

WEALTH

“Wealth is an important part of Standard Bank’s strategy to deliver integrated universal financial services to its clients. We leverage the full capacity of the group to serve our clients, and create value for shareholders through diversified revenues, lower capital requirements and enhanced ROE.”

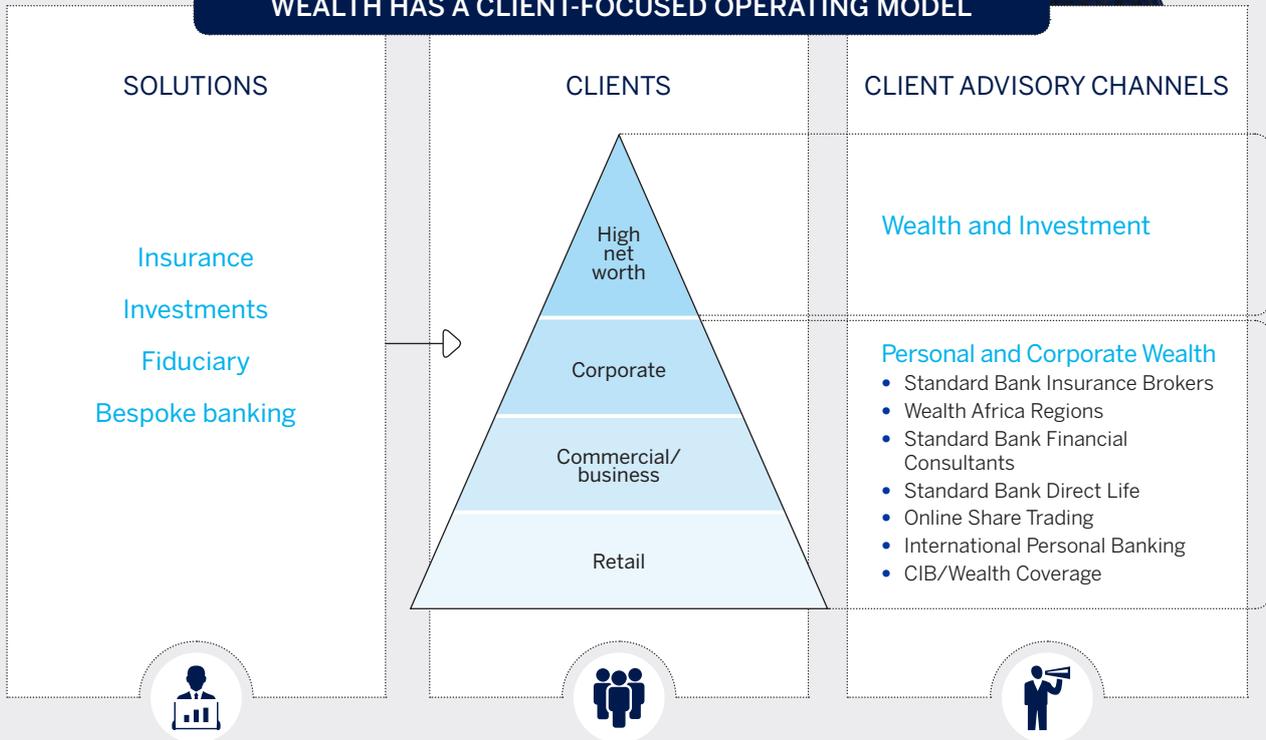
Margaret Nienaber
Chief executive, Wealth



OVERVIEW

Wealth’s service and product offerings include insurance, investment, fiduciary, bespoke banking, and multi-generational wealth preservation solutions to high net worth, retail, business and commercial, and corporate clients. We operate across the group’s footprint in sub-Saharan Africa, with an international service offering facilitated through our offices in London, Jersey, Isle of Man and Mauritius.

WEALTH HAS A CLIENT-FOCUSED OPERATING MODEL



Standard Bank’s exposure to the wealth industry includes the comprehensive wealth offerings within the group and our partnership with Liberty. We have strong distribution and advisory channels into the group’s PBB and CIB businesses, with an extensive network of approximately 4 000 branch sales employees across South Africa and coverage across 15 countries in the Africa Regions. We also provide a range of long-term insurance products, investment products and transactional solutions developed and administered by Liberty and STANLIB. We share resources with PBB and CIB in all our markets, to support our integrated growth plans and contain costs.

OUR STRATEGY

Our vision is to thoughtfully enable legacies and dreams through outstanding expertise in insurance, investments and fiduciary services. Important differentiators that support the achievement of our vision include our alignment with PBB, CIB, Liberty and STANLIB, our client-centric approach (defined as 'before the sun sets' service and digital innovation) and the access we have to the group's many existing clients.

We believe that the group's brand, balance sheet and distribution reach across the continent position us well to be the leader in wealth on the African continent. This is measured by market share and profitability in line with the aspirations of PBB and CIB.

We contribute to the group's financial performance by:

- Improving the group's ROE as our businesses have low capital requirements.
- Enhancing the diversification and quality of the group's earnings from our advisory and diverse financial services businesses.
- Growing earnings through cross-selling opportunities into the wealth client base.

OUR OPERATING CONTEXT FOR 2017

- Sustained economic weakness in South Africa and slower growth throughout Africa.
- Economic pressure on consumers led to lower spending on insurance and investments.
- Low volatility in investment markets impacted stockbroking and investment services, although this improved in more buoyant markets.
- Storms and fires in South Africa negatively impacted the short-term insurance business.
- Impending regulations continue to heighten uncertainty in business planning.
- Rand currency appreciation in 2017 impacted our GBP and Naira earnings.

OUR PERFORMANCE IN BRIEF

Despite these challenging conditions, our businesses remained resilient, and we succeeded in:

- Leveraging our client-focused operating model (informed by digital adoption and data) to improve our client service offering and provide relevant solutions.
- Implementing our Africa Regions strategy.
- Accessing the group's extensive client base and seeking additional revenue sources by extending our offerings to other channels and client segments.
- Increasing collaboration with PBB, CIB, Liberty and STANLIB to extract the benefits of a universal financial services organisation, including cross-selling opportunities and cost efficiencies.
- Materially mitigating the impact of the sovereign downgrade in the Wealth International business.
- Focusing on cost management.
- Proactively addressing impending regulatory changes.
- Vetting and accrediting 98% of our insurance vendors as B-BBEE suppliers.

AWARDS

Global Finance – Best Private Bank Awards

- Best Private Bank in Africa, Kenya and South Africa
- Best Provider of Short-term Investments – STANLIB

Private Banker International

- Best Bank for the Next Generation – UK awards
- Outstanding Global Private Bank – Africa

Euromoney

- Africa's Best Bank for Wealth Management

The Banker/Professional Wealth Management

- Best Private Bank in Africa for Customer Service
- Best Private Bank in Ghana, Kenya and Nigeria

Intellidex

- Top Stockbroker of the Year
- South African Wealth Manager of the Year
- Top Wealth Manager for Successful Entrepreneurs
- Top Wealth Manager for Internationally Successful Families

PERFORMANCE AGAINST STRATEGY

Our client-focused operating model uses data analysis to provide a deeper understanding of our clients' needs and behaviours. This enables us to develop innovative products and customised portfolios that are comprehensive, transparent and best suited to individual clients.

Standard Bank Group has the largest bancassurance arrangement in Africa and is a significant collective investment scheme and pension fund administrator in Nigeria. Our award winning Online Share Trading platform enables us to be a key player in the South African share trading market. These unique factors position us to grow our market share in South Africa and the Africa Regions.

Our progress against our strategic value drivers is discussed in the pages that follow.

During 2017, Wealth implemented a goal-based approach to providing investment advice and management.

Through conversations, stimulated by digital tools such as our newly built digital advice tool, GoalSetter, advisors and clients prioritise the client's most important financial goals. Each goal has its own time horizon, risk appetite and investment solution tailored for that specific risk return profile. The advisor can instantly demonstrate the expected future path to the goal and the probability of achieving it within the agreed time. To date, approximately 390 Standard Bank financial consultant planners have used the tool in their interactions with over 10 000 clients.

We also partnered with STANLIB Multi-Managers to create a new range of investment solutions, the GoalStandard range of funds. The funds are multi-asset class portfolios blended from best-in-class managers and leveraging various sources of investment return. Over 10 000 clients have already invested in these funds, representing over R2 billion of assets under management.

We have made further progress in enhancing the functionality of our digital platform, which is aligned with the group's multi-channel IT architecture. Our investment in digital technology is focused on improving how we:

- Promote our offerings.
- Engage more holistically with our clients.
- Deliver relevant solutions within clients' risk capacity.
- Reduce the cost and complexity of our client service.

In saturated markets, such as short-term insurance in South Africa, Wealth is finding new ways to compete more effectively. We entered into a partnership with FirstEquity Risk Advisory in 2017 to service the short-term insurance needs of CIB's clients.

We have continued to re-engineer certain client service processes to address operational inefficiencies and improve client experiences. The success of this programme is evident in our handling of geyser-related claims (approximately 70% of our short-term insurance claims). We have piloted the same process in our funeral plan, credit life, Stansure and accident and health offerings and will implement these in 2018.

The Africa Regions' markets offer significant growth potential, driven largely by a growing, rapidly urbanising middle class which demands a broader range of financial solutions, including insurance and wealth management.

To realise this potential, we are focusing on the group's existing client base, collaborating with PBB, CIB, Liberty and STANLIB to raise awareness around the need for insurance, investment and wealth preservation. We have strengthened our brokerage and advisory capabilities to drive growth and are using data analytics, together with the group's extensive knowledge of the Africa Regions, to streamline our product offerings and manage regulatory barriers to entry.

Our Leadership Academies, coordinated by our Wealth and Investment business, provide advice on financial planning and investment, with a focus on developing the next generation of leaders. In 2017, we hosted Leadership Academies in Johannesburg for our Junior Leaders (10 – 12 years), Young Leaders (13 – 17 years), Future Leaders (18 – 24 years), and our Women's Wealth Academy. By addressing the wealth preservation needs of key clients and strategic partners such as the Young Presidents' Organisation, our academies provide an invaluable opportunity for client engagement and, as a result, deepen relationships with our clients and their families.



CLIENT FOCUS

Insurance claims

Client satisfaction improved due to faster insurance claim turnaround times. Improvements in average turnaround times and issue resolution include:

- **Geyser:** from 12 days to within three hours, with a first-time fix rate of over 70%.
- **Pipes:** from over a month to one day.
- **Accident and health offerings:** from 27 days to two days.
- **Funeral plan:** from five days to one day.

NPS

- Our NPS across our insurance business improved from 56 to 59.

Investment performance

Melville Douglas's domestic and international investment performance is ahead of its peer group and other benchmarks over rolling three- and five-year periods, with especially pleasing one-year performance out of its Global Equity strategy, which is top decile over 12 months against its international peer group.

THE BANCASSURANCE COLLABORATION PLAN

During 2016, we initiated a collaboration plan with Liberty to coordinate product design, share expertise and increase access to sales channels. The initiative aims to provide a more comprehensive offering to clients, and to improve our combined financial performance. In 2017, good progress was made on all initiatives, resulting in increased collaboration.



Wealth and Investment Ghana, which opened for business in 2016, offers some insight into our experience in the Africa Regions. After one year, the operation is earnings accretive and performing above our expectations. Staffed by a team of five people, Wealth and Investment Ghana offers a comprehensive suite of wealth solutions and has grown its client base to 167 high net worth clients. As a core element of the universal financial services strategy of STANBIC Bank Ghana, the

operation plays an important role in acquiring and retaining clients for PBB and CIB, and the collaboration between our local and international teams facilitated a USD15 million cross-border transaction for an offshore client during 2017.



EMPLOYEE ENGAGEMENT

Performance metrics	2017	2016
eNPS	+14	n/a*
Voluntary turnover (%)	8.2	7.5
Voluntary regrettable turnover (%)	3.4	2.9
Black representation (including executives) SA	%	%
Senior management	35.6	29.5
Middle management	65.3	61.4
Junior management	89.3	88.0

* Not comparable as the method used to determine eNPS changed in 2017. Refer to page 80 for further information.

Our client-focused operating model is well entrenched, with experienced executives in all key roles.

In 2017, we focused on resourcing our operations in the Africa Regions. We recruited an experienced executive to lead our integrated wealth offering in each of the group's markets and consolidate our position on the continent, and appointed a group head of short-term insurance to drive new growth opportunities throughout Africa.

Wealth instils a culture of high performance and creates opportunities for continuous learning through on-the-job training, mentoring and product training programmes. Our succession and talent management plans support the expertise required of our advisory employees, and we host numerous networking events to develop a pipeline of future recruits. In 2017, an extensive change management intervention assisted our teams in the shift to a goal-based approach.

We apply this approach to the financial needs and ambitions of our people, engaging with each employee to create individual programmes to accelerate their performance and embed our organisational culture. We have started to promote the value proposition of employees as clients to ensure that their experiences make them passionate advocates of the group's products and services. One of our main successes was the rollout of the Wealth Africa Regions client value

proposition in Kenya in mid-November 2017. Through this initiative we brought the bank, Liberty and STANLIB employees together for training on our Wealth value proposition, effectively expanding our sales staff capability for wealth products from five people to 222 employees (of whom 87% are accredited).

Our top performers are offered the opportunity to take up international secondments, where they are exposed to best practices. These initiatives groom future leaders and help to retain talented employees, and ensure we remain globally competitive.

Training and mentoring initiatives to upskill our teams include:

- The Wealth Challenge for top performers.
- The Wealth Warriors and Wealth Creators bespoke leadership programmes.
- Wealth and Investment Academies supported by relevant master classes.

2017 also saw the launch of the Wealth Financial Fitness workshops to provide advice on financial planning for Standard Bank employees. The workshops were hosted in the group's Johannesburg and Nairobi offices and we plan to extend them to other regions in 2018.

We made further progress in the transformation of our workforce to more closely reflect the demographics of the markets we serve, with good improvement at top and senior management levels.



RISK AND CONDUCT

Wealth fosters a risk-aware culture of doing the right business the right way.

To manage conduct risk in human capital, regulatory compliance and client service activities, Wealth has introduced a conduct dashboard with relevant targets and indicators to monitor and improve performance. The dashboard is tracking green with all milestones being met satisfactorily and on time.

The wave of regulatory and legislative reforms in the financial services industry poses a material risk to the Wealth businesses, heightening uncertainty in business planning. We routinely assess the risks posed by regulatory changes, employ compliance and regulatory management teams to ensure effective implementation of regulation, and participate actively in the group's engagement with policymakers and regulators across our footprint.

Our response to this fast-changing regulatory environment is to be proactive in adopting the principles of impending regulations, as with the Retail Distribution Review in South Africa. Another example of this approach was the response of Wealth International to the liquidity and capital challenges posed by the downgrading of South Africa's sovereign credit rating. We prepared a robust contingency plan to mitigate the impact of downgrades, engaged regularly with the relevant clients and regulators and successfully implemented the plan. Client withdrawals were limited, and the impact was not material.

Although onerous, regulations that aim to protect clients are consistent with our client-focused strategy and we are well positioned to implement them given the group's capacity and resources, including Liberty's expertise in the domestic insurance and investment industry. In the Africa Regions, our insurance brokerages comply with evolving bancassurance regulation and our operations are compliant with local regulations.



FINANCIAL OUTCOME

Wealth continued to grow its client base, contributing to the group's financial outcomes.

Despite certain headwinds in South Africa, and the impact of rand appreciation on our International and African businesses, Wealth contributed positively to the group's earnings.

The Wealth International business performed well, on the back of increased client deposits and related activity as well as the benefit of the endowment effect. The Africa Regions Wealth businesses continue to perform well, particularly the Nigerian pension administration business. South Africa, however, experienced a challenging year, mostly in the insurance businesses, due to extreme weather conditions during the year.

Clients in our asset management business continued to enjoy superior risk-adjusted returns with performance ahead of its peer groups.

All of this ultimately resulted in Wealth enhancing the group's ROE.



SEE IMPACT

Wealth has a key role to play in creating sustainable value for Africa, while generating growth for the group. Our SEE focus has been on promoting a culture of saving, actively developing and promoting B-BBEE service providers, and educational interventions targeted at youth to develop our future leaders. Great strides have been made; however, we are acutely aware of the scale of the challenge.

Financial inclusion

By developing new Standard Bank products and advisory processes, we help clients save more effectively for their long-term goals, such as educating their children. In South Africa, our clients have invested R310 million in 17 500 tax-free investment accounts to date and over 10 000 of our clients participated in goals-based investing during 2017 alone. We offer financial education to support our savings campaign. In 2017, our Online Share Trading business hosted 68 webinars and 56 face-to-face presentations to promote investment on the stock exchange. In the Africa Regions, our Nigerian asset management business hosted 24 workshops on saving.

In addition, Standard Trust Limited manages over R1.7 billion in trusts for orphaned children, providing much needed monthly distributions to the guardians of these children to fund their basic education and other needs.

Our Wealth and Investment business enables and supports charitable foundations in their mission to transform the socioeconomic and environmental landscape within South Africa. We currently manage the award-winning Feenix and Tshwaranang trusts.

Education, learning and development

Through our Leadership Academies we continue to empower the youth on the principles of leadership, social entrepreneurship, investing and financial planning.

Innovation, entrepreneurship and enterprise development

Transformation is an important value driver for our businesses and we have made significant progress in achieving our EE and procurement targets. A major intervention by the insurance business to vet suppliers involved in processing claims resulted in a score of 98% for vendor B-BBEE compliance.

We ensured preferential procurement principles were applied to our B-BBEE suppliers by automating the allocation of work to these service providers and creating access to new markets for them. We also:

- Provided financial support in the form of loans and deferred payment terms, or grants.
- Provided business support such as access to our business incubators, investment funding and business development support to our B-BBEE SMEs.
- Engaged with industry bodies to proactively identify more B-BBEE service providers.

Inclusive economic growth

While we support our clients' financial needs and ambitions, we also support them in times of need. SIL provided extraordinary assistance to our clients who were impacted by major fires and storms in South Africa during 2017. This involved expediting claims processes and providing funding and other support to victims of these disasters.

2017 digital technology advances

- The Wealth app developed in 2017, scheduled for launch in 2018, will provide our clients with a single view of all financial portfolios across geographies and financial institutions.
- The SIL claims app, on the SBG Mobile app, is being rolled out and enables clients to report and track claims in real time.
- The user interfaces of our Online Share Trading and Webtrader platforms have been improved and provide greater functionality.
- Auto Share Invest is an attractive entry point for investors who are new to share trading. Already available on the old internet banking platform, we are concluding work to offer Auto Share Invest on the new site.
- iDraft enables our financial advisors to draft non-complex wills online in collaboration with their clients. More than 3 000 wills were processed on the platform during 2017.
- Enhanced omni-channel functionality enables clients to access offshore accounts on tablet devices through the group app.
- Over 10 000 contactless visa debit cards were issued to Wealth International clients. These will enhance the client experience, complementing new functionality that allows client activation of visa debit cards and viewing of pins on the SBG Mobile app.
- Smart account application forms have improved the on-boarding processes and accuracy of data capture for non-personal banking clients.

LOOKING AHEAD

Despite a challenging economic and regulatory outlook, we remain firmly committed to the execution of our client-focused strategy, with data analytics informing our market development and marketing plans.

In 2018, we will continue to focus on achieving scale and acquiring new product lines in collaboration with the group's other operations.

Priorities in respect of our strategic value drivers

Client focus



- Continue to improve client satisfaction with a focus on 'before the sun sets' service.
- Target investment performance above peers and benchmarks.
- Further embed new ways of working to improve turnaround in insurance claims.
- Develop digital channels and solutions to improve client experience.



Employee engagement



- Attract and retain engaged, motivated, client-focused employees by:
 - Expanding Wealth Financial Fitness Academies.
 - Offering international secondments.
 - Hosting networking events for external talent.
 - Recruiting specialist graduate skills.
- Achieve our transformation targets, with a specific focus on:
 - Positioning Wealth as an employer of choice.
 - Purposefully identifying and developing talent across all levels to grow capability and skill.
 - Ensuring equal opportunities by promoting inclusion and advancement.
 - Ensuring that our culture, opportunities and environment promote talent retention.



Risk and conduct



- Apply first-line insights to achieve an appropriate balance between risk and reward, and continuing to enhance risk management capabilities in partnership with second-line risk management oversight, to maintain operational risk losses within our tolerance levels.
- Adhere to our conduct dashboard.



Financial outcomes



- Maintain an ROE that is strongly accretive to the group's ROE.



SEE impact



- Continue to focus on creating sustainable value for Africa, while generating growth for the group.