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PERSONAL & BUSINESS BANKING

CHIEF EXECUTIVE'S REVIEW

“Despite difficult market conditions across many of our markets, we maintained our growth momentum in most asset categories and deposits, and improved our ROE. We continued to make strides in digitising services to ensure they are available to our clients 24/7/365, but more work must be done to deliver ‘always on and always secure’ client access to these services. We remain committed to deliver what matters most to our clients, our people and our other stakeholders.”

Our largest franchise, South Africa, was impacted by sustained economic weakness, subdued consumer spending and credit demand, low business confidence and intense competition, compounded by higher unemployment reducing the number of bankable clients. Ongoing load shedding is having a significant impact on our business, specifically on the confidence of our commercial clients to invest further in their businesses.

During 2019, we responded to changing client behaviour and the continued migration of transactions from branches to digital platforms and channels by reconfiguring our branch footprint, closing 90 branches and, through an enhanced voluntary severance package, reducing our related headcount by 1 001 people. As one would expect, this had a negative impact on morale, productivity and client experience. To ensure that the branch closures did not affect client access to the services they need, we first focused on digitising the residual ‘go to branch’ services and experienced a phenomenal uptake of these services by clients. I am happy to report that staff morale, productivity and client experience began to improve in the last quarter of 2019.

PBB South Africa also launched new products and online features in an increasingly agile manner. A good example of this was the launch of MyMo – an innovative, low cost, paperless account with access to mobile data, which we brought to market within a few weeks. We have seen a gradual uptake of both MyMo and in our mobile virtual network operator (MVNO) offering.

PBB Africa Regions experienced margin compression due to declining interest rates, regulatory interventions that restricted fee increases, as well as lethargic performances in some economies. Even with these challenges, PBB Africa Regions delivered an impressive 8% growth in client numbers and growth in headline earnings of 53%.

Significant effort in 2019 went into strengthening our client relationships, understanding our client value chains and growing our client base.

Digital adoption has been strong, with 99% of transaction volumes in South Africa and 92% in the Africa Regions made on our digital channels and platforms.

We continue to invest in our people. In South Africa, 4 225 employees are being retrained as universal bankers to broaden their skills so that they are better equipped to deal with the changing world brought about by the Fourth Industrial Revolution. These colleagues will graduate from the programme with a nationally recognised National Qualifications Framework level five (NQF5) qualification.

In Africa Regions, the number of branches increased marginally to 586 as we continued to expand our representation in growing markets and reposition or resize our footprint in others. Our headcount has decreased notwithstanding this marginal increase in branches, enabled by the progress we continue to make in digitising our processes and improving our technology.

PBB recorded strong asset growth driven by our digitisation of personal loans in both South Africa and Africa Regions, which saw strong client adoption. This increased loan self-origination by clients and higher loan disbursement to clients was executed within our risk appetite.

As anticipated, given the accounting impact of IFRS 9, the higher unsecured lending growth led to an increase in performing book impairments on the portfolio, while a more normalised impairment was seen in VAF. This was felt mainly in the South African franchise. In Africa Regions, the portfolio performed well despite the pressure in certain economies. There are a handful of exposures that we are concerned about, and we continue to manage our credit risk carefully, with a focus on rehabilitation and recoveries. Pleasingly, the CLR has

remained within our targeted range, despite the challenging economic environment.

We experienced multiple and costly regulatory interventions in a few of our Africa Regions markets and absorbed the financial impact. We expect regulators to continue to put pressure on banks to reduce the cost of banking to improve financial inclusion and will respond constructively to this important objective. We are working on several innovative solutions to proactively foster inclusion for both personal and business clients.

We continue to embrace FinTech partnerships to support innovative client solutions, with notable examples being:

- Founders Factory, where we are co-investing in start-ups and businesses that need capital to accelerate to the next growth stage, focusing on target businesses in the financial sector.
- Nomanini, enabling stock advances and working capital loans for traders in Africa Regions.
- One identity, to support digital know your customer (KYC) and client onboarding.
- 4Sure, a digital claim process for burst geysers (water boilers).
- Amazon Web Services, to enable data-driven personalisation, among other areas of collaboration.

The benefits to our clients of the extensive work we have done to align our organisational design, reshape our resources and shift our culture is discussed in more detail in the pages that follow. Looking ahead, we will continue to grow our client franchises within specific value chains, and I am confident that PBB will show resilience and improved performance in the coming years as we master the art of delivering what truly matters to our clients. We do, however, expect the economic environment to remain challenging across all our markets, particularly in a severe COVID-19 scenario.



PERFORMANCE AGAINST STRATEGY

PBB's strategy remains unchanged.



DELIVERING EXCEPTIONAL CLIENT EXPERIENCES

PBB continues to leverage its digital transformation to better understand our personal and business clients and respond quickly to their needs across the full spectrum of financial services. We continuously improve our use of technology, data and AI to meet our objective to deliver exceptional client experiences. We understand that our success depends on the success of our clients and we undertake to partner with them on their growth journeys.

We believe that digital adoption requires the human touch to succeed and have realigned our organisation and culture to enable our employees to improve client experiences. The traditional siloed approach is shifting to cross-functional teams that focus on agile delivery of client solutions. Client relationship teams are being empowered by business and IT processes to enable innovative, cost-effective and personalised digital services to our clients. These processes also support the servicing of clients within defined value chains (ecosystems), an approach that has become central to client acquisition, servicing and retention in Africa Regions and has subsequently been adopted in our South African franchise.

Enterprise Direct, a telephone-based relationship management channel manned by experienced bankers, which originated in Africa Regions to service SME clients, is now being made available to small enterprise and middle market

clients in South Africa, with positive responses from clients. Some of the key metrics that we track, like NPS, together with positive feedback from clients suggests that we are on the right track.

PBB South Africa's NPS score has recovered, following the impact of the branch reconfiguration to our clients and employees. In Africa Regions, NPS remained stable with an uplift among clients we serve within specific ecosystem value chains.

NPS

67 SOUTH AFRICA – CHANNEL

2018: 70 | 2017: 66 | 2016: 53

25 AFRICA REGIONS

2018: 25 | 2017: 16 | 2016: 15



LEVERAGING OUR DIGITAL PLATFORMS TO MEET OUR CLIENTS' NEEDS

We continue to develop digital capabilities and new platforms that give clients and employees access to new service solutions. Our core banking systems have enabled us to deliver these solutions quicker than we were able to in the past.

To facilitate the branch reconfiguration in South Africa, key branch activities were digitised, including electronic account payment limit changes, debit order reversals, real-time clearance, access to statements older than six months and pin view. In addition, several innovative new products were introduced during 2019.

The new **MyMo** account is a competitively priced account that enables digital account opening on mobile devices. Benefits include:

- Ease of origination with no physical documentation required.
- It takes a few minutes to open an account.
- Data and airtime offerings.
- Virtual cards functionality.

MyMo has more than 100 000 clients.

Standard Bank Mobile was launched in 2018. It has benefitted from the launch of MyMo and alternative origination channels.

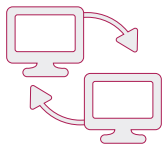
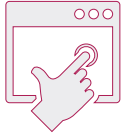
Our clients can now **purchase Apple and Huawei smartphones** on a 24-month finance arrangement for clients with Standard Bank credit cards. A convenient alternative to a contract with a mobile network operator, the offering provides the additional benefit of free voice and data to the value of the client's monthly banking fees.

10%
DISCOUNT ON
HANDSETS

1MB of data
for every R20 swipe

UCount rewards tiered points
up to 2GB of free data





We launched the **LookSee** tool which gives property buyers, sellers or homeowners access to free guides that help them make informed decisions when buying or selling property. We had 490 000 unique visitors to the site during the year.

SimplyBlu is an innovative all-in-one payment solution, launched together with one of our FinTech partners. SimplyBlu enables small businesses to start and manage an online business from a single secure platform.

BizFlex loans offer small businesses fast, paperless digital loan origination, with flexible repayments linked to revenue flows.

BizFlex	Repayments	Disbursement	Cost	Origination
Previous	Fixed	One week	Variable interest and additional fees	Documents required in branch
Current	Varying with revenue	Two hours	Fixed interest and no additional fees	Digital – paperless, available 24/7

In addition, our data on existing business clients enables us to approve and disburse business working capital loans of up to R6 million in three minutes. We have originated and disbursed working capital loans totalling R345 million to date.

The increased pace of digital adoption has been evident on the SBG mobile app where active users increased by 55% to 2 million and the value of transactions via online banking increased by 9.3% to R1.1 trillion. In addition, there has been significant appetite for our value-added services, including lotto and real-time payments.

A number of our existing products were enhanced to improve client experience, drive retention and attract new-to-bank clients.

Highlights

- **Instant personal loans and credit cards** are now available online for existing clients.
- **Tiered price home loans** where the interest rate decreases as clients pay off the loan. These loans now form 67% of new mortgage loans disbursed in our South African franchise.
- Our foreign exchange digital app, **Shyft**, was extended to non-Standard Bank clients and in 2019, there were over 28 000 downloads of the app and foreign currency exchange transactions amounting to R2.6 billion.
- **Instant Money**, our digital wallet and money transfer platform, increased transactional volumes by 18% to 27 million, with turnover of R20 billion.
- **Payment solutions** have been extended to include Samsung and Garmin Pay offerings.
- **Online origination** of personal lending and current accounts improved speed and convenience for clients, as follows:

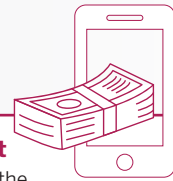
Online origination	Availability	Documents required	Disbursement
Previous	Branch hours	Proof of income	An hour to several days
Current	Digital 24/7	None for Standard Bank clients	Five minutes



In Africa Regions, our growing client base combined with strong adoption of mobile banking drove transaction volumes up by 18% to 371 million. Our market-leading digital solutions such as **MobyBanker, the remote onboarding, digital and paperless channel; SlydePay, our digital card/wallet; and instant unsecured lending (in some countries)** contributed to client and asset growth.

During the year, MobyBanker was enhanced with additional features. Clients no longer need to complete any forms during the onboarding process, while full KYC compliance is still ensured. This remote onboarding capability is live in five

countries and around 14 400 new clients have been onboarded since going live. MobyBanker provides a transactional card and account with full ATM transactability. Making banking easy and seamless for our clients, we expect this platform to perform well in future.



MobyCash – innovative digital cash management

Our market-leading MobyCash solution was recognised as the most innovative digital product in the cash management sector by Global Finance Magazine. MobyCash provides clients with secure and convenient on-location cash management, which brings the cash value chain to wherever the client is and removes the need to travel to a branch.



DELIVERING INTEGRATED SOLUTIONS TO OUR CLIENTS

PBB partners with CIB and Wealth to offer our clients integrated solutions across the financial services spectrum. Our strategy of banking clients across an entire value chain requires collaboration between our private and business bankers and continues to attract and retain quality new-to-bank retail clients.

Our relationship with ICBC has increased opportunities for our African clients. We engage closely with ICBC, Chinese and African government institutions, as well as relevant industry bodies to link African companies with Chinese importers. This has translated into the Africa China Export Proposition, launched at the China International Import Expo in November 2019, to assist African clients to sell their products in China. As a result of this intervention there are over 90 trade transactions currently underway involving the export of various items, including wine, nuts, chillies and popcorn from Africa to China.

Our Africa-China import solution, the Africa China Agent Proposition, has been launched in seven countries. This makes importing goods from China far easier for our clients.

LOOKING AHEAD

We will continue to improve and scale our digital platforms and empower our people to deliver exceptional client experiences, to support the acquisition and retention of clients in key segments across all our markets.

We are in a position to adapt to the evolving needs of our clients, to provide human experiences and convenient distribution models to reach our clients and partner with them in achieving their aspirations for individual and enterprise growth.

Our priorities include:

- Scalability and execution of ecosystem banking to deliver value chain solutions across the continent.
- Proactive client relationship and solution management to deliver what matters to the client.
- Active progression in delivering relationship connectivity and trade solutions for our Africa-China client base.
- Full digitisation of origination capability while maintaining the human touch.
- Embrace client digital migration by proactively providing relevant innovative digital payment and service capabilities.
- Modernisation of outdated financial systems to leverage cloud and new technological capability.
- Commitment to always on capability and resilience enhancement to ensure 24/7/365 access to services to our clients.
- Address the concerns of the users of the SBG mobile app to further improve adoption and use.
- Proactive footprint management in response to client behaviour and demands.
- Agile, flexible, cross-functional teams that are upskilled on a continuous basis to respond to the Fourth Industrial Revolution.