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CORPORATE & INVESTMENT BANKING

CHIEF EXECUTIVE'S REVIEW

"CIB delivered sustained performance in tough markets by consistently implementing our strategy. We focused on creating efficiencies that enabled a better response to our clients' needs, including the digitisation of selected processes, improved client interaction and providing solutions to clients across their industry value chains that benefit them, their customers, suppliers and employees."

CIB delivered respectable results despite subdued economic conditions in our key markets were exacerbated by global trade tensions and Brexit-related uncertainty. These conditions impacted our trading activities and Global Markets business, while currency-related headwinds and regulatory restrictions affected our Africa Regions operations. However, we managed to maintain our strong financial performance, with 5% growth in headline earnings and an ROE of 18.1%.

Our increased client focus contributed to 2% growth in revenue in South Africa and 8% in Africa Regions. This, combined with the diversification of our business by sector, geography and product offering, drove 5% growth in overall revenue to R39.1 billion, from R37.4 billion in 2018.

Our extensive market knowledge and strong client relationships ensured a nimble response to both market risk and opportunity. We shifted the allocation of resources to emerging revenue-generating opportunities according to our dynamic risk appetite, reflected in the landmark transactions we closed during the year.

CIB participated in funding large-scale infrastructure development projects that will support economic growth in our markets, underpinned by our relationships with development finance institutions that enable appropriate risk-sharing arrangements. In South Africa, we continued to contribute to economic growth and development by enabling broad-based black economic empowerment (B-BBEE) and black-owned companies to grow through equity, debt lending and acquisition finance.

Importantly, we supported our clients' adoption of environmentally and socially responsible technology in infrastructure projects, and worked proactively with our clients in the power sector to support the transition to a lower carbon economy. 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.

A milestone in 2019 was setting up our sustainable finance team, responsible for partnering with our businesses to better serve our clients, drive innovation and capture emerging opportunities as the emphasis on inclusive and sustainable growth by investors, institutions and companies intensifies.

While we successfully addressed many client frustrations with digital solutions, our people and clients experienced some disruption of our online channels during the process of modernising our business. By accelerating the pace of online channel improvement and equipping our people to respond to the changing needs and expectations of our clients, we expect to realise the full benefits of system upgrades and increased digitisation during 2020 and beyond.

Our risk appetite is regularly reviewed and adjusted based on the insights of our in-country risk teams and the group risk management function. Our strategy of developing relationships with our clients and knowing the sectors and markets they operate in enables us not only to select quality clients and projects but also to avoid risk or anticipate it and respond proactively. We adjust our risk appetite indicators to reflect changes in our clients' businesses and operating environments.

Although our client risk is well managed in these challenging economic times, we experienced an increase in impairments of 52%. In South Africa, misstatements of financial statements remains an area of concern. This is a worrying trend and we will continue to spend appropriate time and effort in strengthening our KYC and other risk management processes, to proactively identify and manage such clients.

Our principle of doing the right business, the right way is pervasive from our compliance with regulations to our ethical conduct as individuals and as a business. As an African financial institution with a global presence, our operations are required to adopt global best practice in financial sector standards. Changing – and increasingly punitive – regulatory environments in our Africa Regions markets represent a risk for investors in Africa. Our in-country teams maintain relationships with the banking regulators and central banks in all our markets to ensure that we understand and can proactively manage increasing regulatory change.

While short-term economic risks, particularly from a severe COVID-19 scenario, will continue to weigh on our key markets across our network, we are confident that the medium- to long-term economic prognosis is more positive. Oil and gas opportunities in East Africa, and particularly natural gas discoveries in Mozambique, will prompt increased activity by corporate clients involved in the development and supply of services to the sector. In South Africa, we are encouraged by the government's economic reform agenda but we remain cautious in the short-term.

The following pages describe how we are responding to the group's strategic focus areas in an integrated way, focusing on those priorities that make the most difference in resolving our clients' frustrations and improving their experiences. Ongoing modernisation of our processes and accelerating the pace of digitisation to improve the experience of our people and thereby equipping them to continually and holistically improve the client experience, will continue to be key priorities in the coming year.



LANDMARK TRANSACTIONS DRIVING AFRICA'S GROWTH

In 2019, we completed several landmark transactions across our African markets, including expansionary funding for multinationals and large corporations to support growth in the oil and gas, power and infrastructure, real estate, consumer products, non-banking financial services and telecommunications sectors.

We are a material provider of foreign currency liquidity and risk management across our African footprint. We facilitated the raising of hard currency funding for African governments to alleviate currency shortages, including an oversubscribed Eurobond for Ghana.

CIB remains an integral participant 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.

NOTABLE TRANSACTIONS INCLUDED:

Republic of Ghana

We were joint mandated lead arranger, underwriter and lender on a USD500 million bridge loan for the Republic of Ghana. The loan was sought by Ghana prior to their oversubscribed USD3 billion Eurobond issuance for which we acted as joint lead manager.



This transaction highlights our commitment to driving Africa's growth by supporting African governments in raising hard currency funding.

Globeleq

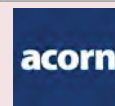
We were sole mandated underwriter and arranger on a bridge loan and preference share structure for Globeleq Africa. The company was successful in bidding for the South African renewable energy portfolio of Brookfield Asset Management, with the ultimate acquisition comprising five renewable energy assets.



The deal supports the growth of South Africa's renewable energy capability and demonstrates our ability to finance such transactions across the entire capital structure.

Acorn Group

We acted as the lead arranger and placing agent on East Africa's first ever green bond, issued by Nairobi-based property developer Acorn Group. This five-year corporate bond has raised KES4.3 billion in project finance for six student accommodation properties that boast the International Finance Corporation's Excellence in Design for Greater Efficiencies (EDGE) green certification. The new student accommodation will help provide over 5 000 beds to students.



The success of the transaction demonstrates our commitment to embedding our SEE framework into our product offering.

Sanlam

We acted as sole advisor, third-party lender, external preference share subscriber, equity secured funder, bookrunner on delta hedge execution and JSE sponsor for Sanlam's transformative R8 billion B-BBEE transaction, which aimed to position Sanlam's South African operations for strong growth through enhanced economic empowerment credentials. We played a key role in explaining the merits and importance of the transaction to Sanlam's international investors to secure the requisite 75% shareholder approval. Thanks to a seamless collaboration across advisory, corporate broking, equity capital markets, debt and global markets, we were able to provide a fit-for-purpose solution that will enable Sanlam to meet its transformational objectives and create long-term value.



"Standard Bank's unique combination of local balance sheet, a wide African footprint, strong advisory capabilities and global reach, and most of all, a professional and passionate team with exceptional work ethic, allowed us to appoint them as sole advisor and funder," said Heinie Werth, Sanlam chief financial officer.

MetroFibre Networkx

We were the financial advisor on a capital raise deal between South African fibre infrastructure and internet services provider, MetroFibre Networkx and French investment company STOA Infra & Energy in which STOA acquired a significant minority equity investment (23.08%) in MetroFibre. We followed up the capital raise by lead arranging R1 billion of term funding for MetroFibre. The capital raised will enable infrastructure expansion that will increase access to fibre for South African businesses and households.



Standard Bank was instrumental in partnering MetroFibre Networkx with STOA. Our view of the broader global funding ecosystem enabled us to recognise the right investor being STOA and partner it with a fast-growing company being MetroFibre.

Legae Peresec

We acted as the sole financial advisor, structurer and financier on the acquisition of Peregrine Securities by Nkholi to form Legae Peresec, South Africa's largest securities trading business. Legae Peresec is 51% majority black-owned and managed and has over 30% black female ownership.



As a banking partner to Legae Peresec, we are mandated to manage the company's custody and clearing business as we continue to support its growth and development.

PERFORMANCE AGAINST STRATEGY

CIB's strategy was reviewed in 2019 and remains unchanged.



DELIVERING EXCEPTIONAL CLIENT EXPERIENCES

CIB's mature client relationship model is based on proactive client partnerships that enable our coverage teams to work alongside our corporate clients, providing relevant solutions across sectors, regions and products to support their growth ambitions.

Our client focus contributes to a strong and diversified franchise that impacts positively on diversification and growth in African economies. This contributed to an improvement in client satisfaction and was recognised by Euromoney's 2019 Excellence Award for Africa's Leading Investment Bank.

Client satisfaction on the rise

CIB's client satisfaction index increased to 8.1, up from 8.0 in 2018.

Contributing factors included:

- Overall improvements in the Investment Banking experience and streamlined credit process, with marginal improvements in Global Markets and TPS Africa Regions.
- Positive sentiment offset by continued online channel and foreign payment challenges (particularly in South Africa).
- More frequent, strategic engagement by relationship managers, strengthening client relationships.
- The highest CSI rating achieved in Ghana, Uganda and Botswana, with Ghana showing significant year-on-year improvements.

We continued to adjust our risk appetite to reflect changes in clients' operating environments and were selective in exposures to avoid concentration in certain sectors. Our top revenue earning sectors include financial services, consumer, power and infrastructure, and industrials.



LEVERAGING OUR DIGITAL PLATFORMS TO MEET OUR CLIENTS' NEEDS

Our strong client relationships help us 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 achieve the dual outcomes of addressing client frustrations and matching their financial services needs with secure, personalised, relevant experiences, and a full range of solutions, in real time, all the time. Our system modernisation and the digitisation of our processes enables us to provide more efficient client service than our competitors at lower cost, and helps our clients execute their strategies.

Many of our digital solutions are informed by feedback from our clients, either through their engagement with client relationship managers or our annual client satisfaction surveys. This ensures that we prioritise the things that matter most to our clients. Our client onboarding and lending solutions are an example of digital solutions informed by both client and employee feedback. In addition to receiving client feedback and recognising the strong correlation between client and employee frustrations, we also asked our people to identify their primary obstacles to good client service.

These included:

- inefficient duplication of information and effort, and
- fragmentation of client information across different platforms.

Solutions such as the automation and simplification of basic processes, decommissioning of legacy IT systems and migration of clients to more modern platforms, and the consolidation of client information on one screen, equip our people to provide more adequate and timely responses to clients. Digital capability frees our people to focus on more value-adding client services which, in turn, improves client experience.

Improving client experiences with digital technology

Challenges

Our clients told us that they wanted:

- seamless service on a single digital point of entry; and
- faster credit decisions on commercial loan applications.

Solutions

In response to client concerns, we developed a solution that uses contextually relevant information about clients to understand how they choose to interact with us and the services they need to meet their current and future financial services needs.

The following new digital innovations include the automation of basic processes to address client frustrations:

- **One place to land**, a single entry point to CIB's services on a digital portal, available from 2020. This portal will offer clients access to services across products and information relevant to them as individuals within their organisations.
- **African Market Tracker** addresses the challenge of sourcing reliable and accurate information on African markets by providing real-time, accurate data that clients require.

- **Digital Solutions Marketplace**, a data-driven marketplace which connects shoppers, shop-owners and suppliers to accelerate cash flows, and enhance brand performance. We use brand and point of sale (POS) data to unlock cash flow for both suppliers and shop-owners.
- **Digital client onboarding and account opening solutions** auto populate forms and enable corporate clients to open and activate accounts immediately, provided all client documentation is supplied.
- **New lending solution** reduces the time it takes to make credit decisions. By consolidating data and automating internal documentation needed for decision-making, we accelerate information flows without compromising the risk assessment process. This initiative will be scaled up early in 2020, resulting in further improvements in our lending process.
- Adoption of **disruptive technologies** such as data analytics, blockchain and robotic process automation is streamlining complex trade processing between multiple parties, while strengthening risk management.
- Partnering with **innovative FinTechs** to leverage disruptive technology enables African companies to leapfrog technology advances to improve operational efficiencies and client experiences.

Benefits

Client experience

Clients provide KYC documents once to be used across all products; one view of all facilities with the bank.

Foreign exchange online

Foreign exchange transactions and international payments within 24 hours of digital account opening.

Faster trade

Robotic process automation reduced turnaround time of trade guarantees by 80%.



DELIVERING INTEGRATED SOLUTIONS TO OUR CLIENTS

Our commitment to client centricity is significantly enhanced by the group's scale, scope and expertise which enables us to respond to the diverse needs of many of our clients more comprehensively than CIB could alone.

By integrating the group's offerings we are able to deliver complete solutions to our clients. For example, when a client awards CIB a transactional banking mandate – as part of our comprehensive financial services offerings – the payment collections, POS, credit card and cash management services are provided by PBB.

Similarly, we focus on providing solutions to our clients across their value chains (ecosystems) throughout the continent. An advantage of this integrated approach is that a sustainable anchor client whose risk is understood not only enhances the risk profile of the client but also helps identify additional opportunities

within this client's value chain. In Nigeria, Kenya and Uganda, we collaborate successfully with Wealth to offer investment and insurance services to our clients' shareholders and executives, while PBB attends to the business banking needs of many of our clients' customers, suppliers and service providers.

We continue to leverage our strategic cooperation agreement with ICBC. We have partnered on infrastructure projects in oil and gas, and power and infrastructure sectors across the African continent, with projects across West Africa, East Africa and South & Central Africa. Since 2016, we have jointly supported investment banking deals worth over USD3.6 billion.

LOOKING AHEAD

We will continue to provide services and solutions that help our clients achieve their strategic ambitions. As we continue to improve the client experience, we believe we are positioned to sustain the growth of our client franchises as we capitalise on opportunities across our

markets, underpinned by effective credit management and disciplined cost control.

Our priorities include:

- Digitising core client interaction processes, including client onboarding.
- Proactively developing solutions to resolve client challenges.
- Implementing a resilience programme for our top ten critical digital platforms to improve IT system stability.
- Accelerating API-enabled infrastructure and intelligent automation.
- Automating selected product transactions per country to beat competitor benchmarks.
- Rationalising the CIB footprint and capability offering to align with client demands.
- Leveraging cross-functional teams and capacity to deliver complete solutions to clients within their value chains.