STANDARD BANK GROUP

Annual integrated report 2018

Standard Bank Moving Forward™

Also trading as Stanbic Bank

Contents

AIR | For information on forward-looking statements in this report, refer to the inside back cover.

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.

WHO WE ARE

We are an **African-focused, client-centric, digitally enabled and integrated** financial services organisation.

OUR OPERATING CONTEXT

Our diversified footprint exposes us to several structural and cyclical trends, which present us with risks and opportunities linked to our focus on Africa and the global impact of the Fourth Industrial Revolution on financial services.

OUR STRATEGY

Our strategy remains unchanged, but we continue to respond to shifts in our operating context, our stakeholders' needs and the related material issues.

FOCUS AREAS

- Client centricity
- Digitisation
- Integrated group

OUR VALUE CREATION MODEL

Our business model enables us to respond to a dynamic environment of competing stakeholder expectations, complex competitive forces and regulatory pressures.

MEASURING OUR PROGRESS

Our strategic value drivers help us focus our efforts and measure our progress in delivering our strategy, across all of our business units and corporate functions, and our geographic footprint.

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT = FINANCIAL OUTCOME | SEE IMPACT

WHY INVEST IN US?

1 GROWTH

Focusing on our clients and creating a great place to work for our people enables us to compete, grow, innovate and achieve scale in our chosen markets.

2 RESILIENCE

Doing the right business the right way enables us to safeguard the deposits our clients entrust to us and the capital our shareholders invest in us.

3 RETURNS

Delivering on our strategic focus areas enables us to drive shareholder returns.

Our reporting suite

Our integrated report is the primary report in a full suite of publications that caters for the diverse needs of our stakeholders.

All our reports and latest financial results presentations, booklets and SENS announcements are available online at **www.standardbank.com/reporting**, together with financial and other definitions, acronyms and abbreviations used.

This report

Annual integrated report

Provides a holistic assessment of the Standard Bank Group's (the group's) ability to create value, in the short, medium and long term.

Key frameworks* applied

- JSE Listings Requirements
- King Code
- The International <IR> Framework of the International Integrated Reporting Council (IIRC)

Assurance

Certain information has been extracted from the group's audited annual financial statements.

Intended readers: Primarily **our providers of financial capital**, being our shareholders, depositors and bondholders, but information relevant to our other stakeholders is also included.

AIR | Read more on page 4.

Reporting to society

An account of the group's social, economic and environmental (SEE) impacts and how these contribute to the group's sustainability and its ability to achieve its purpose. It includes our environmental, social and governance report, and our South African SBSA transformation report.

Key frameworks* applied

- King Code
- CDP (previously Carbon Disclosure Project)
- United Nations (UN) Sustainable Development Goals (SDG)
- Equator Principles
- Global Reporting Initiative (as a guide)

Assurance

PricewaterhouseCoopers Inc. has provided assurance on selected information.

Intended readers: Clients, employees and society more broadly.

RTS

Governance and remuneration report

A detailed review of the group's governance and remuneration practices, including the group's remuneration policy and implementation report.

Key frameworks* applied

- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code
- Basel III

Assurance

Certain information has been extracted from the group's audited annual financial statements.

Intended readers: Shareholders, debt providers and regulators.

GOV REM

References

Refers readers to information elsewhere in this report or in our other reports, which are available online.

Annual financial statements

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

Key frameworks* applied

- IFRS
- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code

Assurance

Unmodified audit opinion expressed by KPMG Inc. and PricewaterhouseCoopers Inc.

Intended readers: Shareholders, debt providers and regulators.

AFS

Risk and capital management report

A detailed view of the management of risks relating to the group's operations.

Key frameworks* applied

- Various regulations, including Basel III
- Banks Act
- IFRS
- JSE Listings Requirements
- King Code

Intended readers: Shareholders, debt providers and regulators.

RCM

The Standard Bank of South Africa (SBSA) annual report

As the group's largest banking subsidiary, SBSA produces its own annual report and audited annual financial statements.

Key frameworks* applied

- Various regulations, including Basel III
- IFRS
- Companies Act
- Banks Act
- JSE Listings Requirements
- King Code

Assurance

Unmodified audit opinion expressed by KPMG Inc. and PricewaterhouseCoopers Inc.

Liberty Holdings Limited (Liberty)

As a separate listed entity, Liberty produces its own integrated report and audited annual financial statements, available at **www.libertyholdings.co.za**.

Other subsidiaries

Our other subsidiaries, including our operations in the Africa Regions, produce their own annual reports and audited annual financial statements, which are available on their respective websites, as applicable.

*** Definitions:**

- Banks Act – South African Banks Act 94 of 1990
- Basel III – Basel Committee on Banking Supervision's third Basel Accords
- Companies Act – South African Companies Act 71 of 2008
- IFRS – International Financial Reporting Standards
- JSE – Johannesburg Stock Exchange
- King Code – King IV Report on Corporate Governance for South Africa, also known as King IV™. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

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

To assist in the reduction of the group's carbon footprint, we urge our stakeholders to make use of our reporting site to view our reporting suite at **www.standardbank.com/reporting** or scan the code to be directed to the page.

About this report

Our integrated report provides a holistic and material assessment of the group's ability to create value in the short, medium and long term.

Reporting scope and boundary

This report covers the period 1 January 2018 to 31 December 2018 and includes material issues up to the date of board approval on 6 March 2019. This report is prepared in accordance with the IIRC's <IR> Framework, together with other applicable frameworks, including the JSE Listings Requirements and the King Code.

This report explains our dependence and impact on the forms of capital, defined in the <IR> Framework, that are fundamental to achieving the performance expectations related to our vision in the medium term. In this regard, we use terms that stay true to the articulation of the group strategy and definition of value, which is described as the financial outcomes and social, environmental and economic (SEE) impacts we aim to achieve through the careful management of our strategic value drivers. The six capitals of the <IR> Framework are implicit in the value drivers that underpin our strategy and in our material issues. The boundary of this report therefore extends to our relationships outside the organisation that affect our ability to create value over time.

Financial information has been prepared on an IFRS basis, unless otherwise specified. Material non-financial information that has a significant influence on our ability to create value is included where relevant. Any restatements of comparable information are noted.

Operating businesses' boundary

This report focuses on the group's banking activities, which include the group's businesses within Personal & Business Banking (PBB) and Corporate & Investment Banking (CIB), as well as our Wealth strategy. Liberty, a subsidiary, and the Industrial and Commercial Bank of China (ICBC) Argentina and ICBC Standard Bank Plc (ICBCS), as associates, are included in this report where they are relevant to the group's strategic value drivers, but are not included in the metrics that relate specifically to our banking activities.

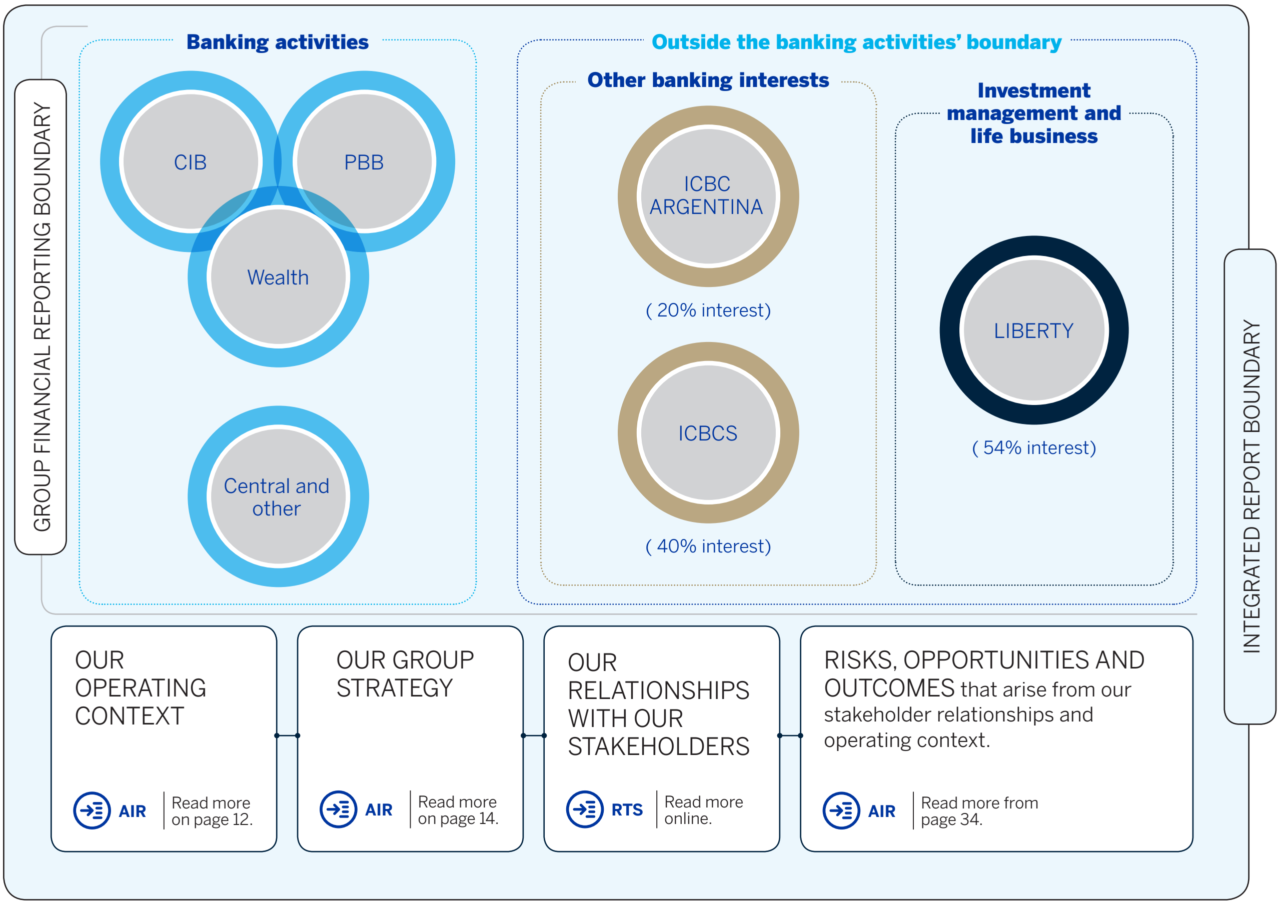
Metrics boundary

Unless otherwise indicated, all data has been reported according to the group's banking activities' boundary.

SA / indicates where information is specific to our South African banking operations only.

LIB / indicates where Liberty is included in group data.

OUR INTEGRATED REPORT BOUNDARY



Materiality

Our material issues are those that matter most to our key stakeholders and that have an impact on our ability to create value. 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 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 encompass the risks and opportunities associated with our five strategic value drivers – client focus, employee engagement and risk and conduct, which determine our financial outcomes and our SEE impact. While our material issues have evolved in response to changes in our operating environment and stakeholder expectations, the broad themes tend to be relatively stable. We view the materiality determination process as a business tool that facilitates integrated thinking.

How we determined our material issues

- Engaged with internal and external stakeholders to generate a list of material issues, categorised by value driver, and supplemented by a review of internal reports, emerging risks and strategic priorities, and media coverage.
- Engaged with internal stakeholders to test the completeness of the list of material issues and define priorities.
- Discussion with group executive committee members to develop a final list of material issues.
- The group social and ethics committee reviewed and approved the final material issues.

AIR | Read more from page 36.

RTS | Read more 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. The group applies the three lines of defence model to identify, monitor and manage risk, promoting transparency, accountability and consistency through the clear identification and segregation of roles to enable a coordinated approach to assurance.

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 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, on which assurance on selected information has been provided by PricewaterhouseCoopers Inc.

AIR | Read more on page 60.

Responding to our stakeholders

Effective stakeholder engagement is essential to achieving our purpose. It maintains and strengthens our legitimacy and social licence to operate, builds trust and enhances our reputation as a socially relevant and responsible corporate citizen.

Our stakeholders are those individuals, groups and organisations that materially affect or could be materially affected by our strategy execution and how we conduct our business activities. They provide us with the resources we need to achieve our strategy and influence the environment in which we operate our business and confer legitimacy on our activities.

We categorise our stakeholders into two primary groups:

- Stakeholders with whom we have a direct, contractual relationship – our clients, our people, our partners, our suppliers and our investors.
- Stakeholders with an indirect relationship with the group but with a stake in our performance – civil society organisations, professional bodies, regulators, policymakers, academia, legislators, the diplomatic community, political parties, special interest and advocacy groups, analysts, researchers and think tanks, the media, and non-governmental organisations.

We regularly engage with our stakeholders through a decentralised stakeholder engagement approach and use various forums and mechanisms appropriate to the needs of each stakeholder group. The board has overall responsibility for the oversight of stakeholder engagement and has delegated its oversight function to the group social and ethics committee. During the year, the group social and ethics committee approved the group's stakeholder engagement principles, which provide guidelines for engagement across our operations.

The key concerns of relevant stakeholders and related material issues are listed and answered in the reviews of our strategic value drivers.

AIR | Read more from page 36.

RTS | Read more online.

Statement of the board of the Standard Bank Group Limited

Group executive committee members have approved the annual integrated report's content, and the group audit committee reviewed and recommended the report to the board of directors for approval.

The board acknowledges its responsibility to ensure the integrity of the report and has applied its collective mind to the preparation and presentation of the integrated report. The board is of the opinion that the report is materially presented in accordance with the <IR> Framework in that it addresses all material issues that have a bearing on the group's capacity to create value over the short, medium and long term.

The report was unanimously approved by the board on 6 March 2019 and is signed on its behalf by:

Thulani Gcabashe
Chairman

Sim Tshabalala
Group chief executive

Our approach to integrated thinking

To create a shared future for our clients, our people and our stakeholders, our strategy is consistent with integrated thinking.

Influencing our integrated thinking

Our clients

Our clients are central in building a digitally enabled, integrated Standard Bank Group. Client focus aligns our efforts to redesign our operating models, develop our people and shift our culture to ultimately create sustainable competitive advantage in a changing industry.

AIR | Read more on page 36.

Our stakeholders

Our stakeholders are the providers of the financial and non-financial capitals we need to create value. Our proactive engagement with stakeholders informs the execution of our business strategy and activities, shapes products and services, helps us to manage and respond to their concerns and expectations, minimises reputational risk and influences our operating environment.

AIR | Read more on page 5.
RTS | Read more online.

Our operating context

Our organisational agility supports flexible strategic responses to the cyclical pressures in our markets while aligning our business effectively to the structural shifts in our industry over the longer term. We identify focused opportunities for revenue generation, and use well-developed risk models to anticipate and manage the impact of risks that are heightened during times of economic stress. We align our risk appetite to changes in our operating environment, instil a risk-aware culture throughout the group and continually enhance our risk management capabilities.

AIR | Read more on page 12.

Our strategy

Our group strategy is focused on creating sustainable value. It represents our commitment to the shared future we are creating for our clients, our people and our other stakeholders. Our strategic value drivers and focus areas align our allocation of resources to our strategy. They direct and provide the basis for measuring the value we create.

AIR | Read more on page 14.

Our material issues

Our material issues synthesise the interests of the group and our stakeholders, taking into account structural shifts and cyclical pressures in our operating context. They inform our priorities in managing our strategic value drivers.

OUR ABILITY TO CREATE AND PROTECT VALUE

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

Performance linked to value creation

Our high-performance culture is supported by an environment in which our people are empowered and motivated to deliver exceptional client experiences and are rewarded for their contribution towards realising our purpose and vision.

Remuneration that drives value over time

Our reward philosophy reflects the group strategy and is aligned to our value drivers through the lenses of client experience, productivity and shareholder value.

AIR | Read more on page 88.

Material issues impacting the group | Strategic value drivers

Material issues impacting the group	Strategic value drivers
• Deliver a compelling value proposition for our clients in an increasingly competitive environment. • Protect and maintain the integrity of client data. • Work with our customers to mitigate over-indebtedness (including sales-in-execution).	CLIENT FOCUS
• Diversity and inclusion (with a particular focus on gender equity). • Transformation in South Africa. • Impact of digitisation and automation on workforce requirements. • Build and retain local skills and capabilities in countries of operation.	EMPLOYEE ENGAGEMENT
• Cybersecurity. • Stability, security and speed of IT systems. • Reputational and operational risk associated with third-parties, counterparties and suppliers. • Card fraud. • Policy, regulatory and legal risks in key markets. • Constructive relationships with regulatory authorities. • Increase in physical security threats/incidents in Africa Regions.	RISK AND CONDUCT
• Returns on IT investment. • Maintain resilience of our balance sheet. • Improve efficiencies and manage the cost base. • Sustainable revenue growth.	FINANCIAL OUTCOME
• Contribute to job creation, enterprise development in countries of operation. • Deepen financial inclusion across Africa with appropriate digital offerings. • Balancing Africa's power energy needs with the negative impact of climate change. • Adaption and mitigation of climate change, especially in relation to water in key sectors and markets.	SEE IMPACT

AIR | Read more from page 36.

Allocating our resources

We apply a formal decision-making framework to optimally deploy our resources and align our relationships to drive growth, deepen resilience and deliver sustainable value for all our stakeholders.

GROWTH

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?

RESILIENCE

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?

RETURNS

VALUE

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

YES

The investment or opportunity will be assessed for acceptability by considering the trade-offs between our stocks of capital.

NO

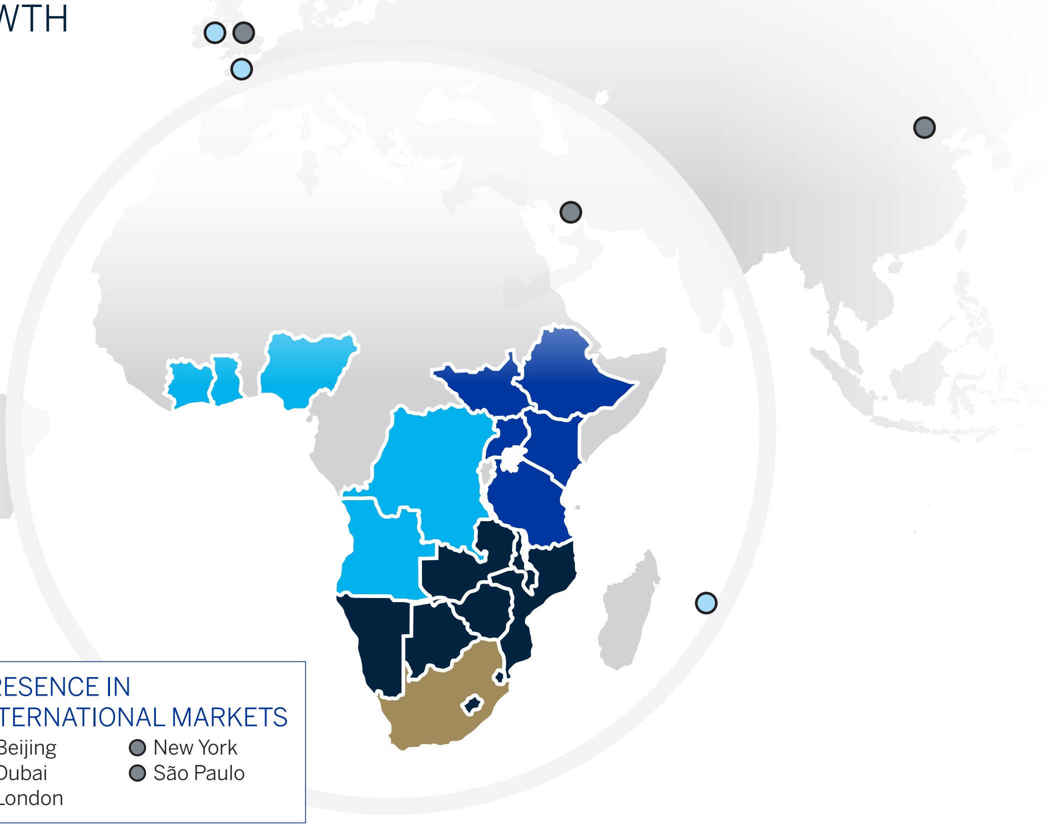
The investment or opportunity will either be ranked lower or subject to trade-off decisions or will not be accepted.

Our business

Who we are

We are an African-focused, client-centric, digitally enabled and integrated financial services organisation. In, for and across Africa, our strategy is designed to realise the opportunities presented by Africa's longer-term structural trends.

AFRICA IS OUR HOME, WE DRIVE HER GROWTH



EAST AFRICA
Ethiopia (representative office)
Kenya
South Sudan
Tanzania
Uganda

SOUTH AFRICA

SOUTH & CENTRAL AFRICA
Botswana
eSwatini
Lesotho
Malawi
Mauritius
Mozambique
Namibia
Zambia
Zimbabwe

WEST AFRICA
Angola
Côte d'Ivoire
Democratic Republic of the Congo
Ghana
Nigeria

INTERNATIONAL FINANCIAL SERVICES	PRESENCE IN INTERNATIONAL MARKETS	
Isle of Man	Beijing	New York
Jersey	Dubai	São Paulo
Mauritius	London	

Standard Bank Group is a leading African **integrated financial services group** with compelling competitive advantages.

Recognised brand

STANDARD BANK | STANBIC BANK

On-the-ground presence

1 200
BRANCHES
2017: 1 212

9 321
ATMs
2017: 9 063

Valued people

53 178
PERMANENT EMPLOYEES
2017: 54 558

Best-in-class technology
modernised core banking platforms providing leading-edge digital capabilities

Key strategic partnerships

Strategic partnership with ICBC

Market capitalisation of
R289 billion
(USD20 billion)

Strong position in South Africa as a market leader in mortgages and deposits.

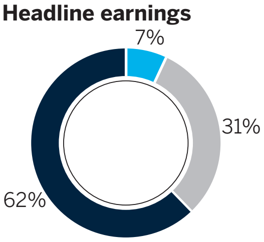
Strong contribution from our Africa Regions businesses

31%

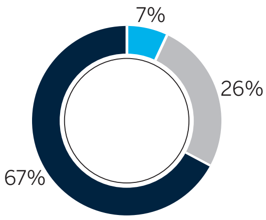
contribution to banking headline earnings

Contributions to banking activities

Headline earnings



Equity

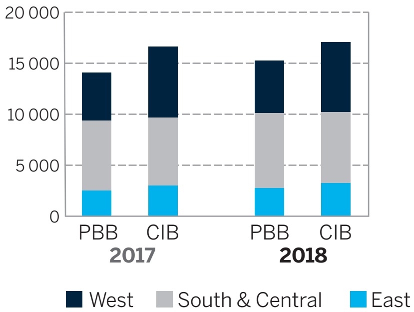


- South Africa
- Africa Regions
- International and other group entities

Top five contributors to Africa Regions headline earnings

- Angola
- Mozambique
- Uganda
- Ghana
- Nigeria

Africa Regions total income (Rm)



Diversified **business units** provide client solutions across the full range of banking and related financial services.

Personal & Business Banking

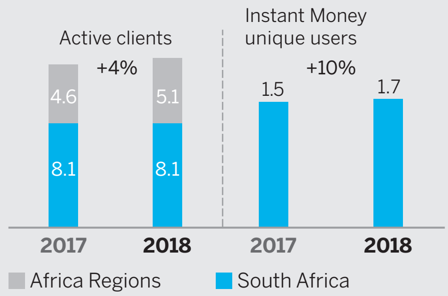
Banking and other financial services to individual clients and small- to medium-sized enterprises (SMEs) in South Africa, Africa Regions and the Channel Islands.

PRODUCTS AND SERVICES

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

KEY INFORMATION

Clients and transactional behaviour (millions)



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

KEY INFORMATION

- Leading market positions in corporate loans, deposits and trading in South Africa
- Strong market share across Africa Regions

Wealth

Wealth services and product offerings, including insurance, investment, fiduciary, specialised banking and multi-generational wealth preservation solutions for high net worth, retail, business and commercial, and corporate clients.

PRODUCTS AND SERVICES

- Short-term and life insurance products
- Financial planning and modelling
- Integrated fiduciary services
- Specialised banking, wealth management and advisory service solutions
- Offshore financial services to African clients
- Investment services, including global asset management

KEY INFORMATION

- Continued growth in assets under management
- Strong fund performance, with above benchmark growth
- Strong growth in high net worth clients.
- Strong growth in deposits

Liberty

Life insurance and investment management activities of the group companies in the Liberty Holdings Group.

PRODUCTS AND SERVICES

- South African retail
- Business development
- Asset management

KEY INFORMATION

- Over R390 billion in external assets under management
- Information about Liberty's strategy and operations is available at **www.libertyholdings.co.za**

Our operating context

While emerging trends, particularly technological developments, have far-reaching impact and associated risks, they also offer attractive opportunities.

African trends

African growth

The African continental free trade agreement[1] was signed by more than 40 African countries in 2018 and is expected to boost regional integration, commerce and trade, and grow African economies twice as fast.

We are well positioned to drive and facilitate inter-regional trade, and investment flows across the continent to assist the economic growth of African countries and the expansion of multinationals into Africa.

Rapid urbanisation and youthful population

By 2050, Africa's population is expected to double with an estimated median age of 20 and 1.5 billion Africans of working age[2]. As a result, governments will face increasing demands for investment in education, healthcare and basic services. Opportunities exist to increase financial access through low-cost digital transactions in urban centres and fund housing and small business initiatives. To take advantage of these and other opportunities will require the development of additional skills which will contribute to an upskilled financial services industry.

Financial inclusion

43% of adults (over the age of 15) in sub-Saharan Africa now have a bank account[3], up from 34% in 2014. 33% have an account at a formal financial institution, while 21% have a mobile money account, up from just 12% in 2014. While an impressive improvement, more than half the adult population across Africa is still excluded from the formal financial system. The Findex report notes that 'the power of financial technology to expand access to and use of accounts is demonstrated most persuasively in sub-Saharan Africa', where 34% of adults have made or received digital payments in the past year.

Food security and commodities[4]

The underutilisation of arable land holds vast potential for increased commercial agriculture and the production of agricultural goods. Mitigating the impact of climate change will be essential to realising this potential.

Africa has a third of the world's mineral reserves which remain largely undiscovered or underexploited in a time when commodities are fundamental to modern economies.

Infrastructure development[5]

The African Development Bank estimates that infrastructure investment of USD130 to USD170 billion a year is needed across Africa. To support growth, the continent must make the best use of existing infrastructure while developing new infrastructure. For example, the rapid evolution of transport and the development of autonomous vehicles will require investment in new transport infrastructure.

Insurance penetration[6]

Africa's insurance industry has the potential to grow through a diverse client base – from a young growing middle class to large infrastructure and agriculture opportunities. Current average insurance penetration rate is 2.9%, representing an opportunity for the financial sector in Africa.

Politics

Renewed confidence in South Africa has been tempered by factionalism, policy uncertainty and poor governance in state-owned companies undermining institutional capacity. Increasing global tension continues to disrupt international cooperation and trade relations.

Sub-Saharan Africa continues to struggle with fragile political stability although increased political reform has improved economic resilience.

Economics

The global economic outlook is subdued, with recent momentum in advanced economies expected to slow, partly due to the trade tensions between the United States (US) and China, suboptimal Brexit negotiations, weakening financial market sentiment and concerns around China's economic outlook.

Overall, African economies have been resilient and are gaining momentum through increasing economic diversification and structural transformation to create jobs and reduce poverty.

The IMF[7] predicts global growth of 3.5% in 2019. GDP growth in sub-Saharan Africa is projected to rise to 3.5% in 2019 and to 3.6% in 2020.

Regulations

Financial supervision, technological innovation and conduct remain key drivers of global regulatory developments as regulators require robust data protection and privacy controls.

Environment

High-impact weather events have continued across the world and food insecurity, disease outbreaks, infrastructure losses and migration will remain global challenges as climate change persists.

Global disruption

Successfully identifying emerging trends is made more difficult given the nature and ever-advancing technologies of the Fourth Industrial Revolution. The World Economic Forum tracks trends shaping future ecosystems that are fundamental to the operations of economies, governments, industries, researchers, scientists, environmentalists, social engineers and financiers. These trends will result in technologies that could impact on all aspects of life, including financial and monetary systems, and the future world of work and skills requirements.

Financial access and increased competition

Traditional banks face increasing competition from a range of market entrants, including new digital service providers with propositions that are simpler, more convenient, more transparent and more readily personalised. Rapidly changing client expectations and behaviours are driving investment in client-centric technology. The recent launch of TymeBank, with Discovery Bank and Bank Zero set to launch in South Africa in the near future, are examples of new entrants.

In Africa, advances in digital and mobile technology has improved financial access, particularly in rural areas.

Data privacy and security[8]

Global concerns around data, privacy and consumer rights are being addressed through new regulations which place significant obligations on financial institutions to protect and use data responsibly and respect clients' privacy rights.

Open banking, which is being pioneered in the United Kingdom (UK), addresses data ownership requirements and more transparent data sharing capabilities through user-friendly tools which give clients better control over their data. It also provides increased opportunities for collaboration with third-parties and access to complementary data, although at the risk of potentially increasing the complexity of shared data.

Changing technologies[9]

It is expected that cloud computing will grow to a USD191 billion industry by 2020. Given that the related risks are relatively unknown and the increased use of complex algorithms and cognitive engines like chatbots, a balanced approach to digitisation is needed to manage any negative impacts on clients, reduce unintentional bias in systems and improve data security.

Artificial intelligence

The need to effectively manage artificial intelligence (AI) will increase as resources become more scarce and digital strategies are adopted. To achieve the culture shift needed to accommodate AI will require investment in both people with the necessary technical expertise and in new ways of working to support more complex thinking, problem solving, flexibility and creativity.

Digital currencies and blockchain technology[10]

Digital currencies and blockchain technology support client privacy and data protection by enabling anonymous transacting. However, the advent of quantum computing has the potential to undermine the security of the digital economy.

Design thinking[11]

Design thinking is the application of design principles to everyday interactions. It covers identifying problems, researching potential solutions and forming ideas, followed by prototyping the ideas. Design thinking helps improve client centricity by personalising products and services to each client, making them more intuitive and responsive.

[1] UN Economic Commission for Africa – Africa Continental Free Trade Areas | [2] UN Population statistics | [3] World Bank Findex Report 2018 | [4] African Development Bank – Economics Intelligence Unit | [5] African Development Bank – African Economic Outlook 2018 | [6] Financial Times – Africa's insurance market is a 'giant waking up' (June 2016) | [7] International Monetary Fund (IMF) – World Economic Outlook Update (January 2019) | [8] The Banker – Pioneering an open future | [9] PR Newswire US – Risks of cloud computing still emerging, warns Spohn Security (October 2017) | [10] Information Security Forum – Threat Horizon 2020 | [11] The Financial Brand – Design Thinking: the hottest new trend in banking (January 2018)

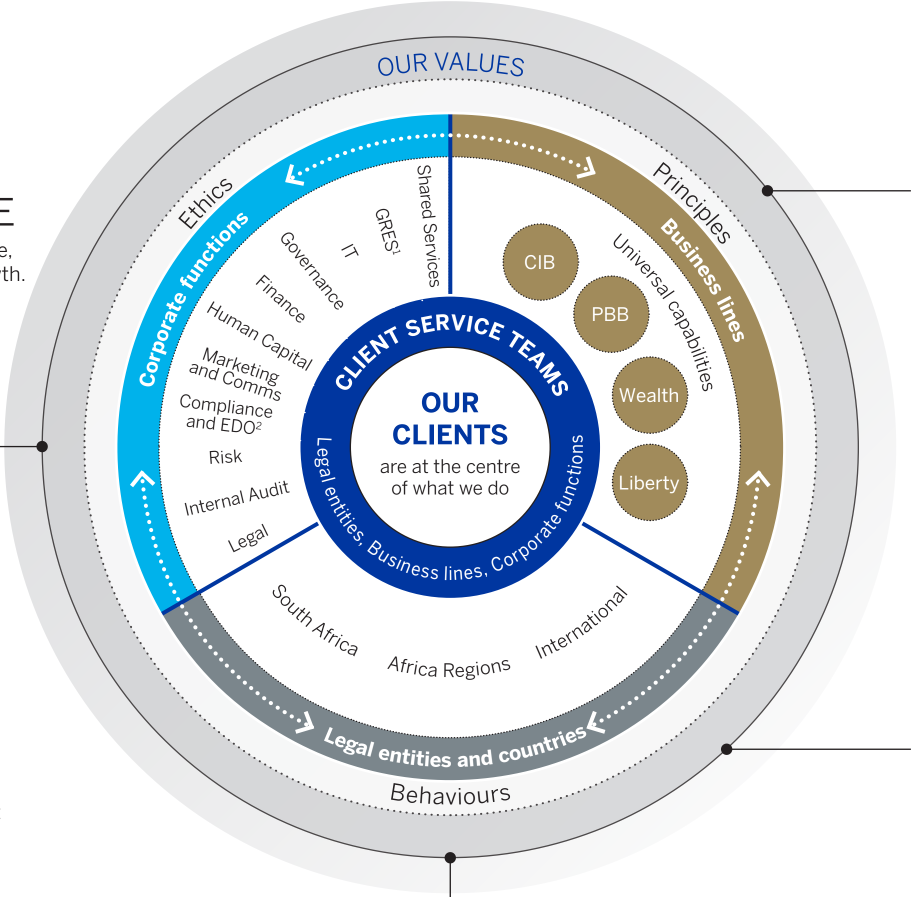
Our group strategy

OUR PURPOSE

Africa is our home, we drive her growth.

OUR VISION

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



OUR VALUES

serve as beacons for the behaviour and qualities that define us at our best as we execute our strategy.

- 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 KEY FOCUS AREAS

work together to ensure we offer our clients everything they need in the most effective way possible.

- Client centricity
- Digitisation
- Integrated group (UFSO)[3]

Our strategic value drivers

help us focus our efforts and measure the progress towards delivering on our group strategy and vision.

CLIENT FOCUS — We delight our clients through personalised client journeys...

+

EMPLOYEE ENGAGEMENT — ...and have a culture of caring and growing, and learning and innovation...

+

RISK AND CONDUCT — ...and we do the right business the right way...

=

FINANCIAL OUTCOME — ...will result in increased shareholder returns...

SEE IMPACT — ...and deliver shared value.

1 Group real estate services.
2 Enterprise data office.
3 Universal financial services organisation.

Our values-driven culture

Our culture is 'the way we do things'. Our work to shift our culture for the better recognises that how we do things is as important as the things we do. Our culture is determined by our purpose, vision, values and our approach to ethics. Our code of ethics guides us to be responsible and respectful in our dealings with all our stakeholders as we work to become Africa's leading financial services organisation. It outlines acceptable business conduct and is an important reference point for employees acting on behalf of Standard Bank. These clearly defined parameters empower us to make faster, more confident decisions that have the interests of our clients, and the people of Africa, at heart.

We are focusing on three critical behaviours that will shift our culture and make the most difference in supporting our strategic journey:

- Connect every team's work to the group's broader objective of **serving our clients with integrity**.
- **Create common goals** across different areas and follow through urgently.
- Enable people to **take ownership** of their work and help to remove obstacles.

The way we work/The way we win

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

Client centricity requires that our people and processes are outwardly focused on our clients as their needs and expectations change. This means we align the way we plan, deliver and execute work, doing the basics brilliantly and consistently so that we can do what our clients value.

We are working to:

- See clients as **real people, not numbers**.
- Provide our clients with **relevant solutions**.
- Be a **trustworthy partner** on our clients' growth journeys.
- **Do the basics brilliantly** and **deliver on our promises** quickly, efficiently, reliably and respectfully.

DIGITISATION MEANS ENHANCING OUR PRODUCTS AND PROCESSES TO CONTINUALLY IMPROVE HOW WE MEET OUR CLIENTS' AND EMPLOYEES' NEEDS.

Digitisation is more than just technology – it is about delivering the full range of financial services through secure, personalised, relevant and digitally enhanced experiences to our clients and employees in real-time, all the time.

We are working to:

- Ensure that the services our clients and employees need are **consistently available, anywhere, anytime** – irrespective of channel.
- **Use data proactively** to guide our decisions, discover valuable insights and deliver personalised experiences.
- Remove friction, paper-based processes and waste to ensure **intuitive, easy to use, reliable interfaces** for our clients and employees.
- Create a workplace that encourages **curiosity, digital thinking and continuous improvement** for quick and frequent refinement of ideas and brilliant delivery.

OUR INTEGRATED FINANCIAL SERVICES OFFERING DELIVERS HOLISTIC SOLUTIONS WHICH ARE RELEVANT TO OUR CLIENTS.

Offering a **complete range of financial services** follows from our commitment to client centricity and reinforces the competitive advantages of our scale, scope and expertise. This means that our business units, legal entities and corporate functions must work as an integrated whole to service our clients' financial needs in a seamless way.

We are working to:

- **Seamlessly and efficiently deliver** an integrated financial services group, so our clients have access to and experience all our propositions relevant to their needs.

Our value creation model

Our business model enables us to respond to commercial and social realities in a dynamic environment of competing stakeholder expectations, complex competitive forces and regulatory pressures. We strive to manage our resources and relationships responsibly in what we do and how we do it, to deliver the best outcomes for our clients, our people, our shareholders and other stakeholders.

OUR CAPITAL INPUTS

CLIENT FOCUS

- SRC/ Profitable client relationships built on trust
- Strong strategic partnerships, including our ten-year partnership with ICBC
- HC/ Employees equipped to provide exceptional client experiences
- IC/ Client focused, digitally enabled ways of working
- MFC/ Fit-for-purpose branch and ATM network
- NC/ Utilities (direct) and financing activities (indirect)

EMPLOYEE ENGAGEMENT

- HC/ Strong executive and leadership teams
- Engaged and capable employees
- SRC/ Good relationships with employee representatives
- IC/ Reward structures linked to performance and value drivers
- High-performance ethical culture
- Investment in training that supports client-focused ways of working

RISK AND CONDUCT

- SRC/ Constructive relationships and ongoing dialogue with regulators and governments
- HC/ Embedding a risk-aware, compliant and ethical culture
- IC/ Strong internal control systems, and risk and compliance frameworks

FINANCIAL OUTCOME

- FC/ Competitive investment proposition
- Affordable access to capital and a resilient and diverse capital structure.
- HC/ Competitively reward employees for the value they deliver
- SRC/ Good standing in the investment community

SEE IMPACT

- SRC/ Supporting socioeconomic development and sustainable markets
- NC/ Working with clients to manage environmental risk, including applying the Equator Principles
- Viable business and market growth
- Reputable and ethical brand

Our purpose is the ultimate outcome of our strategy over the short, medium and long term.

IMPLEMENTING OUR STRATEGY

Our strategy is designed to realise the opportunities that Africa presents. Our three key focus areas combine to ensure we offer our clients the solutions they need in the most effective way possible, and **our strategic value drivers focus our efforts and measure our progress in delivering value**.

AIR | Read more on page 36.

RISKS AND OPPORTUNITIES

We follow a **strategic process to identify the significant risks and emerging threats** faced by the group and the countries we operate in. This focuses our attention and prioritises our responses in addressing the risks, opportunities and threats that may impact on our ability to achieve our strategy.

AIR | Read more on page 56.

OUR GOVERNANCE

Our governance and risk frameworks are integrated across our operations to enable **enhanced accountability, effective risk management, clear performance management, greater transparency and effective leadership**.

We see effective leadership as that which unites purpose and performance by embedding an ethical and risk-aware culture which recognises that the trust of our stakeholders is the basis on which we compete and win.

AIR | Read more on page 88.

BUSINESS ACTIVITIES AND OUTPUTS

As an integrated financial services organisation with a broad offering of products and services, our business units and corporate functions work together to deliver on our clients' needs.

EXTERNAL ENVIRONMENT

SRC/ Social and relationship capital | HC/ Human capital | IC/ Intellectual capital | FC/ Financial capital | NC/ Natural capital | MFC/ Manufactured capital

OUR VALUE CREATION OUTCOMES

WHAT WE DO FOR OUR CLIENTS

OUR BUSINESS ACTIVITIES

INCOME AFTER CREDIT IMPAIRMENTS

BANKING ACTIVITIES

Activity	Income statement impact and associated risks
Lend money to our clients	Interest income and credit impairments ●●●●●
Source funding from client deposits and other funders	Interest expense ●●●●
Provide transactional banking facilities and knowledge-based services to clients	Net fee and commission revenue ●●
Market access and risk mitigation products to businesses	Trading revenue ●●●●●●
Revenue from other sources linked to core businesses, as well as strategic investments	Other revenue ●●●●●

INSURANCE ACTIVITIES

Activity	Income statement impact and associated risks
Long- and short-term insurance, investment products and advisory services	Income from investment management and life insurance activities ●●●●●●●

EXPENSES

BANKING AND INSURANCE ACTIVITIES

WHAT WE INVEST IN TO SUPPORT WHAT WE DO

Client centricity
We invest in our people to equip them to deliver exceptional client experiences in a changing world of work.

Digitisation
We invest in our operations, including our IT platforms, to enhance our capabilities, improve efficiency and remain compliant with all applicable laws and regulations.

Integration
We invest in our integrated financial service offering and capabilities delivered through PBB, CIB, Wealth and Liberty together with our relationship with ICBC.

Strategic investments
We invest to support our access to innovation and drive socioeconomic development in Africa.

INCOME STATEMENT IMPACT AND ASSOCIATED RISKS

Other operating expenses ●●

Staff costs ●●

AIR Detailed information on our value creation outcomes is disclosed in Measuring our strategic progress, by group and business unit. Read more on page 18.

AIR Read more on page 64.

HOW WE MAKE MONEY

Income after credit impairments − Expenses − Direct and indirect taxes = Net profit − Dividends to shareholders = Retained equity to sustain and grow our business

AIR Our operating context on page 12.

● 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

Measuring our strategic progress

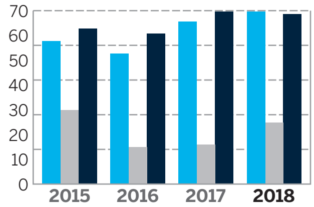
⊖ Not achieved ⊕ On track to achieve ✓ Achieved

CLIENT FOCUS

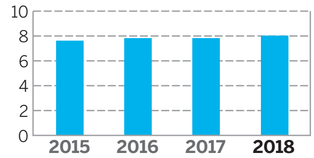
	2018 Actual	2018 Achievement	Medium-term target
Net promoter score® (NPS)			
PBB South Africa channel	**70**	✓	Continually improve
PBB Africa Regions	**25**	✓	
Wealth	**69**	✓	
Client satisfaction index (CSI)			
CIB	**8.0**	✓	

AIR Read more on page 36.

Net promoter score



Client satisfaction index

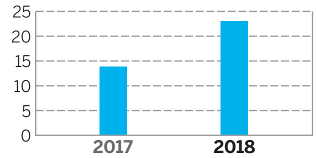


EMPLOYEE ENGAGEMENT

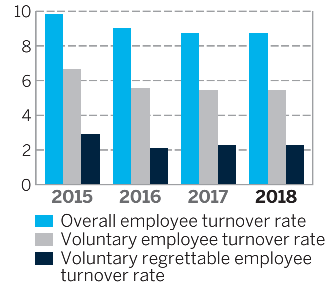
	2018 Actual	2018 Achievement	Benchmarks
Employee net promoter score (eNPS)			
Standard Bank Group	**+23**	✓	+24
Employee turnover			
Overall employee turnover rate (%)	**8.3**	✓	14.4[1]
Voluntary employee turnover rate (%)	**4.9**	✓	9.9[1]
Voluntary regrettable employee turnover rate (%)	**2.3**	✓	–

AIR Read more on page 48.

Employee net promoter score



Employee turnover (%)



RISK AND CONDUCT

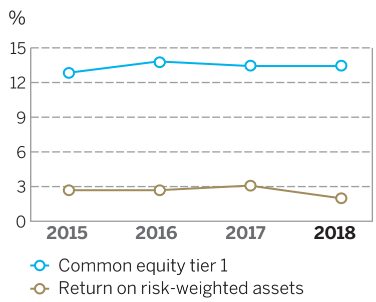
LIB

	2018 Actual	2018 Achievement	Medium-term target
Risk			
Common equity tier 1 ratio (CET 1) (%)	**13.5**	✓	11.0 – 12.5%
Liquidity coverage ratio (LCR) (%)	**116.8**	✓	Minimum of >100%
Return on risk-weighted assets (RoRWA) (%)	**3.0**	✓	
Net stable funding ratio (NSFR) (%)	**118.6**	✓	Minimum of >100%
Conduct			
We manage conduct risk in accordance with our governance framework and are guided by our values, ethics and principles.			

[1] Gartner CEB Global benchmarks: 2017.

AIR Read more on page 56.

Risk

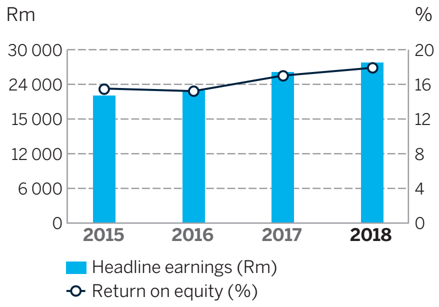


FINANCIAL OUTCOME

	2018 Actual	2018 Achievement	Medium-term target
Headline earnings (Rbn) LIB	27.9	✓	Sustainable growth
Return on equity (ROE) (%) LIB	18.0	✓	18 – 20%
Cost-to-income ratio (CTI) (%)	57.0	+	Approaching 50%
Credit loss ratio (CLR) (%)	0.56	+	80 – 100 bps

AIR | Read more on page 64.

Headline earnings and ROE



SEE IMPACT

Financial inclusion

- Improving access and affordability – convenient digital products and services, accessible even without a bank account.
- Rethinking security and collateral requirements for loans.
- Providing consumer education to enable people to manage their finances more effectively.
- Helping our customers save, invest and plan for the future, according to their individual needs.

Job creation and enterprise development

- Helping Africa's small businesses access the tools and resources they need to become viable and sustainable.
- Providing financial products designed to meet the needs of SMEs and entrepreneurs.

Infrastructure

Working with African governments and development institutions to structure appropriate funding instruments and mobilise funding for crucial developmental infrastructure:

- Energy
- Water
- Transport (roads and railways, ports and harbours)
- Telecommunications.

Africa trade and investment

- Facilitating African trade and investment, particularly in the Africa-China corridor in conjunction with ICBC.

Education and skills development

- Supporting early childhood development.
- Supporting improved access to education and improved educational outcomes.
- Improving access to student finance (including Feenix).
- Supporting access to work opportunities and skills development.

Employee development and training

- Building and retaining local skills in our countries of operation.
- Development programmes for school leavers.

AIR | Read more on page 76.

ASSESSING OUR PROGRESS: PBB

PBB STRATEGY

PBB's strategy remains unchanged and we align closely to the rest of the group. We are transforming our business to ensure a singular focus on our clients: to understand their needs and to gain and keep their trust by partnering with them on their journeys.

Our fit-for-purpose presence in **15 countries** across Africa, combined with our committed people and digital platforms, supports our large, diverse client base.

We aim to achieve continuous improvement in the execution of our strategy, understanding that it is how well we execute that will set us apart from our competitors.

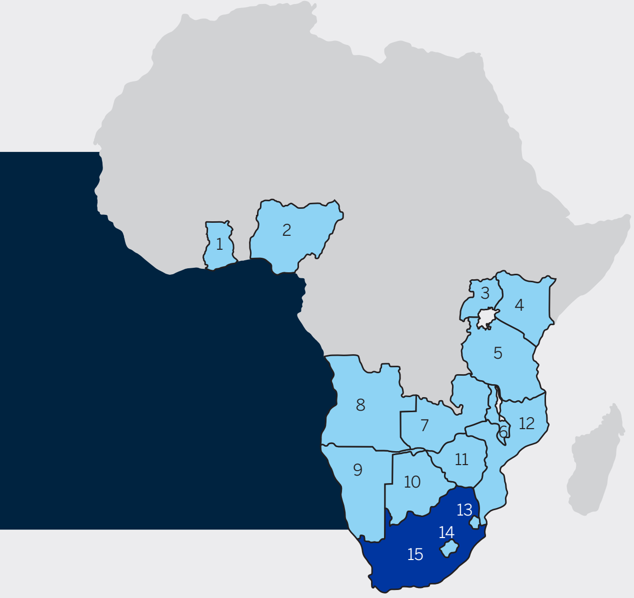
PURPOSE

Changing lives and fulfilling aspirations across Africa.

VISION

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

	THE BANK THAT KNOWS ME	THE BANK THAT EMPOWERS ME	THE BANK THAT DELIVERS FOR ME
WHAT OUR CLIENTS WANT	• A single and complete connection with every client. • A personalised bank for every moment in life.	• An entire bank in every client's pocket. • A toolbox for every financial need.	• A reliable partner for life. • A frictionless and dependable payment experience.
HOW WE RESPOND	• Provide relevant solutions informed by deep and precise insights into what matters to our clients. • Deliver a consistent and integrated client experience across all touch points. • Leverage group capabilities to deliver to our clients. • Promote a relevant and compelling brand. • Lead with transactional banking and deposit gathering.	• Design and embed simple, paperless and automated end-to-end processes with the client in mind. • Leverage a simple and agile technology platform (safe, reliable and real-time). • Do the right business the right way. • Allocate and prioritise resources to deliver what matters to clients. • Deliver an integrated financial services organisation to enable relevant solutions to clients.	• Consistent and continuous clarity of purpose and vision enabled by a united leadership team. • Collaboration through employee teamwork. • Embed a learning ethos to constantly raise the bar. • Empower local leaders to enable our people to execute agreed strategies. • Recognise the contribution of our employees. • Embrace our diversity. • Fulfil our social and ethical responsibilities.



OUR OPERATING CONTEXT IN BRIEF

- Marginal GDP growth, constrained public sector investment and low business and consumer confidence in South Africa.
- Declining real consumer spending and credit demand in South Africa.
- Strong competition for a static number of clients.
- Interest rate volatility in Africa Regions impacting margins.
- Strong growth and adoption of digital channels across all markets.

PERFORMANCE AGAINST STRATEGY

Despite a challenging operating environment, PBB delivered headline earnings growth of 10% and a 21.9% ROE (2017: 20.0%), largely due to strong deposit growth and client activity.

- Focused improvements in client service stabilised client base in South Africa and improved active client numbers in Africa Regions.
- Implemented a decentralised operating model with upskilled and empowered client-facing teams.
- Completed core banking transformation in South Africa.
- Continued processes and system automation to remove friction in client interactions and deliver complete solutions.
- Enhanced digital functionality and systems stability in Africa Regions.
- Improved risk and control environment, especially in Africa Regions.

Looking forward

We continue to transform our business to ensure our focus on offering the solutions our clients want and need, delivering consistently excellent client service and developing localised and empowered teams. Our priorities will include:

- Implementing a South African operating model based on geographic regions and market verticals within these regions, to focus the allocation of appropriately skilled client service resources and distribution platforms, and embed a market-based ecosystems approach.
- Increasing the momentum of digitisation and continue to refigure physical branches in line with growing digital adoption.
- Extending the Enterprise Direct online platform to small enterprises in South Africa.
- Maintaining growth momentum of target client segments in Africa Regions with service excellence and increasing digitisation.

70
NPS – SOUTH AFRICA CHANNEL
2017: 66 | 2016: 53

25
NPS – AFRICA REGIONS
2017: 16 | 2016: 15

+23
eNPS
2017: +13 | 2016: N/A

4.3%
VOLUNTARY TURNOVER
2017: 5.1 | 2016: 5.3

No significant incidents or client breaches.

Operational risk losses within risk appetite.

69.8 Rbn
REVENUE
2017: 67.7 | 2016: 67.6

15.5 Rbn
HEADLINE EARNINGS
2017: 14.1 | 2016: 12.7

21.9%
ROE
2017: 20.0 | 2016: 18.8

60.6%
CTI
2017: 59.0 | 2016: 60.1

0.81%
CLR
2017: 1.20 | 2016: 1.25

Raised R22 million through Feenix Trust, our crowd-funding initiative to help students access tertiary education, covering 800 students since launching in 2017.

AIR | Read more from page 36.

ASSESSING OUR PROGRESS: CIB

CIB STRATEGY

CIB serves 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.

Our extensive market knowledge, gained through our on-the-ground presence in **20 sub-Saharan African countries**, and a deep understanding of our clients' businesses, enables us to serve multinationals operating in Africa and offshore. These attributes also help us to respond appropriately to changes in our operating context and leverage our sector diversity by purposefully allocating resources to opportunities that sustain revenue growth – within the parameters of carefully considered risk-taking.

PURPOSE

We dream of Africa realising her potential.

VISION

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

WHAT OUR CLIENTS WANT

- Understand their business and the challenges and opportunities they have.
- Develop a proactive partnership.
- Deliver solutions that meet their business needs.
- Make it easy for them to access the bank.
- Deliver consistent, reliable service.

HOW WE RESPOND

CLIENT CENTRICITY

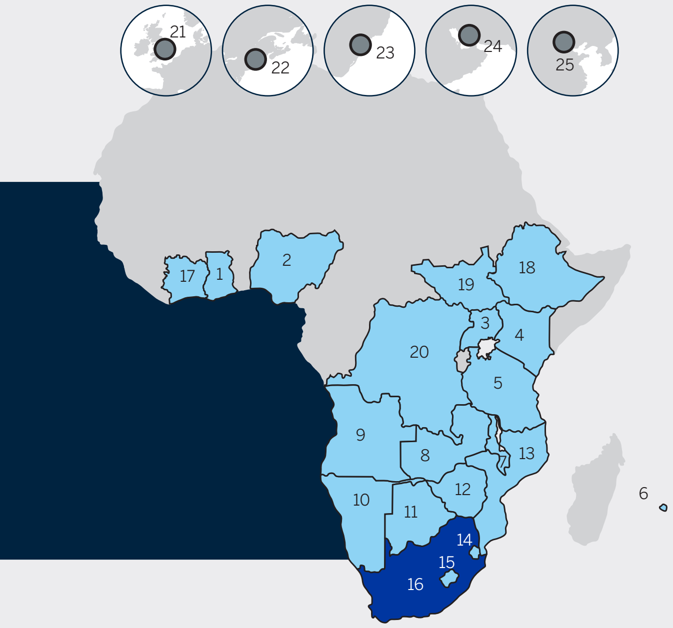
- Partner our clients on their growth journeys.
- Drive collaboration and connectivity within CIB and the group.
- Acknowledge clients as real people.
- Purposefully allocate resources to support client needs and priorities.

BUSINESS OPERATIONS

- Do the right business the right way.
- Fulfil our promises to our clients through an efficient, effective and consistent operating model.
- Deliver basics brilliantly, front to back.
- Promote an environment of proactivity, responsiveness and reliability.
- Allocate financial resources efficiently.

PEOPLE AND CULTURE

- Enable employees to deliver consistently excellent client experiences.
- Provide relevant development opportunities.
- Recognise employees' contribution and provide competitive, performance-based remuneration.
- Promote a culture of high-performance, accountability and collaboration.
- Embed clear mandates and accountabilities, while simplifying everything we do.
- Embrace diversity and inclusion.
- Fulfil our social and ethical responsibilities.



AFRICA REGIONS

SOUTH AFRICA

1. Ghana
2. Nigeria
3. Uganda
4. Kenya
5. Tanzania
6. Mauritius
7. Malawi
8. Zambia
9. Angola
10. Namibia
11. Botswana
12. Zimbabwe
13. Mozambique
14. eSwatini
15. Lesotho
16. South Africa
17. Côte d'Ivoire
18. Ethiopia
19. South Sudan
20. Democratic Republic of the Congo

INTERNATIONAL OFFICES

21. London
22. New York
23. São Paulo
24. Dubai
25. Beijing

OUR OPERATING CONTEXT IN BRIEF

- Continued lower-growth environment across sub-Saharan Africa.
- Commodity prices and emerging market currencies remained under pressure due to trade tensions between the US and China.
- Political uncertainty and upcoming elections in South Africa and Nigeria delayed project investment.
- Interest rate volatility and declining margins in Africa Regions.

PERFORMANCE AGAINST STRATEGY

- Stable client franchise reflected in 8% client revenue growth and 1% increase in total revenues.
- Strong client activity, particularly in Africa Regions, driven by multinationals and large domestic corporates.
- Matured our client service team model to provide comprehensive client solutions.
- Successfully tested and launched a digital, real-time account opening solution for clients.
- Continued to adjust risk appetite to reflect changes in clients' operating environments and were selective in exposures to avoid concentration in certain sectors.
- Completed several landmark transactions across our markets, which included an increase in energy and infrastructure-related deals.

Looking forward

We will continue to service leading multinational corporations and operations in Africa, and large domestic African corporations conducting business on the continent and offshore, deepening existing relationships and acquiring new clients in key sectors using our extensive market knowledge and on-the-ground presence. Our priorities will include:

- Integrating service platforms to improve client experience.
- Revising and improving client service team model to roll out to other value-creating functions.
- Continuing focus on delivering products and solutions that meet clients' evolving needs.
- Allocating resources to growth opportunities, within risk appetite, aligned to clear sector focus.
- Maintaining disciplined cost management, including structural changes to cost base.
- Responding to emerging opportunities in key sectors such as those expected to come from the restructuring of Nigerian oil sector, positive regulatory changes in South African mining sector and Mozambican gas sector.

8.0
CSI
2017: 7.8 | 2016: 7.8

+14
eNPS
2017: +7 | 2016: N/A

6.5%
VOLUNTARY TURNOVER
2017: 7.4 | 2016: 7.4

Ongoing involvement in and monitoring of complex credit and deal decisions.

Vigilant management of risks and proactively addressed issues through relevant governance frameworks.

37.0 Rbn
REVENUE
2017: 36.7 | 2016: 35.4

11.2 Rbn
HEADLINE EARNINGS
2017: 11.4 | 2016: 10.3

19.3%
ROE
2017: 22.2 | 2016: 19.5

54.0%
CTI
2017: 51.9 | 2016: 54.5

0.16%
CLR
2017: 0.34 | 2016: 0.31

Financing two desalination plants in Cape Town to improve water security.

AIR | Read more from page 36.

ASSESSING OUR PROGRESS: WEALTH

WEALTH STRATEGY

Wealth, together with Liberty, is transforming the group's capabilities in short-term insurance, life insurance, investments/asset management, fiduciary services and specialised banking, into a client value proposition that will enhance our service offerings to our clients and drive additional market share in our target markets.

PURPOSE

To thoughtfully enable clients' legacies and dreams.

VISION

To be the leader in Wealth on the African continent, delivered through outstanding expertise in insurance, investments, fiduciary services, specialised banking and multi-generational wealth solutions.

We are trusted advisors to high net worth, retail, business and commercial, and corporate clients, leveraging the group's footprint in 16 sub-Saharan African countries, and with an international service offering facilitated through our offices in London, Jersey, Isle of Man and Mauritius.

Client centricity is at the heart of our strategy. We have worked hard to create a cultural shift with leadership taking ownership of all complaints, always displaying thoughtfulness and empathy in our dealings with our clients. We employ both attitudinal and behavioural data analysis and the insights we gain from our relationships to better understand our clients' needs and refine our offerings to best serve them.

WHAT OUR CLIENTS WANT

PERSONALISED OFFERING
- Thoughtfulness
- Segment of one
- Family
- Generational.

EMPLOYEE ENGAGEMENT
- Knowledgeable and engaged staff, trusted advisor.

ACCESSIBILITY
- Multi-channel access
- Always on availability
- Ambience
- Proactive engagement
- International markets.

PERFORMANCE
- Fair, transparent and appropriate fees
- Investment returns
- Reward and loyalty.

EXECUTIONAL EXCELLENCE
- Turnaround
- Get it right first time
- Query, claim and complaint resolutions
- Before the sun sets service.

OUR CLIENT EXPERIENCE FRAMEWORK HAS OUR CLIENT IN THE CENTRE

CLIENT INSIGHTS

Understand what matters to our clients.

Who they are?

How they think, feel and do.

CLIENT EXPERIENCE DESIGN AND STANDARDS

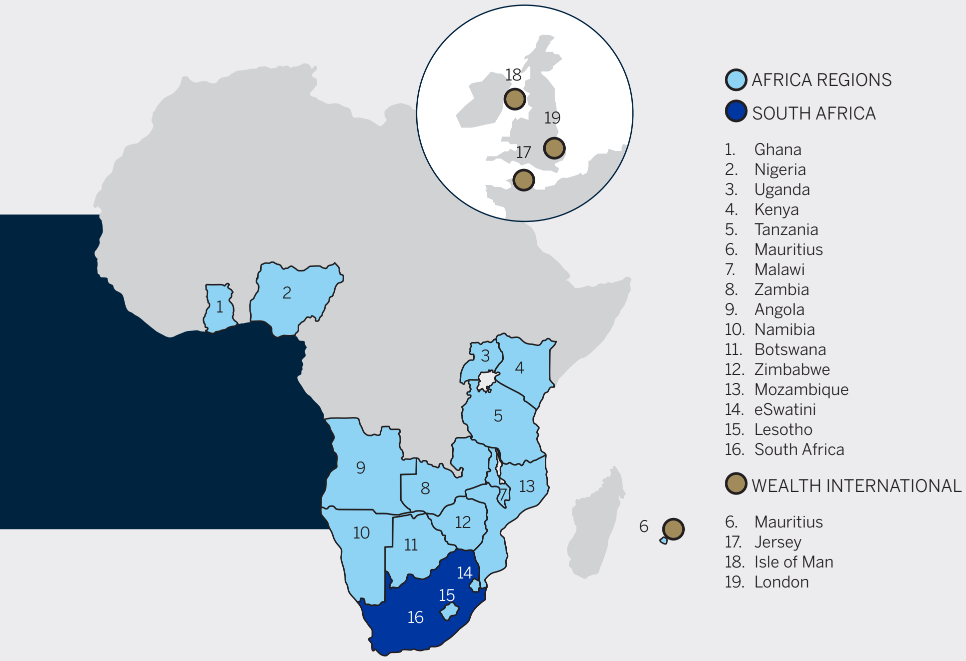
Define client experience standards across the various touch points.

CLIENT-CENTRIC CULTURE

People and brand engagement to drive client-centric culture.

MONITORING, MEASUREMENT AND GOVERNANCE

Measurement, tracking and progress against defined measures.



OUR OPERATING CONTEXT IN BRIEF

- Sustained economic weakness in South Africa and slower growth throughout Africa.
- Economic pressure on consumers resulting in lower spending on insurance and investments.
- Low volatility in investment markets impacted stockbroking and investment services, although this improved in more buoyant markets.
- Increased competition from incumbent competitors and international market entrants with emerging industry trend focusing on integrated financial services.
- Regulatory changes remain challenging in some markets.

PERFORMANCE AGAINST STRATEGY

Wealth delivered a strong set of results with growth in headline earnings of 24% and a robust ROE of 37%. The international business in particular, achieved exceptional results, with headline earnings growth of 60%. Melville Douglas continues to deliver outstanding client value, with global funds performance in the top quartile and domestic funds performance in the second quartile and both above benchmark, compared to peers.

2018 also saw a significant shift both in our Wealth culture and in our ability to deliver an integrated offering to clients. Focus was placed on embedding our 'before the sun sets' client engagement philosophy throughout the business and driving thoughtfulness and empathy in employees' interactions with clients. This, together with improved collaboration within the group and a high degree of client engagement through our signature events, resulted in a NPS of 69, ahead of our internal target.

- Enhanced our organisational structure and core business lines, to optimise collaboration and efficiencies within Wealth and the rest of the group, and to deliver a cohesive value proposition to our clients.
- Client service teams, in collaboration with PBB, have been rolled out across South Africa, allowing us to interlink our operations for the benefit of the client.
- By leveraging our relationship with CIB, we have developed client ecosystems that have enabled us to deliver wealth solutions to the staff of multinational corporations.
- Cooperation between CIB and Wealth has ensured a shared value proposition for senior executives and the corporates they represent.
- Considerable progress was made on advancing the Liberty Bancassurance collaboration plan. Launch of the Liberty high net worth proposition pioneered the assurance banking collaboration where Standard Bank solutions are provided to Liberty clients.
- Further enhancements to the Wealth International mobile app, which enables the viewing of and transacting on offshore accounts, including cross-border payments and debit card activation.
- Our Leadership Academies continued to focus on enhancing thoughtful, responsible multi-generation wealth transfer and developing the next generation of leaders.

Looking forward

Wealth remains firmly committed to the execution of our client-focused growth strategy. Digital and data is critically important in the delivery of a seamless and personalised service offering for all our clients. Wealth strives to develop a culture that integrates digitisation into our core operations through leveraging data and other assets.

AIR | Read more from page 36.

69
NPS
2017: 70 | 2016: 61

+24
eNPS
2017: +16 | 2016: N/A

7.8%
VOLUNTARY TURNOVER
2017: 8.2 | 2016: 7.5

No significant incidents or client breaches.

Operational risk losses within risk appetite.

9.5 Rbn
REVENUE
2017: 8.3 | 2016: 8.0

3.1 Rbn
HEADLINE EARNINGS
2017: 2.5 | 2016: 2.5

37.0%
ROE
2017: 34.0 | 2016: 37.0

PROMOTING A CULTURE OF SAVING
390 Rm
invested in 57 000 tax free investment accounts and over R410 million of clients' assets invested in 14 000 auto share investment accounts

INSURANCE PROCUREMENT – supporting small business development

FINANCIAL EDUCATION – fostering financial literacy in low-income segments and preserving generational wealth

Why invest in us?

Investors require three things from us – growth, resilience and returns. We allocate our resources and align our relationships to support the disciplined delivery of our strategy, which enables us to meet their expectations.

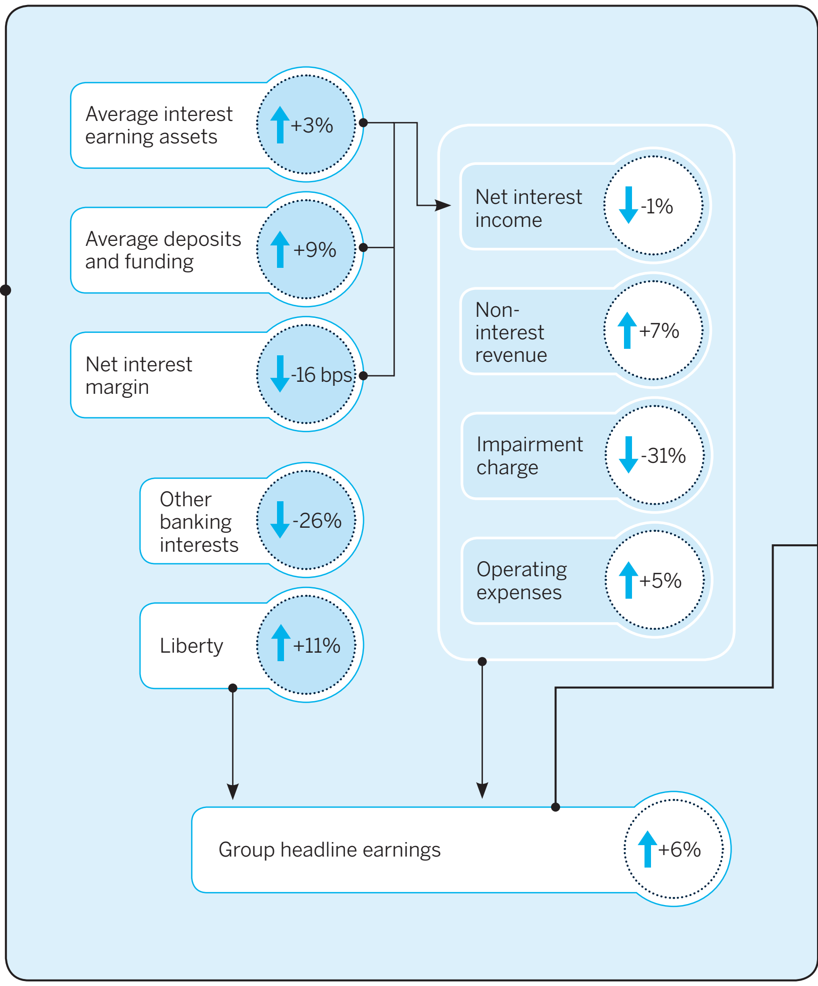
1

GROWTH

partnering high-growth clients

Focusing on our clients will enable us to compete, grow and achieve scale in all our chosen markets. Our key differentiators are:

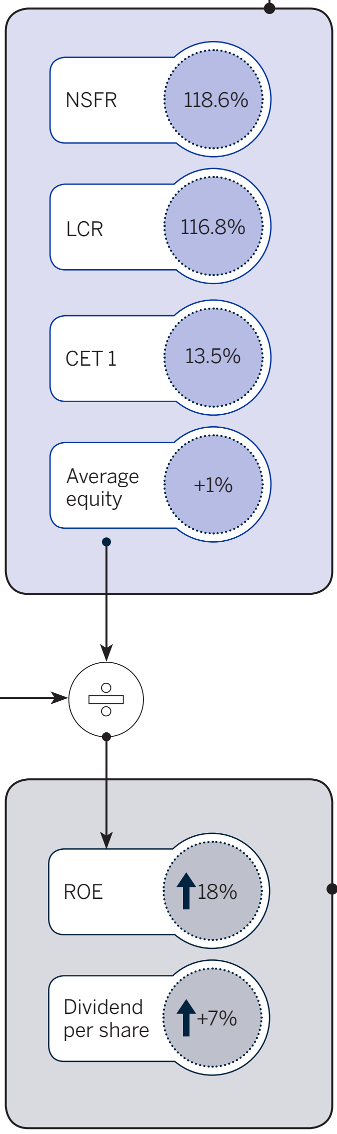
- Our on-the-ground presence in 20 countries across sub-Saharan Africa with deep local knowledge and a fit-for-purpose footprint.
- Our access to pools of capital through our presence in international markets, enabling our clients to fulfil their growth ambitions.
- Our track record of growing earnings faster than the nominal GDP in the countries in which we operate by partnering high-growth clients in targeted markets.
- Our modern core banking systems, which enable increasing digitisation and delivery of better client experiences.
- Our ongoing investment in strong leadership and passionate people, the most critical determinant of our long-term success.
- Our strategic partnership with ICBC, which provides us with an opportunity to provide financial services to clients operating in the Africa-China corridor.



MEDIUM-TERM TARGETS

GROWTH

Group headline earnings growth	**Sustainable growth**
Africa Regions contribution to banking headline earnings	**> 30%**
CLR	**80 – 100 bps**
CTI	**Approaching 50%**



2

RESILIENCE

demonstrating through-the-cycle resilience

We will continue to safeguard the deposits our clients entrust to us and the capital our shareholders invest in us, through:

- Our strong and liquid balance sheet which assists us in weathering cyclical downturns.
- Our well-diversified businesses, by client, sector, product and geography, which provide good return profiles.
- Our strategic focus on acquiring quality clients across our franchises, underpinned by clearly defined and dynamic risk appetite allocations, which enables us to effectively manage our risk profiles.
- Our well-developed and independently assured governance and risk management frameworks enable us to limit losses and reputational damage, and balance short- and long-term value creation imperatives.

MEDIUM-TERM TARGETS

RESILIENCE

LCR	**> 100%**
NSFR	**> 100%**
CET 1	**11.0 – 12.5%**

3

RETURNS

driving higher returns

We drive returns through:

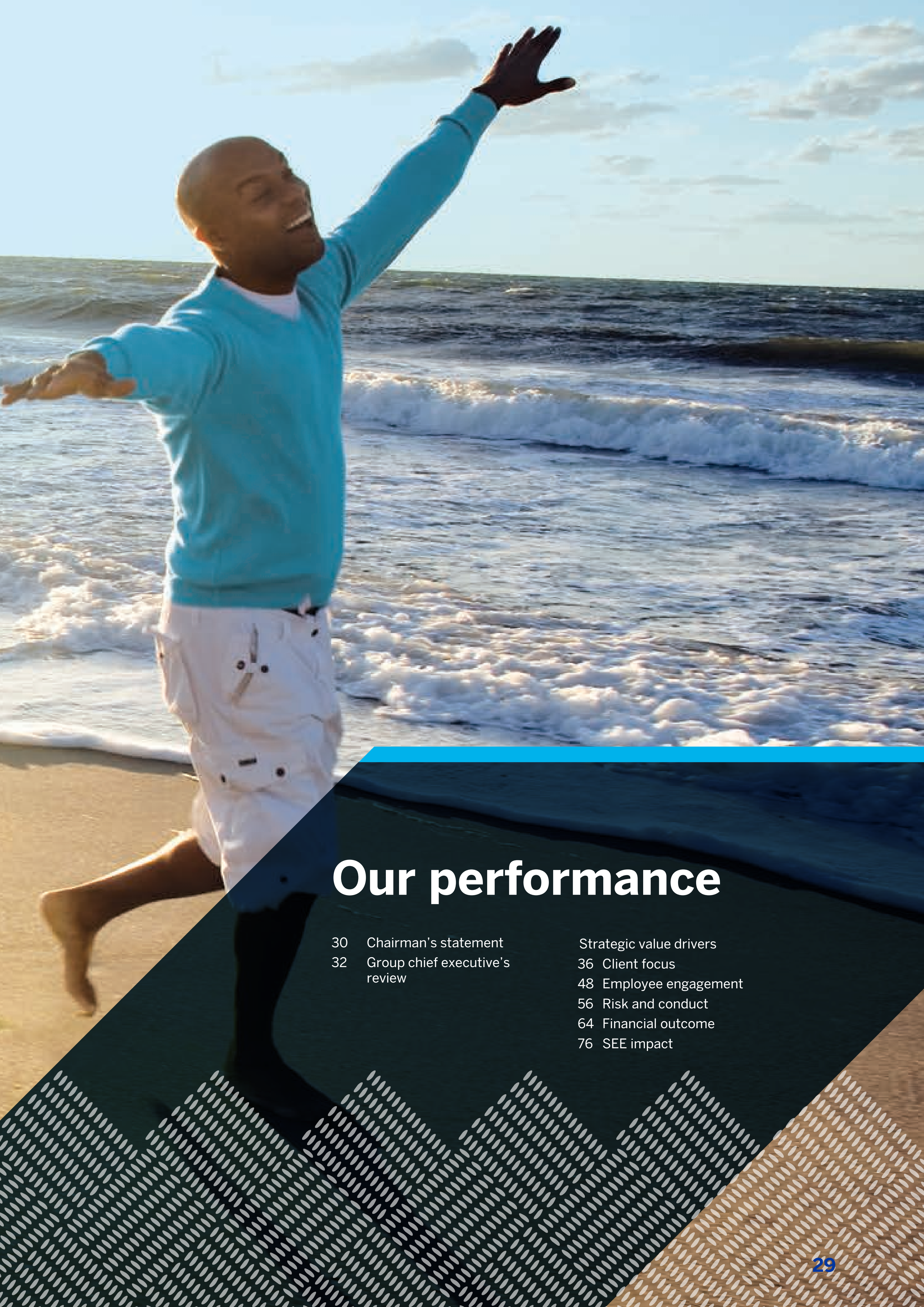
- Our focus on efficient allocation of capital.
- Our delivery of operational excellence and productivity.
- Driving revenue growth faster than growth in costs.
- Accelerating the digitisation of the group to ensure and enhance our competitiveness.
- Making further changes to the group's architecture to become a more integrated organisation.
- Assisting Liberty to execute its plan to turn around its financial performance.
- Supporting faster, more inclusive and more sustainable economic growth and human development in South Africa and across the continent.
- Investing in viable future markets and sustainable long-term performance through the management and measurement of our SEE impact.

MEDIUM-TERM TARGETS

RETURNS

ROE	**18 – 20%**
Dividend	**Sustainable growth**

AIR | Read more on page 64.



Our performance

Chairman's statement

Thulani Gcabashe
Group chairman

"Standard Bank Group executes our long-term strategy with a combination of disciplined patience and equally disciplined urgency."

↑ 7%
970c
DIVIDEND PER ORDINARY SHARE
2017: 910 cents

As this report aims to show, the Standard Bank Group is proudly and unshakeably committed to upholding our values and South Africa's Constitutional order. We aim to listen carefully and respectfully to all our stakeholders, especially those who disagree with us, and learn from what they have to say. We believe that decision-making should rely on the best available evidence and expertise. We think that the best outcome usually balances several perspectives and interests. We do not believe that there are quick fixes to economic, social and environmental problems. We do believe in making progress, in measuring that progress objectively, and in accounting to society transparently.

We have been very encouraged by the steady progress made in South Africa since President Ramaphosa came to power in February last year. As I wrote in last year's message, we knew that there would be a hard road ahead. What is impressive is how many positive steps have been taken along that road. A very incomplete list includes several strong new Cabinet appointments; the commissions of enquiry into state capture, and into the administration of the South African Revenue Service, the Public Investment Corporation and the leadership of the National Prosecuting Authority; and changes to the boards and senior management of South Africa's critical state-owned enterprises.

We believe that further and deeper reforms are likely to follow. As a result, economic growth is likely to accelerate modestly during 2019 to 1.3%. The largest and most urgent issue to address is that South Africa's state-owned electricity utility, Eskom, remains in a very poor financial and operational condition, posing an immediate and severe threat to South Africa's fiscal position and prospects for faster growth. In our view, there is no alternative to a complete overhaul of both the governance and the market structure of the South African electricity industry.

Land reform is another aspect. We are confident that there will be no large-scale, state-sponsored 'land grabs' in South Africa. The current parliamentary and executive processes are being advised by some of South Africa's best legal minds, leading land policy and agricultural experts and representatives of broader stakeholders in society. At long last, South Africa may be on track to implement a land reform programme that enables us to move forward as a more inclusive and prosperous society. If we are to stay on this positive track, it will be important to ensure that cynical and sometimes inflammatory rhetoric is swiftly countered by accurate data and analysis and by a constant reinforcement of our shared commitment to the Constitutional order.

Beyond South Africa, much of the political and economic landscape has been equally challenging. For example, Kenya continues to apply interest rate maxima in a way that we believe is counterproductive. The quality of the business climate and regulatory environment deteriorated markedly in Nigeria during the year, arguably under pressure from declining oil revenues. Further afield, the handling of the UK's Brexit negotiations with the European Union (EU) and the US approach to trade policy, especially with China, continue to create significant risks to global and African economies.

It is a stubborn fact of human life that law-bound and competitive markets create better economic outcomes. An equally stubborn fact is that, in addition to all the benefits they create, such markets tend to generate increasing inequality and to undervalue the natural environment. Rising inequality can make destructive populism seem attractive to voters. Insufficient attention to the negative externalities of economic growth creates the very real risk of making our planet barren and unliveable.

Therefore, sensible governments, businesses and civil society organisations should embrace the benefits of markets, but also resist their negative tendencies. In Africa, owing to the fragility of many of our ecosystems, the poverty and economic exclusion of many people, and the painful history of colonialism, extractive growth and rent-seeking, we now need to lean harder than most other regions against inequality, institutional decay and environmental degradation.

The group therefore invests money and time supporting wider access to good-quality education in South Africa, and to better healthcare in Africa as a whole. We play a leading role in developing, promoting and adhering to the principles of environmentally sustainable finance. We defend the rule of law when it is threatened. We claim no monopoly on solutions, but we do have strong opinions about the duties and responsibilities of the financial sector and about economic development. We believe it is our duty to participate in policy debates on how to make economic growth faster, more inclusive and more sustainable, and on how to improve education and training to prepare Africa's young people for the Fourth Industrial Revolution.

Most important of all, the group is committed by our strategy to measuring ourselves not simply in financial terms but by how much SEE value we generate and by the potential harm we are able to mitigate.

We cannot and do not promise to achieve 'quick fixes' or to please everyone. The nature of our business requires us to think in years and decades, even generations, and to make difficult trade-offs every day. Here is what we do promise: under the leadership of the board, the group will be caring, thoughtful, responsive and responsible.

Responsive thinking and responsible behaviour

During 2018, we strengthened the mechanisms that we use to ensure that we are responsive to our stakeholders and responsible in our actions. The group social and ethics committee approved stakeholder engagement principles that act as a guideline for all our operations in the essential task of listening to and learning from all our stakeholders. Our supplier risk committee continued to meet to assess our relationships with suppliers and to ensure the compatibility of these relationships with our values and our social and environmental commitments.

Every year, urgent, difficult and complex questions put our strategy, values and internal systems to the test. The debate about whether the group should commit to no longer financing coal-fired power stations was among the most important of these. This debate is a useful illustration of how we think about difficult trade-offs. On the one hand, we are acutely aware of Africa's vulnerability to the negative impacts of climate change. Further, as many civil society activists argue, financing coal-fired power stations could create 'stranded assets' and could gravely damage the group's standing in society. For these reasons, we are committed to supporting a just transition to a lower-carbon economy.

However, we are equally aware that ours is the continent in most need of development, and that Africa is in urgent need of affordable energy infrastructure to stimulate economic growth and to support human development. Coal remains a critical component of the energy mix in many African countries and is a source of affordable energy for underserved communities. In many places in Africa, the trade-off is between coal-fired grid power or dangerous paraffin lamps, wood fires, and the inefficient and expensive small generators owned by households and small firms.

We have, therefore, concluded that we cannot commit in advance to a total and permanent ban on financing coal-fired power generation. Instead, we have developed coal-fired power funding guidelines, broadly in line with the OECD Export Credit Agency Coal-Fired Power Finance Guidelines. These guidelines require that we carefully consider the current energy situation in the region to be served by the plant; future energy demand; the nature of the proposed technology and the viability of alternative generation options; and the extent to which a proposed project would comply with national environmental and social laws, relevant international conventions, standards and treaties. If a proposed development does not meet these stringent criteria, we will not finance it.

During the year, we thought in a similar way about several other thorny issues. These included the balance to be found between digital convenience and online security, and between digitising the group to meet the expectations of our clients and shareholders and achieving the best possible outcomes for employees whose current skills may be less relevant in a digital business. We have also thought very carefully about the balance between sound credit management in the interests of our depositors and shareholders versus our responsibility as a corporate citizen to support the recovery of South Africa's economically essential state-owned enterprises. A similar trade-off must be made between the interests and rights of people who are struggling to pay their home loans and those of depositors and shareholders – who are typically workers saving to realise their families' goals and for their retirements. In South Africa, we do everything possible to avoid entering legal processes to recover debt owed on home loans, including assisting homeowners in trouble to sell their current properties and to buy homes that they can afford.

During 2018, South Africans were able to read in excruciating detail about the enormous destruction of value that has taken place, in both the private and public sectors, when leaders choose to abandon decency. You may also have read about Standard Bank's testimony to the Zondo Commission into State Capture. I am confident that you will agree that our integrity and commitment to the law were not found wanting when put to a stern test.

Developments in governance and risk management

Highly-charged issues will of course capture the headlines. In most ways, however, the systematic work of ensuring ordinary good governance is what creates and protects value for all the group's stakeholders.

During 2018, the board continued to focus most of its attention on two everyday issues. The first of these is ensuring that the executive team implements the group strategy as agreed. Within this, we placed particular emphasis on improving cost management and efficiency, and doing everything we can to combat cybercrime.

Second, we focused on the depth, breadth and quality of the combined assurance provided by the group's risk, compliance and internal audit teams. The board works hard to support the independence of assurance functions and to create a culture in which they feel entirely free to raise issues of concern, and in which business units welcome these findings and act quickly on the recommendations.

To do its job well, the board needs the best-possible visibility into the large and complex organisation it oversees, combined with the broadest range of skills and diversity of experience. On visibility, the board's annual strategy session is now structured around the group's five strategic value drivers; as is the quarterly reporting by the business units to the board. This enables us to see and evaluate the links between strategy design and execution, and performance against the group's value drivers and the remuneration process.

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.

Having reached retirement age, Mr Richard Dunne retired from the board during the course of the year. Richard served on the board for almost ten years, and for eight years as chairman of the group audit committee. Richard has been an exemplary chair of that vital committee – insightful, meticulous and exacting – and we are very grateful for his service.

On his retirement as an executive director, Mr Ben Kruger stepped down at the end of the year. Ben was an outstanding executive. His career has been marked by a series of extraordinary accomplishments and his legacy will endure. The board will miss his unmatched expertise and deep wisdom.

Looking ahead

Although the economy performed poorly, 2018 was a year of growing hope for South Africa. If we are to realise that hope, 2019 and the years beyond must be years of steady, disciplined work, accurately measured and properly accounted for. Hard trade-offs must be made. Patience and urgency must be combined, as must idealism and pragmatism. South Africa's trade and investment links to the increasingly dynamic and sophisticated economies of the African continent must continue to develop, and we must be at the forefront of African regional integration. Africa as a whole must continue to develop its internal links, embrace digital technology, and ensure that Africa's people have the skills and resources needed to participate in, and benefit from, an increasingly digital global economy.

What is true for Africa as a whole is just as true for the group. We will execute our strategy with speed and discipline. We will continue to digitise rapidly to serve our clients with consistent excellence. And we will drive Africa's growth. This report holds us accountable for achieving our goals and commitments. Please let us know what you think about our progress and about how we can do better.

Finally, I express my profound gratitude to all Standard Bankers and to the board. It is pleasure and an honour to work with you all.

Group chief executive's review

Sim Tshabalala
Group chief executive

"Our results reflect continued, strong franchise growth across Africa, as evidenced by growing client numbers, and growing deposits and loans to customers."

↑ 6%
27.9 Rbn
GROUP HEADLINE EARNINGS
2017: R26.3 billion

↑
18.0%
GROUP RETURN ON EQUITY
2017: 17.1%

Group headline earnings for 2018 was R27.9 billion, 6% up on 2017. Group ROE was 18.0% up from 17.1% in 2017. Headline earnings per share was 1 748 cents, 7% ahead of the prior year. These results reflect continued, strong franchise growth across Africa, as evidenced by growing client numbers, and growing deposits and loans to customers.

Along with many other South Africans, I was over-optimistic about the pace at which our economy would recover during 2018. In the event, after two quarters of recession, the economy grew at only 0.7%, well below the 1.5% that had been widely forecast. Now, however, institutional reforms are well underway, which is likely to improve business and investor confidence. If – as we expect – these institutional reforms are followed by structural reforms after the general election, we are hopeful that the growth rate of the South African economy could accelerate to around 1.3% in 2019. If the new administration is able to pursue a bold and comprehensive programme of structural reform, South Africa could see growth of 3% a year by 2020.

Sub-Saharan Africa's GDP growth rate was 2.9% in 2018, and is expected to strengthen to 3.5% in 2019. The continent's growth may be somewhat weaker if interest rates rise sharply or if global trade tensions worsen. On the other hand, growth may be faster than expected if these tensions are resolved quickly and if good progress continues to be made in ratifying and implementing the African Continental Free Trade Area.

I echo our chairman's view that economic growth must be inclusive if it is not to be derailed by populist policies and institutional decay. This is a universal truth, but it is a particularly pressing one in Africa. Africa's 'demographic dividend' is likely to be a great blessing for the continent – but it also poses serious risks. Africa's growth must be inclusive because Africa's young people deserve productive and meaningful lives. It would be foolish and dangerous to allow their talents and energies to be wasted.

Some people worry that Africa has 'missed its chance' and that the increasing adoption of AI and robotics in production, coupled with global trade, will permanently destroy jobs, reduce incomes and prevent Africa from developing. I think this is unlikely. Even at this early stage, it is clear that the new technology is in fact creating new demands for uniquely human skills and, therefore, large categories of new jobs. Perhaps equally important, the additional income created by higher productivity is stimulating an expansion of trade and of labour-intensive service industries. As I argued last year, these developments mean that it is extremely important that we radically improve education and training Africa-wide.

The group strongly supports the increasing focus of many African central banks on promoting financial inclusion. During the year, regulators in Ethiopia, Malawi, Nigeria and South Africa all emphasised the importance of deeper financial inclusion for economic development.

There is no question that South Africa needs much more investment in public infrastructure, and that the financial sector must be central to mobilising this investment. But proposals to require that financial institutions invest a proportion of their depositors' and shareholders' funds in projects unilaterally chosen by the state – 'prescribed assets' – are, in my firm view, not a good idea. In the light of abundant recent evidence from South Africa and abroad, it is clear that funds gathered in this way are at considerable risk of being used inefficiently. Even if used precisely as intended, the imposition of prescribed assets would damage the interests of workers saving for their retirements, and those of current retirees, by shifting savings away from their optimal allocation. In any case, a prescribed assets policy is unnecessary. As we have seen from South Africa's renewable energy programme, more than enough private investment can be voluntarily attracted into public infrastructure projects when these take the form of transparent public-private partnerships.

I also think that the proposal to nationalise the South African Reserve Bank (SARB) is more concerning than prescribed assets. The private shareholders have no influence over monetary policy nor over any aspect of the SARB's operations. Therefore, nationalising the SARB by buying out the private shareholders would cost a lot of money and serve no useful purpose.

Proposals to change the monetary policy mandate of the SARB are worse. Certainly – as is clearly recognised in the Constitution of South Africa – monetary policy can support growth. It does precisely this by maintaining price stability, which supports investment and keeps up real incomes, particularly the incomes of poor people. It is also possible that monetary policy can support growth by mitigating cyclical contractions. If politicians try to use monetary policy to expand spending in the hope that this will boost the economy onto a permanently higher growth path, the inevitable outcome is slower growth, more inflation, more unemployment and more poverty. The integrity and independence of monetary policy formation must therefore be defended.

Advancing our strategic priorities

Our purpose does not change: Africa is our home, we drive her growth. Equally, we will continue to pursue our vision until we have achieved it: to be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

Working closely with our strategic partners and 20% shareholder, ICBC, we continue to support and deepen the economic links between Africa and China. We achieved notable progress this year in areas, including joint funding of major infrastructure projects and renminbi internationalisation.

For the next few years, the group executive team is focused on delivering three immediate priorities within our longer-term strategy: client centricity, digitisation and becoming a truly integrated group. We believe that it is the combination of these that will create a large and sustainable competitive advantage for the group, and each of the three remains an equally important priority. We have made pleasing progress on client centricity and in becoming more integrated during the year, as you will see elsewhere in this report.

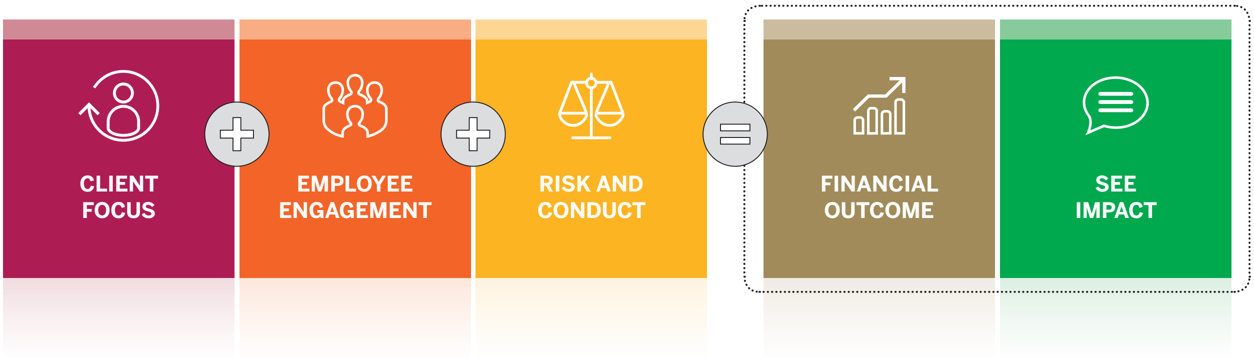
This year, however, I will emphasise digitisation and use this space to describe some of the progress we have made in becoming a truly digital financial services group. This is for two reasons: first, and quite simply, as group head of digital – a role that I take just as seriously as group chief executive – I am proud of what we have achieved and want to bring it to your attention. Second, accelerating our progress towards becoming a truly digital organisation is a precondition for achieving client centricity and integration, and is key to permanently lowering our costs.

The comprehensive modernisation of our core banking systems was completed in the first quarter of 2018. Building on this foundation, here are some of our achievements:

- Updating our mobile application (app) in 12 countries simultaneously, for both phone and tablet, every six weeks or less.
- Being world first to deliver a machine learning solution for credit spreading.
- Using hundreds of bots throughout the business. For example, our VAF verification bot has reduced client waiting times from a day to 40 minutes.
- Provide more peace of mind to our clients when they shop online, by launching virtual cards, where clients can create virtual cards using our app in a matter of seconds.
- Reducing the average time for a large corporation to open a CIB account with us from ten days to two minutes.
- Providing merchants with a rich set of predictive analytics, through our CustomerView service.
- Building our first Chinese-language internet banking site, now live in Angola.
- In Ghana, our SlydePay digital payments wallet now has over 150 000 registered users.
- Our losses to digital fraud fell by 47% over the year and the number of material system stability incidents reduced by 68% in South Africa and by 72% in Africa Regions.

As mentioned, digitisation requires new kinds of human skill and organisation. Digital technology holds immense promise to improve service, to reduce risks and to reduce costs. But to make this promise real, it is necessary to create much simpler and more agile internal structures, and to redesign our jobs.

Many of the largest gains from digitisation are to be found by combining the data-crunching abilities of AI with human skills and qualities. Banking, insurance and asset management are, and should remain, people-centred services. Our work will increasingly be about using AI to assist us to develop and deliver solutions based on our clients' individual needs and circumstances, drawing on the uniquely human attributes of contextual insight and empathy.



Delivering on our strategic value drivers

We measure our progress against our five strategic value drivers, which are discussed in the chapters that follow. Work continues to improve the coverage, accuracy, depth and consistency of the metrics used to measure our non-financial strategic value drivers.

Client focus

CIB's client satisfaction score remained at a high level during 2018. PBB South Africa's NPS rose slightly over the year while PBB Africa Regions score improved sharply. PBB achieved 11% growth in client numbers in Africa Regions and 1% client growth in our target segments in South Africa. Wealth's NPS ended the year ahead of target and Wealth won awards, including Top Stockbroker of the Year at the Intellidex SA Stockbroker of the Year Awards 2018 and Best Private Bank for Customer Service and Best Private Bank in Nigeria at the 2018 Private Wealth Manager/The Banker Global Private Banking Awards. The group was also awarded Bank of the Year in Africa, South Africa and Namibia by The Banker.

Employee engagement

The group's eNPS rose to +23 from +14 in 2017 and our emotional promoter score rose from +47 to +58. These are exceptionally strong results by global industry standards. In this anonymous survey, 96% of our people reported that they are 'willing to go the extra mile to make the Standard Bank Group successful' and 94% reported that they 'understand their contribution to the broader Standard Bank Group purpose'.

It is in the nature of our industry that our people face many stressful situations in the workplace. We continue to offer comprehensive health and wellness services to our employees. Our employees' physical and emotional wellbeing appears to be in line with industry norms in South Africa and Africa Regions.

I am delighted that we were able to attract Peggy-Sue Khumalo as chief executive of Wealth in South Africa. We now have a very accomplished senior executive team who are focused exclusively on our South African operations, comprising:

- Lungisa Fuzile, chief executive of Standard Bank South Africa
- Disebo Moephuli, chief executive CIB South Africa
- Funeka Montjane, chief executive PBB South Africa
- Peggy-Sue Khumalo, chief executive Wealth South Africa.

Risk and conduct

The group's capital and liquidity positions remained sound and within or above board-approved ranges throughout 2018. As always, they were conservatively managed, taking into account both likely and remotely possible needs for capital and liquidity.

The group remains constantly vigilant against cybercrime and continues to place the highest priority on maintaining IT security and stability. We are pleased by the decline in digital fraud over the year, and by the marked improvement in IT stability seen in 2018. There were, however, two incidents of system instability in South Africa, and one in Namibia, which took an unacceptably long time to restore, causing significant inconvenience to our clients and reputational damage to the group. We have placed increasing focus on this to ensure that systems are restored more quickly.

In August, the Central Bank of Nigeria (CBN) wrote to our Nigerian subsidiary, Stanbic IBTC, to advise that it had imposed a penalty of NGN1.9 billion (approximately R75 million) on Stanbic IBTC and directing that USD2.6 billion transferred by Stanbic IBTC on behalf of MTN Nigeria be 'refunded' to the CBN. However, in September, the CBN advised that Stanbic IBTC would not be required to refund the USD2.6 billion and that it would examine new submissions and documentation and, where justified, would reverse the NGN1.9 billion penalty imposed.

The group also welcomes the finalisation of the Basel III regulatory framework, which has undoubtedly made the global financial system more stable and more resilient. I believe that international regulators' top priorities should now be to assess the costs and benefits of the finalised framework, to seek to dissuade national authorities from diverging from international standards, and – most important – to ensure that new digital entrants to the financial markets are held to the same standards of soundness and conduct as incumbent institutions.

Financial outcome

As noted above, our results reflect strong franchise growth, evidenced by growing client numbers, and growing deposits and loans to clients.

Despite a tough year, the group's credit loss ratio (which measures the extent to which we lend money that does not get repaid) improved substantially to 0.56%, from 0.87% in 2017.

Banking activities' headline earnings grew 7% to R25.8 billion, and generated an ROE of 18.8%, up from 18.0% in 2017.

The cost-to-income ratio was 57.0%, 150 basis points (bps) worse than in 2017. At negative 2.8%, the group's 'jaws' were particularly disappointing. This outcome is partly the result of accounting adjustments, and without these, jaws would have been negative 1%. This is still too large, but it is encouraging that cost growth was contained at 5% for the year.

CIB's headline earnings fell by 2% to R11.2 billion, with negative jaws of 4.1 % and generating an ROE of 19.3%. CIB's results reflect the poor performance of the South African economy, partly offset by strong client revenue growth in Africa Regions.

PBB achieved headline earnings of R15.5 billion, up 10%, with negative jaws of 2.6% and an ROE of 21.9%. PBB's result reflects a resilient South African franchise, with excellent earnings growth in Africa Regions and Wealth International.

The group's other banking interests (the 40% share in ICBCS and the 20% holding in ICBC Argentina) generated headline earnings of R418 million, 26% down on the prior year. Within this, ICBCS returned to loss, offsetting a pleasing performance from ICBC Argentina. While the poor performance of ICBCS should be seen in the context of the poor performance of global markets in general and the longer-term benefits brought to the group by our partnership with ICBC, it remains a serious concern. During 2019, we will continue to work with our strategic partners at ICBC to develop a lasting solution for these legacy businesses.

Liberty's earnings attributable to the group is R1.6 billion, 11% up on 2017. It is pleasing that Liberty's operating earnings were up 42% on the prior year, driven by strong performances in Individual Arrangements and STANLIB. The negative trend in asset prices during the year drove the poor performance of Liberty's shareholder investment portfolio, with earnings down 81% on 2017. We will continue to support Liberty as it executes its remedial and recovery plan, by continuing to deepen the collaboration between our businesses, for instance by offering Liberty products to our banking clients, and encouraging the sale of banking and wealth products to Liberty's clients.

From a geographic and legal entity view, when considering the very weak performance of the South African economy over the year, increasingly intense competition, and our high market shares, we believe that SBSA performed acceptably to maintain headline earnings flat on the prior year at R16 billion and to generate an ROE of 16.7%, up from 16.6% in 2017.

The group's Africa Regions businesses generated headline earnings of R8 billion, 19% up on 2017 (26% up in constant currency terms). Africa Regions produced an ROE of 24%, 20 bps ahead of the prior year, and contributed 31% of the group's banking activities' headline earnings.

SEE impact

As always, by far the most significant way in which the group creates social, economic and environmental value is in the ordinary course of our business as we help our clients to invest in their skills, acquire valuable and life-enhancing assets, grow their savings and wealth, manage their risks, expand their businesses, create economic and social infrastructure, and trade in Africa and throughout the world.

We have maintained our level 1 broad-based black economic empowerment (B-BBEE) status in South Africa, when scored against the revised Financial Sector Code scorecard.
On employment equity in South Africa, we achieved our 2018 targets for black and black female representation in senior, middle and junior management. Black people constituted the majority of promotions into all grades. However, African people are still under-represented in promotions into the most senior positions and progress in achieving equitable African representation at top and senior management levels has been slower than we would like.

Corporate social investment spending amounted to R141 million in South Africa, mostly on improving access to better quality education. Across Africa Regions, corporate social investment spending was largely in support of the Global Fund's HIV Epidemic Response campaign.

In September, on behalf of the group, I was honoured to become one of the global Thematic Champions of the HeForShe movement for gender equity, an international partnership led by UN Women, publicly committing to increasing the representation of women in leadership positions throughout the group. This partnership also provides an opportunity to reinforce the group's commitment to gender equity and our opposition to all forms of harassment and discrimination.

Looking ahead

It is likely that economic conditions will remain challenging and volatile in 2019, and it is certain that the group will face increasingly intense competition. The group executive team's primary focus will be on meeting the group's commitments to delivering sustainable earnings growth and an ROE within our target band of 18% to 20% over the medium term.

To achieve this, we will continue to:

- Improve client experience.
- Eliminate unnecessary costs and reduce cost growth – 'saving to invest'.
- Accelerate the digitisation of the group to ensure and enhance our competitiveness.
- Make further changes to the group's architecture in order to become a more agile and integrated Standard Bank Group.
- Support faster, more inclusive and more sustainable economic growth and human development in South Africa and throughout the continent we are proud to call home.

Our former joint chief executive, Ben Kruger, retired from the group at the end of 2018. Ben is a great corporate leader and an extraordinarily accomplished banker. It has been an honour to work with him.

I am very grateful to the board, my colleagues, our shareholders and stakeholders and, above all, our clients for your support.

Strategic value drivers

CLIENT FOCUS

Our clients are at the centre of everything we do. We strive to meet their individual needs by seamlessly delivering holistic, relevant financial services offerings through the channels of their choice.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

- We understand our clients and offer them solutions to support their goals.
- We serve our clients quickly, efficiently, reliably and respectfully.
- We earn and keep our clients' trust.

How we measure progress

The group's strategic focus areas of client centricity, digitisation and to be an integrated group, enable a singular focus on our clients: understanding their needs precisely and gaining, and keeping, their trust by consistently delivering complete solutions that help them to bank, earn, grow, insure, save and leave lasting legacies for future generations.

Our focus on our clients anchors our efforts to build a digital bank, redesign our operating models, develop our people and shift our culture. In combination, these will underpin our long-term sustainable competitive advantage.

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

How we performed

Our indicators

Net promoter score (NPS) for PBB and Wealth

NPS indicates how likely a retail client is to recommend Standard Bank for good service. 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 corporate and investment clients are satisfied with the service CIB provides. It is calculated using weighted scores for different dimensions, from response times to the effectiveness of client relationship managers.

PBB NPS

70
SOUTH AFRICA – CHANNEL
2017: 66 | 2016: 53 | 2015: 58

25
AFRICA REGIONS
2017: 16 | 2016: 15 | 2015: 30

WEALTH NPS

57
SOUTH AFRICA
2017: 58 | 2016: 40 | 2015: 49

35
INTERNATIONAL
2017: 43 | 2016: 44 | 2015: 49

CIB CSI

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

94
AFRICA REGIONS
2017: 97 | 2016: 97 | 2015: 87

KEY STAKEHOLDER CONCERNS

- Delivering consistently excellent client experiences.
- Affordable and appropriate products and services.
- Safety and security of client data and assets.
- Assisting in times of financial distress.
- Ability to compare products and prices.
- Access to financial services and financial inclusion.
- Responsible credit provision and the reduction of over-indebtedness in society.
- Mortgage defaults and repossession in South Africa, including the communication process.
- Leveraging our partnership and collaboration with ICBC.

Raised by:

Clients, legislators and national governments, political parties and civil society groups, investors and shareholders.

RELATED MATERIAL ISSUES

- Deliver a compelling value proposition to our clients in an increasingly competitive environment.
- Protect and maintain the integrity of client data.
- Work with our clients to mitigate over-indebtedness, including sales-in-execution.

2018 KEY PRIORITIES

- Deepen existing client relationships in support of their growth journeys.
- Leverage data and advanced analytics to gain deep client insights and provide personalised client engagements and solutions.
- Continue to implement digitally enabled solutions that improve client experiences.
- Provide our clients with improved client service and the choice to interact with us digitally or through our branch networks.
- Continue to grow our market share and client bases in target segments, within our risk appetite.
- Leverage the ICBC relationship to support the growth strategies of Chinese and other multinationals operating in Africa.

TRADE-OFFS

- The client experience benefits and efficiencies of digital platforms require ongoing development and maintenance of IT assets to ensure stability and security, resulting in higher spending on IT.
- Enhancing IT stability and cybersecurity as our client base grows and regulation increases requires greater investment in infrastructure and higher amortisation charges.
- Improving the efficiency of our financial services processes by adopting new ways of working may incur unexpected costs.
- Implementing robotics and automation reduces risk and increases capacity by reducing manual processes, but this increases the investment required to ensure that we comply with regulations and keep our clients safe from potential cyber threats.
- Building new internal skills that include the application of design thinking and behavioural science is required to deliver enhanced client experiences, but will result in significant changes in the working environment for our people.

RECOGNITION FOR OUR ACHIEVEMENTS

A number of industry awards have recognised our focus on understanding the needs and expectations of our clients and providing innovative solutions. The most prominent awards include:

Agusto & Co – 2018 Consumer Digital Banking Satisfaction Index
- Best Digital Bank in Nigeria

Euromoney Awards for Excellence 2018
- Best Bank in South Africa
- Best Bank in Uganda
- Africa's Best Bank for Wealth Management

Financial Times Awards 2018
- Best Bank in Zambia

Global Finance Magazine Awards 2018
- Best Bank in Africa
- Best Bank in Botswana, Mauritius, South Africa and Uganda
- Safest Bank in Africa (criteria included compliance, capital adequacy and institutional integrity)
- Safest Bank in Kenya, South Africa and Uganda
- Best Private Bank in Africa

HiPiPo Digital Impact Awards
- Best Brand on Social Media
- Best Banking App
- Best Card Payment Enabler

Intellidex/SA's Top Stockbrokers South Africa Top Private Bank and Wealth Manager Awards 2018
- Top Stockbroker of the Year
- South Africa's Top Private Banker of the year

PWM/The Banker Global Private Banking Awards 2018
- Best Private Bank in Africa for Customer Service
- Best Private Bank in Nigeria

The Banker Bank of the Year
- Bank of the Year in Africa
- Bank of the Year in South Africa, Namibia, Zambia and Botswana

PERFORMANCE AGAINST STRATEGY

Understanding our clients

Our on-the-ground presence in 20 countries and client-focused approach of our people across Africa, connected by our enhanced IT platforms, supports our large, diverse client base. As we become more digitised and integrated, we are better able to understand our client's financial services needs and match them with personalised experiences and solutions. We have made progress in improving service delivery across multiple channels, including faster account origination and online lending.

ACHIEVED IN 2018

- Understanding individual client complaints and finding appropriate solutions has reduced the number of complaints to the Banking Ombudsman in South Africa from 1 670 in 2017 to 1 203 in 2018.
- We improved the complaints management process in our insurance claims fulfilment business and strengthened its focus on client engagement, resulting in a decline in complaints.
- Melville Douglas continued to deliver superior investment performance with Global Funds in the top quartile and Domestic Funds in the second quartile and both above benchmark and ahead of peer groups.
- We responded to client dissatisfaction with our manual corporate lending process by automating it to improve end-to-end client experience, reducing the turnaround time significantly.
- We processed approximately 2 400 complex monthly cross-border transactions from South Africa using intelligent automation.

STRATEGY IN ACTION

- Improved client service experience and complaint resolution process reflected in higher client satisfaction scores and fewer complaints.
- Embedded multidisciplinary client service, product, risk and IT teams embedded in operations to map, design and simplify client experiences.
- Re-engineered and digitised back-end processes to streamline and enhance them by automating repetitive tasks and reassigning employees to focus on client-facing value-adding tasks.
- Successfully completed the migration of all clients to the new online banking platform, creating a better client experience by removing friction.
- Implemented changes in client onboarding to support cross-selling of products and services, and in lending and cash solutions to improve turnaround time and client experience.

INNOVATIVE DIGITAL CAPABILITIES – SHYFT

SHYFT provides a digital wallet that allows clients to transact in US dollars, euros, pounds and Australian dollars directly from their phone – simply, conveniently and safely.

Recognised globally and locally for innovation, SHYFT is a highly competitive offering – providing a single card multi-currency foreign exchange mobile solution, giving our clients complete control of their foreign exchange management.

In 2018, almost 16 000 registered users (2017: 12 300) traded foreign currency of R1.2 billion in around 56 000 trades and made almost 12 500 foreign currency payments.

MULTIDISCIPLINARY TEAMS CREATING BETTER CLIENT EXPERIENCES

Since 2016, we have evolved from testing new ways of working to implementing client labs that deliver integrated client solutions.

Underpinning this process is an IT operating model in which technical teams (developers and testers) form part of multidisciplinary teams that include client service teams, risk and product teams to improve client experiences. Together, they map and simplify the design of business and IT processes to deliver innovative, digitally enabled, cost-effective solutions that generate personalised offers and support the servicing of client ecosystems.

In **PBB**, improved NPS scores and fewer complaints to the Banking Ombudsman can be attributed to:

- Improved decentralised South African operating structure in which client-facing teams are upskilled and empowered to provide the most relevant solutions based on an individual client's needs and to make decisions that support consistently excellent client service across all touch points.
- End-to-end digitisation of processes and services to remove friction in client interactions and deliver complete solutions.
- New digital capabilities introduced, including Moby Banker, virtual card, Samsung tap to pay, real-time clearing and USSD wallet.
- Enhanced digital functionality and systems stability in all Africa Regions countries served by PBB and Wealth, which supported the significant improvement in client satisfaction.
- Improved digital security capabilities which have reduced digital fraud losses.
- Total active clients in Africa Regions grew by 11%, with strong growth in Kenya, Ghana, Mozambique, Nigeria, eSwatini and Zimbabwe.

Client-led growth in income and lower credit impairment charges, most notably in Africa Regions, supported PBB's 10% growth in earnings.

In an economically constrained and competitive South African market, we kept our active PBB client base stable at 8.1 million and achieved encouraging growth of 1% in our targeted segments.

In Africa Regions, strong growth in personal unsecured and business loans and client deposits reflected new client acquisition in our target markets, underpinned by digital solutions and strong trade-related revenue in business banking.

The group supports the need for mechanisms to assist specific client groups to overcome their distressed positions and facilitate their rehabilitation, and in South Africa we participate in the parliamentary process regarding the Credit Amendment Bill.

We have reviewed our internal processes for sales-in-execution (SIE). Our investigations and the cases we reviewed showed that:

- The group proceeded to SIE only when alternative methods to remedy a client's distressed financial state were unsuccessful.
- There were numerous engagements with clients to try to find ways to remedy their financial distress.
- In most cases, the length of time between a customer's first default and a SIE was several years.

We are committed to ongoing dialogue with government and political and civil society organisations, including supporting the development of programmes to educate clients on bond repayments and their contractual rights and obligations.

We support financial inclusion through a range of digital products and services, some of which are accessible without a bank account. Products such as Instant Money, SlydePay, SnapScan, Shyft, and Masterpass offer users greater convenience and cheaper transaction rates than at a branch or ATM, and are safe and secure.

In most African countries of operation, clients can make cardless cash deposits at ATMs to any Standard Bank account. Other solutions include the digital payment of school fees and targeted remittance products.

Enterprise Direct is a digital channel that provides relationship management services to SMEs across PBB Africa Regions, and is staffed with enterprise bankers with the necessary expertise to manage transactions and client queries. The success of Enterprise Direct as a distribution model is reflected in the improvement in NPS scores and the increase in transactions through Enterprise Direct.

PBB has 34% of the residential home loan market share in South Africa with a loan book of around R343 billion. During 2018, 42 000 mortgage loans were registered in South Africa. Over the past year, affordable housing loans granted to clients that earn a gross monthly income between R3 500 and R23 300 increased by 30.7%.

AIR | Read more on page 78.

Wealth improved its client service by:

- Focusing on embedding our 'before the sun sets' client engagement philosophy and driving thoughtfulness and empathy in employee interactions with clients.
- Creating a cultural shift with leadership taking ownership of all complaints, always displaying thoughtfulness and empathy in our dealings with our clients.
- Completing a process to clarify and enhance organisational structure and core business lines to optimise collaboration and efficiencies both within Wealth and the rest of the group. Furthermore, it will enable us to develop an integrated and comprehensive client value proposition.
- Melville Douglas continues to deliver outstanding client value, with global funds in the top quartile and domestic funds in the second quartile and both above peer benchmarks.
- Leveraging our relationship with CIB, we have developed client ecosystems that deliver wealth solutions to the staff of multinational corporations and assist them to achieve their goals.
- Further enhancements to the Wealth International mobile app, which supports the viewing of and transacting on offshore accounts, including cross-border payments and the ability to activate debit cards on the app.

Wealth grew its domestic and international high net worth client base by 14% and its assets under management by 8%. Wealth made good progress in diversifying its Africa Regions businesses. Significant awards recognised Wealth's competitive investment performance, including some previously dominated by competitors.

In **CIB**, our focus on developing proactive client partnerships that deliver relevant solutions across sectors, regions and products supported an improved CSI score. This was largely attributable to the high ratings of client relationship managers who represent the singular face of the group, understanding their clients' needs and challenges, clearing obstacles and delivering innovative solutions effectively. Their ratings were higher than the average CSI score, even in instances where there were service delivery challenges – because they overcame these challenges for their clients.

CIB's client relationship strategy aims to build a strong and diversified franchise that also impacts positively on greater diversification and growth in African economies.

LEADERSHIP AND WEALTH ACADEMIES – DEEPENING OUR CLIENT RELATIONSHIPS

Our Leadership and Wealth Academies provide advice on financial planning and investment, with a focus on women and young leaders of the future.

In 2018, we hosted our first Wealth Academies women's series for leaders from Standard Bank and key clients. The event focused on increasing the leadership impact of women and supporting their personal financial journeys.

Our Junior Leaders (aged 10 – 12), Young Leaders (aged 13 – 17) and Future Leaders (aged 18 – 24) academies in South Africa, Kenya and the UK focus on developing the next generation of leaders by advising them on financial planning, investments, social entrepreneurship and self-leadership. The academies provide an invaluable opportunity to engage with our clients and their families. 175 young people attended our academies in 2018.

In 2018, CIB completed several landmark transactions across our African markets, including an increase in energy and infrastructure-related deals, and managed the full range of routine financial services, including cross-border trade. These transactions include:

South Africa Round 4 REIPPP
We acted as the mandated lead arranger, underwriter and hedge provider for six of the 27 projects which signed power purchase agreements with Eskom as part of South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPP). The projects which have closed (Sirius, Dyasons Klip 1 and Klip 2 solar farms in the Northern Cape and Wesley-Ciskei wind farm in the Eastern Cape) represent a combined investment of R6.6 billion in South Africa's renewables sector. Besides supporting the growth of domestic renewables capability, this investment stimulates economic activity in marginalised rural areas.

SANTACO
We jointly funded R1.7 billion of the South African National Taxi Council's acquisition of 25% of SA Taxi. This transformational transaction serves to formalise an informal industry comprised of small and medium enterprises, and will facilitate the equitable distribution of the value generated in the minibus taxi industry verticals to all minibus taxi industry participants.

Seriti
We acted as lead arranger, underwriter and book runner in Anglo American's acquisition of high quality, well-established South African coal assets strategically important to Eskom's base load power generation fleet. We partnered with Seriti, a broad-based, black-controlled South African mining company with experience in developing and operating large coal mines in South Africa. This transaction is central to South Africa's energy security and supports the competitiveness and inclusive growth of the domestic economy.

Dangote Cement PLC
We acted as sole arranger and issuing, calculation and payment agent for a commercial paper (CP) issuance, under its newly established NGN150 billion CP programme, representing the largest CP issuance by a Nigerian company.

CIB made further progress in improving client experience by:

- Successfully testing and launching a digital account opening solution for clients.
- Transforming the corporate lending process and streamlining end-to-end client experiences through digitisation and improved IT stability.
- Migration of clients onto Business Online (BOL) and automating high volume online call centre queries. BOL provides a single online channel that allows all domestic, regional and multinational clients to view and transact across all their accounts and transactional products, and across their accounts in the countries in which the group operates. BOL uptake has been extremely positive, with an annual compound transaction growth rate of over 30%.
- Adopting intelligent automation to improve the fulfilment of international payments.

Diversified and sustainable revenue was driven by the financial institution sector due to our focused effort to grow our insurance client base. The industrial sector growth was driven by an increase in key client deals. The power and infrastructure sector improved due to increased renewable investment. Other sectors, including telecommunication and media, and real estate have slowed down due to increased competition and lower levels of client activity.

Multinationals and large domestic clients continue to drive client activity, contributing to 80% of revenues. Multinational corporates support revenue growth due to their resilience through economic cycles.

Our competitive advantage is premised on our extensive knowledge of our markets, gained from our on-the-ground presence and deep understanding of our clients' business. This allows us to respond nimbly to both risk and opportunity while allocating resources to revenue generating opportunities within our established risk appetite. On this basis, we have achieved leading positions in corporate loans, deposits and trading, together with sustained growth in our target client segments.

Our strategic partnership with ICBC continues to offer significant opportunities. Since 2008, we have provided financing of approximately USD8.5 billion for around 40 projects involving Chinese companies, enabling leveraged investment of more than USD30 billion in Africa.

The group has opened permanent Africa-China banking centres in key business hubs to support Chinese speaking businesses operating in Africa and growth in Africa-China trade. In 2018, we piloted a Chinese language internet banking site in Angola and are looking to extend it across our Africa Regions footprint.

LEVERAGING OUR PARTNERSHIP WITH ICBC

ICBC was instrumental in us achieving a major milestone in our relationship with China National Petroleum Corporation (CNPC), one of the three oil majors in China and one of the largest in the world. CNPC is also the majority shareholder of South Sudan-based joint operation oil company Dar Petroleum (DPOC), which had a long history of operations in Sudan and South Sudan. When DPOC's house bank exited South Sudan two years ago, we acquired its onshore account in Juba and offshore in Kenya. This provided a good foundation for our cooperation with CNPC. Together with ICBC, we actively engaged with CNPC to fulfil its offshore account requirements through Stanbic Kenya. We expect to capture additional flow and generate significant TPS and foreign exchange business. This demonstrates our ability to connect and coordinate business between China and Africa.

China Development Bank

We signed a USD500 million loan facility with China Development Bank at the BRICS Summit in Johannesburg. The loan facility spans seven years and is earmarked for lending to our qualifying small and medium enterprise clients, many of whom want to export to China. This reflects our commitment to building a bank for African entrepreneurs.

Overseas Private Investment Corporation

We partnered with the Overseas Private Investment Corporation, the US Government's development finance institution, and Botswana Finance LLC, a subsidiary of Lazare Kaplan International, to assist Botswana in diversifying its economy, developing its financial sector and providing local companies with access to funding. The loan guarantee will support lending to diamond manufacturers and polishing companies, while sharing credit risk.

China Gezhouba Group Company Limited

We issued a bank guarantee on the back of a counter guarantee from Agricultural Bank of China, for approximately USD73 million. The guarantee is for the execution of Thwake multipurpose water development programme, which will supply dam water for domestic, livestock, irrigation, hydropower and industrial purposes in Kenya.

M-BIRR

We raised EUR8 million of new equity for M-BIRR, Ethiopia's leading mobile money technology service provider. As exclusive financial adviser, we introduced the European Investment Bank and the German Investment and Development Corporation. This deal will facilitate M-BIRR's roll out across the country, driving economic activity and facilitating the distribution of aid funds to over two million people via the M-BIRR platform.

Leveraging technology

The group's transformation into a client-centric, digital and integrated financial services organisation is heavily reliant on technology. Digitisation has had a significant impact in improving client experience, and the pace at which our business units and clients are leveraging technology continues to gain momentum. Having completed the transformation of our core banking platforms, we have moved our focus to simplifying our IT estate and leveraging our data while continuing to deliver an 'always on, always secure' client experience.

ACHIEVED IN 2018

- In South Africa, active mobile banking users grew by 9%, mobile banking transaction volumes grew by 50%, while those in physical channels declined by 13%.
- We reviewed branch transaction data and identified nine customer features which underpin 80% of branch transactions. These are now in the process of being fully automated.
- Faster delivery of new features on our mobile banking app is enabling us to update the app every four to six weeks on Android and iOS devices in 12 countries, all at the same time.
- We delivered the world's first machine learning solution for credit spreads.
- We built a VAF verification bot that reduced client waiting time from two days to 40 minutes.
- Our Moonshots division focuses on launching new disruptive financial services businesses in African markets. During the year, the division facilitated our new partnership with Founders Factory, a leading tech start-up accelerator and incubator, which will grow 100 disruptive tech start-ups over the next five years, enabling African companies to innovate and digitise for African needs.

STRATEGY IN ACTION

- Mobile and internet banking is available in all countries in which PBB operates.
- Most of CIB's country operations have been migrated onto the BOL platform, and the BOL mobile application was launched. South Africa and Namibia will be migrated onto BOL in 2019.
- Improved and expanded digital functionality and products available on our digital platforms.
- Launched the GoalTracker goals-based investment tool.
- Launched an innovative short-term insurance solution, our 'Liberty Short' chatbot, to provide an intuitive capability for clients to explore motor vehicle and personal lines insurance quotes with immediate issuing of selected policies.
- Implemented initiatives to leverage client ecosystems and use data as a strategic asset across the group.
- Leveraged robotics to automate and speed up repetitive processes.
- Partnered with fintechs to access scarce skills and drive innovative developments and opportunities.

Our IT strategy is aligned to the group's three focus areas of client centricity, digitisation and to be an integrated group. To deliver these, we must ensure that:

- We offer banking that is always on and always secure.
- Our processes are streamlined.
- We use emerging technology like data analytics, AI and robotics.
- Our people are equipped with the appropriate skills.

CLIENT CENTRICITY

DIGITISATION

INTEGRATED GROUP

We achieved the following milestones in the replacement of our core banking backbone:

- Closed the SAP core banking in South Africa and Finacle core banking in Africa Regions implementation.
- Delivered modernised, simplified and standardised core banking platforms across the group.
- Shifted to a 'business-as-usual' focus on maintaining and extracting value from the new platforms.

The benefits of moving from the old to the new platforms are multi-faceted and lie largely in the modular nature of the platform which has clear integration abilities.

OLD	NEW
Branch-centric, face-to-face interaction model	**All products and services online and on mobile** with self-service platforms available 24/7
Bank built around products	**Integrated offering** to access all services built for clients
Over 40 year old systems, mainly running batch processes	**Modern platforms** with real-time processing and analysis
Lack of agility in adapting to change with manual, paper intensive processes	**Greater standardisation, agility and simplicity** with automated, digitised processes
Inability to easily interface with new or external systems	**Modular systems** with clear integration paths
Costly infrastructure that is difficult to support and maintain	**Standardised building blocks** which can be reused

OUR DIGITAL JOURNEY RESPONDS TO THE FOLLOWING **CHANGES IN CLIENT BEHAVIOUR**

Anywhere, anytime, always secure, always on 24/7

Clients banking on **mobile**

90% services and transactions **mobile and online**

Clients want **superior multi-channel delivery**

Instant gratification

Seamless payments and money transfers

New social norms

Peer-2-peer business models and co-creation

Our IT transformation journey has laid a solid foundation for client service improvements...

Decommissioned 128 applications, 3 124 servers, 476 databases and 25 IT solutions.

Time to market improved by more than 50% in some areas.

New ways of working have increased predictable delivery.

Agile@Scale approach recognised as best practice.

Improved ranking in Consulta's independent South African customer satisfaction index, which provides a national benchmark of customer satisfaction in products and services available to household consumers, from 71.9 to 75.2, moving closer to the industry average of 77.

Increased efficiencies in IT delivery, including more disciplined management of IT costs with a shift to in-house, self-managed teams.

Instant Money™

Instant Money is a safe, affordable and reliable solution that allows individuals and businesses to make easy payments directly to a recipient's cell phone number. Instant Money can be sent from any of Standard Bank's channels, as well as a number of participating retailers, proving how digital solutions can be easily leveraged. Although live since 2008, impressive year-on-year growth has been achieved over the last three years.

Instant Money has hit send volumes of two million vouchers per month since September 2018 as more people turn to the convenience of sending money from anywhere in South Africa to another person in need of instant cash.

Instant Money has also extended beyond South Africa's borders, due to a clear need for easy and simple remittance across the continent, leading to the development and rollout of Instant Money Africa Regions to eight African countries (Ghana, Uganda, Malawi, Zambia, Namibia, Botswana, Lesotho and eSwatini), with further expansion planned in 2019.

...and is delivering solutions for our clients:

Universal SBG mobile platform rolled out to South Africa, Africa Regions, Isle of Man and Jersey.

Seamless integration with companion apps, including Online Share Trading and Shyft online foreign exchange platform.

Single sign on with single SBG digital ID and biometrics to access all relevant group solutions from PBB, CIB, Wealth and Liberty.

Leader in digital engagement (log-on and transaction frequency higher than South African average), with more than **five million monthly transactions on mobile devices.**

BOL integration into core platforms of financial institutions and client payment platforms enabling DebiCheck industry initiative in South Africa. DebiCheck allows clients to approve debit orders in their accounts.

Sino-Connect offering on BOL allows Chinese-based corporates to manage their cash operations for treasuries domiciled in African countries.

Continuous BOL functionality enhancements, including BOL mobile app, 'Request for Quote' foreign exchange payments capability, single enterprise resource planning integration to initiate payments and collections across multiple countries.

eMarket Trader provides a single dealer platform at various levels of evolution and is live in 16 countries across 70 global currencies.

We prioritise initiatives that improve client experience and product functionality. For example, in response to client feedback on our lending process, we initiated digital lending programmes for corporate clients to reduce the lending process cycle time and provide clients with a transparent, self-service digital experience. We also digitised the process for simple unsecured retail lending to existing clients.

Growth in the number of active mobile banking users and a corresponding decline in transactions performed on physical channels confirms increasing client preference for digital channels as they are more convenient and cost effective. A key benefit of digital delivery is that it allows the bundling of relevant products and services online as clients and client service teams are no longer constrained by physical branches.

While we have introduced digital branches where our people service clients with Enterprise Direct, Internet Banking, BOL, and the SBG app, we continue to offer our clients the choice of interacting with us through our physical branch networks. We recognise that many of our clients who have adopted digital banking also require human interaction with our people from time to time and we equip our people to build and maintain client relationships.

Keeping our clients' assets safe in a digital era is integral to the overall client experience.

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IMPROVING CLIENT EXPERIENCE WITH MOBY BANKER

We have introduced a technology solution to improve our services to clients in our branches by automating certain processes. Moby Banker offers services normally provided by tellers and enquiry staff in our branches, thereby reducing waiting times, the number of forms to be filled in and speeding up transaction time. Available in five of our countries, Moby Banker has reduced transaction processing time by 40% and a 37% improvement in total teller capacity. Moby Banker also offers a solution to bank clients in more remote areas as outlying branches are closed and networks consolidated.

Transforming our business

The diversity of our financial services offerings is a powerful advantage. Similarly, our presence across Africa and in key financial centres around the world provides our clients with access to international markets and capital, supporting our ability to drive Africa's growth and development. Changes in organisational design are driving greater integration across geographies and financial offerings, be they retail, investment banking, wealth management or insurance, and delivering greater value.

STRATEGY IN ACTION

- Joint steering committee established to drive collaboration, integrated client experiences and ecosystem opportunities.
- Enhanced collaboration between PBB, CIB, Wealth, Liberty and ICBC is driving cross-selling and cost efficiencies, while delivering complete solutions to individual clients.
- Knowledge sharing is contributing to growth in client acquisition.
- Strengthened collaboration with Liberty is resulting in alignment of financial targets.

ACHIEVED IN 2018

- By collaborating and offering complete card solutions, we retained existing clients and won valuable new clients, such as Dischem.
- Our ability to provide an integrated solution across different markets secured DHL as a transactional banking client in eight countries. Similarly, the relationship established during our investment banking work with Total on the Nigerian National Petroleum Corporation deal resulted in opportunities to bank Total in three other countries in Africa Regions.
- Liberty and Wealth launched a joint high net worth proposition and an innovative short-term insurance initiative.
- By leveraging CIB's client relationships. Wealth have developed client ecosystems which deliver wealth solutions to the staff of multinational corporations and support them in achieving their goals.
- Delivering integrated client solutions, including a comprehensive home services offering covering home loans, life cover through Liberty, short-term insurance through Wealth and personal lending facilities to pay home purchase expenses.

Our UCount reward programme supports client acquisition, retention and entrenchment, underpinned by a rich client value proposition.

In 2018, UCount Rewards ranked first in the independent Tritech Media 2018 loyalty programme member engagement survey of industry reward programmes for having the greatest impact on positive behaviour change among clients in the financial services industry.

During 2018, clients registered with UCount Rewards increased by 14% with over 862 000 clients on the programme.

Each of our businesses plays a clearly defined role in achieving the group's vision to become the leading integrated financial services organisation in, for and across Africa. Collaboration across the group creates opportunities to leverage the benefits of an integrated financial services organisation for client acquisition, cross-selling and driving cost efficiencies by leveraging economies of scale.

Our comprehensive wealth offerings within the group provide significant opportunities for integration. This extends to our partnership with Liberty, which provides a range of long-term insurance products, investment products and transactional solutions developed and administered by Liberty and STANLIB. These offerings are distributed through PBB's and CIB's distribution and advisory channels, with an extensive network of approximately 4 000 branch sales employees across South Africa and coverage across our footprint in Africa.

An engagement model was established to drive collaboration and realise cross-selling opportunities within client ecosystems. A joint steering committee, with representatives from each of the business units, identifies, assesses and implements these opportunities.

Key areas of collaboration include:

- BOL, a digital channel used by business and commercial clients.
- Credit ratings for commercial banking clients have been integrated with CIB's loan origination tool to streamline the lending process.
- Increased collaboration with Liberty is enabling cross-selling of Liberty products to our banking clients, and banking products to Liberty clients.
- Collaboration with PBB and Wealth to build client solutions using multi-skilled, integrated client service teams.

Our strategic partnership with ICBC assists us in servicing the needs of clients operating within the Africa-China corridor. We are building our capacity of Chinese speaking relationship managers in each of our markets in Africa Regions.

Our enterprise technology is a critical enabler of integrated financial services solutions. We have built enterprise assets that can be leveraged across business units and functions, with modernised IT platforms enabling multidisciplinary operational teams to create innovative digital platforms, whose functionality is continually improved.

We have achieved several significant IT milestones in support of this strategic focus area, including:

- Implementing architecture roadmaps to facilitate simplification.
- Installing fibre to 457 group offices and branches to support digital banking.
- Implementing cloud technology and training IT architects in its use.
- Leveraging emerging technology such as blockchain to remove boundaries between functions and business units.

LOOKING AHEAD

The achievement of sustainable future growth will be driven by our ability to maintain the ongoing support of our clients in a competitive financial services environment.

The performance of the group in 2018 has demonstrated that our client-centric strategy is enabling us to retain and acquire clients in our target segments. We will continue responding to the evolving needs of our clients, delivering what matters most to them and supporting their growth journeys.

Our client focus in 2019 will be guided by the group's medium-term priorities:

- Understand our clients better to deliver exceptional client experiences.
- Offering clients access to relevant products across digital channels of their choice.
- Accelerate digital adoption by delivering a stable mobile platform with additional features.
- Implement identified solutions to improve client experiences.
- Leverage data and analytics to proactively deliver personalised client offerings.
- Extend Enterprise Direct for small businesses into South Africa.
- Continue to roll out the ecosystems approach in South Africa.

While never losing focus on immediate objectives:

- Always on, always secure
- Brilliant basics front to back
- Doing the right business the right way.

EMPLOYEE ENGAGEMENT

How our people think and feel about their work correlates directly 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 and our clients.
- Our people are empowered to, and are recognised for, delivering against our strategic objectives 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 achieve their full potential.

How we measure progress

In line with global best practice, we use an employee net promoter score (eNPS) as an indicator of how likely an employee is to recommend the group as a good place to work. The annual employee engagement survey is conducted across the group.

Our indicators

- **eNPS:** calculated by subtracting the percentage of 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 are also assessed for further action.
- **Employee turnover:** measures the percentage of employees who left our employ during the year.
- **Employment equity:** measures the representation of black people in management levels in South Africa.

How we performed

eNPS: an improvement in eNPS to +23, up from +14 in 2017, is a strong indication that more employees are willing to recommend Standard Bank as a great place to work, with positive movement in the responses to all the survey questions. 62% of permanent employees across all our geographies participated in this year's survey (2017: 56%).

+23
eNPS
2017: +14

Employee turnover: overall and voluntary employee turnover was favourable (declined year-on-year) while voluntary regrettable turnover remained stable. Our overall and voluntary turnover remains well below the global financial industry benchmarks[1] set in 2017 of 14.4% and 9.9% respectively.

8.3%
OVERALL EMPLOYEE TURNOVER RATE
2017: 8.8

2.3%
VOLUNTARY REGRETTABLE EMPLOYEE TURNOVER RATE
2017: 2.3

4.9%
VOLUNTARY EMPLOYEE TURNOVER RATE
2017: 5.5

4.8%
VOLUNTARY TURNOVER AT EXECUTIVE LEVEL
2017: 4.3

SA

Employment equity (South Africa): we continue to make steady progress in increasing the representation of black people at all management levels, and have achieved a notable increase in top management representation.

41.9%
TOP MANAGEMENT
2017: 34.1

46.3%
SENIOR MANAGEMENT
2017: 43.1

71.3%
MIDDLE MANAGEMENT
2017: 69.5

88.3%
JUNIOR MANAGEMENT
2017: 87.5

[1] Gartner CEB Global benchmarks: 2017.

KEY STAKEHOLDER CONCERNS

- Access to career advancement opportunities.
- Creating an environment where our employees are engaged and take care of their wellbeing.
- Reskilling employees to meet demands of rapidly evolving industry, with implications for job redundancy.
- Diversity and inclusion.
- Accelerating the necessary shifts in the demography of senior and top management.

Raised by:

Our people.

RELATED MATERIAL ISSUES

- Diversity and inclusion (with a particular focus on gender equity).
- Transformation in South Africa.
- Impact of digitisation and automation on workforce requirements.
- Build and retain local skills and capabilities in countries of operation.

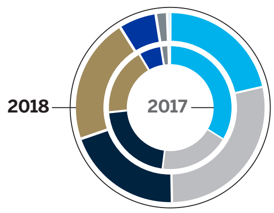
BANKING ACTIVITIES – PERMANENT EMPLOYEES

OUR EMPLOYEE BASE

47 419
PERMANENT EMPLOYEES
2017: 48 322 2016: 48 622

4 728
NON-PERMANENT EMPLOYEES
2017: 5 725 2016: 5 726

TENURE BREAKDOWN (%)



	2018	2017
Less than 2 years	**21.6**	34.0
3 – 5 years	**28.2**	18.1
6 – 10 years	**20.0**	21.5
11 – 20 years	**21.5**	18.0
21 – 30 years	**6.5**	6.2
31 – 40 years	**2.1**	2.1
More than 41 years	**0.1**	0.1

GEOGRAPHIC BREAKDOWN OF EMPLOYEES

32 162
SOUTH AFRICA
2017: 32 876 2016: 33 332

14 618
AFRICA REGIONS
2017: 14 831 2016: 14 693

639
INTERNATIONAL
2017: 615 2016: 597

OUR EMPLOYER BRAND

- In South Africa, we won the LinkedIn Best Employer Brand Award 2018 in the category of 500+ employees, and in Nigeria we won five awards at the 2018 HR People Magazine Awards, which included Outstanding Employee Engagement Strategy and Employer of Choice in the large corporate category.
- We won Employer of Choice in the South African Graduate Employers Association Retail and Commercial Banking category for the tenth consecutive year and improved our ranking as the Most Aspirational Employer in the South African Graduate Market to third position.

PERFORMANCE AGAINST STRATEGY

Our focus is on the entire workplace ecosystem, driven by the personal needs and expectations of existing and prospective employees, technological advancements and broader societal and economic trends. A shift in culture and mindset to new ways of working is underway for people to truly embrace a constantly evolving and highly competitive world of work.

A multi-generational workforce, coupled with trends like accelerating digital advancements, predictive analytics and the introduction of robotics, AI and automation are impacting the future shape and skill sets of the workforce, prompting the reshaping of the employee experience in the group in a deliberate way.

The human capital strategy supports the group's three key focus areas with our performance management and reward practices aligned to focused delivery against these areas, measured by the strategic value drivers. This alignment ensures 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 digital capability requirements.

Integrated group

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 multidisciplinary, agile teams can respond rapidly to changing client and business demands.

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

Attracting and retaining deeply committed people with the right skills and capabilities in competitive environments: ensuring that we have the right people to deliver value to our clients, particularly given that fierce competition for highly specialised skills is intensifying.

Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving and increasingly digital environment: encouraging and supporting employees to embrace new ways of working and develop new skills to ensure their future employability and 'employagility' as digitisation matures and new services and solutions are introduced to deliver a seamless client experience.

Leveraging diversity and ensuring local market expertise: accelerating employment equity in South Africa and increasing the representation of women at executive level in all countries of operation to leverage diverse thinking that stimulates innovation so that we deliver client-centric solutions.

Creating an environment in which our people are engaged and enabled to take care of their wellbeing: what our employees think and how they feel about working at Standard Bank directly affects client satisfaction and the delivery of the group's strategy. It is therefore incumbent on us to deliver a culture, working environment and value proposition that is compelling to our employees.

1 Enhancing the employee experience

CHALLENGES ADDRESSED

KEY PRIORITIES

- Deliver consistent employee experiences that resonate with our people and enables the business 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.

ACHIEVED IN 2018

- Piloting the employee journey philosophy from employee induction to retirement.
- Engaged with employees on their ideas and feedback through multiple channels:
  - Annual employee engagement survey to benchmark key engagement drivers and inform business strategies and people plans. New online dashboards provide managers and employees with a view of their business and personal engagement scores relative to the group's average performance.
  - 11 bespoke surveys based on business demand to obtain input from their employees on strategic topics.
  - Design thinking workshops to conceptualise and test employee experience solutions.
  - Regular face-to-face engagement sessions during townhall sessions, conferences and other platforms.
- Used our rich data repository of survey results and insights – which enables more advanced analytics and modelling – to better understand the mindsets and views of specific employee segments to inform our people plans.
- Continued to provide wellbeing services to employees across the group, helping them to manage their mental and physical wellbeing and build resilience in a rapidly changing socioeconomic and operating environment.

LOOKING AHEAD

- Prioritise and pilot critical employee journeys.
- Ensure a more integrated and personalised employee approach to enhance experiences across different employee segments.
- Design and implement a people promise proposition.
- Involve employees in the design of people-centric solutions.
- Provide access to multiple channels for employees to share their views and ideas.
- Continue to promote personal wellbeing.

Engagement levels

In our annual employee engagement survey, eNPS ('I would recommend Standard Bank as a good place to work') moved from +14 to +23, and the emotional promoter score ('how I feel about working for Standard Bank') rose to +58 from +47.

Employees showed a strong connection to our purpose and brand.

96% of respondents are willing to go the extra mile to make Standard Bank Group successful.

94% understand their contribution to the broader Standard Bank Group purpose.

90% are proud to be associated with Standard Bank.

2 Accelerate the digitisation of reliable human capital services that are convenient for our people

CHALLENGES ADDRESSED

KEY PRIORITIES

- Provide access to advanced technology and tools that support the future world of work and fulfil the promises we make to our clients.
- Empower our employees and managers to conduct routine human capital transactional activities through self-service functionality.
- Leverage employee insights and data to inform people plans and drive innovative changes.

ACHIEVED IN 2018

- Embedded and optimised integrated people management and transactional systems across the group.
- Rolled out the human capital portal to additional countries and aligned these to the new Standard Bank Hub.
- Developed, tested and implemented human capital digital solutions, including:
  - Experimental learning solutions such as micro-learning platforms providing employees with instant access to learning opportunities.
  - Employee mobile app in South Africa enabling employees to access human capital transactional services seamlessly using mobile devices.
  - Innovative digital campaigns to reach and attract employees from specific market segments.
- Tested new interviewing technology as part of a broader AI strategy to improve time to hire and the candidate experience of our recruitment process.
- Introduced digital tools to improve the productivity and connectivity of our employees.
- Used people data analytics to inform people strategies.

LOOKING AHEAD

- Experiment with advanced predictive analytics to support improved proactive decision-making.
- Build a workforce planning capability able to respond to the pace and maturity of the group's digitisation strategy.
- Implement solutions to enhance the digital user experience for employees.
- Design and test solutions to further enhance the digital workplace for our people.

3 Accelerate access to relevant and progressive learning opportunities to embrace the evolving world of work

CHALLENGES ADDRESSED

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.

ACHIEVED IN 2018

- Delivered flexible digital learning solutions, supporting the growth of our employees in their current role and enabling them to learn new skills. This included experimenting with tailored micro-learning digital solutions for learning priorities in specific areas.
- Identified capabilities that will be in high demand in the future and implemented fit-for-purpose interventions to accelerate skills development in these areas.
- Delivered a range of training programmes around client service delivery.
- Provided bursaries to employees to advance their specialist skills.
- Experimented with tailored offerings to fast track mid-career development.
- Tested a potential solution in which retired executives are able to contribute to the group through coaching talent.

LOOKING AHEAD

- 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.

4 Reward and celebrate outcomes and behaviours linked to superior client experience and commercial success

CHALLENGES ADDRESSED

KEY PRIORITIES

- Embed fit-for-purpose performance management to drive a high-performance culture.
- Develop reward and recognition practices that incentivise the right behaviours and place the best interests of the client first.
- Continue to enhance our employee benefits to support a competitive employee value proposition.

ACHIEVED IN 2018

- Focused on embedding new performance practices that empower line managers to serve as performance coaches and have regular coaching conversations.
- Initiated processes to ensure reward practices and recognition schemes are designed to support the delivery of our three focus areas and new ways of working.
- Recognised and celebrated team and individual contributions through our monthly Beyond Excellence and Mark of Excellence recognition programmes.
- Piloted and implemented new benefits in South Africa and focused on the broader rollout of certain benefits in Africa Regions based on commercial viability.
- Designed and tested a total reward and benefits digital platform for implementation in six countries in phase one.

LOOKING AHEAD

- Launch new employee reward and benefits digital platform to the rest of our operations.
- Maintain focus on driving performance management practices that enhance delivery and empowers our people to improve and grow through ongoing performance coaching conversations.
- Align reward practices to new performance and accountability metrics, to support delivery of key focus areas.
- Continue to implement new benefit offerings for our people.

ACCOLADES

- Won the South African Reward Association's 2018 award for our remuneration report. The award recognises our compliance with the King IV principles on remuneration philosophy and its application.

AIR | Read more from page 96.

Skills development facts

Responses in the annual employee survey indicate that while most employees are satisfied with their opportunities for career growth and skills development, there is scope for improvement.

81% believe they have opportunities for development.

71% have opportunities to grow and advance their careers.

We invested R931 million (2017: R924 million) in skills development.

Tailored in-country employee bursary schemes help employees develop their professional skills. For example, bursaries for under- and post-graduate studies were provided to 1 933 employees across Standard Bank.

Employees are embracing opportunities to learn via our online training libraries. Our world-class digital libraries provided employees with access to almost 7 000 online training courses and more than 200 000 learning videos.

5 Ensuring the appropriate growth and mobility of diverse talent across our business

CHALLENGES ADDRESSED

KEY PRIORITIES

- Deliberate and accelerated 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 build a strong talent pipeline for the future.

ACHIEVED IN 2018

- Made steady progress in building depth in our local talent pools.
- Enabled our people to take on new career opportunities within the group through internal transfers and promotions.
- Facilitated international assignments and secondments to expose employees to specialised skills and new markets.
- Maintained our focus on progressing women into senior roles through bespoke development interventions.
- Delivered talent development initiatives across business lines and corporate functions.
- Improved cross-functional succession planning through initiatives that determine successor readiness.
- Introduced an enhanced framework to standardise assessments for specific employee segments to enable informed talent acquisition and talent development practices.
- Ongoing investment in young talent through student bursaries, scholarships and workplace experience opportunities delivered through our learnership, internship and graduate programmes.

LOOKING AHEAD

- Redefine our approach to talent management, ensuring practices that support clearly defined career experience journeys and a focus on building future-fit capabilities.
- Design and implement an accelerated competency framework to assess employees and provide them with the development needed to deliver the group's strategy.
- Extend the employee exchange programme with ICBC to selected countries in Africa Regions.
- Ensuring succession depth at senior executive level and in highly specialised roles.
- Accelerating the transformation of the demography at top and senior management levels to better reflect the communities within which we operate.

INVESTING IN YOUNG TALENT

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

- **Graduate programmes:** 194 graduates in South Africa participated in our programmes, of which 91% were black and 43% were women. In Africa Regions, 49 graduates participated, of which 43% were women.
- **Learnerships and internships:** In 2018, we enrolled 1 016 unemployed people on learnerships and internship programmes, of which 815 were in South Africa and 201 in Africa Regions. A further 1 485 employees participated in learnership programmes to build scarce, critical skills in financial advisory and intermediary services, data analytics, IT, auditing and finance.

FAST FACTS

- **Internal mobility:** 60% of hiring activity in South Africa in 2018 comprised internal promotions and transfers.
- **Flagship employee exchange programme with ICBC:** Since inception, 28 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 2018, eight Standard Bank employees commenced assignments in China and four ICBC employees joined Standard Bank in Johannesburg.

6 Enabling leadership, a conducive culture and new ways of working to deliver the group's aspirations

CHALLENGES ADDRESSED

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.
- Shape the ideal organisational structure and introduce new ways of working to empower our employees to serve the needs of our clients.
- Create an inclusive work environment.
- Ensure consistent and fair employment practices that are aligned to regulatory requirements.

ACHIEVED IN 2018

- Finalised our unique Standard Bank Leadership Identity, clearly defining specific characteristics and practices that leaders need to embrace.
- Delivered a suite of management and leadership development programmes to employees across the group and prioritised women for accelerated development to strengthen our leadership pipeline.
- Participation by senior leadership team members in global international leadership programmes.
- Initiated culture programmes to test fit-for-purpose methodologies that drive behavioural shifts in line with our three critical behaviours and local business operating context.
- Introduced restructuring and job architecture initiatives to build new capabilities, improve client centricity and deliver productivity and efficiency gains.
- Tested and deployed new ways of working to develop multidisciplinary, agile teams to rapidly respond to changing client and business demands across our operations.
- Deployed design thinking methodologies across the group to ensure ongoing ideation and solutioning, underpinned by our three focus areas.
- Launched a groupwide communication campaign to encourage employees to become aware of their own unconscious bias. A series of critical conversations took place in South Africa to stimulate debate on topics of social relevance.
- Educated employees on the group's zero tolerance stance, policies and procedures relating to discrimination and sexual harassment, to safeguard fair workplace practices where all employee's rights and dignity are respected.

LOOKING AHEAD

- Roll out of a tailored leadership development solution to executive leadership across the group in 2019.
- Incorporate the leadership identity in all management and leadership programmes and use it to inform key human capital practices.
- Embed culture programmes and ensure meaningful impact.
- Ongoing focus on delivering work design in line with future capability and operating model requirements.
- Rolling out solutions that support more agile teams and improved ways of working.
- Educate line managers and employees to understand and apply fair workplace practices.

FAST FACTS

- **5 939 employees** representing all business areas and geographies participated in management and leadership development programmes.
- **425 women** attended customised development programmes across the group.

RTS | Read more online.

GENDER EQUALITY

Group chief executive, Sim Tshabalala, became a UN Women HeForShe Thematic Champion. The movement invites all people to stand together to create a gender equal world. The group has publicly committed to gender targets to improve the representation of women on the board and in executive positions.

Gender targets

Women on the board:
33% by 2021

Women in executive positions across the group:
40% by 2023

Women chief executives in the Africa Regions:
20% by 2021

Women in executive positions in South Africa:
40% by 2021

RISK AND CONDUCT

Our licence to operate is a function of the trust our stakeholders place in us. Our ability to manage the risks inherent in our businesses and to ensure that our conduct reflects the highest standards of ethical and responsible business practice, underpin that trust.

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 measure progress

Our risk measures seek to balance our regulatory requirements, which indicate our ability to withstand financial stress and unexpected losses, and our shareholder expectations around risk-adjusted returns. We carefully manage our capital, liquidity and funding levels to support business growth, maintain depositor and creditor confidence, create value for our shareholders and other stakeholders, while also maintaining regulatory compliance. We have three levels of risk appetite which are cascaded from our level 1 measures to more detailed portfolio limits. Our risk appetite is measured and monitored against the limits set at group, legal entity and business unit levels on a monthly basis.

Our indicators

- **Common equity tier 1 ratio (CET 1):** a measure of solvency that assesses capital strength against our risk-weighted assets (RWA).
- **Liquidity coverage ratio (LCR):** measures our ability to manage a sustained outflow of client funds in an acute stress event over a 30-day period.
- **Net stable funding ratio (NSFR):** the amount of available stable funding relative to the amount of required stable funding in accordance with Basel III.
- **Return on risk-weighted assets (RoRWA):** the return we generate based on our average RWA measures our earnings relative to regulatory capital utilisation.

Conduct

How we measure progress

Our compliance with laws and regulations is non-negotiable. Any contravention comes at a cost of possible damage to our reputation, fines or financial losses. We manage conduct risk in accordance with our conduct governance framework and are guided by our values, ethics and principles. We mitigate risk where possible, and address non-compliance with disciplinary processes and appropriate action. Each business unit and corporate function is responsible for the oversight and monitoring of conduct risk relevant to their business activities.

Our indicators

All business units 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 our conduct risk. These include:

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

KEY STAKEHOLDER CONCERNS

- Protecting against cybercrime and fraud.
- Treating customers fairly and conduct of banks.
- Demonstrating the highest standards of ethics and integrity.
- Compliance with laws and regulations.
- Responsible credit provision.
- Management of credit risk.
- Safety and security of client data and assets.

Raised by:

Clients, regulators, legislators and national governments.

RELATED MATERIAL ISSUES

- Cybersecurity.
- Stability, security and speed of IT systems.
- Reputational and operational risk associated with third-parties, counterparties and suppliers.
- Card fraud.
- Policy, regulatory and legal risks in key markets.
- Constructive relationships with regulatory authorities.
- Increase in physical security threats/incidents in Africa Regions.

2018 KEY PRIORITIES

- Ensure our risk appetite responds appropriately to changes in our operating environments, and manage our exposures responsibly.
- Embed a culture of ethical behaviour and ensure that we keep doing the right business the right way.
- Ongoing investment in our capabilities to mitigate financial crime and cyber risks.

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 inhibits client growth and revenue generation.
- We manage the natural tension between client convenience and the speed with 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 adaptations to business systems to comply with new and emerging legislation, is always managed to ensure the reputational benefit of being a trusted organisation.

How we performed

Risk

We have proactively managed our risk environment ensuring that our mitigation strategies address the identified risks, including exposures to concentrations in all sectors. Our governance process is robust with a well-developed enterprise risk management (ERM) framework supported by focused and mandated committees attended by skilled and accountable experts. We have managed our risk within our approved risk appetite and are sufficiently capitalised.

LIB
13.5%
CET 1
2017: 13.5
TARGET: 11.0% – 12.5%

LIB
3.0%
RoRWA
2017: 3.1

LIB
116.8%
LCR
2017: 135.1
TARGET: >100%
(regulatory minimum of 90%)

LIB
118.6%
NSFR
TARGET: >100%
(regulatory minimum of 100%)

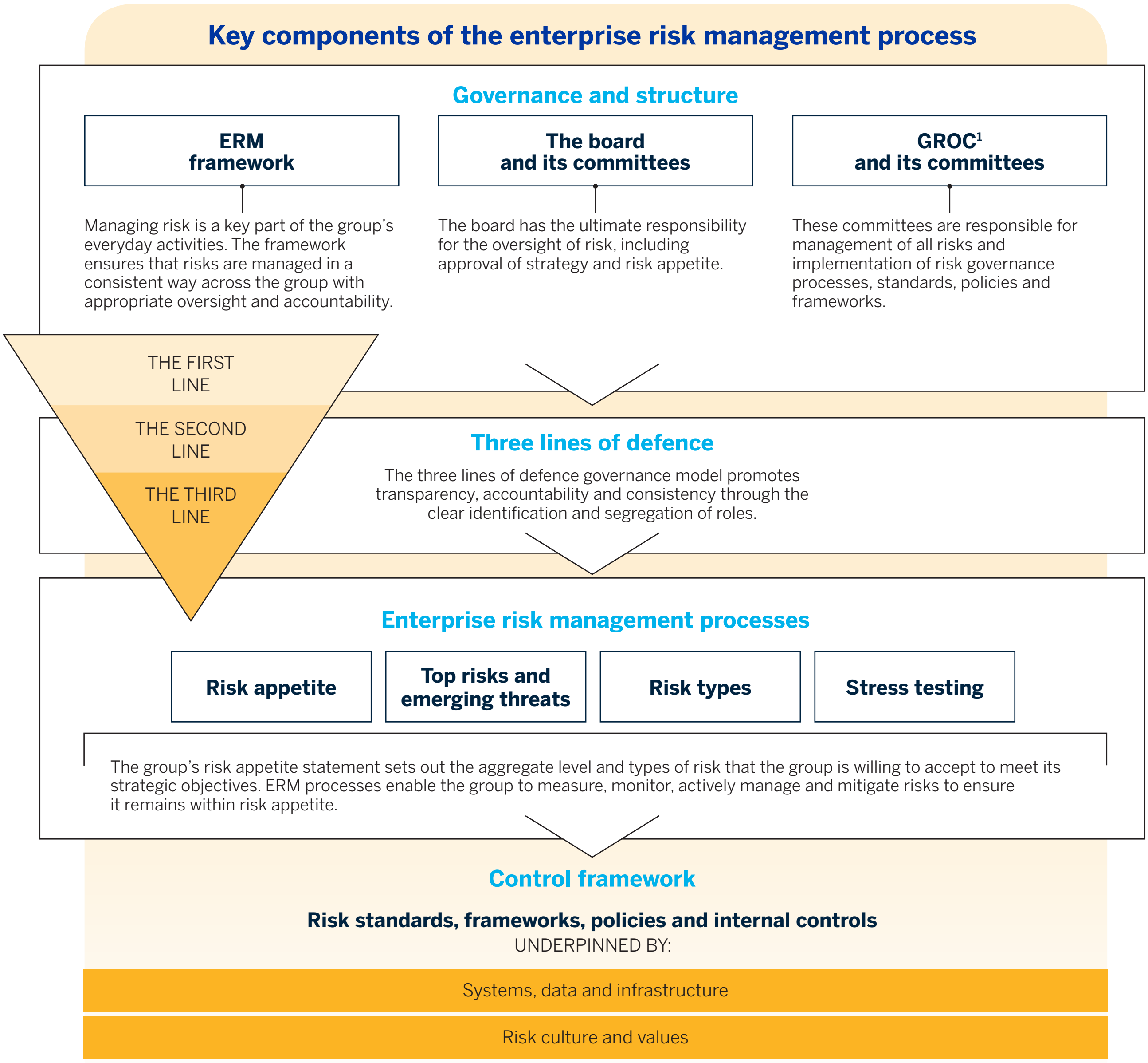
Conduct

We continually monitor our progress on managing conduct and culture through the established indicators and internal conduct risk management processes. Where deficiencies are identified, we take immediate mitigating and/or remedial action.

OUR FRAMEWORK FOR MANAGING RISK

Our well-developed ERM framework supports a consistent approach to risk management throughout the group.

ENTERPRISE RISK MANAGEMENT APPROACH



[1] Group risk oversight committee.

The group ERM governance framework sets out our approach to managing risk and capital. The framework consists of governance standards, frameworks and policies and is implemented by board and management governance committees with mandated and delegated authorities. We take a holistic and forward-looking view of the risks we face, continually assessing both current and emerging threats in our operating context.

Our top risks and emerging threats are monitored, managed and mitigated through the three lines of defence model. The business units and corporate functions identify and manage risks within their ambit while the group risk function provides necessary oversight and interrogation. Group internal audit provides independent assurance on the effectiveness of the first and second lines of defence.

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. The results of our tests indicate that the group is well capitalised and able to handle current and emerging stress scenarios should they materialise.

OUR RISKS

The group ERM framework articulates the significant and mature risks that the group faces. These risks are well understood, embedded and managed on an ongoing basis.

A summary of our key risk types is set out below:

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.

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

COUNTRY RISK
The uncertainty that obligors (including the relevant sovereign and the group's 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.

FUNDING AND LIQUIDITY RISK
The risk that an entity or the group, 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.

MARKET RISK
The risk of a change in the market value, actual or effective earnings or future cash flows of a portfolio of financial investments, 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 these variables.

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

OPERATIONAL RISK
The risk of loss suffered as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.

BUSINESS RISK
The risk of earnings variability resulting in operating revenues not covering operating costs after excluding the effects of market risk, credit risk, structural interest rate risk and operational risk.

REPUTATIONAL RISK
The risk of potential or actual damage to the group's image which may impair the profitability and/or the sustainability of its businesses.

RCM | Read more about these risk types and capital management online.

Our environmental and social risk governance standard and policy ensures that we manage and mitigate potential negative environmental and social impacts arising from our business activities and enable the development and implementation of solutions with positive social and environmental impacts.

RTS | Read more online.

TOP RISKS AND EMERGING THREATS

Our process for identifying top risks and emerging threats reflects the continuous assessment of emerging threats and opportunities based on global trends that may have a bearing on the group's operating environment. Early identification of these risks positions us to leverage related opportunities and proactively mitigate threats.

Our top risks are identified through our ERM framework and operational risk processes using specialist expertise within the group and across the three lines of defence, and is complemented by external research and thought leadership. This collaborative approach provides a combined risk assurance view, reinforces the effectiveness of our control environment and aligns our responses to support longer-term strategic decision-making to mitigate the impact on our shared value outcomes and reputation.

We ensured that the top risks in 2017 received the attention and resources needed to be adequately mitigated. This scope was broadened in 2018 to focus on emerging threats within our operating context that could meaningfully impact on our business either as a risk or as an opportunity. Our operational and tactical management of the top risks is discussed throughout this report.

Our top risks for 2019 were identified as:

CYBER RISK may lead to financial loss or disruption, destruction, unauthorised or erroneous use of information systems.

INFORMATION RISK is the risk of accidental or intentional unauthorised use, access, modification, disclosure, dissemination or destruction of information resources, which may compromise the confidentiality, integrity and availability of information and potentially harm the business.

FRAUD RISK is the unlawful and intentional misrepresentation with the aim of unlawful gain, which causes actual prejudice or which is potentially prejudicial to another.

PEOPLE RISK refers to the negative impacts associated with difficulties attracting and retaining skilled and committed people and failure to enable people to grow and remain relevant in a rapidly evolving world of work.

TECHNOLOGY RISK is associated with the use, ownership, operation, involvement, influence and adoption of technology within the group. It consists of technology-related events and conditions that could potentially impact the business, including technology changes, updates or alterations. A key consideration within technology risk is the group's effective use of technology to achieve business objectives and be competitive.

BUSINESS DISRUPTION RISK arises from critical system failures and/or business process failures impacting services to and/or provided by the group to its stakeholders.

THIRD-PARTY RISK is introduced due to ineffective management of third-party relationships. The use of third-parties reduces management's direct control of activities and may introduce new or increase existing risks, specifically, operational, compliance, reputation, strategic, and credit risks.

RCM | Read more online.

CONDUCT AND CULTURE

Our approach to managing conduct risk is designed to ensure that through our actions and behaviours, we deliver fair client outcomes and support the transparency and integrity of the financial markets in which we operate.

Honest and responsible behaviour is an ethical imperative for us to serve our clients and deliver on our commitment to sustainable banking practices and regulatory compliance.

We have developed and implemented a conduct risk framework to embed our culture of doing the right business the right way in the execution of our strategy and business activities. The framework includes a conduct dashboard with performance indicators and metrics that we continue to enhance and deepen. This enables the board and executive management to exercise oversight over conduct risk management throughout the group, and assess and manage potential conduct risks which may arise.

We monitor our performance across the three lines of defence and against our values to strengthen our culture and entrench our values into our day-to-day activities by focusing on personal accountability.

During 2018, we established conduct committees across the group to reinforce a culture of client focus and fair outcomes, as set out in the conduct risk framework. Key achievements of this process included:

- Elevated awareness among senior executives of group culture and conduct challenges.
- Formalisation and clarification of roles and responsibilities for conduct outcomes across the three lines of defence.
- Strengthening of a transparent, safe and open culture in which our people can raise concerns through our whistleblowing and staff grievance processes.
- Monitoring and tracking of mandatory training courses to support a culture of compliance.
- Alignment of human capital processes and procedures with the group's culture and conduct outcomes.

ASSURING A ROBUST, STABLE AND INTEGRATED CONTROL ENVIRONMENT

The group continues to make progress in developing a combined assurance model, including a shared view of the group's top risks, between first line business operations, second line risk functions and third line group internal audit.

Our risk, compliance and internal audit functions deliver integrated Africa-wide services across the group to ensure a consistent approach to managing challenging operating environments and the associated threats and opportunities, and that a risk-aware culture is embedded at all levels of business. We experienced an increased willingness to proactively engage audit and risk management functions to support an integrated approach to managing risk and conduct.

Our ongoing and increasingly mature engagement has contributed to an improvement in the group's risk and control culture indicated by an overall reduction in repeat and overdue audit and compliance monitoring findings.

In instances of unsatisfactory audit outcomes where internal audit has identified areas of weakness in business processes and individual control systems, these are openly communicated without interference. This enables ongoing improvement in our control systems.

Our evaluation of risk culture, as a lead indicator of the control environment, gained traction in 2018. We evaluated factors such as risk awareness, actions taken to remediate known risks and the responsiveness of management to audits.

Key focus areas identified in 2018 by group internal audit as having the potential to impact the effectiveness of the control environment included:

- The new operating model and the extent to which it is being clarified and sustainably embedded throughout the group.
- Digital enablement as a means to strengthen client focus.
- Compliance with regulatory requirements, such as Anti-Money Laundering, Know Your Customer and exchange controls.

With a few exceptions, which management are addressing, the results of our audits indicate that the group's control environment is generally robust and stable.

Doing the right business the right way

We manage our business and associated risks in a manner that balances the interests of our clients and other key stakeholders with the protection of the group's long-term sustainability and the stability of the financial systems within which we operate. Our objective to do the right business the right way extends from our compliance with laws and regulations, including the enforcement of measures to combat financial crime, financing of terrorism or other fraudulent practices, to our ethical conduct as individuals and as a financial services organisation. Given the global disruption facing the financial services industry, an implicit link exists between our business activities and our ability to effectively leverage technology.

RTS | Read more online.

ACHIEVED IN 2018

By leveraging innovative technology and new ways of working we are achieving higher levels of agility, flexibility and responsiveness to our markets, which allows us to improve on doing the right business the right way. This is reflected in:

- Reduced turnaround times for short-term insurance claims and lending decisions in PBB and CIB.
- Strengthened and integrated internal fraud risk management in card, TPS and insurance businesses to reduce fraud losses without increasing client friction, aligning to global best practice.
- Transformed the corporate lending process through digitisation to improve client experience, reducing credit decision turnaround time from one month to three days.
- Piloted an integrated portfolio risk management committee in East Africa.
- Increased efficiency in fraud detection and operations resulting in fewer touch points and improved turnaround times for clients.
- Segmented and rationalised vendors to reduce third-party-related incidents.
- Movement of fraud operations into frontline services to support staff and deliver operational efficiencies.
- Strengthened incident management processes to enable faster diagnosis and resolution of major service interruptions.

STRATEGY IN ACTION

- Our strategy of developing relationships with our clients and knowing the sectors and markets they operate in enables us to select winning clients and projects and avoid risk or anticipate it and respond proactively.
- Continued to develop our portfolio risk management and stress testing capability.
- Ongoing research relating to trends arising from global information incidents and threats, and the potential impact they have on our clients will enable us to take preventative action to avoid future losses.
- Building an integrated capability to manage third-party risk, including compliance, and ensure more value-driven and collaborative third-party relationships, especially as we partner with fintechs to advance digitisation.
- There are robust consequence management processes in place for employees who do not undertake mandatory training.
- Continued to leverage technology to respond to client expectations of digital services and competitive threats posed by new entrants to financial services.
- Improved resilience of IT systems and infrastructure in Africa Regions to enhance client and staff experience.
- Consolidated and aligned IT security across Africa Regions.

Our risk strategy instils conscious risk-taking as we pursue our targeted growth opportunities. A strong link between our strategy and our risk appetite underpins our profitability and sustainable growth. Our quantitative and qualitative risk appetite statement sets out the aggregate level and types of risk that we will tolerate to meet our strategic objectives. We regularly review our risk appetite in response to changes in our operating environments and we adopt fit-for-purpose operational risk practices that assist line management in understanding their residual risk and managing their risk profile within risk appetite levels.

We form relationships with our clients by understanding their needs and making responsible offers to them based on their risk profiles. These relationships enable us to build and maintain clients' trust; they 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 or respond proactively to early signs of financial stress or market risk.

The development of our portfolio risk management and stress testing capability has enabled us to decentralise authority and accountability for credit decisions to in-country management teams. Combined with the implementation of digitally enabled solutions, this has improved the turnaround times and consistency of decision-making across all of our business units.

While our overall credit risk performance remains within our risk appetite, we have experienced increasing indebtedness in some of our client segments in South Africa. In particular, the plight of financially distressed clients whose properties were repossessed is a matter of concern.

Financial inclusion and, more specifically, making financial services accessible, continues to be a priority for many of the regulators across the markets in which we operate. Accordingly, there is growing pressure on banks to lower fees and improve digital offerings and the ease of banking.

AIR | Read more on page 39 and page 77.

EMBEDDING COMPLIANCE AWARENESS

Continuous training assists in embedding compliance awareness and practices. Compliance e-learning is available on smart devices and can be completed at a time convenient to employees. The e-learning focuses on behaviour and performance in personal, business and client engagement conduct. During the year, we streamlined compliance training to seven compulsory courses that are available online, with a targeted focus on conduct.

All employees of the group are expected to complete mandatory compliance training, which also includes personal, business and client conduct courses. Consequence management is applied for non-completion of compulsory compliance training. In 2018, 4 760 independent service providers were registered and active on the training system.

The regulatory environment in all of our markets continues to evolve as regulators seek to address new and emerging threats in financial services to protect clients' assets and ensure they are treated fairly. We are proactive in our response to regulatory changes and use an externally assured operating model to conduct regulatory impact assessments and inform our policy discussions and submissions on regulatory development. We have provided input to the Retail Distribution Review, Consumer Credit Insurance, the Conduct of Financial Institutions Bill, Deposit Insurance, Recovery Resolution Planning, fintech regulation and Twin Peaks implementation.

RTS | Read more online.

Supervisory and stakeholder concerns about data, privacy and consumer rights are being addressed through the introduction of regulations such as the Protection of Personal Information Act in South Africa and the EU Global Data Protection Regulation. Information risk and data privacy is a top risk for the group and has driven the introduction of information protection mechanisms. Data leakage prevention systems are in place to control the dissemination of sensitive information along with encryption software that secures our hardware.

Business continuity management processes include specific response measures relating to physical security. In-country security companies provide an on-the-ground response capability that covers country-specific requirements. A country risk-based approach has been adopted in implementing the capabilities required to ensure effective response measures, with increased awareness and adoption by respective country crisis management teams.

Leveraging technology to improve risk management

The relationship between regulation and digitisation is complex and sometimes ambiguous. While digitisation strengthens regulatory control by increasing transparency, auditability and reducing manual errors, there is a concern among regulators that it may fail to protect clients and come at the expense of security compliance, risk management and business continuity.

The risk management and audit teams focus on managing this complexity by embracing the vital role of digitisation in the execution of the group's strategy and understanding the processes of digitisation to ensure that the associated risks are managed in a manner that protects client data and assets without increasing client friction.

ACHIEVED IN 2018

- 71% reduction in IT instability incidents across the group, attributable to increased focus on system resilience.
- Our investment in digital fraud detection and prevention capabilities significantly reduced digital fraud cases reported.
- AI was used by the insurance business to detect fraud during claims processing. This improved collaboration between the claims and fraud departments has reduced turnaround times to 48 hours or less.
- Cyber simulations were run in 16 countries to test the preparedness of teams to respond to a large-scale cyber event.
- Practiced incident response is a cornerstone to our risk management preparedness and proved invaluable during the ransomware attempt at Liberty.
- Increased use of cloud computing to manage business activities and provide real-time access to information.

STRATEGY IN ACTION

- Collaboration between CIB and PBB on risk appetite indicators and automation of data management.
- Improved stability of IT systems to match 'always on' expectation of our clients.
- Increased use of cloud computing, AI and robotics to automate assurance and governance processes.
- Expansion of digital security capabilities and continuous improvement in fraud detection and response capability, including use of big data in risk profiling.
- Extended insurance cover to include a cybercrime insurance policy covering the group and its subsidiaries.

Digitisation is contributing to increased transparency, consistency and efficiency of client service processes, proactive credit limit approvals using data analytics, and faster turnaround times in client service interactions. Adoption of cloud computing, AI, robotics and machine learning technologies is not only enabling increased automation of client services but is also being used to improve financial crime and cyber surveillance capabilities.

However, while digital technology represents a material competitive advantage, it is also a top risk with the potential to incur financial losses and penalties, disrupt our services and erode client trust. The unauthorised access to Liberty clients' emails and attachments in June 2018 highlighted the extent to which cybercrime can threaten the integrity of our industry and the safety of client information. Liberty took immediate steps to secure its systems and made no concessions to the extortion demands. No financial loss was incurred by Liberty's clients and it is working with the Information Regulator to ensure compliance. The South African Information Regulator is satisfied with how Liberty dealt with the data breach.

We have increased cyber awareness at board and executive management levels, with independent cyber experts appointed to advise the IT and risk committees. Our cybersecurity strategy has evolved from compliance to intelligence-led, with increased emphasis on detection of malicious activity. We have dedicated specialist cyber incident response teams and are focusing on early detection and rapid response, using intelligence and early warning indicators to mitigate or prevent threats.

We participate in industry cybersecurity initiatives such as the developing Cybercrime Bill, Critical Infrastructure Bill and Open Banking application programme interfaces (APIs) and a common data dictionary. The fostering of relationships through the South African Banking Risk Information Centre and the Financial Services Cyber Incident Team in Africa Regions has been effective in sharing Africa-specific threat intelligence.

Ultimately, our ability to effectively manage the threat of cybercrime depends on the commitment of our people to IT security. We continue to provide awareness and training, including focused interventions for employees considered to be in high-risk areas, to embed a strong risk culture.

Risk management's role in effective digitisation

Risk management has a critical role to play in digitisation to support the client facing transformation with suitably digital and efficient risk management processes. Being proactive to emerging threats (digital or otherwise) and opportunities will allow us to attain organisational resilience. The group recognises cyber, technology, information and business disruption among the top risks and has allocated substantial resources to mitigate them. We also are active participants in international risk research studies leveraging the learnings of other institutions into our unique environment. The 2018 EY and IIF global bank risk management survey, Accelerating Digital Transformation, corroborates our approach for our digital journey, including how we are:

- Adapting to a fast-evolving risk environment.
- Risk management's role in identifying opportunities.
- Adopting new technologies and leveraging the power of data and cloud computing to digitise our risk approach.
- Developing resilience to disruptions.

Leveraging our digital capabilities to reduce exposure to risk

2018 was a pivotal year in the closure of our strategic core banking programmes which replaced ageing legacy platforms with modern, digital platforms. This will enable us to rapidly leverage new technologies and continue to develop opportunities to automate and simplify manual processes.

We have recognised an opportunity to leverage our data as pilot projects to automate standardised, data-based and predictable tasks and processes are extended and embedded. These include regulatory reporting on foreign exchange transactions and elements of credit lending to existing business clients to manage credit risk, which combined with the capacity of AI to efficiently scan large quantities of data, can be used to identify patterns, draw conclusions and make predictions that will improve client experience, product costs and service delivery. Experience and intuition remain essential but our ability to triangulate them with data will allow us to predict client needs and offer contextually appropriate solutions in a way that was not possible only a decade ago.

AI has the potential to vastly improve efficiency and productivity for particular processes and harnessing the data analysis capability of AI with human creativity, innovation, experience and empathy will help provide some balance in the ethical considerations of using algorithms to make decisions that deliver fair and equitable results.

LOOKING AHEAD

The achievement of sustainable future growth will be driven by our ability to ensure that the group's commitment to doing the right business the right way cascades down through every part of the group, underpinning every client relationship and informing every decision we make.

Our risk and conduct focus in 2019 will be guided by the group's medium-term 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.
- Complete architecture implementation and integrate with decision rights and internal relationships to empower our people.
- Proactive management of regulatory risks and emerging threats through maturing our enterprise risk frameworks.
- Enhance scenario planning to respond to changes in our operating environment.
- Continue to embed conduct risk framework and enhance conduct risk reporting measures and indicators.
- Implementing our third-party risk management enhancements.
- Increasing emphasis on the protection of information throughout its lifecycle.

While never losing focus on immediate objectives:

- Always on, always secure
- Brilliant basics front to back
- Doing the right business the right way

PROTECTING OUR CLIENTS AGAINST DIGITAL FRAUD

Our investments in digital fraud prevention yielded a reduction of 81% in digital fraud cases reported. The controls we have in place to ensure the safety of client information and funds are low in friction and maintain the integrity of our clients' digital interactions with our banking systems. These include:

- Fully implemented fingerprint verification for mobile apps on iOS and Android devices.
- Increasing cybersecurity awareness among clients and training staff in IT security.
- Implemented device profiling on internet banking in Africa Regions.
- Profiling of Wealth vendors to manage potential cyber risk.
- Sharing cyber threat intelligence across Africa through our participation in the South African Banking Risk Information Centre and the Financial Services Cyber Incident Response Team.

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 to the upper end of 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 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 (HE):** show the profits we make, excluding profits or losses from non-recurring events[1]. We seek to improve our HE each year by continuing to grow our revenue while managing our costs and risks.
  - **Africa Regions HE contribution:** our Africa Regions contribute significantly to our banking headline earnings.
  - **Cost-to-income ratio (CTI):** measures our efficiency in generating revenues relative to the costs we have incurred. We aim to reduce our CTI, making sure that the growth in our costs does not exceed the rate at which we grow our revenues. Containing our costs is key to growing HE and improving ROE.
  - **Credit loss ratio (CLR):** 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 56.
- **Returns**
  - **Return on equity (ROE):** 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.

How we performed

The group delivered solid results for the year ended 31 December 2018, with 6% growth in HE to R27.9 billion and an improved ROE of 18.0%, up from 17.1% in 2017. The group's capital position remained robust, with CET 1 flat at 13.5%. A final dividend of 540 cents per share was declared, resulting in a total dividend of 970 cents per share for the year, an increase of 7%. Banking activities' HE grew 7% to R25.8 billion and ROE improved to 18.8%, up from 18% in 2017.

Growth

27.9 Rbn
GROUP HE
2017: 26.3
Target: Sustainable growth

25.8 Rbn
BANKING HE
2017: 24.3

31%
AFRICA REGIONS CONTRIBUTION (HE)
2017: 28
Target: >30%

57.0%
CTI
2017: 55.5[2]
Target: Approaching 50%

0.56%
CLR
2017: 0.87[3]
Target: 80 – 100 bps

Returns

18.0%
GROUP ROE
2017: 17.1
Target: 18% – 20%

18.8%
BANKING ROE
2017: 18.0

1 As prescribed by the SAICA (South African Institute of Chartered Accountants) circular.
2 Restated. The group amended its accounting policy for UCount expenses to be recognised against net fee and commission revenue (within non-interest revenue and total income) and not in operating expenses.
3 Based on IAS 39.
4 To make a more informed assessment of our operational performance, we disclose a constant currency measure to remove the effects of currency volatility. This is done by adjusting the comparative financial results for the difference between the current and previous years' exchanges rates. Refer to page 104 for details.

KEY STAKEHOLDER CONCERNS

- Strengthening efficiency and return on investment.
- Responding to increased competition in challenging market conditions.
- Improving performance, including that of Liberty and other banking interests.
- Leveraging the ICBC partnership.

Raised by:

Shareholders and investors, investment analysts.

RELATED MATERIAL ISSUES

- Returns on IT investment.
- Maintain resilience of our balance sheet.
- Improve efficiencies and manage the cost base.
- Sustainable revenue growth.

2018 KEY PRIORITIES

- Continue to deepen our progress in aligning processes to our value drivers to measure what matters most in delivering on our ROE target range of 18% to 20%.
- Continue to respond effectively to macroeconomic challenges.
- Maintain earnings growth by partnering with high-growth clients in high-growth markets.
- Reduce our CTI by driving revenue growth faster than cost growth.
- Seek to maintain our CLR within our guidance of an 80 bps to 100 bps range.
- Maintain a resilient balance sheet, meeting Basel III capital and liquidity requirements across all the markets in which we operate.
- Finalise the group's adoption of IFRS 9, including the final reporting on the transition impact.

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 growth, resilience and returns to deliver a compelling investment case.

STRATEGY IN ACTION

- Our value drivers have been further embedded in our business, allowing us to appropriately measure our progress and improve our ROE to 18.0%, in line with the lower end of our target range.
- Remained resilient despite the challenging macroeconomic conditions in most of our countries of operation supporting steady growth in our group HE and a sturdy balance sheet that complies with Basel III capital and liquidity requirements.
- Despite continued effort, cost growth was slightly higher than revenue growth reflected in our CTI of 57.0% and negative 2.8% jaws. Efforts to reduce CTI and manage costs remain crucial across the group.
- The group finalised the adoption of IFRS 9, the impact of which is summarised on page 73.
- Increased shareholding in Nigeria to 65.4% from 53%, and Kenya from 60% to 69.1%.

ACHIEVED IN 2018

- Group HE growth reflects strong franchise growth, growing client numbers and growing deposits and loans, while being further enhanced by an 11% increase in Liberty HE.
- Currency movements continued to impact the group's reported results, but less than in prior years. On a constant currency (CCY)[4] basis, group HE grew by 8%.
- Banking revenue growth remained steady, credit impairment charges decreased significantly while costs were carefully managed in a challenging environment.
- Africa Regions' contribution to banking HE increased to 31% from 28% in 2017. The top five contributors were Angola, Ghana, Mozambique, Nigeria and Uganda.
- PBB delivered satisfying results with a 10% increase in HE to R15.5 billion, contributing 56% to group HE. CIB HE decreased marginally to R11.2 billion, and contributed 40% to group HE in 2018.
- Despite the challenging economic environment in South Africa, SBSA performed acceptably and maintained HE at R16 billion.
- Liberty earnings attributable to the group was R1.6 billion, driven mainly by a 42% improvement in normalised operating earnings.
- The group's share of HE from ICBC Argentina increased by 19% (CCY: 95%), offset by a poor performance from ICBCS, where the group's 40% share was a loss of R74 million, down from a profit of R152 million in 2017.

MEASURING OUR FINANCIAL OUTCOME

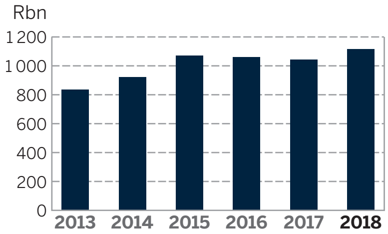
HEADLINE EARNINGS

The group's headline earnings is one of the components used in the determination of 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.

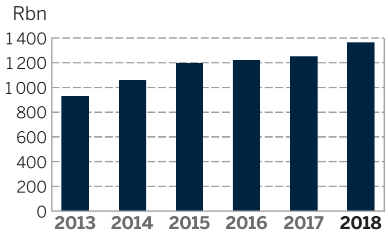
Banking activities' balance sheet drivers

Growth in deposits and funding, and loans and advances supported the group's headline earnings growth between 2013 and 2018 by a compound annual growth rate (CAGR) of 10%.

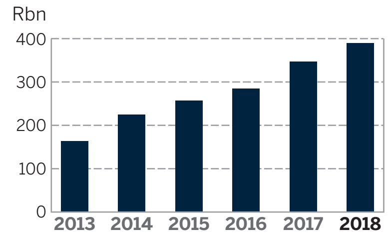
Net loans and advances
(CAGR: 6%)



Deposits and debt funding
(CAGR: 8%)



Trading and pledged assets and financial investments
(CAGR: 19%)



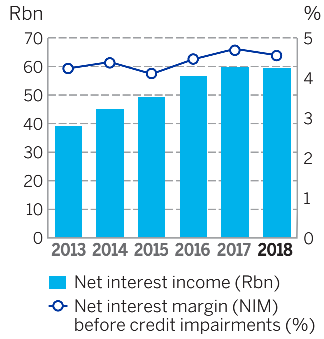
Average interest earning assets +3%

Average deposits and funding +9%

Net interest margin -16bps

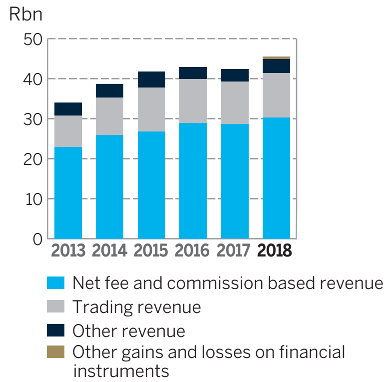
GROWTH

Net interest income (NII)
(CAGR: 9%)



NII decreased by 1% as margins compressed 16 bps to 4.58% and average interest-earning assets grew 2.5% year-on-year. IFRS 9-related accounting impact accounted for 13 bps of the decline, with the other 3 bps due to the impact of competitive pricing and demand for higher yielding deposit products in South Africa and negative endowment in Africa Regions, which was largely offset by strong growth in current and savings accounts and a mix benefit as unsecured lending grew faster than asset-backed lending.

Non-interest revenue (NIR)
(CAGR: 6%)

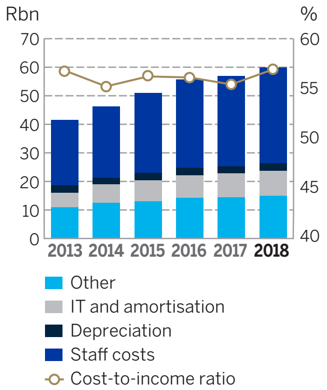


NIR grew by 7% supported by broad-based growth across all three underlying categories, namely net fee and commission revenue up 6%, trading revenue up 4% and other revenue up 11%.

Increasing digital adoption drove an 11% increase in electronic banking fees revenue and growth in digital volumes across offerings. Knowledge-based fees grew 3% following CIB's participation in several landmark transactions and increased client activity. Strong equities performance supported growth in trading revenue, while fixed income and currencies struggled against a high 2017 base. Other revenues were boosted by better bancassurance earnings and CIB's portion of ICBCS' aluminium recovery of R151 million.

Operating expenses

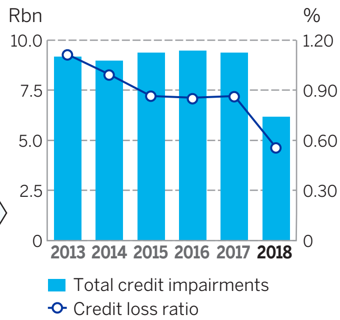
(CAGR: 8%)



Operating expenses growth of 5% is considered relative to inflation in the underlying markets in which we operate and the investment required to support our businesses' growth. It was well controlled as we closed our core banking programme and delivered a variety of digital enhancements and regulatory, risk and compliance improvements. Staff costs were up 7% driven by a combination of annual salary increases, separation costs relating to the IT restructure and key hires. Ongoing prudent discretionary spend and tight control of IT expenses, despite an increase of 23% in professional fees relating to customer experience and regulatory projects, contained other operating expenses increase to 5%.

Credit impairments

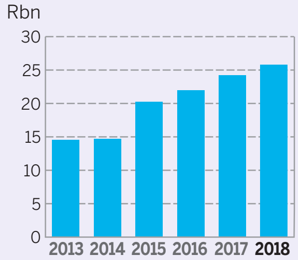
(CAGR: -7%)



Credit impairment charges were R6.5 billion, 31% lower than 2017, and the group CLR improved to 0.56%, down from 0.87% in 2017. Adjusting for the IFRS 9-related accounting impact, the group CLR would have been 0.71%. PBB's credit loss ratio decreased, largely driven by higher post write-off recoveries, operational enhancements in client credit ratings and improved collection strategies. CIB's impairment charges declined 35% on the prior year, driven by a recovery of a prior year impairment in Nigeria and improved credit risk management, offset by a challenging macro environment in South Africa.

Banking activities headline earnings

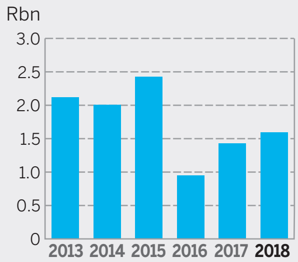
(CAGR: 12%)



Banking HE grew by 7% to R25.8 billion, up from R24.3 million in 2017, supported by increased NIR, lower credit impairment charges and the growth in Africa Regions' HE of 19%. Africa Regions contributed 31% of the banking HE, improving from 28% in the prior year.

Liberty headline earnings (SBG share)

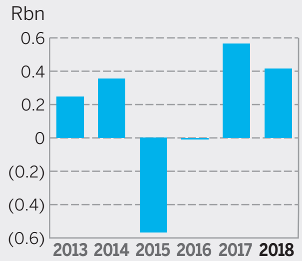
(CAGR: -5%)



The group's share of Liberty's HE increased by 11% to R1.6 billion, Liberty's normalised operating earnings were up 42%, driven by a strong performance in Individual Arrangements and STANLIB. Given the negative trend in asset prices in the year, Liberty's shareholder investment portfolio performed poorly with earnings down 81% on 2017.

Other banking interests' headline earnings

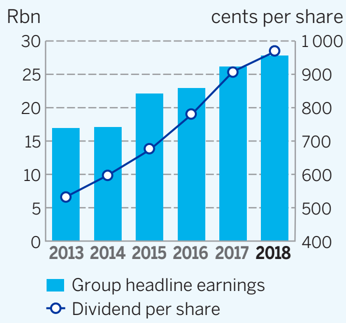
(CAGR: 11%)



Other banking interests' HE are down 26% to R418 million from R567 million, driven by ICBCS losses offsetting a pleasing performance from ICBC Argentina. ICBC Argentina delivered a strong performance despite the dislocation experienced in its domestic market resulting in the continuing devaluation of the peso. The ICBCS loss was driven by the impact of declining global emerging market risk appetite and reduced investment flows.

Group headline earnings

(CAGR: 10%)



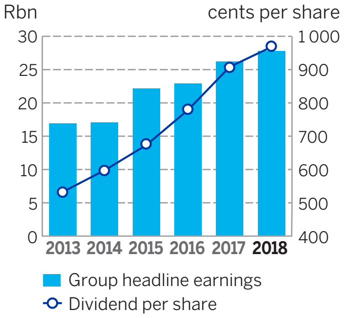
Group headline earnings grew by 6% to R27.9 billion, up from R26.3 billion in 2017, supporting a 7% growth in dividends per share to maintain a dividend payout ratio of 55.5%.

RESILIENCE

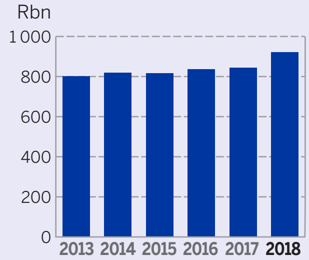
RETURN ON EQUITY

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 return on risk-weighted assets (RoRWA) as a more direct measure of earnings relative to regulatory capital utilisation.

Group headline earnings
(CAGR: 10%)

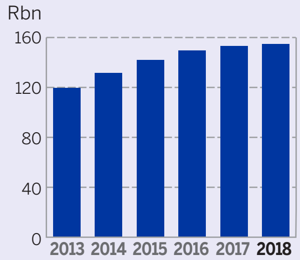


Group average risk-weighted assets
(CAGR: 3%)



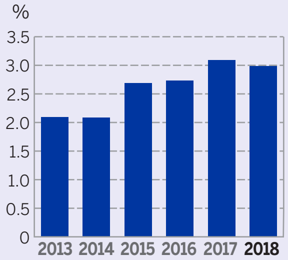
Group average risk-weighted assets (RWA) increased by 9% in 2018 to R923 billion, up from R846 billion in 2017, mainly as a result of rand depreciation against several foreign currencies, an increase in loans and advances, and sovereign and financial institution ratings downgrades in early 2018. Average RWA increased for both PBB and CIB, by 4% and 13% respectively.

Average shareholders' equity



The group's average shareholders' equity increased marginally from 2017. During 2018, ordinary shareholders' equity increased by 5% from the prior year, as a result of higher retained earnings, which was partly offset by dividends paid of R15 billion and the IFRS 9 transition adjustment of R6 billion. Foreign currency translation reserves (FCTR) declined by 71% due to a R4.6 billion credit following the weakening of the rand against several foreign currencies.

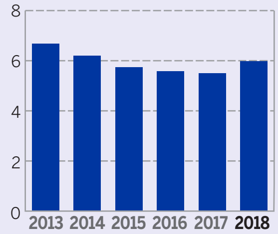
Group average return on risk-weighted assets
(CAGR: 3%)



The group's average RoRWA decreased slightly to 3.0% (2017: 3.1%), driven by the lower 6% headline earnings growth when compared to growth in average RWA of 9%.

Group financial leverage

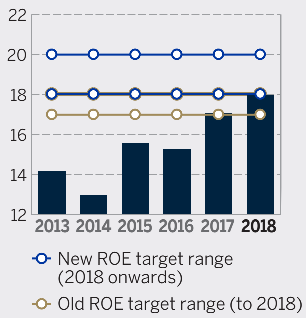
times



The group's financial leverage indicates the rate at which the group's average shareholders' equity increases compared to that of the group's average RWA. For 2018, the group's financial leverage was 6 times compared to 5.5 times in 2017. The slightly higher result is due to a higher average shareholders' equity and average RWA, which increased by 1% and 7% respectively.

RETURNS

Return on equity



In 2018, the group's ROE increased to 18.0%, the lower end of the group's medium-term target range. Contributing to this result was an improved ROE from banking activities of 18.8% and Liberty of 15.2%.

RCM For details regarding the group's cost of equity, refer to the group's risk and capital management report online.

GROWING OUR FRANCHISE

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 of the group's financial performance, and the principal headline earnings drivers for growth in our ROE, is on page 68.

GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	CCY %	Change %	2018 Rm	2017[1] Rm
Net interest income	1	(1)	**59 622**	60 125
Non-interest revenue	9	7	**45 709**	42 574
Net fee and commission revenue	7	6	**30 375**	28 670
Trading revenue	5	4	**11 129**	10 731
Other revenue	12	11	**3 533**	3 173
Other gains and losses on financial instruments[2]	100	100	**672**	–
Total income	4	3	**105 331**	102 699
Credit impairment charges	(32)	(31)	**(6 489)**	(9 410)
Net income before operating expenses	8	6	**98 842**	93 289
Operating expenses	6	5	**(60 084)**	57 049
Staff costs	8	7	**(33 773)**	(31 672)
Other operating expenses	5	4	**(26 311)**	(25 377)
Net income before non-trading and capital related items	9	7	**38 758**	36 240
Non-trading and capital related items	>100	>100	**(392)**	(97)
Net income before equity accounted earnings	9	6	**38 366**	36 143
Share of profit from associates and joint ventures	1	2	**431**	424
Profit before taxation	9	6	**38 797**	36 567
Direct and indirect taxation	9	4	**(9 846)**	(9 493)
Profit for the year	10	7	**28 951**	27 074
Attributable to other equity instrument holders	24	24	**(738)**	(594)
Attributable to non-controlling interests	4	20	**(2 639)**	(2 206)
Attributable to ordinary shareholders – banking activities	7	5	**25 574**	24 274
Headline adjustable items – banking activities	(>100)	(>100)	**273**	(6)
Headline earnings – banking activities	8	7	**25 847**	24 268
Headline earnings – other banking interests	–	(26)	**418**	567
Headline earnings – Liberty	11	11	**1 600**	1 435
Standard Bank Group headline earnings	8	6	**27 865**	26 270

1 Restated. The group amended its accounting policy for UCount expenses to be recognised against net fee and commission revenue (within non-interest revenue and total income) and not in operating expenses.
2 Other gains and losses on financial instruments arise from the adoption of IFRS 9. Further detail is available in our annual financial statements, 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 markets 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 results 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 interest

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 BALANCE SHEET

The balance sheet or statement of financial position shows the position of the group's assets, liabilities and equity at 31 December 2018, and reflects what the group owns, owes and the equity attributable to shareholders. Material line items have been discussed below.

BALANCE SHEET AS AT 31 DECEMBER 2018

	CCY %	Change %	2018 Rm	2017 Rm
Assets				
Cash and balances with central banks	10	13	**85 145**	75 310
Derivative and trading assets	(24)	(2)	**226 756**	232 427
Pledged assets	(22)	(19)	**7 218**	8 879
Financial investments	11	14	**205 380**	180 104
Loans and advances	3	7	**1 120 668**	1 048 027
Other assets	(9)	19	**17 531**	14 768
Interest in associates and joint ventures	17	17	**2 122**	1 816
Property and equipment	18	22	**16 509**	13 539
Goodwill and other intangible assets	(2)	(0)	**23 006**	23 098
Total assets – banking activities	3	7	**1 704 335**	1 597 968
Total assets – other banking interests	(2)	5	**7 852**	7 493
Total assets – Liberty[3]	–	(2)	**414 775**	422 467
Standard Bank Group – total assets	2	5	**2 126 962**	2 027 928
Equity and liabilities				
Equity				
Equity attributable to ordinary shareholders	–	5	**146 360**	138 808
Preference share capital and premium and AT1 capital	–	–	**9 047**	9 047
Equity attributable to non-controlling interests	1	9	**8 022**	7 378
Total equity – banking activities	–	5	**163 429**	155 233
Total equity – other banking interests	2	5	**7 852**	7 493
Total equity – Liberty[3]	–	2	**27 782**	27 291
Standard Bank Group – total equity	–	5	**199 063**	190 017
Liabilities				
Derivative and trading liabilities	(37)	(19)	**110 853**	137 234
Deposits and debt funding	6	9	**1 371 919**	1 258 359
Subordinated debt	8	10	**20 819**	18 966
Provisions and other liabilities	23	32	**37 315**	28 176
Total liabilities – banking activities	4	7	**1 540 906**	1 442 735
Total liabilities – Liberty[3]	–	(2)	**386 993**	395 176
Standard Bank Group – total liabilities		5	**1 927 899**	1 837 911
Total equity and liabilities – banking activities	3	7	**1 704 335**	1 597 968
Total equity and liabilities – other banking interests	(2)	5	**7 852**	7 493
Total equity and liabilities – Liberty[3]	-	(1)	**414 775**	422 467
Standard Bank Group – total equity and liabilities	2	5	**2 126 962**	2 027 928

[3] Includes adjustments on consolidation of Liberty into the group.

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 additional tier 1 (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 70), 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.

Note: All income statement and balance sheet line items are affected by changes in foreign exchange rates, notably between the rand and the local currencies of the economies in which we operate.

The balance sheet presents the group's banking activities separately from 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.

For further detail on the group results, including definitions and constant currency changes, please refer to the Standard Bank Group analysis of financial results 2018 on our website: **http://reporting.standardbank.com/resultsreports.php**

RESILIENCE

Loans and advances

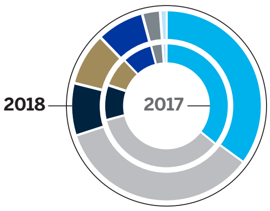
Gross loans and advances to customers grew by 10% year-on-year, of which PBB's advances to customers grew by 7% and CIB's, 13%. In line with underlying macros and strategy, Africa Regions recorded strong year-on-year portfolio growth of 31%. In South Africa, PBB disbursements grew across most products with particularly strong growth recorded by VAF and personal unsecured lending.

Within PBB, the mortgage lending portfolio grew by 4%, driven by consistent quarter-on-quarter increases in disbursements, an increase in home loan registration values and a marginal slowdown in prepayments. The VAF lending portfolio grew by 10%, driven by growth in South Africa, as the turnaround strategy started to gain traction.

Personal unsecured lending and business lending both grew 14%. PBB Africa Regions loans to customers grew by 22%.

Within CIB, Investment Banking (IB) grew 8%. IB originated over R167 billion of loans in the year across the Oil & Gas, Industrials, Consumer, Mining and Power & Infrastructure sectors, up from approximately R130 billion in the prior year. This is reflective of CIB's broad client franchise and ongoing commitment to partnering with their clients as they invest and expand on the continent. The Africa Regions IB portfolio grew by 28%, while South Africa IB grew a respectable 7% in a very slow environment. South African rand weakness in December 2018 inflated year end balances. Corporate overdrafts and trade finance facilities, reflected under TPS, grew 52% year-on-year but 15% on average. CIB funding provided to corporates through commercial paper issuances, qualifying as high quality liquid assets (HQLA), is reflected as financial investments on the balance sheet. Underlying growth in CIB gross loans and advances to customers, including HQLA, was 15%. Loans to banks declined as liquidity raised at the end of 2017 was repaid.

Composition of gross loans to customers (%)



	2018	2017
Mortgage loans	**35**	36
Term loans	**35**	35
Vehicle and asset finance	**9**	9
Overdraft and other demand loans	**9**	8
Other term loans	**8**	8
Card debtors	**3**	3
Loans granted under resale agreements	**1**	1

Funding and liquidity

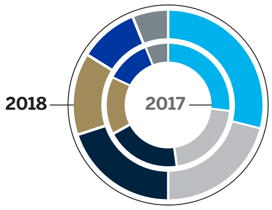
The group's liquidity position remained strong and within approved risk appetite and tolerance limits. The group's fourth quarter average Basel III LCR was 116.7%, exceeding the minimum phased-in regulatory requirement of 90%. The group maintained its NSFR above the 100% regulatory requirement. Both were above the group's medium target of over 100%.

During 2018, the group raised R28.3 billion of longer-term funding through a combination of negotiable certificates of deposit, senior debt and syndicated loans and R5 billion Basel III compliant tier II capita. The group will continue to monitor opportunities to issue senior unsecured and/or tier II subordinated debt in the market to optimise the group's capital and funding position.

Deposits from customers grew by R88.6 billion year-on-year, supported by 10% growth in PBB retail-priced deposits. Africa Regions recorded current and savings account inflows in Nigeria, Uganda, Zambia and Zimbabwe. Growth in customers drove increased deposits held in our offshore operations in the Isle of Man and Jersey.

CIB's deposits and current accounts from customers grew by 5% on the back of strong growth in call and current accounts, growing 19% and 20% respectively. The increase in deposits was driven by new clients in South Africa and across Africa Regions, as well as increases in deposits from existing clients.

Composition of gross deposits to customers (%)



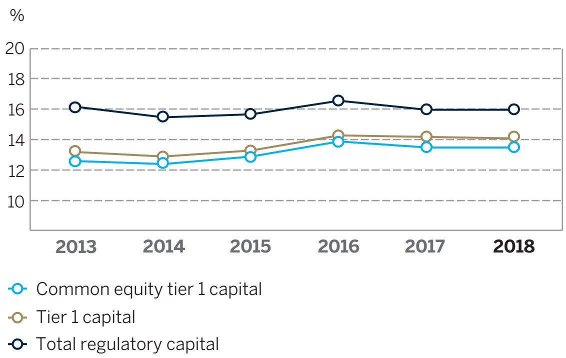
	2018	2017
Call deposits	**29**	27
Term deposits	**21**	21
Current accounts	**20**	19
Cash management and deposits	**14**	15
Negotiable certificates of deposit	**10**	12
Other deposits	**6**	6

Capital management

The group maintained strong capital adequacy ratios, with CET 1 flat at 13.5% and total regulatory capital of 16.0% (2017: 16.0%). The group manages its capital levels to support business growth, maintain depositor and creditor confidence and create value for shareholders while ensuring regulatory compliance.

IFRS 9 became effective on 1 January 2018. The fully-loaded day one impact of implementing IFRS 9 was a 70 bps reduction in the group's CET 1 ratio. After adjusting for the SARB's three-year phase-in provision, the impact was reduced from 70 bps to 18 bps.

Capital adequacy (including unappropriated profit)



KEY ACCOUNTING CONCEPTS

IFRS 9 Financial Instruments – impact on our 2018 results

The group has adopted IFRS 9 *Financial Instruments* (IFRS 9), which replaced IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) from 1 January 2018. IFRS 9 introduced changes to the classification and measurement of financial assets and liabilities, as well as new impairment requirements, particularly how to account for expected credit losses resulting in the earlier recognition of credit impairments.

The group elected not to restate its comparative financial statements when adopting IFRS 9 on 1 January 2018, and the accounting adjustment relating to the transition from IAS 39 to IFRS 9 (the transition impact) was accounted for in the group's opening 1 January 2018 reserves.

Transition impact of IFRS 9 on 1 January 2018

-70 bps
CET 1[1]
12.8% (IAS 39: 13.5%)

-3.5%
GROUP'S RESERVES (INCLUDING MINORITIES)
-R6.6 billion

+32%
IMPAIRMENT PROVISIONS (PRE-TAX)
+R8.6 billion

[1] This represents the full IFRS 9 transition impact on the group's CET 1, before taking into consideration the SARB's three-year phase-in provision for IFRS 9 impairment deductions at the date of initial application (1 January 2018).

www For further information regarding the transition impact, refer to the transition report available online: **www.standardbank.com/reporting**.

IFRS 9-related adjustments

In addition to the transition impact shown above, the following two IFRS 9-related accounting changes had a significant impact on the classification between line items in our income statement for the year. While these changes have had no impact on headline earnings, they do have an impact on certain ratios, making comparisons difficult due to the accounting treatment being different in the two reporting periods.

IFRS 9 requires that interest be suspended earlier than under IAS 39.
When a financial asset is classified into stage 3, interest must be suspended in terms of IFRS 9. As this may occur earlier than under IAS 39, it has therefore resulted in a R553 million decrease in net interest income and credit impairments. The lower credit impairment charge is as a result of the interest income being suspended and therefore not included in the impairment calculation.

Interest in suspense is recognised against credit impairment charges.
Following a clarification from the IFRS Interpretations Committee in December 2018, interest in suspense (IIS) on cured financial assets is required to be recognised as a reduction in credit impairment charges. Previously, IIS on cured financial assets was recognised in interest income. The IIS on cured financial assets has reduced credit impairment charges by R1.2 billion for 2018.

WHAT IS INTEREST IN SUSPENSE?

IIS is the contractual interest that accrues on financial assets which are non-performing and therefore classified as stage 3, in accordance with IFRS 9. The interest on these financial assets is suspended and will only be recognised in the income statement when the financial asset cures, being when it moves back into the performing category as certain conditions are met.

The table below illustrates the effect of the above adjustments on our group ratios:

	2018 Rbn	IFRS 9-related accounting impact Rbn	2018 adjusted Rbn	2017 Rbn	2018 vs 2017 %	2018 adjusted vs 2017 %
Net interest income	**59.6**	1.7	**61.3**	60.1	(1)	2
Non-interest revenue	**45.7**		**45.7**	42.6	7	7
Total income	**105.3**	1.7	**107.0**	102.7	3	4
Credit impairment changes	**(6.5)**	(1.7)	**(8.2)**	(9.4)	(31)	(13)
Operating expenses	**(60.1)**		**(60.1)**	(57.0)	5	5
Headline earnings	**27.9**		**27.9**	26.3	6	6
Credit loss ratio (%)	**0.56**		**0.71**	0.87		
Cost-to-income ratio (%)	**57.0**		**56.1**	55.5		
Jaws (%)	**(2.8)**		**(1.1)**	1.1		

AFS Refer to the group's annual financial statements, available online, for further detail.

RESPONDING TO ECONOMIC CONDITIONS

The local currency results (attributable to group) and economic conditions of the countries that are most material to the group's results are provided below. These cover the key economic conditions impacting on the results of each of the operations, and therefore on the group's results.

South Africa

Operations results:
SBSA delivered headline earnings of R16 billion, flat on 2017, driven by the weak performance of the South African economy and increasingly intense competition. Improved product offerings and service delivery supported SBSA maintaining high market shares.

Currency impact: The rand depreciated by 16.8% against the US dollar.

GDP result: GDP growth estimated to be 0.7% (2017: 1.3%).

Mozambique

Operations results:
Tighter monetary policy strengthened the banking system and revived a challenging economic environment. Although inflation and interest rates reduced from the prior year, consumer demand remained subdued. This allowed for a 1.1% (CCY*) growth in headline earnings.

Currency impact: The metical depreciated by 5.2% against the US dollar.

GDP result: GDP growth estimated to be 3.3% (2017: 3.7%).

Uganda

Operations results:
Headline earnings growth of 7.4% (CCY*) was driven largely by reduced credit impairments. Lower revenues due to a low interest rate environment were offset by growth in customer loans and deposits and supported by well-diversified revenue streams. Cost containment remained a focus area but the subdued revenue growth resulted in a higher CTI.

Currency impact: The Ugandan shilling depreciated by 1.9% against the US dollar.

GDP result: GDP growth estimated to be 6.1% (2017: 3.9%).

Kenya

Operations results:
During 2018, the effective group shareholding of our Kenya operation was increased, contributing to the 55.6% (CCY*) increase in headline earnings. Despite interest rate caps, good growth in customer assets, together with cost containment and significant impairment recoveries on key clients contributed to this growth.

Currency impact: The Kenyan shilling appreciated by 1.4% against the US dollar.

GDP result: GDP growth estimated to be 5.7% (2017: 4.9%).

Namibia

Operations results:
Despite continued economic challenges, concerted management effort to improve revenue while managing costs resulted in a 6.6% (CCY*) increase in headline earnings.

Currency impact: The Namibian dollar depreciated by 16.8% against the US dollar.

GDP result: GDP growth estimated to be 0.7% (2017: -0.9%).

Ghana

Operations results:
Headline earning increased by 3.9% (CCY*) in a lower interest rate environment which enabled positive loan growth, higher interest income and lower interest expense. Improved trade activities and transactional volumes increased fee and commission revenue, while the continued improvement of the loan book quality and successful recoveries reduced impairment charges.

Currency impact: The cedi weakened by 8% against the US dollar.

GDP result: GDP growth estimated to be 6.5 % (2017: 8.5%).

Nigeria

Operations results:
Headline earnings improved by 55.3% (CCY*), including the effect of the increase in shareholding. This was driven by significant credit impairment recoveries, partly offset by higher IT and operating costs. The macroeconomic conditions remain challenging, with moderate growth and rising inflation being tempered by a relatively stable exchange rate.

Currency impact: The naira remained steady at the official rate of NGN359.7 against the US dollar.

GDP result: GDP growth estimated to be 1.9% (2017: 0.8%).

Angola

Operations results:
Headline earnings improved significantly by 92.6% (CCY*), driven by improved loan book quality, endowment funding benefits, increased foreign currency allocations by the Central Bank and rising interest rates. High inflation required continuing tight cost management.

Currency impact: The kwanza depreciated by 85.6% against the US dollar.

GDP result: GDP contraction estimated to be 1.8% (2017: -0.1%).

* CCY – on a constant currency basis.

LOOKING AHEAD

Global growth is expected to weaken slightly in 2019 to 3.5% as the slowdown in momentum seen in the second half of 2018 continues into 2019. With risks to the downside, economic conditions will remain challenging and volatile in 2019. Subdued demand will impact global trade, industrial production and could drive commodity and oil prices lower.

While not immune from global risks, prospects for sub-Saharan Africa are good with growth expected to accelerate from 2.9% in 2018 to 3.5% in 2019. Over a third of the countries in the region are expected to grow above 5%.

With elections set for May 2019, South Africa is expected to be a tale of two halves. Subdued growth is anticipated in the first half of 2019 as political and policy uncertainty continues to undermine confidence and delay investment and growth. An acceleration in the second half of 2019 and into 2020, driven by corporate investment, while expected, will be dependent on the rate of policy progress, structural reform, broader economic stimulus and job creation. A return of stable electricity supply is critical. Assuming some progress and no further downgrades by rating agencies, we expect inflation to remain within the target range and interest rates to remain at current levels in 2019. This should support GDP growth to 1.3% for the year.

There is no doubt that in the years ahead the financial services industry, the competitive and regulatory environment and our customers' and employees' expectations will continue to change. Across the group, we are making the changes necessary to best position the group to deliver to all our stakeholders. We are focused on transforming our customer and employee experience and improving our productivity to deliver a 'future-ready' group. In 2019, we will build on the momentum from 2018, continue to simplify, rationalise and digitise and seek ways to accelerate our delivery.

Key focus areas will be to:

- 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 and support Liberty's recovery.
- Work with ICBC to find lasting solutions to ICBCS and ICBC Argentina legacy issues.
- Monitor opportunities to issue senior unsecured and/or tier II subordinated debt in the market to optimise the group's capital and funding position.

We remain committed to our medium-term targets of delivering sustainable earnings growth and an ROE in our 18% to 20% target range. Finally, in delivering on our purpose of driving Africa's growth, we will 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.

Our financial outcomes in 2019 will be guided by the group's medium-term priorities:

	Medium-term targets	
Growth	Africa Regions contribution[1]	>30%
	Cost-to-income ratio	Approaching 50%
	Credit loss ratio[2]	80 – 100 bps
	Group HE growth	Sustainable growth
Resilience	LCR and NSFR	>100%
	CET 1	11.0% – 12.5%
Returns	ROE	18% – 20%
	Dividend	Sustainable growth

While never losing focus on immediate objectives:

- Always on, always secure
- Brilliant basics front to back
- Doing the right business the right way.

1 Contribution to banking headlines earnings.
2 Target ratio to be reviewed following the introduction of IFRS 9.

SEE IMPACT

In line with our purpose, we believe that financial services done well – with conscience and conscientiousness – can improve the lives of Africans by addressing the pertinent issues that face the continent.

MEASURING OUR STRATEGIC PROGRESS

What is our 'SEE impact' all about?

Our success is intrinsically linked to the societies in which we operate and is a crucial component of our business strategy. We play an important role in society and SEE is about how we best understand and strategically maximise our value creation impact in Africa. As financial intermediaries, it is our purpose to drive sustainable growth and empower Africans through being a catalyst for economic change. SEE helps us understand if we are achieving our purpose, building trust among our clients and our other stakeholders. Managing our SEE value driver helps us to:

- Identify business opportunities arising from societal, economic and environmental challenges.
- Weigh-up commercial versus societal impacts and make appropriate decisions on this basis – delivering what matters to our clients while enhancing the trust, reputation and sustainability of the group.
- Provide a balanced and objective account of our impacts to our diverse stakeholders.
- Raise awareness across the group of the SEE impacts – positive and negative – that arise from our business activities.

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, predominantly through financing, and making more informed, responsible decisions as a result.

How we measure our progress

In 2017, we identified ten areas where we believe we can make a positive SEE impact. These areas were determined by identifying the overlap between our core business activities and the needs of Africa's people, businesses and economies. We also considered the priority issues and targets contained in the UN's Global Sustainable Development Goals (SDG), the African Union's Agenda 2063 and South Africa's National Development Plan.

We are refining our impact areas, to narrow them down for monitoring and to remove overlap. We have therefore focused on these six impact areas for 2018:

- Financial inclusion
- Job creation and enterprise development
- Infrastructure
- Africa trade and investment
- Education and skills development
- Employee development and training.

Further refinement may result in changes to these impact areas.

This section of our report highlights some key initiatives and their SEE impact. A broader and more detailed view of our contribution in each of these impact areas can be found in our Reporting to society suite which includes our environmental, social and governance (ESG) report, and an update on our progress on transformation in South Africa.

RTS | Read more online.

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.
- Enabling the development of solar photovoltaic (PV) projects which require large tracts of land. 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.

KEY STAKEHOLDER CONCERNS

- Accelerating inclusive economic growth, job creation, financial inclusion and transformation.
- Contribution to and promotion of a just and equitable society.
- Supporting small business.
- Improving access to energy while managing potential environmental and social impacts.

Raised by:

Legislators, national governments, political parties and civil society groups.

RELATED MATERIAL ISSUES

- Contribute to job creation and enterprise development in countries of operation.
- Deepen financial inclusion across Africa with appropriate digital offerings.
- Balancing Africa's power energy needs with the negative impact of climate change.
- Adaptation to and mitigation of climate change, particularly in relation to water in key sectors and markets.

RECOGNITION FOR OUR ACHIEVEMENTS

Our **SME Incubator** won the Southern Africa Start-up Award for Best Incubator/Accelerator Programme in Mozambique.

Won the award for the **most transformed bank** in South Africa by the Association of Black Securities and Investment Professionals.

Feenix – our student crowd-funding initiative for university students – won the Public Intellectual Influencer Brand Award at the 2018 Brand Summit South Africa and was recognised by Next Generation in their 2018 Innovation and Impact Research Report as a leading initiative.

Received a Diamond Certificate of Appreciation for our contribution to the Ikusasa Financial Aid Programme and a Certificate of Appreciation for Feenix.

PROGRESS MADE (BY IMPACT AREA)

Financial inclusion

What we are doing

- Helping clients purchase a home.
- Partnering with fintech companies to develop digital solutions that extend access to secure, affordable and reliable banking services, some accessible without a bank account.
- Educating people on our financial products and services, and how to use them cost-effectively.
- Consumer education programmes are run in several of our countries of operation.

Challenges addressed

- More than half of the adult population in Africa is excluded from the formal financial system.
- Reliance of the low-income segment on cash and expensive service channels.
- Low levels of awareness around insurance and pension products.

Alignment to SDG:
SDG 8.10 – Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Uganda

We partnered with the Buganda Land Board to provide an affordable financing solution that enables bibanja holders to acquire land titles. Repayment is over 24 months at a competitive interest rate. The land title can then be used by the holder as collateral to access financing for building or renovation projects.

South Africa

- 726 clients received bank-funded training on managing their home ownership obligations.
- 88% of clients in the affordable housing segment are managing their repayments and we are working with those who are showing signs of early financial distress (around 7%), providing them with various options, including debt moratorium, extended loan terms or reduced repayment. In 2018, 2 054 housing loans were restructured to keep families in their homes. Legal processes were started with 5% of our clients in default, after all alternative arrangements had been exhausted.

SUPPORTING HOME OWNERSHIP

96 359 affordable housing clients assisted with purchasing a new home.

Our affordable housing loan book[1] is valued at around R25 billion with 4 958 new affordable home loans registered in 2018.

R108 billion – total value of home loans registered to over 189 000 historically disadvantaged clients in South Africa since 2013, of which R73.2 billion was registered for 103 000 women.

At the end of 2018, the total value of new home loans registered for this client segment was R20.5 billion, with women accounting for R13 billion of this value.

[1] Affordable housing loans are loans to clients that earn a gross monthly income between R3 500 and R23 300.

Providing digital solutions

Uhuru Banking (Tanzania)
Offers pay-as-you-go banking with no monthly administration fee and a visa card which can be used globally.

Instant Money Wallet (South Africa)
A pay-as-you-go transactional product, which allows users to receive, store and send money using their mobile phones, as well as make purchases, including electricity and airtime. There is no cost for sending money between wallets.

Mukhuru Money Transfer (Mozambique)
Supports affordable transfers at a fixed rate of 10% (compared to the average of 16.3%) from South Africa to Mozambique. Transfers are collected at no cost from a branch.

International Remittance (Nigeria)
Allows foreign nationals to open bank accounts with Stanbic IBTC and transact from France, Germany, Israel and Italy at low cost and in real-time.

School Pay and Merchant Pay (Uganda)
Supports the payment of school fees using a feature phone (able to access the internet but without the advanced functionality of a smartphone).

Virtual Cards (South Africa)
Facilitates online shopping using the mobile banking app, with an additional layer of security. The solution allows clients without credit cards to securely use online shopping sites.

Empowering our clients to make informed financial decisions

- *60-minute Plugged: Beyond the Conversation* sessions, led by prominent 16 to 25-year olds, reached students at six South African universities and covered entrepreneurship, financial literacy, financial management and work readiness. The sessions were also live streamed and tweeted to reach a broader audience.
- Online Share Trading delivered 86 education sessions to promote investment on the stock exchange, reaching 13 080 people in South Africa.
- Our Nigerian asset management business hosted 93 workshops on savings.

WalletWise programme in South Africa

During the year, we spent R50.9 million on the WalletWise programme, reaching around 490 000 people. The programme targets households with an income of less than R15 000 a month, the youth and people without formal bank accounts, particularly those living in rural and non-metro areas. It drives awareness on how to use financial services effectively and affordably and covers topics such as financial products, services and channels, client rights and responsibilities and how to bank safely.

Classroom-based training was also delivered to:
1 600 aspiring entrepreneurs on the basic skills and tools needed to start a business in a peri-urban community.

120 SME owners on streamlining operations and growing a business, including help with business plans, pricing and basic bookkeeping.

Job creation and enterprise development

What we are doing

- Helping small businesses access the tools and resources required to become sustainable. This includes working space, capacity building, access to new market opportunities and coaching and mentoring.
- Providing financial products that meet the needs of SMEs and entrepreneurs, particularly products that address SME cash flow and working capital challenges.

Challenges addressed

- Unemployment and job creation.
- Challenges accessing finance given the high default risk associated with lending to SMEs.
- Small business needs for convenient, real-time payment and account management solutions.

Alignment to SDG:

SDG 9.3 – Increase the access of small enterprises to financial services, including affordable credit, and their integration into value chains and markets

Providing business development support to SMEs

Nigeria

- The Kaduna-Stanbic IBTC Entrepreneurship Centre hosted enterprise workshops that reached over 8 000 business owners.
- Held the Innovation Challenge for technology start-ups and product development teams and aimed at identifying and leveraging local financial solutions that meet client needs. The 2018 winner received USD12 500 and workspace at our premises with access to IT infrastructure for testing and development.

Ghana

Launched an SME incubator, supporting and training 210 SMEs, 510 women entrepreneurs and business owners and over 2 000 young people.

Mozambique

Our SME incubator trained over 500 entrepreneurs, hosted a range of events that reached over 3 000 entrepreneurs and partnered with Lionesses of Africa to reach 660 women.

South Africa

- Sponsored seminars to educate 68 medical professionals on how to run their practices more efficiently.
- Awarded R1 million to an entrepreneur in the 2018 My Fearless Next campaign, helping her advance a part-time side-line to a fully-fledged business and inviting her onto our entrepreneur development programme.
- Sponsored the attendance of 20 SMEs at the UN's ITU Telecom World, a global platform for accelerating information and communications technology innovations. All participants received training and financial support in preparation for the event.

R30 million invested in growing and developing small enterprises. We worked with more than 12 000 small businesses across Africa.

Developing relevant products for SMEs

Ghana

- Provides invoice discounting loans (short-term working capital loans) raised on up to 70% of an invoice accepted by a reputable company.
- SlydePay allows SMEs to accept digital payments from mobile money wallets.

South Africa

Committed R300 million (USD21.4 million) over three years in a cooperation agreement with the Limpopo Provincial Treasury to provide access to funding for SMEs that have secured government contracts but need access to finance to execute the projects.

Lesotho, South Africa, eSwatini and Zambia

Instant Money Bulk Payments enables digital payments to employees and suppliers, even if they don't have bank accounts, eliminating the need to deal in cash and reducing security risks. This will be enabled for more African countries going forward.

Kenya

Supported around 500 Uber Chap Chap drivers – in a collaboration between Stanbic Kenya, Uber Kenya, Suzuki Japan and CMC Motors in Nairobi – to purchase their own fuel-efficient 800cc Suzuki Altos vehicles. Loans are advanced to drivers with high driver ratings, supporting entrepreneurship and safer mobility.

Tanzania

Launched Biashara Direct, a digital solution that enables the transfer of funds, payments and account activity monitoring using a USSD phone. It also provides small businesses with access to a dedicated business banker to assist with financial advice via phone or email.

TRANSFORMING OUR SUPPLY CHAIN IN SOUTH AFRICA

In 2018, 35% of our procurement spend was with black-owned SMEs and 22% with black women-owned SMEs. 109 suppliers participated in our supplier development programme, of which 65 received procurement opportunities worth almost R198 million.

One example is Standard Insurance Limited's (SIL) success in growing its pool of locally-based, black-owned service providers, ranging from panel beaters and electricians to plumbers and builders. Pleasingly, an agreement has been reached with one black-owned enterprise to supply around 30% of SIL's electric geyser requirements.

We also launched a R500 million credit line specifically for black-owned SMEs with an annual turnover of less than R50 million. Since launch in August 2018, 2% has been approved and disbursed.

Infrastructure

What we are doing

- Working with African governments, development finance institutions and other commercial banks to mobilise funding and structure appropriate infrastructure funding instruments.
- Placing increasing focus on renewable energy projects.

Challenges addressed

- An estimated investment of USD170 billion[1] a year needed in infrastructure development – to service Africa's rapidly growing and urbanising population and to support the regional integration needed to enable efficient trade of goods and services and create economies of scale.
- Lack of capacity in most African capital markets to finance large-scale infrastructure projects.
- Rising electricity prices and unstable supply.

Alignment to SDG:

SDG 7 – Access to affordable, reliable, sustainable and modern energy for all

SDG 9 – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

SDG 15 – Conserve and restore the use of terrestrial ecosystems, halt deforestation, reduce the loss of natural habitats and biodiversity

[1] African Development Bank.

Financing infrastructure development

Ghana

- Part of a consortium, together with ICBC, led by the International Finance Corporation (IFC) to finance the first phase of a USD1 billion new container terminal at Tema Port, which will establish Ghana as a leading maritime hub in West Africa able to service some of the world's largest container ships. We are also working with Meridian Port Services to implement paperless payments using a web portal.
- Provided a USD100 million loan facility to grow the telecommunications sector through the launch of Airtel-Tigo.

South Africa

Provided financing for two desalination plants producing seven million litres of potable water a day, improving water security for businesses and homes in the city of Cape Town.

SUPPORTING RENEWABLE ENERGY PROJECTS

USD2.3 billion invested in energy projects in Africa since 2012, with 86% directed at renewable energy projects. In 2018, we financed 435 megawatts of renewable energy in South Africa and 37 megawatts in Namibia.

To date, 984 900 homes in South Africa receive renewable power from Standard Bank-financed projects.

South African Government's REIPPP programme

Mandated lead arranger, underwriter and hedge provider for the 33 megawatt **Wesley-Ciskei wind project in the Eastern Cape**. Together, a BEE company and a group of black small-scale farmers, have a 17.5% shareholding in the project. The project will be developed in partnership with affected landowners and farmers in the former Ciskei homeland and a non-profit organisation will ensure that a substantial portion of project revenues are invested to support community upliftment projects.

Sole mandated lead arranger and underwriter for **Scatec Solar ASA's three 75 megawatt solar PV projects**. The construction phase of each project is expected to generate jobs for the local community.

Provided financing for the 102 megawatt **Copperton wind farm in the Northern Cape**, which has a 40% BEE shareholding, of which 5% is held in trust for the local community. Some 25% of the employees on this project are from the local communities.

Environmental and social (E&S) risk management

Alten Hardap Solar PV Project, Namibia

We were the co-mandated lead arranger and underwriter with Proparco, a French development finance institution, on a funding structure for the 37 megawatt Mariental solar PV plant. The project will increase Namibia's power generation capacity by 5%, avoid 33 000 metric tonnes of CO_2 equivalent emissions every year and lower the cost of electricity due to lower credit risk costs and competitive terms secured under the long-term electricity sale agreement.

Prior to pre-credit application, we reviewed Alten Solar Power (Hardap) E&S risk assessment and commissioned an independent environmental audit against IFC performance standards. An E&S management system was developed to address gaps, mainly in the construction phase relating to labour recruitment and accommodation. Quarterly independent E&S audits were conducted during this phase to ensure compliance with required standards and commitments. Corrective action plans were put in place to address the audit findings. An independent audit will be undertaken during the first year of operation to ensure continued E&S compliance, and ongoing monitoring and reporting will continue for the duration of the transaction.

Africa trade and investment

What we are doing

- Facilitating African trade and investment, particularly in the Africa-China corridor, working with our strategic partner, ICBC.
- Developing digital solutions that support intra-African trade and improve access to trade finance.

Challenges addressed

- Increasing Africa's share of global investment flows to drive economic growth and job creation.

Alignment to SDG:

SDG 8 – Promotion of sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

Advancing trade finance processes

- Developing proof of concept tests using blockchain to digitise bills of lading in the trade documents chain.
- Partnering with fintech companies operating trade contingent and asset risk distribution services, to help our clients manage multiple categories of risk, including counterparty credit risk, country risk, currency risk and operational risk.
- Providing strategic guidance to regional organisations working to reduce trade barriers, as well as costly and inefficient processes, through the use of digital platforms.
- Working with the International Chamber of Commerce in developing an industry-wide sustainable trade process.

Providing seamless solutions for cross-border transactions

Hosting of ICBC's 'I Go Global' credit card reward scheme for Chinese travellers in South Africa, Kenya and Ghana. The scheme has provided transnational services to nearly 100 000 credit card holders since inception in November 2017. It is being rolled out to other African markets.

SHYFT, our global digital wallet for Android and iOS, supports foreign currency purchasing and trade, from a mobile device.

A sponsored trip for 61 clients from nine African countries to the inaugural China International Import Expo provided them with the opportunity to secure export contracts with Chinese companies.

Chinese Yuan Renminbi capacity in all our African subsidiaries and a 24-hour regulatory-compliant and risk-managed foreign exchange service which includes the Renminbi.

USD15 billion in financing raised for our clients in Africa in 2018.

AIR | Read more on page 41.

Education and skills development

What we are doing

- Improving access to quality education, from early childhood development through to tertiary education.
- Providing first time work experience and learning opportunities.

Challenges addressed

- Student access to funding.
- Lack of experience being a barrier to entry into the workplace.

Alignment to SDG:

SDG 4 – Inclusive and equitable quality education and the promotion of lifelong learning opportunities for all

Helping students access tertiary education

In Africa Regions, we have funded the bursaries of 93 tertiary students and the Standard Bank Chairman's Scholarship has, to date, supported 33 high-achieving graduates from eight African countries to pursue post-graduate studies at top international universities.

South Africa

- Supported 296 tertiary students with a total funding value of R35.7 million (130 bursaries were directly awarded and managed by Standard Bank and the balance were funded through the Ikusasa Financial Aid Programme). In 2018, 12 Standard Bank-funded bursary students were recruited as permanent employees.
- Feenix Trust, our crowd-funding initiative which enables individuals and enterprises to donate money directly to students, has raised R22 million, covering the fees of 800 students since its launch in June 2017.
- Our surety lending solution assists students who do not qualify for the National Student Financial Aid Scheme but are also unable to access bank loans due to the inability to provide surety against a loan. With a capital base of R20 million (USD1.4 million) from the Discovery Foundation as surety, we have disbursed loans totalling R15.7 million (USD1.1 million) to 148 students at the University of Pretoria's medical school.

Providing workplace experience in South Africa

- Over 5 600 learners have participated in our internship and learnership programmes since 2007. The programmes build a bridge for young people entering the workplace and address racial, gender and geographical challenges to educational advancement while developing the skills needed by the group. In 2018, 815 unemployed young people completed the learnership programme.
- Since 2012, our partnership with the Harambee Youth Employment Accelerator has placed 681 unemployed youth from disadvantaged backgrounds in 12-month learnerships. More than 90% have successfully completed their course with 15% now permanent employees within the group.

R141 million corporate social investment spend in South Africa with a strong focus on improving access to better-quality education and improving educational outcomes.

Employee development and training

What we are doing

- Building and retaining local skills in our countries of operation, to support a strong succession pipeline of future leaders and develop critical skills, while helping our people reach their full potential and advance their careers.

Challenges addressed

- Fierce competition for specialised skills.

Alignment to SDG:

SDG 4 – Inclusive and equitable quality education and the promotion of lifelong learning opportunities for all

Developing our leaders

5 939 employees took part in a leadership or management development programme.

5 women are participating in the Female Progression programme, which advances women with the potential to assume chief executive positions in Africa Regions.

12 executives, who are nearing retirement, participated in a pilot programme to acquire the skills needed to become effective coaches to future leaders.

517 leaders participated in customised programmes to meet specific requirements.

28 employees participated in the Standard Bank and ICBC employee exchange programme.

More than 140 employees participated in international assignments, of which 17% were project-based (up to six months), 68% skills deployment (up to three years) and 15% strategic assignments (up to five years).

22 senior managers in Nigeria participated in the MentorME programme, which includes action learning, mentoring, peer learning, and local and international workshops.

PREPARING OUR PEOPLE FOR THE FUTURE WORLD OF WORK

To remain competitive in a rapidly evolving environment, we need to continually review our operating models – automating processes, encouraging clients to use digital channels, and making greater use of AI and machine learning to deliver enhanced value to our clients.

These changes will impact the size of our workforce and the skills we need, as well as how we engage with our current and potential clients. During 2018, we identified a need for the creation of new capabilities and roles within IT, which includes cloud engineering, data science and analytics, cybersecurity, and APIs. This will create 180 new-generation IT positions within the bank. However, it has also resulted in the loss of some existing positions, mainly at manager and executive level. Some of those affected are retraining to step into new positions, some are moving into other parts of the bank, and some have found alternative employment.

While we are optimistic about the potential for AI to vastly improve efficiency and productivity for particular processes, we remain a people-centric organisation, committed to serving our customers with empathy, and developing and delivering solutions based on individual needs and circumstances. We are working with our employees to help them develop the skills and capabilities they need as the world of work changes. Programmes delivered in 2018 included empowering our employees in operational roles to become automation champions, equipping our people with the ability to experiment and problem-solve with speed, and building digital skills within particular business contexts.

Managing and mitigating E&S risk

The group environmental & social risk and finance (GESRF) team is responsible for ensuring that all environmental, social and related risks are correctly identified, evaluated and managed, at multiple points in the transaction life cycle.

We apply national laws and standards and our exceptions list when assessing all transactions. In addition, and where applicable, we apply the IFC performance standards and the Equator Principles (EP).

EQUATOR PRINCIPLES

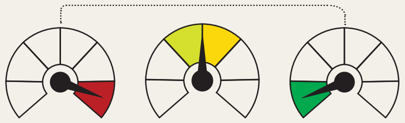
Our application of the Equator Principles framework

The EP is a global risk management framework for determining, assessing and managing environmental and social risk in project-related transactions. Standard Bank currently chairs the committee of the Equator Principles Association. EP financing institutions categorise projects proposed for financing based on the magnitude of potential environmental and social risks and impacts (Category A, B or C). The GESRF Team provides the categorisation for EP transactions and is involved in the ongoing due diligence to be conducted for all Category A and B projects. GESRF applies the EP and associated IFC Performance Standards on Environmental and Social Sustainability (Performance Standards) and the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) to all relevant project-related financing.

In 2018, no active EP deals were terminated due to E&S non-compliance. In one case, we are exploring remedies linked to E&S compliance timelines to promote E&S compliance.

TRANSACTIONS SCREENED AGAINST THE EQUATOR PRINCIPLES

Total number of Equator Principle projects that reached financial close within 2018



CATEGORY A HIGH RISK	CATEGORY B MEDIUM RISK	CATEGORY C LOW RISK
3	8	0

Total number of EP projects financed

11

RTS | Read more in our ESG report online.

LOOKING AHEAD

The achievement of sustainable future growth will be driven by our ability to develop commercially sound ways to address Africa's socioeconomic growth and development challenges and deliver positive impact for the economies and societies in which we do business, while mitigating harm to the natural environment.

Our SEE impact focus in 2019 will be guided by the following priorities:

- Find ways to expand our business support interventions through our SME incubation initiatives.
- Launch BizFlex, a quick and easy access short-term loan solution for SMEs with flexible repayments based on percentage of revenue earned.
- Improve our consumer education around insurance and responsible lending.
- Develop a climate change strategy based on our data to identify sectors and geographies likely to be heavily impacted by climate change and assist our clients operating in these sectors and geographies to mitigate and adapt to this risk.
- Develop a water strategy to fully understand our exposure to water-related risks.
- Work to identify the barriers to the advancement of women and how these differ across business area, region and country. These insights will be used to inform the design of impactful interventions.

To read the full Reporting to society suite, including the group's ESG report, online, go to **https://sustainability.standardbank.com/** or scan the code to be directed to the page.

Our accountability

Governance overview

CREATING AND PROTECTING VALUE

Our governance philosophy

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 sustainable value.

Our corporate governance framework enables the board to oversee strategic direction, financial and non-financial goals, resource allocation and risk appetite, and to hold executive management accountable for strategy execution. The board also ensures that executive management sets the tone for good governance, based on the group's values, and that it is integrated in the way the group operates at all levels.

Our approach to governance extends beyond compliance. The board believes that good governance creates shared value by underpinning responsive thinking and protects it by ensuring responsible behaviour – deepening competitive advantage through enhanced accountability, effective leadership, robust risk management, clear performance management and greater transparency.

We create value by ensuring our governance underpins responsive thinking

CLIENT FOCUS +

Our board has the relevant and diverse experience and expertise to support the group's strategy through effective strategic counsel for market relevance, innovation and digitisation.

EMPLOYEE ENGAGEMENT +

Our experienced executive leadership, with the appropriate depth and skills, is empowered to appropriately lead our people in achieving our strategy.

RISK AND CONDUCT =

Trust is the basis on which we compete. Our strong relationships with stakeholders and our transparency enhances our credibility, ensuring our competitiveness and strengthening relationships aligned to our strategy. This enables the board to identify and respond to opportunities and risks effectively.

FINANCIAL OUTCOME

We ensure the effective allocation of our resources and align our relationships to achieve our strategy and our related performance aspirations.

SEE IMPACT

We invest in sustainable markets, creating and identifying commercial opportunities in supporting social responsibility.

Achieving our governance outcomes

The King Report on Corporate Governance (King Code) forms the cornerstone of our approach to governance. We support the overarching goals of King IV, being:

ETHICAL CULTURE — GOOD PERFORMANCE — EFFECTIVE CONTROL — LEGITIMACY

GOV REM | The board is satisfied with the group's application of the principles of King IV, and our application register is available online at **www.standardbank.com**, together with our full corporate governance report.

Maintaining effective control

The board has overall responsibility for governance across the group and retains effective control through the board-approved governance framework which enables delegation of authority with clearly defined mandates and authorities while retaining its accountability.

OUR LEADERSHIP

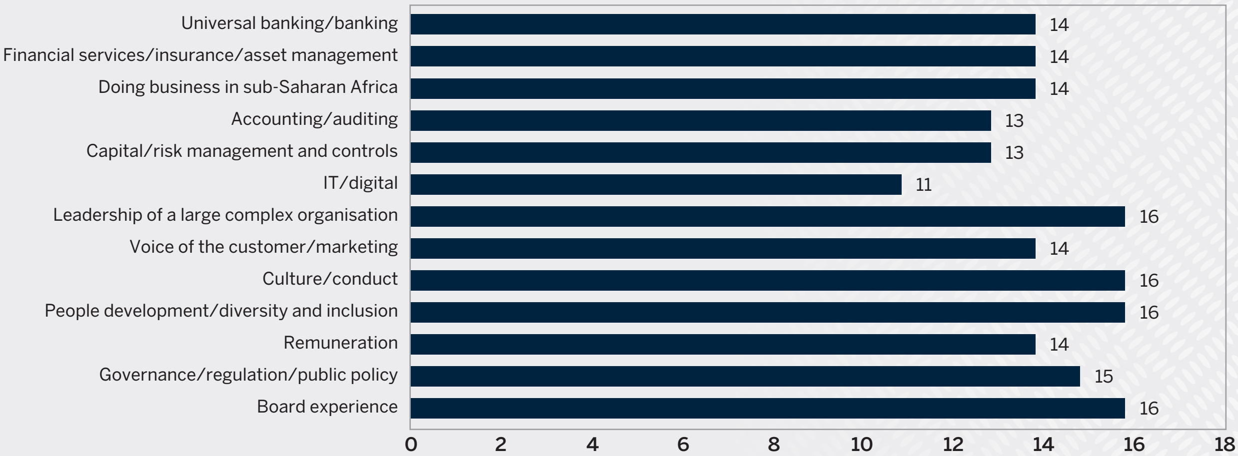
Board of directors

Our directors have deep experience and diverse skills, which collectively ensure that the board operates effectively to protect and create value in the design and delivery of the group's strategy and in the execution of its duties. Non-executive directors bring diverse perspectives to board deliberation and constructively challenge management. The board comprises of 16 directors – ten independent non-executive directors, four non-executive directors and two executive directors.

Separation of roles and responsibilities

The role of chairman is separate from that of the group chief executive. There is a clear division of responsibilities ensuring that no single director has unfettered powers in the decision-making process. Executive directors and the group's prescribed officers attend board meetings, increasing the contact between the board and management.

SBG director skills



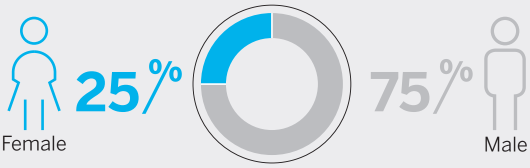
Supporting gender diversity and transformation

Diversity

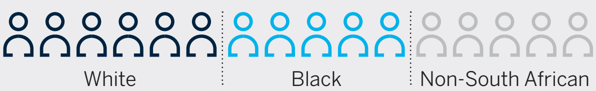
The board composition is qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationalities, experience and tenure.

The board approved an amendment of its diversity policy to include race diversity. In addition to the 2016 target of achieving 33% female representation on the board by 2021, the board has undertaken to achieve the race diversity targets in the Management Control Scorecard of the Amended Financial Sector Code of 2017.

Gender

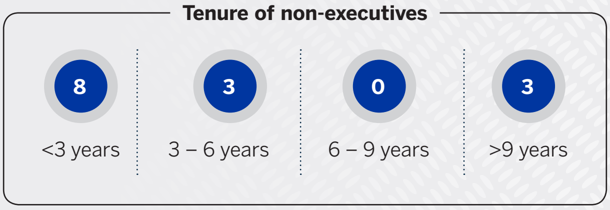


Race

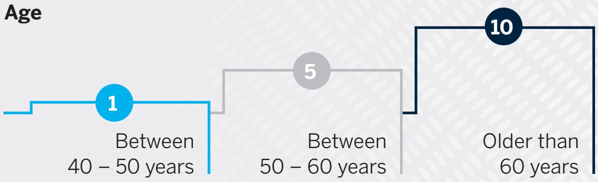


Balancing experience and new insight

Tenure of non-executives



Age



Our group board

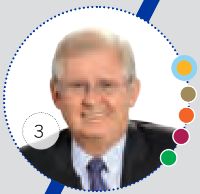
CHAIRMAN AND DEPUTY CHAIRMAN

1. THULANI GCABASHE [61 *]
Chairman and independent non-executive director, SBG and SBSA 8/8

Key strengths: Business leadership; executive management of a complex business; solid strategic planning experience.
Appointed: 2003
Appointed chairman: 2015

2. HAO HU [56 #]
Deputy chairman, SBG and non-executive director, SBG and SBSA 6/8

Key strengths: Proven leadership in a large international group; solid board experience; strong strategy management skills in banking.
Appointed: 2017



3. JACKO MAREE [63 #]
Deputy chairman, SBG and non-executive director, SBG and SBSA 7/8

Key strengths: Over 35 years experience in banking and leadership; deep insight into role and challenges facing a chief executive; skilled team builder.
Appointed: 2016

LEAD INDEPENDENT DIRECTOR

4. PETER SULLIVAN [71 ^]
Lead independent non-executive director, SBG and SBSA 8/8

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

5. SIM TSHABALALA [51 †]
Group chief executive, SBG and executive director, SBSA 8/8

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

6. ARNO DAEHNKE [51 ø]
Group financial director, SBG and executive director, SBSA 8/8

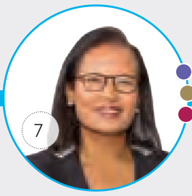
Key strengths: Detailed understanding of banking regulations; financial management, budgeting and forecasting skills; balance sheet management experience, including capital and liquidity management, at group and subsidiary level.
Appointed: 2016

EXECUTIVE DIRECTORS

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.
- ø Group financial performance and reporting.
- Board meeting attendance.

NON-EXECUTIVE DIRECTORS



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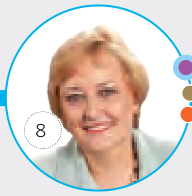

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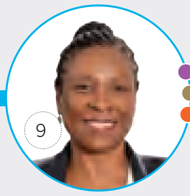

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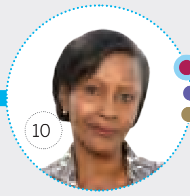

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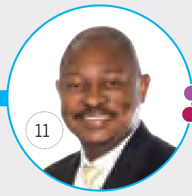


11

7. GERALDINE FRASER-MOLEKETI 58

Independent non-executive director, SBG and SBSA 8/8

Key strengths: Experience in international, regional and national politics; strong strategic, ethical and oversight skills; experience in human resources oversight.
Appointed: 2016

8. TRIX KENNEALY 60

Independent non-executive director, SBG and SBSA 8/8

Key strengths: Extensive operational and strategic management experience across a variety of industries and sectors; corporate governance experience of over 30 years; broad experience in strategic financial management including restructuring, acquisitions and integrations.
Appointed: 2016

9. NOMGANDO MATYUMZA 56

Independent non-executive director, SBG and SBSA 8/8

Key strengths: Strong financial and executive management skills; experience in strategy development and execution; seasoned non-executive director in several sectors.
Appointed: 2016

10. KGOMOTSO MOROKA 64

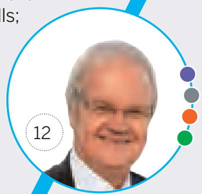
Non-executive director, SBG and SBSA 7/8

Key strengths: Strong business leadership skills; extensive experience in governance, regulation and public policy; significant legal experience.
Appointed: 2003

11. MARTIN ODUOR-OTIENO 62

Independent non-executive director, SBG and SBSA 8/8

Key strengths: Extensive banking experience of over 18 years; strategy development and execution skills; strong leadership and governance experience.
Appointed: 2016

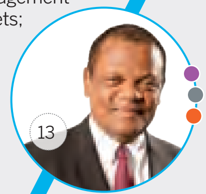


12

12. ANDRÉ PARKER 68

Independent non-executive director, SBG and SBSA 8/8

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

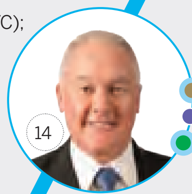


13

13. ATEDO PETERSIDE CON 63

Independent non-executive director, SBG and SBSA 8/8

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



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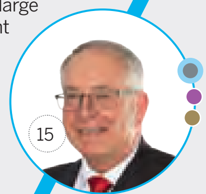
14. MYLES RUCK 63

Independent non-executive director, SBG and SBSA 8/8

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



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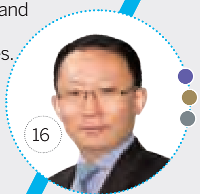
15. JOHN VICE 66

Independent non-executive director, SBG and SBSA 8/8

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



16

16. LUBIN WANG 45

Non-executive director, SBG and SBSA 7/8

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

Non-executive directors provide independent and objective judgement. They challenge and monitor the executive directors' delivery of strategy within the approval framework and risk appetite agreed by the board.

- Group directors' affairs committee (DAC)
- Group audit committee (GAC)
- Group risk and capital management committee (GRCMC)
- Group technology and information committee (GTIC)
- SBSA large exposure credit committee** (LEC)
- Group model approval committee (GMAC)
- Group remuneration committee (REMCO)
- Group social and ethics committee (GSEC)
- Committee chairman

** A sub-committee of The Standard Bank of South Africa.

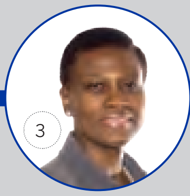
Our group executive committee

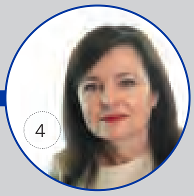
Our experienced leadership team, which includes two executive members of the board, collaborates to deliver on our strategy, where progress is measured according to our strategic drivers.

The complementary skills and diverse experience of group exco members strengthens the group's ability to deliver the group's strategy with specific focus on the five strategic value drivers.

The board has delegated 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 group. The group chief executive is accountable for the implementation of the group strategy, and its performance, and is supported by the group executive committee (exco).

Group exco is responsible for providing counsel to the group chief executive, acting as a sounding board and ensuring overall coordination across the universal financial services group, legal entities, and other key stakeholders. Ultimate decision-making powers remain vested with the group chief executive and all members of the committee exercise powers in accordance with their delegated authority.





1. SIM TSHABALALA
Group chief executive, SBG, and executive director, SBSA
BA, LLB (Rhodes), LLM (University of Notre Dame, USA), HDip Tax (Wits), AMP (Harvard)

2. ARNO DAEHNKE
Group financial director, SBG and executive director, SBSA
BSc, MSc (UCT), PhD (Vienna University of Technology), MBA (Milpark), AMP (Wharton)

3. SOLA DAVID-BORHA
Chief executive, Africa regions
BSc Economics (University of Ibadan), MBA (University of Manchester), AMP (Harvard), GCP (IESE, Wharton, CEIBS)

4. RENÉ DU PREEZ
General counsel
BProc (cum laude), LLB (cum laude), HDipTax (UJ)

5. KENNY FIHLA
Chief executive, Corporate and Investment Banking (CIB)
MSc (University of London), MBA (Wits)

6. JÖRG FISCHER
Head, group shared services and group real estate services
BCom (Wits), Bachelor of Accountancy (Wits), CA (SA), Advanced Certificate in Taxation (UNISA), MIT Global Executive Academy (Cambridge, MA).

7. LUNGISA FUZILE
Chief executive, SBSA
MCom UKZN), AMP (Harvard)

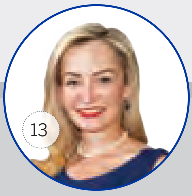
8. ISABEL LAWRENCE
Group chief compliance and data officer
BA (Hons), LLM (RAU)

9. ALPHEUS MANGALE
Group chief information officer
NDip Computer Systems Engineering (TUT), PG Management (Henley), EDP (CCL), AMP (Harvard)

10. ZWELI MANYATHI
Chief executive, Personal and Business Banking (PBB)
BCom (Hons) (Unisa), PDP (New York), SEP (Wits & Harvard)

11. FUNEKA MONTJANE
Chief executive, PBB South Africa
BCom (Hons) (Wits), MCom (UJ), CA(SA)

12. DAVID MUNRO
Chief executive, Liberty
BCom, PGDip Accounting (UCT), CA(SA), AMP (Harvard)



13. MARGARET NIENABER
Chief executive, Wealth
BCompt (Hons) (UFS), CA(SA)

14. ROD POOLE
Group head, change and business transformation
BCom (Unisa)

15. THULANI SIBEKO
Group head, marketing and communication
BSc Bus Admin (California State University, USA), MBA (Henley), Graduate Certificate (Harvard)

16. ZOLA STEPHEN
Group secretary
BProc, LLB (UKZN)

17. NEIL SURGEY[1]
Group chief risk officer and group ethics officer
BCom (UCT), AMP (Insead)

18. SHARON TAYLOR
Group head, human capital
BCom (UKZN), BCom (Hons) (Unisa)

19. GERT VOGEL
Chief executive, SB International and CIB International
BCom (UP), BCompt (Hons), MBL (UNISA), CA(SA)

GOV REM | Full CVs can be found in the full governance and remuneration report, available online.

1 Neil Surgey will be retiring from the group on 31 May 2019. He will be succeeded by David Hodnett.

OUR GOVERNANCE FRAMEWORK

Clear responsibilities for value protection and creation

Our governance framework is integrated across the group and supports robust and defensible decision-making.

- It ensures the group delivers on its strategy within the appropriate risk appetite, supporting a prudent risk and return balance.
- Provides effective control to avoid financial loss or reputational damage due to misconduct and unethical behaviour.
- Enables us to do the right business the right way, ensuring the group operates through ethical and defensible business practices.
- Supports our legitimacy as a corporate citizen and is underpinned by advocating for an enabling business environment which contributes to national and regional objectives that support beneficial socioeconomic and environmental outcomes.

The board serves as the focal point and custodian of the group's corporate governance. It operates within a clearly defined governance framework. This allows the board to fulfil its oversight role, deliberate with executive management over strategy direction, financial goals, resource allocation and risk appetite, and ensure accountability.

It outlines mechanisms for the group to implement robust governance practices while providing clear direction for decision-making across disciplines.

The board has delegated certain functions to its committees, which allows the board to focus on matters reserved for its decision-making, while also ensuring that delegated matters receive in-depth focus.

The group chief executive and the executive team deliver against agreed performance targets which are aligned to our strategy and is in the best interests of the group and its material stakeholders.

The board monitors and holds the relevant executive accountable for the group's operational and financial performance. Management is open and transparent with the board and escalates concerns to its attention in the appropriate forums and in a timeous manner.

SBG BOARD

Responsible for ethical and effective leadership of the group:

- Steers and sets the strategic direction of the group.
- Approves policy, resource allocation and capital planning.
- Ensures accountability for the performance of the group.
- Provides oversight to the implementation and execution of the strategy.

Board committee	Committee membership and meeting attendance		Board committee purpose
Group risk and capital management committee	**Myles Ruck (chairman)** Geraldine Fraser-Moleketi Thulani Gcabashe Hao Hu Trix Kennealy Jacko Maree Nomgando Matyumza Kgomotso Moroka Peter Sullivan John Vice Lubin Wang[1]	**4/4** 4/4 4/4 3/4 4/4 4/4 4/4 4/4 4/4 4/4 4/4	• Provides independent and objective oversight of risk and capital management across the group. • Reviews and assesses the adequacy and effectiveness of the risk and capital management governance framework and that the associated standards and policies are clear, appropriate and effective. • Evaluates and agrees the nature and extent of opportunities and ensures discipline and control in managing the associated risks in pursuit of group strategic objectives.
Group audit committee	**Trix Kennealy (chairman)** Nomgando Matyumza[2] Martin Oduor-Otieno Atedo Peterside CON Peter Sullivan John Vice	**8/8** 2/2 8/8 8/8 8/8 8/8	• Monitors and reviews the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes. • Provides independent oversight of the group's combined assurance functions, including reviews of the independence and effectiveness of external audit, internal audit and compliance. • Assesses 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	**Thulani Gcabashe (chairman)** Geraldine Fraser-Moleketi Hao Hu Kgomotso Moroka André Parker Myles Ruck Lubin Wang[1]	**5/5** 4/5 4/5 5/5 5/5 5/5 5/5	• Determines the appropriate corporate governance structures and practices. • Establishes and maintains the board continuity programme. • Ensures compliance with all applicable laws, regulations and codes of conduct and practices. • Assesses and ensures the effectiveness of the board and its committees.
Group social and ethics committee (GSEC)	**Kgomotso Moroka (chairman)** Geraldine Fraser-Moleketi Lungisa Fuzile Thulani Gcabashe Jacko Maree Martin Oduor-Otieno Sim Tshabalala	**4/4** 3/4 4/4 4/4 4/4 4/4 4/4	• Ensures that social conscience is embedded in the way the group does business. • Ensures the development of appropriate policies relating to stakeholder and reputation management. • Guides and monitors the group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, regulation, standards and codes.
Group remuneration committee (Remco)	**Peter Sullivan (chairman)** Thulani Gcabashe Trix Kennealy Jacko Maree Nomgando Matyumza André Parker Atedo Peterside CON	**4/4** 4/4 4/4 4/4 3/4 3/4 4/4	• Assists the board to ensure fair and responsible remuneration. • Develops remuneration philosophy and policy in line with best practice and engages with key stakeholders in this regard.
Group technology and information committee	**John Vice (chairman)** Arno Daehnke Hao Hu André Parker Atedo Peterside CON Peter Sullivan Sim Tshabalala Lubin Wang[1]	**4/4** 4/4 3/4 4/4 4/4 4/4 4/4 4/4	• Ensures prudent governance of technology and information through the oversight of the governance of technology and information to support the group in achieving its strategic objectives.
Group model approval committee	**Jacko Maree (chairman)** Arno Daehnke Kenny Fihla Zweli Manyathi[3] Neil Surgey Sim Tshabalala	**3/3** 3/3 3/3 2/3 3/3 2/3	• Assists the board in managing model risk according to the advanced internal ratings-based approach for measuring exposure to credit risk stipulated in the Banks Act. • Performs functions set out in the associated regulations, including inspecting risk evaluation models for its approval.

GOV REM | More information relating to the detailed activities of each board committee during the year can be found in the full governance and remuneration report, available online.

1 Alternate to Hao Hu.
2 Appointed on 14 August 2018.
3 Appointed on 1 April 2018.

Effective governance of ethics – achieving an ethical culture

The chairman and the board set the ethical tone for the group and collectively ensure that the conduct of the board and management aligns with the group's values and code of ethics, to achieve the group's strategy. This is measured as part of the board effectiveness assessment and the performance of the executives.

AIR | Read more on our conduct on page 60.

GOV REM | Read more on the evaluation of performance in the remuneration report online.

Delivering good performance

The board appreciates the interconnectedness between the group's purpose, vision, values and legitimacy to its risks and opportunities, operating model and IT systems and performance. In approving the group's strategy, it deliberates on these and considers progress on implementation of the strategy and that it is in line with group values and ensures the long-term success and sustainability of the group.

During the year, the board held eight meetings, including its annual two-day strategy meeting. The chairman sets the board agenda, assisted by the group chief executive and the group secretary. Care is taken to ensure that the board has the appropriate time to consider matters critical to the group, including compliance, governance and administrative matters. Continuing board education sessions are scheduled a year in advance to ensure full board participation.

Assessing the board's effectiveness

The effectiveness of the board and the board committees is assessed annually. Externally facilitated board and board committee evaluations are performed every two years and internal self-evaluations performed every alternate year. The 2018 board effectiveness review was externally facilitated. Topics covered in the review included strategic alignment, board composition, overall contribution and alignment of directors, board culture, relationship with management, and processes and practices of the board.

Overall, the review concluded that the performance of the board and its committees were effective. The board is considered to be of high quality and well-functioning, comprising members of stature and experience. There is considerable support for both the chairman and the group chief executive. The culture of the board is seen to be healthy and robust, with strong level of trust between the board and management, as well as amongst non-executive directors. The board is satisfied that the evaluation process contributes to its performance and effectiveness.

GOV REM | For an in-depth overview of the 2018 board effectiveness results together with areas of consideration, refer to the full corporate governance report.

Assessing committee effectiveness

The committee chairmen are accountable for the effective functioning of the committees. The assessment of board's and committees' compliance with the provisions of their respective mandates is conducted annually. For the board and committee mandates, the group's external auditors conduct a limited assurance review against this assessment and in the period under review, the board is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. The activities of the committees encompass the strategy and five strategic value drivers.

In addition to standard items on the board's agenda, the 2018 focus areas included:

- Political and economic medium-term outlook globally and in sub-Saharan Africa, including its impact on the group's strategy.
- Feedback from investors on the structure of the group, its performance relative to its peers, including strategy execution.
- Considered the group's relationships with clients, impact of digitisation on the future client, growing our technological capabilities and need to pursue innovation to better serve our clients, and delivering a seamless integrated financial services proposition.
- Assessed progress made in aligning the group's governance, planning, and reporting processes to the strategic value drivers.
- Specifically considered the risk and conduct value drivers, ensuring that the group did the right business the right way.
- Assessed the future-readiness of IT systems in relation to the group IT's focus areas to 2020 and beyond and the group's top priorities.

Ensuring our legitimacy

Relevance

As a financial services organisation, our ability to innovate is critical to remaining relevant to our clients. The board is committed to ensuring the group remains agile in order to meet the changing needs of its customers and other stakeholders. The composition of the board was carefully reviewed to ensure we have the necessary skills to deliver on our strategy and leverage the opportunities that innovation presents.

The board monitors and holds the management accountable for the group's operational and financial performance. Management is open and transparent with the board and escalates concerns to its attention in the appropriate forums and in a timeous manner.

Stakeholders

The group's stakeholder engagement activities are governed by the stakeholder engagement policy that sets out formal areas of responsibility. The GSEC oversees the approach to stakeholder engagement, especially regarding material social and ethics related matters relevant to our legitimacy and social relevance across our footprint. In 2018, GSEC approved the group stakeholder engagement guidelines for group subsidiaries. The guidelines recognised that stakeholder engagement capabilities differ across different jurisdictions and legal entities and have been aligned to the group's values and code of ethics.

Through our stakeholder engagement processes, the group is committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them to find solutions to sustainability challenges.

The committee also provides assurance to the board that the group's conduct continues to be legitimate and socially relevant. Individual business units engage with stakeholders in ways that are appropriate to their particular areas. The board reviews material stakeholder engagements on a quarterly basis and provides guidance where necessary.

Being a responsible corporate citizen

The board oversees and monitors how the consequences of the group's activities and outputs affect the group's status as a responsible corporate citizen. This oversight and monitoring is performed against the strategic value drivers and impact on society, economy and environment.

RTS | Read more online about our group's impact on the societies, economies and environment in which we operate.

Remuneration overview

Peter Sullivan
Chairman, Remco

Dear Stakeholder

In my letter last year, I outlined the group's remuneration policy and I am pleased to report that this policy remains mostly unchanged. However, there are two notable additions to the remuneration policy.

Firstly, the introduction of a clawback clause on incentive awards that have already vested in the event of certain trigger events occurring. Secondly, we have linked the annual variable pay awards of all group exco members to both SBG performance as well as the performance of their business units, in the ratio of 40% SBG/60% business unit, to incentivise collaborative behaviour and performance outcomes across our universal financial services organisation. More detail is contained in the full remuneration report online.

Remco's overriding focus is to ensure that the group's earnings are fairly shared between our shareholders, senior executives and staff and accurately reflect the group's overall performance, with consideration given to both the financial and non-financial metrics laid out in the group's strategic plan.

In this review I will outline the key elements of the group's financial performance, the general trading environments globally, in South Africa and across the continent, and the methodology agreed by your remuneration committee on how to share the group's earnings between shareholders, senior executives and employees. In doing so, your committee also considered how well the group performed against the strategy approved by the board. The strategy remains unchanged with three key areas of focus; client centricity, digitisation and integration into a universal financial services organisation, and measured by five strategic value drivers of: client focus, employee engagement, risk and conduct, financial outcome and SEE impact.

The operating environment in 2018 proved once again to be challenging.

Globally: uncertainty everywhere

- Geopolitical developments (Brexit, US-China trade issues) combined with higher oil prices and rising US rates led to uncertainty and contributed to emerging market (EM) pressures which in turn negatively impacted EM exchange rates, including the rand and South African bank equities.

In South Africa: very challenging conditions

- 2018 started with a sense of optimism; however, 'Ramaphoria' faded, policy progress remained slow and the prolonged debate on land reform contributed to uncertainty.
- The uptick in business and consumer confidence levels early in the year reversed and demand was subdued throughout the remainder of the year.
- The country entered into a technical recession in quarter two. This combined with tax bracket creep and inflationary pressures limited spending and despite a slightly improved second half, full year GDP growth remained subdued at 0.7%.

In Africa Regions: some upside

- Economic growth in West Africa was strong and was supported by improvements in Nigeria (+2%) and strong growth in Ghana (+6%).
- East Africa also improved with average growth at 5% while South & Central Africa continued to be impacted by the sluggish environments in Zimbabwe and Namibia.
- Inflation stabilised and started to edge up in several markets, driven by increases in taxes and fuel prices while interest rates have declined year-on-year.
- In general, currencies devalued relative to the USD. Angola was the standout with depreciation of the kwanza by more than 80% against the USD.

Other relevant markets

- Argentina has experienced significant upheaval following the devaluation of the ARS against the USD.
- Global fixed income, currencies and commodities were impacted by markets and lower levels of activity.

Against this backdrop the group's performance was considered to be acceptable. Despite strong headwinds experienced at various times during the year, senior management remained focused on delivering against all aspects of the strategy. While some financial targets were missed, revenue growth in Africa Regions and group return on equity (ROE) showed pleasing increases. The breadth and diversity of the group's franchise across Africa proved to be a real strength balancing markets which were under pressure with better performing markets. Continued good progress was made in the areas of client focus, employee engagement, risk and conduct and SEE.

The group's headline earnings (HE) grew to R27.9 billion, an increase of 6% from 2017. Recognising the very poor economic environment impacting on the group's largest market, South Africa, this was considered to be a fair result. ROE grew to 18.0%, up from 17.1% in the prior year. A pleasing result. Within these results banking activities grew HE to R25.8 billion, up 7% on the prior year, while ROE was 18.8%, up 80 basis points on 2017.

The Remco was disappointed to note that the cost-to-income ratio remained stubbornly high and that jaws declined from the prior year to be in negative territory during 2018. However, the executive took decisive action to reduce costs in a sustainable way. Full year planned costs were reduced by R2.3 billion but not enough to counter the muted revenue growth in the key market of South Africa.

The Liberty business continued to make good progress. HE attributable to the group grew to R1.6 billion, up 11% from the prior year. Pleasingly, operating earnings were up 41% indicating good underlying growth. However, this was offset by a very poor performance in the shareholder investment portfolio, where earnings were down by 81% compared to 2017, driven by very poor market activity across the globe. ROE grew to 15.2% up from 12.7% in the prior period, evidencing good progress in normalised operating earnings which increased by 42%.

SBSA, which is now considered and managed as a separate business in its own right, had a difficult year impacted by a rather uncertain and stagnant economy and increasingly intense competition. HE at R16 billion was flat on 2017, while ROE increased by 10 basis points to 16.7%. As the largest market in the group, the very subdued economic environment had a significant impact on group results.

The investment into Africa Regions continued to bear fruit. HE was R8 billion, up 19% on the prior year and up 26% on a constant currency basis. ROE was 24%, up from 23.8% in 2017. Africa Regions now contributes 31% of banking activities HE and 28.8% of group HE and is fulfilling its strategic potential to become a very significant and important part of the group.

From a balance sheet perspective, loans and advances were up 7% to over R1 trillion, deposits were up 9% (wholesale up 9%, retail up 10%) and the group is well capitalised with a tier one capital ratio of 13.5%, higher than board approved range of 11.0 – 12.5%.

Non-financial strategic value drivers

In addition to the financial results, the group's performance against the other strategic value drivers showed continued improvement, strong evidence of the underlying strength of the business and the progress being made against the strategic imperatives.

Remuneration methodology

In assessing the performance of the group and senior executives, your committee has again carefully considered its responsibilities to all stakeholders especially shareholders, consistent with the remuneration philosophy.

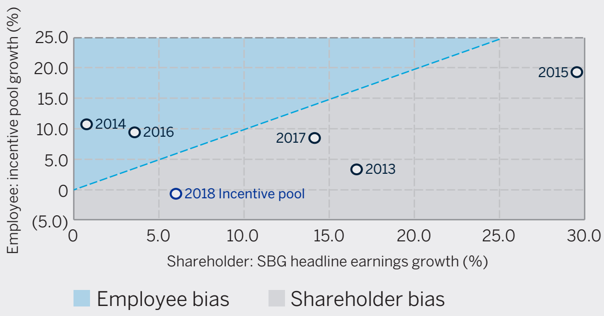
The methodology used to size incentive pools is a combination of a top down approach which articulates overall guidance to business units and countries, and a bottom up approach based on executives' self-assessment of the performance of their teams, coupled with consideration of shareholders' interest and stakeholder concerns.

The policy aims to avoid a short-term bonus-centric culture but rewards sustainable performance on a through-the-cycle basis. Your committee measures performance to ensure earnings are not the result of one year's work but rather the planned outcome of work done in past years.

The following chart demonstrates how the split between shareholders and employees has varied over the past few years and highlights the relationship between HE growth and the growth in employee incentive pools.

Results for the group were acceptable but fell short of expectations. The growth in HE was 6%. The incentive pools were reviewed by the committee and agreed to be set 1% lower than last year. The proposed incentive pools for 2018 as a percentage of HE are 27.8%, down from 29.7% in 2017 and down from 30.1% in 2016.

Shareholder vs employee reward



In addition to the reduction in the incentive pools, your committee has agreed, with the support of the chief executive officer (CEO), that high earners across the group earning more than cost to company of R1.5 million (or equivalent) will receive no increase and for those below that earnings level only moderate increases, usually less than inflation.

Remuneration outcomes

The committee deliberated on the performance of each of the senior executives and again used current market data and published remuneration reports of local and international banks to appropriately benchmark these individuals. The performance evaluations considered the delivery of all five value drivers in the strategic plan. No fixed remuneration increases have been awarded to executive directors and prescribed officers with effect from 1 March 2019.

GOV REM | More detail is included in the full remuneration report, available online.

SK TSHABALALA

In his first full year as the sole CEO for the group, Sim's steady, determined style steered the group through a challenging period to produce an acceptable set of results. He used the strategic plan document to focus on areas of improvement for the group and to a very large extent mitigated many of the environmental, political and economic risks faced by the business at various points of the year. Sim's faith in the investment made into Africa Regions is beginning to pay dividends as this business is now a significant and important part of the future of the group. Sim led significant changes to the architecture of the group, where importantly he created a distinct South African franchise, simplifying and clarifying the relationship between the group and SBSA. Recognising the impact of the poor economic environment in South Africa, Sim took decisive action by implementing a broad cost reduction initiative.

HE grew 6% year-on-year and ROE rose to 18.0% up, from 17.1% in 2017. It was disappointing to see the cost-to-income ratio rise again after a fall last year and to see the positive jaws of the prior year decline to negative jaws in 2018. However, Sim took decisive action and reduced planned full year costs by R2.3 billion. These were perhaps the only negative metrics in an otherwise credible performance in difficult trading conditions.

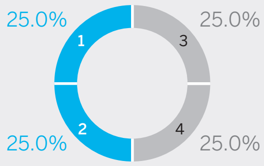
Steady progress was made in the key areas of client focus where NPS scores improved across the business and many prestigious awards were won. Employee engagement scores improved again and the excellent work undertaken by the group and led by Sim in the important areas of SEE continued with great success.

Sim has established himself as an exemplary CEO. His intelligence, integrity, vision and energy for the success of the bank make him an extremely valuable resource for the group, the country, and the industry.

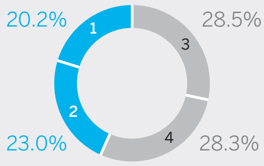
R'000	Change %	**2018[1]**	2017
1 Fixed remuneration	10	**9 987**	9 103
2 Annual cash award	–	**11 350**	11 350
3 Annual deferred award	–	**14 050**	14 050
4 PRP award	–	**14 000**	14 000
Total reward	2	**49 387**	48 503

1 Excludes once-off payment of R632 000 in respect of death in service and permanent disability income benefits.

2018 target pay mix for chief executives



2018 remuneration: SK Tshabalala



1 Fixed remuneration in cash
2 Short-term incentive (STI) in cash
3 Deferred for up to 3.5 years
4 Long-term incentive (LTI)[2] – 100% PRP deferred for 3 years

Cash award Deferred award

2 The performance reward plan (PRP) amount is the face value at award date (March 2019) and is conditional.

BJ KRUGER

2018 was Ben's last year in the group and he selflessly stepped down from the position of joint CEO in 2017 and announced his retirement effective 31 December 2018. Ben has been an incredibly important executive for the bank and has had broad experience over all the various aspects of the industry, key stakeholders both across the continent and internationally, his relationship with ICBC, our largest shareholder, has been invaluable and places Ben at the very summit of banking CEOs.

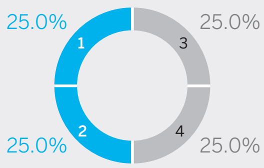
Ben proved to be a very valuable partner with Sim as the joint CEO, a position that another executive would have struggled with. Among the many areas of responsibility that Ben undertook for the group perhaps his largest contribution was the implementation of the complex IT programme which was completed last year. It was Ben's astute management that laid the foundation for this strategically important project. This foundation was the catalyst for the future technology architecture of the group.

Based on this performance and the generally challenging environment the committee awarded Ben the following remuneration.

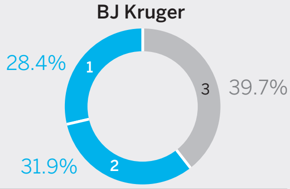
R'000	Change %	**2018[1]**	2017
1 Fixed remuneration	9	**9 906**	9 079
2 Annual cash award	–	**11 125**	11 125
3 Annual deferred award	–	**13 825**	13 825
4 PRP award	(100)	**–[2]**	12 500
Total reward	(25)	**34 856**	46 529

1 Excludes once-off payment of R3 022 000 in respect of death in service, permanent disability income and retirement benefits.
2 No award made due to retirement.

2018 target pay mix for executives



2018 remuneration: BJ Kruger



1 Fixed remuneration in cash
2 Short-term incentive (STI) in cash
3 Deferred for up to 3.5 years

Cash award Deferred award

A DAEHNKE

After two and half years in the role as group financial director, Arno has established himself as an astute and commanding leader. He has a deep knowledge of all the numbers and has remodelled and revised the way in which the group reports its financial performance. Arno has managed the balance sheet well, achieved Basel III compliance for liquidity coverage ratio and NSFR and managed the complex IFRS 9 transition. The group remains strongly capitalised and internal financial control indicators are well managed and maintained.

As group financial director, Arno's performance is linked to the group's results. Arno worked closely with the group CEO on the cost reduction initiative which reduced planned costs by R2.3 billion. He managed complex processes to increase the group's stakes in the Nigeria and Kenya subsidiaries.

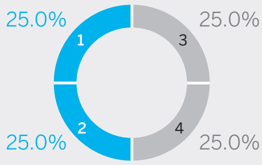
His role is highly complex given the number of jurisdictions, legal entities and significant regulatory requirements he has to manage.

With these achievements in mind the committee recommended the following remuneration for Arno.

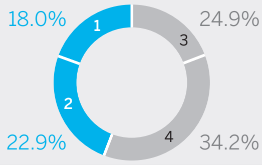
R'000	Change %	2018[1]	2017
1 Fixed remuneration	10	**6 294**	5 697
2 Annual cash award	–	**8 025**	8 025
3 Annual deferred award	–	**8 725**	8 725
4 PRP award	20	**12 000**	10 000
Total reward	8	**35 044**	32 447

1 Excludes once-off payment of R111 000 in respect of death in service and permanent disability income benefits.

2018 target pay mix for CFO



2018 remuneration: A Daehnke



1 Fixed remuneration in cash
2 Short-term incentive (STI) in cash
3 Deferred for up to 3.5 years
4 Long-term incentive (LTI)[2] – 100% PRP deferred for 3 years

Cash award Deferred award

2 The performance reward plan (PRP) amount is the face value at award date (March 2019) and is conditional.

AKL FIHLA

Kenny and the CIB team had a difficult year especially in the largest market, South Africa, during 2018. HE were R11.2 billion, down 1.9% on the previous year, while ROE at 19.3% was 2.3% lower than 2017. The cost-to-income ratio deteriorated to 54% and jaws were negative 4%, mainly driven by revenue pressures in South Africa.

There were, however, several encouraging results which should stand the business in good stead when the South African economy, especially, improves. Client revenues were up 8% and 12% on a constant currency basis. Strong growth was recorded in the important sectors of non-bank financial institutions and power and infrastructure. The credit loss ratio was 20 bps. From an employee standpoint the eNPS score increased from +7 to +14 and the emotional NPS score from +44 to +53.

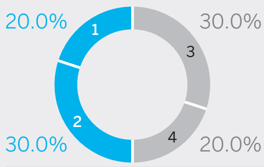
While the performance was muted Kenny demonstrated strong thoughtful leadership and fully expects a rebound in 2019 performance as markets, especially in South Africa, stabilise and return to growth.

After due consideration of all factors the committee awarded Kenny the following remuneration.

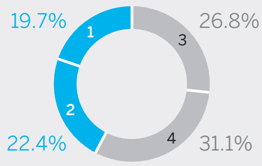
R'000	2018[2]	2017
1 Fixed remuneration	**7 588**	4 015[1]
2 Annual cash award	**8 650**	9 150
3 Annual deferred award	**10 350**	10 850
4 PRP award	**12 000**	10 000
Total reward	**38 588**	34 015

1 For the period 1 June 2017 to 31 December 2017.
2 Excludes once-off payment of R710 000 in respect of death in service and permanent disability income benefits.

2018 target pay mix for CE CIB



2018 remuneration: AKL Fihla



1 Fixed remuneration in cash
2 Short-term incentive (STI) in cash
3 Deferred for up to 3.5 years
4 Long-term incentive (LTI)[3] – 100% PRP deferred for 3 years

Cash award Deferred award

3 The performance reward plan (PRP) amount is the face value at award date (March 2019) and is conditional.

ZN MANYATHI

Zweli Manyathi as the leader of the PBB business produced a good set of results for 2018. Zweli took over leadership of the PBB business in April last year stepping up from the head of PBB Africa Regions to the top job. He has acquitted himself very well and the transition has been seamless.

Against a backdrop of very challenging macroeconomics and intensifying competition from traditional banks and new high technology entrants, PBB achieved full year headline earnings of R15.5 billion, a 10% growth on the previous year. PBB in South Africa had a more difficult year in a very challenging environment producing HE of R13.7 billion, 3% up in the prior period.

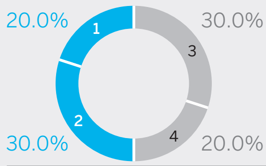
PBB Africa Regions delivered excellent growth more than justifying the investments made over previous years. Eleven out of the fourteen countries achieved growth and the business finished the year with HE of R817 million compared to R183 million in 2017, a very significant increase.

Zweli demonstrated astute leadership in his new role and has mapped out an exciting growth strategy for the future for PBB. The committee reviewed his performance and approved the following remuneration for Zweli.

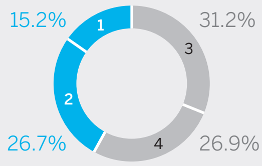
R'000	2018[1]
1 Fixed remuneration	**5 634**
2 Annual cash award	**9 900**
3 Annual deferred award	**11 600**
4 PRP award	**10 000**
Total reward	**37 134**

1 For the period 1 April 2018 to 31 December 2018, being the period he has been a prescribed officer.

2018 target pay mix for CE PBB



2018 remuneration: ZN Manyathi



1 Fixed remuneration in cash
2 Short-term incentive (STI) in cash
3 Deferred for up to 3.5 years
4 Long-term incentive (LTI)[2] – 100% PRP deferred for 3 years

Cash award   Deferred award

2 The performance reward plan (PRP) amount is the face value at award date (March 2019) and is conditional.

M NIENABER

Wealth under the expert management of Margaret produced a strong set of results. HE of R3.1 billion grew by 24% and ROE finished at 37% – excellent results.

The international business in particular, achieved exceptional results with HE growth of 60%. During the year, Margaret led a significant shift both in the Wealth culture and in the ability of the business to deliver a fully integrated offering to clients. These initiatives resulted in a pleasing increase in the NPS to 69.

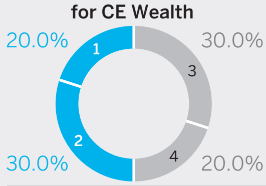
Wealth won over 20 prestigious awards from established industry publications, including the South African title of the Best Local Private Bank, reflecting Margaret's strong leadership and influence.

As a result the committee awarded the following remuneration.

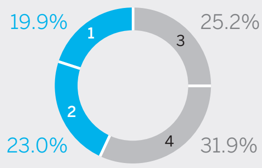
R'000	Change %	2018[1]	2017
1 Fixed remuneration	13	**6 257**	5 517
2 Annual cash award	8	**7 213**	6 650
3 Annual deferred award	8	**7 913**	7 350
4 PRP award	–	**10 000**	10 000
Total reward	6	**31 382**	29 517

1 Excludes once-off payment of R78 000 in respect of death in service and permanent disability income benefits.

2018 target pay mix for CE Wealth



2018 remuneration: M Nienaber



1 Fixed remuneration in cash
2 Short-term incentive (STI) in cash
3 Deferred for up to 3.5 years
4 Long-term incentive (LTI)[2] – 100% PRP deferred for 3 years

Cash award   Deferred award

2 The performance reward plan (PRP) amount is the face value at award date (March 2019) and is conditional.

LOOKING FORWARD

Your committee continues to believe that the remuneration policy supports the business imperatives and the five value drivers articulated in the group's strategic plan. The committee also believes that the remuneration policy properly incentivises employees and encourages correct, professional behaviour in their everyday work. We seek to continuously improve and take input from our shareholders and other stakeholders. As chairman, I value the annual interaction with shareholders. The feedback we receive is appreciated and we strive, where possible to include that feedback into the group's remuneration policy.

SUMMARY: OUR EXECUTIVE REMUNERATION PROCESS

A comprehensive evaluation of all the executive directors and prescribed officers was undertaken and considered various categories, such as clients and market share, people, leadership, development and retention, technology and platform efficiency and effectiveness, financial performance, strategy design and execution. There is a direct link between the categories of executive evaluation and the value drivers.

1 How did we perform?

- **Financial outcome:** single digit revenue growth due to tough macroeconomic environment and currency headwinds. Credit impairment charges and operating expenses well managed. Banking activities headline earnings pre minority interests and incentive accounting charge (HEpMI) of R33.9 billion up 7%. SBG ROE of 18% (2017: 17.1%) approaching the target band. Banking activities ROE 18.8% (2017: 18.0%).
- **Risk and conduct:** regulatory and economic capital within risk appetite. CLR of 0.56% improved on prior year.
- **Client focus:** positive trend on client experience and satisfaction scores. Client transactions on digital platforms continue to exceed volumes on traditional platforms. Strengthened our franchises across Africa Regions.
- **Leadership and people:** key executive positions were filled by a combination of succession planning and external recruitment. Active participation and leadership displayed in key forums such as WEF, IMF, IIF, BLSA and BASA[1]. Good progress on employee net promoter score to +23 from +14.
- **SEE:** significant transformation in several areas, maintaining level 1 BEE status.

GOV REM For a detailed breakdown of performance and remuneration against these value drivers, refer to the full remuneration report online.

2 How do we assess performance and determine pay?

- **Proactive approach to assessing performance:** enables the board to make fully informed decisions.
- **Performance is assessed in 15 categories over a multi-year period linked to the five value drivers:** this drives short-, medium- and long-term shareholder value.
- **Annual incentives and deferred awards**: based on quantitative and qualitative measures set in advance and evaluated.
- **Performance reward plan**: annual awards with a rolling three-year delivery if performance conditions are met to ensure consistent and significant long-term investment in shares to align with shareholders.
- **Minimum shareholding requirement for chief executive and prescribed officers:** ensures that together with unvested awards linked to the share price, executives are significantly invested in shares and aligned to shareholder interests.

3 How did we pay our CE and other prescribed officers?

- **CE pay level:** the board and the chief executive agreed to have no increases to fixed remuneration for executives and themselves for 2019 given the social and economic pressures in South Africa. Union increases for the lowest levels in the bank in South Africa were 7.3% and the minimum wage in the bank in South Africa has increased to R167 050 per annum.
- **CE annual incentives and deferred awards:** the board awarded Sim Tshabalala R25.4 million of which R14.1 million, i.e. 55.3%, was deferred for up to 3.5 years.
- **CE long-term incentives:** the board awarded Sim Tshabalala a conditional performance reward plan award with a face value at award of R14 million.
- **Prescribed officer and executive director pay levels** are set based on the overall group performance, individual business unit performance and individual performance.
- **CE pay mix in total:** over 56.7% of total remuneration is deferred in shares for up to 3.5 years.
- **Prescribed officer pay mix:** over 57.7% of the total remuneration is deferred in share-linked instruments for up to 3.5 years.

4 What are our pay practices?

- **Three remuneration elements for senior executives:**
  - fixed remuneration
  - short-term incentive (STI). Annual cash incentive with an annual deferred award over 1.5, 2.5 and 3.5 years. This element is at risk[1].
  - long-term incentive (PRP) annual awards are subject to performance conditions and vest in three years if conditions are met. This element is at risk[2].
- **Shareholder aligned remuneration philosophy:** drives remuneration decision-making across the group.
- **No special executive benefits:** in terms of severance golden parachutes. Guaranteed bonuses are paid by exception in the case of hiring and only for the first year.
- **Strong focus on share ownership and minimum shareholding requirements.**

5 How do we address risk and control?

- **Strong corporate governance from the remuneration committee on executive remuneration with board oversight.**
- **Rigorous process to review risk and control issues:** which can and has led to incentive pool and individual risk adjustments for risk breaches and risk events.
- **Forfeiture clauses in all our share plans/deferred awards which can and have led to forfeiture in the past:** clawback clauses introduced in March 2019 and applies to cash awards, deferred awards, share incentive awards, long-term incentive awards and related notional dividends.

1 World Economic Forum (WEF), International Monetary Fund (IMF), Institute of International Finance (IIF), Business Leadership South Africa (BLSA) and Banking Association of South Africa (BASA).
2 Subject to an annual evaluation of performance of each executive.
3 Subject to performance conditions set by the committee at the time of the award.

Our people ultimately underpin the successful execution of our strategy

We work to ensure that our pay framework supports the motivation and reward of performance, while at the same time meeting regulatory requirements and stakeholder expectations.

REVIEW OF FOCUS AREAS – 2018 AND 2019

We continually review our pay practices to align with shareholder interests and to ensure that the practices support our businesses and changes in our operating environment. We actively seek shareholder views and revise our reporting to improve transparency. We seek to remain competitive and relevant across Africa, where often the talent is scarce and markets are competitive. We set practices that consider local conditions within a group governance framework. Review of 2018 focus areas.

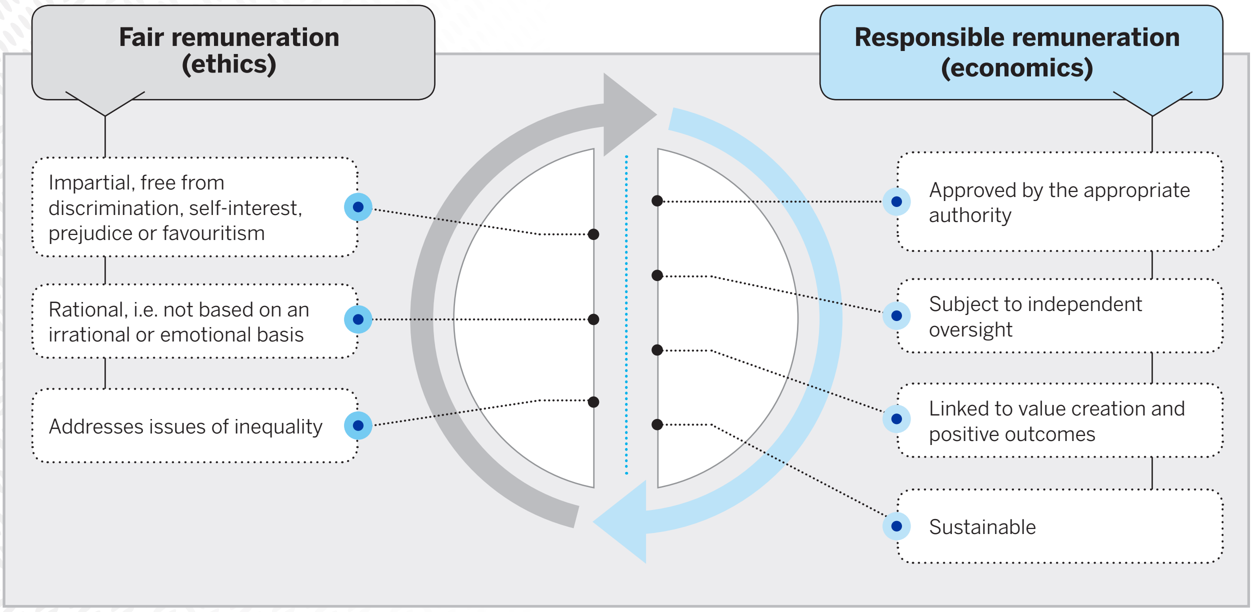
- In March 2018 we executed the delivery of our performance reward plan in respect of awards made in March 2015. We achieved 117.6% delivery out of a possible 200% of awards made.
- We visited several stakeholders to discuss our remuneration policy and implementation report as required by King IV. These were approved at the AGM held in May 2018 with 94.2% of shareholders in support of the remuneration policy and 95.3% of shareholders in support of the implementation report.
- During 2018 Remco resolved that the chief executives of CIB, PBB and Wealth would have their annual STI determined by consideration of both group and business line performance. These executives are already currently aligned to group performance in their long-term incentives via the PRP. This change supports the group strategy of client centricity – working together in the interest of the client as a universal financial services organisation.
- Clawback provisions on vested or paid awards have been introduced to the group's material risk takers with effect from 1 March 2019. This applies to cash awards, deferred awards, share incentive awards, long term incentives and related notional dividends. The events that will trigger clawback are contained in the full remuneration report, available online.
- In November 2018, Standard Bank won the South African Reward Association's Award for the Best Remuneration Report incorporating the adoption of King IV.

FOCUS AREAS IN 2019

- No cost to company increases have been awarded to senior executives across the group, effective 1 March 2019.
- We will continue to focus on the employee experience of reward through benefit choice and communication, particularly across the African continent, delivering an application to our employees' mobile devices.
- We will continue to ensure that reward supports our efforts in client centricity, driving our universal financial services organisation and our digital outcomes.
- We will focus on gender pay across our geographic footprint.

Fair and responsible remuneration

Remco believes that fair and responsible remuneration means ensuring that remuneration in the group is both externally competitive and internally equitable. The group's remuneration policy and implementation thereof assists the group in achieving its short-, medium- and long-term goals and is adjusted for risk taken and thereby supports sustainability. Remco ensures that the reward process is independently governed to enhance the sense of fairness. Remco recognises that fair and responsible remuneration is not just a South African issue but should apply in all the geographies that the group operates in.



The group's approach to fair and responsible remuneration

Fair remuneration

Decisions are:

- Impartial, free from discrimination, free from self-interest, favouritism or prejudice on grounds including race, gender and sexual orientation.
- Rational and objective.
- Aligned with the Employment Equity Act's principle of equal pay for work of equal value in South Africa.

Pay differentiation is fair when the process for measuring and rewarding performance and identifying and matching benchmarks is transparent and trusted. The remuneration system has a trusted process and reporting system that is able to present performance outcomes and reward proposals for approval equitably and transparently.

Horizontal fairness – employees performing the same or similar job requirements at the same or similar level of performance in the organisation receive the same or similar levels of total remuneration, allowing variations according to, for example, seniority/length of service; qualifications; performance; scarcity of relevant skills.

Vertical fairness – differences in total remuneration between job levels can be explained and justified on a consistent basis, for example, according to factors such as risk and complexity of the job, level of responsibility of decision-making and consequence and impact on the organisation.

Responsible remuneration

Decisions are:

- Funded by, and linked to, the creation of value over the long term, in a way that is transparently reported in the full remuneration report.
- Approved by Remco and recommended to the board.

Variable remuneration is clearly correlated with the achievement of criteria that measure performance and value creation over the short, medium and long term, aligned to the group strategy and the value drivers.

Stakeholders (internal and external) are provided with evidence of the linkages between remuneration and value creation in the full remuneration report.

All remuneration falls under the ambit of Remco and senior executive remuneration is approved by Remco and recommended to the board. Senior executive remuneration is benchmarked to market, follows a rigorous process to review risk and control issues and all share plans contain forfeiture clauses. Senior executives are subject to a minimum shareholding requirement.

The wage gap and minimum salaries

Remco has stated that it pays for value delivered in its policy 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 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 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.

The group also invested R931 million for 48 210 employees in learning and development. In addition, we spent R51.8 million on bursaries for 1 933 employees. This investment together with development opportunities, internal job opportunities, and promotion opportunities allows individuals to progress their careers and therefore their earning potential.

In order to ensure that 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.

Additional information

PRO FORMA INFORMATION

The pro forma financial information and pro forma constant currency information disclosed in this report is the responsibility of the group's directors. Because of its nature, the pro forma financial information may not be a fair reflection of the group's results of operation. The pro forma financial information and pro forma constant currency information contained in this report have been reviewed by the group's external auditors and their unmodified limited assurance report prepared in terms of ISAE 3420 is available for inspection at the company's registered office.

IFRS 9-related accounting impact

In compliance with IFRS 9, the group is required to suspend interest earlier, which resulted in a R553 million reduction in net interest income and credit impairment charges. In addition, following a clarification from the IFRS Interpretations Committee in December 2018, the group is required to recognise previously unrecognised interest earned on loans which cured out of stage 3 (otherwise referred to as released IIS on cured assets) as a reduction in credit impairment charges. Prior to 2018, IIS on cured assets was accounted for as interest income. The reclassification from interest income to credit impairment charges amounted to R1 169 million in 2018. The table below shows the impact of these changes on net interest income, total income and credit impairment charges, as well as some of the group's key ratios, namely credit loss ratio, cost-to-income ratio and jaws. There was no impact on 2018 headline earnings.

	2018 Rbn	2017 Adjust-ment Rbn	2018 adjusted Rbn
Net interest income	59.6	1.7	61.3
Non-interest revenue	45.7		45.7
Total income	105.3	1.7	107.0
Credit impairment charges	(6.5)	(1.7)	(8.2)
Headline earnings	27.9		27.9
Credit loss ratio (%)	0.56		0.71
Cost-to-income ratio (%)	57.0		56.1
Jaws (%)	(2.8)		(1.1)

Pro forma constant currency financial 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 2017 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).

	2018 average exchange rate	2017 average exchange rate
US dollar	13.23	13.3
Pound sterling	17.63	17.13
Argentine peso	0.50	0.81
Nigerian naira	0.04	0.04
Kenyan shilling	0.13	0.13
Zambian kwacha	1.27	0.72
Mozambican metical	0.22	0.21

STANDARD BANK GROUP LIMITED CREDIT RATINGS

As at 6 March 2019	Short term	Long term	Outlook
Fitch Ratings			
Foreign currency issuer default rating	B	BB+	Stable
Local currency issuer default rating		BB+	Stable
National rating	F1 + (ZAF)	AA (ZAF)	Stable
Moody's Investor Services			
Issuer rating		Ba1	Stable

www For further details regarding the group's credit ratings, including credit ratings for key subsidiaries, refer to the group's website: **www.standardbank.com**

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