

Wealth

“Our wealth strategy leverages the full capacity of the group as Africa’s largest financial services organisation – its trusted brand, resilient balance sheet, global footprint and 16 million existing clients. We are strategically positioned to contribute significantly to the group’s growth as we increase our share of the wealth markets in South Africa and outside Africa, and capture the growth opportunity in the Africa Regions.”

Margaret Nienaber, Chief executive, Wealth



Wealth service and product offerings span the group, offering insurance, investment, fiduciary, specialised banking and lending, and multi-generational wealth preservation solutions to high net worth, retail, business and commercial, and corporate clients, across the group’s footprint in sub-Saharan Africa, London, Jersey, Isle of Man and Mauritius.

Overview

Standard Bank’s exposure to the wealth industry is derived from its 55% effective interest in Liberty and a comprehensive range of wealth offerings within the group’s banking operations, primarily that of PBB. The primary lines of business managed by Wealth are set out below.

- 1 **Wealth Sales and Distribution** provides services to address the wealth needs of PBB, CIB and third-party clients. It encompasses the following seven distribution businesses:
 - Standard Bank Insurance Brokers.
 - Wealth Africa Regions.
 - Standard Bank Financial Consultancy.
 - Standard Bank Direct Life Insurance Services.
 - Online Share Trading.
 - International Personal Banking.
 - Wealth CIB collaboration.
- 2 **Wealth and Investment** caters to high net worth clients (those with the potential for USD1 million investable assets) and has over 10 000 current clients across Africa. It offers bespoke banking, specialised lending, trust and fiduciary, global investments, financial planning and philanthropy services.
- 3 **Investments and Fiduciary Services** provides four offerings across our onshore and offshore distribution channels:
 - Global asset management offering through our boutique investment firm, Melville Douglas.
 - Comprehensive range of portfolios of multi-asset funds.
 - Advisory and discretionary stockbroking solutions.
 - Integrated fiduciary services including trusts, wills, beneficiary care and estates.
- 4 **Standard Insurance Limited (SIL)** provides short-term insurance solutions to our PBB client base. As the sole short-term insurance licence in the group, Liberty will leverage the SIL license from 2018 to offer short-term insurance to its clients (SIL was rated third in the Sunday Times’ Top Rated Insurance Brands for 2016, and is the 10th largest short-term insurer in South Africa).
- 5 **Wealth International**, which is based in Jersey, London, Isle of Man and Mauritius, provides offshore financial services focused on African clients in the high net worth, mass affluent and corporate sectors. This provides a stable and cost-effective source of hard currency funding for the group.
- 6 **Wealth Nigeria** is the largest asset manager and pension fund administrator in Nigeria, and includes:
 - Stanbic IBTC Pension Managers Limited.
 - Stanbic IBTC Trustees Limited.
 - Stanbic IBTC Asset Management Limited (which includes Wealth and Investment Nigeria).
 - Stanbic IBTC Insurance Brokers Limited.
- 7 **Liberty partnership** Through our partnership with Liberty, we:
 - Distribute long-term insurance underwritten by Liberty and embedded in Standard Bank products (e.g. credit life and funeral).
 - Sell insurance and investment products developed and administered by Liberty (e.g. Lifestyle Protector and Agile).
 - Distribute single need, low advice products developed and administered by Liberty (e.g. Direct Life).
 - Develop and distribute investment products in partnership with STANLIB (e.g. GoalStandard™ Range of Funds).

Strategy

Our vision flows from the group's purpose and our focused strategy is closely aligned to that of the group. This ensures that Wealth understands its overall role in realising the group's strategy, while delivering on the significant future growth potential of our business units, which are at different stages of development.



VISION

Thoughtfully enabling legacies and dreams through outstanding expertise in insurance, investments and fiduciary.

- Wealth presence
- End-to-end wealth offering

CONTRIBUTION TO THE GROUP

To position Standard Bank as a fully integrated financial services group.

1

Enhancing ROE

Exceptional revenue growth due to potential market share and businesses with low capital requirements.

2

Earnings diversification

Allow the group to grow earnings from advisory services and other diverse financial services.

3

Earnings growth

Opportunity to grow market share due to double digit sector growth on the continent and cross-selling into well-established client base already loyal to the Standard Bank brand.

THE UNIQUE INGREDIENTS FOR SUCCESS THAT SET US APART



- We are part of Africa's largest financial services group
- with a trusted brand
- strong balance sheet
- significant footprint.

Alignment with our strategic partners PBB, CIB and Liberty, as well as internal alignment.

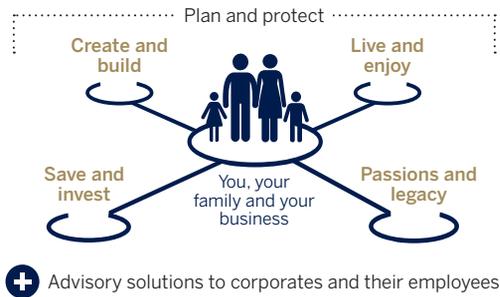
Thoughtful client centricity focusing on "Before the sun sets" service and digital innovation.

Ability to leverage the group's existing 16 million client base to position our diverse product and skill set.

OUR PEOPLE

are passionate, driven, diverse, delivering exceptional performance.

Underpinned by our philosophy of helping our clients create, grow and preserve their wealth for generations to come



Supported by a business model that delivers end-to-end client centricity and innovation across the African region and internationally

Client segments	Distribution channels	Brands	Solutions
High net worth	Wealth and Investment	Standard Bank	Insurance
Corporates	Wealth Sales and Distribution		Investments
Personal, business and commercial			Liberty
	Stanlib		Banking and lending solutions

Our operating context for the year

- Sustained economic weakness in South Africa and slower economic growth throughout the Africa Regions.
- Increasing pressure on consumers resulting in reduced spending on retail insurance and investment products.
- Market volatility and consequent weakness in equity markets impacted stockbroking and investment services.
- Increasing regulatory constraints, currency volatility and political upheaval in South Africa influencing investor sentiment.

Our performance highlights and challenges

Despite these challenging conditions, we accelerated the execution of our strategy and achieved an impressive ROE by:

- Accessing the group's extensive client base.
- Leveraging the advantages of product and geographic diversity.
- Achieving superior investment returns relative to the JSE and industry benchmarks.
- Embedding a new client-focused operating model.
- Engaging with our clients and offering appropriate solutions, informed by client data and insights.
- Extending our Wealth and Investment Leadership Academies to the corporate sector.
- Launching new goals-based investment products aligned to clients' needs, thereby addressing the material strategic risk of the pending Retail Distribution Review (RDR¹).
- Offering clients access to all of their financial services on a single online platform.
- Improving efficiency of claims processing and seeking alternative revenue sources to mitigate market saturation in the South African short-term insurance industry.

Performance against strategy

With assets of more than R1.1 trillion under management, Wealth leverages the group's full capacity to offer integrated multi-generational wealth creation and preservation solutions to a wide range of clients across the financial services businesses of the group's banking activities and Liberty.

We work in partnership with PBB, CIB and Liberty to market wealth products and services through their distribution channels, and share the group's support functions to achieve economies of scale. We are leveraging these partnerships to unlock significant additional value by designing relevant solutions for clients and cross-selling products and services.

Our strategy is executed through a new client-focused operating model which was implemented in 2016 and is now fully embedded. The model uses data analysis and servicing and distribution capabilities to enable a deeper understanding of our clients' behaviours and needs. Based on this knowledge, our award-winning teams develop innovative products and customised portfolios that are comprehensive, transparent and best suited to the individual needs of our clients.

Wealth is strategically well-positioned to increase its share of wealth markets in South Africa and capture the growth opportunity in the Africa Regions. We expect to deliver significant shareholder value by contributing to the stability of group earnings through enhanced risk management and diversification of revenue sources, and enhancing the quality of group earnings with higher-margin wealth revenues that have lower capital requirements. This will ultimately increase the group's ROE.

Our progress during the year against our key strategic initiatives is set out below.

Knowing our clients

Knowing our clients and building trusted advisor relationships with them enables us to understand their life goals and ambitions, and create financial plans and investment strategies in partnership with them at various stages of their lives –

AWARDS

Most outstanding private bank in Africa – Private Banker International.

Best private bank in Kenya and Nigeria – PWM/The Banker.

Africa's best bank for wealth management – Euromoney.

Best private bank in Africa, South Africa, Kenya – Global Finance.

South Africa's Top Stockbroker – Intellidex.

Best International Structured Products Provider – International Fund and Product Awards.

Runner-up Private Bank of the Year – Channel Islands – Citywealth IFC Awards.

¹ The RDR will reform the regulatory framework governing the distribution of wealth products and services and aims to introduce more transparency and fairness to the financial services sector.

from funding their children's education and providing for their retirement, to protecting business assets, and ultimately ensuring that they create value for future generations. We encourage our business units to design new and relevant solutions, based on the insight they gain from client data, and we recognise innovation in our annual Wealth Challenge employee recognition programme.

In 2016, we amended our product and advisory services to ensure that they serve the unique needs of individual clients and are aligned with the principles of the RDR. A key initiative was the launch of a range of new funds aligned with our goals-based investment philosophy and advisory processes.

Working in partnership with Stanlib's multi-manager investment team, we designed the new **GoalStandard™ range of funds** for investors. Actively managed by top fund managers from around the world, the funds are expected to deliver superior investment returns more consistently than through a single manager or mandate approach.

Of the nine actively-managed funds in the GoalStandard™ Fund range, five are risk-profiled funds of funds that have a targeted risk profile and four are single asset class, multi-managed building block funds in which the funds of funds invest. By choosing to invest in the GoalStandard™ Funds, clients will achieve greater diversification in their investment portfolio together with a higher likelihood of meeting their investment goals.

Several digital solutions were developed in 2016 to enable our clients to conduct their investment activities and engage with us in a more holistic way. This included the first phase of a digital platform aligned with the group's multi-channel IT architecture, enabling our local and international clients to view an aggregated portfolio of their financial service and investment activities, and raise queries or submit investment requests to financial advisors who also have access to the platform.

To improve the client experience, we worked with PBB on a programme to re-engineer specific areas that clients had expressed dissatisfaction with. As an example, we achieved a notable improvement in the handling of geyser related insurance claims (which account for 70% of claims), reducing the average time to repair a geyser from more than 12 days to under a week for in-warranty geysers and less than three hours for out-of-warranty geysers. An additional benefit of this process was that 60% of our geyser maintenance and repair service providers became Standard Bank clients. In 2017, we will look to apply the same process to improve the client service experience associated with our Funeral Plan, Credit Life, Stansure, Accident and Health offerings.

Capturing the growth opportunity

There is significant opportunity for Standard Bank to generate growth from its wealth activities. In South Africa, the group's share of the domestic banking market is approximately 28% and its wealth activities account for approximately 5% of the market's wealth earnings. The opportunity for growth in the Africa Regions is far greater. While Africa's growth momentum has slowed, its longer-term prospects remain strong.

One of the major contributors to future growth will be a growing middle class who expect a broader range of financial solutions, from insurance to wealth management. We expanded our Wealth and Investment business in Ghana in 2016, building on our success in South Africa, Nigeria, Kenya, Namibia and Mauritius. We have appointed

an executive to introduce an integrated wealth offering in each of the group's markets, to consolidate our position on the continent.

Family and business succession is one of the leading wealth concerns globally. Research shows that 70% of wealth is lost by the second generation and up to 90% by the third generation. Our Leadership Academies were developed for the children of high net worth clients to ensure the successful transfer of wealth to future generations. Originally developed to advise older children on financial planning and wealth preservation, with a focus on developing entrepreneurial skills, the academies now include children as young as 10 years old and have been offered in Johannesburg, Durban, Cape Town and London, with plans to expand in Africa later this year. We have also extended this offering with the addition of our Women's Wealth Academy. The academies have become a valuable differentiator in a competitive market where the ability to understand individual clients' needs and develop solutions to meet those needs is a distinct advantage.

In 2016, we were awarded a contract to provide financial and investment planning advice, based on our Leadership Academies model, to a CIB client. This demonstrated our ability to leverage our competitive advantages and provided an opportunity to showcase the group's retail offerings, particularly our offshore, share trading and broking solutions.

Motivating our people

We instil a culture of high performance and create opportunities for continuous learning through on-the-job training, mentoring programmes, specific product training programmes and regular team meetings. Our talent retention and succession plans take into account the high level of expertise required of our advisory staff.

Our people, like our clients, have financial needs and ambitions and we apply the same goal-based approach to

them. We partner with our employees in the achievement of their personal goals and will extend our Leadership Academies to them from 2017. This will allow us to engage personally with each employee and create individual programmes to accelerate their performance and embed our organisational culture more deeply. The academies will help employees to build core competencies, understand and reinvigorate their roles and apply their learnings to innovative strategically aligned initiatives that strengthen our competitive advantage while enhancing their future prospects.

Furthermore, our staff have frequent opportunities to travel on global secondments, and accompany senior leaders on international trips. We have a number of initiatives throughout Wealth where top performers from across our global business are offered the opportunity to travel to international destinations to explore global best-practice and share insights with leading organisations around the world. These initiatives aim to groom future leaders, retain talented employees, and ensure that we are able to compete globally.

Managing regulatory change

Financial services businesses continue to be impacted by a wave of regulatory and legislative reform intended to restore faith in the stability of our industry. In South Africa, in addition to the pending RDR, we will also be affected by other new regulations, such as the Twin Peaks, Treating Customers Fairly, Financial Intelligence Centre (FIC) amendment bill and Conduct of Financial Institutions (COFI) Act.

We remain well-informed on all pending regulations that are likely to impact our business and participate in discussions regarding new regulatory changes, particularly in markets where the wealth industry is still in an early stage of development. In 2016, we strengthened our leadership capacity in legal and risk, and established a wealth governance committee to monitor our regulatory universe and our compliance with regulations.

Although onerous, regulations that aim to protect the client are entirely reconcilable with our client-focused strategy and we are well-positioned to implement them, given the group's capacity and resources and the benefit of Liberty's expertise as a pioneer in the domestic insurance and investment industry. Our approach is to respond proactively to the changes, as we have done with the RDR in South Africa. In the Africa Regions, we have restructured our insurance brokerages in line with evolving bancassurance regulation and our operations are compliant and licensed under the new requirements.

In some instances, regulatory reforms have been catalysts for new opportunities. A good example of this is in Nigeria where legislation was passed requiring companies to provide pensions and group life cover to their employees. Our Nigerian subsidiary seized the opportunity to develop a business and it is now the industry leader.

Looking ahead

With a weak economic outlook, the challenge of increasing regulatory change and an uncertain political environment, we will remain focused on achieving our strategic objectives by:

CLIENT FOCUS

- Growing our share of the wealth market in South Africa.
- Growing our wealth markets in the Africa Regions.
- Investing in digital technology and data analytics to improve the client experience.

EMPLOYEE ENGAGEMENT

- Equipping our people with the necessary skills to execute our strategy.

RISK AND CONDUCT

- Ensuring that we continue to do the right business the right way by continuing to build the culture to do this.

FINANCIAL AND SEE OUTCOME

- Managing costs prudently and unlocking new revenue potential by revising distribution and product strategies.
- Strengthening our collaboration with PBB, CIB and Liberty in the development and execution of opportunities to achieve growth or economies of scale.
- Continuing to leverage our core competitive advantages to grow our earnings, strengthen our ROE, and contribute to shared growth.
- Leveraging our unique Leadership Academies offering to ensure the preservation of multi-generational wealth.