Presentation to

38th General Assembly of FANAF Ouagadougou, 17-21 February 2014

Thierry Tanoh- Group CEO

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Regions and Aggregates by Age - 2010

Young Society	Transition		Aging Society
India (8%), Turkey (9%) Africa (6%), South Asia (7%), MENA (7%) Low Income (6%) Developing (9%)	Brazil (10%), China (11%), Russia (18%), US (19%) LAC (10%), EAP (11%), ECA (16%) Middle Income (10%) World (12%)	Euro Area (28%) High Income (23%) Developed (23%)	
Less than 10%	10-19 %	20-39%	40% or more

Retired population (over 64 yrs) as a % of working age population (15-64 yrs) →

Risk Taking
- Housing
- Jobs
- Education

Pragmatic
- Saving for retirement
- Consumer durables

Risk Averse
- Macroeconomic Stability
- Benefits

Regions and Aggregates by Age - 2050

Young Society	Transition		Aging Society
Africa (9%)	India (19.7%) South Asia (19%) Low Income (12%)	Turkey (28%), US (32%), Brazil (33%), China (36%), Russia (37%) MENA (21%), LAC (28%), EAP (32%), ECA (33%) Middle Income (25%) Developing (22%) World (24%)	Euro Area (48%) High Income (40%) Developed (40%)
Less than 10%	10-19 %	20-39%	40% or more

Retired population (over 64 yrs) as a % of working age population (15-64 yrs) →

Risk Taking
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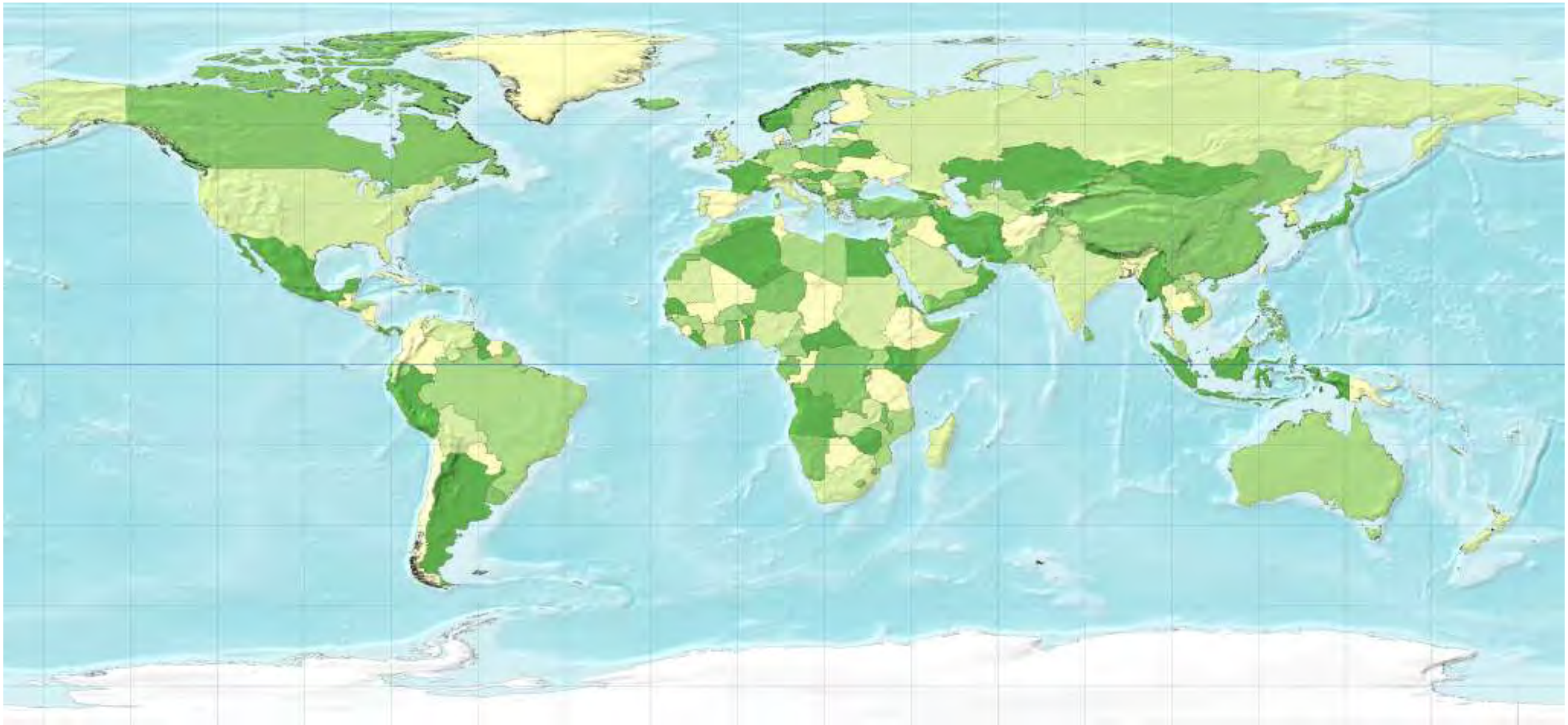
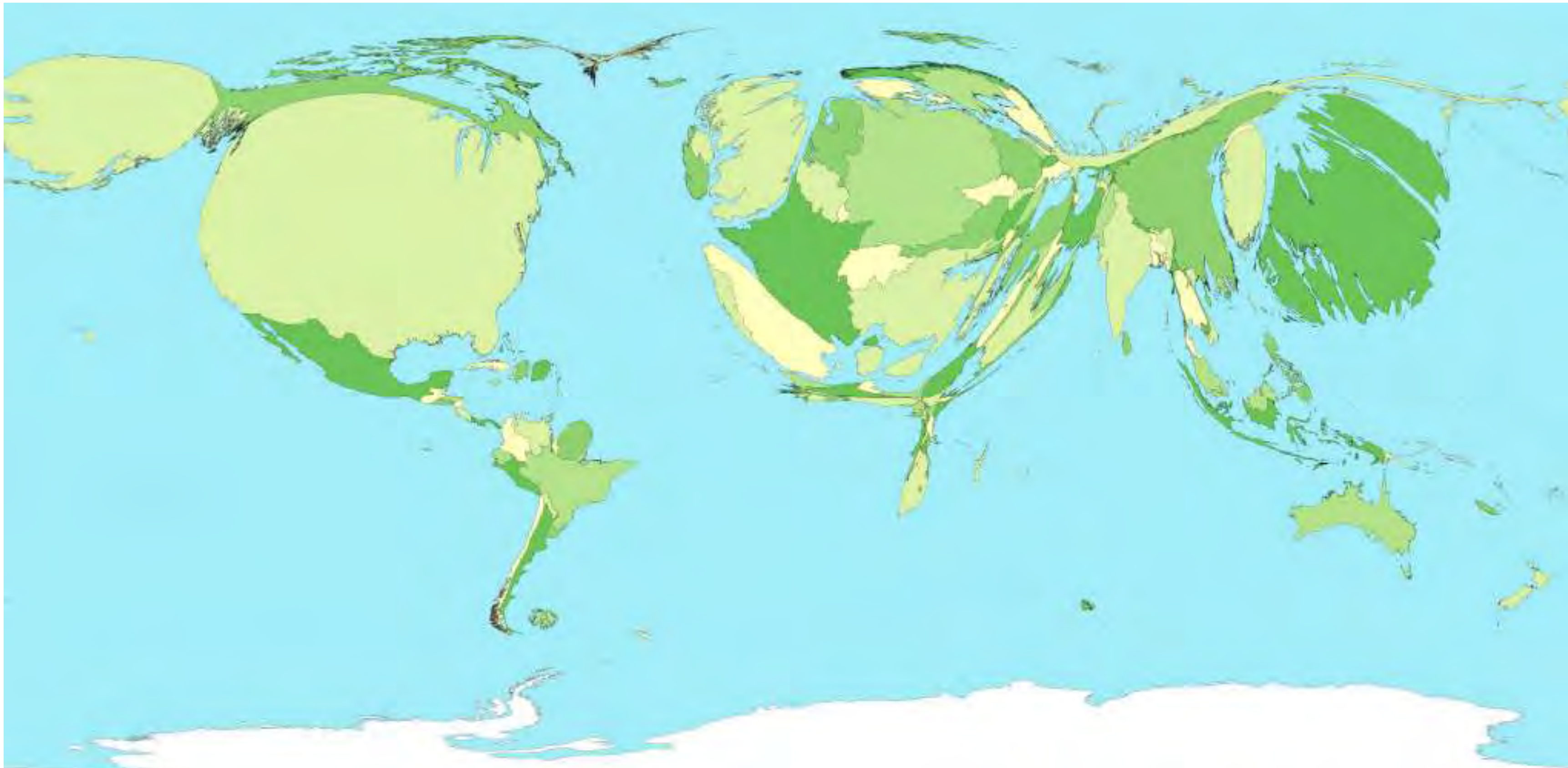
Carte du monde



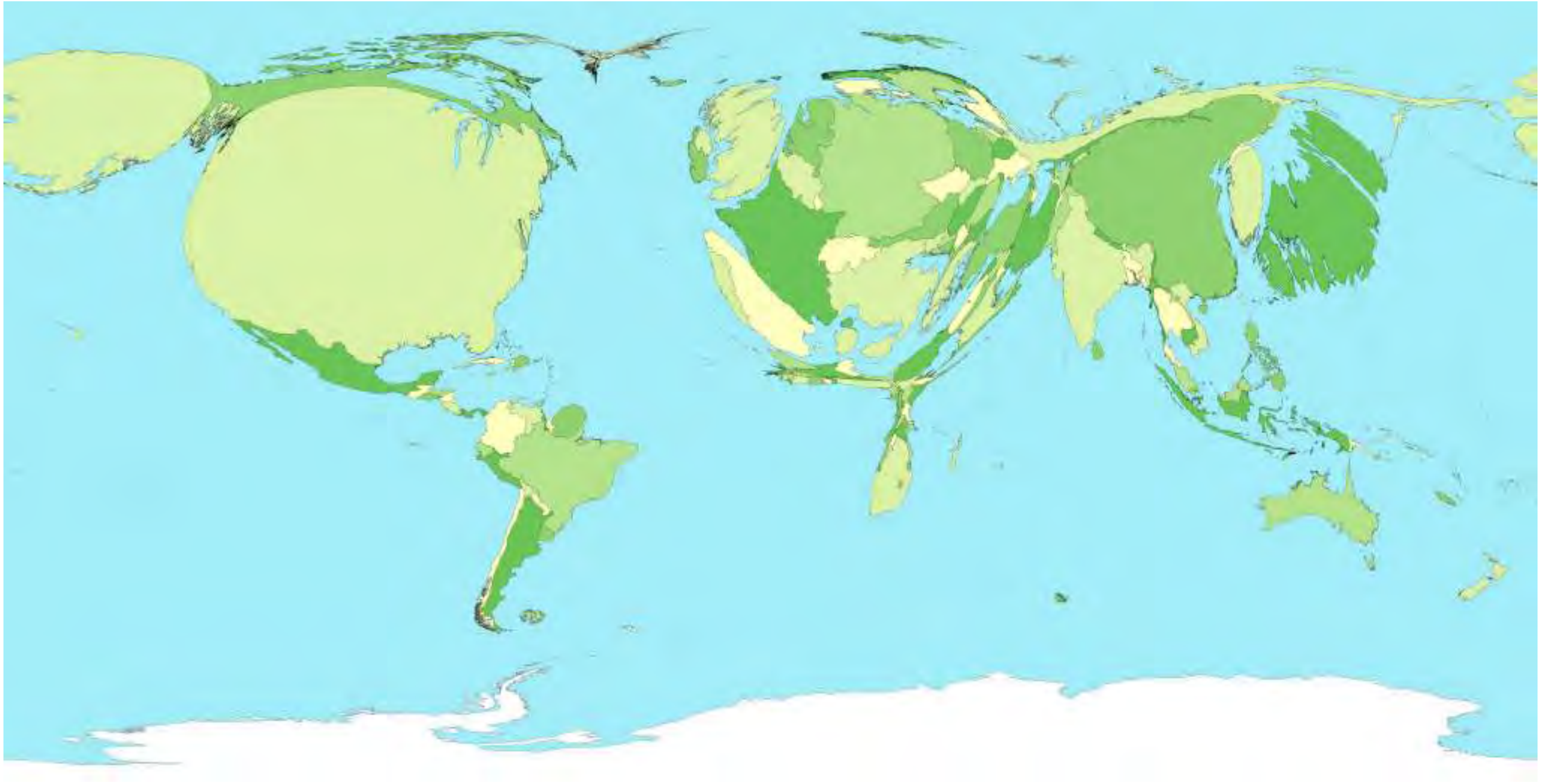
POPULATION


RUSSIA
CANADA
U.K.
GERMANY
UKRAINE
UNITED STATES
FRANCE
CHINA
ITALY
TURKEY
IRAN
PAKISTAN
S. KOREA
JAPAN
MEXICO
EGYPT
INDIA
BANGLADESH
NIGERIA
ETHIOPIA
MYANMAR
PHILIPPINES
THAILAND
COLOMBIA
PACIFIC OCEAN
BRAZIL
PERU
D.R. CONGO
ATLANTIC OCEAN
INDONESIA
ARGENTINA
SOUTH AFRICA
INDIAN OCEAN
AUSTRALIA
NEW ZEALAND
ANTARCTICA

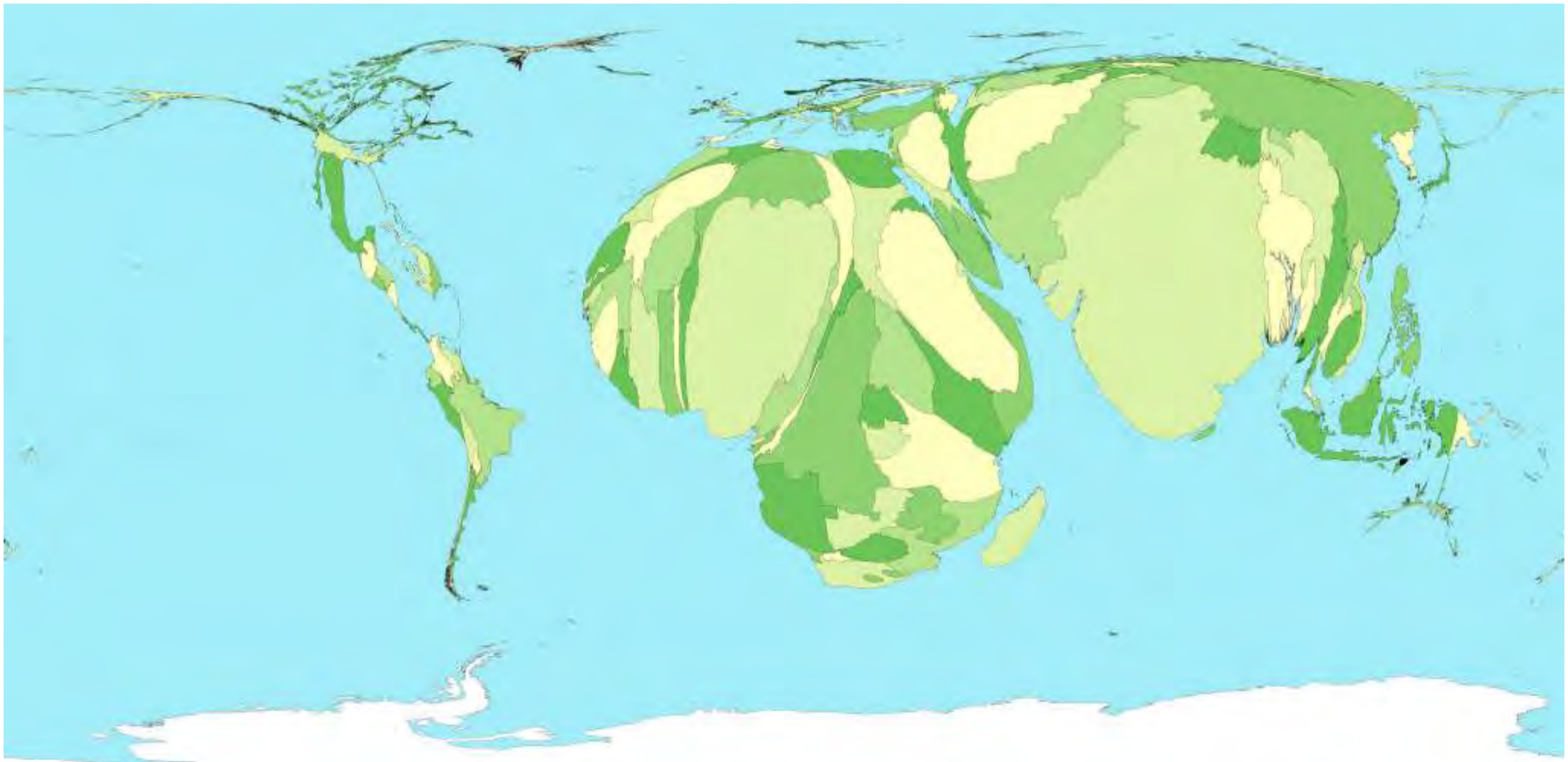
PIB



DEPENSES DANS LA SANTE



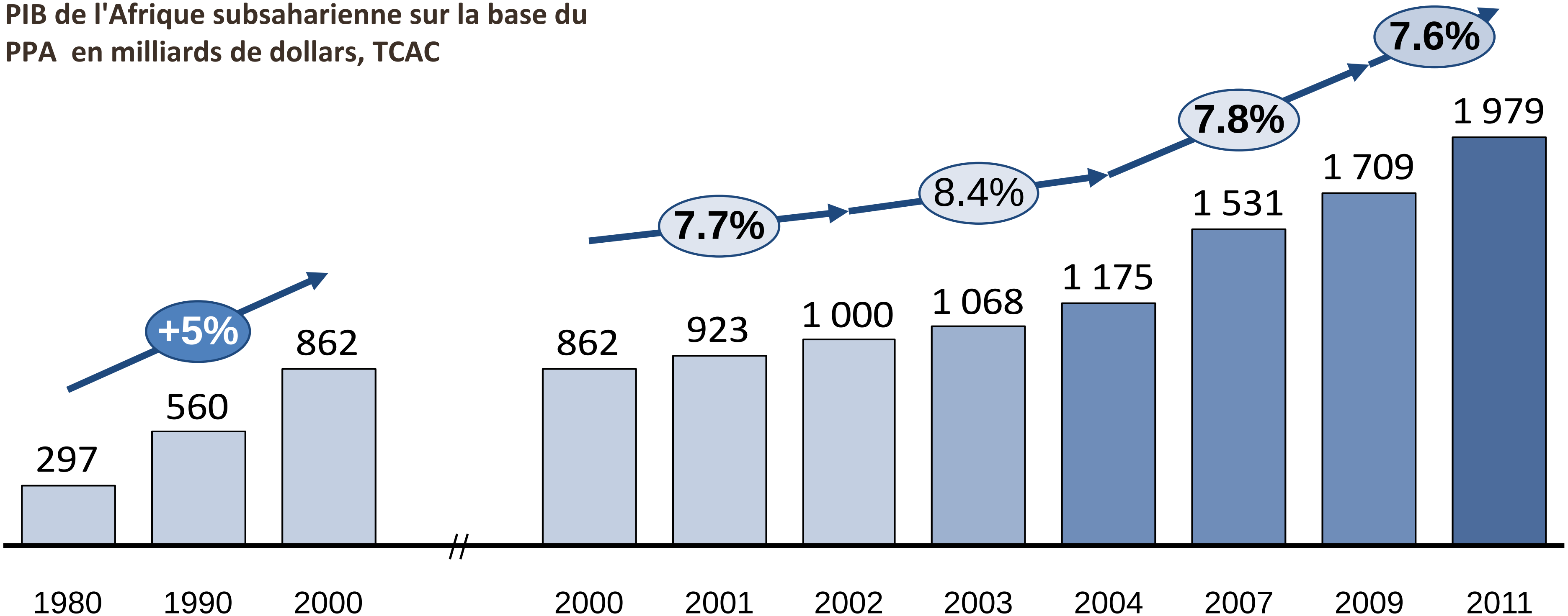
MORTALITE INFANTILE



Tout est une question de perception

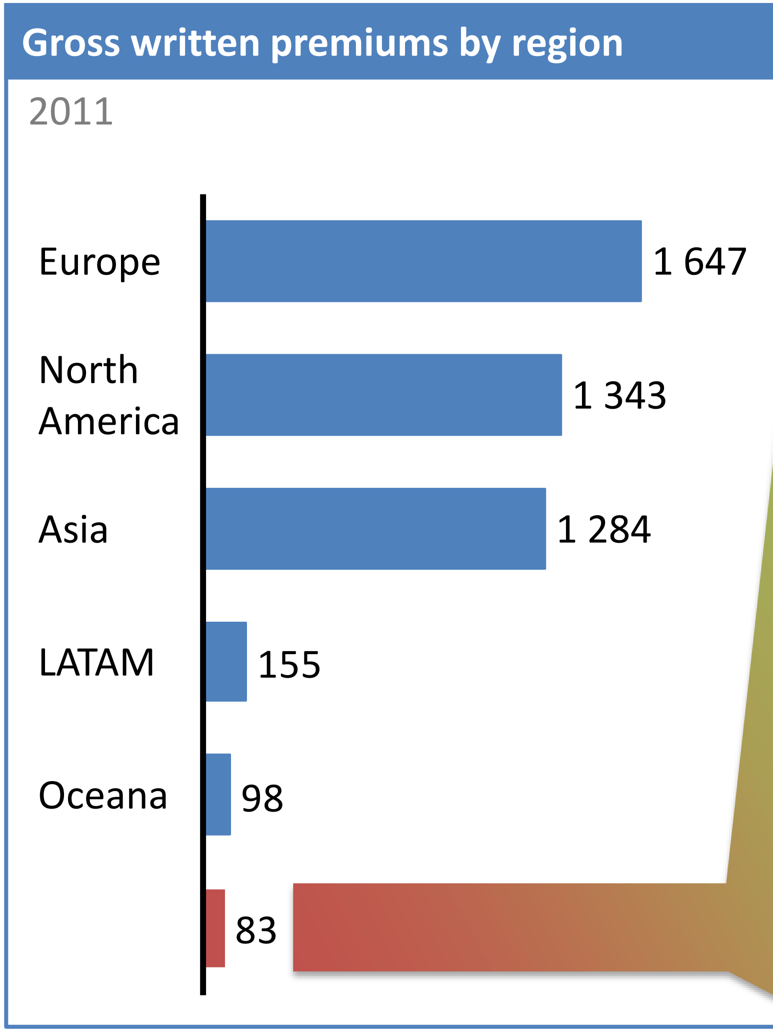
Après trente ans d’une croissance économique lente, l'Afrique subsaharienne passe à la vitesse supérieure

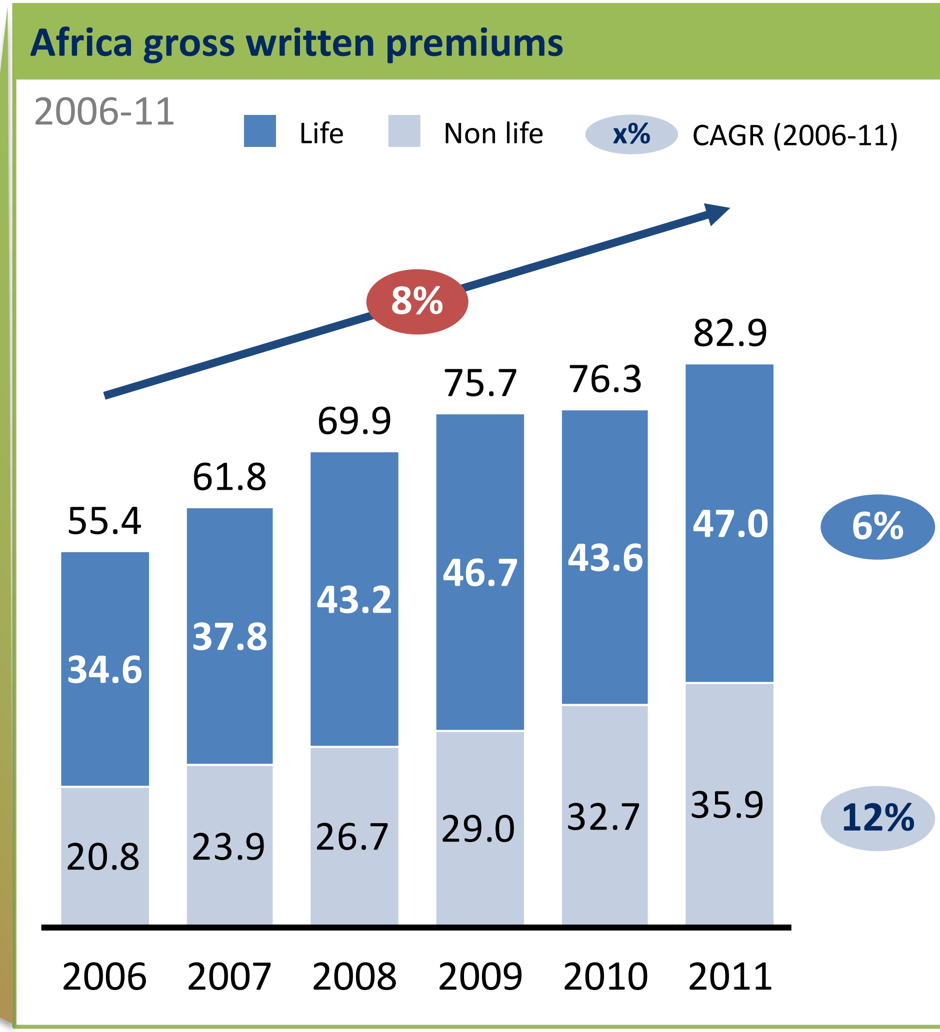
PIB de l'Afrique subsaharienne sur la base du PPA en milliards de dollars, TCAC



The total African insurance premium pool is only USD 83 billion but has grown by 8% over the last 5 years

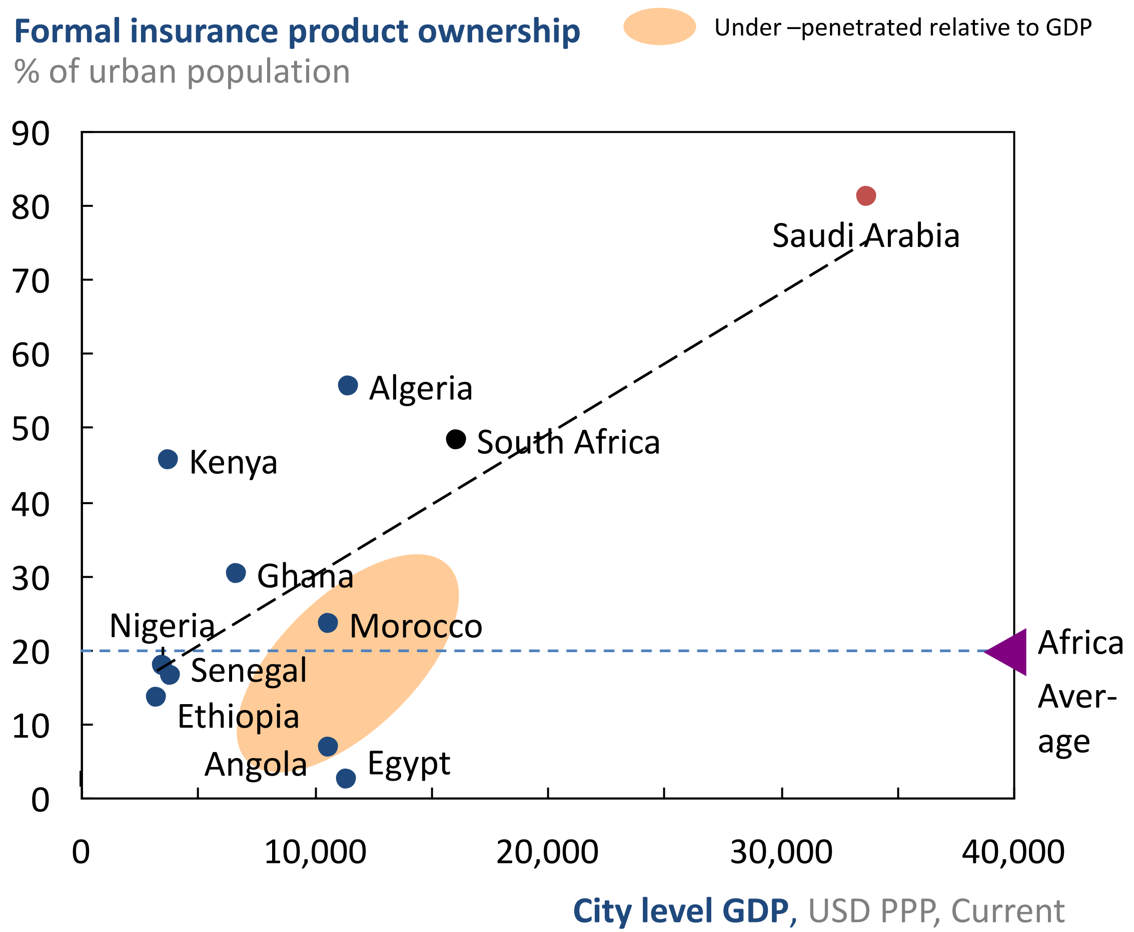
USD billions



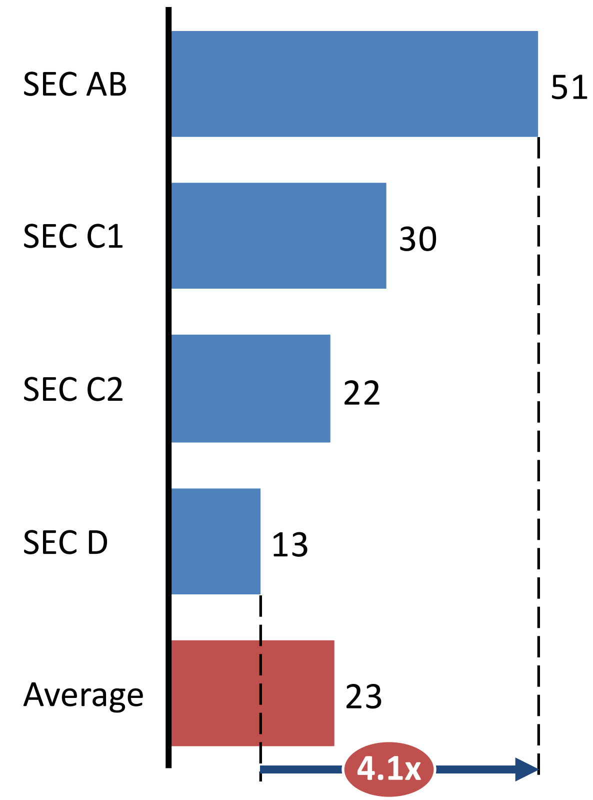


Insurance penetration in Africa is relatively low with most penetration in the upper social economic classes

Only 23% have insurance …



… with upper SEC member being 4 times as likely to have insurance as their lower SEC peers



SOURCE: ACIC 2011 Survey

Insurance penetration is expected to increase due to macro-economic and sector specific trends such as growing middle class and regulatory reforms

Insurance trends

Regulatory reforms boosting penetration due to compulsory insurance on certain products

- NAICOM in Nigeria urged the government to ensure all buildings are adequately insured

Product and distribution innovation such as mobile/internet insurance is expected to boost

- M-Pesa, mobile microfinance, operates in SSA where it accounts for 7% of Vodafone's total money transfer revenue
- 50% of internet users are in aspiring countries and their number is growing at ~5x the rate in developed countries

Africa macro-economic trends

Infrastructure development will increase significantly

- Infrastructure investments of ~ USD 1.5 trillion are planned between 2012 and 2020

There is a growing middle class and the population is increasingly urbanizing

- There is expected to be ~128 million households earning >$5000 by 2020
- African urban population is expected to grow to 489 million by 2020

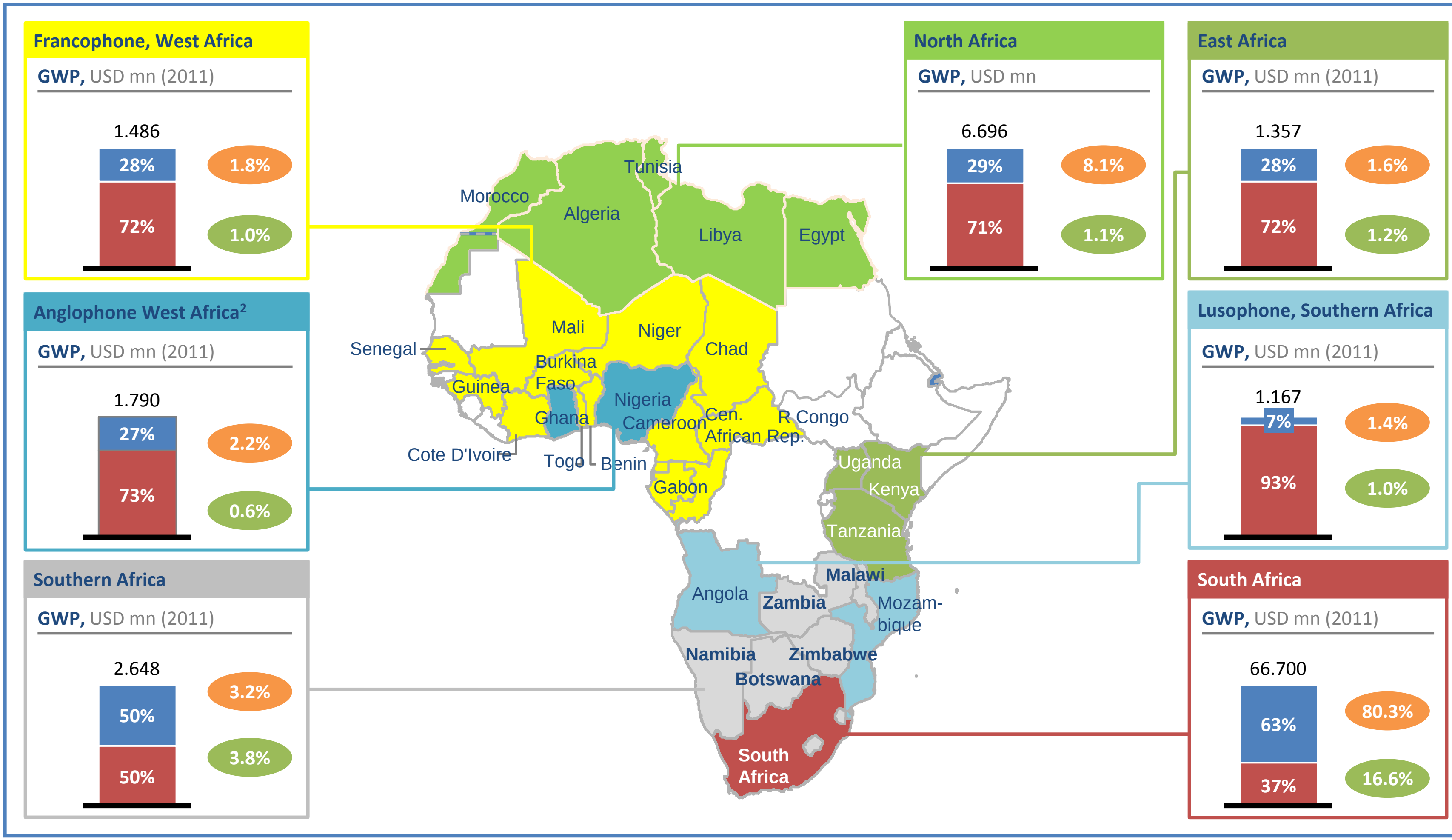
SOURCE: WDI; McKinsey Global Institute; Finscope; Canback Global Income Distribution Database (C-GIDD), Business Monitor International, Infrastructure Journal

Contents

- Global Demographics
- Africa Market Size & Growth Drivers
- **Key players & Competitive Landscape**
- Bancassurance

There are 7 primary insurance regions in Africa with South Africa constituting 80% of premiums

Life | Non-Life | x% Premiums as % of total Africa premiums | x% Penetration[1]



1 Penetration = total GWP / nominal GDP, 2011
2 2010 numbers for Ghana

SOURCE: Swiss Re Sigma; Insurance regulator reports; OANDA, Worldbank; IMF

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By 2020, Africa will represent more than USD 43 bn outside of South Africa

x% GWP in USD bn

x% Estimated growth rate

Francophone, West Africa

4

11%

Anglophone, West Africa

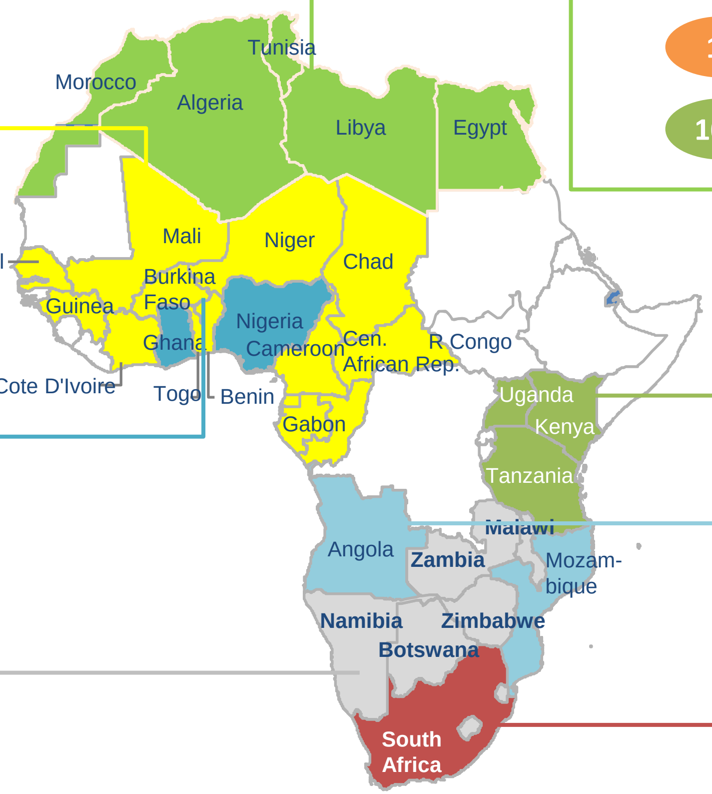
8

18%

Southern Africa

8

13%



North Africa

15

10%

East Africa

4

12%

Lusophone, Southern Africa

4

14%

South Africa

129

8%

SOURCE: Worldbank, IMF; Analyst forecasts and estimates; McKinsey Global Insurance Pools; McKinsey analysis

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The level of bancassurance is affected by regulation

SELECT EXAMPLES

Nigeria	With the repeal of the universal banking license, **banks can no longer directly own insurance underwriting subsidiaries**. However, they **can still indirectly invest in the insurance industry through a group holding company**, and **bancassurance (distribution but not underwriting) is allowed**
Kenya	Up until recently, there was no regulatory framework in place to support bancassurance. In May 2013 the central bank of Kenya issued guidelines for banks called "Guidelines for incidental business activities“. This was the first step toward opening up the bancassurance industry, and the guidelines state **that an institution acting as an insurance distribution channel shall not undertake the actual business of underwriting**.
China	In March 20122, regulatory control on bancassurance was increased. Amongst other, a significant change to the regulation stipulated that insurance salespeople were no longer allowed to conduct sales activities in bank branches. **A 15% reduction in bancassurance sales was experienced in the year following this ruling.**

SOURCE: Team analysis; press search

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Successful bancassurance case examples in South Africa have been FirstRand and Liberty

FirstRand

- Prior to 2007 FirstRand Group held significant stakes in three key insurance divisions: Discovery (health insurer), Outsurance (P&C insurer) and Momentum (life insurer); each branded and marketed separately even when part of the same group
- Over time FirstRand divested of each entitiy due to different strategic directions, and wanting to focus on core business of banking
- However FirstRand has still maintained partnerships with them enabling for a collaborative rather than fully integrated bancassurance model

Liberty

- Liberty is majority owned by Standard Bank Group
- Despite being part of the banking group Liberty is branded and marketed separately and the bancassurance agreement was a formalised, well-structured agreement between the two entities
- Stanlib, the asset management arm was once part of Standard Bank but the group was restructured and now Liberty fully owns Stanlib
- Thus there was a definite separation made between banking of insurance and related activities

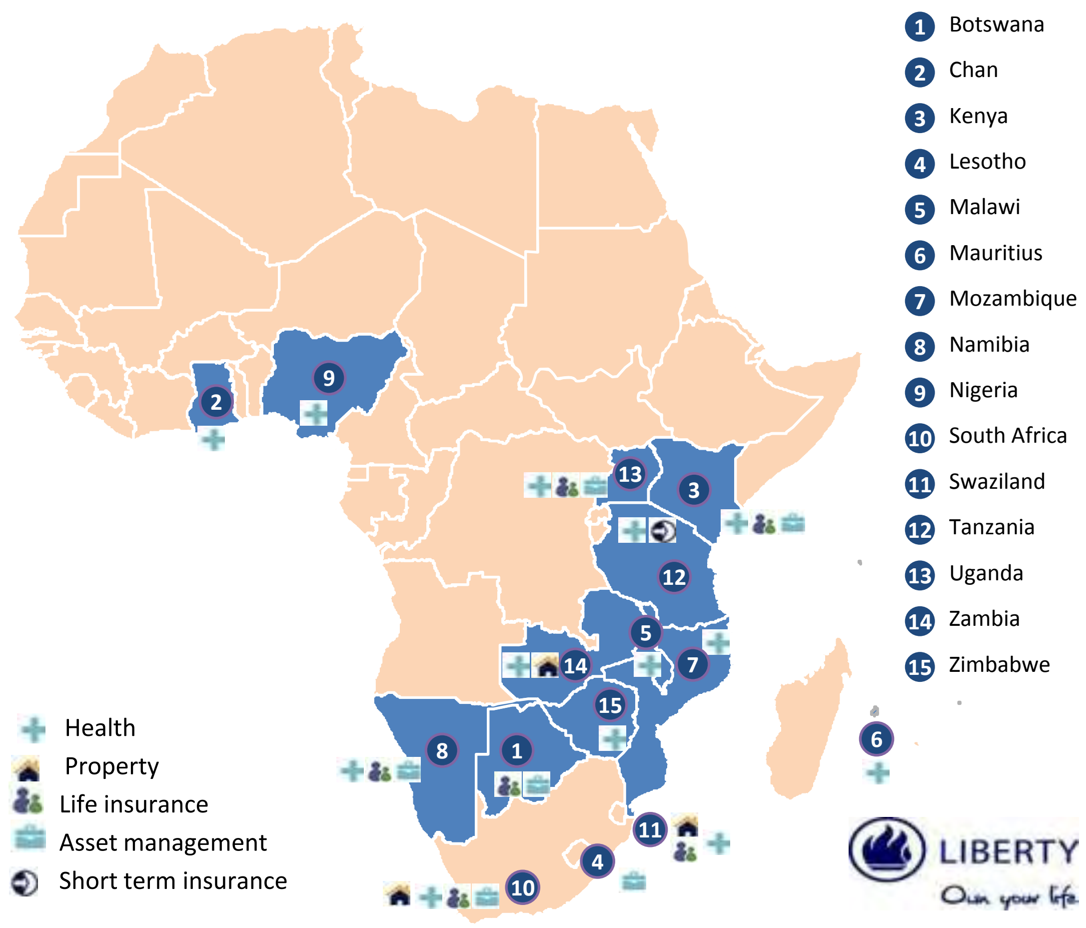
SOURCE: Company websites; General web and press search; McKinsey analysis

Liberty has a partnership agreement with Standard Bank

Key elements of the bancassurance agreement

- **Liberty is majority owned by Standard Bank Group**
- Despite being part of the banking group Liberty is **branded and marketed separately** and the **bancassurance agreement was a formalised, well-structured** agreement between the two entities
- **Economic benefits**
  - **Profit sharing on embedded business** (Liberty share of profits is 10%), advisory business (profit share for Liberty is 50%) and transactional business (profit share ranges from 50-65%)
  - **Stanlib earns asset management and other fees** on business sourced through bank channel. Standard Bank does not share in Stanlib's economic profit unless high water mark reached or after 2015
  - **Liberty does not incur significant infrastructure costs in its Africa expansion** strategy. **Profit sharing** ranges between 40-75%

Due to its formalised partnership agreement with Standard Bank, Liberty has expanded operations to 14 countries outside of South Africa



SOURCE: Liberty and Standard Bank website and reports; McKinsey analysis

THANK YOU

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