



Absa Group Limited

Fixed Income Investor Deal Roadshow

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**Group
Performance
update**

(1)

Normalised performance in line with guidance

Rm	1H17	1H18	Change (%)	Normalisation adjustments
Net interest income	20 791	21 188	2	175
Non-interest income	15 294	15 854	4	413
Total income	36 085	37 042	3	588
Impairment losses	3 773	3 431	(9)	-
Operating expenses	20 038	20 834	4	(1 364)
Other ¹	(716)	(832)	16	(76)
Taxation	3 204	3 322	4	133
Non-controlling interest	541	651	20	-
Headline earnings	7 802	8 043	3	(719)
CET1	12.1	12.2	1	1.1

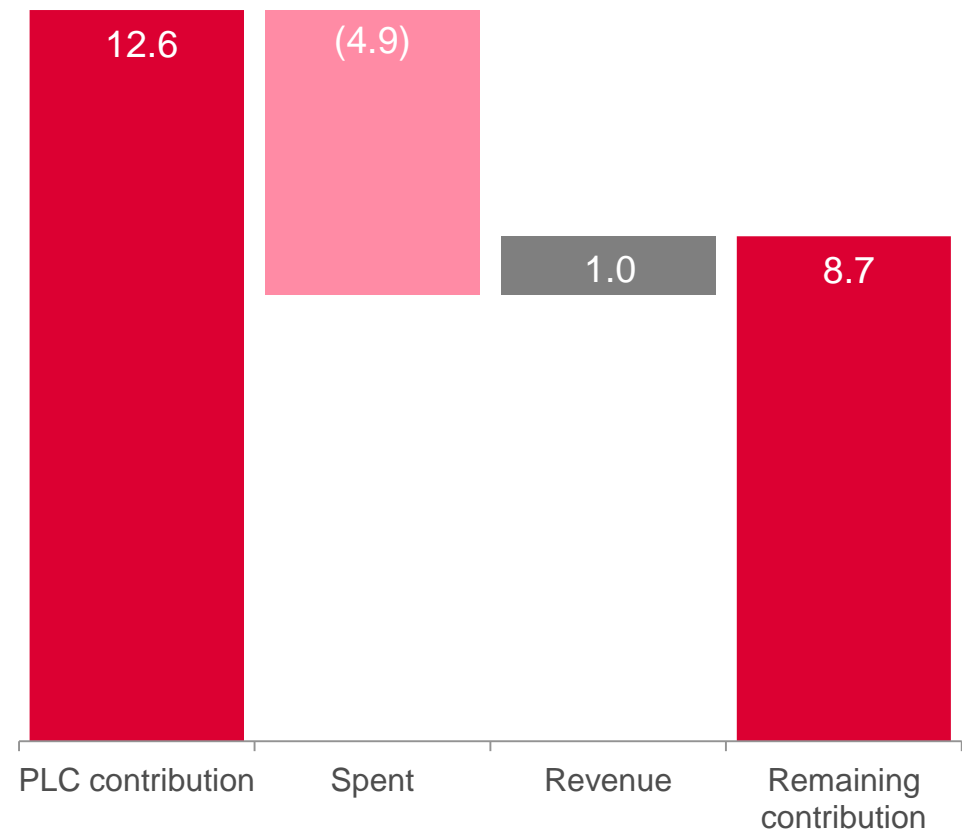
Note: 1. includes other impairments, indirect tax and associates' and JVs share of post tax results

Source: Absa Group Limited 2018 Interim Results

Separation journey on track

- Sufficient financial and people resources
- Execution is well underway
- Robust governance and assurance in place
- Proactive and effective risk management

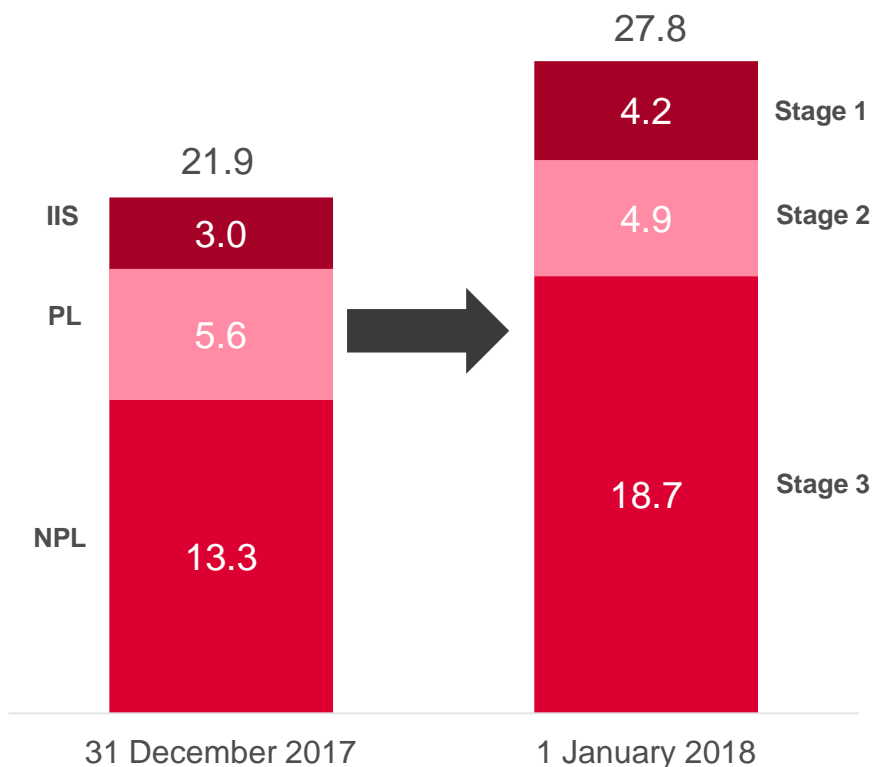
Separation spend and remaining contribution (Rbn)



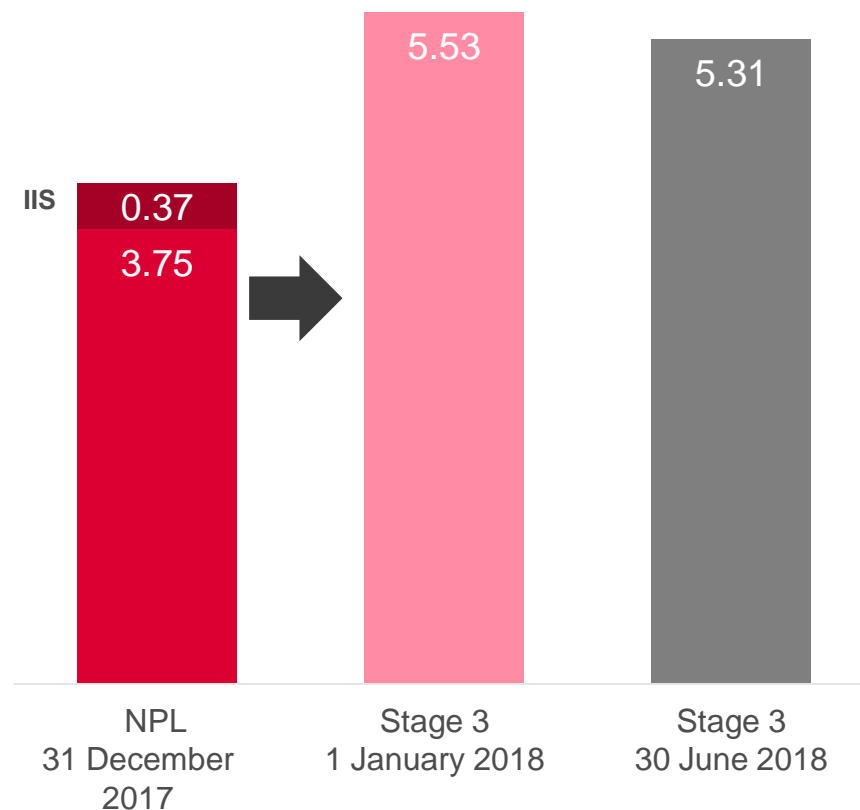
Source: Absa Group Limited 2018 Interim Results

IFRS9 impacted credit impairment

Change from IAS39 provision to IFRS9 expected credit loss (Rbn)



Change from IAS39 NPL to IFRS9 stage 3 ratio (%)



Note: NPL is non-performing loan provisions, PL is performing loan provisions and IIS is interest in suspense

IFRS9 leads to larger provision cover against performing loans

Coverage Ratio (%)



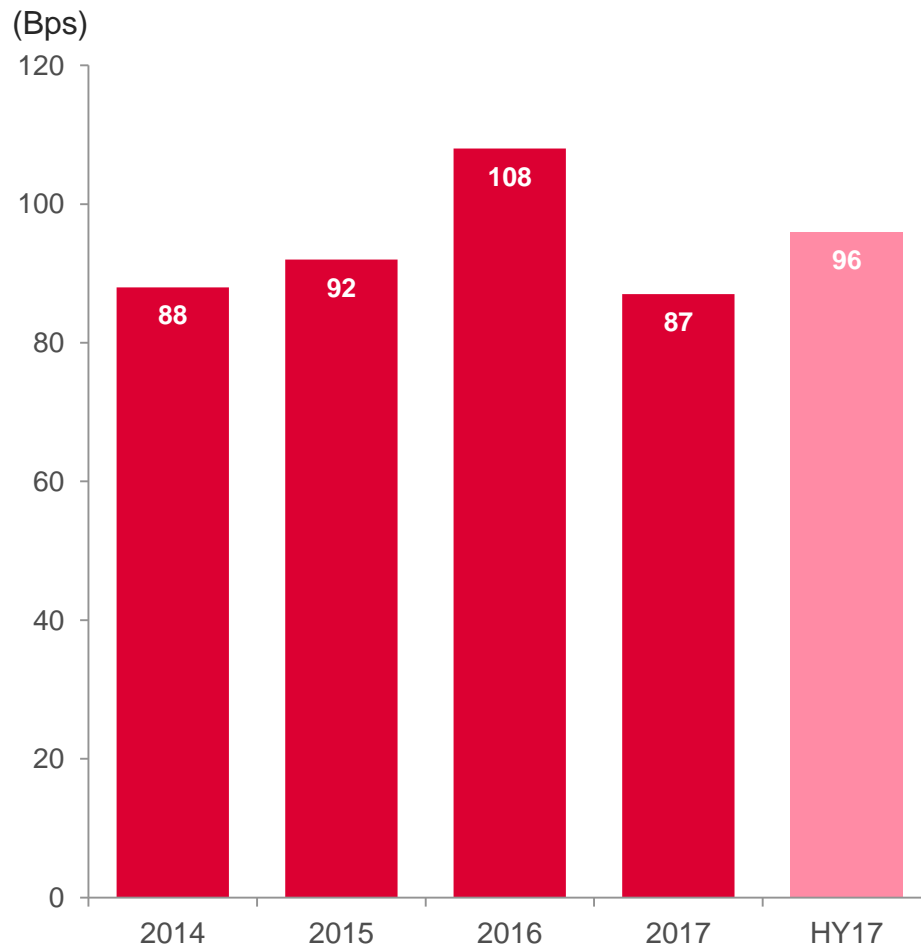
Note: 1. Significant increase in credit risk (SICR)

2. Defined as the time lapse between the occurrence of a trigger event and the impairment being identified at an individual account level

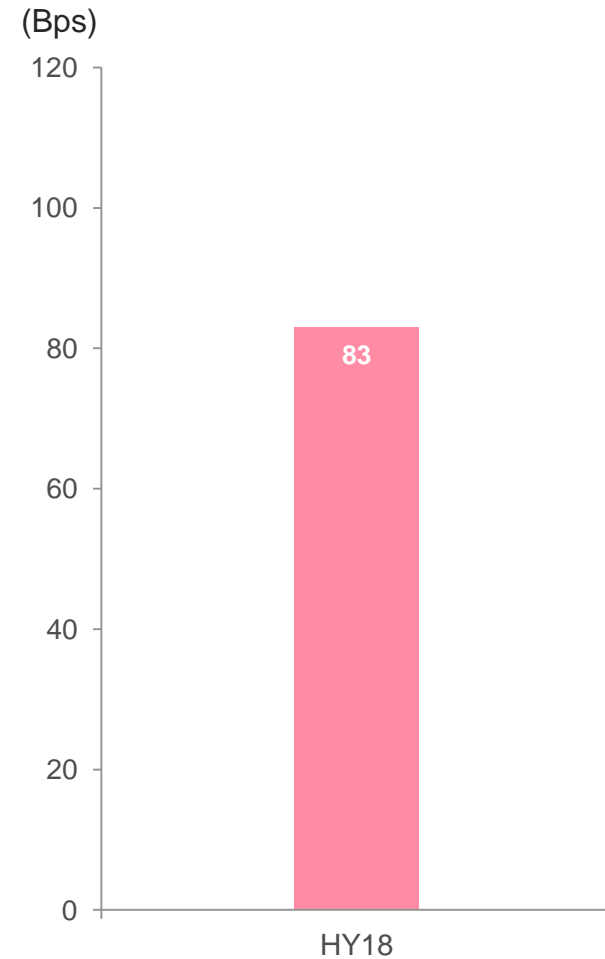
Source: Absa Group Limited 2018 Interim Results

Credit Loss Ratio remained at the bottom end of recent past experience

IAS39 Credit Loss Ratio (Bps)

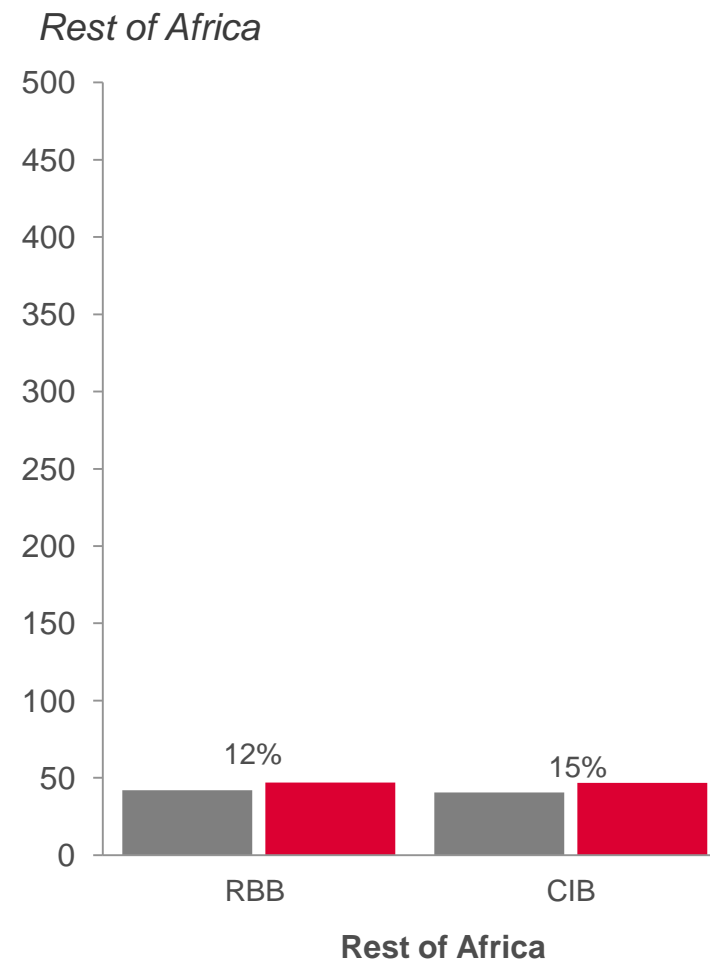
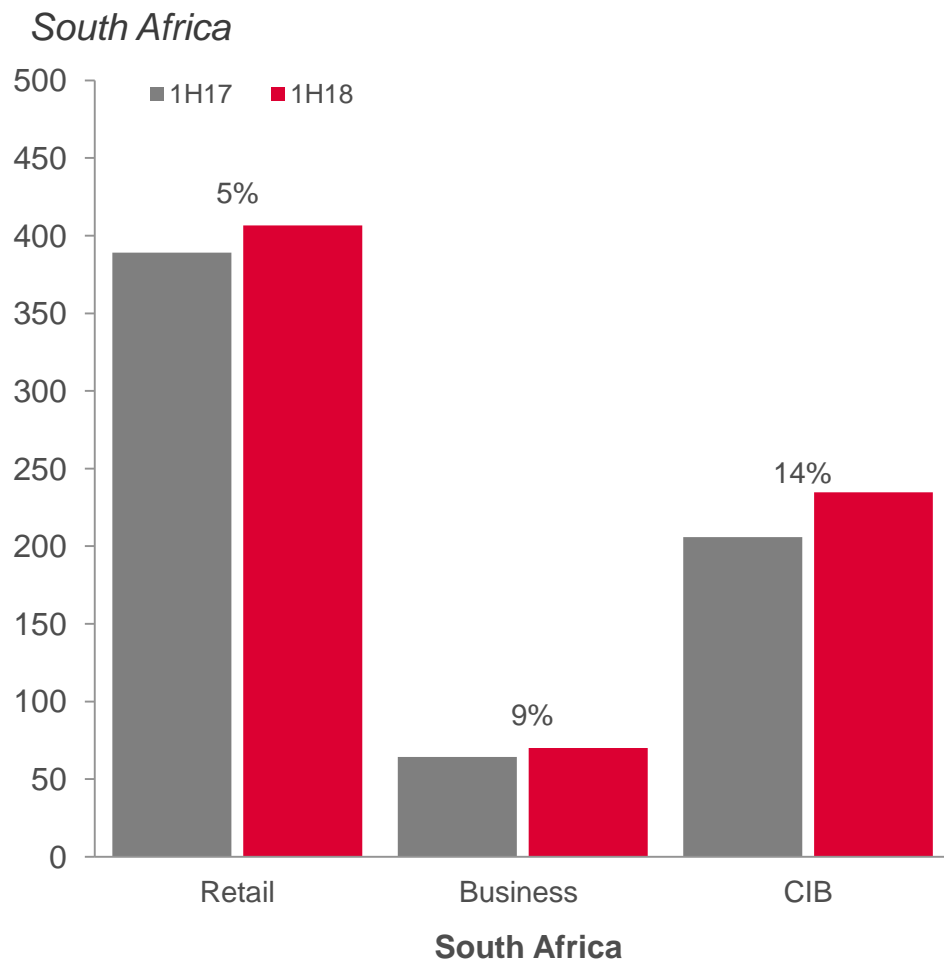


IFRS9 Credit Loss Ratio (Bps)



Group loan growth improving

Gross customer loans (Rbn)



Source: Absa Group Limited 2018 Interim Results

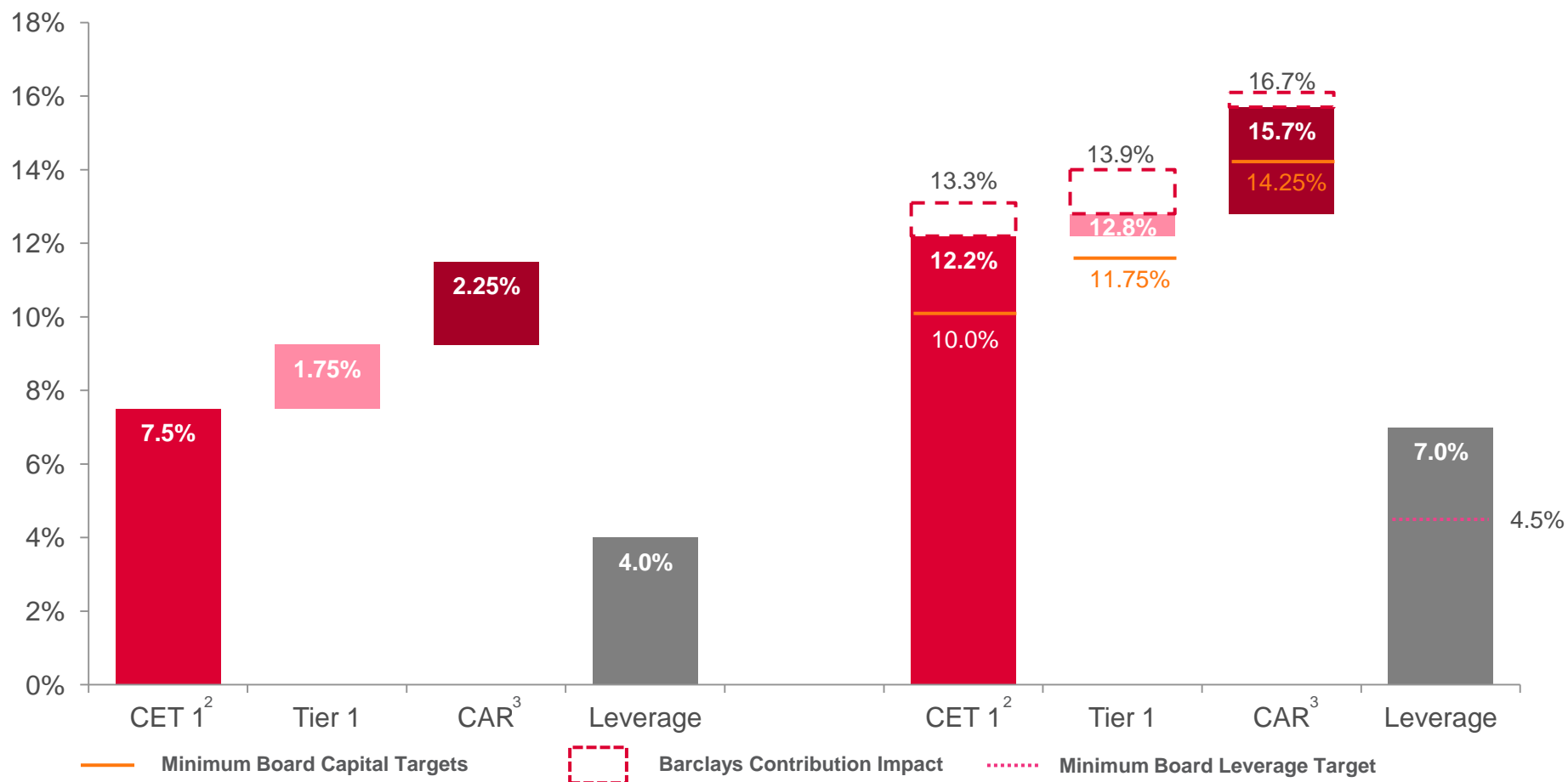
Capital Position and IFRS9 Impact

(2)

Well capitalised in excess of regulatory minimum requirements⁴

SARB Capital Requirements¹ (2019 Fully-Loaded)

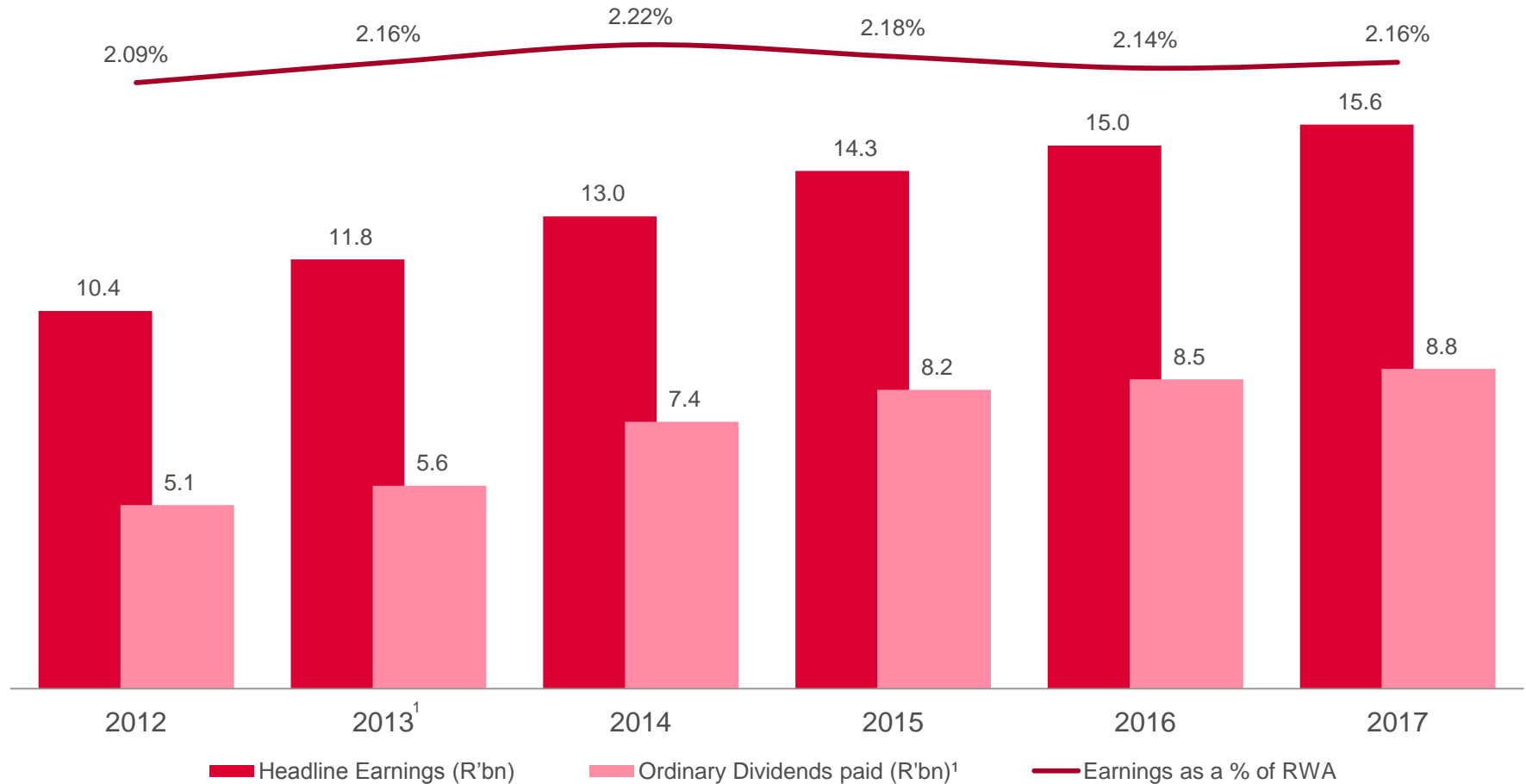
Absa Group June 2018 Capital Levels



Note: 1. Excludes Pillar 2B and D-SIB;
 2. Common equity Tier 1
 3. Capital adequacy requirement

Source: Absa Group Limited 2018 Interim Results

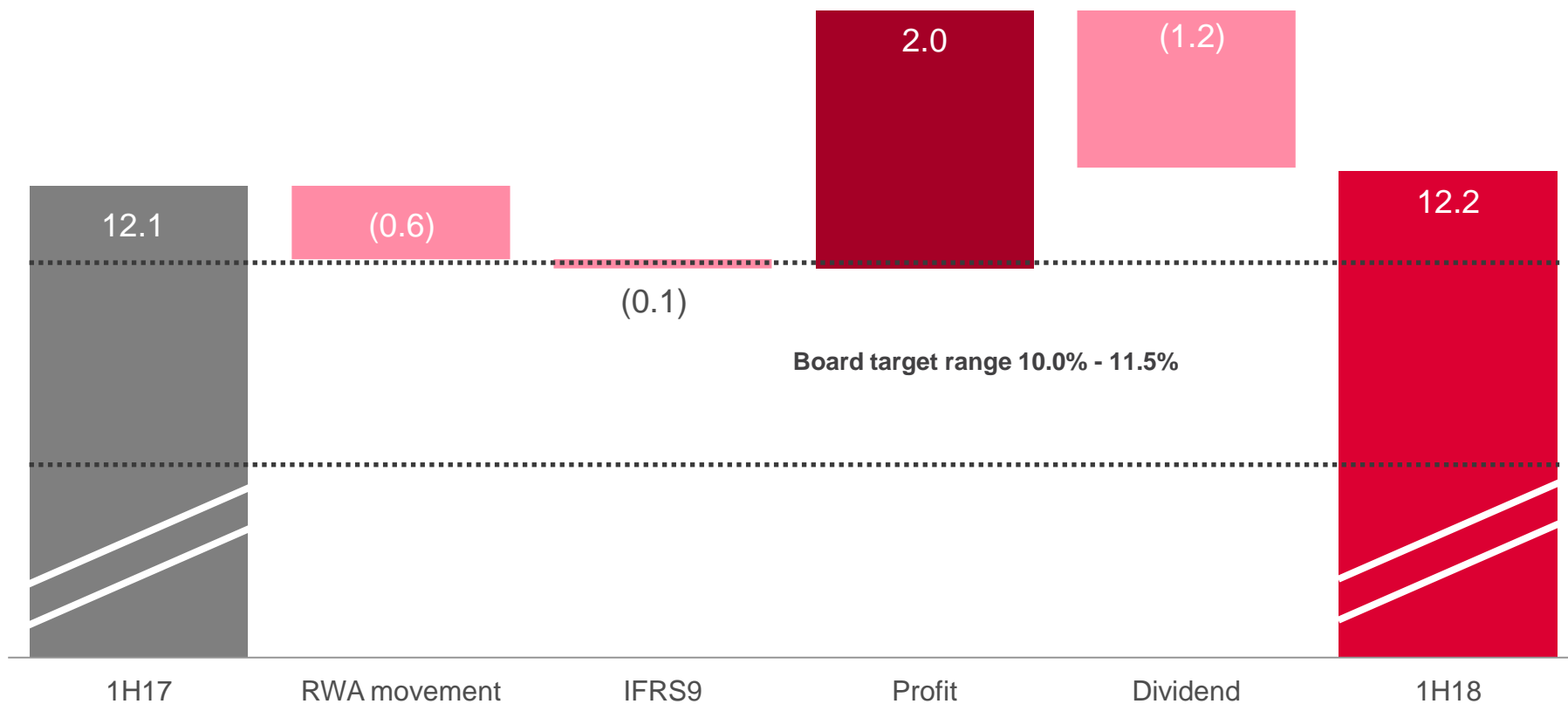
Consistent earnings progression delivers approximately 2% capital generation per annum



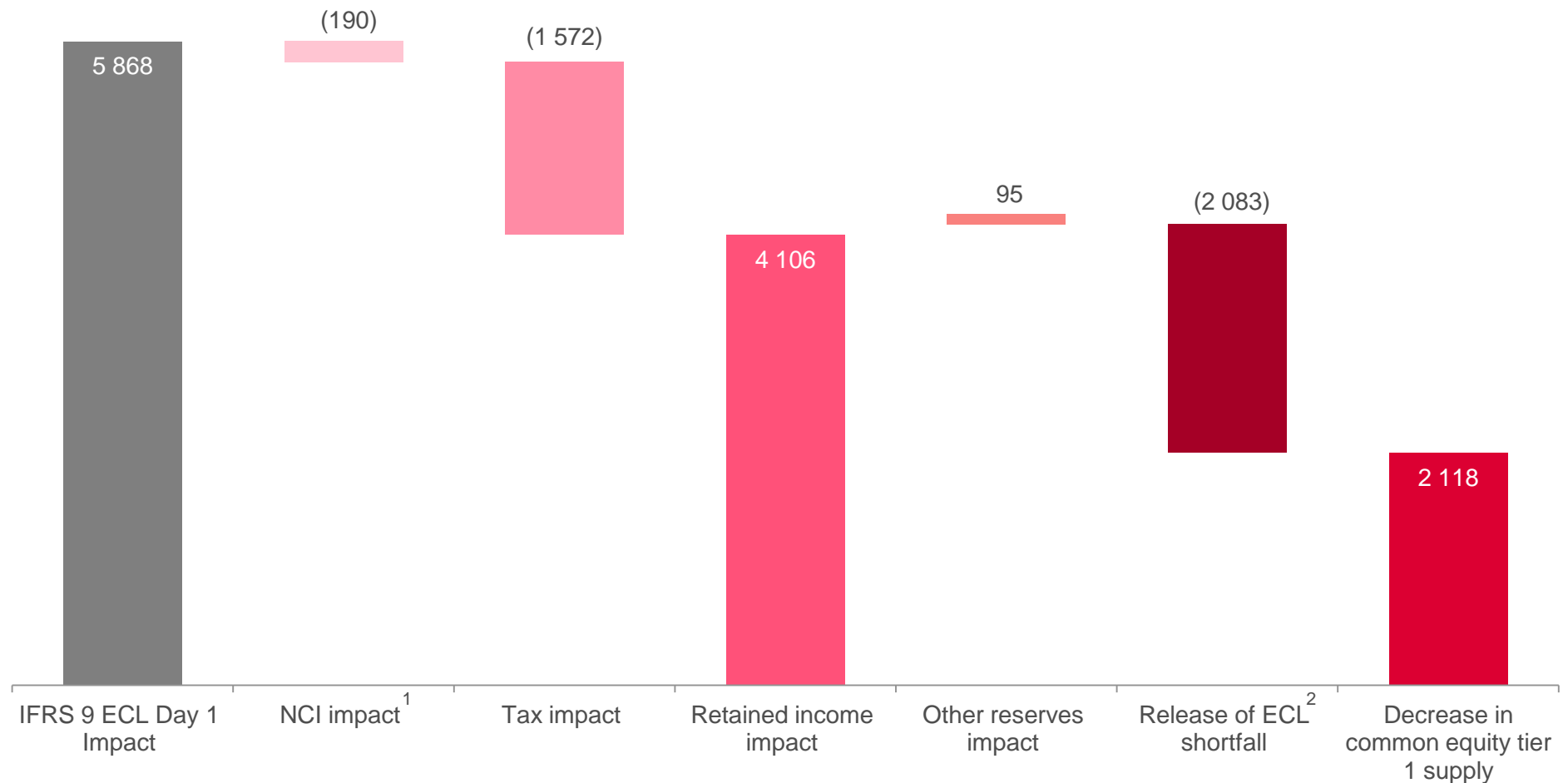
Note: 1. Excludes special dividend of R6bn.

Strong capital levels maintained post IFRS9 implementation

Absa Group Common Equity Tier 1 ratio (%)



IFRS9 results in a marginal decrease in CET1³



Note:1. Non-controlling interest
2. Expected credit loss
3. Amounts in Rm

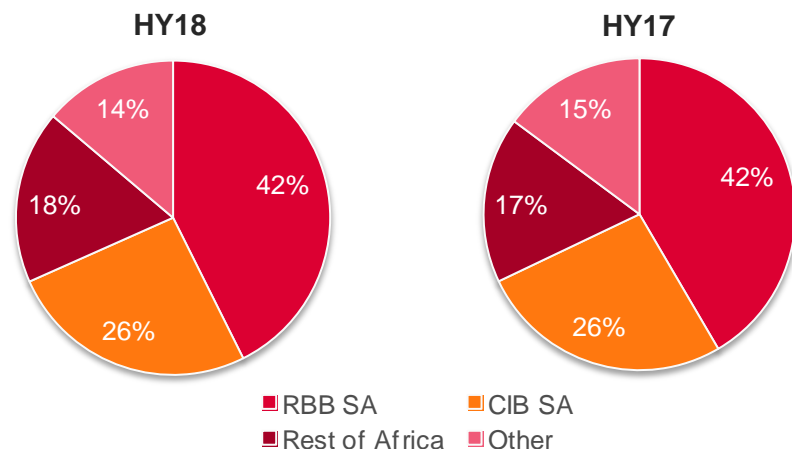
Funding and Liquidity Management

(3)

Liquidity position in line with risk appetite

- 30.5% of deposits due to customers covered by the Group's available sources of liquidity
- NSFR effective 1 January 2018, at 106.0%, above the minimum requirement of 100%
- LCR at 108.6%, above minimum regulatory requirements (90%)
- Less than 5% of balance sheet requirement in hard currency
- Debt securities \geq 1 month = weighted average life of 23 months
- Wholesale deposits \leq 6 months invested in liquid and trading assets
- Each banking entity is self sufficient from a liquidity perspective

Deposits Due to Customers Mix



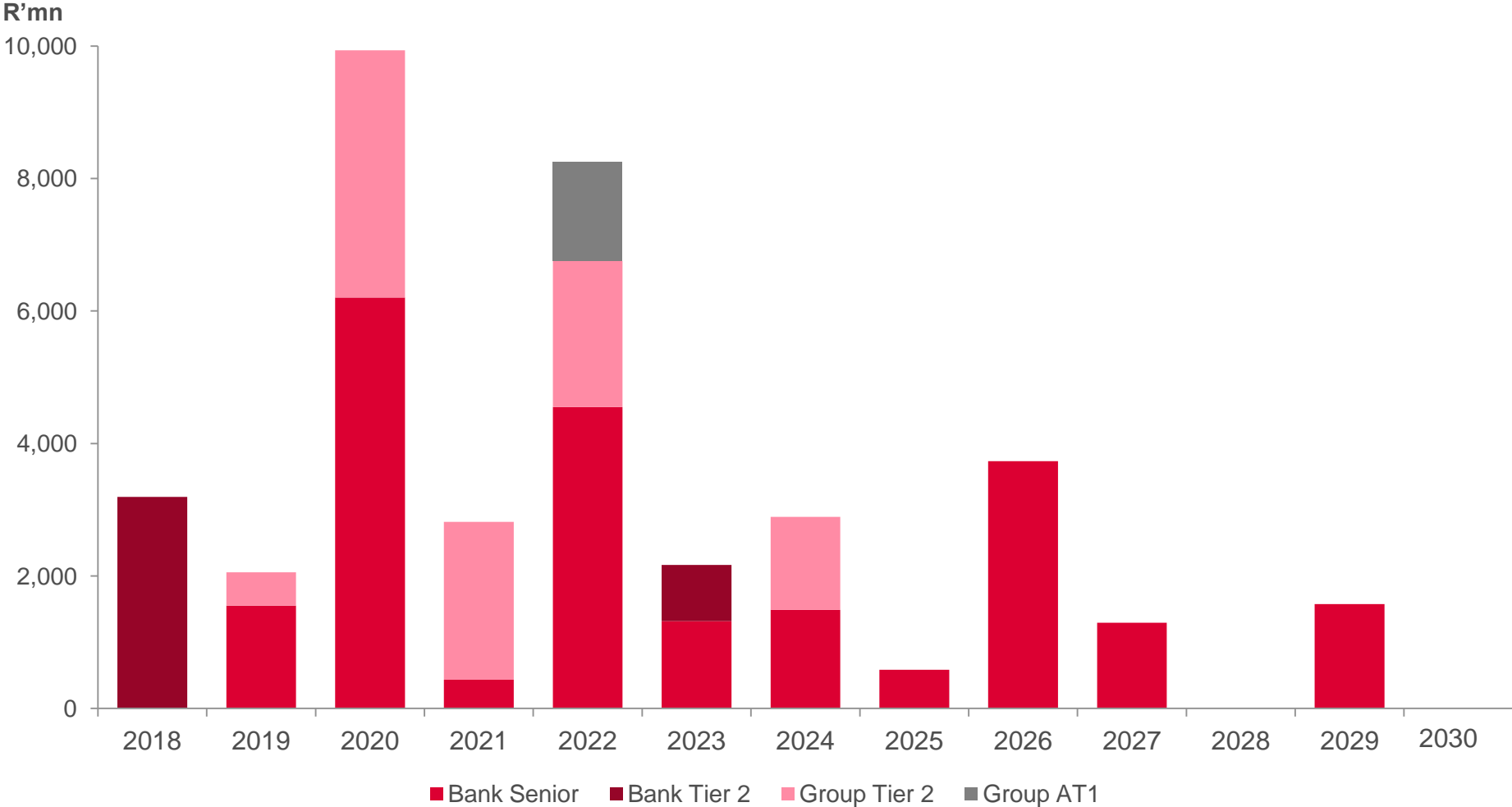
Note: 1. Debt Securities in Issue as at 30 June 2018 was R140.8bn

Absa Group Key Risk Metrics	30 June 2018	30 June 2017
Sources of Liquidity (R'bn)	218	196
Sources of Liquidity as a % of Total Deposits to customers	30.5	28.1
Net Stable Funding Ratio (NSFR) (%)	106.0	N/A
Liquidity Coverage Ratio (LCR) (%)	108.6	118.9
Loan and advances to customers(R'bn)	783.1	728.9
South Africa	694.4	650.0
Rest of Africa	88.7	78.9
Deposits and Debt Securities in Issue ¹	855.3	836.6
South Africa	727.0	716.1
Rest of Africa	128.3	120.5
Foreign Currency Deposits Contribution of Total Deposits (%)	<5	<5
Customer Deposits Contribution to Funding Base (%)	84	83

Fixed Income Overview

(4)

Group ZAR debt maturity profile



Source: Absa Group Limited, August 2018

Note: Graph excludes unlisted and structured notes
 Graphed to call date where applicable. The call of subordinated instruments is subject to SARB approval

Senior: indicative term sheet

INDICATIVE SENIOR UNSECURED ISSUANCE TERM SHEET					
Issuer	Absa Bank Limited (“Absa”)				
Manager & Dealer	Absa Corporate & Investment Bank				
Documentation	ZAR 60bn DMTN Programme				
Issuance listing & settlement	The Interest Rate Market of the JSE				
Issuer rating	Moody’s National Long Term: Aa1.za Standard and Poor’s National Long Term: zaAA+ (S&P)				
Targeted issue size	Up to R3bn with the option to upsize to ZAR3.5bn subject to volume being within price guidance				
Instrument	Senior Unsecured				
Interest rate profile	Floating Rate				
Bond code	ABFN27	ABFN28	ABFN29	ABFN30	ABFN31
Term-to-maturity	3-year	5-year	7-year	10-year	12-year
Pricing benchmark	3-month Jibar				
Price guidance (bps)	TBC	TBC	TBC	TBC	TBC
Coupon months	February, May, August and November				
Proposed Auction date	24 August 2018 (Friday)				
Settlement / Issue date	29 August 2018 (Wednesday) (T+3)				
Auction Methodology	Dutch auction with no feedback				
Auction Methodology and Allocation Process	<ul style="list-style-type: none"> Staggered bids are encouraged All successful bids to clear at one clearing spread Conditional bids will be accepted The Issuer reserves the right in its sole discretion to accept or reject offers made in accordance with the auction process Allocation across the Notes will be at the Issuer’s discretion 				
Auction times	09h00-11h00				

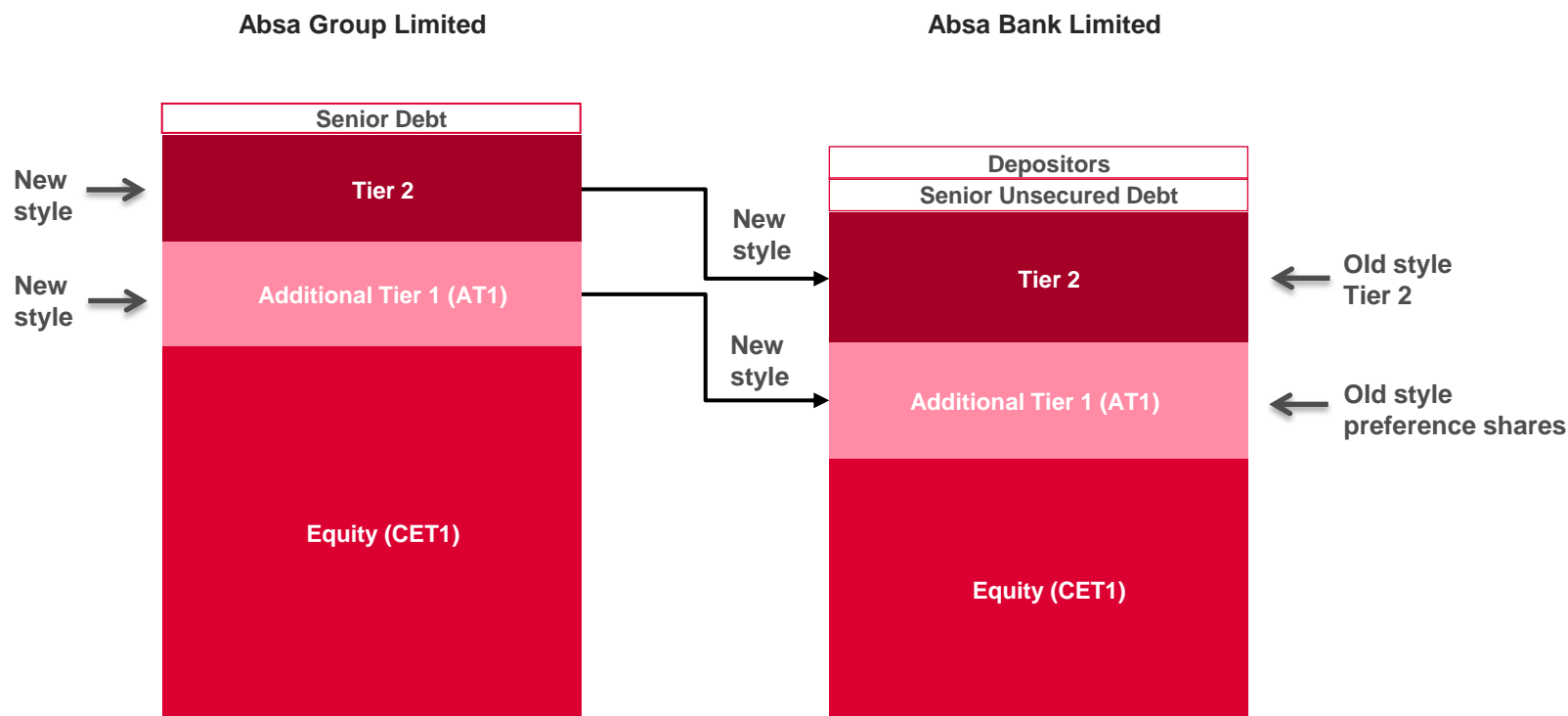
Potential AT1: HoldCo issuance main exposure remains Absa Bank Limited

	Absa Bank Limited (OpCo)		Group (Holdco)
	Amount (R'bn) ¹	% Contribution	Amount (R'bn) ¹
Asset Contribution	R1,029bn	83%	R1,235bn
Income Contribution	R26bn	70%	R37bn
RWA Contribution	R542bn	70%	R771bn
NAV Contribution	R68bn	69%	R99bn
CET 1	R64bn	68%	R94bn

Note: 1. All numbers are normalised

Issuance at the Group entity is currently down-streamed to Absa Bank Limited

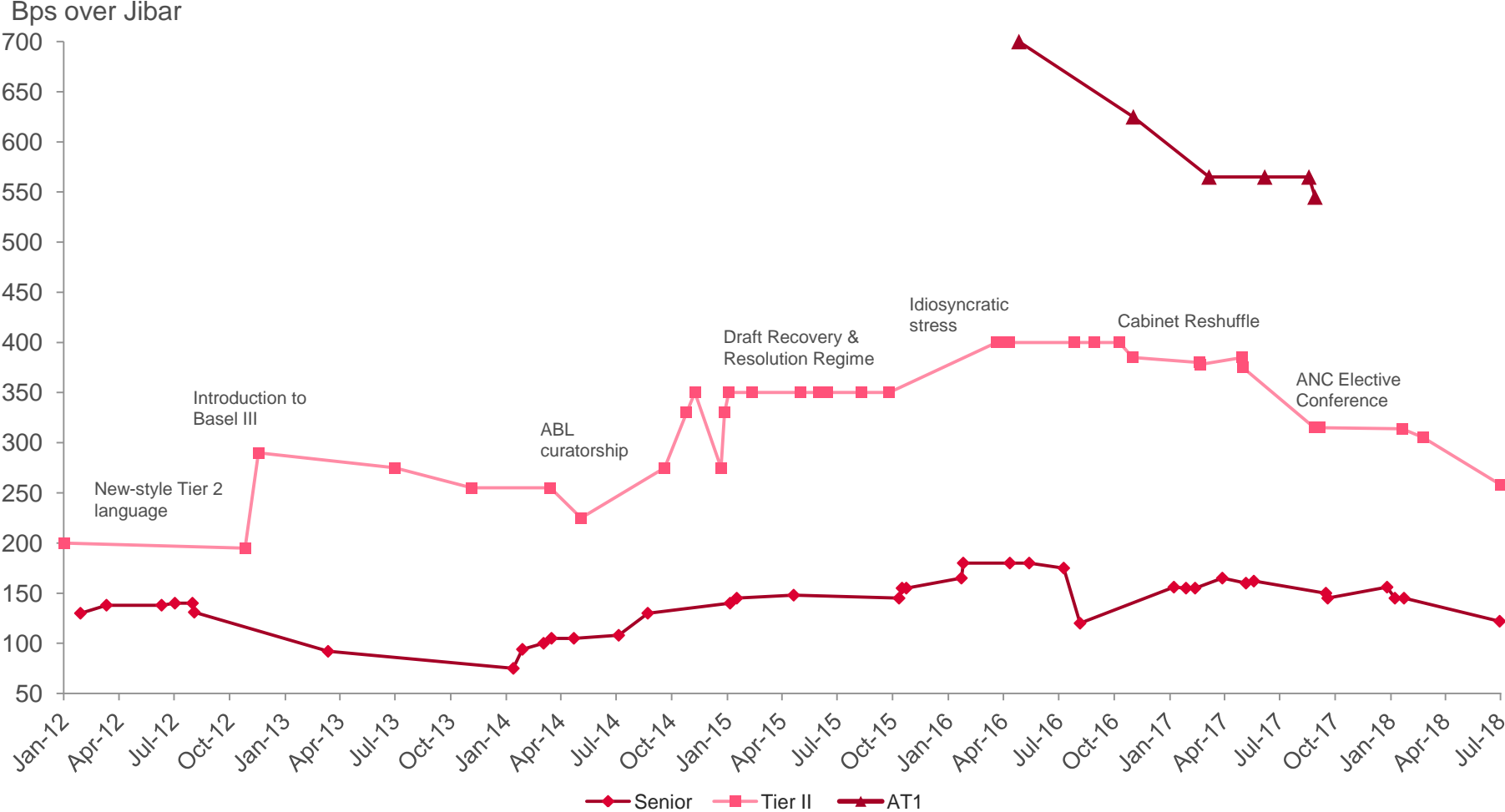
- Losses follow the hierarchy of claims, as they arise in the operating entities. No creditor is worse off (NCWO) than in liquidation, as ascribed by the FSB Key Attributes of Effective Resolution Regimes.
- Due to minority interest rules under Basel III, it is expected for capital issuances to continue at a HoldCo level. All capital issuance at Group are down-streamed to operating entities, on a back-to-back basis.
- The level of Absa Bank Limited senior loans to the Group are limited in line with Moody's double leverage rule and governed by the Africa Treasury Committee (less than 15% of Group NAV).



Source: Absa Group Limited

Capital market instrument pricing progression

Previous Pricing Points for 5year Senior, Tier II and AT1 Floating Rate Notes¹



Source: JSE, Absa Group Limited, August 2018

Note: 1. The graph references listed instruments for top 4 banks (Standard Bank Group, FirstRand Group, Nedbank Group and Absa Group) and excludes unlisted notes

Appendix

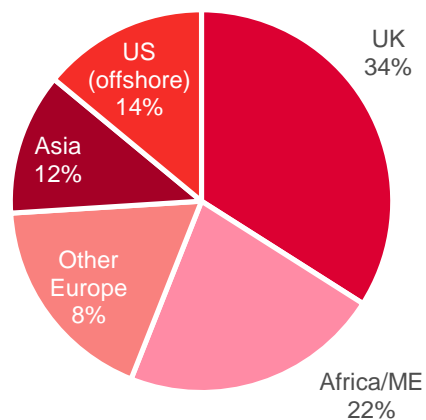
(5)

Debut USD400m Tier II Bond on 18 April 2018

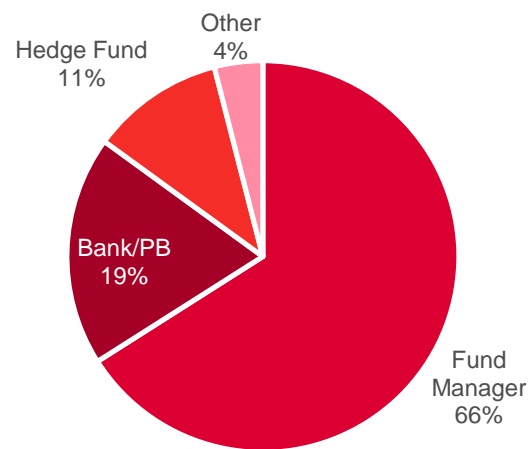
Execution Overview

- Initial price thoughts were announced at 6.625% just after 7.30am UKT on Wednesday 18th April for a USD300-400m size transaction following a two-day, two-team roadshow in London, Hong Kong and Singapore earlier in the week
- As books reached USD1bn, guidance was released at around noon UKT at 6.375-6.500% for a deal size of USD300-400m, indicating that books would go subject at 13.00 UKT
- The orderbook peaked at c.USD1.5bn, representing an oversubscription of over 3.75x, allowing Absa Group Limited to launch the transaction for a final size of USD400m at a final yield of 6.250% at 14.45 UKT
- The final yield represented a 37.5bps tightening from initial price thoughts
- The majority of the issuance was placed with fund managers, with a good geographical spread

Geography



Investor Type



Source: Absa Group Limited

Quick Links

Basel / FSB / EBA

- **Liquidity Coverage Ratio (Jan 2013)** - <http://www.bis.org/publ/bcbs238.htm>
- **Net Stable Funding Ratio (Oct 2014)** - <http://www.bis.org/bcbs/publ/d295.htm>
- **TLAC** - <http://www.financialstabilityboard.org/wp-content/uploads/TLAC-Condoc-6-Nov-2014-FINAL.pdf>
- **MREL** - <https://www.eba.europa.eu/documents/10180/1132900/EBA-RTS-2015-05+RTS+on+MREL+Criteria.pdf>
- **Leverage Ratio** — <http://www.bis.org/publ/bcbs270.pdf>
- **Key Attributes of Effective Resolution Regimes for Financial Institutions** - http://www.fsb.org/wp-content/uploads/r_111104cc.pdf

SARB / NT

- **Regulations**
 - Banking Legislation - <https://www.resbank.co.za/RegulationAndSupervision/BankSupervision/BankingLegislation/Pages/default.aspx>
- **Latest Guidance Notes**
 - Committed Liquidity Facility - <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/6888/G5%20of%202015.pdf>
 - Loss Absorption – <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/7942/G6%20of%202017.pdf>
- **Working Papers**
 - Resolution Framework - <http://www.treasury.gov.za/publications/other/RFFI/2015%20Resolution%20Framework%20Policy.pdf>

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