



Absa Group

1H19 results presentation

13 August 2019

Reflections on 1H19

- Macro backdrop tougher than expected
- Separation from Barclays remains on track
- Maintained revenue momentum in target areas
- Delivering on cost initiatives
- Broadly met our guidance

Normalised salient features

	1H18	1H19
	%	%
Diluted headline EPS growth	3	3
Dividend per share growth	3	3
Net asset value per share growth	2	7
Return on equity	17.1	16.4
Profit after regulatory capital charge (Rbn)	1.6	1.3
Net interest margin	4.69	4.52
Operating JAWS	(2)	0
Pre-provision profit (Rbn)	15.9	16.9
Cost to income ratio	56.7	56.7
Credit loss ratio	0.75	0.79

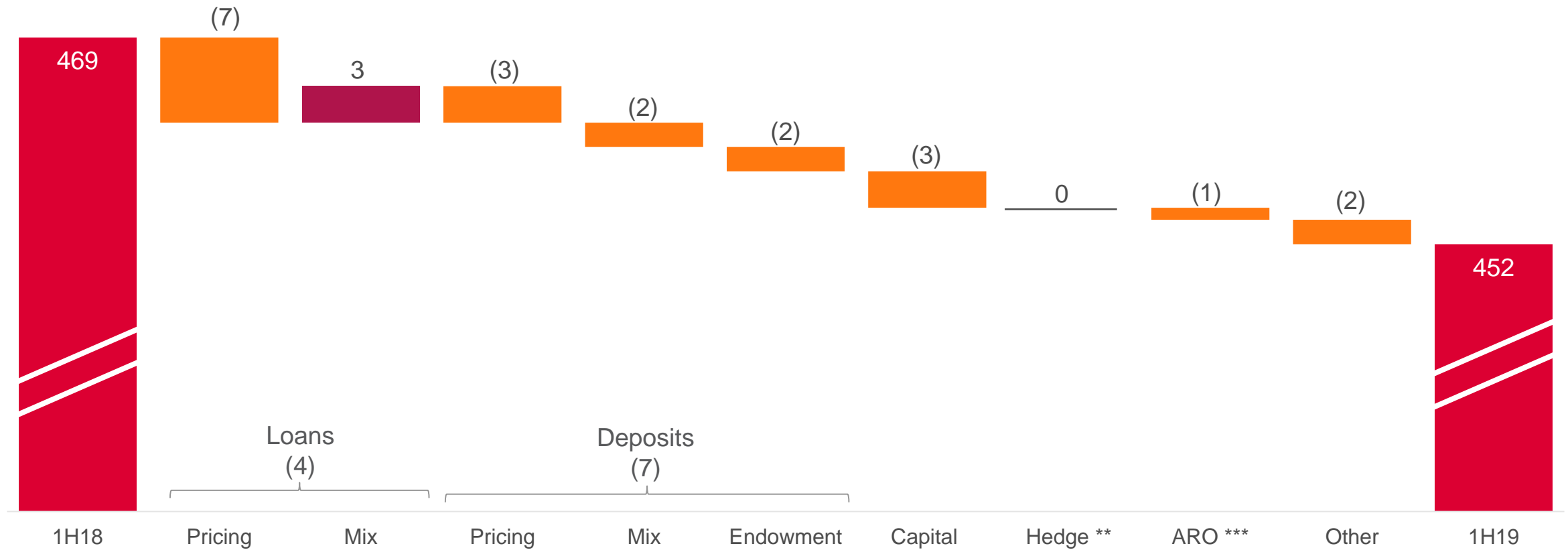
Shape of income statement as guided

Rm	1H18	1H19	Change (%)	Normalisation adjustments
Net interest income	20 874	22 667	9	113
Non-interest income	15 854	16 404	3	(32)
Total income	36 728	39 071	6	81
Impairment losses	3 117	3 695	19	-
Operating expenses	20 834	22 136	6	(863)
Other*	832	760	(9)	(40)
Taxation	3 322	3 385	2	181
Non-controlling interest	651	837	29	(24)
Headline earnings	8 043	8 267	3	(617)

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

Funding reduced net interest margin

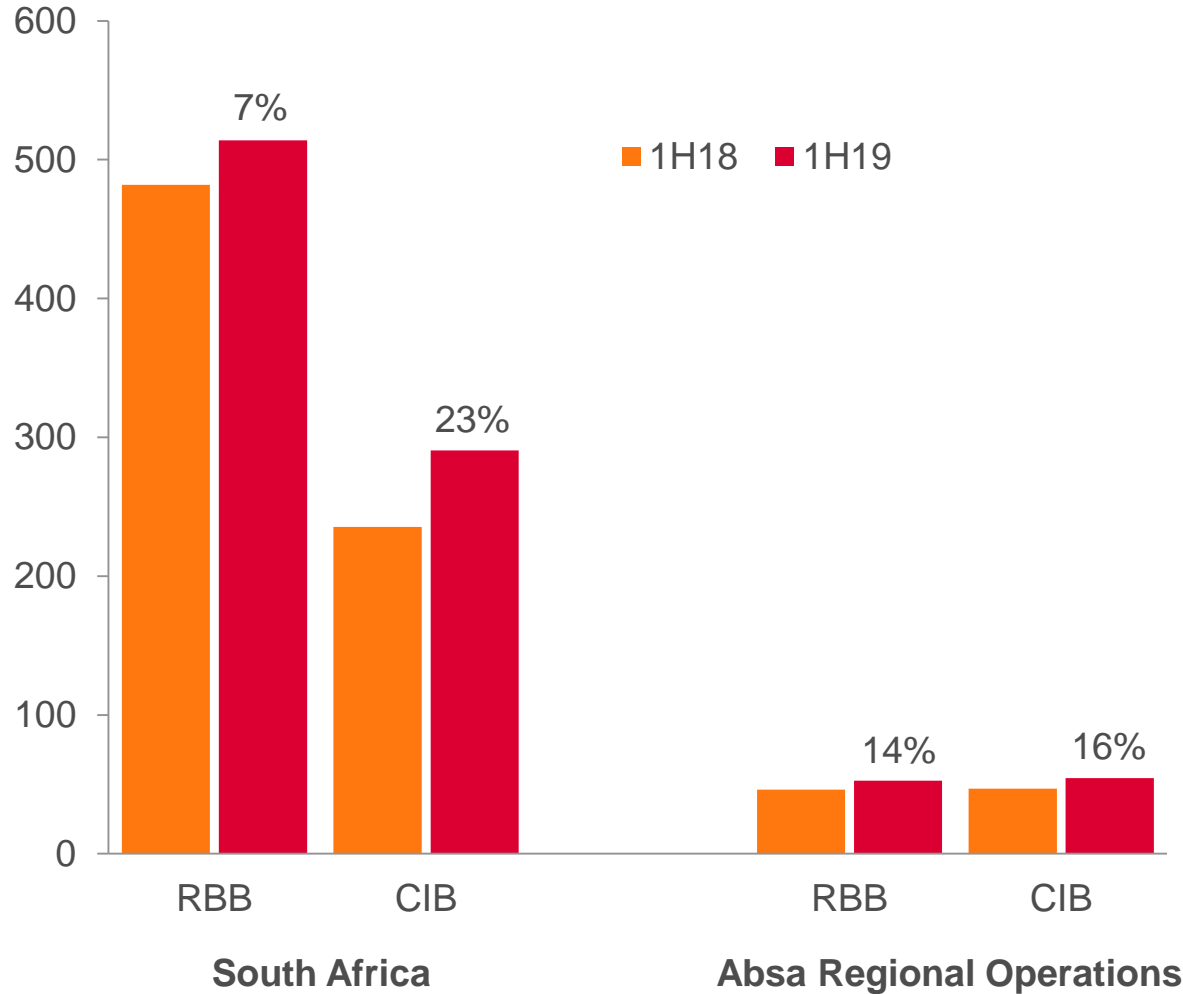
Change in net interest margin* (basis points)



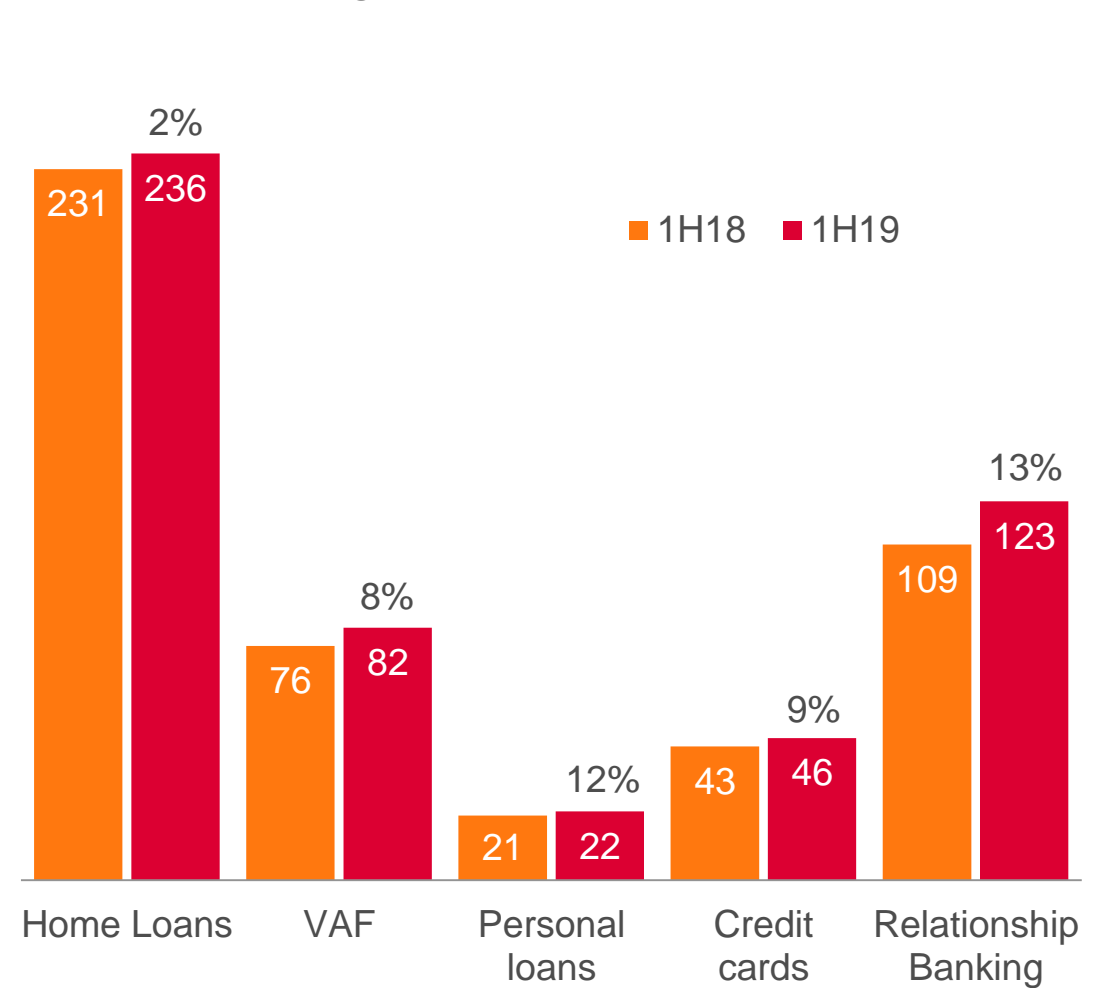
Note: * average interest bearing assets; ** interest rate risk management; *** Absa Regional Operations

Loan growth momentum maintained

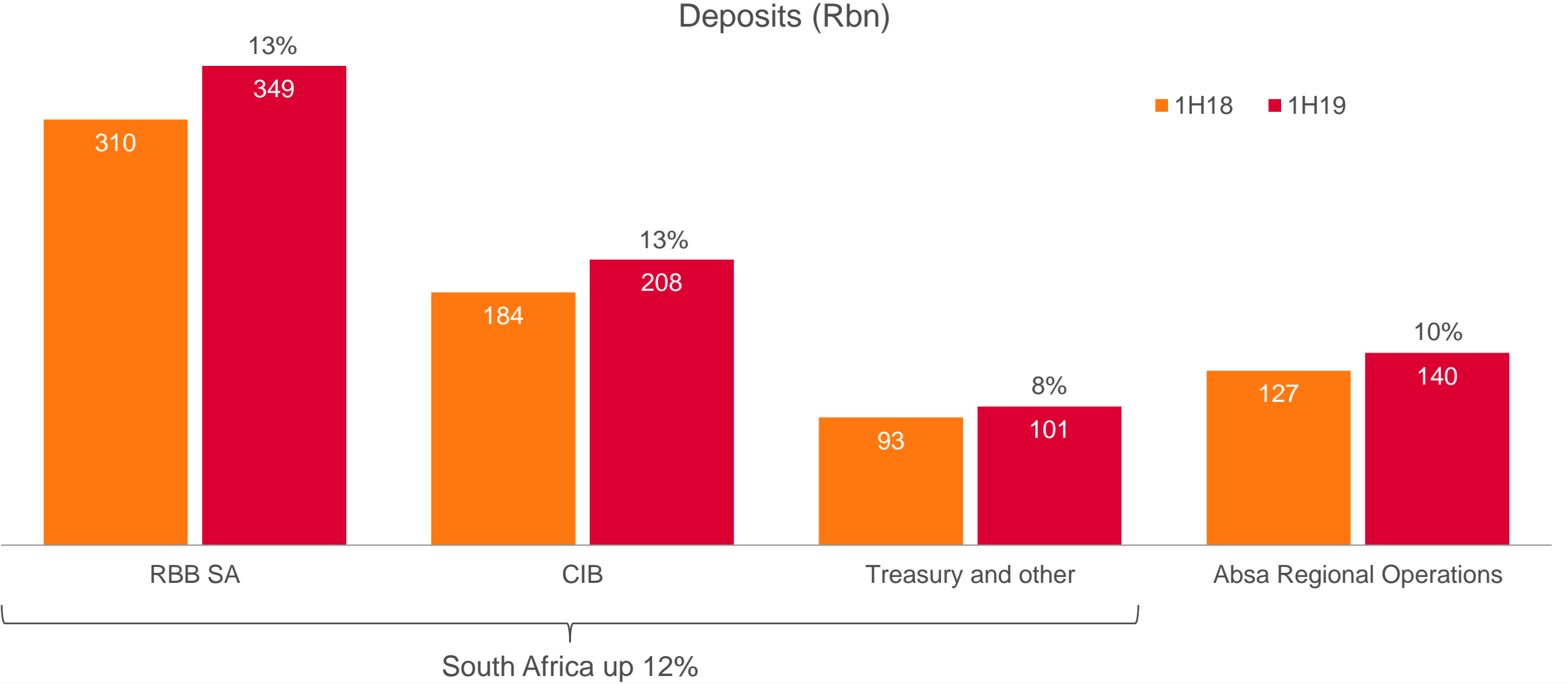
Gross customer loans (Rbn)



RBB SA gross customer loans (Rbn)

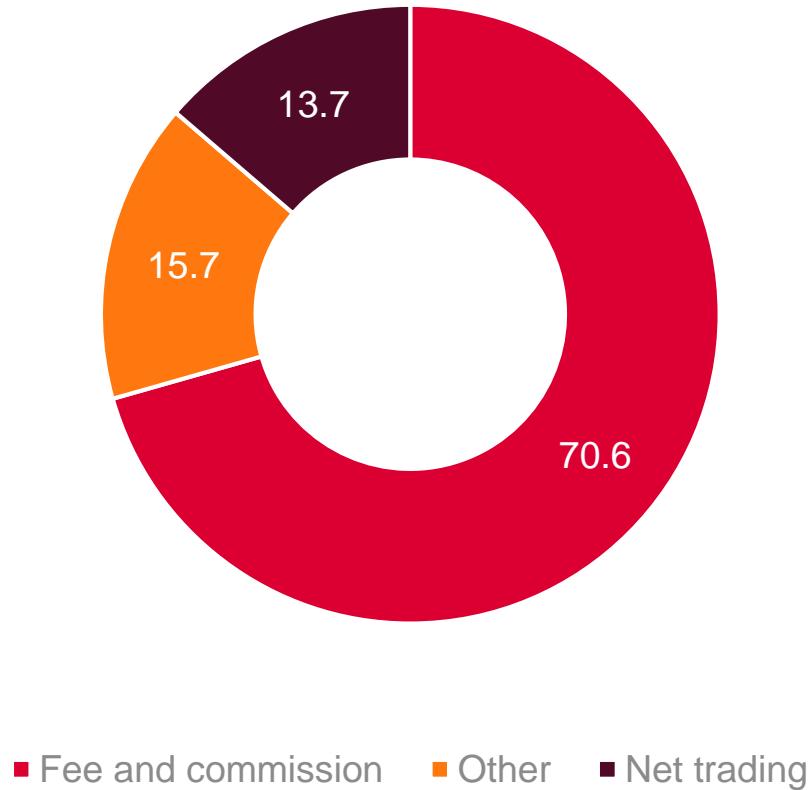


With improving deposit growth

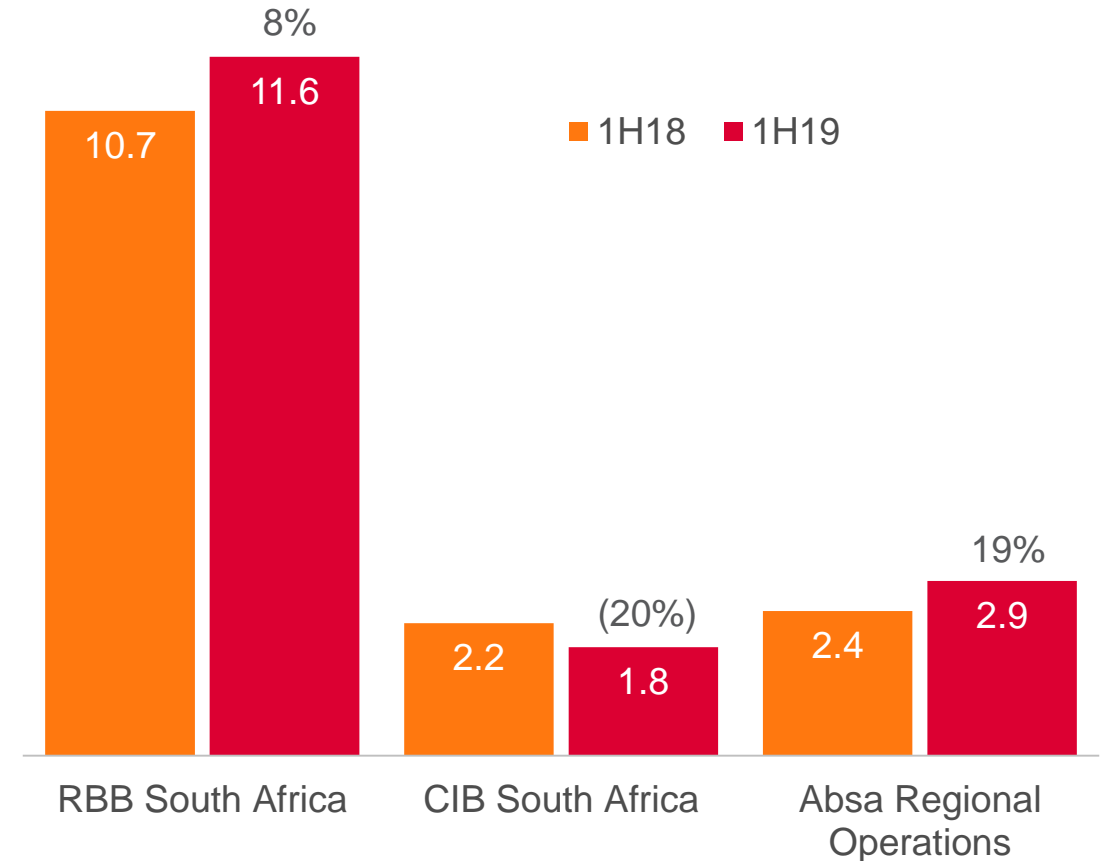


And non-interest income growth emerging

Non-interest income mix 1H19 (%)

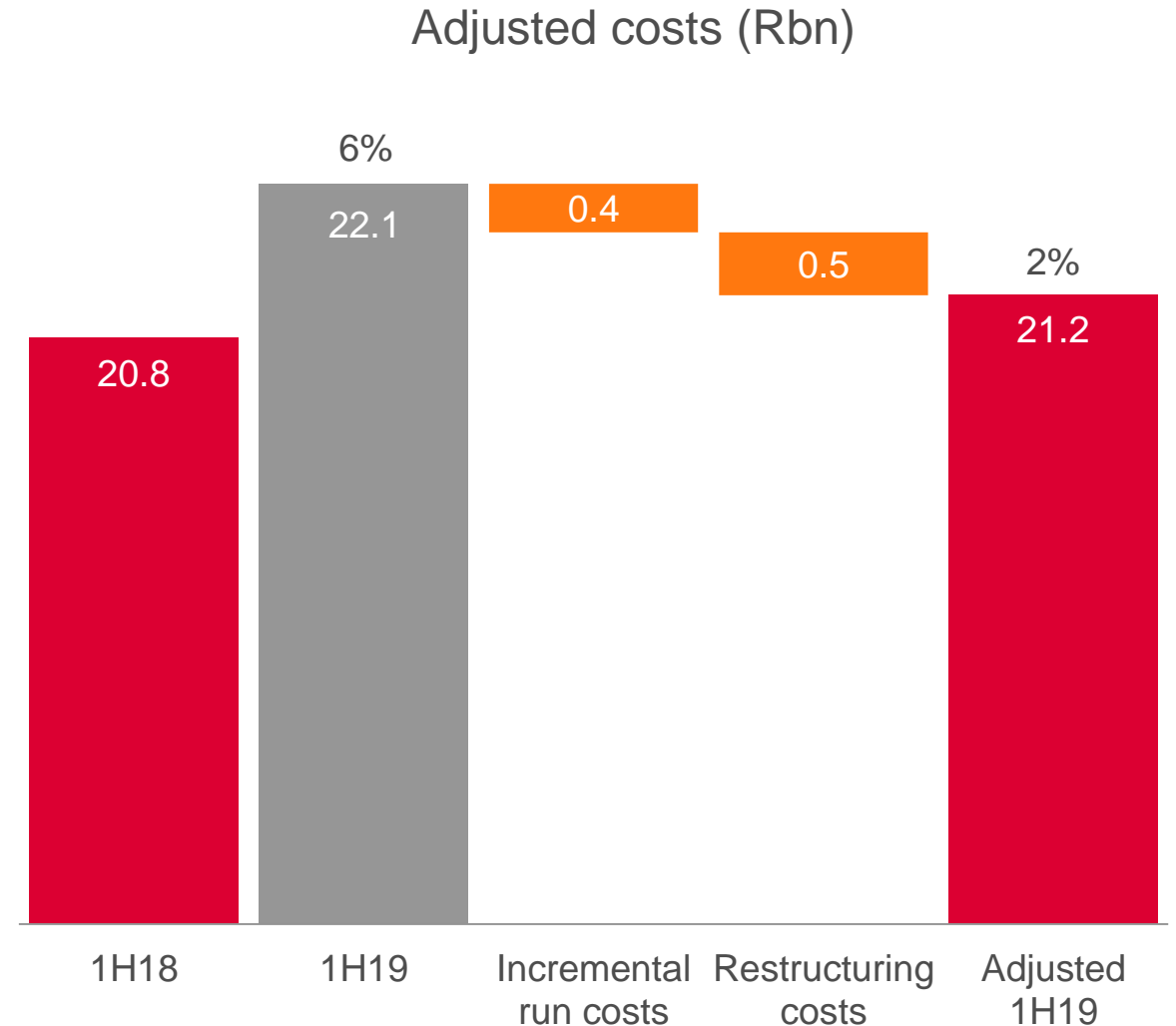


Non-interest income by division (Rbn)



Underlying cost growth well contained

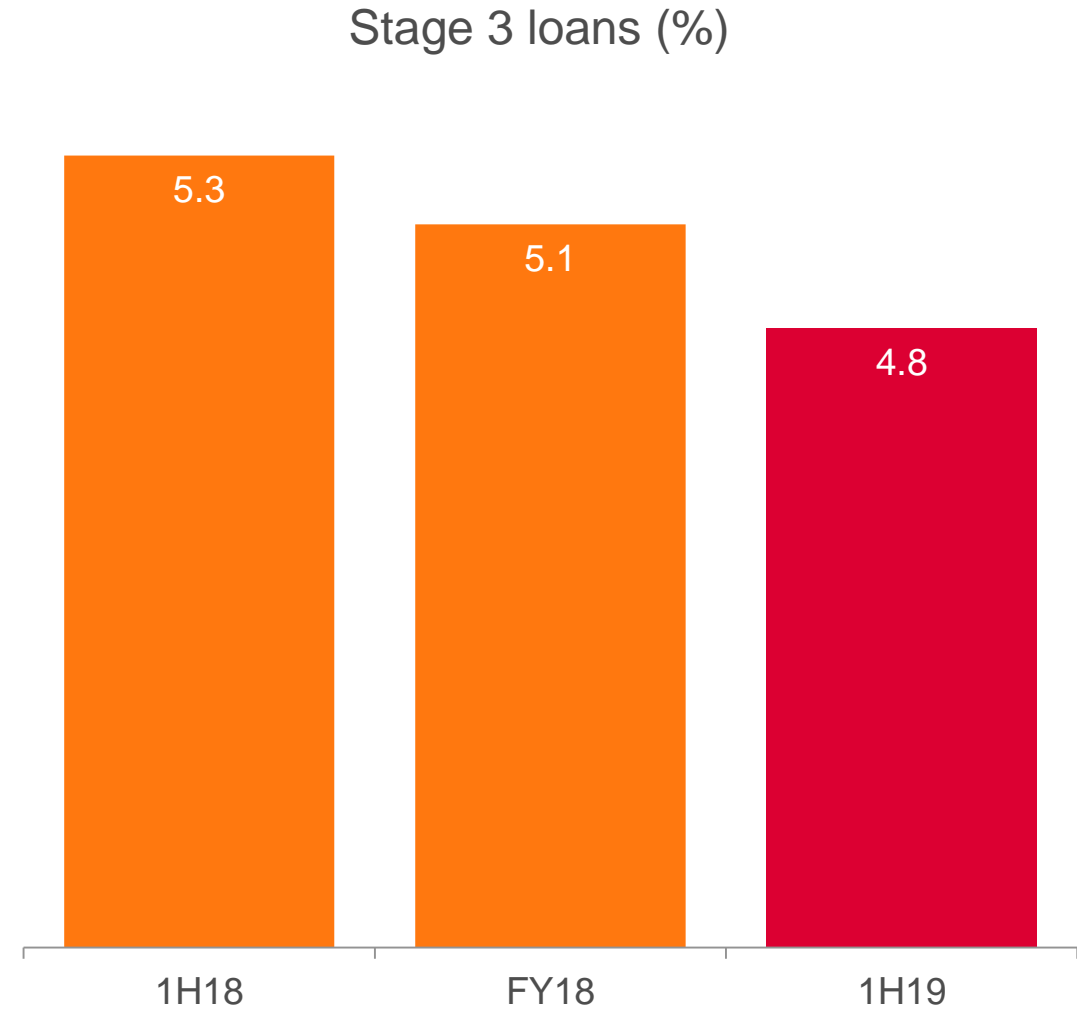
	1H19 Rm	Change %	Mix %
Staff	12 586	8	57
Property-related	934	(43)	4
Technology	1 869	17	8
Depreciation	1 738	54	8
Professional fees	893	2	4
Marketing	581	(21)	3
Communication	760	21	3
Cash transportation	640	5	3
Amortisation	468	29	2
Other *	1 667	3	8
Total	22 136	6	100



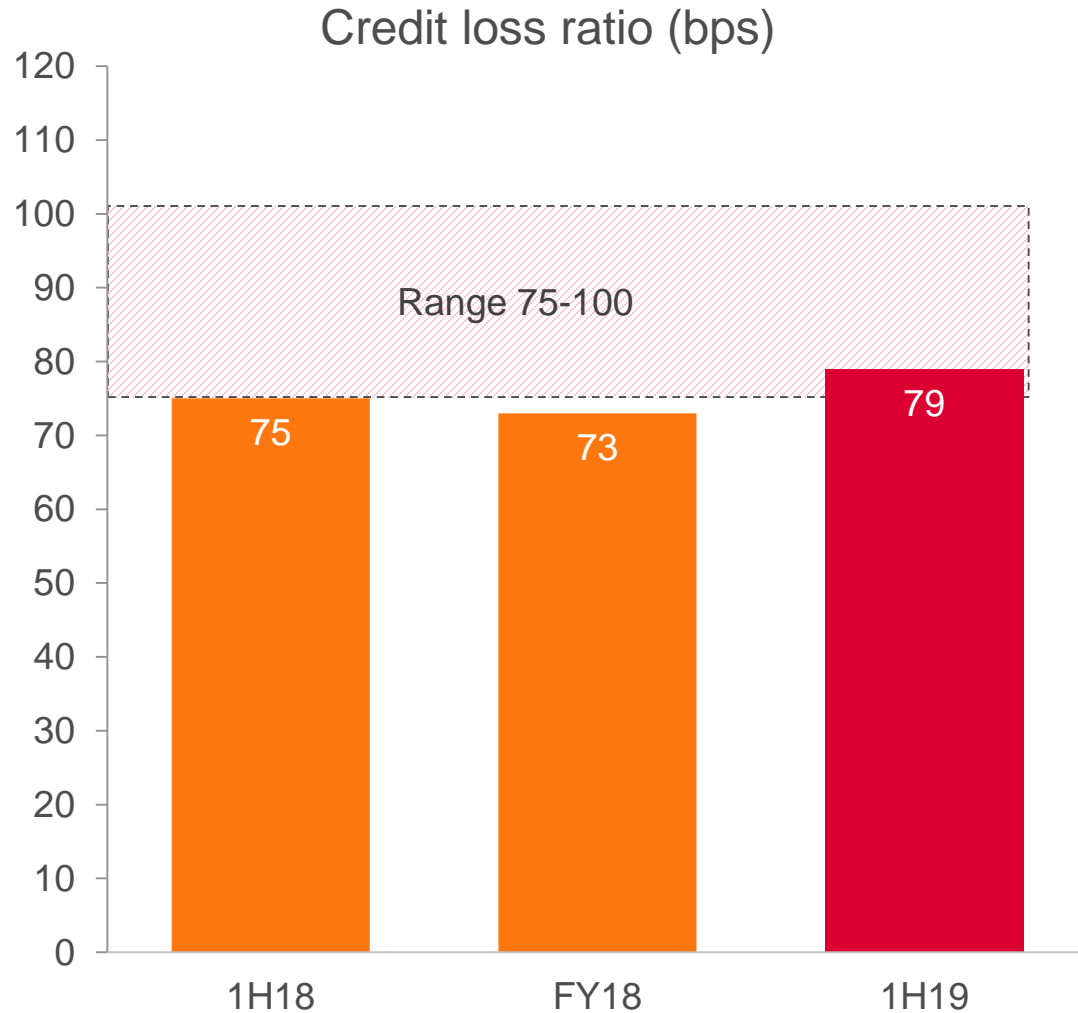
Note: * includes administration fees, equipment costs, fraud, travel and entertainment, other costs etc.

Credit impairments trended upward off a low base ...

Credit loss ratio (%)	1H18	1H19
RBB SA	0.99	1.12
Everyday Banking	4.58	4.93
VAF	1.42	1.39
Home Loans	0.05	0.13
Relationship Banking	0.28	0.32
CIB SA	0.30	0.18
Absa Regional Operations	0.72	0.94
Group	0.75	0.79



... although at low end of through-the-cycle range

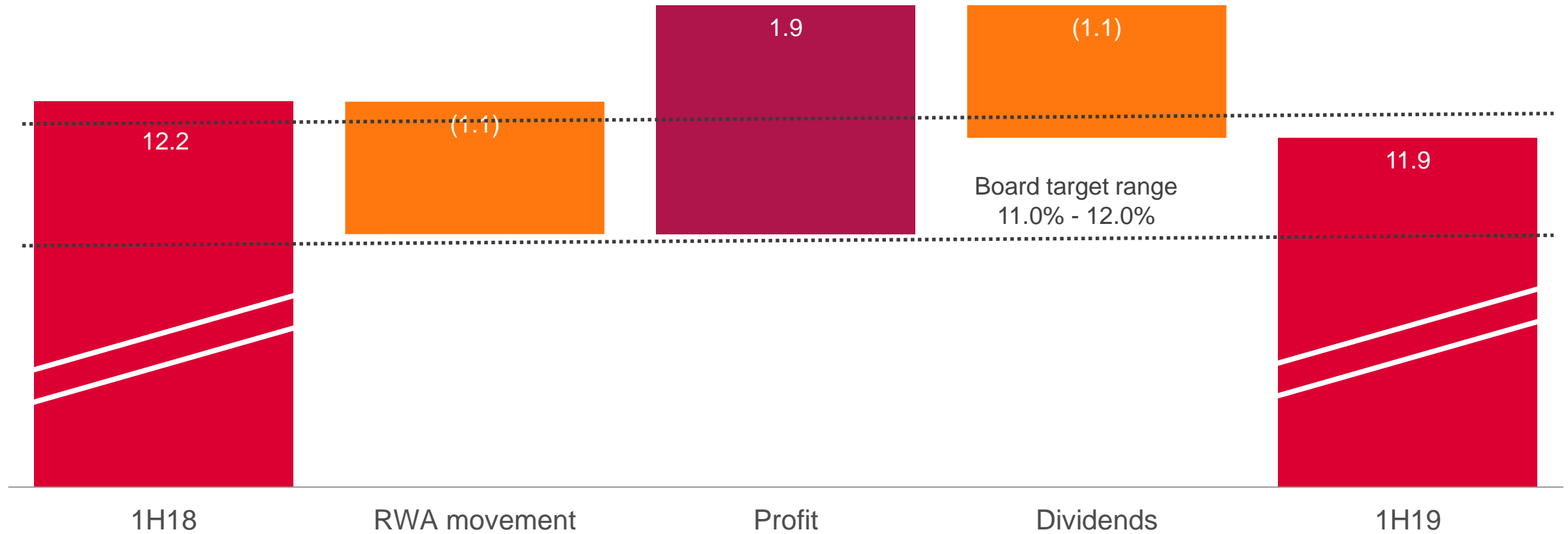


Expected range through-the cycle (bps):

- RBB SA 110 to 155
- Total CIB 20 to 30
- ARO 100 to 140

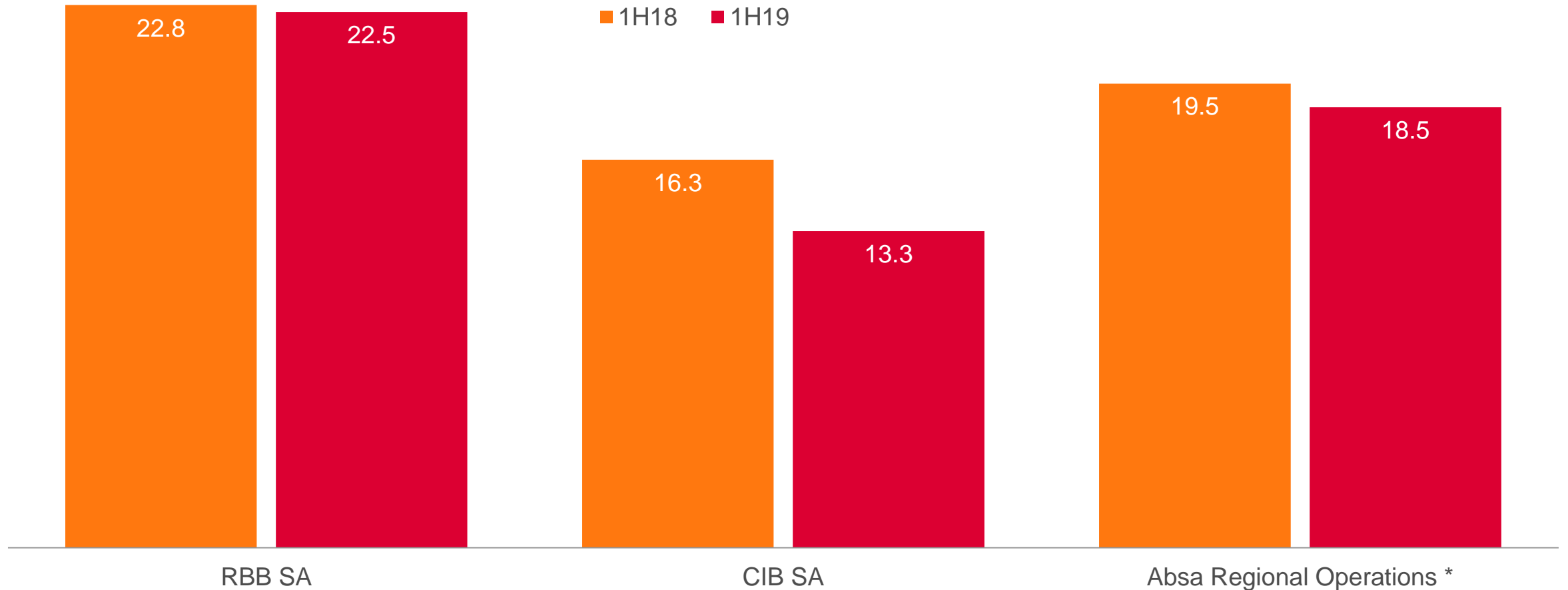
Capital levels remain strong

Absa Group normalised common equity tier 1 ratio (%)



Divisional returns stable besides CIB SA

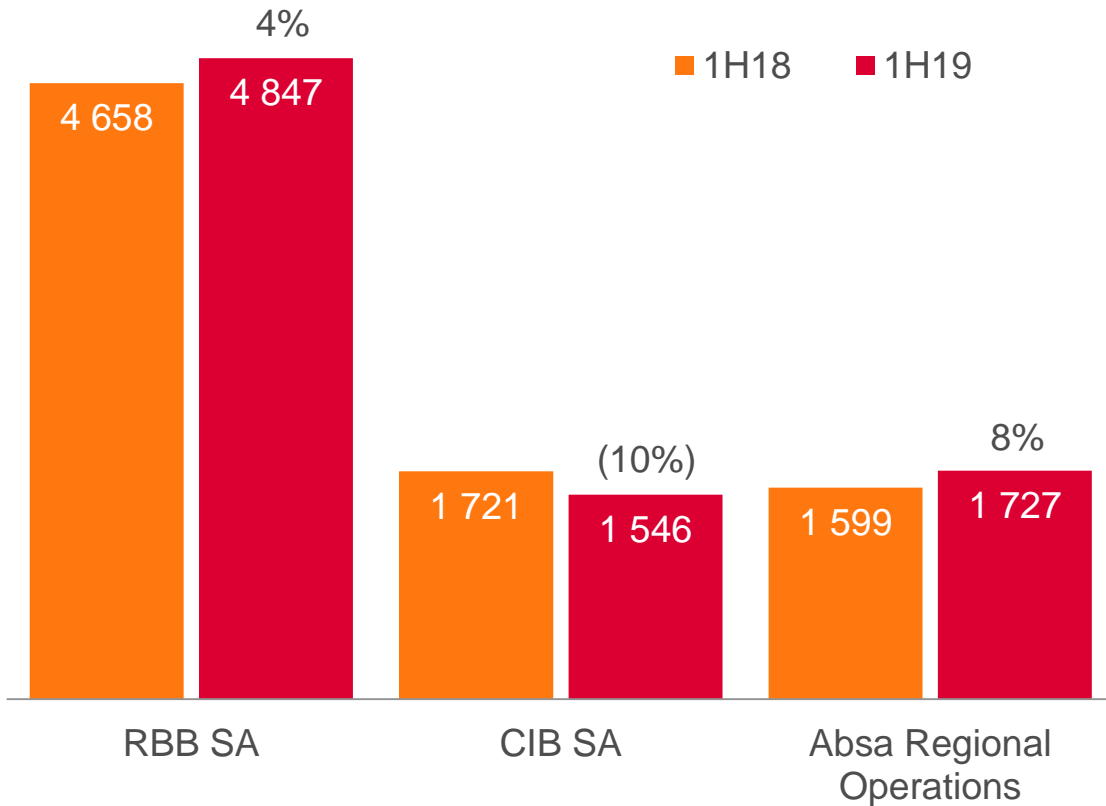
Divisional return on regulatory capital (%)



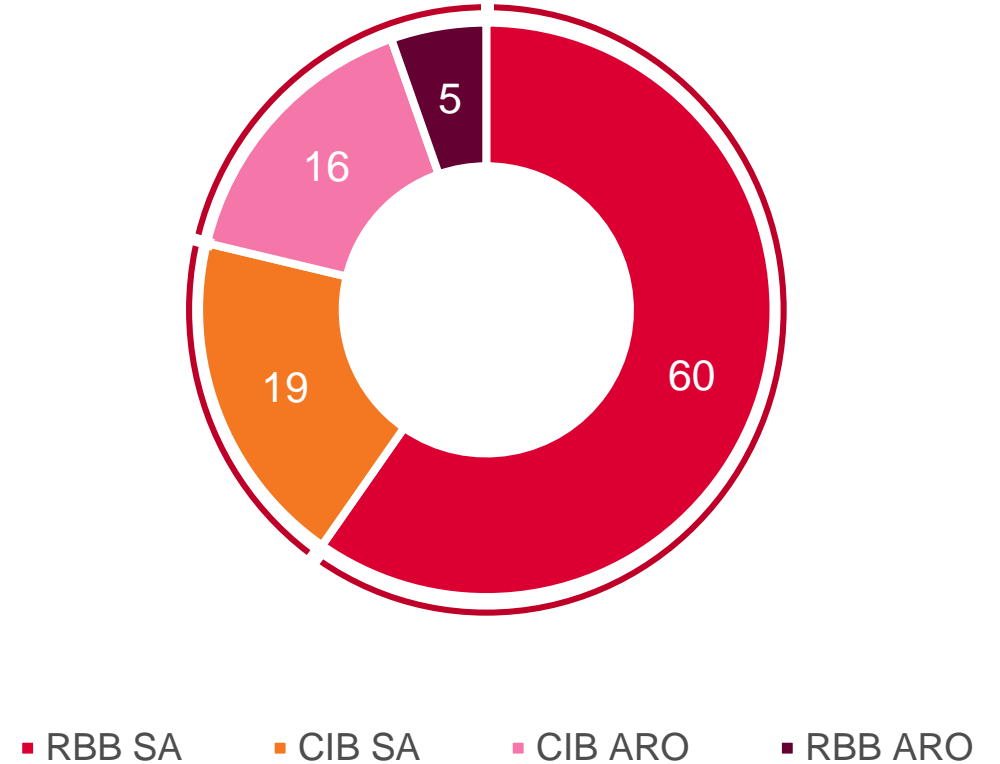
Note: * return on equity

Continue to benefit from a well-diversified portfolio

Divisional headline earnings (Rm)



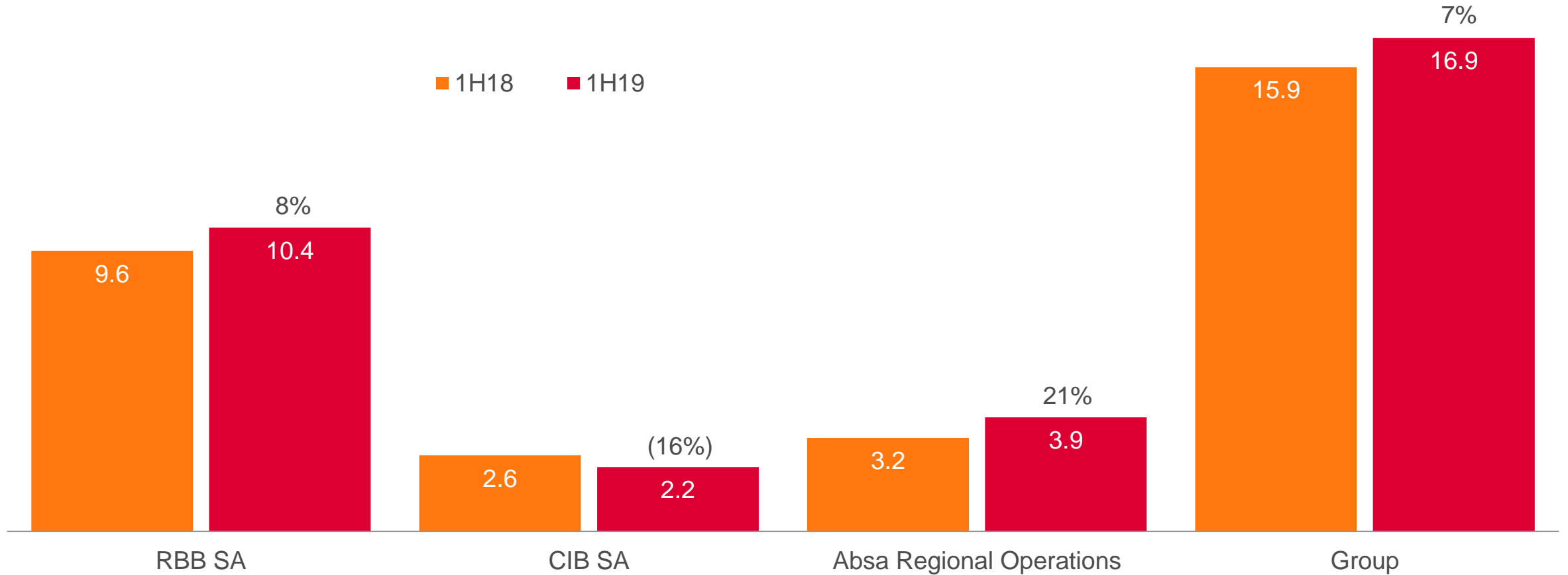
Headline earnings mix 1H19 (%) *



Note: * excluding Group centre and adjusting CIB and RBB ARO for ARO centre

Pre-provision profit growth stronger outside CIB SA

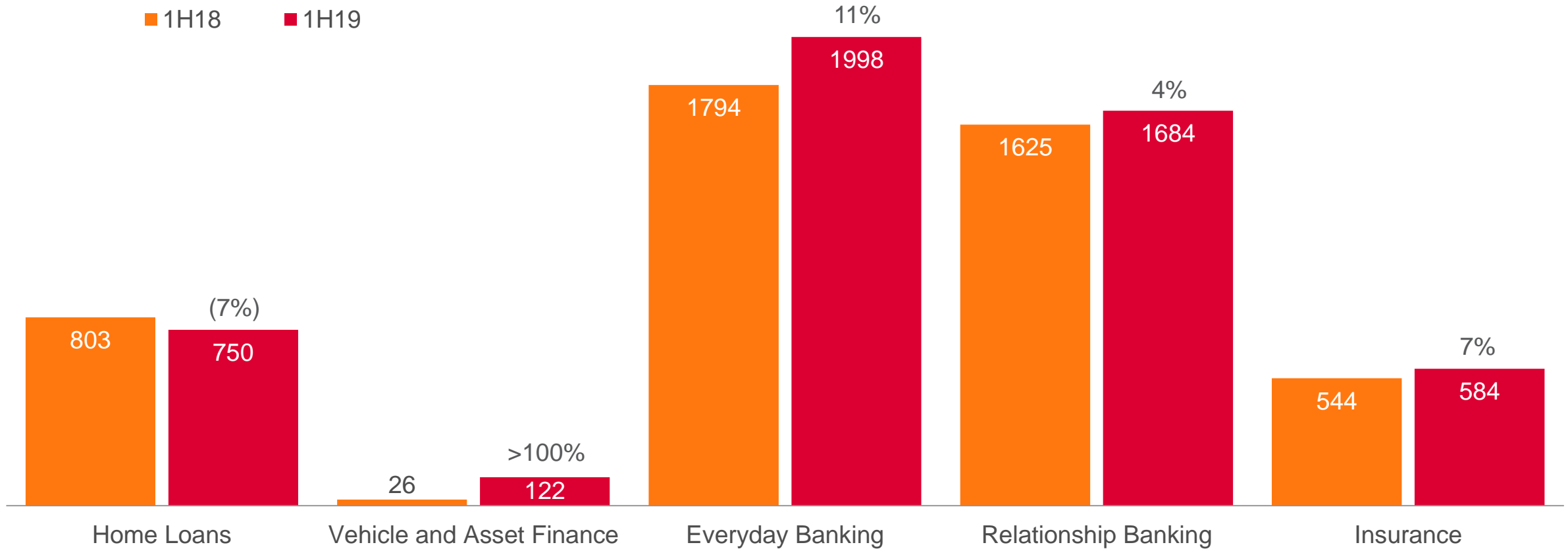
Divisional pre-provision profits (Rbn)



Everyday Banking and VAF underpinned RBB SA growth

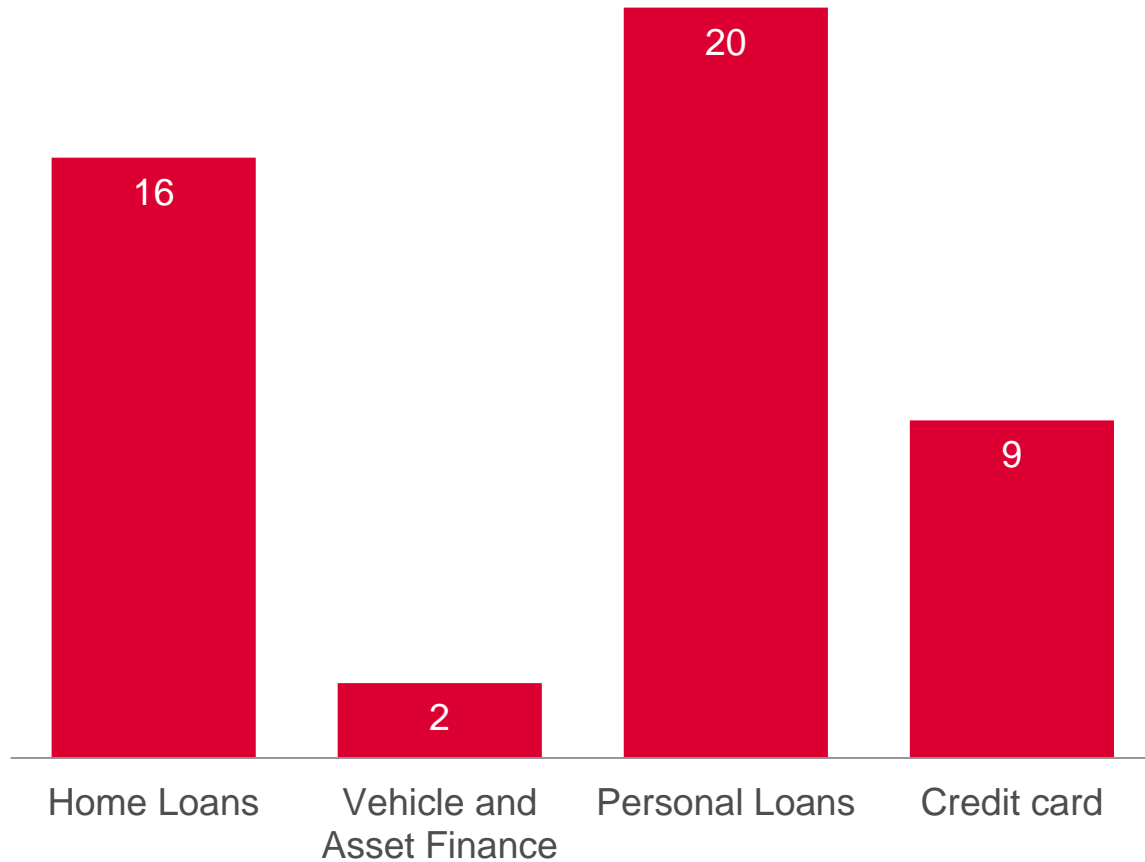
Headline earnings (Rm)

1H18 1H19

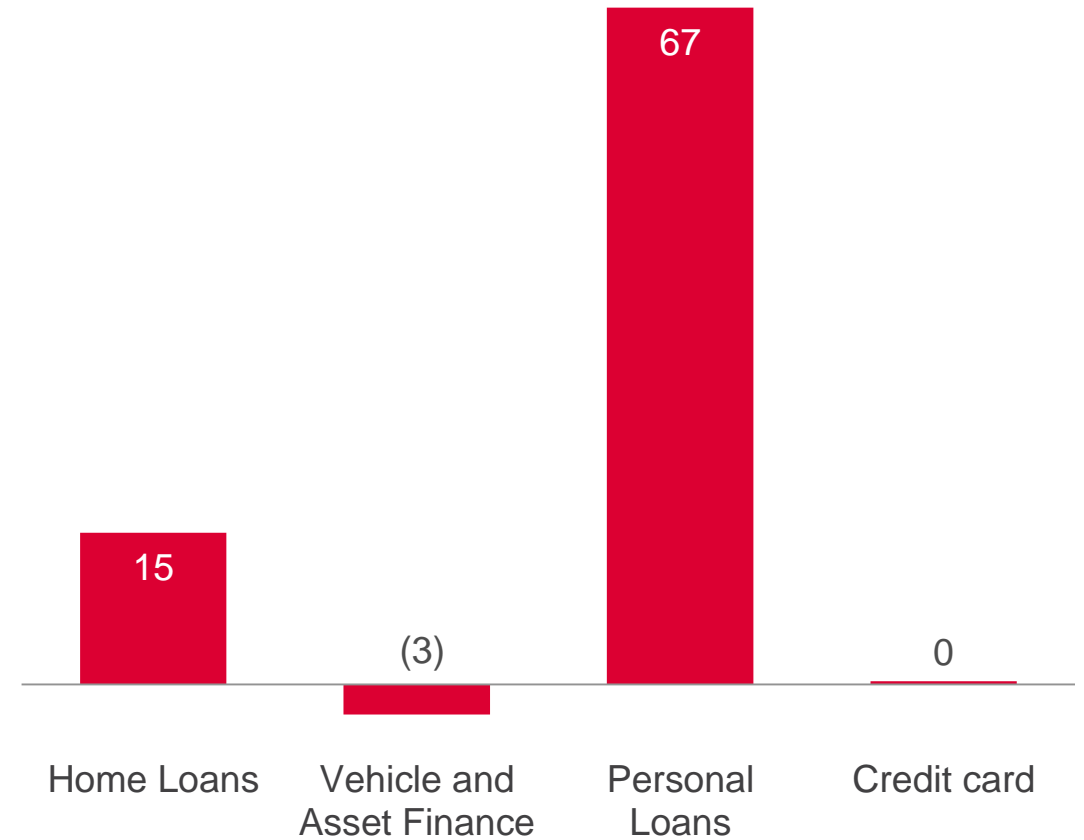


Momentum continues in retail loan production

Retail SA YoY loan production (%)

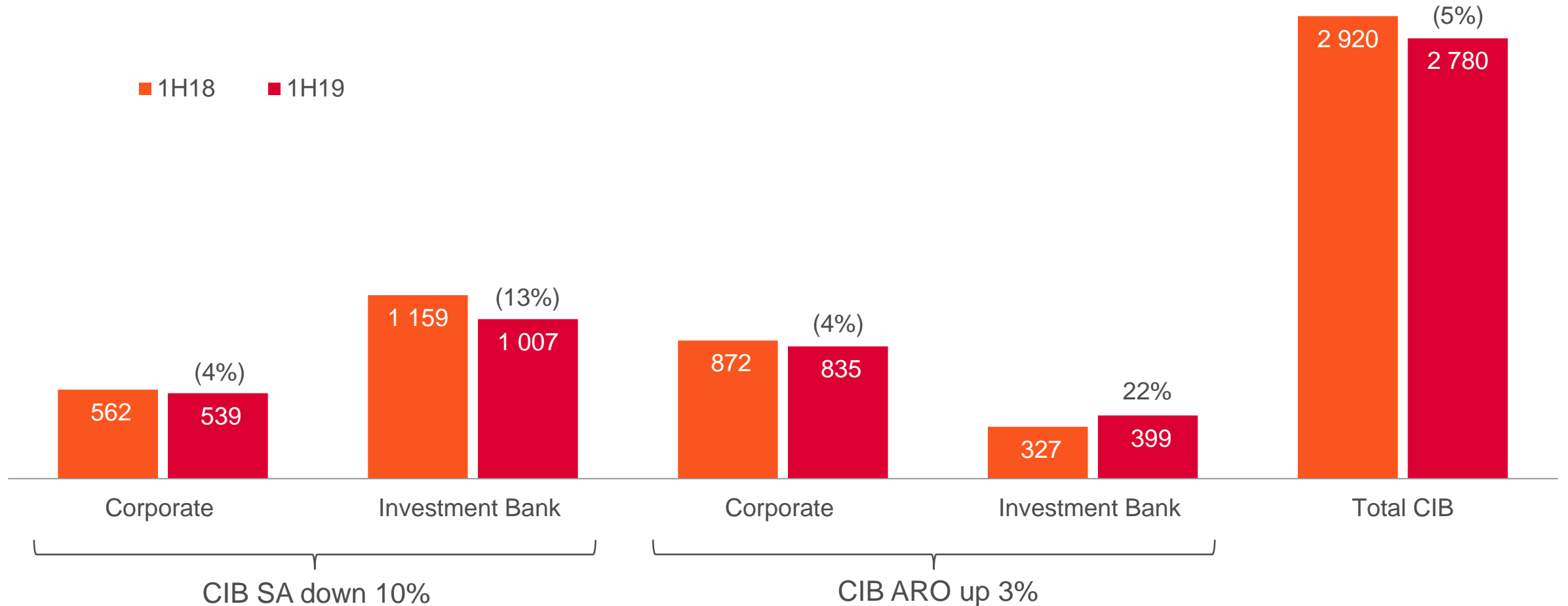


New business pricing change YoY (bps)



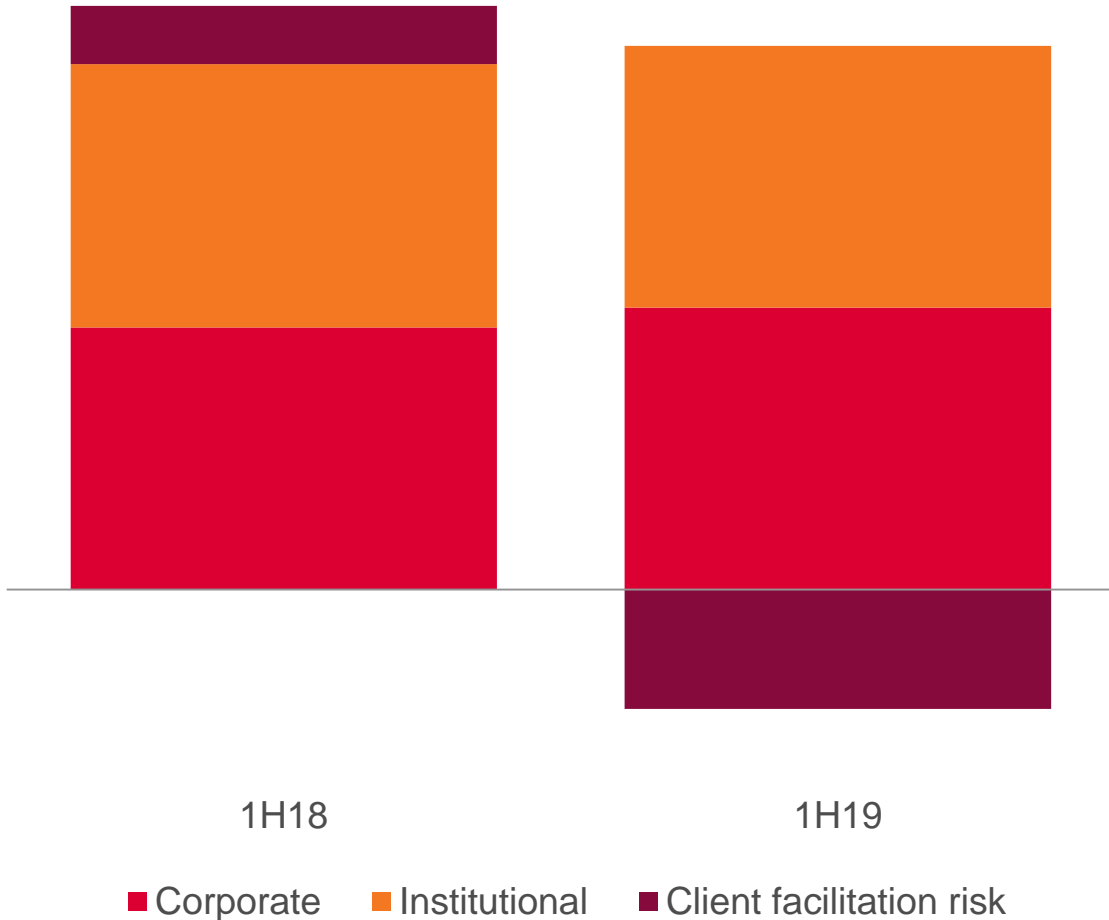
IB SA reduced CIB's total earnings

CIB headline earnings (Rm)

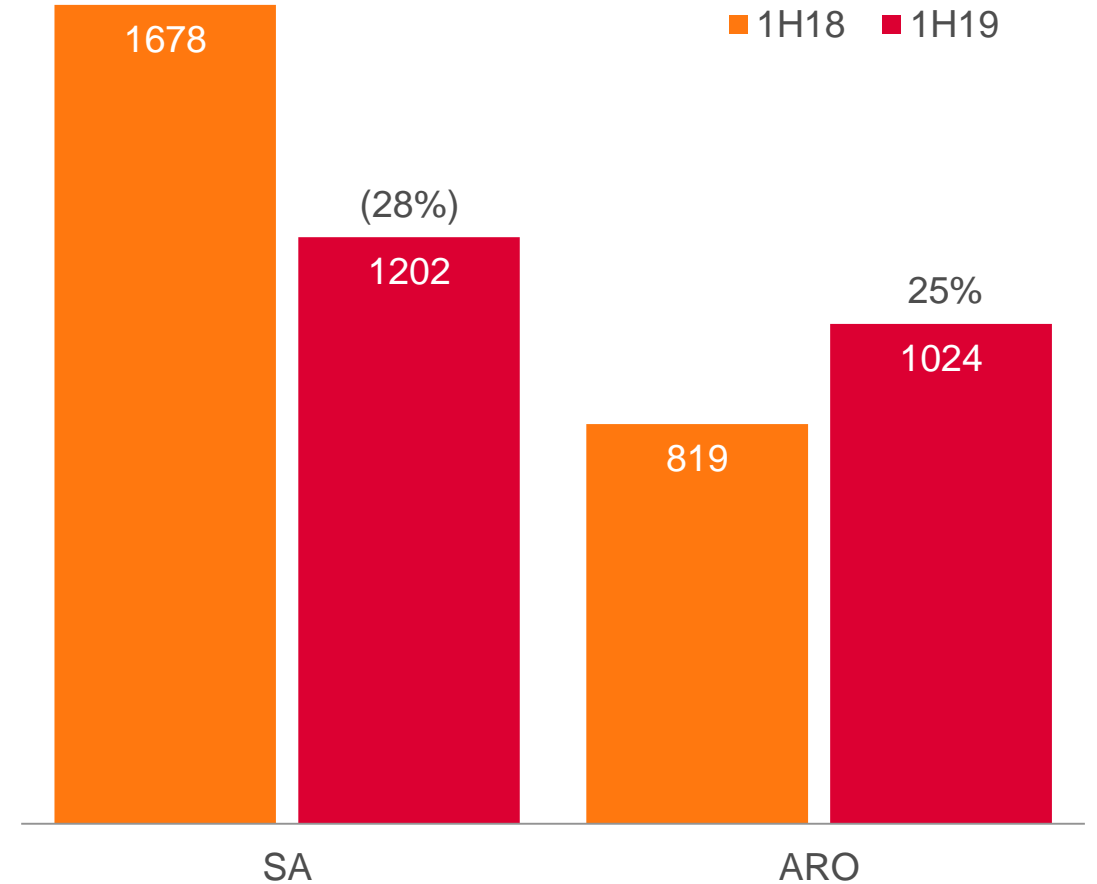


Unpacking CIB's Markets performance

CIB SA Markets revenue

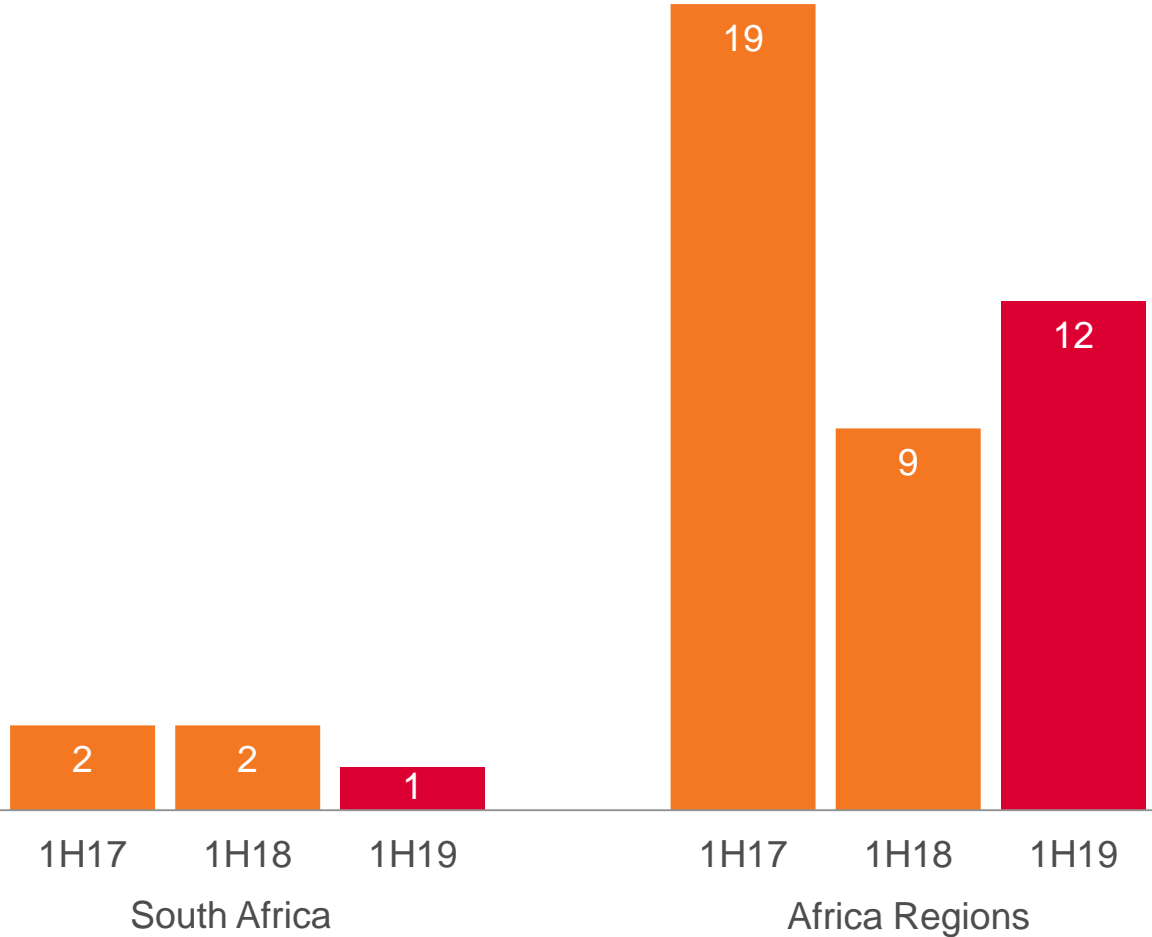


CIB Markets revenue (Rm)

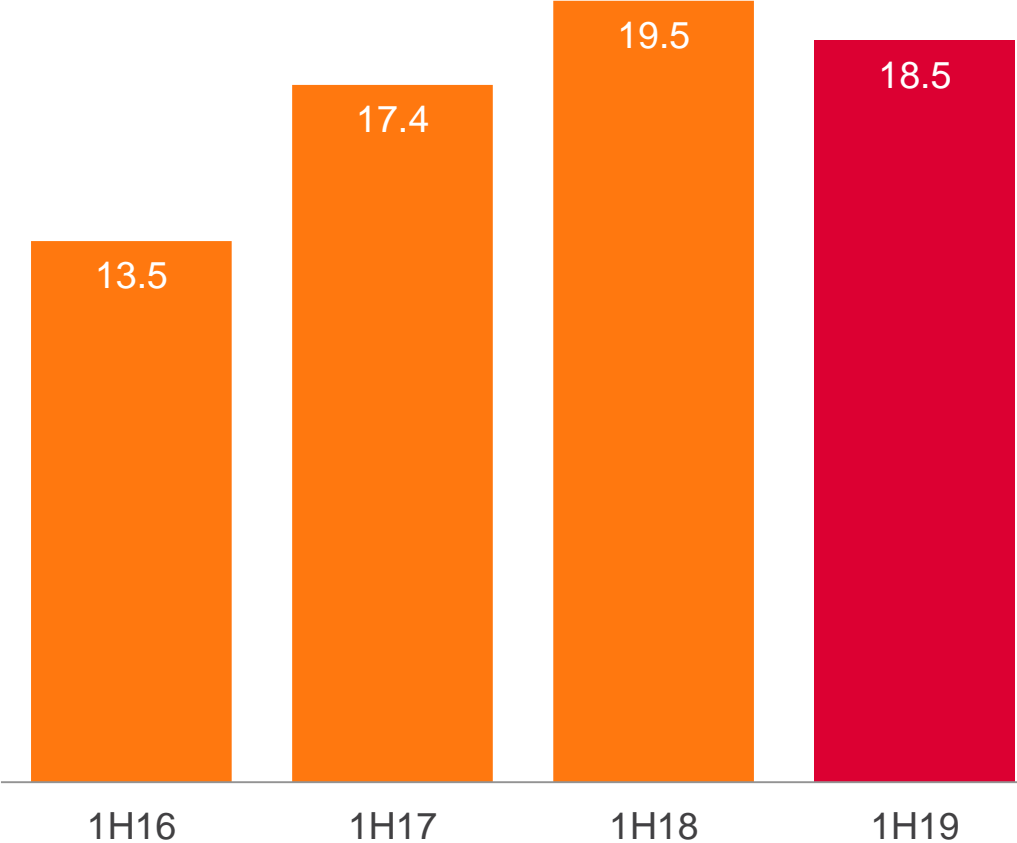


Africa Regions enhances our earnings growth and returns

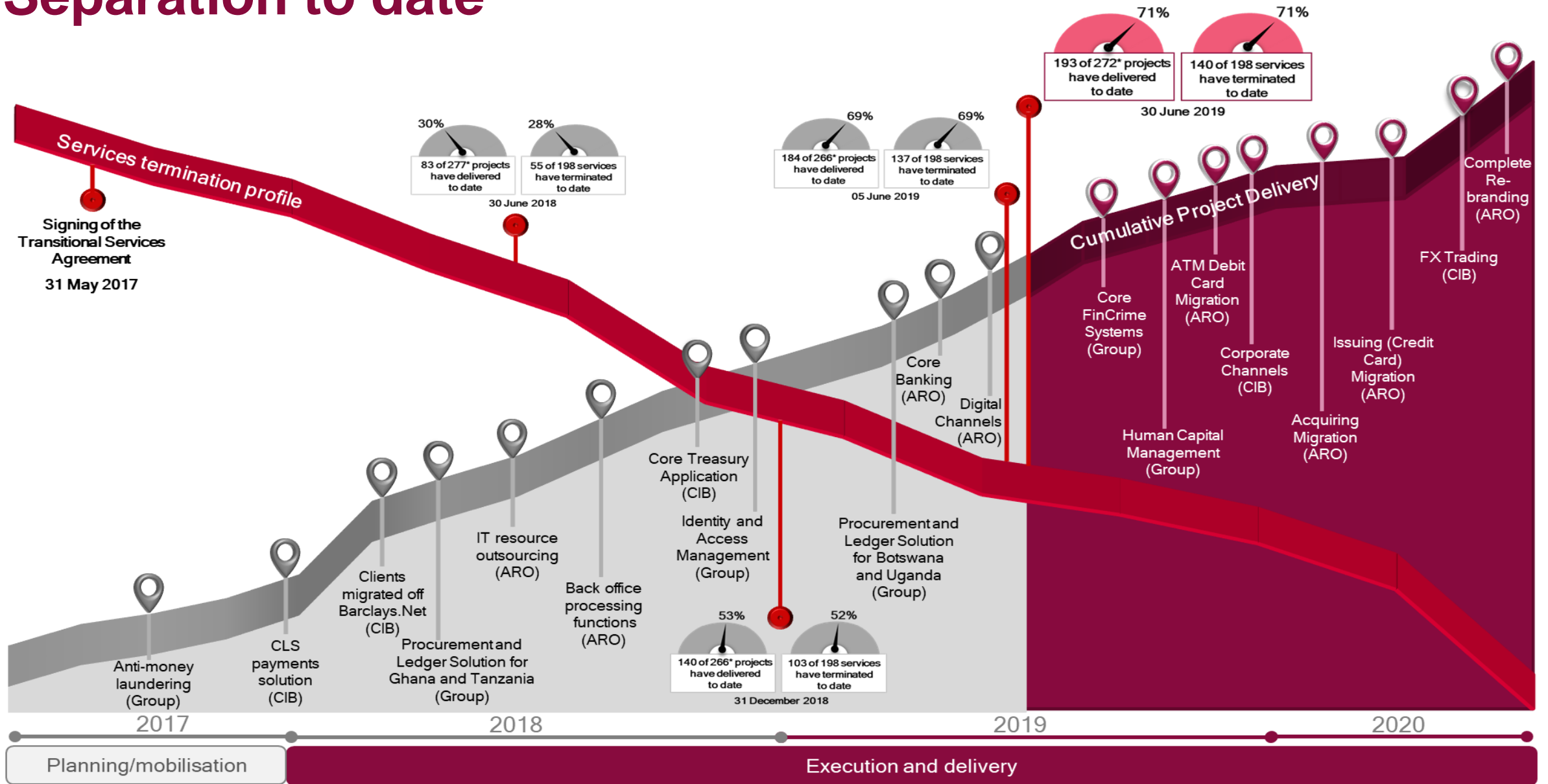
Headline earnings growth (%)



Absa Regional Operations RoE (%)



Separation to date



*Total project numbers are under constant review and subject to change

Outlook for 2019

- Improved deposit growth to exceed loan growth [no change]
- Net interest margin is expected to decline [change from 'decline slightly']
- Costs will remain well controlled, with flat to positive JAWS [change from 'positive JAWS']
- Credit loss ratio is expected to be similar to 2018 [change from 'expected to increase']
- RoE is likely to be marginally below 2018 [change from 'likely to improve slightly']
- Comfortable with dividend cover at 2018 level [no change]

Disclaimer

Forward-looking statements

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