

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

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

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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

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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.

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 underserved 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

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.

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.

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.

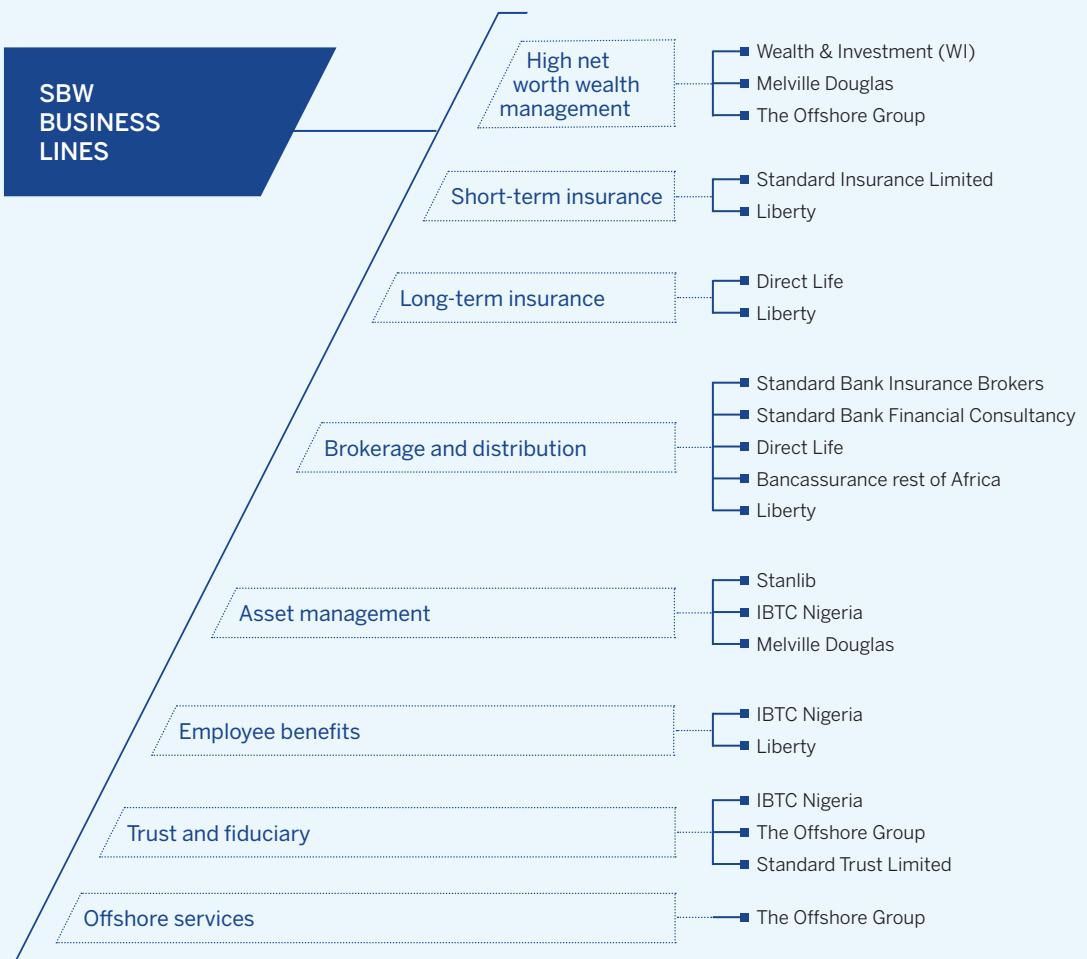


RECOGNITION

PRIVATE BANKER INTERNATIONAL

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

SBW BUSINESS LINES



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.

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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.

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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.