, the banks generated high revenue from their lending activities.

Financials

Revenue

In 2022, the financial sector has seen a mix of significant gains and losses. On average, revenue decreased by 17.19% between 2021 and 2022. Over the entire period from 2012 to 2022, revenue increased by 46.19%.

In our sample, five banks reported an increase in revenue: FirstRand (2.86%), Standard Bank (17.43%), Investec (20.06%), Nedbank (42.72%) and RMB Holdings (1555.26%).

RMB Holdings has changed the end of its financial year to 31 March. Previously, the financial year ended in June, making the results non-comparable. For the 2021 financial year, only nine-month results were reported, amounting to ZAR 38 million, while in 2022, the reported revenue was ZAR 629 million.

Discovery, Liberty Holdings and Sanlam each reported decreases in revenue.

⁷ <https://www.ooba.co.za/resources/when-will-interest-rates-rise-south-africa/>

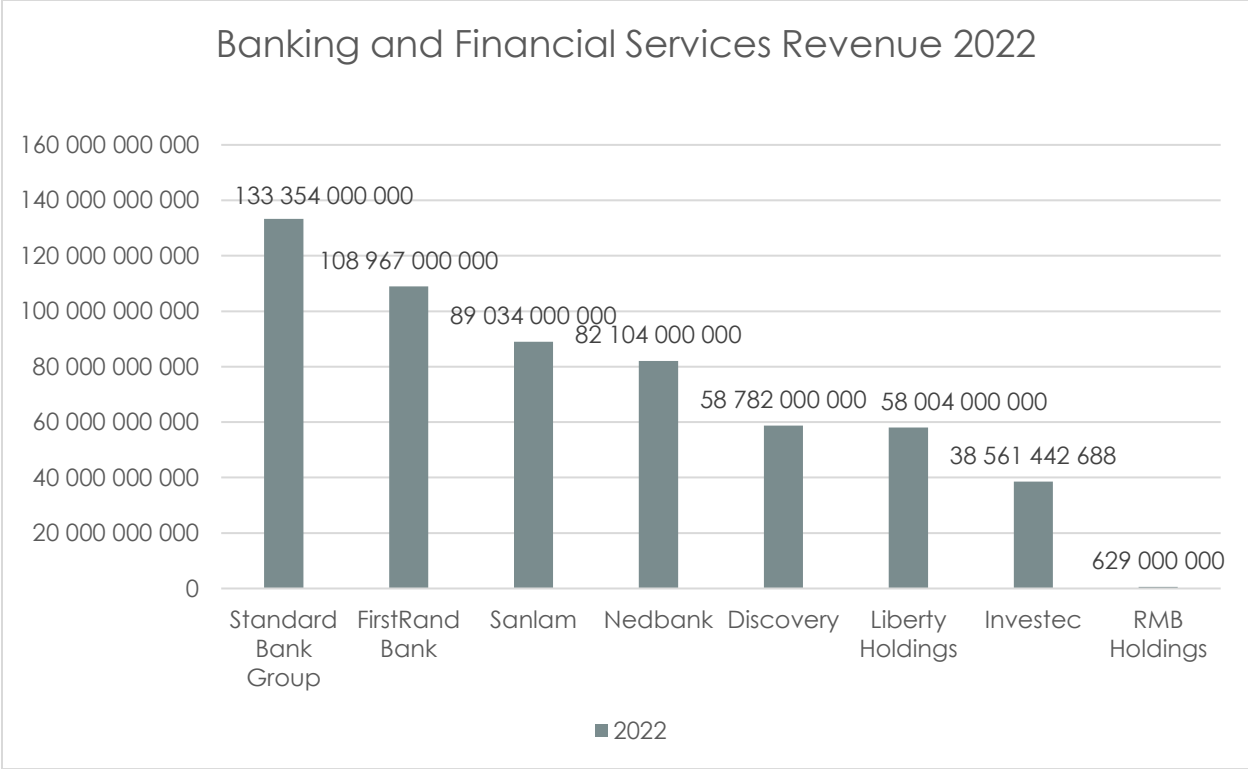


Figure 1 Banking and Financial Services Revenue 2022

Banking and Financial Services Revenue 2022

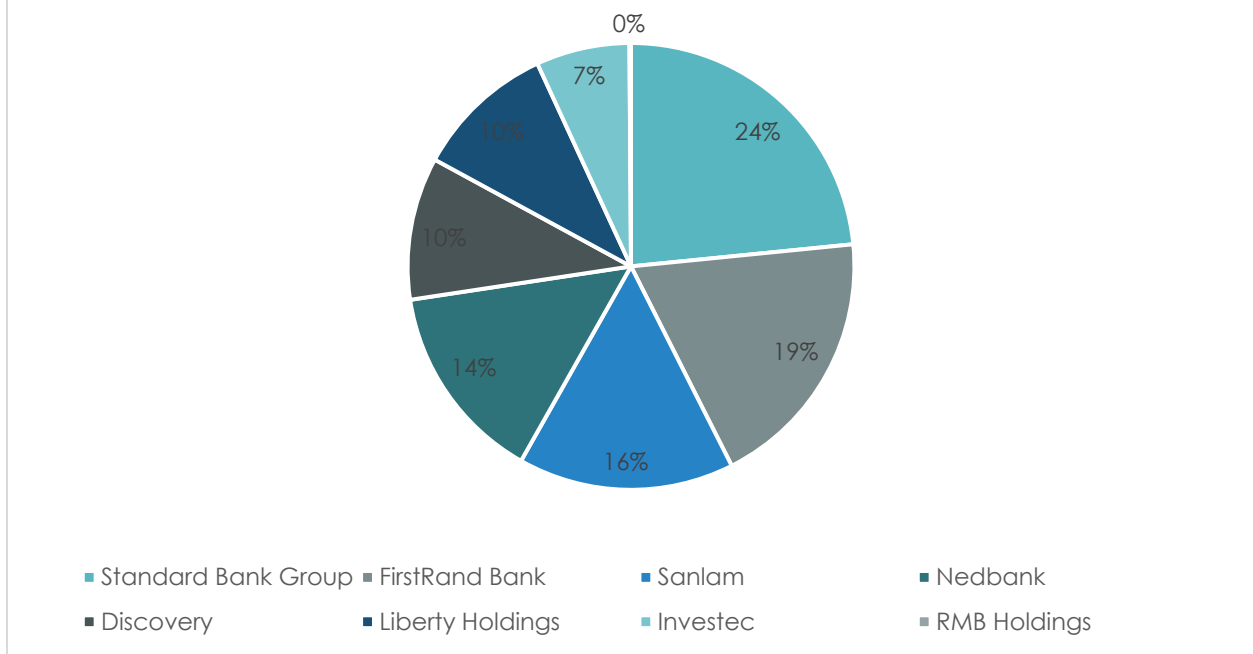


Figure 2 Banking & Financial Sector by Revenue 2022

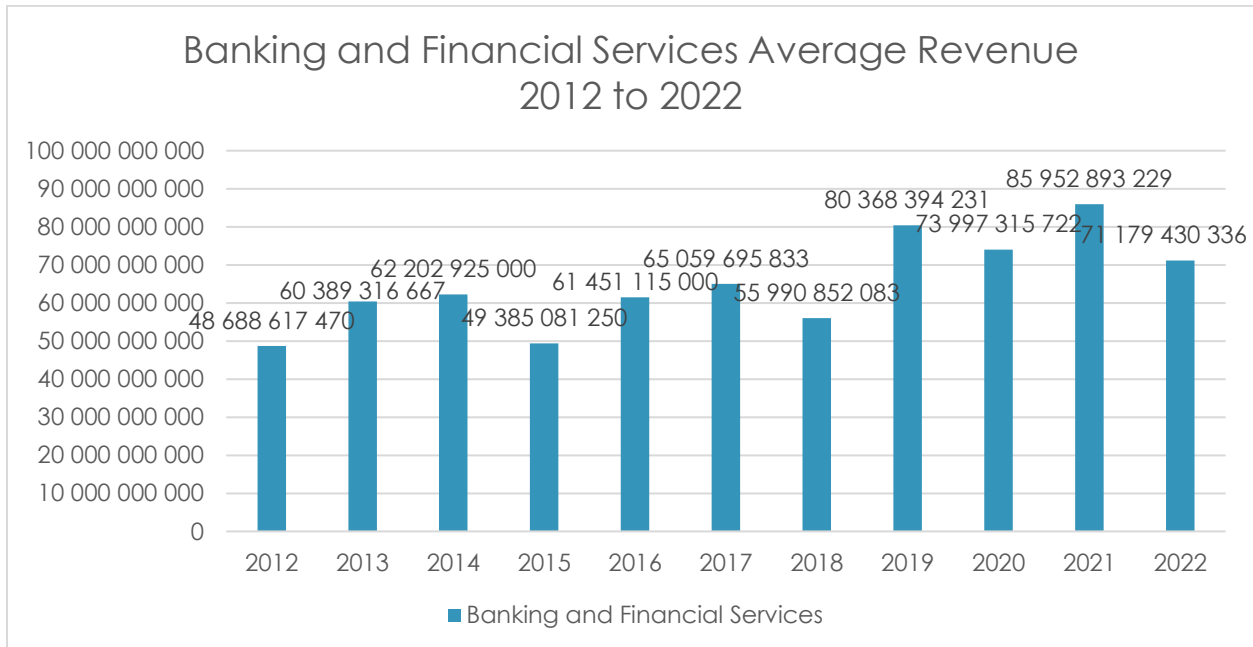


Figure 3 Banking & Financial Sector Average Revenue 2012 - 2022

Banking and Financial Services Revenue 2012 to 2022



Figure 4 Banking & Financial Sector Revenue 2012 to 2022

Profit before Tax

In 2020, every company in the sample reported a decrease in Profit Before Tax (PBT), except for RMB Holdings, which reported a noteworthy increase. It's important to note that this increase was due to discontinued operations and not from actual PBT generated. In 2022, every company on the list reported an increase in Profit Before Tax. RMB Holdings reported a loss of ZAR 62 million before tax in 2021, which turned into a profit before tax of ZAR 629 million in 2022. However, these results are not directly comparable due to the change in its financial year).

Standard Bank reported the highest increase in PBT in our sample. When comparing the period between 2020 and 2022, its Profit Before Tax (PBT) increased by 126%. Standard Bank is one of the largest banks in Africa in terms of assets⁸. The remaining banks in our sample also nearly doubled their PBT, rebounding from the COVID-19 period in 2020 to the current financial year of 2022.

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 was delisted on 1 March 2023.⁹

⁸ <https://businesstech.co.za/news/banking/701565/the-biggest-banks-in-south-africa-in-2023/>

⁹ <https://businesstech.co.za/news/banking/506282/standard-bank-in-buyout-offer-for-liberty-holdings/>

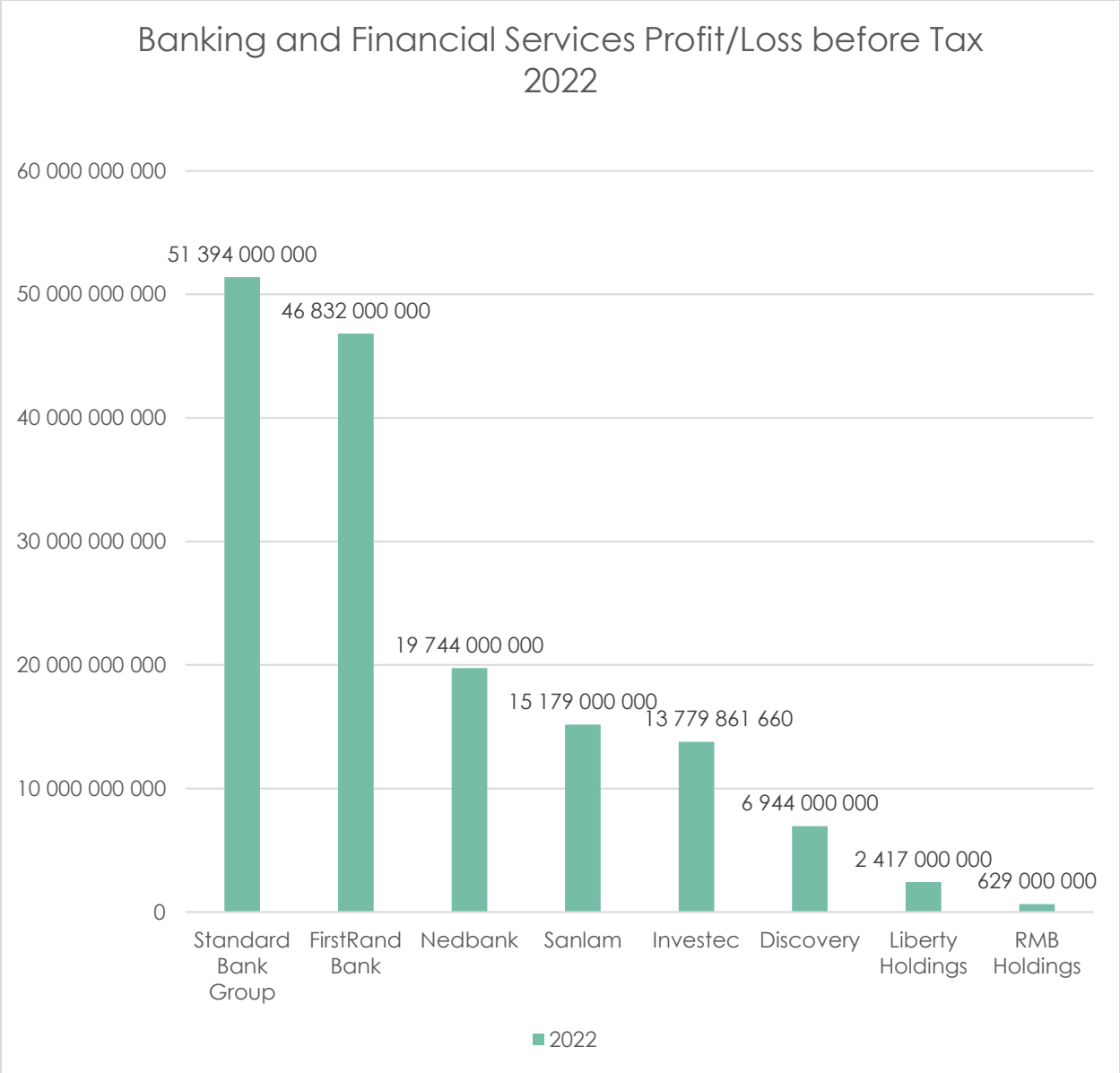
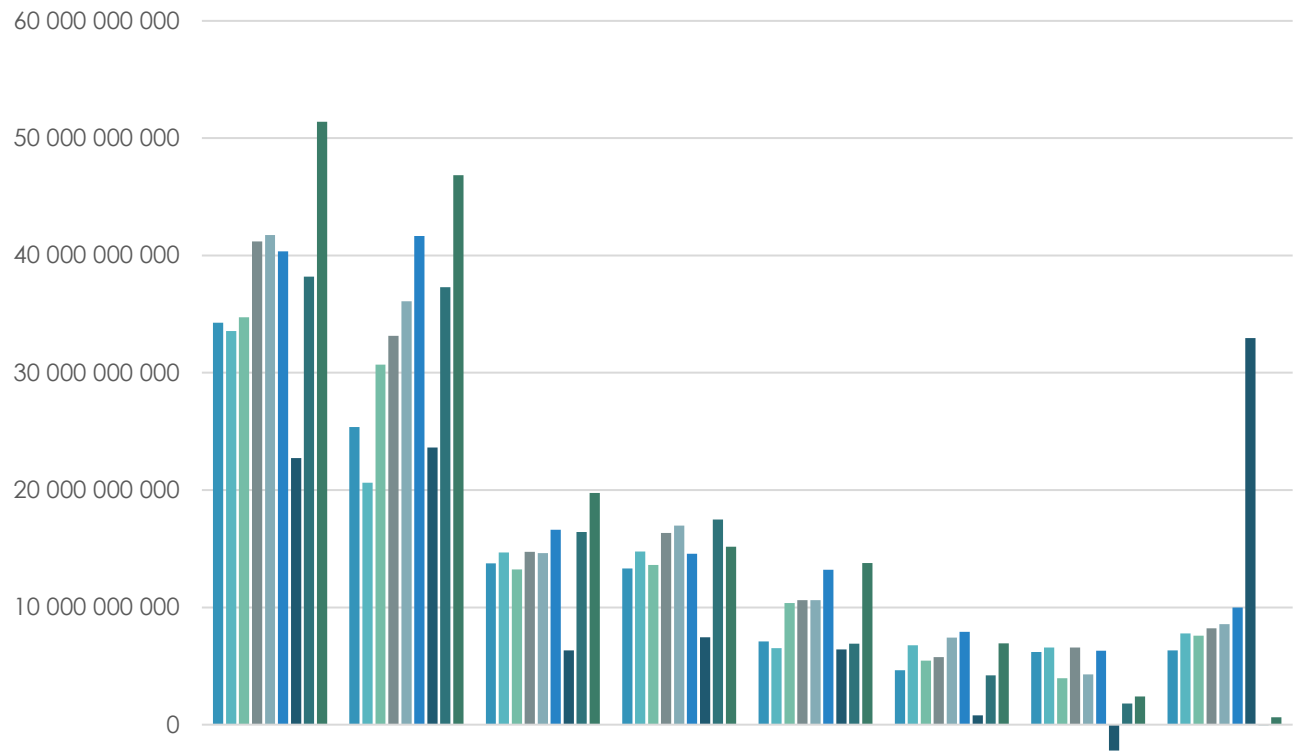


Figure 5 Banking & Financial Services PBT 2022

Banking and Financial Sector PBT 2014 to 2022



	Standard Bank Group	FirstRand Bank	Nedbank	Sanlam	Investec	Discovery	Liberty Holdings	RMB Holdings
■ 2014	34 274 000	25 377 000	13 759 000	13 329 000	7 090 116	4 641 000	6 209 000	6 338 000
■ 2015	33 547 000	20 635 000	14 681 000	14 769 000	6 533 183	6 766 000	6 590 000	7 778 000
■ 2016	34 726 000	30 687 000	13 223 000	13 604 000	10 363 820	5 470 000	3 951 000	7 574 000
■ 2017	41 194 000	33 157 000	14 721 000	16 332 000	10 623 566	5 772 000	6 568 000	8 207 000
■ 2018	41 738 000	36 094 000	14 635 000	16 966 000	10 624 983	7 412 000	4 297 000	8 582 000
■ 2019	40 344 000	41 672 000	16 606 000	14 561 000	13 215 480	7 919 000	6 297 000	9 996 000
■ 2020	22 741 000	23 628 000	6 331 000	7 439 000	6 401 649	800 000 00	-2 219 000	32 961 000
■ 2021	38 208 000	37 291 000	16 430 000	17 502 000	6 907 687	4 195 000	1 804 000	-62 000 00
■ 2022	51 394 000	46 832 000	19 744 000	15 179 000	13 779 861	6 944 000	2 417 000	629 000 00

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022

Figure 6 Banking & Financial Sector PBT 2014 to 2022

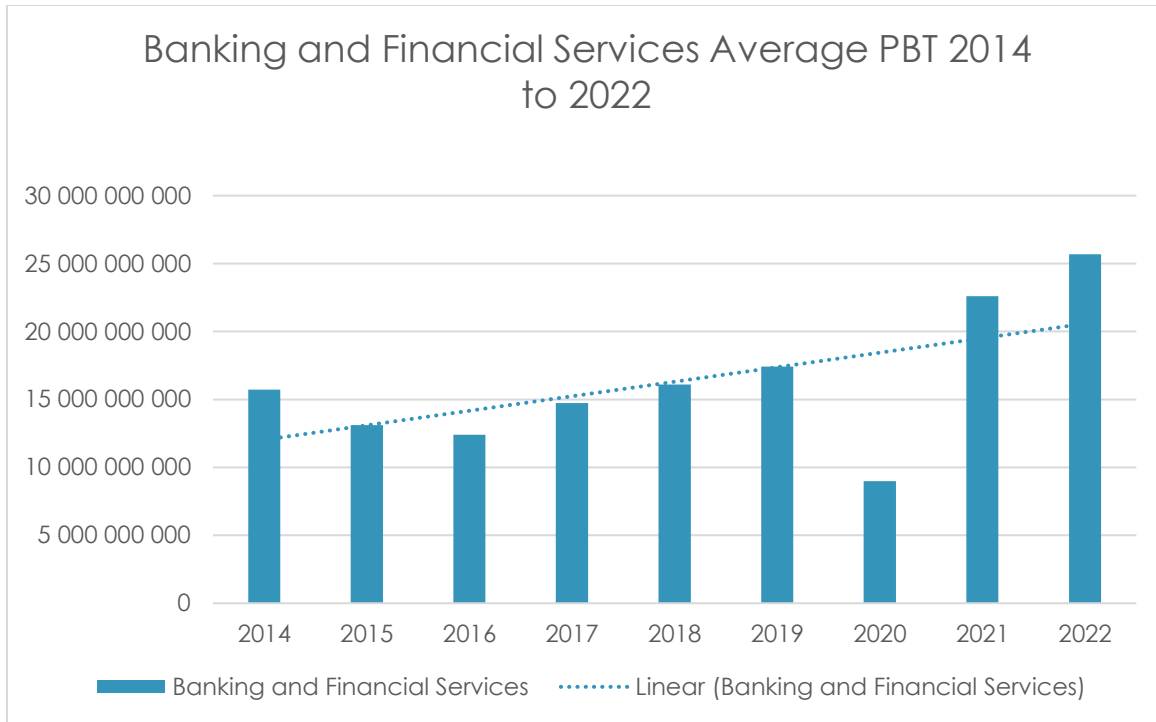


Figure 7 Banking & Financial Sector Average PBT 2014 to 2022

Directors' Remuneration

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

Our sample shows a moderate upward trend in CEO remuneration over the years, with a notable spike in 2015 due to a large average Long-Term Incentive (LTI) payout. Although the trend declined somewhat starting in 2016, it has begun to rise again over the past two years, corresponding with an increase in revenue. It's worth noting that there is a significant gap in remuneration between CEOs who receive substantial LTI payments and those who see only marginal increases in their compensation. This highlights the importance of considering LTI payments when evaluating the average total remuneration.

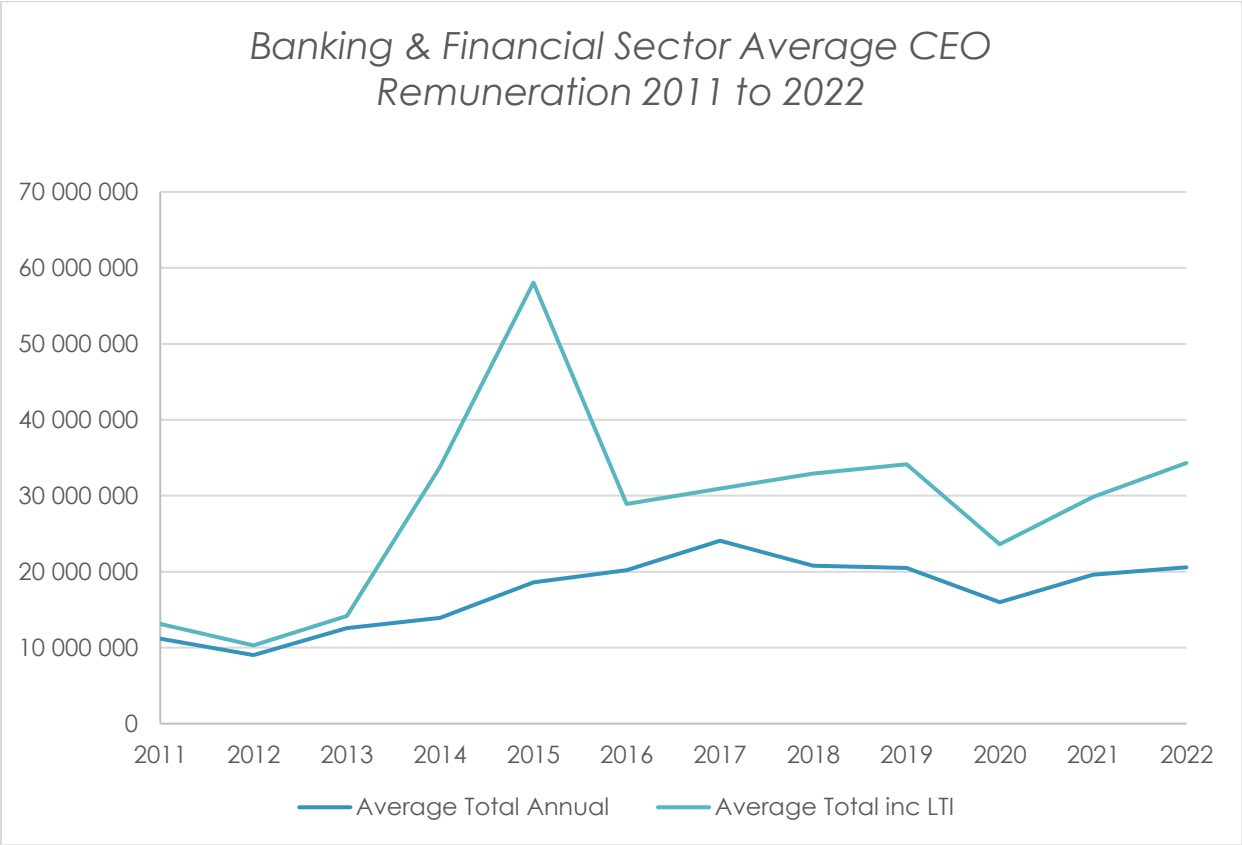


Figure 8 Banking & Financial Sector Average CEO Remuneration 2011 to 2022

CEO Remuneration 2022

In the current financial year, Investec's CEO, Fani Titi, was the highest paid in our sample: his total package increased from ZAR 39 million to ZAR 89 million in 2022. Notably, he received no LTI in 2021; in 2022, he was awarded an LTI of ZAR 32 million. This is an increase of 116.77% on his total remuneration. Another high earner was Sim Tshabalala of Standard Bank. His total remuneration rose from ZAR 28 million in 2021 to ZAR 55 million in 2022, with an LTI of ZAR 25 million in 2022. This amounts to a 95.59% increase. All other executives in our sample also experienced an increase in total remuneration, except for Sanlam's Lizé Lambrechts, who retired in 2022 with a package of ZAR 6 million.

On average the non-executive remuneration has increased from 2021 to 2022 by 15.75%.

CEO Remuneration 2022

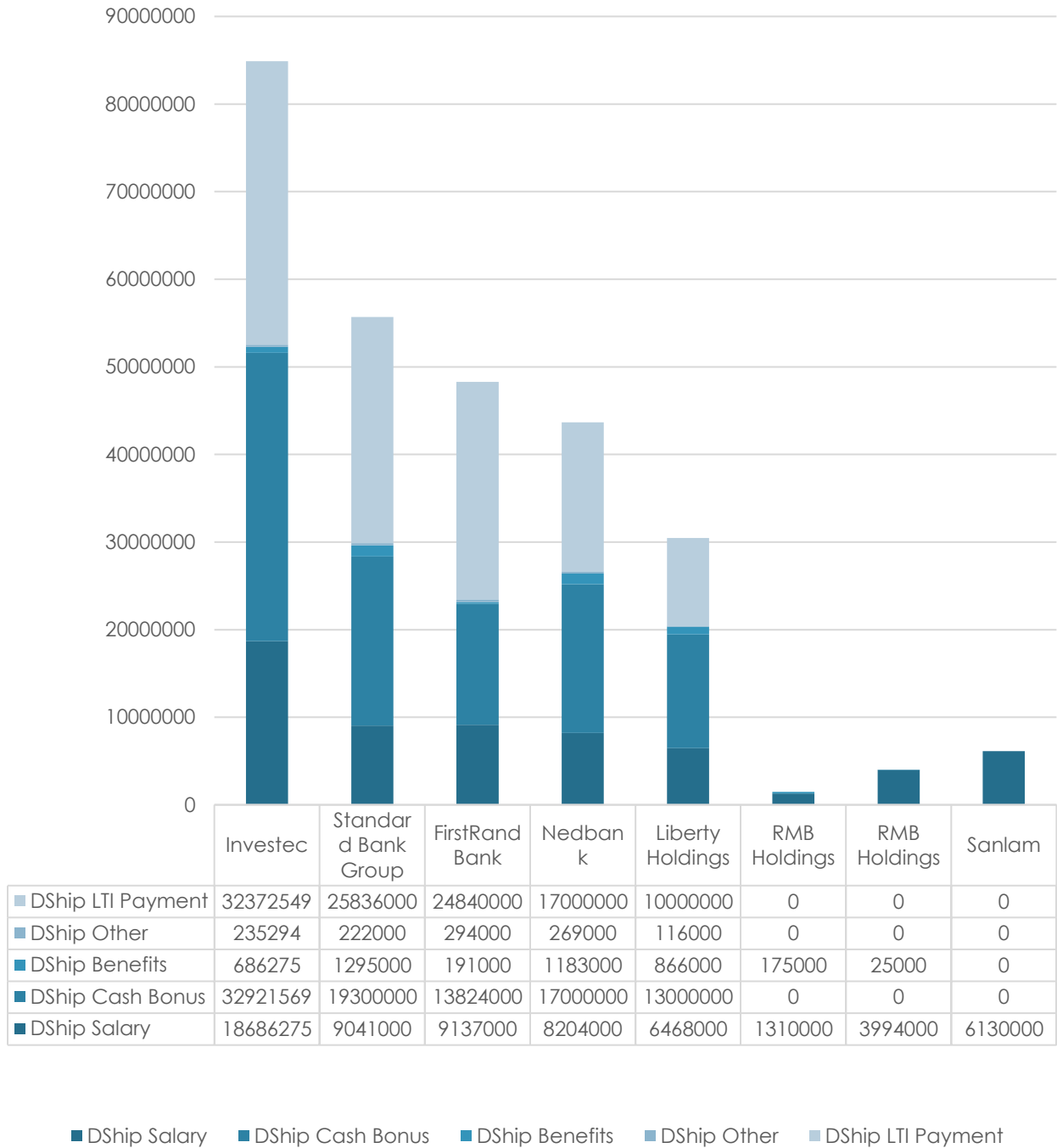


Figure 9 Banking and Financial Sector CEO Remuneration 2022

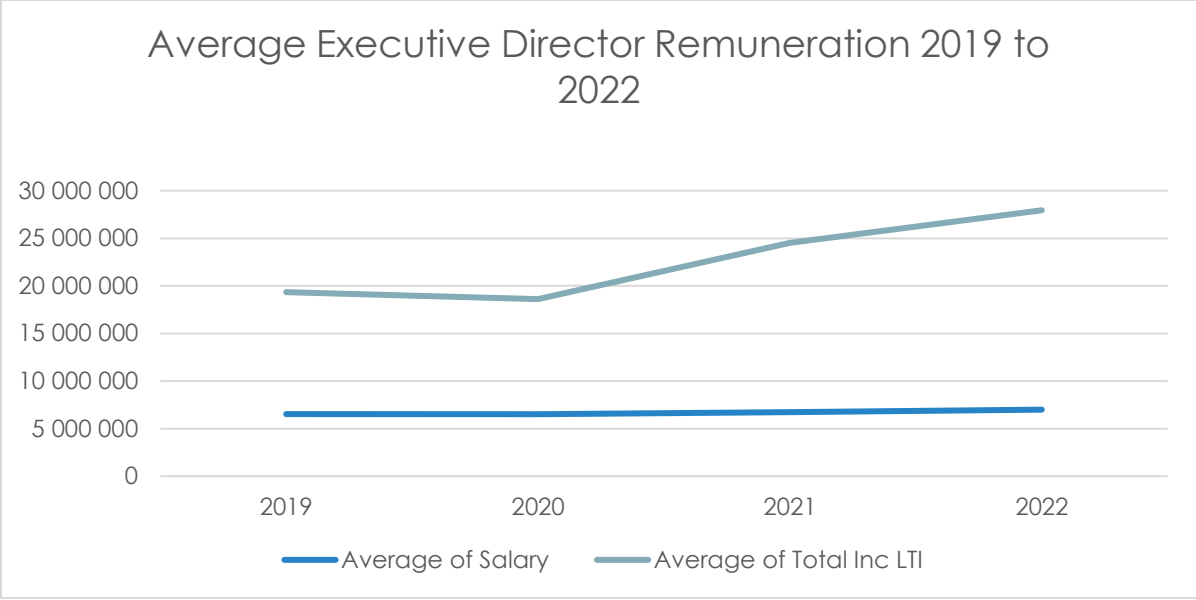


Figure 10 Banking & Financial Sector Average ED Salary & Total Remuneration 2019 - 2022

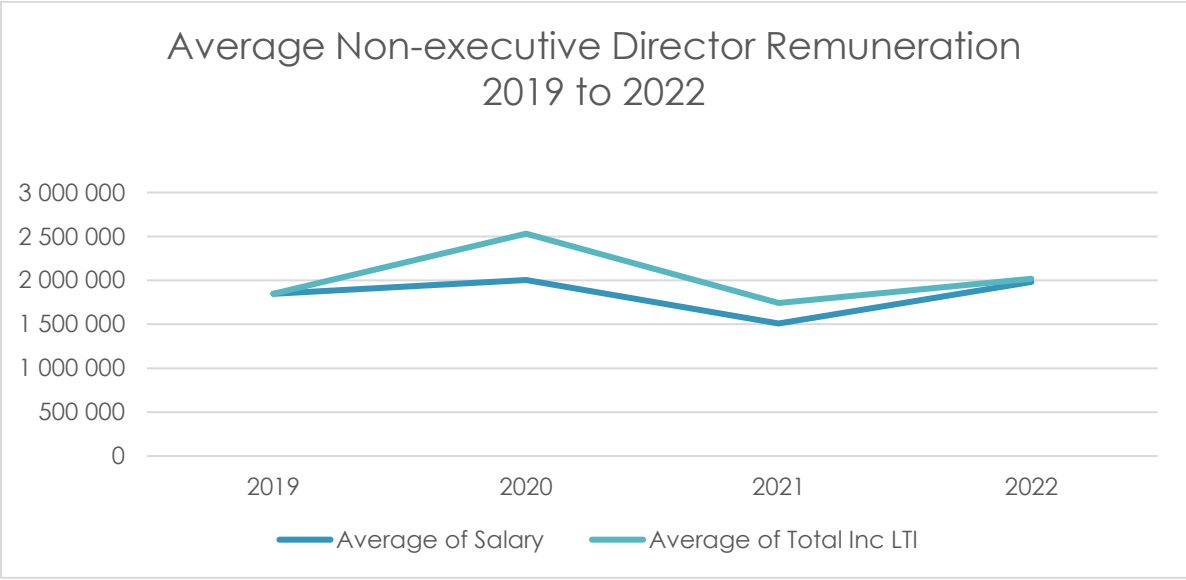


Figure 11 Banking & Financial Sector Average NED Salary & Total Remuneration 2019 to 2022