Standard Bank

Standard Bank Group

ANNUAL INTEGRATED REPORT 2020

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standardbank.com

Standard Bank IT CAN BE™

Also trading as Stanbic Bank

Our reporting suite

Our integrated report

Our primary report to stakeholders, providing a holistic view of our ability to create sustainable shared value in the short, medium and long term.

We produce a full suite of reports to cater for the diverse needs of our stakeholders. Our integrated report contextualises and connects to information in the following reports, which provide additional disclosure and satisfy compliance reporting requirements:

Governance and remuneration report

Discusses the group's governance approach and priorities, as well as the remuneration policy and implementation report.

Risk and capital management report

Sets out the group's approach to risk management.

Annual financial statements

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

Environmental, social and governance (ESG) report

An overview of the group's processes and governance structures, including task force on climate-related financial disclosures (TCFD).

Intended readers
Our shareholders, debt providers and regulators

Report to society (RTS)

Assesses the group's social, economic and environmental (SEE) impacts.

Intended readers
Our clients, employees and broader society

Subsidiary annual reports

Our subsidiaries provide an account to their stakeholders through their own annual reports, available on their respective websites.

- The Standard Bank of South Africa (SBSA)
- Liberty
- Other subsidiary reports, including legal entities in Africa Regions.

We urge our stakeholders to make use of our reporting site at **https://reporting.standardbank.com/**. All our reports and latest financial results presentations, booklets and SENS announcements are **available here**, along with a glossary of financial and other definitions, acronyms and abbreviations used in our reports.

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

Key frameworks applied	AIR	GOV/REM	RCM	AFS	ESG	RTS
The International Integrated Reporting <IR> Framework	✓					
Companies Act, 71 of 2008, as amended (Companies Act)		✓		✓		
Johannesburg Stock Exchange (JSE) Listings Requirements	✓	✓	✓	✓		
King IV Report on Corporate Governance for South Africa 2016™*	✓	✓	✓	✓	✓	
International Financial Reporting Standards (IFRS)			✓	✓		
South African Banks Act, 94 of 1990 (Banks Act)		✓	✓	✓		
Basel Committee on Banking Supervision's public disclosure framework		✓	✓			
CDP (previously Carbon Disclosure Project)					✓	
The Financial Stability Board's TCFD					✓	
United Nations (UN) Sustainable Development Goals (SDGs)						✓

* Also known as the King Code and King IV. Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

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How to navigate our report

This interactive PDF provides active links to sections within the report and to external websites. Access to the internet is required to navigate to website content and use the download function.

The navigation tool for this interactive electronic report is at the top of each page. Selecting these will take you to the relevant section within this report. Additional navigation tools within this report are as follows:

Refers readers to information within this report.
Refers readers online, to information across our suite of reports.

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For information on forward-looking statements, refer to the inside back cover.

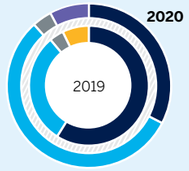
Who we are

We are an African-focused, client-centric, digitally enabled, integrated financial services group with compelling competitive advantages.

Our on-the-ground presence and relationships across Africa, with networks in international finance hubs position us well to solve client problems and satisfy their needs in a fast-changing environment.

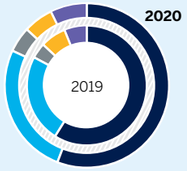
We provide integrated banking, insurance, investment and advisory solutions that drive the financial wellbeing of our clients and our continent.

GROUP HEADLINE EARNINGS (%)



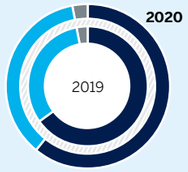
	2020	2019
South Africa	**34**	59
Africa Regions	**58**	30
Wealth International	**4**	4
Liberty	**(4)**	7
Other	**8**	0

GROUP NET ASSET VALUE (%)



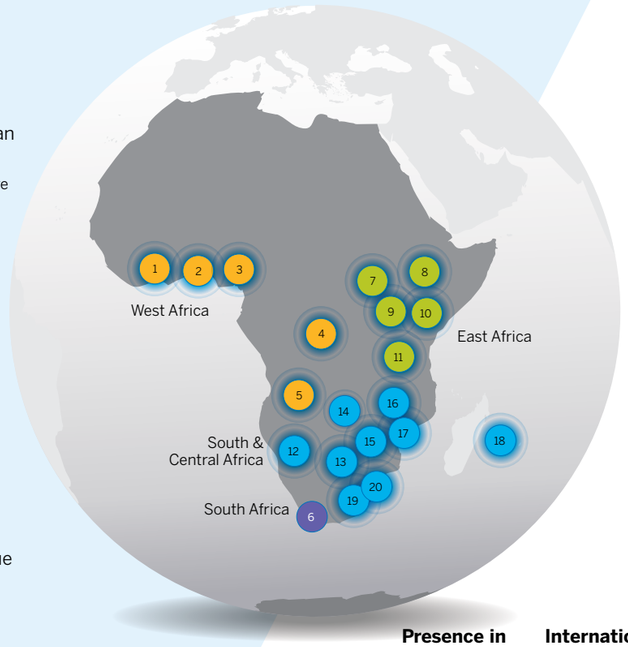
	2020	2019
South Africa	**56**	59
Africa Regions	**26**	24
Wealth International	**5**	4
Liberty	**6**	7
Other	**7**	6

BANKING REVENUE (%)



	2020	2019
South Africa	**61**	65
Africa Regions	**36**	32
International and other	**3**	3

Africa Regions contributed **58% of banking activities'** headline earnings



West Africa
1. Côte d'Ivoire
2. Ghana
3. Nigeria
4. Democratic Republic of Congo (DRC)
5. Angola

6. **South Africa**

East Africa
7. South Sudan
8. Ethiopia (representative office)
9. Uganda
10. Kenya
11. Tanzania

South & Central Africa
12. Namibia
13. Botswana
14. Zambia
15. Zimbabwe
16. Malawi
17. Mozambique
18. Mauritius
19. Lesotho
20. eSwatini

On-the-ground presence in **20 countries in sub-Saharan Africa**

Presence in international markets:
- Beijing
- Dubai
- London
- New York
- São Paulo

International financial services:
- Isle of Man
- Jersey
- Mauritius

Compelling competitive advantages

The key attributes that differentiate us from our peers and protect us from competitors are outlined below.

Purpose-driven organisation
We are committed to driving sustainable, inclusive growth across Africa.

Unrivalled, African-focused capabilities
Our on-the-ground capabilities across 20 countries in sub-Saharan Africa, links to international capital and funding pools and a unique partnership with the Industrial and Commercial Bank of China (ICBC).

Established, fit-for-purpose franchise with modern digital core
Our franchise strength is underpinned by our strong brand, excellent people, fit-for-purpose physical distribution network and digital platforms.

Diversified client base, service offering and revenue streams
Our businesses and revenue streams are well-diversified across client, sector, product and geography, which provides protection in times of volatility.

Robust capital and liquidity position
Our strong and liquid balance sheet provides flexibility to manage uncertainty, change, innovation and growth.

Strong growth prospects
Our prospects for future growth are driven by regional economic fundamentals and increasing financial inclusion and penetration providing opportunities to increase our market share, particularly in some of the large markets in which we operate where we have relatively small market shares.

Appetite to invest, deliver and partner
We have the resources and appetite to expand on our own and through partnerships and alliances.

Significant proven reach

Valued people
50 115
GROUP PERMANENT EMPLOYEES
2019: 50 691

Valued clients
14.8 m
ACTIVE CLIENTS
2019: 14.6 million

Strategic partnership with ICBC
ICBC 中国工商银行

Modernised banking platforms
SUPPORT ACCELERATING DIGITISATION

Branches
1 124
2019: 1 114

Well capitalised
13.3%
COMMON EQUITY TIER 1 (CET 1) RATIO
2019: 14.0%

ATMs*
6 774
2019: 8 976

Market capitalisation
US14 bn

Recognised brand
Standard Bank
Stanbic Bank

* ATMs – automated teller machines.

As an established African-focused group we have:

Trusted brand | Client community | Digital assets and data | Established partners | Africa knowledge | Deep sector expertise

Our approach to integrated thinking

Our approach to integrated thinking is dynamic and evolves as we respond to the challenges of the present while preparing the group for the future.

INFORMING OUR THINKING

Our operating context

The Covid-19 crisis is compounding the forces impacting financial services and changing stakeholder expectations of value, challenging us to deepen our resilience and re-imagine our relevance to our clients and our continent in the short, medium and long term.

Read more on page 22.

Our material issues

Shaped by the expectations of our stakeholders and prevailing economic, social and environmental trends, our material issues are those that have the potential to substantially impact on our commercial viability, our social relevance and the quality of our relationships with our stakeholders.

Read more on page 30.

EXECUTING OUR STRATEGY

Our strategy

We are accelerating our strategy to become a truly human and truly digital financial services organisation.

Our purpose
Africa is our home, we drive her growth.

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

Our strategic priorities
We have updated our strategic priorities to clarify what we need to do to deliver our purpose.

Transforming for the future

SHORT TERM
Responding to and recovering from the Covid-19 crisis.

MEDIUM TERM
A truly human, truly digital group, providing a comprehensive range of services.

LONG TERM
Africa's leading digital financial services business.

Read more on page 32.

MANAGING OUR RISKS AND OPPORTUNITIES

Our risk management model

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

Read more on page 74.

DIRECTING OUR CONDUCT

Our values
are the behaviours that define us.

Our culture
is underpinned by the principle of doing the right business, the right way.

Our code of ethics
guides our behaviour commitments and standards of professional conduct.

Our leadership identity
describes the attributes we require to achieve our strategy and shift our culture.

Read more on pages 66 and 74.

ORGANISING OUR BUSINESS

Our delivery model

We secure the inputs required to transform, grow, innovate and compete effectively and through our business activities we deliver the outcomes for the benefit of all our stakeholders.

Read more on page 34.

MEASURING OUR STRATEGIC PROGRESS

Our value drivers

We track the progress we make in executing our strategy through our strategic value drivers.

Read more from page 38.

We are aligned to the UN SDGs.

ALLOCATING OUR RESOURCES

Our resource allocation framework

We have updated the formal decision-making framework we use to allocate resources, to better deal with the volatility, uncertainty, complexity and ambiguity of the environment we operate in. We use scenario planning in our resource allocation and adapt these as appropriate.

Read more on page 40.

OUR ACCOUNTABILITY TO STAKEHOLDERS

Our approach to good governance promotes strategic decision-making that reconciles the interests of the group and society in our pursuit of sustainable shared value in the short, medium and long term. Our governance framework supports ethical and effective leadership, corporate citizenship and sustainable organisational and societal outcomes.

Read more on page 112.

OUR VALUE CREATION

We aim to deliver inclusive and sustainable growth, and create value for all our stakeholders.

VALUE FOR OUR CLIENTS
Delivering relevant and complete digital solutions to our clients.

VALUE FOR OUR EMPLOYEES
Shaping a workforce that is ready to meet our clients' needs, now and in the future.

VALUE FOR ALL OUR STAKEHOLDERS
Doing the right business, the right way.

VALUE FOR OUR SHAREHOLDERS
Striving to generate sustainable returns.

VALUE FOR SOCIETY
Driving positive SEE impact.

About our report

We report on the progress we have made in the period 1 January 2020 to 31 December 2020 to achieve our strategic objectives. We evaluate our financial and non-financial performance against our strategic value drivers. This report includes material information up to the date of board approval on 10 March 2021.

The scope of information presented is largely medium term. It assesses the opportunities, risks and impacts influencing our ability to create sustainable shared value as we begin to realise our medium-term vision, while delivering on our purpose.

Our reporting boundary

The data in this report – both financial and non-financial – pertains to the Standard Bank Group (the group or SBG) as the reporting entity, although certain metrics relate to specific categories of activity only and are indicated as such. The integrated reporting boundary includes all entities over which we have control or significant influence.

Our banking and wealth management activities are consolidated and defined as 'banking activities' in our annual financial statements. For the 2020 financial year, this comprises the financial results of Personal & Business Banking (PBB), Corporate & Investment Banking (CIB) and Wealth. Our Wealth financial results are largely included in those of PBB for the current and prior years. Our banking activities also include central and other group activities, which include group hedging activities, capital instruments, surplus capital and strategic acquisitions. Where specified, banking activities' data also distinguishes between our South Africa and Africa Regions operations.

Liberty Holdings Limited (Liberty), our life insurance and investment management subsidiary (54% interest) and our associate ICBC Standard Bank Plc (ICBCS) (40% interest), are not included in the data relating specifically to our banking activities and are shown separately in our financial results.

Our strategic relationship with our 20.1% shareholder, ICBC, the world's largest bank by assets, allows us to facilitate investment flows and commercial relationships between Africa and China. The financial outcome of this relationship is included as part of our business activities.

The reporting boundary includes the strategic narrative in this report and pertains mainly to our banking activities across the continent and internationally, and it also includes our subsidiary and associates (including Liberty and our other banking interests) where they are relevant to the group's business model and strategy, performance and prospects. Where appropriate, the reporting boundary also assesses the risks, opportunities and outcomes that affect our ability to create value, arising from entities and stakeholders, but which are not related to the financial reporting entity by virtue of control or significant influence, but rather by the nature and materiality of the risks, opportunities and outcomes.

Financial information has been prepared on an IFRS basis, unless otherwise specified, and therefore includes the consolidation of all entities in the group. Any restatements of comparable information are noted.

Details of our restatements can be found in our annual financial statements available online.

Process disclosures

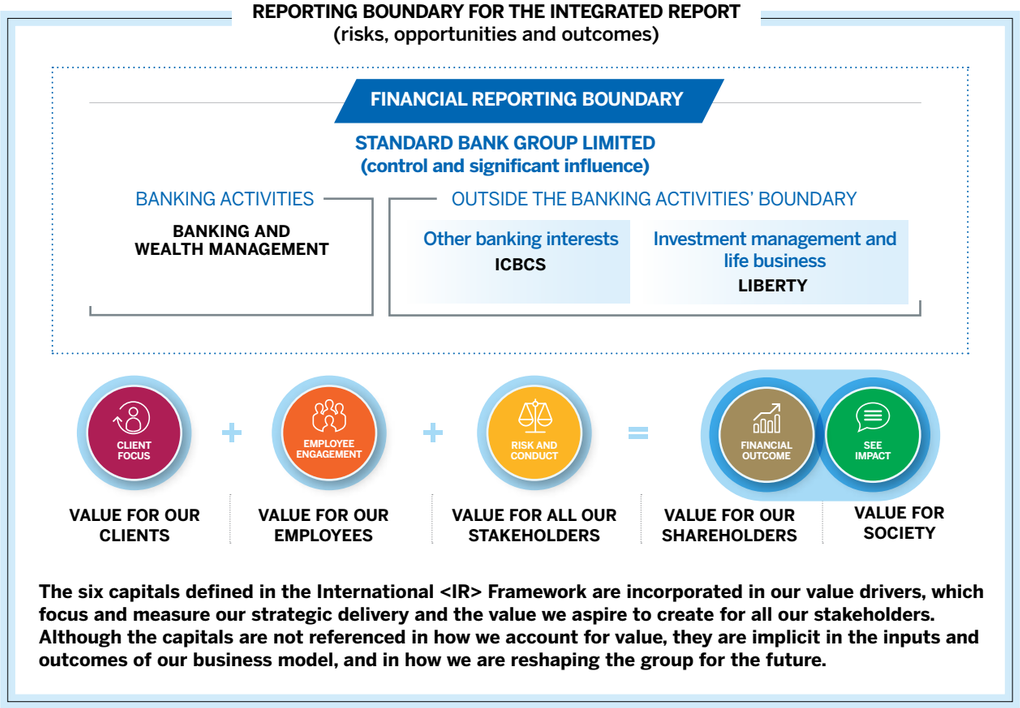
We apply a combined assurance model to assess and assure aspects of the group's operations, including the internal controls associated with elements of external reporting. Our approach to the assurance of our annual reports incorporates and optimises all assurance services and risk functions, to enable an effective control environment that supports the integrity of information used in decision-making and reporting.

While this report is not audited, it contains certain information that has been extracted from the group's audited consolidated annual financial statements, on which an unmodified audit opinion has been expressed by the group's external auditors, KPMG Inc. and PricewaterhouseCoopers (PwC). Similarly, it includes information extracted from the RTS and ESG reports on which assurance on selected information has been provided by PwC.

We have continued to deepen how we measure our strategic progress by refining our metrics. Our strategic value drivers form the basis for how we report our progress and priorities to the board, through our board and management subcommittees, on an ongoing basis. Our material issues are reviewed annually to take into account the changes in our operating environment and evolving stakeholder expectations.

The process for 2020 is disclosed in more detail on page 30.

The members of the group leadership council (GLC), previously the group executive committee, are accountable to the board for preparing the integrated report. Interviews with senior leadership and the board through its chairman, together with internal sources of information and relevant external research papers, have been used to prepare this report.



Statement of the board of Standard Bank Group Limited

The board acknowledges its responsibility to ensure the integrity of the integrated report. The group audit committee reviewed and recommended this report to the board of directors for approval. The board considers the preparation and presentation of this report as being materially in accordance with the International <IR> Framework. The board is therefore of the opinion that the report addresses material information on the group's ability to create value over the short, medium and long term.

The board reviewed and discussed this report on 10 March 2021 and approved the content provided. It delegated the final review and approval of the report for publication to the group chief executive officer.

On behalf of the board,

Thulani Gcabashe
Chairman

Sim Tshabalala
Group chief executive officer

LEADERSHIP INSIGHT

Our leaders discuss the dynamics in our markets and how these are influencing our strategic priorities and our progress in achieving them.

Chairman's statement

The discipline of good governance becomes even more valuable during periods of great stress and uncertainty. Far from slowing things down, it ensures that work happens faster and more efficiently, and that outcomes are significantly better.

Women on the board
35.3%
Achieved target of 33% by 2021

Women in executive positions
33.6%
2019: 32.3%

Achieved good governance outcomes by embedding the principles of King IV

Good governance includes careful and balanced attention to the interests of all stakeholders, the scrupulous observance of the law and of good practice guidelines, detailed attention to the facts, calm and logical deliberation on the choices to be made, and above all – ensuring that accountability is enforced.

During this most difficult of years, the board of the Standard Bank Group has aimed to ensure that each of these good governance disciplines have been maintained.

We have worked hard to provide the executive team with guidance and a sounding board whenever they have needed it. We have aimed to ensure that the group's clients have been supported to the greatest extent possible. We have been adamant that we must do everything in our power to protect the safety and health of our people.

Operating context

The South African economy shrank by 7% in 2020 (Stats SA). This is its worst performance in a century – in fact, since the influenza pandemic of 1919-20. The economy of the sub-Saharan Africa region proved more resilient, contracting by only 2.6%.

As I write this early in 2021, there is good reason to hope that 2021 may be better.

We expect the region's economy to grow at around 3% this year, making back much of the ground it has lost. We also expect that South Africa will rebound by around 4.6%, depending on the extent to which further progress is made in relieving the electricity supply constraints, and in implementing other structural and governance reforms.

However, our forecasts for 2021 remain highly uncertain since we cannot predict the future trajectory of the pandemic, nor the extent to which vaccines may enable a return to a more normal life this year.

The pandemic has given South Africans a dramatic and powerful demonstration of the shortcomings of our current political economy. The outcomes of slow reforms, of tending to favour insiders as opposed to merit, has proved to be impoverishing, tragic and even destabilising. The need for faster, more transparent, more inclusive and more accountable economic and industrial policy execution in South Africa has never been more pressing.


THULANI GCABASHE – GROUP CHAIRMAN

Leading issues in 2020

By early March 2020, the board had become seriously concerned about the Covid-19 pandemic. By the end of March, it was clear that it would be necessary for the group to implement its disaster management and business continuity protocols, including much more frequent communication by the executive with employees and the board.

With hindsight, it has become 'obvious' that modern digital technology would make it possible to run a large multinational financial services firm indefinitely with around 75% of employees working from home and with the remaining 25% working under strict hygiene and physical distancing requirements. This was far from obvious at the time and the board was pleased when the group's business continuity plans unfolded successfully.

The next concern facing the board as a result of the pandemic was whether it would be possible to maintain the security of our information systems with such a large proportion of employees working away from the office. Again, the answer was that we could. There have been no material cybersecurity incidents in 2020.

It was very important to the board that the group was doing everything it could to support our clients through the extremely sudden and deep economic downturn created by the pandemic and the necessary public health responses. In the board's view, the group's fee reductions, debt restructuring and additional credit extension programmes were well-designed. In particular, we had to be sure that the group's sustainability would not be placed at risk by such interventions. Our support programmes have been well-judged in those important respects, as is evidenced in more detail in the sections of this report on risk and conduct and financial outcome.

The pandemic has starkly reinforced our awareness of humanity's global interdependence on each other, and of our dependence on the natural world. Environmental sustainability was already one of the most pressing global issues in 2019. It has become even more pressing now. If in the past we were not as clear as we should have been about the group's positions on environmental sustainability, or about how we see these in relation to our commitment to promoting inclusive and sustainable development in Africa, we must be now. The publication of our first report on climate risk, our 2020 TFCD interim report is an important first step in this regard. It represents a critical milestone in our journey to address climate risk comprehensively in our business.

The group published its fossil fuel policy in 2020, which sets parameters for our lending in this area, and complements the coal-fired power finance policy and the thermal coal mining finance policy adopted by the group in 2019.

The board expects the executive to continue to correct the weaknesses we have identified in this area during 2021.

As described in more detail in the group chief executive officer's review, and elsewhere in this report, the executive took the view that it was essential to continue to modernise and to increase the competitiveness of the group during 2020. In the first few weeks of the pandemic, this seemed an implausible ambition. However, as discussed above, it soon became clear that the group was entirely stable and – by moving to dispersed working and by creating a range of new services to support our clients through the pandemic – it proved itself capable of very rapid and successful change even under the conditions of 2020.

This being so, the board was pleased to support the launch of new people and brand promises in 2020, not least because we had identified the effectiveness and relevance of the group's marketing as cause for concern during 2019.

It is clear that our clients now expect us to provide seamless, increasingly bespoke and increasingly comprehensive services, mostly online, but also in person when they choose. People and corporations are not looking for products and services, but for solutions. The pandemic has only accelerated and intensified these changes. Therefore, after careful discussion, board training took place on the digital economy and on the accelerating digitisation of the financial sector, and having consulted with relevant independent experts, the board wholeheartedly supported the significant changes to the group's internal structure, and to its ambitions, that are described in this report.

Governance and risk management developments in 2020

The pandemic has been the largest single shock to the world economy and to human society in recent times. As this report shows, our financial and human resources were very well able to withstand the shock. Nevertheless, it is clear that the trends of the pre-Covid period have been disrupted – some stopped, some reversed, and some accelerated. We therefore concluded that it was wise to undertake a formal scenario planning exercise to reorient ourselves. This exercise concluded that, whichever 'future' transpired, it was likely to include a more online world, shorter and more robust supply chains that could create new opportunities for African firms, and an increasingly important role in the world economy for the China-Africa corridor.

It was also reassuring to conclude that our allocation of capital and other resources was likely to remain appropriate: Africa remains a very promising long-run growth story and, if anything, the changes imposed by the pandemic have reinforced our certainty that Africa will continue to develop rapidly throughout this century.

The board was pleased that the stability of the group's systems was very much higher in 2020 than it had been in 2019, when it had been an area of particular concern. As we aim to become a business that is connected to a wider range of partners, we will also need to be very alert to the risks that third parties can introduce into our systems and services.

The board is honoured to be joined by Paul Cook, Xueqing Guan and Nonkululeko Nyembezi and we welcome them to the board.

Hao Hu and Priscillah Mabelane stepped down and Peter Sullivan retired from the board during the year. André Parker will retire from the board at the conclusion of the 2021 AGM. I am grateful to each of these very distinguished people for the time and wisdom they have lent to our board and thank each of them for their contribution.

I remain satisfied that the board is appropriately balanced and contains the skills required to ensure that the group is well-governed, and that the interests of our shareholders, other stakeholders, and the societies in which we do business are well-served. We are pleased that the board's gender balance has improved and we continue to look for opportunities to improve its age structure and the representation of people from Africa beyond South Africa. We will also continue to improve the depth and breadth of digital skills on the board, and to ensure that the board has the expertise it needs to support, govern and communicate our ESG obligations and our commitment to sustainable and inclusive development in Africa. We are working to ensure that the group meets the South African Prudential Authority's requirements on director independence.

APPRECIATION AND LOOKING AHEAD

I am very grateful to my fellow directors for their excellent work this year. The stakes have never been higher, and the decisions never more difficult.

I am equally grateful to the group's employees, many of whom have demonstrated immense courage, and all of whom have worked with extraordinary discipline and dedication. Thank you all.

We mourn the colleagues, family and friends we have lost during this pandemic. We miss them. We pray for their loved ones. We honour their memory by striving every day to support economic and social development on our continent, as embodied in our purpose: Africa is our home, we drive her growth.

Voices of resilience

Covid-19 has created an unprecedented global economic and humanitarian crisis, but it will also be remembered as a moment when governments, businesses, NGOs and citizens around the world rallied together behind a common cause to save lives and livelihoods. In that sense, there is a story of hope, evidence of Africa's remarkable resilience in the face of adversity. Businesses across Africa have stepped up to help their employees and communities. We have curated stories of hope from across the continent to shine a light in this time of challenge.

These voices of resilience are collected in four categories and can be accessed online here at: **https://www.standardbank.com/sbg/standard-bank-group/whats-happening/voices-of-resilience/overview**.

Putting people first

For large organisations, the Covid-19 pandemic has been a test of the extent to which they have really embedded digital in their 'DNA' – reflected in their infrastructures, capabilities and the ability of their people to rapidly adapt to different leadership practices and ways of working. Adopting new ways of working in a matter of days is no mean feat for a multinational organisation, but with our clear strategic focus on becoming digital in recent years, coupled with our investment in technology and future skills, the transition for the group ran smoothly.

As an employer that has always placed a premium on employee engagement and the crucial role our people play in delivering to our clients, we understood from the outset that how we thought about and responded to the people impact of Covid-19 would be critical for the group. We have done everything in our power to protect our people including splitting teams, restricting the number of people in our branches, insisting on physical distancing and distributing sanitiser and personal protective equipment (PPE) across our branches, call centres and offices. Nevertheless, it has taken a lot of courage and dedication to go to work every day at the height of the pandemic, and we are enduringly grateful to all the Standard Bank people who have continued to work on the frontline to support our clients through this very difficult time.

More on how we have put people first can be accessed online here at: **https://www.standardbank.com/sbg/standard-bank-group/whats-happening/voices-of-resilience/people-first.**

Clients showing their resilience

We took extraordinary steps to assist our clients from the early days of the crisis and are shifting our focus to the recovery phase and the road ahead. As we do this, we will continue to work with our clients to find suitable solutions that enable them to participate meaningfully in the economic recovery. We provided temporary relief to retail and small- and medium-sized enterprises (SMEs) clients amounting to R129 billion. Moreover, our short-term and life insurance businesses paid out R1.1 billion (excluding Liberty) in insurance claims in the first half of 2020 and provided more than R50 million in fee waivers and moratoriums. The foreseeable future will undoubtedly be challenging, but Africa's people are tenacious, resourceful, and resilient. We will work closely with our clients to ensure that they achieve their dreams, and that Africa reaches her true potential.

More on how we are supporting our clients, and on their experiences of the impact of Covid-19 can be accessed online here at: **https://www.standardbank.com/sbg/standard-bank-group/whats-happening/voices-of-resilience/customers-show-their-resilience.**

Forging human solidarity

Covid-19 has exposed and intensified deep inequalities across Africa as unemployment has risen and gains in gender equality are under threat as women disproportionately shoulder the burden of the pandemic. However, this has also been a time for Africa's people, governments and businesses to demonstrate that they can work quickly and effectively together for the common good. This knowledge, along with the new capacities built over the past year, position Africa to not only recover from the pandemic but emerge stronger and more united.

More on partnerships and how we have mobilised our resources can be accessed online here at: **https://www.standardbank.com/sbg/standard-bank-group/whats-happening/voices-of-resilience/forging-human-solidarity.**

Charting a new path

Covid-19 has clearly demonstrated that companies cannot achieve long-term success if the societies in which they operate are not prospering. Corporates in all sectors have had to revisit their purposes, and ESG considerations have come to the fore. To protect against future shocks, and to ensure long-term value creation, all companies must tie performance to the wellbeing of society and the natural environment. If we succeed at making a positive contribution to the societies in which we operate, and help to mitigate the impact of the pandemic, we will grow the continent's economy. Aside from the ethical case for being a responsible corporate citizen, there is clearly a strong commercial case for operating with all stakeholders in mind.

The pandemic also presents new opportunities for corporates to play a vital role in expediting Africa's Covid-19 recovery by working with government to support inclusive growth, financial reform and policy stability, responding to the increased demand for re-shoring and localisation, and putting small businesses at the front and centre of recovery efforts. These actions will build resilience and promote more stable economic prospects, as well as opportunities for growth.

More on how we are charting a new path can be accessed online here at: **https://www.standardbank.com/sbg/standard-bank-group/whats-happening/voices-of-resilience/charting-a-new-path.**

Group chief executive officer's review

During the most unusual and difficult year in living memory, the people of the Standard Bank Group demonstrated courage, determination and self-discipline. They adapted very fast and worked extremely hard.

Group headline earnings

R15.9 bn

2019: R28.2 billion

Group ROE

8.9%

2019: 16.8%

SIM TSHABALALA – GROUP CHIEF EXECUTIVE OFFICER

As at 7 March 2021, 39 of my colleagues have died of Covid-19. Every death has been a terrible blow. There is no greater reminder of our humanity and mortality than death There will be more illness, and more deaths, in 2021. I hope and pray that we are over the worst and that the mourners may be comforted.

During the most unusual and difficult year in living memory, the people of the Standard Bank Group demonstrated courage, determination and self-discipline. They adapted very fast and worked extremely hard. They did everything in their power to protect our colleagues and our clients from the virus. They did an enormous amount to support Africa's households and businesses. They maintained and reinforced the soundness and sustainability of our business. Despite working under highly stressful and uncertain conditions, they ensured that we remained a consistently excellent, and ferociously competitive, financial services group while also making good progress towards offering a wider range of related services. I am proud of our people and very grateful to them.

The group's financial results are much worse than anyone could have expected before the pandemic – but they are not disappointing. Along with our other value drivers, they are, in fact, a reason to celebrate the immense resilience and capacities of our group.

Group headline earnings for 2020 were R15.9 billion, 43% lower than in 2019. Group return on equity (ROE) was 8.9%, 790 basis points (bps) worse than the prior year. Banking activities' headline earnings fell by 42% to R15.7 billion, and generated a ROE of 9.6%, 850 bps lower than the prior year.

However, despite the worst economic conditions in a century, the group's pre-provision operating income declined by just 6%. The decline in group headline earnings, therefore, was very largely driven by credit impairment charges increasing by approximately 2.6 times compared to 2019, with a credit loss ratio (CLR) of 151 bps (2019: 68 bps). This reflects the extraordinary strain on households and firms imposed by the pandemic, especially in South Africa.

More detail on the group's financial performance in 2020 is available in the financial outcome chapter starting on page 86.

The group's CET 1 capital adequacy ratio was 13.3%, 180 bps above the upper end of the board-approved target range of 10.0 to 11.5%. Throughout the year, the group maintained liquidity buffers in line with regulatory, prudential and internal stress testing requirements. As at 31 December 2020, the group's liquidity coverage ratio (LCR) was 134.8% and its net stable funding ratio (NSFR) was 124.8%, well above the required level of 100%. In other words, despite the pressures of the year, we ended 2020 highly liquid, well-capitalised and ready to support the recovery we foresee in 2021 and beyond.

RCM The group's risk management is described in more detail in our risk and conduct chapter starting on page 74 of this report and is discussed in full in the risk and capital management report.
AIR

Learning from the pandemic

It is important not to be glib or overconfident about what the enduring consequences of the pandemic will be. For one thing, the pandemic is still very much with us, and will probably continue to dominate our lives and our thinking for at least another year. There are, no doubt, major surprises and shocks ahead in 2021.

Beyond that, the pandemic could perhaps fade quite quickly from public memory and from the minds of policymakers, like the pandemic of 1919-20. Or it might become a permanent reference point, like the great plagues of the Middle Ages or like the World Wars and Great Depression of the 20th Century, shaping attitudes and influencing economic and social policy for decades. What is already clear is that the pandemic has heightened our awareness of existing problems and sharply accelerated some existing trends.

For instance, the pandemic has forcefully reminded us of our dependence on the environment, and on each other, worldwide. It has provided many – often tragic – illustrations of the costs of social and economic exclusion. The pandemic has highlighted the serious disadvantages and dangers that follow from allowing public sector capacity and private sector competitiveness to decay. Equally, though, it has shown that capable states, great research universities, strong corporations and vibrant markets can achieve near-miracles. Readers may recall that, in early 2020, many people were certain that it would take at least five years, if not a decade, to produce effective vaccines. Some people are now equally certain that it will take many years to vaccinate enough people to enable a return to normal life, or that new variants will permanently 'escape' vaccine technology. In my view, such a degree of pessimism is not warranted by the data before us.

In this vein, the pandemic, and associated political and social developments, have shown us the value – and surprising fragility – of a shared sense of reality. In order for societies, states and economies to function well, we need agreed ways to determine the facts. We therefore also need a considerable degree of respect for expertise, for institutions, and for the law. Cognitive inclusion, it turns out, can be just as important as economic inclusion.

In a similar way to previous global crises, the Covid-19 pandemic has speeded up social, technological and economic change. To take only the most obvious examples, the pandemic has vastly accelerated biotechnology research and production and has expanded public support for comprehensive health systems – both trends having important consequences for asset and insurance markets.

The technology that enables most office-based jobs to be done remotely has existed for more than a decade, but it was being adopted quite slowly until working from home was abruptly forced upon us in the first quarter of 2020. We cannot predict how much of this change will be permanent. But we do expect that considerably less business travel will be necessary and that many people will prefer to work away from the office for much – perhaps most – of their working time. This will have a complex and wide-ranging pattern of effects on areas including management styles, tax policy, road and commuter rail usage, and the future development of cities. It is certainly my hope and expectation that commuting times, other transport delays, and business travel will all be permanently reduced, with positive effects on people's stress levels, on the environment, and on many businesses' cost structures.

Standard Bank's responses to the pandemic

As discussed throughout this report, the group's approach to the pandemic is organised into three phases: Respond, Recover, and Re-imagine.

RTS Further detail is available in our annual RTS and special Voices of Resilience report.

Our first response to the pandemic was to do everything in our power to protect the health, safety and wellbeing of our employees, and by extension their loved ones and our clients.

Guided by the World Health Organisation and the relevant national authorities, by medical and occupational health and safety professionals, and in dialogue with our trade unions, we immediately implemented the necessary health and safety protocols. From March 2020, 75% of our employees across the group have worked from home and will continue to do so until it is safe for us to return to the office.

We have worked hard to ensure that all our colleagues continued to feel connected to their teams, their managers and the group's leaderships. We have placed equal emphasis on reinforcing people's links to the group as a caring community, and to our goals as a competitive, customer-centred and purpose-driven business. To achieve this, we have provided ongoing employee education, guidance and support, introduced special leave and benefit provisions (including parental leave for school closures and leave for self-quarantine). Interactive

meetings hosted on Microsoft Teams grew from 20 000 to 500 000 meetings a month on average across the group.

For those colleagues who had to work in our branches, call centres and offices to maintain essential services, we arranged safe transport during the most intense phases of lockdowns, provided PPE, implemented increased hygiene, temperature and symptom testing protocols across all bank premises, used multiple sites and shifts, and set limits on branch occupancy and on physical proximity in branches, protecting both our employees and our clients. We also granted a special National Service Appreciation Award to all employees who worked outside the safety of their homes during Level 5 lockdowns.

As the chairman writes, the group's disaster management and business continuity plans were highly successful. We have therefore been able to offer our full range of digital and in-person services (usually in online meetings) throughout the pandemic. Just as importantly, we have done so without experiencing any material cybersecurity incidents or any significant failures in our digital infrastructure.

In June 2020, we conducted a survey which asked all our colleagues how we could better support them as the pandemic became a semi-permanent state of affairs. 95% of employees reported that they were adapting well to the new circumstances and that 89% of employees expressed their pride in the measures we are taking to support our employees and clients during the pandemic.

The group's financial support to our clients during the 'respond' phase of the crisis has included payment holidays for qualifying individual clients and SMEs; waiving of transaction fees; short-term moratoriums on principal and interest; loan restructuring for severely impacted clients; and reduced banking fees. During 2020, we provided cumulative client relief worth R129 billion to personal and SME clients; and approved R24.8 billion to relieve corporate clients, mainly for clients in the real estate, retail, hospitality, industrial and power and infrastructure sectors. In South Africa, Standard Bank participated, on a scale more than commensurate with our market share, in the National Treasury/South African Reserve Bank/Banking Association SME loan guarantee scheme along with all the other members of the Banking Association. As at December 2020, over R17 billion had been loaned by South Africa's banks to almost 13 000 businesses under the scheme.

There is a perception that the SME loan guarantee scheme has been disappointing and unsuccessful. One possible reason for this is that even a very large loan guarantee scheme could only partly counteract the effects of the deepest and most sudden contraction in a century. Some disappointment may also have arisen because the scheme was often referred to as the 'R200 billion' loan scheme, as if there had been a commitment to lend that much. That was never the case. R200 billion was the scheme's maximum capacity, not a target.

It is also important to emphasise that this is a loan scheme – and therefore not a grant scheme. This has two consequences. First, banks cannot oblige SMEs to apply for these loans. Good business people are never keen to take up a loan unless they are confident about their capacity to use the funds productively and about their ability to repay the loan. In addition, in this instance, given the favourable lending terms of this scheme, there are certain conditions that businesses may prefer to avoid, including, for example, that no further loans may be granted until these facilities have been repaid. Second, even when a company decides to apply for a loan, we still have to be confident that this loan will not actually reduce a business's chance of survival by creating over-indebtedness. Further, as a deposit-taking institution, our first duty is always to our depositors: we have to be sure that their money is safe, which means that we have to be confident that almost all loans will be paid back.

There has been some discussion about whether it would be appropriate to change the structure of the scheme to improve uptake or to convert the loans made under the scheme into grants. We are entirely open to discussion about the former possibility and entirely reject the latter. Apart from the unfair burden that a conversion to grants would place on our depositors and investors, and on taxpayers, we think that converting loans into grants would set a very undesirable precedent. We also believe that the opportunity cost of foregoing the payment of this R17 billion would be too high at a time when South Africa is under extreme fiscal stress and is in urgent need of resources to spend, for instance, on vaccines and other medical supplies. It is also relevant that the huge decline in economic activity South Africa experienced in the first half of 2020 was mostly in response to the lockdowns that were necessary to try to control the pandemic. By contrast, under the current set of public health measures, most of the South African economy is able to function at close to 2019 levels.

CLIENT FOCUS
(value for our clients): delivering relevant and complete digital solutions to our clients.

EMPLOYEE ENGAGEMENT
(value for our employees): shaping a workforce that is ready to meet our clients' needs, now and in the future.

RISK AND CONDUCT
(value for all our stakeholders): doing the right business, the right way.

FINANCIAL OUTCOME
(value for shareholders): striving to generate sustainable returns[1].

SEE IMPACT
(value for society): driving positive SEE impact.

1 Reviewed from prior year due to retraction of medium term guidance as a result of Covid-19.

Executing our strategy in 2020: progress despite the pandemic

A majority of our energy and resources in 2020 were focused on the 'Respond' and 'Recover' phases of our approach to the pandemic, maintaining our services and ensuring that we would emerge from the pandemic able to support the immediate recovery.

However, thanks to the success of our business continuity plans and our risk management systems, it was possible also to spend a considerable amount of time on the Re-imagine phase of our response. We started this by undertaking a formal scenario-planning exercise for the post-pandemic world. As mentioned, we certainly do not think it is possible to know in any detail what the future will be like. But careful scenario planning can detect trends, clarify probabilities and identify 'no regret' actions. Our scenario planning work reinforced our views that it will be necessary to be as agile and fast-moving as possible given the acceleration created by the pandemic; that companies such as Amazon and Alibaba will dominate large parts of the world economy over the next several decades; and that both our clients and the authorities will be more risk averse for several years to come. This last probability will increase demand for high-quality assets. It may also create new opportunities for Africa's manufacturing and services sectors as governments and corporations worldwide aim to create shorter, more robust and more diversified supply chains.

To compete successfully in a world that demands greater agility, in 2020 we completed a programme that has given more autonomy to our country businesses, including SBSA. Having made these geographical changes, and in order to remain competitive in an economy shaped by the 'BigTech' companies we designed, launched, and made substantial progress on changing our internal structure from a functional perspective.

2020, therefore, is the last year in which we will report on the performance of the CIB, PBB and Wealth business lines, each of which has had many characteristics of a separate firm. From 1 January 2021, we are primarily organised into three client segments (Consumer & High Net Wealth; Business & Commercial; and Wholesale) each equally supported by our Client Solutions business, by a specialised Innovation capacity, and by our Engineering infrastructure.

My colleagues and I know that large businesses can become dangerously self-absorbed. To prevent this, we have been very clear that we have made this sequence of internal changes in order to serve our clients better and more efficiently, generate larger revenues and wider margins, and fulfil our purpose.

It is significant, therefore, that 2020 has also seen a lot of rapid and concrete progress towards these goals. For example – and as discussed in last year's report – it was urgently necessary to reinforce our brand strength and refresh our marketing, which we did by launching our new brand promise, payoff line and associated campaigns.

We launched new digital solutions and enhanced existing ones. These include:

- **BizFlex** – a short-term lending solution, providing businesses with the flexibility to repay loans as revenue is earned, at a cost guaranteed upfront.
- **TradeClub** – our B2B (business-to-business) matchmaking platform, connecting trusted businesses across Africa with China and other markets worldwide.
- **QuantumTrade** – an end-to-end digital solution for clients to obtain guarantees and letters of credit.
- **OneHub** – a platform that unites all of CIB's offerings, solutions and information – all accessible with a single login.
- **Unayo** – a versatile digital wallet for clients across Africa.
- **SBG mobile app** – enhanced and evolved our customer experience with a help centre and an add-one store, and with a personalised home screen that enables our users to configure their app as they choose.

We also continued to extend our partnerships with leading international digital businesses – partnerships that will be central to achieving our ambition of being Africa's leading digital financial services business. ICBCS delivered a much-improved performance in 2020, providing a positive basis for engagement with ICBC regarding the full structural and operational integration of ICBCS into ICBC.

Liberty's performance in 2020 reflects a significantly worse morbidity and mortality experience, the downward pressure on asset prices created by the pandemic, and the handicaps placed on a business that thrives on in-depth and in-person engagements. We expect Liberty's performance to recover as the pandemic and its after-effects recede. We continue to see the capabilities of this business as central to our medium- and long-term goals of providing a comprehensive range of financial services and solutions, increasingly supplemented by other services.

Towards the end of the year, we surveyed our people again in our regular annual employee engagement survey. We were delighted to find that the group's overall employee net promoter score (eNPS) was +44 for 2020, significantly improved from +18 in 2019, and better even than +23 in 2018. 94% of our people said that they were proud to be associated with the Standard Bank Group, and 96% said that they understood their contribution to the group's purpose.

I share my colleagues' strong sense of our purpose. But I also share the chairman's sense that we have not communicated as clearly as we should about how the group understands the closely linked imperatives of inclusive and sustainable human development and environmental sustainability.

As we see it, there is no conflict between these goals. We cannot hope to achieve lasting improvements in people's lives unless additional income and assets are created – and are created in an environmentally and socially responsible way. Equally, though, it would be unfair and unrealistic to ask Africans to put human development on hold. We will continue to balance these perspectives, guided by our purpose, by our membership of the UN Principles for Responsible Banking, by our commitment to advancing the UN SDGs, and by the Paris Agreement's target to limit warming to well below 2 degrees above pre-industrial levels, in the context of a just transition.

RTS More detail on our SEE impacts is to be found on page 100, and online in our RTS.

Here I will highlight just two of our achievements in harnessing the power of finance to promote inclusive and sustainable development. First, working, in partnership with UN Women, we have collaborated with local farmer associations and cooperatives, aid agencies, national and local governments, local private sector partners and NGOs, to empower 50 000 women farmers in Malawi, Uganda, Nigeria and South Africa, through modern, climate-smart agricultural practices. This includes working to negotiate equitable market terms and to establish business and social contracts with sustainability-focused retailers. Second, we issued our inaugural USD200 million green bond, via private placement with the International Finance Corporation (IFC). This is Africa's largest green bond to date, and South Africa's first offshore green bond issuance, and will be used to finance eligible green assets aligned to our Sustainable Bond Framework. In the Corporate Knights Global 100 Most Sustainable Corporations in the World, we ranked 53rd overall, and are the only African company in the top 100.

Our responses to the pandemic show that, as always, we make by far the largest part of contribution to society in the course of our business. That being said, we are proud of our corporate social investment (CSI) contributions. In addition to our business-as-usual CSI spending (R97.2 million in South Africa), the group spent an additional R27 million in South Africa responding to Covid-19. Our other businesses also made substantial donations, including the provision of PPE, hospital infrastructure, and humanitarian support. Stanbic Kenya, for example, donated 192 ventilators to Kenya's Ministry of Health, almost doubling the number of ventilators available countrywide, and facilitated acquisition of PPE from China for the government; Standard Bank Lesotho funded the construction of an ICU unit; and Standard Bank Namibia provided PPE to informal settlements and assistance to government in disbursing Namibia's emergency income grant. In Ghana, we donated USD225 000 to help battle Covid-19, of which our employees contributed USD56 570 by donating a percentage of their salaries for three months.

PRIORITIES FOR 2021 AND FOR THE MEDIUM TERM

We think that the economy of sub-Saharan Africa will recover relatively quickly during 2021, growing at around 3% this year and making back much of the ground that the region lost in 2020. We are optimistic about the South African economy too, expecting that it will grow at around 4.6% this year, depending on the extent to which further progress is made in releasing the electricity supply constraint and in implementing other structural and governance reforms. We are moderately hopeful that progress will indeed be made in these areas, and that South Africa will emerge from the pandemic with a somewhat more capable and accountable state, and with better relationships between government, business and organised labour. It is very important to stress, however, that our forecasts for 2021 remain highly uncertain, and depend to a large extent on the future trajectory of the pandemic, and on the pace at which vaccines enable a return to more normal life worldwide and in Africa.

Our immediate priorities for 2021 are to:

- Keep our employees safe, healthy, connected and motivated, and then to return to more normal ways of working as soon as safely possible, while retaining the new capacities, faster pace and increased flexibility we developed in 2020.
- Support our clients as they recover, rebuild and explore new opportunities.
- Continue to improve client experience and operational efficiency.

Over the medium term, we will continue to:

- Ensure that we offer our clients a comprehensive range of financial solutions, increasingly supplemented by ancillary and additional services.
- Execute with excellence using technology and data to better serve and protect our clients, reduce costs and scale our businesses.
- Generate market-beating, sustainable returns for our investors.
- Create economic, social and environmental value for the communities and countries where we do business, making Africa – our home – a better place for everyone who lives here.

Read about our strategic priorities on page 32.

Throughout 2020, the strength of our institution has been matched by the strength of our people's character. The depth of our resources has been mirrored by the depth of our people's courage. We will emerge from the pandemic stronger than ever, more competitive than ever, and more determined than ever to drive Africa's growth.

OUR **VALUE** STORY

Connects the emerging trends affecting our business and continent, and the issues that matter most to our stakeholders to how we are accelerating our strategy and organising the group to deliver sustainable shared value.

Our operating context

The Covid-19 crisis has compounded and accelerated the dynamics changing our sector, our continent and our world. The group's prosperity depends on how well we embrace, anticipate and manage change, with the wellbeing of our clients and our continent at the centre of our responses and aspirations for the future.

Introduction

The Covid-19 pandemic has had a starkly unequal impact. On one end of the socioeconomic scale, extreme poverty is expected to rise for the first time in 20 years.[1] On the other, stock markets across the world averaged 11% growth in 2020.[2] In the wake of unprecedented job losses and failing small, medium and micro enterprises (SMMEs), governments and global financial institutions have stepped in, spending USD10 trillion in Covid-19 relief as world economic output dropped sharply.[3]

The big winner in all this has been technology, as the Fourth Industrial Revolution (and digital adoption by people and companies alike) accelerates. The market value of the five biggest Silicon Valley firms rose 46% in 2020 to USD7.2 trillion.[2]

The socioeconomic crisis in the wake of Covid-19 has also shifted attitudes and values. Citizens have an increased expectation of government assistance and business leadership in addressing socioeconomic and environmental ills. The spotlight is on big corporations to prove their developmental credentials or face pressure from regulators and citizens.

It is in this context of the digital transformation and the SEE imperative that the group finds itself. These themes are even more relevant to Africa, where measures of human flourishing lag the rest of the globe. Over the coming years the group will be buffeted by the forces of technological advancement and increased competition from technology players. It will navigate an evolving regulatory environment and geopolitical shifts, social and environmental threats and economic trends, whereby globalisation and the rise of China are key.

There have been significant opposing forces to the liberalisation of trade, notably: the financial crisis, the China-American trade war and now Covid-19.[2] However, the benefits of the interconnectedness of globalisation are inarguable. The election of Joe Biden as the United States of America's (US) president will help ease China-American relations; and the digital interconnectedness and the pervasiveness of consumer culture will further support globalisation.

FORCES SHAPING FINANCIAL SERVICES

OUR TOP ENTERPRISE RISKS

The enterprise risks process takes place annually to determine risks for the group that require additional management focus. Enterprise risks are selected from a list of identified prevalent and emerging risks, across all risk categories and time horizons. These risks have a material impact, based on their estimated severity and likelihood, and are included in our stress testing scenarios and strategic and budget planning.

Our top enterprise risks for 2021 are:

- BigTech domination of financial services
- Ransomware attack
- Extreme weather events
- Third-party non-performance
- Slow pace of implementation.

AIR Read more on pages 30 and 80.

We have linked our top enterprise risks to our operating context and identified related opportunities for the group in the narrative that follows.

SOCIETY AND POLITICS

Globalisation, supported by digital innovation and the rise of the digital economy driven in part by BigTech, has exposed consumers across the world to convenient low-cost solutions. Organisations that effectively leverage globalisation, innovation and digital technology will succeed in creating long-term value.

RELATED RISK

A successful ransomware attack on IT systems that impact our critical payments process value chain.

The territorial integrity of nation-states on our continent is well established and mostly legitimate. Further, the establishment of the African Continental Free Trade Agreement (AfCFTA) area is a sign that countries in Africa are committed to multinational collaboration in the interests of "...greater unity and solidarity between African countries and their people,"[4] as stated by the African Union.

With digital technology, comes the increased risk of cyber-attacks. In Africa, governments that collaborate with business to enhance transparency and credibility in their financial systems can benefit from improved economic development.

"Good and inclusive governance is imperative for Africa's future".[5] The Ibrahim Index of African Governance (IIAG) defines governance as, "the provision of political, social and economic public goods and services that every citizen has the right to expect from their government, and that a government has the responsibility to deliver to its citizens."[6]

In relative market size, South Africa and Nigeria present the greatest opportunity and potential risk. South Africa is our most mature market, while Nigeria is Africa's biggest economy and a major growth opportunity for the group. The IIAG scored South Africa and Nigeria on the same deteriorating trajectory.[6] Other African markets like Angola, Ghana, Kenya and Uganda have all improved over the ten-year period.

Economic and socio-political risks will remain until South Africa shows investors that it is serious about good governance at government level, protection of property rights and rationalisation of cash-depleting state-owned enterprises. There is evidence that these are being addressed, with government pushing back against public sector wage demands, drafting a more business-friendly Expropriation Bill[7] and adopting a Recovery Plan in keeping with economic best practice.[8]

South Africa sourced rapid relief funding from the International Monetary Fund (IMF). In Nigeria, falling oil prices and a Covid-19 knock to the economy saw it too sourcing an IMF loan for the first time. This could be positive for Nigeria as it plans to float the naira and unify the exchange rate. The crisis caused by Covid-19 and falling oil prices will encourage much-needed reforms, thus potentially improving the business environment in Nigeria, as well as in other resource-rich west African countries.

Socio-political risks remain a threat. The IIAG reported that 2019 saw the first year-on-year weakening in African governance. The trend shows an improvement in economic opportunity and human development, while participation, security and rule of law worsened.[6] Africa's increasing reliance on China for trade and infrastructure development is part of a broader trend whereby the collectivist values of Asia (as opposed to the individualistic values of the West) are viewed as more compatible with African culture. The Covid-19 knock to African economies may mean that some governments may have trouble repaying loans to China and this could lead to tensions, undermining China-African cooperation.

The greatest socio-political force is demographic. Sub-Saharan Africa's population is growing at rates faster than other parts of the world and it is also urbanising as swiftly. By 2050, over two billion people will call Africa home, with 1.3 billion of those living in urban settings.[9] It is estimated that by 2025 there will be over 100 cities in Africa with a population of at least a million inhabitants.[9] This will drive commerce and increase financial interactions.

References:

A detailed bibliography is included on page 143.

1 The World Bank, 2020
2 The Economist, 2020
3 The Economist, 2020 Note: In 2020 output is expected to be 7% less than what it otherwise would have been.
4 African Union, 2020
5 Mbaku, 2020
6 Mo Ibrahim Foundation, 2020
7 On 9 October 2020, the South African Government published a draft Expropriation Bill as part of the process to create space in South Africa's legal system for expropriation of land without compensation in certain circumstances deemed in the interests of the country.
8 Landman, 2020; Full name: The Economic Reconstruction and Recovery Plan
9 Shepard, 2019

SOCIETY AND POLITICS continued

Africa's burgeoning urban population will place African governments under pressure to deliver opportunities for material advancement. In addition, urban protests may increase across Africa as those locked out of economic opportunity vent their frustration. (An IMF study showed unrest peaking 24 months after the outbreak of a pandemic).[10]

As a countervailing measure, business and government will collaborate to widen access to digital services and integrate citizens – via banking – into the formal economic system. Opportunities will arise for business to offer their digital solutions in service of enhanced B2G (business-to-government) and citizen-to-government interactions. And using sustainable technologies, Africa can build cleaner, smarter cities, ones that are attractive to international investment, expertise and tourism.

While businesses across the world prioritise the building of digital platforms as a key part of their digital transformation, the distinction between different types of digital platforms and solutions will become more blurred as BigTech leverage their scale to offer ever more services to their billions of customers.

Thus, Africa's socio-political risks will be more than offset by the opportunities for business to provide services of value to an urbanising population. Notably, urbanisation rates are high for the countries where the group has significant operations.[11]

Where once economists boldly asserted, "The business of business is profit"[12], the sentiment – accelerated by Covid-19 – has since moved in the opposite direction. The SEE impact of business will become important criteria by which capital is accessed, talent is sourced and government licence to operate is granted. The notion of just capitalism, where prosperity is achieved equitably, will impact decision-makers in business and finance, as we have already seen with the integration of the UN SDG goals into corporate business strategies.

OPPORTUNITIES

- The group interacts with governments directly and through various associations, advocating for enabling policy environments that promote national and regional objectives and beneficial socioeconomic outcomes.
- We leverage our knowledge of the different laws, regulations and legislation in the countries in which we operate to assist clients to manage their regulatory and compliance risk profiles.
- **Meeting the UN's SDGs could generate several market opportunities and create jobs globally.**
- Protecting the health and rights of women and young people drives equity, equality and inclusive growth.
- The group published its first TCFD disclosures during 2020. We continue to work on improving our climate-related reporting.
- Smart cities are the future of urbanisation, combining infrastructure and technology to improve quality of life.

ECONOMY

In its most recent World Economic Outlook (WEO)[13], the IMF estimates that global GDP contracted by 3.5% in 2020, and is forecast to recover in 2021 with growth of 5.5%. For sub-Saharan Africa, it estimates a 2.6% contraction for 2020, with growth of 3.2% expected in 2021. For 2020, South Africa's GDP contracted around 7% (per Stats SA), with 2021 growth estimated at 2.8%, and Nigeria's GDP contracted by 3.2% in 2020, with growth of 1.5% estimated for 2021[13]. East Africa fared better. Kenya's GDP grew 1% in 2020, and may grow by 4.7% in 2021; with Uganda's GDP contracting by only 0.3% for 2020, with growth of 4.9% expected for 2021.

While most emerging markets and developing economies will struggle, the outlook is positive for China, which the IMF estimates grew by 2.3% in 2020 and is forecast to expand by 8.1% in 2021. In 2020, China's economy was already about a sixth bigger than America's in terms of purchasing power parity (USD24.2 trillion to USD20.8 trillion)[14]; and this gap will widen in the next few years. As ever more Chinese people move into upper middle-class consumption patterns, opportunities will be created for African producers, particularly in high-value agricultural items.

China is the biggest trading partner to almost all major economies,[14] and is Africa's biggest trade partner. Many African countries will become more reliant on China for infrastructure development, loans, trade deals and investment. Africa is already China's top foreign destination for construction firms and there are over 10 000 Chinese businesses operating throughout the African continent. According to recent research, the value of Chinese business in Africa since 2005 is more than USD2 trillion, with the potential to grow a further USD300 billion.[9]

Aside from South Africa's more sophisticated manufacturing capacity, sub-Saharan Africa is primarily an exporter of raw commodities and will continue to be so for the foreseeable future. Oil producers are facing challenges, with the price per barrel expected to hover around the mid-forties in 2021. The situation is brighter for metal producers. The IMF annual base metal price index is forecast to increase 0.8% for 2020 and 3% for 2021.

For precious metals, the index estimates an increase of 28.4% in 2020 and 10.4% in 2021.[13]

As the AfCFTA gains traction it will improve intra-Africa trade and competitiveness and give Africa more relevance in global trade negotiations. Trading under the AfCFTA was meant to start in July 2020 but was postponed because of Covid-19 and the need to complete certain technical work, and was formally launched in January 2021.[15]

The World Bank projects that the AfCFTA will boost Africa's income by USD450 billion by 2035. Currently, intra-African exports account for only a fifth of African trade, whereas for Asia it is around 60% and almost 70% for Europe.[16] Our footprint in countries across sub-Saharan Africa means we are well-placed to benefit from greater African integration.

Few countries in sub-Saharan Africa have a reliable electricity grid. This is a key inhibitor to growth. The solution is as likely to be driven by bottom-up consumer demand in tandem with new technology, as it is by top-down big infrastructure projects. **Africa still underspends massively on infrastructure.**

Fortunately, Africa can deliver middle-class lifestyles to its people without necessarily matching infrastructure spend in more developed regions. Mobile phones leapfrogged the need for landline infrastructure and likewise innovative systems like pay-as-you-go solar, delivered through mini-grids, could help satisfy electricity demand. Indeed, it is already doing so, with the biggest share of future mini-grid projects planned for Africa.[17]

The promise of the Fourth Industrial Revolution is that the Internet of Things (IoT) will exponentially improve the utility of infrastructure and physical assets. As the digital revolution advances, it will mitigate Africa's infrastructure shortfall. Clearly, there is an opportunity for digital businesses to drive efficiency in utilisation of assets. In Africa, this drive has the added import of shifting its people into more dignified circumstances.

In terms of debt, there are serious risks for the continent. The IMF's Debt Service Suspension Initiative (DSSI) saw rich countries suspend debt repayments from poor ones in the wake of the pandemic, allowing many sub-Saharan African countries some fiscal breathing space until mid-2021. Multilateral initiatives like the DSSI will become increasingly important in our globalised world, ensuring that Africa enjoys some protection against the disproportionate burden of climate catastrophe and other risks. However, many sub-Saharan African countries' debt burdens will crimp public spending. Governments will look to public private partnerships to produce public goods and buffer the fiscal shortfall. However, it will take a few years to establish the regulatory and legislative framework for such partnerships to flourish and for private players to redeem the opportunity.

OPPORTUNITIES

- The AfCFTA will continue to remove non-trade barriers that currently inhibit the cross-border movement of goods.
- Africa has vast sources of power and access to renewable energy.
- Our on-the-ground presence and extensive African footprint provides an unrivalled capability to deliver future growth prospects.
- Our expertise in sustainable finance and infrastructure finance will allow us to benefit from future investment in infrastructure across the continent.
- African consumers are projected to spend USD2 trillion by 2025, with economic growth prospects supported by one billion people with rising purchasing power.
- **International trade is still driven by paperwork and investment in digitisation is expected to reduce costs by up to USD6 billion and boost trade revenues by 10% within five years.**

[10] The Economist, 2020) Note: the article cites the IMF study.
[11] Center for Strategic & International Studies, 2018
[12] Harvard Law School of Corporate Governance, 2017
[13] International Monetary Fund, October 2020 and January 2021 update
[14] Allison, 2020
[15] Ighobor, 2020
[16] Shao, 2019
[17] Phakathi, 2020

COMPETITION

Competition in the banking sector is being driven by technology advancements in artificial intelligence (AI), IoT, distributed ledgers and cloud computing. Strategic partnerships are being sought with BigTech and third parties. AI and IoT, possibly powered by quantum computing, will drive progress as digital becomes ever more sophisticated at satisfying customer needs. Distributed ledgers and cloud computing will help banks reduce friction in their processes and protect data.

RELATED RISK

Includes:

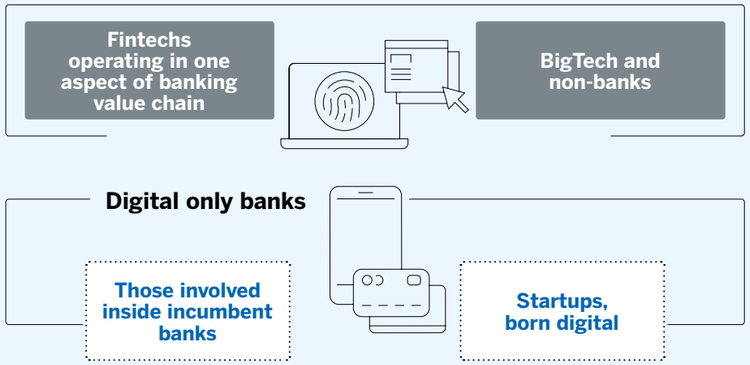
- **the threat of BigTech monopoly swallowing financial services and becoming too big to fail and regulate.**
- **third-party failure or non-performance, which may result in failed strategic initiatives or poor client service.**
- **the opportunity cost of under-formulated concepts and inefficient or protracted implementation of innovation.**

But regulation will be a challenge should governments insist on extending their geographic borders into the virtual world. Business will need to work closely with policymakers to build trust in benefits of distributed data. Meanwhile, adoption of cloud and SaaS (software as a service) will reduce capital costs for banks and give them more flexibility and responsiveness in meeting customer needs, promoting inclusivity for the unbanked.[18]

Traditional banks find themselves fending off competition on three fronts: BigTech seeking to leverage their scale and broaden their client offering; fintechs focusing on a discrete part of the banking value chain; and digital-only banks unencumbered by the costs of legacy infrastructure.

As financial services become more digitised and commoditised, non-bank players will increasingly offer discrete services – particularly payments – to customers. Banks will also start to look less like banks as they leverage their client base, data, and relationships to build digital businesses that intermediate value-enhancing interactions. Given that they manage customer identity, financial services companies have an edge in the digital business. How they use this advantage will separate winners from losers.

COMPETITORS ENTERING FINANCIAL SERVICES



In the US, Google has partnered with Citibank to offer clients smart checking accounts; while Apple and Goldman Sachs have teamed up on their credit card offering, the Apple Card.[19] In late 2020, Facebook – in response to a regulatory backlash – changed course on its global stablecoin to instead launch multiple stablecoins (under the brand 'Diem'), each linked to its own flat currency, e.g. the euro or US dollar.[20]

Where Facebook plans to go, Asian giants Alibaba (via Ant Group) and Tencent have already arrived. Between Ant Group's Alipay and Tencent's fintech offerings (notably WeChat Pay) they control 90% of China's trillion-dollar payments business, with Alipay in the lead.[21] Alipay and Tencent are broadening their offering of financial services, either directly or with third-party institutions via their app.[22] The US and Europe will be slow to shift away from the traditional banking model but in other parts non-bank payment platforms and QR codes will increasingly dominate payments.

Notably, in May 2020 Ghana became the first African country to implement a universal QR code. Other African governments will follow suit, seeking the benefits of improved revenue collection for their fiscus and financial convenience for citizens. The big prize for Africa will be continent-wide financial and monetary regulation in the wake of AfCFTA, allowing business to operate at scale and pass on cost-savings to consumers.

While Alipay has around a billion users, M-Pesa – Africa's largest payments platform – has only 40 million spread across numerous countries. Given the complexity of operating in a multinational environment it will always be more difficult to scale financial services in Africa. Thus, for now, it is unlikely BigTech will sweep into Africa and make banks redundant. Further, competition from non-banks in Africa is being more than offset by the opportunity created by the digital revolution to bank the unbanked. Nigeria alone offers an opportunity for 60 million potential new clients[23], with potentially hundreds of millions across Africa.

This competition will be good for African consumers, giving them better, cheaper financial services. **Businesses that are optimally digitised, client-focused and agile will profit in this environment.**

OPPORTUNITIES

- Accelerating our strategy and partnering with fintechs and other third parties will improve the speed and execution of delivery and allow us to build a low-cost portfolio of solutions made available digitally.
- The use of AI, predictive analytics, process automation and cloud computing to leverage vast pools of data will drive competitive differentiation, ensure compliance and provide clients with a simplified and personalised experience.

[18] Chuard, 2020

[19] Pitter, 2020
[20] Ha, 2020
[21] Liao, 2020
[22] Klein, 2019
[23] GlobalData, 2019

CLIMATE CHANGE AND AGRICULTURE

According to the World Meteorological Organization (WMO), 2019 was one of Africa's three hottest years.[24] The Food and Agricultural Organization (FAO) reports: "in the drought-prone sub-Saharan African countries, the number of undernourished people has increased by 45.6% since 2012".[24] According to various commentators, given its dependency on agriculture and its economic fragility[25], Africa is the most vulnerable to climate change.

RELATED RISK

Increasing frequency of extreme weather events causing food insecurity, water scarcity and creating climate refugees.

Climate change constitutes a real threat to the group, amplifying the risk of stranded assets, business disruption and growing insurance claims. There is a further reputation risk for banks invested in oil or coal.

Increased environmental awareness is a global trend to hold organisations to account in how they respond to SEE threats.

While Africa will become more industrialised it will still rely heavily on agriculture, which currently employs around half of sub-Saharan Africa's workforce and constitutes almost a fifth of GDP.[26] The continent can ill-afford the climate change threat to farming productivity, which will affect different countries and regions differently. For example, climate change in Nigeria and South Africa is projected to be only mildly disruptive to agricultural output.[24]

While climate change will negatively affect farming productivity there are other forces at play. History has shown that improved farming practices have more than compensated for growing populations and loss of farmland. Science, technology and better application of capital, will continue to improve yields in Africa. As will urbanisation. **Africa's cities constitute "the largest and most rapidly growing agricultural markets in Africa."[27]**

Urban food sales in Africa are worth somewhere between USD200 and USD250 billion, with 80% of this sourced from local suppliers. A 2020 AGRA (Alliance for a Green Revolution in Africa) report sums up the situation: "the combination of growing urbanisation, rising incomes, and changing diets is collectively fuelling rapid growth in urban food markets, making this arena the single most important commercial opportunity available to African farmers and agribusiness over the coming decades."[27]

There are claims that Africa has between 480 million and 840 million hectares of unused land that can be converted into agriculture. The truth is that "only about 20 million to 30 million hectares of additional cropland in sub-Saharan Africa, primarily in nine countries, is readily cultivable today."[26] The opportunity is not in clearing indigenous forest for farming, but in intensifying current operations.

Smoother intra-Africa trade and improved infrastructure (thanks in large part to China's involvement) will see African farmers from South Sudan to South Africa enjoy better access to markets. Not only that, but digital technology will also level the playing field for smaller farmers, helping them make better decisions and access markets.

According to the World Bank, only 20% of beneficiaries of agricultural payments in Africa received the money in an account. There is an opportunity for business to partner with sub-Saharan Africa's tens of millions of family farmers and small-scale commercial farmers, particularly those near burgeoning urban centres. These tend to be under-capitalised and not always optimally served by food markets. Research indicates that "Africa could be two to three times more productive if it intensified its agricultural productivity."[27]

OPPORTUNITIES

- The growth rate for renewable energy is expected to be seven times higher than the average for other fuels by 2050. Renewable energy is vital to meeting global carbon reduction goals and is becoming the cheapest form of power generation.
- The potential exists for climate-smart solutions to improve the output of underutilised agricultural land in Africa up to three times.

[24] World Meteorological Organization, 2020
[25] Chakamba, 2020
[26] Goedde, 2019
[27] AGRA, 2020

CONCLUSION

Socio-political uncertainty remains a concern. South Africa remains the only upper middle-income country in sub-Saharan Africa of substantial population, while Nigeria is the continent's biggest economy. South Africa's legitimate political system and constitutional integrity may help it weather socio-political storms and nudge decision-makers to adopt rational policy to grow the economy. In spite of some worrying trends in Nigeria, the aspirational demands of a large, youthful population, which is at least 50% urbanised, will add pressure to liberalise trade and adopt reforms that attract investment.

The adoption of continent-wide trade regulation and financial practices will be positive for the continent. All countries will benefit from having a bigger home market and more consistent approaches should encourage foreign investment.

China's support in establishing the AfCFTA is evidence of its pivotal role in Africa's rise. There are other factors too. The sheer number of Chinese consumers mean that opportunities abound for Africa to grow food they consume, package holidays they enjoy, and create goods and services they will buy. However, the model of infrastructure-led growth in Africa has its limits. It is being driven by Chinese construction firms, using goods procured in China, paid for with Chinese loans.[28] New and better railways, roads, ports and power stations will help Africa.

The real opportunity for Africa is urbanisation, underpinned by thriving local agriculture. Growth in the region will be as much bottom-up as top-down, driven by urban consumption, adoption of better farming techniques, solar mini-grid solutions and smart digital solutions that optimise the allocation of goods, capital and labour. It is incumbent on governments, city authorities and business to help small-scale African farmers intensify their operations and meet rising urban demand and changing tastes. The compounded benefits to livelihoods, health, productivity and social upliftment are virtually limitless.

Covid-19 has shifted the moral ground on which we stand, reminding us of the benefits and risks of global interconnectedness and challenging us to rethink our priorities. Business will have to deal with complex trade-offs and leaders will be called on to communicate a simplified vision that resolves this complexity. Africa needs to invest in "an emerging digital ecosystem", which will act as a multiplier for growth.[29] There are other multipliers...not only of economic growth, but also of social and environmental good. Climate-smart intensification of farming is one such multiplier; sophisticated urban food markets is another. Urban consumers will drive economic growth and socio-political change in Africa. Businesses that can serve this sector, delivering the goods and services they aspire to, will capture valuable market-share in a continent whose burgeoning population and budding trade unification present exciting opportunities for growth.

Historian Niall Ferguson writes about the "...importance of legal, financial and administrative institutions such as the rule of law, credible monetary regimes, transparent fiscal systems and in corrupt bureaucracy in encouraging cross-border capital flows."[30] Over the coming years government and business in Africa will increasingly reach out to each other in consolidating this institutional capacity.

Africa provides significant opportunity for the group, with our competitive advantages strongly rooted in the continent. By ensuring that our strategy is responsive to the forces in our operating context, the group can convert opportunities to create sustainable shared value for our stakeholders.

[28] Pairault, 2020
[29] B. Chakravorti & R.S. Chaturvedi, 2019
[30] Ferguson, 2004

Our material issues

Our material issues are those that matter most to our stakeholders and have an impact on our ability to create value in the short, medium and long term.

We consider an issue to be material if it has the potential to substantially impact on our commercial viability, our social relevance and the quality of our relationships with our stakeholders. Our material issues are informed by the expectations of our stakeholders and the economic, social and environmental context in which we operate and therefore encompass the global and African trends and opportunities facing the business.

How we determine our material issues

We view the materiality determination process as a business tool that facilitates integrated thinking.

We undertake an annual review of our material issues to take into account the changes in our operating environment and evolving stakeholder expectations. Our material issues continue to evolve in response to changes in our operating environment and stakeholder expectations, although the broad themes tend to be relatively stable.

Together with our material issues process, the group undertakes an annual process to identify the risks that are expected to have a material impact on the group in the short, medium and long term – key prevalent and emerging risks. The list is then refined and those which require additional focus are elevated and referred to as enterprise risks. These directly inform our material issues. The material issues are, however, broader in their scope in that they take into account the expectations and priorities of a diverse set of stakeholders.

Identify In 2020, the group identified an initial long list of 55 potential issues, drawing information from:

Desktop research to identify stakeholder concerns

- Media, national and regional developments, stakeholder publications and trends reports.
- Comparative review of material issues identified by a range of global and regional banks and large corporates operating in Africa.
- Analysis of guidance and research from supervisory and standard-setting bodies, including reporting standards and frameworks.
- Civil society communications and campaigns.

Review of internal developments

- Internal reports and surveys, including strategy documents, the Enterprise Risks report, and 'Are you a fan' and 'How are you feeling' employee surveys.
- Prior year material issues and reporting suite.
- Quarterly stakeholder engagement reports.

Internal stakeholder engagement

- Internal survey with group executives.
- Discussion at group social and ethics management committee.

Prioritise In considering issues for inclusion, stakeholder inclusiveness, sustainability context, materiality and completeness of the potential issues were considered. A priority list of 18 material issues was then identified, grouped by value driver and prioritised according to potential impact on the group and importance to stakeholders. The top 18 issues were then presented to group executives and the social and ethics management committee for discussion and approval.

Approve The top material issues were shared with the group social and ethics committee for approval and then shared with the group board, responsible for finalising and approving management's bases for determining materiality.

Engaging our stakeholders

Our stakeholders are those individuals, groups and organisations that materially affect or could be materially affected by our business activities, products and services, and associated performance. Our stakeholders provide us with the resources and relationships we need to achieve our strategy and purpose; influence our operating environment and confer legitimacy on our business activities. Our business activities directly and indirectly impact on our stakeholders' own wellbeing and success.

We are committed to building constructive partnerships with our stakeholders, minimising the harmful impacts and optimising the positive impacts of our business activities on them. We engage with our stakeholders on a range of diverse issues and strive to respond to their legitimate concerns in an appropriate and timely manner. Proactive engagement with our stakeholders provides us with insights that help inform our material issues, shape our business strategy and operations and minimise reputational risk. Our decentralised stakeholder engagement model means that different teams within the group regularly meet with their stakeholders on matters of mutual interest. Material stakeholder engagements are reported to the group social and ethics committee, and material issues and concerns are incorporated into the group's annual assessment of material issues.

ESG Read more about how we engage with our stakeholders in our ESG report online.

STAKEHOLDER PRIORITIES AND RELATED ENTERPRISE RISKS	2020 MATERIAL ISSUES
SBG executives: economic impact of Covid-19; appropriate responses to client needs; ability to transform our business in current economic climate; behavioural and cultural shift required to transform our business. **Clients:** impact of Covid-19 on finances; increased reliance on digital channels; information and cybersecurity; value for money; personalised solutions; customer service; allegations of racial bias in allocation of Covid relief in South Africa. **Investors:** competitiveness in crowded market; speed and efficiency of digitisation journey. **Regulators:** fair treatment of customers; affordability of and access to services; measures to relieve financial distress arising from Covid-19; efficiency of relief measures and allegations of racial bias in relief allocation; management of customer complaints. **Enterprise risk:** slow pace of implementation.	**Focusing on our clients** • Deliver client value through competitive digital solutions. • Ensure fair outcomes for clients. • Support clients during difficult times. Read more in client focus.
SBG executives: employee safety and wellness; need for more flexible ways of working while retaining organisational identity and productivity. **Employees:** safety, wellness, resilience; juggling multiple responsibilities while working from home; need for ongoing skills development; gender equity in senior and top management; employment equity in South Africa. **Regulators:** business continuity and safety of employees; reskilling for digital age; gender equity; employment equity in South Africa. **Investors:** ESG performance in relation to diversity of board and management; diversity and anti-discrimination policies; access to appropriate skills and talent; availability of specialised knowledge and skills.	**Engaging our employees** • Deepen diversity and inclusion within the group. • Build the skills and workforce for an evolving world. • Support employee health and wellbeing. • Ensure that employees feel connected to, and motivated by, our group purpose. Read more in employee engagement.
SBG executives: cybersecurity; risk of breach at third-party impacting the group; information risk in the context of people working remotely. **Clients:** disruption caused by system outages. **Investors:** governance; ethics; market conduct; internal controls. **Regulators**: fraud and cybercrime; third-party risk. **Industry associations:** cybersecurity; financial crime; regulatory developments impacting cross-border banks; digital finance; sustainable finance; climate risk; evolving human capital governance; stakeholder capitalism. **Enterprise risk:** ransomware attack, third-party non-performance.	**Managing our risk and conduct** • Protect and maintain the integrity of our data and information assets. • Ensure the stability, security and speed of our IT systems. • Manage third-party risk as we accelerate our strategy. • Manage risk across geographies with different regulatory frameworks. • Effective business continuity in face of emerging risks. Read more in risk and conduct.
SBG executives: staying relevant and competitive; adapting fast enough to a rapidly changing landscape. **Investors:** revenue pressure from competition; poor macro outlook; ESG performance and associated reputational impact. **Enterprise risk:** BigTech domination of financial services.	**Achieving our financial outcomes** • Deliver sustainable value to shareholders. • Maintain the resilience of our balance sheet. • Drive sustainable revenue growth. Read more in financial outcome.
SBG executives: role in driving economic recovery; expanding sustainable finance offering and managing climate risk balanced by need for critical infrastructure development across Africa, including development of fossil fuel industries; financial inclusion; employment practices that drive equity; support for education and skills development. **Clients and regulators:** solutions for SMEs, entrepreneurs and the informal sector; impacts/potential impacts of severe weather events; sustainable finance products. **Investors:** ESG performance, transparency on climate-related risk exposure and ESG impacts; TCFD; sustainable finance products. **Communities:** social and environmental impacts of fossil fuel projects, perceptions around limited disbursements of Covid-19 loans (South Africa). **Enterprise risk:** extreme weather events.	**Driving positive SEE impact** • Deliver sustainable finance solutions across Africa. • Demonstrate positive impact through our seven SEE impact areas. • Effective management of ESG risk, with an emphasis on climate risk. Read more in SEE impact.

Our strategy

Our strategy remains unchanged, but we are accelerating its execution.

Technology has changed the way we live and work, and financial services are no different. The expectations our stakeholders have of us are changing radically and quickly, and our strategy needs to respond to these expectations.

We are strengthening our digital capabilities and integrating our business to transform client experiences and to drive operational efficiency for a radically different world.

Our purpose

The reason we exist

Africa is our home, we drive her growth.

Our vision

What we aspire to be

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

In executing our group strategy our key focus areas for 2020 were:

CLIENT CENTRICITY – Delivering personalised and exceptional client experiences.

DIGITISATION – Leveraging digital to drive engagement and efficiencies, and predictive decision-making.

INTEGRATION – Co-creating integrated, platform-based solutions in selected client networks.

We have updated our strategic priorities to align to our accelerated strategy, clarifying what we need to do to deliver our purpose.

From 2021, these are:

- Transform client experience
- Execute with excellence
- Drive sustainable growth and value

Our strategic value drivers, now deeply embedded within the group, track our performance in delivering value to all our stakeholders. We continue to develop the associated metrics, ensuring they are simple, understandable and credible.

CLIENT FOCUS	EMPLOYEE ENGAGEMENT	RISK AND CONDUCT	FINANCIAL OUTCOME	SEE IMPACT
We will provide consistently exceptional client experiences in all our markets.	**We will ensure our people feel deeply connected with our purpose and are empowered and recognised.**	**We will do the right business, the right way by adhering to our risk appetite metrics.**	**We will deliver superior value to shareholders.**	**We will drive Africa's growth by delivering sustainable shared value.**

In transforming the group, we will become:

Truly human
Providing services, solutions and opportunities that our clients and employees need to achieve growth, prosperity and fulfilment.

Truly digital
Serving clients predominantly online, processing in the cloud, embracing open innovation underpinned by data and insights.

The aspirations and objectives associated with the accelerated execution of our strategy, and the expected timeframes are reflected below.

HORIZON 1
Responding and recovering

The short term

Evolve our response to the prevailing threats associated with Covid-19.
- Implement rapid response strategies that have positive societal impacts.

Facilitate a return to growth coming out of the crisis.
- Continue to support our clients and economies to recover from the crisis.

Anticipate and adapt to operating conditions and trends with focus and urgency.
- Accelerate digital adoption, keeping our clients at the centre of what we do.
- Reshape our operations, infrastructure and resources to become more human and more digital.
- Manage the transformation and renewal of the group.

HORIZON 2
A truly human, truly digital group providing a comprehensive range of services

The medium term

Aspirations

Transform client experience
- Deliver exceptional client experiences.
- Meet clients' needs with optimal solutions.

Objectives
- Reinvent our client value proposition using a data-powered understanding of each client's needs, to provide them with personalised and complete solutions.
- Scale and grow carefully chosen client networks by integrating our value proposition and those of our partners.
- Serve clients by providing a wider range of services and solutions to meet their needs.
- Equip our people for a new world of work with advanced capabilities, supported by a streamlined organisational structure and re-imagined culture.

Aspirations

Transformed operational efficiency
- Efficient, stable, robust, secure technology processing, mostly in the cloud.
- Modular, agile, reusable optimised capabilities and services.
- Strong data analysis and data monetisation capabilities.

Objectives
- Build a simple and accessible data environment supported by fit-for-purpose data governance, providing a consolidated client view to enhance client-centric and value driven decision-making.
- Deliver our medium-term ambitions through new growth vectors, and optimised planning, resource allocation and cost management.

HORIZON 3
Africa's leading digital financial services business

The long term

Features of the future Standard Bank Group
- We will combine financial products and services, and ancillary services, into complete solutions for our clients.
- We will be closer to our clients than ever before, understanding them in all their complex humanity through rich data and insights.
- We will engage and serve our clients digitally.
- We will grow and scale the client networks that centre on the complete fulfilment of a client's need.
- We will innovate, and collaborate with partners, to focus on the needs we can best fulfil.
- We will earn higher revenues and margin premiums, underpinned by integrated and predictive risk management and resource allocation that drives value for all our stakeholders.
- We will be deliberate in driving the sustainable development aspirations of Africa in those areas most crucial to her people and an inclusive, prosperous and sustainable Africa.

Our delivery model

Our business model enables us to manage our resources and relationships responsibly to deliver the best outcomes for our stakeholders.

Our inputs

Resources and relationships per strategic value driver

CLIENT FOCUS

- Over 14.8 million clients.
- Omni-channel distribution capability.
- Modern banking platform supporting digitally enabled client solutions and higher operational efficiency.
- Strong strategic partnerships that include ICBC, BigTech and a range of fintech innovators.
- Dedicated innovation capability.

Key constraints

- Macroeconomic and socioeconomic hardship impacting our clients' aspirations and growth prospects.
- Intensity of investment and change needed to remain relevant.
- Maintaining our competitive advantages and remaining stable, secure and reliable.
- Reliability of infrastructure in Africa.
- Fragmented and unequal regulatory environment.

EMPLOYEE ENGAGEMENT

- Over 50 000 group employees.
- Responsive leadership of our people.
- Supported our people through Covid-19.
- High-performance, ethical culture, deeply connected to our purpose.
- Significant investment in workforce of the future and aligning culture to support the transformation of the group.
- Strong executive and leadership teams, and deep succession pools.
- A leadership identity that defines behaviours we need to shift our culture.
- A compelling people promise, aligned to our promise to our clients.

Key constraints

- Availability of the right skills to support the group's transformation.
- Managing change fatigue and inculcating resilience to support focused and urgent delivery.
- Managing the human, socioeconomic and reputational impact of skills redundancy and increasing digitisation.
- Continuing impact of Covid-19 on the emotional wellbeing of our people and increased online fatigue as people miss the in-person, collaborative work environment,

RISK AND CONDUCT

- Forward-looking, integrated and digital approach to managing non-financial risks, leveraging digital solutions to be a more responsive partner to business.
- Reputable and ethical brand underpinned by values-driven culture and governance framework, including progressive ethics policies.
- Well-developed financial risk and capital management framework.
- Responsiveness to ongoing measurement of conduct-related indicators.
- Strong relationships with regulators and governments across Africa.
- Sophisticated credit models and scenario planning supporting capital allocation and the potential cost of Covid-19.

Key constraints

- Balancing stakeholder expectations and interests in pursuit of higher growth within risk appetite.
- Managing risk and compliance in non-traditional services and business models.
- Retaining conduct risk across a large and complex group.
- Managing the risks associated with dependency on third parties, including monitoring and management of contracts.
- Ability to leverage technology and AI to effectively manage non-financial risks.

FINANCIAL OUTCOME

- Net asset value – R176 billion (2019: R171 billion)
- Deposits – R1.6 trillion (2019: R1.4 trillion)
- Policyholders' liabilities – R325 billion (2019: R324 billion)

Key constraints

- Managing the investment needed for our strategy versus the necessity to change with urgency.
- Scarcity of resources requiring focused and balanced allocation of capital to growth, change and efficiency.
- Managing regulatory capital while increasing investment in higher growth markets in Africa Regions.
- Retaining the support of our providers of capital by balancing short-term returns against retention of capital for longer-term growth.

SEE IMPACT

- Investment in our seven impact areas.
- SEE embedded into business as a commercial strategy.
- Working with clients to manage ESG risk.
- Dedicated sustainable finance unit to drive sustainable investment.
- Signatory to the UN Principles for Responsible Banking.

Key constraints

- Achieving a just transition to climate-smart economies in balance with Africa's economic development.
- Implementing measurement and reporting systems to assess and mitigate the financial impact of complex and interconnected ESG risks.
- Mitigating the direct environmental impact of IT and data assets.

EXTERNAL ENVIRONMENT

Read more on page 22.

Our outputs

HOW WE ORGANISE OURSELVES

Implementing our strategy

Our capability model defines how we execute our strategy.

Read more on page 32.

Managing our risks and opportunities

We proactively manage risk in relation to our environment.

Read more on page 74.

Embedding good governance

Our approach supports the achievement of good governance outcomes.

Read more on page 112.

To achieve our strategy, we are changing our operating model to deliver relevant and complete solutions to our clients:

- **Banking** – spend, transfer and borrow
- **Insurance** – protect and safeguard
- **Investment** – earn and grow
- **Beyond financial services** – ancillary services provided by the group or our partners

Read about our changes to our capability model on page 45.

OUR BUSINESS ACTIVITIES (How we make money)

SHARED VALUE OUTCOMES (How we create value)

What this means for the group

What this means for stakeholders

	Business activities	Financial impact and associated risk		Financial value created	Socioeconomic value created
INFLOWS	**Lend money to our clients**	**Net interest income** Interest income and credit impairments	Interest earned on loans granted to clients less loans not repaid.	**Clients** R103 bn 2019: R126 billion **Value of Covid-19 support measures provided temporary relief to:** • Cumulative client relief of **R118 billion** in South Africa and **R11 billion** in Africa Regions provided to individual and business clients. • Cumulative relief of **R24.8 billion** for corporate clients. • Paid **R1.1 billion,** excluding Liberty, in insurance claims. • Provided **R50 million** in fee waivers and moratoriums.	Individuals and business clients can borrow money to fulfil their current needs and future ambitions, supporting employment and inclusive economic growth in Africa.
	Source funding from client deposits and other funders	**Interest expense**	Costs incurred on funds raised from depositors and other funders, used to lend to clients who need finance.		Depositors earn a return on the funds they place with the group, a safe haven for their money with a stable and reputable institution.
	Provide transactional banking facilities and knowledge-based services to clients	**Net fee and commission revenue**	Fee and commission revenue earned for services provided.		Transactional banking facilitates the movement of money, providing clients with convenient access to their funds. Our knowledge-based services allow our clients to benefit from our experience and track record on the continent and connects them to global pools of capital.
	Provide market access and risk mitigation solutions to businesses	**Trading revenue**	Fees earned from clients who use our platforms to access and trade foreign exchange, commodity, credit, interest rate and equity instruments.		Market access enables businesses to grow, providing a conduit for investment into Africa, helping economies monetise resources and diversify. Risk mitigation products enable financial protection and diversification through risk transfer.
	Revenue from other sources linked to core businesses and strategic investments	**Other revenue**	Revenue earned from other sources, including income from property, private equity and investments in fintechs, as well as growing non-banking revenue streams.		Strategic investments support inclusive economic activity and enable wealth creation, while also contributing to investments that drive Africa's socioeconomic development.
	Provide long- and short-term insurance, investment products and advisory services	**Income from investment management and life insurance activities**	Brokerage fees and underwriting profits generated from wealth offerings provided to clients and commission earned on Liberty and STANLIB risk and investment products held by clients.		Insurance, investment and advisory services enable clients to build, diversify and protect their wealth (including inter-generationally) and offer protection from loss of income due to illness, retirement and death.
− OUTFLOWS	Invest in our people	**Staff costs**	Cost of the people we rely on to consistently deliver exceptional client experiences, and the cost of reskilling and upskilling our people to deal with a changing world of work.	**Employees** R34 bn 2019: R35 billion	Employees derive value from new, more appropriate reward structures, our enabling innovation mindset, and training that equips them with relevant skills for the future world of work within or outside of the group.
	Invest in our operations	**Other operating expenses**	Cost of our day-to-day operations, both internal and partnerships in our supply chain.	**Suppliers and third parties** R48 bn 2019: R47 billion	Through our local procurement activities, we sustain businesses and job retention and growth in local economies.
	Direct and indirect taxes to governments and regulators	**Direct and indirect taxes**	Cost of operating in the various jurisdictions in which we do business.	**Governments** R5 bn 2019: R13 billion	Various forms of taxation enable governments to earn revenues in our countries of operation.
	Returns to shareholders	**Dividends**	Payment to shareholders for their investment in the group.	**Shareholders** R10 bn 2019: R17 billion	Shareholders earn a return on their investment in a growing, African-focused group with compelling competitive advantages, in the form of dividends and capital appreciation.
= REINVEST	Reinvested to sustain and grow our business	**Retained equity**	Capital reinvested to support our strategy and business growth.	**Reinvest in the business** R6 bn 2019: R15 billion	Capital retained to deliver the group's strategic transformation and long-term sustainable shared value.

Associated risks: Credit risk | Interest rate risk | Insurance risk | Business and reputational risk | Liquidity risk | Market risk | Operational risk, including compliance, environmental and social risk

Our strategic outcomes

Our strategic value drivers measure our strategic progress and allow us to focus on the value we aspire to create for all our stakeholders.

We continue to improve the coverage, accuracy, depth and consistency of the metrics we use to measure our strategic progress against our defined targets for the medium term.

CLIENT FOCUS

We provide **consistently exceptional client experiences** in all the markets in which we operate.

Measure	Metric	Progress	Actual 2020	Actual 2019	Actual 2018	Medium-term target
Client experience	PBB South Africa channel net promoter score (NPS)	✓	72	67	70	Continually improve
	PBB Africa Regions NPS	✓	33	25	25	Continually improve
	Wealth NPS	o	68	70	68	Continually improve
	CIB customer satisfaction index (CSI)	✓	8.2	8.1	8.0	Continually improve

Read more on page 44.

EMPLOYEE ENGAGEMENT

We ensure our **people feel deeply connected with our purpose** and are empowered and recognised.

Measure	Metric	Progress	Actual 2020	Actual 2019	Actual 2018	Benchmarks and targets
Employee engagement	eNPS	✓	+44	+18	+23	+17**
Employee retention	Voluntary regrettable turnover	✓	1.4%	2.3%	2.3%	9%*
Employee diversity	Overall employee turnover	✓	6.0%	10.8%	8.3%	13%*
	Women in executive positions	o	33.6%	32.3%	32.2%	>40% by 2023
	African senior management representation (South Africa)		23.2%	21.0%	18.6%	

* Gartner financial services benchmarks: 2019.
** Pure Survey for South African financial services: 2019.

Read more on page 66.

RISK AND CONDUCT

We ensure we do the **right business, the right way** by adhering to our risk appetite metrics.

Measure	Metric	Progress	Actual 2020	Actual 2019	Actual 2018	Medium-term target
Responsible risk taking	CET 1 ratio	✓	13.3%	14.0%	13.5%	10.0% – 11.5%
	Total capital adequacy ratio		16.1%	16.7%	16.0%	
	LCR	✓	134.8%	138.4%	116.8%	Minimum >80%
	NSFR	✓	124.8%	119.5%	118.6%	Minimum >100%
Conduct index	Compliance training completion rate[1]		98.0%	n/a	n/a	

1 Introduced as a measure from 2020.

Read more on page 74.

Key
✓ Achieved o On target ✕ Not met

FINANCIAL OUTCOME

We aim to deliver **superior value to shareholders**.

Measure	Metric	Actual 2020	Actual 2019	Actual 2018
Shareholder value	ROE	8.9%	16.8%	18.0%
	Dividend per share	240c	994c	970c
	Headline earnings	R15.9 bn	R28.2 bn	R27.9 bn
	Cost-to-income ratio	58.2%	56.4%	57.0%

Medium-term targets were withdrawn due to the uncertainty created by Covid-19. New targets will be announced later in 2021.

Read more on page 86.

SEE IMPACT

We drive Africa's growth through **delivering shared value**.

Our SEE management approach is guided by our purpose, drivers that support Africa's growth, our core business and the needs of African societies. We continue to work on identifying metrics to measure our direct contribution to society. Our ESG performance is measured by our inclusion and position on reputable sustainability indices, and we have prioritised six that we track.

ESG PERFORMANCE

	Measure	2020	2019	2018
RobecoSAM Corporate Sustainability Assessment score	Out of 100, higher is better	**60% (above industry average of 39%)**	51%	46%
FTSE4Good Sustainability Index	Included	**Included**	Included	Included
MSCI ESG rating	AAA to CCC	**AA (stable)**	AA	AA
CDP climate score	A to F	**C (in line with industry average)**	B-	B-
Sustainalytics ESG risk rating	Out of 100, lower is better	**25.5 med risk (226 out of 975 banks)**	29.9 med risk (339 out of 943 banks)	32 med risk (226 out of 975 banks)
Corporate Knights Global 100 most sustainable corporations	Out of 100, lower is better	**53rd**	51st	n/a

Financial inclusion | Job creation and enterprise growth | Infrastructure | Africa trade and investment | Climate change and sustainable finance | Education | Health

Relevant UN SDGs

Read more on page 100.

Allocating our resources

We have revised our approach to resource allocation to support the acceleration of our strategy.

Our resource allocation framework

1 Client strategy and supporting business model

Significant investment in transformational initiatives across the group is needed to accelerate the delivery of our strategy.

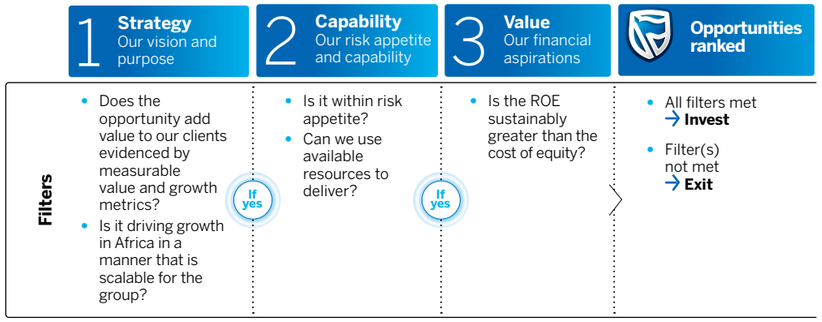
Read more on pages 34 and 45.

2 Investment portfolio shape

We will focus on developing our digital and innovation capabilities and invest our capital in higher growth opportunities and markets.

3 Decision-making framework

We have revised our decision-making framework to align to our strategy. Resources are finite and allocation is subject to filters and availability.



4 Targets and metrics

We continue to develop, refine and track metrics that are easy to understand and measure, actionable and aligned to our strategy. Target ranges set for each metric are realistic, achievable and timebound, and are directly linked to reward incentives to ensure balanced outcomes across our strategic value drivers.

5 Risk appetite

We regularly review and amend our risk appetite across segments, products and countries.

6 Rolling forecasts

Our approach to resource allocation is agile, real-time and focused on making decisions that have the most positive impact for our clients. We use scenario planning as the basis for decision-making. We dynamically adjust our resource allocation, targets and forecasts for each of our strategic value drivers as the environment and circumstances evolve.

KEY FEATURES:

- Based on detailed scenario-based thinking and planning, at board and executive management levels across the group.
- Facilitating purposeful and accelerated resource allocation to higher growth opportunities.
- Protecting our incumbent competitive advantages.
- Continuing to transform our cost base.
- Lifting our growth trajectory and driving capital efficiency.
- Seeking to create value for all stakeholders in the long term.

Preparing for the future through scenario planning

Our scenario planning

With uncertainty and instability compounded by Covid-19, the group has adopted a process of scenario thinking and planning. This process challenges leaders to think clearly about the present and creatively about possible future scenarios. It is informed by leading research and scenario planning from some of the world's most prestigious institutions. This structured process stretches thinking, challenges conventional wisdom and better informs decision-making.

The relevance of the group's strategic focus areas is tested against the selected scenarios. The strategy is adjusted to ensure it remains effective and our resource allocation is optimal.

Balancing value outcomes

As an outcome of the scenario process, the group identified the following areas requiring deliberate attention and resource allocation.

Increased investment in change to transform the group

We need to prioritise the investment we make in digital engagement and distribution channels and capabilities. This includes managing the impact of transformational change on our operations and our workforce, as we develop the capabilities and the infrastructure to effectively originate and distribute our solutions digitally, and grow and scale our client-defined networks. The expectations for short-term returns by our providers of capital will need to be managed against the need to retain capital to invest in growth, change, innovation and efficiency.

Increased capital allocation to non-banking activities

We will focus our investment in higher growth and capital efficient activities that add to and diversify our revenue streams, while maintaining our incumbent competitive advantages and mitigating the impact of competition on our core banking franchise.

Increased integration with and dependency on strategic partners

As we develop our digital business and seek to provide services in those of others, we will partner with other providers. These networks of third-party relationships will need to be carefully understood, aligned and governed to ensure that the associated dependencies, risks and complexities are well-managed, there is seamless fulfilment of our clients' needs and that protect the group's reputation as a trusted provider and responsible corporate citizen is protected.

Increased investment in new business models and higher growth markets

Our ongoing strategic transformation will require increased investment in business models that are different to traditional banking. This will require us to understand and accept certain risks inherent in these business models not previously considered.

DELIVERING OUR STRATEGY

Our progress for the year and prospects for the year ahead in relation to our strategic value drivers.

Client focus

Our clients are at the centre of everything we do. We strive to understand their unique needs and aspirations, and to partner them in making their dreams possible.

MEASURING OUR STRATEGIC PROGRESS

What success looks like
We provide exceptional client experiences.

How we measure progress
We aim to continually improve client satisfaction, and thus retention, to grow active clients.

Key metrics
NPS for PBB and Wealth

NPS indicates the likelihood of a client recommending Standard Bank to their friends, family and others. It is calculated by subtracting detractors from promoters. This value can range from -100 (if every client is a detractor) to +100 (if every client is a promoter). Any score above zero means there are more promoters than detractors.

CSI for CIB

CSI measures the extent to which our clients are satisfied with the service CIB provides. This is calculated using a ten-point rating scale.

How we performed

PBB South Africa channel NPS

↑ 72

2019: 67 | 2018: 70
2017: 66

PBB Africa Regions NPS

↑ 33

2019: 25 | 2018: 25
2017: 16

Wealth NPS

↓ 68

2019: 70 | 2018: 68
2017: 70

CIB CSI

↑ 8.2

2019: 8.1 | 2018: 8.0
2017: 7.8

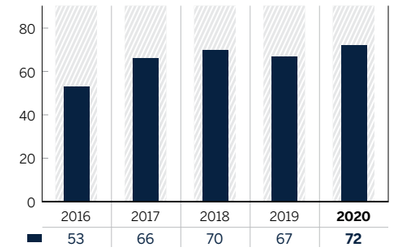
Accountability for client focus
Board subcommittees provide mandated oversight for governing our client focus value driver. Key to effective creation and protection of value relating to client focus are:

- The **group information and technology committee oversees** how the group manages IT and the governance processes that are in place to ensure the efficient delivery of technology strategies, effective cybersecurity, ongoing cyber resilience and value creating technology investment that together offer better client service and protection of their assets.
- The **group remuneration committee** oversees remuneration policy and its implementation throughout the group. This ensures that performance is measured against the value drivers and our people are rewarded appropriately. This in turn helps to drive greater client focus.

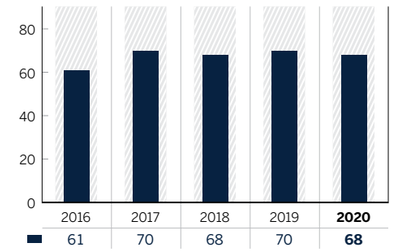
Mandated executives who are part of the group leadership council are accountable for delivering our client focus strategies. These GLC members are standing invitees to board subcommittee meetings to provide feedback on progress to board members.

Read more about the purpose and activities of all the board subcommittees here.

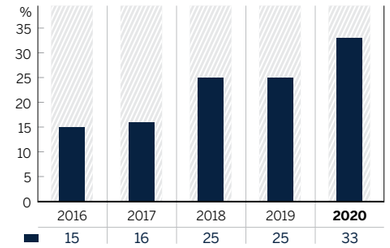
PBB SOUTH AFRICA CHANNEL



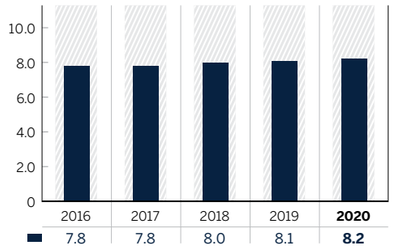
WEALTH



PBB AFRICA REGIONS



CIB CSI



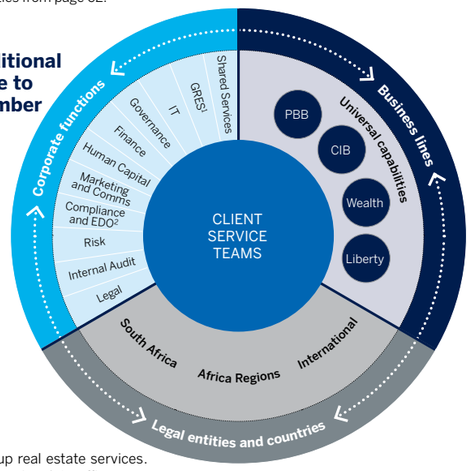
How we organise ourselves

The acceleration of our strategy has required a change in how we organise the group.

From 1 January 2021, three core client segments, supported by dedicated group capabilities and functions focused on the design and delivery of relevant, innovative and efficient digital solutions, will replace our traditional structure. Our new **capability model** will improve coordination and enable us to accelerate the execution of our strategy. Our performance reporting for 2020 is still by business line; however, forward-looking discussions and disclosures relates to the new group structure.

Read more about our looking forward priorities from page 62.

Our traditional structure to 31 December 2020



1 Group real estate services.
2 Enterprise data office.

CAPABILITY MODEL
from 1 January 2021

International
Africa Regions
South Africa
Group

CONSUMER & HIGH NET WORTH CLIENTS	BUSINESS & COMMERCIAL CLIENTS	WHOLESALE CLIENTS

CLIENT SOLUTIONS
BEYOND FINANCIAL SERVICES – BANKING – INSURANCE – INVESTMENTS

CLIENT SEGMENTS
As the group is client led, our primary axis of organisation will be CLIENT SEGMENTS. The client segments will be responsible for designing and executing the client value proposition strategy. Client segments will own the client relationship and create multi-product customer experiences to address life events, distributed through our client engagement platforms.

CLIENT SOLUTIONS
Our CLIENT SOLUTIONS teams will support the client segments and the group as a whole. The client solutions teams will work in partnership with the client segments in pursuit of the customer value proposition strategy. Client solutions teams will provide products and services for banking (spend, transfer and borrow), insurance (protect and safeguard) and investment (earn and grow) and expand into non-financial services and solutions over time.

KEY TRADE-OFFS

Achieving our client focus priorities is contingent on managing the following trade-offs.

- Our response to Covid-19 resulted in a temporary reallocation of resources to protecting our employees and providing relief for clients impacted by the pandemic, increasing costs and provisions; however, our response was well received and supports the group's longer-term sustainability.
- Our digitisation strategy, centred on providing 'always on and always secure' services, improves client experience and efficiency and is critical to our long-term competitiveness, but increases our continuing investment in IT.
- We must invest in innovative new products and services respond client demand and improve client retention, albeit at the cost of traditionally higher yielding revenue streams.
- New business models such as mobile money and ecommerce make it necessary for the group to manage additional non-financial risks beyond those related to traditional banking.
- Our integration with partners facilitates our transition to a digital business, which is fundamental to protecting and growing our client franchises, but increases the need to manage the associated dependencies, risks and complexities of third- and fourth-party relationships.
- Increasing capital allocation to higher growth markets and new revenue streams accelerates our strategic transformation but requires that we mitigate the impact on clients by ensuring that we continue to offer competitive financial services.
- Developing new skill sets to deepen our understanding of clients and improve client experience may have a temporary impact on the working environment and productivity.

2020 KEY PRIORITIES

PBB

- Scale and execute ecosystem banking to deliver value chain solutions across Africa.
- Be proactive in managing client relationships and solutions to deliver what matters to clients.
- Connect relationships to deliver trade solutions to our Africa-China client base.
- Fully digitise origination capability while maintaining the human touch.
- Migrate clients to relevant and innovative digital payment and service capabilities.
- Modernise outdated financial systems to leverage cloud and other new technologies.
- Achieve 'always on' service access for clients.
- Address SBG mobile app user concerns to further improve adoption and use.
- Manage branch footprint proactively in response to client behaviour and demands.
- Upskill employees continuously to ensure agile, flexible, cross-functional teams equipped to respond to the expectations of our clients, and the demands of the new world of work.

CIB

- Digitise core client interaction processes, including client onboarding.
- Be proactive in developing solutions to resolve client challenges.
- Implement a resilience programme for our top ten critical digital solutions to improve IT system stability.
- Accelerate application programming interface (API) enabled infrastructure and intelligent automation.
- Automate selected product transactions per country to beat competitor benchmarks.
- Leverage cross-functional teams and capacity to deliver complete solutions to clients within their value chains.

WEALTH

- Respond to transformational trends in wealth management, including a significant increase in insurance activity in Africa, more integration of financial services in South Africa and an industry-wide focus on client centricity, efficient distribution channels and technology advances.
- Continue to capitalise on opportunities to grow earnings by offering clients an innovative value proposition that leverages the group's strength to position Wealth as the market leader, continually raises the bar on client experience and increases our market share.

RECOGNISING OUR ACHIEVEMENTS

Our integrated client approach was recognised in reputable industry awards during the year.

Private Banker International Awards
- Winner: Outstanding Global Private Bank – Africa
- Winner: Outstanding RM Training and Development Programme
- Highly Commended Achievement: Outstanding Wealth Management Technology Initiative – Back Office

Global Finance Awards
- Winner: Best Private Bank in Africa and Ghana
- Winner: Best Investment Bank in Africa, Angola, Botswana Mauritius, Mozambique and South Africa
- Winner: Global Best Investment Bank for Sustainable Finance

PWM/The Banker Global Private Banking Awards
- Winner: Best Private Bank in Nigeria

The Banker/Innovation in digital banking
- Winner: Innovation award for Africa

Euromoney Awards for excellence
- Winner: South Africa's Best Bank for Wealth Management
- Winner: Best Investment Bank (Africa, Kenya, Malawi, Nigeria)

Intellidex SA Top Private Bank & Wealth Manager Awards
- Winner: Top Wealth Manager for Internationally Wealthy Families

Euromoney Best Private Bank and Wealth Management Survey
- Winner: Capital Markets and Advisory, Africa
- Winner: Serving business owners, Africa
- Winner: Serving business owners, South Africa

Structured Products and Derivatives Awards 2020
- Winner: Best House MEA (Middle East and Africa)
- Winner: Best Distributor MEA
- Winner: Best Performance South Africa

South African Listed Tracker Awards (SALTA) 2020
- 1nvest Top 40 ETF won the Tracking Efficiency award (three-years) for SA Equity ETFs 2019 and 2020

Citywire Global Equity Sector Rating 2020
- Melville Douglas Top AA-rated fund manager

International Investment Awards 2020
- Winner: Excellence in Private Banking Offshore Group

Intellidex SA Top Stockbroker of the Year Awards
- Top Stockbroker of the year

BrandZ
- Placed second: Top Most Valuable South African Brands

Personal & Business Banking

CHIEF EXECUTIVE'S REVIEW

ZWELI MANYATHI, Chief executive officer, Business & Commercial Clients (previously Chief executive, PBB)

"A year of anticipated growth and opportunity was quickly overshadowed by the Covid-19 pandemic. While we rapidly reordered our priorities to respond to the severe humanitarian implications of the pandemic, we were consistent in striving to provide exceptional client experiences.

We provided extensive support to our clients and employees during the period and accelerated our digitisation strategy to expand and enhance our digital service solutions. We were rewarded with improvements in client satisfaction and retention, and 7% growth in active clients in Africa Regions.

Our performance in the second half of the year reflected the benefits of higher productivity and growth in main market clients across the continent, driven by the appeal of our suite of digital client solutions. Our ongoing, significant investment in both our people and IT infrastructure, to secure our relevance and competitiveness in a fast-changing world, underpinned this resilience."

The health consequences of Covid-19, and the restrictions implemented in response, compounded socioeconomic vulnerabilities in South Africa, home to our largest client franchise. Across the continent, our countries were impacted to varying degrees in line with the severity of government responses to the initial surge in infections. This led to increased unemployment, loss of income and stalled transactional banking activities, while closed borders disrupted trade flows across the globe.

While the shift from office to home working environments drove the adoption of digital banking, it further displaced branch activity. Digital lending by personal banking clients increased as clients opted for our fully digital origination solution, but this was offset by a reduction in branch-originated unsecured lending during the lockdown period.

Despite the challenges, we maintained robust balance sheet growth with loans and advances up 7% and 1.4% growth in our active client base, even though headline earnings declined 61% to R6.4 billion and ROE declined to 8.9%.

Respond

At the onset of the pandemic, our immediate attention was on managing the impact of the Covid-19 crisis on our clients, their businesses and our employees. Initial focus was on ensuring the safety of our clients and people, to limit the spread of the virus. Our client and trade relationships enabled us to procure appropriate PPE for our branch and other essential service employees. Employee support extended to focused interventions to mitigate the impact of the crisis on their physical, emotional and financial wellbeing.

With the help of IT support teams, we equipped 4 200 (of a total of 4 500) contact centre employees to work from home, with priority given to vulnerable employees. While many of our front-line teams have returned to their offices subsequent to hard lockdown, we continue to closely monitor branches in hotspot areas and proactively manage branch openings to adjust to the health risk and capacity implications of the pandemic.

Our response proved effective in limiting productivity impacts, although reduced front-line employees led to lower origination and transaction levels during the peak of the South African lockdown, in which regional branch capacity was down up to 50% in peak periods.

In South Africa, to support the financial survival of our clients, we introduced relief measures for qualifying personal and business clients, which included:

- Discretionary instalment payment relief for personal banking clients on home loans, vehicle and asset finance, personal loans and credit cards, and instalment and interest relief for full-time students during the period.
- Three-month instalment relief on business loans for SMEs with turnover below R20 million provided critical support for businesses defined as non-essential service providers.
- Applied and supported the government-initiated Loan Guarantee Scheme, introduced to support small businesses; at December 2020, R7.1 billion in loans had been disbursed (of the R7.4 billion contracted) under this scheme.
- Collaborated with other Covid-19 relief initiatives such as the Solidarity Fund, SASSA and South Africa Future Trust.
- Introduced pricing relief on relevant transactions and provided higher rates on saving and investment solutions.
- Gave 25% cash back relief on car insurance premiums.
- Through our comprehensive insurance offerings, we protected clients from the impact of loss in income in both personal and business capacity.
- For targeted groups, like students, we waived credit life premiums during the height of the lockdown.
- Launched a chatbot on WhatsApp to keep clients updated on our services, debt relief offerings and other important Covid-19 related information. Online engagements between senior executives and clients across Africa were particularly well received.
- Continued to provide access to services through our digital solutions, such as My360, Shyft, as well as online and mobile banking platforms which allow clients to manage their banking needs and insurance claims, and enable businesses to continue trading without risk of physical interaction.

In our Africa Regions businesses, our clients benefitted from similar instalment and fee relief as required. At its peak in June 2020, cumulative payment relief provided to PBB clients was applied to loan exposures of R11 billion.

More broadly, our stable and consistent risk appetite and strong balance sheet enables us to support our clients throughout economic cycles, without exposing the group to undue risk. Although we are carefully managing our exposure to clients and industries that were in financial distress prior to Covid-19, our financial relief programmes have supported the viability and sustainability of many clients whose businesses experienced short-term shocks due to the crisis.

We continued to focus on improving our operational efficiency by accelerating the digitisation of our services, reducing manual processes, streamlining the client experience and lowering costs, which on average remained below in-country inflation rates for the full year.

Recover

During the respective lockdowns, the revenues earned by our business clients fell an average of 28%, with small businesses and specific industries reflecting substantially higher reductions. We saw similar declines in the consumer environment. Subsequently, albeit slowly, many of these have returned to pre-Covid-19 levels, with notable exceptions in some industries. Nonetheless, pent-up demand and the recovery in economic activity have supported steady improvement in transactional banking volumes and lending activities across most asset categories.

By year end, in South Africa, we had exceeded our monthly pre-Covid originations in several asset classes. Year-on-year origination values were up 13% in mortgages while the government guarantee lending portfolio partially supported growth in business lending new business origination, whereas other categories reflected moderate declines for the year. We continue to manage this growth carefully within our credit risk appetite. Unsurprisingly, conservative liquidity management among our clients drove deposit growth during the period.

We realised some early benefits of rebuilding our business banking team and intensifying our focus on business banking in the domestic market. We reviewed our value propositions, with an emphasis placed on client acquisition, renewed our focus on franchising and on the health and legal sectors, and enhanced our digital offering to SMEs. These improvements in the client experience supported growth in business and entrepreneur clients.

Africa Regions, our fastest growing client franchise, has a healthy and growing balance sheet. We have seen 31% growth in our client base, primarily by attracting new clients through our digital channels and new solutions. The accelerated adoption of digital services was reflected in substantial growth in digital account origination (72% of all origination), transactions (95% of all transactions are now executed digitally) and lending services (42% of loans are digitally originated). Our objective remains focused on full digitisation of these services.

In addition to growth in our client base, client satisfaction improved across the continent. We attribute this to our strategic focus on consistently delivering what matters most to our clients, being proactive in providing support when they need it most, enhancing our digital capability to improve client engagement and efficiency, and leveraging our data assets to personalise our engagement with and offerings to our clients.

Read more on pages 51 and 52.

We continue to advance in servicing our clients within defined client experiences, an integrated approach that is well embedded in Africa Regions and gaining traction in South Africa.

Read about it on page 62.

In addition, leveraging our extended network of relationships to assist our business clients to identify trade opportunities includes our support of the China International Import Expo (held virtually in 2020) and our Trade Club offering.

As expected, we saw elevated impairments as the economic consequences of Covid-19 weighed heavily on our personal and business banking clients. This pressure, together with the effect of forward-looking expected loss provisioning demanded by accounting standards, led to an increase of 2.5 times from the prior year in impairments. Despite our healthy balance sheet and client growth, revenue remained under pressure due to the negative endowment effect of material interest rate reductions and the substantial drop off in transactional activity during the lockdown period. These factors negatively impacted our financial results for the year.

RE-IMAGINE

The extensive changes within our business in recent years, particularly the reconfiguration of our South African branch network in 2019 and the shift to digital banking solutions, has affected all our employees to some degree. We continue to invest in equipping our teams to deal with the rapid shifts in our markets and clients' expectations, specifically through our extensive and fit-for-purpose learning and development offerings.

Noteworthy has been the extensive programme to train and transition 2 908 employees, whose positions became redundant in the branch reconfiguration, to universal banker roles, thereby securing their employment and future employability. The introduction of future-ready training academies and programmes focused on strengthening our data science and behavioural economics capabilities will continue to support the ability of our people to make the required changes that the Fourth Industrial Revolution demands.

As we strive to remain relevant to our clients, we will leverage our digital and human capabilities to:

- Deliver enhanced client segment and sector value propositions.
- Improve our clients' experience with personalised solutions delivered through the channels they choose, based on a deep understanding of their current needs and future ambitions.
- Increase operational efficiency by ensuring that our technology is efficient, stable, robust and secure and our processes are automated and in the cloud.
- Further grow and scale our digital services and solutions.
- Empower our people to partner our clients in making their dreams possible, through well-embedded, agile ways of working and leveraging data to personalise client engagement and offerings.

Besides adapting to a changing world and rapidly evolving client needs, and responding quickly and decisively to the first wave of Covid-19, our operations also prepared for a second Covid-19 wave. With this materialising from December, our teams were well-prepared to respond with immediate off-site capability, digital capability and experience in managing the branch closures and team capacity.

2020 was strongly coloured by a need for empathy and humane support, both within our business and in our communities. We anticipate that the uncertainty and impact of Covid-19 will remain a feature of our operating environment during the first half of 2021, and its compounding effect on the socioeconomic vulnerabilities in our markets will last long into the future.

Our response to the pandemic has demonstrated our inherent resilience and confirmed the validity of our strategic direction. In this extraordinarily difficult year, we were able to revitalise our client franchise, an achievement that augurs well for the accelerated execution of our strategy.

PBB'S PERFORMANCE AGAINST STRATEGY

The following pages describe our integrated response to the group's strategic focus areas.

Delivering exceptional client experiences

Our ability to partner with our personal and business clients on their life and business journeys is contingent on transforming our digital and human capabilities to better understand and quickly respond to their needs, with solutions drawn from across the full spectrum of our services. To this end, continuously improving our application of new technologies, data and AI is fundamental to meeting our objective to consistently deliver exceptional client experiences while also transforming our operating efficiency.

Our investments in digital systems and upskilling our employees are enabling agile cross-functional client service teams to deliver innovative, cost-effective and personalised solutions to all our client segments. This is being underpinned by the ongoing transformation of our organisation and culture to drive up client service and efficiency levels. The momentum we have achieved has begun to show in improved client satisfaction scores and new client acquisition across our South African and Africa Regions franchises.

NPS

72
South Africa – channel

33
Africa Regions

We generate and analyse vast amounts of client data to provide the insights that assist us in solving our clients' financial and, increasingly, non-financial needs. During the year, we had more than a million personalised conversations with our clients, with 30% of these converting into client action. As we migrate to a single digital client engagement platform, our ability to personalise our interaction with clients and connect them efficiently to the solutions they need, will be significantly enhanced. This will enable our employees to unlock client value by applying and generating valuable data insights that will be available to client service teams across the group.

Leveraging our digital capabilities to meet our clients' needs

We continue to develop digital capabilities that give clients and employees access to new service solutions that meet clients' needs reliably, conveniently and seamlessly. Our modernised core banking systems enable us to deliver these solutions more quickly and effectively than we did in the past.

CHANNEL/SERVICE

Digital transaction volumes increased by 29% in South Africa and 27% in Africa Regions.

2020 achievements

- We expanded our digital solutions, adding new features and services that led to ten releases on our app and 31 releases on our internet banking solution throughout the year.
- Digitally active customers increased by 15% to three million in South Africa.
- Quick and easy access to quotes on revolving loans, term loans and credit cards (clients can see the amount they qualify for and monthly repayments).
- Management of devices and banking app access from internet banking, management of savings and investments online (view, download and send) and origination of tax-free investments.
- New Flexible Funeral self-service function (clients can design the funeral cover that best suits them).
- Easy access to private and prestige clients' private bankers.
- Improved functionality for our reward programme.
- App rated 4.6 on Android and 4.7 on Apple app stores.

Following these enhancements, digital origination volumes increased substantially with 51% of personal lending, 31% of savings and investments and 37% of main market transactional accounts now originated digitally in South Africa.

Secure online banking in rapidly changing digital environment

We launched DigiMe multifactor authentication to provide extra security on high-risk online transactions. DigiMe offers:

- **Security** – Latest biometric and facial recognition
- **Convenience** – Fewer one-time PINS
- **Client experience** – Simpler, faster, more streamlined user experience

Cashless offerings	• 95 000 new virtual cards were loaded to enable clients to safely shop online.
Standard Bank Mobile	• 121% growth in subscriptions to over approximately 150 000.
LookSee	• 29% increase in unique visitors to over 684 200. • Helps property buyers, sellers or homeowners make informed decisions when buying or selling property.

* Unstructured supplementary service data – enables money services (checking account balances, airtime purchases, money transfers) on a mobile device with no internet connection.

We continue to focus on building scale and appropriate client solutions for our main market clients. During the year, we introduced several new digitally enabled solutions to service these clients, including PayPulse, @Ease and MyMo Plus. These solutions have been well received. Customer response and adoption has been positive.

Entrepreneurship is a major driver of economic growth, particularly when small businesses develop their potential to expand and contribute to job creation. Our expanded digital solutions included a suite of complete solutions to support SME growth. These include:

SimplyBlu, an innovative all-in-one payment solution that enables small enterprises in South Africa to move their business online, taken up by 526 businesses.

BizFlex, a lending solution taken up by over 4 000 SMEs since its launch in mid-2019, with R826 million in loans disbursed.

BizConnect serves as an online repository of information resources in the form of articles, videos, toolkits and more to support businesses in their life stages (start, manage, grow).

Business Lending on Internet Banking allows clients to apply for an overdraft facility online and receive funds within minutes.

Trade Club, a free service, is our exclusive platform that allows a business to explore new markets around the world or to find vetted buyers and suppliers from a wide range of countries.

Enterprise Direct engagement model where, in line with changing client preferences and the move towards virtual relationship banking, teams of business bankers have been established to support their clients remotely with their business banking needs.

Unlocking the potential of Africa's agribusiness

Smallholder farmers in Africa contribute up to 80% of the continent's food production, but supply chain and market access constraints prevent them from reaching their full potential. Our OneFarm solution in Uganda helps farmers overcome these impediments by offering a digital marketplace that brings together suppliers, buyers and trade facilitators. The solution is being used by 500 small farmers and has been proven to significantly increase the quality and quantity of crop yields.

Adding value through our client networks

By understanding our clients' businesses and their value chains we can support them effectively and recommend solutions. An example of this relates to a logistics client, based in Nigeria, who needed to expand their fleet from 70 trucks to 100. This sizeable investment was originally anticipated to be met by international suppliers who would provide the required vehicles. However, our team was able to connect this client to suitable local suppliers and fabricators within our client network, saving both time and cost.

Leveraging our trade and networking capability during the pandemic

The group leveraged its import solution, the Africa China Import Solution (ACIS), as well as our client networks, to source and import PPE from China for clients across the continent, and to secure donations for needy causes and for our employees during the height of global supply shortages and logistics restrictions in 2020. This quick response to ensuring the safety of our people was also subsequently recognised by a Global Finance Award for outstanding crisis leadership.

Corporate & Investment Banking

CHIEF EXECUTIVE'S REVIEW

KENNY FIHLA, Chief executive officer, Wholesale Clients (previously Chief executive, CIB)

"We maintained a sound performance despite the significant challenges that disrupted our markets, our clients, our operations and our people. Our focus on providing tailored funding, liquidity and risk management solutions sustained and protected our clients without exposing the group to undue risk. As we responded to Covid-19 and recovered from the initial surge and various government responses, we focused on staying responsive to our clients' evolving needs in a rapidly changing and uncertain world."

Despite the severe economic and social impact of Covid-19, we produced a resilient performance, which reflects the strength and diversity of our client franchise. Our strong relationships and consistent engagement with clients gives our teams the insights necessary to provide solutions that help clients protect and grow their businesses in changing, and intensely challenging, market environments. An important development was to clarify our policy positions on facilitating a just transition to a climate smart African economy in balance with the continent's need to drive inclusive and sustainable growth, especially as it recovers from the longer-term impacts of the Covid-19 crisis.

Respond

The economic impact of Covid-19 and the lockdown measures implemented by many governments across Africa heightened operational and credit risk in our portfolio and disrupted the running of our business. Our immediate response to the pandemic was to support our clients, keep our employees safe while also ensuring that our systems remained stable and capable of supporting client engagement and the launch of new products and services. These became more relevant as a result of Covid-19 related dynamics.

During the pandemic, we engaged proactively with our clients to understand the support they required. We provided cumulative relief of R24.8 billion, and our client engagement teams stayed close to our clients as they navigated complex and abnormal operating conditions. We enabled over 90% of our employees to work from home, supported by the introduction of controls to manage data security and operational resilience in their home office environments. In addition to investing in our employees to equip them to provide exceptional client service, we monitored their emotional wellbeing and provided support to ensure they remained resilient and able to continue originating new business.

Covid-19 exacerbated persistent economic weakness in many of our markets, impacting the financial position of clients and increasing impairments by 2.6 times. Impairment levels were high in east Africa, west Africa and South Africa. Our robust risk management process, in tandem with the relief measures offered to clients mitigated the losses incurred during 2020.

Recover

Our deep insights into our clients' markets and businesses enabled our teams to differentiate between clients experiencing a short-term Covid-19 related shock from which they would recover, and those that were vulnerable before Covid-19. We provided short-term liquidity to support otherwise sustainable businesses through the lockdowns and accelerated measures such as debt restructuring, asset sales and capital market transactions that were underway before the crisis hit, to help more vulnerable businesses reduce debt and recover.

We focused on adjusting risk appetite to reflect changes in clients' operating environments, including the impact of Covid-19, and were selective in exposures to avoid concentration in certain sectors. Unsurprisingly, our clients in sectors classified as essential services, such as financial institutions, consumer goods and telecommunications and media, were more resilient during the Covid-19 lockdowns. These were the top performing sectors by revenue for the year. Our clients in the hospitality, automotive and mining sectors were most negatively impacted by operational shutdowns and production interruptions during lockdown periods. The oil and gas sector continues to offer significant opportunity, but we remain circumspect about sovereign and state-owned entities, which are highly indebted.

While some oil and gas projects were delayed as a result of the pandemic, we continued to support transformational developments in the oil and gas sector in Africa. These included the financing of Africa Oil's acquisition of a 50% ownership interest in Petrobras Oil and Gas BV. We remain optimistic about the sector and continue to support these important developments for Africa's longer-term growth.

In December 2020, the group published a Fossil Fuels Financing Policy to clarify our stance on achieving just and sustainable socioeconomic development across Africa. The policy outlines a range of strict conditions that must be met before we fund coal, oil and gas projects. Our energy finance portfolio is increasingly focused on renewable energy projects, with 85% of energy lending since 2012 being to green energy projects.

As the African leader in green bond issuance and arrangement, with expertise in both the African and global green bond market, we arranged Africa's largest green bond and South Africa's first offshore green bond in 2020. We received the Global Finance award for Best Global Investment Bank for Sustainable Finance, as endorsement of our leadership in this critical driver of sustainable growth on the continent.

We assess and manage environmental and social risk at multiple points during transaction lifecycles, such as when we take on new clients, assess pre-credit or credit applications and in developing new products and services. Our sustainable finance team completed major transactions by partnering with our clients to better understand their business and build seamless, multidisciplined funding solutions for their sustainable growth initiatives.

Our client-focused strategy enabled us to achieve revenue growth in 2020. Global Markets delivered record 28% revenue growth by responding effectively to increased client activity in volatile markets and managing associated risk. This was partially offset by the impact of margin pressure and equity investment write-downs in Investment Banking and falling interest rates and reduced client activity in Transactional Products and Services (TPS).

We managed to contain cost growth to 2% for the year. However, as noted, we incurred significant impairments, which contributed to the 6% drop in headline earnings from 2019. We consider this to be an acceptable performance under the circumstances. Our ROE decreased from 19.0% in 2019 to 15.7% as a result of reduced headline earnings and higher capital utilisation due to deteriorating client and sovereign risk ratings.

RE-IMAGINE

The commitment of our client teams during a difficult year consolidated the strength of our client franchise. We continue to augment our long-standing product expertise, deep Africa experience and strong, trusting client relationships by partnering with our clients in co-creating digital solutions that help them manage and grow their businesses. These engagements extend to consulting with our clients to understand how they choose to engage with us and the services they need now and in future.

As we accelerate our strategy, we will continue to leverage our human and digital capabilities to:

- Deliver tailored solutions in partnership with our clients to meet their current needs and future growth ambitions.
- Provide a frictionless client experience, supported by the group's adoption of a digital client engagement platform that will enable our employees to deliver more precisely to clients by using data insights shared across the group.
- Capitalise on growth opportunities across our markets, remaining alert to the uncertainty of Covid-19, the direct effects of which we expect to remain a feature of our operating environment in the first half of 2021, as well as the longer-term ramifications of the crisis for our clients and markets, and for global trade flows.
- Identify and develop further opportunities to expand our products and services and provide complete solutions to our clients and their value chain partners in our targeted sectors.
- Continue to apply sound credit management and cost control across our franchise.
- Support our employees as they deal with the impacts of the pandemic on their physical, mental and financial wellbeing.

CIB'S PERFORMANCE AGAINST STRATEGY

The following pages describe our integrated response to the group's strategic focus areas.

Delivering exceptional client experiences

CIB's mature client relationship model enables our coverage teams to partner our corporate clients, and to employ their intimate understanding of their businesses, growth strategies and sectors to provide proactive and relevant solutions within ecosystems and across operating regions.

In the CIB space, creating valuable partnerships with our clients is contingent on the depth of skill, innovative thinking and entrepreneurial spirit of our coverage teams. This is underpinned by ongoing digitisation of our processes to improve our operational efficiency and the seamless fulfilment of client requirements. Key developments in 2020 were the piloting of innovative ways to automate and improve trade processes.

Our progress in refining our client relationship model and deepening process automation over several years contributed to the slight improvement in client satisfaction for the year and was recognised by several awards that provide reputable benchmarks to assess our competitiveness.

Driving Africa's sustainable growth

We continued to drive Africa's growth in 2020, serving the banking, finance, trading, transactional, investment and advisory needs of a range of multinational companies, local and regional businesses and financial institutions. Our partnership with ICBC remains key and is critical for us in the support of trade business between Africa and China.

CIB is a material provider of foreign currency liquidity and risk management across our African footprint. We participate in financing trade flows that strengthen regional and cross-continental trade links and facilitate trade and capital flows within Africa, and between China and Africa. In South Africa, we have the largest market share of the issuance of letters of credit. With our deep sector specialisation, we offer extensive financial solutions that our clients require across their value chains. Our comprehensive financial services and products meet the evolving needs of our clients, while our on-the-ground specialist teams support clients in identifying opportunities that drive the development of their broader value chains.

An important feature of 2020 was the progress we made in supporting our clients' adoption of environmentally and socially responsible practices. Funding solutions in this regard included:

Enabling Vodacom's first sustainability-linked loan

In a first for South Africa's telecommunications, media and technology sector, the group facilitated a R2 billion sustainability-linked loan facility for Vodacom that aligns the telecoms giant's sustainability incentives with its financing structure. As the sole arranger, sole lender and sustainability agent on the deal, we assisted Vodacom in meeting its predetermined sustainability targets over a range of ESG metrics.

Facilitating a shift towards sustainable finance solutions in real estate

In partnership with Equites, we concluded a R1.6 billion sustainability-linked loan facility agreement comprising two R800 million tranches. This sustainability-linked loan is the first in the real estate sector in Africa. The interest rate is linked to Equites' achievement of certain pre-agreed ESG performance targets. These involve ESG integration, which relates to green building certifications and other metrics; product governance, which partly relates to occupier satisfaction; business ethics; and human capital, including gender pay equality.

Issuing South Africa's first offshore green bond

We issued a USD200 million green bond through a private placement by the International Finance Corporation. This is Africa's largest green bond to date and South Africa's first offshore green bond issuance. Listed on the London Stock Exchange, the bond will be used to finance eligible green assets, such as renewable energy, energy efficiency, water efficiency and green buildings aligned to Standard Bank's sustainable bond framework.

Issuing the first B-BBEEE performance incentive linked loan globally

In March 2020, **Isanti Glass** completed the acquisition of Nampak Glass. We acted as the financial advisor, mandated lead arranger and sustainability agent to Isanti Glass. The funding package included a broad-based black economic empowerment (B-BBEE) performance incentive linked loan, the first of its kind, structured under the group's sustainable finance framework. The margin of the loan is linked to the achievement of pre-agreed B-BBEE targets. Isanti Glass is 60% owned by Kwande Capital Proprietary Limited, a black-owned investment company, and is 35% owned by SABSA Holdings Limited, a wholly owned subsidiary of AB InBev. Isanti's purchase of Nampak Glass creates the first and only black-owned and controlled glass container manufacturer in South Africa.

Client satisfaction

CIB's client satisfaction index moved from 8.1 to 8.2 in 2020. Contributing factors included:

- Strengthening client relationships through more frequent strategic interaction by relationship managers.
- Proactive engagement on challenges faced by clients as a result of Covid-19.
- Improvements in Global Markets and TPS Africa Regions, while Investment Banking remained consistent.
- The highest CSI ratings were achieved in Ghana, Mozambique and Angola, with Mozambique and Angola showing significant year-on-year improvements.
- Positive sentiment from South African clients was unfortunately dampened by continued online channel and foreign payment challenges.

Leveraging our digital capabilities to meet our clients' needs

Our strong client partnerships help us to understand, analyse and address areas of client frustration across the spectrum of their financial needs. As we become more digitised and integrated, we are better able to address client financial services needs and match these with secure, personalised, relevant experiences, and a full range of solutions, in realtime, all the time. Our system modernisation and the digitisation of our processes provides more efficient client service at lower cost, and helps our clients execute their strategies.

We have introduced several services as a consequence of our engagement with clients focused on co-creating digital solutions that help them manage and grow their businesses, while contributing to significant improvements in client experience and operational efficiency. These include:

OneHub, provides a single digital authenticated entry point for clients, employees and partners (including our BigTech and fintech partners) to access the digital assets we have created and co-create new solutions within the marketplace community – a 'shopping centre' for wholesale clients.

OneDeveloper, offers clients and partners a ready secure API test environment that mimics the production environment, in which business-to-business solutions can be collaboratively developed. The solution is accessible through OneHub and will form a key part of our strategy to partner our wholesale clients on their digital journeys.

Digital client onboarding and account opening improves efficiency and convenience. In South Africa, our clients benefit from the reduced effort required to open a current account in real-time, with growing adoption showing that they are satisfied with the digital experience. The manual process previously took around four to seven days to complete, now it can be completed in a number of clicks. We introduced a number of self-service functionalities around the management of current accounts, including account and signature confirmation letters. We also digitised our Know your Customer (KYC) compliance requirements, which reduced the complexity and time spent by clients in fulfilling these, by 66%.

Improving client experiences with digital technology – QuantumTrade

Our Quantum Leap programme provides client-led and digitally enabled transactional banking solutions for corporate clients. QuantumTrade, the first offering in the Quantum Leap programme, provides digital trade solutions, which were launched in Uganda in 14 weeks and will be rolled out across the rest of the countries in which we operate. By automating trade processes, we can reduce the processing times for guarantees and letters of credit from days to minutes for clients with whom we have longstanding relationships, while increasing transparency of trade limits and the visibility of the underlying commodities.

Standard Bank was awarded the 2020 Innovation in Digital Banking Award (Africa) by The Banker magazine in recognition of the excellence and innovation of our Quantum Leap programme.

Wealth

CHIEF EXECUTIVE'S REVIEW

MARGARET NIENABER, Chief executive officer, Client Solutions (previously Chief executive, Wealth)

"Our clients were at the centre of our response to constant change in the Wealth Management and Insurance industries, in a year dominated by immense global health and socioeconomic challenges. Despite these obstacles, we were able to protect our clients' financial assets and support their aspirations by leveraging the group's strength and our position as Africa's Wealth leader. Our obsession with client satisfaction remains a key focus of our business. Our culture of excellence, thoughtfulness and 'before the sun sets' service enabled us to raise the bar on client engagement and capitalise on opportunities to grow our market share. In addition to hosting more than 250 virtual client events in 2020, we also garnered 22 industry awards, including the Euromoney Award for Best Bank for Wealth Management in Africa for the fifth year in a row."

In addition to maintaining the stable foundation of our franchise, we continued to expand and diversify our presence across the continent. Market-leading performances and consistently thoughtful client engagement enabled us to retain and grow our client base during a tumultuous year. Although new client cash flows came under pressure, we saw significant reinvestment from existing portfolios.

Consistent implementation of our client-centric strategy culminated in a resilient financial performance. Headline earnings contracted by only 13% and ROE remained strong at 29%. Excluding the impact of lower interest rates (negative endowment) on our business, overall headline earnings improved by 13% year-on-year.

Our performance was positively impacted by our market-leading Nigerian pension fund business, growth in our high net worth client base, and stable performance by our insurance business. Our investment performance in managing clients' money continues to be above the benchmark in international and domestic markets.

We maintained a strong risk culture, underpinned by our embedded risk governance and conduct structures. Our relatively low credit impairments reflect our proactive management of risk and the operation of our businesses within their predetermined risk appetites.

We also continued to promote a culture of savings, with more than R1.3 billion of clients' assets invested in low-cost online investment programmes. Nearly 10 000 clients and their family members attended our Financial Fitness Academies, including a virtual session for Feenix students, and over 1 000 attended our Leadership Academies.

The UN African Women Impact Fund (AWIF) was launched using the asset management expertise of Melville Douglas and STANLIB. The AWIF is an innovative impact investment fund that addresses UN SDGs by funding first-time and experienced women fund managers.

Respond

We responded to the Covid-19 pandemic proactively, consistently and with empathy to its effects on our clients and our employees, simultaneously tailoring personalised solutions to support our clients' unique goals and aspirations.

We engaged constantly with our clients across our South African, Africa Regions and International operations and introduced a number of measures to mitigate the impacts of Covid-19, including:

- A range of financial relief measures across our jurisdictions, including cash back on insurance premiums during the lockdown, premium payment relief on certain credit life, funeral and education policies, and proactive identification of distressed clients and the restructuring of their loan facilities.
- More client interactions on innovative communication channels, including WhatsApp Covid-19 chatbots. We also used virtual channels to provide economic and investment updates, thought leadership initiatives and educational webinars.
- Participation in a revolving credit facility to support the Isle of Man Government's Covid-19 response.

We supported our employees with continuous engagement through regular connect sessions and chief executive forums. We also initiated a mental health campaign to alleviate Covid-19 related anxieties.

Our operational resilience was maintained by empowering our employees with technology to work from home, as we were committed to serving our clients, no matter where the work took place. No major incidents or breaches were reported, illustrating the robustness of our business continuity and crisis management plans.

Recover

Despite the difficult operating conditions, we made strides in harnessing technology to drive more integrated solutions, backed by digital capabilities that allow us to evolve efficiently with changing client preferences. These innovations form part of our drive to accelerate the transformation of client experience and operational efficiency.

Our My360 app is a good example of our commitment to placing our clients and digitisation at the centre of our strategy. The My360 app gives clients a consolidated view of their net worth across more than 20 000 global financial institutions on a single easy-to-use dashboard. Now with more than 42 000 users, the My360 app won the Most Innovative International Fintech award at the 2020 Benzinga Global Fintech awards in recognition of its enhancement of financial wellness.

Many of our innovations are the result of more focused collaborations across the group, as well as our strategic partnerships. For example, the group's adoption of a global customer engagement platform has enabled us to find the right prospective clients and to personalise their experiences, including complaint resolution and customer engagement, based on rich data-driven insights.

RE-IMAGINE

We expect Covid-19 to remain a feature of many of our markets during 2021. As we continue to manage the pandemic's impact on our client base and employees, we are accelerating the implementation of our strategy to position the group in an evolving wealth industry and a fast-changing world by leveraging our core strengths:

- Access to a widespread client base and distribution capabilities through our integrated group.
- Unrivalled African-focused capabilities, capturing a multitude of in-country opportunities.
- Investing in digital assets and capabilities to accelerate, with increased urgency, the transformation of client experience and operational efficiency.

WEALTH'S PERFORMANCE AGAINST STRATEGY

Delivering exceptional client experiences

As Africa's Wealth leader, we believe in championing our clients' aspirations and enabling their goals. Our key differentiators are our ability to seamlessly integrate offerings across our advisory, investment and insurance businesses, our nurturing client engagement philosophy and our commitment to delivering exceptional client experiences.

We know that happy employees create happy customers, and that happy employees are also more productive, efficient and creative. We achieved a pleasing eNPS of +40, an increase of 60%, and employee regrettable turnover improved substantially compared to the previous year. This reflects well on our people's strong engagement and commitment to our client-centric strategy, particularly during a difficult year that required them to offer an extraordinary level of empathy and support to our clients.

To further strengthen employee alignment with our client base and diverse thinking, we promoted diversity across our jurisdictions, achieving 56% female representation.

The solutions we offer are clustered within the framework of Wealth Management (Advise and Invest) and Insurance (Insure). These core areas cover the following businesses:

ADVISE

Advisory services through Wealth and Investment and Standard Bank Financial Consultants (SBFC), including fiduciary services.

We use our digital solutions to gather client insights that inform holistic, goal-based advice delivered in a personalised manner. During the Covid-19 lockdown, we continued to serve our clients, no matter where the work took place, with the launch of WhatsApp chatbots, digital onboarding and e-signatures, and the accelerated rollout of our My360 app.

Following the launch of Wealth and Investment's Family Office conference in 2019, we conducted a virtual Family Office conference, in partnership with Family Office Exchange (FOX), across all of our regions. One of the largest and most respected family office institutions in the US, FOX provides integrated service offerings and advice on dealing with the complexities that high net worth individuals face in creating, preserving and transferring generational wealth.

We also continued to host our Wealth Leadership Academies, which are designed to empower and educate the families of our clients on the principles of investing, banking and lending, financial planning, leadership and philanthropy. In 2020, we hosted three virtual Leadership Academies with over 1 000 attendees from across the continent. The events were offered to our Future Leaders (18 to 24 year olds), Young Leaders (13 to 17 year olds) and Junior Leaders (10 to 12 year olds).

INVEST

Discretionary (Melville Douglas), stockbroking, international deposits, pension fund administration (Nigeria) investment and advisory (Ghana) and funds, including alternative and passive investment funds.

Unsurprisingly, we experienced a 'flight to quality' in our high net worth segment and investment funds, reflecting positive client sentiment and strong client cash flows. This lifted total assets under management by 10%, driven primarily by growth in our Melville Douglas Global Funds and in our Nigerian businesses.

While our international deposit base remained stable as investment funds in the mass affluent segment continued to flow from Africa and corporate call accounts grew, investment performance was impacted by a reduction in global interest rates, 46% exposure to a volatile US dollar and increased regulatory pressures due to the South African credit rating downgrades. The international business remains an important part of our value proposition and a strong contributor to group liquidity.

Our boutique investment management company, Melville Douglas, performed very well in difficult market conditions. Our global equity and global growth funds remained in the top quartile, while our domestic multi-asset strategies performed ahead of benchmarks and the domestic peer group. Melville Douglas' offshore performance was acknowledged by Citywire's Top AA-rated Global Equity Sector Fund Manager.

We continued to strengthen our partnership with Liberty, with significant reinvestment from existing portfolios driving robust growth in assets with STANLIB. Our specialist non-active asset management partner 1nvest also hosted webinars in collaboration with Liberty and other external partners to increase awareness of passive solutions and to diversify distribution channels. 1nvest received a number of awards at the recent South African Listed Tracker Awards.

Incorporating behavioural science to understand what clients want

A key development in 2020 was launching a gamified, digital, groupwide behavioural science programme to give our people access to the fundamentals of the discipline and to a pool of shared knowledge.

Using behavioural science, we increased funded offshore bank accounts by 99% in 2020. We provided bankers with behavioural science toolkits to enable meaningful client conversations, which supported 58% growth in the value of funds in Private Banking and 34% in Prestige Banking. Extending these toolkits into Africa drove a 200% increase in offshore leads from Mozambique.

INSURE

Manufacturing and distribution of short-term and life insurance products, including bancassurance.

Our insurance business delivered a stable performance while fielding rising retrenchment, loss of income and funeral claims. New insurance sales were slower, but we retained clients by proactively managing policy cancellations. Our insurance business continued to grow in most African countries where we have a presence.

We diversified our insurance offerings with the successful national roll out of the innovative Flexible Funeral solution which allows clients to determine the amount of cover they need, to customise their benefits and to include a NeverLapse benefit that allows them to retain their policy during challenging times. More than 260 000 Flexible Funeral policies were sold during 2020.

Additional innovations introduced to make it easier for our clients to manage their insurance needs included:

- Buy Online life insurance, a solution that allows clients to buy simple life, disability, terminal illness and income protection insurance online in seven easy steps.
- Automated Credit Life exception reports that improve efficiency, increase client turnaround times and strengthen operational risk control. We are also exploring the use of blockchain to improve the efficiency of windscreen claims.

Incorporating behavioural science to understand what clients want

By using behavioural science, our client sales and service teams increased referral sales for car and home insurance and funeral plans by 19.5%, while private bankers in Gauteng increased Credit Life sales by 24%, outperforming their peers in other provinces. By improving our understanding of what our clients want, we increased client retention by 11% and Flexible funeral policy sales in KwaZulu-Natal by 95%.

Expanding behavioural science into the Africa Regions saw funeral policy sales in Namibia among the lowest selling branches increase by 71%. A key development was the release by the behavioural science team of the 'Shoutouts' app which was designed to increase employee engagement and peer-to-peer recognition and contributed to a significant increase in eNPS scores. The app has been rolled out across all insurance service centres in South Africa.

Leveraging our digital capabilities to meet our clients' needs

Our adoption of innovative technology and use of data analytics to understand and respond to our clients' needs and behaviours is encapsulated in our use of integrated digital solutions.

These include the development of WhatsApp-based chatbots which allow clients to use a familiar interface to conduct simple transactions, ask questions without going through a call centre and purchase and manage products such as funeral cover.

Our digital solutions also enabled our clients to remain financially active during the lockdown by conducting their financial service activities online. The introduction of digital client onboarding and e-signing improved efficiency and risk management.

My360: HARNESSING TECHNOLOGY TO IMPROVE CLIENTS' FINANCIAL WELLNESS

Our My360 app was released to retail clients to provide a global consolidated view of their entire financial life across more than 20 000 financial institutions from one touch point.

Clients can track and access their assets and liabilities, regardless of where their accounts are based. They can also directly save and invest, using the app's new robo-advisor capability.

By enabling clients to authenticate for My360 via the banking app, we created a seamless transition in new client onboarding for consumer and high net worth clients.

Developed in collaboration with a fintech partner, the app is a truly integrated solution that incorporates other data sources, such as inflation or insurance policy data, to facilitate financial wellness – an increasingly relevant offering during a period of social distancing and the increased use of digital channels.

Looking ahead for our clients

Moving closer to our clients through new client segments

We are clear on our strategy and focus: we will garner further insights and develop valuable relationships with our clients through deepening our digital capabilities, to understand their preferences and dreams to provide them with the solutions they need. We will become central to fulfilling each of our client's financial, and increasingly non-financial, needs in their life and business journeys. Our changing functional structure, including targeted new client segments, drives us closer to our clients by enhancing focus, improving coordination across the group and enabling us to accelerate our strategy.

Delivering integrated solutions to our clients

As we transform the group, we are integrating our capabilities and reshaping our infrastructure to offer our clients integrated solutions. We also collaborate across the group to attract and serve new clients by banking our existing clients across their value chains and within their client relationships centred on fulfilling their needs.

Expanding our services and solutions

To keep adapting to change, we continue to reorganise our business around our clients to ensure that we spend more time understanding the way they live, shop, socialise and do business, and responding to their changing expectations. We are migrating towards providing our clients with an expanded range of integrated services and solutions leveraging the group's scale, scope and digital capabilities. For our consumer, high net worth and small business clients, our services are increasingly individualised, instantly available solutions and opportunities, enabled by modern digital technology but delivered whatever way our client chooses. For our commercial and wholesale clients, our services require close human relationships that support the complexity, competitive pricing and bespoke nature of corporate deals, while we transform client experience and efficiency by digitising manual processes and decision-making.

Our integration across the group extends geographically. In Africa Regions, our business and commercial banking has tended to pave the way for client growth across the group, primarily due to the extension of our spectrum of financial services to our clients' ecosystems. This has also gained traction in South Africa. We will continue to leverage and scale ecosystems throughout our franchises, growing in markets where we are under scale and strengthening our client base across all segments.

We are also increasingly working in partnerships with other businesses to provide solutions beyond those of traditional financial services through broader ecosystems, using and growing our existing digital solutions such as LookSee, Trade Suite, and OneFarm to support our clients' life and work experiences. For example, by scaling our digital trade capabilities and ecosystems to connect our clients to 18 000 vetted businesses across 60 countries, leveraging our partnership with ICBC to link African companies with Chinese importers, and managing our clients' end-to-end trade processes digitally, we are positioning the group to support trade business in Africa.

The acceleration of our integrated approach is demonstrated by the following examples:

LookSee – supporting home ownership experiences

Our **LookSee** online guide helps property buyers, sellers or homeowners to make informed decisions when buying or selling property. On the same site, homeowners can access online first-timer investment tips, access bonds and home loan protection plans.

LookSee enables property buyers or sellers to:

- **View the estimated value of a property** by entering its address. View its growth and average values in the area.
- **Understand once-off and monthly costs** involved in owning the property, including estimated insurance, rates and taxes.
- **Understand sales trends**, crime statistics, nearby amenities and demographics in the area where they would like to buy.
- **Download property guides** and compare up to three properties at a time.

Leveraging technology across our clients' value chains

Our clients in the fast-moving consumer goods sector supply wholesalers, retailers and the informal sector. Many of these clients want us to support small local farmers in their supply chains or consumers in the informal sector who experience cash flow and cash management challenges. By leveraging technology, we remove physical cash from supply chains and improve logistics and security. Technology can also increase our clients' visibility of suppliers' production to ensure quality and sustainability of supply. In some instances, these interventions are provided through our small business incubation centres.

Simplifying business clients' trade experiences

Trade Suite manages our clients' end-to-end trade processes, ensuring that the goods they import arrive on time, in good condition and at the price they expect.

The group also offers **Trade Club**, an online platform that connects our clients to more than 18 000 vetted businesses across 60 countries, drawing on our global trade alliance with 13 leading international banks.

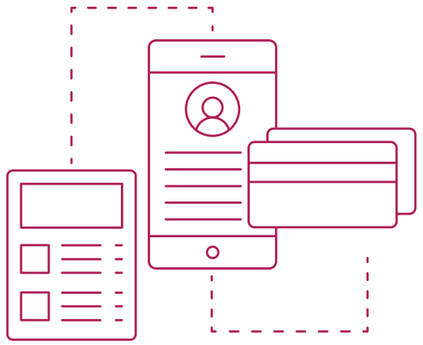
To date, over 750 business clients have accessed our networks of relationships, intimate understanding of African markets and global connectivity through a range of benefits, including:

1. Competitive working capital finance solutions and risk reduction instruments
2. Access to some of South Africa's best logistics businesses at competitive rates
3. A fully managed import solution that allows businesses to focus on other core areas of their operations
4. The ability to explore over 200 000 pages of curated market insights in over 100 countries, and commodities therein
5. Access to Trade Club where companies can source approximately 18 000 new buyers and suppliers from over 60 countries, including sourcing products from China
6. Access to international tradeshows and events (digitally enabled owing to Covid-19 restrictions)

UNAYO – YOU HAVE IT

Unayo is a global wallet account that has been designed to offer a fully digital experience with a range of solutions centred around client needs.

A mobile phone and number allows subscribers to connect, trade and transact through personal or merchant accounts. Money is redeemed into the client's wallet when received as a voucher or sent from another client. The funds can be cashed at any connected merchant. Unayo provides a simpler, safer way of transacting and accessing cash. This allows both informal traders and well-established businesses to grow their business by joining the network and running their business using Unayo instead of through branches. Unayo was launched in Malawi in November 2020 following a successful pilot and will be rolled out across the group during 2021.



Priorities for the year ahead

Our new capability model will return the group to the great tradition of community banking, to understand our clients deeply and to anticipate their needs. The new core client segments are **Consumer & High Net Worth, Business & Commercial** and **Wholesale Clients**. Each client segment is equally supported by our client solutions; corporate functions; a specialised innovation capacity (providing future-ready solutions and new business models to generate new value streams), and by our engineering infrastructure. Our 2021 priorities for our new client segments include:

CONSUMER & HIGH NET WORTH

Drive high levels of people engagement and productivity, and build a workforce that is highly engaged and skilled for the future ways of work.

Grow client franchise by being a bold, inclusive and locally legitimate African brand.

Provide superior client experience consistently by enabling clients to do all transactions once through mobile, and continue to use data and analytics to drive relevant conversations with our clients.

Being more than a bank and scaling chosen ecosystems through leveraging partnerships, and working in an integrated way with other segments and Client Solutions.

Maintain our stable and consistent risk appetite for clients, providing financial support during good and tough times, and strengthen client rehabilitation and collections.

Reduce the cost of client acquisition and servicing by increasing digital adoption and solving client needs at first point of contact, reduce physical and voice branch-based transactions that can be easily done on mobile and solution for clients to have easier access to cash.

BUSINESS & COMMERCIAL

Partner our clients for growth by identifying, understanding and providing solutions for our client aspirations, based on insights gained from data analysis; increasing meaningful client conversations; and evolving into long-term strategic partners to our clients.

Elevate trade as a core capability across our international, regional and domestic markets, encompassing trade, forex and cross-border payments. Continue to develop trade on the Africa-China corridor in partnership with ICBC.

Cultivate enterprise segment across all markets through our Enterprise Direct capability, automation and continued digital banking solution delivery.

Increase transformation in South Africa by understanding and supporting local businesses.

Provide superior and consistent client experience through digitisation and rapid deployment of enhanced customer relationship management; continuous improvement in the turnaround of credit decision-making; and empowerment of client engagement teams.

Scale existing digital offerings and solutions, including but not limited to OneFarm to support our agricultural capability; Trade Suite and Thrive to support our trade capability and develop client networks; and increase opportunities in Africa Regions.

Strengthen focus on key sectors, to deliver sharper and contextually relevant propositions, this includes enhancing our teams with sector expertise and experience to build relationships and serve these clients.

WHOLESALE

Continue to embed our relationship with 'on-strategy' clients forming the bedrock of our portfolio.

Drive sector and geographic diversification for our core clients in our presence markets.

Increase our regional footprint for our clients in the markets where we operate.

Optimise our existing value propositions through innovating our client processes.

Capture emerging client opportunities best served through digital business propositions.

Employee engagement

Employee engagement is a critical driver of long-term sustainable value. Our people's thoughts and feelings about their work correlates with how satisfied our clients are; and indicates how successful we are likely to be in accelerating our strategy to achieve higher growth and efficiency, while retaining the trust our stakeholders have in the group.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

- We are considered a great place to work and our people feel deeply connected to our purpose, their colleagues and our clients.
- Our people are empowered to, and are recognised for, delivering against our strategic priorities and being client-centric in everything that they do.
- Our people make the most of every opportunity to embrace new ways of working and learn new skills to remain relevant in a changing world of work, and achieve their full potential.
- Our people are encouraged to speak up and feel heard when they voice their views.

How we measure progress

Our anchor measure of employee engagement is our eNPS – an indicator of how likely an employee is to recommend the Standard Bank Group as a good place to work. We measure eNPS annually across our global footprint, through a survey of our people's perspectives and opinions. This is supplemented by indicators that provide additional insight.

Indicators of employee engagement

- **eNPS:** calculated by subtracting the percentage of survey detractors from the percentage of promoters. This value can range from -100 (if every employee is a detractor) to +100 (if every employee is a promoter). Although the eNPS score measures the distribution of promoters, insights gained from the responses of detractors and passives, employees who are satisfied but not necessarily enthusiastic, are also assessed for further action.
- **Employee turnover:** measures the percentage of employees who left our employ during the year.
- **Diversity and inclusion:** measures the representation of people from under-represented groups and also assesses their qualitative experience of the work environment through an in-depth analysis of the employee survey results.
  - Gender equity: measures the representation of women in senior management and executive positions across the group.
  - Employment equity: measures the representation of black people in management levels in South Africa.

How we performed

eNPS

↑ +44

2019: +18 2018: +23

Our eNPS was an impressive 26 points higher than the prior year and participation in our annual employee engagement survey increased to 83% of employees, up from 74% in 2019.

Employee turnover

Overall turnover decreased to 6.0%, from 10.8%. Voluntary employee turnover declined year-on-year and our voluntary regrettable turnover also declined from 2.3% to 1.4%. Our overall and voluntary turnover remain well below global financial industry benchmarks of 13% and 9% respectively (Source: Gartner financial services benchmarks: 2019).

Voluntary turnover rate

↓ 3.0%

2019: 4.8% I 2018: 4.9%

Voluntary regrettable turnover

↓ 1.4%

2019: 2.3% I 2018: 2.3%

Overall turnover

↓ 6.0%

2019: 10.8% I 2018: 8.3%

Voluntary turnover at executive level

↓ 3.3%

2019: 3.8% I 2018: 4.8%

Diversity and inclusion:

Gender equity: Representation of women (banking activities)

We are continuously working to improve the representation of women in senior positions across the group. Women currently hold 33.6% of executive positions across the group. When measured against the 2020 McKinsey Women in the Workplace Report, the group compares favourably in respect of the representation of women in both executive and senior management positions.

Women in executive positions

↑ 33.6%

2019: 32.3% I 2018: 32.2%

Women in senior management

40.7%

2019: 40.3% I 2018: 39.4%

Target: >40% by 2023

Representation of black people (South Africa)

In South Africa, in line with our employment equity targets, we improved the representation of black people, and African people in particular, at all management levels.

Top management

↑ 48.6%

2019: 44.2% I 2018: 41.9%

Senior management

↑ 51.5%

2019: 49.1% I 2018: 46.3%

Number of banking employees

Permanent employees

↓ 44 450

2019: 44 996 | 2018: 47 419
2017: 48 322

Non-permanent employees

↓ 3 010

2019: 3 618 | 2018: 4 728
2017: 5 725

South Africa

↓ 29 581

2019: 30 102 | 2018: 32 162
2017: 32 876

International

↑ 621

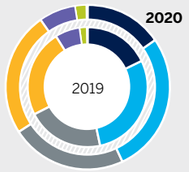
2019: 620 | 2018: 639
2017: 615

Africa Regions

↓ 14 247

2019: 14 274 | 2018: 14 618
2017: 14 831

Tenure breakdown (%)



	2020	2019
Less than 2 years	**15.4**	18.0
3 – 5 years	**27.7**	28.9
6 – 10 years	**22.8**	20.6
11 – 20 years	**24.4**	23.8
21 – 30 years	**7.2**	6.5
31 – 40 years	**2.4**	2.1
More than 40 years	**0.1**	0.1

Accountability for employee engagement

Board subcommittees contribute to creating and preserving value for our stakeholders while providing mandated oversight governing our employee engagement value driver.

Group social and ethics committee: Oversees employee engagement, transformation and ethics resulting in a responsive and responsible organisation with an ethical culture that values its employees.

Group directors' affairs and the remuneration committees: Oversee employee-related matters as part of their mandates.

Read more about the purpose and activities of the board subcommittees.

Our people strategy responds to the following key challenges and the critical trade-offs they require:

We continue to invest significantly in what really matters to our people, while appropriately managing our cost base. Ensuring we deliver a compelling and competitive employee value proposition is critical to attract and retain the right people to support the group's strategic acceleration.

In shaping a future-ready workforce, we expect our people to adapt and remain relevant in a rapidly evolving and increasingly digital environment. Our extensive efforts to reskill and retrain our workforce are enabling us to manage the human, socioeconomic and reputational impact of skills redundancy in the face of increasing digitisation.

Some of the more specialised skillsets and capabilities we require to achieve our strategic aspirations are scarce in our markets and subject to fierce competition not only in financial services but also in many other industries. We have introduced specific strategies to attract and grow these skills.

Through our culture change journey, we are taking care to honour the past and those attributes that have contributed to our longevity and success while adopting new behaviours that will enhance our culture in line with our aspirations to transform our business.

We are focused on managing the risk of change fatigue and building resilience to support focused and urgent delivery of the group's accelerated strategy.

EMPLOYEE ENGAGEMENT

Every year we conduct an employee engagement survey across the group to get a clear sense of what our people think and how they feel about working at Standard Bank. 83% of our employees participated in the 2020 Are You a Fan Survey, up from 74% in 2019.

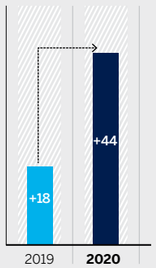
For 2020 eNPS was +44, an impressive 26 points higher than 2019.

Key feedback included:

- 96% of employees understand their contribution to the group's purpose.
- 94% of employees are proud to be associated with the group.
- 88% of employees stated that the teams they are part of work well together to achieve common or aligned goals.
- Although 75% of employees responded positively, feeling heard when voicing their opinions is an area we have highlighted for further improvement.

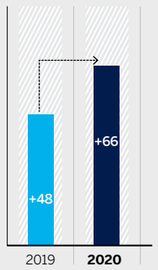
eNPS

"I would recommend the Standard Bank Group as a good place to work."



Emotional Promoter Score

"How do you FEEL about working for Standard Bank Group?"



From our chief people and culture officer

SHARON TAYLOR, Chief people and culture officer

"It is in really tough times that the core of what an organisation stands for and the credibility of its promises to its people and its clients are truly tested. Through the challenges of 2020, I believe the group's leaders stayed true to our long-held strategic focus on employee engagement, as a critical driver of value. The group's ability to rapidly and seamlessly adapt to unprecedented conditions was nothing short of remarkable, thanks to committed leaders and a passionate and resilient workforce."

Our purpose, values and culture

A sense of belonging is deeply grounded in whether the purpose of an organisation resonates with its people. This is fundamental in keeping and attracting the right people – those aligned to this higher meaning and the organisational belief system it anchors. We can demonstrate that our people feel deeply connected to our purpose – Africa is our home, we drive her growth; they believe they are making a difference, not only in the lives of our clients, but also in the communities we serve.

That service took on a whole new meaning in the context of the pandemic. Our people went the extra mile for our clients, many placing themselves at risk by serving on the frontline during national lockdowns across our geographies.

Besides our inspirational purpose, our strong values, enabling culture and quality leadership are features of our success and sustainability. Confronted with having to make difficult decisions quickly and in the absence of a frame of reference, as we were in 2020, our values remain our north star. Our leaders and our people tested every decision against our values, to ensure our actions remain authentic – true to the organisation we are and what we stand for.

Our culture blueprint, which incorporates the behaviours we believe are crucial for us to realise our vision, informs our culture ('the way we do things around here'). We have initiated several culture journeys across the group to ensure we strike the balance between honouring the past and the good qualities associated with our heritage, and driving the shifts in behaviour needed to put our clients at the centre of everything we do, to continuously adapt to our changing environment and to win in our chosen markets.

In our 2020 employee engagement survey, an incredible

96% of our people

told us that they understand their contribution to our purpose.

We evaluate whether our more than

47 000 banking employees

truly live our values on an ongoing basis.

Leading by example

We are clear on the attributes our leaders need to achieve our strategy. Our leadership identity defines how we expect our leaders to show up in the moments that matter for our clients and our people, and informs all our leadership practices and development interventions. In 2020, our leaders not only managed the crisis in a deliberate and thoughtful way, but stayed connected to our people – whether they were working from home or in the office – to inspire energy, focus and hope. Our leadership teams saw every challenge as an opportunity to demonstrate their commitment to keeping our people safe and well, and to supporting our clients.

More than
84%
of our people rated their immediate leaders as being caring and acting with integrity.

Keeping our people safe, healthy and productive

Our first priority at the onset of the Covid-19 pandemic was to ensure the health, safety and wellbeing of our employees, and by extension their loved ones and our clients.

Our ongoing investment in technology and digitisation enabled us to equip more than 75% of our people across the group to work from home, practically overnight. For those frontline employees providing essential services in key office locations and branches, our focus remained sharp on keeping them safe and healthy in line with changing health risk dynamics. Multi-disciplinary teams came together to solve different challenges, developing a range of critical protocols to provide clarity and guide action in navigating complex scenarios.

To keep our essential services workers safe, extensive PPE and special transport were provided. We introduced special leave and other benefits, like parental leave for school closures and leave for self-quarantine purposes. Where feasible, our international assignees were repatriated to their home countries ahead of border closures and travel bans. We granted a special Serving Our Nation recognition award to all our employees who worked outside the safety of their homes, during the hard lockdown across our countries of operation, to recognise their efforts in providing continued essential services to our clients. We also launched a Covid-19 app and online information hub to facilitate constant communication with our people, provide important educational information, enable them to complete daily symptom checks and keep their leaders informed of their health condition and work location.

ADAPTING TO NEW CIRCUMSTANCES

We conducted a special 'Tell us how you are' survey mid-year to determine whether our people were adapting to their new working conditions and to understand how we could better support them. The vast majority told us they were adapting well and expressed appreciation and pride for the efforts that the group had made to help them and our clients through these difficult times.

Specific feedback included:

- 95% of employees reported that they were adapting well to the new circumstances.
- The top three sentiments expressed by employees were "grateful", "positive" and "appreciative".
- Positive feedback on the ability of leaders to empower and enable teams to deliver on expected outcomes, while showing real care for their personal wellbeing.
- 89% of employees expressed their pride in the measures taken by the group to support both employees and clients during the pandemic.

Managing the impact of the prolonged pandemic on our people

As it became clear that the pandemic and its associated risks were here to stay for the foreseeable future, we redoubled our efforts to help our people care for their physical, emotional and mental wellbeing. For many of our people, feeling isolated, missing the human connection with colleagues, long hours spent working remotely and the blurring of boundaries between work and home have proven challenging – especially over a prolonged period.

In response, we launched an extensive range of wellbeing interventions, including counselling and support services, online webinars and useful guidance on personal resilience, loss and grief, remote working, leading remote teams, home schooling and parenting, mental wellbeing, and violence against women and children.

Work is what you do, not where you are

With most of our people embracing digital solutions and working remotely, it has become clear that we will need to rethink our traditional ways of working. We are considering the right balance between physical and remote working environments, given that our people have told us that most of them would prefer having the flexibility to balance working from home with time in the office when it becomes feasible.

Changing conditions bring new opportunities

Our digitisation efforts, which are focused on helping our people to grow and thrive in the new world of work, were accelerated in 2020. Furthermore, our integrated approach to building future capabilities, which has matured significantly over the last few years, continued to evolve even as we dealt with the immediate impact of the pandemic.

Most notably, we accelerated the launch of our new MyLearning platform, to give all our people easy access to an extensive range of learning resources. More than 85% took up the opportunity to access learning content anytime, anywhere and on any device. More than five million learning items were completed online by employees since going live in 2020. To ensure our people remain future-fit, we have developed a future skills framework with 432 bespoke learning paths. Tailored learning academies focused on building capabilities relevant to the group's strategy have been introduced to supplement these learning pathways.

This investment in digital learning solutions resulted in an 8% improvement in how our people rate their opportunities for development and career growth.

To better enable sound people decisions, informed by real-time data, a cloud-based people insights and predictive analytics solution was introduced for all line managers. Initial uptake of this solution has been encouraging; as we add data sets, the business value of this solution will grow.

The pandemic served as a catalyst for our people and culture teams to think differently about deploying various people practices and solutions. Besides the rapid redesign of all learning programmes for online delivery, we introduced a completely digital experience for job-seekers and onboarding new employees. Our youth development programmes were also adjusted to be delivered digitally and we provided all our graduates, learners and interns with devices and data to ensure they were well integrated into the organisation and remained connected and productive.

Learning outcomes

Equipping our employees with future-ready skills

>40 000
employees have accessed our new online learning platform

>5 million
learning items completed

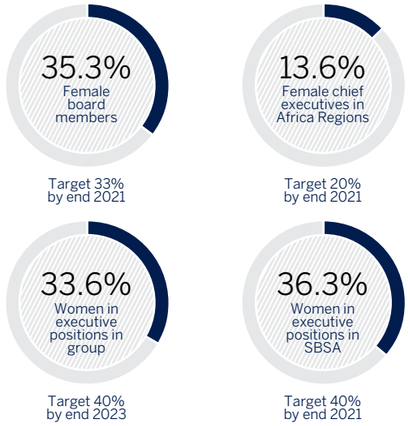
>R677 million
invested in employee learning capabilities

Staying focused on strategic imperatives

Despite the disruptions caused by the pandemic, we continued to deliver on our people strategy. Importantly, we have continued to focus on enabling a diverse and inclusive workforce. Tailored diversity and inclusion plans, with set targets and metrics, are now in place in all our countries. Ensuring healthy succession pipelines and implementing specific strategies to attract and retain people in critical roles that require scarce skills remained a priority.

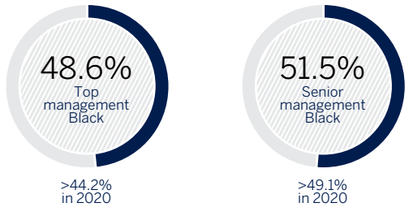
Diversity outcomes

Gender equity (banking operations)



Measured against the 2020 McKinsey Women in the Workplace Report, the group compares favourably in respect of the representation of women in both executive and senior management positions.

Employment equity (SBSA)



Our promise to our people

The world of work is changing, and so are the expectations of employees. In line with evolution of the group's brand, and our commitment to our customers and to find new ways to make their dreams possible, we launched our People Promise, based on what our employees have told us they are looking for in a future employer of choice. We shared a clear and aspirational promise as an employer – centred on finding new ways to make their dreams possible; as well as what we expect of them in return. Our People Promise has been well received. It will not only help our employees deliver on our commitments to clients but will also inspire and enable them to realise their full potential.

Ensuring future-readiness

Informed by our aspiration to become a client-centric digital business, we embarked on our journey to transform the group which started with changes to the group's top leadership team and the inception of the GLC.

We actively engaged with our executive teams and all our people to position the need for urgent change, engender buy-in to our aspirations and help them understand the implications of our accelerated strategic journey. Our people have responded with a sense of excitement and hope for the future prospects of the group.

In particular, we are confident that the group has the depth and breadth of leadership experience to achieve the balance between short-term deliverables and long-term sustainable value creation. Our leadership teams, supported by our extensive leadership development programmes, have demonstrated their ability to deal with complexity and resolve the trade-offs required to achieve accelerated growth, change, innovation and efficiency – to perform and transform at the same time.

Empowering our leaders

6 348
employees across all our countries took part in leadership development initiatives in 2020, of which 3 470 were women (55%).

5 548
employees participated in bespoke leadership development initiatives customised to meet specific requirements in line with the organisation's business and capability building priorities.

The group and our delivery partners, GIBS and Henley Business School, won the 2020 EFMD Excellence in Practice Gold Award for our Strategic Leadership Programme in the category of Executive Development.

Employee development

The group is committed to growing and developing our employees to their full potential, investing R677.5 million in 2020.

Graduate programme

Our signature programmes have a strong focus on future fit skills, including data science, actuarial science, behavioural economics and relationship banking. In 2020, our graduate programme had an intake of 199 graduates, 150 in South Africa and 49 from Africa Regions. The programme comprises individualised learning journeys, action learning projects, executive sponsorship and accelerated work experience. These allow us to build a strong succession pipeline for core, critical and scarce roles in the group.

Bursaries and learnerships

Our bursary scheme allows employees to apply for study support courses they want to pursue as part of their career development. Bursaries provided to employees for under- and post-graduate studies in 2020 totalled R51 million and benefitted 1 831 employees. We are reviewing the bursary scheme to accommodate the changing landscape of learning and learning solutions.

- **Student bursary programmes**
  In 2020, we sponsored 36 students with bursaries that cover tuition, textbooks, accommodation and stipends. This year, the benefit was extended to include laptops and data to ensure minimal disruption to their studies.
- **Employed learnerships**
  We offer employees the opportunity to participate in learnership opportunities to build key skills. We introduced a virtual solution for the 987 employees who registered for learnerships in 2020.

Exchange programmes and secondments

During 2020, 132 employees participated in international assignments to build cross-cultural awareness and support succession planning for key roles. Due to Covid-19 and travel restrictions implemented by many countries, 47 new assignments were put on hold with 35 repatriations and two medical evacuations facilitated for assignees and their families.

Our exchange programme with ICBC, established in 2016, allows selected employees from both the group and ICBC to spend time in locations across Africa and China. It supports collaboration and relationship building, enabling the sharing of knowledge and resources. Since inception, 45 assignees have participated. Covid has not stopped the sharing of knowledge and resources and three exchange assignments have successfully proceeded.

LOOKING AHEAD

Our unrelenting effort to keep our people safe, healthy and productive will continue as the pandemic runs its course. Special emphasis will be placed on maintaining disciplined adherence with all protocols and supporting the mental, physical and emotional wellbeing of our people as they deal with persistent pressure in their personal and professional lives. We continue to drive a growth mindset and encourage people to take personal responsibility for constantly evolving their skills and make full use of our world-class learning resources. We look forward to bringing our People Promise to life through a variety of initiatives that meet their needs in thoughtful ways.

To support the achievement of the group's future aspirations, our priorities in the year ahead will include:

- Facilitating the ongoing evolution of the group's organisational capabilities and ways of working to meet the needs and expectations of our clients.
- Accelerating our strategy to empower our leaders to step into the future with confidence.
- Experimenting with, and then implementing new ways to source and develop the right skills, leveraging the total spectrum of the augmented workforce.
- Re-imagining our performance and reward strategies to drive the right behaviours and business outcomes.
- Shaping the appropriate models of working that balance the changing nature of work, higher levels of productivity and shifting client and employee needs.

The significant increase in our employee engagement indicator, in an extraordinarily challenging year, gives confidence that our people strategy is reaping rewards. With employee engagement being a leading indicator of client satisfaction, we are well on our way to transforming the experience we deliver to our clients, on which our long-term competitiveness rests. Our ongoing initiatives to support the resilience, capabilities, wellbeing and future employability of our people will enable the group to emerge from this crisis stronger and more ready for the future than ever before.

Risk and conduct

Our reputation as a trusted partner is built on the strong foundation of risk management processes and ethical personal, market and societal conduct. This protects the value we create for all our stakeholders.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

- We are a responsible corporate citizen that adheres to good corporate governance practices and promotes sustainability, and the social and economic development goals of Africa.
- We do the right business, the right way, without exception, rooted in a culture of conscious risk-taking.
- We contribute to safe and efficient financial systems in and across the markets in which we operate.
- We comply with all applicable laws and regulations and meet the highest standards of ethical business conduct.
- We safeguard our reputation and protect it from harm, in everything we do.

RISK

How we manage it

Our robust risk management system is governed by mandated board and management committees with appropriate expertise. We take measured risks within the risk appetite set at group level by the board, and risk limits that are set and reviewed regularly by the relevant management committees at legal entity and other appropriate levels of the group.

Our risk measurements are designed to balance regulatory capital requirements and shareholder expectations for risk-adjusted returns. They allow us to carefully manage our capital, liquidity and funding allocations to transform and grow the business, while maintaining depositor and creditor confidence. We continuously improve the management of complex non-financial risks in order to manage risks that arise as we pursue growth opportunities that create value for all our stakeholders.

How we performed

The proactive management of unprecedented pressure in our risk environment proved effective, with no material breaches of board-approved risk appetite and no regulatory fines that affected our licence to operate. The group remains well capitalised despite the impact of Covid-19.

MANAGING THE IMPACTS OF COVID-19

The group operated in a highly complex and uncertain external environment in 2020. The public health, financial and humanitarian threats associated with Covid-19 compounded the socioeconomic pressures that existed in many of our markets prior to the onset of the pandemic. Covid-19 did not slow the momentum of change in our competitive landscape; rather, it amplified the direct threat to our client franchise and, more generally, the threat to the relevance of traditional financial services offerings, posed by BigTech companies and niche fintech offerings. This made it imperative to accelerate the transformation of our business in line with our medium-term strategy, while at the same time dealing with the immediate impacts of the pandemic. More specifically, pandemic-related restrictions on workplaces and the desire for contactless services created the need to advance our digitisation strategy significantly and urgently, with heightened attention given to the associated risks.

Respond

Risk management is a cornerstone of the group's response to the Covid-19 crisis, enabling fast, targeted and responsible support of our clients, while preserving the group's financial position. Measures include:

- Balancing extensive client relief programmes with careful monitoring and management of our capital, liquidity and credit loss risk measurements.
- Focusing on protecting the health of our employees by providing appropriate PPE to essential office workers and leveraging our investment in technology and digital innovation to equip over 75% of our employees to work from home.
- Collaborating with all internal assurance functions to identify new or heightened risks in the new environment and compliance requirements from new regulations and advising on appropriate controls.
- Engaging with banking regulators on financial risks and exceptions to liquidity and capital requirements, non-financial risks and highlighting systemic risks that may adversely impact the country's banking system.
- Maintaining the group's operational resilience through robust business continuity and crisis management response plans that included a change in working locations.
- Channelling learnings from our Covid-19 experience back into governance processes to improve the efficiency of our governance structures.
- Making Covid-19 training compulsory for all employees, and providing emotional support and wellbeing services to our people to support them in dealing with social, financial and to work-from-home demands.

We helped ease the liquidity crisis facing many clients, particularly corporate clients, while maintaining the effectiveness of debt collection activities. We continue to manage credit portfolio concentrations, including concentrations in specific client sectors, such as real estate and hospitality.

Recover

Uncertainty remains a feature of our risk landscape as the Covid-19 pandemic evolves and recovery is set to be uneven across the countries in which we operate. This requires close monitoring of financial risks, which are well understood and well-managed. The impact of Covid-19 on the interrelated non-financial risks continues to unfold and our risk management processes are designed to proactively identify and analyse this new information, as well as establish their potential impact on our financial recovery plans.

Our digitisation strategy is key to our recovery. It enhances client experience by reducing banking costs, improving payment mechanisms and providing better debt management support. However, digitisation, combined with the group's transformation into a more digitally focused solutions provider, has increased the susceptibility to cyber, information, fraud, and third-party risks. These non-financial risks were exacerbated in 2020 by the shift to a work-from-anywhere approach and required additional employee conduct and information security controls to minimise the impact on client facing services.

RE-IMAGINE

We will continue to leverage our risk management capabilities in support of the group's transformation strategy. We expect uncertainty and rapid change to remain features of our operating environment in 2021 and we are alert to the ongoing impacts of Covid-19 on the group, our employees, our clients and communities we serve.

Read more about the group's strategy on page 32.

CONDUCT

How we manage it

We manage conduct risk in accordance with our conduct risk management framework, which defines the group's conduct risk appetite and informs the approach to managing and mitigating instances of misconduct. Quarterly conduct governance dashboards are submitted to the group leadership council, providing a view on the ethical climate of the group.

Conduct is evaluated, managed and monitored by the appropriate governance and management committees, using conduct risk indicators. Where deficiencies are identified, immediate remedial action is taken. We continue to identify metrics and mitigation measures to improve the responsiveness and effectiveness of conduct risk controls.

How we performed

Good conduct is key to winning and retaining our clients' trust. Through our actions and behaviour, we aim to deliver fair outcomes for our clients. The group drives culture and ethical conduct through the group social and ethics committee, a board subcommittee.

We monitor and report regularly on conduct risk using predictive and retrospective analysis. Our indicators include:

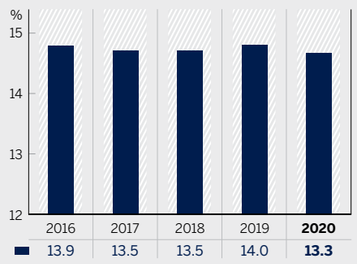
- Effectiveness of new client product sales.
- Client satisfaction.
- Effectiveness of money laundering prevention practices.
- Information security processes.

Our indicators

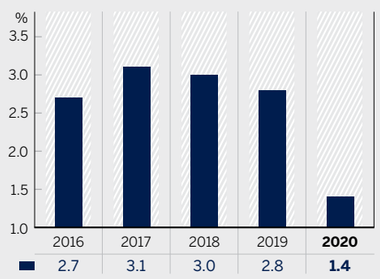
Measure	Metric	Actual 2020	Actual 2019	Medium-term target
Responsible risk taking	**CET 1** A measure of solvency that assesses capital strength against our risk-weighted assets (RWA).	13.3%	14.0%	10.0% – 11.5%
	Total capital adequacy ratio	16.1%	16.7%	
	LCR Measures our ability to manage a sustained outflow of client funds in an acute stress event over a 30-day period.	134.8%	138.4%	Minimum >80%
	NSFR The amount of available stable funding relative to the amount of required stable funding in accordance with Basel III.	124.8%	119.5%	Minimum >100%
Conduct index	Compliance training completion rate[1]	98.0%	n/a	

1 The compliance training completion rate was introduced as a measure from 2020.

CET 1 RATIO



RETURN ON RWA



2020 KEY PRIORITIES

Good progress has been made against these priorities, and adjustments were made to ensure appropriate focus on Covid-19 crisis management:

- Continue to align the risk and compliance functions to changes in group architecture and transformation to a truly digital organisation.
- Deliver value-based risk management services with a clear link to financial outcomes.
- Actively monitor stressed client portfolios at a group level.
- Enhance our scenario analysis and stress test our strategic objectives and expectations against key risk scenarios.
- Embedding the effective management of non-financial risks across the group, expanding the traditional operational risk universe.
- Continue to leverage data as an asset and develop intuitive risk management through technology.

TRADE-OFFS

Achieving our risk and conduct priorities is contingent on managing the following trade-offs:

- We reallocated resources in response to Covid-19 to ensure we keep our people and our clients safe, investing in PPE and implementing necessary protocols in the workplace, and supporting their ability to work from home by making data and necessary equipment available.
- In managing our exposures responsibly in line with macroeconomic and socio-political realities, it is sometimes necessary to tighten our risk appetite in lending to vulnerable sectors and clients. This reduces the potential for losses but may inhibit client growth and revenue generation.
- We manage the natural tension between client convenience and the speed at which we can fulfil their needs, and the parameters of our mature and continually evolving regulatory, supervisory and control environment.
- The evolving expectations of ensuring compliance is a necessary condition of maintaining our reputation as a trusted partner, which is a strategic asset and a source of competitive advantage, especially as an incumbent financial services organisation.
- Our size and footprint places us under the constant scrutiny of regulators and other stakeholders and it is imperative that we are able to demonstrate transparently that our business activities create measurable value in a socially and environmentally responsible manner.
- Our ability to balance mitigation of potential disruption to client experience while we accelerate the transformation initiatives of the group.

Accountability for risk and conduct

The key board subcommittees that provide mandated oversight in governing our risk and conduct value driver are the **group risk and capital management committee, the group audit committee, the group technology and information committee, the group social and ethics committee, the group remuneration committee** and **the group model approval committee.** Various group management committees report to these committees quarterly and certain members of the group leadership council are invitees to the board subcommittees.

Read more about the purpose and activities of the board subcommittees here.

How we manage risk

We take a holistic, forward-looking view of the risks we face, assessing the threats and opportunities in our operating environment. Our well-developed framework supports a consistent approach to risk and capital management throughout the group.

GROUP STRATEGY

Organisational design

Risk management is enterprisewide, applying to all entity levels.

Risk management approach

Our risk management approach ensures consistent and effective management of risk within our board-approved risk appetite and provides for appropriate accountability and oversight.

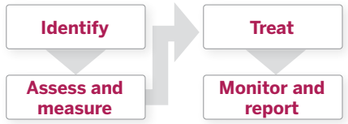
RISK GOVERNANCE

DOCUMENTS, comprising governance frameworks, standards and policies
Our governance of risk is underpinned by a strong control environment and is defined in our risk governance and management standards and policies.

REPORTING AND COMMITTEE STRUCTURES
Our governance structure enables oversight and accountability through appropriately mandated board and management committees.

RISK LIFECYCLE

Our risk universe is managed through the risk lifecycle. Our risk measurement process includes rigorous quantification of risks under normal and stressed conditions, up to and including recovery and resolution.



THREE LINES OF DEFENCE

We leverage the lines of defence to maintain a strong and resilient risk culture.

1	RISK OWNERSHIP	Design and implement an effective risk management programme across the enterprise.	COMBINED ASSURANCE
2	DIRECT, CONTROL AND OVERSIGHT	Facilitate risk and capital management activities at an enterprise level.	
3	RISK ADVISORY AND ASSURANCE	Provide assurance on the adequacy and effectiveness of the risk management programme.	

Risk culture — Doing the right business, the right way

RISK UNIVERSE

Our risk universe represents the risks that are core to our business. We regularly scan our operating environment for changes to ensure that it remains relevant.

STRATEGIC RISKS

The potential downside impact of an operating income shortfall due to lower than expected performance in business volumes and margins not compensated for by a reduction in costs.

Strategy position risk*
Risks relating to strategic choices like value proposition, product, consumer segment and channel that result in unexpected variability of earnings and other business value drivers.

Strategy execution risk*
Risks relating to strategy implementation failures where management execution capability and operational decisions do not meet strategic objectives.

Reputation risk
The risk of potential or actual damage to our image which may impair the profitability and sustainability of our business.

* Previously included as business risk.

TOP ENTERPRISE RISKS

We continually assess and annually identify the top enterprise risks that require focused management due to their potential to have a material impact on our strategy.

- BigTech domination of financial services
- Ransomware attack
- Extreme weather events
- Third-party non-performance
- Slow pace of implementation.

Read more on page 80.

FINANCIAL RISKS

Credit risk
The risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk and represents the largest source of risk to which our banking entities are exposed.

Market risk
The risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

Funding and liquidity
The risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Country risk
Also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and our branches and subsidiaries in a country) will be able to fulfil obligations due to the group given political or economic conditions in the host country.

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

NON-FINANCIAL RISKS

The risk of inadequate or failed processes, people and systems as a result of changes in internal or external factors.

Cyber risk
The potential of a digital attack on the group's systems for financial gain – either direct (through cash out attacks) or indirect (through stolen data or extortion).

Technology risk
The inability to manage, develop and maintain secure, agile technology capability that enables the group to operate efficiently and achieve strategic objectives.

Information risk
The accidental or intentional unauthorised use, access, modification, disclosure, dissemination or destruction of information resources, which may compromise the confidentiality, integrity and availability. This may result in service disruption, reputational damage and financial loss.

Business resilience risk
Losses arising from critical system failures and/or business process failures impacting services provided by us to our stakeholders.

Third-party risk
Ineffective management of third-party relationships and the operational, compliance, reputation, strategic and credit risks inherent in the services and products they provide to the group.

ESG risk
The direct and indirect impact on the environment and society caused by the group that might prevent the group from achieving its strategic objectives.

People risk
The challenge or failure to attract and retain skilled, committed people and the inability to enable people to grow and remain relevant in a rapidly evolving workplace.

Financial crime risk
The risk of economic loss, reputation damage and regulatory sanction arising from involvement in any type of financial crime. This would include instances where the crime has been perpetrated against the group, and also instances where the group may have facilitated the commission of a crime through misuse of its products and services. Financial crime includes fraud, theft, money laundering, bribery, corruption, tax evasion, terrorist financing and providing financial services to sanctioned individuals.

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

Conduct risk
The risk where detriment is caused to the group's clients, markets or itself as a result of inappropriate execution of business activities.

Legal risk
The risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to your business, its relationships, processes, products and services.

Model risk
Incorrect or inappropriate use of a model and fundamental errors in models that may produce inaccurate outputs that are not aligned to design objectives and intended business uses.

Financial accounting risk
Losses arising due to inadequate management and oversight of internal financial accounting processes.

Tax risk
Tax risk is the risk of failing to meet statutory reporting and tax payments/filing requirements.

Physical assets, safety and security risk
The risk of damage to the organisation's physical assets, client assets, or public assets for which the organisation is liable, and (criminal) injury to the organisation's employees or affiliates.

OUR RISK LANDSCAPE

Our risk universe diagram represents the risk types that are prevalent in our business. These risk types are well understood, and organised into strategic, financial and non-financial risks categories.

Under these risk types, some risks have been identified as those that require additional management focus in 2021 and beyond as we accelerate our transformation initiatives.

RISK DESCRIPTION	Driver	Mitigation
BigTech domination of financial services The threat of BigTech monopoly swallowing financial services and becoming too big to fail and to regulate. *Risk type: Strategy execution*	• BigTech organisations can offer simple, efficient and affordable financial services on their platforms. • Increased competition in payments and small lending markets. • Traditional financial services firms are not innovating fast enough.	• Implement strategic acceleration initiatives. • Strategic partnerships with key BigTech organisations.
Ransomware attack A successful ransomware attack on the payments IT system value chain. *Risk type: Cyber*	• Rising cyber incidents, especially ransom attacks, on large corporates. • Complexity of the group's systems and connected devices.	• Accelerate the simplification of the group's digital landscape. • Continue to mature security culture and practices. • Ongoing improvement of access controls.
Extreme weather events The increasing frequency of extreme weather events may cause food insecurity, water scarcity and create climate refugees. *Risk type: ESG*	• Increased impacts of global warming and climate change. • Slow transformation to sustainable energy.	• Continue to deepen TCFD reporting. • Embed sustainable bond framework and ESG risk management framework. • Support lending to green projects through sustainable financing.
Third-party non-performance Third-party failure or non-performance may result in failure of strategic initiatives or poor client service. *Risk type: Third-party*	• Increasing number of critical suppliers are in place for essential services to clients. • Increase in strategic partners needed for accelerated execution of strategy.	• Rollout third-party risk management framework and implement digital solution to facilitate performance monitoring. • Enhance vendor and contract management processes for third parties.
Slow pace of implementation Opportunity cost of slow and protracted implementation of innovation. *Risk type: Strategy execution*	• Complex legacy IT systems. • Late and inaccurate translation of concepts into clear and measurable deliverables. • Complex regulatory environment.	• Continue the IT landscape simplification programmes. • Increase the capability of the innovation unit. • Proactive policy advocacy to positively influence regulation changes.

RCM Read more online.

PERFORMANCE AGAINST STRATEGY

The demand across the group for risk management services that are integrated into business process and closer to our customer services and partners is underpinned by the common ambition to accelerate the group's transformation strategic objectives. Effective risk management enables us to consistently do the right business, the right way to meet our strategic objectives.

Delivering exceptional client experiences

The stability of our risk management process enabled us to respond proactively to early signs of financial risks stress. The financial impact of Covid-19 resulted in a slight adjustment of our risk appetite in order to address credit concentration concerns in some geographies and sectors and still meet our client expectations of service continuity and financial support.

During 2020:

- Early warning triggers were reassessed and adjusted to be able to respond better to higher risk customers and impending distress levels.
- Ongoing investment in technology improved our systems resilience and reduced service disruptions.
- Digital fraud prevention capabilities improved through the release of digital biometric access authentication and identification of unusual transaction behaviour. Digital onboarding and verification of clients were also enhanced.
- Our people remained focused and maintained high ethical conduct when delivering services to our clients from their different work locations.
- Further optimised forward-looking stress testing processes and systems to support our balance sheet optimisation strategy and decision-making.
- Developed a risk competency framework and a certified risk management academy (Business School certified) to address the future risk skills need.

SAFER AND MORE SECURE BANKING

Safer and more secure banking

The group launched **DigiMe**, an innovative client authentication solution that uses the latest biometric and facial recognition software, combined with multifactor authentication, to create safe and secure banking experiences for clients using mobile devices.

Recognition

The Business Continuity Institute Africa Awards awarded Standard Bank Malawi the Continuity and Resilience Team award.

Leveraging our digital capabilities to meet our clients' needs

We have accelerated our strategy to achieve future-readiness. Some initiatives include the continuation of our cloud journey and ongoing strategic partnerships. Our risk management practices continue to evolve to address the risks of digitisation. Operational resilience is always a priority to ensure we deliver our promise of 'always on, always secure' services. A key component is empowering and supporting our people to do the right business, the right way.

During 2020, we:

- Introduced internal digital tools for the management of non-financial risks. Regulatory compliance was digitised through the use of monitoring trackers, mobilisation of applications and quick reference insights.
- Developed internal multilingual chatbots to provide immediate and optimal knowledge when needed.
- Seamlessly migrated liquidity management systems to the cloud, capitalising on the infrastructure as a service approach for the benefit of scalability and cost efficiency.
- Further matured the cybersecurity model to face the ongoing threat of attack against a digital bank.
- Rolled out supplier management and third-party management framework and processes across all jurisdictions.
- Launched a WhatsApp for Credit Card engagement channel that allows customers to make payment arrangements on a direct digital platform.

ETHICAL AND EFFICIENT BUSINESS

The Regtech solution uses AI such as machine learning and data analytics to gain accurate insights from large volumes of data processed by the group. Regtech provides augmented intelligence by assisting human decision-making rather than replacing humans. The solution is being implemented throughout the group to monitor and investigate transactions. It is already impacting name screening, the identification of individuals involved in transactions who are considered higher risk individuals, are politically exposed or subject to sanction. Future developments of the solution are likely to be done in partnership with other financial service providers or fintechs, in consultation with regulators to address their concerns and contribute to faster and more efficient deployment of new industry solutions.

With technology availability and innovation at the centre of the group's accelerated strategy, we manage the risks of digitisation through a deep understanding of our digital process and a focus on business and operational resilience to keep our digital channels secure.

Recognition

- **Published our first fossil fuel policy and issued our first TCFD-related disclosures.**
- **Improved our Dow Jones Sustainability index rating.**
- **Successfully raised Basel III compliant additional tier 1 (AT1) and tier 2 capital bonds of R1.5 billion and R7 billion respectively, the proceeds of which were invested in SBSA on the same terms and conditions.**

EVOLVING OUR ETHICAL FRAMEWORK

Our ability to achieve our purpose depends on our reputation as a trusted partner. Our reputation rests on the ethics and values that shape the culture and conduct of our people.

Our code of ethics requires all employees to act with integrity and to place the interests of our clients, and the communities impacted by our business, at the centre of our decision-making. It sets out clear principles to help our employees decide on the correct course of action. All employees must undertake annual mandatory training on the code of ethics. We are currently updating the code to ensure that our focus on our SEE impacts is reflected.

Our approach to ethics

Personal conduct (how we behave in the group)

Governance framework

1. **Board level:** group social and ethics, and group risk and capital management committees
2. **Management:** GLC and social and ethics management committees
3. Group standards and policies

Policies covering:

- Conflicts of interest.
- Gifts and entertainment.
- Outside business interests.
- Personal account trading.
- Diversity and inclusion.
- Harassment, sexual harassment and unfair discrimination.
- Occupational health and safety.
- Whistleblowing.

Execution

- Tracking metrics related to diversity and inclusion, employee trends and wellbeing, and monitoring progress against targets.
- Performance management and remuneration.
- Recruitment and selection.
- Culture.
- Leadership development and group leadership identity.

Our annual employee survey:

- Provides employees with a safe way in which to speak out.
- Enables us to assess how employees view the integrity of their line managers.
- Provides insights on how employees feel about working for the group (eNPS score).

Market conduct (how we behave in the market)

Governance framework

1. **Board level:** group social and ethics, and group risk and capital management committees
2. **Management:** GLC and social and ethics management committee
3. Group standards and policies

Policies covering:

- Anti-bribery and corruption.
- Whistleblowing.
- Financial crime control.
- FAIS disbarment.
- Data privacy.
- Market abuse control.
- Treating customers fairly (TCF).
- Complaints management.

Execution

- Business units manage conduct risk associated with their businesses.
- Business units submit quarterly conduct dashboards to the group social and ethics committees.

Dashboard metrics and considerations include:

- Compliance training.
- Compliance with policies.
- Whistleblowing incidents.

Societal conduct (how we behave in society)

Governance framework

1. **Board level:** group social and ethics committee
2. **Management:** GLC and social and ethics management committee
3. Group standards, policies and statements

Policies covering:

- Respectful, constructive, transparent and responsive stakeholder engagement.
- Trade associations and industry memberships.
- Engaging advocacy and lobby groups.
- Human rights statement.
- UN Principles for Responsible Banking.
- Equator Principles.
- Environmental and social risk management.
- UN HeForShe campaign.
- Corporate social investment policy.
- Whistleblowing.
- Procurement policy.
- Third-party code of conduct.

Execution

- Group corporate citizenship.
- Corporate social investment forum.
- SBSA's political economy, transformation and black economic empowerment committee.
- Leadership and participation in various industry initiatives, associations and forums.
- The environmental and social risk management framework is used to proactively identify, manage and monitor related risks in our lending processes.
- External reporting (RTS and ESG report) and ranking on key ESG indices.

We aim to:

- Understand the impacts of our business activities – direct and indirect – including impacts on the environment, society and economic growth.
- Identify and develop opportunities to provide financial products and services that help our clients overcome economic, social and environmental challenges.

RTS Read more online. | GOV/REM Read more online.

Driving a strong conduct culture

Managing conduct

As part of our ongoing efforts to instil the right behaviours and driving and encouraging actions that are aligned to our values and behaviours, as articulated in our code of ethics, the board exercises continual oversight of executive management's efforts to foster a culture of ethics and appropriate conduct within the group. Executive management is ultimately responsible for continuously reinforcing and championing of the group's ethics, conduct and culture.

Our leadership set the tone from the top to inculcate a strong positive culture of treating customers fairly in all our markets and jurisdictions to ensure that we operate in an ethical and sound manner. To support the delivery of treating customers fairly, the group developed six habits which are linked to each of the fairness outcomes. These are:

- **Be fair:** Customers can be confident that fair treatment is central to our culture.
- **Meet the need:** Products and services are designed to meet the needs of identified customer groups.
- **Communicate:** Customers are provided with clear information and kept informed before, during and after the sale.
- **The right fit:** Advice to customers is suitable and considers their circumstances.
- **Your word, your honour:** Product performance and service meet the expectations that have been created.
- **Make it easy:** Customers do not face unreasonable barriers to change products, switch banks, claim or complain.

Our board ensures all aspects of conduct are central to our governance arrangements, including general execution of business activities, effective oversight of how fairly we treat customers and the way we uphold market integrity. This is achieved by:

- Enhancing governance structures as the management of conduct risk is integrated fully into business as usual.
- Overseeing the rigorous interrogation and assessment of identified conduct risks.
- Establishing escalation mechanisms when required.
- Monitoring the end-to-end client experience. This includes consistency across third-party supplier arrangements.
- Proactively identifying areas where misconduct occurs to ensure management responds swiftly and decisively when individual/s act against the values and ethics of the group.
- Maintaining an ethical culture by strengthening our control environment that promotes good business practices and reinforce appropriate behaviours aligned to the group's values.

Our employees contribute toward the group's compliance efforts, to create a culture of compliance when executing their daily tasks. All employees, consultants, contractors, suppliers, other associated persons and other third parties are required to:

- Act honestly and with integrity at all times.
- Execute business activities with due care, skill and diligence and in the best interest of clients.
- Be aware of and adhere to, all regulatory requirements that apply in the jurisdictions in which they are located.

Evolving regulation of conduct

In a dynamic and evolving regulatory environment, new conduct regulations included:

1. The Financial Sector Conduct Authority (FSCA) published the Conduct Standard 3 of 2020 (Banks) on 3 July 2020, with transitional commencement timelines under the Financial Sector Regulation Act 9 of 2017. The generic compliance risk management plan (CRMP) was developed, and workshops were held to clarify any interpretation issues relating to the compliance requirements and the completion of business areas' customised CRMPs are being tracked to ensure readiness for the implementation timelines.

2. Amendments to the Specific Code of Conduct for Authorised FSPs and Representatives Conducting Short-Term Deposit Business, 2004 under the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) were published in June 2020 with an effective date of 26 December 2020. The generic CRMP has been developed and distributed to BCOs.

3. National Treasury published the second draft of the Conduct of Financial Institutions (COFI) Bill for public comment on 29 September 2020. The COFI Bill aims to establish a consolidated, comprehensive and consistent regulatory framework for the conduct of financial institutions, and to give legislative effect to the market conduct policy approach, including entrenching TCF principles into law. The COFI Bill follows the Financial Sector Regulation Act 9 of 2017 and is the next phase in the broader reform of financial sector regulation.

4. Amendments to the General Code of Conduct for Authorised FSPs and Representatives (GCoC) under FAIS was published in June 2020 with phased implementation timelines. The previous generic FAIS GCoC CRMP has been retired. The revised FAIS GCoC CRMP has been provided to business compliance officers for customisation with their respective business areas.

LOOKING AHEAD

As the group accelerates its transformation to a digital financial services business, we will continue to leverage our current risk management capabilities and proactively expand and evolve our enterprise risk environment to anticipate and effectively manage risks that may arise. We expect uncertainty and rapid change to remain features of our operating environment in 2021 and we are alert to the ongoing impacts of Covid-19 on the group, our employees and our clients.

Strategic risks

Changing client preferences and the rise of new competitors in the financial services space have seen traditional financial institutions accelerate their transformation into digitally focused solutions providers to remain competitive. However, the industry faces the risk of unfair asymmetrical regulation if established institutions are required to comply with regulations that do not apply to new digital entrants. In this landscape the group's advanced risk and compliance management capabilities will provide an additional competitive advantage as data use and privacy becomes subject to increasing regulatory scrutiny.

Financial risks

The economic impact of Covid-19 is expected to continue beyond 2021, with different levels of severity in countries of operation and client sectors. We will continue to:

- Monitor portfolio credit risk appetite and engage proactively with clients to provide tailored support to assist with the impact of Covid-19.
- Contribute to uncertainty of client liquidity demands. Despite liquidity in financial markets recovering strongly, the risk of further financial market dislocation remains. Integrated forecasting models are being developed and will be integrated across the group. Continued enhancement of processes and systems will continue to drive improvements in data quality, efficiency and effectiveness.

Non-financial risks

Our non-financial risk universe was also impacted by Covid-19 with long lasting consequences for the employee experience and the way we operate to serve clients. While supporting the acceleration of the group's strategy, we will continue to:

- Manage the risk of further Covid-19 infection surges and its impact on the mental and emotional wellbeing of our people.
- Invest in the resilience capability in our systems and critical business services to support the acceleration of the group's strategy and deliver exceptional client experiences.
- Mature resilience against the expanding cyber threats and improve client security awareness and authentication controls.
- Roll out our third-party management solution that has in-built risk management capability.
- Strengthen our control and monitoring activities for conduct risk and invest in training and awareness programmes for employees.
- Align our compliance management practices across the group to ensure that current and global regulatory developments are met.
- Enhance our capabilities to monitor and frustrate fraudsters, including working with industry participants to prevent, detect and create awareness about fraud.
- Ensure the protection of sensitive information and enhance our ability to use data intelligence to efficiently manage information risks.
- Optimise our ESG risk management processes, integrate these into business transaction and third-party relationship decisions.

Our priorities for the year ahead include:

- Supporting the simplification of client experiences to ensure efficiency and protection for clients and the group.
- Focusing on the use of AI (predictive analytics, machine learning and robotic process automation) to modernise our approach to non-financial risk management and enable effective risk-based decision-making aligned to our risk appetite.
- Continuing to service our multinational client franchise by effectively using the integrated organisation approach to provide cross-jurisdictional regulatory support.
- Enabling risk as a service by using platforms, like Risk Market Place, to digitally embed risk processes that support our strategic transformation.
- Deepening our ESG risk management, reporting and disclosure, including TCFD reporting.

Financial outcome

Delivering sustainable returns to our shareholders depends on the extent to which we have made strategic progress in achieving client focus, employee engagement and risk and conduct.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

We consistently deliver superior value to shareholders.

How we measure our progress

We measure our progress in generating sustainable returns by how we manage revenues and costs, as well as creating sustainable shareholder value.

Accountability for financial outcome

Board subcommittees provide mandated oversight for governing our financial outcome, contributing either directly or indirectly to creating and preserving value for our stakeholders.

Key to effective creation and protection of value relating to financial outcome are:

Group audit committee: monitors and reviews the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes, ensuring that value is not eroded by control and policy inadequacies.

Group risk and capital management committee: provides independent and objective oversight of capital management, liquidity and funding requirements across the group, ensuring continued operations and sustainable value creation.

Read more about the purpose and activities of all the board subcommittees on page 120.

Key metrics

Headline earnings

↓ R15.9 bn

2019: R28.2 billion

show the profits we make, excluding profits or losses from non-recurring events[1].

ROE

↓ 8.9%

2019: 16.8%

shows how much profit we generate with the money shareholders have invested in us. ROE is the ultimate measure of our effectiveness in executing our group strategy.

Banking headline earnings

↓ R15.7 bn

2019: R27.2 billion

Banking ROE

↓ 9.6%

2019: 18.1%

Credit loss ratio (CLR)

↑ 151 bps

2019: 68 bps

measures our credit impairment charges as a percentage of average loans and advances. We aim to maintain our CLR at an acceptable level in line with our risk appetite.

Cost-to-income ratio

↑ 58.2%

2019: 56.4%

measures our efficiency in generating revenues relative to the costs we have incurred, as containing our costs is key to growing headline earnings and improving ROE.

Jaws

↓ (306) bps

2019: 113 bps

measures total income growth minus total operating expenses growth. We aim to achieve positive jaws to ensure we grow our revenues faster than our costs.

Africa Regions contribution to banking headline earnings

↑ 58%

2019: 31%

measures the percentage contribution from countries outside South Africa to banking headline earnings.

1. As prescribed by the South African Institute of Chartered Accountants (SAICA) circular.

"In a crisis year, like 2020, our focus was on supporting our clients through extensive and material restructures of loan books and facilities yet remaining within risk appetite set by our board. A proactive and agile approach to balance sheet management was needed to ensure a healthy balance between risk management, growth and sustainability."

ARNO DAEHNKE, Chief financial and value management officer

PERFORMANCE AGAINST STRATEGY

The group's results for the year reflect the very difficult operating environment. Covid-19 placed considerable strain on our clients, particularly in South Africa. This placed the group under strain and we were unable to meet the targets initially set for the year.

The extent to which we made progress against our priorities for 2020, and how they shifted due to the impact of Covid-19, is discussed in the detail that follows.

We implemented a three-phase approach in our response to managing and mitigating the impacts of Covid-19 – our initial **RESPONSE**, our plans to **RECOVER** and, for the future, how we will **RE-IMAGINE** our activities.

Respond

- The group's strong capital position, going into the crisis, enabled us to respond quickly and substantively.
- The group provided significant support to our clients, employees and our communities. In addition, we expanded and enhanced our digital service solutions to enable our clients to continue to transact and our employees to continue to operate productively during enforced lockdowns. Pleasingly these efforts were reflected in improvements in client satisfaction and retention, and growth in our underlying client franchise. The group's ongoing resilience is underpinned by our diverse client base and varied revenue streams (for detail refer to the client focus section from page 44).
- Group headline earnings was R15.9 billion, a decline of 43% on the prior year and ROE was 8.9%. Banking operations headline earnings was R15.7 billion, down 42% on the prior year, and ROE was 9.6%.
- The group's results were negatively impacted by lower activity levels and higher credit impairment charges.

Recover

- In the second half of the year, activity levels recovered; however, credit impairment charges remained elevated and the negative impact of interest rate cuts became more pronounced.
- In 2020, revenues declined marginally (down 2%) from 2019. Costs were well contained (up 1%). This led to negative jaws of 306 basis points (bps), and a cost-to-income ratio of 58.2%.
- Credit impairment charges increased to R20.6 billion, 2.6 times those reported in 2019.
- Despite a significant increase in RWA, the group's CET 1 ratio remained robust at 13.3%.
- A final dividend of 240 cents per share has been declared, representing a payout ratio of 23.9% on headline earnings for 2020.
- The group's diverse client base, geographic footprint and business mix cushioned a weak performance in South Africa. SBSA's headline earnings declined by 72%. Africa Regions grew headline earnings 9%, and 4% in constant currency (CCY).
- Africa Region's contribution to banking headline earnings grew to 58% from 31% in 2019. The top six contributors to Africa Regions' headline earnings remained Angola, Ghana, Kenya, Mozambique, Nigeria and Uganda.
- Enhancing our operational efficiencies and digital channels has allowed us to reduce inefficiencies and to improve both client and employee experience.
- We finalised the sale of ICBC Argentina to ICBC in June 2020, reflecting our core focus on Africa.
- We increased shareholdings in our subsidiaries in Nigeria and Kenya in 2020.

KEY TRADE-OFFS

- To ensure that we can continue to attract the capital we need to fund the growth in our assets, we must provide an appropriate rate of return to our equity shareholders and debt funders, including depositors. This requires that we balance our ability to generate revenue with the costs incurred in doing so.
- Balancing the need to provide sustainable returns to shareholders while creating value for other stakeholders, as a responsible corporate citizen.

2020 KEY PRIORITIES

- Increase our competitiveness by improving client experience through the seamless delivery of relevant and personalised financial solutions to our clients, in a secure manner, via their channel of choice.
- Exercise tight cost discipline and increased efficiency by permanently reshaping the group's cost structure.
- Seek to allocate resources efficiently and in support of our strategy to build a group ready for the future.
- Strive to deliver sustainable earnings (our medium-term targets were withdrawn due to uncertainty created by Covid-19).
- Pursue growth opportunities.
- Continue to support faster, more inclusive and more sustainable growth and human development in South Africa and across the continent we are proud to call home.

Measuring our financial outcome

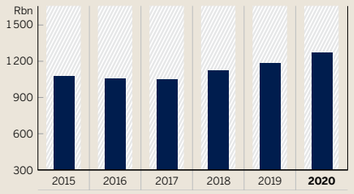
Headline earnings

The group's headline earnings is one of the components used in the determination of the group's ROE and represents the major lever in lifting the group's ROE.

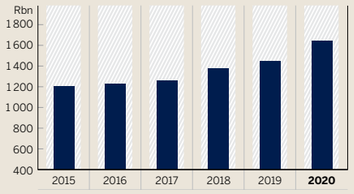
Banking activities balance sheet drivers

Growth in deposits and funding, and loans and advances supported the group's headline earnings.

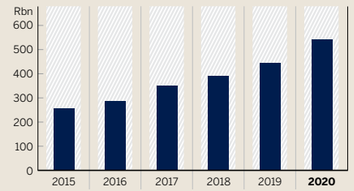
NET LOANS AND ADVANCES
CAGR: 3%



DEPOSITS AND DEBT FUNDING
CAGR: 6%



TRADING AND PLEDGED ASSETS AND FINANCIAL INVESTMENTS
CAGR: 16%

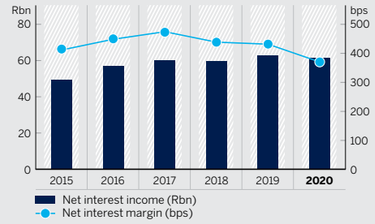


↑14%
average interest earning assets

↑16%
average deposits and funding

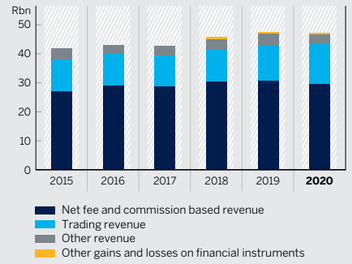
↓61 bps
net interest margin

NET INTEREST INCOME
CAGR: 4%



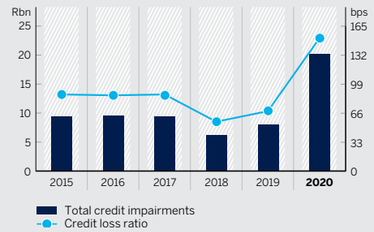
Net interest income (NII) declined 2% from 2019, as strong balance sheet growth was more than offset by margin compression, and negative endowment, associated with the significant interest rate cuts across our markets. Net interest margin (NIM) declined year-on-year from 431 bps to 370 bps.

NON-INTEREST REVENUE
CAGR: 3%



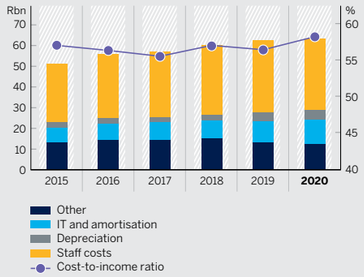
Non-interest revenue (NIR) declined 1%. Pressure on fee income was largely offset by a strong trading performance. Lower fee income was driven by constrained consumer activity levels and transactional volumes, fee waivers and moratoriums, and an accelerated switch to lower fee-generating digital channels. Elevated market volatility drove increased client activity and, in turn, trading revenue growth. Knowledge-based fees were supported by higher advisory fees from corporate deals in South Africa and International. Higher other fee and commission revenue was largely driven by fees earned from the group's pension fund management business in Nigeria. Negative revaluations impacted the equity investment portfolio. Gross written premium growth was offset by higher credit life and funeral claims.

CREDIT IMPAIRMENTS
CAGR: 17%



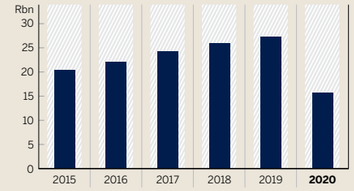
Credit impairment charges increased to R20.6 billion, 2.6 times that of 2019. The increase was driven by the year-on-year deterioration in client risk profiles and forward-looking assumptions, additional charges associated with the remaining client relief portfolio in PBB, and corporate and sovereign risk downgrades. Due to the enduring uncertainty and associated forecast risk, an additional R500 million provision was raised and held centrally. The group CLR increased to 151 bps from 68 bps in 2019.

OPERATING EXPENSES
CAGR: 4%



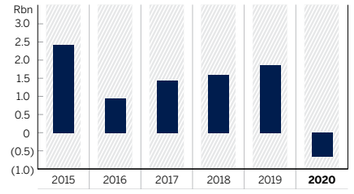
Operating expense growth was well contained at 1%. Staff costs were down 1% as annual salary increases were offset by lower headcount and lower performance-related incentives. Other costs increased 4% driven primarily by higher IT costs, professional fees and communication costs. The group purposefully continued developing and rolling out innovative digital solutions to improve service efficiency and client experience. In addition, the group incurred Covid-19 related business continuity costs and employee work-from-home costs. Jaws were negative 306 bps and the cost-to-income ratio increased to 58.2% (2019: 56.4%).

BANKING ACTIVITIES HEADLINE EARNINGS
CAGR: (5%)



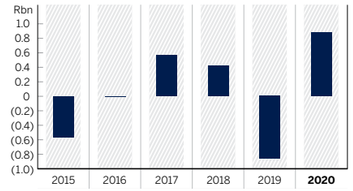
Banking headline earnings were R15.7 billion, down 42% on 2019. Africa Regions' contribution to banking headline earnings grew to 58%, from 31% in 2019.

LIBERTY HEADLINE EARNINGS
CAGR: (177%)



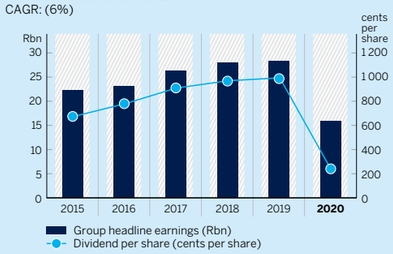
Liberty's performance was negatively impacted by lower earnings across all insurance business areas as well as weak performance in the shareholders' investment portfolio and LibFin markets. In contrast, Liberty's South African asset management business reported flat earnings and an increase in net external third-party client cash inflows. Liberty recognised a Covid-19 related pandemic post-tax reserve of R2.2 billion and reported a headline loss of R1.5 billion (2019: earnings of R3.3 billion). After adjusting for treasury shares, the group's share of the loss amounted to R0.7 billion (2019: earnings of R1.9 billion).

OTHER BANKING INTERESTS HEADLINE EARNINGS



ICBCS recorded a profit of USD125 million in 2020 (2019: loss of USD248 million). The turnaround was driven by the non-repeat of a single client loss in 2019, revenues earned on the back of the market volatility and an insurance recovery. The group's 40% share of ICBCS' earnings equated to R881 million. The group completed the sale of its 20% stake in ICBC Argentina to ICBC in June 2020.

GROUP HEADLINE EARNINGS
CAGR: (6%)



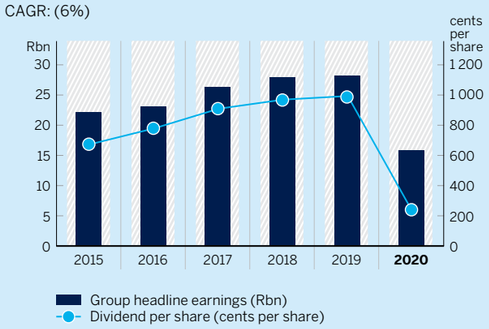
Group headline earnings were R15.9 billion, a decline of 43% on the prior year, due to the impact of the pandemic. A final dividend of 240 cents per share was declared, representing a payout ratio of 23.9% on 2020 headline earnings.

Return on equity

Our ROE is the most relevant measure of our financial performance over time as it combines all of our critical drivers, including earnings growth and capital utilisation, into a single metric. Internally we measure our return on equity on risk-weighted assets (RoRWA) as a more direct measure of earnings relative to regulatory capital utilisation.

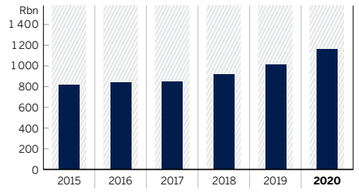
GROUP HEADLINE EARNINGS

CAGR: (6%)



GROUP AVERAGE RWA

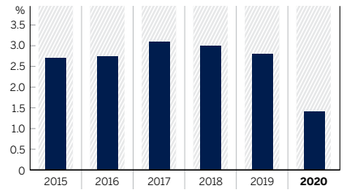
CAGR: 7%



Group average RWA increased by 14.6% in 2020 to R1 160 billion, from R1 012 billion in 2019, mainly due to depreciation of the rand and an increase in client exposures.

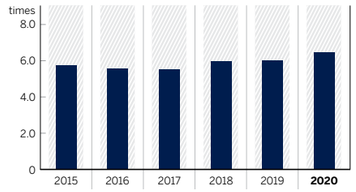
GROUP AVERAGE RoRWA

CAGR: (12%)



The group's average RoRWA decreased to 1.4% (2019: 2.8%), driven by the lower group headline earnings (year-on-year decline), and higher group average RWA (year-on-year growth).

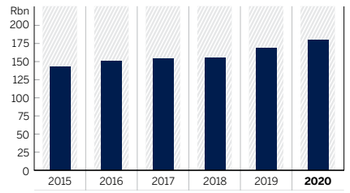
GROUP FINANCIAL LEVERAGE



The group's financial leverage is the ratio of average RWA to average shareholders' equity. For 2020, financial leverage was 6.5 times, marginally higher than 2019, supported by higher average RWA.

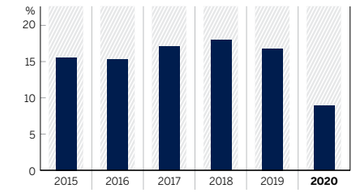
AVERAGE SHAREHOLDERS' EQUITY

CAGR: 5%



The group's average shareholders' equity increased by 6% from 2019, supported by the profit earned for the year.

RETURN ON EQUITY



In 2020, the group's ROE decreased to 8.9%, reflecting the result of a difficult year. Our medium-term target range has been withdrawn due to uncertainty created by Covid-19.

RCM Read more about the group's cost of equity online.

Net interest income
What it is: the interest received on lending products that we offer to our clients and investment in debt instruments, less the interest paid on the deposits that our clients place with us and debt funding sourced from other lenders.
Drivers: number of clients, product offerings and pricing, level of economic and client activity, foreign exchange, pricing in commodities and equity capital markets, competition, and market volatility.

Non-interest revenue
What it is: comprises net fee and commission revenue, trading revenue and other revenue.
Drivers: number of clients, transactional banking volumes and pricing, capital markets activity, trading volumes and market volatility, property-related revenue, and income from bancassurance and unlisted investments.

Credit impairment charges
What it is: losses incurred due to the inability of our clients to repay their debt obligations.
Drivers: probability of our clients defaulting, and the loss given default, business confidence, and levels of debt-to-disposable income.

Operating expenses
What it is: costs that are incurred to generate future and current revenues.
Drivers: inflation, headcount, investments in branch and IT infrastructure which results in amortisation, general costs to operate (including those related to innovation and work efficiency programmes), and operational losses.

Non-trading and capital related items
What it is: items typically excluded from headline earnings, for example, gains and losses on the disposal of businesses and property and equipment, impairment of goodwill and intangible assets.
Drivers: obsolescence and asset replacement, operational performance and changes in market prices, which result in impairment on goodwill and intangible assets, and corporate activity resulting in disposal-related gains.

Direct and indirect taxation
What it is: includes both direct income taxes (and related deferred tax in terms of IFRS) and indirect taxes, including withholding tax and value-added tax.
Drivers: corporate tax rates in the countries in which the group operates, level of profitability of our operations, interest income from certain bonds and treasury bills, dividends on investments that are exempt, and costs that are not tax deductible.

Attributable to non-controlling interests
What it is: portion of profit generated which is attributable to minority shareholders in entities in which we own less than a 100% interest.
Drivers: level of profitability of these entities, and other shareholders' interest in our subsidiaries.

Our performance

The income statement below reflects the revenue generated and costs incurred by our banking activities, with material income statement line items explained. A detailed analysis on the group's financial performance, and the principal headline earnings drivers for growth in our ROE, is on page 90.

GROUP INCOME STATEMENT
for the year ended 31 December 2020

	Change %	2020 Rm	2019 Rm
Net interest income	(2)	**61 425**	62 919
Non-interest revenue	(1)	**47 156**	47 542
Net fee and commission revenue	(4)	**29 413**	30 622
Trading revenue	15	**13 874**	12 075
Other revenue	(23)	**3 158**	4 089
Other gains and losses on financial instruments	(6)	**711**	756
Total income	(2)	**108 581**	110 461
Credit impairment charges	>100	**(20 594)**	(7 964)
Net income before operating expenses	(14)	**87 987**	102 497
Operating expenses	1	**(63 182)**	(62 335)
Staff costs	(1)	**(34 380)**	(34 554)
Other operating expenses	4	**(28 802)**	(27 781)
Net income before non-trading and capital related items	(38)	**24 805**	40 162
Non-trading and capital related items	>100	**(2 255)**	(151)
Net income before equity accounted earnings	(44)	**22 550**	40 011
Share of profit from associates and joint ventures	(43)	**191**	333
Profit before taxation	(44)	**22 741**	40 344
Direct and indirect taxation	(50)	**(4 901)**	(9 894)
Profit for the year	(41)	**17 840**	30 450
Attributable to other equity instrument holders	(8)	**(803)**	(873)
Attributable to non-controlling interests	14	**(2 875)**	(2 528)
Attributable to ordinary shareholders – banking activities	(48)	**14 162**	27 049
Headline adjustable items – banking activities	>100	**1 553**	167
Headline earnings – banking activities	(42)	**15 715**	27 216
Headline earnings – other banking interests[1]	(>100)	**881**	(864)
Headline earnings – Liberty	(>100)	**(651)**	1 855
Standard Bank Group headline earnings	(43)	**15 945**	28 207

1. The disposal of ICBC Argentina was completed during June 2020, resulting in no headline earnings attributable to the group for 2020.

For further detail on the group results, including definitions, and details of restatements to previously reported figures, please refer to the Standard Bank Group analysis of financial results 2020 on our website: **http://reporting.standardbank.com/results-reports/financial results/**

Our resilient balance sheet

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

BALANCE SHEET
as at 31 December 2020

	Change %	2020 Rm	2019 Rm
Assets			
Cash and balances with central banks	16	**87 505**	75 288
Derivative and trading assets	27	**364 003**	287 234
Pledged assets	(42)	**10 382**	17 800
Financial investments	34	**275 066**	204 703
Disposal group assets classified as held for sale	(99)	**7**	819
Loans and advances	8	**1 271 255**	1 181 067
Other assets	28	**33 077**	25 919
Interest in associates and joint ventures	8	**2 703**	2 502
Property, equipment and right-of-use asset[1]	(3)	**19 009**	19 608
Goodwill and other intangible assets	(18)	**17 764**	21 712
Total assets – banking activities	13	**2 080 771**	1 836 652
Total assets – other banking activities	(8)	**3 522**	3 841
Total assets – Liberty[1]	3	**448 647**	435 096
Standard Bank Group – total assets	11	**2 532 940**	2 275 589
Equity and liabilities			
Equity			
Equity attributable to ordinary shareholders	4	**161 848**	155 664
Preference share capital and premium and AT1 capital issued	14	**12 528**	10 989
Equity attributable to non-controlling interests	13	**11 118**	9 868
Total equity – banking activities	5	**185 494**	176 521
Total equity – other banking interests	(8)	**3 522**	3 841
Total equity – Liberty[1]	(10)	**26 256**	29 122
Standard Bank Group – total equity	3	**215 272**	209 484
Liabilities			
Derivative and trading liabilities	22	**181 322**	148 441
Deposits and debt funding	14	**1 642 401**	1 446 080
Deposits from banks	9	**132 174**	121 119
Deposits and current accounts from customers	14	**1 510 227**	1 324 961
Subordinated debt		**23 225**	23 319
Provisions and other liabilities	14	**48 329**	42 291
Total liabilities – banking activities	14	**1 895 277**	1 660 131
Total liabilities – Liberty[1]	4	**422 391**	405 974
Standard Bank Group – total liabilities	12	**2 317 668**	2 066 105
Total equity and liabilities – banking activities	13	**2 080 771**	1 836 652
Total equity and liabilities – other banking interests	(8)	**3 522**	3 841
Total equity and liabilities – Liberty[1]	3	**448 647**	435 096
Standard Bank Group – total equity and liabilities	11	**2 532 940**	2 275 589

1. Includes adjustments on consolidation of Liberty into the group.

The balance sheet presents the group's banking activities separately from other banking interests and Liberty. It differs to the balance sheet presented in the group's annual financial statements, which is presented on a consolidated basis.

Derivative and trading assets and liabilities
What it is: derivative assets and liabilities include transactions with clients for their trading requirements and hedges of those client positions with other market positions and hedges of certain group risks. Trading assets and liabilities are held by the group to realise gains from changes in underlying market variables.
Drivers: number of clients, product offerings, level of economic and client activity in debt, foreign exchange, commodities and equity capital markets, competition, and market volatility.

Loans and advances
What it is: includes our lending to banks and our clients.
Drivers: number of clients, product offerings, competition, level of economic and client activity, repayments and level of credit impairments.

Goodwill and other intangible assets
What it is: represents the excess of the purchase price over the fair value of business that we acquire, less impairments, where applicable, and the cost of internally developed IT assets less amortisation and impairments (where applicable).
Drivers: corporate activity, investment in IT and digital capabilities to better serve our clients.

AT1 capital issued
What it is: the group's Basel III compliant AT1 capital bonds that qualify as tier 1 capital. The capital notes are perpetual, non-cumulative with an issuer call option and contain certain regulatory prescribed write-off features.
Drivers: regulatory capital requirements, and growth in RWA.

Standard Bank Group – total equity
What it is: the total of the group's ordinary and preference share capital, AT1 capital, foreign currency translation reserve, minority interests and other reserves.
Drivers: income statement drivers (refer page 88), changes in foreign exchange rates, and regulatory capital requirements.

Deposits and debt funding and subordinated debt
What it is: provides the group with the funding to lend to clients, fulfilling the group's role in connecting providers of capital with those that require additional capital and thereby contributing to the functioning of the broader financial system.
Drivers: client demands, transactions and savings.

MAINTAINING OUR ROBUST BALANCE SHEET

Loans and advances

Gross loans and advances to customers grew 4% from 31 December 2019 to 31 December 2020. PBB grew 7% boosted by a recovery in demand in the latter half of 2020. CIB grew 1% year-on-year as strong growth in 1H20 subsided by year end as clients managed their debt levels down. Provisions held increased 42% year-on-year and 8% relative to 30 June 2020.

Within PBB South Africa, lockdowns severely constrained origination in the second quarter of 2020. By the beginning of 2H20, restrictions had been partially lifted and registration offices had re-opened. Disbursements recovered as the backlog was cleared and new applications were processed. Mortgage disbursements reached record levels; fuelled by low interest rates. Personal unsecured and business lending showed moderate growth. The latter includes R7.1 billion of drawn exposures relating to the South African Covid-19 loan guarantee scheme (loans contracted under the scheme totalled R7.4 billion). Affordability criteria have been tightened and new business growth continues to be closely monitored. Low business confidence continues to impact business lending demand.

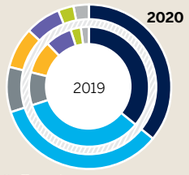
By 31 December 2020, Covid-19 client relief provided by PBB South Africa had reduced to R19 billion; representing 3% of the PBB South Africa portfolio. Mortgages and Card represented 69% and 23% of the remaining active client relief portfolio respectively. In keeping with the group's promise to deepen client relationships and support them through the crisis, payment holiday extensions were provided to select clients.

PBB Africa Regions gross loans and advances grew 8% to R84 billion, supported by continued focus on client ecosystem origination, digital client onboarding and digital disbursements. By 31 December 2020, the PBB Africa Regions Covid-19 client relief provided had reduced to R2 billion; representing 2% of the PBB Africa Regions portfolio.

PBB provisions held against loans and advances increased 38% year-on-year, with most of the increase in South Africa. In PBB Africa Regions, increases were driven principally by provisions raised in Ghana, Kenya, Namibia, Tanzania and Uganda.

Against a fiercely competitive backdrop, particularly in South Africa, CIB continued to win mandates and originate client loans in 2020. Cumulative Covid-19 relief provided to clients, in the form of increased liquidity facilities, loan restructurings, covenant relaxations and payment holidays, equated to R24.8 billion. Provisions increased 52% year-on-year following a deterioration of corporate risk grades and higher stage 3 loans. Stage 3 provisions increased as additional clients rolled into stage 3, particularly in the oil & gas and power & infrastructure sectors, and as the outlook for pre-existing stage 3 exposures deteriorated. The stage 3 ratio and stage 3 coverage ratio increased relative to 31 December 2019 and 30 June 2020.

COMPOSITION OF LOANS TO CUSTOMERS (%)



	2020	2019
Term loans	**36**	36
Mortgage loans	**34**	34
Vehicle and asset finance	**9**	9
Overdraft and other demand loans	**8**	9
Other term loans	**7**	7
Card debtors	**3**	3
Loans granted under resale agreements	**3**	2

Funding and liquidity

Longer term funding was increased by R52.8 billion through the issuance of negotiable certificate of deposits, senior debt and syndicated loans. The group continues to benefit from increased liquidity in the market, contributing to the strong liquidity ratios being reported. R7.0 billion tier II capital and R1.5 billion AT1 capital was issued during 2020, the proceeds of which were invested in SBSA on the same terms and conditions.

Deposits from customers grew 14% year-on-year to R1.5 trillion. Customers remained cautious and lockdowns restricted activity resulting in a build-up of deposits. Foreign currency balances also increased on the back of a weaker rand. PBB customer deposits grew 15%, with strong growth in savings and investment products as well as call deposits. Strong current and savings account inflows in PBB Africa Regions continued. Our offshore operations in the Isle of Man and Jersey continued to provide the group with access to hard currency funding. Deposits increased to GBP5.6 billion as at 31 December 2020 (GBP5.2 billion as at 31 December 2019). CIB customer deposits grew 14%, driven by call and cash management deposits.

COMPOSITION OF GROSS DEPOSITS FROM CUSTOMERS (%)

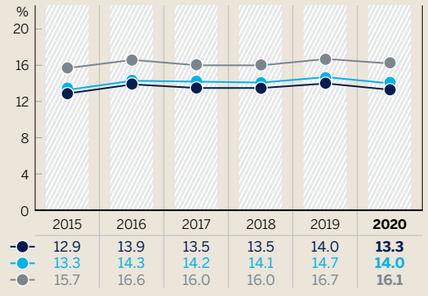
	2020	2019
Call deposits	**29**	27
Term deposits	**20**	22
Current accounts	**19**	18
Cash management and deposits	**18**	14
Negotiable certificates of deposit	**7**	11
Other deposits	**7**	8

Capital management

The deterioration in the environment fed into sovereign ratings and client risk grades and in turn, into higher RWA. Despite an 12% increase in RWA, the group maintained strong capital adequacy ratios. As at 31 December 2020, the IFRS 9 Financial Instruments (IFRS 9) phased-in CET 1 ratio was 13.3% (FY19: 14.0%) and total capital adequacy ratio was 16.1% (FY19: 16.7%). The CET 1 ratio, including the full IFRS 9 transitional impact, was 13.2%. From 1 January 2021, there will be no transitional impact.

Despite the volatile and constrained liquidity environment, the group maintained sufficient liquidity to meet risk appetite limits. Proactive engagement across treasury, risk and business ensured that our clients' liquidity needs were appropriately planned for and timeously met. The group's Basel III liquidity coverage and net stable funding ratios remained in excess of regulatory requirements of 80% and 100% respectively.

CAPITAL ADEQUACY
(including unappropriated profit)



	2015	2016	2017	2018	2019	2020
CET 1 capital adequacy ratio[1]	12.9	13.9	13.5	13.5	14.0	**13.3**
Tier 1 capital adequacy ratio[1]	13.3	14.3	14.2	14.1	14.7	**14.0**
Total capital adequacy ratio[1]	15.7	16.6	16.0	16.0	16.7	**16.1**

1 Capital adequacy ratios based on the SARB IFRS 9 phased-in approach.

INSIGHT ON CREDIT IMPAIRMENTS

The deteriorating economic and trading environment, coupled with accounting and regulatory requirements relating to forward-looking expectations and Covid-19 client relief provided, drove an increase in balance sheet provisions held against loans and advances of 42% year-on-year and 8% relative to 30 June 2020. We remain comfortable with the provisions raised and these continue to be reviewed and updated to ensure that we have sufficiently provided for expected credit losses, in accordance with IFRS 9.

The graph below shows the loans and advances for PBB and CIB, classified into the stages as required by IFRS 9. Loans classified as stage 3 increased from 3.9% of total gross loans and advances as at 31 December 2019 to 4.6% as at 30 June 2020 and 5.5% as at 31 December 2020. Stage 1 and stage 2 provisions increased 32% year-on-year but were flat relative to levels recorded as at 30 June 2020. Stage 3 provisions increased 47% year-on-year, and 13% relative to 30 June 2020. Stage 3 coverage (balance sheet impairments for non-performing specifically impaired loans as a percentage of specifically impaired loans) was 48%, 46% and 46% respectively.

An additional R500 million post-model judgemental credit adjustment on the total loans and advances to customers portfolio was raised at 30 June 2020 and remains unchanged at 31 December 2020.

Detail of credit impairment charges is included on page 88.

STAGE 1

12-month expected credit loss (ECL) is recognised for exposures for which there has been no default event and the credit risk has not significantly increased since initial recognition

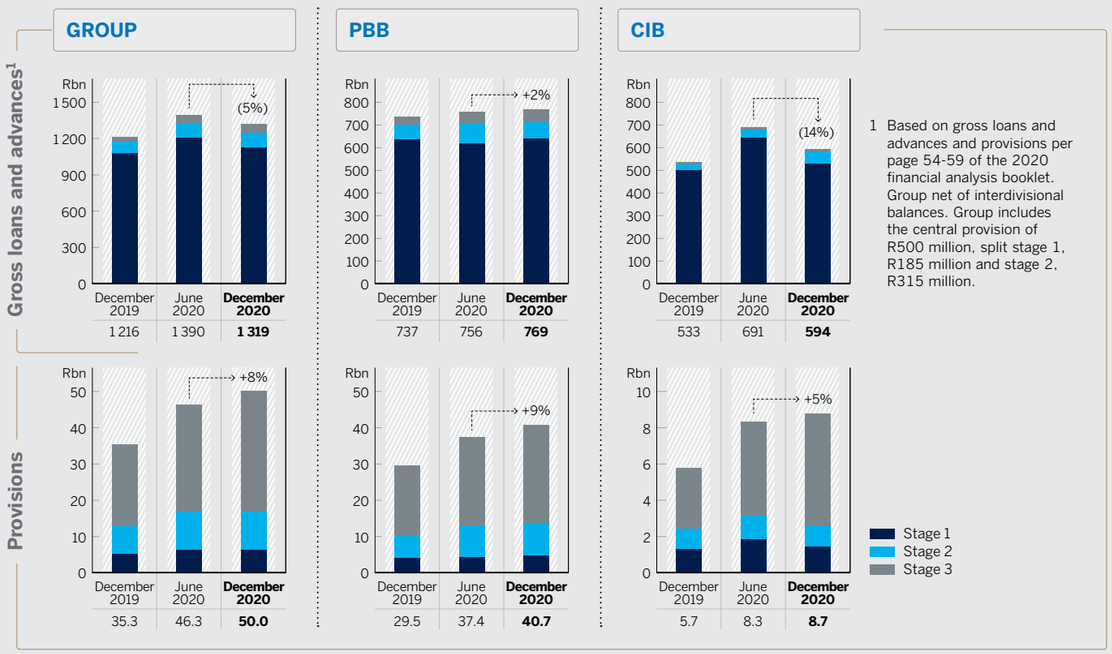
STAGE 2

A lifetime ECL is recognised for exposures for which there has been a significant increase in credit risk (SICR) since initial recognition

STAGE 3

A lifetime ECL is recognised for exposures that are either in default or where default is imminent

GROSS LOANS AND PROVISIONS



1 Based on gross loans and advances and provisions per page 54-59 of the 2020 financial analysis booklet. Group net of interdivisional balances. Group includes the central provision of R500 million, split stage 1, R185 million and stage 2, R315 million.

Covid-19 specific considerations

The incorporation of forward-looking information into credit impairments begins with the group Economics Research team determining the macroeconomic outlook for each country and formulating a group view of commodities over a planning horizon of at least three years. The macroeconomic outlooks outline a range of variables, including GDP, central bank policy interest rates, inflation, exchange rates and treasury bill rates for each of the three outlooks, being bear, base and bull cases and typically include consideration of the country's economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance.

Covid-19 had a profound impact globally and there remains much uncertainty as to the future economic path and recovery. The group has recognised a post-model judgemental credit adjustment to factor in the impact of this uncertainty surrounding the future macroeconomic environment, and the fact that the pandemic has impacted clients across all geographies and client segments. The post-model adjustment encompasses the risk that is inherent in the current macroeconomic environment. The credit adjustment is based on reasonable and supportable information available at the reporting date and is held within central and other.

AFS Refer to the group annual financial statements for details of these scenarios.

All exposures were assessed to determine whether they had deteriorated since initial recognition and therefore requiring a transfer into stage 2 (where SICR was triggered) or stage 3 (where default or imminent default was triggered).

PBB

- From a South Africa perspective, in accordance with SARB D3, where a restructure is considered due to Covid-19 related factors, the group determines whether the exposure is expected to remain in an up-to-date status subsequent to the relief period. These restructured exposures are classified as Covid-19 related restructures and the determination of temporary or permanent distress is assessed monthly. Temporary distressed accounts are classified as stage 1 or stage 2 based on their risk profile and permanently distressed accounts are classified as stage 3.
- Following risk profile assessments, exposures were transferred from stage 1, to stage 2 and stage 3 where deemed relevant in terms of IFRS 9 requirements, this was not necessarily specific to payment holidays or other relief measures.
- During the second half of 2020, stage 2 and stage 3 exposures decreased, this was as a result of positive collection trends and improved performance of payment holiday accounts.
- Credit impairment charges increased to R15.9 billion (2019: R6.4 billion), 2.5 times that of 2019. Lockdowns disrupted businesses and impacted client liquidity positions. The temporary payment relief granted provided some respite, but the delayed economic recovery was evidenced in customer repayment profiles and the requirement for client relief extensions. This, combined with the deterioration in macroeconomic assumptions, drove higher provisioning and credit impairment charges. CLR on loans to customers increased to 229 bps (2019: 96 bps).

CIB

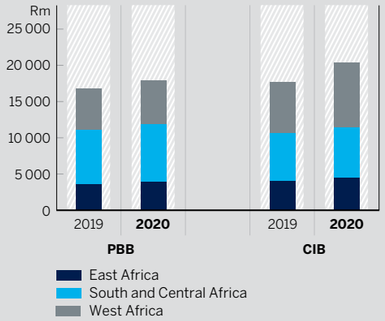
- Review of ratings were performed for each client to obtain an understanding of the impact of Covid-19. This process entailed credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Risk appetite was adjusted to reflect changes in clients' operating environment and to manage concentrations in certain sectors.
- Credit impairment charges were 2.6 times that of 2019, reflective of the economic conditions and market stress. CIB's CLR on loans to customers was 80 bps (2019: 40 bps). The difficult operating environment, together with disruptions in operations and trade, negatively impacted the hospitality, automotive and mining sectors.

Regional performance

Balance sheet (in CCY)

Overall, Africa Regions experienced strong deposit growth driven by ongoing growth of the client franchise and a flight to quality in a difficult environment. Growth in customer loans and advances was driven by increased term loans disbursements across the portfolio. There was also strong growth in financial investments and interbank placements as excess liquidity was invested in bonds and government securities; mainly in West and East Africa region. NIM compressed due to the declining interest rates in several markets.

CONTRIBUTION BY BUSINESS UNIT TO THE AFRICA REGIONS LEGAL ENTITIES TOTAL INCOME



West Africa (in CCY)

Loans and advances growth driven by the introduction of a minimum loan-to-deposit ratio in Nigeria and increased medium-term lending in Angola and Ghana. Revenue growth was underpinned by strong balance sheet growth, offsetting lower interest rates, and an increase in transactional and trading volumes in Ghana with fair value gains on treasury bills and increased interbank foreign exchange volumes in Nigeria. Angola's revenue growth was underpinned by strong trading revenue related to the kwanza devaluation and increased foreign exchange volumes, as well as NII growth following strong balance sheet growth, particularly financial investments. Credit impairment charges increased due to the non-recurrence of prior year recoveries in Nigeria, increased growth in exposures in Ghana and the impact of the downgrades in Angola. Operating expenses increased due to the introduction of depositor insurance in Ghana and the impact of AOA devaluation on US dollar-denominated costs in Angola as well as higher IT costs.

ANGOLA
Currency impact
The kwanza depreciated by 36.58% against the US dollar.

GDP result
GDP contracted by 0.9% (2019: +6.5%).

GHANA
Currency impact
The cedi weakened by 2.8% against the US dollar.

GDP result
GDP contracted by 4% (2019: -0.9%).

NIGERIA
Currency impact
The naira weakened by 8.8% against the US dollar.

GDP result
GDP contracted by 4.3% (2019: +2.2%).

South & Central Africa (in CCY)

Zimbabwe's earnings were impacted by hyperinflation following a significant depreciation of the Zimbabwean dollar (ZWL) as well as the introduction of a formal foreign exchange auction trading system for ZWL. Loan and deposit market shares in Botswana, Mozambique and Zimbabwe increased, however, revenue remained under pressure as interest rates declined, higher foreign currency reserving requirements were implemented, and forex trading was impacted by regulatory directives issued. Fee and commission revenue growth was supported by foreign denominated fees in Zimbabwe as well as client account growth and upward pricing adjustments in Zambia. Trading revenue increased in Malawi and Mozambique due to improved foreign exchange volumes and mark-to-market gains following the depreciation of the MZN as well as improved volumes and margins in Zambia following the ZMW volatility. Credit impairment charges declined following an improvement in internal risk grading on Mozambiquan government bonds and treasury bills as well as recoveries on accounts previously written off in Botswana and Malawi. This was partly offset by higher impairment charges in Zimbabwe and Zambia following the sovereign rating downgrade. Operating expenses increased, driven by higher IT and licence costs and cost of living adjustments and the impact of the ZWL devaluation on US dollar-denominated costs in Zimbabwe.

MOZAMBIQUE
Currency impact
The metical depreciated by 19.9% against the US dollar.

GDP result:
GDP contracted by 0.5% (2019: 2.3%).

South Africa

Headline earnings declined by 72% to R4.7 billion, relative to 2019, illustrating the impact of Covid-19. NII decreased due to lower average interest rates, partly offset by strong disbursement growth and higher deposit balances. NIR also decreased over the period following lower transactional volumes. Credit impairment charges were 3 times higher than the prior year, reflective of the distressed financial status of clients.

Currency impact
The rand depreciated by 14% against the US dollar in 2019.

GDP result
GDP contracted by 7% (2019: 0.2%).

References:
GDP data – IMF WEO projections October 2020 and January 2021 update.
– Stats SA, 2021

East Africa (in CCY)

NII decreased as balance sheet growth was offset by the impact of lower interest rates. Fee and commission revenue reflects lower transactional volumes due to Covid-19 lockdown restrictions, as well as reduced fees following regulatory imposed fee caps and waivers, while market volatility and increased client volumes resulted in robust trading revenue growth, particularly in Kenya and Uganda. Credit impairment charges increased as a result of a deterioration in client risk profiles and forward-looking assumptions. Operating expenses decreased mainly due to lower headcount in Kenya and lower provisions for incentives in alignment with operating performance.

UGANDA
Currency impact
The Ugandan shilling strengthened by 0.2% against the US dollar.

GDP result
GDP contracted by 0.3% (2019: +6.7%).

KENYA
Currency impact
The Kenyan shilling depreciated by 7.8% against the US dollar.

GDP result
GDP growth of 1% (2019: 5.4%).

RE-IMAGINE

In 2021, global GDP is expected to rebound, underpinned by a vaccine-fuelled improvement in confidence, demand and trade. A world awash with liquidity and stimulus should drive global risk-on sentiment and Emerging Market inflows.

The global recovery is, however, likely to be bumpy and very uneven across different regions. The IMF forecast for sub-Saharan Africa GDP growth is 3.2% (January 2021). South Africa and Nigeria are expected to grow at 4.6% and 0.9% respectively (SBG Research, February 2021). While initiatives to source vaccines for Africa are gaining momentum, many African countries lack the resources and capabilities to roll them out efficiently and effectively. This is likely to delay an African recovery until 2H21 and into 2022. Further waves of infection and renewed restrictions are likely and risk delaying the recovery further.

South Africa's recovery is expected to be multi-year and, like elsewhere, will be closely linked to the effectiveness of its vaccine rollout programme. Inflation is expected to remain within the SARB's target range and interest rates at current low levels for the duration of 2021. The latter should support credit growth. Governance and structural reform are expected to continue, albeit at a slow pace. Job creation and inclusive growth are key to driving a more favourable long-term outlook. The extension of the Covid-relief grants introduced in 2020 and the government employment program should provide some support to low income households and in turn, household expenditure. A recovery in household spending is expected to gain momentum in late 2021, followed by capital investment in 2022. Fiscal consolidation and energy supply constraints remain key risks.

The recovery will bring opportunities to extend the group's balance sheet, facilitate business and consumer activity and continue to build the franchise. While margins are expected to be lower (stabilising at or around 2H20 levels, balance sheet growth should provide an offset and support NII growth. Higher activity levels should support NIR growth, however this remains at risk from further lockdown disruptions. 2020 trading revenue is a high base. Prolonged downturns will place additional pressure on weaker countries, sectors and clients, particularly leveraged corporates and certain South African state-owned entities. Credit impairment charges are expected to decline from 2020 levels, however, CLR is expected to remain above the group's historic through-the-cycle range of 70 to 100 bps. To deliver on increasingly digital demands, IT spend is expected to continue to grow above inflation. Total cost management will remain a focus with below-inflation cost growth a target. As and when the recovery gains momentum, group ROE should improve. Recovery of the group's key metrics, namely headline earnings and ROE, to 2019 levels will take some time and the path is unlikely to be linear. We remain committed to growing shareholder returns by allocating capital to revenue-enhancing and ROE-accretive growth opportunities, particularly in Africa Regions. While future dividends remain subject to earnings and capital levels, the group's dividend payout ratio is expected to increase over the medium term towards the lower end of historic levels (45% – 55%).

As a large financial services group operating on the African continent, we recognise the need for inclusive and sustainable growth and environmental sustainability. We will continue to balance these needs in the context of Africa's just transition. In addition, we will continue to improve the transparency and reporting of the group's positions on key matters in line with global best practice.

From 1 January 2021, the group changed from a business line structure to a client-led capability model with three core client segments (namely Consumer & High Net Worth, Business & Commercial and Wholesale clients), supported by dedicated group capabilities and corporate functions (refer to page 45 for further detail on our new capability model). This will better enable and support the group's ambition to be truly digital and truly human. In addition, in a fast-changing world, we recognise the need to adapt to evolving risks, optimise resource allocation and drive returns (for detail on our revised resource allocation model refer to page 40). In doing so, we will leverage our core strengths in financial services, while seeking new ways to expand our offering and diversify our revenue streams further.

SEE impact

Our work to find and implement innovative ways and solutions to address economic, social and environmental challenges in our markets, and to help our clients and employees achieve growth, prosperity and fulfilment, enables us to contribute to Africa's advancement and earn the trust of our stakeholders.

MEASURING OUR STRATEGIC PROGRESS

What success looks like

We drive Africa's growth and create shared value, delivering positive outcomes across all our SEE impact areas.

How we manage our SEE impact

Our focus is to leverage our business activities to drive Africa's growth, and at the same time make a positive impact on society, the economy and the environment. Our selected impact areas align to our core business and are informed by the needs of Africa's people, businesses and economies, as well as the UN SDGs, the African Union's Agenda 2063 and South Africa's National Development Plan and its Nationally Determined Contribution to the Paris Agreement.

Financial inclusion

SDGs

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Our impact

We enable more people and businesses to access financial products and services, enabling them to manage day-to-day transactions conveniently and cost-effectively, save and plan for the future, deal with unexpected emergencies and, for entrepreneurs, to achieve business growth. These benefits, in turn, support economic development and reduce inequality.

Detailed disclosure

Read a summary on page 102.
RTS Read more online.

Job creation and enterprise growth

SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our impact

We work with our clients to understand their challenges, priorities and aspirations so that we can provide them with appropriate financial solutions that support their growth and expansion and digital solutions that meet their unique needs. This includes targeted support for SMEs.

Detailed disclosure

Read a summary on page 104.
RTS Read more online.

Infrastructure

SDGs

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our impact

We finance large-scale infrastructure projects, enabling inclusive and sustainable industrialisation and addressing Africa's infrastructure gaps. We partner with our clients to ensure environmental and social risks are appropriately managed and minimised.

Detailed disclosure

Read a summary on page 103.
RTS Read more online.
ESG Read more online.

Africa trade and investment

SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Our impact

We facilitate trade and investment flows between African countries, and with key global markets, including China, through the provision of innovative trade finance and cross-border financial solutions.

Detailed disclosure

Read a summary on page 105.
RTS Read more online.

Climate change and sustainable finance

SDGs

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

Our impact

We work with our clients and Africa's governments to develop appropriate solutions that help them to mitigate and adapt to the effects of climate change. We develop innovative financial solutions that support the green economy, reduce carbon emissions, increase resilience to climate change impacts and enhance socioeconomic development.

Detailed disclosure

Read a summary on page 106.
RTS Read more online.
ESG Read more online.

Education

SDGs

4 QUALITY EDUCATION

5 GENDER EQUALITY

Our impact

We support access to inclusive quality education, promote lifelong learning and invest in initiatives that help Africa gain the skills needed to compete in the global economy and harness the opportunities of the Fourth Industrial Revolution.

Detailed disclosure

Read a summary on page 108.
RTS Read more online.

Health

SDGs

3 GOOD HEALTH AND WELL-BEING

Our impact

We contribute to better health outcomes for Africa's people by financing healthcare providers, infrastructure and equipment, providing business development support to healthcare practitioners, and investing in the health, safety and wellbeing of our people and communities.

Detailed disclosure

Read a summary on page 109.
RTS Read more online.

How we measure our SEE impact

We track and measure progress through our inclusion in global ESG indices.

	RobecoSAM Corporate Sustainability Assessment score	JSE/ FTSE4Good Sustainability Index	MSCI ESG rating	CDP climate score	Sustainalytics ESG risk rating	Corporate Knights Global 100 most sustainable corporations (first in Africa)
2020	**60%**	**included**	**AA**	**C**	**25.5 med risk (226 out of 975 banks)**	**53rd**
2019	51%	included	AA	B-	29.9 med risk (339 out of 943 banks)	51st
2018	46%	included	AA	B-	32 med risk (226 out of 975 banks)	n/a

During 2020, we further integrated our SEE strategy into the individual performance agreements of all employees, from executives to front-line employees, across the group. Performance against our five value drivers, including SEE, is a consideration in remuneration committee discussions.

Accountability for SEE

The group social and ethics committee provides mandated oversight in governing our SEE value driver and contributes to creating and preserving value for our stakeholders.

Group social and ethics committee: guides and monitors the group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, codes and regulation, ensuring sustainable value creation over the long term.

Read more about the purpose and activities of the board **subcommittees here**.

TRADE-OFFS

- Proactively introducing relief measures to support our clients during Covid-19, assisting individual financial wellbeing, the sustainability of businesses and the preservation of jobs, while ensuring the soundness of our financial capabilities.
- Implementing new solutions that improve access to finance for small businesses and entrepreneurs to enhance their growth and potential to create jobs, while managing the default risk which is generally higher for this client segment.
- Balancing the challenges posed by climate change, and the need to facilitate access to affordable energy to support economic growth and poverty alleviation.
- Finding ways to restructure debt for sectors impacted by climate change in a way that maintains the integrity of our loan book and the viability of our clients' businesses.
- Ensuring our decisions uphold human rights, adhere to applicable laws and regulations and consider the most optimal strategies to mitigate environmental impacts, may not result in short-term profits but align with our purpose to achieve overall growth for all our stakeholders in the longer term.

Progress made in 2020

Financial inclusion

A key focus for the group is to implement accessible and affordable digital financial solutions for our clients, for under-banked and unbanked individuals – enabling them to transact efficiently, safely and conveniently without a bank account – and for entrepreneurs and small businesses to support their business formalisation and growth.

KEY 2020 HIGHLIGHTS

3 million
active clients using our digital financial solutions in South Africa.

45 million
individuals and entrepreneurs/SMEs reached through WalletWise consumer education programme.

95 379
(2019: 99 500) **affordable housing clients in South Africa with 5 730** (2019: 5 667) **new affordable home loans worth R3 billion** (2019: R2.6 billion) **registered.**

1 000
(2019: 1 037) **clients participated in online home ownership training.**

22 747
credit life claims paid in South Africa, enabling our clients to protect their assets and ease their debt burden when facing unexpected events.

34 035
funeral claims paid in South Africa, valued at R550 million (a year-on-year increase of 20% in the amount of funeral claims paid).

Expanded or new digital services: we extended the number of Instant Money cash-out points at major retailers in South Africa from 6 500 to over 15 000 and rolled out the Standard Bank virtual card (pre-loaded with funds from any Standard Bank account) in several African countries, making it easier and safer for clients to shop online. We launched the Unayo global wallet, allowing subscribers to connect, trade and transact. For SMEs, we partnered with Mastercard and Google in South Africa to help them move online and accept digital payments with free access to our SimplyBlu e-commerce solution. We also rolled out the Trader Platform Solution, providing stock advance loans for informal sector retail traders, to several additional African countries.

Supporting clients during Covid-19 through several initiatives: assisted 23% (21 187) of our affordable housing clients in South Africa with payment holidays. Despite these measures, 8.3% (7 560) went into default and we are working with them to help them keep their homes. The group paid out R1.1 billion, excluding Liberty, in claims in the first half of 2020 and provided over R50 million in fee waivers and moratoriums. In South Africa, we engaged with clients struggling to make their loan repayments and assisted 497 clients with loan and payment restructures worth R2.9 billion. Other relief measures in South Africa included rebates on car insurance premiums totalling R32 million, 10% excess waiver for home loans of R1 million or less and for vehicles with a sum insured of R150 000 or less, additional leeway on missed funeral cover payments to ensure clients retained their cover, waived credit life premiums on all student loans for three months (delivering a total client saving of R1.4 million), and expanded the retrenchment cover of some credit insurance policies to include loss of income. Similar relief measures were implemented for clients in Africa Regions and we reduced fees on electronic and digital channels. With more businesses moving online during the pandemic, we launched a cyber insurance product in South Africa.

Inclusive insurance and investment: launched Flexible Funeral in South Africa, allowing clients to select their funeral cover and benefits based on affordability. By the end of 2020, 260 000 policies have been sold. We are participating in the AWIF initiative, launched in 2020, in collaboration with the UN Economic Commission for Africa and its partners, to raise USD1 billion over ten years for women-owned and managed asset management firms.

Consumer education: all participating SMEs in the WalletWise programme received tablets and data to enable their online training. Nearly 10 000 individuals participated in the 110 Financial Fitness Academies held, receiving financial management advice. In Botswana, four financial literacy programmes were hosted, targeting the youth and journalists.

Infrastructure

We structure and provide appropriate financial solutions to fund infrastructure projects and provide lending facilities to entities operating within key infrastructure subsectors, in turn, indirectly contributing to the economic growth, job creation, human development and improved living standards that infrastructure supports. Covid-19 required governments to divert public funds to fight the pandemic, creating severe budgetary constraints and impacting our deal closure on a number of large-scale development projects.

KEY 2020 HIGHLIGHTS

USD38 million
raised in Airtel Malawi's initial public offering (IPO) facilitated by Standard Bank. To date, this is the largest IPO on the Malawi Stock Exchange since its inception in 1994.

Telecommunication: acted as the lead transaction advisor, sole bookrunner, transfer secretary and receiving bank for Airtel Malawi's landmark IPO. The proceeds will be used to invest in infrastructure, communication networks and product initiatives, supporting Malawi's transition to digitisation and enhancing its international competitiveness.

Transport: provided asset finance and working capital solutions to enable the purchase of equipment to upgrade the roads in rural areas of Malawi, improving local access to agriculture markets. We also provided financial services to a Chinese power and infrastructure company undertaking major road projects in Kenya.

Job creation and enterprise growth

The hard lockdowns to curb the spread of Covid-19 meant that many of our business clients were unable to operate or their supply chains were disrupted, followed by the slowing down of economic activity, impacting productivity. Our relief measures include payment holidays, waiver of electronic processing transaction fees, term extensions, loan restructures and reduced banking fees. Clients also had access to online support, advice and tools to help them respond to these impacts.

KEY 2020 HIGHLIGHTS

R129 billion
the value of relief measures provided to personal and SME clients.

R24.8 billion
worth of loan restructures assisted our corporate clients with Covid-19 related risk exposures.

69 SMEs received coaching and mentoring and 550 young people participated in virtual bootcamps in South Africa.

19 startups in sub-Saharan Africa supported by our collaboration with Founders Factory Africa, which aims to nurture startup businesses and attract foreign capital to local ideas.

Over R27 million
allocated to SMEs in funding agreements with various government entities and 111 SMEs benefitted from credit rehabilitation, creating 880 jobs (South Africa).

USD3 million
committed over two years to support 50 000 women farmers in Malawi, Nigeria, South Africa and Uganda, in partnership with the UN Women Climate Smart Agriculture Flagship Programme.

Supporting industry initiatives during Covid-19: in South Africa we contracted SME loans worth R7.4 billion under the SME Guarantee Loan Scheme and facilitated the payments of SASSA grants and the government's special grant through Instant Money. The R250 million assigned to SBSA by the South African Future Trust was allocated within six weeks to employees of qualifying SMEs, who were at risk of losing their jobs or income. We partnered with the Small Enterprise Finance Agency to help spaza shops in South Africa purchase stock through government funding at discounted prices, to address food shortages in townships and rural communities. In Ghana, we partnered with Investing for Employment to facilitate grants worth USD7 million for SMEs in need of assistance, benefitting 40 SMEs across sectors.

Covid-19 relief loan: SBSA signed a USD185 million three-year loan agreement with the IFC. The proceeds are being used to provide relief and ongoing support for eligible SMEs and corporates in South Africa impacted by Covid-19, including the healthcare industry.

Enterprise development: continued to operate our incubators in Botswana, Mozambique, Zambia and Zimbabwe, as well as our enterprise development programmes and youth bootcamps in Lesotho, Nigeria and South Africa, providing SMEs and entrepreneurs with capacity building, business development support, mentoring and coaching, training and access to market opportunities and finance, among other benefits. We launched a Targeted Enterprise Development Fund in South Africa disbursing loans totalling R5.8 million (at 0% interest and 0% initiation fee) to support SME job preservation.

Supporting business growth: collaborated with Glencore Operations South Africa to enable small businesses in their value chain to access funding at a favourable rate. One beneficiary is a 100% black women-owned mining services company which used the loan to purchase equipment and vehicles valued at over R50 million. In Kenya, we provided the farmer-owned Meru Central Dairy Cooperatives Union with various financial solutions, enabling it to increase its production capacity and the number of farmers in its supply chain. With our support, the cooperative also educates farmers on productivity and modern dairy farming techniques. In Uganda, we developed a range of financial solutions for Crown Beverages Limited, enabling it to open a new plant and develop its supplier and distributor value chain to support its business growth and job creation.

Partnering with small-scale farmers: enhanced the OneFarm Agri platform in Uganda, which connects smallholders to an ecosystem of startups and enterprise services, refining the model and data-intelligent selection criteria and expanding the client base from 200 to 500. In Mozambique, we are working to address fragmented value chains, provide access to finance and support farmers with new technology, in eSwatini we partnered with the Women Farmer Foundation to fund production tunnels (benefitting 1 000 women) and in Nigeria we have disbursed R2.2 billion to agri-businesses for the Central Bank of Nigeria Intervention Fund programme.

Africa trade and investment

Our presence in major international markets, our ability to access international pools of capital, our strong client relationships with global multinationals and our strategic partnership with the ICBC, positions us to assist African governments and businesses access global value chains and investment. Our commitment to providing seamless end-to-end and digital trade services for African importers proved highly beneficial for many of our clients who had to manage challenging logistics arising out of the Covid lockdown regulations.

KEY 2020 HIGHLIGHTS

Implemented digital matchmaking to connect our clients to trade opportunities, and supported African importers to source and validate quality goods, including PPE, from pre-screened Chinese suppliers through ACIS.

960 000
quality masks (worth USD1.4 million) sourced from China to protect our frontline employees using ACIS and imported and distributed to Standard Bank branches across 11 countries of operation using our Trade Suite solution.

Facilitating intra and inter-African trade: continued to leverage our trade solutions, including the Trade by Standard Bank platform (connects clients to vetted buyers and suppliers in over 60 countries), ACIS (enables African importers to source and validate quality goods, safely and efficiently, from pre-screened Chinese suppliers) and Trade Suite (a single point of contact for South African importers, meeting their import requirements from order to delivery).

Digitising trade services: we are working with the AfCFTA Secretariat and other banks to support the digitisation of trade, and testing digital trade services with regulators in Ghana, South Africa and Uganda, including the use of AI, blockchain, cloud computing and data analytics. These solutions improve turnaround times and reduce paper consumption and the risk of errors.

Facilitating investment in Africa: we facilitated the following investments in 2020:

- Assisted the African Export-Import Bank to gain access to international markets, solving its immediate liquidity requirements with a R2 billion bilateral amortising term facility to provide funding to corporates in Southern Africa.
- Acted as sole advisor to Africa Oil, helping it acquire a 50% equity stake in Petrobras Oil and Gas BV. The USD1.5 billion deal supports Nigeria's oil and gas sector, a major contributor to the country's economy, and will contribute to job creation and infrastructure development.
- Acted as joint lead managers for the Republic of Ghana's USD3 billion Eurobond placement, the longest bond issued by a sub-Saharan issuer at the time of the issuance, with tenors of six, 14 and 40 years. The bond will be used to facilitate energy infrastructure projects and manage the budget deficit for 2020.

Climate change and sustainable finance

Developing sustainable finance solutions, including green and social bonds, impact investing and ESG-linked products and services, to drive sustainable and inclusive economic development in Africa is a key priority for the group, and received substantial attention from the board and executive management during the year. We are progressively managing and shaping our portfolio in a manner that is consistent with achieving a low-carbon and climate-resilient economy needed to limit global warming to below 2 degrees, by supporting a just transition away from non-renewable energy sources.

KEY 2020 HIGHLIGHTS

USD200 million

green bond issued, Africa's largest green bond and South Africa's first offshore green bond. The capital raised will be used to finance eligible renewable energy, energy and water efficiency and green building projects.

USD2.8 billion

allocated to funding the construction of new power projects in Africa since 2012, with 86% being renewable energy projects.

More than 189

small-scale commercial solar projects funded in South Africa since 2018, amounting to over 32 megawatt peak installed capacity.

Sustainable bond framework: published our sustainable bond framework under which the net proceeds of the green, social or sustainable bonds issued will be used to fund projects aligned to our SEE impact areas.

Strengthening governance: adopted a fossil fuel finance policy, which sets parameters lending in this area, and complements the coal-fired power finance policy and thermal coal mining finance policy adopted in 2019, all **available online**.

Sustainability-linked loans: issued sustainability-linked loans, structured to incentivise borrowers to improve their sustainability or transformation profiles. These included a R2 billion sustainability-linked loan for the Vodacom Group, the first real estate sustainability-linked loan (R1.6 billion) in South Africa for Equites Property Fund, the first B-BBEE performance incentive linked loan (globally) for Isanti Glass and a sustainability-linked facility for Maersk in the shipping sector (USD130 million).

Covid-19 loan: SBSA signed a USD185 million three-year loan agreement with the International Finance Corporation. The proceeds are being used to provide relief and ongoing support for eligible SMEs and corporates in South Africa impacted by Covid-19, including the healthcare industry.

Sustainable investing: Standard Bank Isle of Man Limited and Standard Bank Jersey Limited launched the ESG Deposit Issue 1, where return on the US dollar deposit is linked to the market performance of the S&P 500 ESG Index over a 5.5 year term.

Energy: developed the PowerPulse platform, which connects business and industrial-scale energy users to solar photovoltaic engineering, procurement and construction partners. The platform launched in South Africa in 2021 and expanded to additional African countries thereafter.

Direct environmental impact: Standard Bank Group supports the expansion of affordable renewable energy solutions across Africa. Since 2012, we have financed the construction of new power projects to the value of USD2.77 billion in Africa. 86% of this funding (USD2.38 billion) was for renewable energy. We have not financed any new coal-fired power stations since 2009. We did not finance any large-scale energy projects (green or brown) during 2020.

ACCOLADES

The group is the African market leader in sustainable finance.

Global Finance: Best Investment Bank Award 2019

Best Global Investment Bank for sustainable finance March 2020

Bonds, Loans & Sukuk AFRICA

Local Currency Bond Deal of the Year
December 2019

NGN8.5 billion Green Bond (North South Power)

Bonds, Loans & Sukuk AFRICA

Project Finance Deal of the Year
December 2019

KES4.3 billion Green Bond (Acorn)

KEY 2020 HIGHLIGHTS

Education

Covid-19 highlighted the depth of the digital divide in Africa, impacting school and tertiary education learners, as well as workforces. We support initiatives that develop our people and prepare individuals for a rapidly evolving world, including access to funding for university students and early childhood development and future-fit skills development programmes.

R80 million
(South Africa) and USD1.1 million (Africa Regions) invested in education programmes (2019 total: R92 million).

Over R47 million
raised through the Feenix crowd sourcing platform over the past three years, supporting around 1 300 university students in South Africa.

Over 500
employees in South Africa registered for virtual volunteering, including mentoring and tutoring school children, proofreading training materials, reading to children and providing financial education.

Employee development: see page 73 of the employee engagement section.

Student financing: since 2016, we have been managing the Medical Student Loan Guarantee Fund on behalf of The Discovery Foundation. The Fund provides surety for students who would otherwise not be able to access finance. We have disbursed R47.4 million to 302 medical students at the universities of Pretoria and Witwatersrand. A similar initiative in partnership with the University of Stellenbosch has assisted 116 medical students with loans totalling R16.5 million. Student loans were also provided to learners for the purchase of laptops, tablets and software during the pandemic.

Digital literacy: partnered with Microsoft and Pioneering Solutions Studio to deliver a learning programme on basic computer skills, cybersecurity and MS office, reaching 11 600 South Africans with 47% having completed the course by November 2020.

Corporate social investment (CSI): helped our CSI partners, adapt their programmes to online and radio services and extend their services to include the provision of sanitation, PPE and food. In partnership with Microsoft Philanthropies, we provided 17 non-governmental organisations in South Africa with free Microsoft software and trained their employees on how to use the software and teach using online platforms. Our other initiatives assisted learners and tertiary students impacted by school and university closures, supported parents who were home-schooling, provided development training to teachers and delivered youth development programmes for young leaders. We also supported the National Education Collaboration Trust's 21st Century Sandbox Schools initiative with the aim of creating a future-fit public education system for South Africa.

[1] Over and above SBSA's annual CSI budget, calculated at 0.6% of NPAT.

KEY 2020 HIGHLIGHTS

Health

The focus of our health interventions in 2020 naturally centred around managing the Covid-19 pandemic – introducing interventions to protect our employees and clients during this unprecedented time, providing financial solutions for healthcare providers and manufacturers of medical equipment and sanitisers, and responding to the needs of communities.

Around 50% of employees
participated in a groupwide survey to understand how they were coping with the new working environment. Of those working from home, 95% felt they had adapted well. Working longer hours and balancing work and home demands were key challenges.

R27 million
(South Africa) and USD2.7 million (Africa Regions) spent on health interventions, with specific focus on providing vulnerable communities and the healthcare sector with assistance during Covid-19.

Stakeholder health, safety and wellbeing: quickly implemented stringent protocols to protect our employees, their loved ones and our clients. Over 75% of the group's employees were seamlessly switched to home-based working within days and interventions put in place for employees at increased risk of severe illness from Covid-19. Onsite employees were split across multiple locations to ensure social distancing, increased hygiene protocols were introduced in all sites, daily symptom checks were implemented for all onsite employees and PPE was provided in our branches and offices. Increased employee communication, information platforms and wellbeing programmes provided access to credible and reliable information and helped our employees to manage stress, anxiety and the new ways of working. 83% of our employees accessed Covid-19 information using our Covid-19 Connect App or Intranet Information Hub.

Financial solutions: foreign currency allocations were provided to Tongaat Hulett Zimbabwe, enabling it to continue producing ethanol – the key ingredient in alcohol-based sanitisers – and to CAPS Pharmaceuticals, enabling it to purchase the raw materials required to produce medicines despite the difficult conditions created by Covid-19.

Covid-19: healthcare CSI spend was used to provide PPE, medical equipment and medical supplies, improve Covid-19 testing and screening capacity, create awareness of the disease, enhance hospital infrastructure and deliver food, humanitarian relief, water and sanitisers to vulnerable communities. In partnership with ICBC, PPE worth USD1.4 million was sourced from China. In South Africa, our CSI funds are focused toward education. Given the urgent health and humanitarian needs created by the Covid-19 pandemic, we established a Covid-19 response programme and allocated an additional R27 million in charitable donations to relevant NGOs and government initiatives, over and above our annual CSI budget of 0.6% of net profit after tax, calculated as part of our socioeconomic development spend.

Addressing food shortages: in response to the urgent need for food relief arising from the pandemic, we introduced OneFarm Share, a digital mechanism that collates food requests from registered charity organisations and matches these to perishable produce from farmers and food producers unable to sell to their traditional markets due to unpredictable demand. The food is made available to beneficiary organisations at a reduced cost or as a donation. In its first three weeks, the initiative distributed over 40 tonnes of produce across KwaZulu-Natal. The initiative will be expanded to other provinces in 2021. The value chain is verified, accredited and audited, with complete transparency on how donations are distributed.

BEING ACCOUNTABLE

Describes our approach to good governance outcomes, and how we reward our leaders, to continue to create and protect sustainable shared value.

Governing value creation

Our governance structures are well-defined and embedded to support the group's ability to create and protect value in the short, medium and long term.

Our approach to corporate governance promotes integrated thinking and decision-making that balances strategic outcomes over time, to reconcile the interests of the group, stakeholders and society in creating and protecting sustainable shared value.

The resilience of our governance structures was evident in 2020, where they ensured the board's swift response to Covid-19.

As an integral part of the societies in which we operate and on which we depend for our licence to operate, we recognise our duties as a responsible corporate citizen to act in a manner that benefits these societies, especially during these times. Our corporate governance approach, therefore, rests on the following clear commitments:

- **Promoting transparency, accountability and empathy** in managing our stakeholder relationships and ensuring that our clients are treated fairly and consistently.
- **Delivering a positive impact** on society, the economy and the environment through our business activities.
- **Adhering to** the highest applicable **regulatory and governance standards.**
- **Instilling an ethical and risk-aware culture** that recognises that the trust our stakeholders have in us is the foundation of our legitimacy and the basis on which we are able to compete, collaborate and change.

Our governance philosophy and framework

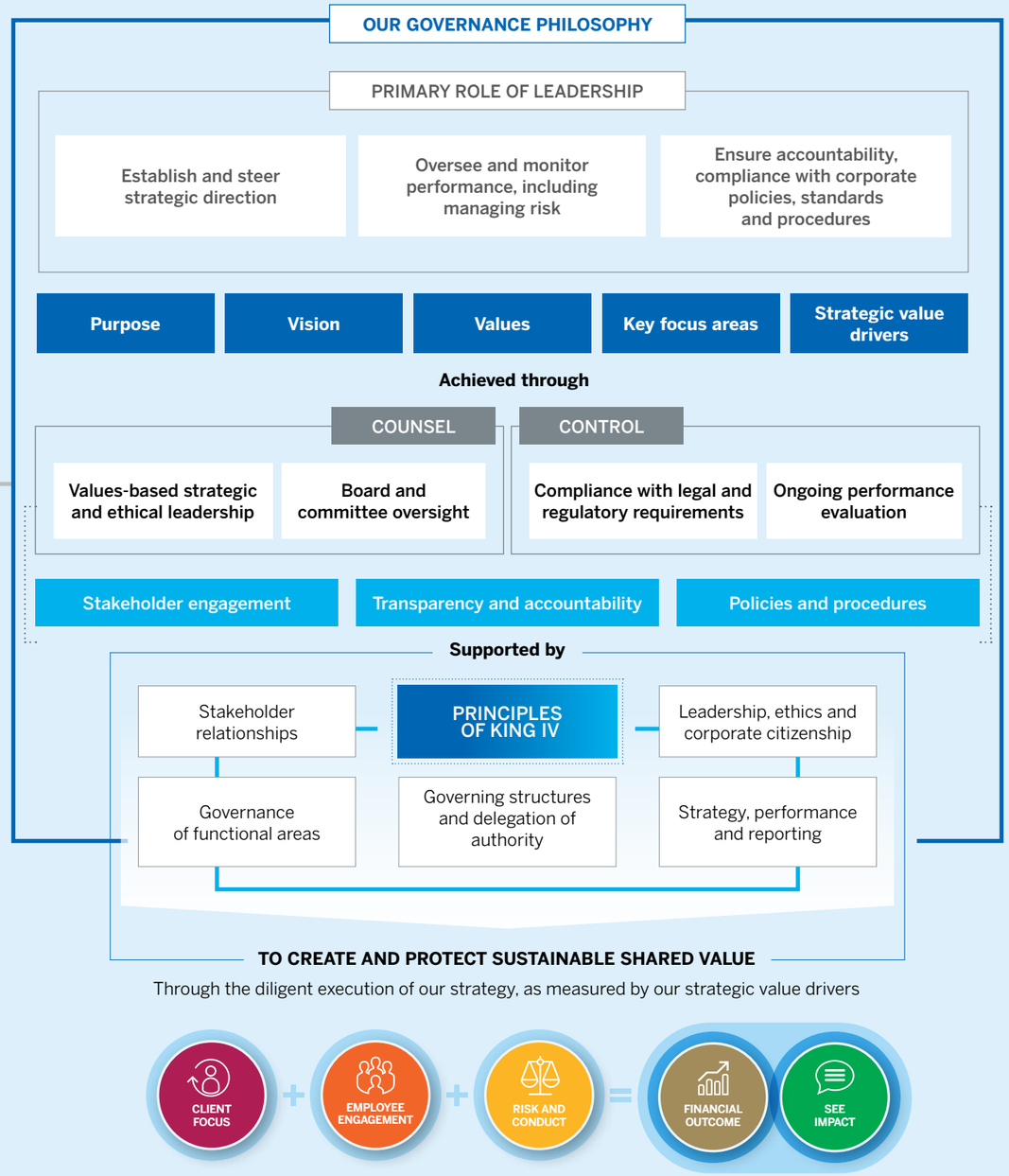
Our ability to anticipate and respond effectively to change underpins our governance philosophy and supports the acceleration of our strategy, including how the board provides counsel and oversight. Our philosophy supports the digital enablement of governance, allowing the group to adequately introduce new operating models, understand the opportunities and risks associated with accelerating the strategy and managing constraints to effectively allocate our resources in an ever-changing world to deliver and protect sustainable shared value.

King IV forms the cornerstone of our governance approach. Our application of its principles is embedded throughout our governance framework and this allows us to achieve good governance outcomes of ethical culture, good performance, effective control and legitimacy.

GOV/REM Details on how the group applied the 16 principles of the King Code are in the full governance report available online.

Our board-approved governance framework is embedded in all the group's operations and is designed to provide clear direction for responsive decision-making and support responsible behaviour. We implement our framework principles to:

- Ensure that we pursue strategic opportunities within the board-approved risk appetite, supporting a prudent balance of risk and return.
- Provide effective control to avoid financial loss or reputational damage due to misconduct or unethical behaviour.
- Embed the principle of doing the right business, the right way to ensure ethical business practices are embedded within and across our markets.
- Support our legitimacy as a responsible corporate citizen that enhances the resources and relationships we rely on today for the future benefit of the group, our stakeholders and society.



ACHIEVING GOVERNANCE OUTCOMES THAT DRIVE SUSTAINABLE SHARED VALUE

The challenges presented by Covid-19 underscored the importance of corporate governance and how the board executes its duties. The embedded practices ensured that the board maintained its commitment to achieving high standards of corporate governance, through transparency, good performance, effective controls, integrity and a sound ethical culture across the group's operations.

STAKEHOLDER RELATIONSHIPS

Stakeholder engagement is governed by the group's stakeholder engagement principles and is overseen by the group social and ethics committee. These principles provide a guideline for the group's operations across geographical areas and recognises the need to accommodate local contexts.

ESG Read more about how we engage with our stakeholders in our material issues section and in our ESG report.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Our board is responsible for the ethical and effective leadership of the group. The chairman and the board set the ethical tone for the group. Our purpose, values and ethics are the basis on which we institutionalise an ethical culture across the group and in the delivery of our strategy. Our code of ethics provides our people with practical guidance on how to behave, outlines acceptable conduct and empowers them to make faster, more confident decisions within clearly defined parameters. The board and committee effectiveness assessments and executive management performance evaluations measure conduct against the group's values and code of ethics.

Our overarching governance framework supports the institutionalisation of an ethical culture which in its focus on the governance of our conduct as individuals, in our markets and in society, provides the cornerstones for the group's legitimacy. This enables the board to oversee and monitor how the consequences of the group's activities affect its status as a responsible corporate citizen that understands the expectations of our stakeholders and acts to balance their interests, thereby ensuring positive outcomes in each of our strategic value drivers.

Our ethics framework

Our ability to achieve our purpose depends on our legitimacy and reputation as a trusted partner to our clients, is underpinned by the ethics and values which shape our organisational culture and the conduct of our people. Our approach to ethics is based on three pillars, namely personal conduct, market conduct and societal conduct. The board and executive leadership are responsible for ensuring an appropriate focus on ethics, conduct and positive client outcomes. We continue to review our approach to ethics to ensure that it remains relevant and evolves as we transform the group.

Read more about our ethics framework in the **risk and conduct section.**

STRATEGY, PERFORMANCE AND REPORTING

In approving the group's strategy, the board considers the group's purpose, vision, values and legitimacy, external environment, the group's operating model, infrastructure and resources, and its performance against the metrics associated with our value drivers, to ensure the long-term success and sustainability of the group.

Setting the agenda and board meetings

Up to the implementation of lockdown restrictions, board and committee meetings were held in-person on the group's premises. For the rest of the year, all board and committee meetings were held virtually to ensure the safety of board members and employees. The board met more frequently in 2020 to discuss the impact of Covid-19 on the group, as well as the group's response.

1. A forward planner with standing agenda items is prepared.
2. The chairman considers emerging issues affecting the group.
3. Care is taken to ensure the board has the appropriate time to consider matters critical to the group, including compliance, administrative and governance matters.
4. After each board meeting, a closed session is held for non-executive directors that provides them with an opportunity to test thoughts and raise matters considered inappropriate for discussion in the presence of the executive directors. The chairman provides feedback to the group chief executive officer.

Offering effective counsel

During the year, the board held 11 meetings. Key matters discussed by the board in addition to standard board agenda items included:

- Considered the group's response to the Covid-19 crisis, noting regular feedback from executives and the crisis management team, including items on page 116.
- Considered and supported the group's updated organisational structure, its new capability model, as well as the group chief executive officer's constitution of the GLC and its intended focus on clients.
- Attended the two-day annual board strategy summit which outlined the group's short- to long-term plans, the revised approach to strategic resource planning, the group's position in a competitive landscape and achieving its strategic priorities while keeping the client at the centre of operations.
- Considered and approved the board and board committees' compositions to ensure that they are appropriate and in line with the group's strategy and future plans.
- Considered the group's going concern, liquidity and solvency assessment for the interim and year end periods.
- Considered business plans and feedback during the business line performance reviews from business line chief executives, including in-country subsidiaries.
- Considered and approved the internal capital adequacy targets and risk appetite levels in line with the provisions of SARB Directive 2/2020.
- Approved the declaration of preference dividends and supported the non-declaration of ordinary dividends during 2020 in line with the SARB Prudential Authority Directive/2020.
- Noted quarterly feedback from the group chief information officer on the number of IT incidents and status of the group's IT resilience.
- Received regular feedback from the chairmen of the board subcommittees.
- Received feedback on the group's engagement with key stakeholders, including clients, employees, investors and shareholders, and regulators.
- Considered the new people promise: to support our people.
- Considered the results from the annual 'Are you a Fan' employee survey.

The matters discussed above demonstrate how the board and its subcommittees influence and monitor the strategic direction of the group.

GOV/REM Further detail of key board discussions and decisions is included in the full governance report online.

Balancing our value outcomes

During the year, the board approved a re-imagined approach to resource allocation for the group. Following a consultation process to establish the new approach, the board was updated on the outcomes, including the key trade-offs and investment constraints that arose in assessing the future allocation of resources to deliver the group's accelerated strategy.

Read more on page 41.

Effective oversight during the pandemic

2020 has undoubtedly been an extraordinary year. As South Africa entered a national lockdown in March, the board transitioned smoothly and seamlessly to virtual meetings.

The group chief executive officer and his team kept the board well informed about the group's response to Covid-19 even as they accelerated the group strategy, all the while focusing on supporting our clients during a period of intense uncertainty and fear, prioritising our employees' safety and wellbeing, and helping our local communities. The board met more frequently this year to devote the time needed to address these challenges and ensure continued effective board oversight, partnering with management to find solutions and taking of time-critical decisions in the group's response to the pandemic.

The board and its committees considered the impact of the ongoing pandemic on the group. Some of the actions taken by the board are highlighted below.

CLIENT FOCUS

Client support has been a critical focus for the board throughout this period. The board considered updates from business on their approach to assist and support clients during the pandemic and in ensuring the health and safety of those accessing branches. While ensuring that the conduct of the group was appropriate, the board also paid keen attention to client satisfaction results and was pleased to note that feedback on the group's support during 2020 had been positive.

The board continues to monitor the overall impact of the group's activities on clients.

Read more in client focus from page 44.

OUR EMPLOYEES

The board considered employee wellbeing to be paramount throughout the pandemic. The board noted the support provided to employees working on group premises in ensuring that working environments were as safe as possible, with appropriate health and safety protocols implemented, as well as support provided for employees working remotely. The group social and ethics committee monitored the psychological wellbeing of employees and considered employee survey results about how employees were coping throughout the year. It also considered the appropriateness of management's support in assisting employees to cope with some of the personal challenges the pandemic created.

Read more in employee engagement from page 66.

RISK AND CONDUCT

The board ensured oversight of the impact of Covid-19 across all risk areas. The group risk and capital management committee noted an overview of global and domestic regulatory interventions in response to the pandemic, including globally available economic and financial mitigants, as well as sovereign response and funding across jurisdictions in which the group operates. It reviewed the impact of the pandemic on the group's risk appetite, earnings at risk, capital adequacy and the liquidity position of the group based on various scenarios and assumptions and the board resolved to approve a temporary recalibration of internal capital adequacy targets, in line with SARB Directive 2/2020. The outcome of detailed portfolio risk assessments and the various management actions taken as a result were considered by the board.

The group audit committee reviewed and approved changes to the 2020 internal audit plan as part of an in-depth review of internal audit's risk assessment and audit prioritisation session. The group technology and information committee assessed the vulnerability of the group's systems, technology and information-related risks associated with employees working from home. The board also considered the effectiveness of the group's 'Always On, Always Secure' strategy.

Read more in risk and conduct from page 74.

FINANCIAL OUTCOME

The board is committed to achieving sustainable returns for the group over the long term. It took this into account together with the soundness of the group and the preservation of its balance sheet in its oversight responsibilities. It reviewed the financial performance of the group, the impact of Covid-19 on the macroeconomic outlook and considered the updated 2020 financial forecasts, together with headline earnings projections, credit impairment charges, ROE, CLR, cost-to-income ratio and capital and liquidity ratios.

While the board fully recognises the importance of paying dividends to shareholders, it also recognises the need to support the real economy by providing funding to households and businesses amid the pandemic and recognises the importance of ensuring the stability of the group in the short, medium and long term. In issuing ordinary dividends, it considered the recommendations outlined in Guidance Note 4/2020 issued by the SARB Prudential Authority on the distribution of dividends to ordinary shareholders. It approved the payment of the group's 2019 final ordinary dividend and resolved not to pay any 2020 interim ordinary dividends. The board concluded that this was the right and prudent thing to do in order to preserve capital and allow the group to continue to serve the needs of its clients during the pandemic. The board approved a final ordinary dividend for 2020 of 240 cents per share.

Read more in financial outcome from page 86.

SEE IMPACT

As one of Africa's largest financial services providers, the group has a large footprint across the continent and it was during these unprecedented times its role as a corporate citizen became even more pronounced. The board recognised the importance of engaging with society and the different actions needed to help them prosper during these times and build a more sustainable future, with increased focus on supporting the economy.

The board considered management updates on the different initiatives undertaken to support the communities in which the group operates. It considered feedback from stakeholder engagements and took the outcomes of these engagements into account when deliberating on board decisions.

The board was pleased to note the positive external feedback received in relation to the group's support initiatives to communities both through maintaining stable financial services and the different CSI initiatives.

Read more in SEE impact from page 100.

GOV/REM More information on the activities of the board and its committees can be found in the full governance report online.

Assessing the effectiveness of the board

The performance of the board and its committee are assessed through:

Mandate reviews

A detailed assessment of the board and each subcommittee's compliance with the provisions of their respective mandates is done annually. The group's external auditors conduct a limited assurance assessment on the review and express an opinion in this regard.

Effectiveness evaluation

The chairman, the board and its committees undergo an effectiveness evaluation annually in terms of the Section 64B 2(b)(iv) of Banks Act. The board alternates every other year between an externally facilitated independent evaluation, and an internal evaluation facilitated by the chairman supported by the group secretary. Directors also participate in peer reviews.

One-on-one discussions

Evaluation of individual director performance is carried out by the chairman in one-on-one discussions with individual directors.

The annual board evaluation provides an opportunity to identify greater efficiencies, maximising strengths and highlighting areas of further development to enable the board to continuously improve its performance and that of the group.

The 2020 board effectiveness review was externally conducted by an independent service provider, with the following key findings:

- Overall board performance and that of its committees was considered effective. The board is a high-performing board, and members expressed appreciation, enjoyment and pride at being part of it. There is a solid relationship of mutual respect and trust between non-executives and executive directors, which enables productive interactions.
- The chairman has extensive chairing experience and has done much to strengthen boardroom dynamics and to deepen the relationship with the executives. This has helped enhance focus on matters, quality of conversations and relationships between directors.
- The board has navigated the logistical complexities of the Covid-19 pandemic well. The group chief executive officer played a key role in deliberately strengthening the relationship between the board and management, and worked hard to ensure directors were kept abreast of all developments within the group and engagements with stakeholders, especially during the early stages of the pandemic.
- Sub-committees were considered an effective element of the overall governance framework and were led by high quality chairmen.

GOVERNING STRUCTURES AND DELEGATION OF AUTHORITY

The board retains effective control through the governance framework and delegates certain functions to its committees according to clearly defined mandates and decision-making rights set by the framework. This allows the board to allocate sufficient attention to the matters reserved for its decision-making, while also ensuring that delegated matters receive in-depth focus. Committee chairmen are accountable for the effective functioning of board committees.

The board delegates the management of the day-to-day business and affairs of the group to the group chief executive officer, with full power on behalf of and in the name of the board. The GLC provides counsel to the group chief executive officer, acting as a sounding board and ensuring overall coordination across the group, legal entities, and other key stakeholders. Members of the GLC exercise powers in accordance with their delegated authority.

Separation of roles and responsibilities

The roles of chairman and group chief executive officer are separate. The allocation of responsibilities is clearly set out in the board mandate, ensuring that no single director has unfettered powers in the board decision-making process. Executive directors and the group's prescribed officers attend board meetings, increasing the contact between the board and management.

The board has appointed the lead independent director, whose role is to further strengthen the independence of the board and maintain an additional channel for shareholders to raise any concerns.

Diversity and independence

The board-approved promotion of gender and diversity policy sets a voluntary target of 33% female representation on the board by the end of 2020, which has been achieved. In line with King IV, the board aims to pursue the race diversity targets included in the management control scorecard as set out in the Amended Financial Sector Code of 2017. The board considers these targets in the implementation of its succession plans and is satisfied with the progress made.

An annual assessment of directors' independence is performed, including a self-assessment by each director and the consideration of each director's circumstances by the board. Consideration is also given to whether directors' interests, position, association or relationships, are likely to influence unduly or cause bias in decision-making when judged from the perspective of a reasonable and informed third-party.

Provision 8.1.2.8 of the directive deems non-executive directors who have served on the board for a period of nine years or more as not independent. In 2019, the group applied for and was granted exemption by the Prudential Authority from the effects of this provision until May 2023 for directors who had served on the board for longer than nine years. The exemption is subject to the annual external independent assessment classifications made. Thulani Gcabashe, Myles Ruck and Kgomotso Moroka have all served for periods longer than nine years. Taking into account the above exemption and following a rigorous annual review, including independent external assessment confirmation, the board confirmed that Thulani Gcabashe and Myles Ruck continue to be independent in character, demonstrated behaviour and contribution to board deliberations and judgement, notwithstanding tenure. For the period under review Kgomotso Moroka, and ICBC's nominated directors Xueqing Guan and Lubin Wang were not considered independent.

Board composition and skills

The collective background of the board members provides a balanced mix of skills, demographics, genders, nationalities, experience and tenures to enable it to fulfil its governance role and responsibilities objectively and effectively. The board considers its size and composition to be appropriate.

We apply a skills matrix to ensure our directors have the relevant range of skills and experience in the short term and to identify specific skills required to protect and create value in the long term.

To complement the board's current skill set, Paul Cook, Priscillah Mabelane and Nonkululeko Nyembezi were appointed to the board.

Hao Hu and Priscillah Mabelane resigned and Peter Sullivan retired from the board during 2020. Xueqing Guan replaced Hao Hu. André Parker will retire from the board at the conclusion of the 2021 AGM, having reached the mandatory non-executive director retirement age.

Board skills

Indicates the percentage of board members who rate themselves as skilled in these areas.

Board education and training

Continuing board education sessions are scheduled in advance to ensure full board participation.

Ongoing director education ensures that the board has both the awareness of relevant trends and the appropriate skills to offer relevant counsel and provide effective oversight as the group delivers its strategy and transforms to be truly human and truly digital.

Topics covered in 2020 included

- The group's ESG approach and journey, focusing on emerging policy, regulatory frameworks, key role players and stakeholders.
- An overview of the finalisation of Basel III Reform and the impacts thereof.
- ESG guidance by the Institute of International Finance.
- S&P Global ratings for ESG.
- The digital economy and accelerating digitisation of the financial sector.

Board committees

Board committees in 2020 included:

GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE

Chair: Myles Ruck

Attendance 100%

Purpose

- To provide independent and objective oversight or risk and capital management across the group.
- Reviews and assesses the adequacy and effectiveness of the risk and capital management governance framework and ensures that associated standards and policies are clear, appropriate and effective.
- Evaluates and agrees the nature and extent of opportunities and ensures discipline and control in managing the associated risks in pursuit of the group's strategic objectives.

✓ Key activities performed

oversight of the impact of Covid-19 on the group's risk portfolio; financial and non-financial risk management; capital and liquidity risk management; internal capital adequacy assessment process; regulatory matters; governance; oversight

GROUP AUDIT COMMITTEE

Chair: Trix Kennealy

Attendance 100%

Purpose

- To monitor and review the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes.
- Provides independent oversight of the group's assurance functions, including reviews of the independence and effectiveness of the external audit, internal audit and compliance functions.
- Assesses compliance with applicable legal, regulatory and accounting standards and policies in the preparation of fairly presented financial statements and external reports.

✓ Key activities performed

oversight of the impact of Covid-19 on the internal control environment and financial results; internal audit; compliance; tax; financial accounting and external reporting; financial control; non-audit services; interim and annual financial statements; external audit; oversight

GROUP DIRECTORS' AFFAIRS COMMITTEE

Chair: Thulani Gcabashe

Attendance 98%

Purpose

- Determines the appropriate corporate governance structures and practices.
- Maintains the board continuity programme.
- Ensures compliance with all applicable laws, regulations and codes of conduct and practice.
- Assesses and ensures the effectiveness of the board and its committees.

✓ Key activities performed

succession planning and board composition; corporate governance; board performance review; group subsidiary governance framework

GROUP SOCIAL AND ETHICS COMMITTEE

Chair: Kgomotso Moroka

Attendance 100%

Purpose

- Ensures that social conscience is embedded in the way the group does business.
- Ensures the development of appropriate policies relating to stakeholder and reputation management.
- Guides and monitors the group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, regulation, standards and codes.
- Ensures material stakeholder issues receive attention from the board and management.

✓ Key activities performed

stakeholder engagement; transformation; employee engagement; ethics; reporting; corporate citizenship; impact on environment

GROUP REMUNERATION COMMITTEE

Chair: Trix Kennealy

Attendance 100%

Purpose

- Assists the board with ensuring fair and responsible remuneration.
- Develops the group's remuneration philosophy and policy in line with best practices and engages key stakeholders in this regard.

✓ Key activities performed

remuneration; incentive schemes, share-based payments and other benefits; subsidiary remuneration committees; governance

GROUP TECHNOLOGY AND INFORMATION COMMITTEE

Chair: John Vice

Attendance 98%

Purpose

- Ensures prudent governance of technology and information and oversees related governance mechanisms to support the group's achievement of its strategic objectives.

✓ Key activities performed

oversight of the impact of Covid-19 on technology; technology strategy; technology governance; cybersecurity and cyber resilience; technology investment; enterprise data management; governance and assurance

GROUP MODEL APPROVAL COMMITTEE

Chair: Jacko Maree

Attendance 100%

Purpose

- Assists the board in managing model risk according to the advanced internal ratings-based approach for measuring exposure to credit risk stipulated by the Banks Act.
- Performs functions set out in the associate regulations, including inspecting risk evaluation models for approval.
- Reviews model risk governance processes and monitors the group's model universe and model risk appetite.

✓ Key activities performed

model approvals; model risk oversight; model governance

Driving innovation

The board understands that information and technology is an integral part of the group's strategy and transformation. The group technology and information committee oversees the governance of information and technology and ensures that appropriate steps are taken to achieve the group's strategic objectives, including monitoring of IT investment and expenditure. The day-to-day administration and implementation of IT is delegated to management and is integrated into the group's risk management processes.

In the current year, the board approved management's proposal to create a group that is ready for the future, to become a digital business. Consideration was also given to how the executive would be organised internally to achieve the group's longer term vision. The 2020 annual two-day strategy summit allowed for engagement on the group's accelerated strategy execution to transform into a digital financial services business with executives and heads of business segments, client solutions, innovation and engineering. Other topics discussed included: understanding the competitive landscape and market dynamics; outlining the transformation programme and feedback on the progress made to date; capabilities per client segments, client solutions and engineering.

GOV/REM Read more in our full governance report online.

Our leadership

The group board

Our directors have deep experience and diverse skills, enabling the board to provide informed counsel, rigorous oversight and independent interrogation in leading integrated thinking in the group and in guiding the GLC in the design and delivery of the group's strategy.

Chairman and deputy chairmen

1 Thulani Gcabashe [63]

Chairman and independent non-executive director, SBG and SBSA

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

Appointed: 2003

Appointed chairman: 2015

2 Xueqing Guan [57]

Senior deputy chairman, SBG and non-executive director, SBG and SBSA

Key strengths: Proven leadership in large international group; extensive board experience; strong strategic management experience in banking.

Appointed: 2020

3 Jacko Maree [65]

Deputy chairman, SBG and independent non-executive director, SBG and SBSA

Key strengths: Over 40 years' experience in banking and leadership; deep insight into the role of a chief executive and the challenges faced; skilled team builder.

Appointed: 2016

Lead independent director

4 Trix Kennealy [61]

Lead independent director, SBG and independent non-executive director SBSA

Key strengths: Extensive operational and strategic management experience across a variety of industries and sectors; over 30 years' experience in corporate governance; broad experience in strategic financial management, including restructuring, acquisitions and integrations.

Appointed: 2016

Executive directors

5 Sim Tshabalala [53]

Group chief executive officer, SBG and executive director, SBSA

Key strengths: Extensive groupwide leadership experience; leading strategy formulation and execution; proven track record of enhancing competitiveness and ensuring sustainability.

Appointed: 2013

6 Arno Daehnke [53]

Chief financial and value management officer, SBG and executive director, SBG and SBSA

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

Appointed: 2016

Non-executive directors

7 Paul Cook [40]

Independent non-executive director, SBG and SBSA

Key strengths: Use of digital tools to reach customers, creating disruptive brands, and improve the back-office; venture capital investment, entrepreneurial support and incubation, pan-Africa macro- and micro-trends experience.

Appointed: 2021

8 Maureen Erasmus [60]

Independent non-executive director, SBG and SBSA

Key strengths: Seasoned investment banker with international experience in emerging markets; strategy development and execution skills; firmwide risk management and capital allocation.

Appointed: 2019

9 Geraldine Fraser-Moleketi [59]

Independent non-executive director, SBG and SBSA

Key strengths: Experience in international, regional (Africa) and national politics; strong strategic, ethical and oversight skills; experience in human resources oversight.

Appointed: 2016

Non-executive directors provide independent and objective judgement. They constructively challenge and monitor the executive management's delivery of strategy within the approval framework and risk appetite agreed by the board.

Committees:

- Group directors' affairs committee
- Group technology and information committee
- Group remuneration committee (remco)
- Group audit committee
- SBSA large exposure credit committee, an SBSA subcommittee
- Group social and ethics committee
- Group risk and capital management committee
- Group model approval committee
- Committee chairman

Non-executive directors (continued)

10 Nomgando Matyumza [58]

Independent non-executive director, SBG and SBSA

Key strengths: Strong financial and executive management skills; experience in strategy development and execution; seasoned non-executive director in several sectors.

Appointed: 2016

11 Kgomotso Moroka [66]

Non-executive director, SBG and SBSA

Key strengths: Strong business leadership skills; extensive experience in governance, regulation and public policy; significant legal experience.

Appointed: 2003

12 Nonkululeko Nyembezi [61]

Independent non-executive director, SBG and SBSA

Key strengths: Leadership across multiple sectors; strategy planning and execution; governance and corporate stewardship.

Appointed: 2020

13 Martin Oduor-Otieno [64]

Independent non-executive director, SBG and SBSA

Key strengths: Over 18 years' extensive banking experience; strategy development and execution skills; strong leadership and governance experience.

Appointed: 2016

14 André Parker [69]

Independent non-executive director, SBG and SBSA

Key strengths: Extensive experience of running businesses in Africa and Asia; strong brand management experience in fast-moving consumer goods markets; non-executive director experience in South African corporates.

Appointed: 2014

15 Atedo Peterside CON [65]

Independent non-executive director, SBG and SBSA

Key strengths: Strong business and banking experience, as the founder and former chief executive of the Investment Bank and Trust Company Limited (IBTC); seasoned investment banker and economist.

Appointed: 2014

16 Myles Ruck [65]

Independent non-executive director, SBG and SBSA

Key strengths: Strong banking experience with a career spanning over 30 years; experience in running a large and complex business; extensive risk management experience.

Appointed: 2002

17 John Vice [68]

Independent non-executive director, SBG and SBSA

Key strengths: Extensive experience in auditing, accounting, risk and practice management; experienced IT advisor and consultant in IT strategy, risk, audit and controls; knowledge and experience of running businesses in South Africa and other African countries.

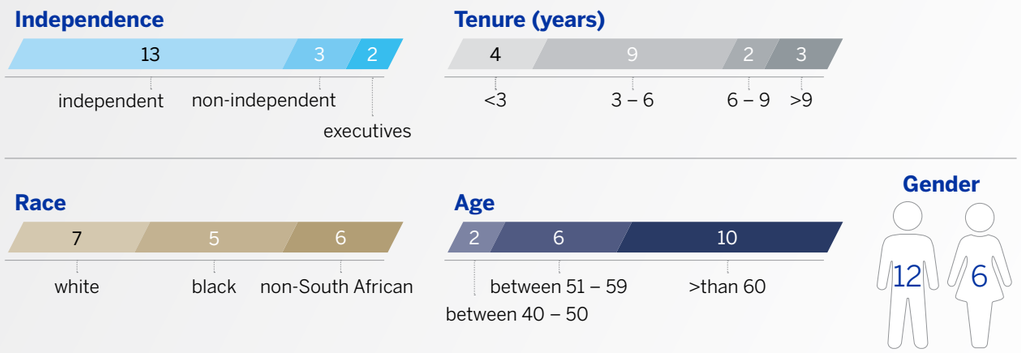
Appointed: 2016

18 Lubin Wang [47]

Non-executive director, SBG and SBSA

Key strengths: Senior management experience in multiple geographies; experience in a variety of corporate functions, including finance, IT, procurement and administration; strong ability to adapt to different environments.

Appointed: 2017



Committees:

- Group directors' affairs committee
- Group technology and information committee
- Remco
- Group audit committee
- SBSA large exposure credit committee, an SBSA subcommittee
- Group social and ethics committee
- Group risk and capital management committee
- Group model approval committee
- Committee chairman

Group leadership council

The group chief executive officer, supported by the members of the GLC, is accountable for the implementation of strategy and the performance of the group. The skills and experience of committee members underpin the group's ability to deliver its strategy.

The previous group executive committee was replaced by the GLC. Changes have been made to the structure of the committee and certain members' responsibilities to enable the transformation of the group, in line with its strategy.

1 Sim Tshabalala

Group chief executive officer, SBG and executive director, SBSA

Qualifications

BA, LLB (Rhodes University), LLM (University of Notre Dame, US), HDip Tax (Wits), AMP (Harvard)

2 Arno Daehnke

Chief financial and value management officer, SBG and executive director, SBSA

Qualifications

BSc, MSc (UCT), PhD (Vienna University of Technology), MBA (Milpark Business School), AMP (Wharton)

3 Sola David-Borha

Chief executive officer, Africa Regions

Qualifications

BSc Economics (University of Ibadan), MBA (University of Manchester), AMP (Harvard), GCP (IESE, Wharton, CEIBS)

4 Kenny Fihla

Chief executive officer, Wholesale Clients

Qualifications

MSc (University of London), MBA (Wits)

5 Lungisa Fuzile

Chief executive officer, SBSA

Qualifications

MCom (UKZN), AMP (Harvard)

6 David Hodnett

Chief risk and corporate affairs officer

Qualifications

BCom (Wits), BAcc (cum laude), CA(SA), MBA (Manchester Business School/ Wits), Advanced Diploma in Banking

7 Alpheus Mangale

Chief engineering officer

Qualifications

NDip Computer Systems Engineering (TUT), PG management (Henley), EDP (CCL), AMP (Harvard)

8 Zweli Manyathi

Chief executive officer, Business & Commercial Clients

Qualifications

BCom (Hons) (UNISA), PDP (New York), SEP (Wits & Harvard)

9 Funeka Montjane

Chief executive officer, Consumer & High Net Worth Clients

Qualifications

BCom (Hons) (Wits), MCom (UJ), CA(SA)

10 David Munro

Chief executive, Liberty

Qualifications

BCom, PGDip Accounting (UCT), CA(SA), AMP (Harvard)

11 Margaret Nienaber

Chief executive officer, Client Solutions

Qualifications

BCompt (Hons) (University of the Free State), CA(SA)

12 Rod Poole

Chief change and business transformation officer

Qualifications

BCom (UNISA)

13 Thulani Sibeko

Chief brand and marketing officer

Qualifications

BSc Bus Admin (California State University, US), MBA (Henley), Graduate Certificate (Harvard)

14 Sharon Taylor

Chief people and culture officer

Qualifications

BCom (UKZN), BCom (Hons) (UNISA)

15 Adrian Vermooten

Chief innovation officer

Qualifications

MBA New Venture Creation (Bond University, Australia)

Wits: University of the Witwatersrand.
UCT: University of Cape Town.
UJ: University of Johannesburg.
UNISA: University of South Africa.
UKZN: University of KwaZulu-Natal.
TUT: Tshwane University of Technology.

Rewarding value creation

"The implications of the Covid-19 crisis have greatly complicated our deliberations in rewarding the people of Standard Bank Group for the shared value they created for our stakeholders over the last year – under extraordinary duress. In particular, we thought deeply about how to recognise our executives for their balanced contribution, and how best to incentivise them in securing the group's ability to generate sustainably higher returns into the future, as promised to our shareholders."

TRIX KENNEALY – CHAIRMAN OF THE REMUNERATION COMMITTEE

Aligning shareholder and executive interests in an extraordinary year

I am confident that our performance-related pay policy and its implementation has helped the group withstand the challenges of a one in a hundred-year event. Covid-19 and its effects have tested the resolve of group leadership and demanded heightened flexibility. For our part, remco has had to make difficult discretionary decisions that otherwise would not have arisen.

The circumstances in which we sought to fulfil our fiduciary duty were different to any other year in living memory, but our underlying philosophy remained the same: to align executive behaviour with long-term shareholder interest. Shareholders have asked that the executives share in the negative impact of the Covid-19 crisis on group performance, and we have heard their request. See page 136 of this report and in the full remuneration report online for more detail.

Measuring and rewarding shared value outcomes

Any measure of success in business must include resilience to change and future relevance. This is truer than ever for the group as Covid-19 accelerates the global forces that are reshaping our competitive landscape and amplifying the expectations of our stakeholders. Of particular importance to the work of remco, stakeholders expect outcomes that not only demonstrate balanced, fair and responsible consideration of their interests, but that also seek to harmonise them over time.

For an assessment of the risks and opportunities in the group's operating context, refer to page 22.

It is of course vital that leadership anticipates the prevailing trends and urgently makes the necessary changes – however difficult – to succeed in the most likely future scenario. In considering the group's strategy, the reader will discern the theme of transition as we accelerate along our strategic path to offer a wider range of related services to achieve our ambition of being Africa's leading digital financial services business. Our strategy is centred on transforming client experience and operational excellence, by combining human skill and digital capabilities to secure the group's competitiveness in a radically changing context, while caring for society and the environment. This will position the group to earn higher revenues and better margins, while driving inclusive and sustainable growth in, for and across Africa.

For an overview of the group's strategy and our objectives over the short, medium and long term, refer to page 32.

Our growth story promises shareholders superior and sustainable returns premised on creating measurable value for our clients (client focus), for our people (employee engagement), and for all stakeholders by protecting the systemic integrity of both the group and the financial system of which we are part (risk and conduct). The group's strategies in these areas are designed to balance targeted financial outcomes with positive SEE impact that responds to Africa's most pressing needs, broadly commensurate with the UN SDGs.

In rewarding these value outcomes, remco initially applies a formulaic approach to calculate short-term incentives (STIs) for executive directors and prescribed officers, based on the group's financial outcome and that of the business line (where applicable). In evaluating progress against the other four strategic value drivers, we then apply disciplined and discretionary judgement by assessing the metrics that the board had previously approved for each of these value drivers in respect of business and individual performance.

Enduring the worst economic conditions in a century

The Covid-19 crisis has been the largest single shock to the world economy and to human society in recent times. The loss of life and human capacity, and of income in both formal and informal sectors, is simply impossible to quantify. The IMF estimates that the global economy contracted by 3.5% and sub-Saharan Africa by 2.6%. South Africa's economy declined by 7.0% in 2020, according to Stats SA.

In South Africa, the pandemic was more pronounced and stringent lockdowns significantly disrupted social and economic activity. As the economy contracted, already critically high unemployment levels escalated. Despite fiscal and monetary policy actions and temporary social grants and funding support, the added pressure resulted in further downgrades to the country's sovereign credit ratings.

Elsewhere on the continent, although the public health impact was less severe allowing for more moderate restrictions, the socioeconomic effects were marked and government capacity to provide economic stimulus and relief programmes was limited. Weak sovereign and fiscal positions were exposed, with less diversified economies fairing worse than their more diversified peers.

Against this backdrop, the group's personal, business and corporate clients took heavy strain, particularly in South Africa and our financial results did not emerge unscathed.

Performance against our strategic value drivers

These dynamics severely impacted the group's financial outcome. However, there was improvement across most of the other metrics associated with the group's strategic value drivers. This should give shareholders some comfort in the group's resilience. Excluding the effect of the group's credit impairment charges, operating income declined by only 6%. This demonstrates the underlying resilience of the group's client franchises.

Furthermore, the group was able to preserve its liquidity buffers in line with regulatory, prudential and internal stress testing requirements. The group remains in robust good health, with adequate liquidity and capital flexibility to support the recovery in earnings and returns we expect in the years ahead.

The group's financial performance, and the corresponding erosion of financial value during the year, was therefore not a true reflection of effort. Despite the major impact of uncontrollable exogenous factors, significant achievement was made; for example, our Africa Regions performed well, and our client and employee net promoter scores (NPS and eNPS) mostly improved or remained above target.

Another important consideration for remco is that skilled and respected leaders are in high demand. It is therefore imperative that we retain top talent and reward the behaviours that deepen our resilience and secure our future relevance. This is fundamental both to protecting value, by holding on to our competitive edge, and to creating greater value by effectively delivering on our ambitious strategy, and the uplift in financial and SEE returns it envisages.

Despite the volatility occasioned by the Covid-19 pandemic, our people stayed focused on serving and protecting the interests of our clients, shareholders, communities, regulators and other stakeholders, while adapting to new ways of remote working. In the midst of the disruption, our executive teams designed and began to implement plans to accelerate the delivery of the group's strategy. To keep up the momentum, it has been essential to retain and motivate the current leadership team to achieve our intended strategic outcomes with foresight, diligence and urgency.

More detail on the group's performance in 2020: chief executive officer's review from page 14, and the financial outcome chapter starting on page 86.

SBG progress against strategy

The detail on page 38 provides a useful snapshot of the group's performance against the measures that underpin the executive scorecards, the full details of which are included in the implementation report section of the full remuneration report **online**.

Implementation of our remuneration policy in a year defined by Covid-19

In view of this performance, what then are the significant implementations, shifts and themes for the concerned reader to investigate in the group's remuneration report?

The main theme is that we are more committed than ever to incentivising leadership to grow shareholder value over the long term. The other is that remco will not resort to 'box-ticking'. It is our duty to engage in nuanced debate on policy and implementation in attracting and retaining talent in key leadership positions. This begins with offering market-related remuneration and extends to ensuring that employees are not unfairly prejudiced for circumstances beyond their control while ensuring alignment with shareholders. That said, the single figure total reward outcomes for 2020 for executive directors and prescribed officers have reduced by up to 55% on the prior year due to the failure of the performance conditions of the long-term incentives (LTI) awarded in 2018 and reduced short-term incentives (STI) awarded for 2020 in line with group and business line results. The STI awarded to the executive directors are fully aligned to group results.

I am satisfied that the discussions by which we arrived at our decisions were conducted in a spirit of transparency, fact-seeking and fairness. And at all times in the interests of the organisation, and by definition those of all our stakeholders, were foremost in our minds.

Temporary amendments noted in our implementation report were as follows:

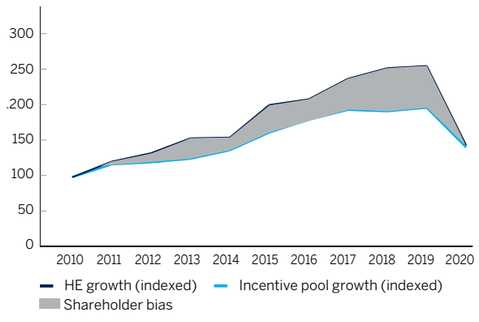
- We amended the way performance conditions of the March 2020 performance reward plan (PRP) award (our LTI scheme) would be evaluated, so that remco would be able to evaluate relative performance at the end of the three-year performance period – the market was notified of this intention in December 2020 via a SENS announcement following engagement with shareholders on the matter in November 2020.
- We extended the exercise periods for the equity growth scheme (EGS), group share incentive scheme (GSIS) and share appreciation rights plan (SARP) awards that were due to expire between 27 May 2020 and 28 February 2023 to 31 March 2023. Considering that these share-linked awards had vested but had not been exercised and therefore had become valueless due to an event unrelated to performance after an extensive holding period, we believe this change to be fair to employees who had held vested share-linked awards for up to ten years prior to the extension.
- The reader will notice that there have been no forward-looking adjustments to fixed pay for executives and non-executive directors for 2021 with only one exception relating to an executive due to a change in responsibilities and therefore role size.

More broadly, it is important to note that the group is an important employer in the countries it operates, providing – otherwise scarce – opportunities for socioeconomic advancement. We minimised the impact of Covid-19 on our people with various measures. These included not reducing employees' fixed pay on account of periods of unproductivity brought about by the mandatory lockdowns and attempting to ensure productive contribution during this time.

We also recognised the extraordinary effort of our employees and continued to award performance-related STIs in March 2021 in respect of 2020, albeit significantly reduced to reflect the group's performance. We made a special once-off recognition 'National Service Appreciation' award to all general employees and managers who worked outside the safety of their homes delivering essential banking services during the first wave of lockdowns in South Africa and Africa Regions. Special leave and benefits were introduced to assist with school closures and for self-quarantine purposes to support employees and ensure sustainable productivity during these trying times.

The balance we seek between the interests of our people and our shareholders is reflected in the diagram below that shows the relative growth in HE and incentive pools. The shaded area shows the bias to shareholders over the period.

RELATIVE HEADLINE EARNINGS AND INCENTIVE POOLS



Engaging with shareholders to improve remuneration disclosure

The 2020 AGM returned an 88% (2019: 92%) and 86% (2019: 94%) vote of approval on our remuneration policy and its implementation, respectively. We are confident that this in part reflects recognition of our ongoing commitment to engage with and act on shareholder concerns and we have attempted to address the concerns our shareholders have raised. The matters raised by them during our engagements are valuable and echo in our meetings and remuneration response.

This year we have streamlined the remuneration report to enhance and simplify our reporting, with clearer delineation between the remuneration policy and implementation report. We look forward to engaging further with our shareholders, and also hearing the views of other stakeholders, on this year's remuneration disclosure.

Remco obtained independent advice from Bowman Gilfillan on a range of remuneration policy and implementation issues during 2020, as well as obtaining independent remuneration benchmark analysis from a range of survey providers.

GOV/REM Read more in the full remuneration report online.

Future focus for remco

As the group's system of value measurement evolves and matures in line with changes to the business, remco must adapt accordingly. The group is committed to developing metrics that give substance to our non-financial strategic priorities; metrics that are simple, clear and credible in guiding management and are accountable to our stakeholders.

More detail on the group's priorities is included on page 33.

As this development runs its course, some elements of the balanced scorecard that apply to our PRP will contain a higher degree of subjectivity than would ordinarily be the case. While this may cause some discomfort among shareholders, we will continue to engage transparently, supporting our decisions with reason and evidence.

As readers will be aware, the reputational risk to prioritising short-term profits over long-term blended value are becoming increasingly untenable in our globalised world, in which financial and non-financial risks are inextricably linked. With 'stakeholder capitalism' redefining conventional thinking on the purpose of corporations, ESG principles are increasingly informing investment decisions. The work underway to develop meaningful measures of ESG performance, in line with global standards, is important in this regard. Remco will over time seek to codify such measures in the PRP, which will require greater overlap between the mandates of remco and the social and ethics committee.

Furthermore, as the group seeks to differentiate itself through a broader suite of client solutions, innovation becomes ever more important. Commensurate to this, remco must develop its ability to measure return on investment in innovation; this includes sufficient room for development failure so that innovation is not stunted, appropriate investment intensity and guarding against runaway costs. Balancing these considerations will require careful and responsible assessment.

Also, with strategic partnerships being a cornerstone to the group's strategic ambition to progress towards offering a wider range of related services, measuring the quality of these relationships in combination with managing the significant potential risk to our service levels and reputation, will also be critical to measure and reward effectively.

In closing, I wish to reiterate remco's philosophy that ethical leadership is non-negotiable. It is clear, given the history of unethical corporate decision-making destroying both value and opportunity, that profits derived from unethical decisions will turn into losses for shareholders and stakeholders. Not only this: unethical decisions also damage the legitimacy of business in general, which we can ill afford in these fractious times. Therefore, we will continue to situate our remuneration policy and its implementation within an ethical leadership culture, understanding that our success is in large part derived from the trust of our stakeholders.

I know my colleagues on remco share my confidence, in the thoughtful work we have done this year to apply our performance-related pay policy; to assist the group to come out of this crisis stronger and more ready for the future than before.

Remuneration policy summary

People are at the heart of our business. To satisfy our clients, meet their needs and accelerate our strategy to achieve higher growth and efficiency, our people must be highly skilled, experienced and engaged. Our responsibility to them is to ensure that they have the resources and advanced capabilities needed to support our ambitions and are recognised and rewarded for their performance and the value they create for our stakeholders.

The remuneration policy sets out our methodology, agreed by remco, to remunerate our employees and it ensures that value is appropriately shared among our shareholders, senior executives and employees.

Read more in employee engagement on page 66.

Key objectives guiding our remuneration policy

1. Measure and reward for value created for all stakeholders over the short, medium and long term.
2. Be competitive in the global marketplace for skill.
3. Reward our people fairly while avoiding a bonus-centric culture that distorts motivations and may encourage excessive and irresponsible risk-taking.
4. Promote and reward teamwork.

Remuneration scenarios for executive directors and prescribed officers

King IV requires disclosure of the potential consequences on the forward-looking total remuneration for executive directors and prescribed officers on a total single figure basis by applying the remuneration policy under minimum, on-target and stretch performance outcomes.

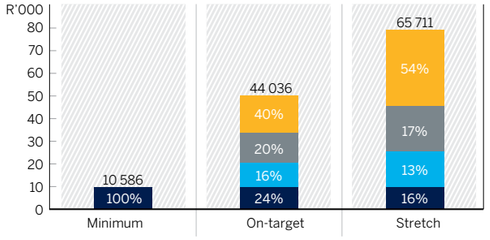
Remco considers the level of remuneration under these scenarios to ensure that remuneration is considered appropriate in terms of the group's performance and the value created for stakeholders.

The graphs alongside show hypothetical values of total remuneration under the following scenarios:

- **Minimum reward outcome**
  - This outcome depicts a scenario in which only the fixed remuneration of the relevant individual would be paid.
- **On-target reward outcome**
  - This outcome depicts a scenario in which STIs (cash and deferred) and LTIs are paid in addition to fixed remuneration.
  - STIs have been set on the basis of meeting targets (using both financial and non-financial metrics over a multi-year period) for the group, client segment (where applicable) and the individual.
  - The scenario assumes around 55% of the STI will be deferred in share-linked awards.
  - In line with King IV, the LTI value is the fair value at grant for the most recent PRP award.
- **Stretch reward outcome**
  - STIs have been set on the basis of exceeding targets (using both financial and non-financial metrics over a multi-year period) for the group, client segment (where applicable) and the individual.
  - This scenario also assumes around 55% of the STI will be deferred in share-linked awards.
  - In line with King IV, the LTI is set at the maximum achievement of the performance conditions of the most recent PRP award. This outcome would deliver significant value for shareholders.

The scenario outcomes presented are for illustrative purposes and should be seen as a range of possible remuneration outcomes rather than an estimate for the 2021 single figure outcomes. The target and stretch outcomes set out in the graphs below are lower than the equivalent outcomes disclosed in the 2019 remuneration report as these scenarios are using the 2020 STIs as a base reference.

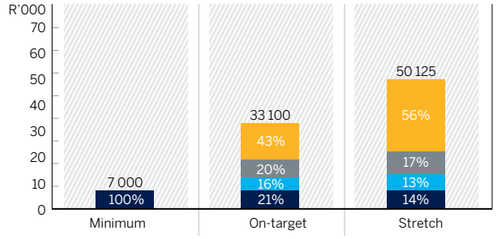
CHIEF EXECUTIVE OFFICER STANDARD BANK GROUP



The above scenarios include conditional LTI awards of R17.8 million and R35.5 million for on-target and stretch respectively.

Fixed remuneration | Deferred incentive | Cash incentive | Long-term incentive

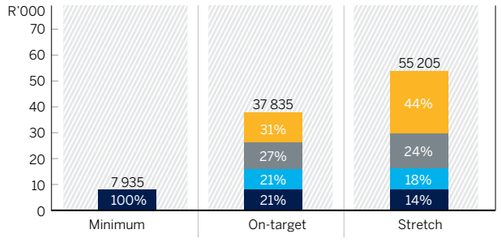
GROUP CHIEF FINANCIAL AND VALUE MANAGEMENT OFFICER



The above scenarios include conditional LTI awards of R14 million and R28 million for on-target and stretch respectively.

Fixed remuneration | Deferred incentive | Cash incentive | Long-term incentive

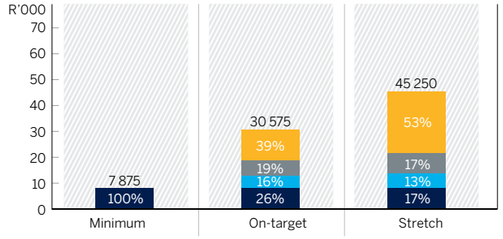
CHIEF EXECUTIVE OFFICER, WHOLESALE CLIENTS



The above scenarios include conditional LTI awards of R12 million and R24 million for on-target and stretch respectively.

Fixed remuneration | Deferred incentive | Cash incentive | Long-term incentive

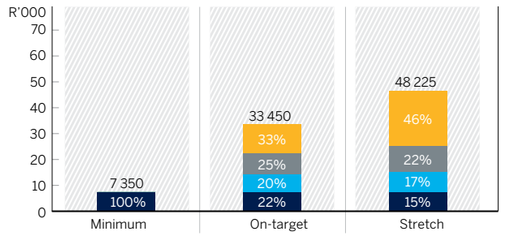
CHIEF EXECUTIVE OFFICER, BUSINESS & COMMERCIAL CLIENTS



The above scenarios include conditional LTI awards of R12 million and R24 million for on-target and stretch respectively.

Fixed remuneration | Deferred incentive | Cash incentive | Long-term incentive

CHIEF EXECUTIVE OFFICER, CLIENT SOLUTIONS



The above scenarios include conditional LTI awards of R11 million and R22 million for on-target and stretch respectively.

Fixed remuneration | Deferred incentive | Cash incentive | Long-term incentive

Fair and responsible remuneration

Remco believes that fair and responsible remuneration means ensuring that remuneration is externally competitive, internally equitable and supports the delivery of the group's short-, medium- and long-term objectives. Our reward process is independently governed to enhance fairness and is applied with the same vigour and principles across the group.

FAIR REMUNERATION DECISIONS ARE:

- Impartial, free from discrimination, free from self-interest, favouritism or prejudice on grounds including race, gender and sexual orientation.
- Rational and objective.
- South Africa: aligned with the Employment Equity Act's principle of equal pay for work of equal value.

- Pay differentiation is based on transparent and trusted processes to assess performance and identify and match benchmarks. This results in a reporting system that provides remco with performance outcomes and reward proposals that are equitable and transparent.

- Horizontal fairness – employees performing the same or similar job requirements at the same or similar level of performance receive the same or similar levels of total remuneration, allowing for variations such as length of service, qualifications, performance and scarcity of relevant skills.

- Vertical fairness – differences in total remuneration between job levels can be explained and justified on a consistent basis, for example, according to factors such as risk and complexity of the job, level of responsibility of decision-making and consequence and impact on the organisation.

RESPONSIBLE REMUNERATION DECISIONS ARE:

- Remuneration is funded by, and linked to, the creation of value over the long term, in a way that is transparently reported to internal and external stakeholders.

- Variable remuneration is clearly correlated with the achievement of criteria that measure performance and value creation over the short, medium and long term, aligned to the group's strategy and strategic value drivers which include non-financial measures.

- All remuneration falls under the ambit of remco.
- Senior executive remuneration is:
  - Approved by remco and recommended to the board.
  - Benchmarked to market.
  - Managed using a rigorous process to review risk and control issues. All share plans contain forfeiture and clawback clauses.
- Senior executives are subject to a minimum shareholding requirement.

The wage gap and minimum salaries

Our remuneration policy is to pay for value delivered while ensuring that remuneration is competitive. The outcome of these two principles is that remuneration differs across levels, roles and geographies, creating a vertical wage gap.

Mindful of income gaps and our commitment to fair and responsible remuneration, our minimum incomes enable employees in the lowest employment band to participate with dignity in the economies of the countries where they reside. Remco keeps abreast of the minimum levels of income in each country of operation, even if no prescribed minimum income exists, and compares these minimum levels against financial service/banking minimums.

Remco is aware of the various pay gap ratios that are in use in other jurisdictions and is aware of the reviews and recommendation by various bodies on pay gap disclosure. When such guidance or regulations have been finalised, remco will make the appropriate disclosures.

Minimum shareholding requirements

Executive directors and prescribed officers are required to maintain personal shareholdings valued as a multiple of fixed remuneration.

Group CE	Three times fixed remuneration.
Executive directors and prescribed officers	Two times fixed remuneration.

Where the required personal shareholding falls short, the full after-tax value of senior executives' deferred compensation that vests is applied in acquiring additional shares until the required shareholding is in place. This provision applies to incentive awards granted from March 2012, or from when the senior executive becomes a prescribed officer or executive director. Shareholdings are monitored annually.

Implementation report summary

Implementation and shareholder alignment

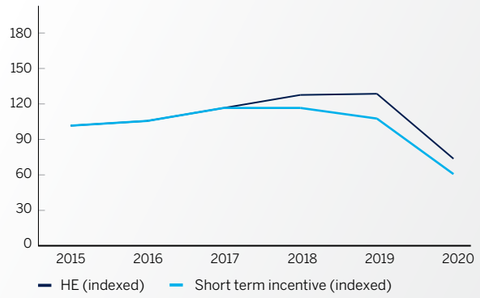
This section of our remuneration report sets out the reward decisions taken by remco in 2020 pertaining to the group's executive directors, prescribed officers and the general workforce. Remco is satisfied that it has achieved its mandate and that the group's remuneration policy remains appropriate, evidenced by its ability to stand the test of Covid-19. The committee is also satisfied that implementation of its remuneration policy has been carefully deliberated to achieve the best and fairest outcomes for our shareholders and executives.

Remco's inclusive approach to remuneration requires it to listen to the concerns of our shareholders and engage with them on the challenges it faces. The committee chair and the head of reward have met with institutional shareholders with significant holdings twice in 2020.

The impact of Covid-19 on the group's financial performance and the interests and views of our shareholders were considered when agreeing the reward outcomes for the group, and particularly for the group's executive directors and prescribed officers. This alignment with shareholder interests is demonstrated in the graphs below, which track HE against the group CEO's STI awards since 2015 and total shareholder return against the group CEO's single figure total remuneration for the same period.

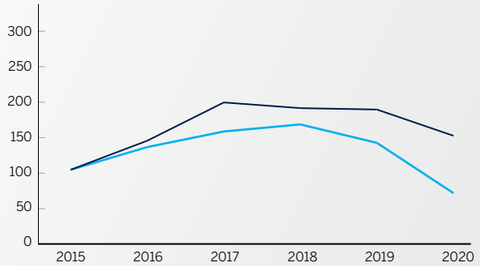
Headline earnings

HEADLINE EARNINGS VERSUS GROUP CEO'S STI AWARDS



Total shareholder return

TOTAL SHAREHOLDER RETURN VERSUS GROUP CEO'S SINGLE FIGURE TOTAL REMUNERATION



Implementation of the remuneration policy in response to Covid-19

The background statement (starting on page 128) provides the context and challenges of a one in a hundred-year event. While the remuneration policy has broadly withstood this challenge, remco has used its discretion to implement temporary amendments to ensure that there are sufficient incentives for leadership to protect shareholder value over the long term and to achieve the best and fairest outcomes for shareholders, executives and other stakeholders.

TEMPORARY AMENDMENTS IMPLEMENTED

Fixed remuneration for group leadership council members

Remco decided not to award fixed remuneration increases unless there has been a change in responsibilities.

Non-executive directors' fees

Remco decided not to increase fees for non-executive directors to ensure there is alignment with the group leadership council members and shareholders.

March 2020 PRP award performance conditions

Remco noted in the 2019 remuneration report that it would consider the impact that Covid-19 had on its remuneration policy in due course. In the December 2020 SENS announcement, remco confirmed that it would retain the conditional nature of the March 2020 PRP awards but that it would be in the best interests of the group to amend the related performance conditions, to an evaluation by remco at the end of the three-year performance period.

The December 2020 SENS announcement also noted that the performance conditions for the March 2018 and March 2019 awards would not be amended even though the threshold performance conditions have not been met for the March 2018 awards and there is high probability that the March 2019 awards will not vest.

Extension of expiry period for historical share-linked awards

Remco decided to extend the expiry period for a small number of historical awards that have already vested in the EGS, GSIS and the SARP. The extension is up to 31 March 2023. These share-linked awards that had already been held for up to ten years had become valueless due to an event unrelated to performance just prior to expiry.

Covid-19 impact and remuneration actions in respect of our employees

To help employees manage the impact of Covid-19, the following reward actions were taken:

- Maintained fixed remuneration for all employees during periods of temporary unproductivity brought about by the mandatory Covid-19 lockdowns.
- Continued to award STIs to employees who met the required performance standards albeit significantly reduced to reflect the group's 2020 performance.
- Made a special 'National Service Appreciation' recognition award (R5 000 or local equivalent) to the general employees and managers who continued to work from the bank's premises to deliver essential banking services to our clients during the first wave of national lockdowns in South Africa and Africa Regions.
- Introduced special leave policies including parental leave during school closures and leave for self-quarantine purposes.
- Repatriated our international assignees, where possible and if they wished to do so, ahead of border closures and travel bans and supported those that chose to remain.

Individual performance and remuneration of executive directors and prescribed officers

Context to awards

The impact of Covid-19 dominated 2020. It affected all the economies in which the group operates in. It affected our businesses, our leaders, our clients and our people. Our financial results reflect the economic damage caused by the pandemic, but these results also reflect the strength of the group. They demonstrate our capacity to support our clients and communities during the most difficult 12 months in living memory. They demonstrate the strength of our Africa-wide portfolio and sum up the extent of the damage to the South African economy.

No pre-determined executive performance contract or goals set in January 2020, could have captured everything the GLC were asked to do in 2020. Consequently, the performance of these individuals was based on the group's 2020 financial results, their own business line results where applicable, the strategic progress they made in 2020 under the other four value drivers, and on how they have contributed to ensuring the group has remained sound, sustainable and socially relevant during the pandemic.

In this context, remco determined that 2020 reward for executive directors and prescribed officers had to reflect the impacts of Covid-19 on financial performance. This led to a below target rating on the financial strategic value driver, which has been directly linked to STI awards. This then allowed remco to objectively assess the other four value drivers on their merits knowing that STIs were determined solely on financial outcomes for 2020.

STI outcomes for executive directors are 100% aligned with group performance and STI outcomes for prescribed officers are aligned to group performance (50%) and their respective business line performance (50%).

The group's material issues for each of its strategic value drivers are on page 31. The individual disclosures for each executive director and prescribed officer detail the individual achievements against each strategic value driver and the link between performance and the reward outcomes.

Sim Tshabalala

Chief executive officer, Standard Bank Group

Performance against:

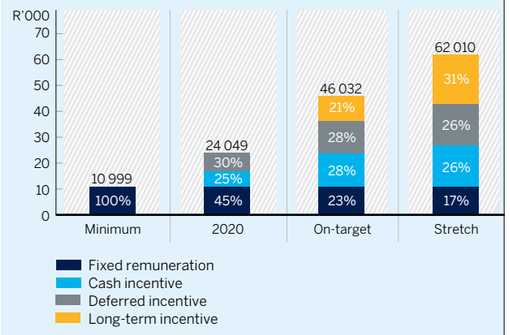
- **Financial strategic value driver** – below target rating
- **Non-financial strategic value drivers** – overall on-target rating

Sim's performance has been based on the group's 2020 financial results, the strategic progress made under the other four value drivers and on how he has contributed to ensuring the group has remained sound, sustainable and socially relevant during the pandemic.

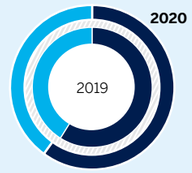
Link between performance and reward

- In line with the approach taken for executive directors and prescribed officers, there is no increase to fixed remuneration with effect from March 2021. The year-on-year increase in fixed pay of 8% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020.
- In line with all other GLC members, STIs are proposed after considering HE and the achievement of strategic value drivers. For executive directors, the financial performance is fully anchored around group performance. Consequently, STI awards have been reduced by 44%, in line with group HE, which reduced by 43%.
- 55% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.
- The conditional LTI award in the PRP has been increased by R1.1 million from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any delivery is subject to performance conditions being met as assessed by remco.
- The table below shows that total remuneration awarded by remco of R41.8 million (of which R17.75 million is at risk and may not deliver any value) is 17% lower than the prior year.
- Single figure awards are 51% down on the prior year, reflecting the non-delivery of the March 2018 PRP award evaluated on the three-year performance period ending December 2020 and a significant reduction in the STI award awarded for 2020.
- The graph alongside shows that this year's single figure total reward of R24.1 million is 52% of on-target projected earnings and 39% of projected stretch earnings.

SINGLE FIGURE TOTAL REWARD FOR 2020 IN RELATION TO MINIMUM, ON-TARGET AND STRETCH PROJECTED EARNINGS

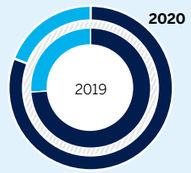


DEFERRED AWARDS AS PERCENTAGE OF TOTAL REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**60**	59
Paid in cash	**40**	41

DEFERRED AWARDS AS PERCENTAGE OF TOTAL VARIABLE REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**81**	74
Paid in cash	**19**	26

Remuneration awarded by remco for 2020

AWARDED

R'000	2019	**2020**	% Increase
Fixed remuneration	10 222	**10 999**	8
Cash incentive	10 525	**5 900**	(44)
Deferred incentive	12 725	**7 150**	
PRP awarded	16 650	**17 750**	7
Total reward	50 122	**41 799**	(17)

SINGLE FIGURE

R'000	2019	**2020**	% Increase
Fixed remuneration	10 222	**10 999**	8
Cash incentive	10 525	**5 900**	(44)
Deferred incentive	12 725	**7 150**	
PRP awarded	15 724	**–**	(100)
Total reward	49 196	**24 049**	(51)

GOV/REM The full performance scorecard is detailed in the remuneration report online.

Dr Arno Daehnke

Group chief financial and value management officer
(previously group financial director)

Performance against:

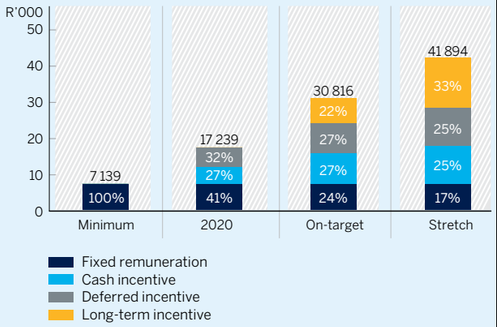
- **Financial strategic value driver** – below target rating
- **Non-financial strategic value drivers** – overall on-target rating

Arno's performance has been based on the group's 2020 financial results, the strategic progress made under the other four value drivers and on how he has contributed to ensuring the group has remained sound, sustainable and socially relevant during the pandemic.

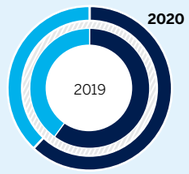
Link between performance and reward

- In line with the approach taken for executive directors and prescribed officers, there is no increase to fixed remuneration with effect from March 2021. The year-on-year increase in fixed pay of 11% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020 after remco considered appropriate market data.
- In line with all other GLC members, STIs are proposed after considering HE and the achievement of strategic value drivers. For executive directors, the financial performance is fully anchored around group performance. Consequently, STI awards have been reduced by 44%, in line with group HE, which reduced by 43%.
- 54% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.
- The conditional LTI award in the PRP has been increased by R2 million from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any future delivery is subject to performance conditions being met as assessed by remco.
- The table below shows that total remuneration awarded by remco of R31.2 million (of which R14.0 million is at risk and may not deliver any value) is 14% lower than the prior year.
- Single figure awards are 48.1% down on the prior year, reflecting the non-delivery of the March 2018 PRP award evaluated on the three-year performance period ending December 2020 and a significant reduction in the STI award awarded for 2020.
- The graph alongside shows that this year's single figure total reward of R17.2 million is 56% of on-target projected earnings and 41% of projected stretch earnings.

SINGLE FIGURE TOTAL REWARD FOR 2020 IN RELATION TO MINIMUM, ON-TARGET AND STRETCH PROJECTED EARNINGS

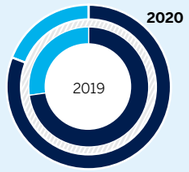


DEFERRED AWARDS AS PERCENTAGE OF TOTAL REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**62**	60
Paid in cash	**38**	40

DEFERRED AWARDS AS PERCENTAGE OF TOTAL VARIABLE REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**81**	73
Paid in cash	**19**	27

Remuneration awarded by remco for 2020

AWARDED

R'000	2019	2020	% Increase
Fixed remuneration	6 409	**7 139**	11
Cash incentive	8 150	**4 600**	(44)
Deferred incentive	9 850	**5 500**	
PRP awarded	12 000	**14 000**	17
Total reward	36 409	**31 239**	(14)

SINGLE FIGURE

R'000	2019	2020	% Increase
Fixed remuneration	6 409	**7 139**	11
Cash incentive	8 150	**4 600**	(44)
Deferred incentive	9 850	**5 500**	
PRP awarded	8 804	**–**	(100)
Total reward	33 213	**17 239**	(48)

GOV/REM The full performance scorecard is detailed in the remuneration report online.

Kenny Fihla

Chief executive officer, Wholesale Clients
(previously Chief executive, CIB)

Performance against:

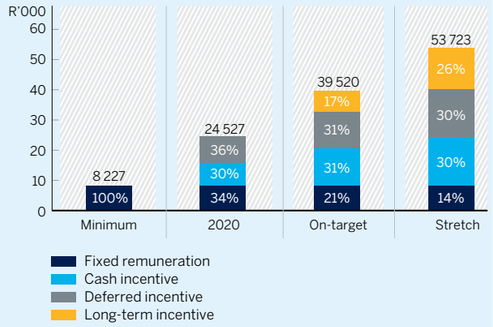
- **Financial strategic value driver** – below target rating
- **Non-financial strategic value drivers** – overall on-target rating

Kenny's performance has been based on the group's 2020 financial results, CIB's business line results and the strategic progress made under the other four value drivers.

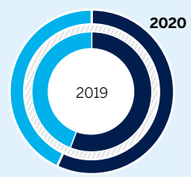
Link between performance and reward

- In line with the approach taken for executive directors and prescribed officers, there is no increase to fixed remuneration with effect from March 2021. The year-on-year increase in fixed pay of 6% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020.
- In line with all other group leadership council members, STIs are proposed after considering HE and the achievement of strategic value drivers. As a chief executive of a business line, the financial performance is anchored on 50% CIB business line and 50% group.
- The 25% reduction in the STI award to R16.3 million takes into account the following metrics:
  - 50% weighting to the group's HE reduction of 43%.
  - 50% weighting to CIB's HE reduction of 6%.
- 55% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.
- The conditional LTI award in PRP has been increased by R0.85 million from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any future delivery is subject to performance conditions being met as assessed by remco.
- The table below shows that total remuneration awarded by remco of R36.5 million (of which R12 million is at risk and may not deliver any value) is 10% lower than the prior year.
- Single figure awards are 34% down on the prior year, reflecting the non-delivery of the March 2018 PRP award evaluated on the three-year performance period ending December 2020 and a significant reduction in the STI award awarded for 2020.
- The graph alongside shows that this year's single figure total reward of R24.5 million is 62% of on-target projected earnings and 46% of projected stretch earnings.

SINGLE FIGURE TOTAL REWARD FOR 2020 IN RELATION TO MINIMUM, ON-TARGET AND STRETCH PROJECTED EARNINGS

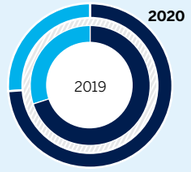


DEFERRED AWARDS AS PERCENTAGE OF TOTAL REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**57**	56
Paid in cash	**43**	44

DEFERRED AWARDS AS PERCENTAGE OF TOTAL VARIABLE REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**74**	70
Paid in cash	**26**	30

Remuneration awarded by remco for 2020

AWARDED

R'000	2019	2020	% Increase
Fixed remuneration	7 734	**8 227**	6
Cash incentive	10 025	**7 400**	(25)
Deferred incentive	11 725	**8 900**	
PRP awarded	11 150	**12 000**	8
Total reward	40 634	**36 527**	(10)

SINGLE FIGURE

R'000	2019	2020	% Increase
Fixed remuneration	7 734	**8 227**	6
Cash incentive	10 025	**7 400**	(25)
Deferred incentive	11 725	**8 900**	
PRP awarded	7 548	**–**	(100)
Total reward	37 032	**24 527**	(34)

GOV/REM The full performance scorecard is detailed in the remuneration report online.

Zweli Manyathi

Chief executive officer, Business and Commercial Clients
(previously Chief executive, PBB)

Performance against:

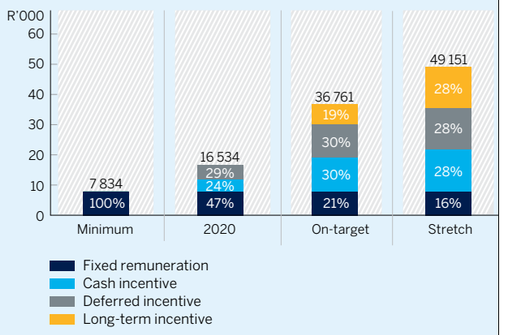
- **Financial strategic value driver** – below target rating
- **Non-financial strategic value drivers** – overall on-target rating

Zweli's performance has been based on the group's 2020 financial results, PBB's business line results and the strategic progress made under the other four value drivers.

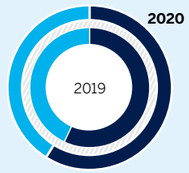
Link between performance and reward

- In line with the approach taken for executive directors and prescribed officers, there is no increase to fixed remuneration with effect from March 2021. The year-on-year increase in fixed pay of 4% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020.
- In line with all other GLC members, STIs are proposed after considering HE and the achievement of strategic value drivers. As a chief executive of a business line, the financial performance is anchored on 50% PBB business line and 50% group.
- The 59% reduction in the STI award to R8.7 million takes into account the group's HE reduction of 43%, and significant reduction in PBB's HE.
- 55% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.
- The conditional LTI award in PRP has been increased by R0.85 million from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any future delivery is subject to performance conditions being met as assessed by remco.
- The table below shows that total remuneration awarded by remco of R28.5 million (of which R12.0 million is at risk and may not deliver any value) is 29% lower than the prior year.
- Single figure awards are 56% down on the prior year, reflecting the non-delivery of the March 2018 PRP award evaluated on the three-year performance period ending December 2020 and a significant reduction in the STI award awarded for 2020.
- The graph alongside shows that this year's single figure total reward of R16.5 million is 45% of on-target projected earnings and 34% of projected stretch earnings.

SINGLE FIGURE TOTAL REWARD FOR 2020 IN RELATION TO MINIMUM, ON-TARGET AND STRETCH PROJECTED EARNINGS

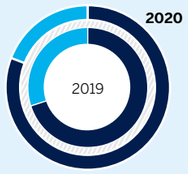


DEFERRED AWARDS AS PERCENTAGE OF TOTAL REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**59**	57
Paid in cash	**41**	43

DEFERRED AWARDS AS PERCENTAGE OF TOTAL VARIABLE REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**81**	70
Paid in cash	**19**	30

Remuneration awarded by remco for 2020

AWARDED

R'000	2019	2020	% Increase
Fixed remuneration	7 520	**7 834**	4
Cash incentive	9 900	**3 950**	(59)
Deferred incentive	11 600	**4 750**	(59)
PRP awarded	11 150	**12 000**	8
Total reward	40 170	**28 534**	(29)

SINGLE FIGURE

R'000	2019	2020	% Increase
Fixed remuneration	7 520	**7 834**	4
Cash incentive	9 900	**3 950**	(59)
Deferred incentive	11 600	**4 750**	(59)
PRP awarded	8 176	**–**	(100)
Total reward	37 196	**16 534**	(56)

GOV/REM The full performance scorecard is detailed in the remuneration report online.

Margaret Nienaber

Chief executive officer, Client Solutions
(previously Chief executive, Wealth)

Performance against:

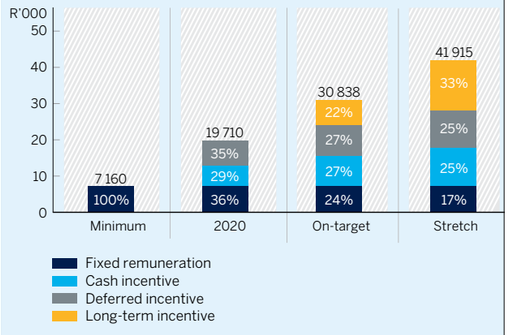
- **Financial strategic value driver** – below target rating
- **Non-financial strategic value drivers** – overall on-target rating

Margaret's performance has been based on the group's 2020 financial results, Wealth's business line results and the strategic progress made under the other four value drivers.

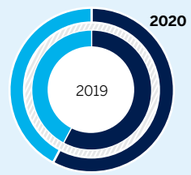
Link between performance and reward

- Fixed remuneration has increased by 5% with effect from March 2021 to reflect increased responsibilities following an internal restructuring of the client portfolios. Margaret has been appointed chief executive officer, Client Solutions. She is the only exception to the no increase determination.
- The year-on-year increase in fixed pay of 11% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020.
- In line with all other GLC members, STIs are proposed after considering HE and the achievement of strategic value drivers. As a chief executive of a business line, the financial performance is anchored on 50% Wealth business line and 50% group.
- The 28% reduction in the STI award to R12.55 million takes into account the following metrics:
  - 50% weighting to the group's HE reduction of 43%.
  - 50% weighting to wealth's HE reduction of 13%.
- 55% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.
- The conditional LTI award in PRP has been increased by R500 000 from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any future delivery is subject to performance conditions being met as assessed by remco.
- The table below shows that total remuneration awarded by remco of R30.7 million (of which R11 million is at risk and may not deliver any value) is 11% lower than the prior year.
- Single figure awards are 46% down on the prior year, reflecting the non-delivery of the March 2018 PRP award evaluated on the three-year performance period ending December 2020 and a significant reduction in the STI award awarded for 2020.
- The graph alongside shows that this year's single figure total reward of R19.7 million is 64% of on-target projected earnings and 47% of projected stretch earnings.

SINGLE FIGURE TOTAL REWARD FOR 2020 IN RELATION TO MINIMUM, ON-TARGET AND STRETCH PROJECTED EARNINGS

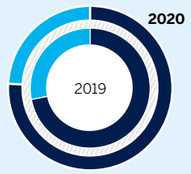


DEFERRED AWARDS AS PERCENTAGE OF TOTAL REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**58**	58
Paid in cash	**42**	42

DEFERRED AWARDS AS PERCENTAGE OF TOTAL VARIABLE REWARD (%)



	2020	2019
Deferred for up to 3.5 years	**76**	72
Paid in cash	**24**	28

Remuneration awarded by remco for 2020

AWARDED

R'000	2019	2020	% Increase
Fixed remuneration	6 431	**7 160**	11
Cash incentive	7 900	**5 675**	(28)
Deferred incentive	9 600	**6 875**	(28)
PRP awarded	10 500	**11 000**	5
Total reward	34 431	**30 710**	(11)

SINGLE FIGURE

R'000	2019	2020	% Increase
Fixed remuneration	6 431	**7 160**	11
Cash incentive	7 900	**5 675**	(28)
Deferred incentive	9 600	**6 875**	(28)
PRP awarded	12 567	**–**	(100)
Total reward	36 498	**19 710**	(46)

GOV/REM The full performance scorecard is detailed in the remuneration report online.

Additional information

Pro forma information

Pro forma constant currency financial information

The pro forma constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results and may not fairly present the group's financial position and results of operations. In determining the change in constant currency terms, the comparative financial years have been adjusted for the difference between the current and prior year cumulative average exchange rates, determined as the average of the daily exchange rates. The measurement has been performed for each of the group's material currencies. The constant currency change percentage is calculated using this adjusted comparative amount.

The following average exchange rates were used in the determination of the pro forma constant currency information and were calculated using the average of the average monthly exchange rates (determined on the last day of each of the 12 months in the period).

	2020 average exchange rate	2019 average exchange rate
US dollar	**16.45**	14.44
Pound sterling	**21.08**	18.43
Angolan kwanza	**0.03**	0,04
Ghanaian cedi	**2.86**	2.70
Nigerian naira	**0.04**	0.04
Kenyan shilling	**0.15**	0.14
Mozambican metical	**0.24**	0.23

Standard Bank Group Limited credit ratings

As at 11 March 2021

	Short term	Long term	Outlook
Fitch Ratings			
Foreign currency issuer default rating	B	BB-	Negative
Local currency issuer default rating		BB-	Negative
National rating	F1 + (ZAF)	AA+ (ZAF)	Stable
Moody's Investor Services			
Issuer rating		Ba3	Negative

For further details regarding the group's credit ratings, including credit ratings for key subsidiaries, refer to the group website.

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A full glossary is available on the group's website.

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