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A SPECIAL EDITION OF STANDARD BANK’S REPORT TO SOCIETY

Standard Bank publishes a Report to Society as part of its set of annual reports, to provide stakeholders with a concise overview of the bank’s performance in driving Africa’s growth and positively impacting on society, the economy and the environment. In this Special Edition of our 2016 Report to Society, we focus on Standard Bank’s role in transforming the South African economy.

Standard Bank is committed to playing its part in bringing about a transformed economy in South Africa. Social and economic transformation is a moral requirement: South Africa needs an economy in which every South African, regardless of their race or gender or the situation into which they were born, can access the basic necessities of life and dignity; and an economy in which success and prosperity are the result of hard work and talent, rather than inherited privilege or personal connections. Social and economic transformation is a commercial necessity: as a financial services company, it is our core business to support economic growth, enterprise development, and job creation. We exist to help people to save and build wealth; to keep depositors’ money safe and ensure that it is available to them when they need it; to lend depositors’ funds responsibly and finance productive economic activity; and to partner with the first-time home buyer and the young entrepreneur. This is the basis of our profitability and sustainability as a bank.

Inequality is one of the greatest challenges of our time. As Thomas Picketty’s Capital in the Twenty-First Century shows, throughout the world, everyone in a country is harmed in the long run if gaps in income and assets remain very high over long periods of time. Governments are often forced into counterproductive policy choices. The integrity of institutions is eroded, growth slows, and the middle class shrinks. Too little gets invested in infrastructure, education, and health care. Levels of trust decline and politics becomes unstable. Our society – like all societies – needs to keep working hard at being fair. If not, the wealthy may benefit for a decade or two, but in the long run, we will all be poorer.

Transforming South Africa’s economy is a multi-faceted and long-term undertaking. It goes far beyond complying with Employment Equity Act regulations or getting more points on a BEE scorecard. It is about reducing the unacceptably high levels of inequality and unemployment; and addressing legitimate grievances about land ownership, housing, and education. It is about recognising the legitimate anger that many black South Africans continue to feel about apartheid and its enduring consequences. There is growing impatience about the pace at which transformation is happening. Standard Bank understands that it has a contribution to make to this collective South African project to deepen and broaden economic transformation. We are working to do more to support enterprises that can really deliver Broad-Based Black Economic empowerment, particularly in job-intensive sectors; to expand support to improving South Africa’s infrastructure, including our transport network, energy and transmission systems; and to rapidly deploy digital technologies that deliver cheaper and more accessible banking services.

In the words of our CEO Sim Tshabalala: “We are committed to transformation by our group Purpose and Values. We cannot honestly claim that ‘Africa is our home, we drive her growth’ unless we are committed to transformation in South Africa. A South Africa crippled by unfairness and inequality cannot take its rightful place in the African family of nations.

All of us at Standard Bank – and indeed, all South Africans – must continue to work hard to transform our economy and our society. Our Constitution binds us to do this; our South African patriotism and our commitment to Africa demand it; and our interest in the profitability of our group and in the well-being of our fellow South Africans, our friends and families compels it.”

This report provides a snapshot of our contribution to South Africa’s economic transformation and our role in driving a more inclusive and expanding economy.
WE ARE OUR VALUES

SEE SHARED VALUE

We understand shared value quite simply: In order for us to continue as a successful and sustainable business we must measure value beyond financial outcomes.

During 2016, we determined that our progress on our strategy is measured with strategic value drivers, as follows:

Client focus + Employee engagement + Risk and conduct = Financial outcome

Social, Economic and Environmental (SEE) outcome or shared value.

OUR SEE FRAMEWORK

SOCIAL
The value Standard Bank creates for society, as measured by the value created for our people in areas such as skills development and transformation; the shared value our business generates for our customers and clients, and other stakeholders, through deepening financial inclusion, investing in infrastructure, and supporting job creation through enterprise development and financing entrepreneurs; and our investments in education that benefit communities and future generations.

ECONOMIC
The value Standard Bank creates for our shareholders and more broadly for society, by driving inclusive economic growth in Africa, developing and implementing better ways of doing business, and supporting African economic integration and development.

ENVIRONMENTAL
The value Standard Bank creates for the natural environment, through businesses we finance or do not finance, investments towards reducing carbon emissions and any other environmental degradation, and by helping our customers to lessen and adapt to the impacts of climate change.
STANDARD BANK AT A GLANCE

STANDARD BANK EMPLOYMENT EQUITY
Black employees (South African citizens)
Top management 22.2%
Senior management 40.7%
Middle management 68.0%
Junior management 86.6%

OUR PEOPLE
Standard Bank employees 32 805 people
Standard Bank graduate programmes – % of black attendees 81%
Standard Bank leadership training – % of black attendees 67%

WHERE DOES THE MONEY THAT WE MAKE IN SOUTH AFRICA ACTUALLY GO?
Total income R65.8 billion
Impairments – writing off bad debts R7.0 billion
Remaining income R58.8 billion
Salaries R20.9 billion to 32 805 employees
Black female hires as a % oftotal hires 54%

Black employees (South African citizens)
Top management 22.2%
Senior management 40.7%
Middle management 68.0%
Junior management 86.6%

STANDARD BANK
AT A GLANCE

OUR PEOPLE

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Black employees (South African citizens)
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Senior management 40.7%
Middle management 68.0%
Junior management 86.6%
Suppliers and operational charges

- R18.1 billion to 9,300 businesses

Taxation

- R5.2 billion, one of SA’s largest taxpayers

Dividends

- R9.3 billion to 60,000 shareholders

Reinvested

- R5.3 billion for growth on the African continent

12 million retail customers

Custodians of over R900 billion of deposits and current accounts

Over 5 million inclusive account holders

R23 billion in affordable home loans since 2010

Level 2 BEE status in 2017

> 6,000 entrepreneurs supported through our Incubator since 2015

Process 4.8 million transactions a day

641 branches, over 7,000 ATMs

R18.9 million of our total procurement spending went to BEE suppliers

SHARED VALUE FOR SOUTH AFRICA
WHAT CONCERNS OUR STAKEHOLDERS?

Whether you are a first-time home buyer looking for a home loan, a small business needing working capital, an employee growing your career, a shareholder wanting to better understand the bank’s strategy, a supplier in our value chain, a policymaker in government, a parliamentarian, a regulator overseeing our conduct, a student with a Standard Bank bursary, or a young professional considering a career in banking, you are affected by our activities.

We are working to better understand what matters to you: We know that economic transformation matters to our stakeholders. We seek to contribute to a more inclusive and growing economy by providing financial solutions tailored for African markets, which contribute to Africa’s economic growth, support job creation, and help to economically empower individuals and businesses. In doing so, we simultaneously expand the market for our products and services, making Standard Bank a more viable and sustainable business.

<table>
<thead>
<tr>
<th>FINANCIAL CAPITAL</th>
<th>Investors</th>
<th>Savers and pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUMAN CAPITAL</td>
<td>Our people and their trade union representatives</td>
<td></td>
</tr>
<tr>
<td>SOCIAL AND RELATIONSHIP CAPITAL</td>
<td>Civil Society</td>
<td>Media</td>
</tr>
<tr>
<td>MANUFACTURED CAPITAL</td>
<td>Suppliers</td>
<td></td>
</tr>
<tr>
<td>INTELLECTUAL CAPITAL</td>
<td>Our people</td>
<td>Academics</td>
</tr>
<tr>
<td>NATURAL CAPITAL</td>
<td>Environment</td>
<td></td>
</tr>
</tbody>
</table>

STAKEHOLDER ENGAGEMENT
- Attending parliament
- Regular meetings and discussions
- Road shows
- Round table and dialogues
- Focus groups and surveys
- Research
- Reports
- Investor relations
- Media monitoring

OUR CUSTOMERS
Some of the issues that matter and that Standard Bank has influence on or responsibility for:

- Human rights
- Preferential procurement
- Solutions for indebtedness
- Intra-Africa trade
- Drought
- “Always on Banking”
- Managing costs
- Cybersecurity
- Higher education funding
- “SA Sovereign down grade”

ECONOMIC TRANSFORMATION

Being a catalyst for economic change in Africa?

- Ownership and management control
- Employment equity
- Skills development
- Preferential procurement
- Access to financial services
- Empowerment financing and enterprise development
- Socio-economic development
CEO Initiative
A number of Standard Bank’s leaders have been working with government, organised labour, and other corporations, to enhance the competitiveness of the South African economy, and build investor confidence.

Black professional organisations
Organisations like the Black Management Forum (BMF), Association of Black Securities and Investment Professionals (ABSIP), and the Association for the Advancement of Black Accountants in South Africa (ABASA), are important partners in economic transformation. We support these organisations in various ways including sponsorships.

Political Economy Work
After meeting with a wide range of South African stakeholders early in 2016, including political parties, black professional organisations and trade associations, and civil society groups, we embarked on a number of initiatives to meet their legitimate expectations of a leading South African bank. These initiatives fall within our strategy work stream that seeks to contribute to a changing political economy; one that supports inclusive growth and economic transformation.

WHAT CONCERNS OUR STAKEHOLDERS?

BUILDING TRUST THROUGH STAKEHOLDER ENGAGEMENT

GOVERNANCE AND REPORTING BACK TO STAKEHOLDERS

- Stakeholder engagement policy
- Quarterly reporting to the board
- Annual general meeting

STAKEHOLDER ENGAGEMENTS IN 2016

Road shows
- Investor relations

Dialogues
- Corporate social investment

CEO Initiative
A number of Standard Bank’s leaders have been working with government, organised labour, and other corporations, to enhance the competitiveness of the South African economy, and build investor confidence.
Civil society organisations and think tanks

Standard Bank values the critical role played in our society by organisations that build South Africa’s social and intellectual capital. We support several organisations, including Section 27, the Centre for the Advancement of the South African Constitution (CASAC), the Mapungubwe Institute for Strategic Reflection (MISTRA), and the Helen Suzman Foundation (HSF).

Democracy Support Programme

We continue to fund political parties represented in the National Assembly as a contribution to a robust and maturing democracy in South Africa.

Political Party Funding – R2 187 897

STAKEHOLDER RELATIONSHIP ASSESSMENT

What
Social capital is the intangible value that is created through the networks of relationships between people and organisations. Underpins and supports a well-functioning society and productive economy.

How
Standard Bank supports various initiatives and engages with many organisations as an investment in social capital. In 2016, we piloted an assessment of our relationships with a number of important stakeholders to better understand their expectations of us, and whether or not these are being met.

Why
This approach helps us to focus on the quality of our stakeholder engagements, whether we are building social capital and trust, and where we need to improve.

Democracy Support Programme
We continue to fund political parties represented in the National Assembly as a contribution to a robust and maturing democracy in South Africa.

Political Party Funding – R2 187 897

Measuring Social Capital

WHAT CONCERNS OUR STAKEHOLDERS?

LET US KNOW WHAT YOU THINK
We welcome your views on this report. Please email the Group Policy, Advocacy and Sustainability team at GPAS@standardbank.co.za with your feedback.
DELIVERING SOCIAL, ECONOMIC AND ENVIRONMENTAL (SEE) VALUE

Our Report to Society explains how we create shared value, how we’re responding to social, economic and environmental issues in Africa, the changes we’re making within the bank to better meet the expectations and requirements of our stakeholders, and the steps we’re taking to ensure the long-term sustainability of our business.

The full edition will be available from the end of April 2017.

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

Africa is our home, we drive her growth.
What are the Social, Economic and Environmental (SEE) needs in Africa?

What contribution can financial services make to meeting these needs?

SEE our impacts:
SOCIAL, ECONOMIC AND ENVIRONMENTAL

- Invest in Infrastructure (energy, water, transport and ICT)
- Contribute to employment creation
- Promote environmental sustainability (and climate change mitigation and adaption)
- Combat financial and cybercrime and corruption
- Invest in financial inclusion
- Invest in enterprise development, entrepreneurship, and innovation
- Invest in education, learning and development
- Facilitate inclusive economic growth
- Advance African economic integration and development
- Support good governance

“We are more than a bank”
ABOUT THE STANDARD BANK GROUP (SBG)

Africa is our home, we drive her growth

We are a financial services company, in, for and across Africa. We are more than just a bank, our role in society is greater than simply the products and services we provide. We are a driver of inclusive economic growth in Africa and our success and long-term profitability depends on the stability and wellbeing of this continent that we call home.

We strive to use the power of financial services to make a better life for fellow Africans – giving people the financial tools they need to grow as individuals and business owners. We believe we can, and do, make a positive difference to the lives of our fellow Africans, in a lasting and powerful manner.

We operate in 20 African countries and are headquartered in Johannesburg. Our primary listing is on the Johannesburg Stock Exchange (JSE) in South Africa, with a secondary listing in Namibia. Subsidiary banks are listed on exchanges in Kenya, Malawi, Nigeria and Uganda.

We serve three broad client groups:

- **PERSONAL & BUSINESS BANKING (PBB)** provides banking and other financial services to individual customers and small and medium-sized enterprises (SMEs).

- **WEALTH** (inclusive of Liberty and Stanlib) offers investment management, fiduciary services, long- and short-term insurance, and wealth management services for high net worth individuals. Currently, our wealth services are available to our clients in South Africa, Ghana, Kenya, Mauritius, Nigeria, Jersey and London.

- **CORPORATE & INVESTMENT BANKING (CIB)** offers corporate and investment banking services to clients, including governments, parastatals, big businesses, multinationals, financial institutions and international counterparties.

47% of Standard Bank is owned by South Africans, primarily through the South African Government Employees Pension Fund (GEPF), which has a 12% stake, as well as other institutional shareholders representing retirement funds and ordinary savers. Industrial and Commercial Bank of China Ltd (ICBC), the world’s largest bank, is a 20% shareholder. This strategic relationship enables Standard Bank and ICBC to work together to facilitate investment flows and commercial relationships between China and Africa.

**DOING THE RIGHT BUSINESS, THE RIGHT WAY**

**Our values and code of ethics** provide our framework for doing the right business in the right way and building trust with our stakeholders, and support values-based behaviour.

**Our code of ethics** is in line with globally recognised anti-corruption and corporate governance legislation and principles. It has been certified by the Ethics Institute of South Africa as conforming to the highest standards of international best practice.

**Our staff training and engagement programmes** include a strong focus on our ethics and values. Our performance management system also assess adherence to our ethics and values, and these assessments influence how our people are rewarded.

**12**
Our code of ethics addresses the following:

- Treating customers fairly
- Providing secure banking facilities
- Providing professional development opportunities
- Evaluating performance objectively
- Sustainable value creation for shareholders
- Adhering to good corporate governance
- Engaging in political activities responsibly
- Protecting intellectual property
- Avoiding anti-competitive behaviour
- Rewarding innovation
- Working in unity
- Respecting human dignity
- Protecting our physical assets
- Honesty
- Addressing conflicts of interest
- Combating unethical and criminal activities
- Prohibiting giving and receiving of bribes
- Prohibiting facilitation payments
- Responsibly giving and receiving gifts

BEE SCORECARD

<table>
<thead>
<tr>
<th>BEE category</th>
<th>Element</th>
<th>Element weighting</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct empowerment</td>
<td>Ownership</td>
<td>14</td>
<td>16.61</td>
</tr>
<tr>
<td></td>
<td>Management control</td>
<td>8</td>
<td>5.55</td>
</tr>
<tr>
<td>HR Development</td>
<td>Employment equity</td>
<td>15</td>
<td>11.95</td>
</tr>
<tr>
<td></td>
<td>Skills development</td>
<td>10</td>
<td>9.05</td>
</tr>
<tr>
<td>Indirect empowerment</td>
<td>Preferential procurement</td>
<td>16</td>
<td>16.00</td>
</tr>
<tr>
<td></td>
<td>Empowerment finance</td>
<td>15</td>
<td>15.00</td>
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<tr>
<td></td>
<td>Enterprise Development</td>
<td>5</td>
<td>4.80</td>
</tr>
<tr>
<td></td>
<td>Socio-economic development</td>
<td>3</td>
<td>3.00</td>
</tr>
<tr>
<td></td>
<td>Access to financial services</td>
<td>14</td>
<td>12.60</td>
</tr>
<tr>
<td><strong>Total score</strong></td>
<td><strong>100</strong></td>
<td><strong>94.56</strong></td>
<td>**</td>
</tr>
</tbody>
</table>
OWNERSHIP AND MANAGEMENT CONTROL

WHO OWNS STANDARD BANK?

Our shares are publicly traded on the JSE and many of our shareholders are ordinary South Africans who own a stake in Standard Bank through their pension funds. Many of our staff members are also shareholders. We very deliberately allocate shares to all our senior employees as part of their remuneration package – it helps to ensure that they have a vested interest in the long-term success of the company.

Tutuwa
In the 10 years following its launch in 2004, Standard Bank’s BEE Scheme, Tutuwa, created more than R10.7 billion in wealth for participating individuals, small businesses, communities and strategic partners. Almost 6 500 individuals and businesses benefited from the transfer of real assets. Beneficiaries included more than 6 100 current and past Standard Bank employees, two broad-based strategic partners, 261 SMMEs and a community foundation.

Standard Bank considered it imperative to have, among its empowerment partners, leading black business groups which would provide leadership in assisting Standard Bank management to meet our strategic business objectives in a rapidly transforming South African banking market. Standard Bank’s key strategic BEE partners were Safika and Shanduka, who collectively owned 2.2% percent of Standard Bank under the scheme, and benefited from value creation of R4.3 billion.

The beneficiaries of the Tutuwa Managers’ Trusts received cash distributions of R900 million over the life of the scheme; their shares were worth R3.1 billion after debt as the end of December 2014. In line with our commitment to provide beneficiaries with flexibility to suit their individual requirements and preferences, all beneficiaries were given the option to remain in the scheme for another five years, to take delivery of shares after settling debt, or receive net cash proceeds.

In 2006, 8.9 million ordinary Standard Bank shares were transferred to 250 qualifying black SMMEs. A number of additional SMMEs were subsequently incorporated into the scheme, taking the total to 261 SMMEs by December 2014. Collectively, these firms received cash distributions of R260 million during their participation in the scheme, providing them with a buffer against the economic volatility of this period. This component of the scheme was worth nearly R1.1 billion after debt and the SMMEs were able to choose whether to retain their shares or receive cash.

Aside from creating value for the more than 6 100 individual beneficiaries, the 261 SMME businesses, and the two strategic BEE partners, the scheme also resulted in more than R1 billion in tax contributions to the fiscus.

The scheme also enabled the establishment of the Tutuwa Community Foundation, launched in 2016. The non-profit foundation aims to ensure that South Africa makes the most of the potential of our young people, by supporting their educational development. (See more on this under the CSI Pillar)
Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of section 56 of the Companies Act.

We have many shareholders – mostly institutional investors representing millions of ordinary people saving and investing for their retirements.

Top ten shareholders

<table>
<thead>
<tr>
<th>TEN MAJOR SHAREHOLDERS1</th>
<th>2016 Number of shares (million)</th>
<th>% holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial and Commercial Bank of China</td>
<td>325.0</td>
<td>20.1</td>
</tr>
<tr>
<td>Government Employees Pension Fund (PIC)</td>
<td>191.0</td>
<td>11.8</td>
</tr>
<tr>
<td>Allan Gray Balanced Fund</td>
<td>36.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Investment Solutions</td>
<td>29.5</td>
<td>1.8</td>
</tr>
<tr>
<td>GIC Asset Management</td>
<td>26.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Vanguard Emerging Markets Fund</td>
<td>21.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Allan Gray Equity Fund</td>
<td>20.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Old Mutual Life Assurance Company</td>
<td>18.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Dimensional Emerging Markets Value Fund</td>
<td>16.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Stewart Investors GEM Leaders Fund</td>
<td>14.0</td>
<td>0.9</td>
</tr>
</tbody>
</table>

1 Beneficial holdings determined from the share register and investigations conducted on our behalf in terms of section 56 of the Companies Act.

Around the world, the ownership of banks is closely regulated to promote the stability of the banking system. These regulations have become considerably stricter following the Global Financial Crisis, as governments have introduced new requirements for the shareholders of banks to avoid tax-payer bailouts in the event of any future bank failures. The Basel III global standards outline these requirements, which apply to many countries, including South Africa, and are a vital instrument in the safety of the financial system. This means that investors taking a significant stake in a bank need to have enough capital to cover any potential losses that might arise without resorting to taxpayer support.

Standard Bank’s largest shareholder is also the world’s largest bank – the Industrial and Commercial Bank of China. ICBC has a 20.1% stake. The second largest shareholder is the South African Government Employee Pension Fund with a 11.8% stake. There are a number of other institutional investors in Standard Bank who are the custodians of the savings and investments of many ordinary South Africans.

BOARD OF DIRECTORS
Standard Bank South Africa (SBSA) employed 32,805 people in 2016. While we are making strides in achieving employment equity, we still have some way to go at the top management levels of the organisation. This is a matter that is receiving the full attention of the bank’s board and its senior management team.

As a bank that operates in twenty African countries, we strongly believe that one of our strengths is the diversity of our people, and we are actively working to ensure that our people reflect the societies in which we operate.
Still more to do

Top management
22.2%  
(2015: 20.9%)

<table>
<thead>
<tr>
<th></th>
<th>Weighting points</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYMENT EQUITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior management – black</td>
<td>3</td>
<td>2.04</td>
</tr>
<tr>
<td>Senior management – black women</td>
<td>2</td>
<td>1.10</td>
</tr>
<tr>
<td>Middle management – black</td>
<td>3</td>
<td>2.72</td>
</tr>
<tr>
<td>Middle management – black women</td>
<td>2</td>
<td>1.89</td>
</tr>
<tr>
<td>Junior management – black</td>
<td>2</td>
<td>2.00</td>
</tr>
<tr>
<td>Junior management – black women</td>
<td>2</td>
<td>2.00</td>
</tr>
<tr>
<td>Disabled employees – black</td>
<td>0.5</td>
<td>0.09</td>
</tr>
<tr>
<td>Disabled employees – black women</td>
<td>0.5</td>
<td>0.11</td>
</tr>
</tbody>
</table>
In South Africa, our Experience® Work survey asked employees whether they had seen progress in our efforts to support diversity, and if the bank’s commitment to employment equity had become more visible over the last two years. 83% of participants in the survey agreed that progress is being made, and that there is a discernible increase in the commitment to employment equity, zero tolerance for racism and sexism in the workplace, and support for diversity.

83% felt Standard Bank was a diverse and inclusive business.

55% (18,365) of our employees in South Africa participated in the Experience® Work survey. One of the measures of the survey is the Employee Promoter Score, which is calculated by aggregating employee responses to three questions:

- 83% felt Standard Bank was a diverse and inclusive business.
- The Industry average Global Financial Services voluntary attrition rate: 14.3%
In South Africa, we piloted a new exit management process in 2016 to deepen our understanding of why people choose to leave the bank especially for talented black people. These insights help inform our efforts to continuously evolve the culture and working environment to meet the changing needs of our people. This process will be implemented across all our operations in 2017. The findings are reviewed by our Group Social and Ethics Committee.

86% OF OUR PEOPLE SAID YES TO THE FOLLOWING QUESTIONS:

- ‘Does Standard Bank energise me to go the extra mile?’
- ‘Would I recommend Standard Bank as a good place to work?’
- ‘Am I proud to be associated with Standard Bank?’

Improved employee promotor score from 77% in 2014 to **86% in 2016**.

**Regrettable voluntary attrition rate**
Regrettable exits are defined as voluntary exits achieving either an “Exceeds Expectations” or “Expectations Fully Met” performance rating, within the last performance period. This is expressed as a percentage of Average Headcount.

86% in South Africa

Regrettable voluntary attrition rate
2.1%

Employee experience
Standard Bank invests in developing our people at all levels of the organisation. At senior levels, we promote employment equity through our Leadership Development programmes. During 2016, 2,460 employees took part in one of these programmes in South Africa, and almost 70% of these employees were black. We invested more than R890 million – 3% of total staff costs – in staff development, and provided over R30 million in bursaries for staff members.

We offer learnerships for black matriculants and graduates, which provides young people from disadvantaged backgrounds with an opportunity to work in the bank and learn about different aspects of our business. Each learner is assigned a coach, mentor and line manager. On completion of the programme (12 to 18 months), participants receive a nationally recognised qualification. Since inception in 2008, 3,441 learners have completed the programme. Of these, 80% have been offered employment in Standard Bank. In 2016, 174 new graduates were employed by the bank: more than 80% of these new recruits were black and 46% were women; and more than 1,500 learners gained work experience. Standard Bank achieved the maximum score for the learnerships, internships and apprenticeships element of the Skills Development Pillar in the BEE Scorecard.

BLACK SOUTH AFRICAN REPRESENTATION IN MANAGEMENT

<table>
<thead>
<tr>
<th>Level</th>
<th>Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior</td>
<td>86.6% (2015: 85.3%)</td>
</tr>
<tr>
<td>Middle</td>
<td>68.0% (2015: 67.0%)</td>
</tr>
<tr>
<td>Senior</td>
<td>40.7% (2015: 39.5%)</td>
</tr>
<tr>
<td>Top</td>
<td>22.2% (2015: 20.9%)</td>
</tr>
</tbody>
</table>

TRAINING SPEND FOR SKILLS DEVELOPMENT: R890 MILLION

<table>
<thead>
<tr>
<th>Programme</th>
<th>Black South Africans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduate programme</td>
<td>81%</td>
</tr>
<tr>
<td>Leadership development</td>
<td>67%</td>
</tr>
</tbody>
</table>

PROMOTION DURING 2016

- Promotions into junior and middle management: +50% black South Africans
- Promotions into senior and executive management: +90% black South Africans
In May 2016, the government established a Ministerial Task Team to develop a comprehensive funding and student support model for poor and ‘missing middle’ students. The team has developed the Ikusasa Student Financial Aid Programme (ISFAP) pilot, to be launched in February 2017 for selected new university and Technical and Vocational Education and Training (TVET) college entrants. ISFAP will fund the ‘missing middle’ students who are not currently funded by National Student Financial Aid Scheme (NSFAS), drawing on funding from government and the private sector. Standard Bank will be contributing R25 million to ISFAP, to support the launch of a pilot programme in 2017. We have also seconded a staff member from our Business & Commercial Banking team to work full time at the NSFAS.

We also gave bursaries to 140 students for degrees in the fields of mathematical and actuarial science, technology, engineering and commerce. As a member of the Business-Government-Labour Initiative, we are involved in the development of the Youth Employment Scheme, which aims to provide work opportunities in the private sector to one million young people over a three-year period, starting in mid-2017.

We know that there is a need for us to do more to support higher education in South Africa: to invest in new generations of leaders and managers, scientists and engineers. We are making a positive contribution through our skills development spending and our corporate social investment programmes (see more on this below). However, we firmly believe that we can make a much greater impact by leveraging our core capabilities as a bank to develop innovative financial solutions for students and institutions of higher education.

Innovation in education

Discovery Foundation

R20 million to surety for missing middle students

79 students provided with student loans through Discovery Foundation

FINANCIAL INNOVATION IN EDUCATION

Standard Bank is also engaging with universities and corporate donors to develop alternatives to the surety traditionally required by students to obtain a loan. We are currently piloting a programme in conjunction with the University of Pretoria’s medical school and the Discovery Foundation Fund. In 2016, the initial year, we dispersed R2.8 million to 79 students. This collaboration enables the fund to have a greater impact, as the funds can be used as surety to provide additional student loans, at a total value greater than that of the fund’s value, to students who do not usually qualify for typical student loans or government grants – commonly known as the “missing middle students”. We believe this solution has the potential to substantially expand the number of students that could qualify for an affordable loan, on a sustainable basis.
INVESTING IN EDUCATION SUPPORTS INCLUSIVE ECONOMIC GROWTH

We believe that investment in improving educational outcomes is a crucial part of the effort to unleash Africa’s potential and drive her growth. We invest in education – from early childhood development to tertiary level – to nurture and develop our future employees, the young entrepreneurs who will start new businesses, and the girls and boys who will one day be the next generation of Africa’s leaders. We invest in their future, knowing that in generations to come they’ll be Standard Bankers – as executives, as new clients, as suppliers, and as shareholders.

Nurturing young talent

We aim to attract and retain smart, independent thinkers who are focused, tenacious and energetic, and who will keep our business agile and innovative. We invest in hiring and developing young people with specialised skills and with the potential to become future leaders.

**Standard Bank is recognised as an employer of choice among graduates.** In 2016, the South African Graduate Employers Association placed Standard Bank first as Employer of Choice in the Retail and Commercial Banking sector, and third for Most Aspirational Employer for 2016 across all participating organisations. We took second place in the Best Integrated Recruitment Campaign category for use of diverse means of engagement.

For many young graduates, securing their first job is a daunting challenge. In 2016, we employed 207 graduates across a variety of development programmes. **In South Africa, we employed 174 graduates, of whom 81% were black and 46% were women.** In 2017, we celebrate the 20th anniversary of our graduate programme and the bank’s unwavering commitment to investing in young talent.

In South Africa, we offer learnerships for black matriculants and graduates, providing them with work experience and access to development opportunities and the possibility of full-time employment.

In 2016, we assisted 1 516 learners in South Africa to gain workplace experience and the possibility of full-time employment. **Standard Bank achieved the maximum score** for our skills development scorecard for black people on learnerships, internships and/or apprenticeships. We also provided bursaries to 140 deserving tertiary students studying for degrees in the fields of mathematical and actuarial science, technology, engineering and commerce in South Africa in 2016.
BUILDING SKILLS IN THE IT INDUSTRY

We’ve forged partnerships with a number of universities, to help to align their IT curriculums with emerging industry requirements. We meet regularly with universities to identify gaps in curricula and improve the business relevance of courses.

Our involvement in training initiatives includes a three-day training course. Our staff teach technical IT skills to students, with a focus on continuous delivery skills, continuous integration skills and agility. During 2016, we sponsored the building of a computer lab at the University of Pretoria; and sponsored 10 students undertaking an Honours course on Big Data at Wits University. We employed 28 new graduates in 2016, identified through our code-jam initiatives.

We’ve also partnered with Africa Teen Geek, on their “#Girl Geek” initiative, which aims to attract female learners to careers in IT.

We sponsored the building of a computer lab at the University of Pretoria.
We use preferential procurement to support black-owned and black women-owned businesses, particularly small and medium-sized enterprises (SMEs), to access procurement opportunities within our supply chain. We work with potential suppliers to identify appropriate opportunities, and provide successful candidates with business development support and access finance. In 2016, we set up a R250 million fund to support the development of small businesses within our supply chain over the next five years. **We achieved the maximum of 16 points for preferential procurement on our B-BBEE scorecard.**

Standard Bank runs a year-long Supplier Development Programme, to help potential black-owned and black women-owned suppliers navigate the tender process. A business development service provider, appointed by Standard Bank, assists SMEs in areas like marketing, credit professional services and physical security services, upgrading infrastructure, improving financial management and building capacity.

We continue to make efforts to shift procurement of goods and services from foreign suppliers to local suppliers where possible, and where appropriate, to black-owned and black women-owned suppliers. For example, to further ensure the sustainability of IT skills which continue to remain in high demand and short supply, our IT department has commenced the process to re-integrate the testing capability from India back into South Africa. The resource requirements are being addressed through our reskilling initiatives in the new Ways of Working and the transition will commence in 2017.

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**PROMOTING ENTERPRISE DEVELOPMENT (ED) THROUGH THE SUPPLY CHAIN**

- **R18.9 million** of our total procurement spending went to BEE suppliers
- **Achieved maximum of 16 points for preferential procurement on our B-BBEE scorecard**
- **27% of total procurement spend** with black-owned businesses
- **25% of total procurement spend** on QSEs* and EMEs**
- **14% of total procurement spend** on black woman-owned businesses

* A business with an annual turnover more than R10 million but less than R50 million qualifies as a Qualifying Smaller Enterprise (QSE).

** Start-up companies qualify as an Exempted Micro Enterprise (EME) and are exempt from being measured on a BEE scorecard.
Standard Bank made a number of changes to our procurement policies and practices during 2016. Under the banner of Project Ignite, we strengthened and standardised procurement capability in our countries of operation, introduced a Group Sustainable Procurement Standard, and implemented steps to encourage sustainable practices within our value chain. These efforts were recognised at the Chartered Institute of Procurement and Supply annual awards, in May 2016, where Standard Bank Africa Procurement won Best Procurement and Supply Consultancy Project of the Year, and Procurement and Supply Chain Management Professional of the Year, and was noted for ‘sustainable procurement excellence’.

### PROCUREMENT TO EMPOWER LOCAL BUSINESSES AND SUPPORT ECONOMIC TRANSFORMATION

<table>
<thead>
<tr>
<th>Score</th>
<th>2016</th>
<th>Available points</th>
</tr>
</thead>
<tbody>
<tr>
<td>All suppliers, levels 1 to 8</td>
<td>8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Qualifying small enterprises and exempted micro-enterprises – levels 1 to 8</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Black-owned</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Black women-owned</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Total score</td>
<td>16.0</td>
<td>16.0</td>
</tr>
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</table>
Research demonstrates that financial inclusion is related to economic growth, efficiency, dignity and welfare. Low levels of financial inclusion undermine the integrity of the financial system and pose a risk to socio-economic development. The Government of South Africa has taken many steps to adjust the regulatory framework in a way that supports greater financial inclusion, including making the National Payments System accessible to a broader range of players, including non-bank payment providers. Recent proposals for regulatory reform in the insurance sector include measures that are aimed at facilitating new entrants, as well as new insurance products for lower-income customers.

Standard Bank is committed to finding new ways to extend access to financial services to the most under-served and unbanked individuals, entrepreneurs, and small enterprises. We aim to provide banking products and services that deliver what really matters to these customers: safety and security, convenience and affordability.

For example, Standard Bank’s Instant Money App has generated nearly R800 million of economic activity by South Africans, as at September 2016. Customers making use of this service would typically have relied on cash transactions previously. Nearly 10.5 million vouchers were issued between January and September 2016, a 16% increase compared to the same period in 2015. More than 1.2 million transactions were processed in 2016 at an average value of R669 per voucher.

We are also developing new payment solutions to make it easier for small businesses to process non-cash payments – reducing the security risks associated with handling cash.

SnapScan
– using cellphones to pay at point of sale
Partnering with fintechs that enable financial inclusion

An example of this is our SnapScan App, with 500 000 registered customers, which enables customers to use their phones to pay at the tills. This service makes payments more accessible, more affordable, and more secure – both for the customer and for the merchant or shopkeeper.
The inclusive banking market in South Africa is estimated to account for 84% of the banked population.

Effectively reaching the unbanked or under-banked market depends on understanding the needs and requirements of these customers. Our Inclusive Banking unit conducts community needs assessments to determine the appropriateness of our products and services to the low-income market.

Our strategy is to provide banking products and services that are simple, transparent, convenient and affordable to financially active people who typically earn less than R8 000 a month. We aim to increase volume and revenue in our Inclusive Banking business.

### Inclusive Banking Input 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
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<tbody>
<tr>
<td>Number of AccessAccounts</td>
<td>5 131 453</td>
</tr>
<tr>
<td>Number of AccessSave accounts</td>
<td>785 445</td>
</tr>
<tr>
<td>Value of AccessSave (Rm)</td>
<td>848</td>
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<tr>
<td>Number of society schemes (stokvels)</td>
<td>69 648</td>
</tr>
<tr>
<td>Value of society schemes (stokvels) (Rm)</td>
<td>1 488</td>
</tr>
</tbody>
</table>

We recognise the need for affordable banking products and services, especially for low-income customers. We have provided a range of no-cost services that allow customers to transact and withdraw cash with no charge: including cash withdrawals from retailers, use of debit cards at tills, and the use of cell phone and Internet banking to check balances. We continue to raise awareness of these options with our customers to cut down on their bank charges.

Another way in which we are making financial services more accessible is by working with our business clients to use their premises to make banking services available to their employees.

We’ve established mini ‘branches’ within some of our clients’ offices, with access to a device or kiosk enabling electronic transactions. These are staffed by Standard Bank staff members for certain hours every week, enabling people to bank without needing to leave their place of work. We’ve also installed new ATMs onsite in some instances.

A large proportion of Africans remain unbanked. Working in partnership with mobile companies and other fintech services, we’re developing new, low-cost products that meet basic banking needs, while maximising customer convenience, such as our MasterPass virtual wallet service.

**Mini ‘branches’**

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**MasterPass**

- virtual wallet service

Partnering with fintechs that enable financial inclusion

**MasterPass**

- virtual wallet service

Partnering with fintechs that enable financial inclusion

**MasterPass**

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Partnering with fintechs that enable financial inclusion

**MasterPass**

- virtual wallet service

Partnering with fintechs that enable financial inclusion
Banks are subject to strict prudential regulatory requirements in order to protect depositors, and to promote financial stability in the economy. These prudential requirements directly shape how banks manage their lending business, including how banks have to assess and manage credit risk. So, while we recognise the imperative to improve access to finance for all South Africans, we are, appropriately, required to operate within a strict regulatory framework. When banks lend money to individuals and businesses, we need to do so in a way that minimises the risk of default. It is vital and morally obligatory to prudently manage the money entrusted to us by our customers. We do not lend our money, but that of our depositors. It is also important to protect the borrower, who may otherwise become trapped in a cycle of debt.

In 2016, unfortunately 28 houses were repossessed after all other options were exhausted. This is always our last resort: we have a number of ways to help distressed customers and keep them in their homes. While this is only 0.01% of the homes we finance is always regrettable.

The introduction of government’s consumer credit policy was an important step in making financial markets work for all South Africans and in facilitating the policy objectives of financial inclusion and consumer protection. The regulatory framework for consumer credit has important objectives to ensure access to credit is fair, accessible and meets the objective of financial inclusion for the country. These objectives are essential for real, positive impacts to be made in people’s lives, socially and economically.

In our experience, we have found that there are unintended consequences arising from the National Credit Act (NCA), in terms of access to home loans, including affordable housing. For example, in 2016, 77% of affordable housing loan applications and 68% of overall credit agreement applications were rejected, owing in part to stricter affordability assessment rules designed to curb excessive short-term and unsecured lending.

Credit is vital to a well-functioning economy and is a central pillar of financial inclusion. Credit enables the purchase of wealth-generating assets such as homes and income-generating assets such as vehicles and student loans. Consumer credit is an important source of finance for entrepreneurs and small enterprises. However, as powerful as credit can be, it can also be detrimental. Therefore, the proper functioning of consumer credit markets is essential for financial inclusion and broader economic transformation, and also to ensure the financial health and protection of credit consumers.

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RESPONSIBLE LENDING

Standard Bank is committed to finding ways to make credit more affordable and accessible to ‘high-risk’ customers, such as entrepreneurs, small business owners, first-time home buyers and students. We’re doing so within strict legislative and risk management parameters, but we’re making progress. We welcome partnerships with big business, government, and SMEs to develop and implement new solutions.

The socio-economic effects of borrowing depend on what loans are used for. Lending that enables people to build up human capital or other assets has positive macroeconomic and social effects. According to Standard Bank’s customers, 26% of loans are used for home improvements, 22% for motor vehicles, and 7% for education. In other words, 55% of our unsecured lending goes to uses that should enhance incomes and welfare in the long run.

Secured lending is generally more beneficial to consumers than unsecured lending. Secured lending has fewer risks, usually represents a medium- to long-term contract, and is wealth creating.

Affordable housing

98 477

affordable homes financed by 2016

AFFORDABLE HOUSING

Enabling people to buy a home is one of the most important functions that a bank plays in society. A home provides shelter and dignity for families, as well as the opportunity to build wealth. Standard Bank is the largest provider of home loans in South Africa, including affordable housing.

In 2016, we increased the number of affordable housing loans to 98 477 homes. In this market, we finance housing units priced mainly between R350 000 and R670 000, with an average bond of about R370 000.

We provide first-time home buyers with voluntary borrower education that provides information on the processes involved in buying a home, the definitions of the various terms and conditions, and the role of credit life insurance and home owners’ insurance. In 2016, more than 1 600 customers participated in this programme.

Standard Bank offers customers facing financial difficulties several options to restructure their home loans. In 2016, we helped 5 662 of our affordable housing customers to ease their financial pressures and stay in their homes.

We know that much more is needed to meet the need of South Africans for housing, and we engage regularly with the Department of Human Settlements and other stakeholders to find solutions to this pressing development challenge. One issue that we have emphasised is the perverse effect of well-intentioned consumer credit regulatory reform on home loans. Unfortunately, legislative amendments aimed at dealing with over-indebtedness associated with unsecured and short-term loans, have made the home loans business more difficult.

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WHY AND HOW DO WE CLOSE ACCOUNTS

A bank account is an important component of financial inclusion and economic citizenship. It provides customers with security and convenience: to receive a salary, to pay rent, and to save for the future. Standard Bank does not take the closing of a person’s or a business’s bank account lightly. There is a governance process in place to ensure that the rights and obligations of all parties are protected. (See diagram below).

We actually close very few accounts – less than 0.0002% of all customer accounts each year.

The primary reasons for closing accounts are:

- customers who engage in racist abuse of our staff
- customers who threaten our staff with violence
- failure to comply with regulatory requirements
- fraud
- sexist abuse of staff

All South African banks are required to comply with national legislation and international rules and standards to combat terrorist financing and money laundering. As a member of the G20, South Africa aligns to international standards set by the Financial Action Task Force (FATF) to combat money laundering and terrorist financing. Our ability to make and receive international payments and to lend and borrow money in international markets depends on our compliance with these rules.

The FIC Act requires banks to implement ‘know your customer’ requirements – essentially, we need to understand who our customers are and to monitor their financial transactions for any unusual and possibly suspicious activity. Similarly, POCA criminalises activities in relation to the proceeds of crime and prescribes civil proceedings aimed at ensuring that the proceeds of crime are seized and rendered to the state. Standard Bank personal banking has around 12 million customers. We make every effort to ensure all our customers remain compliant and in good standing. When we are unable to do so, for whatever reason, we are sometimes compelled to close their accounts. Such action is, however, very infrequent.

KNOW YOUR CUSTOMER – KYC

Know Your Customer (KYC) is a crucial compliance requirement for banks the world over. It’s how we ensure that our services are not being used to process fraudulent, illegal or corrupt transactions, or used to channel funds to support terrorism or other illegal activities. But it’s often the source of frustration for customers, who might be unable to proceed with a transaction, or might find their bank account frozen, because they have failed to comply with KYC requirements. Over the past several years, we’ve been implementing electronic document management in all our countries of operation, to make the KYC process more efficient, and less of an inconvenience for our customers.

Standard Bank has a tool to determine customers’ risk profile. We consider Products and Services, the Distribution Channel, type of customer (personal or business for instance), the business activity/occupation of the person, the jurisdiction they are in, and other risk factors (transactional behaviour information for instance).

Clients are assessed at high, medium or low risk. There are different client review intervals for high, medium and low risk clients:

- High risk: Every year
- Medium risk: Every three years
- Low risk: Every two years

All high risk clients must undergo an enhanced due diligence process, and there must be processes in place to ensure monitoring of these clients and their transactional behaviour.
A TRUSTED BANKING SYSTEM

The practice of international banks de-risking (pulling out of a country) to manage regulatory pressures and to reduce their risk has increased over the last few years. The impact of this is not only the exit of some banks from certain countries, but it is also about the unintended, far-reaching consequences to the financial system as a whole, and countries’ access to the global financial system.

In Africa, as international banks exit, these countries’ ability to make and receive payments to other jurisdictions decreases, cross border trade decreases thereby widening the finance trade gap, financial inclusion is set back, and it becomes harder for people to send money to family and others in other countries via remittances. As people lose access to traditional banking services, less safe and more informal options may be used.

In 2015, 40% of global banks terminated their correspondent banking relations due to risk associated with KYC. A report by SWIFT shows that de-risking has cost South African banks more than 10% of the foreign counterparty relationships between 2013 and 2015. De-risking is directly linked to the lack of or non-equivalence of anti-money laundering and counter terrorist financing controls being in place, the increased cost of capital associated with higher risks, and the costs and complexities necessary to ensure appropriate levels of KYC are maintained through the client life cycle.

South African banks’ systems and compliance with the FIC Act goes some way to ensuring we are not “de-risked”, and in certain African jurisdictions, Standard Bank is one of the few banks that still have correspondent banking relationships.

The SWIFT* report also notes that 75% of foreign banks surveyed reported a decline in correspondent banking relationships. Standard Bank was affected by de-risking in Angola, Lesotho, Malawi, Mauritius, Swaziland, Tanzania, Zambia and Zimbabwe.

* SWIFT is an international network created to help with making secure cross-border payments between banks.

ANGOLA – WHAT HAPPENS WHEN THE BANKING SYSTEM IS NO LONGER TRUSTED?

Angola has had a 37% drop in its foreign counterparties. In December 2016, the only supplier of US dollar banknotes stopped this service. Another large global bank, Standard Chartered, withdrew correspondent banking relationships, and only kept clearing of US dollar payments with the central bank and local kwanza business. Two months later, a European bank stopped clearing payments, and now only one European bank provides dollars to Angolan banks. Only two Angolan banks have direct correspondent banking relationships for US dollars. Some banks offer US dollar service payments, but only through European banks. This has increased costs. In a country with low growth, this creates pressure on the incomes of small- and medium-sized Angolan banks.

CLIENT RISK COMMITTEE

- Chaired by Chief Executives, executives and senior managers
- Meets regularly
- Considers all relationships raised for AML, Credit, Legal or Reputational Risk
- Strict governance in place; members recuse selves in any relation to customer
- If decision made to end the relationship with the client, the “off-boarding” process begins

OFF-BOARDING

- If a customer falls outside of our risk appetite, we will end the relationship
- When a decision is made we give the customer up to 2 months to move their account

an average of 21 customer relationships ended each year
MAXIMISING THE IMPACT OF OUR ED AND EMPOWERMENT FINANCING

Supporting the start-up of new enterprises is the best way to create new jobs. The Financial Sector Code requires that we spend 0.2% of our profit after tax to support enterprise development, the beneficiaries of which are primarily black-owned SMEs (BSMEs). For 2016, we had R27.5 million available to support ED initiatives. However, we recognised that we could do so much more for ED if we were innovative with how we use these funds.

Commercial banks operate within strict regulatory constraints and risk parameters, which makes providing loans to SMEs and start-ups very difficult. A major criticism of banks has been that the lending we do to small businesses is limited to those who can fulfil our standard collateralised lending requirements. We mobilised our ED funds to support ‘business unusual’ BSME lending. We did this by establishing an independent trust whose mandate is to provide collateral and related support to enable BSMEs to access finance from commercial banks. In 2016, we directed approximately R16 million of our ED funds to the trust. The trust used this money to assist ED beneficiaries to access approximately R90 million worth of lending, which they would not have otherwise been able to access.

We leverage the funds available in the trust to reduce the associated risk, enabling the BSMEs to qualify for interest rates much lower than they would have otherwise qualified for.

FOR EXAMPLE, a client providing a transport service might have a vehicle which she can use as 70% of the collateral needed. She can apply to the trust for the remaining 30% of the collateral, and qualify for the loan at an advantageous rate.

We used our remaining ED funds, approximately R11.5 million in 2016, to provide capacity development support to qualifying beneficiary companies, paying for specialists to provide them with general business and financial competencies, as well as technical assistance. For example, if a business can’t qualify for a loan because it lacks adequate financial records, we’ll provide an accountant to help get the records up to scratch. Or, if a construction business has landed a contract but lacks experience, we’ll provide a construction expert to help them ensure the success of the project. We use our core competence to deploy funding into the economy in support of BSME growth and development.

PARTNERING WITH GOVERNMENT ON INFRASTRUCTURE

Standard Bank partnered with government to deliver a number of major infrastructure deals during 2016.

In South Africa, Standard Bank financed renewable energy projects are producing more than 40% of the 1,760 MW produced by independent power producers, under the REIPPP. The bank also co-financed 75% of Solar Capital’s R5 billion De Aar solar farm project.

In the transport sector, Standard Bank and two other South African banks committed to provide R3 billion each to Transnet for the procurement of locomotives.

And in the IT sector, Standard Bank partnered with Vumatel to finance delivery of broadband internet services, in one of the largest ever debt capital raising-based deals of its kind in the fibre-to-household industry. Vumatel plans to invest R3 billion in the project over two years.

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We strengthen the viability of these enterprises through the support we offer, which makes them a better candidate for a commercial bank loan. In total in 2016, we dispersed an amount of approximately R502 million in loans to BSMEs, of which R90 million was provided through the trust.

Our model has enabled us to assist far more BSMEs than would otherwise have been possible – in the process, supporting enterprise growth, sustainability and job creation. We create shared value by mitigating lending risk, while providing the tools needed by the BSME. Our success rate since implementing this model in 2014 has been 100% performance on loans to BSMEs.

Our BizLaunch product is designed for start-up businesses, and offers simple, efficient solutions to make and receive payments. It also enables business owners to insure their personal investment in the business. BizLaunch is available to any new business, including sole proprietors with no trading history, as well as informal enterprises that previously used personal accounts to trade. It includes value-adding services and products.

The BizConnect online platform for SMEs provides expert advice on developing systems, streamlining operations, improving the day-to-day running of a business and improving its growth prospects. It also offers the latest news, trends, statistics and solutions on general business, finance, agriculture and franchising, and allows users to interact with other business owners online.

We also support SMEs through the Standard Bank Incubator Programme. The incubator provides developmental support for start-up enterprises, and access to market opportunities for more established SMEs. The programme offers mentoring, coaching and professional development, together with technical facilities for 3D prototyping and small-scale manufacturing, and opportunities for entrepreneurs to network and identify opportunities for collaboration. The Incubator also runs Showcase days, during which it invite our corporate clients to meet with participating SMEs and explore opportunities to do business together. 6 000 SMEs have made use of the Incubator since 2015, and 150 start-ups became sustainable firms. Some received international recognition. In 2016, we also opened an SME hub in Pretoria, to further increase our reach and support to local entrepreneurs.
SUPPORTING ENTREPRENEURS: THE STANDARD BANK INCUBATOR

The Incubator team is small, but is able to make a big impact by drawing on skills and expertise within other parts of Standard Bank, and by partnering with external organisations dedicated to nurturing entrepreneurs and small businesses.

LIONESSES OF AFRICA, for example, is the digital home for a rapidly growing audience of over 300,000 women entrepreneurs across 49 African countries. We’ve partnered with Lionesses on their monthly Lioness Lean In Breakfast series, which feature inspirational women speakers, and are co-hosted by the CEO of Lionesses and a senior Standard Bank representative. We aim to host 20 of these events across Africa during 2016/2017. We also sponsor Good Morning Lionesses, the organisation’s daily electronic newsletter that is available at no cost to entrepreneurs and Standard Bank customers. And we run a structured three-month Women’s Accelerator Programme, sponsored by Liberty. We sponsored the first Lionesses of Africa Conference, which attracted over 300 of Africa’s leading women entrepreneurs and influencers, in which women entrepreneurs shared their start-up stories, addressed key challenges, and provided inspiration for the next generation of women entrepreneurs.

Our IGNITOR BOOTCAMP AND ACCELERATE PROGRAMME helps entrepreneurs to take their businesses to the next level. Entrepreneurs attend a weekend boot-camp, at which we assess and provide advice on their business proposals. The most promising candidates are selected for three months of acceleration and support. Start-ups can apply for the weekend bootcamp at http://www.ignitor.co.za/. We ran six accelerate programmes in 2016, and we’ve begun partnering with our corporate clients to structure sector-specific accelerators.

We host monthly MASTERS AND MENTORS events in Johannesburg, Cape Town and Durban. Each event attracts over a hundred entrepreneurs, across industries and from every walk of live. Our guest speakers are seasoned entrepreneurs and knowledgeable experts that speak on various topics, from funding to B-BEEE, marketing, scaling and more.

Visit our incubator at:
5 Cradock Avenue, Rosebank, Johannesburg
ROAST REPUBLIC, the on-site coffee shop at the Johannesburg Incubator, is a great example of how creating shared value with our clients helps us to drive Africa’s growth. It gives away 50% of its profits to an NGO called Youthzones, which provides youth development programmes across 43 communities. Since launching, it has opened three new coffee shops, including a coffee shop in a box concept, and has created an additional 16 jobs.

The Incubator also engages with corporate clients to encourage innovation. In January 2017, for example, in a global first, we partnered with GENERAL ELECTRIC to launch a joint Healthcare Professional Accelerator, to build the business and technical skills of healthcare professionals. In 2016, we presented our Incubator framework to the Global Innovation conference/EFMA in Barcelona, and to the World Bank, as a model that could be replicated to support entrepreneurs around the world.

The 2016 winner, ID Works, is a digital platform for artisans to showcase their skills, get rated and receive payment for jobs completed. In March 2016, Giraffe Jobs, the winner of the 2015 South African title, went on to compete with other 63 start-ups from around the world for the title of Seedstars World Global Winner. Giraffe took the top prize, winning $500 000. Its automated mobile recruitment app enables businesses to recruit staff faster and cheaper, and connects medium-skilled jobseekers with opportunities for free. Since launching in February 2015, Giraffe has attracted over 75 000 jobseekers and has placed candidates with hundreds of employers. Their story and others can be found on Standard Bank’s #EntrepreneurialSpirit blog.

We’re also the South African sponsor of SEEDSTARS, a global competition that invites technology entrepreneurs to pitch their business proposals. Start-ups have to get through an initial selection round, and are then invited to pitch to an investment panel and compete for the title of most promising seed-stage start-up. 12 competitors are selected from each of Cape Town, Johannesburg and Durban, and three per city advance to the final round at the Standard Bank Incubator. The competition provides participants with exposure to disruptive technology, inspirational discussions and networking sessions. The winner joins the global Seedstars Family and takes part in the regional and global Seedstars Summits with the opportunity to win up to $1.5 million in investment prizes.

We share our experiences and work with schools, universities, government departments and corporations to explore how the model can be adapted to different environments.
CSI SPENDING ON EDUCATION

We invest about **R100 million in corporate social investment** programmes each year, mostly in education. We offer a variety of bursaries, scholarships and graduate recruitment programmes. Places are unavoidably limited in number, and competition for them is extremely tough. We’ve awarded 257 bursaries to university students since 2011, valued at R70 million.

As part of a banking industry initiative, we’re also working closely with both national departments of education, and with individual schools and universities, to support broader access to quality education, at school and tertiary level. We’re coordinating these efforts through the National Education Collaboration Trust (NECT), mobilising funding, and sharing technical expertise in areas such as ICT, accounting, governance and project management. Standard Bank has contributed R34 million to the NECT initiative since its launch in 2014.

We’re actively engaged in working with government and universities to develop and implement sustainable solutions for affordable, accessible, quality higher education. We’re currently in the process of developing and funding new products to enable more poor and ‘missing middle’ students to go to university and to study successfully. We’ve been closely involved in the development of the Ikusasa Student Financial Aid Programme (ISFAP), which aims to mobilise a range of funding sources, including developmental finance institutions, corporate funding, individual contributions and social impact bonds, to provide loans and/or grants to ‘missing middle’ students. The pilot will be launched this month for selected new university and TVET college entrants.

*Standard Bank, matches contributions made by staff to local charities, welfare, community and other non-profit organisations.
We have committed R25 million to the initiative, covering the total cost of funding for approximately 250 students, inclusive of fees, accommodation, travel, books, meals, social support, life skills training and medical support as required.

We’re also working with universities and corporate donors to develop alternatives to the surety traditionally required by students to obtain a loan. We are currently piloting a programme in conjunction with the University of Pretoria’s medical school and the Discovery Foundation. In 2016, the initial year, we dispersed R2.8 million to 79 students.

**THE SIYAKHA PROGRAMME**

The Siyakha Programme is a partnership between The Centre for Social Development in Africa at the University of Johannesburg and Standard Bank. **It aims to better understand the barriers that young people face when seeking work, and to assess how programmes offering workplace training affect outcomes for youth.** In addition, the programme developed a plan that will improve transformation and financial inclusion in South Africa.

Standard Bank provided participants in the programme with savings accounts, with no opening fees. Early results suggest that participants that opened an account and underwent financial literacy training had a higher sense of employability and were more positive about their future prospects than those who did not.

The study is ongoing and will contribute to a dialogue between the financial institutions, looking at how we structure our products, and government, informing their interventions of youth unemployment and financial inclusion.

**TUTUWA**

The Tutuwa Scheme enabled the establishment of the Tutuwa Community Foundation, launched in 2016. **The non-profit foundation aims to ensure that South Africa makes the most of the potential of our young people, by supporting their educational development.** Its focus is on early childhood development; contributing towards a more effective schooling system; and preparing young people for work. We believe that intervention in these critical spheres will result in significant and enduring social impact. The Foundation will partner with other non-profit organisations operating in target areas. It will fund interventions that have been proven to work, and will support the formation and coordination of knowledge-sharing and networks to ensure that existing interventions are more effective.

To ensure sustainable success, the Foundation is guided by an experienced team. The CEO, Zanele Twala, was formerly director and sector expert in charge of national Early Childhood Development policy formation in the office of the Presidency, and served on the National Planning Commission. The chair, Mpho Letlape, is a former Deputy Vice-Chancellor at the University of Johannesburg.
MORE ON STANDARD BANK’S SOCIAL RELEVANCE

KEEPING THE ECONOMY TRANSACTING

Many South Africans depend on our IT systems to process their salaries and wages, to buy groceries, pay accounts, send money to family in other parts of the country, and to do the various other transactions that we undertake every day, usually without thinking very much about the mechanics of the process. **We are the custodians of R30 billion in customer balances, and process almost 60 million transactions a month. 95% of these transactions are electronic – 569 million card transactions were made in 2016, while 608 million transactions were made through our mobile app, and 1078 million transactions were made using internet banking. We invest heavily in our IT systems, to ensure that these transactions are safe, secure, and convenient for our customers.**

COMBATING CRIME

Fraud and cybercrime are significant risks to our customers. Fraud can be committed using bank cards, for example at point of sale; digitally, for example through online transactions; and by making false applications, for example for home loans or vehicle finance. We continue to have improved success in fighting card fraud and application fraud, where technology and manual processes make it somewhat easier to detect fraudulent activity and intervene. Digital fraud is more challenging, in that it is more difficult for us to ensure that the person undertaking a transaction is in fact our client. The safety of our clients comes first and foremost in any decision we take. During 2016, we considered moving to real time clearing, enabling an electronic transaction to be immediately cleared, to improve convenience for our customers. However, after careful consideration, we decided that the risk of immediate clearing is too high, and that our customers are better served by delayed clearing, which allows us to verify the authenticity of the transaction using fraud detection technology, and gives us time to reverse or stop the transaction, if we suspect fraudulent activity, before the money leaves our customer’s account.

In addition to this, Standard Bank has continued to invest heavily in anti-fraud technology such as Falcon and RiskMinder. These tools identify potentially suspicious transactions and proactively alert customers (and the bank) of these behaviours preventing unnecessary fraudulent transactions and associated losses.

Our focus on keeping our customers safe from fraud has resulted in approximately 90% of fraud being prevented or recovered.

Our Fraudstop and Whistleblowing programmes contributed significantly to this success. The Financial Crime and Cyber teams work in close collaboration to harden the environment and mitigate cyber fraud risk.
SUPPORTING OUR CUSTOMERS AND STAFF DURING TOUGHS TIMES

We take a long-term view. Our commitment to achieving positive outcomes for our customers requires us to stand by them during difficult times, doing all we can to see them through to better days, while fulfilling our fiduciary duty to depositors and shareholders. It’s an approach that benefits the bank and our clients.

For example, we have worked with our customers to extend their mortgages where necessary – keeping existing customers in their homes, and helping new customers to access the market through careful credit risk management.

Similarly, we’ve been working with South Africa’s farmers to see them through the prolonged drought, restructuring their debt where necessary.

Our systems enable us to respond quickly and appropriately to any changes in risk appetite or exposure, in ways that protect our customers and our brand. We’ve experienced no significant bad debt deterioration in 2016.

EFFECTIVE REGULATORY FRAMEWORK

Standard Bank regularly engages with our regulators, with government departments and with parliament, to provide input into policy-making and regulatory processes, and to discuss emerging issues and challenges. During 2016, for example, we made a submission to South Africa’s Parliamentary Review Panel, focusing on the unintended impacts of the National Credit Act, particularly in relation to access to housing; we participated in task teams on South Africa’s Financial Sector Regulation Bill and the Market Conduct Policy Framework; and we were part of the team negotiating for crucial labour market reforms, including the proposed implementation of a national minimum wage.

INVESTING IN GREEN ENERGY

Since 2012, Standard Bank has dramatically increased the proportion of our energy investments directed toward renewable energy. Together with our strategic partner, ICBC, we have committed R20 billion in funding support for renewable projects in South Africa. We were the largest single funder in South Africa’s REIPP Programme, responsible for funding more than 40% of the 1 760 MW produced.

PARTNERING WITH OUR AGRI-BUSINESS CLIENTS TO GET THROUGH THE DROUGHT

In South Africa, Agbiz and AgriSA revealed that a significant number of commercial farmers were struggling to service their loans with large commercial banks. There were also reports of a rise in bankruptcy cases among small-scale emerging farmers.

38 of Standard Bank South Africa’s agri-business clients were at risk of default, owing to the severe impact of the drought. We worked with them to restructure their loans and keep their farms solvent – in the process saving 706 permanent and seasonal farm labourer jobs, and keeping just under 50 000 hectares of land agriculturally productive. In terms of the economic activity and contribution towards GDP and food prices, these farms had a total turnover of more than R180 million.

Our efforts to develop innovative solutions to support our agriculture clients and impact positively on society more broadly have been central in informing our understanding of how we create shared value – how we ensure we’re more than just a bank.

Over 700 jobs saved

38 clients’ loans restructured
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>BASA</td>
<td>Banking Association of South Africa</td>
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<tr>
<td>BEE</td>
<td>Black economic empowerment</td>
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<tr>
<td>B-BBEE</td>
<td>Broad-based black economic empowerment</td>
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<tr>
<td>CIB</td>
<td>Corporate &amp; Investment Banking</td>
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<td>CSI</td>
<td>Corporate social investment</td>
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<td>DtI</td>
<td>Department of Trade and Industry</td>
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<td>Exco</td>
<td>Executive Committee</td>
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<td>FS</td>
<td>Financial Services</td>
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<td>FSB</td>
<td>Financial Services Board</td>
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<tr>
<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>ICBC</td>
<td>Industrial and Commercial Bank of China Limited</td>
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<td>ICT</td>
<td>Information and communication technology</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>ISFAP</td>
<td>Ikusasa Student Financial Aid Programme</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IT</td>
<td>Information technology</td>
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<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
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<td>KYC</td>
<td>Know Your Customer</td>
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<tr>
<td>Liberty</td>
<td>Liberty Holdings Limited</td>
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<tr>
<td>Manco</td>
<td>Group Management Committee</td>
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<td>NCR</td>
<td>National Credit Regulator</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>NECT</td>
<td>National Education Collaboration Trust</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>NSFAS</td>
<td>National Student Financial Aid Scheme</td>
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<td>PBB</td>
<td>Personal &amp; Business Banking</td>
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<td>SA</td>
<td>South Africa</td>
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<tr>
<td>SASBO</td>
<td>The Finance Union (formerly the South African Society of Bank Officials)</td>
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<td>SBG</td>
<td>Standard Bank Group</td>
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<td>SBSA</td>
<td>Standard Bank South Africa</td>
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<tr>
<td>SMEs</td>
<td>Small to medium-sized enterprises</td>
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<tr>
<td>SARB</td>
<td>South African Reserve Bank</td>
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<tr>
<td>TVET</td>
<td>Technical and Vocational Education and Training</td>
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<tr>
<td>Twin Peaks</td>
<td>The Financial Sector Regulation Bill</td>
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Standard Bank Group Limited
Registration No. 1969/017128/06
Incorporated in the
Republic of South Africa
Website: www.standardbank.com

Investor relations
Sarah Rivett-Carnac
Tel: +27 11 631 6897

Group secretary
Zola Stephen
Tel: +27 11 631 9106

Group financial director
Arno Daehnke
Tel: +27 11 415 4184

Head of Group policy,
advocacy and sustainability
Wendy Dobson
Tel: +27 11 636 4087

Registered address
9th Floor
Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001
PO Box 7725
Johannesburg, 2000

Head office switchboard
Tel: +27 11 636 9111

PLEASE DIRECT ALL FEEDBACK ON THIS REPORT TO:
GPAS@standardbank.co.za

PLEASE DIRECT ALL CUSTOMER QUERIES AND COMMENTS TO:
information@standardbank.co.za

PLEASE DIRECT ALL SHAREHOLDER QUERIES AND COMMENTS TO:
InvestorRelations@standardbank.co.za