

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.