

A MESSAGE FROM OUR LEADERSHIP

JOINT LETTER FROM THE GROUP CHAIRMAN AND GROUP CHIEF EXECUTIVES

The sustainability and competitiveness of our company are inextricably linked to the prosperity and wellbeing of the societies in which we operate. Our measures of success cannot be limited to our share price, or the return on equity achieved for our shareholders. **Our measures of success include our relevance and value to our diverse stakeholder groups, including our shareholders, clients and customers, employees and regulators, and our ability to deliver our purpose – to drive Africa's growth.**

We fulfil this purpose by succeeding at our core function – providing useful financial services efficiently, fairly and sustainably across 20 African countries. We help people to transact reliably, safely and conveniently. We enable people to save for their futures. By providing insurance, trade finance, and other finance options, we help people and companies to manage and reduce the risks they face. And by extending credit, we help people to accumulate income and wealth-generating assets, from education to homes. We assist companies to invest, expand and create jobs. We enable the kind of productive economic activity that helps to build a better future for all Africans.

When we reviewed and refined Standard Bank's strategy in 2014, we identified three critical priorities that had to be met in order to fulfil our purpose:

- Sharpen our focus on our home continent, where we have a large geographic footprint, on-the-ground presence and deep local knowledge.
- Place our customers' best interests at the centre of our business, and ensure that our organisational structures, decision-making processes, IT platforms, and measures of success reflect and support this.
- Take proactive steps to embed and sustain a culture that insists on doing the right business the right way; that prioritises compliance with the letter and the spirit of the law; and that emphasises the Standard Bank values as a standard of conduct across the group.

We've made good progress on all three points, as discussed further.



Chairman
**Thulani
Gcabashe**



Joint CEOs
**Sim Tshabalala and
Ben Kruger**



AFRICA IS OUR HOME, WE DRIVE HER GROWTH

2016 was a tough year for sub-Saharan Africa, with GDP growth of just 1.4%. The region's largest economies fared particularly poorly – Nigeria slid into recession, while South Africa's economy grew by just 0.4%. The commodity price slump continued to hurt a number of countries that remain reliant on a single commodity export – although we are seeing encouraging moves toward diversification in some cases. African economies also had to contend with tighter global financing conditions, inflationary pressures arising from the strengthening US dollar, and, in many cases, high food prices due to the drought in eastern and southern Africa.

Standard Bank's diversified portfolio at sector, regional and client level has enabled us to manage our exposures effectively. We track and monitor our portfolio performance against risk appetite thresholds monthly, enabling

us to reduce exposures to underperforming sectors in good time, and to actively identify and pursue growth opportunities. On this basis, we've continued to grow our revenue in Africa, despite headwinds.

During 2016, **we continued to grow our businesses in South Africa and our Africa Regions franchise, which in the 2016 financial year contributed 30% to the group's total income and 25% to the group's headline earnings.** The group reported a 4% increase in headline earnings to R23 billion (December 2016). In retail banking, revenue growth was driven by a growing customer base, the introduction of new products and services, and more efficient ways of delivering these products and services.

Several of our countries of operation continue to experience weak economic growth, high levels of inflation, and low levels of business confidence. A number of countries also experienced severe foreign currency shortages during the year. Despite these challenges, Standard Bank maintained a relatively low credit loss and non-performing loan ratios across most of our business.

We continue to deepen our strategic partnership with ICBC, working together to connect sub-Saharan Africa and China. The relationship between China and Africa is increasingly focused on supporting economic diversification, and on identifying incentives to attract Chinese manufacturers and service providers to make long-term investments in African economies, thus creating sustainable jobs in both China and Africa. Trade relations are becoming deeper and more mature, and entirely new opportunities are opening up in a range of sectors. Standard Bank and ICBC are extremely well-positioned to support this evolution, to support African industrialisation and infrastructure development, and to derive additional competitive advantage and financial benefit in doing so. In 2016, for example, we committed to jointly raising R10 billion to support the development of South Africa's power generation infrastructure over the next five years.

The renminbi is on track to become a favoured currency in Africa. Standard Bank launched the Renminbi Internationalisation Initiative earlier this year to facilitate the development and delivery of RMB-denominated cross-border capabilities for our customers in China and Africa. Standard Bank and ICBC are working together to build and deliver further unique and competitive RMB capabilities for our clients.

OUR CUSTOMERS ARE AT THE CENTRE OF OUR BUSINESS

Our business depends on the trust our customers place in us, and on our ability to provide them with consistently excellent customer experiences. Our commitment to putting our customers first requires us to be able to provide them with a full set of financial products and services in a seamless and integrated manner – to be a “universal bank”. We understand how frustrating it is when different parts of the bank don’t seem to be talking to one another, and we’re working hard to make sure this doesn’t happen. We’re making changes to enable us to serve our customers more quickly, efficiently, reliably and seamlessly. We are well on our way to completing our core platform modernisation programmes, greatly improving our capacity to design and deliver innovative, customer focused solutions.

In addition, we have implemented major changes to our operational structure and the ways in which business units work together, to incentivise and facilitate collaboration and information sharing within Standard Bank, and to remove unnecessary duplication. We aim to be the byword for quality, reliability and convenience across the full range of financial services that our customers and clients require.

We’ve recognised that we’re far better equipped to achieve consistent excellence in service when we organise ourselves in multidisciplinary customer service teams. We expect every one of our people to cultivate a habit of continuous learning and evolution, become experts in their fields, but learn from one another and become adaptable to ongoing change. Our new ways of working bring together small teams of specialists, from business, IT, risk and compliance, who are jointly responsible for identifying, designing and implementing ways in which we can better fulfil our customers’ needs and expectations. We’ve devolved decision making and accountability, and we’ve empowered and enabled these teams, who interact directly with our customers and clients, to serve them more effectively.

We play to our strengths – our on-the-ground presence and local knowledge, and the face-to-face contact we have with our customers through our branch networks – building the trust needed to deliver superior client experiences. We know that the last thing you want to hear from the branch manager or call centre is that a query or issue needs to be referred to head office so we’re making changes to empower our branch and call centre employees to assist you more effectively.



We’re integrating our systems to provide us with a single view of each customer.

This includes the range of products each customer holds with us, and how they’ve managed their various accounts. This enables us to objectively assess their credit risk, and determine how we can best serve their individual needs. We’re making more of this information accessible to our frontline employees and call centre employees – to enable them to assist our customers more effectively at the first point of contact.



More and more of our **customers are transacting online**, primarily through their mobile devices. We’re continually expanding our range of digital services and products, and developing more convenient, more individually targeted solutions.

In 2016, we continued to release new features and drive adoption of our universal mobile banking app. It was launched in Botswana, Ghana, Namibia, Swaziland, Uganda, Zambia and Zimbabwe, as well as our offshore financial services operations in Jersey and the Isle of Man. We continued to invest in our internet banking platform and implemented our internet banking solution for small enterprise clients in Namibia, Botswana, Uganda, Ghana, Swaziland, Zimbabwe and Nigeria.

Our customers can now make **forex payments to overseas accounts via the Standard Bank mobile app** and online banking.

Customers with Standard Bank car finance who are planning to drive across a national border are now able to instantly **request a cross-border letter** from Standard Bank.

Our **Online Fingerprint Verification Model**, and the digitisation of a number of compliance and risk processes, is also speeding up processing times and improving customer experience.



Cybercrime is ranked as one of the main risks to banks and our clients, which is why security is built into everything we do. We continue to substantially invest in our cybersecurity capability, to strengthen the protection of our customers and Standard Bank.

OUR ETHICS AND VALUES

We've made a number of changes to embed our ethics and values across the group. All our people, from our executives to our front line, undertake regular, mandatory compliance training, covering a broad range of issues. We've piloted a new app that allows our people to do this training via their smart mobile devices, to maximise convenience and accessibility. The new training will be rolled out across the group during the first quarter of 2017. We ensure that we're in full compliance with global standards and local regulations in all our countries of operation, and we work hard to build positive relationships with our regulators to understand their concerns, and to provide constructive input on policy and regulatory developments.

Doing the right business the right way means being aware of the indirect impacts of our actions, including impacts on the societies in which we operate, and impacts on future generations. We are embedding an approach we refer to as **conscious risk-taking** – being very clear about the social, economic and environmental impacts of every project or deal in which we get involved. In 2017, we will begin the process of extending our measurement, monitoring and reporting of the environmental and social impacts of our business practices beyond corporate and investment banking to include business banking. We recognise that environmental and social issues are increasingly a significant aspect of the risk review process, and we're making changes to ensure that we manage these risks from the smallest to the largest forms of exposure. We also worked with executives across the group to strengthen our approach to human rights, in line with the UN Guiding Principles for Business and Human Rights.

STANDARD BANK GROUP STATEMENT ON HUMAN RIGHTS

“Africa is our home, we drive her growth”

In keeping with our purpose, and our obligations as a responsible financial services firm in, for, and across Africa, Standard Bank Group is committed to respecting the human rights of people involved in and impacted by our business. This statement aims to achieve a consistent approach to respecting human rights across the group.

Human rights are the basic and universal rights that underpin each person's inherent freedom, dignity, and equality as outlined in the United Nations Universal Declaration of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. We have used these universal benchmarks as our starting point for defining human rights.

Our commitment to respecting human rights is embedded in our values and code of ethics and is fundamental to ensuring our legitimacy and reputation as a corporate citizen. While nation states have a primary responsibility to protect and promote human rights, we recognise that corporations are also obligated to respect human rights.

We take any adverse human rights impacts seriously. We seek to avoid human rights infringements and being complicit in the human rights infringements of other parties. Our commitment to respecting human rights is included in many of our group policies and standards. In this way, we seek to integrate respect for human rights into our day-to-day operations and in the way we do business. Nevertheless, we acknowledge that this is a journey, one that may differ across our regions and countries based on the institutional and regulatory setting of each country where we operate. Where local legislation may conflict with Standard Bank's Statement on Human Rights, we will comply with the law while seeking, within our spheres of influence, to raise awareness of human rights and provide an example of good practice through our own conduct, while being mindful of the local context.

We are committed to:

Providing a work environment for our people that respects their human rights and this commitment is reflected in our people policies and practices

Exercising due diligence in deciding who we do business with and understanding the potential human rights impacts of our business relationships, purchasing, lending and investing

Taking appropriate steps where we discover, or are made aware, that we have caused or contributed to actual or perceived human rights abuses. This may include disciplinary action, exiting a particular business relationship, or constructive engagement with others to promote better practice

Contributing to the combating of financial crime and corruption in all its forms, including extortion, bribery, and money laundering

Adhering to the Equator Principles in project financing

Encouraging our clients, suppliers and business partners to avoid human rights infringements in their businesses, and supporting their adoption of good practices to manage their human rights impacts

Requiring our people to report any alleged or suspected human rights violations to the group's chief ethics officer or to make use of the group's whistleblowing hotline.

Communicating about and reporting on our activities in the human rights arena through our **report to society**, and engaging with our stakeholders regarding the responsibilities of business in respecting and upholding human rights

Regularly reviewing our progress in meeting these commitments under the oversight of the group social and ethics committee.



OUR ROLE AS A RESPONSIBLE CORPORATE CITIZEN

We continue to play a proactive role in policy and legislative consultation processes, engaging with government departments and making submissions to the South African Parliament. In South Africa, we've been closely involved in the CEO Initiative, through which the business sector has partnered with government and organised labour to identify structural and regulatory barriers to economic growth, and to develop solutions to address these. These and other efforts undertaken jointly by business and government were crucial to averting a sovereign ratings downgrade during 2016. We continue to work with our colleagues in government, business and organised labour to restore our economy to a path of more rapid and more inclusive growth.

In 2016, we joined with other business leaders in South Africa in the CEO Pledge – a commitment to the constitution, good governance, democracy, the rule of law, social justice, and inclusive growth. We recognise that the stark inequality that characterises societies around the world, and South Africa in particular, needs to be urgently addressed, and that we as Standard Bank need to ensure that the business we undertake and the investments we make, constitute a significant contribution to supporting inclusive growth and job creation.

The student protests that we've seen across South Africa over the past two years are part of a broader global phenomenon of anti-establishment and youth protest. We understand that we need to be part of the solution, in order to retain our legitimacy and relevance within our society. This isn't simply about providing more funding for students – although that too is an important contribution that we and the other banks are making. It's about understanding the underlying issues and challenges, and working with all the relevant social partners to try to address them.

Our business decisions are based on our legal obligations under national and global laws and standards and on our ethics and values. We are entirely confident that we have acted correctly and ethically at all times.

LOOKING AHEAD

Despite the current headwinds, the factors that underpin Africa's long-term growth – including a young and growing population, greater urbanisation, improved governance and greater macroeconomic stability – remain firmly in place. Africa continues to offer a highly attractive investment environment for those with a long-term view. Growth is expected to recover to 3% in 2017, and to accelerate further in the medium term, powered by recovering commodity prices, urbanisation, investment in infrastructure and telecommunications, and growing intra-regional trade.

We're proud of the board appointments made in 2016. We've made five additions to the board, giving us a very strong team in terms of expertise and in terms of a broad representation of geographies, sectors, gender, age and race. We're working to improve alignment between the group board and our country boards. During 2016, we met with the board members in west, east and southern Africa, to engage on the group's strategy and to ensure the alignment of our priorities. We recognise the growing contribution that countries outside South Africa are making to achieving our purpose, and we are committed to ensuring that we have strong relationships between countries and the centre. Our group risk and audit functions are working more closely with their counterparts in country, and participating in committees at country level. We're also working to build stronger relationships between our teams at group level and our non-executives in country, to build closer relationships across the group.

We're confident in our Africa growth strategy, and that we'll continue to make good returns across the continent. We are also confident that our commitment to doing the right business, the right way, and placing our customers' best interests first, will ensure that we continue to make a positive and substantial contribution to supporting inclusive economic growth on this continent we call home.



Joint CEOs **Ben Kruger** and **Sim Tshabalala**, and chairman **Thulani Gcabashe**