Annual integrated report 2015

Standard Bank Group

Standard Bank Moving Forward™

Also trading as Stanbic Bank

Contents

These reports contain selected information from our comprehensive risk and capital management report and annual financial statements available online. See **page 3** for more information.

This section contains information extracted from the full governance and remuneration report, available online. See **page 2** for more information.

ADDITIONAL INFORMATION ONLINE

R22 002 million ↑ 27%
Headline earnings
2014: R17 323 million

R22 056 million ↑ 13%
***Pro forma* continuing operations headline earnings**
2014: R19 570 million

1 359 cents ↑ 27%
Headline earnings per share
2014: 1 070 cents

674 cents ↑ 13%
Dividend per ordinary share
2014: 598 cents

9 395 cents ↑ 9%
Net asset value per share
2014: 8 625 cents

15.3%
Group return on equity (ROE)
2014: 12.9%

20.9%
ROE – rest of Africa legal entities
2014: 21.5%

13.3%
Tier I capital adequacy ratio
2014: 12.9%

56.7%
Cost-to-income ratio (banking activities)
2014: 55.0%

0.87%
Credit loss ratio (banking activities)
2014: 1.00%

AFRICA IS **OUR HOME**

– we drive her growth

About Standard Bank Group (the group)

Our vision is to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value. This sets the primary goals and standard of excellence we intend to achieve in the medium term.

With a heritage of over 150 years, we have an on-the-ground presence in 20 countries in sub-Saharan Africa, fit-for-purpose representation outside Africa, and a strategic partnership with the Industrial and Commercial Bank of China (ICBC).

Our work to refocus the group on Africa is largely complete, with our capital resources aligned to pursue our growth objectives on the continent. In line with the realities of risk, regulation, technology and competition that characterise our operating context, we continue to invest significantly in our diversified operations, our people and culture, our systems and infrastructure, and our brand.

In doing so, we understand that our commercial success and social relevance over the long term depends on placing our clients at the centre of everything we do, and ensuring that the outcomes of our activities are a catalyst for growth on this continent we call home.

R73 233 million
Wealth distributed[1]
2014: R65 906 million

54 361
Permanent employees
2014: 49 259

93.42 points
South African banking operations BEE transformation score out of 107[2]
2014: 94.25

R172,8 million
Corporate social investment spend
2014: R114,6 million

1 Our value added statement can be found in the report to society.
2 Refer to page 24 for an explanation of the change in the BEE transformation score.

The group's financial results and related commentary are presented on a normalised basis, unless indicated as being on an International Financial Reporting Standards (IFRS) basis. Refer to page 86 for an explanation of the normalised adjustments and page 82 for details of the dividend.

Our reports

ANNUAL INTEGRATED REPORT (this report)

As our primary report, our annual integrated report provides a holistic assessment of the group's ability to create value over time. This report includes information extracted from the full governance and remuneration report.

www.standardbank.com/reporting

AIR

Frameworks applied

- International <IR> Framework of the International Integrated Reporting Council
- South African Companies Act 71 of 2008 (Companies Act)
- JSE Listings Requirements
- King Report on Corporate Governance (King Code)
- South African Banks Act 94 of 1990 (Banks Act)

Assurance

While the annual integrated report is not audited, it contains certain information extracted from the group's report to society, and the audited consolidated annual financial statements, on which an unmodified audit opinion has been expressed.

GOVERNANCE AND REMUNERATION REPORT

Provides shareholders with the notice of the annual general meeting together with proxy forms and the group's full governance and remuneration information.

www.standardbank.com/reporting

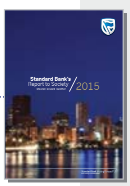
GR

Frameworks applied

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

Assurance

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



REPORT TO SOCIETY

Provides an analysis of the issues material to the group's sustainability and to its stakeholders.

www.standardbank.com/sustainability

RTS

Assurance

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

We produce a full suite of reporting publications to cater for the diverse needs of our broad stakeholder base. Supplementary reports and sources of information support our annual integrated report, and are tailored to meet our readers' specific information requirements.

RISK AND CAPITAL MANAGEMENT REPORT AND ANNUAL FINANCIAL STATEMENTS

Provides a detailed discussion of the management of strategic risks related to the group's banking and insurance operations, and sets out the full audited annual financial statements for the group, including the report of the group audit committee.

www.standardbank.com/reporting

RCM AFS

Frameworks applied

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

Assurance

Selected information in the risk and capital management report forms part of the audited annual financial statements. KPMG Inc. and PricewaterhouseCoopers Inc. have audited selected information in the risk and capital management report and have audited the annual financial statements for the year ended 31 December 2015, on which they have expressed an unmodified opinion.

THE STANDARD BANK OF SOUTH AFRICA LIMITED ANNUAL REPORT

The Standard Bank of South Africa (SBSA) is the group's largest subsidiary. The group's other subsidiaries also produce their own annual reports, which includes their audited annual financial statements, some of which are available at **www.standardbank.com/reporting**.

As a separate listed entity,
LIBERTY HOLDINGS LIMITED (Liberty)
prepares its own integrated report which is available at **www.libertyholdings.co.za**.

FINANCIAL RESULTS PRESENTATIONS AND BOOKLETS

Provides management's analysis of the group's interim and final financial results for the period and the performance of the group's business units, which are available at **www.standardbank.com/reporting**.

This icon refers readers to information elsewhere in this report, or in other reports that form part of the group's suite of reporting publications.

Indicates that additional information is available online at **www.standardbank.com/reporting**.

Denotes text in the risk and capital management report that forms part of the group's audited financial statements.

We welcome the views of our stakeholders on our reports. Please email your feedback to **InvestorRelations@standardbank.co.za**. You can also use this address to request printed copies of our reports.

For the latest financial information, refer to our investor relations page at **www.standardbank.com/reporting** or scan the QR code to be taken there directly.

About our integrated report

The success of our clients, and the trust and support of all our stakeholders, underpin our commercial sustainability. This interdependence requires that we remain relevant to their changing needs and expectations, and are able to demonstrate our ability to connect profitability to socially beneficial outcomes. So while our annual integrated report is aimed principally at providers of financial capital, it is also considered to be of interest to our other stakeholders.

Scope and boundary

Our 2015 annual integrated report covers the period 1 January 2015 to 31 December 2015. All material matters up to group board of directors (board) approval on 2 March 2016 are also included. The annual integrated report discusses our operations in South Africa, the rest of Africa and outside Africa – the terms we use to describe the geographic regions in which we operate. Unless indicated otherwise, all data pertains to the group, which includes our banking operations, subsidiaries and Liberty.

Any restatements of comparable information have been noted as such. Group financial information is prepared on a normalised basis, unless specified as being on an IFRS basis. Non-financial information deemed material is also included. Information relating only to SBSA, the group's largest subsidiary, has been clearly marked.

Change in reporting structure

In line with best practice, and to facilitate the <IR> Framework's principle of conciseness, while still meeting our other reporting obligations, our suite of reports has been reorganised as set out on page 2. The most fundamental change is that the annual integrated report now includes abridged governance and remuneration disclosures. The full governance and remuneration report can be found online and provides shareholders with the notice of the annual general meeting and proxy forms. A directorate of key subsidiaries and international representation, as well as information on credit ratings, an analysis of shareholders and share statistics can also be found online.

Materiality determination

Our annual integrated report aims to present a balanced and succinct analysis of our strategy, performance, governance and prospects. In determining the content to be included in this report, we considered the issues that are material to maintaining the commercial viability and social relevance required to achieve our vision in the medium term.

We view the process of determining material issues as a business tool that facilitates integrated thinking. The materiality determination process undertaken in 2015 complemented our day-to-day stakeholder engagements, going beyond these engagements and placing particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate. As a result, our material issues have been revised and are outlined on page 20.

Based on our leadership engagement, governance processes and our formal and informal stakeholder engagement initiatives, particularly with investors, we are confident that all material matters have been identified and disclosed in this report. Management of group functions and the business units approved the relevant content in the annual integrated report. The group audit committee then reviewed and recommended the annual integrated report to the board for approval.

Statement of the board of directors of Standard Bank Group Limited

The board acknowledges its responsibility to ensure the integrity of the annual integrated report. In the board's opinion, the report addresses all material issues and matters, and fairly presents the group's integrated performance.

On behalf of the board:

Thulani Gcabashe
Chairman

Sim Tshabalala
Group chief executive

Ben Kruger
Group chief executive

2 March 2016

Integrated thinking

We recognise that we compete and operate on the basis of trust, and that it is our stakeholders who are the ultimate arbiters of our legitimacy, and therefore our sustainability.

Our strategy, set out on page 14, provides the construct that bridges our commercial and social relevance, our opportunities and our obligations. It reconciles our pursuit of profit in competitive markets, with our role as a catalyst of economic agency and socially beneficial outcomes for all our stakeholders.

We believe that our strategy represents a consistent and considered level of integrated thinking, which we continue to deepen as we implement our strategy within our organisation. This process has required that each of our business units and enabling functions align their strategies and plans to the group's purpose, vision, principles and values, with our clients as our central organising principle. This reorientation is driving greater integration between our business units and key functions such as risk, compliance, internal audit and group policy, advocacy and sustainability, which are fundamental to the trust our stakeholders have in us and to defending our legitimacy.

Ultimately, we recognise that embedding integrated thinking at every level of our organisation forms part of our longer-term work to create a culture in which risk, compliance, ethics and social responsibility are harmonised with the effective and innovative fulfilment of our clients' needs. This work has begun in earnest and is discussed in our report this year.

As in previous years, we have not formally adopted the six capitals categorisation of the International <IR> Framework. However, throughout our report we explain our dependence and impact on the forms of capital that are fundamental to our ability to achieve our vision in the medium term, and the interdependencies between them, within the context of our multi-generational purpose to drive Africa's growth. The capitals are introduced and explained below.

FINANCIAL CAPITAL

The money we obtain from providers of capital that we use to support our business activities and invest in our strategy. Financial capital, which includes reserves generated through share capital, other equity-related funding and retained profits generated from our operations, is used to fund our business activities.

HUMAN CAPITAL

Our people and how we select, manage and develop them. This enables them to use their skills, capabilities, knowledge and experience to improve and develop products and services that meet the needs of our clients across the diverse regions in which we operate.

NATURAL CAPITAL

The natural resources on which we depend to create value and returns for our stakeholders. As a financial services group we must deploy our financial capital in a way that promotes the preservation, or at least minimises the destruction, of natural capital.

SOCIAL AND RELATIONSHIP CAPITAL

The cooperative relationships with our customers, clients, capital providers, regulators and other stakeholders that we create, develop and maintain to remain commercially and socially relevant, and operate as a responsible corporate citizen.

MANUFACTURED CAPITAL

The tangible and intangible infrastructure that we use to conduct our business activities, including our information technology (IT) assets, and the national infrastructure of the countries in which we operate.

INTELLECTUAL CAPITAL

The knowledge of our people and our intellectual property, brand and reputation, which is closely related to financial, human and manufactured capital given the nature of our businesses.

Chairman's statement

Thulani Gcabashe, Chairman

> At the heart of our group's strategy is a commitment to the shared future we intend to create for our clients, people, shareholders and all our other stakeholders across Africa. While our ability to be commercially successful depends on the prospects of this continent we call home, we, in turn, play a significant role as a catalyst for her growth.

674 cents ↑ 13%
Dividend per ordinary share
2014: 598 cents

9 395 cents ↑ 9%
Net asset value per share
2014: 8 625 cents

Overview

Our South African franchise showed remarkable resilience in 2015. Although our operations in the rest of Africa delivered slower growth than in the last few years, the franchise is in good shape. The group withstood significant challenges in all of its markets, the most notable of these being the downturn in commodities, the impact of the rapid decline in oil prices on oil producing economies which interrupted their growth momentum, and the wide-ranging impact of severe drought in some markets. Socioeconomic instability in a number of our markets continued to be of concern.

In South Africa, which remains the largest contributor to group revenue and earnings, an unstable socio-political climate compounded the macroeconomic pressures. This led to declining business and consumer confidence, and has raised the threat of a downgrade in the country's sovereign credit rating to sub-investment grade. The instability continues to reflect a persistent misalignment in leadership, not only in the political sphere but also across other sectors of our society including business. However, it also focused our attention on the need for a far more decisive expression of our collective responsibility to effect change which serves the interests of all South Africans. In this regard, there is welcome evidence of a growing commitment to cooperation between government and business in strengthening the economic basis for inclusive growth in South Africa. This will not be a simple process as it will require a deeper reflection on our past which, in time, will help to rebuild trust and create a common purpose that binds us together as a nation, and galvanises our efforts to meet both our immediate and longer-term challenges.

Against this backdrop, the group delivered a sound financial performance in 2015, which demonstrated the benefits of the group's diverse portfolio of operations. Our continuing operations in South Africa and the rest of Africa posted solid performances. However, overall performance was negatively impacted by losses in ICBC Standard Bank, in which the group retains a 40% interest. Our capital position remains strong, with a total capital adequacy ratio of 15.7%. The board declared a total dividend of 674 cents per share, an increase of 13% on the prior year.

Managing the opportunities and risks of our Africa strategy

My appointment as chairman comes at a time when Africa is grappling with the question of how to realise its enormous potential in a manner that will create sustainable long-term prosperity.

At the heart of our group's strategy is a commitment to the shared future we intend to create for our clients, people, shareholders and all our stakeholders across Africa. While our ability to be commercially successful depends on the prospects of this continent we call home, we, in turn, play a significant role as a catalyst for her growth.

During our annual strategic review, the board approved a process to actively cascade our Africa-focused strategy throughout all of the group's business units and enabling functions. This will align all elements of the group with our vision to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

Underpinning our vision is our powerful network of on-the-ground financial services operations in 20 countries across Africa. We have strong locally empowered leadership teams in-country and our investment in new IT systems is enabling us to continuously improve our client service and remain competitive.

It is well documented that the economic growth of most African economies has exceeded that of many other economies globally over the past decade. Furthermore, their financial services industries are growing at a faster pace than that of South Africa. Although this growth momentum has slowed in the past year, the continent is still forecast to achieve GDP growth of approximately 4%, with many of our major markets in the rest of Africa exceeding that rate. The integration of our banking and non-banking financial services across our business units is a key element of our strategy to better serve our clients and capture future growth opportunities in the rest of Africa. This will remain work in progress in 2016.

It is necessary for the board to ensure that the group's evolving governance structures and processes support its development into a fully fledged African financial services group. In 2014, we started a process of enhancing the composition of the board to achieve the diversity of knowledge and expertise required to manage the complexities of change and reflect our Africa strategy. This has led to the appointment of non-executive directors from Nigeria and Kenya to represent the key economic regions of East and West Africa.

Similarly, the board needs to be able to provide effective oversight of the key elements of our strategic direction. The board IT committee, established in 2014 and chaired by an independent non-executive director, is responsible for ensuring the implementation of an enhanced IT governance framework throughout the group. The framework is being aligned with the IT Governance Institute which is recognised globally. External independent subject matter experts who are standing invitees of the committee provide an opinion annually on the adequacy and effectiveness of the IT governance framework. They submitted their first report during 2015 in which they recognised the progress made in this regard. Furthermore, an IT executive committee was constituted during the year to assist the group chief information officer (CIO) in the execution of her duties. The group CIO and IT executives are suitably qualified, have access to the board and executive management, and serve as a bridge between the IT function and the group.

The IT transformation programme is a key enabler of our strategy, as it underpins our capacity to continuously improve client service, manage risk more effectively and to operate more cost-efficiently. It also supports the development of competitive digital products and services that allow us to fulfil our purpose and achieve our vision. Ultimately, the programme is intended to transform our organisation into a digital enterprise able to remain competitive in the changing world of financial services. However, the quantum of our investment also means that it represents a significant risk. The board is satisfied that the progress achieved thus far and the risk mitigation that is in place bode well for the programme's completion during 2017.

The regulatory framework governing financial services providers globally and in our domestic markets are constantly evolving, and the supervisory capacity of regulators is increasing significantly. We work closely with our regulators and enjoy constructive relationships with regulatory authorities in South Africa and in the other countries in which we operate. We contribute actively to the development of national policy, legislation and regulation through formal submissions and regular engagement with policymakers, law-makers and regulatory authorities.

We aim to promote regulatory frameworks that are unambiguous, cohesive and practical, and that minimise unintended consequences. The intention of regulators to improve

> "The intention of regulators to improve trust in the financial services industry and protect consumers is consistent with our strategy, and our understanding that the group's ability to execute our strategy is premised on the trust our clients and other stakeholders have in us."

trust in the financial services industry and protect consumers is consistent with our strategy, and our understanding that the group's ability to execute our strategy is premised on the trust our clients and other stakeholders have in us.

Our external engagement with regulators is matched by an internal focus on instilling a culture of compliance within the group. The reality is that the reputational impact of real or perceived compliance lapses or ethical misconduct, far beyond the financial implications of fines, has the potential to attract increased regulatory scrutiny and intervention, or to lock us out of the privilege of serving our clients, attracting the best employees and accessing the capital we need to achieve our strategy. Any breach of compliance is inconsistent with our vision and our purpose, and where lapses of compliance do occur in our organisation we respond immediately and appropriately, as in the case of the self-reporting of a suspicious transaction in Stanbic Bank Tanzania in 2013, which is discussed in further detail in the chief executives' report.

We understand that the development of a culture of compliance is a natural consequence of the broader cultural shift we are making to support our strategic ambitions. Our business units and enabling functions have dynamic and engaged leadership teams which live the group's values, are focused on 'doing the right business the right way' and hold themselves accountable for decisions that reflect our business principles.

Directorate

In line with our intention to make appointments that are representative of our diversity as a sub-Saharan African financial services group, we appointed Dr Martin Oduor-Otieno as a non-executive director with effect from 1 January 2016. Dr Oduor-Otieno has extensive experience in diverse financial and leadership roles, and was formerly chief executive officer of Kenya Commercial Bank Group. He holds a BCom (Accounting) degree and an executive MBA and is an alumnus of the Harvard Business School Advanced Management Programme. In 2009, he was awarded an Honorary Doctorate of Business Leadership by KCA University.

I welcome Dr Oduor-Otieno to the board and look forward to his contribution.

Simon Ridley, the group financial director, will retire on 30 April 2016 having reached the group's executive retirement age in 2015. Dr Arno Daehnke has been announced as the group financial director designate and will succeed Simon in the role of group financial director and as a board member of Standard Bank Group with effect from 1 May 2016.

On behalf of my colleagues on the board, I thank Simon for his significant contribution to the group and board since he joined the group in 1999 and wish him well in his retirement.

We remember

Martin Shaw, who served on the boards of both the Standard Bank Group and The Standard Bank of South Africa between 2004 and 2009, passed away on 16 February 2016. The board and executive team extend their sincere condolences to his family. Martin's inspirational leadership and dedication will always be remembered with a sense of pride and deep appreciation. Much has been said about his great contribution to the world of business, and Standard Bank is among the businesses that were fortunate to be able to draw from his astute knowledge and high professional standards.

Appreciation

This is a momentous time to be called on to provide stewardship to this organisation with a noble and inspiring purpose. We are committed to Africa, and are well positioned to play our role in driving her growth and realising her potential.

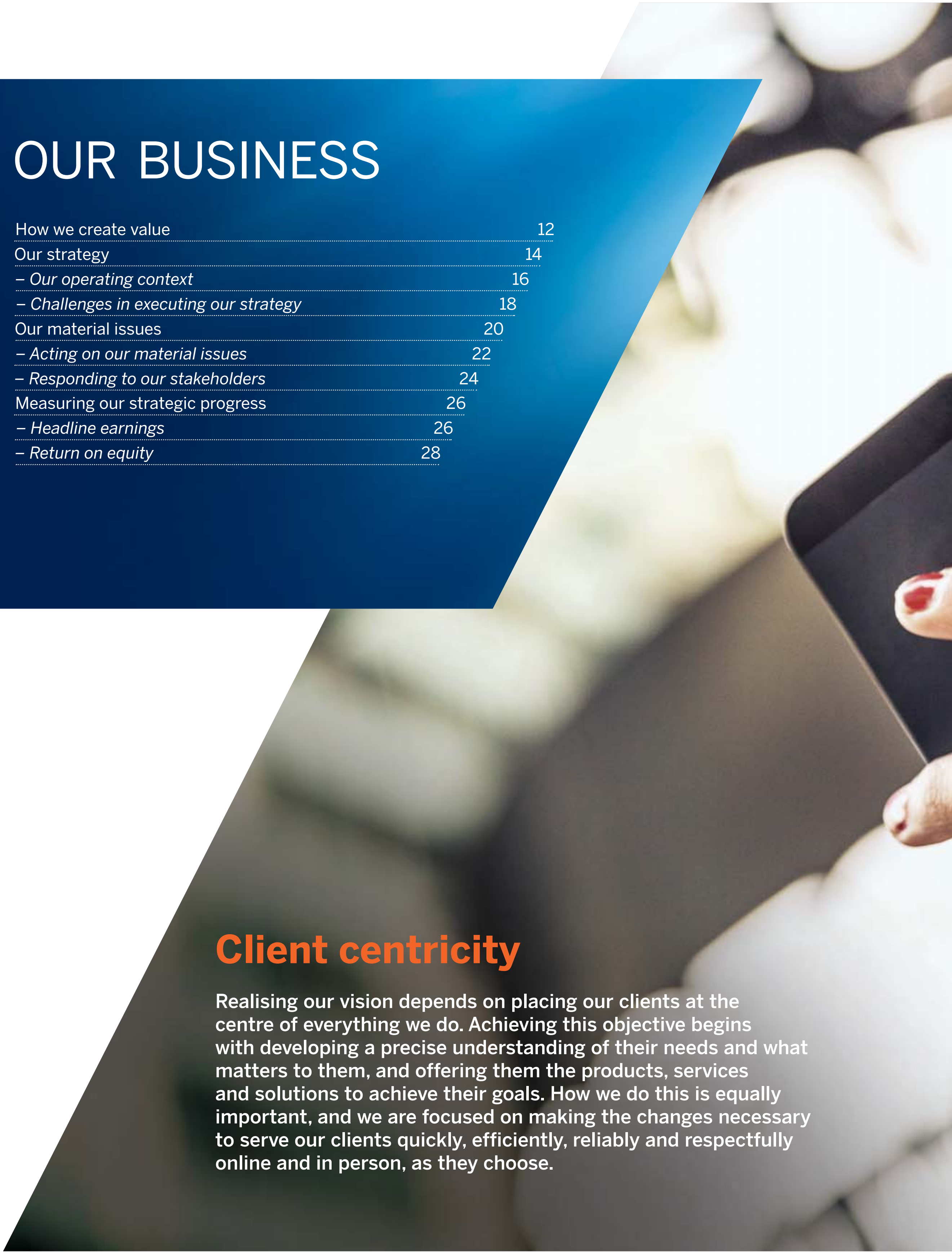
I have served on the board since 2003. Having participated in its evolution over this time, I believe that the board has sufficient depth of expertise and diversity to be an effective custodian of the group's sustainable performance and long-term value creation. We will continue to adapt to remain relevant to the societies and economies we serve and I am confident that we possess the resilience required to embrace constant change.

I wish to thank my colleagues on the board for their wise counsel and guidance during a challenging year.

Ben Kruger and Sim Tshabalala have navigated the group through complex terrain with their unique blend of energetic, open and collaborative leadership. The executive leadership teams have been unwavering in their commitment to the execution of our strategy, and have built resilience against cyclical economic and competitive forces, while the people of Standard Bank have worked with determination and a sense of purpose in building a leading African financial services group.

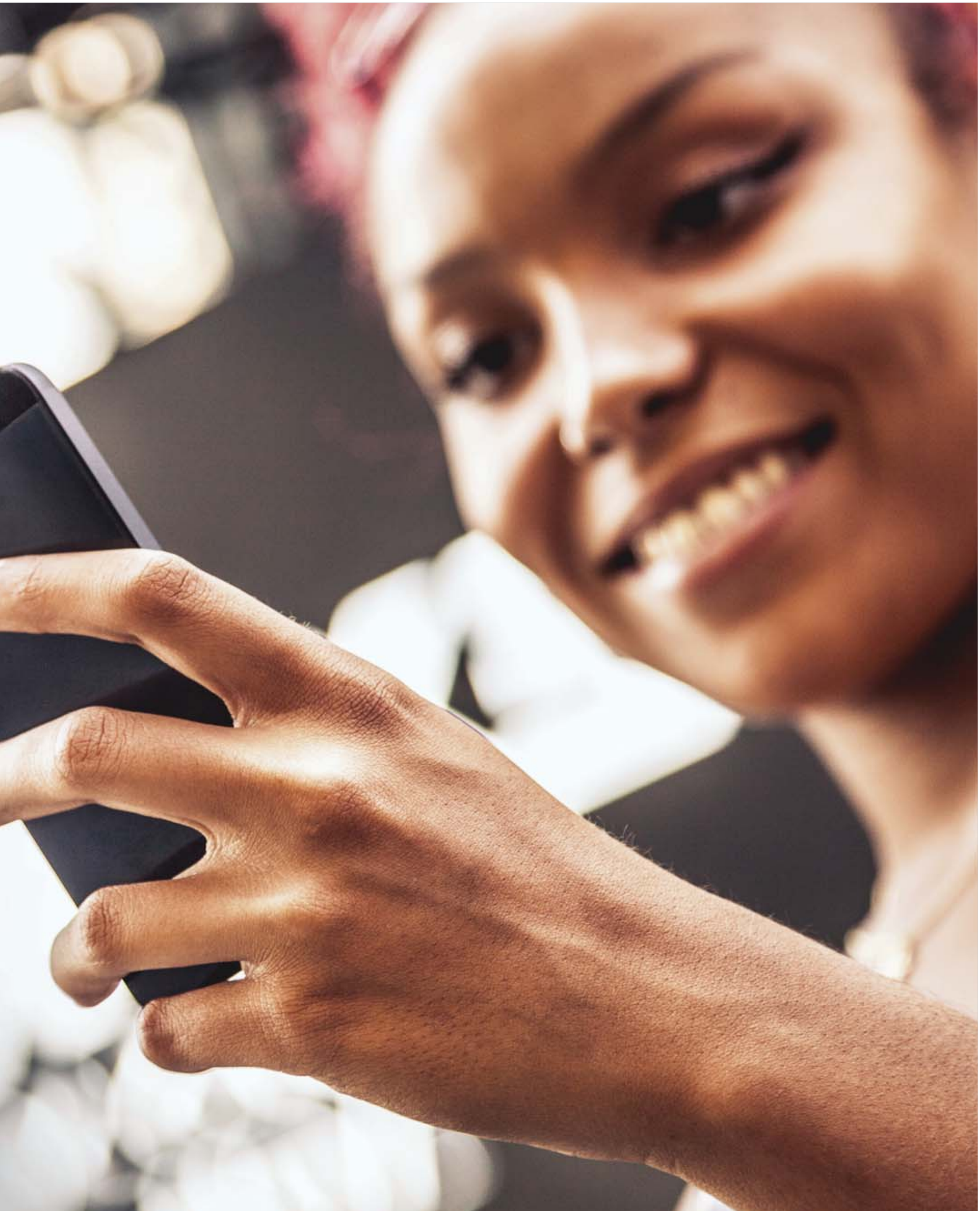
On behalf of the Standard Bank Group, I extend our thanks to our clients, shareholders and other stakeholders for their continued support.

OUR BUSINESS



Client centricity

Realising our vision depends on placing our clients at the centre of everything we do. Achieving this objective begins with developing a precise understanding of their needs and what matters to them, and offering them the products, services and solutions to achieve their goals. How we do this is equally important, and we are focused on making the changes necessary to serve our clients quickly, efficiently, reliably and respectfully online and in person, as they choose.



How we create value

We manage our business activities and associated trade-offs, in a way that connects profitability to socially beneficial outcomes.

1

Lending enables individual customers to create wealth and generate income, helps business clients remain sustainable and supports employment and economic growth in Africa. Regulatory capital requirements and risk appetite limit how much we are able to lend, and deteriorating economic conditions may limit the ability of clients to borrow or service their loans.

2

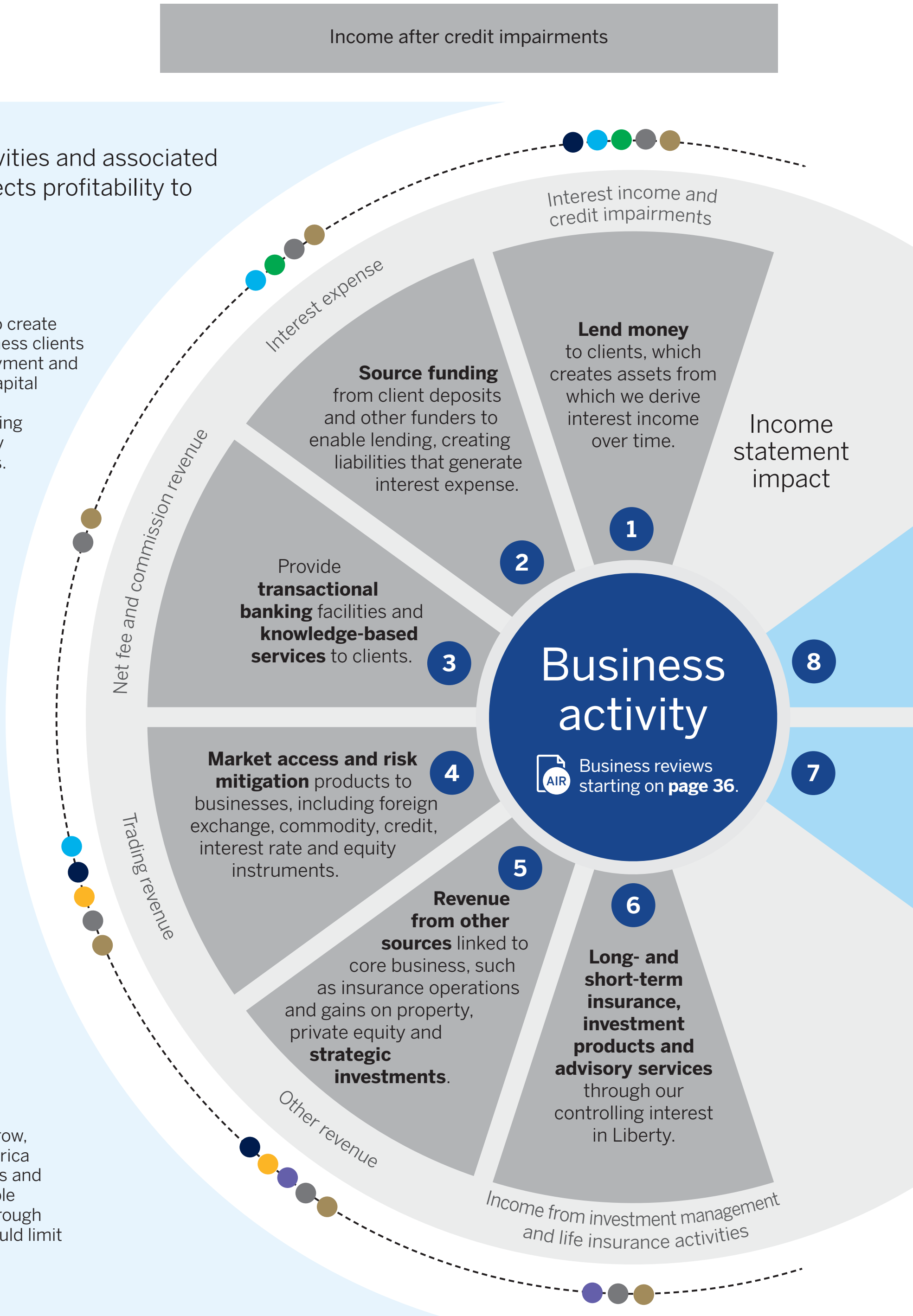
Funding provides our depositors with returns, while mitigating against the erosion of their capital due to inflation. We need to meet capital requirements to protect depositor funds, our own sustainability and that of the broader financial system. Higher interest rates increase the cost of funding.

3

Transactional banking facilitates the movement of money, providing clients with convenient access to their funds. Maintaining low fees requires that we grow transaction volumes to mitigate the loss of revenue.
Our **knowledge-based services**, which include corporate advisory and loan structuring services, allow our clients to benefit from our experience and track record on the continent.

4

Market access enables businesses to grow, provides a conduit for investment into Africa and helps economies monetise resources and diversify. **Risk mitigation** products enable financial protection and diversification through risk transfer. Country and market risk could limit our ability to facilitate market access.



– Expenses = Net profit – Dividends to our shareholders / Taxes to governments = Retained equity which is reinvested to sustain and grow our business

Invest in our operations, including information technology (IT) infrastructure, to enhance our capabilities and improve efficiency, and to deliver relevant products and services that meet our clients' needs.

AIR For more information refer to the information technology report on **page 54**.

Other operating costs

Invest in our people to align them to our objective of consistently delivering excellent client experiences.

AIR For more information refer to the human capital report on **page 58**.

Staff costs

5

Strategic investments support economic activity and enable wealth creation. However, regulatory capital and risk appetite limits our ability to invest to ensure we deliver appropriate risk-adjusted returns.

6

Insurance and investment products and advice enable clients to build and protect their wealth and offer protection from loss of income due to illness, retirement and death. Underperforming equity markets impact the performance of equity-linked products and regulation such as the retail distribution review (RDR) could impact the volume of sales of certain products.

7

As a significant **employer** we hire locally wherever possible and through our activities sustain other jobs in local economies. Training and development enhances the level of financial services and related skills in Africa. Digital transformation in banking requires greater investment in people which includes hiring new skills and training interventions for current employees.

8

Investing in our **operations** enables us to continue meeting our clients' needs, contribute positively to host economies and strengthen our competitive position. Although our investment in technology is currently reducing our return on equity (ROE), it will ensure future income-enhancing opportunities as well as access to new markets, thereby supporting our growth and sustainability.

Principal risks arising from this activity

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

RCM AFS For more information refer to the risk and capital management report.

Our strategy

Our strategy represents our commitment to Africa and to the shared future that we intend to create for our clients, our people and all our stakeholders.

Following the sale in February 2015 of a majority interest in Standard Bank Plc (SB Plc) to ICBC and the disposal of other interests outside Africa, our work to refocus the group on Africa is largely complete. The result is a simpler group structure, with capital resources deployed to pursue our growth objectives on the continent, in line with our vision which defines how we operate as a group.

Purpose

Africa is our home, we drive her growth.

Vision

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

Legitimacy

Our legitimacy is premised on what makes us unique, and is the basis for our credibility.

- Our more than 150-year heritage and brand
- Commitment to our clients and the trust they have in us
- Pioneering spirit
- Presence in Africa and beyond
- Commercial pragmatism
- Brave long-term decisions
- Our passion for Africa
- Our great people

Values

Our values support our legitimacy, and are the basis on which we earn the trust of our stakeholders.

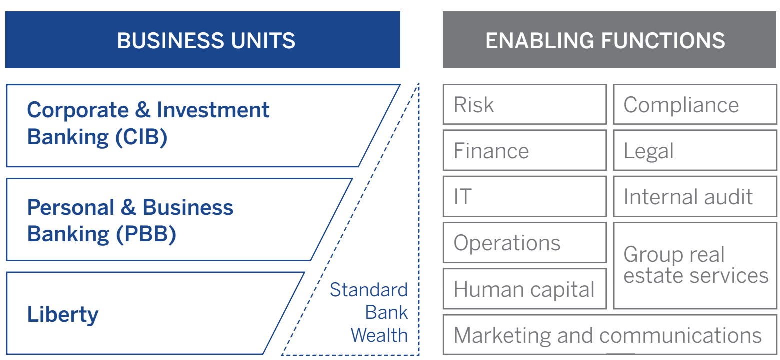
- Serving our customers
- Growing our people
- Delivering to our shareholders
- Being proactive
- Working in teams
- Constantly raising the bar
- Respecting each other
- Upholding the highest levels of integrity

Our guiding principles

provide the basis for how our businesses execute our strategy.

Integrated pillars

Our purpose and vision, supported by our legitimacy and values, guide our strategic execution through our integrated pillars, all of which are being strategically realigned to focus on our clients.



The delivery of our strategy is primarily enabled by:

OUR PEOPLE / OUR TECHNOLOGY / OUR BRAND / OUR LEGAL ENTITIES/ GEOGRAPHIES

To realise our vision, we aim to place our clients at the centre of everything we do by reorientating how we operate.

With input from across our integrated pillars, we have prioritised the following focus areas to align our internal processes, systems and people to this goal.

AIR Measuring our strategic progress on **page 26**.

Client centricity

Our goal: place our clients at the centre of everything we do and continually work to earn and keep their trust.

We will do this by:

- Creating consistently excellent client experiences by understanding our clients and offering the products, services and solutions they need to achieve their goals.
- Serving our clients quickly, efficiently, reliably and respectfully online and in person, as they choose.

Architecture

Our goal: design a simple, routine and easily executed universal bank operating model that supports consistently excellent client experiences.

We will do this by:

- Fulfilling the promises we make to clients through carefully planned and executed processes that are fully leveraged by our scale.
- Providing our people with what they need to deliver exceptional client experiences.

People

Our goal: ensure our people are motivated, inspired and committed to delivering a consistently excellent client experience.

We will do this by:

- Fostering a deep connection among all our people with our purpose and our clients.
- Creating a great place to work.
- Empowering our people to deliver against our strategy by encouraging them to make the most of every opportunity to achieve their full potential, and by rewarding their contribution.

Culture

Our goal: enhance a culture that embraces our vision, which requires that we place our clients at the centre of everything we do.

We will do this by:

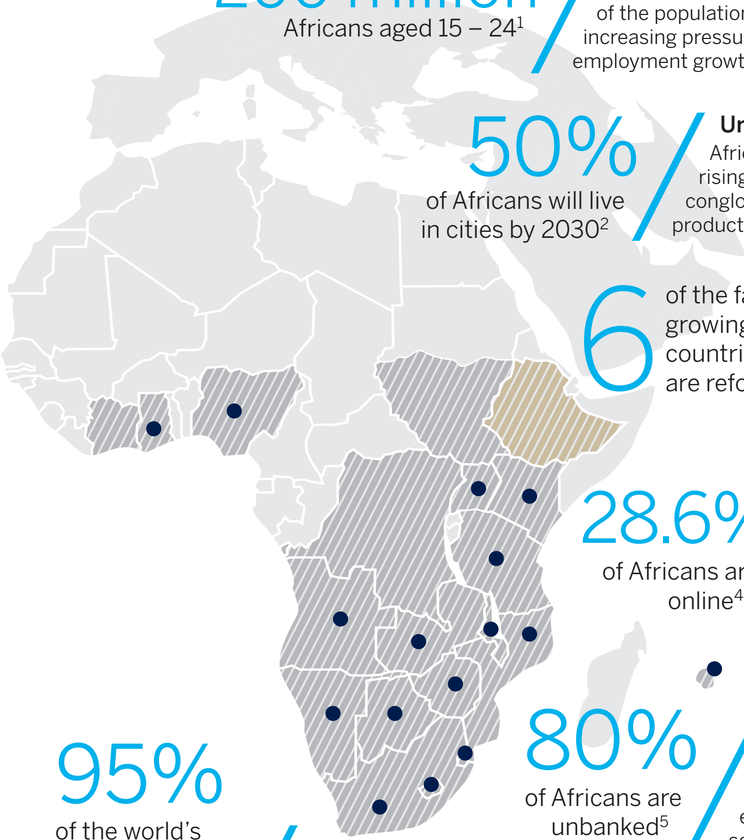
- Honouring our strong cultural attributes while encouraging and entrenching focused client-centric behaviour.
- Maintaining dynamic and engaged leadership teams who live our values and are focused on doing the right business the right way, who hold themselves accountable for the business, and who celebrate success and learn from their mistakes.

Our operating context

We execute our strategy within the context of broad interconnected trends: long-term structural trends, which have contributed to Africa's strong growth over the past two decades; and cyclical trends, which are short to medium term in nature and will change over time.

Our strategy is intentionally designed to realise the opportunities presented by the structural trends, while retaining the flexibility needed to respond effectively to the cyclical trends.

Structural trends



200 million
Africans aged 15 – 24[1]

Youthful population

Africa's population is expected to double by 2050. The youthfulness of the population – with an estimated median age of 20 – will place increasing pressure on governments and businesses to drive employment growth as a greater number of Africans reach working age.

50%
of Africans will live in cities by 2030[2]

Urbanisation

Africa's rapid rate of urbanisation is expected to continue, rising from 36% in 2010 to 50% in 2030. This conglomeration of people lowers the cost of providing products and services for governments and businesses.

6
of the fastest growing African countries are reformers[3]

Governance reforms

Greater political stability, improved management of public finances and adherence to democratic principles are defining features of Africa's fastest-growing economies.

28.6%
of Africans are online[4]

Technology

Africa's relative underdevelopment enables the implementation of the latest technologies, leapfrogging older technologies such as fixed-line telecommunications with mobile networks, or coal-fired power with renewable energy projects.

80%
of Africans are unbanked[5]

Increasing uptake of financial services

Personal income growth is driving the uptake of financial services. African economies are still largely cash-based, creating opportunities for lending as employment levels grow and incomes increase. New services enabled by technology are lowering the barrier to entry and cost of financial services on the continent.

95%
of the world's platinum reserves are in South Africa[6]

Commodities

Commodities remain fundamental to modern economies. Africa's commodity resources remain largely undiscovered or underexploited. The underutilisation of arable land holds the potential for increased commercial agriculture.

Our operating presence

Angola	▨	
Botswana	▨	●
Côte d'Ivoire	▨	
DRC	▨	
Ethiopia	▨ (representative office)	
Ghana	▨	●
Kenya	▨	●
Lesotho	▨	●
Malawi	▨	●
Mauritius	▨	●
Mozambique	▨	●
Namibia	▨	●
Nigeria	▨	●
South Africa	▨	●
South Sudan	▨	●
Swaziland	▨	●
Tanzania	▨	●
Uganda	▨	●
Zambia	▨	●
Zimbabwe	▨	●

▨ Standard Bank presence
● Liberty presence
▨ Representative office

Cyclical trends

Falling commodity prices and slowing exports to China

Several of our operating countries have felt the impact of falling commodity prices – which are at multi-year lows – and the slowing down of exports to China. Countries reliant on single commodity exports such as oil and copper are most vulnerable. Falling commodity prices have also contributed to currency volatility in these countries.

Given the reliance of many African countries on exports to China, even a small slowdown in China's growth can have a disproportionate domestic impact, which filters through the economic value chain to individual consumers.

Socio-political pressure

Falling commodity prices together with the drought conditions in sub-Saharan Africa have increased the risk of rising food prices and food shortages. Higher inflation, currency depreciation and job losses, particularly in the mining and agriculture sectors, together with cutbacks in government spending, could give rise to social discontent and associated protest action. In East and West Africa, civil conflict and terrorist activity remain a concern.

Rising interest rates in the United States (US)

Consensus is that the US Federal Reserve Bank will continue to gradually increase interest rates in 2016, slowing currency inflows to emerging markets and increasing the burden on countries with dollar-denominated debt. This is likely to lead to increases in South African domestic interest rates.

Impact on the South African economy

South Africa is facing challenging economic conditions, with downward revisions in growth forecasts driven by cyclical trends. Together with the sharp weakening in the domestic currency and a growing current account deficit, the risk of the country's credit rating being downgraded further remains high.

The impact of cyclical trends on society, in the form of higher inflation in the price of goods and services and a potential increase in unemployment, creates the risk of social instability. Encouragingly these conditions are driving a renewed commitment between the public and private sectors to practically address South Africa's socioeconomic challenges.

AIR The challenges we face in executing our strategy are discussed on **page 18**.

AIR The economic environment and the impact on the group's banking results is discussed on **pages 73 and 74**.

1 African Economic Outlook – Promoting Youth Employment in Africa (2012).
2 African Development Bank – Urbanization in Africa (2012).
3 Over the past two decades – internal data.
4 Internet World Stats (2015) – www.internetworldstats.com.
5 McKinsey & Company – Counting the World's Unbanked (2010).
6 U.S. Geological Survey, Mineral Commodity Summaries, January 2013 (calculated).

Challenges in executing our strategy

In a turbulent global economic environment, Africa continues to offer opportunities for growth. The unique risks in each of the countries we operate in require a forward-looking approach, that enables us to identify and realise the opportunities they present.

The following challenges provide a broad forward-looking view of what we need to manage as we execute our strategy over the medium term, and are reflective of the issues deliberated on by management across our businesses. To realise our vision we need to be proactive in how we plan for and manage these challenges, allowing us to leverage the associated opportunities.

Maintaining awareness of these challenges in our deliberations ensures that the way we do things is informed by robust decision-making and ultimately results in improved service to our clients, balanced by our obligations to our other stakeholders.

Challenges

Increasing competition in Africa

Global and regional banks are expanding their presence on the continent, and the increase in non-traditional competitors is being driven by advances in technology and, in some cases, their ability to operate outside the ambit of financial services regulation. In this context, we need to defend and grow our position by providing the best client experience at the lowest possible cost. Our legacy and position as an integrated financial services group differentiates us in an industry increasingly characterised by growing fragmentation and disintermediation.

Changing regulatory landscape

The volume of new financial services regulations continues to grow. The diverse ways in which new regulations are promulgated within countries can lead to uncertainty. Countries must adhere to international regulations for them to continue participating in the global economy. Ensuring an efficient client experience while adhering to regulatory demands is an ongoing consideration. Our client focus aligns to the spirit of these regulations, which is ultimately to protect consumers.

Operational challenges

Maintaining business resilience in an environment characterised by power and water supply constraints and a heightened potential for adverse socio-political events due to economic challenges, requires a constant forward-looking approach. In addition, the industry-wide trend to outsource material business activities requires greater oversight of third parties to prevent potential negative impacts on our operational activities and to ensure client information used by third parties is secure.

AIR What we will do to realise the opportunities presented by our strategy is answered in relation to our material issues on **page 20**.

RCM AFS The group's risk and capital management report provides comprehensive information on the group's specific risk types, how they are managed and the associated governance structures that oversee the management of these risks.

Technological development

New technologies present us with profound opportunities to compete more effectively by meeting changing customer expectations. They also introduce significant new challenges. Building a digital financial services group needs to be managed in a way that does not compromise system stability and client experience. Furthermore, the value of information as an asset makes it a potential target for cyber-attacks, in addition to theft of funds. Globally, cyber-attacks are increasing in number and sophistication, as is the exploitation of systems and people. In addition, criminal activity can be heightened by the introduction of new channels.

Client expectations

The capabilities of new technologies – and the speed with which they are being adopted – mean that consumers increasingly expect highly tailored yet affordable products and services that are available whenever they choose. The emergence of new services from non-traditional competitors, the ease with which clients can change to a different bank and the speed at which negative experiences can be shared through social media require a greater focus on client experience.

People and culture

Achieving our objective of placing our clients at the centre of everything we do ultimately depends on our people's ability to provide great client experiences, whether directly through their interactions with clients, through the products and services we develop or through the management of compliance processes that could impact on the perceived quality of service. Building a digital financial services group requires us to employ and develop new skills, and for our people to adapt to new ways of working. In light of the challenges in executing our strategy, and to maintain trust, we need to ensure a culture that values client fairness and market integrity in everything we do.

Managing associated risks

Aligning risk management to our client focus

Understanding our clients forms a key part of managing risk on the continent and will benefit from our client focus. A key initiative in this regard is bringing risk management closer to the functions where risks arise, identifying risks early and, in our client-facing functions, gaining deeper insight into our clients.

Other projects include aligning the collection of financial and risk data to improve our view of the size and potential consequences of exposures, and implementing measures to better understand the complex interrelationships between different risk types.

These initiatives are supported by our investments in technology, and will allow us to tailor our products and services in a way that better manages our risk exposures and reduces related capital requirements.

Building a risk-aware culture

Building a resilient and consistent risk-aware culture is essential in effectively managing the challenges that may arise in executing our strategy. Our three lines of defence model supports building a risk-aware culture by ensuring accountability, responsibility and sufficient coverage of the risk landscape.

Acting ethically and fairly in everything we do

Conduct risk is the risk that the group itself poses to our clients, and to the effective functioning of financial markets, through behaviour that is not ethical or fair. The way we execute our day-to-day activities – including how we design and market products, how we communicate with clients and how we meet their expectations – prescribes the culture we wish to build, and therefore determines our ability to keep the promises we make to our clients and place them at the centre of everything we do.

AIR The risk report on **page 64** provides more detail on the group's approach to risk management.

Our material issues

Our material issues are those issues that we believe could seriously affect our commercial viability and our social relevance. These include factors influencing economic growth and political and social stability, and those which impact on how our stakeholders perceive the group and its role in society. Effectively managing our material issues is critical to achieving our strategic objectives and meeting our stakeholders' expectations.

Following engagement with certain internal and external stakeholders, we have revised our material issues into the six issues listed alongside. The materiality determination process complemented our day-to-day stakeholder engagements, going beyond these engagements to place particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate.

We view the materiality determination process as a business tool that facilitates integrated thinking, and as such the pragmatic approach developed in 2015 serves as a basis for future materiality assessments. This process has to date been largely South Africa-centric. In line with our vision, we will continue to extend this process to our operations in the rest of Africa.

Definition

We define material issues as the most significant medium-term issues we address in executing our strategy, fundamental to maintaining the commercial viability and social relevance required to achieve our vision.

Factors

Our materiality assessment took the following into account:

- Our purpose, vision and strategy.
- Short-, medium- and long-term perspectives.
- The view of strategic internal stakeholders at executive and board level, as well as the concerns of external stakeholders.

Benefits

- Ensures our strategy takes into account the views of internal and external stakeholders and the realities of our operating environment.
- Identifies potential impacts on our ability to create value over the longer term.
- Assists in prioritising our resources.
- Enables a better understanding of stakeholder expectations and the drivers of our legitimacy and licence to operate.

Process

Workshops with subject-matter experts from across the group

- Internal audit
- Compliance
- Group economics
- Finance
- Investor relations
- Operational risk
- Human capital
- Country risk
- Advocacy and sustainability

High-level engagement with selected external stakeholders

16 interviews conducted with regulatory, government, media, academic and non-governmental representatives, and professional associations.

Long list tested with selected executives

Short list adopted by group management committee and appropriate metrics and performance indicators selected

Approved by social and ethics committee

Our proactive engagement with our stakeholders informs our business strategy and material issues, shapes our products and services, helps us manage and respond to social expectations, mitigates reputational risk and influences our operating environment.

Business units and enabling functions are empowered to engage directly with stakeholders and are responsible for identifying stakeholder concerns and taking appropriate action. For strategic engagement at a group level, the stakeholder relations team undertakes engagement based on the identified needs and concerns of our stakeholders.

1. WITHSTANDING ECONOMIC HEADWINDS
2. UNDERSTANDING OUR CLIENTS
3. MOTIVATING OUR PEOPLE
4. EMBRACING INNOVATION
5. MANAGING REGULATORY CHANGE
6. LEVERAGING OUR INVESTMENTS IN INFORMATION TECHNOLOGY

Our material issues are explained in more detail on the following page including what we will do to realise the opportunities presented by our strategy in relation to each material issue.

RTS The report to society provides an analysis of the issues material to the group's sustainability and to its stakeholders.

Acting on our material issues

MATERIAL ISSUE | **What we will do to realise the opportunities presented by our strategy** | **For more information**

1 WITHSTANDING ECONOMIC HEADWINDS

Africa's prospects for sustainable, long-term and inclusive economic growth

Africa is our home and we are committed to the expansion and deepening of our business across the continent. We work with our clients and regulators to support economic growth and diversification, thereby counter-balancing the slowdown in emerging markets which is largely driven by the decline in commodity prices.

What we will do to realise the opportunities presented by our strategy

- Maintain profitability within our risk appetite while navigating challenging economic and regulatory environments, meeting client expectations and competing effectively.
- Ensure robust monitoring of strategy implementation and harmonise strategies across our geographic footprint.
- Maintain a forward-looking view of potential socio-political instability and put appropriate business continuity measures in place.

For more information

AIR Group chief executives' report on **page 32**.

AIR Risk report on **page 64**.

2 UNDERSTANDING OUR CLIENTS

Putting our clients at the centre of everything we do

Our clients are the reason we are in business. To provide them with the products and services they need, we must understand the environments in which they live and work, their immediate needs, and their long-term plans in respect of their careers, their businesses, their personal lives and their families. For corporate clients, we focus on understanding their operating environments and the associated opportunities and challenges.

What we will do to realise the opportunities presented by our strategy

- Instil a culture that values excellent client experiences, ethical and fair conduct and market integrity.
- Constantly leverage new technologies to meet changing client expectations and enter partnerships to drive innovation.
- Ensure appropriate technical capability and skill to prevent our clients from being exploited.

For more information

AIR Business unit reviews starting on **page 36**.

AIR Human capital report on **page 58**.

3 MOTIVATING OUR PEOPLE

The commitment, motivation and capability of our people, and their ability to live our values

Our ability to meet our objectives, deliver value to our clients, comply with our regulatory obligations and create shareholder value depends on our people. We strive to work with people who share our passion for Africa, who see the opportunities inherent in the diversity of the continent and its people, and who are committed to putting the client at the centre of everything we do.

What we will do to realise the opportunities presented by our strategy

- Ensure that we have a diverse workforce with the right skills and capabilities to successfully execute our strategy.
- Maintain an ethical and risk-aware culture that upholds our principles and values.
- Capacitate our people to perform in a world of rapidly changing client expectations, technology and ways of working.

For more information

AIR Business unit reviews starting on **page 36**.

AIR Human capital report on **page 58**.

AIR Remuneration overview on **page 103**.

MATERIAL ISSUE	What we will do to realise the opportunities presented by our strategy	For more information
4 EMBRACING INNOVATION **Continual innovation to improve the value we provide** In a world of constant technological evolution, we need to be at the forefront of new ideas and leverage technology to provide exceptional client experiences and gain competitive advantage. Innovation extends beyond our products and services to how we operate by way of our internal processes and systems. These must all fulfil the ultimate objective of placing our clients at the centre of everything we do.	• Deliver new products and services to market quickly without compromising system stability. • Develop a culture that encourages innovation and challenges established processes, with a view to delivering excellent client experiences that differentiate us in a commoditised and low-cost competitive environment. • Build resilience to change among our people. • Ensure third parties keep client information secure, where it is necessary to share such information to develop innovative solutions. • Find ways to address social challenges through innovation.	AIR Business unit reviews starting on **page 36**. AIR Information technology report on **page 54**.
5 MANAGING REGULATORY CHANGE **Meeting the expectations of our regulators and serving the best interests of our clients** The regulatory frameworks governing financial services providers continue to evolve at a national and global level, and the supervisory powers of certain regulatory bodies have been increased significantly. We work closely with all our regulators to ensure that we effectively manage these developments, while minimising as far as possible any negative impacts on our clients, employees and areas of business.	• Adhere to associated regulations and comply with privacy controls when sharing data with third parties. • Maintain and enhance our ability to comply with changing regulation across jurisdictions and comply with capital requirements at all times, in a way that does not compromise client experience. • Instil a compliance mindset across the group.	AIR Chairman's statement on **page 6**. AIR Group chief executives' report on **page 32**. AIR Risk report on **page 64**.
6 LEVERAGING OUR INVESTMENTS IN INFORMATION TECHNOLOGY **The security, stability, functionality and efficiency of our IT services** IT enables us to serve our clients in a way that is more convenient and that makes their financial transactions more reliable and secure. In addition to being an enabler of our strategy, IT is also a competitive advantage. We use our understanding of our clients to provide them with value-added, uninterrupted IT products and services. While urbanisation in Africa is rising, many of the continent's people still live in remote areas, where IT can be used to overcome challenges in delivering services.	• Balance client expectation for innovation against maintaining system stability. • Constantly monitor and anticipate criminal exploitation of our systems and cyber-attacks on cloud services, and deploy prevention and mitigation measures. • Ensure that our systems maintain the privacy of client information and put additional measures in place to protect our data stores.	AIR Group chief executives' report on **page 32**. AIR Business unit reviews starting on **page 36**. AIR Information technology report on **page 54**.

Responding to our stakeholders

Our stakeholders are those individuals or organisations who have an interest in our success or failure and whose opinions and actions can impact on our ability to execute our strategy and conduct our business activities. Below we outline the top issues raised by our key stakeholders and our responses.

RTS For more information on how we create lasting value for our stakeholders see the report to society.

CUSTOMERS AND CLIENTS

Delivering what matters to our customers and clients: as part of our programme to identify what really matters to our customers, executive management visited branches and call centres during the year, to understand the issues customers face. A result of this process was to enable our clients to change electronic payment limits on our internet and mobile banking platforms. CIB's client engagement model, introduced in 2013, is proving effective at deepening our understanding of clients' needs and providing appropriate solutions. Our focus on building a culture of treating customers fairly and knowing our customers, together with our ongoing focus on innovation, will help to accelerate raised service levels.

For our small and medium enterprise (SME) clients, virtual business centres were introduced in 11 countries in 2015, providing faster transaction turnaround times through the use of eSignatures and biometrics. Towards the end of 2014, we introduced a specialised enterprise development customer proposition which provides financing solutions to mainly black-owned companies that have gained access to preferential procurement opportunities from corporates or public sector entities.

Improving system efficiency in the rest of Africa: the new version of Finacle core banking is more agile, enhances cybercrime risk mitigation and provides for a better user experience. All our rest of Africa franchises will be migrated to the new platform by the end of 2017, except for Angola, Kenya and Mozambique. These operations will continue on their existing system which is able to support our new digital channels.

Combating financial crime: ongoing research and strategic partnerships enable us to be agile and proactive in our approach to financial crime management. In South Africa, we are working with the South African Reserve Bank (SARB), the Payments Association of South Africa (PASA) and other banks to authenticate the process of implementing debit orders and address debit order abuse.

SHAREHOLDERS AND INVESTMENT ANALYSTS

Resilience of the Africa-focused strategy: aggregate headline earnings for our rest of Africa operations increased 12% (2014: 41%) despite the impact of challenging market conditions.

Increasing IT costs and systems stability: we continue to invest in upgrading and modernising our core banking infrastructure across the group, with a balance sheet carrying value of R19,7 billion (2014: R17,1 billion). We have also invested in technology solutions and strengthened our risk management capability to minimise outages and service interruptions.

Slow improvement in ROE: we are actively working to improve our ROE, which in 2015 improved to 15.3% (2014: 12.9%). This is within our 15% to 18% medium-term target.

GOVERNMENT AND REGULATORS

Introduction of the Twin Peaks system of financial sector regulation in South Africa: in 2015 we submitted commentary to National Treasury on specific elements of Twin Peaks, including the supervision of the national payments system, financial crisis management and the risk-based approach to conduct supervision.

Responsible lending in South Africa: we engage with the Department of Trade and Industry (dti) and the National Credit Regulator to enhance our understanding of their expectations for providing credit responsibly. We share data based on our experience to inform policy-making. We participate in initiatives under Banking Association of South Africa (BASA) to address over-indebtedness and abusive lending practices.

Compliance training: all employees are required to complete mandatory regulatory and business compliance training. Training is standardised across the group, with jurisdictional content managed locally, as appropriate. In response to specific matters such as the deferred prosecution agreement in the United Kingdom (UK), additional training is implemented.

Increasing the pace of transformation in South Africa: our banking operations achieved a broad-based black economic empowerment (BBBEE) transformation score of 93.42 in 2015 (2014: 94.25). The decrease of 0.83 in comparison to our 2014 BBBEE score was a result of lower points for ownership (-0.27), management control (-0.38), skills development (-0.18) and access to financial services (-0.12), partly mitigated by an improvement in employment equity (+0.12). We retained full points for preferential procurement, enterprise development, empowerment finance and socioeconomic development. With respect to our 2015 ownership score being lower than 2014, this was due to the repatriation of capital to South Africa, following the disposal of SB Plc in London in February 2015. This meant that the South African component of the group's operations became proportionately larger. When related to a larger South African portion of the group, the original Tutuwa ownership shares generate a reduced ownership score. Under Tutuwa, Standard Bank's BBBEE ownership transaction, a significant number of Tutuwa beneficiaries realised value during 2015 following the expiry of the scheme's 10-year lock in period at the end of 2014. At December 2015, the scheme's remaining participants consisted of 1 881 (2014: 6 188) black managers.

Dividend payouts to remaining Tutuwa Managers' Trusts beneficiaries amounted to approximately R41 million (2014: R164 million).

EMPLOYEES AND THEIR REPRESENTATIVES

Internal career opportunities: over half of the appointments made in 2015 were internal promotions or transfers. Succession planning and talent development for critical roles remain a priority.

Employee wellness: employee surveys indicate that job-related stress levels are increasing. We continue to promote employee health and wellness management and provide access to a range of services, including financial wellness.

Leadership capability: our strategy provides clear guiding principles for prudent management decision-making, and leadership forms a key part of our strategic focus on culture. We continue to provide focused leadership development programmes.

Diversity and inclusion: in October 2015, the group signed the International Labour Organisation Disability Charter and SBSA received the Department of Labour private sector award for Innovation and Special Projects to Further Gender Equality.

Rewarding employee excellence: we continue to use the Beyond Excellence programme in all countries of operation to recognise employee performance and values-based behaviour.

CIVIL SOCIETY

Community upliftment: in 2015, our CSI spend across the group was R172,8 million, up 51% compared to 2014. Our CSI programme continues to focus on investment in education across our geographic footprint. In 2015, we also established a strategic partnership with the Global Fund through which we support their efforts to eliminate HIV/Aids, tuberculosis and malaria.

To support the South African Government's drive to revitalise and reindustrialise township economies, we hosted the 'eKasi Rising' dialogue in Soweto with participating representatives from a number of government departments. Topics included improving access to financial services for township businesses, refining our mortgage offering to suit the township market and strengthening the linkages between township and formal urban economies.

Role of business in society: our executives engage with the South African Government on topics such as bolstering investor confidence and re-energising the economy. We are also playing a leading role in discussions on a national minimum wage.

Strengthening democracy in South Africa: as part of our democracy support programme we make annual donations to political parties calculated using the Independent Electoral Commission's formula to allocate party funding. Each party is required to account annually for the use of the funds. In 2015, we allocated R2,2 million (2014: R4,2 million).

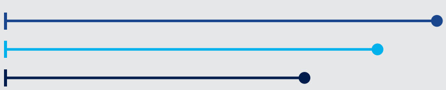
Energy efficiency: in 2015, we led initiatives and worked collaboratively with BASA, PASA, the JSE and the SARB to ensure the appropriate level of resilience to load shedding across the financial services industry and key market infrastructure. During the year, we invested R12 million in energy efficiency improvements in South Africa, reducing our energy consumption across the operation by 9.1% compared to 2014, equating to an energy saving of 28 gigawatt hours and a reduced demand on South Africa's electricity grid.

SUPPLIERS

Supplier development and preferential procurement: we actively look for ways to increase our procurement spend with black-owned and black women-owned businesses, particularly SMEs, in South Africa. Monthly reviews are undertaken to measure progress against targets to diversify our procurement portfolios. Our supplier development programme assists potential black-owned suppliers in the tender process. Our top suppliers have good overall BBBEE contribution levels of between one and four. In South Africa, we met the financial sector code's target for preferential procurement, scoring 16 points out of a possible 16.

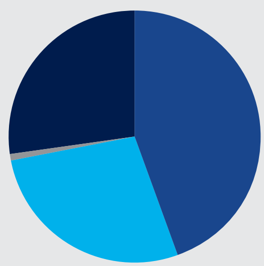
In every country of operation, we seek to procure goods and services locally where possible. Our total procurement spend in Africa, excluding Liberty, was R26,4 billion (2014: R27,7 billion) benefiting 15 625 (2014: 15 058) suppliers, of which 73% and 27% were situated in South Africa and the rest of Africa respectively.

SBSA WEIGHTED PROCUREMENT SPEND WITH BBBEE SUPPLIERS



2015	**R21,6 billion**
2014	R19,2 billion
2013	R16,1 billion

CSI SPEND



	2015
South Africa	**R83,9 million**
Rest of Africa	**R44,3 million**
Outside Africa	**R1,2 million**
Liberty	**R43,4 million**

Measuring our strategic progress

Headline earnings

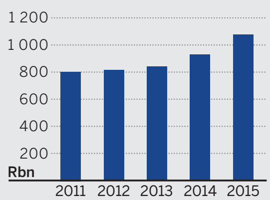
The group's headline earnings is one of the components used in the determination of the group's ROE and represents the major lever in lifting the group's ROE to meet our medium-term target. Headline earnings is used as a key reference point in decision-making throughout the group, including the group's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

GR See our governance and remuneration report.

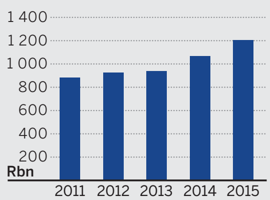
Banking activities balance sheet drivers

The growth in the group's deposits and debt funding, loans and advances, trading and pledged assets and financial investments were the principal balance sheet drivers that provided the group with the ability to increase its headline earnings between 2011 and 2015 by a compound annual growth rate (CAGR)[1] of 13%. This was primarily achieved through the growth in net interest margin and non-interest revenue offset by higher credit impairments and operating expenses.

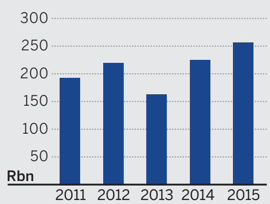
Net loans and advances[3]
(CAGR: 8%)



Deposits and debt funding[3]
(CAGR: 8%)



Trading and pledged assets and financial investments[3]
(CAGR: 7%)



BANKING ACTIVITIES

Net interest income[2] (CAGR: 14%)

Result: The cumulative effect of improved risk-based pricing strategies, optimisation of funding composition and growth in the group's rest of Africa operations supported the growth in the group's net interest income. During 2015, the net interest margin was adversely impacted by lower margin corporate loans growing faster than retail customer loans and more costly wholesale term funding.

+

Non-interest revenue[2] (CAGR: 9%)

Result: Between 2011 and 2015 the group benefited from an increase in interchange fee income as a result of growth in the group's customer base, transactional volumes and points of representation, notably in the rest of Africa. During 2015, this fee income growth was impacted by reduced regulatory prescribed fee rates and lower advisory and commitment fees. Trading revenue benefited from increased client trading activity and group strategic trading gains.

−

Credit impairments[2] (CAGR: 10%)

Result: Credit impairments increased sharply in 2012 primarily as a result of impairments on corporate loans to customers outside of Africa and impairments in personal unsecured loans. The improvement in the credit loss ratio from 2012 to 2015 was primarily as a result of an improvement in recoveries due to rehabilitation strategies, recovery effectiveness and more stringent credit criteria as well as lower credit impairment charges in CIB. This was partially offset by higher credit impairment charges in some PBB portfolios as a result of increased customer strain.

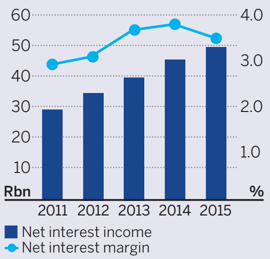
−

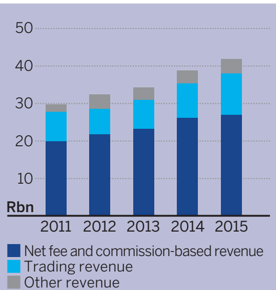
Operating expenses[2] (CAGR: 10%)

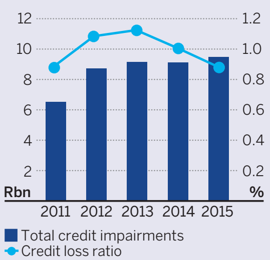
Result: The reclassification of SB Plc as a discontinued operation from 2012 resulted in the material reduction of the group's cost-to-income ratio from 2011 to 2012. Operating expense increases between 2011 and 2015 were slightly elevated as a result of inflation, increased headcount to expand our footprint across Africa, a weaker exchange rate, increased amortisation of intangible assets entering production and higher associated IT support costs. The increase in the cost-to-income ratio in 2015 was due to a combination of a deceleration in income growth to 8% and costs being impacted by a step up in IT systems amortisation and a conversion of 4 360 staff from temporary to permanent status.

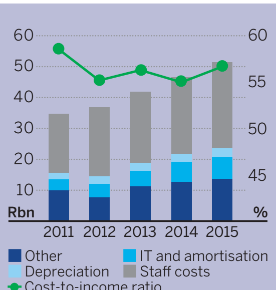
[1] All references to growth are determined with reference to CAGR.
[2] Financial data pertaining to 2011 has not been restated for the disposal of SB Plc.
[3] Financial data pertaining to 2011 and 2012 has not been restated for the disposal of SB Plc.

See **page 12** on how we create value.

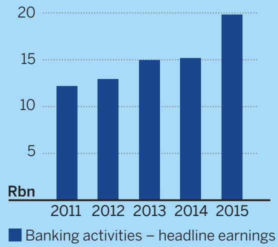






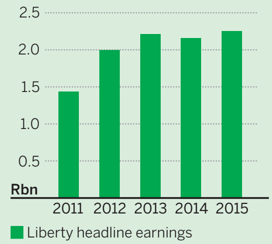


Banking activities headline earnings (CAGR: 13%)



Result: Contributing to the 13% growth in headline earnings between 2011 and 2015 was a 30% growth in the rest of Africa legal entities and the 11% growth in SBSA's headline earnings but offset by a series of losses post the global financial crisis in 2008 in the group's London based operation, SB Plc, of which 60% was disposed of effective 1 February 2015. The most material loss from SB Plc was the R3 745 million reported as a discontinued operation in 2014. This reduced materially in 2015 following its disposal, assisting in a 30% increase in headline earnings from banking activities in 2015.

Liberty headline earnings (CAGR: 12%)

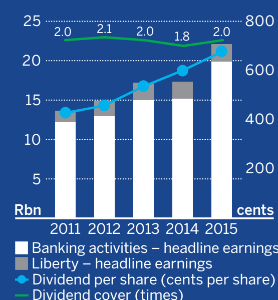


Result: Between 2011 and 2015 Liberty's headline earnings benefited from a steady improvement in operating earnings in the long-term insurance business but moderated from 2012 as a result of lower shareholder investment portfolio gains.

Group headline earnings

(CAGR: 13%)

The combined earnings from banking activities and Liberty reflects a generally positive trend over the five year period. This growth in our headline earnings has enabled us to deliver growth in dividends per share of 12% over the period. Dividends have been covered by earnings by approximately 2 times over most of the period.

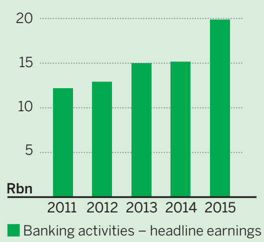


See **page 28** for how we measure our strategic progress with respect to our ROE.

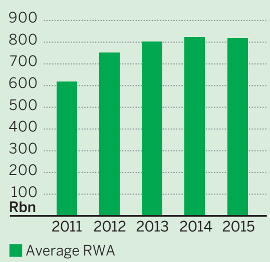
Return on equity

Our ROE is the most relevant measure of our 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. Understanding the drivers of ROE is key to understanding the success of our strategy and business performance over time.

Banking activities headline earnings (CAGR: 13%)[1]



Average risk-weighted assets (CAGR: 7%)



Result: The increase in average risk-weighted assets (RWA) in 2012 was as a result of changes to the South African regulatory framework, specifically the application of a 6% scaling factor on the internal ratings based credit and equity risk portfolios and the implementation of Basel 2.5, which required the inclusion of the stressed value at risk in the calculation of market risk, and strong balance sheet growth in PBB and the rest of Africa. Between 2012 and 2015, the group's average RWA increased as a result of growth in exposures from underlying operations. This increase was partially offset in 2015 by a decrease in average RWA as a result of the disposal of the group's controlling interest in SB Plc.

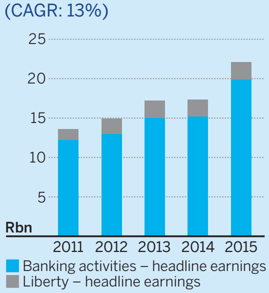
Converting RWA into minimum internal capital requirements, using the capital conversion ratio

2011	**9.0%**
2012	**9.0%**
2013	**9.5%**
2014	**10.5%**
2015	**11.5%**

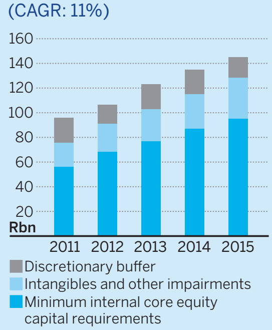
Result: The RWA is converted into minimum internal core equity capital requirements using these capital conversion factors. These factors increased over the period in line with increases in the group's internal capital targets which are based on an accelerated compliance with the SARB's phase-in of the Basel III capital requirements.

AIR See **page 26** for how we measure our strategic progress with respect to headline earnings.

Group headline earnings (CAGR: 13%)



Average shareholders' equity (CAGR: 11%)



Result: The group's average shareholders' equity increased between 2011 and 2015 primarily as a result of growth in the group's retained earnings and foreign currency translation reserve. The shareholders' equity has supported the progressively higher levels of regulatory and internal capital requirements as a result of the adoption of Basel III by the SARB and reflects an accelerated compliance with a complete phase-in by 2018 of the Basel III requirements.

[1] All references to growth are determined with reference to the CAGR.

Our key value creation drivers

Placing our clients at the centre of everything we do, leveraging our presence, knowledge and experience across Africa, our connectivity with China and other selected markets, and the heritage and extent of operations in natural resources.

+

Protecting and enhancing our strong retail and corporate and investment banking franchises, in support of our clients.

+

Focusing on improving ROE in the rest of Africa by leveraging our existing franchise, systems and investment in people to increase market share.

+

Leveraging our investments in IT assets as we move to enhance client experience using our digital platforms.

+

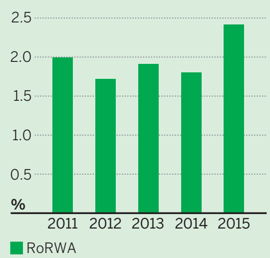
Aligning our wealth businesses to deliver a universal customer offering and enhance returns across our franchise.

deliver progressively improving ROE that will allow us to meet our

medium-term ROE target of 15 – 18%

AIR For a comprehensive analysis of our financial performance, see the financial review on **page 68**.

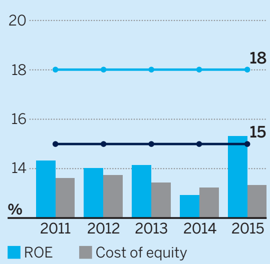
Average return on risk-weighted assets



Result: The RoRWA reflected a decrease from 2011 to 2014 which was principally due to the impact of SB Plc on CIB's RoRWA. The significant improvement in RoRWA in 2015 was due to the material reduction in loss from SB Plc and the removal of the RWA associated with this operation following its disposal in February 2015.

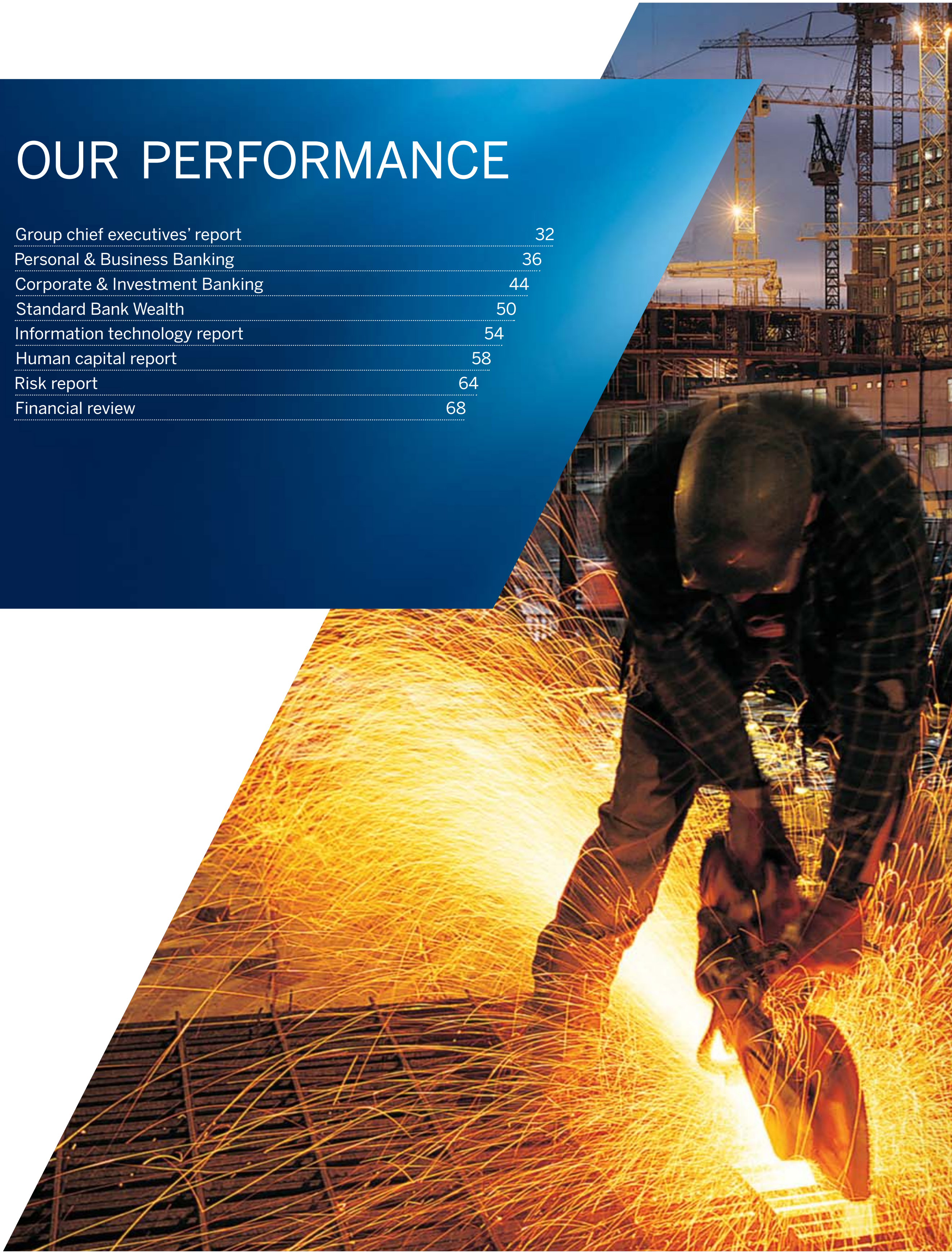
RCM AFS For details regarding the group's cost of equity, refer to the group's risk and capital management report

Return on equity



Result: In 2015, the group's ROE entered its medium-term target range. This achievement was principally as a result of the 27% growth in headline earnings compared to growth in the group's shareholders' equity of 9% in 2015.

OUR PERFORMANCE



Architecture

As an integrated financial services group, we serve the full spectrum of the financial needs of individuals, small and medium enterprises, large corporations and governments across Africa. We are focused on creating the organisational architecture across the group, and optimising the operating models within each of our businesses and functions, to enable our people to consistently deliver exceptional experiences to all of our clients simply, easily and routinely.

Group chief executives' report

Sim Tshabalala / Ben Kruger

"Our repositioning of the Standard Bank Group as a leading financial services organisation in, for and across Africa is largely complete. We have realigned the allocation of our resources to our singular focus on Africa to ensure we stay relevant to our clients across the continent."

Overview

Our repositioning of the Standard Bank Group as a leading financial services organisation in, for and across Africa is largely complete. We have realigned the allocation of our resources to our singular focus on Africa to ensure we stay relevant to our clients across the continent. This deliberate strategic response to the regulatory and market forces reshaping our industry is requiring significant investment in our systems, processes, people and culture, to create an organisation that stands to benefit from the long-term structural opportunities that sub-Saharan Africa offers, while also remaining competitive in the face of more immediate cyclical challenges.

Our balance sheet is stronger and our group structure has been simplified. We have divested from international markets not aligned to our Africa strategy and redeployed our resources in carefully selected geographic markets, economic sectors, client segments and revenue streams that serve our strategic focus. We completed the disposal of a 60% controlling interest in Standard Bank Plc (SB Plc), our London-based global markets business, to ICBC on 1 February 2015, renamed ICBC Standard Bank (ICBCS), and finalised the sale of our banking subsidiary in Brazil in April 2015. We have retained our representation only in those global financial centres that support our strategy to facilitate growth and development in Africa.

Supporting the repositioning of the group is the front to back replacement of our core banking systems. These systems are transforming our relationships with clients by improving our service to them with more agile, flexible and cost-effective digital channels and mobile banking technology.

South Africa's GDP growth rate declined to 1.3% in 2015 as the economy suffered from lower commodity prices, reduced exports to China and the worst drought the country has experienced in over a century. This was compounded by internal socio-political factors and policy missteps. The sustained economic weakness has heightened the threat of increased unemployment and credit risk among personal and business customers. Growth in sub-Saharan Africa slowed during 2015, largely as a result of the impact of lower oil prices on the economies of Nigeria, Angola and Ghana, reduced demand from key trading partners and domestic political instability, as well as water and electricity shortages in some countries.

In 2015, headline earnings grew by 27% to R22 billion, driving ROE to 15.3% (2014: 12.9%), and pleasingly into our medium-term target range of between 15% and 18%. Our continuing operations in South Africa and the rest of Africa posted a solid performance, in spite of the deteriorating macroeconomic conditions across many of our markets. However, overall performance was negatively impacted by losses in ICBCS, in which the group retains a 40% interest that is equity accounted for in Corporate & Investment Banking's (CIB) financial results.

1 359 cents ↑
Headline earnings per share **27%**
2014: 1 070 cents

15.3%
Return on equity (ROE)
2014: 12.9%

Strategy

Our vision is to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value. This sets the primary goals and standard of excellence we intend to achieve in the medium term, within the context of our multi-generational purpose which recognises that Africa is our home and we drive her growth. Our long-term success depends on this growth. As an integrated financial services organisation that serves the full spectrum of the financial needs of individuals, small and medium enterprises (SMEs), large corporations and governments across sub-Saharan Africa, it is in our interest that Africa's growth is strong and inclusive.

The intentions of our strategy place our clients at the centre of everything we do, which improves each client's experience and enables us to extend our advisory and financial products and services in a purposeful and responsible manner.

China and Africa have an important shared role in the future of the global economy and our partnership with ICBC combines their financial and global reach with our deep expertise in Africa for the benefit of our clients. Our seven-year collaboration with ICBC has been strengthened further by the framework agreement entered into between ICBC and Standard Bank in 2015, and remains an important element in our Africa strategy and in the future of ICBCS.

Becoming the leading financial services organisation in Africa

The ultimate test of our strategy is whether it will enable the group to deliver a superior ROE and sustainable growth in earnings over the medium to long term.

The South African franchise continues to provide a strong home base that produces the bulk of the capital we need to execute our strategy on the continent. Personal & Business Banking (PBB) South Africa has maintained a pattern of consistent growth in earnings over the past five years. This has been supported by our focus on improving the customer experience as well as our investment in technology, which has enabled us to build a strong digital infrastructure in response to changing customer needs. CIB has benefited considerably from the strong relationships it has developed with quality South African clients, and our capacity to support their growth ambitions beyond domestic borders. A number of the hallmark transactions done by CIB in 2015 were for South African corporates pursuing growth in sub-Saharan Africa.

The group's operations in the rest of Africa, which are embedded in the continent's long-term growth markets, continue to evolve and grow. However, the deterioration in commodity markets and our more cautious approach to client risk slowed the pace of growth in 2015. This is reflected in the banking franchise's overall growth in total income of 11% and headline earnings of 12%, compared to growth in 2014 of 22% and 41% respectively. The PBB franchise in the rest of Africa improved its financial performance, growing its headline earnings by 85% to R192 million in 2015 in a difficult operating environment. We now have seven countries on the new core banking platform after the first successful implementation of the Finacle core banking cloud solution during the year. In 2015, we focused on stabilising and improving the performance of information technology (IT) infrastructure, strengthening local management in some operations and improving risk management and compliance practices across the business. A representative office was opened in Ethiopia and we expanded our representative office in Côte d'Ivoire to a full service bank.

While financial markets in the rest of Africa are less developed than those in South Africa, they are demonstrating far higher growth potential in financial services as a result of governance reforms, higher economic growth, improving financial literacy and increasing product penetration. Over the medium to long term, we expect our banking franchise in the rest of Africa to continue increasing its contribution to group revenue and headline earnings, and to grow at a faster pace than our domestic operation which functions in a relatively mature market with constrained growth.

During 2014, Standard Bank Wealth (SBW) was established to align our non-banking financial services businesses across the group to create integrated financial solutions for our customers. During 2015, SBW strengthened its collaboration with PBB and CIB, enabling the group to compete more effectively through enhanced customer value propositions. SBW is being positioned to contribute to the group's future growth as it increases its share of wealth markets in South Africa and captures significant growth opportunities in the rest of Africa.

Our operations are resilient during negative economic cycles because they have diverse sources of revenue across the full range of financial services in different geographic locations, economic sectors, and business lines. For example, CIB benefits from the increased proportion of income it has gained in recent years from transactional products and services, which provide regular flows of business with lower capital requirements. Similarly, CIB's knowledge and experience in the main sectors underpinning Africa's growth and development in particular oil and gas, mining and minerals, and power and infrastructure, as well as across a range of other sectors such as financial services, telecommunications, retail and real estate, has mitigated declines in its oil and other commodity-related income. PBB is focusing on growing its market share in the higher value business banking segment to mitigate the impact of intense competition in its personal banking segments. SBW also has diverse sources of income and will enhance the quality of group headline earnings with the higher margin and lower capital nature of its income.

We allocate capital and human resources to market segments where we believe we will be most effective in creating value for our clients and generating profitable revenue. This is reflected in our strategy to shift the focus of our core transactional business in the rest of Africa to higher value individual and business customers. While this shift has improved the risk profile of our customer base in these segments, it has required patience as we balance the pursuit of market share in countries such as Nigeria, Angola and Kenya with the requirements of our risk appetite.

As these markets continue to grow and we build scale, we expect that our investments, particularly those we are making in digital infrastructure, will be more fully utilised by growing our customer base. An important contributor to this growth will be our increasing involvement in all elements of our business clients' value chains, where we provide a range of banking and non-banking financial services to the business owners, their clients and service providers, and their employees. Apart from the opportunity this offers to acquire new clients and deposits, it supports growth in non-interest revenue.

In an organisation as large as ours, employing 54 361 people across many jurisdictions, we face the risk that breaches of compliance and ethical lapses can occur, particularly where regulatory environments differ or are still evolving. We manage these challenges by instilling regulatory best practice across our operations, which includes interacting closely with regulators. Our group policies, which embrace international best practice, are binding on all of our subsidiaries. The group takes breaches of compliance very seriously and we respond decisively when they occur. One such example was the deferred prosecution agreement (DPA) entered into with the United Kingdom (UK) Serious Fraud Office (SFO) relating to a suspicious transaction that occurred in Stanbic Bank Tanzania in 2013. We self-reported the issue to the SFO within days of it coming to our attention and assisted the SFO in full in its investigations. While we deeply regret that this issue arose, we are confident that the group and its subsidiaries have responded appropriately, which has included providing additional training to our people. We remain committed to the highest business standards in all the markets in which we operate.

Transforming our IT infrastructure

We are entering the final stages of our IT transformation programme. We have achieved significant milestones in implementing our new core banking systems to support a digital environment which offers clients more choice, lower costs and easier mobility in an always-on, always-connected world. To date, we have transferred 11 million PBB customers onto the new core banking systems in South Africa and the rest of Africa.

The anti-money laundering programme was successfully launched in South Africa in February 2016. Our main objectives for the remainder of 2016 and 2017 will be to transfer the balance of 6,3 million savings, investment, complex personal and business customers onto the new platform, and discontinue legacy systems which are currently operating in parallel with the new infrastructure. With the support of continuous technological advances, we now offer our customers simpler and more efficient payment and banking products through integrated channels, including mobile banking. As we conclude the implementation of the major IT programmes, our highest priority will be to ensure the stability and availability of our systems. We will continue to focus on improving cost efficiencies to bring IT expenditure within global benchmarks by 2017.

Our greatest competitive advantage

We have continued to deepen our people's understanding of the group's strategy and the culture of clear accountability, effective decision-making and social relevance that is required to support its effective execution. We work in a fast-paced, highly competitive industry with ever-changing demands on our people as we build a digital organisation. Therefore it is necessary to help them adapt by equipping them with new skills and remodelling processes, to enable them to fulfil the needs of our clients and provide exceptional client experiences.

We recognise that employee engagement is a lead indicator of client experience. We are committed to best practice people management and to a workplace where high performance is expected and rewarded. Diversity in our leadership teams and demographic representation among our employees across Africa is an advantage as we serve equally diverse client bases. As we make the transition to a more integrated African business, we regularly relocate staff between our domestic and rest of Africa franchises, although we are mindful of the need to balance local requirements against this strategic objective.

This year Simon Ridley retires as our chief financial officer and group financial director. Simon embodies what the people of Standard Bank aspire to be. He is highly respected across the group and the industry for his unshakable integrity, his razor-sharp intelligence, his quiet eloquence, and his immense banking and accounting skill.

Simon is a great manager as well as a great accountant and banker. He has always found exactly the right balance between expecting the best possible work from everyone, including himself, while simultaneously being supportive and approachable. He has been a consistent advocate of transformation, and has created a finance team that embodies excellence and diversity at every level. Over his long and distinguished career with us, he has made an immeasurable contribution to the profitability and sustainability of our group. He will be greatly missed on our board and executive committee, but we are pleased that we will continue to benefit from his wisdom and expertise on the boards of several of our group companies.

Prospects

Global growth is projected by the IMF to accelerate to 3.4% in 2016 and 3.6% in 2017, although the recovery in global activity is projected to be more gradual than previously anticipated, especially in developing economies. In advanced economies, a modest and uneven recovery is expected to continue. Risks to the global outlook remain tilted to the downside influenced strongly by a broad-based slowdown in emerging market economies, China's rebalancing to a consumer and services driven economy, lower commodity prices, and the gradual exit from accommodative monetary conditions in the United States (US).

Most countries in sub-Saharan Africa are expected to experience a gradual upturn in economic growth, but at lower rates than those seen over the past decade. This reflects the adjustment to lower commodity prices and higher borrowing costs, which are affecting some of the region's largest economies, as well as a number of smaller commodity exporters. In South Africa, the growth outlook for 2016 has slipped to below 1% due mainly to the effect of the drought and tighter financial conditions.

The year ahead is likely to present a demanding operating environment in which consumers and businesses will have to adapt to higher interest rates and the full effect of currency weakness. However, the group's strategic positioning, well-capitalised and liquid balance sheet, and committed employees will enable us to withstand the macroeconomic uncertainties and volatile markets for the sustained benefit of our clients. Our medium-term ROE target of between 15% and 18% remains intact. The group's ROE performance will however be affected by factors such as economic growth in South Africa and the rest of Africa, and the retention of an investment grade sovereign credit rating in our domestic market. As such, we are working closely with the authorities to promote a stable, growth-friendly environment.

Personal & Business Banking

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

Peter Schlebusch,
Chief executive – PBB

"Our main priority in the current market environment is to redefine customer experiences by understanding and delivering what matters to our customers. With the support of continuous technological advances, we are providing our customers with simpler and more efficient payment and banking products through integrated channels, including mobile banking."

Overview

PBB delivered another commendable performance in 2015. Between 2010 and 2015, the franchise has achieved 21% compound annual growth in headline earnings, demonstrating the progress we have made in growing our targeted customer base and enhancing our operational platforms in selected countries in Africa. While the overall customer base across South Africa and the rest of Africa declined slightly by 6% to 14,9 million customers, the number of current accounts in our target segments increased by 10% to approximately 656 000.

The resilience of our South African operation resulted in pleasing headline earnings growth from the high base established in recent years. This was achieved despite declining consumer and business confidence, fierce competition and ongoing regulatory pressure. The franchise responded effectively to the increasing demand for mobile banking, to retain customers in the heavily contested personal banking market.

Our franchise in the rest of Africa managed to improve its overall financial performance despite our largest operation in Nigeria being impacted by economic and political challenges. The franchise continued to focus on the acquisition of profitable customers in clearly defined segments.

R11,2 billion
Headline earnings, contributing 51% to group headline earnings.
2014: R9,8 billion and 57% contribution

10%
Growth in targeted retail customer segments.

58
Overall channel net promoter score (NPS) for PBB South Africa.
2014: 56

RECOGNITION:
PBB SOUTH AFRICA

2015 SUNDAY TIMES/TNS TOP BRANDS SURVEY

Leading brand in consumer banking for the third consecutive year

ASSEGAI AWARDS 2015

Brand of the Year awarded to business and commercial banking

Overall, PBB recorded headline earnings of R11,2 billion, 15% higher than in 2014, driven by good growth in top line revenue (particularly in net interest income), lower credit impairments and relatively well-controlled costs, despite higher amortisation costs arising from our capitalised core banking transformation programmes. An ROE of 18.1% was achieved (2014: 18.1%).

Strategy

We reviewed PBB's strategy in 2015, to align it with the group's Africa strategy. Our purpose, which should endure for generations to come, is improving lives and fulfilling aspirations across Africa. Our vision, which aims to bring us closer to our purpose in the next five years, is to radically redefine customer experience by understanding and delivering what matters to our customers. We believe we can achieve our vision given our 153-year heritage, during which time we have demonstrated a pioneering spirit, and an ability to make both commercially pragmatic and brave long-term decisions. We also have a large, diverse customer base, great people working for us and a unique presence in and passion for Africa, our home.

The progress we have made against our specific strategic objectives is set out below.

South Africa

Grow our customer base in our chosen segments by delivering an excellent and consistent customer experience

PBB South Africa operates in a fiercely competitive market. An ever-increasing number of banking and non-banking enterprises compete for the business of a relatively static number of bankable customers, who are constrained by a low-growth economy. The rapidly changing digital environment, which offers customers more choice, lower costs and easier mobility in an always-on, always-connected world, compounds these challenges.

Our main priority in the current market environment is to redefine customer experiences by understanding and delivering what matters to our customers. With the support of continuous technological advances, we are providing our customers with simpler and more efficient payment and banking products through integrated channels, including mobile banking.

Building a digital business enables deep insight into customer needs, and provides new ways to fulfil those needs. But this requires a culture that empowers our people to listen to customers and respond with appropriate, effective and innovative solutions. Our strategy recognises that a profound cultural shift and new ways of working are necessary to place our customers at the centre of everything we do.

In the past two years, we have focused on building convenient mobile solutions that give customers control of all aspects of their finances on their smart mobile devices.

Largest provider
of residential mortgages in South Africa, with a 30% market share.

90%
Increase in mobile banking transaction volumes in South Africa.

73%
PBB customers in the rest of Africa on the new core banking platform.

This has included launching a banking application (app) on tablet, mobile and smartwatch and a refreshed internet banking platform, as well as mobile payment solutions such as SnapScan, MasterPass, BlueMobi, InstantMoney and WeChat Wallet. Over 22 000 merchants and more than 200 000 customers have signed up for SnapScan, while InstantMoney has processed more than R7,5 billion in money transfers.

In 2015, we continued to strengthen our mobile offerings, achieving several firsts in South African banking. We were the first to launch biometric identification to enhance security on our mobile banking app. We also introduced a balance peek function, allowing customers to check their balances with a single swipe without logging into the app. We listened to customers who wanted to be able to manage their electronic account payment limits themselves, introducing this functionality on internet banking and the banking app.

Other enhancements to the banking app have provided customers the ability to trade shares on the JSE, buy and sell instruments from 29 stock exchanges across the world, view accounts held with the Standard Bank Offshore Group, view wealth and insurance portfolios in South Africa and offshore, view their vehicle and asset finance (VAF) accounts, submit insurance claims for homeowners' cover using photos taken with a smartphone, and calculate bond affordability and repayments easily.

BluMobi, our mobile point of sales solution, allows small businesses, particularly those with mobile workforces or without access to fixed data or telephone lines, to make payments using a smartphone or tablet and a BluMobi device. We have the largest number of Tap and Go cards in issue in South Africa and our point of sales acquiring devices are Tap and Go enabled, a facility that has been well adopted, particularly by fast food outlets. In the Ethekwini municipality in KwaZulu-Natal, the transit system enables 80 000 commuters to use Tap and Go.

Mobile banking transactional volumes grew by over 90%. During the year, 825 million financial transactions worth R430 billion were processed through the banking app. In contrast, teller and enquiry volumes across all points of representation dropped by 21% and 12% respectively. This demonstrates our progress in transforming from a branch-based bank to a digitalised financial services group able to offer a range of services in real time. Our new internet banking site enabled us to move from fifth to second place in the internet banking user satisfaction index survey, SITEisfaction. The old internet banking site, which we are running concurrently, will be switched off during 2016.

The threat of cybercrime remains a critical focus area of our risk management processes. Our aim is to protect our customers without adding inconvenience. The integrated operational risk unit is involved in the development cycle and at various stages of new product and system launches, to ensure that appropriate fraud mitigation measures are incorporated.

Our technology enables fingerprint scanning, and SIM card and device verification before processing a payment. Combined with MyUpdates text messaging to inform customers that a transaction has been performed on their account, this makes mobile banking our safest channel. In another South African banking first, customers can now use the banking app to activate their cheque or credit card when preparing to travel abroad, so it can be used only during the specific time and within the countries of their travels, thereby improving security.

Following the development of a single repository for all customer queries, leads and complaints in 2014, we completed the next phase of improving the customer experience when we migrated 34 million customer profiles off various legacy systems onto a single customer master file in March 2015. This forms the foundation for capturing and analysing customer data more effectively, which will enable PBB to provide proactive, relevant offers to individual customers.

Our systems availability and stability was less than satisfactory in 2015. We experienced instability in April following the migration of customer files as well as outages in August and September, caused by hardware failures. While some interruption is inevitable given the scale of our core banking

> "Our vision, which aims to bring us closer to our purpose in the next five years, is to radically redefine customer experience by understanding and delivering what matters to our customers."

transformation, we understand the disruption is frustrating for our customers and frontline staff and we are truly sorry for the inconvenience caused. System stability improved markedly towards the end of the year, which bodes well for 2016.

We continue to focus on acquiring primary transaction and deposit accounts. These retail deposits reduce our reliance on expensive wholesale funding and assist in building a track record of customer cash flows and rich customer information to assess risk.

We have kept fee increases for personal customers below inflation, with no bundle fee increases for customers with Access Plus and Elite Plus accounts. The sixth Solidarity Bank Charges Report released by the Solidarity Research Institute in November found that the Elite Plus account was the cheapest of the big four banks for mid-income earners. We introduced new credit card products and value adds in our upper income personal and business banking segments, including the new Prestige professional offering and World Citizen cards. Our reward system, UCount, has been taken up by 628 000 customers, many of whom are earning rewards well in excess of the cost of their banking fees.

A highlight in 2015 was the return to profitability of our personal market VAF business after a period of underperformance. The appointment of new leadership with extensive relevant expertise and experience, together with our investment in online integration with dealer origination platforms, supported this pleasing result. We believe that we are originating quality new business which has resulted in favourable income growth and an improvement in the credit loss ratio in this business.

The business and commercial banking unit, which includes SMEs, serves more

Focus on / **socioeconomic development**

An important part of remaining socially relevant is to offer products and services that include marginalised individuals and small enterprises. This includes providing responsible access to credit and supporting financial literacy initiatives that enable informed financial decision-making.

We are the largest provider of residential mortgages in the affordable housing sector in South Africa, with a 35% market share. Around 10 600 (2014: 12 000) affordable housing loans were financed in 2015 with R1,3 million invested in borrower education, benefiting 2 536 (2014: 2 937) home buyers. The retraction of business in mining towns due to the commodity downturn accounts for the decrease in home loans provided.

During the year, we invested R35 million (2014: R18 million) in consumer education in South Africa and we are investigating opportunities to partner with big retailers and corporates to introduce financial literacy to their employees. Through our partnership with the Global Fund, we provide financial upskilling to the fund's beneficiaries helping them to manage donations effectively.

A strong and growing SME sector is essential to the long-term development and transformation of economies. BizDirect Response Centres in Namibia and South Africa are dedicated facilities that address the primary needs of SMEs. In 2015, we introduced virtual business centres for small enterprises in 11 countries, providing faster turnaround times as a result of banking transactions facilitated through eSignatures and biometrics.

In South Africa, we are working with government departments and other role-players to facilitate owner-investment in Reconstruction and Development Programme township properties, with the aim of raising property values to enable SME owners to use this as financing collateral. At December 2015, our South African lending book to small, micro and start-up businesses was R13,8 billion (2014: R14,3 billion). Towards the end of 2014, we introduced a specialised enterprise development customer proposition. It provides financing solutions to mainly black-owned companies that have gained access to preferential procurement opportunities from corporates or public sector entities. We work to understand each company's financial needs and, where there are inherent risks in operational and financial management, we provide non-financial and technical development support to mitigate these risks. This ensures that the supplier is able to fulfil their contractual obligation and can service the loan. In 2015, we distributed loans of over R450 million to enterprise development customers (2014: >R50 million) and invested R25 million (2014: R26 million) in our enterprise development initiatives. Together with the Johannesburg Chamber of Commerce and Industry, we have launched an SME Export Incubator, a three-year training and mentoring programme for small businesses in the export sector.

Each SME customer in the rest of Africa has access to a dedicated relationship manager, irrespective of the size or life stage of their business. In 2015, SME deposits and funding amounted to R15,8 billion (2014: R12,8 billion) and R4,3 billion (R5,7 billion) respectively.

than 500 000 businesses. According to independent research, it maintained the largest market share in South Africa in 2015. A number of changes to the unit have enabled us to better interpret our customers' aspirations, and partner them in growing their businesses. Technological enhancements, the introduction of a relationship model, industry research and in-depth interviews have enabled a deeper understanding of our customers' needs and an improved customer experience.

Dedicated capabilities aimed at supporting African expansion, as well as international trade, have been established to support our business and commercial banking customers wanting to develop trade relationships with counterparts in other African countries. In addition, the expertise of our sector teams strengthens our ability to provide relevant services in specific sectors such as agriculture, public sector, natural resources and wholesale and retail trade.

The agricultural sector, which comprises 4.2% of PBB's total loans and advances, has seen increased default levels due to the ongoing drought. The defaulted portfolio has been well covered from an impairment perspective and management overlays have been introduced to mitigate further potential portfolio deterioration.

Our key measure of customer loyalty is the globally recognised NPS. In 2015, our overall channel NPS score improved slightly from 56 to 58. Channel NPS covers branches, prestige and private banking, Standard Bank Financial Consultants, business banking, self-service channels and ATMs. The score indicates an improvement in customer service across the group supported by staff training and incentivisation, streamlining of customer processes and the migration to digital platforms.

Use technology to improve efficiency, effectiveness and innovation

Our core banking programme underpins our transformation into a customer-centred, agile and digitally enabled bank. The comprehensive nature of the programme involves overhauling both the back-office and front-end operations simultaneously. It is a lengthy, complex and capital intensive process which continues to receive the highest levels of executive attention to ensure we complete it, with minimal disruption, by the end of 2017. This strategic investment in the future of the bank will remain a significant feature of our costs for the foreseeable future.

We have faced many challenges in our core banking transformation journey. We have had to manage the unexpected complexity of running two systems in parallel to maintain legacy functionality while introducing new capability, the instability which naturally follows large implementations, and the implementation of significant new regulatory requirements. However, the new platform has enabled the introduction of the digital solutions already mentioned, and is allowing us to drive innovation to remain relevant to our customers. The new platform also allows for easy integration of third-party solutions – by partnering with innovative Fintechs we are able to increase the speed at which we launch new services in response to customer needs. SnapScan demonstrates the benefit of this approach to appropriate 'open' innovation. A key feature of these platforms is that we can replicate them to build economies of scale across the group.

The fully functional core banking platform is processing substantial volumes, with approximately 570 million transactions processed in 2015, 27% more than in 2014. The platform enables the immediate reflection of the value of transfers which on the legacy system could take days. It has also radically reduced the time taken from development to deployment of new products from months to just six weeks.

“In 2015, we strengthened our focus on the cultural shift necessary to change the way we engage with customers, how we work and how our people interact within the organisation.”

During 2015, we began the process of decommissioning legacy systems and to date eight have been decommissioned. By the end of 2017, an estimated 6,3 million savings, investment and complex personal and business accounts will be on the new core banking platform.

Build excellence through engaged and committed people

Engaged and committed people are crucial to delivering excellent customer experiences. In our employee engagement survey for 2015, the overall Connect Index score was 77.2% against a target of 80%, the benchmark for high-performing companies.

In 2015, we strengthened our focus on the cultural shift necessary to change the way we engage with customers, how we work and how our people interact within the organisation. Our leadership programmes, staff roadshows, forums and conferences focused on achieving clarity in respect of our purpose and vision, and building a culture which empowers our leadership team and people to execute our strategy. In addition to this, we offer entrepreneurial programmes to promote a more agile and innovative culture which encourages learning from mistakes.

PBB South Africa employs the largest staff complement in the group, of which 81.1% of junior management, 70.8% of middle management and 48.3% of senior management are black. We are encouraged by the progress we have made against our internal transformation targets, although we have more work to do in achieving our targets for senior management and particularly women executives. We are committed to working towards achieving the targets set out in the new financial sector codes.

Rest of Africa

PBB's franchise in the rest of Africa increased headline earnings despite the impact of challenging market conditions, including low commodity prices in Nigeria and Angola, and drought in Zambia. The operations in Botswana and Tanzania recorded ongoing losses, albeit at lower levels. These impacts were offset by strong performances in Namibia, where our investment in systems has resulted in improved customer service levels and system stability, while Uganda is benefiting from the positive effect of new leadership. Our other smaller southern African country operations, apart from Botswana which has been subjected to acute liquidity shortages and a three-year regulated cap on fees, sustained their strong growth trends.

Our main focus in 2015 was on maintaining the growth momentum of the past two years in increasingly challenging market conditions. Compound annual revenue growth for the rest of Africa over the past five years has been a rewarding 27%.

Grow our customer base in our chosen segments by delivering an excellent and consistent customer experience

Our strategy to shift the focus of our core transactional and liability gathering business to higher value middle income and affluent personal customers, as well as higher value enterprises and commercial customers, gained momentum in 2015. This was reflected in strong growth of 6% in the number of total customers, with particularly good sales growth in private banking (75%), the middle and upper income personal banking segment (63%) and commercial banking (17%).

An important contributor to this growth has been the progress we have made in extending our reach into all elements of the value chain in business banking, including business owners and their clients, service providers and staff. Apart from the opportunity this offers to acquire new customers and retain higher levels of deposits, it supports growth in non-interest revenue, which is important to improve our ROE.

Electronic document management was implemented in all countries except Nigeria, which is scheduled for completion in the first quarter of 2016. This has strengthened the processing, storage and retrieval of know your customer and other customer-related documentation for new customers, as well as all existing Standard Bank customers in the rest of Africa. This enhanced process has reduced unnecessary customer frustration while enabling the bank to be fully compliant with customer-related legislation and promptly addressing areas of non-compliance.

We maintained our focus on making it easier for customers to make payments and collect money, using different channels. We increased investment in ATMs, growing the ATM network 13% in the rest of Africa to 1 542 at the end of 2015. The volume of ATM transactions rose by 13%. We postponed the introduction of internet banking, the banking app and other group innovations such as InstantMoney and WeChat Wallet to a further nine countries until 2016. This was to ensure the necessary IT systems were properly bedded down and stable. These delays impacted our plans to further improve our service in payments and collections, which will be a key focus in 2016.

We implemented a plan to take PBB in Nigeria to profitability, which includes improving customer service by empowering branch managers, driving efficiencies by enhancing and streamlining processes, optimising channels to reduce the cost to serve, having robust credit risk management processes which include strong recovery and credit monitoring, and aggressively growing the number of customers in targeted segments.

Use technology to improve efficiency, effectiveness and innovation

Our strategy to grow our customer base depends on the stability and availability of our services and the competitiveness of our offerings in the markets in which we operate. We experienced challenges in both of these areas, with outages caused by power or system failures and the delay in the implementation of digital channels in some countries which affected our customers' ability to make payments and collect money.

As a result, we focused on stabilising all existing IT infrastructure in 2015. Over the past four years, Finacle core banking has been deployed in seven countries. In 2015, Swaziland was the first country to implement Finacle core banking in a centrally hosted private cloud. Subject to regulatory approval, this cloud enablement will be extended to the remaining operations in the rest of Africa in 2016 and 2017.

We now have 73% of our customers in the rest of Africa on the new core banking platform, which processed R310 million worth of transactions in 2015. This was 24% higher than in 2014. Core banking upgrades were successfully completed during the year in Botswana, Ghana and Namibia, with upgrades in Nigeria, Tanzania and Uganda scheduled for the first half of 2016. The new version of Finacle core banking is more agile, enhances our cybercrime risk mitigation, provides a better user experience and delivers operational efficiencies and flexibility, standardised technology and future cost savings due to shared cloud infrastructure.

These upgrades delayed the implementation of the new core banking solution in Zambia and Zimbabwe to 2016. Angola, Kenya and Mozambique will continue to operate on the existing Temenos core banking system but will be able to introduce Standard Bank's digital channels as these are peripheral to the core banking system. Save for these three operations, all our African franchises will be migrated to the new core banking platform by the end of 2017.

In 2015, we continued to focus on creating a consistent financial crime management framework in the rest of Africa. SMS Alert, which notifies customers of any activity on their accounts, is available in 14 countries, with 2,4 million subscribers (2014: 2,1 million).

Build excellence through engaged and committed people

We remain focused on ensuring that our businesses are managed by local leadership teams that are committed, competent and empowered to make effective decisions.

Finding and recruiting the right people with a specific set of skills is a challenge in a number of our African countries. We have however worked hard to empower our people to feel a sense of ownership of their businesses, and we believe we have the makings of excellent leadership teams in the rest of Africa.

Leadership changes in Botswana and Uganda have strengthened the staff morale in these operations, and we have focused on building a strong team in Nigeria. We have condensed the regional split of our network from three to two regions, with Nigeria as our biggest country reporting directly to the chief executive of PBB Rest of Africa.

> "Our strategy to grow our customer base depends on the stability and availability of our services and the competitiveness of our offerings in the markets in which we operate."

Outside Africa

PBB outside Africa is the group's offshore wealth management business, operating from Jersey, Isle of Man, Mauritius, London and South Africa. The business has a global distribution capability to serve the international banking needs of high net worth and affluent customers and to provide services to trusts and corporates. PBB outside Africa supports the group's liquidity requirements by providing diversified, stable and cost-effective funding and helps African customers and those interested in Africa to create, grow, protect and pass on their wealth.

PBB outside Africa is an integral part of the group's value proposition. During 2015, we were successful in aligning the business to the group's Africa focus, with African-linked customer revenues representing 58% of income from the high net worth business (2014: 48%). In addition, distribution teams for international personal banking were extended to Angola, Kenya and Nigeria. As a result, we grew the deposit book by 22% to GBP3,8 billion.

Financial performance

PBB's headline earnings of R11,2 billion increased by 15% compared with 2014. Net interest income grew by 11% and moderate growth of 7% in non-interest revenue resulted in total income growth of 9%. Credit impairment charges were 5% lower than in 2014 and operating expenses, which were affected by the conversion of temporary employees to permanent employees during the year, increased by 10%. PBB's ROE was maintained at 18.1%. PBB South Africa headline earnings increased by 13% while PBB rest of Africa headline earnings improved to R192 million from R104 million in 2014. Good growth of 51% in PBB outside Africa headline earnings, which amounted to R461 million, was achieved and assisted further by rand depreciation during the year.

Looking ahead

The economic environment for our customers in South Africa is expected to be more challenging in 2016. Anticipated weakness in the rand will weigh on the cost of imports and the severe drought across sub-Saharan Africa will impact food inflation, increasing the pressure on already strained personal and business banking customers. Economic growth is expected to slow even further in 2016 and will impact business growth and employment prospects.

PBB has demonstrated its resilience in challenging operating environments. Our strength is underpinned by our strategy that places our customers at the centre of everything we do and that enables responsible lending practices as a consequence of knowing our customers. In addition, we continue to exercise prudent cost management, while still continuing to invest for future growth. Our core banking transformation is enabling us to remain relevant to our customers in the rapidly changing world of financial services.

Work on our architecture platform enabled us to release digital banking services in Namibia, Nigeria and the Standard Bank Offshore Group. In 2016, the banking app will be deployed in Botswana, Ghana, Namibia and Uganda, and customers in South Africa will be able to pay accounts anywhere in the world.

On the back of our successful migration of customer profiles onto our new core banking system, we will strengthen our customer data and analytics capabilities. This will underpin our ability to provide relevant solutions informed by deep and precise insights of what matters to our customers. We will also continue to adapt our people management processes and culture to ensure that the entire organisation is turned towards our customers, that we truly listen to what matters to them and that we deliver on this in each engagement – be it physical or digital. This is what radically redefining customer experience will mean for us in 2016.

Our powerful on-the-ground presence across the rest of Africa has good momentum and is well positioned to continue to grow profits in spite of the deteriorating economic conditions in Nigeria and challenging operating environments in many of our other markets on the continent. Strong performances by the majority of the operations in this franchise confirm the benefit of our diverse portfolio. Notwithstanding the challenges, we are excited by the opportunity and growth prospects that Africa offers.

Corporate & Investment Banking

CIB's client base comprises a wide range of multinational companies and local and regional businesses, financial institutions and governments. The partnerships we form with our clients help to drive Africa's growth.

David Munro,
Chief executive – CIB

"The legitimacy that comes from our 153-year history in South Africa and our powerful on-the-ground presence in 19 countries across the rest of Africa, which now contributes 48% to the franchise's total revenue, makes us a trusted partner to multinational and domestic clients conducting business on the continent."

Overview

CIB serves a wide range of clients in their banking, finance, trading, investment and advisory requirements. Our presence and experience across Africa underpins our ability to connect African markets to each other and to international pools of capital. This, combined with our diversified product expertise and strong reputation, affords the franchise a unique competitive position.

The impact of the rapid decline in the prices of oil and other commodities was somewhat mitigated by our diversification across a range of other sectors and regions which continue to offer growth opportunities in the rest of Africa. A strong revenue contribution from our South African franchise, driven largely by the resilience of corporate clients and our capacity to support their growth ambitions beyond South African borders, demonstrated the benefits of our unrivalled presence in all the continent's key markets.

Overall, CIB grew headline earnings strongly from the low 2014 base of R5,0 billion to R7,9 billion, with ROE of 14.3% (2014: 10.2%). However, CIB's performance was negatively impacted by losses in ICBCS, in which the group retains a 40% interest that is equity accounted for in CIB's financial results.

R7,9 billion
Headline earnings, contributing 36% to group headline earnings.
2014: R5,0 billion and 29% contribution

1 675
Clients surveyed across Africa to enhance our understanding of clients' needs.
2014: 1 143

Eight
Project finance loans of USD10 million or more, were assessed according to the Equator Principles.
2014: six

INTERNATIONAL RECOGNITION

THE BANKER 2015 INVESTMENT BANKING AWARDS

Most Innovative Investment Bank from Africa

EMEA FINANCE AFRICAN BANKING AWARDS 2015

Best Investment Bank in Africa

EUROMONEY AWARDS OF EXCELLENCE 2015

Best Bank in Africa

GLOBAL FINANCE WORLD'S BEST EMERGING MARKETS BANKS 2015

Best Bank in Africa

Strategy

CIB aspires to be the leading corporate and investment banking business in, for and across Africa with deep specialisation in natural resources. Africa's relatively strong economic growth and our belief in its ability to realise its potential, together with our established position across the continent, gives us the unique opportunity to partner with our clients, forming long-term, well-coordinated relationships that help them achieve their strategic objectives. Our focus is on delivering integrated solutions to our clients and placing them at the centre of everything we do.

Africa's growth and development is underpinned by three main industry sectors: oil and gas, mining and minerals, and power and infrastructure. These are in turn supported by investment in exploration, production, transport infrastructure, facilities management and other downstream activities. All of these sectors depend on financial services to facilitate foreign investment and trade.

The steady decline in oil prices since October 2014 and persistent weakness in other commodity markets, which determine the economic performance of some of our key markets in Africa, presented a significant challenge in 2015. This was compounded by competition in the financial services industry across the continent, constant regulatory pressure and the depreciation of African currencies against developed market currencies.

We have leveraged our competitive advantage of sectoral diversity to ensure that we remain resilient in spite of these challenging conditions. While natural resources drive economic growth by facilitating trade, stimulating infrastructure investment and bringing multinational investors to Africa, the continent offers growth opportunities across a range of other sectors that serve the needs of burgeoning populations. We have deep experience in sectors such as financial services, telecommunications, retail and real estate. This, together with our geographic diversity, has mitigated the impact of the downturn in commodity prices on our performance.

The legitimacy that comes from our 153-year history in South Africa and our powerful on-the-ground presence in 19 countries across the rest of Africa, which now contributes 48% of the franchise's total revenue, makes us a trusted partner to multinational and domestic clients conducting business on the continent.

Since we confirmed Africa as the centre of our strategy in 2011, we have completed the disposal of interests beyond Africa that did not serve our strategic vision, and scaled back other operations that did not offer a clear strategic link to Africa. The completion of the disposal of a 60% controlling interest in Standard Bank Plc (SB Plc), our London-based global markets business, to ICBC on 1 February 2015 and the finalisation of the sale of our banking subsidiary in Brazil in April 2015 represent the final stages of this strategic journey. We have retained representation only in those

Financial advisor and transaction sponsor to AB InBev on its

R3,1 trillion

secondary inward listing on the JSE – the largest announced transaction globally in 2015.

R3,2 billion

Average weighted transformational infrastructure lending. This is the financing we provide to projects that support social and economic activity in historically underserviced areas in South Africa.

2014: R3,4 billion

global financial centres that support our strategy to facilitate growth and development in Africa.

ICBC Standard Bank (ICBCS) has a critical role to play in our ability to deliver capital flows and leverage new investment opportunities between Africa and the rest of the world. In 2015, the entity focused on aligning its operations with ICBC's organisational structure and working towards the shared objective of returning the business to profitability.

Our seven-year collaboration with ICBC has been strengthened further by the Framework Agreement entered into between ICBC and Standard Bank in 2015, and remains an important element in the future of ICBCS and our Africa strategy.

We have also reviewed our network on the African continent, taking two key considerations into account: whether the market in question offers sustained growth, and if it is a viable long-term investment destination for our clients. Based on these and other country-specific risk-based considerations, our decision in 2015 to open a representative office in Ethiopia and expand our representative office in Côte d'Ivoire to a full service bank, reflected our response to the growing interest of our clients in the eastern and western regions of Africa. Ethiopia has maintained high levels of growth over the past five years, underpinned by strong public investment in energy, agriculture and transport infrastructure and a growing consumer base (the second largest in Africa, after Nigeria); and Côte d'Ivoire strengthens our access to growth opportunities in the West Francophone Africa region.

In executing our strategy we focused on the areas that follow.

Client coverage

Our client coverage model is a cornerstone of our strategy and defines how we offer value to clients. It has strengthened our focus on clients whose business strategies align with our Africa strategy. Each client is allocated a relationship manager who establishes a client service team with representatives across CIB (including PBB and SBW representatives where appropriate) to facilitate the client's banking requirements. By coordinating how we engage with our clients and promoting a deeper understanding of their needs and objectives, we are able to provide the solutions they require. In 2015, we surveyed 1 675 clients (2014: 1 143) across Africa to enhance our client understanding.

The resilience of many of our corporate clients during 2015 can be attributed to the underlying strength of their balance sheets, which were shored up after the 2008 crisis. This growth continued despite a largely unsupportive macroeconomic environment. Much of their growth is attributable to their expansion into markets beyond South Africa.

In the rest of Africa, our multinational clients operate across the range of our target sectors and currently contribute the most to our revenue as a segment. In addition, we facilitate the cross-border trade and investment business of our local and regional clients, who are expected to contribute increasingly to revenue growth.

Standard Bank's heritage and unrivalled presence has positioned CIB favourably at a time when many of our large global competitors are having difficulty maintaining their competitive edge. Local and regional banks currently present more of a competitive threat as clients seek financial services partners that, like CIB, are immersed in local markets and have an inherent understanding of the associated risks.

We leverage our competitive advantages to execute transactions that create considerable value for our clients, facilitating the acquisitions, disposals or capital-raising activities that protect and grow their businesses.

In 2015, we completed a number of hallmark transactions.

We won the mandate to provide a full range of investor service and product solutions for the South African Government Employees Pension Fund, Africa's largest institutional investor and one of the largest government pension funds in the world.

We were the sole corporate finance advisor for Brait's R12,2 billion acquisition of Virgin Active and co-investment bank and funder for its GBP780 million acquisition of New Look, both in the UK. The deals involved collaboration across our investment banking and global markets teams to deliver a seamless solution to Brait.

We participated in the rights offer of Oceana, South Africa's largest fishing company and an important participant in the Namibian fishing industry, and advised and funded its acquisition of Daybrook Fisheries in the US. This demonstrated strong investor appetite for quality South African equity issuers, even in an environment of heightened risk aversion. We acted as financial advisor, transaction sponsor, underwriter, mandated lead arranger and bookrunner (debt and equity) for the acquisition; and sole bookrunner, underwriter and transaction sponsor for the rights offer, facilitating Oceana's global expansion strategy.

Anheuser Busch InBev's (AB InBev) recommended offer for SABMiller was the largest announced transaction globally in 2015, and one of the largest global transactions ever. We acted as financial advisor and transaction sponsor to AB InBev on its R3,1 trillion secondary inward listing on the JSE. We leveraged our equity experience, knowledge and relationships with all critical stakeholders to coordinate the AB InBev roadshow to meet key South African institutional investors, as well as the establishment of a new listing structure, the largest ever on the JSE. CIB continues to advise AB InBev on all

Focus on socioeconomic development

We play an important role in allocating our financial resources to activities that will generate growth and development, and support economic transformation. Africa requires manufacturing and industrialisation to create jobs and improve infrastructure, especially in terms of energy and transport.

We finance both conventional power generation, which is critical to ensuring the reliability and security of energy in Africa, as well as new sources of energy. In South Africa, continued electricity supply constraints could reduce inflows of foreign direct investment, further eroding business confidence and dampening economic recovery. We have partnered with Eskom to sell USD1,25 billion 10-year fixed-rate bonds to international capital markets to raise funds for the state utility's generation expansion programme. Under the government's Renewable Energy Independent Power Producer Procurement Programme, more than 40% of the 1 760 megawatts currently produced by independent power producers are Standard Bank financed projects.

In the rest of Africa, Standard Bank and ICBC have concluded debt financing agreements with a consortium of Kenyan investors for the building of the 1 000 megawatt Amu coal-fired power plant. Our USD250 million loan agreement with the Japan Bank for International Cooperation will be used to on-lend to green energy projects in sub-Saharan Africa, and in Mozambique we have provided debt funding for Gigawatt, a R3 billion gas-fired power plant at Ressano Garcia. In Namibia, we facilitated a NAD670 million bridge facility for the Development Bank of Namibia to finance the National Energy Fund's fuel storage facilities in Walvis Bay and we are the first commercial bank to finance a solar power generation project in Namibia, providing a NAD170 million term loan facility for HopSol Power Generation.

In December 2015, Standard Bank and ICBC jointly sponsored the Focus on China-Africa Cooperation summit where the partnership committed to jointly support up to 100 new infrastructure and industrial projects across 30 African countries, at an investment of USD80 billion. ICBC has appointed Standard Bank to sell its first rand-denominated debt, estimated at R10 billion, the proceeds of which will fund infrastructure projects in South Africa. We are a joint funder of the USD600 million syndicated loan for Kenya's National Treasury to fund infrastructure development projects and in Zambia, we are providing a USD75 million facility to fund medium-term facilities in sectors, including SMEs, energy, agriculture and infrastructure development.

Transformational infrastructure is the financing we provide to projects that support social and economic activity in historically underserviced areas in South Africa. Our average weighted transformational infrastructure lending for 2015 amounted to R3,2 billion. We have also provided a R1 billion debt facility to the Siyakha Education Trust to help develop black empowerment initiatives in the property sector.

matters related to Africa in respect of the acquisition.

In Ghana, one of our key markets and the second largest cocoa exporter in the world, we were one of six banks mandated as lead arrangers and underwriters to finance the purchase and export of Ghana's cocoa crop during the 2015/2016 season for the Ghana Cocoa Board. The transaction involved a receivables backed trade finance facility of USD1,8 billion that was fully underwritten by the selected mandated lead arrangers following a successful syndicate. Standard Bank underwrote up to USD300 million of the facility.

Our commitment to clients extends to those who experience difficulty in challenging socioeconomic environments. An example of this was our participation in the underwriting of Lonmin's 2015 rights offer and restructuring of the platinum producer's debt package, providing its management team with an opportunity to implement a revised business plan.

Passionate and committed people and culture

Our people remain the critical success factor in our efforts to strengthen and maintain excellent client service.

In 2015, detailed strategic planning processes were conducted with CIB's management teams, its business units and enabling functions, to ensure that the Africa strategy is embraced throughout CIB and that its people are engaged and committed. This is reinforced by our talent management and employee advancement programmes, such as the graduate programme which identifies individuals capable of leading the business into the future; Duke Tomorrow's Leaders Programme which targets CIB executives; Master Class for Strategic Client Management which develops our client centricity; and Meeting of the Minds, a regular dialogue between leadership teams and our top talent on the challenges we face in executing our strategy.

In 2014, we ran an employment equity survey, which offered a platform for employee feedback and to facilitate change within CIB. In 2015, we held follow-up sessions with 21 focus groups around the key findings, which included employment equity, diversity and inclusion, empowerment, reward and performance accountability, and learning and development. The results of these follow-up sessions will contribute to the relevant strategic planning within CIB South Africa. An engagement survey was conducted across our operations in the rest of Africa, and high-level themes and action plans are being developed.

For the first time, our Mark of Excellence Awards were celebrated with individuals from across the entire CIB footprint. This is an initiative to reward outstanding performances in CIB in the categories of innovation, profitability and living the bank's values.

Efficient business operations

Over the past two years, we have achieved significant advances in our efforts to simplify our business, lessen capital utilisation, manage costs effectively and comply with regulatory changes, while maintaining the momentum of our Africa strategy in challenging market conditions.

This reorganisation has resulted in a footprint outside Africa that is now fit-for-purpose to fulfil our strategic objective of connecting Africa to the world and the world to Africa. Specifically, this entails facilitating trade flows into and out of Africa, flows of foreign direct investment from the international home bases of multinational businesses to Africa, and flows of financial capital through global investors.

Improving the efficiency of our client service has been supported by our investment in three major online programmes, which are contributing to an improved experience for our clients across all of our markets and product lines. New Business Online enables corporate clients, and business and commercial customers within PBB, to manage their cash, payments and collections electronically in multiple countries in Africa. We have made significant progress in rolling out this platform across some of our African operations and 2016 will be the final year of investment.

eMarket Trader provides treasurers and financial managers of our corporate clients with access to pricing and a continuous link to markets, enabling them to trade at any time in the full range of asset classes that Standard Bank offers. Our International Trade and Payments System provides infrastructure to facilitate cross-border payments in all of CIB's operations, upgrading our capacity to facilitate trade and investment for Africa. By enabling our clients to conduct their business electronically, these programmes have enhanced our competitiveness, particularly in Kenya, Nigeria and South Africa.

Risk management and compliance remain of the utmost importance. We began to embed a culture of doing the right business the right way across our operations two years ago and in 2015 we continued to fulfil this principle. We have made significant investments in training and systems to ensure that we fulfil the expectations of our regulators and that our conduct is sound. Monthly online learning is required to ensure our employees understand their regulatory obligations. The new compliance app, piloted in October 2015, will be launched in early 2016. This will act as a 'personal compliance GPS' and will provide staff with answers to compliance-related matters which they can access wherever and whenever they need them.

> "We leverage our competitive advantages to execute transactions that create considerable value for our clients, facilitating the acquisitions, disposals or capital-raising activities that protect and grow their businesses."

All CIB transactions go through the pre-credit committee, which is responsible for ensuring that environmental and social risks are correctly identified in the application phase. We use two approaches to screen and evaluate transactions: a transaction-specific environmental and social risk management process and the Equator Principles which is applied to all new project finance loans of USD10 million or more. The Equator Principles are also applied to any advisory services we provide on project finance loans. In 2015, eight projects were assessed using Equator Principles (2014: six). The level of environmental and social risk due diligence and monitoring is determined by the risk category of each project.

We have been elected to chair the Equator Principles Association for 2015/2016, making us the first African bank to be elected to this position. The association is managed by an elected steering committee of 15 global banks, with Standard Bank the only African representative. We work closely with our clients to ensure that the Equator Principles are complied with, acting in an advisory capacity where necessary.

Financial performance

CIB increased headline earnings by 59% to R7 923 million, resulting in an ROE of 14.3% from 10.2% in the previous period. The business delivered respectable revenue growth of 7% in the context of significant market volatility. Continued investment in major online programmes resulted in costs growing by 10%. Impairments increased by 59%, reflective of increased strain experienced in the oil and gas, and mining and metals sectors. Headline earnings were materially impacted by the 40% associate share in the loss incurred by ICBCS for the 11 months ended December 2015, amounting to R1 173 million, which also included 40% of the fine paid in respect of a DPA agreed with the SFO in the UK.

The headline earnings loss within the discontinued operation, being the outside Africa global markets business, amounted to R104 million from a loss of R3 745 million in 2014, mainly due to the non-recurrence of the fair value adjustment loss on repo positions relating to aluminium financing in China. A partial recovery in respect of insurance claims relating to this matter received during the year was largely offset by final balance sheet adjustments relating to the disposal of the discontinued operation and SB Plc's January 2015 operating loss.

Looking ahead

The outlook for global economic recovery remains weak and the slowing of commodity-related trade with China will continue to have a negative effect on commodity prices. In contrast, many countries in the rest of Africa, particularly those that have more diversified economies or that benefit from lower oil prices, are forecast to continue growing, albeit at lower rates. Seven of the 15 fastest-growing economies in the world are within our sub-Saharan portfolio (World Bank real GDP growth data, 2014).

This growth potential continues to affirm our decision to focus on Africa. By placing our clients at the centre of everything we do, we develop relationships with our clients that enable us to protect and promote their interests and those of CIB.

In 2016, we will continue to deliver excellent service by partnering with our clients and growing our franchise alongside their businesses. We will continue to consistently support multinationals and domestic businesses in their long-term growth strategies on the African continent, despite difficult and volatile trading conditions. We will leverage our diverse network and capabilities in, for and across Africa, while allocating resources to continuously improve our client service and cost efficiency. We are resolute in our Africa strategy and believe we are on the right trajectory to meet our medium-term goals.

Standard Bank Wealth

SBW provides life insurance and investment management activities through group companies.

Steven Braudo,
Chief executive – SBW

“SBW is navigating a dynamic and complex environment to realise the significant value it offers the group. With a new customer-focused operating model and a clear strategy to achieve competitive advantage, SBW is positioned to improve the growth and quality of group earnings, and to contribute significantly to strengthening Standard Bank’s franchises in South Africa and in the rest of Africa, and realising the group’s vision to be a leading financial services organisation.”

Overview

In 2015, SBW continued to align the non-banking financial service businesses across the group under a consolidated strategy. The central tenet of the strategy is to create integrated financial solutions for customers. This is in line with the group’s intention to place customers at the centre of everything we do, and forms the basis of SBW’s customer-focused operating model which will be implemented in 2016.

During the year, we amended our product and advisory services to ensure they serve the unique needs of individual customers. This was a proactive response to the pending introduction of the retail distribution review (RDR), which will reform the regulatory framework governing the distribution of wealth products and services. Our investment advisors are now using a goal-based investing approach, which will be supported by a range of new unit trust funds that SBW will launch in partnership with Liberty and Stanlib in 2016.

R2 251 million
Headline earnings for Liberty, attributable to SBG.
2014: R2 158 million

Largest
Pension fund administrator and asset manager in Nigeria.

RECOGNITION

PRIVATE BANKER INTERNATIONAL

Most outstanding private bank in Africa awarded to the high net worth business

SBW BUSINESS LINES

- High net worth wealth management
  - Wealth & Investment (WI)
  - Melville Douglas
  - The Offshore Group
- Short-term insurance
  - Standard Insurance Limited
  - Liberty
- Long-term insurance
  - Direct Life
  - Liberty
- Brokerage and distribution
  - Standard Bank Insurance Brokers
  - Standard Bank Financial Consultancy
  - Direct Life
  - Bancassurance rest of Africa
  - Liberty
- Asset management
  - Stanlib
  - IBTC Nigeria
  - Melville Douglas
- Employee benefits
  - IBTC Nigeria
  - Liberty
- Trust and fiduciary
  - IBTC Nigeria
  - The Offshore Group
  - Standard Trust Limited
- Offshore services
  - The Offshore Group

Work was completed on the development of a more comprehensive portfolio of offshore investment products. The range of funds now includes Stanlib and Melville Douglas, and further investment products will be launched in 2016. Customers can now view offshore, hard currency bank accounts using Standard Bank's mobile banking app, providing them with a single view of their finances, with a single digital identification login.

Our partnership with Liberty continues to strengthen. A joint initiative is under way to launch a range of co-branded multi-manager funds with Liberty, and a team of Liberty and SBW executives are exploring further opportunities to enhance the bancassurance partnership.

We began a formal process of exploring collaboration opportunities with CIB in 2015, and a dedicated SBW executive will be appointed to develop this partnership.

Strategy

SBW has aligned its purpose, vision and strategy with that of the group. Our purpose is to build a more prosperous Africa by helping to manage, grow and protect what is important to our customers. Our vision is to be the leading provider of financial solutions across insurance, investment, wealth management and advisory services in sub-Saharan Africa. We aim to build successful wealth businesses by focusing on customers and innovation, collaborating across wealth business units, investing in additional short-term insurance capabilities, asset management and advisory tools and creating commercially differentiated and sustainable partnerships with PBB, CIB and Liberty.

SBW is projected to contribute significantly to the growth of the group as it increases its share of wealth markets in South Africa and captures the growth opportunity in the rest of Africa. We will deliver shareholder value by contributing to the stability of group earnings through enhanced risk management and diversification of revenue sources, and enhancing the quality of group earnings with higher-margin wealth revenues that have lower capital requirements.

In 2015, we concluded a five-year strategy planning process. Our strategy will be executed through a new customer-focused operating model that uses data analysis, as well as servicing and distribution capabilities, to develop a deep understanding of our customers' behaviours and needs. Our plans include building additional capacity to grow market share in the long- and short-term insurance industries, the asset management industry, distribution, high net worth and offshore group businesses. Standard Insurance Limited is currently the tenth largest short-term insurer in South Africa, measured by premium income. We made good progress in terms of our bancassurance partnership with Liberty, making it one of the largest bancassurance operations in the country.

Key to our strategy is attracting talented people capable of moving the wealth businesses forward. In 2015, a head of human capital was appointed to develop our talent management programme. Actuarial and product development skills were enhanced at head office and we aim to attract the relevant expertise in-country as we grow in the rest of Africa.

Capturing the growth potential in the rest of Africa

Although only a small proportion of SBW's business is generated in the rest of Africa, the potential for future growth on the continent is significant. The financial markets in the rest of Africa are less developed than in South Africa, but are demonstrating far greater growth potential, particularly in the wealth-related markets. This is a result of higher rates of economic growth, improving financial literacy, legislation that encourages savings, and increasing product penetration.

Our strategy in the rest of Africa is executed through dedicated in-country distribution capability, our partnership with Liberty, and our Wealth & Investment (WI) business which caters to high net worth clients. WI's strategy in the rest of Africa is focused on Nigeria, Kenya and Ghana, where we have in-country teams. Our clients elsewhere in the rest of Africa are supported by relationship managers based in London and Jersey. Our insurance distribution business operates in 13 countries and sells its products primarily to PBB's customer base.

While the initial focus has been on personal banking customers, we are building the necessary skill and capability to serve the upper segments of business banking and, ultimately, the more sophisticated insurance requirements of CIB clients.

The group's wealth business in Nigeria, which comprises three Stanbic IBTC companies, is the largest pension fund administrator and asset manager in the country, and presents a significant opportunity for SBW to further penetrate this market.

> We aim to build successful wealth businesses by focusing on customers and innovation, collaborating across wealth business units, investing in additional short-term insurance capabilities, asset management and advisory tools and creating commercially differentiated and sustainable partnerships with PBB, CIB and Liberty.

Meeting the challenges

As global regulators move to restore faith and stability in the financial sector, a raft of regulatory and legislative reforms presents our most significant challenge. In the rest of Africa, evolving bancassurance regulation has resulted in the restructuring of our insurance brokerages in line with changing requirements. Our operations in Nigeria and Kenya now have separate brokerage licences. Although these changes are onerous, regulation that aims to protect the customer is entirely reconcilable with our customer-focused strategy. SBW is well positioned to implement the changes, given the capacity and resources of the group and the benefit of Liberty's expertise as a pioneer in the domestic insurance and investment industry.

In some instances, regulatory reforms have been catalysts for new opportunities. A good example of this is in Nigeria where legislation was passed requiring companies to provide pensions. Our Nigerian subsidiary seized this opportunity to develop a business that is now the industry leader.

Financial performance

Standard Bank's direct share of bancassurance and wealth results are included in PBB's results.

Liberty's operating earnings for the year ended 31 December 2015 amounted to R2,8 billion, up 7% on 2014 while total black economic empowerment (BEE) normalised headline earnings amounted to R4,1 billion, 4% up from 2014. Headline earnings attributable to the group were 4% higher at R2,3 billion. The overall performance in operating earnings was muted by the lower return on the shareholder investment portfolio, which was broadly in line with lower market returns. Liberty delivered an ROE of 19.7% for 2015 (2014: 20.9%).

Looking ahead

SBW is navigating a dynamic and complex environment to realise the significant value it offers the group. It has set itself ambitious growth and revenue targets, centred around customer needs, which are congruent with this goal, and has also aligned its staff performance and remuneration models to be centred on this strategy.

We are responding proactively to pending regulatory change and, where possible, are turning this to our advantage. In a difficult economic climate, pensions, savings and asset management businesses are growing and there is considerable opportunity to leverage the group's wealth capabilities in South Africa. Over the medium term, we aim to capture the significant growth potential that exists in the rest of Africa.

With a new customer-focused operating model and a clear strategy to achieve competitive advantage, SBW is positioned to improve the growth and quality of group earnings, and to contribute significantly to strengthening Standard Bank's franchises in South Africa and in the rest of Africa, and realising the group's vision to be a leading financial services organisation.

Information technology report

“Our vision is to radically reshape our IT capability to deliver an exceptional client experience. The client is at the heart of everything we do and the primary aim of our IT transformation journey is to ensure the stability, availability and efficient functioning of our banking systems to protect our client franchise and underpin the sustainable future of Standard Bank.”

Brenda Niehaus / Group chief information officer

Overview

We have achieved a number of milestones in the implementation of our IT transformation programme, which is designed to create a digital financial services group able to adapt continuously to client demands for increased availability and higher levels of flexibility and agility.

In response to the speed at which client demands are changing, we are enhancing our client interfaces and introducing digital products and services, while simultaneously replacing our legacy systems.

The transformation of our IT is replacing aging legacy systems with new technologies that position us competitively in the changing world of financial services. Implementing a programme of this magnitude would not have been possible without also changing the way we work in IT and the way Standard Bank staff interact with the new systems.

The group chief information officer (CIO) is a member of the group management committee. The business unit CIOs report to their chief executives as well as to the group CIO to ensure that the IT strategy is aligned and integrated with the business strategies. The group CIO and IT executives are suitably qualified, have access to the board and executive management, and serve as a bridge between IT and the group. A number of key executive appointments have enhanced our IT operating model.

We continue to strengthen the group's IT governance structures, achieving significant value and alignment through robust executive and non-executive oversight and support for IT. Independent subject matter experts are co-opted standing invitees to the group IT (board) committee. They submit an independent review of our IT governance domains to the board for its consideration. Key observations are that significant progress has been made in governance, management and IT operations improvements, and that the group is well on its way to becoming a mature, well-run and leading IT organisation.

In the rest of Africa, subsidiary boards have delegated the authority for IT governance to either board IT committees or board risk committees. IT steering committees have been established in Kenya, Ghana, Namibia, Nigeria and Zimbabwe. The remaining countries will develop fit-for-purpose IT governance structures during 2016.

Strategy

Our vision is to radically reshape our IT capability to deliver an exceptional client experience. The client is at the heart of everything we do and the primary aim of our IT transformation journey is to ensure the stability, availability and efficient functioning of our banking systems to protect our client franchise and underpin the sustainable future of Standard Bank. Our aspirational IT offering to our clients is for them to know that the group is secure and stable, that what they need works all the time, that it is simple and easy to bank when and where they want, and that we anticipate their wants and needs.

The four pillars of our IT strategy

1 **Quality of service through brilliant basics:** achieving continuous improvements in the quality of service to clients in terms of availability, reliability and security.

2 **Responsiveness to market:** leveraging innovative technology and new ways of working to achieve higher levels of agility, flexibility and responsiveness.

3 **Affordability:** managing costs by driving a lean IT operation and by embedding commercial pragmatism.

4 **Sustainability as the foundation of client excellence:** making Standard Bank IT an aspirational destination for IT professionals and embracing our diversity, social and ethical responsibility.

In executing the strategy, we measure our progress against delivery and budgetary commitments. There are opportunities to simplify and rationalise our IT landscape, reducing complexity and enabling innovation. We have developed clear architecture principles to accommodate the duality of a fast-moving competitive environment and the need for a standardised, stable core. A key principle is the remodelling of our IT to accommodate social, mobile, data analytics and cloud technologies.

Underlying our ability to execute our strategy in a digital financial services environment is the modernisation of our core banking platforms in South Africa and the rest of Africa. We have invested heavily in transforming our IT platforms from a complex legacy estate to a simplified and standardised ecosystem. Competitive pressures, regulatory requirements and a conservative approach to deployment risk have influenced our multi-year implementation journeys.

Cloud computing is becoming a global commodity that is increasingly utilised by a wide range of industries including financial services. We are adopting cloud-based solutions where appropriate and within regulatory guidelines. Current initiatives include hosting employee productivity applications in the cloud, using Amazon web-services to host test systems, implementing a private cloud for several countries in the rest of Africa, and building our new generation infrastructure to be cloud-enabled.

In 2015, we continued to make good progress in our four-year transformation journey, as detailed in the business unit reviews. The modernisation of our overall platform is in its final phase, with all programmes on track to be completed in 2017.

Service delivery

In 2015, we successfully processed a record number of transactions, in terms of both volume and value. A certain amount of instability is unavoidable during periods of significant change to IT systems and there were two high-profile outages in South Africa, resulting from hardware failures. These outages impacted customers as a number of online services were not available for several hours. Our response confirmed that our business continuity measures are sound and that we have the resilience to recover from major system failures. The group sets recovery and business resumption priorities, and contingency procedures are tested and rehearsed so that interruptions are minimised.

Ongoing focus was placed on ensuring stability and reliability in the rest of Africa in 2015. While there were service interruptions in some of our operations as a result of failures in telecommunications, power or IT systems, our ongoing focus on stability has resulted in improvements across the continent.

Specific remedies in response to the outages and ongoing resilience initiatives have led to an improvement in system stability. In keeping with our quality of service objective, system availability, reliability and security are a top priority for executive management within IT and we remain confident that our initiatives are having the desired outcomes.

> "Our investments in IT are delivering substantial value by strengthening our ability to adapt to rapid change and to continuously improve client service."

People

A digital enterprise requires a significant shift in the skills required within IT. Several initiatives support our strong drive to change the culture in Group IT to make it a great place to work, including continuous improvement initiatives and innovation campaigns. Our ambition is to ignite our people to a common purpose (the client) and to re-skill them in relation to emerging technologies and new ways of working.

Standard Bank chaired the first DevOps community day hosted in Africa. DevOps emphasises collaboration and communication between software developers and other IT professionals. The event included South African banks, telecommunication companies and universities.

Significant focus is placed on understanding and influencing university curricula to align to the changes in the IT environment. Certain IT executives sit on university IT advisory boards and meet regularly with the universities to discuss any gaps between academia and business relevance. We have sponsored 10 honours students at the University of the Witwatersrand for an Honours Data Sciences Programme, and Group IT has met with the University of Pretoria to develop a masters level IT degree that will be conducted onsite for talented employees who qualify and wish to further their studies.

Internally, a number of development programmes are in place to build a pipeline of IT skills. These range from leadership development programmes and an IT graduate programme, to IT learnerships for matriculants and graduates enabling them to gain work experience. In addition, 40 employees have been enrolled in Hortonworks Online University focusing on open source data ecosystems, and a further 10 employees have been selected to participate in an onsite IT boot camp programme.

Mitigating risk

We consider our top IT risks as those that could have an adverse impact on the achievement of our IT and business objectives. These include risks arising from cybercrime, excessive rate of change, disruptive technologies, organisational health, availability of quality data, third parties, business disruption due to system failure and any reputational impact.

These risks are mitigated through various controls, which are implemented by management and closely monitored by the group IT risk and compliance committee. We continuously review and invest in our security systems and risk management processes to ensure that our clients and the group are well protected.

Expenditure

The costs of our platform modernisations and transformation into a digital financial services group are an investment in long-term competitive advantage, value creation and the sustainability that they will afford the group.

Following a benchmark of IT performance and costs performed by McKinsey in 2014, we continue to focus on improving efficiencies in 'run the bank' costs and delivering more for less in 'change the bank' costs to bring IT expenditure within global benchmarks by 2017.

Our new IT platforms represent a significant capitalised software asset on the group's balance sheet. This asset is amortised at rates appropriate to the expected useful life of the asset. The amortisation impact is expected to peak in 2018.

GROUP IT CASH SPEND[1]

1 Includes capital and operating expenditure.

Regulatory environment

A significant amount of IT expenditure is allocated to ensuring compliance with regulatory requirements while at the same time driving business value. An enhanced anti-money laundering capability was deployed in South Africa in February 2016, built on the modernised core banking platform. Good progress has been made in implementing the IT changes required to meet the Basel Committee of Banking Supervision requirements and requirements of IFRS 9 on finance instruments.

As an integral part of the business within the group, IT adheres to the relevant group governance frameworks, standards and policies.

Looking ahead

The long-term benefits of our modernisation and digital journeys will continue to strengthen our competitiveness, resilience and agility in support of the group strategy. As we enter a more fast-paced and in some cases a more complex era of IT, we are well positioned to partner with the group on its journey to realising its vision in the medium term.

Key objectives in 2016 and 2017 will be to conclude the platform modernisation programmes. We will also continue to leverage the benefits of this transformation, integrating our systems across the group to serve the full range of our business and client needs to drive business value.

The foundation has been established to enable us to become a first-class digital bank in Africa.

Human capital report

> We believe in harnessing the full potential of our people as a critical driver of our business success in delivering a superior client experience. Our purpose, vision and principles guide our efforts to create a supportive work environment.

Sharon Taylor / Head of human capital

We are committed to driving a culture where our people feel valued, have a clear sense of belonging, know what is expected of them and are recognised and rewarded for their contribution towards achieving our ambition – to place our clients at the centre of everything we do. Current and future trends, ranging from digitalisation to working with a multi-generational workforce, are influencing how we shape our broader people, leadership and engagement strategies.

The group (including Liberty) permanently employs 54 361 people. Our level of voluntary turnover in 2015 remained healthy and below the international financial services benchmark of 13.9% (Corporate Executive Board benchmark 2014).

During the year, 4 360 temporary employees in PBB were converted to permanent staff in line with our commercial requirements and changes to labour legislation, mainly in contact centres and branches as well as group shared services. We have a permanent part-time contract in place, which has provided us with more flexibility in allocating resources at busier times. This has also given these employees a better sense of belonging in the organisation and as such are more engaged to provide excellent service to our customers.

Meaningful work

We strive to make Standard Bank a place that our people are proud to work for.

How our people think and feel about work directly correlates with client satisfaction levels. We firmly believe that our people want more than just going about their daily work routine and receiving a salary – they have a deeper expectation of serving a higher purpose. Our leaders invest time and effort to ensure that all our people feel deeply connected with our purpose and our clients.

Insights obtained from surveys held in 2014 across 17 countries have been used to inform our strategy and our people priorities for the short to medium term. Going forward, we will focus on gathering and responding to insights shared, using innovative, real-time platforms, and using these insights to shape our culture on an ongoing basis.

Caring and fair work practices

We aim to ensure that caring, supportive and fair work practices are applied, respecting the rights of our people.

We respect the individual and collective rights of our people in the workplace and adhere to local and international labour regulations and legislation. We actively engage with recognised trade unions on the continent and have developed an open and robust relationship with SASBO in South Africa, whom we view as a crucial stakeholder and partner in our long-term success and sustainability in our home territory. At December 2015, 59.3% (2014: 65%) of our general staff and 21.1% (2014: 9.3%) of our managers were members of SASBO in South Africa.

Our investment in health and wellness initiatives provides our employees with a wide array of services, empowering them to effectively manage any personal, workplace and health-related challenges they might encounter. Training on building personal resilience, managing change and financial fitness is available to all employees. In addition, training is provided to managers in South Africa specifically to assist them in managing absenteeism due to illness. As of 2015, we have started using the cost of total sick leave as a percentage of total payroll as our key measure of absenteeism. For the reporting year, this equated to 1.27%, which is below the South African financial sector norm of 1.7%.

Developing and managing talent

To deliver our strategy we need to ensure that we have enough of the right people, in the right roles, at the right time, with the required skills and capabilities.

We work in a fast-paced, highly competitive industry with ever-changing demands as we build a digital bank. Our people, therefore, must be equipped with the necessary skills to drive a client-focused approach now and into the future. We aim to do this by creating a culture of continuous professional development and adaptability.

The introduction of a single learning management system across our businesses and geographies in 2015 has provided all our people with online access to learning opportunities and enables them to fulfil their compliance training obligations.

We invested more than R865 million, 3% of total staff costs, in developing our people in 2015 and assisted 594 employees with bursaries to further their studies.

Our preference is to promote from within the group, which creates career opportunities for our people. Over half of the appointments made in 2015 were internal transfers and promotions. Our internal careers website provides our people with access to information on potential career opportunities in the group, promoting both lateral and upward mobility.

Our talent management philosophy and approach enable succession planning across key levels of leadership, supported by focused development propositions and engagement strategies for identified talent. Greater effort is being made to drive succession planning across our various business lines and geographies. We have achieved good depth in our talent pools to strengthen succession pipelines for key management positions, as evidenced by the number of internal moves and promotions into key leadership positions across the group during the year.

We continue to focus on:

- Enhancing our development propositions so that future executive leaders gain critical experience and skills that will prepare them for future roles.
- Accelerating initiatives to enable the development of black talent in South Africa.
- Ensuring greater depth of talent in our businesses across the rest of Africa.

We invest in young people studying towards scarce or specialised skills and who have the potential to become future leaders. We assist with their tertiary studies through bursary programmes that focus on technology, engineering, mathematics and commerce disciplines. In 2015, we assisted 142 bursary recipients, investing R22 million to help young students to build better and brighter futures.

Our market-leading graduate development programme aims to identify and develop high-potential individuals. In 2015, we provided 230 talented graduates, across multiple disciplines with first-time work opportunities. In 2016, graduates from key markets including Botswana, Ghana, Kenya, Mozambique, Nigeria, South Africa and Zambia will participate in our programme.

Awarded the 2015 South African Graduate Employers Association (SAGEA) **Employer of Choice in the Young Talent Market** for the Retail and Commercial Banking category.

Targeted at black learners in line with our transformation strategy and objectives, our learnerships offer access to development opportunities for matriculants and graduates, and the possibility of full-time employment. In 2015, 400 learners completed a learnership programme with 92% subsequently being employed in South Africa. A further 567 young people were offered learnerships in 2015 to be concluded in 2016.

Diversity and inclusion

The diversity of our people brings richness in perspective, skills and experience that we leverage as an advantage in serving an equally diverse client base.

In 2015, we continued with our workshops to educate our people on diversity and unconscious bias. Our transformation forums in South Africa support management in addressing potential barriers to equity and introducing specific initiatives to drive the creation of an inclusive culture. Our newly introduced Lean-In initiative works with women to identify and address barriers to gender equity, while providing them with networking opportunities.

In South Africa, progress has been made in achieving our employment equity targets at senior, middle and junior management levels. Representation of black people, black women and Africans in top management remains a key focus area. Standard Bank is the first (and to date the only) Africa-based organisation to become a signatory to the International Labour Organisation's (ILO) Disability Charter, launched in 2015. Representation of persons with disabilities declined in 2015 to 0.83% (2014: 1.32%) of the workforce.

Information on our employment equity progress in South Africa is set out in the 2015 SBSA Annual Report.

Received the private sector award for **Innovation and Special Projects for Gender Equality** from the Department of Labour and the Commission for Employment Equity in South Africa. We were also a top five finalist for the overall employment equity award for the private sector.

Delivering value to our clients

Empowering our people with the right skills, tools, processes and technology to deliver on our commitment to place our clients at the centre of everything we do, is at the heart of our people strategy.

We are testing new ways of working that will empower our people to respond to clients' needs with agility and speed. This new work design structure will embrace digitalisation and find the appropriate balance between providing exceptional customer experiences and meeting our risk and regulatory responsibilities.

A core element of our risk management strategy is the investment we make in our people to enable us to remain relevant to our clients and compliant with regulation in all of our markets. In 2015, we trained our people to ensure that our conduct as a bank and as individual employees is sound and that we mitigate our clients' exposure to risk.

Performance and reward

We aim to further embed a high-performance culture where our people are motivated to deliver exceptional client experiences and are rewarded for their meaningful contribution towards realising our purpose and vision.

Our people are reviewed annually against their performance contracts which are linked to commercial objectives. The performance management process emphasises growth through constructive dialogue, focuses on 'what' is achieved, but importantly also 'how' it is achieved and addresses learning and career development needs. We have made good progress towards introducing a performance management system across all our businesses which will be concluded in 2016.

Our Beyond Excellence and Mark of Excellence initiatives ensure that individuals and teams are recognised for exceptional contributions that add value to the business.

AIR
Our remuneration philosophy is set out in the remuneration overview on **page 103** of this report and in more detail in the separate governance and remuneration report.

Our 2015 remuneration report won the South African Reward Association's **2015 Remuneration Report of the Year**.

Bold and inspirational leadership

We recognise the need to capacitate leadership to deal with increased complexity, adapt quickly to a rapidly changing operating environment and lead, rather than manage, an increasingly diverse workforce.

The execution of our strategy challenges our leaders to create meaning and direction, and to inspire and influence others. To this end, we invest in our top leaders, supporting their development in becoming true catalysts of change and serving as inspirational role models, moving the group towards its desired future.

Bespoke development initiatives aimed at our executive leaders support their personal development priorities and range from participating in world-class international business school programmes, international assignments and specific business initiatives that broaden exposure to different parts of the business, to customised leadership development programmes within specific business areas. Some 70% of leadership programme participants in South Africa were black people (2014: 67%).

To accelerate a supportive environment for bold and inspirational leadership, we will work to identify the competencies our leaders require to support our future strategic intent. This will inform how we reshape the leadership development landscape, including a review of the Global Leadership Centre offerings, to shift the centre from being a training facility to playing a vital role as a vehicle for strategic change and dialogue.

We continue to focus on equipping team leaders and managers with the right skills to be great people managers. More than 2 982 (2014: 3 188) leaders from across the continent benefited from participating in a wide range of leadership development programmes.

STAFF COSTS (Rm)[1]

2015	**R27 968 million**
2014	R24 961 million
2013	R23 087 million

STAFF COSTS AS A PERCENTAGE OF OPERATING EXPENDITURE (%)

2015	**54.4%**
2014	53.6%
2013	55.3%

1 Banking activities only.

Serving our communities

We aim to make a meaningful difference in the lives of the communities we serve and remain socially relevant in support of our group's purpose.

A range of employee community involvement initiatives provide our people with opportunities to give back and actively participate in making a difference in the communities in which they work and live. Our employee matching initiative encourages employees to support non-profit organisations that benefit the broader community through monetary contributions. In 2015, approximately 140 organisations were supported in South Africa through the matching programme with Standard Bank matching employee contributions to the value of R1,5 million.

Looking ahead

Our purpose and principles add a layer of richness to our strategy, driving a deeper connection between our people and the brand. They also underline the importance of the role every single employee has in enabling us to consistently deliver an excellent client experience.

Looking ahead, we aim to:

- Strengthen our culture and people practices in line with our group purpose, vision and values. We will introduce an employee NPS to track the purposeful engagement of our people, and continue our efforts to enhance the employee experience to ensure that our people feel deeply connected to our purpose in service of our clients.
- Revise our performance management and remuneration practices to support new ways of working that are focused on delivering to our clients.
- Continue to invest in the development of talented people to ensure that they are ready to take up more senior and critical roles when the time is right.
- Strengthen a diverse leadership base that is able to lead in times of uncertainty, inspiring others, and are passionate about helping our people reach their full potential.
- Enhance our speed and agility to adapt to an ever-changing world of work through a continued focus on learning and development.
- Review our policies and procedures to further drive and support our transformation agenda and to firmly entrench a culture of inclusion.
- Transition the majority of our businesses to a single global SAP template in 2016 which will enable our people to easily initiate and action human capital transactional activities relating to their daily work life. We will also introduce a people portal in 2016 that will serve as a single point of entry for human capital-related information, solutions and practices.

DIVERSE EMPLOYEE BASE

Our employee base

Permanent employees[1]

54 361

2014: 49 259
2013: 48 808

Non-permanent employees[2]

8 135

2014: 12 595

Employee turnover[1]

Overall turnover

11.2%

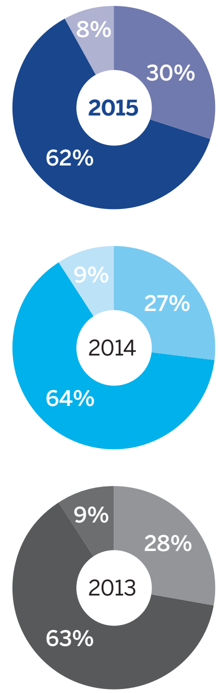
2014: 10.5%
2013: 13.2%

Voluntary turnover

8.3%

2014: 7.7%
2013: 10.2%

Age profile[1]



2015	2014	2013	
			< 30 years old
			30 – 50 years old
			> 50 years old

Geographical breakdown[1]

	2015	2014	2013
Outside of Africa	576	1 345	1 313
Rest of Africa	15 092	14 150	13 821
South Africa	38 693	33 764	33 674

Length of service[1]

< 3 years

2015	**38%**
2014	30%
2013	27%

6 – 10 years

2015	**23%**
2014	26%
2013	25%

3 – 5 years

2015	**16%**
2014	18%
2013	22%

> 10 years

2015	**23%**
2014	26%
2013	26%

1 Including Liberty and calculated for permanent employees only.
2 Including Liberty.

TRAINING INVESTMENT

Training

	2015	2014	2013
Training spend[1]	R865 million	R746 million	R638 million
Number of employees trained[2]	**50 540**	41 756	33 574
Number of women employees trained[2]	**29 120**	23 770	19 919
Participants on leadership development programmes[1]	**2 982**	3 188	2 858

1 Including Liberty.
2 Banking entities only.

Bursary spend[1]

Total bursary spend

2015	2014	2013
R10,7 million	R12,2 million	R10,0 million

Total number of employees assisted

2015	2014	2013
594	695	660

1 Banking entities only.

INVESTMENT IN YOUNG TALENT

Graduate programme participants[1]

	2015	2014	2013
Total graduate development programme participants	230	148	184
Women as % of total graduate participants	43%	49%	42%
% black graduate participants (SBSA only)	71%	68%	80%

1 Banking entities only.

Learnership programmes (SBSA only)

	2015	2014
Successfully completed learnerships	400*	317
Number of learnerships started	567	490

* 92% of whom were subsequently employed by Standard Bank.

Risk report

> Globalisation, rapid digitalisation and technological advances are fundamentally transforming economies and ways of doing business. This, together with increased demands from our clients, regulators and shareholders, means that the risks we face evolve continuously. Identifying, monitoring and mitigating these emerging risks, across geographies, is increasingly complex. In addition to analysing historical data, we will continue to apply a forward-looking approach to better understand the unique risks of each country we operate in, to not only manage them, but to realise the growth opportunities they present.

Neil Surgey / Chief risk officer

RCM AFS The full group risk and capital management report can be accessed online.

Overview

The global economy continues to be characterised by uncertainty, driving volatility in financial markets. This has impacted negatively on many emerging markets, including sub-Saharan Africa. The downturn in commodity prices and the tightening of monetary policy in the US has led to substantial capital outflows and steep depreciation of emerging market currencies against the US dollar.

Risks associated with a challenging economic environment, falling commodity prices and potential sovereign credit rating downgrades have featured highly in risk committee discussions over the past two years, at both board and management committee levels. Many of these risks materialised in the last year, and will continue to remain a focus in 2016. In 2015, South Africa experienced the lowest annual rainfall since 1904, which will have a wide ranging impact on both the agriculture sector and broader economy.

The challenges inherent in our external environment include changing customer expectations driven by rapid digitalisation and advances in technology, subdued economic conditions, a highly competitive environment, continued regulatory change and socioeconomic instability. The need to understand and mitigate the potential impact of these challenges on the group, and on our ability to successfully reorientate the group around our clients, is driving increased collaboration between the risk management function, and the group's business units and other enabling functions.

This integration is informing improved decision-making, management and oversight across the group, within the parameters of our risk appetite. A key responsibility of risk management is to assist business units and our enabling functions to effectively plan for, manage and mitigate the most material risks facing the group, and to leverage the opportunities inherent in addressing these risks.

The group's strategic reorientation around its clients serves improved risk management by enabling a clearer understanding of who our clients are, what they do and their unique circumstances. It allows for proactive action to help mitigate credit risk during difficult times, and for products and services to be structured in the best interests of our clients.

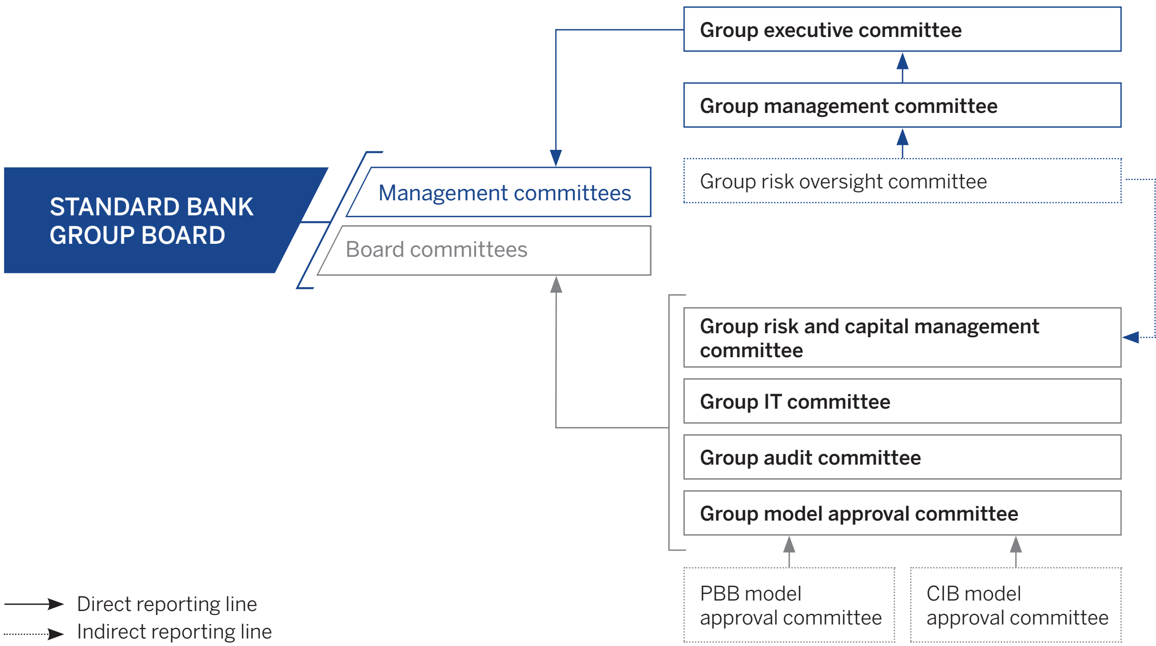
Embedding risk skills deeper into our business units and functions across our operations in the rest of Africa places pressure on the availability of specialist risk skills in the group. Although risk skills are generally scarce on the continent, we have been successful in allocating skilled risk practitioners to different business areas and jurisdictions, as required. Attracting and developing specialist risk practitioners is an ongoing focus, and improved systems capabilities in terms of gaining a single view of our clients and risk data aggregation enable more efficient allocation of risk resources.

Risk governance

The group's approach to managing risk and capital is set out in the group's risk, compliance and capital management governance framework, which is approved by the group risk and capital management committee. The framework has two components:

- Governance committees; and
- Governance documents such as standards, frameworks and policies.

RISK GOVERNANCE STRUCTURE



Building a risk and compliance culture

Continued resilience requires that we entrench a culture in which our people are aware of risk in executing our business activities, and in which compliance with laws and regulations, and acting ethically and fairly in everything we do, is second nature. This culture needs to be consistent across the group while being sufficiently flexible to new risks that arise in different jurisdictions.

Building a risk-aware and compliance-focused culture mitigates conduct risk, which is the risk that the group itself poses to our clients, and to the effective functioning of financial markets through behaviour that is dishonest, unethical or unfair. Conduct covers a range of activities, from how we design products and how we market these products, to how we communicate with our clients and meet their expectations.

Thus, risks to ethical and fair conduct arise from many aspects of our day-to-day activities. Effectively managing conduct risk supports the group in delivering on its strategy, meeting regulatory requirements, and working to ensure we keep the promises we make to our clients. The proposed Twin Peaks system of financial sector regulation in South Africa will place specific and enhanced emphasis on conduct.

The three lines of defence model is crucial to building this culture. It promotes transparency, accountability and consistency, which are key to building trust and maintaining our legitimacy among our stakeholders, and enables sufficient coverage of the risk landscape. Going forward, we will focus on greater collaboration between the group's risk, compliance and internal audit functions to support operational management in identifying and managing risks in their day-to-day business activities. This also serves our intention to bring risk identification and awareness closer to the client interface, supporting early identification of potential risks and providing deeper insight into our clients.

RCM AFS More detail on the three lines of defence model is provided in the risk and capital management report.

Improving risk data aggregation and reporting

The group continued to make progress in developing mechanisms to comply with the Basel Committee on Banking Supervision (BCBS) principles for effective risk data aggregation and risk reporting (BCBS 239), which were published in January 2013. These principles are intended to improve the quality of information that banks use in decision-making, particularly with regard to risk management.

In 2015, the governance framework, policies, scope definition and minimum requirements were agreed on, and an integrated implementation plan was finalised. In 2016, the group will continue to develop the people, process and technology required to ensure data accuracy and integrity, in line with BCBS 239. We are on track to meet the requirements of these principles.

Stress testing and risk appetite

The materialisation of global, regional and domestic external risks, many of which were anticipated and subsequently monitored, reinforced the importance of stress testing as an integrated component of our risk management framework, providing a forward-looking risk management tool to proactively manage risks to which the group is exposed.

During 2015, the group ran several stress tests on a groupwide, business unit, regional and risk-type basis to understand the impact these potential stress events could have on various portfolios. The group also participated in an industry-wide stress testing exercise initiated by the SARB's financial stability committee.

Risk appetite is formally reviewed and updated annually to ensure alignment with, and relevance to, the group's strategy. The group benchmarked itself in 2015 to external risk appetite practices to ensure that its risk appetite framework and implementation remains relevant and in line with leading international standards. Risk appetite was determined and cascaded on a groupwide, business unit, regional and risk-type basis.

Capital management

The group remains adequately capitalised above minimum regulatory capital adequacy requirements. Net proceeds from the disposal of the group's controlling interest in SB Plc were repatriated to South Africa as part of the repositioning of capital allocation in line with our Africa focus.

The SARB adopted the leverage framework that was issued by the BCBS in January 2014, with final calibrations and adjustments expected by 2017. Formal disclosure requirements commenced from 1 January 2015 and the capital adequacy ratio is expected to transition to a pillar 1 requirement by 2018. During the year, the group raised R32,1 billion senior and subordinated debt and syndicated loans.

A key focus for the year ahead will be to ensure that the group remains adequately capitalised and positioned to respond to higher capital requirements prescribed by regulatory authorities in the countries in which we operate. The volatility in capital markets, particularly in emerging markets, will require ongoing assessment of our capital buffers. The year ahead could see continued risk aversion in global markets and stress in a number of credit segments given tightening of monetary policy in key markets.

RCM AFS Formal disclosures relating to the BCBS leverage framework are set out in the risk and capital management report.

Looking ahead

The group's risk management framework has proven effective in navigating an increasingly complex risk environment. In line with our Africa strategy, we will continue to strengthen our risk management skills, capabilities and governance in the countries in which we operate, and further embed a client-focused, risk-based mindset.

There is an increased awareness of developing risks that are addressed in our risk management framework, relating to liquidity risk, cyber risk and the financial impact arising from the persisting drought conditions in sub-Saharan Africa, the potential downgrade of the South African sovereign credit risk rating to sub-investment grade and weaker commodity prices. A key challenge in the year ahead will be managing the business in a turning credit cycle given the tightening of monetary policy in key markets.

In line with our focus on improving group economic profit and ROE, we will optimise financial resource allocation, including capital and liquidity between product lines, trading desks, industry sectors and legal entities.

Key developments and performance

RCM AFS The risk and capital management report provides detailed discussion of each risk type, the group's risk performance and focus areas for 2016.

Credit risk

- The group's banking activities' credit loss ratio for 2015 was 0.87%, improving from 1% in 2014.
- In South Africa, credit extension grew steadily in the corporate sector but was subdued in the consumer sector due to higher household debt to disposable income.
- In the rest of Africa, growth in loans and advances remained strong year-on-year, despite the decline in demand for and price of commodities.
- Weaker economic growth prospects, increasing lending rates and lower business confidence continued to put downward pressure on demand for credit in a tightening credit cycle.

Compliance risk

- Enhanced our compliance skills and focused our allocation of our resources, which included expanding our Africa compliance teams.
- Implemented advanced anti-money laundering and anti-terrorism financing systems.
- Implemented structures and processes for market integrity and business conduct.
- Worked to remediate administrative sanctions and directives imposed by the SARB in respect of anti-money laundering and anti-terrorism financing controls.

Country risk

- Concentration of cross-border exposure to sub-Saharan Africa continued to increase, consistent with the group's strategic focus.
- Adverse macroeconomic conditions in several of the group's markets in the rest of Africa underpinned a negative risk tendency, requiring judicious management of cross-border exposure and implementation of additional mechanisms to manage risk exposure.

Funding and liquidity risk

- Maintained liquidity positions within approved risk appetite and tolerance limits, with total contingent liquidity amounting to R300,8 billion.
- Held appropriate liquidity buffers in line with regulatory, prudential and internal stress-testing requirements. Achieved average liquidity coverage ratio of 93.7%, comfortably above the 60% minimum regulatory requirement.
- Further advanced asset-liability management capabilities and liquidity risk management approach.
- Enhanced liquidity risk management and technology frameworks.
- Continued to evaluate the impact of Basel III net stable funding ratio.

Market risk

- Maintained trading and banking book positions within approved risk appetite and tolerance limits.
- Continued to advance interest rate risk management and enhanced global markets and market risk technology.
- Commented on proposed changes to regulations impacting trading and banking book positions.

Insurance risk

- Made significant progress in implementing a number of emerging regulations, with specific focus on embedding the solvency assessment and management programme, assessing the retail distribution review proposals and preparing for Twin Peaks regulations in the group's short- and long-term insurance operations.

Operational risk

- Continued to mature the integrated operational risk approach, with a focus on enhancing resourcing through combining appropriate skills with a deep understanding of business and risk management.
- Implemented a 24/7 cybersecurity capability, which continues to address cyber threats and unauthorised access to systems.
- Hosted a number of crisis simulation exercises and implemented a business continuity management automation tool, and undertook fraud and information risk awareness initiatives.

Legal risk

- Following the group's self-reporting of a suspicious transaction, Standard Bank Plc was party to the UK's first DPA and related settlement agreement.
- Successfully invoked legal rights to recover from insurers a material amount of the losses suffered from fraud relating to aluminium reverse repurchase agreements in Qingdao Port, China.

Financial review

Simon Ridley, group financial director

THIS REVIEW PROVIDES

- An overview of the key features of the group's 2015 financial results.
- An analysis of the impact of the economic environment on our banking results.
- An analysis of the group's financial performance and financial position.
- Details of the dividend to shareholders.

FINANCIAL RESULTS AND RATIOS

	% Change	2015	2014
Headline earnings (Rm)	27	**22 002**	17 323
Pro forma continuing operation's headline earnings (Rm)	13	**22 056**	19 570
Headline earnings per ordinary share (cents)	27	**1 359,3**	1 070,3
Dividend per ordinary share (cents)	13	**674,0**	598,0
ROE (%)		**15.3**	12.9
Tier I capital adequacy ratio (%)		**13.3**	12.9
Net asset value per share (cents)	9	**9 395**	8 625
Banking activities			
Net interest margin (%)		**3.50**	3.80
Non-interest revenue to total income (%)		**45.9**	46.2
Credit loss ratio (%)		**0.87**	1.00
Cost-to-income ratio (%)		**56.7**	55.0

What were the highlights of the group's results in 2015?

Global economic growth in 2015 remained moderate at 3.1%, with growth in emerging markets and developing economies expected to have declined for the fifth consecutive year. Despite the challenging economic environment, the group's headline earnings and headline earnings per share increased by 27%.

This increase was assisted by substantially lower headline earnings losses in the group's discontinued operation Standard Bank Plc (SB Plc), reducing from R3 745 million in 2014 to R90 million in 2015.

As mentioned in the 2014 financial review, 100% of the results of the discontinued operation (formerly known as SB Plc in London and now known as ICBCS are required to be separately disclosed in the income statement, despite us retaining a 40% interest in the business. Our 2014 financial results therefore reflect the discontinued operation's results for 12 months and, following the disposal of the discontinued operation in February 2015, one month in the

This finance review is presented on a normalised basis, which reflects the basis on which management manages the group, unless indicated as being on an IFRS basis. The principal differences between the group's normalised and IFRS results are set out on page 86. The results from SB Plc, of which 60% was disposed of in 2015, are reflected as a single line item in the group's income statement as a discontinued operation. The analysis which follows is for the group's banking activities (unless stated otherwise) and excludes, unless otherwise stated, the discontinued operation's results.

group's 2015 results. With effect from that date the group equity accounts for its 40% interest in ICBCS within the group's continuing operations' results. In order to provide a consistent measure of our performance of the businesses that the group continues to hold, we have disclosed a *pro forma* continuing operations' headline earnings result which includes 40% of the discontinued operation's headline earnings loss in the group's continuing operations' headline earnings. This measure reflected a 13% improvement over the previous period and should be regarded as a more relevant view of the group's continuing operations' result. Our total dividend per share increased 13% from 2014 to 674 cents, in line with this earnings measure and increased the group's dividend cover from 1.8 in 2014 to 2 times. The final dividend was declared as a cash dividend.

Total income increased by 8%. While our credit impairments increased by 4%, our credit loss ratio decreased from 1.00% in 2014 to 0.87%. Staff and other operating expenses increased by 12% and 8% respectively. The staff cost increase was inflated by the conversion of approximately 4 400 people from temporary to permanent staff, and contributing to the increase in other operating expenses was the increased amortisation of core banking IT systems taken into production.

" Despite the economic headwinds that we experienced during 2015, our financial results demonstrate our franchises' resilience and we are pleased that our group ROE for 2015 is within our target range of 15 to 18%. "

Mention is made throughout this report to various earnings measures – for a full explanation of these measures, please refer to **page 86** in this report.

What were the challenges that the group experienced in 2015?

Globally, the continued fall in commodity prices resulted in another round of global deflation. This has prompted several central banks to retain and extend ultra-low interest rate monetary policy and quantitative easing programmes. Manufacturing and trade activity remained weak globally, not only due to developments in China, but also as a result of subdued global demand and investment more broadly.

Market concerns reflected the weaker commodity prices, diminishing confidence and increased currency volatility. The combination of weaker commodity prices and tightening monetary policy, notably that of the United States, placed further pressure on exchange rates in all of our regions and is expected to result in sub-Saharan Africa economic growth of 3.5% in 2015, down from 5% in 2014. While economic activity remains more robust than in many other developing regions in the world, the strong growth momentum evident in sub-Saharan Africa in recent years has dissipated, particularly within oil-exporting countries. Climate conditions resulted in extreme drought conditions that have contributed to an increase in food-related inflation which is expected to continue into 2016. This is also expected to contribute to further monetary policy intervention and currency volatility into 2016.

From a South African perspective, economic growth forecasts were marked down progressively during the year as a result of weaker commodity prices, weakening business and consumer confidence, unfolding drought conditions, higher interest rates and policy uncertainty. Manufacturing and mining production remain below their pre-crisis peaks as de-industrialisation continued to intensify. A sharply weaker ZAR exchange rate as a result of investment portfolio outflows, a stubborn current account deficit and broad market volatility towards the end of the year, exacerbated by market concerns regarding removal of South Africa's finance minister, contributed to further market uncertainty.

In January 2016 the newly appointed Minister of Finance met with the chief executives of most major South African corporations, including Sim Tshabalala, our group chief executive. This meeting was encouraging and agreed on the need to attract more local and foreign investment and for business and government to work together to tackle short-term challenges that put South Africa's investment grade sovereign credit rating at risk. As a group we are positioned and committed to support this initiative.

Despite these challenges the performance of our franchises were resilient. Our rest of Africa franchise increased total income by 11% and lifted headline earnings by 12% to R5 511 million. This was despite credit impairments increasing by 71%. SBSA, the group's principal operating subsidiary, grew headline earnings by 11% which benefited from growth in total income and lower credit impairment charges.

What were the key events that resulted in stock exchange announcements?

The group disposed of its controlling interest in its SB Plc to ICBC with effect from 1 February 2015. The group retained a 40% interest in SB Plc (subsequently renamed ICBCS). Through ICBCS the group will continue to partner with ICBC in global markets and to build a sustainable commodity and financial markets platform. The transaction provided the group with additional capital and significantly reduced the negative headline earnings impact to the group. The disposal gain of R3,2 billion, largely driven by a foreign currency reserve realisation, of which R2,8 billion was excluded from headline earnings, has been included in the group's discontinued operation's result.

In April 2015, the group completed the disposal of Banco Standard de Investimentos S.A. (Brazil), its Brazilian subsidiary. The disposal resulted in a gain of R262 million, of which R111 million was included in headline earnings. The group also disposed of its associate interest in Ünlü Menkul Değerler A.S. (Turkey) for a disposal gain of R24 million which was excluded from headline earnings. The disposal of SB Plc, Brazil and Turkey has further cemented our strategic focus to pursue our growth objectives on the African continent.

As noted in the 2014 financial review, the group instituted legal proceedings against several parties with respect to the group's rights to physical aluminium held in bonded warehouses in China. In January 2015, we wrote down the remaining exposure of USD20 million of this aluminium as part of our discontinued operation's results. In June 2015, the group successfully claimed USD65 million from its insurers with respect to these exposures. 40% of this recovery was recognised in the group's continuing operations with the remaining 60% recognised in the group's discontinued operation's results. Efforts continue through a number of avenues to recover a further amount claimable from an insurer and to pursue other recovery mechanisms from other counterparties, as well as to access metal stocks held by the authorities in China.

As noted in CIB's business unit review, in November 2015 SB Plc entered into a deferred prosecution agreement (DPA) with the UK's Serious Fraud Office (SFO). The DPA relates to a self-reported event where it was alleged that SB Plc failed to prevent two executives of Stanbic Bank Tanzania Limited from engaging a local partner with the intent that the engagement would induce Tanzanian Government representatives into acting partially in awarding a capital raising mandate to SB Plc and Stanbic. The group's total settlement with respect to the DPA, related settlement with the US Securities and Exchange Commission (SEC) and legal costs in this regard amounted to USD40,3 million (R562 million), of which USD16,1 million (R226 million) was recognised in the group's continuing operations and USD24,2 million (R336 million) was included in the group's discontinued operation's results.

The lock-in period for the group's BEE initiative ended on 31 December 2014 and provided the participants with several alternatives with respect to their shareholding, including full encashment of the net realisable value. This initiative was successful in creating significant value for the participants. The initiative is one of the principal reasons why the group, since 2014, has normalised its results. Despite the lock-in period having ended, some participants have elected to retain their interest in the initiative. This remaining interest has a negligible impact on the group's IFRS results and the group has accordingly concluded that it will revert back to IFRS as its primary reporting basis with effect from its 2016 financial reporting year.

Were there any specific financial reporting-related events during the year?

During October 2015, Stanbic IBTC Bank Nigeria (Stanbic Nigeria) received notification from the Financial Reporting Council of Nigeria (FRCN), an organisation charged with setting accounting standards in Nigeria, in which it disagreed with the continued recognition of certain liabilities due to other Standard Bank group entities. Stanbic Nigeria and its regulator, the Central Bank of Nigeria, have publically indicated that they do not agree with the most material of those findings and they continue to engage with the regulators in that regard. These findings had no material consequences for the group's 2015 and previously reported financial statements.

What are our focus areas for 2016 to achieve our financial objectives?

Our medium-term target ROE range of 15% to 18% remains intact. As referred to on page 28 our strategy and, in particular, the following value creation drivers will provide us with the means to deliver progressively improving levels of ROE:

- Placing our clients at the centre of everything that we do, leveraging our presence, knowledge and experience across Africa, our connectivity with China and other selected markets, and the heritage and extent of our operations in natural resources.
- Protecting and enhancing our strong PBB and CIB franchises, in support of our clients.
- Focusing on improving ROE in the rest of Africa by leveraging off our existing franchise, systems and investment in people to increase market share.
- Leveraging our investments in information technology assets as we move to enhance client experience using our digital platforms.
- Aligning our wealth businesses to deliver a universal customer offering and enhance returns across our franchise.

These, together with our focus on our diverse revenue streams, cost containment and our credit processes to maintain our credit loss ratio will assist in achieving our medium-term ROE target range.

What should we expect going forward?

Despite the economic headwinds experienced, global growth is expected to gradually accelerate to 3.4% in 2016 and 3.6% in 2017, with sub-Saharan Africa countries expected to generally experience an economic uptick but at lower rates than previously experienced. The group's strategic market positioning, its well-capitalised and liquid balance sheet and its talented workforce have demonstrated resilience to uncertain and volatile markets. We have a well-diversified franchise and will seek to continue growing in our rest of Africa operations. Our medium-term ROE target range of 15% to 18% remains intact but is naturally impacted by material changes to economic growth in South Africa and the rest of sub-Saharan Africa. In particular, a potential sovereign credit ratings downgrade in South Africa would impact the planned improvement in ROE in the medium term.

In closing

Having reached the group's executive retirement age in 2015, I will be retiring from the board effective 30 April 2016. Dr Arno Daehnke has been announced as the group financial director designate and will assume my role with effect from 1 May 2016. I wish Arno the very best in supporting both the achievement of the group's growth aspirations and our vision to be the leading financial services organisation in, for and across Africa.

Impact of the economic environment on our banking results

As a universal banking group we are constantly aware of the significant impact that the macroeconomic environment has on our results. We seek to anticipate changes in key economic factors and mitigate negative effects where possible, but inevitably there will be material consequences to our results from economic shifts and events. 2015 has been a year with significant economic headwinds in South Africa and in almost every other country in which we operate across the African continent. It is always misleading to view sub-Saharan Africa as a uniform region, and for this reason we have summarised the economic environment in a country-by-country analysis on the pages that follow. Some of the shifts are extraordinary and it is useful to understand this when considering our results. There are however some common themes which include:

- Commodity based activities being a moderate component of GDP in many countries but export revenues and government income being significantly dependant on commodity volumes and prices.
- Currency values and markets thus being materially impacted by both current and anticipated reductions in export revenues.
- Inflation and interest rates being consequentially materially affected by a weak currency environment.
- Banking transaction volumes being impacted by reduced access to currency markets and credit exposures coming under stress from higher interest rates and lower corporate turnover.

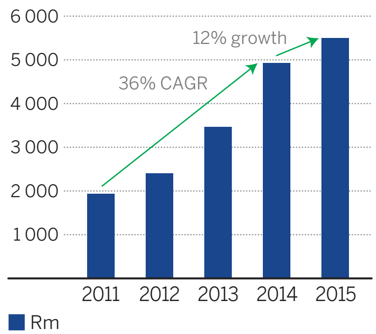
Despite South Africa having a relatively well-diversified economy, there were signs of most of these factors in our home market. Economic growth forecasts for South Africa in 2015 were marked down progressively during the year as the full impact of commodity price deflation, and weakening business and consumer confidence limited demand. Although there was a notable stabilisation of electricity supply in the second half of 2015, unfolding drought conditions, higher interest rates and policy uncertainty subdued investment and cyclical consumption, resulting in economic growth of 1.3% in 2015 from 1.5% in 2014. A sharply weaker exchange rate in response to investment portfolio outflows and the current account deficit accompanied broad acceleration in market volatility towards the end of the year, exacerbated by market concerns related to the unexpected removal of South Africa's minister of finance in December.

Our South African banking operations produced a satisfactory set of results despite the economic headwinds mentioned above. Moderate growth in income was supplemented by lower credit impairment charges as operating expenses were negatively impacted by rand weakness.

SBSA's income statement and balance sheet are contained in its annual report on **www.standardbank.com/reporting**.

With respect to our financial results from the rest of Africa, reflected in the graphic below is a very strong compound annual growth rate (CAGR) in earnings of around 36% in the years from 2011 to 2014, followed by deceleration to a 12% annual growth rate in 2015.

REST OF AFRICA LEGAL ENTITIES HEADLINE EARNINGS TREND



REST OF AFRICA LEGAL ENTITIES SUMMARISED INCOME STATEMENT

	Change %	2015 Rm	2014 Rm
Net interest income	12	**13 704**	12 262
Non-interest revenue	10	**13 111**	11 909
Total income	11	**26 815**	24 171
Credit impairment charges	71	**1 937**	1 136
Income after credit impairment charges	8	**24 878**	23 035
Operating expenses	8	**14 792**	13 678
Net income before taxation	8	**10 086**	9 357
Taxation	10	**2 859**	2 606
Profit for the year	7	**7 227**	6 751
Attributable to non-controlling interest	(6)	**1 716**	1 822
Headline earnings	12	**5 511**	4 929

Looking at 2015 in more detail, two themes are evident. Firstly total income growth of 11% showed a healthy relationship with cost growth of 8%, despite the strong headwinds reducing revenues. Secondly, a 71% increase in credit impairments was the principal reason for the modest growth in headline earnings. The increase in credit impairments was entirely consistent with the weakening macroeconomic trends previously mentioned and the change was mostly incurred in our operations in the west African region.

Noting the importance of understanding the economic environment in each country, the following is a brief summary of countries which are material to the results of our rest of Africa franchise and where material volatility in economic conditions was experienced.

Country of operation		Economic environment and the impact on banking results
Angola 	◆	Oil contributed 33% to GDP and 90% to export revenue.
	■	The kwanza weakened by approximately 31% against the US dollar and the Angolan foreign currency market remained closely managed by the Central Bank with foreign currency demand generally not being fully met by supply.
	▲	GDP growth estimated to be 2.6% (2014: 4.0%).
	●	Our strongly growing transactional banking corporate franchise overcame the economic conditions and generated a strong growth in headline earnings.
Botswana 	■	The pula strengthened by approximately 15% against the US dollar in this small but well-managed economy.
	▲	GDP growth estimated to be 2.0% (2014: 4.4%).
	●	Strong growth in headline earnings was generated off a relatively low base.
Ghana 	■	The cedi weakened by approximately 18% against the US dollar in the context of some stabilisation in the Ghanaian currency markets following confirmation in April 2015 by the IMF of the provision of an Extended Credit Facility to Ghana.
	▲	GDP growth estimated to be 3.6% (2014: 4.0%).
	●	Both revenues and credit impairment charges were adversely affected by the economic conditions resulting in a reduction in headline earnings.
Kenya 	■	The shilling weakened by approximately 13% against the US dollar. A sharp increase in interest rates in the first half of 2015, followed by a later relaxation, seemed to provide some protection to the currency.
	▲	GDP growth estimated to be 5.3% (2014: 5.3%).
	●	Increased income, generated by good balance sheet growth. Despite sharply higher credit impairment charges driven by a single corporate exposure, a satisfactory headline earnings growth was achieved.
Mozambique 	■	The metical weakened by approximately 47% against the US dollar as market perceptions reflected reduced optimism on future benefits of natural gas projects and concerns about fiscal imbalance.
	▲	GDP growth estimated to be 6.0% (2014: 7.4%).
	●	Good revenue growth generated strong headline earnings performance in the context of a fast-growing universal banking franchise.

◆ Economic condition relevant to the country ■ Currency impact on the country ▲ GDP result ● Commentary on our operations' results in the country

Country of operation		Economic environment and the impact on banking results
Nigeria 	◆	Oil contributed approximately 90% of export revenue in 2015.
	■	The naira weakened by approximately 9% against the US dollar and remains effectively pegged at approximately N200/US dollar resulting in significant foreign currency shortages which particularly affected import-dependent businesses.
	▲	GDP growth estimated to be 3.1% (2014: 6.2%).
	●	Lower revenues, given the economic conditions, and sharply higher credit impairment charges led to a substantial decline in headline earnings as evident in the results published for the nine months to 30 September 2015 (the results for the full year to 31 December 2015 are still to be publically announced).
Tanzania 	■	The shilling weakened by approximately 24% against the US dollar, largely consistent with trends in its neighbouring countries in East Africa.
	▲	GDP growth estimated to be 6.9% (2014: 7.0%).
	●	Higher funding costs and general market uncertainty led to a decline in headline earnings.
Uganda 	■	The shilling weakened by approximately 22% against the US dollar and this led to the Central Bank taking significant monetary policy action.
	▲	GDP growth estimated to be 4.8% (2014: 4.7%).
	●	Higher interest rates improved net interest income, assisting in a moderate increase in headline earnings.
Zambia 	◆	Mining (mainly copper) contributed approximately 10% of GDP and 83% of export revenues.
	◆	Higher imported electricity costs due to drought.
	■	The kwacha weakened by approximately 72% against the US dollar due to concerns about copper prices, drought impacts and future fiscal pressures.
	▲	GDP growth estimated to be 3.7% (2014: 6.0%).
	●	Higher interest rates improved net interest margin and this, together with good management of credit risk and cost containment initiatives, allowed moderate growth in headline earnings.

Economic data obtained from the group's internal research team.

◆ Economic condition relevant to the country ■ Currency impact on the country ▲ GDP result ● Commentary on our operations' results in the country

Income statement analysis

The income statement reflects the revenue generated by the group and the costs incurred in generating that revenue. The analysis that follows discusses the financial performance of the group and the principal headline earnings drivers for growth in our ROE as explained further on page 28. We have also explained other material income statement items such as non-trading and capital-related items, share of results from associates and joint ventures, the result from the discontinued operation and taxation below.

CONSOLIDATED NORMALISED INCOME STATEMENT

for the year ended 31 December 2015	Change %	2015 Rm	2014 Rm
Net interest income	9	49 314	45 256
Non-interest revenue	8	41 801	38 813
Net fee and commission revenue	3	26 920	26 079
Trading revenue	20	11 014	9 216
Other revenue	10	3 867	3 518
Total income	8	91 115	84 069
Credit impairment charges	4	9 371	9 009
Specific credit impairments	(11)	8 098	9 056
Portfolio credit impairments	>100	1 273	(47)
Income before operations expenses	9	81 744	75 060
Operating expenses	10	51 434	46 596
Staff costs	12	27 968	24 961
Other operating expenses	8	23 466	21 635
Net income before non-trading and capital items	6	30 310	28 464
Non-trading and capital-related items	(>100)	(1 402)	986
Goodwill impairment	(>100)	(333)	(4)
Impairment of intangible asset	(>100)	(1 220)	(257)
Gains on disposal of businesses	(75)	311	1 265
Other non-trading and capital items	(>100)	(160)	(18)
Net income before equity accounted earnings	(2)	28 908	29 450
Share of profit from associates and joint ventures	(>100)	(340)	612
Net income before indirect taxation	(5)	28 568	30 062
Indirect taxation	13	1 981	1 747
Profit before direct taxation	(6)	26 587	28 315
Direct taxation	(4)	5 870	6 122
Profit for the year from continuing operations	(7)	20 717	22 193
Profit/(loss) for the year from the discontinued operation	>100	2 741	(4 048)
Profit for the year	29	23 458	18 145
Attributable to non-controlling interests	(8)	1 704	1 848
Attributable to preference shareholders	6	385	364
Attributable to ordinary shareholders – banking activities	34	21 369	15 933
Attributable to the group – Liberty	2	2 200	2 158
Attributable to ordinary shareholders – group	30	23 569	18 091
Headline adjustable items	(>100)	(1 567)	(768)
Standard Bank Group headline earnings	27	22 002	17 323
Continuing operations	5	22 092	21 068
Discontinued operation	98	(90)	(3 745)

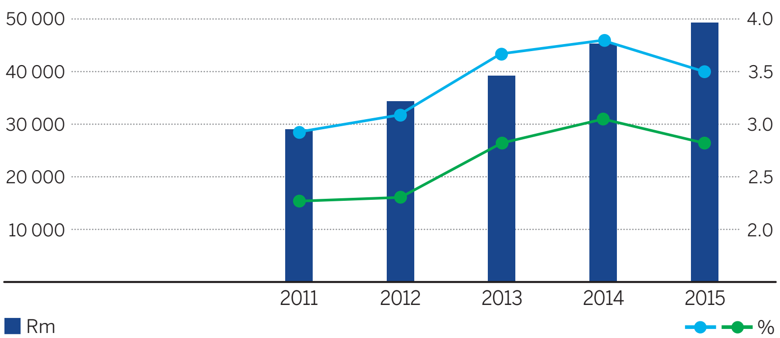
Net interest income

Net interest income is the difference between interest received on lending products and investments, and the interest paid on our deposits and debt funding. The interest margin expresses net interest income as a ratio to average assets. The movement in benchmark lending rates, such as the prime rate in South Africa, is a key factor that causes the net interest margin to vary.

Net interest income increased by 9% during the year. The growth was primarily attributable to balance sheet growth of 16% in loans and advances, together with the positive endowment effect of higher average interest rates during the period, the positive effect of pricing strategies on the mortgage lending business and a greater proportion of higher-margin earning customers in the card portfolio. This growth was partly offset by margin compression in the rest of Africa, the dilutive impact of high-quality liquid assets to comply with the liquidity coverage ratio, low-margin interbank placement of short-term liquidity, competitive pricing and competitive pressures for long-term deposits to meet the net stable funding ratio prescribed by Basel III.

NET INTEREST INCOME AND NET INTEREST MARGIN

CAGR (2011 – 2015): 14%



	2011	2012	2013	2014	2015
Net interest income	29 027	34 233	39 248	45 256	49 314
Net interest margin before impairment charges	2.92	3.09	3.67	3.80	3.50
Net interest margin after impairment charges	2.27	2.30	2.82	3.04	2.83

Non-interest revenue

Non-interest revenue comprises net fee and commission revenue, trading and other revenue. The net fee and commission revenue is closely linked to transactional banking volumes, which are a function of economic activity and competition for banking services. Trading revenue is a function of trading volumes and market volatility which affects trading spreads. Other revenue consists of other banking activity-related revenue, including property-related revenue and income derived from bancassurance agreements.

Non-interest revenue grew 8%, with net fee and commission revenue up 3%, trading revenue up 20% and other revenue up 10%.

Net fee and commission revenue increased largely due to the 6% increase in account transaction fees, driven by overnight increases on fees; the larger active account base and resultant higher transaction volumes; improved brand and sales campaigns; the increased use of point of sale devices in the rest of Africa and higher foreign exchange transactional volumes.

Card-based commissions grew marginally due to strong growth in transaction volumes in the rest of Africa, an increase in the fleet card account base and merchant acquisitions in South Africa, offset by the impact of regulatory reforms in South Africa through the lowering of the interchange rate and the abolishment of ATM fees and a reduction in the fees chargeable to clients in Nigeria.

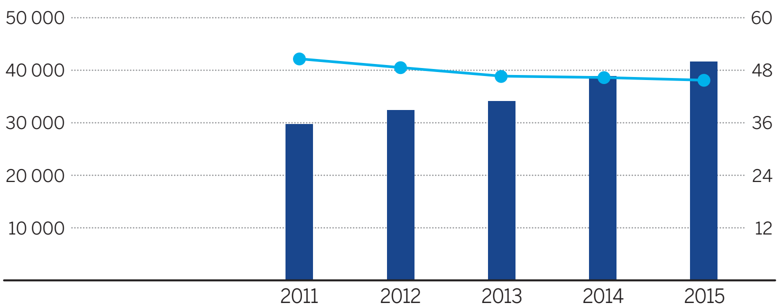
Knowledge-based fees were 9% lower due to lower capital market activity as the reduction and restriction of foreign currency liquidity in markets delayed client investment decisions in key markets in the rest of Africa.

Trading revenue increased 20%, due to a strong fixed income and currencies (FIC) trading performance as a result of volatility in foreign markets in Southern and Central Africa, good equity trading results and central hedging activities.

Other revenue increased by 10% as a result of the profit earned on the disposal of real estate investments in the rest of Africa.

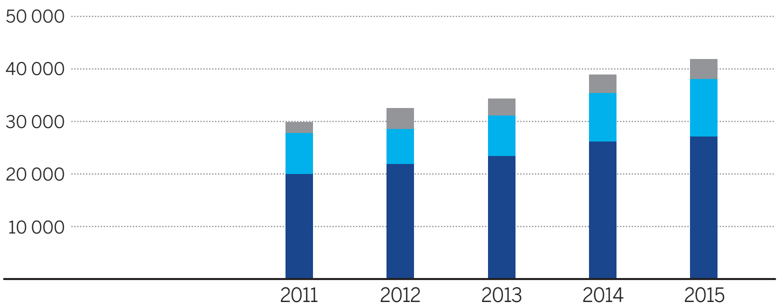
NON-INTEREST REVENUE

CAGR (2011 – 2015): 9%



	2011	2012	2013	2014	2015
Non-interest revenue	29 724	32 400	34 257	38 813	41 801
Non-interest revenue to total revenue	50.6	48.7	46.6	46.2	45.9

ANALYSIS OF NON-INTEREST REVENUE



	2011	2012	2013	2014	2015
Net fee and commission revenue	19 782	21 694	23 184	26 079	26 920
Trading revenue	7 895	6 764	7 757	9 216	11 014
Other revenue	2 047	3 942	3 316	3 518	3 867

Credit impairment charges

Credit impairments represent the losses incurred as a result of the inability of our customers and clients to repay their debt obligations to the group. The credit loss ratio expresses these impairments charges as a percentage of average loans and advances and indicates how much on average, of each rand lent by the group is incurred in credit impairments.

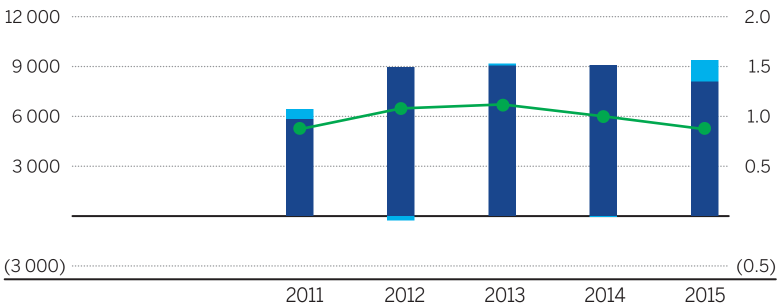
During the year, the credit impairment charge increased marginally by 4%, while the credit ratio reduced to 0.87% from 1.00% in the previous year.

In South Africa, improvements in collection strategies and new business origination contributed to lower mortgage lending and vehicle and asset finance credit impairment charges. In low income, unsecured lending, credit impairment charges reduced due to the lower loan book balance following a reduction in risk appetite for this segment of the market from 2015 and enhanced collection strategies. However, increased consumer strain in South Africa resulted in higher specific impairment charges in credit card debtors and revolving credit plans.

Credit impairments in some rest of Africa markets were lower as a result of improved collections and a change in the risk appetite on new loans originated. This was offset by increased defaults in Nigeria's business lending vehicle and asset finance portfolio.

In CIB, despite specific impairments being raised against clients in the oil and gas, and power and infrastructure sectors, CIB reported a reduction in specific credit impairments, driven by the non-recurrence of prior year specific impairments on certain clients. The decrease in the specific impairments was offset by higher performing portfolio impairments, predominantly in CIB's corporate lending portfolio in Nigeria and South Africa.

CREDIT IMPAIRMENT CHARGES
CAGR (2011 – 2015): 10%



Rm / %	2011	2012	2013	2014	2015
Specific credit impairments	5 849	8 954	9 049	9 056	8 098
Portfolio credit impairments	587	(240)	109	(47)	1 273
Credit loss ratio	0.87	1.08	1.12	1.00	0.87

Operating expenses

Operating expenses represent the costs that the group incurs to generate current and future revenues. Inflation and foreign exchange rates are key external variables that contribute to the increase in operating expenses. Many internal factors also affect the growth in operating expenses, such as our staffing levels and investments in branch and IT infrastructure.

Staff costs

Staff cost growth of 12% was relatively high in 2015 due to the conversion of 4 360 staff from temporary staff to permanent staff in recognition of changes in South African legislation, as well as higher headcounts to support digital banking, and wealth and investment activities. The strong recovery in earnings at a group level, which included the 59% growth in CIB's earnings, required some recognition in the incentive line and this was also a factor.

Other operating expenses

The 8% growth in the operating expenses included the effects of ongoing IT investment as the group seeks to enhance its operational platforms and digital capabilities to support digital growth, enhance client experience and increase efficiency. Amortisation of systems costs were up 3% as major core banking systems were put in production. The group's IT spend was also adversely affected by the weaker rand. Professional fees increased during the period as a result of ongoing litigation items, IT review programmes and compulsory regulatory programmes.

Non-trading and capital-related items

This line item materially comprises gains and losses on the disposal of businesses and property and equipment; and the impairment of goodwill; intangible assets; and associates and joint ventures.

A loss of R1 402 million was recognised in 2015 from the non-trading and capital-related items from a profit of R986 million in the previous year. This was as a result of the recognition of an impairment of the goodwill included in the group's investment in Nigeria of R333 million, impairments of certain associates and a R1,2 billion impairment of our intangible assets. The impairment of the intangible assets followed a comprehensive review of all system-related assets particularly where there had been any changes in the strategy related to these projects. Of the R1,2 billion, R555 million related to PBB South Africa's core banking system where ring-fenced components were identified as obsolete due to final changes in the direction of the core banking journey and R342 million related to a decision made to streamline all sub-ledgers across the group, both in South Africa and the rest of Africa, on SAP products.

Share of profit from associates and joint ventures

This comprises the group's share of results from interests in associates and joint ventures. The group's most material associates are that of ICBCS (UK) and ICBC Argentina.

The group's share of loss from associates and joint ventures was R340 million compared to a profit of R612 million in the previous year.

This reversal was as a result of the group equity accounting its investment in ICBCS for the first time in 2015. The group's share of the ICBCS loss for the year was exacerbated by the weakening of the rand. An offset to this equity accounted loss was a significant increment in earnings from the group's 20% interest in ICBC Argentina which performed well in the period under review.

Discontinued operation's result

The group's 100% interest in SB Plc was required, in terms of IFRS, to be classified as a discontinued operation up to the date of disposal, being 1 February 2015. Included in this line item are all gains and losses that arise from that discontinued operation including disposal-related gains and losses.

The group reported a profit of R2,7 billion which included one month of operating losses and disposal-related gains of R3,2 billion, of which R4,1 billion was a foreign currency translation reserve profit. In the previous year, the group reported a loss of R4 billion which included the valuation adjustments for the aluminium reverse repurchase agreements.

Taxation

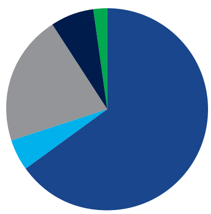
Taxation includes both direct income taxes and indirect taxes such as withholding taxes and the residual portion of value-added tax (VAT).

The effective direct tax rate increased slightly by 0.5% from 21.6% to 22.1% as a result of increased withholding taxes and non-deductible items.

In all the countries in which the group operates, the group has a dual responsibility as both tax payer and tax collector. The group has a tax strategy that outlines the framework by which the group's tax obligations are met from an operational and risk management perspective. We adopt an overarching risk philosophy in relation to tax matters which aims to mitigate any adverse or unexpected financial consequences and protect our reputation.

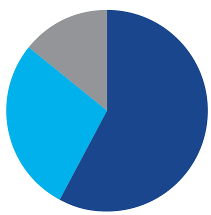
Total tax actually paid by our banking operations amounted to R9 billion (2014: R9 billion) and tax collected from third parties and employees amounted to R12 billion (2014: R10 billion).

TAX INCURRED



- Corporate tax
- Withholding taxes (mainly on fees received)
- Indirect taxes (mainly non-recoverable VAT)
- Payroll taxes
- Other taxes

TAX COLLECTED



- Payroll taxes
- Withholding taxes (mainly dividends tax)
- Indirect taxes (mainly VAT)

Headline earnings – Liberty

The group has a 53.6% interest in Liberty, which comprises life insurance and investment management activities. The group's share of Liberty's earnings is reflected in this review as a single line item to ensure a clear distinction from the group's banking activities. Liberty's earnings are dependent on both earnings from insurance operations and from the performance of investment markets.

Liberty's headline earnings attributable to the group were up 4% on 2014 and were driven by a strong operational performance but offset by lower earnings within the LibFin investment portfolio following a volatile equity market. This contributed to the group's increase in headline earnings.

Economic returns

Risk-based performance measures are used across the group to calculate economic profit generated, and to assess and manage the creation of shareholder value. We generate economic value for our shareholders where our ROE exceeds our cost of capital. The cost of capital is based on allocated economic capital and is calculated using a cost of equity measure based on the industry standard capital asset pricing model. During 2015, the group created economic value for our shareholders of R2 857 million as compared to a loss of R375 million in 2014, primarily as a result of the 27% increase in group headline earnings despite the slightly higher cost of capital and the higher shareholders' equity required to accommodate progressively higher regulatory capital requirements.

Balance sheet analysis

The balance sheet or statement of financial position shows the position of the group's assets, liabilities and equity at 31 December 2015, and reflects what the group owns, owes and the equity attributable to shareholders.

CONSOLIDATED NORMALISED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2015	Change %	2015 Rm	2014 Rm
Assets			
Cash and balances with central banks	17	**75 112**	64 302
Derivative assets	80	**111 089**	61 633
Trading assets	20	**86 285**	72 121
Pledged assets	>100	**34 429**	14 185
Financial investments	8	**488 124**	453 398
Loans and advances	16	**1 077 167**	929 544
Loans and advances to banks	25	**145 320**	116 220
Loans and advances to customers	15	**931 847**	813 324
Investment property	13	**30 508**	27 022
Other assets	18	**26 967**	22 904
Interest in associates and joint ventures	>100	**9 703**	3 727
Non-current assets held for sale	(100)	**–**	219 958
Goodwill and other intangible assets	13	**24 031**	21 175
Goodwill	12	**4 201**	3 752
Other intangible assets	14	**19 830**	17 423
Property and equipment	6	**17 670**	16 737
Total assets	4	**1 981 085**	1 906 706
Equity and liabilities			
Equity	9	**180 530**	165 367
Equity attributable to ordinary shareholders	9	**152 042**	139 588
Preference share capital and premium		**5 503**	5 503
Non-controlling interest	13	**22 985**	20 276
Liabilities	3	**1 800 555**	1 741 339
Derivative liabilities	85	**133 958**	72 281
Trading liabilities	(1)	**43 304**	43 761
Deposit and current accounts	13	**1 186 514**	1 047 212
Deposits from banks	41	**137 202**	97 606
Deposit and current accounts from customers	10	**1 049 312**	949 606
Other liabilities	34	**111 406**	82 979
Non-current liabilities held for sale	(100)	**–**	182 069
Policyholder liabilities	4	**298 232**	287 516
Subordinated debt	6	**27 141**	25 521
Total equity and liabilities	4	**1 981 085**	1 906 706

Loans and advances

Loans and advances represent the largest asset class on the group's balance sheet. They provide the group's biggest source of revenue in the form of interest income, and create cross-selling opportunities to earn transactional fees and insurance-related revenues. Growing loans and advances within the group's accepted risk levels is therefore essential to growing revenue.

Growing loans and advances in the personal market in particular depends on the customers' ability to repay debt.

Loans and advances grew 16% during the year, from R929,5 billion in 2014 to R1,1 trillion in 2015. Volumes of new business in vehicle and asset finance increased during 2015, primarily due to more efficient internal and application processes after the successful implementation of a dealer online portal. Targeted brand awareness and sales campaigns contributed to good loan book growth in the rest of Africa. Corporate, business and other term lending increased significantly due to higher demand for rand and foreign currency-based lending in South Africa as well as higher lending in the energy, infrastructure and resource sector in the rest of Africa. Competitive pricing strategies in South Africa in the commercial property finance loan book led to growth during 2015. Placements with banks grew 25% during the year, primarily to meet internal and Basel III liquidity requirements.

ANALYSIS OF LOANS AND ADVANCES

	Change %	2015 Rm	2014 Rm
PBB	6	**576 078**	543 830
Mortgage loans	3	**325 867**	317 069
Vehicle and asset finance	11	**80 278**	72 483
Card debtors	4	**31 174**	30 029
Other loans and advances	12	**138 759**	124 249
CIB	29	**383 432**	297 846
Corporate loans	31	**327 382**	249 917
Commercial property finance	17	**56 050**	47 929
Central and other	50	**(4 783)**	(9 645)
	15	**954 727**	832 031
Less: credit impairment for loans and advances	21	**(22 632)**	(18 707)
Net loans and advances to customers	15	**932 075**	813 324
Loans and advances to banks	25	**145 320**	116 220
	16	**1 077 395**	929 544

Financial investments, trading and pledged assets and trading liabilities

Financial investments principally comprise listed and unlisted equity instruments, government and corporate debt that is listed on a recognised exchange as well as other regulatory prescribed instruments that the group is required to maintain.

Trading assets and liabilities comprise of those assets and liabilities that the group holds for short-term purposes to realise gains as a result of changes in underlying market variables.

Pledged assets are those assets that the group has provided to other market participants who may use the assets for their own purposes but may not be derecognised from the group's balance sheet.

Financial investments increased by 8%, or R35 billion, as a result of placing excess liquidity in treasury bonds and bills in the rest of Africa, coupled with the favourable foreign exchange impact.

Trading assets increased by 20% or R14 billion, due to an increase in listed equities and equity derivatives in South Africa and the effect of the weaker rand.

Pledged assets increased by R20 billion during the year, as a result of higher on-balance sheet pledged government securities pledged as well as the increase in treasury bills pledged in the rest of Africa.

Deposits, current accounts, debt funding, subordinated debt, capital and liquidity

Deposits and debt funding provides the group with the means to lend to its customers and 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. The group pays interest on the funds borrowed but also derive fee income from transactional activity with respect to its customer and client deposits. The group's subordinated debt provides further funding for the group's growth requirements and importantly qualifies as tier II capital.

Deposit and current accounts grew by 13% from 2014, with 20% growth in retail-priced deposits and 10% in wholesale-priced deposits. Retail-priced deposits experienced strong growth particularly in the rest of Africa and outside Africa. Further increases were achieved in the raising of term funding to meet internal net stable funding ratios in anticipation of Basel III's NSFR implementation.

The group maintained its liquidity position within the approved risk appetite and tolerance limits. Appropriate liquidity buffers were held in line with regulatory, prudential and internal stress testing requirements, taking into account the global risk profile and market conditions.

During 2015, the group maintained an average liquidity coverage ratio (LCR) of 93.7%. As a result of the very strong LCR ratio in many of the banking subsidiaries in the rest of Africa, the group's ratio was comfortably in excess of the regulatory minimum requirement of 60%.

The group successfully accessed loan and capital markets to meet term funding and capital requirements, raising R32,1 billion in the form of senior and subordinated debt and syndicated loans.

Derivative assets and liabilities

The group transacts derivatives on behalf of its customers and clients and hedges those positions with other market participants. The group's participation in derivative transactions is primarily a flow-based business in terms of which a margin is earned.

Derivative assets increased by 80% to R111 billion and derivative liabilities increased by 85% to R134 billion as a result of higher interest rate and foreign exchange-based derivatives, mainly in South Africa as a result of the volatile foreign exchange and interest rate environment, particularly towards the end of the year.

Non-current assets and liabilities held for sale and interests in associates and joint ventures

In 2014, the assets and liabilities of SB Plc were in terms of IFRS, classified as non-current assets and liabilities held for sale. These assets and liabilities were disposed of on 1 February 2015. Following the disposal, the group recognised a new 40% investment in ICBCS which materially contributed to the increase in the interests in associates and joint ventures from R3,7 billion in 2014 to R9,7 billion.

Goodwill and other intangible assets

Goodwill and other intangible assets increased by 13% during the year, primarily due to the capitalisation of development costs on strategic IT projects, including the group's core banking system. The group's IT intangible assets provide it with the ability to enhance client experience using its digital platforms and, as mentioned above, were subject to a comprehensive groupwide risk impairment assessment in 2015.

Ordinary shareholders' funds

Equity attributable to ordinary shareholders grew 9% or R12,5 billion. Shareholders' funds deployed outside South Africa are exposed to foreign currency translation movements resulting from the translation of these funds into rand.

The closing rand exchange rate weakened against the US dollar to R15,50 from R11,57 in 2014 resulting in a foreign currency translation gain of R2 539 million (2014: R938 million), which includes related hedging activities.

Dividends

A final dividend of 371 cents per share was declared, resulting in a total dividend for the year of 674 cents per share. The increase in the total dividend of 13% aligns to the increase in the group's *pro forma* continuing operations' headline earnings as more fully explained on page 128. The dividend cover ratio increased from 1.8 to 2.0 times, but remained at 2.0 times with respect to the *pro forma* continuing operations' headline earnings. The final dividend was declared as a cash dividend.

Key accounting concepts

IFRS 9 FINANCIAL INSTRUMENTS

Expected loss impairment requirements

Q/ What is IFRS 9?

International Financial Reporting Standards (IFRS) is the rule book that the group is required to comply with in preparing and presenting its financial statements.

IFRS currently requires that credit impairment charges (losses on debt assets) are recognised only when an event happens that could lead to a future loss. Regulators suggested that the accounting standards contributed to the 2008 global financial crisis and that banks generally had insufficient impairment allowances. IFRS 9 was developed by the International Accounting Standards Board (IASB) over a period of six years following the wake of the financial crisis. It will replace the existing accounting standard for financial instruments (IAS 39) with effect from 1 January 2018 and contains new accounting rules which will impact the following areas:

- Classification and measurement of financial assets.
- Accounting for changes in credit risk for certain financial liabilities.
- Hedge accounting for financial risks.
- Impairment of debt financial assets.

Q/ What is IFRS 9's biggest change and how does it differ to the current rules?

IFRS 9's biggest change is the new impairment calculation method. IAS 39 currently requires impairments to be calculated on an incurred loss basis, whereas IFRS 9 will require impairments to be calculated on an expected loss basis which incorporates forward-looking judgemental assumptions. This will result in impairments being recognised earlier in a debt asset's life. The incorporation of forward-looking information, which seeks to incorporate into loan loss provisioning events that are expected to happen in the future, differs from existing accounting rules which are 'rear-view mirror' based and rely solely on events that have already happened up to and including the reporting date.

Importantly the impairment requirements apply, as is currently the case, to those debt assets that are subsequently measured on an amortised cost basis. These rules also apply to off-balance sheet facilities such as overdrafts, credit card and mortgage loans' unutilised facility limits. The requirements are best explained in terms of the following three stages:

Stage 1: Performing loan book
This stage includes exposures for which there has been no default event and for which the credit risk has not significantly increased since origination. A 12-month expected loss will be required to be recognised, being the lifetime loss associated with defaults that are expected to arise in the next 12 months.

Stage 2: Significant increase in credit risk
This stage includes exposures for which there has been a significant increase in credit risk since the date of origination. A life time expected loss will be required to be recognised, being the lifetime loss associated with defaults that are expected to arise over the lifetime of the exposure.

Stage 3: Default
This stage includes debt assets that have met the default criteria, or for which there is imminent default. A lifetime loss will also be required to be recognised for these debt assets.

Q/ When must the group comply with the new requirements?

From 1 January 2018, the group is required to be IFRS 9 compliant. All of the group's subsidiaries in all jurisdictions will be required to provide the group with IFRS 9 compliant impairment information as well as the associated disclosures. In addition, almost all group subsidiaries will be required to comply with the new requirements in their separate financial statements.

Q/ I heard that IFRS 9 will initially reduce the group's reserves – why?

Compared to existing accounting requirements, IFRS 9 is expected to require higher impairments earlier in a debt asset's life and the recognition of losses on off-balance sheet facilities. Together this will result in a higher overall balance sheet impairment requirement. This difference is expected, on transition to IFRS 9, to be recognised as a debit to the group's retained reserves.

Q/ Is the impact going to be significant?

It is anticipated that the impact will be significant to the group. Third-party market research in this regard suggests a potential increase in total balance sheet impairment provisions of 33% for the South African banking sector. The group's IFRS 9 models are currently being developed and accurate predictions at this stage are therefore not possible, but a potential impact in this range is plausible.

Should you hear about IFRS 9 impacts being quoted, it is important to understand how that impact was determined and, more specifically, whether it relates to the impact on the performing impairment provision or total impairment provisions and whether it is a pre- or post-tax impact. It should also be noted that the impact for South African banks is expected to be lower than European banks since European entities tend, under the current accounting requirements, to carry lower performing portfolio impairment provisions.

Q/ Should we be concerned about the impact on the group's future performance?

Ultimately the total lifetime loss of a non-recoverable loan remains the same under both current accounting standards and IFRS 9. In the long run it is all about the timing of the recognition of impairments with IFRS 9 requiring the losses to be recognised earlier than under existing accounting standards.

Q/ Is this a stand-alone project?

No – we have identified several project dependencies, the most notable being linkages to the group's RDARR project (a Basel data and governance-related project to support the BCBS 239 requirements).

Q/ What are we doing to ensure that the group is ready?

The group's IFRS 9 project has achieved the following notable milestones:

- A formal project has been established with full governance and a project management office (with a dedicated project manager and change management function).
- A formal project plan has been developed.
- Group policies, that provide guidance on key IFRS 9 requirements, have been developed.
- The development of prototype IFRS 9 impairment models is currently in progress.
- Work has commenced on the group's proposed IFRS 9 disclosures.
- The group has presented to the SARB on the IFRS 9 implications for the group and will follow up that presentation with a further presentation to the SARB in 2016 as one of its flavour-of-the year issues.
- Training on the new requirements to both business and executive levels is in progress.

Group earnings measures

There is no single number that encapsulates the performance of an entity. Accordingly, in explaining our performance, we refer to various earnings measures. Some of these measures are required by regulators, while others have been developed by the group to explain our key performance metrics and dimensions. The following analysis explains those earnings measures, how each of the measures links with one another, where we use those measures and the result for the current and previous reporting year.

These earnings measures are included in our various financial reports which include the group's annual financial statements, annual integrated report, analysis of financial results and various other regulatory reports.

Banking activities

Our banking activities primarily comprise our PBB and CIB results. PBB comprises of the financial services that we provide to individual customers and small- to medium-sized enterprises. CIB provides services to clients including governments, parastatals, larger corporates, financial institutions and international counterparties.

Liberty

The group owns a controlling interest in Liberty, which primarily provides life insurance and investment management services to individual customers.

Group IFRS

Profit attributable to ordinary shareholders

In terms of company law and the JSE Listings Requirements, we are required to comply with IFRS as issued by the IASB. Accordingly, IFRS forms the foundation for our earnings measures.

Headline earnings

As a listed entity, we are required to calculate and report on our headline earnings. Headline earnings is determined by excluding from reported earnings specific identifiable remeasurements net of related tax and non-controlling interests.

Material exclusions from headline earnings (pre-tax):

2015: A gain on disposal of SB Plc of R2,8 billion and the impairment of intangible assets of R1,3 billion. 2014: A gain of R1,2 billion on the liquidation of certain group companies and impairment of intangibles of R450 million.

Continuing operations

Our operations other than the discontinued operation.

Discontinued operation

The disposal of our controlling interest in SB Plc to ICBC is required, in terms of IFRS, to separately be presented and reported as a discontinued operation.

Pro forma continuing headline earnings

The group's 2014 results include 12 months of the discontinued operation's results and that of 2015 includes one month. To be comparable between financial years and for future years in which the group will include 40% of ICBCS's results, the group discloses a *pro forma* continuing operations' headline earnings result. This measure reflects the inclusion of 40% of the discontinued operation's headline earnings in the group's continuing operations' results. This measure is also a key input into our Performance Reward Plan (refer to page 113 for further details).

IFRS			Normalised		
Change (2014 to 2015)	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm	Change (2014 to 2015)
34%	**21 372**	15 891	**21 369**	15 933	34%
18%	**2 382**	2 014	**2 200**	2 158	2%
33%	**23 754**	17 905	**23 569**	18 091	30%
Adjustments					
29%	**22 187**	17 137	**22 002**	17 323	27%
7%	**22 277**	20 882	**22 092**	21 068	5%
98%	**(90)**	(3 745)	**(90)**	(3 745)	98%
			22 056	19 570	13%

Explanation of principal differences between normalised and IFRS results

Transactions that we normalise

- Preference share funding provided by the group for the group's Tutuwa transaction, which is deducted from equity as a negative empowerment reserve.
- Group company shares held for the benefit of Liberty policyholders.
- The group's transactions on its own shares to facilitate client trading activities. As part of its normal trading operations, a group subsidiary offers to its clients trading positions over listed shares, including its own shares. To hedge the risk on these trades, the group buys (sells short) its own shares in the market.

Group normalised

Profit attributable to ordinary shareholders

Why we normalise

A common element in these transactions relates to shares in issue that are deemed by IFRS to be treasury shares. Consequently, these shares are treated by IFRS as no longer being in issue and earnings per share is accordingly, in our view, overstated by this treatment. The legal substance of these transactions is that the shares are still in issue and the normalisation adjustments ensure that all financial metrics consistently reflect this.

Looking forward

The Tutuwa initiative resulted in the most material adjustment between the group's normalised and IFRS results. As a result of the end of the Tutuwa lock-in period on 31 December 2014, the difference has materially reduced. As a result the group will revert back to IFRS as its primary reporting basis for its 2016 financial reporting year.

For a further detailed explanation of the principal differences between the group's normalised and IFRS results refer to pages 20 to 22 of the group's analysis of financial results on **www.standardbank.com/reporting**.

Key IFRS financial information

The key IFRS financial information presented on pages 89 to 91 of this report has been extracted from the audited annual consolidated financial statements which were audited by KPMG Inc. and PricewaterhouseCoopers Inc., for which an unmodified opinion was provided.

The annual consolidated financial statements and auditor's report thereon are available for inspection at the company's registered office. This report itself is not audited.

The directors of the group take full responsibility for the preparation of the key IFRS financial information and that the information has been correctly extracted from the underlying consolidated annual financial statements.

RCM AFS The full 2015 annual financial results and related notes can be found in the risk and capital management report and annual financial statements.

IN THIS REPORT:

Significant accounting policies

Basis of preparation

The group's annual financial statements are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, JSE Listings Requirements, and the South African Companies Act.

Basis of consolidation

The group controls an investee when it has power over the investee; has exposure or rights to variable returns from its involvement with the investee; and has the ability to use its power to affect the returns from its involvement with the investee. Investees are consolidated from the date the group acquires control up to the date that control is lost.

Functional and presentation currency

The annual financial statements are presented in South African rand (ZAR). All foreign-denominated transactions are recognised at the rate at which the transaction arose and all foreign-denominated balances are translated at the closing exchange rate with any differences recognised in the income statement. The assets and liabilities of the group's foreign operations are translated into ZAR using the closing exchange rate and the income statement at the average exchange rate. Any resultant exchange differences are recognised in the group's FCTR.

Financial instruments

Financial instruments, which include all financial assets and liabilities, are initially recognised at fair value. Subsequent to initial recognition, financial instruments are measured either at fair value or amortised cost depending on the classification of the financial instrument which takes into account the purpose for which the group acquired or originated the financial instrument, the group's intention and various other accounting elections.

Equity compensation plans

The fair value of equity-settled share options is determined on the grant date and recognised in staff costs over the vesting period with a corresponding increase in the share-based payment reserve. Cash-settled share-based payments are accounted for as liabilities at fair value until settled with change in the liability being recognised over the vesting period through staff costs.

Revenue and expenditure

Revenue is derived substantially from the business of banking and related activities. Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. Fee and commission revenue is recognised as the related services are performed. Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities. Other revenue typically includes gains and losses on equity instruments designated at fair value through profit or loss, underwriting profit from the group's short-term insurance operations and related insurance activities.

Policyholder insurance and investment contracts

Long-term insurance contracts and investment contracts with discretionary participation features, being discretionary bonuses provided by the group, are valued using actuarial cash flow methodologies in accordance with actuarial guidance requirements. For short-term insurance, premiums are accounted for as income when the risk related to the insurance policy commences and are amortised over the contractual period of risk cover by using an unearned premium provision. A liability adequacy provision is recognised when it is anticipated that the unearned premium is insufficient to cover future claims. Investment contracts without discretionary participation features are accounted for as liabilities at fair value with all changes recognised in the income statement. All of these contracts are reflected as liabilities in the statement of financial position.

Consolidated income statement – IFRS

for the year ended 31 December 2015	Change %	2015 Rm	2014 Rm
Net interest income	9	49 310	45 152
Non-interest revenue	7	41 803	38 891
Net fee and commission revenue	3	26 920	26 079
Trading revenue	19	11 016	9 294
Other revenue	10	3 867	3 518
Total income	8	91 113	84 043
Credit impairment charges	4	9 371	9 009
Specific credit impairments	(11)	8 098	9 056
Portfolio credit impairments	>100	1 273	(47)
Income after credit impairment charges	9	81 742	75 034
Operating expenses	10	51 434	46 596
Staff costs	12	27 968	24 961
Other operating expenses	8	23 466	21 635
Net income before non-trading and capital items	7	30 308	28 438
Non-trading and capital items	(>100)	(1 402)	986
Goodwill impairment	(>100)	(333)	(4)
Impairment of intangible assets	(>100)	(1 220)	(257)
Gains on disposal of businesses	(75)	311	1 265
Other non-trading and capital items	(>100)	(160)	(18)
Net income before equity accounted earnings	(2)	28 906	29 424
Share of profit from associates and joint ventures	(>100)	(340)	612
Net income before indirect taxation	(5)	28 566	30 036
Indirect taxation	13	1 981	1 747
Profit before direct taxation	(6)	26 585	28 289
Taxation	(4)	5 873	6 146
Profit for the year from continuing operations	(6)	20 712	22 143
Profit/(loss) from the discontinued operation[1]	>100	2 741	(4 048)
Profit for the year	30	23 453	18 095
Attributable to non-controlling interests	(8)	1 704	1 848
Attributable to preference shareholders	6	377	356
Attributable to ordinary shareholders – banking activities	34	21 372	15 891
Attributable to the group – Liberty	18	2 382	2 014
Attributable to ordinary shareholders – group	33	23 754	17 905
Headline adjustable items	(>100)	(1 567)	(768)
Standard Bank Group headline earnings	29	22 187	17 137
Continuing operations	7	22 277	20 882
Discontinued operation	98	(90)	(3 745)

1 Gains and losses relating to the group's discontinued operation has been presented as a single amount relating to the after-tax losses.

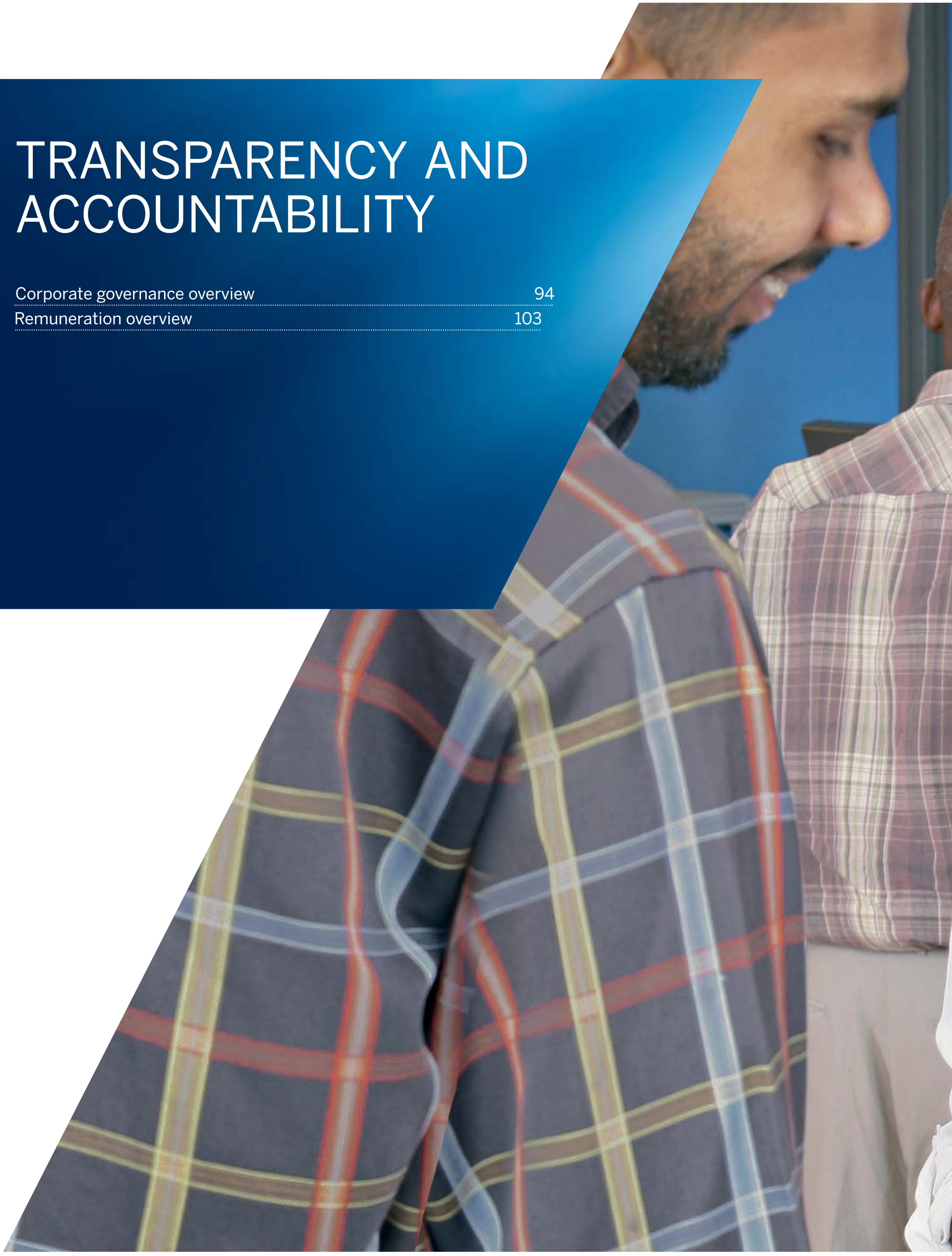
Consolidated statement of financial position – IFRS

as at 31 December 2015	Change %	2015 Rm	2014 Rm
Assets			
Cash and balances with central banks	17	**75 112**	64 302
Derivative assets	80	**111 089**	61 633
Trading assets	20	**86 219**	72 040
Pledged assets	>100	**34 429**	14 185
Financial investments	8	**486 704**	450 921
Current tax assets	7	**534**	498
Loans and advances	16	**1 076 917**	928 241
Non-current assets held for sale	(100)		219 958
Other assets	19	**24 552**	20 691
Interest in associates and joint ventures	>100	**9 703**	3 727
Investment property	13	**30 508**	27 022
Property and equipment	6	**17 670**	16 737
Goodwill and other intangible assets	13	**24 031**	21 175
Deferred tax assets	10	**1 881**	1 715
Total assets	4	**1 979 349**	1 902 845
Equity and liabilities			
Equity	11	**178 908**	161 634
Equity attributable to ordinary shareholders	10	**151 069**	136 985
Preference share capital and premium		**5 503**	5 503
Non-controlling interests	17	**22 336**	19 146
Liabilities	3	**1 800 441**	1 741 211
Derivative liabilities	85	**133 958**	72 281
Trading liabilities	(1)	**43 304**	43 761
Current tax liabilities	(4)	**4 304**	4 505
Deposits and debt funding	13	**1 186 514**	1 047 212
Non-current liabilities held for sale	(100)		182 069
Policyholder liabilities	4	**298 232**	287 516
Subordinated debt	6	**27 141**	25 521
Provisions and other liabilities	38	**101 894**	73 871
Deferred tax liabilities	14	**5 094**	4 475
Total equity and liabilities	4	**1 979 349**	1 902 845

Headline earnings – IFRS

for the year ended 31 December 2015	Change %	2015 Rm	2014 Rm
Profit for the year from continuing operations	(4)	21 013	21 953
Headline adjustable items added/(reversed)		1 264	(1 071)
Goodwill impairment – IAS 36		333	4
Loss on sale of property and equipment – IAS 16		38	14
Gains on disposal of business – IAS 27		(180)	(62)
Realised foreign currency profit on foreign operations – IAS 21		(5)	(1 203)
Impairment of associate – IAS 27/IAS 36		112	
Impairment of intangible assets – IAS 36		930	194
Realised gains on available-for-sale assets – IAS 39		36	(18)
Standard Bank Group headline earnings from continuing operations	7	22 277	20 882
Profit/(loss) for the year from discontinued operation	>100	2 741	(4 048)
Headline adjustable items (reversed)/added		(2 831)	303
Impairment of intangible assets – IAS 38			150
Loss on disposal of subsidiary – IFRS 10		1 303	
Realised foreign currency profit on foreign operations – IAS 21		(4 054)	
Net investment hedge gain – IAS 39		(80)	
Impairment of non-current assets held for sale – IFRS 5			153
Standard Bank Group headline earnings from discontinued operation	98	(90)	(3 745)
Standard Bank Group headline earnings	29	22 187	17 137

TRANSPARENCY AND ACCOUNTABILITY



People

We are committed to creating a great place to work where our people feel deeply connected with our purpose and our clients, are empowered and recognised for delivering against our strategic objectives, and have made the most of every opportunity to achieve their full potential.

Corporate governance overview

We believe that governance can contribute to value creation through enhanced accountability, more effective risk management, clear performance management, greater transparency and effective leadership. Ultimately, this is about holistic decision-making that takes into account long-term as well as shorter-term outcomes.

The Standard Bank Group (SBG) board is accountable to our stakeholders for the provision of value-generating governance. The board is constituted in terms of the company's Memorandum of Incorporation (MOI) and in line with the provisions of the King Code of Governance Principles (King III). The majority of the board are independent non-executive directors who bring diverse perspectives to board deliberations and constructively challenge management. The board is effective and is considered to be of an appropriate size for the group.

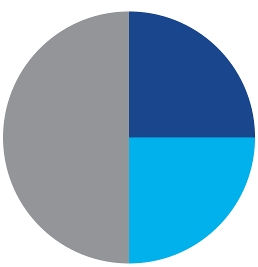
The role of chairman is distinct and separate from that of the group chief executives and there is a clear division of responsibilities. The board's in-depth interactions with management strengthen the group's decision-making and ensure an appropriate balance of power. A clear division of responsibilities at board level ensures that no one director has unfettered powers in decision-making.

The board has a formal and transparent process and policy in place for the appointment of directors. While the board as a whole considers appointments, the authority to oversee nominations and carry out interview processes has been delegated to the directors' affairs committee. Apart from a candidate's experience, availability and likely fit, we also consider the candidate's integrity, as well as other directorships and commitments to ensure that they will have sufficient time to discharge their role effectively. The committee also considers race and gender diversity in its assessment. In addition, candidates must meet the fit and proper test, as required by the Banks Act.

The board members' collective experience provides for a balanced mix of attributes to fulfil the board's duties and responsibilities. The breadth of experience on the board includes retail and investment banking, risk management, legal and regulatory, finance and accounting, marketing, public sector, remuneration and overall business, with several directors having chief executive experience.

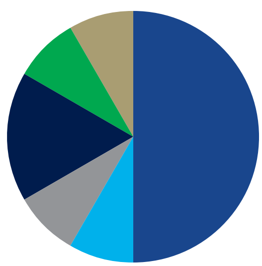
GR For the full governance report, including details of board directors and board committee mandates, refer to the governance and remuneration report.

NON-EXECUTIVE DIRECTOR DEMOGRAPHICS



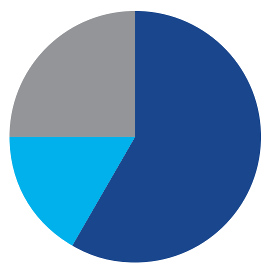
	2015	2014
White	3	4
Black	3	4
Non-South African	6	6

NON-EXECUTIVE DIRECTOR NATIONALITIES



	2015	2014
South African	6	8
Australian	1	1
British	1	2
Chinese	2	2
Kenyan	1	0
Nigerian	1	1

NON-EXECUTIVE DIRECTOR TENURE



	2015	2014
Less than three years	7	7
Greater than three but less than six years	0	2
Greater than six but less than nine years	2	1
Greater than nine years	3	4

Company secretary

The company secretary plays a vital role in the corporate governance of the group. The company secretary supports the board by monitoring compliance and providing guidance on matters reserved for board decisions. The board is satisfied that an arm's length relationship exists between it and the group secretary, Zola Stephen, who is not a member of the board or a prescribed officer of the group. Zola holds a BProc, LLB (University of KwaZulu-Natal), and a postgraduate Diploma in Corporate Law, and has over 15 years' experience in corporate governance. In line with the JSE Listings Requirements, on 2 March 2016, the board considered the competence, qualifications and experience of the group secretary and concluded that she is competent to carry out her duties.

King III

The board is unwavering in its adherence with legislation, regulations and codes; our commitment to good governance goes beyond compliance. The board unanimously embraces King III and is committed to its best practice principles of accountability, integrity, fairness and transparency.

The group continues to apply the principles of King III, which adopts an 'apply or explain' approach requiring the company to provide a reasonable explanation in instances where a principle is not applied. Exceptions and differences to the application of King III are monitored and reviewed annually, and the board is satisfied with the group's application of the principles. Instances of non-application which occurred throughout the reporting year, have been considered and explained alongside.

EXCEPTIONS TO THE APPLICATION OF THE KING CODE PRINCIPLES

Principle 2.19 (paragraph 88.7):

King III requires disclosure of actual or potential political connections or exposure for directors. The group does not discourage directors from being affiliated to political parties and the board believes this contributes to strengthening South Africa's democracy. Some of the group's directors are involved in political parties but are not office bearers of any political party in South Africa.

Principle 2.25 (paragraph 153):

The board has considered the King III requirement that non-executive remuneration should comprise a base fee and an attendance fee per meeting, and has agreed that the current fee structure of a single comprehensive annual fee is more appropriate for the group board and committees. It is the group's view that the contribution of directors cannot only be judged by attendance at board and committee meetings.

Principle 2.25 (paragraph 173):

King III requires that options or other conditional share awards should not vest or be exercisable within three years from the date of grant. However, the deferred bonus scheme (DBS), which is settled in Standard Bank equity shares, has an initial vesting period shorter than three years. The average vesting period for deferred bonuses is, however, approximately three years.

STATEMENT OF DIFFERENCES TO THE KING CODE

Principle 7.1 (paragraph 5):

King III recommends that the board approves the group internal audit charter. The board has delegated this responsibility to the group audit committee.

Our board of directors

KGOMOTSO MOROKA /61

Independent non-executive director of SBG and SBSA
Appointed 2003

R D S

RICHARD DUNNE /67

Independent non-executive director of SBG and SBSA
Appointed 2009

A R IT

THULANI GCABASHE /58

Chairman of SBG and SBSA
Appointed 2003
Appointed chairman 2015

R D S Rem LEC

SHU GU /48

Deputy chairman and non-executive director of SBG
Appointed 2014

R D IT

WENBIN WANG /40

Non-executive director of SBG
Appointed 2014

R D IT

As alternate to Shu Gu

The group has a unitary board structure with

- 2 non-executive directors (2014: 2)
- 10 independent non-executive directors (2014: 12)
- 3 executives (2014: 3)

The board is accountable to shareholders for financial and operational performance and strives to balance the interest of the group and those of its various stakeholders.

SIMON RIDLEY /60

Group financial director and executive director of SBG and SBSA
Appointed 2009

M IT LEC

SIM TSHABALALA /48

Group chief executive of SBG and chief executive of SBSA
Appointed 2013

S IT LEC

BEN KRUGER /56

Group chief executive of SBG, and an executive director of SBSA
Appointed 2013

S IT M LEC

MARTIN LUKE ODUOR-OTIENO /59

Independent non-executive director of SBG and SBSA
Appointed 2016

ANDRÉ PARKER /64

Independent non-executive director of SBG and SBSA
Appointed 2014

D Rem IT LEC

ATEDO PETERSIDE CON /60

Independent non-executive director of SBG and SBSA
Appointed 2014

A IT

MYLES RUCK /60

Independent non-executive director of SBG and SBSA
Appointed 2002

R D LEC

PETER SULLIVAN /67

Independent non-executive director of SBG and SBSA
Appointed 2013

A R IT Rem

SWAZI TSHABALALA /50

Independent non-executive director of SBG and SBSA
Appointed 2014

A M R

TED WOODS /69

Independent non-executive director of SBG and SBSA
Appointed 2007

A R Rem

A	Audit committee
D	Directors' affairs committee
IT	IT committee
M	Model approval committee
Rem	Remuneration committee
R	Risk and capital management committee
S	Social and ethics committee
LEC	SBSA large exposure credit committee*
	Chairman of committee

* A subcommittee of The Standard Bank of South Africa Limited (SBSA).

Board of directors

Members and 2015 meeting attendance (including the South African Reserve Bank meeting and annual strategy session)

Thulani Gcabashe[1,2] (chairman)	**8/8**	Simon Ridley[4]	**8/8**
Shu Gu[3]	**7/8**	Myles Ruck[2]	**8/8**
Richard Dunne[2]	**8/8**	Peter Sullivan[2]	**8/8**
Ben Kruger[4]	**8/8**	Sim Tshabalala[4]	**8/8**
Kgomotso Moroka[2]	**8/8**	Swazi Tshabalala[2]	**8/8**
Martin Oduor-Otieno[2,5]	**N/A**	Wenbin Wang[3]	**8/8**
André Parker[2]	**7/8**	Ted Woods[2]	**8/8**
Atedo Peterside[2]	**8/8**		

1 Appointed chairman, SBG and SBSA effective on 28 May 2015.
2 Independent non-executive director.
3 Non-executive director.
4 Executive director.
5 Appointed 1 January 2016.

A

Group audit committee

Members and 2015 meeting attendance

Richard Dunne[1,6] (chairman)	**8/8**
Atedo Peterside[2,6]	**4/4**
Peter Sullivan[3,6]	**8/8**
Swazi Tshabalala[4,6]	**4/4**
Ted Woods[5,6]	**8/8**

1 Appointed 3 December 2009.
2 Appointed 27 May 2015.
3 Appointed 6 March 2013.
4 Appointed 27 May 2015.
5 Appointed 22 May 2008.
6 Independent non-executive director.

Key roles, responsibilities and activities for 2015

- Reviewed the financial information published by the group.
- Recommended the annual integrated report and all other financial reports such as the annual financial statements and interim reports to the board for approval.
- Evaluated financial accounting and reporting issues that affected the group and will affect the group in the future.
- Reviewed, approved and monitored the external audit, internal audit and compliance plans.
- Considered tax matters, including current and upcoming tax legislation.
- Monitored the group's internal control framework and the results of activities of the group internal financial control governance committee.
- Considered reports from internal audit, compliance and financial crime control, and monitored responses from management where required.
- Considered the group's external auditors' annual assessment of internal audit.
- Considered the routine independent quality assurance review of audit execution.
- Considered Companies Act requirements in respect of assessing the independence of external auditors.
- Monitored compliance with relevant legislation.
- Reviewed and approved non-audit fees.
- Considered significant matters discussed at the GRCMC meetings (see alongside).
- Satisfied itself as to the expertise and experience of the financial director and financial director designate.

Key roles, responsibilities and activities for 2015

- Provided effective leadership.
- Approved the group's strategy.
- Ensured that there is effective governance and risk and capital management processes.
- Delegated relevant authority to the group chief executives and reviewed their performance.
- Determined the terms of reference and procedures of all board committees.
- Ensured consideration was given to succession planning for the board, group chief executives and executive management.
- Finalised the share purchase agreement with the Industrial and Commercial Bank of China (ICBC) in respect of the disposal of a 60% controlling interest in Standard Bank Plc (SB Plc).
- Monitored stakeholder relations and engaged with key stakeholders.

R

Group risk and capital management committee (GRCMC)

Members and 2015 meeting attendance

Myles Ruck[1] (chairman)	**4/4**
Richard Dunne[1]	**4/4**
Thulani Gcabashe[1,2]	**2/2**
Shu Gu[3]	**4/4**
Kgomotso Moroka[1]	**4/4**
Peter Sullivan[1]	**3/4**
Swazi Tshabalala[1]	**4/4**
Wenbin Wang[3,4]	**4/4**
Ted Woods[1]	**4/4**

1 Independent non-executive director.
2 Appointed 27 May 2015.
3 Non-executive director.
4 Alternate to Shu Gu.

Key roles, responsibilities and activities for 2015

- Approved relevant risk governance standards, frameworks and policies.
- Considered and approved the risk appetite statement for the group's banking operations.
- Considered and approved macroeconomic scenarios that were used for 2015 group stress testing.
- Considered risk overviews from management on events and risks that occurred or were emerging, which were expected to have a direct or indirect impact on the group's risk profile.
- Considered reports on the group's recovery and resolution plan.
- Considered reports from management that covered key risks, including credit, equity, compliance, country, capital and liquidity, market, operational, legal and insurance risk.
- Considered the group's approach to compliance with principles for effective risk data aggregation and risk reporting.
- Recommended the internal capital adequacy assessment process and internal capital target ratio ranges to the board for approval.
- Monitored capital and liquidity ratios for the group.
- Considered management's report on legal matters significant to the group.
- Approved the risk and capital management disclosure in published reports.
- Reviewed minutes of key subsidiaries' risk and credit management meetings.
- Considered key matters raised at group risk oversight committee meetings.
- Reviewed minutes of the group model approval committee.

Committee	Members and 2015 meeting attendance		Key roles, responsibilities and activities for 2015
S **Group social and ethics committee**	Kgomotso Moroka[1,2] (chairman)	3/3	
	Thulani Gcabashe[2,3]	1/2	
	Ben Kruger[4]	3/3	
	Sim Tshabalala[4]	3/3	

1 Appointed chairman 4 March 2015.
2 Independent non-executive director.
3 Appointed 27 May 2015.
4 Executive director.

- Monitored the socioeconomic development risks in the areas in which the group operates.
- Implemented the revised stakeholder relations policy.
- Monitored the group's transformation progress and ensured the alignment of the financial sector codes with the Department of Trade and Industry's generic codes.
- Monitored compliance with the 2015 ethics implementation plan as well as the group's refreshed code of ethics.
- Approved the funding of the democracy support programme for the next five-year electoral cycle.
- Monitored the progress of meeting the six outcomes of the treating customers fairly framework and embedding the action plans into the business units according to a risk-based approach.
- Monitored social developments throughout Africa.
- Implemented the revised SBSA employment equity plan and monitored the interventions and initiatives facilitating the achievement of those targets.

Committee	Members and 2015 meeting attendance	
D **Group directors' affairs committee**	Thulani Gcabashe[1,2] (chairman)	4/6
	Shu Gu[3]	5/6
	Kgomotso Moroka[2]	5/6
	André Parker[2,4]	2/2
	Myles Ruck[2]	6/6
	Wenbin Wang[3,5]	6/6

1 Appointed chairman 28 May 2015.
2 Independent non-executive director.
3 Non-executive director.
4 Appointed 27 May 2015.
5 Alternate to Shu Gu.

- Finalised the appointment of the chairman of the board as at 28 May 2015 and the appointment of a non-executive director from East Africa as at 1 January 2016.
- Monitored the adoption and implementation of the subsidiary governance framework across the group.
- Monitored and ensured successful implementation of the end of the lock-in period in respect of the group's Tutuwa initiative.
- Ensured training and director development.
- Assisted the board in ensuring that the composition of the board and committees is adequate and meets the group's requirements.

Committee	Members and 2015 meeting attendance	
IT **Group IT committee**	Peter Sullivan[1] (chairman)	4/4
	Richard Dunne[1]	4/4
	Shu Gu[2]	4/4
	Ben Kruger[3]	4/4
	André Parker[1,4]	2/2
	Atedo Peterside[1,5]	2/2
	Simon Ridley[3,6]	N/A
	Sim Tshabalala[3]	4/4
	Wenbin Wang[2,7]	4/4

1 Independent non-executive director.
2 Non-executive director.
3 Executive director.
4 Resigned 27 May 2015. Reappointed 2 March 2016.
5 Appointed 27 May 2015.
6 Appointed 25 November 2015.
7 Alternate to Shu Gu.

- Reviewed and approved the group's IT governance standard.
- Received regular updates from the chief information officer on the status of key matters pertaining to IT governance, operations, resilience, financial performance, strategic initiatives, architecture and the IT control environment.
- Considered updates on strategic programmes, with particular reference to the SAP core banking transformation programme.
- Reviewed reports on cybercrime, cybersecurity, logical access management and enterprise technology architecture.
- Reviewed reports on the IT risk profile with reference to key risks and controls, emerging industry trends, service delivery and significant IT audit findings.
- Reviewed the results of an independent IT governance report.
- Reviewed the group's IT financial performance.
- Monitored IT intangible assets, with a particular focus on the SAP core banking transformation programme.
- Reviewed interaction with the South African Reserve Bank relating to IT matters.

Group model approval committee (M)

Members and 2015 non-executive director meeting attendance		Key roles, responsibilities and activities for 2015
Ben Kruger[1, 9] (chairman)		• Reviewed and approved material new risk models and the ongoing use of existing risk models. • Reviewed validation findings of material and significant models, as defined in the group's model risk governance framework. • Reviewed management's actions to address findings relating to specific models that were reviewed and validated. • Reviewed independent assurance reports on internal controls for the development and validation of risk models and the status of implementation of actions arising from such reports. • Monitored the activities of the CIB and PBB model approval committees through review and discussion of the minutes of these committees.
David Munro[2]		
Simon Ridley[3, 9]		
Peter Schlebusch[4]		
Neil Surgey[5, 6]		
Swazi Tshabalala[7, 8]	**2/2**	

1 Group chief executive, SBG.
2 Chief executive, CIB.
3 Group financial director.
4 Chief executive, PBB.
5 Chief risk officer.
6 Appointed 1 September 2015.
7 Appointed 27 May 2015.
8 Independent non-executive director.
9 Executive director.

Group remuneration committee (Rem)

Members and 2015 non-executive director meeting attendance		Key roles, responsibilities and activities for 2015
Ted Woods[1] (chairman)	**4/4**	• Formulated remuneration strategy and policies. • Monitored the implementation and effectiveness of such policies. • Engaged with stakeholders on remuneration issues.
Thulani Gcabashe[1,2]	**2/2**	
André Parker[1]	**4/4**	
Peter Sullivan[1,2]	**1/2**	

1 Independent non-executive director.
2 Appointed 27 May 2015.

GR For more detailed information on our board and board committees refer to **page 27** of the governance and remuneration report.

Our executive committee

The board has delegated authority to the group chief executives to manage the day-to-day business and affairs of the group, with full power on behalf of and in the name of the group. The group chief executives have in turn established the group executive committee (group exco) to assist them with the general executive control of the group.

The committee develops the group's strategy for consideration and approval by the board, monitors its execution, and agrees on priorities with the board, subject to statutory limits and the board's limitations on delegation of authority to the group chief executives. It assists the group chief executives in exercising general executive control of the business of the group and in the development of long-term direction and targets. It acts as a medium of communication and coordination between business units and group companies, the board, shareholders, regulators and other key stakeholders.

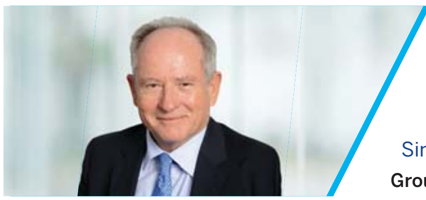
Members of the executive committee are the group chief executives, the group financial director, and the chief executives of PBB and CIB.

Dr Arno Daehnke takes over as the group's financial director and executive director with effect from 1 May 2016.

GR CV details of the group exco members are included in the governance and remuneration report.

Sim Tshabalala /48
Chief executive, SBG and SBSA

Ben Kruger /56
Chief executive, SBG and executive director, SBSA



Simon Ridley /60
Group financial director

David Munro /44
Chief executive, CIB

Peter Schlebusch /49
Chief executive, PBB

Remuneration overview

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 – 2015 and 2016

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.

The growth of our businesses across Africa will see a shift in focus to pay practices in those markets going forward. We seek to remain competitive and relevant there, where often the talent is scarce.

We set practices that take into account local conditions within a group governance framework. Specific focus areas for 2016 are detailed below.

Focus areas and achievements in 2015

- We engaged with many significant shareholders on the group's remuneration policy.
- The remuneration policy was approved at the AGM held in May 2015, with 98.3% of shareholders voting in favour of the policy.
- Our 2014 remuneration report won the South African Reward Association's annual Remuneration Report Award.
- Following the disposal of the group's controlling interest in SB Plc we aligned the former Quanto scheme with the DBS across the rest of the group (now known as Outside Africa deferred bonus scheme).
- Subsequent to the disposal, our remaining operations in the United Kingdom are now subject to the Financial Conduct Authority regulations.
- The benefits governance committee considered and approved several benefit changes across the group's operations in line with the group benefits philosophy.

Focus areas in 2016

- We will consider the alignment of our reward offerings to any changes in the group's strategy and make recommendations where appropriate.
- We will assess the extent of the share awards in the total reward of middle and senior managers and make recommendations where appropriate.
- We will continue to focus on the reward of the lowest level of our employees.

Chairman's Remco letter

Ted Woods, Chairman, Remco

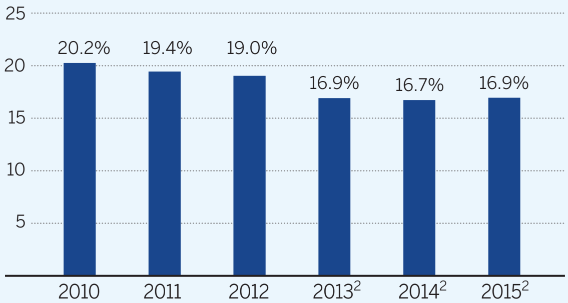
> "We guard with care our great resource of intelligent, experienced, disciplined, clear-thinking, energetic people who continuously drive growth and innovation, within clear risk boundaries, ultimately for your benefit as a shareholder."

Dear Shareholder

As the person who chairs your group's remuneration committee, or Remco, I engage often in conversations with shareholders and many other people about remuneration in the African context and more specific remuneration factors within our group. I listen to concerns, including the size of bonus pools relative to profits and the amounts of senior executive remuneration relative to performance. I should like to comment on these and other matters.

The first chart below illustrates the allocation of profits to bonus pools from 2010 to 2015. The vertical bars in the chart represent the ratio of total variable compensation for the group's banking activities to pre-tax profits, on a headline earnings basis, before charging variable remuneration.

VARIABLE COMPENSATION/PROFIT BEFORE TAX[1] BEFORE VARIABLE COMPENSATION (%)



1 Pre-tax profit excludes headline adjustable items.
2 2013 to 2015 represents continuing operations' bonus pool only.

The initial, clear observation is that the proportion of pre-tax, pre-bonus earnings allocated to variable remuneration has declined since 2010.

We do not consider this decline to be permanent. We allow a fairly wide flex in this percentage over time, depending on specific annual circumstances. During the global financial crisis, when earnings were under pressure, we allowed the percentage in this chart to increase considerably. In retrospect, that was prudent. Significantly, there is no ratchet effect in place and the higher proportions did not become the new norm.

But, I am asked, is there an equitable allocation of value created in your group between shareholders and staff?

There are three big claimants on the value created in your group: employees, government through taxation and shareholders. The chart below shows the manner in which the 'value created' cake was cut over 14 years.

In the years before the financial crisis of 2009, staff and shareholders took roughly equal shares of the value created in the group. From 2009, the impact of reduced earnings in the global crisis and increased bank regulation caused us to alter that balance. Importantly by 2014 and 2015, we had restored the former approximate balance. The facts indicate conservative but effective allocations of value created to staff and shareholders.

Questions continue. How rigorously does senior executive remuneration relate to performance? Are executive remuneration levels in your group justified by a metric such as return on equity (ROE)?

DISTRIBUTION OF VALUE CREATED[3] (% of total)

3 Excluding corporate social investment spend.

Starting with **individual senior executive remuneration**, our overarching principle is that individual compensation is a direct consequence of individual value contribution, within the overall framework of group performance.

We therefore seek first to understand the value impact of each senior executive, both in the current year and in the evolving dynamic that drives us toward our strategic destinations. Gathering of complex evidence is thorough, followed by hard, robust debate in Remco. Our specific objective is to build a relatively clear view of 'individual value created'. I shall return to this subject later.

Having done the work – figuratively standing on the evidence – Remco takes decisions on individual remuneration. An element of judgement is inevitable, but this is informed judgement.

The personal impact of each employee in your group on value created will vary widely, based on many factors. Tens of thousands of our people work with diligence and determination day-by-day to deliver value and to grow their personal capabilities. Many 'go the extra mile' as a way of life, with enthusiasm and not complaint. We admire them and seek to reward them appropriately.

What may not be self-evident is that, in most complex, intellect-driven businesses, a small proportion of people deliver extraordinarily large amounts of value relative to most others. It makes good business sense to pay those people very well because their intellectual capacities, business skills and leadership qualities are so rare. They create value for shareholders at large multiples of their pay.

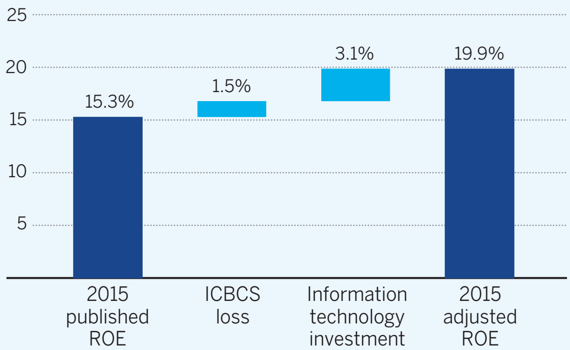
For these important reasons, some people in your group receive levels of remuneration way above the group average.

Turning now to **ROE**, this measure is widely used in shareholder and media judgements of management efficiency and effectiveness, and consequent executive pay. But this is a 'catch-all' percentage that sweeps up both strong and weak executive delivery, short-term costs of long-term strategies, and environmental headwinds or tailwinds beyond management control.

I should therefore like to comment, merely for information, on two specific influences on your group's ROE, which I separate out in the chart alongside.

The first bar represents your group's 2015 ROE of 15.3%. The second bar is additive to the first, with 1.5% representing the effect on group ROE of the loss incurred in ICBC Standard Bank Plc (ICBCS), formerly Standard Bank Plc (SB Plc). Your group now holds a minority interest in the business. I shall return to this subject below.

2015 ROE PARTIAL DECOMPOSITION (%)



The third bar represents the negative impact on 2015 earnings, and therefore ROE, of your group's replacement of its core banking information technology infrastructure. This is a discretionary, strategic cost which I shall also comment on further.

These two factors together reduced your group's 2015 ROE by about 4.6%. What, then, should be the impact on executive performance evaluations?

Your group's 40% shareholding in the London-based entity, **ICBCS**, illustrated in the second bar in the ROE chart, justifies some contextual comment because of its negative impact on earnings and ROE in 2015.

After that dramatic weekend in September 2008 when Lehman Brothers failed, it became increasingly clear that your group's strategy of building business bridges between Africa and many different economies across the world could not in future deliver acceptable ROEs. Deep recession and rapidly tightening bank regulatory boundaries overturned previously acceptable business strategies. Those forces were beyond executive control.

But our executives were decisive in gradually reshaping the out-of-Africa businesses, finally selling control of SB Plc on 1 February 2015. No such complex processes will be free of misjudgements, or free from depressing effects on ROE, but the final outcome was a significant credit to the executive team.

Nevertheless, you may recall that in 2014, Remco reduced David Munro's variable remuneration by 62%, with Ben Kruger taking a 50% decrease. This was in response to losses in SB Plc prior to sale, and the aluminium fraud in two Chinese ports, despite strong growth in the group's banking activities' earnings before including those losses.

ICBCS, as an equity accounted associate, lies beyond the direct control of our executives. Your board has, however, tasked our senior leadership with providing every possible input to the controlling shareholder to move the business toward its strategic objectives.

The third bar in the ROE chart refers to your group's substantial investment in **information technology** capability.

A new reality is sweeping like wildfire in a strong wind across most countries. Customers demand instant banking from mobile devices. Non-banks continually launch applications that can consume traditional sources of banking revenue. These are profound and existential threats for banks.

Your group's board and senior executives focus on transforming the entire group into a leading, digitally enabled financial services firm across sub-Saharan Africa. Roughly 15 million retail customers at present count, across 20 countries will be able to access all their accounts from mobile devices and transact instantly. Complex electronic products are being launched that enable corporate clients to conduct their spectrum of banking business electronically.

For a bank to deliver either 'front end' mobile banking applications or corporate client software is relatively easy and quick. But building such products upon legacy, fragmented IT systems is a formula for future failure. All client electronic access must feed off modern, integrated core banking IT architecture if a bank is to win and retain customer support amidst cut-throat competition. Your group is within two years of completing the replacement of its core banking IT infrastructure in South Africa and most other African countries in which it operates. This will be a great enabler of our future digital bank.

But, strategically critical investment leads payback, with a 3.1% negative impact on your group's ROE for 2015. This IT transformation is a tribute to your group's leadership in 2006, for they 'hit the button' to proceed with a vastly complex, 12-year, R20 billion project that is now understood to be vital to your group's durable growth in a digitally-enabled world.

Your group's long-held strategy of expanding its **Personal & Business Banking (PBB) businesses in sub-Saharan Africa** also affects ROE and consequent judgements about executive performance. The wisdom of the strategy, however, is crystallising in light of modest growth prospects in South Africa.

Executing on that strategy in some major African economies means competing with established banks for market share and low-cost funding sources, building efficient banking platforms in new markets, each staffed by competent, experienced people, and investing in modern IT systems. Strict regulatory compliance is non-negotiable, but costly. This all means that in these countries in early years, PBB rest of Africa costs will lead revenues, and ROEs will be low.

Building in Africa is an excellent longer-term strategy for longer-term shareholders, but this is a gruelling, complex race. Some judge lower ROEs in this sphere as executive failure. Remco rewards executives for sidestepping short-termism and investing in long-term growth and shareholder wealth creation, even if it reduces ROE for a time.

Both the investment in information technology and in African business growth are destiny-shaping strategies. But, delivery demands intelligent, experienced, clear-thinking people with extraordinary motivation and determination. That alone is not sufficient. Aligning and inspiring the energies of 48 000 people is crucial for progress. Your chief executives (CEs) have worked hard to give our people a crystalline view of strategic destinations of the future.

At the **individual executive** level, it is neither practical nor appropriate for me to report on all the detail of Remco's evaluation of the CEs' impact on strategic delivery, tactical effectiveness, risk management and many other relevant aspects of bank leadership. Our CEs sign performance contracts at the start of each year that specify goals and expectations, numeric performance indicators and other measures of success. Fifteen spheres of expected delivery are included, each with underlying detail.

At the close of the year, the group chairman, Thulani Gcabashe, lead a detailed performance review in Remco. I mentioned earlier that members debate complex evidence thoroughly and fearlessly, finally leading to decision-taking.

Suffice to say that your CEs met most expectations fully in 2015. They exceeded expectations in a few spheres and fell short in others. Failures were limited in scope, but Remco nevertheless considered each, including the extent of any reputational impact.

Turning specifically to remuneration of **our CEs,** you may recall that Remco reduced their earnings sharply in 2014, with Ben Kruger taking a greater reduction than did Sim Tshabalala. Those actions responded to significant losses incurred in SB Plc in that year, despite a 32% increase in the group's banking activities' earnings excluding those specific losses.

Following those sharp reductions in the CEs' earnings in 2014, remuneration awarded to Sim Tshabalala and Ben Kruger has been normalised in 2015 after their performance evaluations. I have explained in previous years' remuneration letters that the CEs deliver the entire group together, and their remuneration is consequently equal, except in unusual circumstances such as occurred in 2014.

Our CEs' variable remuneration from 2013 to 2015 – eliminating the volatility created by SB Plc in 2014 – grew by 3.6% per annum, while banking headline earnings, pre-minorities and pre-incentives increased by 15.1% per annum.

Peter Schlebusch leads our PBB group, both in South Africa and across sub-Saharan Africa, with discipline, intelligent business thinking and his own characteristic energy and passion. He and his team have delivered compound annual growth in headline earnings in excess of 21% per annum for the past five years, with an average ROE above 18%.

In addition to his 'run-the-business' responsibilities, Peter is heading up two vast strategic thrusts. The first is to build PBB in African countries beyond South Africa, to which I referred earlier. This is a complex process of gradual gains in highly competitive markets, sometimes within demanding and pervasive regulatory boundaries. Typically in this type of 'build' process, costs will lead revenues and ROEs will be low and gradually rising. This is a high-value but long-term strategy.

Building a digitally-enabled universal bank is Peter's second great charge. I also commented on this critical subject earlier. Innovation, invention and success in building competitive advantage are important facets of Peter's mandate.

Overall, Peter demonstrated bold, thoughtful leadership and delivered strong progress across a wide range of measures. Aspects of customer experience were below expectations, but this is in prime focus for 2016. These were important elements in Peter's remuneration for 2015.

David Munro is chief executive of our Corporate & Investment Banking (CIB). In Remco's assessment, David is among those leaders in your group who create significant value for shareholders over time.

David brought both intellect and stamina to the long, complex process, which I addressed earlier, of reshaping the 'out-of-Africa' businesses and completing the sale of 60% of SB Plc. That sale was a landmark, for it released both considerable executive capacity to concentrate on the group's big strategic directions and valuable dollar-based capital.

Out of David's control in 2015 were the effects of sharp reductions in prices of oil and other commodities on losses in ICBCS, in which your group now has a 40% shareholding, and on the performance of our Nigerian business. Beyond these, CIB delivered a robust performance in difficult markets and David fully met most expectations placed on him.

Simon Ridley has carried the title of chief financial officer for 14 years, but his influence and impact reach far wider than his title denotes. Simon brings to each discussion, to each project, to each problem, a level of thoughtfulness and understanding that is rare. He draws on a remarkable depth and breadth of institutional knowledge and memory.

The spectrum of 'deliverables' in Simon's performance contract for 2015 was broad, but he has the capacity and stamina to process the complexity. In particular, he and his team marshalled the group's financial resources effectively, managed foreign currency risks efficiently and completed detailed executions of disposals outside of Africa. Simon's performance rating for the year 'exceeds expectations' and this reflects in his remuneration.

GR Total remuneration for each prescribed officer is set out on **page 57** of the governance and remuneration report.

On a separate subject, I have received encouraging feedback from some shareholders on our long-term incentive plan named the **Performance Reward Plan**, or PRP. This is a share-based incentive scheme designed to focus roughly 100 top executives on two interlinked measures that affect shareholder value significantly – three-year average return on equity and three-year average growth in headline earnings.

GR Details of the PRP are explained on **page 51** of the governance and remuneration report.

I should note that for each year's new PRP allocations, Remco sets a range of vesting thresholds for each metric, which, if attained after three years, trigger a certain percentage of the original share allocation to vest. Once set, these future 'vesting ladders' are locked down. They cannot change.

Inherent in Remco's process of deciding and locking down these vesting ladders is uncertainty about future environmental conditions, for these forces and executive delivery together determine outcomes. From this year's vantage point, the 'cone of uncertainty' over the next three years is unusually wide, allowing particularly for the possibility of a sovereign rating downgrade for South Africa.

Within that reality, Remco sets a range of vesting thresholds that are congruent with board-approved strategic targets, notwithstanding the environmental 'noise' that will affect actual vesting outcomes.

The vesting thresholds for the March 2016 tranche of PRP allocations relate to the 15% to 18% ROE targets for the group. The three-year average ROE component of the plan produces no vesting at an ROE of 15% or below. Vesting proceeds progressively as the average ROE exceeds 15%. The three-year average headline earnings growth component only begins to vest once 8% growth is achieved.

Aligning executive wealth generation with your interests as a shareholder is a priority for Remco. We require our top executives to build and maintain personal shareholdings in the group to specified value levels. In addition, all deferred remuneration tracks the group's share price until vesting. The PRP scheme, as I have mentioned, is entirely share-based. These are, we believe, positive structures in focusing executive attitudes and actions.

I have endeavoured to meet annually with many major shareholders and listen carefully to criticisms and comments. Each year Remco has made significant changes and refinements to our remuneration architecture. We endeavour to give you, the shareholder, a clear, high-level understanding of the group's remuneration governance and practices.

Returning to conversations with those people who challenge me about levels of executive pay – and many do – I repeat my comments made earlier in this letter. In most complex, intellect-driven businesses, such as Standard Bank, there will be a small proportion of people who create disproportionate value for shareholders.

Remco works to understand who those people are. They are extraordinarily valuable to you as a shareholder. We do not operate in a cocoon for talent. The very best are highly mobile and sought-after. We have lost excellent, top executives to competitors in recent years and I doubt that any leave for lower remuneration. It makes good business sense to reward outstanding people well.

I hope that I have given you a sense of the seriousness and diligence that Remco members bring to the vital subject of remuneration in the group. We guard with care our great resource of intelligent, experienced, disciplined, clear-thinking, energetic people who continuously drive growth and innovation, within clear risk boundaries, ultimately for your benefit as a shareholder.

Yours sincerely,

Ted Woods
Chairman, Remco

Remuneration policy

People are at the heart of our business. We need highly skilled and experienced people to drive the growth of our business across Africa and we need to reward them for their performance and the returns they generate for our shareholders.

AIR Our human capital report, starting on **page 58**, describes how we develop and retain our people.

We have four key objectives guiding our remuneration policy:

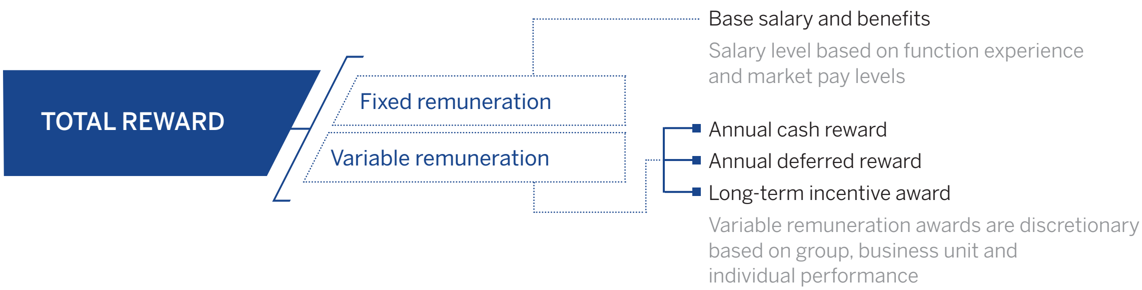
1. We measure and reward for value delivered and adjust for risk assumed
2. We aim to be competitive in remuneration in the global marketplace for skills
3. We reward our people fairly while avoiding a bonus-centric culture that distorts motivations and may encourage excessive and irresponsible risk taking
4. We promote and reward teamwork

Principles that underpin our remuneration policy

Our Remco is firmly committed to disclosing our reward policy, principles and structures to all relevant stakeholders, including our people, unions, regulators and shareholders, for them to make an assessment of our pay practices. The key principles that underpin our reward policy, reward structures and individual reward are as follows:

- we reward sustainable, long-term business results
- we do not unfairly discriminate against our people based on diversity or physical difference
- the reward focus is on total reward, being fixed and variable remuneration. We want to be competitive in both elements, but annual incentives are not a function of a guaranteed package
- we create a balance between the fixed and variable elements of total reward. A deferral policy affects annual incentives above certain levels. Deferred amounts are indexed to the group's share price and vesting is subject to specific conditions
- vesting conditions of deferred awards and long-term incentives allow for forfeiture of unvested awards
- all elements of pay are influenced by market and internal pay comparisons
- pay practices encourage a focus on achieving agreed deliverables and behaviours, rather than hours worked
- individual performance appraisals identify talent at all levels in the business, enabling fair and competitive pay. Consequence management, including reward impact, forms part of the review of performance
- individual rewards are determined according to group, business unit and individual performance
- we reward experience, performance relative to others doing similar work and performance against the market
- we differentiate individual reward in a transparent way and based on quantitative, qualitative and behavioural performance, as well as retention
- we ensure that key senior executives are significantly invested in the group's share price and performance over time, to align to shareholder interests
- pay designs comply with all tax and regulatory requirements
- ongoing oversight prevents irresponsible risk taking by individuals and we ensure that risk adjustment forms part of pay design.

Remuneration structure



Our reward policy and structures are designed to attract, motivate and retain talented people across our group. We consider the total reward and strive for the appropriate mix between fixed and variable pay for all our people, depending on their roles. The diagram above shows the composition of our total reward. The elements of this diagram are explained in the sections that follow.

Fixed remuneration

The group operates across many different countries. We take local statutory and regulatory requirements into account in how we structure our fixed remuneration. The purpose and key components of our typical reward arrangements are summarised in the following table.

ELEMENTS OF FIXED REMUNERATION

Element	Purpose	Detail
Base salary	To attract and retain employees.	We seek to remain competitive relative to our peers in the remuneration we offer. Our annual base salary review takes into account available market data, as well as individual and business unit performance. Increases take effect on 1 March each year.
Compulsory benefits	To encourage retirement savings[1] and to cater for unforeseen life events.	Pension and disability plans, death cover[2] and medical insurance take into account in-country practices and requirements[3].
Optional benefits	To enhance the package available to employees.	These benefits (for example car allowances) vary and take into account in-country practices and requirements.

1 The majority of the group's defined benefit fund arrangements have been replaced by defined contribution arrangements, except where local legislation requires otherwise or members enjoy ongoing defined benefits under old scheme rules. For more information regarding the group's defined benefit plans, refer to the group's annual financial statements.
2 Death benefit cover is provided in almost all countries, either through self-insurance from within the pension funds or through external underwriting.
3 Healthcare is provided in most countries. The level of cover varies according to local market practice. In South Africa, employees recruited from 1 March 2000 do not receive post-employment healthcare benefits. Employees recruited before then receive post-employment healthcare funding through a post-employment healthcare benefit fund.

Variable remuneration

We provide annual incentives to reward performance. This variable remuneration comprises of annual incentive awards, annual deferred awards and long-term incentive awards. All variable remuneration awards are discretionary. Incentive pools are made available for major business units and enabling functions.

Element	Purpose	Detail
Annual incentive award comprising: • annual cash award • annual deferred award	To incentivise the delivery of our objectives, balancing short-term performance and risk taking with sustainable value creation for shareholders.	Individual awards are based on a combination of group, business unit and individual performance (using both financial and non-financial metrics over a multi-year period) and include effective risk management and compliance criteria. Awards above R1 million (or local equivalent) are subject to deferral. GR See **page 49** of the governance and remuneration report for details.
Long-term incentive award	To incentivise key senior executives and critical mid-level management to base their decision-making on the group's long-term interests.	Awards for senior executives take into account the importance of long-term performance and are fully conditional. GR See **page 60** of the governance and remuneration report for details of the PRP for senior executives.

Annual incentive awards

How we determine annual incentive awards

Remco determines the group's incentive pools annually and oversees the principles applied in allocating these pools to business units and individual employees.

Pools are derived by evaluating:

- a combination of group and business unit financial and non-financial results against pre-determined targets
- multi-year financial metrics
- achievement towards short- and long-term strategic objectives
- capital used
- adjustments for risks taken
- future development and growth prospects
- historical and current pay ratios.

Variable remuneration is not linked to revenue or profit targets in a formulaic way.

Incentive pools are reviewed by the chief executive officers and discussed by a formal internal review committee. Remco then considers, adjusts, and approves these pools.

Individual performance and the individual variable pay outcome is determined by:

- setting performance criteria at the start of each year aligned to group objectives
- evaluating the individual performance and behaviour
- determining the variable pay based on individual performance, the variable pool available and taking market pay into account
- adjusting for any risk or compliance breaches.

Following the evaluation of the group's 2015 financial and risk-adjusted performance and delivery against board-approved strategy, Remco approved an increase to the total group incentive pool for banking operations (excluding Liberty) of 18.6%. The profits, before minorities, in banking operations (relevant profit metric to compare changes in incentive pools) increased by 29%. The ratio of the variable pool to profits before tax over time is set out in the chairman's Remco letter on page 105.

Remco reviewed the fixed and variable remuneration of 408 senior executives across the group for consistency of approach.

Deferral schemes

We believe that the interests of executives should be significantly invested in the group over time, strengthening the alignment between management and shareholders. In terms of good governance, all incentive awards above a minimum level, are deferred in part, and the deferred portion is linked to the group's share price during the deferral period. The deferral also ensures that the executives are sensitive to the risks of forfeiture.

GR Refer to forfeiture as detailed on **page 55** of the governance and remuneration report.

The deferral rates in March 2016 have been maintained at the same level as 2015.

The group used to run two deferral schemes: the deferred bonus scheme, DBS initiated in 2012, and the Quanto stock unit plan. Following the disposal of the group's controlling interest in SB Plc, the Quanto scheme has been aligned with the deferred bonus scheme outside Africa. Previous Quanto awards will be honoured in terms of the rules of those awards.

Standard Bank/Liberty Holdings equity growth scheme (EGS)	The EGS allocates participation rights to participate in the future growth of the SBG/Liberty Holdings, as applicable, share price. The eventual value of the right is settled by the receipt of the relevant shares equivalent to the full value of the participation rights.
Standard Bank deferred bonus scheme	Employees who are awarded a short-term incentive over a certain threshold are subject to a mandatory deferral of a percentage of their incentive into the DBS. The final cash payment is calculated with reference to the number of units multiplied by the SBG share price at that date.
Deferred bonus scheme (2012)	Employees are awarded a deferred bonus, as a mandatory deferral of their short-term incentive and/or as a discretionary award, into the DBS 2012. The deferred bonus is unitised into a number of units with respect to the group's share price on the date of award. The shares are delivered to the employee on the vesting date. Notional dividends on the units are paid to the employees on the vesting date.
Performance Reward Plan	The group's PRP has a three-year vesting period which, effective from March 2014, is designed to incentivise the group's senior executives, whose roles enable them to contribute to and influence the group's long-term decision-making and performance results. The PRP seeks to promote the achievement of the group's strategic long-term objectives and to align the interests of those executives with overall group performance in both headline earnings growth and ROE. These are the most important financial metrics to create shareholder value, and therefore aligns the interests of management and shareholders. The awards are subject to the achievement of performance conditions set at award date and that determine the number of shares that ultimately vest. The awards will only vest in future in terms of the rules of the PRP. The shares, subject to meeting the pre-specified conditions, are delivered to the employee on the vesting date. Notional dividends accrue during the vesting period and will be payable on the vesting date.
Liberty Holdings group restricted share plan	Annual short-term incentives performance bonus payments in excess of thresholds determined annually by Liberty's remuneration committee are subject to mandatory deferral. This is achieved by investing the deferred portions of the short-term incentive awards into Liberty Holdings Limited shares, which are held in a trust, subject to vesting conditions. Also, awards are made to selected executives subject to performance conditions (service and performance) and will be forfeited if these conditions are not met.

Risk management and remuneration

The group actively manages its current and future risks in pursuit of its strategy. Remco ensures that employees whose actions may have a material impact on the group's current and future risk profile, are not rewarded for exposing the group beyond its stated risk appetite. Bonus pools and individual bonus awards are adjusted for risk, based on the processes and considerations outlined below.

The group chief risk officer (CRO) formally reports twice a year to Remco on the application of the group's risk compliance and capital management (RCCM) framework across major business lines and on any significant breaches of RCCM policies or limits by individuals. These reports cover the group's risk appetite and the current and future risk profile in relation to risk appetite, and provide a qualitative and quantitative measure that informs Remco's determination of the overall incentive pools for business units. The individual incentive awards of senior managers and executives are reviewed against these breaches and adjusted where required.

The group CRO is consulted when changes are made to the design of remuneration plans.

The group financial director also formally reports twice a year to Remco on risk-adjusted performance and remuneration. The report includes an analysis of group and business unit risk-adjusted metrics across a range of risk types and their relationships to incentive pools.

The group financial director's reports include consideration of headline earnings, ROE and risk-adjusted performance (economic profit and return on economic capital). This additional analysis quantifies the cost of capital and takes into account credit, market and operational risk.

Remco considers risk-adjusted return information when setting and approving business unit incentive pools. Specific risk-adjusted performance targets are not formulaically applied in determining these pools.

Remco pays specific attention to:

- adverse internal audit findings on weaknesses in the internal control environment
- breaches of the regulatory requirements applicable to operational risk losses incurred within the group's operations
- risk appetite breaches
- limit breaches, particularly trading desk breaches of credit risk control governance.

The group head of human capital reports annually to Remco on all significant governance breaches and their impact on individual remuneration. These impacts depend on the nature of the breach but could result in reduced incentives, removing incentive awards and/or removing salary increases. Material breaches may result in dismissal.

A forfeiture provision on all deferral schemes was introduced with effect from 2009 and amended in 2011. In terms of the revised forfeiture conditions, individual unvested awards of DBS, Quanto, EGS or PRP may be subject to risk adjustments after the occurrence of an actual risk event through reduction or forfeiture, in full or in part if in Remco's judgement:

- there is reasonable evidence of material error or culpability for a breach of group policy by the participant
- the group or relevant business unit suffers a material downturn in its financial performance, for which the participant can be seen to have some responsibility
- the group or relevant business unit suffers a material failure of risk management, for which the participant can be seen to have some responsibility, or
- in Remco's discretion, any other circumstances.

In advance of share vesting dates in March and September each year, Remco determines whether there are any events that might lead to the forfeiture of unvested stocks.

During 2015, Remco did not implement any forfeitures.

RCM AFS The risk and capital management report describes the material risk types the group is exposed to and how it measures and manages these risks.

Disclosure of executive directors' and prescribed officers' remuneration

The financial performance for the group in 2015 reflects strong performance in the group's underlying operations. During the period, the group completed the disposal of its controlling interest in SB Plc on 1 February 2015. Earnings attributable to the disposal gains have been excluded from the incentive pool determination. The determination of annual incentive awards for executive directors and prescribed officers is covered in the chairman's Remco letter, starting on page 104.

Evaluation of executive directors and prescribed officers

A comprehensive evaluation of the chief executives was undertaken within the following categories:

- financial performance
- balance sheet structure, liquidity and funding
- shareholder interaction
- strategy design
- tactical effectiveness
- people, leadership, development and retention
- customers, clients and market share
- technology and platform efficiency and effectiveness
- innovation, invention and success in banking competitive advantage
- brand strength and reputation
- governance and risk management
- interactions with regulators
- relevance in the societies within which the bank operates
- unanticipated successes and failures
- leadership behaviours as assessed against the bank's values and guiding principles.

Similar evaluations were undertaken for the group financial director and prescribed officers taking cognisance of their roles and accountabilities.

Quantitative elements have pre-determined measures. Qualitative elements have strategic objectives. Remco uses judgement in assessing the business and individual performance, balancing short- and long-term objectives over a multi-year timeframe. This judgement includes geographic, strategic and business complexity, as well as size, competitive intensity and regulatory control.

Performance is not a single score resulting in a pay outcome, but is rather a disciplined but non-formulaic process which Remco believes is appropriate for the diversity and complexity of the business.

Pay is also assessed relative to the external market to ensure levels are competitive and reasonable.

Remco continuously monitors the correlation between remuneration and profitability over time.

This report displays the pay of the executive directors over a six-year period to demonstrate the variability of pay over time. The other prescribed officers are shown for the period that they have been serving as prescribed officers.

Terms of employment for executive directors and prescribed officers

The notice period for the group chief executives, group financial director and prescribed officers is one month. In terms of the group's MOI, executive directors are not subject to rotational requirements.

Restrictive covenants

Executive employment contracts include restrictive covenants on poaching of employees or customers. No other restraints are included in contracts.

Retention agreements and payments

Retention agreements are only entered into in exceptional circumstances. Retention payments have to be repaid should the individual concerned leave within a stipulated period. None of the executive directors or prescribed officers are subject to a retention agreement.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

R'000	2010	2011	2012	2013	2014	2015
Executive directors						
BJ Kruger*						
Base salary paid during the year	5 138	5 268	6 014	6 559	7 352	**7 538**
Retirement contributions paid during the year	824	858	963	1 088	1 209	**1 076**
Other benefits paid during the year	232	143	132	315	199	**171**
Total fixed remuneration	6 194	6 269	7 109	7 962	8 760	**8 785**
Annual cash award in respect of the year[1]	8 666	9 506	5 900	9 400	5 275	**10 150**
Annual deferred award in respect of the year[2]	2 310	9 763	5 100	11 100	4 975	**11 850**
Total annual incentive award	10 976	19 269	11 000	20 500	10 250	**22 000**
Total reward	17 170	25 538	18 109	28 462	19 010	**30 785**
SK Tshabalala*						
Base salary paid during the year	4 668	4 713	5 098	6 384	7 378	**7 583**
Retirement contributions paid during the year	448	454	482	990	1 248	**1 129**
Other benefits paid during the year	161	227	270	274	277	**277**
Total fixed remuneration	5 277	5 394	5 850	7 648	8 903	**8 989**
Annual cash award in respect of the year[1]		8 200	8 250	9 400	7 337	**10 150**
Annual deferred award in respect of the year[2]		7 900	7 450	11 100	8 038	**11 850**
Total annual incentive award		16 100	15 700	20 500	15 375	**22 000**
Total reward	5 277	21 494	21 550	28 148	24 278	**30 989**
SP Ridley*						
Base salary paid during the year	3 184	4 087	4 617	4 900	5 328	**5 532**
Retirement contributions paid during the year	432	514	572	624	692	**677**
Other benefits paid during the year	178	212	246	286	289	**271**
Total fixed remuneration	3 794	4 813	5 435	5 810	6 309	**6 480**
Annual cash award in respect of the year[1]	2 623	5 881	5 500	6 150	5 150	**6 650**
Annual deferred award in respect of the year[2]	553	5 600	4 700	7 850	6 850	**8 350**
Total annual incentive award	3 176	11 481	10 200	14 000	12 000	**15 000**
Total reward	6 970	16 294	15 635	19 810	18 309	**21 480**

* All executive directors are also prescribed officers for the group.

Refer to footnotes on page 117.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS CONTINUED

R'000	2013	2014	2015
Prescribed officers			
DC Munro			
Base salary paid during the year	4 596	5 355	**5 609**
Retirement contributions paid during the year	641	710	**774**
Other benefits paid during the year	200	254	**202**
Total fixed remuneration	5 437	6 319	**6 585**
Annual cash award in respect of the year[1]	15 150	5 650	**12 150**
Annual deferred award in respect of the year[2]	14 850	5 850	**13 850**
Total annual incentive award	30 000	11 500	**26 000**
Total reward	35 437	17 819	**32 585**
PL Schlebusch			
Base salary paid during the year	4 476	5 342	**5 594**
Retirement contributions paid during the year	595	709	**755**
Other benefits paid during the year	199	206	**230**
Total fixed remuneration	5 270	6 257	**6 579**
Annual cash award in respect of the year[1]	10 150	8 650	**10 650**
Annual deferred award in respect of the year[2]	10 850	8 650	**12 350**
Total annual incentive award	21 000	17 300	**23 000**
Total reward	26 270	23 557	**29 579**
Totals for all executive directors and prescribed officers			
Fixed remuneration	32 127	36 548	**37 418**
Annual incentive award[3]	106 000	66 425	**108 000**
Total reward[3]	138 127	102 973	**145 418**

1 In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.

2 The deferred award is issued in the following financial year. The deferred award in the table above is the total award relating to the respective performance year. Deferred bonus amounts awarded for the 2011 performance year and beyond are subject to choice. Participants can elect to have the value of the deferred award, or a part thereof, invested in the EGS rather than the default DBS (2012). To the extent that EGS is selected, a 10% premium of the value of the award is added. Deferred bonus amounts not invested in EGS will be unitised with respect to the group's closing share price on the date on which the group's year end financial results are communicated publicly.

3 Excludes Bruce Hemphill who resigned with notice on 31 May 2015.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS – FORMER PRESCRIBED OFFICER

R'000	2010	2011	2012	2013	2014	2015
JB Hemphill[4, 5]						
Base salary paid during the year	4 002	4 208	4 424	4 657	5 316	**5 400**
Retirement contributions paid during the year	363	394	132	295	662	**318**
Other benefits paid during the year	101	110	387	160	154	**68**
Total fixed remuneration	4 466	4 712	4 943	5 112	6 132	**5 786**
Annual cash award in respect of the year	4 850	7 332	7 900	8 350	8 150	
Annual deferred award in respect of the year	4 650	2 713	3 850	4 150	8 150	
Total annual incentive award	9 500	10 045	11 750	12 500	16 300	
Total reward	13 966	14 757	16 693	17 612	22 432	**5 786**

4 Resigned with notice on 31 May 2015 and fulfilled the terms of a restraint agreement until 31 October 2015.

5 All emoluments made up to and including 2013 were awarded by Liberty (under its scheme and rules). Emoluments from April 2014 and for 2015 were made by Standard Bank (under its scheme and rules).

CONDITIONAL SBG EGS AND LIBERTY HOLDINGS RIGHTS AND PRP UNITS AWARDED TO CURRENT AND FORMER EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

	2010	2011	2012	2013	2014	2015
BJ Kruger						
Conditional EGS rights[1]	200 000	61 471	56 594			
PRP rights[2]				98 500	63 700	**108 700**
SK Tshabalala						
Conditional EGS rights[1]	200 000	61 471	70 742			
PRP rights[2]				98 500	63 700	**108 700**
SP Ridley						
Conditional EGS rights[1]	200 000	36 883	42 445			
PRP rights[2]				63 100	51 000	
DC Munro						
Conditional EGS rights[1]	100 000	61 471	70 742			
PRP rights[2]				78 800	89 200	**87 000**
PL Schlebusch						
Conditional EGS rights[1]	100 000	36 883	56 594			
PRP rights[2]				78 800	63 700	**87 000**
JB Hemphill						
Conditional EGS rights[1]	25 000					
Conditional Liberty Holdings rights[3]		68 260	57 842	76 182		
Non-conditional Liberty Holdings rights[4]	80 000					
PRP rights[2]				78 800	63 700	

1 The conditional EGS rights are appreciation rights that will vest in the year in which they were to have vested if real growth in group normalised headline earnings per share over the vesting period of these rights is achieved on a compound annual growth basis.
2 The PRP rights are subject to the achievement of headline earnings and ROE performance conditions for future financial years as set at the reward date.
3 The awards vest with reference to the individual's performance and, for awards granted after 29 February 2012 a performance condition that is linked to the average real growth in group equity value per share, and for awards granted after 28 February 2013 a performance condition linked to achieving a return on group equity value in excess of cost of equity.
4 These awards are non-conditional. Refer to Liberty's annual financial statements for further details.

GR Refer to the governance and remuneration report and annual financial statements for additional detail regarding these share incentives and share awards, including details of the issue/offer price, expiry dates, awards taken up, forfeited and benefit derived through the vesting and take-up of the awards.

Remco governance

Effective governance is essential to ensure that the remuneration process is fair and supports the group's strategy.

Remco mandate

Remco comprises a majority of independent non-executive directors and is mandated to:

- review and approve the remuneration policy and strategy in the group's long-term interests
- approve general principles relating to terms and conditions of employment contracts
- approve terms of employment contracts with the group's key employees
- determine remuneration for key executives and propose remuneration for non-executive directors for shareholder approval
- review the group chairman's assessment of the performance of the chief executive officers as a function of setting their remuneration
- review the chief executive officers' assessment of the performance of key executive management
- review the guaranteed and variable remuneration for key executives
- review and approve all proposals for incentive scheme design and modifications
- review incentive schemes to ensure continued alignment with shareholder interests and linkage

of reward to performance over the long term
- approve criteria and applicable terms for participation in annual incentive bonuses
- review performance measures to be used in determining the annual incentive bonuses for all employees
- approve recommendations for awards in terms of approved long-term incentive plans
- monitor adequacy of other benefits for key executives
- monitor compulsory employee benefits applicable at all levels and categories of employees in the group
- review and approve general terms and mandates of subsidiary remuneration committees
- review and consider reports from subsidiary remuneration committees on changes in remuneration practices or philosophy.

Remco composition

Remco members have no business or other relationships that could materially interfere with their independent judgements. All Remco members are also members of key oversight committees so that they are able to monitor risk trends across the group.

The group chief executives attend meetings by invitation. Other members of executive management are invited to attend from time-to-time to assist the committee in fulfilling its mandate. No one is present when his or her remuneration is discussed.

GR Refer to **page 35** of the governance and remuneration report for details of Remco meeting attendance.

Access to information and advisors

Members of Remco can access any information that helps inform their independent judgement on pay. This includes any impact that pay might have on risk, regulation or behaviour.

In 2015, Remco and management used a number of external advisors to benchmark remuneration and benefits across the group. External advisors also provided opinions on remuneration regulations and compliance. Information and guidance was received from PricewaterhouseCoopers (PwC), PwC Remchannel, Global Remuneration Solutions – Mercer, Employment Conditions Abroad, McLagan and Towers Watson. In terms of market comparisons and benchmarking, reviews are made against other major South African, African and international banks and top listed companies.

Remco uses the input from these firms to inform the group's remuneration philosophy and policy. The board approves Remco's proposals and, where necessary, submits proposals to shareholders for approval.

Certain specialist business units in the group provide supporting information and documentation relating to matters considered by Remco.

Non-executive directors

In determining the fees for non-executive directors, the majority of whom are also members of board committees, Remco considers the extent and nature of their responsibilities. It also considers market conditions and reviews comparative remuneration offered by other major South African and international banks and top South African listed companies.

Proposed fees, effective from 1 January 2016, are based on a carefully considered assessment of non-executive directors' responsibility, including the significant amount of work involved at committee level. The board, and particularly its committees, chairmen and committee members, spend a significant amount of time on in-depth analysis of matters relevant to the group's performance and regulatory requirements.

Fees

Non-executive directors receive fixed fees for service on boards and board committees. There are no contractual arrangements for compensation for loss of office for either executives or non-executive directors. Non-executive directors do not receive annual incentive awards, nor do they participate in any of the group's long-term incentive schemes. Remco reviews the fees paid to non-executive directors annually and makes recommendations to the board for consideration and shareholder approval.

During 2015, a meeting fee totalling R25 million was paid to 14 non-executive directors who were required to attend and participate in the group's governance structures as part of the board discharging its responsibilities.

The board agreed that the current fee structure of a single annual fee, rather than a retainer and meeting attendance fee, was more appropriate for the group board and committees and in light of the contribution of members. It remains the group's view that the contribution of directors cannot only be judged by attendance at board and committee meetings. Fees are paid quarterly in arrears, with any increased fee amount only being paid following approval by shareholders at the AGM.

Terms for non-executive directors

There is no limitation on the number of times a non-executive director may stand for re-election subject to the maximum age of 70 years. Proposals for re-election are based on individual performance and contribution, which the directors' affairs committee reviews.

GR **Page 19** of the governance and remuneration report provides a review of the independence of those directors who have served on the board for more than nine years.

NON-EXECUTIVE DIRECTORS' EMOLUMENTS

		Fixed remuneration				
		Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Total compen-sation for the year R'000
Non-executive directors						
MJD Ruck	**2015**	**233**	**810**	**2 145**		**3 188**
	2014	220	829	1 805		2 854
Adv KD Moroka	**2015**	**233**	**689**	**233**		**1 155**
	2014	220	251	220		691
TS Gcabashe[2]	**2015**	**3 446**	**155**	**119**	**251[1]**	**3 971**
	2014	220	378	264		862
EM Woods	**2015**	**233**	**1 043**	**326**		**1 602**
	2014	220	1 044	242		1 506
RMW Dunne	**2015**	**233**	**1 128**	**256**		**1 617**
	2014	220	1 133	285		1 638
PD Sullivan	**2015**	**939**	**1 131**	**1 171**		**3 241**
	2014	811	857	2 237		3 905
W Wang	**2015**	**233**	**325**			**558**
	2014	211	305			516
BS Tshabalala	**2015**	**233**	**438**	**728**		**1 399**
	2014	176	153	176		505
AC Parker	**2015**	**233**	**271**	**441**		**945**
	2014	176	165	307		648
ANA Peterside CON	**2015**	**939**	**252**	**939**		**2 130**
	2014	291		291		582
S Gu	**2015**	**939**	**528**			**1 467**
	2014	49	30			79
Total	**2015**	**7 894**	**6 770**	**6 358**	**251**	**21 273**
Total	2014	2 814	5 145	5 827		13 786

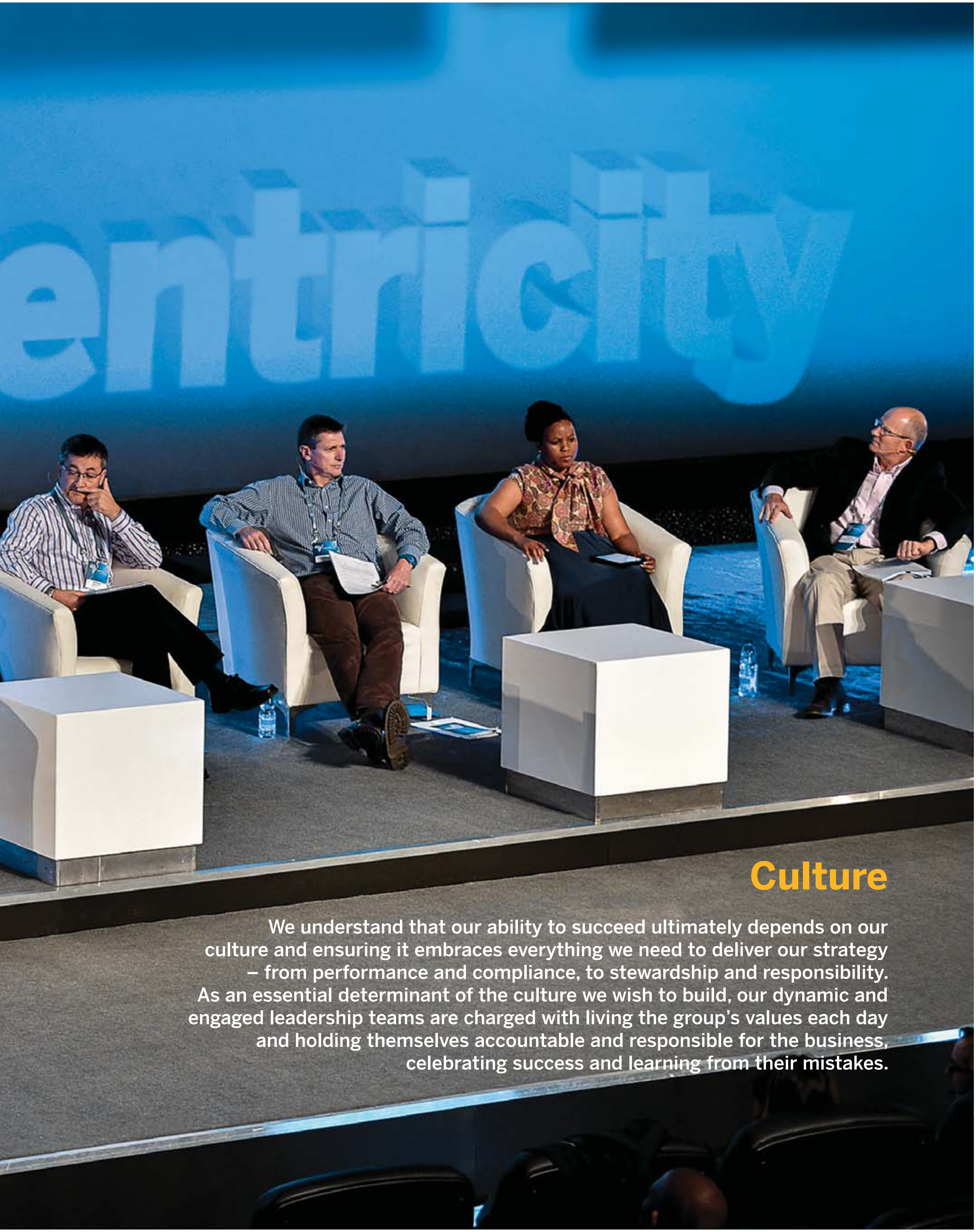
1 Use of motor vehicle.
2 Appointed as group chairman on 28 May 2015.

NON-EXECUTIVE DIRECTORS' EMOLUMENTS

		Fixed remuneration				
		Services as directors of Standard Bank Group R'000	Standard Bank Group committee fees R'000	Services as directors of group subsidiaries R'000	Other benefits R'000	Total compen-sation for the year R'000
Former non-executive directors						
DDB Band[1]	**2015**					
	2014	91	333	221		645
AC Nissen[1]	**2015**					
	2014	91	42	90		223
K Kalyan[2]	**2015**					
	2014	39	18	39		96
Dr Y Liu[3]	**2015**					
	2014	34				34
S Macozoma[4]	**2015**					
	2014	220	842	2 552		3 614
HL Zhang[3]	**2015**					
	2014	34	15			49
K Yang[5]	**2015**					
	2014	731	396			1 127
TMF Phaswana[6]	**2015**	**2 315**			**151**[8]	**2 466**
	2014	5 320			301[8]	5 621
Lord Smith of Kelvin, KT[6]	**2015**	**385**	**112**	**382**		**879**
	2014	811	258	811		1 880
FA du Plessis[7]	**2015**	**95**	**155**	**165**		**415**
	2014	176	213	176		565
Total	**2015**	**2 795**	**267**	**547**	**151**	**3 760**
Total	2014	7 547	2 117	3 889	301	13 854

1 Retired on 29 May 2014.
2 Resigned on 3 March 2014.
3 Resigned on 16 January 2014.
4 Resigned on 31 December 2014.
5 Resigned on 10 December 2014.
6 Retired on 28 May 2015.
7 Resigned on 28 May 2015.
8 Use of motor vehicle.

ADDITIONAL INFORMATION



Culture

We understand that our ability to succeed ultimately depends on our culture and ensuring it embraces everything we need to deliver our strategy – from performance and compliance, to stewardship and responsibility. As an essential determinant of the culture we wish to build, our dynamic and engaged leadership teams are charged with living the group's values each day and holding themselves accountable and responsible for the business, celebrating success and learning from their mistakes.

Financial and other definitions

STANDARD BANK GROUP	
Black	African, Coloured, Indian and South African Chinese people (who fall within the ambit of the definition of black people in the relevant legislation as determined by court ruling).
Black economic empowerment (BEE)	Socioeconomic term concerning formalised initiatives and programmes to enable historically disadvantaged black individuals and groups to participate gainfully and equitably in the mainstream economy.
Capital adequacy ratio (%)	Capital as a percentage of risk-weighted assets.
Corporate tax	Any tax on the business calculated on the basis of taxable income including capital gains and any other taxes akin to corporate tax.
Discretionary participation features	A contractual right given to a policyholder to receive, as a supplement to guaranteed benefits, additional benefits that are: • likely to be a significant portion of the total contractual benefits • whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the: – performance of a specified pool of contracts or a specified type of contract – realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or profit or loss of the company, fund or other entity that issues the contract.
Dividend cover (times)	Headline earnings per share divided by dividend per share.
Dividend per share (cents)	Total dividends to ordinary shareholders in respect of the year.
Employee and employer payroll taxes	Employee payroll taxes comprise payroll taxes and social security tax withheld from employee remuneration, inclusive of Unemployment Insurance Fund contributions. Employer payroll taxes comprise payroll taxes payable as a result of a company's capacity as an employer, inclusive of skills development levy, social security tax and Unemployment Insurance Fund contributions.
Headline earnings (Rm)	Determined, in terms of the circular issued by the South African Institute of Chartered Accountants at the request of the JSE, by excluding from reported earnings specific separately identifiable remeasurements net of related tax and non-controlling interests.
Headline earnings per ordinary share (HEPS) (cents)	Headline earnings divided by the weighted average number of ordinary shares in issue.
Indirect tax	Taxes incurred by SBG comprise of VAT, customs and excise duties, consumption tax, securities transfer tax and stamp duties that arise during the course of business which cannot be recovered from governments.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).
Net asset value (Rm)	Equity attributable to ordinary shareholders.
Net asset value per share (cents)	Net asset value divided by the number of ordinary shares in issue at year end.
Normalised results	The financial results and ratios restated on an economic substance basis to reflect the group's view of the economic and legal substance of certain defined arrangements – refer to pages 86 to 87 for further detail.

Other taxes	Comprises turnover tax, vehicle inspection attestation, publicity tax, training levy, national stabilisation levy, land tax and property taxes.
Profit attributable to ordinary shareholders (Rm)	Profit for the year attributable to ordinary shareholders, calculated as profit for the year less dividends on non-redeemable, non-cumulative, non-participating preference shares declared before year end, less non-controlling interests.
Profit for the year (Rm)	Income statement profit attributable to ordinary shareholders, non-controlling interests and preference shareholders for the year.
Return on equity (ROE) (%)	Headline earnings as a percentage of monthly average ordinary shareholders' equity.
Risk appetite	An expression of the maximum level of residual risk that the group is prepared to accept in order to deliver its business objectives.
Shares in issue (number)	Number of ordinary shares in issue as listed on the exchange operated by the JSE.
Tutuwa initiative	Tutuwa is the group's black economic empowerment ownership initiative entered into in terms of the financial sector charter.
Weighted average number of shares (number)	The weighted average number of ordinary shares in issue during the year as listed on the JSE.
Withholding taxes	Withholding taxes incurred by SBG comprise tax withheld on specified receipts of income, such as dividends, interest, management fees, services and rentals. Withholding taxes collected by SBG comprise excise tax on money transfers, stamp duty and consumption tax withheld on behalf of the revenue authorities on specified payments to suppliers and clients.

BANKING ACTIVITIES	
Cost-to-income ratio (%)	Operating expenses as a percentage of total income, after revenue sharing agreements with discontinued operation but before credit impairments, including share of profit/(loss) from associates and joint ventures and profit/(loss) on the disposal of subsidiaries.
Credit loss ratio (%)	Total impairment charges on loans and advances per the income statement as a percentage of average daily and monthly gross loans and advances.
Net interest margin (%)	Net interest income as a percentage of daily and monthly average total assets, excluding trading derivative assets.
Non-interest revenue to total income (%)	Non-interest revenue as a percentage of total income.
Portfolio credit impairments (Rm)	Impairment for latent losses inherent in groups of loans and advances that have not yet been specifically impaired.
Risk-weighted assets (Rm)	Determined by applying prescribed risk weightings to on- and off-balance sheet exposures according to the relative credit risk of the counterparty.
Specific credit impairments (Rm)	Impairment for loans and advances that have been classified as non-performing and specifically impaired, net of the present value of estimated recoveries.

Acronyms and abbreviations

A	
AB InBev	Anheuser Busch InBev
AGM	Annual general meeting
ATM	Automated teller machine
B	
Banks Act	South African Banks Act 94 of 1990
BASA	Banking Association of South Africa
Basel	Basel Capital Accord
BCBS	Basel Committee on Banking Supervision
BBBEE	Broad-based black economic empowerment
The board	Standard Bank Group board of directors
bps	Basis points
C	
CAGR	Compound annual growth rate
CE	Chief executive
CIB	Corporate & Investment Banking
CIO	Chief information officer
CO_2	Carbon dioxide
Companies Act/the Act	South African Companies Act 71 of 2008
CRO	Chief risk officer
CSI	Corporate social investment
The company	Standard Bank Group Limited
D	
DBS	Deferred bonus scheme
DPA	Deferred prosecution agreement
dti	Department of Trade and Industry
E	
EGS	Equity growth scheme
Exco	Group executive committee
F	
FCTR	Foreign currency translation reserve
G	
GBP	British pound sterling
GDP	Gross domestic product
GRCMC	Group risk and capital management committee
The group	Standard Bank Group
H	
HEPS	Headline earnings per share
I	
IAS	International accounting standards
IASB	International accounting standards board
ICBC	Industrial and Commercial Bank of China Limited
ICBCS	ICBC Standard Bank
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ILO	International Labour Organisation
<IR>	Integrated reporting
IT	Information technology
J	
JSE	JSE Limited, the licensed securities exchange in Johannesburg
K	
King Code	The Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2009
L	
LCR	Liquidity coverage ratio
Liberty	Liberty Holdings Limited and its subsidiaries
M	
MOI	Memorandum of Incorporation
N	
NII	Net interest income
NIR	Non-interest revenue
NPS	Net Promoter Score
NSFR	Net stable funding ratio

O	
Outside Africa	SBG representation in countries outside of Africa
P	
PASA	Payments Association of South Africa
PBB	Personal & Business Banking
PBBI	PBB International
PRP	Performance Reward Plan
R	
R	South African rand
Rbn	Billions of rand
RCCM	Risk compliance and capital management
RDR	Retail distribution review
Remco	Remuneration committee
Rest of Africa	SBG representation in Africa excluding South Africa
Rm	Millions of rand
ROE	Return on equity
RoRWA	Return on risk-weighted assets
RWA	Risk-weighted assets
S	
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SB Plc	Standard Bank Plc
SBG	Standard Bank Group
SBSA	The Standard Bank of South Africa Limited
SBW	Standard Bank Wealth
SEC	Securities and Exchange commission
SFO	Serious Fraud Office
SME	Small and medium enterprises

T	
Tier I	Primary capital
Tier II	Secondary capital
Tutuwa	Black economic empowerment ownership initiative
Twin Peaks	Financial Sector Regulation Bill
U	
UK	United Kingdom
US	United States
USD	United States dollar
V	
VAF	Vehicle and asset finance
VAT	Value-added tax
W	
WI	Wealth & Investment
Z	
ZAR	South African rand

Pro forma financial information

The following *pro forma* financial information is the responsibility of the group's directors. Because of its nature, the *pro forma* financial information may not be a fair reflection of the group's results of operation. The *pro forma* financial information contained in this report has been reviewed by the group's external auditors and their unmodified review report is available for inspection at the company's registered office.

Group's continuing operations results including 40% retained interest in ICBCS

On 1 February 2015, the group completed the disposal of its controlling interest in SB Plc and thereafter reports its retained 40% interest in ICBCS within the group's continuing operations' results. In the group's 2014 results, and for the current period up to the date of disposal, SB Plc's net headline earnings/loss was included in the group's income statement as a discontinued operation.

Since the group retains a 40% interest in the discontinued operation following the date of disposal, and in order to illustrate the group's future continuing operations' base, the group has disclosed a *pro forma* continuing operations' result to include 40% of the discontinued operation's headline earnings result as follows:

	Change %	**2015** **Rm**	2014 Rm
Headline earnings as reported	5	**22 092**	21 068
Adjustment[1]		**(36)**	(1 498)
Headline earnings *pro forma*	13	**22 056**	19 570

1 40% of the discontinued operation's headline earnings loss.

Standard Bank Group Limited credit ratings

as at 2 March 2016	**Short term**	**Long term**	**Outlook**
Fitch Ratings			
Foreign currency issuer default rating	F3	BBB-	Stable
Local currency issuer default rating		BBB-	Stable
National rating	F1 + (ZAF)	AA (ZAF)	Stable
Moody's Investor Services			
Issuer rating		Baa3	Negative

For further details regarding the group's credit ratings, including key subsidiaries, refer to the group's website: **www.standardbank.com**.

Contact details

Standard Bank Group Limited

Registration No 1969/017128/06
Incorporated in the Republic of South Africa

Head: Investor relations

David Kinsey
Tel: +27 11 631 3931

Group financial director

Simon Ridley
Tel: +27 11 636 3756

Group financial director designate

Arno Daehnke
Tel: +27 11 415 4184

Group secretary

Zola Stephen
Tel: +27 11 631 9106

Registered address

9th Floor, Standard Bank Centre
5 Simmonds Street
Johannesburg 2001
PO Box 7725
Johannesburg 2000

Website: **www.standardbank.com**

Please direct all annual report queries and comments to: Annual.Report@standardbank.co.za
Please direct all customer-related queries and comments to: Information@standardbank.co.za
Please direct all investor relations queries and comments to: InvestorRelations@standardbank.co.za

STUDIO 5

Two features of our progress in the year are that the allocation of the group's resources has been realigned to our strategic focus on Africa, and our diverse portfolio of operations across the continent has shown resilience in difficult operating environments.

Cover image: Luanda, Angola

standardbank.com