

Leadership report

Joint statement from the group chairman
and group chief executives



“Standard Bank's
purpose is to support
inclusive growth
in Africa.”

*Thulani Gcabashe (chairman),
Sim Tshabalala and Ben Kruger (group chief executives)*

The sustainability of our business requires a clear understanding of the social, economic and physical environments in which we operate, and how these influence and are influenced by the execution of our strategy.

Over the past two years, SBG has refreshed its strategy, to strengthen our focus on Africa, support the provision of more accessible, personalised and convenient services to customers and clients, adapt to the changing regulatory environment, and achieve improved return on equity (ROE) for shareholders. We have implemented a process of organisational realignment to enable us to provide a more seamless service across our various business divisions and geographies; to better leverage our strategic partnership with China's ICBC; and to target more resources toward supporting inclusive and sustainable growth in Africa.

In consultation with stakeholders, we have identified six material themes that we believe will have a significant impact on the group's ability to execute this strategy in the coming years. We define as 'material' the risks and opportunities that could seriously impact on commercial viability, social relevance and our relationships with stakeholders. Effectively managing these material risks and opportunities is critical to achieving objectives and meeting stakeholders' expectations. These themes are discussed in detail in this report. We summarise them briefly here in our leadership report.

Driving **AFRICA'S** growth in a challenging environment

We have extensive on-the-ground presence in 20 countries in sub-Saharan Africa, including representative offices in Cote d'Ivoire and Ethiopia. Our long-term profitability and sustainability depend on the stability and wellbeing of our home continent.

We have disposed of most of our assets outside Africa. We completed this process in 2015 with the sale of 60% of our London-based operation, Standard Bank Plc, to our strategic partner ICBC. We retain interests in several businesses outside Africa, which provide international clients with investment opportunities in Africa, and enable African clients to access global pools of capital.

The commodity downturn has led to a marked slowing of growth in several key economies, amply demonstrating the need for African countries to lessen dependence on extractive industries, grow industrial and services sectors, and build more inclusive, employment-creating economies. Standard Bank is working with our clients to support this evolution.

Our portfolio extends across multiple sectors and geographies. We know our clients well, we are managing our risk within robust parameters, and we are comfortable that our business will continue to perform well despite the slowing of growth in some African markets. What is more, we are confident that favourable demographics, prudent fiscal policies, increasing economic diversification, the strengthening of regional integration and intra-African trade, and the steady growth of Africa's middle class provide a firm foundation for sustainable and inclusive economic growth. In short, Africa is developing its own internal growth engine – one that will reward investors that choose the right sectors and have the patience to stay the distance through commodity price cycles.

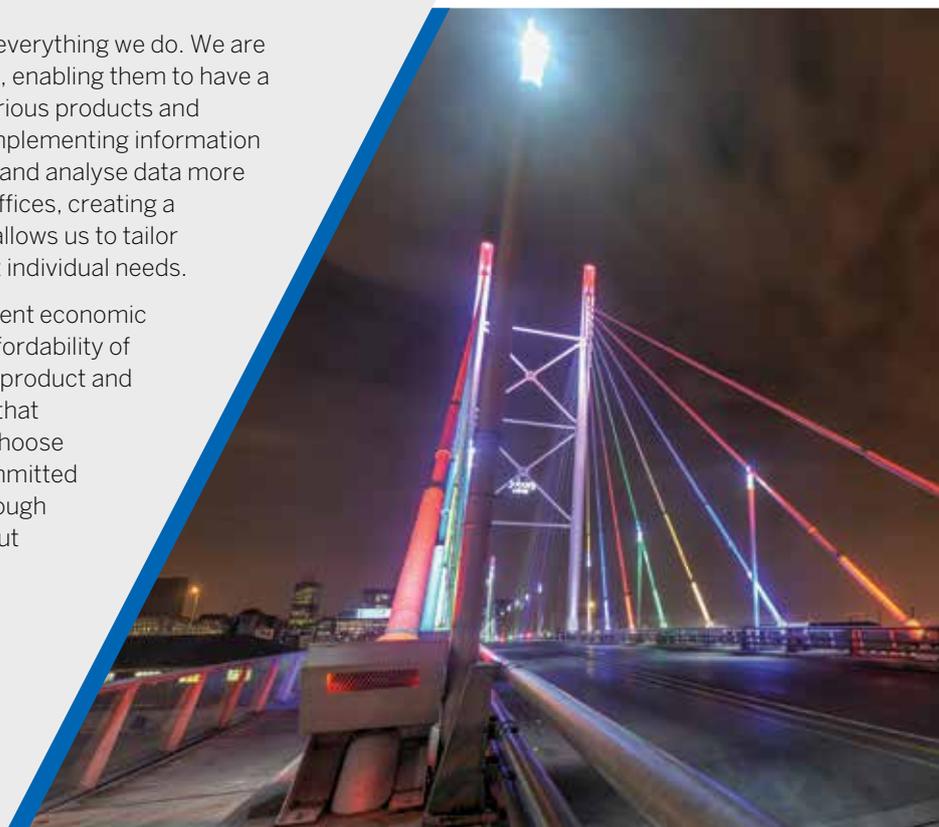
We are already seeing the proof of this in our own financial results. Our revenues in Africa, excluding South Africa, grew at 26% a year between 2011 and 2015, and these businesses now contribute 25% of our headline earnings.

Putting our **CUSTOMERS** at the centre of everything we do

Our customers and clients are at the centre of everything we do. We are committed to serving their interests holistically, enabling them to have a single relationship with the bank, across the various products and portfolios they hold. We are in the process of implementing information technology (IT) solutions to enable us to share and analyse data more effectively across business units and country offices, creating a 'single view' of each customer and client. This allows us to tailor products and services more effectively to meet individual needs.

All customers are feeling the impact of the current economic climate. We are committed to improving the affordability of our product offerings, and transparency about product and service features and costs. We want to ensure that customers have the information they need to choose products that best suit their needs. We are committed to supporting customers to navigate through tough times and we encourage them to talk to us about how we can help them through changing circumstances.

Financial inclusion remains a challenge. While great strides have been made in recent years in mobile-based banking services, the majority of Africans remain formally unbanked.



This inhibits their ability to save and invest for the future, and to access credit to grow their businesses or invest in wealth-creating assets. The provision of appropriate, accessible and affordable banking products and services for low-income individuals and small enterprises is challenging territory for a traditional bank, given the strict risk and regulatory parameters in which we operate. Therefore, we are actively pursuing partnerships with technology companies, telecommunications providers and others to come up with innovative solutions that work for customers and the bank.

Developing our **PEOPLE**

Standard Bank employees understand that they are expected to place customers' and clients' best interests at the centre of everything they do – whatever their role or level in the bank. We are all held accountable on this basis.

We recognise that it is often the employees at the front line who have the best insight into customer needs and challenges.

Our decisions and actions should be directed toward enabling the bank as a whole to deliver more efficient, more accessible and more personalised products and services, that add value to people's lives, and ensure the long-term relevance and sustainability of our business. Our employees are expected to uphold the SBG values at all times. We view any breach in a serious light.

We recognise that it is often the employees at the front line who have the best insight into customer needs and challenges. As such, we have created channels to ensure that their ideas and

feedback inform product development and operational decisions.

Technology is fundamentally changing the structure of the job market. Over the past few years, we have implemented recruitment and development programmes to prepare our employees for the skill requirements of the future. We continue to work with employees at all levels to manage this evolving process.

Our development, performance management and career progression initiatives are designed to encourage and reward excellence, and to effectively identify, nurture and develop our pipeline of specialists, managers and executives. Deep local knowledge of our countries of operation is one of our unique selling points.

We are committed to developing local talent, and to ensuring that the management and leadership teams within our countries of operation reflect this commitment.

Continual **INNOVATION** to improve the value we provide

How individuals and businesses choose to access financial services is rapidly changing. Global technology companies, fintech companies, retailers and telecommunications companies are driving disruption across the sector, from micro-savings and loans to securities and investments. Traditional banks have to compete on price, accessibility, convenience and trust. To remain

competitive, we need to continually innovate to ensure an attractive customer offering.

To enable us to serve customers as they want to be served, we need to start from the viewpoint of the customer and design services from there. This is an important departure from our traditional way of doing business – which was often designed to maximise the bank's operational efficiency, rather than customers' satisfaction.

We are actively engaging with innovators and disruptors to identify partnership opportunities that benefit our clients and customers. To date, these partnerships have produced a number of popular solutions. We now offer account opening through our mobile phone platform in most of our African countries of operation, and we are continually expanding the service offering available on mobile. We have introduced biometric security features on certain products, a number of convenient point-of-sale solutions, and, in South Africa, a 24/7 helpline provided via the WeChat instant messaging service.

More broadly, we are working with Africa's corporates and governments to develop new solutions to address Africa's infrastructure challenges, including energy security. Standard Bank is a leading investor in Africa's green economy, including South Africa's Renewable Energy Independent Power Producer Procurement (REIPPP) programme, and R1,3 billion invested in renewable energy generation projects in other African countries.

We are also committed to supporting smaller low carbon and clean energy solutions that support rural parts of Africa with limited municipal infrastructure access. We recognise that we have the ability to impact significantly on global efforts to mitigate climate change and reduce dependence on fossil fuels. We do this through the projects we finance and

the businesses we invest in, and all our investment and lending is scrutinised for social and environmental impact in compliance with the Equator Principles.

Managing **REGULATORY CHANGE**

The trust of customers and regulators is central to our ability to do business. We believe that ensuring efficient and effective regulatory compliance provides us with a competitive advantage. Regulatory requirements inevitably impose some additional administrative requirements on our customers – we strive to make this as effortless as possible, and to ensure that our customers understand why certain processes are required.

We enjoy constructive relationships with regulatory authorities in our countries of operation. Where possible, we engage regularly with them and contribute to the development of policy, legislation and regulation, toward supporting the development of an unambiguous, cohesive and investment-friendly operating environment.

The introduction of Basel III in South Africa, and related regulatory developments in other countries, has required us to make substantial changes to how we allocate capital and extend credit. Implementation of these changes has advanced, and we are confident that the group is fully compliant with prudential requirements in each of our countries of operation.

In an organisation as large as ours, there will inevitably be mistakes. We have robust monitoring systems in place which enable us to quickly identify, report and resolve such incidents. Furthermore, we believe we are succeeding in embedding a culture of compliance across the bank, which emphasises the importance of doing the right business in the right way. Unfortunately, the group had to resolve two significant regulatory incidents, one in Nigeria and one in Tanzania. The misconduct in Tanzania was detected quickly as a result of our internal control framework and was self-reported to the authorities; for which the group was commended. We have subsequently implemented remedial actions to prevent future transgressions. In Nigeria, diverging interpretations of governance and reporting requirements have arisen, and we continue to work with the relevant authorities to resolve the issue.

The security, stability, functionality and efficiency of **IT SERVICES**

We have invested heavily in upgrading and modernising core banking infrastructure across the group, allocating R21 billion for the period 2012 to 2017. We are in the process of migrating customers onto the new system, providing them with a single point of access to our full-service offering. IT investment is also directed toward improving the resilience, speed and stability

of systems, thereby supporting improved risk management.

We expect to complete the upgrade across all our countries of operation by the end of next year. We are cognisant of the risk posed by cybercrime. We are confident that our refreshed IT systems are secure against the kind of attacks we have seen to date, and we will continue to refine and strengthen defences in response to evolving threats.

PROSPECTS for 2016

Despite a tough global environment, we remain confident that the Standard Bank Group is well positioned to achieve our vision, to be Africa's leading financial services provider, and to fulfil our purpose to support inclusive, job-creating growth in the countries in which we operate. We expect our performance this year to reflect further growth in business across Africa, as we support African and global companies to expand and employ more people across the continent.



Thulani Gcabashe
Chairman



Sim Tshabalala
Group chief executive



Ben Kruger
Group chief executive