A NEW STEP **FORWARD**

ADVANCING LIVES INTO THE FUTURE

African Bank

African Bank

STRATEGY ON A PAGE

Our purpose
Advancing lives through financial and related services

Our vision
To create a scalable, sustainable bank with a diversified business, that will become a listable entity

- 3.5m customers
- R2.5bn net profit after tax
- RoE of RSA 10Y+ 3-6%

FOR THE PEOPLE. BY THE PEOPLE. SERVING THE PEOPLE.

Expand the core

Alliances ecosystems:

Updating our product range and customer reach through partnering with Fintechs, non-bank financial institutions (NBFIs) and Telcos

Strengthen the core

Digitisation: Building on existing digital and analytics capabilities to improve end to end customer journeys and drive growth

IT systems: Enhancing the technology platform and cyber security practices, while improving the speed of delivery

Sales transformation: Delivering a front-line sales program to increase cross-sell and drive growth

Distribution: Optimising the branch footprint through additional distribution opportunities

Expand the core

Digital SMME:

Developing a digital offering for the small, medium and micro enterprises (SMMEs) market beyond unsecured lending

Digital ways of work
- Embed new ways of working across the organisation
- Build the relevant capabilities, skill sets and partnerships

Driven by our sustainability levers

- Customer satisfaction
- Social responsibility
- Financial resilience
- Inclusivity
- Environmental protection

Our values

SUSTAINABILITY • CREATIVITY • TRANSPARENCY • COLLABORATION • EMPATHY

1A Strengthen the core
Digitisation

Automation of customer journeys

A customer journey tells the story of the customer's experience: from initial contact, through the process of engagement and into a long-term relationship. It helps us to:

- Identify a string of events that can happen before, during, and after customers interact with our products or services.
- Move from a transactional approach to one that focuses on long-term relationships with customers, built on respect, consistency and trust.
- Identify major interactions with our customers and their experience at each point of the journey.

1 ACCELERATE ACTIONS

a. Curate high-impact customer journeys with our intuitive workflow designer
b. Import and customise best practice templates from business experts
c. Quickly change events, triggers and messaging
d. Easily create control groups, split A/B or multivariate message testing

2 CONNECT WITH OUR CUSTOMERS

a. Track all customer channels, including email, social and messaging
b. Set triggers for offline interactions, including telephone, SMS and direct mail
c. Intuitively communicate with customers on channels they choose and use
d. Build-in system pauses, allowing customers to evaluate your service

3 AUTOMATE INTELLIGENCE

a. Real-time automated responses to triggered events
b. Anticipate events before they happen with predicted behaviour models
c. Automatically grow emphatic engagement with your customer
d. Manage your whole marketing programme, not just a campaign

1A A holistic transformation approach is required in digitising processes

1 Customer centric UX design

Create unique customer experience using research, ideation, proto-typing and iterative testing with clear ownership of the overall customer experience.

2 Clean sheet business transformation

Radically simplify business requirements and scale fast using a clean sheet approach. Define Branch choreography and operating team.

3 Rapid technology delivery

Define target solution architecture, IT roadmap and build minimum viable product quickly using Agile/scrum and DevOps.

4 New ways of working & capabilities

Mobilise operational team, instil and embed new "digital native" ways of working (e.g. weekly rhythm) and culture (e.g. customer centric design) across business and technology through capability building.

5 Embed automation, analytics & data science

Automation, analytics and insights should be built into all customer journeys to provide a more predictable, scalable and personalised service for customers.

6 Reinforce digital across all interactions

Digitsation should be done with an underlying ambition of luring customers towards digital channels in the short- to medium-term.
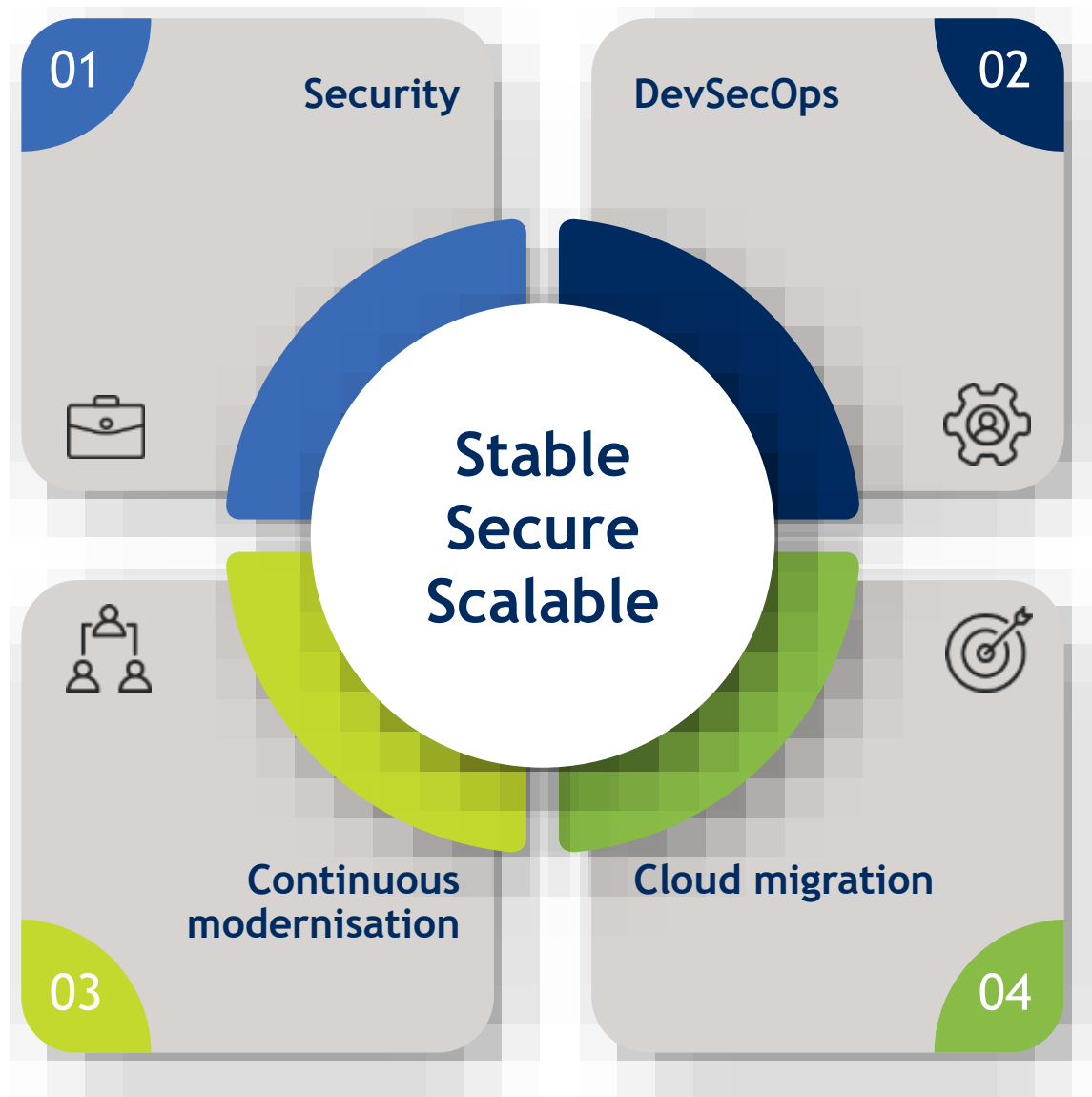
1B

Strengthen the core
IT Systems

Customers want a predictable and secure digital experience

Investment in security is an ongoing requirement. A shift to cloud needs additional protection mechanisms.

01 Security

02 DevSecOps

Investment in DevSecOps can decrease the time to market, and maintain or improve quality levels.

Stable Secure Scalable

A concerted focus on removing legacy components where there is current and future risk.

03 Continuous modernisation

04 Cloud migration

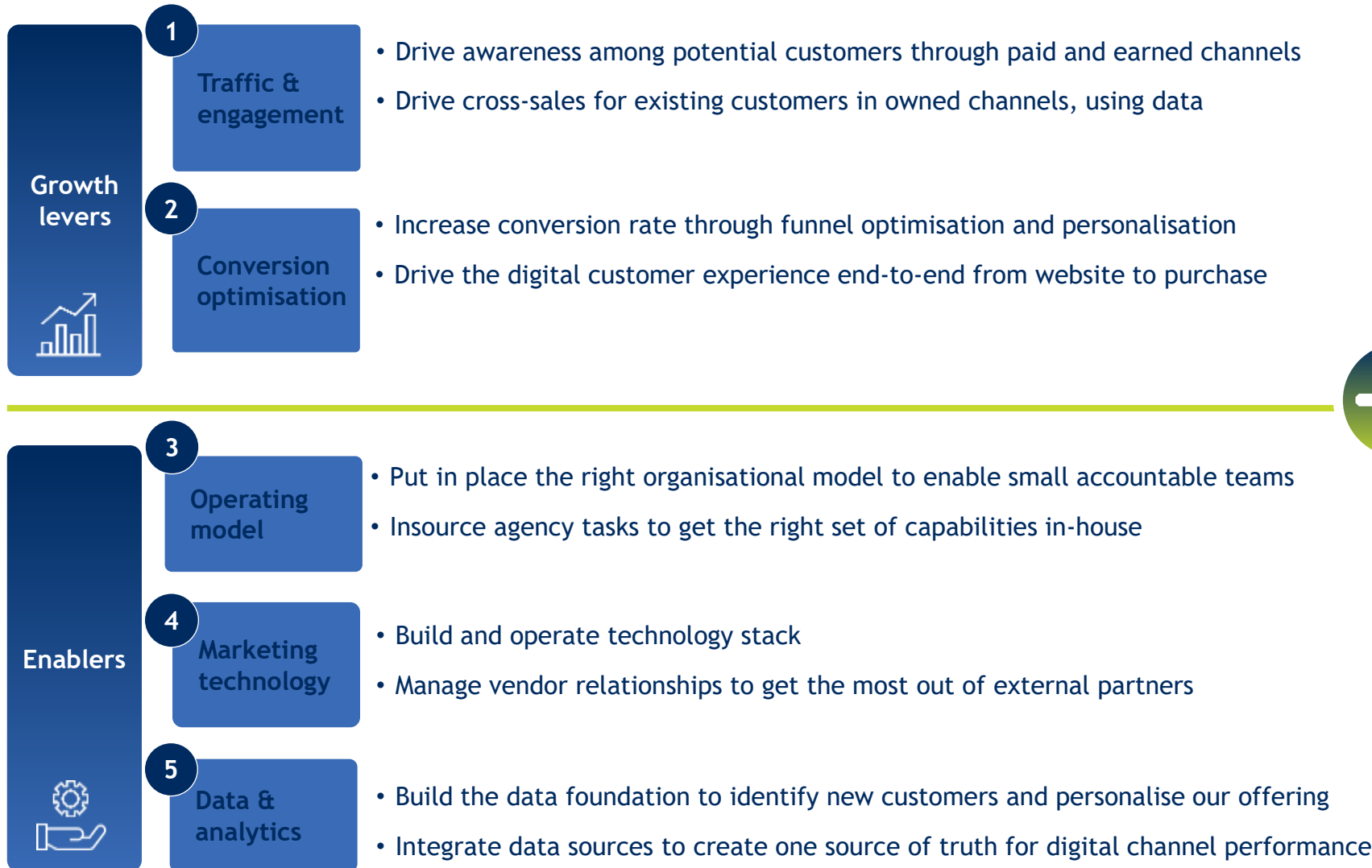Migration to the cloud creates additional opportunities for innovation and agility.

2A

Strengthen the core
Sales transformation

There are 4 sets of sales levers and enablers to boost digital growth

Key components

Growth levers

1 Traffic & engagement
- Drive awareness among potential customers through paid and earned channels
- Drive cross-sales for existing customers in owned channels, using data

2 Conversion optimisation
- Increase conversion rate through funnel optimisation and personalisation
- Drive the digital customer experience end-to-end from website to purchase

Enablers

3 Operating model
- Put in place the right organisational model to enable small accountable teams
- Insource agency tasks to get the right set of capabilities in-house

4 Marketing technology
- Build and operate technology stack
- Manage vendor relationships to get the most out of external partners

5 Data & analytics
- Build the data foundation to identify new customers and personalise our offering
- Integrate data sources to create one source of truth for digital channel performance

... and some that go beyond digital sales

Additional enablers of Digital Sales (outside scope of this document)

Digital value proposition	Branch sales excellence
Orchestration of omni-channel contacts	Risk engine and policies
Customer contact strategy	Dynamic pricing
Multi-product lead generation	Ecosystem approach / Partnerships

2A Sales force effectiveness and efficiency efforts
capture improvements along four areas ("The Efficient Frontier of Sales")...

"The efficient frontier of sales"

1 Get in front of the best customer opportunities ...

- **Align sales force against highest opportunity** (not historical revenue)
  - Segment customers based on distinct needs, value, buying behaviour
  - Identify underserved growth pockets

2 with the best sales resources...

- Use **multiple sales models** (KAM, inside sales, etc.) and play a multichannel game
- Build sales capabilities – requirements in many industries have changed significantly (e.g. value-based selling)

3 and the perfect pitch...

- Enable **the perfect pitch** based on customer segment, and **robust value pricing and value selling** in tandem

4 every single time

- Shape the GTM model to **higher effectiveness at lower costs**
- Build a commercial execution machine
- Convert sales ops into a strategic investment, not overhead

2B Strengthen the core
Distribution

Optimising the distribution strategy requires balancing physical and digital points of presence to gain maximum access to our target customer

Key components

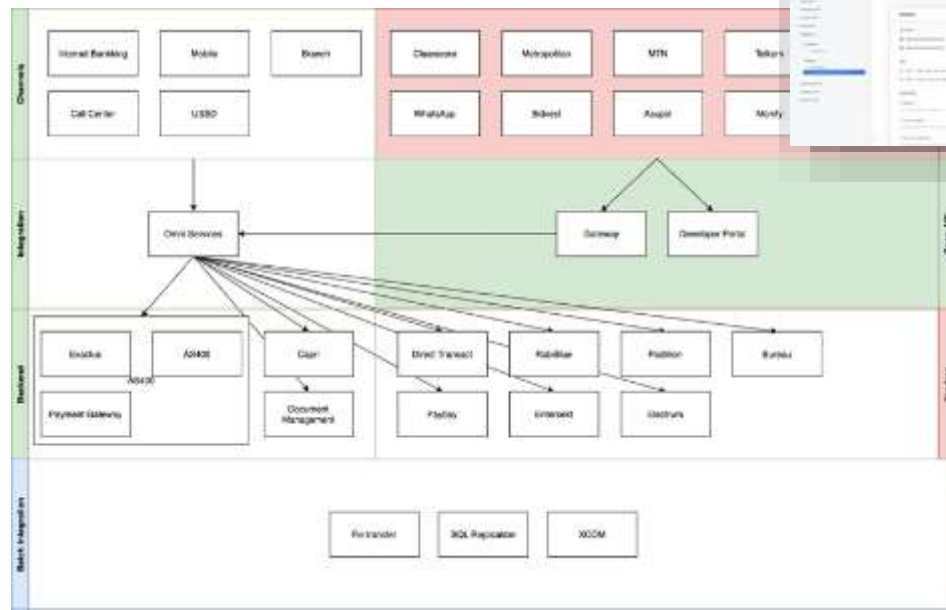|		
Optimise branch network	**Right-size the network**	The Branch Network contributes 72 percent of African Bank's total sales at present. The network was initially built on the premise of a single product sale and has had to morph into a full retail bank sales channel. The current network has been benchmarked against competitors and offers a fairly optimal level of coverage, with some room for a greater level of presence in urban centres.
	Branches in the right location	The African Bank Branch Network consists of 402 Branches. A detailed study of the profitability and location has been conducted. In 2020/21, ten Branches have been closed and seven new sites will be introduced over the next year. The Branch staffing model has been changed to improve sales effectiveness.
Increase non-physical footprint	**Mobile Branch offering**	Our current sales force offers us a farming capability, but no hunting capability. The development of a mobile sales will allow us to operate anywhere there is a sales opportunity.
	Leverage partner distribution networks	We are currently exploring distribution agreements with insurance houses, cell companies and other financial services providers. Our intended outcome is to make our offerings more accessible and broaden the product suite. This may also include lifestyle and non-financial offerings.
Guide customers to digital	**Customer Education**	Research shows that a customer needs to be assisted two to three times before they feel comfortable performing their own digital transactions. Our in-Branch digital sales methodology has been adapted to train consultants to help customers, and provide a step-by-step guide to performing these transactions. This allows us to engage better and focus on sales interactions.

3A

Expand the core
Alliances ecosystems

African Bank's architecture is geared up towards partnerships and integration with 3rd party providers

- Our architecture is geared towards partnering with vendors and potential service providers to augment the value proposition.
- The Omni-channel has been built on a micro-services layer which can be exposed, and even expanded on, to offer additional products and services.
- This architecture could be used to increase distribution, customer reach and, ultimately, drive revenue and profitability.

Lessons learned from other markets suggest that Banking-as-a-Service (BaaS) providers need to be very thoughtful in their approach and go-to-market strategy

Successful BaaS solutions generally focus on **solving end-user pain points** and delighting customers; both the BaaS provider and industry customer need to be aligned on this vision and their 'unfair advantage'

Companies that are successful typically have a **well-developed data and analytics** muscle that can help accelerate the BaaS business

Go-to-market should **prioritise channels/industries with large numbers of customers** and **high frequency of interaction** (e.g. Walmart 2-3X month > American Airlines 2-3X per year)

We should be mindful of the **technology stack of our customers**; Fintechs are often prioritised over legacy industrials due to ease and speed of integration

Choice of **initial product** (e.g. deposits, credit cards) is often **driven more by the roadmap of partners** than deliberate strategy of the solution orchestrator

Nonetheless, most companies 'took the opportunity in front of them' by **leveraging existing commercial and board relationships** to sign proof-of-concept deals, or **test offerings with companies in their Venture Capital (VC) portfolio**

3B

Expand the core
Digital SMME

SMMEs are a vital component of the South African economy, creating jobs and enabling inclusive growth

	Majority of businesses	**Create private sector jobs**	**Meaningful share of the Gross Domestic Product (GDP)**	**Enable inclusive growth**
EU	99.8%	68%	57%	30%
G20	99%	65%	46%	25%
SA	98.5%	~ 60[1]%	39%	38%
	SMME share of total number of businesses	SMME share of private sector workforce	SMME share of national GDP	SMMEs owned by women

There are 5 building blocks in making an SMME digital bank successful

1 Value proposition and customer experience

- **100% end-to-end digital process** with minimal input from customer:
- -**onboarding:** application time - **5 min, 7-8 fields** to fill in
- -**loan application - ~20-30 min**, 30-50 fields to fill in
- **Not only credit, but a fully distinctive SMME bank offering,** e.g. developing transactional bank functionality, embedding a fully digital bank

2 Risk engine

- **Advanced automated checks** to prevent fraud customers inflow
- **Automated risk engine with** integrated data sources to perform customer assessment and **take decision within 15 minutes:** automated revenue estimation model, risk assessment tools, risk-based pricing model, limit setting
- **Limit setting** based on income **approximation without additional data request** from customer

3 Data and IT infrastructure

- Tailor made IT-infrastructure elements are integrated with existing legacy IT and external data sources
- **17 internal and external data sources** used to simplify and speed up application and decision-making processes

4 Operational model

- **Tailor made end-to-end digital flow, connected with existing bank infrastructure** and 3rd parties resources and **agile operating model**

5 Digital marketing strategy

- Test and launch of different digital channels **to increase brand awareness and to generate leads** in digital and Branch channels

4A Digital ways of work
Embed new ways of work

4A Achieving programme objectives will require a fundamentally different way of delivering transformation

Business-led

Customer-centric

End-to-end

"A" teams staffed on projects

"Best of breed" partner ecosystem

Agile "test-and-learn"

Roll in (scale greenfield unit)

Inspired by the best innovators

Venture Capital style funding allocation

Agile approach to pricing

Delegated decision-making

NOT

IT-led

Bank-centric

Within organisational silos

Whoever is available

Single vendor for all requirements

Traditional waterfall

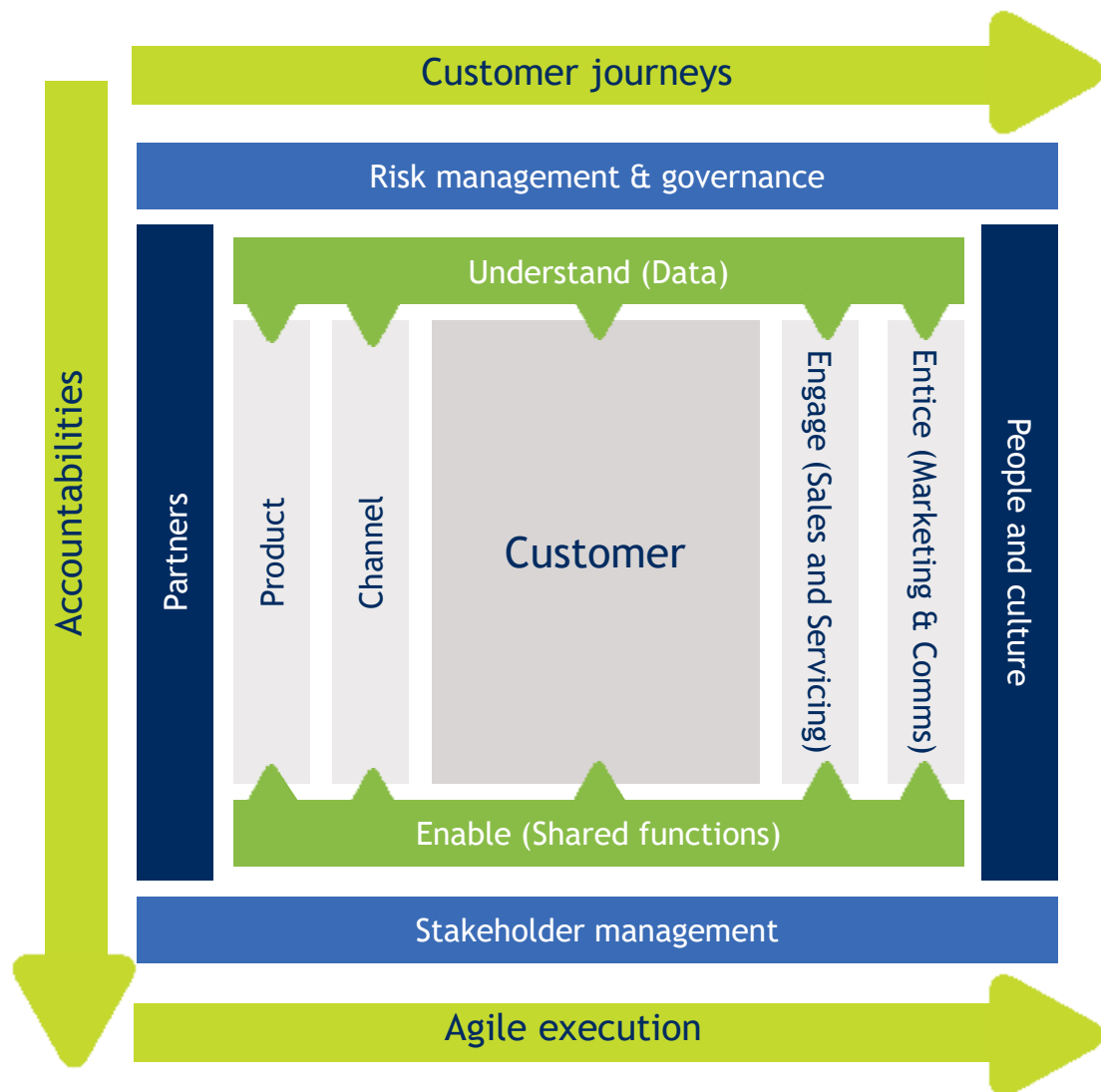Roll out incremental improvements

Inspired by the best banks

Project-specific business case

False precision on fixed costs to deliver

Top-down governance

The new operating model forms the powerful foundation upon which the new digital ways of work can be built

The new operating model has been designed to enable new ways of work. The following principles were considered in its design:

- Ensure that the customer is at the centre of what we do
- Create clear end-to-end accountability for core functions & capabilities across the organisation
- Create functional alignment and cross-functional delivery
- Protect the independence of our assurance functions while maintaining risk as an integrated part of how we do business
- Provide a mechanism of integrating partners into our operating model
- Build sufficient capacity with the leadership team to enable the organisation to scale

Limiting the number of projects and measuring their efficacy is a critical success factor

Investment Management Forum

The reconstituted IMF has been given the mandate to reduce and monitor the size and composition of the overall portfolio. This includes the projects deemed to be business as usual, as well as the transformational projects.

The work undertaken in the last few months has reduced the portfolio from 103 projects to 65. This will be further reduced as part of the annual budgeting cycle.

The performance of the projects will be tracked and recalibrated to ensure the desired results.

The IMF will convene weekly, which is indicative of the importance of this portfolio and the commitment of leadership to ensure the success of these projects.

Mandate

1. Limit the number of concurrent projects
Projects will be prioritised based on two different factors: The first measures the impact vs effort of the project; the second looks at the level of innovation which will be introduced.

3. Track the benefits of the projects
Implementing Objectives and Key Results (OKRs) provides us with a way of linking strategic aspirations to tangible objectives and key results. Tracking performance of these key results is critical and we are piloting a tool to provide crucial insights throughout the life-cycle of each project.

4. Adjust the portfolio based on performance
If the strategic aspirations are not being achieved, the forum will make the necessary adjustments to ensure that we are investing in the right projects.
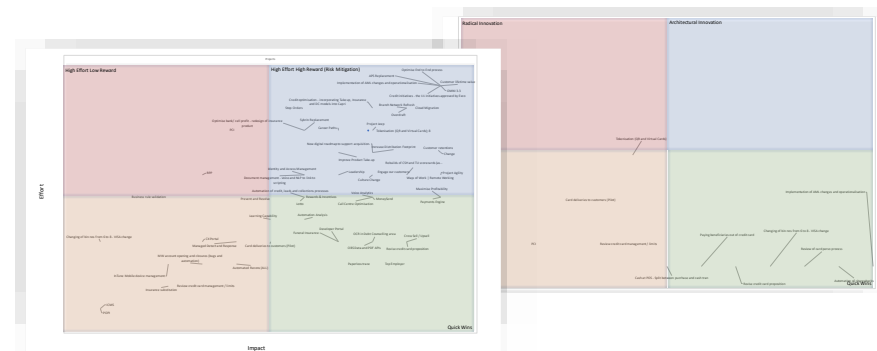
Effective digital ways of work is enabled by cultural and behavioural changes within a number of critical competencies

1 Limit the number of concurrent projects

2 Use new ways of work to deliver projects

3 Track the benefits of the projects

4 Adjust the portfolio based on performance

DevSecOps: Development, Security and Operations. A methodology that ensures speed, security and hyper-collaboration as we enhance our digital capabilities.

Agile: An agile organisation is focused on customer needs and responds quickly to changes in the marketplace.

Objective Key Results: A goal-setting framework through which objectives are defined and measured.
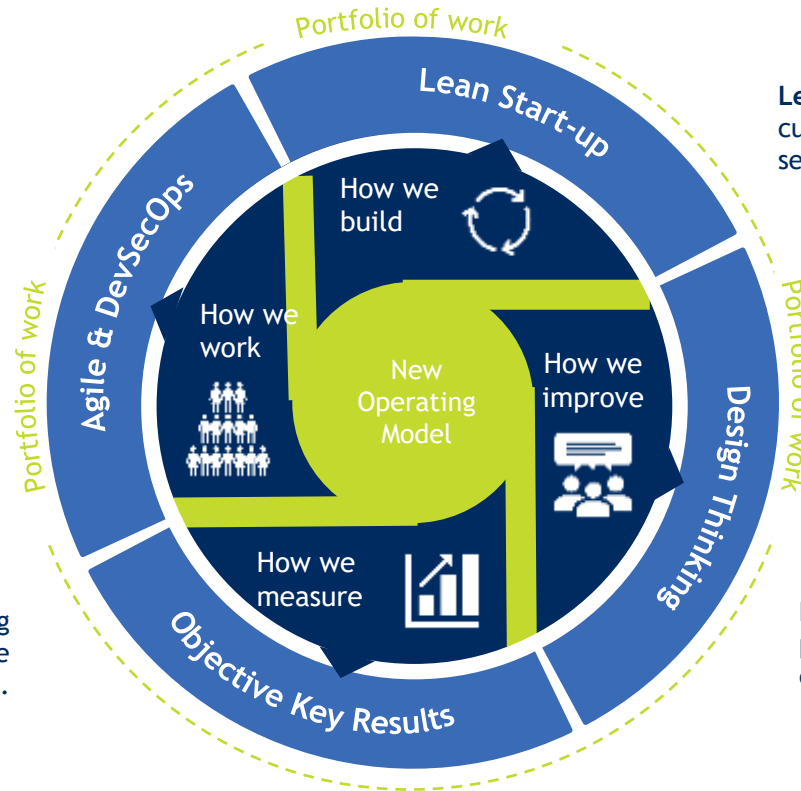
Lean start-up: Tap into the needs of our customers by developing the products and services they already want.

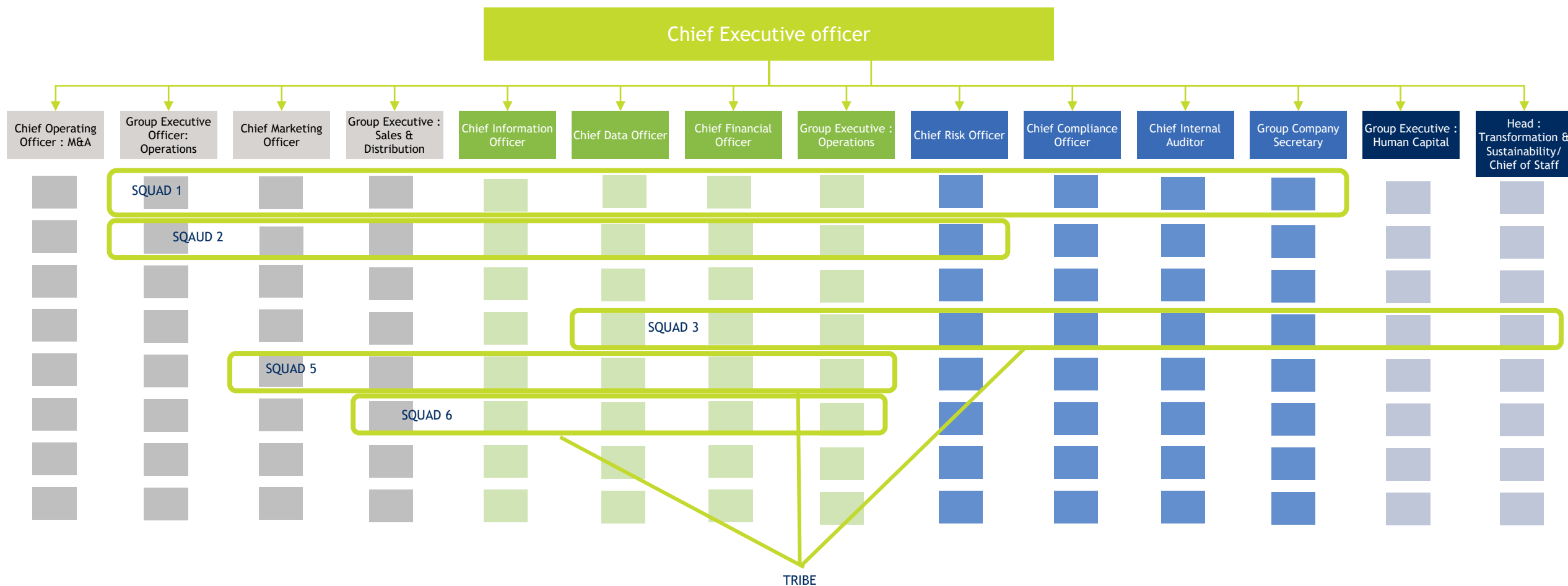**Design thinking:** A process for problem-solving by prioritising customer needs.

Portfolio of work

Lean Start-up

Agile & DevSecOps

Design Thinking

Objective Key Results

How we build

How we work

How we improve

How we measure

New Operating Model

Portfolio of work

Cross functional tribes and squads form the backbone for Agile organisations

Key to the success of the agile methodology are cross-functional and autonomous squads of African Bankers. Their composition is based on the nature of the deliverables. A squad is a self-contained delivery unit that minimises inter-dependence across the organisation. Less friction points, combined with the autonomy provided to each squad and the product owner, should result in a higher rate of delivery. Together, a number of related squads will form a tribe.

Chief Executive officer

| Chief Operating Officer : M&A | Group Executive Officer: Operations | Chief Marketing Officer | Group Executive : Sales & Distribution | Chief Information Officer | Chief Data Officer | Chief Financial Officer | Group Executive : Operations | Chief Risk Officer | Chief Compliance Officer | Chief Internal Auditor | Group Company Secretary | Group Executive : Human Capital | Head : Transformation & Sustainability/ Chief of Staff |

SQUAD 1
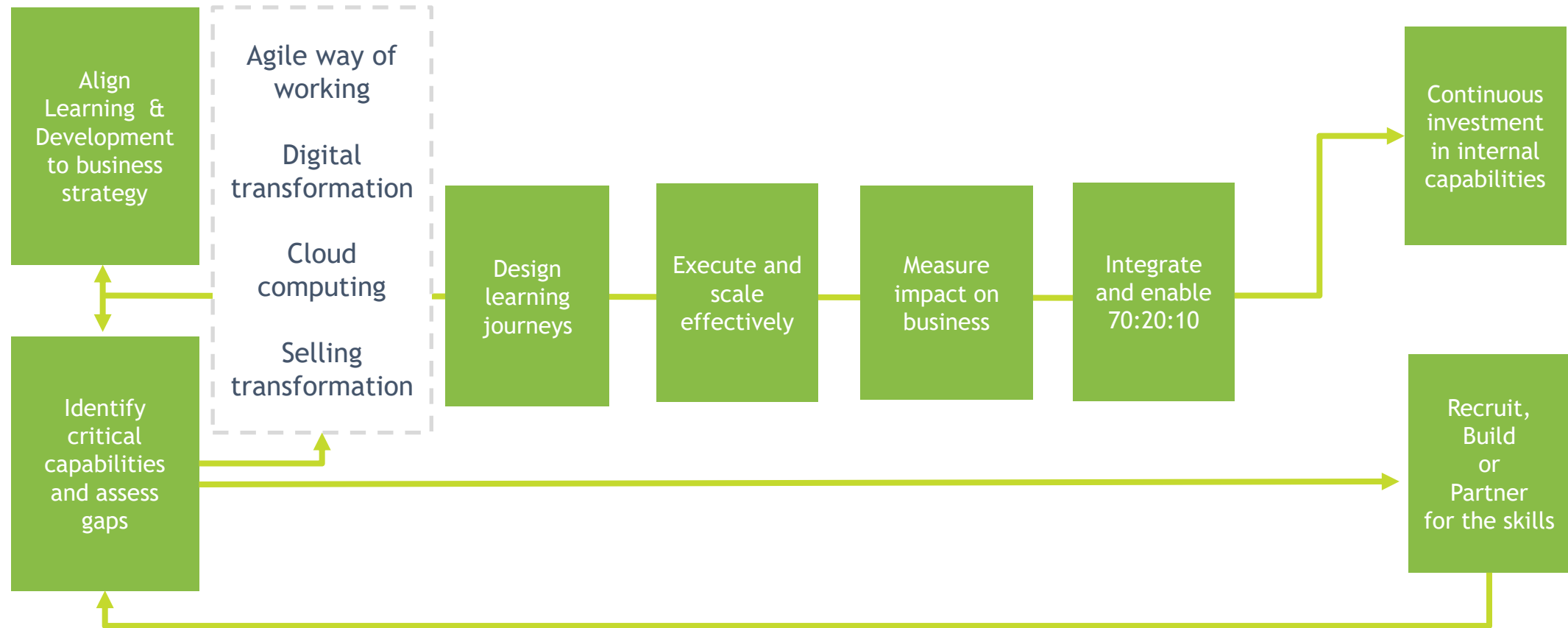SQAUD 2
SQUAD 3
SQUAD 5
SQUAD 6

TRIBE

4B

Digital ways of work
Building capability

Capability building

An increasingly competitive business landscape, rising complexity, and the digital revolution are reshaping the nature of the organisational workforce. In addition, persistent uncertainty, a multi-generational workforce, and a shorter life-span for knowledge, have placed a premium on reskilling and upskilling. **These trends have elevated the importance of the learning and development (L&D) function to build current and future capabilities to deliver on the business strategy and purpose, while leveraging the power of digital channels.**

Brand slides

Building a brand that resonates

Brand discipline

Brand passion

Brand consistency

We are **you**

Purpose
Advancing lives
through financial
and related
services

Everybody is **somebody**

Thank you