



Absa Group

1H18 financial results presentation

6 August 2018

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Strategic review

Maria Ramos

(01)

**Performance
review,
separation
update**

Jason Quinn

(02)

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*	(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)

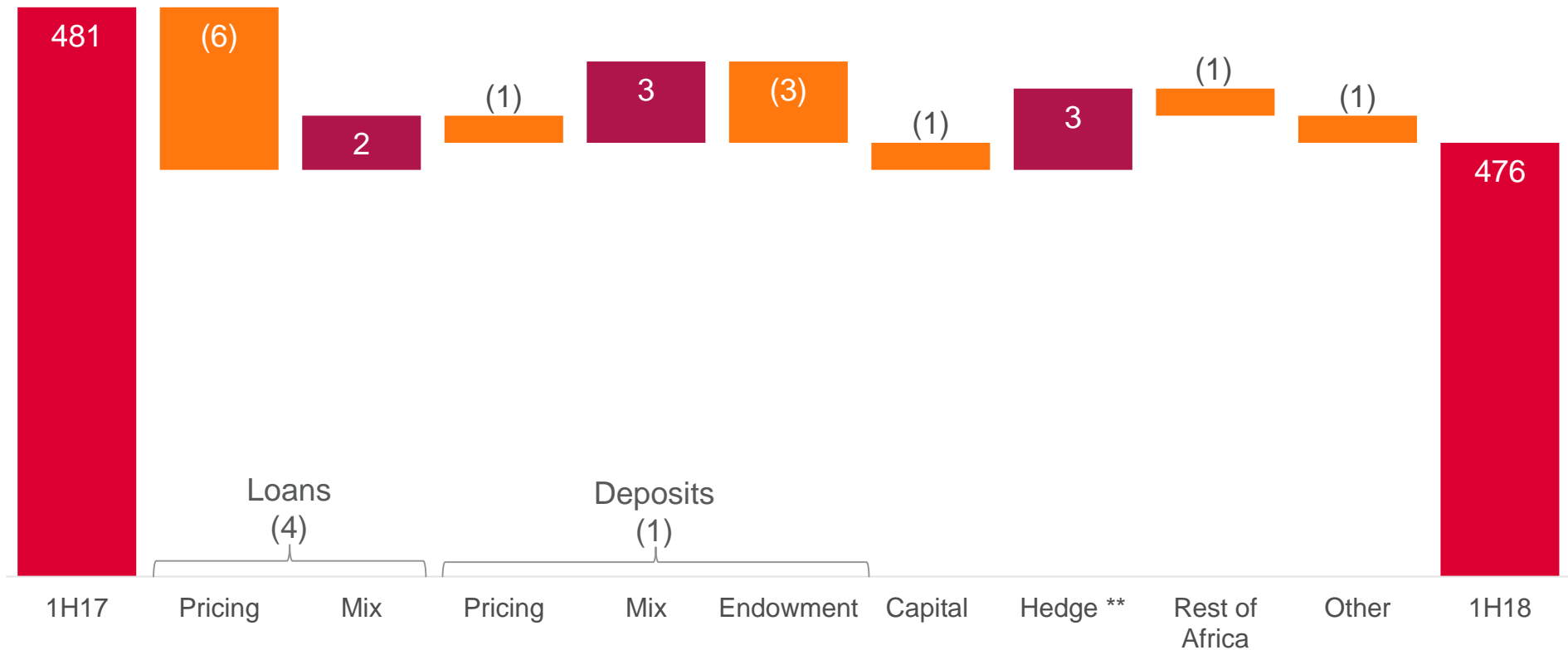
Note: * includes other impairments, indirect tax and associates' and JVs share of post tax results

Salient features

	1H17 %	1H18 %
Diluted headline EPS growth	7	3
Dividend per share growth	3	3
Net asset value per share growth	4	4
Return on equity	16.8	16.9
Net interest margin	4.81	4.76
Operating JAWS	(4)	(1)
Cost to income ratio	55.5	56.2
Credit loss ratio	0.96	0.83

Slight net interest margin compression

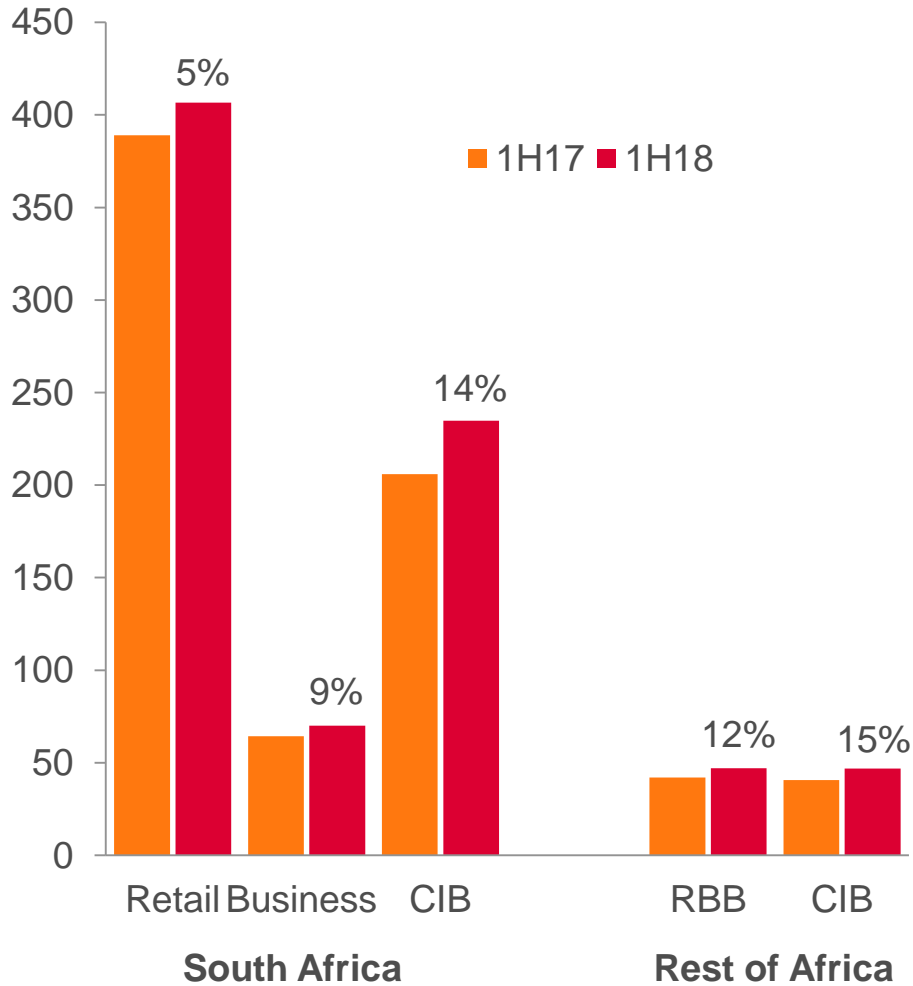
Change in net interest margin* (basis points)



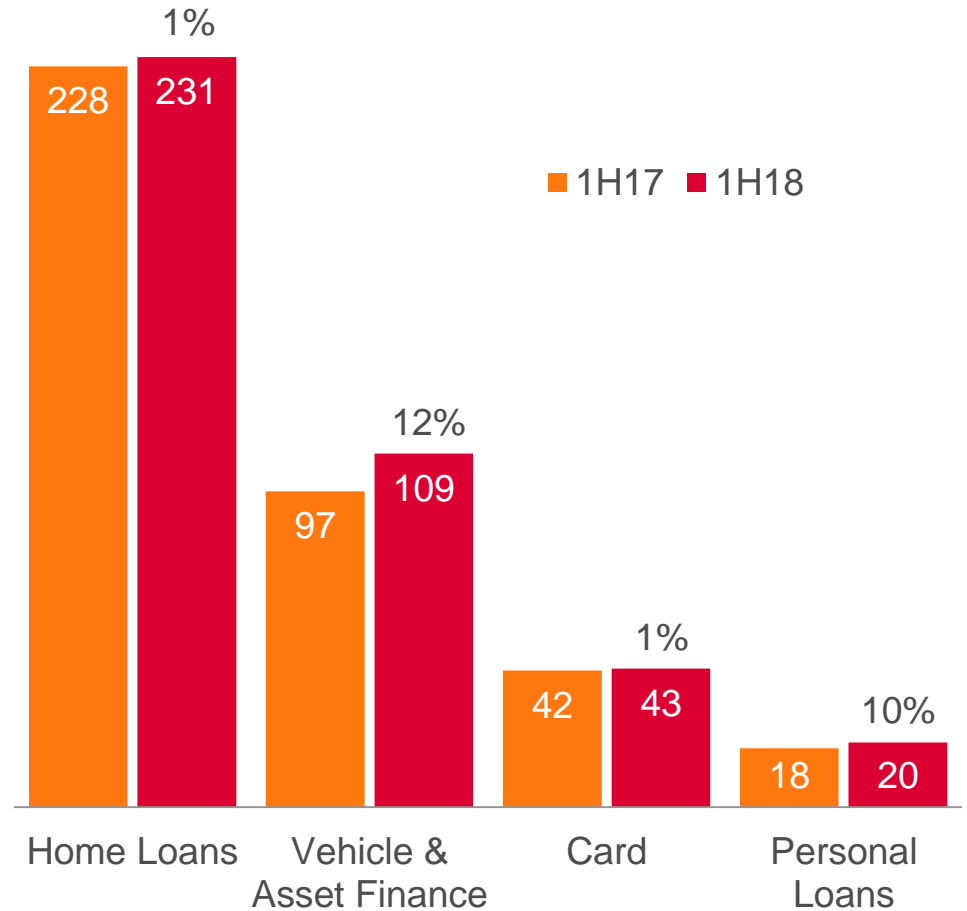
Note: * average interest bearing assets; ** interest rate risk management

Group loan growth improving

Gross customer loans (Rbn)

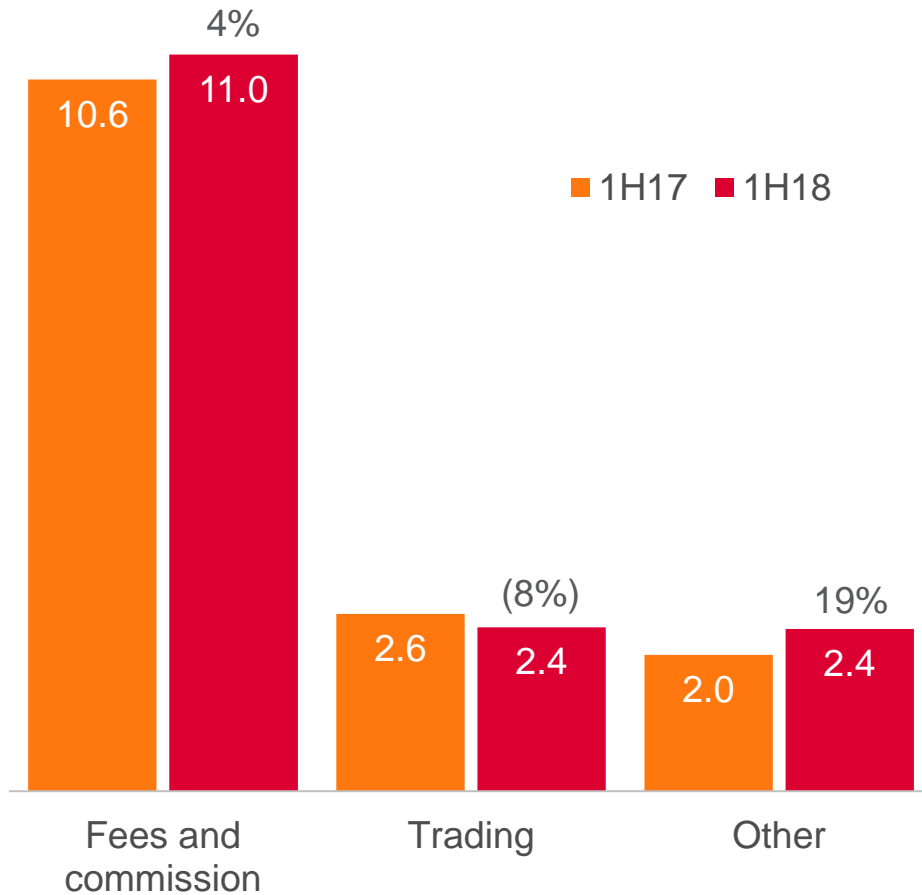


Retail SA gross customer loans (Rbn)

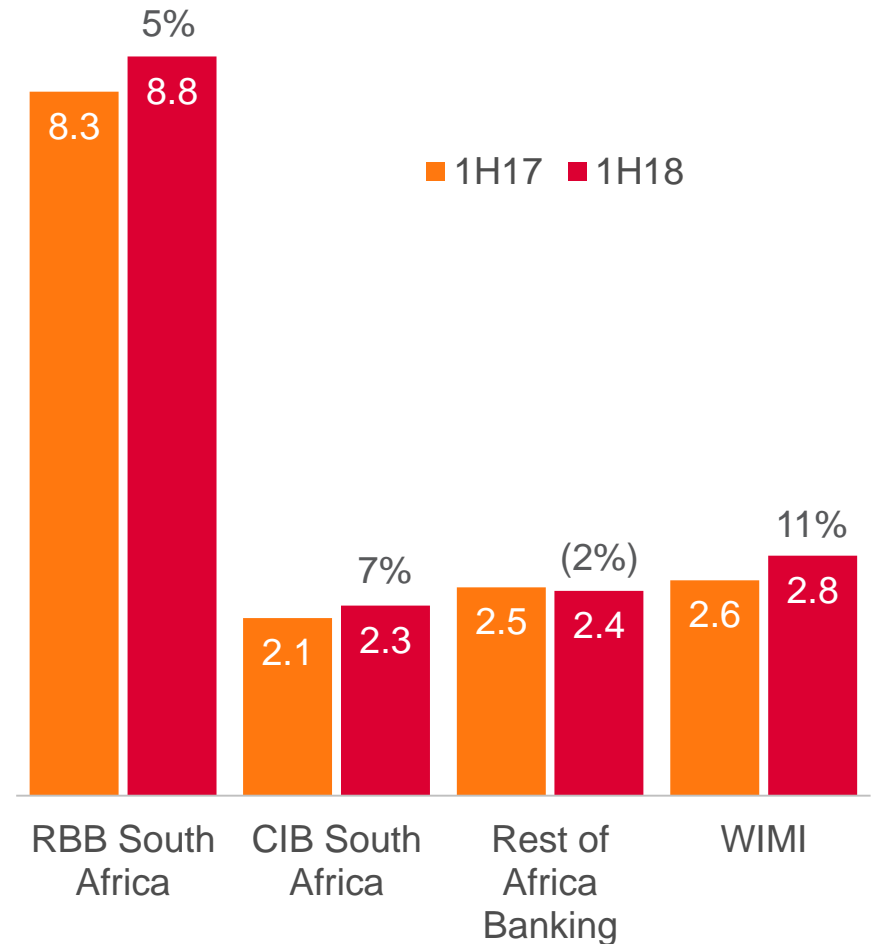


Increase in annuity non-interest income

Non-interest income by type (Rbn)

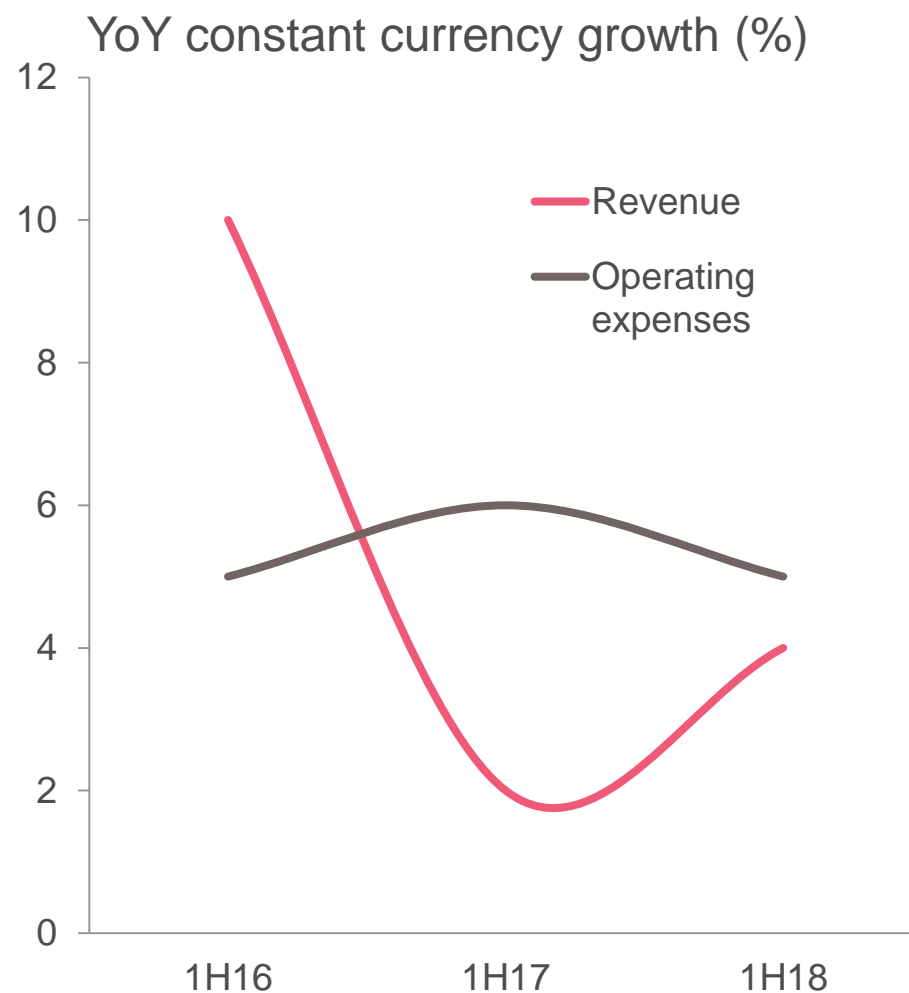


Non-interest income by division (Rbn)



Continued to manage costs while investing

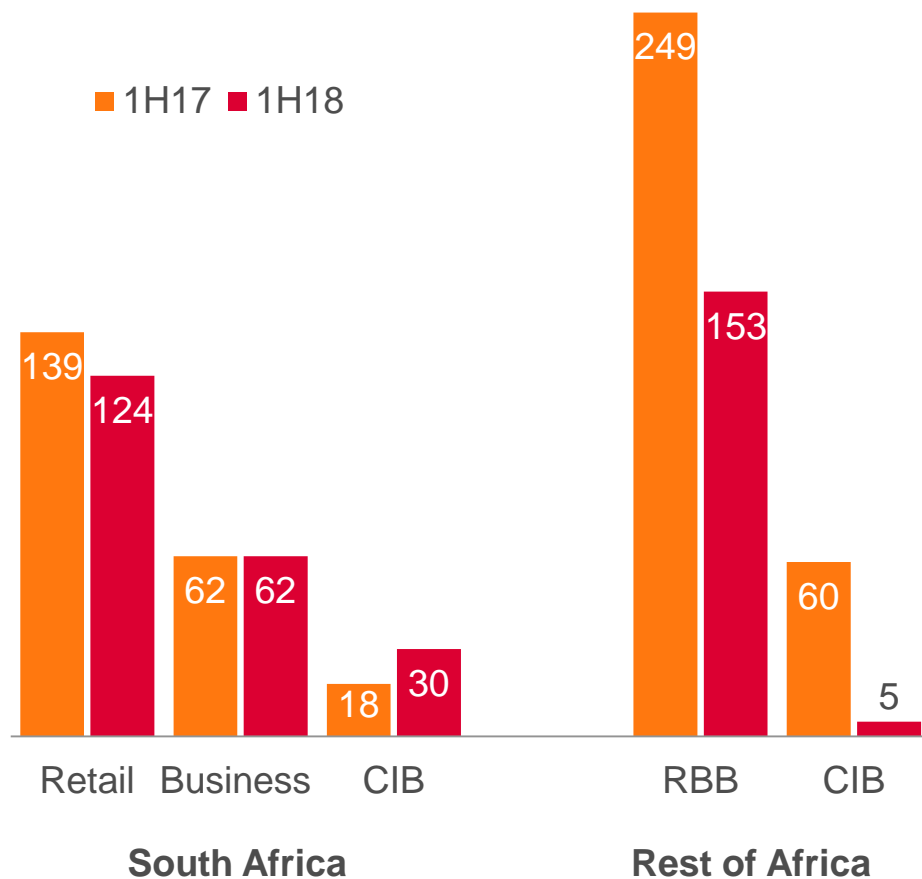
	1H18 Rm	Change %	Mix %
Staff	11 647	4	56
Property-related	1 633	(1)	8
Technology	1 592	1	8
Depreciation	1 125	20	5
Professional fees	877	(6)	4
Marketing	731	(0)	4
Communication	629	(6)	3
Cash transportation	612	14	3
Amortisation	363	4	2
Other *	1 625	12	7
Total	20 834	4	100



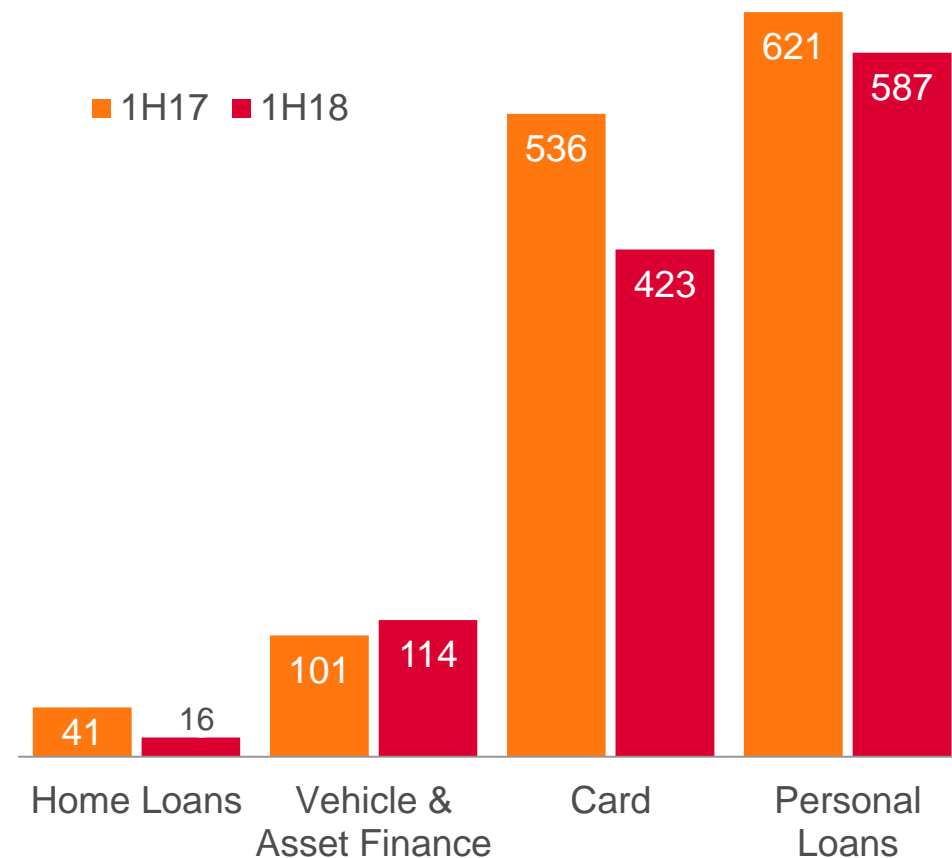
Note: * includes administration fees, equipment costs, fraud, travel and entertainment, other costs etc

Credit impairments improved across most portfolios

Credit loss ratio (bps)

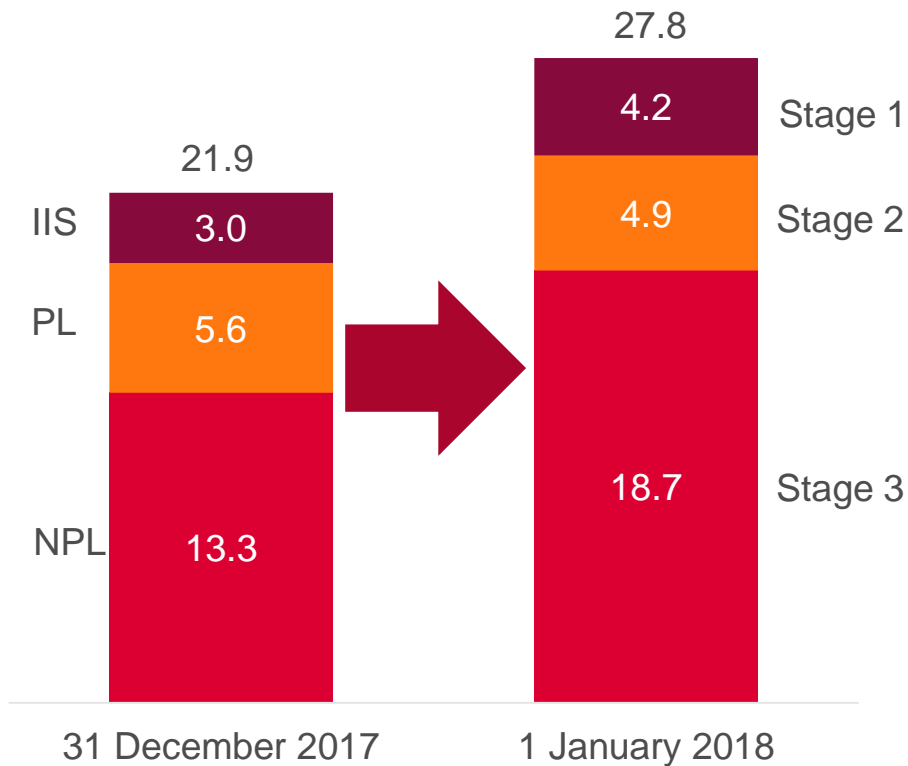


Retail SA credit loss ratio (bps)

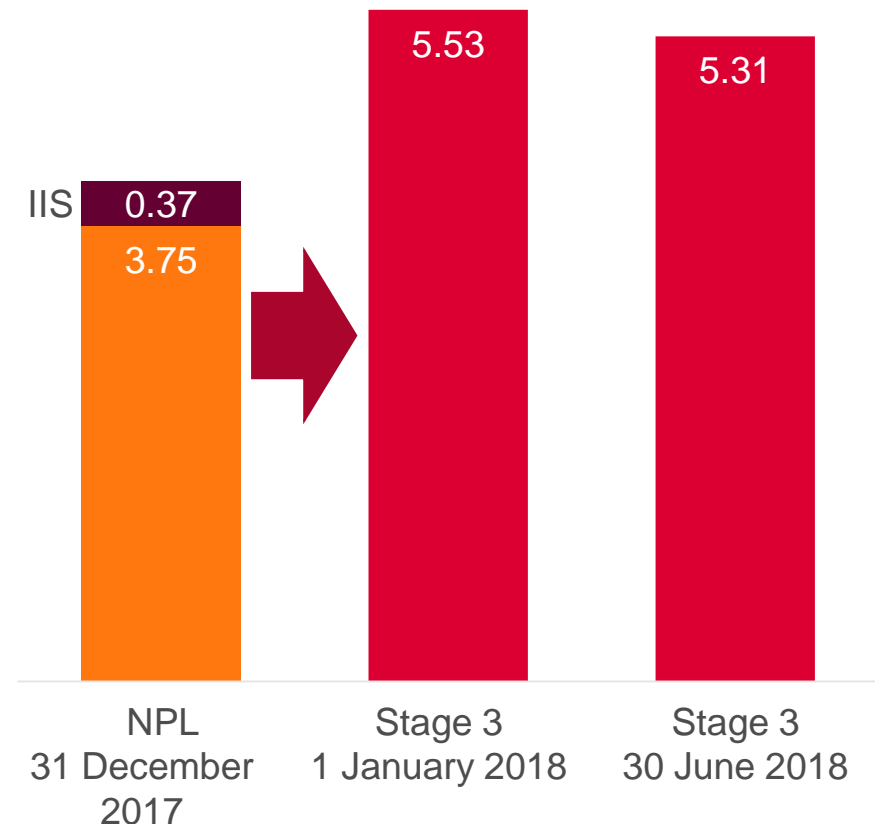


IFRS9 impacted credit impairments ...

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



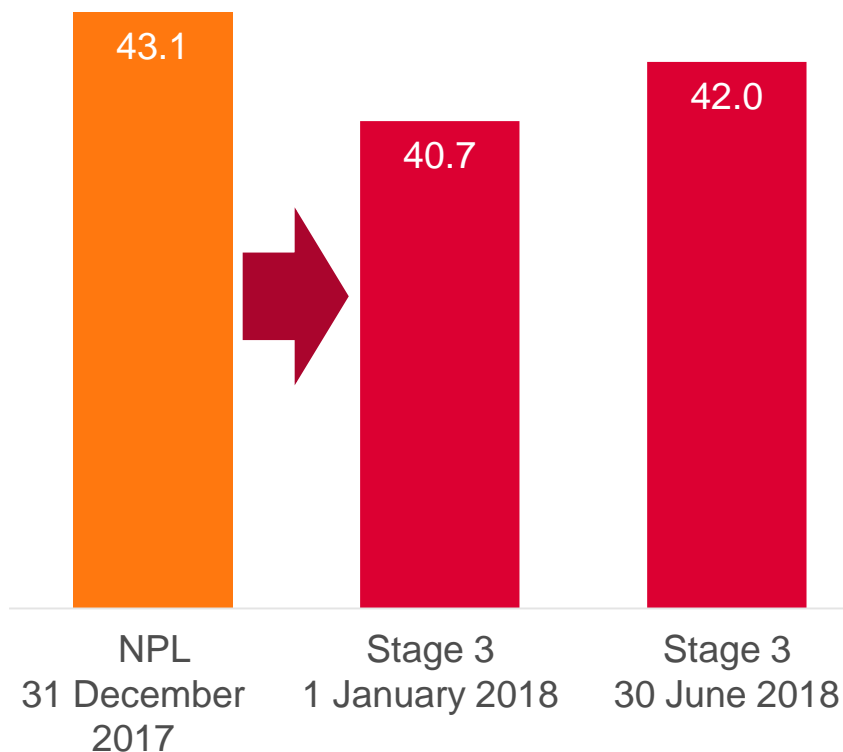
Change from IAS39 NPL to IFRS9 stage 3 ratio (%)



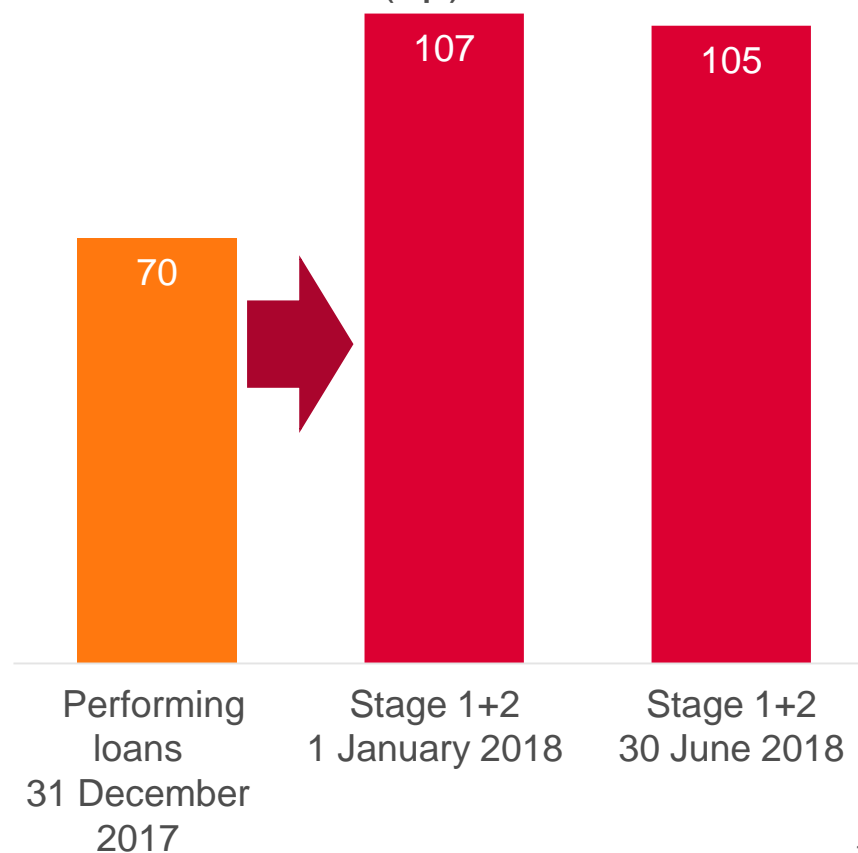
Note: NPL is non-performing loan provisions, PL is performing loan provisions and IIS is interest in suspense

... and coverage ratios

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

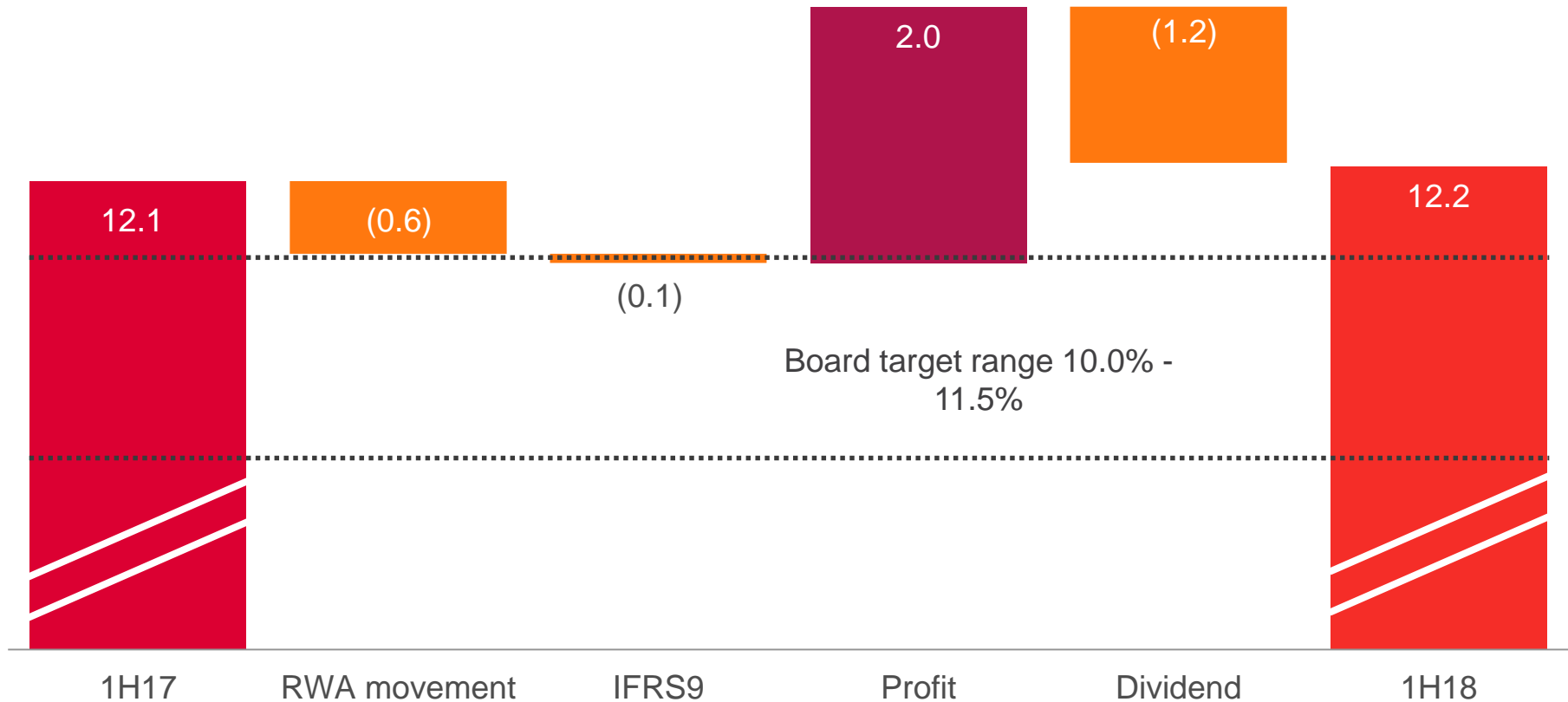


Change from IAS39 performing loan coverage to IFRS9 stage 1 and 2 coverage (bp)



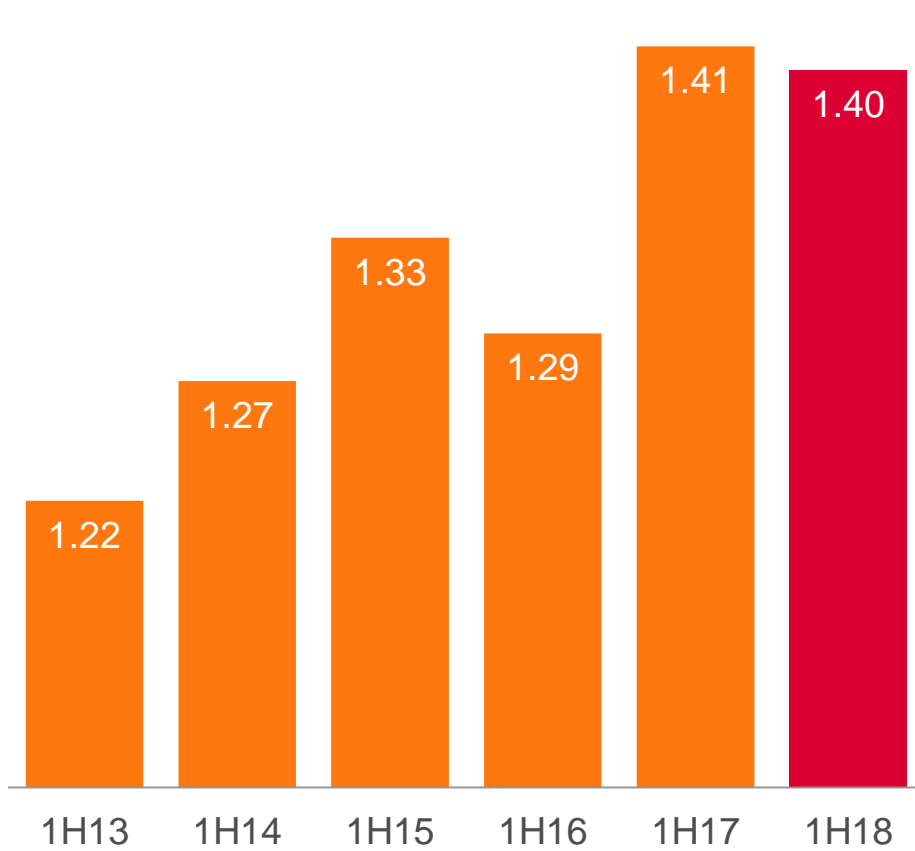
Maintaining strong capital levels

Absa Group Common Equity Tier 1 ratio (%)

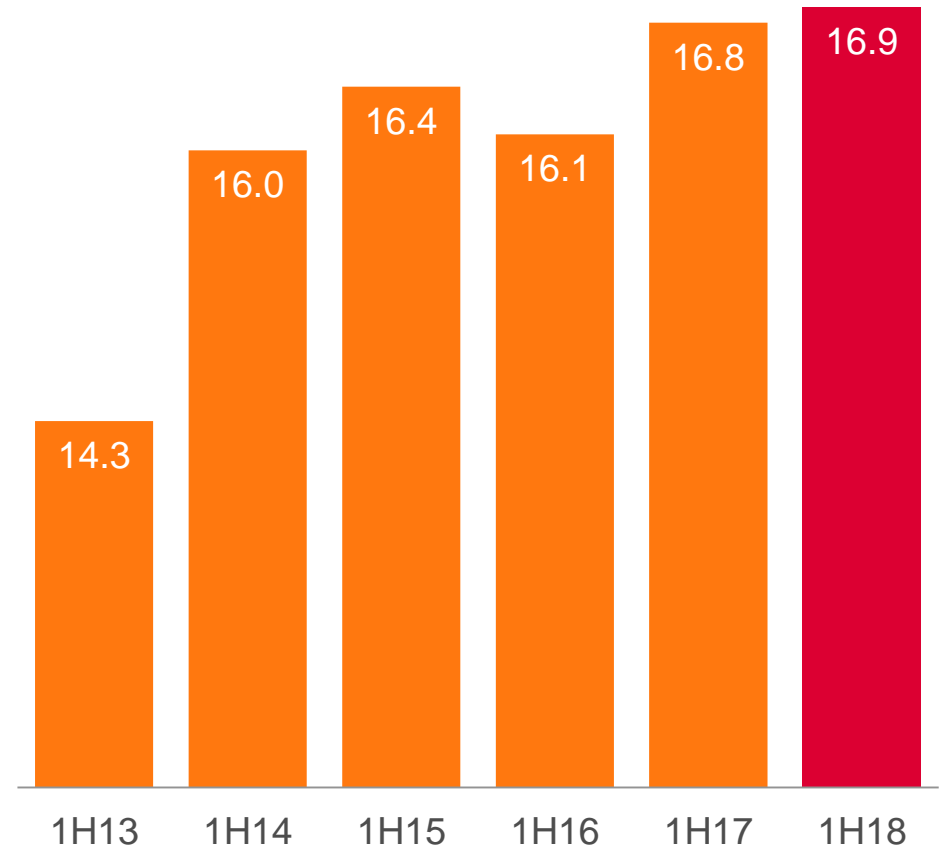


Group returns have trended upwards

Group return on assets (%)

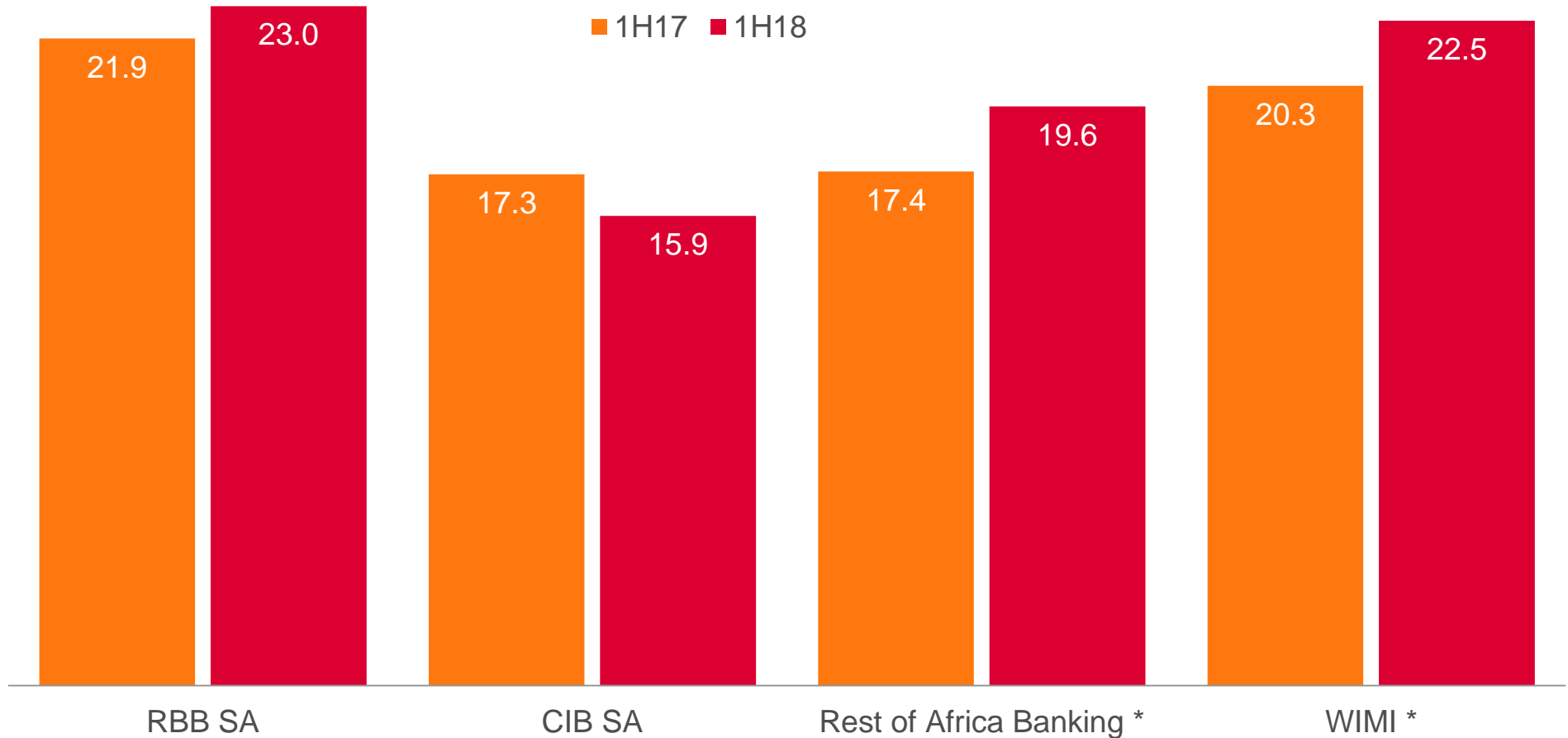


Group return on equity (%)



Solid underlying divisional returns

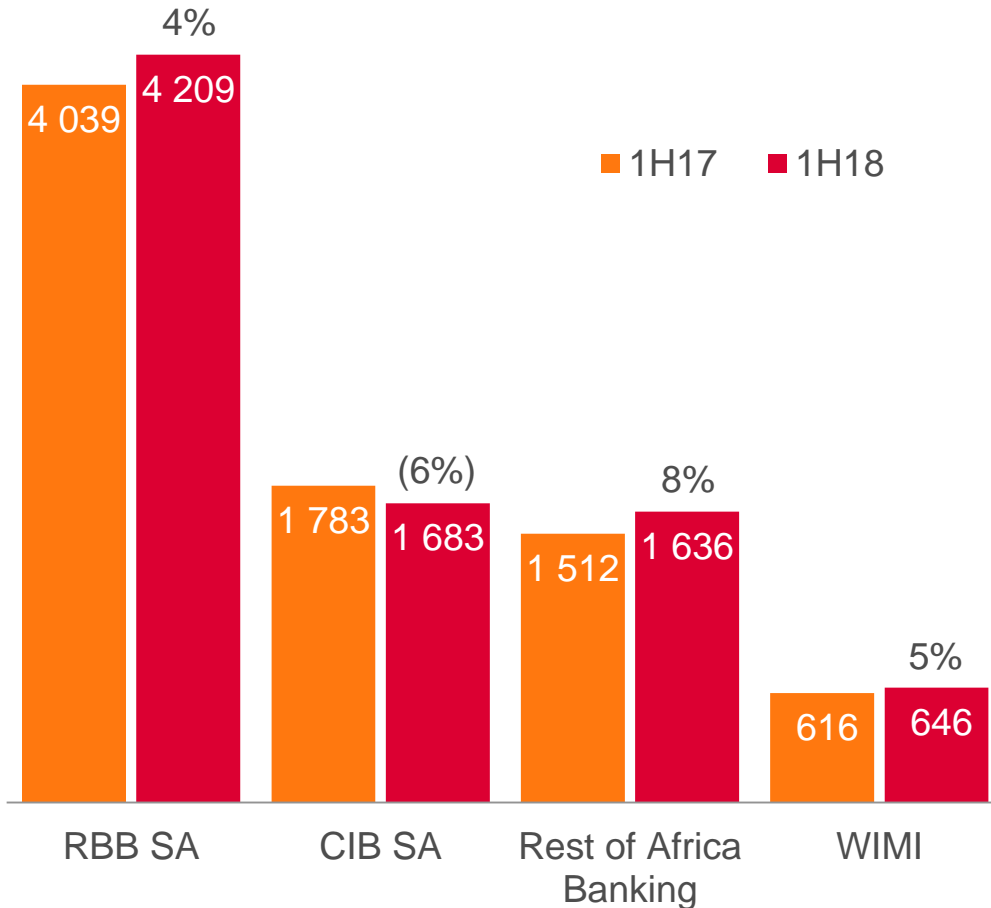
Divisional return on regulatory capital (%)



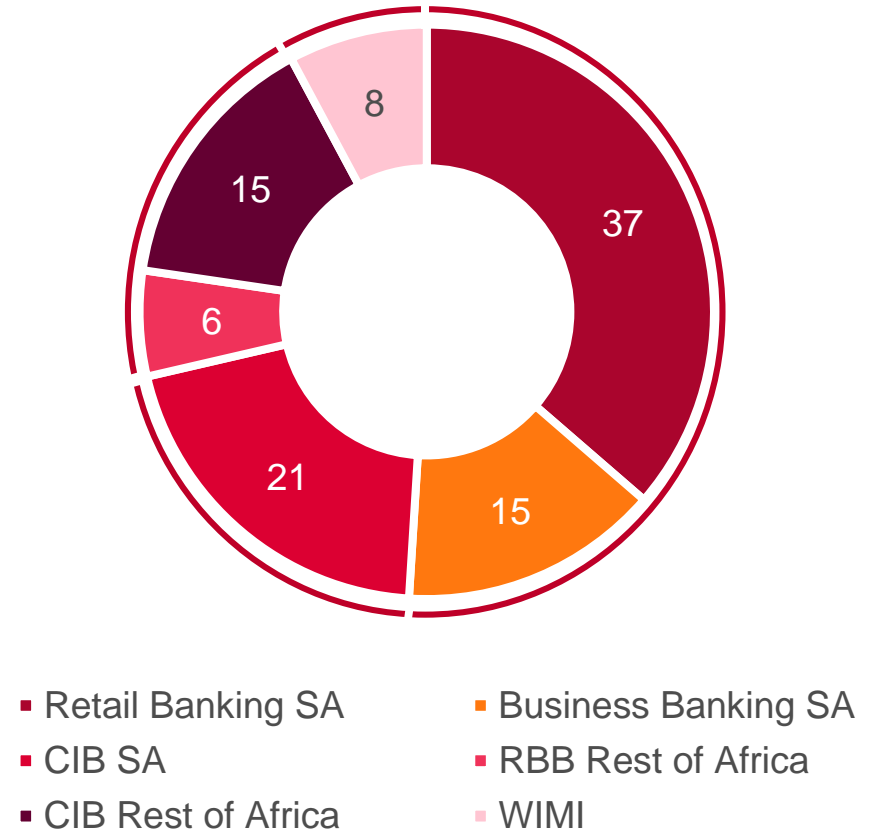
Note: * return on equity

We benefit from a well-diversified portfolio

Divisional headline earnings (Rm)



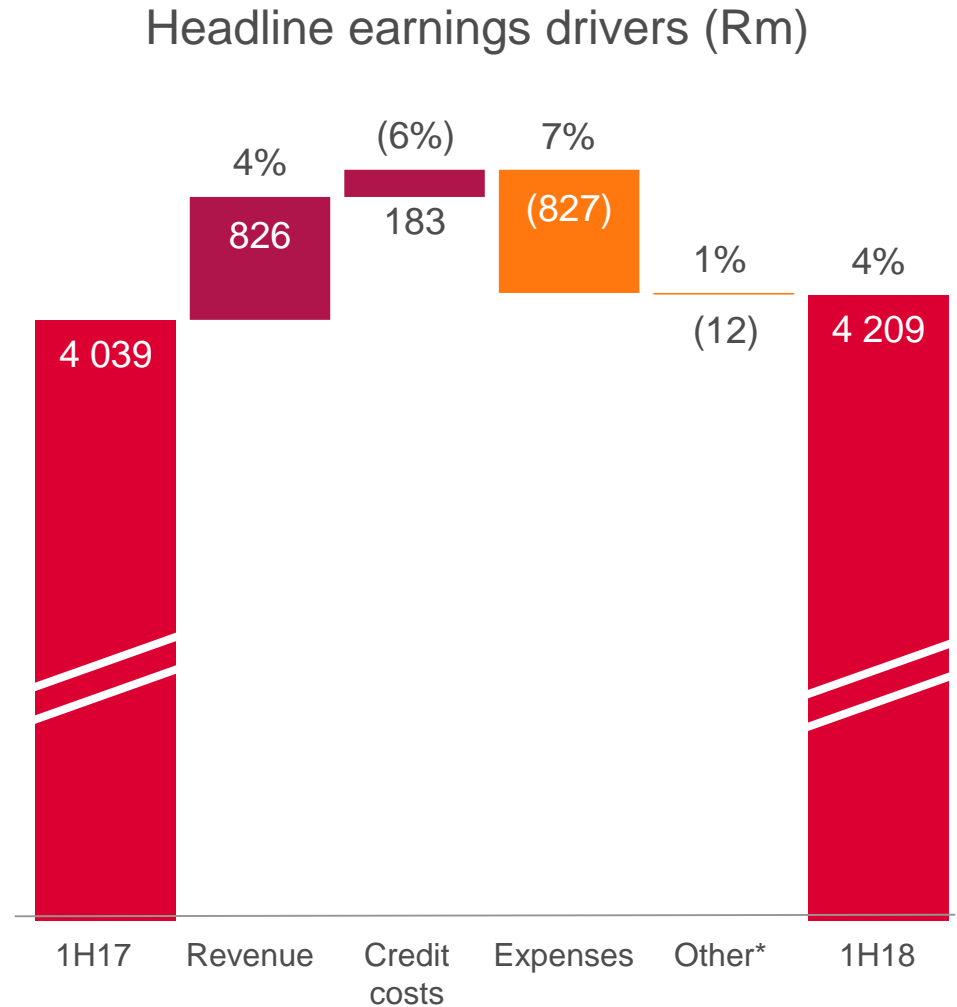
Headline earnings mix 1H18 (%) *



Note: * does not sum to 100 due to rounding; excluding Group Centre

Regaining RBB leadership in SA a priority

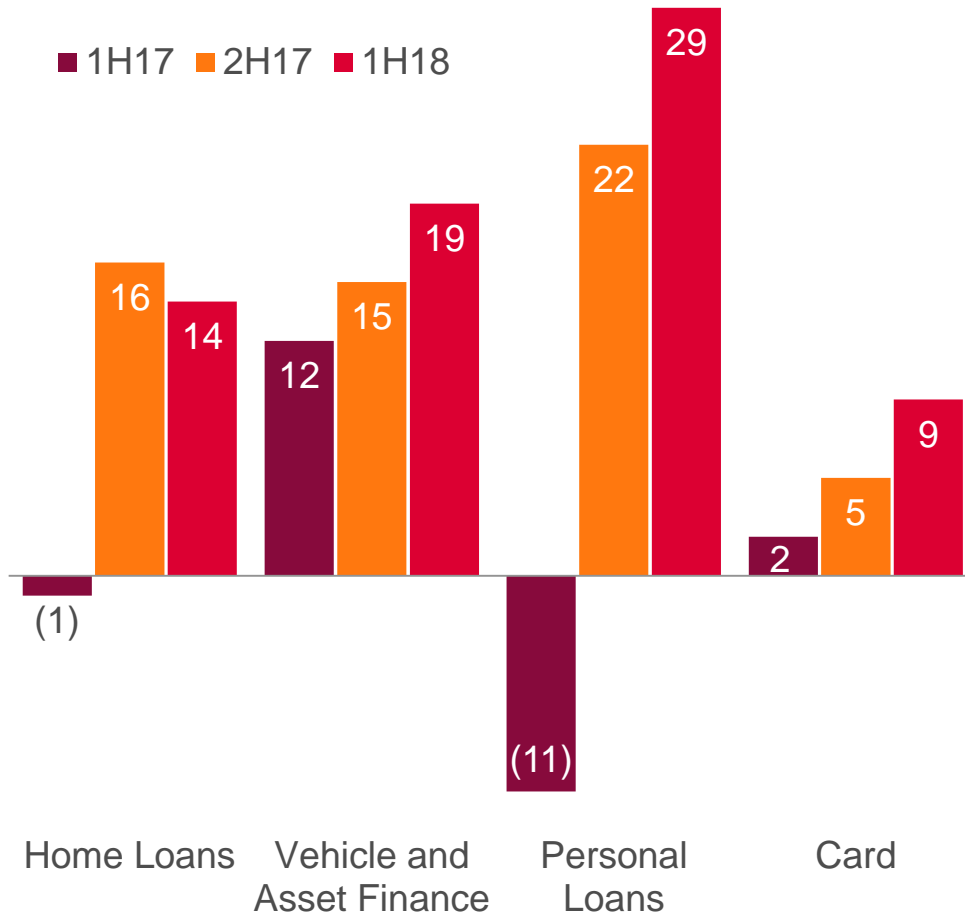
- Recalibrated RBB SA's operating model with a focus on growth and agility
- Returns remain healthy, but we aim to improve revenue and earnings growth
- Grow consumer finance business
- Regain retail deposit market share
- Deliver best in class customer experience with compelling products
- Build a scalable and digitally-led business



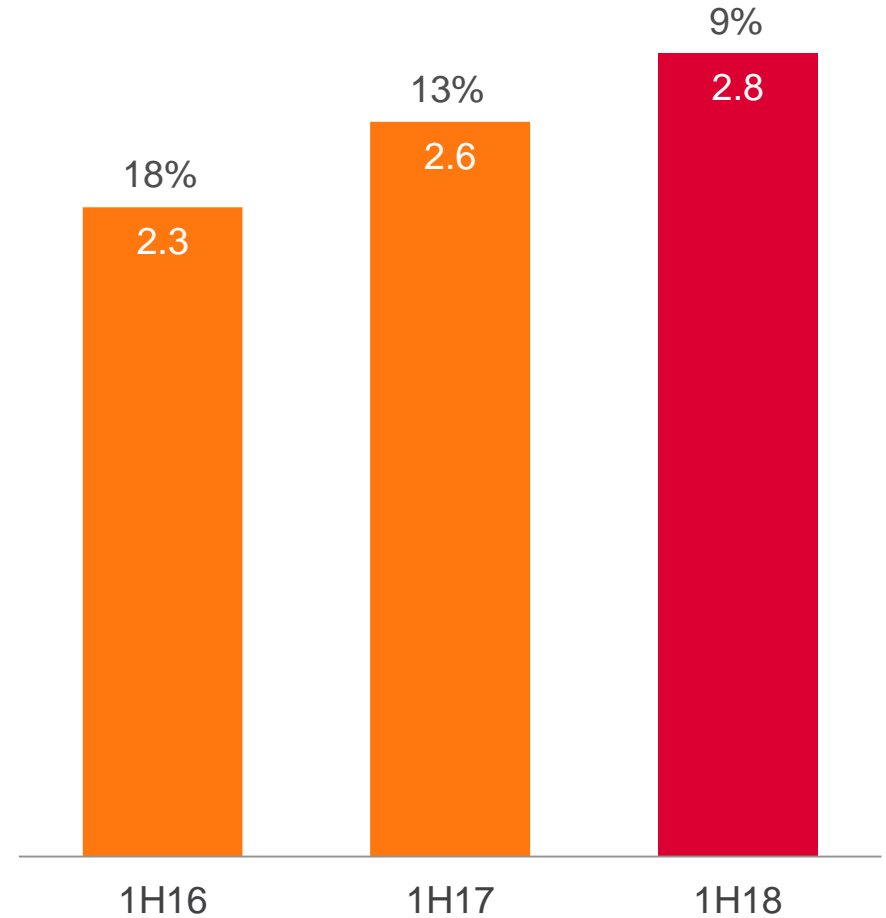
Note: * Includes other operating expenses, taxation, associates and JVs share of post tax results, non-controlling interest and non-headline items.

Retail SA maintained new business momentum

Retail SA YoY loan production (%)

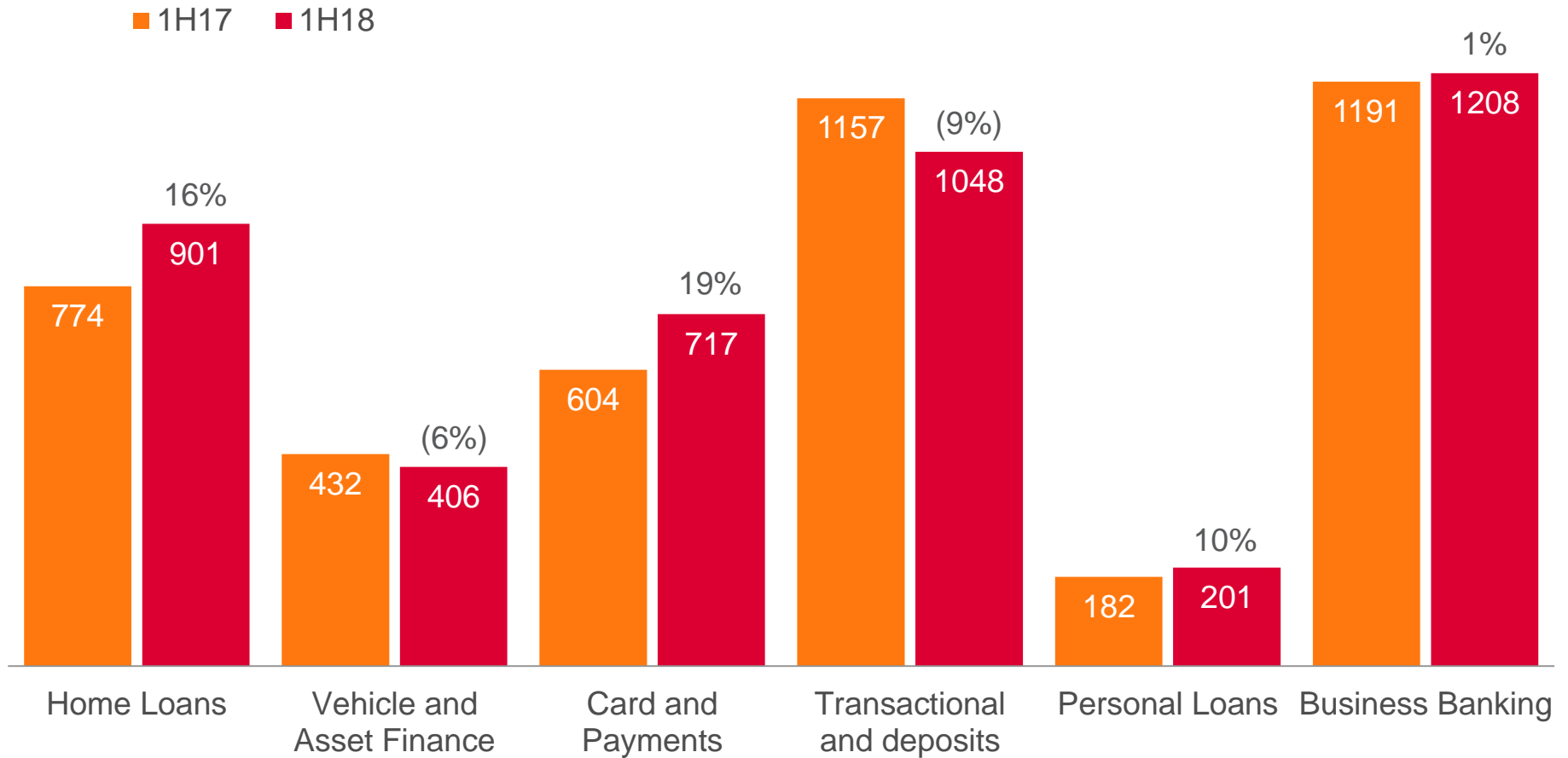


Rewards customers (m)



Home Loans and Card drove RBB SA growth

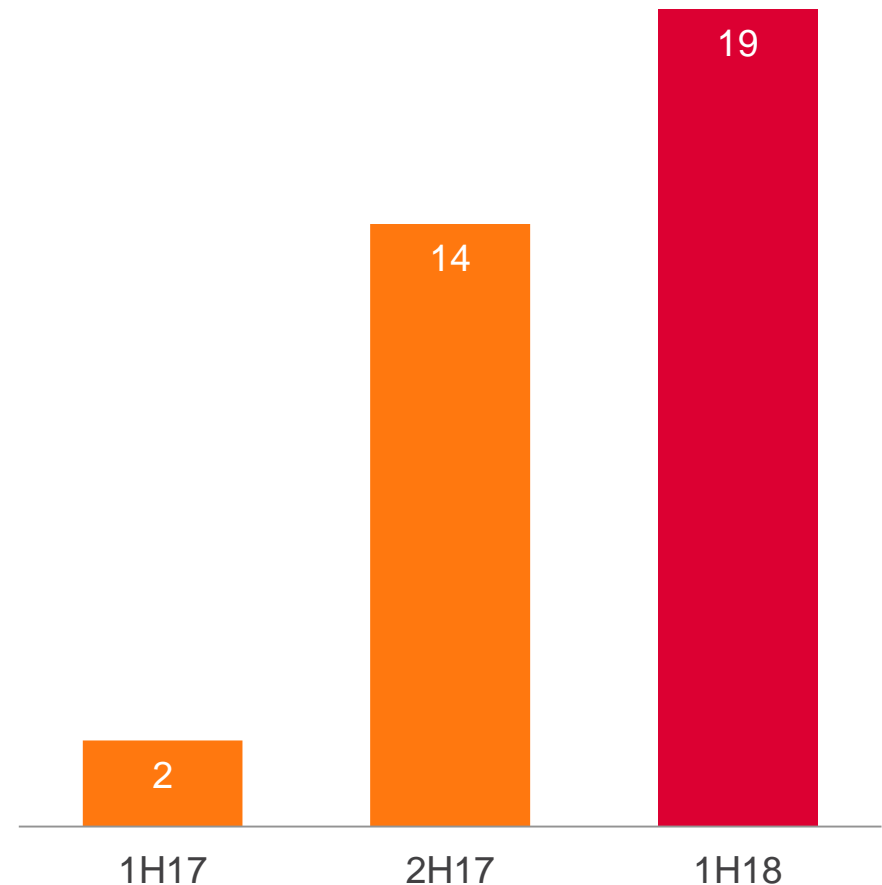
Headline earnings (Rm)



Positive underlying momentum in WIMI

- Aligning more closely to RBB to enhance collaboration
- Solid growth in continuing line earnings
- Strong growth in Life embedded value of new business
- Assets under management lower YTD
- Significant improvement in Short-term underwriting margins in SA
- Continue to sell non-core operations

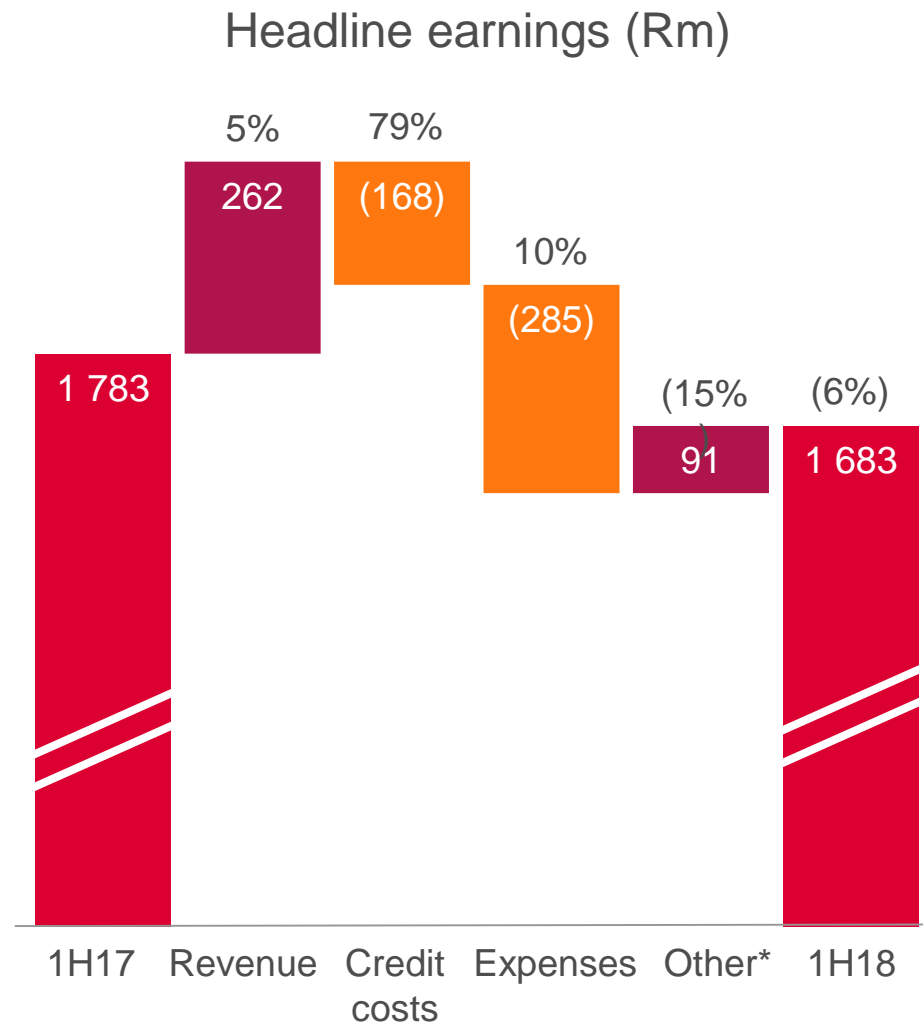
Growth in embedded value of new



Note: * excludes Other, which lost R159m

Credit impairments dampen CIB SA earnings

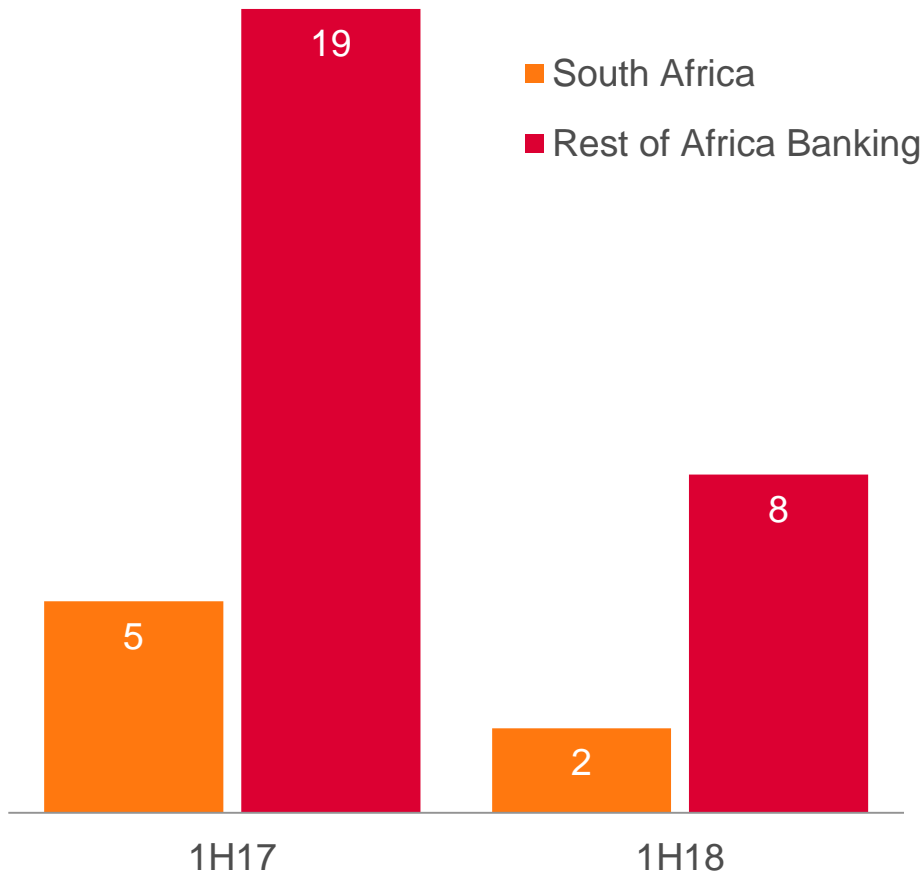
- Revenue continues to benefit from diversification
- Opportunity remains to gain share in lending and transactional revenue
- Increased cost growth reflects investment
- Large single name increased credit impairments materially
- Scope to improve returns



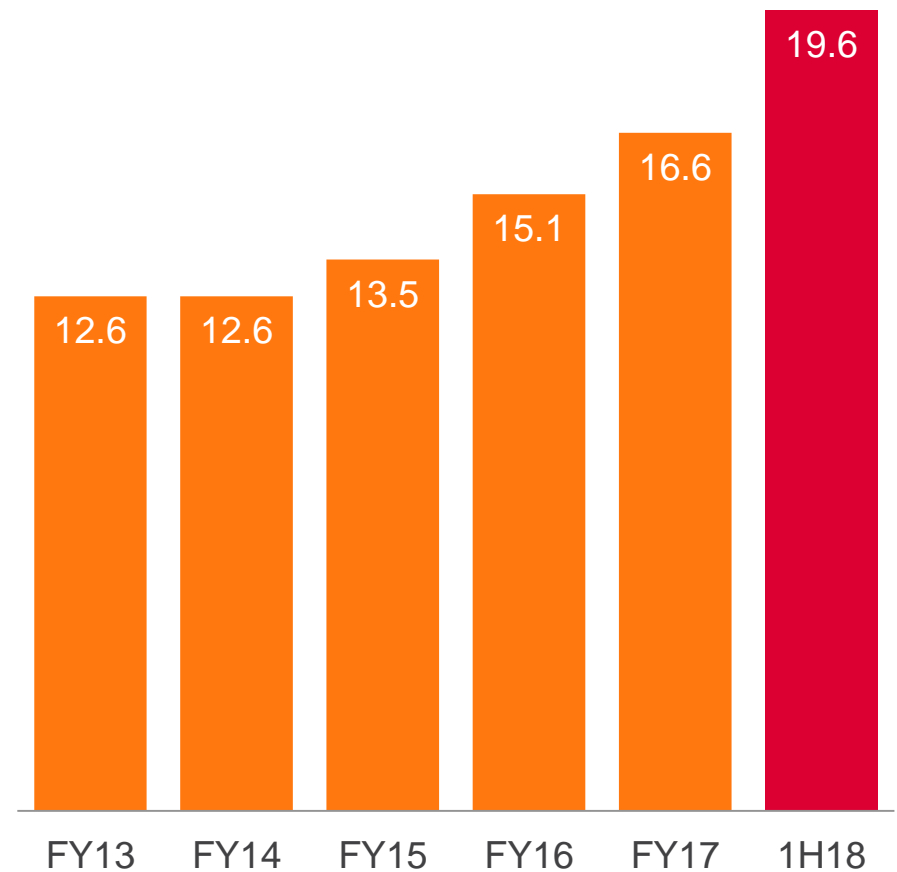
Note: * includes other operating expenses, taxation, non-controlling interest and non-headline items

Rest of Africa Banking enhances our growth

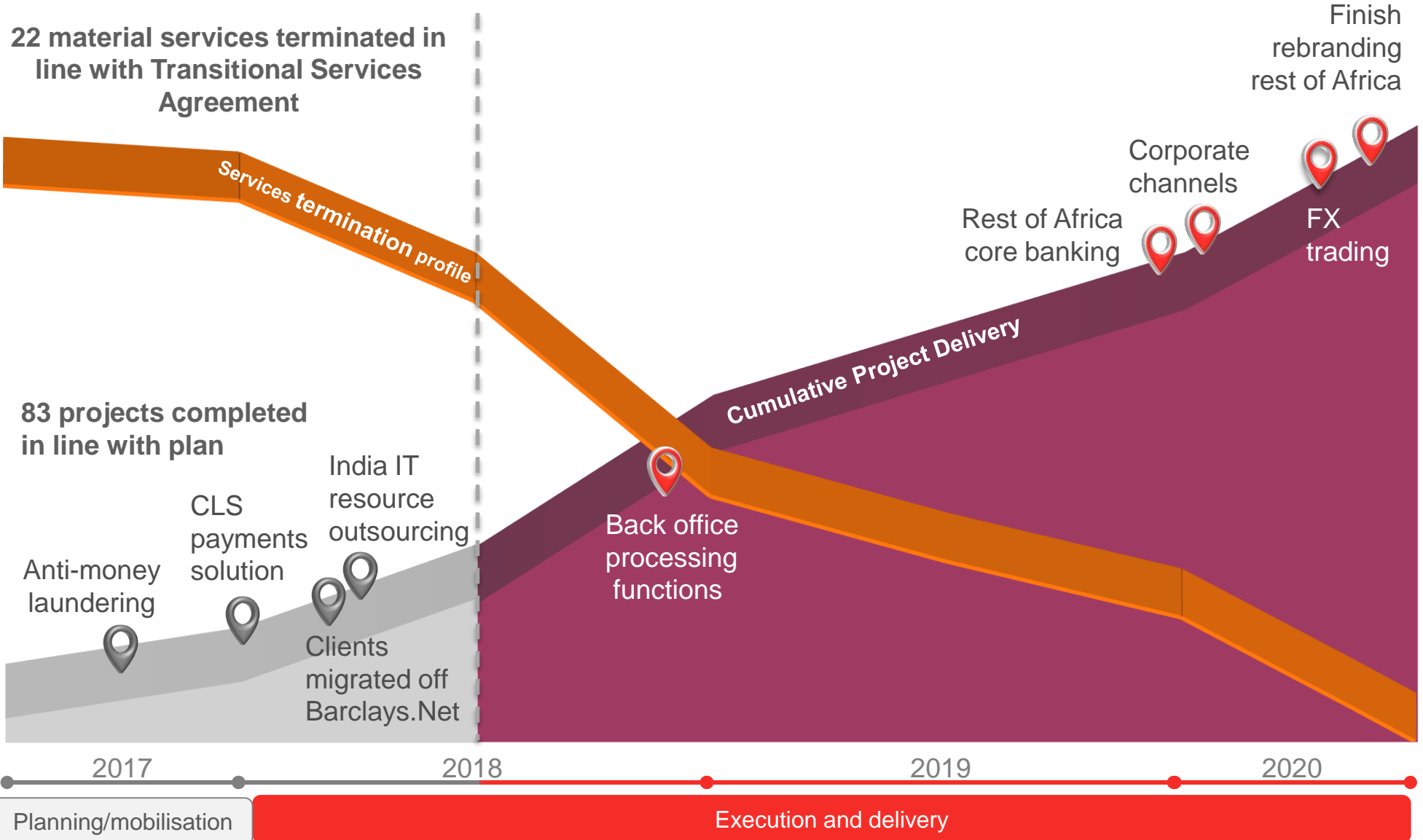
Headline earnings growth (%)



Rest of Africa Banking return on equity (%)

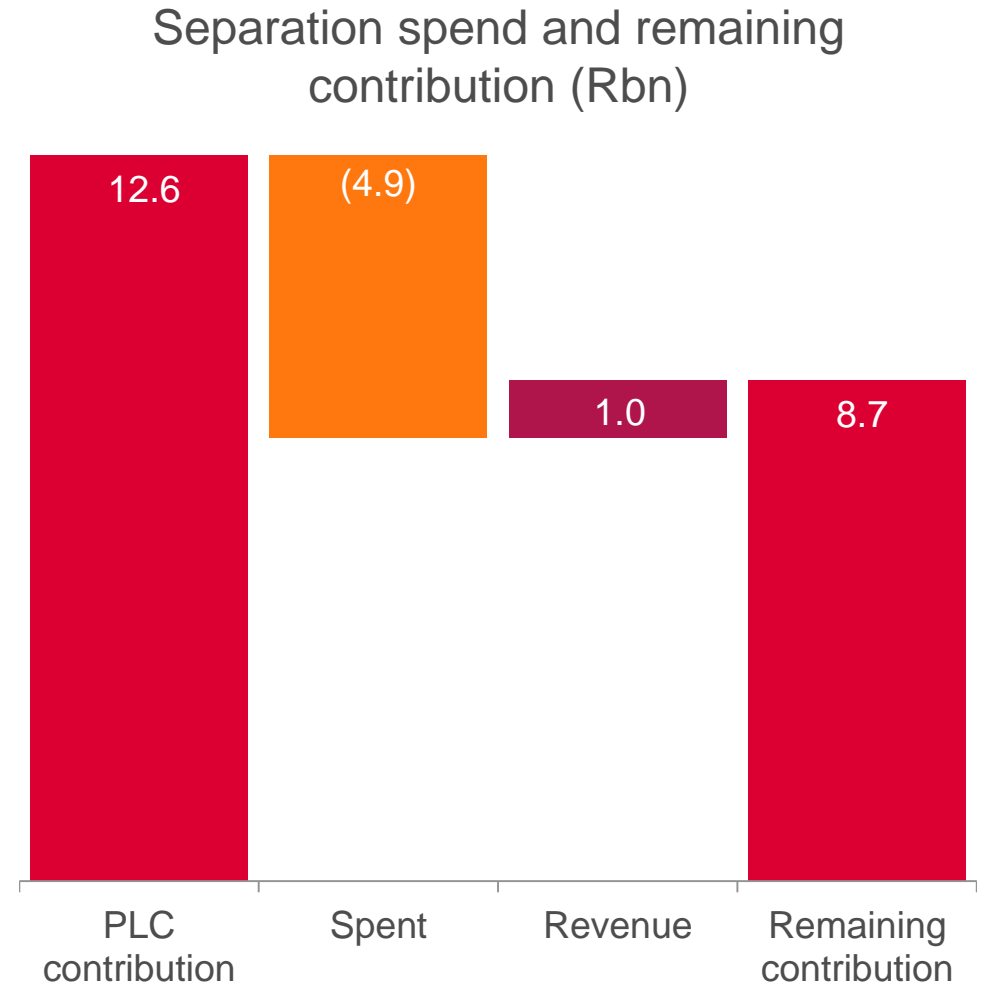


Progress to date in line with plan



Separation journey is on track

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



Outlook for 2018

- Loan and deposit growth to improve
- Net interest margin is expected to decline slightly
- Costs will remain well controlled and improve our operating JAWS from 2017
- Credit loss ratio is expected to improve
- RoE is likely to improve slightly
- Dividend cover will remain the same

Disclaimer

Forward-looking statements

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