

# Measuring our strategic progress

Strategic value drivers

 **CLIENT FOCUS**



 **EMPLOYEE ENGAGEMENT**



What this means

Placing clients at the centre of everything we do

Creating a great place to work

Connection to the capitals

**/FC – WE INVEST IN:**

- /SRC** • Strong client relationships based on trust
- /HC** • Providing exceptional client experiences
- /IC** • Client-focused ways of working
  - Digitisation and innovation
- /MFC** • A fit-for-purpose branch network
- /NC** • Utilities (direct) and financing activities (indirect).

- /HC** • Strongly engaged and capable employees
- /SRC** • Good relationships with employee representatives
- /IC** • Aligning human capital management to strategy
  - A high-performance, ethical culture
  - Client-focused ways of working
- /MFC** • Physical work environment
- /NC** • The utilities (direct).

How the driver aligns with our strategy

Clients are at the heart of our business and by focusing on our clients we will achieve a profitable and sustainable business. Our focus is to consistently create excellent client experiences, by understanding our clients and by offering the products, services and solutions they need.

We strive to create a great place to work where our people feel deeply connected with our purpose and our clients, are empowered and recognised for delivering against our strategic objectives, and given opportunities to reach their full potential. How our people think and feel about work directly correlates with our client satisfaction levels and our ability to deliver our strategy.

How we measure our progress and performance

To understand our clients better we measure their satisfaction in terms of:

- Net promoter score (NPS) for PBB
- Client satisfaction index (CSI) for CIB.

These scores are determined from client surveys conducted in phases throughout the year to obtain an annual result.

To determine engagement levels, we consider the following:

- Employee promoter score, determined through our Experience@Work survey\*
- Voluntary employee turnover rate (VET)\*\*
- Voluntary regrettable employee turnover rate (VRET)\*\*.

What we are working toward

Over and above these existing measures, the group is looking to develop a holistic client experience measure across segments, business units and geographies. This will provide more detail on accessibility, ease of doing business, personalised offerings, staff engagement, brand value and reputation, executional excellence and value for money.

To inform and enhance the effectiveness of our employee engagement, the Experience@Work survey will be conducted annually across the group, and the VET and VRET will continue to be tracked monthly.

The premise for our shared value strategy is the need to connect commercial and social realities in a dynamic environment of competing stakeholder expectations, complex competitive forces and fluid regulatory changes. Our ability to deliver sustainable returns to our shareholders is contingent on this holistic view of value creation and includes defining and measuring the key strategic value drivers required to generate a suitable financial outcome, as well as positive broader social outcomes.

## RISK AND CONDUCT

### Doing the right business the right way


#### /FC – WE INVEST IN:

- /SRC** • Constructive relationships with regulators
- /HC** • Embedding risk-aware, compliant and ethical conduct
- /IC** • Risk and compliance frameworks, standards and policies  
• Embedding an ethical and risk-aware culture, and internal control systems.

Governments and central banks in the markets in which we operate, create and enforce regulatory frameworks to ensure a safe financial system, conducive to economic development, while protecting our clients. We undertake to ensure compliance with all regulatory requirements, relevant to different parts of our business.

All employees are required to complete compliance training and follow group policies and procedures, to maintain and strengthen our control environment, and to operate within our risk appetite. In addition to this, we consider the following measures for compliance:

- Common equity tier 1 ratio (CET 1)\*\*
- Liquidity coverage ratio (LCR)\*\*
- Average risk-weighted assets (RWA)
- Return on risk-weighted assets (RoRWA).

 Refer to the risk and capital management report for additional detail on these measures.  
RCM/AFS

These metrics will continue to evolve as a result of both accounting and regulatory changes, such as IFRS 9 Financial Instruments, Basel III, and other regulatory changes. These ratios will continue to be used to monitor the resilience of the group's balance sheet.

## FINANCIAL OUTCOME

### Delivering value to our shareholders

- /HC** • Rewarding our employees for the value they deliver
- /SRC** • Our good standing in the investment community
- /FC** • Returns to shareholders.

Value creation for our shareholders is an important part of our strategy and this is measured by the group's financial outcomes which are directly driven by and dependent on client satisfaction, employee engagement and risk value drivers.

The primary measures describing our financial outcome include:

- Headline earnings (HE)
- Return on equity (ROE)
- Cost-to-income ratio (CTI)\*\*
- Credit loss ratio (CLR)\*\*

 Refer to the group financial review on [page 74](#) for further detail.

The financial outcomes remain key measures to assess our value creation for our shareholders. Our focus is to maintain the CTI at acceptable levels and the CLR within the group's risk appetite, and to continuously drive growth in HE and ultimately, our ROE to deliver superior returns to our shareholders.

## SEE OUTCOME

### Creating and maintaining shared value

- /SRC** • Supporting socioeconomic development
- /NC** • Managing environmental risk.

Our strategy centres on sustainability. We achieve our purpose of driving Africa's growth by delivering social, economic and environmental value.

#### **Social value:**


This is the value for society, both internally with staff and externally with other stakeholders.

#### **Economic value:**

We drive economic growth in Africa through supporting innovative and profitable ways of doing business.

#### **Environmental value:**

This is the value for the environment, created through conscious and responsible lending.

 Refer to the report to society for a detailed explanation of our SEE strategy and the progress we have made during the year.  
RTS

All measures relate to the group's banking activities only, unless indicated otherwise.

\* Currently, SBSA and Uganda only. \*\* Definitions of these metrics are available online.

✓ Satisfactory results    ⚡ Progress to be made

Strategic value drivers

**CLIENT FOCUS**

Our performance against our strategic value drivers

- ✓ Client satisfaction scores have indicated that we have improved in servicing our clients:
  - PBB client satisfaction scores have improved in focused client segments in South Africa, as well as in most geographies in the Africa Regions. Scores were, however, below our target, indicating the need to accelerate change. We are, therefore, intensifying our efforts to respond more rapidly to our clients' needs and improving overall client experience.
  - CIB client satisfaction scores have improved in terms of client service levels and stronger relationships with client service teams. A number of key focus areas have been identified to further improve overall client experience.

Refer to the business unit reviews starting on **page 34** for further detail.

**EMPLOYEE ENGAGEMENT**

- ✓ Our Experience@Work survey provided pleasing results for South Africa and Uganda, with an overall employee promoter score of 86% (2015: 77%), and 89% respectively. This will be used as the base to compare results going forward. The survey will be extended to the rest of the group in 2017.
- ✓ Our VET and VRET rates have both decreased marginally from the prior year and are well within the industry average.

Refer to the human capital report on **page 58** for a detailed discussion on our performance for the year.

**RISK AND CONDUCT**

- ✓ We are compliant with laws and regulations and have built a resilient balance sheet and reputational capital, allowing us to take carefully considered risks in the search for alternative opportunities for growth and the continuation of doing the right business the right way. **Lib**
  - CET 1: 13.9% (2015: 12.9%) **Lib**
  - LCR: 117.1% (2015: 93.7%)
  - Average RWA: R839 billion (2015: R819 billion)
  - RoRWA: 2.7% (2015: 2.7%).

**FINANCIAL OUTCOME**

Our results demonstrate the group's resilience during the year despite the global and local economic challenges.

CTI: **56.3%**  
(2015: 56.5%)

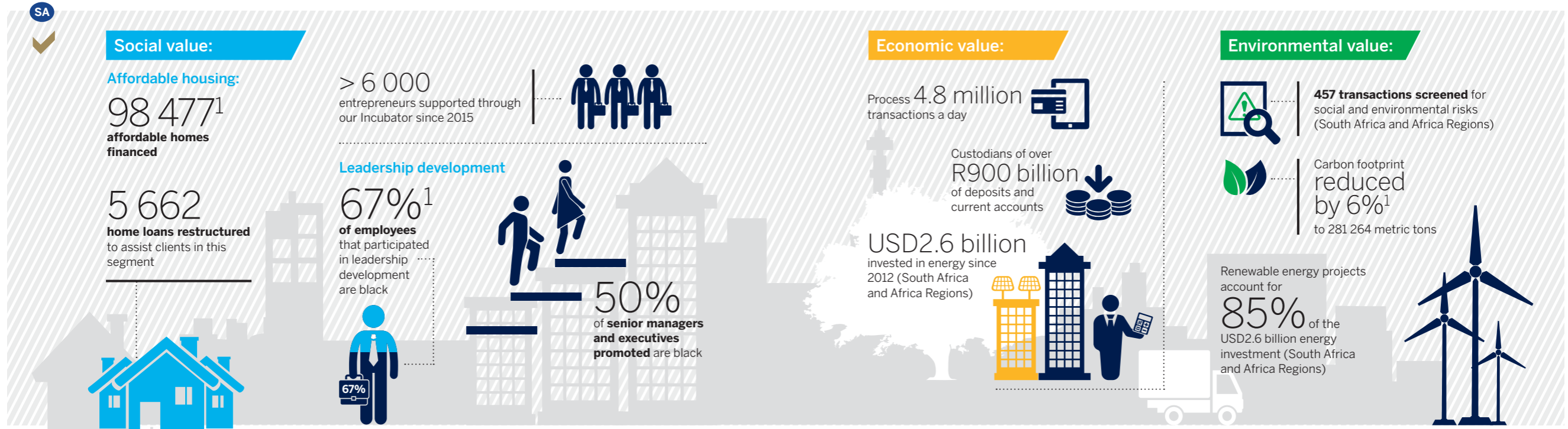
CLR: **0.86%**  
(2015: 0.87%)

ROE: **15.3%**  
(2015: 15.6%) **Lib**

HEADLINE EARNINGS: **R23 009 million**  
(2015: R22 187 million) **Lib**

Refer to the group financial review on **page 74** for a detailed discussion on our performance.

OUR KEY STRATEGIC VALUE DRIVERS AND FINANCIAL OUTCOME SUPPORTS OUR SEE OUTCOME, SUMMARISED BELOW.



<sup>1</sup> KPMG provided limited external assurance on selected performance data in the report to society. The scope of the assurance engagement and the statement of assurance are provided on pages 79 to 80 in the report to society.