

INFORMATION TECHNOLOGY REPORT

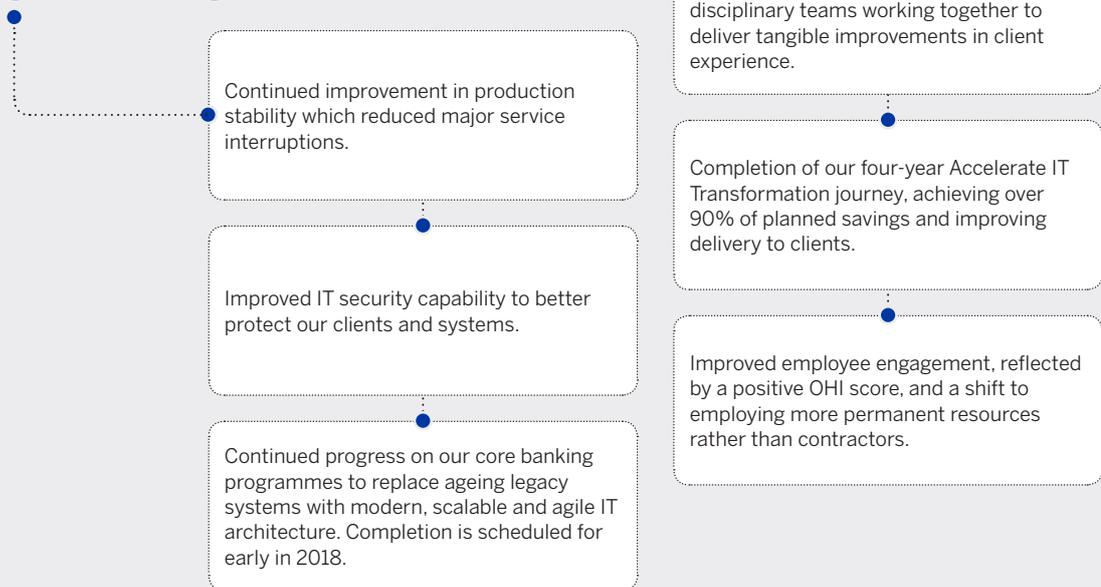
“As the newly appointed Standard Bank Group CIO, I am encouraged by the group’s ambitious transformation into a client-centric, digital universal financial services organisation, and group IT’s profound contribution towards this. Group IT has undergone a significant transformation over the last four years as part of our Accelerate IT Transformation journey. This has positioned us well to contribute to the group’s goals and objectives. We have the right platforms and ways of working in place to ensure relevance and to improve the efficiency of the client experience, while also strengthening stability and security. Our focus now is on simplifying our IT estate and using the client insights gathered over many years to leverage the full benefits of our modernised core banking system.”

Alpheus Mangale
Group CIO



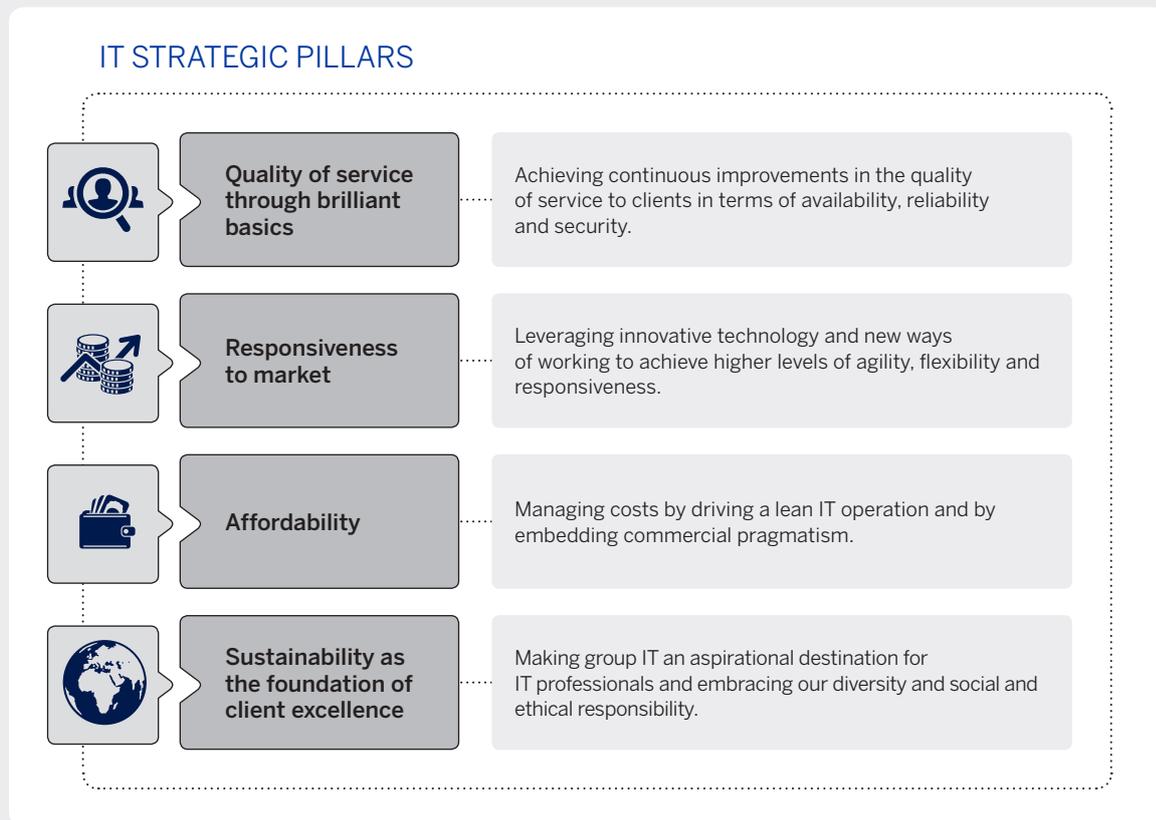
OVERVIEW

2017 was another important year for group IT, with highlights including:



OUR STRATEGY

Group IT's purpose is to support the group in providing great client experiences and sustainable value for stakeholders; as well as to embed leading risk management practices; create a vibrant, high performing and aspirational workplace and optimise IT organisational efficiency. We leverage IT to deliver a digital universal financial services organisation through secure, personalised, relevant experiences for clients and employees, in real time, all the time and in an affordable manner.



OUR OPERATING CONTEXT

The features of a complex ICT environment include:

- Continuous advancements in technology, with competitive and sometimes disruptive implications.
- Sustained economic weakness, straining IT affordability.
- Ongoing investment in compliance to meet intensifying local and global regulatory requirements.
- Competition for limited local ICT skills, requiring investment in developing and retaining talent.
- Increasing sophistication of cybercrime, requiring ongoing investment and rigour in prevention tactics.

These conditions shape our activities, focus areas and responses in the following ways:

- Our digitised and agile core banking platforms strengthen our competitive advantage by enabling the group to respond rapidly to client needs and market, risk and regulatory demands.
- Our client-focused strategy, underpinned by deep analysis of client data, strengthens the group's ability to understand and respond holistically to client needs.
- Our shift towards a more permanent workforce enables us to mitigate the risk of specialist skills shortages and contributes to a more affordable IT capability.

- Agile IT and new ways of working have achieved significant savings in our IT costs over the past four years.
- Our regularly enhanced fraud and cybersecurity detection capabilities ensure that the group is able to prevent, detect and remediate security issues.

STRATEGIC PROGRAMMES

Our strategic programmes are critical enablers of the group's strategy and beyond their completion, we will continue to advance these platforms by:

- Adding new features and functionality to maintain and advance client experience.
- Maintaining, supporting and sustaining their availability, consistency, quality and security.
- Ensuring that their service offerings remain relevant to our clients.
- Enhancing their functionality in line with changes in financial services.

South Africa core banking

Key milestones in 2017 included the delivery of new retail products on the core banking platform, the migration of investment products and the implementation of retail client migration readiness.

At 31 December 2017, there were more than seven million accounts on the modernised platform and approximately 60 million transactions are processed monthly, a 30% growth on prior year volumes. The migration in early 2018 of retail client accounts will mark the final milestone in the core banking journey. Following this, around 93% of all client personal transaction accounts will be on the platform.

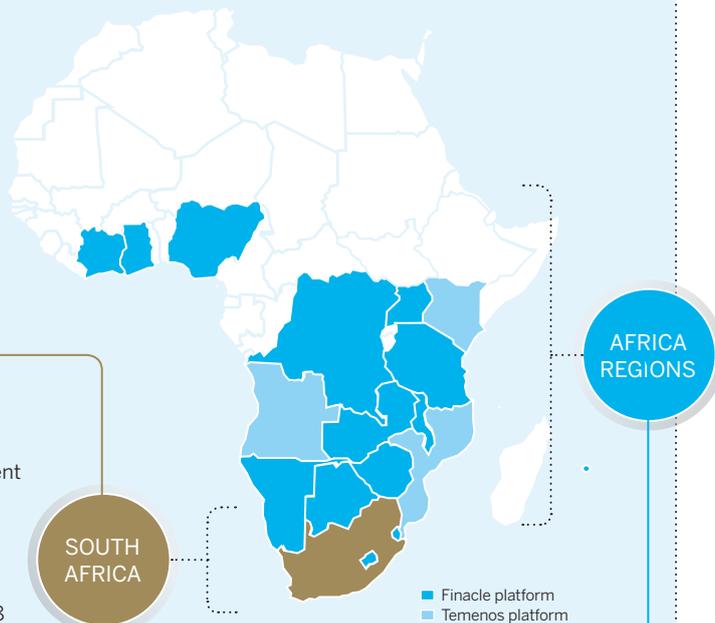
Key strategic benefits delivered by the platform include:

- A scalable, agile technology architecture that enables transformation across the business.
- The ability to leverage data analytics capability to drive innovation, automation and client centricity.
- The agility to respond more quickly to client and regulatory needs, enabling us to deliver quickly to market and ensuring our competitiveness, for example, the implementation of the tax-free savings account.
- Less complexity, reducing product deployment cycles.
- Improved and simplified client experiences through quicker client service.

Business Online

Business Online (BOL) provides a single online channel that enables 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 has been rolled out to most countries in the Africa Regions and is scheduled for completion in 2018, once our Namibian and South African clients have been migrated onto the platform.

BOL uptake has been extremely positive, with an annual compound transaction growth rate of over 30%. In 2017, **more than 11 million transactions** were processed through the platform. Transaction volumes have grown more than 20% year-on-year, with transaction values increasing by 16% in 2017.



Africa Regions core banking

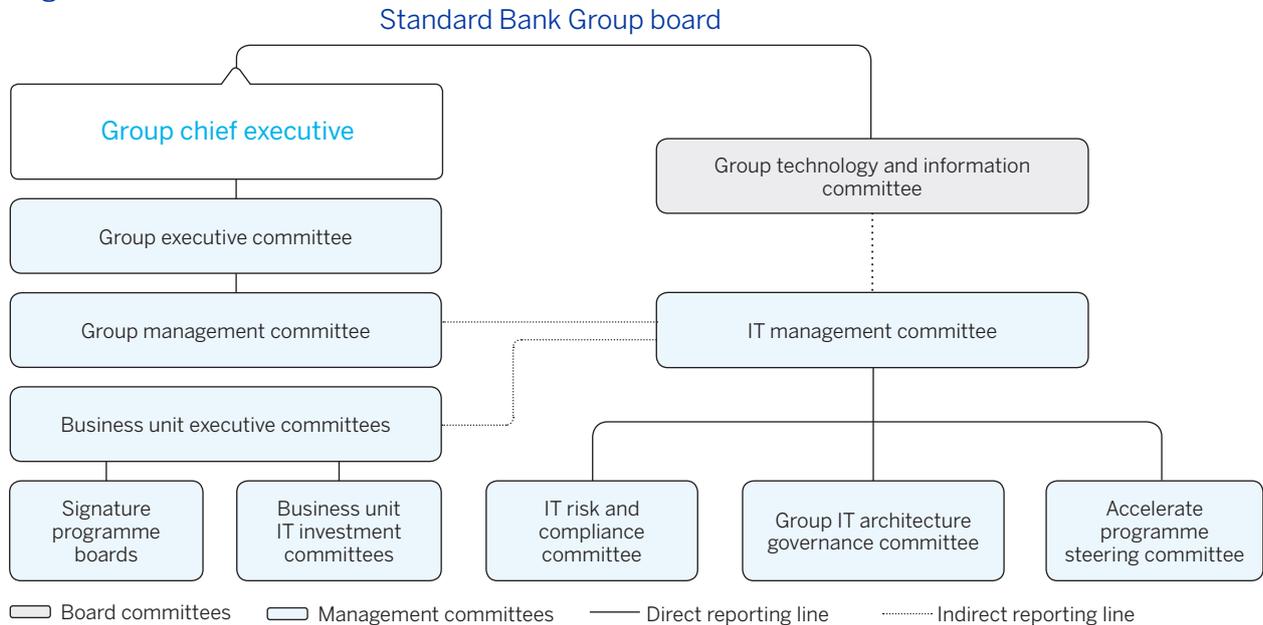
The Africa Regions core banking programme replaces in-country legacy core banking systems with Finacle, a modern, competitive platform that allows us to better manage operational risks and supports our growth aspirations on the continent. Finacle provides a unified 360-degree view of the client across product lines, enabling us to deliver an improved client experience. Finacle has been implemented in 13 countries with implementations undertaken in Lesotho, Malawi and Mauritius in 2017, as well as a base upgrade in Uganda. In 2018, we will implement Finacle in the DRC, complete the corporate client migration in Namibia and complete post-implementation activities in various countries. In parallel, the transition to business as usual has commenced.

The benefits of a standardised platform across the countries where Finacle has been implemented include faster rollout of products, product innovation, elimination of manual interfaces and the automation of bulk processes. In Angola, Kenya and Mozambique, we employ the Temenos core banking platform which we have identified as the appropriate platform for these markets.

IT GOVERNANCE IN OVERVIEW

Our IT architecture is a key strategic asset, and the related risks and constraints are well governed and controlled to ensure that IT enables our strategic objectives. IT governance is an integral part of the group's overall corporate governance and the role, structure and reporting lines of the IT function reflect the integration of IT with the group's businesses and operations. Group IT's operating model has been designed to ensure the optimal provision of IT services.

IT governance structure



The CIO is a member of the group executive and management committees. Portfolio CIOs are accountable to their business unit chief executives and the group CIO to ensure that IT and business strategies are delivered. The group CIO and IT executives have access to the board and executive management and serve as a bridge between IT and the group. The board provides robust executive and non-executive oversight and support for IT.

PERFORMANCE AGAINST STRATEGY

1

Quality of service through brilliant basics

Deliver quality of service to clients in terms of availability, reliability and security.

OUR KEY PRIORITY

- Provide clients with always on, anywhere, 24/7 banking.

Achieved in 2017

- Embedded new ways of working and strengthened accountability for quality of service and production stability with the Dev/Ops approach, a way of working that enables rapid IT service delivery and the adoption of lean practices.
- Implemented all planned capabilities to improve client experience and are on track with the execution of activities scheduled for 2018.
- Continued improvement in production stability contributed to the reduction of major service interruptions, particularly across the Africa Regions.
- Made further enhancements to fraud and cybersecurity detection capabilities.
- Continued to simplify our IT architecture through the advancements in our core banking modernisation programmes, further improving client experience and system stability, reducing security risks and lowering operating costs.

Moving forward

- Radically simplify our IT landscape to improve agility, enhance client experience and ensure relevant client services.
- Continue to invest in cybercrime prevention and detection technology, and response capabilities.
- Continue to improve production stability and reliability and minimise disruption of digitally enabled services.

2 Responsiveness to market

Leverage innovative technology and new ways of working to achieve higher levels of agility, flexibility and responsiveness.

OUR KEY PRIORITIES

- Connect our clients to our world-leading universal banking platforms and provide them with convenient, affordable and holistic financial solutions.
- Digitise all services and actively embrace disruption and innovation by working with innovation partners to deliver better value for our clients.

Achieved in 2017

- New ways of working improved our agility and strengthened our role as a strategic partner to build solutions that address client needs.
- Enabled innovation in day-to-day operations, for example, through regular events that focused on generating new ideas, as well as developing and implementing them.
- Supported the group's digital strategy with solutions such as the award-winning Shyft mobile banking app.
- Established an enterprise-wide data office and committee with representatives from across the group to ensure data integrity and security, and focus on the delivery of a client-centric, digital and universal organisation.
- Following the successful application of intelligent automation to account origination in VAF, we applied it to other functions to improve production efficiencies and reduce our time to market.

Moving forward

- Further entrench agile ways of working to improve cadence of IT delivery to respond faster to market needs and provide competitive client services.
- Complete the platform modernisation journey with all clients on core banking and BOL platforms.
- Continue to simplify and digitise processes and decommission legacy systems by 2021.
- Continue to strengthen the role of IT as a strategic partner to business units to ensure alignment with the group's strategic goals.

CORE BANKING PLATFORM

Volume of transactions: year-on-year increase of more than 30%.

IT stability: over 40% year-on-year reduction of incidents ranked internally as severity 1, the highest severity rating.

Investing in digitisation: digital spend remained flat year-on-year, with focus placed on developing and enhancing mobile capabilities. Digital volumes grew 21%, largely due to increased mobile banking volumes. Transaction values through digital channels increased 7% compared to 2016.

NEW WAYS OF WORKING

Continuous demand for faster, more efficient service requires ongoing advances and investment in IT. To achieve our strategy and deliver sustainable IT programmes, we adopted the agile new ways of working framework in 2016, which uses internationally recognised system engineering principles to change the way that IT work is delivered. This has enabled us to build a dedicated IT capability, where our teams deliver features and functionality in smaller increments to rapidly, effectively and continually provide value to our clients, while partnering more effectively across the group.

Core principles

Client centricity – the first priority is to support superior client experience.

Autonomy – decision-making responsibility lies at team level, from building the solution to running the solution.

Joint business and IT teams – everyone is involved and shares responsibility throughout the process.

Efficient teams – teams are small and agile.

3

Affordability

Manage costs by driving a lean IT operation and embedding commercial pragmatism.

OUR KEY PRIORITIES

- Drive sustainable cost savings by continuing to revise the way we do things.
- Drive affordability through commercial pragmatism.

Achieved in 2017

- Completed the four-year Accelerate IT Transformation journey, achieving over 90% of planned savings and improving delivery to clients.
- Capital investments in the core banking programmes resulted in higher amortisation charges of IT intangible assets, which are expected to peak in 2021.

Moving forward

- Achieve further optimisation initiatives through simplification and the decommissioning of legacy systems in South Africa.
- Adopt new technologies, including cloud-based opportunities.

4

Sustainability as the foundation of client excellence

Attract aspirational professionals and embrace diversity, social and ethical responsibility.

OUR KEY PRIORITIES

- Grow a diverse, high-performing, and innovative culture that recognises mastery and purpose as key outcomes through training and skills development programmes.
- Contribute to industry forums to develop industry skills.
- Nurture strong transformation of the workforce at all levels.

Achieved in 2017

- Maintained top of second quartile ranking in the OHI, despite some disruption in the adoption of new ways of working. This achievement is pleasing when compared to our bottom quartile ranking in 2013.
- Shifting to a more permanent workforce by providing internal training, skills development programmes and internships, and building skills through partnerships with local universities.
- Extended learnership programmes to develop capabilities in software development, testing and user experience design.
- Partnered with many industry forums to develop industry skills.
- Focused on building mastery by:
 - Investing in critical skills and new ways of working awareness training.
 - Collaborating with industry and educational bodies to develop skills in Dev/Ops and agility principles, coding, SAP and technology entrepreneurship.

Moving forward

- Focus on being a preferred place to work.
- Leverage the cross-skilling benefits of new ways of working.
- Continue the transition to a permanent internal workforce through training and skills development.
- Maintain external partnerships to grow the broader South African ICT skills base.