

Corporate & Investment Banking

“Our strategy to grow revenue is based on the careful selection of clients, with whom we develop long-term partnerships in support of their growth plans in, for and across Africa. Our client relationships remain our primary competitive lever, and our ability to sustain revenue growth during periods of low growth demonstrates the resilience of our client franchise.”



David Munro, Chief executive, CIB

CIB serves the banking, finance, trading, transactional, investment and advisory needs of a wide range of multinational companies and local and regional businesses, financial institutions, governments and parastatals.

Overview

Our strategy

CIB's strategy is aligned to the group's strategy. The consistent execution of our strategy is moving us closer to our medium-term aspiration to be the leading corporate and investment banking business in, for and across Africa. We are refining our core focus to ensure that our clients remain at the centre of everything we do, driving efficiency and profitability, and creating a culture based on confidence and client excellence, and that supports and motivates our highly talented people to drive Africa's growth.

PURPOSE

We dream of Africa realising its potential.

VISION

We aspire to be the leading corporate and investment banking business in, for and across Africa.

STRATEGY MAP

What our clients want

CLIENT OUTCOMES

Understand my business and the challenges and opportunities I have.

Develop a proactive partnership.

Deliver solutions that meet my business needs.

Make it easy for me to access the bank.

Deliver consistent, reliable service.

How we respond

EMBEDDING CLIENT FOCUS

- Partner our clients on their growth journey.
- Drive collaboration and connectivity within CIB and the broader group.
- Acknowledge our clients as real people.
- Bring urgency to our processes to continually evolve and enhance our focus on our clients.
- Purposefully allocate resources to support client needs and priorities.

BUSINESS OPERATIONS

- Do the right business the right way.
- Fulfil our promises to our clients through an efficient, effective and consistent operating model.
- Enterprise-wide and end-to-end business processes aligned to the CIB strategy.
- Promote an environment of proactivity, responsiveness and reliability.
- Establish efficient allocation of financial resources and direct spend.

PEOPLE AND CULTURE

- Recognise the contribution of our employees and provide competitive, performance-based compensation.
- Promote an environment that enables collaboration.
- Establish clear mandates and accountabilities, while working to simplify everything we do.
- Cascade our desired high-performance leadership culture.
- Embrace diversity.
- Fulfil our social and ethical responsibilities.

Our operating context for the year

- Sustained economic weakness and market volatility.
- Subdued oil prices and commodity prices continued to impact commodity exporting economies.
- Less commodity-intensive economies continued to benefit from the lower oil prices.
- Heightened financial and regulatory risk in key markets due to liquidity and currency shortages, and policy missteps.
- Unfavourable investor sentiment towards emerging markets.

Our performance highlights and challenges



Despite the difficult conditions, we achieved **16% growth** in headline earnings to R10.6 billion and a 20% ROE (2015: 18%), largely as a result of:

- The resilience of our diverse portfolio across clients, geographies and sectors.
- Operations in the east, south and central regions of the Africa Regions franchise mitigating the impact of the fall in earnings in the oil-dependent west region.
- Increased exposure to a range of other growth sectors offsetting declines in the oil, mining and minerals sectors.
- Strengthening our partnerships with multinational clients based on our unrivalled capacity to support their strategies in Africa.



We responded to the sector stresses in commodity-intensive countries, which increased our credit loss ratio to 0.30% from a low ratio of 0.24% in 2015 (albeit within our target range), by:

- Adjusting our credit appetite to reflect country and sector risk.
- Managing the impact of market stresses on our portfolio while taking advantage of opportunities presented by our more stable clients.
- Increasing our exposure in selected economies and sectors.
- Supporting our clients through-the-cycle as they navigate these economically challenging times, including several key restructurings for clients during the year.

STRATEGIC VALUE DRIVER	PERFORMANCE METRIC	2016	2015
Client focus	The client surveys undertaken indicate that, on average, client experience has improved, particularly in terms of client service levels and stronger relationships with client service teams.		
Employee engagement	CIB's Experience@Work survey shows positive results. Group banking activities' results on page 14 .		
Risk and conduct	Average risk-weighted assets (RWA) (Rbn)* Return on average RWA (%)	401 2.6	397 2.0
Financial outcome	Revenue (Rbn) Cost-to-income (%) Headline earnings (Rbn) ROE (%) Credit loss ratio (%)	35.2 53.2 10.6 20 0.30	31.4 55.8 9.1 18 0.24
Social, economic and environmental (SEE) outcome	SEE results are viewed on a group banking activities basis. Group banking activities' results on page 14 .		

* Average RWA calculated net of non-controlling interest.

Performance against strategy

We build long-term, well-coordinated relationships with our clients, enabling us to deliver integrated solutions that help them achieve their strategic objectives. This, in turn, powers the growth and diversification of Africa's economies. The reorganisation of our operations beyond Africa in recent years, and our strategic partnership with ICBC, provides us with access to a network of financial centres around the world that supports our ability to facilitate growth and development in, for and across Africa.

While natural resources have continued to underpin economic growth in Africa in recent years by facilitating trade, the stimulation of infrastructure investment and attracting multinational investors to the continent has provided a range of other sectors with growth opportunities at this point in the cycle. CIB has deep experience in sectors such as consumer goods, financial services, manufacturing, telecommunications, retail and real estate that serve the needs of rapidly growing populations. We regularly assess country, sector and client risk, aligning our risk appetite accordingly and allocating our resources to the growth opportunities available.

AWARDS

Best FX Services in Africa – EMEA Finance.

Best Emerging Markets Banks in Africa 2016:
Best bank in Africa – Global Finance World.

Best Trade Finance Bank 2017 – Global Finance World:
• Best trade finance provider in Africa.
• Best trade finance provider in South Africa.

Best Sub-Custodian Banks 2016:
Best sub-custodian bank in Africa – Global Finance World.

Best Transactional Bank in Africa – The Banker Transaction Banking Awards 2016.

Best Investment Bank Africa – EMEA Finance.

In response to the lower commodity price environment since 2014, we have been selective in our exposure to producers, local banks and governments in commodity exporting countries. At the same time, we increased our risk appetite in other sectors, local currency products and commodity importing countries that have benefited from the depressed commodity prices, particularly oil. At year end, our exposure to the mining and metals, oil and gas, and power and infrastructure sectors had declined by 3% relative to 31 December 2015, while our exposure to industrials, real estate and telecoms and media had increased by 9%.

This selective approach supports our resilience in economically challenging conditions, delinking our performance from the GDP growth rates in certain markets. Ultimately, our ability to sustain revenue growth during periods of low economic growth bears testimony to our strong franchise of global and domestic clients conducting business across the continent.

We set yearly goals aligned to our strategic objectives, and our progress in 2016 against these goals is discussed below.

Purposefully partner our clients in their growth journeys, while continuing to support them in tough times

Our broad client base, operating across our target sectors, and the depth of our relationships with a growing number of multinationals, is unparalleled in Africa. The growth of our multinational client base, which contributes over half of the revenue earned from our total client franchise, has been the primary driver of our consistent growth in revenue.

During the year, client satisfaction surveys were conducted in 16 of our operations in the Africa Regions. On average, client experience across these countries improved to a rating of 7.8 (2015: 7.6). Most of the countries surveyed showed

improved levels of client service and stronger relationships with client service teams. A number of key focus areas were identified based on our clients' feedback, which we will prioritise in 2017 to further improve our score.

We facilitated several significant acquisitions, disposals and capital-raising activities for our clients during the year, and managed the full range of routine financial services, including cross-border trade. Sharp changes in the availability of foreign currency liquidity, coupled with ongoing market volatility, gave rise to several opportunities for our Global Markets business. Our commitment to our clients extended to those who had difficulty in the challenging socioeconomic conditions, and we managed rights offers and debt restructuring processes to preserve enterprises and manage our risk deals.

IN 2016, WE WORKED WITH OUR CLIENTS TO COMPLETE SEVERAL HALLMARK TRANSACTIONS THAT INCLUDED THE FOLLOWING:

ABInBev

The acquisition of SABMiller by **Anheuser Busch Inbev** (ABInBev) was the third largest merger in corporate history and the largest-ever merger and acquisition transaction in the consumer goods sector. We acted as financial advisor and transaction sponsor to ABInBev on its R3.1 trillion secondary listing on the JSE. CIB's experience in Africa, specifically our understanding of the regulatory landscape, enabled us to navigate ABInBev's entry into South Africa and its access to the rest of Africa. We were SABMiller's banker in 16 countries on the continent and the transaction preserved this relationship and extended it to ABInBev, the world's largest brewer, demonstrating our ability to support the growth aspirations of major international investors in Africa.



We advised **Dis-Chem** on its initial public offering (IPO), facilitating a seamless transition into the listed environment, and raising R4.3 billion. Our comprehensive understanding of the consumer sector, together with our corporate finance expertise and knowledge of the equity capital markets enabled us to provide a multi-product solution that resulted in one of the largest and most anticipated IPOs ever undertaken on the JSE.



We acted as mandated lead arranger and underwriter in an acquisition finance and debt restructure facility for **GZ Industries**, a pioneer in can manufacturing in Nigeria. GZ Industries is a strategic client for CIB given its presence in both Kenya and Nigeria, as well as its plans to expand across Africa. The success of the deal demonstrated our ability to mobilise teams and functions from across our footprint and to provide our client with the highest levels of expertise and experience.



Our role in the R2.1 billion acquisition of UK-based Gourmet Burger Kitchen by **Famous Brands**, demonstrated our capacity to facilitate the international expansion strategies of South African clients. Famous Brands is Africa's largest food service franchise group and the ground-breaking international transaction is its largest acquisition to date. CIB acted as investment bank, hedge provider, sole underwriter and sponsor to Famous Brands on this landmark transaction, enabling and supporting this home-grown South African icon to realise its international business ambitions.



In partnership with ICBC, we raised a R3.3 billion term loan facility for **MTN** as joint mandated lead arrangers and lenders. The transaction demonstrated the importance of our strategic relationship with ICBC, showcasing our ability to facilitate transactions within the China-Africa investment corridor and to leverage Chinese capital for African development.

SHOPRITE

Our relevance to clients that are focused on African expansion is illustrated in our facilitation of domestic and foreign money flows for **Shoprite**, Africa's largest retailer. This entails servicing Shoprite's rapidly expanding movement of high-volume, time sensitive, physical and electronic money flows in designated countries through our global market and transactional banking services that include customised, large-scale cash handling, client domestic money transfer, card acquiring, international money flows and centralised, coordinated foreign exchange hedging and dealing.

banking initiative to share and learn from compliance lessons.

Prioritise the delivery of transformation and diversity

Our people are the critical success factor in our efforts to maintain excellent client service and we continue to focus on attracting and retaining quality employees, who are appropriately resourced, developed and empowered to fulfil the commitments we make to our clients.

We have intensified our focus on transformation and diversity. Based on feedback we received from employees about obstacles to creating an inclusive work environment in our South African operations, we introduced numeric targets to hasten the transformation of CIB's culture and its demographic make-up.

To improve the representation of black people and women in senior positions, we have the following targets:

- A minimum of 70% of all new appointments are black people.
- A minimum of 50% of promotions into senior or executive positions are reserved for black employees.
- We strive to keep the attrition rate of black employees below 30% of the total attrition rate at senior levels.

Reinforce the culture of doing the right business the right way

As a regional financial institution that clears other currencies, particularly US dollars, and has a presence in the US, our operations are required to adopt global best-practice in financial standards. This approach spans our compliance with regulatory requirements, including the enforcement of measures to combat money laundering, financing of terrorism or other fraudulent practices, and our ethical conduct as individuals and as a financial services organisation.

In 2016, we strengthened our capacity throughout our operations to ensure that our compliance and conduct are consistent with relevant legislative requirements and the group's ethical standards.

In addition to our significant investments in training and systems to ensure that we fulfil the expectations of our regulators, we developed a CIB compliance app to guide and update employees in compliance-related matters, as well as an investment

The 2016 Experience@Work survey registered encouraging improvements in most scores, and particularly in two important areas of assessment. In the first, there was an increase from 83% to 89% in the number of employees who would recommend CIB as a place to work. The second assessed CIB's attitude to transformation, and registered an improvement from 74% to 84%, although the overall score masked varying degrees of approval across different demographic groups.

The strongest improvement was in the personal alignment of employees to the strategy. It is clear that CIB's strategy has become an important anchor for employees who have gained a clearer understanding of CIB's purpose within the group and their individual role in fulfilling it.

Focus our attention and resources on initiatives that will get the basics right

We continue to refine our processes to ensure a seamless experience for our clients, while mitigating operational risk. In 2016, we improved the efficiencies in our account opening and client on-boarding processes, client service and query handling and payments processing.

We are leveraging the group's investment in IT in several ways. The three signature programmes below that we have invested in to improve the efficiency of client services and strengthen our competitiveness across all our markets and product lines are functioning well and will be completed in 2017.

- **New Business Online** enables both CIB and PBB clients to manage their cash, payments and collections electronically in multiple countries across Africa. In 2016, the channel facilitated over 8.7 million payments for more than 20 000 clients. A focused drive to enhance functionality and utilisation resulted in more clients adopting the channel, driving a 40% increase in transactional volumes.
- Our electronic **FX Pricing Engine** connects into a number of distribution channels across and outside the bank. Our signature trading platform, **eMarket Trader**, provides access to pricing and a continuous link to the global markets and, importantly, liquidity in our franchise markets. This connectivity enables our clients to trade in the full range of Standard Bank asset classes across time zones. The trading platform is live in all our markets in Africa and offers access to the best onshore liquidity, as well as all major global currencies. We have seen a 25% increase in the number of clients who use the platform from the prior year.
- Our **International Trade and Payments System** facilitates cross-border payments in all of CIB's international operations.

These programmes form the backbone of our digital offering. We actively drive digitisation of our products and channels in line with changing client requirements and expectations. An example of the adoption of leading-edge innovation in global markets is the Shyft smartphone application for cross-border foreign exchange payments.

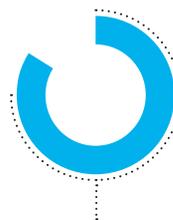
Continue to develop the strategic partnership with ICBC

Our strategic partnership with ICBC has seen us conclude several joint transactions in 2016 in line with our strategic cooperation agreement. This has allowed us to leverage our African presence and experience, and ICBC's financial resources as the world's largest financial services organisation. In addition, we are working on a project linked to the internationalisation of the Chinese currency, the renminbi (RMB), aimed at developing and implementing RMB-denominated cross-border capabilities for our clients operating along the China-Africa corridor. Given the significance of RMB internationalisation, and the increasing adoption and usage of the RMB globally and across Africa, ICBC and the group are in a unique position to take advantage of this opportunity.



89%

of employees recommend CIB as a place to work.



84% of employees felt that CIB's attitude to transformation has improved.

Continue to deliver strong and resilient financial results

- Global Markets posted a good performance as a result of robust client activity across all regions and the ability to take advantage of market dislocations due to currency shortages and market volatility.
- Transactional Products and Services (TPS) grew revenue mainly through its liability lead strategy which increased balances, and growth in the Trade and Investor Services businesses. Conservative cost management, which resulted in single digit cost growth, and ongoing investment in the business, supported this performance.
- Growth in loans and advances within selected segments and an improved net interest margin lifted Investment Banking revenue. However, fees and commissions were lower than expected as difficult market conditions dampened client confidence and delayed the closing of transactions. While higher impairment charges eroded earnings, stringent cost control countered this impact.
- Operations in the Africa Regions continued to contribute materially, with east, south and central regions delivering growth. Despite sustained low oil prices, our west Africa region continued to deliver revenue growth. Growth in the Africa Regions is largely attributable to our clients utilising our Global Markets and TPS services and solutions.
- The South African franchise, though more mature, performed impressively with double digit growth achieved in an economy whose GDP grew by less than 1% in 2016.

Looking ahead

The 2017 outlook for many of our markets remains subdued. We will continue to focus on achieving our strategic objectives by:



CLIENT FOCUS

- Maintaining our commitment to partner our existing and new clients as they grow.
- Continuing to focus on opportunities to digitise our processes and leverage the full potential of our universal financial services offering to create an improved client experience.



EMPLOYEE ENGAGEMENT

- Continuing to equip our people to effectively deliver on our promises to our clients.
- Continuing to focus on our transformation targets.



RISK AND CONDUCT

- Ensuring that we continue to do the right business the right way.



FINANCIAL AND SEE OUTCOME

- Managing costs through productivity and improved efficiencies to consistently achieve a positive JAWs ratio, and lowering our cost-to-income ratio.
- Continuing to invest in future growth opportunities through strategic partnerships.
- Applying the Equator Principles more extensively to our financing activities, to effectively manage social and environmental risks and opportunities.