

Measuring our strategic progress

Our key performance indicators (KPIs) measure our progress in delivering on our purpose and our vision and thereby creating value for shareholders. Our remuneration structures are aligned to our KPIs to drive the realisation of our strategy.

For more information on how our remuneration structures support performance, refer to the remuneration report on **page 133**.

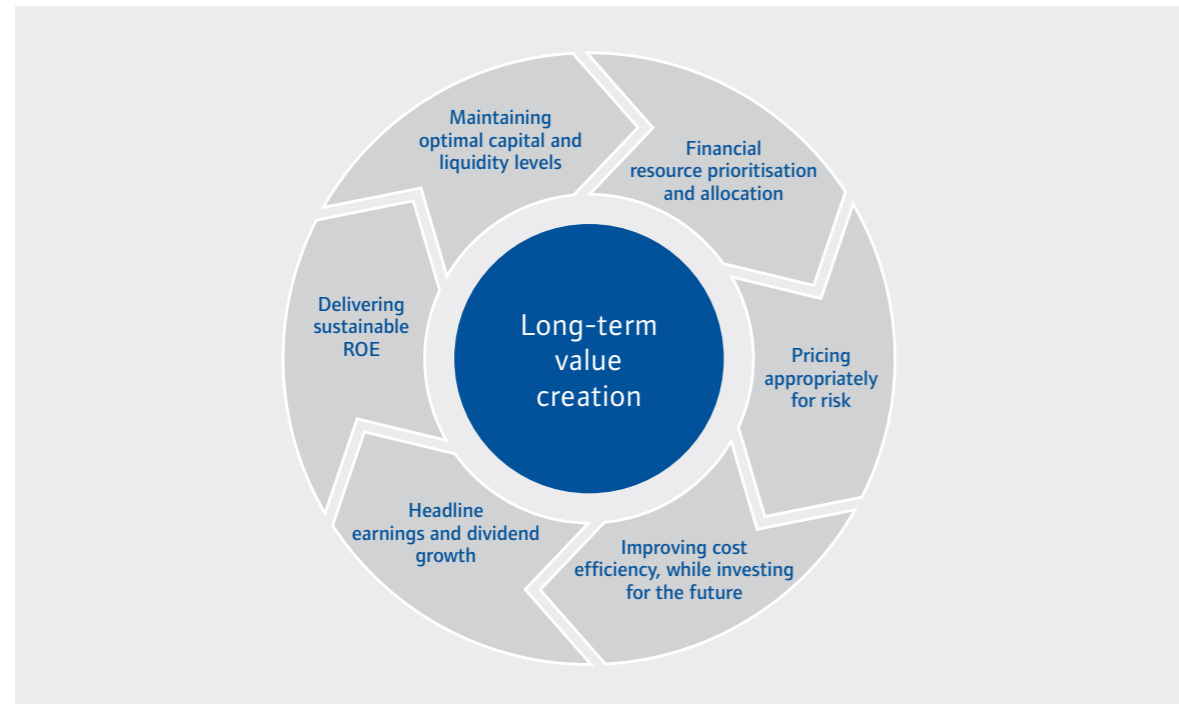
We believe that **ROE** ratio is the most relevant measure of our performance over time as it combines all our critical value drivers, including earnings growth and regulatory capital measures, into a single metric that measures the success of our strategy and business performance.

We have reaffirmed our medium- to long-term ROE target of **15 – 18%.**

The achievement of the following objectives will drive a higher ROE:

- Increased contribution from the growth markets in the rest of Africa.
- Increased contribution from wealth and insurance.
- Improved cost efficiency, with a focus on IT and head office costs.
- Optimal capital deployment in line with our strategy.
- Protection and enhancement of robust South African returns.

The adoption of Basel III by the SARB has resulted in progressively higher levels of capital being held by South African banks in recent years. The group meets the fully-phased in requirements and there is limited opportunity to improve ROE by reducing shareholder's equity. The major lever for lifting the group's ROE to meet the reaffirmed medium-term target is therefore growth in earnings.



The group maintains sufficient capital and liquidity resources within regulatory constraints to assume and manage the necessary risk that is required to deliver products and solutions to its clients and customers. The optimal allocation of the group's resources is a key determinant of our ability to drive higher revenue that will achieve sufficient growth in earnings to progressively raise ROE. Cost discipline is also an important component of this strategy and we are determined to achieve higher levels of cost efficiency over time. We are also conscious of the need to invest appropriately in systems and infrastructure to ensure we take advantage of the opportunities provided by a rapidly evolving and competitive marketplace.

For more information on how we manage capital and risk, refer to the summarised risk and capital management report in this report or our full risk and capital management report.

We remain aware that as a financial services group in Africa, we are part of and facilitate at a fundamental level the economic growth and social development of the economies we serve, in line with our purpose and vision.

Detail of non-financial metrics that measure our broader value creation in the economies in which we operate can be found in our sustainability report.

Wealth created		
Rm	2014	2013 ¹
Interest, commission and other revenues	125 004	105 864
Income from investment management and life insurance activities	79 744	85 406
Interest paid to depositors	(52 101)	(41 932)
Benefits due to policyholders	(58 258)	(63 295)
Other operating expenses	(28 482)	(25 606)
Wealth created	65 907	60 437

¹ Restated to disclose values on a continuing operation basis.

DISTRIBUTION OF WEALTH

