



Absa Group Limited

Fixed Income Investor Roadshow
September 2020

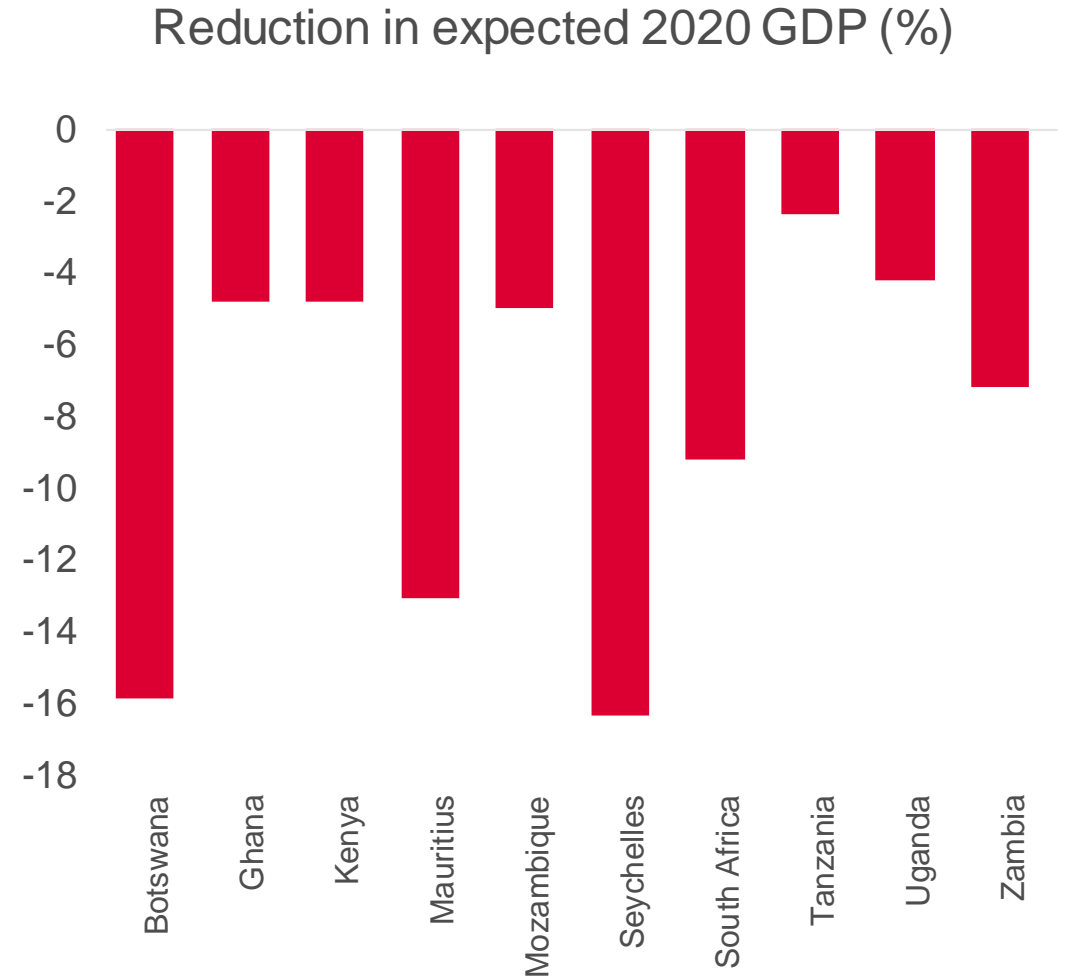
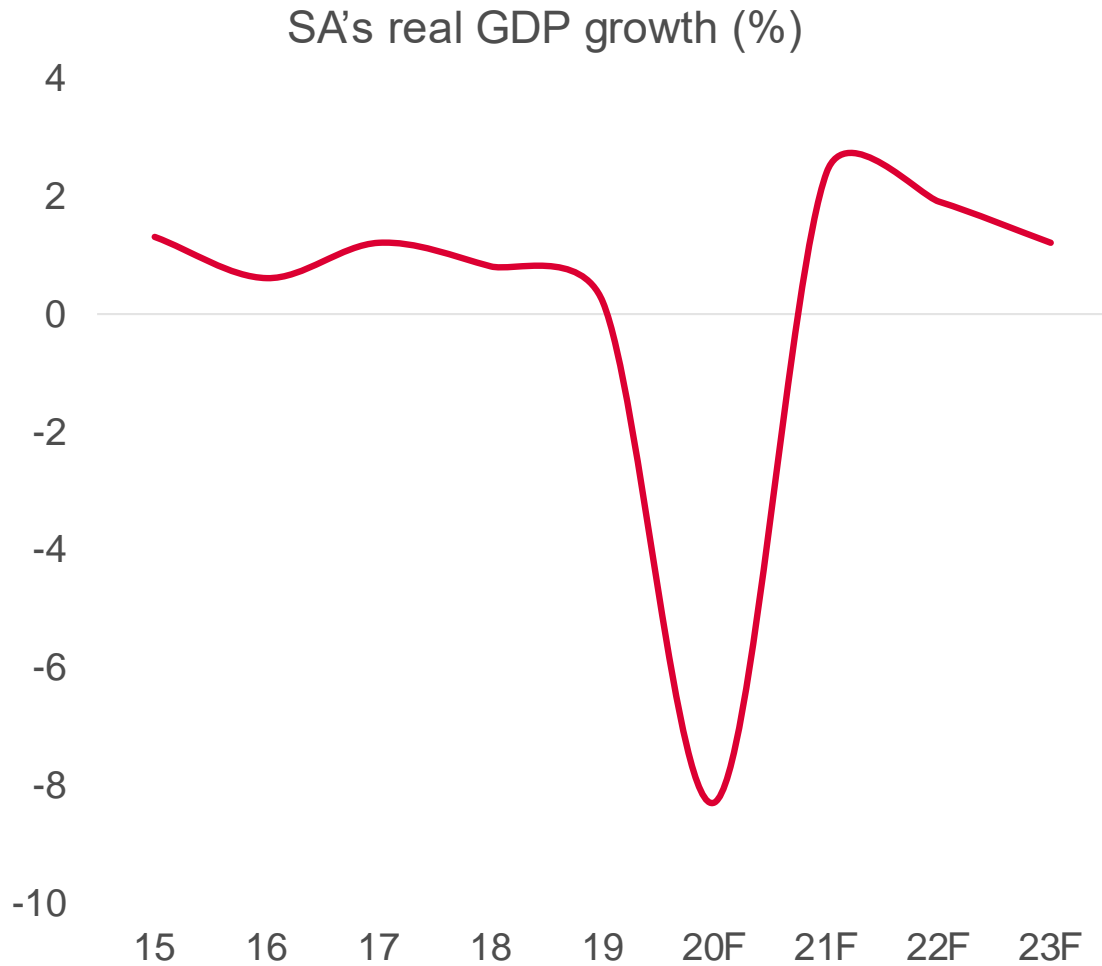
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Group Performance Update and Outlook

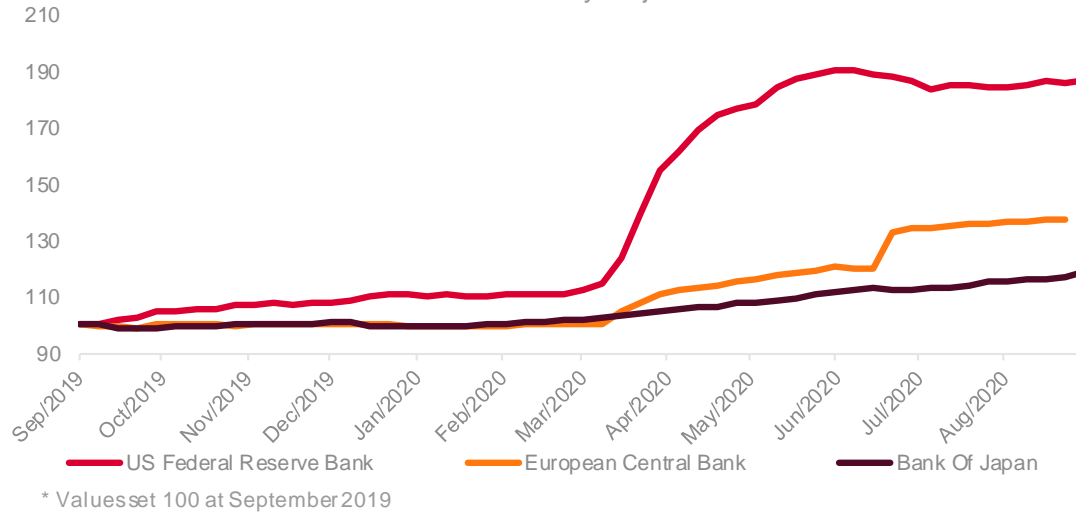
(1)

A crisis like no other, an uncertain recovery

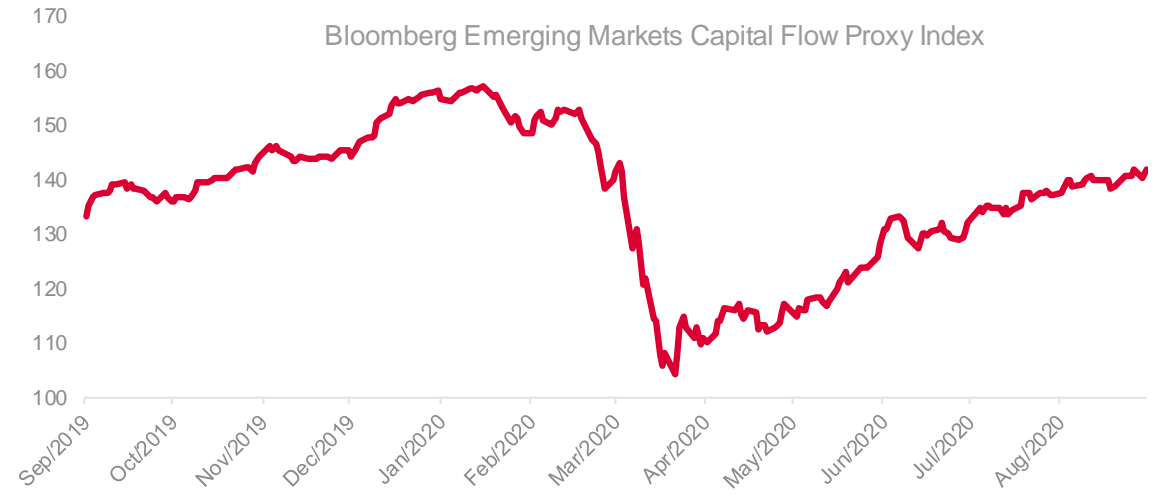


Key market features

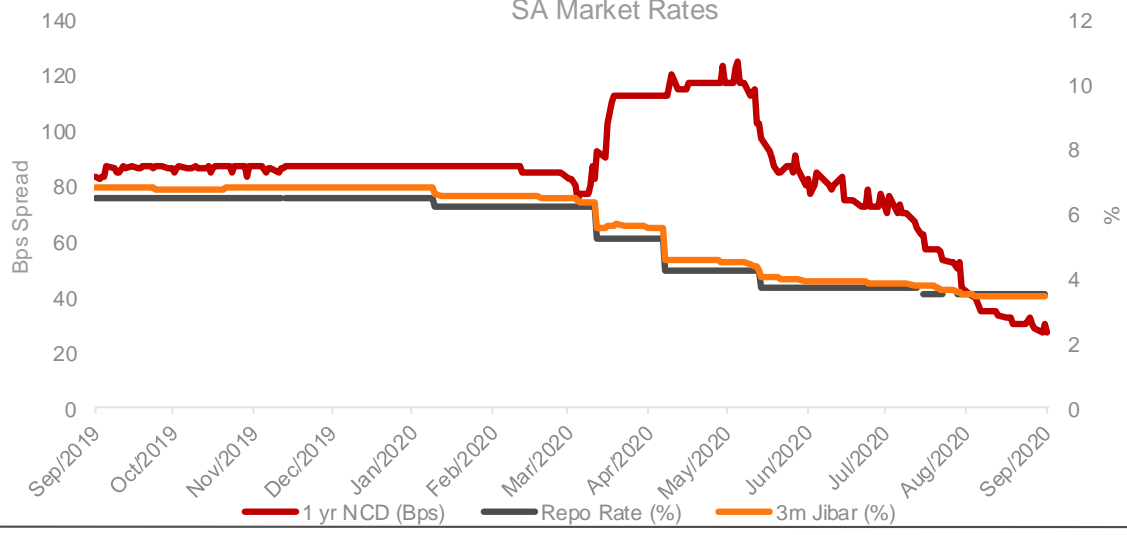
Stimulus Provided by Major Central Banks*



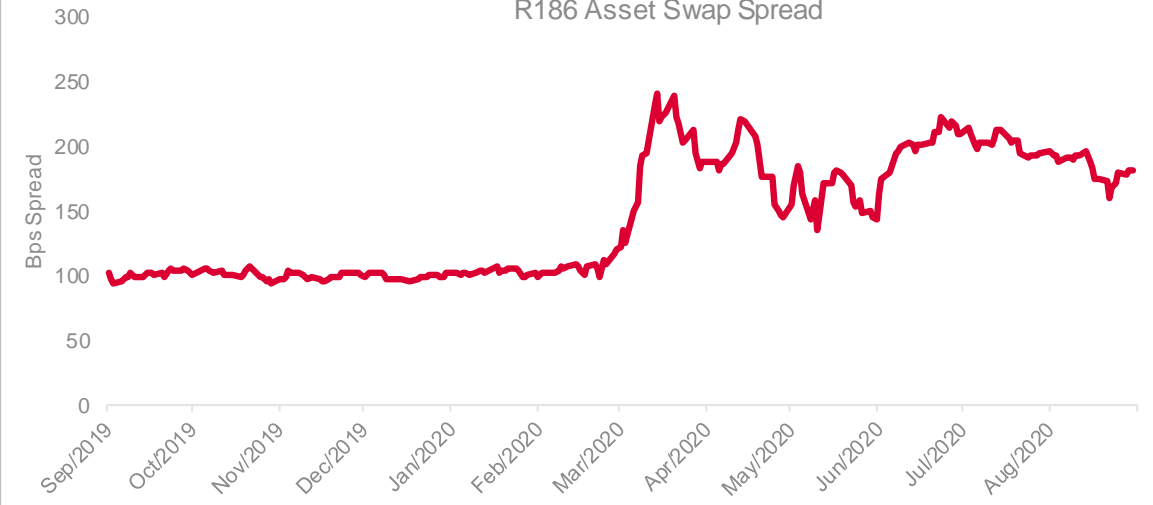
Bloomberg Emerging Markets Capital Flow Proxy Index



SA Market Rates

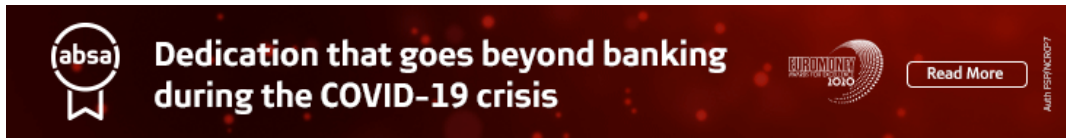


R186 Asset Swap Spread

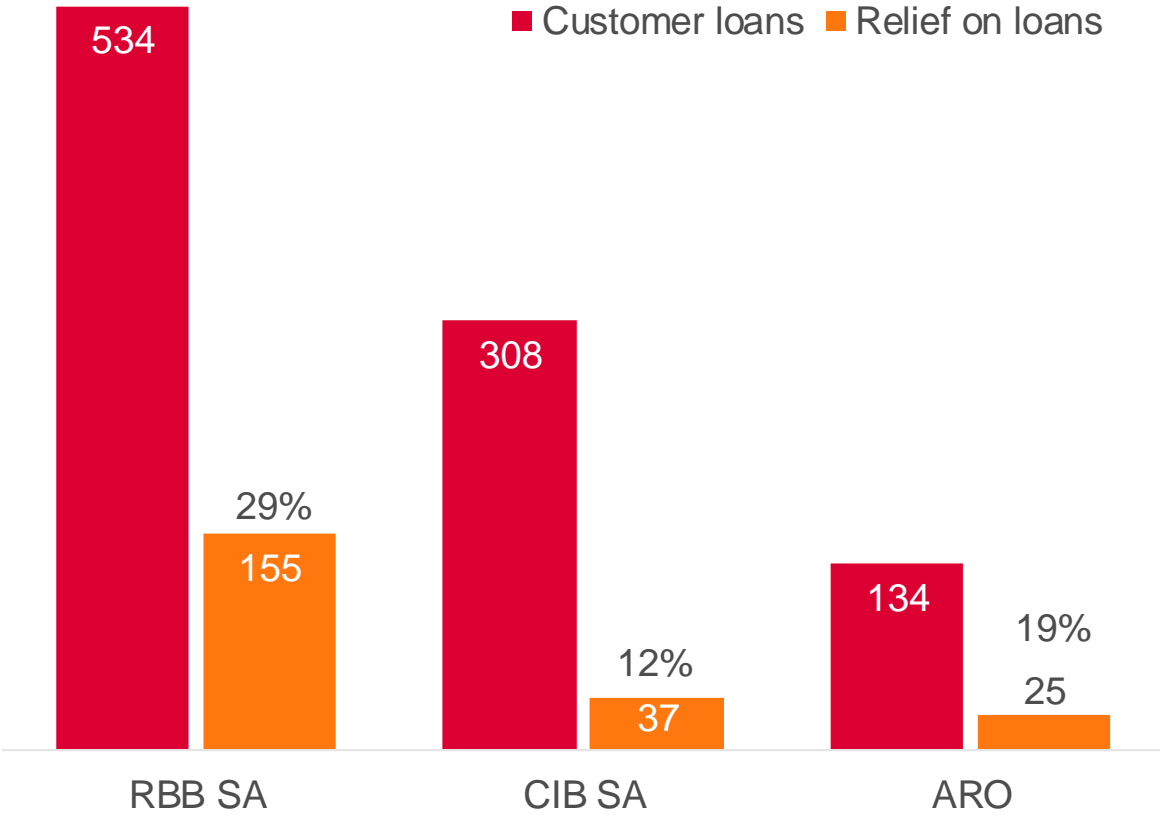


Absa's initial response to Covid-19 pandemic

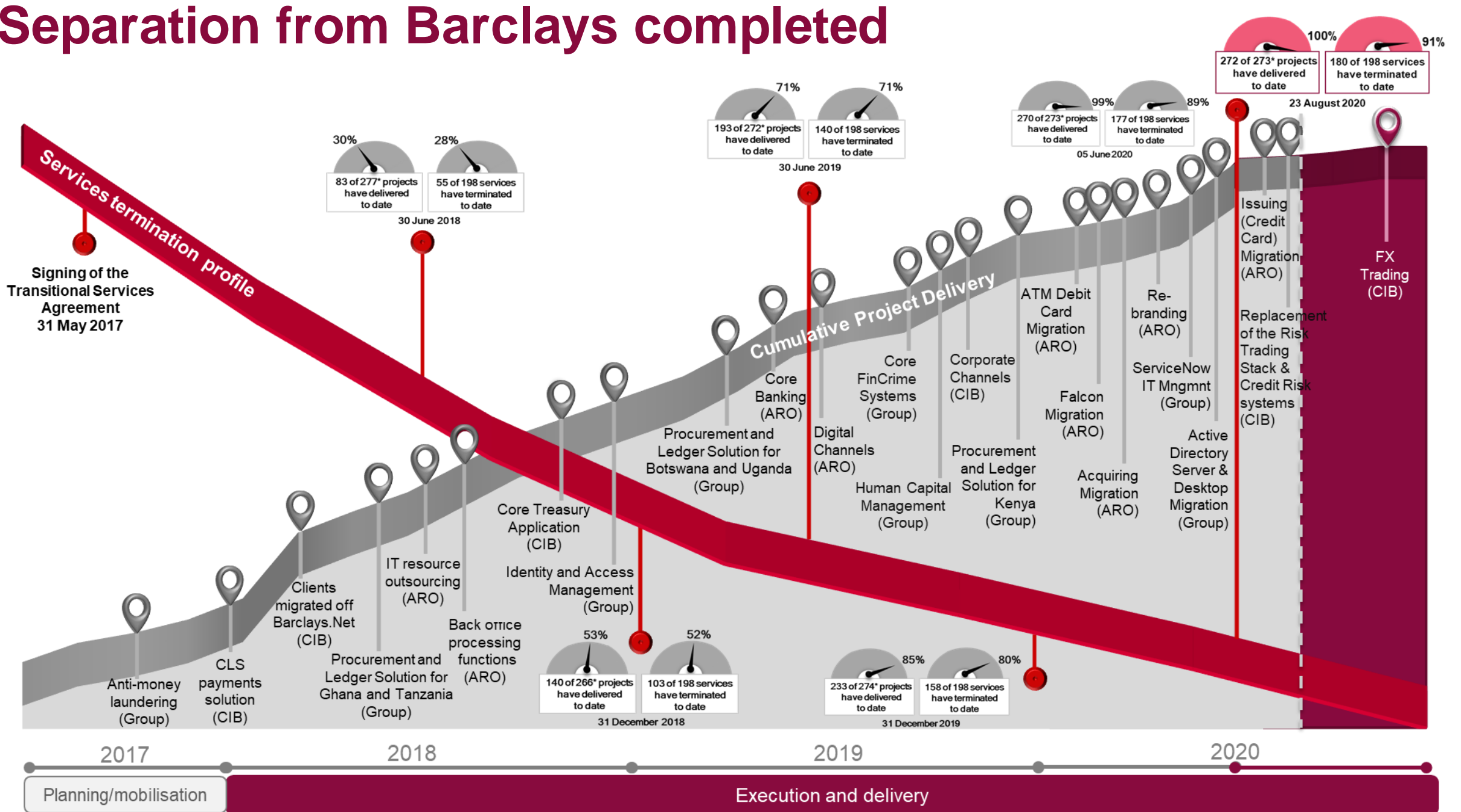
- Ensure colleague safety and wellbeing
- Open for business to support customers
- Provided substantial payment relief
- Supporting vulnerable communities
- Protecting balance sheet and liquidity



Payment relief provided (Rbn)



Separation from Barclays completed



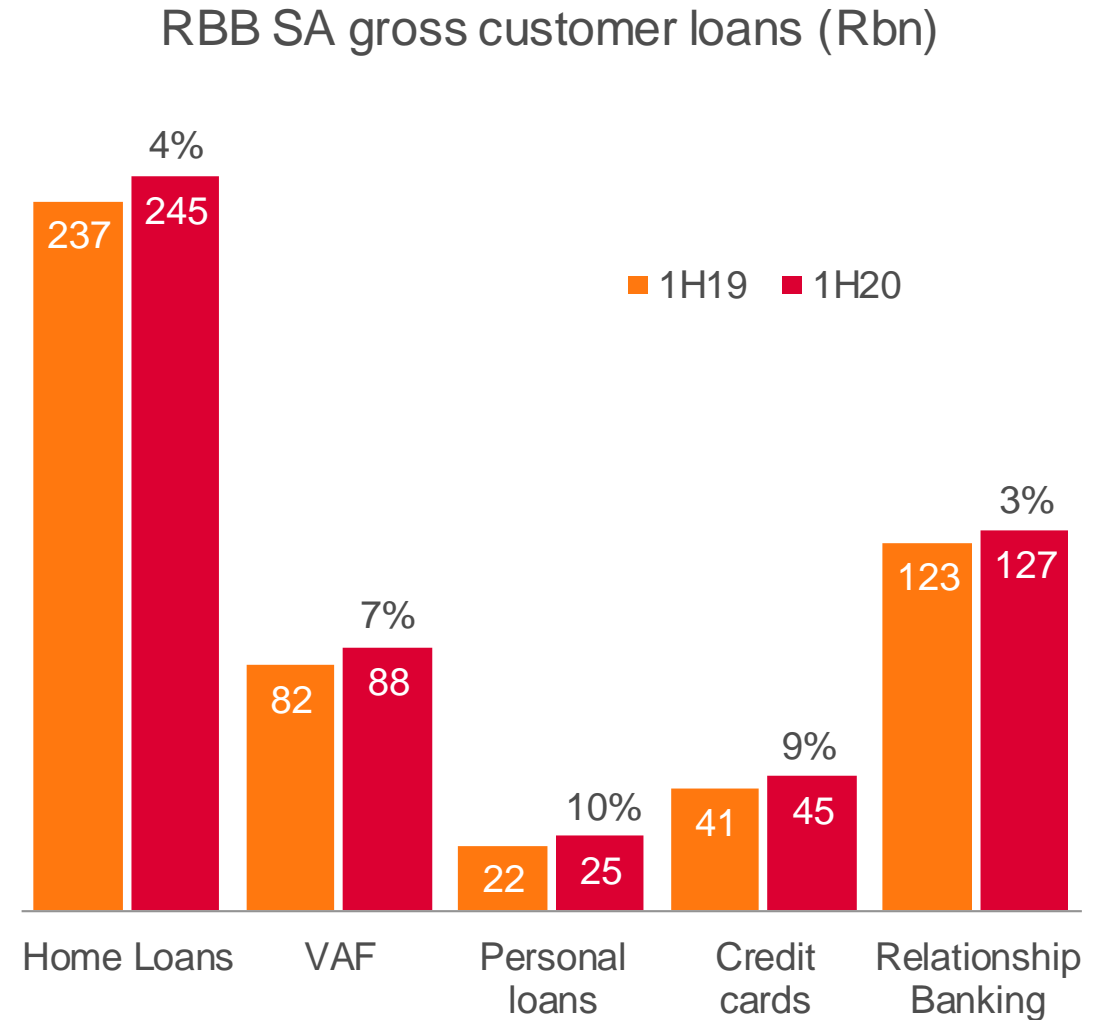
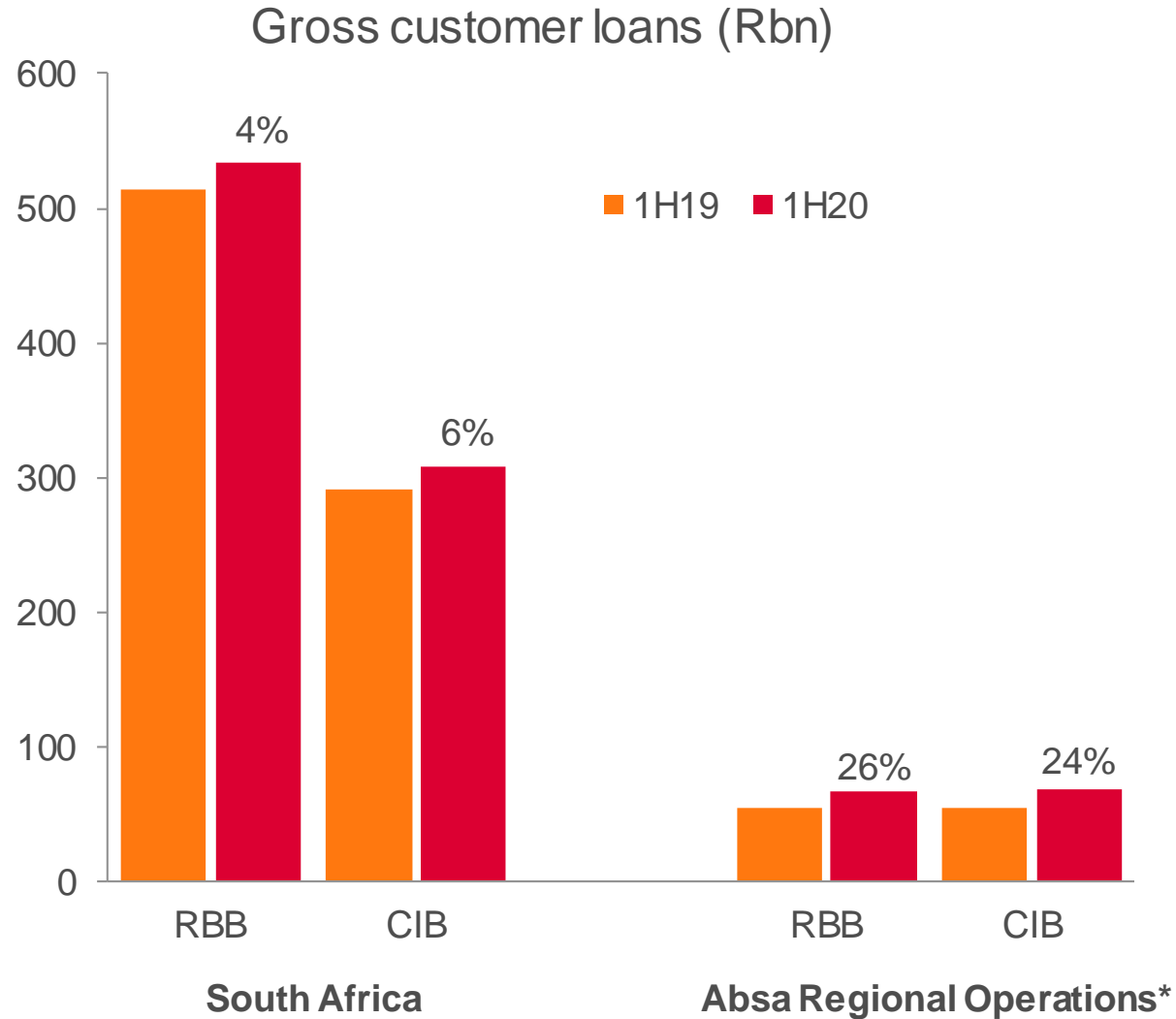
*Total project numbers are under constant review and subject to change. This excludes 3 post Separation closure projects.

Income statement reflects impact of Covid-19

Rm	1H19	1H20	Change (%)	Normalisation adjustments
Net interest income	22 667	24 072	6	(52)
Non-interest income	16 404	16 006	(2)	(225)
Total income	39 071	40 078	3	(277)
Operating expenses	22 136	21 613	(2)	1 427
Pre-provision Profit	16 935	18 465	9	1150
Credit impairments	3 695	14 661	297	-
Other *	760	1 051	(38)	142
Taxation	3 385	718	(79)	247
Non-controlling interest	837	592	(29)	87
Headline earnings	8 267	1 459	(82)	900

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

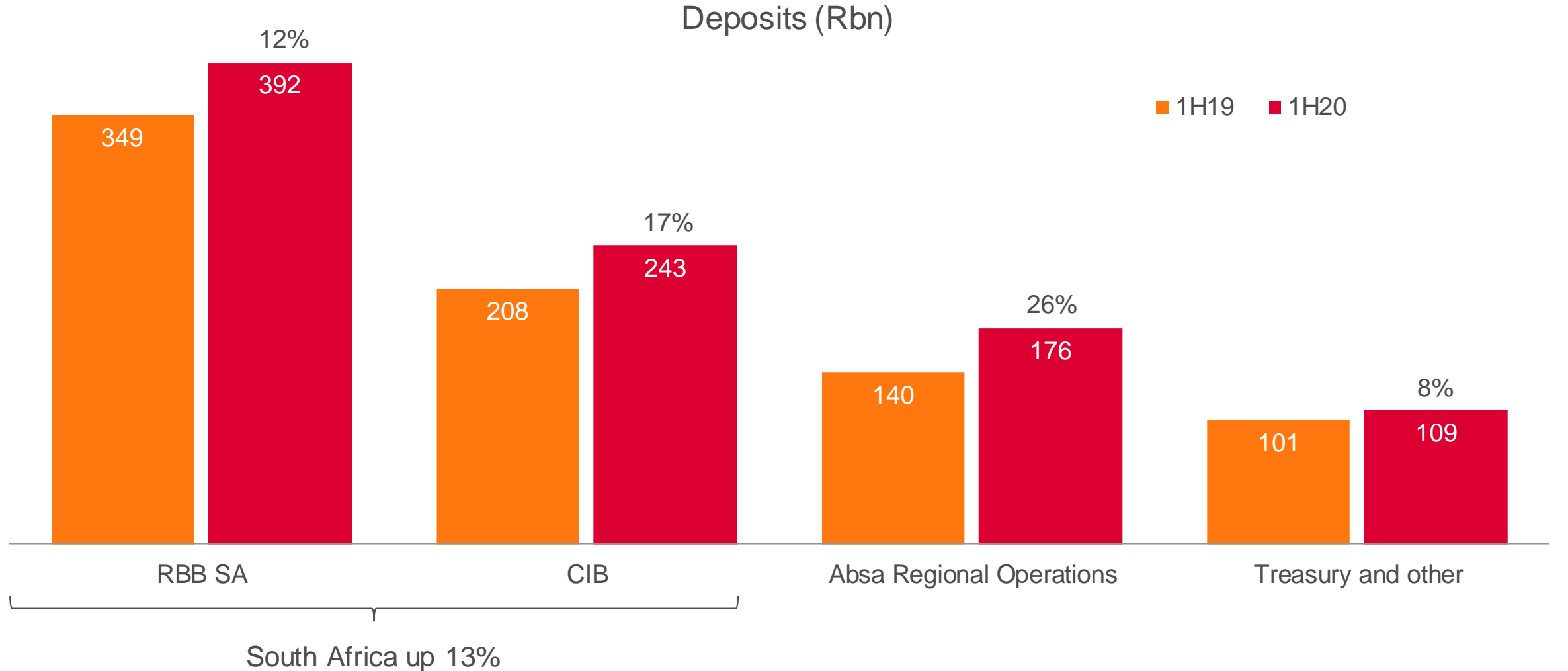
Customer loan growth slowed ...



* Circa two-thirds of growth due to the weaker Rand

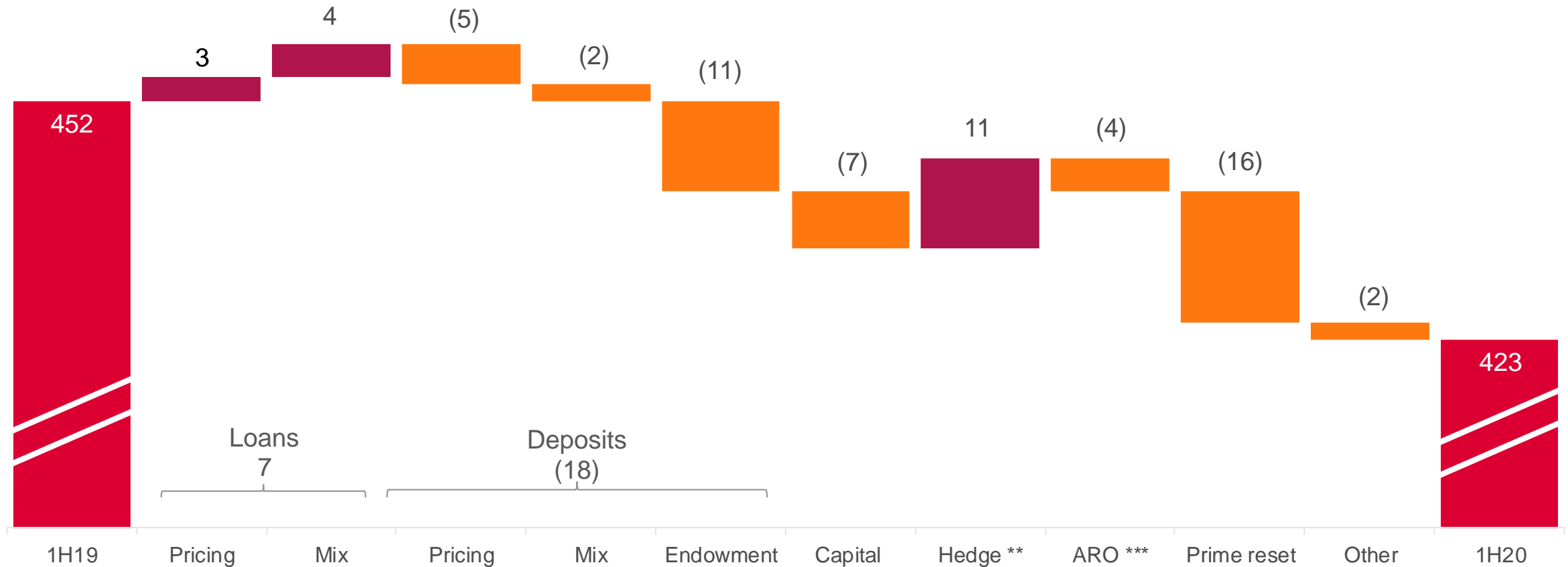
Note: Credit cards excludes disposed of Edcon storecard portfolio

Robust deposit growth across the board



Significant policy rate cuts reduced net interest margin

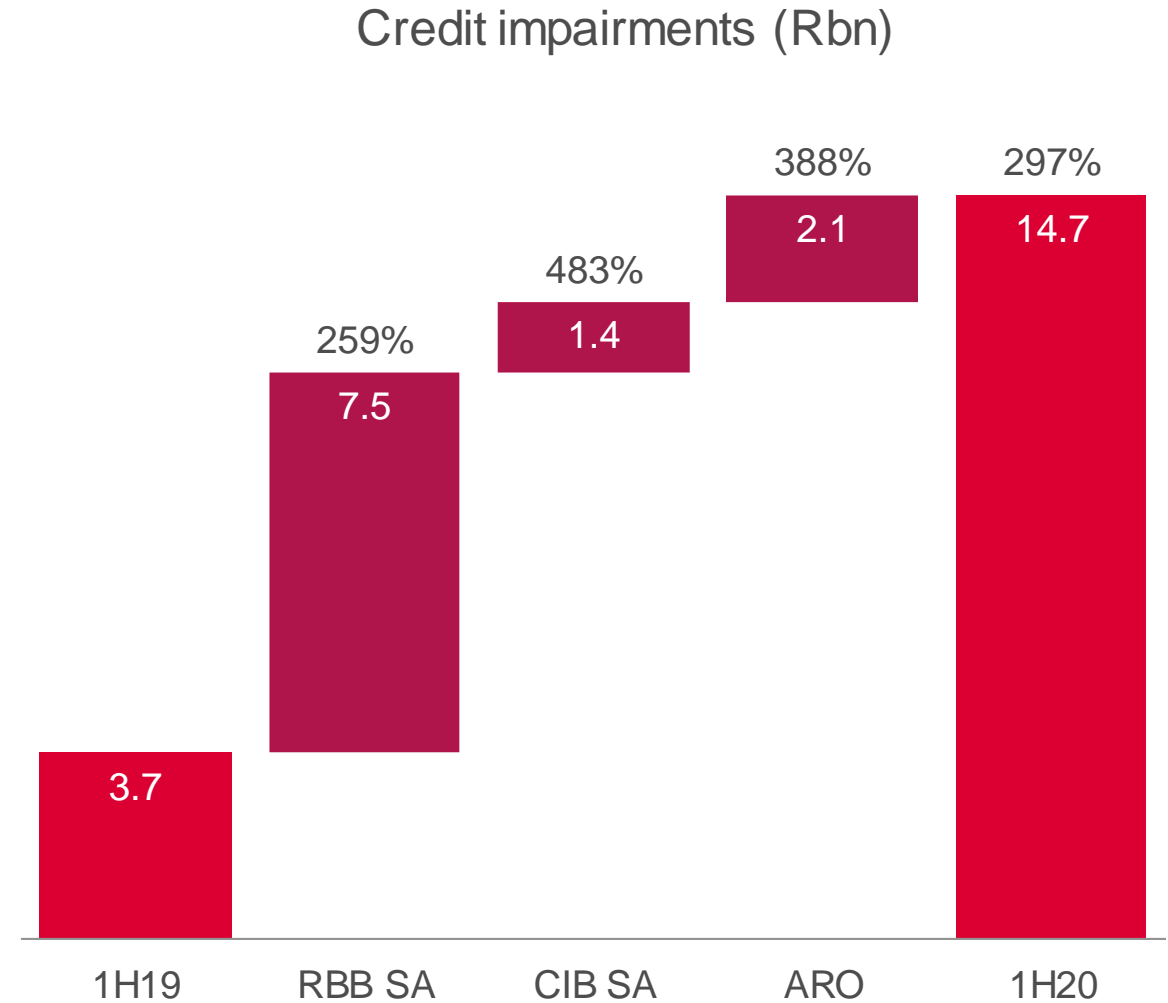
Change in net interest margin* (basis points)



Note: * average interest bearing assets; ** interest rate risk management; *** Absa Regional Operations

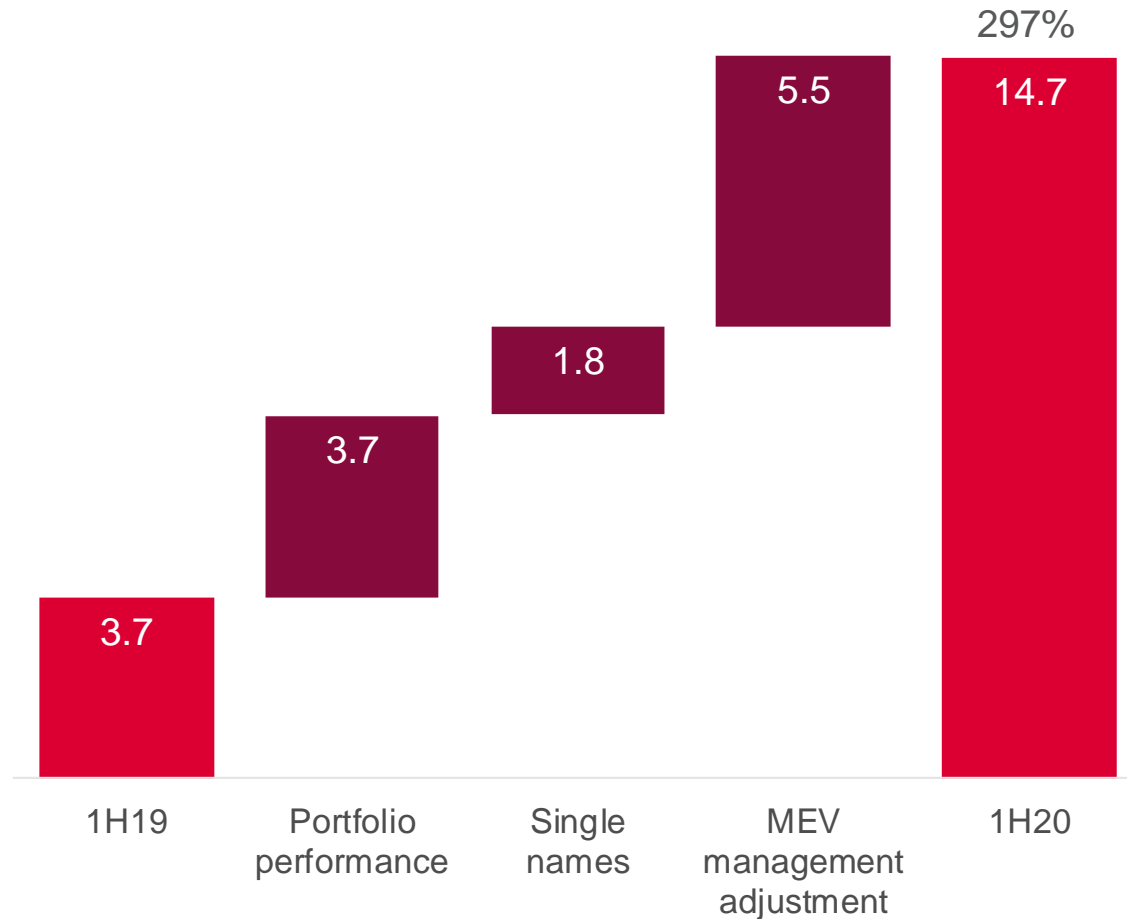
Significant increase in credit impairments ...

Credit loss ratio (%)	1H19	1H20
RBB SA	1.12	3.77
Everyday Banking	4.93	11.76
Vehicle and Asset Finance	1.39	4.91
Home Loans	0.13	1.43
Relationship Banking	0.32	2.11
CIB SA	0.18	0.93
Absa Regional Operations	0.94	3.58
Group	0.79	2.77

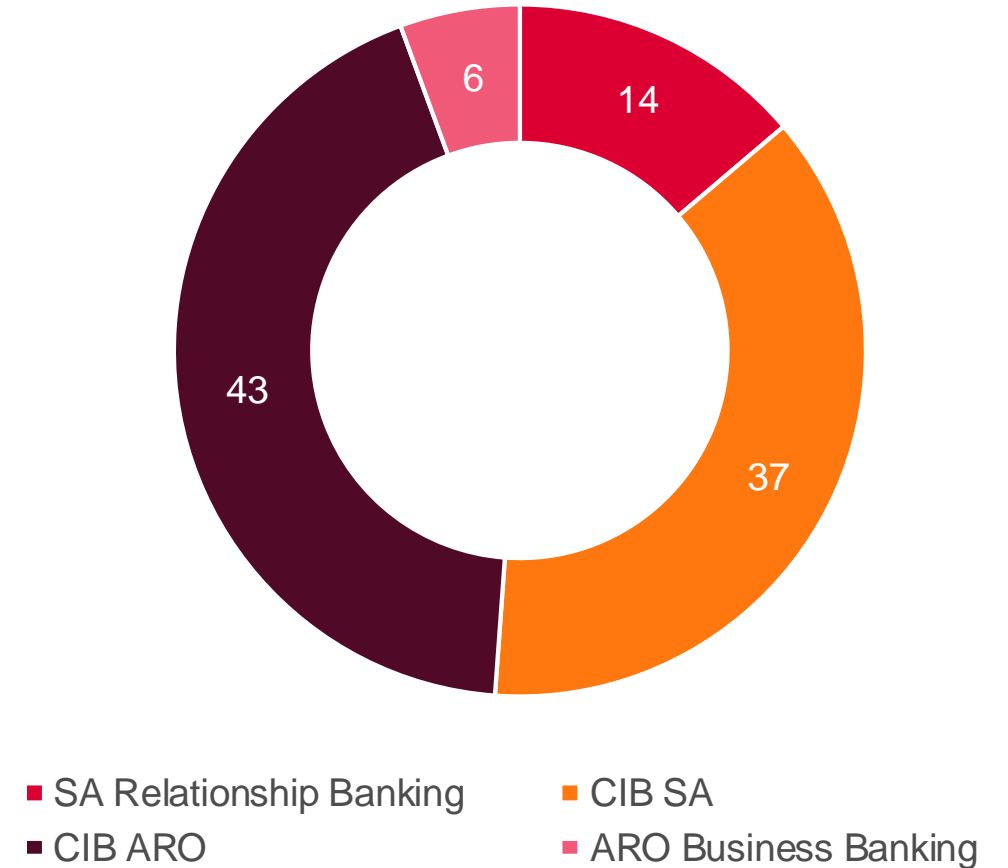


... reflecting three drivers

Credit impairment drivers (Rbn)

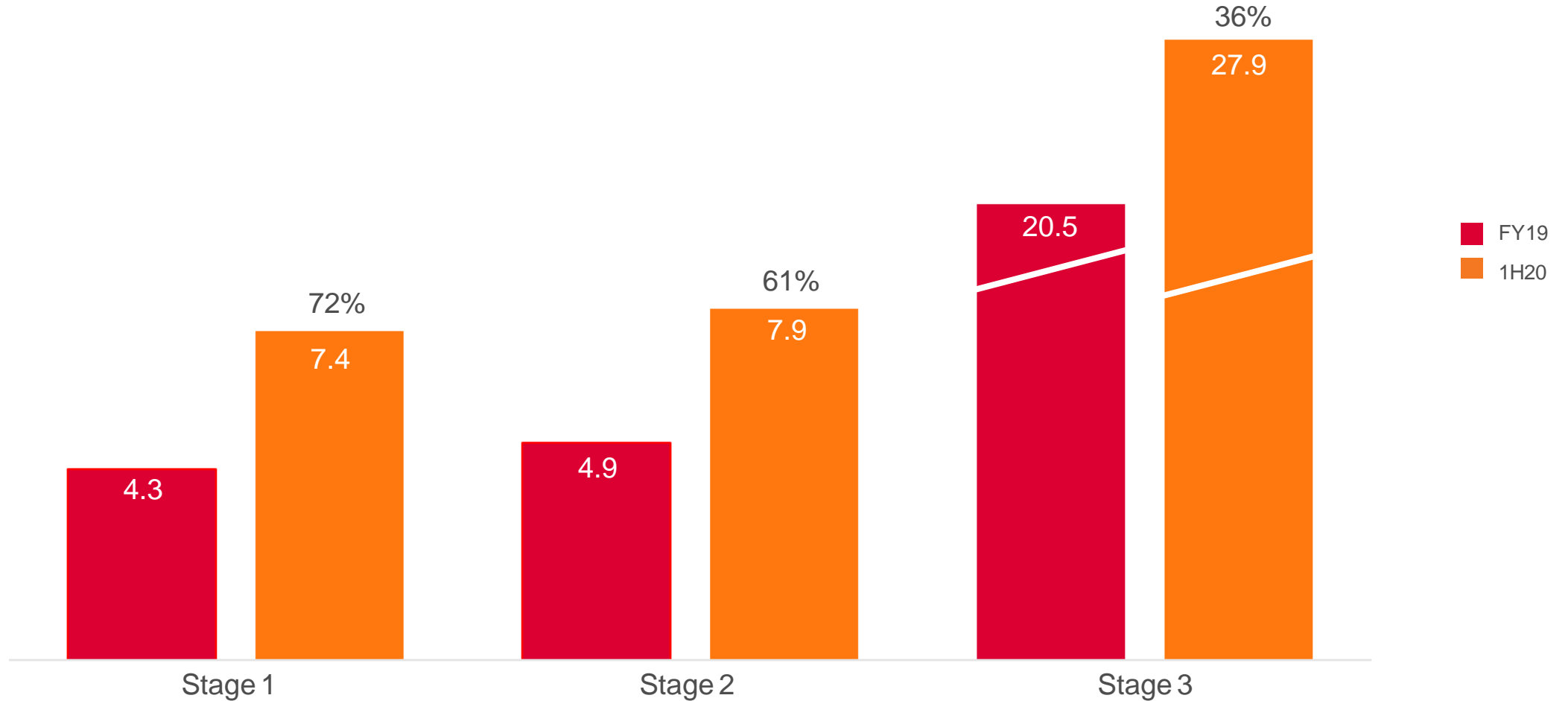


Single name credit impairments (%)



Significant Loan Provisions across stage 1 & 2

Total Balance Sheet Provisions (Rbn)



2020 outlook

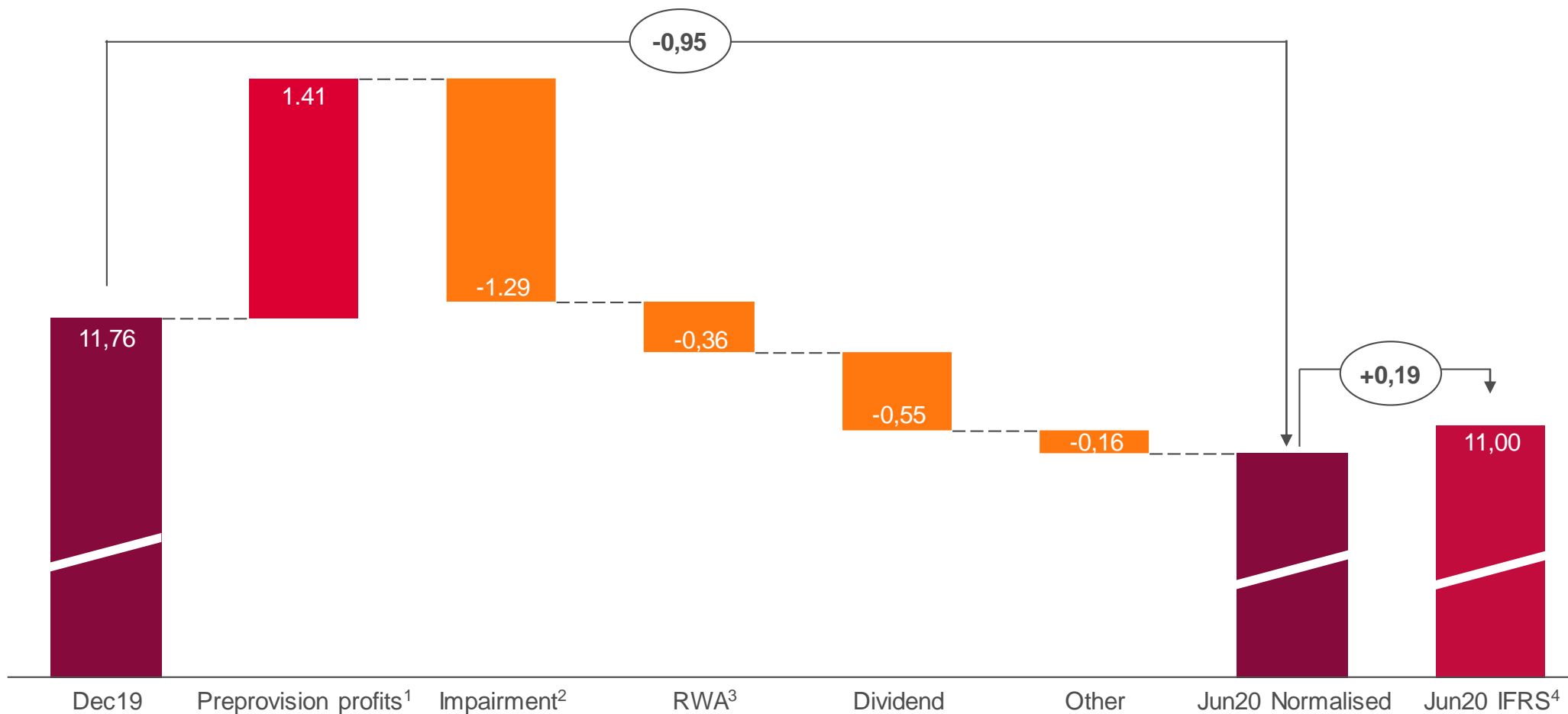
- Net interest margin expected to decline YoY, with the second half likely to improve slightly
- Loan and deposit growth should slow in the second half
- Costs are expected to decline YoY, resulting in pre-provision profit growth
- Credit loss ratio expected to be well above global financial crisis levels this year
- The second half expected to improve significantly, but remain well above our through-the-cycle range of 75 to 100 basis points
- RoE expected to remain well below cost of equity this year, but the second half is likely to improve
- Group CET1 ratio expected to remain broadly at first half levels
- We do not envisage declaring an ordinary dividend for 2020

Capital Position

(2)

CET1 remains robust

Absa Group Statutory CET1 move (%) from Dec 2019 to June 2020



1 - Pre-provision profits are presented post tax effects in the graph, and include qualifying profits of minorities, JVs and Associates net of capitalised costs.

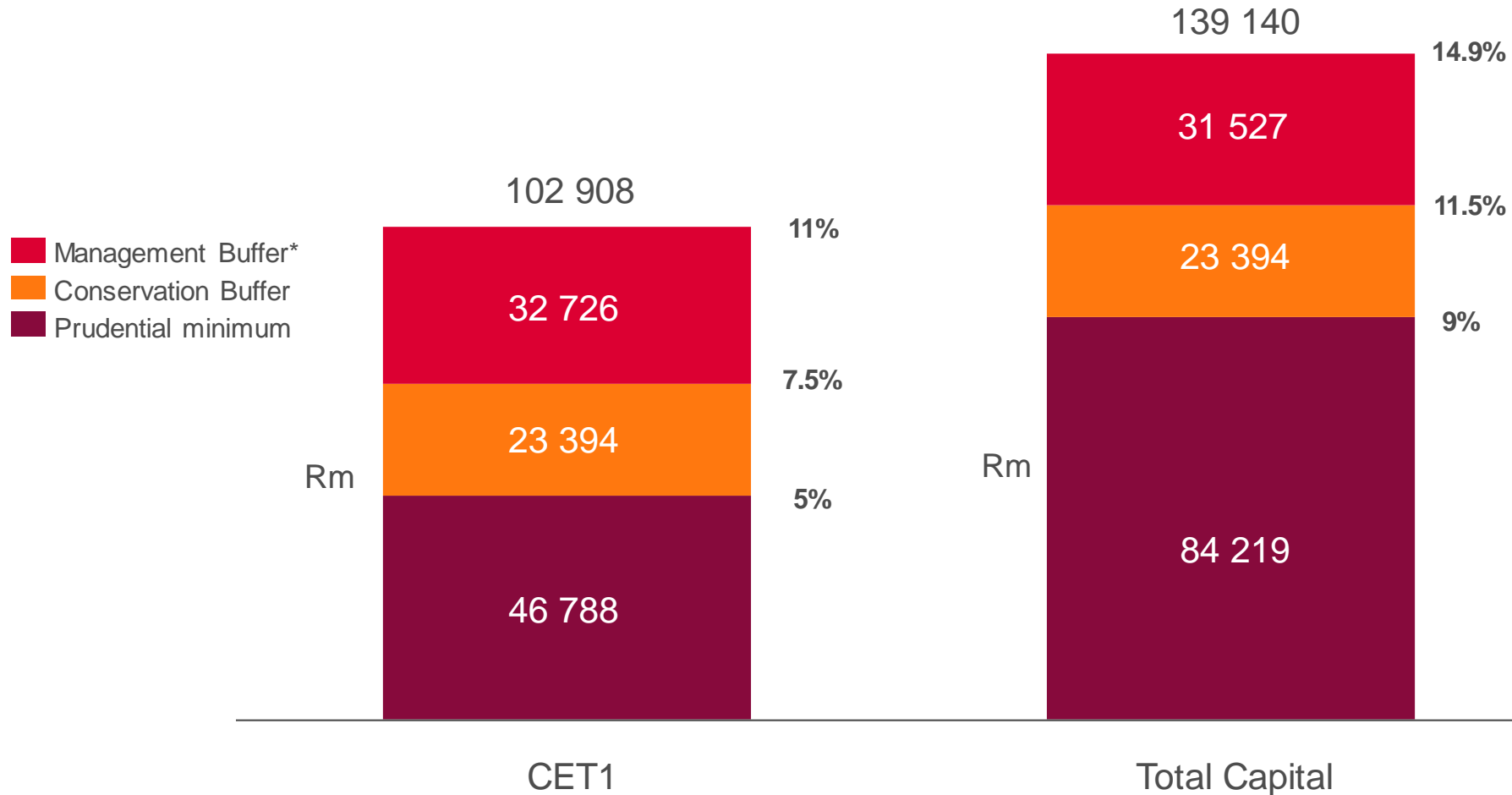
2 - Impairment charge is presented post tax

3 - RWA impact of CET1 shown net of gain on Foreign currency translation reserve.

4 - Fully loaded capital ratios are c.10bps lower reflective of the remaining years phase in adjustment of IFRS9.

Appropriate capital levels and buffers

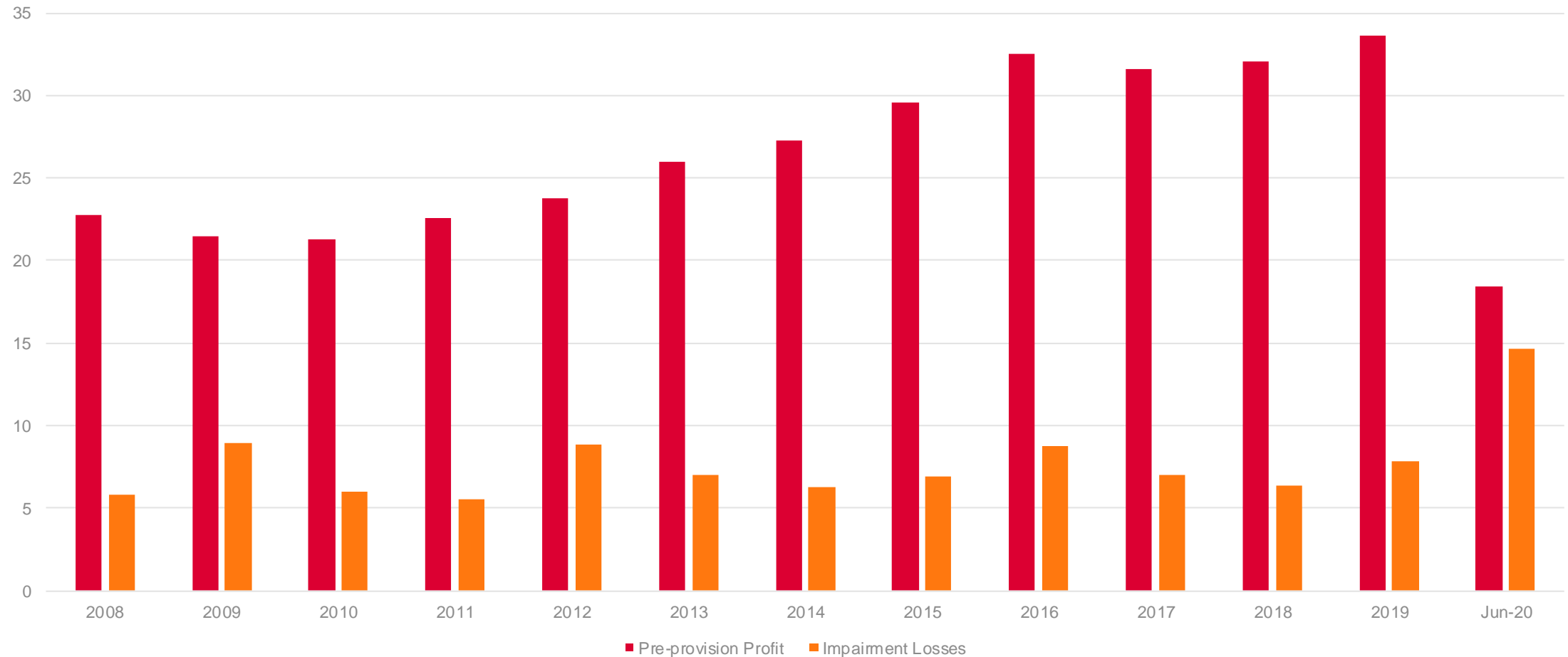
Absa Group CET1 and CAR vs. minimum regulatory requirements



*Management buffer includes the bank-specific individual capital requirement (Pillar 2b add-on) and internal stress buffers. Had the Pillar 2A buffer not been temporarily removed in line with Directive 2 of 2020 this would account for R9bn of the R31.5bn total CAR management buffer.

Strong capital generating capacity

Pre-provision Profit vs Impairment Losses Rbn

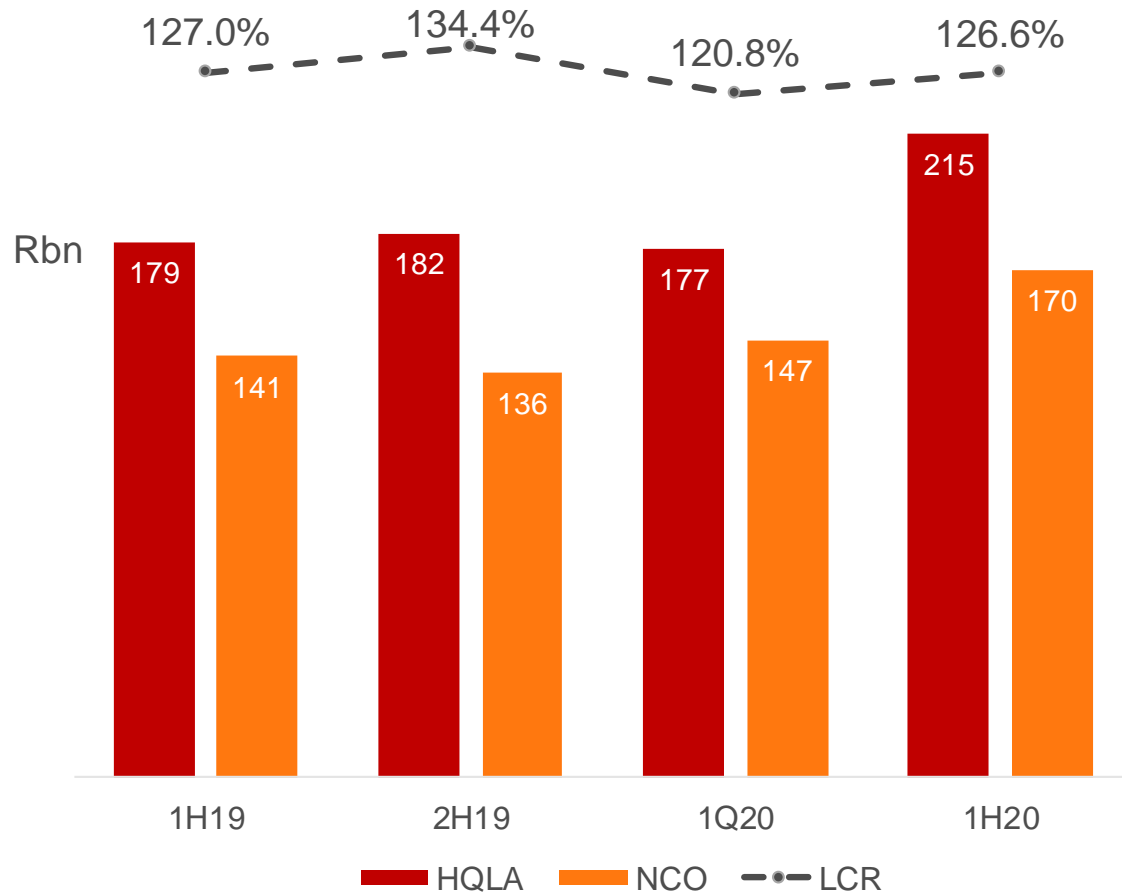


Liquidity Position

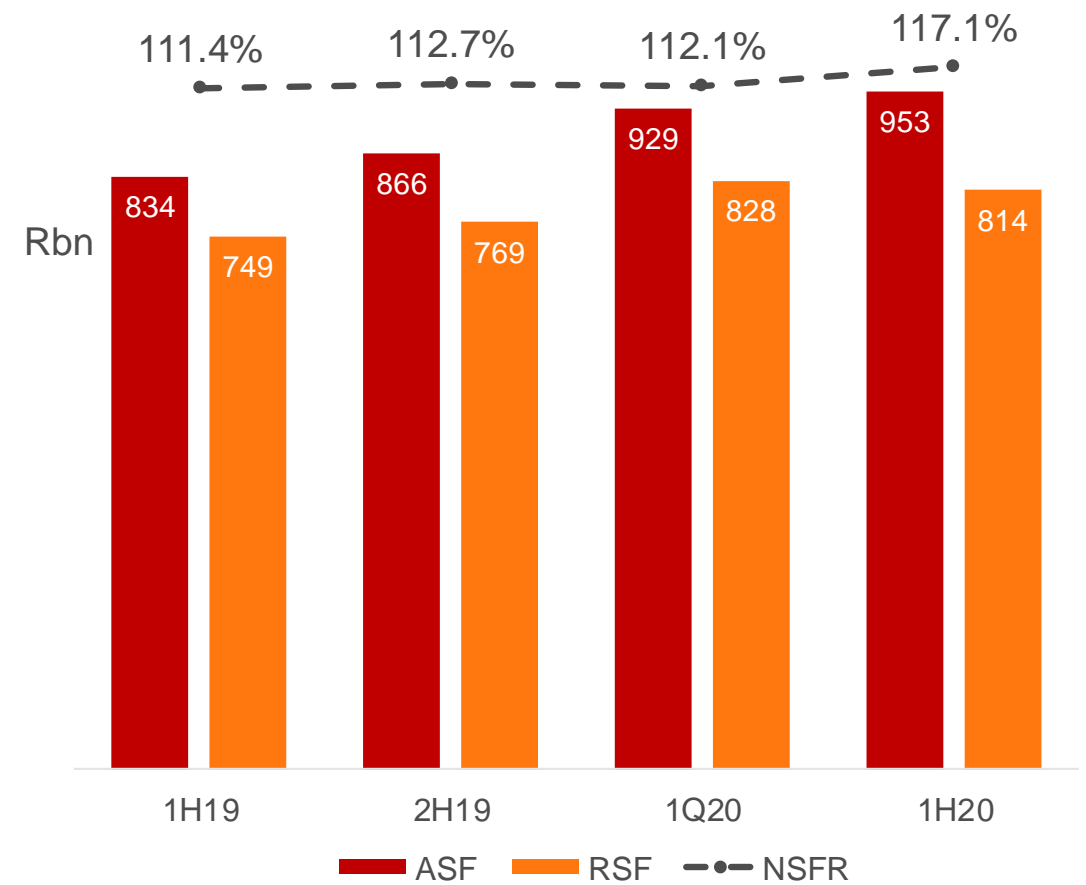
(3)

Robust liquidity position remains

Group Liquidity Coverage ratio (LCR)

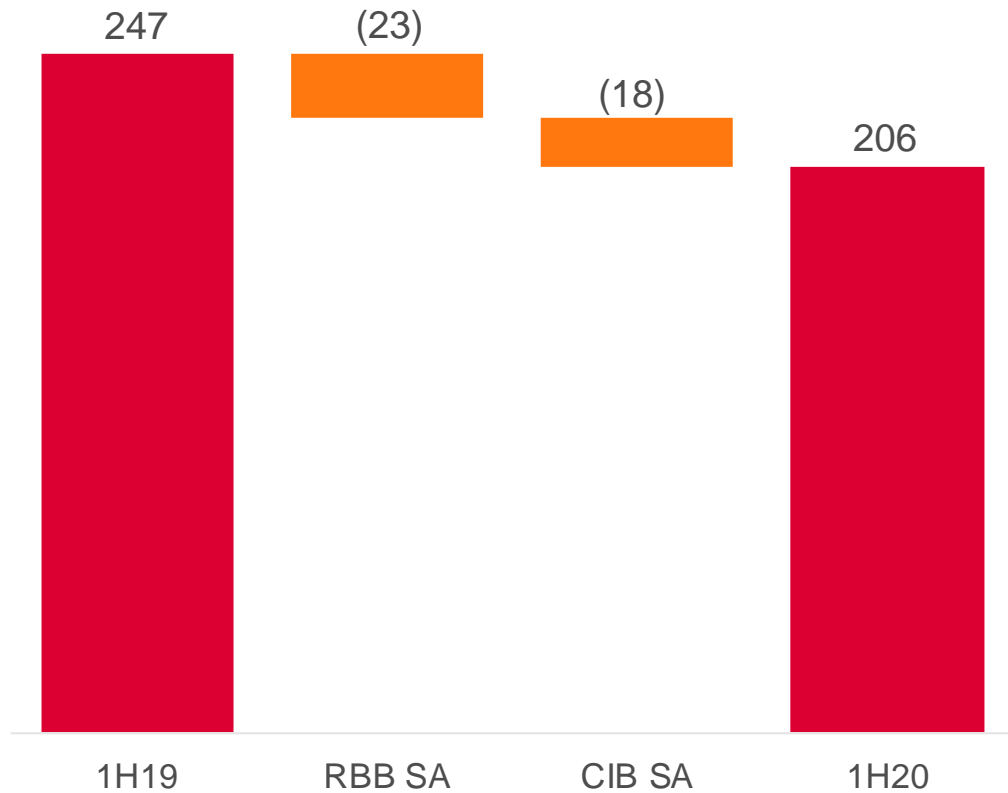


Group Net Stable Funding ratio (NSFR)

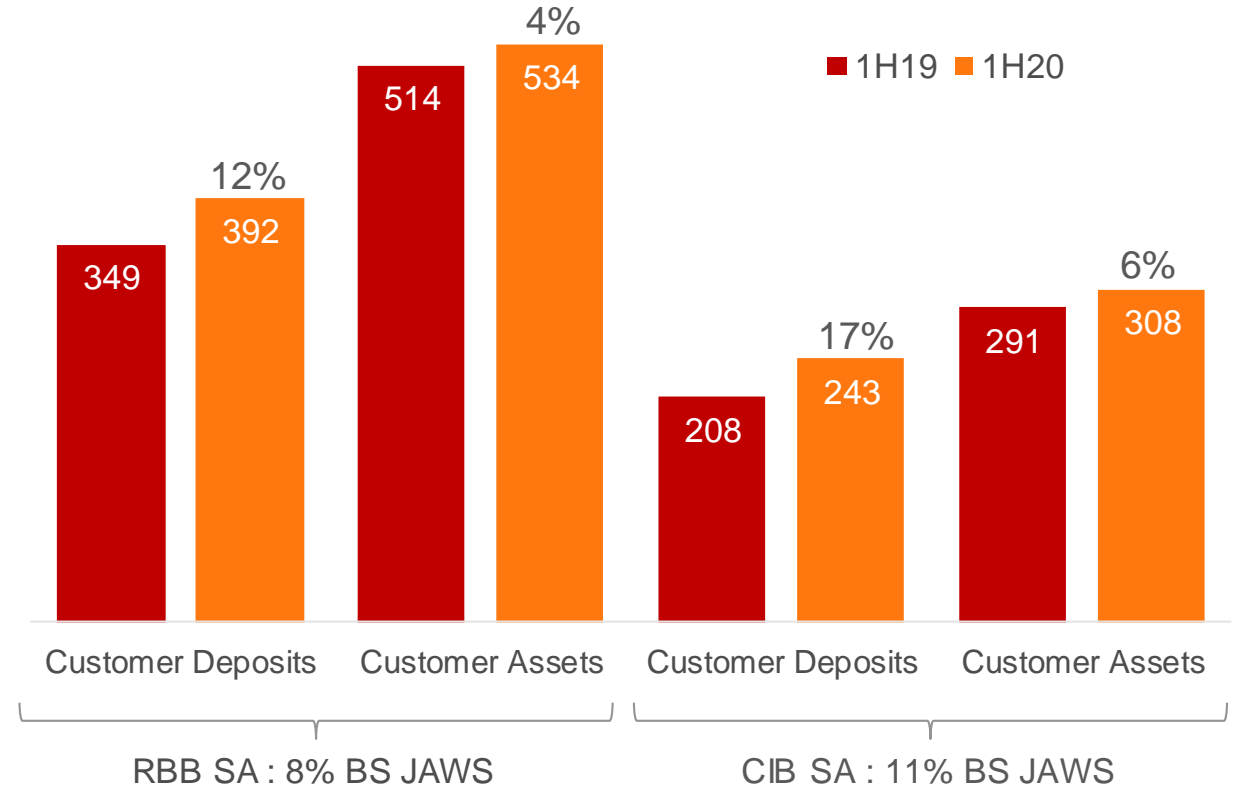


Strong deposit growth and BS JAWS reduced deposit funding gap

Cluster customer deposit funding gap for Absa Bank (Rbn)



Cluster balance sheet (BS) JAWS for Absa Bank (Rbn)



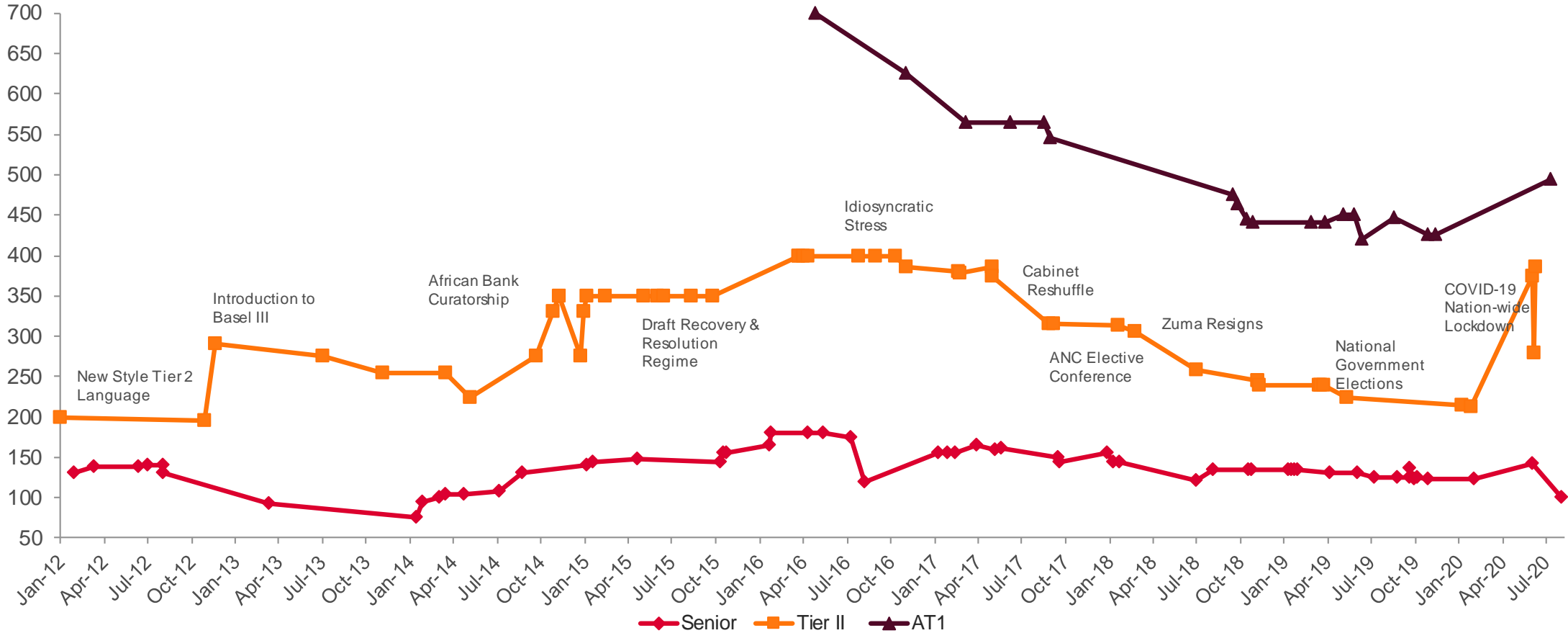
Note: Deposit funding gap = customer assets less customer deposits; Balance sheet JAWS = Customer deposit growth less customer asset growth

Issuance requirements

(4)

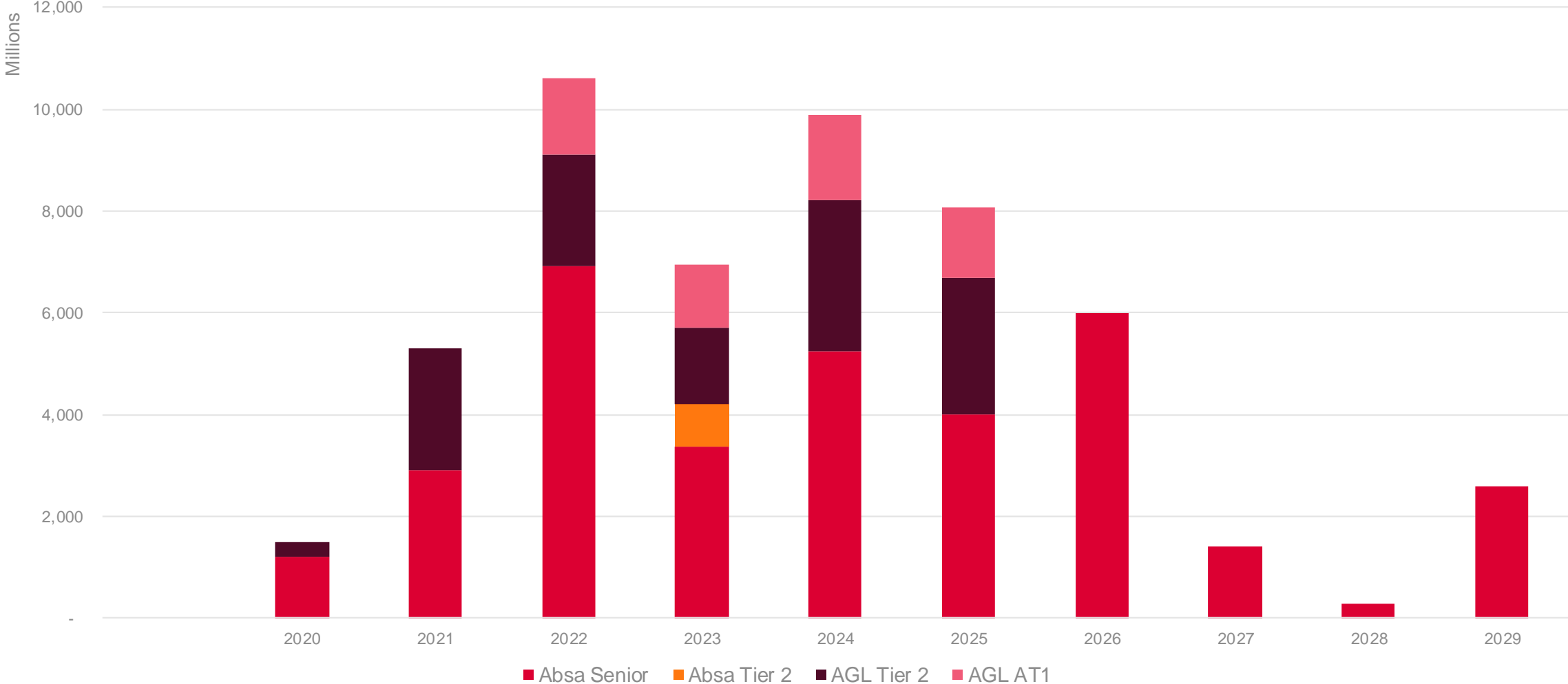
Evolution of capital market instrument pricing

Bps over Jibar



Note: 1. The graph references listed instruments with a maturity of 5 years for top 4 banks and banking groups; excludes unlisted notes

Maturity Profile



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

Source: Absa Group Limited

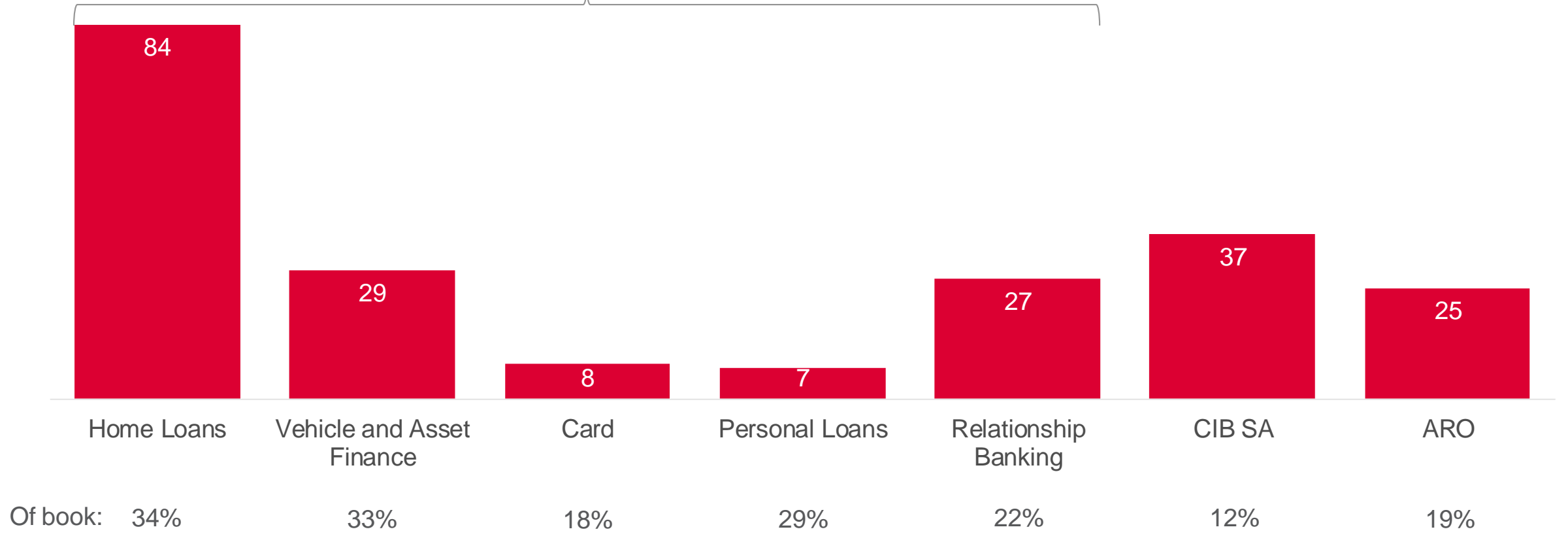
Appendix

(5)

Provided extensive Covid-19 payment relief

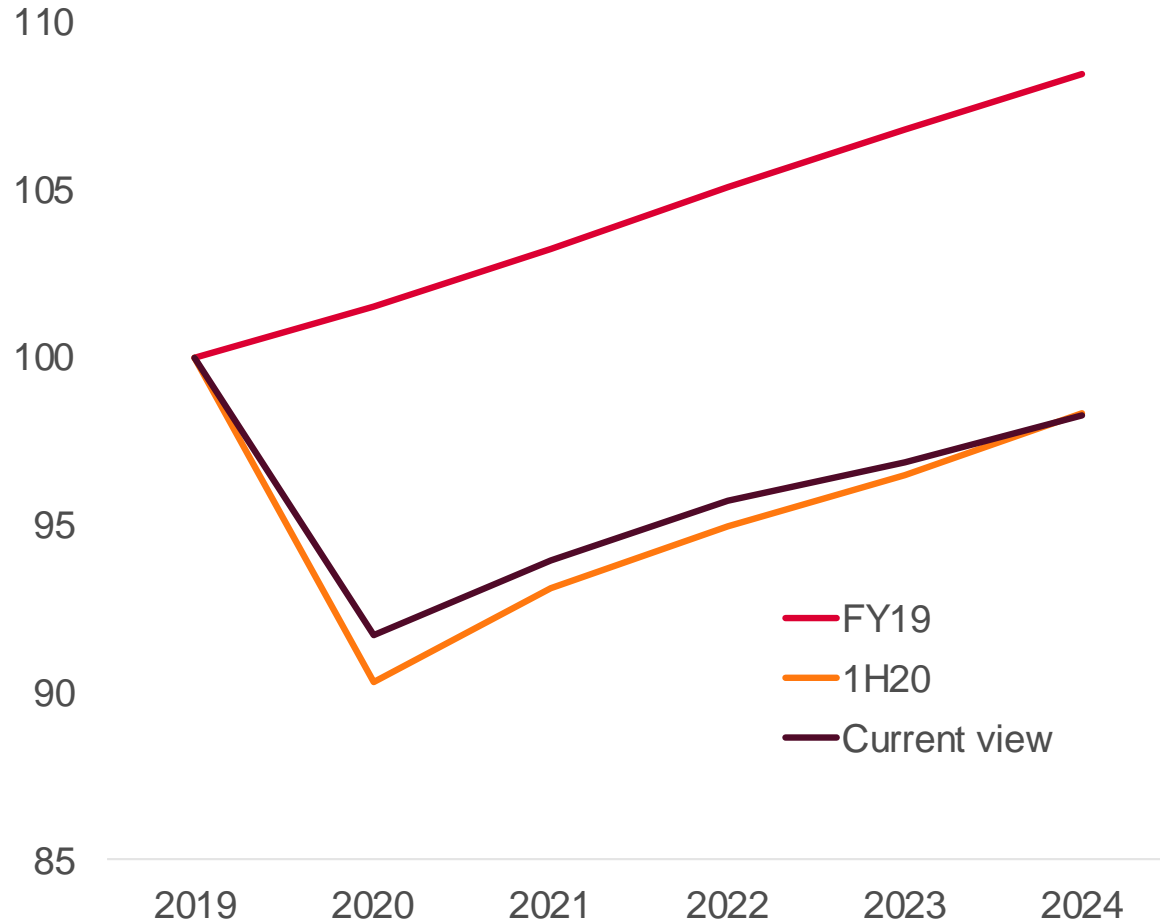
Gross carrying value of customer loans granted payment relief at 30 June 2020 (Rbn)

RBB SA: R155bn, 29% of total book

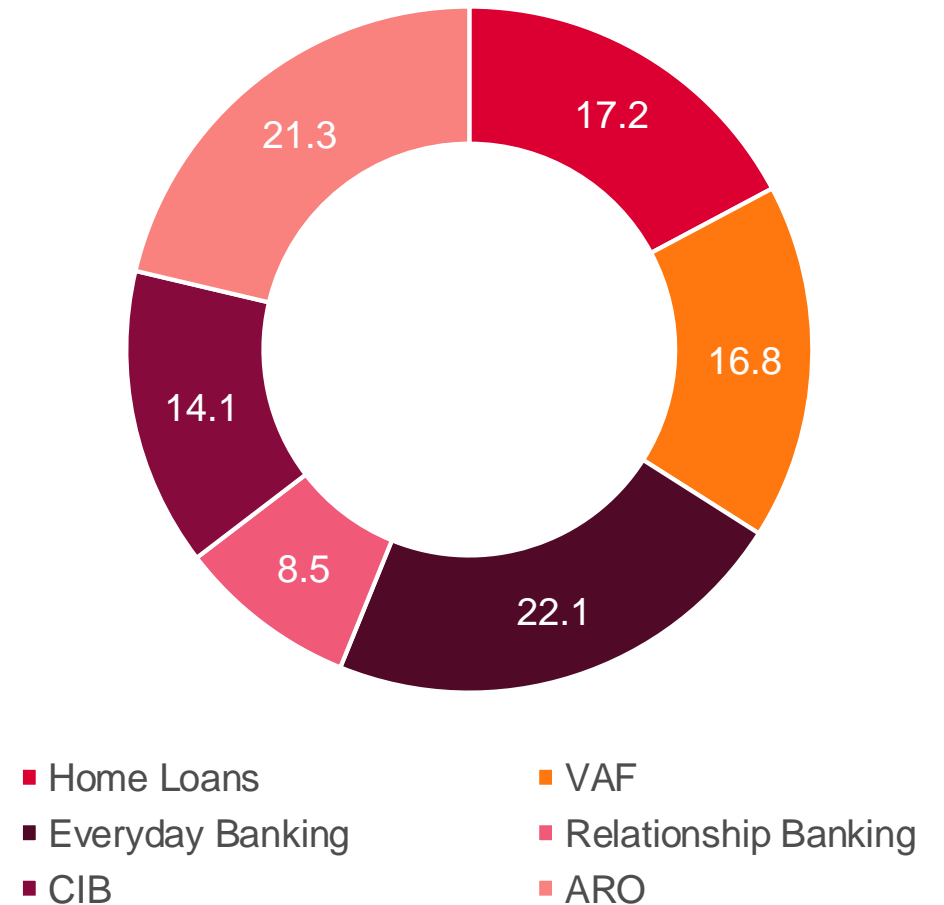


Macroeconomic variables management adjustments

SA real GDP baseline scenarios (2019 = 100)



MEV management adjustment by value (%)



Additional Tier I vs. Tier II Comparison under SA regulations

Shared Features		Additional Tier 1 & Tier II	
Callable	<ul style="list-style-type: none"> • After 5 years, and every interest payment date thereafter • No explicit or implicit indications that the instruments would or might be called, redeemed or purchased 		
Coupon step-up	<ul style="list-style-type: none"> • Not allowed 		
Point of Non-Viability (PONV)	<ul style="list-style-type: none"> • Current: Contractual trigger <ul style="list-style-type: none"> • AGL elects to issue instruments that are written off at the Point of Non-Viability (PONV) • The trigger event for Additional Tier I accounted as equity and Tier II capital instruments shall be at the discretion of the Registrar as envisaged in regulation 38(11)(b)(i) and regulation 38(12)(a)(i) of the Regulations • The trigger event for Additional Tier 1 capital instruments, accounted as liabilities, shall be the earlier of the decision by the Registrar as envisaged in regulations 38(11)(b)(i) of the Regulations or when a bank or controlling company's CET 1 ratio is equal to or below 5.875%. • Potential: Statutory Trigger <ul style="list-style-type: none"> • The terms of the instrument state that once the statutory resolution regime for South Africa has been implemented, this legislation replaces the contractual terms of the instrument 		
Point of Resolution (POR)	<ul style="list-style-type: none"> • The institution is not meeting its minimum prudential requirements and the SARB is satisfied that it is unlikely to be able to meet these requirements within a reasonable period. • In the judgment of the SARB, the institution has reached the PONV and the recovery actions available to the institution and the regulator have been implemented without the necessary success, have become depleted or are likely to be ineffective. • No private-sector solution seems likely or feasible 		
Differentiating Features		Additional Tier 1	Tier II
Ranking	<ul style="list-style-type: none"> • Senior to equity only • Subordinated to depositors, general creditors and other subordinated debt of the bank (Tier 2) 	<ul style="list-style-type: none"> • Senior to Equity and AT1 • Subordinated to depositors and general creditors 	
Maturity	<ul style="list-style-type: none"> • Perpetual with no step-ups or other incentives to redeem 	<ul style="list-style-type: none"> • At least 5 years 	
Balance sheet treatment for domestic AT1	<ul style="list-style-type: none"> • Accounting: Equity or Debt • Tax and legal: Debt 	<ul style="list-style-type: none"> • Recognised and disclosed as a liability 	
Going / Gone concern	<ul style="list-style-type: none"> • Going concern - see distributions 	<ul style="list-style-type: none"> • Gone concern – see distributions 	
Distributions	<ul style="list-style-type: none"> • Fully discretionary and therefore loss absorbing – Going concern instrument • Non cumulative (cancellation of distribution does not constitute an event of default) • Dividend stoppers are allowed (subject to Recovery & Resolution Framework confirmation) 	<ul style="list-style-type: none"> • Non-discretionary • Not deferrable 	

Source: Basel, SARB, AGL 2020

Disclaimer

Forward-looking statements

Certain statements (words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘believes’, ‘intends’, ‘plans’, ‘may’, ‘will’ and ‘should’ and similar expressions in this document are forward looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Absa Group Limited and its subsidiaries. These statements are not guarantees of future operating, financial or other results and involve certain risks, uncertainties and assumptions and so actual results and outcomes may differ materially from these expressed or implied by such statements. We make no express or implied representation or warranty that the results we anticipated by such forward-looking statements will be achieved. These statements represent one of many possible scenarios and should not be viewed as the most likely or standard scenario. We are not obligated to update the historical information or forward looking statements in this document.