SAPRA – Roadshow and AGM

James Noble

August/ September 2019

Absa Group Limited Overview

- Access to regional and domestic products and client franchise
- Strong local and regional balance sheet
- Access to world-class technology and expertise.

Rene van Wyk
Interim Chief Executive Officer

Peter Matlare
Deputy Chief Executive, Absa Group Limited

Charles Russon
Chief Executive, CIB, Absa Group Limited

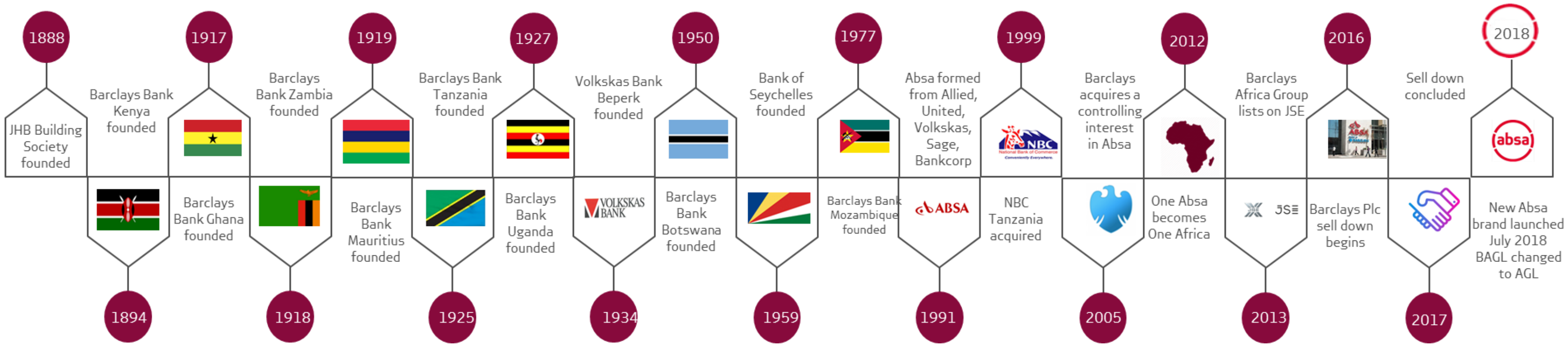
Absa Group Limited

Absa Corporate Investment Banking and Wealth

Wealth | Corporate Investment Banking | Infrastructure

History of the Absa Group

Who is Absa Group Limited (AGL)?



Absa Group Limited Overview

- Diversified financial services provider listed on the JSE Limited, with a market cap of ZAR135bn[1] / ~US$10.1bn
- Offer an integrated set of products and services across personal & business banking, corporate & investment banking, wealth and investment management and insurance
- Strongly positioned as a fully local bank with regional and international expertise
- Aspire to build the leading financial services group in chosen African countries
- Headquartered in Johannesburg, South Africa with presence in 10 markets in Africa
  - Direct presence in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania, Uganda and Zambia)
  - Representative offices in Namibia and Nigeria
- Well capitalised and independently funded
- Over 12 million customers in 10 countries employing over 41,000 people

Absa's local footprint

		Branches	ATMs	Cash Centres
1	Northern Cape	25	256	1
2	North West	48	619	2
3	Gauteng	202	2 794	4
4	Mpumalanga	50	638	2
5	Limpopo	41	678	2
6	Free State	66	502	2
7	KwaZulu-Natal	91	1 149	4
8	Eastern Cape	73	789	3
9	Western Cape	134	1 512	2
Total		730	8 919	22

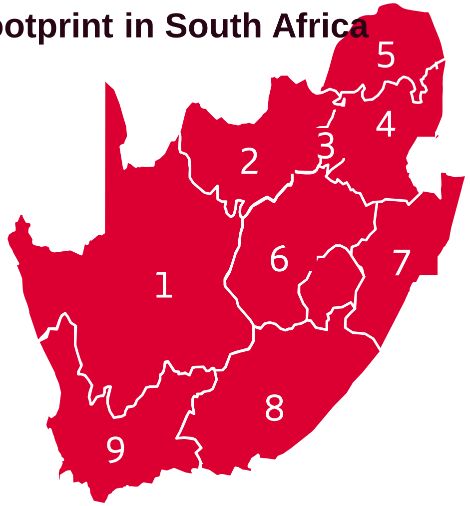
730 Branches

8 919 ATM's

31 649 Employees

Interesting facts:

- Extensive local distribution network in South Africa serving over 9.2. million clients
- We have 730 branches, 22 cash centres and 8 919 ATM's nationwide (1900 cash accepting ATM's)
- **More than 100 000 Point of Sale Devices**
- **Over 1.9 million Absa Reward members**
- **Largest banking footprint in South Africa**



Absa Relationship Approach - We're Accessible

Primary Relationship
- Client (Fuel Retailer)
- Relationship Executive
- Transactional Banker
- Credit Analyst

Specialist Areas

Secondary Relationship
- Commercial Asset Finance
- Commercial Property Finance
- International Banking
- Electronic Banking
- Card Acquiring/ Issuing
- Insurance/ Assurance
- ATM Solutions
- Working Capital Solutions

Industry Sector Support

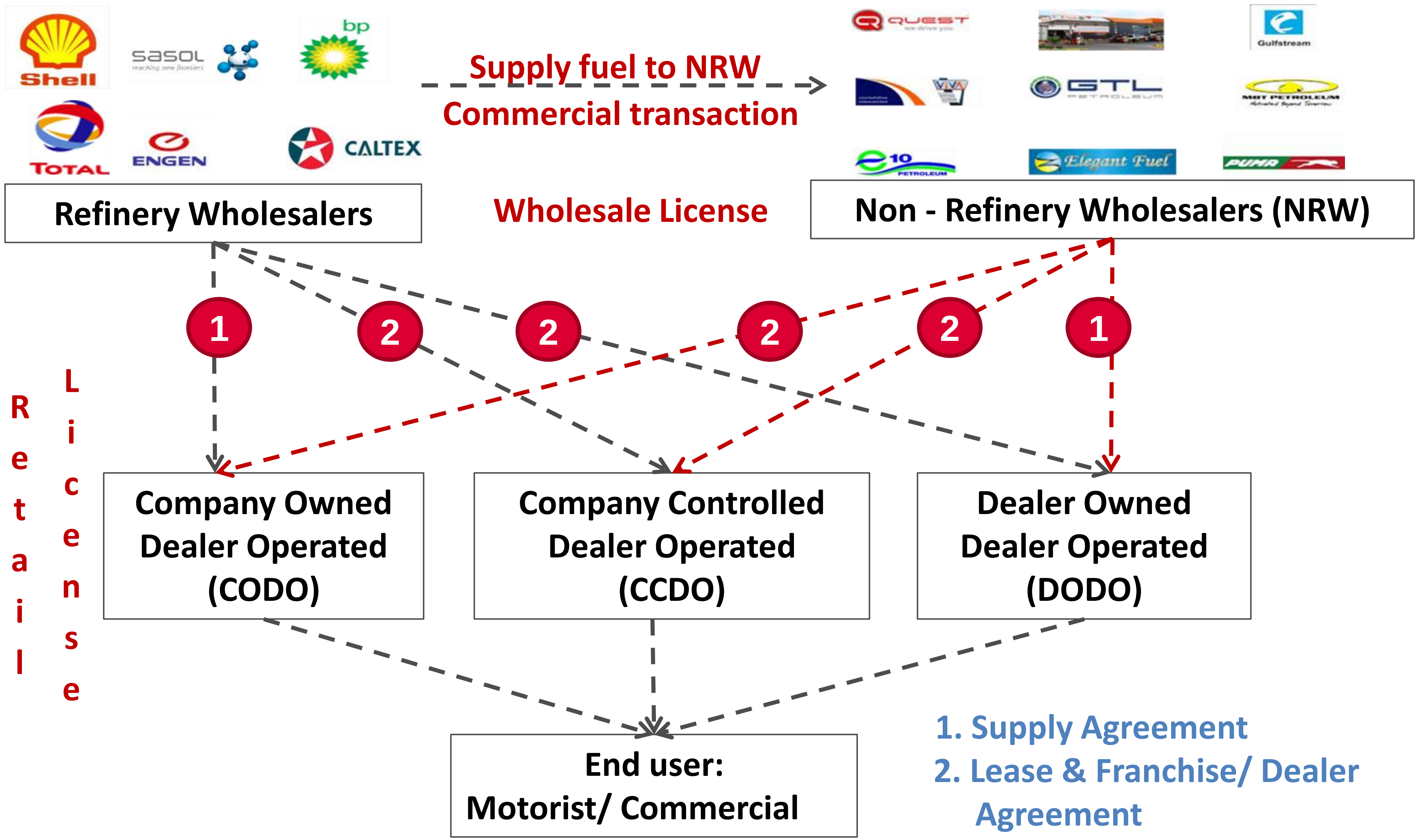
Fuel, Restaurant & QSR
- BP
- ENGEN
- Caltex
- Sasol
- Shell
- Total
- Debonairs
- Steers
- Fish Aways
- Wimpy
- Mugg and Bean
- Ocean Basket

Consumer Services
- Personal Services
- Financial Services
- Health and Beauty
- Telecoms
- Business-to-Business
- Buildings, Office and Home
- Education & Training
- Real Estate

Wholesale & Retail
- Pick 'n Pay
- SPAR
- Build It
- OK

Automotive
- Hi-Q
- Supa Quick
- Goldwagen
- Mica
- AutoZone

Fuel Industry - Downstream Value Chain



We understand the challenges in the Fuel Industry

Fixed margin per liter sold

R.A.S.

Impact on industry

Fuel Price fluctuations impacting on working capital needs

Impact of shortages and security of supply

Price of Fuel	R14.00	Cost per Litre
Credit Card	1.55%	R.0.22
Debit Card	0.54%	R.0.08

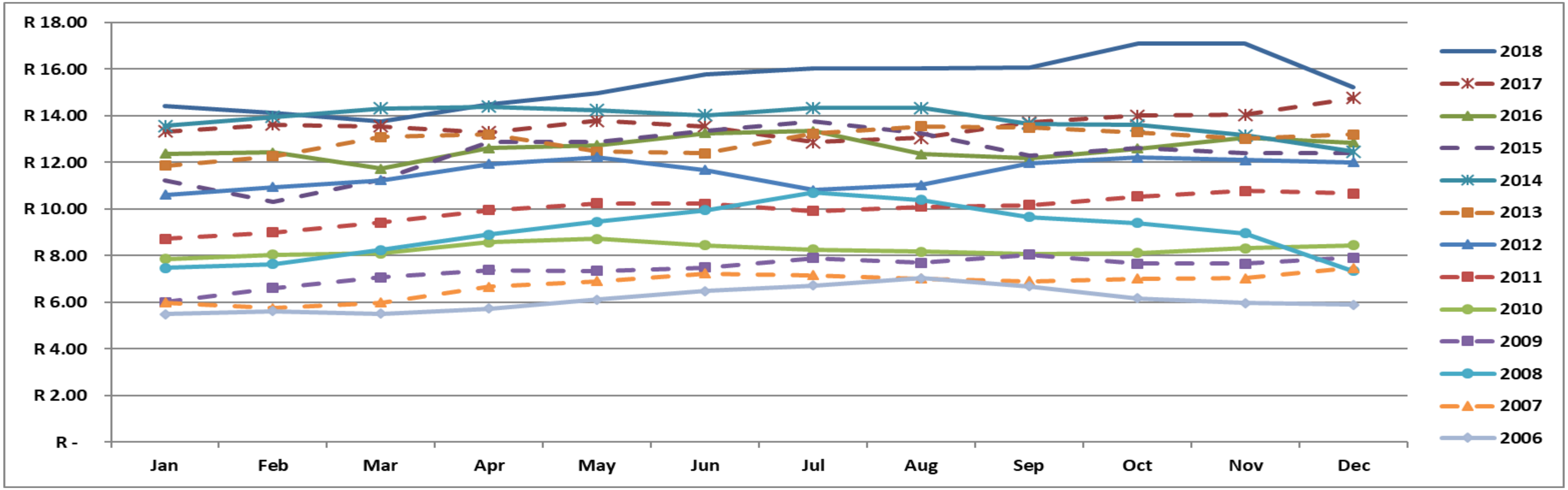
High Interchange Rates and cost of Credit Card transactions

Transformation and Enterprise Development

There are various drivers of growth and change in this industry:

- International oil prices
- Exchange rates (R/$)
- Government taxes and levies included in the fuel price
- Local economic conditions
- Security of supply – fuel shortages due to unplanned refinery shutdowns and maintenance thereof
- Storage and refining capacity
- International fuel specifications for cleaner fuels – environmental factor
- RAS – Regulatory Accounting System
- Labour and rent costs
- Industry strikes
- Gearing and sufficient working capital especially when the fuel price increases
- Transformation and BEE Codes – Fuel Charter

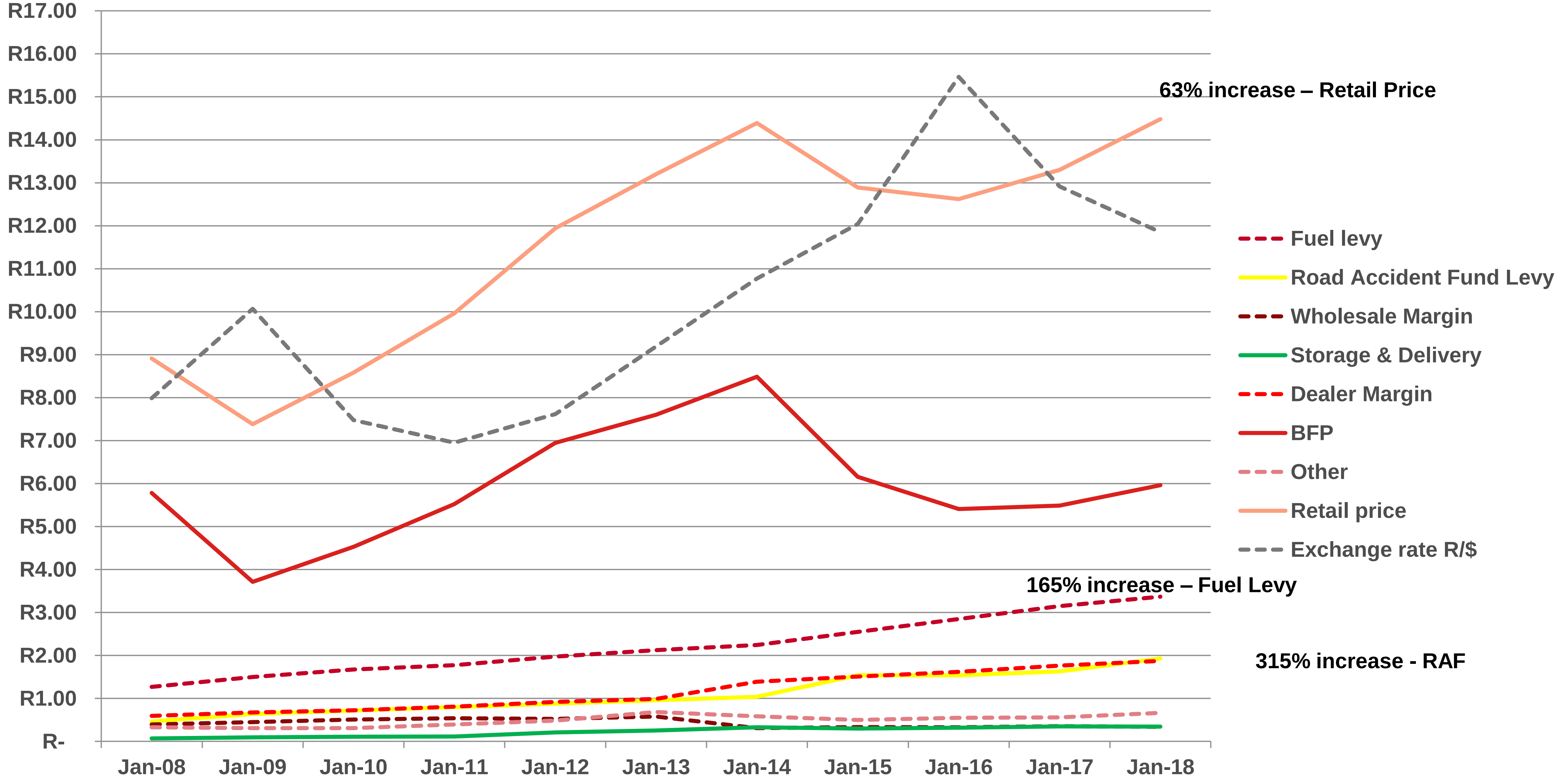
Fuel Prices since 2006



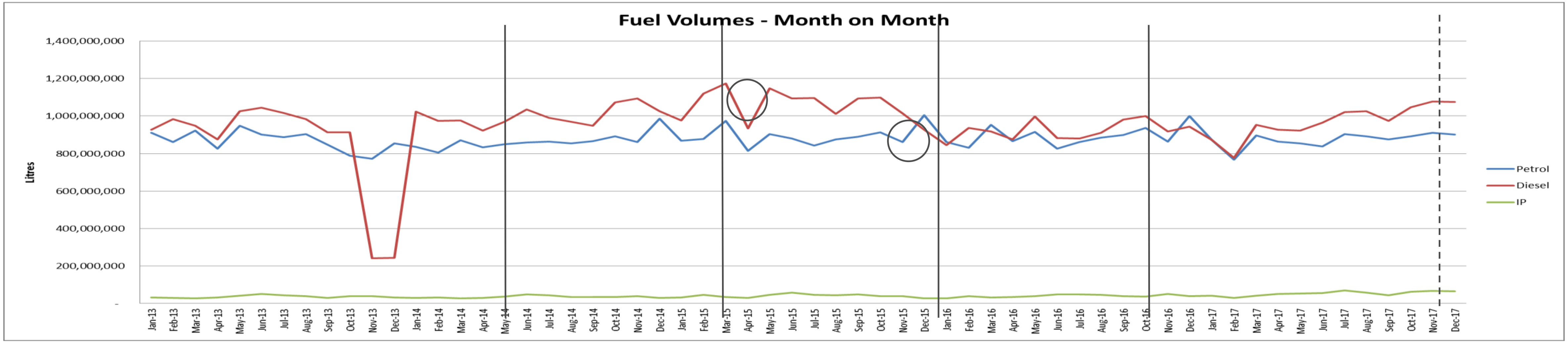
- Annual fuel retail industry turn over ±R220bn
- Since 1980 the fuel price doubles every 6.5 years (slowed down since 2014)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ave price per litre YTD	R 6.12	R 6.76	R 9.01	R 7.40	R 8.26	R 9.98	R 11.56	R 12.92	R 13.84	R 12.39	R 12.63	R 13.63	R 15.42
Ave Increase YoY		10.44%	33.31%	-17.92%	11.67%	20.77%	15.88%	11.75%	7.09%	-10.46%	1.90%	7.97%	13.13%

95 ULP Inland - Fuel Price Analysis since 2008



Fuel Volumes and Card Acquiring

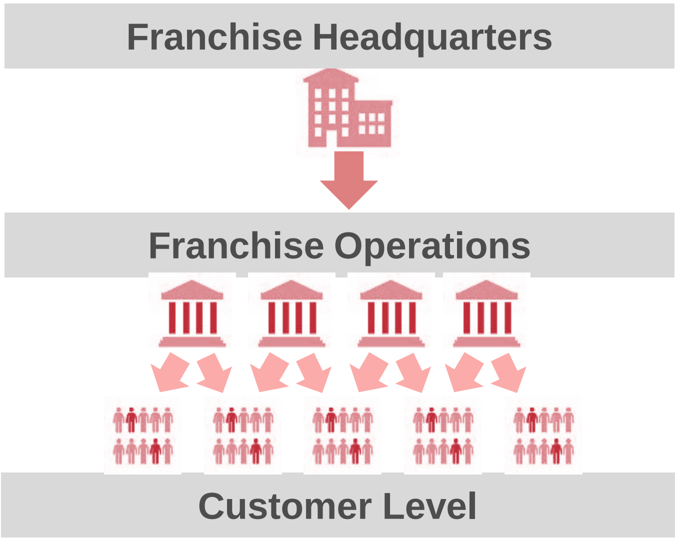


NAAMSA - Total domestic car sales fell by -3.7% y/y in July, as sharply weak passenger car sales more than offset some improvements in other segments; export growth remained strong, coming in at 22.1% y/y in July

Consumers under pressure/ less disposable income – negative impact on fuel sales at service station businesses

Card Acquiring Analysis			
Card	Value	Transaction Volumes	Ave value/ Transaction
Credit	13.25%	12.11%	R 497.32
Debit	50.10%	65.53%	R 347.50
Fleet	27.32%	15.47%	R 802.74
Garage	9.34%	6.89%	R 616.25
Total	**100.00%**	**100.00%**	**R 454.57**

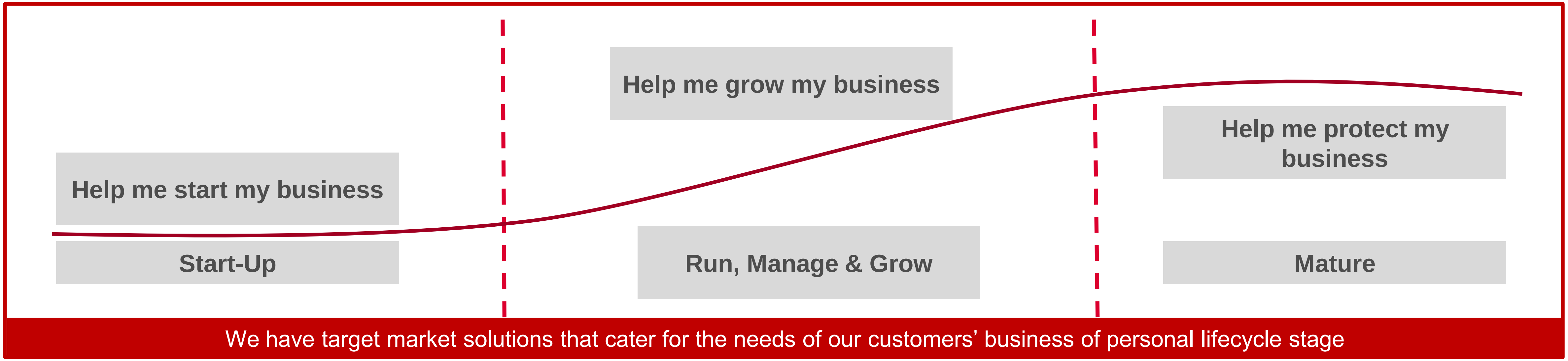
Holistic Solution



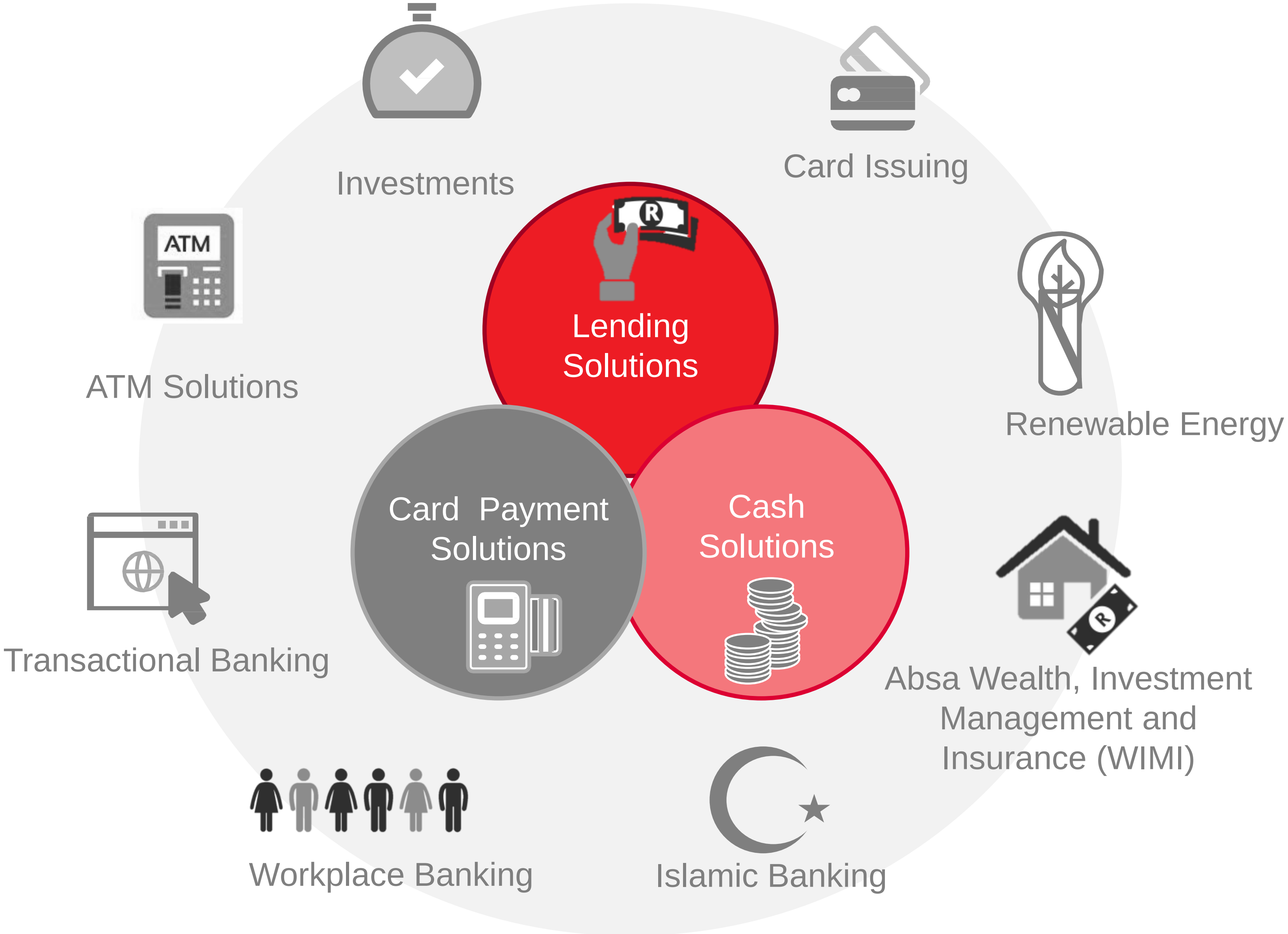
Oil Company

In our customer value proposition we have classified all the oil companies brands as a Top Tier
This entitles fuel retailers to our exclusive and preferential target market criteria of lending and banking solutions

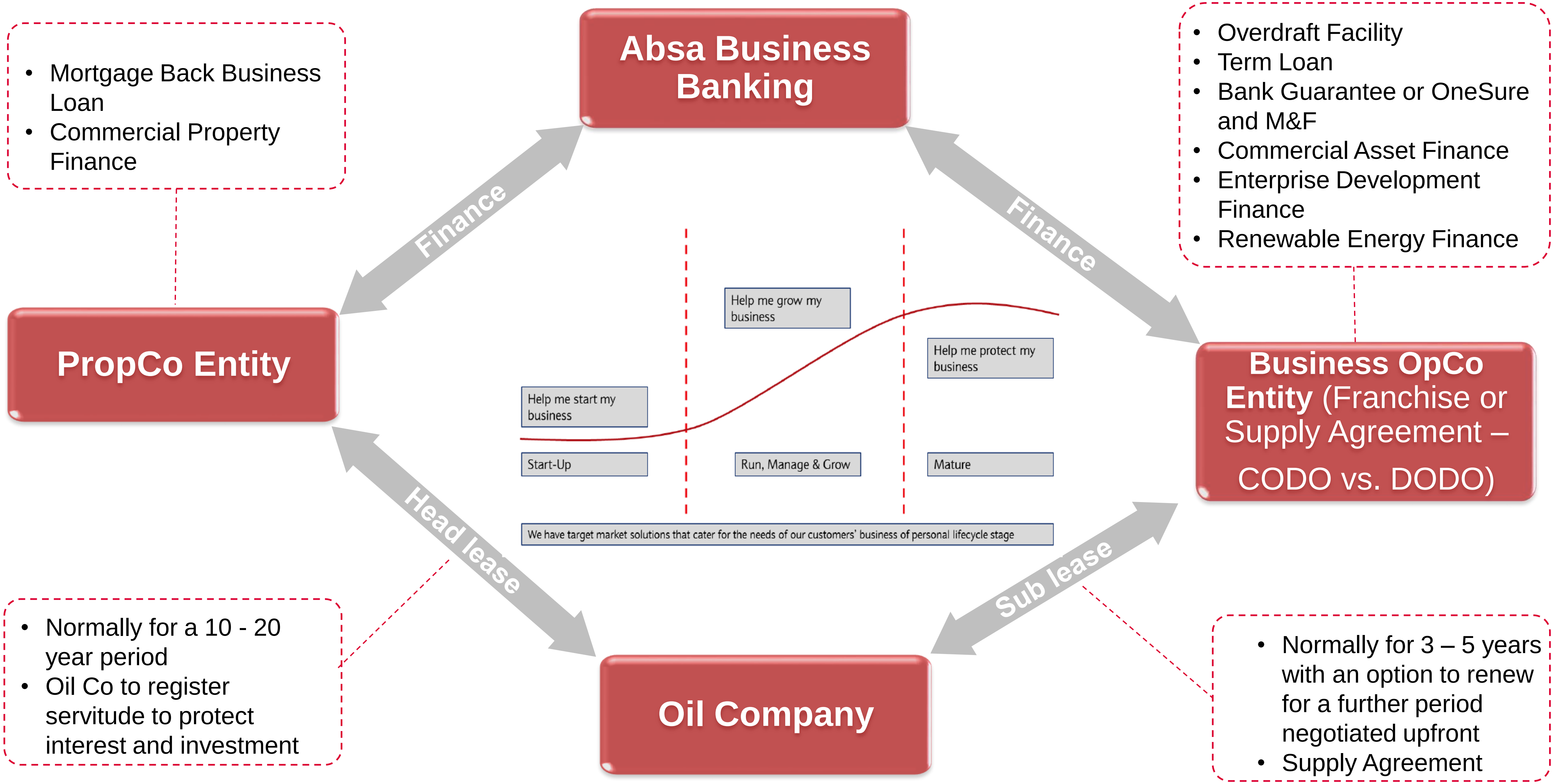
Absa Rewards programme rewards our members for banking with us. It does this by giving cash in the member's pocket (Cash Rewards).
In addition to offering the member special offers and access to a range of value added services



Holistic Service Station Solution



Our Solution to Fuel Retailers - Lending Options



Our Solution to Fuel Retailers – Financing a service station business (Opco)

Assumptions:
- 300,000 litre site with normal RAS margin of ±125cpl
- R350,000 convenience store turn over (gross profit margin of between 25% and 30%)

Forecourt Profit	30cpl	R 90,000	
Convenience Store Profit	10%	R 35,000	
Total Monthly Profit		**R 125,000**	
Value of business	**NOP x 36**	**R4,500,000**	
Working Capital		**R1,500,000**	
Total Finance Need		**R6,000,000**	
Finance:			
Own Contribution	50%	R3,000,000	
Term Loan	50%	R1,500,000	Pmt of R35,000 per month
Overdraft Facility		R1,500,000	Average interest per month of R10,000
Total Finance		**R6,000,000**	**R80,000 available for owners remuneration**

- Net Operating Profit (NOP)/ EBITDA excludes owners remuneration, finance costs, tax, depreciation and any extra ordinary expenses not related to the business

Lending criteria to consider:
- Own contribution should be unencumbered
- Security to be negotiated
- Risk profile of client to be considered
- Skills and experience
- Cash flow should support repayment ability of the loan
- Can the business afford the owner?

Our Solution to Fuel Retailers – Financing a service station business (Opco)

Assumptions:

- 300,000 litre site with normal RAS margin of ±125cpl
- R350,000 convenience store turn over (gross profit margin of between 25% and 30%)

100% gearing – not an acceptable funding structure

Forecourt Profit	30cpl	R 90,000	
Convenience Store Profit	10%	R 35,000	
Total Monthly Profit		**R 125,000**	
Value of business	**NOP x 36**	**R4,500,000**	
Working Capital		**R1,500,000**	
Total Finance Need		**R6,000,000**	
Finance:			
Own Contribution	0%	R0	
Term Loan	100%	R4,500,000	Pmt of R100,000 per month
Overdraft Facility		R1,500,000	Average interest per month of R10,000
Total Finance	**100%**	**R6,000,000**	**R15,000 available for owners remuneration**

Comments:

- Business can't afford to repay loan (over geared)
- Not sufficient cash flow to pay owner a salary
- No margin of safety of at least 15% for cash flow purposes to cover for fuel price increases
- Setting retailer up for failure with this funding structure

High gearing doesn't work, you need a 50% cash contribution

Our Solution to Fuel Retailers - Working capital (Opco)

Assumptions:

- 300,000 litre site with normal RAS margin of ±125cpl
- R350,000 convenience store turn over (gross profit margin of between 25% and 30%)

Working capital requirement:	Litres	Rand value
2 days stock (13,000 litres per day)	26,000	R 390,000
1 Delivery	40,000	R 600,000
Bottom waste (3 tanks)	4,000	R 60,000
Fuel on credit	10,000	R 150,000
Less: Deposits from debtors/ accounts		R 75,000
Working Capital for fuel		**R1,125,000**
Working Capital for shop		R 262,500
Operational expenses		R 112,500
Total overdraft need for working capital		**R1,500,000**

Facts:

- Every time the fuel price increases by 10c the retailer needs R10,000 additional working capital
- Ave fuel price increased by 63% since 2008
- Overall profitability of service stations improved during this period but is still under pressure due to fixed margins
- Ave overdraft facility in fuel retail industry is ±R750,000

Our Solution to Fuel Retailers – Property Finance (Propco)

Assumptions:

Land value	R 4,000,000	Opex	109.8cpl
Development cost	R12,000,000	Capex	60.6cpl
Oil company cost	R 6,000,000	EC	27,6cpl
Total	**R22,000,000**	**Total RAS**	**198,0cpl**

Projections:

Fuel Volumes	300,000litres
Convenience store T/O	R350,000

Supply Agreement/ RAS deal

Forecourt - 300,000 litres X 60.6cpl	= R181,800
C-Store rental 10% of R350,000	= R 35,000
Cash flow available to service loan	**= R216,800**
10 year MBBL at 10.5% interest rate	= R16,000,000
Own contribution (20% - 30%)	= R 6,000,000

- Propco and Opco take all the risk but should site perform better the reward is bigger
- Should the site not achieve the projections there will be a shortfall having a negative impact on cash flow

Oil Company Lease deal

Oil Co offers lease of R153,000 escalating at 6% per annum for 10 years with option to renew for further 2 terms of 5 years (triple net).

10 year Investment Loan/ Discounted Lease	R12,000,000
Own contribution (land cost)	R 4,000,000

- Oil co is taking the propco risk due to lease being discounted over 10 years with no exit
- Can fund up to 100% depending on lease offered by the oil co and proven repayment ability

Notes:

- Separate VAT facility on Overdraft facility and settled when SARS refund
- Interest in development phase can be capitalized
- Bank doesn’t finance cost of going through the site and retail license process (±R600,000)

Our Solution to Fuel Retailers - PropCo Funding

Mortgage Backed Business Loans (MBBL)

- Allows business owners the opportunity to own their own premises which in turn gives them greater control of their businesses' destiny and future direction. Enables business owners to more accurately manage future property costs Facilitates the ability of business owners to invest in appreciating assets and to diversify their overall portfolio
- Tailor-made pricing, tenure and loan condition options
- Access to a team of highly specialised property practitioners within the Bank

Commercial Property Finance (CPF)

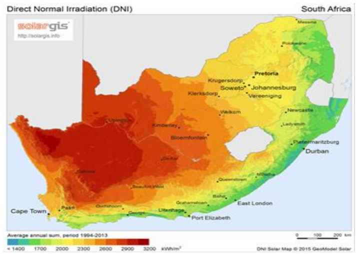
- **Loan of up to 100%** of the property and development value – triple net lease
- Full range of commercial lending products as well as advisory and capital markets services offered
- Serve all client segments (from commercial to corporate and institutional owners/developers)
- Both term and development lending available
- In-country client support and property sector specialist resources available
- Hedging and other risk management capabilities

Our Solution to Fuel Retailers – Back-to-Back Fuel Guarantees

- Absa Bank and Refine Underwriting Managers have been long standing partners in providing fuel guarantee solutions to Fuel Retailers and Oil Companies
- Refine has recently changed Insurer partners to Mutual and Federal Risk Financing
- Mutual and Federal is an accredited Guarantor to Absa Bank
- Refine has been (since 2004) and remains Absa Bank's preferred Guarantee provider
- Guarantee limited to R2.5 million (no minimum value)
- Guarantee covers all petroleum and lubricants purchases from the Oil Company, including all trade receivables due by the Fuel Retailer to the Oil Company in terms of their Franchise Operating Agreement
- Premium rates are risk profile dependent
- Guarantee available to all fuel retailers
- Refine Guarantee is able to release existing bank guarantees and free up the cash or assets currently tying up such bank guarantees

Refine

Our Solution to Fuel Retailers - Renewable Energy



Source: GHI Solar Map © 2016 Solargis

- Renewable Energy (Solar Photovoltaic)
- Team dedicated to focusing on the Renewable Energy sector and ensuring we have the right value propositions in place for customers looking to a more sustainable future
- Given South Africa's abundant sunlight, increasing electricity tariffs, decreasing costs of Solar Photovoltaic (PV) installations and supportive regulatory environment, there is a strong investment case for businesses investing in Solar PV
- We aim to ensure we enable our customers investment in Solar PV by:
  - Building on our experience and success in the funding of Solar PV
  - Working with industry leaders in the sector
  - Taking a view of the Cash Flows of the asset in our credit decision
  - Understanding that this is an asset with a long useful life we look at finance terms of up to 10 years for funding of Solar Photovoltaic installations.

Our Solution to Transformation - Enterprise Development Funds and Guarantees

Common Requirements Across all Funds

- The objective of the Funds is to provide assistance to SME's with viable businesses but do not qualify for conventional banking as a result of lack of or insufficient collateral/security, lack of capital, bad credit history with valid reasons, proof of rectification and mitigation
- The Funds are for start-ups and for SMEs with existing businesses
- Applicants must be SA citizens who reside and operate in South Africa.
- SMEs must demonstrate skills and/or expertise relevant to business and/or the industry/sector
- Must have a well researched business plan which must include market analysis, feasibility study and cash-flow projections
- Demonstrate profitability by means of historical financials or realistic 12 month cash flow forecast
- Evidence of revenue stream
- Absa to be main and only Banker

`Absa Development Credit Fund & Absa Women Empowerment Fund

- Open to SMEs who want to start a businesses, expand or purchase existing businesses
- The minimum loan amount to be disbursed is a minimum of R50K to a maximum amount of R6mil
- Products
    - Reducible Overdraft which is reviewed annually
    - Term Loan with a maximum term of 60 months
    - Commercial Asset Finance with a maximum term of 60 months

Thembani International Guarantee Fund

- Funding provided to BEE SMEs with minimum 51% black company ownership
- Provides guarantees between 50% to 75% (for amounts greater than R3mil) of principal loans under the coverage i.e. loans amount minimum R50K and maximum guarantee amount R10 million (at 50% guarantee maximum loan amount will be R20 million)
- The client pays a 2.8% fee for the first year (0.5% initiation & 2.3% guarantee fees) and 2.3% for every year for the remaining duration of the loan
- Products
    - Reducible Overdraft which is reviewed annually
    - Term Loan with a maximum term of 60 months
    - Commercial Asset Finance with a maximum term of 60 months

SME (Small and Medium Enterprise) Fund

- Contract finance — funding/credit is provided to previously disadvantage individuals where ownership, control and management representation is strictly 100% Black(as defined by the DTI)
- This fund is accessible for SMEs who have been awarded contracts/tenders by the Public Sector (Government Departments, Municipalities and Parastatals)
- 70% of the loan is paid directly to suppliers and the remaining 30% will be released periodically based on the assessed customer needs
- The loan amount applied for must be between R50K to a maximum of R3 million
- Products
    - Reducible Overdraft which is reviewed annually

Our Solution for Payment Acceptance – Card Acquiring

Over the years, our card payment acceptance services have built up a respected and enviable business reputation. This is achieved by our belief that by working with merchants and industry specialists alike, we are able to create unique propositions for the seamless acceptance of not only card-based transactions, but other form factors of payment i.e. Wearable technology. Our spectrum of merchants range from SMMEs (small, micro and medium enterprises) to 12 out of 15 of South Africa's largest multi national retailers.

Why Absa?

- ❑ Most stable acquirer in South Africa over the last 24 months, independently monitored by the card associations
- ❑ **System availability/uptime – measured by Visa (99,80%)**
- ❑ The leading card processor for retailers in South Africa
- ❑ First acquirer to offer contactless transaction processing
- ❑ One of only two banks in South Africa who can accept buy-aid cards
- ❑ Accepts a wide range of cards including Union Pay
- ❑ Experienced in terms of assisting retailers with Payment Card Industry Data Security Standard (PCI DSS) compliance. Absa developed their own PCI portal in order to assist their level 3 and level 4 merchants obtain the required certification
- ❑ Forward thinking and innovative – first and only South Africa acquirer to offer Pay in Your Currency (PYC)

Convenience Store	Above R500k Turnover Per Month	Below R500k Turnover Per Month
Credit	1.69%	1.74%
Debit	0.70	0.75%
Forecourt	**Above R500k Turnover Per Month**	**Below R500k Turnover Per Month**
Credit	1.55%	1.63%
Debit	0.54%	0.59%

Our Solution for Cash Management

Cash-in-Transit Company	Cash Device Company
G4S	Deposita
Fidelity	Coin Cameo and Agitech
G4S and Fidelity	Cash Connect

Cash Deposit Fee: 29c/R100 incl. VAT	G4S	Fidelity	Cash Connect
End to end Insurance: c/R100 incl. VAT	7,94c	8,63c	6,90c
Partial Insurance: c/R100 incl. VAT	7,09c	6,79c	5,18c

Differentiating features of our solution:

- Increased control of cash shortages and decrease in cash administration
- Insurance and transfer of risk
- Drop banking
- Shift banking
- Multi-account banking
- Third-party payments

Why use our on-site device solutions?

Improved security for staff, customers and cash

Deposit automation for bank notes

Reduced associated costs for cash handling

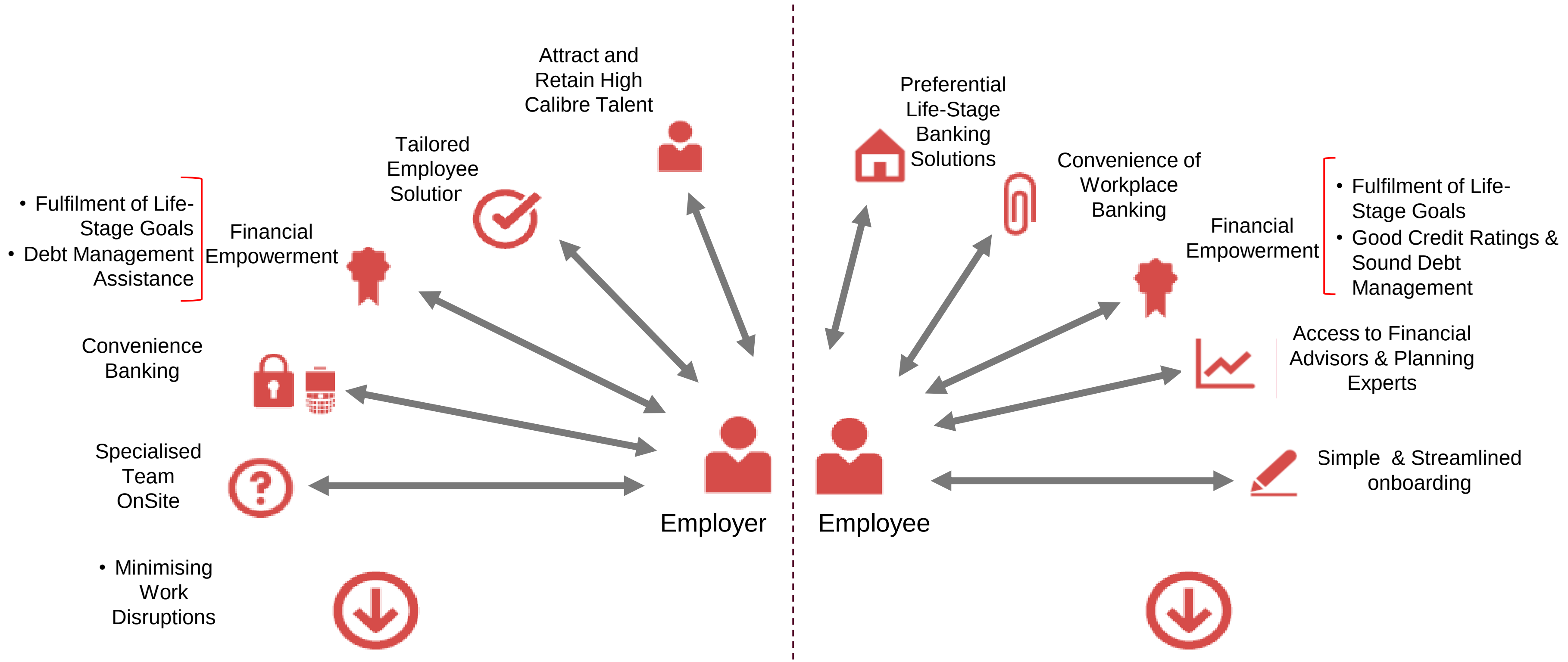
Increased control over the cash-handling process

Frees up staff resources for more business-orientated services

Effective management and control of cash collections by the CIT Service Provider

We provide convenience by bringing Absa to your employees Absa Workplace Banking

- Building enduring relationships between employer and employee



Attraction and retention benefits which reflect the company's care of – and commitment to their employees

Financial Empowerment to build financial stability through preferential solution benefits

List of supporting documents to be obtained for Service Station finance applications

Company and Personal information:

- Copies of applicant company's registration / constitutive documents
- Company Profile and group structure/ family tree
- Latest proof of residential address for all Members/ Shareholders/ Directors (FICA)
- CV's and copies of Identity Document for all Members/ Shareholders/ Directors
- Marriage certificates/ ANC agreements/ Divorce orders for all Members/ Shareholders/ Directors
- Comprehensive business plan that will include breakdown of finance need (purchase price, revamp or upgrade costs, working capital, guarantees etc.)

Financial information:

- Latest signed Financial Statements and Management Statements if latest financials is older than 6 months (existing business)
- Detailed financial information about fuel sales (split in petrol, diesel and discounted fuel volumes with current RAS margin per product), convenience store sales and other alternative profit opportunities (APO's) for the past 12 months
- Confirmation of Regulatory Accounting System (RAS) margin per fuel product after the oil company or fuel wholesaler/ supplier deductions
- Cash flow statement that includes a split of projected fuel sales(split in petrol, diesel and discounted fuel volumes with current RAS margin per product), convenience store sales and other alternative profit opportunities (APO's) for the next 12 months
- Past six months banks statements for both business and personal accounts not held with Absa (if applicable)
- Documented proof of source of own contribution (if applicable)
- Personal statement of Assets and Liabilities for all Members/ Shareholders/ Directors/ Third party sureties
- Any other information applicable to the Financial Intelligence Centre Act No 38 of 2001

Other financial information needed for a revamp and upgrade:

- Confirmation from oil company of list of equipment to be financed and a rand value per article
- Non-refinery brands to provide costings from suppliers (revamps and upgrades can be funded up to 100% subject to prove of repayment ability and gearing is not above 50% of the value of the business)

Legal Documents *(if available, dependent on stage of application):*

- Copy of draft Franchise, Dealer or Supply Agreement
- Copy of draft or current Lease Agreement with landlord (if not covered in the line above)
- Copy of signed Purchase/ Buy and Sell Agreement
- Copy of Retail License issued by the DOE before facilities are paid out (new or existing business)
- Resolution to confirm Members/ Shareholders/ Directors decision to apply for facilities

Thank you

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Disclaimer