



Standard Bank Group

ANNUAL INTEGRATED REPORT 2019

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OUR APPROACH TO INTEGRATED THINKING



ABOUT OUR INTEGRATED REPORT

We report on the progress we have made in the period 1 January 2019 to 31 December 2019 to achieve the objectives related to the group's strategic focus areas. We evaluate our financial and non-financial performance against the outcomes associated with our strategic value drivers. This report includes material information up to the date of board approval on 4 March 2020.

The scope of information presented is largely medium term from 2020 to 2024. It assesses the opportunities, risks and impacts influencing our ability to create sustainable value as we move towards realising our medium-term vision while delivering on our multi-generational purpose.

The six capitals defined in the International <IR> Framework are incorporated in our strategic value drivers, which guide us in creating value for our stakeholders, as indicated in the diagram alongside.

We have chosen to use terms that stay true to the way we describe the group strategy, and the way we measure our progress towards it through our strategic value drivers and as such the capitals are not explicitly referenced.

Reporting boundary

The financial and non-financial data in this report pertains to the Standard Bank Group (the group), as the financial reporting entity. It therefore includes all entities over which the group has control or significant influence. Our banking and wealth management activities are consolidated and defined as 'banking activities' in our annual financial statements. This comprises Personal & Business Banking (PBB), Corporate & Investment Banking (CIB) and Wealth business lines financial results. Our Wealth business financial results are largely included in PBB's financial results for the current and prior years in this report. Our banking activities also include central and other group activities, which include group hedging activities, capital instruments, surplus capital and strategic acquisitions. Where specified, banking activities data also distinguishes between our South Africa and Africa Regions operations.

Liberty Holdings Limited (Liberty), our life insurance and investment management subsidiary (54% interest), and our associates ICBC Argentina (20% interest) and ICBC Standard Bank Plc (ICBCS) (40% interest), are not included in the data that relate specifically to our banking activities. They are separately shown as Liberty and other banking interests in our financial results.

Our strategic relationships with our 20.1% shareholder, the Industrial and Commercial Bank of China Limited (ICBC), the world's largest bank by

assets, allows us to facilitate investment flows and commercial relationships between Africa and China. The financial impact of this relationship is included in our reporting as part of our business activities.

The reporting boundary includes the strategic narrative in this report and pertains mainly to our banking activities across the continent and internationally, but also includes our subsidiary and associates (including Liberty and our other banking interests) where they are relevant to the group's business model and strategy, performance and prospects. Where relevant, the reporting boundary also assesses the material risks, opportunities and outcomes that affect our ability to create value, arising from entities and stakeholders but which are not related to the financial reporting entity by virtue of control or significant influence, but rather by the nature and proximity of the risks, opportunities and outcomes.

Financial information has been prepared on an International Financial Reporting Standards (IFRS) basis, unless otherwise specified. Any restatements of comparable information are noted.

The group's annual financial statements cover the group's banking activities, as well as all of its subsidiary and associate interests. ICBC Argentina is classified as held for sale in terms of IFRS from September 2019 and is therefore not equity accounted at the year end.

 AFS online.

Combined assurance

The group applies a combined assurance model to assess and assure aspects of its operations, including the internal controls associated with elements of external reporting.

Combined assurance incorporates and optimises all assurance services and risk functions, to enable an effective control environment and support the integrity of information used in decision-making and reporting.

Interviews with senior leadership, together with internal sources of information and relevant external research reports, have been used to prepare this report. An internal combined assurance review of the internal controls applied to the information gathering process was performed, together with reviews by management and our compliance and internal audit functions, to ensure the accuracy of our reporting.

While this report is not audited, it contains certain information that has been extracted from the group's audited

consolidated annual financial statements, on which an unmodified audit opinion has been expressed by the group's external auditors, KPMG Inc. and PricewaterhouseCoopers Inc., and from the group's reporting to society suite, on which assurance on selected information has been provided by PricewaterhouseCoopers Inc.

Statement of the board of Standard Bank Group Limited

Group executive committee members are responsible for preparing the integrated report.

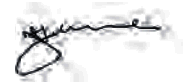
The group audit committee reviewed and recommended this report to the board of directors for approval.

The board acknowledges its responsibility to ensure the integrity of the integrated report. The board considers the preparation and presentation of this report as being materially in accordance with the principles of the International <IR> Framework. The board is therefore

of the opinion that the report addresses material information on the group's ability to create value over the short, medium and long term.

The board applied its collective mind to this report on 4 March 2020 and approved the content provided. It delegated the final review and approval of the report for publication to the group chief executive officer.

Following the global impact of COVID-19, the board approved selected updates to the prospects disclosed in this report on 3 April 2020, for publication.



Thulani Gcabashe
Chairman



Sim Tshabalala
Group chief executive officer

CREATING SUSTAINABLE VALUE THROUGH DILIGENT EXECUTION OF OUR STRATEGY

Our purpose – the reason we exist

Our vision – what we aspire to be

Our value creation

We create value by living our purpose and achieving our vision through the execution of our strategy. Our strategic value drivers measure our strategic progress and allow us to focus on the value we aspire to create for all our stakeholders.



OUR REPORTING SUITE

INTENDED READERS

*Primarily investors
but relevant to all
our stakeholders*

*Our shareholders,
debt providers and
regulators*

*Our shareholders,
debt providers and
regulators*

*Our shareholders,
debt providers and
regulators*

*Our clients,
employees and society
more broadly*

THIS REPORT

ANNUAL INTEGRATED REPORT

Provides a holistic assessment of our ability to create sustainable value in the short, medium and long term.



Our integrated report is supplemented by:

GOVERNANCE AND REMUNERATION REPORT

Discusses the group's governance and remuneration priorities, as well as the group's remuneration policy and implementation report.

The invitation to the annual general meeting (AGM) and notice of resolutions to be tabled is sent separately to shareholders and is available online.



RISK AND CAPITAL MANAGEMENT REPORT

Sets out the group's approach to risk management, including our risk universe.



ANNUAL FINANCIAL STATEMENTS

Sets out the group's full audited annual financial statements, including the report of the group audit committee.



REPORTING TO SOCIETY PLATFORM

The report to society (RTS) explains how we contribute to the group's ability to achieve its purpose through our SEE impacts. Our environmental, social and governance (ESG) report provides an overview of the processes and governance structures the group has in place to support our commitment to do the right business, the right way.

The reporting to society suite in our online platform also includes our South African transformation report.



INTENDED READERS

Our subsidiary stakeholders

SUBSIDIARY ANNUAL REPORTS

To account to their stakeholders, our subsidiaries produce their own annual reports and audited annual financial statements, which are available on their respective websites.

- The Standard Bank of South Africa (SBSA)
- Liberty
- Other subsidiary reports, including legal entities in Africa Regions.



Key frameworks applied

The International Integrated Reporting <IR> Framework	✓				
Companies Act, 71 of 2008, as amended (Companies Act)		✓		✓	
Johannesburg Stock Exchange (JSE) Listings Requirements	✓	✓	✓	✓	
King IV Report on Corporate Governance for South Africa 2016*	✓	✓	✓	✓	✓
IFRS			✓	✓	
South African Banks Act, 94 of 1990 (Banks Act)		✓	✓	✓	
Basel Committee on Banking Supervision's public disclosure framework		✓	✓		
CDP (previously Carbon Disclosure Project)					✓
United Nations (UN) Sustainable Development Goals (SDGs)					✓

Assurance

Certain information extracted from audited reports	✓	✓			
Unmodified audit opinion expressed by KPMG Inc. and PricewaterhouseCoopers Inc.				✓	
Selected information assured by PricewaterhouseCoopers Inc.					✓

* Also known as the King Code and King IV™. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.



All our reports and latest financial results presentations, booklets and SENS announcements are available online, together with financial and other definitions, acronyms and abbreviations used. We urge our stakeholders to make use of our reporting site at <https://reporting.standardbank.com/> to assist in the reduction of our carbon footprint.

How to navigate our reports

The following icons refer readers to information across our suite of reports:



Refers readers to information elsewhere in this report.

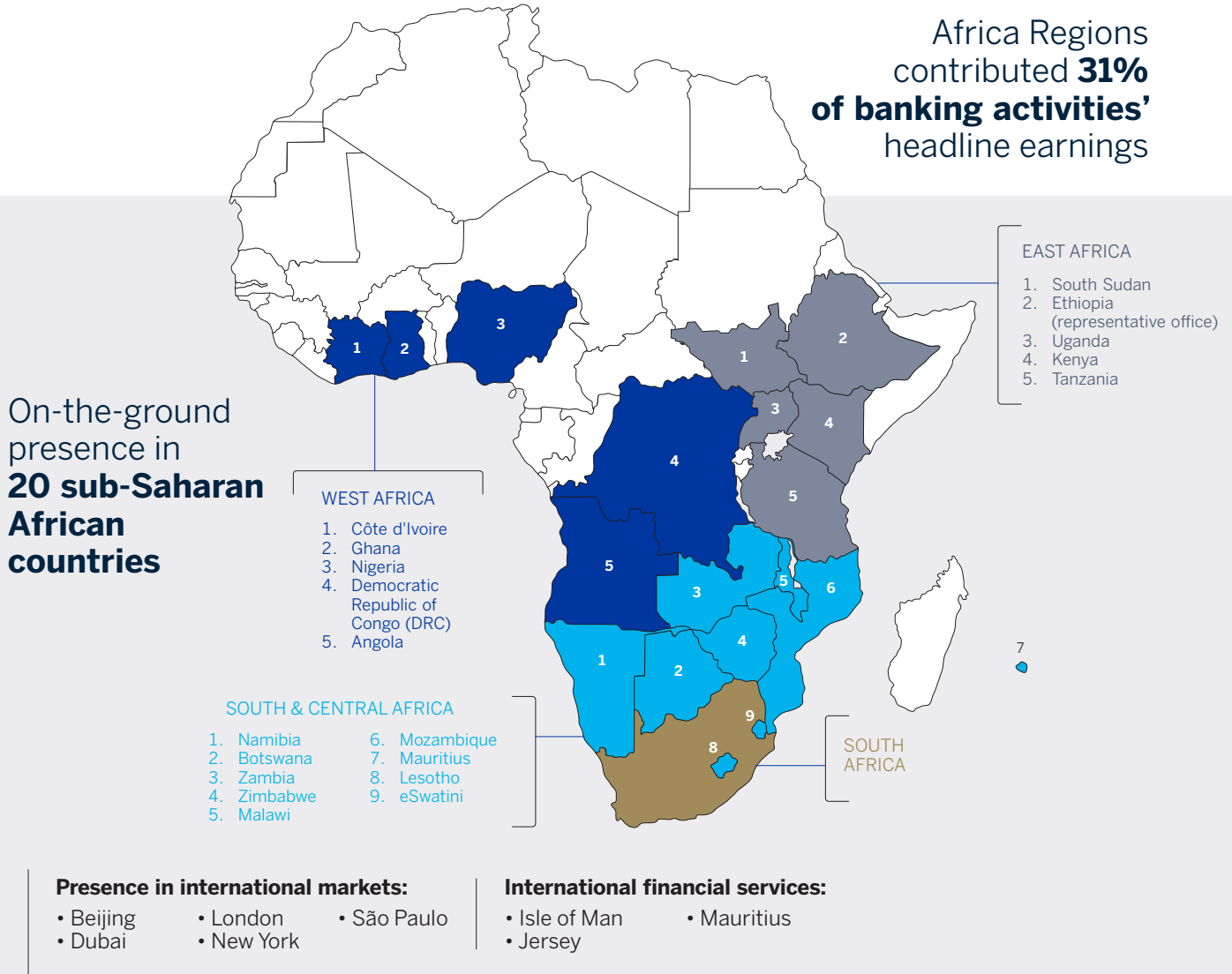


Refers readers to information in our other reports, which are available online.

At the time of writing this report COVID-19 had begun spreading more rapidly across the world. Its impact on our communities and business activities is still being quantified. We intend to include these impacts in our strategy and short- and long-term budget plans.

WHO WE ARE

We are an African-focused, client-centric, digitally enabled integrated financial services group with compelling competitive advantages.



Fit-for-purpose infrastructure

1 114

BRANCHES

2018: 1 205

Fit-for-purpose channel

8 970

ATMs

2018: 9 224*

Valued clients

13.4 million

ACTIVE CLIENTS

2018: 13.0 million

Valued people

50 691

GROUP PERMANENT EMPLOYEES

2018: 53 178

Digital capabilities

MODERNISED BANKING PLATFORMS
SUPPORT DIGITAL TRANSACTIONS

Recognised brand

STANDARD BANK**

STANBIC BANK



Strategic partnership with ICBC

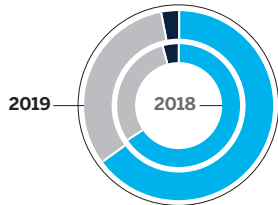


中国工商银行

* Restated to exclude non-Standard Bank-owned automated teller machines (ATMs) in Africa Regions.

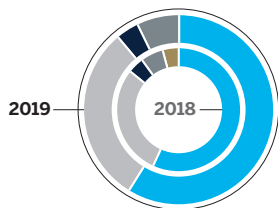
** Voted most valuable brand in the BrandZ Most Valuable SA Brands awards in 2019.

Banking revenue (%)



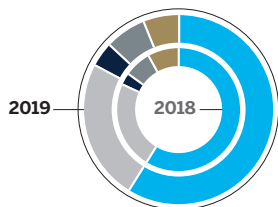
	2019	2018
South Africa	65	66
Africa Regions	32	30
International and other	3	4

Group headline earnings (%)



	2019	2018
South Africa	59	57
Africa Regions	30	29
Wealth International	4	4
Liberty	7	6
Other	0	4

Group net asset value (%)



	2019	2018
South Africa	59	59
Africa Regions	24	23
Wealth International	4	3
Liberty	7	7
Other	6	8

OUR BUSINESS LINES PROVIDE INTEGRATED SOLUTIONS THAT DRIVE THE FINANCIAL WELLBEING OF OUR DIVERSE CLIENTS IN AFRICA.

Personal & Business Banking

Banking and other financial services to individual clients, small- to medium-sized enterprises (SMEs) and commercial banking customers in South Africa, Africa Regions and the Channel Islands.

Products and services

- Transactional products
- Mortgage lending
- Card products
- Vehicle and asset finance (VAF)
- Lending products

Corporate & Investment Banking

Corporate and investment banking services to clients, including governments, parastatals, larger corporates, financial institutions and multinational corporates.

Products and services

- Client coverage
- Investment banking
- Global markets
- Transactional products and services (TPS)

Wealth

Wealth service and offerings include insurance, investments and advisory capabilities to high net worth, retail, business and commercial and corporate clients.

Products and services

- Advisory services through Wealth and Investment and Standard Bank Financial Consultants (SBFC), including fiduciary services
- Short-term and long-term insurance
- Discretionary investments (Melville Douglas), stockbroking, international deposits, pension fund administration and funds (including alternative and passive investment funds)

Liberty

Life insurance and investment management activities.


Products and services

- South African Retail
- Business development
- Asset management



LEADERSHIP INSIGHT

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CHAIRMAN'S STATEMENT

Good governance is about ensuring that an organisation creates and preserves value for all its stakeholders, both right now and into the long-term future.

Thulani Gcabashe
Group chairman

“We are now faced with the fact that tomorrow is today. We are confronted with the fierce urgency of now... This is no time for apathy or complacency. This is a time for vigorous and positive action.” – Dr Martin Luther King

Good governance is about ensuring that an organisation creates and preserves value for all its stakeholders, both right now and into the long-term future.

We must be mindful of the broad and long-term impacts of the group's decisions. This means that we must listen attentively, respectfully and patiently to all our stakeholders. We must ensure that all our stakeholders' current and long-term interests are taken fully into account.

Equally, though, good governance is about insisting on the fierce urgency of now.

There are many reasons why the South African economy performed so poorly in 2019. One of them has been the slow response by policymakers and the relevant authorities to crises that confronted the economy. To take only the most notable example, by January 2019 it was clear, and well-articulated, that the operational and financial crises at Eskom were posing a severe risk to the South African economy. It was only late in 2019 that we saw the appointment of a new chief executive who seemed to have the mandate to tackle these problems at their core. As I write this in early 2020, there are hopeful signs that Eskom is being better managed and that policymakers have started to move more quickly to reform the electricity industry.

Rising inequality and worsening poverty for many in South Africa were, tragically, accompanied by incidents of xenophobic and gender-based violence. We utterly condemn both. As an Africa-wide group, whose chief executive is a HeForShe Champion, we do what we can to prevent and to resist both gender-based violence and xenophobia.

Standard Bank Group will continue to advocate for quicker and better policymaking and for faster, more effective execution. But we are also mindful of our responsibility to be the change we seek.

As this report shows, we aim:

- To move quickly to ensure that we are competitive and relevant in the digital age.
- To ensure that our people have the resources and skills they need in the digital economy so that change is welcomed rather than feared or resisted.
- Above all, to support inclusive growth and sustainable development in South Africa and throughout the continent as we serve and support our clients.

Guided by these principles, the board considered a wide range of governance matters during the year. Read more about these in the governance overview starting on page 96. The following examples illustrate our approach in a little more detail.

The board considered whether the reconfiguration of PBB South Africa and the subsequent branch closures were appropriately managed. The board was clear that the changes were necessary both to respond to changes in our clients' preferences and to remain competitive. We satisfied ourselves that everything possible had been done to ensure that our employees were ready for the change, as described in the PBB review starting on page 41.

↑ 2%
994^c

DIVIDEND PER
ORDINARY SHARE

2018: 970 cents

It would certainly have been possible to undertake this reconfiguration more slowly and to have been less open about the process. The board concluded, however, that the group's responsibilities and values demanded of us that we move quickly and transparently.

Second, we considered how to respond to two resolutions proposed for consideration by minority shareholders at the AGM. We concluded that it was right that these resolutions, on finance for coal-fired power generation and on exposure to climate change risk, should be considered at the AGM. We put these resolutions to our shareholders, in a spirit of respectful and honest engagement and in recognition of the importance of hearing multiple perspectives on such issues. In accordance with our shareholders' decisions, we subsequently developed and published policies governing new investment in coal-fired power station finance and new investment in thermal coal mining finance, both available online.

Thirdly, the group board, as well as the boards of the subsidiary companies, undertook to improve their 'digital savviness' so as to better guide the digital transformation of the business. The undertakings include completing a study module facilitated by MIT (Massachusetts Institute of Technology), as well as executing digital projects where directors have been paired with younger members of staff.

Governance and risk management: key developments in 2019

The board was seriously concerned by the instability in our IT systems during 2019. We are satisfied that the underlying causes were correctly diagnosed. IT system stability recovered in the second half of the year. We will continue to hold the executive closely to account in this vital area.

A second area of concern for the board has been whether the group's capital allocation is optimal, both with respect to our minority holding in ICBCS and our very dynamic Africa Regions portfolio. We are satisfied that the group continues to move in the right direction.

A third concern has been the effectiveness of the group's marketing and communications. Standard Bank Group has an admirable tradition of modesty and restraint. We intend to continue this – but not to the extent of failing to market effectively or to communicate achievements of which we can be justifiably proud.

The board is pleased that the group became a founding signatory of the United Nations Principles for Responsible Banking in September 2019. We welcome the fact that ESG metrics are becoming increasingly important to investors. We will continue to ensure that the group incorporates ESG metrics into our decision-making and reporting in a rigorous, principled and transparent way.

The group will begin to report on climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). However, we will not report prematurely or in a perfunctory way. In accordance with our values, it is important to us that we report on, and manage, climate change risk with integrity and scientific rigour.

Tomorrow has indeed become today – finance is now a thoroughly digital business. During 2019, the board put a lot of time and work into ensuring that we have a sound understanding of how the economy in general – and the financial sector in particular – are changing as we enter the digital age.

While the board will continue to ensure that the group remains securely within the risk parameters we determine, we recognise that it is important to create more room for digital experimentation – within these parameters – to retain and sharpen our competitiveness.

We are equally determined that the group continues to make a socially just transition into being a truly digital financial services organisation. After all, the point of digitisation is to make life better and more fulfilling for our clients, people and other stakeholders. It is very important to us that unfair discrimination does not creep into the group's artificial intelligence (AI) systems.

The need to avoid unconscious bias is one of the many reasons why it is essential that the board is as representative as possible of South African and African society, and also that it contains a diversity of perspectives. The board is delighted to welcome three new members, Maureen Erasmus, Nonkululeko Nyembezi, and Priscillah Mabelane.

Dr Hao Hu stepped down from the board and as deputy chairman in March 2020. In terms of our agreement, ICBC is entitled to nominate a replacement and will do so in due course. Peter Sullivan will retire from the board at the close of the 2020 AGM. His role on the board includes being the chairman of the group remuneration committee (remco) and being lead independent director.

The board approved the appointment of Gesina Maria Beatrix (Trix) Kennealy as the chairman-designate of group remco. Upon the retirement of Peter Sullivan in May 2020, Trix Kennealy will take over as chairman of group remco as well as the board's lead independent director. We thank each of these board members for their contributions to the board.

I remain satisfied that the board is appropriately balanced and contains the skills required to ensure that the group is well-governed, and that the interests of our shareholders, other stakeholders, and the societies in which we do business are well-served. Considered succession planning, to maintain the right composition of skills and to meet our target for gender representation, remains a priority.

37%

WOMEN ON THE BOARD

Ahead of target of 33% by 2021

Appreciation and looking ahead

I express my deep gratitude to each of my fellow directors, and to all Standard Bankers.

As we finalised our reporting in March 2020, it had become clear that many governments were about to adopt sweeping public health measures against the COVID-19 epidemic. While unarguably necessary to protect human lives, these measures will severely disrupt the global, African and South African economies in 2020. Standard Bank Group is a resilient and resourceful organisation, and the board has every confidence that the group will continue to provide essential financial services throughout the pandemic and that it will remain sound, profitable and sustainable throughout this difficult period.

We remain equally confident that the Africa centred strategy of Standard Bank Group is correct. We will continue to hold management to account for the urgent and efficient execution of our strategy and for the fulfilment of our purpose: Africa is our home, we drive her growth.



GROUP CHIEF EXECUTIVE'S REVIEW

Despite the difficult macroeconomic and operating environment, the group's core businesses continued to deliver sustainable growth and returns.

Sim Tshabalala
Group chief executive

This year's financial results contain several reasons for optimism and confidence in our strategy. These include the growth in our Africa Regions businesses, which contributed 31% to our banking activities' headline earnings, good cost discipline and steadily improving efficiency.

In 2019, the group's banking activities grew headline earnings 5% to R27.2 billion and delivered a return on equity (ROE) of 18.1%. Strict cost containment throughout the year resulted in below inflation cost growth and an improvement in the group's cost-to-income ratio to 56.4% from 57.0%. Group headline earnings was R28.2 billion, 1% up on the prior year and ROE was 16.8%. The group's share of headline earnings from Liberty was up 16% on the prior year. The loss associated with the group's 40% shareholding in ICBCS was a significant drag on the group's results.

Overall, while I consider the performance of the group's core businesses to be good, I view the group's overall financial outcome as somewhat disappointing. More detail on the group's short-term financial performance is available in our financial outcome section starting on page 72.

↑ 1%
R28.2^{bn}

GROUP HEADLINE EARNINGS

2018: R27.9 billion

As always, the group's capital, liquidity and operational risks were cautiously and effectively managed in 2019, as described in our risk and conduct section starting on page 62.

This report creates a valuable opportunity to consider questions about the group's performance in a broader context and to take a longer-term view.

We are unshakably committed to our purpose: Africa is our home, we drive her growth. But it is always useful to ask whether we are doing enough to make valuable and sustainable contributions to the societies in which we do business, and whether we are responding effectively to the most pressing issues facing them.

It is equally important to ask every year whether our decisions and actions have contributed effectively to the realisation of our vision: to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

There is always some tension between immediate financial and tactical imperatives on the one hand and long-term strategy execution and investment on the other. This tension was particularly acute in 2019. While we are not satisfied with the group's financial results for 2019, we believe that we made good progress in implementing our strategy, and particularly in digitising the group.

We have a precise framework against which we measure our progress in fulfilling our purpose and realising our vision:



CLIENT FOCUS

(value for our clients): delivering relevant and complete digital solutions to our clients.



EMPLOYEE ENGAGEMENT

(value for our employees): shaping a workforce that is ready to meet our clients' needs, now and in the future.



RISK AND CONDUCT

(value for all our stakeholders): doing the right business, the right way.



FINANCIAL OUTCOME

(value for shareholders): striving to meet our medium-term financial targets.



SEE IMPACT

(value for society): driving positive SEE impact.

Fulfilling our purpose

For the first time in history, the human impact on the climate is such that there is a real risk that large parts of the world could become uninhabitable, that the lives of our children and grandchildren could be significantly worse than our own, and that Africa's progress towards prosperity could be stalled or reversed.

As the Swahili proverb reminds us, 'Itunze arthi vyema; hukupewa na wazazi; bali umekopeshwa na wazao wako.' – 'You must treat the earth well. It was not given to you by your parents. It is loaned to you by your children.'

We already have the necessary legal and technological infrastructure in place to slow down and ultimately reverse human-caused climate change. The legal infrastructure has been created by the UN Framework Convention on Climate Change, and the subsequent Kyoto Protocol and Paris Agreement, which require that richer countries reduce their absolute output of greenhouse gasses and that developing countries reduce the carbon-intensity of their growth paths.

Technological solutions are equally available. We need to use them. For instance, solar electricity generation is now cheaper per kilowatt-hour than coal-powered generation. There are similar opportunities in many other areas. Relatively small changes in the design of buildings, cars, fridges and air conditioners can make surprisingly large differences. And so can carbon capture. Certainly, new technologies will be required, but we already know how to plant trees and – even more urgently – we already know how to stop cutting them down.

In making this transition, it will be essential to be fair. As international law recognises, it is not fair to expect developing countries to stop using the technologies that richer countries used, without any restrictions, to work their way out of poverty. Equally, it is unfair to try to force transitions towards environmental sustainability without providing real alternatives to the people affected. As the South African government and South African organised labour say, the transition away from coal must be a just transition.

They are absolutely right. Furthermore, unless the transition is just, it will be resisted.

We also need a just transition through the other major change the world is facing, which is often called the 'Fourth Industrial Revolution'. It is helpful to recall that, unlike the unprecedented changes to our climate, we have seen this kind of technological change at least three times before – in the 1820s and 30s (steam-powered factories), the 1880s and 90s (grid electricity, highly standardised production lines, telephone networks) and the 1970s and 80s (microprocessors, software usable by non-experts). This time around, the revolution is driven by a combination of near-universal broadband internet, huge increases in the accessibility and affordability of processing power, and further impressive leaps in the sophistication of software to enable, for example, real-time natural language translation.

As we learn from the earlier industrial revolutions, looked at on a national or global scale and over a decade or two, technological progress increases incomes, creates jobs and raises the overall standard of living. For example, according to the World Bank, the arrival of faster internet in many parts of Africa over the past decade has increased the probability of employment by between 3% and 13%, compared to areas not connected to undersea internet cables.

Technological progress also makes some jobs and some skills obsolete. Larger, well-capitalised firms are more likely to be able to absorb the costs of change than smaller ones. And, yes, this means that, should all other things remain unchanged, income and wealth are likely to shift from the less-skilled to the more-skilled, and from workers to owners of capital.

Just as in previous technological transformations, governments and corporations have a duty to ensure that people are able to acquire the new knowledge and skills they will need. Just as in the past, societies need to adapt their tax and welfare systems in response to new sets of market outcomes. Ideas like universal basic income or wider distribution of share equity now have serious advocates and I agree that it would be short-sighted not to start thinking about and debating these ideas. Having said that, my firm view is that it would be far better for Africa's governments to focus on education,

education and education. Our contributions to supporting better education are discussed in our SEE impact, on page 84.

↓ 16.8%

GROUP ROE

2018: 18.0%

Standard Bank's approach to climate change

We know the current trajectory of climate change is very dangerous, perhaps even catastrophic. We know that we have an important part to play in changing that trajectory. And we believe that through a combination of well-designed regulation, technological progress, and responsible conduct by firms like ours the world can overcome the climate crisis.

As you can see in our ESG report, available online, we reduce our own carbon footprint as much as possible each year. We have funded far more renewable energy generation than coal-fired power. We will apply very stringent conditions to any future funding of non-renewable energy. We are committed to fully understanding, accurately reporting on, and reducing the proportion of our balance sheet that supports unsustainable economic activity.

As a member and past chair for four years of the Equator Principles, a founding signatory to the United Nations Principles for Responsible Banking, and as active participants in global debates on the role of the financial sector in mitigating climate change, we will continue to advocate for regulatory change that reduces carbon-intensive activities and that would encourage more lending in support of sustainable development.

During the year, we also established a specialised sustainable finance team, which concluded Africa's first ESG-linked funding deal with the Curro Group and East Africa's first green bond for Acorn Group.

Standard Bank's approach to digitisation

While we are certainly not blind to downsides of progress, we are not luddites about technological change. We will continue to do everything we can to ensure that our employees have the skills they need as our industry digitises. We work very hard to ensure that changes are made with empathy, as well as efficiency, that the minimum number of jobs are lost, and that people who leave the group are well-equipped to find new jobs or start their own businesses.

As with all major changes, there were some missteps and unintended consequences arising from our branch reconfiguration in South Africa, which we have since done everything we can to rectify.

Standard Bank Group has no choice but to become a digital company. An overwhelming majority of our clients prefer to do almost all of their transactions online. Our competition is increasingly digital and often does not bear the costs of a large and long-established incumbent. If we fail to digitise urgently, efficiently and successfully, our clients will leave us, and our shareholders will shift their investments to more competitive alternatives. Both clients and shareholders would be quite right to do so.

Having said this, we remain mindful that digitisation is not an end in itself. It is a tool we use to serve our clients and our communities better, to make more efficient and profitable use of the capital entrusted to us by our investors, and to fulfil our purpose.

Executing our strategy in 2019

In 2019, we faced a number of challenges, including but not limited to a very weak economy in South Africa, ongoing regulatory change, an increasing number of sophisticated cyber-attack attempts, and intensifying competition.

Despite these challenges, the group made good strategic progress. Driven by changing client expectations, we launched a variety of new products, continued to digitise our services and processes, and took major steps to right-size our infrastructure.

Challenges

In South Africa, the slow rate of progress on policy reform, on the restructuring of state-owned enterprises (SOEs) and on restoring Eskom to financial and operational stability weighed on sentiment. Business and consumer confidence remained low.

While our direct exposure to South Africa's SOEs is not material to the group, as the chairman points out in his letter, further deterioration in the financial or operational performance of Eskom would create severe risks for the economy as a whole and, by extension, for the group.

Cybercrime remains a major challenge. During 2019, the group's systems were subject to many cyber-attacks every day. Constant vigilance is required.

We had a number of system outages that took too long to repair. We recognise that prolonged system outages severely inconvenienced our clients, undermined their trust in us and damaged our reputation. I am pleased to report that we made encouraging progress in restoring system stability and reducing recovery time in the second half of the year. But we are not declaring victory. Our systems are complex and are likely to experience downtime again in the future. However, ensuring that we recover much more quickly – and that the impact is contained when the system does go down – is one of my highest priorities for 2020 and beyond. We recognise that client expectations on system stability are set by the extremely stable services provided by the BigTech firms, and our aspiration must be to match this experience.

Strategic progress

As you will note reading through this year's report, the new, digitally enabled offerings launched this year are numerous and span our businesses and geographies. Here are a some examples:

- MyMo, our competitively priced, fully digital transactional account that enables digital account opening on mobile devices within a few minutes with no physical documentation required, data and airtime offerings and immediate virtual card functionality.
- OneFarm, currently being piloted in Uganda, uses a smartphone app to integrate financing for inputs, weather-related advice, and purchasing of crops. The farmers who participated in the pilot have already doubled their plantings.

- SimplyBlu, our online 'business in a box' for SMEs in South Africa, an all-in-one payment solution that enables small businesses to start and manage an online business.
- My360 app, which offers our retail clients a complete, integrated and real-time view of their local and international assets on their mobile devices.
- African Markets Tracker, which offers our CIB clients real-time market information, insights and alerts to their mobile device.
- LookSee, which enables buyers, sellers, homeowners or industry participants in South Africa to research properties, providing estimates of a property's value and of the monthly costs of owning it, including insurance and taxes.

Our clients continue to migrate to our digital channels. In Africa Regions, 92% of our transactions by volume took place online. In South Africa, the figure was 99%. In 2019, we made excellent progress in digitising the group. Importantly, our progress in digitisation is no longer just about speed or efficiency. Digitisation is now clearly supporting our focus on client centricity and offering an integrated set of financial products and services. In South Africa, 80% of the transactions and enquiries that used to require a branch visit can now be done online and we have reduced the time it takes to complete certain transactions online. In addition, in partnership with Amazon Web Services and Microsoft, we have begun to move some of our processing to the cloud, a transition that we will accelerate over the coming years.

ICBCS reported a considerable loss in 2019; the group's 40% share of which equated to R1.4 billion. The loss included operational losses, as well as costs associated with a single client event. ICBC and the group, as shareholders, have had robust conversations and made meaningful progress with ICBCS management with regards to how best to put the business on a path to sustainable profitability. These discussions resulted in a number of management actions in ICBCS, including significant headcount reductions and a reduction by ICBCS of business lines and locations in 2019. Closer integration into and cooperation with the ICBC group is an important element of the plan to achieve sustainable profit.

It is very important to emphasise that difficulties in ICBCS do not detract from the much broader strategic partnership between ICBC and the group, which continues to be of great mutual benefit. For instance, since 2016, we have jointly supported investment banking deals worth over USD3.6 billion. Our staff exchange programme continues to expand, our joint work to replace cumbersome paper trails with blockchain is making good progress, and our joint marketing across Africa continues to accelerate.

As described in the PBB review on page 41, in South Africa well over 4 000 people were retrained from narrower and, often, less fulfilling roles so they are able to meet a wider range of our clients' needs with greater efficiency – and greater understanding and empathy. At management level, we have focused on reducing bureaucratic rituals and on reinforcing personal accountability and a sense of urgency. During the course of the year, I had the great pleasure of visiting most of our Africa Regions businesses with a simple message: the group as a whole is no longer in the business of command-and-control, but exists to enable these dynamic and innovative companies to serve their clients and to win market share. Precisely the same is true for our South African business, under the very able leadership of Lungisa Fuzile.

Unsurprisingly in a year containing challenges and change for our people, our employee net promoter score (eNPS) dropped to +18 from +23 in 2018. Although our score remains strong, we have not taken this decline lightly, and we will continue to work hard to ensure that our people are valued, supported and empowered, as described in our employee engagement section, from page 52.

2019 was also an excellent year as measured by our SEE impact value driver. It is a great honour to represent the group as a thematic champion of the UN Women HeForShe Movement for Gender Equality, and I am delighted to be able to report that HeForShe has inspired us to set a target of at least 20% female chief executives within the group by 2021. It is high time we set – and beat – such a target, and I am pleased to say that our executive in general is already considerably more gender-equal, at 32.3% women.

Every year, the group makes large contributions to sustainable human development in the ordinary course of our business, and on a smaller scale, through our corporate social investment

programme, as can be seen from page 84 and in more detail in our RTS online.

Here, however, I would like to highlight just one example. Among all our many joint initiatives with ICBC in 2019, I am particularly proud of our Africa China Export Proposition, which we launched at the China International Import Expo in Shanghai in November 2019. This service connects African exporters with Chinese importers and it offers our exporter clients support at every stage of the export process, from establishing market access to navigating regulatory requirements, preparing the product for export, and transporting the product to China. We invited 91 clients from all over Africa to join us in Shanghai, and many returned home with full order books.

Looking forward

While writing this in March 2020, the scale and severity of the coronavirus pandemic were becoming apparent. Standard Bank Group wholeheartedly supports the public health measures against the spread of COVID-19 adopted by governments throughout Africa and the world. As our contribution to slowing the spread of the virus and to keep our people safe, we have improved our hygiene practices, split many of our teams into separate locations, required everyone who can, to work from home, and increased physical distance between colleagues who have to work together.

Pandemics create huge economic costs. Already in early March, we are seeing sharply reduced business and consumer confidence, reduced revenues for many types of business, and pressure on the prices of many assets. We expect all these trends to worsen considerably before they start to improve. As Africa's largest financial services group by assets, we are very much aware that we work at the centre of the economy and that it is our duty to do everything we can to help our clients to keep their businesses and their lives on track. We have therefore taken all the necessary steps to ensure that our most essential services will be able to function even in a worst-case scenario.

Standard Bank Group has sometimes been criticised in the past for being too cautious in how we manage our capital and liquidity. But we have always insisted that our cautiousness was appropriate. We therefore confidently expect that the group will remain well capitalised and highly liquid and that, as always, we will continue to hold capital and liquidity in excess of the regulatory requirements throughout the crisis.

Our immediate priorities are to:

- Do everything in our power to keep our clients and people safe and healthy.
- Continue serving our clients with excellence, efficiency and empathy.
- Contribute to the resilience and recovery of the economies and societies we serve.
- Defend the soundness, sustainability and profitability of the group.

Over the short- to medium-term, our priorities are to:

- Accelerate digitisation to meet clients' needs.
- Improve resource allocation to support growth in Africa Regions.
- Continue to improve our efficiency by generating meaningful positive jaws.
- Make progress in returning our ROE to the 18% to 20% target range.

Over the medium-term, our strategic priorities are to:

- Ensure that our clients remain at the centre of everything we do.
- Use digital technology and human skill to offer an integrated and comprehensive set of products and services.
- Reshape our infrastructure and resources to remain relevant and competitive in the digital age.
- Create SEE value for the communities and countries where we do business.

To become

Truly human – providing services, solutions and opportunities that our clients and employees need to achieve growth, prosperity and fulfilment.

Truly digital – serving clients predominantly online, processing in the cloud, embracing open innovation underpinned by data and insights.

As always, I am very grateful to the board, my colleagues, our clients, our shareholders and other stakeholders for your support. We are entering a very difficult time. We will endure, and we will emerge wiser, more resilient and more capable.



OUR VALUE CREATION STORY

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OUR OPERATING CONTEXT

We operate in a constantly changing environment where a complex and inter-related spectrum of existing and emerging threats and opportunities influence our business activities and shape our future sustainability.

Our approach

We identify our emerging threats and opportunities based on an ongoing assessment of global trends that are likely to have a material bearing on the group's operating environments and business models. Early identification enables us to leverage related opportunities and proactively mitigate negative impacts.

EMERGING THREATS AND OPPORTUNITIES

Issues on the horizon that represent external influences, which could impact the group in a multitude of ways but may not have materialised as yet.

In considering the group's operating environment and changes in the financial services industry, the following emerging threats and opportunities face the world, the continent, our clients and our operations. Technological advancement in particular is shaping how we operate.

- 1 Economic pressures
- 2 Political and geopolitical shifts
- 3 Social threats
- 4 Technological advancement
- 5 Environmental threats
- 6 Competitive landscape
- 7 Regulatory oversight

EMERGING THREATS AND OPPORTUNITIES

1 Economic pressures

Client impact: adverse impact on revenue, constrained ability to access finance, unemployment and higher levels of debt

Related risks for the group: financial crime risk, conduct risk, credit risk, market risk, liquidity and funding risk

Global

- The global growth path for 2019 was largely shaped by the **adverse effects of trade tensions** between the United States (US) and China. Germany, the primary growth driver of the European Union (EU), experienced recession in the manufacturing sector.
- China is Africa's single largest trading partner for exports of oil, gas and minerals. Initiatives in China to stabilise the financial sector, particularly shadow banking, and the impact of the trade tensions, together resulted in a **slowdown in Chinese economic growth**, injecting volatility into commodity prices and significantly impacting African markets. For some African countries, as much as 79% of their total foreign exchange earnings are from commodity exports.
- The Organisation for Economic Cooperation and Development (OECD) expects **global trade to slow** and the International Monetary Fund (IMF) expects an increase in global growth of only 3.3% in 2020. However, as relations between the US and China thaw meaningfully, aiding China, and central banks in developed world markets implement monetary policy easing, this will support global growth to some degree. Better liquidity flows into emerging markets will buoy their financial markets, potentially strengthening currencies and dousing inflation, allowing central banks to also ease monetary policy. Together these forces could create an environment of accelerated growth for emerging markets and sub-Saharan Africa.

Africa

- The World Bank expects a **slower recovery in sub-Saharan African economic growth**, lowering their 2019 GDP forecast to 2.4% from 3.3%, largely due to faltering growth in Nigeria, Angola and South Africa, which together contribute about 60% of the region's annual economic output. The dominant economic risks for the region include rising public debt, economic fragility, insufficient job creation, lack of infrastructure, low labour productivity and widespread poverty.
- The full impact of the COVID-19 outbreak on global growth remains unknown, however a further slowdown in China's growth and a disruption of Africa-China trade is likely to negatively impact the trade balances of sub-Saharan African commodity exporters and be inflationary for importers.
- The doubling of oil prices from very low prices in 2015/16 has meant that Angola and Nigeria have emerged from recession.
- Africa's low-resource eastern economies are not subject to volatility in commodity prices, and are likely to remain resilient with **economic growth for Kenya, Tanzania and Uganda projected at around 6% by the IMF**. Mozambique will add gas to their GDP from 2022/23. In time, the discovery of oil in the Great Lakes region will put Kenya, Tanzania and Uganda on course to become hydro-carbon extracting and exporting economies.
- **South Africa's structural reform programme**, aimed at reviving the country's struggling economy, is seeing incremental gains at a slow pace. Record unemployment, particularly among the youth (53% of people under the age of 35 are unemployed), poses serious risks to economic recovery and social cohesion. The financial health of SOEs, especially Eskom, is likely to put additional pressure on public finances and ongoing power outages are curbing economic growth and placing the sustainability of smaller businesses at risk. The government's reform programme requires the rebuilding of state institutions, pragmatic public finance management, policymaking that supports investment and aims to make doing business easier and less costly.

Opportunities

The African Continental Free Trade Agreement – effective 30 May 2019 – has created a free trade area covering 52 of Africa's 54 countries, with a total gross domestic product (GDP) of USD2 trillion. The removal of non-trade barriers currently inhibiting the cross-border movement of goods will be a critical driver of long-term growth.

Economic growth prospects for the continent will be supported by one billion people with rising purchasing power. African consumers are projected to spend USD2 trillion by 2025.

Africa has vast sources of power and access to renewable energy – hydro, thermal and solar. 30% of the globe's reserves of mineral resources are found on the continent.

As economic reform in South Africa gains momentum, sentiment, investment and economic growth should improve.

Strong
growth
prospects

References:

- Standard Bank internal research and analysis.
- OECD – Economic outlook, Interim report March 2020.
- IMF – World Economic Outlook, update January 2020.
- World Bank – Global Economic Prospects: Slow growth, policy challenges.
- Statistics South Africa – Quarterly labour force survey, Q1 2019.
- World Economic Forum (WEF) on Africa 2019 – various articles.

2 Political and geopolitical shifts

Client impact: adverse impact on revenue, disruption, constrained ability to access finance and unemployment

Related risks for the group: regulatory impact risk

- Political dissatisfaction and associated civil unrest in many countries, as well as **rising populism and nationalism** leading to protectionist policies and heightened geopolitical tension, are affecting trade, technology, migration and availability of skills.
- 20 African nations held elections in 2019, with some countries experiencing discontent over the results. **Election-based civil unrest** may indicate dwindling trust in free and fair elections, increasing the risk of conflict and instability.
- Political discontent raises the risk of **reactionary policymaking** and inconsistent implementation, leading to deteriorating sovereign credit ratings and foreign direct investment required to stimulate economic growth. In addition, persistent uncertainty undermines business confidence.
- Africa continues to face the challenges of **poor governance, weak institutions and corruption**.
- There is **increased social pressure** on corporations to speak out on political issues.

Opportunities

The group interacts with governments directly and through various associations, advocating for enabling policy environments that promote national and regional objectives, and beneficial socioeconomic outcomes.

Purpose-driven organisation

3 Social threats

Client impact: unemployment created by digitisation, a need to update skill sets and adapt business practices

Related risks for the group: technology risk, regulatory impact risk, conduct risk, credit risk, people risk

- There is a need for **higher public and private investment in people capabilities**, as well as labour-intensive economic sectors to improve productivity, promote lifelong learning and generate wider benefits for society. Fair remuneration, gender equality and transparency in remuneration, fair working hours and health and safety protection will be required.
- Violations of **human rights and sexual and gender-based violence** fuel conflict and instability.
- ESG considerations are increasingly being integrated into investment processes and there is **growing pressure from stakeholders** for lenders and investors to restrict the financing of unsustainable business practices and to hold corporates, particularly financial services organisations, accountable for the impacts of their business activities.
- There is demand for **better transparency** in ESG indicators. Additionally, regulators are looking to **prescribe how key ESG issues are managed** by business.
- Millennials, now the largest generation in the workforce, along with Generation Z, will form the largest voting bloc in 2020. These generations want to do business with and work for institutions that operate transparently and with **socially conscious business practices**.
- **'Triple Balance Sheet' institutions** – those that focus on people, planet, and profits – are on the rise.

Opportunities

It is estimated that meeting the UN's SDGs could generate USD12 trillion in market opportunities in the areas of food and agriculture, energy and materials, cities, health and wellbeing, and could create up to 380 million jobs globally by 2030.

Innovations in several industries, including healthcare and food production, as well as the advancement of smart cities, will open up new markets with Africa representing an untapped market for these solutions.

Protecting the health and rights of women and young people strengthens the rule of law and drives equity, equality and inclusive growth.

Developing strong relationships with our clients, as well as a holistic understanding of their businesses and our broader impact, will allow the group to embed the SEE framework throughout our business as a viable and significant commercial opportunity.

Established franchise with a large, growing client base

4 Technological advancement

Client impact: individuals, enterprises and corporates expect embedded financial services, intuitive experiences, real-time individualised interactions and seamless service regardless of location

Related risks for the group: cyber risk, technology risk, information risk, business disruption risk, third-party risk

- Technology continues to redefine modern living. Consumers have **access to a multitude of digital tools to simplify decision-making**, shop online, pay bills and invoices, and transfer money. Technology is also being used to provide better estimates of business performance.
- **Smartphone penetration** is now at more than 51% of global consumers and is expected to reach at least 66% in sub-Saharan Africa by 2025.
- **Improving client experience** is becoming more challenging as businesses are increasingly expected to respond to clients with the same level of speed and consistency, irrespective of channel (email, SMS, Facebook Messenger etc).
- **Blockchain** has emerged as a payment mechanism and **AI and cloud** are transforming many aspects of banking. Algorithms have, however, been shown to perpetuate bias with demographic and gender targeting, and AI researchers are now pursuing technical fixes for machine learning bias.
- It is estimated that more than one billion people do not have official identity documents, **a barrier to financial inclusion** for low-income economies. This is further compounded by the increasing use of digital identities to deliver secure and seamless transactions. However, as the cashless future develops, it reduces the payment of smaller, more personal amounts (like charitable donations and cash tips), which further constrain financial inclusion.
- The rise of **cleverly designed misinformation** (fake news) distributed via social media has the potential to damage reputations, negatively impact financial decisions and have unknown consequences on politics.

Opportunities

Improvement to communication networks, the advent of 5G and the digitisation of many industries will give rise to substantially more opportunities for individuals and businesses. In addition, communication is becoming cheaper and providing greater access to rural areas and unbanked communities.

International trade is still driven by paperwork. Investment in digitisation is expected to reduce costs by up to USD6 billion within five years and boost trade revenues by 10%.

The future of urbanisation is smart cities, which combine infrastructure and technology to improve quality of life. These cities enhance citizen interaction with the environment and more accurately allocate resources using connected devices and the internet of things.

Using both non-traditional and traditional data points, new ways of creating reliable credit scores for previously unbanked individuals and businesses are being developed, enabling them to access finance. Similarly, the automation of identity verification will revolutionise the client experience, reduce friction and provide more people and informal businesses with better access to financial services.

Appetite to invest,
deliver and partner

References:

- Standard Bank internal research and analysis.
- WEF – www.weforum.org/agenda/2019/06/3-ways-countries-can-boost-social-inclusion-and-economic-growth.
- GSMA Intelligence – The Mobile Economy 2019.
- Euromoney.com – Banks digital deficit, by Kanika Saigal (February 2019).
- MIT Technology Review – This is how AI bias really happens – and why its so hard to fix, by Karen Hao (February 2019).

5 Environmental threats

Client impact: traditional business practices and consumer behaviour will need to adapt to manage changing weather patterns and pollution, as well as to pressure from environmental activists

Related risks for the group: technology risk, regulatory impact risk, conduct risk, climate change risk, credit risk

- **Unpredictable weather patterns, dry conditions and drought** impact agriculture production, resulting in food scarcity, diminished spending on non-food items and inflation. In addition, more than half of sub-Saharan African power, excluding South Africa, is hydro-electric based, therefore lower rainfall affects power supply, impacting all industries.
- All fields of human activity, from agriculture to energy supply, are changing as awareness of the need to **transform the way business is conducted** to protect the environment grows. Corporates are responding by better-managing services and financial support to and from businesses that pollute the environment, have large carbon footprints and follow questionable practices. This could potentially lead to significant changes in loan portfolio mix and revenue outlook for financial services organisations.
- New research from MIT indicates that the **environmental cost of AI** is more substantial than anticipated, particularly as the use of AI models grows exponentially.
- **Ongoing degradation of natural capital** impacts the availability of resources, as well as livelihoods and human development. A reduction in the quality of soil, biodiversity and water impacts food security, the value of land and resettlement of people, and a degraded environment has further impact on health, nutrition and susceptibility to disease.
- Volumes of **oceanic plastic waste** are expected to more than double by 2030 and requires a global revolution in recycling and waste management. The EU will implement a wide-ranging ban on single use plastics from 2021. In Africa, bans on plastic bags have already been implemented in some countries. Activist investors may soon transition their focus to environmental pollutants in addition to the recent activism on coal-fired power funding.

Opportunities

The emergence of new clean technologies and renewable energy programmes. The growth rate for renewable energy exceeds those for oil, gas and coal, and by 2050 is expected to be seven times higher than the average for other fuels.

Renewable energy is crucial to meeting global carbon reduction goals and is fast becoming the cheapest form of power generation in many markets as demand for renewables grows. Other elements include the re-engineering of infrastructure to create a smart grid, the electrification of entire industries, and the introduction of e-mobility across the transport sector. Digitisation, the emergence of smart devices, and the smart grid are opening up possibilities for consumers to gain direct access to the market and manage their consumption or feed any surplus electricity generated into the grid.

60% of the world's uncultivated land is in Africa, with between 480 million and 840 million hectares of unused agricultural land that could be used to increase production up to three times the current output if this is done using 'climate-smart' solutions for the sector.

Diversified
revenue streams

References:

- Standard Bank internal research and analysis.
- McKinsey & Co – Fueling the energy transition: opportunities for financial institutions, and Winning in Africa's agricultural market.
- MIT Technology Review – Training a single AI model can emit as much carbon as five cars in their lifetime, by Karen Hao.
- The Banker – Pioneering an open future.
- African Development Bank – Economics Intelligence Unit.

6 Competitive landscape

Client impact: clients will move to competitors with lower-cost, more convenient offerings, and ecosystem players that are becoming intrinsic to their lives

Related risks for the group: cyber risk, technology risk, information risk, third-party risk, non-traditional risk models

- AI, automation, blockchain, cloud and the internet of things are **changing traditional banking operating models**, giving rise to three types of digital competition, namely FinTechs, digital only banks and BigTechs (technology giants with large asset pools, distribution capabilities and the ability to apply big data analytics). These entrants have cheaper startup costs and place pressure on traditional pricing models. To ensure their relevance, traditional banks must invest in replacing legacy systems and in new technology to update their offerings and service channels, driving up costs.
- Non-traditional financial services providers are focused on the unbanked market, **promoting financial inclusion**. Offerings include digitising cash, providing basic savings, accepting deposits, offering payments and remittance services, and issuing ATM cards.

Unrivalled
African-
focused
capability

Opportunities

Partnerships with FinTechs improve the speed and execution of delivery, providing enhanced client experience. We will continue to build a digital portfolio with future ready low-cost models.

The integration of supply chains and client journeys to build ecosystems will help to protect our client base. The use of AI, automation and cloud to leverage vast pools of data will drive competitive differentiation.

By redesigning the work environment, companies can accelerate learning and build problem-solving skills using intuition, creativity, judgement, persuasion and empathy in a machine-dominated world.

Updated branch environments that appeal to the younger generation and small businesses and by offering these clients tailored advisory services.

7 Regulatory oversight

Client impact: onerous, costly and time-consuming processes to ensure regulatory compliance

Related risks for the group: information risk, regulatory impact risk, conduct risk

- The regulatory environment **continues to evolve** as regulators seek to address new and emerging threats in financial services, protect consumers' assets and ensure consumers are treated fairly. Changes in the already complex regulatory landscape, affect multiple parts of a business and implementing effective controls adds cost and is human resource intensive.
- Global financial institutions must diligently monitor and implement change in **three regulatory clusters:** financial stability, prudent operations and resolution. Across Africa, regulators have implemented more stringent capital requirements.
- Growing concerns regarding **information protection and privacy** are giving rise to open banking initiatives – being promoted in the EU – which put consumers in charge of their own data and could create new data sharing models.
- In Africa, most financial regulators are providing a view on **data residency**, including the movement of personal information in and out of their respective borders. This type of legislation will impact on digital and data strategies.

Opportunities

Leverage our knowledge of the different laws, regulations and legislation in the countries in which we operate to assist clients to manage their regulatory and compliance risk profiles.

Use AI, predictive analytics, machine learning and process automation to ensure compliance and provide clients with a simplified and personalised experience.

Apply specialist capability to monitor and assess the implications of regulatory developments and engage with relevant external stakeholders to understand and constructively influence regulation.

Robust capital and liquidity and strong ethical culture

OUR MATERIAL ISSUES

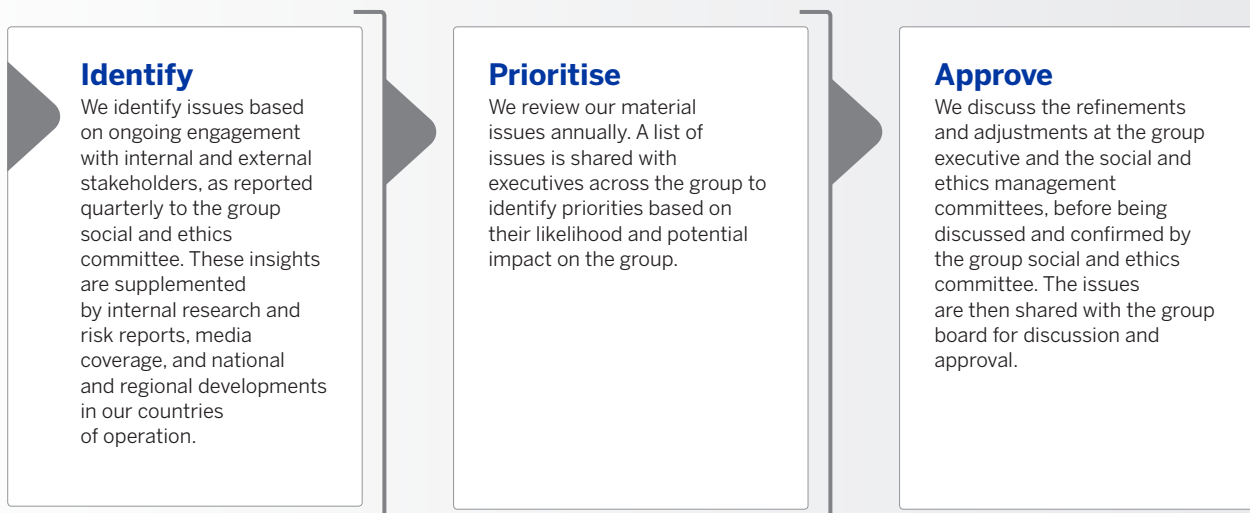
Our material issues are those that have an impact on our ability to create value in the short, medium and long term.

An issue is considered to be material if it has the potential to substantially impact on our commercial viability, our social relevance and the quality of our relationships with our stakeholders. Our material issues are informed by the expectations of our stakeholders and the economic, social and environmental context in which we operate.

Our material issues therefore encompass the emerging threats and opportunities facing the business. While our material issues continue to evolve in response to changes in our operating environment and stakeholder expectations, the broad themes tend to be relatively stable.

HOW WE DETERMINE OUR MATERIAL ISSUES

We view the materiality determination process as a business tool that facilitates integrated thinking.







In 2019, we made minor changes to the group's material issues.

ENGAGING OUR STAKEHOLDERS

We are committed to building constructive partnerships with all our stakeholders.

Given the scale and complexity of the group, we have adopted a decentralised stakeholder engagement model. This means that different teams within the group meet regularly with their stakeholders on matters of mutual interest. We engage with our stakeholders on a range of diverse issues. We strive to respond to stakeholder concerns appropriately and in a timely manner. Proactive engagement provides us with insights that help to inform our material issues, shape our business strategy and operations and minimise reputational risk.

 **RTS** Read more **online** in our ESG report.

Stakeholder priorities and concerns	2019 material issues
 <p>CLIENTS</p> <ul style="list-style-type: none"> • Always-on, secure, stable and convenient transactional platforms. • Value for money. • Personalised financial solutions. • Service concerns around branch closures. <p>INVESTORS</p> <ul style="list-style-type: none"> • Competitiveness in a crowded market. • Speed and efficiency of the digitisation journey. <p>REGULATORS</p> <ul style="list-style-type: none"> • Fair treatment of clients. • Affordability of and access to services. • Managing over-indebtedness. • Equitable access to credit. • Protection against unfair discrimination. 	<p>Focusing on our clients</p> <ul style="list-style-type: none"> • Deliver a compelling value proposition for our clients in an increasingly competitive environment. • Protect and maintain the integrity of client data. • Ensure fair outcomes for clients.
 <p>EMPLOYEES</p> <ul style="list-style-type: none"> • Redundancy of skills and possible future retrenchments. • Branch closures in South Africa. • Gender equity in top and senior management. • Transformation of top and senior management in South Africa. <p>INVESTORS</p> <ul style="list-style-type: none"> • Diversity of the board and workforce, as well as diversity and anti-discrimination policies. • Access to appropriate skills and talent. <p>REGULATORS</p> <ul style="list-style-type: none"> • Gender equity. • Employment equity in South Africa. • Plans for reskilling the workforce and preserving jobs. 	<p>Engaging our employees</p> <ul style="list-style-type: none"> • Diversity and inclusion: focus on gender equity in the group and employment equity in South Africa. • Impact of digitisation and automation on workforce requirements. • Build and retain local skills and capabilities in countries of operation.
 <p>CLIENTS</p> <ul style="list-style-type: none"> • Disruption caused by system outages. <p>INVESTORS</p> <ul style="list-style-type: none"> • Governance, ethics, market conduct and internal controls. <p>REGULATORS</p> <ul style="list-style-type: none"> • Deepening of regulatory scrutiny and requirements in several African countries. • Protecting clients from fraud and cybercrime and processes for compensation. • Potential interest rate or fee cap structures. 	<p>Managing our risk and conduct</p> <ul style="list-style-type: none"> • Cybersecurity. • Stability, security and speed of our IT systems. • Reputational and operational risk associated with third-parties, counterparties and suppliers. • Impact of fraud on clients and the group. • Risk management across geographies with varied and evolving policy and regulatory frameworks. • Building trust with regulators through constructive engagement.
 <p>INVESTORS AND SHAREHOLDERS</p> <ul style="list-style-type: none"> • Revenue pressure from competition. • Low-fee competition from new entrants. • Poor South African macroeconomic outlook (loan growth and cost of risk). • ICBBCS performance. • Profitability, earnings and ROE. 	<p>Achieving our financial outcomes</p> <ul style="list-style-type: none"> • Sustainable revenue growth. • Maintain resilience of our balance sheet. • Improve efficiencies and manage the cost base. • Returns on IT investment.
 <p>CLIENTS AND REGULATORS</p> <ul style="list-style-type: none"> • Solutions for SMEs, entrepreneurs and the informal sector. • Impacts and potential impacts of severe weather events. • Sustainable finance products. <p>INVESTORS</p> <ul style="list-style-type: none"> • ESG performance. • Transparency on climate-related risk exposure and ESG impacts. • Task force on climate-related financial disclosures. • Sustainable finance products <p>COMMUNITIES</p> <ul style="list-style-type: none"> • Social and environmental impacts of fossil fuel projects. 	<p>Driving positive SEE impact</p> <ul style="list-style-type: none"> • Contribute to job creation, enterprise development, education and skills development in countries of operation. • Financial inclusion across Africa with appropriate digital offerings. • Mitigate negative environmental impacts associated with direct and indirect business activities.

OUR STRATEGY

Our strategy is underpinned by our purpose and revolves around delivering simple, relevant and holistic solutions to our clients through their channel of choice in a seamless manner. Our strategy provides us with the path to get there.

The group is large and complex and requires focus to deliver on our strategic objectives. We have defined three key strategic focus areas and articulated our expectations and aspirations for each, over the short, medium and long term. The focus areas, related priorities and timeframes have been cascaded to the business lines and corporate functions for execution.

OUR PURPOSE

THE REASON WE EXIST

Africa is our home, we drive her growth.

OUR VISION

WHAT WE ASPIRE TO BE

To be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

OUR VALUES-DRIVEN CULTURE

Our values

Our values are the behaviours and qualities that define us at our best.

- Being proactive
- Growing our people
- Constantly raising the bar
- Working in teams
- Delivering to our stakeholders
- Respecting each other
- Serving our clients
- Upholding the highest levels of integrity

Our culture

Our purpose, vision, values and approach to ethics inform our culture. Our culture comprises specific characteristics required to achieve our strategy and is underpinned by the principle of doing the right business, the right way.

OUR KEY FOCUS AREAS

WHAT WE NEED TO DO TO DELIVER OUR STRATEGY

These direct our efforts and enable us to prioritise the allocation of our resources.

OUR EXECUTION TIMEFRAMES

WHEN WE NEED TO DO WHAT

These outline our expectations so that our business lines can plan and deliver against our short-term priorities and medium- and long-term aspirations.

OUR STRATEGIC VALUE DRIVERS

HOW WE TRACK OUR STRATEGIC PROGRESS

These enable us to measure our progress against our stated medium-term targets.

FOCUS AREAS



CLIENT CENTRICITY

Deliver exceptional client experiences

CLIENT CENTRICITY PLACES OUR CLIENTS AT THE CENTRE OF EVERYTHING WE DO.

We do valuable things for our clients as their needs and expectations change.



DIGITISATION

Leverage our digital platforms

DIGITISING OUR PRODUCTS AND PROCESSES IMPROVES HOW WE MEET OUR CLIENTS' AND EMPLOYEES' NEEDS.

Digitisation is about delivering secure, personalised, relevant experiences and a full range of solutions, in real-time, all the time.



INTEGRATION

Deliver Standard Bank Group

OUR INTEGRATED OFFERING DELIVERS COMPLETE SOLUTIONS TO OUR CLIENTS.

We are organising the group to work as an integrated whole to seamlessly and efficiently service our clients' financial needs.

EXECUTION TIMEFRAMES

Horizon 1

The short term, managing the present
2020

- Deliver consistent, excellent client experience.
- Accelerate digitisation to meet clients' needs.
- Improve resource allocation to support growth in Africa Regions.
- Continue to improve our efficiency by generating meaningful positive jaws.
- Make progress in returning our ROE to the 18% to 20% target range.

Horizon 2

The medium term, becoming future ready
2021 – 2024

- Ensure that our clients remain at the centre of everything we do.
- Use digital technology and human skill to offer an integrated and comprehensive set of products and services.
- Reshape our infrastructure and resources to remain relevant and competitive in the digital age.
- Create SEE value for the communities and countries where we do business.

Horizon 3

The long term, creating the future
2024 onward

Become a **truly human, truly digital** financial services group

Truly human – providing services, solutions and opportunities that our clients and employees need to achieve growth, prosperity and fulfilment.



Truly digital – serving clients predominantly online, processing in the cloud, embracing open innovation underpinned by data and insights.



OUR EXECUTION MODEL

Our business model enables us to respond dynamically to our operating environment while executing our strategic priorities.

OUR INPUTS AND HOW WE ORGANISE OURSELVES

We manage our resources and relationships responsibly in what we do and how we do it. This allows us to deliver the best outcomes for our clients, our people, our shareholders and other stakeholders.

OUR INPUTS

We manage our resources and relationships responsibly in what we do and how we do it, to deliver the best outcomes for our stakeholders.

SC/MC	Clients <ul style="list-style-type: none"> Over 13 million clients 1 114 branches 8 970 ATMs
HC	Employees <ul style="list-style-type: none"> Over 50 000 group employees High-performance ethical culture Positive employee engagement survey score Strong executive and leadership teams Engaged and proficient employees
IC	Stakeholders <ul style="list-style-type: none"> Reputable and ethical brand Strong relationships with regulators and governments Modern banking platform supporting innovative client solutions Strong strategic partnerships include ICBC, Microsoft and Amazon
FC	Providers of financial capital <ul style="list-style-type: none"> EQUITY R209bn DEPOSITS R1.4tn POLICYHOLDERS' LIABILITIES R324bn
SC/NC	Society <ul style="list-style-type: none"> Working with clients to manage environmental risk Dedicated sustainable finance unit to drive sustainable finance investment Founding signatory of the United Nations Principles for Responsible Banking

HOW WE ORGANISE OURSELVES

Implementing our strategy

Our strategy is unchanged. Our business lines and corporate functions are responsible for executing the strategy and, in turn, delivering the outcomes in the desired timeframes.

 AIR page 26.

Managing our risks and opportunities

We align our risk appetite to changes in our operating environment, instil a risk-aware culture throughout the group and proactively enhance our risk management capabilities.

 AIR page 62.

Embedding good governance

Our governance approach promotes strategic decision-making that combines short-term and long-term outcomes to reconcile the interests of the group and society in our pursuit of sustainable value. Our governance framework supports ethical and effective leadership, corporate citizenship and a sustainable organisation.

 AIR page 96.

Measuring our performance

We track the progress we make in executing our strategy according to the outcomes and metrics associated with our value drivers.

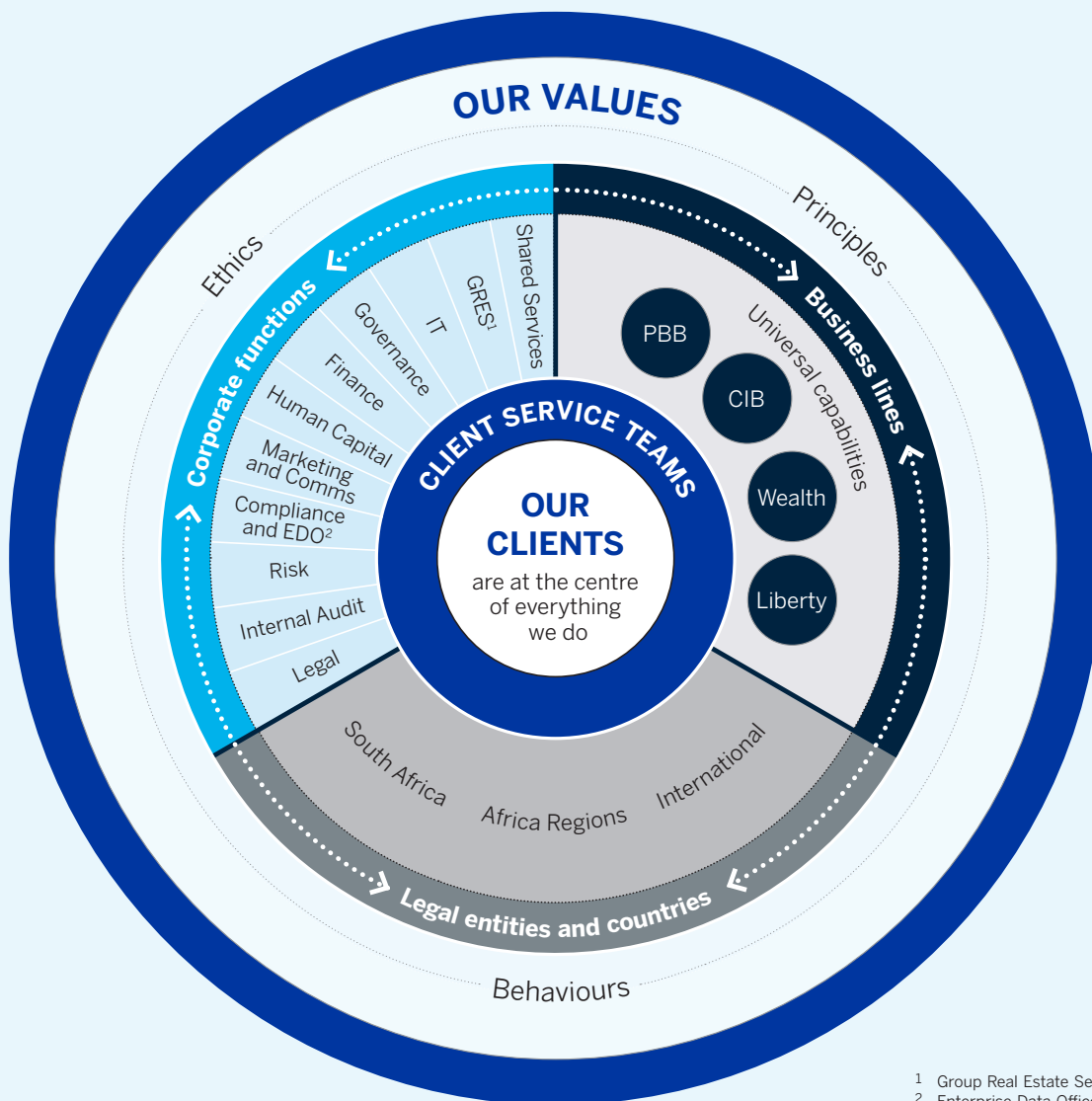
 AIR page 32.



Business activities

Our business lines and corporate functions work together to deliver our banking and insurance solutions.

As an integrated financial services group with a broad offering of products and services, we are organised to do valuable things for our clients in an integrated way.



OUR OUTPUTS AND OUTCOMES

AIR page 30.

EXTERNAL ENVIRONMENT

The drivers of our strategy – the market forces impacting financial services in Africa, and the expectations of our stakeholders.

AIR page 18 to 25.

OUR OUTPUTS AND OUTCOMES

We deliver complete solutions that help our clients to transact, earn, grow, insure, save and leave lasting legacies for future generations. We act in a socially responsible manner to drive the financial wellbeing of individuals, businesses and economies, creating sustainable value for the group, our stakeholders and for Africa.

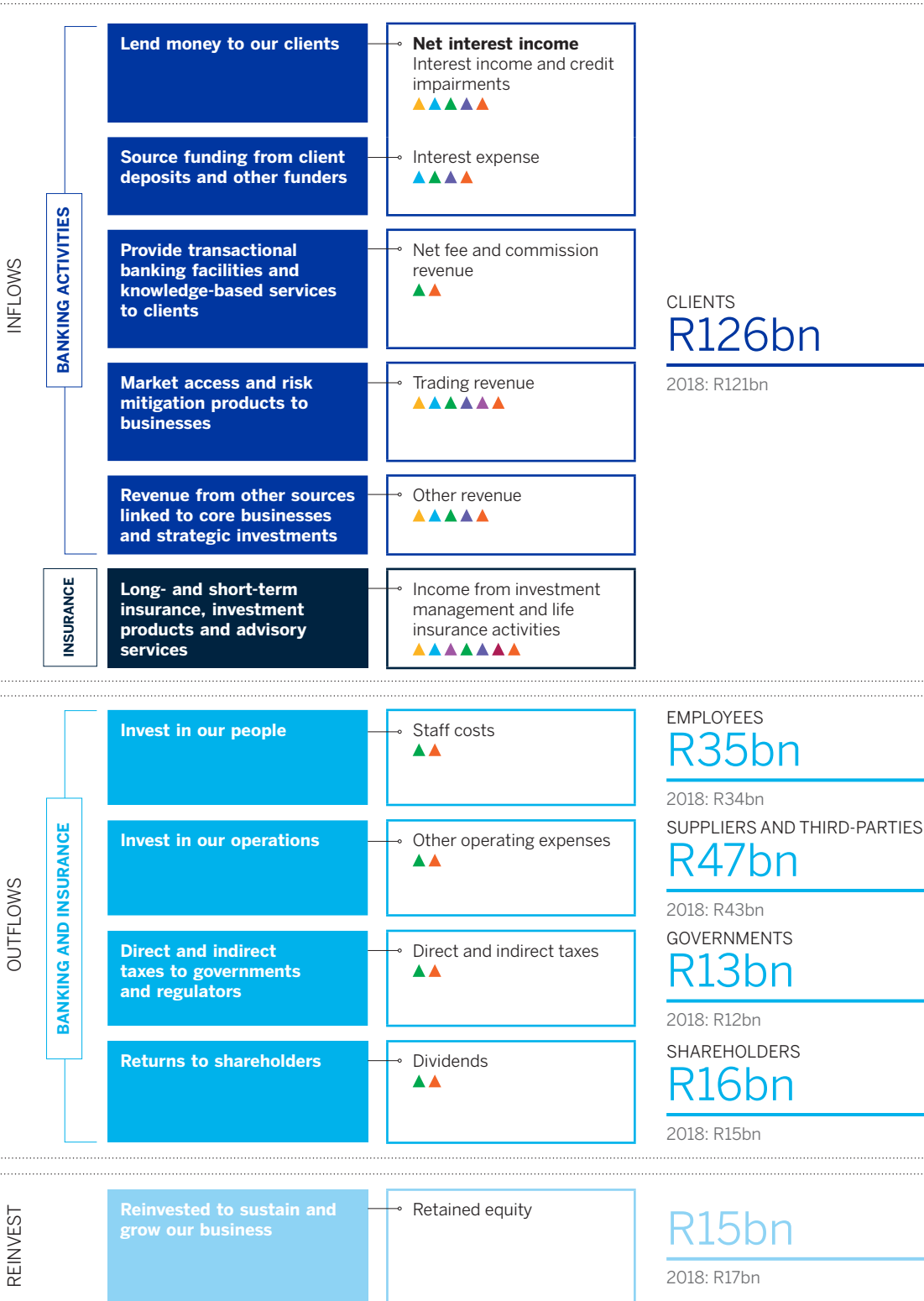
WHAT WE DO
Business activities and outputs

FINANCIAL IMPACT AND ASSOCIATED RISK

AIR page 72.

VALUE SHARED BETWEEN ALL STAKEHOLDERS

OUR OUTPUTS AND OUTCOMES



Associated risks:

- ▲ Credit risk ▲ Interest rate risk ▲ Insurance risk ▲ Business and reputational risk
- ▲ Funding and liquidity risk ▲ Market risk ▲ Operational risk, including compliance, environmental and/or social risk

OUTCOMES

What this means for the group

What this means for our stakeholders

Interest earned on loans granted to clients less loans not repaid.

Individual clients can access financing to buy houses and cars and fund their children's education. Business clients can borrow to grow and invest in their businesses, supporting employment and inclusive economic growth.

Costs incurred on funds raised from depositors and other funders, used by the group to lend to clients who need finance.

Depositors earn a return on the funds they place with the group.

Fee and commission revenue earned for services provided.

Transactional banking facilitates the movement of money, providing clients with convenient access to their funds. Our knowledge-based services allow our clients to benefit from our experience and track record on the continent, and enables us to connect them to global pools of capital.

Fees earned from clients who use our platforms to access and trade foreign exchange, commodity, credit, interest rate and equity instruments.

Market access enables businesses to grow, providing a conduit for investment into Africa, helping economies monetise resources and diversify. Risk mitigation products enable financial protection and diversification through risk transfer.

Revenue earned from other sources, including income from property, private equity and investments in FinTechs.

Strategic investments support inclusive economic activity and enable wealth creation, while also contributing to investments that drive Africa's socioeconomic development.

Brokerage fees and underwriting profits generated from the wealth offerings provided to clients and earns commission on Liberty and STANLIB risk and investment products held by clients.

Insurance, investment and advisory services enable clients to build, diversify and protect their wealth and offer protection from loss of income due to illness, retirement and death.

Cost of the people we rely on to consistently deliver exceptional client experiences and the cost of reskilling and upskilling our people to deal with a changing world of work.

Employees derive value from remuneration and other benefits received, including training that equips them with relevant skills.

Cost of our day-to-day operations, both internal and outsourced.

We hire locally wherever possible and, through our activities, sustain other jobs in local economies.

Cost of operating in the various jurisdictions in which we do business.

Governments earn revenues which support local development.

Charge for the capital made available to the group to enable it to operate.

Shareholders earn a return for their investment in the group, in the form of dividends, consistent dividend policy and capital appreciation.

Capital retained to leverage growth going forward.

Capital reinvested to support the future growth of the business, which benefits all stakeholders.

OUR STRATEGIC PROGRESS

We continue to improve the coverage, accuracy, depth and consistency of the metrics used to measure the outcomes associated with our strategic value drivers. These metrics enable us to measure our strategic progress against our defined targets.



CLIENT FOCUS



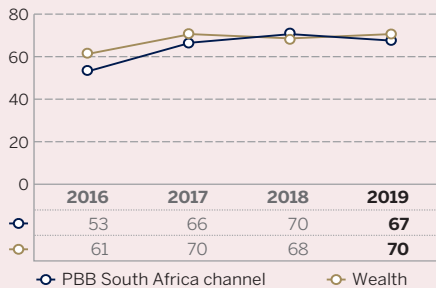
EMPLOYEE ENGAGEMENT



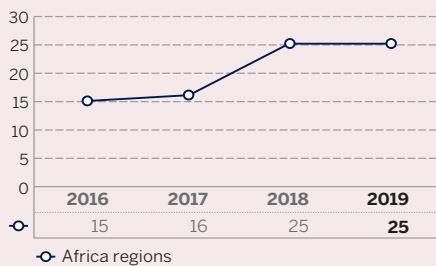
RISK AND CONDUCT

	Actual		Medium-term target	Progress
	2018	2019		
Net promoter score®				
PBB South Africa channel	70	67	Continually improve	✘
PBB Africa Regions	25	25	Continually improve	★
Wealth	68	70	Over 60	✓
Client satisfaction index				
CIB	8.0	8.1	Continually improve	✓

PBB SA and Wealth net promoter score



Africa Regions net promoter score



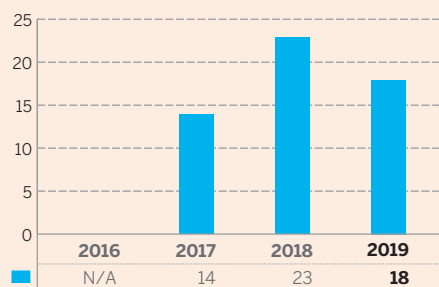
CIB client satisfaction index



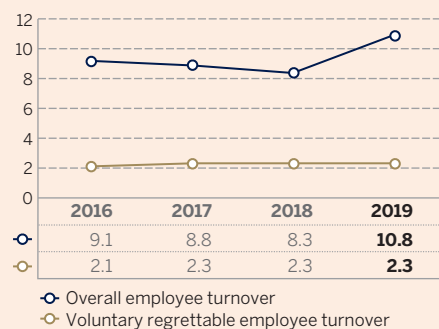
	Actual		Bench-marks	Progress
	2018	2019		
Employee net promoter score				
Standard Bank Group	+23	+18	+17 ¹	✓
Employee turnover (%)				
Overall employee turnover	8.3	10.8	14.4 ²	✓
Voluntary regrettable employee turnover	2.3	2.3	-	★
Gender equity (%)				
Women in executive positions	32.2	32.3	>40% by 2023	★

¹ Pure Survey for South African financial services: 2019.
² Gartner CEB Global benchmarks: 2018.

Employee net promoter score



Employee turnover %

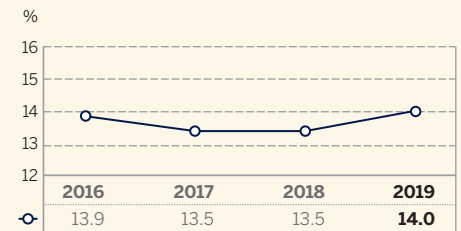


	Actual		Medium-term target	Progress
	2018	2019		
Risk (%)				
Common equity tier 1 ratio (CET1)	13.5	14.0	11.0% – 12.5%	✓
Total capital adequacy ratio	16.0	16.7		
Return on risk-weighted assets (RoRWA)	3.0	2.8		
Liquidity coverage ratio (LCR)	116.8	138.4	Minimum >100%	✓
Net stable funding ratio (NSFR)	118.6	119.5	Minimum >100%	✓

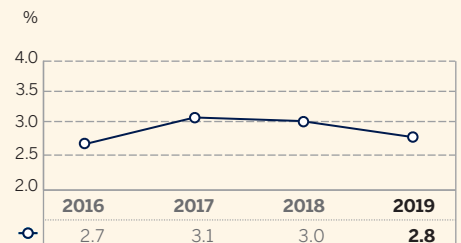
Conduct

We have formal measurements in place that are used for management information and decision-making purposes.

Common equity tier 1 ratio



Return on risk-weighted assets



Progress key:

✘ Not achieved ★ On track ✓ Achieved

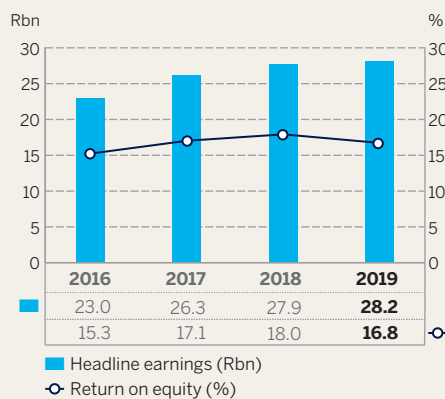


FINANCIAL OUTCOME

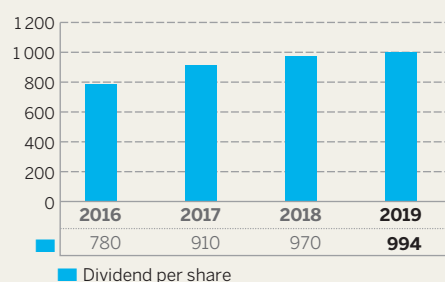
	Actual		Medium-term target	Progress
	2018	2019		
Headline earnings (Rbn)	27.9	28.2	Sustainable growth	★
ROE (%)	18.0	16.8	18% – 20%	✘
Dividend (cents per share)	970	994	Sustainable growth	✓
Cost-to-income ratio (%)	57.0	56.4	Approaching 50%	★
Jaws (basis points (bps))	(276)	113	Positive jaws	✓
Credit loss ratio (CLR) (bps)	56	68	70 – 100 bps ³	✓

³ Through-the-cycle CLR.

Headline earnings and ROE



Dividend (cents per share)



Progress key:

✘ Not achieved ★ On track ✓ Achieved



SEE IMPACT

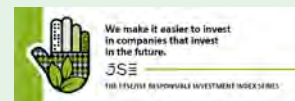
ESG indices

Our ability to create sustainable value is inextricably linked to the prosperity and wellbeing of our clients and the societies in which we operate. We track our performance on independent indices and will continue to develop meaningful additional metrics.

Member sustainability indices



Emerging Markets ESG Index



ESG rating



ESG RATING **AA**
last update: June 29, 2018

Principles for responsible banking



UNEP FINANCE INITIATIVE

Our SEE management approach is guided by our purpose, drivers that support Africa's growth, our core business and the needs of African societies. We are further guided by the UN SDGs, the African Union Agenda 2063 and the South African National Development Plan.

Our SEE impact areas



Financial inclusion



Job creation and enterprise growth



Infrastructure



Africa trade and investment



Climate change and sustainable finance



Education



Health

Relevant UN SDGs



OUR VALUE PROPOSITION

The successful execution of our strategy will deliver a robust business capable of creating sustainable value for all our stakeholders over the long term.

ALLOCATION OF OUR RESOURCES

We apply a formal decision-making framework to optimally deploy our resources.

Strategy

- Does the investment or opportunity align with our strategy?
- Does it create value for our clients and support our ability to deliver an integrated financial services offering?
- Does it drive Africa's growth?

YES

Capability

- Does the investment or opportunity fall within our risk appetite and available resources, and can we deliver it through our existing expertise, processes and digital platforms?

YES

Value

- Will the investment or opportunity provide us with an adequate return and/or unlock future opportunities to create value?

YES

The investment or opportunity is assessed taking into account trade-offs between our resources.

NO

NO

NO

NO

The investment or opportunity will either be ranked lower in priority, subject to trade-off decisions or will not be pursued.

Unrivalled, African-focused capability

Our on-the-ground capabilities across the 20 countries in which we operate in sub-Saharan Africa, links to international capital and funding pools and a unique partnership with ICBC.

Established franchise with a large, growing client base

Our franchise strength is underpinned by our strong brand, excellent people, a fit-for-purpose branch and ATM network and our modern digital platforms.

Diversified revenue streams

Our businesses and revenue streams are well-diversified across client, sector, product and geography, which provides protection in times of volatility.

Robust capital and liquidity position

Our strong and liquid balance sheet provides flexibility to manage uncertainty, change and growth.



Strong growth prospects

Our prospects for future growth are driven by regional economic fundamentals and increasing financial inclusion and penetration, and opportunities to increase our market shares, particularly in some of the large markets in which we operate where we have relatively small market shares.

Appetite to invest, deliver and partner

We have the resources and appetite to expand on our own and through partnerships and alliances.

Attractive medium-term financial targets

We remain committed to delivering on our medium-term financial targets of sustainable headline earnings growth and an ROE in our target range of 18% to 20%.

Purpose-driven organisation

We are committed to driving sustainable and inclusive growth across Africa.





DELIVERING OUR STRATEGY

Client focus	38
Employee engagement	52
Risk and conduct	62
Financial outcome	72
SEE impact	84



CLIENT FOCUS

Our clients are at the centre of everything we do. We strive to meet their individual needs by seamlessly delivering relevant and complete solutions using their preferred channel.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

We understand our clients and provide them with solutions to support their goals.

We serve our clients quickly, efficiently, reliably and respectfully.

We earn and keep our clients' trust.

How we measure our progress

To understand how satisfied our clients are with our service and to improve on areas of specific concern, internally facilitated client surveys, appropriate for each business line, are conducted throughout the year.



2019 KEY PRIORITIES

- Interact with our clients to deepen our understanding of their evolving needs and preferred ways of accessing our services, so we can deliver exceptional experiences.
- Offer clients access to relevant products across channels of their choice, taking into consideration the substantial adoption by many of our clients of digital platforms and channels.
- Improve the quality of our digital offerings by improving the stability of our platforms, increasing adoption.
- Leverage data and analytics to proactively deliver personalised offerings to our clients.
- Extend our direct offering capability into small businesses and middle market clients within South Africa.
- Mature our value chain (ecosystem) approach across all markets.
- Continue to review our distribution capabilities given the growing preference for digital transactional services, while also responding to client demand for digital services that extend beyond purely transactional services.
- Continue to offer redesigned physical channels to serve the needs of clients who prefer this means of access.

HOW WE PERFORMED

Net promoter score (NPS) for PBB and Wealth

NPS indicates the likelihood of a client recommending Standard Bank to their friends, family and others as a provider of products and services. It is calculated by subtracting detractors from promoters. This value can range from -100 (if every client is a detractor) to +100 (if every client is a promoter). Any score above zero means there are more promoters than detractors.

Client satisfaction index (CSI) for CIB

CSI is a measure of the extent to which our clients are satisfied with the service CIB provides. This is calculated using a ten-point rating scale.

PBB NPS

↓ 67

SOUTH AFRICA – CHANNEL

2018: 70 | 2017: 66 | 2016: 53 | 2015: 58

↔ 25

AFRICA REGIONS

2018: 25 | 2017: 16 | 2016: 15 | 2015: 30

Wealth NPS

↑ 70

OVERALL

2018: 68 | 2017: 70 | 2016: 61

CIB CSI

↑ 8.1

OVERALL

2018: 8.0 | 2017: 7.8 | 2016: 7.8 | 2015: 7.6

RECOGNITION FOR OUR ACHIEVEMENTS

We received a number of industry awards in recognition of our client-centric approach.

PBB

Global Finance Magazine 2019

- Safest Bank in Africa
- Best Bank in Africa
- Best Bank in Botswana, South Africa and Uganda

The Banker Tech Awards

- Best Payments Innovation – VirtualCard

EMEA Finance African Banking Awards

- Most Innovative Bank in Africa
- Best Bank in Botswana, Uganda and Zambia
- Best Foreign Bank in Ghana
- Best Local Bank in South Africa

Ombudsman for Banking Services Awards

- Overall Winner – Innovation in Dispute Resolution

The Banker

- Bank of the Year in Angola, Lesotho, South Africa, Zambia and Zimbabwe

CIB

Global Finance Magazine 2019

- Best Investment Bank in Africa, Angola and South Africa
- Best Trade Finance Provider in Angola, Kenya and South Africa
- Best FX Provider in Africa, Kenya, Nigeria and Uganda

Euromoney Awards for Excellence 2019

- Africa's Best Investment Bank
- Best Investment Bank in Angola, Malawi, South Africa and Zambia

EMEA Finance African Banking Awards 2019

- Best Investment Bank in Angola, Kenya, Mozambique, Namibia and Uganda
- Best Local Investment Bank in Ghana
- Best Foreign Investment Bank in Ghana and Nigeria
- Best Bond House in Ghana
- Best Debt House in Nigeria
- Best Equity House in Nigeria
- Best Loan House in Nigeria

EMEA Finance Best Treasury Service 2019

- Best Cash Management Services – Africa
- Best FX Services – Africa
- Best Trade Finance Services – Africa

The Banker Investment Banking Awards 2019

- Most Innovative Investment Bank for Equity Raising

The Banker Transaction Banking Awards 2019

- Best Transaction Bank in Africa

Wealth

Morningstar Awards 2019

- Melville Douglas awarded Best Global Equity Fund in South Africa

Euromoney Awards for Excellence 2019

- Africa's Best Bank for Wealth Management

International Investment Awards 2019

- Excellence in International Private Banking

Private Banker International

- Outstanding Global Private Bank – Africa
- Best Next Generation Offering

The Banker Global Private Banking Awards 2019

- Best Private Bank in Kenya and Nigeria
- Best Private Bank for Customer Service in Africa

Global Wealth & Society Awards 2019

- Best Private Bank in Wealth and Society – Nigeria
- Best Asset/Fund Management Company in Wealth and Society – Nigeria

Isle of Man Newspaper Awards for Excellence

- Company of the year

Global Finance Magazine 2019

- Best Private Bank in Africa



TRADE-OFFS

- 'Always on and always secure' services require greater investment in infrastructure, which leads to higher running costs.
- Innovative and secure digital development is critical to respond to changing client needs and demand for instant fulfilment, leading to reduced branch visits, reduction in traditional revenue streams and active prioritisation of IT spend.
- The fundamental review and development of new capabilities and skillsets, to deepen our understanding of our clients and serve their needs better, temporarily impacts the working environment and productivity of our people, and may affect client experience as the required changes are made.
- Introducing innovative products in response to client demand and competitor activity leads to improved client retention, albeit at the cost of traditionally higher yielding revenue streams.
- Branch reconfigurations and branch closures resulting from changing client behaviour, require headcount reductions that impact on staff morale, and temporarily escalate costs to accommodate a strategically aligned and more cost-effective outcome for the longer term.



OUR BUSINESS LINES DELIVER ON THE GROUP STRATEGY ACCORDING TO OUR THREE KEY FOCUS AREAS OF CLIENT CENTRICITY, DIGITISATION AND INTEGRATION.

PBB strategy

We are transforming our capabilities in banking and other financial services to ensure a singular focus on our clients: to deeply understand their needs and gain and keep their trust by partnering with them to fulfil their individual and business aspirations.

We enable clients to take control of all their financial needs, including transacting, saving, borrowing or planning by using our products, either through face-to-face interaction or digitally enabled, according to their preference.

Our fit-for-purpose presence in 15 countries across Africa, combined with our committed people and digital platforms, support the banking and other financial services needs of our large, diverse client base of individuals and SMEs in South Africa, Africa Regions and the Channel Islands.

Our purpose:

Changing lives and fulfilling aspirations across Africa.

Our vision:

To radically redefine client experiences by understanding and delivering what matters most to clients.

CIB strategy

We serve the banking, finance, trading, transactional, investment and advisory needs of a wide range of multinational companies, local and regional businesses, financial institutions, governments and parastatals.

We combine our market knowledge and stakeholder relationships, gained through our on-the-ground presence in 20 sub-Saharan countries, with a deep understanding of our clients' businesses and sectors to serve their growth strategies. Our footprint, networks and sector diversity enable us to respond

appropriately to changes in our operating context by allocating resources to opportunities that drive revenue growth, within the parameters of carefully considered risk-taking. This allows us to support the financial wellbeing of the businesses and institutions that drive real economic activity within and across Africa.

Our purpose:

We dream of Africa realising her potential.

Our vision:

We aspire to be the leading corporate and investment banking business in, for and across Africa, with a focus on sectors driving Africa's growth.

Wealth strategy

Wealth continues to transform the group's capabilities in insurance, investments and advisory capabilities into a value proposition that enhances our service offerings to our clients and drives additional share in our target markets.

We are trusted advisors to high net worth, retail, business and commercial, and corporate clients, leveraging the group's footprint in 15 sub-Saharan African countries, and with an international service offering facilitated through our offices in London, Jersey, Isle of Man and Mauritius.

We are well-entrenched in our markets, and are a leader in Africa, while our generational wealth offering is globally

recognised. Our markets outside South Africa now exceed 50% of our headline earnings, and we are scaling and further diversifying our operations to capitalise on significant growth opportunities across our African footprint.

Our strategy, purpose and story have been further refined with clear focus and accountabilities, and are clustered within the framework of **'Advise, Insure, Invest'**.

Our purpose:

Champion of Aspirations.

The strategic progress made by each business line and their priorities are reported in the pages that follow.

Zweli Manyathi
Chief executive, PBB



PERSONAL & BUSINESS BANKING

CHIEF EXECUTIVE'S REVIEW

“Despite difficult market conditions across many of our markets, we maintained our growth momentum in most asset categories and deposits, and improved our ROE. We continued to make strides in digitising services to ensure they are available to our clients 24/7/365, but more work must be done to deliver ‘always on and always secure’ client access to these services. We remain committed to deliver what matters most to our clients, our people and our other stakeholders.”

Our largest franchise, South Africa, was impacted by sustained economic weakness, subdued consumer spending and credit demand, low business confidence and intense competition, compounded by higher unemployment reducing the number of bankable clients. Ongoing load shedding is having a significant impact on our business, specifically on the confidence of our commercial clients to invest further in their businesses.

During 2019, we responded to changing client behaviour and the continued migration of transactions from branches to digital platforms and channels by reconfiguring our branch footprint, closing 90 branches and, through an enhanced voluntary severance package, reducing our related headcount by 1 001 people. As one would expect, this had a negative impact on morale, productivity and client experience. To ensure that the branch closures did not affect client access to the services they need, we first focused on digitising the residual ‘go to branch’ services and experienced a phenomenal uptake of these services by clients. I am happy to report that staff morale, productivity and client experience began to improve in the last quarter of 2019.

PBB South Africa also launched new products and online features in an increasingly agile manner. A good example of this was the launch of MyMo – an innovative, low cost, paperless account with access to mobile data, which we brought to market within a few weeks. We have seen a gradual uptake of both MyMo and in our mobile virtual network operator (MVNO) offering.

PBB Africa Regions experienced margin compression due to declining interest rates, regulatory interventions that restricted fee increases, as well as lethargic performances in some economies. Even with these challenges, PBB Africa Regions delivered an impressive 8% growth in client numbers and growth in headline earnings of 53%.

Significant effort in 2019 went into strengthening our client relationships, understanding our client value chains and growing our client base.

Digital adoption has been strong, with 99% of transaction volumes in South Africa and 92% in the Africa Regions made on our digital channels and platforms.

We continue to invest in our people. In South Africa, 4 225 employees are being retrained as universal bankers to broaden their skills so that they are better equipped to deal with the changing world brought about by the Fourth Industrial Revolution. These colleagues will graduate from the programme with a nationally recognised National Qualifications Framework level five (NQF5) qualification.

In Africa Regions, the number of branches increased marginally to 586 as we continued to expand our representation in growing markets and reposition or resize our footprint in others. Our headcount has decreased notwithstanding this marginal increase in branches, enabled by the progress we continue to make in digitising our processes and improving our technology.

PBB recorded strong asset growth driven by our digitisation of personal loans in both South Africa and Africa Regions, which saw strong client adoption. This increased loan self-origination by clients and higher loan disbursement to clients was executed within our risk appetite.

As anticipated, given the accounting impact of IFRS 9, the higher unsecured lending growth led to an increase in performing book impairments on the portfolio, while a more normalised impairment was seen in VAF. This was felt mainly in the South African franchise. In Africa Regions, the portfolio performed well despite the pressure in certain economies. There are a handful of exposures that we are concerned about, and we continue to manage our credit risk carefully, with a focus on rehabilitation and recoveries. Pleasingly, the CLR has

remained within our targeted range, despite the challenging economic environment.

We experienced multiple and costly regulatory interventions in a few of our Africa Regions markets and absorbed the financial impact. We expect regulators to continue to put pressure on banks to reduce the cost of banking to improve financial inclusion and will respond constructively to this important objective. We are working on several innovative solutions to proactively foster inclusion for both personal and business clients.

We continue to embrace FinTech partnerships to support innovative client solutions, with notable examples being:

- Founders Factory, where we are co-investing in start-ups and businesses that need capital to accelerate to the next growth stage, focusing on target businesses in the financial sector.
- Nomanini, enabling stock advances and working capital loans for traders in Africa Regions.
- One identity, to support digital know your customer (KYC) and client onboarding.
- 4Sure, a digital claim process for burst geysers (water boilers).
- Amazon Web Services, to enable data-driven personalisation, among other areas of collaboration.

The benefits to our clients of the extensive work we have done to align our organisational design, reshape our resources and shift our culture is discussed in more detail in the pages that follow. Looking ahead, we will continue to grow our client franchises within specific value chains, and I am confident that PBB will show resilience and improved performance in the coming years as we master the art of delivering what truly matters to our clients. We do, however, expect the economic environment to remain challenging across all our markets, particularly in a severe COVID-19 scenario.



PERFORMANCE AGAINST STRATEGY

PBB's strategy remains unchanged.



DELIVERING EXCEPTIONAL CLIENT EXPERIENCES

PBB continues to leverage its digital transformation to better understand our personal and business clients and respond quickly to their needs across the full spectrum of financial services. We continuously improve our use of technology, data and AI to meet our objective to deliver exceptional client experiences. We understand that our success depends on the success of our clients and we undertake to partner with them on their growth journeys.

We believe that digital adoption requires the human touch to succeed and have realigned our organisation and culture to enable our employees to improve client experiences. The traditional siloed approach is shifting to cross-functional teams that focus on agile delivery of client solutions. Client relationship teams are being empowered by business and IT processes to enable innovative, cost-effective and personalised digital services to our clients. These processes also support the servicing of clients within defined value chains (ecosystems), an approach that has become central to client acquisition, servicing and retention in Africa Regions and has subsequently been adopted in our South African franchise.

Enterprise Direct, a telephone-based relationship management channel manned by experienced bankers, which originated in Africa Regions to service SME clients, is now being made available to small enterprise and middle market

clients in South Africa, with positive responses from clients. Some of the key metrics that we track, like NPS, together with positive feedback from clients suggests that we are on the right track.

PBB South Africa's NPS score has recovered, following the impact of the branch reconfiguration to our clients and employees. In Africa Regions, NPS remained stable with an uplift among clients we serve within specific ecosystem value chains.

NPS

67 SOUTH AFRICA – CHANNEL

2018: 70 | 2017: 66 | 2016: 53

25 AFRICA REGIONS

2018: 25 | 2017: 16 | 2016: 15



LEVERAGING OUR DIGITAL PLATFORMS TO MEET OUR CLIENTS' NEEDS

We continue to develop digital capabilities and new platforms that give clients and employees access to new service solutions. Our core banking systems have enabled us to deliver these solutions quicker than we were able to in the past.

To facilitate the branch reconfiguration in South Africa, key branch activities were digitised, including electronic account payment limit changes, debit order reversals, real-time clearance, access to statements older than six months and pin view. In addition, several innovative new products were introduced during 2019.

The new **MyMo** account is a competitively priced account that enables digital account opening on mobile devices. Benefits include:

- Ease of origination with no physical documentation required.
- It takes a few minutes to open an account.
- Data and airtime offerings.
- Virtual cards functionality.

MyMo has more than 100 000 clients.

Standard Bank Mobile was launched in 2018. It has benefitted from the launch of MyMo and alternative origination channels.

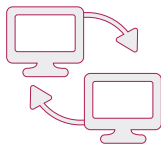
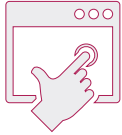
Our clients can now **purchase Apple and Huawei smartphones** on a 24-month finance arrangement for clients with Standard Bank credit cards. A convenient alternative to a contract with a mobile network operator, the offering provides the additional benefit of free voice and data to the value of the client's monthly banking fees.

10%
DISCOUNT ON
HANDSETS

1MB of data
for every R20 swipe

UCount rewards tiered points
up to 2GB of free data





We launched the **LookSee** tool which gives property buyers, sellers or homeowners access to free guides that help them make informed decisions when buying or selling property. We had 490 000 unique visitors to the site during the year.

SimplyBlu is an innovative all-in-one payment solution, launched together with one of our FinTech partners. SimplyBlu enables small businesses to start and manage an online business from a single secure platform.

BizFlex loans offer small businesses fast, paperless digital loan origination, with flexible repayments linked to revenue flows.

BizFlex	Repayments	Disbursement	Cost	Origination
Previous	Fixed	One week	Variable interest and additional fees	Documents required in branch
Current	Varying with revenue	Two hours	Fixed interest and no additional fees	Digital – paperless, available 24/7

In addition, our data on existing business clients enables us to approve and disburse business working capital loans of up to R6 million in three minutes. We have originated and disbursed working capital loans totalling R345 million to date.

The increased pace of digital adoption has been evident on the SBG mobile app where active users increased by 55% to 2 million and the value of transactions via online banking increased by 9.3% to R1.1 trillion. In addition, there has been significant appetite for our value-added services, including lotto and real-time payments.

A number of our existing products were enhanced to improve client experience, drive retention and attract new-to-bank clients.

Highlights

- **Instant personal loans and credit cards** are now available online for existing clients.
- **Tiered price home loans** where the interest rate decreases as clients pay off the loan. These loans now form 67% of new mortgage loans disbursed in our South African franchise.
- Our foreign exchange digital app, **Shyft**, was extended to non-Standard Bank clients and in 2019, there were over 28 000 downloads of the app and foreign currency exchange transactions amounting to R2.6 billion.
- **Instant Money**, our digital wallet and money transfer platform, increased transactional volumes by 18% to 27 million, with turnover of R20 billion.
- **Payment solutions** have been extended to include Samsung and Garmin Pay offerings.
- **Online origination** of personal lending and current accounts improved speed and convenience for clients, as follows:

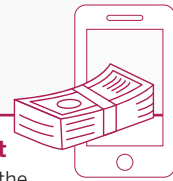
Online origination	Availability	Documents required	Disbursement
Previous	Branch hours	Proof of income	An hour to several days
Current	Digital 24/7	None for Standard Bank clients	Five minutes



In Africa Regions, our growing client base combined with strong adoption of mobile banking drove transaction volumes up by 18% to 371 million. Our market-leading digital solutions such as **MobyBanker, the remote onboarding, digital and paperless channel; SlydePay, our digital card/wallet; and instant unsecured lending (in some countries)** contributed to client and asset growth.

During the year, MobyBanker was enhanced with additional features. Clients no longer need to complete any forms during the onboarding process, while full KYC compliance is still ensured. This remote onboarding capability is live in five

countries and around 14 400 new clients have been onboarded since going live. MobyBanker provides a transactional card and account with full ATM transactability. Making banking easy and seamless for our clients, we expect this platform to perform well in future.



MobyCash – innovative digital cash management

Our market-leading MobyCash solution was recognised as the most innovative digital product in the cash management sector by Global Finance Magazine. MobyCash provides clients with secure and convenient on-location cash management, which brings the cash value chain to wherever the client is and removes the need to travel to a branch.



DELIVERING INTEGRATED SOLUTIONS TO OUR CLIENTS

PBB partners with CIB and Wealth to offer our clients integrated solutions across the financial services spectrum. Our strategy of banking clients across an entire value chain requires collaboration between our private and business bankers and continues to attract and retain quality new-to-bank retail clients.

Our relationship with ICBC has increased opportunities for our African clients. We engage closely with ICBC, Chinese and African government institutions, as well as relevant industry bodies to link African companies with Chinese importers. This has translated into the Africa China Export Proposition, launched at the China International Import Expo in November 2019, to assist African clients to sell their products in China. As a result of this intervention there are over 90 trade transactions currently underway involving the export of various items, including wine, nuts, chillies and popcorn from Africa to China.

Our Africa-China import solution, the Africa China Agent Proposition, has been launched in seven countries. This makes importing goods from China far easier for our clients.

LOOKING AHEAD

We will continue to improve and scale our digital platforms and empower our people to deliver exceptional client experiences, to support the acquisition and retention of clients in key segments across all our markets.

We are in a position to adapt to the evolving needs of our clients, to provide human experiences and convenient distribution models to reach our clients and partner with them in achieving their aspirations for individual and enterprise growth.

Our priorities include:

- Scalability and execution of ecosystem banking to deliver value chain solutions across the continent.
- Proactive client relationship and solution management to deliver what matters to the client.
- Active progression in delivering relationship connectivity and trade solutions for our Africa-China client base.
- Full digitisation of origination capability while maintaining the human touch.
- Embrace client digital migration by proactively providing relevant innovative digital payment and service capabilities.
- Modernisation of outdated financial systems to leverage cloud and new technological capability.
- Commitment to always on capability and resilience enhancement to ensure 24/7/365 access to services to our clients.
- Address the concerns of the users of the SBG mobile app to further improve adoption and use.
- Proactive footprint management in response to client behaviour and demands.
- Agile, flexible, cross-functional teams that are upskilled on a continuous basis to respond to the Fourth Industrial Revolution.



Kenny Fihla
Chief executive, CIB

CORPORATE & INVESTMENT BANKING

CHIEF EXECUTIVE'S REVIEW

"CIB delivered sustained performance in tough markets by consistently implementing our strategy. We focused on creating efficiencies that enabled a better response to our clients' needs, including the digitisation of selected processes, improved client interaction and providing solutions to clients across their industry value chains that benefit them, their customers, suppliers and employees."

CIB delivered respectable results despite subdued economic conditions in our key markets were exacerbated by global trade tensions and Brexit-related uncertainty. These conditions impacted our trading activities and Global Markets business, while currency-related headwinds and regulatory restrictions affected our Africa Regions operations. However, we managed to maintain our strong financial performance, with 5% growth in headline earnings and an ROE of 18.1%.

Our increased client focus contributed to 2% growth in revenue in South Africa and 8% in Africa Regions. This, combined with the diversification of our business by sector, geography and product offering, drove 5% growth in overall revenue to R39.1 billion, from R37.4 billion in 2018.

Our extensive market knowledge and strong client relationships ensured a nimble response to both market risk and opportunity. We shifted the allocation of resources to emerging revenue-generating opportunities according to our dynamic risk appetite, reflected in the landmark transactions we closed during the year.

CIB participated in funding large-scale infrastructure development projects that will support economic growth in our markets, underpinned by our relationships with development finance institutions that enable appropriate risk-sharing arrangements. In South Africa, we continued to contribute to economic growth and development by enabling broad-based black economic empowerment (B-BBEE) and black-owned companies to grow through equity, debt lending and acquisition finance.

Importantly, we supported our clients' adoption of environmentally and socially responsible technology in infrastructure projects, and worked proactively with our clients in the power sector to support the transition to a lower carbon economy. We assess and manage environmental and social risk at multiple points during transaction lifecycles, such as when we

take on new clients, assess pre-credit or credit applications and in developing new products and services.

A milestone in 2019 was setting up our sustainable finance team, responsible for partnering with our businesses to better serve our clients, drive innovation and capture emerging opportunities as the emphasis on inclusive and sustainable growth by investors, institutions and companies intensifies.

While we successfully addressed many client frustrations with digital solutions, our people and clients experienced some disruption of our online channels during the process of modernising our business. By accelerating the pace of online channel improvement and equipping our people to respond to the changing needs and expectations of our clients, we expect to realise the full benefits of system upgrades and increased digitisation during 2020 and beyond.

Our risk appetite is regularly reviewed and adjusted based on the insights of our in-country risk teams and the group risk management function. Our strategy of developing relationships with our clients and knowing the sectors and markets they operate in enables us not only to select quality clients and projects but also to avoid risk or anticipate it and respond proactively. We adjust our risk appetite indicators to reflect changes in our clients' businesses and operating environments.

Although our client risk is well managed in these challenging economic times, we experienced an increase in impairments of 52%. In South Africa, misstatements of financial statements remains an area of concern. This is a worrying trend and we will continue to spend appropriate time and effort in strengthening our KYC and other risk management processes, to proactively identify and manage such clients.

Our principle of doing the right business, the right way is pervasive from our compliance with regulations to our ethical conduct as individuals and as a business. As an African financial institution with a global presence, our operations are required to adopt global best practice in financial sector standards. Changing – and increasingly punitive – regulatory environments in our Africa Regions markets represent a risk for investors in Africa. Our in-country teams maintain relationships with the banking regulators and central banks in all our markets to ensure that we understand and can proactively manage increasing regulatory change.

While short-term economic risks, particularly from a severe COVID-19 scenario, will continue to weigh on our key markets across our network, we are confident that the medium- to long-term economic prognosis is more positive. Oil and gas opportunities in East Africa, and particularly natural gas discoveries in Mozambique, will prompt increased activity by corporate clients involved in the development and supply of services to the sector. In South Africa, we are encouraged by the government's economic reform agenda but we remain cautious in the short-term.

The following pages describe how we are responding to the group's strategic focus areas in an integrated way, focusing on those priorities that make the most difference in resolving our clients' frustrations and improving their experiences. Ongoing modernisation of our processes and accelerating the pace of digitisation to improve the experience of our people and thereby equipping them to continually and holistically improve the client experience, will continue to be key priorities in the coming year.



LANDMARK TRANSACTIONS DRIVING AFRICA'S GROWTH

In 2019, we completed several landmark transactions across our African markets, including expansionary funding for multinationals and large corporations to support growth in the oil and gas, power and infrastructure, real estate, consumer products, non-banking financial services and telecommunications sectors.

We are a material provider of foreign currency liquidity and risk management across our African footprint. We facilitated the raising of hard currency funding for African governments to alleviate currency shortages, including an oversubscribed Eurobond for Ghana.

CIB remains an integral participant in financing trade flows that strengthen regional and cross-continental trade links and facilitate trade and capital flows within Africa, and between China and Africa. In South Africa, we have the largest market share of the issuance of letters of credit.

NOTABLE TRANSACTIONS INCLUDED:

Republic of Ghana

We were joint mandated lead arranger, underwriter and lender on a USD500 million bridge loan for the Republic of Ghana. The loan was sought by Ghana prior to their oversubscribed USD3 billion Eurobond issuance for which we acted as joint lead manager.



This transaction highlights our commitment to driving Africa's growth by supporting African governments in raising hard currency funding.

Globeleq

We were sole mandated underwriter and arranger on a bridge loan and preference share structure for Globeleq Africa. The company was successful in bidding for the South African renewable energy portfolio of Brookfield Asset Management, with the ultimate acquisition comprising five renewable energy assets.



The deal supports the growth of South Africa's renewable energy capability and demonstrates our ability to finance such transactions across the entire capital structure.

Acorn Group

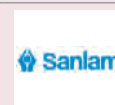
We acted as the lead arranger and placing agent on East Africa's first ever green bond, issued by Nairobi-based property developer Acorn Group. This five-year corporate bond has raised KES4.3 billion in project finance for six student accommodation properties that boast the International Finance Corporation's Excellence in Design for Greater Efficiencies (EDGE) green certification. The new student accommodation will help provide over 5 000 beds to students.



The success of the transaction demonstrates our commitment to embedding our SEE framework into our product offering.

Sanlam

We acted as sole advisor, third-party lender, external preference share subscriber, equity secured funder, bookrunner on delta hedge execution and JSE sponsor for Sanlam's transformative R8 billion B-BBEE transaction, which aimed to position Sanlam's South African operations for strong growth through enhanced economic empowerment credentials. We played a key role in explaining the merits and importance of the transaction to Sanlam's international investors to secure the requisite 75% shareholder approval. Thanks to a seamless collaboration across advisory, corporate broking, equity capital markets, debt and global markets, we were able to provide a fit-for-purpose solution that will enable Sanlam to meet its transformational objectives and create long-term value.



"Standard Bank's unique combination of local balance sheet, a wide African footprint, strong advisory capabilities and global reach, and most of all, a professional and passionate team with exceptional work ethic, allowed us to appoint them as sole advisor and funder," said Heinie Werth, Sanlam chief financial officer.

MetroFibre Networkx

We were the financial advisor on a capital raise deal between South African fibre infrastructure and internet services provider, MetroFibre Networkx and French investment company STOA Infra & Energy in which STOA acquired a significant minority equity investment (23.08%) in MetroFibre. We followed up the capital raise by lead arranging R1 billion of term funding for MetroFibre. The capital raised will enable infrastructure expansion that will increase access to fibre for South African businesses and households.



Standard Bank was instrumental in partnering MetroFibre Networkx with STOA. Our view of the broader global funding ecosystem enabled us to recognise the right investor being STOA and partner it with a fast-growing company being MetroFibre.

Legae Peresec

We acted as the sole financial advisor, structurer and financier on the acquisition of Peregrine Securities by Nkholi to form Legae Peresec, South Africa's largest securities trading business. Legae Peresec is 51% majority black-owned and managed and has over 30% black female ownership.



As a banking partner to Legae Peresec, we are mandated to manage the company's custody and clearing business as we continue to support its growth and development.

PERFORMANCE AGAINST STRATEGY

CIB's strategy was reviewed in 2019 and remains unchanged.



DELIVERING EXCEPTIONAL CLIENT EXPERIENCES

CIB's mature client relationship model is based on proactive client partnerships that enable our coverage teams to work alongside our corporate clients, providing relevant solutions across sectors, regions and products to support their growth ambitions.

Our client focus contributes to a strong and diversified franchise that impacts positively on diversification and growth in African economies. This contributed to an improvement in client satisfaction and was recognised by Euromoney's 2019 Excellence Award for Africa's Leading Investment Bank.

Client satisfaction on the rise

CIB's client satisfaction index increased to 8.1, up from 8.0 in 2018.

Contributing factors included:

- Overall improvements in the Investment Banking experience and streamlined credit process, with marginal improvements in Global Markets and TPS Africa Regions.
- Positive sentiment offset by continued online channel and foreign payment challenges (particularly in South Africa).
- More frequent, strategic engagement by relationship managers, strengthening client relationships.
- The highest CSI rating achieved in Ghana, Uganda and Botswana, with Ghana showing significant year-on-year improvements.

We continued to adjust our risk appetite to reflect changes in clients' operating environments and were selective in exposures to avoid concentration in certain sectors. Our top revenue earning sectors include financial services, consumer, power and infrastructure, and industrials.



LEVERAGING OUR DIGITAL PLATFORMS TO MEET OUR CLIENTS' NEEDS

Our strong client relationships help us understand, analyse and address areas of client frustration across the spectrum of their financial needs. As we become more digitised and integrated, we are better able to achieve the dual outcomes of addressing client frustrations and matching their financial services needs with secure, personalised, relevant experiences, and a full range of solutions, in real time, all the time. Our system modernisation and the digitisation of our processes enables us to provide more efficient client service than our competitors at lower cost, and helps our clients execute their strategies.

Many of our digital solutions are informed by feedback from our clients, either through their engagement with client relationship managers or our annual client satisfaction surveys. This ensures that we prioritise the things that matter most to our clients. Our client onboarding and lending solutions are an example of digital solutions informed by both client and employee feedback. In addition to receiving client feedback and recognising the strong correlation between client and employee frustrations, we also asked our people to identify their primary obstacles to good client service.

These included:

- inefficient duplication of information and effort, and
- fragmentation of client information across different platforms.

Solutions such as the automation and simplification of basic processes, decommissioning of legacy IT systems and migration of clients to more modern platforms, and the consolidation of client information on one screen, equip our people to provide more adequate and timely responses to clients. Digital capability frees our people to focus on more value-adding client services which, in turn, improves client experience.

Improving client experiences with digital technology

Challenges

Our clients told us that they wanted:

- seamless service on a single digital point of entry; and
- faster credit decisions on commercial loan applications.

Solutions

In response to client concerns, we developed a solution that uses contextually relevant information about clients to understand how they choose to interact with us and the services they need to meet their current and future financial services needs.

The following new digital innovations include the automation of basic processes to address client frustrations:

- **One place to land**, a single entry point to CIB's services on a digital portal, available from 2020. This portal will offer clients access to services across products and information relevant to them as individuals within their organisations.
- **African Market Tracker** addresses the challenge of sourcing reliable and accurate information on African markets by providing real-time, accurate data that clients require.

- **Digital Solutions Marketplace**, a data-driven marketplace which connects shoppers, shop-owners and suppliers to accelerate cash flows, and enhance brand performance. We use brand and point of sale (POS) data to unlock cash flow for both suppliers and shop-owners.
- **Digital client onboarding and account opening solutions** auto populate forms and enable corporate clients to open and activate accounts immediately, provided all client documentation is supplied.
- **New lending solution** reduces the time it takes to make credit decisions. By consolidating data and automating internal documentation needed for decision-making, we accelerate information flows without compromising the risk assessment process. This initiative will be scaled up early in 2020, resulting in further improvements in our lending process.
- Adoption of **disruptive technologies** such as data analytics, blockchain and robotic process automation is streamlining complex trade processing between multiple parties, while strengthening risk management.
- Partnering with **innovative FinTechs** to leverage disruptive technology enables African companies to leapfrog technology advances to improve operational efficiencies and client experiences.

Benefits

Client experience

Clients provide KYC documents once to be used across all products; one view of all facilities with the bank.

Foreign exchange online

Foreign exchange transactions and international payments within 24 hours of digital account opening.

Faster trade

Robotic process automation reduced turnaround time of trade guarantees by 80%.



DELIVERING INTEGRATED SOLUTIONS TO OUR CLIENTS

Our commitment to client centricity is significantly enhanced by the group's scale, scope and expertise which enables us to respond to the diverse needs of many of our clients more comprehensively than CIB could alone.

By integrating the group's offerings we are able to deliver complete solutions to our clients. For example, when a client awards CIB a transactional banking mandate – as part of our comprehensive financial services offerings – the payment collections, POS, credit card and cash management services are provided by PBB.

Similarly, we focus on providing solutions to our clients across their value chains (ecosystems) throughout the continent. An advantage of this integrated approach is that a sustainable anchor client whose risk is understood not only enhances the risk profile of the client but also helps identify additional opportunities

within this client's value chain. In Nigeria, Kenya and Uganda, we collaborate successfully with Wealth to offer investment and insurance services to our clients' shareholders and executives, while PBB attends to the business banking needs of many of our clients' customers, suppliers and service providers.

We continue to leverage our strategic cooperation agreement with ICBC. We have partnered on infrastructure projects in oil and gas, and power and infrastructure sectors across the African continent, with projects across West Africa, East Africa and South & Central Africa. Since 2016, we have jointly supported investment banking deals worth over USD3.6 billion.

LOOKING AHEAD

We will continue to provide services and solutions that help our clients achieve their strategic ambitions. As we continue to improve the client experience, we believe we are positioned to sustain the growth of our client franchises as we capitalise on opportunities across our

markets, underpinned by effective credit management and disciplined cost control.

Our priorities include:

- Digitising core client interaction processes, including client onboarding.
- Proactively developing solutions to resolve client challenges.
- Implementing a resilience programme for our top ten critical digital platforms to improve IT system stability.
- Accelerating API-enabled infrastructure and intelligent automation.
- Automating selected product transactions per country to beat competitor benchmarks.
- Rationalising the CIB footprint and capability offering to align with client demands.
- Leveraging cross-functional teams and capacity to deliver complete solutions to clients within their value chains.



Margaret Nienaber
Chief executive, Wealth

WEALTH

CHIEF EXECUTIVE'S REVIEW

“Client centricity is at the heart of our strategy. Wealth’s purpose is ‘Champion of Aspirations’ meaning that we, as the best in Wealth on the African continent, are here to champion the aspirations of both our clients and our employees. We continue to focus on nurturing a client engagement philosophy which has been deeply embedded in the business, with a focus on a culture of excellence, thoughtfulness and ‘before the sun sets’ service.”

Wealth delivered a pleasing set of results despite subdued economic growth and significant global events in our chosen markets. Our dollar-denominated international deposits delivered positive earnings through higher US dollar interest rates. The United Kingdom and Channel Island operations continued to experience Brexit-related currency volatility and market uncertainty. Political and economic instability and the consequent sovereign downgrades in South Africa affected our local and international investment operations, while unpredictable regulatory restrictions, particularly fee capping, weighed on our African operations.

Consistent implementation of our client engagement strategy and the ability of the business to work across silos and deliver a fully integrated offering to clients were rewarded with measurable improvements in client satisfaction and Wealth winning over 20 awards from established industry publications. We rigorously refined our Wealth purpose and positioning, launching a global positioning marketing campaign, #WealthsWithin, for Wealth and its offerings. Along with the deployment of innovative digital solutions, these strategic initiatives enabled us to capitalise on significant growth opportunities and extend our reach in most of our markets.

Our digital strategy is critically important in the delivery of a seamless and personalised service and product offering for all our clients. Our culture integrates a combination of human relationships and digitisation into our core operations to drive internal alignment and ‘before the sun sets service’. This allows us to better understand our clients, as well as to

refine and personalise both our offering to these clients and the channels through which they receive them. Our digital assets have been built with the client firmly at the centre of each design.

Our active promotion of a culture of savings and wealth preservation in all our markets led to the development of innovative new products and advisory processes that help clients save and invest more effectively for their long-term goals. In 2019, our clients invested more than R500 million in tax-free investment accounts and we offered financial education sessions to more than 11 200 staff members of our corporate clients and more than 1 000 Standard Bank employees through our Financial Fitness Academies.

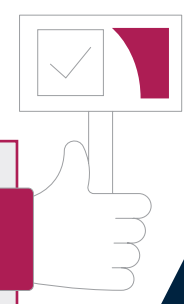
Behind every exceptional client experience is an engaged and motivated employee. Through understanding and addressing individual employee aspirations, we saw a pleasing increase in employee engagement measures. A highlight of the year was the launch of our Behavioural Science Academy, which reskills staff for the Fourth Industrial Revolution, with a strong focus on understanding client behaviour and needs.

We have instilled a conduct culture that empowers our people to do the right business, the right way. This is underpinned by our risk governance structures and conduct dashboards which are well-embedded in our businesses. On an ongoing basis, we assess the risks that our business is exposed to so that we effectively address and mitigate them.

Looking ahead, we expect tough economic conditions to persist, especially if a severe COVID-19 scenario materialises. Our strategy is clear and we are on track to achieve the strategic priorities we set, based on our robust financial performance last year and the solid strategic strides we have made.

Improving client satisfaction

Our strategic initiatives enabled us to improve our overall NPS to +70, up from +68 last year and ahead of our target of greater than +60.



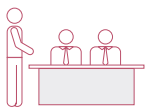


PERFORMANCE AGAINST STRATEGY

DELIVERING EXCEPTIONAL CLIENT EXPERIENCES

Wealth tailors personalised solutions for our clients' unique aspirations, whether these involve buying a funeral policy or protecting income in the event of a disability, saving for a child's education or embarking on a life-changing trip, protecting family or the lives of employees, diversifying assets internationally, or giving back to the community.

The solutions we offer have now been clustered within the framework of 'Advise, Insure, Invest'. These three core areas cover the following businesses:



Advisory services through Wealth and Investment and SBFC, including fiduciary services.

ADVISE

By combining a human touch with digital enablement, our client teams provide holistic, goal-based advice in a personalised manner regardless of how our clients choose to interact with us.

Digital solutions were central to the implementation of our strategy in 2019, with the successful launch of the My360 app and the renewal of Win Web. My360 was successfully launched to Standard Bank staff in South Africa and in a phased approach to Advisory clients. Win Web is the omni-channel digital platform for our international clients. Both of these platforms enable us to gather client insights that inform personalised advice on the most appropriate solutions for their needs and goals.

We hosted the inaugural Wealth and Investment Family Office conference during the year. The conference focused on providing integrated service offerings and advice on dealing with the complexities that high net worth individuals face in creating, preserving and transferring generational wealth.

The trusted relationships we build with our clients are contingent on how satisfied our people are at work. We know that when our employees feel engaged, empowered and equipped to deliver exceptional client experiences, they do just that. In 2019, we focused on instilling our purpose, Champion of Aspirations, among our employees, and on empowering them to fulfil our clients' aspirations. A campaign by Wealth leadership included:

- Providing the necessary business intelligence tools and client data in all our markets to strengthen client engagement and service.
- Understanding and addressing individual employee aspirations which, in turn, supports their focus on client aspirations.

The achievement of our purpose requires a unique level of understanding and expertise from our employees. In addition to instilling a high-performance culture, we apply the same goal-based approach to our employees as we do to our clients. We partner with them in the achievement of their personal financial goals and ambitions through our Financial Fitness Academies, which provide advice on financial planning and investments.



Short-term and long-term insurance manufacturing and distribution.

INSURE

A key focus in 2019 was to grow and diversify our long-term and short-term insurance offerings, which are conducted in collaboration with Liberty. A key development was the launch of our Flexible Funeral Plan, which compares well with competing offerings. We will continue to capitalise on growth opportunities in insurance in Africa Regions in 2020, with a particular focus on eight countries.

Our 'before the sun sets' client engagement philosophy, combined with thoughtfulness and

empathy in employee interactions with clients, is key to client retention. To maintain our growth momentum, we are also extending our reach beyond our traditional client base to attract new-to-bank clients. An effective means of achieving this is through alternative distribution channels.

Using emerging technologies, we are extending our proactive safety features that detect and mitigate claim events and provide clients with the ability to manage their electricity consumption and save money.



Discretionary (Melville Douglas), stockbroking and international deposits, pension fund administration (Nigeria) and funds (including alternative and passive investment funds).

INVEST

Despite a difficult environment, our boutique investment management company, Melville Douglas, continued to deliver exceptional client value. Our Global Funds performed in the top quartile and above benchmark in comparison to competitors, and our Domestic Funds in the second quartile and above benchmark. During the year, stockbroking was integrated into Melville Douglas to deliver a single advisory and discretionary service to our clients.

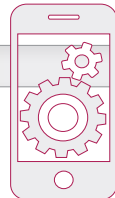
Furthermore, Wealth and Liberty continued to leverage the group's full capability to offer integrated multi-generational wealth creation and preservation solutions to our clients.

In response to the growing demand for passive or other alternative investment funds, Standard Bank collaborated with STANLIB to create Invest which is a simple, low-cost passive provider. Invest specialises in index-tracking unit trusts and exchange traded funds. It uses the group's existing funds, experience and expertise to provide clients with a comprehensive range of 28 index-tracking funds across multiple asset classes and geographies.



LEVERAGING OUR DIGITAL PLATFORMS TO MEET OUR CLIENTS' NEEDS

Our adoption of innovative technology and use of data analytics to understand and respond to our clients' needs and behaviours is encapsulated in our innovative new client service and insurance products.



Features of the app

- Scans driver's licences and vehicle licence disks.
- Digital quoting and policy issuance within eight minutes.
- Uber vouchers and other rewards for good driver behaviour.

We are making progress in robotic process automation, and launched the automation of insurance exception reports for our Credit Life product in 2019. We are also exploring using blockchain in our processes. Innovative new digital products and services which gained traction in 2019, are detailed below:



Empowering clients to make smart financial decisions: My360

Our **My360 app** gives clients a consolidated view of their net worth across more than 20 000 global financial institutions on a single easy-to-use dashboard. The app is part of the Standard Bank digital ecosystem, providing clients with easy access using their banking app sign-in.

The ability to instantly shift between onshore and offshore asset allocation with different financial institutions enables clients and their advisors to conveniently track the performance of their assets and liabilities daily, allowing for more informed decision-making.

Using telematics to reward good driving behaviour: Insurance app

Our new standalone cloud-based app for car and home insurance gives our digitally savvy and millennial client segments a flexible cost-effective solution. The app rates policyholders on their driving ability rather than generic underwriting factors.

Clients receive a premium discount if they pass a digital driving test built into the app's telematics capabilities (the first 300 kilometres and 25 trips are tracked). Our discount is guaranteed for 12 months and does not require clients to prove their driving ability monthly. If clients continue to use digital monitoring of their driving patterns, they receive additional rewards.

Let's talk: skipping the call centre with WhatsApp chat bots

We completed a proof of concept and launched chat bots that enable clients to buy funeral insurance and do other basic tasks using WhatsApp. The WhatsApp chat bots allow clients to use a platform they are familiar with to conduct simple transactions, ask questions without having to go through a call centre, and purchase and manage products.



DELIVERING INTEGRATED SOLUTIONS TO OUR CLIENTS

Wealth's integration with PBB, CIB and Liberty to facilitate comprehensive investment and insurance solutions for clients remains a key differentiator for our business and the group. We aim to seamlessly deliver an integrated group where our clients have access to and experience all our propositions relevant to their needs, in a digitally-enabled environment that supports quick decision-making and execution.

Wealth partners with PBB to offer international banking and lending services and generate advisory, insurance and investment solutions across client segments. Liberty provides short-term and long-term solutions in collaboration with Wealth, particularly in the Africa Regions.

During 2019, Wealth acquired Liberty's short-term insurance Centre of Excellence and STANLIB's operations in Ghana.

We made strong progress on the Liberty Collaboration Plan during the year, with a substantial shift in our working relationship to operate as one and win as a collective.

LOOKING AHEAD

The wealth management industry is facing transformational trends in business models, client preferences and technology. In Africa, we are seeing a significant increase in activity in the insurance industry. In South Africa specifically, there is a trend towards a more integrated financial services industry. The industry-wide focus is on client centricity, more efficient distribution channels and technology advancements.

Although we expect market conditions to remain difficult in 2020, we will continue to capitalise on opportunities to grow earnings by offering our clients an innovative value proposition, one that leverages the group's strength to position Wealth as the market leader, continually raise the bar on client experience and increase our market share.





EMPLOYEE ENGAGEMENT

How our people think and feel about their work correlates with how satisfied our clients are, and how successful we are in delivering our strategy and performance aspirations.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

We are considered a great place to work and our people feel deeply connected to our purpose, their colleagues and our clients.

Our people are empowered to, and are recognised for, delivering against our strategic priorities and being client-centric in everything that they do.

Our people make the most of every opportunity to embrace new ways of working and learn new skills to remain relevant and achieve their full potential.

Our people are encouraged to speak up and feel heard when they voice their views.

How we measure our progress

Our anchor measure of employee engagement is our eNPS – an indicator of how likely an employee is to recommend the Standard Bank Group as a good place to work. We measure eNPS annually across our global footprint, through a survey of our people's perspectives and opinions. We continue to work on improving employee engagement in all our countries of operation.

During 2019, we evaluated the relevance of the indicators and related metrics that we use to assess our progress. Our eNPS is supplemented by indicators that we believe provide additional insight. During the year, we also introduced new indicators to measure our progress in respect of our diversity and inclusion aspirations.

Indicators of banking employee engagement:

- **eNPS:** calculated by subtracting the percentage of survey detractors from the percentage of promoters. This value can range from -100 (if every employee is a detractor) to +100 (if every employee is a promoter). Although the eNPS score measures the distribution of promoters, insights gained from the responses of detractors and passives, employees who are satisfied but not necessarily enthusiastic, are also assessed for further action.
- **Employee turnover:** measures the percentage of employees who left our employ during the year.
- **Diversity and inclusion:** measures the representation of people from under-represented groups and also assesses their qualitative experience of the work environment through an in-depth analysis of the employee survey results.
 - **Gender equity:** measures the representation of women in senior management and executive positions across the group.
 - **Employment equity:** measures the representation of black people in all management levels in South Africa.

For more detail on Liberty's employee engagement measures, refer to their integrated report on their website.

HOW WE PERFORMED

eNPS

↓ +18

eNPS

2018: +23

Our 2019 eNPS was +18, which compares favourably with benchmark data. We consider this to be a good result in the context of the restructuring activities that took place during the year in our largest geography, South Africa, and were not surprised that our score declined from prior year (2018: +23). 74% of permanent employees across our global footprint participated in the 2019 survey (2018: 62%). We drive this participation seriously, as a strong participation rate results in a more credible and representative survey outcome.

Employee turnover

↑ 10.8%

OVERALL EMPLOYEE TURNOVER RATE

2018: 8.3%

↓ 4.8%

VOLUNTARY EMPLOYEE TURNOVER RATE

2018: 4.9%

↔ 2.3%

VOLUNTARY REGRETTABLE EMPLOYEE TURNOVER RATE

2018: 2.3%

↓ 3.8%

VOLUNTARY TURNOVER AT EXECUTIVE LEVEL

2018: 4.8%

Overall turnover increased to 10.8% (2018: 8.3%). The spike in turnover was due to the regrettable retrenchments from the closure of our branches in South Africa and the reconfiguration in our IT and Shared Services corporate functions. Voluntary employee turnover declined marginally year-on-year and our voluntary regrettable turnover remained stable at a low 2.3%. Our overall and voluntary turnover remain well below global financial industry benchmarks of 14.4% and 9.3% respectively (Source: Gartner CEB global benchmarks: 2018).

Diversity and inclusion

Gender equity: Representation of women (group)

↑ **32.3%**

EXECUTIVE POSITIONS

2018: 32.2% | TARGET: >40% by 2023

↑ **40.3%**

SENIOR MANAGEMENT

2018: 39.4%

We are continuously working to improve the representation of women in senior positions across the group. Women currently hold 32.3% of executive positions and 40.3% of senior management positions. When measured against the 2018 McKinsey Women in the Workplace Report, the group compares favourably in respect of the representation of women in both executive and senior management positions. This is the first year we are including gender equity as a metric.

Representation of black people (South Africa)

↑ **44.2%**

TOP MANAGEMENT

2018: 41.9%

↑ **49.1%**

SENIOR MANAGEMENT

2018: 46.3%

↑ **73.2%**

MIDDLE MANAGEMENT

2018: 71.3%

↑ **89.1%**

JUNIOR MANAGEMENT

2018: 88.3%

In South Africa, in line with our employment equity targets, we improved the representation of black people, and African people in particular, at all management levels. The representation of black people in the total South African workforce is 82.0%.

Our focus remains centred on the entire workplace ecosystem, driven by the personal needs and aspirations of existing and prospective employees, technological advancements and broader societal and economic trends. We expect our leaders to lead differently and ensure a compelling culture that enables all our people to shine. Experimenting with new ways of working and embracing continuous learning are a reality for all our people as they adapt to a constantly evolving and highly competitive world of work. A multi-generational workforce, coupled with shifting client expectations, accelerating digital transformation, predictive analytics and the introduction of robotics, AI and automation are impacting the future size, shape and capabilities of our workforce, prompting the reshaping of the employee experience in the group in a deliberate way.

Number of banking employees

↓ **44 996**

PERMANENT EMPLOYEES

2018: 47 419 | 2017: 48 322

↓ **3 618**

NON-PERMANENT EMPLOYEES

2018: 4 728 | 2017: 5 725

↓ **30 102**

SOUTH AFRICA

2018: 32 162 | 2017: 32 876

↓ **620**

INTERNATIONAL

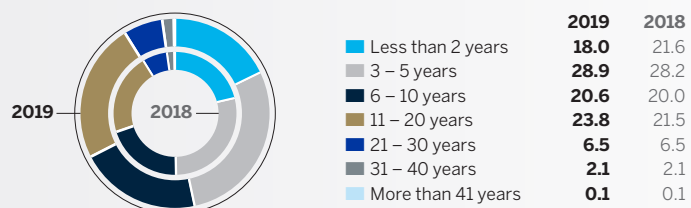
2018: 639 | 2017: 615

↓ **14 274**

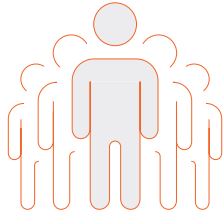
AFRICA REGIONS

2018: 14 618 | 2017: 14 831

Tenure breakdown (%)



BUSINESS LINE METRICS



NUMBER OF PERMANENT BANKING EMPLOYEES

↓ 44 996

2018: 47 419
2017: 48 322

↓ 23 327

PBB

2018: 24 857
2017: 25 526

↓ 3 555

CIB

2018: 3 751
2017: 3 807

↑ 2 714

WEALTH

2018: 2 642
2017: 2 637

↓ 15 400

CORPORATE FUNCTIONS

2018: 16 169
2017: 16 352



VOLUNTARY TURNOVER

↓ 4.8%

2018: 4.9%
2017: 5.5%

↓ 4.2%

PBB

2018: 4.3%
2017: 5.1%

↓ 5.7%

CIB

2018: 6.5%
2017: 7.4%

↓ 7.4%

WEALTH

2018: 7.8%
2017: 8.2%



eNPS

↓ +18

2018: +23
2017: +14

↓ +16

PBB

2018: +23
2017: +13

↓ +8

CIB

2018: +14
2017: +7

↑ +29

WEALTH

2018: +24
2017: +16

PERFORMANCE AGAINST STRATEGY

The human capital strategy supports the delivery of the group's three key focus areas with a clear focus on employee engagement. Our performance and reward practices are aligned to ensure that we recognise and reward the contribution of our people accordingly.



CLIENT CENTRICITY

Our people management practices are continually being aligned to ensure that our people are equipped with the right skills and knowledge to best serve the needs of our clients.



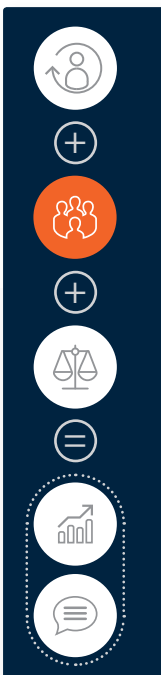
DIGITISATION

We are ensuring that our people have access to user-friendly digital solutions ranging from self-service capabilities to people management solutions enabled through integrated global systems. Initiatives are underway across the group to introduce digital tools that will improve workplace productivity and employee access to connectivity and collaboration mechanisms. Tailored skills development programmes ensure the future readiness of employees for new roles in line with the digital capability requirements.







INTEGRATION

To enable our people to deliver value to our clients in an integrated way, a range of culture programmes and operating model alignment initiatives have been introduced to support the required behavioural shifts and ensure that we have the right people and capabilities in place to achieve integration. We deploy new ways of working to ensure multi-disciplinary teams can respond to changing client requirements and business demands at speed.



The following key challenges are addressed by the five human capital priorities discussed in this section of our report.

A	Ensuring that we have the right people and capabilities to deliver value to our clients, particularly given that competition for highly specialised skills is intensifying.	
B	Leveraging diversity for commercial value and ensuring local market expertise and relevance.	
C	Enabling our people to be adaptive and to remain relevant in a rapidly evolving and increasingly digital environment.	
D	Creating an environment in which our people are fully engaged and committed to achieving our purpose – with employee engagement being a lead indicator of client satisfaction, it is incumbent on us to ensure a culture, working environment and value proposition that is compelling for our employees.	

1.

PROMOTE A MORE INTEGRATED AND PERSONALISED EMPLOYEE EXPERIENCE



2019 KEY PRIORITIES

- Deliver compelling employee experiences that resonate with our people and enable the group to thrive.
- Ensure that our employees are deeply connected with our purpose and place the client at the centre of everything they do.
- Listen to our employees and enable them to share their insights in real-time to help co-create a conducive work environment.



ENGAGEMENT INSIGHTS

In our annual employee engagement survey, eNPS ('I would recommend Standard Bank as a good place to work') was **+18** (2018: +23) and the emotional promoter score ('How I feel about working for Standard Bank') was **+48** (2018: +58). Notably, responses to all questions scored 70% or above, which is the benchmark measure on the survey to identify areas requiring focus and improvement.

Our three highest rated items were:

- 95% of employees have good relationships with their colleagues.
- 92% of employees understand their contribution to the broader Standard Bank Group purpose.
- 88% of employees are proud to be associated with the Standard Bank Group.

Overall, the area highlighted for improvement is to ensure that employees have opportunities to grow and advance their careers, where only 70% of employees responded positively.

Three new questions were introduced in 2019 to assess the opportunity for innovation, ability to shape work and wellbeing in managing work demands. All three had pleasing results, with scoring ranging from 75% to 80%.

Achieved in 2019

- Engaged with employees through multiple channels:
 - Annual employee engagement survey to benchmark key engagement drivers and inform business strategies and people plans. Online dashboards provided leaders with immediate access to their survey result.
 - Nine bespoke surveys based on business demand to obtain input from employees on strategic topics and to enhance design of people practices and tools.
- Our experimentation with employee journeys continued and we:
 - Piloted the induction journey.
 - Implemented the retirement journey in South Africa to assist prospective retirees with the transition into the next phase of their lives and possibly also their careers.
- Ensured hiring decisions are complemented by objective data linked to our identified capability areas by completing the roll out of an outsourced psychometric assessment capability. This has delivered an enhanced candidate and line manager experience.
- Provided wellbeing services to employees to help them manage their emotional, mental, physical and financial wellbeing and build resilience in a rapidly changing socioeconomic and operating environment.
- Introduced a highly competitive Personal Health Insurance benefit offering for all South African employees who become unable to work through illness or injury.
- Finalised a pay equity methodology that assesses the gender pay gap on an 'equal pay for work of equal value' basis. This will align us with global best practice and demonstrates our commitment to fair and equitable remuneration practices.
- Made significant progress on the development of our people promise to support the Standard Bank brand.
- Accomplished the alignment and cascading of performance goals linked to the group's value driver metrics across all business areas.
- Continued to align reward and recognition schemes with our key focus areas and value drivers.
- Continued to celebrate team and individual excellence through our Mark of Excellence recognition programme.

Future priorities

- Further evolve the design of critical employee journeys across different employee segments.
- Implement the new people promise and employer brand.
- Advance the involvement of our employees in the design of people-centric solutions.
- Continue to promote personal wellbeing.

OUR EMPLOYER BRAND

We received a number of industry awards in 2019 in recognition of our achievements.

Our people

- Sharon Taylor, the group Head of Human Capital, won the **Strategy & Leadership Award** and the **Diversity & Transformation Award** at the inaugural CHRO Awards in South Africa.
- Sue Tosh, the group Head of Compensation & Benefits, won the **SARA (South African Reward Association) President's Award**, recognising her outstanding contribution to the reward profession.
- Funke Amobi, the Human Capital Head of IBTC Nigeria, won the **All Africa Employee Engagement Professional of the Year Award**.

Our business

- Won **Best Culture of Learning Award** at the 2019 LinkedIn Talent Awards.
- Finalist for **LinkedIn Employer of Choice Award**, which we previously won in 2018.
- Won **Best Digital Campaign and Best Integrated Campaign** categories at the 2019 SAGEA (South African Graduate Employers Association Awards) and were once again the winner of the **Employer of Choice Award in Retail and Commercial Banking** in 2019.
- Stanbic Bank Uganda won the 2019 **Employer of the Year Award** organised by the Federation of Uganda Employers in conjunction with the International Labour Organization and Makerere University School of Psychology.
- Stanbic IBTC Nigeria won the 2019 Chartered Institute of Personnel Management's **Strategic HR Award and Diversity and Inclusion Award**.
- Stanbic IBTC Nigeria won the **All Africa Customer and Employee Experience Award** and the **Engagement Company of the Year Award** in the major corporate category.

2.

ACCELERATE THE DIGITISATION OF RELIABLE HUMAN CAPITAL SERVICES THAT ARE CONVENIENT FOR OUR PEOPLE

A C
Challenges addressed



2019 KEY PRIORITIES

- Provide access to advanced technology and tools that support the future world of work.
- Empower our employees and managers to conduct human capital transactional activities and processes through self-service functionality.
- Leverage employee insights and data to enhance decision-making, inform people plans and drive disruptive changes.

Achieved in 2019

- Used data and analytics to inform people strategies.
- Ongoing optimisation of manual processes to enhance the employee experience through a digital mechanism.
- Developed an integrated view of all employee data to enable holistic conversations and line management decision-making in respect of our people.
- Experimented with AI solutions to enhance hiring practices for high volume roles.
- Introduced robotics and intelligent automation to certain processes, delivering improved process efficiencies and employee experience.
- Upgraded our cloud-based Learning Management System, introducing enhanced functionality and supporting personalised learning anywhere, anytime and on any device.
- Piloted an innovative, cloud-based micro-learning platform to provide all employees with access to the resources they require to improve their current skills and build future skills. The solution uses behavioural and data science to continuously analyse employees' skillsets and automatically personalises development pathways for them based on their unique skills, roles and learning goals.
- Concluded the roll out of the MyBenefits platform. This app gives employees a real-time view of their total economic contract with the group. Available to employees in 19 countries, we have seen a positive impact on retention as our employees are better informed of the value of both their tangible and intangible benefits.

Future priorities

- Design and test solutions to enhance the digital workplace.
- Implement cloud-based people analytics and predictive insights capability to equip leaders and human capital practitioners with the right information about our people and specific employee segments, to enable informed forward-looking workforce decision-making.
- Review the technology landscape supporting core human capital lifecycle processes and implement enhanced technology to support the global compensation process.
- Roll out the micro-learning platform to provide a comprehensive view of our capabilities and enhance our competitiveness as an employer.



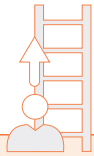
3.

ENABLE OUR PEOPLE TO GROW AND THRIVE BY OFFERING MEANINGFUL LEARNING AND CAREER EXPERIENCES



2019 KEY PRIORITIES

- Encourage a culture of continuous learning through access to 'relevant, anytime, anywhere' learning experiences.
- Implement learning solutions that develop the future skills and capability we need.
- Provide access to accredited and recognised learning, contributing to the future employability of our people.



SKILLS DEVELOPMENT INSIGHTS

The annual employee survey indicated that close to 80% of respondents are positive about their opportunities for development. Although the score for career growth is positive, it is our lowest scoring item and there is scope for improvement once we better understand the feedback of our people:

- 77% of employees believe they have opportunities for development.
- 70% have opportunities to grow and advance their careers.

Investment in learning and development remains a key priority given the transformation of the industry, the importance of responding to changing client requirements and the criticality of building skills for the future. Deeply embedded in our values and an indicator of employee engagement, we invested R878 million in the development of our people (2018: R931 million). The reduction in spend correlates with our decline in headcount over the period.

We experimented with a cloud-based learning platform to enable self-directed learning, focused on the development of emerging and future skills. This supplemented the introduction of bespoke skills development pathways to prepare our people to be future ready.

Bursaries totalling R42.4 million were provided to 1 794 employees across the group to support further formal study at an under-graduate and post-graduate level.



Challenges addressed

Achieved in 2019

- Delivered flexible digital learning solutions, supporting the growth of our employees in their current role and enabling them to learn new skills.
- Identified additional capabilities that will be in high demand in the future and implemented fit-for-purpose interventions to accelerate skills development in these areas.
- Extended a bespoke solution in which retired executives are able to contribute to the group by coaching talent.
- Designed and delivered a future-fit talent management approach that is globally scalable.
- Developed a groupwide strategy to ensure alignment and collaboration in the development of key future skills to reduce the duplication of effort and maximise investment.
- Developed and implemented a tailored coaching and mentoring toolkit that tracks the progress of people in coaching relationships.
- In an increasingly digital context, designed a framework for the development of 'meaningful conversation' skills for application both internally and with our clients.
- Piloted a Behavioural Science Academy in South Africa, the first of its kind.

Future priorities

- Continue to invest in innovative learning solutions to bring relevant learning to our people at the right time and place.
- Optimise the use of coaching and mentoring to assist employee growth and transition to new ways of working.
- Design and implement career management journeys that empower employees to take charge of their careers.
- Continue to focus on new emerging skills to ensure the organisation remains relevant and demonstrates the capabilities to win in the marketplace.

A	B
C	D

Challenges addressed

4

ENABLE BOLD AND INSPIRATIONAL LEADERSHIP AND A CONDUCTIVE CULTURE TO DELIVER THE GROUP'S ASPIRATIONS



2019 KEY PRIORITIES

- Clearly understand what leadership attributes and competencies are required in the future.
- Develop our leaders to be accountable role models and catalysts for change.
- Build a strong client-focused culture supported by clearly defined behaviours.
- Create an inclusive work environment and culture.
- Ensure consistent and fair employment practices that are aligned to regulatory requirements.



DEVELOPING LEADERS

- **167 of our top leaders** attended the Journey to Greatness programme in 2019 aimed at driving strategic alignment and developing behaviours articulated by our chosen leadership identity.
- **3 781 employees** representing all business areas and geographies participated in management and leadership development programmes.
- **1 634 women** attended customised development programmes across the group.

Beyond our contribution to our own workforce, in South Africa we adopted a new corporate social investment strategy focusing on early childhood development (ECD) and foundation phase education.

AIR page 92.

Achieved in 2019

- Completed a tailored leadership development solution for our top leaders. The Journey to Greatness programme supported key outcomes directly linked to the achievement of our strategic priorities. This included delegates from different businesses across Africa, the corporate functions and the business lines working together during the sessions to solve for organisation-wide challenges.
- Incorporated the Leadership Identity successfully in all groupwide management and leadership programmes. It has also been applied in all culture journeys to ensure that it is widely adopted as our aspirational behaviour shift charter across the group.
- Designed, developed and implemented a range of bespoke leadership and talent development programmes.
- Informed our culture journeys using critical building blocks that included a deep dive review of our employee comments in the annual engagement survey, as well as a crisp articulation of the business problem that needs to be solved through a meaningful shift in mindset and behaviour. The majority of business lines and countries have been engaged on this methodology.
- Continued to drive an active and collaborative relationship between the enterprise business agility teams in IT, and the human capital leadership and culture teams, creating an integrated approach in the implementation of agile ways of working.
- Approved the revised corporate social investment strategy for South Africa.
- Progressed the development of a diversity and inclusion framework for Africa Regions, with the aim that each country will develop their own diversity and inclusion plan in time.
- Enhanced our processes for dealing with sexual harassment, harassment and unfair discrimination in South Africa by including an option for referral to an external, expert Ombudspanel.
- The group is committed to maintaining and developing fair employment practices in all the countries in which it operates. Line managers, human capital business partners and employee relations specialists across Africa Regions were trained to effectively manage misconduct and poor performance, as well as being trained to support the group's digitisation journey through the adoption of a cloud-based employee relations management capability. The potential disruption and employee insecurity caused by organisational restructuring in key markets in Africa Regions were effectively and seamlessly managed with minimal impact to the group and our employees. In our largest market, South Africa, ongoing restructuring to support changing commercial requirements was the topic of joint problem-solving with our representative union, SASBO (the South African Society of Bank Officials). Wage negotiations were settled amicably in all unionised markets.

Future priorities

- Focus on creating a leadership effectiveness framework that harnesses all the lead indicators that impact and enable great leadership practices in the group.
- A second wave of leaders will complete the Journey to Greatness development programme, resulting in a critical mass of leaders being exposed to, and practicing the aspirational leadership shifts required to support and implement our strategic priorities.
- Support the various business lines and countries in identifying the various practices that enhance and enable employee engagement, which directly relates to psychological safety and discretionary effort required to achieve the transformational shifts in mindset and organisational culture.
- Continue to evolve the various management and leadership journeys in the organisation beyond the development programme offerings to include immersions, experiences and practical work exposure, to accelerate the growth of our leaders.
- Enhance data analytics to identify trends and risks that will assist in proactively managing employee relations.
- Continue to promote and build constructive and value-adding relationships with our representative unions.
- Empower human capital teams and line managers to effectively manage employee relations through targeted training initiatives.



5.

ENSURING A FUTURE-FIT ORGANISATION AND WORKFORCE IN LINE WITH THE GROUP STRATEGY



2019 KEY PRIORITIES

- Accelerate the development of a diverse talent pipeline.
- Deepen the local leadership pipeline across operations to drive a deep understanding of local markets and client needs.
- Provide opportunities for young people to grow and thrive, and to build a strong talent pipeline for the future.
- Ensure an organisational design that enables us to compete and win in our local markets.



INVESTING IN YOUNG TALENT

Initiatives to develop our young talent pools to ensure diverse and skilled talent pipelines include:

- **Graduate programmes:** 183 graduates joined the group this year on our various programmes and attended our Future Movers Summit. 155 of these graduates were placed in the South African business, with a strong focus on data science and quantitative skills. 61% of our South African graduates are women and 92% are black. 28 graduates joined us across Lesotho, Namibia, Nigeria and Mozambique.
- **Learnerships and internships in South Africa:** In 2019, we enrolled 709 unemployed people in learnership programmes to build new and emerging skills in the group. Our focus expanded to include data science, robotics, behavioural economics and cloud computing.
- **YES initiative in South Africa:** In support of the President's Youth Employment Service initiative, 56 interns and 171 learners registered in 2019.
- **Reverse mentoring programme:** 51 talented, young 'digitally savvy' employees have been paired with board members across our global footprint in a unique reverse mentoring programme.

A	B
C	D

Challenges addressed

Achieved in 2019

- Made steady progress in building depth in our local talent pools.
- Improved our coverage ratio for key positions from 66% to 77% through deliberate focus on cross-functional succession planning.
- Enabled our people to take on new career opportunities within the group through internal transfers and promotions.
- Facilitated international assignments and secondments to expose executives and individuals to specialised skills and new markets.
- Maintained our focus on progressing women into senior roles through bespoke development interventions, with a particular focus on our Africa Regions business.
- Delivered talent development initiatives across business lines and corporate functions.
- Introduced an enhanced framework to standardise assessments for employee segments, to enable informed talent acquisition and talent development practices.
- Continued to invest in young talent through student bursaries, scholarships and workplace experience opportunities delivered through our learnership, internship and graduate programmes.
- Increased the depth of succession pipelines, aligned to the group's core capabilities which has informed appointments into key leadership roles. The group talent philosophy and framework was reviewed to ensure that it remains fit-for-purpose and is aligned with future skills and capability requirements.
- Completed a range of talent development initiatives. For example, the Africa Regions Chief Executive Successor and Female Development Programmes have been officially launched and a structured assessment process is underway to inform bespoke development plans for each of the identified successors.
- Completed the conceptual design of operating models for all business areas, in line with our group operating principles.
- Drove various initiatives to review operating models, structure and capability requirements across a number of our business lines and countries, to respond to changing client and business requirements.
- Piloted strategic workforce planning in three sites.
- Implemented a unique reverse mentoring programme to support board members' oversight of our digitisation progress.

Future priorities

- Ensuring succession depth at senior executive level and in highly specialised roles.
- Accelerating transformation at executive and senior management levels to better reflect the communities in which we operate.
- Design of a future-fit career and succession strategy that can be scaled globally and deployed consistently across the group.
- Implement a groupwide approach to strategic workforce planning to ensure future-fit planning and pipelining of skills.



SUPPORTING CAREER MOBILITY

- **Career mobility:** 60.4% of our vacancies in 2019 were filled through internal promotions and transfers.
- **Flagship employee exchange programme with ICBC:** Since inception, 43 assignees have participated in short-term assignments which build the skills of local talent and facilitate a stronger Africa-China relationship through the exchange of knowledge, ideas and skills. In 2019, six Standard Bank employees commenced assignments in China and two ICBC employees participated in multiple assignments with Standard Bank. It is envisaged that several more assignees from Standard Bank will participate in the programme in 2020, focusing on scarce skills and business development.
- **International assignees:** In support of our mobility strategy, 120 assignees are currently posted to various countries in our business.

GENDER EQUITY

Sim Tshabalala, our group chief executive, is a Thematic Champion of the UN Women HeForShe initiative, a global campaign for the advancement of gender equity. HeForShe is rooted in the understanding that gender equality will only be achieved with the involvement of men. The movement invites all people to stand together to create a gender equal world. It recognises that fairness is not about treating everyone the same, but about treating people in a way that enables them to achieve their full potential.

In line with the HeForShe ethos, we aim to create an inclusive culture, and to engage men and women to interrogate and address the systemic and societal constraints that many women face. This includes:

- Making it easier for all employees, men and women, to manage the demands of work and home life.
- Making it easier for women to integrate back into their positions after maternity leave.
- Offering opportunities for employees to take sabbaticals and extended leave periods when certain conditions are met.

A number of initiatives have been implemented to support the HeForShe movement. These included Critical Conversations and debates about various aspects of gender equity, Barbershop sessions to deliberately engage men in the conversation and ongoing focus on leadership development programmes for women.

Accelerating the representation of women in senior management and executive positions is a diversity imperative across the group. We have included gender equity measures in our employee engagement metrics for the first time this year and continue to make progress against the following targets as part of our HeForShe commitment:



33% by 2021

WOMEN ON THE GROUP BOARD

Achieved in 2019



40% by 2023

WOMEN IN EXECUTIVE POSITIONS ACROSS THE GROUP

40% by 2021

WOMEN IN EXECUTIVE POSITIONS IN SOUTH AFRICA

20% by 2021

WOMEN CHIEF EXECUTIVES IN AFRICA REGIONS





RISK AND CONDUCT

Effective management of risks and our personal, market and societal conduct that reflect the highest standards of ethical and responsible business practice, is how we earn the trust that our stakeholders place in us. Our licence to operate is based on this trust, making compliance with all applicable laws and regulations non-negotiable.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

Doing the right business, the right way, without exception.

Contributing to safe financial systems in the markets in which we operate.

Resolute compliance with laws and regulations.

Safeguarding our reputation and protecting it from harm.

RISK

How we manage it

Our risk management systems are robust with a well-developed risk management framework governed by mandated board and management committees with the relevant expertise.

Our risk measures seek to balance regulatory requirements and shareholder expectations for risk-adjusted returns. We carefully manage our capital, liquidity and funding levels to support business growth, maintain depositor and creditor confidence, and create value for our shareholders and other stakeholders. The risks we take are measured and monitored against the risk appetite set at group level, and risk limits set at legal entity and business line levels on a monthly basis and includes more detailed portfolio limits.

HOW WE PERFORMED

Proactive management of our risk environment ensured that our mitigation strategies were mostly effective, including our exposures in all sectors. There were no breaches of our approved risk appetite and the group remains sufficiently capitalised.

↑ 14.0%

CET 1

2018: 13.5%
TARGET: 11.0% – 12.5%

↑ 16.7%

TOTAL CAPITAL
ADEQUACY RATIO

2018: 16.0%

↑ 138.4%

LCR

2018: 116.8%
TARGET: >100%

Liquidity coverage ratio measures our ability to manage a sustained outflow of client funds in an acute stress event over a 30-day period.

↑ 119.5%

NSFR

2018: 118.6%
TARGET: >100%

↓ 2.8%

RoRWA

2018: 3.0%

Return on risk-weighted assets measures the return we generate based on our average RWA, our earnings relative to regulatory capital utilisation.

Net stable funding ratio is the amount of available stable funding relative to the amount of required stable funding in accordance with Basel III.

CONDUCT

How we manage it

We manage conduct risk in accordance with our conduct governance framework and are guided by our values and code of ethics.

We monitor our conduct and culture through a combination of leading and lagging conduct risk indicators. Where deficiencies are identified, we take immediate remedial action. Non-compliance is met with disciplinary processes and appropriate action. Each business line and corporate function is responsible for monitoring of conduct risk relevant to its business activities, and for escalating material concerns to the relevant risk governance committees.

HOW WE PERFORMED

All business lines and corporate functions submit quarterly conduct and governance dashboards to the group executive committee, providing a barometer of the prevailing ethical climate. The dashboards, together with other mechanisms, enable us to monitor and report regularly on conduct risk using predictive and retrospective analysis.

Our indicators

- Effectiveness of recruitment processes and employee resourcing.
- Integration of new employees during onboarding and induction.
- Transparency and effectiveness of our whistleblowing processes.
- Adherence to compliance training requirements.
- Employee personal conduct.
- Effectiveness of new client product sales.
- Client satisfaction.
- Effectiveness of money laundering prevention practices.
- Information security processes.



2019 KEY PRIORITIES

- Allocate resources to growth opportunities in key sectors within risk appetite.
- Continue to digitally transform risk management processes through leveraging data, simplifying processes, automating workflows and using advanced analytics in decision-making.
- Implement a risk digitisation architecture that enables appropriate risk decision rights to empower our people.
- Proactive management of regulatory risks and emerging threats.
- Enhance scenario planning to respond to changes in our operating environment.
- Continue to embed the conduct risk framework and enhance conduct risk reporting measures and indicators.
- Implement our third-party risk management enhancements.
- Increase emphasis on the protection of information throughout its lifecycle.



TRADE-OFFS

- In managing our exposures responsibly in line with macroeconomic and socio-political realities, it is sometimes necessary to tighten our risk appetite in lending to vulnerable sectors and clients. This reduces the potential for losses but also inhibits client growth and revenue generation.
- We manage the natural tension between client convenience and the speed at which we can fulfil their needs, and the parameters of our mature and continually evolving regulatory, supervisory and control environment.
- The rising cost of compliance, including the training of our people and adapting business systems to comply with new and emerging legislation, is a necessary condition of ensuring we maintain the reputational benefit of being a trusted organisation.
- Globally, investors and regulators require increased transparency on how businesses are managing non-financial risks, particularly those related to climate change. Our size and footprint places us under constant regulator and other external stakeholder scrutiny. It is, therefore, imperative that we are able to demonstrate that our business activities create measurable value for all our stakeholders in a socially and environmentally responsible manner.

Risk reflections

The group operates in a constantly changing environment where a complex and inter-related spectrum of existing risks and emerging threats and opportunities influence our business activities and shape our future sustainability.

During 2019, we navigated external risks like the economic growth slowdown and dislocation in global trade associated with the trade tensions between China and the US; shifting competitive forces as technology companies seek to disintermediate the value proposition of traditional banks; the impact of changing weather patterns on insurance claims and risk modelling; increasing regulatory pressure, which included treating customers fairly and caps on rates and fees; and, the rise of investor and societal activism and expectations for business to manage environmental and social risks. Inside the group, we continued to closely manage conduct risk and the risks associated with digitisation, including cyber risks and privacy concerns.

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Prevalent risks and emerging threats in our operating environment are articulated in the group risk management framework and are managed and monitored as part of day-to-day processes.

RCM Read more about our risk management framework [online](#).

Our executives, senior management and compliance teams work together to reinforce a compliance culture across the group. Our combined assurance model includes audit, compliance, risk and business management teams, who collaborate to ensure a coordinated approach to providing assurance on whether top risks are being effectively managed throughout the group.

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We benchmark best compliance risk management practices and continuously mature our compliance function to remain abreast of international standards in compliance management and apply enhanced analytics to ensure that these support the delivery of the group's strategic priorities.

MANAGING OUR RISK

We take a holistic, forward-looking view of the risks we face, assessing both the prevalent and emerging threats in our operating environment. Our well-developed framework supports a consistent approach to risk and capital management throughout the group.

GROUP STRATEGY

Organisational design

Risks are identified across the whole enterprise, including all business units, corporate functions and legal entities.

Risk management approach

Our risk management approach ensures consistent and effective management of risk within our board-approved risk appetite and provides for appropriate accountability and oversight.

RISK GOVERNANCE

DOCUMENTS, comprising governance frameworks, standards and policies

Our governance of risk is underpinned by a strong control environment and is defined in our risk governance and management standards and policies.

REPORTING AND COMMITTEE STRUCTURES

Our governance structure enables oversight and accountability through appropriately mandated board and management committees.

RISK UNIVERSE

Our risk universe represents the risks that are fundamental to our business. We regularly scan our operating environment for changes to ensure that it remains relevant.

STRATEGIC RISKS

Business risks

The risk of unexpected earnings variability, as a result of strategic choices and failed strategy execution. This excludes the effects of market risk, credit risk, structural interest rate risk and operational risk.

Reputation risk

The risk of potential or actual damage to our image which may impair the profitability and/or sustainability of our business.

FINANCIAL RISKS

Credit risk

The risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk and represents the largest source of risk to which banking entities in the group are exposed.

Market risk

The risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

Liquidity and funding risk

The risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Country risk

Also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and our branches and subsidiaries in a country) will be able to fulfil obligations due to the group given political or economic conditions in the host country.

Insurance risk

The risk that actual future underwriting, policyholder behaviour and expense experience will differ from that assumed in measuring policyholder contract values and in pricing products. Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts.

NON-FINANCIAL RISKS

Other non-financial risks

Financial accounting risk

Losses arising due to inadequate management and oversight of internal financial accounting processes.

Physical assets risk

The risk of damage to the organisation's physical assets, client assets, or public assets for which the organisation is liable, and (criminal) injury to the organisation's employees or affiliates.

Model risk

Incorrect or inappropriate use of a model and fundamental errors in models that may produce inaccurate outputs that are not aligned to design objectives and intended business uses.

Environmental and social risk

The direct and indirect impact on the environment and society caused by the group that might prevent the group from achieving its strategic objectives.

People risk

The challenge or failure to attract and retain skilled, committed people and the inability to enable people to grow and remain relevant in a rapidly evolving workplace.

Tax risk

Any event, action or inaction in tax strategy, systems, people, operations, financial reporting, compliance or external events including events that may result in an uncertain tax treatment, which either adversely affects the group's tax or business objectives or results in an unanticipated or unacceptable level of monetary, financial statement or reputational exposure.

Legal risk

The potential adverse consequences arising from non-compliance with legal or statutory responsibilities and/or legal rights not being binding or enforceable.



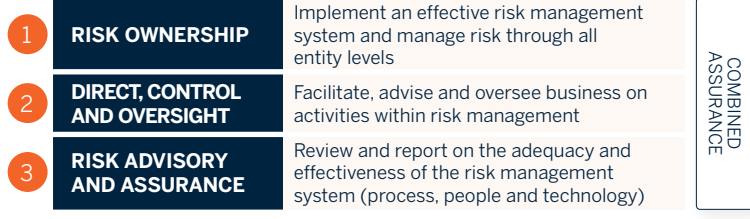
RISK LIFE CYCLE

Our risk universe is managed through the risk lifecycle. Our risk measurement process includes rigorous quantification of risks under normal and stressed conditions, up to and including recovery and resolution.



THREE LINES OF DEFENCE

We leverage the lines of defence to maintain a strong and resilient risk culture.



- 1 **RISK OWNERSHIP** Implement an effective risk management system and manage risk through all entity levels
- 2 **DIRECT, CONTROL AND OVERSIGHT** Facilitate, advise and oversee business on activities within risk management
- 3 **RISK ADVISORY AND ASSURANCE** Review and report on the adequacy and effectiveness of the risk management system (process, people and technology)

COMBINED ASSURANCE

Risk culture Doing the right business, the right way

NON-FINANCIAL RISKS continued

Top risks

We continually assess and annually identify the top risks that require focused management due to their potential to have a material impact on our strategy.

Prevalent top risks

Cyber risk

The potential destruction, unauthorised or erroneous use of information systems that could result in service disruption, reputation damage and significant financial loss.

Information risk

The accidental or intentional unauthorised use, access, modification, disclosure, dissemination or destruction of information resources, which would compromise the confidentiality, integrity and availability. This may result in service disruption, reputational damage and financial loss.

Technology risk

The inability to manage, develop and maintain secure, agile technology capability that enables the group to operate efficiently and achieve strategic objectives.

Business disruption risk

Losses arising from critical system failures and/or business process failures impacting services provided by us to our stakeholders.

Third-party risk

Ineffective management of third-party relationships and the operational, compliance, reputation, strategic and credit risks inherent in the services and products they provide to the group.

Financial crime risk

The risk of economic loss, reputational damage and regulatory sanctions arising from any type of financial crime against the group. Financial crime includes fraud, theft, money-laundering, bribery, corruption, tax evasion, terrorist financing and sanctions.

Compliance risk

The potential legal or regulatory sanction, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct, internal policies and standards of good practice applicable to its financial services activities.

Emerging top risks

- Increasing exposure to environmental threats, including carbon emissions, climate change and stranded assets.
- Increased scrutiny on conduct to ensure fair client practices.
- Expanding use of non-traditional models, including those that affect conduct.

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TOP RISKS

CYBER RISK



Potential impacts

- Reputation damage or financial loss from compromised client information.
- Disruption of services impacts client experience and ability to conduct transactions effectively.

Drivers

- Evolution of cyber criminals and their sophisticated use of technology increases cyber risk.
- A multi-channel digital experience requires ongoing technological enhancements to remain relevant, up-to-date and safe from cyber-attacks.
- Increased number of devices connected to the network increases security risks.

Mitigants

- Monitoring platform health and network anomaly detection.
- Ongoing awareness and training, particularly for high-risk users.
- Ongoing simplification of IT landscape and move to cloud computing.
- Intelligence-led cyber strategies with a risk approach based on learning from attack trends and incidents.

TECHNOLOGY RISK



Potential impacts

- Reputation impact of transactions not being processed appropriately or timeously.
- Outages may negatively impact client ability to transact timeously and result in unreliable communication.

Drivers

- Complex and aging legacy infrastructure can be prone to failure.
- Shifting consumer technology preferences are increasing the demand for 24/7 services, increasing the pressure to be relevant.

Mitigants

- Simplify IT architecture and reduce reliance on legacy technology.
- Accelerate migration of data to the cloud to drive digital transformation, enhance security and improve system stability.

INFORMATION RISK



Potential impacts

- Reputation damage or financial loss from compromised client information.
- Unlawful use of client data could reduce future trust.
- Increased controls to mitigate information risk may negatively impact on client experience.
- System outages or disruption of services due to compromised information.

Drivers

- Securing the growing amount of available information from being accessed by unauthorised users.
- Increased reliance on third-parties, like cloud service providers, who have access to information.
- Upcoming regulations in different jurisdictions relating to privacy and the use of client information.

Mitigants

- Improve access management controls.
- Continuously improve user authentication methods.
- Use predictive risk monitoring and mature data leakage prevention controls.

REGULATORY IMPACT RISK



Potential impacts

- Loss of clients due to unsuitable products and services.
- Increased regulation on conduct principles and standards.
- Increased costs and documentation requirements from changing regulatory requirements.

Drivers

- The volume, pace and scale of regulation together with the uncertain timelines and cost of implementation.
- Increased regulation across Africa and the transmission of personal information across borders.

Mitigants

- Dedicated specialists monitor and assess the implications of regulatory developments and engage with stakeholders to understand and constructively influence regulation.
- Ongoing investment in surveillance and reporting systems, as well as business intelligence.
- Ongoing compliance and awareness training.

BUSINESS DISRUPTION RISK



Potential impacts

- Reputation damage and financial loss arising from disrupted business services.
- Disruption of self-service channels together with reduction of physical channels may cause loss of clients due to lack of viable alternatives.
- Potential leakage of client data during disruptions.

Drivers

- Increased demands made on technology and information systems and the increased threat of cyber-attacks requires resilient ability to withstand disruption.
- Consumer demand for services that are always available.
- Migration to cloud services to improve digital capabilities.
- Dependency on aging infrastructure in Africa.

Mitigants

- Review IT infrastructure design and align disaster recovery approach for end-to-end resolution.
- Include business recovery capability at initiation stages of initiatives and product development.
- Continue to develop proactive monitoring capabilities.

THIRD-PARTY RISK



Potential impacts

- Service disruptions due to inadequate performance by third parties.
- Unauthorised sharing of client information and data breaches by or through third parties.
- Inferior product and service quality.

Drivers

- Increased regulatory oversight and focus on third-, fourth- and fifth-party management.
- Emergence of third-party partnerships and outsourcing as business enablers, particularly FinTechs.
- Heightened economic and regulatory pressure resulting in increased outsourcing.

Mitigants

- Implement and embed third-party management framework.
- Continue to perform appropriate due diligence and background checks on third parties.
- Ongoing risk management and monitoring of third parties.

FINANCIAL CRIME RISK



Potential impacts

- Financial losses to clients or the group due to scams and tactics like phishing.
- Reputation risk due to data breaches and digital fraud.
- Improving controls may add friction that negatively impacts on client experience.

Drivers

- Increased financial pressure due to ongoing macroeconomic challenges and the sophistication of fraud practices.
- Improving client experience requires frictionless services and real-time processing, increasing risk.

Mitigants

- Roll out the universal fraud risk management model, which includes real-time analytics and strong authentication protocols.
- Ongoing employee and client awareness campaigns.

CONDUCT RISK



Potential impacts

- Potential loss of clients due to conduct failures or inability to deliver solutions that meet client expectations.
- Inappropriate products and services and poor sales incentives may drive reckless or unfair lending practices.
- Complex fee structures may undermine competitiveness and result in loss of clients.

Drivers

- Regulators and other industry stakeholders continue to scrutinise conduct, ensuring fair client practices.
- Increased complexity in regulatory frameworks addressing conduct, including the Conduct of Financial Institutions Bill, the Retail Distribution Review and the Financial Sector Regulation Act's new Ombud structure.

Mitigants

- Manage culture and conduct through the conduct risk framework.
- Enhance metrics for conduct reporting through established governance structures.
- Invest in culture initiatives and employee training to ensure that good conduct is embedded at all levels of the group.

CLIMATE CHANGE RISK



Potential impacts

- Increased costs associated with carbon tax and pricing.
- Business interruptions due to extreme weather events.

Drivers

- A rapid shift in public perception and growing risks associated with investing in fossil fuel projects due to adverse environmental impact.
- Increased global focus and regulation relating to climate change.
- Investors require more transparency on ESG performance.
- Increased consumer demands for low-carbon products and services.
- Changing weather patterns together with more frequent and severe weather events.

Mitigants

- Develop a coordinated approach and strategy to adequately address climate change risk and opportunity.
- Identify and develop metrics to inform decision-making and reporting, including climate change risk stress testing and scenario analysis.

NON-TRADITIONAL MODELS RISK



Potential impacts

- Financial loss, poor business and strategic decision-making or damage to the group's reputation.
- Client risk assessments that are inaccurate or do not reflect changes in client circumstances resulting in incorrect credit scoring and investment decisions, unconscious bias and incomplete client profiles.

Drivers

- Models are being expanded from pricing and capital exposure to include business analysis.
- Regulators are increasingly focused on models that affect conduct.

Mitigants

- Enhance model risk management practices.
- Assess the viability of implementing AI and machine learning in models.
- Invest in relevant skills for the future, such as programming and data science support, and identify potential model choices relevant for specific processes.

MANAGING EVOLVING REGULATORY SCRUTINY

In an evolving regulatory environment, financial services organisations are taking a more strategic view of how to identify, measure and control their non-financial risks. An increasing focus on privacy and consumer protection rights, seen in legislative developments such as the European General Data Protection Regulation (GDPR) and the Final Report of the Australian Royal Commission into Misconduct in the Banking, Superannuation and the Financial Services Industry, influenced our approach to training and engagement with business lines to enhance client centricity while ensuring compliance.

DURING 2019, WE FOCUSED ON:

Conduct

The scope of banking regulation continues to grow. New financial reforms introduced by the Conduct of Financial Institutions Bill and Conduct Standards for Banks, National Treasury, and the Financial Sector Conduct Authority (FSCA), focus on ensuring financial institutions provide products and services that deliver fair client outcomes. The FSCA will also scrutinise how banks reward employees to establish whether their governance, risk management, remuneration and performance management support a culture of good conduct.

The group has dedicated board and management committees responsible for the oversight of conduct and culture. Our initiatives aim to strengthen good practice in our culture and entrench our values in our day-to-day activities by focusing on personal accountability. We are guided by our code of ethics and values which shape our conduct and encourage appropriate behaviours that are not harmful to our clients, engender trust and promote a good reputation.

Exchange control

Cross-border payments may be used to facilitate illicit flows of funds or to evade tax. The group has control measures in place to ensure that cross-border funds serve a legitimate purpose. We participate in a forum of multiple regulators and other stakeholders to design strategies that strengthen the fight against the flow of illicit cross-border funds.

Financial crime

The group has policies, processes and controls in place to mitigate against various types of financial crime, including money laundering, terrorist financing, corruption and tax evasion. These are designed to comply with legislation in all jurisdictions in which we operate, while also taking into account the recommendations of various financial crime standards setting bodies like the Financial Action Task Force. Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) legislation in the countries in which we operate evolves constantly, and the group's operations align their AML/CFT risk management and compliance programmes as these changes occur.

In South Africa, we signed the South African Anti-Money Laundering Integrated Taskforce charter. The taskforce will promote the exchange of AML information between banks and competent authorities, with the intention of effectively combating financial crime through increased collaboration.

Some group entities, including SBSA, were issued with administrative sanctions relating to AML/CFT deficiencies. These findings are being remediated, with programmes of work overseen by senior executives.

Privacy

We have a privacy office to help group entities to comply with their data privacy obligations. Our international entities review and customise the group's data privacy policy and standards in line with in-country legislative requirements. Our data privacy consent and notification framework supports the free flow of information, allowing each entity to align itself with one consistent commitment to clients to protect their information. To assess the risk posed by GDPR legislation, an impact assessment was conducted across the group to identify business areas impacted by GDPR legislation. The affected business areas will adjust their current data privacy risk management plans to cater for specific GDPR role requirements.

PERFORMANCE AGAINST STRATEGY



DELIVERING EXCEPTIONAL CLIENT EXPERIENCES

We form relationships with our clients by understanding their needs and making responsible offers to them based on their risk profiles. Building and maintaining trust-based relationships with our clients form the foundation of our risk management.

We regularly review and amend our risk appetite across segments and products, based on the insights of the group risk function and our in-country risk committees. As a result, we are able to select quality clients and respond proactively to early signs of financial stress or market risk.

We support our business lines in delivering personalised services and leveraging client value chains to deliver exceptional client experiences enabled by modern digital technologies. In doing so, we remain cognisant of key issues affecting financial services clients, including inappropriate advice and non-transparent or unnecessarily complex products or pricing structures. We are using AI, predictive analytics, machine learning and robotic process automation to provide effective risk management that matches the group's risk appetite. To enable innovative client solutions, our compliance, IT, risk and business teams collaborate to embed compliance while removing friction from the process as far as possible.

During the year, we managed our risks within our board-approved risk appetite. Our credit portfolio was well-controlled and stressed sectors are closely monitored. We continued to enhance and embed our group and subsidiary recovery plans in line with new international developments, while ensuring that they align to relevant regulatory requirements in the countries in which we operate.

Our capital and liquidity positions remained sound. We continue to develop and mature our portfolio risk management and stress testing capability to determine the impact of current or emerging stress scenarios and our ability to withstand these risks, and to inform decision-making throughout the group. Stress testing, which considers both likely and remotely possible scenarios, was conducted to assess our potential need for capital and liquidity. The results of our tests indicate that the group is able to handle current and emerging stress scenarios should they materialise. Our risk capital adequacy ratios are well above regulatory minimum requirements.

We have measures in place to mitigate the impact of fraud on our clients and operations. We continuously improve these measures and in 2019 we implemented a solution to enable a quicker and more efficient response to card fraud reported by our clients. Front-line employees are now able to take the call and, using a single screen, block the card, identify the fraudulent transactions, automatically perform a client refund based on pre-defined rules and open a fraud case for investigation. Our response time for refunds has reduced from two weeks to two days, and the average call time is down from 30 minutes to five minutes.

We focused on several key initiatives in the year to ensure that our employees are adequately supported and empowered to do the right business, the right way. We undertook the following initiatives:

- An integrated speak-up whistle-blowing awareness campaign.
- Delivered training interventions for all group employees on:
 - Data privacy and information risk to protect clients' personal information throughout processing activities.
 - Conduct course to familiarise new employees with the group's conduct risk framework.
 - Tax evasion, sexual harassment, social media and ethics awareness.

All employees are required to undertake annual mandatory compliance training courses, including on the group's code of ethics. Employees must also complete mandatory business, personal and client conduct training annually, with a minimum pass mark set at 80%. Regular training ensures our people understand our expectations in terms of ethics and conduct.





LEVERAGING OUR DIGITAL PLATFORMS TO MEET OUR CLIENTS' NEEDS

By leveraging innovative technology and new ways of working we are continuously improving our agility, flexibility and responsiveness to our markets. This allows us to keep doing the right business, the right way. However, while digital technology represents a material competitive advantage, it remains a top risk with the potential to incur financial loss and reputation damage.

Our cloud technology and data initiatives are critical to ensuring strategic delivery. We manage the risks of digitisation through a deep understanding of digital processes, ensuring that client data and assets are protected without increasing client friction. Our focused approach to support business and operational resilience will aid in addressing the system stability challenges we may face during high risk periods and allow us to deliver 'always on, always secure' services.

Measures are being put in place to support opportunity management and ensure that we are agile enough to adopt new technologies such as cloud computing.

During 2019, we reviewed several innovative new processes and services to ensure the appropriate level of protection for client data and assets, including:

- PBB's digitisation of key branch activities to facilitate its branch reconfiguration in South Africa.
- New digital innovations for PBB and CIB to originate lending and account opening online.
- PBB's new MyMo account enables account opening on digital devices.
- Wealth's new insurance app that uses telematics to reward good driving behaviour.
- The My360 app provides Wealth clients with a full view of their financial portfolio in one place, covering more than 20 000 global financial institutions.

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Technology availability and innovation is at the centre of our initiatives, allowing us to focus on delivering digitisation and automation, keeping our digital channels secure and support the group's strategic migration to the cloud. During the year, we deepened understanding of our non-financial risks to clarify our risk management oversight. Overall, our non-financial risk profile remained well within our risk appetite and was resilient in an operating environment with a wide range of economic, political, social, and regulatory uncertainties. Together with our activities to simplify our non-financial risk landscape, we digitised a number of related risk activities, maximising the use of data and exploring the potential of machine learning, AI and real-time predictive analytics, to create efficiencies in risk profile management.

We are automating our conduct dashboard to provide forward-looking information on conduct risk trends for improved decision-making. By leveraging data analytics, we will be able to improve our ability to proactively identify, manage, minimise and mitigate conduct risks that may arise from our business activities.

Ensuring an ethical culture

As new regulations governing client treatment take effect, conduct risk grows in prominence. Our conduct risk framework and policy are designed to ensure that we embed our culture of doing the right business, the right way in the execution of our strategy and business activities. In practice, we aim to deliver fair client outcomes and support the transparency and integrity of the financial markets in which we operate. We continue to embed conduct risk management into our existing processes, procedures and practices and continuously develop and design tools to help improve our focus on good client outcomes.

During the year, the following initiatives relating to ethical culture were undertaken:

- Continued to strengthen our control environment, promote good business practices and reinforce appropriate behaviours aligned to the group's values.
- Used periodic diagnostics and metrics to measure and identify areas for improvement.
- Increased accountability in the first line of defence through communication campaigns and conduct training.
- Strengthened the second line of defence by developing tools and methodologies to help improve oversight and monitoring of conduct risks.

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DELIVERING AN INTEGRATED GROUP

We continued to focus on delivering integrated Africa-wide risk management services across the group to ensure a consistent approach to dealing with challenging operating environments and the associated threats and opportunities.

To facilitate an integrated approach to risk and compliance and ensure we meet current and global regulatory developments, we align compliance risk management processes across the group. We regularly conduct self-assessments against best practice compliance risk management strategic approaches in the public domain and consider if our compliance risk management practices are appropriate for an integrated financial services group.

During the year, we matured our combined risk assurance processes with the onboarding of additional internal assurance providers and focused on an improved risk-based approach to current risks. We also used risk analytics to better link top risks to operational risk data, thereby improving integrated risk management.

The group continued to see a reduction in the number of severe IT outages, however, the impact of these has increased. To manage the risk associated with IT outages, an 'always on' programme has been formalised with dedicated responsible executives and teams to support the deliver, with weekly updates provided to the group executive committee. The group IT function is accountable to the group executive committee and also provides monthly updates on the effectiveness of technology and information management processes. In addition, regular reviews are performed by internal audit and an annual external audit review is performed. The group technology strategy will continue to focus on accelerating the adoption of cloud-based technology, focus on ensuring IT system stability and enhance client digital capabilities and experiences.

In 2019, internal audit identified the following as having the potential to impact the effectiveness of the control environment:

- Implementing a holistic non-financial risk approach to understanding the impact of risks on the control environment.
- Balancing the impact of new controls with increased client friction.

We leverage the three lines of defence model to build and maintain a strong risk culture, where resilience is a priority for effective risk management across the group. We focus on a range of drivers to enhance the group's risk culture, with emphasis on doing the right business, the right way. Our employees are empowered to act with confidence, drive meaningful behavioural changes and place the client at the centre of everything they do.

We engage regularly with our stakeholders to ensure reputational risk matters that are cross-business or jurisdictional follow a similar decision-making process across the group.

Embedding environmental and social risk processes

Global societal expectations about the roles and responsibilities of business continue to increase. We are committed to driving sustainable and inclusive economic growth across Africa, and ensuring that our business activities create net positive SEE impacts. Effective environmental and social risk management plays a critical role in fulfilling this commitment.

Our environmental and social risk assessment process is based on international best practice. Our environmental and social risk governance standard and policy sets out the principles under which we identify, measure, manage and report on environmental and social risk. We regularly review our governance structures to ensure the appropriate oversight and management of environmental and social risk, including climate change risk.

In 2019, we tabled a minority shareholder resolution at our AGM on the financing of coal mining and coal-fired power generation and exposure to climate change risk. We recognise the risks posed by a changing climate, together with the environmental impacts of coal-fired power, as material concerns for our stakeholders. We have subsequently developed and published policies governing new investment in coal-fired power stations and new investment in coal mining.

The development of a climate related risk strategy is underway, aligned with the TCFD guidelines. We are collecting and assessing data, and ensuring that we consider the African context, in meaningful scenario planning and stress testing that is appropriate for our complex business and geographical presence.

 [RTS](#) Read more **online** in our ESG report.

LOOKING AHEAD

As we continue to manage our risks and opportunities in a rapidly changing financial services environment, we will ensure that the group's commitment to doing the right business, the right way cascades through every part of our organisation, underpinning every client relationship and informing every decision we make. This will support our commitment to create sustainable value for all our stakeholders.

Our priorities include:

- Ongoing alignment to group architecture and decision rights.
- Deliver value-based risk management clearly linked to achieving our financial outcomes.
- Actively monitor stressed portfolios at a group level.
- Continue to enhance our scenario analysis and stress testing against our strategic objectives.
- Focus on further embedding the management of multiple non-financial risks.
- Continue to leverage data as an asset and develop intuitive risk management through technology.





FINANCIAL OUTCOME

Delivering sustainable returns to our shareholders depends on the extent to which our investments in satisfied clients, engaged employees and managing risk and conduct are effective and efficient. In turn, we need to ensure that we balance the capital we allocate to these strategic investments with competitive returns.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

We continue to demonstrate value creation for all our stakeholders by delivering headline earnings growth and driving ROE into our 18% to 20% target range.

We maintain the resilience of our balance sheet to support the execution of our group strategy.

How we measure our progress

By delivering positive results on our client focus, employee engagement and risk and conduct value drivers, we seek to improve our financial outcomes, thereby ensuring growth, resilience and returns. We measure our financial outcome through the following indicators.

Growth

- **Headline earnings:** show the profits we make, excluding profits or losses from non-recurring events¹. We seek to improve our headline earnings each year by continuing to grow our revenue while managing our costs and risks.
- **Africa Regions headline earnings contribution:** measures the percentage contribution from countries outside South Africa to banking headline earnings.
- **Cost-to-income ratio:** measures our efficiency in generating revenues relative to the costs we have incurred. Containing our costs is key to growing headline earnings and improving ROE.
- **Jaws:** measures total income growth minus total operating expenses growth. We aim to achieve positive jaws to ensure we grow our revenues faster than our costs.
- **Credit loss ratio:** measures our impairment charges as a percentage of average loans and advances. We aim to maintain our CLR at an acceptable level in line with our risk appetite.

Resilience

- Our resilience is measured by LCR, NSFR and CET 1. More detail can be found in our risk and conduct section from page 62.

Returns

- **Return on equity:** shows how much profit we generate with the money shareholders have invested in us. ROE is the result of all the growth and resilience measures and, therefore, the ultimate measure of our effectiveness in executing our group strategy.
- **Dividends:** return to shareholders on their investment.

¹ As prescribed by the South African Institute of Chartered Accountants (SAICA) circular.

² Based on IAS 39 Financial Investments: Recognition and Measurement.

³ Revised target.

HOW WE PERFORMED

Growth

↑ R28.2bn

GROUP HEADLINE EARNINGS

2018: R27.9 billion | 2017: R26.3 billion
TARGET: Sustainable growth

↑ R27.2bn

BANKING HEADLINE EARNINGS

2018: R25.8 billion | 2017: R24.3 billion

↔ 31%

AFRICA REGIONS' CONTRIBUTION TO BANKING HEADLINE EARNINGS

2018: 31% | 2017: 28%
TARGET: >30% contribution

↓ 56.4%

COST-TO-INCOME

2018: 57.0% | 2017: 55.5%
TARGET: Approaching 50%

↑ 113 bps

JAWS:

2018: (276 bps) | 2017: 100 bps
TARGET: Positive jaws

↑ 68 bps

CLR

2018: 56 bps | 2017: 87 bps²
TARGET: 70 – 100 bps³

Returns

↓ 16.8%

GROUP ROE

2018: 18.0% | 2017: 17.1%
TARGET: 18% – 20%

↓ 18.1%

BANKING ROE

2018: 18.8% | 2017: 18.9%

↑ 994 cents

DIVIDEND PER SHARE

2018: 970 cents | 2017: 910 cents
TARGET: Sustainable growth



2019 KEY PRIORITIES

- Continue to reduce cost growth and increase efficiency by permanently reshaping the group's cost structure.
- Accelerate digitisation to meet client needs and enhance competitiveness and efficiency.
- Pursue growth opportunities.
- Work with ICBC to find lasting solutions to ICBCS and ICBC Argentina legacy business.
- Monitor opportunities to issue senior unsecured and/or tier II subordinated debt in the market to optimise the group's capital and funding position.
- Remain committed to our medium-term targets of delivering sustainable earnings growth and an ROE in our 18% to 20% target range.
- Continue to support faster, more inclusive and more sustainable growth and human development in South Africa and across the continent we are proud to call home.



TRADE-OFFS

To ensure that we can continue to attract the capital we need to fund the growth in our assets, we must provide an appropriate rate of return to our equity shareholders and debt funders, including depositors. This requires that we balance our ability to generate revenue with the costs incurred in doing so.

PERFORMANCE AGAINST STRATEGY

We allocate our resources and align our relationships to support the disciplined delivery of our strategy, while continuing to focus on delivering a compelling investment case.

Achieved in 2019

- Group headline earnings grew by 1%, or 3% on a constant currency (CCY) basis, supported by the growth and resilience of core operations. The constrained macroeconomic environment, particularly in South Africa, and ICBCS losses impacted our group results.
- Quality top line growth and continued positive operating leverage contributed to 5% growth in the bank's headline earnings. Good balance sheet growth underpinned net interest income (NII) while non-interest revenue (NIR) was supported by growth in transaction volumes and trading revenues.
- Africa Regions' headline earnings grew 5% (CCY 8%) and contribute 31% to banking headline earnings. Top contributors were Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda.
- Strong focus on cost containment continued, resulting in below inflation cost growth and positive jaw (as per target) of 113 bps.
- PBB delivered good results with 6% growth in headline earnings to R16.5 billion. CIB also delivered satisfactory results with 5% growth in headline earnings to R11.8 billion.
- SBSA produced resilient, high quality headline earnings growth of 4%, supported by strong growth in loans and advances to customers of 6% and NII growth of 4%. Costs were well managed, with below inflation growth of 2%.
- Liberty earnings attributable to the group was R1.9 billion, up 16% on the prior year.
- Despite tough operating conditions in Argentina, ICBC Argentina continued its strong performance. In August 2019, the group exercised its option to sell its 20% stake in ICBC Argentina to ICBC. The group ceased recognising profits from the stake from 1 September 2019. Headline earnings from the group's 20% stake amounted to R583 million for the eight months to 31 August 2019. The sale is subject to Chinese regulatory approvals and we expect to reach completion in 2020.
- ICBCS recorded a loss of USD248 million, consisting of a single client loss of USD198 million, USD30 million related to restructuring costs and USD20 million of operating losses related to the business operations. The latter was driven by lower revenues on fixed income and currency trading due to subdued market sentiment. The group's 40% share of the losses equated to R1.4 billion. Further to this, in September 2019, the group recognised a USD163 million impairment of its stake in ICBCS (reducing the carrying value from USD383 million to USD220 million at that date). This equated to a R2.4 billion impairment which is reported outside of headline earnings.
- The group's capital position remained strong with a CET 1 ratio of 14.0%.

Strategy in action

- Focus on digital has allowed us to reduce inefficiencies and to improve both client and employee experience, as discussed earlier in this report.
- Value drivers have been further embedded in our business, allowing us to appropriately measure our progress. We continue to refine our metrics for each of the value drivers, and for SEE impact we have commenced tracking our performance on independent ESG indices.
- Remained resilient despite the challenging macroeconomic conditions in most of our countries of operation, supporting steady growth in our headline earnings and a sturdy balance sheet that complies with Basel III capital and liquidity requirements.
- Increased longer term funding in excess of 12 months, raising R51.8 billion through a combination of negotiable certificate of deposits, senior debt and syndicated loans. Successfully issued a USD400 million tier 1 Eurobond as well as R1 billion tier II and R1.9 billion additional tier 1 (AT 1) notes during 2019, the proceeds of which were invested in SBSA on the same terms and conditions.
- Focus on the group's core business, supporting the decision to exercise our option to sell our stake in ICBC Argentina to ICBC in August 2019.
- ICBC and the group, as shareholders, have had robust conversations and made meaningful progress with ICBCS management to place the business on a path to sustainable profitability. These discussions resulted in a number of management actions in ICBCS, including significant headcount reductions and a reduction by ICBCS of business lines and locations. Closer integration into and cooperation with the ICBC group is an important element of the plan to achieve sustainable profit.
- Successfully listed our Namibian subsidiary on the Namibian Stock Exchange.



MEASURING OUR FINANCIAL OUTCOME

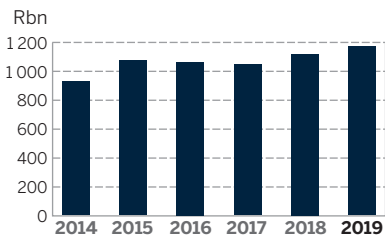
HEADLINE EARNINGS

Group headline earnings is one component used in determining the group's ROE and represents the major lever in lifting the group's ROE to meet our medium-term target. Headline earnings growth is used as a key reference point in decision-making throughout the group.

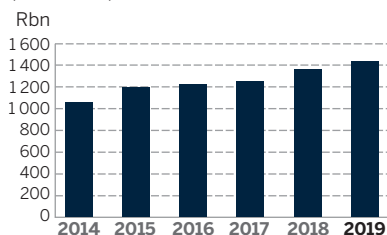
Banking activities' balance sheet drivers

Growth in deposits and funding, and loans and advances supported the group's headline earnings growth between 2014 and 2019 by a compound annual growth rate (CAGR) of 10%.

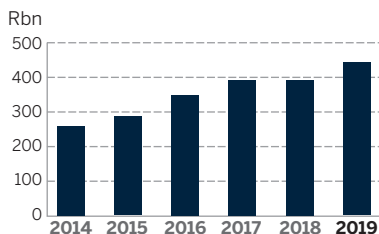
Net loans and advances (CAGR: 5%)



Deposits and debt funding (CAGR: 6%)



Trading and pledged assets and financial investments (CAGR: 14%)



↑ +8%

AVERAGE INTEREST EARNING ASSETS

↑ +9%

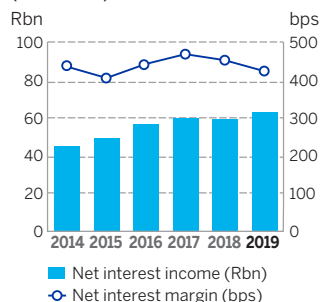
AVERAGE INTEREST BEARING LIABILITIES

↓ -7bps

NET INTEREST MARGIN

Net interest income

(CAGR: 7%)

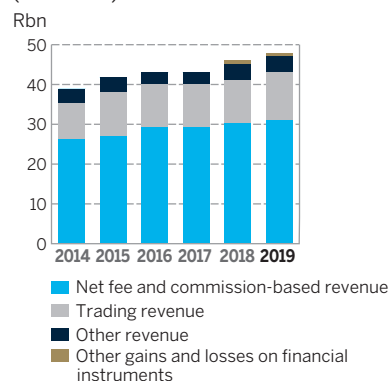


NII grew 6% to R62.9 billion driven by strong loan and deposit growth across the portfolio. Net interest margin (NIM) decreased marginally to 431 bps from 438 bps in 2018. Lower average rates in some of the Africa Regions markets, higher cash reserving costs in Nigeria, and a competitive loan pricing environment in South Africa and Nigeria (following the introduction of the minimum loan-to-deposit ratio) contributed negatively to margin. This was partially offset by stronger growth in higher margin unsecured lending (compared with secured) and in Africa Regions (vs South Africa), and effective margin management in our offshore operations.



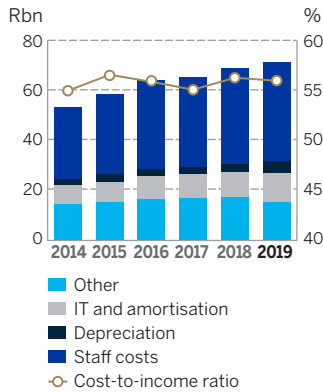
Non-interest revenue

(CAGR: 4%)



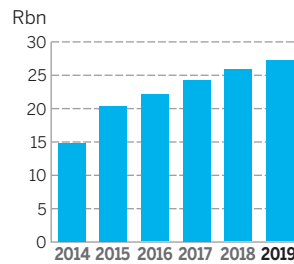
NIR grew 4% to R47.5 billion in 2019. NIR growth was driven by electronic banking fees, card volumes and trading revenue. Regulatory restrictions on fees in Africa Regions and competitive pressure in South Africa weighed on account transaction fees. Our new digital products were well-received by our clients. Asset-based fees grew on the back of CIB balance sheet growth. Knowledge-based fee growth was muted. Increased volatility in the second half of 2019 aided revenues from fixed income, currency and equity trading.

Operating expenses (CAGR: 6%)



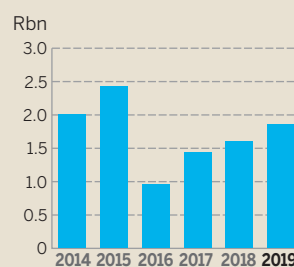
Cost growth was well contained, resulting in continued positive operating leverage. Costs increased 4% year-on-year and jaws were positive 113 bps. A decline in headcount supported slower growth in staff costs. Other operating expenses increased 6%. IT costs grew 17% reflecting higher software licensing and maintenance costs, an increase in cloud-related costs and an increase in outsourcing. The adoption of IFRS 16 Leases gave rise to an increase in depreciation and decrease in premises costs.

Banking activities headline earnings (CAGR: 13%)



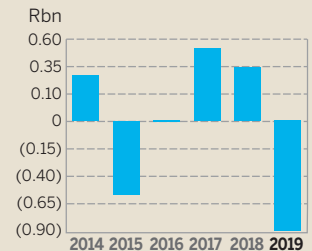
Banking headline earnings grew by 5% to R27.2 billion, up from R25.8 billion in 2018, supported by increased NII and NIR, offset by higher credit impairment charges. Africa Regions' headline earnings grew 5% and contributed 31% of the banking headline earnings.

Liberty headline earnings (SBG share) (CAGR: -2%)



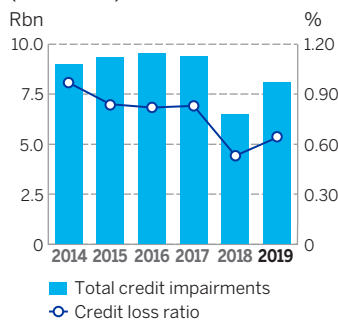
The group's share of Liberty's headline earnings increased by 16% to R1.9 billion. Liberty is making progress towards re-building a competitive and sustainable business. While the focus on new business volumes continues, normalised operating earnings improved 10% year on year. In 2019, the shareholder investment portfolio benefitted from improved investment market returns, particularly in respect of foreign and local equities.

Other banking interests' headline earnings



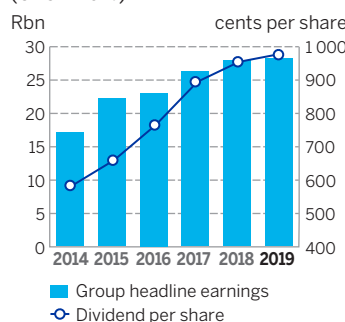
Headline earnings from the group's 20% stake in ICBC Argentina amounted to R583 million for the eight months to 31 August 2019. In September 2019, the group exercised its option to sell the stake and ceased recognising ICBC Argentina earnings thereafter. ICBCS recorded a loss of USD248 million; the group's 40% share thereof equated to R1.4 billion.

Credit impairments (CAGR: -2%)



Credit impairment charges increased 23% off a low base in the prior year. The group CLR increased to 68 bps from 56 bps in 2018, just below the group's through-the-cycle CLR range of 70 – 100 bps. Higher year-on-year post write-off recoveries in card had a favourable impact on impairment charges.

Group headline earnings (CAGR: 10%)

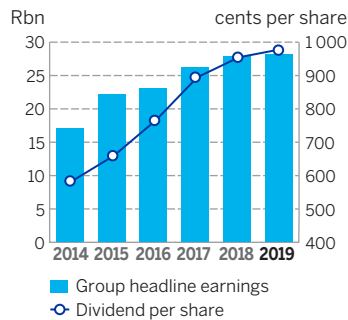


Group headline earnings grew 1% to R28.2 billion, up from R27.8 billion in 2018, supporting a 2% growth in dividends per share and the dividend pay-out ratio increased to 56.3% (2018: 55.5%).

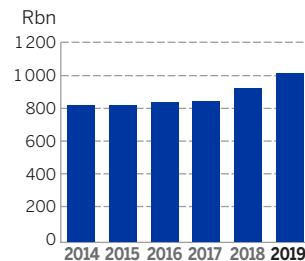
RETURN ON EQUITY

Our ROE is the most relevant measure of our financial performance over time as it combines all of our critical drivers, including earnings growth and capital utilisation, into a single metric. Internally we measure our RoRWA as a more direct measure of earnings relative to regulatory capital utilisation.

Group headline earnings (CAGR: 10%)

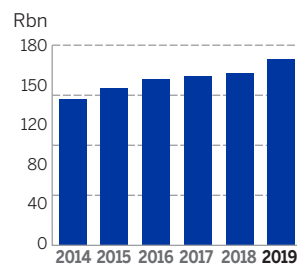


Group average risk-weighted assets (CAGR: 4%)



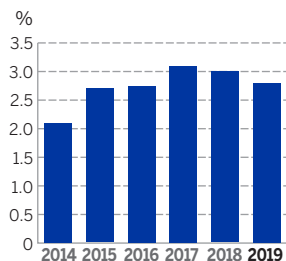
Group average RWA increased by 9.6% in 2019 to R1 012 billion, up from R923 billion in 2018, mainly from an increase in loans and advances, some sovereign ratings downgrades and rand depreciation of 9% on average against the USD. Average RWA increased for both PBB and CIB, by 3.3% and 14.4% respectively.

Average shareholders' equity (CAGR: 5%)



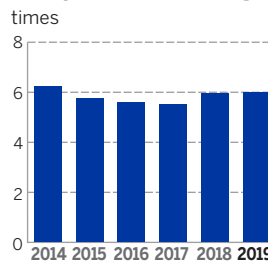
The group's average shareholders' equity increased by 8% from 2018. During 2019, ordinary shareholders' equity increased by 4% from the prior year, as a result of higher retained earnings, which was partly offset by dividends paid of R16 billion.

Group average return on risk-weighted assets (CAGR: 6%)



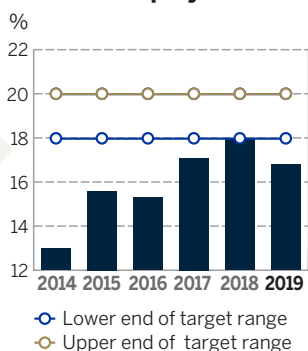
The group's average RoRWA decreased to 2.8% (2018: 3.0%), driven by the lower headline earnings growth of 1%, when compared to growth in average RWA of 9.6%.

Group financial leverage



The group's financial leverage is the ratio of RWA to shareholders' equity. For 2019, the group's financial leverage was 6 times, consistent with 2018.

Return on equity



In 2019, the group's ROE decreased to 16.8%, falling below the lower end of the group's medium-term target range. This result was mainly due to the challenging operating environment across many of our countries of operation and the loss from ICBCS.

RCM Read more about the group's cost of equity **online**.

Net interest income

What it is: the interest received on lending products that we offer to our clients and investment in debt instruments, less the interest paid on the deposits that our clients place with us and debt funding sourced from other lenders, including subordinated debt.

Drivers: number of clients, product offerings and pricing, level of economic and client activity, foreign exchange, pricing in commodities and equity capital markets, competition, and market volatility.

Non-interest revenue

What it is: comprises net fee and commission revenue, trading revenue and other revenue.

Drivers: number of clients, transactional banking volumes and pricing, capital market activity, trading volumes and market volatility, property-related revenue, and income from bancassurance and unlisted investments.

Credit impairment charges

What it is: losses incurred due to the inability of our clients to repay their debt obligations.

Drivers: probability of our clients defaulting, and the loss given default, business confidence, and levels of debt-to-disposable income.

Operating expenses

What it is: costs that are incurred to generate future and current revenues.

Drivers: inflation, headcount, investments in branch and IT infrastructure which result in amortisation, general costs to operate (including those related to innovation and work efficiency programmes), and operational losses, including fraud losses.

Non-trading and capital related items

What it is: items typically excluded from headline earnings, for example, gains and losses on the disposal of businesses and property and equipment, impairment of goodwill and intangible assets.

Drivers: obsolescence and asset replacement operational performance and changes in market prices, which may result in impairment on goodwill and intangible assets, and corporate activity resulting in disposal-related gains.

Direct and indirect taxation

What it is: includes both direct income taxes (and related deferred tax in terms of IFRS) and indirect taxes, including withholding tax and value-added tax.

Drivers: corporate tax rates in the geographies in which the group operates, level of profitability of our operations, interest income from certain bonds and treasury bills, dividends on investments that are exempt, and costs that are not tax deductible.

Attributable to non-controlling interests

What it is: portion of profit generated which is attributable to minority shareholders in entities in which we own less than a 100% interest.

Drivers: level of profitability of our operations, and other shareholders' interest in our subsidiaries.

Our resilient performance

The income statement below reflects the revenue generated and costs incurred by our banking activities, with material income statement line items explained. A detailed analysis on the group's financial performance, and the principal headline earnings drivers for growth in our ROE, is on page 74.


GROUP INCOME STATEMENT

for the year ended 31 December 2019

	Change %	2019 Rm	2018 ¹ Rm
Net interest income	6	62 919	59 505
Non-interest revenue	4	47 542	45 826
Net fee and commission revenue	1	30 622	30 375
Trading revenue	12	12 075	10 799
Other revenue	6	4 089	3 863
Other gains and losses on financial instruments	(4)	756	789
Total income	5	110 461	105 331
Credit impairment charges	23	(7 964)	(6 489)
Income before operating expenses	4	102 497	98 842
Operating expenses	4	(62 335)	(60 084)
Staff costs	2	(34 554)	(33 773)
Other operating expenses*	6	(27 781)	(26 311)
Net income before non-trading and capital related items	4	40 162	38 758
Non-trading and capital related items	(61)	(151)	(392)
Net income before equity accounted earnings	4	40 011	38 366
Share of profit from associates and joint ventures	(23)	333	431
Profit before taxation	4	40 344	38 797
Direct and indirect taxation	1	(9 894)	(9 846)
Profit for the year	5	30 450	28 951
Attributable to other equity instrument holders	18	(873)	(738)
Attributable to non-controlling interests	(4)	(2 528)	(2 639)
Attributable to ordinary shareholders – banking activities	6	27 049	25 574
Headline adjustable items – banking activities	39	167	273
Headline earnings – banking activities	5	27 216	25 847
Headline earnings – other banking interests	(>100)	(864)	418
Headline earnings – Liberty	16	1 855	1 600
Standard Bank Group headline earnings	1	28 207	27 865

* The group has adopted IFRS 16 Leases with effect from 1 January 2019. As permitted by the standard, the prior year has not been restated and has been presented in accordance with the previous standard IAS 17 Leases, resulting in comparability not being achieved for the affected line item.

¹ Restated.

 AIR Information about restatements and the adoption of IFRS 16 Leases can be found on page 122.



For further detail on the group results, including financial definitions, please refer to the Standard Bank Group analysis of financial results 2019 on our website: <http://reporting.standardbank.com/resultsreports.php>

Our robust balance sheet

The balance sheet or statement of financial position shows the position of the group's assets, liabilities and equity at 31 December 2019, and reflects what the group owns, owes and the equity attributable to shareholders. Material line items have been disclosed below.

BALANCE SHEET

as at 31 December 2019

	Change %	2019 Rm	2018 Rm
Assets			
Cash and balances with central banks	(12)	75 288	85 145
Derivative and trading assets	27	287 234	226 756
Pledged assets	>100	17 800	7 218
Financial investments	(1)	204 703	206 501
Disposal group assets classified as held for sale	100	819	
Loans and advances	5	1 181 067	1 119 547
Other assets	48	25 919	17 531
Interest in associates and joint ventures	18	2 502	2 122
Property, equipment and right of use asset*	19	19 608	16 509
Goodwill and other intangible assets	(6)	21 712	23 006
Total assets – banking activities	8	1 836 652	1 704 335
Total assets – other banking interests	(51)	3 841	7 852
Total assets – Liberty**	5	435 096	414 775
Standard Bank Group – total assets	7	2 275 589	2 126 962
Equity and liabilities			
Equity			
Equity attributable to ordinary shareholders	6	155 664	146 360
Preference share capital and premium and AT1 capital	21	10 989	9 047
Equity attributable to non-controlling interests	23	9 868	8 022
Total equity – banking activities	8	176 521	163 429
Total equity – other banking interests	(51)	3 841	7 852
Total equity – Liberty**	5	29 122	27 782
Standard Bank Group – total equity	5	209 484	199 063
Liabilities			
Derivative and trading liabilities	34	148 441	110 853
Deposits and debt funding	5	1 446 080	1 371 919
Deposits from banks	4	121 119	116 727
Deposits and current accounts from customers	6	1 324 961	1 255 192
Subordinated debt	12	23 319	20 819
Provisions and other liabilities	14	42 291	37 316
Total liabilities – banking activities	8	1 660 131	1 540 906
Total liabilities – Liberty**	5	405 974	386 993
Standard Bank Group – total liabilities	7	2 066 105	1 927 899
Total equity and liabilities – banking activities	8	1 836 652	1 704 335
Total equity and liabilities – other banking interests	(51)	3 841	7 852
Total equity and liabilities – Liberty**	(5)	435 096	414 775
Standard Bank Group – total equity and liabilities	7	2 275 589	2 126 962

Derivative and trading assets and liabilities

What it is: derivative assets and liabilities include transactions with clients for their trading requirements and hedges of those client positions with other market positions and hedges of certain group risks. Trading assets and liabilities are held by the group to realise gains from changes in underlying market variables.

Drivers: number of clients, product offerings, level of economic and client activity in debt, foreign exchange, commodities and equity capital markets, competition, and market volatility.

Loans and advances

What it is: includes our lending to banks and our clients.

Drivers: number of clients, product offerings, competition, level of economic and client activity, repayments and level of credit impairments.

Goodwill and other intangible assets

What it is: represents the excess of the purchase price over the fair value of business that we acquire, less impairments, where applicable, and the cost of internally developed IT assets less amortisation and impairments (where applicable).

Drivers: corporate activity, investment in IT and digital capabilities to better serve our clients.

AT1 capital issued

What it is: the group's Basel III compliant AT1 capital bonds that qualify as tier 1 capital. The capital notes are perpetual, non-cumulative with an issuer call option and contain certain regulatory prescribed write-off features.

Drivers: regulatory capital requirements, and growth in RWA.

Standard Bank Group – total equity

What it is: the total of the group's ordinary and preference share capital, AT1 capital, foreign currency translation reserve, minority interests and other reserves.

Drivers: income statement drivers (refer page 74), changes in foreign exchange rates, and regulatory capital requirements.

Deposits and debt funding and subordinated debt

What it is: provides the group with the funding to lend to clients, fulfilling the group's role in connecting providers of capital with those that require additional capital and thereby contributing to the functioning of the broader financial system.

Drivers: client demands, transactions and savings.

* The group has adopted IFRS 16 Leases with effect from 1 January 2019. As permitted by the standard, the prior year has not been restated and has been presented in accordance with the previous standard IAS 17 Leases, resulting in comparability not being achieved for the affected line item.

** Includes adjustments on consolidation of Liberty into the group.

The balance sheet presents the group's banking activities separately from the other banking interests and Liberty. It differs to the balance sheet presented in the group's annual financial statements, which is presented on a consolidated basis.

MAINTAINING OUR ROBUST BALANCE SHEET

Loans and advances

Gross loans and advances to customers grew 6% from the prior year, of which PBB's advances to customers grew 6% and CIB, 7%. Provisions held against loans and advances declined year-on-year following the write off of certain stage 3 corporate exposures which were provided for in the prior year.

Within PBB South Africa, the mortgage loan portfolio grew in line with the market. Our new mortgage offering continued to gain traction and represented 66% of the registrations in December 2019. Average monthly mortgage disbursements reached R4.1 billion, 11% higher than 2018. The investment in our retail VAF capability led to a 7% increase in motor disbursements year-on-year and positive retail market share gains. The personal unsecured lending portfolio grew 9% to R44.8 billion, supported by our online origination capability. The business lending portfolio grew 7% year-on-year, aligned with the introduction of new product offerings and a refreshed approach to credit limit application.

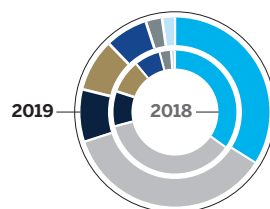
PBB Africa Regions' gross loans to customers grew to R78.0 billion, driven by disbursements into our client ecosystems supported by digital lending. Business lending remains the largest contributor, at roughly a third of the portfolio, followed closely by mortgages, primarily in Namibia, and thereafter personal unsecured lending.

Robust new business disbursements in retail VAF and personal unsecured lending led to higher stage 1 and 2 provisions relative to December 2018, partially offset by model enhancements in mortgages and early arrears collection capability improvements in the card and personal unsecured businesses. The stage 3 exposure ratio reflects a moderate increase year-on-year, primarily related to protracted legal processes in mortgages. The PBB stage 3 coverage remained largely aligned with 2018 levels.

In CIB, gross loans and advances to customers grew 7%, underpinned by growth in exposures to clients in the industrial, oil and gas, sovereign & public sector and power & infrastructure sectors. Underlying growth in CIB gross loans and advances to customers, including high quality liquid assets, was 8%. In the South Africa portfolio, a deterioration of risk grades resulted in an increase in stage 1 and 2 provisions, while work-outs led to a decline in stage 3 provisions and a decline in stage 3 coverage ratio. In Africa Regions, provisions were raised for certain

guarantees and working capital facilities in the South & Central and East Regions. The main sectors impacted were consumer, power & infrastructure and mining & metals.

Composition of loans to customers (%)



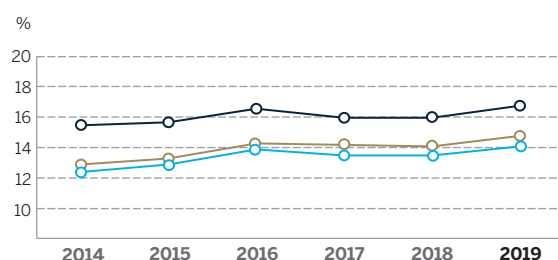
	2019	2018
Mortgage loans	34	35
Term loans	36	36
Vehicle and asset finance	9	9
Overdraft and other demand loans	9	9
Other term loans	7	7
Card debtors	3	3
Loans granted under resale agreements	2	1

Funding and liquidity

During 2019, the group successfully raised R52 billion of longer-term funding. The group also issued a USD400 million tier II Eurobond, R1.0 billion tier II capital and R1.9 billion AT1 notes, the proceeds of which were invested in SBSA. All tier I and tier II instruments were Basel III compliant.

Deposits from customers grew 6% year-on-year to R1.3 trillion. CIB's deposits grew 7% driven by client wins and greater share of wallet in South Africa and a growing franchise in Africa Regions. PBB customer deposits grew 4%, with stronger growth in savings and investment products as customers switched to higher yielding products. Growth in PBB Africa Regions' deposits from customers was underpinned by continued strong current and savings

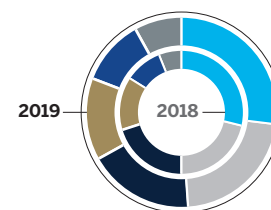
Capital adequacy (including unappropriated profit)



Common equity tier 1 capital	12.8	13.2	14.2	13.8	14.2	14.8
Tier 1 capital	13.2	13.8	14.8	14.2	14.8	15.8
Total regulatory capital	15.8	16.2	17.2	16.8	17.2	18.2

account inflows. Our offshore operations in the Isle of Man and Jersey continued to provide the group with access to hard currency funding, totalling GBP5.2 billion as at 31 December 2019.

Composition of gross deposits to customers (%)



	2019	2018
Call deposits	27	29
Term deposits	22	21
Current accounts	18	20
Cash management and deposits	14	14
Negotiable certificates of deposit	11	10
Other deposits	8	6

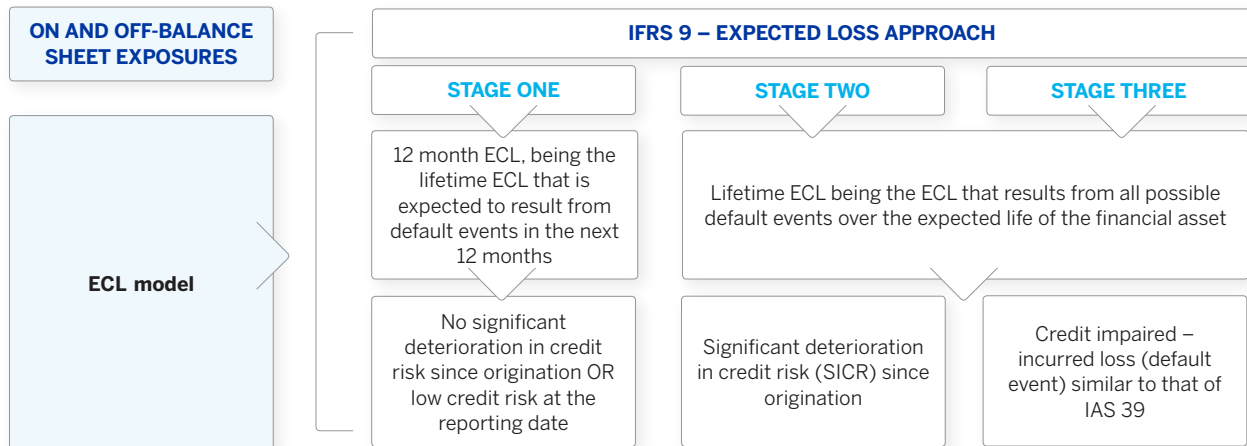
Capital management

The group maintained strong capital adequacy ratios, with an IFRS 9 phased-in CET 1 ratio of 14.0% (2018: 13.5%) and a total capital adequacy ratio of 16.7% (2018: 16.0%). The CET 1 ratio, including the full IFRS 9 transitional impact, was 13.8%.

The group's liquidity position remained strong and within approved risk appetite and tolerance limits. The group's fourth quarter average Basel III LCR amounted to 138%, exceeding the minimum phased-in regulatory requirement of 100%. The group maintained its NSFR in excess of the 100% regulatory requirement.

INSIGHT ON CREDIT LOSS RATIO

IFRS 9's expected credit loss (ECL) model requires the measurement of ECL using a three stage model as follows:



CLR is used by the group as a mechanism to monitor the level of credit impairments and credit risk. CLR is calculated as the total income statement impairment charges on loans and advances, as a percentage of average daily and monthly gross loans and advances.

The group and business lines, following the implementation of IFRS 9, have determined updated CLR target bands as follows:

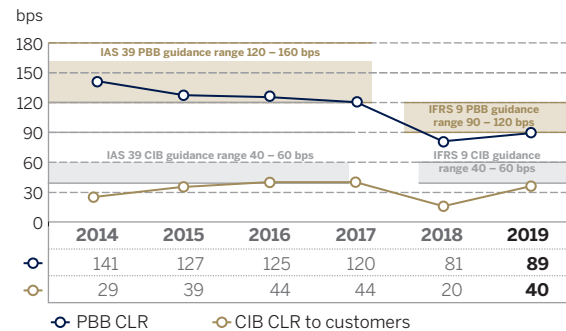
	Guidance range
Group	70 – 100 bps
PBB	90 – 120 bps
CIB	40 – 60 bps

The level of credit impairments is monitored against these guidance bands. While overall CLR measured over an extended duration will remain unchanged as a result of the adoption of IFRS 9 as the future cash credit losses do not change, it is anticipated that the following factors will, under IFRS 9, result in greater volatility of the impairment charge in the income statement:

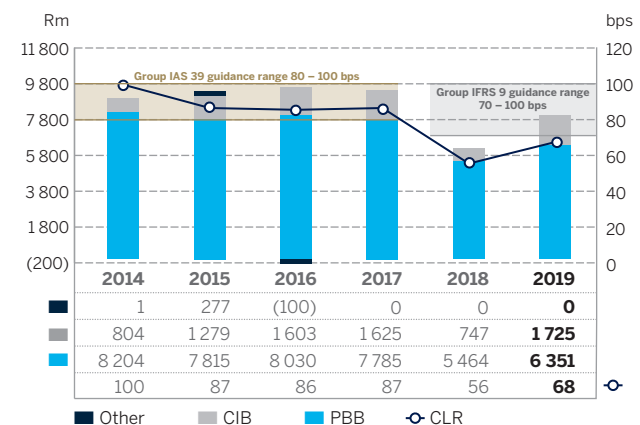
- Larger credit impairments will arise on loan origination (as a result of the 12-month minimum ECL requirement), following an increase in credit risk (as a result of IFRS 9's significant increase in credit risk requirement) and following the expectation of deteriorating economic conditions (IFRS 9's requirement to include forward looking economic expectations). IFRS 9 will thus result in higher credit impairments following book growth, a deterioration of credit quality or worsening economic expectations.
- The abovementioned increase would however be offset in part, when compared to IAS 39, since on transition to IFRS 9 higher impairments are recognised with respect to loans for which there has been SICR, but under IAS 39 would have been recognised later following the loan entering an early arrears status or defaulting.

CLR for the past six years have been depicted in the diagrams below:

PBB and CIB



Credit impairment charges



Forward looking economic expectations

IFRS 9's ECL model requires the inclusion of forward looking economic expectations in determining the amount of ECL to recognise. Forward looking economic expectations include macroeconomic information as well as other information that is specific to the exposures that could affect future changes in the credit risk associated with the exposures.

AFS Details on forward looking information considered by the group, which includes: South African economic expectations and the main macroeconomic factors are some of the essentials which are considered, have been detailed in our group annual financial statements.

RCM More detail on how we manage credit risk is available [online](#).

RESPONDING TO ECONOMIC CONDITIONS

The local currency results and economic conditions of the countries that are most material to the group's results are provided below. These economic conditions have a significant impact on the results of each of the operations, and therefore on the group's results.

South Africa

Operations results:

Despite the persistent weak performance of the South African economy over the year, as well as increasing competition, SBSA delivered R16.6 billion headline earnings, an increase of 4% from the prior year.

Currency impact: The rand depreciated by 3% against the US dollar in 2018.

GDP result: GDP growth 0.2% in 2019 (2018: 0.8%).

Ghana

Operations results: Headline earnings increased by 24.1% (CCY) from the prior year. This was supported by an increase in net interest income and non-interest revenue, due to growth in loans and financial investments, and higher transactional volumes.

Currency impact: The cedi weakened by 16.3% against the US dollar.

GDP result: GDP growth estimated to be 7.5% (2018: 6.3%).

Nigeria

Operations results:

Headline earnings improved by 10.9% (CCY), including the full year impact of the increase in shareholding during 2018. Improved foreign exchange trading volumes resulted in higher trading revenue.

Currency impact: The naira strengthened by 0.08% against the US dollar.

GDP result: GDP growth estimated to be 2.3% (2018: 1.9%).

Angola

Operations results:

Modest headline earnings growth of 2.8% (CCY) despite the economic recession and the non-recurrence of prior year impairment reversals. Costs were well-managed given currency devaluation, high levels of inflation and implementation of the Deposit Guarantee Fund insurance.

Currency impact: The kwanza depreciated by 56.4% against the US dollar.

GDP result: GDP contraction estimated to be -0.3% (2018: -1.2%).

Namibia

Operations results:

Headline earnings grew by 8.2% (CCY), supported by investment banking fee growth and prudent cost management. This was partly offset by higher impairments from the challenging economic environment. Namibia successfully listed on the Namibia Stock Exchange on 15 November 2019, reducing the group's shareholding from 100% to 84.5%.

Currency impact: The Namibian dollar, aligned to the South African rand, strengthened by 2.1% against the US dollar.

GDP result: GDP growth estimated to be -0.2% (2018: -0.1%).

Uganda

Operations results: Solid headline earnings growth of 19.8% (CCY), resulting from higher net interest income from higher customer balances and yields. This was partially offset by an increase in impairment provisions aligned to balance sheet growth.

Currency impact: The Ugandan shilling strengthened by 1.1% against the US dollar.

GDP result: GDP growth estimated to be 6.2% (2018: 6.1%).

Kenya

Operations results: Headline earnings improved by 18.9% (CCY), including the effect of the increase in shareholding during 2018. Contributing to this result was strong growth in client revenues which was partially offset by an operational loss on a trade contingency, a voluntary early retirement programme and impairments to isolated client balances.

Currency impact: The Kenyan shilling strengthened 0.59% against the US dollar.

GDP result: GDP growth estimated to be 5.6% (2018: 6.3%).

Mozambique

Operations results: Headline earnings decreased by 11.2% (CCY), mainly due to lower interest earned following the impact of the interest rate cuts in 2018 and 2019, and investment in IT infrastructure and new branches increased costs. This was partially offset by higher NIR from advisory, commitment and structuring fees.

Currency impact: The metical remained at 61.5 against the US dollar.

GDP result: GDP growth estimated to be 1.8% (2018: 3.3%).

References:

South Africa GDP data: Stats SA.

Other GDP data: IMF – World Economic Outlook projections, October 2019 and update January 2020.

LOOKING AHEAD

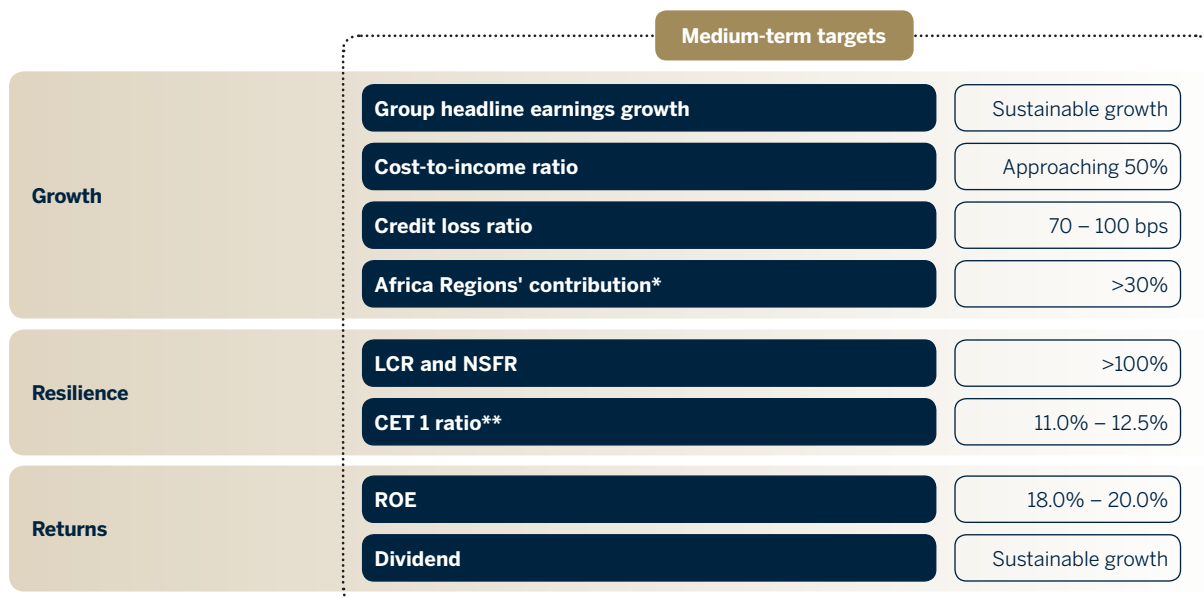
Global economic growth is expected to remain slow and downside risks persist. These risks include, among others, the impact of the COVID-19 outbreak, a rise in geopolitical and social unrest, and further weather-related disasters. In contrast, subdued inflation and accommodative monetary policy should support financial conditions and, in turn, emerging market flows. Continued strong growth in East Africa and an ongoing moderate recovery in West Africa should favour sub-Saharan Africa's economic growth prospects. Conditions are expected to remain difficult in Malawi, Zambia and Zimbabwe. While the impact of COVID-19 on global growth remains unknown, it is clear that a China slowdown and a disruption of Africa-China trade will negatively impact the trade balances of sub-Saharan African commodity exporters and be inflationary

for importers. In South Africa, while there were some positive governance and growth-related developments in 2019, there is still much more to be done. The constraints to growth and productivity are structural and the reforms required are well understood. In the absence of tangible progress, we foresee sustained economic weakness, driven by insufficient electricity supply and low confidence. Demand, and in turn inflation, is likely to remain low. Real GDP growth is currently expected to be 0.4% and 1.2% in 2020 and 2021 respectively, but a severe COVID-19 scenario would reduce growth substantially. Stakeholders will be kept informed of the impact of COVID-19 on our progress.

The macroeconomic outlook in the countries in which we operate is uncertain and the operating environment

is expected to remain challenging. Trading conditions are expected to remain difficult, regulatory-imposed constraints and technological change are set to stay, and competition will continue to intensify. Our top priority in 2020 is to increase our competitiveness by improving client experience through the seamless delivery of relevant and personalised financial solutions to our clients, in a secure manner, via their channel of choice. We will also continue to exercise tight cost discipline and seek to allocate resources efficiently and in support of our strategy to build a future-ready Standard Bank Group.

Over the medium term, we remain committed to delivering sustainable earnings growth and an ROE in our 18% to 20% target range.



* Contribution to banking headline earnings.

** Capital adequacy ratios based on the South African Reserve Bank (SARB) IFRS 9 phased-in approach.



SEE IMPACT

We are committed to driving sustainable and inclusive economic growth across Africa. To achieve this, we must ensure that the clients we bank, and the projects, partnerships and infrastructural developments we finance, create net positive SEE impacts. These considerations are front and centre when we make business decisions.

MEASURING OUR STRATEGIC PROGRESS

What guides our management of SEE impacts?

Our SEE management approach is guided by our purpose, our core business and the needs of African societies. It requires us to take a long-term view, and to assess the positive and negative impacts of our business decisions not just for the group, but for the communities in which we operate. SEE impact management is central to the commercial strategies of our business lines and legal entities. It shapes how we do business, how we generate our income, and the products and services we offer our clients. It also provides the opportunity to grow our business by providing innovative solutions that address societal, economic and environmental challenges in our markets.

What success looks like

Generating economic value in a way that produces value for society.

Understanding our direct and indirect impacts on the societies, economies and environments in which we operate, and making more informed, responsible decisions as a result.

How we measure progress

ESG and sustainability indices

We track our performance and inclusion in independent ESG and sustainability indices.

Principles for responsible banking



FINANCE
INITIATIVE

ESG rating

MSCI 

ESG RATING **AA**
last update: June 29, 2018

Member sustainability indices

MSCI 

Emerging Markets ESG Index



We make it easier to invest in companies that invest in the future.

JSE
THE JOHANNESBURG SUSTAINABLE INVESTMENT INDEX

SEE IMPACT AREAS

We have identified seven areas in which we believe we can best achieve our purpose while making a substantial positive impact on society, the economy and the environment through our core business activities. Our impact areas are informed by the UN global SDGs and the African Union's Agenda 2063.

In 2018, we reported against six impact areas. In 2019, we reviewed our impact areas and made some changes to ensure that they accurately reflect the areas in which we make the greatest impact. The changes included merging education and skills development, and adding two new impact areas: climate change and sustainable finance, and health.

Driving Africa's growth



Financial inclusion

Enable access to financial solutions that support economic development and reduce inequality.



Job creation and enterprise growth

Partner with clients, including SMEs, to deliver appropriate financial solutions.



Infrastructure

Support infrastructure development for inclusive and sustainable industrialisation, partnering with clients to manage and minimise environmental and social risks.



Africa trade and investment

Facilitate trade and investment flows between African countries, and with key global markets using innovative trade finance, cross-border payments and investment solutions.



Climate change and sustainable finance

Partner with clients to develop solutions that mitigate and adapt to the effects of climate change and support the green economy and social development.



Education

Support access to inclusive, quality education and lifelong learning opportunities, and help Africa harness the opportunities of the Fourth Industrial Revolution.



Health

Support improved health and wellbeing through financing and business development support, and investing in our people's health, safety and wellbeing; and health-focused corporate social investment programmes.



TRADE-OFFS

- Implementing new solutions that improve access to finance for small businesses and entrepreneurs to enhance their growth and potential to create jobs, while managing the default risk which is generally high for these vulnerable clients.
- Balancing the challenges posed by climate change, and the need to facilitate access to affordable energy to support economic growth and poverty alleviation.
- Our decisions consider the most optimal strategies to mitigate environmental impacts and are always made on the strict proviso that human rights are upheld and applicable laws and regulations adhered to.
- Finding ways to restructure debt for sectors impacted by climate change in a way that maintains the integrity of our loan book and the viability of our clients' businesses.

RECOGNITION

Received the UN's Sustainable City and Human Settlements Award, together with our project partners, for the South Hills integrated housing project in South Africa. When complete, the development will comprise 5 845 residential units and 112 hectares of green recreational space. The project has been recognised as a global green model community with houses built to be energy and water efficient. Over 70% of the units fall within the Financial Sector Charter definition of affordable housing.

RTS A more detailed view of our contribution in each impact area can be found in our reporting to society suite, available online, which includes our report to society, ESG report and an update on our transformation progress in South Africa.



PROGRESS MADE

Our impact

We enable more people and businesses to access affordable financial products and services, enabling them to manage day-to-day transactions, save and plan for the future, deal with unexpected emergencies and, for entrepreneurs, to achieve business growth.



FINANCIAL INCLUSION

- **Zimbabwe:** Launched BluEase, a low-cost transactional account for low-income earners (including university students and informal and sole traders). Clients receive a debit card and can access mobile banking, online banking and EcoCash to wallet transactions.

Improved convenience

- **South Africa:**
 - Over 37 000 clients have digitised their cards using Samsung Pay, enabling them to transact securely with their phones and other digital devices at contactless-enabled merchants and traditional POS devices. Samsung Pay uses technology that mimics the magnetic stripe on a bank card. Almost 500 000 transactions have been concluded since the product launch late in 2018.
 - Partnered with iiDENTIFii, enabling safe and secure remote account opening in under 60 seconds using biometric digital identity verification. iiDENTIFii matches the data from a selfie and the client's identity document with a facial biometric at an issuing authority or government department.
- **Various countries:** Launched digital lending, reducing the application process for new loans from five days to less than a minute, significantly reducing costs.

Highlights

Low-cost digital solutions

- **Nigeria:** Launched the @ease wallet, which provides a range of financial services (including interbank transfers, debit card issuance and cardless withdrawals from ATMs or the agent network) to the informally served, under-banked and unbanked markets on various structured platforms using a phone number.
- **South Africa:**
 - Introduced MyMo, a digital transactional account that enables clients to do their most frequent banking transactions at a low cost. Clients also get free airtime or data every month.
 - Grew our mobile phone-based money transfer service, Instant Money, with transaction volumes growing 18% year-on-year. Businesses use the service to reduce payment costs and speed up turnaround times, with Instant Money for Businesses showing annual growth of over 100%. Recipients do not need a bank account and can collect their funds at a date and time of their convenience.

LINK TO SDGs



Financial inclusion has been identified as an enabler for seven of the 17 SDGs, including reduced inequality.

Consumer education to support responsible and effective decision-making

- **South Africa:**
 - Invested R52 million in consumer education, through our Walletwise programme reaching around 514 500 people through direct educational interventions and 235 000 people through our website and social media, as well as the millions of people reached through our television and radio campaigns. Our programme explains financial products and services and how to use financial services and digital platforms effectively and affordably.

The programme targets the youth, small enterprises and people without formal bank accounts, with a focus on rural and non-metro areas. R3.5 million of our WalletWise spend reached 120 entrepreneurs and small business owners. In a separate initiative, the Wealth business hosted 22 financial literacy sessions for our employees.

- Launched the My360 app, which provides clients with a consolidated view of their net worth across different financial service organisations and geographies, and helps them better understand financial terminology and key concepts. The app will be rolled out to Africa Regions in 2020.
- The MiScore app helps clients understand their financial behaviours, improve their creditworthiness and avoid financial distress.
- **Various countries:** Delivered Financial Fitness Academies for the employees of our corporate clients. In Kenya, for example, we hosted 29 Financial Fitness Academies, reaching over 2 300 people. We also ran financial literacy campaigns, including in Botswana, Ghana and Nigeria, targeting the youth and general public. Our Wealth and Investment business hosted 142 online share trading education sessions with around 15 640 registered participants and 36 YouTube videos with approximately 5 700 views.

Encouraging savings and effective future planning

- **South Africa:**
 - Launched Invest, a specialist index tracking fund manager that provides a comprehensive product range of 28 unit trusts and exchange traded funds with around R12 billion of assets under management across multiple asset classes and geographies. The product helps clients invest simply, transparently and cost-effectively.

– To date, our clients have invested over R550 million in 63 000 tax free investment accounts, and over R440 million in 13 000 auto-share investment accounts (which enable new investors to access a range of JSE shares at a reduced cost).

- **Nigeria:** Support over 1.7 million retirement savings account holders with over R112 billion in assets under management. We also held a campaign to encourage informal sector workers, who are not covered by the current Contributory Pension Scheme, to take up our micro-pension product.

Enabling home ownership

- **South Africa:** Holding 34% of the home loan market share, during the year we:
 - Affordable housing**
 - Held an affordable housing loan book valued at around R26 billion, with almost 99 500 clients, and 27% market share.
 - Registered 5 667 new affordable home loans in 2019.
 - 1 037 of our affordable housing loan clients participated in our home loan consumer education programme.
 - Restructured 2 861 home loans to keep families in their homes; however, regrettably we had to enter legal processes with 1.6% of our clients who were in default after all alternative arrangements had been exhausted.

Home services

- Launched our sectional title index which provides clients with the necessary information to aid decision-making when purchasing a sectional title property.
- Launched LookSee, an online property valuation guide, to provide information to home buyers and sellers.

- **Zambia:** Dedicated a third of our corporate social investment budget (1% of Stanbic Zambia's annual profit) to the Buy-A-Brick campaign, which assists low-income households access decent housing. Our Buy-A-Brick account allows businesses and the general public to make donations towards the purchase of building materials.

Cross-border banking services

Partnered with Rewire, an international FinTech, to offer cross-border banking services to migrant workers from across our 20 African countries of operation. The service enables migrant workers to deposit money into a digital account and transfer the funds home.

Insurance

Launched an app for vehicle and home insurance in South Africa, designed specifically for millennials. The app rates clients on their driving ability and those who pass the digital driver test receive a discount on their insurance (valid for 12 months).

5 667

NEW AFFORDABLE HOME
LOANS REGISTERED



Our impact

We work with our clients to understand their challenges and priorities, to provide them with appropriate financial solutions to support their growth and expansion into new markets, and deliver digital solutions to meet their unique needs. We also provide targeted support to our SME clients, to help them develop their businesses, grow their skills, manage cash flow and access new business opportunities.



JOB CREATION AND ENTERPRISE GROWTH

Partnering with Africa's FinTechs

- **Kenya, Ghana, Nigeria and Uganda:** Selected the first five businesses for investment as part of our partnership with Founders Factory Africa, which aims to build and grow over 100 disruptive tech startups across Africa over five years. Founders Factory Africa will provide specialised tailored support, including product design, tech engineering, data science, branding, capital raising, and financial and operational readiness.
- **South Africa:** Provided business development support to seven technology businesses, including the winner of our Women in ICT competition.

Services for small businesses

- **South Africa:** Established SimplyBlu, a payment solution for small businesses wanting to trade their products online. Using a mobile app, entrepreneurs can set up their online store, issue e-invoices and securely accept digital payments. The app is safe, secure and cost effective, and no coding skills are required.
- **Zambia:** Secured a USD15 million facility from the International Finance Corporation to expand SME lending, with at least 25% of the loan earmarked for women-owned businesses.

Enterprise development support services

Delivered business development training programmes and bootcamps to over 2 100 SME owners across seven countries.

- **South Africa:** In addition to our WalletWise programme for SMEs, provided ten business practice seminars for 219 medical professionals on running a financially sound practice.

Highlights

Innovative credit solutions

- **Across Africa:** Invested USD4 million (R61 million) in Nomanini, enhancing our ability to extend credit to small shop owners and other informal retailers across Africa. Nomanini uses electronic wallet technology to connect informal merchants with distributors. Using this data we are able to build financial and risk profiles for traders, which supports our ability to make lending decisions.
- **eSwatini, Lesotho and Zambia:** Launched the Trader Platform Solution, enabling informal sector retail traders to apply for stock advance loans. Applications are assessed using trading data obtained from the Nomanini platform and loans are provided quickly and digitally. The solution will be made available in several other African countries in 2020.
- **South Africa:** Continued to facilitate lending to small businesses through our stake in Merchant Capital, a FinTech that offers collateral-free working capital loans. There are no fixed payment terms, and using software embedded in the client's point-of-sale machine, 10% of each sale is used to repay the loan, in addition to any monthly loan repayments. Access to sales information enables us to pre-empt any repayment challenges and provide advice and support. Merchant Capital has successfully concluded deals worth R200 million, with a default rate of only 2% – 3% of the book.

LINK TO SDGs



INCUBATOR PROGRAMMES

Expanded our network of incubators in Africa, launching new incubators in Botswana and Zimbabwe. Our incubators – also located in Ghana, Mozambique, Uganda and an entrepreneurship centre in Nigeria – provide small businesses with capacity building and business development support services, access to mentoring and coaching, access to market opportunities in our value chain and the value chains of our clients, and access to finance. In addition, businesses have free access to working space, Wi-Fi and meeting rooms. We also provide financial support for SME and entrepreneur development programmes in Angola, Lesotho and eSwatini. Together our activities directly benefitted approximately 5 000 SMEs in 2019.

Technological solutions for small-scale farmers

- **Uganda:** Piloting the OneFarm Agri Platform, working with five co-operatives, 350 farmers, a maize aggregator and a local tech startup. We trained local agents to profile farmers, manage input distribution and provide support. We have provided financing for seed, fertiliser and access to tractors, and the farmers are receiving training from an agronomist. Dashboards use satellite data to monitor each farm and identify potential risks early. The platform has helped farmers increase their capacity significantly.
- **Zambia:** Provided farmers with an app, Contour, enabling them to access satellite data, crop growth models, soil analysis mapping, fertiliser recommendations and weather data, supporting informed decision-making, planning and responsiveness that in turn helps them save costs and improve yields.

Improving farmer resilience to climate change

- **Malawi, Nigeria, South Africa and Uganda:** Working with UN Women to address gender gaps in the agriculture sector and improve their resilience to climate change. The initiative aims to reach over 50 000 women in three years, providing them with entrepreneurial and financial capabilities, and use of affordable technology to increase access to markets and finance. Our projects are supporting women farmers in fish farming, aquaculture and the cultivation of nuts, rice, beans and vegetables.

Our impact

We work with governments, development finance institutions and other commercial banks to finance large-scale infrastructure projects, addressing Africa's infrastructure gaps and enabling inclusive and sustainable industrialisation. We partner with our clients to ensure environmental and social risks are appropriately managed and minimised.



INFRASTRUCTURE

Highlights

Energy

- **Ghana:** Part of a consortium that provided independent power producer, Genser Energy, with a USD265 million term loan facility for debt financing and further expansion, including increasing the total capacity of its plants in Ghana from 107 megawatts (MW) to 200 MW, and building an additional 255 kilometres of onshore natural gas pipeline, increasing the country's gas pipeline infrastructure by nearly 160%.
- **Namibia:** Sole commercial lender in partnership with the African Development Bank to the government's national fuel storage facility project at Walvis Bay, increasing Namibia's fuel reserves by an additional 30 days of supply and enhancing the country's ability to manage fuel supply interruptions.
- **South Africa:** Financed Globelec's acquisition of five renewable energy generation plants. The international power company aims to improve operations, as well as the social and economic development programmes linked to the plants, which were developed under the renewable energy independent power producer procurement programme.
- **Uganda:** Arranger and lender in a syndicated loan of USD70 million to Umeme Limited, Uganda's largest energy distributor, to upgrade the country's electricity network and distribution system, and accelerate pre-paid metering.

Transport

Mozambique: Co-arranged and participated in two funding facilities totalling USD140 million to support the ongoing expansion and improvement of the Port of Maputo, enabling it to receive higher capacity vessels and improving its competitiveness.

Telecommunications

South Africa: Together with ICBC, provided Telkom with a funding solution that includes a R2 billion buyer's credit policy from Sinosure, enabling Telkom to purchase Huawei equipment that will support the expansion of its mobile phone business.

Schools

Uganda: Partnered with M-Kopa to provide 22 primary schools with solar-powered electricity for classrooms and administration blocks, encouraging better attendance by teachers and students, and enabling candidates to study after hours. 105 teachers and 5 300 students have benefitted from the project, including 450 final year students.

LINK TO SDGs



The African Union Commission reports that every year around 73 million people must be connected to electricity to achieve the goal of affordable and sustainable energy for every African by 2030.



Our impact

We facilitate trade and investment flows between African countries, and between African countries and key global markets, including China, through the provision of innovative trade finance solutions and cross-border payment and investment solutions.



AFRICA TRADE AND INVESTMENT

Highlights

Facilitating investment in Africa

- Provided CMA CGM, a leading global transport and logistics group, with a USD75 million (R1 billion) three-year loan facility to fund their working capital needs in sub-Saharan Africa, and a EUR20 million (R320 million) five-year loan facility to acquire and develop an inland container platform in Côte d'Ivoire, which will progress the company's intermodal logistics strategy in West Africa. Both deals will support growth in African trade.
- Provided Majid Al Futtaim – Dubai's leading shopping mall, retail and leisure group – with a KES3 billion (R430 million) loan to expand its retail presence in Kenya.
- Assisted Neumann Coffee Group coordinate its banking activities across Kenya, Uganda and Tanzania. The company supplies 10% of the world's green coffee demand and sources its product from small-scale farming cooperatives.

Helping African governments and businesses access capital

Raised approximately USD15 billion (R217 billion) on international markets for our clients, including almost USD10 billion in total for the governments of Ghana, Kenya and South Africa. This includes equity of over USD1 billion in initial public offerings (IPOs) on the London Stock Exchange (LSE) for African companies. We facilitated the largest IPO to close on the LSE in the second half of 2019 for Helios Towers, a leading sub-Saharan telecom towers company which enhances digital infrastructure and social connectivity across Brazzaville, Congo, the DRC, Ghana, Tanzania and South Africa.

Connecting China and Africa

- The ICBC partnership has jointly facilitated deals in Africa valued at USD3.6 billion, with a particular focus on infrastructure and energy.
- Partnered with ICBC to help African importers and exporters build direct relationships with buyers and suppliers in China through our Africa China Agent Proposition (assists African importers source and validate quality goods, safely and efficiently) and our Africa China Export Proposition (connects our African clients with suitable Chinese importers from the ICBC client base).
- Launched ICBC's 'I Go Global' credit card reward scheme in Tanzania and Zambia. The reward scheme, now available in five African countries, provides seamless transacting for Africans travelling in China and Chinese citizens travelling in Africa.

LINK TO SDGs



TAKING THE FRICTION OUT OF TRADE FINANCE

TradeSuite

TradeSuite is an end-to-end trade finance service that uses technology to improve supply chain reliability by providing:

- A single point of contact for all import needs from order to delivery, including liaison with logistics service providers, goods tracking and timeous customs clearing.
- Cover for currency fluctuations in line with clients' hedging strategies.
- Access to TradeCloud, a cloud-hosted business-to-business import trade management platform for corporates and SMEs. The intelligent integrated platform costs an entire shipment of goods across the value chain, including logistics rates, customs duties, finance rates and insurance costs, ensuring accurate pricing.
- Access to the Trade Club, comprising of more than 15 000 trusted businesses from around the world ready to trade with Africa. The club leverages our African footprint, ICBC partnership and participation in the International Trade Alliance (an alliance of 16 banks globally which enhances the connection of buyers and sellers in the pre-execution phase of trade finance).

My Imports

My Imports is an end-to-end import management solution that uses a digitised, modularised platform. It tackles a number of challenges faced by importers, including managing supplier delivery, the tracking of goods, availability of adequate facilities, adequate foreign exchange cover and the costing and management of banks, clearers and forwarders.

Our impact

We work with our clients to develop appropriate solutions to mitigate and adapt to the effects of climate change, including the development of innovative financial products and services that support the green economy.



CLIMATE CHANGE AND SUSTAINABLE FINANCE

Highlights

- Began work on a groupwide climate related risk strategy framework, including a review of our client portfolio to identify high risk exposures, and started enhancing our data gathering to ultimately align with the reporting requirements of the TFCD.
- Established Africa's first dedicated sustainable finance team, which develops bespoke solutions to assist clients achieve their social and environmental goals. Deals concluded during the year include:
 - **Africa's first ESG-linked funding arrangement:** A R500 million five-year loan to South Africa's Curro schools.
 - **East Africa's first green bond:** A R611 million bond for Nairobi-based property developer, Acorn Group, to develop green-certified student accommodation.
- Began developing a Sustainable Bond Framework to guide the issuance of sustainable, green and social bonds for projects that mitigate environmental impact and reduce economic and social inequality.
- Continued to work with the International Chamber of Commerce Banking Commission, co-leading a working group tasked with encouraging banks to employ sustainable finance trade practices.
- Became a founding signatory of the United Nations Principles for Responsible Banking, a global benchmark that recognises that a bank's indicators of impact and success must be broader than its financial results. More than 100 banks from five continents launched the Principles at the annual UN General Assembly in September 2019.
- **South Africa:** Provided asset finance for 103 small-scale solar photovoltaic projects, totalling 9.5 MW, and helped our clients reduce their carbon footprints by using the ECO₂Fleet web-based data monitoring and reporting tool to better manage their fleets.

ESG Read more [online](#).

LINK TO SDGs



Africa is among the most vulnerable continents to climate change, with major implications for agricultural production, food security, access to water, health and livelihoods.



Our impact

We support access to inclusive, quality education, promote lifelong learning opportunities and enable Africa to harness the opportunities associated with the Fourth Industrial Revolution.



EDUCATION

- **Uganda:**

- Held the National School Championship, which equips children with business and enterprise skills. The initiative reached 72 schools and approximately 21 600 students, 432 business plans were received and 288 participants took part in a boot camp which taught personal, business and life skills. The winning school received cash and a fully installed solar system and the three contestants and their teacher received iPads and an educational trip to South Africa.
- Through our partnership with the Léo Africa Institute, 30 fellows received business leadership training designed to support self-advancement, integrity, social responsibility and socioeconomic transformation. Participants are selected based on their efforts to address poverty, climate change and unemployment, and support social justice.
- Partnered with USAID and RTI International to improve literacy in primary schools, providing reading cards to 60 schools across the country.

Highlights

Corporate social investment

Invested over R92 million in education-focused corporate social investment programmes across our countries of operation.

- **Angola:** Elected Chair of the RARSE Board, the country's corporate social responsibility network, which acts as a national platform, connecting public and private entities as well as non-governmental organisations. We achieved this position based on our education and health-related corporate social investment interventions.
- **South Africa:** Refreshed our corporate social investment strategy, focusing on ECD and foundation phase education to prepare these children for jobs that do not yet exist. Our partnerships support the development of foundation phase teachers and ECD practitioners, and the development and delivery of future skills curricula.

Access to student finance

- **Across Africa:** Our bursary programmes support our efforts to achieve positive social and economic impacts in the areas of education, learning and development, employment, and African economic development. We are committed to facilitating access to higher education to provide opportunities for young people. This ongoing investment enables our recipients to become economically active citizens of Africa and, to the extent possible, start their careers with the group. We provide support to 163 tertiary students (141 of whom are medical students) from households that earn up to R600 000 per year as part of the Ikusasa Student Financial Aid Programme in South Africa.
- **South Africa:** Raised R35 million through the Feenix crowd-funding online platform for over 1 000 tertiary education students since June 2017, helping them to complete their studies. 75% of the fund is allocated to black, coloured and indian recipients and 50% to women. We have extended our sponsorship of Feenix beyond the original three years committed.

LINK TO SDGs



Sub-Saharan Africa has the highest global rate of education exclusion, with only 77% of children enrolled in primary school.

Our impact

We support better health outcomes for Africa's people by financing healthcare providers, infrastructure and equipment, providing business development support to healthcare practitioners, investing in the health, safety and wellbeing of our people and supporting healthcare-related corporate social investment initiatives.



HEALTH



Highlights

Healthcare funding

- **Ghana:** Provided a donation from our corporate social investment budget to Amiah Hospital to construct a three-storey building able to serve around 5 000 patients. We also financed the construction of a first aid training room and resource centre for the Red Cross.
- **Kenya:** Working with General Electric Healthcare to improve access to quality and affordable healthcare. During the year, this partnership provided finance to Metrocare Imaging Limited, enabling it to install a CT scanner in a remote village.
- **Zimbabwe:** Working in collaboration with local and international partners, providing funds from our corporate social investment budget and mobilising crowd funding, raised R1.8 million to refurbish a halfway house for cancer patients undergoing treatment in Harare and to furnish a home for expectant mothers in Mutoko, enabling them to be nearer to a hospital two weeks prior to their due date.

Corporate and social investment

- **Botswana, Mauritius, Mozambique, South Africa and Zimbabwe:** Provided funding of over R1.2 million to assist those impacted by Cyclone Idai, enabling them to access free healthcare, as well as critical supplies.
- **Angola:** Sponsored free medical consultations for 25 communities in poor and difficult to access areas, reaching almost 27 000 people.
- **Lesotho:** Invested R60 000, benefitting over 1 000 patients, in a collaboration with the Basotho Medical Students Association, where student doctors provide basic health services (including screening for HIV, diabetes and tuberculosis) in rural areas.
- **Nigeria:**
 - Invested R224 000 in preventative vaccinations, medical treatment for adults and children with malaria and high quality, long-lasting insecticide-treated nets for 3 000 vulnerable children, pregnant women and families across three states.

- In partnership with Together4 A Limb, we support indigent children who have lost limbs. We sponsor their prostheses and medical assessments until they are 18-years old, and finance their schooling. Ten children joined the programme in 2019, bringing the total number of children supported to 30 since inception five years ago.
- **Uganda:** Contributed UXG250 million (R985 000) to sponsor the MTN Kampala Marathon, with all funds raised directed toward improving maternal health in the country.

LINK TO SDGs



The World Health Organization aims to reduce malaria cases and deaths by 90% by 2030.



HOLDING OURSELVES ACCOUNTABLE

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GOVERNANCE OVERVIEW

Our approach to corporate governance promotes strategic decision-making that balances short-, medium- and long-term outcomes to reconcile the interests of the group, stakeholders and society in creating and protecting sustainable value.

As an integral part of the societies in which we operate and on which we depend for our licence to operate, we are morally and legally bound to act in a way that is good for these societies and good for the group. Our corporate governance approach, therefore, rests on the following clear commitments:

- **Promoting transparency, accountability and empathy** in managing our stakeholder relationships, and ensuring that our clients are treated fairly and consistently.
- **Delivering a positive impact on society, the economy and the environment** through our business activities.
- **Adherence to the highest applicable regulatory and governance standards**, including the voluntary adoption of ESG standards.
- **Instil an ethical and risk-aware culture**, recognising that the trust our stakeholders have in us is the foundation of our legitimacy and the basis on which we are able to compete, collaborate and change as we become a truly human, truly digital integrated African financial services group.

In line with King IV, we understand good governance as the exercise of ethical and effective leadership. The board is responsible for ensuring good governance, guided by our principle of doing the right business, the right way. What we understand as 'right' is informed by our values, code of ethics, and applicable legislation.

 **GOV/REM** Read more **online**.

OUR GOVERNANCE FRAMEWORK

Our board-approved governance framework is embedded in all the group's operations. It is designed to provide a clear direction for responsive decision-making across the group and supports responsible behaviour and the implementation of best practices by:

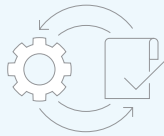
Ensuring the pursuit of strategic opportunities within board-approved risk appetite, supporting a prudent balance of risk and return.

Providing effective control to avoid financial loss or reputational damage due to misconduct and unethical behaviour.

Embedding the principle of doing the right business, the right way, to ensure ethical and defensible business practices within and across our markets.

Supporting our legitimacy as a corporate citizen that enhances the resources and relationships we rely on today for the future benefit of the group, our stakeholders and society.

ACHIEVING OUR GOVERNANCE OUTCOMES



Maintaining effective control

The board retains effective control through the governance framework and delegates certain functions to its committees according to clearly defined mandates and decision-making rights set by the framework. This allows the board to allocate sufficient attention to the matters reserved for its decision-making, while also ensuring that delegated matters receive in-depth focus. Committee chairmen are accountable for the effective functioning of board committees.

The board delegates the management of the day-to-day business and affairs of the group to the group chief executive, with full power on behalf of and in the name of the board. The group executive committee provides counsel to the group chief executive, acting as a sounding board and ensuring overall coordination across the group, legal entities, and other key stakeholders. Members of the group executive committee exercise powers in accordance with their delegated authority.

It is intended that every year, one board meeting is held at one of our African Region subsidiaries, giving group non-executive directors the opportunity to interact with in-country board members, executives and key clients in that country, deepening their understanding of local issues.

Board responsibilities

The group board is responsible for the ethical and effective leadership of the group. Our clearly defined governance framework enables the board to fulfil its duties, which include:

- Guiding and approving the group's strategic direction.
- Overseeing the implementation and execution of the strategy.
- Overseeing resource allocation and risk appetite.
- Approving policy and capital planning.
- Holding executive management to account for the performance of the group, including the achievement of financial and non-financial goals.
- Ensuring executive management sets the tone for good governance based on the group's values.

Roles and responsibilities

The roles of chairman and group chief executive are separate. The allocation of responsibilities is clearly set out, ensuring that no single director has unfettered powers in the board decision-making process. Executive directors and the group's prescribed officers attend board meetings, increasing the contact between the board and management.

The group chief executive and the executive team are held accountable to agreed operational and financial performance targets aligned to our strategy and in the best interests of the group and its material stakeholders. The board monitors their delivery against these targets.

Management is open and transparent with the board and brings to its attention any matters of concern in the appropriate forums and in a timely manner.

Assessing board and committee effectiveness

How the board performs and is evaluated

The annual board evaluation provides an opportunity to identify greater efficiencies, maximising strengths and highlighting areas of further development to enable the board to continuously improve its performance and that of the group. Externally facilitated board and board committee evaluations are performed every two years and internal self-evaluations are performed every alternate year. The board chairman, with the support of the group directors' affairs committee, leads the board in considering and responding to the annual review of its effectiveness, which also includes a review of its committees and individual directors. Performance evaluation of the chairman is carried out by the board, led by the deputy chairman.

2019 evaluation of the board's performance

The 2019 evaluation was internally facilitated by the company secretary and overseen by the group directors' affairs committee and obtained the directors' views on what they consider to be working well and areas they identified as needing improvement. The topics assessed included:

- Risk and conduct,
- Financial outcome,
- Group competitiveness and ability to respond in an agile manner,
- SEE impact and stakeholder engagement,
- Employee engagement and board succession plans,
- Transformation/ diversity/ political economy (South Africa),
- Oversight over subsidiaries,
- Overall effectiveness of board committees and their reporting to the board,
- Client centricity,
- Digitisation journey, and
- Assessment by committee members on efficacy of each board committee.

Overall, the board is considered to be functioning well and there is a relationship of trust among board members. The culture of the board is seen as healthy and robust. There is support for the executives and mutual respect between all parties. There is alignment on strategy and the board is seen as effective in discharging its role.

 [GOV/REM](#) Read more **online**.

Board education and training

Continuing board education sessions are scheduled a year in advance to ensure full board participation.

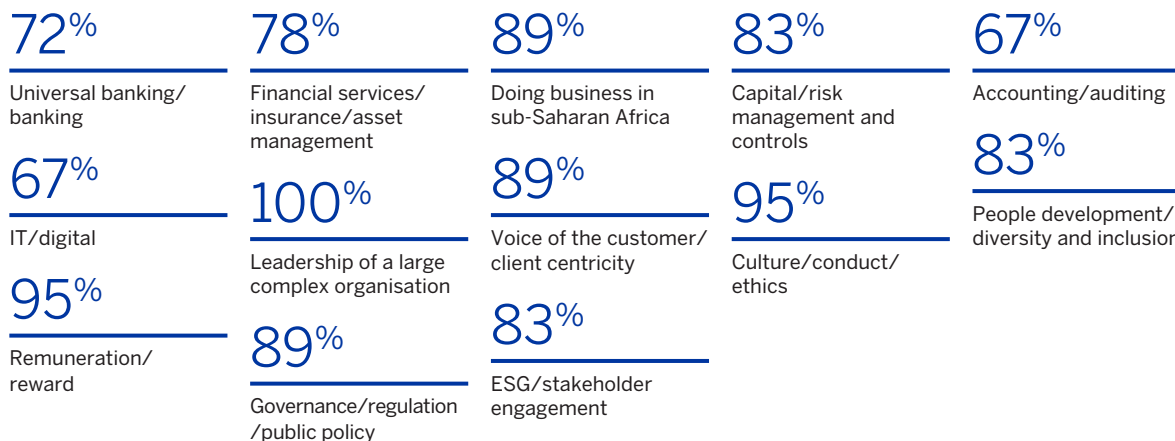
A key focus for the board is to become 'digitally savvy', develop a common understanding among directors of what it means to be digital and to ensure that it has the capacity and capability to guide executive management, add value to the group's strategic direction and lead a relevant, competitive, innovative and integrated financial services organisation. Board education and training delivered in 2019 reflected this focus.

Topics covered in 2019 included:

- Blockchain**
 Understanding the use and future applications of blockchain, and its impact on the banking environment.
- Independent review of cyber resilience**
 An in-depth look into the results of the independent assessment conducted on the group's information security programme and practices.
- Artificial Intelligence**
 An overview of the group's strategy for AI and machine learning, and the opportunities and risks it presents in the financial services industry.
- Internal Audit: assurance in a new digital world**
 A presentation on the group's digital strategy for the combined assurance function.
- The creation and institutionalisation of a culture of ethics and awareness**
 A presentation to the SARB on the group's overall approach to ethics.
- Conduct risk management**
 An overview of the group's conduct risk framework, the eight pillars of conduct and outcomes, and the role of the board as it pertains to conduct risk.
- My360 app**
 A demonstration of the My360 app, which tracks a client's assets, liabilities and risk cover regardless of financial institution, geography or insurer.

Board director skills

We apply a skills matrix to ensure our directors have the relevant range of skills and experience in the short-term and to identify specific skills required to protect and create value in the long term.



In addition to standard items on the board agenda, the board's key focus areas in 2019 included:

- Receiving management feedback on the group's digitisation journey, including PBB South Africa service and delivery channel optimisation and its impact on business and stakeholders.
- Considering competitor analysis reports which focused on the group's performance relative to its peers.
- Considering the audit committee's recommendation on the re-appointment of external auditors.
- Noting the group's corporate activities.
- Considering business unit deep drills from CIB, PBB and Wealth chief executives.
- Considering the quarterly group chief executive report.
- Noting the perspective from Australia regarding the Royal Commission Report on conduct.
- Recommending that shareholders' vote against the resolutions to report on the group's assessment of greenhouse gas emission and to adopt and publicly disclose a policy on lending to coal-fired power projects and coal mining operations.
- Approving the appointment of three independent non-executive directors, Maureen Erasmus, Priscillah Mabelane and Nonkululeko Nyembezi.
- Considering feedback from the group chief information officer on IT incidents.
- Resolving to exercise the put option and to authorise Standard Bank London Holdings to give the requisite notice to ICBC over the group's residual 20% shareholding in ICBC Argentina and its affiliates.
- Approving the appointment of Trix Kennealy as the chairman-designate of group remco. Trix Kennealy will take over as chairman of group remco as well as the board's lead independent director, when Peter Sullivan retires from the group in May 2020.



Delivering good performance

In approving the group's strategy, the board considers the group's purpose, vision, values and legitimacy, emerging risks and opportunities, the group's operating model, infrastructure and resources, and its performance against the metrics associated with our value drivers, to ensure the long-term success and sustainability of the group.

Setting the board agenda

A forward planner with standing agenda items is prepared.

The chairman considers emerging issues affecting the group.

Care is taken to ensure the board has the appropriate time to consider matters critical to the group, including compliance, administrative and governance matters.

After each board meeting, a closed session is held for non-executive directors, providing them with an opportunity to test thoughts and raise matters considered inappropriate for discussion in the presence of the executive directors. The chairman provides feedback to the group chief executive.

The committees in 2019, in relation to their mandates, included:

Group risk and capital management committee

Purpose

- Provide independent and objective oversight of risk and capital management across the group.
- Review and assess the adequacy and effectiveness of the risk and capital management governance framework and ensure that associated standards and policies are clear, appropriate and effective.
- Evaluate and agree the nature and extent of opportunities and ensure discipline and control in managing the associated risks in pursuit of group strategic objectives.

Group audit committee

Purpose

- Monitor and review the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes.
- Provide independent oversight of the group's assurance functions, with focus on combined assurance arrangements, including reviews of the independence and effectiveness of the external audit, internal audit and compliance functions.
- Assess compliance with applicable legal, regulatory and accounting standards and policies in the preparation of fairly presented financial statements and external reports.

Group directors' affairs committee

Purpose

- Determine the appropriate group corporate governance structures and practices.
- Maintain the board continuity programme.
- Ensure compliance with all applicable laws, regulations and codes of conduct and practice.
- Assess and ensure the effectiveness of the board and its committees.

Group social and ethics committee

Purpose

- Ensure that social conscience is embedded in the way the group does business.
- Ensure the development of appropriate policies relating to stakeholder and reputation management.
- Guide and monitor the group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, regulation, standards and codes.

Group remuneration committee

Purpose

- Assist the board to ensure fair and responsible remuneration.
- Develop the group's remuneration philosophy and policy in line with best practice and engage key stakeholders in this regard.

Group technology and information committee

Purpose

- Ensure prudent governance of technology and information and oversee related governance mechanisms to support the group in achieving its strategic objectives.

Group model approval committee

Purpose

- Assist the board in managing model risk according to the advanced internal ratings-based approach for measuring exposure to credit risk stipulated by the Banks Act.
- Perform functions set out in the associated regulations, including inspecting risk evaluation models for approval.

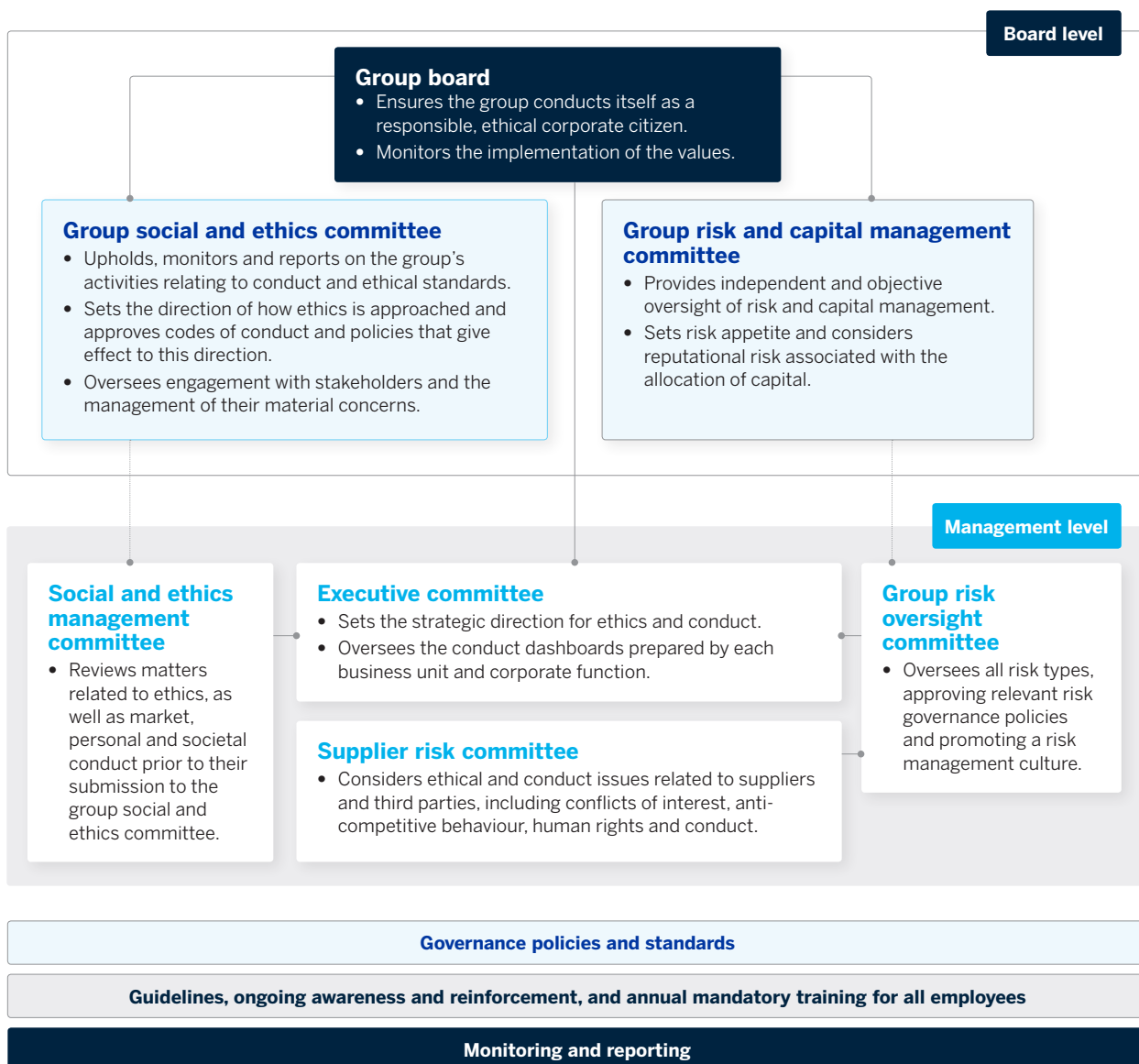


Achieving an ethical culture and ensuring our legitimacy

The chairman and the board set the ethical tone for the group. Our purpose, values and ethics are the basis on which we institutionalise an ethical culture across the group and in the delivery of our strategy. Our code of ethics provides our people with practical guidance on how to behave, outlines acceptable conduct and empowers them to make faster, more confident decisions within clearly defined parameters. The board and committee effectiveness assessments and executive management and individual employee performance evaluations measure conduct against the group's values and code of ethics.

Our overarching governance framework supports the institutionalisation of an ethical culture (shown below), which in its focus on the governance of our conduct as individuals, in our markets and in society provides the cornerstones for the group's legitimacy. This enables the board to oversee and monitor how the consequences of the group's activities affect its status as a responsible corporate citizen that understands the expectations of our stakeholders and acts to balance their interests, thereby ensuring positive outcomes in each of our strategic value drivers.

Governance of ethics



Personal conduct

(how we behave in the group)

Governance framework

- 1 **Board level:** group social and ethics, and group risk and capital management committees
- 2 **Management:** executive and social and ethics management committees
- 3 Group standards and policies

Policies

- Conflicts of interest.
- Gifts and entertainment.
- Outside business interests.
- Personal account trading.
- Discrimination.
- Disability.
- Sexual harassment.
- Harassment in the workplace.
- Occupational health and safety.

Execution

Tracking metrics related to diversity and inclusion, employee trends and wellbeing, and monitoring progress against targets.

Performance management and remuneration.

Recruitment and selection.

Culture.

Leadership development and group leadership identity.

Our annual employee survey:

- Provides employees with a safe way in which to speak out.
- Enables us to assess how employees view the integrity of their line managers.
- Provides insights on how employees feel about working for the group (eNPS score).

Market conduct

(how we behave in the market)

Governance framework

- 1 **Board level:** group social and ethics and group risk and capital management committees
- 2 **Management:** executive and social and ethics management committee
- 3 Group standards and policies

Policies

- Anti-bribery and corruption.
- Whistleblowing.
- Money laundering control.
- FAIS disbarment.
- Data privacy.
- Market abuse control.
- Treating customers fairly.

Execution

Business units manage conduct risk associated with their businesses.

Business units submit quarterly conduct dashboards to exco.

Dashboard metrics and considerations

- Employee turnover, absenteeism and employee relations.
- Compliance training.
- Compliance with policies.
- Whistleblowing incidents.

Societal conduct

(how we behave in society)

Governance framework

- 1 **Board level:** group social and ethics committee
- 2 **Management:** executive and social and ethics management committee
- 3 Group standards, policies and statements

Policies

- Respectful, constructive, transparent and responsive stakeholder engagement.
- Trade associations and industry memberships.
- Engaging advocacy and lobby groups.
- Environmental and social risk management.
- Human rights statement.
- United Nations Principles for Responsible Banking.
- UN HeForShe campaign.
- Equator Principles.
- Corporate social investment policy.

Execution

Group policy advocacy and sustainability function.

Corporate social investment forum.

SBSA's political economy, transformation and black economic empowerment committee.

Leadership and participation in various industry initiatives, associations and forums.

The environmental and social risk management framework is used to proactively identify, manage and monitor related risks in our lending processes.

External reporting (report to society and ESG report) and ranking on key ESG indices.

We aim to:

- Understand the impacts of our business activities – direct and indirect – including impacts on the environment, society and economic growth.
- Identify and develop opportunities to provide financial products and services that help our clients overcome economic, social and environmental challenges.

OUR LEADERSHIP

OUR GROUP BOARD

Our directors have deep experience and diverse skills, enabling the board to provide informed counsel, rigorous oversight and independent interrogation in leading integrated thinking in the group and guiding the executive committee in the design and delivery of the group's strategy.



7/7

Thulani Gcabashe ^{62*}

Chairman and independent non-executive director, SBG and SBSA

KEY STRENGTHS: Business leadership; executive management of a complex business; solid strategic planning experience.

APPOINTED: 2003

APPOINTED CHAIRMAN: 2015



7/7

Jacko Maree ^{64 #}

Deputy chairman, SBG and non-executive director, SBG and SBSA

KEY STRENGTHS: Over 35 years' experience in banking and leadership; deep insight into the role of a chief executive and the challenges faced; skilled team builder.

APPOINTED: 2016

BOARD MEETING ATTENDANCE



7/7

Peter Sullivan ^{72 ^}

Lead independent director, SBG and independent non-executive director, SBSA

KEY STRENGTHS: Seasoned banker with international experience; over ten years leadership experience in both Africa and Asia; strong non-executive director and chairman experience with excellent coaching and mentoring skills.

APPOINTED: 2013

APPOINTED LEAD INDEPENDENT DIRECTOR: 2017



7/7

Sim Tshabalala ^{52 †}

Group chief executive, SBG and executive director, SBSA

KEY STRENGTHS: Extensive groupwide leadership experience; leading strategy formulation and execution; proven track record of enhancing competitiveness and ensuring sustainability; ability to manage complex stakeholder relationships.

APPOINTED: 2013



7/7

Arno Daehnke ^{52 #}

Group financial director, SBG and executive director, SBSA

KEY STRENGTHS: Detailed understanding of banking regulations; financial management, budgeting and forecasting skills; balance sheet management experience, including capital and liquidity management, at group and subsidiary level.

APPOINTED: 2016



4/4

Maureen Erasmus ⁵⁹

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Seasoned investment banker with international experience in emerging markets; strategy development and execution skills.

APPOINTED: 2019



7/7

Geraldine Fraser-Moleketi ⁵⁹

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Experience in international, regional (Africa) and national politics; strong strategic, ethical and oversight skills; sustainability and sustainable development.

APPOINTED: 2016



7/7

Trix Kennealy ^{61**}

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Extensive operational and strategic management experience across a variety of industries and sectors; over 30 years' experience in corporate governance; broad experience in strategic financial management, including restructuring, acquisitions and integrations.

APPOINTED: 2016



Priscillah Mabelane ⁴⁶

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Leadership in a multinational organisation; strategy formulation and execution; financial acumen.

APPOINTED: 2020



7/7

Nomngando Matyumza ⁵⁷

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Strong financial and executive management skills; experience in strategy development and execution; seasoned non-executive director in several sectors.

APPOINTED: 2016



7/7

Kgomotso Moroka ⁶⁵

Non-executive director, SBG and SBSA

KEY STRENGTHS: Strong business leadership skills; extensive experience in governance, regulation and public policy; significant legal experience.

APPOINTED: 2003



BOARD MEETING ATTENDANCE

Nonkululeko Nyembezi ⁵⁹

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Leadership across multiple sectors; strategy planning and execution.

APPOINTED: 2020



7/7

Martin Oduor-Otieno ⁶³

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Over 18 years' extensive banking experience; strategy development and execution skills, strong leadership and governance experience.

APPOINTED: 2016



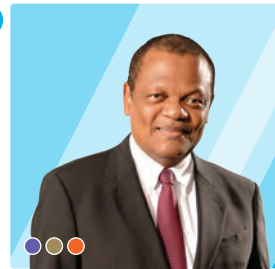
6/7

André Parker ⁶⁹

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Extensive experience of running businesses in Africa and Asia; strong brand management experience in fast-moving consumer goods markets; non-executive director experience in South African corporates.

APPOINTED: 2014



7/7

Atedo Peterside ⁶⁴

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Strong business and banking experience, as the founder and former chief executive of the Investment Bank and Trust Company Limited (IBTC); seasoned investment banker and economist.

APPOINTED: 2014



7/7

Myles Ruck ⁶⁴

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Strong banking experience with a career spanning over 30 years; experience in running a large and complex business; extensive risk management experience.

APPOINTED: 2002



6/7

John Vice ⁶⁷

Independent non-executive director, SBG and SBSA

KEY STRENGTHS: Extensive experience in auditing, accounting, risk and practice management; experienced IT advisor and consultant in IT strategy, risk, audit and controls; knowledge and experience of running businesses in South Africa and other African countries.

APPOINTED: 2016



7/7

Lubin Wang ⁴⁶

Non-executive director, SBG and SBSA

KEY STRENGTHS: Senior management experience in multiple geographies; experience in a variety of corporate functions, including finance, IT, procurement and administration; strong ability to adapt to different environments.

APPOINTED: 2017

- Chairman
- Deputy chairman
- Lead independent director
- Executive directors
- Independent non-executive directors
- Non-executive directors

RESPONSIBILITIES:

- * Board governance and performance, and shareholder engagement.
- # Leading the board performance appraisal of the chairman and advising the chairman on general board matters.
- ^ Dealing with shareholders' concerns where contact through the normal channels fails to resolve concerns, or where the chairman may be conflicted.
- † Strategy and group performance.
- ⊙ Group financial performance and reporting.

Non-executive directors provide independent and objective judgement. They constructively challenge and monitor the executive management's delivery of strategy within the approval framework and risk appetite agreed by the board.

COMMITTEES:

- Group directors' affairs committee
- Group technology and information committee
- Group remuneration committee (remco)
- Group audit committee
- SBSA large exposure credit committee, an SBSA sub committee
- Group social and ethics committee
- Group risk and capital management committee
- Group model approval committee
- Committee chairman

**Trix has been appointed as chairman-designate of remco and as the lead independent director, effective from the AGM 2020.

OUR GROUP EXECUTIVE COMMITTEE

The group chief executive, supported by the group executive committee, is accountable for the implementation of strategy and the performance of the group. The skills and experience of group executive committee members underpin the group's ability to deliver its strategy, measured against our five strategic value drivers.



Sola David-Borha

Chief executive, Africa Regions

QUALIFICATIONS

BSc Economics (University of Ibadan), MBA (University of Manchester), AMP (Harvard), GCP (IESE, Wharton, CEIBS)



René du Preez

Group general counsel

QUALIFICATIONS

BProc (cum laude), LLB (cum laude), HDipTax (UJ³)



Sim Tshabalala

Group chief executive, SBG and executive director, SBSA

QUALIFICATIONS

BA, LLB (Rhodes University), LLM (University of Notre Dame, USA), HDip Tax (Wits¹), AMP (Harvard)



Arno Daehnke

Group financial director, SBG and executive director, SBSA

QUALIFICATIONS

BSc, MSc (UCT²), PhD (Vienna University of Technology), MBA (Milpark Business School), AMP (Wharton)



Kenny Fihla

Chief executive, CIB

QUALIFICATIONS

MSc (University of London), MBA (Wits)



Jörg Fischer

Head, group shared services and group real estate services

QUALIFICATIONS

BCom (Wits), Bachelor of Accountancy (Wits), CA (SA), Advanced Certificate in Taxation (UNISA⁴), MIT Global Executive Academy (Cambridge, MA)



Lungisa Fuzile

Chief executive, SBSA

QUALIFICATIONS

MCom (UKZN⁵), AMP (Harvard)



David Hodnett

Group chief risk officer and group ethics officer

QUALIFICATIONS

BCom (Wits), BAcc (cum laude), CA (SA), MBA (Manchester Business School/Wits), Advanced Diploma in Banking.



Isabel Lawrence

Group chief compliance and data officer

QUALIFICATIONS

BA (Hons), LLM (Rand Afrikaans University)



Alpheus Mangale

Group chief information officer

QUALIFICATIONS

NDip Computer Systems Engineering (TUT), PG management (Henley), EDP (CCL), AMP (Harvard)



Zweli Manyathi

Chief executive, PBB

QUALIFICATIONS

BCom (Hons) (Unisa),
PDP (New York),
SEP (Wits & Harvard)



Funeka Montjane

Chief executive, PBB SA

QUALIFICATIONS

BCom (Hons) (Wits), MCom
(UJ), CA (SA)



David Munro

Chief executive, Liberty

QUALIFICATIONS

BCom, PGDip Accounting
(UCT), CA (SA), AMP
(Harvard)



Margaret Nienaber

Chief executive, Wealth

QUALIFICATIONS

BCompt (Hons) (University of
the Free State), CA (SA)



Rod Poole

*Group head, change and
business transformation*

QUALIFICATIONS

BCom (UNISA)



Thulani Sibeko

*Group head, marketing and
communication*

QUALIFICATIONS

BSc Bus Admin (California
State University, USA), MBA
(Henley), Graduate Certificate
(Harvard)



Zola Stephen

Group secretary

QUALIFICATIONS

BProc, LLB (UKZN)



Sharon Taylor

Group head, human capital

QUALIFICATIONS

BCom (UKZN), BCom (Hons)
(UNISA)



Gert Vogel

*Chief executive, SB
International and CIB
International*

QUALIFICATIONS

BCom (University of Pretoria),
BCompt (Hons), MBL
(UNISA), CA (SA)

1 Wits: University of the Witwatersrand.
2 UCT: University of Cape Town.
3 UJ: University of Johannesburg.
4 UNISA: University of South Africa.
5 UKZN: University of KwaZulu-Natal.

REMUNERATION OVERVIEW



MESSAGE FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Peter Sullivan
Chairman, Remco

Dear Shareholder

In this report I will summarise the remuneration committee's (remco) assessment of the group's performance for 2019, including matters that have materially impacted performance, the general trading environment in South Africa, Africa Regions and globally, as well as substantial risk incidents and conduct issues.

I will also provide a short summary of performance by geography (South Africa and Africa Regions). The methodology agreed by your remuneration committee on how to share the group's earnings between shareholders, senior executives and employees will also be discussed. In doing so, consideration was once again given to how the group made progress against the strategy agreed with the board.

Operating environment

The operating environment in 2019 once again proved to be challenging. Political uncertainty in the US, Brexit concerns in the UK and Europe, global warming and climate change issues across the globe all contributed to a rather unstable and uncertain economic and political environment for banks and businesses.

In South Africa, the group's largest market, the operating environment proved to be very challenging indeed. GDP growth was a very moderate 0.2% for the year and 2019 was the third consecutive year where GDP growth

decelerated. The average inflation rate was 4.1% for the year, a five-year low. Unemployment, especially youth unemployment remained high and business confidence continued to dwindle. In addition, South Africa is still facing a widening budget deficit driven by the poor performance of SOEs. While some progress was made on matters of governance, much needed policy reform has been slow to materialise. As a result, consumer sentiment weakened and the demand for credit subsided in an environment where competition from traditional and non-traditional sources intensified.

In contrast, the macroeconomic environment in most of the countries in which the group operates outside of South Africa has been more favourable. Ghana, Kenya and Uganda all grew at approximately 6% in 2019. In addition, Nigeria emerged from a recessionary environment. The stronger macroeconomic growth across the Africa Regions combined with the group's increasing

levels of penetration in the core businesses have driven much faster loan growth. Inflation and interest rates have trended down while exchange rates have remained relatively stable except for Angola, Ghana, Zambia and Zimbabwe where currency rates deteriorated against the ZAR negatively impacting their contributions to the group.

Performance

Despite the difficult macroeconomic environment in South Africa and headwinds in pockets of Africa Regions, the group's primary business lines produced sustainable, good quality top line growth and positive operating leverage. The committee noted that while growth in Africa Regions was encouraging, this was not sufficient to offset the muted performance in South Africa.

With this backdrop, banking activities' headline earnings grew by a pleasing 5% to R27.2 billion, generating an ROE of 18.1%.

Liberty

Liberty showed continued improvement and headline earnings of R3.3 billion, an increase of 23% over the prior year. Improved returns from the shareholder investment portfolio exceed the negative impact of a higher claims experience and a muted performance in the South Africa retail business. Liberty earnings attributable to the group equated to R1.9 billion, up 16% on the prior year.

ICBC Argentina

ICBC Argentina produced a strong set of results. The group's headline earnings attributable to the group's 20% stake grew 18% to R583 million. ICBC Argentina is in the process of being sold.

ICBC Standard Bank Plc

At a group level, performance was negatively impacted by the disappointing set of results from ICBCS. These results were significantly impacted by a single client loss. ICBCS recorded a loss of USD248 million for full year 2019. The group's 40% share of the loss equates to R1.4 billion. Further to this, in September 2019, the group recognised a USD163 million impairment of its stake in ICBCS (reducing the carrying value from USD383 million to USD220 million). This equated to a R2.4 billion impairment which is reported outside of headline earnings. The ICBCS losses had a detrimental effect on the group's performance.

Consequently, group headline earnings grew by 1% to R28.2 billion and ROE was 16.8%, below expectations. The impact of the ICBCS losses on ROE was 0.7% (i.e. ROE would have been 17.5%).

It was noted that the focus on cost control by senior management continued as a key initiative. Costs rose by 4%, below the average rate of inflation despite salary increases, the substantial costs associated with the branch reconfiguration initiative in South Africa, investments into IT resilience and stabilisation, continued investment into growing Africa Regions business and client experience enhancements. The cost-to-income ratio fell to 56.4% with positive jaws of 113 bps showing an encouraging improvement from the previous year.

Standard Bank of South Africa

The SBSA business produced resilient headline earnings growth. Headline earnings grew by 4% to R16.6 billion year-on-year with an ROE of 16.9%, demonstrating continued improvement over previous years. Total costs grew by 2%, which was below inflation, despite salary increases, the branch reconfiguration initiative and ongoing investments into IT and staff training.

Positive jaws were achieved and the cost-to-income ratio declined, albeit marginally. Given the difficult trading conditions, the committee agreed that this was a good performance.

Africa Regions

The Africa Regions business produced a good set of results in 2019. Headline earnings were R8.4 billion, up 5% on the prior year (9% on a constant currency basis). Continued instability and currency devaluation in Zimbabwe adversely impacted that business' contribution. Country downgrades led to higher allocated capital and a lower ROE of 20.7% compared to 24.0% in 2018. Headline earnings growth above 20% was achieved in Kenya, Malawi, Nigeria, Tanzania and Uganda. These strong growth performances indicate that the group's strategy to invest in key countries outside of South Africa is paying off. It was pleasing to see that jaws turned positive at 170 bps and the cost-to-income ratio fell to a respectable 51.8%, demonstrating continued good cost management.

Strategy

The group's strategy remained broadly unchanged. Focus remains on three key areas: client centricity, digitisation and integration. These areas of focus are underpinned by five strategic value drivers: client focus, employee engagement, risk and conduct, financial outcome and SEE impact. More detailed information can be found in the SEE section of this report. The committee noted good progress was being made.

Remuneration outcomes

Against this backdrop, the committee was faced with the difficult task of balancing the distribution of earnings between shareholders, senior executives and employees.

The committee considered the size and impact of the ICBCS losses on the group's results. This event has a direct impact on shareholders and was, therefore, factored into the determination of the short-term incentive (STI) pool for the group.

The committee addressed this event by moderating the size of the pool between the banking business results, those under the direct control of senior management, and group results which include ICBCS over which senior management within banking activities had little control.

It is also important to note that the ICBCS results significantly reduced the delivery of the long-term incentive (LTI) plan, the performance reward plan (PRP). All senior executives who participate in the plan are materially negatively affected by this event.

In terms of the prescribed officers' STI rewards, the calculation of the weighting between business line results (60%) and group results (40%) was discussed and moderated for personal performance against the five value drivers. STIs for the CEO and group financial director were directly linked to group results and moderated for personal performance against the five value drivers. More detail on the link between performance and pay can be found in the remuneration report.

The committee discussed the performance of the banking business which showed resilience and growth with pockets of excellent results in both product lines and geographies and agreed that these performances should be appropriately rewarded.

In South Africa, while the economy declined, the senior team took decisive action in closing non-strategic branches and reducing costs in a humane and dignified manner. The committee noted that despite the very unfavourable market conditions, there were a number of strong performances in the South African franchise that should be appropriately rewarded.

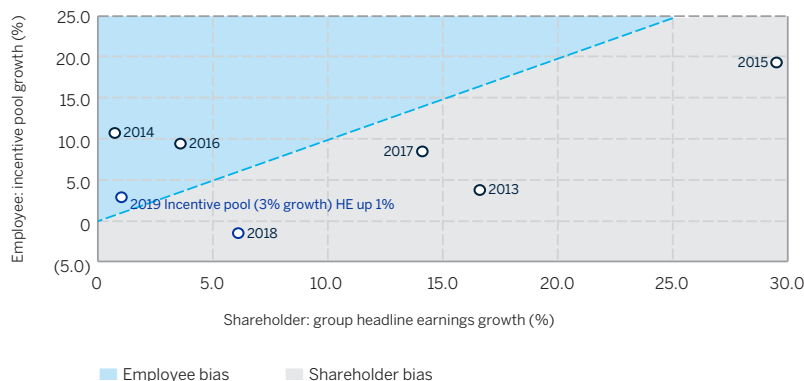
In the investment banking and global markets businesses, results were excellent. It should be noted that STIs in these businesses account for a large proportion of the STI pool.

The remco also noted that the STI pool is set on a through-the-cycle basis and that in 2018, the committee reduced the pool by 1% despite profits in banking activities growing by 7%. In addition, executives earning more than ZAR1.5 million received no salary increase in March 2019.

All these factors were debated at length by the committee which also noted the increased competition for talent from traditional, non-traditional, local and international competitors and agreed that to retain and motivate the group's top executives, the incentive pool growth should land between the growth in banking business headline earnings of 5% and group headline earnings of 1%.

The outcome of this deliberation was to agree an increase in the incentive pool of 3%. In terms of salary increases, a 5% inflationary increase was agreed for managers and executives in South Africa. Inflationary increases were agreed for the other geographies resulting in a total increase of 6.4% to salaries across the group. It should be noted, however, that, accounting for the reduction in headcount, the year-on-year salary cost will rise by only 2%.

Shareholder vs employee reward



The committee felt that this outcome was fair and reasonable to all stakeholders under the circumstances described in this letter.

Shareholder engagement

In May 2019 at our AGM, 92.2% of our shareholders supported our remuneration policy and 93.6% of our shareholders supported our implementation report.

Last year, many shareholders indicated a desire to understand how we arrived at our STI pool and I hope the explanation contained here gives you more clarity on the factors remco considered this year. In addition, we have inserted a diagram in the remuneration report which describes how the pool is set and cascaded within the group. Remco values shareholder feedback and endeavours to respond accordingly.

Understanding the link between the performance of each executive director and prescribed officer and their remuneration outcome is also important. This year, we have included in the remuneration report a description of the performance outcome in relation to targets set to clarify the link. In addition, we have indicated where the current total remuneration outcome has landed in relation to the forward-looking scenarios for each individual in the remuneration report. A description of how remco benchmarks remuneration for these individuals is set out on page 111.

I trust that this improves your understanding of the rigour your committee applies in setting remuneration for the group, as well as indicating that it needs to exercise judgement in this process due to the complexity of the group, while taking into account both our shareholder and employee expectations.

Changes to the remuneration policy effective 1 January 2020

Having conducted a survey of the market, remco has decided to extend the notice period on termination for executive directors and prescribed officers to three months.

Remco approved a change in the performance weightings of business lines to group from 60/40 to 50/50 to foster greater intra-group team work and cooperation.

In the past, the PRP has had absolute targets for headline earnings per share (HEPS) and ROE. Remco continues to support the use of an earnings measure and a return measure. Following the receipt of benchmark data on long-term incentive targets in South Africa (conducted by Bowman Gilfillan), we have agreed to change our HEPS and ROE targets from absolute targets to relative measures. HEPS growth will be benchmarked to CPI plus GDP calculated as a CAGR over the three-year vesting period. ROE will be benchmarked to cost of equity. Vesting ladders have been matched as closely as possible to the prior ladders to ensure sufficient stretch to attain higher level vesting. Independent validation of the target outcomes will be undertaken prior to vesting. See the remuneration report online for details of these ladders.

Remuneration outcomes for executive directors and prescribed officers

More detail on performance and remuneration outcomes of executive directors and prescribed officers starts on page 112.

Changes to the remuneration committee

This is my last remuneration letter as chairman as I retire from the board in May 2020. I have thoroughly enjoyed the experience, the interaction and helpful feedback from our shareholders. Trix Kennealy will be taking over as the remuneration committee chair and I wish her all the best in her new role.

Note:

The remuneration decisions and outcomes made by remco and the board, which are contained in this remuneration overview and in the full remuneration report, were undertaken up to and on 4 March 2020. This was prior to knowing the extent and impact that COVID-19 would have on the countries in which we operate and the group. Remco and the board will consider these impacts in relation to the remuneration policy in due course.

REMUNERATION POLICY

People are at the heart of our business. We need highly skilled and experienced people to drive the growth of our business across Africa and we need to reward them for their performance and the returns they generate for our shareholders. Our employee engagement section, starting on page 52, describes how we develop and retain our people.

We have four key objectives guiding our remuneration policy:



Principles that underpin our remuneration policy

Remco is firmly committed to disclosing our reward policy, principles and structures to all relevant stakeholders, including our people, unions, regulators and shareholders.

The key principles that underpin our remuneration policy, reward structures and individual reward are as follows:

- We reward sustainable, long-term business results.
- We do not unfairly discriminate against our people based on diversity or physical difference.
- The reward focus is on total reward, being fixed and variable remuneration. We want to be competitive in both elements, but annual incentives are not a function of a guaranteed package.
- Fixed remuneration includes compulsory benefits which consist of group benefits as well as compulsory country specific benefits.
- We create a balance between the fixed and variable elements of total reward.
- A deferral policy affects annual incentives above certain levels. Deferred amounts are indexed to the group's share price and vesting is subject to specific conditions.
- Vesting conditions of deferred awards and long-term incentives allow for forfeiture of unvested awards and clawback on vested or paid awards.
- All elements of pay are influenced by market and internal pay comparisons.
- Pay practices encourage a focus on achieving agreed deliverables and behaviours, rather than hours worked.
- Individual appraisals assess performance at all levels in the business, enabling fair and competitive pay. Consequence management, including reward impact, forms part of the review of performance.
- Individual rewards are determined according to group, business line and individual performance.
- We reward experience, performance relative to others doing similar work and performance against the market.
- We differentiate individual reward in a transparent way based on quantitative, qualitative and behavioural performance. We also take into account the need to retain talent, skill and experience.
- We ensure that key senior executives are significantly invested in the group's share price and performance over time, to align to our shareholders' interests.
- Pay designs comply with all tax and regulatory requirements.
- Ongoing oversight prevents irresponsible risk taking by individuals and we ensure that risk adjustment forms part of pay design.
- We endeavour to promote fair and responsible pay.

Promoting progression and career development

The group invested R878 million for 46 027 employees in learning and development. In addition, we spent R42.4 million on bursaries for 1 794 employees. This investment together with development opportunities, internal job opportunities, and promotion opportunities allows individuals to progress their careers and, therefore, their earning potential.

Ensuring remuneration is fair and responsible, remco undertakes the following activities:

- Seeking the input of shareholders via an annual shareholder roadshow.
- Continuously improving the extent and transparency of remuneration reporting.
- Ensuring breadth and depth of experience, as well as diversity and independence in remco membership.



The wage gap and minimum salaries

Remco has stated in its policy that it pays for value delivered and that remuneration must be externally competitive. The outcome of these two principles is that remuneration differs across levels, roles and geographies and, therefore, a vertical wage gap exists. However, remco can satisfy itself that minimum incomes in the group are fair and enable the lowest levels in the group to participate with dignity in the economies of the countries where they reside. To this end, remco has undertaken an exercise to determine what the minimum levels of income are in each country that the group operates in and continues to monitor this.

A comparison has been done on each of these minimums against financial service/banking minimums in each country and against prescribed minimum incomes (where these exist). This has shown that in all countries but one, the group's minimum salaries are above both market and prescribed norms. In Angola, the minimum salary is above prescribed norms but not above market.

Gender pay

In 2019, in line with global practice, the group finalised a multivariate regression analysis methodology for conducting Pay Equity Analyses. This methodology assesses any differences between what men and women earn (or on an equal pay for work of equal value basis) which cannot be explained by neutral job-related measures. We are piloting this methodology in selected jurisdictions during the 2020 March salary review.

The group is fully committed to fair and equitable remuneration practices to ensure that no employees are discriminated against unfairly.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION POLICY

Performance management and evaluation of executive directors, and prescribed officers

- Performance objectives are set at the beginning of each year against the five value drivers in relation to the board-approved business plan.
- Quantitative elements have pre-determined measures. Qualitative elements are measured against achievement of key strategic objectives.
- Achievements against objectives are tracked throughout the year and evaluated at the end of the year.

The link between performance and the elements of pay of executive directors and prescribed officers

Fixed remuneration

Set taking into account the size and complexity of the role, benchmarked to market (see note on benchmarking below) and impacted by the performance of the group, relevant business line (if applicable) and individual performance.

Short-term incentives

Directly influenced by group and business line performance (if applicable) (set out in the table alongside). The formula is applied on the financial outcomes of the group (and business line, if applicable) Remco then applies a disciplined non-formulaic approach to evaluate the other four value drivers using their judgement in assessing the business and individual performance. Each executive director and prescribed officer now has a performance against target table to indicate the link to their STI payment.

Long-term incentives (PRP)

This is a forward-looking share plan with performance conditions. Awards are made in relation to the market pay benchmarks.

Executive directors' and prescribed officers' short-term incentive linked to financial results

Description	STI outcome dependency on financial outcomes
Group chief executive	
Sim Tshabalala	100% group
Group financial director	
Arno Daehnke	100% group
PBB chief executive	
Zweli Manyathi	60% PBB 40% group
CIB chief executive	
Kenny Fihla	60% CIB 40% group
Wealth chief executive	
Margaret Nienaber	60% Wealth 40% group

Benchmarking executive directors' and prescribed officers' pay and access to information and advisors

In February of each year, remco reviews the following items before considering the pay outcome of the senior executives:

- A consolidated table of executive director and prescribed officer pay extracted from the remuneration reports of the major banks located in South Africa (First Rand, Nedbank, ABSA and Capitec).
- Senior executive reward outcomes and reward trends in international banks extracted from the remuneration reports of institutions such as Standard Chartered Bank, Investec, HSBC Holding, Wells Fargo, JP Morgan Chase, Westpac Group, Commonwealth Bank and remuneration trends in India-based banks (for an emerging market reference).
- A bespoke analysis of South African banks' variable pay pools from their published annual financial statements.
- PricewaterhouseCoopers (PwC) Remchannel Survey data.

Members of remco can also access any information that helps inform their independent judgement on senior executive remuneration. This includes any impact that remuneration might have on risk, regulation or behaviour.

In 2019, remco and management used external advisors to benchmark remuneration and benefits across the group. External advisors also provided opinions on remuneration regulations and compliance. Information and guidance was received from PwC, PwC Remchannel, Bowman Gilfillan, Global Remuneration Solutions – Mercer, Employment Conditions Abroad, McLagan and Willis Towers Watson. Remco uses the input from these external advisors to inform the group's remuneration philosophy and policy. The board approves remco's proposals and, where necessary, submits proposals to shareholders for approval. Certain specialist business lines in the group provide supporting information and documentation relating to matters considered by remco.

Remuneration scenarios for executive directors and prescribed officers

Requirement

King IV requires disclosure of the potential consequences on the forward-looking total remuneration for executive directors and prescribed officers on a total single figure basis by applying the remuneration policy under minimum, on-target and stretch performance outcomes. It should be noted that these are hypothetical values of total remuneration under the following assumed performance scenarios:

• Minimum reward outcome

Short- and long-term incentives are awarded at remco's discretion. The minimum reward outcome hence represents the scenario in which only the fixed remuneration of the relevant individual would be paid.

• On-target reward outcome

In addition to the fixed remuneration of the relevant individual, remco may award both short- and long-term incentives. The STI would be determined by remco on the basis of the individual meeting the required targets and is determined on a combination of group, business line and individual performance (utilising both financial and non-financial metrics over the period). The LTI for this purpose has been determined on the basis of 100% of the conditional PRP awards, being the achievement of the PRP's ROE and HEPS growth conditions over the previous three financial years at the 100% achievement level.

• Stretch reward outcome

The LTI for this purpose has been determined on the basis of 200% of the conditional PRP's maximum ROE and HEPS growth conditions over the previous three years. This outcome will deliver significant value for shareholders.

REMUNERATION OUTCOMES FOR EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

SIM TSHABALALA

Chief executive, Standard Bank Group



Performance against strategic value drivers – overall on target rating

Sim's performance was assessed by remco against the following criteria:

- Evaluation against the group financial results,
- Evaluation against the results of the banking franchise and the growth and resilience of that franchise,
- The extent to which the group is on a trajectory that will enable the achievement of medium-term goals,
- The long-term sustainability and profitability of the group, and
- Evaluation against the value drivers of client focus, leadership and people, risk and conduct and social, economic and environmental impact.

The established banking franchise has a large, growing client base and the group has diversified revenue streams. Capital and liquidity positions remain robust, the group has the resources and appetite to expand.

Sim was recognised for his disciplined execution of the strategy and the progress made in client centricity, digitisation and integration within the group.

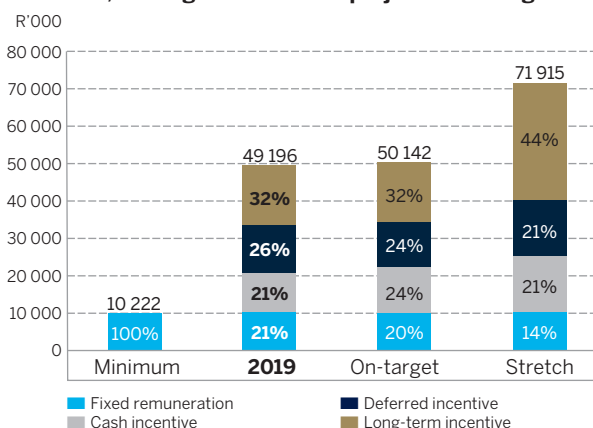
Sim is an exceptional leader, instilling hope, values and purpose across the group, personally spending time in many countries. He is visibly client centered in his behaviour and in his dealings with clients, ensuring clients are fairly and respectfully treated. He is the President of the board of the International Monetary Conference and on the board of the International Institute of Finance.

Tactical cost management in South Africa during 2019, as the economy tightened, resulted in positive jaws.

Progress was made in the key area of client focus where client satisfaction scores improved across most businesses and many prestigious awards were won. Employee engagement scores remain high in relation to industry norms, despite several economies, including South Africa, experiencing poor economic growth. Focus on SEE continued and several important policies, including a policy on funding coal-fired power projects, were adopted.

Sim's leadership qualities, including his ability to motivate and unite such a large and diverse group, sets him apart in the industry and in the country.

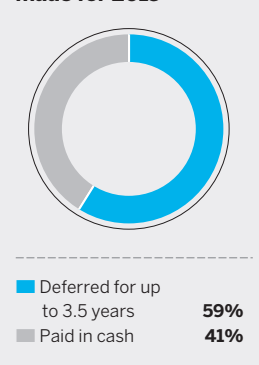
Single figure total reward for FY2019 in relation to minimum, on-target and stretch projected earnings



Link between performance and reward

- Reward reflects the overall 'on target' performance rating for 2019, with strategic leadership contribution and client focus being viewed as above target.
- There was no increase to fixed remuneration with effect from 1 March 2019. The increase shown in the tables alongside is due to the introduction of an all-employee permanent health insurance plan for the January to December reporting period.
- Remco approved a 5% inflationary increase to fixed remuneration with effect from 1 March 2020.
- In line with all other group exco members, STIs are proposed after considering headline earnings growth and the achievement of strategic value drivers. For executive directors, the financial performance is fully anchored around group performance.
- Cash and deferred STIs were reduced from the prior year. Total STI was down 8.5% on the prior year.
- Remco agreed to change the reward mix between STIs and LTIs, with a greater weight on long-term conditional awards.
- The table on the next page shows that total remco awards of R50.1 million are 1.5% higher than the prior year and in line with the increase in the group's headline earnings.
- A significant proportion of awards are deferred for up to 3.5 years. 55% of the STI awards are deferred, 100% of long-term awards are deferred and 59% of 2019 total reward is deferred.
- The graph above shows that this year's single figure total reward of R49.2 million is just below on target projected earnings of R50.1 million and significantly below the stretch projection of R71.9 million.
- Single figure total remuneration has declined on the prior year due to a decline in LTI delivered. PRP vesting is dependent on group ROE and headline earnings results.

Pay mix on awards made for 2019



AWARDED FOR 2019

R'000	2018	2019	% Increase
Fixed remuneration ¹	9 987	10 222	2.4
Cash incentive	11 350	10 525	(7.3)
Deferred incentive	14 050	12 725	(9.4)
PRP awarded	14 000	16 650	18.9
Total reward	49 387	50 122	1.5
Once-off allowance/ payments ²	632	-	-
Total reward (incl once-off allowance)	50 019	50 122	0.2

SINGLE FIGURE REMUNERATION FOR 2019

R'000	2018	2019
Fixed remuneration ¹	9 987	10 222
Cash incentive	11 350	10 525
Deferred incentive	14 050	12 725
PRP vesting	23 046	15 724
Total reward	58 433	49 196
Once-off allowance/payments ²	632	-
Total reward (incl once-off allowance)	59 065	49 196

¹ No cost-to-company (CTC) increase was granted in March 2019. However, the introduction of a permanent health insurance plan and the impact of reporting on CTC from January to December has resulted in small uplifts in CTC from 2018 to 2019.
² Includes a once-off payment made in respect of death-in-service and permanent health insurance benefits.

CLIENT FOCUS (above target rating)

- Continued focus on placing the client at the centre of everything.
- Improved client satisfaction scores across most business lines and geographies.
- Focus on delivering what matters to clients, enabled through efficient digital solutions, channels and capabilities.
- Facilitating intra-Africa and Africa-China banking and trade flows.
- Sim personally responds to many client complaints to ensure that issues are fully resolved.
- SBSA was awarded the overall banking winner by the Ombudsman for Banking Services for resolving complaints, as well as receiving an award for innovation in dispute resolution.
- The group was awarded Best Bank in South Africa, Lesotho, Zambia, Zimbabwe and Angola by The Banker.
- Voted South Africa's Most Valuable Brand by WPP BrandZ for the second year in a row, and
- Sim regularly meets with clients formally and informally across the continent and at international conferences.

LEADERSHIP AND PEOPLE (above target rating)

- The group's eNPS and emotional NPS remain exceptionally high by global industry standards at +18 and +48 respectively. These scores are based on an employee participation rate of 74%.
- South Africa's new employment equity plan has been adopted and good progress has been made towards achieving all targets.
- Visible human leadership across the group has been achieved with a combination of country visits and digital communications.
- Sim continues to represent the group as an appointed global Thematic Champion of the UN's HeForShe movement for gender equity.
- Sim is on the board of the International Monetary Conference as President for 2019-2020.
- Sim also represented the group at the WEF and on the board of the International Institute of Finance, and
- Attendance at the SA Tomorrow investment promotion conference has reinforced the group's position as the leading source of information and analysis on South Africa and the African continent.

RISK AND CONDUCT (on target rating)

- All of the group's capital and liquidity positions remained sound and within or above board-approved ranges.
- Operational risk losses were within operational risk appetite.
- Conduct dashboards are now embedded and conduct continues to be monitored across the group, and
- Lower IT outages experienced in South Africa and system stability continued to improve in Africa regions.

FINANCIAL OUTCOME

(banking activities – on target; group results – below target)

- Headline earnings for the group increased by 1% to R28.2 billion, notwithstanding the weak South African economy.
- ROE reduced to 16.8% (2018: 18.0%).
- Losses in ICBCS, from a single client event, had a R1.4 billion impact on headline earnings.
- Banking activities' headline earnings increased by 5% to R27.2 billion and reported an ROE of 18.1% (2018: 18.8%). This reflected strong franchise growth, growing client numbers and growing deposits and loans.
- Good cost management led to an improvement in the cost-to-income ratio of 56.4% (2018: 57.0%) and positive jaws of 113 bps.
- Resilient growth by core business lines, and
- The group remains on track to meet its medium-term financial objectives.

SEE IMPACT (on target rating)

- The group is committed to making a sustainable contribution to Africa's growth and development in the ordinary course of its business operations.
- As a member of the International Institute of Finance and the International Monetary Conference, Sim has amplified the voice of financial institutions from emerging markets in global regulation making and in mitigating climate change.
- Corporate social investment amounted to R84 million in South Africa with the main objective of improving access to better quality education, and
- The group spent R20 million across the Africa Regions businesses in support of entrepreneurship, SME development and education.





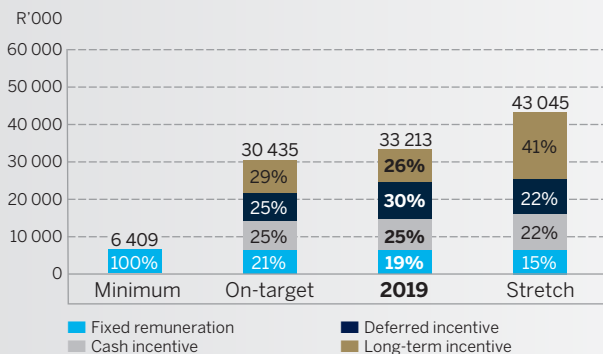
DR ARNO DAEHNKE

Group financial director

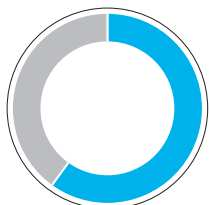
Performance against strategic value drivers – overall on target rating

Arno maintained a strong financial and control environment, while implementing IFRS 9 and IFRS 16. Capital and liquidity continue to be well managed. Client metric and client insight reporting was improved and digitised. Arno co-chairs the digital transformation committee with the group chief executive, leading the group’s digital strategy. Development of client reporting and metrics was notable. Arno played a significant role in the management of costs across the group in 2019.

Single figure total reward for FY2019 in relation to minimum, on-target and stretch projected earnings



Pay mix on awards made for 2019



Deferred for up to 3.5 years **60%**
Paid in cash **40%**

Link between performance and reward

- Reward reflects the overall 'on target' performance rating for 2019, with strategic leadership contribution and client focus being viewed as 'above target'.
- There was no increase to fixed remuneration with effect from 1 March 2019. The increase shown in the tables on the next page is due to the introduction of an all-employee permanent health insurance plan and the January to December reporting period.
- Remco approved a 10.4% increase to fixed remuneration from 1 March 2020 but this does not reflect in the 2019 reward. This increase was partly an inflationary adjustment (5%) and partly a structural/market adjustment having conducted an internal and external salary comparison. External comparison considered published CFO remuneration. The size of the CFO role and the scope and complexity of the geographic footprint and regulatory environments were taken into account in determining the appropriate fixed remuneration in relation to market.
- In line with all other group exco members, STIs are proposed after considering headline earnings growth and the achievement of strategic value drivers. For executive directors, the financial performance is fully anchored around group performance.
- The 1.6% increase in the cash incentive award is aligned to the group’s results.
- The 12.9% increase in the deferred incentive award reflects Arno’s personal leadership contribution in the board, in group exco and in the digital transformation committee, as well as the focus on client reporting. Given the longer-term impact, this is appropriately deferred for up to 3.5 years.
- The table on the next page shows that total remco awards of R36.4 million are 3.9% higher than the prior year.
- A significant proportion of awards are deferred for up to 3.5 years. 55% of the STI awards are deferred, 100% of long-term awards are deferred and in total, 60% of 2019 total reward is deferred.
- The graph alongside shows that this year’s single figure of R33.2 million is above the 'on target' projection of R30.4 million and significantly below the stretch projection of R43.0 million.
- Single figure total remuneration has declined on the prior year due to a decline in LTI delivered. PRP vesting is dependent on group ROE and headline earnings results.

AWARDED FOR 2019

R'000	2018	2019	% Increase
Fixed remuneration ¹	6 294	6 409	1.8
Cash incentive	8 025	8 150	1.6
Deferred incentive	8 725	9 850	12.9
PRP awarded	12 000	12 000	–
Total reward	35 044	36 409	3.9
Once-off allowance/ payments ²	111	–	–
Total reward (incl once-off allowance)	35 155	36 409	3.6

SINGLE FIGURE REMUNERATION FOR 2019

R'000	2018	2019
Fixed remuneration ¹	6 294	6 409
Cash incentive	8 025	8 150
Deferred incentive	8 725	9 850
PRP vesting	12 908	8 804
Total reward	35 952	33 213
Once-off allowance/payments ²	111	–
Total reward (incl once-off allowance)	36 063	33 213

¹ No CTC increase was granted in March 2019. However, the introduction of a permanent health insurance plan and the impact of reporting on CTC from January to December has resulted in small uplifts in CTC from 2018 to 2019.

² Includes a once-off payment made in respect of death-in-service and permanent health insurance benefits.

CLIENT FOCUS (above target rating)

- Appropriate capital and liquidity raising was executed to support client growth,
- Capital supply was successfully managed and optimised with an inaugural USD400 million tier 2 Eurobond successfully placed, providing a valuable dollar component to the group's capital base,
- Client metric and client insight reporting was improved and digitised, allowing for increased focus on client level reporting, and
- High quality of internal and external reporting was maintained.

LEADERSHIP AND PEOPLE (above target rating)

- eNPS of +18,
- Finance culture of learning, energy and innovation was embedded,
- Cross-functional, non-hierarchical and empowered teams were encouraged across finance,
- Focused effort was placed on diversity, talent development and succession planning, and
- Strategic leadership contribution in board, on digital transformation committee and in group exco.

RISK AND CONDUCT (on target rating)

- Financial control processes have been well maintained and increasingly automated,
- Balance sheet resilience has been maintained across all banking subsidiaries. All level 1 risk metrics were above regulatory minimum and within board-approved target ranges,
- Managed complex IFRS 9 and IFRS 16 transitions,
- Achieved compliance with the BCBS239 principles for effective risk data aggregation and risk reporting, covering 90% of the group's RWA, setting the group up for full compliance by 2021,
- Actively participated at risk and credit committees,
- Group tax risk was well managed,
- Initiated processes for finance systems to be cloud-ready,
- Significant progress made in modernising the finance function as evidenced through further automation and digitisation of processes, scaling blockchain solutions and using machine learning for predictive forecasting, and
- Finance conduct dashboard indicated no major breaches.

FINANCIAL OUTCOME

(banking activities – on target; group results – below target)

- Group headline earnings of R28.2 billion (1% up on prior year),
- Group ROE of 16.8% (2018: 18.0%),
- Banking activities headline earnings of R27.2 billion (5% up on prior year),
- Banking activities ROE of 18.1% (2018: 18.8%),
- Cost-to-income ratio of 56.4% (2018: 57.0%),
- Arno played a significant role in the management of costs resulting in positive jaws of +113 bps,
- Successfully listed our Namibian subsidiary on the Namibian Stock Exchange,
- Argentina exit was well executed and is largely complete,
- Delivered credible group financial aspiration, four-year financial plan and 2020 budget, within available financial resources through managing trade-off processes, and
- Finance function costs and headcount were well managed.

SEE IMPACT (on target rating)

- The group's annual integrated reporting suite continues to be of a high standard,
- Managed and maintained B-BBEE financial sector code score at level 1, and
- Engaged with 833 black-owned SME businesses as suppliers in 2019.





ZWELI MANYATHI

Chief executive, PBB

Performance against strategic value drivers – overall on target rating

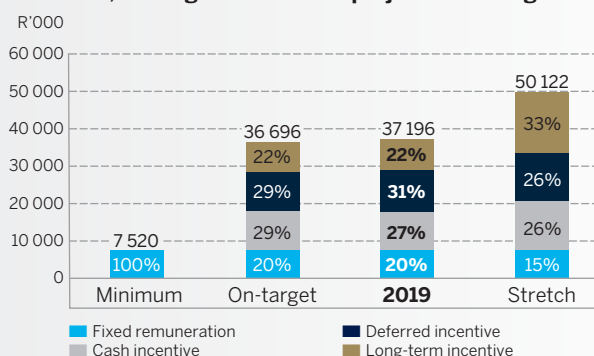
PBB experienced a challenging 2019 with some of the economies in which PBB operates being under severe strain.

The biggest market, South Africa had lethargic economic growth with low consumer and business confidence. Restructuring and branch closures, while necessary, impacted productivity and client experience. However, both of these recovered in the second half of the year. Despite this, headline earnings grew by 6% to R16.5 billion. Continued energy challenges in South Africa affected economic growth prospects.

PBB Africa Regions delivered good results even though some economies, like Zimbabwe, faced extreme conditions in the operating environment.

Zweli demonstrated astute leadership to achieve these results and mapped out a clear growth strategy for PBB into the future.

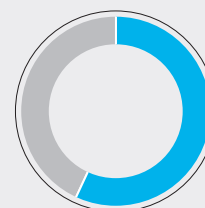
Single figure total reward for FY2019 in relation to minimum, on-target and stretch projected earnings



Link between performance and reward

- Reward reflects the overall 'on target' performance rating for 2019.
- There was no increase to fixed remuneration with effect from 1 March 2019. The increase shown in the tables below is due to comparing nine months fixed remuneration as a prescribed officer in 2018 to annual fixed remuneration for 2019.
- Remco approved an inflationary 5% increase to fixed remuneration with effect from 1 March 2020.
- In line with all other group exco members, short-term incentives are proposed after considering headline earnings growth and the achievement of strategic value drivers. For chief executives of business lines the financial performance is anchored on 60% business line (PBB) and 40% group.
- The executive team in PBB did not want to receive any increase in STI awards given the difficult operating environment and the fact that branches were closed due to the move to digital banking. Remco supported this proposal.
- The 11.5% increase to the PRP award reflects a focus on the longer-term strategy of the group and brings the total reward increase in line with the PBB growth in earnings. It also aligns the LTI awards for the CIB and PBB chief executives.
- The table below shows that total remco awards of R40.1 million are 8.2% higher than the prior year. However, this is comparing a fixed remuneration for nine months in the prior year 2018 to annual fixed remuneration for 2019. Normalising fixed remuneration results is a 3.1% uplift on the prior year, in line with PBB headline earnings.
- A significant proportion of awards are deferred for up to 3.5 years. 54% of the STI awards are deferred, 100% of long-term awards are deferred and 57% of 2019 total reward is deferred.
- The graph above shows that this year's single figure total reward of R37.2 million is just above the on target projected earnings and significantly below the stretch projection of R50.1 million.
- Single figure total remuneration has declined on the prior year due to a decline in LTI delivered. PRP vesting is dependent on group ROE and headline earnings results.

Pay mix on awards made for 2019



Deferred for up to 3.5 years **57%**
Paid in cash **43%**

AWARDED FOR 2019

R'000	2018	2019	% Increase
Fixed remuneration ¹	5 634	7 520	33.5
Cash incentive	9 900	9 900	0.0
Deferred incentive	11 600	11 600	0.0
PRP awarded	10 000	11 150	11.5
Total reward	37 134	40 170	8.2

SINGLE FIGURE REMUNERATION FOR 2019

R'000	2018	2019
Fixed remuneration ¹	5 634	7 520
Cash incentive	9 900	9 900
Deferred incentive	11 600	11 600
PRP vesting	11 062	8 176
Total reward	38 196	37 196

¹ ZN Manyathi was appointed as a prescribed officer on 1 April 2018 therefore the fixed remuneration is shown from 1 April 2018 to 31 December 2018. No CTC increase was granted in March 2019.

CLIENT FOCUS (on target rating)

- PBB SA client NPS score of +67,
- PBB Africa Regions client NPS score of +25¹,
- Ombudsman complaints down 6% year-on-year,
- Internet banking complaints at 20%, (a decrease of 1%) but remains the top complaint category for SBSA, as well as the industry,
- SBSA and channel real-time NPS improved in Prestige, Lifestyle and cellphone banking,
- Average ATM availability was at 95% in South Africa mainly as a result of interrupted electricity supply across the provinces.
- Continued growth momentum on asset disbursements,
- Growth in digital mobile banking users increased by 25% year-on-year which reflects an increased adoption,
- Digitised 80% of personal and 50% of small business branch services,
- Launched instant credit card,
- Introduction of digital client onboarding of MyMo on the app, web and customer first,
- UCount redemptions of more than R2.8 billion since inception the programme until December 2019,
- Maintained positive shift in the 2019 dealer satisfaction score,
- Improved the ease of doing business with our clients through our integration with our dealers,
- Launched new solutions: tiered rate home loans, BizFlex, business loans in three minutes on customer 1st and internet banking, real-time clearing scaled up, instant personal loan on internet banking and app, Simplyblu and Sorted, and
- Instant Money, digital wallet and money transfer platform, continue to show improvements.

¹ Client NPS is on track. Stanbic scores are significantly above benchmarks in each country.

LEADERSHIP AND PEOPLE (on target rating)

- eNPS of +16,
- PBB group has a clear and compelling vision where employees understand what is required of them and how this links to serving customers and creating value,
- Employment equity targets for black females have been met at the senior management and exceeded at middle and junior management,
- Leadership development has focused on leaders through a specialised leadership programme,
- Culture and leadership – more than 750 leaders have been through VUKA during 2019 (2018: 100 top leaders), and
- Care and growth has been embedded in leadership programmes.

RISK AND CONDUCT (on target rating)

- Operational risk losses within risk appetite and below 2018 actuals,
- Customer centric PBB South Africa risk appetite framework rolled out,
- Implementing and refining operational risk framework aligned to new ways of work/agile in collaboration with group integrated operational risk,
- Reporting of customer losses as part of operational risk incident process,
- Approval of Thin Bureau strategy for card and overdraft,
- FAIS training is largely complete,
- Dealer grading model built by VAF credit,
- Developed dealer reviews with all key measurements (with risk mitigation),
- Dealer training and development for both front line and operations, and
- Constituted a single risk and control committee in South Africa to assess the risk across all segments holistically with enhanced governance structures with clearly defined three lines of defence.

FINANCIAL OUTCOME (on target rating)

- Headline earnings of R16.5 billion (6% up on prior year),
- ROE of 22.4% (2018: 21.9%),
- Cost-to-income ratio of 59.2% (2018: 60.4%),
- Positive jaws of 210 bps,
- PBB South Africa headline earnings is up 2%, slightly behind target, and
- PBB Africa Regions headline earnings is up 53%, exceeding target.

SEE IMPACT (on target rating)

- Continue to promote and support Feenix crowdfunding platform for students,
- Strive to scale up investments in Founders Factory, and
- Established strong entrepreneurial development programs in Mozambique, Uganda and Lesotho. Programs focus on all types of entrepreneurs, regardless of whether they are Standard Bank customers to access finance, tap into new markets and value chains, and receive business development support.





KENNY FIHLA

Chief executive, CIB

Performance against strategic value drivers – overall on target rating

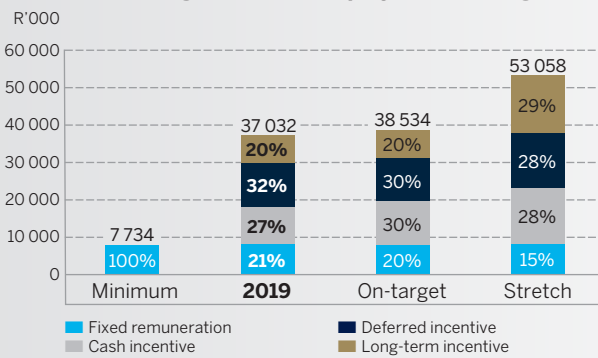
CIB delivered respectable results with headline earnings increasing by 5% to R11.8 billion and 7% in CCY. Total revenue increased by 5% to R39 billion and 6% in CCY, driven by growth in loans and advances, and deposits. Costs were contained to a 3% increase resulting in a positive jaws of 128 bps and an improvement in cost-to-income ratio to 53.7% from 54.4%. ROE remains respectable at 18.1%.

The franchise continues to show resilience against a challenging and a tough macroeconomic climate, with corporate client revenues growing 7% and 8% in CCY. Strong growth was recorded in the financial institutions, telecoms and media sectors.

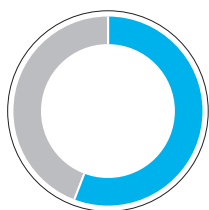
Despite some notable impairments, CIB's CLR to customers of 40 bps remains within the planning range. From an employee standpoint, the eNPS score decreased from +14 to +8 and the emotional NPS score from +53 to +45, however, participation increased from 58% to 71%.

The formation and delivery of the sustainable finance business team has had significant impact.

Single figure total reward for FY2019 in relation to minimum, on-target and stretch projected earnings



Pay mix on awards made for 2019



Link between performance and reward

- Reward reflects the overall 'on target' performance rating for 2019, with client focus and SEE being viewed as above target.
- There was no increase to fixed remuneration with effect from 1 March 2019. The increase shown in the tables on the next page are due to the introduction of an all-employee permanent health insurance plan and the January to December reporting period.
- Remco approved a 5% inflationary increase to fixed remuneration with effect from 1 March 2020.
- In line with all other group exco members, short-term incentives are proposed after considering headline earnings growth and the achievement of strategic value drivers. For chief executives of business lines, the financial performance is anchored on 60% business line (CIB) and 40% group performance.
- Remco approved an increase in the short-term (cash and deferred) incentive award of 14.5% to R21.75 million taking the following metrics into account:
 - 1% growth in the group's headline earnings,
 - 5% growth in CIB's headline earnings,
 - 15% growth in CIB's South African franchise headline earnings in a tough macroeconomic climate,
 - A robust ROE of 18.1%,
 - CIB's client experience is at the highest recorded level.
 - An individual assessment against the achievement of the group's strategic value drivers, and
 - An upward structural adjustment to reflect the contribution to the group of the CIB business which generated R11.8 billion of earnings. Remco considered the published STI of other chief executives of corporate and investment banks in South Africa taking note of the size of those comparators (in both financials and footprint) in relation to CIB to inform the adjustment.
- The change in the PRP award was to align the awards for the CIB and PBB chief executives.
- The table on the next page shows that total remuneration of R40.6 million awarded by remco has increased by 5.3% in line with CIB's headline earnings performance.
- A significant proportion of awards are deferred for up to 3.5 years. 54% of the STI awards are deferred, 100% of long-term awards are deferred and 56% of 2019 total reward is deferred.
- The graph alongside shows that this year's single figure total reward of R37.0 million is just below the on target projected earnings of R38.5 million and significantly below the stretch projection of R53.1 million.
- Single figure total remuneration has declined on the prior year due to a decline in LTI delivered. PRP vesting is dependent on group ROE and headline earnings results.

AWARDED FOR 2019

R'000	2018	2019	% Increase
Fixed Remuneration ¹	7 588	7 734	1.9
Cash incentive	8 650	10 025	15.9
Deferred incentive	10 350	11 725	13.3
PRP Awarded	12 000	11 150	(7.1)
Total Reward	38 588	40 634	5.3
Once-off allowance/ payments ²	710	-	-
Total Reward (incl once-off allowance)	39 298	40 634	3.4

SINGLE FIGURE REMUNERATION FOR 2019

R'000	2018	2019
Fixed Remuneration ¹	7 588	7 734
Cash incentive	8 650	10 025
Deferred incentive	10 350	11 725
PRP Vesting	11 062	7 548
Total Reward	37 650	37 032
Once-off allowance/payments ²	710	-
Total Reward (incl once-off allowance)	38 360	37 032

¹ No CTC increase was granted in March 2019. However the introduction of a permanent health insurance plan and the impact of reporting on CTC from January to December has resulted in small uplifts in CTC from 2018 to 2019.

² Includes a once-off payment made in respect of death-in-service and permanent health insurance benefits.

CLIENT FOCUS (above target rating)

- CSI of 8.1¹,
- Domestic client segment grew by 14%, highlighting relevance in markets wherein CIB operates,
- Actively responded to client needs with bespoke solutions and were the largest issuer of credit linked notes in Africa as we responded to a low return environment for asset managers,
- Opened a new prime brokerage business in the year, and
- In advancing the group's strategic priority of ecosystems and partnerships, Kenny led the SBG Client Ecosystems initiative to establish and align investment gateways for the scaling of select ecosystem initiatives. Across the group, ten initiatives have been identified as potential client ecosystems, of which six have been reviewed by the steerco, including two that are being assessed for commercialisation.

¹ CSI is calculated on a ten point rating scale. Medium-term target of above 8 has been achieved.

FINANCIAL OUTCOME (on target rating)

- Headline earnings of R11.8 billion (5% up on prior year),
- ROE of 18.1% (2018: 19.3%),
- Cost-to-income ratio of 53.7% (2018: 54.4%),
- Positive jaws of 128 bps,
- CIB South Africa headline earnings is up 15%, albeit behind target,
- CIB Africa Regions headline earnings is up 1%, exceeding target, and
- CIB International headline earnings is significantly down and below target.

SEE IMPACT (above target rating)

- As part of CIB's journey to further embed the SEE framework into its product offering, the sustainable finance team was formed. This unit will be responsible for capturing emerging opportunities as sustainable growth becomes more top of mind for investors, institutions and companies globally. Despite being a relatively new business unit, sustainable finance has collaborated with various teams within the group to close several landmark deals:
 - First green infrastructure bond issued by corporate in Nigeria – North South Power NGN8.6 billion,
 - First sovereign green bond in Africa – Federal Republic of Nigeria NGN15 billion,
 - First green bond in East Africa – Acorn Project (Two) Limited Liability Partnership KES4.26 billion, and
 - First ESG linked facility in Africa offered by a local African bank – Curro Holdings ZAR500 million.

LEADERSHIP AND PEOPLE (on target rating)

- eNPS of +8,
- Refocused the learning and talent strategy aimed to improve the culture of learning and to increase the focus on talent readiness for key roles,
- Successfully completed the Leading Culture programme across all CIB geographies, to drive the connection of people to CIB's strategy and build committed and empowered teams,
- Continued priority focus on embedding diversity, inclusion and transformation initiatives and deriving positive impact on people,
- Celebrated exceptional employee contribution through recognition programmes: Beyond Excellence, Mark of Excellence (MoE), and
- Continued the transformation and modernisation of internal processes to improve employee experience.

RISK AND CONDUCT (on target rating)

- Credit impairment charges increased 52% driven by impairments in TPS. The increase resulted in a CLR to customers of 40 bps, which is at the lower end of the guidance range of 40 to 60 bps. Nonetheless, CIB's continued proactive and forward-looking risk management helped stay within this range with no significant reputational risks, and
- Ongoing reinforcement of a culture of compliance with relevant campaigns and learning programmes.





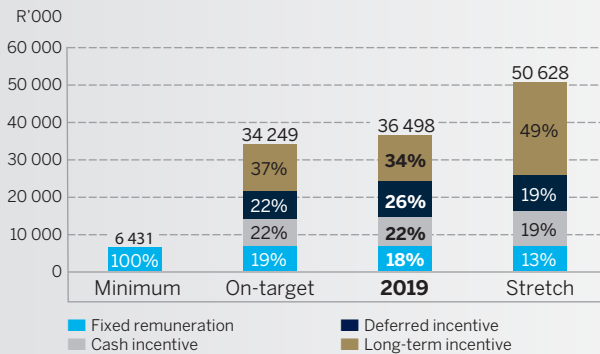
MARGARET NIENER

Chief executive, Wealth

Performance against strategic value drivers – overall on target rating

Wealth delivered an excellent set of financial results. Margaret led a significant shift in the Wealth culture and in the ability of the business to deliver an integrated offering to clients. The client engagement philosophy is deeply embedded resulting in a client NPS score of +70 and Wealth winning over 20 awards from established industry publications. The partnership with Liberty is strong and productive. The Wealth eNPS score rose to +29 from +24 in the prior year with 85% of employees participating.

Single figure total reward for FY2019 in relation to minimum, on-target and stretch projected earnings



Pay mix on awards made for 2019



Link between performance and reward

- Reward reflects the overall 'on target' performance rating for 2019 with client focus and leadership and people being viewed as above target.
- There was no increase to fixed remuneration with effect from 1 March 2019. The increase shown in the tables below are due to the introduction of an all-employee permanent health insurance plan and the January to December reporting period.
- Remco approved a 10.2% increase to fixed remuneration as a corrective adjustment to align with internal and external published comparators.
- In line with all other group exco members, STI are proposed after considering headline earnings growth and the achievement of strategic value drivers. For chief executives of business lines the weighting is 60% business line (Wealth) and 40% group.
- Remco approved an increase in the STI (cash and deferred) award of 15.7% taking the following metrics into account:
 - 1% growth in the group's headline earnings,
 - 14% growth in Wealth's headline earnings,
 - A strong ROE in Wealth of 35%,
 - An individual assessment against the achievement of the group's strategic value drivers, and
 - An upward adjustment above the 14% growth in headline earnings for Wealth to reflect the above target client focus and leadership and people performance.
- The 5% increase to the PRP award reflects inflationary growth.
- The table on the next page shows that total remco awards of R34.4 million are 9.7% higher than the prior year.
- A significant proportion of awards are deferred for up to 3.5 years. 55% of the STI awards are deferred, 100% of long-term awards are deferred and 58% of the 2019 total reward is deferred.
- The graph alongside shows that this year's single figure total reward of R36.5 million is just above the on target projected earnings of R34.2 million and significantly below the stretch projection of R50.6 million.
- Single figure total remuneration has increased on the prior year. This is due to the LTI award made to Margaret in March 2017 being higher than the award made in March 2016, reflecting her appointment as a prescribed officer.

AWARDED FOR 2019

R'000	2018	2019	% Increase
Fixed remuneration ¹	6 257	6 431	2.8
Cash incentive	7 212	7 900	9.5
Deferred incentive	7 913	9 600	21.3
PRP awarded	10 000	10 500	5.0
Total reward	31 382	34 431	9.7
Once-off allowance/ payments ²	78	-	-
Total reward (incl once-off allowance)	31 460	34 431	9.4

SINGLE FIGURE REMUNERATION FOR 2019

R'000	2018	2019
Fixed remuneration ¹	6 257	6 431
Cash incentive	7 212	7 900
Deferred incentive	7 913	9 600
PRP vesting	6 443	12 567
Total reward	27 825	36 498
Once-off allowance/payments ²	78	-
Total reward (incl once-off allowance)	27 903	36 498

¹ No CTC increase was granted in March 2019. However the introduction of a permanent health insurance plan and the impact of reporting on CTC from January to December has resulted in small uplifts in CTC from 2018 to 2019.

² Includes a once-off payment made in respect of Death in Service and Permanent Health Insurance benefits.

CLIENT FOCUS (above target rating)

- Client NPS score of +70¹,
- Melville Douglas Global Funds and Domestic Funds are above the benchmark,
- Wealth Africa Regions' universal client value propositions successfully launched in collaboration with PBB, CIB, and Liberty in Ghana, Mozambique, Namibia and Zambia,
- Invest, a specialist index tracking fund, was successfully launched in collaboration with STANLIB and CIB,
- My360 app successfully launched to SBSA staff and released in a phased approach to Wealth and Investment and SBFC clients,
- Cloud-based insurance app launched, and
- Win Web has successfully deployed the retail proposition for the Wealth International client base.

¹ Client NPS can have an outcome from -100 to +100.

LEADERSHIP AND PEOPLE (above target rating)

- eNPS of +29,
- Behavioural Science Academy launched focuses on reskilling staff for the Fourth Industrial Revolution, emphasising general principles that underlie economic and consumer behaviour, with a strong focus on digital,
- Wealth has facilitated a number of rotations of senior executives across both divisions and jurisdictions in order to cultivate a multi-disciplinary leadership team,
- Wealth has reconstituted the diversity and inclusion forum to attract and develop a more diverse staff complement and ensure effective succession planning across all business units, and
- Numerous talent development programmes exist to nurture Wealth staff.

RISK AND CONDUCT (on target rating)

- Operational risk within risk appetite,
- No significant incidents or compliance breaches,
- Wealth continues to have a strong focus on implementing a conduct culture where employees feel empowered to do the right thing, and
- Wealth had deep dive visits from regulators in South Africa and Wealth International, all with satisfactory outcomes.

FINANCIAL OUTCOME (on target rating)

- Headline earnings of R3.6 billion (14% up on prior year),
- ROE of 35% (2018: 38%),
- Cost-to-income ratio of 53% (2018: 54%),
- Positive jaws of 92 bps,
- Wealth South Africa headline earnings is up 4%, slightly behind target,
- Wealth Africa Regions headline earnings is up 23%, exceeding target, and
- Wealth International headline earnings is up 25%, slightly behind target.

SEE IMPACT (on target rating)

- Continue to focus on promoting a culture of savings and financial inclusion,
- Cultivating financial literacy (including generational transfer of wealth),
- Insurance procurement (continue supporting small business development), and
- Standard Trust Limited provides beneficiary care to approximately 13 000 orphaned children, providing much needed monthly distributions to guardians, funding basic education and other needs.



ADDITIONAL INFORMATION

Pro forma information

Pro forma constant currency information


The pro forma constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results of operations. In determining the change in constant currency terms, the comparative financial year's results for the year ended 31 December 2018 has been adjusted for the difference between the current and prior period's average exchange rates (determined as the average of the daily exchange rates). The measurement has been performed for each of the group's material currencies. The following average exchange rates were used in the determination of the pro forma constant currency information and were calculated using the average of the average monthly exchange rates (determined on the last day of each of the 12 months in the period).

	2019 average exchange rate	2018 average exchange rate
US dollar	14.44	13.23
Pound sterling	18.43	17.63
Argentine peso	0.31	0.50
Angolan kwanza	0.04	0.04
Ghanaian cedi	2.70	2.86
Nigerian naira	0.04	0.04
Kenyan shilling	0.14	0.13
Mozambican metical	0.23	0.22
Zambian Kwacha	1.12	1.27

Standard Bank Group Limited credit ratings

As at 5 March 2020

	Short term	Long term	Outlook
Fitch Ratings			
Foreign currency issuer default rating	B	BB+	Negative
Local currency issuer default rating		BB+	Negative
National rating	F1 + (ZAF)	AA (ZAF)	Stable
Moody's Investor Services			
Issuer rating		Ba1	Negative

 Read more **online**. For further details regarding the group's credit ratings, including credit ratings for key subsidiaries, refer to the group website.

Restatements

During 2019, certain financial information published in 2018 was restated to correct errors identified in the classification of certain information. These are detailed below.

Correction of prior period income statement presentation error

During 2019, the group restated trading revenue to exclude gains and losses that do not comprise gains and losses from changes in the fair value of trading assets and liabilities, including related interest income, expense and dividends. These gains and losses that have been presented in other revenue as being more representative of their nature and aligns to the group's gains and losses presentation policy. This correction has no impact on the group's consolidated income statement, total income, profit for the year and earnings per share. The impact on the non-interest revenue disclosure is as follows:

	As previously presented income/ (expense) Rm	Restatement Rm	Restated income/ (expense) Rm
2018			
Trading revenue	11 129	(330)	10 799
Other revenue	3 533	330	3 863

Correction of the classification of investment in unit trust and portfolio managed funds

During 2019, the group identified that on transition to IFRS 9, certain investments in unit trusts and portfolio managed funds were incorrectly classified as loans and advances (at amortised cost) instead of financial investments (at fair value through profit and loss). However, due to the fact that the carrying amount of these assets approximate their fair values, they did not impact the group's total assets, profit for the year or credit impairment charges. The impact of the reclassification on the statement of financial position and income statement line items disclosure is as follows:


	As reported	Restatement	Restated
2018			
Statement of financial position			
Financial investment	547 405	1 121	548 526
Loans and advances	1 120 668	(1 121)	1 119 547
Income statement			
Net interest income	(59 622)	117	(59 505)
Other gains and losses on financial instruments	(672)	(117)	(789)

Changes in accounting policies

The adoption of new and amended accounting standards on 1 January 2019 did not affect the group's previously reported financial results, disclosures or accounting policies. IFRS 16 Leases replaced IAS 17 Leases, as well as the related interpretations, on 1 January 2019, introducing a single lease accounting model for leases. The group retrospectively adopted IFRS 16 on 1 January 2019 with an adjustment to opening reserves and, as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the group's results up to 31 December 2018 are presented in accordance with IAS 17, while for 2019 and future reporting periods, are presented in terms of IFRS 16.

The key financial impact on the group's results were an R4.8 billion increase in total assets, R4.7 billion increase in total liabilities and R190 million increase in reserves, mainly due to the release of the IAS 17 straight-line lease liability provision.

	31 December 2018 Rm	IFRS 16 transition adjustment Rm	1 January 2019 Rm
Statement of financial position			
Property, equipment and right-of-use asset	19 194	5 394	24 588
Other financial and non-financial assets	2 107 768	(508)	2 107 260
Total assets	2 126 962	4 886	2 131 848
Equity – equity attributable to ordinary shareholders	199 063	190	199 253
Liabilities	1 927 899	4 696	1 932 595
Total equity and liabilities	2 126 962	4 886	2 131 848

 **AFS** More detailed information relating to our restatements and the impact of changes in our accounting policies, particularly the IFRS 16 transition, is available online in the group's annual financial statements.

Glossary

A	
AGM	Annual general meeting
AI	Artificial intelligence
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
API	Application programming interface
AT1	Additional tier 1 capital
ATMs	Automated teller machines
B	
Banks Act	South African Banks Act, 94 of 1990
Basel III	Basel Committee on Banking Supervision's third Basel Accords
B-BBEE	Broad-based black economic empowerment
bps	basis points

C	
CCY	Constant currency
CET 1	Common equity tier 1 ratio
CIB	Corporate & Investment Banking
CLR	Credit loss ratio
Companies Act	Companies Act, 71 of 2008, as amended
CPI	Consumer price inflation
CSI	Client satisfaction index
CT	Computerised tomography
CTC	Cost-to-company
D	
DRC	Democratic Republic of Congo
E	
ECD	Early childhood development
ECL	Expected credit loss
EDGE	Excellence in Design for Greater Efficiencies
EDO	Enterprise data office
eNPS	Employee net promoter score
ESG	Environmental, social and governance
EU	European Union

F	
FinTech	Financial technology
FAIS	Financial Advisory and Intermediary Services
FSCA	Financial Sector Conduct Authority
FX	Foreign exchange
G	
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GRES	Group Real Estate Services
H	
HEPS	Headline earnings per share
HR	Human resources
I	
ICBC	Industrial and Commercial Bank of China
ICBCS	ICBC Standard Plc
ICT	Information, communication and technology
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPO	Initial public offering
IR	Integrated reporting
IT	Information technology
J	
JSE	Johannesburg Stock Exchange
K	
King IV	King IV Report on Corporate Governance for South Africa 2016, also King Code
KYC	Know your customer
L	
LCR	Liquidity coverage ratio
Liberty	Liberty Holdings Limited
LSE	London Stock Exchange
LTI	Long-term incentive
M	
MIT	Massachusetts Institute of Technology
MVNO	Mobile virtual network operator
MW	Megawatts
N	
NPS	Net promoter score
NSFR	Net stable funding ratio
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
O	
OECD	Organisation for Economic Cooperation and Development

P	
PBB	Personal & Business Banking
POS	Point of sale
PRP	Performance reward plan
R	
remco	Remuneration Committee
ROE	Return on equity
RoRWA	Return on risk-weighted assets
RTS	Report to society
RWA	Risk-weighted assets
S	
SA	South Africa
SAGEA	South African Graduate Employers Association
SAICA	South African Institute of Chartered Accountants
SARA	South African Reward Association
SARB	South African Reserve Bank
SASBO	South African Society of Bank Officials
SBFC	Standard Bank Financial Consultants
SBSA	The Standard Bank of South Africa Limited
SDG	Sustainable Development Goals
SEE	Social, economic and environmental
SENS	Stock exchange news service
SME	Small- and medium-sized enterprises
SMS	Short message service
SOE	State-owned enterprises
STI	Short-term incentive
T	
The group	Standard Bank Group Limited
TB	Tuberculosis
TCFD	Task Force on Climate-related Financial Disclosures
TPS	Transactional products and services
U	
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
UNICEF	United Nations Children's Fund
US	United States
V	
VAF	Vehicle asset finance
W	
WEF	World Economic Forum
Y	
YES	Youth Employment Services

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Disclaimer

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