



Standard Bank Group  
ANNUAL INTEGRATED  
REPORT 2017

Our reporting suite	2
About this report	4

# CONTENTS

## OUR BUSINESS

Who we are	8
Our approach to value creation	10
Our group strategy	12
Our shared value model	14
Managing our risks	16
Measuring our strategic progress	18
Why invest in us?	30

6

## OUR PERFORMANCE

Chairman's statement	34
Group chief executive's review	36
Group financial review	40
Personal & Business Banking	54
Corporate & Investment Banking	62
Wealth	70
Human capital report	78
Information technology report	86
Risk report	92

32

## OUR ACCOUNTABILITY

Corporate governance overview	100
Remuneration overview	110

98

## ADDITIONAL INFORMATION

<i>Pro forma</i> financial information	122
Standard Bank Group Limited credit ratings	123
Contact and other details	ibc

120



## OUR PURPOSE

– the reason we exist

Africa is our home,  
**we drive her growth.**

## OUR VISION

– what we aspire to be

To be the **leading financial services organisation in, for and across Africa**, delivering exceptional client experiences and superior value.

### ASSETS GROUP

**R2 028 billion**  
(2016: R1 952 billion)

### HEADLINE EARNINGS GROUP

**R26 270 million**  
(2016: R23 009 million)

### RETURN ON EQUITY GROUP

**17.1%**  
(2016: 15.3%)

### COMMON EQUITY TIER 1 GROUP

**13.5%**  
(2016: 13.9%)

### COST-TO-INCOME RATIO BANKING ACTIVITIES

**55.7%**  
(2016: 56.3%)

### B-BBEE<sup>1</sup> SOUTH AFRICAN BANKING OPERATIONS

**Level 1** STATUS  
(2016: Level 2)

<sup>1</sup> Broad-based black economic empowerment.

# OUR REPORTING SUITE

We produce a full suite of reports to cater for the diverse needs of our stakeholders.

## References

These icons refer readers to information elsewhere in this report or in our other reports, which are available online.

### This report

## Annual integrated report



Provides a holistic assessment of the group's ability to create value. It considers the issues that are material to our commercial viability and social relevance, which are required to achieve our strategy in the medium to long term. These include the macroeconomic and socio-political conditions in which we operate. Where applicable, information in this report has been extracted from other publications in our reporting suite.

### Frameworks\* applied

- JSE Listings Requirements
- King Code
- <IR> Framework of the International Integrated Reporting Council

### Assurance

Certain information in this report has been extracted from the group's audited annual financial statements.

AIR pg

*Intended readers: primarily **our providers of financial capital**, being our shareholders, depositors and bondholders, but information relevant to our other stakeholders is also included.*

## Report to society



An account of the group's social, economic and environmental impacts and how these contribute to the group's sustainability and its ability to achieve its purpose.

Our supplementary environmental, social and governance report, and our transformation report to society are available online.

### Frameworks\* applied

- King Code
- FTSE/JSE Responsible Investment Index Series and Dow Jones/RobecoSAM
- Sustainalytics
- Carbon Disclosure Project
- United Nations Sustainable Development Goals
- Equator Principles
- Global Reporting Initiative (as a guide)

### Assurance

KPMG Inc. has provided assurance over selected information in the report to society.

RTS

*Intended readers: the group's **broad base of stakeholders**, particularly clients, employees, business partners, regulators, government and civil society organisations.*

### \*Definitions:

Banks Act – South African Banks Act 94 of 1990  
Companies Act – South African Companies Act 71 of 2008  
FTSE – Financial Times Stock Exchange  
IFRS – International Financial Reporting Standards  
JSE – Johannesburg Stock Exchange  
King Code – King Report on Corporate Governance, also known as King IV  
The group – Standard Bank Group

The invitation to the annual general meeting and the notice of the resolutions to be tabled at the meeting will be sent separately to shareholders and is also available on our website at: [www.standardbank.com](http://www.standardbank.com)

Intended readers of the reports below: shareholders, debt providers and regulators.

## Governance and remuneration report



A detailed review of the group's governance and remuneration practices, including the group's remuneration policy and remuneration implementation report.

### Frameworks\* applied

- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code
- Basel III

### Assurance

Certain information in the governance and remuneration report has been extracted from the group's audited annual financial statements.

GOV  
REM

## Annual financial statements



Sets out the group's full audited annual financial statements, including the report of the group audit committee.

### Frameworks\* applied

- IFRS
- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code

### Assurance

Unmodified audit opinion expressed by KPMG Inc. and PricewaterhouseCoopers Inc.

AFS

## Risk and capital management report



A detailed view of the management of risks relating to the group's operations.

### Frameworks\* applied

- Various regulations, including Basel III
- Banks Act
- IFRS
- JSE Listings Requirements
- King Code

RCM

## The Standard Bank of South Africa Limited (SBSA) annual report



As the group's largest banking subsidiary, SBSA produces its own annual report and audited annual financial statements.

### Frameworks\* applied

- Various regulations, including Basel III
- IFRS
- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code

### Assurance

Unmodified audit opinion expressed by KPMG Inc. and PricewaterhouseCoopers Inc.

## Liberty Holdings Limited (Liberty)

As a separate listed entity, Liberty prepares its own integrated report and audited annual financial statements. These reports are available at [www.libertyholdings.co.za](http://www.libertyholdings.co.za).

## Other subsidiaries and operations

Our other subsidiaries, including our operations in the Africa Regions, produce their own annual reports and audited annual financial statements, which are available on their respective websites, where applicable.



To assist in the reduction of the group's carbon footprint we urge our stakeholders to make use of our reporting site to view our reporting suite at [www.standardbank.com/reporting](http://www.standardbank.com/reporting) or scan the above code to be taken there directly.



# ABOUT THIS REPORT

As our primary report, the annual integrated report considers the issues that are material to achieving the group's strategy in the medium to long term.

This report covers the period 1 January 2017 to 31 December 2017 and includes material issues up to the board approval of this report on 7 March 2018.

This report explains our dependence and impact on the forms of capital that are fundamental to achieving our performance expectations in the short term and our vision in the medium term, within the context of our multi-generational purpose. In this regard, we use terms that stay true to the articulation of the group strategy and definition of value, which is described as the outcomes we aim for – what success looks like – in each of our

strategic value drivers. The six capitals are implicit in the value drivers that underpin our strategy, and in our material issues. The boundary of this report extends, therefore, to our relationships outside the organisation that affect our ability to create value over time.

Financial information has been prepared on an IFRS basis, unless otherwise specified. Material non-financial information is included, where relevant. Any restatements of comparable information have been noted.

## Reporting scope and boundary

This report primarily discusses the group's banking activities which includes the group's wealth businesses (such as short and long term insurance products, asset management and pension fund businesses). It covers the businesses within Personal & Business Banking (PBB) and Corporate & Investment Banking (CIB), as well as our Wealth strategy.

Liberty, a subsidiary, and the Industrial and Commercial Bank of China (ICBC) Argentina and ICBC Standard Bank Plc (ICBCS), as associates, are included in this report where they are relevant to the group's strategic value drivers, but are not included in the metrics that relate specifically to our banking activities.

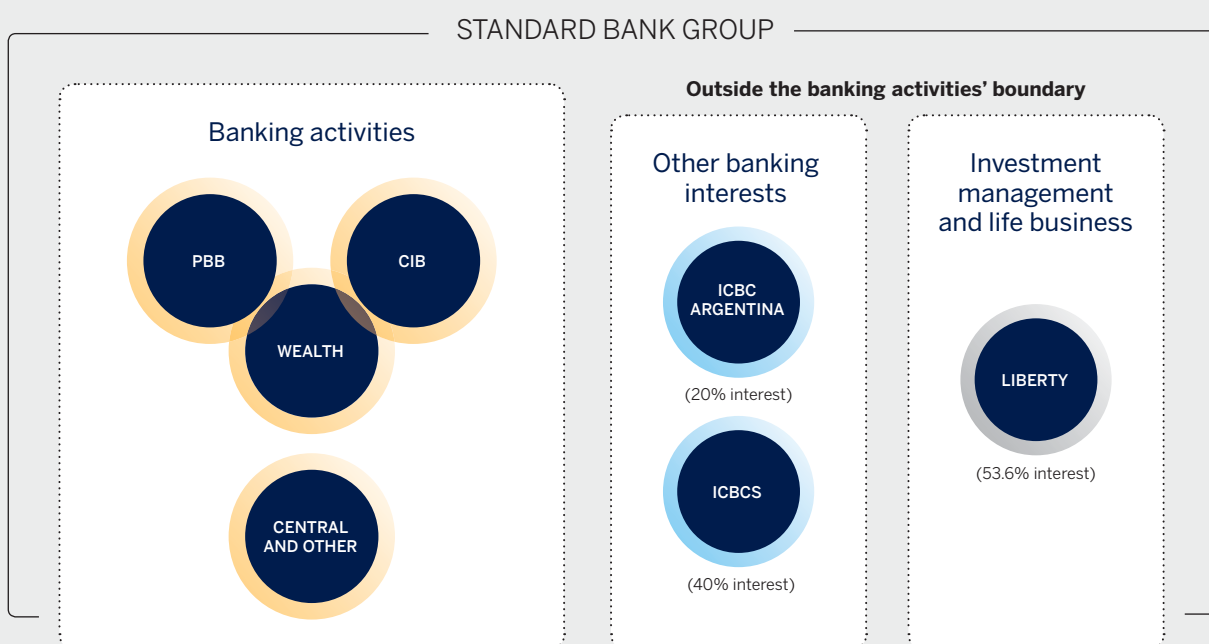
More detail on our relationship with Liberty, the associated risks and opportunities and its impact on our ability to create value as a group, is included in the Wealth review on page 70.

### Metrics boundary

Unless otherwise indicated, all data has been reported according to the banking activities' boundary.

**Lib** Indicates where Liberty is included in group data.

**SA** Indicates where information is specific to our South African banking operations only.



## Responding to our stakeholders

Our stakeholders are those individuals or organisations that have an interest in and whose actions impact on our ability to execute our strategy.

Our intention is to build and promote stakeholder engagement activities and relationships that are meaningful, and support us in fulfilling our purpose, enhancing our reputation and meeting regulatory requirements.

### A new approach to stakeholder engagement

In 2017, we conducted a pilot study to assess the quality of selected stakeholder relationships in South Africa. The results have informed changes to our engagement model and will drive systematic and inclusive stakeholder engagement. Going forward, we will broaden the assessment of relationships to include additional countries of operation.

## Materiality

We consider an issue to be material if it has the potential to substantially impact on our commercial viability, our social relevance and our relationships with our stakeholders. Our material issues are informed by the expectations and concerns of our stakeholders, and the social, economic and environmental context in which we operate. They are linked to our value drivers to direct the focus of our strategic planning and management priorities. We view the materiality determination process as a business tool that facilitates integrated thinking.

Further improvements to enhance stakeholder input into the material issues' determination process will be rolled out in 2018.

### How we determined our material issues

- Generated a list of material issues following a review of internal reports, external research reports and media coverage.
- Engaged with stakeholders to test the completeness of the list of material issues.
- Mapped the list of material issues to each strategic value driver, the ten social, economic and environmental (SEE) impact areas, and the top risks identified.
- Discussed the material issues with group management committee members.
- Developed a final list of material issues and categorised these according to the group's strategic value drivers.
- The final list of material issues was submitted to and approved by the group social and ethics committee.

## Statement of the board of the Standard Bank Group Limited

Business unit and corporate function management have approved the annual integrated report's content, and the group audit committee reviewed and recommended the report to the board of directors for approval.

The board acknowledges its responsibility to ensure the integrity of the annual integrated report and believes that the report addresses all material issues that have a bearing on the group's capacity to create value over the short, medium and long term.

The report was unanimously approved by the board on 7 March 2018 and is signed on its behalf by:



**Thulani Gcabashe**  
Chairman



**Sim Tshabalala**  
Group chief executive

## Assurance

Interviews with senior leadership, together with other internal sources of information, have been used to gather information for this report. An internal combined assurance review of the internal controls applied to the information gathering process was performed, together with reviews by management, compliance and internal audit to ensure the accuracy of our reporting content.

While this report is not audited, it contains certain information that has been extracted from the audited consolidated annual financial statements, on which an unmodified audit opinion has been expressed by the group's external auditors, KPMG Inc. and PricewaterhouseCoopers Inc., and from the group's report to society, on which assurance on selected information has been provided by KPMG Inc.



All our reports and latest financial results presentations, booklets and SENS announcements, are available online at [www.standardbank.com/reporting](http://www.standardbank.com/reporting). Financial and other definitions, and acronyms and abbreviations used in our reports can also be found here. Scan the QR code to be taken directly to the website.



We welcome the views of our stakeholders on our reports. Please email your feedback to [InvestorRelations@standardbank.co.za](mailto:InvestorRelations@standardbank.co.za).

For important information on forward-looking statements in this report, refer to the inside back cover.



# OUR BUSINESS

- 08 Who we are
- 10 Our approach to value creation
- 12 Our group strategy
- 14 Our shared value model
- 16 Managing our risks
- 18 Measuring our strategic progress
- 30 Why invest in us?





## WHAT'S YOUR NEXT?

Africa is our home, and we are passionate about driving her growth and fulfilling the aspirations and changing the lives of our clients.

We place our clients at the centre of everything we do by seeing them as the dynamic and unique individuals they are – each with their own unique aspirations and ambitions.

So everything we do is about enabling our clients to step up to their 'Next' – whether that's a house, their next holiday, growing their business' delivery fleet or buying a special gift.

We must learn quickly and strive to be better. We bring data, technology and service excellence together through new ways of working to empower our clients, and ensure that we continuously deliver an exceptional, personalised experience.

We believe in the African proverb, '*motho ke motho ka batho*' – we are because you are. We want our clients to keep asking themselves 'What's My Next?' Their answers allow us to partner with them on their unique journey through personalised products and solutions moulded to their individual needs.

# WHO WE ARE

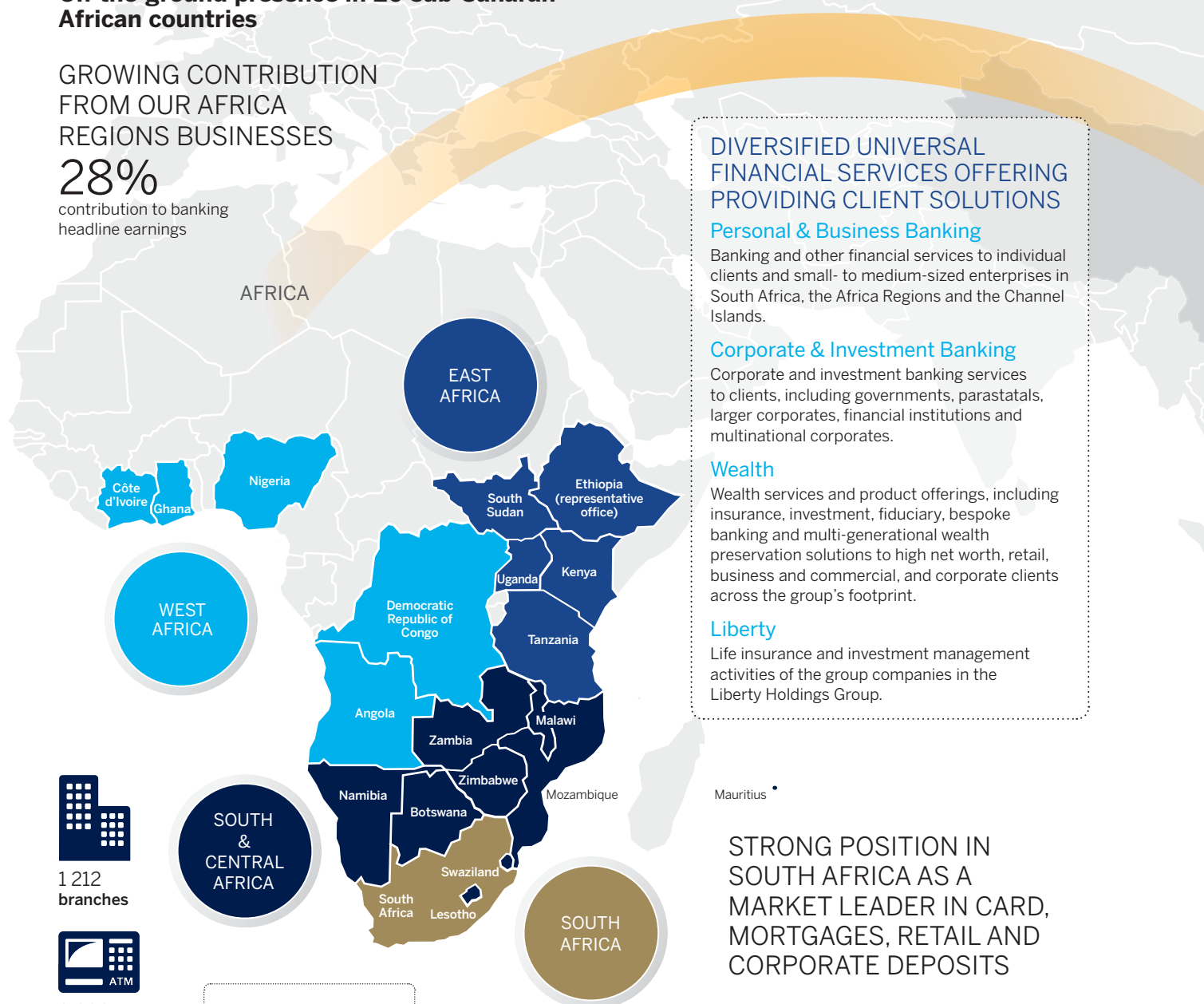
An African-focused, client-centric, digitally enabled universal financial services organisation.

## On-the-ground presence in 20 sub-Saharan African countries

GROWING CONTRIBUTION FROM OUR AFRICA REGIONS BUSINESSES

28%

contribution to banking headline earnings



1 212 branches



9 036 ATMs

Recognised brand



Standard Bank

Stanbic Bank

Valued people

48 322 PERMANENT EMPLOYEES



32 876 South Africa  
14 831 Africa Regions  
615 International

Digital capabilities

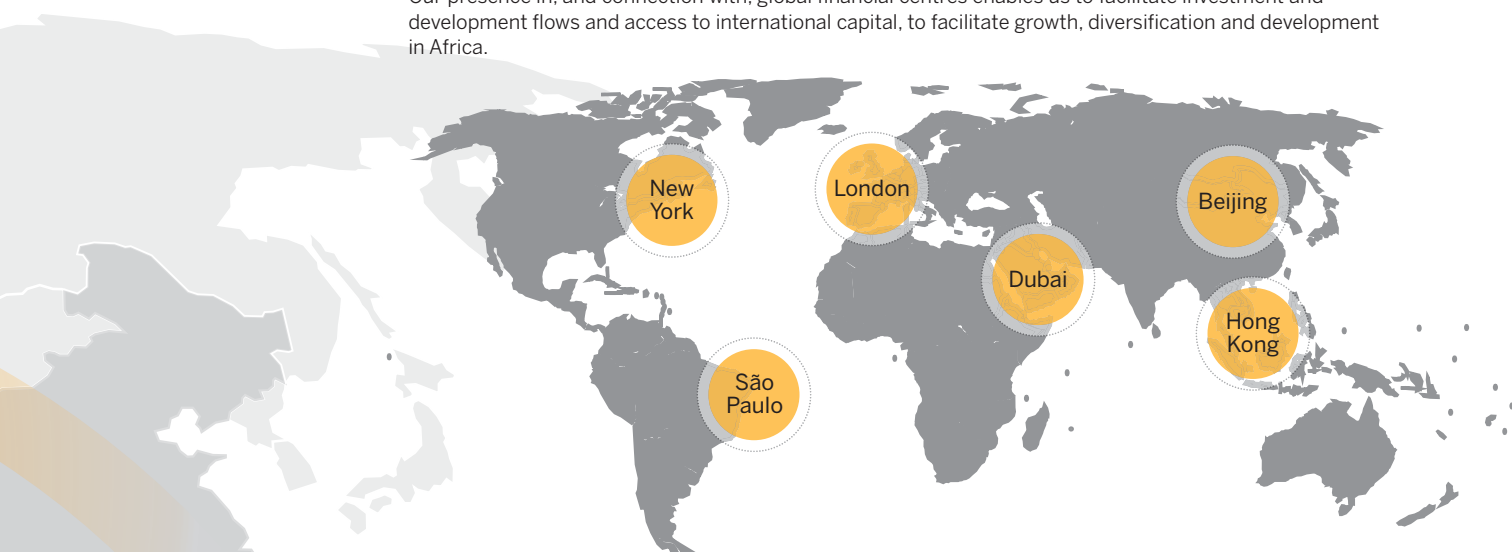


BEST-IN-CLASS TECHNOLOGY

Modernised core banking platforms.

## OFFICES IN SIX KEY CENTRES

Our presence in, and connection with, global financial centres enables us to facilitate investment and development flows and access to international capital, to facilitate growth, diversification and development in Africa.



## STRATEGIC PARTNERSHIP WITH ICBC

China remains Africa's largest trading partner and an increasingly important source of foreign investment across the continent. Our strategic partnership with ICBC provides us with a unique opportunity to provide financial services to our clients operating in the China-Africa corridor.

**In, for and across Africa, our purpose-led strategy is designed to realise the opportunities presented by Africa's longer-term structural trends.**

**GDP GROWTH IN SUB-SAHARAN AFRICA IS PROJECTED TO RISE TO 3.3% IN 2018 AND TO 3.5% IN 2019.<sup>1</sup>**

This growth is driven by firming commodity prices and strengthening domestic demand.

### Technology

With the rapid pace of technological advancement, there is increasing disruption as new competitors enter markets and an increase in cyber attacks on businesses and governments globally. Technologies such as blockchain and crypto-currencies are fundamentally changing the operating landscape of financial services, increasing the pressure to provide sustainable, affordable services.



**35.2% OF AFRICANS ARE ONLINE<sup>2</sup>**

Africa's relative underdevelopment enables the implementation of the latest technologies, which quickly replace older technologies such as fixed-line communications with mobile networks.

### Food security and commodities



**60% OF THE WORLD'S UNCULTIVATED ARABLE LAND IS IN AFRICA<sup>3</sup>**

The underutilisation of arable land across the continent holds vast potential for increased commercial agriculture and production of agricultural goods. Mitigating the impact of climate change will be an essential part of realising this potential.



**ONE-THIRD OF THE WORLD'S MINERAL RESERVES ARE IN AFRICA<sup>4</sup>**

The continent has 10% of the world's oil reserves, it also has the largest cobalt and diamond reserves and 95% of the platinum reserves, which are in South Africa.

### Youthful population

Africa's population is expected to double by 2050, and with an estimated median age of 20, demand for services will increase. Governments will be required to invest in education, healthcare and basic services to benefit from this 'demographic dividend'.



**1.5 BILLION AFRICANS WILL BE OF WORKING AGE (15 TO 64) BY 2050<sup>5</sup>**

Africa's working population of 659 million people is expected to grow to 861 million by 2020 and 1.5 billion by 2050, increasing pressure to drive employment growth.

<sup>1</sup> International Monetary Fund

<sup>2</sup> Internet World Stats (December 2017)  
www.internetworldstats.com

<sup>3</sup> World Bank

<sup>4</sup> Economics Intelligence Unit – African Development Bank

<sup>5</sup> United Nations Population Statistics

# OUR APPROACH TO VALUE CREATION



## GOVERNANCE APPROACH

### Governance for shared value

Our governance framework promotes strategic decision-making aimed at achieving the best possible shorter-term and longer-term outcomes for our stakeholders.

Our governance structures and processes are materially aligned to the principles and practices of King IV.

**AIR 100-109** Corporate governance overview.

### Performance linked to value creation

We are embedding a culture that combines high performance and ethical behaviour, and creating an environment in which our people are empowered and motivated to deliver exceptional client experiences.

**AIR 78-85** Human capital report.

### Remuneration that drives value over time

Our reward philosophy reflects the group's strategy. We combine reward elements that link directly to our values, our strategic focus areas, value drivers and financial performance criteria and thresholds.

**AIR 110-119** Remuneration overview.

**GOV REM** Our governance and remuneration report discusses how our governance framework and processes, and our board and committees, support the creation and protection of stakeholder value.

## ACTING ON OUR MATERIAL ISSUES

Our material issues synthesise the interests of the group and those of our stakeholders, and take into account structural shifts and cyclical pressures in our operating context. They are linked to our strategic value drivers, direct the focus of our strategic planning and management priorities, and inform our reporting to stakeholders.

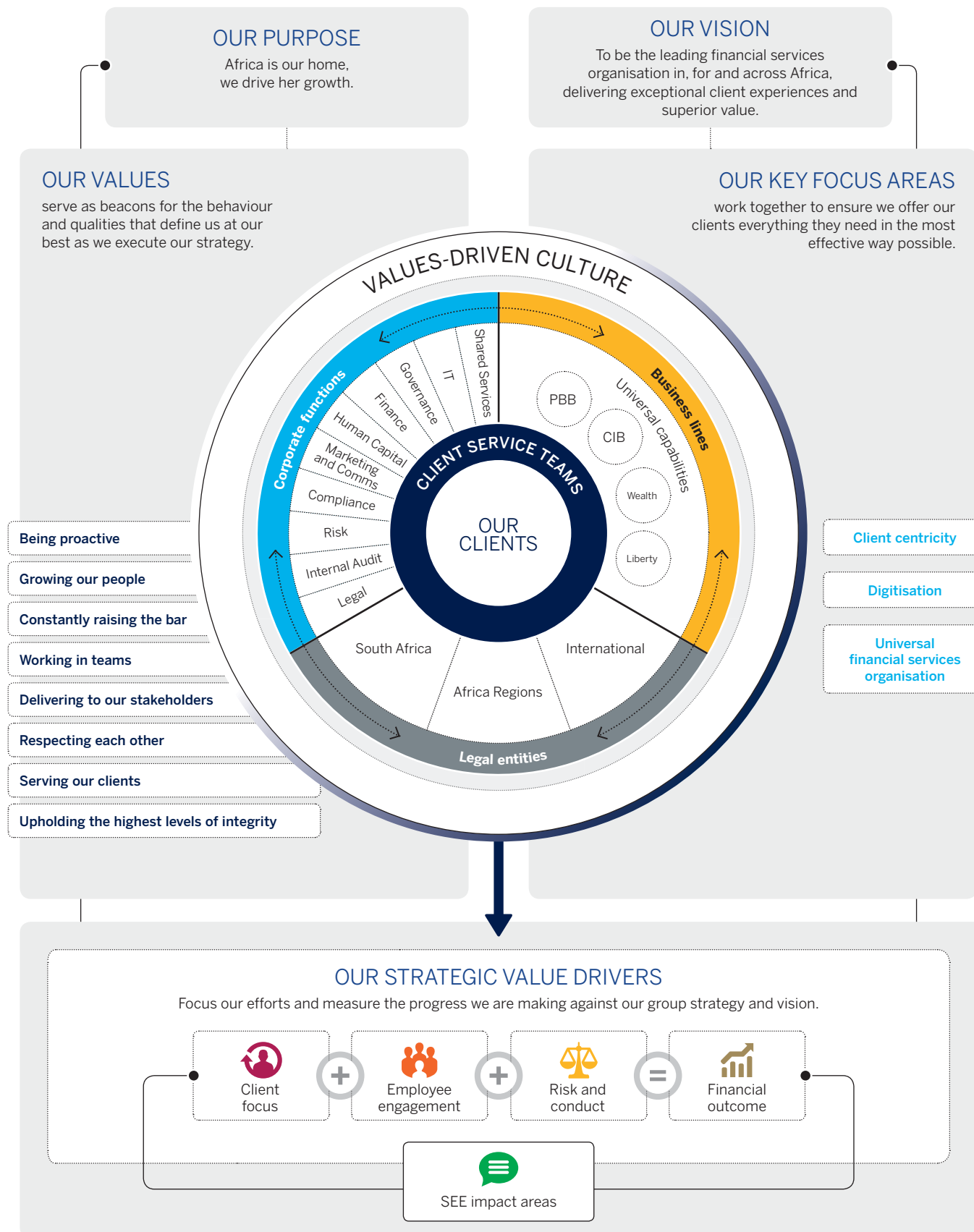
OUR KEY STAKEHOLDER GROUPS	MATERIAL ISSUES – IMPACTING OUR COMMERCIAL VIABILITY AND SOCIAL RELEVANCE	VALUE DRIVERS – HOW WE DEFINE AND MEASURE VALUE
CLIENTS	<ul style="list-style-type: none"> <li>Understanding the needs of our clients.</li> <li>Providing our clients with a personalised and comprehensive financial services offering.</li> <li>Empowering our people to better provide an excellent and consistent client experience.</li> <li>Making it easier, faster and safer to transact by accelerating innovation and digitisation.</li> <li>Partnering with our clients during challenging times.</li> </ul>	 <p><b>Client focus</b> Exceptional client experience – placing the client at the centre of everything we do.</p>
EMPLOYEES EMPLOYEE REPRESENTATIVES	<ul style="list-style-type: none"> <li>Attracting and retaining deeply committed people with the right skills and capabilities.</li> <li>Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving environment.</li> <li>Leveraging diversity and inclusion.</li> <li>Harnessing the potential of a multi-generational, pan-African local workforce.</li> <li>Creating an environment in which our people are engaged and enabled to take care of their well-being.</li> </ul>	 <p><b>Employee engagement</b> Making Standard Bank a great place to work.</p>
REGULATORS SUPPLIERS GOVERNMENTS	<ul style="list-style-type: none"> <li>Proactively responding to increased cybersecurity threats and protecting client information.</li> <li>Maintaining the stability, security and speed of our IT systems.</li> <li>Conducting our business in a responsible manner by doing the right business the right way.</li> <li>Responding to the pace, volume and scale of regulatory change.</li> <li>Supporting steps to combat financial crime, fraud and illicit financial flows.</li> </ul>	 <p><b>Risk and conduct</b> Doing the right business the right way.</p>
SHAREHOLDERS INVESTMENT ANALYSTS	<ul style="list-style-type: none"> <li>Growing the group's franchise by further building our on-the-ground presence in Africa, growing our client base, regional integration and leveraging trade and capital flows.</li> <li>Responding to challenging economic conditions, particularly South Africa's growth outlook and sovereign downgrades.</li> <li>Maintaining the resilience of our balance sheet.</li> </ul>	 <p><b>Financial outcomes</b> Delivering superior value to our shareholders.</p>
COMMUNITIES CIVIL SOCIETY	<ul style="list-style-type: none"> <li>Accelerating inclusive economic growth.</li> <li>Investing in Africa's infrastructure, notably that of energy, transport, telecommunications and health.</li> <li>Supporting innovation and investment that drives financial inclusion, education and a green economy.</li> <li>Harnessing the commercial opportunities of addressing societal challenges.</li> </ul>	 <p><b>SEE impact areas</b> Creating and maintaining shared value.</p>

RTS For a more detailed discussion of the group's SEE impacts.

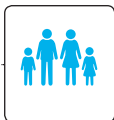


# OUR GROUP STRATEGY

Our strategy is designed to realise the opportunities that Africa presents.



## THE WAY WE WORK / THE WAY WE WIN



### Client centricity places our clients at the centre of everything we do.

**CLIENT CENTRICITY** requires that our people and processes are outwardly focused on our clients as their needs and expectations change. This means we align the way we plan, deliver and execute work, doing the basics brilliantly and consistently so that we can do what our clients value.

We are working to:

- See clients as **real people, not numbers**.
- Provide our clients with **relevant solutions**.
- Be a **trustworthy partner** on our clients' growth journeys.
- **Do the basics brilliantly** and **deliver on our promises** quickly, efficiently, reliably and respectfully.



### Digitisation means we are always on and always there to deliver our clients' and employees' needs in a secure, personalised and relevant way.

**DIGITISATION** is more than just technology – it is about delivering the full range of financial services through secure, personalised, relevant and digitally enhanced experiences to our clients and employees in real time, all the time.

We are working to:

- Ensure that the services our clients and employees need are **consistently available, anywhere, anytime** – irrespective of channel.
- **Use data proactively** to guide our decisions, discover valuable insights and deliver personalised experiences.
- Remove friction, paper-based processes and waste to ensure **intuitive, easy to use, reliable interfaces** for our clients and employees.
- Create a workplace that encourages **curiosity, digital thinking and continuous improvement** for quick and frequent refinement of ideas and brilliant delivery.



### Our ability to work across silos and offer an integrated Africa-wide service to our clients is a key differentiator.

Offering a complete range of **FINANCIAL SERVICES** follows from our commitment to client centricity, and reinforces the competitive advantages of our scale, scope and expertise. This means that our business units, legal entities and corporate functions must work as an integrated whole to service our clients' financial needs in a seamless way.

We are working to:

- **Seamlessly and efficiently deliver** the financial services organisation, so our clients have access to and experience all our propositions relevant to their needs.

## OUR VALUES-DRIVEN CULTURE

Our culture is 'the way we do things'. Our work to shift our culture for the better recognises that how we do things is as important as the things we do. Our culture is determined by our purpose, vision, values and our approach to ethics. Our code of ethics guides us to be responsible and respectful in our dealings with all our stakeholders, as we work to become Africa's leading financial services organisation. It outlines acceptable business conduct and is an important reference point for employees acting on behalf of Standard Bank. These clearly defined parameters empower us to make faster, more confident decisions that have the interests of our clients, and the people of Africa, at heart.

We are focusing on three critical behaviours that will shift our culture and make the most difference in supporting our strategic journey:

- Connect every team's work to the group's larger purpose of **serving our clients with integrity**.
- **Create common goals** across different areas and follow through urgently.
- Enable people to **take ownership** of their work and help to remove obstacles.

# OUR SHARED VALUE MODEL

Our shared value model connects commercial and social realities in a dynamic environment of competing stakeholder expectations, competitive forces and regulatory pressures.

## INPUTS

### Quality relationships with all our stakeholders

The quality of our relationships with our clients, providers of capital, regulators and other stakeholders underpins our legitimacy, reputation and competitiveness. We protect, advance and reconcile the individual and collective interests of our stakeholders to remain commercially viable and socially relevant.

- Profitable client relationships.
- Good standing with investors.
- Constructive relationships and dialogue with regulators and government.
- Collaborative relationships with suppliers and associates.
- Social and environmental risk management in financing activities.

### Our diverse, multi-generational pan-African workforce

Our people are our strongest competitive advantage. Their expertise, resilience and motivation is required to serve our clients and fulfil the expectations of our other stakeholders, according to our values and within the parameters of compliance and risk appetite.

- 48 322 employees, 68% based in South Africa.
- R925 million invested in training (2016: R890 million).
- 11 employee engagement surveys.
- Good relationships with employee representatives.
- Reward structures linked to our values, strategy and financial performance.
- High-performance ethical culture.
- Robust risk and compliance structures.

### Our intellectual property

The systems and processes that underpin our business and align our people, culture, technology and organisational architecture to our strategic direction. An important aspect of our intellectual capital is the strategic investments we make in associate companies, enabling us to stay abreast of disruptive change and remain competitive.

- A 156-year heritage and strong brand.
- On-the-ground presence in Africa and strategic partnership with ICBC.
- Experienced and skilled board and strong executive and leadership teams.
- Client-focused, digitally enabled ways of working.
- A global network of associates, including fintechs, venture capital firms and partner banks, giving us access to innovative solutions.
- A culture of digitisation and innovation.

### Our infrastructure

Our channel and IT infrastructure, particularly our modernised IT platforms and digital channels and the national infrastructure of the countries we operate in, which we use to conduct our business.

- Core banking IT platforms.
- Fit-for-purpose branch network and digital touch points.
- Backup systems to mitigate the risk of business disruption and utility outages.

### Funding from our providers of capital

The funding from the providers of capital used to run our business and invest in our strategy.

- Affordable access to capital, and resilient and diverse capital structure which includes an optimised mix of equity and debt.
- Strong market capitalisation and share price growth.

### Natural resources

Our indirect impact on natural resources through our financing activities and, more directly, the utilities we require to operate.

- Working with clients to promote the preservation of natural capital in their projects.
- Investing in renewable energy projects.
- 243 820 gigajoules energy consumed (2016: 257 226 gigajoules).
- 666 806 kilolitres water consumed (2016: 718 960 kilolitres).
- Initiatives that minimise our direct environmental footprint and secure supply.

## GOVERNANCE

Our governance and risk frameworks are integrated across our operations, enabling enhanced accountability, effective risk management, clear performance management, greater transparency and effective leadership.

Our ethical and effective leadership unites our purpose and performance by embedding an ethical and risk-aware culture that recognises that the trust of our stakeholders is the basis on which we compete and win.

## KEY RISK TYPES:

- Credit risk
- Interest rate risk
- Insurance risk
- Country risk
- Business and reputational risk
- Liquidity risk
- Market risk
- Operational risk, including compliance, environmental and/or social risk

## OUTPUTS

### What we enable our clients to do



### What we invest in to support what we do for our clients



We strive to employ our resources and relationships responsibly in what we do and how we do it, to create the best outcomes for our clients, our people, our shareholders and our other stakeholders.

## SHARED VALUE OUTCOMES

RCM Risk and capital management report.

AIR 16-17 Managing our risks.

## VALUE DRIVERS

**Client focus**  
Exceptional client experience – placing the client at the centre of everything we do.



**Employee engagement**  
Making Standard Bank a great place to work.



**Risk and conduct**  
Doing the right business the right way.



**Financial outcomes**  
Delivering superior value to our shareholders.

**SEE impact areas**  
Creating and maintaining shared value.

AIR 18-29 Measuring our strategic progress.

# MANAGING OUR RISKS

We aim to instil conscious risk-taking across the group. We take a holistic and forward-looking view of the risks we face by continually assessing current and emerging risks. Our risk appetite is regularly reviewed, in response to changes in our operating context, and our exposures are managed accordingly.

Our key risk types, shown in our shared value model on page 14, are those that are foreseeable, continuous and material. They are inextricably linked to the nature of our business and what we do for our clients. Managing these risks effectively, which is done within the parameters of our board-approved risk appetite, is essential to protecting the interests of our stakeholders and creating shared value.

**AIR 92-97** Our risk report sets out our enterprise risk management approach and outlines the key developments in managing our key risk types.

The constant change in our industry and operating environments gives rise to emerging risks. The potential impact of these emerging risks on the group's strategy and operations must be understood and managed. We have processes in place to adequately prepare for and respond appropriately to these emerging risks in our longer-term strategic decision-making.

Our top emerging risks are identified through our enterprise risk management framework and operational risk processes, specialist expertise within the group and a survey across the three lines of defence. This collaborative effort aligns our financial planning and provides a combined risk assurance view.

These risks are discussed at management and governance committees, allowing us to act to mitigate their long-term impact on our shared-value outcomes and reputation. The table below shows the key drivers and mitigants of our emerging risks, but do not represent all the activities which are being pursued to manage them.

Going forward, we will continue to improve the robustness of the emerging risk identification process. Specifically, we will aim to improve our ability to transform risk knowledge into actionable steps to further embed the enterprise-wide risk culture, and to identify opportunities for the group in the long term by effectively responding to emerging risks.

## EMERGING RISKS



### TECHNOLOGY

*The inability to manage, develop and maintain secure, agile technology assets to support strategic objectives.*

## RISK DRIVERS

- A multi-channel digital experience means more technology to keep relevant, up-to-date and safe from cyber fraud attacks.
- New types of devices span an extremely wide range of security requirements and have very different security postures.

## MITIGANTS

- Dedicated combined development, security and operational teams focus on speeding up implementation of projects and changes.
- Continual testing of technology and applications to identify and rectify potential weaknesses that can be exploited by cybercriminals.



### CYBER

*The risk of financial loss, disruption or damage to reputation from breaches or attacks on transaction sites, systems or networks.*

- Remote presence technologies may increase the avenues for attack.
- Increasing number and sophistication of cybercrime incidents globally.

- Use of adaptive cybersecurity which uses a combination of artificial intelligence and other methods to dynamically shift tactics and detect and remove threats as quickly as possible.
- Multi-factor authentication integrated into all critical payment applications and end-user devices.
- 24/7 cybersecurity operation centres have improved monitoring capabilities to address evolving cyber vulnerabilities and attacks.



### REGULATORY IMPACT

*The risk of reputational and financial losses due to the inability to comply with or keep abreast of regulatory requirements.*

- Changing regulatory and supervisory requirements are resource intensive and costly.
- Public interest, social drivers and consumerism may initiate legislative change, requiring appropriate response strategies.

- Ongoing engagement with government and regulators to support evidence-based policy-making and dialogue between public and private sectors.
- Monitoring of international developments, learnings and benchmarks to identify future supervisory focus areas.



## EMERGING RISKS



### FRAUD

The risk of regulatory sanction and reputational and financial losses due to fraud, crime and misconduct from staff or syndicates.



### INFORMATION

The risk of loss due to inaccurate data, data breaches or being unable to protect client information.



### PEOPLE

The risk of failure of the workforce to adequately and efficiently serve clients, support operations and deliver business strategy.



### BUSINESS DISRUPTION

The risk of infrastructure/change failure or environmental impacts disrupting the services to and of the group.



### THIRD-PARTY

The risk of losses or disruptions due to ineffective management of third-party relationships.



### CONDUCT

The risk of harm being caused to the group, its clients and markets due to inappropriate execution of business activities.

## RISK DRIVERS

- Increasingly advanced cyber and malware attacks are expected, which may result in increased fraud.
- Aggressive advancements in technology may cause unforeseeable fraud threats.

- Perpetrators and events will continue to evolve.
- There may be increased demand for processing of information from data subjects.

- The multi-generational workforce has different needs, expectations and aspirations, increasing complexity in the workplace.
- A rise in digitisation and automation will deliver efficiencies and reduce demand for certain skillsets.

- Voluminous and/or significant system changes always pose the risk of unforeseen consequences or disruption to clients and business activities.
- Reliance on infrastructure such as water and power utilities, and network service providers.

- Emergence of third-party partnerships and outsourcing as business enablers, for example, partnering with fintechs.
- The potential for unknown fourth- and fifth-parties supporting third-party providers.

- Cultural misalignment due to inappropriate ethics, behaviours and values being applied that result in poor business practices.
- Growth in the complexity of regulatory frameworks.

## MITIGANTS

- Enhanced digital detection capability covering people, processes and technology.
- Development of predictive fraud detection and prevention capabilities using agile methodologies.

- Ongoing awareness encourages a consistent information protection culture.
- Ongoing research and threat intelligence to stay abreast of developments and to ensure the protection of information assets.

- A range of learning and development solutions ensure that employees can adapt and remain relevant in the changing work environment through continuous learning.
- Recognition programmes support a culture where success is celebrated and employees feel valued for their contribution to the business.

- Continue to improve our system production stability and reliability to minimise disruption of digitally enabled services to our clients.
- Business continuity plans are prepared for all business areas.
- Simplify our IT landscape to improve agility, enhance customer experience and ensure the relevance of services we offer to our clients.

- Predictive profiling of suppliers to drive improved supply chain management.
- Increased visibility into fourth- and fifth-parties to ensure accountability and preparedness to avoid potential incidents.

- By driving a culture of doing the right business the right way, we will continue to embed our desired values, ethics and behaviours.
- Continuing to refine our approach to training through the rollout of more interactive and digital methods of training that are standardised across the group.
- Working to embed and monitor conduct-related metrics in business units and corporate functions across the group.

# MEASURING OUR STRATEGIC PROGRESS

Our strategic value drivers are the framework we apply in measuring our strategic progress. They inform our allocation of resources and guide our trade-off decisions. We have made further progress in aligning our governance, planning and reporting processes to our strategic value drivers, and will continue to refine the underlying metrics to ensure that we are measuring what matters most in delivering our group strategy.





### Key client concerns

- Improving their banking experience.
- Combating cybercrime and fraud.
- Cheaper and more convenient banking services.
- Ensuring the safety of their money.
- Assistance in times of financial distress.

### Related material issues

- Understanding the needs of our clients.
- Providing our clients with a personalised and comprehensive financial services offering.
- Empowering our people to better provide an excellent and consistent client experience.
- Making it easier, faster and safer to transact by accelerating innovation and digitisation.
- Partnering with our clients during challenging times.

### KEY DEVELOPMENTS IN 2017

To address our clients' key concerns and our material issues, we have:

- Accelerated the introduction and adoption of digital channels across Africa.
- Substantially completed the core banking transformation programme in early 2018 with 93% of transactional account clients on the new platform.
- Simplified processes and increased the use of data analytics to understand and respond more precisely to our clients' needs.
- Achieved increased IT system stability with no major service interruptions in 2017.
- Improved IT security capabilities, which an independent expert assessed as leading in our peer group.
- Engaged with clients in financial distress and offered a range of solutions to assist them, including the introduction of a debt care centre, improved client education offerings and an EasySell platform to assist clients to get the best value on the sale of their properties.
- Completed several landmark transactions.
- Funded 13 client lending deals in partnership with ICBC since 2016 to support our clients operating in the China-Africa corridor. An example is the recent funding of the USD8 billion Coral floating liquefied natural gas development in Mozambique.

### PRIORITIES IN 2018

To drive improvements in our client satisfaction scores, we will:

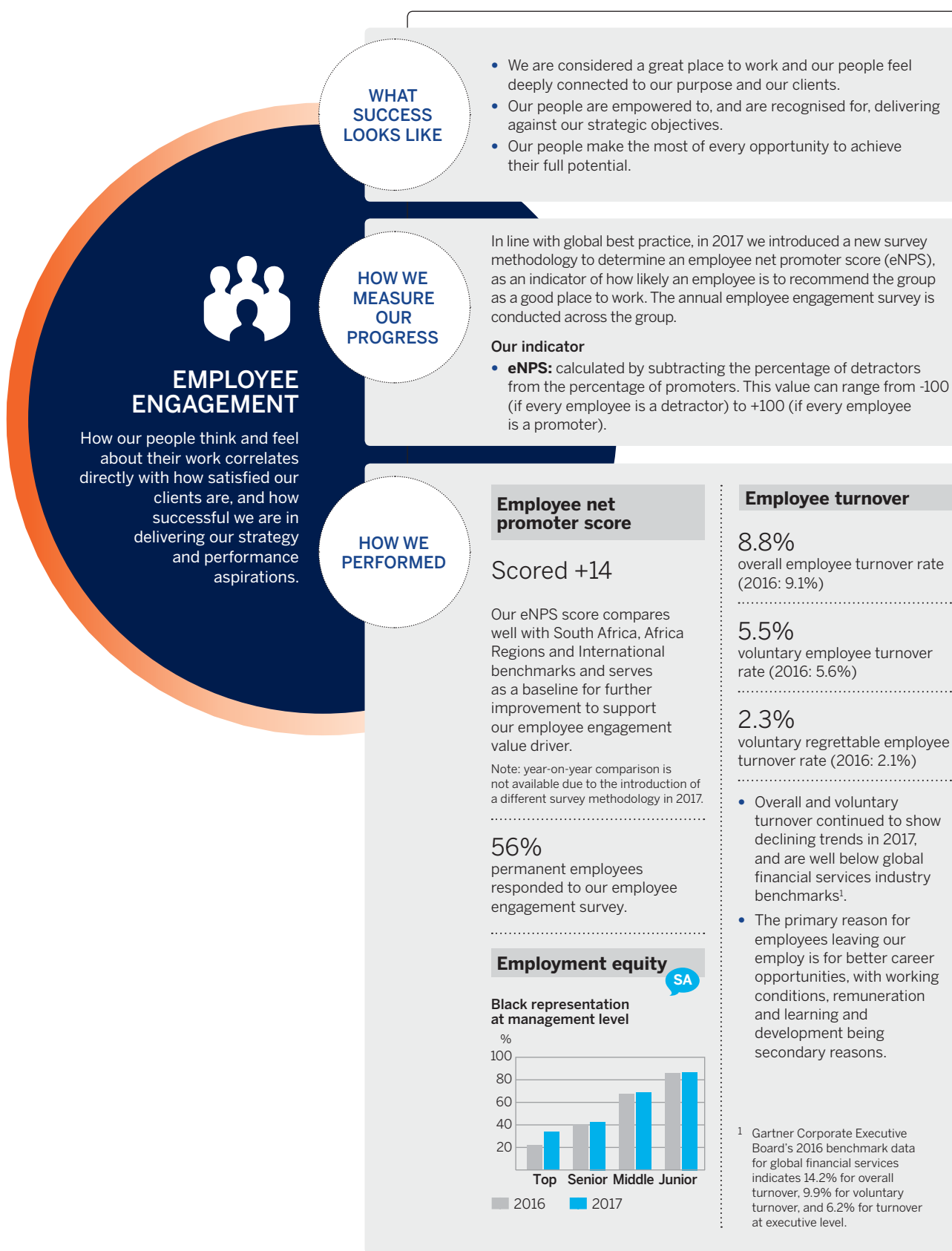
- Deepen existing client relationships in support of their growth journeys.
- Leverage data and advanced analytics to gain deep client insights and provide timely and relevant offerings.
- Continue to implement digitally enabled solutions that improve client convenience.
- Continue to provide our clients with the choice to interact with us digitally or through our branch networks.
- Leverage the ICBC relationship to support the growth strategies of, for example, Chinese multinationals operating in Africa.

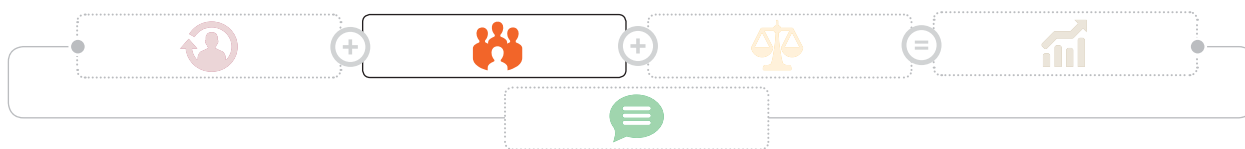
AIR **54**  
-77  
86-91

Business unit reviews and information technology report.

### KEY TRADE-OFFS

- Increasing our use of data analytics and developing digitally enabled solutions that are innovative, accessible and affordable have to be done within the non-negotiable constraints of protecting our clients' personal information and mitigating cybersecurity risk.
- The client experience benefits of digital platforms and the efficiencies gained from increasing the digitisation of processes require additional IT development and maintaining IT stability and security, which increases costs and the depreciation and amortisation of our IT assets.
- We are committed to assisting our clients through periods of financial distress which may lead to a restructuring of the terms and conditions of their loan agreements to assist with affordability challenges. While this may lead to delaying the loan repayment, the restructure allows the client to repay the loan and avoid any longer-term negative financial consequences. In addition, it enables the group to realise the capital repayments and mitigates the need for costly legal action, foreclosures and negative client and social implications.





### Key employee and union concerns

- Training and coaching to enhance current skills levels and develop new skills in a changing operating environment characterised by digitisation.
- Access to career advancement opportunities.
- Ensuring employee health and well-being in fast-paced and changing socioeconomic and operating environments.
- Continued focus on diversity and inclusion to ensure a workforce that is local and relevant to each country of operation.
- First-time work opportunities for youth in the context of high unemployment levels.

### Related material issues

- Attracting and retaining deeply committed people with the right skills and capabilities.
- Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving environment.
- Leveraging diversity and inclusion.
- Harnessing the potential of a multi-generational, pan-African local workforce.
- Creating an environment in which our people are engaged and enabled to take care of their well-being.

### KEY DEVELOPMENTS IN 2017

To address the key concerns of our employees and our material issues, we have:

- Continued to invest in skills development to build future skills and empower frontline employees.
- Enhanced our digitally enabled platforms and enterprise technology to support our employees in meeting our client focus objective.
- Collaborated with industry and educational bodies to develop skills capabilities.
- Maintained our focus on identifying and developing diverse talent pools.
- Delivered a range of health and wellness initiatives and services to employees across the group.
- Continued providing first-time work opportunities for young people through our graduate, learnership and intern programmes.

### PRIORITIES IN 2018

To drive improvements in our employee engagement, we will:

- Empower employees through investing in their development and offering career growth opportunities.
- Provide learning solutions to enable employees to deliver on our client promises.
- Optimise and further enhance the digitisation and use of automated human capital processes.
- Prioritise transformation in top and senior management.
- Drive our diversity and inclusion priorities across the group.

AIR **78 – 85** Human capital report.

### KEY TRADE-OFFS

- Digitisation is key to our future competitiveness and will necessitate far-reaching changes in the way we do business. Shifts in our future capability requirements will need to be managed in a responsible manner that balances commercial pragmatism with social considerations.
- Capability shifts, particularly with respect to scarce skills or emerging skills requirements, will be necessary to deliver on our strategy and aspirations, and will require a significant investment to develop and retain key skills.
- The transformation and localisation requirements in our various countries of operation must be balanced against our stated intent to leverage the full benefits of employee mobility across our markets, and our objective of growing our talent and enhancing our ability to operate as a universal financial services organisation.





## RISK AND CONDUCT

Our licence to operate, and our competitiveness, is a function of the trust our stakeholders have in us. Our ability to manage risk and uphold the letter and spirit of the laws, regulations, codes and standards applicable to our businesses – from regulatory capital requirements to the highest standards of ethical and responsible business practice – determines our reputation. The importance of this is growing, as financial crime and corruption become more pervasive, and the conduct of banks comes under increasing scrutiny.

### WHAT SUCCESS LOOKS LIKE

- Doing the right business the right way, without exception.
- Contributing to safe financial systems in the markets in which we operate.
- No material breaches of legislation.
- No harm to our reputation.

### HOW WE MEASURE OUR PROGRESS

#### RISK

We manage our capital levels to support business growth, maintain depositor and creditor confidence, create value for our shareholders and other stakeholders and promote regulatory compliance. Our risk measures are regulatory requirements and indicate our ability to withstand financial stress and unexpected losses, and the quality and liquidity of the assets we hold.

##### Our indicators

- **Common equity tier 1 ratio (CET 1):** a measure of solvency that assesses capital strength against our risk-weighted assets (RWA).
- **Liquidity coverage ratio (LCR):** measures our ability to manage a sustained outflow of client funds in an acute stress event over a 30-day period.
- **Return on risk-weighted assets (RoRWA):** the return we generate based on our average risk-weighted assets.
- **Net stable funding ratio (NSFR):** the amount of available stable funding relative to the amount of required stable funding, in accordance with Basel III.

#### CONDUCT

Our compliance with laws and regulations is non-negotiable. Any contravention comes at a cost in financial losses, fines or diminished reputational capital. We deal with such instances through well-developed disciplinary processes and appropriate action.

##### Our indicators


We are aiming to measure, understand and control risk and our conduct in even more detail. During the year, we worked to identify and develop appropriate metrics to assess our conduct and behaviours. We will continue to monitor these metrics to ensure that they enable us to track the extent to which we have embedded our desired culture and the effectiveness of our governance structures relating to conduct.

### HOW WE PERFORMED

#### Risk

Our risk appetite measures are above our internal risk appetite targets and, where applicable, regulatory requirements.


##### CET 1

**13.5%**   
(2016: 13.9%)  
Target:  
11% – 12.5%

##### LCR

**135.1%**  
(2016: 117.1%)  
Target: regulatory  
minimum of 80%

##### RoRWA

**3.1%**   
(2016: 2.7%)

##### NSFR

**>100%**  
Target: regulatory  
minimum of 100%



### Key government, regulator and civil society concerns

- Addressing cyber risk and the impact on client safety.
- Enhancing trust and maintaining stability in the financial sector.
- Improving the control environment in the Africa Regions.
- Embedding compliance and risk-aware behaviour.
- Ethical and transparent supplier and vendor relationships.
- Debt intervention mechanisms for low-income, financially distressed consumers.

### Related material issues

- Proactively responding to increased cybersecurity threats and protecting client information.
- Maintaining the stability, security and speed of our IT systems.
- Conducting our business in a responsible manner by doing the right business the right way.
- Responding to the pace, volume and scale of regulatory change.
- Supporting steps to combat financial crime, fraud and illicit financial flows.

### KEY DEVELOPMENTS IN 2017

To address the key concerns of our government, regulator and civil society stakeholders and our material issues, we have:

- Enhanced our credit, risk management and compliance capabilities.
- Made significant improvements in compliance across the Africa Regions, including the completion of board compliance training.
- Continued to monitor reputational risk in South Africa.
- Invested in IT security capabilities which have reduced digital fraud losses.
- Successfully executed two Basel III compliant additional tier 1 bond issues.
- Analysed the funding impact of the Basel III NSFR and LCR requirements and positioned the group to meet them by January 2018.
- Assessed the impact of the transition to IFRS 9 and made the necessary model and process changes prior to implementation on 1 January 2018. More information on the impact of IFRS 9 can be found on page 52.

### PRIORITIES IN 2018

To drive improvements in our risk and conduct measures, we will:

- Continue to regularly review and amend our risk appetite in response to changes in our operating environments, and manage our exposures responsibly.
- Continue to embed a culture of ethical behaviour and ensure that we keep doing the right business the right way.
- Continue to invest in our capabilities to mitigate financial crime and cyber risks.



### KEY TRADE-OFFS

- In managing our exposures responsibly in line with both macroeconomic and socio-political realities, we are sometimes required to tighten our risk appetite in lending to vulnerable sectors and clients. This inhibits client growth and our revenue generation opportunities, but reduces the potential for operational losses and impairments.
- Managing the natural tension between client convenience and the speed with which we can fulfil their needs, and the parameters of our mature and continually evolving regulatory, supervisory and control environment.
- Managing the rising cost of compliance, including extensive employee training and adaptations to business systems to comply with new and forthcoming legislation, in line with the reputational benefit of being a trusted organisation.

## FINANCIAL OUTCOME

Delivering sustainable returns to our shareholders depends on the extent to which our investments in satisfied clients, engaged employees and managing risk and conduct are effective and efficient. In turn, we need to ensure that we balance the capital we allocate to these strategic investments with competitive returns.

### WHAT SUCCESS LOOKS LIKE

- Continuing to demonstrate value creation for all of our stakeholders by delivering headline earnings growth and driving ROE to the upper end of our 15% – 18% target range.
- Maintaining the resilience of our balance sheet to support the execution of our group strategy.

### HOW WE MEASURE OUR PROGRESS

By delivering positive results on our client focus, employee engagement and risk and conduct value drivers, we seek to improve our financial outcome, which is measured by the following indicators:

- **Return on equity (ROE):** shows how much profit we generate with the money shareholders have invested in us. ROE is the result of all the measures below and, therefore, the ultimate measure of our effectiveness in executing our group strategy.
- **Headline earnings:** show the profits we make, excluding profits or losses from non-recurring events as prescribed by the SAICA circular. We seek to improve our headline earnings each year by continuing to grow our revenue while managing our costs and risks.
- **Cost-to-income ratio (CTI):** measures our efficiency in generating revenues relative to the costs we have incurred. We aim to reduce our CTI, making sure that the growth in our costs does not exceed the rate at which we grow our revenues. Containing our costs is key to growing HE and improving ROE.
- **Credit loss ratio (CLR):** measures our impairment charges as a percentage of average loans and advances. We aim to maintain our CLR at an acceptable level in line with our risk appetite.

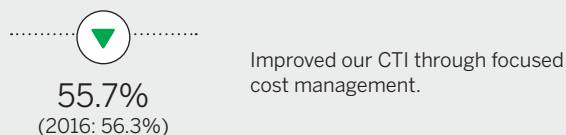
### HOW WE PERFORMED

#### ROE and headline earnings



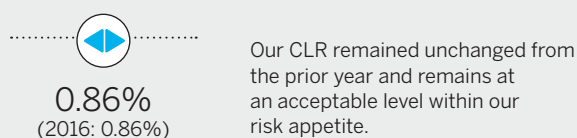
Achieved strong growth in both measures, with headline earnings growing 14%.

#### CTI



Improved our CTI through focused cost management.

#### CLR



Our CLR remained unchanged from the prior year and remains at an acceptable level within our risk appetite.



### Key shareholder and investment analyst concerns

- Revenue pressures in our South African operations.
- Challenging operating environment in the Africa Regions, which may impact our results.
- Managing costs and improving our CTI ratio.
- Achieving and maintaining our ROE targets.
- Impact of a sovereign rating downgrade on the group, its strategy and results.

### Related material issues

- Growing the group's franchise by further building our on-the-ground presence in Africa, growing our client base, regional integration and leveraging trade and capital flows.
- Responding to challenging economic conditions, particularly South Africa's growth outlook and sovereign downgrades.
- Maintaining the resilience of our balance sheet.

### KEY DEVELOPMENTS IN 2017

To address the key concerns of our shareholders and the investment community, and our material issues, we have:

- Achieved an ROE at the upper end of our 15% to 18% target range. Our focus on improving on shareholders' returns resulted in us lifting our medium-term ROE target range to 18% to 20%.
- Focused efforts on managing and containing costs.
- Assessed the impact of a sovereign downgrade and took appropriate action.
- Our earnings streams are diversified and the portfolio effect across products and geographies has proven to reduce earnings volatility.
- Focused efforts on ensuring compliance with IFRS 9 by 1 January 2018. This included a parallel run and hard-close process which allowed the group to clearly understand and respond to the impact of IFRS 9 on the group's business, including key metrics such as the group's CET1 ratio.

### PRIORITIES IN 2018

To drive improvements in our financial performance, we will:

- Continue to deepen our progress in aligning processes to our value drivers so that we are able to measure what matters most in delivering on our new ROE target range of 18% to 20%.
- Continue to respond effectively to macroeconomic challenges.
- Maintain earnings growth by partnering with high-growth clients in high-growth markets.
- Reduce our CTI by driving revenue growth faster than cost growth.
- Seek to maintain our CLR within our guidance of a 80 basis points (bps) to 100 bps range.
- Maintain a resilient balance sheet, meeting Basel III capital and liquidity requirements across all the markets in which we operate.
- Finalise the group's adoption of IFRS 9, including the final reporting on the transition impact.

### KEY TRADE-OFFS

To ensure that we can continue to attract the capital we need to fund the growth in our assets, we must provide an appropriate rate of return to our equity shareholders and debt funders, including depositors. This requires that we balance our ability to generate revenue, by continuously and sustainably meeting our clients' needs and strengthening our competitive position, with the costs incurred in doing so. Our largest operating expenses include:

- **IT costs:** the significant investment we have made in modernising our IT platforms has allowed us to digitise our services and provide more cost-effective channels to our clients. These costs will be expensed in the future as the systems enter production. Additional IT costs are also required to support and maintain these assets.
- **Staff costs:** we invest to attract and retain experienced people and to equip them to consistently deliver exceptional client experiences and deal with a challenging work environment.
- **Other operating costs:** we incur several other costs to enable our people, together with our frontline and supporting systems and processes, to deliver exceptional client experiences in a responsible manner.




#### Key community and civil society concerns

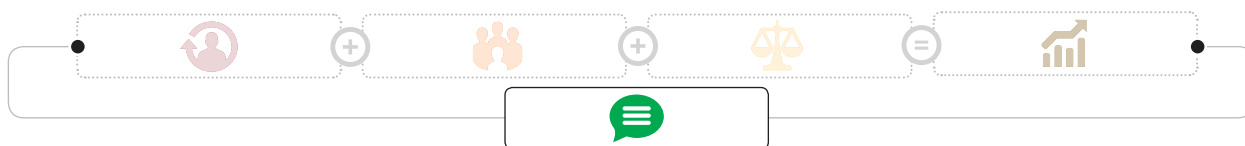
- Our contribution to economic transformation and financial inclusion in South Africa.
- Environmental impacts of investment in coal-fired power stations.
- Need for affordable solutions for student funding.
- Investing in our people to ensure decent work and support transformation strategies.

#### Related material issues

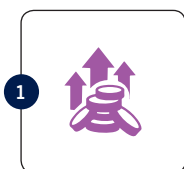
- Accelerating inclusive economic growth.
- Investing in Africa's infrastructure, notably that of energy, transport, telecommunications and health.
- Supporting innovation and investment that drives financial inclusion, education and a green economy.
- Harnessing the commercial opportunities of addressing societal challenges.

RTS  For a more detailed discussion of the group's SEE impacts.





## Our ten SEE impact areas



### INCLUSIVE ECONOMIC GROWTH

Our core business broadens economic opportunity and supports job creation by providing financial solutions appropriate to the diverse needs of our clients.

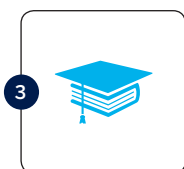
- Around 4 million transactions, valuing R585 million, were made on SnapScan, a channel that provides merchants with an efficient and cost-effective way to transact without needing to accept cash.
- Engaging with small business owners, particularly in township economies in South Africa, to develop affordable and accessible insurance plans.



### INNOVATION, ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT

We work with small businesses to develop financial and business support solutions that meet their needs and support their growth and sustainability, while minimising risk to depositors.

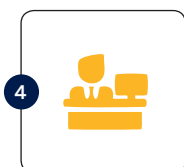
- Provided business development support and training to around 4 000 entrepreneurs.
- Value of claims directed to 100% black owned businesses in the home and motor industry from Standard Insurance Limited Claims totalled R262.4 million.



### EDUCATION, LEARNING AND DEVELOPMENT

In addition to our priorities outlined under the employee engagement value driver, we create opportunities for learners and graduates to build careers with us. We are developing innovative solutions that address the challenge of affordable and accessible finance for students. Our corporate social investment programmes prioritise education.

- R925 million invested in skills development.
- 68% of participants on our leadership programmes are black employees.
- In 2017, the bank's education spend accounted for just over R85 million, which is about 80% of our total CSI spend of R106 million.
- Standard Bank student loans supported 29 804 students in South Africa. In addition, 85 students were fully funded and 168 partially funded through our Feenix Trust, a crowd-funding initiative that allows individuals and enterprises to donate money directly to students.



### EMPLOYMENT

We are committed to providing a diverse and inclusive workplace. We aim to make it easier for first-time job seekers to access opportunities that help them gain work experience and learning.

- Representation of woman at executive and senior management level is 32% and 38% respectively.
- Over the past 20 years, we launched the careers of 1 591 graduates from 24 African countries.
- Since 2012, 654 candidates from low-income households in South Africa have been placed in 12-month learnership programmes through our partnership with Harambee.



### FINANCIAL INCLUSION

We are using digitisation and automation to provide low-cost, convenient digital products and services, and we are developing alternatives to conventional systems of collateral. Our Wealth strategy aims to stimulate a savings culture. We work with consumers to enable them to manage their finances more effectively.

- Instant Money, which provides an entry point into banking, was used by 6.5 million clients with an average transaction value of R669.
- Provided R50 million in grant funding to black start-ups in South Africa, sourced from national and international donors, our own enterprise development funds and those of our participating corporate clients.
- Restructured the debt of 2 136 affordable housing clients in South Africa, keeping them in their homes.



### COMBATING FINANCIAL CRIME

We prioritise the security of our systems, and consistently invest in strengthening cybersecurity measures. We participate in industry forums and work with public authorities to combat cybercrime.

- Introduced fingerprint and voiceprint verification to strengthen our authentication process, and partnered with the Department of Home Affairs to improve the accuracy of our client records.
- Worked with other banks to launch a controlled debit order system, currently being piloted, to mitigate the risk of debit order abuse.
- Established a dedicated team in the Money Laundering Surveillance Unit to track adverse information linked to Standard Bank clients.



### INFRASTRUCTURE

We work with governments and development institutions to structure appropriate funding instruments and mobilise funding for crucial developmental infrastructure.

- USD2.27 billion in project finance invested in energy infrastructure since 2012, with total capacity of 2 517 megawatts.
- Committed USD9 million to off-grid power solutions in East Africa, where M-KOPA has connected over 700 000 homes to clean and affordable energy.
- Partnered with Busamed, a black-owned and operated private hospital network that owns three of the top ten private hospitals in South Africa, by project-financing the private hospital sector since 2013.



### AFRICAN ECONOMIC DEVELOPMENT

We collaborate with our clients and strategic partners to facilitate trade and investment flows into Africa, improve access to trade finance and develop enabling infrastructure to support inter-Africa trade.

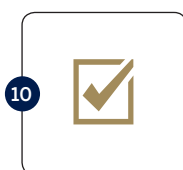
- Bringing together government, the diplomatic community and the private sector to discuss ways to deepen intra-African trade and integration.
- Standard Bank International assisted Ghana to secure USD1.3 billion in foreign investment.



### ENVIRONMENTAL SUSTAINABILITY, AND CLIMATE CHANGE MITIGATION AND ADAPTATION

We work with our clients to develop appropriate solutions for climate change mitigation and adaptation, particularly in the agricultural sector, and are a major investor in renewable energy technologies across the continent. We have invested significantly in reducing our direct carbon footprint.

- Since 2012, 83% of power project financing has been directed towards renewable energy.
- Transactions were screened for social and environmental risks, and five Equator Principles projects reached financial close.
- Reduced our energy consumption by 21.7% against the 2014 baseline, exceeding the target set for 2020.



### GOOD GOVERNANCE

In addition to our priorities outlined under the risk and conduct value driver, we engage with governments and regulators in the countries in which we operate to support evidence-based policymaking and constructive dialogue between public and private sectors. We are also working to develop a more systematic approach to broader stakeholder engagement.

- Submitted our SME lending data to National Treasury and engaged with a number of stakeholders on SME access to finance.
- Participated in parliamentary hearings and engaged stakeholders on the transformation of the financial sector.
- Through our democracy support programme, allocated R2.5 million to funding political parties in South Africa using the Independent Electoral Commission's funding formula.

### Minimising the negative social impacts of infrastructure developments

During 2017, we were approached to fund a major power infrastructure deal in Africa\*. While our client had performed an environmental social impact assessment (ESIA), we opted to undertake additional due diligence, and **requested an independent review to ensure all environmental and social impacts were correctly identified** and the correct mitigating actions proposed. During this process, it became clear that the project could potentially result in significant negative impacts for communities living near the proposed development, whose homes and livelihoods could be affected. This had not been sufficiently identified in our client's ESIA. Using our influence as the finance provider for the project, we brought the matter to our client's attention, and requested that measures be taken to avoid this negative socioeconomic impact. We subsequently came to an agreement with our client on how to mitigate this risk, and to maximise the positive social and economic impacts by improving energy availability in a socially responsible manner.

\* Names and other details have not been disclosed in line with Standard Bank client confidentiality.

### The Equator Principles Association

**Standard Bank chairs the steering committee of the Equator Principles Association**, a position we have held since 2015. In 2017, the association, which includes 92 financial institutions across 37 countries, resolved to start a process to update the Equator Principles, a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing. 'EP4' will consider issues of scope of applicability, human rights and climate change, among other aspects. The revision process will include consultations with external stakeholders and will conclude by June 2019. In the run-up to this announcement, 65 civil society organisations, including many major environmental groups and indigenous peoples' organisations, launched the 'Equator Banks, Act!' campaign, calling on association members to strengthen their commitment to fully consider the climate impact of projects and to fully respect the rights of indigenous peoples when financing projects under the Equator Principles. The campaigning organisations support a formal revision of the principles to reflect these commitments, inclusive of broad public consultation.

## Township economic development

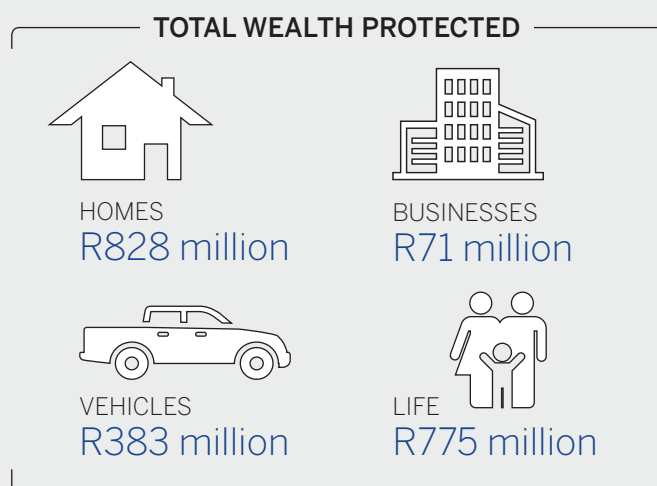
**In 2017, we hosted our first township accelerator, in partnership with AmaVerkykers and Liberty,** aimed at growing small enterprises in and around Mamelodi in Gauteng. To identify the most promising candidates, we conducted two boot camps designed to enhance entrepreneurial skills, and provide practical tools to assess and validate business ideas and accelerate an existing product or service. The boot camps targeted entrepreneurs at the business idea stage, and those who have started up their businesses and are looking to expand. Following the boot camps, 15 entrepreneurs were selected for an intensive five-day accelerator programme delivered by industry experts, to provide them with practical skills and the confidence to grow their businesses, including modules ranging from leadership to legal issues. Following completion of the programme, participants were invited to exhibit at business events to increase their visibility, and will receive ongoing mentorship with AmaVerkykers.

## Stanbic Kenya Enterprise Direct

**Stanbic Kenya has over 28 000 SME clients who are supported by 15 Enterprise Direct bankers and 12 acquisition bankers across its 26 branches.** Previously, our business bankers had to manage almost 1 000 active relationships, limiting their capacity to provide one-on-one service. Enterprise Direct addresses this challenge by enabling new clients to join the bank and access products and do their day-to-day banking without ever leaving their workplaces. Enterprise Direct has enabled us to serve our clients far more effectively, using digital banking, email and telephone communication.

## Insurance solutions

**Our insurance business protects our clients' families, livelihoods and property.** We provide a safety net to enable our clients to protect their wealth and dignity in the face of unforeseen circumstances, and to ensure their loved ones are financially secure. To do this effectively, we need to know and understand our clients, and to design products and services tailored to their needs. We know that many small business owners are underinsured or uninsured. For them, a burglary or damage to premises or stock may be impossible to recover from. We are engaging with this market, particularly in township economies, to develop affordable and accessible plans to provide a safety net when needed.



## Feenix: innovation contributing to education

**We launched the award-winning Feenix crowd-funding platform** in response to South Africa's tertiary education funding crisis. The platform provides individuals and companies with an easily accessible and trustworthy digital conduit to fund the fees of disadvantaged students, while benefiting from tax deductions, B-BBEE points and a tangible return on social investment.

## Partnering with fintechs

**Our Strategic Investments and Alliances team works to identify innovative digital start-ups and products with the potential to help the group deliver better value and convenience to our clients.**

We have developed a global network of associates comprising fintechs, venture capital firms and non-competing partner banks. Examples include our **75% shareholding in FirePay**, a fintech focused on mobile payments using unique QR code technology. FirePay conceptualised SnapScan mobile payments and brought it to market in partnership with the group. SnapScan supports small businesses by enabling acceptance of card and eCash payments without having to incur the cost of a point-of-sale device, enabling on-the-spot payments for entrepreneurs such as plumbers, painters and electricians. It provides online registration, thereby enabling access to a payment stream at the click of a button, rather than having to fill in a paper-based contract and waiting for a point-of-sale terminal to be delivered.

Another example is our **100% shareholding in Ecentric**, a transaction switching company that specialises in the development and supply of advanced secure payment solutions. Ecentric enables Shoprite Money Transfers – a system designed to facilitate person-to-person payments for people that do not have access to financial services. It processes over 60 million transactions per year with value in excess of R20 billion. Ecentric is also supporting Shoprite to expand cross-border person-to-person payments across Africa. It also supports the purchase of value-added services, such as airtime and electricity.

# WHY INVEST IN US?

Investors require three things from us – growth, resilience and returns. We allocate our resources to support the sustainable delivery of our strategy, which enables us to meet their expectations.

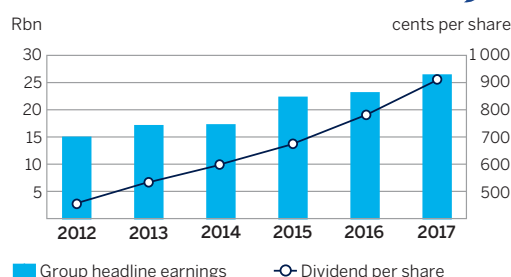
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## Partnering high growth clients

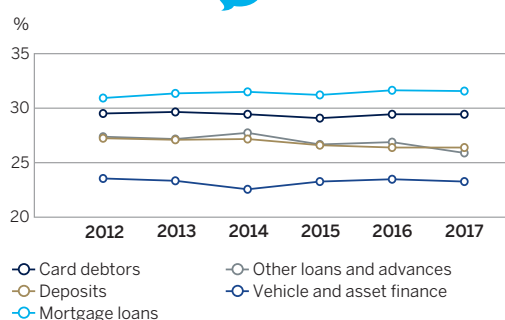
Focusing on our clients will enable us to compete, grow and achieve scale in all our chosen markets. Our key differentiators are:

- Our proven ability to successfully defend our leading market shares in South Africa.
- Our on-the-ground presence in 20 countries across sub-Saharan Africa with deep local knowledge and a fit-for-purpose franchise.
- Our access to pools of capital through our presence in international markets, enabling our clients to fulfil their growth ambitions.
- Our track record of growing earnings faster than the nominal GDP in the countries in which we operate by partnering high-growth clients in targeted markets.
- Our modern core banking systems, which enables increasing digitisation and delivery of a better client experience.
- Our ongoing investment in strong leadership and passionate people, the most critical determinant of our long-term success.
- Our strategic partnership with ICBC, which provides us with an opportunity to provide financial services to clients operating in the China-Africa corridor.

### Group headline earnings and dividend per share Lib



### SBISA's market share SA



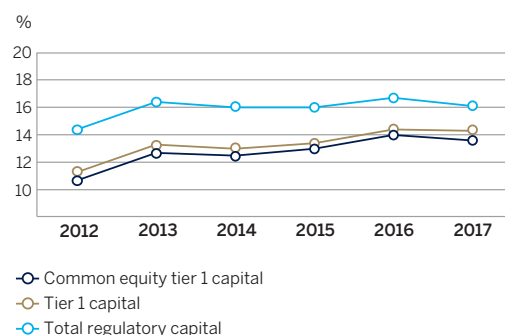
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## Demonstrating through-the-cycle resilience

We will continue to safeguard the deposits our clients entrust to us and the capital our shareholders invest in us, through:

- Our strong and liquid balance sheet which assists us in weathering cyclical downturns.
- Our well-diversified businesses, by client, sector, product and geography, which provide good return profiles.
- Our strategic focus on acquiring quality clients across our franchises, underpinned by clearly defined and dynamic risk appetite allocations, enables us to effectively manage our risk profiles.
- Our well-developed and independently assured governance and risk management frameworks enable us to limit losses and reputational damage, and balance short- and long-term value creation imperatives.

### Capital adequacy Lib (including unappropriated profit)



AIR 40-53 Group financial review.

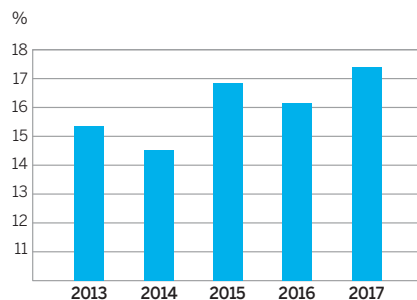
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## Driving higher returns

We drive returns through:

- Our focus on efficient allocation of capital.
- Our delivery of operational excellence and productivity.
- Maintaining a CLR within 80 to 100 bps.
- Driving revenue growth faster than growth in costs.
- Accelerating the digitisation of the group to ensure and enhance our competitiveness.
- Making further changes to the group's architecture to become a more universal financial services organisation.
- Assisting Liberty to recover.
- Supporting faster, more inclusive and more sustainable economic growth and human development in South Africa and throughout the continent.

Return on equity <sup>Lib</sup>

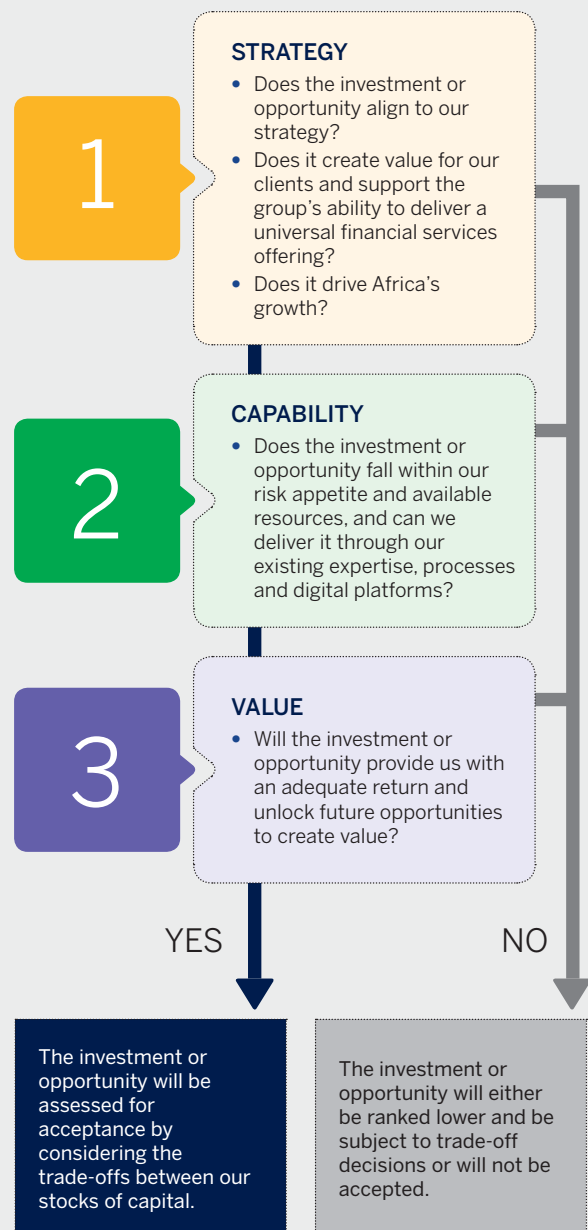


AIR 40-53 Group financial review.

Medium-term  
ROE target range of  
**18% to 20%**  
from 2018

## Allocating our capital resources

We apply a formal decision-making framework to optimally deploy the resources required to drive growth, deepen resilience and deliver shared value for all our stakeholders.





# OUR PERFORMANCE

- 34 Chairman's statement
- 36 Group chief executive's review
- 40 Group financial review
- 54 Personal & Business Banking
- 62 Corporate & Investment Banking
- 70 Wealth
- 78 Human capital report
- 86 Information technology report
- 92 Risk report





The world is moving increasingly from standing in line to going online. To remain relevant, we must find ways to improve our existing products and services, launch products that serve clients in adjacent markets, and develop breakthrough products for markets that do not yet exist.

To support this transformation and contribute to our competitiveness, we are partnering with disruptive fintechs in new markets.

Our dedicated Strategic Investments and Alliances team sources and engages fintech companies and invests in them, providing us with exposure to emerging technologies and capabilities that we don't currently have as a bank. In turn, our scale and reach give fintech start-ups access to our client base and they are able to leverage off our strong brand. We have developed a global network of associates comprising of fintechs, venture capital firms and non-competing partner banks. In certain instances, we also provide fintech start-ups with business mentorship. Innovation hubs have been established and our portfolio of strategic equity investments is supporting our ability to deliver leading technical solutions to our clients and businesses.

## COLLABORATING WITH FINTECHS

# CHAIRMAN'S STATEMENT

"Given the scale of the Standard Bank Group, it is literally the case that the financial performance of the group over the long term is intertwined with the performance of Africa's economies. For us, therefore, generating superior returns for our shareholders is contingent on our ability to generate social, economic and environmental value."

**Thulani Gcabashe**

17%



**910 cents**

DIVIDEND PER  
ORDINARY SHARE  
(2016: 780 cents)



*Dear Stakeholder*

I would suggest that the last year has been the most important in South African history since 1994.

Back then, the sceptics argued that South Africa was too wounded to become a democracy. When that turned out to be wrong, they predicted that our democratic institutions would crumble as soon as they came under any real pressure. In recent years, our political, judicial, economic, media and social institutions have indeed come under immense pressure, as have banks and businesses in general. But these pillars of our open society and market economy have withstood the pressures, and so, once again, we have before us a historic opportunity for renewal.

If the lesson of 1994 was that hope and decency can triumph, the lesson this time around is that strong, well-governed institutions are also profoundly important. I am greatly encouraged by the first steps taken by President Ramaphosa's administration to rekindle South Africa's hopes, to restore decency in governance, and to strengthen our institutions and organisations, not least the state-owned enterprises. In his first address to the nation, President Ramaphosa reminded us how we should be proud to be South Africans, how we should treat each other, and how we should be of service to one another.

Beyond South Africa, many of the countries we operate in have faced political, policy and governance related challenges in recent years, but several have also demonstrated the resilience of their democratic institutions and have experienced encouraging changes in their political leadership.

More so than its predecessors, South Africa's progressive governance standard, the fourth King Report on Corporate Governance (King IV), embodies the vitally important truth that when governance is compromised, covert and collusive interests thrive at the expense of the greater good. The economy cannot grow fast enough to create jobs, let alone the right kind of jobs for the 21st century, and society cannot become more equitable and stable. Put differently, without strong institutions, long-term sustainability is all but impossible.

I am therefore very pleased that, from 2017 onwards, the group's governance approach and reporting is informed by King IV. This asks us to demonstrate that we are a consistently well-governed institution that adds value to the 'triple context' – a concept that sees social, economic and environmental interests as indivisible – in the normal course of our business.

The integrated report you are reading aims to show that the King IV approach fits precisely with Standard Bank's purpose and values. It demonstrates that our strategy aims to create sustainable and inclusive value for all our stakeholders while taking full account of our social, economic and environmental (SEE) impacts.

## Executing our strategy: the measure of tough times

The South African economy shrank in the first quarter of 2017 but recovered to 1.3% GDP growth for the year. This was far below the pace required to reduce unemployment, inequality or poverty. Sub-Saharan Africa's economy began to recover from its poor performance in 2016, but still grew more slowly than at any time since the late 1990s.

This difficult backdrop created an excellent opportunity to gauge the seriousness of the group's commitment to our Africa-focused, client-centred strategy; to test whether it really generates sustainable competitive advantage, and to determine whether SEE value is indeed intrinsic to what we do every day, in good times and in difficult ones. The board and I believe that the group passed these tests.

2017 is the second year in which we are measuring our progress using our five strategic value drivers. The first four of these are client focus, employee engagement, risk and conduct, and financial outcome. Each of these is discussed in detail in this report, but I would like to emphasise that, for us, each value driver and their collective outcome are linked to, and considered together with SEE – our fifth strategic value driver. Our SEE impact is outlined briefly in this report and is thoroughly examined in our report to society, which describes our impact in each of the ten SEE impact areas we have identified to drive our continent's progress.

## Constantly raising the bar: never becoming complacent or arrogant

Standard Bank's people are often caricatured as hyper-cautious, always looking for the cloud attached to every silver lining. We believe that a more accurate assessment would be that, while we are passionate about our purpose, we are also highly disciplined risk managers, and I think the evidence supports this assertion.

The risks posed by cybercrime continue to be of great concern to the board. In common with every major bank, we are constantly subject to criminal attempts to compromise our systems. We have learned a great deal from the deeply regrettable Japan card fraud incident in 2016. Our capacity to detect and prevent such crimes has been independently assessed as much improved, and we have been effective in detecting and preventing material cybercrime in 2017. We are determined to maintain, and continuously improve, our ability to prevent cybercrime against the group and our clients.

The board and I spent considerable time satisfying ourselves that our clients, shareholders and other stakeholders are seeing value for money from our investment in new IT infrastructure, and that the stream of benefits to all our stakeholders from this investment will flow with increasing speed and strength in the years ahead. I am particularly determined that our new resources and capacities are used to improve client experience and to maintain and grow our share of chosen markets in the face of increasingly digital competition. We are already, for instance, increasing the speed and simplicity with which we can open accounts and we are extending the use of advanced technology to improve the speed and accuracy of credit assessment and regulatory compliance, while also lowering their costs.

In recent years, we have emphasised that our Africa Regions' businesses are an impressively diverse, dynamic and sustainable portfolio, providing the group with a truly unique competitive advantage and capacity to support Africa's economic growth and human development. This year's pleasing financial outcome has given us further data to support this view; a good result in the South & Central Africa region, and a strong recovery in the West Africa region counterbalanced a decline in earnings in the East Africa region.

The group's board continues to focus on ensuring the sustainability of our businesses in each country in which we operate by assuring ourselves of the strength and maturity of each country's board and executive team. I meet regularly with the chairmen of our subsidiary boards and the group board meets outside South Africa at least once a year.

The board has been pleased with the first stages of the recovery at Liberty. We know, however, that Liberty still has a lot of work to do to re-build its competitiveness.

## Doing the right business the right way: ethical, reputational and legal matters

During the year, credible and detailed *prima facie* evidence of corruption in South Africa emerged and the group became aware of information from which it could reasonably be inferred that certain of the group's important suppliers might have violated Standard Bank's values and ethics, or might expose Standard Bank to legal or reputational risks. In line with our established policies, the executive team held detailed conversations with these suppliers and requested explanations from them and, to the extent relevant, details of their commitments to take appropriate remedial action.

The outcomes of these conversations and other relevant information were carefully considered by the board. Of the suppliers considered, we concluded that it was right to end our relationship with McKinsey, and to allow KPMG and SAP more time to conclude the independent investigations that they had commissioned and to take remedial

action. I must emphasise, however, that we will make the right decision based on the final evidence that is put before the board.

The board will take precisely the same approach towards the matter concerning alleged collusion in the foreign exchange market that has been referred to the Competition Tribunal. We are deeply committed to doing the right business the right way. If compelling evidence of wrong-doing emerges, we will not hide behind technicalities and we will not hesitate to take all necessary remedial action. As things stand, however, we do not believe that there is any such evidence.

## Board composition: changes in directorships

I am satisfied that the board is appropriately balanced and contains the skills required to ensure that the group is well governed, and that the interests of our shareholders, other stakeholders and the societies in which we do business are well served.

Following the transition to a single group chief executive, Mr Ben Kruger now sits on the board as an executive director. During the year, we welcomed Dr Hao Hu, a senior executive vice president of the Industrial and Commercial Bank of China (ICBC), to the board as deputy chairman alongside Mr Jacko Maree. We also welcomed Mr Lubin Wang, Africa Head of ICBC, as a director on the board. Ms Swazi Tshabalala stepped down from the board.

Having reached retirement age, Mr Ted Woods retired from the board during the course of the year. Ted served the board with extraordinary dedication over a period of ten years and I wish to take this opportunity to thank him and wish him well in the years ahead.

## Looking ahead and appreciation

A hard road now lies ahead to make up lost ground and to build a truly inclusive economy. South Africa has gained another opportunity to become a more fair and prosperous society and to take our rightful place again in the forefront of African development. I am determined that the group will do everything in our power to support this work.

Africa-wide and in South Africa, Standard Bank will make our largest contribution by executing our group strategy with energy and discipline, and by consciously and systematically maximising our SEE value in everything we do. We will continue to be guided and inspired by the Constitution of South Africa, and we will continue to support the rule of law and democratic institutions. While scrupulously avoiding partisanship, we will contribute to policy and regulatory debates, making sure that we take a long-term and national-interest perspective. We will continue to invest directly in education, employability, inclusion and social innovation.

Thanks to the expertise, hard work, discipline and dedication of everyone who works at the Standard Bank Group, we enter this new phase in the life of our country and our continent well placed to serve our clients with consistent excellence, to create a great place to work for our people, to reward our shareholders generously for their capital, and to fulfil our purpose: Africa is our home, we drive her growth.

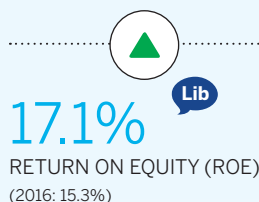
Finally, I must express my profound gratitude to my fellow directors. They are wise and dedicated institution-builders, and it is an honour to serve with them.



# GROUP CHIEF EXECUTIVE'S REVIEW

“The group’s financial results for 2017 were entirely consistent with our group strategy and exceeded expectations, especially given the difficult and volatile operating environment.”

**Sim Tshabalala**



Challenges in South Africa included very slow economic growth; rising political tension and uncertainty; the downgrade of South Africa’s sovereign debt; low business and consumer confidence; the finalisation of the Basel III net stable funding ratio (NSFR) and liquidity coverage ratio (LCR) requirements; and the costs imposed by the transition to the International Financial Reporting Standards (IFRS) 9 reporting standard. In the Africa Regions, challenges included elevated political risk, currency depreciation against the rand, and the imposition of regulatory caps and floors on interest rates in several countries.

Group headline earnings were R26.3 billion, up 14% – growing more than twice as fast as South Africa’s nominal GDP. Group ROE was 17.1%, up from 15.3% in 2016. Headline earnings per share was 1 640 cents, 14% ahead of last year, and dividend per share of 910 cents was up 17% on 2016.

I share our chairman’s sense of hope that South Africa stands on the brink of renewal. The early signs of opportunity are encouraging. Following a contraction in the first quarter of 2017, the South African economy began a moderate acceleration in the second half of the year. By the end of 2017, it had picked up to 1.3% GDP growth for the year. The outcome of the African National Congress’ (ANC) leadership election in December reinforced this positive momentum. According to South Africa’s National Treasury, growth at around 1.5% is forecast in 2018, rising to 2.1% by 2020 – or sooner if we can achieve some quick structural reforms.

Having reached a 22-year low in 2016, sub-Saharan Africa’s GDP growth rate was 2.7% in 2017, and it is expected to accelerate to 3.3% in 2018, in line with a worldwide economic upswing, and steady or slightly rising commodity prices.

In the longer term, the fortunes of our industry, South Africa and the continent will depend to a great extent on how successfully we adapt to, and take advantage of, the Fourth Industrial Revolution that is being driven by universal broadband, artificial intelligence and robotics. These developments make it even more urgent and imperative that we modernise South Africa’s information and communications technology (ICT) regulatory framework and that we radically improve education and training in South Africa and Africa-wide. President Ramaphosa’s decision to establish a Digital Industrial Revolution Commission is a good first step in this direction.

Over the past decade, the Standard Bank Group has proven that we can weather severe economic and political turbulence. We have shown that, even in the most difficult times, we can continue to serve our clients well; to modernise our systems to improve our services and increase our efficiency, reinforcing our future competitiveness; to reward our shareholders well for their capital; and to add many billions of rand in SEE value to the South African and African economies.

It might be tempting to say that the group will automatically do better in more favourable external conditions. In truth, there is absolutely nothing automatic about it. Yes, there will be opportunities to reach our goals faster and to exceed our targets, and we will ensure that we will seize these opportunities – and then immediately stretch ourselves further.

There is certainly no room for complacency. We remain vigilant against the ever-present risk of cybercrime to our group and our clients. We also face fast-growing competition from unregulated entities offering wholesale and retail financial services, modernising incumbent banks and new digital bank competitors, with formidable new rivals entering the South African retail banking market during 2018. Further, we can be certain that difficult conditions will come again. There will be market turbulence; there will be demanding new regulations; and there will be new political storms ahead.



### Advancing our current strategic priorities

Our purpose is fixed and multi-generational in its scope: Africa is our home, we drive her growth. Our vision is our medium-term aspiration: to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

The group believes that corporate strategy should be established for the long term. Its purpose is to create direction, impart stability and foster ambition. But it mustn't fossilise either. It must stay relevant to immediate market conditions and the kinds of competition we face. So, for the next few years, the executive team is focusing on three immediate priorities within our longer-term strategy: client centricity, digitisation and becoming a truly universal financial services organisation.

Each of these priorities is very important in itself – and each is complex to achieve. Most major financial services groups are now aiming to structure themselves around client needs rather than products. Digitisation is an existential necessity for the whole industry. Along with every other established bank that wants to remain relevant and profitable, we have to get this right to meet our clients' expectations and compete effectively with digital financial services providers. Similarly, many other large financial services groups aspire to provide a comprehensive suite of financial services.

We believe that it is the combination of client centricity, digitisation and universality that will create a large and sustainable competitive advantage for the group. We are therefore committing a great deal of time and resources into linking these priorities and bringing them to life in our organisation.

The foundation for this has been the substantial completion of the overhaul of our core banking systems, which will release capital and human resources to serve our clients. Equally important, this investment has enabled us to use the latest in analytic and intelligent automation technology to understand what our clients need and to serve them with greatly improved speed and accuracy. The initial use cases of intelligent automation have had highly encouraging outcomes.

The speed and robustness of our new systems have allowed us to accelerate the rollout of new products and services, making dozens of improvements and upgrades to the services we offer our clients, ranging from much improved fraud detection (with fraud losses falling by about two-thirds over the year); to an app that integrates the three largest mobile money networks in Ghana and Zimbabwe; to a new service that enables our commercial clients to request real-time foreign exchange prices through their digital interface with the bank.

Our third strategic priority is perhaps the most compelling of all: our capacity to provide truly universal offerings in, for and across Africa. During the year, we changed the mandates of six businesses to establish group-wide universal capabilities. These are card and emerging payments, cash, foreign exchange, VAF, trade, and short-term insurance. This involved making changes to our operating models, reporting lines and incentive structures to offer these capabilities to all our clients, large and small, companies and people, wherever they are and whatever their initial contact point is with the group.

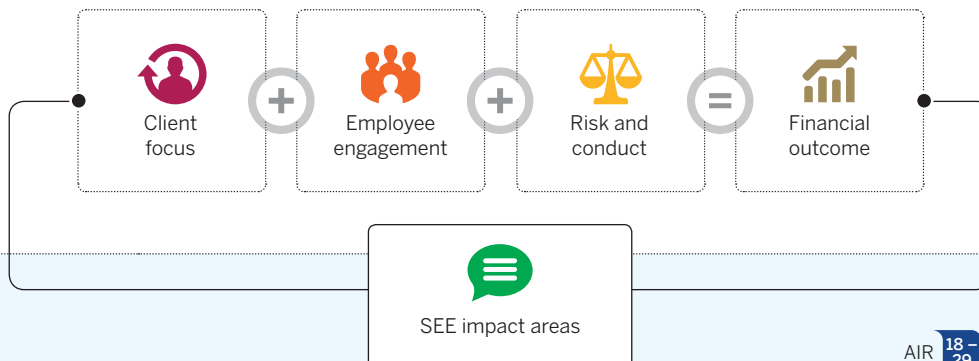
As we advance these priorities, the group is demonstrating that it can beat both modernising incumbents and new digital banks on their own turf. It is our intention to show that we can give both start-ups and incumbents a run for their money with our combination of digital capacity and data resources, our unrivalled Africa-wide network, our comprehensive range of offerings, and our strong and trusted brand. Our commitment to serve our clients with consistent excellence, wherever they are and whatever financial services they require, online or in-person, will add a sharp competitive edge to these advantages.

### Delivering on our strategic value drivers

You will have noted that the group is in the second year of measuring our progress against our five strategic value drivers. Although work continues to improve the coverage, accuracy, depth and consistency of the metrics used to measure our non-financial strategic value drivers, starting to measure and report systematically against these metrics is progress in itself. It is pleasing that the data we have creates a broadly positive and improving impression.

## OUR STRATEGIC VALUE DRIVERS

help us focus our efforts and measure the progress we are making against our group strategy and vision.



### CLIENT FOCUS

Personal & Business Banking South Africa (PBB SA) and Standard Insurance Limited's (SIL) net promoter scores (NPS) rose sharply over the year and PBB SA won the Ombudsman for Banking Services' annual award for 'commitment to fair customer treatment and redress in dispute resolution'. Corporate & Investment Banking's (CIB) client satisfaction score remained steady at a high level, and the South African Wealth and Investment business won the Intellidex Top Wealth Manager Award. PBB Africa Regions achieved 9% year-on-year growth in client numbers and 24% growth in our targeted segments. PBB Nigeria improved to third place (up from fourth) in Nigeria's leading banking client satisfaction survey. We were ranked as Best Bank in Botswana, Uganda, Zambia and Zimbabwe at the African Banking Awards, and best Mobile Bank in Uganda at the Digital Impact Awards. To serve our African and global clients better in Francophone Africa, we opened a fully-fledged banking operation in Côte d'Ivoire.

### EMPLOYEE ENGAGEMENT

In line with global best practice, we introduced an employee net promoter score (eNPS), calculated from the results of a group-wide employee engagement survey. The results were encouraging. The group's eNPS is +14 (the global industry average score is -10; any score over 0 is considered good); our emotional NPS (calculated by analysing qualitative data) is +47, an exceptionally strong result by industry standards. About 91% of our employees report that they understand their contribution to the group's purpose and 94% that they enjoy good working relationships with their peer colleagues.

It is the nature of our industry that our people face many stressful situations in the workplace. Standard Bank continues to offer comprehensive health and wellness services to our employees and their physical and emotional well-being appears to be in line with industry norms in both South Africa and the Africa Regions.

Turning to senior management, I am particularly pleased that we were able to attract Lungisa Fuzile to join the group as chief executive: The Standard Bank of South Africa (SBSA), and we were very pleased to appoint Alpheus Mangale as group chief information officer (CIO) from July, Thulani Sibeko as group head of marketing and communication starting in January 2018 and Nolwandle Mbalo as head of insurance of SIL with effect from 1 March 2018. David Munro's move to chief executive of Liberty made it necessary to appoint a new chief executive for CIB in the person of Kenny Fihla, who is occupying this role with great success to date. Peter Schlebusch has decided to step down as chief executive of PBB after ten very successful years in the role. He will be succeeded by Zweli Manyati who is currently chief executive of PBB Africa Regions.

### RISK AND CONDUCT

There is sometimes concern or confusion about what bankers mean by 'risk appetite' or 'taking risks'. We certainly don't mean behaving rashly or irresponsibly but – as any entrepreneur or business owner will confirm – there's no growth without risk. A major part of our business is lending, which involves taking carefully judged risks on our clients' ability to succeed. When we get this right, which we almost always do, we make it possible for young people to study, for families to buy homes, and for businesses to grow and create value for society.

Despite a tough year, the group's credit portfolio remained steady. The group credit loss ratio (CLR), which measures

the extent to which we lend money that doesn't get repaid, stood at 0.86% of gross loans.

The group's capital and liquidity positions remained sound and within or above board-approved ranges throughout 2017. As always, they were conservatively managed, taking into account both likely and remotely possible needs for capital and liquidity.

We are aiming to measure, understand and control our risks and our conduct in even more detail. During the year, every business unit and corporate function established a first line of defence conduct committee and began submitting detailed monthly quantitative conduct dashboards to the group management committee.





## FINANCIAL OUTCOME

As noted above, group headline earnings were up 14%. Group ROE was 17.1%, 180 basis points (bps) better than the prior year. Headline earnings per share were 1 640 cents, 14% ahead of last year, and dividend per share of 910 cents was up 17% on 2016.

The group's cost-to-income ratio (CTI) was 55.7%, down from the 56.3% reported in 2016, reflective of the positive jaws of 100 bps – a very pleasing outcome in a tough environment. Staff and operating costs both increased by 2% in nominal terms, implying declining real costs, despite the group also absorbing an 18% increase in amortisation of IT intangibles. This outcome reflects a strengthening rand but is also the product of highly disciplined cost management.

Headline earnings for the group's banking activities grew 10% to R24.3 billion and generated an ROE of 18%, up from the prior year's 16.8%.

PBB produced headline earnings of R14.0 billion, up 10%, with negative jaws of 43 bps and an ROE of 20%. PBB's result was supported by a strong credit performance. CIB grew headline earnings by 11% to R11.5 billion, demonstrating excellent cost discipline (positive jaws of 460 bps) and generating an ROE of 22.2%.

The group's other banking interests (the 40% share in ICBC Standard Bank Plc (ICBCS) and the 20% holding in ICBC Argentina) generated headline earnings of R567 million compared to an R8 million loss in the prior year.

Turning to a geographic and legal entity view: considering the weak performance of the South African economy over the year, the high levels of politically induced uncertainty and volatility over the period, continued intense competition, and our high market shares, SBSA did well to achieve a 9% (as consolidated) increase in headline earnings at an ROE of 16.6%, up 80 bps on the prior year.

The group's Africa Regions businesses made headline earnings of R6.8 billion, 19% up on last year (35% up in constant currency terms). This outcome was underpinned by good cost discipline to produce positive jaws of 400 bps. The Africa Regions produced an ROE of 23.8%, 320 bps ahead of the prior year. The Africa Regions contributed 28% of banking activities' headline earnings, and 26% of group headline earnings.

Liberty's earnings attributable to the group were R1.4 billion for 2017, up 50% on the very weak performance in 2016. This outcome is the result of the good performance of Liberty's shareholder investment portfolio and the accounting effects arising from the consolidation of the Liberty Two Degrees real estate investment trust. Liberty's normalised operating earnings were down 19% on the prior year. Liberty's operating challenges continue to attract considerable attention from the group in our capacity as shareholders and commercial partners, and we will continue to deepen and extend our collaboration with Liberty and provide the necessary support to its management as they execute their remedial and recovery plan.



## SEE IMPACT

By far the most significant way in which we create SEE value is in the ordinary course of our business as we help our clients to invest in their skills, to acquire valuable and life-enhancing assets, to grow their savings and wealth, to manage their risks, to expand their businesses, to create economic and social infrastructure, and to trade in Africa and throughout the world.

As in 2015 and 2016, it was necessary to spend a great deal of time in 2017 on South African and African political economy issues. We make no apology for the time spent on this kind of work: we firmly believe that this is an obligation that flows directly from the group's purpose and values; it is a responsibility that Africa's largest financial services group cannot shirk and, importantly, it is a commercial imperative in defence of our shareholders' and other stakeholders' interests. The group's cost structure, revenue possibilities, profitability and sustainability all depend very heavily on the state of the political economy and, most of all, on the quality of the institutions responsible for economic policy and governance.

Also noteworthy was that SBSA achieved Level 1 broad-based black economic empowerment (B-BBEE) status for the year. I am very proud of the determined and disciplined work we have done to meet our B-BBEE and employment equity (EE) commitment and targets in South Africa. We have nearly reached our EE targets for black (African, Indian and Coloured) and black female representation in senior, middle and junior management by the end of 2017. The majority of promotions at all levels were awarded to black people.

The group's corporate social investment programme spent R124 million in South Africa, mostly with the objective of improving access to better-quality education. In the Africa Regions we continued to support the Global Fund's work against HIV/Aids, tuberculosis and malaria. Further detail on these programmes is available in our report to society and transformation report to society.

## Moving forward with confidence

During 2018, our executive team's primary focus will be on meeting the group's commitment to deliver an ROE within our new target band of 18% to 20%.

To achieve this, we will:

- Continue improving client experience.
- Accelerate the digitisation of the group to ensure and enhance our competitiveness.
- Make further changes to the group's architecture to become a more universal financial services organisation.
- Assist Liberty to recover.
- Support faster, more inclusive and more sustainable economic growth and human development in South Africa and throughout the continent we are proud to call home.

I am extremely grateful to Ben Kruger for his leadership, wisdom and support during the transition to a single chief executive structure, and I am equally grateful to all my colleagues throughout the group. Every day, I come to work knowing that profound experts are going to teach me something new about digitisation and being a universal financial services organisation, and that skilful and empathetic bankers, insurers and asset managers are going to lead us all by serving our clients with consistent excellence.

# GROUP FINANCIAL REVIEW

“We remain committed to driving sustainable value for our investors. We know that we need to focus on growth, resilience and returns to continue to deliver a compelling investment case.”

**Arno Daehnke**

ROE medium-term target range of

**18% – 20%**

from 2018.



Standard Bank Group's financial performance for the year ended 31 December 2017 was strong. The group delivered 14% growth in headline earnings to R26.3 billion and ROE improved to 17.1% from 15.3% in 2016. The group's capital position remained robust, with a common equity tier 1 (CET 1) ratio of 13.5%. Accordingly, a final dividend of 510 cents per share has been declared, resulting in a total dividend of 910 cents per share, an increase of 17% on the prior year.

Although banking revenue growth remained subdued, credit impairment charges were broadly flat and costs were well managed to deliver positive jaws of 1.0%. Banking activities' headline earnings grew by 10% to R24.3 billion and banking activities' ROE improved to 18.0%, up from 16.8% in 2016. Group headline earnings growth was boosted by an improved earnings contribution from ICBCS and Liberty.

Currency movements continued to adversely impact the group's reported results, reducing headline earnings growth by 4% year-on-year. On a constant currency\* basis, group headline earnings grew by 18%. Despite the dilution of a strengthening rand, Africa Regions still increased its contribution to banking headline earnings to 28% from 26% in 2016, and contributed positively to group headline earnings per share (HEPS) growth and ROE. The top five contributors to Africa Regions' headline earnings were Angola, Ghana, Mozambique, Nigeria and Uganda.

## Our operating environment

Global macroeconomic conditions were positive during 2017, supporting increased trade volumes and underpinning global growth of 3.7% for the year. A benign inflation environment and low wage growth across most advanced economies resulted in slower than expected monetary policy tightening. Continued capital flows to emerging markets supported emerging market funding costs and currencies.

Economic growth in sub-Saharan Africa rebounded from 1.4% in 2016 to 2.7% in 2017, underpinned by improving commodity prices and trade. Across many of our key countries inflation began to ease, stemming interest rate hikes and, in certain countries, provided scope for rate cuts in the second half of the year. Although exchange rates largely stabilised in the second half, many were weaker year-on-year against the strengthening rand.

The recovery in the West Africa region was supported by higher oil prices and production volumes, together with higher business and consumer confidence levels. Foreign currency liquidity constraints in Nigeria eased, following the introduction of the NAFEX<sup>1</sup> rate in the second quarter of the year.

East Africa started to emerge from the drought conditions. In Kenya specifically, higher food price inflation, political uncertainty as a result of the disputed electoral process, and the impact of the regulatory caps and floors introduced in September 2016, resulted in a slowdown in economic activity and credit growth.

The South & Central Africa region was supported by improved commodity prices; however, countries surrounding South Africa continued to feel the effects of low South African demand. In Mozambique, some sectors of the economy improved during 2017, mainly on account of higher coal prices. Monetary policy tightening helped rebalance the foreign exchange market and resulted in the metical appreciating in the second half of the year, but it was on average 16% weaker against the rand compared to 2016. Inflation declined, despite a large increase in fuel prices.

Growth in South Africa remained weak at 1.3%, continuing its deviation from the global trend. During the year, consumer and business confidence remained low as a result of the poor macro environment and heightened political and policy uncertainties. This was exacerbated by successive downgrades by the three largest credit rating agencies. As a consequence, demand for credit remained lacklustre, moderating from the already subdued levels in 2016. Despite local sentiment, South Africa emerged from a technical recession in the second quarter and inflation re-entered the 3% to 6% target range, providing scope for a 25 bps interest rate cut in July. The rand, although volatile, was on average stronger against the major currencies, as well as those of our key countries in the Africa Regions.

\* To make a more informed assessment of our operational performance, we disclose a constant currency measure to remove the effects of currency volatility. This is done by adjusting the comparative financial results for the difference between the current and previous years' exchange rates. Refer to page 122 for details.

<sup>1</sup> Nigerian autonomous foreign exchange rate fixing.

## INCOME STATEMENT

The income statement reflects the revenue generated by our banking activities and the costs incurred in generating that revenue. The analysis that follows discusses the group's financial performance and the principal headline earnings drivers for growth in our ROE as explained further on page 48. We have also explained our material income statement line items.

### GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Change %	2017 Rm	2016 Rm
Net interest income	6	60 125	56 892
Non-interest revenue	0	43 037	42 965
Net fee and commission revenue	0	29 133	29 012
Trading revenue	(2)	10 731	10 988
Other revenue	7	3 173	2 965
<b>Total income</b>	3	<b>103 162</b>	99 857
Credit impairment charges	(1)	9 410	9 533
Specific credit impairments	8	9 055	8 382
Portfolio credit impairments	(69)	355	1 151
<b>Net income before operating expenses</b>	4	<b>93 752</b>	90 324
Operating expenses	2	57 512	56 235
Staff costs	2	31 672	30 976
Other operating expenses	2	25 840	25 259
<b>Net income before non-trading and capital related items</b>	6	<b>36 240</b>	34 089
Non-trading and capital related items	(91)	(97)	(1 123)
Goodwill impairment	100	(482)	(482)
Impairment of intangible assets	(57)	(283)	(654)
Gains on disposal of group entities	>100	196	61
Other non-trading and capital related items	(79)	(10)	(48)
<b>Net income before equity accounted earnings</b>	10	<b>36 143</b>	32 966
Share of profit from associates and joint ventures	>100	424	172
<b>Profit before indirect taxation</b>	10	<b>36 567</b>	33 138
Indirect taxation	(1)	1 849	1 865
<b>Profit before direct taxation</b>	11	<b>34 718</b>	31 273
Direct taxation	0	7 644	7 631
<b>Profit for the year</b>	15	<b>27 074</b>	23 642
Attributable to other equity instrument holders	46	594	406
Attributable to non-controlling interests	12	2 206	1 977
<b>Attributable to ordinary shareholders – banking activities</b>	14	<b>24 274</b>	21 259
Headline adjustable items – banking activities	(>100)	(6)	803
<b>Headline earnings – banking activities</b>	10	<b>24 268</b>	22 062
<b>Headline earnings – other banking interests</b>	>100	<b>567</b>	(8)
<b>Headline earnings – Liberty</b>	50	<b>1 435</b>	955
<b>Standard Bank Group headline earnings</b>	14	<b>26 270</b>	23 009

#### Net interest income

**What it is:** net interest income (NII) is the interest received on lending products that we offer to our clients and investments in debt instruments, less the interest paid on the deposits that our clients place with us and debt funding sourced from other lenders which includes our subordinated debt.

**Drivers:** benchmark lending rates, the degree to which our assets reprice relative to our liabilities (endowment), pricing of our loans and deposits, and portfolio mix.

#### Non-interest revenue

**What it is:** non-interest revenue comprises net fee and commission revenue, trading and other revenue.

**Drivers:** transactional (physical and digital) banking volumes, which are a function of economic activity, competition for banking services, number of clients and pricing, capital markets activity, trading volumes and market volatility, property-related revenue and income from bancassurance and unlisted investments.

#### Credit impairment charges

**What it is:** credit impairments represent the losses incurred due to the inability of our clients to repay their debt obligations.

**Drivers:** probability of our clients defaulting and the loss given default, business confidence, insolvencies and defaults and levels of debt-to-disposable income.

#### Operating expenses

**What it is:** operating expenses represent the costs that are incurred to generate current and future revenues.

**Drivers:** inflation, headcount and investments in our branch and IT infrastructure, costs relating to initiatives such as innovation, work efficiency programmes and client loyalty programmes and other operational losses such as fraud losses.

#### Non-trading and capital related items

**What it is:** items that are typically excluded from headline earnings such as gains and losses on the disposal of businesses and property and equipment, and the impairment of goodwill, intangible assets and gains and losses on the disposal of available for sale assets.

**Drivers:** obsolescence and replacement of our assets, the performance of our operations and corporate activity resulting in disposal-related gains and changes in market price.

#### Taxation

**What it is:** includes both direct income taxes (and related deferred tax in terms of IFRS) and indirect taxes such as withholding taxes and value-added tax (VAT).

**Drivers:** corporate tax rate, level of profitability of our operations, interest income from certain bonds and treasury bills and dividends on investments that are exempt, costs that are not tax deductible and the tax rates in the geographies in which the group operates.

#### Profit attributable to non-controlling interests

**What it is:** the portion of profit that we generate that is attributable to the minority shareholders in entities in which we own less than a 100% interest, notably in some of the Africa Regions countries.

**Drivers:** level of profitability of our operations and other shareholders' interest in our subsidiaries.

For further detail on the group results, including definitions, please refer to the Standard Bank Group analysis of financial results 2017 on our website:  
<http://reporting.standardbank.com/resultsreports.php>

**Note:** all line items are affected by changes in foreign exchange rates, notably between the rand and the local currencies of the economies in which we operate. For constant currency changes refer to the website.

## GROWING OUR FRANCHISE

### Revenue

Our banking activities achieved revenue growth of 3%. This growth rate was 9% in constant currency, which is a testament to our solid client franchises.

NII increased 6%, assisted by margin expansion of 26 bps to 474 bps. Average interest earning assets were flat on the prior year. The yield on the client lending book expanded mainly as a result of higher average interest rates in Angola, Mozambique and Nigeria, partly offset by an increase in the yield on the client funding portfolio in these countries. In South Africa, the combination of an improved yield on the mortgage lending portfolio and enhanced risk-based pricing of new loans in the personal unsecured and business lending portfolios also provided a benefit. A small positive endowment impact on capital and transactional balances in the Africa Regions was achieved.

Non-interest revenue was flat on 2016, with the largest component, net fee and commission revenue, remaining at the same level as the prior year. Trading revenue declined 2% and other revenue grew by 7%. On a constant currency basis, net fee and commission revenue grew 7%. This was the result of healthy volume-based increases in both card-based commissions and electronic banking fees, as well as higher documentation and administration fees.

Trading revenue grew 8% in constant currency off the back of a strong performance in the Africa Regions, which contributed 45% of the group's trading revenues. Fixed income and currency (FIC) trading revenue grew 15% in constant currency, with strong growth in fixed income driven by increased client activity. Foreign exchange trading was impacted by liquidity shortages and regulatory constraints in some key markets in Africa Regions. Equity trading revenue experienced lower trading volumes, and was negatively impacted by the elimination, in terms of IFRS, of gains on Standard Bank Group shares (SBK) held by the group to facilitate client trading activities, following a significantly higher SBK share price and long client positions.

### Credit impairment charges

Credit impairment charges of R9.4 billion were 1% lower than the prior year, while gross average loans and advances fell by 2%. This resulted in the group credit loss ratio remaining flat at 86 bps.

In PBB, impairment charges declined 3% year-on-year, mainly as a result of a lower portfolio impairment charge. This was driven by a decline in early arrears from continued improvements in early stage collections and payment methods. Impairment charges for VAF and mortgage loans in South Africa declined as the quality of the books continued to improve, with a concomitant decline in credit loss ratios for these portfolios. Higher specific impairment charges were raised mainly against business lending, both in South Africa, following the migration of a few larger exposures to non-performing loans (NPLs), as well as in the Africa Regions, driven predominantly by increased charges in Nigeria, following an accelerated write-off of NPLs, and a single counterparty write-off in Malawi. Overall, coverage levels were maintained.

CIB's impairment charges rose 1% on the prior year. Combined with a flat gross average customer loan book, the CLR on loans to customers was flat at 44 bps. Specific impairment provision adequacy increased from 56% in the prior year to 60%, to account for stress in the power and infrastructure and oil and gas

sectors in Kenya and Nigeria. A decline in portfolio impairments in Africa Regions from elevated levels recorded in the prior year was largely offset by an increase in South Africa.

### Operating expenses

Operating expenses grew 2% year-on-year, and in constant currency were up 8%. This reflects inflationary growth in South Africa of 5%, while in the Africa Regions, costs were up 18% in constant currency due to higher inflation and continued investment. The CTI ratio for the year was 55.7%, an improvement on the 56.3% in the prior year.

Staff costs were up 8% in constant currency. Following a year of disciplined focus on headcount, the overall staff complement remained at a similar level to 2016, declining 1% in South Africa with a marginal increase in the Africa Regions to support business growth.

Other operating expenses grew 9% on a constant currency basis despite an 18% higher amortisation charge relating to IT intangible assets. After many years of double digit growth, the total IT function spend was well contained, growing 5% in rand terms. A higher marketing cost was incurred, mainly for the 'What's your Next' and Shyft campaigns in South Africa. The growth rate was assisted by the non-recurrence of an operational loss of R300 million in the prior year related to the Japan fraud incident.

### Other banking interests

Other banking interests recorded headline earnings of R567 million, compared to a loss of R8 million in 2016.

The group's 40% stake in ICBCS contributed R152 million, a significant improvement on the R591 million loss from the prior year. The FIC and equities businesses delivered a strong result and higher commodity prices assisted the commodities business. Of the R152 million contribution, approximately R100 million relates to a UK consortium tax relief credit. Adjusted for this, ICBCS effectively broke even at an operational level in the second half of the year. ICBC Argentina delivered growth in revenues on an improving macroeconomic environment, particularly in the second half, to report earnings after tax that were marginally lower than 2016. The headline earnings contribution from the group's 20% stake in ICBC Argentina declined 29% to R415 million off a high base set in 2016. On a constant currency basis, earnings were down 11%.

### Liberty

The financial results reported are the consolidated results of the group's 56% investment in Liberty, adjusted for SBK shares held by Liberty for the benefit of Liberty policyholders which are deemed to be treasury shares in the group's consolidated accounts.

Liberty's normalised headline earnings for the year improved by 8% to R2.7 billion, supported by improving South African retail insurance earnings and higher returns from investment markets. Liberty's capital position remains strong. Liberty's IFRS headline earnings, after the headline earnings attributable to the Standard Bank Group, adjusted by R369 million for the impact of the deemed treasury shares, were R1.4 billion, 50% higher than in the prior year.



## BALANCE SHEET

The balance sheet or statement of financial position shows the position of the group's assets, liabilities and equity at 31 December 2017, and reflects what the group owns, owes and the equity attributable to shareholders. Material line items have been discussed below.

### BALANCE SHEET AS AT 31 DECEMBER 2017

	Change %	2017 Rm	2016 <sup>1</sup> Rm
<b>Assets</b>			
Cash and balances with central banks	(3)	75 310	77 474
Derivative assets	18	72 629	61 752
Trading assets	25	159 798	128 098
Pledged assets	>100	8 879	3 313
Financial investments	16	180 104	154 630
Loans and advances	(2)	1 048 027	1 065 628
Loans and advances to banks	(18)	117 935	143 788
Loans and advances to customers	1	930 092	921 840
Other assets	1	14 768	14 639
Interest in associates and joint ventures	22	1 816	1 489
Property and equipment	1	13 539	13 450
Goodwill and other intangible assets	(1)	23 098	23 285
Goodwill	(15)	1 904	2 239
Other intangible assets	1	21 194	21 046
<b>Total assets – banking activities</b>	4	<b>1 597 968</b>	1 543 758
<b>Total assets – other banking interests</b>	16	<b>7 493</b>	6 445
<b>Total assets – Liberty<sup>2</sup></b>	5	<b>422 467</b>	401 771
<b>Standard Bank Group – total assets</b>	4	<b>2 027 928</b>	1 951 974
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to ordinary shareholders	4	138 808	133 175
Preference share capital and premium	–	5 503	5 503
AT1 capital issued	100	3 544	–
Equity attributable to non-controlling interests	11	7 378	6 641
<b>Total equity – banking activities</b>	7	<b>155 233</b>	145 319
<b>Total equity – other banking interests</b>	16	<b>7 493</b>	6 445
<b>Total equity – Liberty<sup>2</sup></b>	(1)	<b>27 291</b>	27 595
<b>Standard Bank Group – total equity</b>	6	<b>190 017</b>	179 359
<b>Liabilities</b>			
Derivative liabilities	8	73 657	68 037
Trading liabilities	32	63 577	48 109
Deposits and debt funding	2	1 258 359	1 228 993
Deposits from banks	(23)	91 794	119 247
Deposits and current accounts from customers	5	1 166 565	1 109 746
Subordinated debt	(14)	18 966	22 138
Other liabilities	(10)	28 176	31 162
<b>Total liabilities – banking activities</b>	3	<b>1 442 735</b>	1 398 439
<b>Total liabilities – Liberty<sup>2</sup></b>	6	<b>395 176</b>	374 176
<b>Standard Bank Group – total liabilities</b>	4	<b>1 837 911</b>	1 772 615
<b>Total equity and liabilities</b>	4	<b>1 597 968</b>	1 543 758
<b>Total equity and liabilities – other banking interests</b>	16	<b>7 493</b>	6 445
<b>Total equity and liabilities – Liberty<sup>2</sup></b>	5	<b>422 467</b>	401 771
<b>Standard Bank Group – total equity and liabilities</b>	4	<b>2 027 928</b>	1 951 974

<sup>1</sup> Restated to incorporate the correct elimination of intercompany derivative positions. Refer to the group annual financial statements for further information.

<sup>2</sup> Includes adjustments on consolidation of Liberty into the group.

#### Derivative and trading assets and liabilities

**What it is:** derivative assets and liabilities include transactions with clients for their trading requirements and hedges of those client positions with other market participants, as well as hedges of certain group risks. Trading assets and liabilities are held by the group to realise gains as a result of changes in underlying market variables.

**Drivers:** number of clients, product offerings, level of economic and client activity in debt, foreign exchange, commodities and equity capital markets, competition and market volatility.

#### Loans and advances

**What it is:** loans and advances include our lending to banks and our clients.

**Drivers:** number of clients, product offerings, competition, level of economic and client activity, repayments and level of credit impairments.

#### Goodwill and other intangible assets

**What it is:** represents the excess of the purchase price over the fair value of businesses that we acquire, less impairments where applicable, and the cost of internally developed IT assets less amortisation and impairments (where applicable).

**Drivers:** corporate activity, investment in IT and digital capabilities to better serve our clients.

#### AT1 capital

**What it is:** the group's Basel III compliant additional tier 1 (AT1) capital bonds that qualify as tier 1 capital. The capital notes are perpetual, non-cumulative with an issuer call option and contain certain regulatory prescribed write-off features.

**Drivers:** regulatory capital requirements and growth in the group's risk-weighted assets (RWA).

#### Total equity

**What it is:** the total of the group's ordinary and preference share capital, AT1 capital, foreign currency translation reserve, minority interests and other reserves.

**Drivers:** income statement drivers (refer to page 41), changes in foreign exchange rates and regulatory capital requirements.

#### Deposits and debt funding and subordinated debt

**What it is:** deposits and debt funding provides the group with the funding to lend to clients. This fulfils the group's role in connecting providers of capital with those that require additional capital and thereby contributes to the functioning of the broader financial system.

**Drivers:** client demands, transactions and savings.

#### Note:

All line items are affected by changes in foreign exchange rates, notably between the rand and the local currencies of the economies in which we operate. For constant currency changes refer to the website.

## OUR RESILIENT BALANCE SHEET

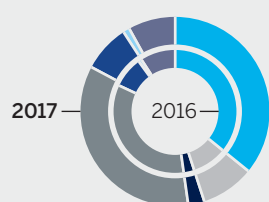
### Loans and advances

Gross loans and advances to customers grew by 1% year-on-year, of which PBB's advances to customers grew by 3% and CIB's declined by 2%.

Within PBB, mortgage lending grew 3%. New business transactions of R42.4 billion were made in South Africa during the year despite the number of registrations falling 14% compared to 2016. During the year, PBB SA continued to write the largest proportion of new mortgage business and maintained its leading market share at the end of 2017. VAF lending showed a modest 1% growth, as new business disbursements only slightly exceeded the run off in this book in South Africa, while the book in the Africa Regions contracted. Credit card balances rose 3% while other personal unsecured lending fell by 2%. Business lending grew by 7%, with PBB Africa Regions showing good growth on a constant currency basis.

In CIB, term loans extended to clients to support their growth ambitions grew by a muted 2%, as new business was offset by maturities and early repayments by clients. Loans granted under resale agreements, used primarily for liquidity management purposes, declined as other high quality liquid assets increased to meet higher regulatory liquidity requirements.

#### Composition of gross loans and advances to customers (%)



	2017	2016
Mortgage loans	36	36
Vehicle and asset finance	9	9
Card debtors	3	3
Term loans	35	34
Overdrafts and other demand loans	8	8
Loans granted under resale agreements	1	1
Other term loans	8	9

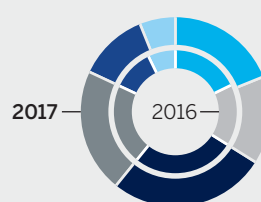
### Funding and liquidity

The group's liquidity position remained strong and within approved risk appetite and tolerance limits. The group's fourth quarter average Basel III LCR amounted to 135.1%, exceeding the minimum phased-in Basel III LCR requirement of 80%. The group also successfully achieved compliance with the minimum Basel III NSFR requirements with effect from 1 January 2018.

Despite the downgrades of the South African sovereign credit ratings during the year, the market cost of liquidity widened only marginally. A number of key debt capital market and term loan funding transactions were executed, taking advantage of pockets of relatively well-priced liquidity as investor appetite for capital markets issuances remained robust. The group successfully increased its longer-term funding during 2017, raising R32.4 billion through a combination of senior debt and syndicated loans. An additional R24.6 billion was raised through negotiable certificates of deposit with tenors in excess of 12 months.

Deposits from customers grew 5% year-on-year. The group's most stable source of funding, retail deposits from PBB customers, increased 6% in rand and 9% in constant currency. The group maintained its leading retail deposit market share in South Africa, growing retail-priced deposits by 8%, and continued to grow its franchise in the Africa Regions, where retail-priced deposits grew 4% (15% in constant currency). The group's offshore operations in the Isle of Man and Jersey continue to be an important source of USD and GBP funding, growing 4% in rand and 6% on a constant currency basis. CIB's focus on transactional banking clients assisted growth in current accounts and cash management deposits of 2% in rand and 5% in constant currency.

#### Composition of deposits from customers (%)



	2017	2016
Current accounts	19	18
Cash management deposits	15	16
Call deposits	27	27
Term deposits	21	21
Negotiable certificates of deposit	12	11
Other deposits	6	7



## Capital management

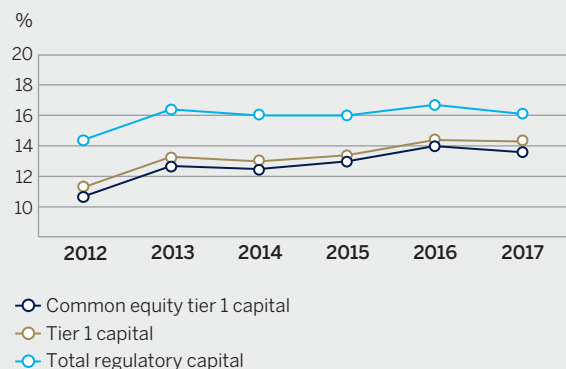
The group maintained strong capital adequacy ratios, with a CET 1 ratio of 13.5% (2016: 13.9%) and a total capital adequacy ratio of 16.0% (2016: 16.6%). In line with the group's objective to optimise its capital stack, the group successfully executed two Basel III compliant AT1 bond issues in March and September 2017, raising R3.5 billion, the proceeds of which have been invested in SBSA.

In December 2017, the Basel Committee on Banking Supervision published the finalised Basel III reforms, which aim to reduce excessive variability of RWA and improve the comparability of banks' capital ratios. The regulations will be implemented on 1 January 2022 with a transitional arrangement for phasing in the aggregate output floor until 2027. Going forward, we will plan and manage the business with these new requirements and deadlines in mind.

IFRS 9 became effective on 1 January 2018. The group will provide a transition report together with its first quarter results for 2018. The day one impact of implementing IFRS 9's expected credit loss impairment requirements, which comprise the most material impact, is expected to reduce the group's CET 1 ratio by approximately 70 bps, which will be phased in over three years. We expect an increase of approximately R8.7 billion in balance sheet impairments; an increase of 32% on IAS 39's balance sheet impairments (including interest in suspense).

### Capital adequacy

(including unappropriated profit)



**Note:** The balance sheet presents the group's banking activities separately from the other banking interests and Liberty. It differs to the balance sheet presented in the group's annual financial statements, which is presented on a consolidated basis.

## Looking forward

The global growth outlook remains positive and relatively synchronised, with recent momentum in advanced economies expected to continue. China's growth is expected to remain robust.

Although upside inflationary pressures are emerging, particularly in the US, monetary policies in the advanced economies are expected to maintain a moderate pace of tightening, which should help sustain capital flows to emerging markets. From a 22-year low in 2016, growth in sub-Saharan Africa is expected to accelerate to 3.3% in 2018, supported by a worldwide economic upswing, and slightly rising commodity prices. In general, economic prospects across our network of countries are expected to improve, providing a favourable backdrop for our business.

We are also optimistic about the prospects in our home market of South Africa. We believe that the positive steps taken already by the ruling party subsequent to its leadership conference will improve business and consumer confidence. This positive sentiment, as well as pent-up demand, should begin to reflect in key economic indicators.

In the face of fast-growing competition from established banks and new competitors, we have a relentless focus on three immediate priorities – to transform into a client-centred, digitally enabled, and integrated universal financial services organisation.

We are in the final stages of our core banking journey and, in early 2018, 95% of our transactional accounts in South Africa will be migrated onto our core banking platform. With this modernised platform in place, we will increasingly focus on front-end solutions and innovations, the benefit of which will be experienced directly by our clients.

We support faster, more inclusive and more sustainable economic growth and human development in South Africa and throughout the continent. At the same time, we are focused on improving the returns we deliver to our shareholders.

Accordingly, we have lifted our medium-term ROE target range from 15% – 18% to 18% – 20%. We will continue to focus on the levers available to deliver on our targets, including positive jaws, efficient capital allocation and improving returns from PBB Africa Regions.

We stand ready to serve our clients with consistent excellence, wherever they are and whatever financial services they require, online or in person.

## RESPONDING TO ECONOMIC CONDITIONS

Below we provide a summary of the results and economic conditions in the countries that are most material to the group's results. The commentary below is from a local currency perspective for each country.

### Ghana

**Operations results:** The increase in headline earnings of 46% (CCY<sup>1</sup>) was largely a result of a lower CTI ratio and positive jaws aided by reduced credit losses (following concerted risk remediation for most of 2016 and the early stages of 2017), despite the reducing interest rate environment which exerted pressure on margins. Net fee and commission revenues, as well as trading revenues performed exceptionally well.

**Currency impact:** The cedi weakened by 7% against the US dollar.

**Notable changes in relevant commodity prices:** Oil prices rose above USD55/barrel (bbl), supporting the economy as the country continued to benefit from expansion in oil production.

**Other economic impacts:** The economy is expected to settle into a more sustainable growth path following the improved performance of the oil sector.

**GDP result:** GDP growth estimated to be 8.2% (2016: 3.6%).

### Nigeria

**Operations results:** Following macroeconomic challenges in prior years as a result of historically low oil prices and scarcity of foreign currency, 2017 was characterised by the normalisation of macro factors. Performance improved, with a strong increase in headline earnings (CCY: 99%). Operating results benefited from a combination of tight cost management and improved margins due to increased interest rates and non-interest revenue. Credit losses increased due to the accelerated write-off of certain exposures.

**Currency impact:** The naira depreciated by 15% against the US dollar.

**Notable changes in relevant commodity prices:** Oil prices rose above USD55/bbl, and oil production remained above 1.75 million barrels per day.

**Other economic impacts:** The non-oil sectors continued to contract in 2017. Businesses have had difficulty accessing credit due to the central bank's tight monetary policy and lower sales driven by low consumer confidence.

**GDP result:** GDP growth estimated to be 0.9% (2016: -1.5%).

### Angola

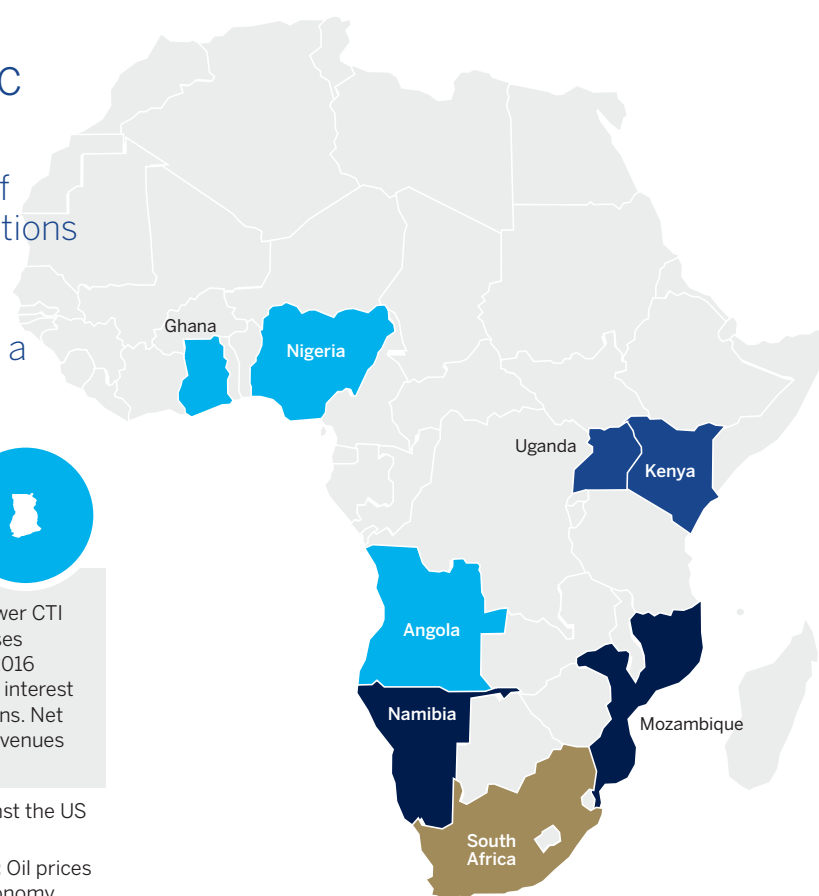
**Operations results:** Continued shortages of foreign currency, rising interest rates and high inflation contributed to the significant growth in earnings (CCY: 135%). Tight controls over costs, contained credit losses and significantly increased total revenue contributed to this result.

**Currency impact:** The kwanza remained steady at the official rate of AOA165.9 against the US dollar.

**Notable changes in relevant commodity prices:** The collapse in crude oil prices in 2014 had an adverse economic impact on Angola that is still being addressed. The oil sector remains exposed to poor operating conditions resulting in declining oil production on matured fields.

**Other specific economic impacts:** General domestic expenditure has been impacted by foreign exchange shortages and high inflation, with net exports constrained by declining oil output and higher imports associated with government capital expenditure. Limited sector diversification is also likely to continue to weigh negatively on the economy.

**GDP result:** GDP growth estimated to be 0.9% (2016: 0.1%).



<sup>1</sup> Constant currency basis.

## South Africa



**Operations results:** SBSA reported strong headline earnings growth of 10% despite challenging economic conditions. This was underpinned by growth in average balances and disciplined pricing management, particularly in PBB, which contributed to higher NII and margins, improved net fee and commission revenue, trading revenue and other revenue. This was offset by marginal increases in credit impairments and contained cost growth.

**Currency impact:** The rand appreciated by 9.5% against the US dollar in 2017 after depreciating by 16.4% in 2016. This was despite both Standard & Poor's and Fitch downgrading South Africa's local currency to sub-investment grade.

**Notable changes in relevant commodity prices:** Commodity prices remained elevated in 2017, largely driven by synchronised global growth, increased crude steel production outside of China and positive sentiment around potential market deficits in base metals.

**GDP result:** GDP growth was 1.3% in 2017 (2016: 0.3%).

## Namibia



**Operations results:** Year-on-year headline earnings performance was flat due to the increasingly challenging macroeconomic environment and increased funding costs which put pressure on NII. This was achieved through disciplined cost management, containing cost growth below inflation of 2.8%, giving rise to flat jaws.

**Currency impact:** The Namibian dollar appreciated by 9.5% against the US dollar.

**Other economic impacts:** During 2016 and 2017, commodity prices and global economic activity recovered, following the downturn in 2014 and 2015, which should underpin the Namibian economy going forward.

**GDP result:** GDP growth estimated to be -0.5% (2016: 1.1%).

## Uganda



**Operations results:** Modest headline earnings growth due to low credit demand from clients and a very loose monetary policy. Margin pressure arose from declining market interest rates declining (average treasury bill rates decreasing from 14.8% in 2016 to 10% in 2017). These challenges were offset by tight cost management and positive jaws.

**Currency impact:** The Ugandan shilling depreciated by 1% against the US dollar.

**Other economic impacts:** The agricultural sector grew from the prior year, due to improved weather conditions.

**GDP result:** GDP growth estimated to be 4.8% (2016: 2.5%).

## Mozambique



**Operations results:** Strong headline earnings growth (CCY: 101%) driven by liability growth due to flight to quality combined with significant positive endowment impact with average treasury bill rates increasing from around 15% in 2016 to 25% in 2017. Concerted risk mitigation actions in prior years resulted in an improved credit book, containing credit costs despite significantly increased interest rates.

**Currency impact:** The metical appreciated by 17% against the US dollar.

**Other economic impacts:** The economy suffered from the revelation of previously undisclosed loans, which resulted in a tighter monetary policy and fiscal consolidation measures to help restore macroeconomic stability, driving growth in aggregate demand to historical lows.

**GDP result:** GDP growth estimated to be 3.2% (2016: 3.8%).

## Kenya



**Operations results:** An earnings contraction of 20% (CCY) from 2016 was driven by a disruptive political environment, the impact of interest rate capping rules and a significant increase in credit losses arising from the downgrade of a number of project finance-related facilities. The CLR increased from 1.1% to 2.3%, and CTI deteriorated from 50.2% to 53.5%.

**Currency impact:** The Kenyan shilling depreciated by 0.8% against the US dollar.

**Other specific economic impacts:** Prolonged political risks associated with the protracted elections in 2017, alongside a drought-induced slowdown in the beginning of the year, are the key reasons for poor economic growth forecasts.

**GDP result:** GDP growth estimated to be 4.8% (2016: 5.8%).

# MEASURING OUR FINANCIAL OUTCOME

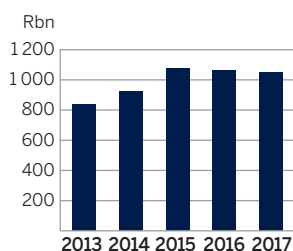
## HEADLINE EARNINGS

The group's headline earnings is one of the components used in the determination of the group's ROE and represents the major lever in lifting the group's ROE to meet our medium-term target. Headline earnings growth is used as a key reference point in decision-making throughout the group.

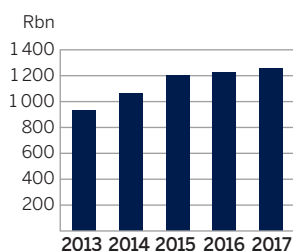
### Banking activities' balance sheet drivers

Growth in deposits and debt funding, and loans and advances have provided the group's banking activities with the ability to increase its headline earnings between 2013 and 2017 by a compound annual growth rate (CAGR) of 12%.

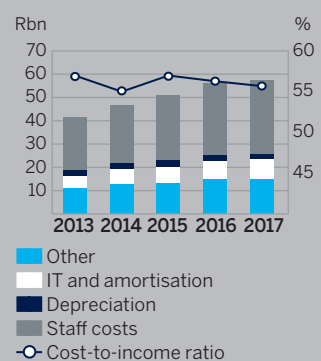
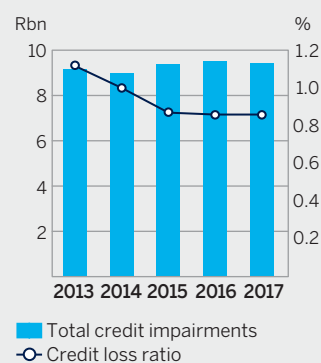
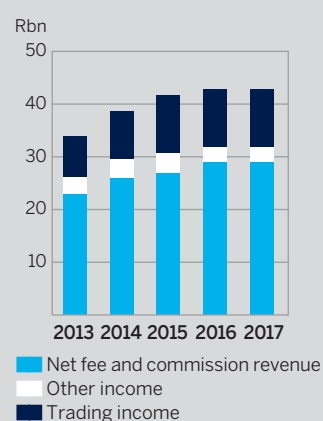
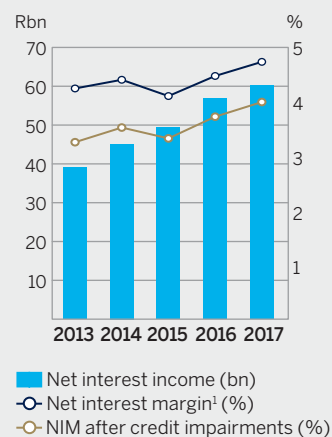
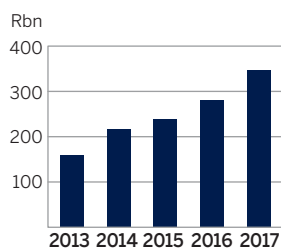
#### Net loans and advances (CAGR: 6%)



#### Deposits and debt funding (CAGR: 8%)



#### Trading and pledged assets, financial investments and derivatives (CAGR: 22%)



#### 1 Change in methodology and disclosure of net interest margin

Current calculation: Net interest income over average interest earning assets  
Previous calculation: Net interest income over average assets less derivatives

The new disclosure of net interest margin reduces complexity and helps articulate our client portfolio and change in balance sheet mix, and is in line with peer and market analysis.

## Banking activities

### Net interest income

(CAGR: 11%)

The cumulative effect of improved risk-based pricing strategies, optimisation of funding composition and growth in the Africa Regions has supported the growth in the group's NII from 2013. During the year, NII benefited in South Africa from growth in average balances continued pricing management, particularly in PBB and in the Africa Regions, and the positive endowment impact of higher average interest rates and growth in local currency transactional balances in Africa Regions but partially offset by the full year impact of interest rate caps and floors in Kenya.



### Non-interest revenue

(CAGR: 6%)

Non-interest revenue increased on average by 6% per annum over the period and comprises of net fee and commission revenue (up 6%), trading revenue (up 8%) and other revenue (down 1%). The growth in net fee and commission revenue growth over the period moderated following interchange fee reforms introduced in South Africa from March 2015 but was supported by growth in the group's client base, transactional volumes (notably digital) and points of representation (notably in the Africa Regions). Non-interest revenue remained flat from 2016, with net fee and commission revenue flat and trading revenue down 2% but lifted by growth in other revenue from higher insurance revenue.



### Credit impairments

(CAGR: 1%)

While impairments have increased on average 1% per annum since 2013, the group's credit loss ratio has decreased from 1.12% to 0.86%. For 2017, the group's total credit impairments decreased 1% due to a combination of the charge for specific impairments increasing and the charge for portfolio impairments decreasing.



### Operating expenses

(CAGR: 8%)

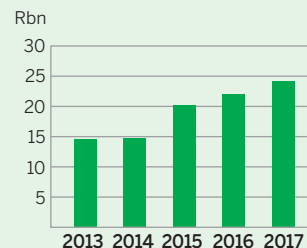
Operating expenses have increased on average by 8% over the period as a result of inflation, increased headcount to expand the group's footprint across Africa, exchange rate impacts, increased amortisation of intangible assets and higher IT support costs. However, during 2017, operating expenses increased 2% following a stronger rand, headcount management and a reduction in operational risk losses. Given that income growth was higher than cost growth for the year, a 1% positive jaws ratio was achieved allowing the CTI ratio to reduce to 55.7%.



### Banking activities' headline earnings

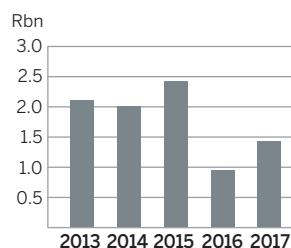
(CAGR: 13%)

Contributing to the 13% average growth per annum in banking activities' headline earnings is the growth in our Africa Regions' headline earnings and SBSA headline earnings of 19% and 9% respectively over the period, as well as an improved group jaws ratio and credit loss ratio. Over the period, Africa Regions' contribution to banking headline earnings increased to 28%, from 26%.



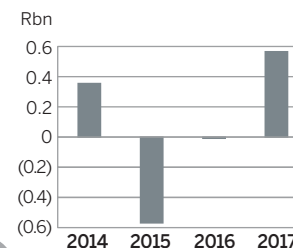
### Liberty's headline earnings – SBG share

Between 2013 and 2015, Liberty's headline earnings benefited from a steady improvement in its operating earnings in the long-term insurance business but moderated as a result of lower shareholder investment portfolio gains. Liberty's headline earnings attributable to the group decreased significantly in 2016 due to lower investment returns and a challenging consumer environment. During 2017, the group's share of Liberty's headline earnings increased by 50% to R1.4 billion as a result of higher investment returns in the shareholder investment portfolio and headline earnings of R317 million as a result of the accounting mismatch arising on the consolidation of the Liberty Two Degrees real estate investment trust.



### Other banking interests' headline earnings

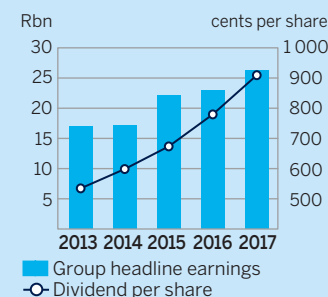
The headline earnings from the group's other banking interests improved from a loss of R8 million in 2016 to a profit of R567 million in 2017. ICBCS benefited from tax relief in the UK and, if adjusted for, made a small operating profit in 2017, compared to a large loss in 2016. This was offset by lower earnings from ICBC Argentina, exacerbated by the strength of the rand against the peso. In local currency, the bank traded profitably in an improving macro environment, but was unable to grow off the trading-related high base set in the first half of 2016.



### Group headline earnings

(CAGR: 12%)

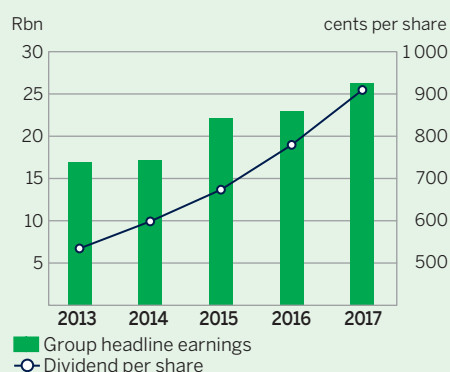
Group headline earnings growth of 12% over the five-year period has enabled the group to deliver a 14% annual growth in dividends over the same period.



## RETURN ON EQUITY Lib

Our ROE is the most relevant measure of our financial performance over time as it combines all of our critical drivers, including earnings growth and capital utilisation, into a single metric. Internally we also measure our return on risk-weighted assets (RoRWA) as a more direct measure of earnings relative to regulatory capital utilisation.

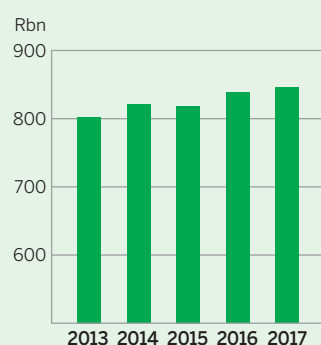
### Group headline earnings (CAGR: 12%)



AIR 48-49 For a detailed discussion of our headline earnings.

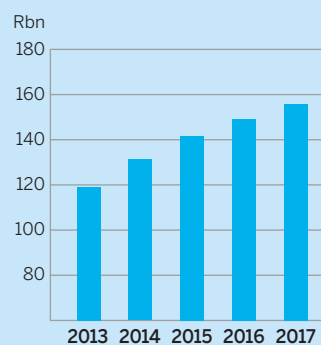
### Group average risk-weighted assets (CAGR: 1%)

Stable group average RWA over the last two years is the result of RWA optimisation, particularly in CIB, as well as Africa Regions' currency weakness over 2016 and 2017. This, coupled with slow underlying credit risk growth in client portfolios in 2017, resulted in average RWA growing by 1% from the prior year.



### Average shareholders' equity (CAGR: 6%)

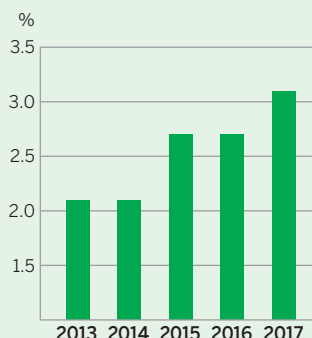
The group's average shareholders' equity increased on average by 6% over the five-year period primarily as a result of growth in the group's retained earnings over the period of 12% but offset by dividends which have grown on average by 14% over the period. The group's foreign currency translation reserve (FCTR) further contributed to the increase in shareholders' equity from 2013 to 2015, but decreased significantly in 2016 by R11.4 billion, and further in 2017 by R4.9 billion following rand strength against several foreign currencies.





### Group average return on risk-weighted assets (CAGR: 10%)

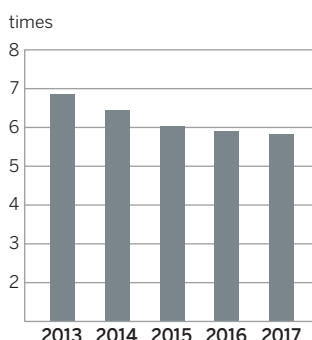
The group's average RoRWA has increased from 2.1% in 2013 to 3.1% in 2017. This was driven by the 12% CAGR in headline earnings as compared to the 1% CAGR in the group's average RWA. The significant increase in the RoRWA in 2017 followed the 14% growth in headline earnings together with a stable RWA.



X

### Group financial leverage

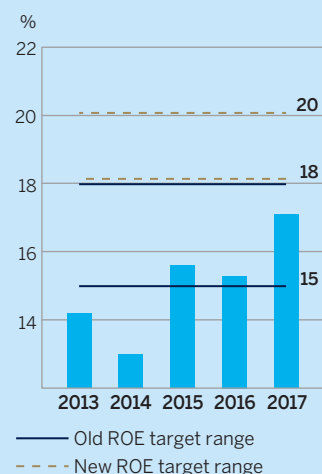
The decreasing trend from 2013 to 2017 is due to the average shareholders' equity increasing at a faster rate than the increase of the group's average RWA. The group's financial leverage for 2017 was 5.5% compared to 5.6% in 2016.



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### Return on equity

In 2017, the group's ROE increased to 17.1% from 15.3%, which is in the upper end of the group's medium-term target range of 15% to 18%. Banking activities' ROE increased to 18% from 16.8% in the previous year as a result of headline earnings growth of 10% exceeding the growth in average shareholders' equity of 2%. The group ROE also benefited from the group's other banking interests reporting a headline earnings profit as compared to a loss in the previous year, as well as the 50% increase in Liberty's headline earnings.



RCM

For details regarding the group's cost of equity, refer to the group's risk and capital management report.

### OUR VALUE DRIVERS



Client focus



Employee engagement



Risk and conduct

Our value drivers, which contribute to delivering our ROE

We are confident that the resolute execution of our strategy will drive ROE higher. We have set a **new ROE target range of 18% – 20%, from 2018.**

# KEY ACCOUNTING CONCEPT

## IFRS 9 *FINANCIAL INSTRUMENTS*

The group has adopted IFRS 9 – *Financial Instruments* (IFRS 9), which came into effect from 1 January 2018. Since IFRS 9 changes the way that the group classifies and measures financial assets and liabilities and, most notably, the manner in which the group estimates its expected credit losses, we have provided a summary of how the adoption of IFRS 9 will affect the group from 2018.

### The key change

IFRS 9's expected credit loss (ECL) impairment requirements will have the most material impact on the group. IFRS 9 requires credit impairments to be recognised on an expected loss basis which differs significantly from the incurred loss basis required previously by IAS 39 *Financial Instruments: Recognition and Measurement*. The expected loss basis requires us to consider past, current and future expected events in determining ECL requirements. This means that we will include forward-looking economic expectations in determining the expected changes in credit risk, as well as in determining the quantum of the ECL impairment.

It is important to note that the ultimate cash credit loss recognised on loans to our clients will not change because of IFRS 9. If a client is going to default, the ultimate cash loss under both IAS 39 (the requirements applied in preparing the group's 2017 financial results) and IFRS 9 will be identical. The only difference between IAS 39 and IFRS 9 is the timing of how we recognise credit losses, with more losses required to be recognised earlier under IFRS 9.

### How IFRS 9 will affect the group

#### Impact – qualitative assessment

The ECL impairment requirements, IFRS 9's most material impact for the group, are expected to result in an increase of approximately R8.7 billion in balance sheet impairments; an increase of 32% on the current IAS 39 balance sheet impairments (including interest in suspense). IFRS 9's classification and measurement requirements are not expected to have a material impact on the group's reserves as at 1 January 2018.

The following table outlines the key drivers of the estimated impact:

IFRS 9 DRIVERS	REASON
<b>12-month expected credit loss for performing exposures</b>	The existing emergence period is between three to six months for PBB exposures and 12 months for CIB exposures. The IFRS 9 change to a 12-month expected loss requirement will result in an increase in impairments for PBB.
<b>Lifetime credit losses for exposures that exhibit a significant increase in credit risk</b>	IFRS 9 requires a lifetime loss to be recognised for exposures for which there has been a significant increase in credit risk. This will affect both PBB and CIB.
<b>ECL held for unutilised client exposures, guarantees and letters of credit</b>	The requirement for impairments to be recognised for unutilised client facilities, guarantees and letters of credit will result in additional balance sheet impairments for both PBB and CIB.
<b>Lifetime model workout requirement</b>	In terms of determining ECL the exposure's full lifetime is considered. This includes the probability of recovery or cure post default and/or subsequent future default.
<b>Forward-looking economic expectations for ECL</b>	The inclusion of forward-looking economic information is expected to increase the level of provisions held on our balance sheet due to the nature and timing of both current and forecasted economic assumptions.

### Tax implications

Within South Africa, National Treasury released a Taxation Laws Amendment Bill which contained updated legislation addressing the requirements for the deductibility of impairments in accordance with IFRS 9. This change included a three-stage approach: 25% tax allowance for impairment provisions for all performing exposures that have not demonstrated a significant increase in credit risk (stage 1), 40% allowance for performing exposures that have demonstrated a significant increase in credit risk (stage 2) and an 85% allowance for impairment provisions for exposures that are in default (stage 3). The change in the timing of the deductibility of the impairments for tax purposes will result in a higher deferred tax asset balance which will have a negative impact on the group's capital ratios.

### Capital implications

IFRS 9 (including the related tax consequences) will have consequential impacts on the group's regulatory capital adequacy ratios. The expected increase in impairment provisions, together with the increase in the group's deferred tax asset carrying value and changes in the level of existing threshold deductions for investments in financial entities and deferred tax assets, will reduce qualifying CET 1 capital. This reduction will, however, be partially offset by the release of the existing deduction against qualifying CET 1 for the excess of regulatory expected losses over the IAS 39 impairments (R2.1 billion).

IFRS 9's ECL requirements are expected to reduce the group's CET 1 ratio by approximately 70 bps and will be phased in over three years in accordance with the SARB directive.

The group will communicate the IFRS 9 transition adjustment externally as part of its 2018 first quarter's financial results.



### WHERE TO READ MORE

Read more about IFRS 9 online at:  
<https://cfo.co.za/article/IFRS-9-explained>

Refer to the group's website for the group's IFRS 9 transition report, which will be available together with our 2018 first quarter's results.

# PERSONAL & BUSINESS BANKING

"It is not so much our strategy but how well we execute it that will set us apart from our competitors. We have made pleasing strides in leveraging our investment in technology, equipping and empowering our people and streamlining our operations. This is enabling us to measurably change the lives and fulfil the aspirations of our clients."

**Peter Schlebusch**

Chief executive, PBB and head of digitisation



## OVERVIEW

### OUR STRATEGY

PBB provides banking and other financial services to individual clients and small- to medium-sized enterprises in South Africa, the Africa Regions and the Channel Islands.

#### Purpose

Changing lives and fulfilling aspirations across Africa.

#### Vision

Radically redefine client experiences by understanding and delivering what matters most to clients.

### WHAT OUR CLIENTS WANT

#### The bank that knows me

A single and complete connection with every client.

A personalised bank for every moment in life.

#### The bank that empowers me

An entire bank in every client's pocket.

A toolbox for every financial need.

#### The bank that delivers for me

A reliable partner for life.

A frictionless and dependable payment experience.

### HOW WE RESPOND

#### THE BANK THAT KNOWS ME

- Provide relevant solutions informed by deep and precise insights into what matters to our clients.
- Deliver a consistent and integrated client experience across all touch points.
- Leverage group capabilities to deliver to our clients.
- Promote a relevant and compelling brand.
- Lead with transactional banking and deposit gathering.

#### THE BANK THAT EMPOWERS ME

- Design and embed simple, paperless and automated end-to-end business processes with the client in mind.
- Leverage a simple and agile technology platform (safe, reliable and real time).
- Do the right business the right way.
- Allocate and prioritise resources to deliver what matters to clients.
- Structure to integrate activities across business units and enable smooth delivery of products and solutions to clients.

#### THE BANK THAT DELIVERS FOR ME

- Consistent and continuous clarity of purpose and vision enabled by a united leadership team.
- Collaboration through employee teamwork.
- Embed a learning ethos to constantly raise the bar.
- Empower local leaders to enable our people to execute agreed strategies.
- Recognise the contribution of our employees.
- Embrace our diversity.
- Fulfil our social and ethical responsibilities.



## OUR OPERATING CONTEXT FOR 2017

### South Africa

- Low consumer and business confidence, stagnant growth and high unemployment.
- Volatile political environment and rating agency downgrades.
- Declining real consumer spending and credit demand.
- Strong competition for a static number of clients.
- Increasing adoption of digital banking.

### Africa Regions

- Slower economic growth, high inflation and declining interest rates.
- Foreign currency shortages.
- Punitive regulatory changes.
- Accelerated credit impairments in Nigeria.
- Strong growth and adoption of digital channels in a competitive digital environment.



## OUR PERFORMANCE IN BRIEF

Despite our challenging operating context, PBB achieved a **pleasing 10% growth** in headline earnings and a **20.0% ROE** (2016: 18.8%), largely due to the resilience of the South African franchise and a growing client base in the Africa Regions.

### South Africa

- Implemented a leaner, more locally empowered operational structure focused on delivering consistently excellent client service.
- Improved NPS scores in most client segments.
- Growth in targeted private, business and entrepreneur client segments.
- Strengthened credit and risk management capabilities, contributing to lower impairments.
- Jaws remained flat in a constrained revenue environment.

### Africa Regions

- Grew local currency current accounts.
- Improved efficiency and cost management.
- Improved client service in Nigeria, supporting growth in target client segments.
- Continued to introduce digital channels, which are being adopted.
- Continued to successfully bank the ecosystems – the suppliers, service providers, shareholders and employees – of our business, commercial and CIB clients.

## AWARDS

### MTN Business App of the Year

- Winner – SHYFT

### Ombudsman Annual Awards

- Best of the Top 5 Banks at Resolving Customer Disputes

### Private Banker International

- Winner – Outstanding Philanthropy Offering (Feenix Trust that supports tertiary education)

### Global Finance

- Safest Bank in Kenya

### African Banking Awards 2017

- Best Bank in Botswana, Uganda, Zambia and Zimbabwe

### Efma-Accenture Innovation Awards 2017

- Nominee – Best Global Innovations in the New Business Ecosystems category. Nominees comprise the six best global innovations in the category.

### Digital Impact Awards 2017

- Best Mobile Banking and Best Promoter of Financial Literacy in Uganda



# PERFORMANCE AGAINST STRATEGY

We are transforming our business to ensure a singular focus on our clients: to understand their needs and to gain, and keep, their trust by delivering complete solutions, helping them to bank, earn, insure and save. Our fit-for-purpose presence in 14 countries across Africa, combined with our committed people and enabling IT platforms, supports our large, diverse client base. Each of our businesses plays a clearly defined role in achieving the group's vision to become the leading financial services organisation in, for and across Africa.

Our key focus areas of client centricity, digitisation and universal financial services align to the group strategy, and the pages that follow discuss our progress against the five strategic value drivers.



## CLIENT FOCUS

Performance metrics

**Net promoter score**

South Africa – channel

Africa Regions

**2017**

2016

2015

**66**

53

58

**16**

15

30

Our drive to deliver consistently excellent client service contributed to the improvements in PBB's overall NPS scores for South Africa channels and the Africa Regions.

In the Africa Regions we exceeded the scores of a significant majority of our competitors and, in Nigeria, the KPMG 2017 Banking Industry Customer Satisfaction Survey confirmed that banks are improving customer experience, with Stanbic IBTC ranked third in the retail banking segment.

PBB SA remains the market leader in residential mortgages and retail-based deposits, and moved from second position to market leader in credit card balances from November 2017. We grew in our target segments which are private, prestige, business, commercial, and entrepreneur, and achieved significant growth in our public sector client base, with the acquisition of the banking relationship and student disbursement platform of a major provider of financial aid for students. We bank five provincial governments and have almost doubled our medium-term lending book in secondary cities – reflecting the group's commitment to infrastructure development in smaller centres. Our personal VAF business strengthened its focus on the middle and affluent client segments. A proactive response to slowing new car sales, including a shift in focus to used car sales, embedded insurance options for used cars and a new dealer servicing model gained traction in 2017, resulting in 24% growth in dealer volumes despite market growth of vehicle sales of 2%.

These gains were achieved at the same time as we completed a significant restructure of the South African operation. The aim was to create a leaner and more focused operation with enhanced digital capabilities, rationalised branches and reskilled local client management teams accountable for client service and empowered to make decisions that enable us to keep our promise of consistently excellent client service. The restructure, undertaken in consultation with SASBO, the Finance Union, required all senior provincial and area

managers to reapply for their jobs as their roles changed in line with our digitally enabled client-focused strategy.

In the Africa Regions, net new client accounts grew by 24% in our target segments, while initiatives were implemented to retain clients, reduce account dormancy and increase transactional activity to ensure strong growth in the existing portfolio. We maintained our focus on growing market share in Nigeria, Kenya and Ghana and achieved a 43% market share growth across our target client segments in these large markets, led by our Nigerian operation. Significant investments were made in digital channels, including ATMs and cash deposit machines, and an online business centre for small and medium enterprise (SME) clients to conduct their banking remotely. In addition, we rolled out credit card and bancassurance businesses to countries that lacked these service offerings.

We continue to source alternative revenue streams. In the Africa Regions, our focus on the ecosystems of PBB and CIB business and commercial clients and CIB banking clients yielded almost 27 000 new transactional banking clients who accounted for revenue growth of R294 million for the group.

Our reward programme, UCount, has been effective in supporting client retention and encouraging client adoption of cashless channels.

Our progress over the year shows that PBB's transformation into a client-centred, data-driven, digitally enabled universal financial services organisation that delivers secure, personalised, relevant experiences to clients and employees in real time, all the time, is well underway.

The following key concepts are guiding our digitisation journey.

**Single consistent user experience** – ensuring that whatever services our clients or employees need are consistently available anywhere, anytime, irrespective of channel.

**Leveraging data** – being smart in our use of data to guide our decisions, create valuable insights and deliver personalised experiences. Sound management and analysis of our data resources not only improves client service, but also our sales performance and universal offering, while strengthening risk management and compliance in an increasingly regulated environment.

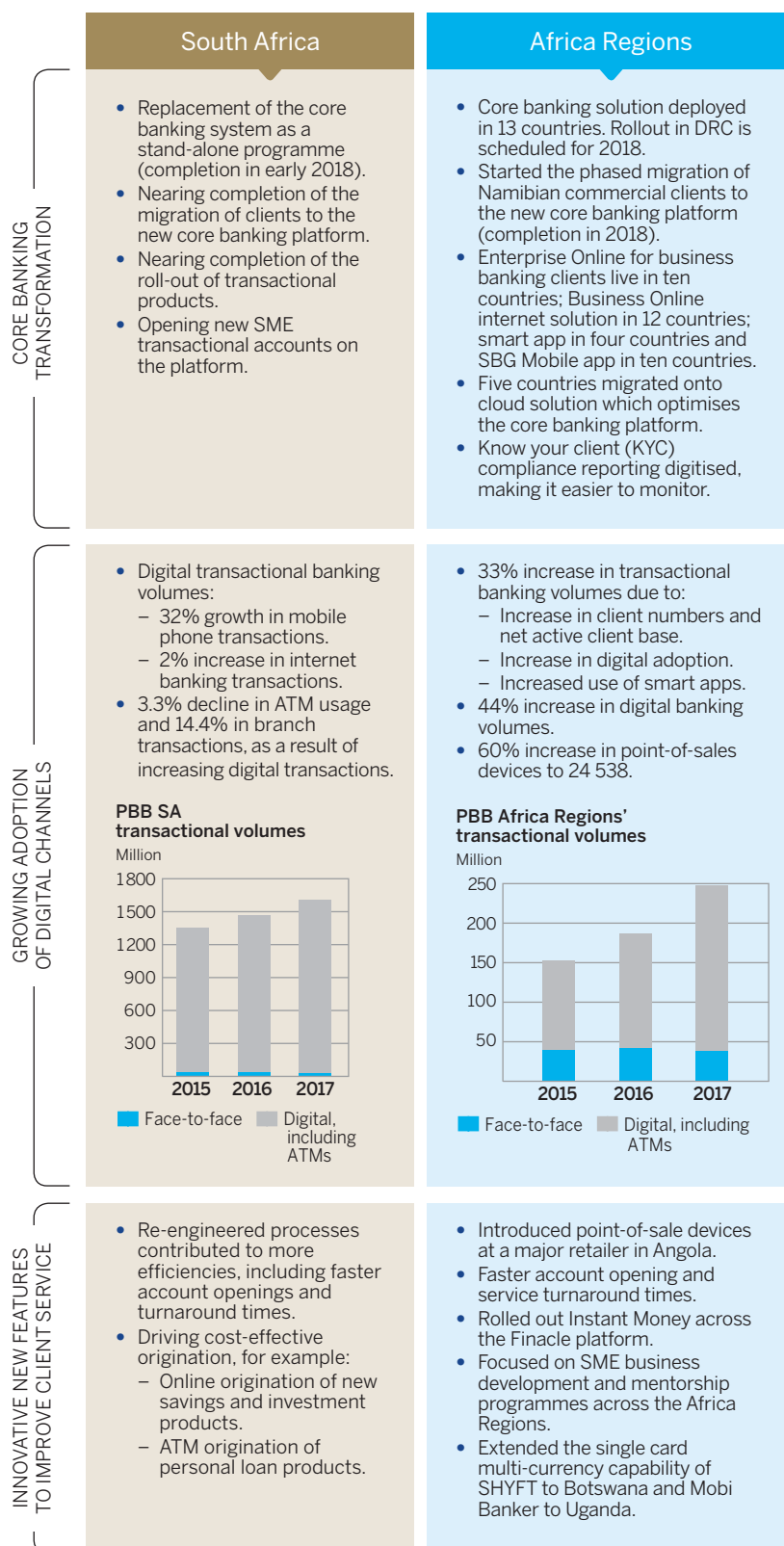
**Leveraging enterprise technology** – building enterprise assets that can be leveraged across the group and keeping these up-to-date and relevant. The major elements of our IT transformation are complete, and our modernised platforms are enabling operational integration, product rationalisation and a single view of our clients. The benefits to our clients include service delivery improvements such as real-time banking on mobile channels, faster account origination and new products becoming available more rapidly.

**Making it easy to interact with the group** – removing friction, paper-based processes and waste to ensure intuitive, easy-to-use, reliable interfaces for clients, employees and third parties.

**Accelerating digital execution** – being proactive in understanding client needs, embracing solutions from other industries and geographies and integrating these into our environments. The increasing adoption of digital banking methods and channels is enabling our clients across our footprint to bank more conveniently and cost effectively.

**New ways of working** – embracing new ways of working to remove barriers to fast, effective client service by ensuring that our environment encourages curiosity, digital thinking and continuous improvement by our people. This enables quick and frequent refinement of ideas and brilliant delivery.

## We achieved major milestones in our digital journey during 2017.





## EMPLOYEE ENGAGEMENT

Performance metrics	2017	2016
eNPS	<b>+13</b>	n/a*
Voluntary turnover (%)	<b>5.1</b>	5.4
Voluntary regrettable turnover (%)	<b>1.3</b>	1.2
<b>Black representation (including executives)</b> SA	<b>%</b>	<b>%</b>
Senior management	<b>54.6</b>	51.8
Middle management	<b>72.4</b>	71.7
Junior management	<b>85.3</b>	84.5

\* Not comparable as the method used to determine eNPS changed in 2017. Refer to page 80 for further information.

To realise our client-focused strategy, we are developing an energetic and supportive culture, with the following features:

- Collaborative and effective team work, where we are empowering employees who work closely with our clients to make decisions, and holding each other accountable to our vision and strategy.
- Acknowledging and being purposeful in our role to fulfil the aspirations of all our clients, drive entrepreneurial activity and help business owners create jobs.
- Becoming the bank that exceeds client expectations by radically redefining traditional client experiences and providing innovative digitally enabled experiences that make our services simpler, better, faster.

To compete successfully as a digitised universal financial services organisation, our people and operations need to be aligned across the group, collaborating and working in teams across traditional boundaries and ensuring that each employee is empowered to adopt new ways of working within their areas of responsibility. To support this transition, we have amended the performance and incentive scorecards of our frontline employees to include services across the group, not only in their specific areas of activity.

The successful adoption of new ways of working is enabling PBB to address areas of inefficiency and improve client experience. New ways of working have been embedded in several insurance and wealth offerings and the process enhancements will be implemented in 2018. In the Africa Regions, the Namibian operation has adopted new ways of working to optimise its branch capacity and reduce the time taken to address client concerns.

We are transforming our workforce to more closely reflect the demographics of the markets we serve. In South Africa, black representation improved across all management levels. In the Africa Regions, we focus on employing competent and experienced local people and prioritise black and African female appointments. Diversity and inclusion programmes were accelerated across PBB during 2017.

In addition to routine training and development, we are also reskilling and upskilling employees to enable them to make the transition to digitisation. We have introduced a capability academy to provide frontline employees the skills and authority to address client needs, overcome areas of frustration, increase productivity and offer consistently excellent service. Cross-functional analytics teams have been established to personalise client experiences and an analytics academy will attract, develop and retain top analytics talent for this purpose.

We started a new graduate development programme to attract and retain local talent in the Africa Regions and support our plan to grow to scale in large markets that offer significant growth potential. The first cohort of ten graduates has been recruited in Angola and are participating in a structured leadership development programme in South Africa.

Our leadership development programmes continue to provide a pool of talented people for senior management roles. During 2017, 300 of our people attended our accelerated development programmes for black and African women, which will continue in 2018.

Engaged and committed people are crucial to delivering excellent client experiences. An Organisational Health Index (OHI) survey conducted in South Africa rated us marginally below the global median but noted that we are shifting from 'bureaucratic' to 'agile'. PBB operations have implemented plans to improve the OHI score.



## RISK AND CONDUCT

Performance metrics	2017	2016	2015
Average RWA (Rbn)*	382	369	352
Return on average RWA (%)	3.7	3.5	3.2

\* Average RWA is calculated net of non-controlling interest.

We reinforce a culture of doing the right business the right way throughout PBB by ensuring that, through collaboration and personal accountability, our people and teams develop trusting relationships with each other.

This, in turn, supports their ability to build, and maintain, the trust of clients by understanding and responding to client needs and making them responsible offers based on their risk profiles.

During 2017, PBB strengthened key areas of compliance and operations across PBB improved the status of their internal audits. The Africa Regions maintained a strong focus on IT stability and KYC compliance, and PBB SA introduced a monthly reputational risk monitoring system.

To mitigate market and client risk, we manage risk within an agreed risk appetite and regularly review and amend our risk appetite across all client segments and products. Digitisation and the development of a single view of clients across all channels enables us to identify the early signs of financial distress and respond proactively, seeking solutions for clients while protecting our own financial position. We have improved our collections capability and will further

strengthen our portfolio management processes to enable our operations to respond proactively to emerging risks.

To ensure that core strategic initiatives such as new ways of working, new product development and associated change management have the desired effect, risk managers closely monitor and evaluate the progress of these initiatives.

Digital technology represents one of our greatest competitive advantages, but it also poses significant risk to our operations. Most service interruptions have a data-related cause, while cybercrime continues to threaten the integrity of our industry and the safety of our clients' information. We continue to strengthen our IT security capabilities, including remediation plans to address credit card fraud, digital channel fraud and account takeover or impersonation. We have experienced a significant reduction in digital channel fraud as a consequence of our disciplined and thorough management of cyber risk.

We continue to respond proactively to the raft of regulatory changes impacting the financial services industry, including the impending Retail Distribution Review, Consumer Credit Insurance, Protection of Personal Information Act and Twin Peaks. In a developing regulatory environment in Africa, additional regulations in many markets continue to impact adversely on our revenue and challenge our operations to source alternate revenue streams. The most notable of these impacts in 2017 were:

- Significantly elevated cash reserving requirements in Nigeria.
- Caps and floors on interest rates in Kenya effective from September 2016.
- Suspension of management fees on salaried accounts in Angola from 1 May 2017.
- Capping of interest rates on productive assets in Zimbabwe from 1 April 2017, to stimulate economic activity.
- Suspension of account maintenance fees on savings and personal current accounts in Malawi from 1 January 2017.



## FINANCIAL OUTCOME

Performance metrics	2017	2016	2015
Revenue (Rbn)	<b>69.5</b>	67.6	60.6
Cost-to-income (%)	<b>60.3</b>	60.1	60.3
Headline earnings (Rbn)	<b>14.0</b>	12.7	11.3
ROE (%)	<b>20.0</b>	18.8	18.2
Credit loss ratio (%)	<b>1.20</b>	1.25	1.27

Improved client service and growth in PBB's target segments contributed to revenue growth.

Another resilient performance by the South African operation enabled PBB to achieve strong growth in headline earnings and ROE, more than offsetting the negative impacts of regulatory changes in the Africa Regions and accelerated impairments in Nigeria.

In South Africa, improved collection strategies, payment capabilities and risk

management contributed to lower impairments. A headcount ceiling was implemented as one of several measures to minimise growth in staff costs.

The Africa Regions' portfolio continued to reflect positive revenue momentum but was impacted by lower levels of non-interest revenue due to the non-recurrence of US dollar-related credit card revenue

earned in 2016 and lower volumes in physical channels as digital volumes grew significantly. Although they yield lower revenue, digital solutions are more accessible and improve client experience, while enabling rationalisation of the branch footprint over time. Emphasis on optimally growing the balance sheet, improving net interest margins and a focused sales drive contributed to 15% growth in current and savings account balances in constant currency.

Accelerated provisioning and write-offs of NPLs in Nigeria contributed to a significant increase in impairments. High impairments were also experienced in the business banking sector in Malawi through a single counterparty write-off. Collection efforts were increased in these countries to recover write-offs; however, these may only be received during the 2018 financial year.



## SEE IMPACT

### Financial inclusion

Instant Money is an affordable, safe and reliable way to send money to anyone with a basic cellphone, regardless of whether the sender or recipient has a bank account. Some 78% of the people who use the service across six countries, including South Africa, are not Standard Bank clients. There are approximately 1.7 million transactions a month on Instant Money, with transaction values of over R1 billion in the second half of 2017. Money can be sent from an ATM, via the banking app, online banking, cellphone banking or through our retail partners, and is delivered instantly.

SBSA's affordable housing book is valued at around R25 billion. As the largest lender to this sector, we have assisted almost 100 000 families in the R3 501 to R23 500 a month income group to purchase a home. As clients in this sector often struggle to pay a deposit, most of

our affordable housing loans are full loans.

We work closely with the Department of Human Settlements and provincial housing departments to help our clients access the Finance Linked Individual Subsidy Programme (FLISP) offered by government. The programme helps first-time home buyers that find it difficult to qualify for housing finance, as their income is regarded as too low for traditional mortgage finance from banks, and too high to qualify for the government free basic house subsidy scheme. The FLISP subsidy, which ranges between R20 000 and R87 000, may be used to reduce the initial mortgage loan amount, or to cover the shortfall between the qualifying loan and the total house price, or it can be used as a deposit.

### Innovation, entrepreneurship and enterprise development

Given the potential of entrepreneurs and small businesses to facilitate growth in Africa and create new jobs, and as part of our commitment to the Financial Sector

Code in South Africa, we provide these clients with extensive transactional, advisory and funding support. This includes online channels for SMEs across the continent, which enable online account management and transactional activities, funding and enterprise development for black-owned enterprises in South Africa, as well as business and skills development centres throughout Africa. PBB participates in group incubator and mentoring programmes for SMEs, youth start-up initiatives and the Lionesses of Africa online network of more than 460 000 African businesswomen.

### African economic development

We support our business and commercial banking clients in the development of trade relationships with counterparts in other African countries. Similarly, the expertise of our sector teams enables us to provide relevant services to the agriculture, public sector, natural resources and wholesale and retail trade sectors.



## LOOKING AHEAD

PBB's ability to sustain strong performance in difficult business conditions is largely due to the ongoing support of our clients and the commitment of our people.

The economic outlook for our markets in the year ahead is improving, with indications of growth momentum, but these are likely to take some time before we will see a significant uplift in client activity. Competition will remain intense from incumbents and potentially disruptive newcomers. We have, however, demonstrated the effectiveness of our client-focused strategy and believe that, by continuing to deliver what matters most to our clients, we will be able to protect and continue growing our target client segments.

### Priorities in respect of our strategic value drivers



# CORPORATE & INVESTMENT BANKING

"In executing our strategy, we focus on proactively partnering with our clients across geographies and sectors, driving Africa's growth. We continue to utilise our presence and deep knowledge of African markets to support our clients. In addition, we remain committed to modernising our business to improve both client and employee experience."

**Kenny Fihla**  
Chief executive, CIB



## OVERVIEW

### OUR STRATEGY

CIB serves the banking, finance, trading, transactional, investment and advisory needs of a wide range of multinational companies, local and regional businesses, financial institutions, governments and parastatals.

#### Purpose

To contribute to Africa realising her potential.

#### Vision

To be the leading corporate and investment banking business in, for and across Africa, with a focus on sectors driving Africa's growth.

### WHAT OUR CLIENTS WANT

- Understand my business and the challenges and opportunities I have.
- Develop a proactive partnership.
- Deliver solutions that meet my business needs.
- Make it easy for me to access the group.
- Deliver consistent and reliable service.

### HOW WE RESPOND

#### EMBEDDING CLIENT FOCUS

- Partner our clients on their growth journeys.
- Drive collaboration and connectivity within CIB and the broader group.
- Treat our clients as people not numbers.
- Urgently and continually enhance our processes to focus on our clients.
- Purposefully allocate resources to support client needs and priorities.

#### BUSINESS OPERATIONS

- Do the right business the right way.
- Fulfil our promises to our clients through an efficient, effective and consistent operating model.
- Operate enterprise-wide and end-to-end business processes aligned to the CIB strategy.
- Promote an environment of proactivity, responsiveness and reliability.
- Allocate financial resources efficiently.

#### PEOPLE AND CULTURE

- Enable employees to deliver consistently excellent client experiences.
- Recognise employees' contribution and provide competitive, performance-based remuneration.
- Promote a culture of high performance, accountability and collaboration.
- Embed clear mandates and accountabilities, while simplifying everything we do.
- Embrace diversity.
- Fulfil our social and ethical responsibilities.



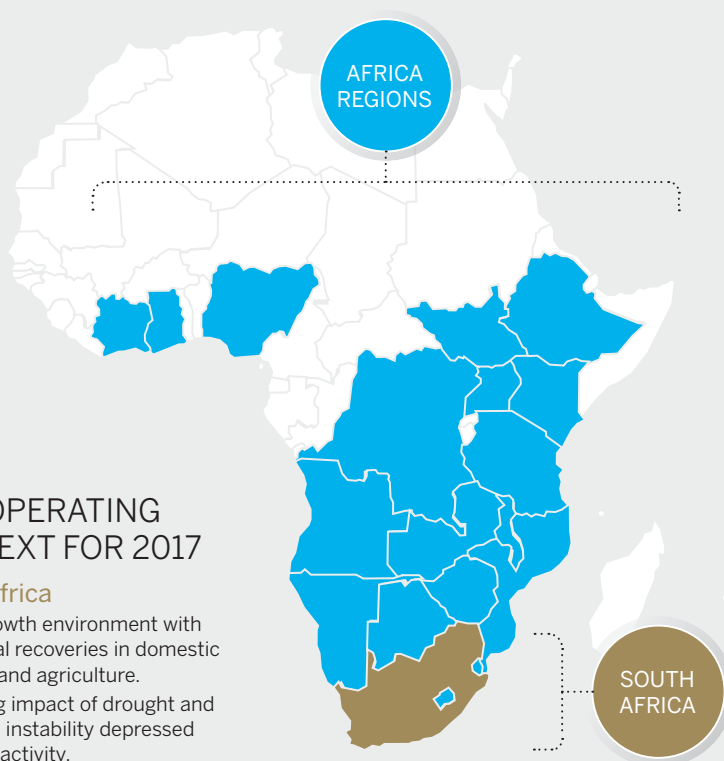
## OUR OPERATING CONTEXT FOR 2017

### South Africa

- Low-growth environment with marginal recoveries in domestic mining and agriculture.
- Ongoing impact of drought and political instability depressed market activity.

### Africa Regions

- Moderate recoveries in the price of oil and other commodities improved market sentiment in oil-exporting countries.
- Depreciation of African currencies and volatile interest rates; although these started to stabilise in the second half of the year. Foreign currency liquidity remained a constraint in Angola and Mozambique, but the introduction of the NAFEX rate in Nigeria attracted liquidity back into that market.
- Challenging operating environments subdued corporate sector credit growth.
- Regulatory changes remain a challenge in key markets.



## OUR PERFORMANCE IN BRIEF

Despite the difficult conditions, we achieved **11% growth** in headline earnings and a **22.2% ROE** (2016: 19.5%). This performance was achieved as a result of:

- The resilience of our diverse portfolio across clients, geographies, sectors and products.
- Strong revenue growth from multinational clients, based on our unrivalled capacity to support their growth strategies across the African continent.
- Our support of large domestic clients with local or international growth ambitions.
- Prudent risk management, strong cost management and an improved credit experience.

### We responded to economic and regulatory stresses by:

- Deepening existing relationships and acquiring new clients to maintain the growth of our client franchise.
- Allocating resources to growth opportunities, within our risk appetite – a benefit of our sector and geographic diversity.
- Increasing our competitiveness in local markets by enhancing our banking offering and strengthening our local currency transactional banking capabilities.

## AWARDS

### Global Finance World's Best Trade Finance Banks 2018

- Best trade finance provider in Africa
- Best trade finance provider in Botswana, Kenya and South Africa

### Global Finance World's Best FX Providers 2018

- Best FX provider in Africa and Kenya

### Euromoney's Real Estate Survey 2017 – ranked first for:

- Loan finance, Africa
- Equity finance, Africa
- Overall, Ghana, Mozambique and Nigeria
- Loan finance, Nigeria
- Equity finance, Nigeria
- Debt capital markets, Nigeria
- Mergers and acquisitions advisory, Nigeria

# PERFORMANCE AGAINST STRATEGY

We focus on servicing leading multinational corporations with operations in Africa, and large domestic African corporations that conduct business on the continent and offshore.

We target our clients based on their size, the sector and geographic market they operate in and whether we can add value to their businesses. The latter, we do through our deep specialisation in a diversified range of sectors that serve the needs of rapidly growing populations across our footprint of 20 countries.

The key sectors we focus on are mining and metals, power and infrastructure, oil and gas, consumer goods, financial services, and telecommunications, together with a focus on public sector and diversified industrials at a local level.

The extensive knowledge we have of our markets, gained through our on-the-ground presence, and our deep understanding of our clients' businesses allows us to continuously assess and define country, sector and client risk and opportunity. This enables us to respond quickly and appropriately to changes in our operating context. We leverage our sector diversity by purposefully allocating resources to opportunities that enable CIB to sustain revenue growth in periods of lower economic activity, within the parameters of carefully considered risk-taking.

Our banking offering, in partnership with PBB and Wealth, is a powerful competitive advantage. Similarly, our presence in six key financial centres around the world provides our clients with access to international pools of capital, supporting our ability to facilitate growth and development in Africa. Furthermore, our strategic partnership with ICBC assists us in servicing the needs of clients operating within the China-Africa corridor, which includes a specific focus on developing and supporting renminbi-denominated cross-border capabilities.

Our key focus areas of client centricity, digitisation and universal financial services align to the group strategy, and the pages that follow discuss our progress against the five strategic value drivers.



## CLIENT FOCUS

Performance metric	2017	2016	2015
Client satisfaction index	7.8	7.8	7.6

We have continued to grow and strengthen our relationships with multinational clients, who contribute more than half the revenue we earn across our total client franchise and are the primary drivers of our revenue growth due to their resilience through economic cycles. Along with the acquisition of new clients in 2017, these important relationships contributed to revenue growth above GDP in our key markets, particularly in West Africa, where client revenue grew by 30% in constant currency.

Our ability to manage foreign currency liquidity shortages and our efforts to strengthen our transactional banking capabilities have enabled us to improve the service we provide to our clients in the Africa Regions. Supported by client preference for quality banks during periods of economic and market weakness, this improvement has seen us increase our regional and domestic client base in strongly contested markets.

We have also made progress in leveraging our strategic cooperation agreement with ICBC. The relationship has enabled us to secure new clients that have contributed to the performance of our global markets and transactional products and services' businesses. Significant opportunity remains to acquire additional ICBC clients. We have funded 13 client lending deals in partnership with ICBC since January 2016.

To ensure continuous improvements in client and employee experiences while mitigating operational risk, we have:

- Standardised and improved turnaround times to make it easier to onboard clients.
- Reduced the turnaround time for deal origination, so that we can help clients do deals faster.
- Continued investment in digital innovation (robotics, data analytics and artificial intelligence) to reduce operational and processing errors.
- Completed the rollout of our transactional platform, Business Online, across 18 African countries, so that clients operate on a single platform across all markets in which they operate. The rollout in Namibia and South Africa is underway.

We have modernised client and employee experiences by connecting with our clients through digital channels, used data to improve our insights and decision-making, and automated processes, collectively promoting a culture of innovation.

Our capacity to partner our clients in the West African Economic and Monetary Union (WAEMU) improved significantly with the launch of our fully fledged corporate and investment bank in the Ivory Coast during the first half of the year. As the largest economy in the WAEMU and one of the continent's fastest growing economies, the Ivory Coast offers significant investment opportunity in key infrastructure development sectors.

In 2017, we completed several landmark transactions for our clients and managed the full range of routine financial services, including cross-border trade. These transactions include:

For **ENI** in Mozambique, we committed funding of up to USD8 billion, in partnership with ICBC, for the country's Coral floating liquefied natural gas development. This investment marks Mozambique's first step as a regional and global offshore natural gas producer and supplier and will stimulate national and regional economic growth.

For **West African Development Bank**, we acted as joint lead manager and bookrunner, as well as long-dated currency hedging provider, for their second Eurobond transaction. This raised USD850 million to finance regional projects, enabling them to grow their lending business and enhance their role as a development bank across Francophone Africa.

For **Sea Harvest**, we acted as sole financial advisor, bookrunner and transaction sponsor on their initial public offering, successfully raising R1.3 billion. This has allowed Sea Harvest to optimise its capital structure and strengthen its balance sheet, supporting the company's vision of becoming a leading diversified global fishing business.

For **Ghana Railway Development Authority**, we issued performance guarantees on behalf of AFCONS Infrastructure Limited for USD398 million to finance the construction of an 85 km railway line in Ghana. This partnership between the Ghana Railway Development Authority and AFCONS Infrastructure Limited forms the foundation of a planned multi-modal freight corridor, starting with the construction of a railway line between Tema and Akosombo.

For **City Lodge**, we acted as the sole debt funder of the re-financing of its B-BBEE transaction which was originally structured and implemented in 2008. This will allow City Lodge to continue its transformation journey in line with the B-BBEE and tourism sector codes and continue to create value for the scheme beneficiaries. We have been the sole banker to the City Lodge group for more than 25 years and are well positioned to support them as they embark on their Africa expansion strategy.

## What our clients say about us

We conducted client research in 18 of our operating countries during 2017. On average, client experience across these countries indicates steady improvements since 2015. This can be attributed to strengthened relationships across key segments driven by more insightful interaction and a responsive service culture. Our clients also acknowledged our ability to support their businesses (through the quality of our advice and our service ethic) as our defining characteristic as a leading bank. Our African footprint was noted as our next greatest strength.





## EMPLOYEE ENGAGEMENT

Performance metrics	2017	2016
eNPS	<b>+7</b>	n/a*
Voluntary turnover (%)	<b>7.4</b>	7.4
Voluntary regrettable turnover (%)	<b>4.6</b>	4.1
<b>Black representation (including executives) SA</b>	<b>%</b>	<b>%</b>
Senior management	<b>37.1</b>	35.5
Middle management	<b>67.4</b>	65.8
Junior management	<b>86.8</b>	85.4

\* Not comparable as the method used to determine eNPS changed in 2017. Refer to page 80 for further information.

We focus on attracting and retaining high-calibre employees and ensure that they are appropriately resourced, developed and empowered to fulfil the commitments we make to our clients.

We have appointed external expertise to assist us in the process of embedding a CIB culture of client focus, collaboration and high performance.

In 2017, we introduced diversity and inclusion programmes across the continent to hasten the transformation of the culture and demographic make-up of CIB. This is contributing to continuous improvement in the representation of black people, women and Africans across all levels of management. In South Africa, we achieved our 2017 targets for middle and junior management levels and continue to use available vacancies to increase black and female representation at senior management levels. Black employees accounted for 54% of the 24 executive promotions made during the year, which exceeded our target of 50%, and 55% of participants on our leadership and management development programmes are black employees.

Other initiatives included a personal empowerment programme, where 23 potential candidates joined the group from various industries and were able to engage with relevant business leaders in CIB, and the launch of the IGNITE women's development programme to promote the development of senior female leaders. Some 74% of mentees and 32% of mentors in our mentorship programme are black employees. Our graduate development programme continues to introduce a diverse group of young talent into CIB.

We are continuously re-evaluating how we organise our people to ensure they can respond to volatile, uncertain and rapidly changing environments. We are also enhancing and digitising learning opportunities, with leadership development coaching introduced for line managers.



## RISK AND CONDUCT

Performance metrics	2017	2016	2015
Average RWA (Rbn)*	394	401	397
Return on average RWA (%)	2.9	2.6	2.0

\* Average RWA is calculated net of non-controlling interest.

Our objective to do the right business the right way is pervasive – from our compliance with regulations, including the enforcement of measures to combat money laundering, financing of terrorism or other fraudulent practices, to our ethical conduct as individuals and as a financial services organisation.

As a regional financial institution with a global presence, our operations are required to adopt global best practice in financial standards. Our in-country teams maintain relationships with the banking regulators and central banks in all our markets to ensure that we understand and can proactively manage increasing regulatory change.

We manage risk within an agreed risk appetite, which is regularly reviewed based on the insights of our in-country risk teams and the group risk management function. Our strategy of developing relationships with our clients and knowing the sectors and markets they operate in, enables us not only to select quality clients and projects but also to avoid risk or anticipate it and respond proactively.

We adjust our risk appetite indicators to reflect changes in our clients or their operating environments. For example, as some commodities started to rebound in 2017, we increased our risk appetite for diversified businesses in the mining and metals sector. We continue to identify opportunities to support individual clients that are positioned to manage periods of low growth. However, in the absence of a more significant rebound in commodity prices, we remain selective in our exposure to producers, local banks and governments in commodity exporting countries and avoid concentration in any sector.



## FINANCIAL OUTCOME

Performance metrics	2017	2016	2015
Revenue (Rbn)	<b>37.3</b>	35.4	31.4
Cost-to-income (%)	<b>52.2</b>	54.5	55.8
Headline earnings (Rbn)	<b>11.5</b>	10.3	9.1
ROE (%)	<b>22.2</b>	19.5	18.0
Credit loss ratio (%)	<b>0.33</b>	0.30	0.24

Our maturing client-centric strategy and strong performances from key markets, namely Nigeria, Angola and Mozambique, enabled CIB to achieve sound revenue growth in volatile markets. Revenue growth, combined with effective risk and credit management and continuous focus on cost discipline, contributed to the improvements in our headline earnings and ROE.

**Global markets**, which accounts for 38% of CIB's revenue, was impacted by lower client activity, reduced market volatility and liquidity shortages across several

countries, particularly in the first six months of the year, but recovered with a strong second half performance. Headline earnings grew 3% to R4.6 billion.

**Transactional products and services** maintained its strong performance, with revenue growing by 8% to R14.7 billion due to new client acquisition which contributed to increased deposits and positive endowment. A decline in impairment charges and cost management contributed to a 24% increase in headline earnings to R3.7 billion.

**Investment banking** increased revenue by 3% to R8.5 billion mainly as a result of growth in fee and commission income from deals concluded during the year. Despite the subdued macro environment, loans and advances grew, supporting growth in net interest income. Increased impairments were attributable to a limited number of clients in the power and infrastructure and oil and gas sectors. Cost discipline contributed to a 4% increase in headline earnings to R3.1 billion.



## SEE IMPACT

### Inclusive economic growth

In South Africa, in line with our focus on emerging B-BBEE and black industrialist companies, CIB has made strides in enabling black economic empowerment through equity, debt lending and acquisition finance over the past 15 years. We have concluded deals that have created many medium and large businesses that have contributed to the growth and development of the South African economy. We are establishing a specialised CIB B-BBEE sector team to lead our work in this area and a B-BBEE transaction approval committee, comprising senior executives across PBB, CIB and Wealth.

### Environmental sustainability, and climate change mitigation and adaptation

Standard Bank is committed to balancing the challenges posed by climate change and Africa's urgent energy needs and we are in the process of developing lending parameters in this regard. We have steadily grown our financing of renewable energy, while our fossil fuel investments have slowed down. From 2012 to 2017, 83% of our power project financing was directed towards renewable energy, while lending to fossil fuel power projects represented only 17% of our investments in energy production in Africa.

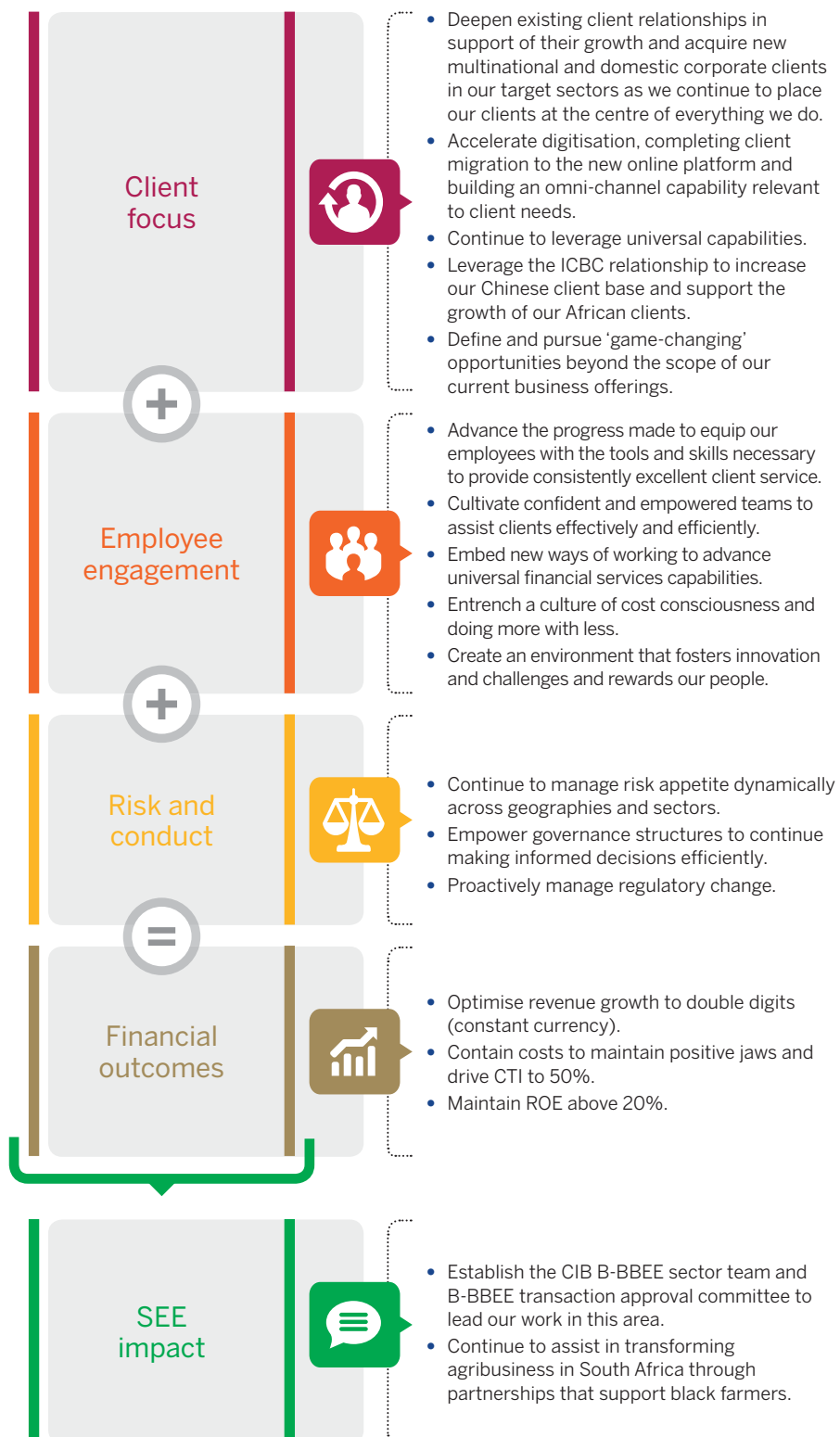
### Infrastructure

We participate in the funding of large-scale infrastructure projects that support economic growth in Africa and maintain relationships with development finance institutions to create appropriate risk-sharing arrangements. During 2017, we funded several large-scale power (including renewable energy), healthcare, telecommunications and transport infrastructure projects across Africa.

## LOOKING AHEAD

The outlook for economic growth in South Africa and sub-Saharan Africa is improving. Our performance demonstrates the resilience of our client franchise and our ability to add value to our clients. This, combined with improvements in our business processes and greater alignment between our people management and client focus, positions us to respond effectively to improving prospects in our markets, despite the intense competition that remains a feature of our Africa focus.

### Priorities in respect of our strategic value drivers



# WEALTH

“Wealth is an important part of Standard Bank’s strategy to deliver integrated universal financial services to its clients. We leverage the full capacity of the group to serve our clients, and create value for shareholders through diversified revenues, lower capital requirements and enhanced ROE.”

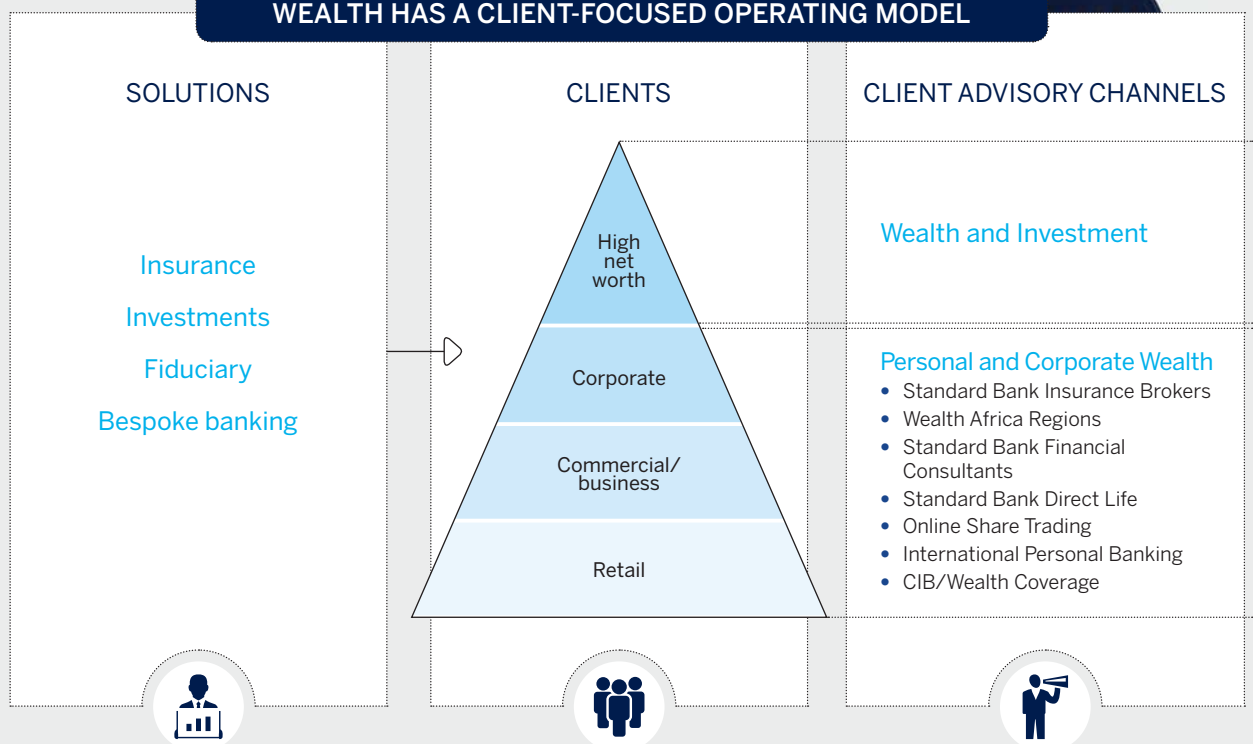
**Margaret Nienaber**  
Chief executive, Wealth



## OVERVIEW

Wealth’s service and product offerings include insurance, investment, fiduciary, bespoke banking, and multi-generational wealth preservation solutions to high net worth, retail, business and commercial, and corporate clients. We operate across the group’s footprint in sub-Saharan Africa, with an international service offering facilitated through our offices in London, Jersey, Isle of Man and Mauritius.

### WEALTH HAS A CLIENT-FOCUSED OPERATING MODEL



Standard Bank’s exposure to the wealth industry includes the comprehensive wealth offerings within the group and our partnership with Liberty. We have strong distribution and advisory channels into the group’s PBB and CIB businesses, with an extensive network of approximately 4 000 branch sales employees across South Africa and coverage across 15 countries in the Africa Regions. We also provide a range of long-term insurance products, investment products and transactional solutions developed and administered by Liberty and STANLIB. We share resources with PBB and CIB in all our markets, to support our integrated growth plans and contain costs.



## OUR STRATEGY

Our vision is to thoughtfully enable legacies and dreams through outstanding expertise in insurance, investments and fiduciary services. Important differentiators that support the achievement of our vision include our alignment with PBB, CIB, Liberty and STANLIB, our client-centric approach (defined as 'before the sun sets' service and digital innovation) and the access we have to the group's many existing clients.

We believe that the group's brand, balance sheet and distribution reach across the continent position us well to be the leader in wealth on the African continent. This is measured by market share and profitability in line with the aspirations of PBB and CIB.

We contribute to the group's financial performance by:

- Improving the group's ROE as our businesses have low capital requirements.
- Enhancing the diversification and quality of the group's earnings from our advisory and diverse financial services businesses.
- Growing earnings through cross-selling opportunities into the wealth client base.

## OUR OPERATING CONTEXT FOR 2017

- Sustained economic weakness in South Africa and slower growth throughout Africa.
- Economic pressure on consumers led to lower spending on insurance and investments.
- Low volatility in investment markets impacted stockbroking and investment services, although this improved in more buoyant markets.
- Storms and fires in South Africa negatively impacted the short-term insurance business.
- Impending regulations continue to heighten uncertainty in business planning.
- Rand currency appreciation in 2017 impacted our GBP and Naira earnings.

## OUR PERFORMANCE IN BRIEF

Despite these challenging conditions, our businesses remained resilient, and we succeeded in:

- Leveraging our client-focused operating model (informed by digital adoption and data) to improve our client service offering and provide relevant solutions.
- Implementing our Africa Regions strategy.
- Accessing the group's extensive client base and seeking additional revenue sources by extending our offerings to other channels and client segments.
- Increasing collaboration with PBB, CIB, Liberty and STANLIB to extract the benefits of a universal financial services organisation, including cross-selling opportunities and cost efficiencies.
- Materially mitigating the impact of the sovereign downgrade in the Wealth International business.
- Focusing on cost management.
- Proactively addressing impending regulatory changes.
- Vetting and accrediting 98% of our insurance vendors as B-BBEE suppliers.

## AWARDS

### Global Finance – Best Private Bank Awards

- Best Private Bank in Africa, Kenya and South Africa
- Best Provider of Short-term Investments – STANLIB

### Private Banker International

- Best Bank for the Next Generation – UK awards
- Outstanding Global Private Bank – Africa

### Euromoney

- Africa's Best Bank for Wealth Management

### The Banker/Professional Wealth Management

- Best Private Bank in Africa for Customer Service
- Best Private Bank in Ghana, Kenya and Nigeria

### Intellidex

- Top Stockbroker of the Year
- South African Wealth Manager of the Year
- Top Wealth Manager for Successful Entrepreneurs
- Top Wealth Manager for Internationally Successful Families

## PERFORMANCE AGAINST STRATEGY

Our client-focused operating model uses data analysis to provide a deeper understanding of our clients' needs and behaviours. This enables us to develop innovative products and customised portfolios that are comprehensive, transparent and best suited to individual clients.

Standard Bank Group has the largest bancassurance arrangement in Africa and is a significant collective investment scheme and pension fund administrator in Nigeria. Our award winning Online Share Trading platform enables us to be a key player in the South African share trading market. These unique factors position us to grow our market share in South Africa and the Africa Regions.

Our progress against our strategic value drivers is discussed in the pages that follow.



### CLIENT FOCUS

#### Insurance claims

Client satisfaction improved due to faster insurance claim turnaround times. Improvements in average turnaround times and issue resolution include:

- **Geyser:** from 12 days to within three hours, with a first-time fix rate of over 70%.
- **Pipes:** from over a month to one day.
- **Accident and health offerings:** from 27 days to two days.
- **Funeral plan:** from five days to one day.

#### NPS

- Our NPS across our insurance business improved from 56 to 59.

#### Investment performance

Melville Douglas's domestic and international investment performance is ahead of its peer group and other benchmarks over rolling three- and five-year periods, with especially pleasing one-year performance out of its Global Equity strategy, which is top decile over 12 months against its international peer group.

During 2017, Wealth implemented a goal-based approach to providing investment advice and management.

Through conversations, stimulated by digital tools such as our newly built digital advice tool, GoalSetter, advisors and clients prioritise the client's most important financial goals. Each goal has its own time horizon, risk appetite and investment solution tailored for that specific risk return profile. The advisor can instantly demonstrate the expected future path to the goal and the probability of achieving it within the agreed time. To date, approximately 390 Standard Bank financial consultant planners have used the tool in their interactions with over 10 000 clients.

We also partnered with STANLIB Multi-Managers to create a new range of investment solutions, the GoalStandard range of funds. The funds are multi-asset class portfolios blended from best-in-class managers and leveraging various sources of investment return. Over 10 000 clients have already invested in these funds, representing over R2 billion of assets under management.

We have made further progress in enhancing the functionality of our digital platform, which is aligned with the group's multi-channel IT architecture. Our investment in digital technology is focused on improving how we:

- Promote our offerings.
- Engage more holistically with our clients.
- Deliver relevant solutions within clients' risk capacity.
- Reduce the cost and complexity of our client service.

In saturated markets, such as short-term insurance in South Africa, Wealth is finding new ways to compete more effectively. We entered into a partnership with FirstEquity Risk Advisory in 2017 to service the short-term insurance needs of CIB's clients.

We have continued to re-engineer certain client service processes to address operational inefficiencies and improve client experiences. The success of this programme is evident in our handling of geyser-related claims (approximately 70% of our short-term insurance claims). We have piloted the same process in our funeral plan, credit life, Stansure and accident and health offerings and will implement these in 2018.

The Africa Regions' markets offer significant growth potential, driven largely by a growing, rapidly urbanising middle class which demands a broader range of financial solutions, including insurance and wealth management.

To realise this potential, we are focusing on the group's existing client base, collaborating with PBB, CIB, Liberty and STANLIB to raise awareness around the need for insurance, investment and wealth preservation. We have strengthened our brokerage and advisory capabilities to drive growth and are using data analytics, together with the group's extensive knowledge of the Africa Regions, to streamline our product offerings and manage regulatory barriers to entry.

Our Leadership Academies, coordinated by our Wealth and Investment business, provide advice on financial planning and investment, with a focus on developing the next generation of leaders. In 2017, we hosted Leadership Academies in Johannesburg for our Junior Leaders (10 – 12 years), Young Leaders (13 – 17 years), Future Leaders (18 – 24 years), and our Women's Wealth Academy. By addressing the wealth preservation needs of key clients and strategic partners such as the Young Presidents' Organisation, our academies provide an invaluable opportunity for client engagement and, as a result, deepen relationships with our clients and their families.

## THE BANCASSURANCE COLLABORATION PLAN

During 2016, we initiated a collaboration plan with Liberty to coordinate product design, share expertise and increase access to sales channels. The initiative aims to provide a more comprehensive offering to clients, and to improve our combined financial performance. In 2017, good progress was made on all initiatives, resulting in increased collaboration.



Wealth and Investment Ghana, which opened for business in 2016, offers some insight into our experience in the Africa Regions. After one year, the operation is earnings accretive and performing above our expectations. Staffed by a team of five people, Wealth and Investment Ghana offers a comprehensive suite of wealth solutions and has grown its client base to 167 high net worth clients. As a core element of the universal financial services strategy of STANBIC Bank Ghana, the

operation plays an important role in acquiring and retaining clients for PBB and CIB, and the collaboration between our local and international teams facilitated a USD15 million cross-border transaction for an offshore client during 2017.



## EMPLOYEE ENGAGEMENT

Performance metrics	2017	2016
eNPS	<b>+14</b>	n/a*
Voluntary turnover (%)	<b>8.2</b>	7.5
Voluntary regrettable turnover (%)	<b>3.4</b>	2.9
<b>Black representation (including executives)</b> SA	<b>%</b>	<b>%</b>
Senior management	<b>35.6</b>	29.5
Middle management	<b>65.3</b>	61.4
Junior management	<b>89.3</b>	88.0

\* Not comparable as the method used to determine eNPS changed in 2017. Refer to page 80 for further information.

Our client-focused operating model is well entrenched, with experienced executives in all key roles.

In 2017, we focused on resourcing our operations in the Africa Regions. We recruited an experienced executive to lead our integrated wealth offering in each of the group's markets and consolidate our position on the continent, and appointed a group head of short-term insurance to drive new growth opportunities throughout Africa.

Wealth instils a culture of high performance and creates opportunities for continuous learning through on-the-job training, mentoring and product training programmes. Our succession and talent management plans support the expertise required of our advisory employees, and we host numerous networking events to develop a pipeline of future recruits. In 2017, an extensive change management intervention assisted our teams in the shift to a goal-based approach.

We apply this approach to the financial needs and ambitions of our people, engaging with each employee to create individual programmes to accelerate their performance and embed our organisational culture. We have started to promote the value proposition of employees as clients to ensure that their experiences make them passionate advocates of the group's products and services. One of our main successes was the rollout of the Wealth Africa Regions client value

proposition in Kenya in mid-November 2017. Through this initiative we brought the bank, Liberty and STANLIB employees together for training on our Wealth value proposition, effectively expanding our sales staff capability for wealth products from five people to 222 employees (of whom 87% are accredited).

Our top performers are offered the opportunity to take up international secondments, where they are exposed to best practices. These initiatives groom future leaders and help to retain talented employees, and ensure we remain globally competitive.

Training and mentoring initiatives to upskill our teams include:

- The Wealth Challenge for top performers.
- The Wealth Warriors and Wealth Creators bespoke leadership programmes.
- Wealth and Investment Academies supported by relevant master classes.

2017 also saw the launch of the Wealth Financial Fitness workshops to provide advice on financial planning for Standard Bank employees. The workshops were hosted in the group's Johannesburg and Nairobi offices and we plan to extend them to other regions in 2018.

We made further progress in the transformation of our workforce to more closely reflect the demographics of the markets we serve, with good improvement at top and senior management levels.



## RISK AND CONDUCT

Wealth fosters a risk-aware culture of doing the right business the right way.

To manage conduct risk in human capital, regulatory compliance and client service activities, Wealth has introduced a conduct dashboard with relevant targets and indicators to monitor and improve performance. The dashboard is tracking green with all milestones being met satisfactorily and on time.

The wave of regulatory and legislative reforms in the financial services industry poses a material risk to the Wealth businesses, heightening uncertainty in business planning. We routinely assess the risks posed by regulatory changes, employ compliance and regulatory management teams to ensure effective implementation of regulation, and participate actively in the group's engagement with policymakers and regulators across our footprint.

Our response to this fast-changing regulatory environment is to be proactive in adopting the principles of impending regulations, as with the Retail Distribution Review in South Africa. Another example of this approach was the response of Wealth International to the liquidity and capital challenges posed by the downgrading of South Africa's sovereign credit rating. We prepared a robust contingency plan to mitigate the impact of downgrades, engaged regularly with the relevant clients and regulators and successfully implemented the plan. Client withdrawals were limited, and the impact was not material.

Although onerous, regulations that aim to protect clients are consistent with our client-focused strategy and we are well positioned to implement them given the group's capacity and resources, including Liberty's expertise in the domestic insurance and investment industry. In the Africa Regions, our insurance brokerages comply with evolving bancassurance regulation and our operations are compliant with local regulations.



## FINANCIAL OUTCOME

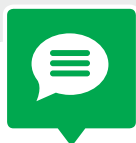
Wealth continued to grow its client base, contributing to the group's financial outcomes.

Despite certain headwinds in South Africa, and the impact of rand appreciation on our International and African businesses, Wealth contributed positively to the group's earnings.

The Wealth International business performed well, on the back of increased client deposits and related activity as well as the benefit of the endowment effect. The Africa Regions Wealth businesses continue to perform well, particularly the Nigerian pension administration business. South Africa, however, experienced a challenging year, mostly in the insurance businesses, due to extreme weather conditions during the year.

Clients in our asset management business continued to enjoy superior risk-adjusted returns with performance ahead of its peer groups.

All of this ultimately resulted in Wealth enhancing the group's ROE.



## SEE IMPACT

Wealth has a key role to play in creating sustainable value for Africa, while generating growth for the group. Our SEE focus has been on promoting a culture of saving, actively developing and promoting B-BBEE service providers, and educational interventions targeted at youth to develop our future leaders. Great strides have been made; however, we are acutely aware of the scale of the challenge.

### Financial inclusion

By developing new Standard Bank products and advisory processes, we help clients save more effectively for their long-term goals, such as educating their children. In South Africa, our clients have invested R310 million in 17 500 tax-free investment accounts to date and over 10 000 of our clients participated in goals-based investing during 2017 alone. We offer financial education to support our savings campaign. In 2017, our Online Share Trading business hosted 68 webinars and 56 face-to-face presentations to promote investment on the stock exchange. In the Africa Regions, our Nigerian asset management business hosted 24 workshops on saving.

In addition, Standard Trust Limited manages over R1.7 billion in trusts for orphaned children, providing much needed monthly distributions to the guardians of these children to fund their basic education and other needs.

Our Wealth and Investment business enables and supports charitable foundations in their mission to transform the socioeconomic and environmental landscape within South Africa. We currently manage the award-winning Feenix and Tshwaranang trusts.

### Education, learning and development

Through our Leadership Academies we continue to empower the youth on the principles of leadership, social entrepreneurship, investing and financial planning.

### Innovation, entrepreneurship and enterprise development

Transformation is an important value driver for our businesses and we have made significant progress in achieving our EE and procurement targets. A major intervention by the insurance business to vet suppliers involved in processing claims resulted in a score of 98% for vendor B-BBEE compliance.

We ensured preferential procurement principles were applied to our B-BBEE suppliers by automating the allocation of work to these service providers and creating access to new markets for them. We also:

- Provided financial support in the form of loans and deferred payment terms, or grants.
- Provided business support such as access to our business incubators, investment funding and business development support to our B-BBEE SMEs.
- Engaged with industry bodies to proactively identify more B-BBEE service providers.

### Inclusive economic growth

While we support our clients' financial needs and ambitions, we also support them in times of need. SIL provided extraordinary assistance to our clients who were impacted by major fires and storms in South Africa during 2017. This involved expediting claims processes and providing funding and other support to victims of these disasters.

## 2017 digital technology advances

- The Wealth app developed in 2017, scheduled for launch in 2018, will provide our clients with a single view of all financial portfolios across geographies and financial institutions.
- The SIL claims app, on the SBG Mobile app, is being rolled out and enables clients to report and track claims in real time.
- The user interfaces of our Online Share Trading and Webtrader platforms have been improved and provide greater functionality.
- Auto Share Invest is an attractive entry point for investors who are new to share trading. Already available on the old internet banking platform, we are concluding work to offer Auto Share Invest on the new site.
- iDraft enables our financial advisors to draft non-complex wills online in collaboration with their clients. More than 3 000 wills were processed on the platform during 2017.
- Enhanced omni-channel functionality enables clients to access offshore accounts on tablet devices through the group app.
- Over 10 000 contactless visa debit cards were issued to Wealth International clients. These will enhance the client experience, complementing new functionality that allows client activation of visa debit cards and viewing of pins on the SBG Mobile app.
- Smart account application forms have improved the on-boarding processes and accuracy of data capture for non-personal banking clients.



## LOOKING AHEAD

Despite a challenging economic and regulatory outlook, we remain firmly committed to the execution of our client-focused strategy, with data analytics informing our market development and marketing plans.

In 2018, we will continue to focus on achieving scale and acquiring new product lines in collaboration with the group's other operations.

### Priorities in respect of our strategic value drivers



# HUMAN CAPITAL REPORT

“We have a compelling purpose, a clear vision and have set ourselves ambitious aspirations to realise on our strategic journey – this will only be made possible through the collective effort of one of our most valuable assets, our people. Placing the client at the heart of everything we do compels us to think about the environment we create for our people, and the culture they are a part of – we are convinced that if we get this right, superior value for our clients and financial outcomes for shareholders will be the natural result.”

**Sharon Taylor**  
Head of human capital



## OVERVIEW

### OUR HUMAN CAPITAL STRATEGY

Our human capital strategy aims to enhance the group's sustainable competitive advantage by developing and retaining smart, independent thinkers who are focused, tenacious and energetic, and, above all, motivated to deliver exceptional client experiences. These attributes are needed to keep our business agile and innovative, given the fundamental shifts in our sector, and to differentiate us as an entirely client-focused organisation in an intensely competitive environment.

A number of factors such as our multi-generational workforce, the need to empower our people with the skills to succeed in a rapidly evolving increasingly digital work environment and the increased demand for personalisation, require constant reshaping of the employee experience.

The key human capital challenges we face are set out below, and the pages that follow discuss our priorities to address these challenges.

**Attracting and retaining deeply committed people with the right skills and capabilities.** Continued focus is required to ensure that the right capabilities and skills are in place to deliver value to our clients. Competition for highly specialised skills is increasing as a result of an environment that is constantly changing and new market entrants.

**Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving environment.**

As digitisation in financial services matures, and new services and solutions are introduced to support a seamless omni-channel experience, the need for new skillsets will require that our employees embrace new ways of working and a willingness to explore opportunities to develop new skills that will ensure both their future employability and 'employability'.

**Leveraging diversity and inclusion**

by creating an inclusive environment. We aim to leverage the diversity of our employee base to stimulate innovation so that we deliver client-centric solutions. In South Africa, we are committed to accelerating our EE efforts to establish a workforce that more closely represents the demography of the country at every level. In the Africa Regions and International, our focus is to increase the representation of women at executive level. Our diversity and inclusion efforts are supported by our increasing investment in developing our employees.

**Harnessing the potential of a multi-generational, pan-African local workforce**

to be the leading financial services organisation in, for and across Africa, requires that we work to strengthen local talent pipelines in all the countries in which we operate. Cross-border assignments, targeted development initiatives and access to a wide range of learning opportunities to build highly specialised skills and leadership capabilities are important drivers to sustain and further enhance our local market expertise.

**Creating an environment in which our people are engaged and enabled to take care of their well-being.**

What our employees think and how they feel about working at Standard Bank directly impacts on our client satisfaction levels and strategy. We must constantly focus on how we can continue to improve the work environment and culture for our employees, offer meaningful work and career growth opportunities, as well as ensure a compelling employee value proposition that includes a range of benefits that are both relevant and attractive to employees in different life stages.

## OUR EMPLOYEE BASE

Number of banking employees



Permanent employees

48 322

(2016: 48 622) (2015: 48 954)

Non-permanent employees

5 725

(2016: 5 726) (2015: 8 135)

## GEOGRAPHIC BREAKDOWN OF EMPLOYEES<sup>1</sup>

South Africa

32 876

(2016: 33 332)  
(2015: 33 057)

Africa Regions

14 831

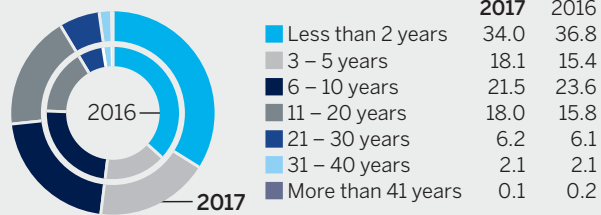
(2016: 14 693)  
(2015: 14 321)

International

615

(2016: 597)  
(2015: 576)

## TENURE BREAKDOWN (%)



## EMPLOYEE TURNOVER<sup>1</sup>

Overall turnover

8.8%

(2016: 9.1%)  
(2015: 9.9%)

Overall and voluntary turnover continued to show declining trends in 2017 and are well below the Gartner Corporate Executive Board's 2016 global financial services benchmark, which indicates 14.2% for overall turnover, 9.9% for voluntary turnover, and 6.2% for turnover at executive level.

Voluntary turnover

5.5%

(2016: 5.6%)  
(2015: 6.7%)



Voluntary regrettable turnover<sup>2</sup>

2.3%

(2016: 2.1%)  
(2015: 2.9%)



Voluntary turnover at executive level

4.3%

(2016: 5.6%)  
(2015: 7.7%)

<sup>1</sup> Calculated for permanent employees only and excludes Liberty.

<sup>2</sup> Employees that are considered high performers who have left the group. This is calculated as a percentage of average headcount.

## 1

## Enhancing the employee experience

## OUR KEY PRIORITIES

- Ensure that our employees are deeply connected with our purpose and place the client at the centre of everything they do.
- Listen to our employees, enabling them to share their insights in real time to help shape a conducive work environment.
- Encourage our employees to be passionate consumers and advocates of Standard Bank's products and services.

## CHALLENGES ADDRESSED

- Attracting and retaining deeply committed people with the right skills and capabilities.
- Creating an environment in which our people are engaged and enabled to take care of their well-being.

## Achieved in 2017

- The employee brand, which aims to connect our people with our purpose, was further entrenched across the group.
- Rolled out an advanced employee insights platform which enables the rapid deployment of surveys in three languages, to gauge how our people think and feel about working for the group and to ask for their input when reshaping the human capital solutions that will directly impact them.
  - Conducted 11 surveys on the platform to inform fit-for-purpose human capital and engagement strategies.
  - Used a survey and a series of focus groups to ask a representative sample of employees across the group to provide input to help shape our new performance management approach.
  - Conducted two group-wide surveys, including the annual employee engagement survey and a Behaviours in Action survey.
- Completed the rollout of our exit interview approach across all operations, to ensure that the insights gained from employees leaving the group inform employee engagement and retention strategies.
- In partnership with PBB and Wealth, promoted the value proposition for employees as banking clients, gaining a deeper understanding of their experiences and needs through engagement and focus groups.
- Delivered a range of health and wellness initiatives to employees across the group, including wellness days, medical assessments and counselling services, and offered a range of training initiatives to build personal resilience and coping skills.

## Moving forward

- Deliver refreshed employee brand initiatives to sustain momentum.
- Utilise employee insights to inform fit-for-purpose human capital strategies and plans.
- Expand the use of the employee insights platform and the advanced text analytics it offers.
- Leverage the concept of employees as a client segment to enhance and learn from their banking experiences.
- Explore an advanced capability to model and predict employee behaviour to provide leaders with answers to critical business questions.
- Continue to provide a variety of health and wellness services to our employees to enrich their lives.

## HEALTH AND WELLNESS

1.1%<sup>SA</sup>

Cost of total sick leave as a percentage of total payroll in South Africa (2016: 1.2%)<sup>1</sup>. This is well below the local financial sector norm of 2.3%<sup>2</sup>.

<sup>1</sup> Calculated for permanent employees only.

<sup>2</sup> Source: Alexander Forbes.

## EMPLOYEE ENGAGEMENT

Achieved an eNPS of +14<sup>1</sup>  
(56% of permanent employees participated)

- In line with global best practice, a new survey methodology was introduced in 2017 to calculate eNPS for the group.
- eNPS provides an indication of how likely an employee would be to recommend Standard Bank as a good place to work.
- eNPS is calculated by subtracting the percentage of detractors from the percentage of promoters. This value can range from -100 (if every employee is a detractor) to +100 (if every employee is a promoter). Any score above zero is a positive result as this means there are more promoters than detractors.
- Our score compares well with benchmarks and serves as a baseline for further improvement to support our employee engagement value driver.
- An area for future focus is to better enable employees to grow and advance their careers – only 67% of respondents indicated that they have had adequate opportunities in this regard.

<sup>1</sup> Year-on-year comparison is not applicable given the change in methodology.

## OUR KEY PRIORITIES

- Provide access to advanced technology and tools that support the future world of work and fulfil the promises we make to our clients.
- Empower our employees and managers to conduct routine human capital transactional activities through self-service functionality.
- Standardise our human capital services and practices across the group to ensure consistent and fair employment practices that are aligned to regulatory requirements.
- Deliver reliable and consistent employee data and set the foundation for predictive capability.

## CHALLENGES ADDRESSED

- Attracting and retaining deeply committed people with the right skills and capabilities.
- Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving environment.
- Creating an environment in which our people are engaged and enabled to take care of their well-being.

## Achieved in 2017

- Concluded a three-year journey to align and integrate multiple human capital processes, systems and technologies into three core global human capital technologies.
- Enabled 78 automated self-service functions for our employees, improving user experience and human capital efficiency.
- Group-wide implementation of our talent suite – an integrated people management system – has enabled the streamlining and integration of our people management practices, supporting agile responses to talent challenges and opportunities.
- Further enhanced the human capital portal in Namibia and South Africa, and implemented a human capital portal in Uganda, providing employees with a single point of entry to all employee-related information.
- Completed the rollout of an employee relations management system to support better disciplinary management, grievance resolution and the management of poor performance within local regulatory context.
- Integrated data across the human capital landscape has enabled the introduction of standardised online reporting tools to improve data visibility and decision-making for line managers and the human capital community.

## Moving forward

- Optimise integrated systems through increased usage and introduce advanced capabilities in line with business requirements.
- Further enhance automation of processes and introduce new manager and employee self-help functionalities.
- Accelerate digital innovation by experimenting with a range of solutions to determine those that meet the needs of our employees.
- Increase our use of predictive analytics and workforce planning as business enablers.



## FAST FACTS

Our global transactional human capital platform for payroll runs 19 country payrolls in 18 different currencies, managing over 100 000 automated workflow items each month.

Our talent suite solution provides a single view of consolidated data for every permanent employee, supporting improved decision-making on development, performance and talent and succession planning.



## FAST FACTS

The employee engagement survey provided rich insights on how employees think and feel about working for the group:

- 91% of respondents understand how they contribute to the broader group purpose.
- 87% of respondents are proud to be associated with the group.
- The majority of respondents have good relationships with their colleagues and immediate leader and there is a general sense of satisfaction with the work that they do and their access to development opportunities.
- 77% of respondents indicated that they have access to development opportunities.

3

## Provide relevant and progressive learning opportunities to adapt to the evolving work context

### OUR KEY PRIORITIES

- Encourage a culture of continuous development through access to 'relevant, anytime, anywhere' learning experiences.
- Develop learning solutions that support the development of the organisation's future workforce skills and capability requirements.
- Contribute to the future employability of our people by offering learning that is accredited and recognised within the group and outside the financial services sector.

### CHALLENGES ADDRESSED

- Attracting and retaining deeply committed people with the right skills and capabilities.
- Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving environment.
- Harnessing the potential of a multi-generational, pan-African local workforce.

### Achieved in 2017

- Continued to provide our people with access to online learning platforms and digital libraries to ensure fit-for-purpose learning anytime, anywhere and on any device.
- Experimented with micro learning platforms to provide specific learning experiences that enable our frontline teams to deliver on our client promises and meet regulatory requirements.
- Simplified access to learning, linking learning to the personal development plans of individual employees as part of our performance management and skills development approach.
- Introduced a number of tailored offerings to fast-track mid-career development and accelerate local skills development across our geographies.
- Delivered business demand-driven specialised skills development and executive development programmes.
- Drove investment in skills development in South Africa in line with the new B-BBEE skills development targets.

### Moving forward

- Continue offering specific learning experiences for frontline employees to strengthen client service.
- Ensure that our people know what learning resources are available and which skills will be invaluable in the future.
- Continue to optimise skills development investment to benefit employees at all levels and to support our approach to diversity and inclusion.

## INVESTING IN YOUNG TALENT

### Graduates

116 South African graduates (89% black and 46% women) and 23 graduates from eight countries in the Africa Regions (64% women) are participating in our graduate programmes. A new data science programme was introduced in 2017 with three South African graduates and nine graduates from the Africa Regions participating.

### FAST FACT

In 2017, we celebrated the 20th anniversary of our graduate development programmes which develops young talent for the future. To date, 1 591 graduates have benefited from these programmes.

### Learnerships and internships

808 matriculants and graduates in South Africa gained workplace experience through our learnership programmes. 83% of 771 learners that successfully completed a programme in 2017 were employed by the group.

141 unemployed graduates gained work experience through our internship programme.

### FAST FACT

Over the past ten years, over 5 000 learners in South Africa have participated in a learnership programme and 2 763 employment opportunities have been created.

### Bursaries and scholarships

Bursaries were provided to 320 students studying for degrees in the fields of mathematical and actuarial science, technology, engineering, commerce and medicine in Kenya and South Africa.

This includes seven students from Ghana, Nigeria, South Africa, Uganda and Zambia who received the Standard Bank Derek Cooper Scholarship in 2017.

## LEARNING COURSES

# 13 425

easily accessible, industry-leading e-learning, virtual and classroom training courses.



### TRAINING INVESTMENT<sup>1</sup>

	2017	2016	2015
Training spend (Rm)	925	890	828
Number of employees trained	46 214	46 488	42 529
Number of women trained	26 889	27 458	24 411
Bursaries (Rm)	22.7	14.1	10.7
Number of employees assisted	934	724	594

<sup>1</sup> Calculated for permanent employees only.



# 4

## Ensuring the appropriate growth and mobility of diverse talent across our business

### OUR KEY PRIORITIES

- Deliberate and accelerated development of a diverse talent pipeline.
- Deepen the local leadership pipelines across operations to lead and operate with a deep understanding of local markets and client needs.
- Provide opportunities for young people to grow and thrive, and to build a strong talent pipeline for the future.

### CHALLENGES ADDRESSED

- Attracting and retaining deeply committed people with the right skills and capabilities.
- Leveraging diversity and inclusion.
- Harnessing the potential of a multi-generational, pan-African local workforce.

### Achieved in 2017

- Promotions and external appointments at top management level have increased diversity in line with our commitment to transformation in South Africa and diversity more broadly.
  - Representation of black, and specifically African talent, in our leadership pipelines in South Africa is improving. Top and senior management transformation reviews for all business units and corporate functions ensure a focus on the identification and development of diverse talent pools.
  - In the Africa Regions, greater depth in succession bench strength is emerging with increased representation of local talent.
- Continued to deliver international assignments and secondments that expose executives and individuals with specialised skills to new markets, building the skills of local talent.
- Introduced an employee exchange programme between Standard Bank and ICBC exposing participants to diverse markets and enabling them to experience different cultures, and to enhance the commercial outcomes of our strategic cooperation agreement.
- 62% of appointments were internal transfers and promotions, supporting the career progression of employees at all levels.
- Continued to provide opportunities for young people; by way of bursaries for those studying towards degrees, and work experience and first-time employment through our graduate, learnership and internship programmes.

### Moving forward

- Continue to prioritise transformation at top and senior management levels.
- Focus on developing a local talent succession pipeline for chief executives in the Africa Regions, with a specific focus on female talent.
- Extend the employee exchange programme with ICBC to the Africa Regions.
- Continue to focus on the development of women to accelerate female representation in succession pipelines for senior roles.
- Deploy talent to different markets and business areas in line with our universal financial services aspirations.
- Ongoing talent engagement to support retention and development initiatives.
- Continue to focus on youth development and employment.



### PAN-AFRICAN LOCAL WORKFORCE

98.1% of our employees are citizens of the country in which they are employed.

### GENDER PROFILE

Women

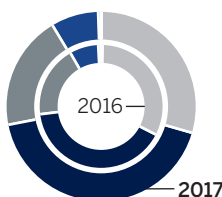


2017

57.8%

(2016: 57.9%)

### AGE PROFILE



	2017	2016
Younger than 20	0.1	0.4
21 – 30 years old	29.3	32.4
31 – 40 years old	42.5	40.4
41 – 50 years old	19.4	18.6
51 – 60 years old	8.0	7.7
Older than 61	0.5	0.6

### BLACK REPRESENTATION SA

%	2017	2016
Top management	34.1 <sup>1</sup>	22.2
Senior management	43.1	40.7
Middle management	69.5	68.0
Junior management	87.5	86.6

<sup>1</sup> The definition of top management changed in 2017.

5

Reward and celebrate outcomes and behaviours linked to superior client experience and commercial success

**OUR KEY PRIORITIES**

- Develop fit-for-purpose performance management which encourages a high-performance culture.
- Develop reward practices that incentivise the right behaviours, place the best interests of the client first, and encourage collaboration by rewarding team and individual successes.
- Introduce enhanced employee benefits to support a competitive employee value proposition.

**CHALLENGES ADDRESSED**

- Attracting and retaining deeply committed people with the right skills and capabilities.
- Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving environment.

6

Ensure bold and inspirational leadership to deliver on our purpose

**OUR KEY PRIORITIES**

- Clearly understand what leadership attributes and competencies are required in the future.
- Develop our leaders to be accountable role models and catalysts for change.

**CHALLENGES ADDRESSED**

- Attracting and retaining deeply committed people with the right skills and capabilities.
- Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving environment.
- Creating an environment in which our people are engaged and enabled to take care of their well-being.

**Achieved in 2017**

- Introduced a new performance management philosophy and approach that drives regular line manager coaching to support personal improvement, growth and business contribution.
- Introduced a range of reward and recognition initiatives to support client centricity, retain top talent and ensure sustainable long-term performance.
- Introduced a range of enhanced and more flexible benefit solutions better suited to individual employee preferences in our South African operations.
- Simplified and improved transparency of rewards and benefits packages to enhance employee understanding around the value of their benefits.
- Recognised and celebrated exceptional team and individual contributions to the group through our Beyond Excellence and Mark of Excellence initiatives.

**Achieved in 2017**


- Nurtured leaders capable of being catalysts for the change required to achieve our strategic objectives in an increasingly complex and rapidly changing environment.
- Interviewed and hosted workshops with top leadership to design a Standard Bank leadership identity for the future.
- Delivered 13 customised leadership development programmes with 757 leaders participating.
- Delivered a suite of leadership and management development programmes to employees across the group at our Global Leadership Centre.
- Targeted investment in customised leadership development programmes to accelerate the development of women at all levels with approximately 700 participants.
- Experimented with new technology-based ways of learning, including leadercast sessions and blended learning programmes that combine classroom and e-learning solutions.

**Moving forward**

- Evolve our approach to performance management based on regular feedback from our leaders and employees.
- Introduce a range of learning solutions to better equip line managers as performance coaches.
- Implement more flexible benefits offerings for employees in the Africa Regions and International operations.
- Explore technology solutions that give employees a full view of their reward and benefits.

**Moving forward**

- Deliver a leadership identity that clearly defines what great leadership needs to look like at Standard Bank.
- Design and deliver leadership development solutions that support the emerging leadership identity.
- Ongoing investment in bespoke leadership programmes for specific business areas and geographies.
- Equip managers from team leader to executive level with the skills to confidently and flexibly lead in a rapidly changing operating environment.

AIR  Detailed information on our reward philosophy and practices can be found in the remuneration report.



4 592

participants attended leadership and management development programmes at our Global Leadership Centre.

(2016: 4 307)  
(2015: 2 622)



81% of employees

that responded to the employee engagement survey indicated that they have a good working relationship with their immediate leader.

7

## The culture we wish to build for our people

### OUR KEY PRIORITIES

- Build a strong client-focused culture supported by clearly defined behaviours.
- Shape the ideal organisational structure and introduce new ways of working to empower our employees to serve the needs of our clients.
- Build a diverse workforce and create an inclusive work environment.

### CHALLENGES ADDRESSED

- Leveraging diversity and inclusion.
- Harnessing the potential of a multi-generational, pan-African local workforce.
- Creating an environment in which our people are engaged and enabled to take care of their well-being.

### Achieved in 2017

- Connected with employees from all business areas and geographies to confirm the group's cultural traits and identify three critical behaviours to further enable the group's focus on client centricity.
- Conducted a group-wide Behaviours in Action survey (43% of employees responded) to establish a baseline from which to measure our progress in shifting the identified three behaviours. Employees nominated colleagues to serve as change agents in enabling these cultural shifts.
- Rolled out pilot initiatives in three business areas to test how behavioural shifts can be enabled through specific behavioural mechanisms.
- Continued to focus on new ways of working, including empowering multi-disciplinary teams to deliver client value in various areas of the group.
- Work is underway to shape an organisation that better enables us to deliver our aspirations and key focus areas of client centricity, digitisation and a universal financial services organisation.
- Launched a range of diversity and inclusion initiatives in South Africa, including a critical conversation series about South African socioeconomic topics, a lesbian, gay, bisexual and transgender forum and engagement sessions with leadership to lead the EE agenda.
- In the Africa Regions and International operations, deliberate plans are being developed for each country to address specific local challenges in terms of gender equity.

### Moving forward

- Accelerate the application of the three critical behaviours to realise our aspirations through the collective efforts of all employees.
- Further experiment with new ways of working and measure the impact on client centricity.
- Ensure that our employees clearly understand their decision rights, roles and responsibilities.
- Structure the organisation to deliver on our key focus areas of client centricity, digitisation and universal financial services organisation.
- Continue to drive relevant diversity and inclusion priorities across our operations.

# INFORMATION TECHNOLOGY REPORT

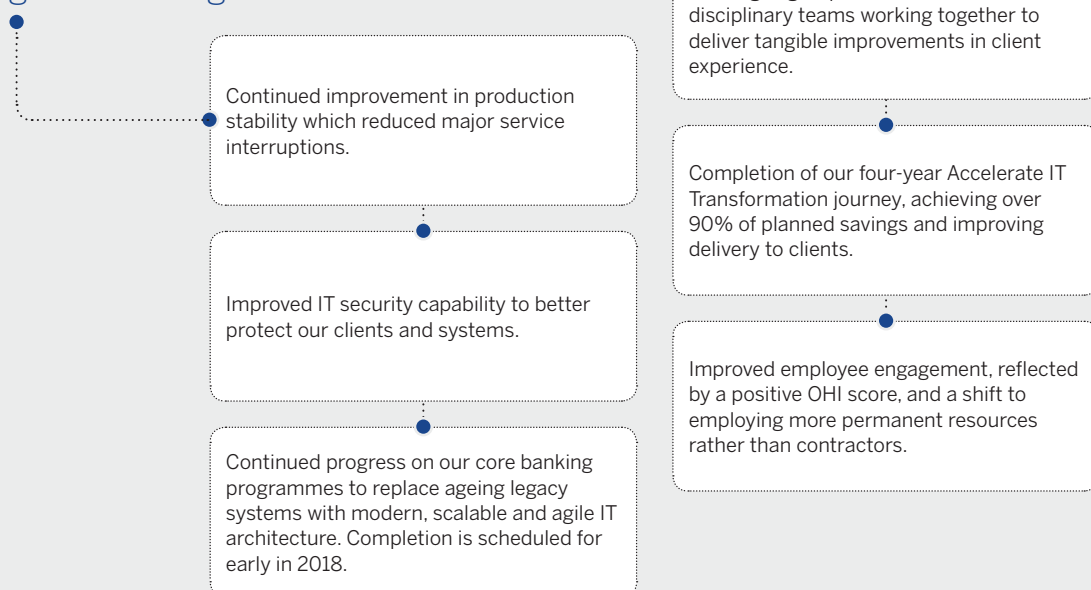
“As the newly appointed Standard Bank Group CIO, I am encouraged by the group’s ambitious transformation into a client-centric, digital universal financial services organisation, and group IT’s profound contribution towards this. Group IT has undergone a significant transformation over the last four years as part of our Accelerate IT Transformation journey. This has positioned us well to contribute to the group’s goals and objectives. We have the right platforms and ways of working in place to ensure relevance and to improve the efficiency of the client experience, while also strengthening stability and security. Our focus now is on simplifying our IT estate and using the client insights gathered over many years to leverage the full benefits of our modernised core banking system.”

**Alpheus Mangale**  
Group CIO



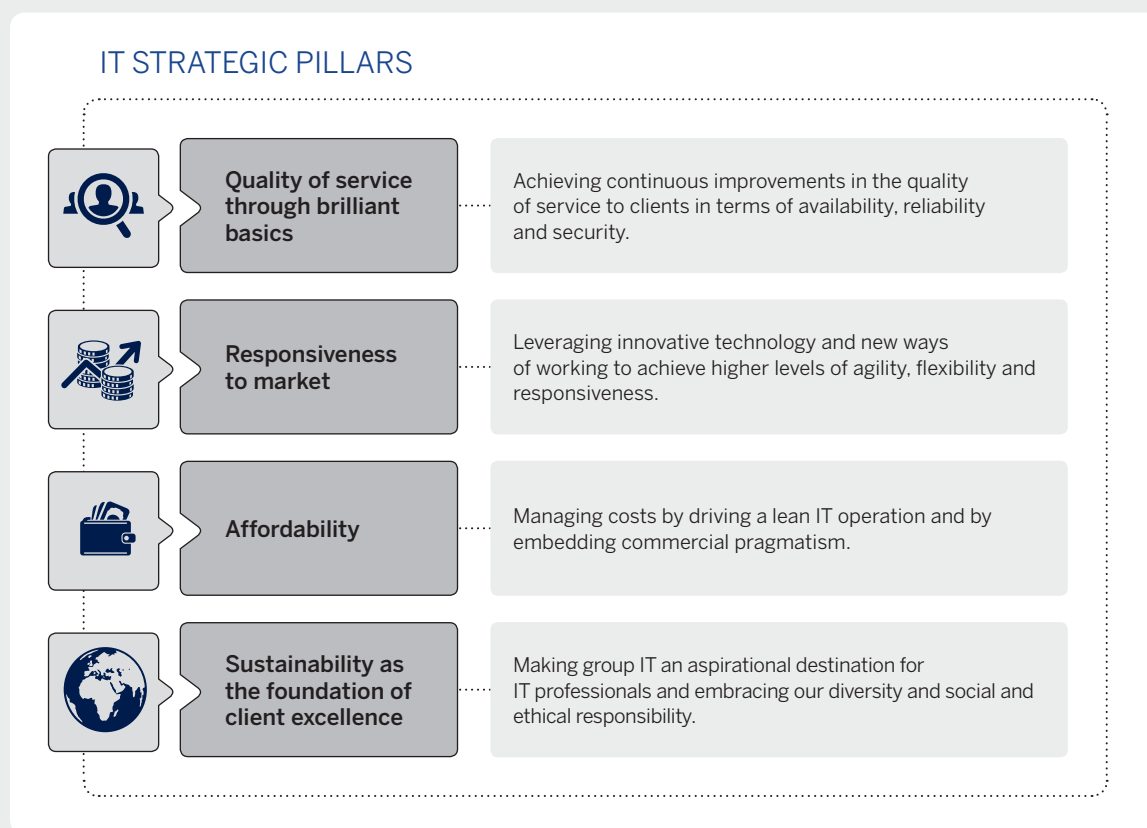
## OVERVIEW

2017 was another important year for group IT, with highlights including:



## OUR STRATEGY

Group IT's purpose is to support the group in providing great client experiences and sustainable value for stakeholders; as well as to embed leading risk management practices; create a vibrant, high performing and aspirational workplace and optimise IT organisational efficiency. We leverage IT to deliver a digital universal financial services organisation through secure, personalised, relevant experiences for clients and employees, in real time, all the time and in an affordable manner.



## OUR OPERATING CONTEXT

The features of a complex ICT environment include:

- Continuous advancements in technology, with competitive and sometimes disruptive implications.
- Sustained economic weakness, straining IT affordability.
- Ongoing investment in compliance to meet intensifying local and global regulatory requirements.
- Competition for limited local ICT skills, requiring investment in developing and retaining talent.
- Increasing sophistication of cybercrime, requiring ongoing investment and rigour in prevention tactics.

These conditions shape our activities, focus areas and responses in the following ways:

- Our digitised and agile core banking platforms strengthen our competitive advantage by enabling the group to respond rapidly to client needs and market, risk and regulatory demands.
- Our client-focused strategy, underpinned by deep analysis of client data, strengthens the group's ability to understand and respond holistically to client needs.
- Our shift towards a more permanent workforce enables us to mitigate the risk of specialist skills shortages and contributes to a more affordable IT capability.

- Agile IT and new ways of working have achieved significant savings in our IT costs over the past four years.
- Our regularly enhanced fraud and cybersecurity detection capabilities ensure that the group is able to prevent, detect and remediate security issues.

## STRATEGIC PROGRAMMES

Our strategic programmes are critical enablers of the group's strategy and beyond their completion, we will continue to advance these platforms by:

- Adding new features and functionality to maintain and advance client experience.
- Maintaining, supporting and sustaining their availability, consistency, quality and security.
- Ensuring that their service offerings remain relevant to our clients.
- Enhancing their functionality in line with changes in financial services.

### South Africa core banking

Key milestones in 2017 included the delivery of new retail products on the core banking platform, the migration of investment products and the implementation of retail client migration readiness.

At 31 December 2017, there were more than seven million accounts on the modernised platform and approximately 60 million transactions are processed monthly, a 30% growth on prior year volumes. The migration in early 2018 of retail client accounts will mark the final milestone in the core banking journey. Following this, around 93% of all client personal transaction accounts will be on the platform.

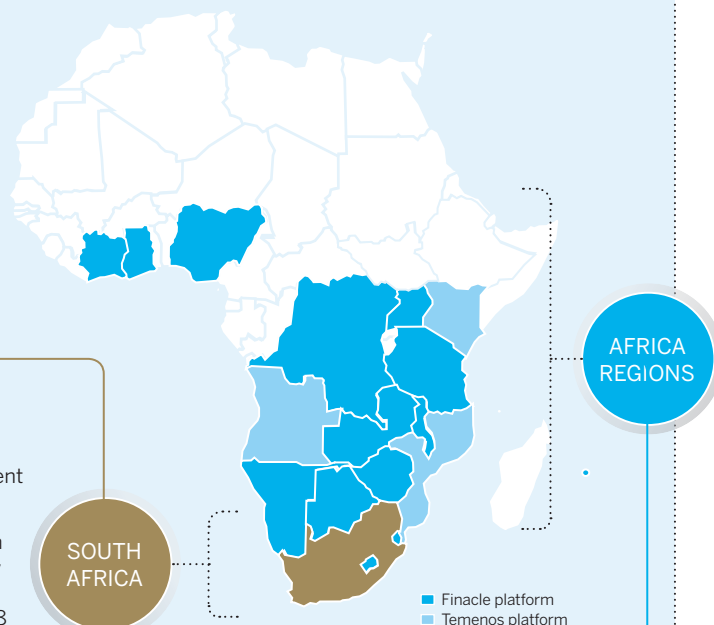
#### Key strategic benefits delivered by the platform include:

- A scalable, agile technology architecture that enables transformation across the business.
- The ability to leverage data analytics capability to drive innovation, automation and client centricity.
- The agility to respond more quickly to client and regulatory needs, enabling us to deliver quickly to market and ensuring our competitiveness, for example, the implementation of the tax-free savings account.
- Less complexity, reducing product deployment cycles.
- Improved and simplified client experiences through quicker client service.

### Business Online

Business Online (BOL) provides a single online channel that enables all domestic, regional and multinational clients to view and transact across all their accounts and transactional products, and across their accounts in the countries in which the group operates. BOL has been rolled out to most countries in the Africa Regions and is scheduled for completion in 2018, once our Namibian and South African clients have been migrated onto the platform.

BOL uptake has been extremely positive, with an annual compound transaction growth rate of over 30%. In 2017, **more than 11 million transactions** were processed through the platform. Transaction volumes have grown more than 20% year-on-year, with transaction values increasing by 16% in 2017.



### Africa Regions core banking

The Africa Regions core banking programme replaces in-country legacy core banking systems with Finacle, a modern, competitive platform that allows us to better manage operational risks and supports our growth aspirations on the continent. Finacle provides a unified 360-degree view of the client across product lines, enabling us to deliver an improved client experience. Finacle has been implemented in 13 countries with implementations undertaken in Lesotho, Malawi and Mauritius in 2017, as well as a base upgrade in Uganda. In 2018, we will implement Finacle in the DRC, complete the corporate client migration in Namibia and complete post-implementation activities in various countries. In parallel, the transition to business as usual has commenced.

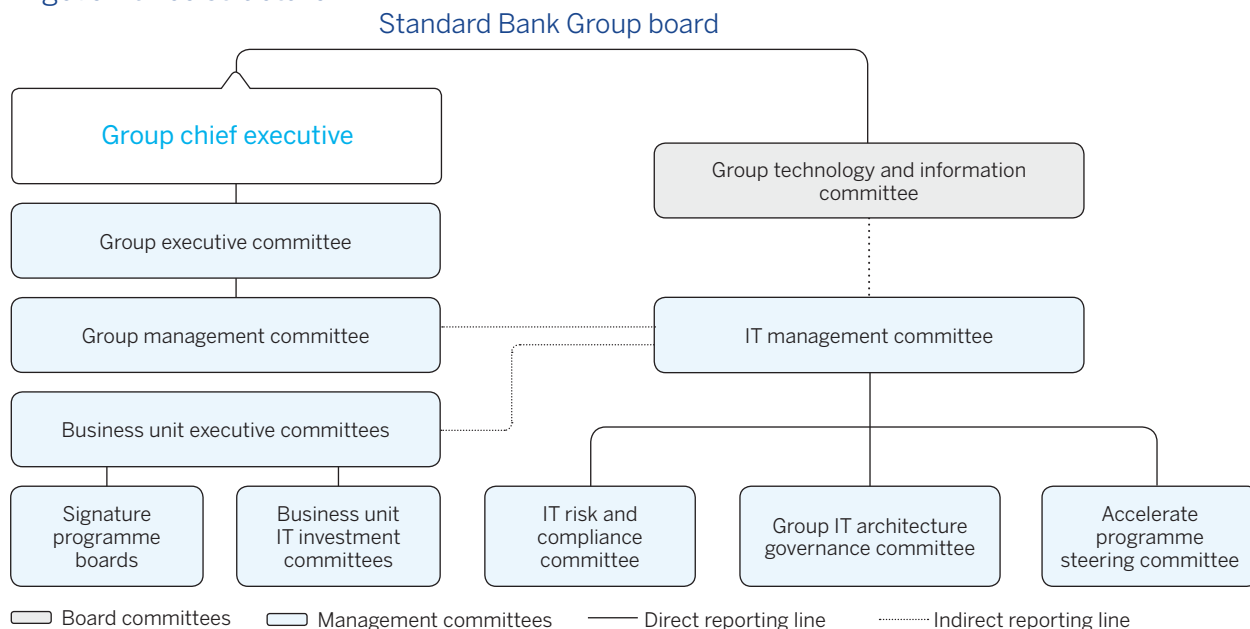
The benefits of a standardised platform across the countries where Finacle has been implemented include faster rollout of products, product innovation, elimination of manual interfaces and the automation of bulk processes. In Angola, Kenya and Mozambique, we employ the Temenos core banking platform which we have identified as the appropriate platform for these markets.



## IT GOVERNANCE IN OVERVIEW

Our IT architecture is a key strategic asset, and the related risks and constraints are well governed and controlled to ensure that IT enables our strategic objectives. IT governance is an integral part of the group's overall corporate governance and the role, structure and reporting lines of the IT function reflect the integration of IT with the group's businesses and operations. Group IT's operating model has been designed to ensure the optimal provision of IT services.

### IT governance structure



The CIO is a member of the group executive and management committees. Portfolio CIOs are accountable to their business unit chief executives and the group CIO to ensure that IT and business strategies are delivered. The group CIO and IT executives have access to the board and executive management and serve as a bridge between IT and the group. The board provides robust executive and non-executive oversight and support for IT.

## PERFORMANCE AGAINST STRATEGY

1

### Quality of service through brilliant basics

Deliver quality of service to clients in terms of availability, reliability and security.

#### OUR KEY PRIORITY

- Provide clients with always on, anywhere, 24/7 banking.

#### Achieved in 2017

- Embedded new ways of working and strengthened accountability for quality of service and production stability with the Dev/Ops approach, a way of working that enables rapid IT service delivery and the adoption of lean practices.
- Implemented all planned capabilities to improve client experience and are on track with the execution of activities scheduled for 2018.
- Continued improvement in production stability contributed to the reduction of major service interruptions, particularly across the Africa Regions.
- Made further enhancements to fraud and cybersecurity detection capabilities.
- Continued to simplify our IT architecture through the advancements in our core banking modernisation programmes, further improving client experience and system stability, reducing security risks and lowering operating costs.

#### Moving forward

- Radically simplify our IT landscape to improve agility, enhance client experience and ensure relevant client services.
- Continue to invest in cybercrime prevention and detection technology, and response capabilities.
- Continue to improve production stability and reliability and minimise disruption of digitally enabled services.

## 2

## Responsiveness to market

Leverage innovative technology and new ways of working to achieve higher levels of agility, flexibility and responsiveness.

## OUR KEY PRIORITIES

- Connect our clients to our world-leading universal banking platforms and provide them with convenient, affordable and holistic financial solutions.
- Digitise all services and actively embrace disruption and innovation by working with innovation partners to deliver better value for our clients.

## Achieved in 2017

- New ways of working improved our agility and strengthened our role as a strategic partner to build solutions that address client needs.
- Enabled innovation in day-to-day operations, for example, through regular events that focused on generating new ideas, as well as developing and implementing them.
- Supported the group's digital strategy with solutions such as the award-winning Shyft mobile banking app.
- Established an enterprise-wide data office and committee with representatives from across the group to ensure data integrity and security, and focus on the delivery of a client-centric, digital and universal organisation.
- Following the successful application of intelligent automation to account origination in VAF, we applied it to other functions to improve production efficiencies and reduce our time to market.

## Moving forward

- Further entrench agile ways of working to improve cadence of IT delivery to respond faster to market needs and provide competitive client services.
- Complete the platform modernisation journey with all clients on core banking and BOL platforms.
- Continue to simplify and digitise processes and decommission legacy systems by 2021.
- Continue to strengthen the role of IT as a strategic partner to business units to ensure alignment with the group's strategic goals.

## CORE BANKING PLATFORM

**Volume of transactions:** year-on-year increase of more than 30%.

**IT stability:** over 40% year-on-year reduction of incidents ranked internally as severity 1, the highest severity rating.

**Investing in digitisation:** digital spend remained flat year-on-year, with focus placed on developing and enhancing mobile capabilities. Digital volumes grew 21%, largely due to increased mobile banking volumes. Transaction values through digital channels increased 7% compared to 2016.

## NEW WAYS OF WORKING

Continuous demand for faster, more efficient service requires ongoing advances and investment in IT. To achieve our strategy and deliver sustainable IT programmes, we adopted the agile new ways of working framework in 2016, which uses internationally recognised system engineering principles to change the way that IT work is delivered. This has enabled us to build a dedicated IT capability, where our teams deliver features and functionality in smaller increments to rapidly, effectively and continually provide value to our clients, while partnering more effectively across the group.



## Core principles

**Client centricity** – the first priority is to support superior client experience.

**Autonomy** – decision-making responsibility lies at team level, from building the solution to running the solution.

**Joint business and IT teams** – everyone is involved and shares responsibility throughout the process.

**Efficient teams** – teams are small and agile.

### 3

## Affordability

Manage costs by driving a lean IT operation and embedding commercial pragmatism.

#### OUR KEY PRIORITIES

- Drive sustainable cost savings by continuing to revise the way we do things.
- Drive affordability through commercial pragmatism.

#### Achieved in 2017

- Completed the four-year Accelerate IT Transformation journey, achieving over 90% of planned savings and improving delivery to clients.
- Capital investments in the core banking programmes resulted in higher amortisation charges of IT intangible assets, which are expected to peak in 2021.

#### Moving forward

- Achieve further optimisation initiatives through simplification and the decommissioning of legacy systems in South Africa.
- Adopt new technologies, including cloud-based opportunities.

### 4

## Sustainability as the foundation of client excellence

Attract aspirational professionals and embrace diversity, social and ethical responsibility.

#### OUR KEY PRIORITIES

- Grow a diverse, high-performing, and innovative culture that recognises mastery and purpose as key outcomes through training and skills development programmes.
- Contribute to industry forums to develop industry skills.
- Nurture strong transformation of the workforce at all levels.

#### Achieved in 2017

- Maintained top of second quartile ranking in the OHI, despite some disruption in the adoption of new ways of working. This achievement is pleasing when compared to our bottom quartile ranking in 2013.
- Shifting to a more permanent workforce by providing internal training, skills development programmes and internships, and building skills through partnerships with local universities.
- Extended learnership programmes to develop capabilities in software development, testing and user experience design.
- Partnered with many industry forums to develop industry skills.
- Focused on building mastery by:
  - Investing in critical skills and new ways of working awareness training.
  - Collaborating with industry and educational bodies to develop skills in Dev/Ops and agility principles, coding, SAP and technology entrepreneurship.

#### Moving forward

- Focus on being a preferred place to work.
- Leverage the cross-skilling benefits of new ways of working.
- Continue the transition to a permanent internal workforce through training and skills development.
- Maintain external partnerships to grow the broader South African ICT skills base.

# RISK REPORT

“We have a well-developed enterprise risk management framework which ensures a consistent approach to managing risk across the group with appropriate oversight and accountability, together with a clear risk appetite aligned to our group strategy. We take a holistic and forward-looking view of the risks we face, continuously assessing both current and emerging risks. In 2017, the risk function played a key role in collaborating across the group’s businesses to manage an extremely challenging environment and the associated risks.”

**Neil Surgey**  
Chief risk officer



## REFLECTIONS ON THE YEAR

Economic growth in sub-Saharan Africa rebounded to 2.7% in 2017, having slowed to a 22-year low of 1.4% in 2016, as a result of a recovery in commodity prices, a slowdown in inflation and favourable global financing conditions. The recovery was slower than anticipated given modest growth in Angola, Nigeria and South Africa, the region’s largest economies. In South Africa, GDP growth of 1.3% for the year was supported by a marginal recovery in mining and agriculture. Moderate recoveries in the oil price helped oil-exporting countries in the Africa Regions.


The successive downgrades of the South African sovereign rating during the year by the three largest rating agencies, have had a more muted impact than anticipated on the availability and cost of foreign currency funding. This is partly due to the buoyant global macroeconomic environment and the appetite for emerging market risk. Further downgrades may have a more significant impact on the group’s access

to and cost of foreign currency liquidity. As the possibility of further downgrades remains, we continue to develop and implement mitigation strategies to address the identified risks.

Sovereign weakness and the associated foreign currency liquidity shortages as a secondary result of low commodity prices, continued during 2017, and we have proactively managed our exposure to concentration in all sectors. In addition, we rigorously managed our exposures to local banks given their increased risk in terms of exposure to the sovereign and commodity sectors, particularly in oil-exporting countries. Demand for credit in South Africa remained subdued due to political uncertainty and the impact of the sovereign downgrades. The portfolio was well controlled and managed in difficult circumstances and the credit loss ratio for the group’s banking activities remained flat at 0.86%.

In an evolving world that is interconnected through technology, it is becoming increasingly important for the group to remain forward-looking in its management of the risk environment. Through the continuous assessment and modelling of current and emerging risks, the group is better equipped to identify these potential risks and manage and mitigate them effectively. Our emerging risks are discussed on page 16.

Financial crime and cyber risk remain key focus areas, with local and international media reports demonstrating the increasing number of cybercrime incidents and the growing sophistication of cyber attacks on public and private organisations. Distributed denial of service and ransomware attacks are an increasing threat to financial institutions and we continually invest in strengthening our capability to prevent, detect and respond to such attacks.

RCM  Detailed information on our key risk types and capital management can be found in our separate risk and capital management report.

## ENTERPRISE RISK MANAGEMENT APPROACH

### Key components of the enterprise risk management process

We use the three lines of defence model to identify, monitor and manage risk, promoting transparency, accountability and consistency.

#### Group strategy

#### Governance and structure

##### RCCM<sup>1</sup> framework

Managing risk is a key part of the group's everyday activities. The framework ensures that risks are managed in a consistent way across the group with appropriate oversight and accountability.

##### The board and its committees

The board has the ultimate responsibility for the oversight of risk, including approval of strategy and risk appetite.

##### GROC<sup>2</sup> and its committees

These committees are responsible for management of all risks and implementation of risk governance processes, standards, policies and frameworks.

#### THE FIRST LINE

#### THE SECOND LINE

#### THE THIRD LINE

#### Three lines of defence

The three lines of defence governance model promotes transparency, accountability and consistency through the clear identification and segregation of roles.

#### Enterprise risk management processes

##### Risk appetite

##### Top and emerging risks

AIR 16-17

##### Risk types

##### Stress testing

The group's risk appetite statement sets out the aggregate level and types of risk that the group is willing to accept to meet its strategic objectives. Enterprise risk management processes enable the group to measure, monitor, actively manage and mitigate risks to ensure it remains within risk appetite.

#### Control framework

Risk standards, frameworks, policies and internal controls

Underpinned by:

SYSTEMS, DATA AND INFRASTRUCTURE

RISK CULTURE AND VALUES

<sup>1</sup> Risk compliance and capital management.

<sup>2</sup> Group risk oversight committee.

Our risk strategy aims to instil conscious risk-taking throughout the group as we pursue our identified growth opportunities. Our overall objective is to manage our business and the associated risks in a manner that balances the interests of clients and other key stakeholders while protecting the safety and soundness of the group.

Risk is everyone's business and our material risks are monitored, managed and mitigated through the three lines of defence model. Key business lines are responsible for identifying and managing risks, and the group risk function provides the necessary oversight and challenge to ensure effectiveness. Group internal audit provides independent assurance on the effectiveness of the first and second lines of defence.

A strong link between our risk appetite and our strategy is key to ensuring our long-term sustainable growth and profitability. Our risk appetite statement (both qualitative and quantitative) sets out the aggregate level and types of risk that we are willing to accept to meet our strategic objectives. Our risk appetite is reviewed in response to changes in our operating environments and clearly articulated to those who manage risk.

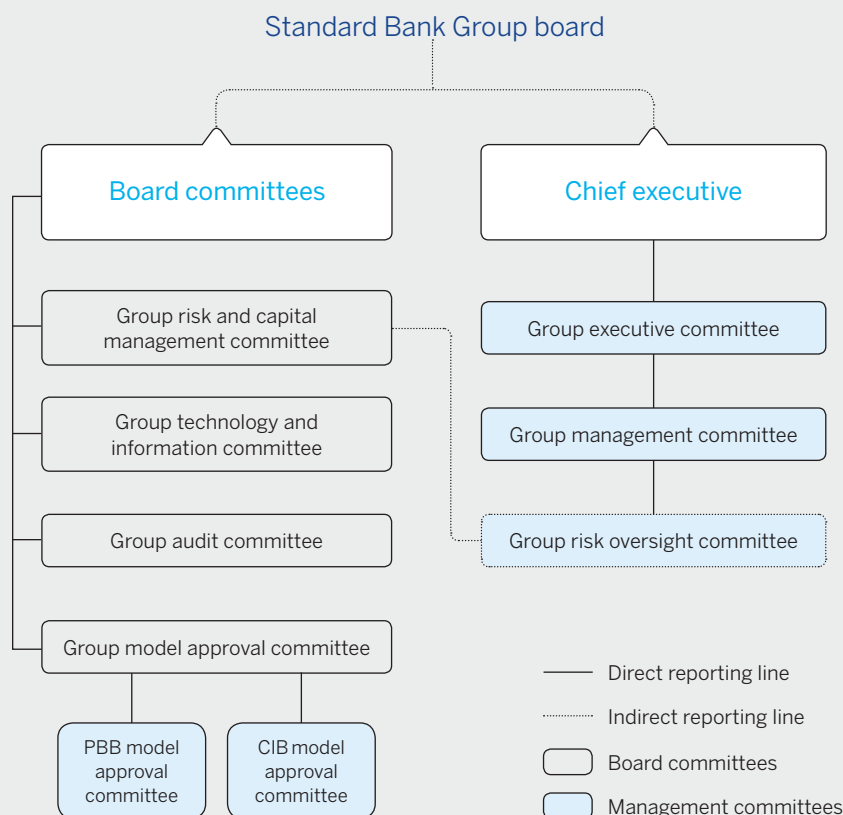
Stress testing is a vital internal risk management tool that informs decision-making at various levels within the group. We continually refine our internal models to determine the impact of stress scenarios, building closer alignment between risk and financial planning. Our comprehensive stress tests assess our ability to withstand prevailing and emerging risks. These risks include, among others, the possibility of further downgrades of the South African sovereign, rising geopolitical volatility and protectionism, the slowdown of growth globally, as well as the uneasy social and political environment in South Africa. The results of our tests indicate that the group is well capitalised and able to handle these stress scenarios should they materialise.

## RISK GOVERNANCE

The group risk, compliance and capital management governance framework, approved by the group risk and capital management committee, sets out our approach to managing risk and capital. The framework has the following two components:

- Governance committees at board and management level that operate within the governance framework and have mandates and delegated authorities that are regularly reviewed; and
- Governance standards, frameworks and policies.

## Risk governance structure



## RISK CULTURE

Ultimately, it is the strength of our risk culture that determines how effective we are at being aware of and managing risk at all levels of the group. The three lines of defence model has reinforced our ability to build and maintain a strong risk culture, prioritising resilience for the effective management of risk across the group. Multiple drivers are in place to enhance our risk culture and emphasise doing the right business the right way. By embedding the group's values and principles, supported by related policies, compliance training programmes and the whistleblowing programme, we have empowered our employees to act with confidence in driving meaningful behavioural changes.

## LOOKING AHEAD

Global growth of 3.9% is expected for 2018 with sustained cyclical momentum over the next few years. While we remain optimistic about the prospects of growth for the global economy, the outlook is still subject to substantial downside risks, including rising geopolitical tensions, increased protectionism, a lack of inclusive growth and the possibility of disorderly financial market moves given

unusually low financial market volatility and high asset prices.

The outlook for sub-Saharan Africa is improving and growth is expected to accelerate rapidly to 3.3% in 2018 boosted by global economic growth and firming commodity prices. In South Africa, the outcome of the ANC election in December 2017 has garnered positive momentum with growth forecast at 1.5% for 2018 rising to 2.1% by 2019. Nigeria is expected to benefit from a recovery in oil production and reforms in the foreign exchange market, with growth picking up to 2.1% in 2018.

The improving prospects across our African network provides a favourable outlook for our business. By continuing to manage risk appetite dynamically across geographies and sectors, we will help our clients capitalise on opportunities presented by this growth. We will continue to mitigate portfolio risks related to foreign currency liquidity concerns in certain jurisdictions while prudently managing country-specific risks and country risk appetite. We will continue to optimise the allocation of our available financial resources to improve the returns we deliver to shareholders over time.



## KEY RISK TYPES

### CREDIT RISK



**The risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk.**

#### KEY DEVELOPMENTS IN 2017

- Credit demand remained subdued.
- Enhanced risk distribution across portfolios and improved collections strategies, including early interventions to reduce arrears.
- Decentralised our credit teams to support a more client-centric organisational design.
- Digitised our credit processes and enhanced client scoring.
- The credit loss ratio for the group's banking activities remained unchanged compared to 2016 at 0.86%.

#### LOOKING FORWARD

- Improve automated origination decision-making through enhanced systems, processes and analytics.
- Focus on the effectiveness of collections and early, proactive engagements with distressed clients.
- Focus on high-quality credit clients and proactive adjustment of risk appetite by sector and country to reflect opportunities and challenges.
- Increase attention to risk mitigation options, including the distribution of credit risk.
- Continue close monitoring of portfolio impairment levels and the potential impact on them following the implementation of IFRS 9.

### COMPLIANCE RISK



**The risk of legal or regulatory sanction, financial loss or damage to reputation the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice applicable to its financial services activities.**

#### KEY DEVELOPMENTS IN 2017

- Continued to instil a risk-appropriate, compliance- and client-focused culture.
- Enhanced compliance training capabilities.
- Increased resourcing in the money laundering control, sanctions control and exchange control compliance areas, across the group and particularly in the Africa Regions, to meet the demands of regulatory change and supervisory expectations.
- Digitisation initiatives further automated processes to manage conflicts of interest for all employees, and gave various third-party suppliers access to our independent service provider training capability.

#### LOOKING FORWARD

- Continue to support a risk-aware culture and ethical conduct across the group.
- Enable the automation of policy requirements, where possible, and introduce robotics and advanced analytics initiatives to simplify processes and more effectively respond to regulatory requirements.
- Further streamline compliance training initiatives across the group.
- Continue to identify and develop appropriate metrics to measure and assess conduct and appropriate behaviours across the group.

### COUNTRY RISK



**The uncertainty that obligors (including the relevant sovereign and the group's branches and subsidiaries in a country) will be able to fulfil obligations due to the group, given political or economic conditions in the host country.**

#### KEY DEVELOPMENTS IN 2017

- Continued focus on optimal alignment and application of risk appetite and management of country-specific risks.
- Ongoing refinement of the country risk operating model, portfolio management tools and governance.

#### LOOKING FORWARD

- Focus on managing country-specific risks, extending local currency risk products and mitigating foreign currency liquidity risks in an environment where sovereign debt vulnerability is expected to continue.
- Continue to focus on the effects of climate change and related emerging risks in relevant markets.

**FUNDING AND LIQUIDITY RISK**

4



**The risk that an entity or the group, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.**

**KEY DEVELOPMENTS IN 2017**

- Successfully managed the balance sheet structure to meet both LCR and NSFR regulatory requirements with effect from January 2018. Daily LCR reporting is progressing across six operations.
- Successfully accessed the longer-term funding market, raising R37 billion in total term funding.
- Implemented mitigating strategies to address the liquidity risks arising from the downgrade of the South African sovereign rating to sub-investment grade.

**LOOKING FORWARD**

- Focus on balance sheet optimisation and mix to ensure LCR and NSFR compliance and that the group has the appropriate diversification and tenor of funding and liquidity to support its asset base, while minimising the overall cost of funding.
- Ensure mitigating actions are available to address the implications of further possible South African sovereign credit rating downgrades.
- Ongoing system enhancements to ensure continued data quality, efficiency and effectiveness.
- Continue to enhance funds transfer pricing methodologies to steer balance sheet optimisation and growth strategies.

**MARKET RISK**

5



**The risk of a change in the market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.**

**KEY DEVELOPMENTS IN 2017**

- Ongoing focus on the implications of revised trading book regulations and interest rate risk in the banking book standards.
- Maintained market risk within approved risk appetite and tolerance levels despite a volatile environment due to, among others, sovereign rating downgrades in South Africa and the significant devaluation of a number of African currencies.

**LOOKING FORWARD**

- Continue to monitor and manage market risk elements in the context of current market volatility, including monetary policy decisions and rating changes.
- Continue to focus on the implications of the revised trading book regulations and interest rate risk in the banking book standards.

**INSURANCE RISK**

6



**The risk that actual future underwriting, policyholder behaviour and expense experience will differ from that assumed in measuring policyholder contract values and assets, and in pricing products. Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts.**

**KEY DEVELOPMENTS IN 2017**

- Applied insights gained from experience investigations to drive improvements in risk selection by amending underwriting and claims practices and re-pricing selected new business.

**LOOKING FORWARD**

- Continue to focus on tighter expense management and drive product and process simplification.
- Initiate a financial remediation programme to expedite changes required in products, underwriting, pricing and client experience to improve the value of new business.

## OPERATIONAL RISK

7



**The risk of loss suffered as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.**

### KEY DEVELOPMENTS IN 2017

- Continued focus on fraud and technology risks, driven by the pace of technology evolution.
- Phishing attacks targeting Standard Bank clients reduced by 53% from 2016 and the number of online banking fraud incidents decreased by 48%.
- Established a critical systems resilience programme to evaluate our ability to keep banking services highly available.
- Deployed cybersecurity operations centres in ten countries.
- Built predictive analytics capacity and capability.
- Aligned and improved crisis simulations in South Africa and the Africa Regions to ensure that the group can effectively respond to a catastrophic event should this occur.

### LOOKING FORWARD

- Improve use of data analytics to establish client behaviour and further enhance our prediction, prevention, detection and response capabilities in the fraud threat landscape.
- Continue to monitor the upcoming cyber regulation requirements and their potential impact.
- Enhance targeted awareness campaigns to drive risk-conscious behaviour.
- Further develop emerging risk processes and methodologies.

## BUSINESS RISK

8



**The risk of earnings variability, resulting in operating revenues not covering operating costs after excluding the effects of market risk, credit risk, structural interest rate risk and operational risk.**

### KEY DEVELOPMENTS IN 2017

- Achieved strong results in challenging operating conditions.
- Introduced universal product responsibility to support the universal financial services organisation strategy.
- Restructured PBB, moving key decision-making back to the client interface in a responsible manner, to better serve our clients.
- Continued to invest in systems and processes to support regulatory, compliance and third-party risk management.
- Advanced the alignment of performance management and remuneration to the group's value drivers.

### LOOKING FORWARD

- Continue to work on delivering a universal financial services organisation to provide an integrated Africa-wide service to our clients.
- Improving our use of data and advanced analytics capabilities and develop digitally enabled solutions.
- Further enhance our measures for strategic value drivers and alignment to performance management and remuneration processes.

## REPUTATIONAL RISK

9



**The risk of potential or actual damage to the group's image which may impair the profitability and/or the sustainability of its businesses.**

### KEY DEVELOPMENTS IN 2017

- Established a supplier risk management committee to provide oversight and enhanced due diligence for new and existing suppliers. The committee considers matters where a supplier could cause reputational damage to the group and takes the appropriate steps to mitigate this risk.
- Continued to mature the governance processes of business units' client risk management committees to provide consistency in the identification, management and monitoring of reputational risks. These committees address the reputational risk issues as they arise and escalate decision-making to the appropriate governance level as required.

### LOOKING FORWARD

- Continue to embed a culture of ethical behaviour and ensure we keep doing the right business the right way.
- Pilot a centre of reputational excellence to proactively manage our reputation as a strategic asset and respond appropriately to the new world of integrated instant communication.

A person with long dark hair, wearing a dark jacket, is seen from the side, sitting at a light-colored table. In front of them is a white ceramic cup. They are looking out a large window that shows a bright, slightly blurred cityscape. Overlaid on the left side of the image is a large, dark blue circular graphic with a lighter blue ring and a white ring. Inside the dark blue circle, the text 'OUR ACCOUNTABILITY' is written in white, uppercase letters.

# OUR ACCOUNTABILITY

100 Corporate governance overview

110 Remuneration overview



# CHANGING **THE WAY** WE DO BUSINESS

Artificial intelligence – or intelligent automation as we call it – is helping us to revolutionise the way we do business. Data, robots ('bots') and machine learning are enabling us to do routine tasks faster, more accurately and more efficiently than ever before.

Vehicle and Asset Finance (VAF) is a highly competitive business. The bank that presents the first final approval to a dealer, is more likely to get the business.

Following a year's work by the VAF Lab in Johannesburg, we have introduced 'bots' to shorten our response time from a couple of hours to less than ten minutes – twice as fast as the current industry market leader and fundamentally changing the game for car dealers, our clients and our business. Within ten minutes, the 'bots' verify the income of salaried and self-employed clients, the validity of their driver's licence and their employment.

This cutting-edge innovation will strengthen our dealer relationships, make sure we deliver what matters to our clients and help us achieve our aspiration to be the finance house of choice.



# CORPORATE GOVERNANCE OVERVIEW

The group's corporate governance approach promotes strategic decision-making that combines long- and short-term outcomes to reconcile the interests of the group, our stakeholders and society to create sustainable shared value.

Corporate governance is integrated across the group's operations. Through the group's governance framework, the board fulfils an oversight role and deliberates with executive management over strategic direction, financial goals, resource allocation and risk appetite. Management applies the tone set by the board and the governance philosophy, based on the group's values, as a set of principles and structures that enable the group to create shared value for all our stakeholders.

Our approach to corporate governance extends beyond compliance. We see governance as an enabler that creates competitive advantage through enhanced accountability, effective risk management, clear performance management, greater transparency and effective leadership.

In line with this ambition, the King Report on Corporate Governance (King Code) has formed the cornerstone of our approach to governance. We support the overarching goals of King IV, being the creation of:



The board is satisfied with the group's application of the principles of King IV, and our application register is available online at [www.standardbank.com](http://www.standardbank.com), together with our full corporate governance report.

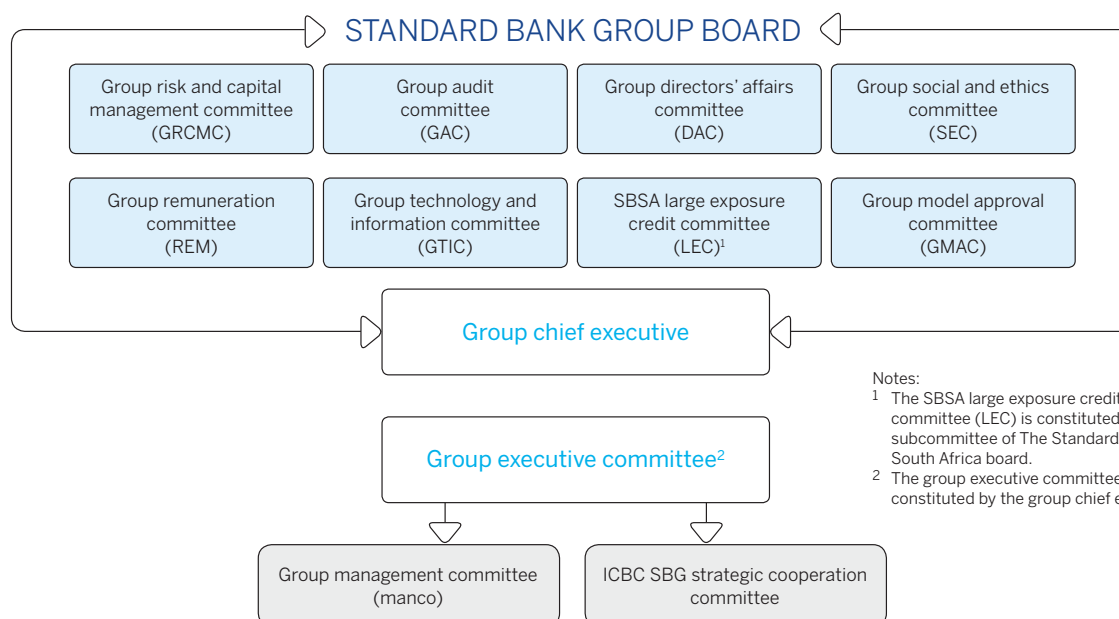
## OUR GOVERNANCE FRAMEWORK

The group operates within a clearly defined board-approved governance framework, which outlines mechanisms for the group to implement robust governance practices and provides clear direction for decision-making across all disciplines. Through this framework, the board has delegated the day-to-day management of the group, to the group chief executive without abdicating the board's responsibility.

The delegation of authority framework is reviewed annually in consultation with the group finance function to ensure that financial limits remain appropriate, taking into account the size of the group and its specific operational context.

The group secretary monitors the effective implementation of the authority delegated to the group chief executive and has confirmed that in the year under review, the group chief executive acted within the authority delegated to him by the board. The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority.

The group chief executive engages the board on all critical decisions of the group. These engagements take place with mutual respect and candour. All board decisions are consistently based on ethical foundations.



- Notes:
- <sup>1</sup> The SBSA large exposure credit committee (LEC) is constituted as a subcommittee of The Standard Bank of South Africa board.
  - <sup>2</sup> The group executive committee is constituted by the group chief executive.



# OUR BOARD OF DIRECTORS

The board serves as the focal point for and custodian of the group's corporate governance. It is responsible for providing ethical and effective leadership to the group. It agrees the strategic direction and approves the policy frameworks used to measure organisational performance. This is achieved through transparent reporting on the part of management and active board oversight. The group chief executive and the executive team deliver against agreed performance targets aligned to the group strategy and in the best interests of the group and its material stakeholders.

The board mandate details the board's role and responsibilities. It reflects the principles incorporated in the Companies Act, Banks Act, the company's memorandum of incorporation (MOI), King IV, Basel Corporate Governance for Banks, JSE Listings Requirements, and any applicable law or binding regulatory provisions. The mandate, which also specifies matters reserved for board decision, is reviewed at least annually together with an assessment of the board performance against its said provisions.

Board members are bound by the code of ethics and fiduciary duties owed to the company. Directors have the necessary competence and ethical character to discharge their duties, to provide strategic direction and control the group, as set out in the board mandate and the MOI.

The board is committed to acting in the best interests of the group, in good faith and without undue personal conflicts of interest. In making decisions, the board adopts a pragmatic approach to the group's core business, prudently evaluates the full range of inputs the group adopts and the impact of operating

activities on these inputs, as well as the potential trade-offs between them. This is discussed in more detail on page 14 – our shared value model and from page 18 – measuring our strategic progress.

As a financial services organisation, our ability to innovate is critical to remaining relevant to our clients. The board is committed to ensuring that the group remains agile to meet the changing needs of its clients and other stakeholders. The composition of the board is carefully reviewed to ensure it has the necessary skills to deliver on the group strategy and leverage opportunities.

**AIR 86** For more information on the group's approach to digitisation and IT, refer to page 86.

The board monitors and holds the relevant executive accountable for the group's operational and financial performance. Management is open and transparent with the board and escalates concerns to its attention in the appropriate forums and in a timely manner.

The role of chairman is separate from that of the group chief executive. There is a clear division of responsibilities. In addition to strengthening the independence of the board, and in line with governance best practice, Peter Sullivan was appointed as the group's lead independent director during the year.

**GOV REM** For the group's comprehensive approach to corporate governance, refer to the full corporate governance report.

## CULTURE, ETHICS AND VALUES

The chairman and the board set the ethical tone for the group. The group chief executive and the chief ethics officer are responsible for entrenching the group's values and code of ethics across the group. The board, through the relevant board committees, requests and considers compliance reports by executive management, internal auditors and external auditors on measures implemented to ensure compliance with regulatory and other legislative requirements.

At an absolute minimum, we adhere to and comply with all the legal obligations of the jurisdictions in which we operate. Our subsidiary governance framework and the relevant group policies establish a common standard of corporate governance and conduct across the group.

# OUR BOARD OF DIRECTORS

The group has a unitary board structure with:

- 1 independent non-executive chairman
- 4 non-executive directors
- 3 executive directors
- 10 independent non-executive directors

## 1. THULANI GCABASHE <sup>(60)</sup>

Chairman and independent non-executive director, SBG and SBSA

Appointed: 2003

Appointed chairman: 2015

**DAC** **GRCMC** **LEC** **Rem** **SEC**

## 2. HAO HU <sup>(55)</sup>

Deputy chairman, SBG and non-executive director, SBG and SBSA

Appointed: 2017

**DAC** **GRCMC** **GTIC**

## 3. JACKO MAREE <sup>(62)</sup>

Deputy chairman, SBG and non-executive director, SBG and SBSA

Appointed: 2016

**LEC** **MAC** **Rem** **SEC** **GRCMC**

## 4. KGOMOTSO MOROKA <sup>(63)</sup>

Non-executive director, SBG and SBSA

Appointed: 2003

**DAC** **GRCMC** **SEC**

## 5. LUBIN WANG <sup>(44)</sup>

Non-executive director, SBG and SBSA

Appointed: 2017

**DAC** **GRCMC** **GTIC**

## 6. SIM TSHABALALA <sup>(50)</sup>

Group chief executive, SBG and executive director, SBSA

Appointed: 2013

**GTIC** **LEC** **MAC** **SEC**

## 7. ARNO DAEHNKE <sup>(50)</sup>

Group financial director, SBG and executive director, SBSA

Appointed: 2016

**GTIC** **LEC** **MAC**

## 8. BEN KRUGER <sup>(58)</sup>

Executive director, SBG and SBSA

Appointed: 2013

**GTIC** **LEC** **MAC** **SEC**

## 9. RICHARD DUNNE <sup>(69)</sup>

Independent non-executive director, SBG and SBSA

Appointed: 2009

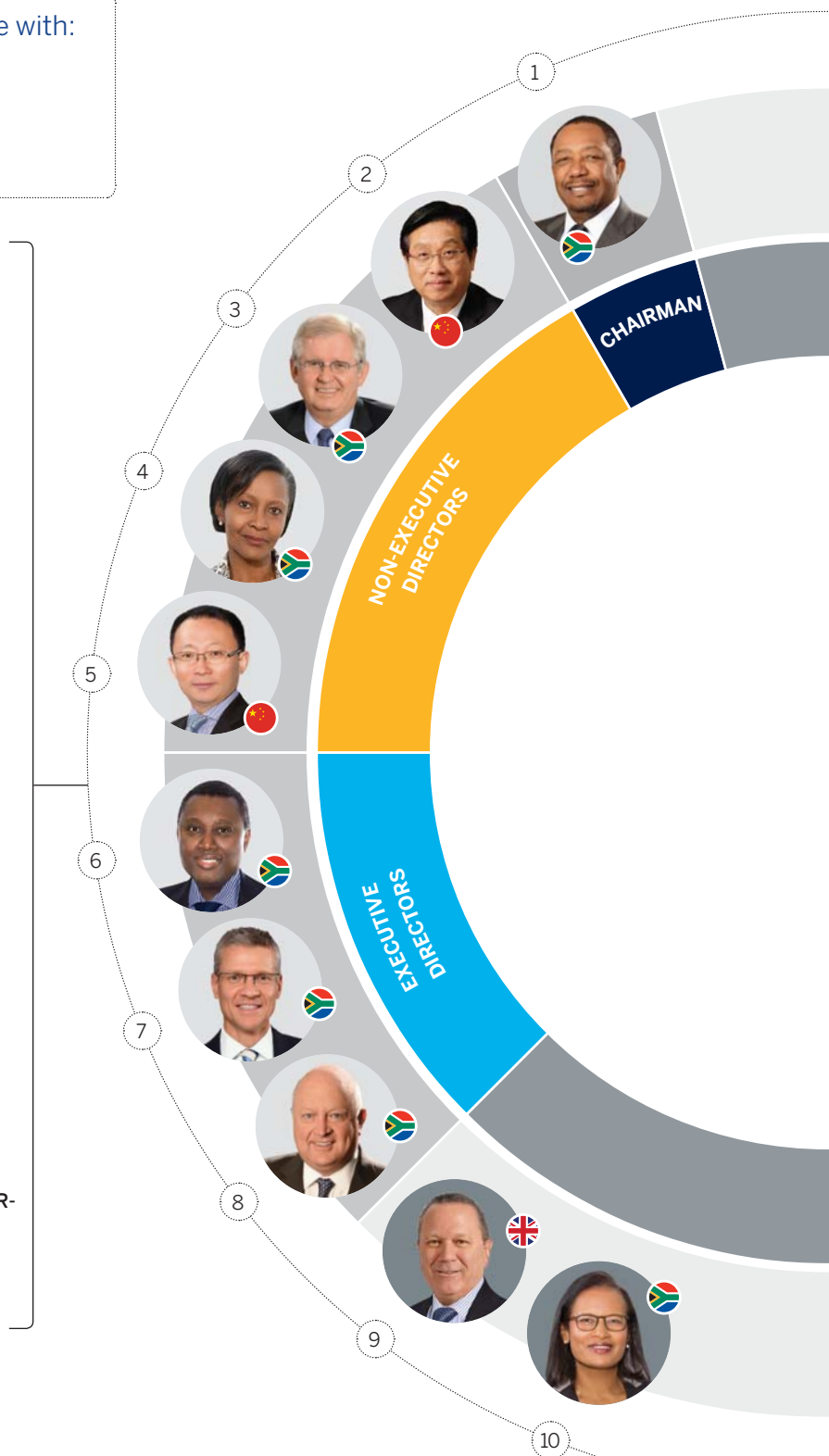
**GAC** **GRCMC** **GTIC**

## 10. GERALDINE FRASER-MOLEKETI <sup>(57)</sup>

Independent non-executive director, SBG and SBSA

Appointed: 2016

**DAC** **GRCMC** **SEC**

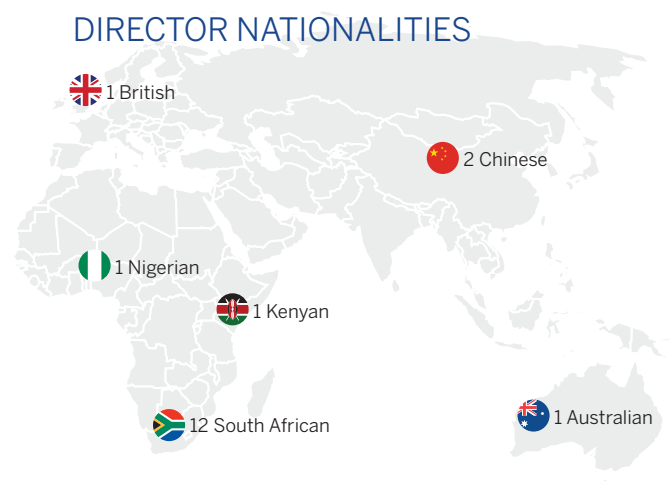
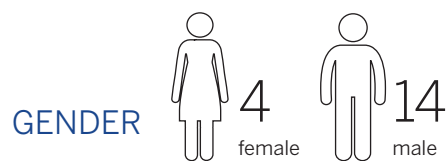
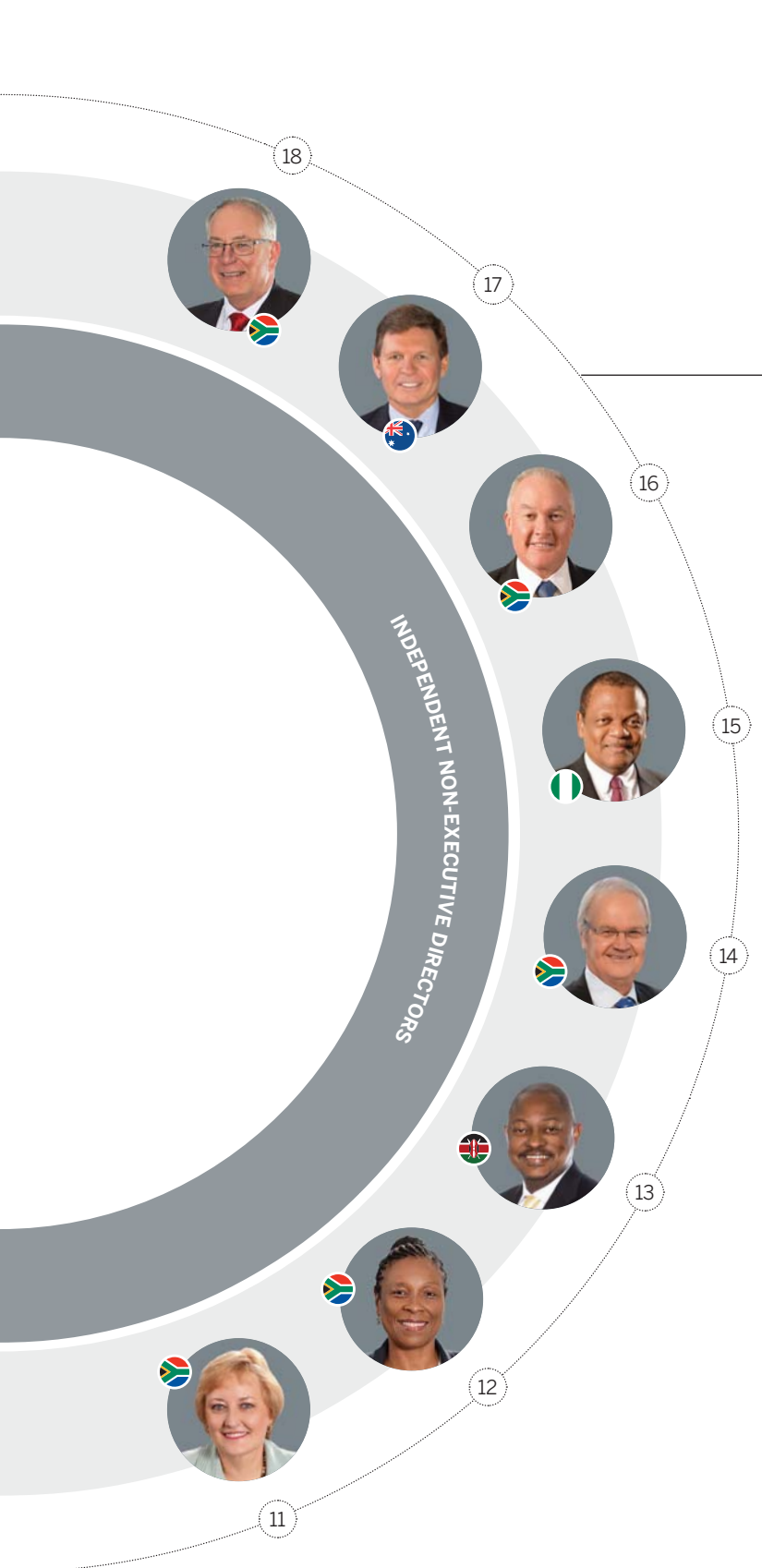


**DAC** Group directors' affairs committee **GAC** Group audit committee **GRCMC** Group risk and capital management committee

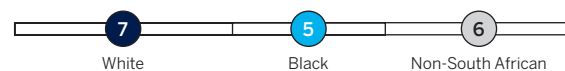
**GTIC** Group technology and information committee **LEC** SBSA large exposure credit committee\* **MAC** Group model approval committee

**Rem** Group remuneration committee **SEC** Group social and ethics committee **Committee chairman**

\* A subcommittee of The Standard Bank of South Africa.



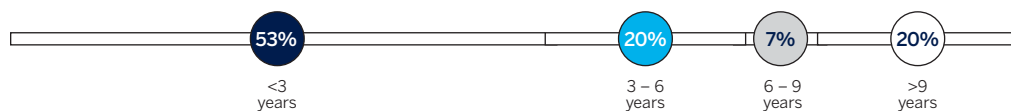
### DEMOGRAPHICS



### AGE

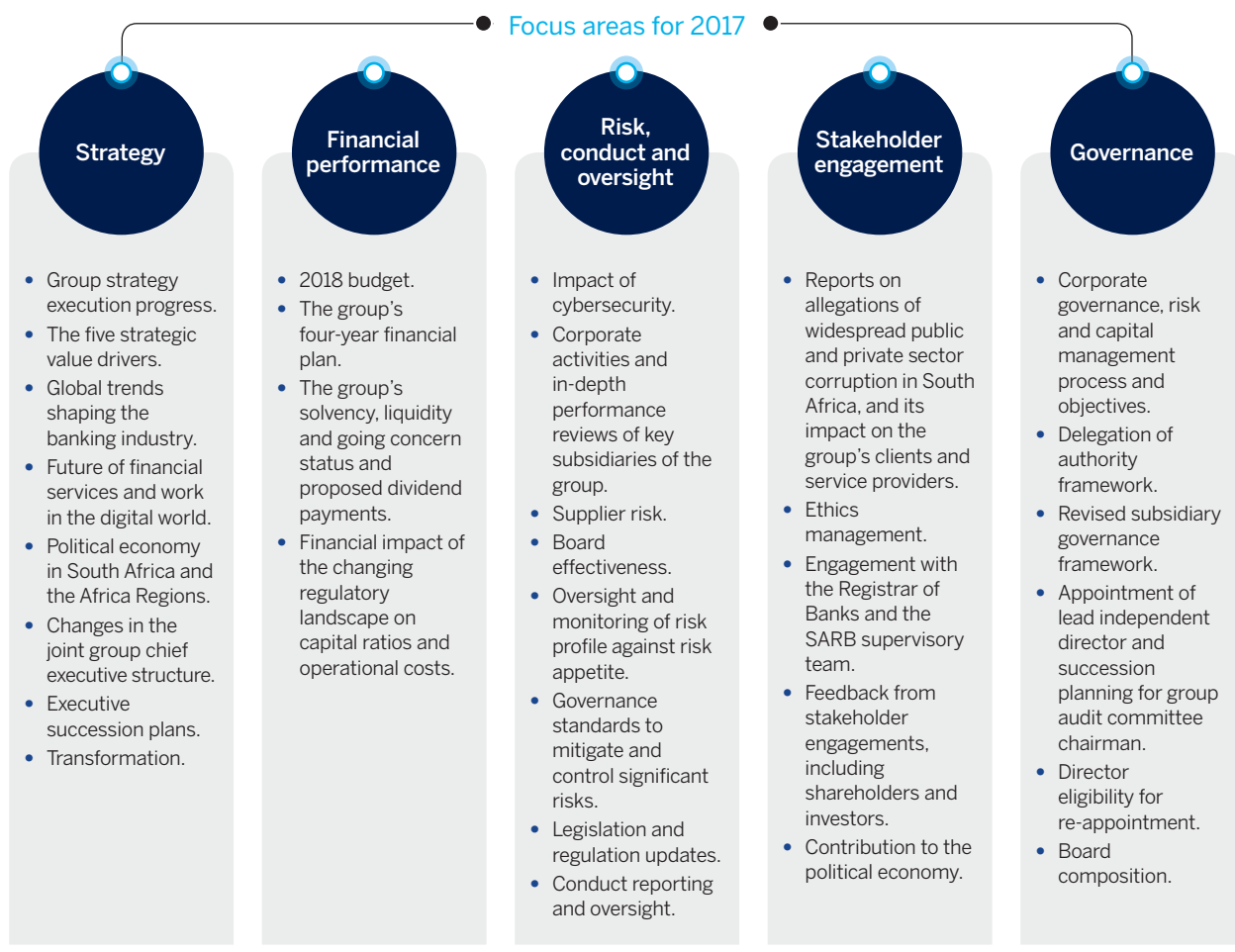


### TENURE OF NON-EXECUTIVE DIRECTORS



## 2017 BOARD AGENDA AND FOCUS AREAS

During the year, the board held eight meetings, including its annual two-day strategy meeting. The key focus areas that supported the group's value creation are listed below.



## BOARD MEETING ATTENDANCE

ROLE	ATTENDANCE AND ELIGIBILITY <sup>1</sup>	INDEPENDENT	APPOINTED	RESPONSIBILITIES
<b>CHAIRMAN AND DEPUTY CHAIRMEN</b>				
Thulani Gcabashe	8/8	Yes	1 July 2003, appointed chairman 28 May 2015	Board governance and performance, shareholder engagement.
Hao Hu (deputy chairman)	5/6	No	1 June 2017	Leading the board performance appraisal of the chairman and acting as a sounding board for the chairman on general board matters.
Jacko Maree (deputy chairman)	8/8	No	21 November 2016	
<b>EXECUTIVE DIRECTORS</b>				
Sim Tshabalala	8/8	–	7 March 2013	Strategy and group performance and day-to-day management of the group.
Arno Daehnke	8/8	–	1 May 2016	Group financial performance and reporting.
Ben Kruger	8/8	–	7 March 2013	Strategic guidance, oversight and management of the Africa Regions, group digitisation, group IT and ICBC relationship.
<b>LEAD INDEPENDENT DIRECTOR</b>				
Peter Sullivan	8/8	Yes	15 January 2013, appointed lead independent director 30 November 2017	Dealing with shareholder concerns where contact through the normal channels fails to resolve concerns, or where the chairman may be conflicted.
<b>NON-EXECUTIVE DIRECTORS</b>				
Richard Dunne	8/8	Yes	3 December 2009	Non-executive directors provide objective judgement independent of management. They challenge and monitor the executive directors' delivery of strategy within the risk and governance structure agreed by the board.
Geraldine Fraser-Moleketi	8/8	Yes	21 November 2016	
Trix Kennealy	8/8	Yes	21 November 2016	
Nomgando Matyumza	8/8	Yes	21 November 2016	
Kgomotso Moroka	7/8	No	1 July 2003	
Martin Oduor-Otieno	8/8	Yes	1 January 2016	
André Parker	8/8	Yes	14 March 2014	
Atedo Peterside CON	8/8	Yes	22 August 2014	
Myles Ruck	8/8	Yes	18 January 2002	
John Vice	8/8	Yes	21 November 2016	
Lubin Wang	5/6	No	1 June 2017	

<sup>1</sup> Eligibility based on appointment date.

GOV  
REM

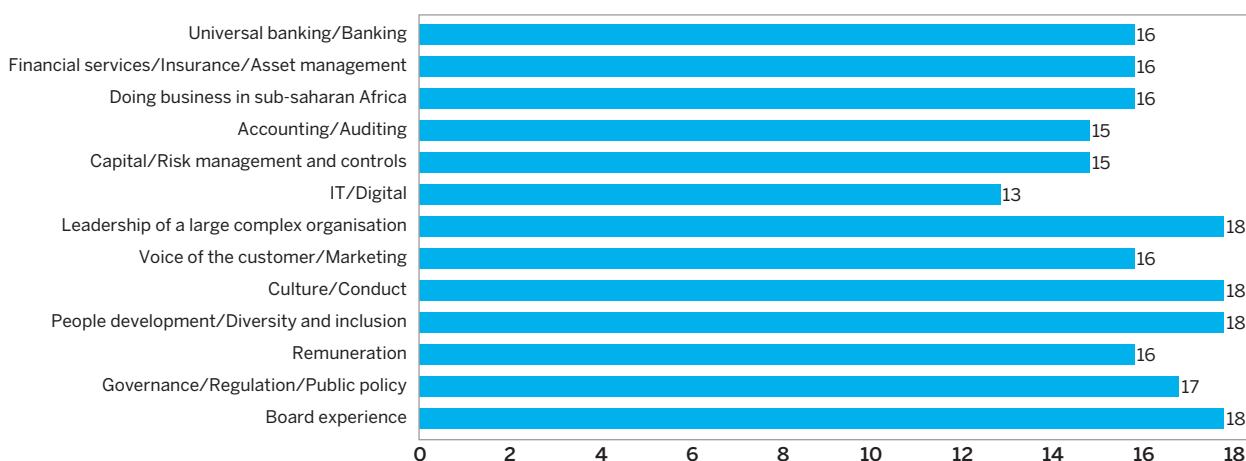
Details of committee attendance and remuneration are included in the full governance and remuneration report online.

## COMPOSITION

We recognise that a balanced board is vital for sustainable value creation. The group has a unitary board, which is considered effective and appropriate for the size of the group. We believe that the board composition is both qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationalities, experience, tenure and independence.

There is a clear division of responsibilities and no one director has unfettered powers, ensuring there is an appropriate balance of power.

### SBG Director Skills Matrix



## DIVERSITY

The board adopted a gender diversity policy in 2016 and set a target of 33% female representation on the board by 2020. The board has four women non-executive directors, making up 22% of the board.

The board continues to evaluate its implementation of its diversity policy and in line with the amended JSE Listings Requirements and King Code, it will approve the race diversity policy for its composition.

Efforts are underway to ensure that the board achieves its set targets by 2020.

## BOARD REVIEW

The effectiveness of the board and its committees is assessed regularly. Externally facilitated board and board committee evaluations are performed every two years and internal self-evaluations performed every alternate year.

The 2017 board effectiveness review was facilitated internally by the group secretary and the chairman conducted individual director performance assessments. The board's effectiveness was assessed against the following areas:

- Group strategy and execution.
- Board composition.
- Ethics management and conduct.
- Executive management and succession.
- Risk, IT, data and compliance.
- Assurance functions.
- Transformation.
- Oversight over subsidiaries.
- Stakeholder engagement.
- Effectiveness of board committees.

The review concluded that the performance of the board and its committees, evaluated against these areas, is considered effective. The board is satisfied that the evaluation process is improving its performance and effectiveness.

GOV  
REM

For an overview of the evaluation results and action plans, refer to the full corporate governance report.



# BOARD COMMITTEES

Directors' affairs committee	<p>The committee met five times during the year and its responsibilities include:</p> <ul style="list-style-type: none"> <li>• Ensuring the appropriateness of the group corporate governance structures and practices.</li> <li>• Ensuring board continuity and succession planning.</li> <li>• Ensuring compliance with all applicable laws, regulations and codes of conduct and practices.</li> <li>• Assessing and ensuring the effectiveness of the board and its committees.</li> </ul>
Group audit committee	<p>The committee met eight times during the year and its responsibilities include:</p> <ul style="list-style-type: none"> <li>• Monitoring and reviewing the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes.</li> <li>• Providing independent oversight of the group's assurance functions.</li> <li>• Reviewing the independence and effectiveness of the group's external auditors, and the internal audit and compliance functions.</li> <li>• Assessing the group's compliance with applicable legal, regulatory and accounting standards and policies.</li> <li>• Approving the group's external financial publications.</li> </ul>
Group risk and capital management committee	<p>The committee met four times during the year and its responsibilities include:</p> <ul style="list-style-type: none"> <li>• Providing independent and objective oversight and governance of risk and capital management.</li> <li>• Setting the direction for how risk and capital management should be approached and addressed in the group.</li> <li>• Review and assessing the adequacy and effectiveness of the risk and capital management governance framework.</li> <li>• Review and approving the risk appetite statement for the group's banking operations.</li> <li>• Review risk management reports and monitor the group's risk profile.</li> <li>• Evaluate and agreeing the opportunities and associated risks that the organisation is willing to take.</li> </ul>
Group technology and information committee	<p>The committee met four times during the year and its responsibilities include:</p> <ul style="list-style-type: none"> <li>• Reviewing and approving the group's IT governance standard.</li> <li>• Reviewing the strategic alignment of the IT function with the group's strategy.</li> <li>• Reviewing the group's IT risk profile and the management of top IT risks.</li> <li>• Reviewing the governance of IT resource management.</li> <li>• Monitoring IT resilience.</li> <li>• Considering strategic IT investments.</li> </ul>
Group model approval committee	<p>The committee met four times during the year and its responsibilities include:</p> <ul style="list-style-type: none"> <li>• Assisting the board in discharging its obligations for model risk as it pertains to the advanced internal rating-based approach for the measurement of the group's exposure to credit risk.</li> <li>• Assessing risk evaluation models that need to be approved before being used to calculate a regulatory capital charge.</li> </ul>
Group remuneration committee	<p>The committee met four times during the year and its responsibilities include:</p> <ul style="list-style-type: none"> <li>• Assisting the board in discharging its responsibility to ensure fair and responsible remuneration by the group.</li> <li>• Ensuring that the group's remuneration policies and practices are aligned with the group strategy to promote sound risk management practices and create value for the group over the long term and that they are reviewed regularly.</li> <li>• Developing the remuneration philosophy and policy, as well as its implementation and disclosure to enable a reasonable assessment by stakeholders of reward practices and governance processes.</li> <li>• Recommending non-executive directors' fees to the board after receiving input from executive directors.</li> </ul>
Group social and ethics committee	<p>The committee met four times during the year and its responsibilities include:</p> <ul style="list-style-type: none"> <li>• Ensuring the development of appropriate policies and acting as the group's social conscience, recognising that stakeholder perceptions affect the group's reputation.</li> <li>• Guiding and monitoring the group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, codes and regulation.</li> <li>• Reporting on and provide oversight of sustainable development and responsible corporate citizenship practices.</li> </ul>

## EXECUTIVE COMMITTEE

Our experienced leadership team continues to collaborate to deliver on our strategic objectives. Composition of the group executive committee (group exco) is based on both requirements and capabilities. The board is satisfied with the group executive bench strength.

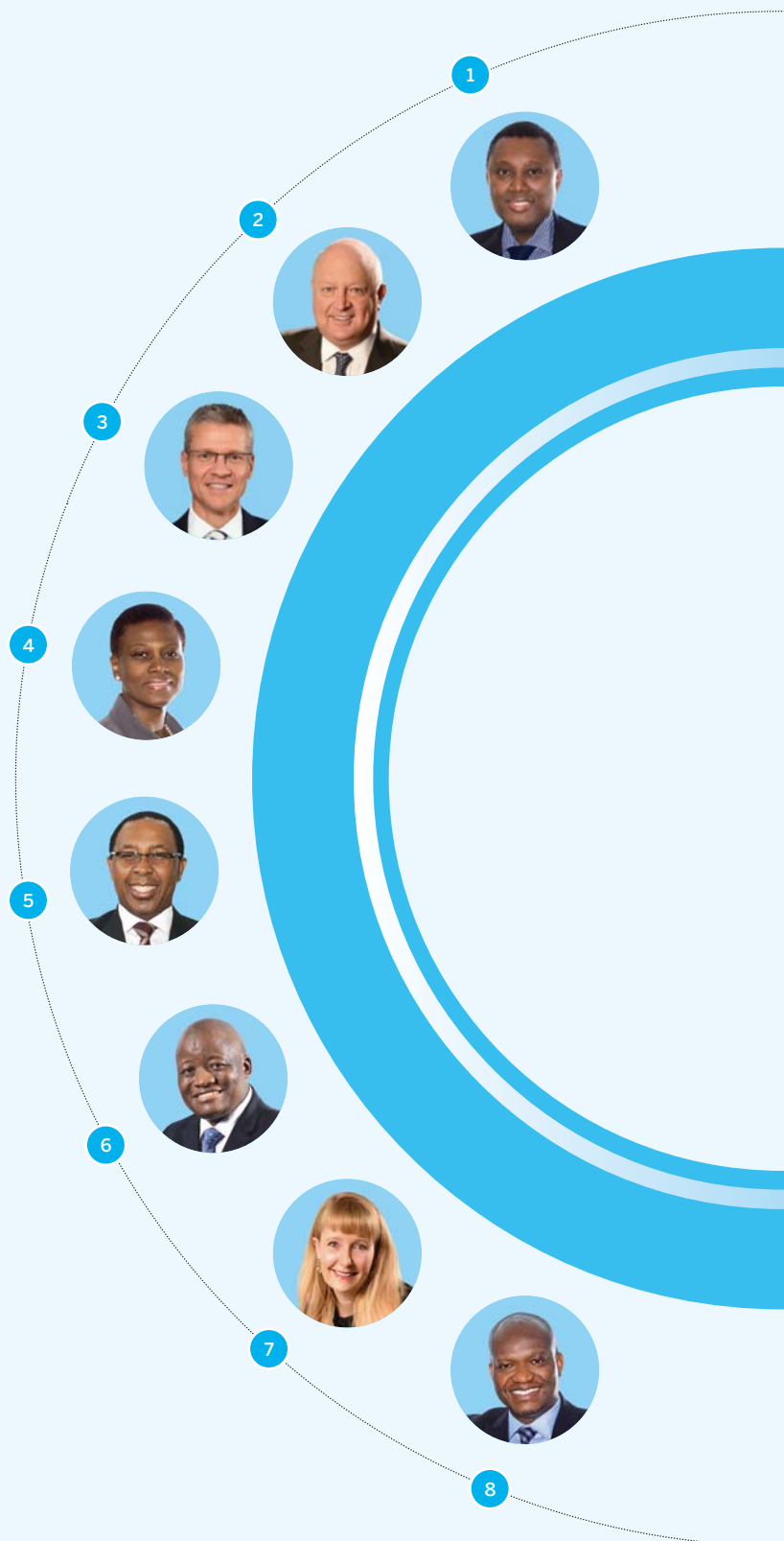
### A TEAM WITH DEPTH AND EXPERIENCE

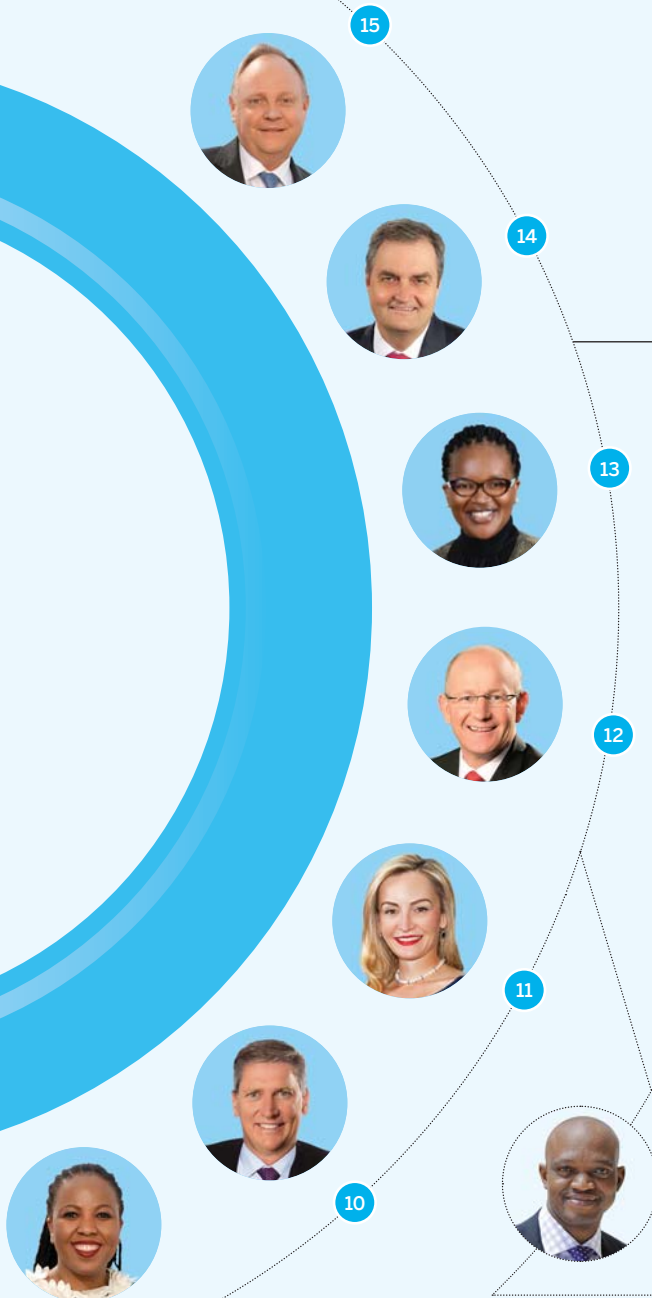
The board has delegated the management of the day-to-day business and affairs of the group to the group chief executive, with full power on behalf of and in the name of the group. The group chief executive is accountable for the implementation of the group strategy and overall performance, and is supported by the group exco members.

Group exco is responsible for providing counsel to the group chief executive, acting as a sounding board and ensuring overall coordination across the universal financial services group, legal entities, and other key stakeholders. Ultimate decision-making powers remain vested with the group chief executive and all members of the committee exercise powers in accordance with their delegated authority.

The board regularly assesses the executive director succession plans, including that of the group chief executive. The board is updated regularly on the group's management succession plans.

The composition of group exco is carefully reviewed and monitored to ensure that the group has the right mix of skills, experience and diversity to deliver on our strategy.





#### 1. SIM TSHABALALA <sup>(50)</sup>

Group chief executive, SBG and executive director, SBSA

##### Qualifications:

BA, LLB (Rhodes), LLM (University of Notre Dame, USA), HDip Tax (Wits), AMP (Harvard)

#### 2. BEN KRUGER <sup>(58)</sup>

Executive director, SBG and SBSA

##### Qualifications:

BCom (Hons) (Pretoria), CA(SA), AMP (Harvard)

#### 3. ARNO DAEHNKE <sup>(50)</sup>

Group financial director, SBG and executive director, SBG and SBSA

##### Qualifications:

BSc, MSc (UCT), PhD (Vienna University of Technology), MBA (Milpark), AMP (Wharton)

#### 4. SOLA DAVID-BORHA <sup>(57)</sup>

Chief executive, Africa Regions

##### Qualifications:

BSc Economics (University of Ibadan), MBA (University of Manchester), AMP (Harvard), GCP (IESE, Wharton, CEIBS)

#### 5. KENNY FIHLA <sup>(51)</sup>

Chief executive, CIB

##### Qualifications:

MSc (University of London), MBA (Wits)

#### 6. LUNGISA FUZILE <sup>(51)</sup>

Chief executive, SBSA

##### Qualifications:

MCom (Natal), AMP (Harvard)

#### 7. ISABEL LAWRENCE <sup>(49)</sup>

Group chief compliance and data officer

##### Qualifications:

BA (Hons), LLM (RAU)

#### 8. ALPHEUS MANGALE <sup>(42)</sup>

Group chief information officer

##### Qualifications:

NDip Computer Systems Engineering (TUT), PG Management (Henley), EDP (CCL), AMP (Harvard)

#### 9. FUNEKA MONTJANE <sup>(39)</sup>

Chief executive, PBB South Africa

##### Qualifications:

BCom (Hons) (Wits), MCom (UJ), CA(SA)

#### 10. DAVID MUNRO <sup>(47)</sup>

Chief executive, Liberty

##### Qualifications:

BCom, PGDip Accounting (UCT), CA(SA), AMP (Harvard)

#### 11. MARGARET NIENABER <sup>(44)</sup>

Chief executive, Wealth

##### Qualifications:

BCompt (Hons) (UFS), CA(SA)

#### 12. PETER SCHLEBUSCH<sup>1</sup> <sup>(51)</sup>

Chief executive, PBB

##### Qualifications:

BCom (Hons) (Wits), HDip Tax (RAU), Dip Banking Law (RAU), CA(SA), SEP (Stanford)

#### 13. ZOLA STEPHEN <sup>(43)</sup>

Group secretary

##### Qualifications:

BProc, LLB (UKZN)

#### 14. NEIL SURGEY <sup>(59)</sup>

Group chief risk officer

##### Qualifications:

BCom (UCT), AMP (Insead)

#### 15. ROD POOLE <sup>(56)</sup>

Group head, change and business transformation

##### Qualifications:

BCom (Unisa)

<sup>1</sup> Peter Schlebusch stepped down as chief executive, PBB on 31 March 2018. He will be succeeded by Zweli Manyathi, who is currently the chief executive of PBB, Africa Regions.

#### ZWELI MANYATHI <sup>(56)</sup>

##### Qualifications:

BCom (Hons) (Unisa)  
Professional development programme (New York)  
SEP (Harvard and Wits)

GOV  
REM

The curriculum vitae of group exco can be found in the full governance and remuneration report online.

# REMUNERATION OVERVIEW

I am pleased to report that the group continues to make good progress in implementing the strategy approved by the board to reach its financial and non-financial objectives.

**Peter Sullivan**  
Chairman, Remco

*Dear Shareholder*

Our remuneration philosophy seeks to fairly share our earnings among shareholders, fiscal partners, executives and our employees who deliver value over time. In assessing that value delivered, the group's performance is considered on a through-the-cycle basis taking into account both financial and non-financial metrics in terms of the philosophy:

- Incentive pool growth is correlated to headline earnings (HE) and headline earnings pre-minorities' interests (HEpMI).
- HE – representing the shareholder view and ensuring growth in shareholder value is aligned to incentive rewards.
- HEpMI – ensuring that incentive rewards are appropriately linked to operating performance and recognising the interests of minority shareholders.
- However, the growth rates of incentive pools are not pegged formulaically to growth in HE or HEpMI but are adjusted for financial and non-financial indicators, considering an overall stakeholder view and within acceptable shareholder boundaries.
- Risk adjustments are also made to incentive pools and individual awards when required.

This report reflects the board's assessment of the group's performance for 2017 and includes consideration of the trading environment over the course of the year, as well as any material risk incidents and conduct issues.

Against that backdrop, I am pleased to report that the group continues to make good progress in implementing the strategy approved by the board to reach its financial and non-financial objectives.

In reviewing the group's performance, the remuneration committee (the committee or Remco) considered the general economic and political environments across the group's franchise and the effects these factors had on both the quantitative and qualitative aspects in the businesses.

The operating environment in 2017 proved, once again, to be difficult and in many markets quite volatile. Examples of these were:

#### **In South Africa:**

- Rating agencies' downgrades.
- Real GDP growth was low at 1.3% and inflation moderated to 5.4%.
- Low business and consumer confidence had a negative effect on the demand for credit.
- Heightened political and policy uncertainty leading up to the African National Congress election had a negative effect on business; however, business sentiment did rebound in December.



#### In the Africa Regions:

- Material currency movements and liquidity issues were experienced in several countries.
- Macroeconomic factors deteriorated in East Africa as the long-standing drought persisted and several countries sought assistance from the International Monetary Fund.
- New regulatory caps and floors were introduced in various markets.
- In Nigeria, the central bank requirements drove accelerated write-offs, and sought to deal with the continuing effects of a low oil price and scarce foreign currency.
- These factors were partially offset by improvements in West Africa macros as a result of rising oil prices and a general moderation in inflation and a flattening of rates across the regions towards the end of the year.

Against this backdrop, the group's performance was excellent. The senior management team remained focused on delivering against the strategy to achieve a well-rounded set of results.

The group's headline earnings grew to R26 270 million, an increase of 14% (18% on a constant currency basis) over the prior year, while return on equity (ROE) grew to 17.1% up from 15.3% in the prior year. Within these results, banking activities grew HE by 10% (14% on a constant currency basis) to R24 268 million while ROE increased to 18% up from 16.8% in 2016. It was pleasing to note that despite higher amortisation costs for the IT programme, the cost-to-income ratio fell further to 55.7% and jaws was positive at 1%, demonstrating good cost control.

The Liberty business, under new leadership and on the back of a very weak performance in 2016, showed improvement with normalised HE growing by 8% over the prior year. Operating earnings were down 19% year-on-year. Liberty's overall performance remains a matter of serious concern; however, plans are in place to restore the business to sustainable growth over the coming years.

Further to the financial results, there were marked improvements in customer experience scores. The employee net promoter score survey was completed and the score of +14 was significantly higher than global benchmarks. Risk utilisation remained within approved risk appetite levels while capital adequacy and liquidity metrics remained above approved board targets. These scores represent strong progress.

## Strategy

The committee considers the execution of the group strategy and the ability to show demonstrable progress against key milestones to be an integral part of the performance measurement and reward for senior executives.

The chief executive officer's (CEO) articulated three strategic focus areas for the group as part of the evolving strategy. These were:

- **Client:** to cultivate a client-centric culture within the group
- **Digital:** to transition the group to a fully digital platform creating significant competitor advantage
- **Universal financial services organisation:** to deliver seamless, consistent products and services to our clients across our franchise.

The success of these strategic focus areas is measured by client experience scores, employee engagement metrics, risk and conduct measures, financial outcomes and social, environmental and economic impact on the communities in which we do business. Each of the strategic value drivers has a quantitative metric against which success can be measured. Again, excellent progress has been made.

## Remuneration methodology

In assessing the performance of the group and the senior executives, the committee has been mindful of its responsibilities to all our stakeholders, especially our shareholders as articulated in the remuneration philosophy.

The methodology used to size incentive pools is a combination of a top-down approach that provides overall guidance to business units and countries; a bottom-up approach based on executives' assessments of the performance of their teams; and careful consideration of shareholder interests and stakeholder concerns. Our policy avoids a short-term bonus-centric culture but rewards sustainable performance on a through-the-cycle basis. Critically, this includes a three- to five-year growth analysis to ensure shareholder returns are appropriately aligned with executive and employee reward. The committee reviews performance to ensure that earnings are not the result of one year's work but rather the planned outcome of work done in the past years.

Accordingly, the growth in incentive pools may exceed or be lower than HE or HEpMI growth rates at certain points in time. For 2017, banking HE grew at 10% while the incentive pools have been reviewed and agreed to grow at 8.5%. The proposed incentive pools for 2017 as a percentage of HE are 29.7%, down from 30.1% in 2016.



Refer to the full remuneration report for further detail on the remuneration governance, policy and implementation thereof, and non-executive director remuneration.

## REMUNERATION OUTCOMES

The committee deliberated on the performance of each of the senior executives and used market data from PWC Remchannel, McLagan and the published remuneration reports of local and international banks to appropriately benchmark these individuals. The performance evaluations took into account delivery of all five value drivers being financial outcomes, risk and conduct, client focus, employee engagement and SEE impacts (more detail is included in the full remuneration report available online).

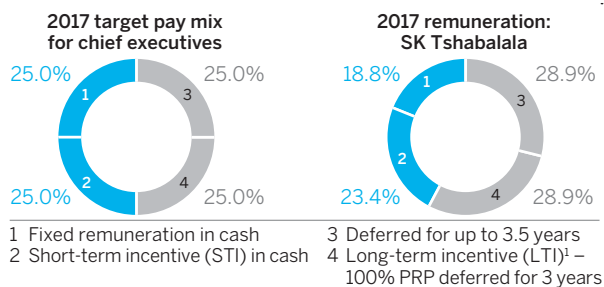
In our remuneration disclosure for 2017, we have fully adopted single figure remuneration in line with King IV and we have also published remuneration in the same format as the prior year to facilitate the transition.

### SK TSHABALALA (CHIEF EXECUTIVE OFFICER)

In a challenging environment, Sim Tshabalala showed quiet but very influential leadership. His focus on implementing the group strategy was unwavering and his commitment to delivering a set of results which were not only financially pleasing but which encompassed significant improvements in client centricity, employee engagement and SEE impact the group has in the communities in which we do business, was impressive. As part of the strategy, Sim has made great progress in simplifying the organisation and embedding these important value drivers into the culture of the organisation which will no doubt enhance the group's leadership position in the coming years. Sim continued the work to simplify the group's internal architecture and clarify decision rights and accountabilities. This work has already aligned the Africa Regions' businesses more closely with the group's strategy and targets and has created six group-wide universal capabilities to transition the group to a truly universal financial services group. On SEE, arguably the most important achievement was the establishment of the political economy, transformation and BEE subcommittee of SBSA Exco, which was chaired by Sim. In this forum, more ambitious senior management transformation targets were discussed and agreed, and it was decided to take the actions that led to the Standard Bank of South Africa (SBSA) achieving Level 1 BEE status. This committee also mapped options for substantially increasing the group's contribution to addressing South Africa's social challenges and black ownership issues.

Sim's own leadership encompasses the political, commercial, social and cultural spheres of his job where his influence is greatly respected and which reflects very favourably on the Standard Bank Group. Sim was appointed as the single group CEO in September 2017.

Based on this performance, the committee agreed to award the following remuneration:



<sup>1</sup> The performance reward plan (PRP) amount is the face value at award date (March 2018) and is conditional.

R'000	2017	2016	% change
1 Fixed remuneration	9 103	9 198	(1)
2 Annual cash award	11 350	10 090	12
3 Annual deferred award	14 050	12 790	10
4 PRP award	14 000	12 500	12
<b>Total reward</b>	<b>48 503</b>	<b>44 578</b>	<b>9</b>

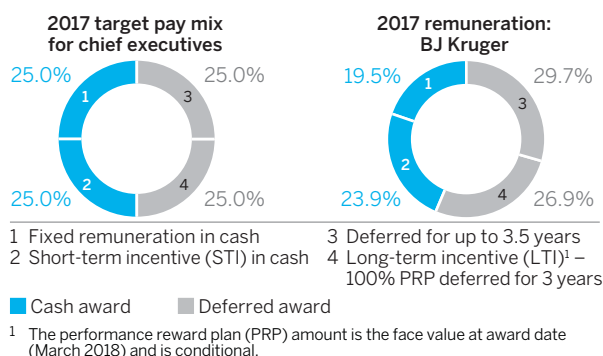
The 9% increase to total reward is well within the group's headline earnings growth of 14%. The committee decided to increase the conditional PRP award to R14 million to reflect his single CEO role. Of the total reward of R48 503 million, 57.8% (R28 050 million) is deferred for up to 3.5 years.



## BJ KRUGER (EXECUTIVE DIRECTOR)

As joint CEO for the past five years, Ben Kruger has worked closely and seamlessly with Sim to develop the group strategy and produce the excellent set of all round results which the group has delivered this past year. The depth of Ben's banking experience, his commercial pragmatism and thoughtful leadership have been instrumental in the group's success over the past years. His deep involvement in the group's minority shareholding in ICBC Standard Plc (ICBCS) cannot be underestimated and Ben has been instrumental in getting this business into a break-even position in 2017. Ben has also provided great leadership and influence in other key areas of the group, including risk, IT (especially the progress made on the Accelerate programme) and the Africa Regions all of which have made significant progress. In addition, Ben's deep, long-standing relationships with key corporate customers, large shareholders and high net worth individuals in South Africa and across the group again proved to be a very valuable asset and has been particularly helpful in difficult risk management situations. Ben's governance of the African Regions' operations has had a significant impact, especially when one takes into account the large number of jurisdictions and frequency of changes within them.

Ben stepped down as joint CEO in September 2017 and remained an executive director of the group, where he will continue to play a key role in the group's future success. As a result, the committee awarded Ben the following remuneration:



R'000	2017	2016	% change
1 Fixed remuneration	9 079	9 105	–
2 Annual cash award	11 125	10 090	10
3 Annual deferred award	13 825	12 790	8
4 PRP award	12 500	12 500	–
<b>Total reward</b>	<b>46 529</b>	<b>44 485</b>	<b>5</b>

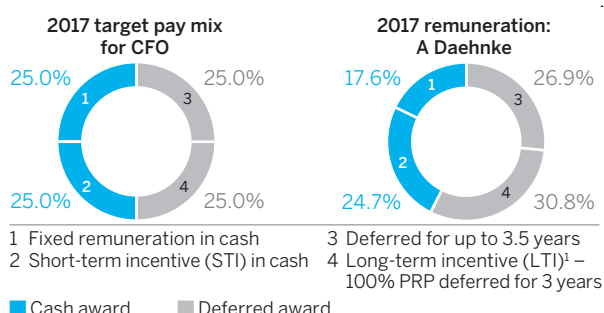
Of the total reward of R46 529 million, 56.6% (R26 325 million) is deferred for up to 3.5 years.

**A DAEHNKE (GROUP FINANCIAL DIRECTOR)**

Arno Daehnke, completed his first full year as Group financial director and has made the position his own. The group's robust results in 2017 reflect Arno's work in efficiently allocating capital and risk appetite across multiple jurisdictions despite difficult trading conditions and new regulatory requirements. Arno was a key driver of cost management which had a positive impact on the group's 2017 results. Further, Arno led the launch of the group's five strategic value drivers which enable the group to measure its strategic progress using both financial and non-financial metrics. He delivered a credible four year financial plan and the 2018 budget appears to be well within available financial resources. He also led the finance teams through the reality of the difficult sovereign and bank rating downgrades with the consequent impacts well managed and risks mitigated. Arno managed full compliance for the group with Basel III, liquidity coverage ratio and net stable funding ratio requirements and the difficult transition to IFRS 9. In a relatively short space of time, Arno has become a highly valued member of the senior executive team.

The committee considered this performance in light of both the quantity and quality of the work done as contributing factors to the group's results. Arno's 2017 reward is based on a full year as group financial director versus eight months in 2016.

The committee agreed to award the following remuneration:



<sup>1</sup> The performance reward plan (PRP) amount which the face value at award date (March 2018) and is conditional.

R'000	2017	2016
1 Fixed remuneration	5 697	3 363*
2 Annual cash award	8 025	7 400
3 Annual deferred award	8 725	8 100
4 PRP award	10 000	7 000
<b>Total reward</b>	<b>32 447</b>	<b>25 863</b>

\* For the period 1 May 2016 to 31 December 2016. Percentage change not relevant since Arno Daehnke was appointed as a prescribed officer during 2016.

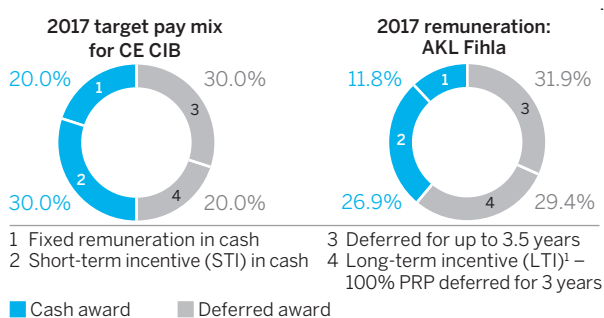
Of the total reward of R32 447 million, 57.7% (R18 725 million) is deferred for up to 3.5 years.

**AKL FIHLA (PRESCRIBED OFFICER)**

Kenny Fihla assumed responsibility as CEO of CIB in June 2017 and managed a smooth and seamless transition to his new role. CIB delivered exceptional results in 2017. While a solid platform for growth had been built by Kenny's predecessor, David Munro, Kenny carried on the good work and managed to maintain and grow the momentum established in the business. Headline earnings grew by 11% (17% on a constant currency basis) to R11 506 million an excellent result. ROE was 22.2% with positive jaws of 4.6%, up from 2.6% in 2016 and a cost to income ratio of 52.2%, down from the prior year of 54.5%, demonstrating strong cost control. The customer credit loss ratio of 44 basis points was well within the target band.

The committee considered these results and took into consideration Kenny's promotion to CEO of CIB in the second half of 2017, and his role as deputy CEO of CIB prior to that date.

Accordingly, the committee awarded the following remuneration:



<sup>1</sup> The performance reward plan (PRP) amount which the face value at award date (March 2018) and is conditional.

R'000	2017
1 Fixed remuneration	4 015*
2 Annual cash award	9 150
3 Annual deferred award	10 850
4 PRP award	10 000
<b>Total reward</b>	<b>34 015</b>

\* For period 1 June 2017 to 31 December 2017, being the period he has been a prescribed officer.

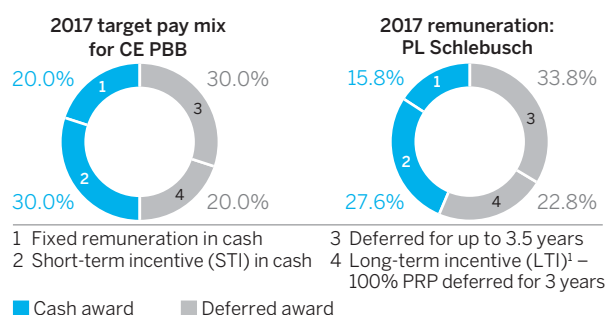
Of the total reward of R34 015 million, 61.3% (R20 850 million) will be deferred for up to 3.5 years.

### PL SCHLEBUSCH (PRESCRIBED OFFICER)

Peter Schlebusch has been leading the transformation of PBB into a client-centered, data driven, digitally enabled universal financial services organisation that delivers secure, personalised, relevant experiences to clients and employees in real time. This represents a fundamental shift in the PBB business model and requires time and investment to complete this transformation. Solid progress has been made and the group fully expects to build a meaningful competitive advantage with this initiative. Under the experienced leadership of Peter, PBB achieved a strong set of results. Headline earnings grew 10% (12% on a constant currency basis) to R14 008 million constituting 53% of the group's headline earnings. ROE once again improved to 20.0% up from 18.8% in the prior year, an excellent outcome.

The cost base grew 3% reflecting continued investment into the digital platform and the transformation of the business model. Deposits from customers grew 8% with the bulk of the growth coming from retail deposits thereby contributing to a reduction in treasury funding of 27%.

The committee considered these results in light of the investment into the transformation programme and awarded the following remuneration:



<sup>1</sup> The performance reward plan (PRP) amount which the face value at award date (March 2018) and is conditional.

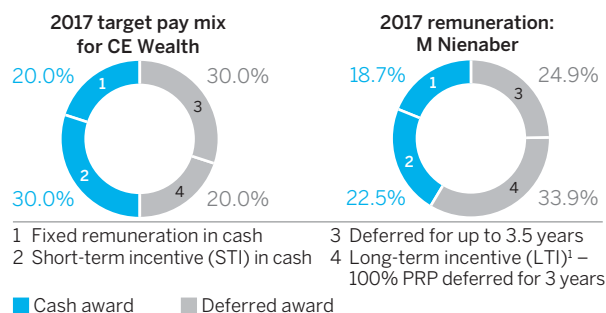
R'000	2017	2016	% change
1 Fixed remuneration	6 950	6 852	1
2 Annual cash award	12 150	11 150	9
3 Annual deferred award	14 850	13 850	7
4 PRP award	10 000	10 000	–
<b>Total reward</b>	<b>43 950</b>	<b>41 852</b>	<b>5</b>

The 5% increase to total reward is well within PBB's headline earnings growth of 10%. Of the total reward of R43 950 million, 56.5% (R24 850 million) will be deferred for up to 3.5 years.

### M NIENABER (PRESCRIBED OFFICER)

The Wealth business under the leadership of Margaret Nienaber had a good year despite some headwinds in South Africa and continued investment in West Africa (Ghana and Nigeria). For external reporting purposes, Wealth results are included mostly in PBB with a small portion in CIB. There was good revenue growth in Wealth International as a result of client activity coupled with robust results from Melville Douglas due to onshore and offshore participation fees. As reported in the year end results, Wealth in the Africa Regions grew. The credit loss ratio at negative 0.02% reflected net recoveries and was indicative of strong credit controls in the International Wealth Business while the high net worth client base in South Africa increased significantly.

Margaret has demonstrated strong leadership in a difficult year and her reputation in the industry is excellent and reflects well on Standard Bank's own brand and reputation. With this backdrop the committee awarded the following remuneration:



<sup>1</sup> The performance reward plan (PRP) amount which the face value at award date (March 2018) and is conditional.

R'000	2017*
1 Fixed remuneration	5 517
2 Annual cash award	6 650
3 Annual deferred award	7 350
4 PRP award	10 000
<b>Total reward</b>	<b>29 517</b>

\* Classified as a prescribed officer from 1 January 2017.

Of the total reward of R29 517 million, 58.8% (R17 350 million) will be deferred for up to 3.5 years.

**DC MUNRO (FORMER PRESCRIBED OFFICER)**

The committee reviewed the performance of David Munro for the period January to May (inclusive) of 2017. David accepted the challenging role as CEO Liberty and he commenced that assignment officially on 1 June 2017. Under David's astute leadership the CIB business has grown impressively particularly over the past two years, and that momentum continued into 2017. The 2017 half year results were materially impacted by foreign currency movements which resulted in some HE dilution and a benefit to capital. Despite this, CIB for the 2017 half year results produced double digit revenue growth in constant currency while costs decreased 7%. There was a notable recovery in credit impairments. The credit loss ratio improved to 45 bps, well within the target range of 40 bps to 60 bps, a good result. David transferred to his successor a business in good health and with excellent growth prospects and he should be proud of what he has achieved as CEO of CIB.

R'000	2016	2017
Cost to company	6 792	<b>2 844*</b>
Performance related incentive in respect of the year	12 900	<b>7 700</b>
Portion of performance related incentive deferred in share awards	15 600	<b>5 400</b>
Subtotal	28 500	<b>13 100</b>
<b>Total reward (excluding PRP)</b>	35 292	<b>15 944</b>
Face value of conditional PRP awarded	10 000	<b>5 000</b>
<b>Total reward (including PRP)</b>	45 292	<b>20 944</b>
Special five-year LTI award		<b>20 000</b>
<b>Total reward</b>		<b>40 944</b>

\* For the period 1 January 2017 to 21 May 2017. Percentage change not relevant since David Munro was no longer a prescribed officer of the group on his appointment as CEO of Liberty on 1 June 2017.

Of the total reward of R40 944 million, 74.2% (R30 400 million) will be deferred for up to five years. The group awarded David a five-year LTI award, 50% of which will be delivered on completion of three years at Liberty and 50% which will be delivered after five years at Liberty. The award is linked to the performance of selected Melville Douglas funds.

This concludes the rationale of the major internal and external factors that were considered by the committee in the determination of the remuneration of the chief executives, executive directors and prescribed officers.

**Looking forward**

While the committee continues to believe that the remuneration policy fully supports the strategic imperatives of the group and the delivery of the five value drivers, as evidenced in the results, we seek to continuously improve and request input from our shareholders and other key stakeholders.

A shareholder roadshow was undertaken in May last year to seek feedback from our major shareholders on our remuneration policy. We welcomed their comments and input. An approval rating for our remuneration policy of 95.9% was received at the group's AGM in May 2017.

The committee welcomes the transparency required by King IV and the committee has modelled the full remuneration report to meet these new requirements. In particular, we welcome the requirements to ensure that remuneration is responsible and fair, including that it is funded by, and linked to, the creation of value over the long term; the requirement that remuneration decisions are rational and objective, impartial, free from discrimination, free from self-interest, favouritism or prejudice on grounds, including race, gender and sexual orientation; and the requirement that stakeholder views are taken into account. The new requirements on remuneration under Basel III have also been adopted and incorporated into the full report.

Changes to our policy and future areas of focus are covered in the more detailed remuneration report and I invite you to read the full document.

Yours sincerely,

**Peter Sullivan**  
Chairman, Remco

## SUMMARY: OUR GENERAL REMUNERATION POLICY FOR ALL EMPLOYEES

Our employee base is made up of five broad categories:

- general employees
- managers
- executives
- senior executives
- prescribed officers and executive directors.

This summary covers the first four categories of our employees and applies to all the geographies that we operate in.

1

How did we perform?

- ✓ **Business results:** Impacts affordability of fixed remuneration increases and the size of short-term incentive pools.
- ✓ **Risk and control:** Incentive pools and individual incentives may be adjusted for risk and control failures.

2

How do we assess performance and determine pay?

- ✓ We use a group-wide performance management system, 'Perform to Grow'.
- ✓ Performance is assessed against pre-agreed individual goals aligned to business goals with qualitative and quantitative measures.
- ✓ Fixed remuneration increases: based on a combination of inflation, market comparisons, individual performance and experience.
- ✓ Annual incentives: based on business line and individual performance against pre-agreed goals. All employees are eligible for an annual incentive.
- ✓ Deferred awards (made under the deferred bonus scheme (DBS)): the portion of the annual incentives that is deferred into share-linked instruments. Applicable to all annual incentives in excess of R1 million (or applicable local currency threshold).
- ✓ Deferred awards (made under DBS): based on individual performance and market comparisons. Typically granted from mid-management level and includes senior management and executives.
- ✓ PRP: annual awards with a rolling three-year delivery if performance conditions are met. Awarded only to senior executives with longer-term decision horizons.

3

What are our pay practices?

- ✓ We subscribe to remuneration surveys in all the countries we operate in provided that there is enough relevant market data available.
- ✓ We have recognised union agreements in several countries across Africa, including South Africa.
- ✓ We set minimum standards on benefits and allow for localisation of benefits where market practice dictates. Changes to benefits are governed by a group benefits committee.
- ✓ All annual salary increase pools, short term incentive pools and share incentive awards fall under the ambit of Remco.
- ✓ The percentage of variable pay of total remuneration increases with seniority and the type of role. Investment banking roles generally have a greater variable pay mix than retail banking and corporate function roles. Market surveys inform pay mix.
- ✓ The percentage of share awards of total remuneration also increases with seniority and includes scarce skills. Market surveys inform share awards and pay mix.

4

What is the pay mix at various levels?

- ✓ General employees typically have 90% fixed remuneration and the balance at risk in short term incentive awards.
- ✓ Managers have a greater proportion of variable pay than general employees and from mid-management level would have some proportion in deferred awards in share linked instruments. Typically 70%– 80% fixed remuneration. 20%– 25% in short-term incentives and the balance deferred awards in share-linked instruments dependent on the type.
- ✓ Executives would generally have 35%– 50% in fixed remuneration, 40%– 50% in short term incentives, including deferrals and 10%– 15% in deferred awards in share linked instruments, dependent on the type of role.
- ✓ Pay mix is informed by market surveys and depends on the type of role.

## Our people ultimately underpin the successful execution of our strategy.

We work to ensure that our pay framework supports the motivation and reward of performance, while at the same time meeting regulatory requirements and stakeholder expectations.

### Review of focus areas – 2017 and 2018

We continually review our pay practices to align with shareholder interests and to ensure that the practices support our businesses and changes in our operating environment. We actively seek shareholder views and revise our reporting to improve transparency.

We seek to remain competitive and relevant across Africa, where often the talent is scarce and markets are competitive.

We set practices that take into account local conditions within a group governance framework. Specific focus areas for 2018 are detailed alongside.

- In March 2017, we executed the first delivery of our PRP in respect of awards made in March 2014. We achieved 68.37% delivery out of a possible 200% of awards made.
- We visited several stakeholders to discuss our remuneration policy. The policy was approved at the AGM held in May 2017 with 95.9% of shareholders in support of the policy.

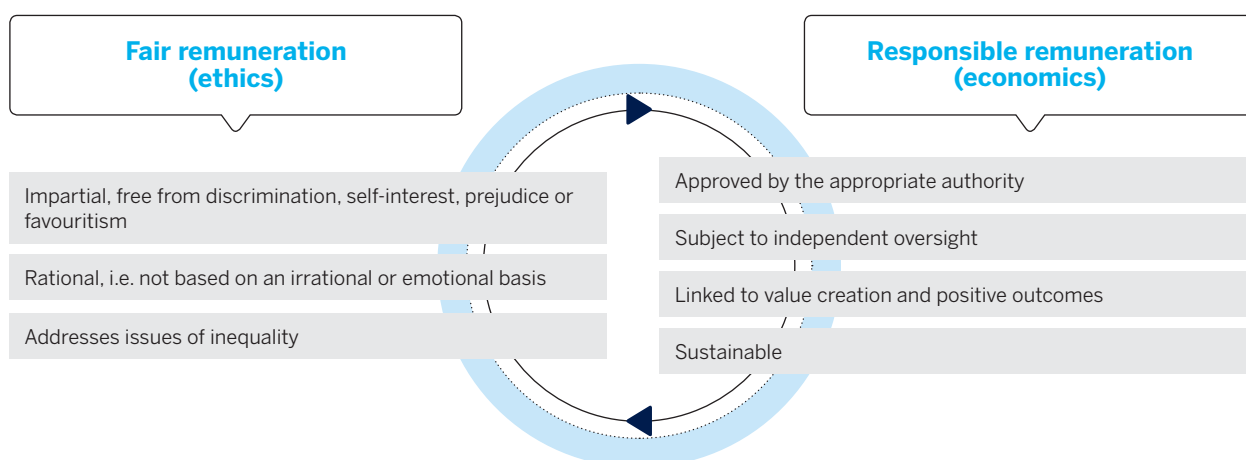
- Remco resolved that the settlement of future awards of the deferred bonus scheme may be cash settled (in respect of executive directors and prescribed officers) providing minimum shareholding requirements are met. Deferred bonus awards remain linked to the share price during the vesting period.
- A new share appreciation rights plan was launched. Share appreciation rights were issued to those executives with DBS awards over R1 million who choose to defer their awards in these rights.
- A long-term savings plan for retirement was introduced in South Africa in October 2017, allowing senior executives over a particular salary threshold a choice of funds to invest in for their retirement.
- King IV recommendations on remuneration were assessed and this report has been updated to comply with King IV. Basel III remuneration requirements have also been incorporated.
- In South Africa additional choices have been included in the leave benefit to enhance the employee offering.

### Focus areas in 2018

- We will continue to focus on the employee experience of reward through benefit choice and communication.
- We will continue to ensure that reward supports our efforts in client centricity, driving our universal financial services organisation and our digital outcomes.
- We will consider extending share ownership to more employees.
- We will investigate the introduction of a clawback provision on vested awards.
- We will continue our work on fair and responsible pay as discussed below.

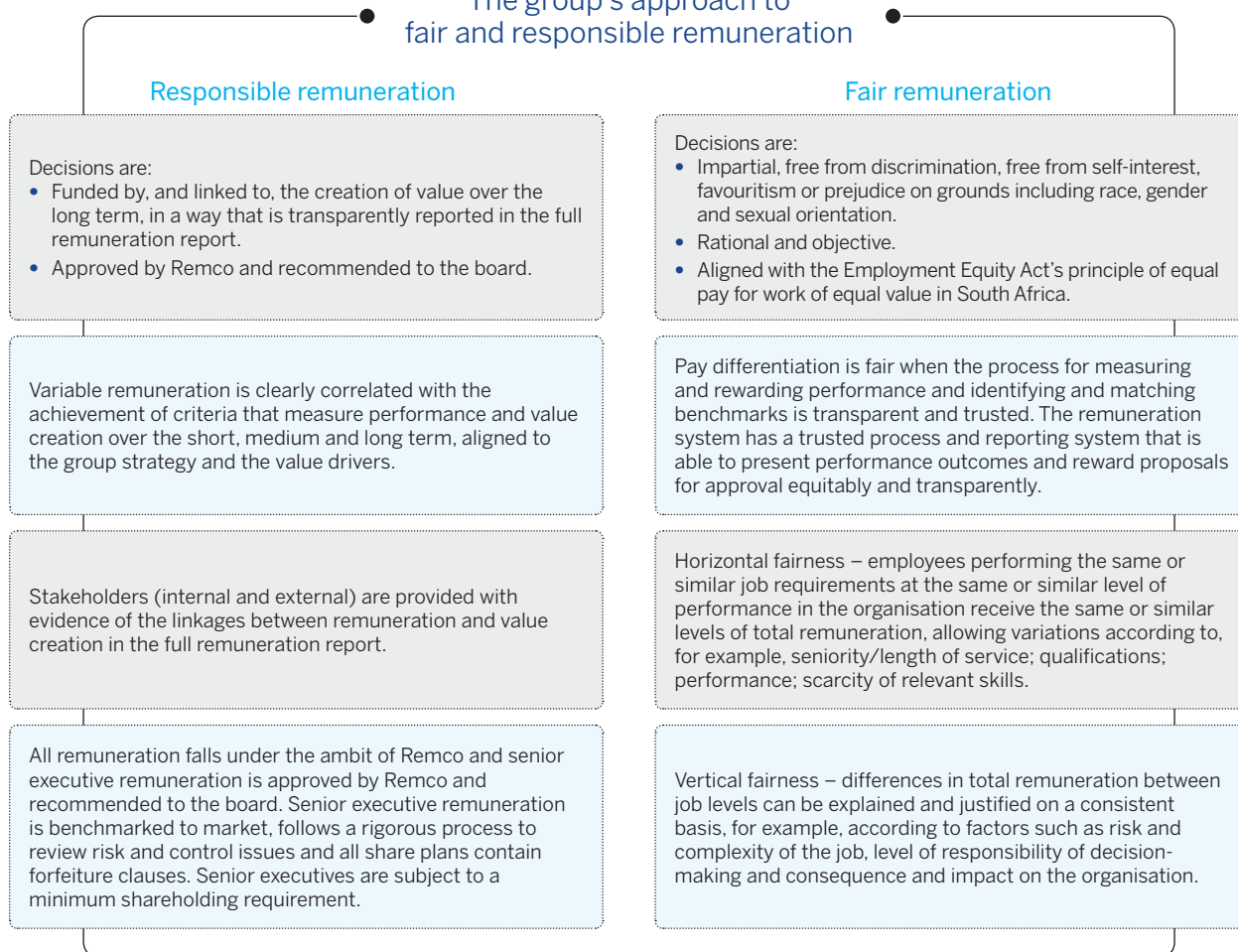
## Fair and responsible remuneration

Remco believes that fair and responsible remuneration means ensuring that remuneration in the group is both externally competitive and internally equitable. The group's remuneration policy and implementation thereof assists the group in achieving its short-, medium- and long-term goals and is adjusted for risk taken and thereby supports sustainability. Remco ensures that the reward process is independently governed to enhance the sense of fairness. Remco recognises that fair and responsible remuneration is not just a South African issue but should apply in all the geographies that the group operates in.





## The group's approach to fair and responsible remuneration



### The wage gap and minimum salaries

Remco has stated that it pays for value delivered in its policy and that remuneration must be externally competitive. The outcome of these two principles is that remuneration differs across levels, roles and geographies and therefore a wage gap exists. However, Remco can satisfy itself that minimum incomes in the group are fair and enable the lowest levels in the group to participate in the economies of the countries where they reside. To this end, Remco has undertaken an exercise to determine what the minimum levels of income are in each country that the group operates in. A comparison has been done on each of these minimums against financial service/banking minimums in each country and against prescribed minimum incomes (where these exist). This has shown that in all countries but one, the group's minimum salaries are above both market and prescribed norms. In Angola the minimum salary is above prescribed norms but not above market.

The group also invested R925 million for 46 214 employees in learning and development across the group. In addition, we spent R22.7 million on bursaries for 934 employees. This investment together with development opportunities, internal job opportunities, and promotion opportunities allows individuals to progress their careers and therefore their earning potential.

In order to ensure that remuneration is fair and responsible Remco undertakes the following activities:

- Seeking the input of shareholders via an annual shareholder roadshow.
- Continuously improving the extent and transparency of remuneration reporting.
- Ensuring breadth and depth of experience, as well as diversity and independence in Remco membership.



# ADDITIONAL INFORMATION

122 *Pro forma* financial information

122 Standard Bank Group Limited  
credit ratings

ibc Contact and other details



# NURTURING BUSINESS SKILLS

Africa accounts for 1% of the world's fashion industry, which today is worth around USD3 trillion. A deeper look at the industry shows that while Africa does not lack creative talent or access to resources, the main stumbling block is the inability of creative geniuses to turn their fashion brands into fashion businesses.

In October 2017, we launched Threads – stitched by Standard Bank, a 12-week business accelerator programme that supports fashion entrepreneurs to transform their businesses into powerful, profitable fashion brands – capable of competing internationally, creating jobs and growing the South African economy.

In partnership with Mercedes Benz, marketing agency NONZ RO, the Università Cattolica of Milan and learning partners EOH and Mecer, Threads combines academic and practical modules and is taught simultaneously from classroom hubs in Cape Town, Durban, Johannesburg and Port Elizabeth. Modules cover financing, retaining employees, lean manufacturing, eCommerce, logistics, procurement, and marketing techniques, with numerous workshops taught by industry leaders. Field trips expose participants to South Africa's heritage and best practice in business.

At the end of the programme, participants present their business model to a panel of judges and the winner will be taken on a European trade trip and introduced to international buyers and retailers.

# PRO FORMA FINANCIAL INFORMATION

The *pro forma* constant currency financial information in this report is the responsibility of the group's directors. The *pro forma* constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results and may not fairly present the group's results of operations.

In determining the change in constant currency terms, the comparative financial year's results for the period ended 31 December 2016 has been adjusted for the difference between the current and prior period's average exchange rates (determined as the average of the daily exchange rates). The measurement has been performed for each of the group's material currencies.

The *pro forma* constant currency financial information has been reviewed by the group's external auditors and their unmodified limited assurance report is available for inspection at the company's registered office.

The following average rand exchange rates were used in the determination of the *pro forma* constant currency information

and were calculated using the average of the average monthly exchange rates (determined on the last day of each of the 12 months in the year):

	<b>2017 average exchange rate</b>	2016 average exchange rate
US dollar	<b>13.30</b>	14.69
Pound sterling	<b>17.13</b>	19.96
Argentine peso	<b>0.81</b>	1.38
Nigerian naira	<b>0.04</b>	0.06
Kenyan shilling	<b>0.13</b>	0.15
Ghanaian cedi	<b>3.02</b>	3.72
Mozambican metical	<b>0.21</b>	0.24

# STANDARD BANK GROUP LIMITED CREDIT RATINGS

As at 7 March 2018	Short term	Long term	Outlook
<b>Fitch Ratings</b>			
Foreign currency issuer default rating	B	BB+	Stable
Local currency issuer default rating		BB+	Stable
National rating	F1 + (ZAF)	AA (ZAF)	Stable
<b>Moody's Investor Services</b>			
Issuer rating		Ba1	RUR <sup>1</sup>

<sup>1</sup> Rating under review for downgrade.

For further details regarding the group's credit ratings, including credit ratings for key subsidiaries, refer to the group's website:  
[www.standardbank.com](http://www.standardbank.com)

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## CONTACT AND OTHER DETAILS

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