

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.

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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 underserved 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 unresponsive 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

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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.