

OUR APPROACH TO VALUE CREATION



OUR CLIENTS

Our clients are at the centre of everything we do.

This is our central organising principle in building a digitally enabled universal financial services organisation. It aligns our efforts to change the way we do things, develop our people and shift our culture and ultimately creates a sustainable competitive advantage in a changing industry.

GROUP STRATEGY

Our stakeholders are the providers of the financial and non-financial capital we need to create value.

Stakeholder inclusivity and responsiveness and delivering the outcomes our stakeholders expect, enable us to secure and maintain these inputs. It also allows us to identify opportunities and challenges, which inform our strategic decision-making.

- AIR **14 – 15** Our shared value model.
- AIR **34 – 35** Chairman's statement.

Our group strategy is focused on creating shared value.

Our group strategy represents our commitment to the shared future we intend to create 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 define and provide the basis for measuring the value we create.

- AIR **12 – 13** Our group strategy.
- AIR **18 – 29** Measuring our strategic progress.
- AIR **36 – 39** Group chief executive's review.
- AIR **54 – 77** Business unit reviews.

RISK APPETITE

Our group strategy is achieved within the parameters of our risk appetite, which is underpinned by conscious risk-taking in pursuit of growth.

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

- AIR **16 – 17, 92 – 97** Managing our risks and risk report.
- RCM **16 – 17, 92 – 97** Risk and capital management report.

GOVERNANCE APPROACH

Governance for shared value

Our governance framework promotes strategic decision-making aimed at achieving the best possible shorter-term and longer-term outcomes for our stakeholders.

Our governance structures and processes are materially aligned to the principles and practices of King IV.

- AIR **100 – 109** Corporate governance overview.

Performance linked to value creation

We are embedding a culture that combines high performance and ethical behaviour, and creating an environment in which our people are empowered and motivated to deliver exceptional client experiences.

- AIR **78 – 85** Human capital report.

Remuneration that drives value over time




Our reward philosophy reflects the group's strategy. We combine reward elements that link directly to our values, our strategic focus areas, value drivers and financial performance criteria and thresholds.

- AIR **110 – 119** Remuneration overview.

GOV REM Our governance and remuneration report discusses how our governance framework and processes, and our board and committees, support the creation and protection of stakeholder value.

ACTING ON OUR MATERIAL ISSUES

Our material issues synthesise the interests of the group and those of our stakeholders, and take into account structural shifts and cyclical pressures in our operating context. They are linked to our strategic value drivers, direct the focus of our strategic planning and management priorities, and inform our reporting to stakeholders.

OUR KEY STAKEHOLDER GROUPS	MATERIAL ISSUES – IMPACTING OUR COMMERCIAL VIABILITY AND SOCIAL RELEVANCE	VALUE DRIVERS – HOW WE DEFINE AND MEASURE VALUE
CLIENTS	<ul style="list-style-type: none"> • Understanding the needs of our clients. • Providing our clients with a personalised and comprehensive financial services offering. • Empowering our people to better provide an excellent and consistent client experience. • Making it easier, faster and safer to transact by accelerating innovation and digitisation. • Partnering with our clients during challenging times. 	 <p>Client focus Exceptional client experience – placing the client at the centre of everything we do.</p>
EMPLOYEES EMPLOYEE REPRESENTATIVES	<ul style="list-style-type: none"> • Attracting and retaining deeply committed people with the right skills and capabilities. • Enabling our people to be agile and adaptive to remain relevant in a rapidly evolving environment. • Leveraging diversity and inclusion. • Harnessing the potential of a multi-generational, pan-African local workforce. • Creating an environment in which our people are engaged and enabled to take care of their well-being. 	 <p>Employee engagement Making Standard Bank a great place to work.</p>
REGULATORS SUPPLIERS GOVERNMENTS	<ul style="list-style-type: none"> • Proactively responding to increased cybersecurity threats and protecting client information. • Maintaining the stability, security and speed of our IT systems. • Conducting our business in a responsible manner by doing the right business the right way. • Responding to the pace, volume and scale of regulatory change. • Supporting steps to combat financial crime, fraud and illicit financial flows. 	 <p>Risk and conduct Doing the right business the right way.</p>
SHAREHOLDERS INVESTMENT ANALYSTS	<ul style="list-style-type: none"> • Growing the group's franchise by further building our on-the-ground presence in Africa, growing our client base, regional integration and leveraging trade and capital flows. • Responding to challenging economic conditions, particularly South Africa's growth outlook and sovereign downgrades. • Maintaining the resilience of our balance sheet. 	 <p>Financial outcomes Delivering superior value to our shareholders.</p>
COMMUNITIES CIVIL SOCIETY	<ul style="list-style-type: none"> • Accelerating inclusive economic growth. • Investing in Africa's infrastructure, notably that of energy, transport, telecommunications and health. • Supporting innovation and investment that drives financial inclusion, education and a green economy. • Harnessing the commercial opportunities of addressing societal challenges. 	 <p>SEE impact areas Creating and maintaining shared value.</p>

RTS  For a more detailed discussion of the group's SEE impacts.

OUR GROUP STRATEGY

Our strategy is designed to realise the opportunities that Africa presents.

OUR PURPOSE

Africa is our home, we drive her growth.

OUR VISION

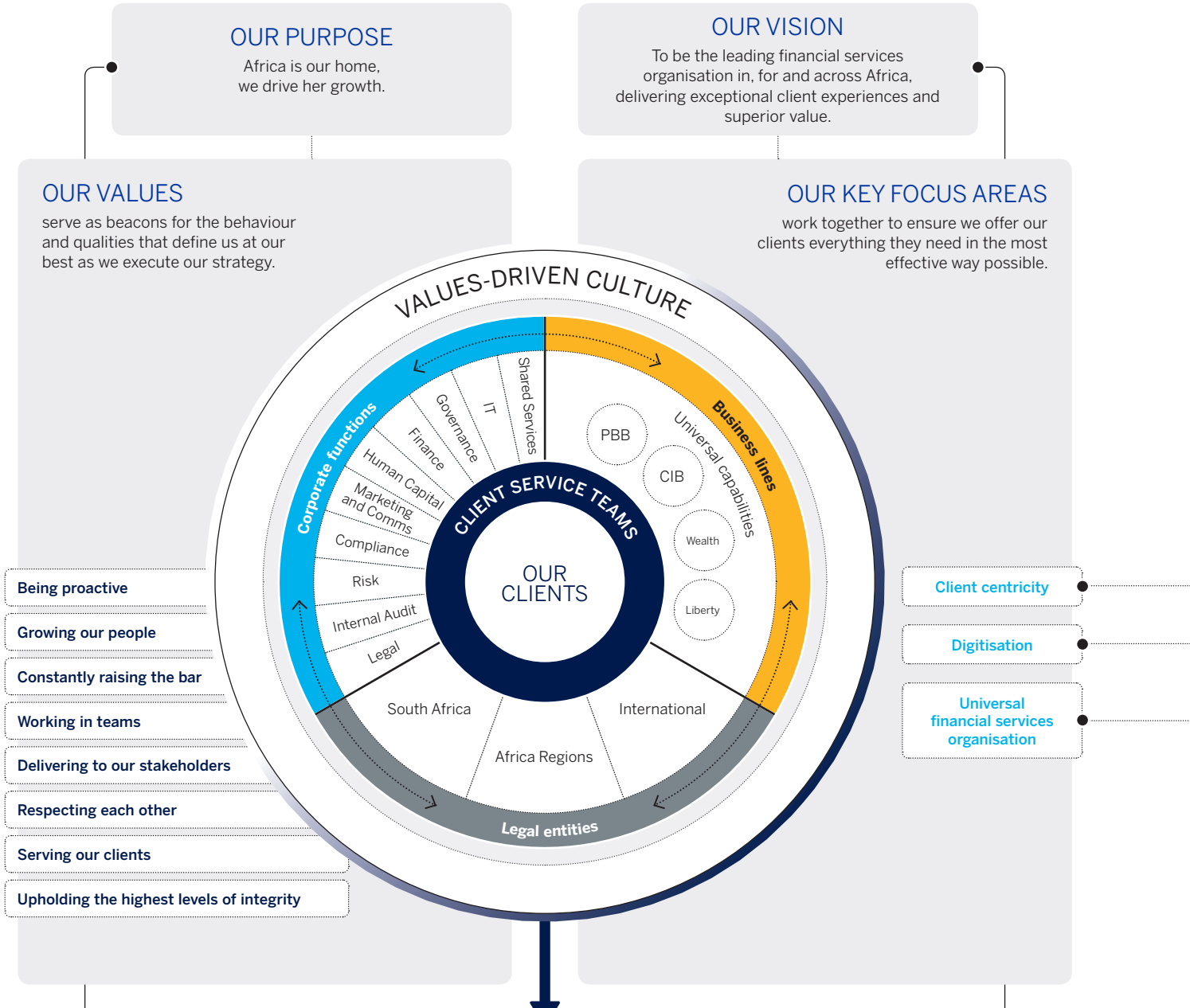
To be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

OUR VALUES

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

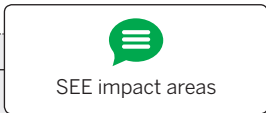
OUR KEY FOCUS AREAS

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

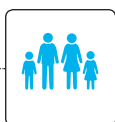


OUR STRATEGIC VALUE DRIVERS

Focus our efforts and measure the progress we are making against our group strategy and vision.



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.

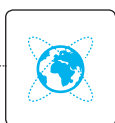


Digitisation means we are always on and always there to deliver our clients' and employees' needs in a secure, personalised and relevant way.

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 ability to work across silos and offer an integrated Africa-wide service to our clients is a key differentiator.

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** the financial services organisation, so our clients have access to and experience all our propositions relevant to their needs.

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 larger purpose of **servicing 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.

OUR SHARED VALUE MODEL

Our shared value model connects commercial and social realities in a dynamic environment of competing stakeholder expectations, competitive forces and regulatory pressures.

INPUTS

Quality relationships with all our stakeholders

The quality of our relationships with our clients, providers of capital, regulators and other stakeholders underpins our legitimacy, reputation and competitiveness. We protect, advance and reconcile the individual and collective interests of our stakeholders to remain commercially viable and socially relevant.

- Profitable client relationships.
- Good standing with investors.
- Constructive relationships and dialogue with regulators and government.
- Collaborative relationships with suppliers and associates.
- Social and environmental risk management in financing activities.

Our diverse, multi-generational pan-African workforce

Our people are our strongest competitive advantage. Their expertise, resilience and motivation is required to serve our clients and fulfil the expectations of our other stakeholders, according to our values and within the parameters of compliance and risk appetite.

- 48 322 employees, 68% based in South Africa.
- R925 million invested in training (2016: R890 million).
- 11 employee engagement surveys.
- Good relationships with employee representatives.
- Reward structures linked to our values, strategy and financial performance.
- High-performance ethical culture.
- Robust risk and compliance structures.

Our intellectual property

The systems and processes that underpin our business and align our people, culture, technology and organisational architecture to our strategic direction. An important aspect of our intellectual capital is the strategic investments we make in associate companies, enabling us to stay abreast of disruptive change and remain competitive.

- A 156-year heritage and strong brand.
- On-the-ground presence in Africa and strategic partnership with ICBC.
- Experienced and skilled board and strong executive and leadership teams.
- Client-focused, digitally enabled ways of working.
- A global network of associates, including fintechs, venture capital firms and partner banks, giving us access to innovative solutions.
- A culture of digitisation and innovation.

Our infrastructure

Our channel and IT infrastructure, particularly our modernised IT platforms and digital channels and the national infrastructure of the countries we operate in, which we use to conduct our business.

- Core banking IT platforms.
- Fit-for-purpose branch network and digital touch points.
- Backup systems to mitigate the risk of business disruption and utility outages.

Funding from our providers of capital

The funding from the providers of capital used to run our business and invest in our strategy.

- Affordable access to capital, and resilient and diverse capital structure which includes an optimised mix of equity and debt.
- Strong market capitalisation and share price growth.

Natural resources

Our indirect impact on natural resources through our financing activities and, more directly, the utilities we require to operate.

- Working with clients to promote the preservation of natural capital in their projects.
- Investing in renewable energy projects.
- 243 820 gigajoules energy consumed (2016: 257 226 gigajoules).
- 666 806 kilolitres water consumed (2016: 718 960 kilolitres).
- Initiatives that minimise our direct environmental footprint and secure supply.

GOVERNANCE

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

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

KEY RISK TYPES:

- Credit risk
- Interest rate risk
- Insurance risk
- Country risk
- Business and reputational risk
- Liquidity risk
- Market risk
- Operational risk, including compliance, environmental and/or social risk

OUTPUTS

What we enable our clients to do

Borrow ●●●●●

to achieve their personal and business goals, supporting employment and inclusive economic growth in Africa.

Transact ●●

through convenient access to and movement of funds.

Invest ●●●●

to create wealth by generating long-term returns and mitigate the erosion of their capital due to inflation.

Access ●●●●●

financial markets and invest in Africa, based on the advice we provide.

Insure ●●●●●

to protect their wealth and well-being.

What we invest in to support what we do for our clients

Our universal financial services offering and capabilities delivered through PBB, CIB, Wealth, Liberty and our relationship with ICBC. ●●

Our people, to equip them to deliver exceptional client experiences in a changing world of work. ●●

Our operations, including our IT platforms, to enhance our capabilities, improve efficiency and remain compliant with all applicable laws and regulations. ●●

Strategic investments ●●●●●

that support our access to innovation, and drive socioeconomic development in Africa.

SHARED VALUE OUTCOMES

We strive to employ our resources and relationships responsibly in what we do and how we do it, to create the best outcomes for our clients, our people, our shareholders and our other stakeholders.

RCM Risk and capital management report.

AIR 16-17 Managing our risks.

AIR 18-29 Measuring our strategic progress.

VALUE DRIVERS

Client focus

Exceptional client experience – placing the client at the centre of everything we do.



Employee engagement

Making Standard Bank a great place to work.



Risk and conduct

Doing the right business the right way.



Financial outcomes

Delivering superior value to our shareholders.

SEE impact areas

Creating and maintaining shared value.

MANAGING OUR RISKS

We aim to instil conscious risk-taking across the group. We take a holistic and forward-looking view of the risks we face by continually assessing current and emerging risks. Our risk appetite is regularly reviewed, in response to changes in our operating context, and our exposures are managed accordingly.

Our key risk types, shown in our shared value model on page 14, are those that are foreseeable, continuous and material. They are inextricably linked to the nature of our business and what we do for our clients. Managing these risks effectively, which is done within the parameters of our board-approved risk appetite, is essential to protecting the interests of our stakeholders and creating shared value.

AIR 92-97 Our risk report sets out our enterprise risk management approach and outlines the key developments in managing our key risk types.

The constant change in our industry and operating environments gives rise to emerging risks. The potential impact of these emerging risks on the group's strategy and operations must be understood and managed. We have processes in place to adequately prepare for and respond appropriately to these emerging risks in our longer-term strategic decision-making.

Our top emerging risks are identified through our enterprise risk management framework and operational risk processes, specialist expertise within the group and a survey across the three lines of defence. This collaborative effort aligns our financial planning and provides a combined risk assurance view.

These risks are discussed at management and governance committees, allowing us to act to mitigate their long-term impact on our shared-value outcomes and reputation. The table below shows the key drivers and mitigants of our emerging risks, but do not represent all the activities which are being pursued to manage them.

Going forward, we will continue to improve the robustness of the emerging risk identification process. Specifically, we will aim to improve our ability to transform risk knowledge into actionable steps to further embed the enterprise-wide risk culture, and to identify opportunities for the group in the long term by effectively responding to emerging risks.

EMERGING RISKS

	RISK DRIVERS	MITIGANTS
<p>1</p> <p>TECHNOLOGY The inability to manage, develop and maintain secure, agile technology assets to support strategic objectives.</p>	<ul style="list-style-type: none"> A multi-channel digital experience means more technology to keep relevant, up-to-date and safe from cyber fraud attacks. New types of devices span an extremely wide range of security requirements and have very different security postures. 	<ul style="list-style-type: none"> Dedicated combined development, security and operational teams focus on speeding up implementation of projects and changes. Continual testing of technology and applications to identify and rectify potential weaknesses that can be exploited by cybercriminals.
<p>2</p> <p>CYBER The risk of financial loss, disruption or damage to reputation from breaches or attacks on transaction sites, systems or networks.</p>	<ul style="list-style-type: none"> Remote presence technologies may increase the avenues for attack. Increasing number and sophistication of cybercrime incidents globally. 	<ul style="list-style-type: none"> Use of adaptive cybersecurity which uses a combination of artificial intelligence and other methods to dynamically shift tactics and detect and remove threats as quickly as possible. Multi-factor authentication integrated into all critical payment applications and end-user devices. 24/7 cybersecurity operation centres have improved monitoring capabilities to address evolving cyber vulnerabilities and attacks.
<p>3</p> <p>REGULATORY IMPACT The risk of reputational and financial losses due to the inability to comply with or keep abreast of regulatory requirements.</p>	<ul style="list-style-type: none"> Changing regulatory and supervisory requirements are resource intensive and costly. Public interest, social drivers and consumerism may initiate legislative change, requiring appropriate response strategies. 	<ul style="list-style-type: none"> Ongoing engagement with government and regulators to support evidence-based policy-making and dialogue between public and private sectors. Monitoring of international developments, learnings and benchmarks to identify future supervisory focus areas.

EMERGING RISKS



FRAUD

The risk of regulatory sanction and reputational and financial losses due to fraud, crime and misconduct from staff or syndicates.



INFORMATION

The risk of loss due to inaccurate data, data breaches or being unable to protect client information.



PEOPLE

The risk of failure of the workforce to adequately and efficiently serve clients, support operations and deliver business strategy.



BUSINESS DISRUPTION

The risk of infrastructure/change failure or environmental impacts disrupting the services to and of the group.



THIRD-PARTY

The risk of losses or disruptions due to ineffective management of third-party relationships.



CONDUCT

The risk of harm being caused to the group, its clients and markets due to inappropriate execution of business activities.

RISK DRIVERS

- Increasingly advanced cyber and malware attacks are expected, which may result in increased fraud.
- Aggressive advancements in technology may cause unforeseeable fraud threats.

- Perpetrators and events will continue to evolve.
- There may be increased demand for processing of information from data subjects.

- The multi-generational workforce has different needs, expectations and aspirations, increasing complexity in the workplace.
- A rise in digitisation and automation will deliver efficiencies and reduce demand for certain skillsets.

- Voluminous and/or significant system changes always pose the risk of unforeseen consequences or disruption to clients and business activities.
- Reliance on infrastructure such as water and power utilities, and network service providers.

- Emergence of third-party partnerships and outsourcing as business enablers, for example, partnering with fintechs.
- The potential for unknown fourth- and fifth-parties supporting third-party providers.

- Cultural misalignment due to inappropriate ethics, behaviours and values being applied that result in poor business practices.
- Growth in the complexity of regulatory frameworks.

MITIGANTS

- Enhanced digital detection capability covering people, processes and technology.
- Development of predictive fraud detection and prevention capabilities using agile methodologies.

- Ongoing awareness encourages a consistent information protection culture.
- Ongoing research and threat intelligence to stay abreast of developments and to ensure the protection of information assets.

- A range of learning and development solutions ensure that employees can adapt and remain relevant in the changing work environment through continuous learning.
- Recognition programmes support a culture where success is celebrated and employees feel valued for their contribution to the business.

- Continue to improve our system production stability and reliability to minimise disruption of digitally enabled services to our clients.
- Business continuity plans are prepared for all business areas.
- Simplify our IT landscape to improve agility, enhance customer experience and ensure the relevance of services we offer to our clients.

- Predictive profiling of suppliers to drive improved supply chain management.
- Increased visibility into fourth- and fifth-parties to ensure accountability and preparedness to avoid potential incidents.

- By driving a culture of doing the right business the right way, we will continue to embed our desired values, ethics and behaviours.
- Continuing to refine our approach to training through the rollout of more interactive and digital methods of training that are standardised across the group.
- Working to embed and monitor conduct-related metrics in business units and corporate functions across the group.

MEASURING OUR STRATEGIC PROGRESS

Our strategic value drivers are the framework we apply in measuring our strategic progress. They inform our allocation of resources and guide our trade-off decisions. We have made further progress in aligning our governance, planning and reporting processes to our strategic value drivers, and will continue to refine the underlying metrics to ensure that we are measuring what matters most in delivering our group strategy.



CLIENT FOCUS

We place our clients at the centre of everything we do, aiming to provide relevant and appropriate products and services seamlessly through the channels they choose. This is informing our efforts to build a digital bank, redesign our operating models, develop our people and shift our culture – for long-term sustainable competitive advantage.

WHAT SUCCESS LOOKS LIKE

- We understand our clients and offer them the products, services and solutions they need to achieve their goals.
- We serve our clients quickly, efficiently, reliably and respectfully.
- We earn and keep our clients' trust.

HOW WE MEASURE OUR PROGRESS

To understand how satisfied our clients are with our service, internally facilitated client surveys appropriate for each business unit are conducted in phases throughout the year.

Our indicators

- Net promoter score (NPS) for PBB.
- Client satisfaction index (CSI) for CIB.

PBB

Our focus on delivering consistently excellent client service supported an improvement in the channel NPS score for PBB South Africa. Channel NPS is measured across different points, which include the branch, customer contact centre, and relationship banking channels at transaction level.

Net promoter score



Year	PBB South Africa channel	PBB Africa Regions
2016	50	15
2017	65	15

CIB

The overall CSI score was unchanged from the prior year at 7.8 out of 10. Pleasingly, our clients rated their relationship managers highly across most countries and see Standard Bank as a leading corporate and investment bank.

Client satisfaction index



Year	Client satisfaction index
2016	7.8
2017	7.8

Multinationals and domestic clients contribute **62% and 38%** respectively to client revenues.



Key client concerns

- Improving their banking experience.
- Combating cybercrime and fraud.
- Cheaper and more convenient banking services.
- Ensuring the safety of their money.
- Assistance in times of financial distress.

Related material issues

- Understanding the needs of our clients.
- Providing our clients with a personalised and comprehensive financial services offering.
- Empowering our people to better provide an excellent and consistent client experience.
- Making it easier, faster and safer to transact by accelerating innovation and digitisation.
- Partnering with our clients during challenging times.

KEY DEVELOPMENTS IN 2017

To address our clients' key concerns and our material issues, we have:

- Accelerated the introduction and adoption of digital channels across Africa.
- Substantially completed the core banking transformation programme in early 2018 with 93% of transactional account clients on the new platform.
- Simplified processes and increased the use of data analytics to understand and respond more precisely to our clients' needs.
- Achieved increased IT system stability with no major service interruptions in 2017.
- Improved IT security capabilities, which an independent expert assessed as leading in our peer group.
- Engaged with clients in financial distress and offered a range of solutions to assist them, including the introduction of a debt care centre, improved client education offerings and an EasySell platform to assist clients to get the best value on the sale of their properties.
- Completed several landmark transactions.
- Funded 13 client lending deals in partnership with ICBC since 2016 to support our clients operating in the China-Africa corridor. An example is the recent funding of the USD8 billion Coral floating liquefied natural gas development in Mozambique.

PRIORITIES IN 2018

To drive improvements in our client satisfaction scores, we will:

- Deepen existing client relationships in support of their growth journeys.
- Leverage data and advanced analytics to gain deep client insights and provide timely and relevant offerings.
- Continue to implement digitally enabled solutions that improve client convenience.
- Continue to provide our clients with the choice to interact with us digitally or through our branch networks.
- Leverage the ICBC relationship to support the growth strategies of, for example, Chinese multinationals operating in Africa.

AIR **54-77** Business unit reviews and information technology report.
86-91

KEY TRADE-OFFS

- Increasing our use of data analytics and developing digitally enabled solutions that are innovative, accessible and affordable have to be done within the non-negotiable constraints of protecting our clients' personal information and mitigating cybersecurity risk.
- The client experience benefits of digital platforms and the efficiencies gained from increasing the digitisation of processes require additional IT development and maintaining IT stability and security, which increases costs and the depreciation and amortisation of our IT assets.
- We are committed to assisting our clients through periods of financial distress which may lead to a restructuring of the terms and conditions of their loan agreements to assist with affordability challenges. While this may lead to delaying the loan repayment, the restructure allows the client to repay the loan and avoid any longer-term negative financial consequences. In addition, it enables the group to realise the capital repayments and mitigates the need for costly legal action, foreclosures and negative client and social implications.