



Absa Group

FY18 results presentation

11 March 2019

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Normalised salient features

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

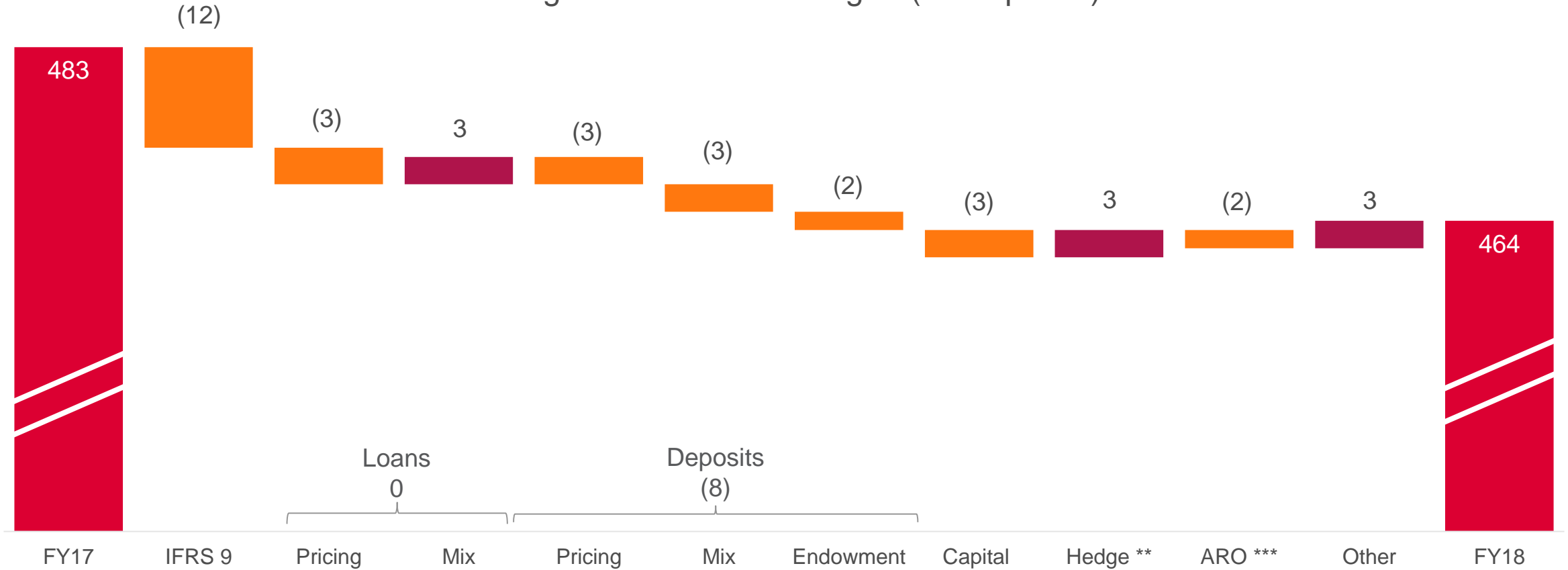
Shape of income statement in line with guidance

Rm	FY17	FY18	Change (%)	Normalisation adjustments
Net interest income	42 319	43 425	3	330
Non-interest income	30 671	32 235	5	525
Total income	72 990	75 660	4	855
Impairment losses	7 022	6 324	(10)	-
Operating expenses	41 403	43 642	5	(3 161)
Other*	(1 706)	(1 653)	(3)	(194)
Taxation	6 290	6 766	8	484
Non-controlling interest	1 199	1 372	14	(30)
Headline earnings	15 623	16 128	3	(2 016)

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

IFRS 9 reduced net interest margin

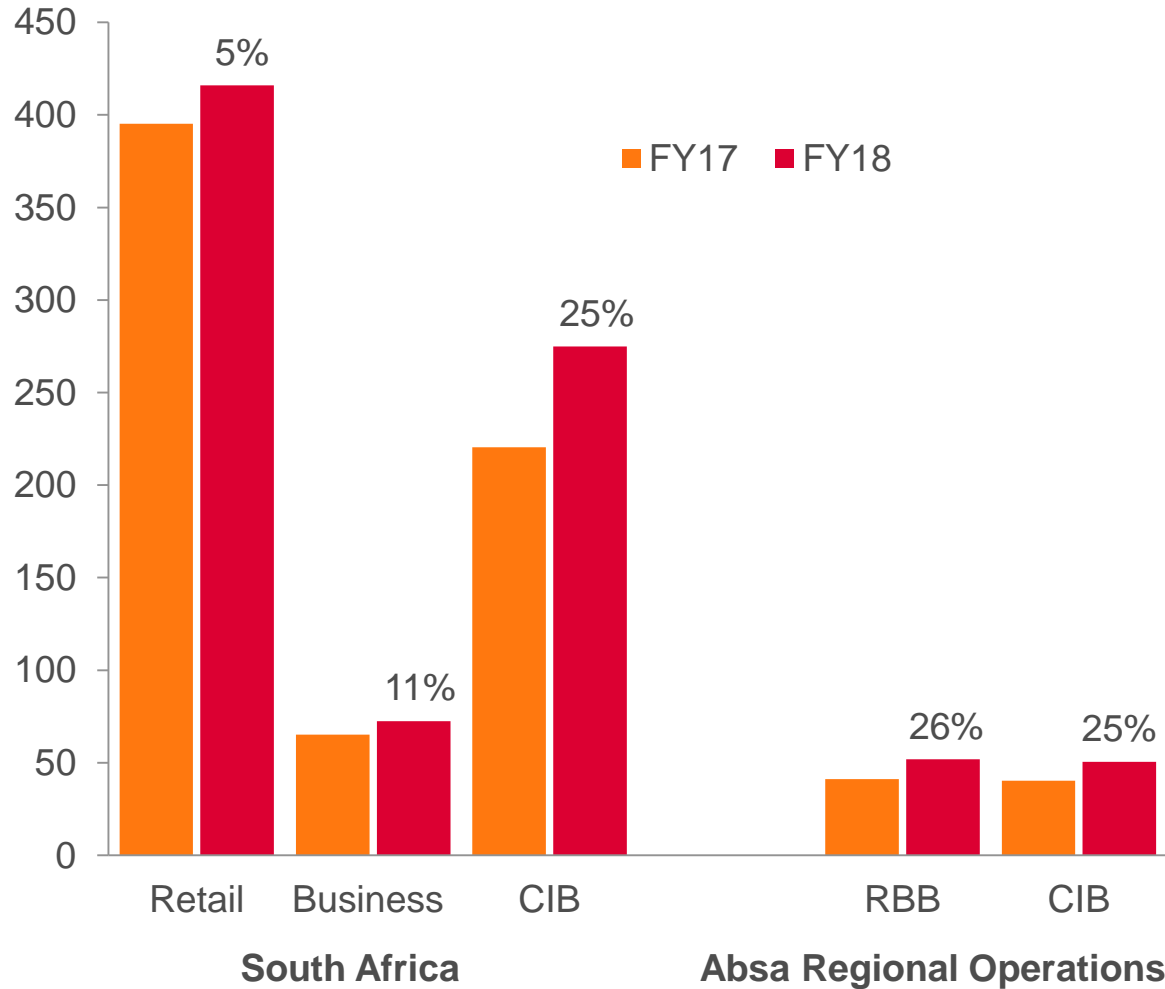
Change in net interest margin* (basis points)



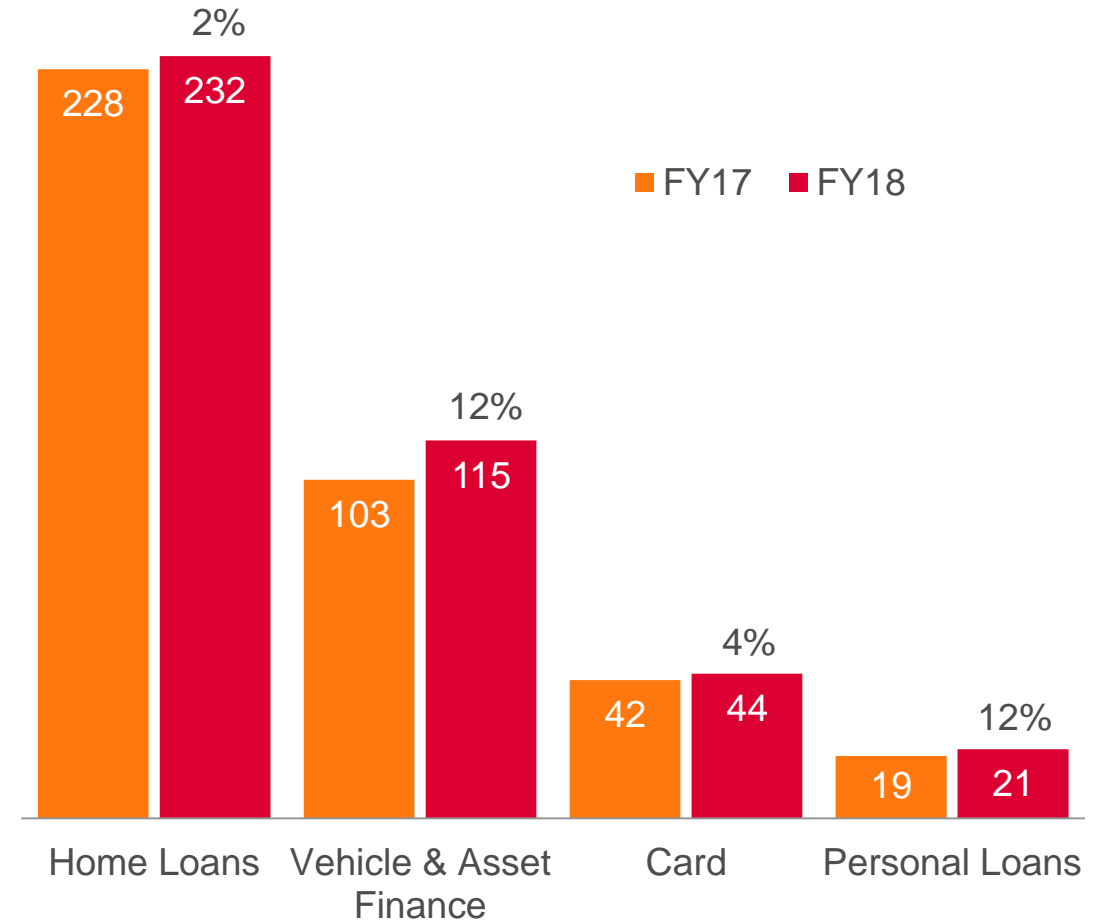
Note: * average interest bearing assets; ** interest rate risk management; *** Absa Regional Operations

Group loan growth momentum continued

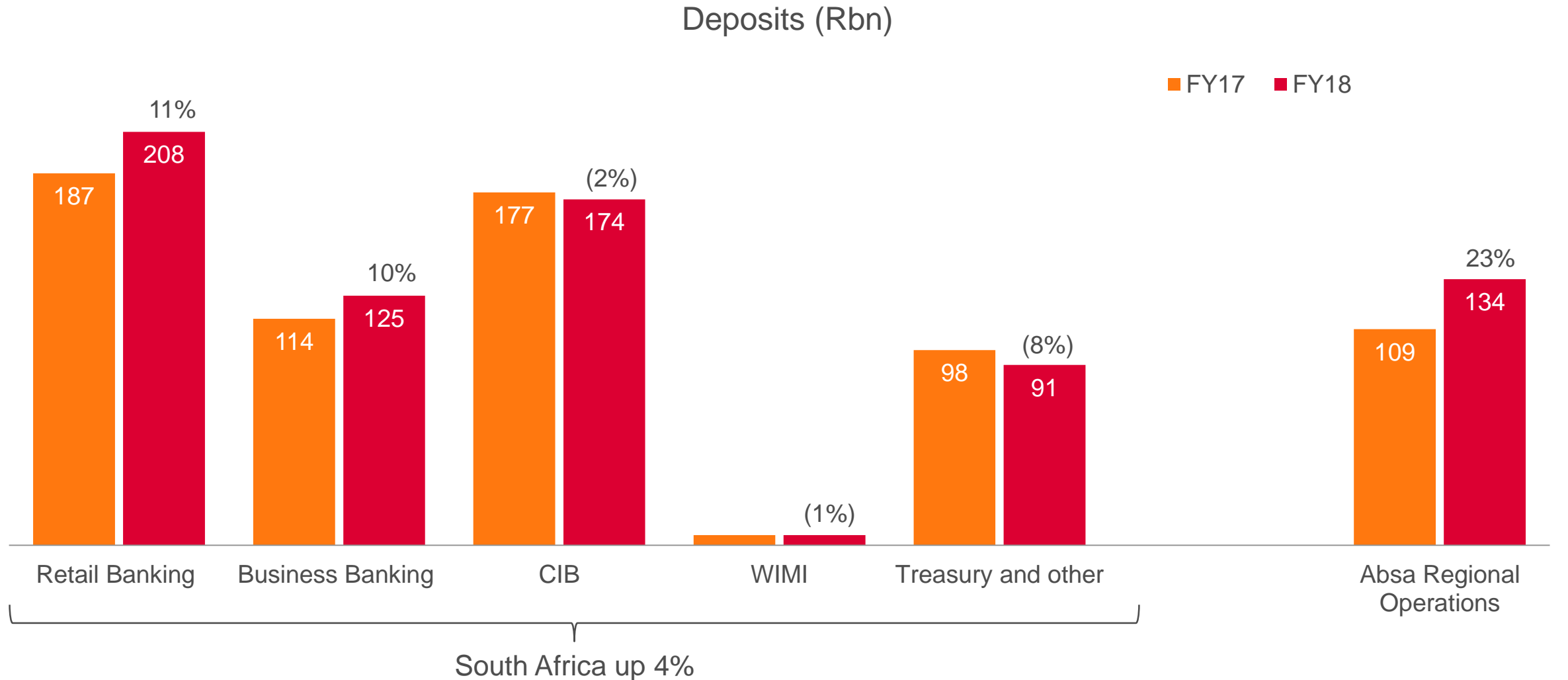
Gross customer loans (Rbn)



Retail SA gross customer loans (Rbn)

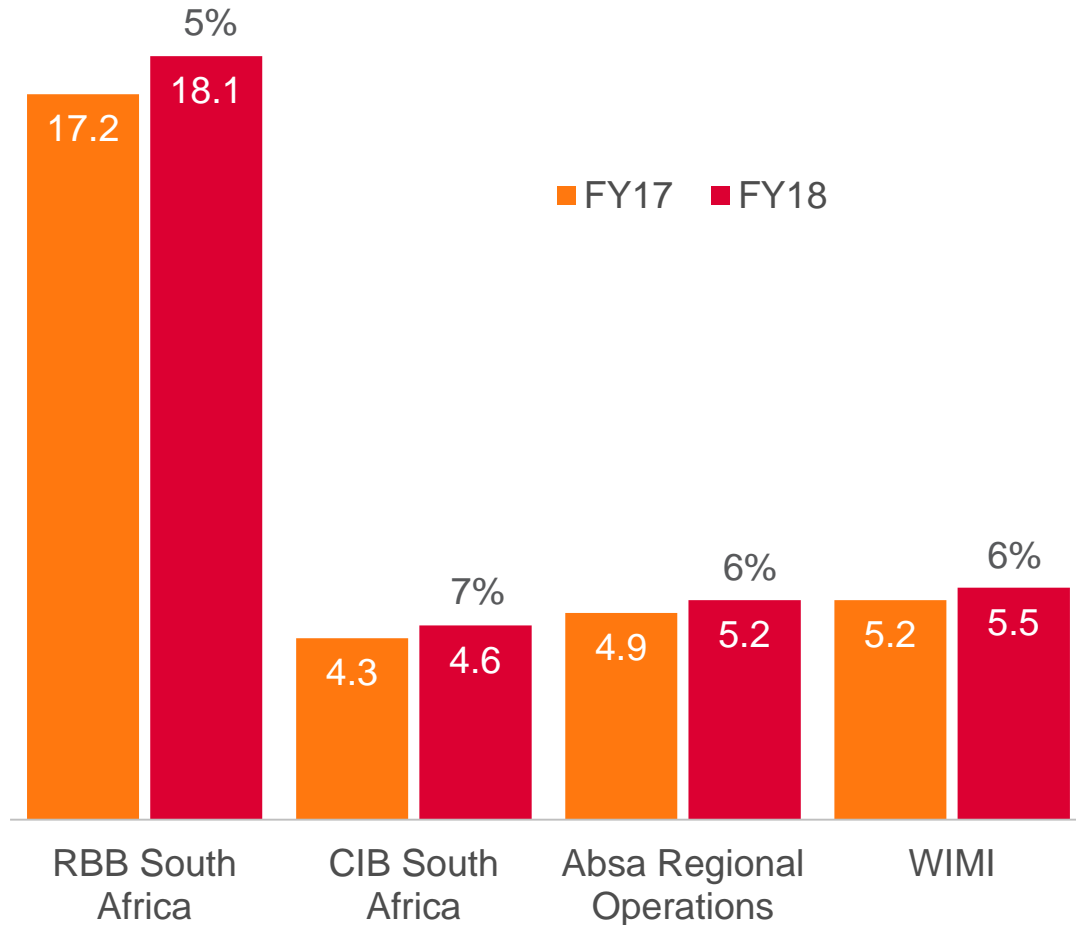


Improvement in RBB deposits while lower in CIB SA

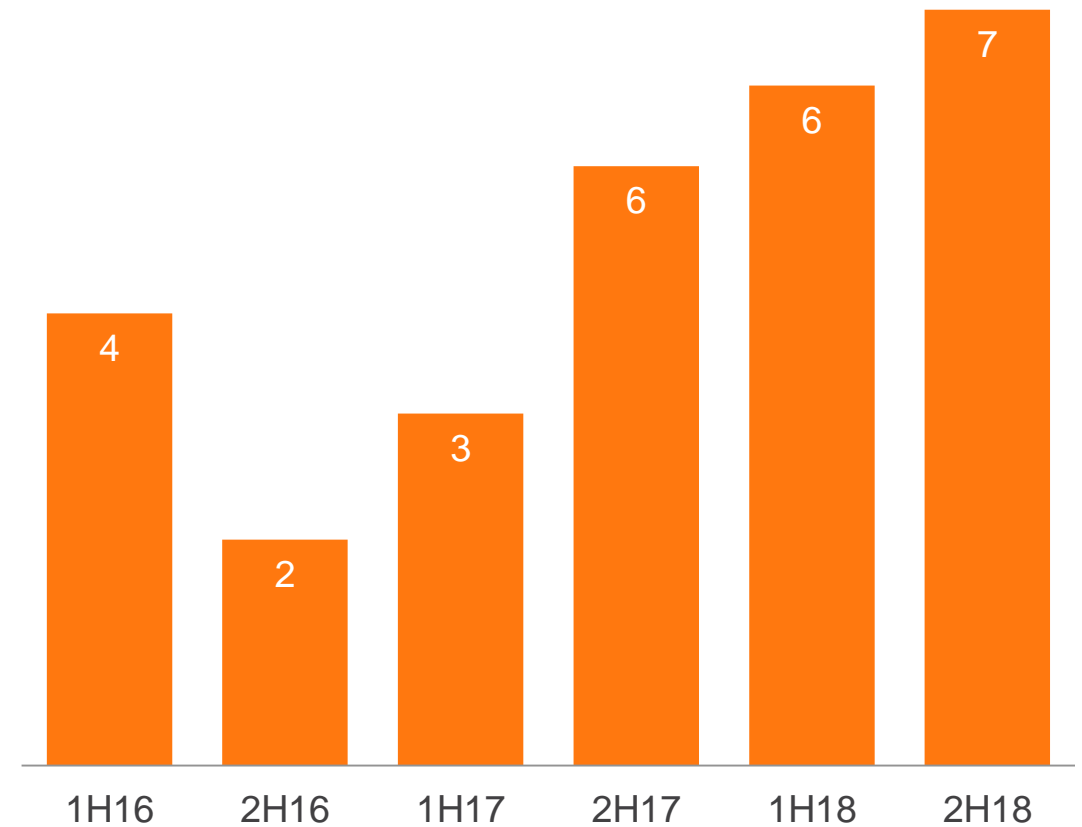


Broad-based momentum building in non-interest income

Non-interest income by division (Rbn)



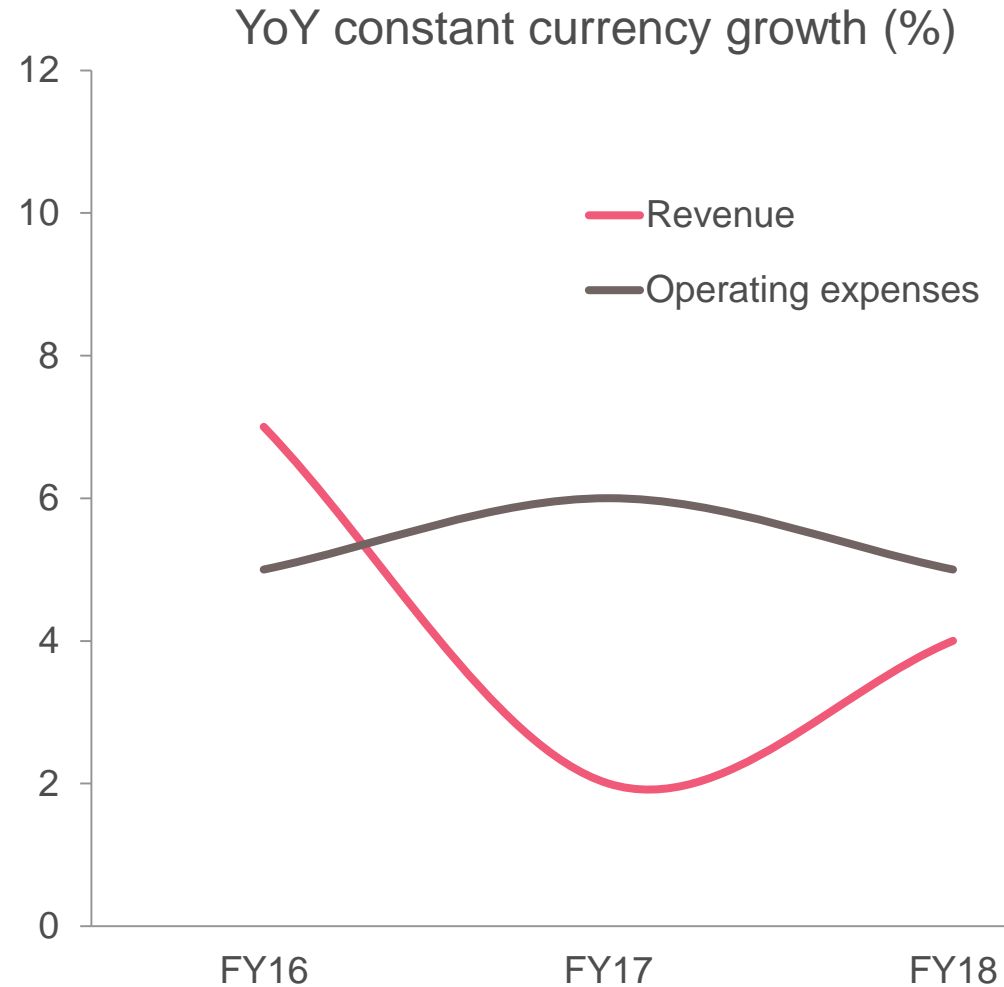
Retail Banking SA fee & commission growth (%)



Continued to manage costs while investing

	FY18 Rm	Change %	Mix %
Staff	24 031	4	55
Property-related	3 365	1	8
Technology	3 194	2	7
Depreciation	2 320	17	5
Professional fees	2 151	9	5
Marketing	1 595	(7)	4
Communication	1 404	0	3
Cash transportation	1 266	16	3
Amortisation	815	25	2
Other *	3 501	18	8
Total	43 642	5	100

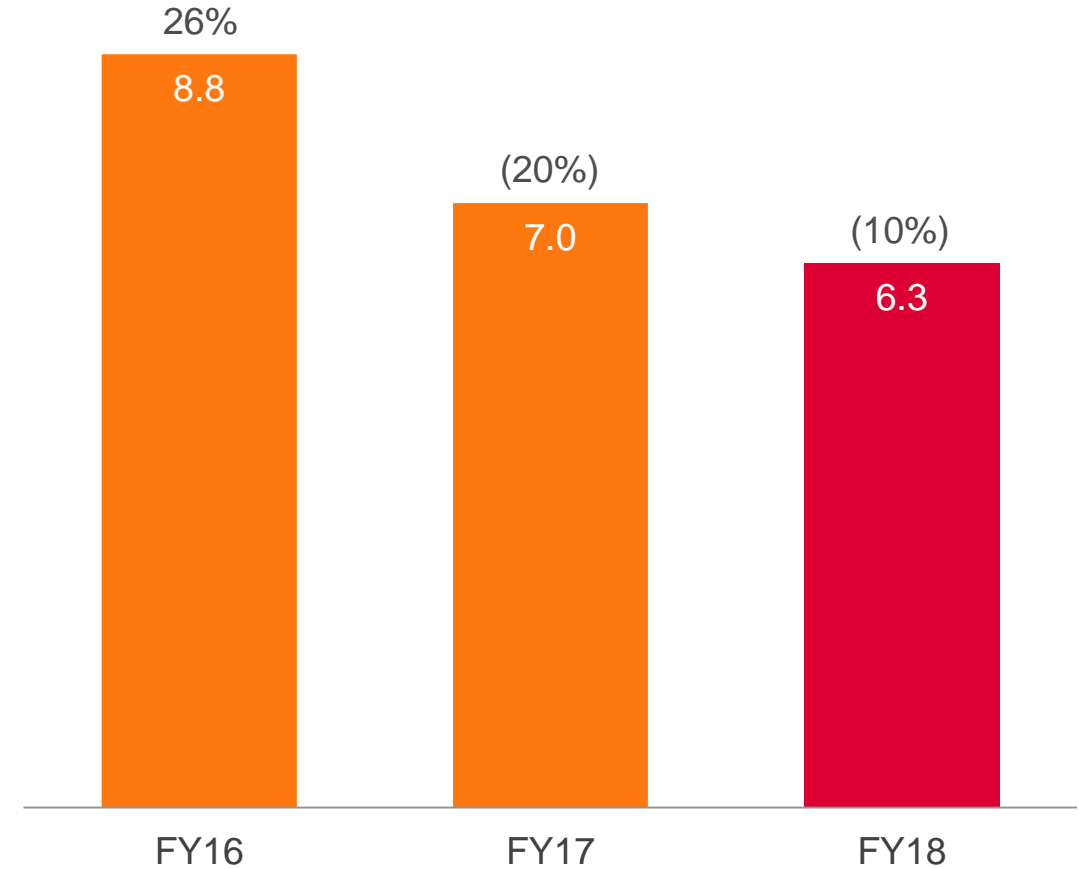
Note: * includes administration fees, equipment costs, fraud, travel and entertainment, other costs etc.



Credit impairments improved further

Credit loss ratio (%)	FY17	FY18	Underlying FY18 *
RBB SA	1.10	0.94	1.06
Retail Banking	1.20	1.04	1.15
Card	4.53	3.42	3.58
VAF	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
Group	0.87	0.73	0.80

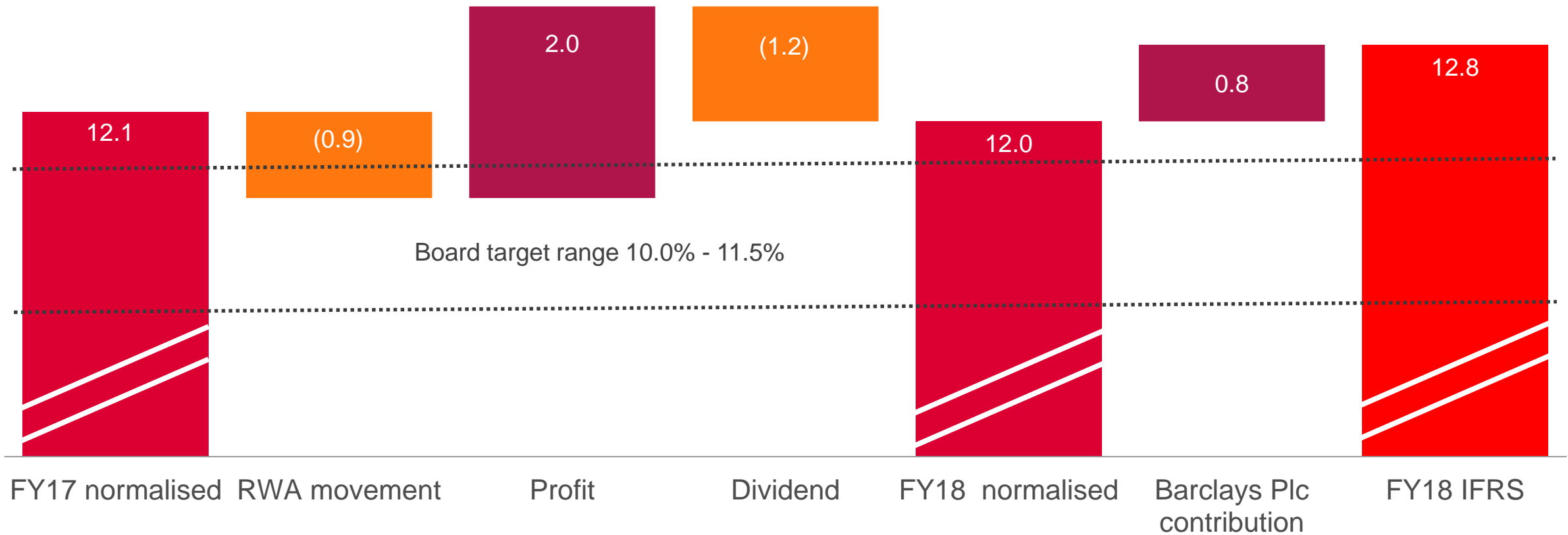
Credit impairments (Rbn)



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

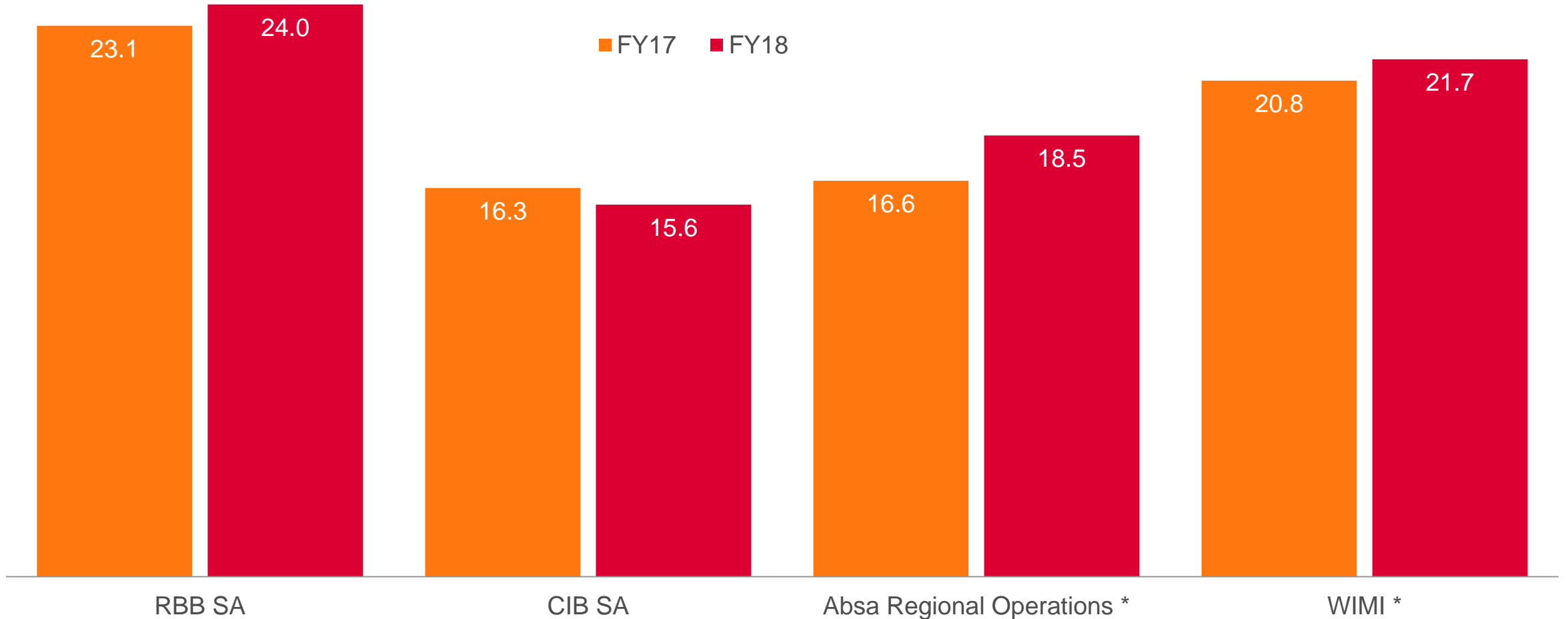
Maintained strong capital levels

Absa Group Common Equity Tier 1 ratio (%)



Stable underlying divisional returns

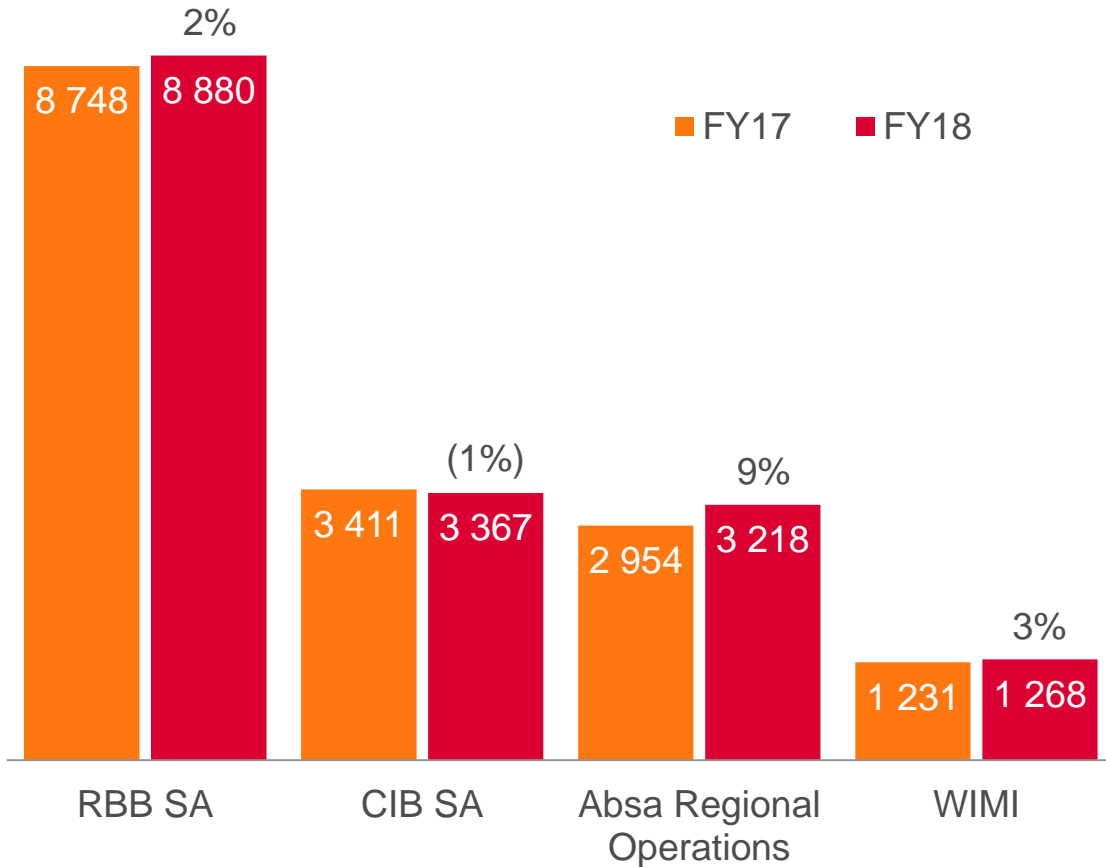
Divisional return on regulatory capital (%)



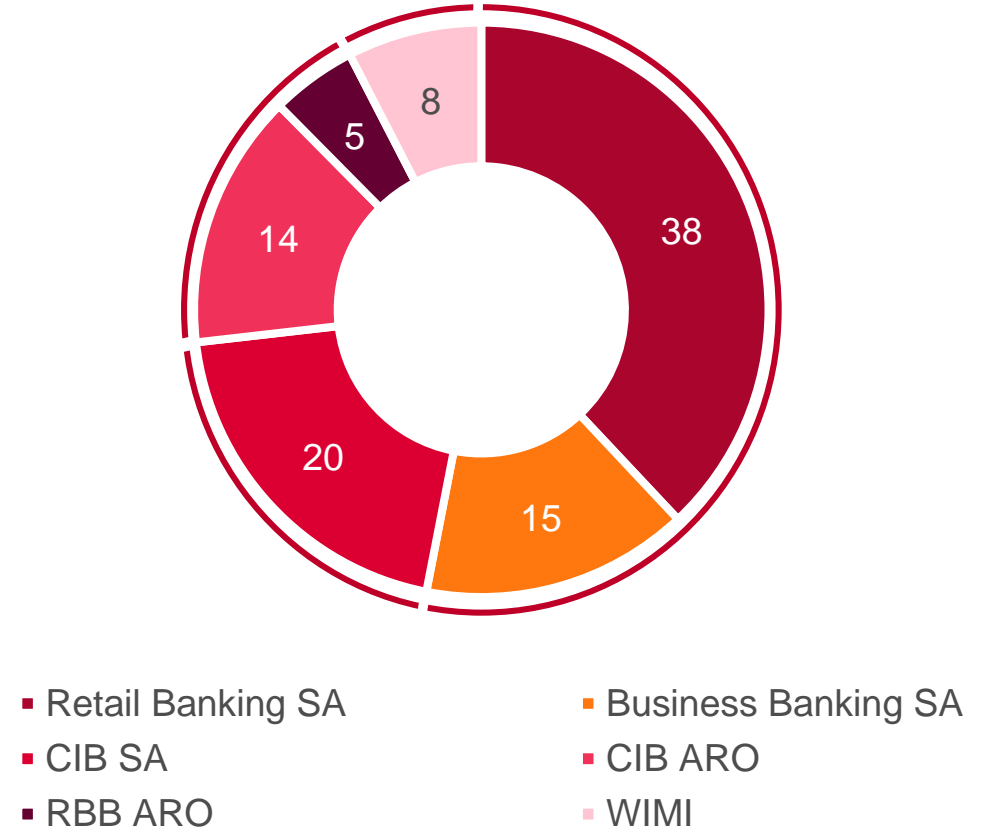
Note: * return on equity

We benefit from a well-diversified portfolio

Divisional headline earnings (Rm)



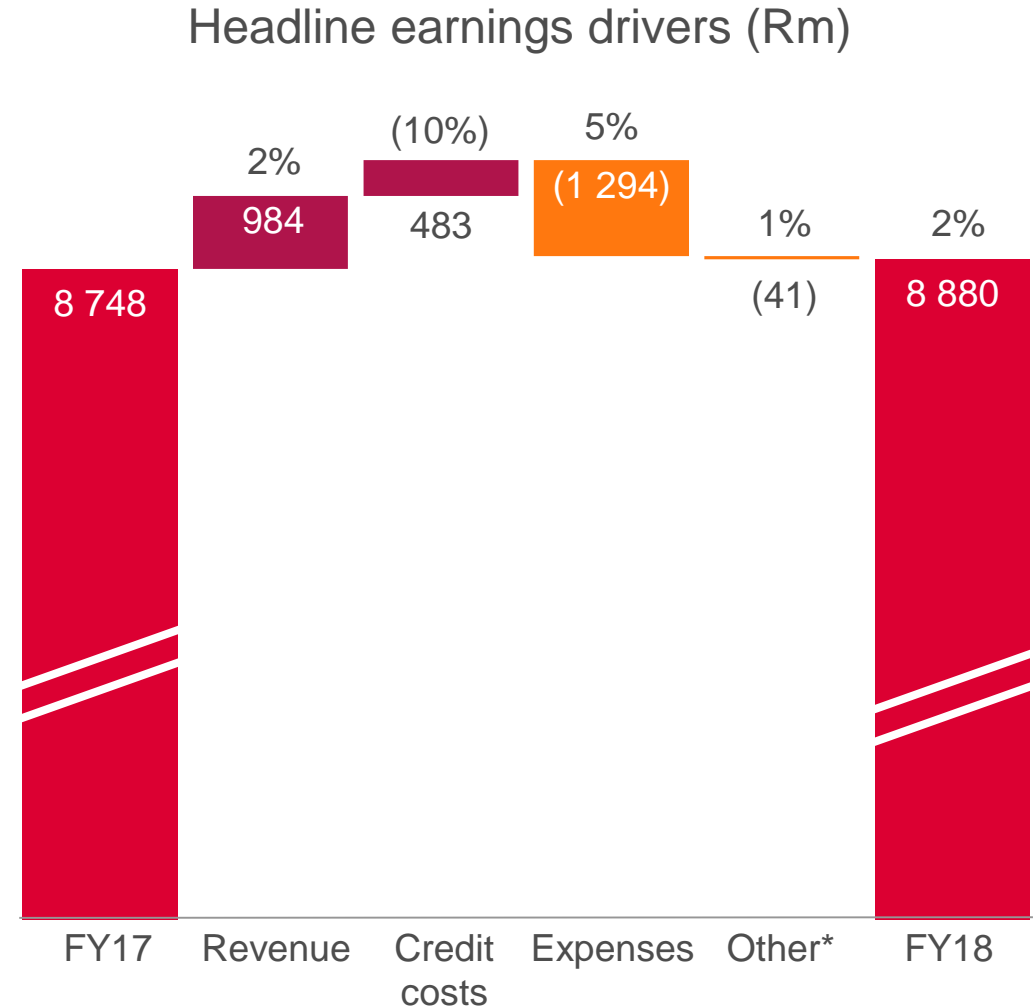
Headline earnings mix FY18 (%) *



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

Regaining RBB leadership in SA a priority

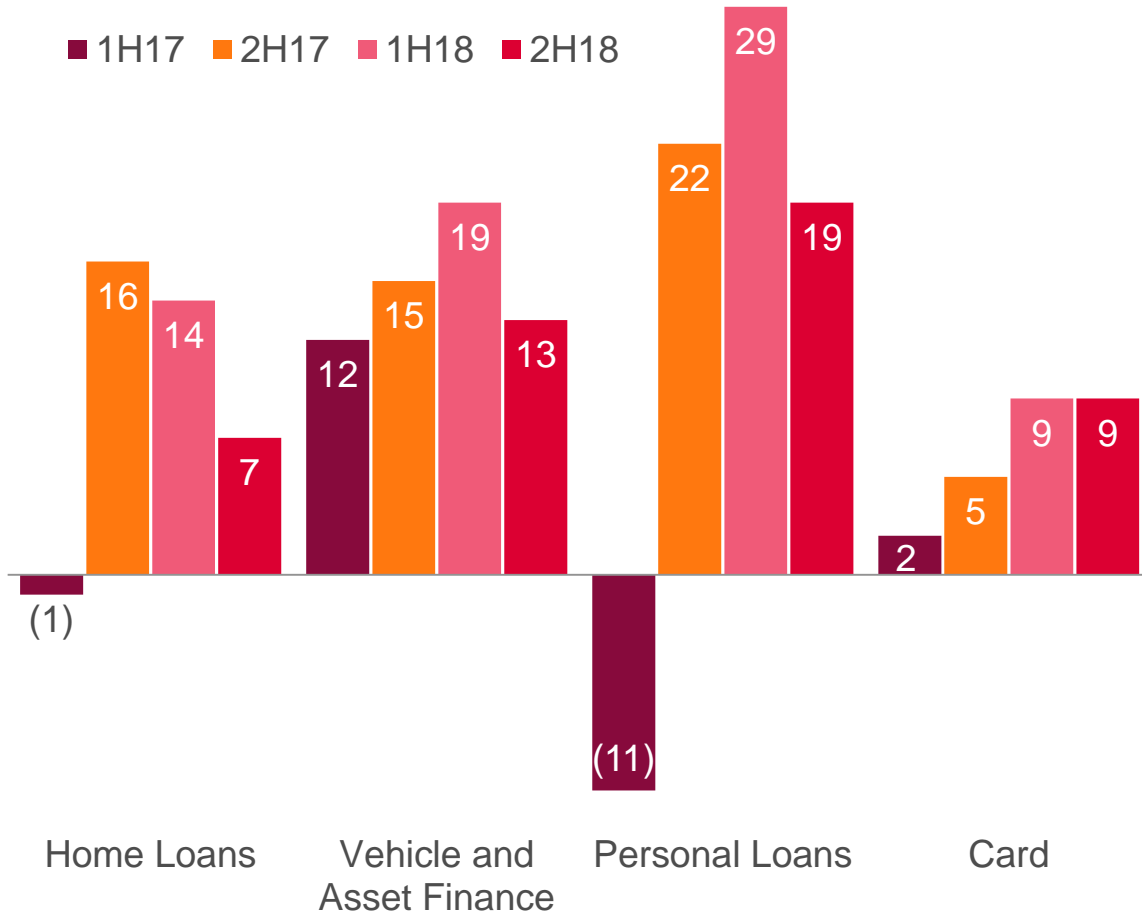
- Returns remain healthy, while we aim to improve revenue and earnings growth
- Grow consumer finance business
- Regain retail deposit market share
- Deliver best in class customer experience with compelling products
- Build a scalable and digitally-led business



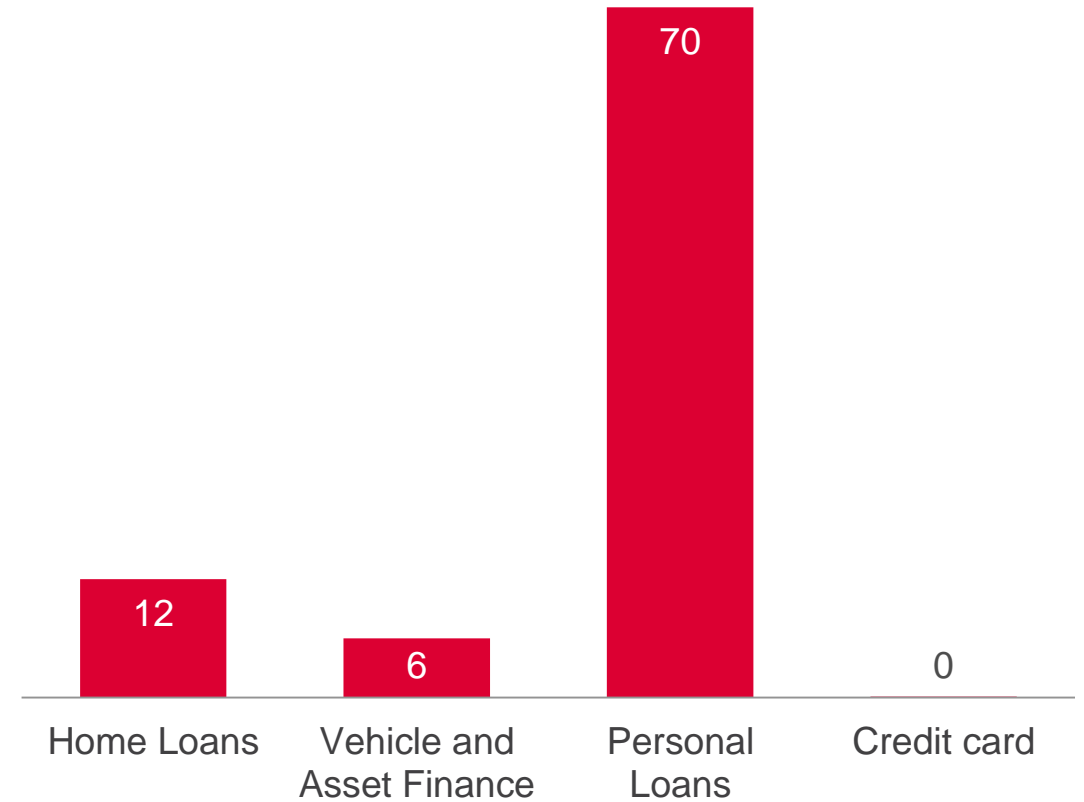
Note: * Includes other operating expenses, taxation, associates and JVs share of post tax results, non-controlling interest and non-headline items.

Strong retail loan production while improving pricing

Retail SA YoY loan production (%)



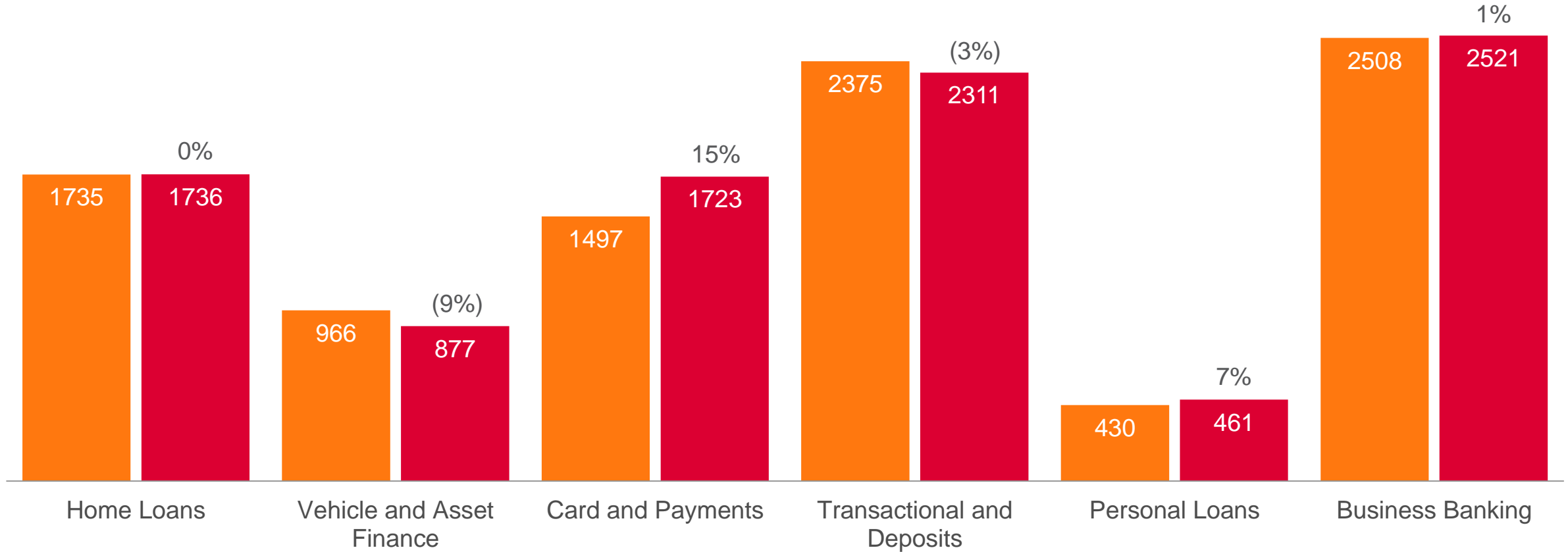
New business pricing YoY change (bps)



Card and Payments underpinned RBB SA growth

Headline earnings (Rm)

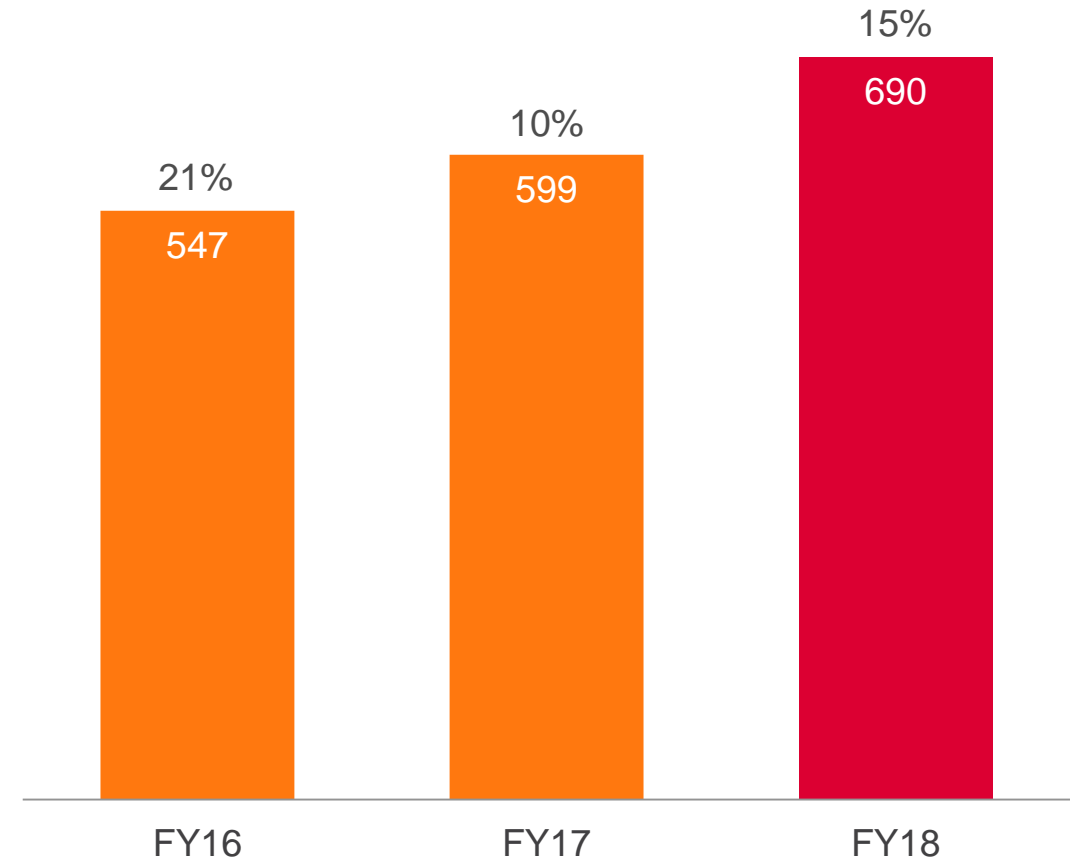
■ FY17 ■ FY18



Underlying momentum in WIMI

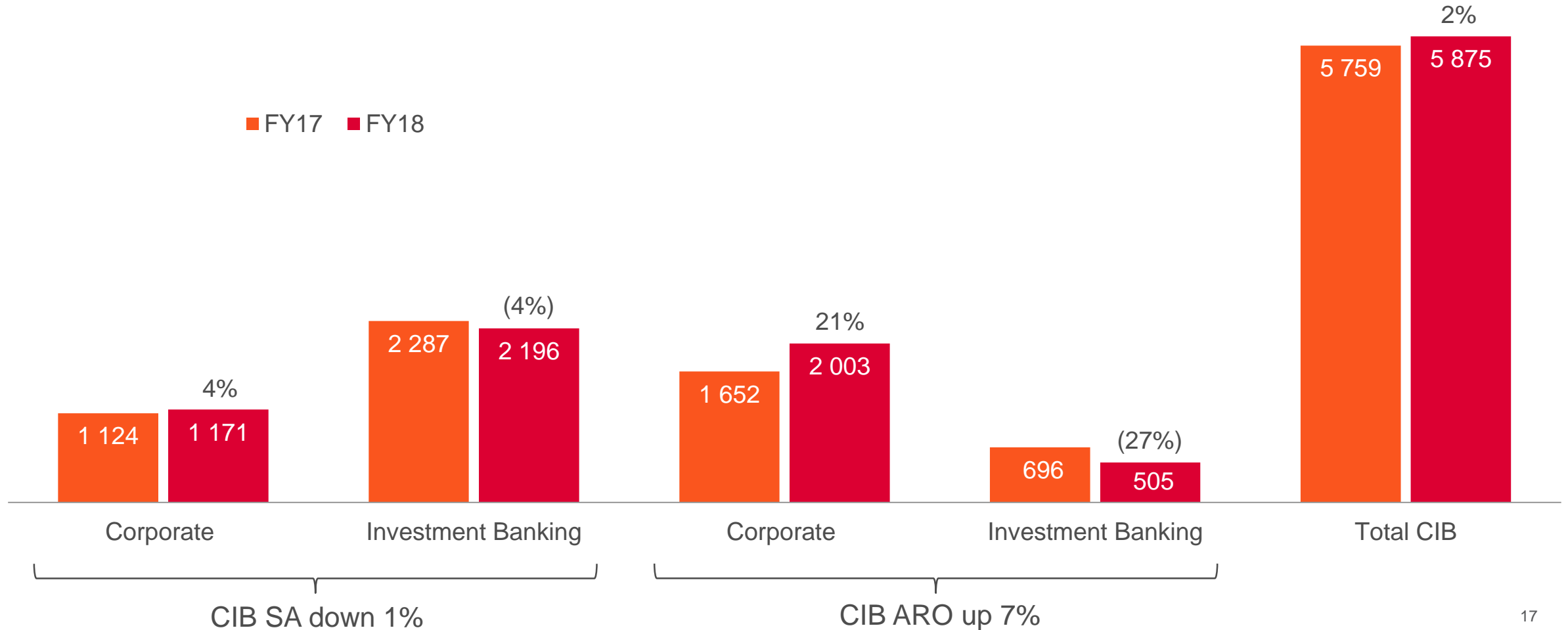
- Solid growth in SA and continuing line earnings
- Enhanced collaboration with RBB SA
- Strong growth in Life embedded value of new business
- Strong growth in SA Short-term Insurance
- Improved 2H flows in Investment Cluster
- Sold more non-core operations
- Focus on turning around loss making Africa regions

Embedded value of new business (Rm)



Corporate drove CIB's earnings growth

CIB headline earnings (Rm)

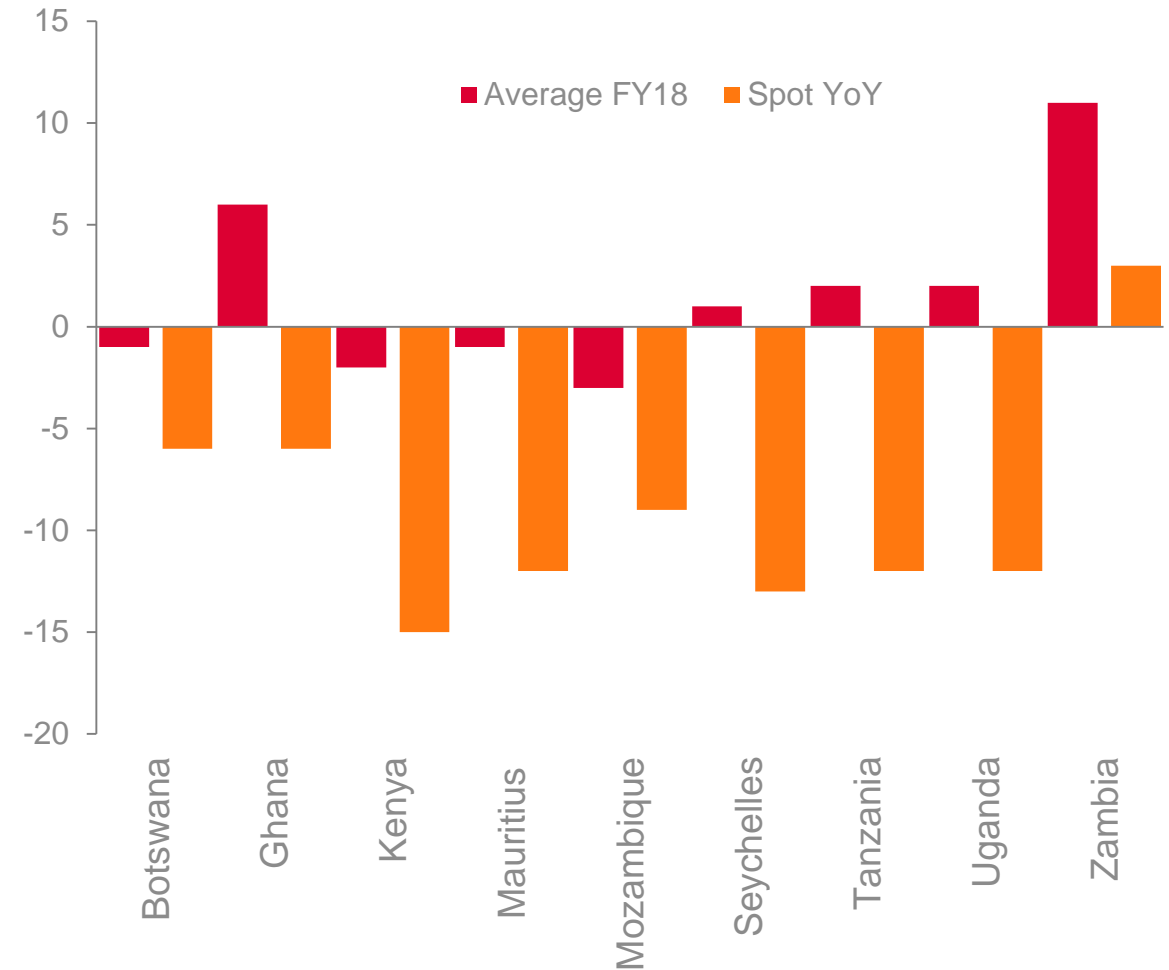


Lower interest rates across portfolio, spot Rand weaker

Change in average interest rates YoY (%)



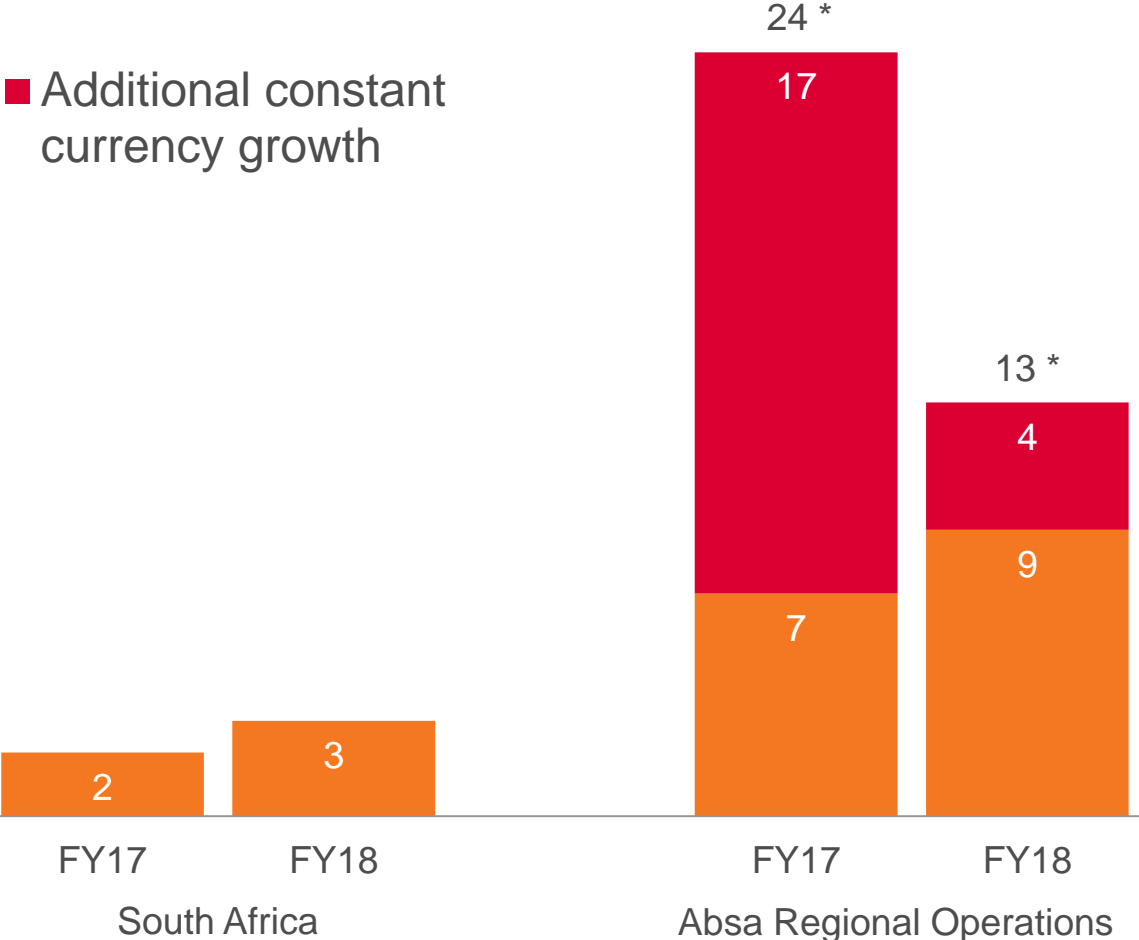
Change in currency versus the Rand (%)*



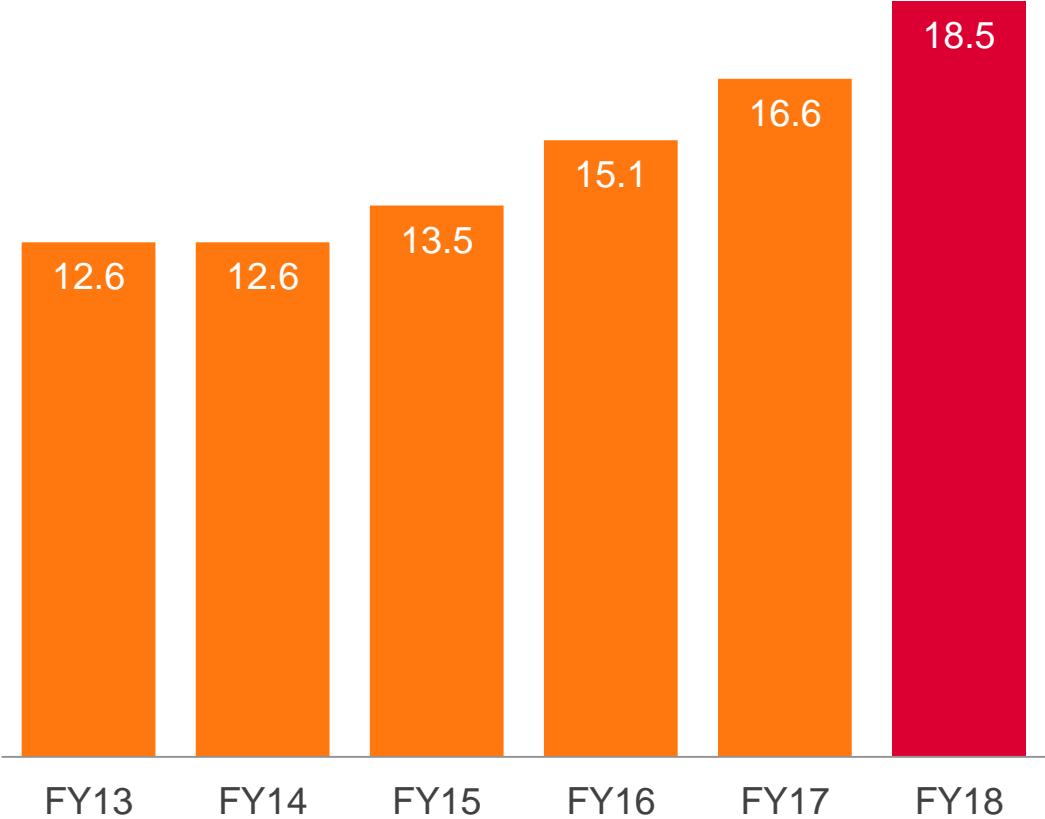
Note: * Negative denotes Rand depreciation, positive is a stronger Rand.

Absa Regional Operations enhanced our growth

Headline earnings growth (%)

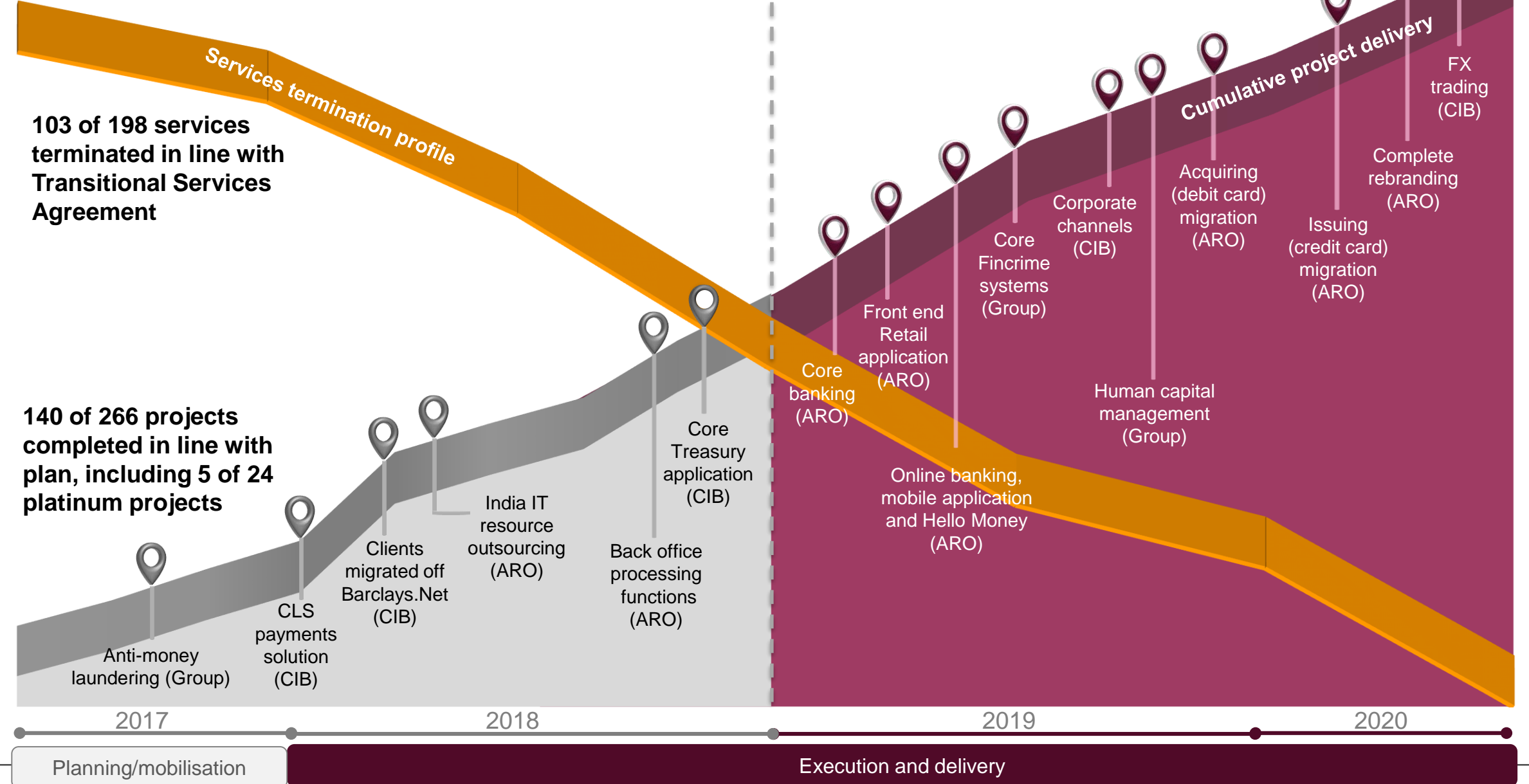


Absa Regional Operations RoE (%)



Note: * constant currency growth, excluding impact of stronger average Rand (in red)

Maintained separation progress



Separation remains on track

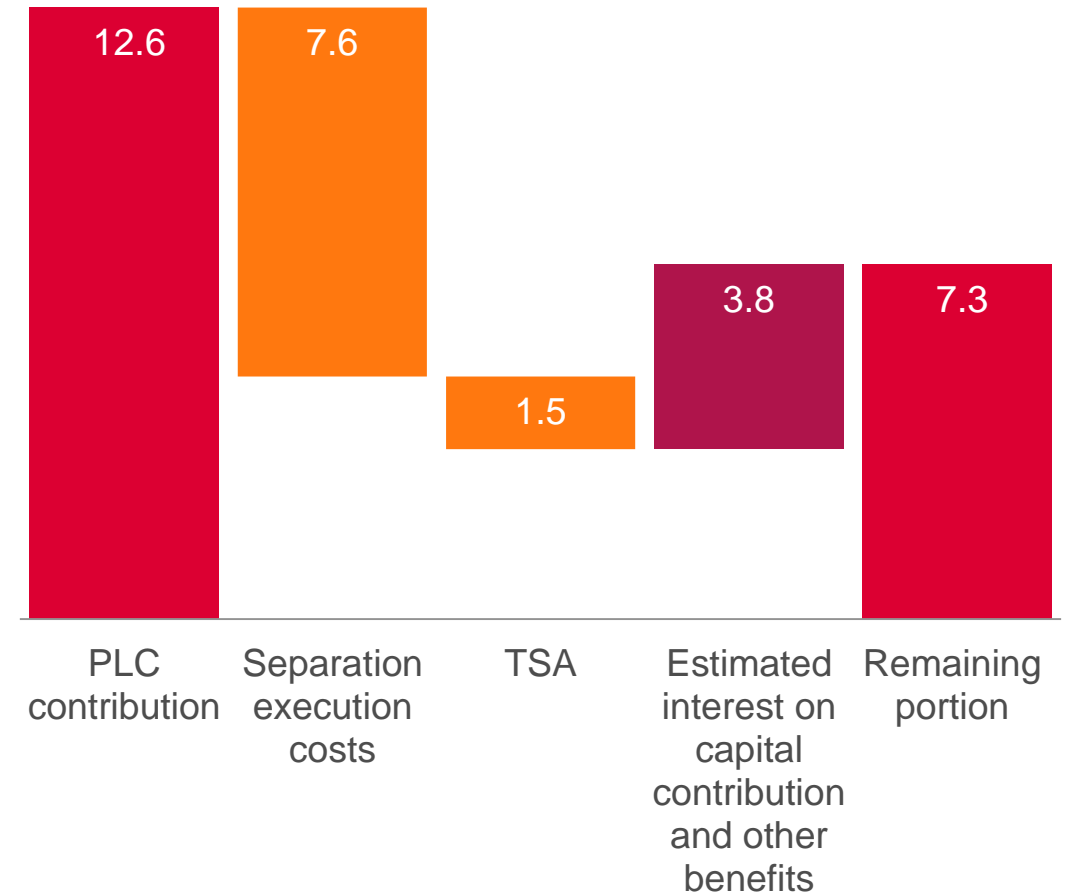
Spend to date

- 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)



Outlook for 2019

- Improved deposit growth to exceed loan growth
- Net interest margin is expected to decline slightly
- Costs will remain well controlled, with positive JAWS for the full year, although challenging in the first half
- Credit loss ratio is expected to increase
- RoE is likely to improve slightly
- Comfortable with dividend cover

Disclaimer

Forward-looking statements

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