

Absa Financial Services

5 October 2012





Welcome and overview

Willie Lategan, Chief Executive



AFS leadership team



Willie Lategan
Chief Executive

Corporate centre

Mark Pardini
COO



Eric Wasserman
CFO



Yasmin Masithela
General Council



Tina Playne
Head Strategy & Planning



Josie Gubeon
Head HR



Managing executives

Andries van Staden
Absa Insurance



Johann Grobler
AFS Africa



Alan Miller
Absa Investments



Jannie Venter
Absa Life



Johann Grobler
Fiduciary



Izak Smit
Distribution

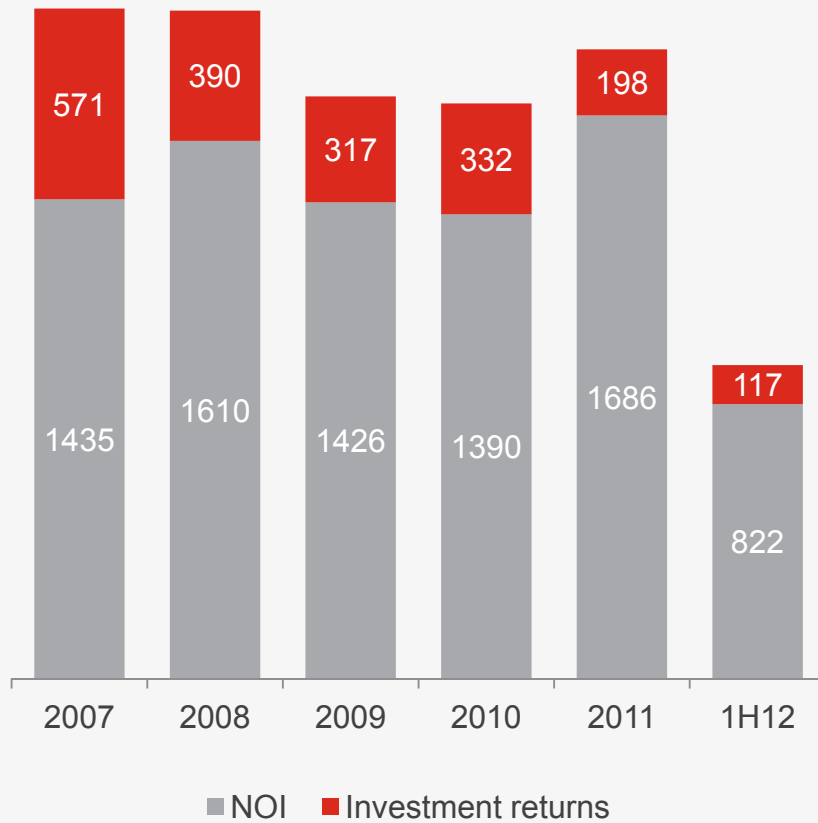


Our income streams are supported by our multi-channel distribution capability

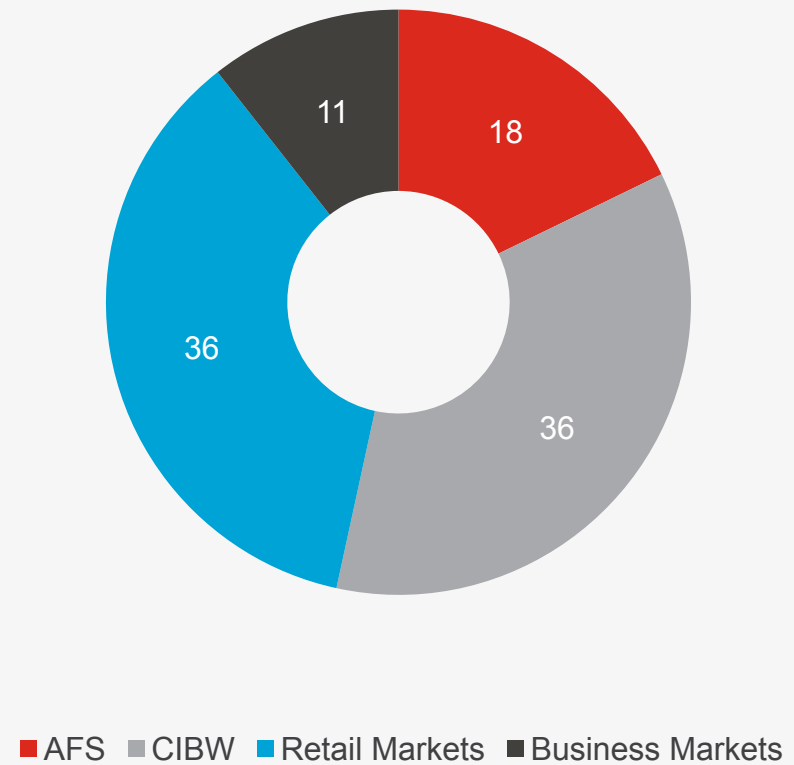
		Current Markets	Future Markets	AFS Distribution
Life insurance	<ul style="list-style-type: none"> • Credit life • Complex life • Accident • Funeral cover 	SA, Botswana, Mozambique, Zambia	East Africa Sub-Saharan Africa	Digital Call Centres Financial Advisors Retail Branches
Short term insurance	<ul style="list-style-type: none"> • Personal • Commercial • Agri • <i>idirect</i> 	SA, Mozambique	East Africa Sub-Saharan Africa	
Investments	<ul style="list-style-type: none"> • Asset management • Stockbroking • Multi management • Unit trusts, participation bonds • Linked investments 	SA	East Africa Sub-Saharan Africa	
Employee benefits	<ul style="list-style-type: none"> • Corporate - Private funds • BB – Umbrella and plan-based funds • Retail – RA's (Investments) 	SA	East Africa Sub-Saharan Africa	
Fiduciary	<ul style="list-style-type: none"> • Wills • Trusts • Estates 	SA	East Africa Sub-Saharan Africa	

Quality earnings a meaningful contributor to the Group

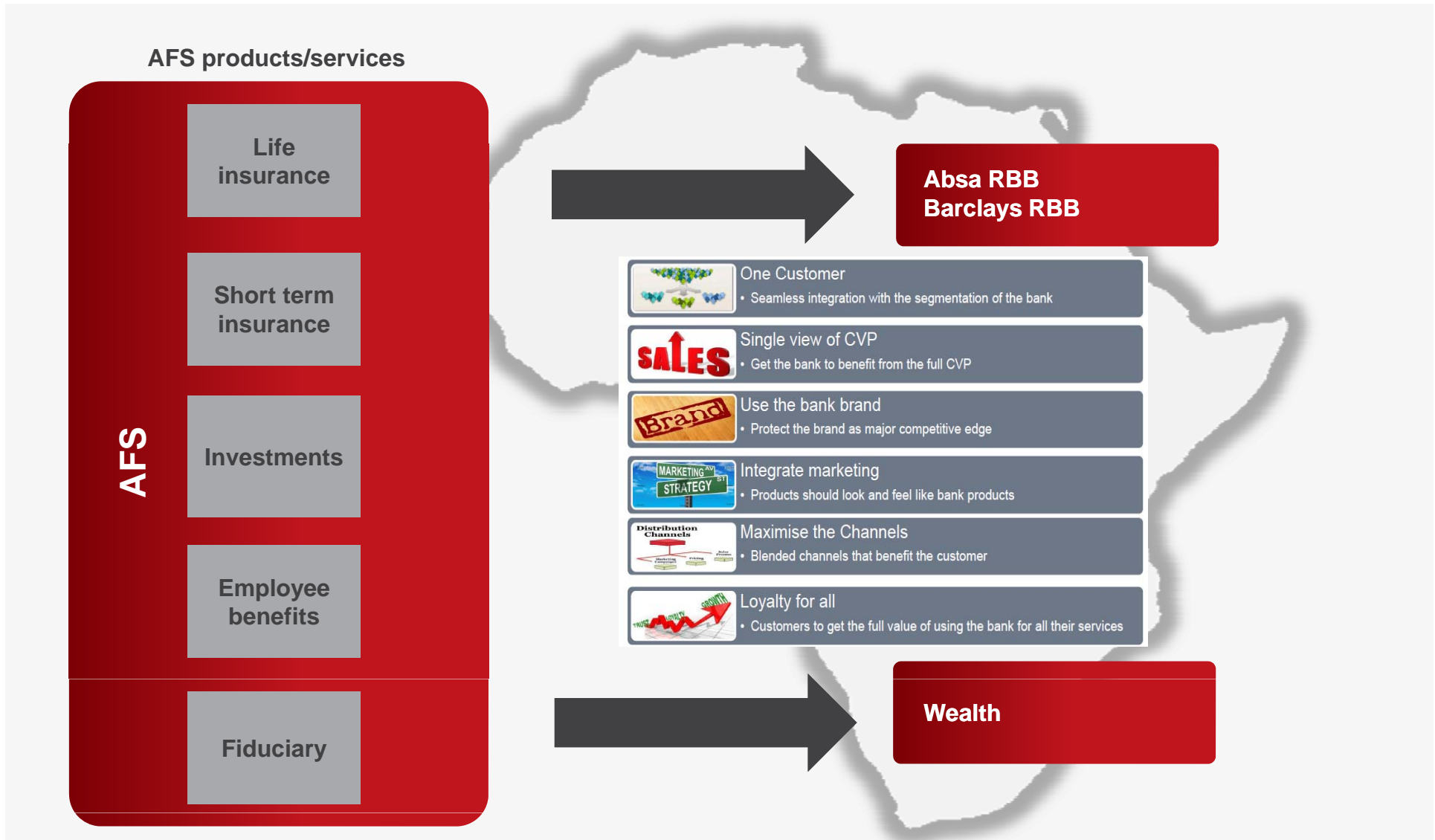
AFS earnings (Rm)



Absa Group attributable income 1H12 (%)



Bancassurance excellence means exploiting the synergies between us and the bank...



Environmental drivers all point to the imperative to be customer-centric...

Changes	Description	Strategic implications
Regulatory	<ul style="list-style-type: none"> → Consumer protection: e.g. binder regulations, personal info, Treating Customers Fairly (TCF), retirement reforms, anti-bribery and corruption → Prudential; SAM → Access to financial services: micro insurance → Other: DWT, FATCA, dividend schemes, CRISA 	<ul style="list-style-type: none"> → Education, information and fairness → Protect customers' interests, data privacy → Invest in compliance & risk management → Rethink EB model as clarity emerges (umbrella , retailised offerings, PPI conduct, credibility profitability)
Shift to digital	<ul style="list-style-type: none"> → Use of digital channels grows world-wide due to convenience and access → Critical mass adoption (50 million users) of digital channels is speeding up (iPad only took 2 years) → Future channels of choice: mobile, online and telephone, social media 	<ul style="list-style-type: none"> → New payment channels → Offer multiple channels during a single customer journey to suit needs → Transactional self-service will become the norm → Branch network shifts towards advisory services (digital and human)
Competitive pressures	<ul style="list-style-type: none"> → Low confidence in banks globally → Easily accessible information for comparison → Trend to multi-banking - loyalty is rewarded → Scramble for Africa 	<ul style="list-style-type: none"> → More value, focus on culture → More consistent great experience, the era of "me" (personal solutions) → Build replicable competencies for rapid roll-out, agility and mobility of people
Changing customer demographics	<ul style="list-style-type: none"> → Growth in disposable income, but levels of debt and default are rising → Broadening access to information facilitates comparison 	<ul style="list-style-type: none"> → Concerns of unsecured lending growth → Lower contractual savings → Portable customers seek value for money/ retention → Benchmark the best across industries/ prove value → Low cost service and distribution (e.g. new channels)

... and the global financial crisis has shifted global bancassurance and we are well positioned in this context

Changes



Description

- Pre-crisis boom in bancassurance was driven by banks' desire to generate fee income by churning deposit balances into single premium investment insurance products
- The financial crisis has made this source of business unsustainable – banks are targeting deposit growth in order to provide a more dependable source of funding
- Basel III rules will force banks to fund their loans with a greater proportion of term deposits – attracting and retaining deposits is the new imperative
- Bancassurance sales have become the subject of greater regulatory oversight, more burdensome customer protection regulation and losses from legal actions or regulatory imposed fines
- Bancassurers must adapt to this new environment.

Source material: Oliver Wyman May 2012

Strategic implications

- Broaden bancassurance product to more complex offerings with a strong advice model
- Employ specialised skills in the sales force – The operating model must get the most out of them (address lead generation, diary management to ensure their time is devoted to contact with customers, not administration or “cold customers”)
- Mitigate impact of funds outflows – drive contractual savings
- Retail and business customers – extend the typical bancassurance product offering. Besides wealth management products aimed at SME owners, offer protection, employee benefits and commercial P&C
- Cater for self-directed customers – extend product offering and internet banking platforms to make life easy for direct customers
- Use customer data to target “low hassle” outbound sales – use rich demographic information and behavioural information (e.g. purchases)

We are translating our vision through various strategic initiatives

Goal

To be the bancassurer of reference and preference in Barclays Africa by 2015

Bancassurance

What we want to achieve

1. Lead in bancassurance

2. Deepen customer relationships by making lives much easier

3. Focus to grow profitably

4. Optimise business performance

5. Build a visionary culture for bancassurance

How we will get there

- Drive retail and business bank collaboration
- Deploy new Bancassurance operating model
- Ongoing stop-fix-grow programmes for excellence

- Roll-out customer experience programmes
- Customer loyalty programme
- Advanced data analytics, leads management
- Multi-channel distribution / ATOM / digital strategy

- Grow penetration in Absa RBB
- Expand in Africa
- Match RBB future shape of business

- Back-office administration hub, Portal, house view
- Replatforming core systems
- Efficiency drives

- Address culture for customer-centricity
- Academy - people development strategy
- Consolidate team locations

Our competitive advantage will be leveraged to deliver success and growth

Differentiators / strategic advantages

- **A focussed strategy:** we are a bancassurer
- **A powerful stakeholder proposition:** AFS + Absa + Barclays
- **Strong brand alignment:** Leading brands
- **Operational leverage:** Optimise Pan-African efficiencies

Growth focus areas

- **Grow** penetration in **Absa RBB** – leads management and trigger event marketing
- **Deepen** penetration in **existing African markets** – new offerings in current markets
- **Broaden** penetration into **new African markets** – East Africa, Egypt
- Become the **bancassurer of choice for Barclays** – a bancassurance case study



Financial overview

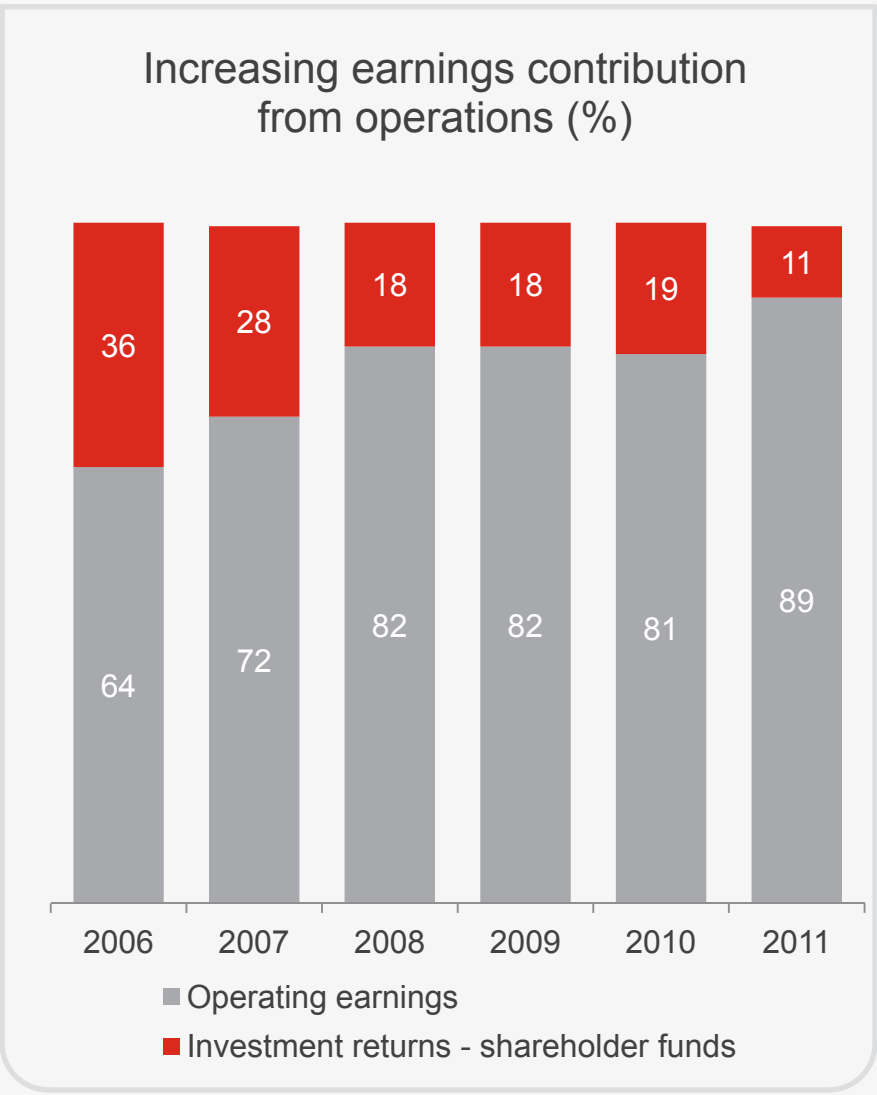
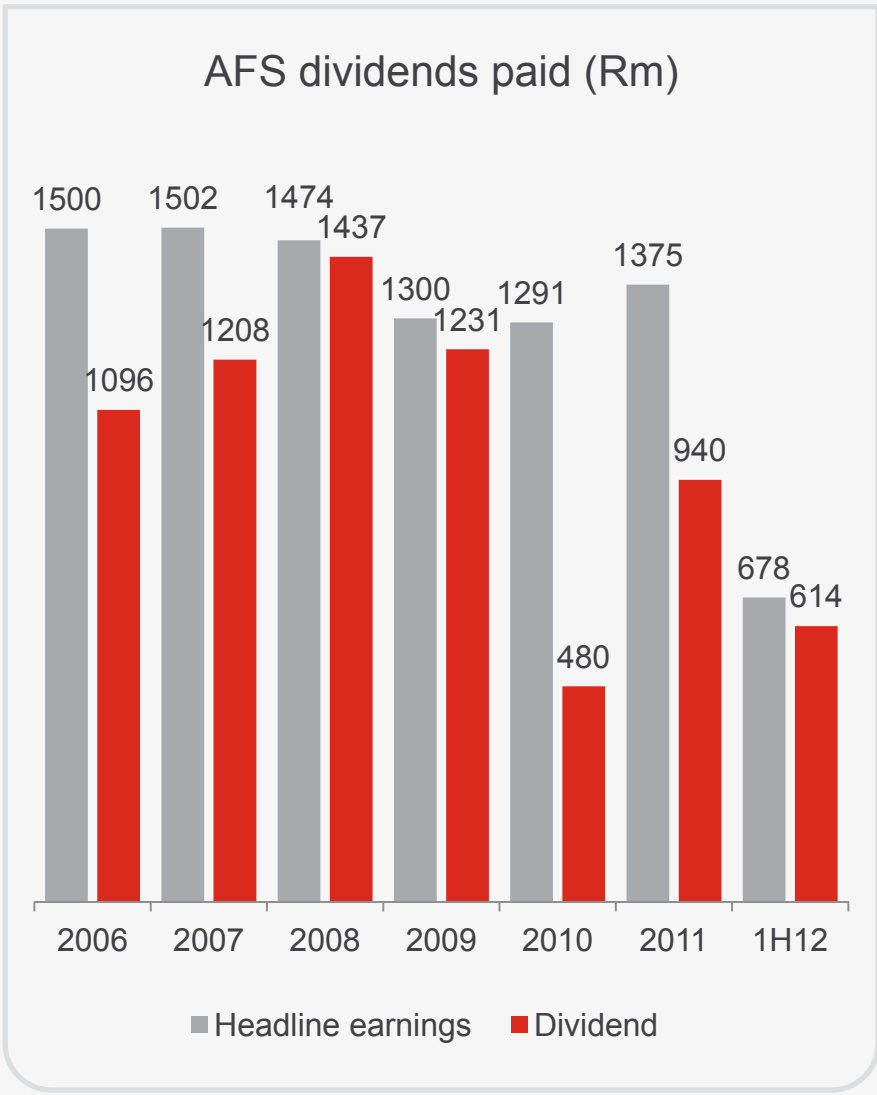
Eric Wasserman, Chief Financial Officer



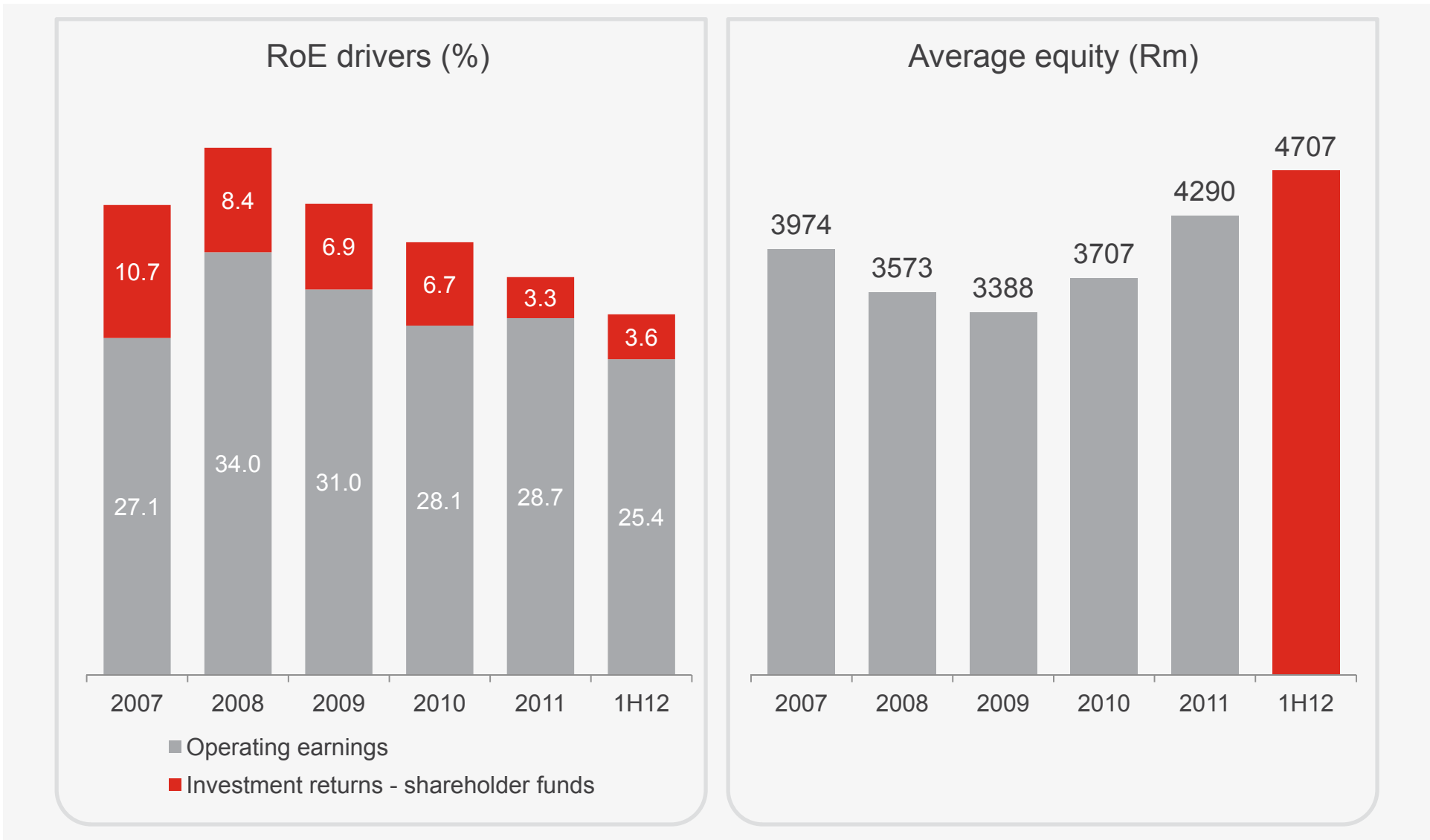
AFS performance indicators

	2007	2008	2009	2010	2011	1H12
Net premium income (Rm)	3 192	3 473	3 845	4 468	5 030	2 661
Growth in premiums (%)	7	9	11	16	13	11
Fee income (Rm)	1 239	1 504	1 658	1 703	1 969	929
Growth in fee income (%)	7	21	10	3	16	(2)
Net operating income (Rm)	1 435	1 610	1 426	1 390	1 686	822
Growth in net operating income (%)	9	12	(11)	(3)	21	0
Profit after tax (Rm)	1 502	1 515	1 284	1 290	1 373	677
Growth in profit after tax (%)	0	1	(15)	1	6	5
Return on average equity (%)	37,8	42,4	37,9	34,8	32,0	29,0
Return on embedded value (%)	21,8	35,7	26,0	39,8	37,1	26,0
Cost efficiency (%)	24,0	25,4	25,9	26,4	25,2	24,3
Value of new business (Rm)	213	331	294	465	369	151
Underwriting margin (%)	12,1	10,2	3,8	5,2	6,5	6,2

AFS capital optimised

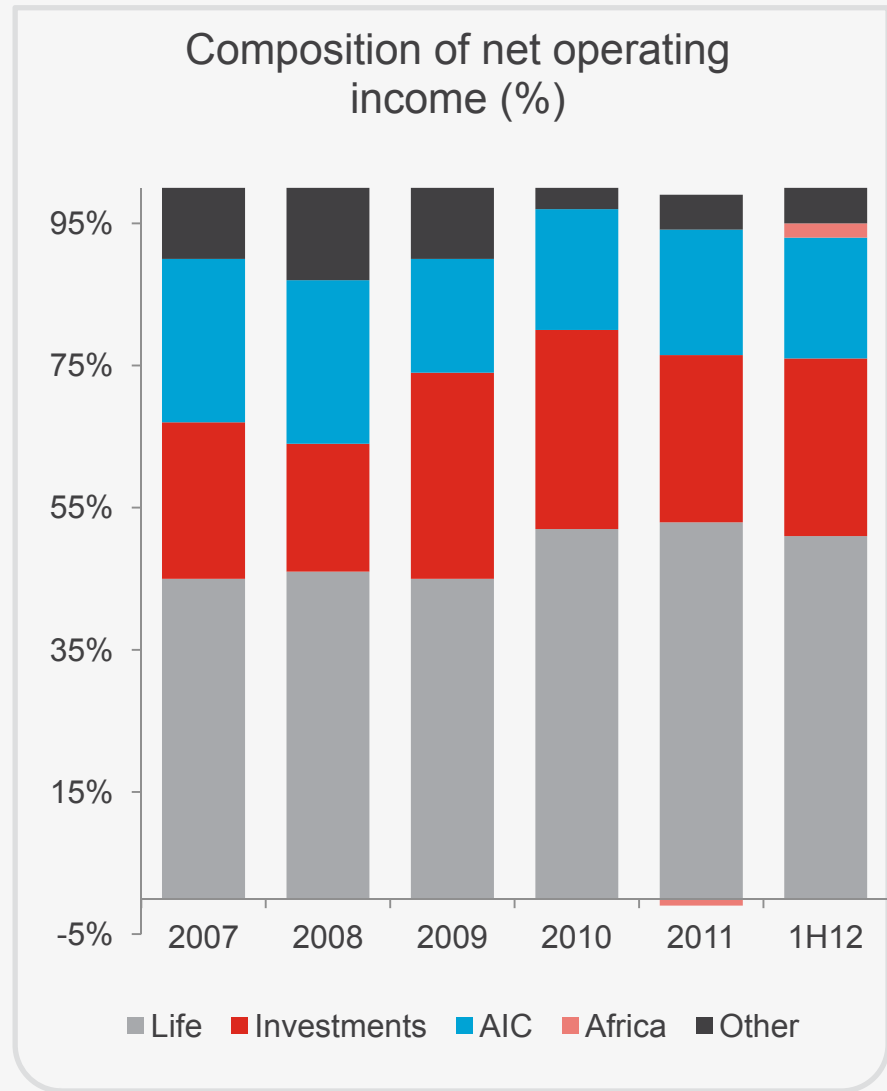


Lower shareholder funds investment returns reduce RoE



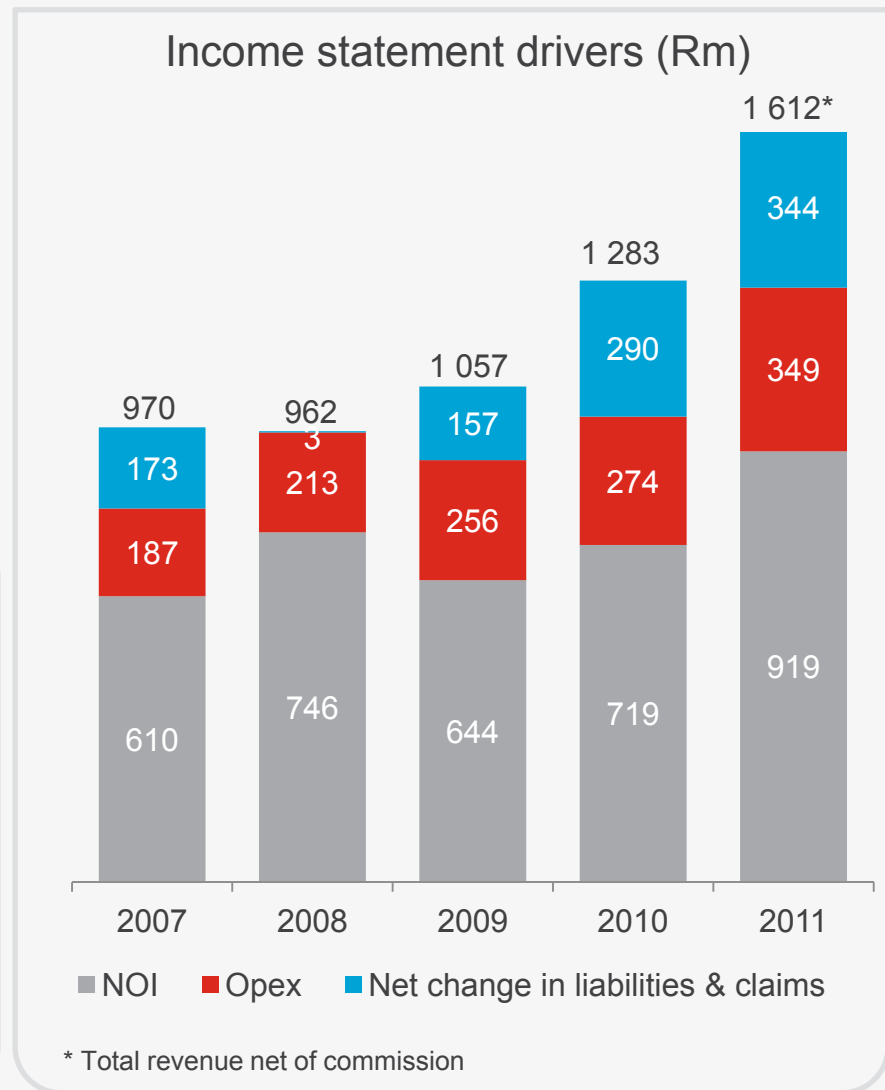
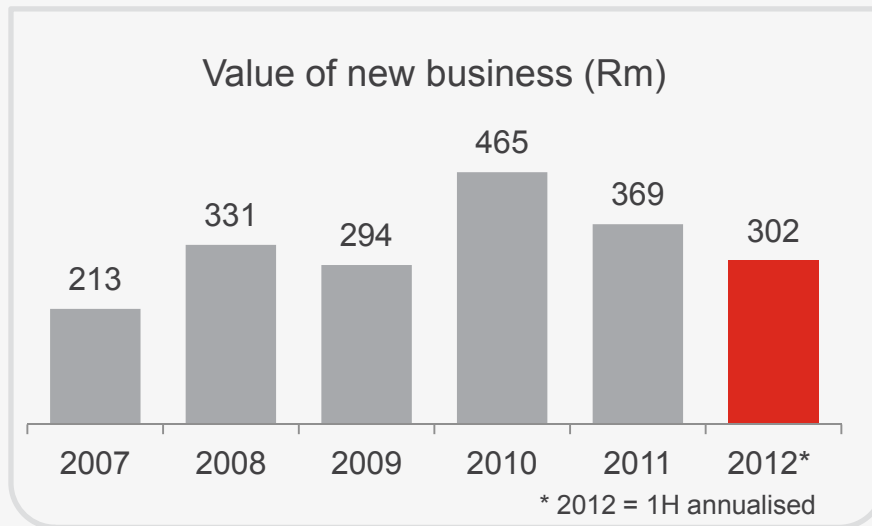
Composition of earnings

- Absa advances growth
 - Strong growth 2005 to 2008
 - Lack of growth thereafter
- Investments in product and channel
 - *idirect* established in 2008
 - Increased focus on Agri insurance
 - Expanded Life product offering
 - Invested in people and infrastructure
- Expansion into the rest of Africa in 2011



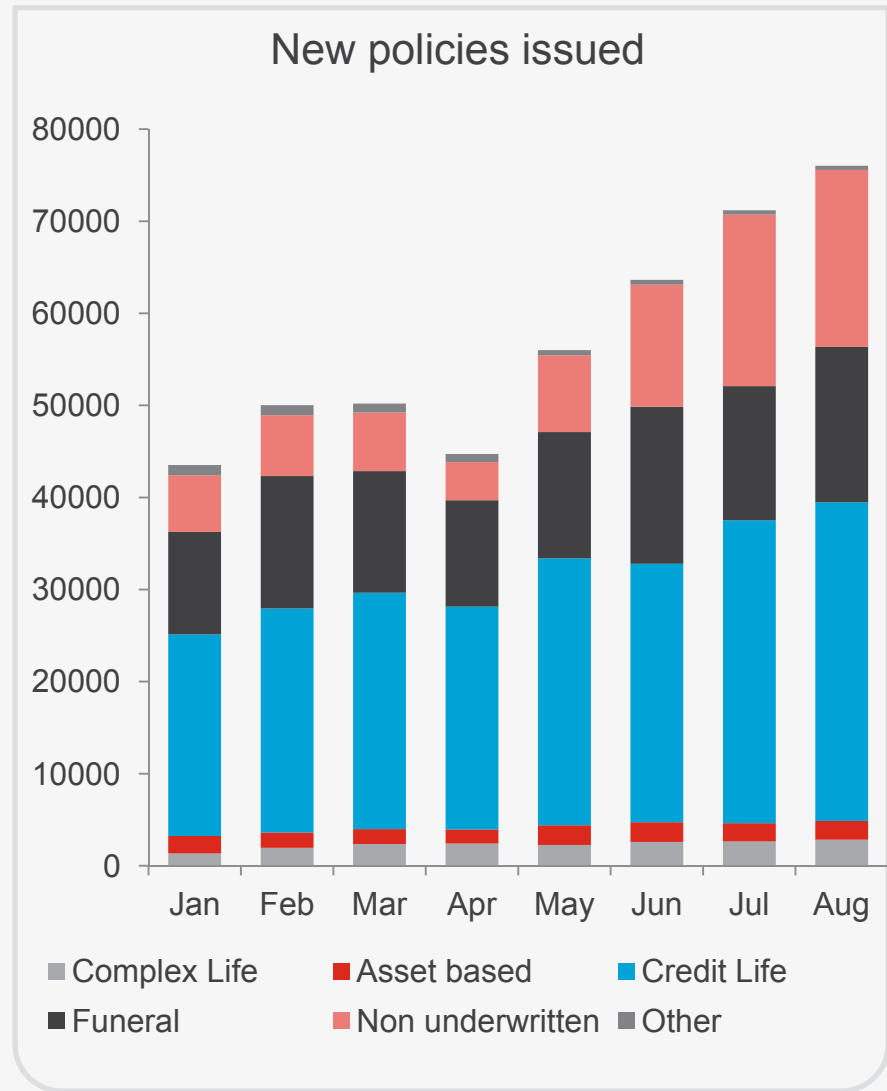
The Absa Life story – 2007 to 2012

- Strong premium growth
- High returns
- Solid new business margins
- Significant investment in technology
- Declining new business volumes in last 12 months



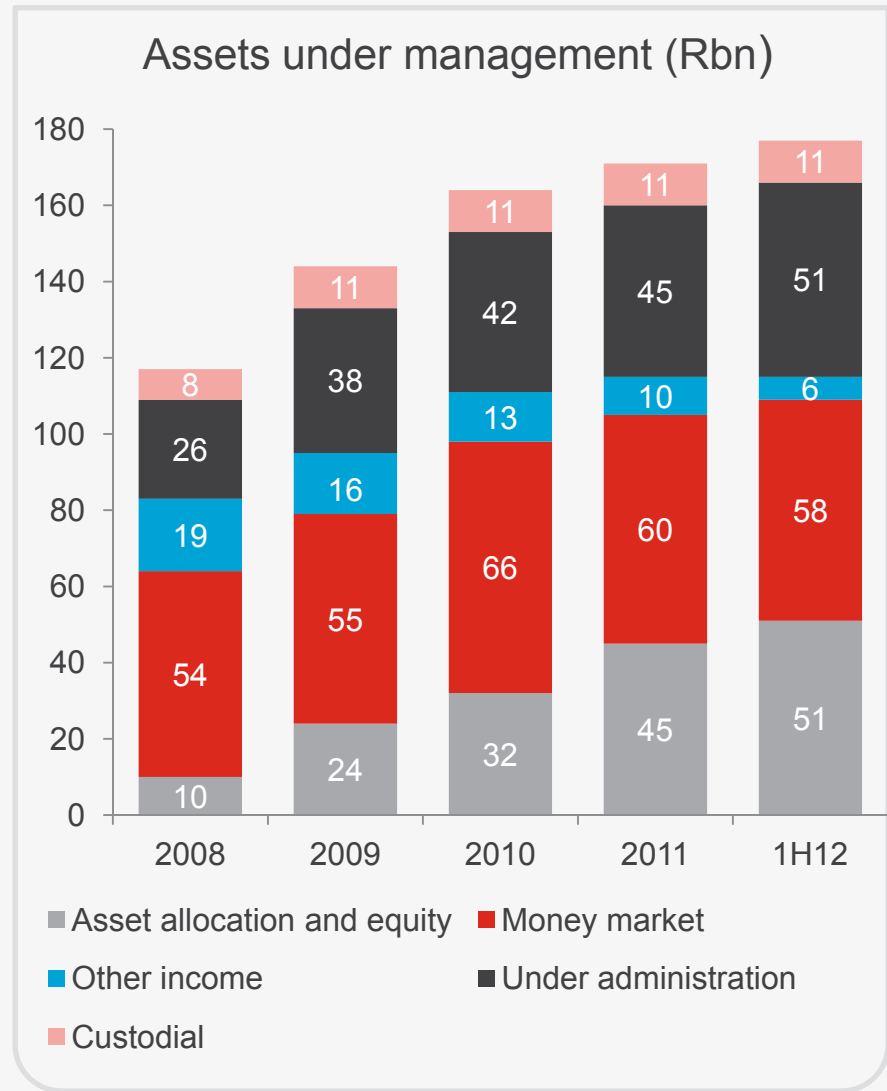
Absa Life going forward

- Maintain margins at current levels
- RoEV of $\geq 30\%$
- New business volumes in 2012 at close to 2011 levels
- Top-line growth
 - Continued momentum medium-term
 - Short-term growth will be impacted by recent new business volumes



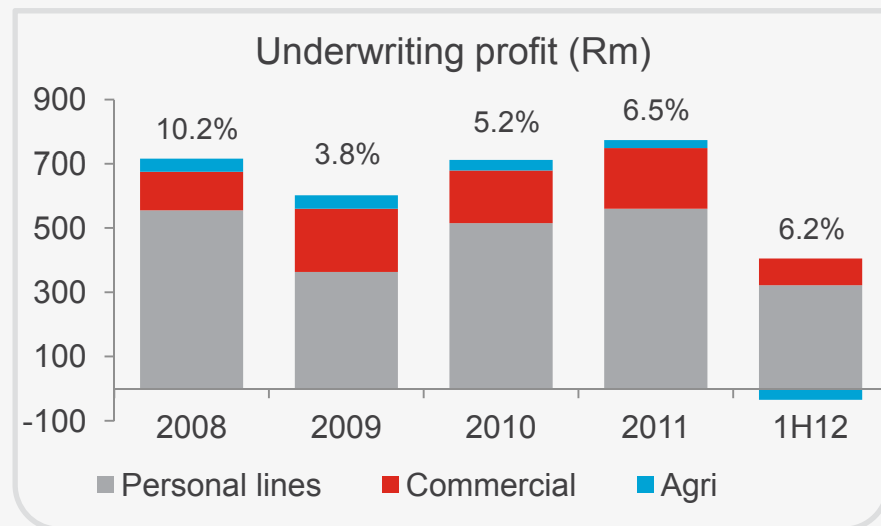
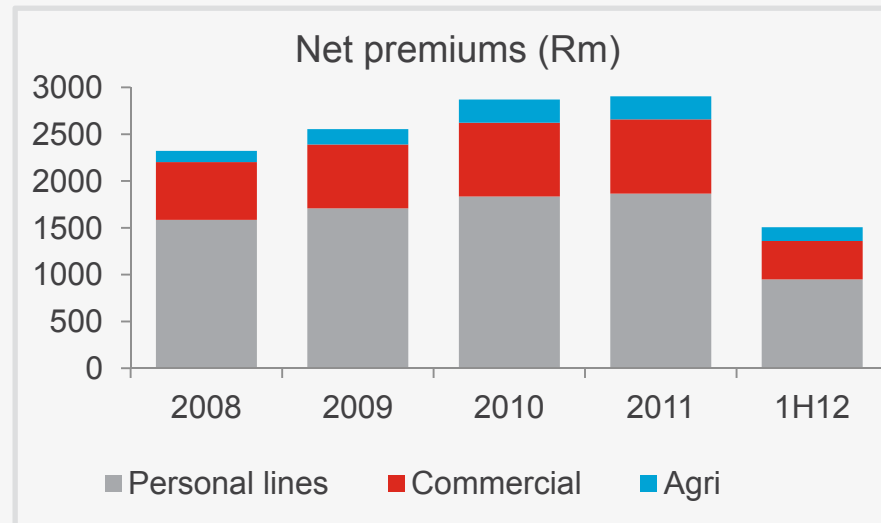
Absa Investments

- ➔ Reduced dependency on money market
- ➔ Closed dividend income fund
- ➔ Institutional equity and asset allocation mandates growing
- ➔ Objectives
 - Maintain margins
 - Strong AUM growth
 - Focus on contractual savings and institutional mandates
 - Maintain attractive cost efficiency and RoE



Absa Insurance

- Focus on growing underwriting results rather than top-line
- Personal lines
 - Build scale
 - Improved underwriting performance
 - *idirect* profitable
 - Strong efficiency benefits
- Commercial requires improved underwriting and lacks scale
- Agriculture important, but relative exposure managed
- Objectives
 - RoE \geq 20%
 - Underwriting margin of 10%



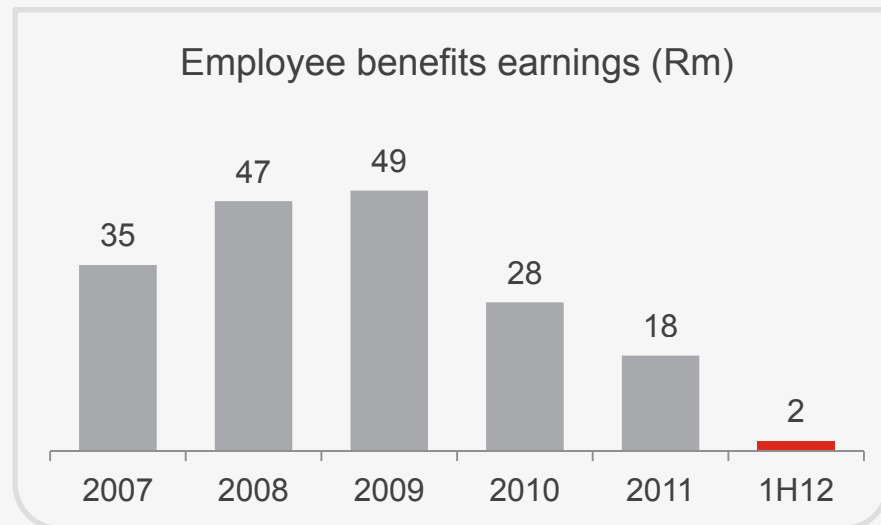
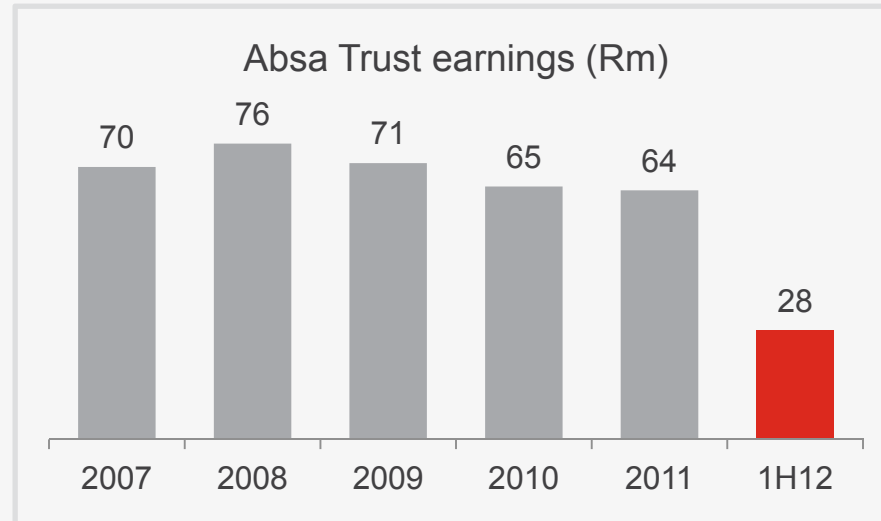
Absa Fiduciary services

→ Absa Trust

- Strongly cash generative
- RoE of 77%
- Impacted by poor property market
- Focus on higher value estates

→ Employee Benefits

- Backlogs
- Unprofitable clients
- Future focus
 - Umbrella offering
 - Pricing
 - Right client profile
 - Retailisation



In closing

- Investment of up to 15% of capital in rest of Africa at RoE of $\geq 25\%$
- Revenue growth to continue, but at slower rate in the short-term
- Acquisition costs
 - Expected to grow in line with premium income in South Africa
 - Commission levels in rest of Africa typically higher than in SA
- Operating expenditure
 - Increased costs associated with amortisation of IT spend
 - Maintain and improve on low cost efficiency ratio
- RoE $\geq 30\%$

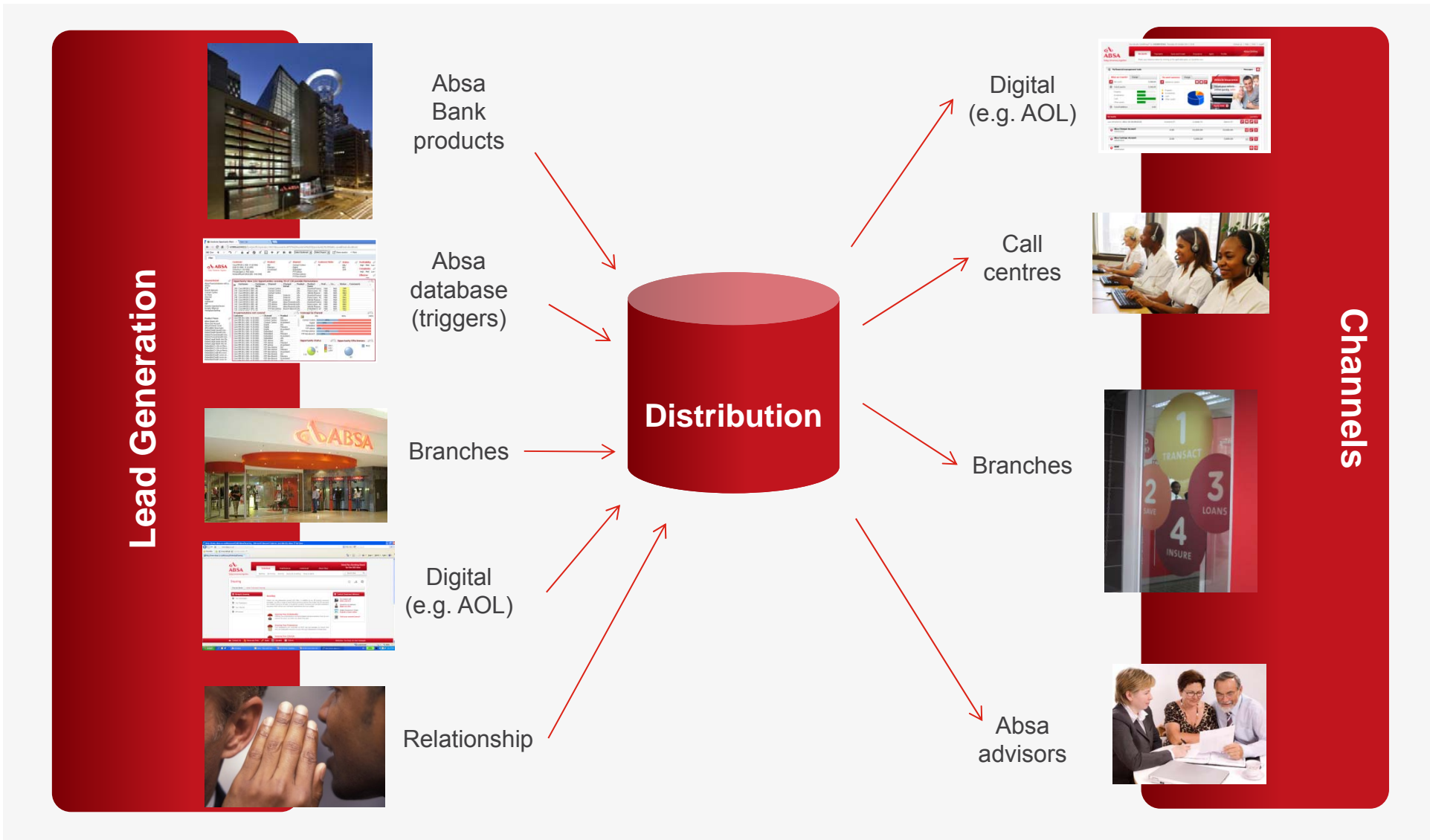


Distribution

Izak Smit, Managing Executive



Our distribution model ensures customers can interact with us using their choice of channel

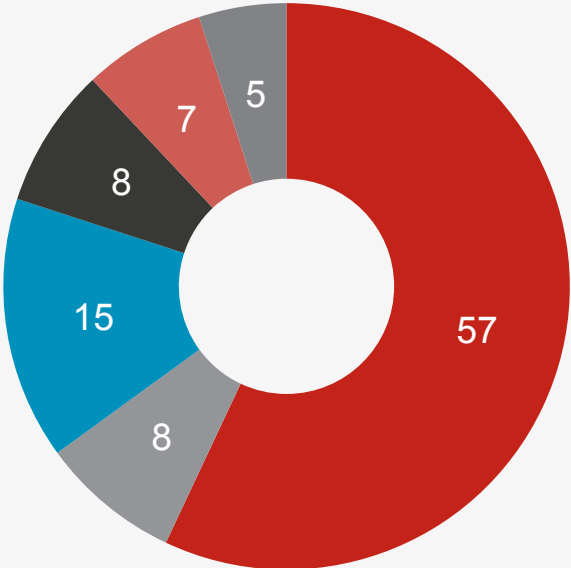


But our distribution business had to face up to some hard realities

- Loss-making business: R63m in 2010, R42m in 2011
- Advisor attrition: AIFA in-service advisors decreased from 1,411 (1Q10) to 1,020, an industry trend
- Closer relationship management
- Some fallout from limited open architecture model
- Regulatory stress
- Technology re-build challenges: replatforming to match business requirements
- Competitive advantage: better leverage off leads
- Manage impact of changes on our advisors

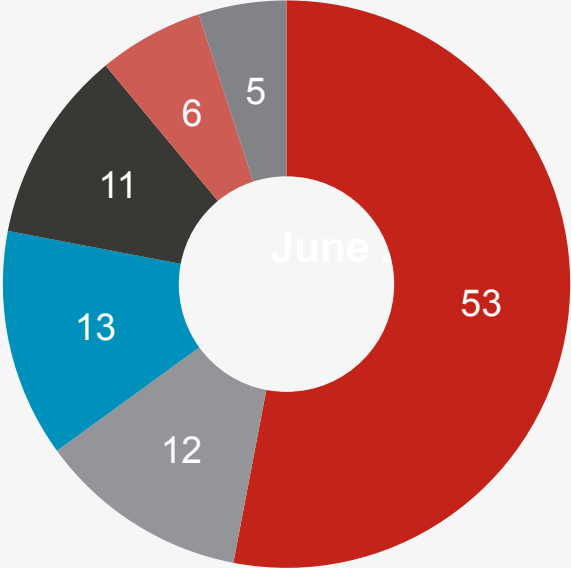
Absa a significant portion of advice distribution for Life and Investment products

June 2011



■ Absa ■ Liberty Life ■ Momentum
■ Sanlam ■ Old Mutual ■ Other

June 2012



■ Absa ■ Liberty Life ■ Momentum
■ Sanlam ■ Old Mutual ■ Other

We developed an ambitious plan to change the way things were done

VISION

By 2015 we will be a **world class financial services distribution house...
a **business school case study****

Characterised by:

- A win-win partnership model with external product suppliers
- Integrated channels to deliver a single view of the client
- Fee income business model (from commission only model)
- Competitive advisor remuneration model
- Market leading solutions drive all advice
- State of the art leads flow – a competitive advantage in the industry
- Solid systems to enable straight through processing
- Respected business school to socialise and upskill our people

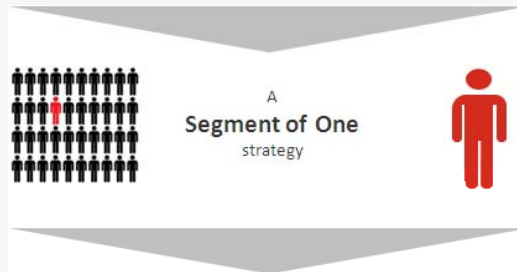
We are developing a best practise telephony model to support our integrated sales and service approach



- ➔ Previously outsourced our telephony to service providers
 - Difficult with the consumer protection act
 - Resource intensive
 - Compensate third parties
- ➔ Building our own capacity through
 - Best practice telephony implementation
 - Embedding this core competence in four phases
 - Investing in good people, technology and sales culture
 - 60 agents (target 200 in 2013)
- ➔ Good results over the past year
 - Significant increase in efficiency and sales
 - Current performance strike rates are above market for cold outbound telesales campaigns

Our digital channel will provide an end-to-end online experience... sales, fulfilment, service and claims

- ➔ Targeting our retail Absa Online base
- ➔ Product selection is based on local and global market trends



Customer benefits

- ➔ Easy accessibility – online sales, service and claims management
- ➔ Convenience – an end-to-end customer experience
- ➔ Simplicity – no clutter, easy steps
- ➔ Customised – customers are recognised by the system
- ➔ Quick and easy – limited steps to ensure a rapid process
- ➔ Caters for all needs – complex needs redirected to a broker
- ➔ A tailor-made experience
 - Selected products prove to be feasible
 - To reach these customers, trigger event marketing provides focus

The screenshots show the following stages:

- Sell:** A dashboard with 'My financial management tools' and 'My asset summary'. It includes a 'Vehicle Insurance' section with a 'Apply now' button.
- Fulfil:** A 'Products' page with categories like 'Classic Life', 'Funeral', 'Vehicle', and 'Home'. It features 'Apply' buttons for each category.
- Service:** A 'My insurance dashboard' showing a table of policies with columns for 'Policy name', 'Status', 'Cover amount (R)', and 'Premium amount (R)'. It includes a 'Step 2 of 3' section for policy details.
- Claim:** A 'My insurance dashboard' showing a table of policies with columns for 'Policy name', 'Status', 'Cover amount (R)', and 'Premium amount (R)'. It includes a 'Step 2 of 3' section for policy details.

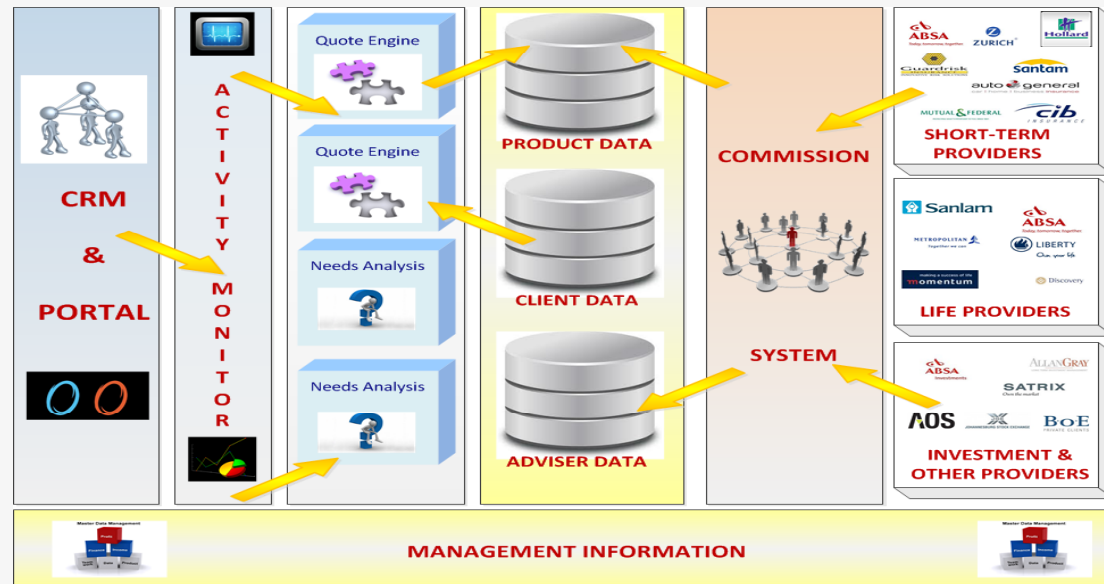
Our branch network is extensive and ensures easy access to our products and services

- ➔ Simple, non-advice products (branch consultants)
 - ➔ Convenience – an end-to-end customer experience
 - Six stand-alone products (Law for You, Extreme, Classic Life, Funeral, Wills, Investment)
 - One embedded product
- ➔ New client conversation tool (CNAT) to drive leads and product sales appropriately to suit customer needs
- ➔ Shared revenue model with branches on bank scorecards
- ➔ Sales support in place to enable branch consultants



Significant replatforming of our systems

- ➔ Replatforming focused on the system and process integration of AFS and Absa systems to support our future operating model
- ➔ Focus on:
 - Customer relationship management
 - Financial planning
 - Leads and activity management
 - Compliance
 - Fulfillment
 - Servicing
 - Quoting
- ➔ Back office centralisation for greater efficiencies



We are transforming our academy into a bancassurance business school for people excellence and leadership

Our academy is developing into an institution where all new advisers (green fields and experienced) will be socialised,

... ultimately it will cater for the development needs of existing advisers and other AFS staff.....

...our vision is an institution where bankers can also be socialised, cross and up-skilled, bridging the cultural divide between the adviser and banker

More than just a training institute

- Socialising novices
- Socialising all AFS distribution employees
- Upskilling advisors / planners CPD points – sharpening the saw
- Development of all AFS employees
- Development and upskilling of Absa bankers

The operating model

- Personal mastery: leadership; mentoring and ubuntu
- Personal development: soft skills, practise management and selling and building trust
- Core technical skills: novice, intermediate and professional




Johann Grobler

Managing Executive, Africa



One Africa: Absa and Barclays have a powerful franchise

 Ghana (since 1917)


- # customers: 530k
- # branches & ATMs: 68 / 124
- # staff: 1,356

2

 Egypt (since 1864)

- # customers: 173k
- # branches & ATMs: 60 / 88
- # staff: 1,800

12

 Kenya (since 1925)

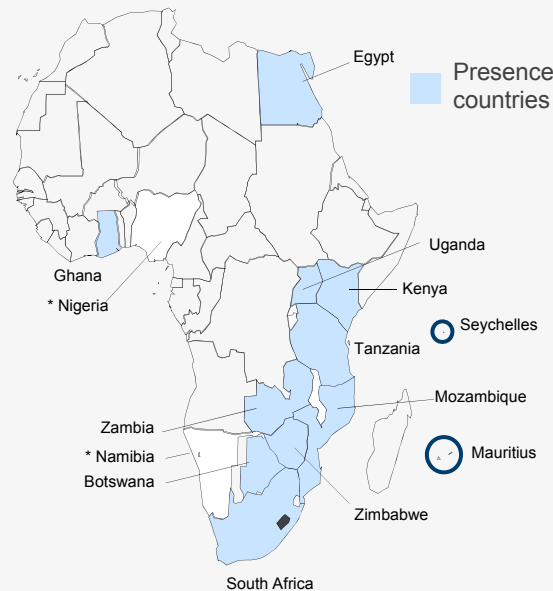
- # customers: 730k
- # branches & ATMs: 119 / 229
- # staff: 3,163


1

 Zimbabwe (since 1912)

- # customers: 156k
- # branches & ATMs: 28 / 43
- # staff: 611

4



 Tanzania² (since 2000)


- # customers: 548k
- # branches & ATMs: 88 / 342
- # staff: 2,065

3

 Zambia (since 1918)

- # customers: 233k
- # branches & ATMs: 55 / 155
- # staff: 1,070

1

 Uganda (since 1927)

- # customers: 260k
- # branches & ATMs: 46 / 69
- # staff: 880

3

 Mozambique¹ (since 2002)


- # customers: 332k
- # branches & ATMs: 49 / 88
- # staff: 861

4

 Seychelles (since 1925)


- # customers: 33k
- # branches & ATMs: 7 / 14
- # staff: 231

1

 Botswana (since 1950)


- # customers: 166k
- # branches & ATMs: 45 / 103
- # staff: 1,255

1

 South Africa¹ (since 1991)

- # customers: 12.1m
- # branches & ATMs: 990 / 9,541
- # staff: 32,207

2

 Mauritius (since 1919)

- # customers: 133k
- # branches & ATMs: 28 / 41
- # staff: 894

3


(1) Part of the Barclays Group since 2005

(2) Includes consolidated National Bank of Commerce and Barclays Tanzania data except for the ranking based on revenue where NBC is ranked 4th and Barclays 8th

(3) Based on latest FY 2010 figures

* Representative offices

Source: Barclays, BA Business Development, Absa Africa Finance, Absa Group Finance

 Market position based on total revenue³

Our expansion in Africa is yielding positive results... our focus is now on East Africa

- Expand in territories where Absa / Barclays have a retail footprint
- Comprehensive product range (life, non-life, investments and employee benefits) according to customer needs and regulatory environment
- Leverage SA expertise and processes and replicate in-country
- Hub and spoke operating model

Successes

- Absa Life Botswana (established March 2011)
 - R100m GWP year to date
 - Paid > £7m to Barclays Botswana
- Acquisition of Global Alliance in Mozambique (established September 2011)
 - Life, non-life and employee benefits
 - Budgeted \$35m GWP
- Zambia opened for business August 2012

Future plans

- Kenya: discussion with country regulator to facilitate bancassurance, acquisition for life and non-life to also cover Tanzania and Uganda, also considering greenfield
- Ghana: Alliance with Hollard to establish life and non-life business
- Egypt: scanning the market for opportunities

Insurance market penetration 2010 and GDP/GDP growth 2011

Premiums to GDP 2010 (%)	South Africa	Botswana	Zambia	Mozambique	Kenya	Tanzania	Uganda	Ghana	Egypt
Life	12,08	1,88	0,42	0,15	1,06	0,09	0,08	0,33	N/A
Non-life	1,94	0,88	1,3	0,69	1,58	0,63	0,52	0,6	N/A
PA & health	3,41	0,01	N/A	0,08	0,37	0,13	0,05	0,01	N/A
Total	17,44	2,78	1,72	0,92	3,01	0,86	0,63	0,94	N/A

	South Africa	Botswana	Zambia	Mozambique	Kenya	Tanzania	Uganda	Ghana	Egypt
GDP (USD bn)	408	18	18	13	35	23	17	37	236
GDP growth (%)	3,1	4,6	6,6	7,1	5.0	6,7	6,7	13,6	1,8

Absa Life Botswana

- Over last 3 months, credit life policies averaged approximately 3,000 and gross premiums R13 million per month
- Funeral policies averaged 1,000 with an average monthly premium of R60
- Launch three new products i.e. embedded funeral on cheque account, business solutions credit life and classic life
- Group schemes are gaining traction
- Considering further opportunities e.g. investment products



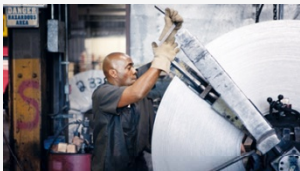
Global Alliance, Mozambique



- Second largest insurer in Mozambique
- Top insurance brand in Mozambique for 3 years running
- Bancassurance moved from Hollard with effect from 1 October 2011 and now fully embedded
- Realised synergies – reinsurance
- Retirement fund administration fully operational and group scheme business expanding
- Employees stable and motivated
- Integration plan rated green overall
- Current focus is on bancassurance (sales and products) and commercial short term business

Barclays Life Zambia

- Barclays Life Zambia was launched on 1 August 2012
- Sales for first two months met expectations
- Seasoned insurance professional appointed as MD
- Office fully staffed and trained
- All systems and procedures finalised and operational



New markets

Kenya/Tanzania/Uganda

- In discussion with possible acquisitions
- Will consider greenfield operation if not successful

Egypt

- Evaluating the market for possible acquisition
- Investigate bancassurance opportunities
- Regulatory environment favourable towards bancassurance

