

Absa FY20 results speaker notes

Daniel Mminele – Chief Executive

Introduction

Good morning and thank you for joining us for Absa's 2020 annual results presentation.

As you are aware, we are presenting these results to you after a difficult week for the Absa Group, during which we lost and laid to rest Peter Matlare, our Deputy Group CEO. Peter was a valuable member of our executive team and played a key role in overseeing our regional operations. He was a seasoned corporate executive, much respected by colleagues, clients, and our broader stakeholder community. Many of you sent your condolences and messages of support, and I would like to thank you for that on behalf of Peter's family and Absa.

I will briefly cover the difficult operating environment we encountered in 2020, and then share my thoughts on our performance during the past year.

Thereafter, Jason will unpack our numbers, following which I will update you on our refreshed strategy, before we respond to any questions you may have.

An extremely difficult macro backdrop

The COVID-19 pandemic upended the global economy in 2020, producing historic declines in economic activity across most countries. The IMF estimates global GDP to have contracted by 3.5% in 2020, with developed economies among the most impacted by the pandemic. While the recovery appears stronger than previously anticipated, the outlook remains uncertain in the wake of new waves of infections, new variants of the virus, re-imposition of lockdowns, and logistical challenges with vaccine distribution and administration.

Coming into 2020, South Africa's economy was already under pressure and in a mild recession following several years of disappointing growth, with very high unemployment, a weak fiscal position and already fragile business and consumer confidence.

Real GDP shrank 7% during 2020, well below the 0.9% growth we expected before the pandemic. In order to support the economy and ensure the orderly functioning of markets, the South African Reserve Bank instituted a number of measures, including reducing the policy rate by 300 basis points, purchasing government bonds, and providing targeted regulatory relief. Government also provided direct support to a large number of vulnerable households and to many businesses, which saw the fiscal deficit increase sharply.

Growth in our ARO countries also slowed sharply in 2020, with weighted real GDP declining by 0.4% across the country grouping, significantly below the 5.7% growth we had forecast before the pandemic. Lower commodity prices, interruptions to regional supply chains, social distancing restrictions and sharp declines in tourism all impacted economic growth further.

Budget deficits trended higher everywhere on weaker revenues. Policy rates were reduced in all our ARO countries during 2020, as monetary authorities took advantage of generally modest inflation to mitigate some of the impact of COVID-19.

Key FY20 messages – we showed resilience

Against this backdrop, we demonstrated resilience in many areas last year.

Firstly, I am proud of our response to the COVID-19 pandemic and the operational and financial resilience of the business. Our people delivered exceptional support for our customers and clients under very challenging circumstances.

Having covered our operational response to COVID-19 in some detail previously, I will highlight only a few noteworthy aspects.

At the onset of the crisis, our immediate priority was to keep our colleagues safe and healthy, and therefore we quickly switched to a predominantly remote working model, which our technology capabilities enabled. About 60% of our staff are still working remotely today. In addition, we ensured customer safety by putting in place various measures to ensure our branches and ATMs were configured appropriately for social distancing.

We also gave customers considerable support. For example, during South Africa's hard lockdown, over 40% of our branches stayed open to provide banking services, including distributing social grants. We gave customers significant payment relief on loans of R219bn, 22% of our total group loans.

Retail and Business Banking in South Africa offered a very comprehensive relief programme, covering 613 thousand retail and business banking customers. Additionally, we waived various transaction fees and provided insurance premium relief, while extending our credit cover to include a wider definition of 'loss of income' events.

Absa Regional Operations, extended COVID-19 payment relief to over 61 thousand customers.

In CIB, we extended approximately R54bn in payment relief to clients across South Africa and ARO markets during the year. This included interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.

We mobilised our citizenship programme to support the communities in which we operate. Absa and its employees contributed R83m to COVID-19 response initiatives across the continent, including donating over 3m meals to communities in need.

Completing our separation from Barclays Plc was a top priority for us over the last few years, culminating in us completing that successfully on time and over R1bn below budget during 2020, despite COVID-19 lockdowns affecting some of our projects.

Successfully completing one of the largest bank separations to date was a significant undertaking and milestone, involving almost 1 300 colleagues and consultants working on 273 projects at its peak. It has given us confidence as we embark on the next phase of our journey.

Moreover, the separation enhanced many of our systems and fundamentally improved our resilience and capabilities. It gave us the opportunity to refresh our Absa brand that we had not invested in for many years. The process also bolstered our skills in executing large projects, which has begun paying dividends many times over, especially in our COVID-19 pandemic response.

We also completed a review of our group strategy last year. Two years into our growth strategy, and with my arrival as a new Chief Executive, and COVID-19 accelerating many banking trends, it was appropriate to assess our strategy execution, whether our strategy remained relevant given changes in the operating environment, and what is needed for us to thrive post the pandemic. I will update you on our strategy refresh later.

Considering the unprecedented COVID-19 pandemic and economic downturn, many aspects of our 2020 performance were resilient, despite our earnings halving.

First, we focused on protecting our balance sheet during the year, preserving capital and managing credit and liquidity risk. This is evident in our solid core equity tier 1 ratio of 11.2%, which improved in the second half and remains well above regulatory requirements, and within our board target range. To conserve capital, we did not declare any ordinary dividends for the period.

Our liquidity is strong, in both Rand and foreign currency. Our liquidity coverage ratio and net stable funding ratio of 121% and 116% respectively, remain well above regulatory requirements. Deposits grew 15%, well ahead of 3% loan growth.

Moreover, there were several positive underlying trends within our results, which are worth highlighting;

For instance, 2% topline growth to R81bn was respectable, given the substantial pressure on sector revenue during the period, as COVID-19 lockdowns and the weak economy reduced our loan production and transaction volumes materially, particularly in the second quarter. Net interest income growth of 5% stands out, considering large policy rate cuts that reduced our net interest income by R3.7bn in South Africa. However, our structural hedge released R2.6bn to our P&L to partially offset this.

Our operating expenses remain well-managed, declining 2% to R46bn. Part of the decrease reflects previous restructuring, lower variable and travel costs, and a material decrease in bonuses. However, we also reduced headcount, along with marketing costs.

Resilient revenue growth, combined with lower costs, produced positive operating JAWS of 3%, improving our cost-to-income ratio noticeably to 56%. Moreover, our pre-provision profit grew 7%, a creditable performance.

Our earnings and returns improved materially in the second half due to significantly lower credit impairments when compared to the first half. After falling 82% in the first half, our second half earnings were 19% lower year-on-year. And our return on equity improved to 12% in the second half from 3% in the first half of the year.

Salient features

Turning to the salient features, our diluted normalised headline EPS decreased 51% to 946 cents, marginally ahead of consensus of 937 cents.

Credit impairments were the culprit, almost trebling to R21bn, which equates to our credit charge for the previous three years combined, again highlighting the extraordinary operating environment.

For illustration, our diluted normalised HEPS was slightly higher than what we reported in 2005, although I must emphasize that our 2020 credit impairments were 24 times larger than back then.

Our RoE fell noticeably to 7.2%, just over half our cost of equity. Thus, our profit after regulatory capital charge, or PARCC, decreased to negative R7.6bn from positive R2.1bn in 2019.

Positively, as mentioned earlier, our pre-provision profit grew 7% to R36bn, our strongest growth since 2016, when we benefitted from a material currency tailwind.

Moreover, our net asset value grew 4% to R131 per share.

After carefully considering how the pandemic continues to affect global economic developments and resultant changes to government policies and actions, we have decided to follow a balanced approach between retaining sufficient capital for growth, resuming dividends, and a period of capital accretion to build and then maintain capital reserves. Therefore, we will not be paying a dividend this year. Jason will later share with you our thoughts going forward.

Divisional performance

Before handing over to Jason, I will comment on the performance of each of our divisions.

As demonstrated in the graphic, although their earnings fell materially year-on-year due to significantly higher credit charges, all three businesses grew pre-provision profits.

I will highlight how we continue to benefit from diversification, across both geography and activity.

Starting with Retail and Business Banking South Africa, normalised headline earnings fell 55% year-on-year to R4.3bn as 6% pre-provision profit growth largely cushioned far higher credit impairments.

RBB exited the “fix” phase of its strategic journey with strong momentum, stability and operational resilience as well as market share gains across all of its portfolios. The strength of the customer franchise has been pleasing.

It is now pivoting into the “smart growth” phase of its journey, aimed at building confidence and regaining leadership in the market. This entails a strong focus on the customer franchise, bancassurance model and digitisation effort.

Despite reduced fee income due to COVID-19 and the weak economy, the customer franchises were resilient, particularly Retail Transactional and Deposits, where earnings increased 11% year-on-year. Transactional and Deposits, and Relationship Banking each made R2.5bn and generated attractive returns, well above our cost of equity.

While all of our retail lending businesses were loss making in the first half, due to significant credit impairments, all returned to profitability in the second half.

Home Loans and Card, in particular, rebounded strongly. Although increased claims and strengthening reserves in light of the Covid-19 impact dampened Insurance Cluster earnings in the second half, the benefits of repositioning it within RBB remain evident, as integration of customer journeys improved sales volumes. Short-term insurance earnings grew 42%, to partly offset lower Life Insurance earnings.

RBB SA's operating expenses fell 8%, in part due to reduced variable costs on lower volumes, although it also reflects the continued benefits of restructuring that started in the second half of 2018. This has sustainably taken out R3bn in costs. Importantly, RBB continues to invest, particularly in digital, to improve operating efficiencies and customer experience. This is illustrated by 23% growth in digitally active customers to 1.9m, which was largely driven by mobile app adoption.

Lastly, RBB SA's credit charge more than doubled year-on-year, as we took large provisions against future expected credit impairments.

Corporate and Investment Banking's total normalised headline earnings fell 17%, or 20% in constant currency, to R4.9bn. Strong 22% pre-provision profit growth, off a relatively low base, was the main driver, while the business also took advantage of a conducive market environment. Investment banking in ARO was a standout, with earnings growing 11%, or 4% in constant currency, off a high base.

Importantly, CIB completed its separation from Barclays, which involved 44 projects, leaving it with a number of new systems and freeing up significant management time.

Positively, CIB's revenue increased 14% to R21bn and the growth was broad-based. Markets' revenue in South Africa rebounded off a low base, while ARO maintained its strong growth, up 55% since 2018. Commercial Property Finance continues to grow strongly, with earnings up 37%. Corporate Banking's revenue growth slowed slightly to 9%, reflecting subdued transactions and trade volumes due to the weak economy.

CIB's deposit growth was strong, an area where it had disappointed in the past. Its average deposits rose 22% year-to-date. CIB completed the acquisition of Société Générale's local custody business in March, which was integrated successfully and will help it to grow deposits.

Operating expenses grew 7%, or 5% in constant currency, largely due to incremental run costs post the Barclays separation and restructuring costs, particularly in ARO.

Finally, CIB's credit impairments were six times higher, off a relatively low base, particularly in ARO. The large increase reflects single name charges and macroeconomic variable charges.

Lastly, Absa Regional Operations' earnings fell 56%, or 65% in constant currency, to R1.6bn.

Completing its separation from Barclays was a significant event for ARO in 2020. It included the largest single data and systems migration in Africa, as customers in nine countries were switched to a new, enhanced online banking system. It involved a major rebranding of over 340 branches and corporate offices, over 860 ATMs, over 17 thousand point of sale terminals, and over 1.2 million customer cards.

ARO continues to benefit from its well-diversified portfolio, both by activity and geography. For instance, although RBB made a small loss, CIB was more resilient, with a strong performance from the Investment Bank. Similarly, Ghana performed extremely well, with earnings growing and strong returns. It remains our largest country outside South Africa by some way in terms of earnings contribution.

While ARO's operating expenses grew 12%, this reflected expected higher incremental run costs after separating from Barclays, restructuring costs to right size the business, IT investments and the weaker Rand. Excluding these, underlying cost growth was sub-inflation in constant currency, reflecting various initiatives including reducing headcount by 600 or 6%.

Strong digital adoption also helped costs, with automation and digitization enabling us to optimize ARO's branch network. The number of digitally active customers grew by 34%, resulting in digital transactional volumes rising 51% and transaction values 118%. We launched a mobile app for business customers, and NovoFX for currency payments across most markets. Mobile lending with partners in Ghana and Zambia has grown strongly, with 1.9m loans worth R1.1bn disbursed.

However, as with the other divisions, credit impairments dominated ARO's performance, as its charge was 3 times higher.

I will now hand over to Jason to take you through our 2020 financial performance in detail.

Jason Quinn – Financial Director

Thanks Daniel and good morning everybody.

I will cover our 2020 performance and provide guidance for this year.

Credit charge the main driver of reduced earnings

Starting with the income statement, as usual I talk to our normalised results, which better reflects our underlying performance as it adjusts for the consequences of separating from Barclays. We reconcile these with the reported IFRS results in our booklet. Although we completed the separation from Barclays in 2020, there is a tail of amortization that remains with us for a few years.

As I look back, there were three very distinct periods to our 2020 results.

Firstly, although our first quarter was somewhat impacted by Covid-19 in late March, revenue growth was high single digit with mid-teen growth in customer loans and deposits. Combined with continued cost management, this produced strong pre-provision profit growth. Our RoE was only slightly lower YoY, given increased credit impairments as we started to see the impact of Covid-19 towards the end of the quarter.

However, this changed abruptly in the second quarter. As the pandemic deepened, our presence countries went into lockdown and their economies stalled, loan production and transaction volumes slowed materially. This was particularly evident in April, given South Africa's hard lockdown. Large policy rate cuts also reduced our net interest margin, despite protection from our structural hedge. In addition to slowing revenue, we increased credit impairments significantly, resulting in record first half credit impairments of 277 basis points, almost treble the top end of our through-the-cycle range and well above global financial crisis levels. Judgmental forward looking macro overlays were a large part of the charge. As a result, our first half earnings fell 82%, despite fairly strong 9% higher pre-provision profits, given lower costs and resilient revenues. In this environment, we prioritized protecting our balance sheet, including preserving capital and keeping a close eye on liquidity.

Thirdly, although YoY revenue growth slowed slightly in the second half, our costs remained very well managed, and credit impairments improved substantially to only slightly above our through-the-cycle

range. This all resulted in our second half earnings decreasing by 19% YoY compared to the first half reduction of 82%.

Combining these three periods produces the graph you see, with more detail on these aspects in the rest of the presentation.

Revenue growth of 2% was resilient considering the unprecedented operating environment, with improved 5% higher net interest income, despite noticeable margin compression. Lower fee and commission income and large negative private equity valuations reduced non-interest income, while Global Markets revenue rebounded off a low base.

As you would have come to expect of us, operating expenses were again very well controlled and responded to the crisis, declining 2%. Lower costs improved our cost-to-income ratio and underpinned strong 7% growth in pre-provision profits.

The significant increase in credit impairments is very evident, rising 163% to almost R21bn, resulting in a credit loss ratio of 192 basis points.

Reduced taxation, despite the increase in our effective tax rate to 27.8% from 26.2%, is the largest component of 'other', and together with lower minorities outweighed the drop in earnings from JVs and associates.

All told, our normalised headline earnings fell 51% to R8bn.

Rate cuts and balance sheet mix changes dampened NIM

Turning to our net interest margin, significant policy rate cuts and the change in balance sheet composition I mentioned earlier were the main reasons our margin narrowed to 4.17% from 4.5%. However, with average interest bearing assets up 14% to almost R1.2tn, net interest income still grew 5%. As an indication of our most recent momentum here, our second half net interest income was 5% up YoY and 3% above the first half.

Our lending margin widened by 11 basis points. Pricing improved further in Home Loans and Investment Banking in South Africa. Slower loan growth in Home Loans and CIB South Africa versus overall group interest bearing assets had a positive mix effect, which was partially offset by the sale of the high-margin Edcon store card portfolio in the first quarter.

Our deposit pricing margin declined by 7 basis points due to competitive pricing in RBB and Corporate in South Africa, where the ability to fully pass on lower rates was constrained. Reduced reliance on wholesale funding was positive for mix, outweighing the negative impact of strong growth in low-margin deposits in Corporate South Africa.

Benchmark rates were reduced in all of our presence countries, with large cuts in several countries. South Africa's repo rate fell 300 basis points during the period.

Lower policy rates decreased the endowment income on lazy deposits and equity in South Africa, together reducing our group margin by 24 basis points.

We continue to hedge structural balances of 12% of our South African equity and liabilities. Our structural hedge released almost R2.6bn to the income statement, 16 basis points more than the previous year. Our cash flow hedging reserve increased materially to R4.3bn after tax at 31 December 2020, which is indicative of the current extent of protection available in future periods as the hedges amortise, should all other factors remain the same.

Endowment on equity and liabilities after hedging had a net negative contribution of 7 basis points, as interest-bearing assets grew faster than endowment balances.

The negative reset impact following the drop in South Africa's prime rate during the year was an 8 basis point drag.

ARO reduced our group margin by 10 basis points, reflecting substantially lower policy rates in these markets and competitive pricing pressures.

Within 'other', deploying surplus liquidity into relatively lower margin assets was a 15 basis point drag, partially offset by an increased basis differential between prime and JIBAR and higher yields earned on our liquid asset portfolio.

Customer lending a small part of total asset growth

That last point is one of the interesting dynamics that I want to highlight within our 9% asset growth.

Unusually, customer lending growth was a very limited contributor, as loans declined in both the second and fourth quarters. Strong growth in our trading portfolio, mostly in the first half, was mainly on the back of increased market volatility. Loans to banks also grew substantially, all in the first half, as these decreased in the second half. Investment securities rose 31%, as we deployed significant surplus liquidity into government bonds, again largely in the first half.

Targeted customer loan growth

Entering 2020, the balance sheet momentum that we delivered over the last few years continued, as gross loans were 16% higher YoY at the end of the first quarter. National lockdowns reduced our loan production significantly in the second quarter, while run off slowed due to the substantial payment relief we granted.

Loan growth also slowed in the second half, with gross lending ending the year 3% up, or 4% excluding reverse repurchase agreements. Given the shape of our loan growth, average gross customer loans were 8% higher over the year.

RBB SA, our largest book, grew 4% YoY to R552bn, with our retail market share increasing slightly to 22%.

CIB SA's gross loans rose 2% YoY, or 5% excluding reverse repurchase agreements, to R306bn. Strong growth in preference shares and targeted commercial property finance growth outweighed lower overdrafts.

ARO's gross loans decreased 1%, which was up 2% in constant currency. After strong first half growth, in large part due to the weak Rand, its book declined in the second half. RBB grew 8%, or 13% in constant currency, while CIB decreased 10%, down 7% in constant currency.

Looking at RBB's loan growth in South Africa on the right hand side, Home Loans rose 5% to R255bn, driven by strong production in the first quarter and second half, plus slower back book run-off on the sizeable payment relief portfolio. Our share of mortgage new business increased to 22% from 21%.

Vehicle and Asset Finance grew 9% to R95bn, improving our market share to 22%, as we gained share in both the new and used segments.

Personal Loans declined 1% to R24bn, although it was 8% higher on average during the year, only due to strong first quarter production with risk appetite adjustments impacting the rest of the year. Given our defensive positioning on this asset class our market share here remains low at just 12%.

Credit card grew 3% to R46bn, broadly in line with inflationary type limit increases, although total card issuing turnover fell 12% during the year, due to lockdowns and reduced economic activity.

Lastly, Relationship Banking was unchanged at R128bn, with lower commercial property finance offsetting strong growth in Agri loans.

Secured SA retail production rebounded after 2Q20

This slide shows the significant impact South Africa's hard Covid-19 lockdown had on our retail loan production. After solid first quarter growth, our new business dropped sharply in the second quarter. Sector mortgage registrations dropped 39% YoY in the first half, exacerbated by closure of the Deeds Office, while industry new vehicle sales fell 37%.

It was encouraging to see that the mortgage market recovered strongly in the second half, with registrations up 27% YoY, driven by first time home buyers under the age of 35 taking advantage of low interest rates. For the full year, our registrations grew 1%, while the market fell 9%.

Our vehicle finance production also improved considerably in the second half, with a particularly strong fourth quarter. Second half production increased 14%, resulting in new business staying flat for the full year, well ahead of the industry.

Personal loans production dropped by more than three-quarters in the second quarter. Unlike the secured books, production remained well down YoY in the second half, as we tightened risk appetite with a large reduction in approval rates.

Customer loan and deposit trends varied

Our deposit growth trends during the year were quite different to loans. Deposits increased fairly consistently after the second quarter, while gross customer loans reduced in the second quarter and remained at those levels through to year end.

Combining strong deposit growth with subdued loan growth, our loans to deposits and debt securities improved materially to 85% from 93%. Adding R134bn in core deposits, produced strong positive balance sheet JAWS, as gross customer loans grew only R27bn YoY.

Managing our liquidity was one of our key priorities in 2020 and our position remained very strong throughout the year. For instance, our Group sources of liquidity grew 11% to R260bn, while our liquidity coverage ratio of 121% and net stable funding ratio of 116% are both far above regulatory requirements. Our liquidity coverage ratio is particularly strong in the context of the temporary reduction of the minimum requirement from 100% to 80% by the Prudential Authority during the period.

Robust deposit growth in South Africa

Growing core deposits remains a priority and is an indicator of the health of our franchise, particularly in RBB.

Total customer deposit growth improved to 15% YoY, or 17% excluding reverse repos, with average deposits up a similar amount.

It was good to see that customer deposits increased to 80% of our total funding mix from 75%, given similar reductions in the proportion of deposits from banks and debt securities in issue.

SA deposits grew 17% to R793bn, accounting for 83% of the total.

RBB SA grew 12% to R416bn, or 44% of our total deposits excluding reverse repos, given strong growth in notice deposits, transactional account deposits, and savings and transmission deposits.

It is notable that high margin deposits grew 13% in both retail and Relationship Banking.

Within RBB SA, retail deposits rose 12% to R240bn, with our market share stable at 22%. Transactional deposits grew 13% and investment deposits 11%. Our retail deposits have grown by a third since 2017, reflecting our investment in technology and strong service from customer facing staff.

Relationship Banking deposits rose 16% to R167bn, with strong growth in transactional, plus savings and investments on the back of new products. Growth in both SME and Commercial deposits offset reduced local and provincial government deposits.

Deposits are also a priority for CIB SA and grew 36% to R283bn, or 45% excluding reverse repos, with strong growth across all classes. Transactional deposits increased 60%, largely due to substantial national government balances, a portion of which is expected to be temporary in nature. Excluding this, transactional deposits were up 12%.

ARO's deposits grew 6%, or 11% in constant currency, to R159bn. Within this, RBB's rose 11%, or 18% in constant currency, largely driven by transactional deposits. CIB's declined 1% due to call account outflows, although its deposits were 14% higher during the year on average.

Lower fees and commission reduced non-interest income

Better momentum in balance sheet growth coming into the year, with a focus on growing our customer base and improving primacy was starting to translate into better non-interest income, with 8% first quarter growth YoY.

However, non-interest income slowed significantly in the second quarter on the back of Covid-19 lockdowns and the sharp reduction in economic activity. For instance, RBB South Africa's fee and commission income decreased 22% YoY in the second quarter and, despite improving in the second half, was still 10% lower YoY in the fourth quarter. Reduced transactional activity was very evident in 2020,

with credit card turnover down 12% and ATM cash withdrawal volumes 13%, while merchant income was more resilient and decreased only 3%. Since RBB South Africa is the largest component by far, our group fee and commission income was 8% down YoY in the fourth quarter, and still below first quarter levels. Overall, fee and commission income fell 9% for the year.

This decrease was partly offset by very strong growth in Global Markets revenue, which I will discuss shortly. The decline in 'other' in the graph of the left reflects negative fair adjustments in the non-core Private Equity business.

At a divisional level, RBB South Africa's non-interest income was most impacted, falling 8% YoY. Within this, Everyday Banking decreased 7%, with Relationship Banking and the Insurance Cluster down 12% and 9% respectively.

CIB South Africa's non-interest income increased 13%, a strong performance. Substantial Global Markets and solid Corporate revenue growth outweighed the negative private equity fair value adjustments.

ARO grew 4%, with 16% growth in CIB mostly from Global Markets, while RBB decreased 7% reflecting lower transaction volumes due to Covid-19 and the reduced economic activity.

Global Markets revenue rebounded off a low base

Global Markets revenue increased 33% to R6.2bn, our strongest performance in the last 5 years. ARO grew 24%, or 18% in constant currency, off a high base due to continued product and geographic diversification. It now accounts for 43% of our total Global Markets revenue.

South African based Global Markets revenue rebounded, growing 41% YoY off a low base to R3.6bn, given significant growth in fixed income trading revenue which benefitted from increased volatility. I was pleased to see that SA revenues are back to the levels we saw before Barclays exited, which disrupted our Global Markets business materially. While SA fixed income trading revenues were outsized, we still see opportunity for growth in Global Markets and the business has had a very strong start to 2021.

The graph on the right shows strong growth in Institutional client flows, particularly in fixed income and FX, plus a significant turnaround in client facilitation risk. Corporate flows decreased, largely due to Covid-19, as clients put strategic risk management decisions on hold and prioritised their funding needs.

Operating expenses well managed and responsive

Moving to costs, our operating expenses declined 2%, or 3% in constant currency, to R46bn.

The reduction reflects the benefits of our restructuring efforts over the past two years, particularly in RBB South Africa, plus management actions in response to Covid-19 and lower variable costs as activity decreased due to national lockdowns.

Staff costs decreased 2% YoY, or 4% in constant currency, to R25bn, and remain the largest component at 55% of the total. Salaries increased by only 1% YoY, reflecting the structural headcount reduction I mentioned earlier as well as a continued hiring freeze which together reduced headcount by 1700 YoY. Our headcount is now 4100 lower than the 2018 position. Bonuses and deferred cash and share-based payments decreased materially, with a large reduction in our incentive pool, in line with group earnings.

Non-staff costs declined 1% YoY, or 2% in constant currency.

Property-related costs grew 7%, largely due to additional spend on protecting colleagues and customers from Covid-19, with no increase in the underlying cost base which was in line with previous periods. Technology costs rose 11%, reflecting continued investment and post separation incremental run costs. Our total IT spend, including staff, amortization and depreciation, grew 9% to R10bn, or 22% of group expenses. Amortisation of intangible assets grew 17% due to a 15% increase in capitalised software assets to R6.2bn. Depreciation rose 7%, largely related to technology. Professional fees grew 21%, given higher spend on change and technology services as our book of work moves more towards a digital agenda with separation activities now completed.

The 9% decline in cash transportation costs is a good example of lower variable costs due to the Covid-19 lockdowns and reduced economic activity, which will revert to higher levels as the economy recovers, but so will the revenue.

Management actions include reducing marketing spend and communication costs, plus a substantial decline in travel and entertainment spend in 'other'. 'Other' also includes significantly lower fraud losses and 12% lower administration fees after disposing of the Edcon store card portfolio.

In this tough operating environment, you would expect us to continue to manage costs very carefully. We see further structural cost saving opportunities in operations and technology, and through digitisation, while continuing to reduce discretionary costs and thus we expect low cost growth this year.

Despite the constrained revenue growth, lower costs produced positive JAWS, resulting in a 56% cost-to-income ratio, our lowest in many years.

Numerous moving parts within operating expenses

Since there were several moving parts in our operating expenses, we have added a new slide so that you understand some of the drivers better.

Bonus accruals through the cost line dropped 36% to R1.2bn, on the face of it less than the fall in normalised headline earnings, which was reflected in the bonus pool value at award decrease of 51%. This difference was mostly caused by a material reduction in short-term incentive deferrals as well as an impact from prior year accrual adjustments. The corollary of all of this is that, all else being equal, the step up in the bonus charge going forward will be similarly lower than the recovery in earnings.

Three base effects reduced our 2020 cost growth, including selling the Edcon store card portfolio with costs of over R500m in the base, and elevated 2019 fraud costs, mostly in RBB South Africa. We also had around R700m of restructuring costs in 2019, although ARO incurred almost R500m in restructuring costs to right size the business towards the end of 2020.

At the same time as all of this, we have absorbed substantial incremental run costs in the past three years due to separating from Barclays. These were R1.8bn last year, predominantly in CIB, ARO and central functions. They are now 'in the base' and thus I won't call them out in future.

Lastly, Covid-19 related costs totaled almost R300m, largely for personal protective equipment to keep customers and colleagues safe, as well as increased communication costs, as we engaged extensively with customers and colleagues working from home.

After considering the above items, our underlying cost growth was very low.

Credit impairments rose materially across the board

Given the significant build in our credit impairments and balance sheet coverage, I'll spend a lot of time on credit risk today.

Credit impairments of almost R21bn were more than two and a half times higher YoY, reflecting the significant strain on our customers and the impact of IFRS 9 accounting. While most of the increase came from RBB SA, it grew far less YoY than CIB SA or ARO.

Our credit loss ratio rose from 80 basis points, at the bottom of our expected through-the-cycle range of 75 to 100, to 192 basis points, above global financial crisis levels of 175 basis points.

Our credit impairments included R5.4bn of management judgmental provisions based on the unprecedented deterioration in macroeconomic variables. We provide details of the macro scenarios we used, as well as a detailed sensitivity analysis in our booklet. Given the material uncertainty about the economic outlook, we have retained our significant first half macro provisions.

We also raised R2.7bn for single name exposures. There was not one particularly large exposure that stands out and the industries these companies operate in vary.

RBB South Africa's credit loss ratio rose to 264 basis points, well above the top end of its through-the-cycle range of 155 basis points. Home Loans' credit charge was twelve times higher off a very low base, Vehicle and Asset Finance's charge almost trebled, reflecting deteriorating delinquency and higher inflows into legal. Within Everyday Banking's R7.3bn credit impairment, Card and Personal Loans' credit loss ratios increased to 8.5% and almost 12% respectively. Relationship Banking's charge also increased materially, again off a low base. It is pleasing to see that our new business vintages are performing in line with expectation across the board, in line with our approach to very targeted growth.

CIB South Africa's credit loss ratio rose from a low 11 basis points to 54, due to increased single name charges and macroeconomic variable adjustments. ARO's credit loss ratio increased materially off a low base, particularly in CIB, due to single names and tail risk provisions raised for the hospitality and leisure industry in certain countries.

Provided extensive Covid-19 payment relief...

As Daniel mentioned, from March we granted significant payment relief to customers in good standing, who required short-term financial relief due to the Covid-19 pandemic.

RBB South Africa's relief covered R152bn of loans or 27% of its overall book last year and over two-thirds of the total relief we granted. At R84bn, Home Loans was the largest portfolio by value, although Cards was the largest by number of customers.

CIB South Africa granted payment relief on R40bn of loans, or 13% of its book. This ranged from providing bridging finance to deferring capital or interest, or relaxing covenants on a temporary basis.

ARO granted payment relief on R27bn of loans, or 24% of its book, mostly in the second and third quarters. Within CIB ARO, hotels and tourism were the largest sectors under relief by value.

... relief portfolio performing as planned

The relief portfolios were ring-fenced to ensure heightened monitoring when the relief expired. By yearend, the vast majority had expired, with RBB South Africa still providing payment relief on total exposures of just R1.6bn.

The payment relief portfolio has performed in line with expectation, with 92% of the portfolio up to date. Performance is best in CIB South Africa, while Everyday Banking's unsecured lending has the lowest proportion that is up to date at 79%.

In classifying the book, we considered whether a significant increase in credit risk event had occurred, resulting in migration from stage 1 using 12-month expected losses, to stage 2 with lifetime expected losses. Our stage allocation for the payment relief portfolio, was more conservative than our actual experience to date.

Relatively low exposure to Covid-19 impacted industries

Our direct exposure to industries that have been significantly impacted by Covid-19 is relatively low. However, some are large in absolute terms and clearly the specific names within each is crucial. The graph shows our aggregate exposure to each sector impacted, as a proportion of total group loans. CIB SA constitutes the bulk, although RBB SA has quite large exposures to commercial property finance, manufacturing and construction, while ARO has more lending to non-food retail, manufacturing and hospitality, in particular.

Commercial property, predominantly in South Africa, is the biggest exposure although it is still relatively modest in the context of our overall lending book. While parts of the property sector are under pressure, our CPF portfolio is well-diversified and we have improved its risk profile in recent years with its LTV low at around 50%. The book has proven very resilient, with no specific credit impairments made during the year.

Manufacturing and non-food retailers are the next largest, and these books are well diversified.

Our loans to the construction sector and hospitality industry are comparatively small. While South Africa's construction sector has been distressed for some time pre-Covid 19, hospitality and hotels were in reasonable shape before the pandemic. Lastly, our exposures to oil and gas, automotive dealers, healthcare and aviation are all small in a group context and have demonstrated improving attributes.

Substantial delinquency stage migration started in 1H20

Despite substantial payment relief measures, our delinquency profile and non-performing loans deteriorated.

Starting in the first half, our level of stage 2 and 3 loans increased materially, after improving consistently for the previous two years. It's important to highlight that the second half uptick was less pronounced than we expected.

Stage 2 increased as a result of higher early stage delinquencies and SICR adjustments.

Stage 3 growth included specific names in the wholesale portfolios that were impaired. Delays in asset realizations, plus extending Personal Loans' write off period to 12 months from 6 to align with industry practice also increased stage 3 loans.

Our stage 3 loans are higher than peers, due largely to our more conservative UK PRA-based definitions on forbearance, which we will update as these models are re-developed over the medium-term.

Total loan coverage increased materially

Total loan coverage increased from 3.3% to 4.5%, which we believe is appropriate for the operating environment, based on our current expectations. Given the forward looking component of the macroeconomic variable reserves that we raised, these reserves will be consumed or utilized going forward if and when delinquencies crystalise.

Stage 1 coverage rose to 92 basis points from 55, largely due to our macroeconomic variable adjustment.

Stage 2 coverage increased to 7.1% from 6.4%, also reflecting macroeconomic variable adjustments in RBB South Africa and book construct deterioration in the SA Personal Loans. CIB ARO's coverage also rose given provisions raised against the hospitality and leisure sectors.

While stage 3 coverage decreased slightly, it reflects lower coverage in CIB South Africa due to inflows that require less coverage because of the high level of collateral held against them. RBB South Africa's coverage rose, given a macroeconomic variable adjustment and growth in the vehicle finance legal book.

CIB relatively resilient

Moving to our divisional performance, normalised headline earnings declined across the board due to the substantial credit impairments we just covered. However, it was encouraging that all the divisions grew pre-provision profits last year and that their second half earnings were far stronger.

RBB South Africa, which usually accounts for almost 60% of group earnings, fell 55% to R4.3bn, as its credit charge outweighed solid 6% pre-provision profit growth. Its earnings decreased 17% YoY in the second half, as credit impairments were less of a headwind.

CIB South Africa dropped 6% YoY to R3bn, despite strong 33% pre-provision profit growth. It was good to see that its second half earnings grew 32% YoY, on even higher pre-provision profit growth.

ARO earnings decreased 56% to R1.6bn, given significantly higher credit impairments off a low base.

All the divisional returns were below cost of equity for the year, with substantial reductions in RBB South Africa and ARO. While CIB South Africa's return on regulatory capital was the most resilient, its starting point was below our cost of equity.

RBB SA earnings fell, particularly in lending products

Looking at RBB South Africa's components, the lending businesses declined the most, including Card and Personal Loans which I will cover on the next slide, given significantly higher credit impairments. The insurance and transactional businesses held up better.

While earnings declined materially, there were some encouraging aspects. Firstly, there is a strong focus on costs, which decreased across all the businesses. Secondly, although overshadowed by higher credit impairments, all the banking businesses generated positive pre-provision profit growth. Lastly, they also performed substantially better in the second half, particularly Everyday Banking.

Home Loans' revenue growth was strong, up 9%, as its net interest margin widened. Costs decreased 2%, producing 17% higher pre-provision profits, although substantially higher credit impairments reduced earnings materially. However, Home Loans earnings were only 8% lower in the second half.

Vehicle and Asset Finance also produced strong 10% revenue growth on improved margins and its costs fell 10%. Despite 33% higher pre-provision profits, it made a large R1bn loss, given far higher credit impairments. Positively, it already broke even in the second half.

Relationship Banking net interest income grew 7% and operating expenses declined 6%, given restructuring costs in the base and volume-related savings in its cash operations. However, these only

partially offset the drag from 12% lower non-interest income and considerably higher credit impairments. Its earnings fell 31%, with a slightly lower decline in the second half.

Although Insurance Cluster earnings were the most resilient, decreasing 12%, its second half was a lot weaker than its strong first half. Covid-19 had a substantial impact, reducing new business volumes by 31% and increasing claims by 9%, largely retrenchment and mortality in the Life business, and further reserve adjustments of R200m were taken in the second half on the back of the second wave of the virus.

Everyday Banking costs fell 10%, although 5% lower revenue and a 58% increase in credit impairments saw earnings drop 44%. It was pleasing that it's second half rebounded strongly, with earnings up 22% YoY.

Transactional and Deposits performed well

Everyday Banking's lower earnings reflect very different performances across its three businesses.

Transactional and Deposits produced a very strong showing, with earnings increasing 11%, including 30% growth in the second half. Costs decreased 6%, slightly more than revenue, to increase pre-provision profits 10%, outweighing higher credit impairments on its small overdraft book.

Our primary customers decreased to 2.9m from 3.1m, due to subdued customer activity levels and income during the lockdown. Total customers were fairly stable at 9.5m, with some attrition in the entry level segment, while the core middle market was stable and affluent customers grew 2%.

While Card broke even for the year, its second half was particularly strong, growing 37% YoY. Although pre-provision profits decreased 3%, this was more a function of its already low cost-to-income ratio, as costs fell 23%, far more than the 12% decline in its revenue, with both impacted materially by the sale of the Edcon portfolio. Card's credit loss ratio was well above through-the-cycle levels.

Lastly, Personal Loans made a sizeable loss, although it was profitable in the second half. Despite its book declining 12%, average loans were 8% higher. Modest revenue growth and slightly lower costs resulted in 3% higher pre-provision profits, which only partially offset significantly higher credit impairments.

CIB earnings down despite strong pre-provision profits

Moving onto CIB, I show all of its components on this slide, in line with how it is run on a Pan-African basis.

CIB's total earnings decreased 17%, or 20% in constant currency, due to significantly higher credit impairments. Revenue growth of 14%, or 11% in constant currency, was double its cost growth, resulting in strong 22% higher pre-provision profits. Importantly, its second half earnings grew 6% YoY.

Despite strong 15% growth in non-interest income, it remains 36% of total revenue, which is below peers and also CIB's stated ambition of 40%. We continue to see growth potential in targeted areas and aim to win primary relationships to increase our transactional revenue and deposits, and improve CIB's returns.

Looking at CIB's components, all had strong pre-provision profit growth. Investment Bank earnings were also particularly resilient, with a notable performance from ARO's Investment Bank where earnings rose 11%. In total, Investment Bank earnings grew 1%, while Corporate decreased 35%.

Corporate South Africa's revenue growth slowed to 6%, largely due to lower Transaction and subdued Trade revenue, while Working Capital was strong, particularly in the first half. Costs reduced 2%, producing 22% pre-provision profit growth. Significantly higher credit impairments meant earnings decreased 14% and its return on regulatory capital declined to 12.5%.

South African Investment Banking earnings decreased 2% to R2.2bn, due to substantially higher credit impairments. Its return on regulatory capital reduced slightly to 11%. Revenue growth of 19% was well above 1% higher costs, producing strong 40% pre-provision profit growth. As mentioned, Global Markets revenue rebounded off a low base, while commercial property finance grew 37% and Banking 10%. Large negative fair value adjustments weighed on non-core private equity revenue.

CIB ARO's earnings fell 30%, or 37% in constant currency, to R1.9bn. Its return on regulatory capital reduced to 19%, with the Investment Bank very high at 38% and Corporate 14%.

ARO's Corporate earnings dropped 46% to R1.1bn, due to incremental run costs and significantly higher credit impairments. Revenue grew 11%, reflecting strong net interest income growth, driven by Trade and Working Capital, as well as the weaker rand.

ARO's Investment Banking franchise was one of our best performers, with 11% earnings growth, or 4% in constant currency, off a relatively high base. Revenue grew 24%, or 18% in constant currency, given a strong performance in Global Markets. ARO's Investment Bank benefited from not having a loan book, so credit impairments are negligible. Its costs grew 32%, or 29% in constant currency, due to materially higher incremental run costs.

Absa Regional Operations enhance revenue growth

ARO's revenue grew 8%, or 2% in constant currency, given a slower second half.

However, ARO's topline growth has enhanced our group revenue growth over the past two years, particularly since revenue in South Africa was unchanged this period, following 4% in 2019.

Thus, ARO has increased to 25% of group revenues.

Substantial RBB swing reduced ARO earnings

Despite this revenue growth, ARO's earnings decreased 56%, or 65% in constant currency, to R1.6bn. Before Covid-19, I flagged that we were cautious on ARO's earnings this year, given its low 2019 credit charge and higher incremental run costs after separating from Barclays. Clearly Covid-19 exacerbated this by increasing credit impairments significantly and slowing revenue growth. ARO's pre-provision profits still grew 3% YoY, predominantly due to Rand weakness, since its JAWS were negative. Excluding higher incremental run costs and restructuring costs, ARO's expense growth was below inflation. The main drag was credit impairments more than trebling.

I covered CIB ARO earlier. RBB ARO lost R161m, despite 6% higher pre-provision profits, as its credit impairments more than doubled. We see considerable potential to reduce its high 71% cost-to-income ratio medium-term, as we reshape the franchise now that separation from Barclays is complete. This restructuring commenced towards the end of the year, as we incurred a R500m restructuring charge. We also see scope to further grow our CIB franchise across the continent.

Capital remains within board target range

As I said throughout last year, we have focused on preserving capital and liquidity and protecting our balance sheet and client franchise, rather than on growth during this period.

Our Group core equity tier 1 ratio decreased to 11.2% from 12.1%, although it remained within our board target range of 11% to 12% for 2020 and comfortably above regulatory requirements.

The decline was largely due to paying our final 2019 dividend of R5.1bn and risk-weighted asset growth, which outweighed reduced internal capital generation.

Our RWAs grew 5% to R915bn, as credit risk RWA rose 6%, largely due to CIB South Africa increasing 15%, reflecting loan growth and default grade migration. RBB South Africa grew 2% and benefited from the well-timed disposal of the Edcon store card portfolio, which freed up R9bn in RWAs.

'Other' includes the phasing in of IFRS 9, which is was completed in January 2021, plus a reduction in the available for sale reserve and an increased intangible deduction.

Given the weak and uncertain economic outlook, we have increased the top end of our CET 1 target range to 12.5%, with a view to maintaining CET 1 broadly at the mid-point of the new range on a sustainable basis.

2021 outlook

Finally, I will finish with our 2021 guidance, starting with our latest estimate of the macro prospects.

There remains substantial uncertainty about the global economic outlook, which depends on the roll-out of effective vaccines and additional policy support. The IMF expects global real GDP growth of 5.5% in 2021.

We forecast 3.1% growth in South Africa during 2021, although we only expect absolute GDP to recover to 2019 levels by 2024. The timely rollout of an appropriate vaccination program is critical. In any event we think that employment and consumer spending will remain under pressure, and business confidence and investment is likely to recover slowly. Additional episodes of load shedding are likely this year, as

are further waves of COVID-19 infections with a particularly strong third wave expected in the second quarter. We think that the Reserve Bank will leave the repo rate unchanged this year, before increasing it by 75 basis points in 2022 and potentially another 50 basis points in 2023.

We expect our ARO countries to recover faster than SA, with 4.5% GDP-weighted growth in 2021. Those countries that depend more on tourism, such as the Seychelles, Mauritius and Botswana, are expected to recover slower than the more diversified East African ones. Policy rates are likely to rise, during 2021 and public finances will remain a focus among policymakers in several countries.

Based on these assumptions, and excluding further major unforeseen political, macroeconomic or regulatory developments, our guidance for 2021 is as follows:

On average, we expect the Rand to be stronger in 2021, translating to a 2% to 3% growth headwind.

We expect low to mid-single digit growth in net interest income, given improved customer loan growth.

Although non-interest income growth is expected to improve, it is likely to remain low.

We will continue to manage operating expenses carefully, while maintaining investments in systems and digitization. Despite increased variable and performance costs, we expect low single digit cost growth overall.

As a result, we expect flat operating JAWS in 2021, although the first half is likely to be negative. Our cost-to-income ratio is likely to be in line with 2020's 56%. Thus, we expect positive but slower pre-provision profit growth, particularly in the first half.

After 2020's substantial build in coverage, credit impairments are expected to decrease substantially, particularly in the first half, resulting in a 2021 credit loss ratio only slightly above our through-the-cycle range of 75 to 100 basis points.

Consequently, we expect our RoE to improve materially, particularly in the first half, to low double digits for the year, although it will probably remain below our cost of equity. At this stage we expect to exceed our cost of equity in 2023 and this remains heavily dependent upon GDP forecasts. We will look to provide more detailed medium term guidance once there is less economic forecast risk.

It is pleasing that our performance so far this year, including earnings, has been stronger than we expected.

In line with our previous guidance, we did not declare any ordinary dividends for 2020.

On our capital outlook and dividend policy, we will follow a balanced approach between retaining sufficient capital for growth, resuming dividends and a period of capital accretion to build and then maintain a position of broadly the mid-point of our 11.0 to 12.5% Group CET1 target range.

We expect to gradually resume paying dividends from interim 2021, starting with a dividend payout of 30% and increasing to 50% over the medium-term. In the absence of appropriate loan growth, we would return excess capital to shareholders, as we have done in the past.

Thanks very much for your attention, I'll hand you back to Daniel.

Daniel Mminele – Chief Executive

Thank you, Jason.

Before we take your questions, I would like to update you on the strategy review that we completed last year, and the context that informs the strategic decisions that we have taken.

When I joined Absa in January of 2020, I agreed with the Board that I would review the implementation of the 2018 strategy. 2020 would turn out to be a year of a lot of changes for business, as the world grappled with the COVID-19 pandemic, which fundamentally changed the way we work and the way we think about serving our customers, whose behavioural patterns, needs and expectations have been changing rapidly.

In undertaking the review, we understood that our window of opportunity to think about how to accelerate our transformation efforts was going to have to be during the pandemic, at the same time as we were managing the crisis.

The strategy review process looked into changes in the market, our performance gaps, and what was needed to thrive post the crisis. This was a Group-wide and collaborative effort that leveraged our internal resources and external thought leadership with regards to seven specific focus areas that were part of the review.

The review process concluded that while our strategic choices from the 2018 strategy remain relevant, the world in which we seek to achieve them has changed. As a consequence, some shifts and accelerations are required to modernise our business, not only to maintain relevance in the “new” and “next normal” but to thrive and advance as a business.

As a result, we have refreshed our strategy to address the implications of our evolving operating environment, and in particular areas that we need to accelerate to support the growth of our business. This will happen as we continue to execute and consolidate elements of our 2018 strategy that have been showing traction.

Key to that is refining our go-to-market strategy and accelerating our ability to execute with agility and speed, keeping the customer at the heart of everything we do.

Refreshed Group strategy

New value will be created by solving for our customer’s and client’s specific needs, offering them solutions that go beyond traditional banking services and leveraging alternative platforms which present opportunities for new fee-based revenues.

We continue to improve our digital landscape and harness the power of cloud computing, data analytics, Artificial Intelligence, machine learning and emerging technologies to build capabilities that can be scaled across our business, and into third-party ecosystems while ensuring robust technology and cyber security measures.

To drive execution, we are evolving the three strategic priorities and three enablers that were pillars of our 2018 strategy, into four strategic imperatives and four strategic enablers that work in concert to deliver new and shared value going forward.

The four strategic imperatives are:

- First, lead with purpose and deliver shared value to a broad range of stakeholders.
- Second, address customers' intrinsic needs throughout their life journey, with differentiated customer propositions that are personalised, and are delivered with a high level of consistency in quality, and at the right moment.
- Third, deliver propositions through digital-first distribution channels that match and adapt to our customers' behavioural patterns as they evolve and
- Fourth, establish a diverse market footprint that best meets our customers' expectations

The four strategic enablers are:

- First, continue to invest in strategic capabilities that drives market leadership
- Second, continue to build a modernised technology architecture that powers digital transformation.
- Third, evolve our execution model to one that drives fast lane innovation and
- Fourth, develop and nurture the entrepreneurial mindset of our people.

This strategy refresh better positions us to become a business that sustainably creates shared value, plays a meaningful role in our customers' and clients' life journeys, empowering them to achieve more, and encouraging them to recommend us to family, friends and business associates.

Our refreshed strategy ensures that we have a relevant and competitive business model that will see us emerge from this crisis as a strong and resilient business for our colleagues, customers, clients and shareholders.

While uncertainty remains, Absa holds an optimistic view of the future. We will continue to bolster operational and financial resilience, while focussing on protecting our colleagues, supporting our clients and customers, showing solidarity with the communities we serve, and creating value for our stakeholders.

We will continue to deepen our ESG activities, which have already seen Absa become a founding signatory of the UN Principles for Responsible Banking, publishing our sustainability policy, and being the first South African listed company to voluntarily include a climate change resolution at our AGM in June, with the resolution being supported by almost 100% of our shareholders.

I am proud of the fact that we have shown resilience through this crisis and emerged strong and well positioned for the future.

Many things attracted me to join Absa – a strong and admired brand, its regional footprint, strong client franchise, and the opportunity to be part of its strategic ambition.

Over the past year, I have also come to know that we have a loyal and committed workforce invested in the success of the group. I continue to believe that we can leverage these strengths to unlock our full potential.

Thank you for your attention. Jason and I will now take your questions.