



# Absa Group Limited

Fixed Income Investor Roadshow

# Table of Contents

1. Group Performance Update
2. Strategic Update
3. Funding and Liquidity Management
4. Capital Position
5. Fixed Income Overview
6. Appendix

# Group Financial and Operating Performance

( 1 )

# Normalised performance in line with guidance

Rm	FY16 <sup>1</sup>	FY17 <sup>2</sup>	FY18 <sup>2</sup>	Change (%)	Normalisation adjustments
Net interest income	42 003	42 319	<b>43 425</b>	3	330
Non-interest income	30 391	30 671	<b>32 235</b>	5	525
Total income	72 394	72 990	<b>75 660</b>	4	855
Impairment losses	8 751	7 022	<b>6 324</b>	(10)	-
Operating expenses	39 956	41 403	<b>43 642</b>	5	(3 161)
Other <sup>1</sup>	(2 005)	(1 706)	<b>(1 653)</b>	(3)	(194)
Taxation	5 835	6 290	<b>6 766</b>	8	484
Non-controlling interest	1 139	1 199	<b>1 372</b>	14	(30)
Headline earnings	14 980	15 623	<b>16 128</b>	3	(2 016)
CET1 (%)	12.1	12.1	<b>12.0</b>	(0.1)	-
CAR (%)	14.8	14.9	<b>15.4</b>	0.5	-

Notes:

\* Includes other impairments, indirect tax and associates' and JVs share of post tax results

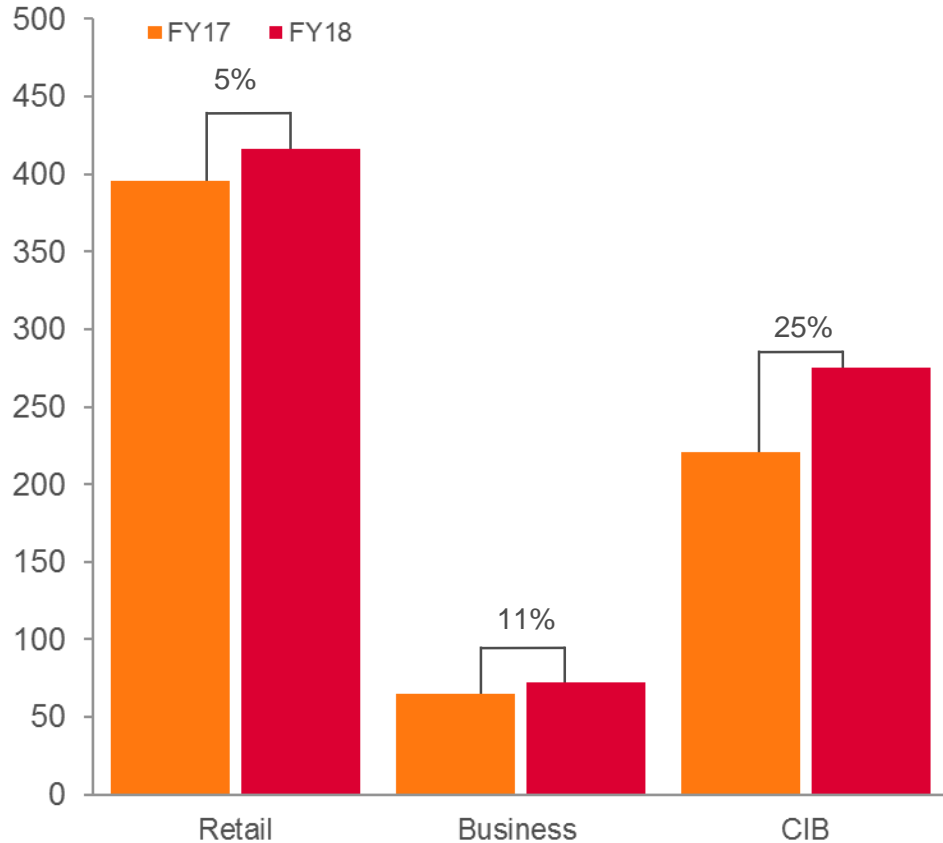
1. Source: Absa Group Limited Results Booklet 31 December 2017

2. Source: Absa Group Limited Results Booklet 31 December 2018

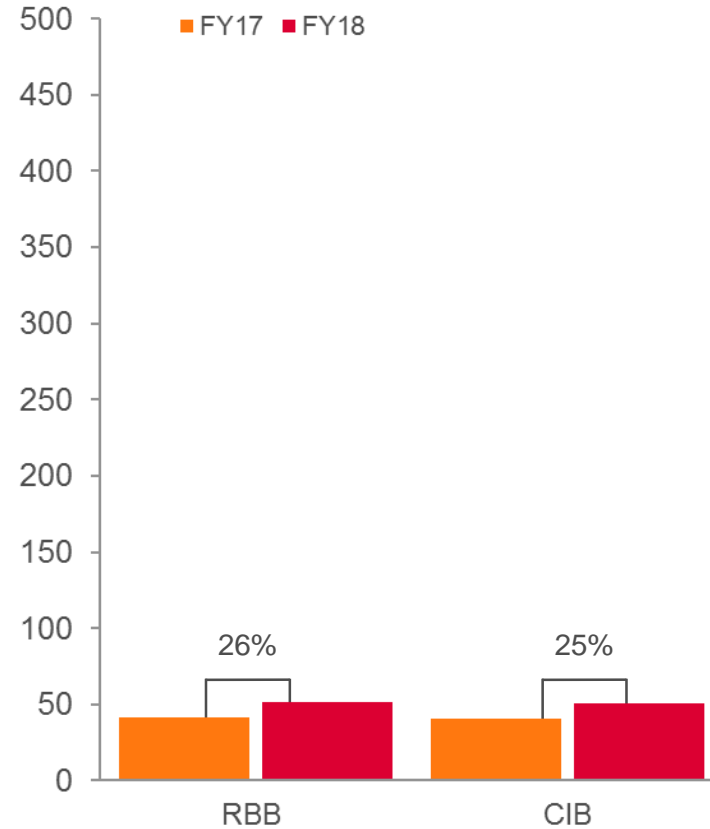
# Group loan growth improving

## Gross customer loans (Rbn)

### South Africa



### Absa Regional Operations

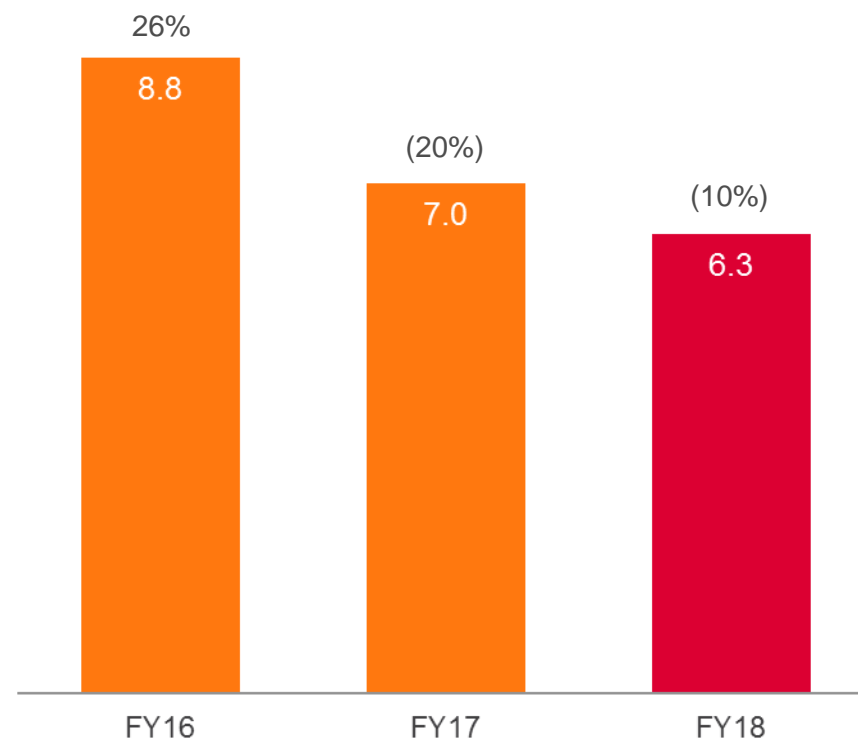


Source: Financial results booklet for the reporting period ended 31 December 2018  
\* Percentage data points on both graphs represent year-on-year percentage changes

# Credit impairments improved further

Credit loss ratio (%)	FY17	FY18	Underlying FY18 <sup>1</sup>
RBB SA	1.10	0.94	1.06
Retail Banking	1.20	1.04	1.15
Card	4.53	3.42	3.58
Vehicle and Asset Finance	0.87	1.02	1.11
Home Loans	0.30	0.05	0.16
Personal Loans	6.09	5.51	5.80
Business Banking	0.43	0.35	0.53
CIB SA	0.24	0.36	0.36
Absa Regional Operations	1.34	0.77	0.77
<b>Group</b>	<b>0.87</b>	<b>0.73</b>	<b>0.80</b>

## Credit impairments (Rbn)



Source: Absa Group Limited Results Booklet 31 December 2018

Note: 1. Excluding impact of International Financial Reporting Interpretations Committee reclassification.

**Strategic Update**

**( 2 )**

# A strategy for growth

## Three strategic commitments

- Growing our portfolio while contributing to the growth of the markets we serve
- Reducing costs by creating a more efficient and effective organisation
- Delivering top, sustainable returns that maximise long-term value

## Three strategic targets

### Revenue

To grow revenue faster, on average, than the South African bank sector from 2019 to 2021, with an improving trend over time and within appropriate risk appetite parameters

### Cost to Income

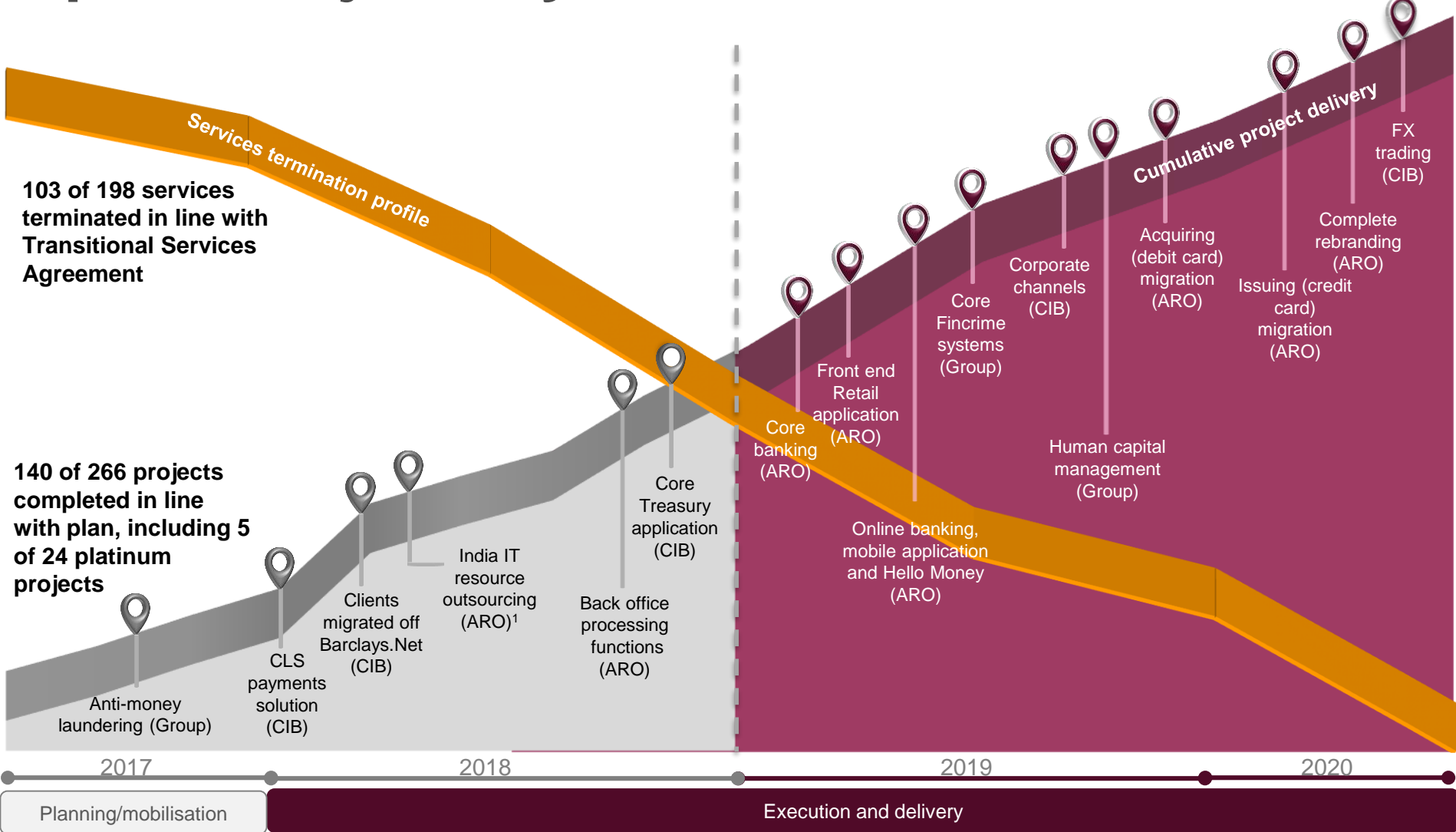
To consistently reduce our normalised cost-to-income ratio to reach the low 50's by 2021

### ROE

To achieve a normalised group return on equity of 18% to 20% by 2021



# Separation journey



# Separation remains on track

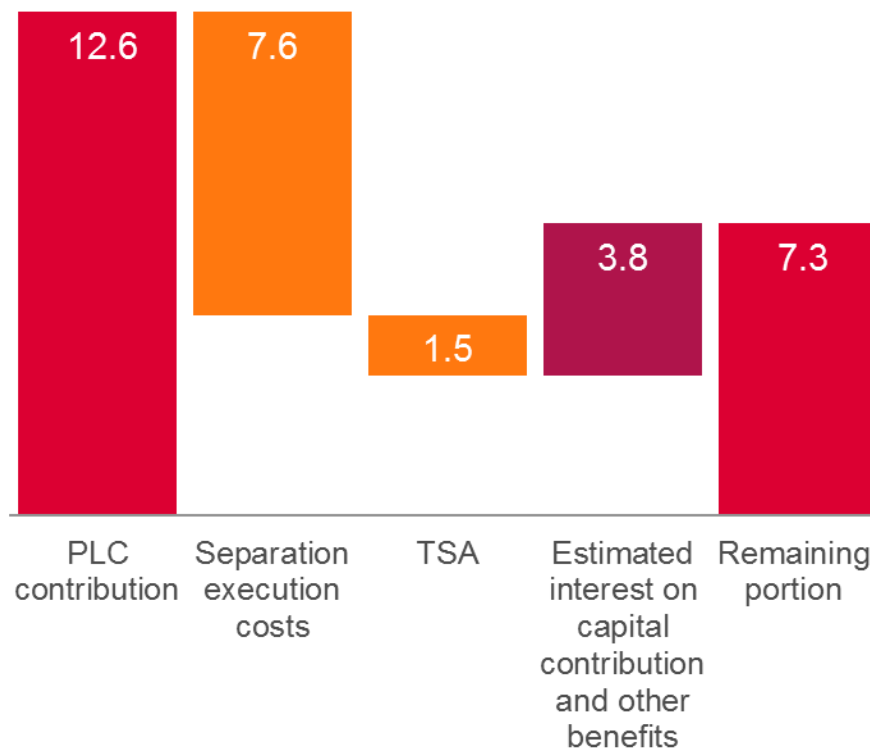
## Spend to date

- Project execution and support R7.6bn
  - Group systems rebuild (HR re-platform, Corporate channels and financial crime)
  - Technology infrastructure replacement
  - Localizing contracts
  - Removing 'Member of Barclays' in SA and holding company name change
- Transitional Service Agreement (TSA) payments R1.5bn

## Interest on capital contributions and other benefits

- Interest on capital contribution, FX gains on contribution received and other benefits
- Separation expected to be capital and cash flow neutral

## Separation spend and remaining contribution (Rbn)



Source: Financial results booklet for the reporting period ended 31 December 2018 (IFRS results)

# Funding and Liquidity Management

( 3 )

# Asset and liability management position in line with risk appetite

- The liquidity position of the Group remained strong, in line with risk appetite, and above the minimum regulatory requirements.
- The NSFR became effective 1 January 2018. Both the Group and Absa Bank were above the regulatory minimum requirement of 100% during the reporting period
- LCR at 116.7%, above minimum regulatory requirements (90%) over the reporting period
- Less than 5% of balance sheet requirement is in hard currency
- Each banking entity is self sufficient from a liquidity perspective
- Strong deposit franchise particularly in Retail

BA900 Market Share <sup>2</sup>		
Sector	Market Share	Rank
Retail	21%	2
Corporate	19%	3
Wholesale	18%	4

Balance sheet Deposit Growth <sup>1</sup>		
Sector	Y/Y Growth	% of Funding <sup>4</sup>
Retail	11%	23%
Business and CIB	3%	33%
ARO	23%	15%
Wholesale <sup>3</sup>	7%	28%

Note: 1. Absa Group Limited Results Booklet 31 December 2018;  
 2. Based on SARB BA900 report data as at 30 November 2018  
 3. Head office, treasury and other operations in SA plus Debt securities in issue  
 4. Total deposits due to customers and Debt securities in issue

## Absa Group

### Key Risk Metrics<sup>1</sup>

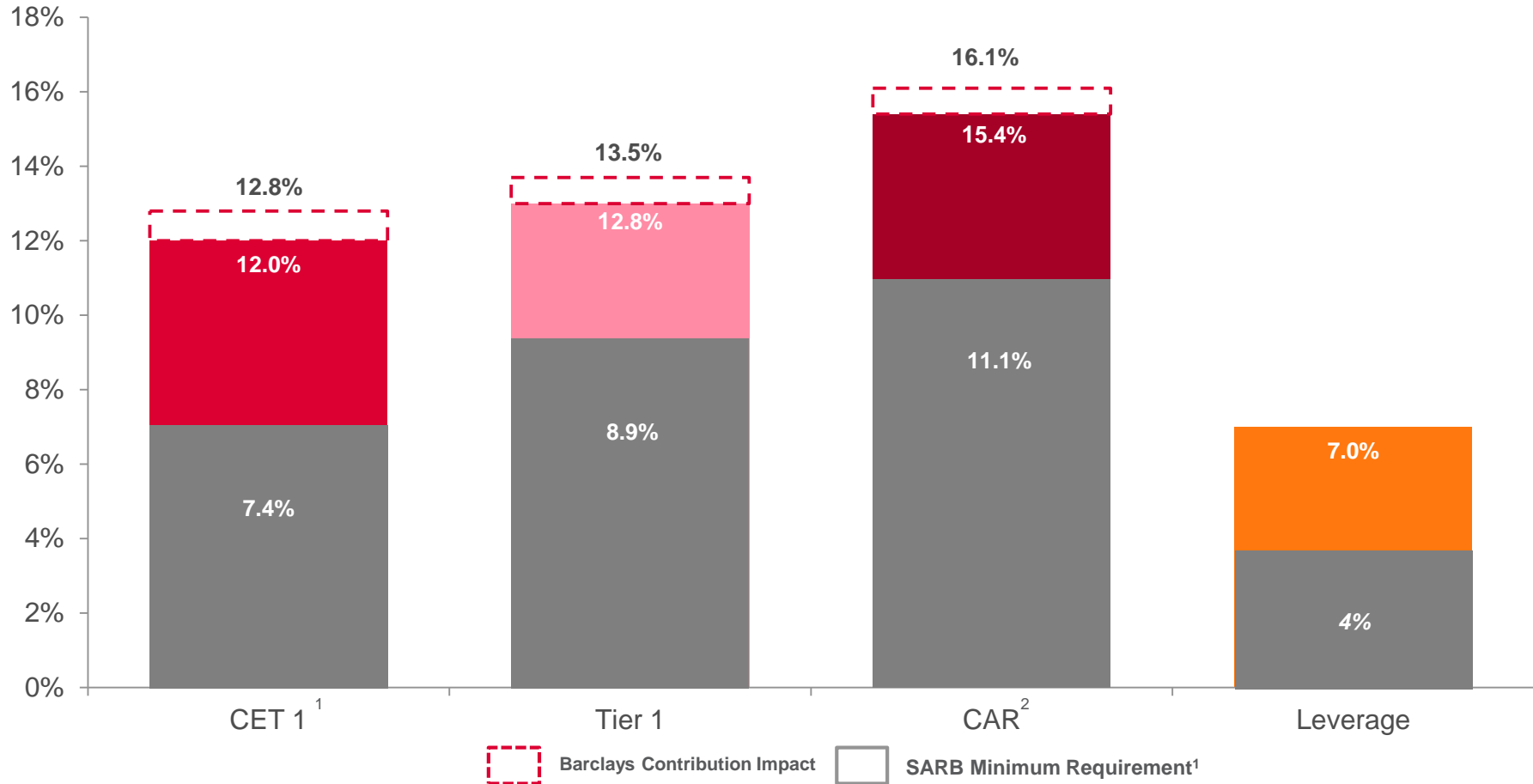
	FY 18	FY 17
Net Stable Funding Ratio (NSFR) (%)	110.1	-
Liquidity Coverage Ratio (LCR) (%)	116.7	107.5
Loan and advances to customers(R'bn)	841.7	749.8
South Africa	744.5	671.9
Absa Regional Operations	97.2	77.9
Deposits and Debt Securities in Issue	897.3	827.8
South Africa	762.3	718.8
Absa Regional Operations	135.0	109.0
Foreign Currency Deposits Contribution of Total Deposits (%)	<5	<5
Loan-to-Deposit ratio (%)	93.8	90.6
Annual Earnings at Risk as a % of NII	6.3%	4.6%

# Capital Position and Themes

( 4 )

# Capitalised in excess of regulatory requirements

Absa Group Limited Regulatory Capital Levels



Source: Absa Group Limited Results Booklet 31 December 2018

Notes: \* SARB minimum requirements excludes Pillar 2B and D-SIB;

1. Common equity Tier 1

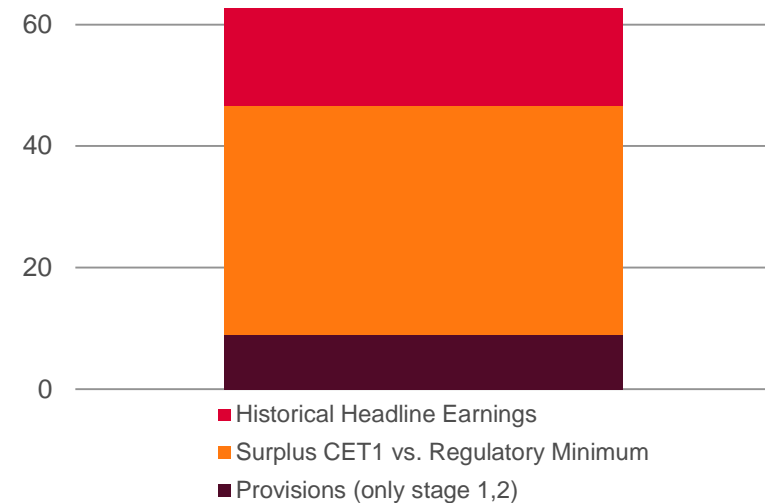
2. Capital adequacy requirement

# Excess loss absorption capacity c. 8% of RWA

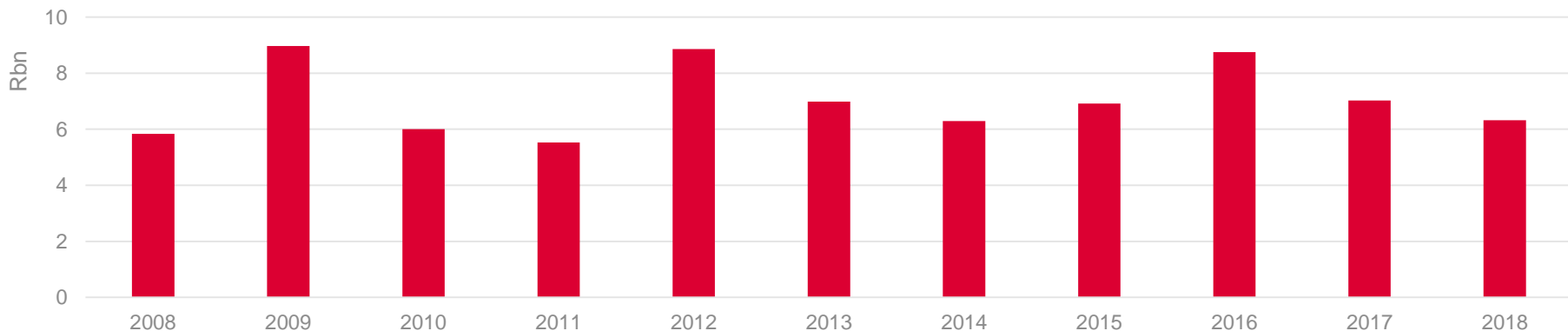
## Key buffers

- Headline Earnings:
  - Consistent earnings delivers approximately 2% capital generation per annum
- Regulatory Buffers in excess of minimum requirements:
  - CET 1 of 12% vs Regulatory Min of 7.4%
- Provisions in Stage 1 and Stage 2

**Absa Group loss absorptency capacity**  
Percentage of RWA (Rbn)



## Impairment Losses - Income Statement



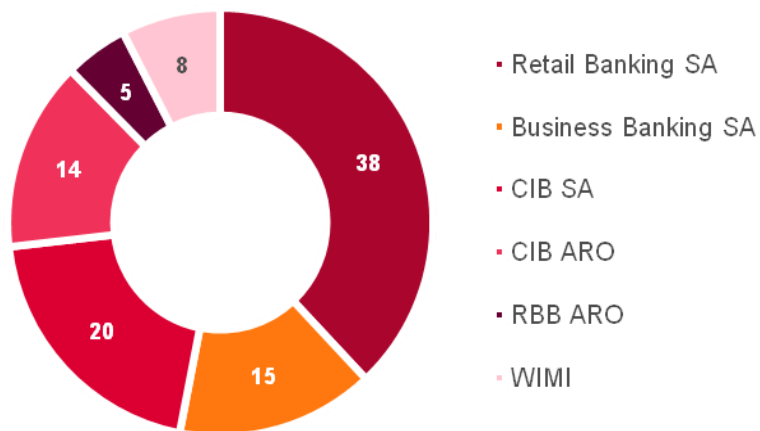
Source: Absa Group Limited Results Booklet 31 December 2018

# Group asset and earnings mix

## Group Exposure Split (Rbn and %)

	Absa Group Limited (Holding Company)	Absa Bank Limited (South Africa)
Assets	R1,288bn	R1,080bn (84%)
Income	R77bn	R52bn (68%)
RWA	R819bn	R570bn (70%)
NAV	R121bn	R85bn (70%)
CET1	R99bn	R64bn (65%)

## Headline Earnings Mix (%)<sup>1</sup>



Source: Financial results booklet for the reporting period ended 31 December 2018 (IFRS results);

1. Excludes Group Centre and adjustments for CIB and RBB Africa Regional Operations (ARO)

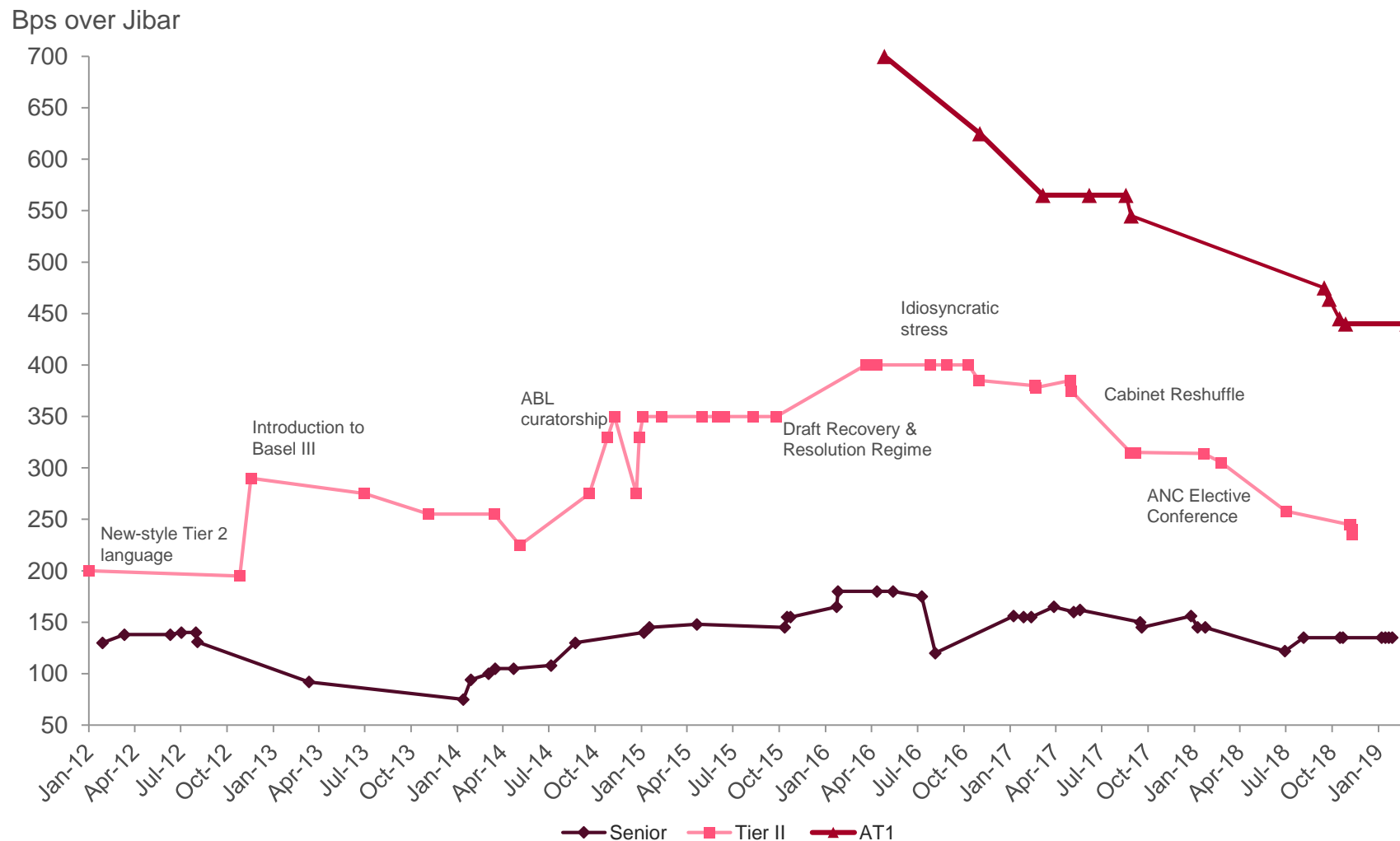


# Fixed Income Overview

( 5 )

# Capital market instrument pricing progression

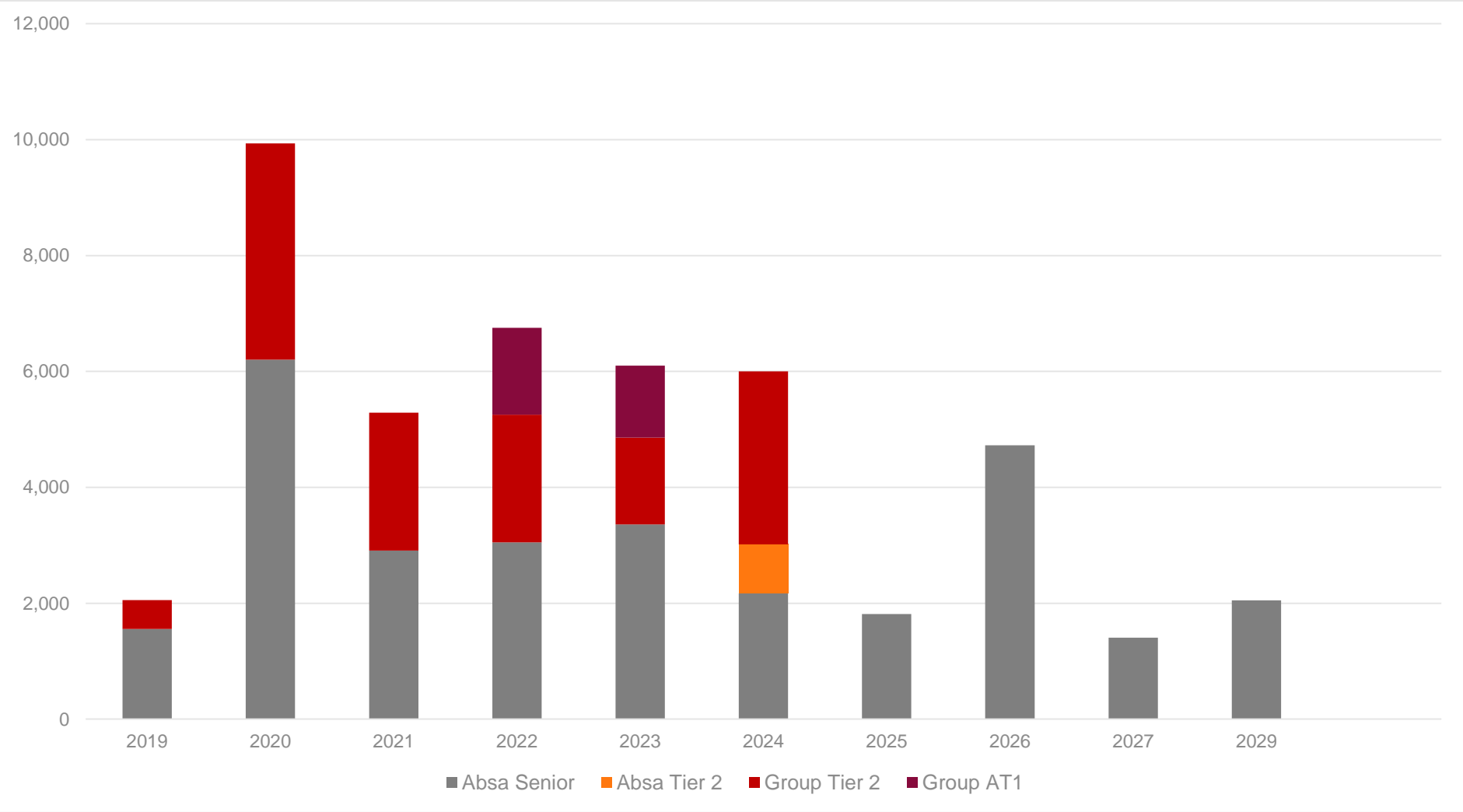
## Previous Pricing Points for 5year Senior, Tier II and AT1 Floating Rate Notes<sup>1</sup>



Note: 1. The graph references listed instruments for top 4 banks and banking groups; excludes unlisted notes

Source: JSE, Absa Group Limited, August 2018

# Group ZAR debt maturity profile



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

Source: Absa Group Limited

**Appendix**

**( 6 )**

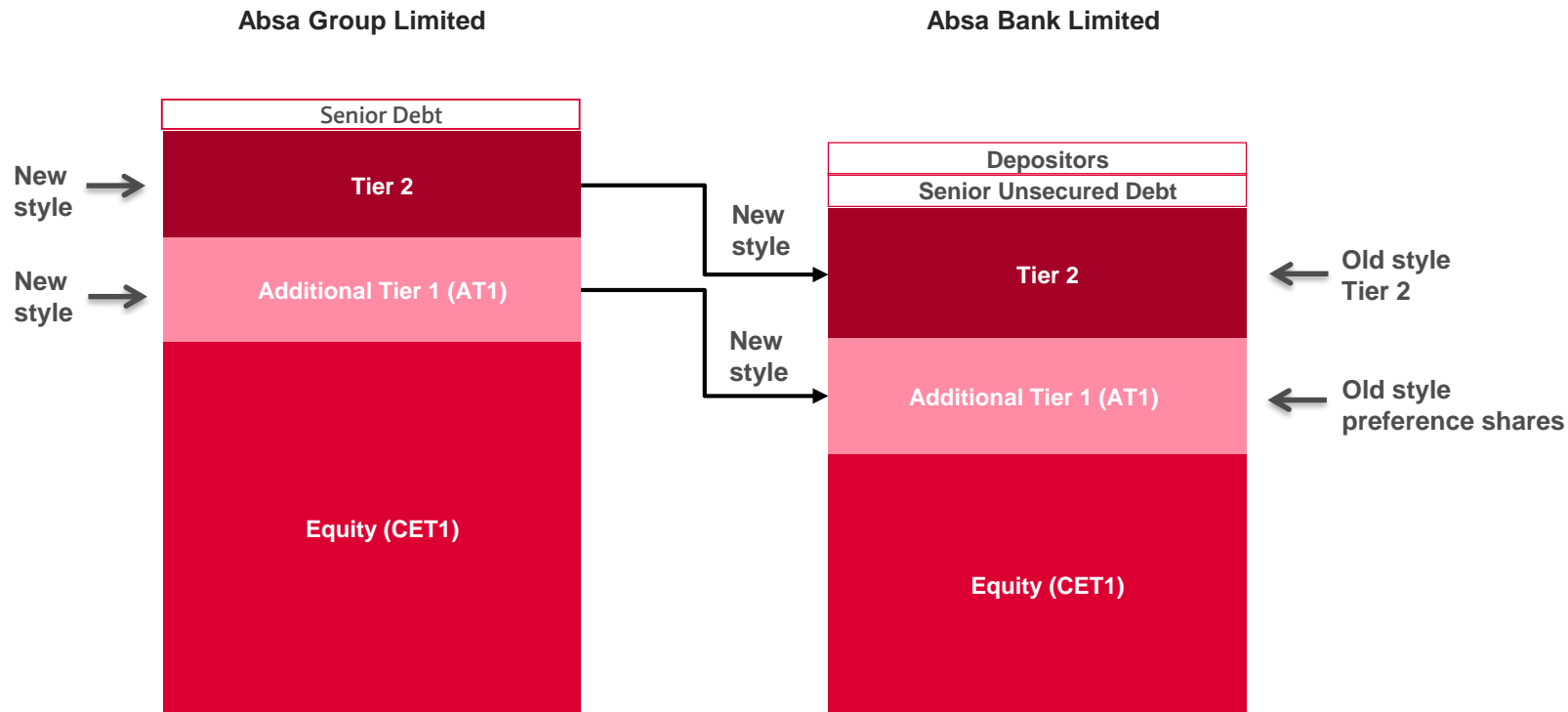
# Normalised salient features

	FY17	FY18
	%	%
Diluted headline EPS growth	4	<b>4</b>
Dividend per share growth	4	<b>4</b>
Net asset value per share growth	5	<b>4</b>
Return on equity	16.5	<b>16.8</b>
Profit after regulatory capital charge (Rbn)	2.6	<b>2.7</b>
Net interest margin	4.83	<b>4.64</b>
Operating JAWS	(3)	<b>(2)</b>
Cost to income ratio	56.7	<b>57.7</b>
Credit loss ratio	0.87	<b>0.73</b>

Source: Absa Group Limited Results Booklet 31 December 2018

# 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

# 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](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>

# Contacts

## Absa Group Limited

Deon Raju – Absa Group Treasurer

Tel no. 011- 895 7107 / [deon.raju@absacapital.com](mailto:deon.raju@absacapital.com)

Rolf van den Heever – Head, Capital Market Execution & BSM

Tel no. 011- 895 6381/ [rolf.vandenheever@absacapital.com](mailto:rolf.vandenheever@absacapital.com)

Richard Favis – Capital Market Execution

Tel no. 011- 895 7661/ [richard.favis@absacapital.com](mailto:richard.favis@absacapital.com)

Telvina Naidoo – Capital Market Execution

Tel no. 010 – 245 4803 / [telvina.naidoo@absacapital.com](mailto:telvina.naidoo@absacapital.com)

Alan Hartdegen – Head Investor Relations

Tel no. 011 – 350 4061 / [alan.hartdegen@absa.co.za](mailto:alan.hartdegen@absa.co.za)

## Debt Capital Markets

Kumeshen Naidoo – Head

Tel no. 011 895 6555 / [kumeshen.naidoo@absacapital.com](mailto:kumeshen.naidoo@absacapital.com)

Anesu Musendo

Tel no. 011 772 7732 / [anesu.musendo@absacapital.com](mailto:anesu.musendo@absacapital.com)

## Syndicate

Matthew Duggan – Head

Tel no. 011- 895 7864 / [matthew.duggan@absacapital.com](mailto:matthew.duggan@absacapital.com)

Muhammad Motala

Tel no. 011- 895 5780/ [muhammad.motala@absacapital.com](mailto:muhammad.motala@absacapital.com)

## Fixed Income Sales

Beyers Roux – Head

Tel no. 011 895 5511 / [beyers.roux@absacapital.com](mailto:beyers.roux@absacapital.com)

Anastasia Lite

Tel no. 011 895 5511 / [anastasia.lite@absacapital.com](mailto:anastasia.lite@absacapital.com)



# Disclaimer

This document has been compiled by Absa Corporate and Investment Bank (“**Absa CIB**”), a division of Absa Bank Limited, a registered bank in the Republic of South Africa (Registration number 1986/04794/06) and with its registered office at Absa Towers East, 170 Main Street, Johannesburg (“**Absa**”). Absa is regulated by the South African Reserve Bank and is a licensed Financial Services Provider. Absa is a wholly-owned subsidiary of Absa Group Limited. Absa, together with the subsidiaries and affiliates of Barclays Africa Group Limited are referred to as the “**Absa Group**” in this document.

Absa has prepared this document for information purposes only and You must not be regard this document as a prospectus for any security or financial product or transaction. Absa does not expressly, tacitly or by implication represent, recommend or propose that the securities and/or financial or investment Products or services (the Products) referred to in this commentary are appropriate and/or suitable for Your particular investment objectives or financial situation or needs. This commentary is not, nor is it intended to be, advice as defined and/or contemplated in Financial Advisory and Intermediary Services Act, 37 of 2002, (FAIS Act) or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever (advice). You have to obtain Your own advice prior to making any decision or taking any action whatsoever based hereon and Absa disclaims any liability for any direct, indirect or consequential damage or losses that You may suffer from using or relying on the information contained herein even if notified of the possibility of such damage or loss and irrespective of whether or not You have obtained independent advice. This commentary is neither an offer to sell nor a solicitation of an offer to buy any of the Products, which shall always be subject to Absa’s internal approvals and a formal agreement between You and Absa. Any pricing included in this commentary is only indicative and is not binding as such on Absa. All the risks and significant issues related to or associated with the Products are not disclosed and therefore, prior to investing or transacting, You should fully understand the Products and any risks and significant issues related to or associated with them. The Products may involve a high degree of risk including, but not limited to, the risk of (a) low or no investment returns, (b) capital loss, (c) counterparty or issuer default, (d) adverse or unanticipated financial market fluctuations, (e) inflation and (f) currency exchange. The value of any Product may fluctuate daily as a result of these risks. Absa does not predict actual results, performances and/or financial returns and no assurances, warranties or guarantees are given in this regard. The indicative summaries of the Products provided herein may be amended, superseded or replaced by subsequent summaries without notice. The information, views and opinions expressed herein are compiled from or based on trade and statistical services or other third party sources believed by Absa to be reliable and are therefore provided and expressed in good faith. Absa gives no recommendation, guide, warranty, representation, undertaking or guarantee concerning the accuracy, adequacy and/or completeness of the information or any view or opinion provided or expressed herein. Any information on past financial returns, modeling or back-testing is no indication of future returns. Absa makes no representation on the reasonableness of the assumptions made within or the accuracy or completeness of any modeling or back-testing. All opinions, views and estimates are given as of the date hereof and are subject to change without notice. Absa expressly disclaims any liability for any damage or loss as a result of errors or omissions in the information, data or views contained or expressed herein even if notified of the possibility of such damage or loss. Absa does not warrant or guarantee merchantability, non-infringement of third party rights or fitness for a particular use and/or purpose. Absa, its affiliates and individuals associated with them may (in various capacities) have positions or deal in securities (or related derivative securities), financial Products or investments identical or similar to the Products. he Products shall only be offered and the offering material shall only be distributed in or from any jurisdiction in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on Absa or any of its affiliates. In this document reference is made to various indices. The publishers and sponsors of those indices (the publishers and sponsors) do not endorse, sponsor or promote the Products and make no warranty, guarantee, representation or other assurance (express, tacit or implied) relating to the indices. The publishers and sponsors make no warranties (including merchantability and fitness for purpose). The publishers and sponsors shall not incur any liability in respect of any damage or loss that You may suffer as a result of investing in a Product even if notified of the possibility of such damage or loss. The publishers and sponsors may amend the composition or calculation of indices and have no obligation to have regard to Your or Absa’s need in this regard. No part of this document may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, electronic scanning, recording, or by any information storage or retrieval system, without the prior permission in writing from Absa.

Absa Bank Limited, Reg. No. 1986/004794/06. Authorised Financial Services Provider. Registered Credit Provider, Reg. No. NCRCP7.