

A low-angle photograph of a man in a light-colored suit and patterned tie looking upwards. In the background, a tall skyscraper with a blue facade reaches towards a bright blue sky with some light clouds. The perspective is from below, looking up at the man and the building.

Inclusive Business:

Integrating Small Entrepreneurs in the Value and Supply Chains

05 April 2012



Standard Bank

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The Inclusive Banking Vision



Providing access to banking to all customers on a sustainable basis, with banking defined as the:

- **Store of value** (*Transactional, Wallet and Savings*)
- **Transfer of value** (*Transactions and Payments*)
- *Protection of value (Insurance and Assurance)*
- *Access to value (Lending)*

through:

- *Simplicity*
- *Transparency*
- *Convenient access and service*
- *Dignified customer experience, and*
- *Affordable to customers and at a low cost to the bank*

Problem Statement

- As a result of South Africa's discriminatory history, the country is characterised by a 2-tier economy
- Approximately 12.5m South Africans of an adult population of 33.5m (37%) are unbanked, in large part because traditional banking channels have been inaccessible to much of the population. These people fall into the 'informal market' – those people earning less than R3,000 per month (22m people). It is estimated that the average informal customer lives 50km from the nearest branch (Finscope SA 2010)
- This, coupled with costly banking products, has kept people outside the formal banking sector resulting in an estimated R12bn "under mattresses"
- The twin problems of enabling the unbanked to access banking without the cost of putting a branch within distance of every South African means that alternative low cost distribution channels had to be sourced

Finscope 2010 Standard Bank presentation

Standard Bank Inclusive Banking - overview

- Standard Bank's Community Banking unit was formed in 2007 with the aim of applying the agent banking model by developing third party distribution channels to enable the delivery of banking services outside conventional bank branches
- By June 2010 Community Banking had partnered with approximately 1,000 informal retailers, such as spaza shops and taverns, to deliver banking products and services in communities
- Community Banking was absorbed into a newly formed Inclusive Banking in June 2010. Standard Bank's Inclusive Banking division was set up to facilitate Standard Bank's goal of being a leading financial services group in emerging markets. This requires that we profitably service all market segments, including those that have been under serviced or excluded from the formal financial services sector
- The goal was financial inclusion. The challenge was to provide more convenient points of representation while at the same time reducing the cost to serve, and rapidly scaling the Community Banking retailer distribution footprint to achieve ubiquity and competitive advantage became the focus



Alternative distribution Objective....

What.....

❑ Banking the unbanked

- Creating easy access to banking facilities for the unbanked
- Affordable banking for low income customers
- Simplified product set

❑ Bank the entire value chain

- Via supplier value chain management
- Cashless solution (rotating money within SBSA)

*Inclusive Banking Customers'
Channel Preference for USAGE:*

1. Cellphone Banking
2. POS
3. ATM
4. Loan Centres
5. Access Points
6. M7
7. Branch

How.....

❑ AccessPoint acquisition

- Sourcing AccessPoints and key accounts
- AccessPoint support,
- Provide resources (devices, collaterals, capital)
- Technical support

❑ AccessPoint maintenance and sustainability

- Loyalty programme
- promotional activities
- Rewards
- New product introduction
- Trade visits
- Field reps

❑ Cost effectiveness

- Cost displacement via AccessPoint based transactions
- Low management cost
- Low cost sales set



Spaza Shops Facts

- There are about 100 000 spaza shops in South Africa
- There are more than 40 000 spazas in Gauteng alone
- Each spaza shop employs between two and three people providing between 230 000 to 290 000 jobs, which supports more than a million people
- Spaza shops have an estimated annual turnover of about R7,4 billion, capturing about 2,7 percent of South Africa's retail trade.
- A more detailed analysis can be provided upon request



Population stats and Banking services access

Province	Population size	Currently Banked	Previously Banked	Never Banked	Number of SBSA Bankshops	Number of ATM's	Number of Bank branches(All banks)
Kwazulu Natal	10 819 130	19%	23%	22%	2051	1155	480
Gauteng	11 328 203	29%	27%	15%	2433	6781	882
Eastern Cape	6 829 958	12%	10%	15%	1122	2058	356
Limpopo	5 554 657	7%	6%	14%	737	1048	197
Mpumalanga	3 657 181	7%	2%	11%	469	1143	204
North west	3 253 390	6%	7%	7%	850	1150	178
Free state	2 759 644	5%	5%	7%	515	1024	206
Western cape	5 287 863	13%	16%	7%	1306	3699	541
Northern cape	1 096 731	2%	4%	3%	235	413	117
Total	50 586 757	100%	100%	100%	9719	20494	3161



Inclusive Banking

How are we going to achieve our goal?



Accessibility



1. Affordability
2. Convenience
3. Simplicity
4. Dignity
5. Cost Effectiveness/Security

Some of our Achievements at the end of 2011



Leader
in
Affordable Housing
(R3.5bn in 2011)



Over 300k
Unsecured Lending
Customers
(R2.4bn in 2011)

What do AccessPoints do?

AccessPoints sell value-added and financial services

Value added services

- Prepaid airtime
- Prepaid electricity

Cash – non-Standard Bank customers

Financial services

- Money transfer (cash to cash money send)
- Cash in (deposit)
- Cash out (withdrawal)
- Balance enquiry

Cash-to-cash – non-Standard Bank customers

Card - Standard Bank customers

Note:

“Standard Bank customer “means any Standard Bank South Africa accountholder

“Non-Standard Bank customer “means someone who may be banked elsewhere or who has no bank account at all

What do AccessPoints do?

via a

Terminal

- Free – no installation, rental or servicing costs
- Takes up minimal space
- Easy user interface
- Dual MTN and Vodacom SIM – no communication costs
- Various levels of security for different users
- Prints out end of day and end of batch reports
- **Requires an electrical power supply**

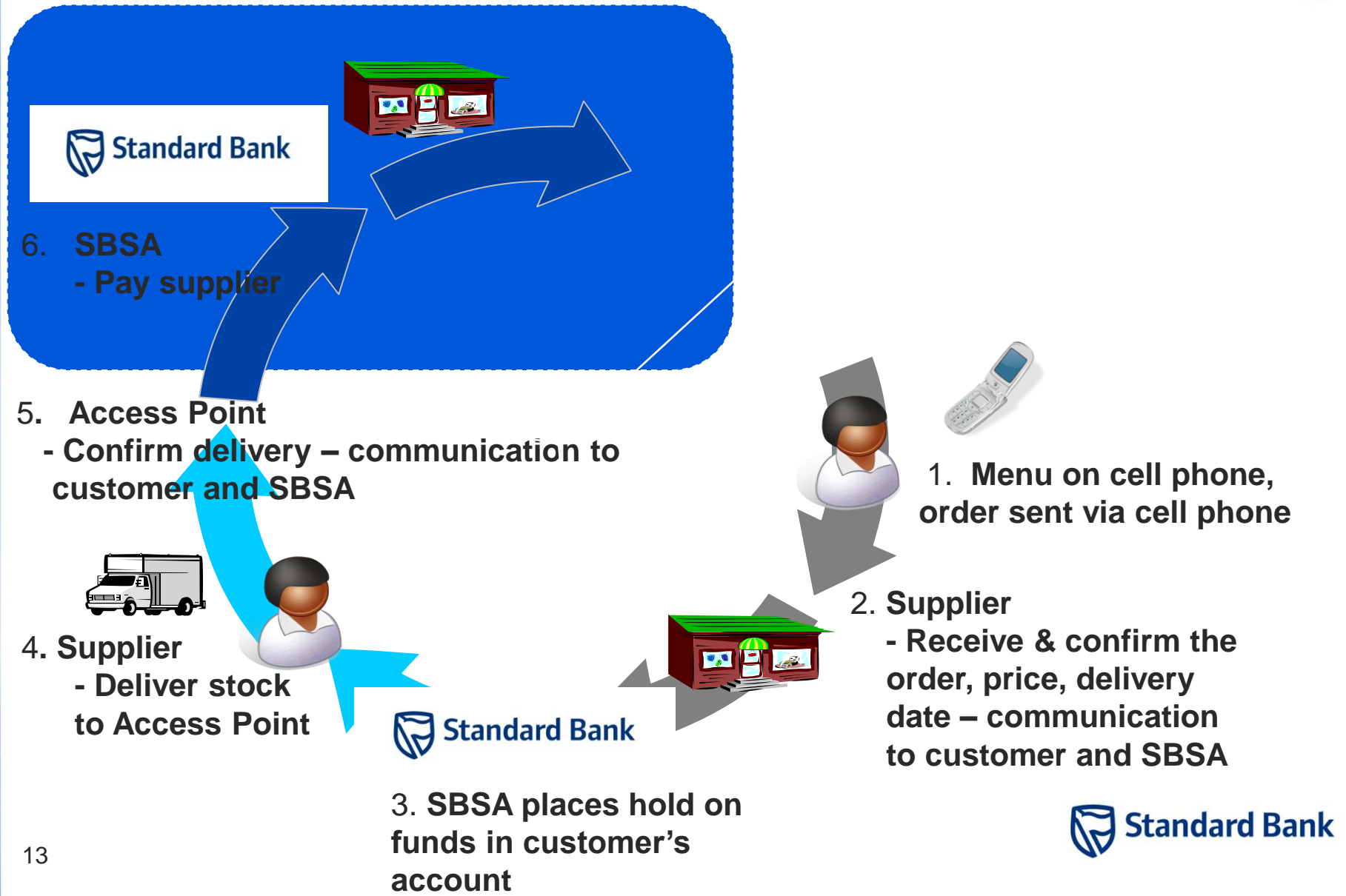


linked to a

Standard Bank account

- Free to open
- Opened at place of business
- No monthly fees
- No transaction costs (for terminal services such as airtime, electricity, money transfers, cash-in and cash-out)
- Rebates in respect of terminal transactions
- Access via internet, cellphone and card
- **Green barcoded RSA ID and proof of address required to open**
- **Required to be funded in order to transact**

Supply Value Chain Management – end-to-end stock ordering solution



End....

