# Chairman's statement

Thulani Gcabashe, Chairman

"At the heart of our group's strategy is a commitment to the shared future we intend to create for our clients, people, shareholders and all our other stakeholders across Africa. While our ability to be commercially successful depends on the prospects of this continent we call home, we, in turn, play a significant role as a catalyst for her growth."

674 cents
Dividend per ordinary share 13%
**2014: 598 cents**

9 395 cents
Net asset value per share 9%
**2014: 8 625 cents**

## Overview

Our South African franchise showed remarkable resilience in 2015. Although our operations in the rest of Africa delivered slower growth than in the last few years, the franchise is in good shape. The group withstood significant challenges in all of its markets, the most notable of these being the downturn in commodities, the impact of the rapid decline in oil prices on oil producing economies which interrupted their growth momentum, and the wide-ranging impact of severe drought in some markets. Socioeconomic instability in a number of our markets continued to be of concern.

In South Africa, which remains the largest contributor to group revenue and earnings, an unstable socio-political climate compounded the macroeconomic pressures. This led to declining business and consumer confidence, and has raised the threat of a downgrade in the country's sovereign credit rating to sub-investment grade. The instability continues to reflect a persistent misalignment in leadership, not only in the political sphere but also across other sectors of our society including business. However, it also focused our attention on the need for a far more decisive expression of our collective responsibility to effect change which serves the interests of all South Africans. In this regard, there is welcome evidence of a growing commitment to cooperation between government and business in strengthening the economic basis for inclusive growth in South Africa. This will not be a simple process as it will require a deeper reflection on our past which, in time, will help to rebuild trust and create a common purpose that binds us together as a nation, and galvanises our efforts to meet both our immediate and longer-term challenges.

Against this backdrop, the group delivered a sound financial performance in 2015, which demonstrated the benefits of the group's diverse portfolio of operations. Our continuing operations in South Africa and the rest of Africa posted solid performances. However, overall performance was negatively impacted by losses in ICBC Standard Bank, in which the group retains a 40% interest. Our capital position remains strong, with a total capital adequacy ratio of 15.7%. The board declared a total dividend of 674 cents per share, an increase of 13% on the prior year.

## Managing the opportunities and risks of our Africa strategy

My appointment as chairman comes at a time when Africa is grappling with the question of how to realise its enormous potential in a manner that will create sustainable long-term prosperity.

At the heart of our group's strategy is a commitment to the shared future we intend to create for our clients, people, shareholders and all our stakeholders across Africa. While our ability to be commercially successful depends on the prospects of this continent we call home, we, in turn, play a significant role as a catalyst for her growth.

During our annual strategic review, the board approved a process to actively cascade our Africa-focused strategy throughout all of the group's business units and enabling functions. This will align all elements of the group with our vision to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

Underpinning our vision is our powerful network of on-the-ground financial services operations in 20 countries across Africa. We have strong locally empowered leadership teams in-country and our investment in new IT systems is enabling us to continuously improve our client service and remain competitive.

It is well documented that the economic growth of most African economies has exceeded that of many other economies globally over the past decade. Furthermore, their financial services industries are growing at a faster pace than that of South Africa. Although this growth momentum has slowed in the past year, the continent is still forecast to achieve GDP growth of approximately 4%, with many of our major markets in the rest of Africa exceeding that rate. The integration of our banking and non-banking financial services across our business units is a key element of our strategy to better serve our clients and capture future growth opportunities in the rest of Africa. This will remain work in progress in 2016.

It is necessary for the board to ensure that the group's evolving governance structures and processes support its development into a fully fledged African financial services group. In 2014, we started a process of enhancing the composition of the board to achieve the diversity of knowledge and expertise required to manage the complexities of change and reflect our Africa strategy. This has led to the appointment of non-executive directors from Nigeria and Kenya to represent the key economic regions of East and West Africa.

Similarly, the board needs to be able to provide effective oversight of the key elements of our strategic direction. The board IT committee, established in 2014 and chaired by an independent non-executive director, is responsible for ensuring the implementation of an enhanced IT governance framework throughout the group. The framework is being aligned with the IT Governance Institute which is recognised globally. External independent subject matter experts who are standing invitees of the committee provide an opinion annually on the adequacy and effectiveness of the IT governance framework. They submitted their first report during 2015 in which they recognised the progress made in this regard. Furthermore, an IT executive committee was constituted during the year to assist the group chief information officer (CIO) in the execution of her duties. The group CIO and IT executives are suitably qualified, have access to the board and executive management, and serve as a bridge between the IT function and the group.

The IT transformation programme is a key enabler of our strategy, as it underpins our capacity to continuously improve client service, manage risk more effectively and to operate more cost-efficiently. It also supports the development of competitive digital products and services that allow us to fulfil our purpose and achieve our vision. Ultimately, the programme is intended to transform our organisation into a digital enterprise able to remain competitive in the changing world of financial services. However, the quantum of our investment also means that it represents a significant risk. The board is satisfied that the progress achieved thus far and the risk mitigation that is in place bode well for the programme's completion during 2017.

The regulatory framework governing financial services providers globally and in our domestic markets are constantly evolving, and the supervisory capacity of regulators is increasing significantly. We work closely with our regulators and enjoy constructive relationships with regulatory authorities in South Africa and in the other countries in which we operate. We contribute actively to the development of national policy, legislation and regulation through formal submissions and regular engagement with policymakers, law-makers and regulatory authorities.

We aim to promote regulatory frameworks that are unambiguous, cohesive and practical, and that minimise unintended consequences. The intention of regulators to improve

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Our external engagement with regulators is matched by an internal focus on instilling a culture of compliance within the group. The reality is that the reputational impact of real or perceived compliance lapses or ethical misconduct, far beyond the financial implications of fines, has the potential to attract increased regulatory scrutiny and intervention, or to lock us out of the privilege of serving our clients, attracting the best employees and accessing the capital we need to achieve our strategy. Any breach of compliance is inconsistent with our vision and our purpose, and where lapses of compliance do occur in our organisation we respond immediately and appropriately, as in the case of the self-reporting of a suspicious transaction in Stanbic Bank Tanzania in 2013, which is discussed in further detail in the chief executives' report.

We understand that the development of a culture of compliance is a natural consequence of the broader cultural shift we are making to support our strategic ambitions. Our business units and enabling functions have dynamic and engaged leadership teams which live the group's values, are focused on 'doing the right business the right way' and hold themselves accountable for decisions that reflect our business principles.

## Directorate

In line with our intention to make appointments that are representative of our diversity as a sub-Saharan African financial services group, we appointed Dr Martin Oduor-Otieno as a non-executive director with effect from 1 January 2016. Dr Oduor-Otieno has extensive experience in diverse financial and leadership roles, and was formerly chief executive officer of Kenya Commercial Bank Group. He holds a BCom (Accounting) degree and an executive MBA and is an alumnus of the Harvard Business School Advanced Management Programme. In 2009, he was awarded an Honorary Doctorate of Business Leadership by KCA University.

I welcome Dr Oduor-Otieno to the board and look forward to his contribution.

Simon Ridley, the group financial director, will retire on 30 April 2016 having reached the group's executive retirement age in 2015. Dr Arno Daehnke has been announced as the group financial director designate and will succeed Simon in the role of group financial director and as a board member of Standard Bank Group with effect from 1 May 2016.

On behalf of my colleagues on the board, I thank Simon for his significant contribution to the group and board since he joined the group in 1999 and wish him well in his retirement.

## We remember

Martin Shaw, who served on the boards of both the Standard Bank Group and The Standard Bank of South Africa between 2004 and 2009, passed away on 16 February 2016. The board and executive team extend their sincere condolences to his family. Martin's inspirational leadership and dedication will always be remembered with a sense of pride and deep appreciation. Much has been said about his great contribution to the world of business, and Standard Bank is among the businesses that were fortunate to be able to draw from his astute knowledge and high professional standards.

## Appreciation

This is a momentous time to be called on to provide stewardship to this organisation with a noble and inspiring purpose. We are committed to Africa, and are well positioned to play our role in driving her growth and realising her potential.

I have served on the board since 2003. Having participated in its evolution over this time, I believe that the board has sufficient depth of expertise and diversity to be an effective custodian of the group's sustainable performance and long-term value creation. We will continue to adapt to remain relevant to the societies and economies we serve and I am confident that we possess the resilience required to embrace constant change.

I wish to thank my colleagues on the board for their wise counsel and guidance during a challenging year.

Ben Kruger and Sim Tshabalala have navigated the group through complex terrain with their unique blend of energetic, open and collaborative leadership. The executive leadership teams have been unwavering in their commitment to the execution of our strategy, and have built resilience against cyclical economic and competitive forces, while the people of Standard Bank have worked with determination and a sense of purpose in building a leading African financial services group.

On behalf of the Standard Bank Group, I extend our thanks to our clients, shareholders and other stakeholders for their continued support.