



GROWTH PROSPECTS IN 2017

We expect increased economic activity in sub-Saharan Africa in 2017, driven by a gradual recovery in commodity prices, ongoing investment in infrastructure development, and new government spending on the development of non-commodity sectors. The factors that underpinned Africa's growth surge, including a young and growing population, greater urbanisation, improved governance and greater macroeconomic stability, remain in place in many countries and medium-term growth prospects remain favourable. Economic diversification is beginning to take place in some economies. Consumer-focused sectors, including food, IT, tourism, finance and retail, are attracting increasing investment.

East Africa remains a highly attractive investment destination, with average national growth rates of 6% or more. This growth is driven largely through tourism, agriculture, and manufacturing, together with substantial public investment in transport and energy infrastructure and effective regional integration. At the beginning of 2016, **we officially opened our representative office in Ethiopia**, further strengthening our presence in this region.



Côte d'Ivoire licence to operate

In 2016, we were awarded a full banking licence in Côte d'Ivoire, allowing us to commence banking operations in the Francophone West African market. The West African Economic and Monetary Union has substantial business advantages stemming from its stable single currency, shared central bank and stock exchange, as well as its increasingly harmonised business legal structures and burgeoning population. Côte d'Ivoire is ideally positioned as a hub for the region, which also includes Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal and Togo. The country has one of Africa's fastest GDP growth rates, and is expected to

maintain growth of about 6 – 7% or more over the next three years. Its rapid economic growth is based on public-investment led initiatives in power and infrastructure in conjunction with successful public-private partnerships, natural resources (oil, gas and mining), agriculture, telecommunications, and the country's consumer market – all important sectors of activity for Standard Bank. Establishing a banking presence in this market provides us with an important growth opportunity, strengthening our ability to drive Africa's growth.



MAXIMISING THE IMPACT OF ENTERPRISE DEVELOPMENT (ED) AND EMPOWERMENT FINANCING

Supporting the start-up of new enterprises is the best way to create new jobs. In South Africa, the Financial Sector Code requires that we spend 0.2% of our profit after tax to support enterprise development, the beneficiaries of which are primarily black-owned SMEs (BSMEs). For 2016, we had R27.5 million (non-recoverable funds) available to support ED initiatives. However, we recognised that we could do so much more for ED if we were innovative with the use of these funds.

Commercial banks operate within strict regulatory constraints and risk parameters, which makes providing loans to SMEs and start-ups very difficult. A major criticism of banks has been that the lending we do to small businesses is limited to those who can fulfil our standard collateralised lending requirements. We mobilised our ED funds to support "business unusual" BSME lending. We did this by establishing an independent trust whose mandate is to provide collateral and related support to enable BSMEs to access finance from commercial banks. In 2016, we directed approximately R16 million of our ED funds to the trust. The trust used this money to assist ED beneficiaries to access approximately R90 million worth of lending, which they would not have otherwise been able to access. We leverage the funds available in the trust to reduce the associated risk, enabling the BSMEs to qualify for interest rates much lower than they would have otherwise qualified for.

FOR EXAMPLE, a client providing a transport service might have a vehicle which she can use as 70% of the collateral needed. She can apply to the trust for the remaining 30% of the collateral, and qualify for the loan at an advantageous rate.

We used our remaining ED funds, approximately R11.5 million in 2016, to provide capacity development support to qualifying

beneficiary companies, paying for specialists to provide them with general business and financial competencies, as well as technical assistance. For example, if a business can't qualify for a loan because it lacks adequate financial records, we'll provide an accountant to help get the records up to scratch. Or, if a construction business has landed a contract but lacks experience, we'll provide a construction expert to help them ensure the success of the project. We use our core competence to deploy funding into the economy in support of BSME growth and development. We strengthen the viability of these enterprises through the support we offer, which makes them a better candidate for a commercial bank loan. In total in 2016, we dispersed an amount of approximately R502 million ✓ in loans to BSMEs, of which R90 million was provided through the trust.

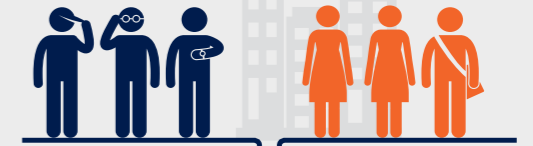
Our model has enabled us to assist far more BSMEs than would otherwise have been possible – in the process, supporting enterprise growth, sustainability and job creation. We create shared value by mitigating lending risk, while providing the tools needed by the BSME. **Our success rate since implementing this model in 2014 has been 100% performance on loans to BSMEs.**

Our BizLaunch product is designed for start-up businesses, and offers simple, efficient solutions to make and receive payments. It also enables business owners to insure their personal investment in the business. BizLaunch is available to any new business, including sole proprietors with no trading history, as well as informal enterprises that previously used personal accounts to trade. It includes value-adding services and products.

The BizConnect online platform for SMEs provides expert advice on developing systems, streamlining operations, improving the day-to-day running of a business and improving its growth prospects. It also offers the latest news, trends, statistics and solutions on general business, finance, agriculture and franchising, and allows users to interact with other business owners online.

We also support SMEs through the Standard Bank Incubator Programme. The Incubator provides developmental support for start-up enterprises, and access to market opportunities for more established SMEs. The programme offers mentoring, coaching and professional development, together with technical facilities for 3D prototyping and small-scale manufacturing, and opportunities for entrepreneurs to network and identify opportunities for collaboration. The Incubator also runs showcase days, during which it invites our corporate clients to meet with participating SMEs and explore opportunities to do business together. **6 000 SMEs have made use of the Incubator since 2015, and 150 start-ups became sustainable firms.** Some received international recognition. In 2016, we also opened an SME hub in Pretoria, to further increase our reach and support to local entrepreneurs.

Maximising our impact in empowerment financing and enterprise development



R502 million ✓
in loans made available to **black businesses**
(that would not have access to such loans in the normal course of business)

