



Absa Group

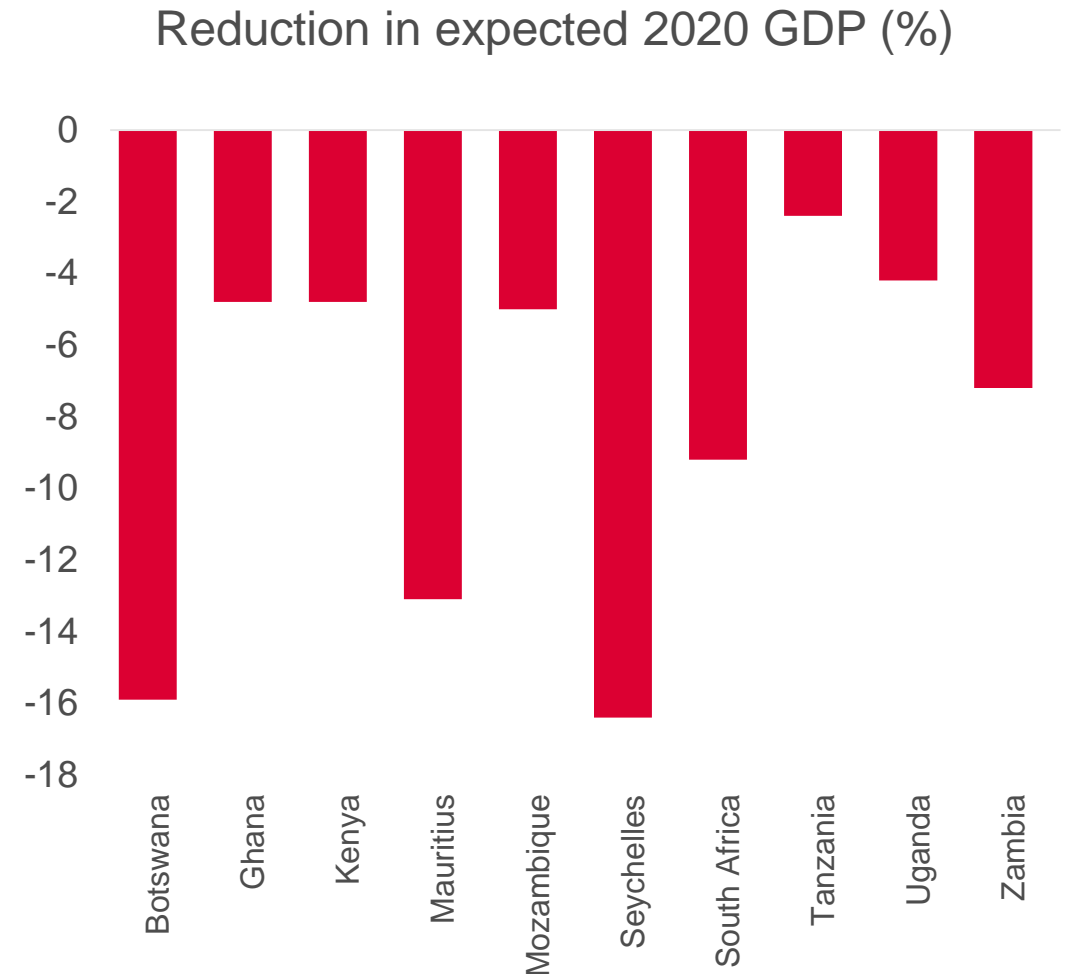
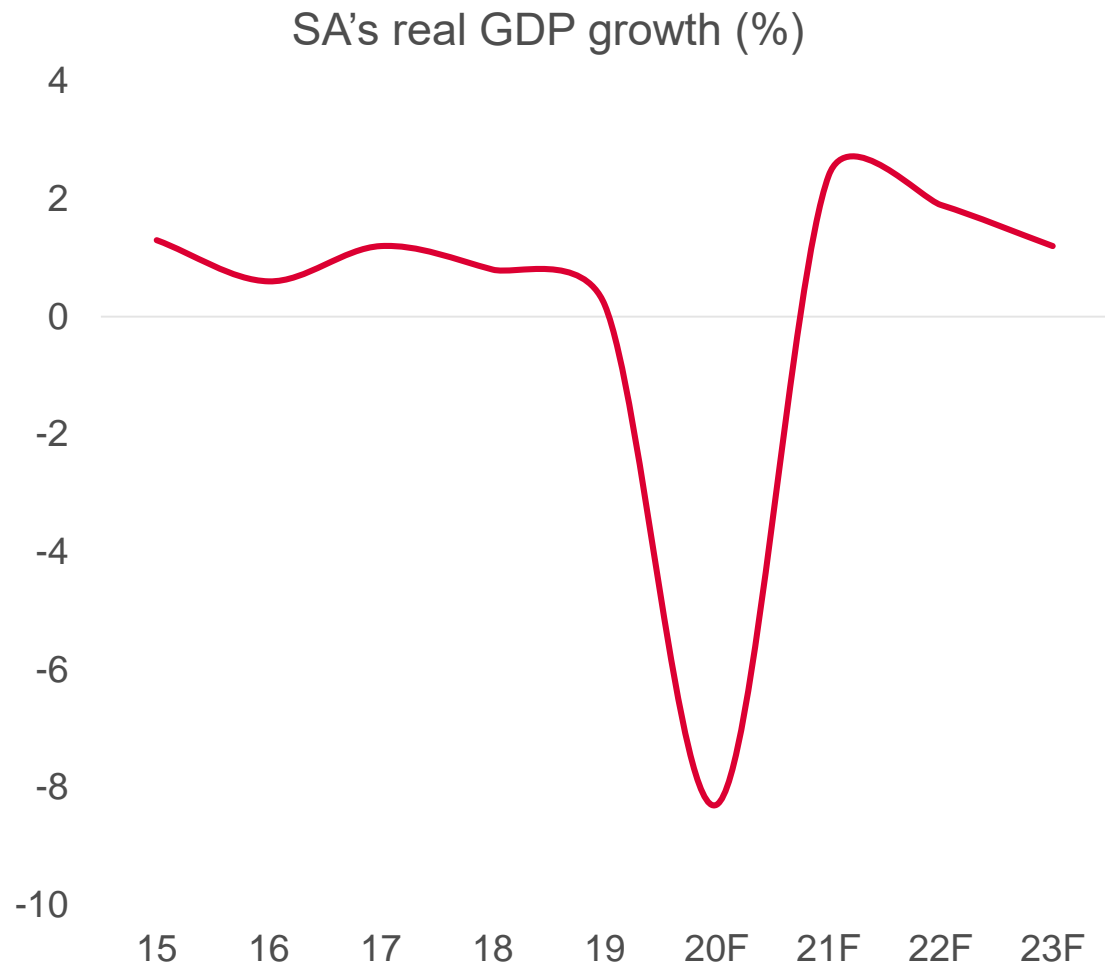
1H20 results presentation

24 August 2020

Daniel Mminele

Chief Executive

A crisis like no other, an uncertain recovery

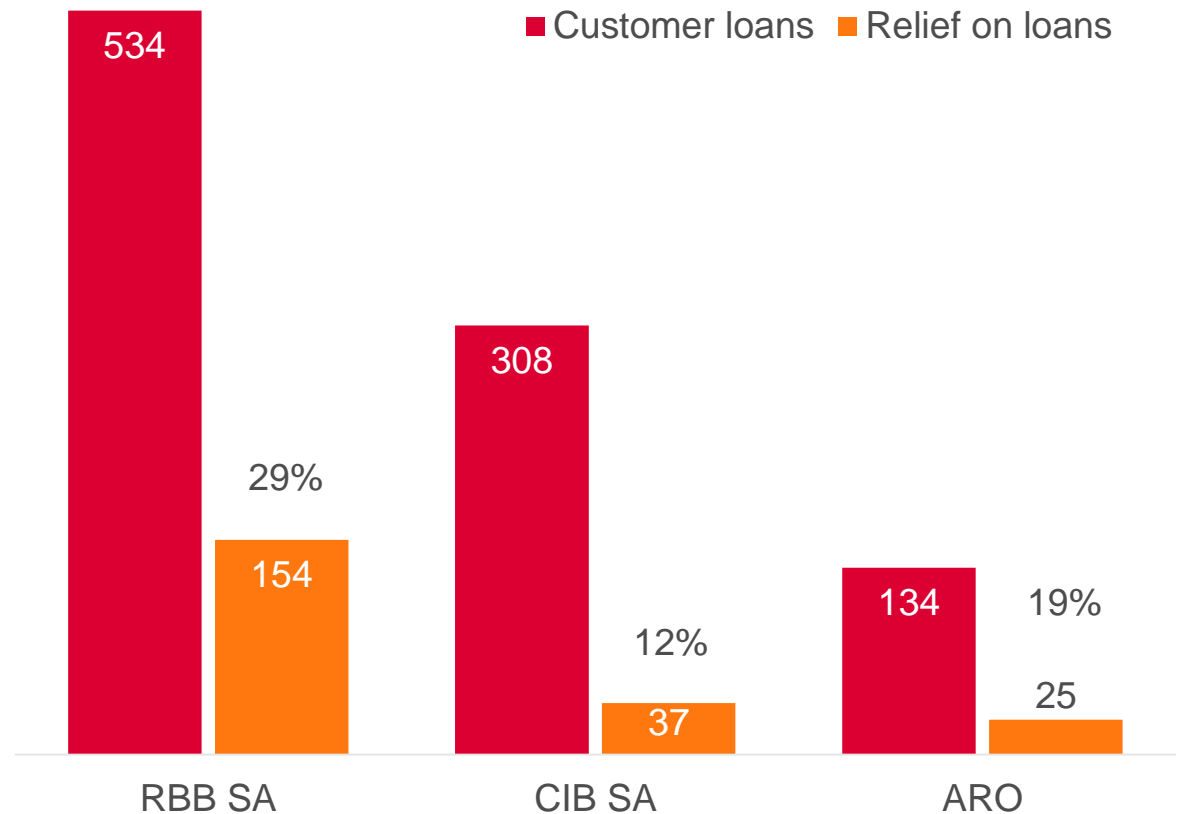


Absa's initial response to Covid-19 pandemic

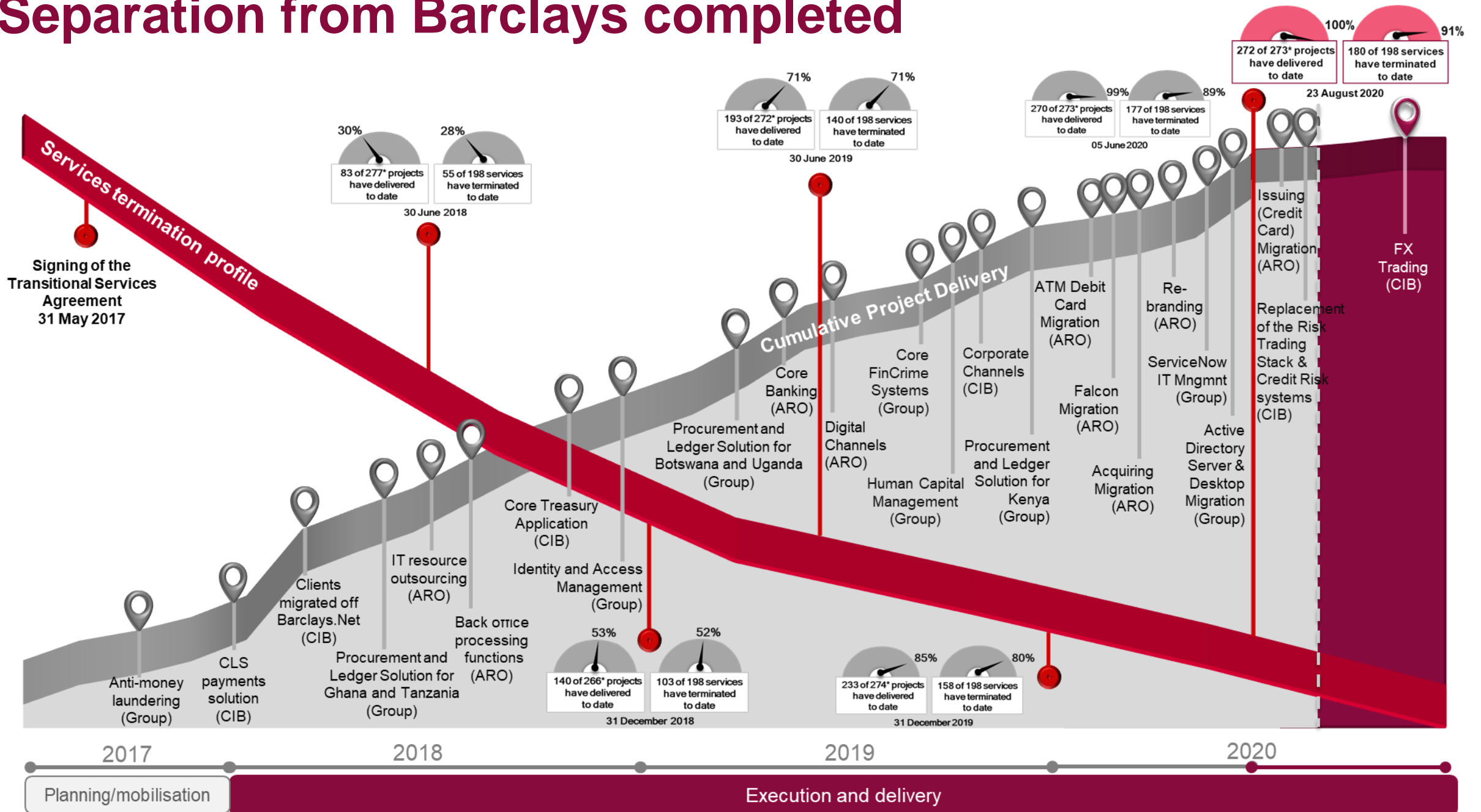
- Ensure colleague safety and wellbeing
- Open for business to support customers
- Provided substantial payment relief
- Supporting vulnerable communities
- Protecting balance sheet and liquidity



Payment relief provided (Rbn)

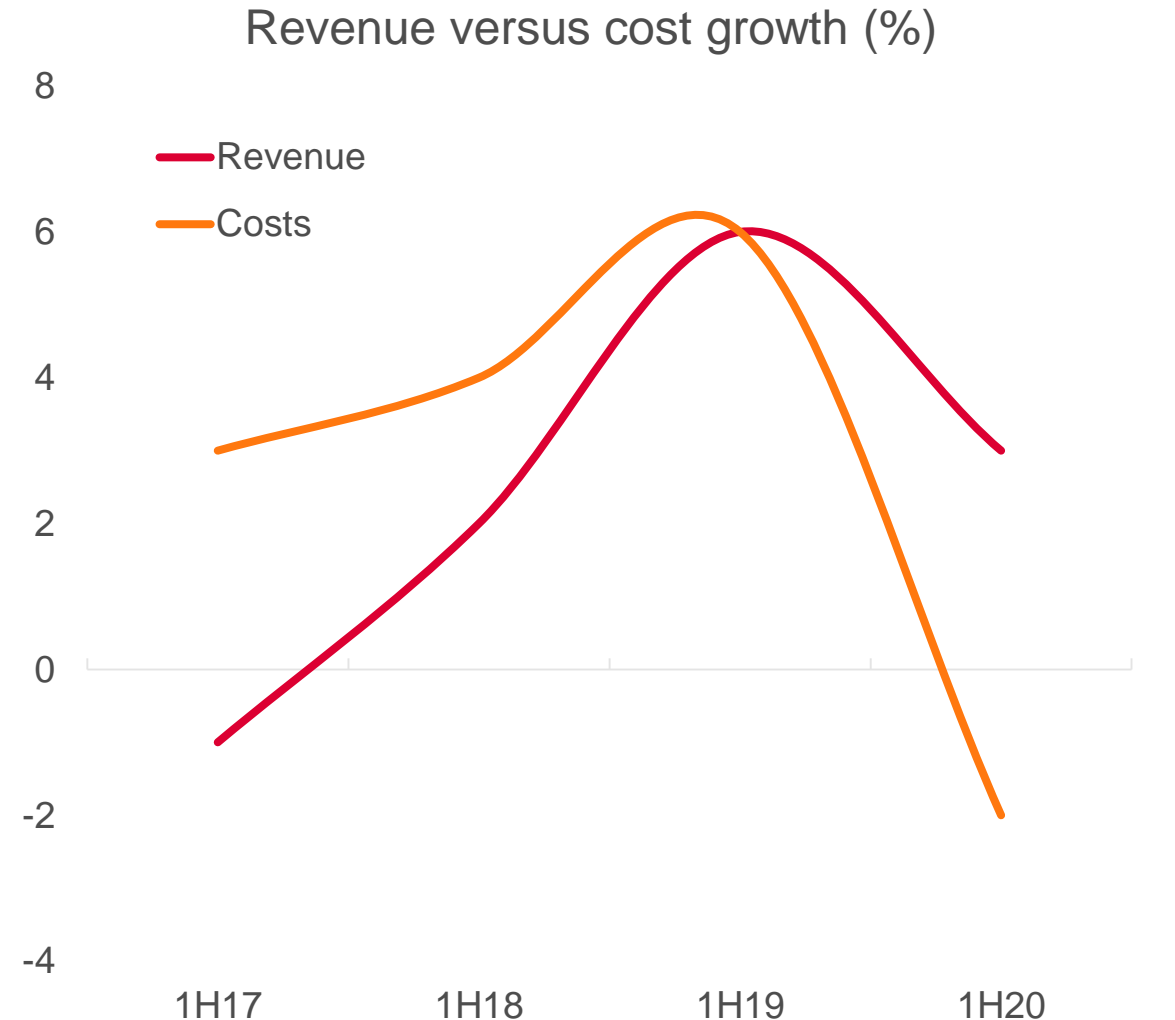


Separation from Barclays completed



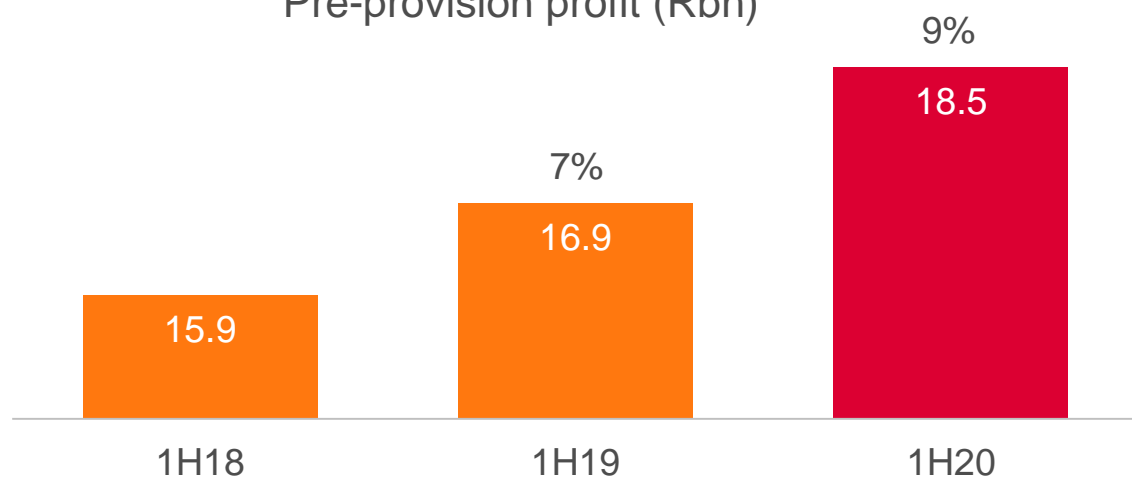
Main 1H20 messages

- Resilient revenue
- Operating costs well managed
- Solid pre-provision profit growth
- Substantially higher credit impairments
- Benefit of diversity
- Balance sheet strength maintained

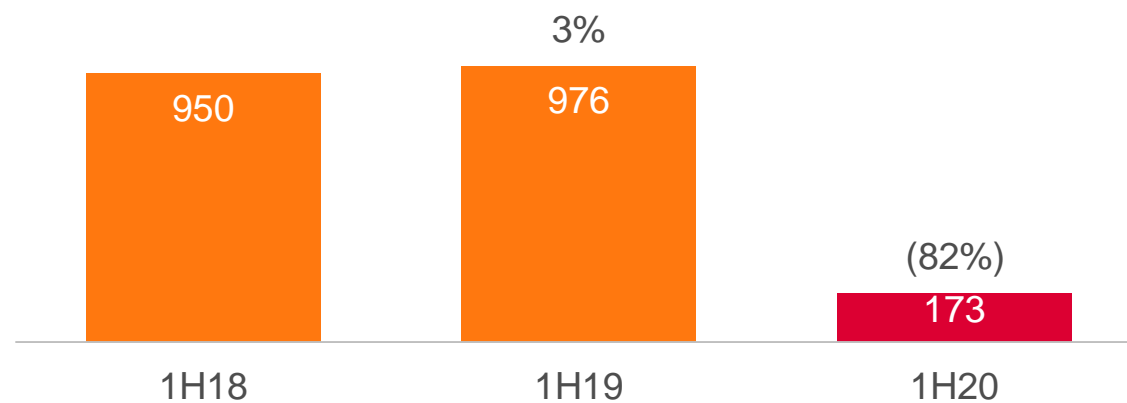


1H20 salient features

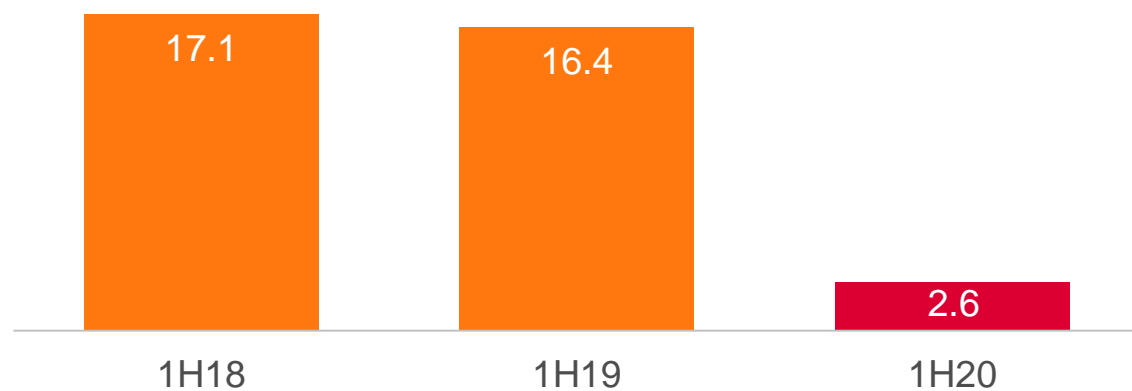
Pre-provision profit (Rbn)



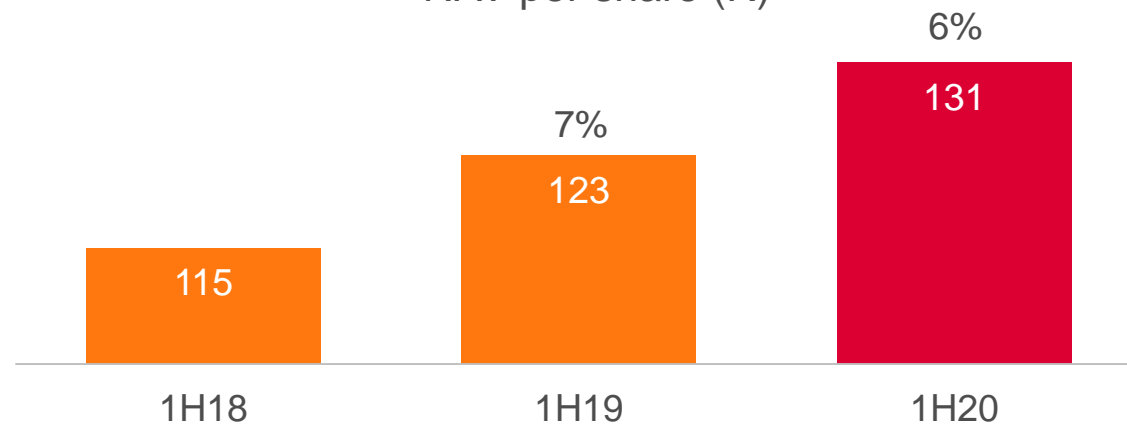
Diluted normalised HEPS (c)



RoE (%)



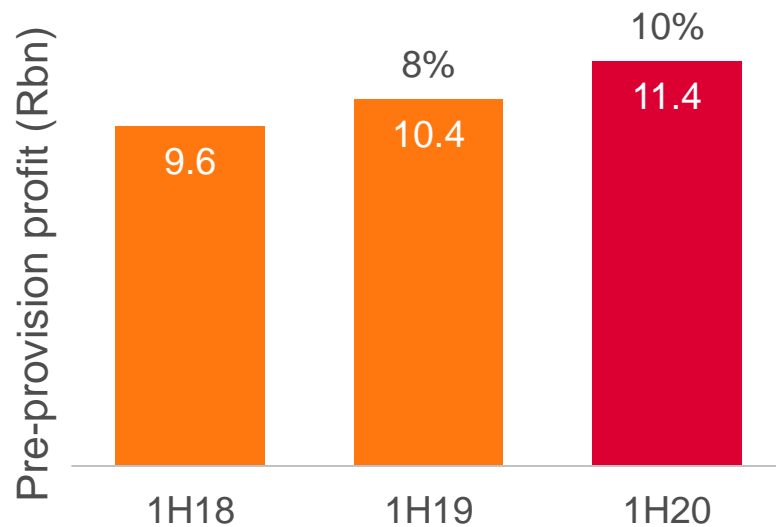
NAV per share (R)



Divisional performances

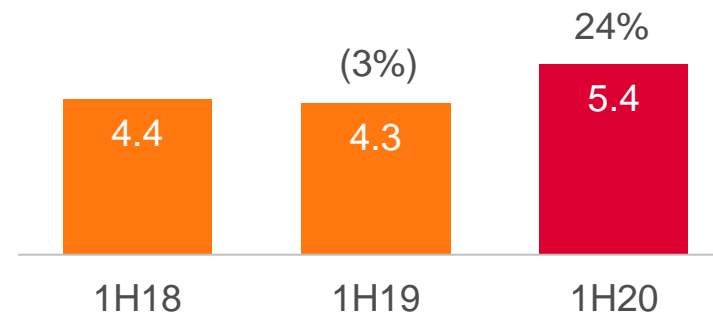
RBB SA

- Resilient transactional franchises
- Benefit of restructuring
- Costs well contained
- Strengthened digital capabilities
- Credit impairments 4x higher



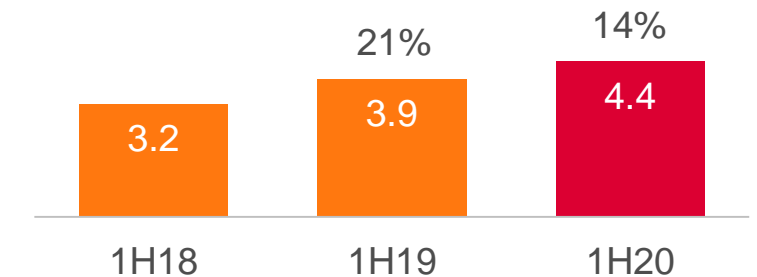
CIB total

- Separation complete
- Broad-base revenue growth
- Strong deposit growth
- Completed custody acquisition
- Credit impairments 7x higher



ARO

- Separation complete
- Strong digital growth
- Benefit of diversification
- Underlying cost containment
- Credit impairments 5x higher



Jason Quinn

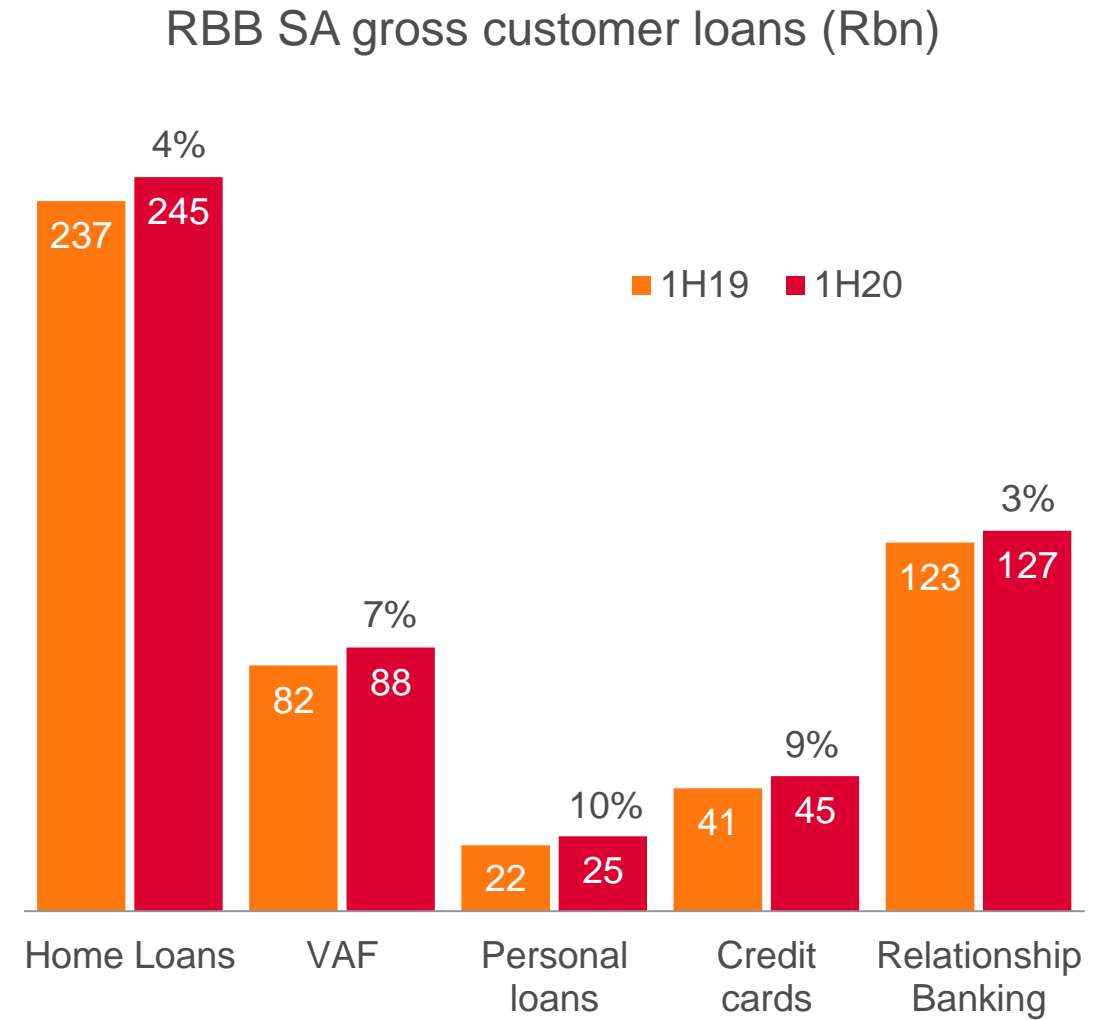
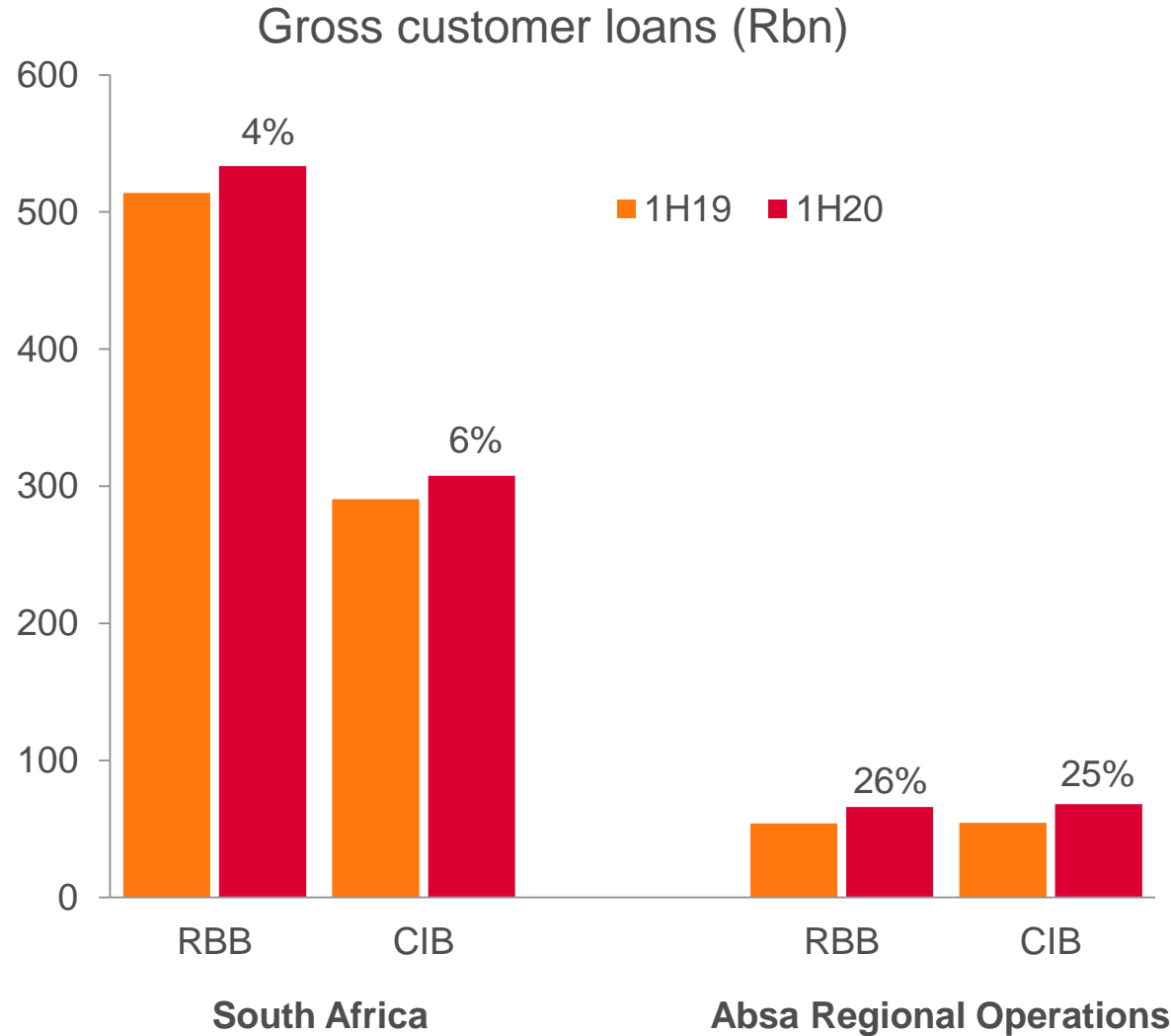
Financial Director

Income statement reflects impact of Covid-19

Rm	1H19	1H20	Change (%)	Normalisation adjustments
Net interest income	22 667	24 072	6	(52)
Non-interest income	16 404	16 006	(2)	(225)
Total income	39 071	40 078	3	(277)
Credit impairments	3 695	14 661	297	-
Operating expenses	22 136	21 613	(2)	1 427
Other *	760	1 051	38	142
Taxation	3 385	718	(79)	247
Non-controlling interest	837	592	(29)	87
Headline earnings	8 267	1 459	(82)	900

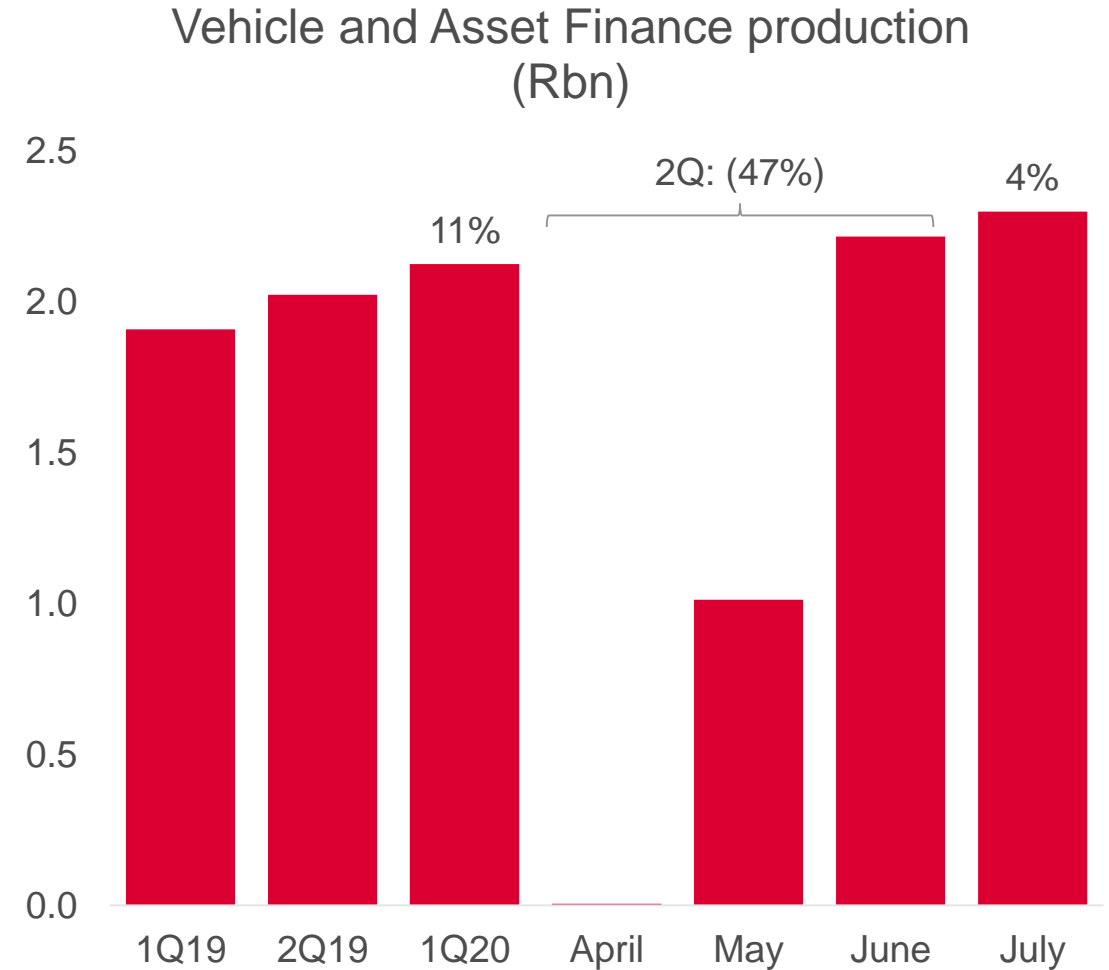
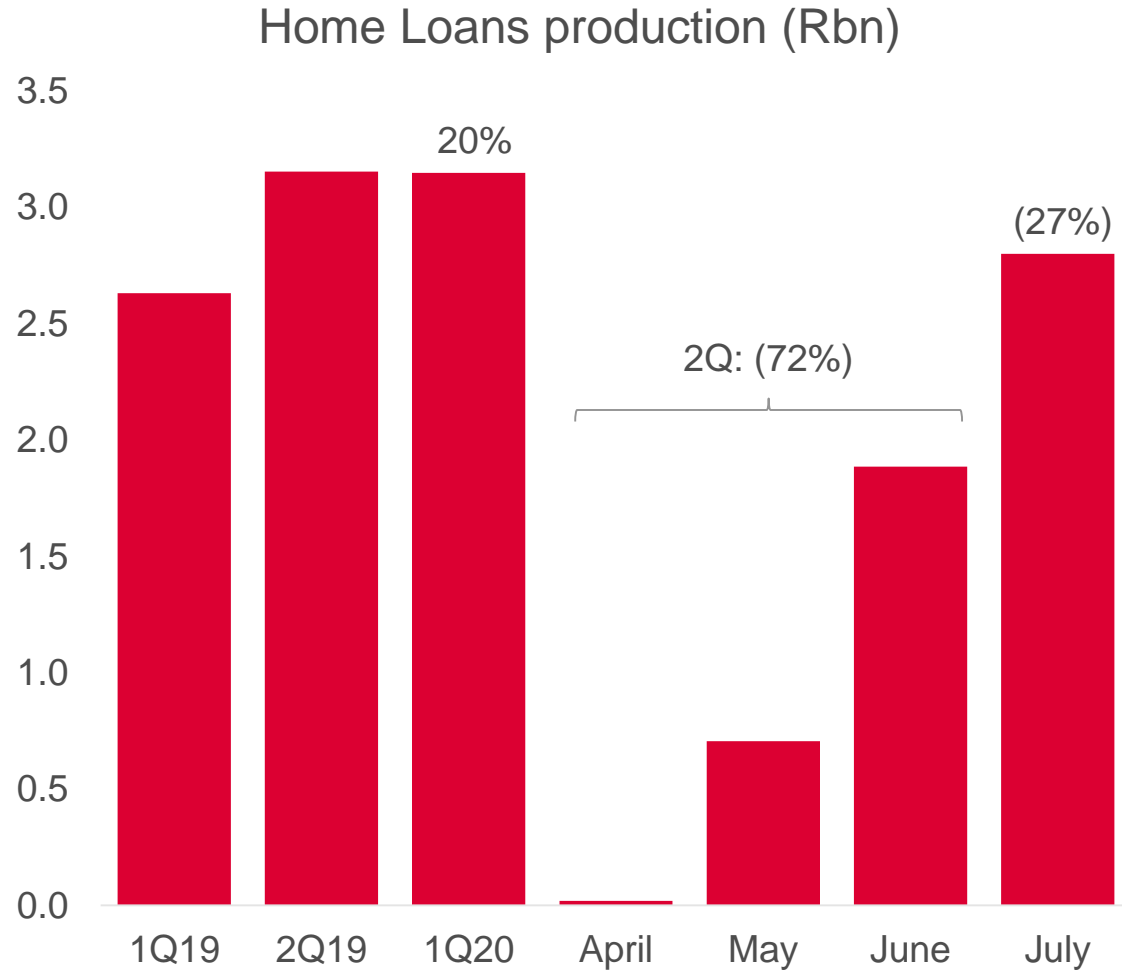
Note: * includes other impairments, indirect tax and associates' and JVs share of post tax results

Customer loan growth slowed ...



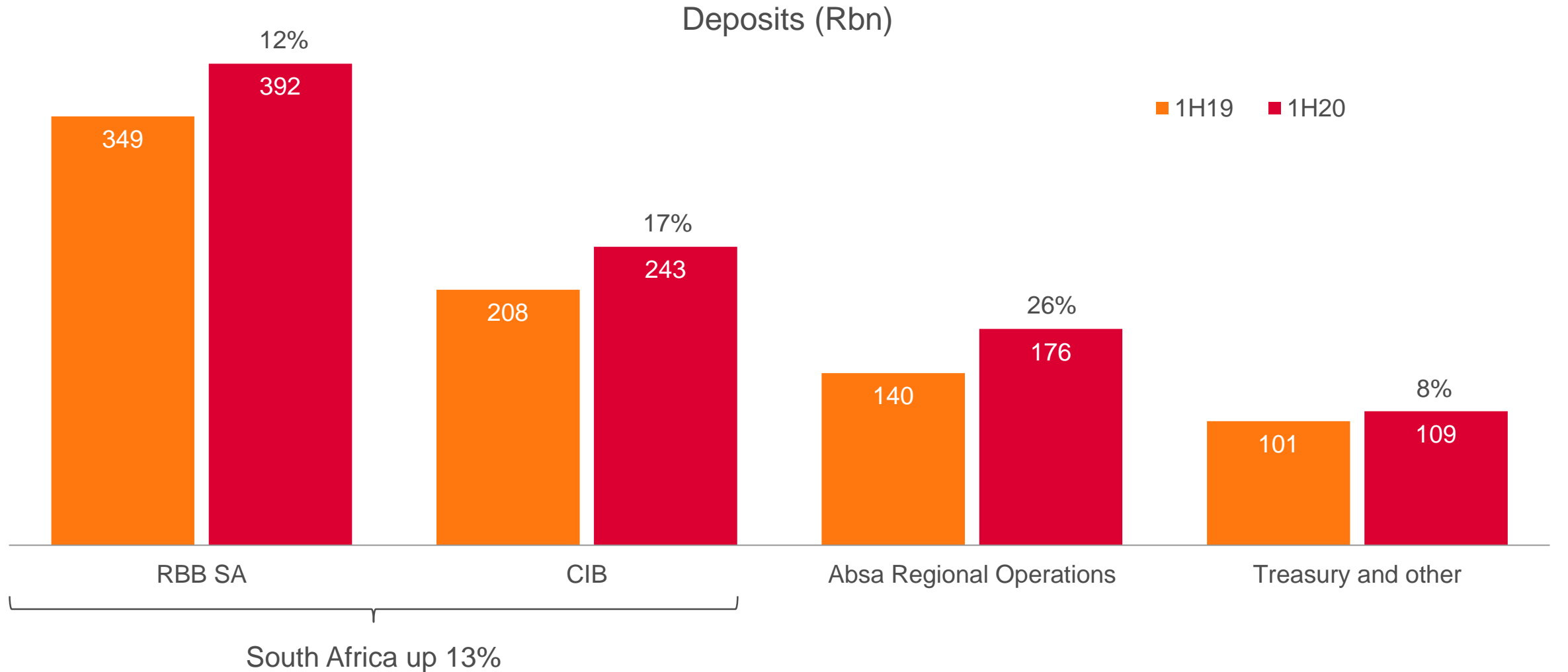
Note: Credit cards excludes disposed of Edcon storecard portfolio

... as lockdown reduced second quarter production



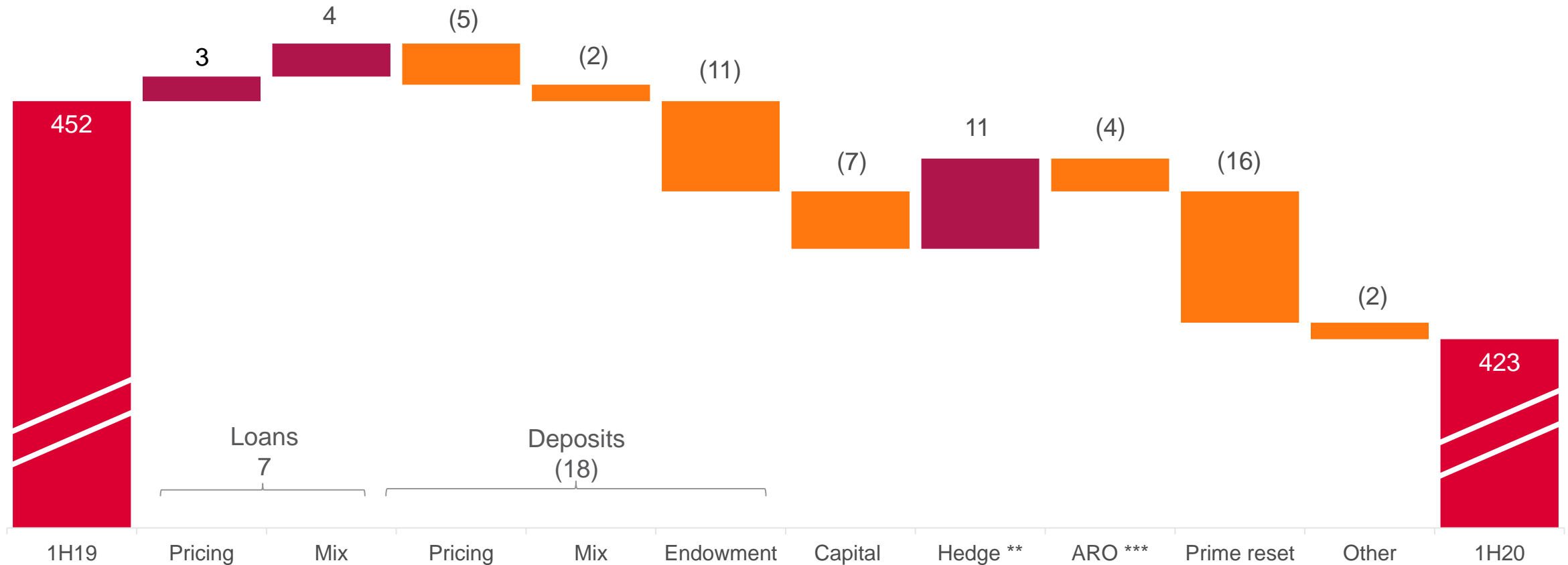
Note: Quarterly data shows monthly average for that quarter; percent change is YoY

Robust deposit growth across the board



Significant policy rate cuts reduced net interest margin

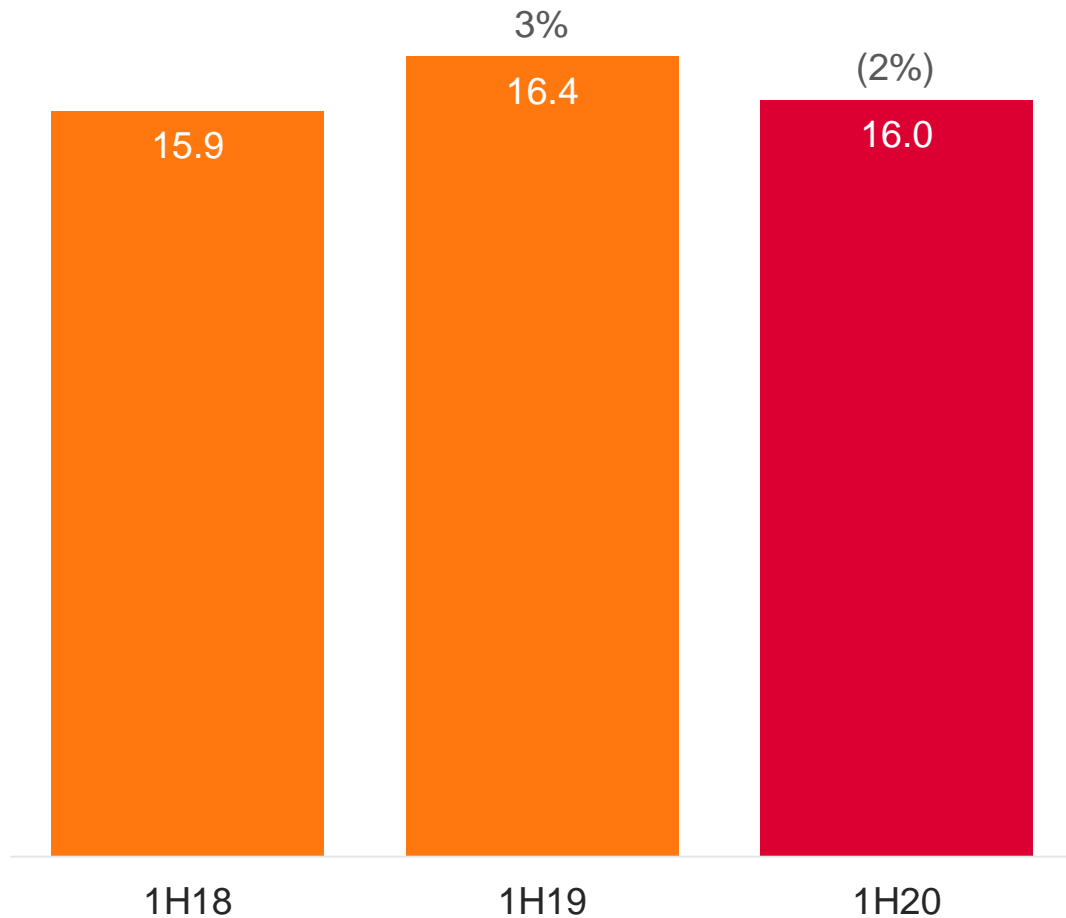
Change in net interest margin* (basis points)



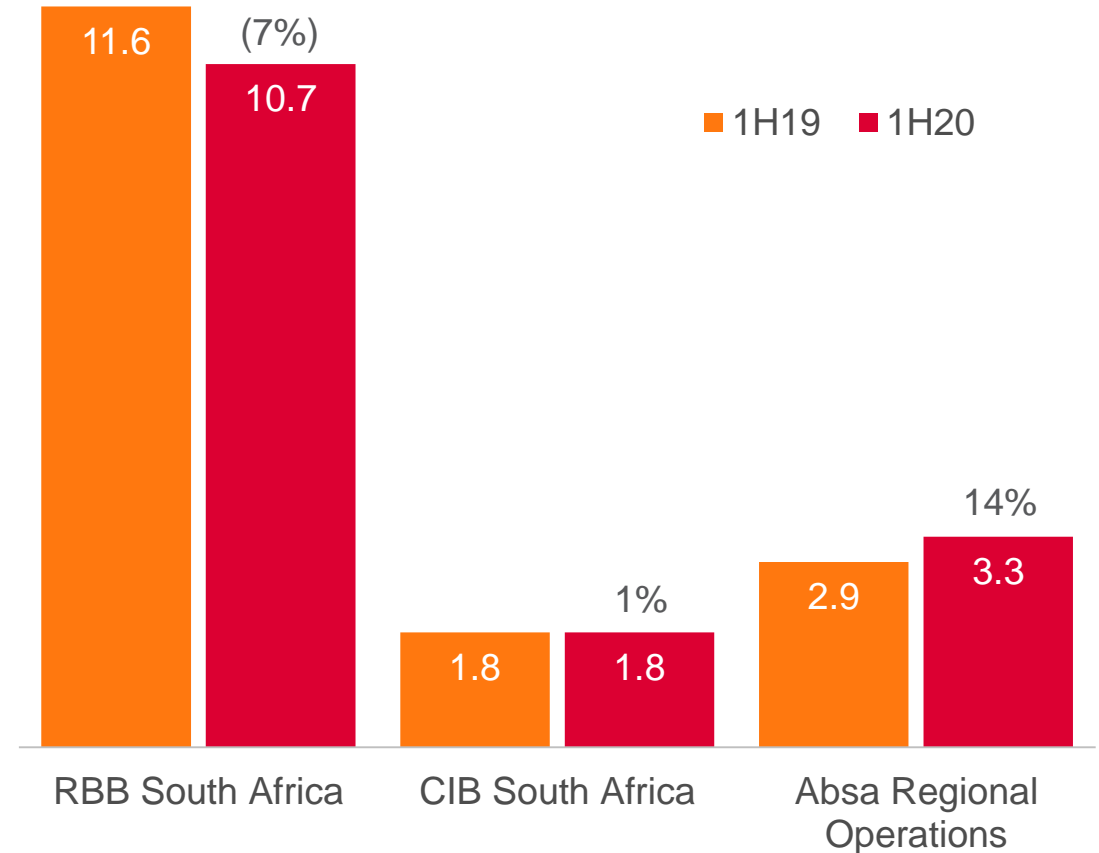
Note: * average interest bearing assets; ** interest rate risk management; *** Absa Regional Operations

Non-interest income decreases slightly ...

Non-interest income (Rbn)

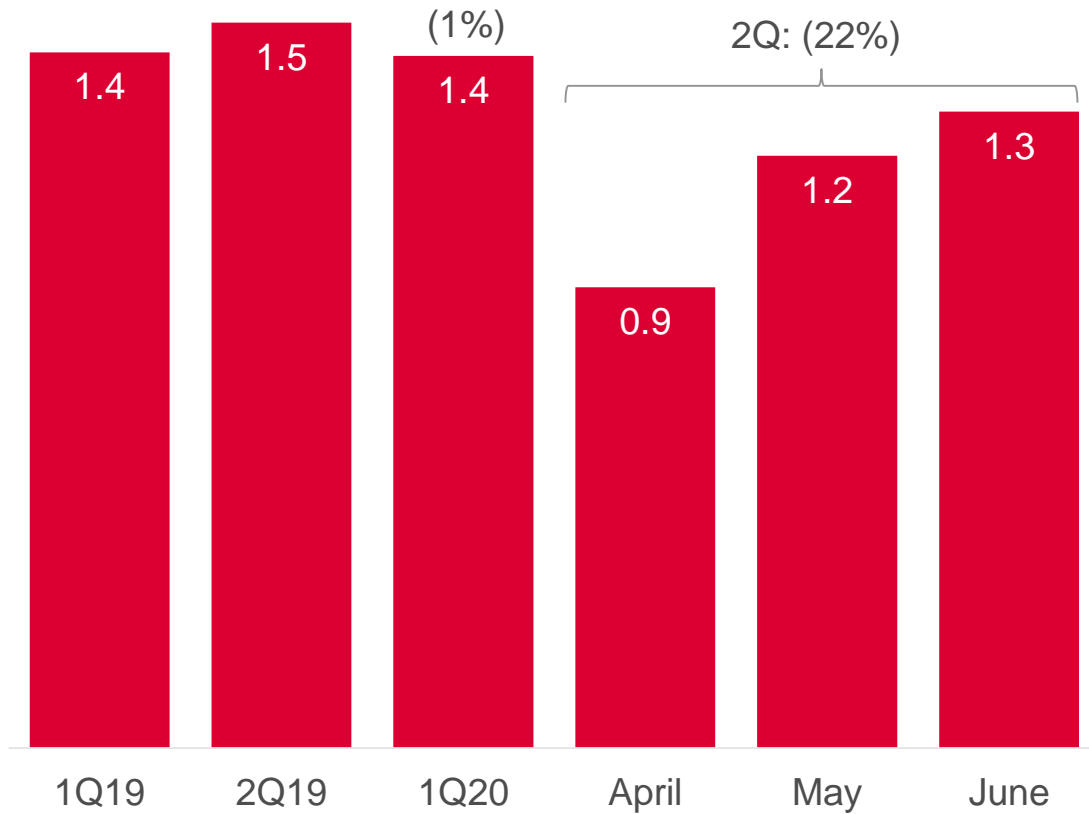


Non-interest income by division (Rbn)

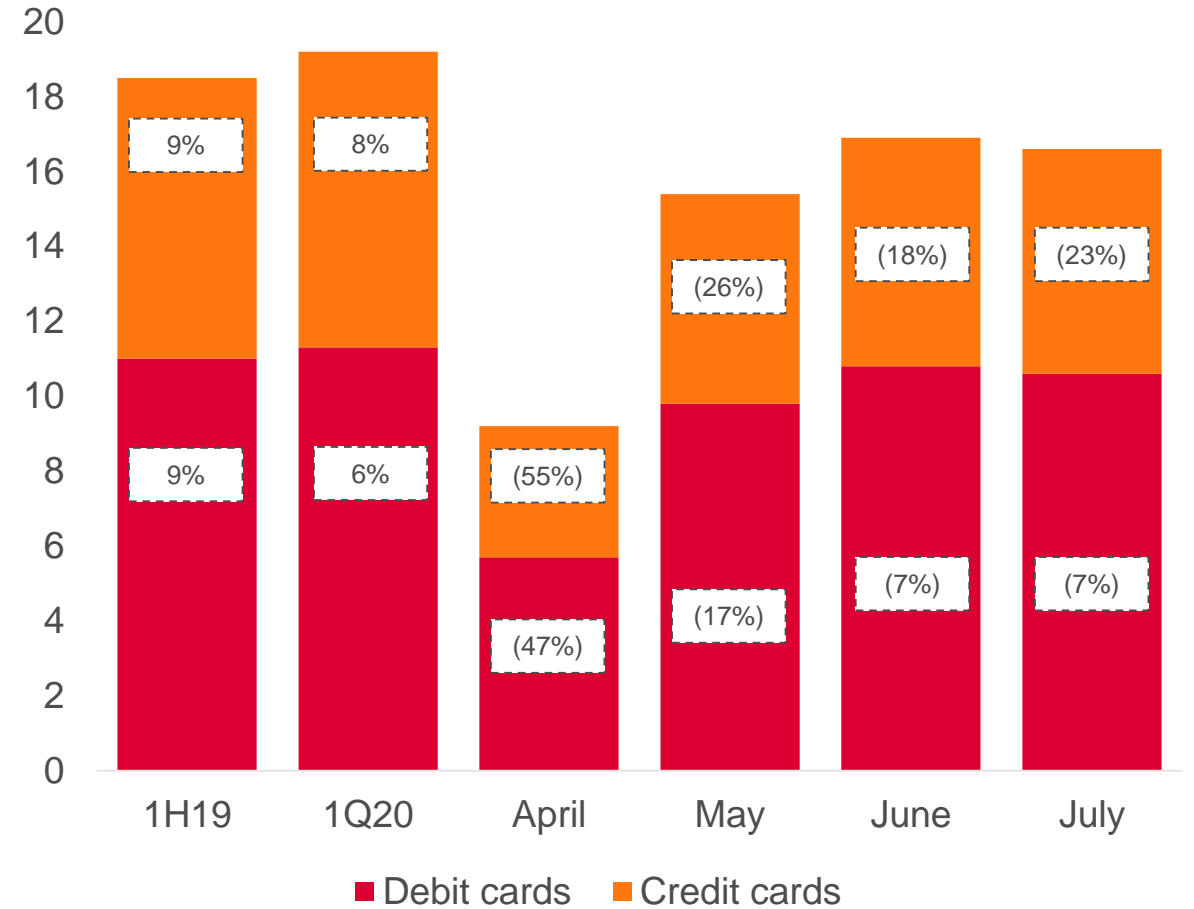


... due to substantial impact of lockdown

RBB SA fee and commission income (Rbn)

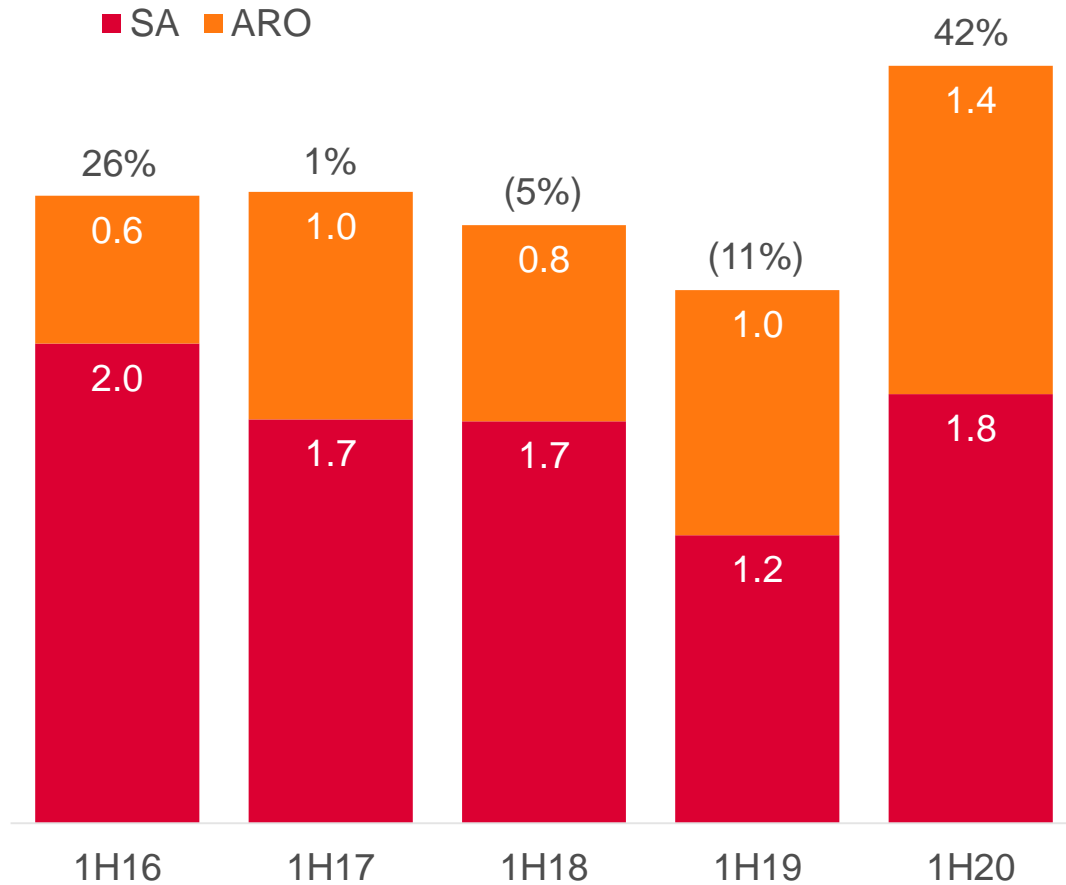


Monthly average debit and credit card turnover (Rbn)

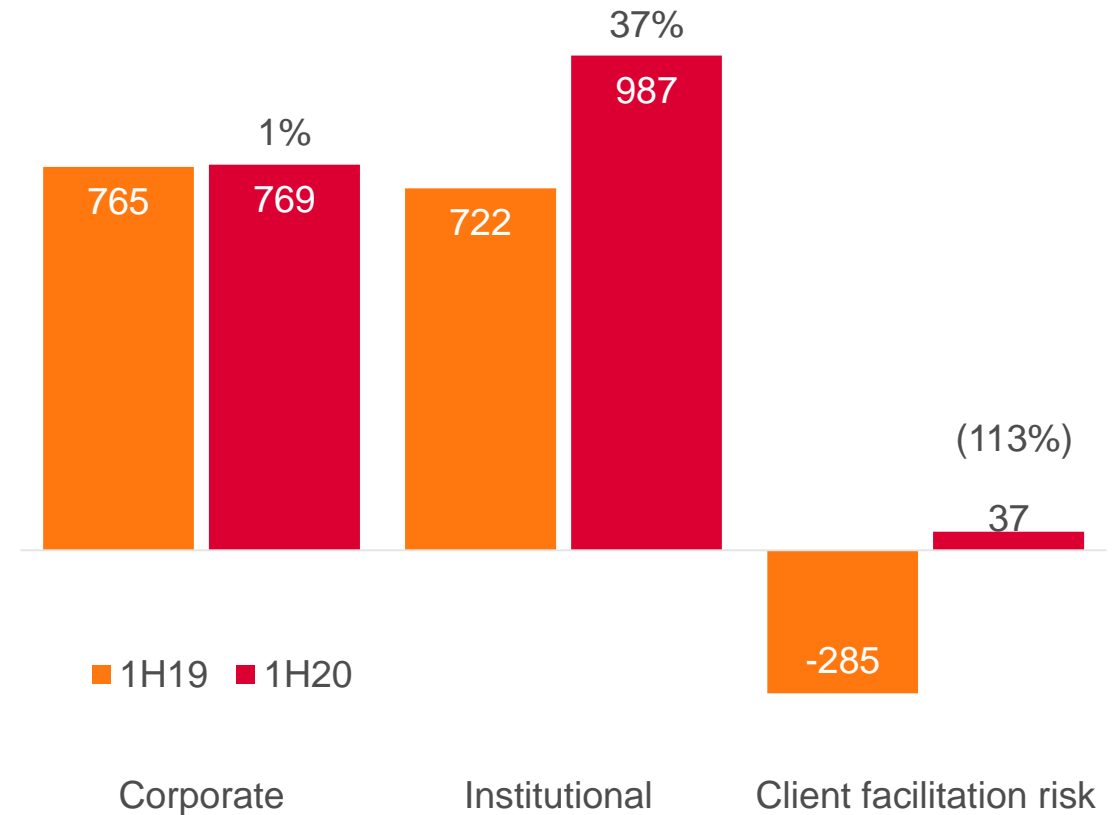


Rebound in Markets revenue

Markets revenue (Rbn)

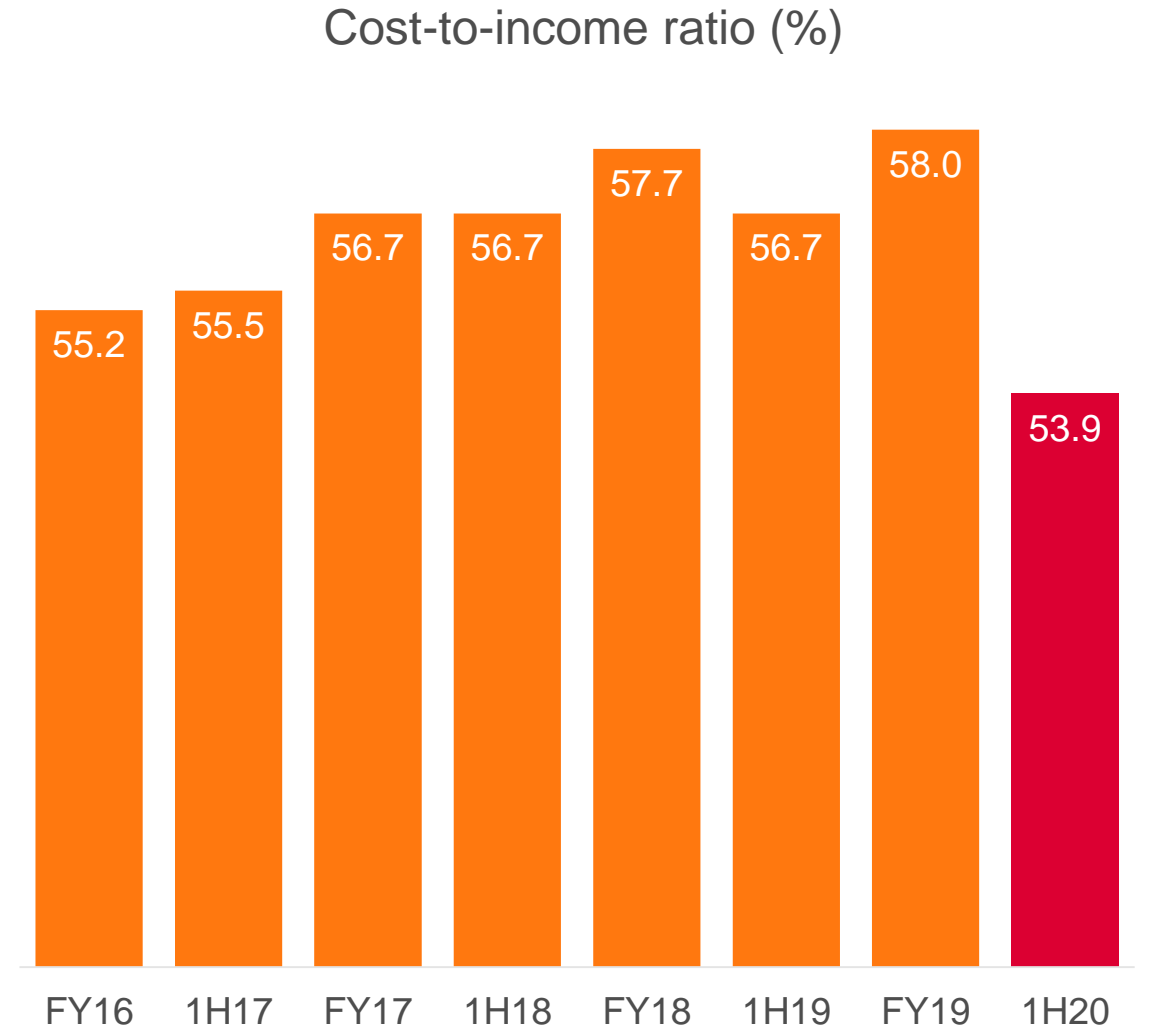


SA Markets revenue by type (Rm)



Operating expenses well managed and responsive

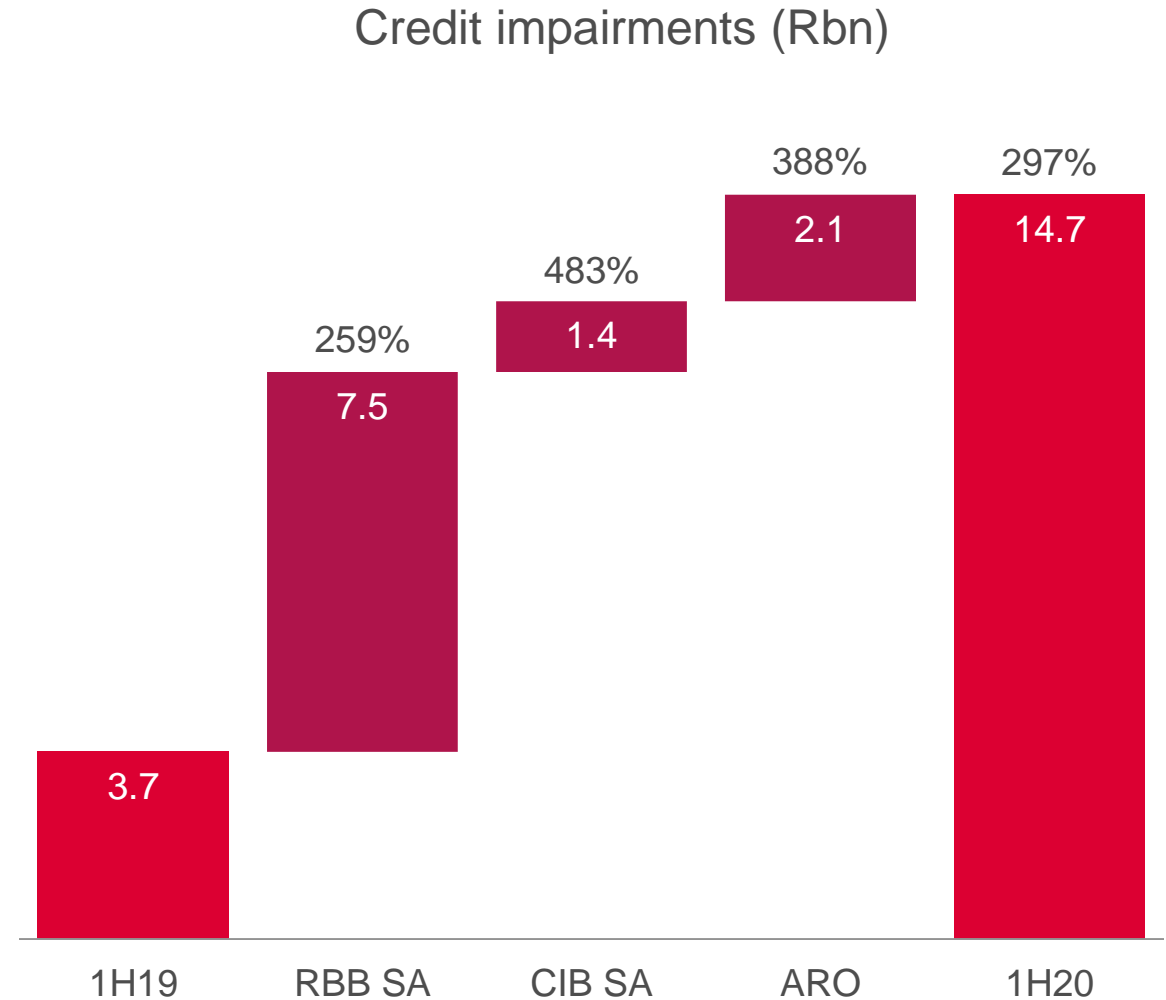
	1H20 Rm	Change %	Mix %
Staff	11 919	(5)	55
Property-related	1 034	11	5
Technology	2 007	7	9
Depreciation	1 794	3	8
Professional fees	1 118	25	5
Marketing	534	(8)	2
Communication	708	(7)	3
Cash transportation	557	(13)	3
Amortisation	572	22	3
Other *	1 370	(16)	6
Total	21 613	(2)	100



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

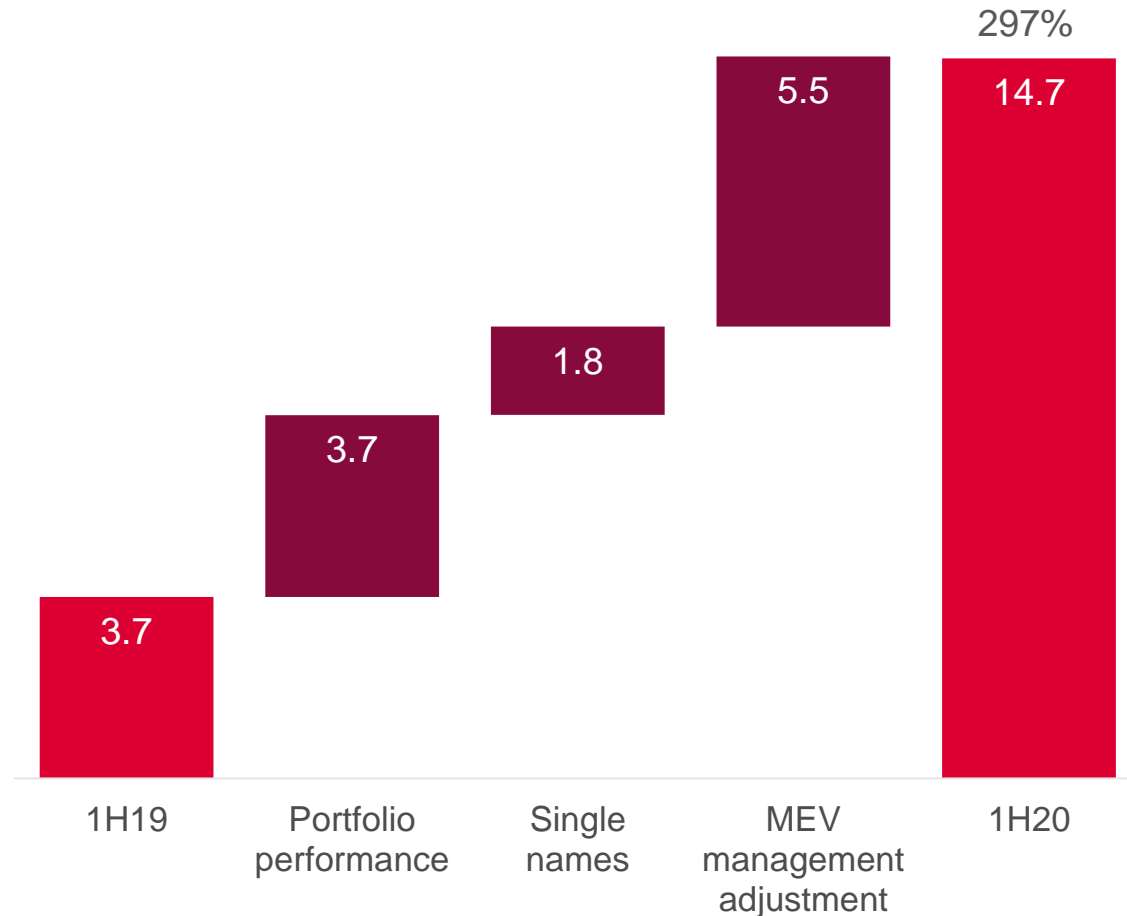
Significant increase in credit impairments ...

Credit loss ratio (%)	1H19	1H20
RBB SA	1.12	3.77
Everyday Banking	4.93	11.76
Vehicle and Asset Finance	1.39	4.91
Home Loans	0.13	1.43
Relationship Banking	0.32	2.11
CIB SA	0.18	0.93
Absa Regional Operations	0.94	3.58
Group	0.79	2.77

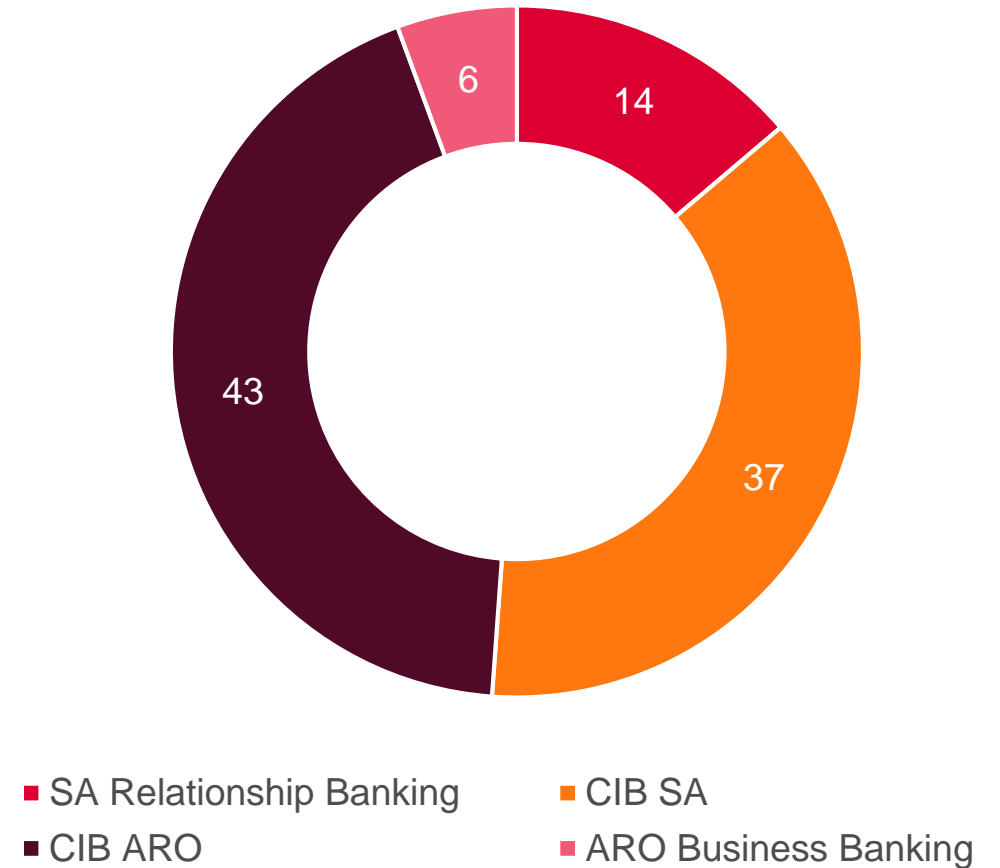


... reflecting three drivers

Credit impairment drivers (Rbn)

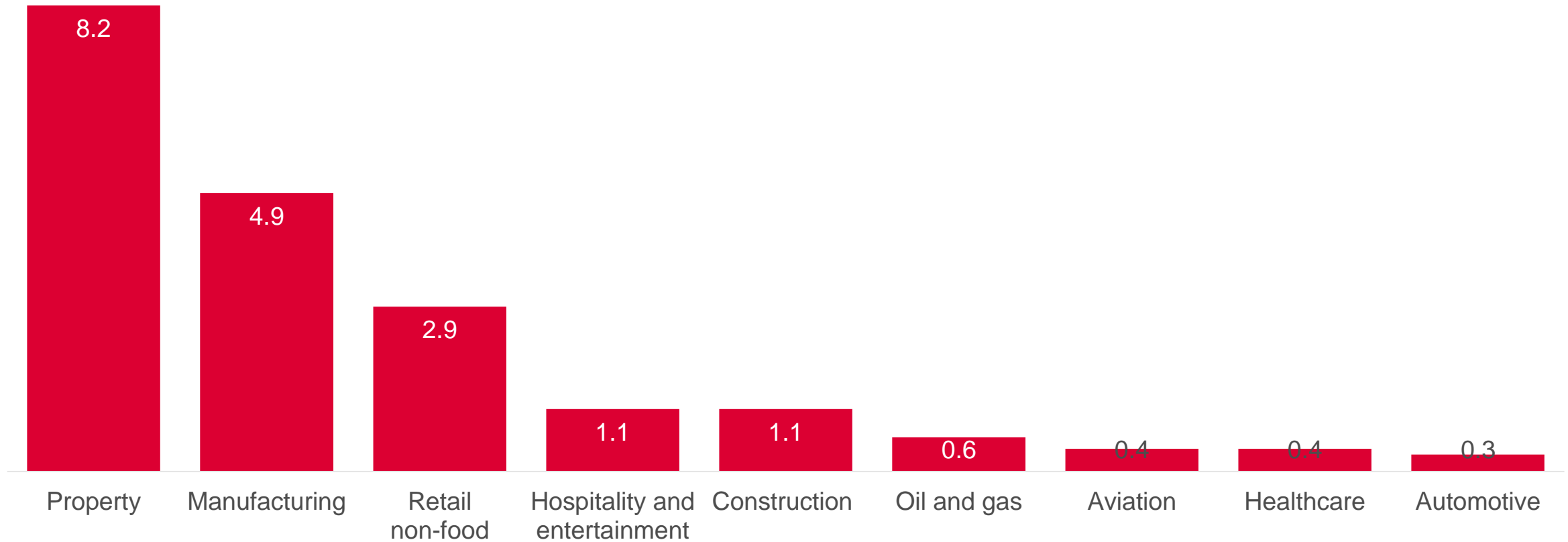


Single name credit impairments (%)



Relatively low exposure to Covid-19 impacted industries

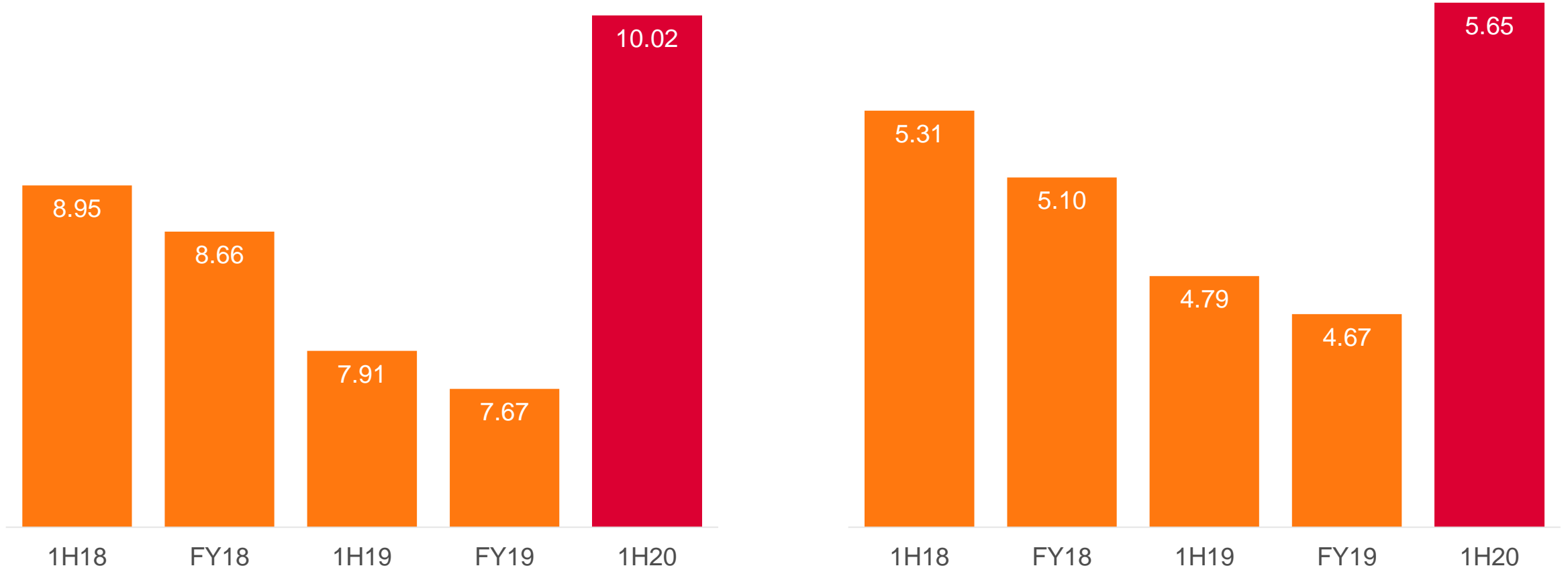
Wholesale lending to key Covid-19 impacted industries (% of total loans)



Noticeable 1H20 delinquency stage migration

Group stage 2 loans to total (%)

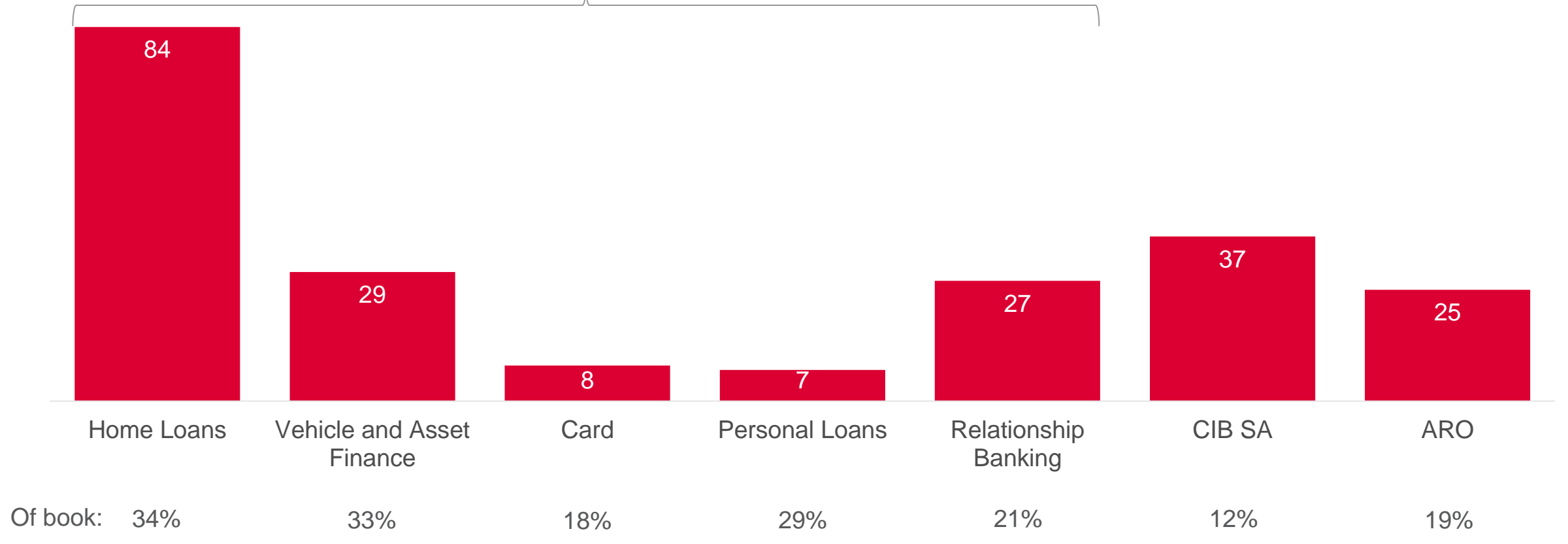
Group stage 3 loans to total (%)



Provided extensive Covid-19 payment relief

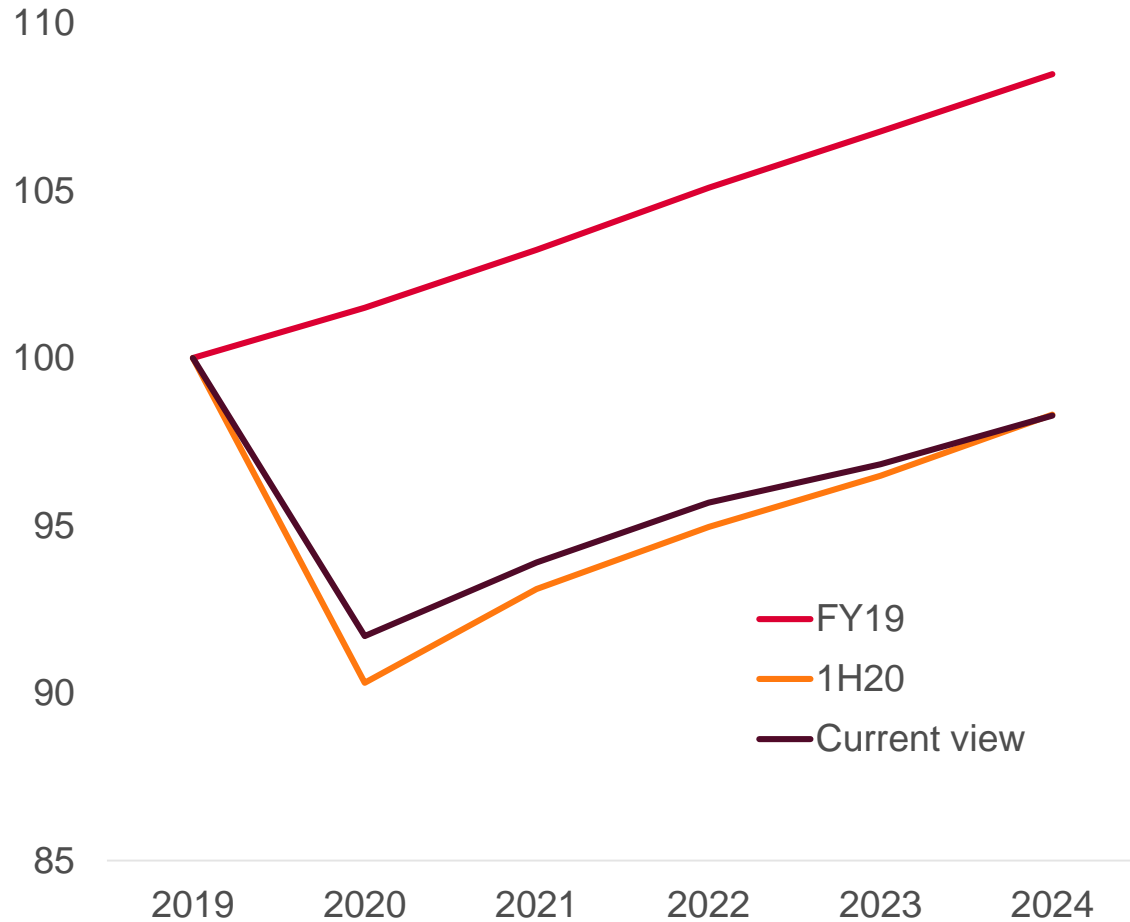
Gross carrying value of customer loans granted payment relief at 30 June 2020 (Rbn)

RBB SA: R154bn, 29% of total book

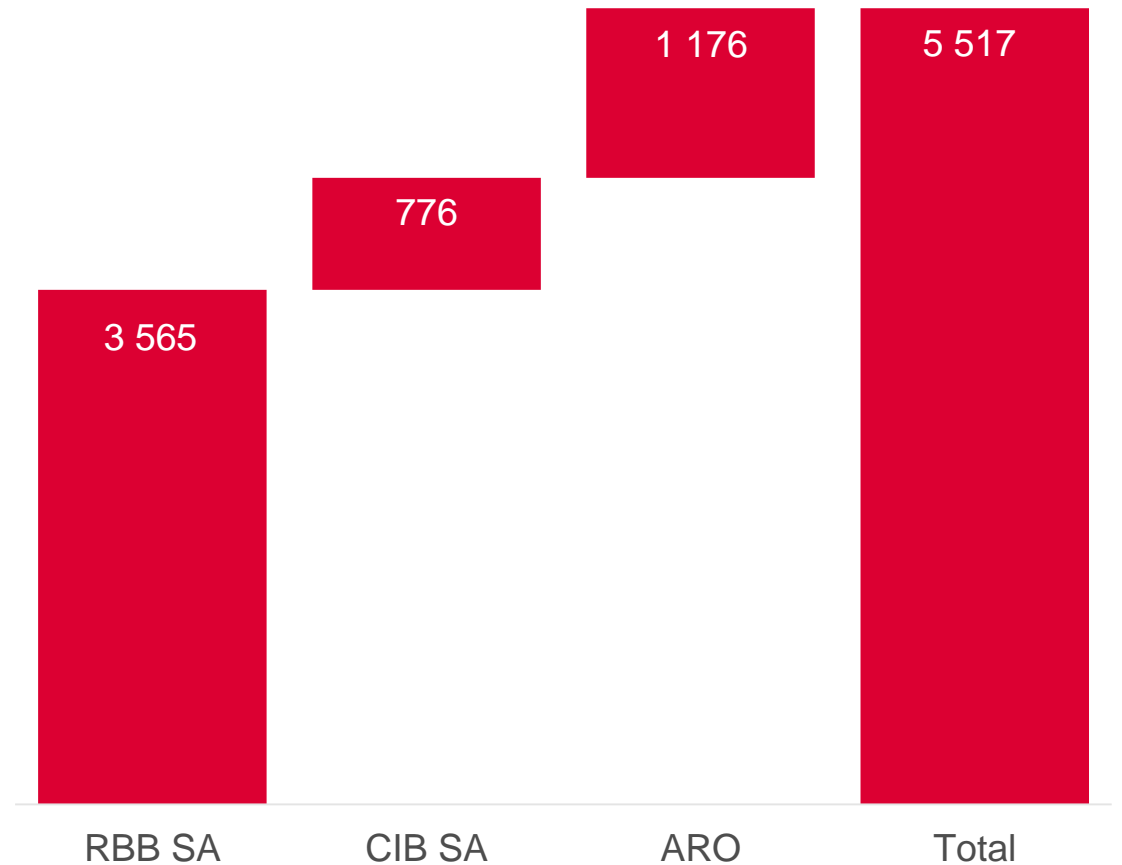


Macroeconomic variables management adjustments

SA real GDP baseline scenarios (2019 = 100)

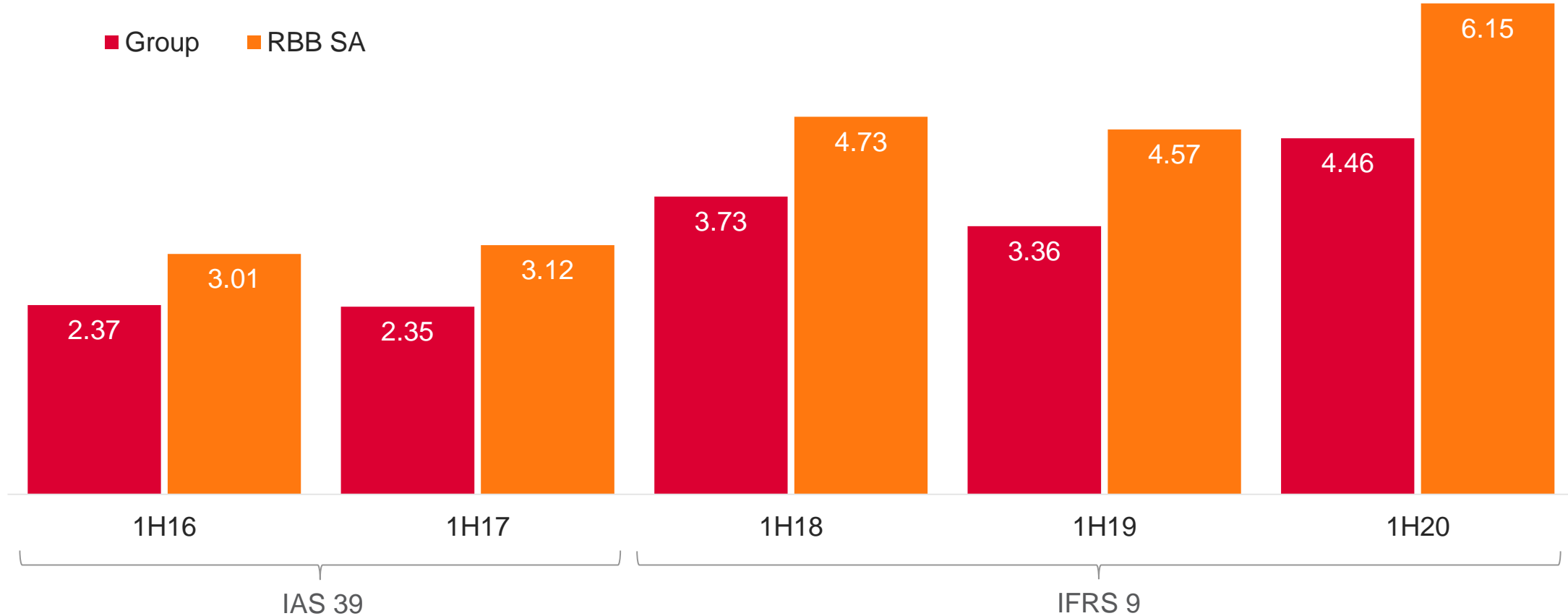


MEV management adjustments (Rm)



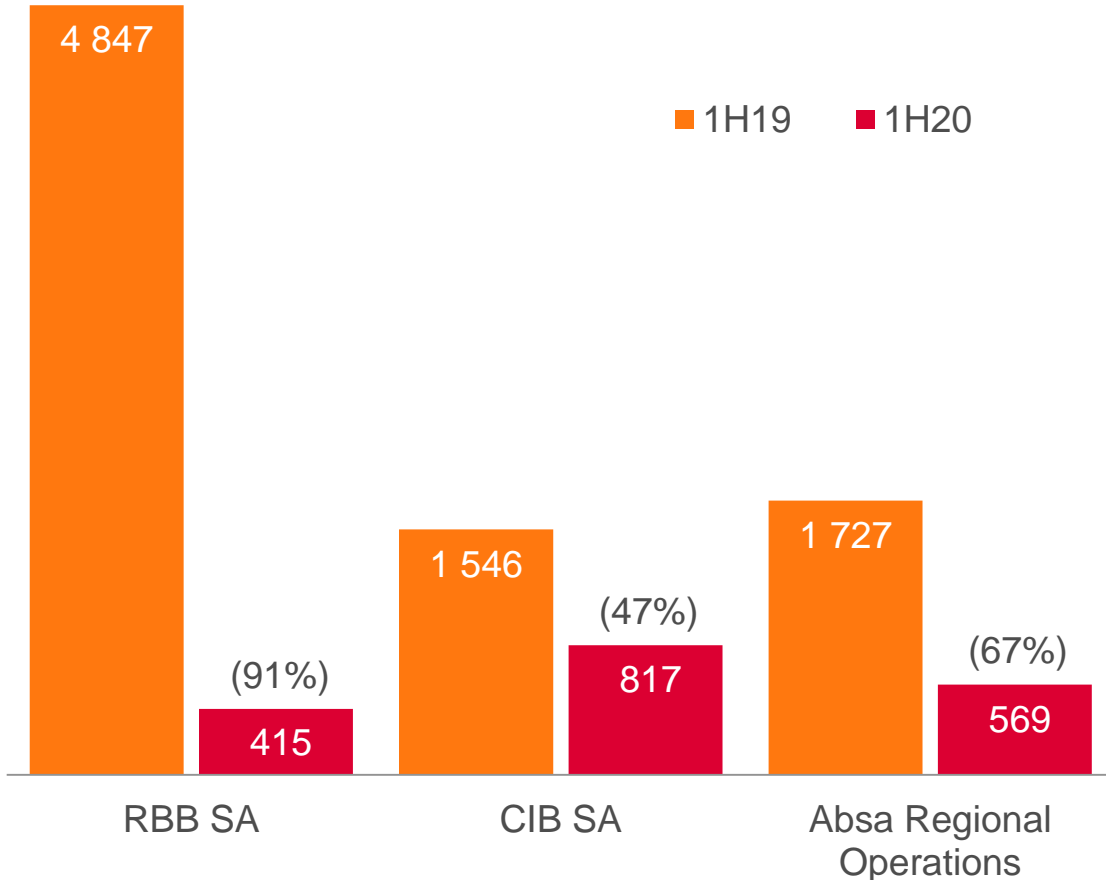
Material increase in loan coverage

Loan coverage (%)

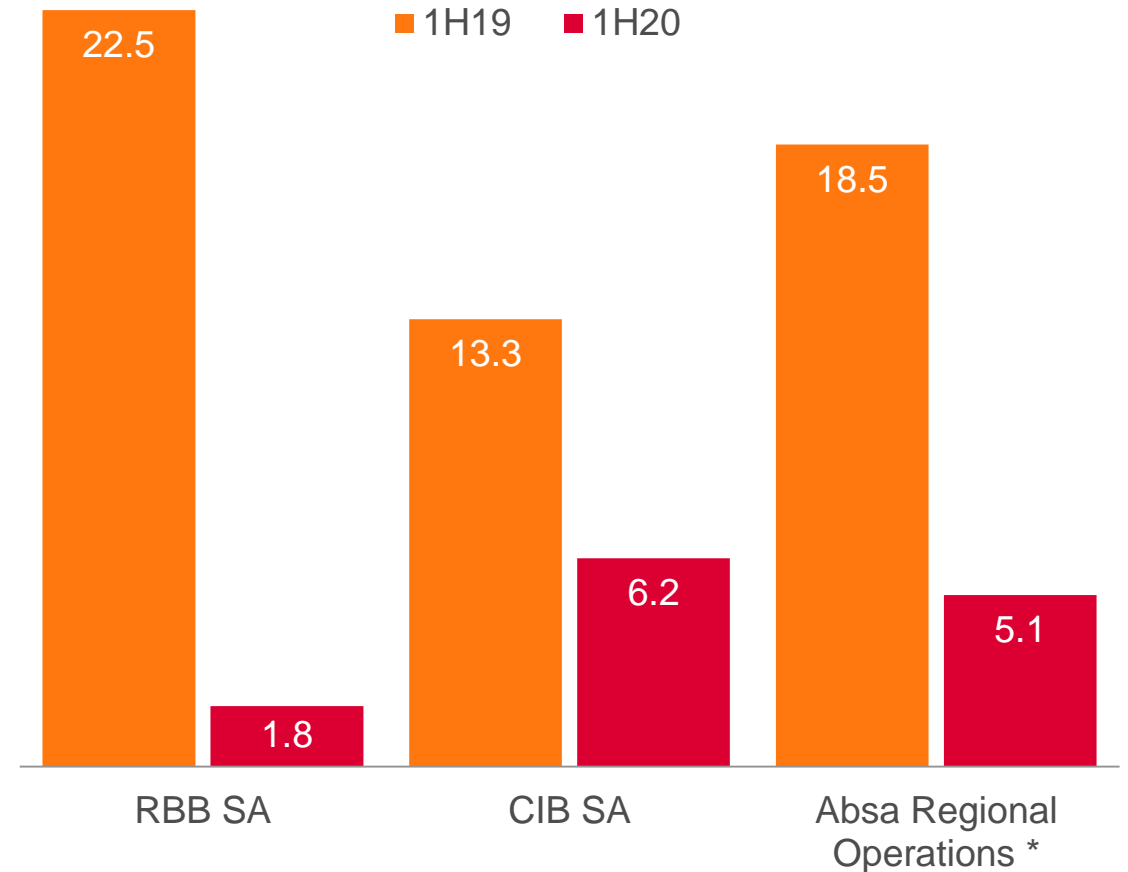


Significant decrease in divisional earnings and returns

Normalised headline earnings (Rm)



Return on regulatory capital 1H20 (%) *

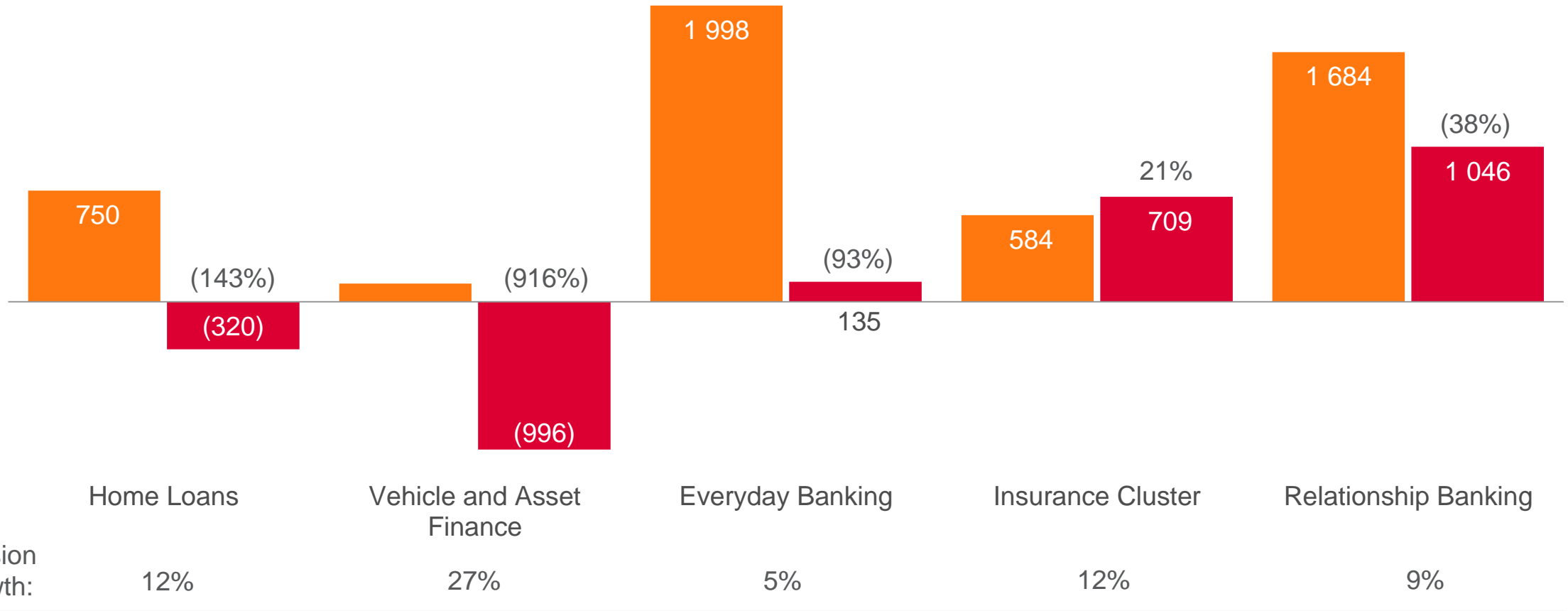


Note: * return on equity

RBB SA earnings fell, with losses in lending products

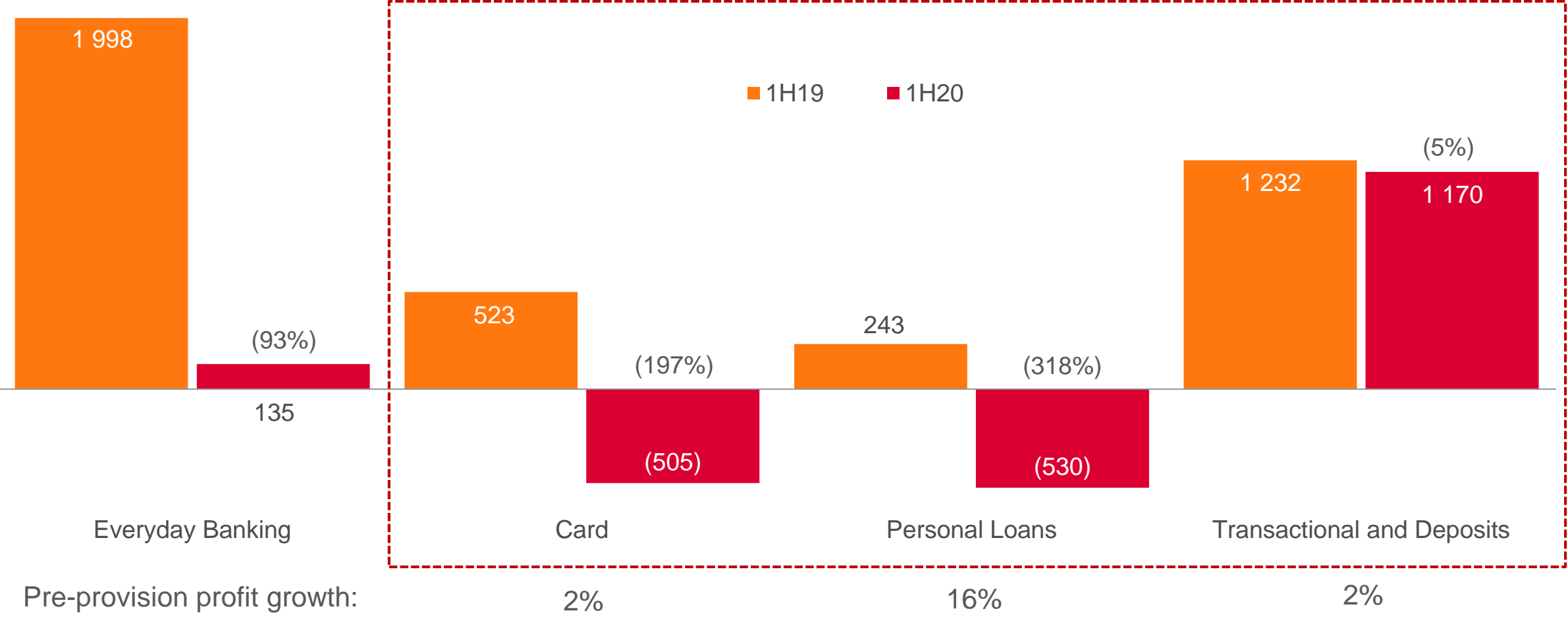
Headline earnings (Rm)

■ 1H19 ■ 1H20



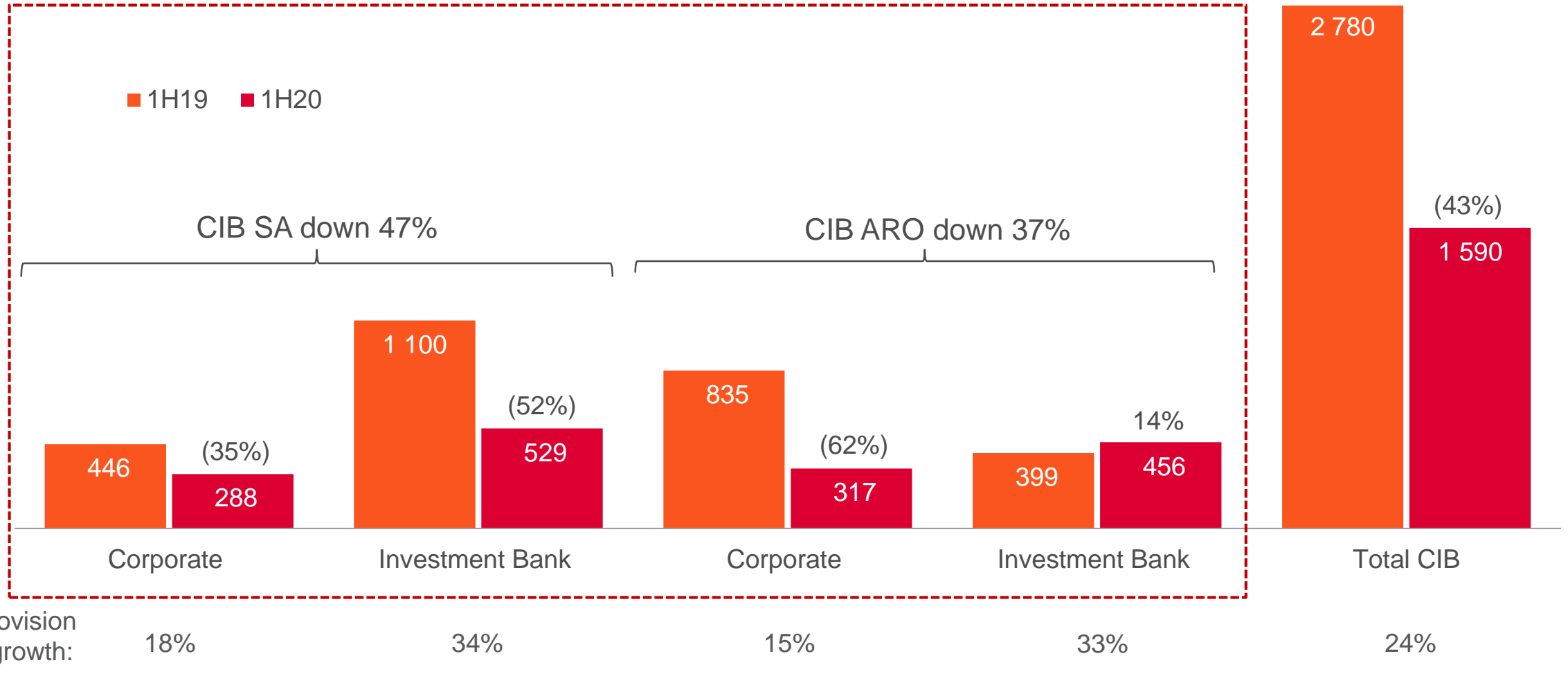
Transactional and Deposits held up relatively well

Headline earnings (Rm)



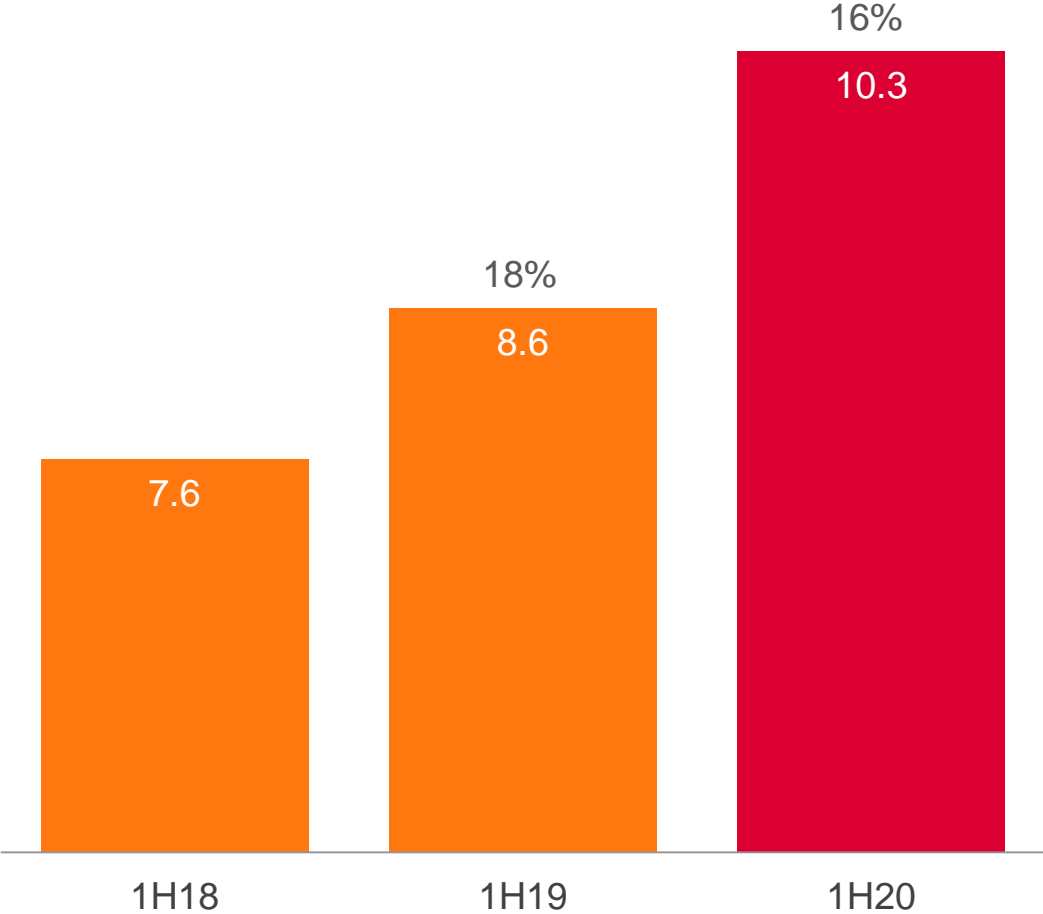
CIB earnings down despite strong pre-provision profits

Headline earnings (Rm)

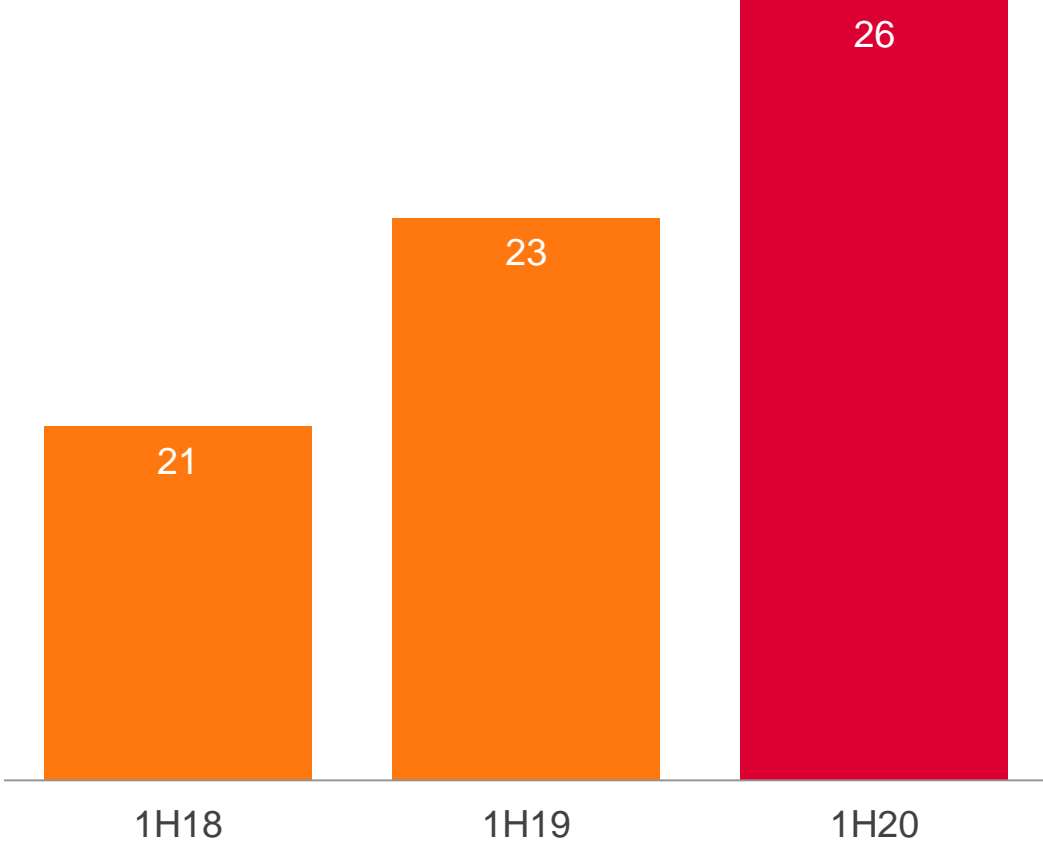


Absa Regional Operations enhance revenue growth

Absa Regional Operations revenue (Rbn)

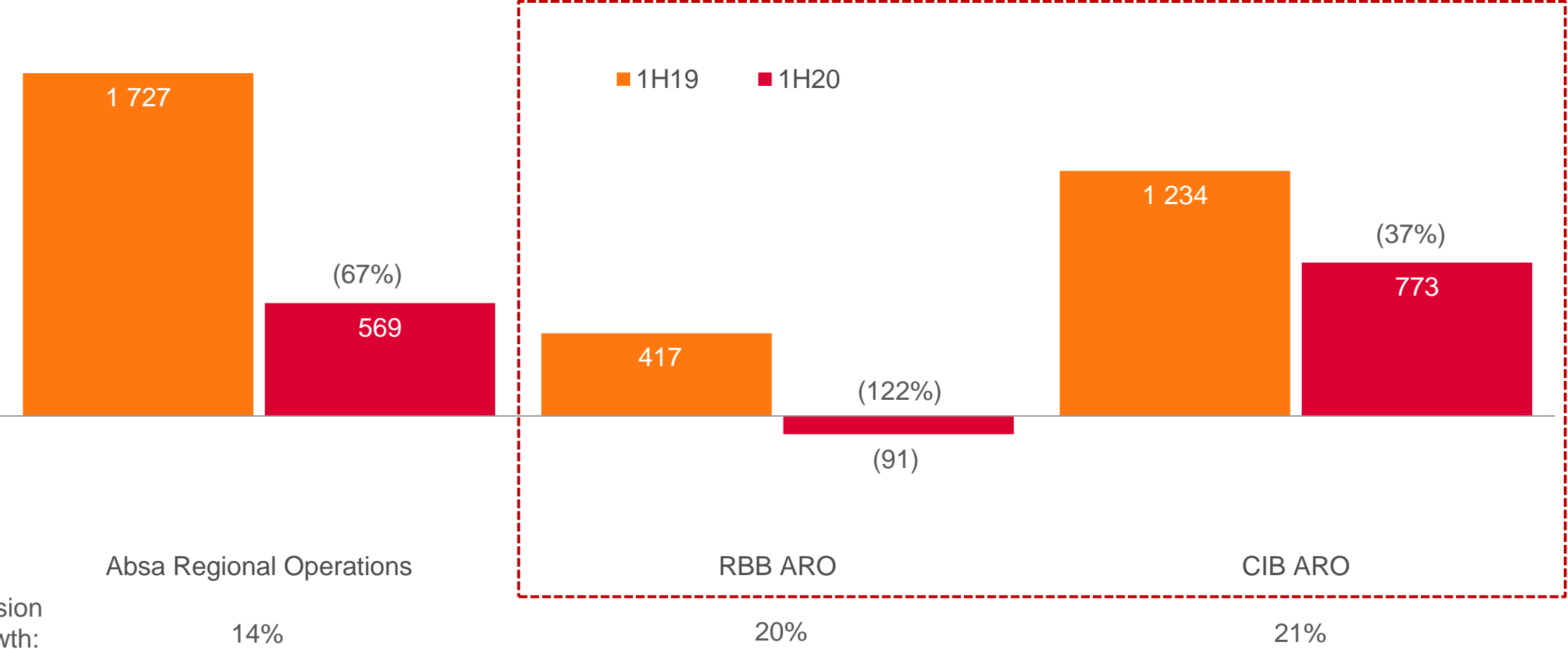


Absa Regional Operations revenue to group (%)



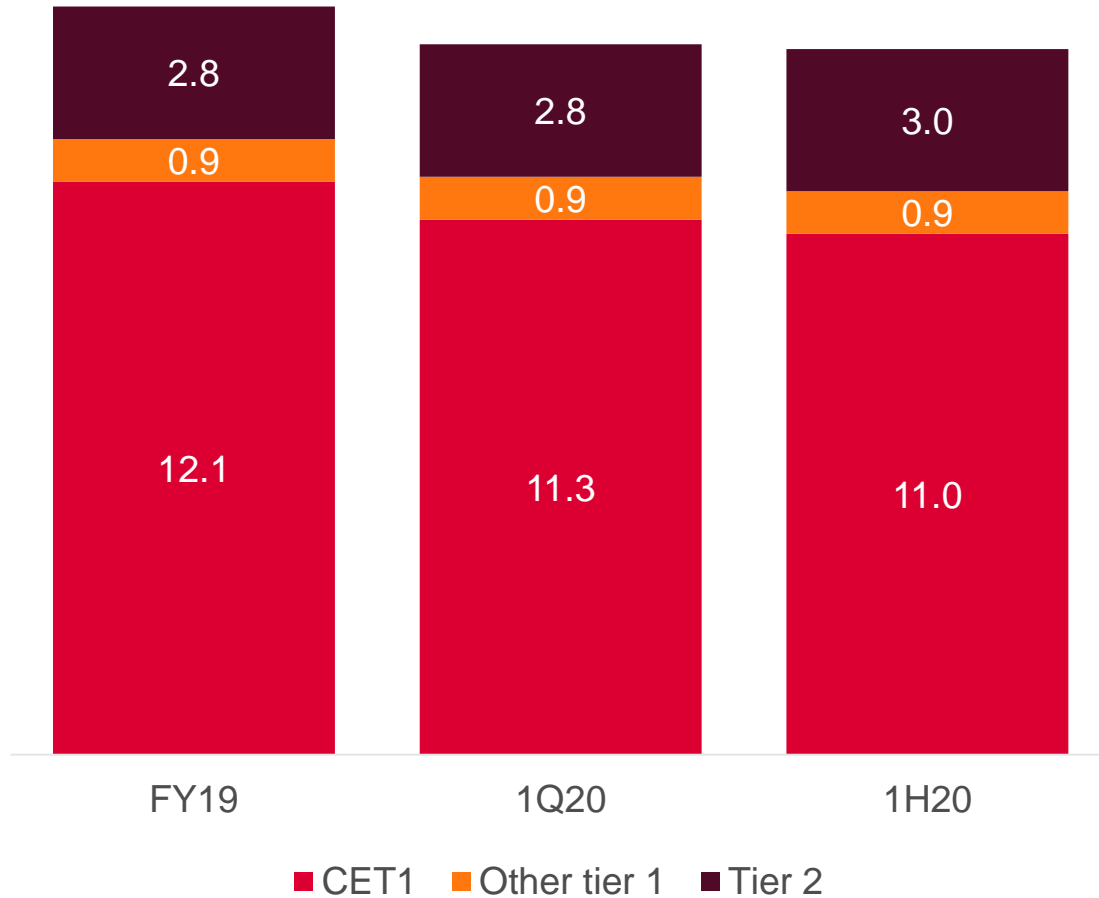
ARO earnings fell despite strong pre-provision profits

Headline earnings (Rm)

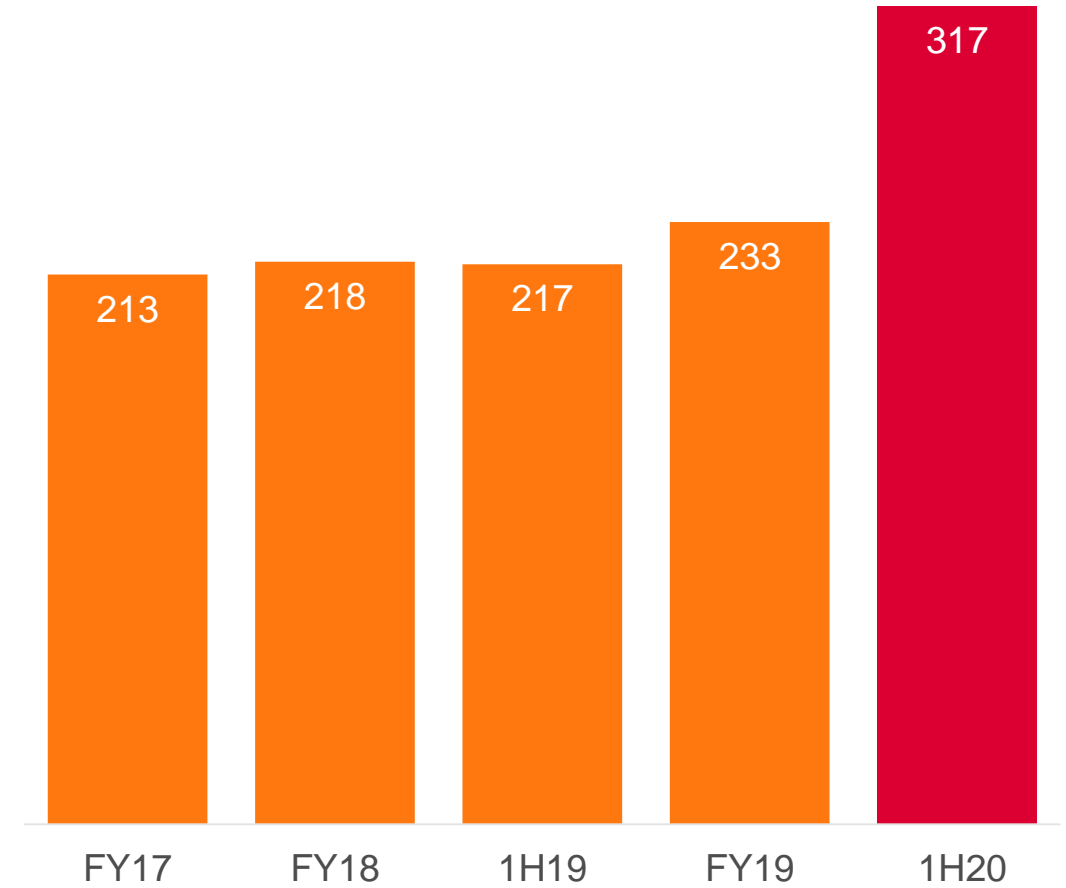


Focus on preserving capital and liquidity

Absa group capital adequacy (%)



Sources of liquidity (Rbn)



2020 outlook

- Net interest margin expected to decline YoY, with the second half likely to improve slightly
- Loan and deposit growth should slow in the second half
- Costs are expected to decline YoY, resulting in pre-provision profit growth
- Credit loss ratio expected to be well above global financial crisis levels this year
- The second half expected to improve significantly, but remain well above our through-the-cycle range of 75 to 100 basis points
- RoE expected to remain well below cost of equity this year, but the second half is likely to improve
- Group CET1 ratio expected to remain broadly at first half levels
- We do not envisage declaring an ordinary dividend for 2020

Daniel Mminele

Chief Executive

Disclaimer

Forward-looking statements

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