

**ABSA GROUP LIMITED**

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

ISIN: ZAE000255915

JSE share code: ABG

("Absa Group" or "the Group")

**VOLUNTARY TRADING UPDATE FOR THE QUARTER ENDED 31 MARCH 2021 AND TRADING STATEMENT FOR THE SIX MONTHS ENDING 30 JUNE 2021****Trading update**

This trading update provides information related to Absa Group's financial performance for the quarter ended 31 March 2021. The commentary throughout refers to the percent change year-on-year (unless otherwise noted) in the Group's normalised financial results, which adjust for the consequences of separating from Barclays PLC.

On average, the Rand was 15% stronger year-on-year against currencies in our Absa Regional Operations (ARO) during the period, reducing both Group revenue and operating expenses by 3% year-on-year. Total revenue was flat year-on-year. Net interest income grew by mid-single digits, and the Group's net interest margin improved from the second half of 2020. Non-interest income decreased by mid- to high-single digits, as net fee and commission income declined by mid-single digits and life insurance claims were materially higher, partially offset by strong Global Markets trading revenue, particularly in South Africa. Operating expenses decreased by low single-digits, with continued strong control of fixed costs and increased variable costs, in particular related to variable remuneration. Consequently, the Group's pre-provision profits for the quarter grew by low single digits. Credit impairments dropped by mid-teens year-on-year, resulting in a credit loss ratio only marginally above our through-the-cycle target range of 75 to 100 basis points. The credit charge in Corporate and Investment Bank (CIB), as well as Personal Loans and Home Loans in South Africa improved substantially. The percent of stage 3 loans improved slightly year-to-date. The Group's first quarter return on equity improved year-on-year, comfortably exceeding its cost of equity.

Division-wise, Retail and Business Banking (RBB) South Africa's headline earnings increased year-on-year due to lower credit impairments. CIB South Africa's headline earnings grew substantially year-on-year, given strong revenue growth and materially lower credit impairments. In constant currency, ARO headline earnings decreased year-on-year, on lower pre-provision profits as cost growth exceeded low revenue growth.

Group gross customer loans decreased slightly year-on-year due to the stronger Rand. RBB South Africa's gross customer loans grew by mid-single digits year-on-year, with continued strong new business production in Home Loans and Vehicle and Asset Finance. Group customer deposits increased by high single digits year-on-year, with strong growth in South Africa and ARO (in constant currency).

Absa Group's common equity tier 1 (CET1) capital ratio improved to 11.9% at 31 March 2021, slightly above the middle of our Board CET1 target range of 11.0% to 12.5%, from 11.2% at 31 December 2020. As indicated in March, the Group expects to resume paying dividends from the first half of 2021, starting with a payout ratio of 30% and increasing to 50% over the medium-term.

The Group's performance in April 2021 saw improved year-on-year revenue growth and substantially lower credit impairments versus April 2020, which included a hard lockdown in South Africa due to Covid-19. The revenue run rate for April 2021 was similar to first quarter 2021 levels.

### **Trading statement**

In accordance with section 3.4(b) of the JSE Listings Requirements, shareholders are advised that the Group's IFRS headline earnings per share (HEPS) and earnings per share for the six months ending 30 June 2021 are expected to be more than 10 times the comparatives for the first half of 2020 of 67.7 cents and 58.8 cents respectively. Normalised HEPS for the six months ending 30 June 2021 is expected to be between 5 and 6 times the normalised HEPS of 173.6 cents for first half of 2020. Risks to this guidance include a significantly more severe third wave of Covid-19 than currently expected, plus any material unforeseen political, macroeconomic or regulatory changes. We will provide a more specific guidance range once there is reasonable certainty regarding the extent of the increase in earnings.

Shareholders are advised that the financial information contained in this trading update and trading statement have not been reviewed or reported on by Absa Group's auditors.

The Group will release its financial results for the first half of 2021 on 16 August 2021.

Johannesburg  
13 May 2021

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**Lead Independent Sponsor:**

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Editor's Note:

Normalised reporting

Given the process of separating from Barclays PLC, Absa Group continues to report IFRS-compliant financial results and a normalised view. The latter adjusts for the consequences of the separation and better reflects its underlying performance.