



Absa Group

FY20 results presentation

15 March 2021

Daniel Mminele

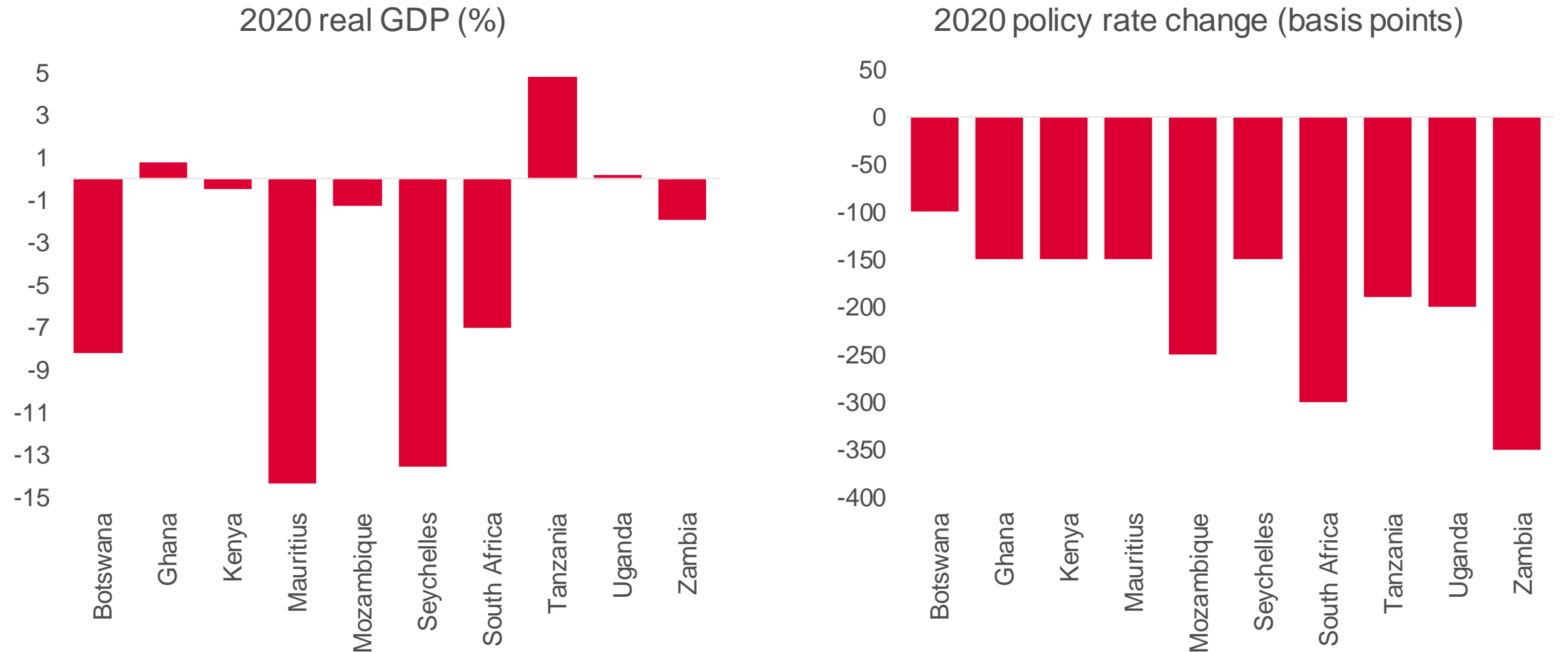
Chief Executive

An extremely difficult macro backdrop

Evolution of real GDP forecasts pre- and post-pandemic (%)

	Forecasts as of January 2020		Current forecasts	
	2020	2021	2020	2021
Global	3.3	3.4	-3.5	5.5
SA	0.9	1.2	-7.0	3.1
ARO	5.7	5.7	-0.4	4.5

An extremely difficult macro backdrop (cont.)

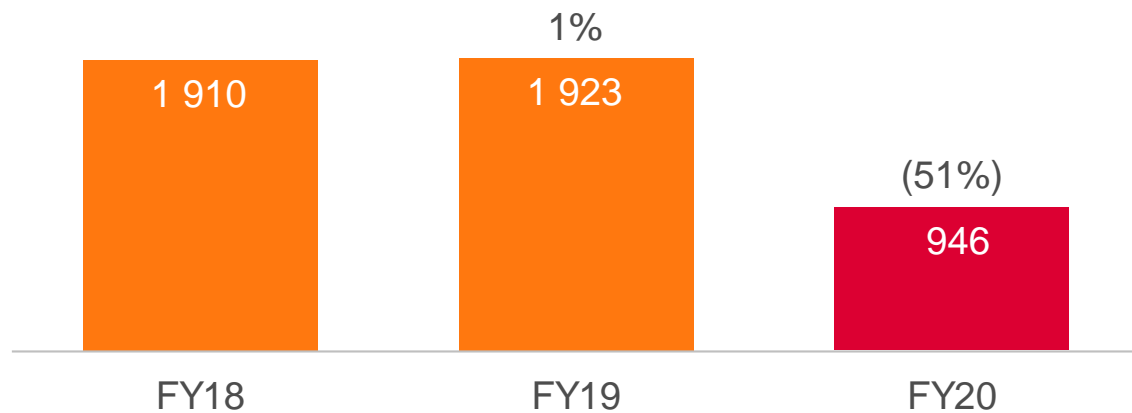


Key FY20 messages – we showed resilience

- We responded well to the Covid-19 pandemic and the resulting economic downturn
- Successfully completed our substantial separation from Barclays
- Conducted an extensive strategy review
- Produced a resilient performance
 - Maintained balance sheet strength
 - Positive underlying trends within materially lower earnings
 - Considerably better second half earnings and returns

FY20 salient features

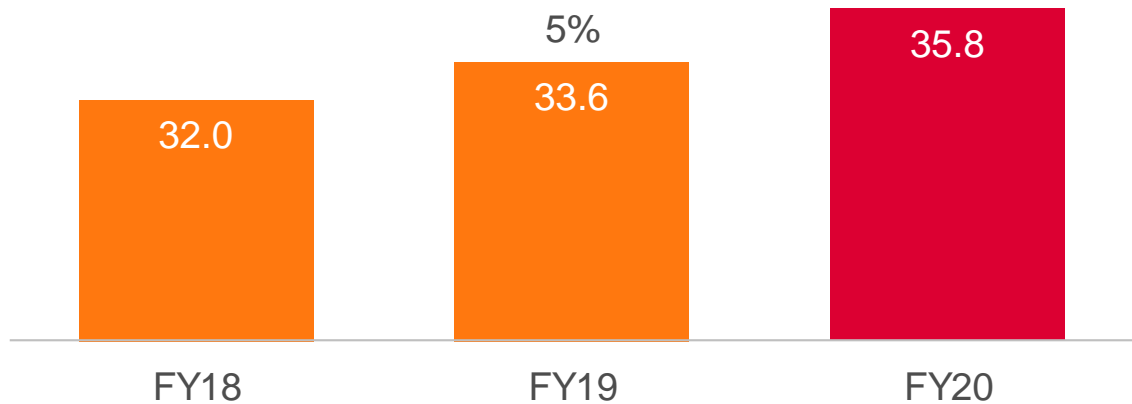
Diluted normalised HEPS (c)



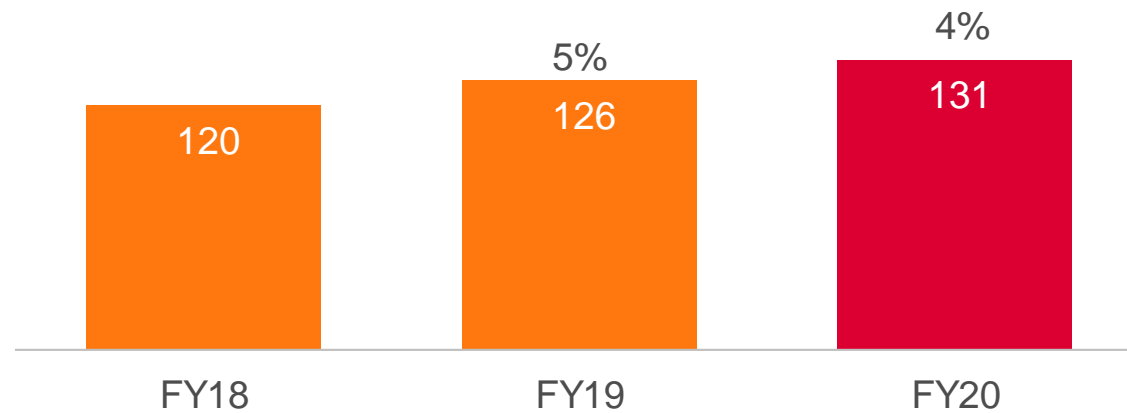
RoE (%)



Pre-provision profit (Rbn)



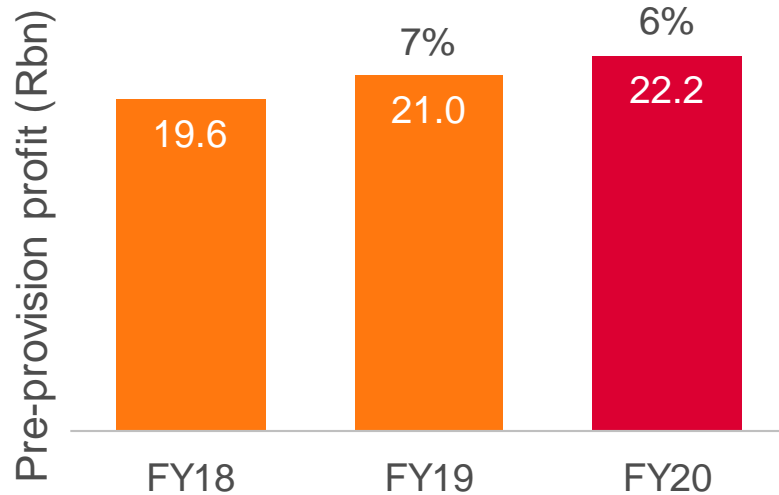
NAV per share (R)



Divisional performances

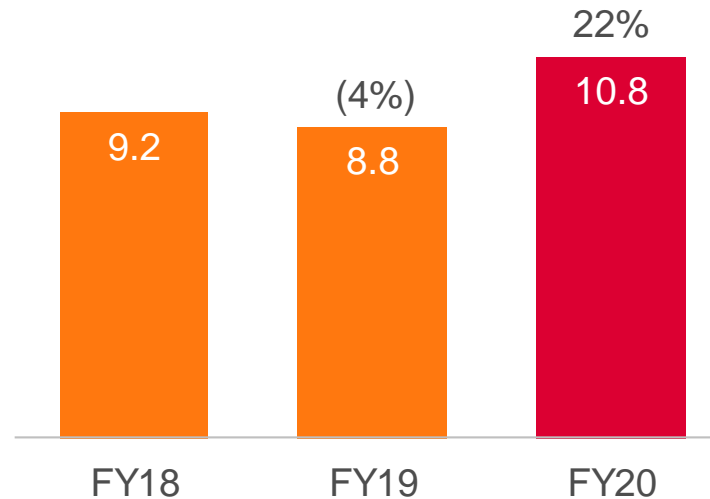
RBB SA

- “Smart growth” phase from “fixing”
- Transactional franchises resilient
- Benefitting from restructuring
- Substantial cost savings
- Investing to digitize
- Credit impairments 2x higher



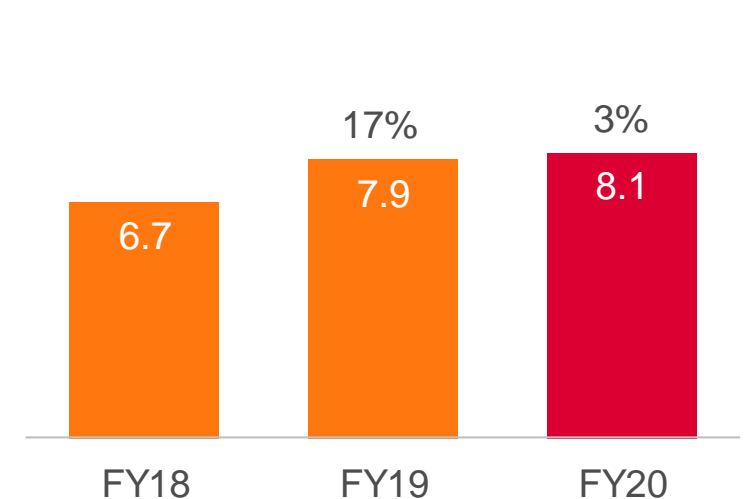
CIB total

- Barclays separation complete
- Broad-base revenue growth
- Strong deposit growth
- Underlying cost containment
- Credit impairments 6x higher



Absa Regional Operations

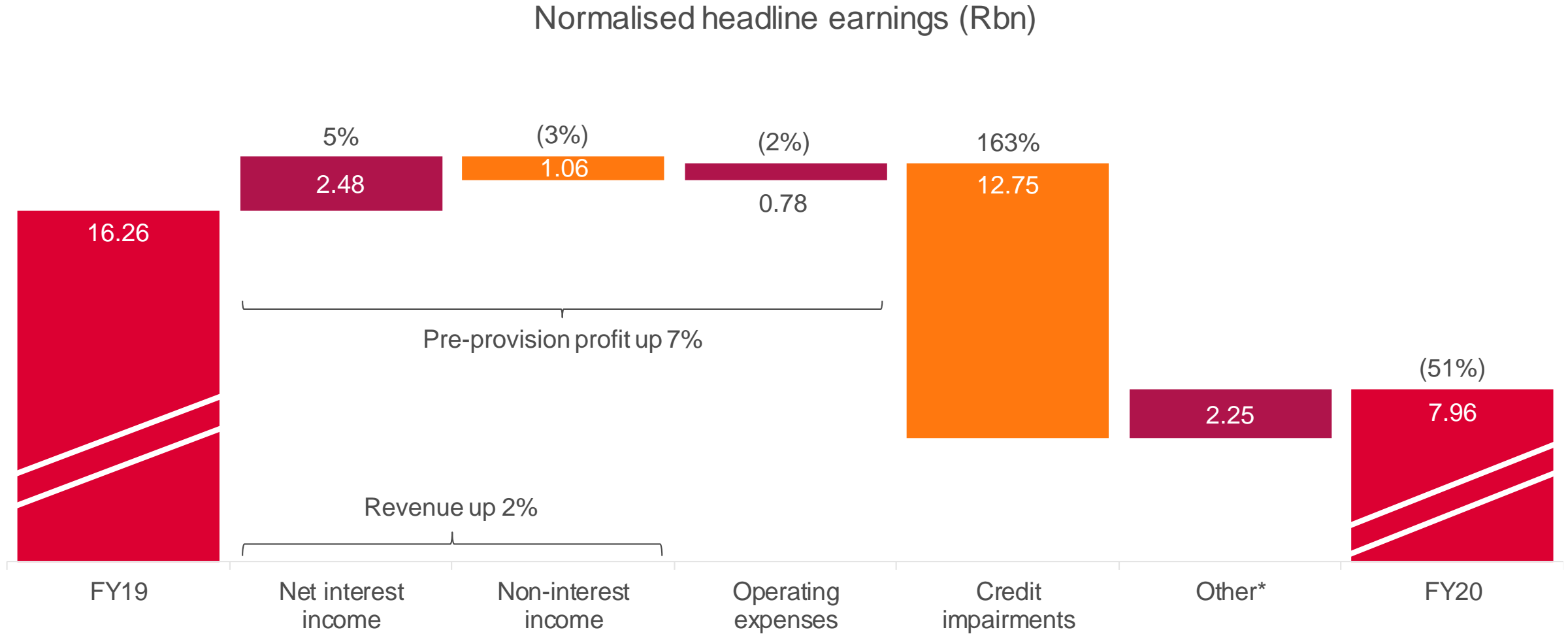
- Barclays separation complete
- Benefit of diversification
- Underlying cost containment
- Strong digital growth
- Credit impairments 3x higher



Jason Quinn

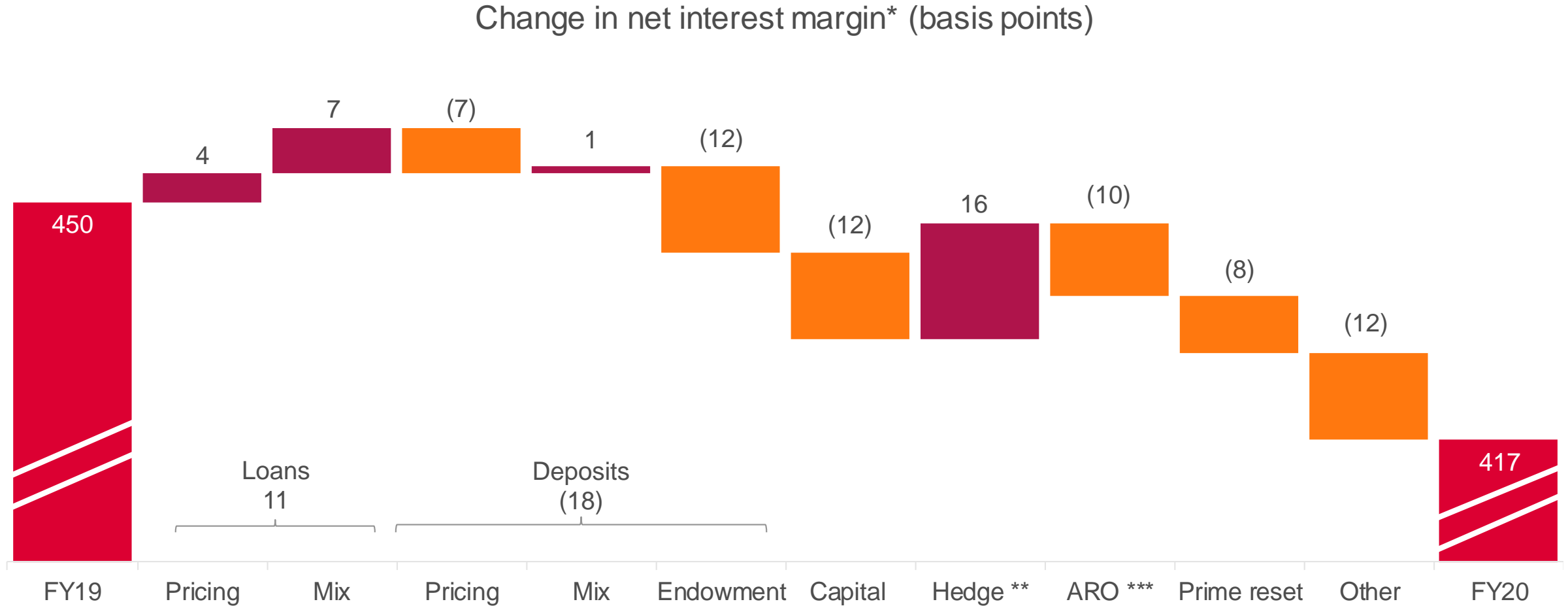
Financial Director

Credit charge the main driver of reduced earnings



Note: * Includes other expenses, JVs and associates, Taxation, non-controlling interests, headline earnings adjustments

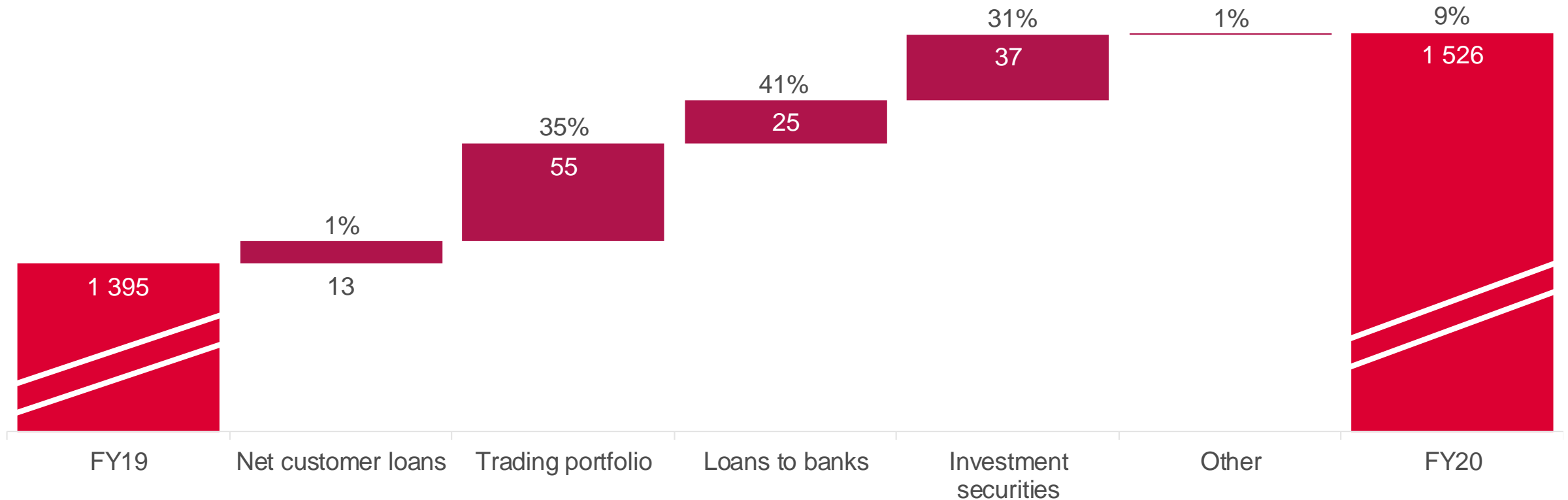
Rate cuts and balance sheet mix changes dampened NIM



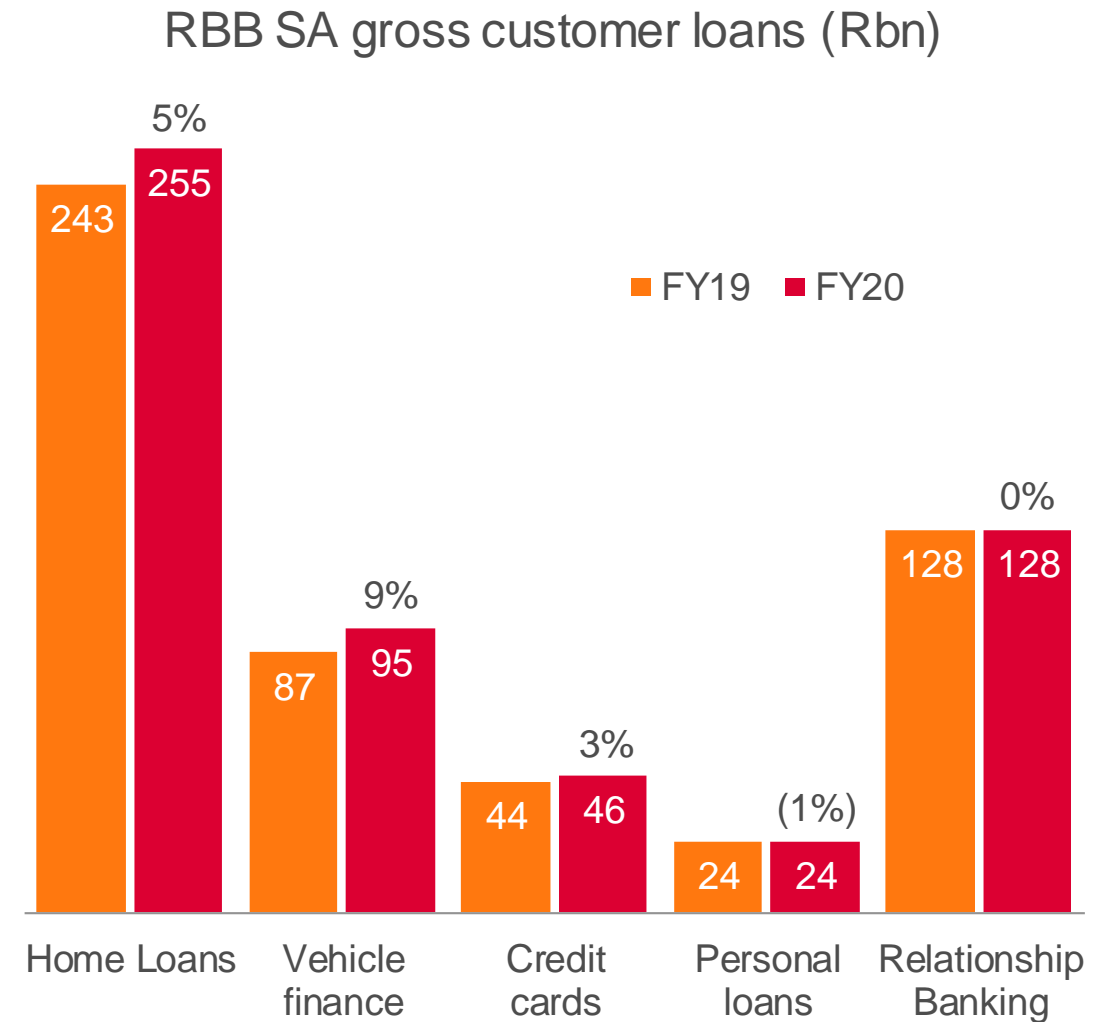
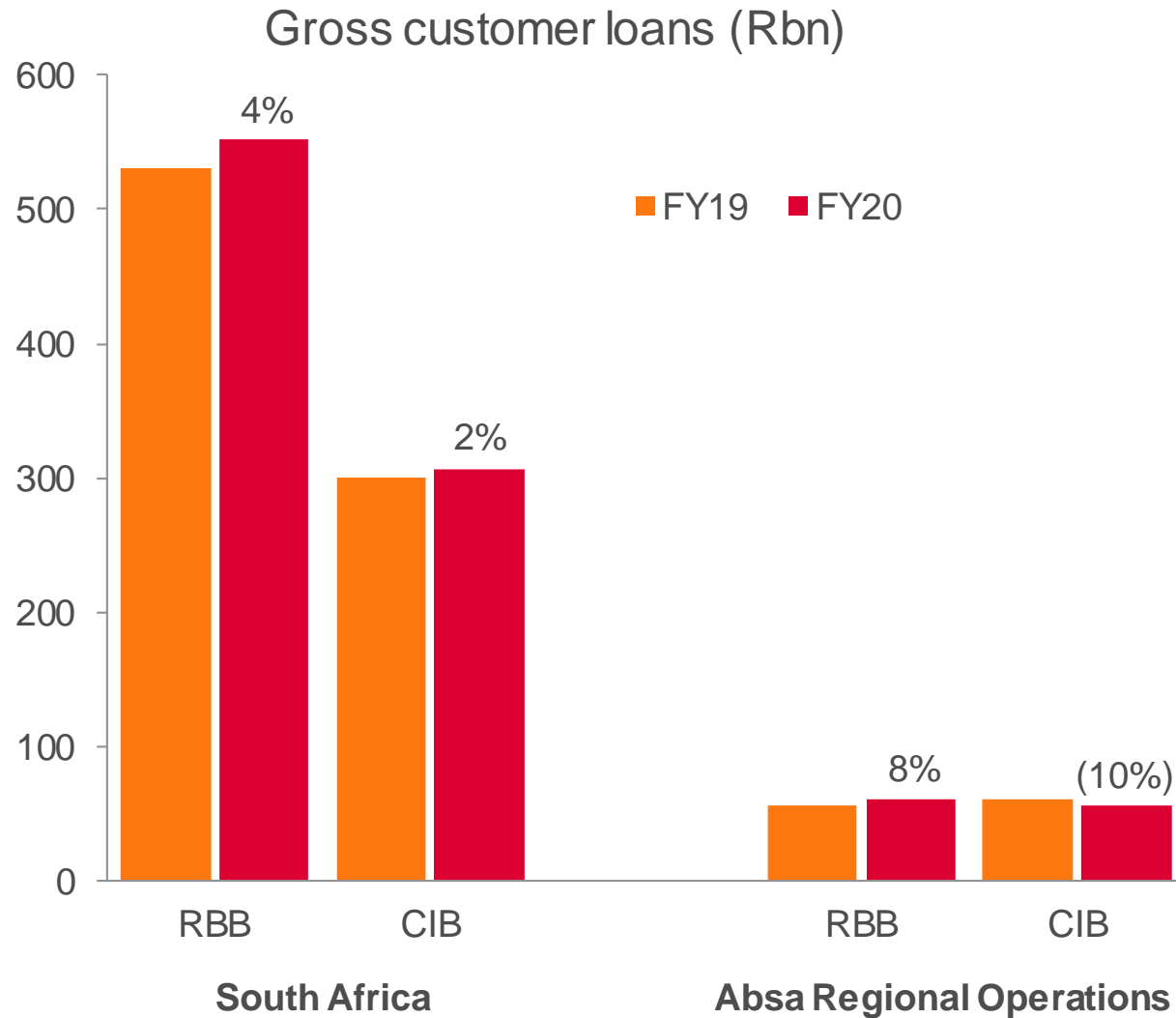
Note: * average interest bearing assets; ** interest rate risk management; *** Absa Regional Operations

Customer lending a small part of total asset growth

Growth in total assets (Rbn)

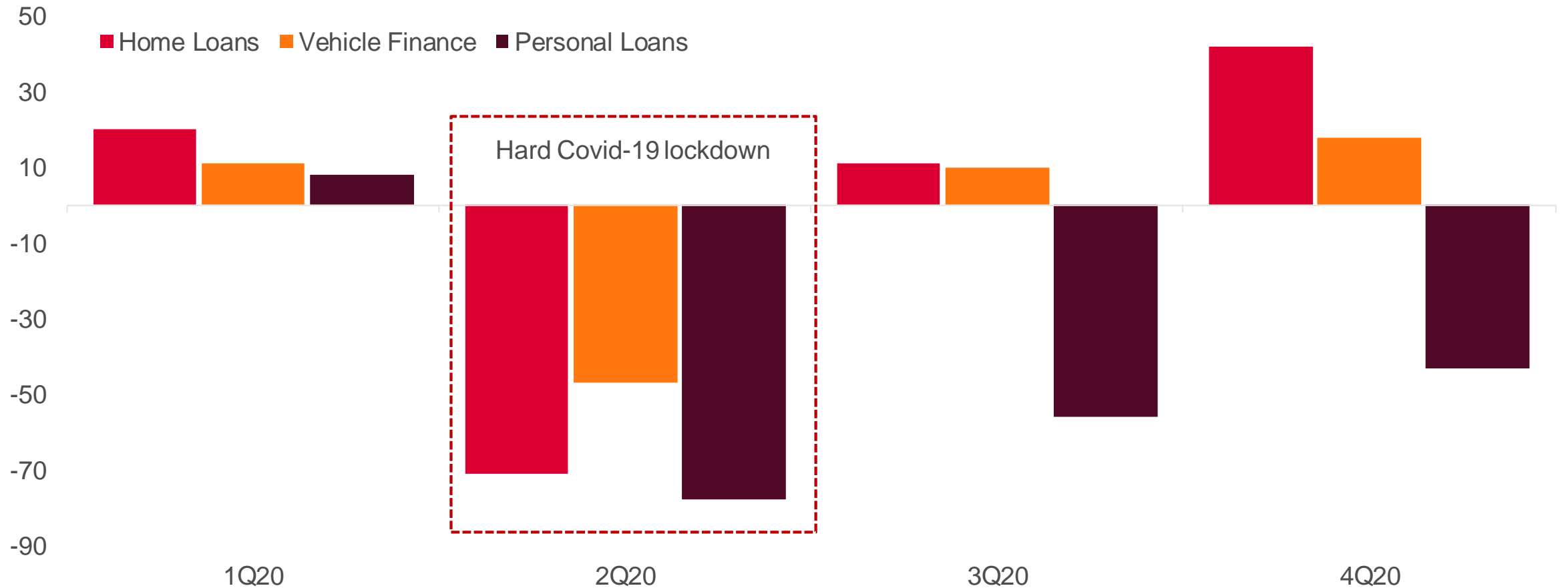


Targeted customer loan growth



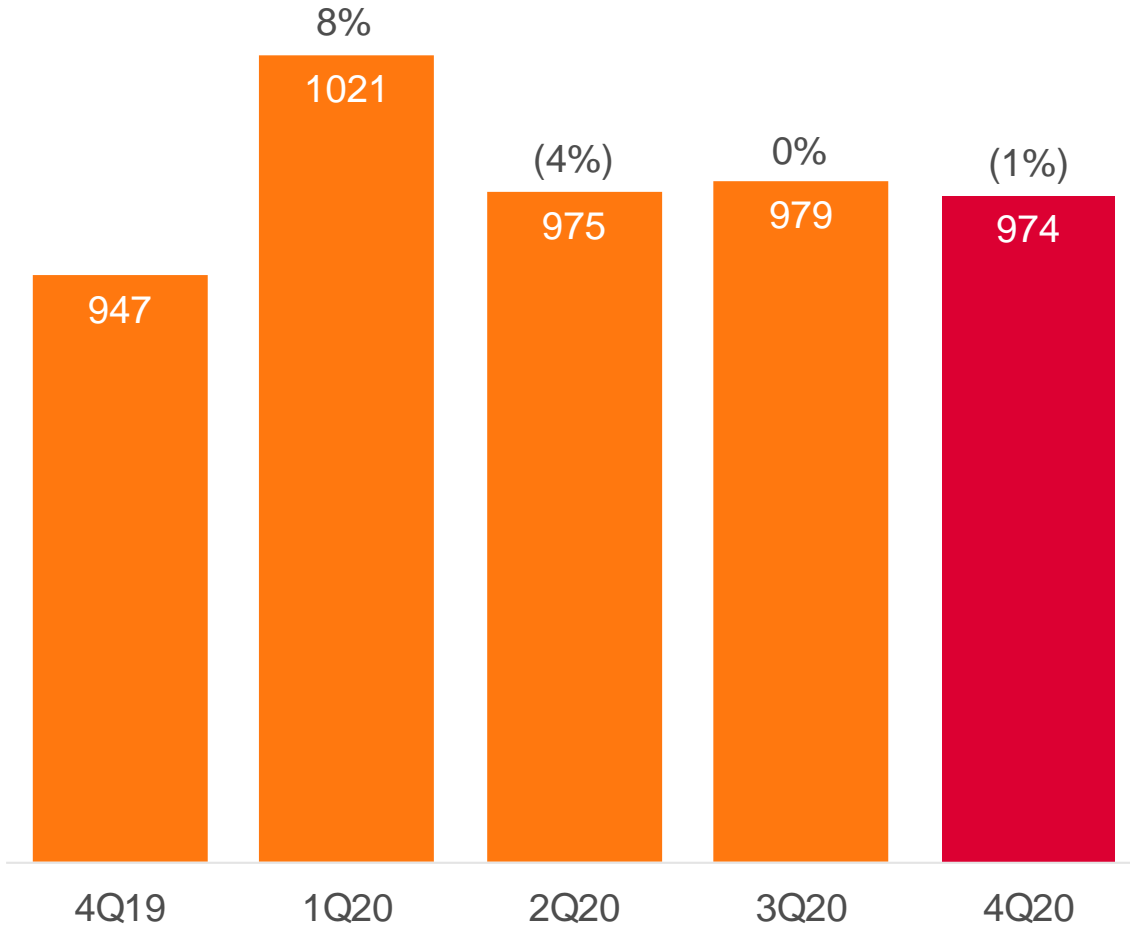
Secured SA retail production rebounded after 2Q20

Retail and Business Banking South Africa – quarterly YoY growth in production (%)

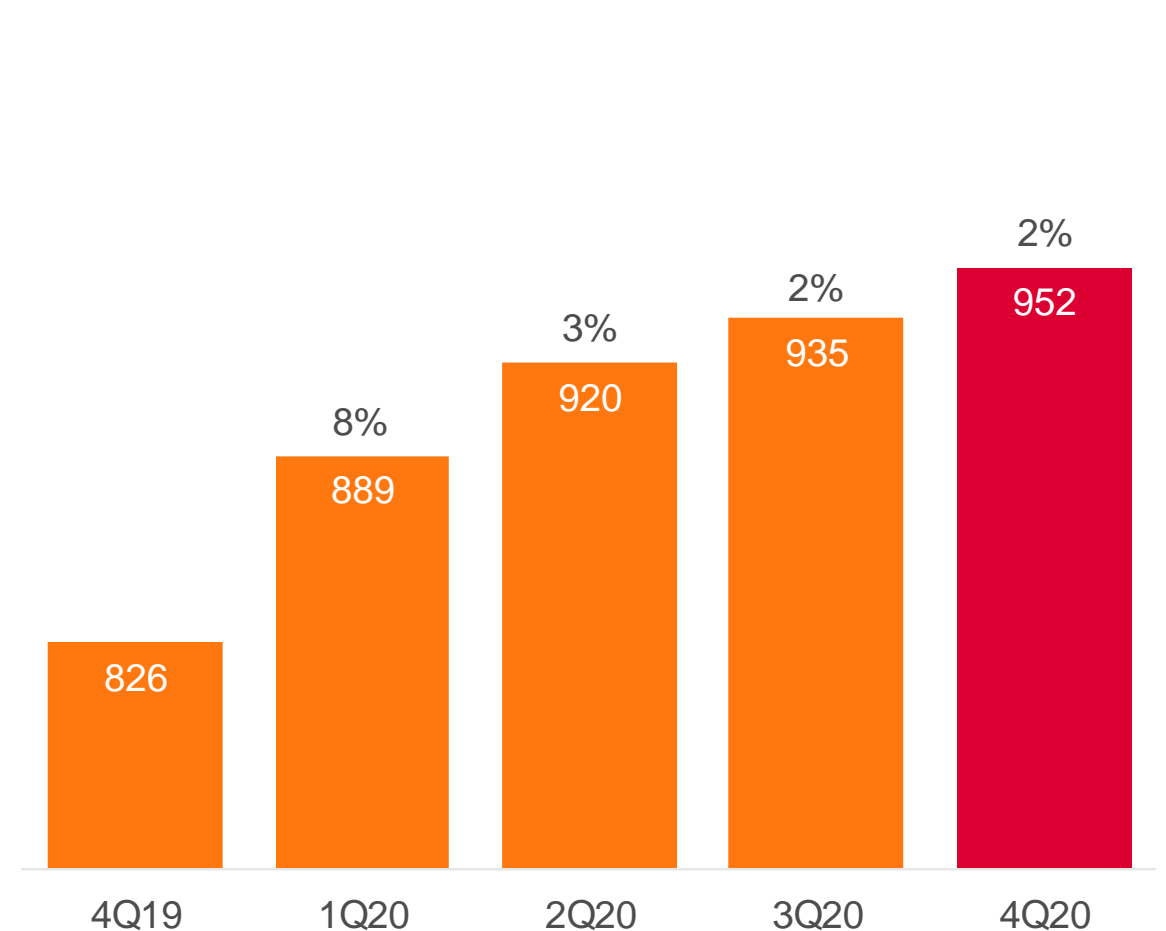


Customer loan and deposit trends varied from 2Q20

Gross customer loans (Rbn, QoQ growth)

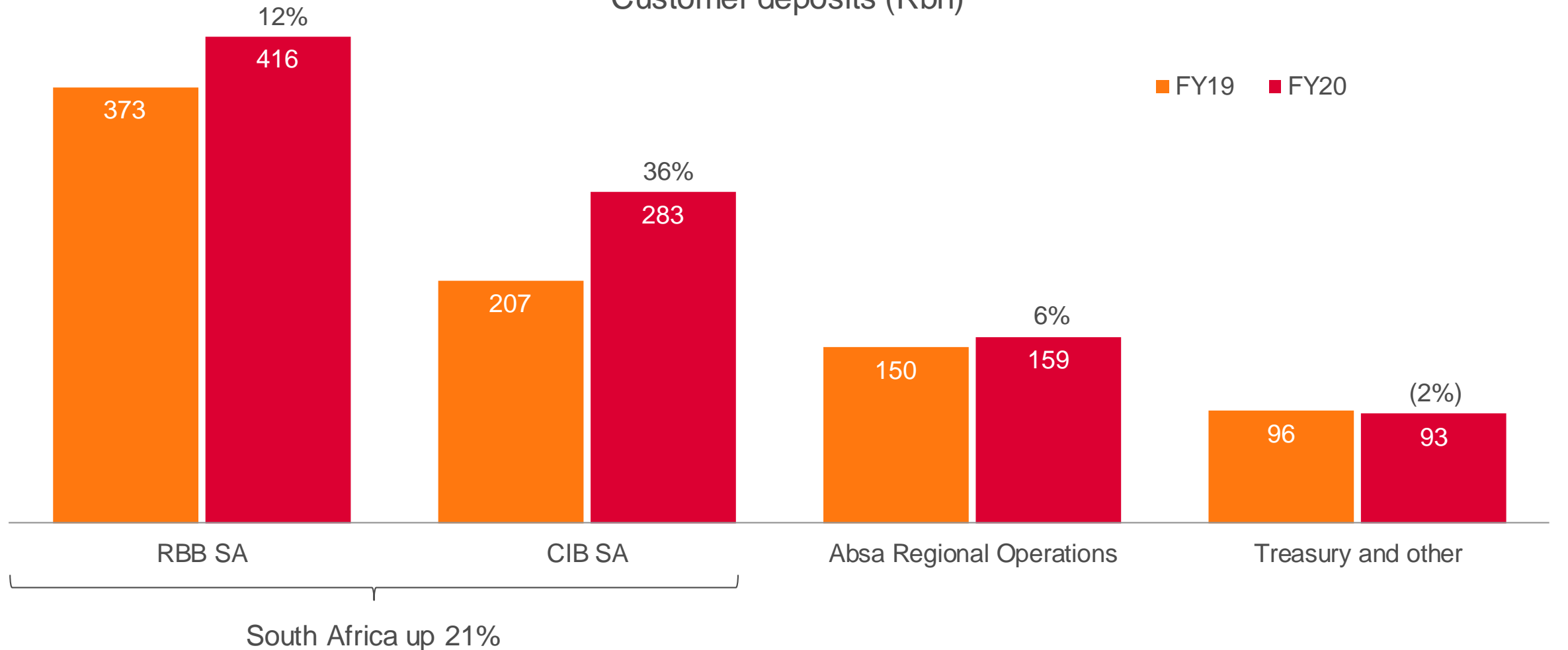


Customer deposits (Rbn, QoQ growth)



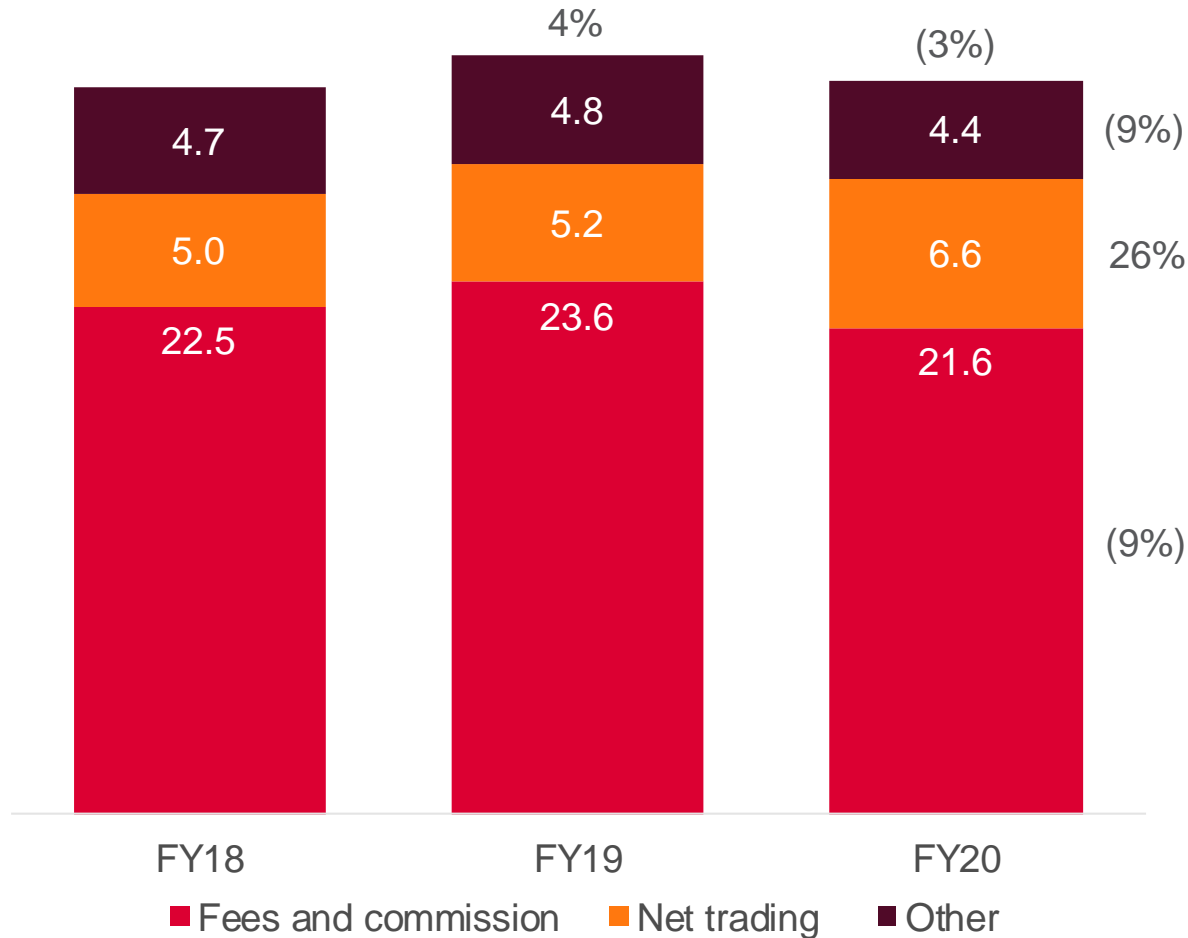
Robust deposit growth in South Africa

Customer deposits (Rbn)

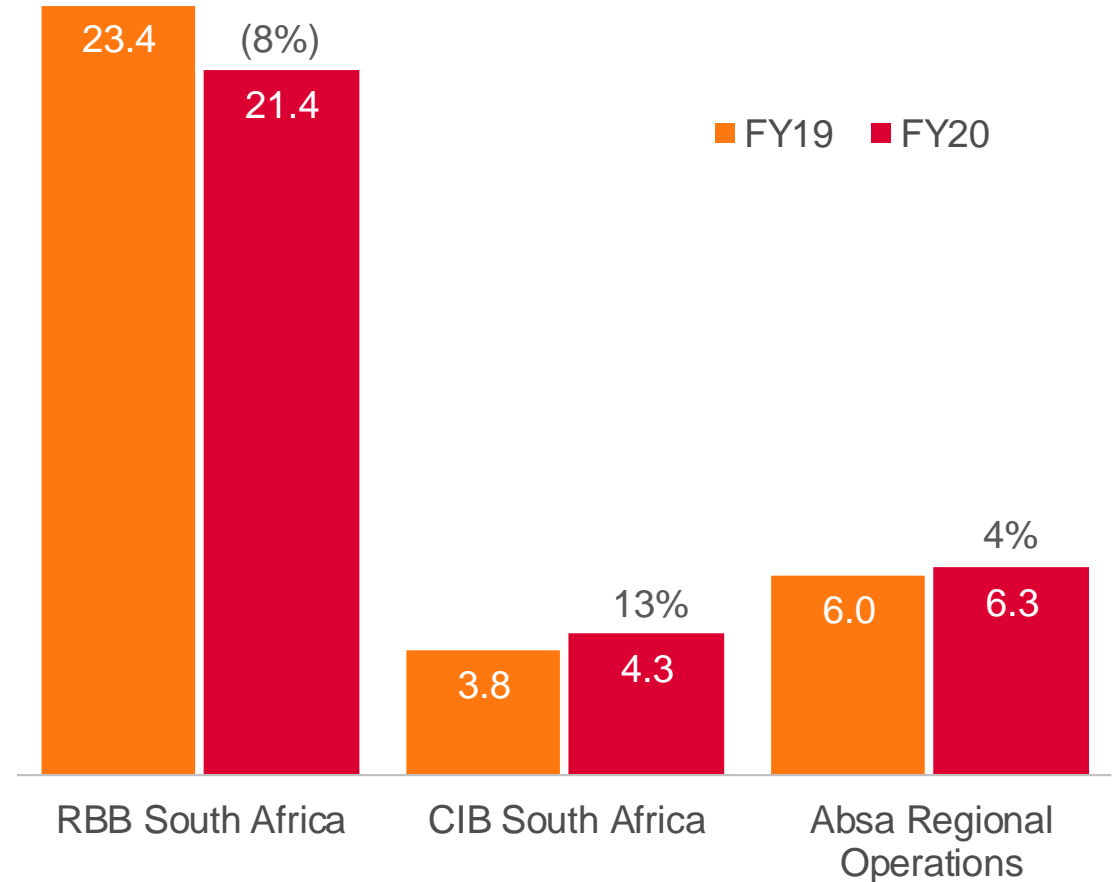


Lower fees and commission reduced non-interest income

Non-interest income (Rbn)

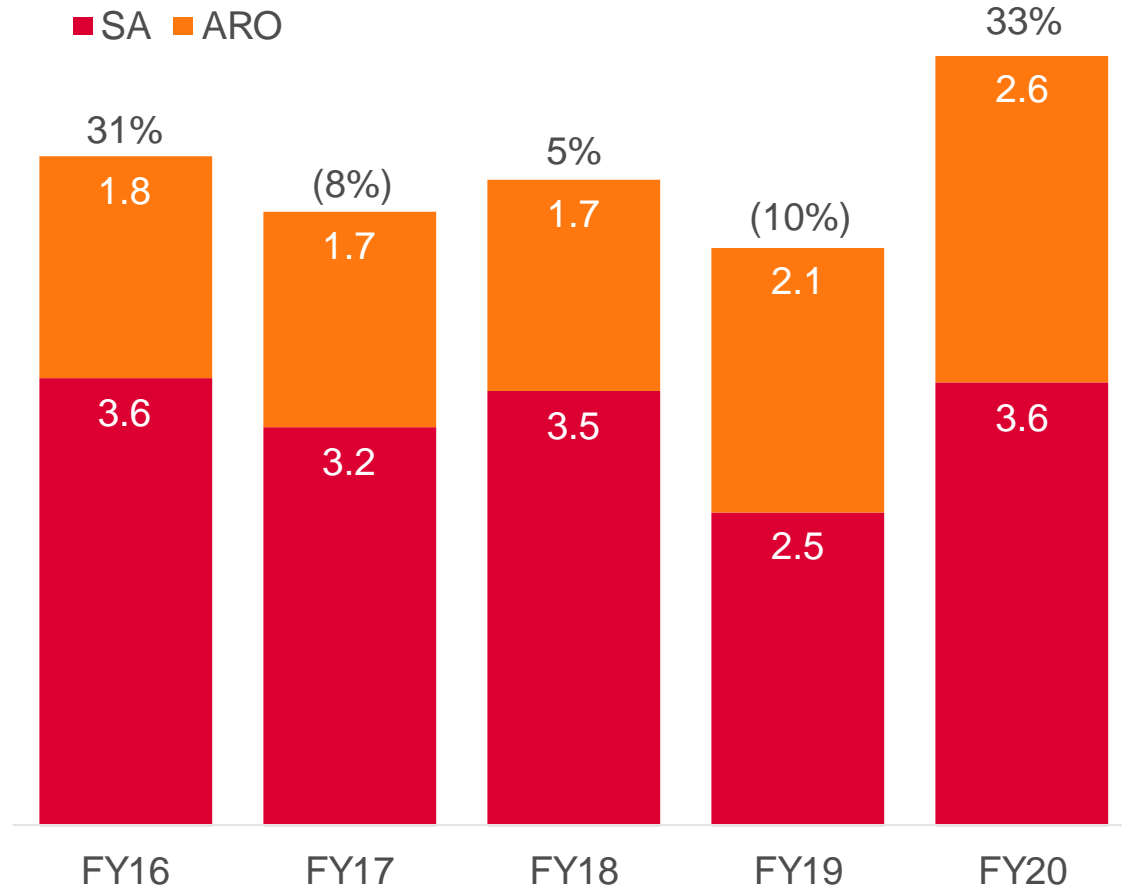


Non-interest income by division (Rbn)

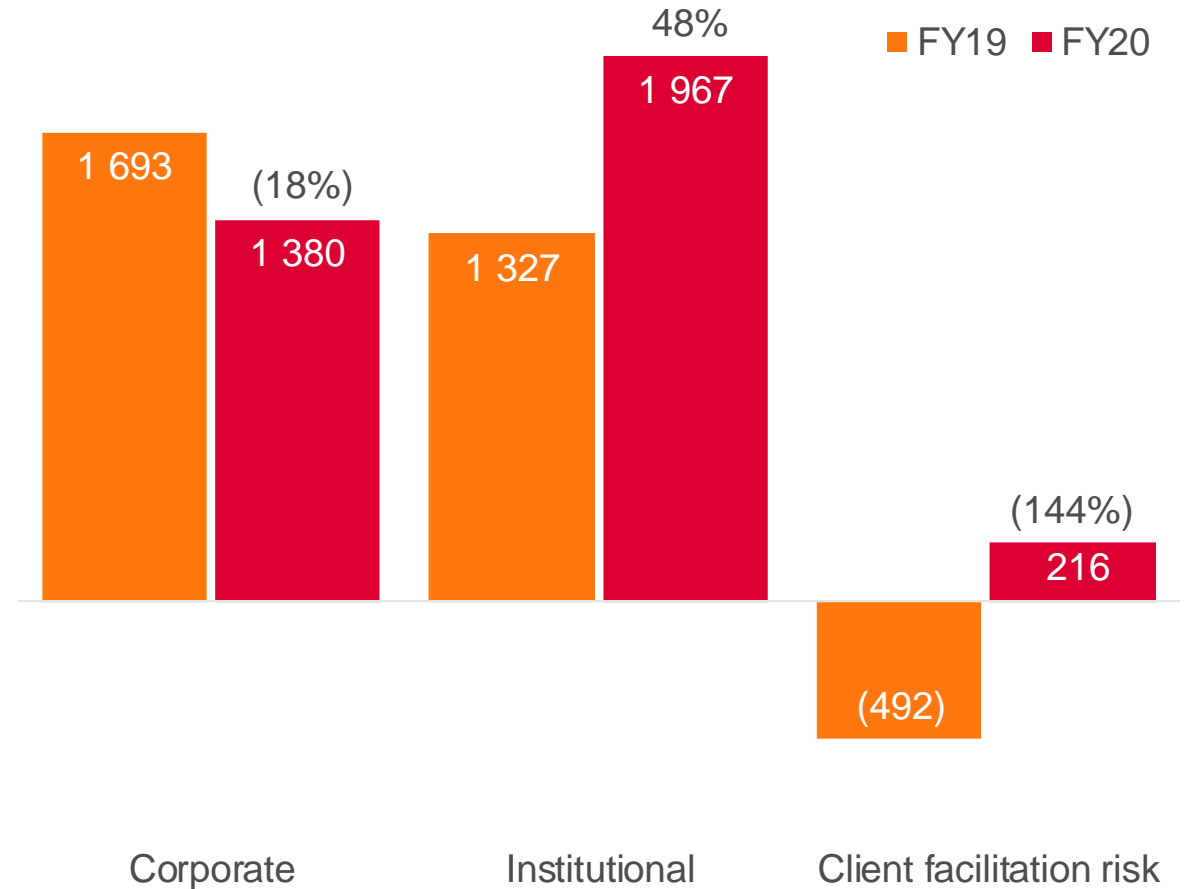


Global Markets revenue rebounded off a low base

Global Markets revenue (Rbn)

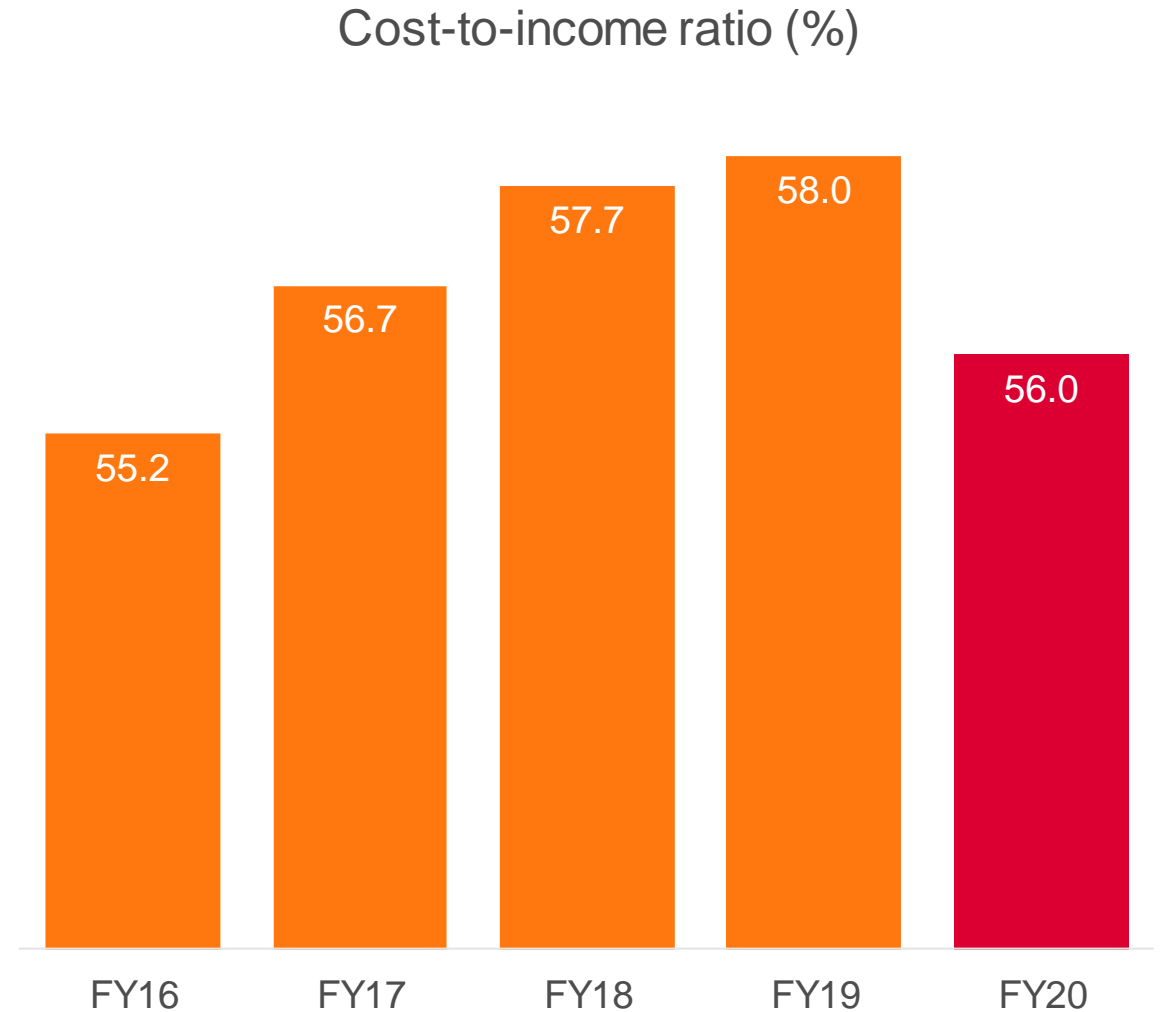


Markets SA revenue by type (Rm)



Operating expenses well managed and responsive

	FY20 Rm	Change %	Mix %
Staff	25 140	(2)	55
Property	1 878	7	4
Technology	4 141	11	9
Depreciation	3 801	7	8
Professional fees	2 316	21	5
Marketing	1 114	(28)	2
Communication *	1 402	(7)	3
Cash transportation	1 181	(9)	3
Amortisation	1 286	17	3
Other **	3 317	(22)	7
Total	45 576	(2)	100

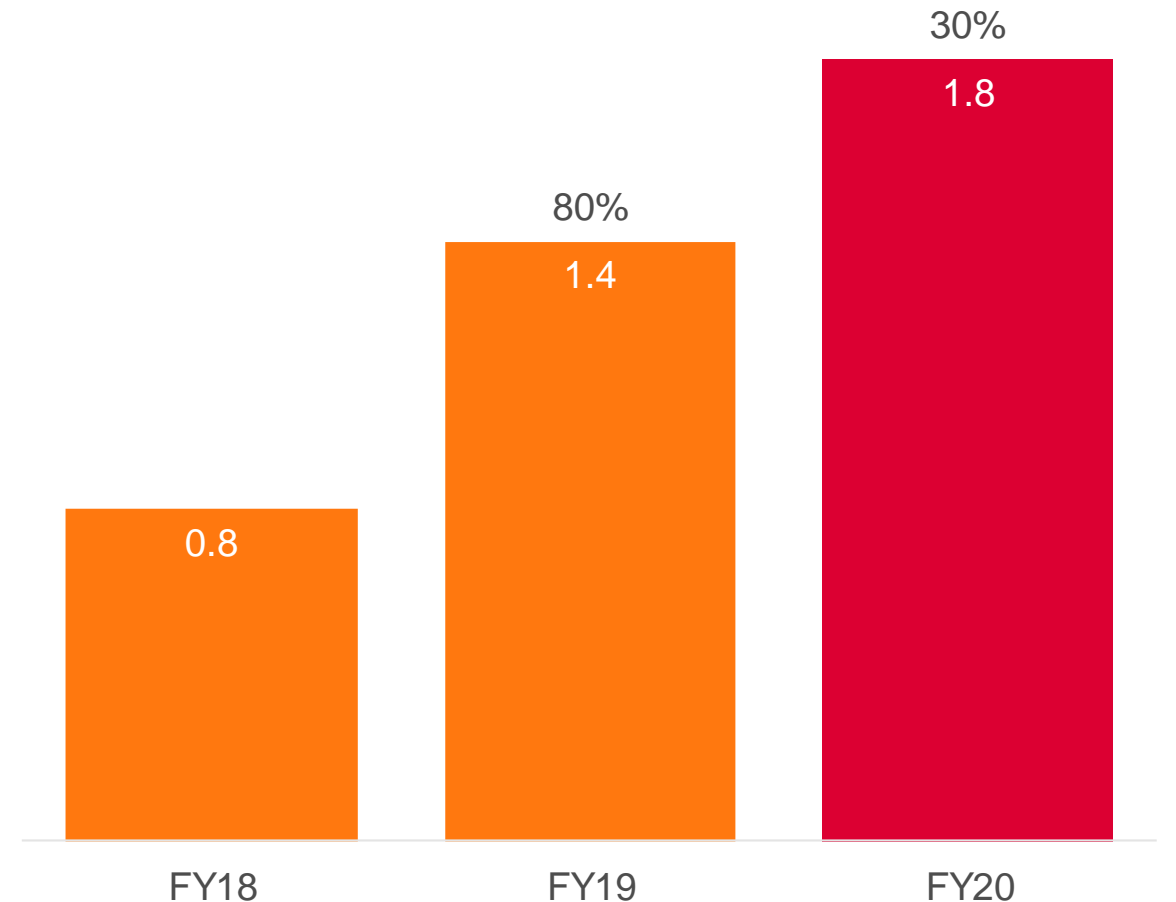


Note: * printing and stationery plus telephone and postage; ** includes administration fees, equipment costs, fraud, travel and entertainment, auditors, other costs etc.

Numerous moving parts within operating expenses

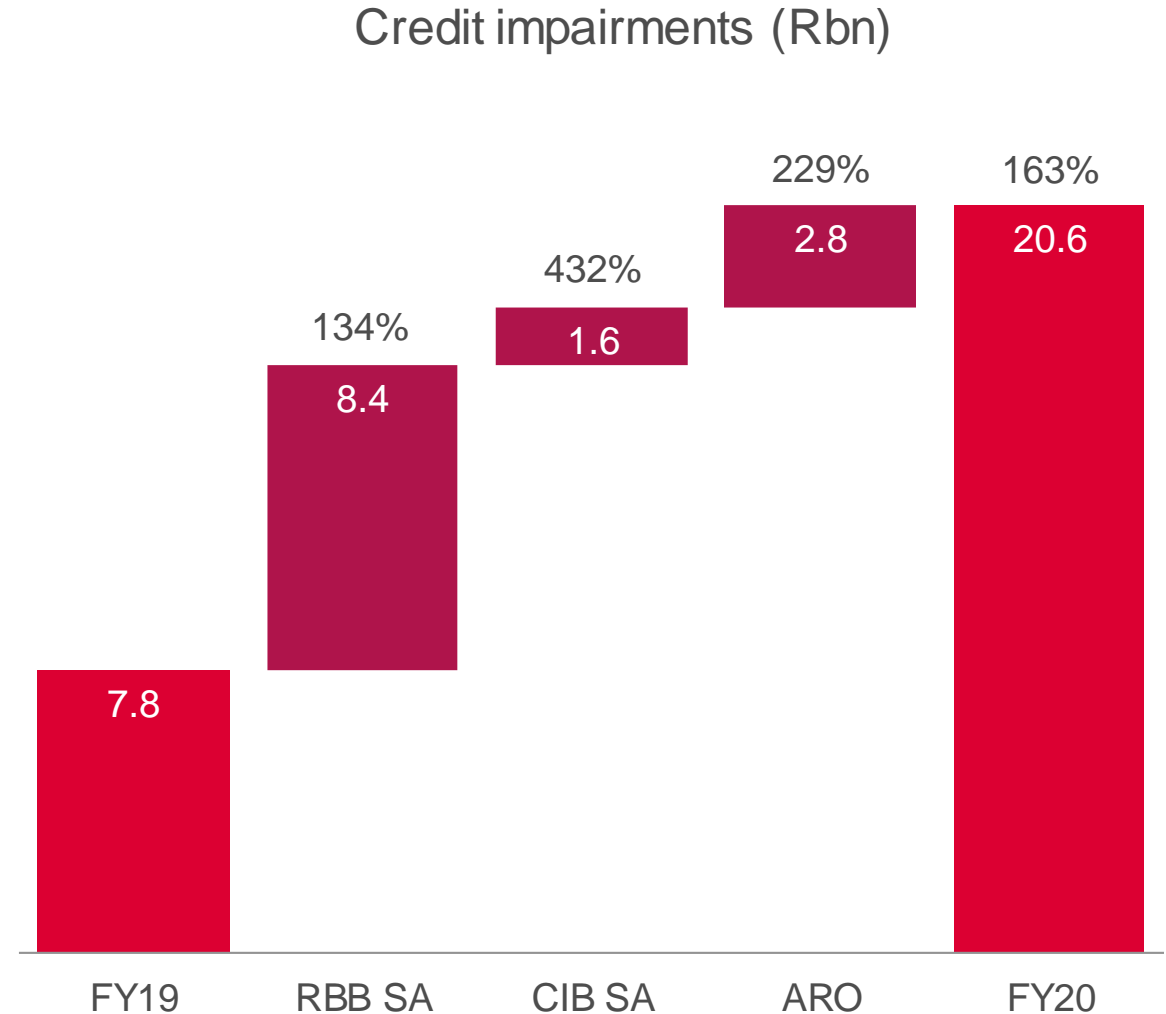
- Material reduction in performance incentives
- Edcon portfolio disposal base effect
- Reduced fraud costs
- Lower restructuring costs
- Higher incremental run costs post separation
- Additional Covid-19 costs

Incremental run costs post Barclays separation (Rbn)



Credit impairments rose materially across the board

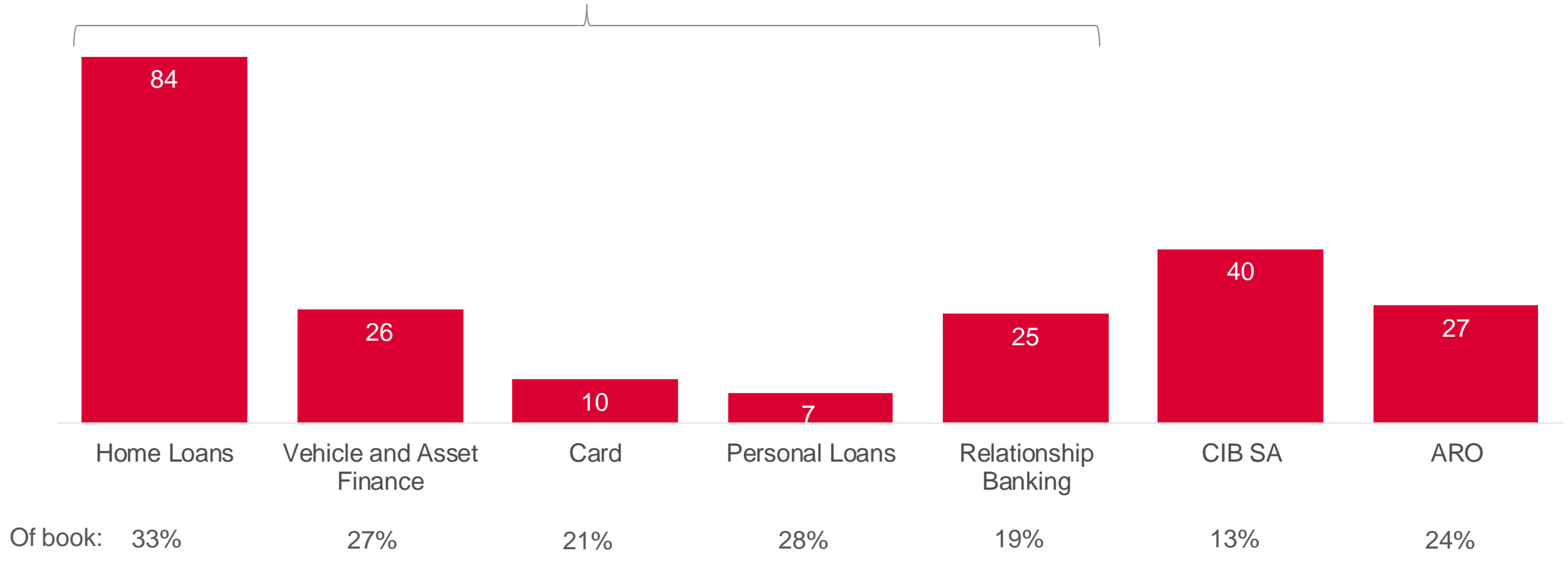
Credit loss ratio (%)	FY19	FY20
RBB SA	1.18	2.64
Everyday Banking	5.50	8.42
Vehicle and Asset Finance	1.34	3.45
Home Loans	0.08	0.88
Relationship Banking	0.26	1.59
CIB SA	0.11	0.54
Absa Regional Operations	0.98	2.66
Group	0.80	1.92



Provided extensive Covid-19 payment relief ...

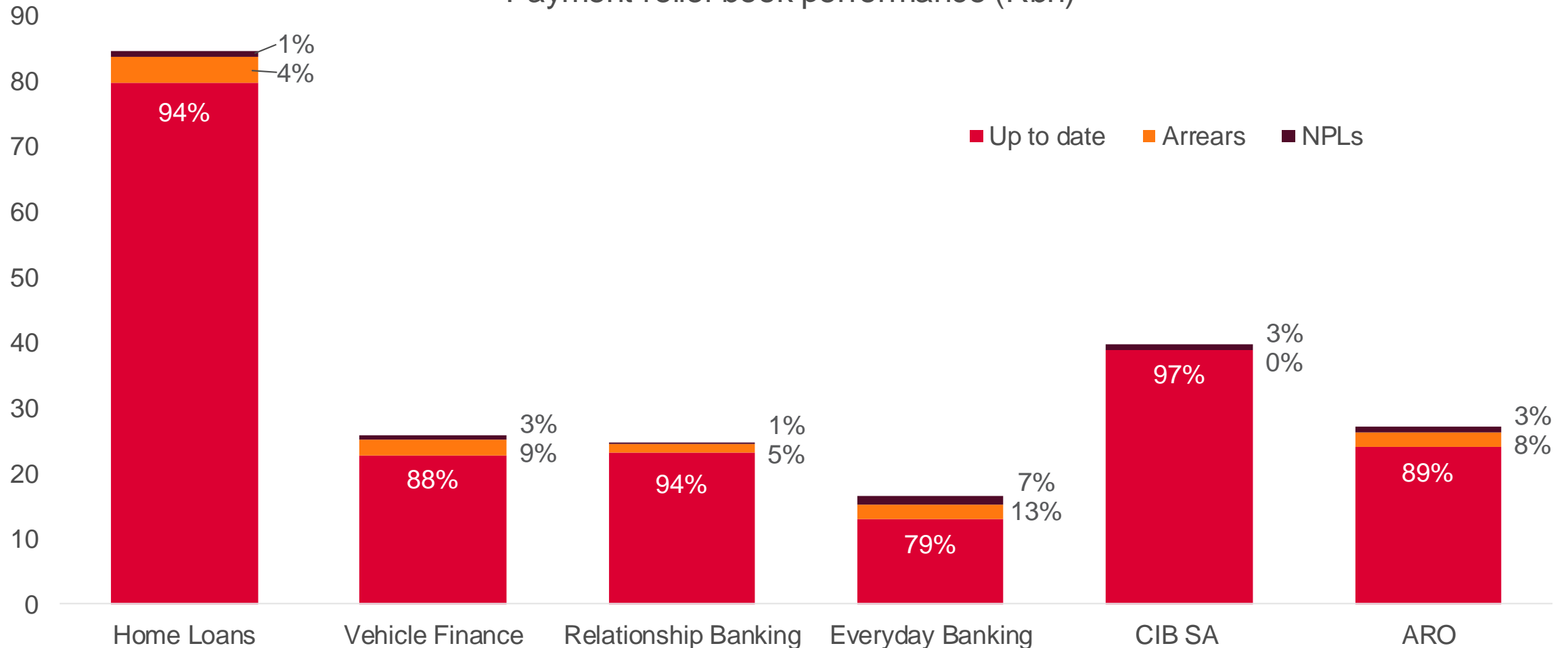
Gross carrying value of customer loans granted payment relief (Rbn)

RBB SA: R152bn, 27% of book



... relief portfolio performing largely as planned

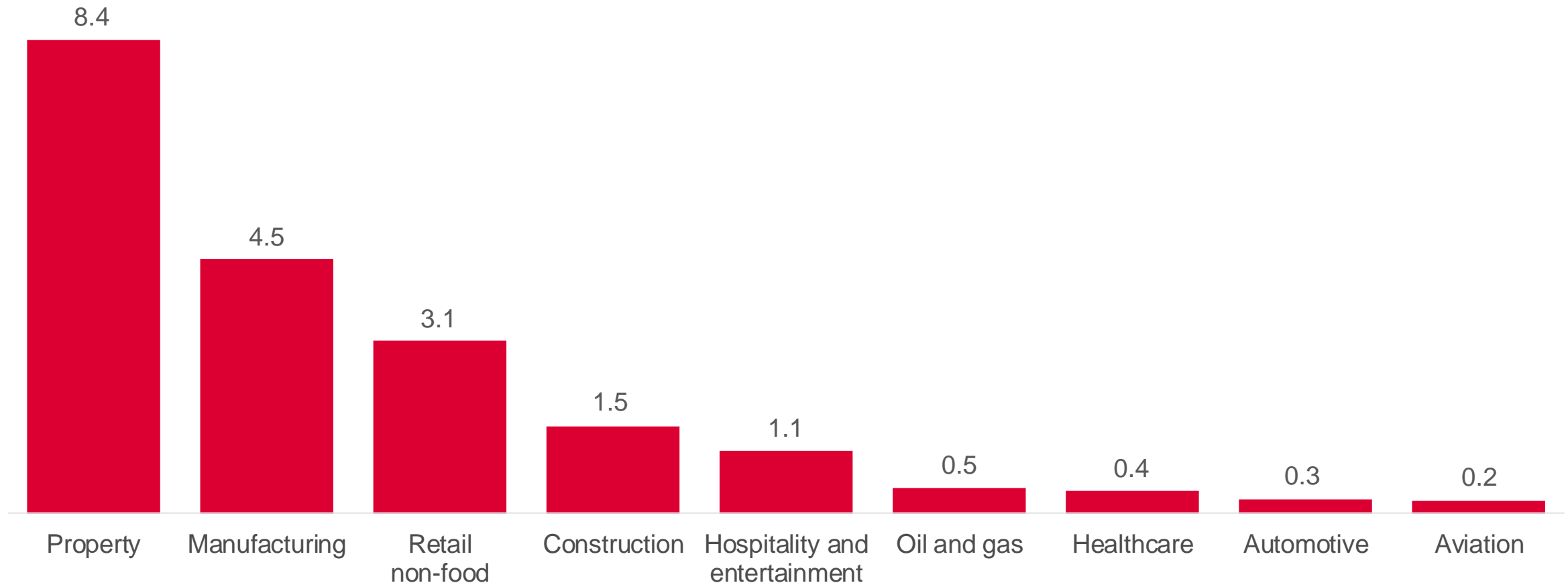
Payment relief book performance (Rbn)



Note: Loan splits may not sum to 100% due to rounding

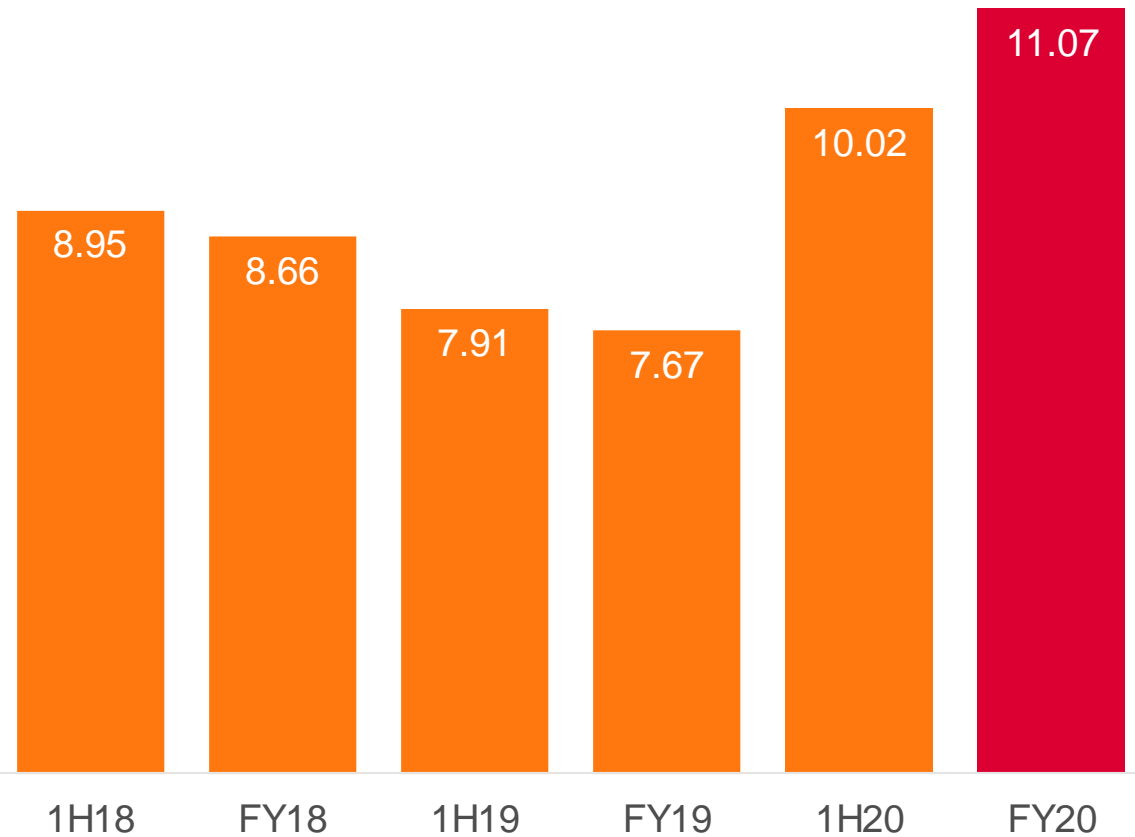
Relatively low exposure to Covid-19 impacted industries

Wholesale lending to key Covid-19 impacted industries (% of total loans)

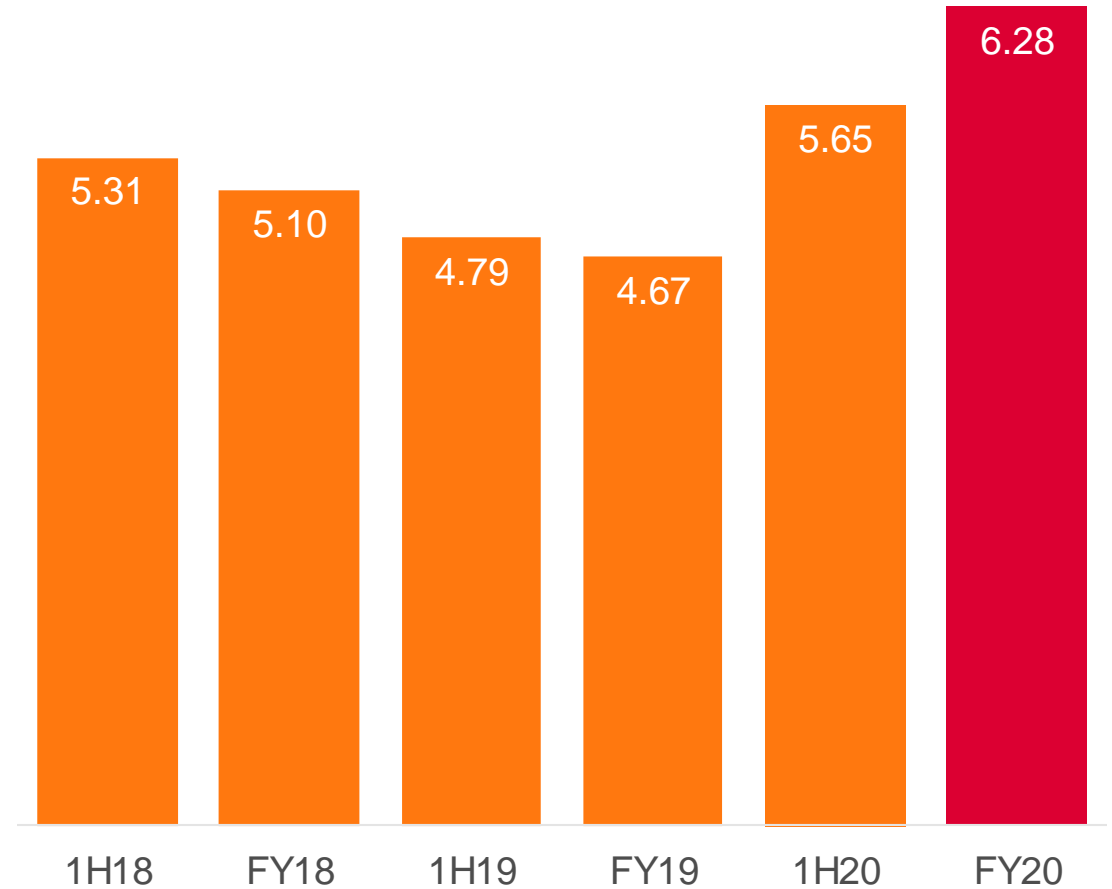


Substantial delinquency stage migration started in 1H20

Group stage 2 loans to total (%)

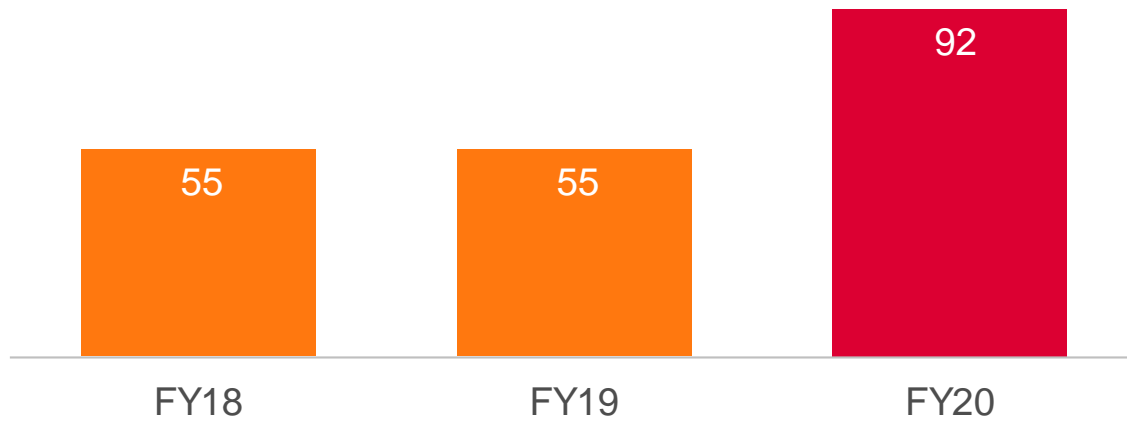


Group stage 3 loans to total (%)

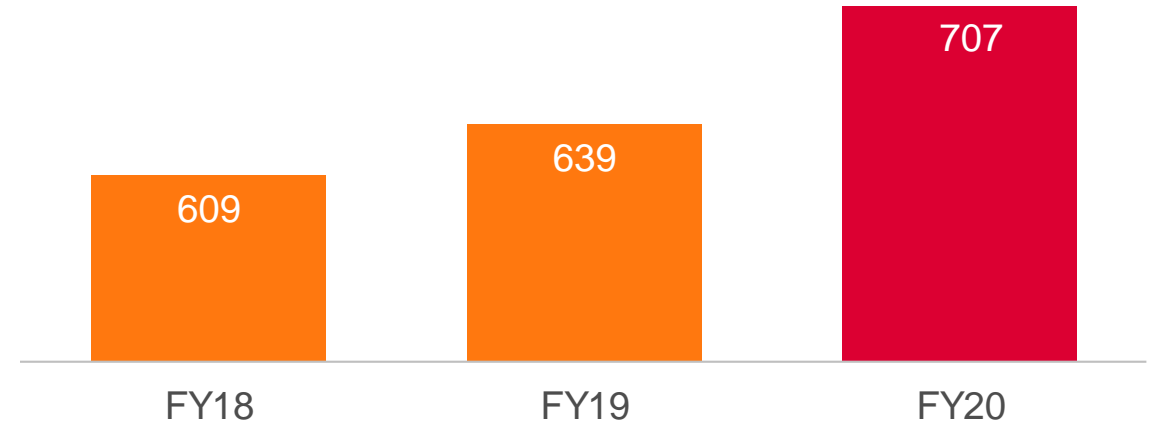


Total loan coverage increased materially

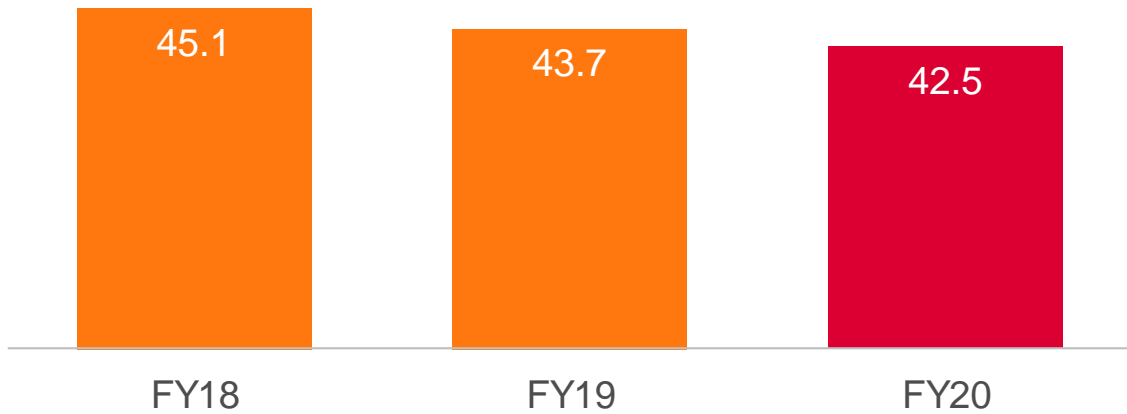
Stage 1 loan coverage (bp)



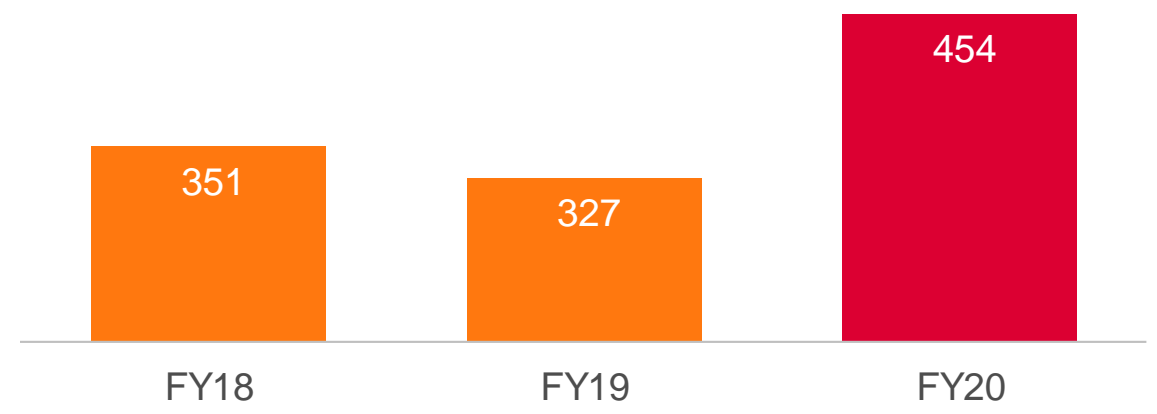
Stage 2 loan coverage (bp)



Stage 3 loan coverage (%)

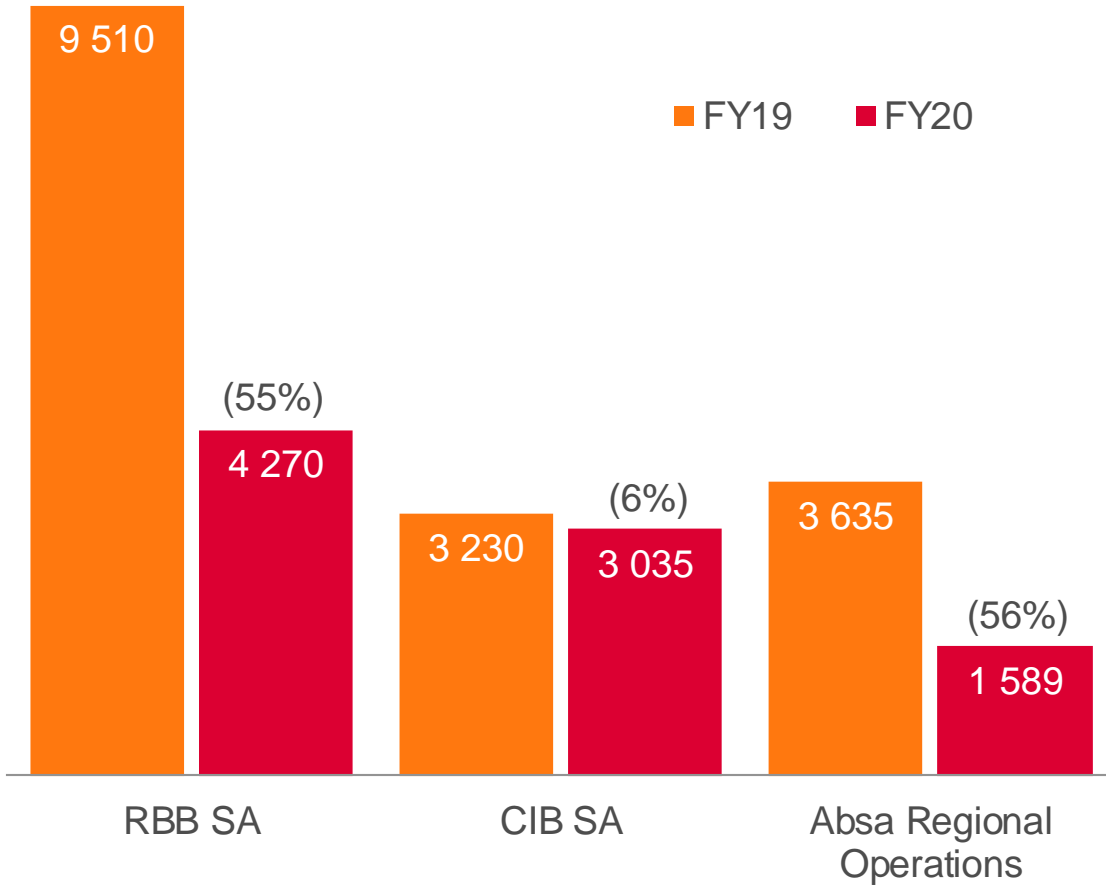


Total loan coverage (bp)

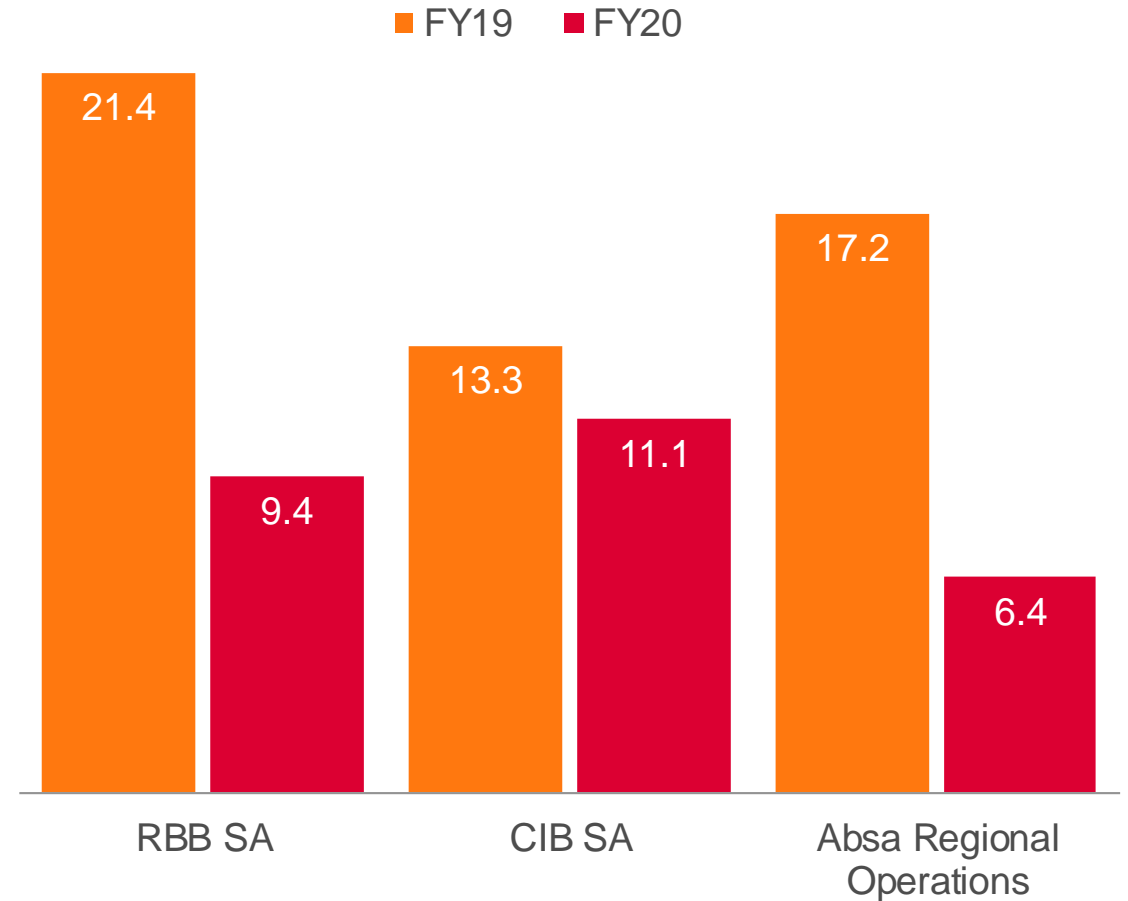


CIB relatively resilient

Normalised headline earnings (Rm)



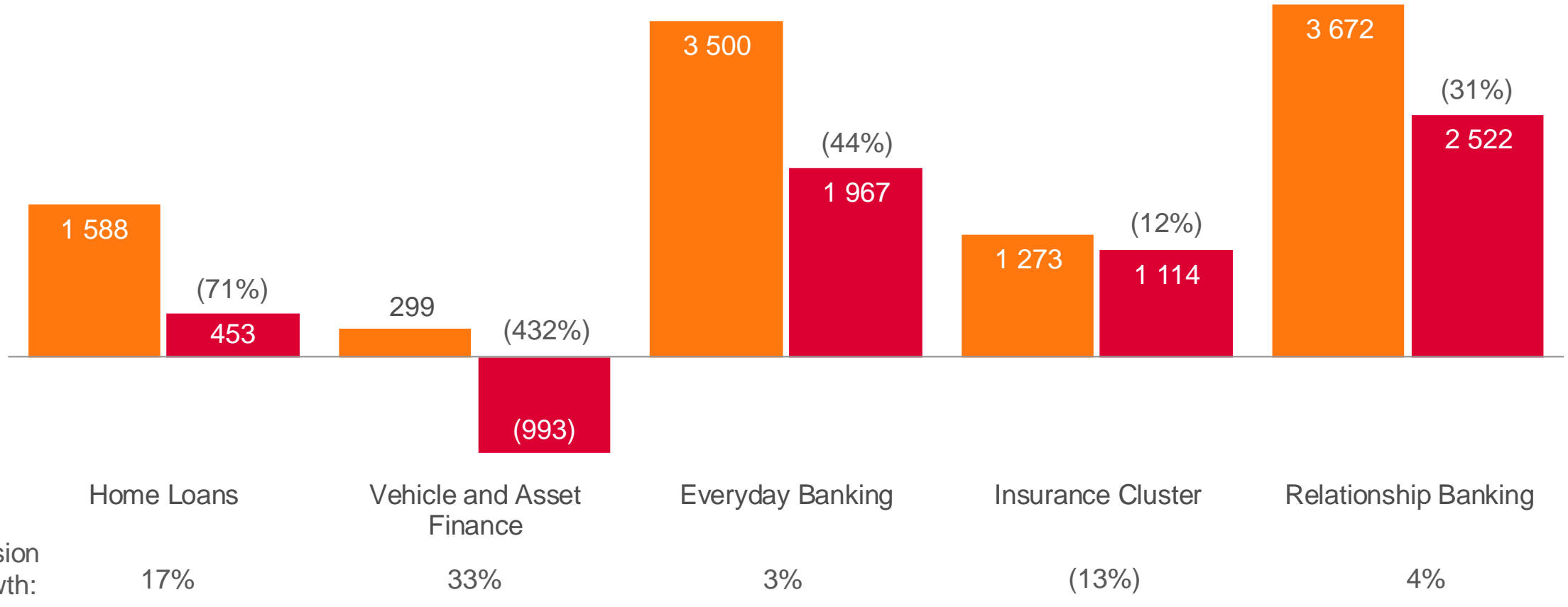
Return on regulatory capital (%)



RBB SA earnings fell, particularly in lending products

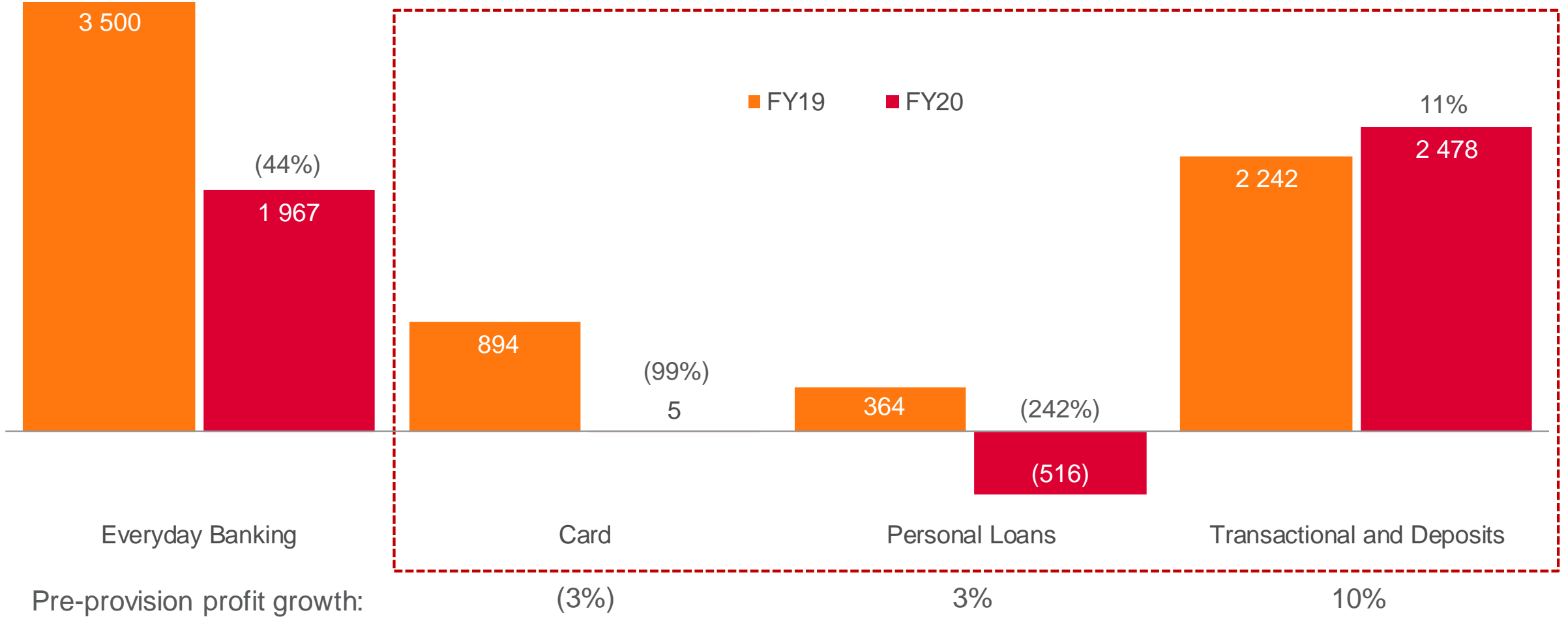
Headline earnings (Rm)

■ FY19 ■ FY20



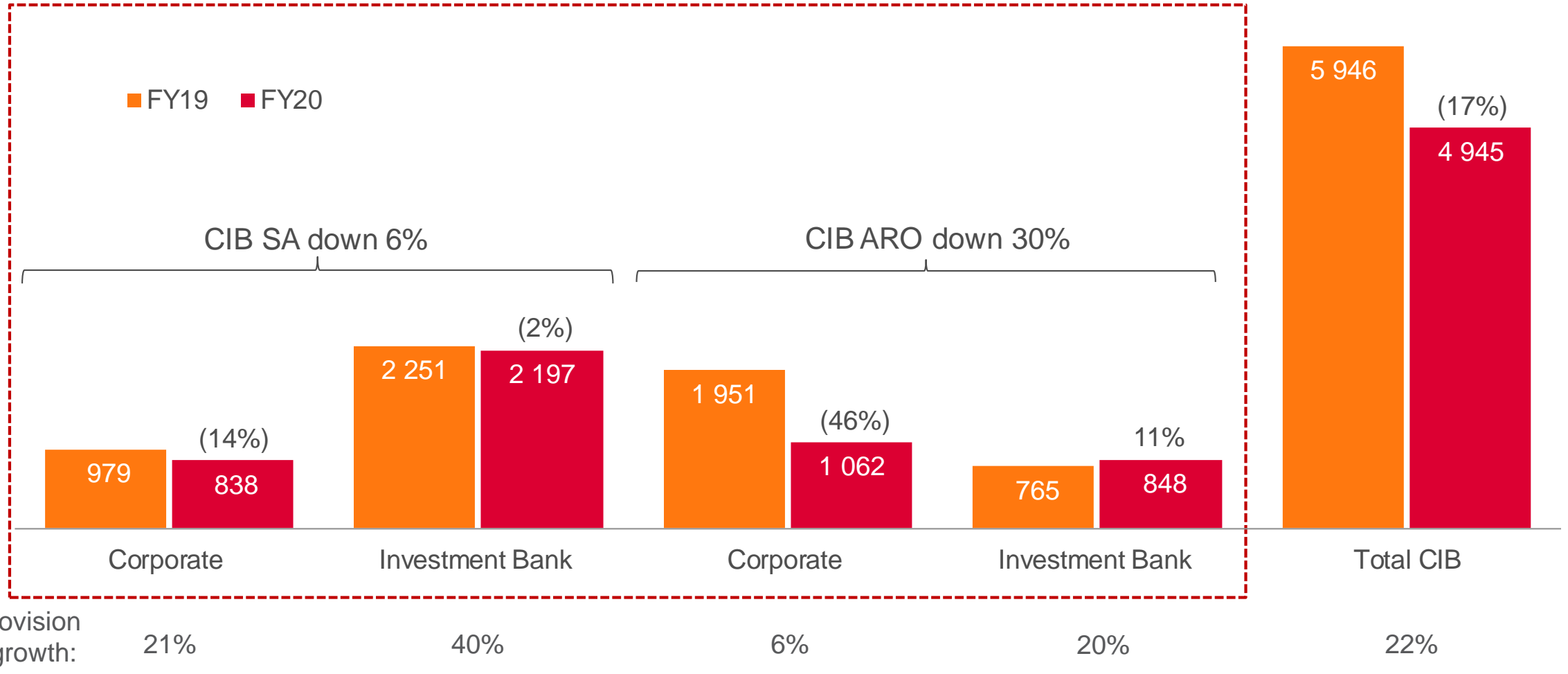
Transactional and Deposits performed well

Headline earnings (Rm)



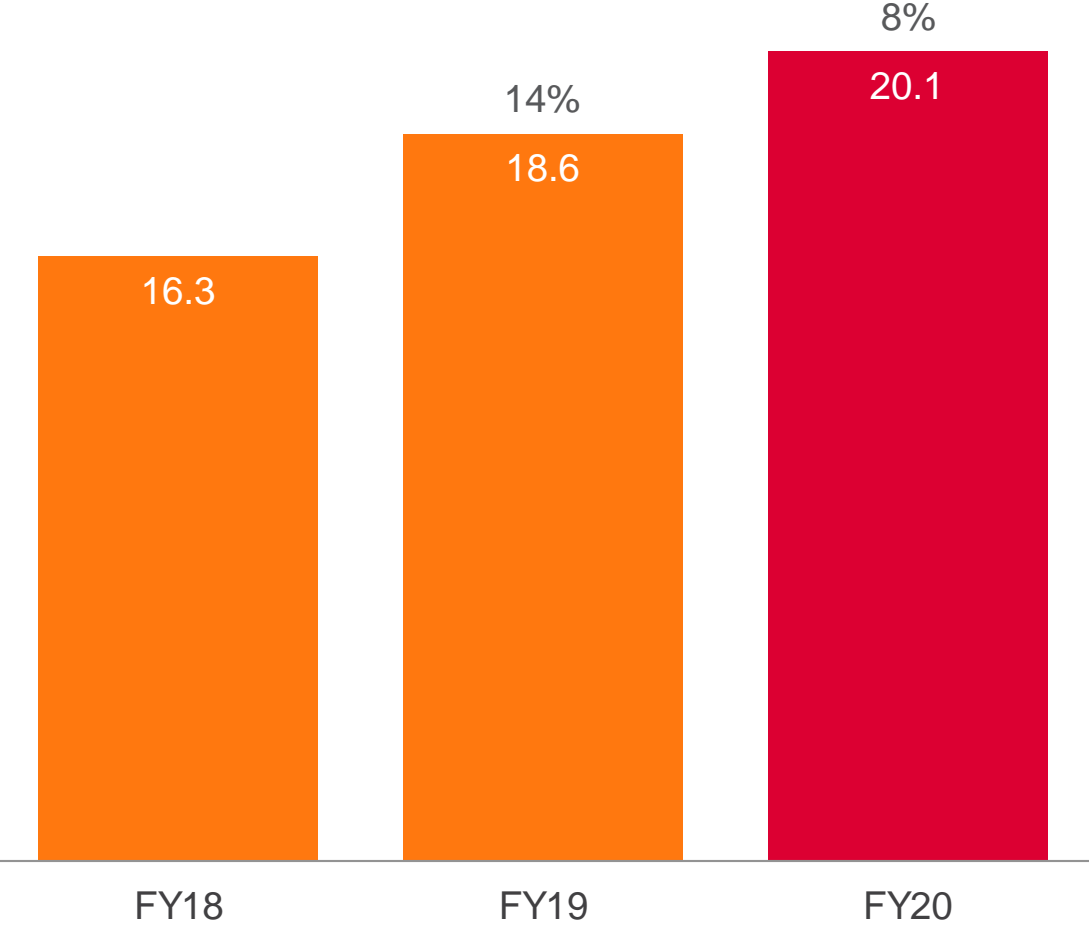
CIB earnings fell despite strong pre-provision profits

Headline earnings (Rm)

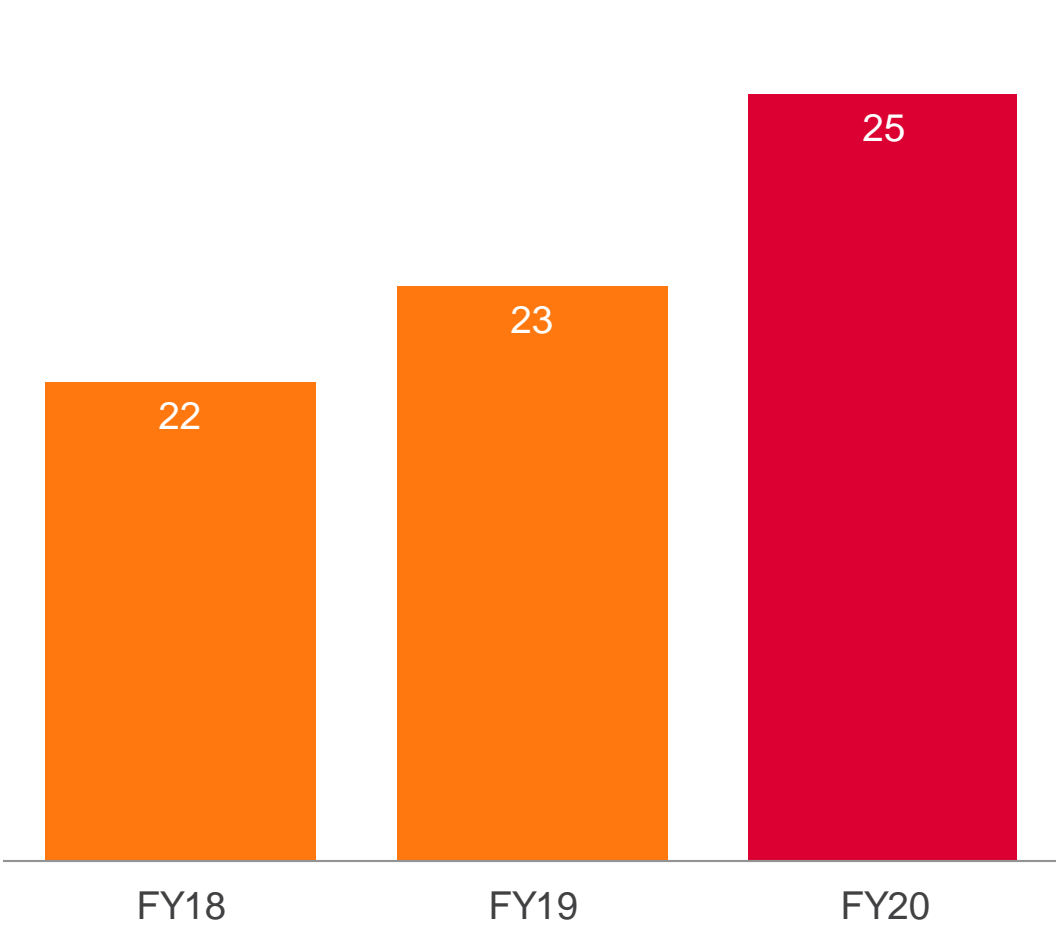


Absa Regional Operations enhance revenue growth

Absa Regional Operations revenue (Rbn)

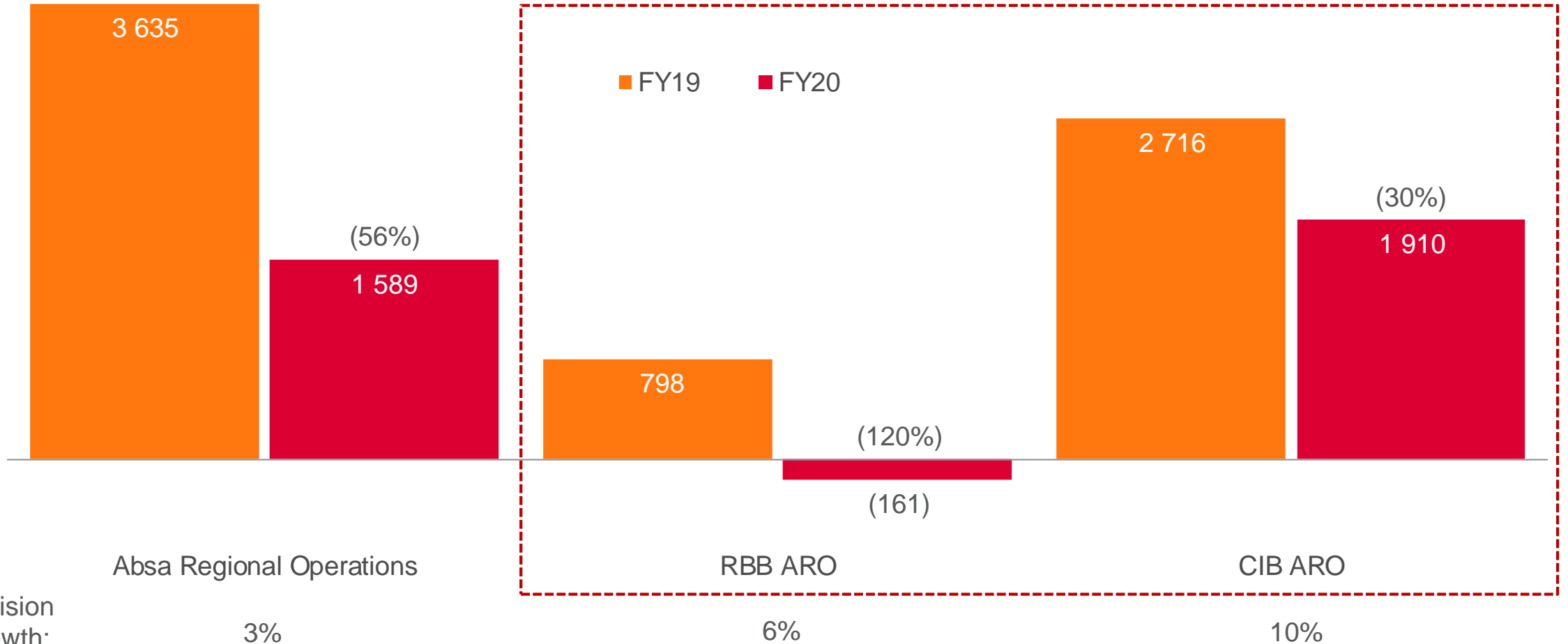


Absa Regional Operations revenue to group (%)



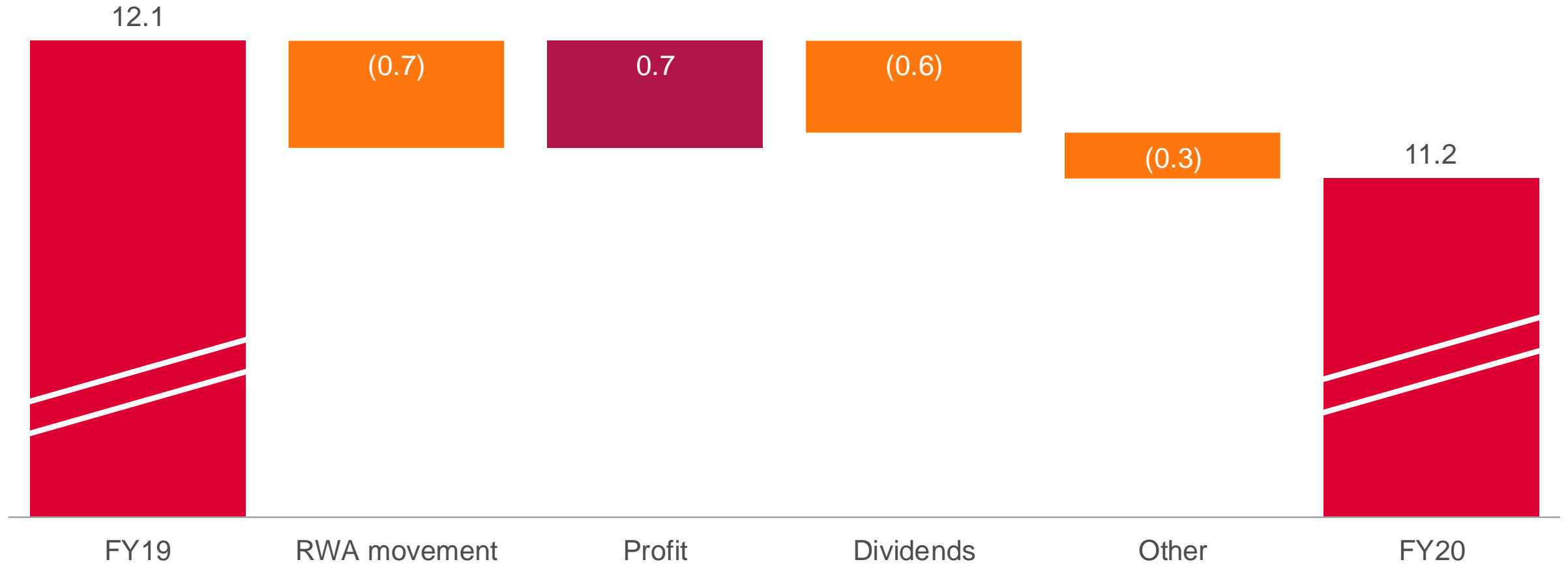
Substantial RBB swing reduced ARO earnings

Headline earnings (Rm)



Capital remains within board target range

Absa Group IFRS common equity tier 1 ratio (%)



2021 outlook

- Low to mid-single digit growth in net interest income, based on improved customer loan growth
- Non-interest revenue growth is expected to improve, but is likely to remain low
- We expect low single digit growth in operating expenses, resulting in flat operating JAWS
- Our credit loss ratio is likely to decrease substantially to slightly above through-the-cycle range
- RoE is expected to improve materially to low double digits, although remain below our cost of equity
- Group CET1 capital ratio should increase. We expect to gradually resume paying dividends from the first half, starting with a dividend payout ratio of 30% and increasing to 50% medium-term

Daniel Mminele

Chief Executive

Refreshed Group strategy



Disclaimer

Forward-looking statements

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