

Standard Bank Wealth

SBW provides life insurance and investment management activities through group companies.

Steven Braudo,
Chief executive – SBW



“SBW is navigating a dynamic and complex environment to realise the significant value it offers the group. With a new customer-focused operating model and a clear strategy to achieve competitive advantage, SBW is positioned to improve the growth and quality of group earnings, and to contribute significantly to strengthening Standard Bank’s franchises in South Africa and in the rest of Africa, and realising the group’s vision to be a leading financial services organisation.”

Overview

In 2015, SBW continued to align the non-banking financial service businesses across the group under a consolidated strategy. The central tenet of the strategy is to create integrated financial solutions for customers. This is in line with the group’s intention to place customers at the centre of everything we do, and forms the basis of SBW’s customer-focused operating model which will be implemented in 2016.

During the year, we amended our product and advisory services to ensure they serve the unique needs of individual customers. This was a proactive response to the pending introduction of the retail distribution review (RDR), which will reform the regulatory framework governing the distribution of wealth products and services. Our investment advisors are now using a goal-based investing approach, which will be supported by a range of new unit trust funds that SBW will launch in partnership with Liberty and Stanlib in 2016.

R2 251 million

Headline earnings for Liberty,
attributable to SBG.

2014: R2 158 million

Largest

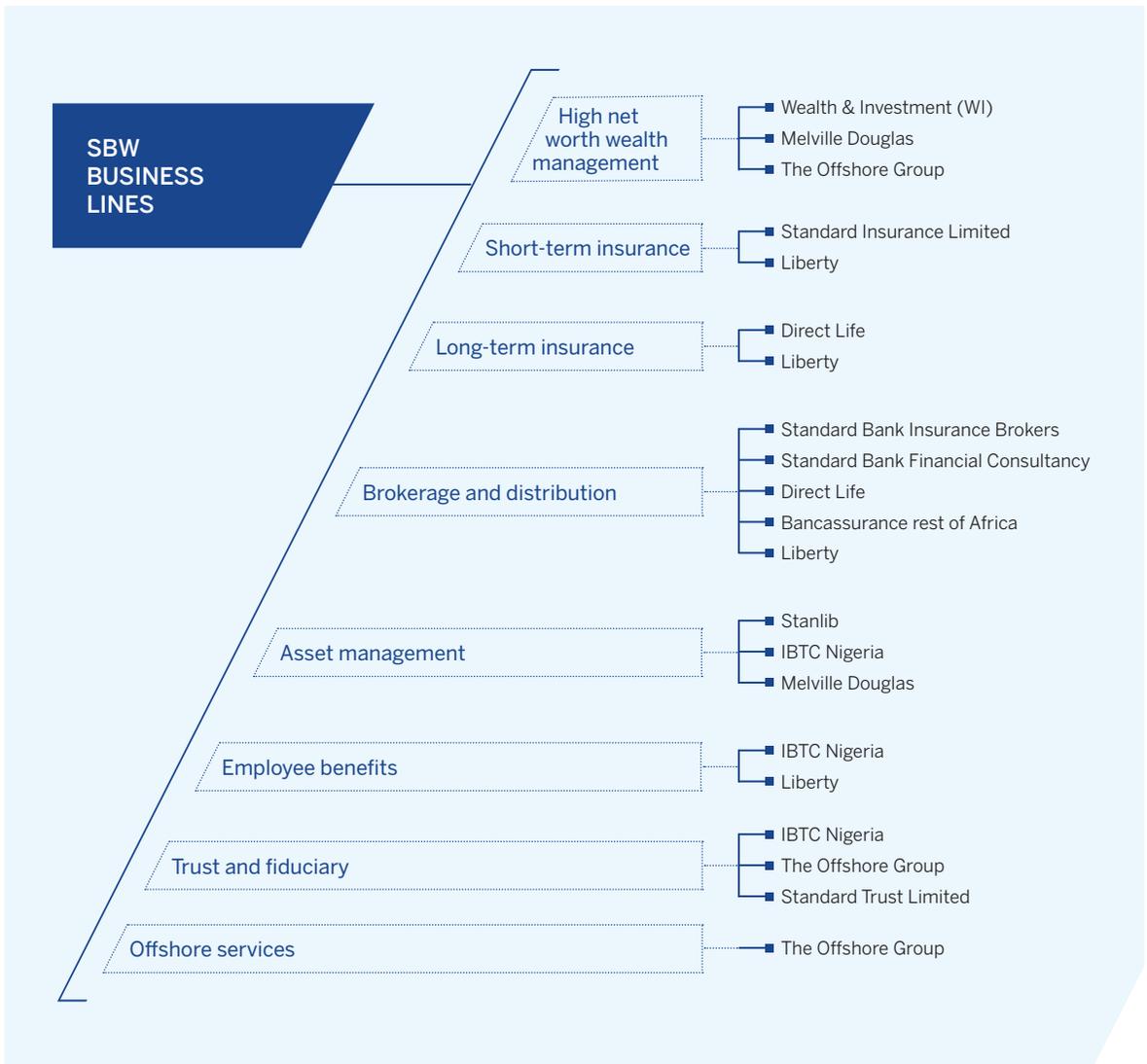
Pension fund administrator
and asset manager in Nigeria.



RECOGNITION

PRIVATE BANKER INTERNATIONAL

Most outstanding private bank in Africa awarded to the high net worth business



Work was completed on the development of a more comprehensive portfolio of offshore investment products. The range of funds now includes Stanlib and Melville Douglas, and further investment products will be launched in 2016. Customers can now view offshore, hard currency bank accounts using Standard Bank's mobile banking app, providing them with a single view of their finances, with a single digital identification login.

Our partnership with Liberty continues to strengthen. A joint initiative is under way to launch a range of co-branded multi-manager funds with Liberty, and a team of Liberty and SBW executives are exploring further opportunities to enhance the bancassurance partnership.

We began a formal process of exploring collaboration opportunities with CIB in 2015, and a dedicated SBW executive will be appointed to develop this partnership.

Strategy

SBW has aligned its purpose, vision and strategy with that of the group. Our purpose is to build a more prosperous Africa by helping to manage, grow and protect what is important to our customers. Our vision is to be the leading provider of financial solutions across insurance, investment, wealth management and advisory services in sub-Saharan Africa. We aim to build successful wealth businesses by focusing on customers and innovation, collaborating across wealth business units, investing in additional short-term insurance capabilities, asset management and advisory tools and creating commercially differentiated and sustainable partnerships with PBB, CIB and Liberty.

SBW is projected to contribute significantly to the growth of the group as it increases its share of wealth markets in South Africa and captures the growth opportunity in the rest of Africa. We will deliver 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.

In 2015, we concluded a five-year strategy planning process. Our strategy will be executed through a new customer-focused operating model that uses data analysis, as well as servicing and distribution capabilities, to develop a deep understanding of our customers' behaviours and needs. Our plans include building additional capacity to grow market share in the long- and short-term insurance industries, the asset management industry, distribution, high net worth and offshore group businesses. Standard Insurance Limited is currently the tenth largest short-term insurer in South Africa, measured by premium income. We made good progress in terms of our bancassurance partnership with Liberty, making it one of the largest bancassurance operations in the country.

Key to our strategy is attracting talented people capable of moving the wealth businesses forward. In 2015, a head of human capital was appointed to develop our talent management programme. Actuarial and product development skills were enhanced at head office and we aim to attract the relevant expertise in-country as we grow in the rest of Africa.

Capturing the growth potential in the rest of Africa

Although only a small proportion of SBW's business is generated in the rest of Africa, the potential for future growth on the continent is significant. The financial markets in the rest of Africa are less developed than in South Africa, but are demonstrating far greater growth potential, particularly in the wealth-related markets. This is a result of higher rates of economic growth, improving financial literacy, legislation that encourages savings, and increasing product penetration.

Our strategy in the rest of Africa is executed through dedicated in-country distribution capability, our partnership with Liberty, and our Wealth & Investment (WI) business which caters to high net worth clients. WI's strategy in the rest of Africa is focused on Nigeria, Kenya and Ghana, where we have in-country teams. Our clients elsewhere in the rest of Africa are supported by relationship managers based in London and Jersey. Our insurance distribution business operates in 13 countries and sells its products primarily to PBB's customer base.

While the initial focus has been on personal banking customers, we are building the necessary skill and capability to serve the upper segments of business banking and, ultimately, the more sophisticated insurance requirements of CIB clients.

The group's wealth business in Nigeria, which comprises three Stanbic IBTC companies, is the largest pension fund administrator and asset manager in the country, and presents a significant opportunity for SBW to further penetrate this market.



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Meeting the challenges

As global regulators move to restore faith and stability in the financial sector, a raft of regulatory and legislative reforms presents our most significant challenge. In the rest of Africa, evolving bancassurance regulation has resulted in the restructuring of our insurance brokerages in line with changing requirements. Our operations in Nigeria and Kenya now have separate brokerage licences. Although these changes are onerous, regulation that aims to protect the customer is entirely reconcilable with our customer-focused strategy. SBW is well positioned to implement the changes, given the capacity and resources of the group and the benefit of Liberty's expertise as a pioneer in the domestic insurance and investment industry.

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. Our Nigerian subsidiary seized this opportunity to develop a business that is now the industry leader.

Financial performance

Standard Bank's direct share of bancassurance and wealth results are included in PBB's results.

Liberty's operating earnings for the year ended 31 December 2015 amounted to R2,8 billion, up 7% on 2014 while total black economic empowerment (BEE) normalised headline earnings amounted to R4,1 billion, 4% up from 2014. Headline earnings attributable to the group were 4% higher at R2,3 billion. The overall performance in operating earnings was muted by the lower return on the shareholder investment portfolio, which was broadly in line with lower market returns. Liberty delivered an ROE of 19.7% for 2015 (2014: 20.9%).

Looking ahead

SBW is navigating a dynamic and complex environment to realise the significant value it offers the group. It has set itself ambitious growth and revenue targets, centred around customer needs, which are congruent with this goal, and has also aligned its

staff performance and remuneration models to be centred on this strategy.

We are responding proactively to pending regulatory change and, where possible, are turning this to our advantage. In a difficult economic climate, pensions, savings and asset management businesses are growing and there is considerable opportunity to leverage the group's wealth capabilities in South Africa. Over the medium term, we aim to capture the significant growth potential that exists in the rest of Africa.

With a new customer-focused operating model and a clear strategy to achieve competitive advantage, SBW is positioned to improve the growth and quality of group earnings, and to contribute significantly to strengthening Standard Bank's franchises in South Africa and in the rest of Africa, and realising the group's vision to be a leading financial services organisation.