

# Business models for a brave new world

11 October 2012



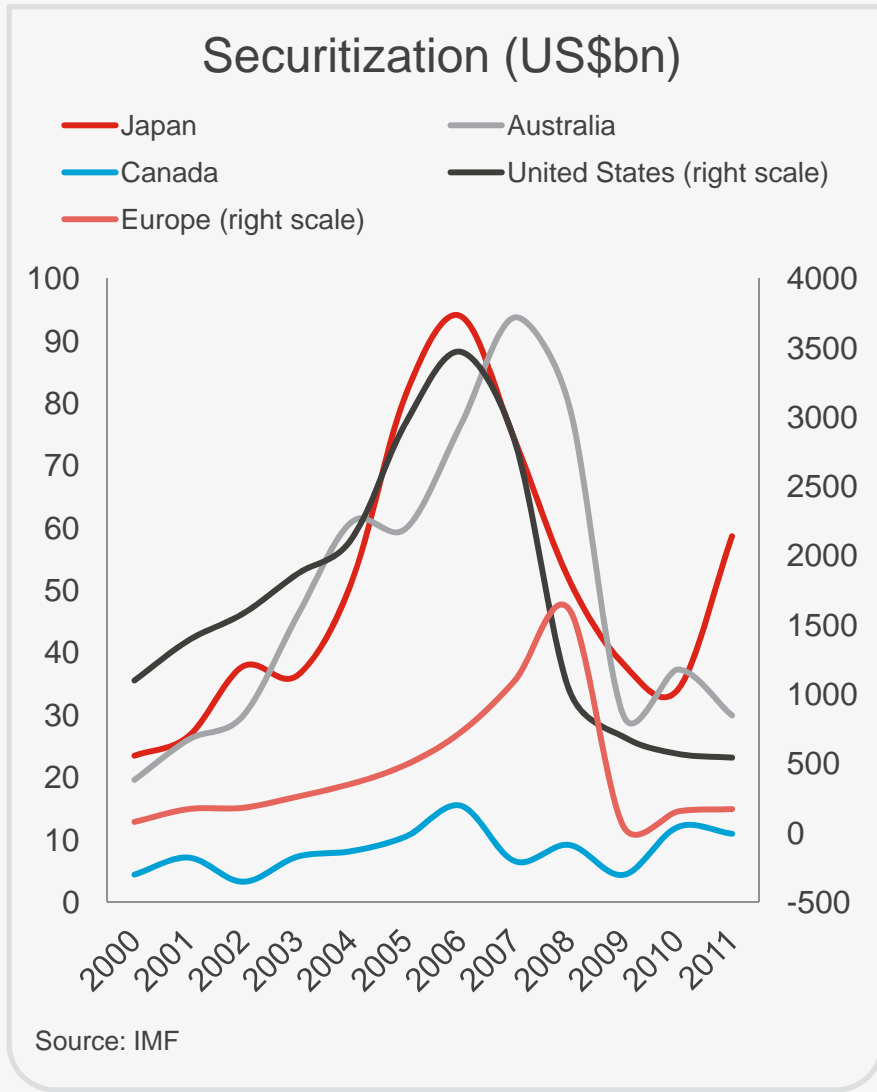
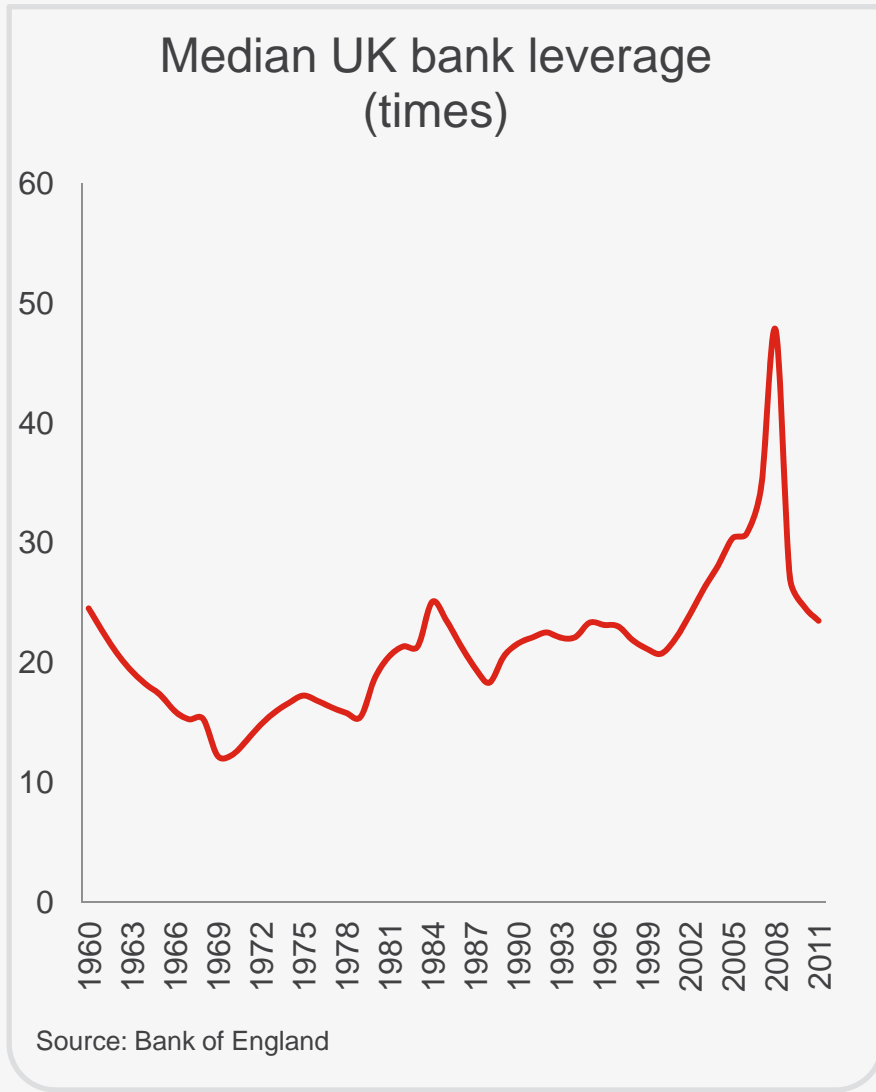


# David Hodnett

Group Financial Director

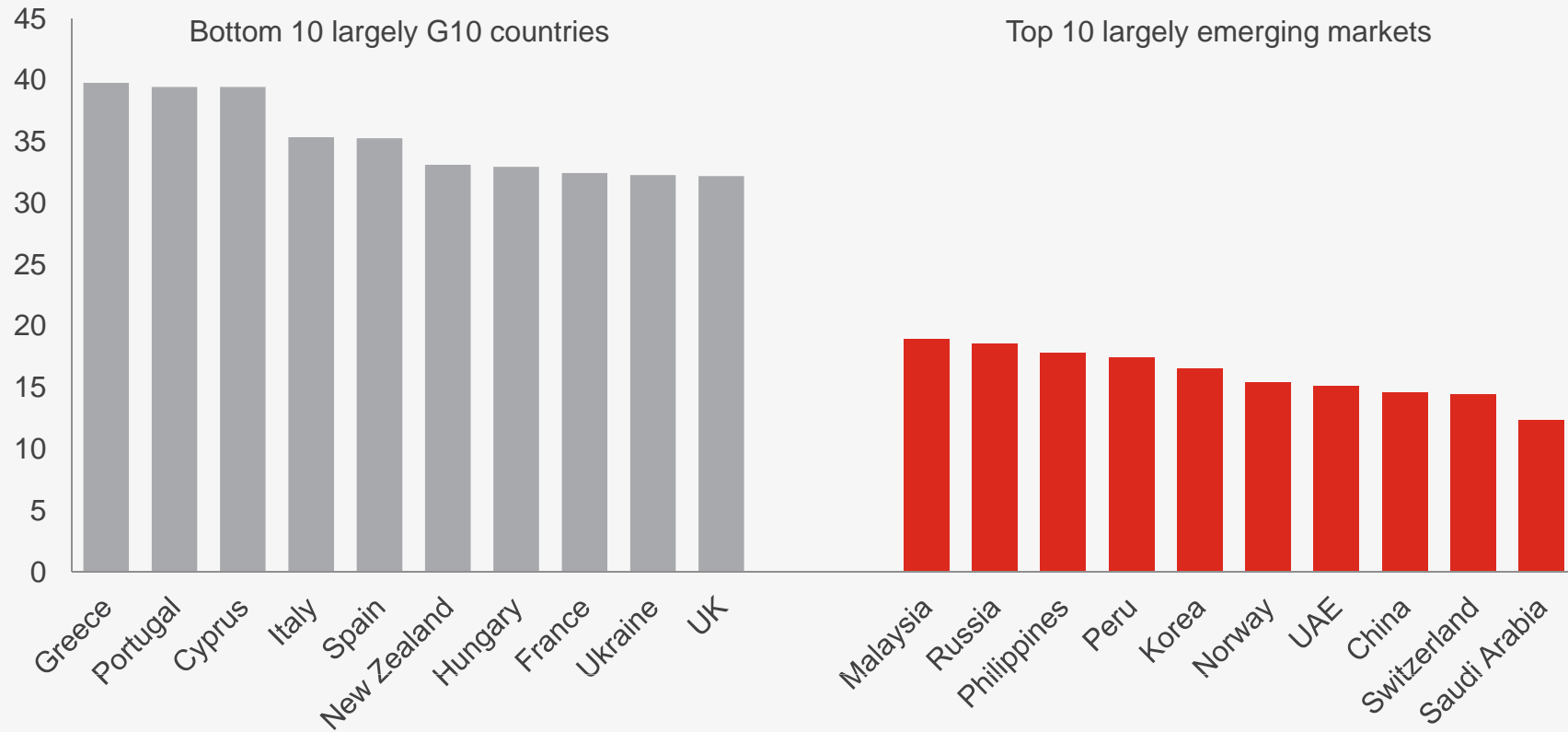


# Return to the old world



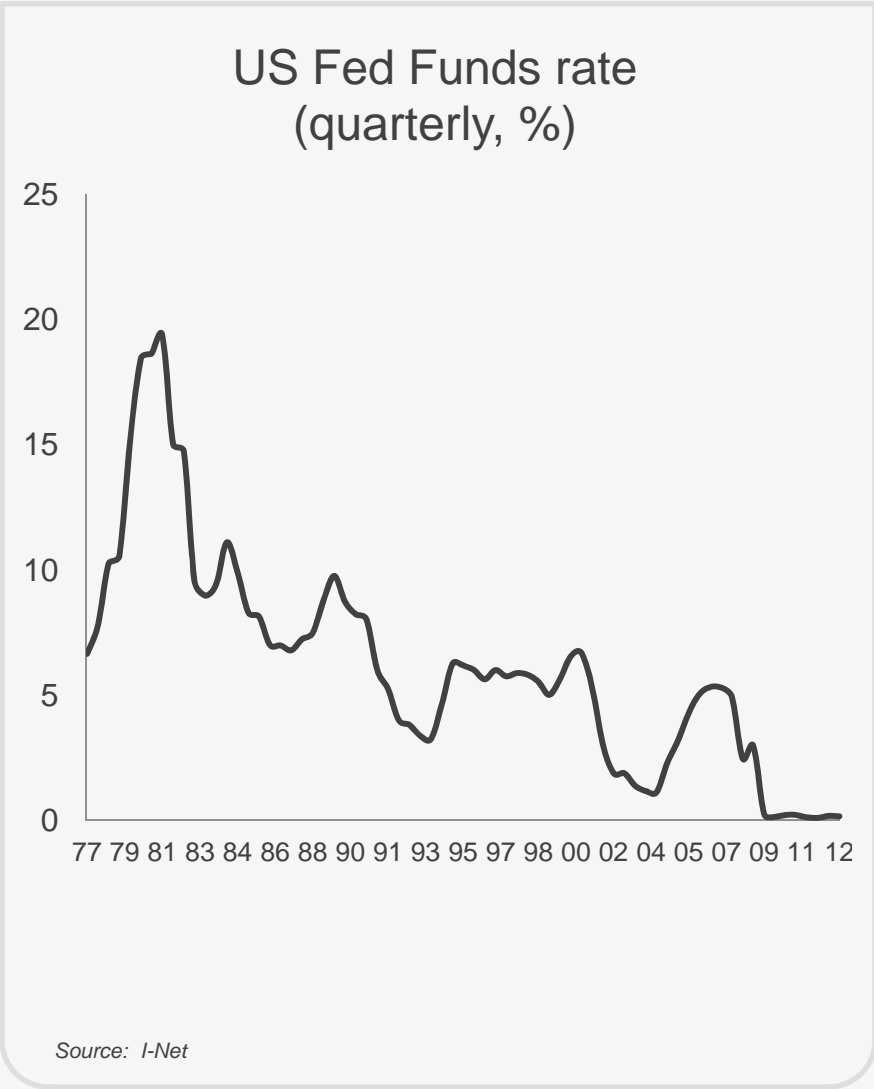
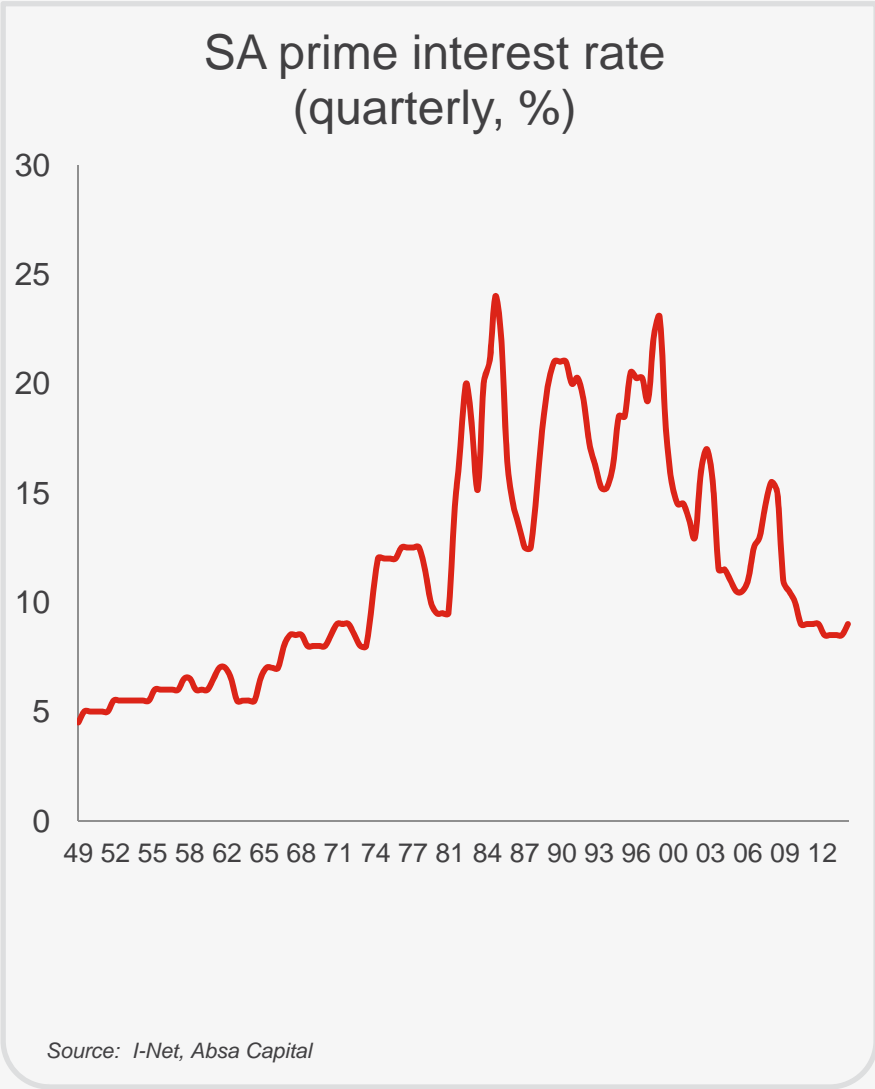
# Emerging market macros more resilient than G-10

BofA Merrill Lynch macro 'resilience index' (lower score is better)



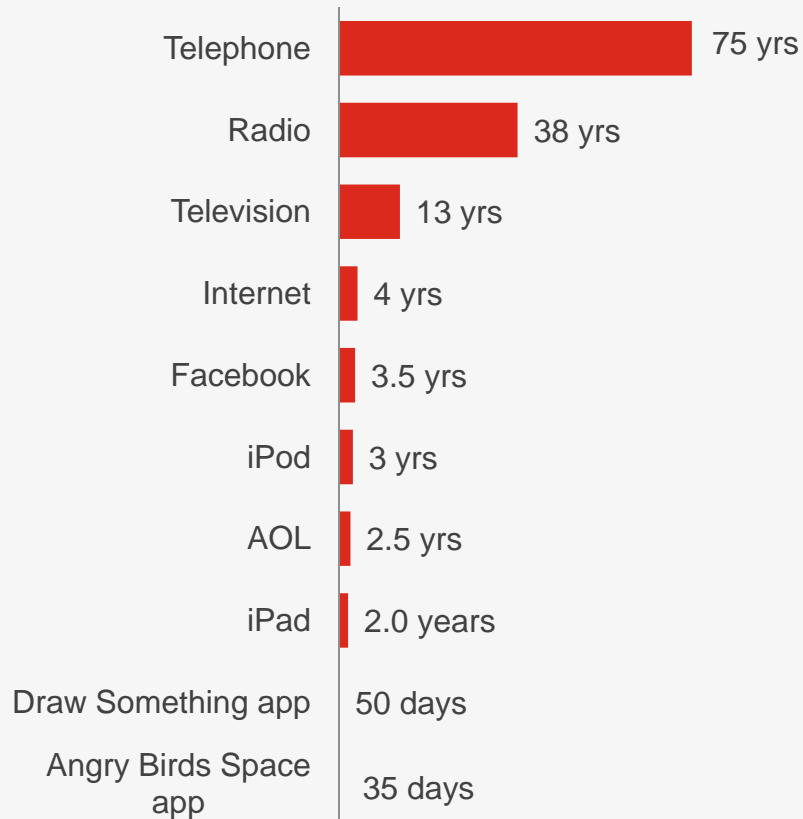
Source: BofA Merrill Lynch

# A protracted recovery – rates low for longer



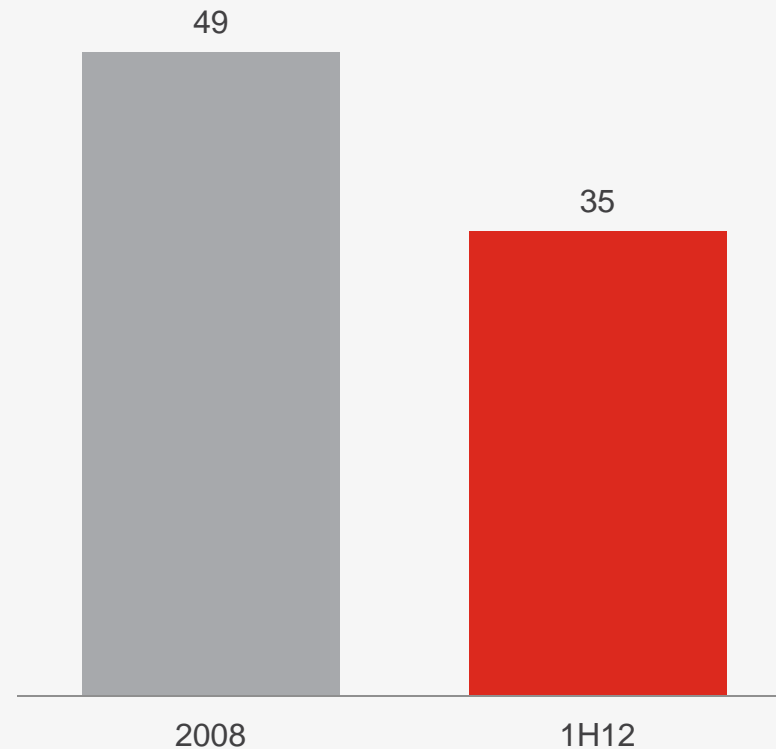
# Technology – rapid adoption, changing customer behaviour

## Time to reach 50 million users



Source: UN

## Absa traditional retail transactions / total (%)



# Increased regulation – best know your ABC's

Solvency Assessment and Management      Know your client      Securities Services Act

National Payment System Act      **Financial Intelligence Centre Act**

**Consumer Protection Act**      Collective Investment Schemes Control Act

Short-term Insurance Act      Code for Responsible Investing in SA

**Twin peaks regulation**      **Basel 2.5 and 3**      National Credit Act

Financial Advisory and Intermediary Services Act      Dodd Frank

National Gambling Act      **Treating customers fairly**      **Companies Act**

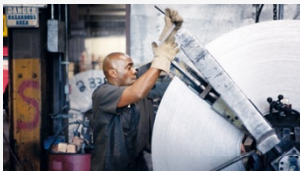
Anti-bribery and Corruption

**Sarbanes Oxley**      Foreign Account Tax Compliance Act

Home Loan and Mortgage Disclosure Act      Pension Fund Act

# Who wins in this 'new world'

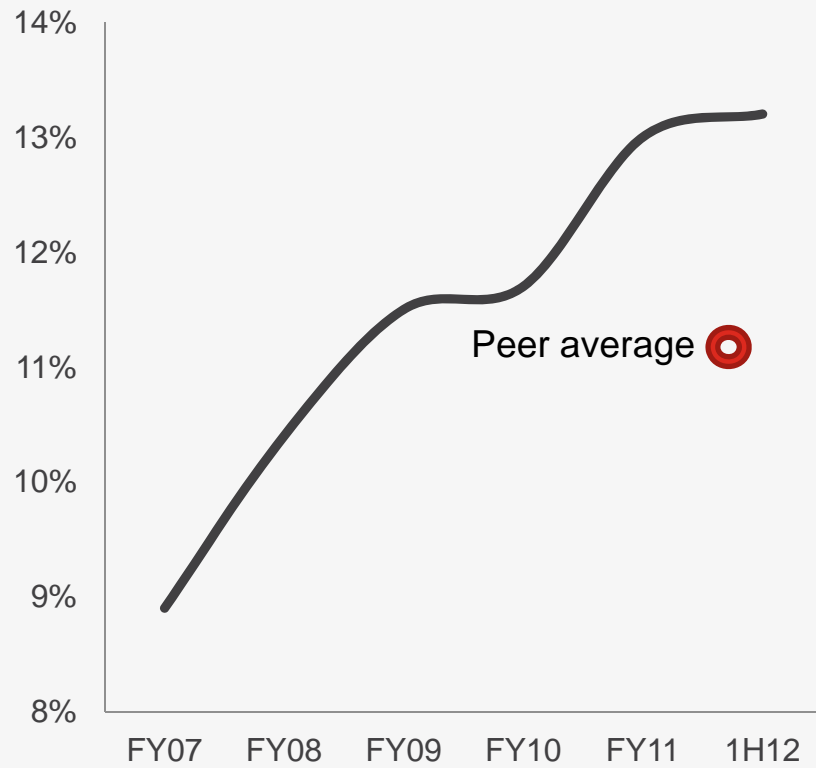
- A universal bank that is fully global and fully local
- A well-capitalised and diversified business
- A bank that places customers at its core
- A distribution network of scale and reach
- A synergistic and cost effective business model





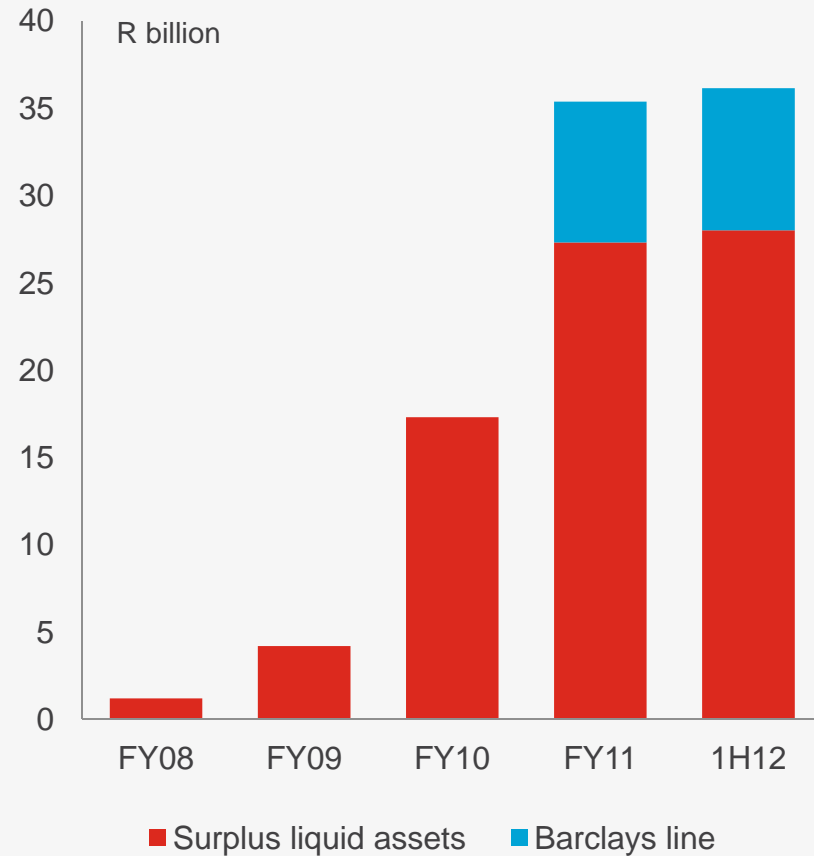
# Maintain a strong balance sheet

## Improving core tier 1 ratio...



Source: Company reports

## ... and liquidity



# Becoming the 'go-to' Bank

## Our Goal...

The 'go-to' bank in our chosen markets

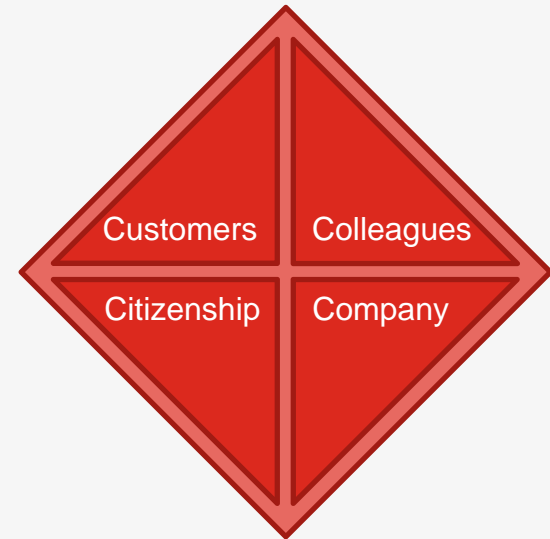
## Our Vision...



## The Plan...

- Deepen relationships with customers
- Restore top line growth
- Drive efficiencies, scale and optimise presence
- Embed business fundamentals

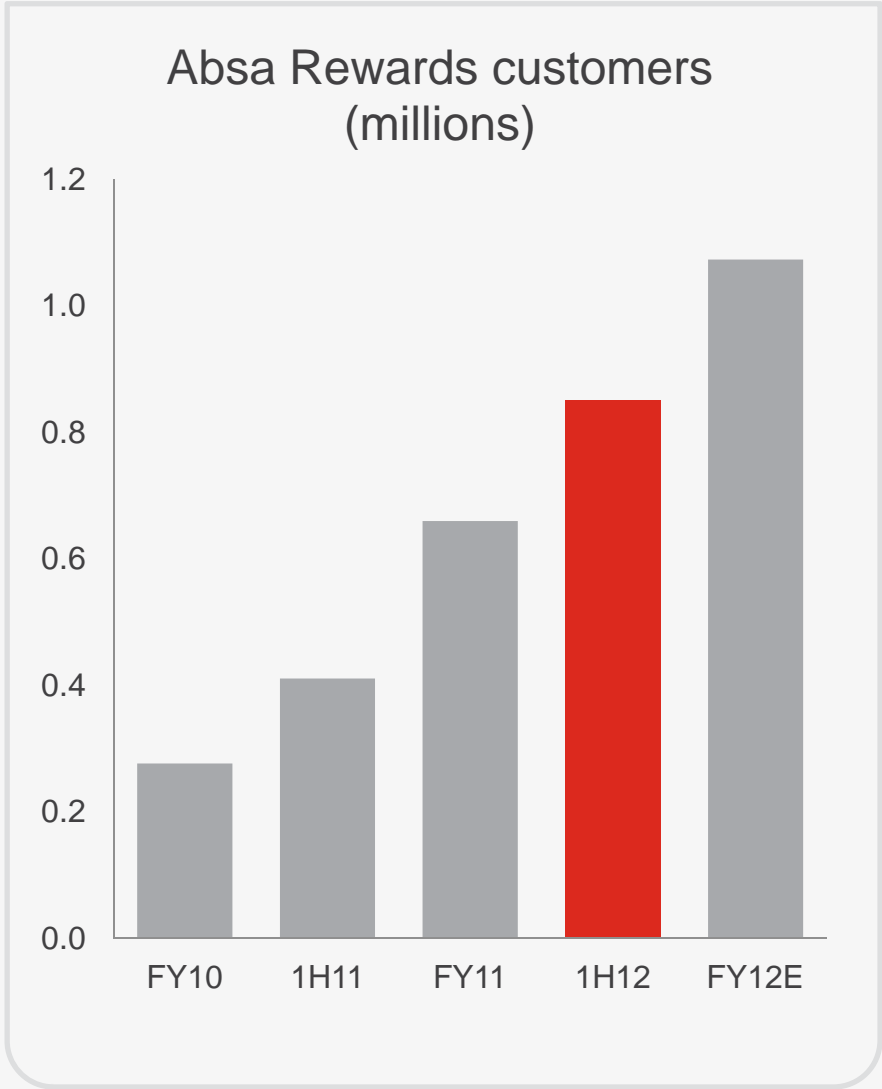
## ...The Lens



# Focus on customers

Ask Afrika Orange Index (Service)					
	2008	2009	2010	2011	2012
1	Peer A	Peer B	Peer B	Peer D	Absa
2	Absa	Absa	Absa	Absa	Peer C
3	Peer B	Peer C	Peer A	Peer C	Peer D
4	Peer C	Peer A	Peer C	Peer B	Peer B
5			Peer A	Peer A	

Source: Ask Afrika Orange Index



# Benefits of a 'connected group'

## More Apps on the App Store

A new game or a new recipe. Something to help you stay on top of world affairs or something to help you stay on top of your finances. For all the incredible things your iPhone already does, there are thousands more, waiting for you at the App Store. [Visit the App Store](#)



### Business

iPhone is ready for work. Manage projects, track stocks, monitor finances and more with these 9-5 apps.

[View business apps in the App Store](#)



### Education

Keep up with your studies using intelligent education apps like King of Math, Grades 2 and Stack the States.

[View education apps in the App Store](#)



### Entertainment

Sit back and enjoy the show. Or find countless other ways to entertain yourself. These apps offer hours of viewing pleasure.

[View entertainment apps in the App Store](#)



### Family & Kids

Turn every night into family night with interactive apps that are fun for the whole house.

[View family and kids apps in the App Store](#)



### Finance

Create budgets, pay bills and more with financial apps that take everything into account.

[View finance apps in the App Store](#)



### Food & Drink

Hungry? Thirsty? A little of both? Learn new recipes, drinks, and the secrets behind what makes a great meal.

[View food and drink apps in the App Store](#)



### Games

The world's best phone is also the world's best portable gaming device. From first-person shooters to strategy, iPhone knows how to have a good time.

[View games in the App Store](#)

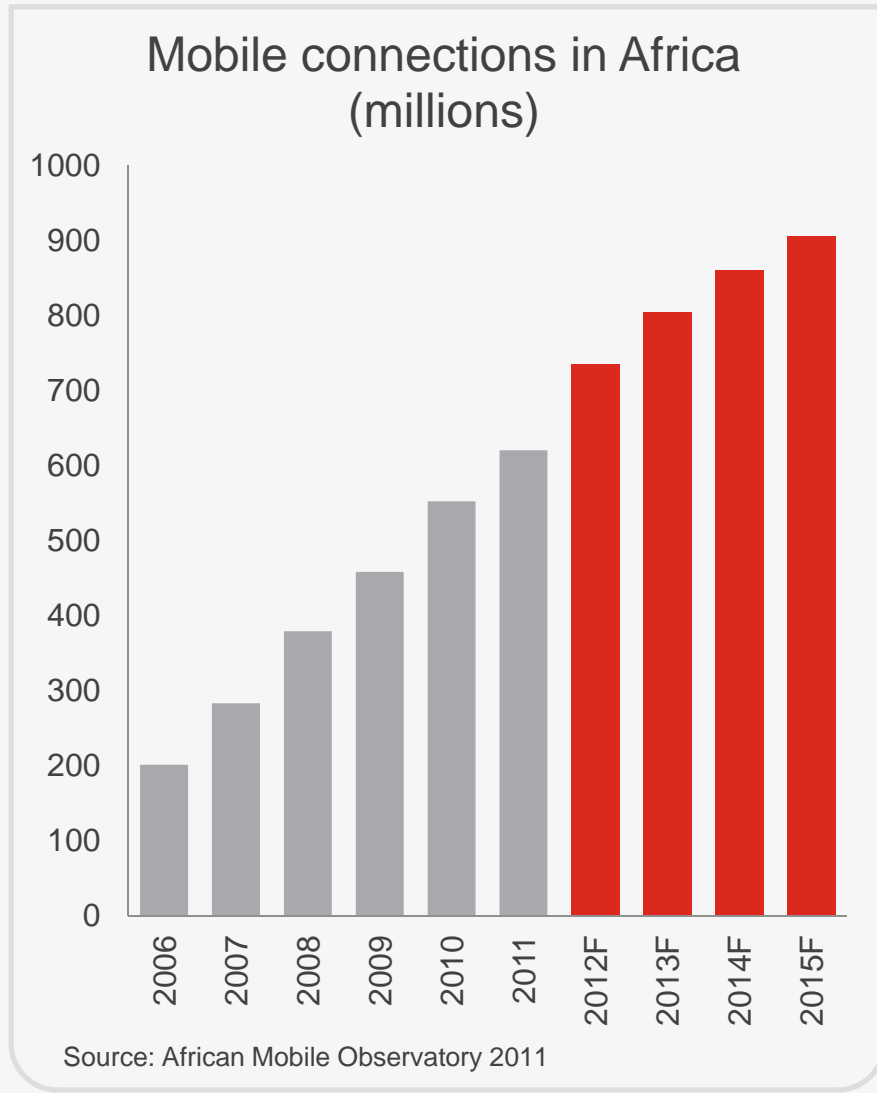
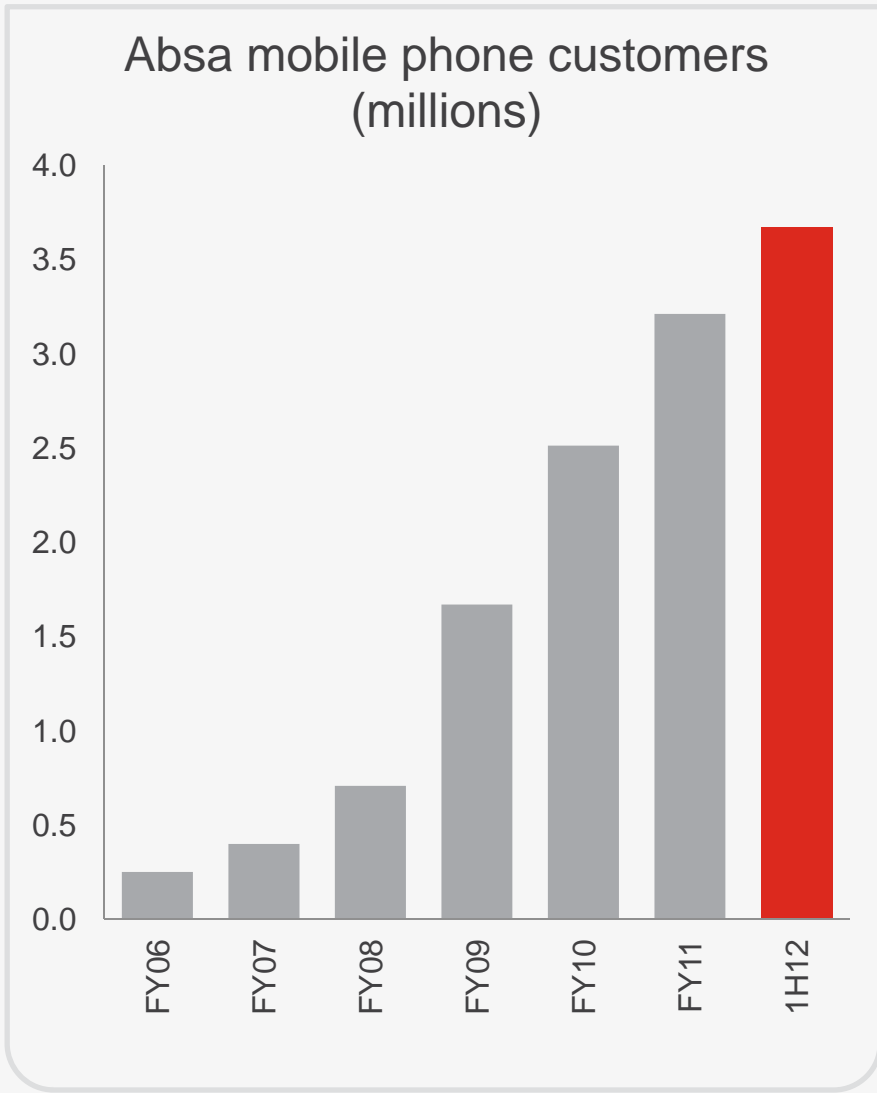


### Health & Fitness

When you need a little motivation, let apps like Nike+ FuelBand, Couch-to-5K and more help you drop kilos and tone muscles.

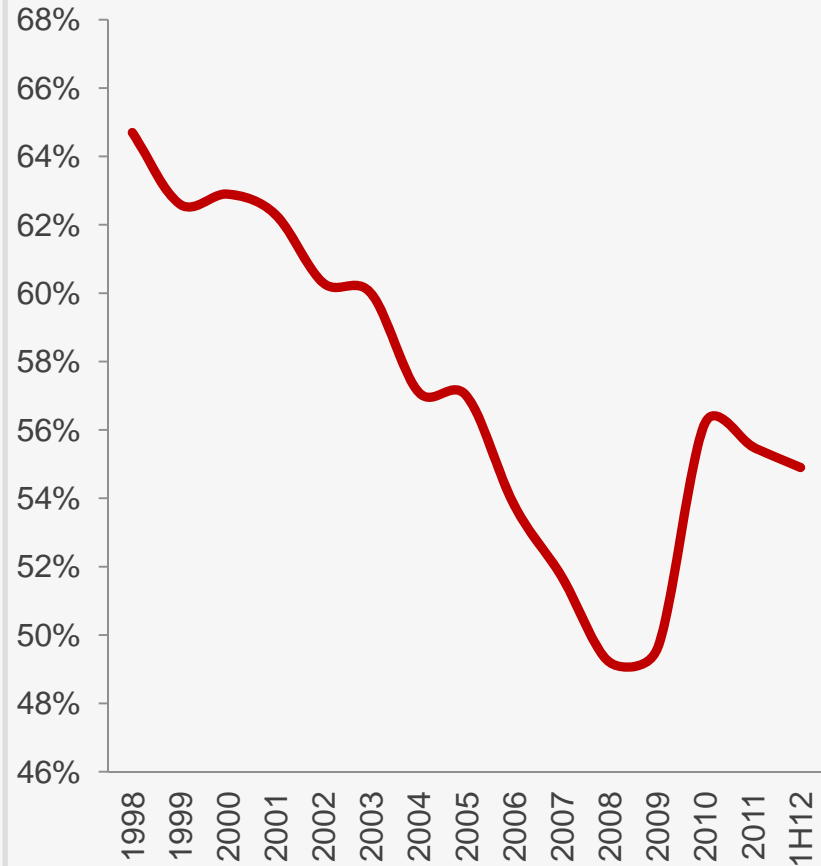
[View health and fitness apps in the App Store](#)

# Substantial growth in mobile banking



# Improving efficiency is critical

### Cost to income ratio improving

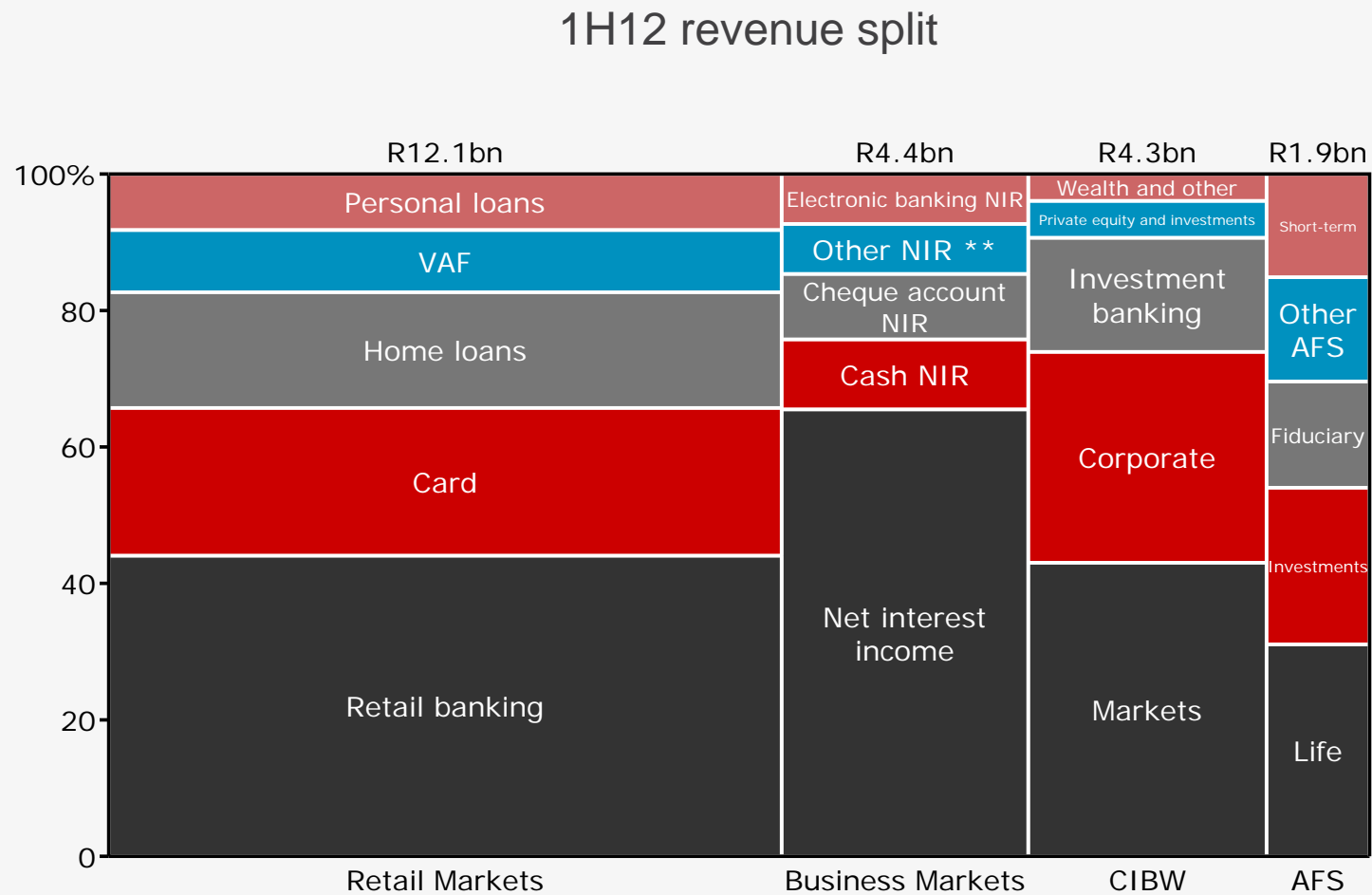


### 1HCY12 JAWS

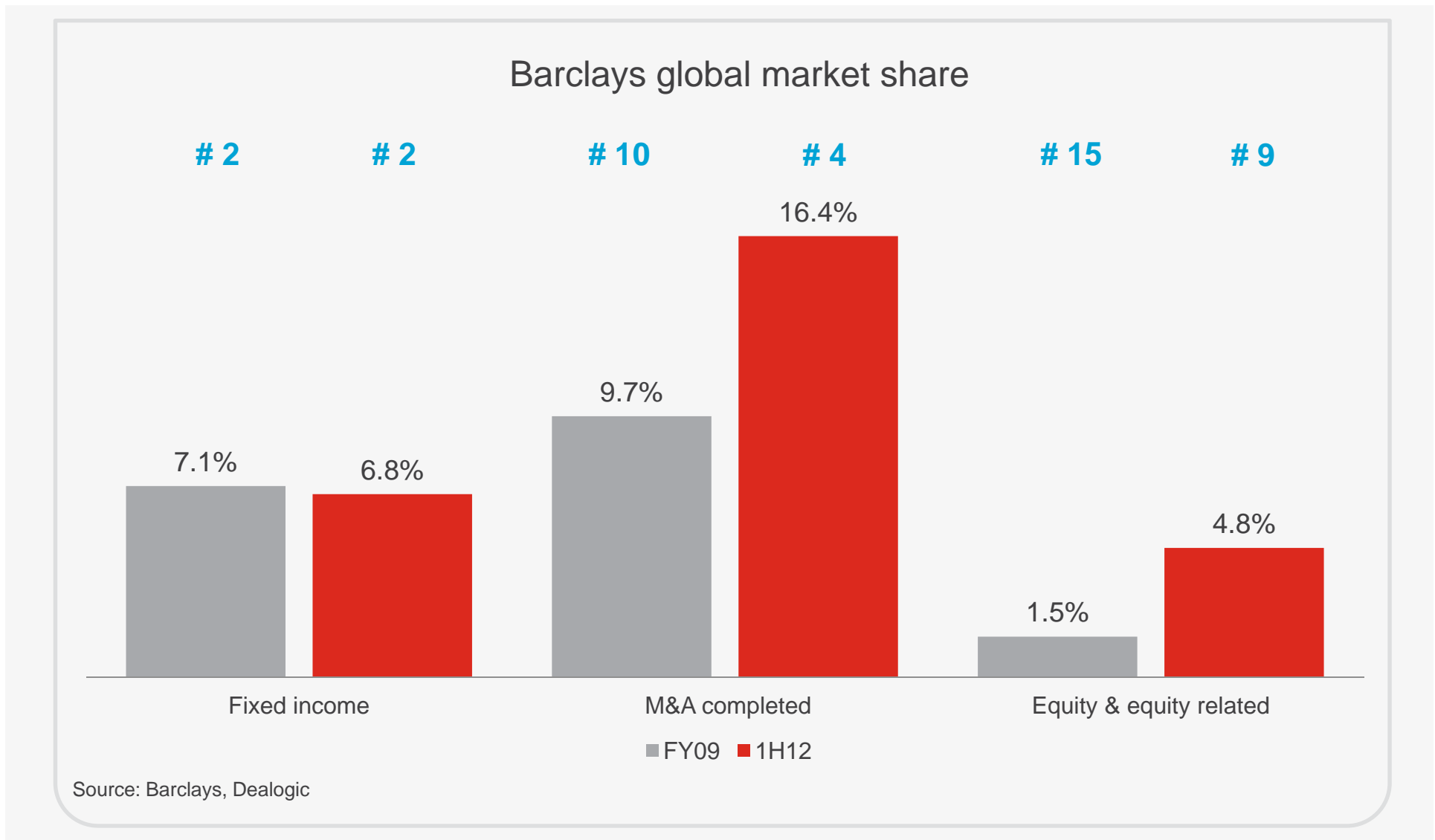


Source: Company reports

# Diversified revenue streams



# Part of a powerful global investment bank



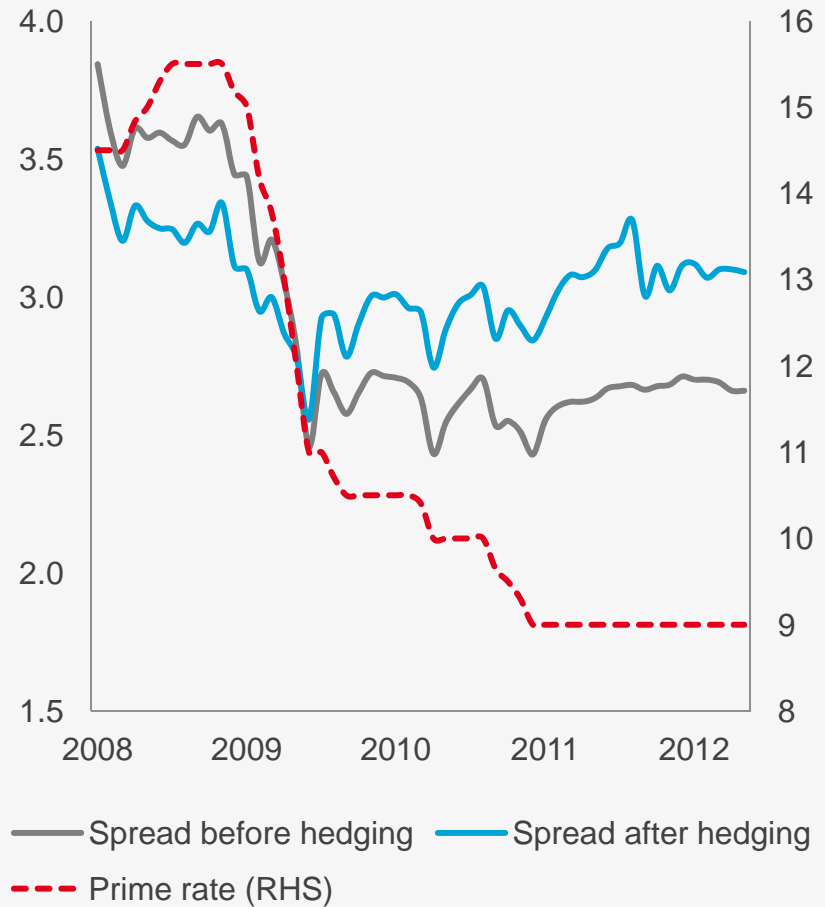


# Reducing medium-term earnings volatility

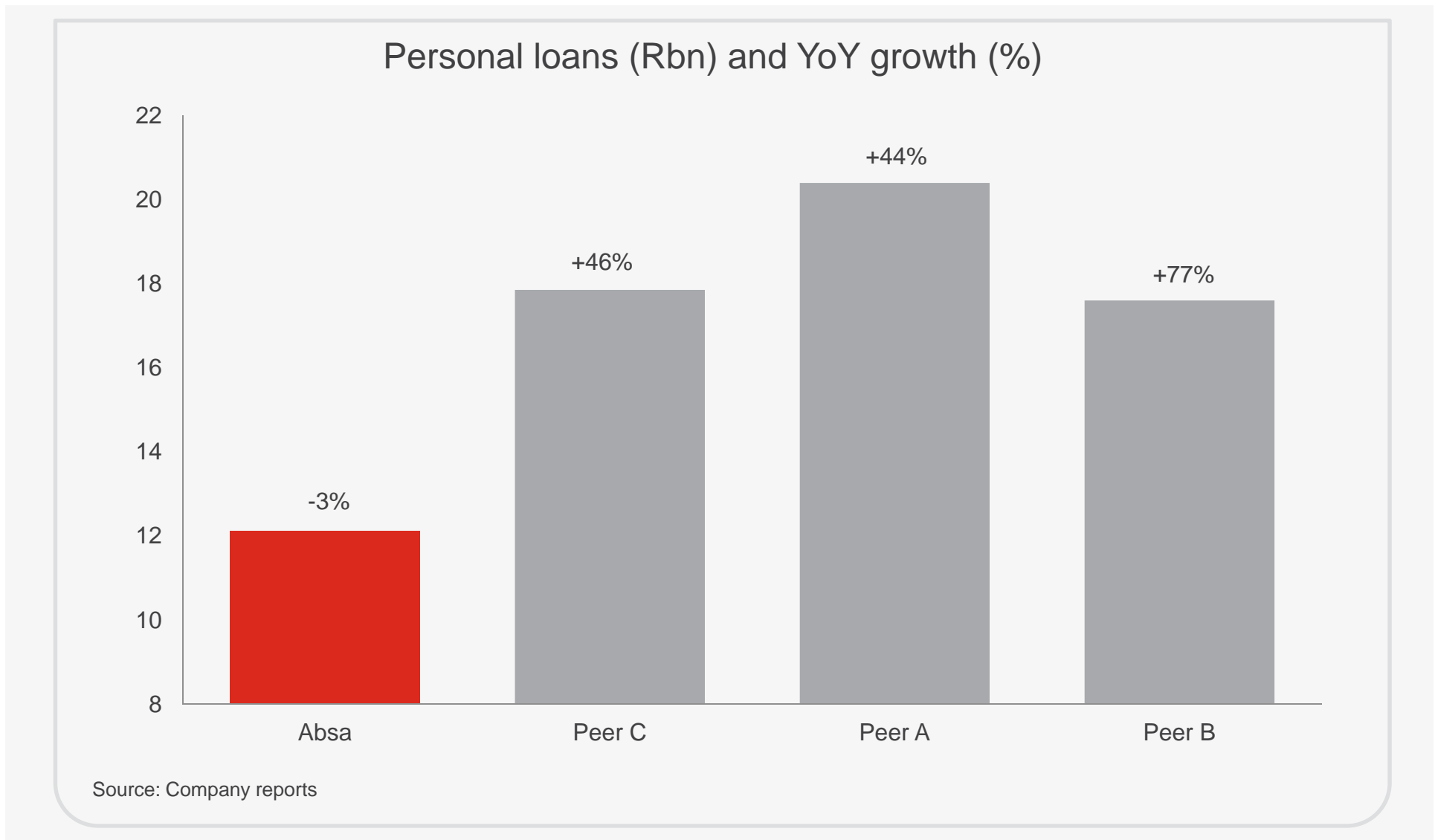
Financial Services earnings composition (%)



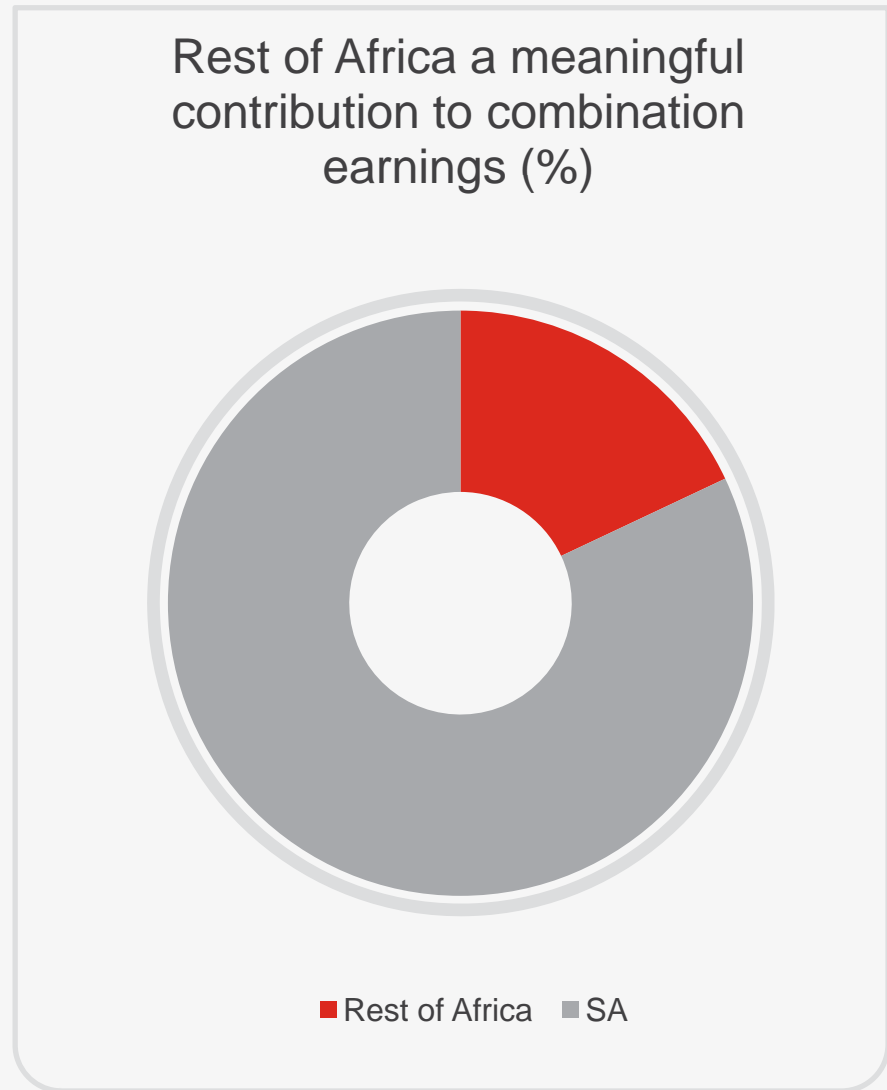
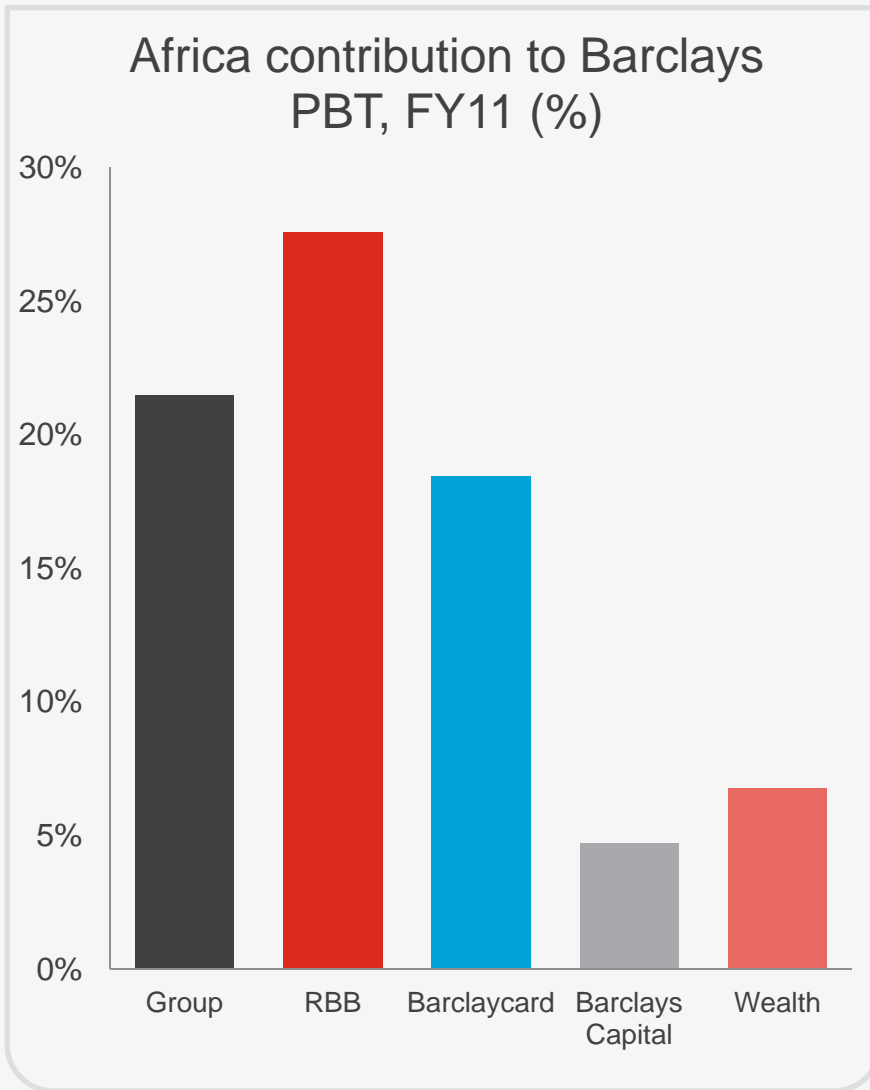
Stable net interest margin (%)



# Selective loan growth



# Africa combination – a significant opportunity



# Capturing corporate flows in Africa

## MNCs have specific needs for offshore operations

- Large presence in Africa and depth of in-country distribution network
- Simplify and standardize service
- Streamline bank's offering
  - Shared service centres
  - Ease of reconciliation
  - Automated services
  - Minimise costs
  - Reduce risk
  - Optimise liquidity
  - Full integration at a parent level across global subsidiaries

## Globally, we provide a broad spectrum of solutions

Liquidity	Cash management	Trade & working capital	Risk solutions	Servicing	Lending
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Delivered through a global MNC coverage model across the network



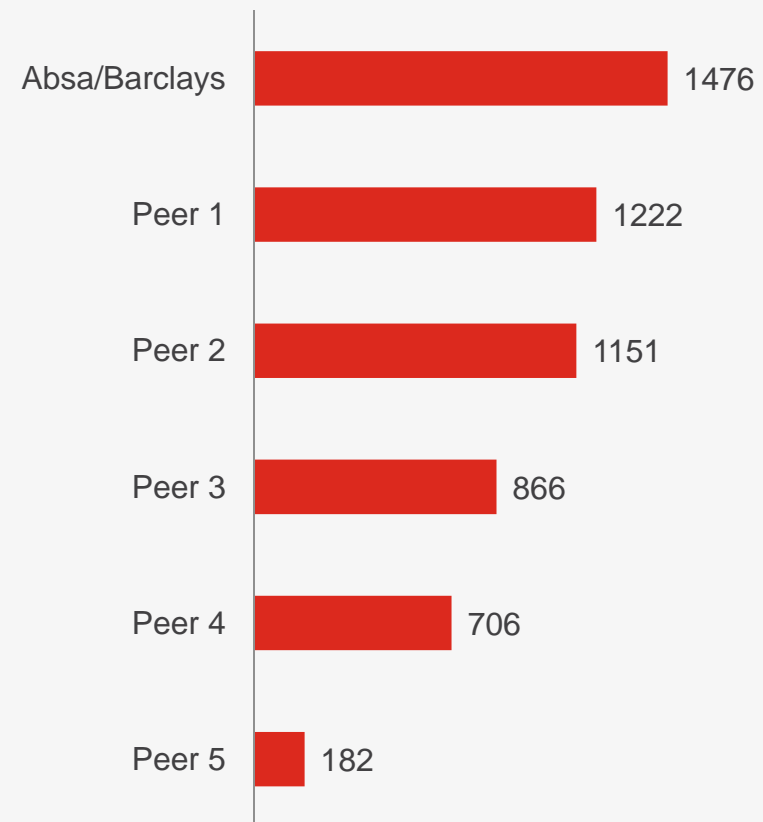
Africa is in the build out phase to become the 'go-to' MNC bank

- Fully embed the global MNC coverage model
- Broaden product tool box
- Develop infrastructure

# Strong local presence

- 1,476 branches
- 10,837 ATMs
- Revenue of GBP4,6bn (2011)
- Top 3 by revenue in 9 countries
- Average presence of 83 years

### Number of branches in Africa



Source: Company reports

## In summary

- New world challenging
- Well positioned to become the 'go-to' bank
- Execution, execution, execution

