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# Presentation before Parliament Portfolio Committee

**Absa Group Limited**

04 February 2025

Attendees: Charles Russon (CEO AGL) | Faisal Mkhize (CE  
Relationship Banking) | Yasmin Masithela (Interim CEO CIB)



# Agenda

## 1 Context

- Our understanding of this meeting request
- Summary of Absa's key messages
- The role our bank plays in the economy
- Comparing commercial banks & development finance institutions

## 2 Absa response to Parliament's questions

# Our understanding of this meeting request

- 1 Parliament is requesting banks, including Absa, to appear before it to discuss their role in supporting economic transformation and industrialization.
- 2 Parliament has a number of questions for Absa, focusing on:
  - Development credit finance products offered by banks, including lending criteria, interest rates, and marketing strategies.
  - Proportion of outstanding development finance compared to the total debtors' book and the purposes of these finances
  - Trends in development credit finance over the last decade and the availability of credit for productive versus consumption purposes, especially for historically disadvantaged individuals.
- 3 Parliament also wants to assess the banks' relationships with development finance institutions
- 4 We welcome the engagement and see it as an opportunity to highlight Absa's commitment to national imperatives

# Summary of Absa's key messages

## Deep commitment to transformation and development

- Absa is a responsible and proactive financial institution dedicated to driving positive change in South Africa.

## Trusted, systematic role in society

- Absa is a trusted, systematic global financial institution.

## Banks are subject to local and global regulations

- There are a substantial pieces of regulations covering banks. The core piece of regulation in South Africa is the Banks Act, which requires banks to act with fiduciary responsibility to protect the funds of their depositors.

## National agenda

- Developmental institutions and commercial banks have different mandates, but both have a role to play in driving positive national outcomes.

# Absa as a trusted bank actively participates in the local and global economy

## Banks' role in the economy

- 1 Commercial banks attract deposits from customers by offering various types of accounts, such as savings accounts, checking accounts, and fixed deposits.
- 2 People and businesses deposit their money in these accounts, and in return, the banks offer interest on the deposited amounts.
- 3 The money collected from deposits is used by banks to provide loans to individuals and businesses.
- 4 These loans can be for various purposes, such as buying a house, starting or expanding a business, or purchasing a car.
- 5 By lending money, banks help fund economic activities and support growth.

## Risks faced by banks

**Credit Risk:** The risk that borrowers will fail to repay their loans, leading to financial losses for the bank.

**Operational Risk:** Risks arising from internal processes, systems, and people.

**Market Risk:** Risk of losses due to changes in market conditions, such as interest rates, exchange rates, and stock prices.

**Other risks** include Liquidity, Cybersecurity, Regulatory Compliance, Technological Disruptions, Geopolitical Risks etc.

## As Absa bank, we operate across the economy serving a broad client base

### Who they are

- Individuals
- Businesses
- Public sector
- Development finance institutions
- Other financial institutions, trusts, non-governmental entities and associations.



### Their needs and expectations

- Cost-effective and innovative
- Credible brand, trustworthy relationship, safety and protection against fraud
- Responsible banking with transparent pricing
- Excellent client service and advice
- User-friendly and reliable systems

### How we create value for them

- Providing payment services and a safe place to save and invest
- Providing funds for purchases and Growth
- Providing an extensive network combining physical outlets, call centres, digital platforms and strategic partners
- Providing financial and business support
- Protecting against risks (insurance)

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# Partnering with DFI's to drive the national developmental agenda

## Typical role of a commercial bank

- Support corporate clients to on-board, run and grow their businesses, manage risks
- Support consumers to access financial services, build and grow wealth



## Typical role of a DFI

- Can finance projects with longer tenors and gestation periods
- Focus on financing projects / activities that have a social / development impact

**We partner with local and international DFI's to help solve key development challenges. Below are recent examples in South Africa**

**R450mn**

Khula Credit Guarantee Scheme

**R1.7bn**

AfDB facility for Woman and Youth SMEs in SA

**>R5bn**

Total Funding Limits to SA DFI's e.g IDC, DBSA etc.

**R4.5bn**

IFC facility for affordable housing

**R2bn**

IFC affordable housing mortgage access

**R200mn**

Risk sharing with IDC & GED

**R2.3bn**

raised in ESG social loans since 2021

# Parliament's questions to Absa

**01**

What development credit finance products does Absa offer, including the lending criteria, interest rate ranges, and how these products are marketed?

**02**

What is the proportion of outstanding development finance compared to Absa's total outstanding debtors' book, and what are the purposes of these finances (e.g., study loans, housing)?

**03**

What has been the trend in development credit finance granted over the last ten years?

**04**

How does the availability of credit for productive purchases compare to access to credit for consumption purposes, particularly for historically disadvantaged individuals?

**05**

What is Absa's relationship with development finance institutions such as the Industrial Development Corporation and the National Empowerment Fund to support industrialization and small business development, particularly in rural areas?

**06**

What measures is Absa implementing to contribute to transformation within the economy?

# Key takeaways in support of national development imperatives

## Over 90% of our lending is towards enabling productive economic activity

- » Absa makes a significant contribution to previously disadvantaged communities, empowerment, transformation, and underdeveloped areas.
- » We achieve this by preparing young people for the future of work, advancing financial literacy and inclusion, providing socially impactful products and services, supporting an inclusive and responsible supply chain, minimizing our business and carbon footprint impact, and supporting national development objectives for inclusive growth.
- » Examples of our credit products with developmental purposes include:

### Agriculture

- These loans can be used for purchasing land, equipment, seeds, and other inputs
- **Total drawn exposure is R52bn**

### Small Business

- The lending criteria and interest rates are tailored to meet the needs of small business owners.
- **Total loan book is R10.9bn**

### Affordable Housing

- These loans come with favorable terms and conditions, making it easier for people to own their homes.
- **Total loans amount to R17.8bn**

### Student

- The bank offers flexible terms and competitive interest rates to make education more accessible.
- **Total loans amount to R867m**

### Microfinance

- These small loans help individuals start or grow their businesses.
- **Total microloans amount to R5.5bn**

## We invested over R1.5bn in Corporate & Social Investment between 2019-23

- Between 2019-23, we spent R1.5bn touching over 1.27mn beneficiaries focusing on education, employability and social impact.

## We partner and collaborate with development institutions to solve national challenges

- Our recent examples of impactful collaboration are shown on **pages 6 and 10**

## We provide relief in times of hardship

- » Affordability is crucial to prevent customers from becoming over-indebted. In cases of hardship, banks have a duty to recover money lent to make good our depositors. Absa is committed to acting responsibly in response to hardship.
- » For example, during the COVID pandemic, Absa announced a comprehensive support plan for consumers, offering significant payment deferrals and the most extensive relief support package extended by a South African bank. The total relief provided was **more than R60bn across our Consumer, Business and Corporate clients.**

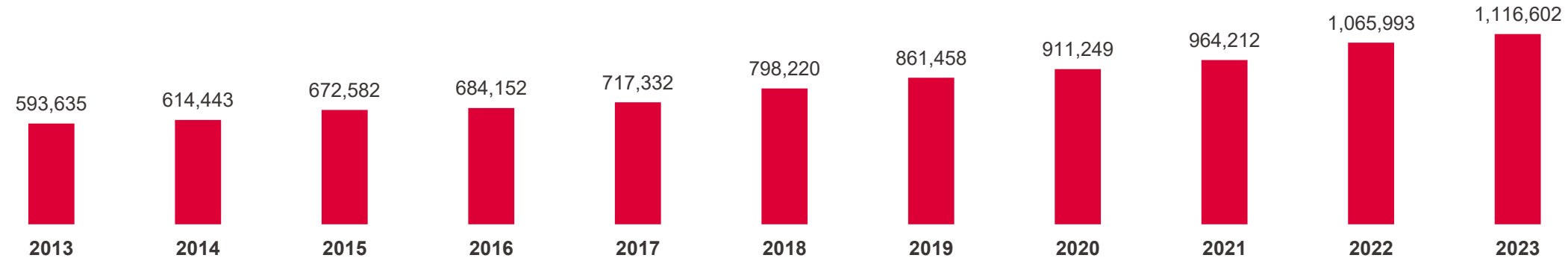


# Key takeaways in support of financing productive economic activities

In the last 10 years, Loans to Customers have grown by a compounded annual rate of 6.5%, higher than the average GDP growth rate of 0.8%

» Our gross loans and advances in our unsecured lending book – comprising Card, Personal Loans and Transaction & Deposits – is R89bn, representing c. 7% of the total Absa Group Loans and advances

Absa Gross Loans and Advances, 2013-2023 trend R'mn

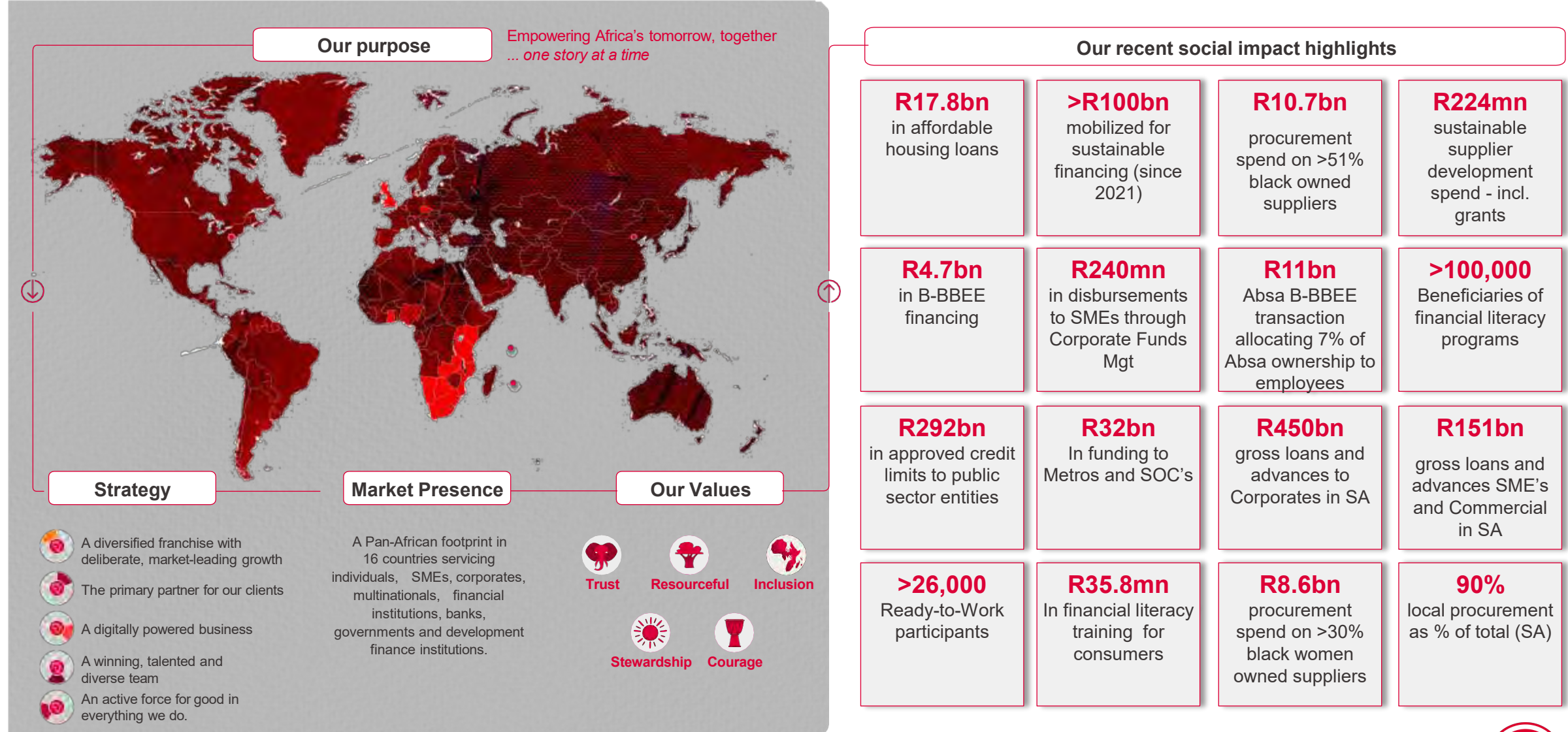


## Distinguishing between productive and consumptive activities

- » Our views on the productive and consumptive activities in our lending book must be viewed considering Absa is not a development bank
- » Looking at the shape and nature of our lending portfolio – c. R521bn is in SA retail – of which R432bn is asset-based / secured lending
- » Asset-backed / secured lending is viewed as developmental as we support customers purchase homes or vehicles
- » Loans offered to businesses (i.e. term loans, working capital, trade loans etc.) are developmental as these enable those firms to grow

2023 Absa Loans split	R'bn	%
Corporate and Africa	800	61%
Retail SA	521	39%
Unsecured	89	7%
Secured	432	33%

# Driven by our purpose, we aspire to be an active force for good in everything that we do



# Closing Remarks

- » Driven by our purpose of “*Empowering Africa’s tomorrow... one story at a time*” – we have a deep commitment to use our position as a conduit for capital – to channel resources in a manner that drives inclusive economic growth
- » As a trusted, systematically relevant global financial institution, we appreciate the role we play in advancing South Africa’s socio-economic development
- » Absa has a long and historic relationship with development finance institutions – and partner alongside them to effect transformational and higher levels of economic growth
- » Absa continues to play a role in supporting national development imperatives e.g. our support of national utility in stabilizing electricity supply and our support of the logistics challenges
- » We appreciate and welcome the opportunity to continue engagements

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