Retail Banking South Africa

Retail Banking South Africa offers a comprehensive suite of retail banking products and services to individuals and provides asset finance to commercial customers. We cater for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. Our focus is on providing a consistently superior experience across each of the channels, matched closely to the needs and expectations of each customer segment. Customers are served through an extensive branch and self-service terminal network, electronic and mobile channels, relationship managers as well as call centre agents.

This is a summary extract from our segment performance reporting. For the full segmental analysis, see our 2015 financial results booklet.

Key indicators

	2012	2013	2014[1]	**2015**	YoY trend
Revenue (Rm)	25 592	27 417	29 545	**31 249**	▲
Attributable earnings (Rm)	3 688	5 177	5 743	**6 641**	▲
Headline earnings (Rm)	3 672	5 160	5 733	**6 628**	▲
Credit loss ratio (%)	1.95	1.49	1.33	**1.28**	▼
Cost-to-income ratio (%)	50.8	52.2	54.7	**53.1**	▼
Loans and advances to customers (Rm)	348 104	354 622	367 967	**374 997**	▲
Deposits due to customers (Rm)	127 863	135 697	150 427	**166 015**	▲
Return on assets (%)	0.72	1.00	1.05	**1.15**	▲
Impairments (Rm)	6 605	5 234	4 848	**4 769**	▼

[1] These numbers have been restated. Please refer to the reporting changes overview in our 2015 financial results booklet for further details.

Highlights

- Headline earnings grew 16% to R6 628m (2014: R5 733m) due to positive Jaws and lower credit impairments.
- Non-interest income growth of 5% on the back of increased transactional activity and growth in customer numbers.
- Net interest income increased with 6%, following deposit growth of 10% and improved pricing on new loans.
- Credit impairments declined 2% to R4 769m (2014: R4 848m), with the credit loss ratio improving to 1.28% (2014: 1.33%).
- Low cost growth of 3% is attributed to benefits from the multi-channel programme and focused cost management.
- Business production levels continue to increase across most key portfolios, with the exception of Vehicle and Asset Finance.
- Customer numbers increased to 8.8 million (2014: 8.6 million) through improved acquisition of new customers and reduced account closures.
- Edcon recorded headline earnings of R123m (2014: R9m loss), largely as a result of focused long-term credit risk management strategies.

Challenges

- Subdued growth in loans and advances of 2% was impacted by lower balances in Edcon and high book run-off in Home Loans.
- Non-interest revenue was negatively impacted by reduced interchange rates and customer migration to lower-cost digital channels.
- Declining market share across the portfolio, despite new production growth in Home Loans and Personal Loans.

Operating environment

The following factors had a key influence during the year:

- Consumer finances remained under pressure as growth in employment, real household disposable income and consumer expenditure declined further. The increase in income tax rates has further eroded disposable income levels, particularly in the affluent customer segments.
- Consumer credit risk profiles did not show significant improvement, impacting access to credit. Consumers remained heavily indebted with the ratio of household debt to disposable income above 78%.
- Consumer price inflation remained within the inflation target range, but started to increase in late 2015 as a result of the impact of the drought on food prices. Interest rates were increased by 25 basis points in July and a further 25 basis points in November, impacting the cost and affordability of credit.
- Growth in household credit extension remained relatively low at 4.6% across the secured and unsecured advances portfolio and total new vehicle sales volumes declined by 4.1%.

Business performance

Growth in key segments indicates that our segment turnaround strategy is yielding both customer retention and attrition benefits. Our focus on engaging with and meeting the financial needs of our customers, coupled with our wide range of offerings, has enabled us to extract additional revenue from the high-value segments.

Our financial performance improvement was underpinned by the investment initiatives in digitisation, innovation, the branch and ATM networks improvements as well as investing in our employees. Our focus has been on improving our customers' and clients' experience, offering alternative and improved ways for our customers to interact with us and providing them with products and services that meet their evolving needs.

The risk profile of new business remains well within business risk appetite and is appropriately priced. Impairment levels have improved as a result of strong risk management initiatives, including the introduction of new affordability assessments and the continued enhancement of collections and recovery processes.

Strong cost management discipline has enabled us to continue investing in our turnaround programme, including targeted marketing initiatives, and this will remain a key focus to realise benefits arising from the customer adoption of more convenient and cost-effective banking channels.

Looking ahead

Our turnaround journey remains on track. There is a sustained real customer growth in key segments and client attrition has slowed, customer service is improving, our market share of voice is beginning to be felt and our cost and credit losses are well contained. A detailed series of plans and initiatives are in place to leverage and expand the platforms laid with an emphasis on:

- effective customer engagement informed by customer insights and data analytics;
- introduction of innovative products based on specific customer needs and simplified and transparent pricing;
- responsible provision of credit and maintenance of a responsible risk appetite;
- ongoing digitisation and process improvements; and
- improved access through new and existing channels.

Driving personalised, in the moment, customer-first engagements with big data

Data and advanced analytics is a key enabler to serve our customers and clients better. Analytics is helping us build a deeper understanding of customer and client behaviour and enables us to engage with them on a more personal and relevant level. Through advanced data analytics, we aim to empower proactive money management by delivering a tailored experience and converting insights into real actions.

By understanding historical transactional behaviour, including incoming payments and monthly commitments (e.g. debit orders), we are able to proactively provide a low balance alert and suggest an action to customers. A customer is sent an SMS suggesting a personalised selection of actions, such as to transfer funds from another account, deposit funds or even apply for an overdraft or limit increase. The SMS notifications incorporates real-time connection to call centre agents to deliver relevant engagement, service and product fulfilment.

In our first pilot, 60% of more than 50 000 customers receiving low funds alerts took proactive actions following the alert to manage their payments, and 84% confirmed they would like to receive these alerts going forward.

Business Banking South Africa

Business Banking South Africa operates a well-defined coverage model based on specific customer value propositions aligned to customer and client needs, and range from direct interactions via multi-channel interfaces such as electronic banking, to a dedicated relationship-based model. Enterprise customers are served predominantly through our branches while commercial customers are served through a relationship-based model, where dedicated sales and service teams provide customised solutions. The relationship-based model includes a sector overlay focusing on the primary sectors of agriculture, public sector, wholesale, retail and franchising.

This is a summary extract from our segment performance reporting. For the full segmental analysis, see our 2015 financial results booklet.

Key indicators

	2012	2013	2014[1]	**2015**	YoY trend
Revenue (Rm)	7 906	8 265	8 804	**9 090**	▲
Attributable earnings (Rm)	594	1 515	2 086	**2 142**	▲
Headline earnings (Rm)	996	1 492	2 069	**2 175**	▲
Credit loss ratio (%)	2.40	1.34	0.87	**0.87**	=
Cost-to-income ratio (%)	66.74	62.7	59.6	**59.9**	▲
Loans and advances to customers (Rm)	61 988	60 708	61 065	**63 545**	▲
Deposits due to customers (Rm)	79 100	87 915	100 948	**110 096**	▲
Return on assets (%)	1.19	1.71	2.08	**1.98**	▼
Impairments (Rm)	1 511	823	528	**548**	▲

[1] These numbers have been restated. Please refer to the reporting changes overview in our 2015 financial results booklet for further details.

Highlights

- Headline earnings increased 5% to R2 175m (2014: R2 069m) driven by continued improvement in the performance of the underlying businesses, with a 5% growth in non-interest income.
- Cheque account fee income and electronic banking fee income grew 14% and 10% respectively.
- Gross loans and advances to customers, excluding commercial property finance, increased 7% with growth in term loans (15%) and agriculture (9%).
- Deposits due to customers grew 9% to R110bn (2014: R101bn), mainly due to increasing investment products and fixed deposits.
- Return on risk-weighted assets improved 3.08% (2014: 2.89%).

Challenges

- The commercial property finance book declined by 2%, in spite of a 28% increase in new payouts.
- Earnings momentum slowed in the second half of the year.
- Pressure on both advance and deposit margins. The reduction in the overall deposit margin was impacted by customers moving to lower margin deposit products.
- Transactional revenue was impacted by customer migration to cash processing centres and lower cost digital channels.
- Cheque payment volumes continue declining in line with industry trends.
- Customer attrition continued although at a reducing rate.
- Agricultural customers have been affected by the drought. We have proactively engaged them in managing their risks. Our agricultural loan book remains well diversified which helps to absorb financial risks emanating from the ongoing drought.

Operating environment

The following factors had a key influence on our operations in 2015:

- Global economic growth slowed to 3.1% and domestic economic growth slowed to below 1.5%, impacted by further commodity price drops, electricity supply shortages and decreased business confidence.
- Investor confidence was impacted by rising interest rates (a total of 50 basis points in the second half of the year) with further increases expected.
- Transactional income decreases as the industry continues to reduce the use of cheques and customers migrate from traditional branches to cash processing centres and digital transacting platforms.

Business performance

Business Banking South Africa remains committed to providing relevant solutions to customers' needs and improving operational effectiveness to retain existing and attract new customers. Enhanced electronic banking solutions, combined with an overall digitisation strategy, strengthened the electronic customer value proposition and remain key to customer growth.

Our growth momentum is further evident through:

- refinement of both the electronic sales platform and automated credit scoring system;
- development of an instant business account opening process via self-service digital channels;
- the launch of an initiative that focuses on new-to-bank customer relationships;
- enhancement of our self-service cash product offering; and
- recognition in the form of an award for Best SME Bank in South Africa by Capital Finance International.

Overall customer numbers decreased 1.7% (at a slower rate than 2014) mainly in the enterprise segment, while our commercial segment's rate of attrition stabilised. Despite inflationary pressures and increased investment in relationship managers, operating expense growth was contained.

Looking ahead

We remain deposit-led, transactionally-solutioned, and focused on developing long-term banking relationships with our existing and new customers. We continue to build on our momentum with specific focus on:

- service excellence, by increasing focus on customer experience, a competitive product offering in the agricultural sector, faster credit cycle turnaround times, introducing a focused call centre capability and enhancing customers' experience by assisting in their transition to electronic mediums;
- customer propositions, including digitisation, through further refinement of the electronic sales platform initiative, increasing focus on managing the end-to-end cash value chain, optimising our insurance product offering and increasing the penetration of these products, and a focus on a customer-centric culture; and
- our people, by continuing to invest in relationship managers' skills and proficiency to embed a better approach to customer relationships.

Rise Africa: open innovation pioneering financial services

Africa's innovators and start-ups have the ability to scale their ideas in new markets through Rise Africa, a physical and virtual global community that facilitates collaboration and fintech innovation. The initiative specifically looks at connecting the world's most active innovation ecosystems to help co-create ground-breaking products and services with entrepreneurs from across Africa.

In 2015, we held the first Barclays Accelerator in Africa, which resulted in 10 companies raising R170m in equity raised from various investors and five commercial agreements were signed with Barclays Africa. In April 2016, a second cohort of 10 fintech start-ups from seven countries will join the three-month Barclays Accelerator, powered by TechStars. We received 454 applications from 46 countries. Rise Africa also runs a series of ideation and solution activities, hackathons and facilities events where we bring global thought leaders together.

Rise Africa is positioned to take advantage of technology solutions that are not reliant on physical infrastructure. This is particularly relevant in the African context. It provides developing markets with an opportunity to leapfrog ageing analogue infrastructure, deployed in most developed economies, and with it the capacity to solve some of Africa's development challenges. The solutions coming out of these initiatives are Africa-focused and aim to answer the challenges unique to our continent.

RBB Rest of Africa

RBB Rest of Africa offers a comprehensive suite of retail and business banking products and services to individual and commercial customers on the African continent outside South Africa. We provide a range of solutions to meet customers' transactional, borrowing, savings, protection and payments needs. Customers and clients are served through branch and self-service terminal networks, electronic and mobile telephone channels and a dedicated relationship-based model.

This is a summary extract from our segment performance reporting. For the full segmental analysis, see our 2015 financial results booklet.

Key indicators

	2012	2013	2014[1]	**2015**	YoY trend
Revenue (Rm)	6 455	8 002	7 893	**8 869**	▲
Attributable earnings (Rm)	599	971	718	**895**	▲
Headline earnings (Rm)	604	966	723	**895**	▲
Credit loss ratio (%)	2.1	1.86	1.95	**2.07**	▲
Cost-to-income ratio (%)	68.83	66.8	73.1	**69.3**	▼
Loans and advances to customers (Rm)	29 313	36 351	35 812	**45 213**	▲
Deposits due to customers (Rm)	45 819	56 054	57 206	**68 736**	▲
Return on assets (%)	0.97	1.20	0.75	**0.94**	▲
Impairments (Rm)	581	621	641	**777**	▲

[1] These numbers have been restated. Please refer to the reporting changes overview in our 2015 financial results booklet for further details.

Highlights

- Headline earnings increased 24% with an improved return on average risk-weighted assets of 0.99% (2014: 0.84%).
- Non-interest income grew 21% largely from a strong Card performance and higher foreign exchange sales.
- Cost-to-income ratio improved to 69.3% (2014: 73.1%) driven by positive Jaws of 5%.
- Operating expenses grew 7% in spite of inflationary pressures and once-off restructuring costs.
- Loans and advances to customers and deposits due to customers increased 26% and 20% respectively (14% and 6% excluding the impact of foreign exchange translations).
- Commercial loans grew 22%, excluding the impact of foreign exchange translations.

Challenges

- Impairments increased 21% resulting in a marginal increase in the credit loss ratio to 2.07% (2014: 1.95%).
- Emerging liquidity constraints in some markets due to dynamic country-specific monetary policy actions.
- Regulatory impacts in some markets, including central bank regulations on fee pricing.
- Currency exchange rate volatility in most of the markets in which we operate.
- Increased competition from local banks.

Operating environment

The operating environment for 2015 remained promising, confirming its healthy resilience to internal and external shocks. Demand for borrowings remained positive across the continent and most of the economies in which we operate showed steady growth. Some of the challenges impacting our operating environment included:

- security concerns, particularly in the tourism sector;
- adverse weather conditions affecting the agricultural sector;
- weak commodity prices, weakened global demand and tight policy stances impacting inflation and interest rates;
- regulatory changes, including a 400 basis point increase of the statutory reserve ratio in Zambia and liquidity tightening in various markets;
- inflationary pressures, with particularly high inflation in Ghana and Zambia, and changing interest rate environments across various markets; and
- a slowdown in transactional activity in some markets as well as increased competition from local and international banks in a number of markets.

Business performance

We made significant progress on the strategic priorities set out at the end of 2014. Underlying business performance continued to show good growth with increases in loan and current account sales. We continued to enhance our customer service model and optimise our cost-to-serve, to ultimately improve customer experience. Our sustained investment in innovation was underpinned by the launch of new, appropriate product solutions to suit individual customers' needs.

We sustained our digital strategy through the increased promotion of internet banking and other digital solutions, with biller transaction usage growing exponentially during the year. This added to the efficient use of existing channels and provided customers with more convenient banking capabilities.

Asian Banker named NBC the Best Retail Bank in Tanzania and our Group Savings Account in Kenya, Zidisha, the Best Deposit product in Africa.

We also launched the My Shoes Are My Office initiative in four markets, which has seen colleagues mobilised to spend time with customers at their offices. The following are some of the benefits that were realised through this initiative:

- We increased our visibility to the market, demonstrating a commitment to becoming the financial services group of choice in Africa.
- We improved customer service levels.
- Enhanced customer relationships through the introduction to senior leadership.
- A deeper understanding of our customers by taking time to engage and listen to them.
- An opportunity to share the Group's vision with customers, thereby increasing market engagement.
- Growth of pipeline and new customer acquisition.

Looking ahead

RBB Rest of Africa's focus remains on making customers' lives easier, continuing to refresh core customer value propositions for targeted segments and revamping customer solutions. The strategy focuses on:

- delivering a multi-channel franchise through the launch of digital products with a focus on mobile solutions, ATM enhancements and self-service kiosks;
- continuing to build fit-for-purpose branches to ensure we are optimally positioned to serve our customers and reduce service costs;
- migration of commercial customer transactions to Barclays.Net, an online banking platform for cash management; and
- continuing to focus on broadening business banking propositions given the current low level of penetration and the large potential which exists.

Making customers' and clients' lives easier

2015 was a year of execution and RBB Rest of Africa continued to offer new products and services. Examples include:

- Barclays Bank of Botswana launched a market first, offering a transactional product for savings cooperatives, more commonly known as metshelo.
- Barclays Bank Kenya launched an asset finance centre along with targeted SME product offerings.
- Islamic banking in Kenya and Tanzania continued to grow, serving customers with products ranging from trade finance, saving, term deposits and investment solutions complaint with Sharia Law.
- Acquired First Assurance in Kenya, which will be the hub to serve the East Africa region with a unique bancassurance model.
- A self-employed lending policy was approved in Kenya, Mauritius and Botswana.
- Contract lending for expats launched in Uganda.
- Service Guarantees in Zambia, Tanzania and Uganda, guaranteeing a minimum level of performance on selected services to customers.
- Barclays Bank Ghana introduced 'dumsor' loan to protect customers and non-customers against the power crisis. The loan facility involves an arrangement between Barclays Bank Ghana and suppliers of electric power solutions, allowing the bank to pay a registered supplier who then provides the desired electric power solution to the customer.

Corporate and Investment Bank

CIB structures innovative solutions to meet clients' needs by delivering specialist investment bank, corporate bank, financing, risk management and advisory solutions. We deal with a variety of clients across industry sectors such as corporates, financial institutions and public sector bodies. Through combining the global product knowledge with regional expertise and an extensive, well-established local presence, our goal is to build not only a sustainable, trustworthy business, but also a business that helps clients achieve their ambitions in the right way.

This is a summary extract from our segment performance reporting. For the full segmental analysis, see our 2015 financial results booklet.

Key indicators

	2012	2013	2014[1]	**2015**	YoY trend
Revenue (Rm)	10 231	11 430	12 779	**13 764**	▲
Attributable earnings (Rm)	3 455	3 481	3 817	**3 940**	▲
Headline earnings (Rm)	3 455	3 348	3 734	**3 940**	▲
Credit loss ratio (%)	0.08	0.19	0.16	**0.44**	▲
Cost-to-income ratio (%)	54.85	54.4	53.3	**54.0**	▲
Loans and advances to clients (Rm)	116 122	143 537	165 351	**213 625**	▲
Deposits due to clients (Rm)	287 039	309 429	227 696	**241 689**	▲
Return on assets (%)	0.62	0.64	0.81	**0.79**	▼
Impairments (Rm)	80	239	248	**793**	▲

[1] These numbers have been restated. Please refer to the reporting changes overview in our 2015 financial results booklet for further details.

Highlights

- Corporate South Africa strategy is on track with revenues up 11% to R3 975m (2014: R3 566m).
- Rest of Africa headline earnings increased 20% and is now 37% of CIB headline earnings.
- Private Equity portfolio reduced 17% to R2.4bn (2014: R2.9bn) in line with our strategy.
- Long-term client advances grew 27%.
- Growth in Prime Services customer numbers and improved Equity research contributed to a 21% increase in Equities and Prime revenues to R696m (2014: R573m).

Challenges

- South African Fixed Income, Currency and Commodities business was down 21% to R1 922m (2014: R2 447m) due to reduced client flows, compressed margins and a challenging trading environment.
- Impairments increased by more than 100% to R793m (2014: R248m) with increased charges in both South Africa and Rest of Africa.
- Costs increased 9%, reflecting greater investments in systems and the effect of a weaker rand on the translation of Rest of Africa costs.

Operating environment

We faced a challenging macro environment as South Africa experienced its worst drought in a century, electricity supply continued to be constrained, commodity prices decreased, interest rates increased and business and consumer confidence weakened, contributing to weak private sector investment growth. A difficult jobs market, combined with rising interest rates and tough credit conditions, led to low consumer demand and impacted investment plans.

Growth in our presence markets outside South Africa moderated further due to lower commodity prices and an adverse external environment. Fiscal and current account balances remain fragile in a number of countries, which, together with the broader domestic and global environment, resulted in a number of currencies weakening significantly.

Monetary policy rates were raised in Ghana, Kenya, Mozambique, Uganda and Zambia, in response to currency pressures and upward inflation, and cut in Botswana and Mauritius in response to growth concerns.

Business performance

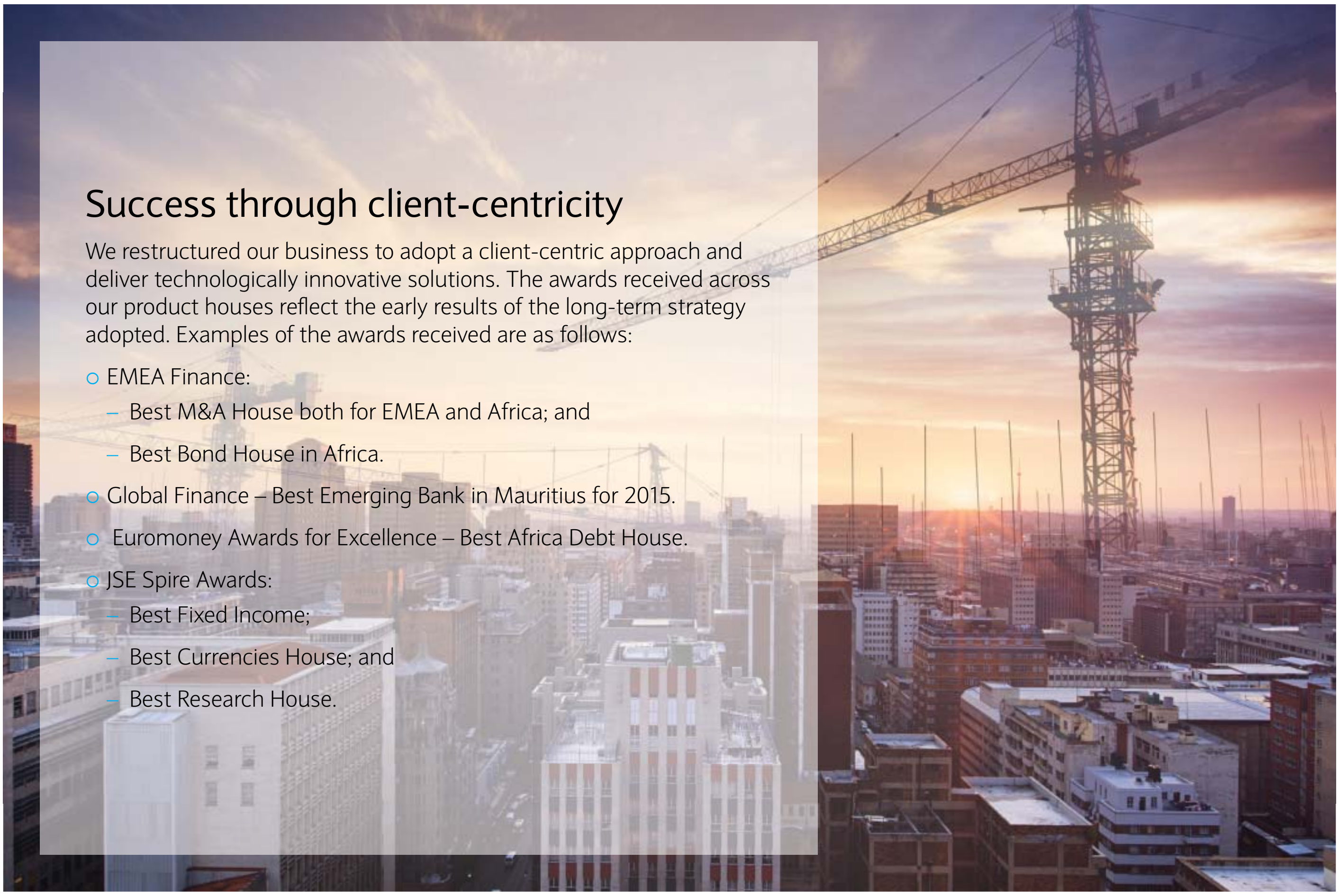
We made progress on our strategy of growing the Corporate Bank, with Rest of Africa's contribution to revenue increasing, and we made significant advances by upgrading our IT environment through major systems implementations. The Rest of Africa continued to benefit from investment in systems, risk process and talent. BARX (our electronic foreign exchange trading platform) is now operational in 10 countries and will assist in maintaining this level of growth into the future. We expect to benefit from increased client flow as Barclays.Net is introduced across the continent over the next two years.

Our strategy to grow Corporate Bank in South Africa is gaining momentum as we experienced double-digit revenue increases for the third successive year. Barclays.Net, our primary online banking cash management platform, is now implemented in South Africa and client migrations to the platform are progressing.

Looking ahead

Our focus will remain on further embedding client-centricity by:

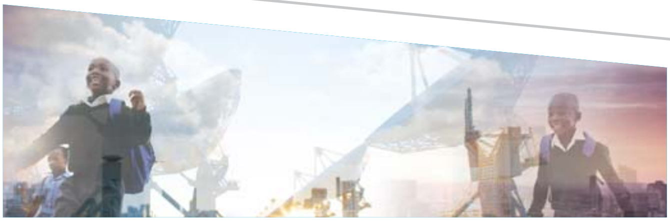
- leveraging the refreshed client coverage structure to drive client commitment and facilitate simpler, more efficient transactions;
- providing innovative, cost-effective, transparent and efficient digital solutions and developing an E-Bank that will enable clients to grow and manage their businesses in a cost-effective, transparent and efficient manner;
- improving analytic capability to enable better decision-making internally and for clients; and
- responding to the challenging economic environment by applying responsible credit criteria and disciplined cost management.



Success through client-centricity

We restructured our business to adopt a client-centric approach and deliver technologically innovative solutions. The awards received across our product houses reflect the early results of the long-term strategy adopted. Examples of the awards received are as follows:

- EMEA Finance:
  - Best M&A House both for EMEA and Africa; and
  - Best Bond House in Africa.
- Global Finance – Best Emerging Bank in Mauritius for 2015.
- Euromoney Awards for Excellence – Best Africa Debt House.
- JSE Spire Awards:
  - Best Fixed Income;
  - Best Currencies House; and
  - Best Research House.



Wealth, Investment Management and Insurance

WIMI is the integrated non-banking financial services provider to Barclays Africa and other partners across the continent, including life insurance, non-life insurance, investment management, retirement services and fiduciary. We also provide advice-led investment, credit and banking solutions to high-net-worth clients, retail solutions to individual bank clients and institutional propositions to corporate and business clients. Our well-established partnership model with the bank is based on close collaboration and integration, delivering broad-based financial solutions for our customers and clients.

This is a summary extract from our segment performance reporting. For the full segmental analysis, see our 2015 financial results booklet.

Key indicators

	2012	2013	2014[1]	**2015**	YoY trend
Revenue (Rm)	4 558	4 880	4 931	**5 252**	▲
Attributable earnings (Rm)	1 337	1 419	1 311	**1 417**	▲
Headline earnings (Rm)	1 354	1 420	1 324	**1 464**	▲
Credit loss ratio (%)	0.75	0.73	0.46	**(0.10)**	▼
Cost-to-income ratio (%)	53.9	55.1	58.8	**57.5**	▼
Loans and advances to clients (Rm)	11 377	10 885	5 234	**5 350**	▲
Deposits due to clients (Rm)	4 442	4 878	5 276	**5 160**	▼
Return on assets (%)	3.18	3.16	2.84	**3.37**	▲
Impairments (Rm)	83	84	25	**(5)**	▼
Assets under management (Rbn)		259	259	**274**	▲
Embedded value of new business (Rm)		427	472	**452**	▼
Return on average equity (%)		24.7	23.2	**24.9**	▲

[1] These numbers have been restated. Please refer to the reporting changes overview in our 2015 financial results booklet for further details.

Highlights

- Return on equity improved to 24.9% (2014: 23.2%).
- Assets under management increased by R15bn to R274bn.
- South African Life Insurance business net premiums increased 9%.
- South African Short-term Insurance margins improved to target levels, resulting in a 23% growth in headline earnings.
- Fiduciary Services South Africa headline earnings grew 21%.
- We acquired a majority stake in First Assurance, a Kenyan short-term insurance entity.

Challenges

- Investment income on shareholder funds declined 28%, adversely impacted by market performance.
- Embedded value of new business for Life Insurance declined 4%.
- Potential for higher lapse rates in insurance policies and pressure on savings and risk protection products due to current macroeconomic conditions.

Operating environment

A convergence of adverse developments, including low GDP, rising interest rates, pressure on government finances and a weakening rand and business confidence, weighed on the outlook for the South African economy. This culminated in rating agencies downgrading South Africa's sovereign credit rating to one notch above junk status. These developments resulted in significant volatility and a decline in market value of bonds and equities. Sub-Saharan Africa is affected by headwinds such as low commodity prices and outflow of capital from emerging markets, however, the outlook for economic growth for the Rest of Africa is expected to remain positive.

The first phase implementation of proposals contained in the Financial Services Board's Retail Distribution Review initiative fundamentally alters the way in which insurance and investments are sold. We remain committed to providing customers with affordable, fair and sustainable advice.

Business performance

We launched our first Customer Lifestage Moment sales campaigns and strengthened alignment with RBB initiatives to better serve target segments. Margins and returns were improved through the outsourcing of personal lines administration to a third party. Cost and sales efficiencies were achieved through the outsourcing and centralisation of administrative functions in both our Short-term Insurance and Distribution businesses. This further improved our control environment and improved client solutions. We also concluded the disposal of our Agricultural Crop business.

Our focus on omni-channel distribution capabilities continued with the launch of Houseview to formalise the advisory process. This included a new adviser remuneration model to drive customer-centric sales and improve our digital technology platform capabilities through the recent acquisition of a majority stake in a direct life insurer. We also gained momentum by building out our telephony and direct channel capabilities.

In building out our bancassurance competencies on the African continent, we established a greenfield Life Insurance business and acquired a majority stake in a short-term insurance business in Kenya. We are also implementing broader channel coverage across the continent, in our existing businesses, which includes branch kiosks to enable face-to-face service, telephone and digital platforms.

We enhanced our Wealth and Investment Management capabilities by:

- transferring the high-volume unstructured credit banking to RBB;
- integrating our Stockbrokers and Private Clients businesses;
- implementing a franchising model, concluding key investment manager hires and launching a revised remuneration model in our Active Asset Management business to build skills and scale up assets under management; and
- progressing the application of United Nations Principles for Responsible Investment and the Code for Responsible Investing in South Africa (CRISA) into relevant business lines.

Looking ahead

Our main focus remains on growing assets under management and premium income with a specific priority on accelerating growth through customer focus and digital enablement. The key execution priorities are:

- growing cross-selling through continued and improved collaboration between WIMI and RBB;
- driving growth in selected markets on the African continent through entry into remaining target markets, expanding our product and channel propositions in existing markets and targeted development of external partners for scale; and
- enabling growth through continued investment in digital platforms, automation, data insights-led sales capabilities and a diverse and high-performing team.

Absa Affinity Life: creating access to life insurance through innovative underwriting

Affinity Life is a powerful example of how 'big data' can be used to offer a superior customer experience and unlock the value of our bancassurance model. This predictive underwriting solution, a first for Africa and one of the first globally, uses a method of underwriting that uses customer-level data to predict the outcome for medical underwriting without actually asking the customer to go for full medical assessments. The algorithm takes into account the analysis of the customer's transactional banking behaviour to determine whether the customer will qualify for life insurance. We identified approximately 700 000 banking customers who can be offered life insurance without the inconvenience of completing a lengthy questionnaire or going for a medical check-up.