



Standard Bank Group **financial results presentation 2016**

for the year ended 31 December





Notes

Results highlights



R23 009m
SBG headline earnings
FY15: R22 187m

1 440 cents
HEPS
FY15: 1389 cents

780 cents
DPS
FY15: 674 cents

R22 062m
Banking headline earnings
FY15: R20 323m

13.9%
CET 1 ratio
FY15: 12.9%

86bps
Credit loss ratio
FY15: 87bps

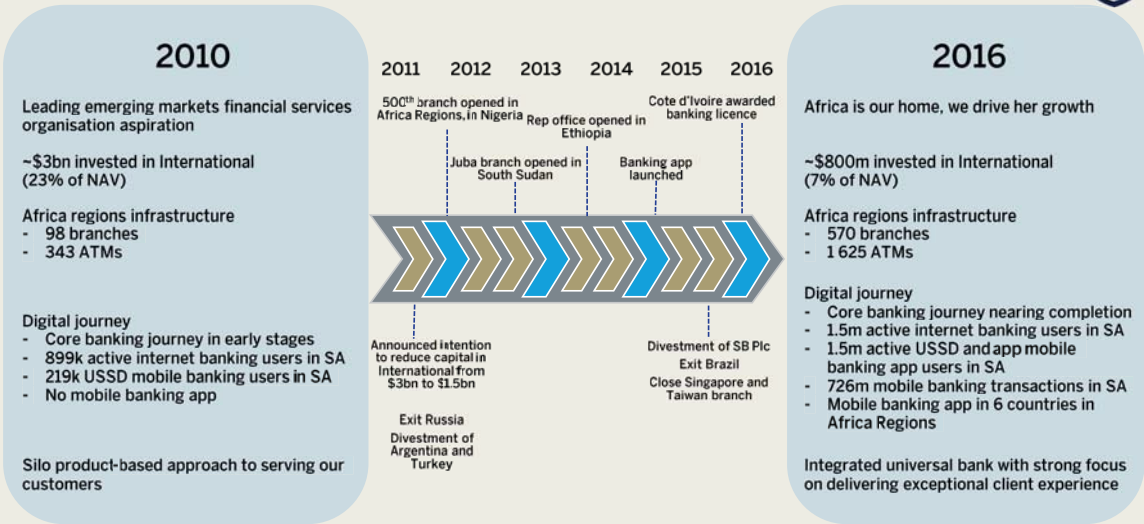
0.3%
Jaws
FY15: (2.0%)

15.3%
SBG ROE
FY15: 15.6%

16.8%
Banking ROE
FY15: 16.3%



Strategic direction revised from 2010



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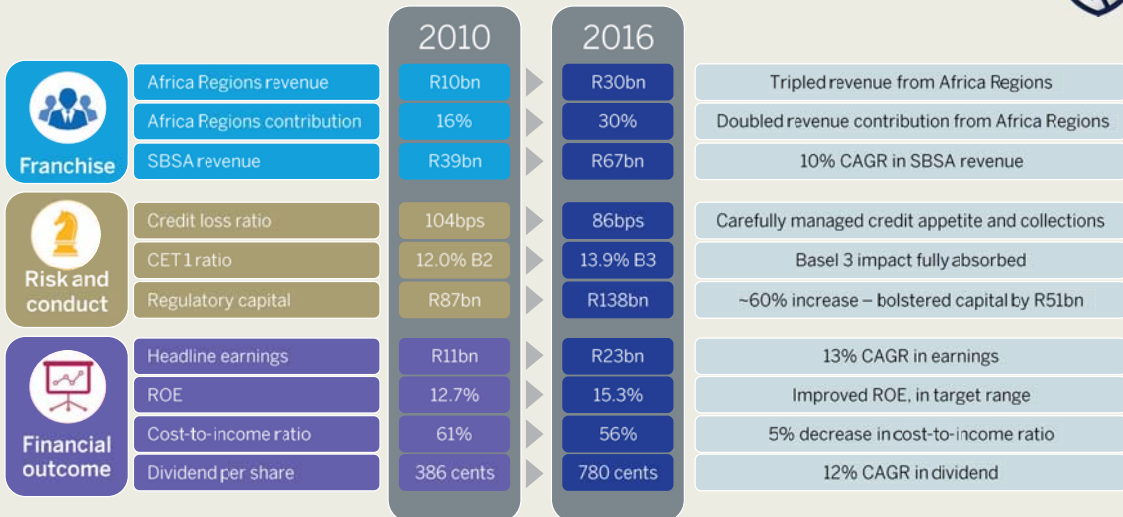


Supporting our clients on their African growth journey



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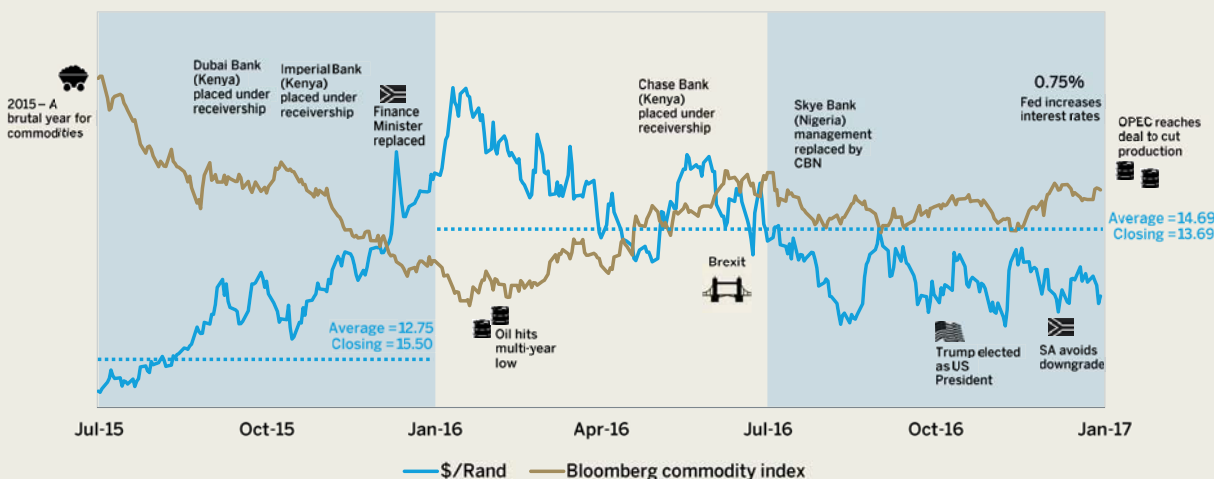
Strategic focus delivering results



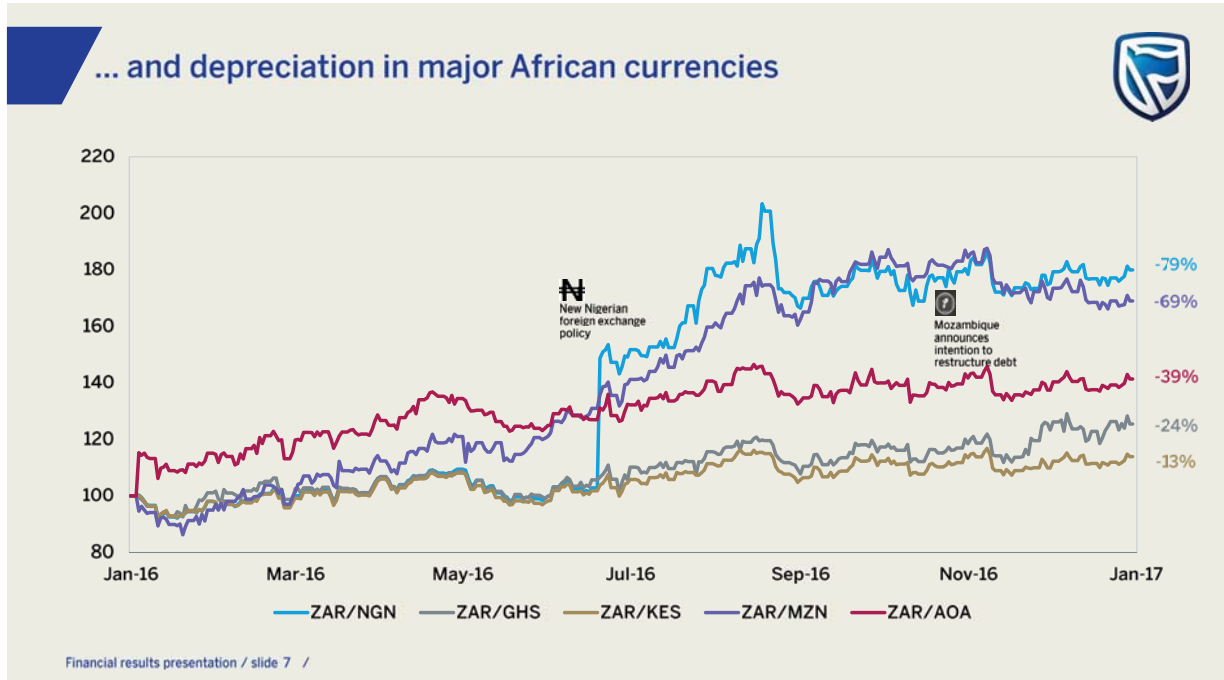
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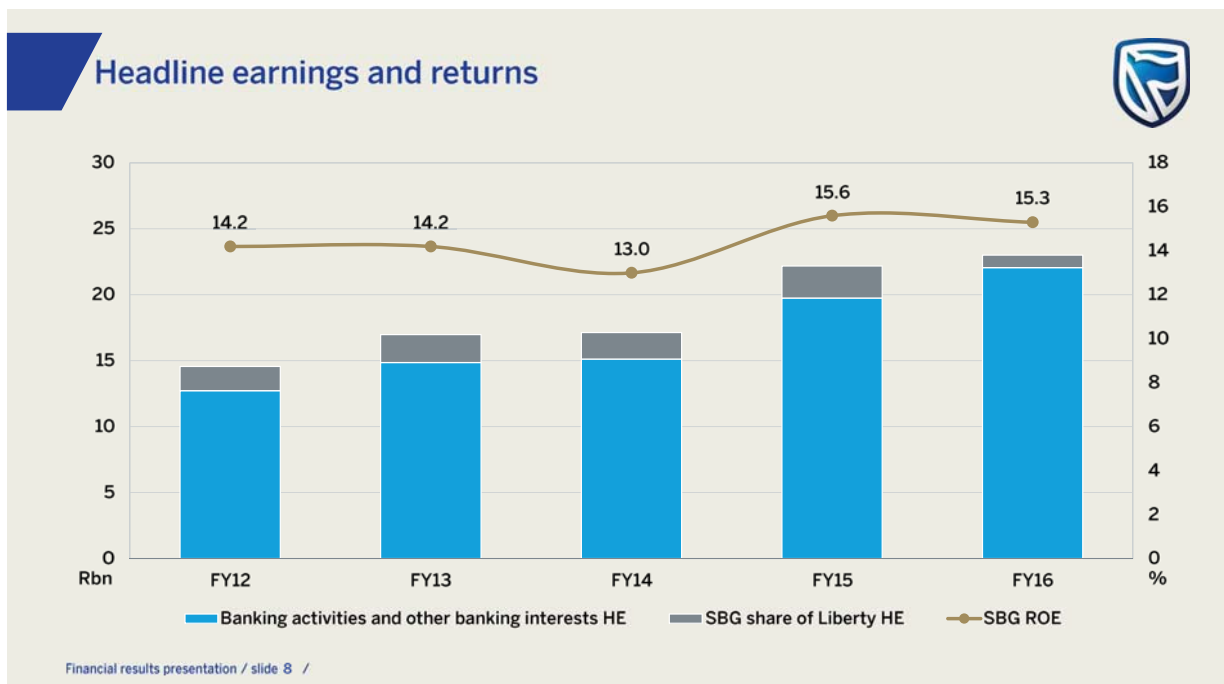
Volatile operating environment...



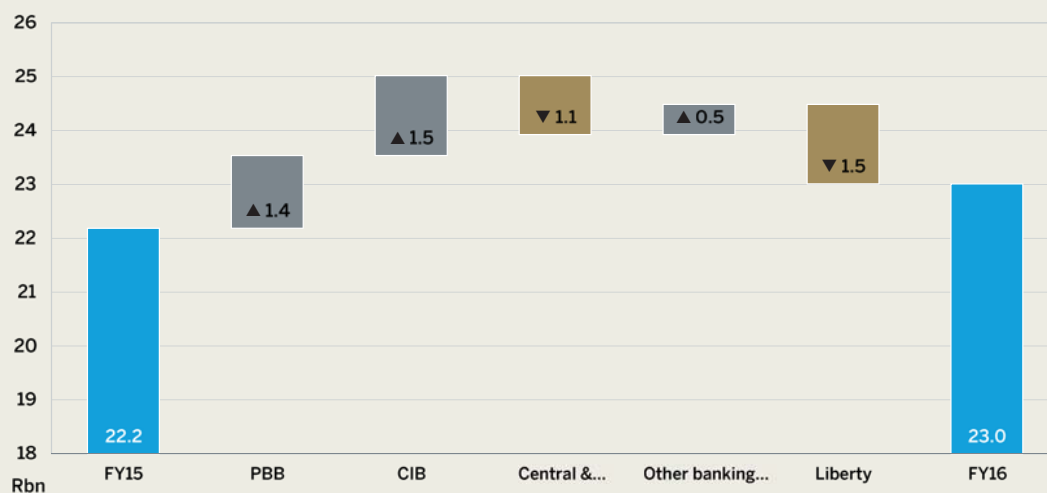
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Notes



Analysis of group headline earnings



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Segmental view of group headline earnings



	FY16 Rm	change %	change CCY %	FY15 Rm
PBB	12 630	12	12	11 280
CIB	10 558	16	20	9 076
Central & other	(1 126)	(>100)	(>100)	(33)
Cash flow hedge				515
Other	(1 126)	(>100)		(548)
Banking activities	22 062	9	10	20 323
Other banking interests	(8)	99	99	(569)
ICBCS	(591)	50	51	(1 173)
ICBC Argentina	583	(3)	37	604
Liberty	955	(61)	(61)	2 433
SBG	23 009	4	6	22 187

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Liberty



	FY16 Rm	change %	FY15 Rm
Insurance	1 268	(39)	2 073
Balance sheet management	318	22	260
Asset management – Stanlib	362	(42)	629
Other	(208)	(9)	(190)
Normalised operating earnings	1 740	(37)	2 772
LibFin Investments (SIP)	787	(42)	1 356
Normalised headline earnings	2 527	(39)	4 128
BEE preference shares income	(16)	38	(26)
REIT accounting mismatch	(304)		
IFRS headline earnings	2 207	(46)	4 102
SBG share of Liberty IFRS headline earnings	1 212	(46)	2 236
SBG shares held for the benefit of Liberty policyholders	(257)	(>100)	197
Headline earnings attributable to SBG	955	(61)	2 433
SBG closing share price (R)	151.75		113.50

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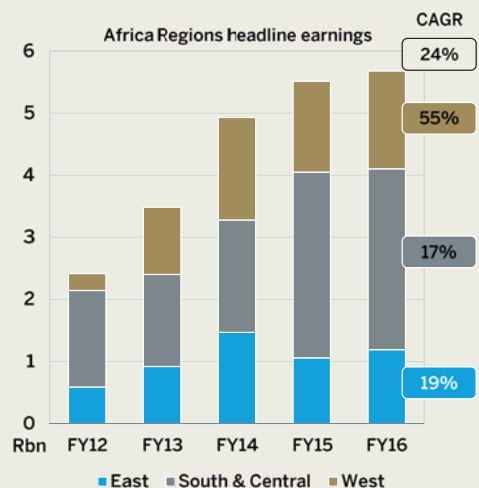
Notes

Legal entity view of banking activities headline earnings



	FY16 Rm	change %	change CCY %	FY15 Rm
SBSA	14 599	9	9	13 376
Africa Regions	5 676	3	7	5 511
East	1 192	12	12	1 060
South & Central	2 912	(3)	2	2 989
West	1 572	8	11	1 462
Other*	1 787	24		1 436
Banking activities	22 062	9	10	20 323

* Other includes Standard Bank Offshore Group, Standard Insurance Limited, other group entities and the IFRS 2 adjustment in SBSA



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Banking activities income statement

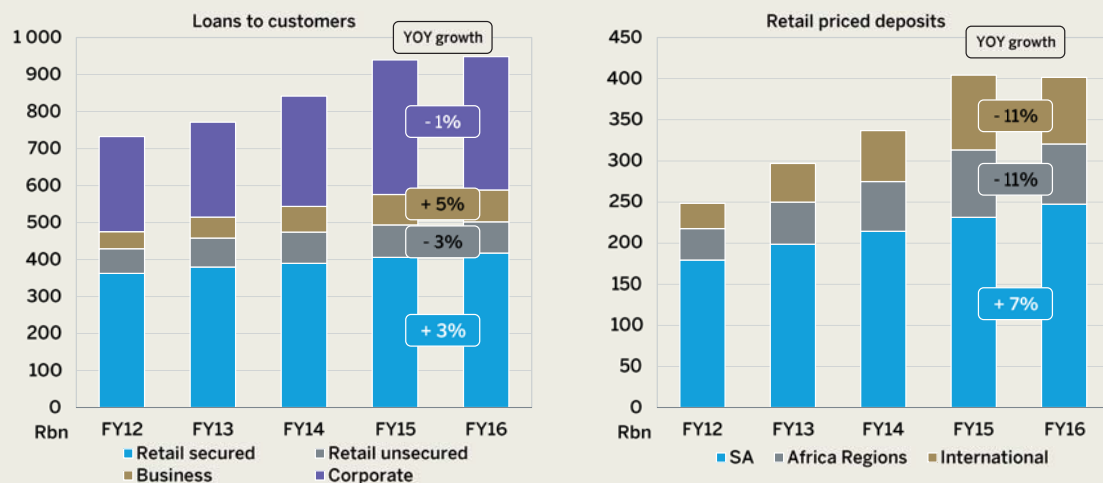


	FY16 Rm	change %	change CCY %	FY15 Rm
Net interest income	56 892	15	16	49 310
Non-interest revenue	42 965	3	5	41 803
Total income	99 857	10	11	91 113
Operating expenses	56 235	9	10	51 434
Pre-provision profit	43 622	10	12	39 679
Credit impairment charges	9 533	2	2	9 371
Taxation	9 496	21	24	7 854
Attributable to minorities	2 383	15	25	2 081
Banking activities headline earnings	22 062	9	10	20 323
Jaws (%)	0.3			(2.0)
Cost-to-income ratio (%)	56.3			56.5
Credit loss ratio (%)	0.86			0.87
ROE (%)	16.8			16.3

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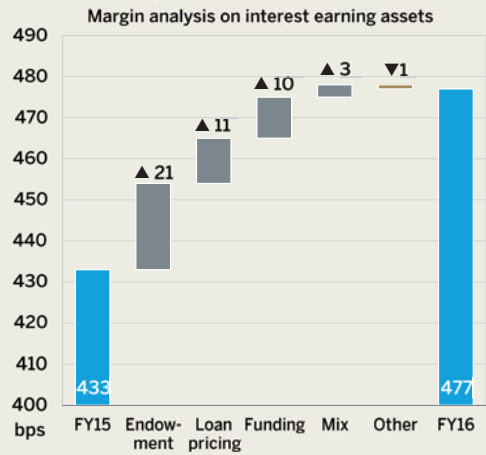
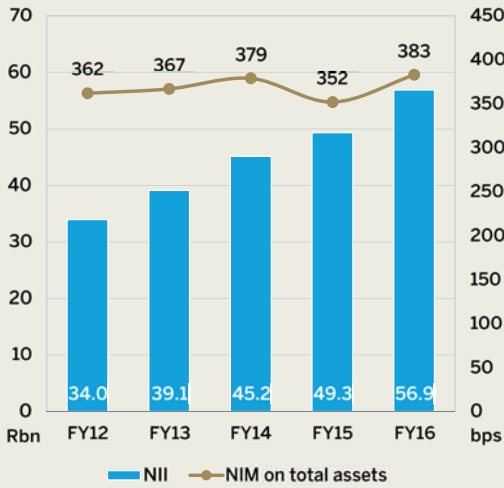
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Loans to customers and retail priced deposits



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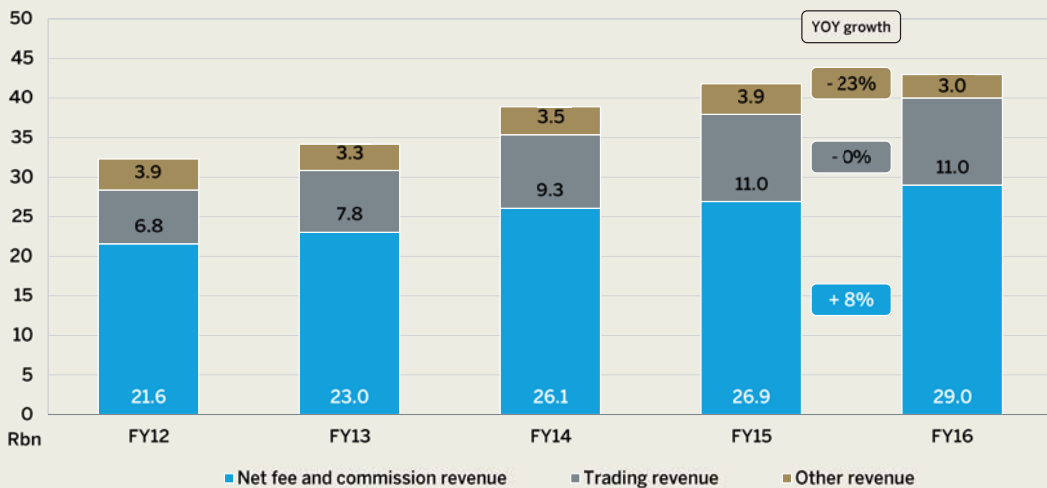
Net interest income and margin



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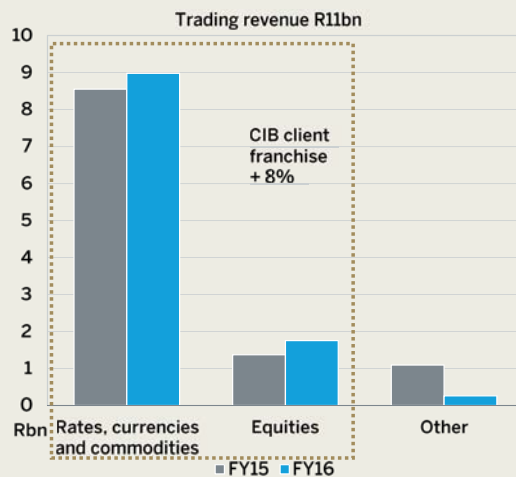
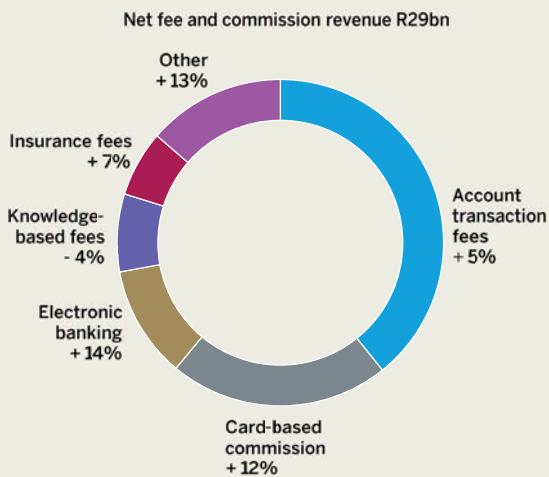
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Non-interest revenue



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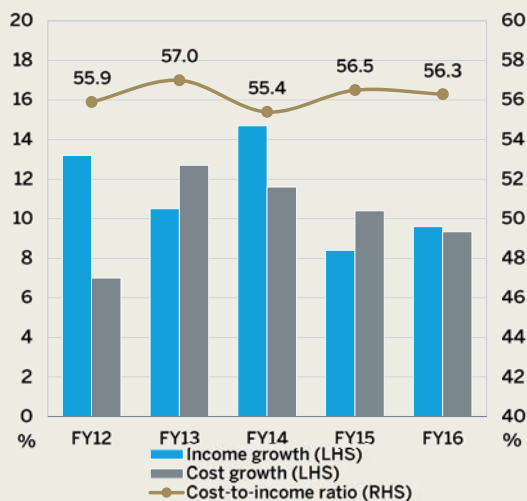
Non-interest revenue



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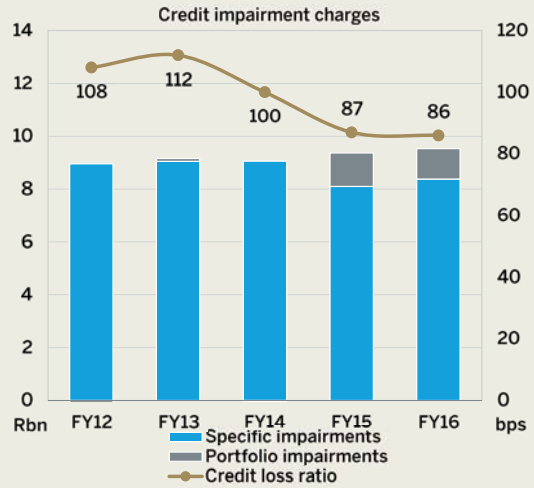
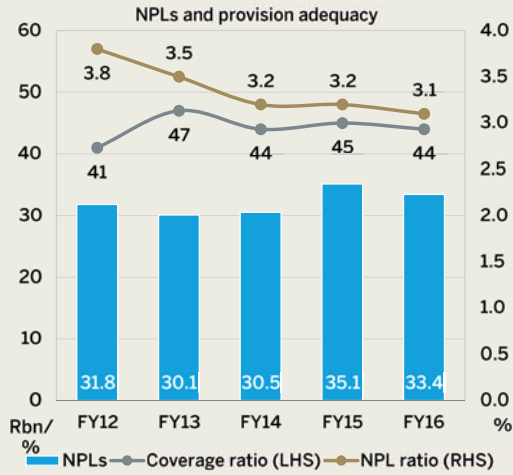
Operating expenses



	FY16 Rm	change %	CCY change %	FY15 Rm
Staff costs	30 976	11	11	27 968
Other operating expenses	25 259	8	9	23 466
IT	5 880	2	3	5 755
Amortisation of intangibles	2 015	33	32	1 519
Premises	3 870	9	10	3 561
Other	13 494	7	10	12 631
Total operating expenses	56 235	9	10	51 434

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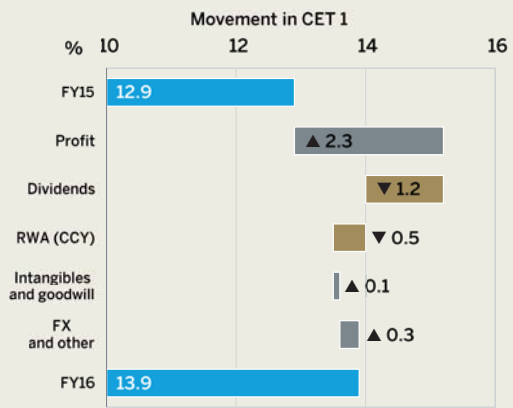
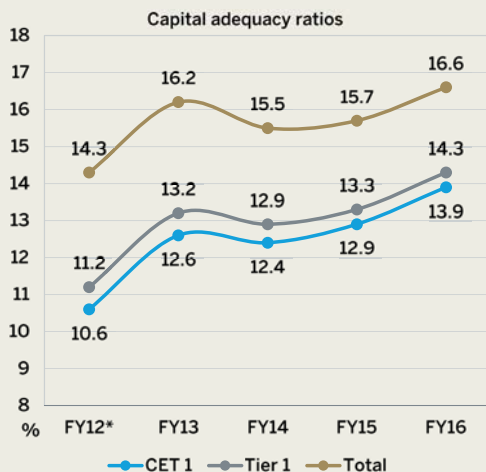
Credit



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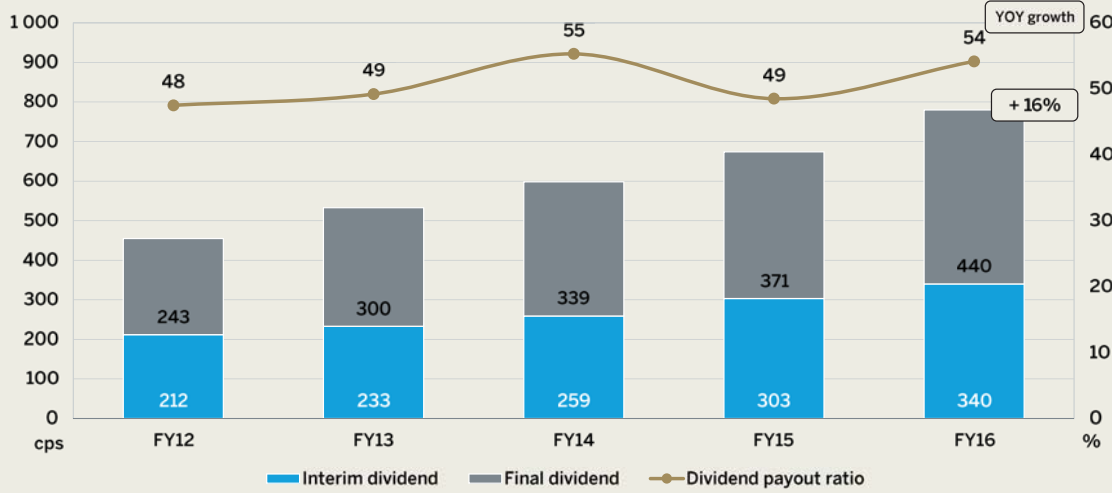
Capital



CET 1 target range 11.0 – 12.5% for FY17

* FY12 shown on a pro forma Basel 3 basis
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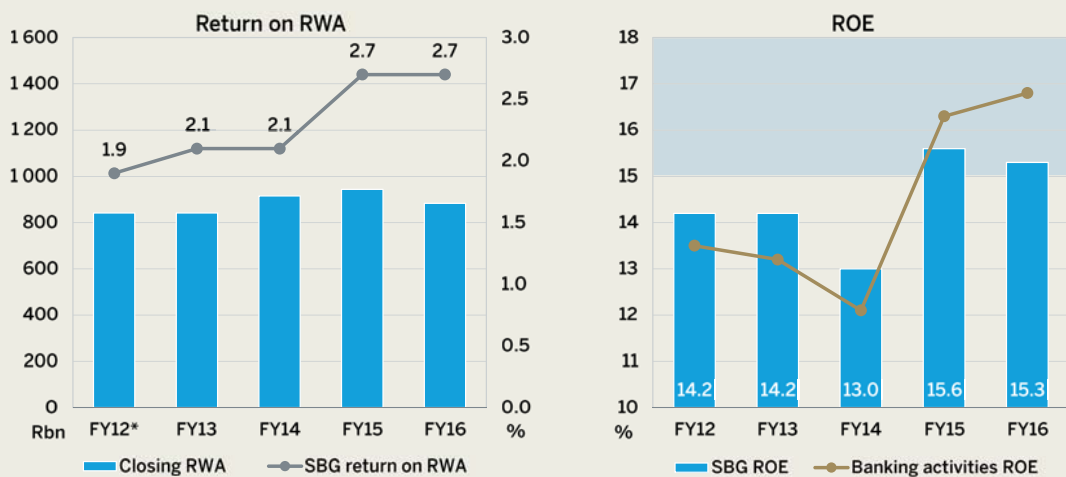
Dividend per share



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Notes

Return metrics



* FY12 shown on a pro forma Basel 3 basis
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Corporate & Investment Banking

Standard Bank Moving Forward™

Notes

CIB highlights



- Delivering on a 5 year plan
- Sustainable revenue growth despite volatility
- Diversification through client and sector focus and geographic footprint
- Prudent risk management through rebalancing of portfolios whilst supporting client opportunities
- Disciplined cost growth whilst building a digital bank and driving for productivity gains
- ROE of 20% with headline earnings growth of 16% to R10.6bn

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Delivering on a 5 year plan



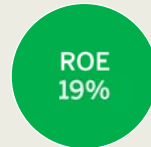
The challenges we faced

- Large international markets presence
- Implementation of Basel III (50% increase in capital)
- Costs growing faster than revenues
- Volatility and depreciation of currencies across the continent
- Increased regulatory impact especially in Global Markets

What we have done

- Scaled down international operation to simplify our business
- Africa centric strategy
- Built a focused client franchise to drive sustainable growth
- Maintained positive jaws, revenues growing faster than costs
- Efficiently deployed capital whilst meeting Basel III requirements
- Exceeded our ROE target

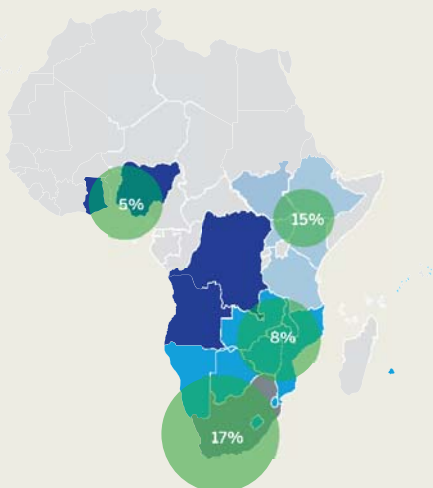
FY16 target*



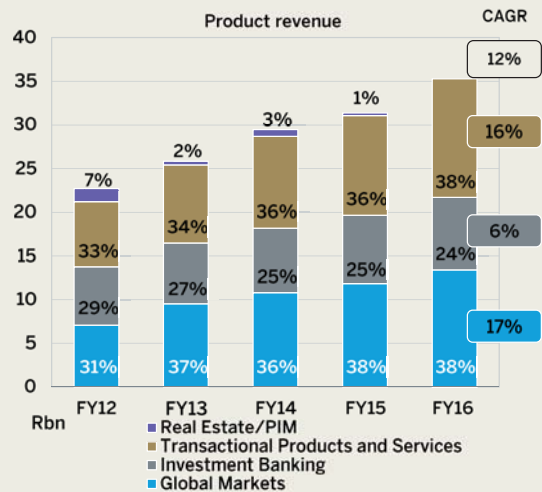
* FY16 ROE target before the disposal of a controlling share in Standard Bank Plc was 16%
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Notes

Diversified and sustainable revenue growth



● % ZAR legal entity revenue growth
Size of bubble represents contribution to total revenue
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Partnering our clients on their growth journey



ABInBev
Anheuser-Busch InBev
2016
R3.1 trillion
Financial Advisor in relation to Africa matters
Joint Transaction Sponsor
Standard Bank

MTN
MTN Group Limited
2016
R3.3 billion
Joint Mandated Lead Arrangers and Lenders
Standard Bank

GZI
GZI
2016
R 8.5 billion
USD 20 million
Mandated Lead Arranger and Underwriter
Standard Bank

Dis-Chem
Dis-Chem
2016
R4.3 billion
Joint Global Coordinator
Joint Bookrunner
Joint Transaction Sponsor
Standard Bank

Famous Brands
Famous Brands
2016
GBP 120 million
Investment Bank
Sole Underwriter
Transactional Sponsor
Hedge Provider
Standard Bank

SHOPRITE
Shoprite
2016
Transactional flows
R80 billion
Primary transactional banker
Standard Bank

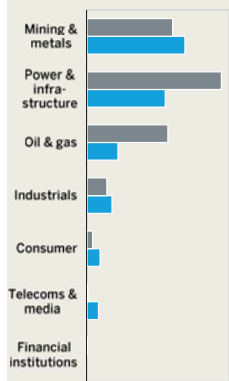
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Credit performance

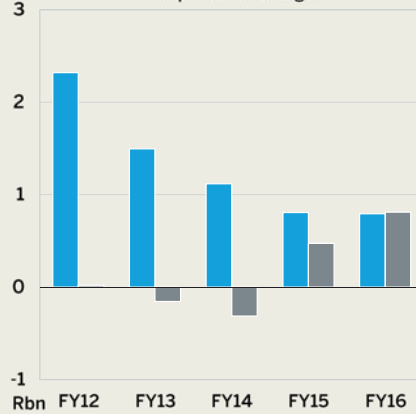


Sector watchlist, Rbn



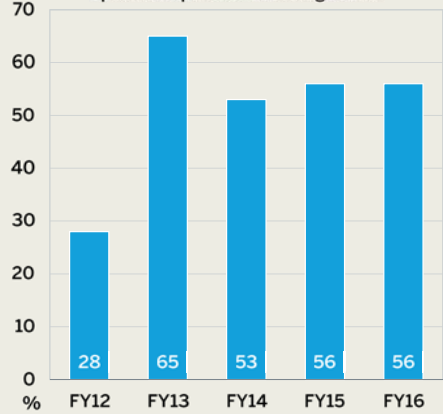
■ FY15 ■ FY16

Impairment charge



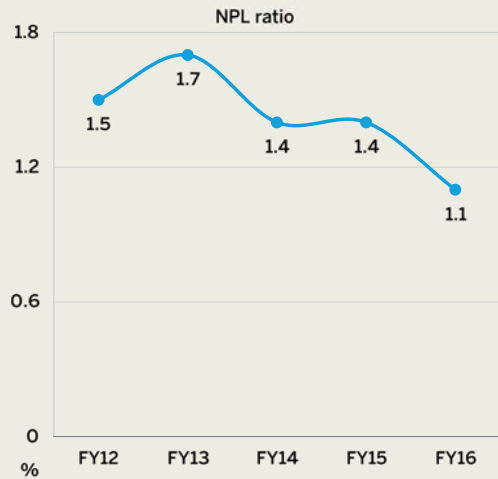
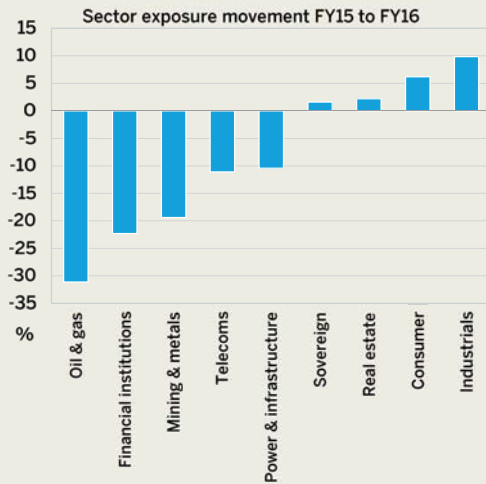
■ Specific impairments ■ Portfolio impairments

Specific impairment coverage ratio



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Response to market movement and stress



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Notes

Building a digital bank and driving productivity gains



Key programmes

Capability

Completion

Usage 2013 – 2016 CAGR

International Trade and Payments System (ITAPS)

- Enabled reliable and efficient processing of international payments and trade transactions



Trade
Payments

>100%

14%

eMarket Trader

- Branded online trading platform customisable to different user types
- Available to SA, Africa Regions and International clients



Accounts
Turnover ZARbn

26%

29%

Business Online (BOL)

- Corporate online banking platform



Transaction
Users

40%

67%

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CIB summarised income statement



	FY16 Rm	change %	change CCY %	FY15 Rm
Total income	35 249	12	15	31 388
Operating expenses	18 766	7	8	17 520
Pre-provision profit	16 483	19	23	13 868
Credit impairments charges	1 603	25	24	1 279
Headline earnings continuing operations	10 558	15	16	9 180
Discontinued operation		100	100	(104)
Headline earnings	10 558	16	20	9 076
ROE (%)	20.0			18.0
Credit loss ratio (%)	0.30			0.24
Credit loss ratio (L&A to customers) (%)	0.44			0.39
Cost-to-income ratio (%)	53.2			55.8
Jaws (%)	5.2			(3.1)
CCY jaws (%)	6.3			(1.5)

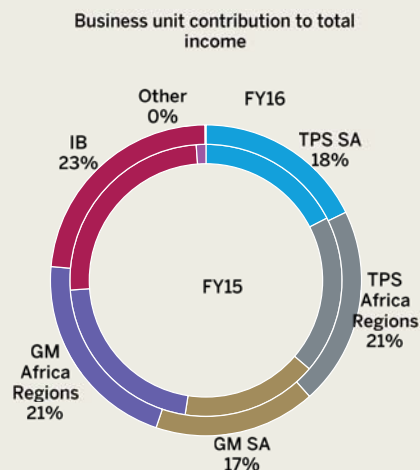
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CIB business units



	Total income			Headline earnings		
	FY16 Rbn	change %	FY15 Rbn	FY16 Rbn	change %	Rbn
Global Markets	13.4	13	11.8	4.7	23	3.8
Transactional Products and Services	13.5	19	11.4	3.1	17	2.6
Investment Banking	8.3	6	7.9	3.1	15	2.7
Real estate, PIM and discontinued operation	(0.0)	(>100)	0.3	(0.3)	(>100)	0.0
CIB	35.2	12	31.4	10.6	16	9.1



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Moving forward



- Our Africa strategy remains relevant and is delivering
- Real opportunities exist to partner our clients on their growth journeys across the continent
- We will maintain our focus on risk, compliance and cost management
- We continue to invest in future growth through strategic partnerships, especially with ICBC
- We have a strong base from which to move forward
- We are excited about the economic transformation we are witnessing as Africa continues to realise its potential

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Notes



Personal & Business Banking

Standard Bank Moving Forward™

PBB highlights



- Strong headline earnings growth of 12% to R12.6bn, with ROE improving to 18.7%
- SA performance solid with 11% growth in headline earnings
 - Good credit performance given tough economic environment
 - Encouraging growth in targeted segments
- Strong momentum in Africa Regions, despite currency weaknesses
 - Revenue growth >20% in constant currency led to good operating leverage
 - NIBT increasing by >R900m (R1bn in constant currency)
- PBB International delivered strong growth as a result of increased client deposits and transactions
- Rollout of digital solutions accelerating across all geographies, services and channels
- Significant progress implementing core banking transformation in line with expectations

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PBB summarised income statement



	FY16 Rm	change %	FY15 Rm
Net interest income	40 035	14	35 263
Non-interest revenue	27 445	8	25 374
Total income	67 480	11	60 637
Credit impairment charges	8 030	3	7 815
Income before operating expenses	59 450	13	52 822
Operating expenses*	40 641	11	36 582
Net income before tax and minorities	18 599	19	15 608
Headline earnings	12 630	12	11 280
Net interest margin (%)	5.87		5.48
Credit loss ratio (%)	1.25		1.27
Cost-to-income ratio (%)	60.2		60.3
ROE (%)	18.7		18.2

* Adversely impacted by Japan fraud, increased amortisation of intangible IT assets and the conversion of temporary staff to permanent staff, totaling R790m
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PBB summarised balance sheet

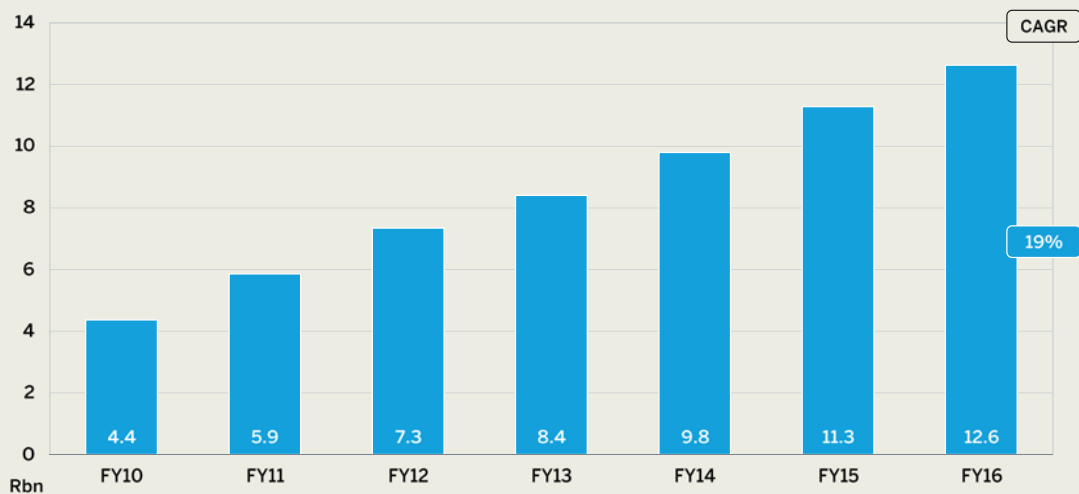


	FY16 Rbn	change %	change CCY %	FY15 Rbn
Loans and advances to customers	588	2	5	576
Mortgage loans	336	3	4	326
Vehicle and asset finance	81	1	3	80
Card debtors	31	0	1	31
Other loans and advances	140	1	10	139
Deposit and current accounts from customers	498	(0)	9	498
Current accounts	137	(2)	7	139
Savings and investments	361	1	10	359

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Notes

Sustained growth in PBB headline earnings continues



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PBB geographic view of headline earnings



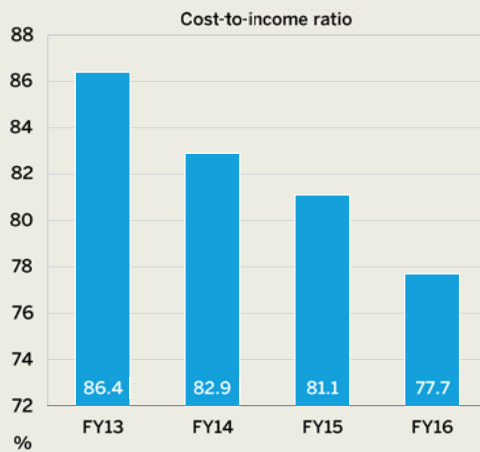
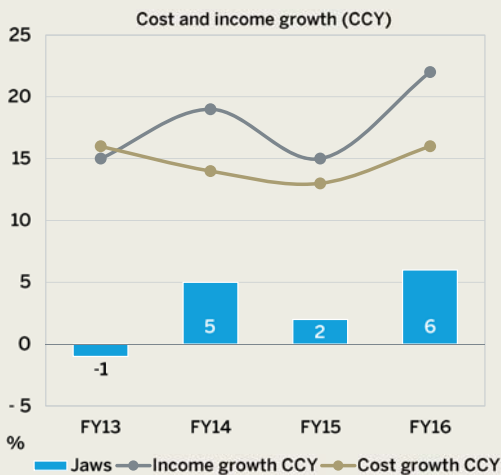
	FY16 Rm	change %	FY15 Rm
South Africa	11 769	11	10 637
Africa Regions	303	66	182
PBB International	558	21	461
PBB	12 630	12	11 280

- South Africa delivered strong growth in a tough economic environment
- Africa Regions improved profitability
 - 9 out of 15 countries produced excellent HE growth of >20% in constant currency
 - But headwinds persist
 - Significant currency devaluation against ZAR for most African countries
 - Weak economic growth in all countries
 - Regulatory changes
- PBB International delivered strong deposit growth in local currency together with increased client activity

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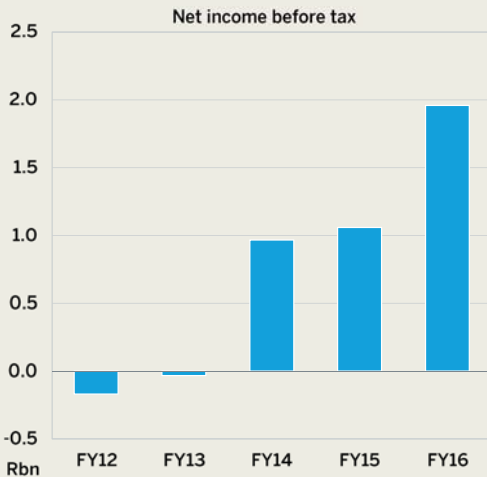
Notes

PBB Africa Regions franchise continues to improve

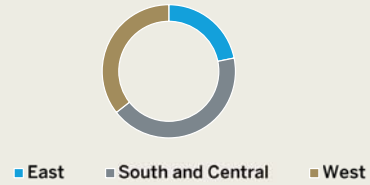


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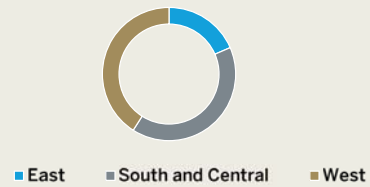
PBB Africa Regions franchise continues to improve



FY16 Customer deposits by region



FY16 Revenue by region



Headline earnings adversely impacted by minorities and higher effective tax rates
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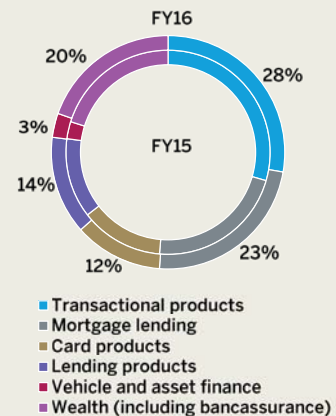
PBB product reporting



	Total income		Headline earnings			
	FY16 Rbn	change %	FY15 Rbn	FY16 Rbn	change %	FY15 Rbn
Transactional products	29.0	12	25.9	3.5	5	3.3
Mortgage lending	8.3	10	7.5	3.0	20	2.5
Card products	6.9	5	6.6	1.5	4	1.5
Lending products	11.4	14	10.0	1.7	21	1.4
Vehicle and asset finance*	3.9	12	3.4	0.4	38	0.3
Wealth (including bancassurance)	8.0	12	7.2	2.5	9	2.3
PBB	67.5	11	60.6	12.6	12	11.3

* VAF SA pre-tax earnings are R734m

Product contribution to headline earnings



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PBB credit overview



- Excellent credit performance, impairment charge increased by only 3%
- Credit loss ratio improved from 1.27% to 1.25%, well within our risk appetite
- NPLs and NPL coverage remained flat whilst early arrears improved from 5.7% to 5.0%
- Comfortable with current balance between remaining open for business for customers and maintaining appropriate risk appetite
- Balance sheet provisions grew in excess of the growth in loans and advances
- Collection enhancements remain a key focus area with early stage arrears reflecting improving trends
- Anticipate continued household and business financial pressure in 2017

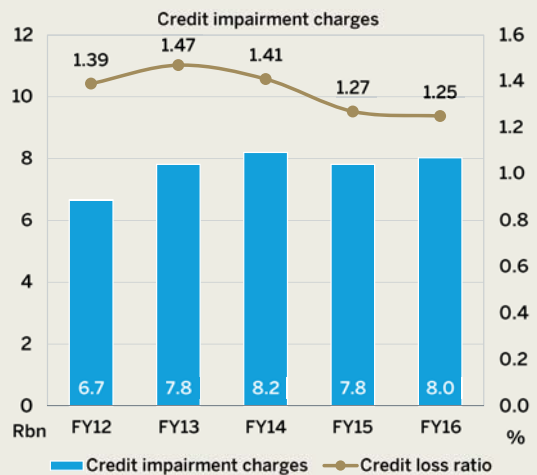
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PBB credit impairments



	FY16 %	FY15 %
By product		
Mortgage loans	0.58	0.66
Vehicle and asset finance	1.24	1.50
Card debtors	4.70	4.62
Other loans and advances	1.84	1.69
Personal unsecured lending	4.59	4.21
Business lending and other	0.77	0.60
PBB credit loss ratio	1.25	1.27
By geography		
South Africa	1.29	1.34
Africa Regions	2.28	2.02
International	0.00	0.01



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PBB non-performing loans and provision adequacy



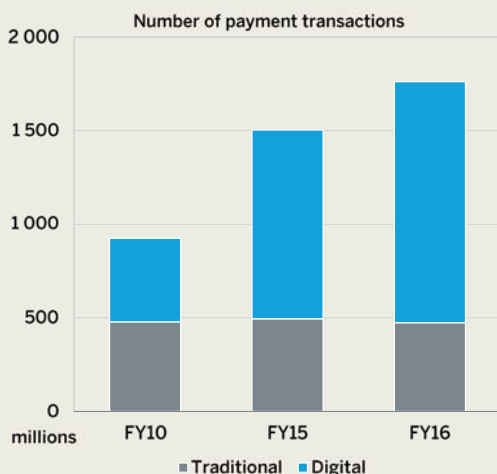
	FY16 %	FY15 %		FY16 %	FY15 %
Mortgage loans	4.3	4.5	Mortgage loans	25	26
Vehicle and asset finance	3.8	3.9	Vehicle and asset finance	46	50
Card debtors	7.1	6.6	Card debtors	72	69
Other loans and advances	4.1	3.7	Other loans and advances	64	63
Personal unsecured lending	9.1	8.5	Personal unsecured lending	74	73
Business lending and other	2.2	2.0	Business lending and other	49	47
PBB NPL ratios	4.3	4.3	PBB coverage ratios	42	42

- Even though early arrears improved from 5.7% to 5.0% a further R440m portfolio provision was raised

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Notes

Encouraging digital progress in PBB SA




	Change in payment transactions 2015 – 2016 %
Digital	28
Mobile banking transactions	48
Internet banking transactions	8
Traditional	(4)
Teller volumes	(13)
ATMs	(3)
Total	17

- New app developments include
 - Adjust payment limits
 - Activate/deactivate credit cards
 - Kidz banking
 - BankerChat on WeChat
 - Shyft
 - Forex payments

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Core banking transformations nearing completion



Capability		Benefit
Improved customer experience	➔	<ul style="list-style-type: none"> ▪ 360° customer view ▪ Personalisation – show me that you know me ▪ Worldwide innovation ecosystem
Improved agility	➔	<ul style="list-style-type: none"> ▪ Accelerated time to market ▪ Configurable platforms
Improved risk management and compliance	➔	<ul style="list-style-type: none"> ▪ Efficient regulatory adoption ▪ Enhanced risk management
Optimisation of efficiencies and productivity	➔	<ul style="list-style-type: none"> ▪ Real-time banking on new platform ▪ Digitisation of business services ▪ Systems rationalisation and simplification ▪ Straight-through processing

Implemented

2017


Completion

South Africa	Basic transactional and lending account	Advanced CRM and leads management	Savings and investment capabilities and migration	Complex transactional account origination	Complex transactional account migration	95% of customers on new platform
Africa Regions					Lesotho Malawi Mauritius	

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Notes

Moving fast forward



- Economic outlook for 2017 remains challenging
- A stronger Rand will adversely impact earnings growth rate outside SA in 2017
- Credit management will continue to be a critical focus area
- Encouraged by Africa Regions continued improvement in customer growth, revenue growth and positive operational leverage
- Improve customer experience by
 - Accelerating rollout of world class digital offerings
 - Reducing hand-offs at point of contact
 - Understanding and seamlessly delivering what matters to our clients
- Greater focus on growing our middle market and deposit base
- Committed to cost discipline, however not yet where we want to be
- Remain on track to conclude core banking transformation by the end of 2017
- Leverage IT and analytics investments to compete and win in a digital world

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Conclusion

Standard Bank Moving Forward™

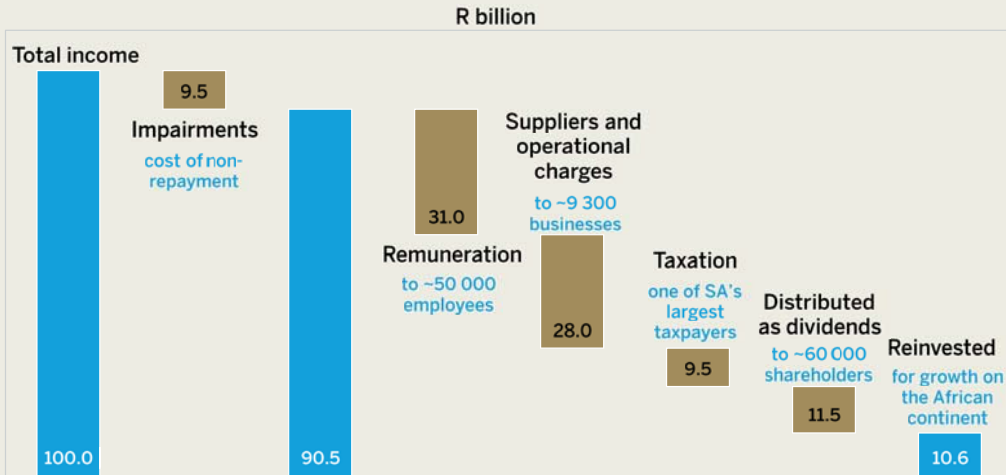
Notes

Update on significant matters



- Liberty
 - Working closely with Liberty's board and management, including appointment of David Munro to Liberty's board
 - Supportive of efforts to address short-term challenges relating to sales, the competitiveness of Liberty's product suite and ongoing cost management
- ICBCS
 - Capital injection of \$106m made in January 2017
 - Momentum in business building
 - Plan to break even for 2017
- Issued FY15 Stanbic IBTC financial statements in December 2016 after reaching an acceptable settlement with the Financial Reporting Council of Nigeria
- Competition Commission investigation
- Supporting SA institutions and contributing to economic transformation

Distributions supporting our economies and societies in 2016



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Notes

Our five strategic value drivers



<p>Client centricity</p>	<ul style="list-style-type: none"> - Deliver exceptional client experiences – put the client at the centre of everything we do - Deliver the universal bank seamlessly - Deliver the digital bank – enable and empower customers to transact 24/7, 365
+	
<p>Employee engagement</p>	<ul style="list-style-type: none"> - Develop our employees to adapt to an ever changing world - Embed a culture of innovation, urgency to deliver, driving excellence and collaboration
+	
<p>Risk and conduct</p>	<ul style="list-style-type: none"> - Responsible business practices – doing the right business the right way - Meet expectations of our clients, regulators, shareholders, employees and society - Contribute to the debate on global and local developments to drive Africa's growth
=	
<p>Financial outcome</p>	<ul style="list-style-type: none"> - Drive earnings growth and returns within our target ROE range - Deliver superior value to our shareholders
<p>SEE</p>	<ul style="list-style-type: none"> - Deliver shared value to the communities we serve by contributing to the social, economic and environmental (SEE) wellbeing in the markets in which we operate

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