



RBB Investor Presentation

7 December 2018

Today's Agenda

<i>Agenda Item</i>	<i>Time</i>
<i>Introduction</i>	10:00
<i>RBB Overview</i>	10:05
<i>Relationship Banking</i>	10:35
• Q&A	10:55
<i>Home Loans</i>	11:10
<i>Vehicle Asset Financing</i>	11:25
• Q&A	11:40
<i>Tea Break</i>	11:55
<i>Everyday Banking</i>	12:10
<i>Channels</i>	12:30
• Q&A	12:45
<i>Closing Remarks</i>	13:00

RBB Portfolio: Arrie



Vehicle Asset Finance: Faisal



Relationship Banking: Bongwiwe



Everyday Banking: Cowyk



Home Loans: Geoff

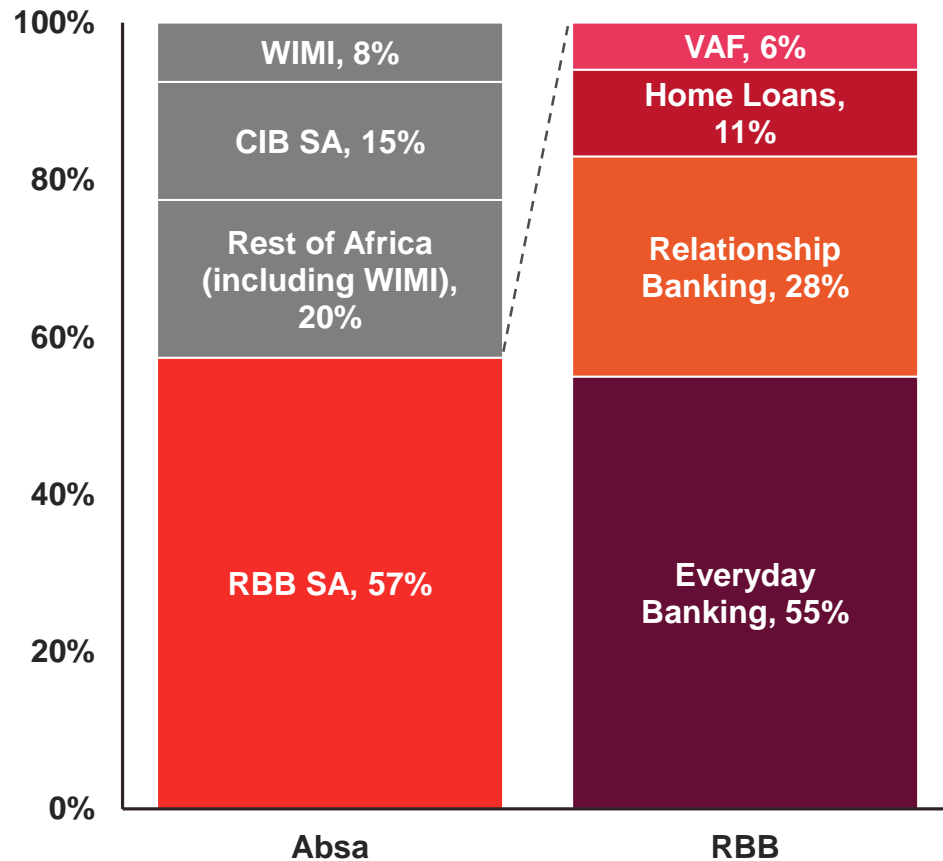


Channels: Tshiwela and Aupa

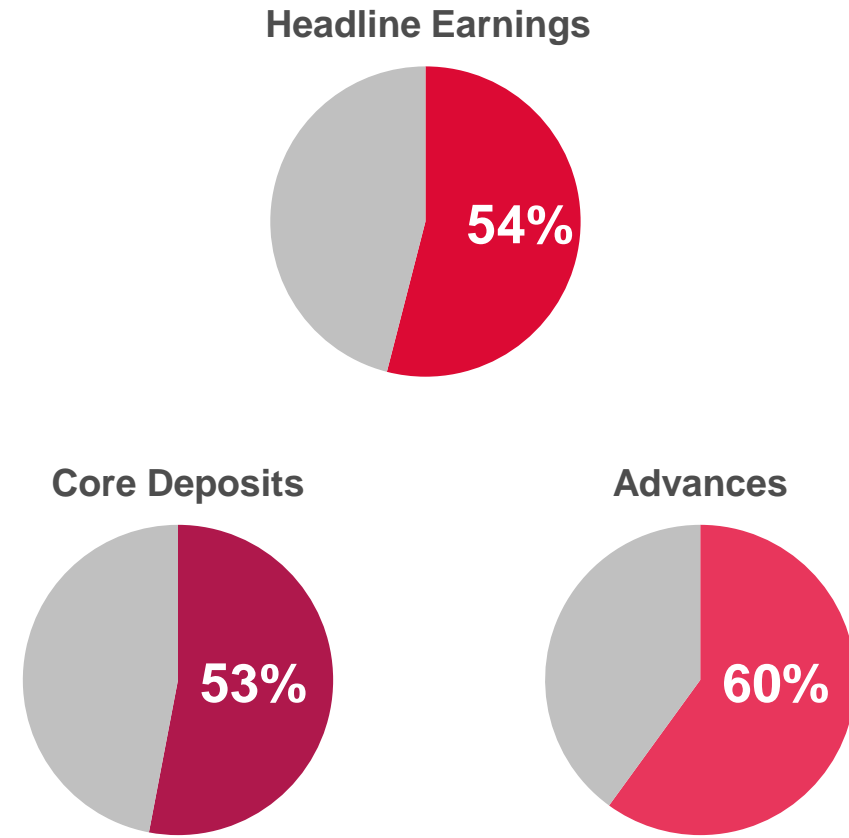


RBB's success is a critical lever for the Group

RBB is a key part of the Group (FY 17' Revenue)

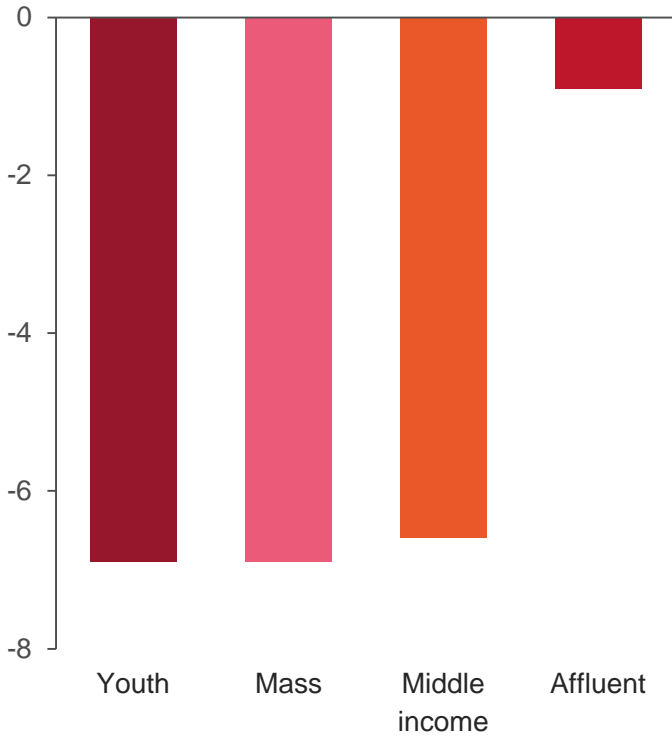


RBB contribution to the group (FY 2017)

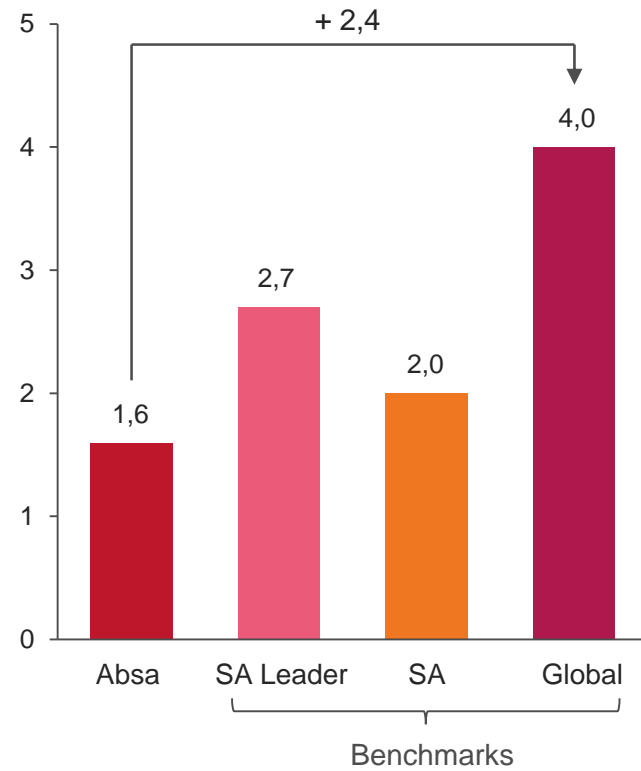


We have lagged the market ...

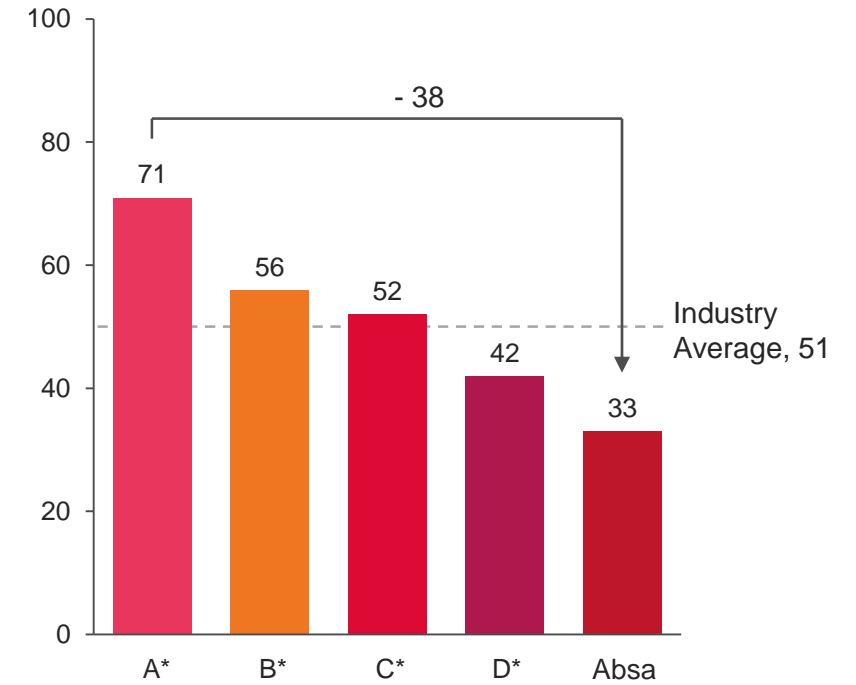
Market share movement (% , 2012 - '17)



Average number of products per customer (2018)



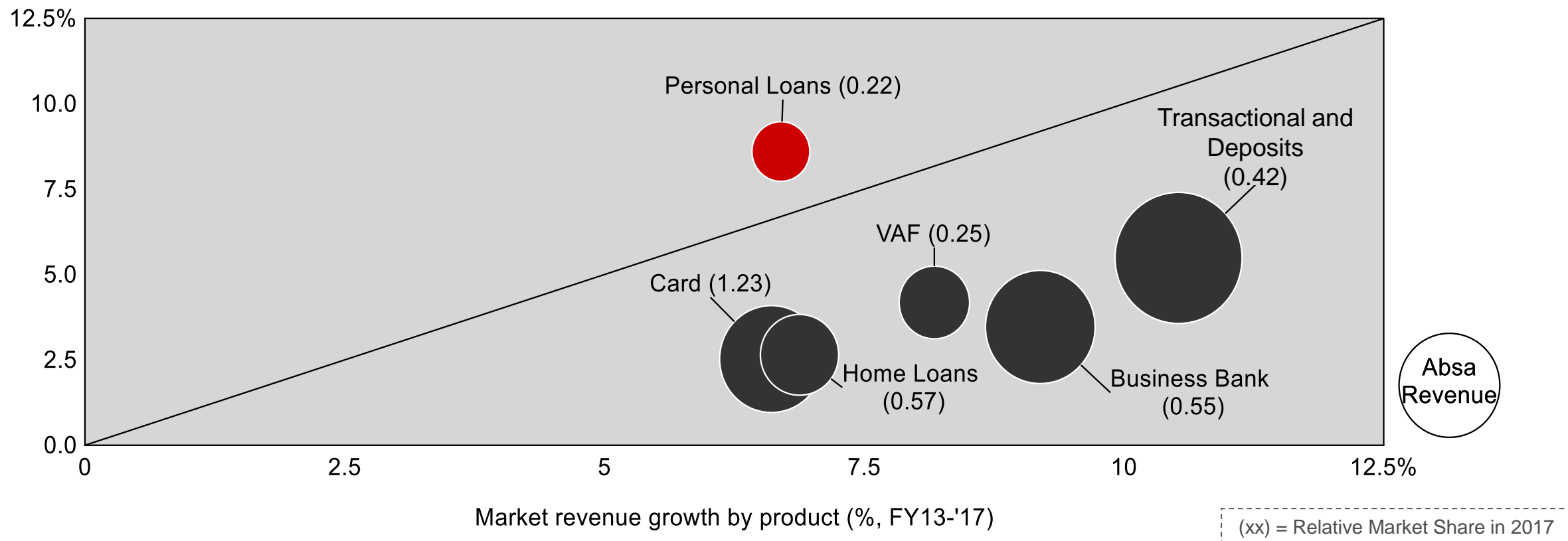
Retail banking NPS (2017)



Source: AMPS 2012 - 2016 data; Absa Analysis

...and leading indicators have translated into below market growth

Absa revenue growth by product (% FY13-17)



Note: Brackets indicate Relative Market Share calculated as the percentage share of market vs. the market leader (or vs. second in market for the leader); market growth based on an aggregation of Absa and competitor revenues

Source: Absa Analysis

Notwithstanding, our existing franchise strengths create a strong platform...



Our people



Healthy returns



Strong brand equity



Full banking offering

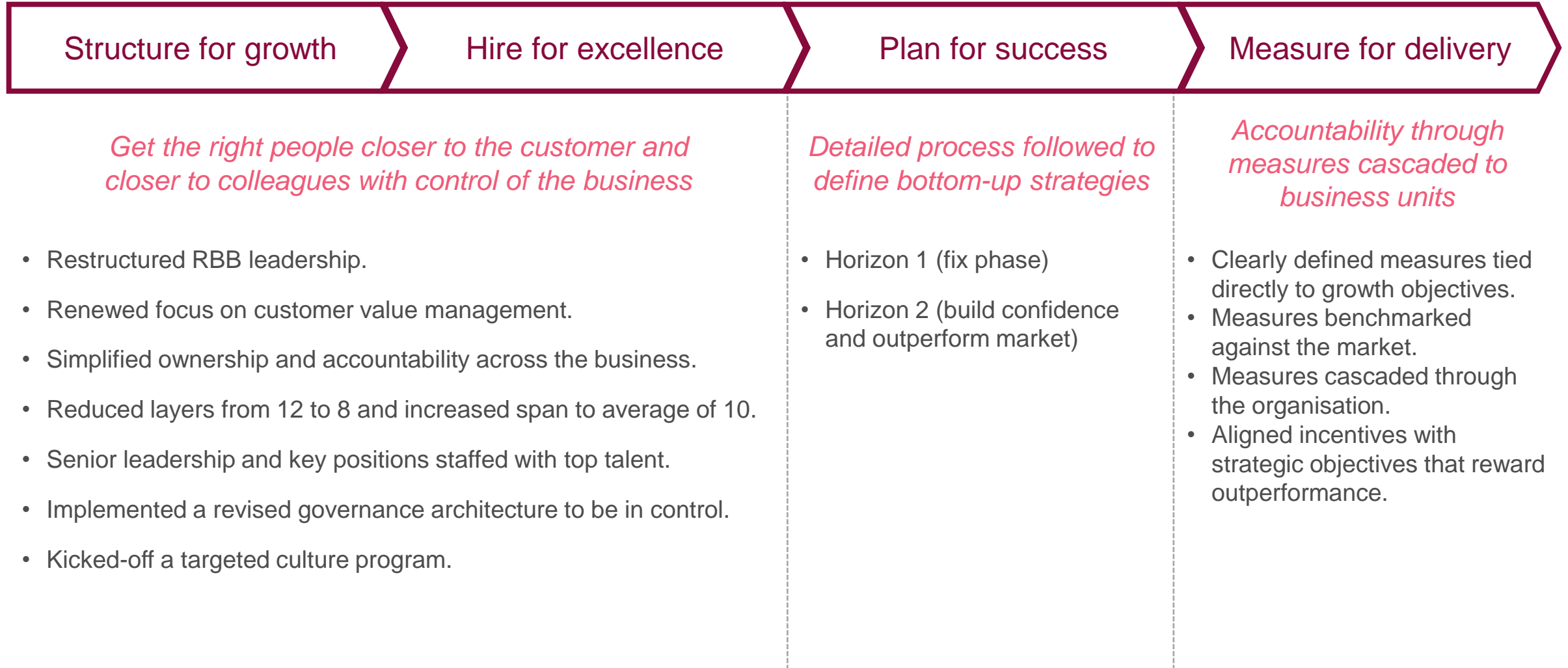


Enhanced digital capabilities

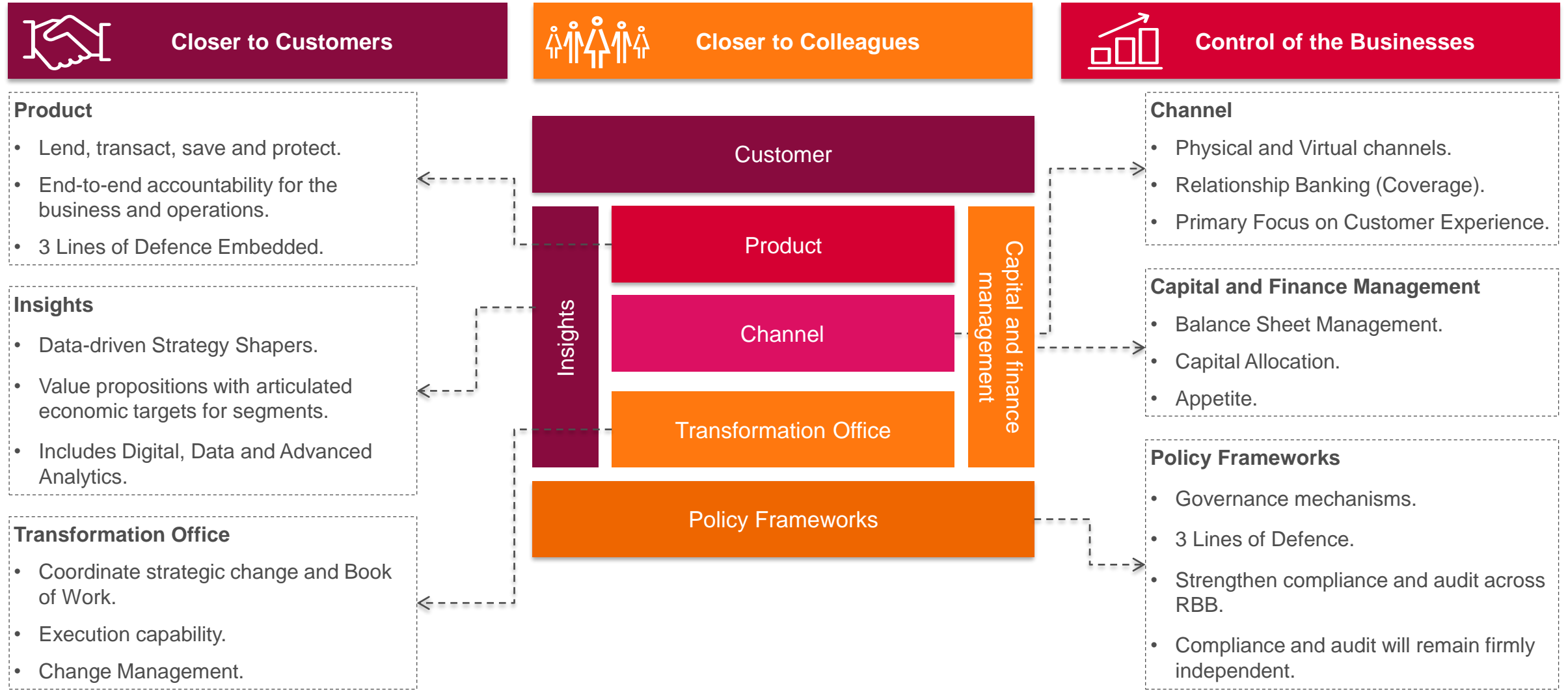


Extensive distribution network

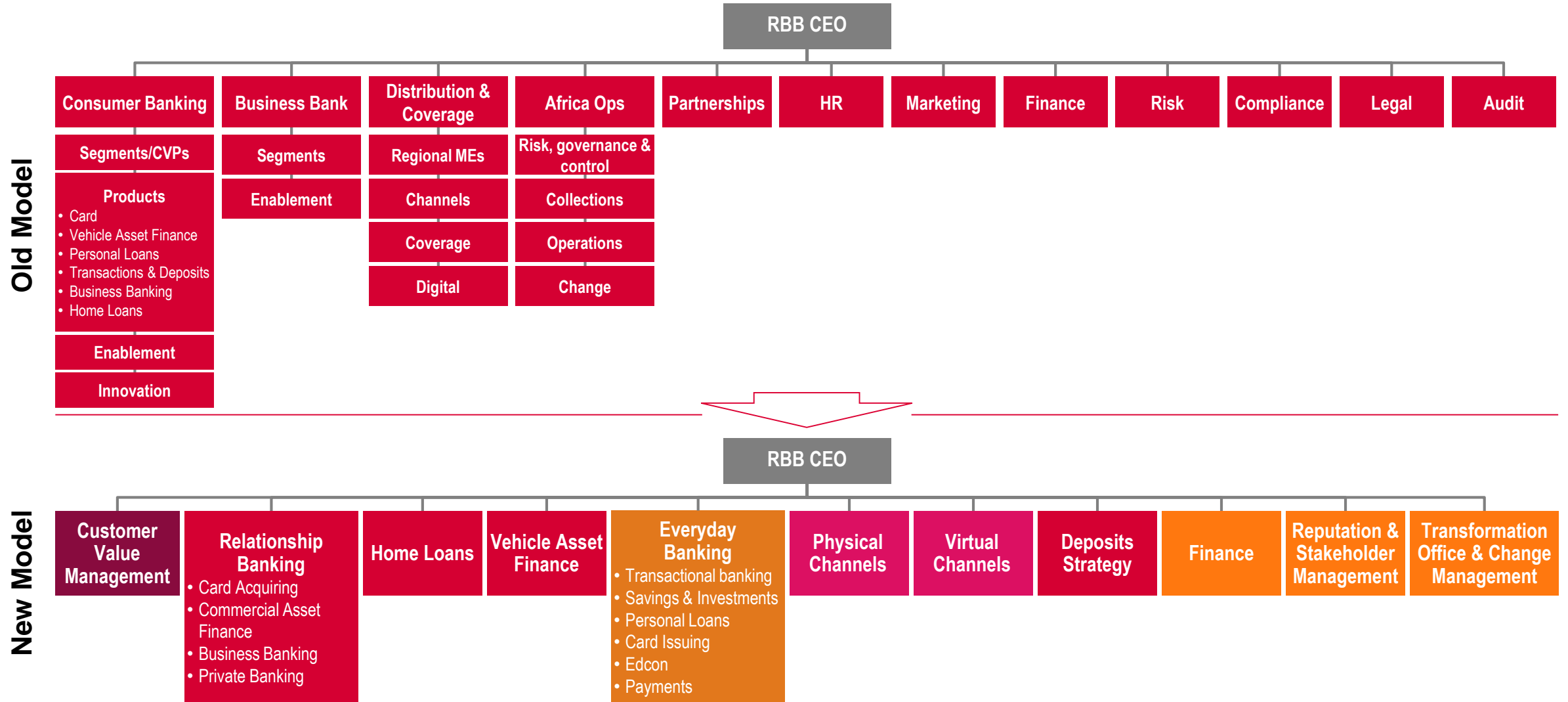
...which we will leverage to reset the business



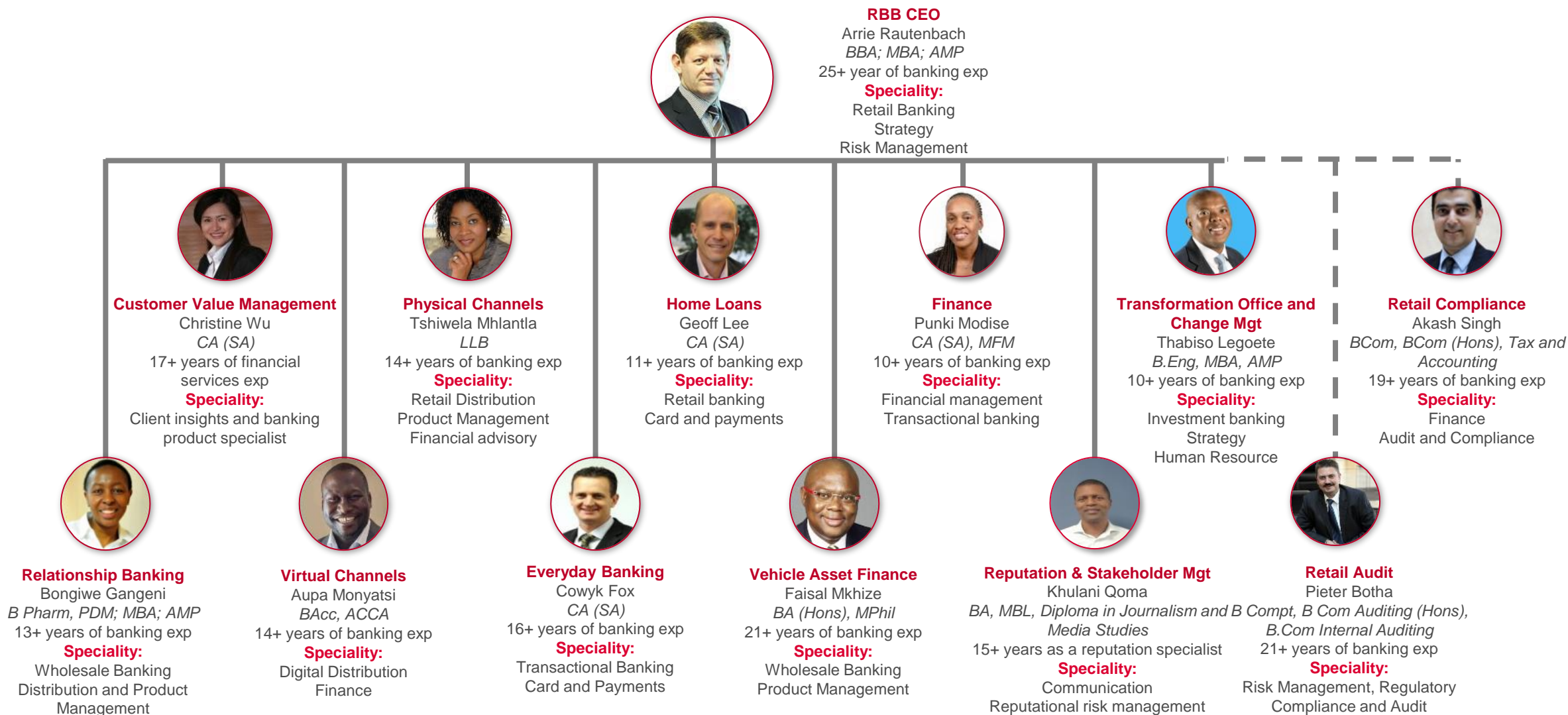
We have redesigned the RBB operating model...



...revised the RBB organisational construct...



...filled key positions with top talent...



...and followed an extensive process to build a bottom-up execution plan

RBB execution plan supported by detailed strategies for all businesses

With buy-in across RBB

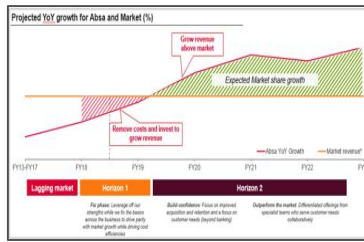
RBB ambition and growth objectives

Plan for Success: Our RBB Ambition is to become the leader in Retail and Business Banking in SA through 5 focused Growth Objectives

"Be the leader in SA retail and business banking"

1. Cultural journey: Drive for change from achievement culture to one defined by results, learning, engagement and caring
2. Get back to acquiring customers: Shift the decline in customer numbers and focus on new customers with a specific focus on building relationships for life. Move from a product focus to serve the customer through their lifetime
3. Build relationships for life: Move from a product focus to serve the customer through their lifetime
4. Demand driven delivery engine: Take lead control to drive new operations
5. Digital first in everything we do: Digital embedded in every business unit's strategy

RBB revenue growth forecast



RBB key measures

Measures of success have been defined which align to the Group measures and also track RBB specific indicators

The key Group measures... are supported by RBB-specific measures

Revenue	Customers	Balance sheet
Headline earnings	Customer numbers	Loans and advances
PARCC	Customer cross-sell	Deposits
NPS	Income statement	Expenses
eNPS	Margins	Turn around times (TOs)
	CTI	Digital adoption

- 100+ People involved in bottom-up build
- 20+ Workshops
- 15+ RBB leadership alignment sessions
- 2 Days at RBB execution plan offsite

Relationship Banking

Ambition and growth objectives

Our ambition to be the relationship bank of choice is underpinned by four key growth objectives

1. Grow presence in professional banking & self-employed professional and wealth segments
2. Deliver end-to-end relationship banking solution for entrepreneurs in the growth segment (R10-100k)
3. Diversify and grow the commercial premium base through new growth vectors and products with a focus on deposits
4. Define the strategic related brand operating model for cash in the Street

Key results

Objective: Craft a winning Private Wealth offering and deliver at scale

Objective: Grow presence in professional markets through focus on young and self-employed professionals

Revenue forecast

Measures of success have been defined which align to the Group measures and also track RBB specific indicators

The key Group measures... are supported by RBB-specific measures

Revenue	Customers	Balance sheet
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eNPS	Margins	Turn around times (TOs)
	CTI	Digital adoption

Key measures

Relationship Banking key measurements for tracking

Leading metrics	Lagging metrics
<ul style="list-style-type: none"> Customers - Business Bank (numbers) Customers - Private Bank (numbers) Customer loyalty - Business Bank Customer loyalty - Private Bank % Business Bank customers with Private Bank relationship 	<ul style="list-style-type: none"> Revenue (R) Headline earnings (R) PARCC (R) Advances (R) Deposits (R) Customer NPS (%) Employee Engagement (%)

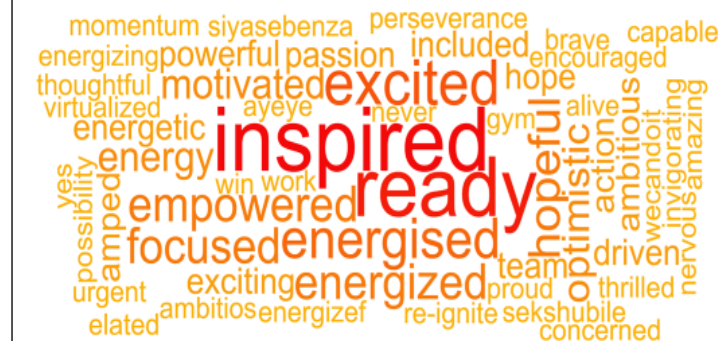
Home Loans

Everyday Banking

Virtual and Physical Channels

Vehicle Asset Finance

Give one word that describes how this RBB offsite has made you feel



Each business unit has a targeted plan on how to differentiate

Why is it a priority?

How will we focus and differentiate?



Customer Value Management

- Historic product-focused approach limited the ability to drive customer loyalty and differentiate customer offering.
- Opportunity to grow share-of-wallet beyond banking needs by driving a customer vision.

- Single client vision with advanced analytics to move towards a segment of one.
- Pivot to serve customer needs beyond banking through a collaboration of product teams and a partnership ecosystem.



Relationship Banking

- Historic dependency on customers segments where relationships lack depth.
- Opportunity to grow 'new to bank' customers.

- Single "warm-body" relationship managers to serve customers' personal and business needs.
- Acquire young and self-employed professionals.



Home Loans

- Represents a significant size of the Groups balance sheet.
- Slipped in market leading position over the past decade.

- Enable end-to-end digital mortgage delivery.
- Target first time buyers using advanced analytics.



Everyday Banking

- Consists of the anchor products for all RBB customers.
- Opportunity to unlock latent potential of high quality product set to drive customer loyalty.

- Create a single account through customer lifecycle.
- Use advanced analytics to solution in the moment to optimise product offering across the RBB portfolio.



VAF

- Critical product for integrated RBB proposition.
- Need to maintain returns above cost of equity.

- Focus to optimise dealer relationships.
- Create best-in-class collections shop to improve returns.



Channels

- Represents a significant portion of the RBB total cost base.
- Primary touchpoint with customers which drives customer experience.

- Optimise physical footprint and lean operations.
- Increase digital adoption and customer loyalty.

We have defined robust metrics to track business performance...

The key RBB measures...



Revenue



Headline earnings



PARCC



NPS



Employee Engagement

...are supported by leading indicators...

Customer growth

- Primary customers
- New-To-Bank customers
- Churn
- Customer loyalty
- Asset production
- Card turnover
- Deposit growth

Market share growth

- Revenue market share
- Retail loans and advances market share
- Core retail deposits market share
- Flow market share

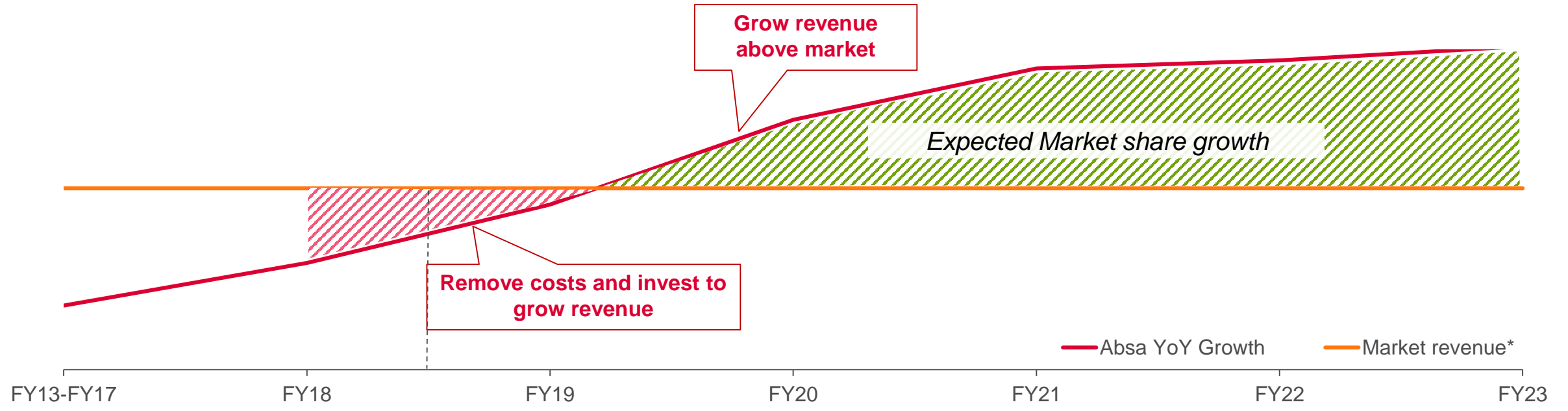
...which are supported by business-specific measures

Home Loans (*example*)

- Flow market share
- Production
- Average home loan concession
- Average turnaround time (application to grant)
- Delinquency roll rates
- Revenue margin
- Efficiency
- Conversion

...and drive outperformance in the market from 2020

Projected YoY growth for Absa and Market (%)



Lagging market	Horizon 1	Horizon 2	
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Fix phase: Leverage off our strengths while we fix the basics across the business to drive parity with market growth while driving cost efficiencies

Build confidence: Focus on improved acquisition and retention and a focus on customer needs (beyond banking)

Outperform the market: Differentiated offerings servicing customer needs collaboratively

Note: (*) Mean estimated market revenue growth

RBB Portfolio: Arrie



Vehicle Asset Finance: Faisal



Relationship Banking: Bongiwe



Everyday Banking: Cowyk



Home Loans: Geoff

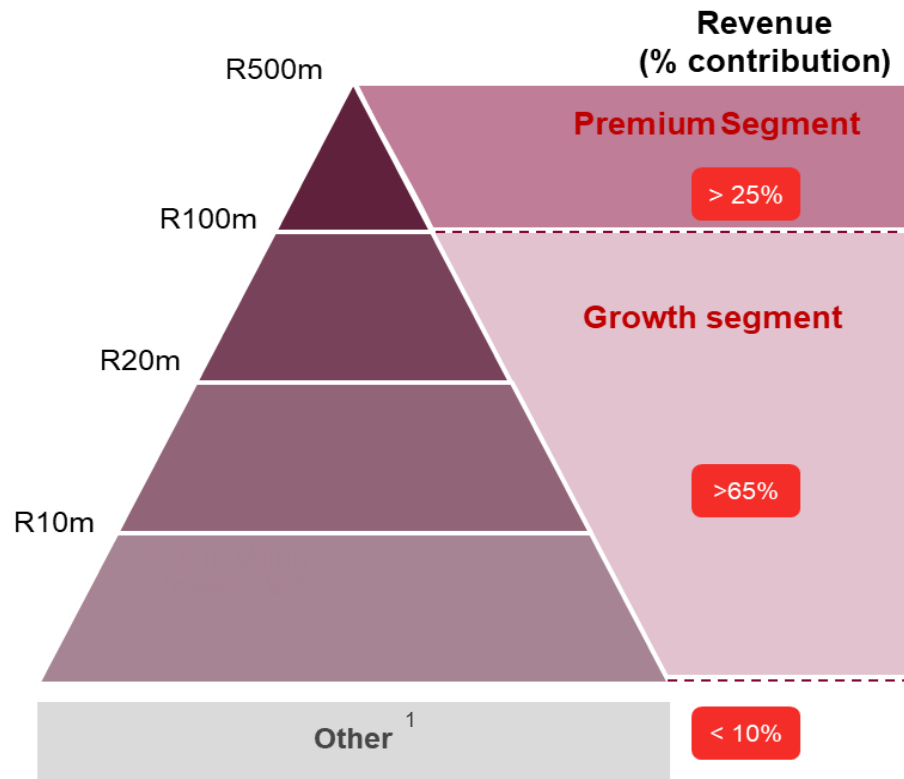


Channels: Tshiwela and Aupa

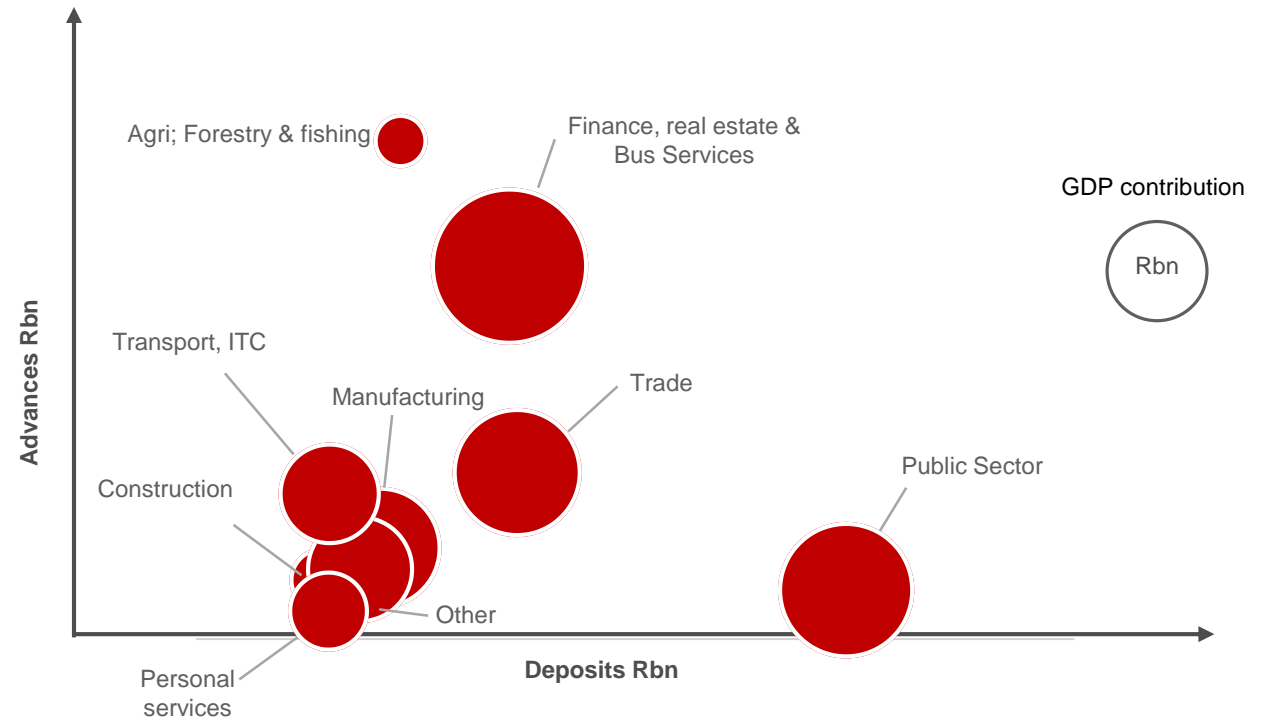


The Growth segment generates >65% of our revenue

Business Bank – customer segmentation



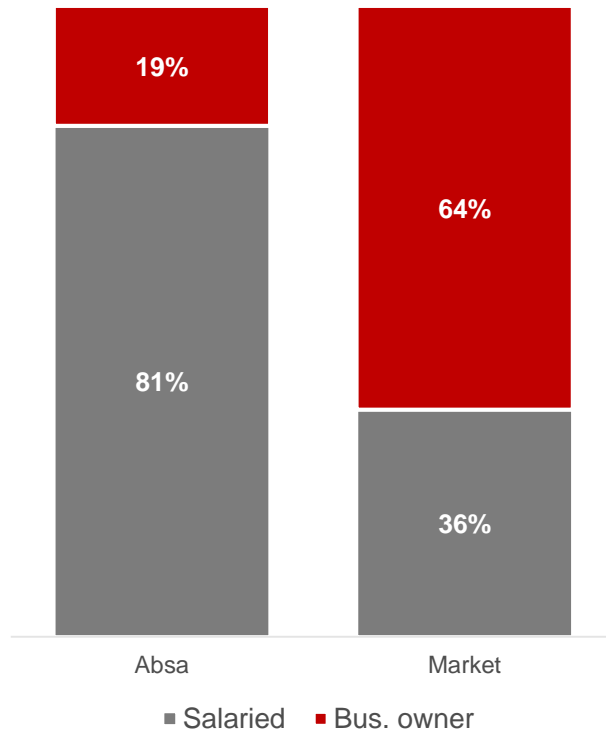
Premium – currently concentrated in Agri & Public sector



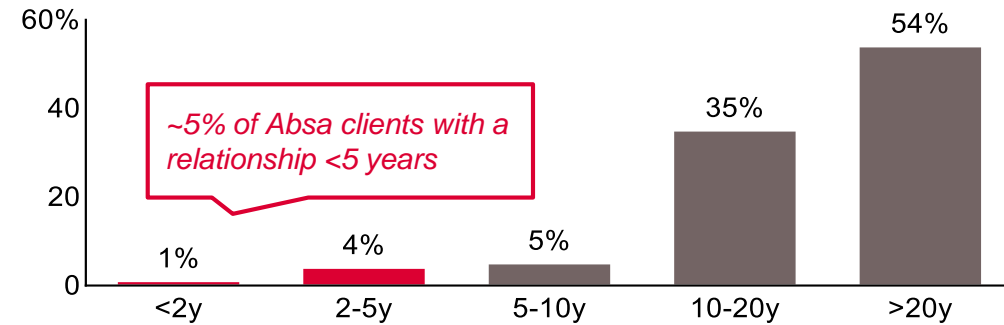
Note (1) Other – reflects stand-alone relationships largely Commercial Asset Finance

Our Private banking client base is misaligned to the market

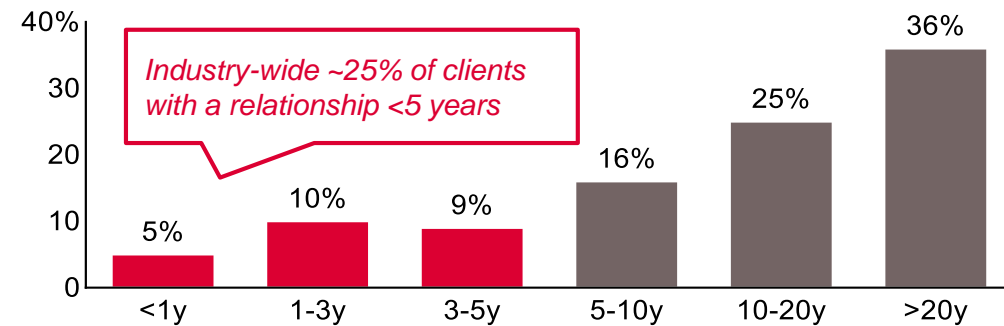
Private Banking customers based on income source



Absa private banking client relationship tenure



Industry-wide client relationship tenure



Source: StatsSA; Absa Analysis

We aim to become the relationship bank of choice

- 1 Grow **presence** in young and self employed professionals.
- 2 Deliver **end-to-end Relationship Banking** solution for entrepreneurs in the Growth segment.
- 3 Diversify and grow the **premium** segment through key **growth sectors and products** with a **focus on deposits**.
- 4 Optimise our **dominant cash position** through efficiencies.



Key capability themes underpin our delivery

**Front line
capability to
service customers**







**Customer
experience
capability**

**Enhanced
credit capability**









Key measurements for tracking

Leading metrics

-  Customers – Business bank (numbers)
-  Customers – Private bank (numbers)
-  Share of wallet– Business Bank
-  Share of wallet – Private Bank
-  % Business bank customers with Private bank relationship
-  Employee engagement (%)

Lagging metrics

-  Revenue (Rbn)
-  Headline earnings (Rbn)
-  PARCC (Rbn)
-  Advances (Rbn)
-  Deposits (Rbn)
-  Customer NPS (%)



Q&A

RBB Portfolio: Arrie



Vehicle Asset Finance: Faisal



Relationship Banking: Bongwiwe



Everyday Banking: Cowyk



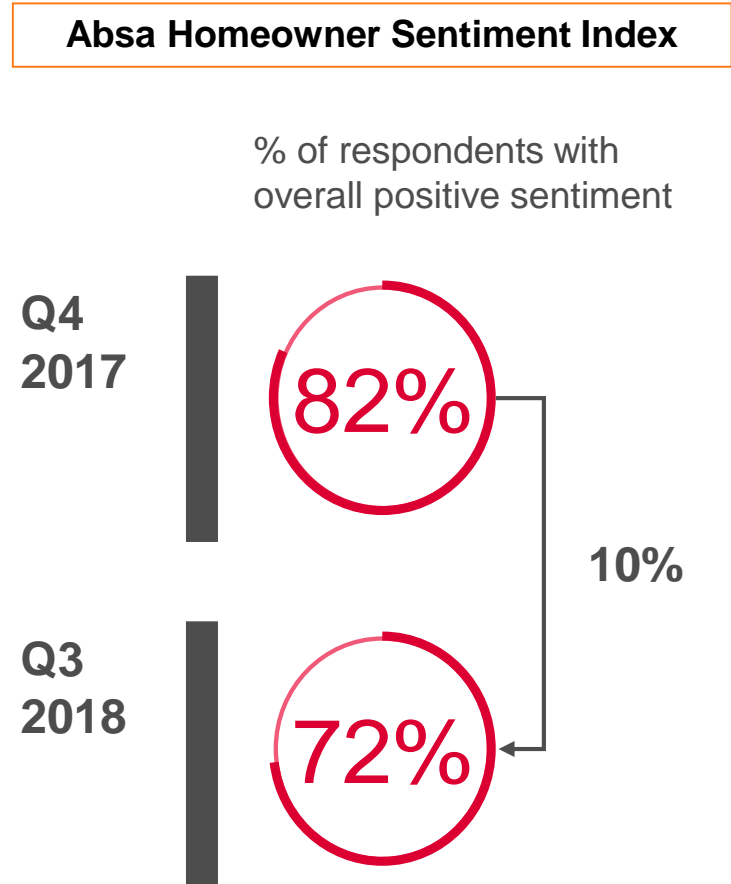
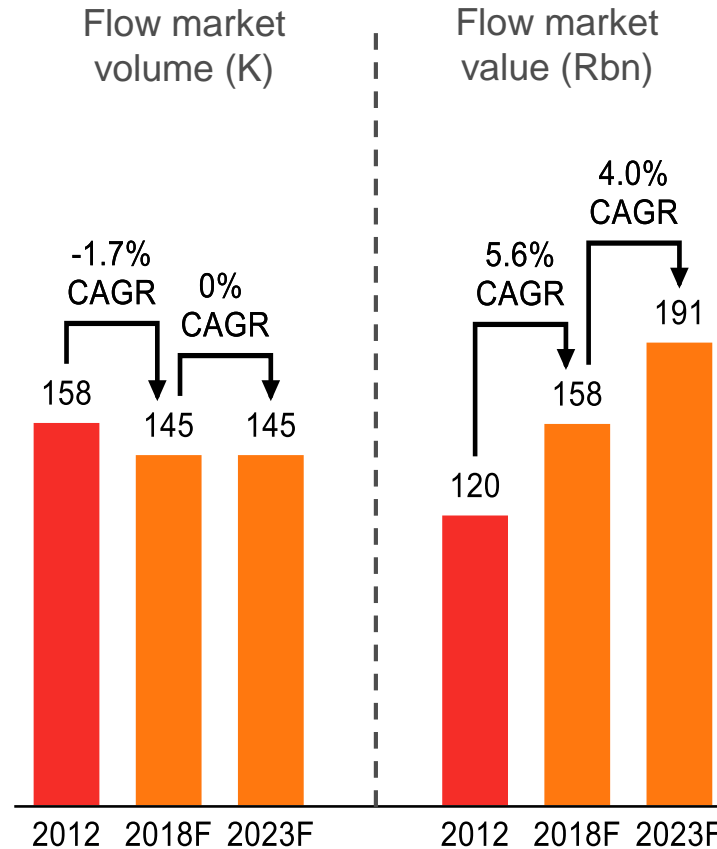
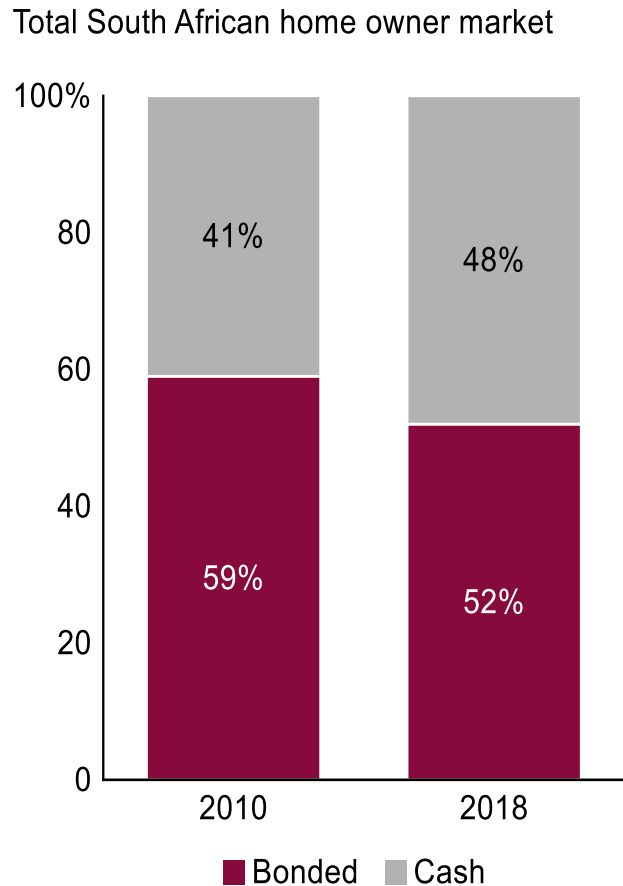
Home Loans: Geoff



Channels: Tshiwela and Aupa

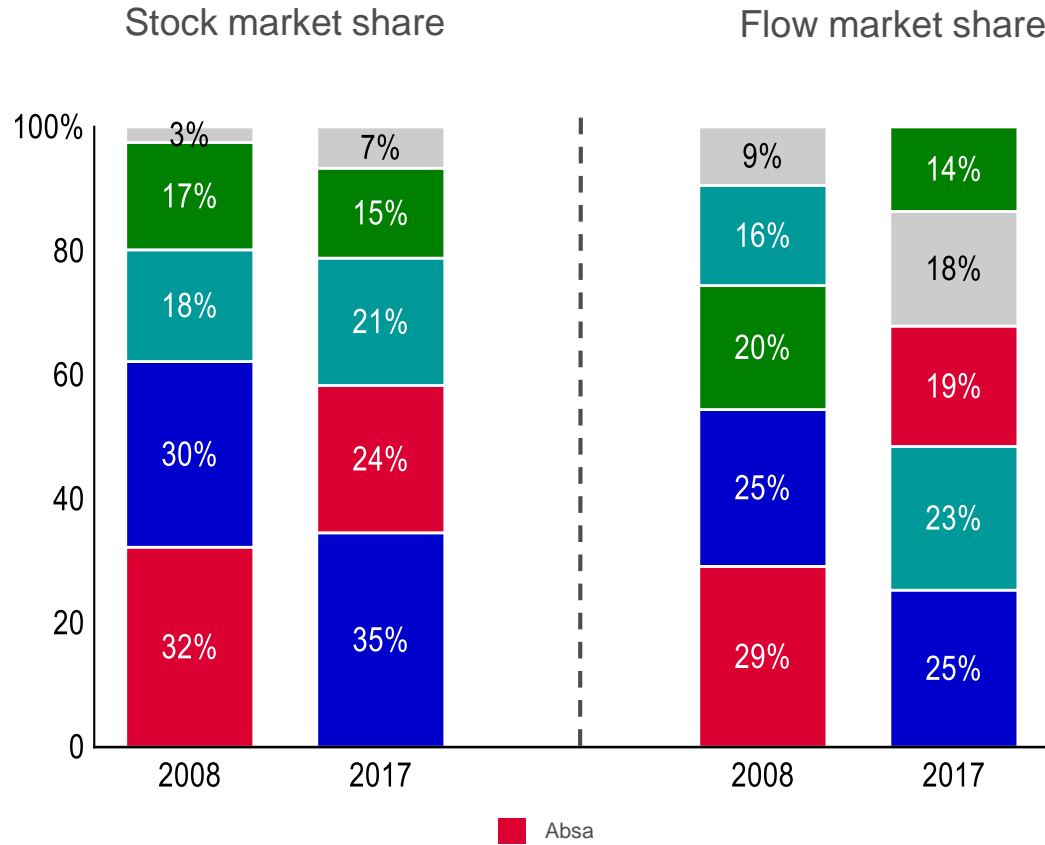


The Home Loans market faces a challenging medium term outlook



Source: Absa Analysis

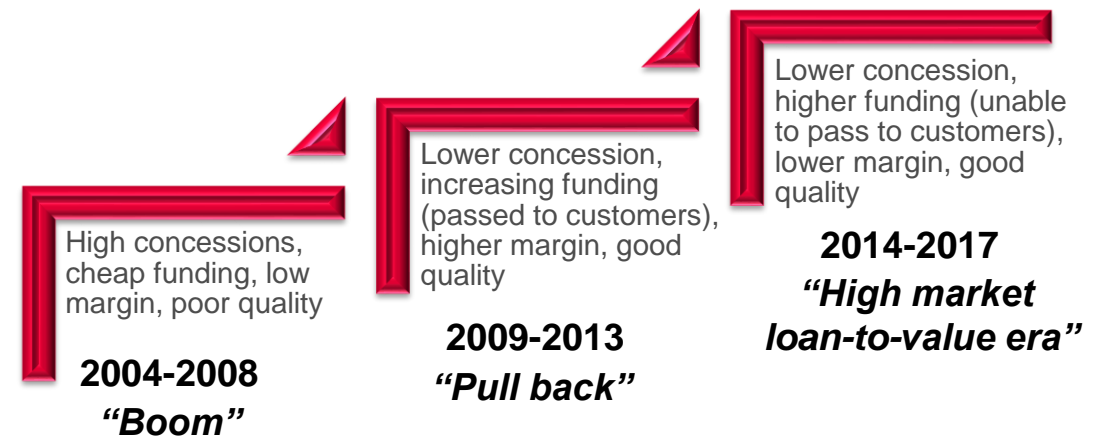
Absa has lost leadership position in the Home Loans market



Average age of customer base



Absa average margin pressure



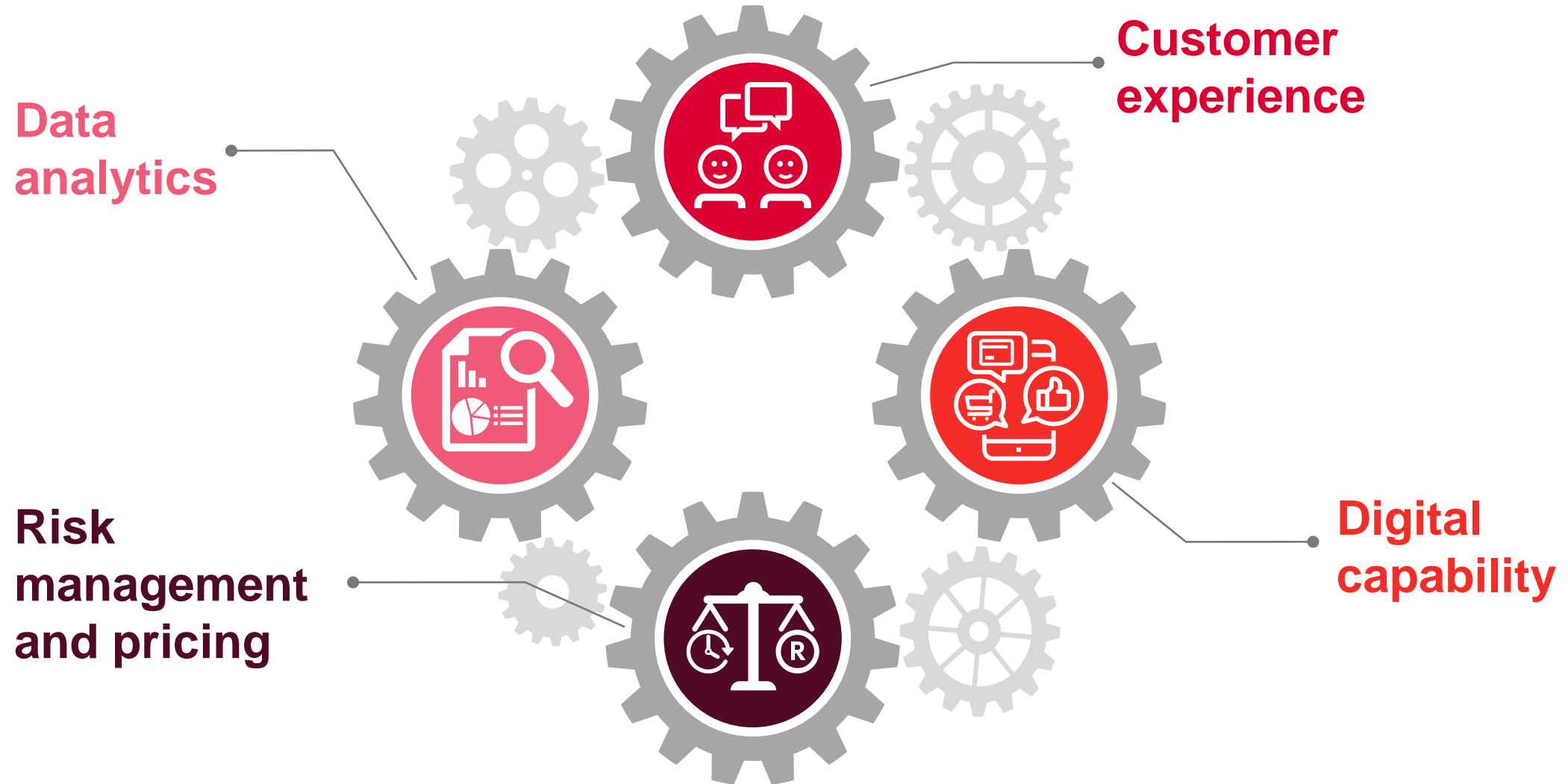
Source: BA900; Lightstone; Absa Analysis;

A woman's profile is shown in the foreground, looking towards the right. Her face is partially obscured by a semi-transparent, stylized image of a multi-story house facade, which is overlaid on her features. The background is a soft, out-of-focus image of a modern building with large windows.

We aspire to house the nation and shape the industry









- 1 Claim **leadership position** for **first time home buyers**.
- 2 Bring **our customers** home when they **re-mortgage/switch** and **delight existing customers**.
- 3 Provide portfolio approach for **property investors**.
- 4 Create an **end-to-end direct channel experience**.

Key capabilities underpin our growth delivery








Key measurements for tracking

Leading metrics

-  Flow market share (%)
-  Production (Rm)
-  Average home loan concession (%)
-  Delinquency roll rates (%)
-  Revenue margin (%)
-  Efficiency
 - Turnaround time
 - Application rework percentage
-  Conversion
 - Application to instruction
 - Instruction to registration
-  Employee engagement (%)

Lagging metrics

-  Revenue (Rbn)
-  Headline earnings (Rbn)
-  PARCC (Rbn)
-  Advances (Rbn)
-  Customer NPS (%)

RBB Portfolio: Arrie



Vehicle Asset Finance: Faisal



Relationship Banking: Bongwiwe



Everyday Banking: Cowyk



Home Loans: Geoff

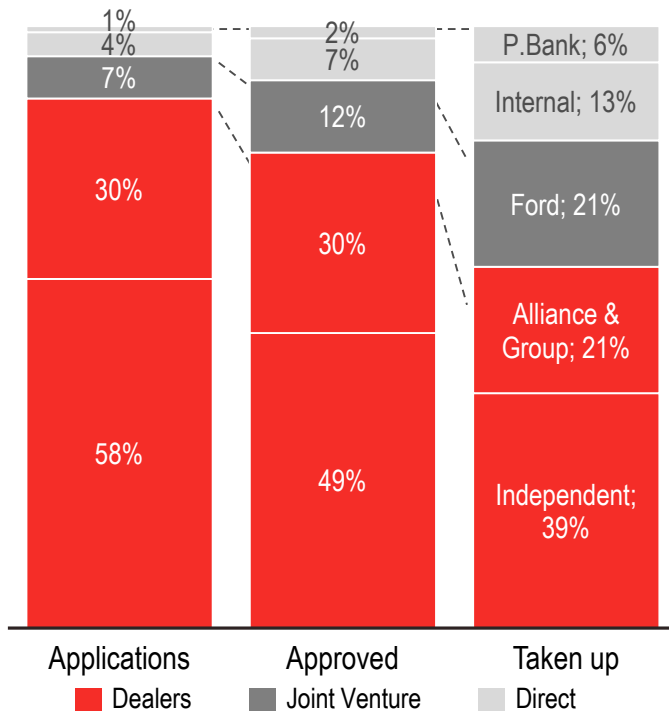


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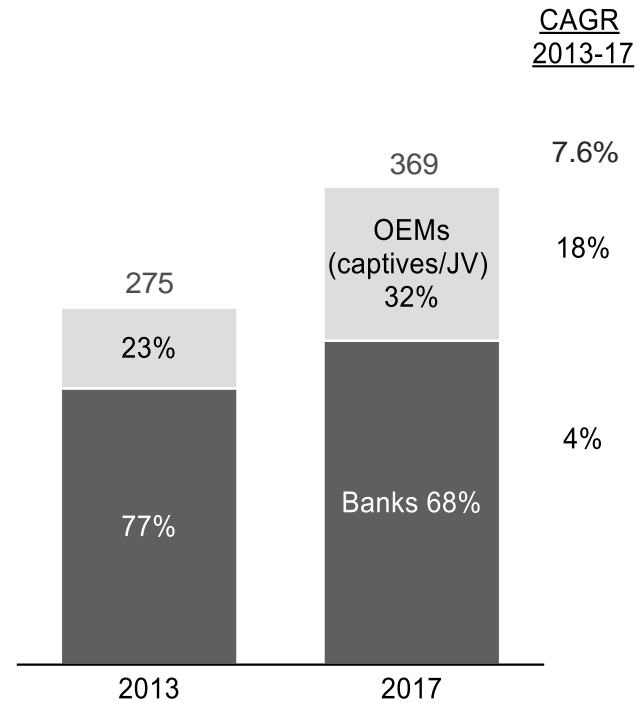


Declining margins are reducing returns across the industry

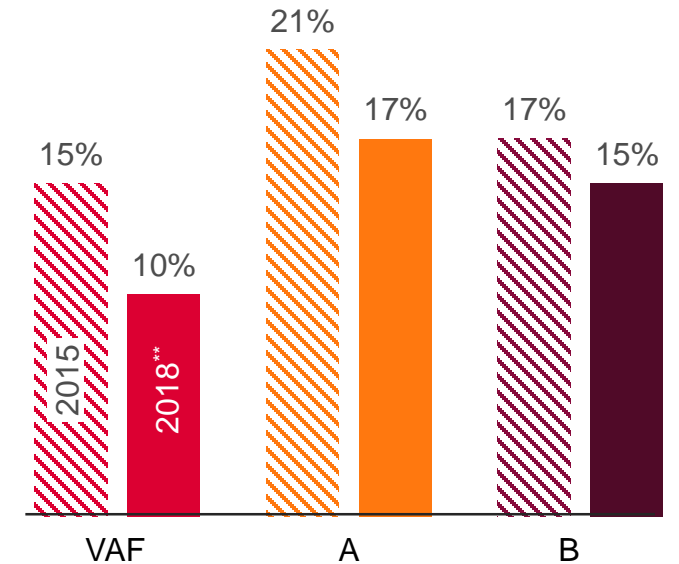
VAF volumes by channel for Jun-Aug 2018



SA Vehicle Asset Finance loan book* (Rbn)



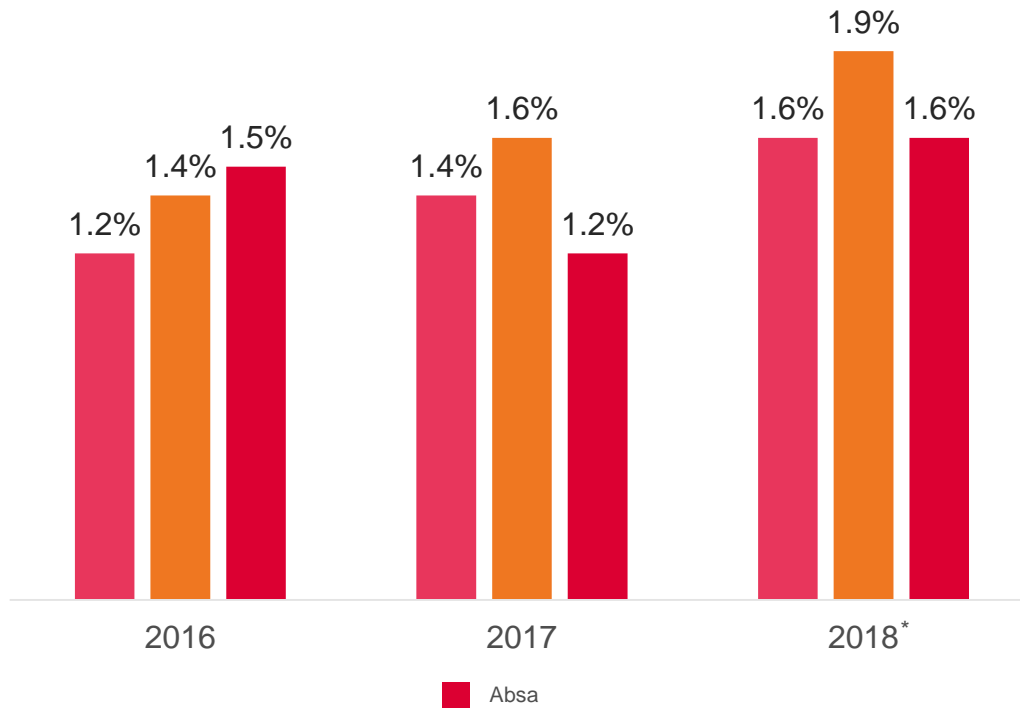
Return on equity by industry player for 2015 vs. 2018 (%)



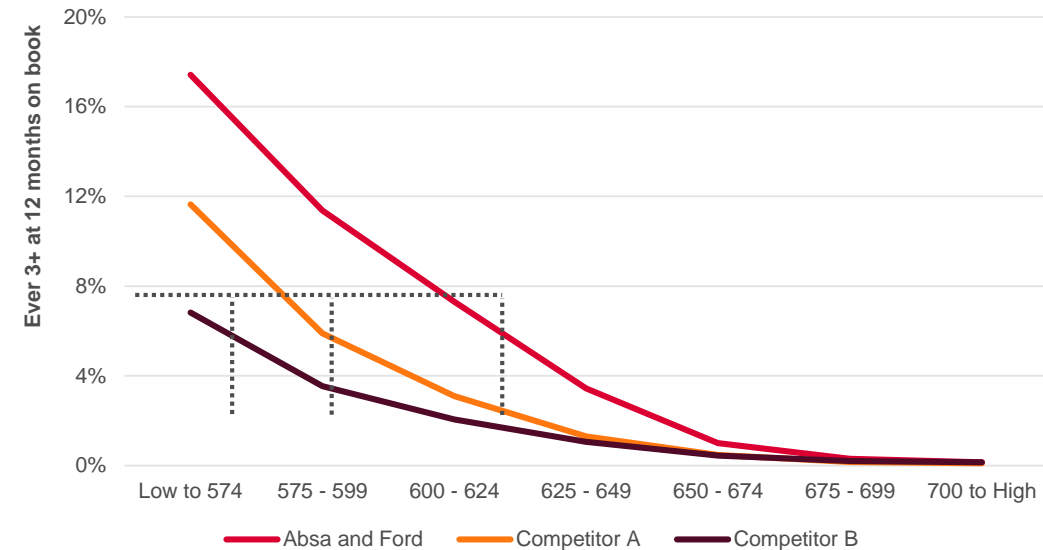
Note: (*) Loan book for big 4 banks; (**) Absa, June 2018 Results Booklet
 Source: BA 900 SARB; CCMR Credit Report; Absa Analysis

Default rates have been increasing

Credit loss ratio by player (%)



Default rate by Empirica score band (May'15 to Nov'16)



We will realise bottom line benefit of loan book growth by improving collection systems, processes and people performance management

Note: (*) Absa, June 2018 Results Booklet
Source: Absa Analysis

Three critical success factors are needed to win with dealers



Strong relationships with dealers

- Enhance **operating and dealer engagement model**.
- **Refine segmentation** to manage flow through approved dealers.
- Drive **relationship with original equipment manufacturers (OEMs)** and leverage where relationships already exist.

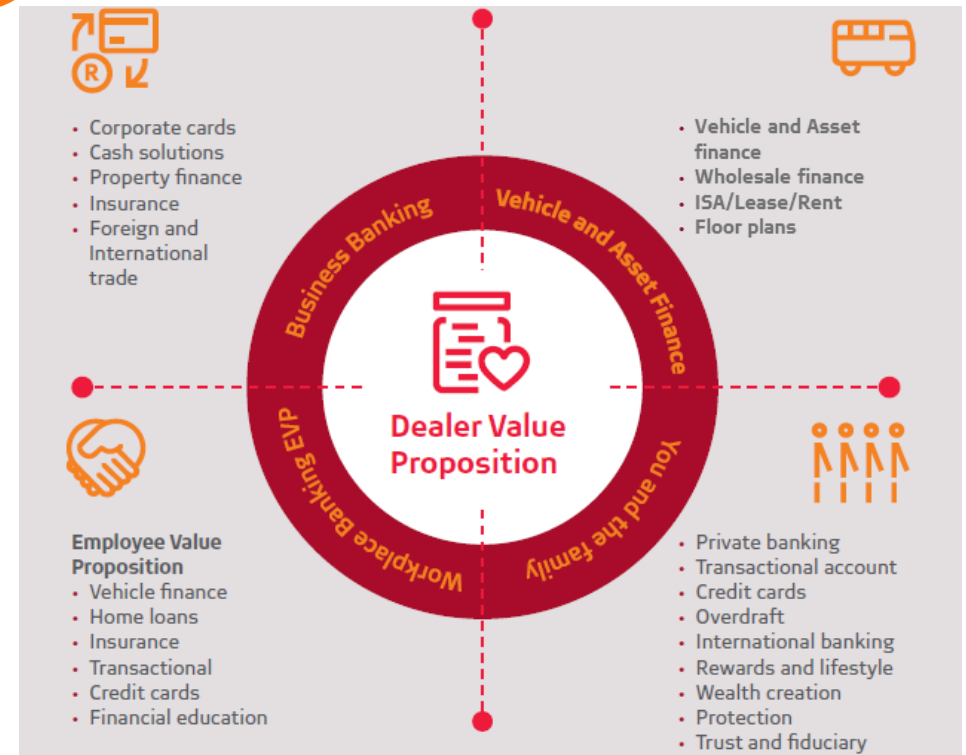


Great service through operational excellence

- Deliver **differentiated sales and service** through **operational excellence**.
- Quicker **decision making in Collections, benchmarked** to outperform the market in efficiency and effectiveness.
- **Use technology and analytics capabilities** to provide self-service.



Compelling dealer value proposition



We aim to become the leading bank in VAF, leveraging dealer relationships







- 1 Become the **bank of choice** for vehicle dealers.
- 2 Build **best in class collections capability** to reduce loss rate and enable acquisitions.
- 3 **Maximise bancassurance revenue** to improve returns.
- 4 Use **customer analytics and digital innovation** to retain and grow.

Key capabilities underpin our growth delivery








Key measurements for tracking

Leading metrics

-  Production (Rm)
-  Units
-  Net rate to prime on flow
-  Approval rate
-  Take-up rate
-  Delinquency roll rate (%)
-  Customer NPS (%)
-  Employee engagement (%)

Lagging metrics

-  Revenue (Rbn)
-  Headline earnings (Rbn)
-  PARCC (Rbn)
-  Advances (Rbn)
-  Installment sales market share per BA 900 (excluding JV's)



Q&A

RBB Portfolio: Arrie



Vehicle Asset Finance: Faisal



Relationship Banking: Bongwiwe



Everyday Banking: Cowyk



Home Loans: Geoff



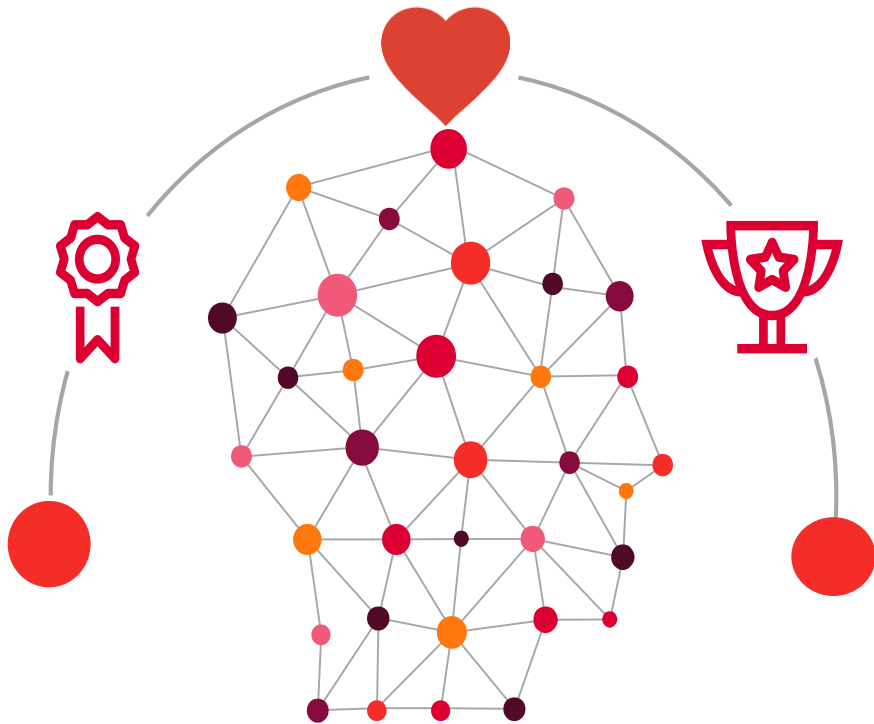
Channels: Tshiwela and Aupa



There is opportunity to improve primacy and reduce branch dependency

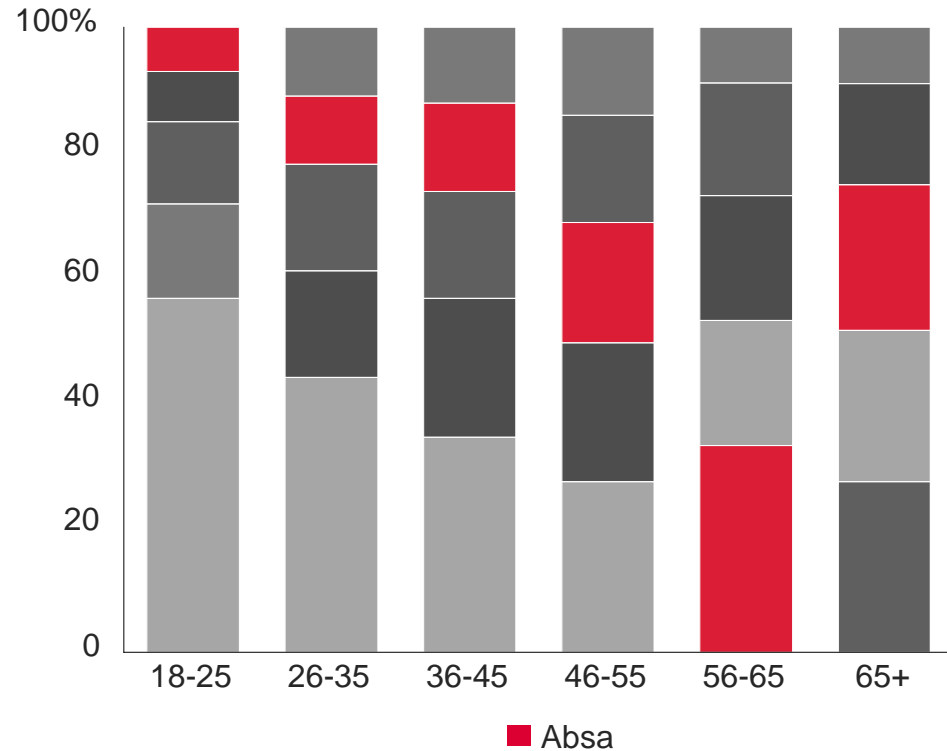
Transact and Flexi Save are Absa's most popular products, however these have below SA average customer primacy rates

Product sales are still dependent on branches contributing >80% of new account sales

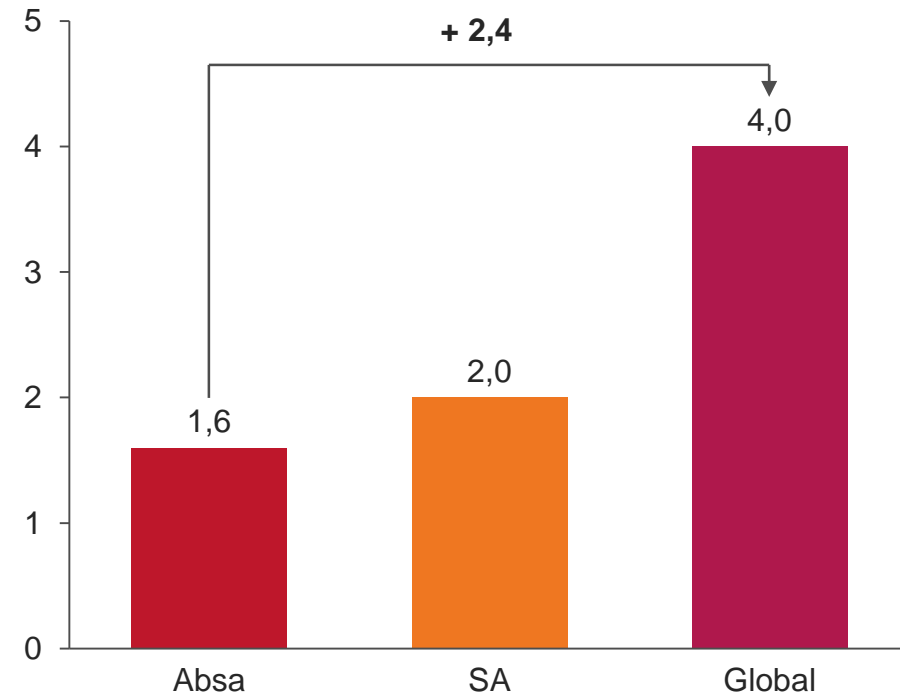


Currently an ageing customer base with an opportunity to increase penetration

Retail banking customer share by age (% , 2017/18)



Average number of products per customer (2018)

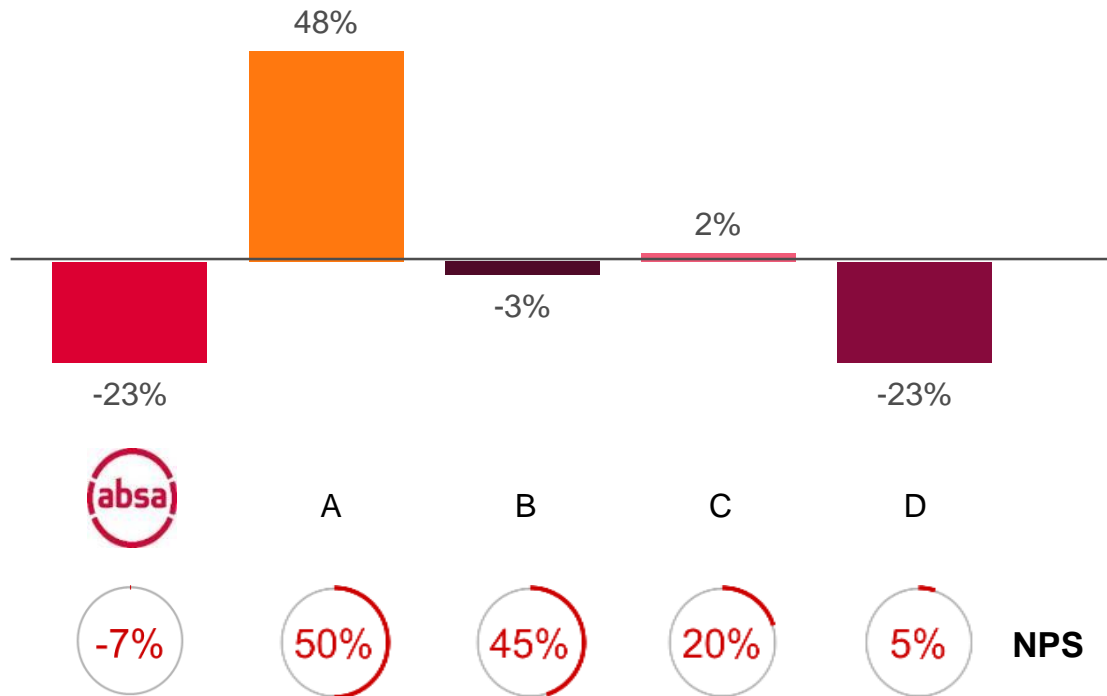


Note: Retail banking survey (N= ~4000)
Source: Absa Analysis

Customer experience significantly impacts retention

Net switching between banks

% switching between banks



Suboptimal customer experience is a key driver for customer attrition/dormancy

- Inefficient internal key processes (including onboarding)
- Inability to use data to create personalised experience
- Inefficient use of digital channels

Source: Absa Analysis

We aim to meet and exceed customer needs across their life cycle



Key Success Factors

- Customer Value Proposition
- Sales Process (including ease of joining/switching, cost to serve and new pipelines)
- Pricing and Rewards (i.e. what do I get for what I pay?)
- Risk management
- Innovation

What attracts new customers?



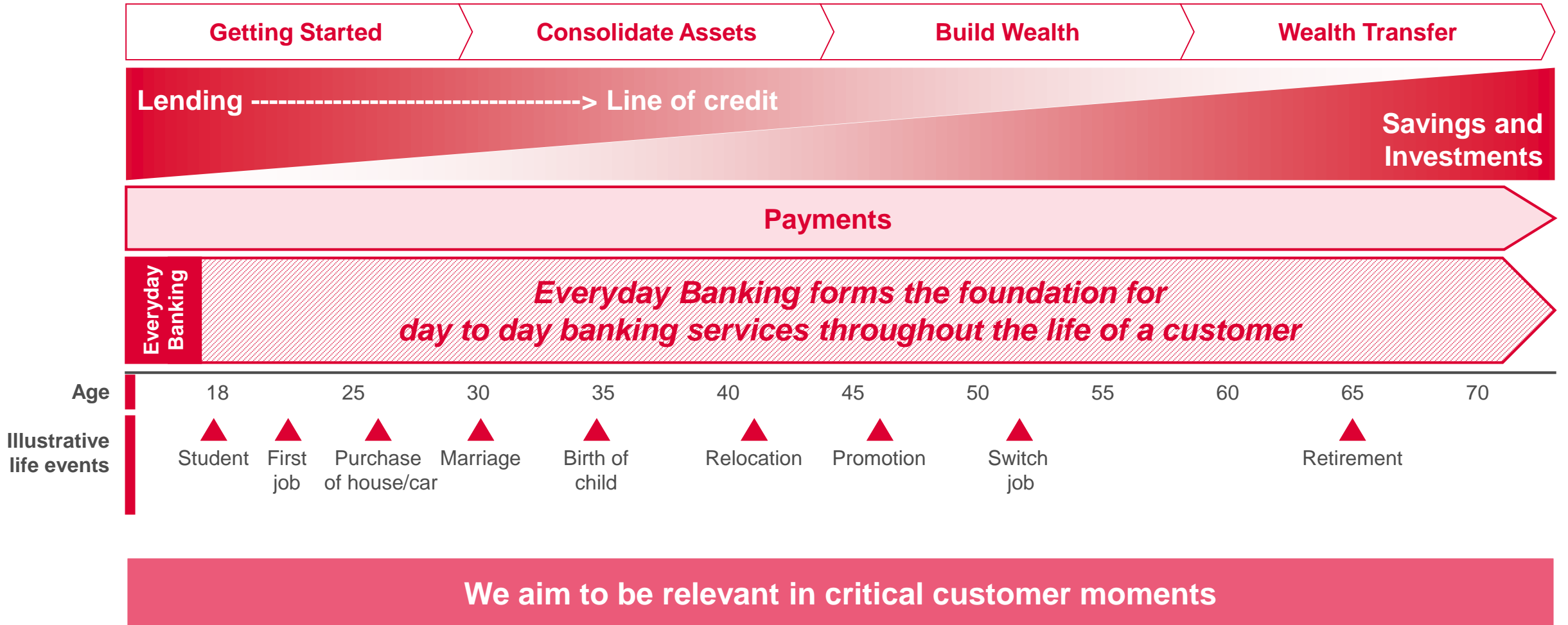
Key Success Factors

- Customer Experience
 - Product Experience (“just works” and innovation)
 - Channel Experience (physical and virtual)
- Life Time Value optimisation (Customer Loyalty/Upsell, Credit Limit Management and Pricing)
- Innovation

What makes them want to stay and use more?

We are focused on key success factors and excelling at them every day

Everyday Banking will act as the lifetime rails



We aim to become the everyday bank for life for our customers

Targeted acquisition

- 1 Target **core middle** and affluent, anchored on “**Everyday Banking**” proposition through the “One account”.
- 2 Drive deposits through propositions and attractive rates.

Creating customer lifetime value

- 3 Leverage analytics to drive share of wallet across the customer life cycle.
- 4 **Optimise pricing and Rewards** based on a **holistic view of value** the customers receives/provides.

Best in class customer experience and propositions

- 5 Ensure **seamless onboarding and service** across products and channel experience.
- 6 Deliver **innovative propositions** through **digital** and **ecosystem of partners**.
- 7 Drive winning **payments proposition** evolution – instant, secure and innovative.

Key capabilities underpin our growth delivery

Customer experience



End-to-end digital enablement



Risk Management



Data analytics and customer management



Payments



Onboarding and Switching










Key measurements for tracking

Leading metrics

-  New to bank acquisitions (#)
-  Market share on flow (#)
-  Primacy (%)
-  Risk adjusted margin (%)
-  Cross sell ratio (#)
-  Digitally active customers (%)
-  Closure (#)
-  Employee engagement (%)

Lagging metrics

-  Revenue (Rbn)
-  Headline earnings (Rbn)
-  PARCC (Rbn)
-  Advances (Rm)
-  Deposits (Rm)
-  Market share – stock (%)
-  Customer NPS (%)

RBB Portfolio: Arrie



Vehicle Asset Finance: Faisal



Relationship Banking: Bongwiwe



Everyday Banking: Cowyk



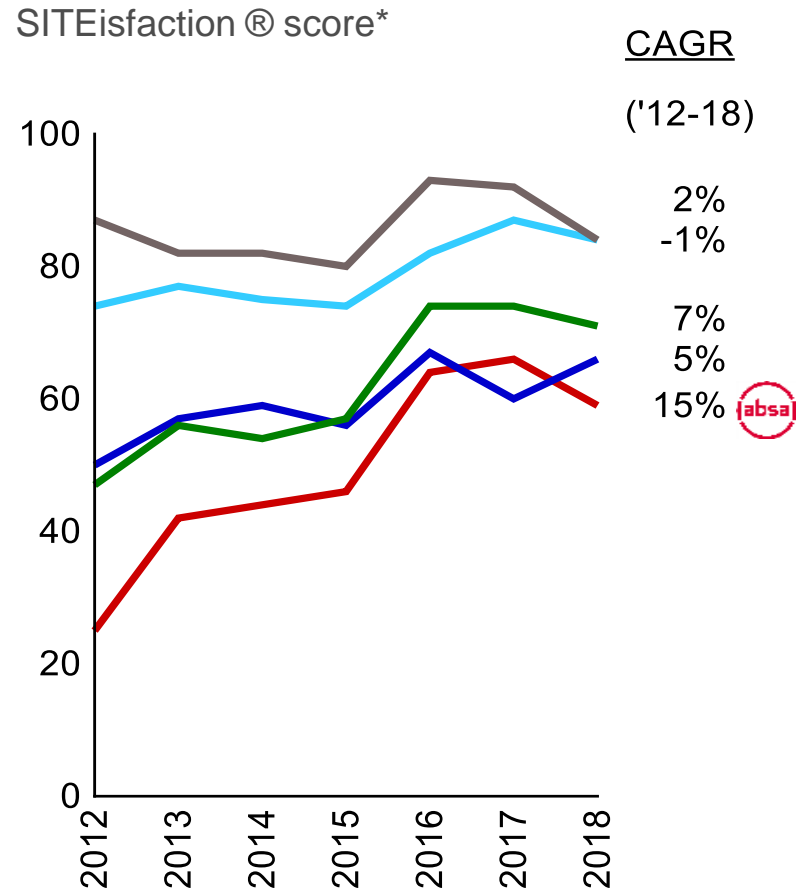
Home Loans: Geoff



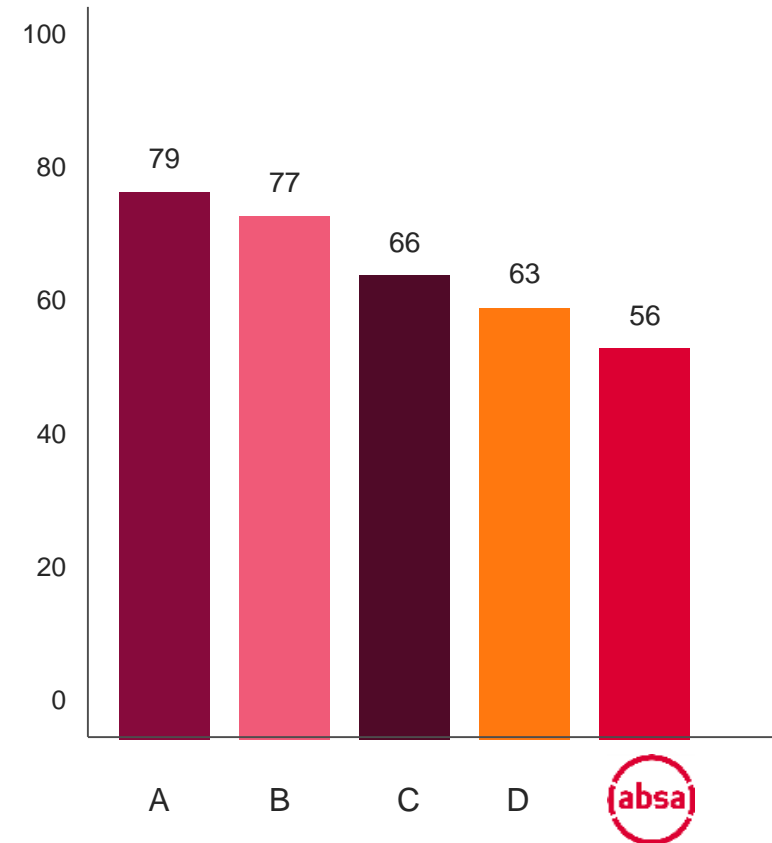
Channels: Tshiwela and Aupa



Digital remains a great opportunity



Digital Banking Satisfaction 2018

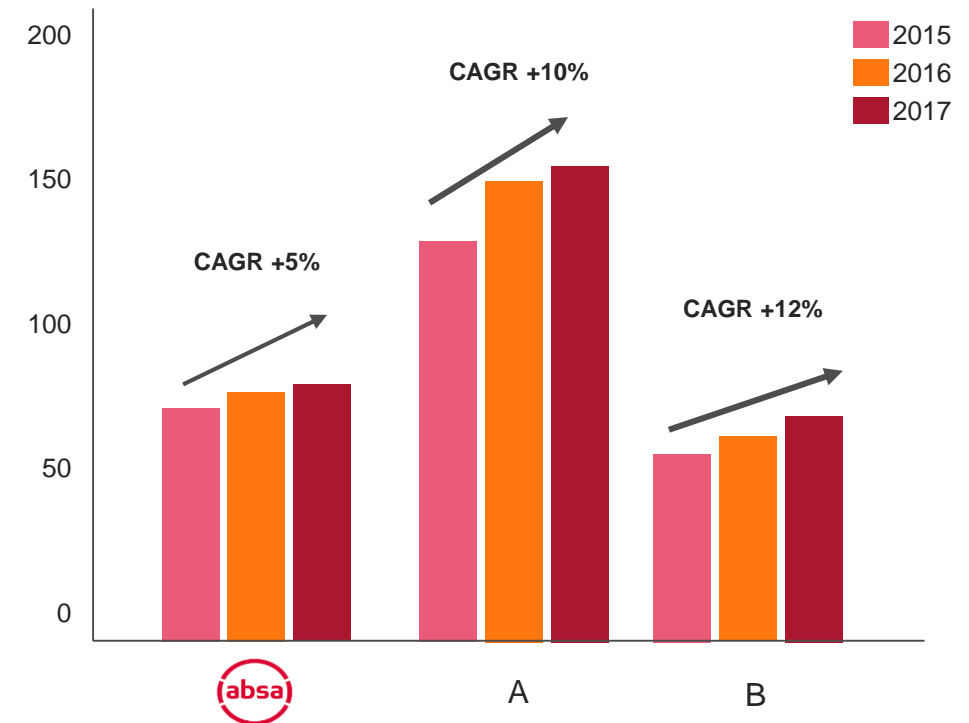


Note: *SITEisfaction® score = % of users who report high overall satisfaction - % of users who report high overall satisfaction

Extensive network with an opportunity to increase productivity

Competitor ¹	Branches	ATMs
Absa	631	8,919
A	575	4,360
B	639	7,270
C	613	3,948
D	796	4,024

Retail banking revenue per square meter (Rm)

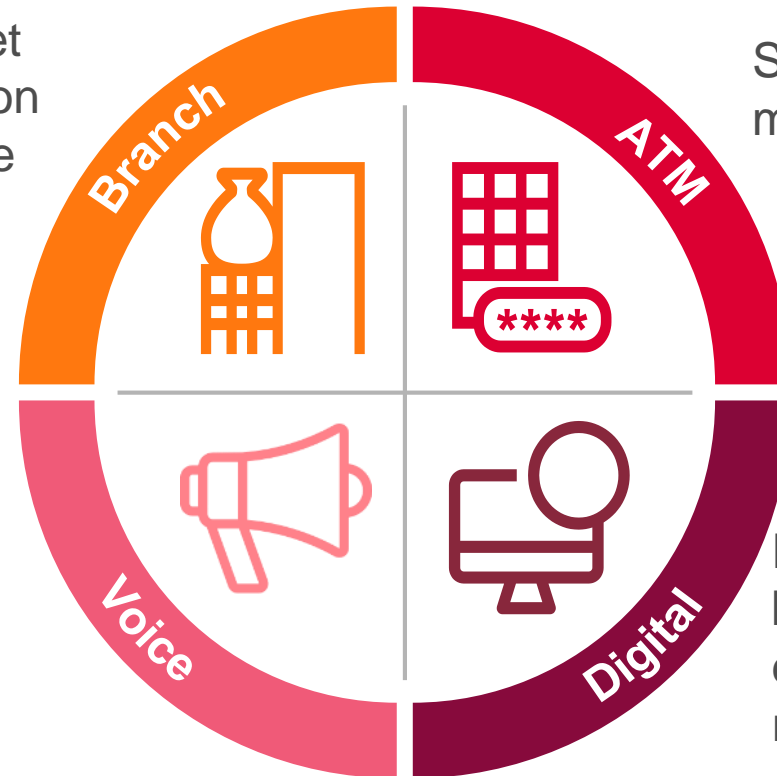


Note: (1) Based on annual reported figures
Source: Absa Analysis

We aim to converge and seamlessly integrate across our channels

Repurpose branches to become market relevant which optimise sales production and transform our customer experience

Deploy multi-skilled agents who can serve our customers across multiple products and services whilst delivering effortless experiences



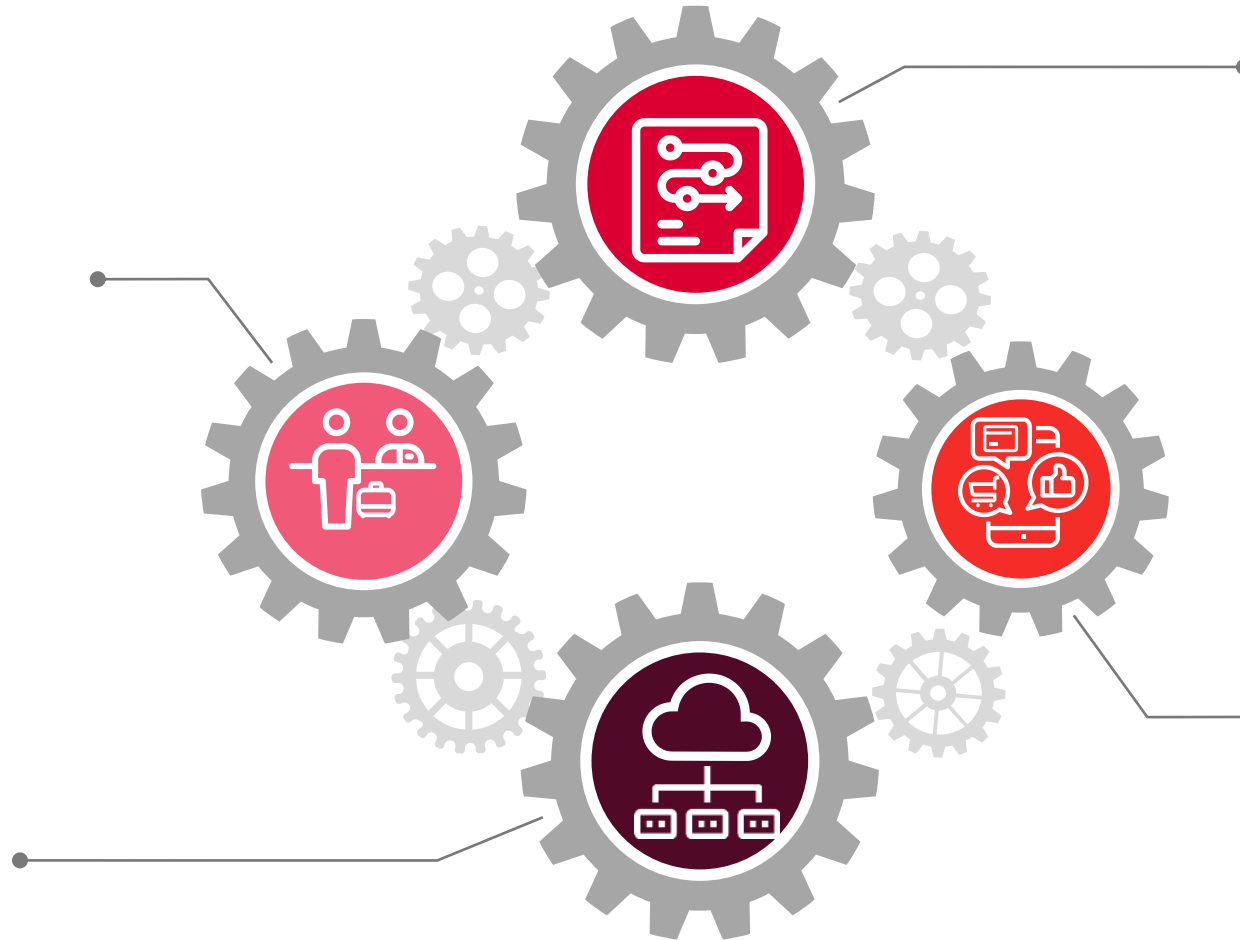
Strategic redeployment of ATMs with market relevant functionality

Embed design thinking while building our digital platforms to enable world class experience and relevant functionality

Key capabilities underpin our Omni-channel delivery

**Front line
capability to
service
customers**

**Technology
and systems**









**Process
optimisation**




**Innovation &
design thinking**

Key measurements for tracking

Leading metrics

-  Square meter optimisation (#)
-  Number of ATMs (#)
-  Adoption of Digital Channels (%)
-  Market sentiment (Culminate & SITEisfaction)
-  Employee engagement (%)
-  Service operating score (%)

Lagging metrics

-  Base costs (Rbn)
-  Cost savings (Rbn)
-  NPS (%)



Q&A

RBB Portfolio: Arrie



Vehicle Asset Finance: Faisal



Relationship Banking: Bongwiwe



Everyday Banking: Cowyk



Home Loans: Geoff



Channels: Tshiwela and Aupa



We have established ambitious targets...

	H1 2018	2021
Market share		Target Market Share
Retail Advances	21%	23%
Retail Deposits	21%	22%
Production growth		Target 3 yr CAGR
Home Loans	14%	12%
Personal Loans	29%	27%
VAF Retail	19%	17%
Credit card limits	6%	8%
Deposits (book growth)	5%	12%
Business Banking Assets (book growth)	7%	10%
Customer activity		
Acquiring turnover	11%	12%
Debit card turnover	8%	10%
Credit card turnover	4%	8%
Product penetration (average products per customer)	1.6	2.2
Metrics		2021 Target
Revenue growth	4%	Above market
Cost to income	58%	Low 50's
Return on regulatory capital	23%	Above 25%

...to restore market leadership



- 1 Cultural journey:** Drive the change from a back-office, authoritative culture to a market-facing one defined by results, learning, enjoyment and caring.
- 2 Get back to acquiring customers:** Stem the decline in customer numbers and focus on new customer acquisition.
- 3 Focus on relationships as our core:** Move from a product focus to serve the customer through their life stages.
- 4 Drive efficiencies:** Drive cost efficiencies for lean operations.
- 5 Digital first in everything we do:** Digital embedded in every business unit's execution plan.
- 6 Pay for performance:** Our reward philosophy incentivises business outperformance

) Thank you (

Disclaimer

Forward-looking statements

Certain statements (words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘believes’, ‘intends’, ‘plans’, ‘may’, ‘will’ and ‘should’ and similar expressions in this document are forward looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Absa Group Limited and its subsidiaries. These statements are not guarantees of future operating, financial or other results and involve certain risks, uncertainties and assumptions and so actual results and outcomes may differ materially from these expressed or implied by such statements. We make no express or implied representation or warranty that the results we anticipated by such forward-looking statements will be achieved. These statements represent one of many possible scenarios and should not be viewed as the most likely or standard scenario. We are not obligated to update the historical information or forward looking statements in this document.