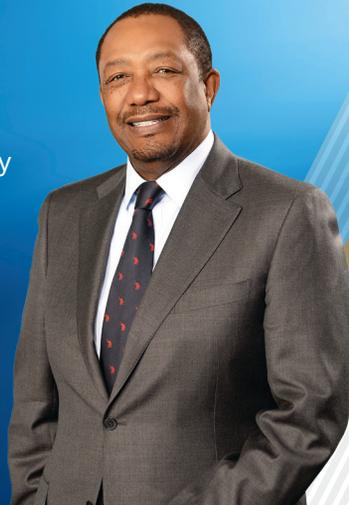


Chairman's statement

"I care deeply about ethical outcomes. As a board, we strive to establish an ethical culture and to set the right tone from the top. Our contribution to society encompasses maximising sustainable shareholder value, empowering communities and supporting sustainable development. These goals are inextricably linked."

Thulani Gcabashe



↑ 16%
780 cents
 DIVIDEND PER
 ORDINARY SHARE
 2015: 674 cents

Dear Stakeholder

It's often useful to remind oneself what boards are for. As economists put it, they exist to solve the "principal-agent" problem. Our job, in other words, is to ensure that the executive management and staff of the group are working in the company's long-term best interests. Under South African company law and the King Code, the long-term best interests of the company are clearly understood to encompass the interests of shareholders, other material stakeholders, society as a whole and generations yet to come.

This perspective guides me to the questions I regularly ask myself, my fellow board members, and our management.

Does our strategy generate sustainable competitive advantage? Does it respond to the needs of the societies in which we operate?

My answer to these questions is a confident "yes." As you will see from our financial results, our group's Africa-

centred strategy has produced pleasing returns in our banking activities. I am particularly encouraged to note that our South African operations demonstrated particular resilience in a very difficult year. In addition, our businesses across the continent, beyond South Africa, generated strong results in an exceptionally slow year for Africa's economies, demonstrating the remarkable strength and excellent balance of that portfolio.

In 2016, the management team put a great deal of time and energy into ensuring that our group is centred on meeting the financial services needs of our clients with consistent excellence. Equally, the team's efforts have been directed at ensuring that those needs are met sustainably and responsibly, while taking full account of our regulatory obligations and our duty to be good and constructive corporate citizens.

For example, we were closely involved in finding solutions to the university

student funding crisis in South Africa, in the successful joint effort with government and organised labour to prevent a sovereign ratings downgrade, in the successful negotiations on a national minimum wage and on measures to reduce the frequency and severity of strikes. During 2017, we will be extending our rigorous assessment of the social, economic and environmental impacts of our financing beyond CIB, to incorporate our PBB and Wealth businesses.

Is our culture right? Are we determined to serve our clients, shareholders and other stakeholders to the best of our ability? Are we managing our risks and meeting our regulatory obligations in ways that guarantee our long-term sustainability?

I am certain that the answer to these questions has been "yes" for 2016 – but I am equally certain that these are areas in which constant vigilance is required.

The board and I constantly aim to foster an organisational culture of doing the right business the right way. We require that all employees are guided by, and actively live out, the group's vision and values. In South Africa in particular, it is also necessary to keep reinforcing our commitment to transformation and to building a country where growth and development reach all its citizens.

The management's programmes to communicate our strategy and to reinforce our culture are innovative and systematic, and survey evidence demonstrates that they are having large positive effects on our employees' attitudes and willingness to go the extra mile.

The quality of our risk management was thoroughly tested in 2016 as economic conditions in several of our key markets deteriorated. The board engaged management about the group's exposures and resilience, and – as borne out by the relevant metrics – our robust debates made for an effective response that simultaneously defended our businesses, supported our clients and helped to mitigate the economic strain experienced in various markets.

The pace at which digital technology is advancing in our industry and our group inevitably increases the risk of cybercrime and, therefore, the importance of maintaining the stability of our IT systems and of keeping our clients' information safe. Our group IT committee has maintained focus on IT risk throughout the year. The board is briefed regularly on the performance of our systems to detect, avoid or remediate threats to our IT systems.

The board spends a great deal of time making sure that all the group's regulatory requirements are met. Of course, full and proper compliance requires a rigorously ethical and engaged response to the spirit of the laws, regulations, standards and codes that apply to us.

We are clear that we will never turn a blind eye to wrong-doing in the public or private sectors, but equally that we will

never be drawn into partisan politics. In taking a rigorous and determined stand against corruption, we recognise that it is necessary to ensure that our own business practices are beyond reproach.

This year, the group chief executives and I focused, in particular, on sharing our strategy and general approach to risk management and compliance with the chairmen of our subsidiary companies across the continent. This is essential for the consistent oversight of strategy and execution in our markets in order to best serve our clients.

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Does the board contain the necessary skills and experience to defend and advance shareholder and other stakeholder interests?

I have sought to align the board's collective knowledge and experience to the group's strategic direction. Accordingly, I thought it important that the board accurately embodies and expresses the interests of the shareholders and stakeholders in Africa's largest financial services group by assets. Succession planning to cater for directors due to retire over the next three years was also a focus during the year. Another priority for the board was to bolster the group's IT governance structures with additional non-executive oversight, and to ensure the ongoing implementation of more robust IT governance, particularly in the Africa Regions.

To this end, we appointed five new non-executive directors to the board during 2016. I am now satisfied that the board better reflects the geographic and sector diversification of the group's portfolio, and that the board's diversity in racial, gender and age offers an appropriate and valuable mix of perspectives. The new members are:

- Mr John (Jacko) Maree, chairman of Liberty and former chief executive of Standard Bank Group from November 1999 until his retirement in March 2013, who will assume the role of deputy chairman of the board alongside Dr Shu Gu.

- Ms Geraldine Fraser-Moleketi, former special envoy on gender at the African Development Bank, former director of the United Nations Development Programme's Democratic Governance Group, former South African cabinet minister and Member of Parliament from 1994 to 2008.
- Ms Gesina Kennealy, chairperson of the Accounting Standards Board, and formerly the chief financial officer of the South African Revenue Service and chief operating officer of ABSA Corporate and Business Bank.
- Ms Nomgando Matyumza, non-executive director of Sasol, WBHO and Hulamin, and formerly the deputy chief executive of Petronet and general manager of Eskom Distribution (Eastern Region).
- Mr John Vice, non-executive director of Anglo American Platinum and former senior partner at KPMG. Mr Vice was an independent advisor to our group's IT board committee for the four years prior to joining our board.

Having reached the mandatory retirement age of 70, Mr Ted Woods retires from the board at our annual general meeting in May. Ted has made an enormous contribution to the governance of the group, notably as chairman of the group remuneration committee. His deep expertise and total commitment to doing the right business the right way have decisively shaped our board and the group, and his influence will endure.

I would like to thank all my fellow directors on the board for their wise counsel and support during the year. The board continues to play the all-important role of providing ethical leadership and good governance for the group. This can only happen with committed and wise executive and non-executive directors, leading energised teams of management and employees.