



# Absa Group

FY21 results presentation

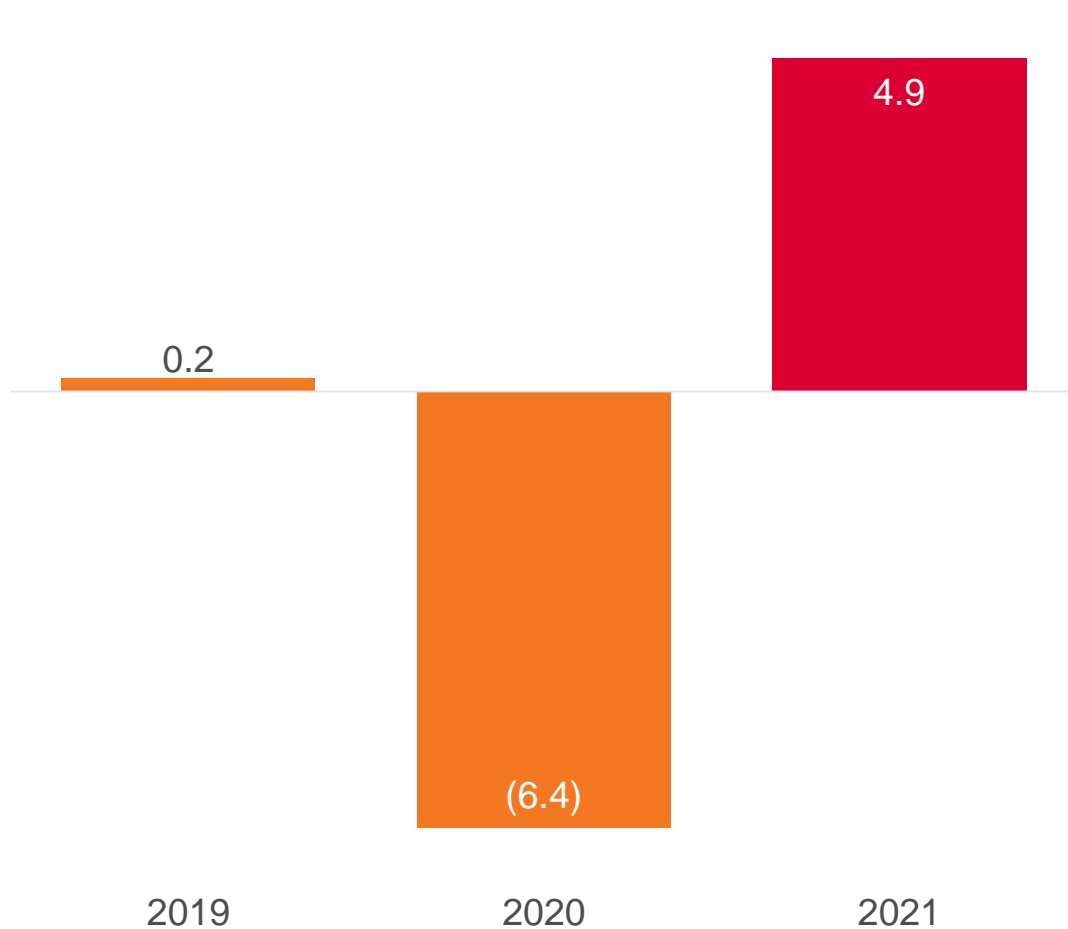
14 March 2022

# Jason Quinn

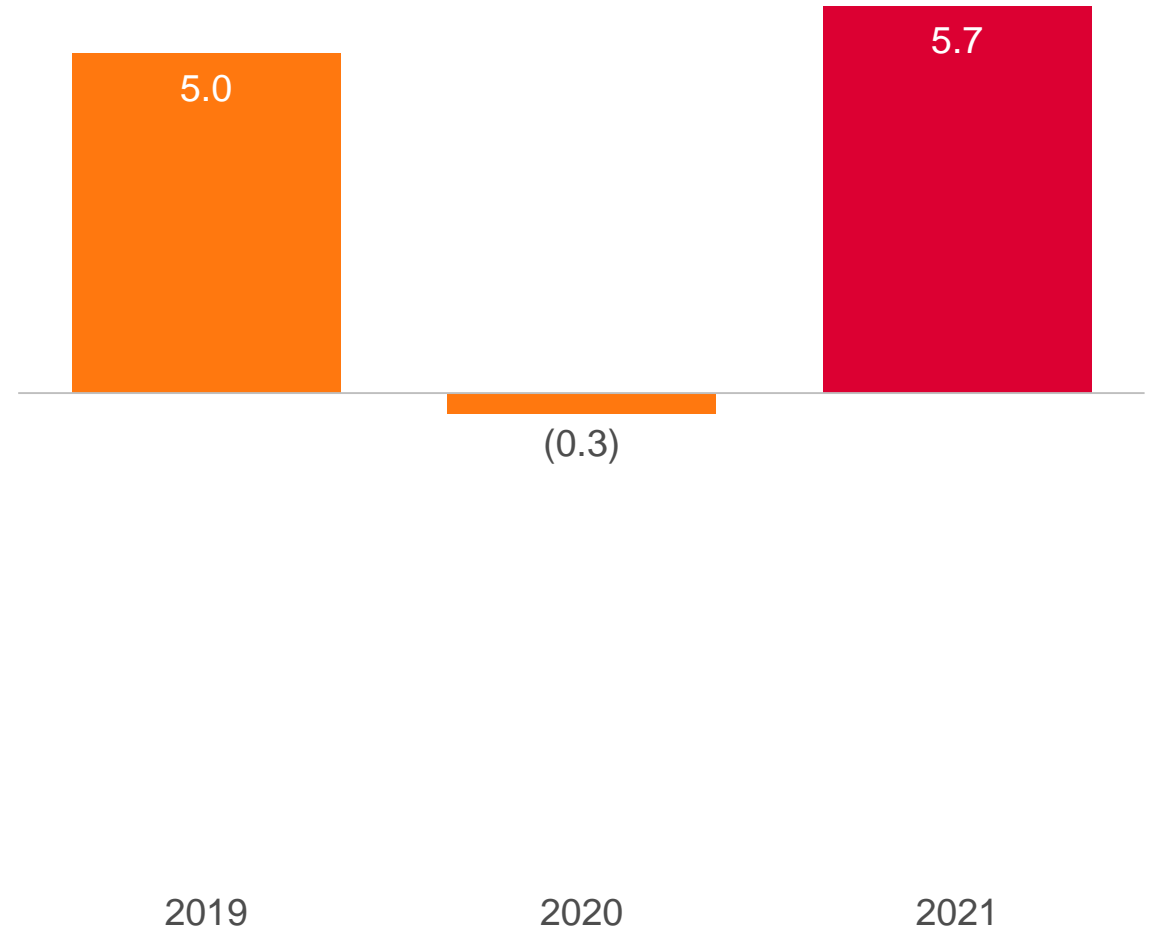
Interim Chief Executive

# Improved macro backdrop ...

South Africa real GDP growth (%)

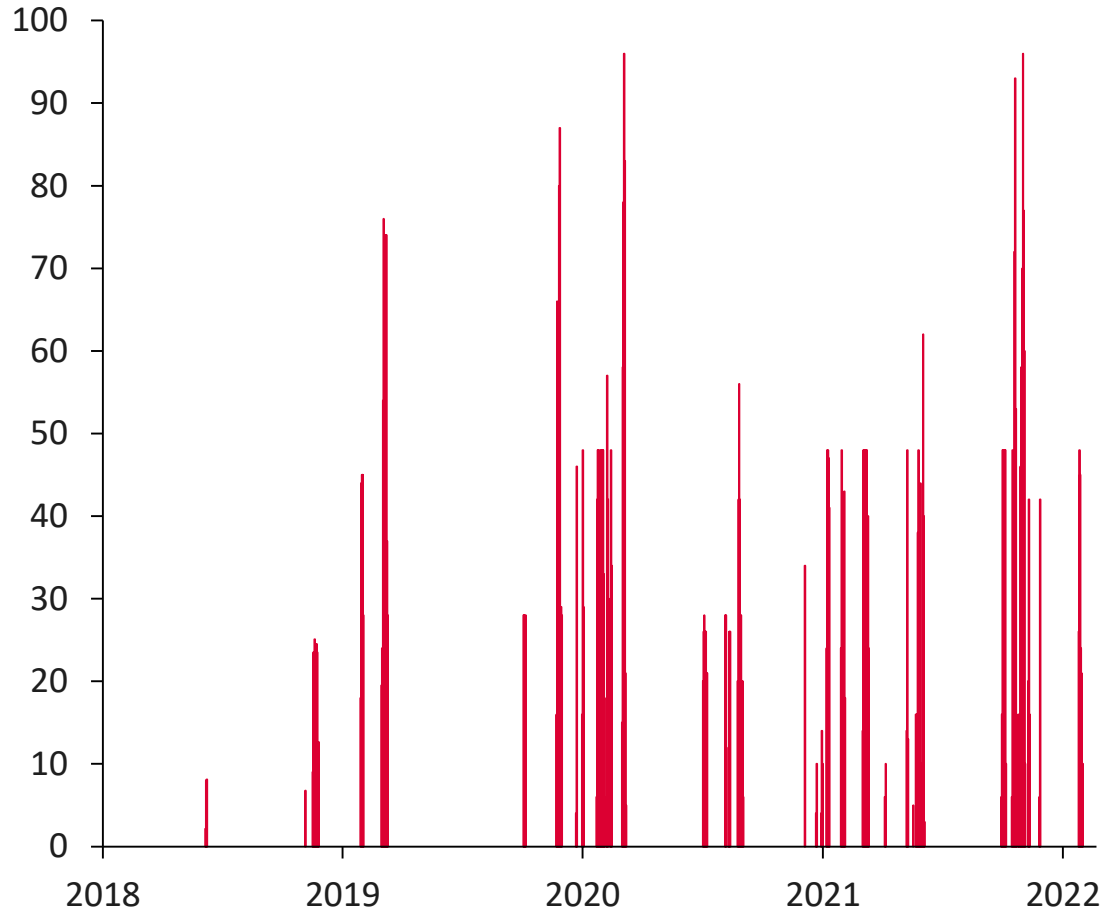


Africa regions real GDP growth (%)



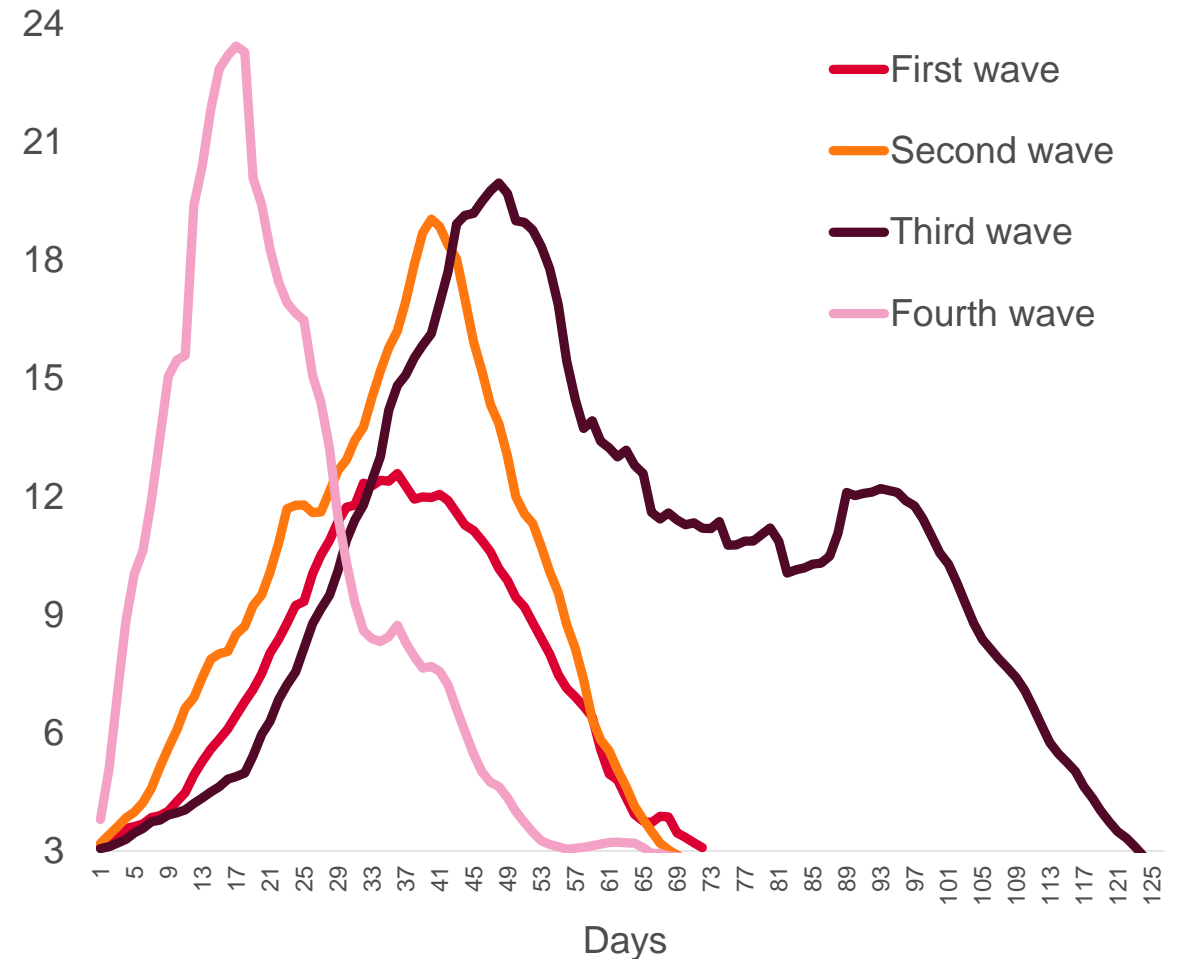
# ... not without challenges

South Africa load shedding index



Source: Eskom, Absa Research

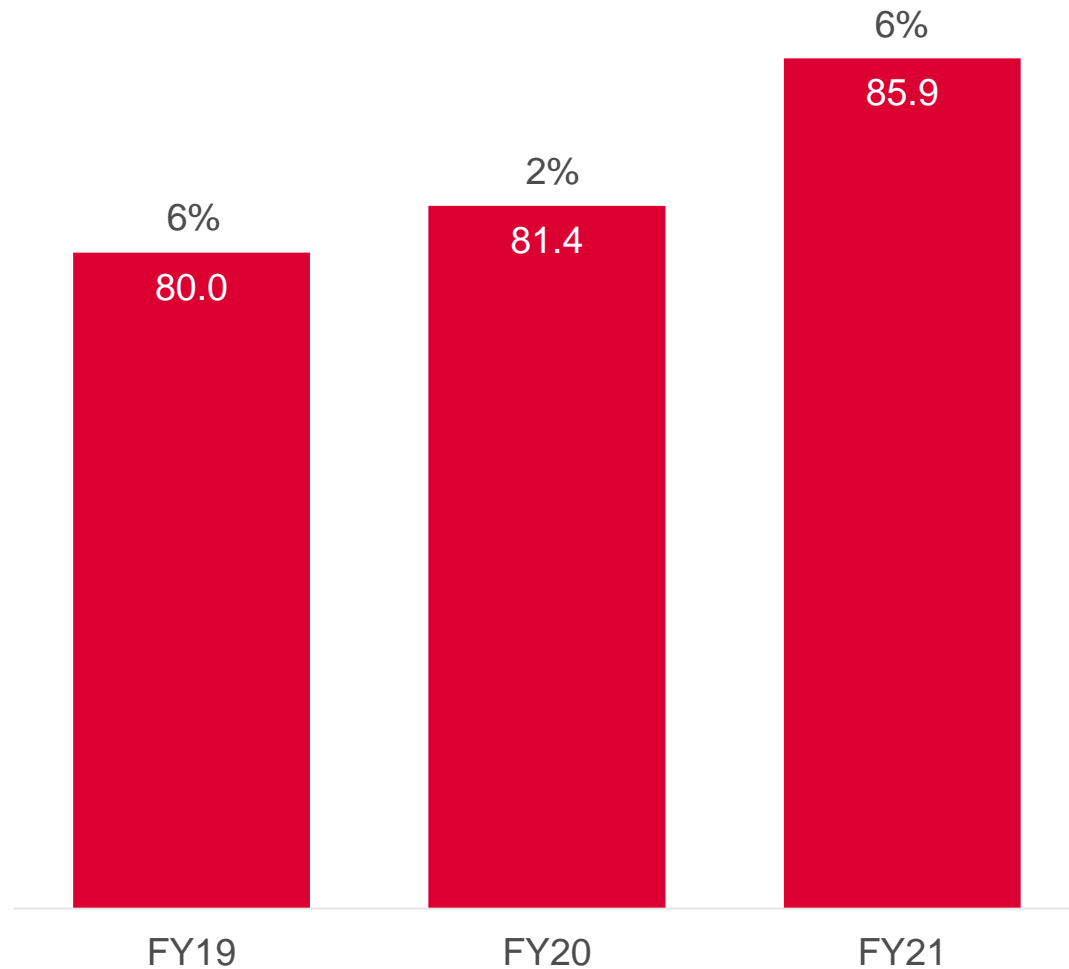
SA Covid-19 infections (7 day moving average, k)



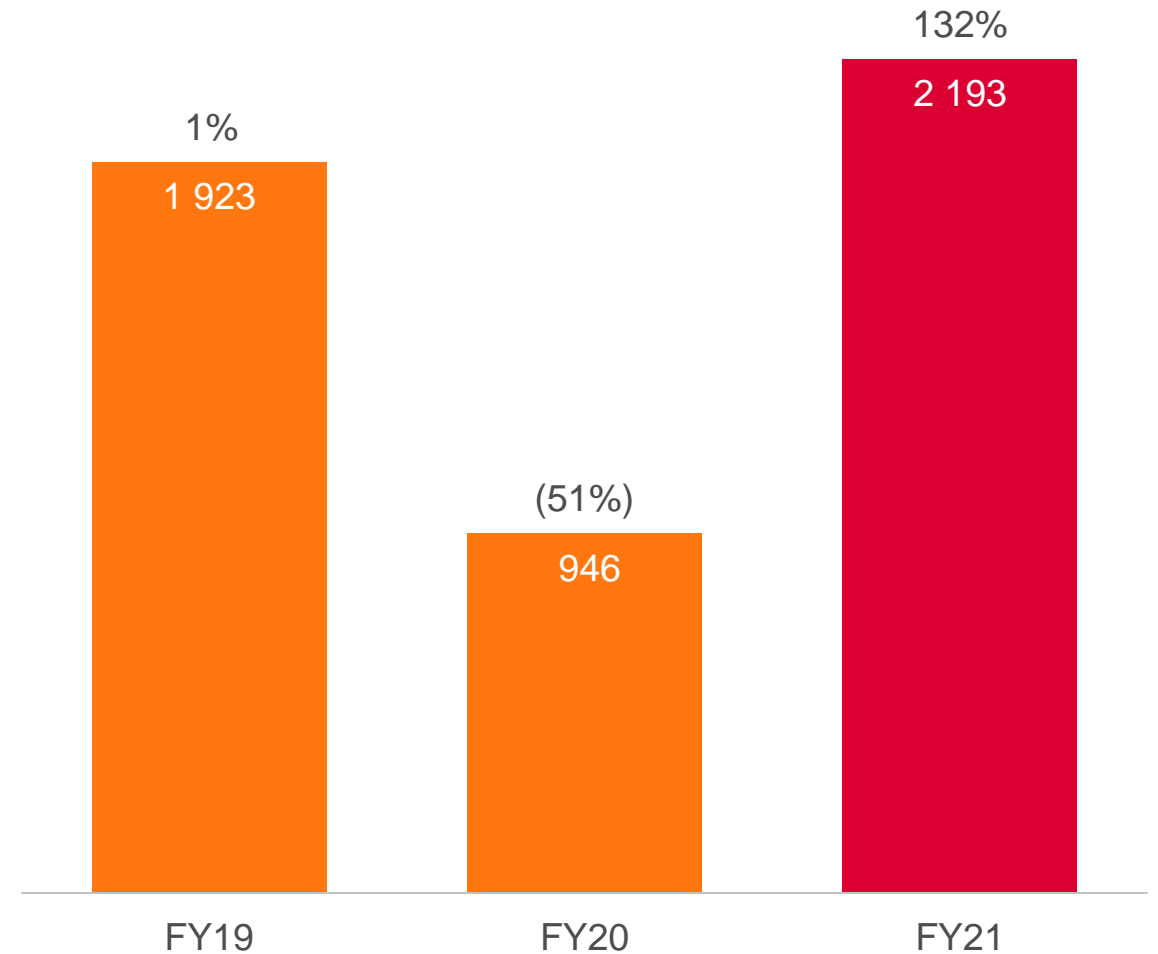
Source: Department of Health, Absa Research

# Record FY21 performance

Group revenue (Rbn)

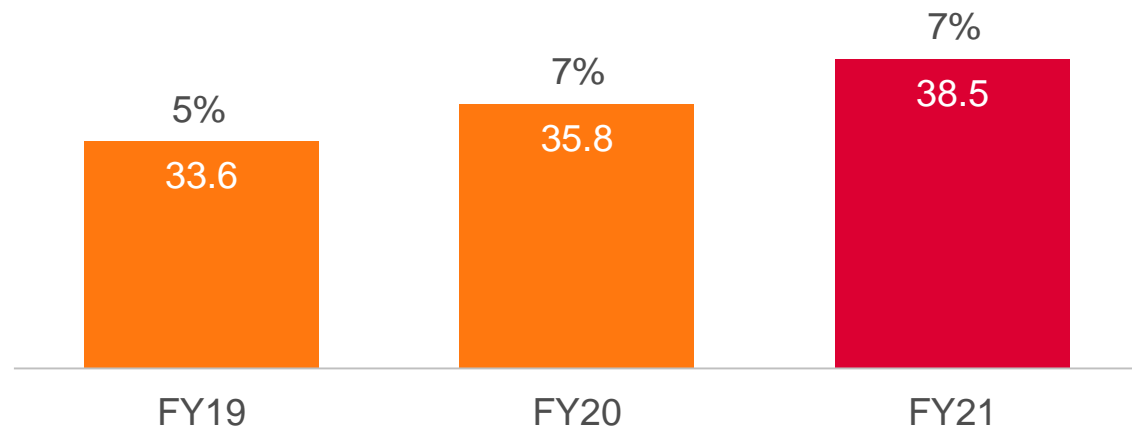


Diluted normalised HEPS (c)

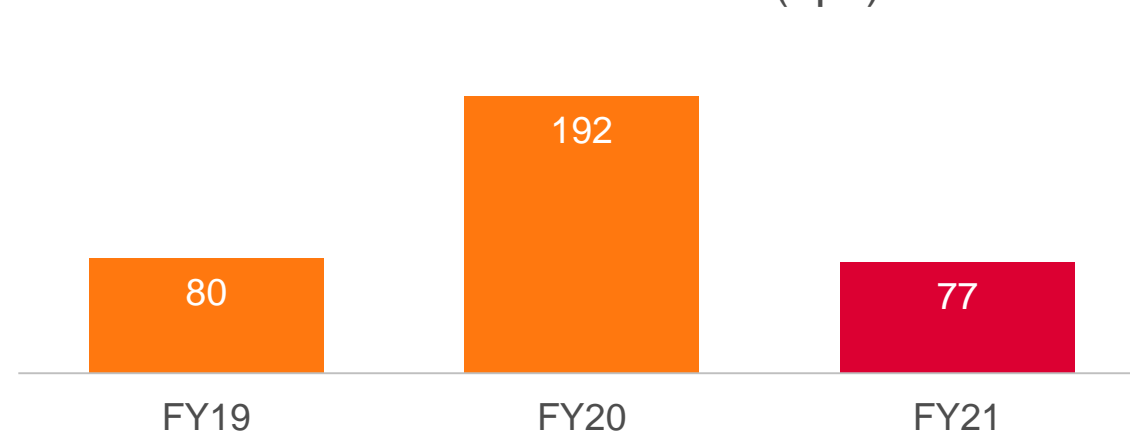


# FY21 salient features

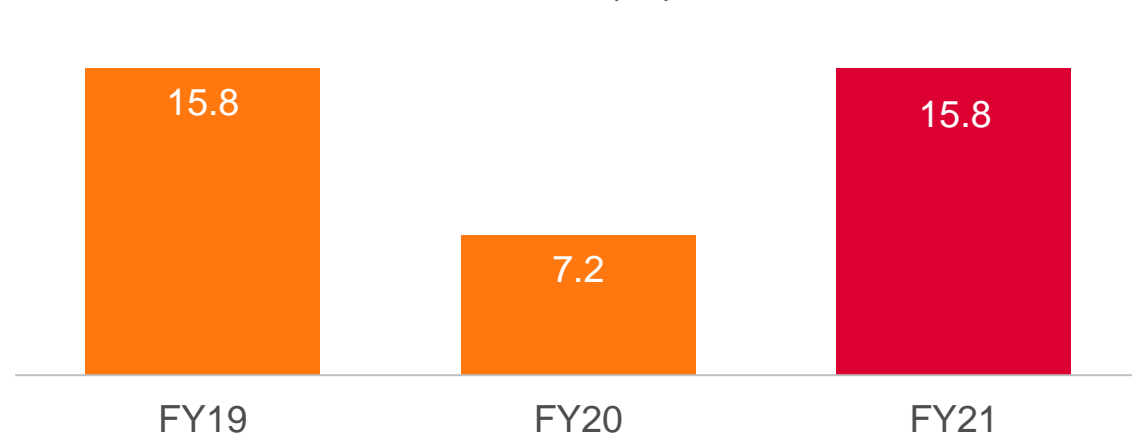
Pre-provision profit (Rbn)



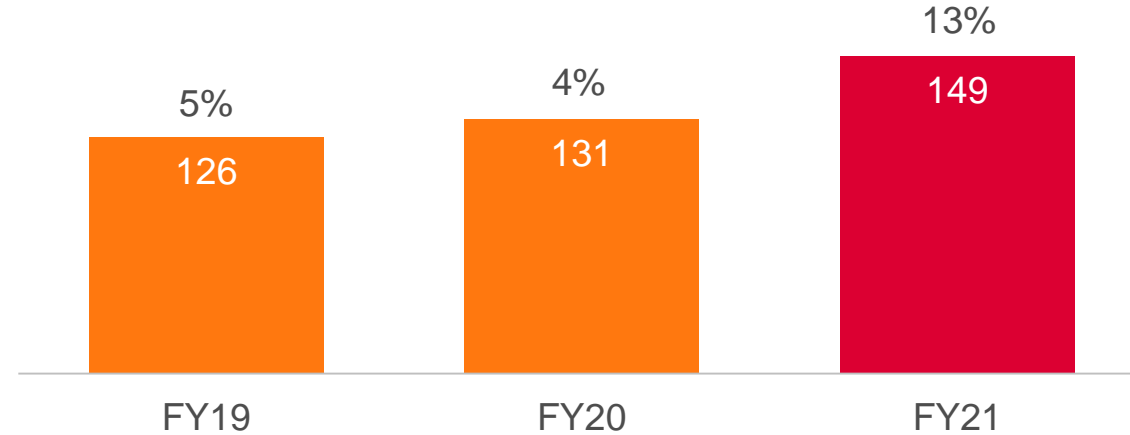
Credit loss ratio (bps)



RoE (%)

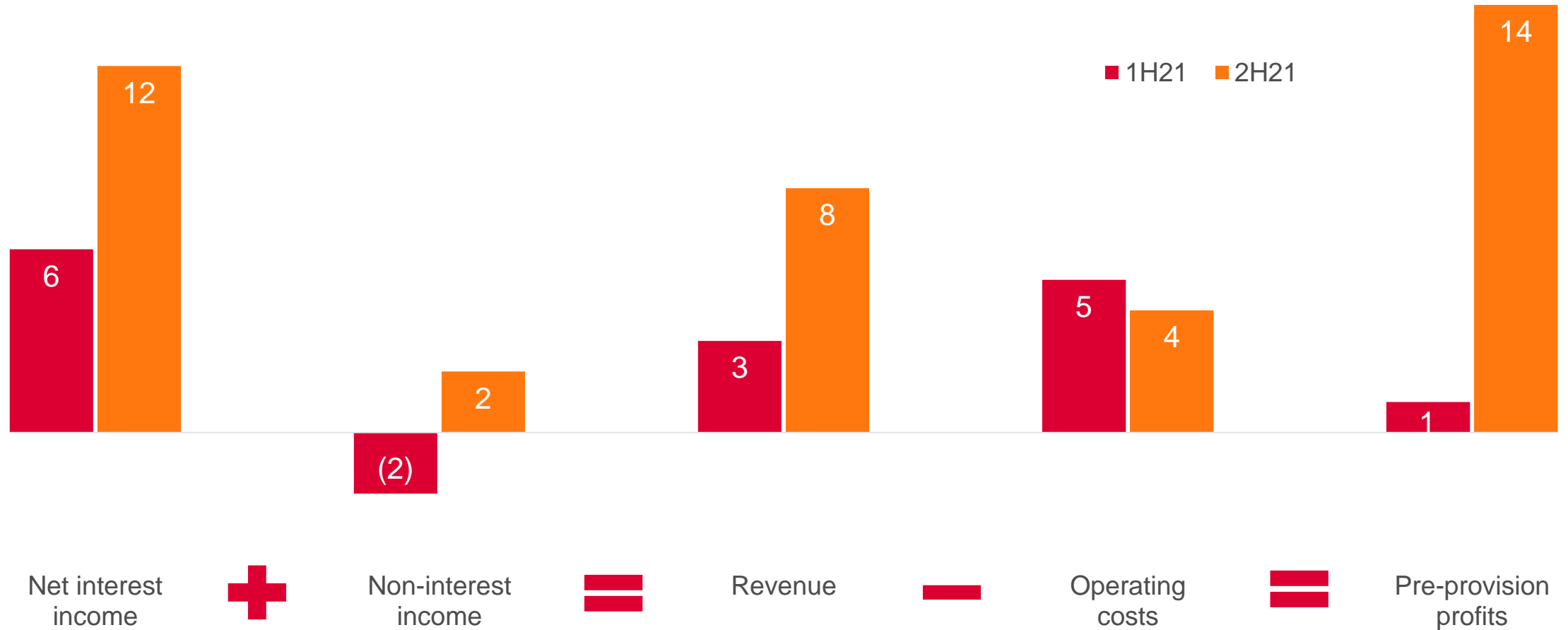


NAV per share (R)



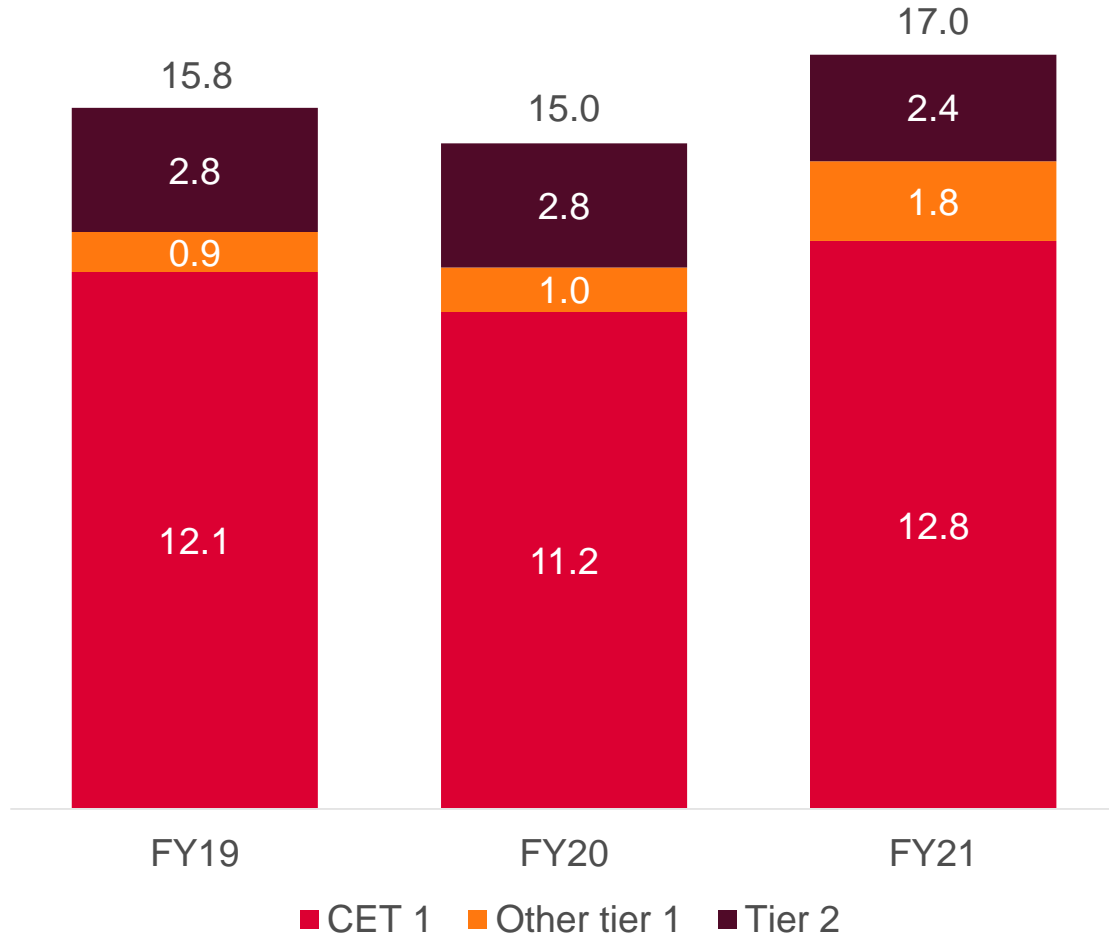
# Stronger momentum evident in the second half

Pre-provision profit drivers – YoY growth (%)

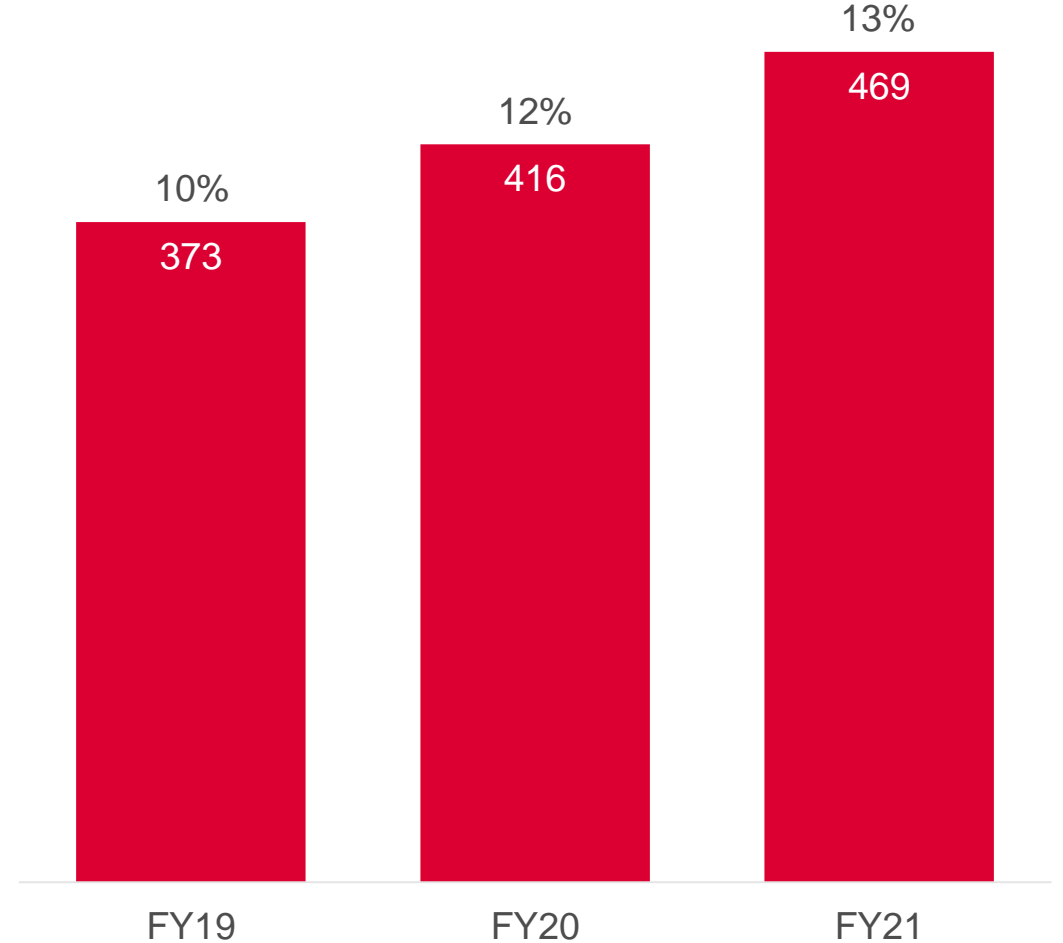


# Positive balance sheet trends

Group capital ratios (%)



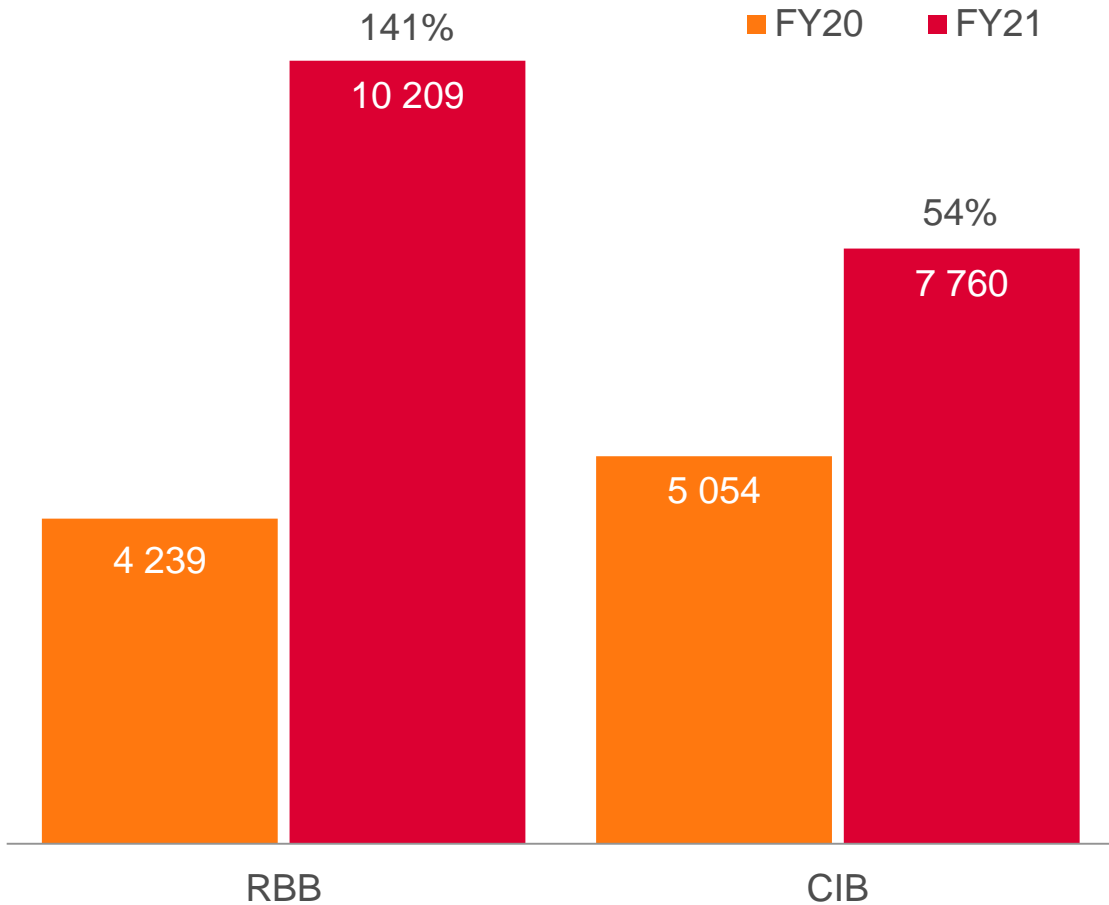
RBB SA customer deposits (Rbn)



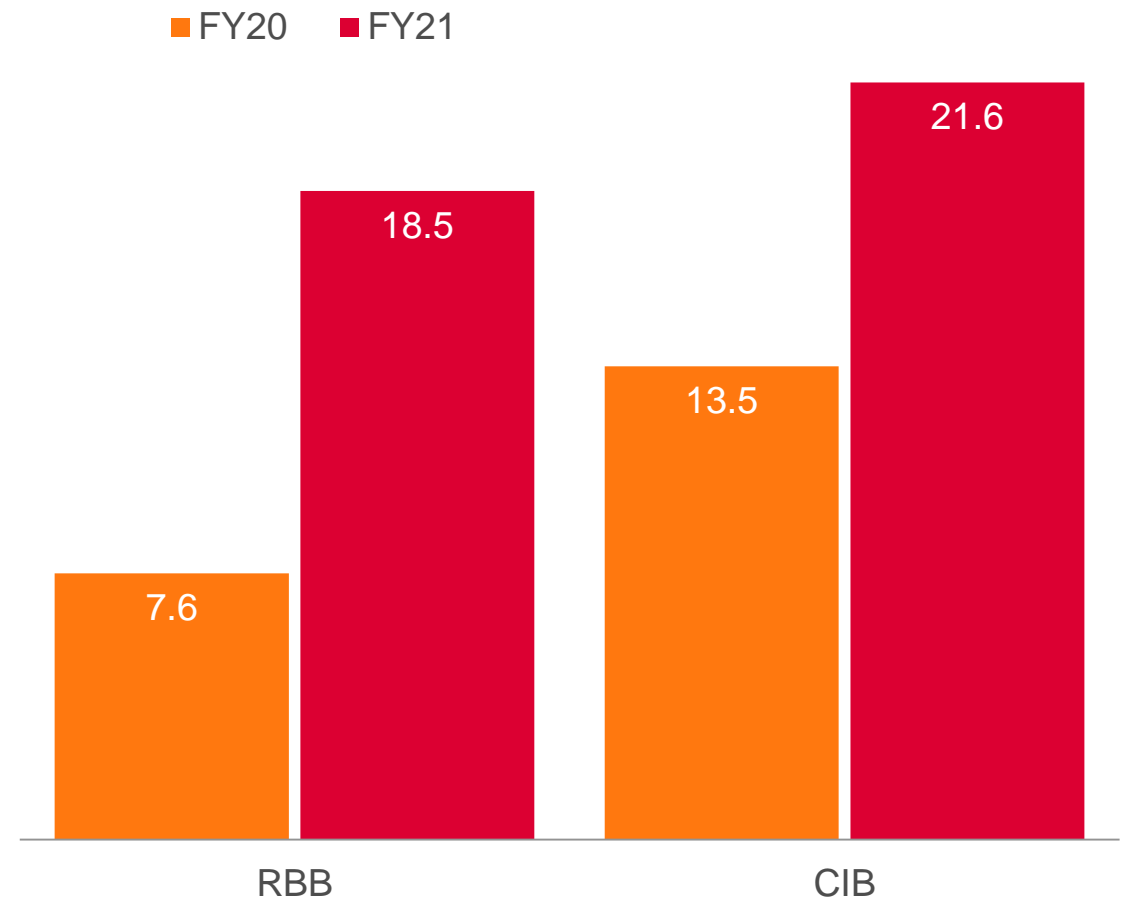


# Substantial recovery in divisional earnings and returns

Normalised headline earnings (Rm)



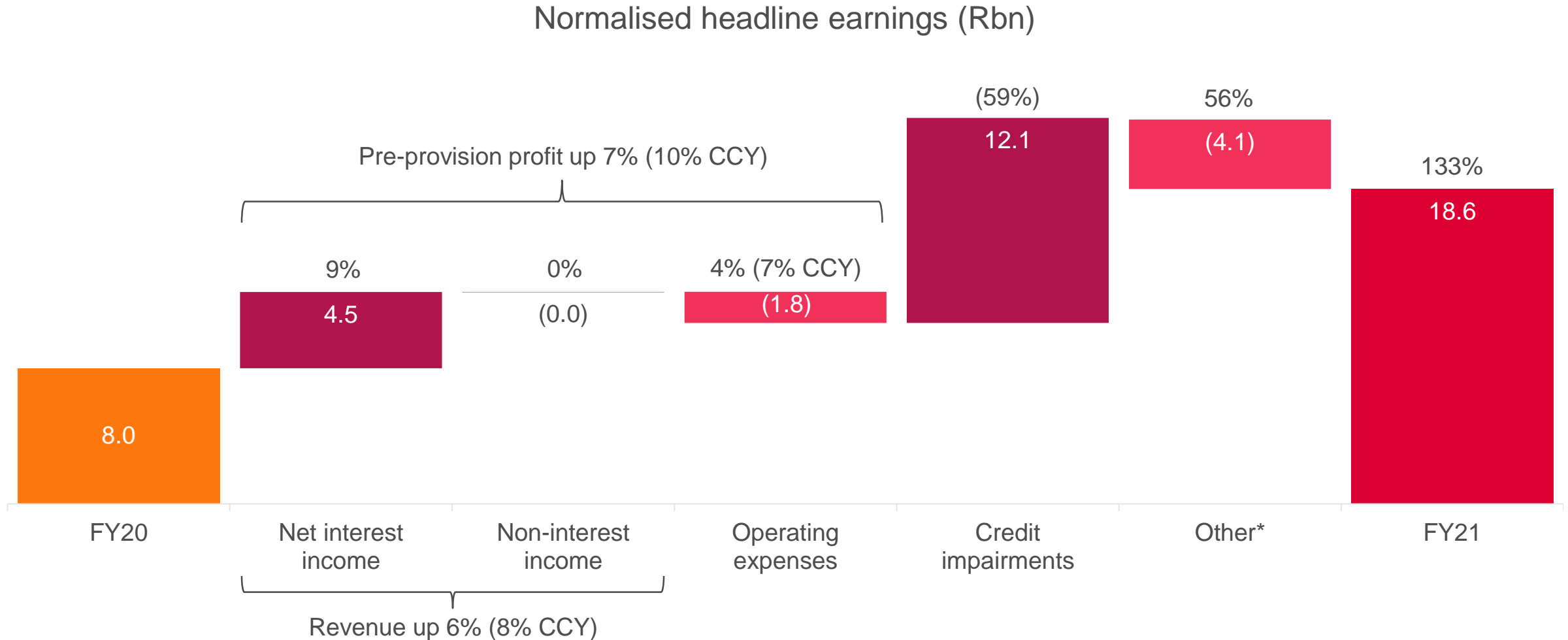
Return on regulatory capital (%)



**Punki Modise**

Interim Financial Director

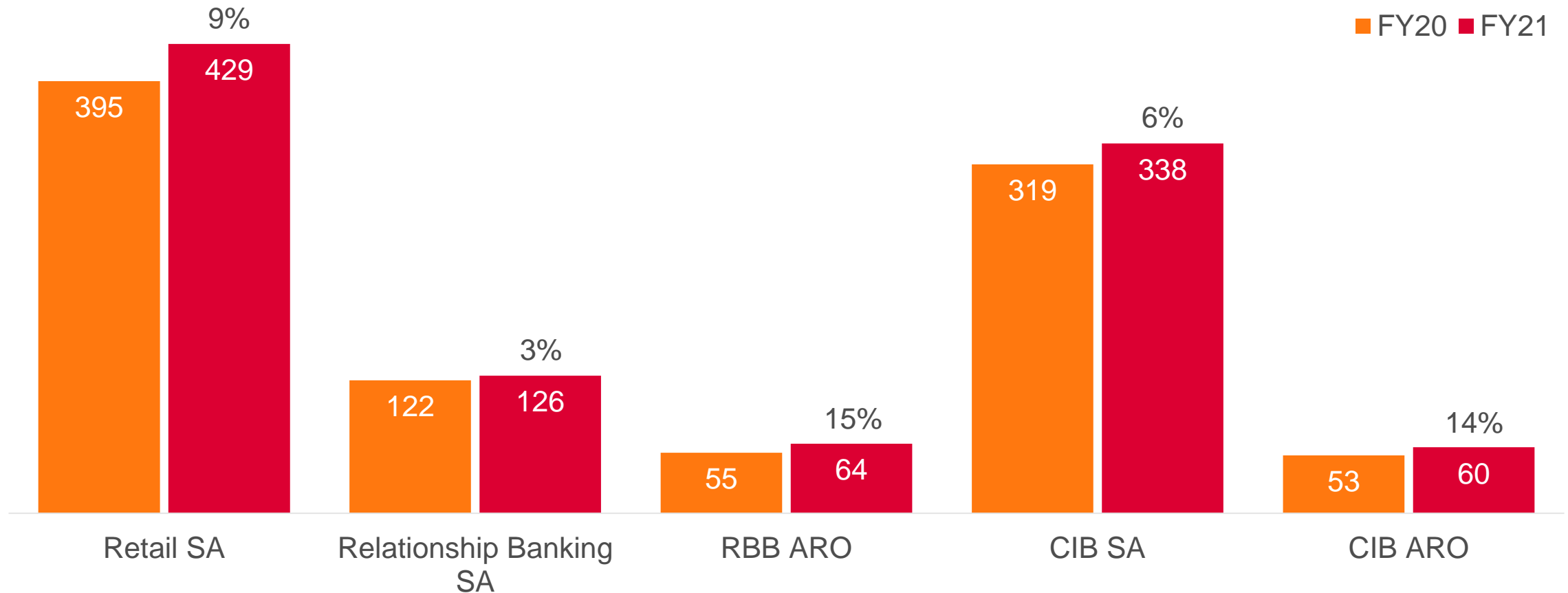
# Significantly lower credit charge drove earnings growth



Note: \* Includes other expenses, JVs and associates, Taxation, non-controlling interests, headline earnings adjustments; CCY refers to in constant currency

# Moderate customer loan growth

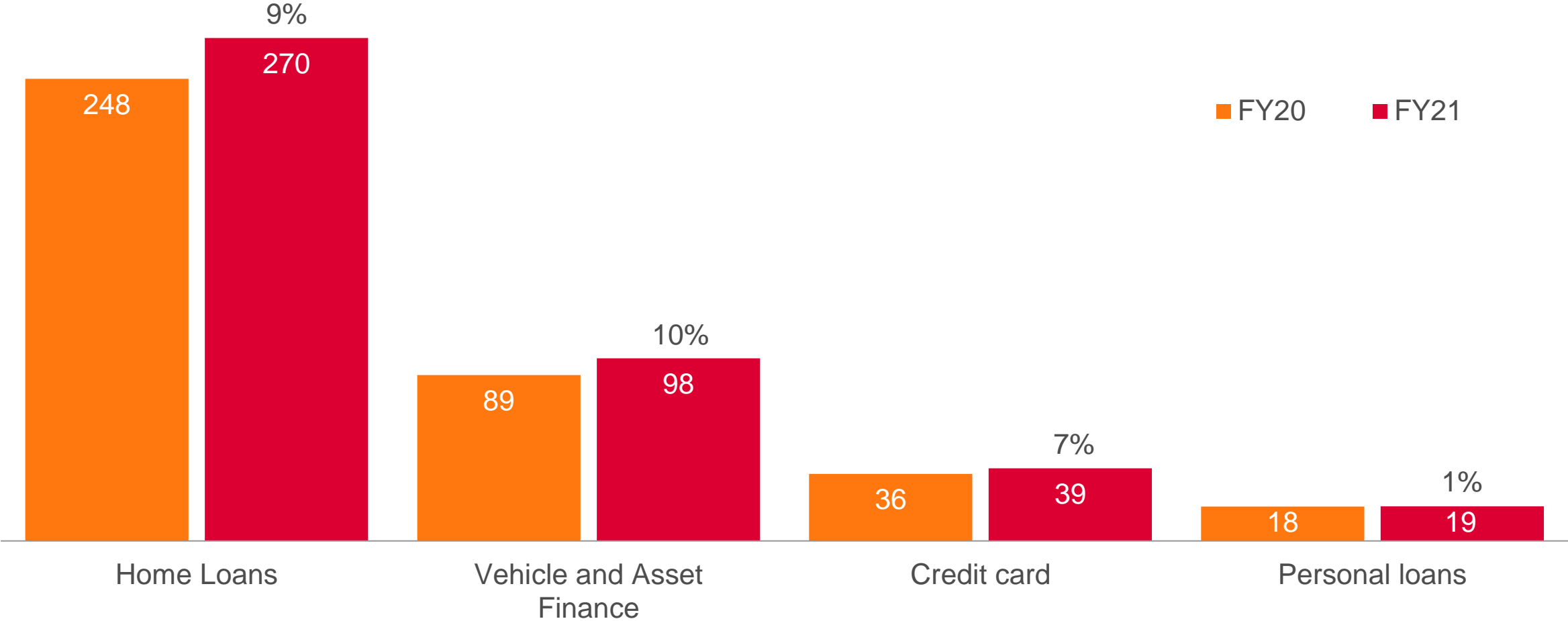
Net customer loans (Rbn)



Note: In constant currency, RBB ARO grew 8% and CIB ARO 6%

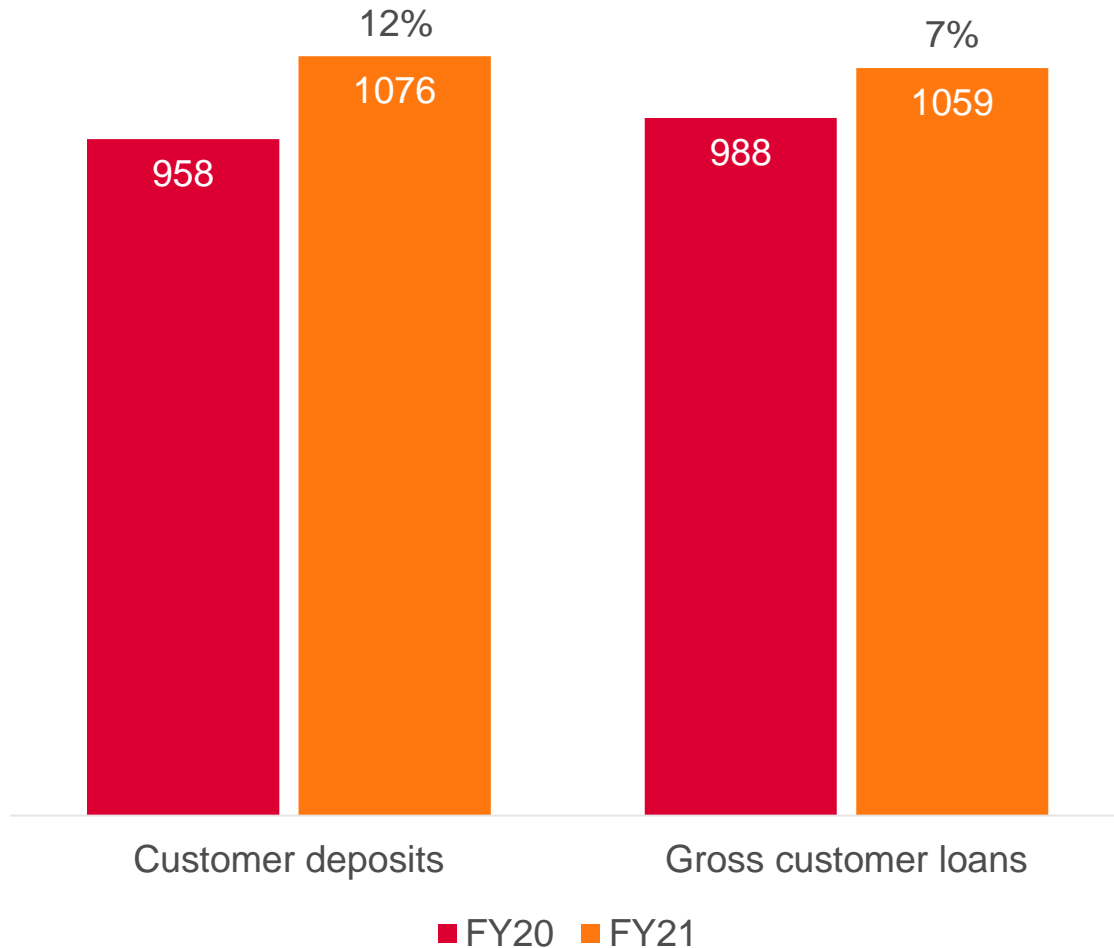
# Targeted production in secured retail lending

Retail Banking South Africa net customer loans (Rbn)



# Deposit growth outstrips loans and improves funding mix

Deposits and gross customer loans (Rbn)

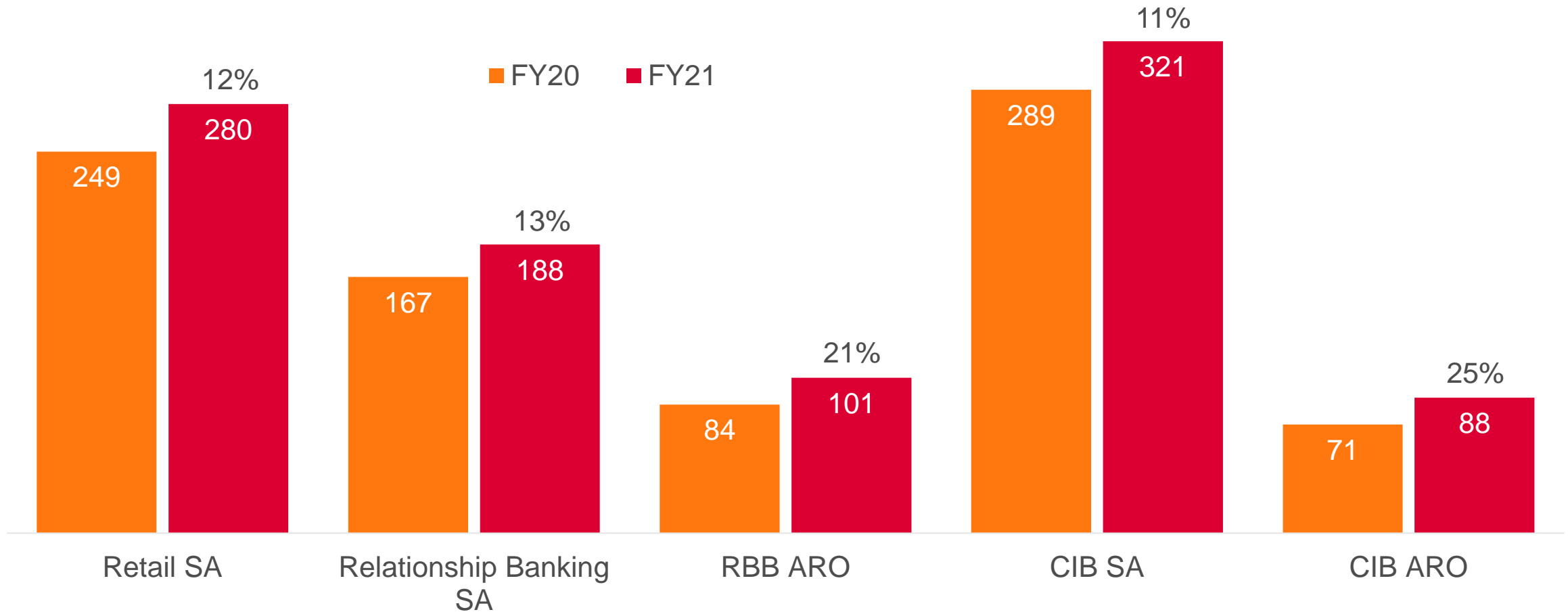


Group funding mix (%)



# Solid deposit growth across the board

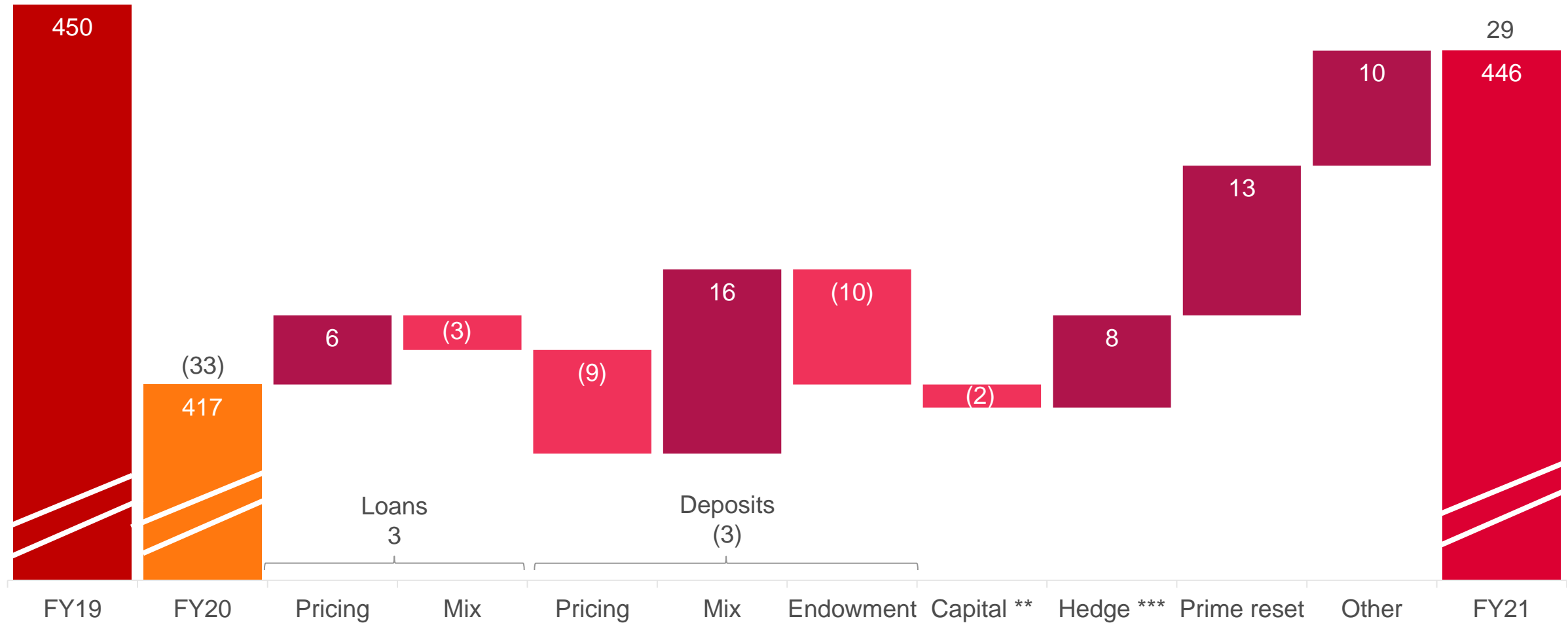
Customer deposits (Rbn)



Note: In constant currency, RBB ARO grew 9% and CIB ARO 15%

# Net interest margin recovered strongly

Change in net interest margin\* (basis points)

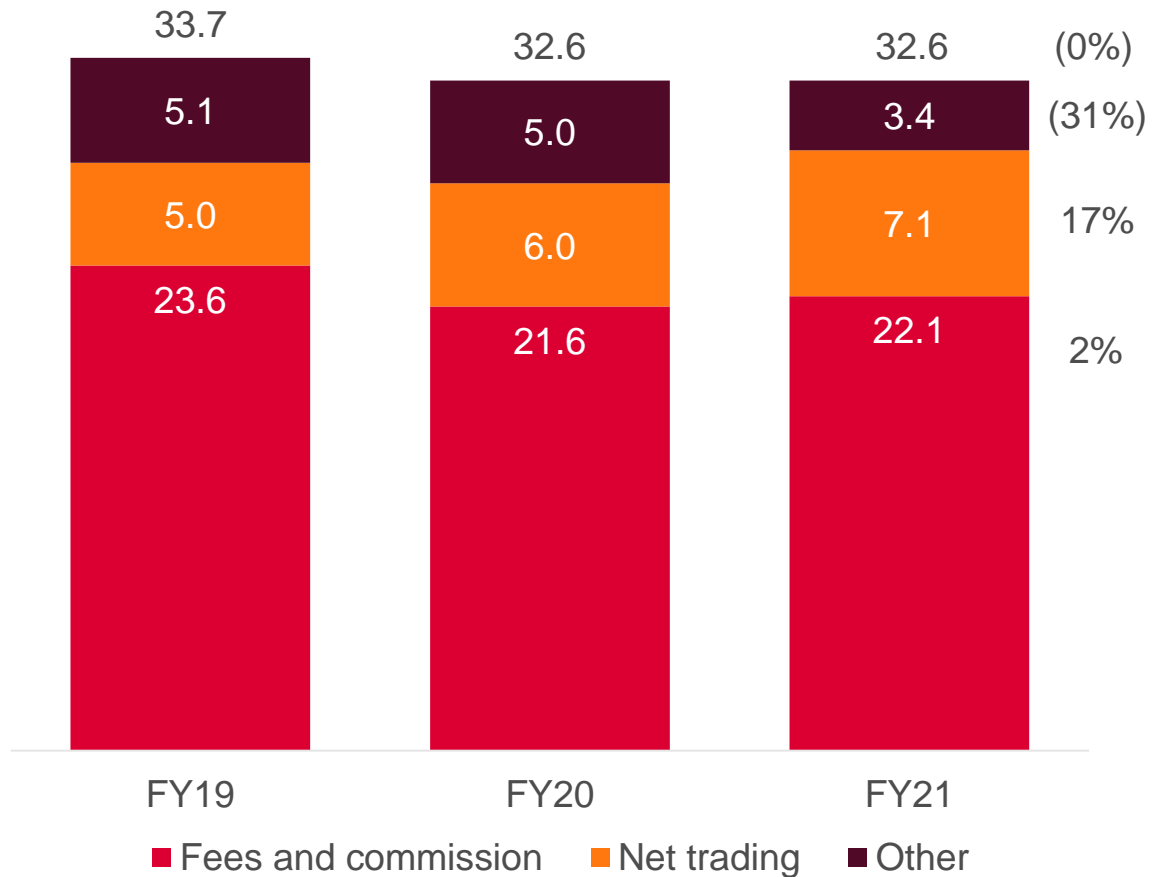


Note: \* average interest bearing assets; \*\* group equity endowment; \*\*\* interest rate risk management

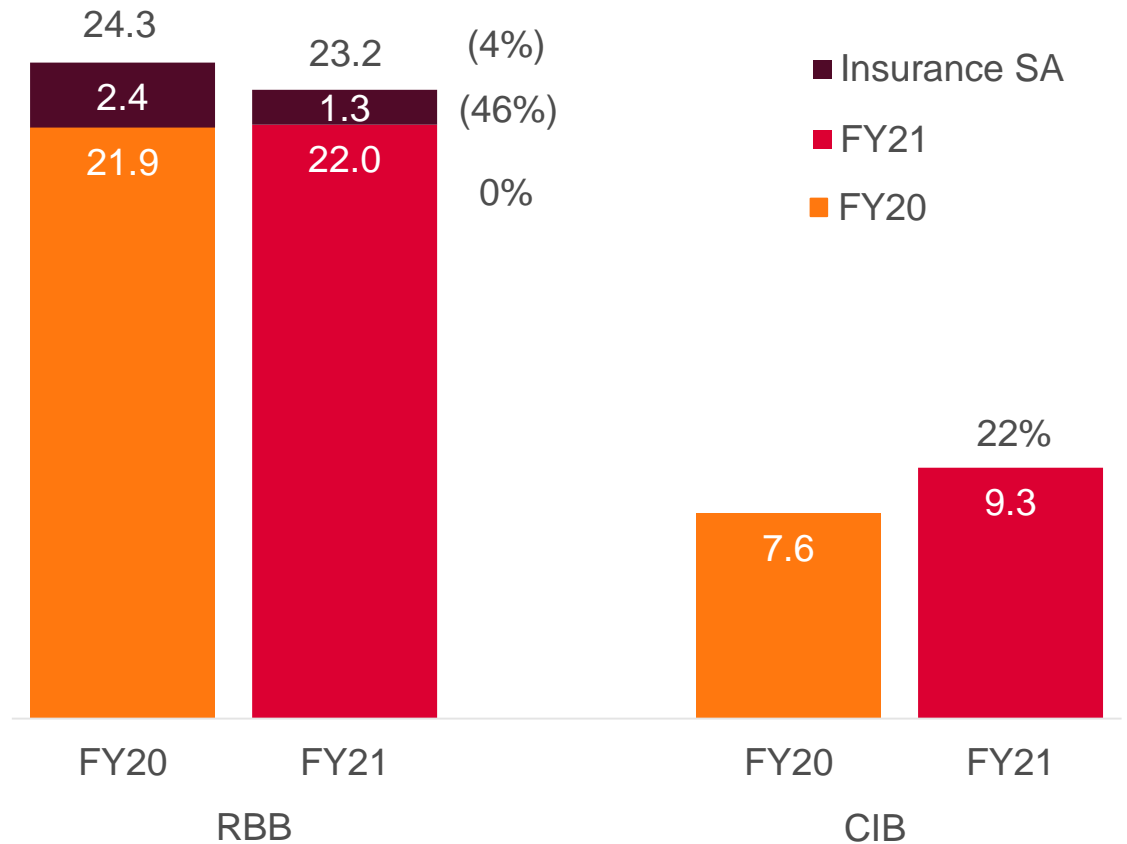


# Insurance reduced non-interest income

Non-interest income (Rbn)



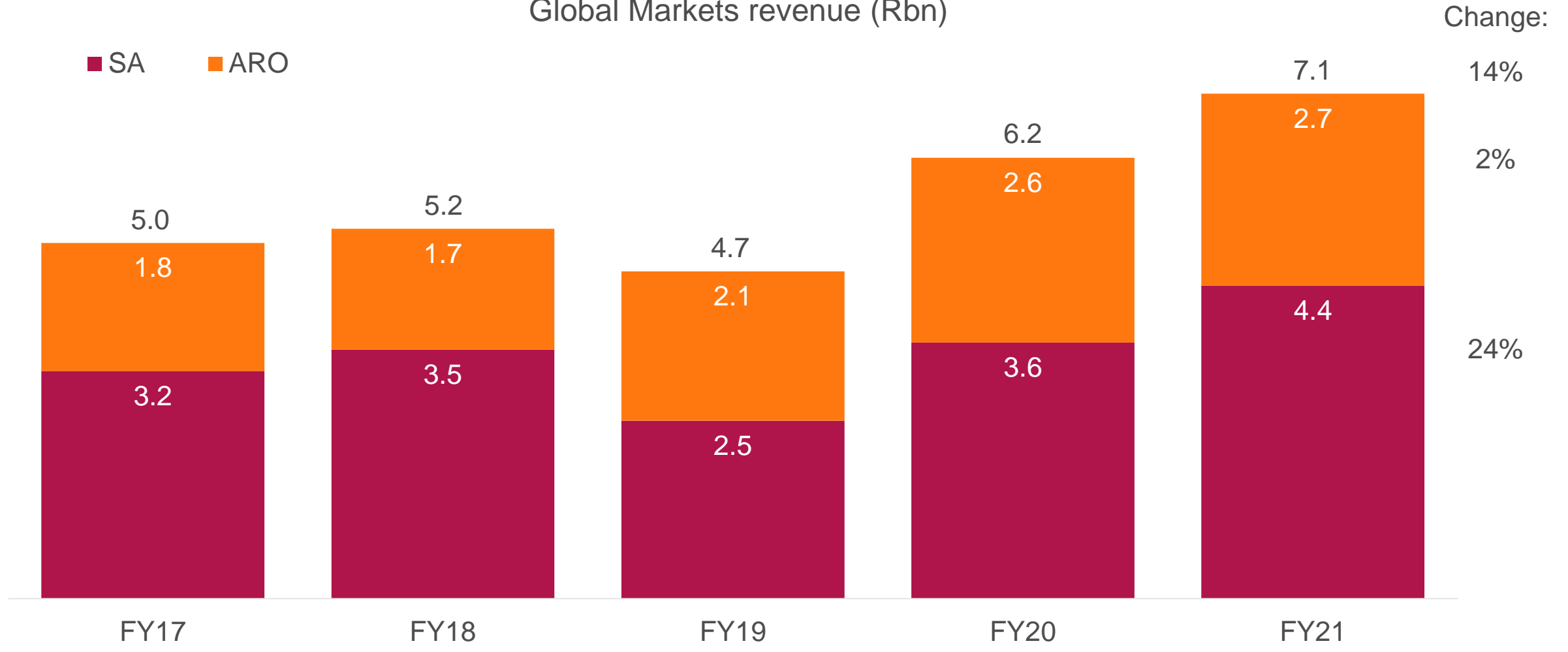
Non-interest income by division (Rbn)



Note: Net trading excludes the impact of hedge accounting

# Strong Global Markets revenue growth, particularly in SA

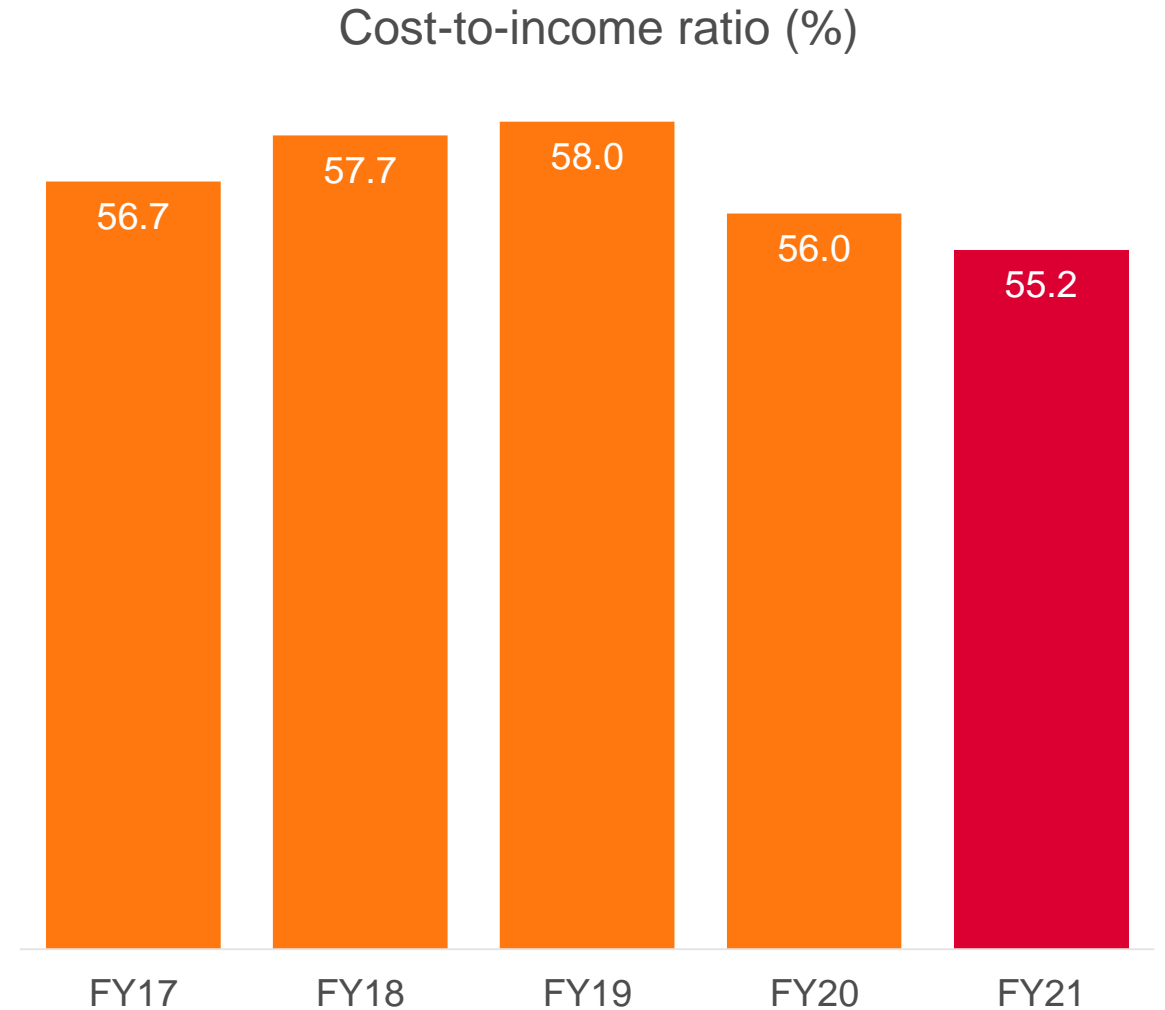
Global Markets revenue (Rbn)



Note: Markets ARO grew 14% in constant currency in FY21

# Operating expenses remain well managed ...

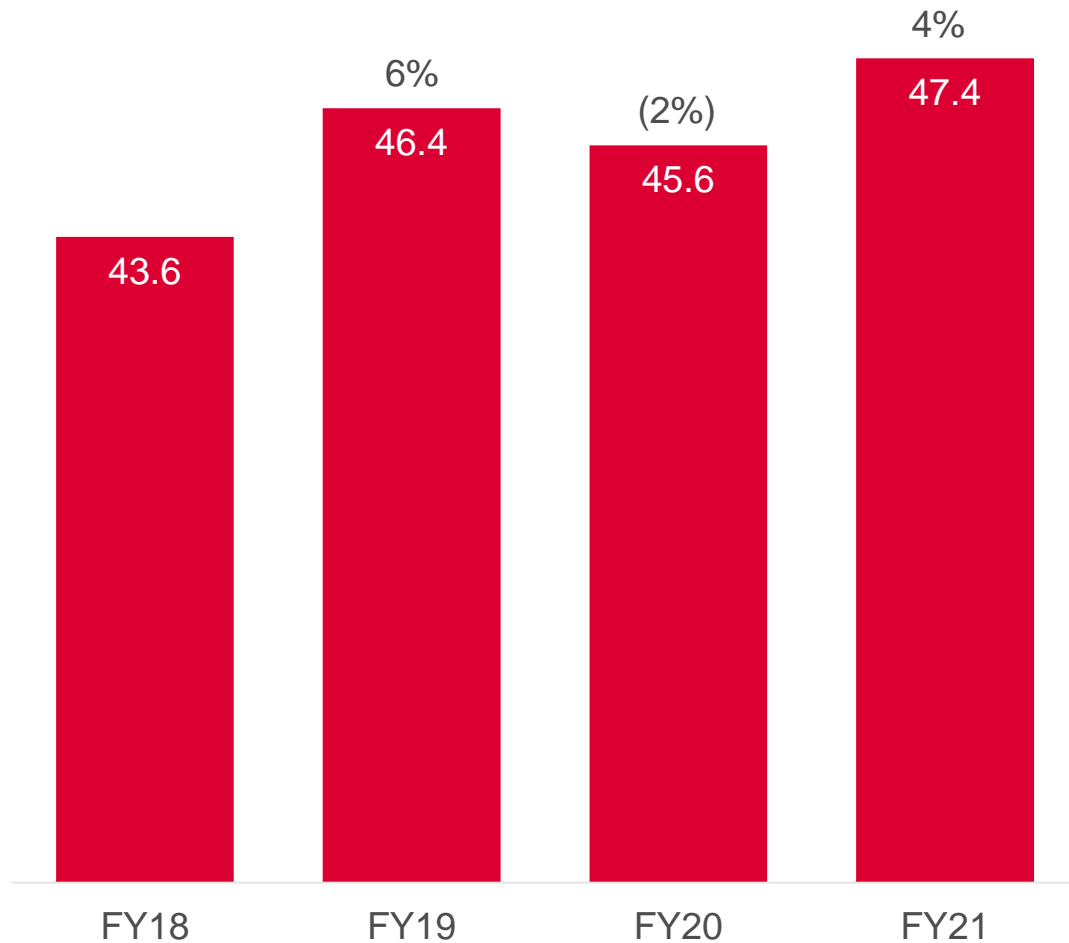
	FY21 Rm	Change %	Mix %
Staff	26 147	4	55
Property	1 879	0	4
Technology	4 928	19	10
Depreciation	3 465	(9)	7
Professional fees	2 358	2	5
Marketing	1 287	16	3
Communication *	1 441	3	3
Cash transportation	1 135	(4)	3
Amortisation	1 445	12	3
Other **	3 327	0	7
<b>Total</b>	<b>47 412</b>	<b>4</b>	<b>100</b>



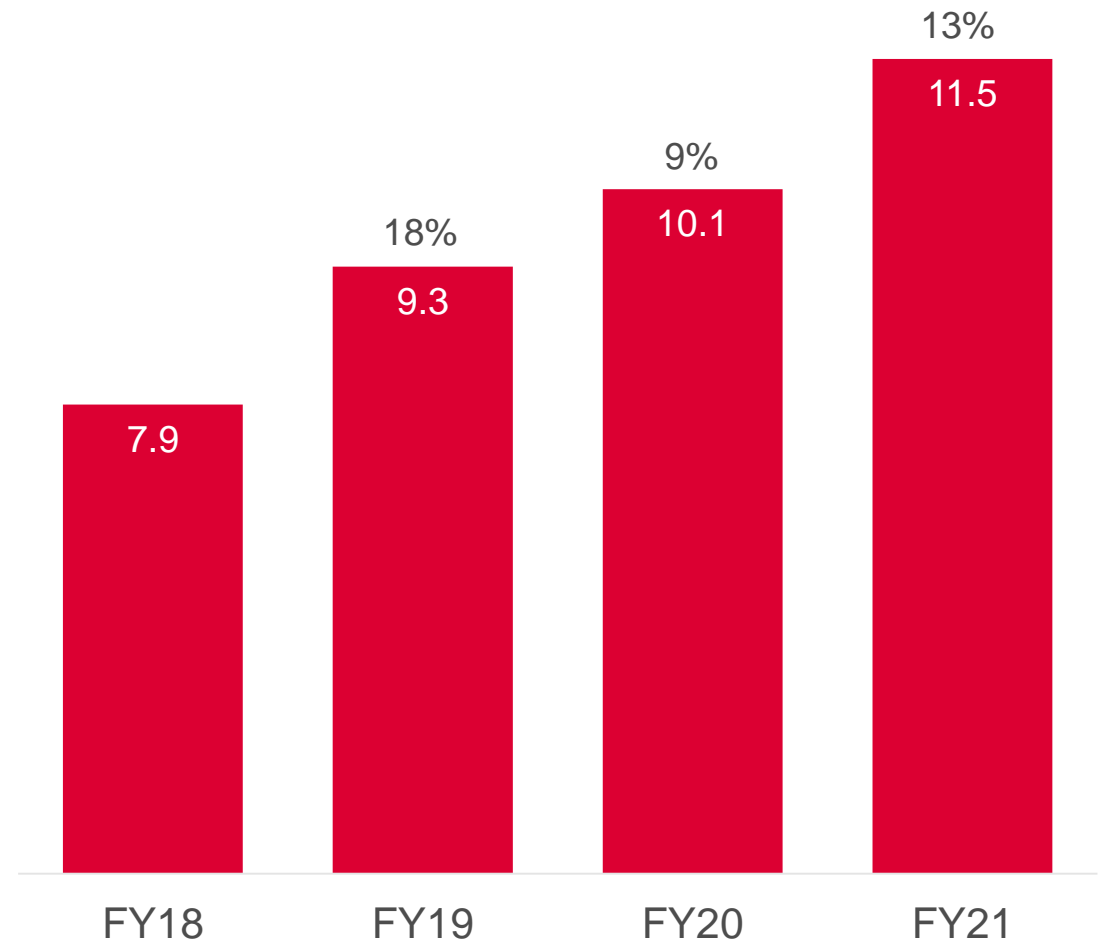
Note: \* printing and stationery plus telephone and postage; \*\* includes administration fees, equipment costs, fraud, travel and entertainment, auditors, other costs etc.

# ... while continuing to invest in technology

Group operating expenses (Rbn)

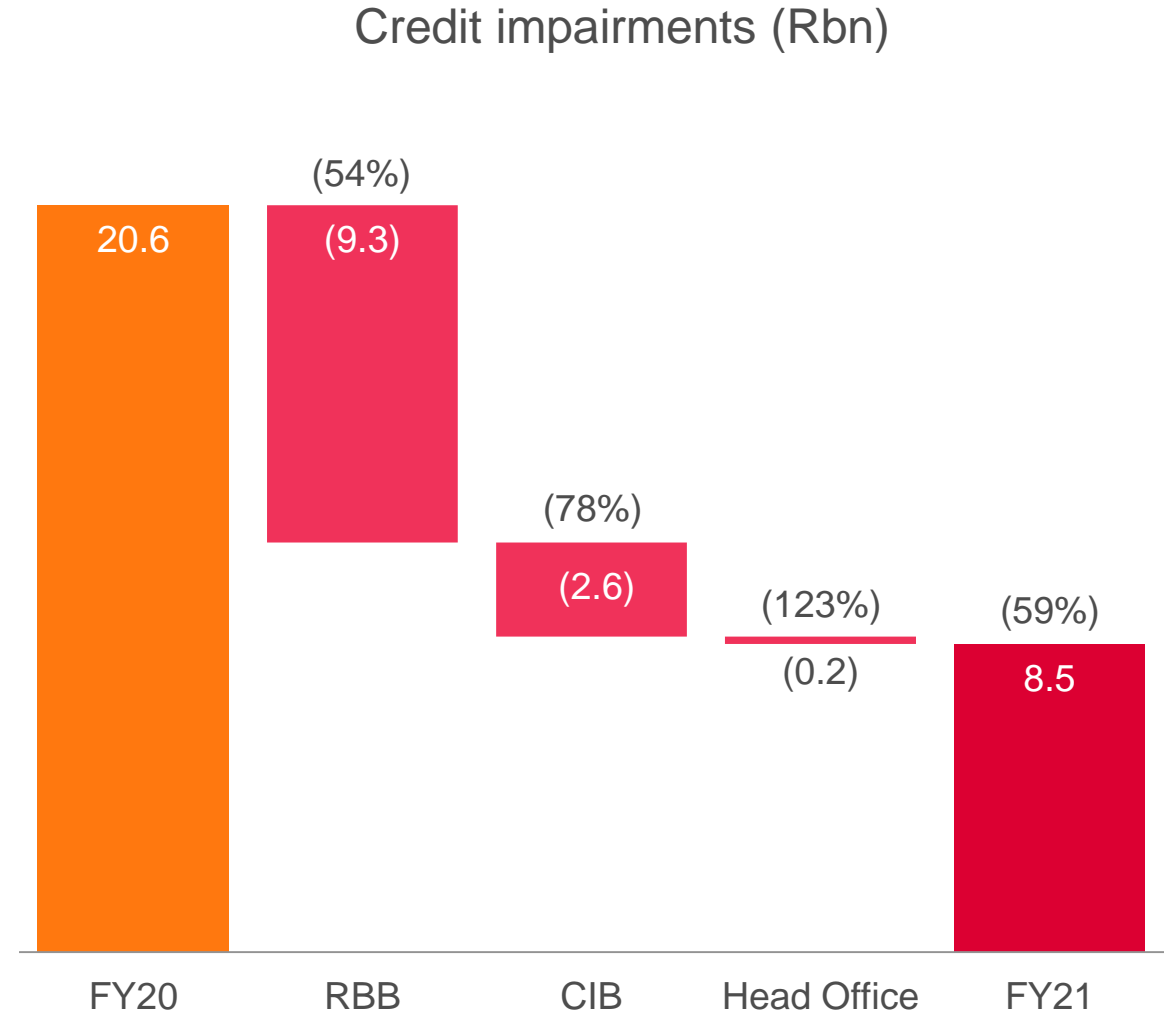


Total technology-related spend (Rbn)

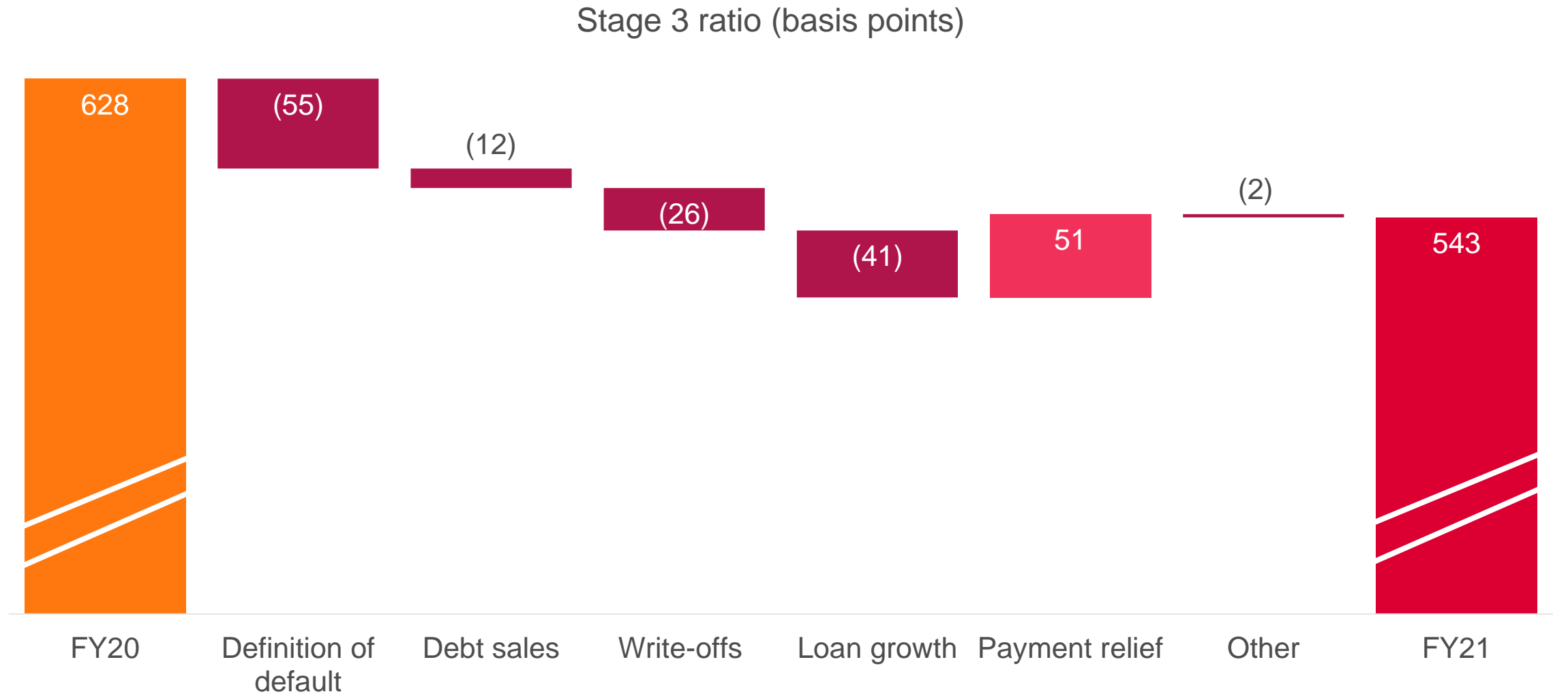


# Credit impairments improved materially across the board

Credit loss ratio (%)	FY20	FY21
RBB	2.78	1.21
Everyday Banking	8.42	5.02
Vehicle and Asset Finance	3.45	1.45
Home Loans	0.88	(0.05)
Relationship Banking	1.61	0.67
RBB ARO	3.88	2.03
CIB	0.75	0.17
<b>Group</b>	<b>1.92</b>	<b>0.77</b>

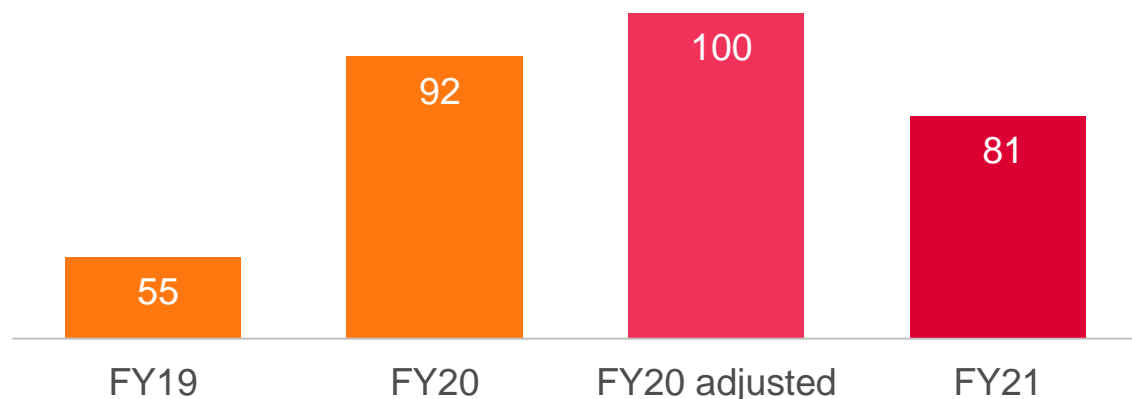


# Several drivers of lower non-performing loans

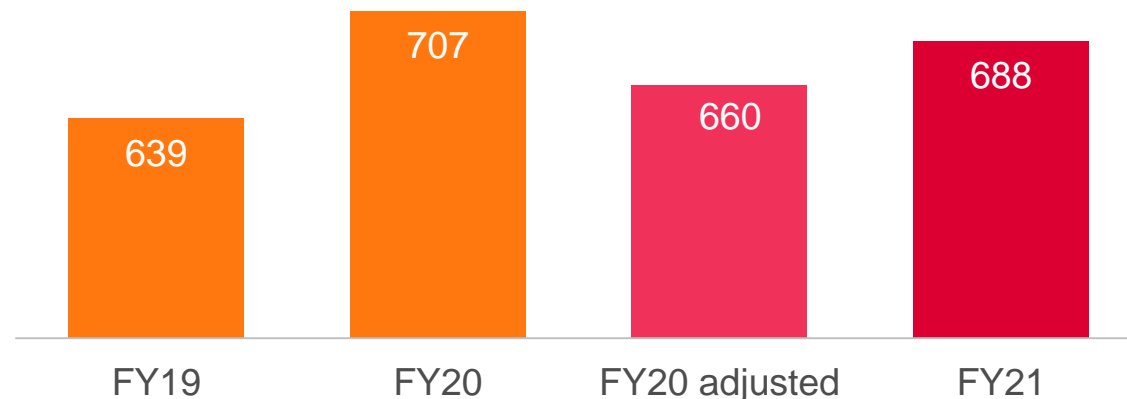


# Loan coverage remained robust

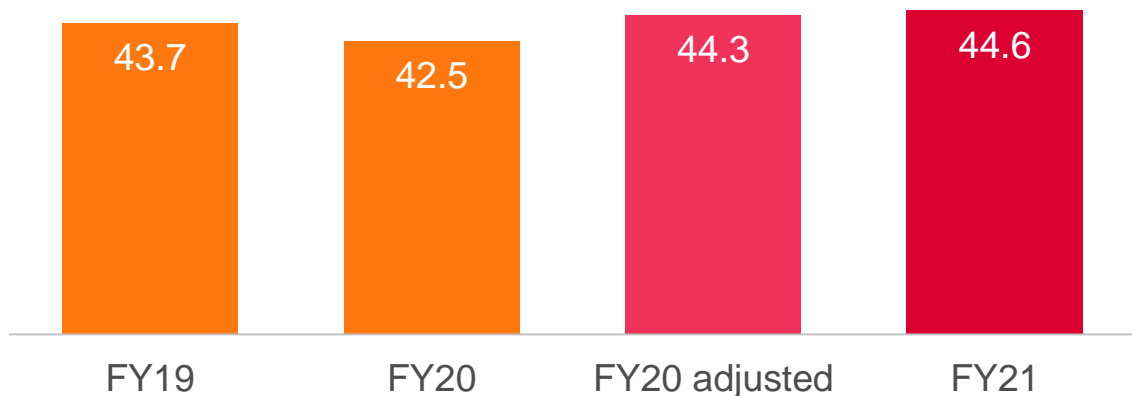
Stage 1 loan coverage (basis points)



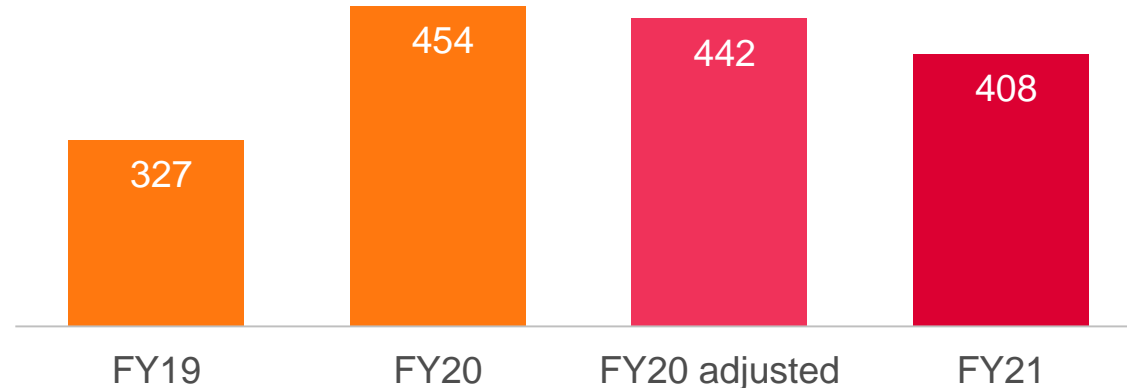
Stage 2 loan coverage (basis points)



Stage 3 loan coverage (%)



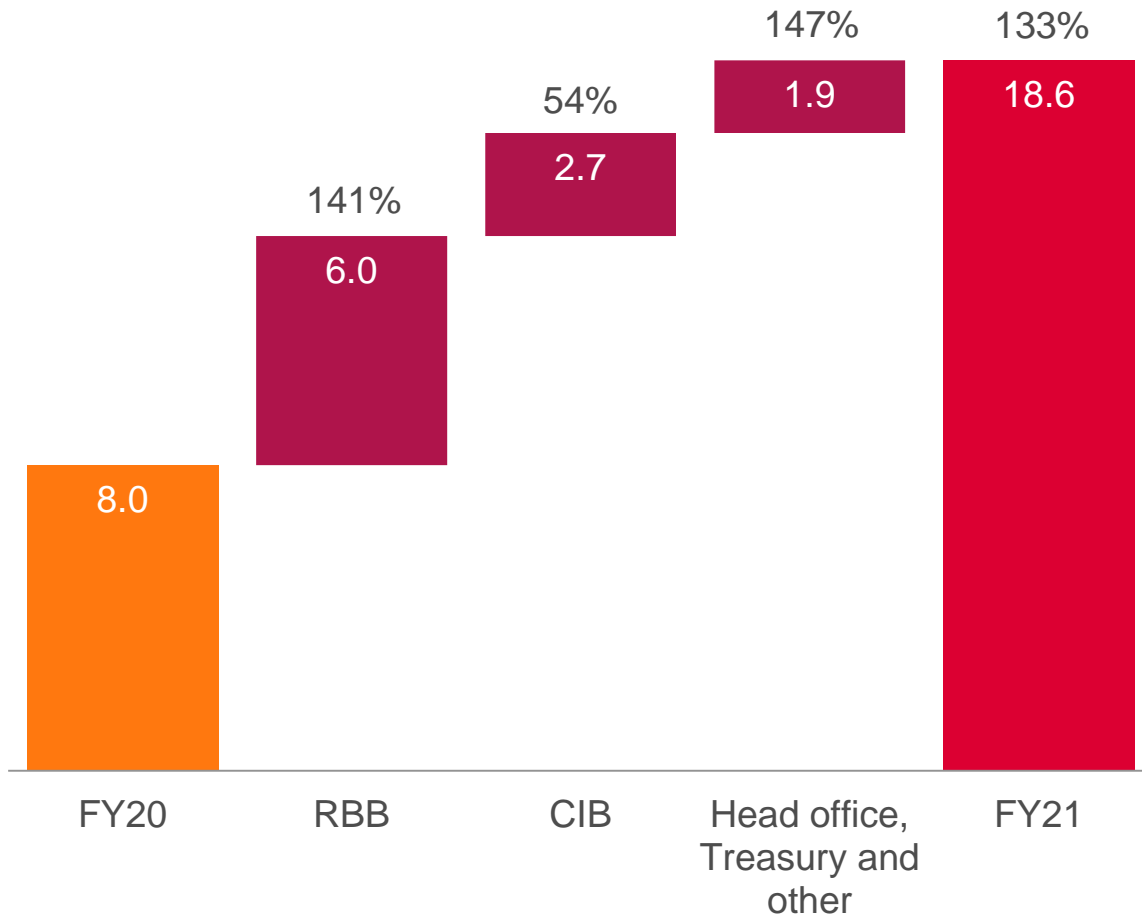
Total loan coverage (basis points)



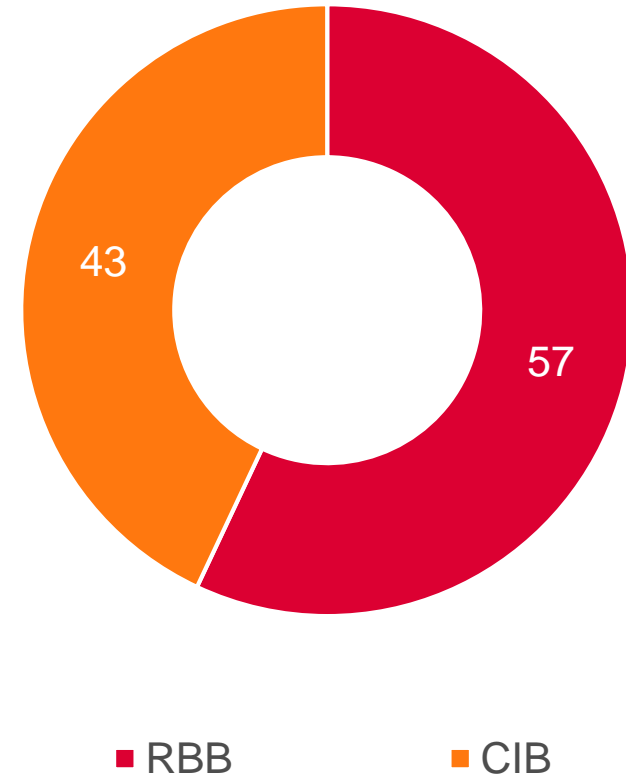
Note: FY20 adjusted coverage includes our definition of default changes to provide a better like-for-like comparison for FY21.

# Strong divisional earnings growth

Normalised headline earnings (Rbn)



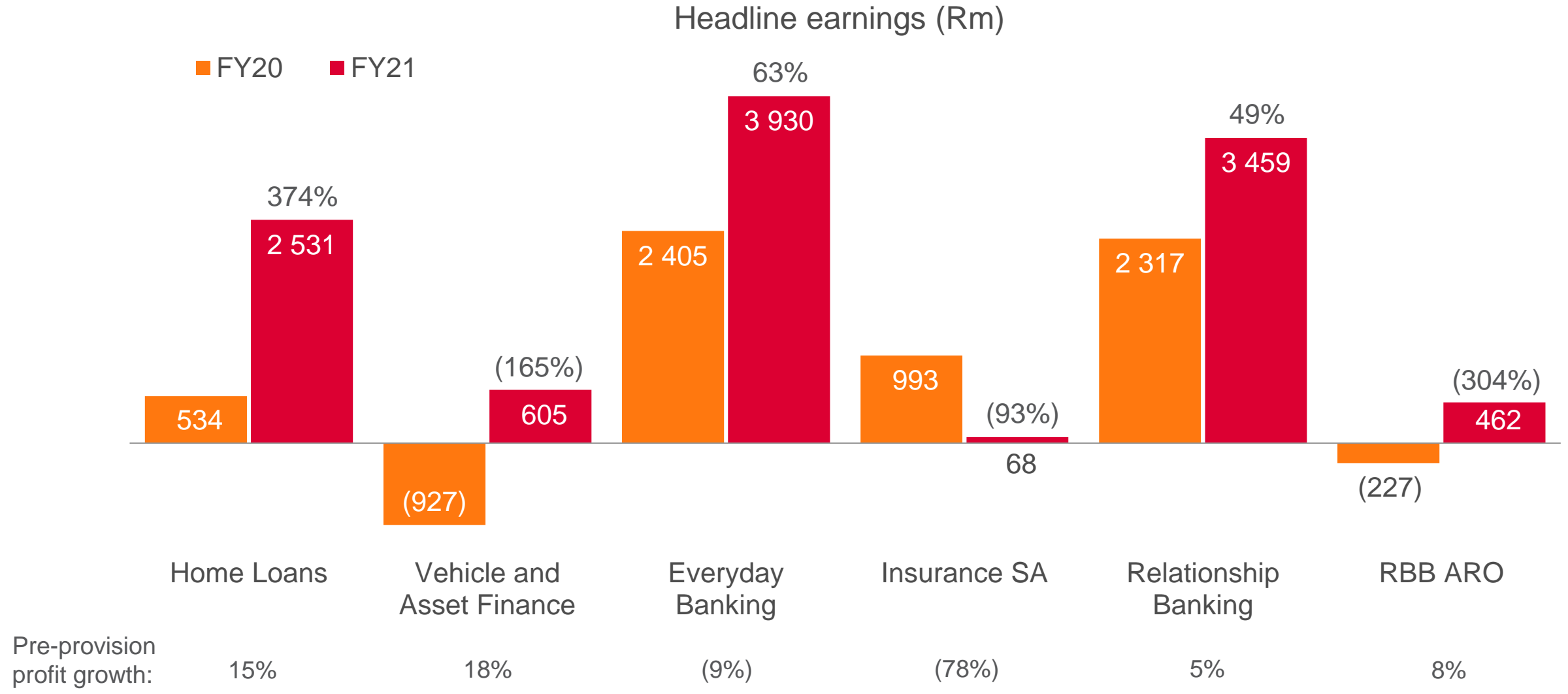
Group normalised headline earnings mix \* (%)



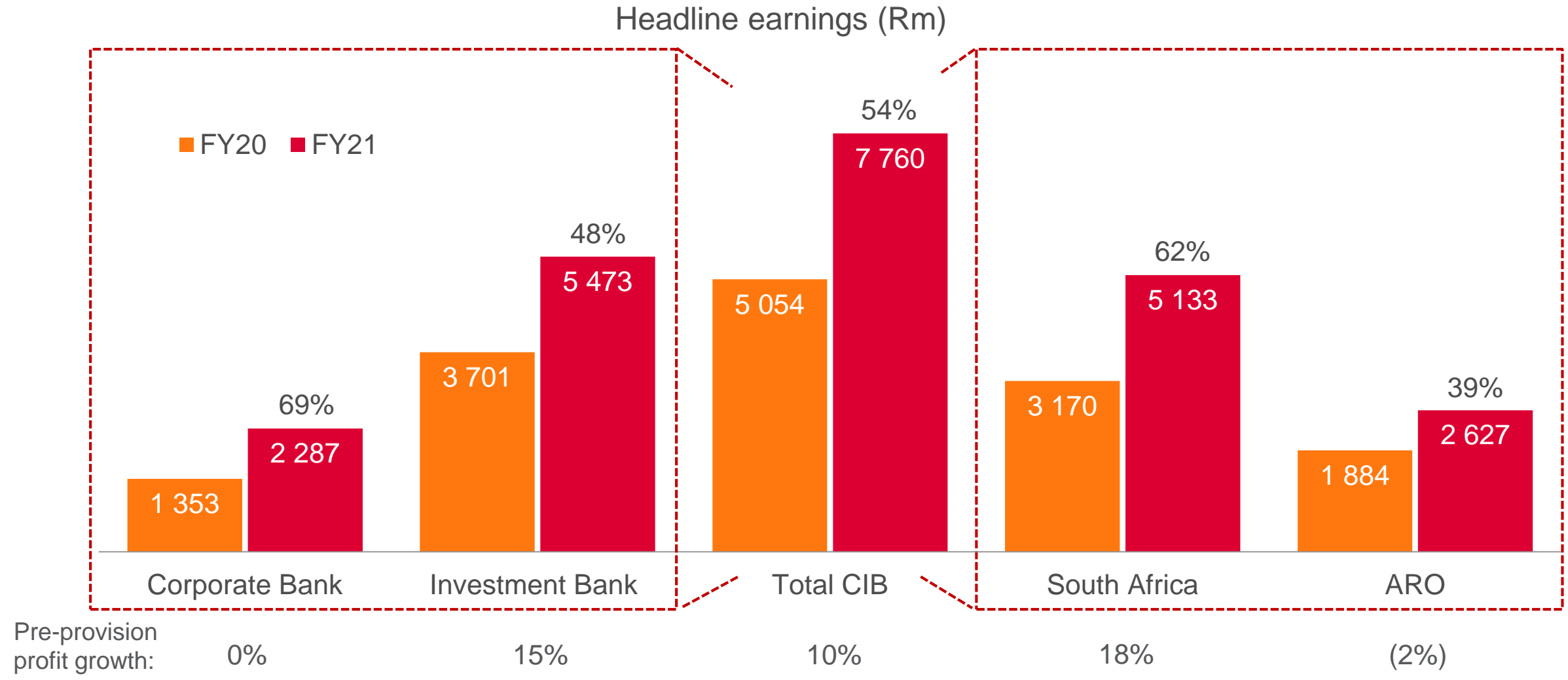
Note: \* Group normalised headline earnings mix excludes Head office, Treasury and other



# RBB franchises all rebounded sharply, besides Insurance

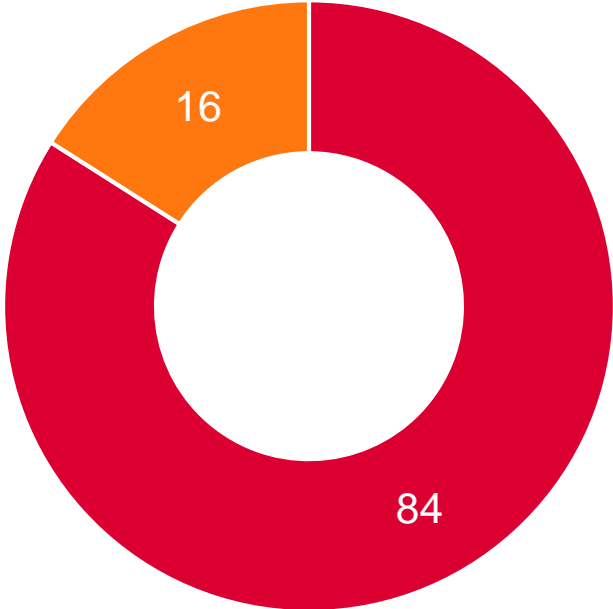


# Strong earnings growth across CIB franchises



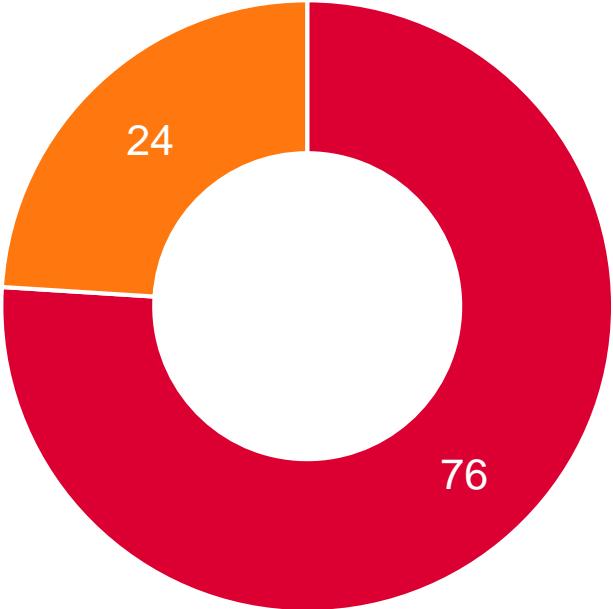
# Opportunity remains in Africa regions

Group earnings mix (%)



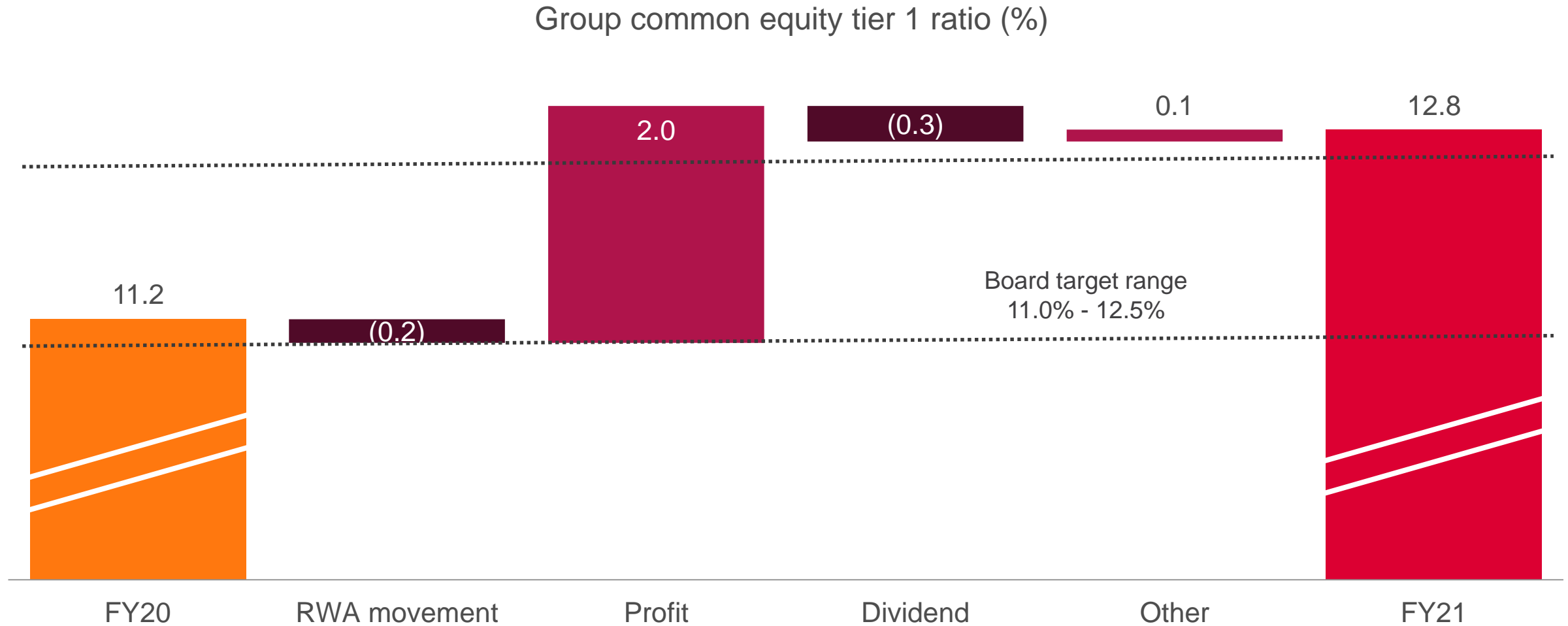
■ South Africa    ■ Africa regions

Group revenue mix (%)



■ South Africa    ■ Africa regions

# Common equity tier 1 ratio above board target range



# Jason Quinn

Interim Chief Executive

# Completed strategy refresh



# ESG strategy: active force for good in everything we do



## ENVIRONMENTAL

Managing climate change and biodiversity risks and opportunities

Become Africa's leader in **sustainable finance**

Proactively **incorporate climate change risk** into our business

Set ambitious net zero **carbon emission target**

Achieve a positive impact on **biodiversity** medium-term



## SOCIAL

Contributing meaningfully to the societies in which we operate

Provide **inclusive financial services** to small and medium-sized businesses, women and Youth

Support **education and skills development** e.g. financial literacy, tertiary education and vocational training, ReadytoWork

Be there for our **communities, colleagues and clients** when they need us most

Champion **diversity and inclusion**



## GOVERNANCE

Committed to the highest standards of governance and ethics

Commit to **excellence in governance and risk management**

Ensure **fair outcomes and transparency** with all stakeholders

Ensure a resilient and robust **control environment**



## PUBLIC POLICY AND REGULATION

Active influence on public policy and regulation

Strengthen **trust-based regulatory relationships**

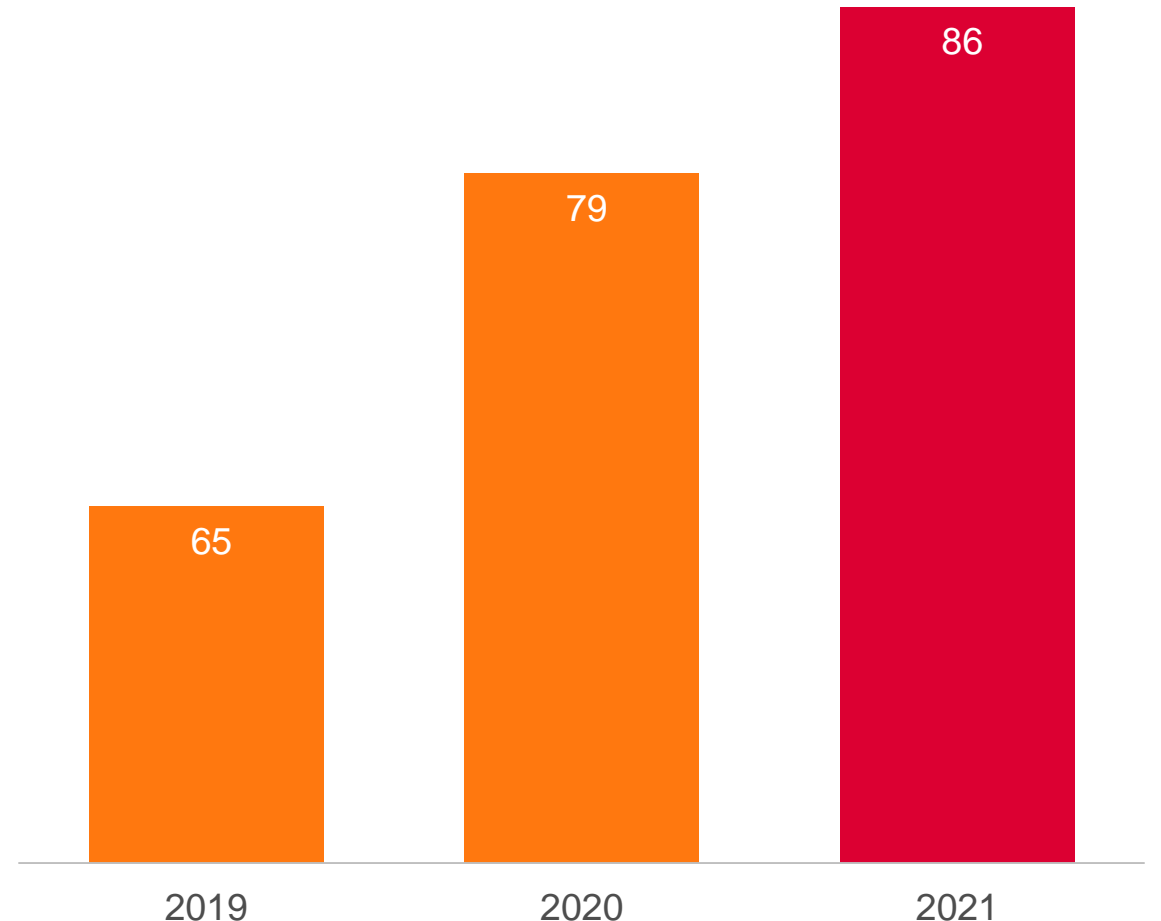
Act as a strategic **thought leader in key regulatory debates and influence national agendas**

**Support government policies** in the collective interests of societies

# Making solid progress on sustainability

- Our global ESG ratings all improved
- Significant sustainable finance growth
- CIB's ESG-related financing almost double target
- Financing bulk of SA renewables 5<sup>th</sup> round
- African Rainbow Energy and Power partnership
- Significant growth in RBB SA renewables financing
- Embedding climate change risk management
- Focusing on inclusive finance initiatives
- Attracting funding e.g. IFC \$150m green loan
- B-BBEE status returned to level 1
- Announced B-BBEE intention (up to 8% of shares)

Absa S&P SAM ESG rating (percentile global banks)

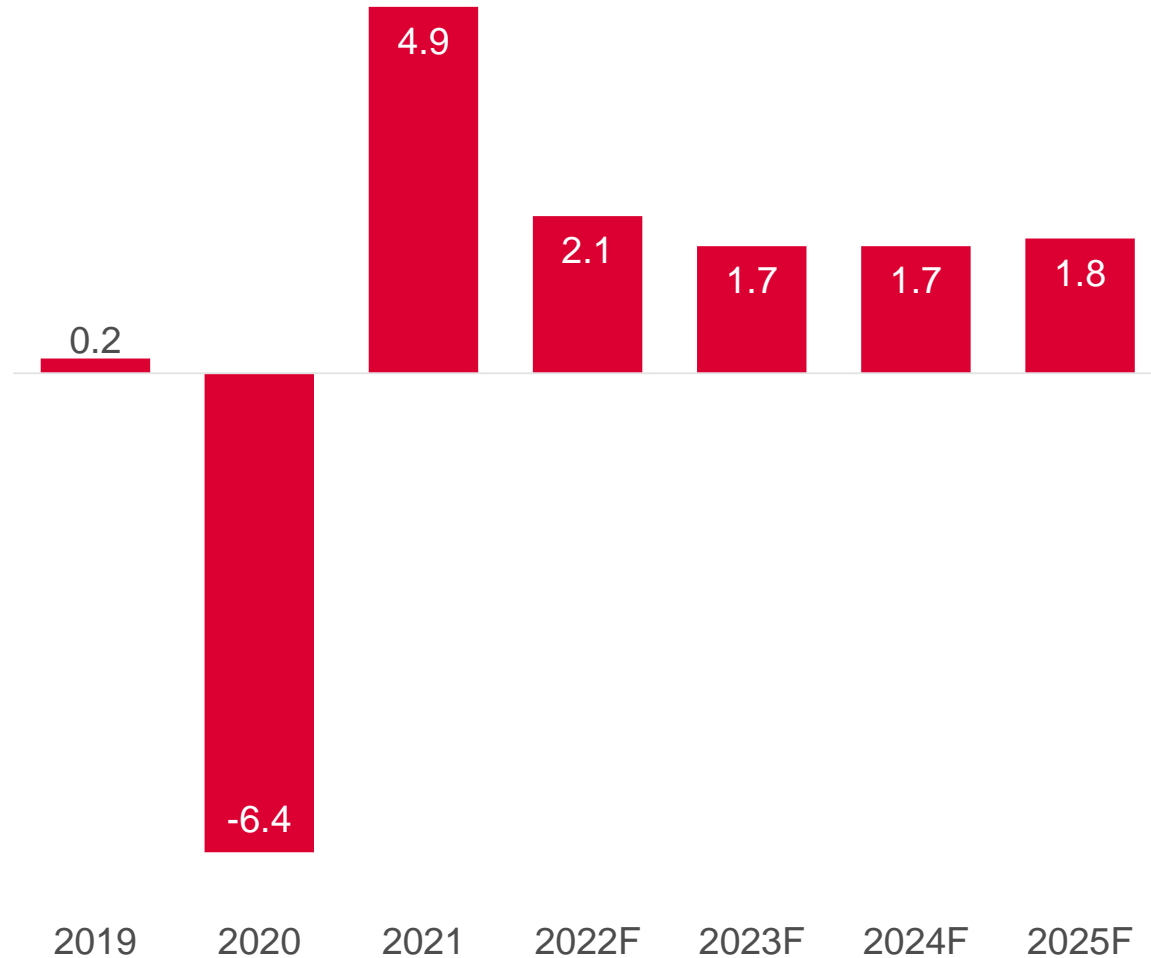


Source: S&P

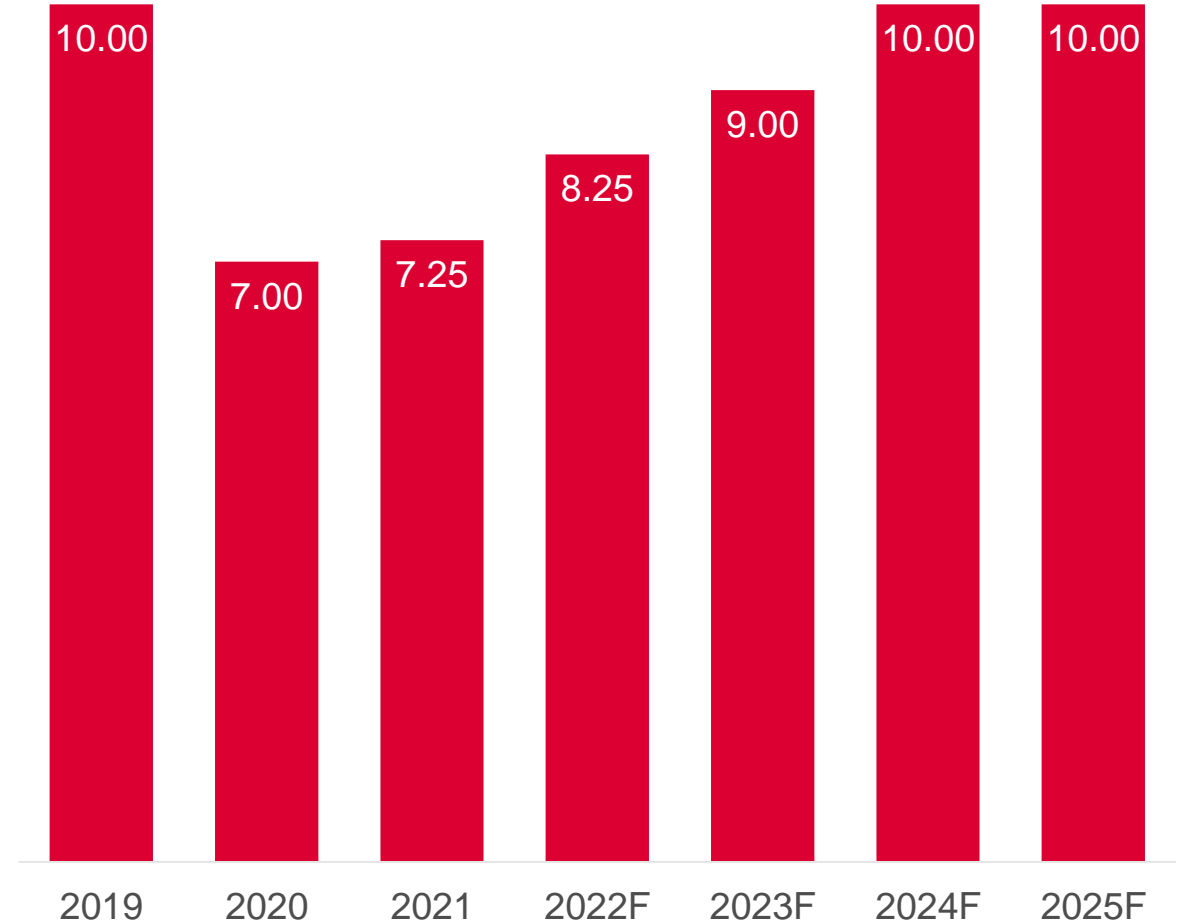


# Modest growth expectations, with downside risk

South Africa real GDP growth (%)



South Africa prime interest rate (%)

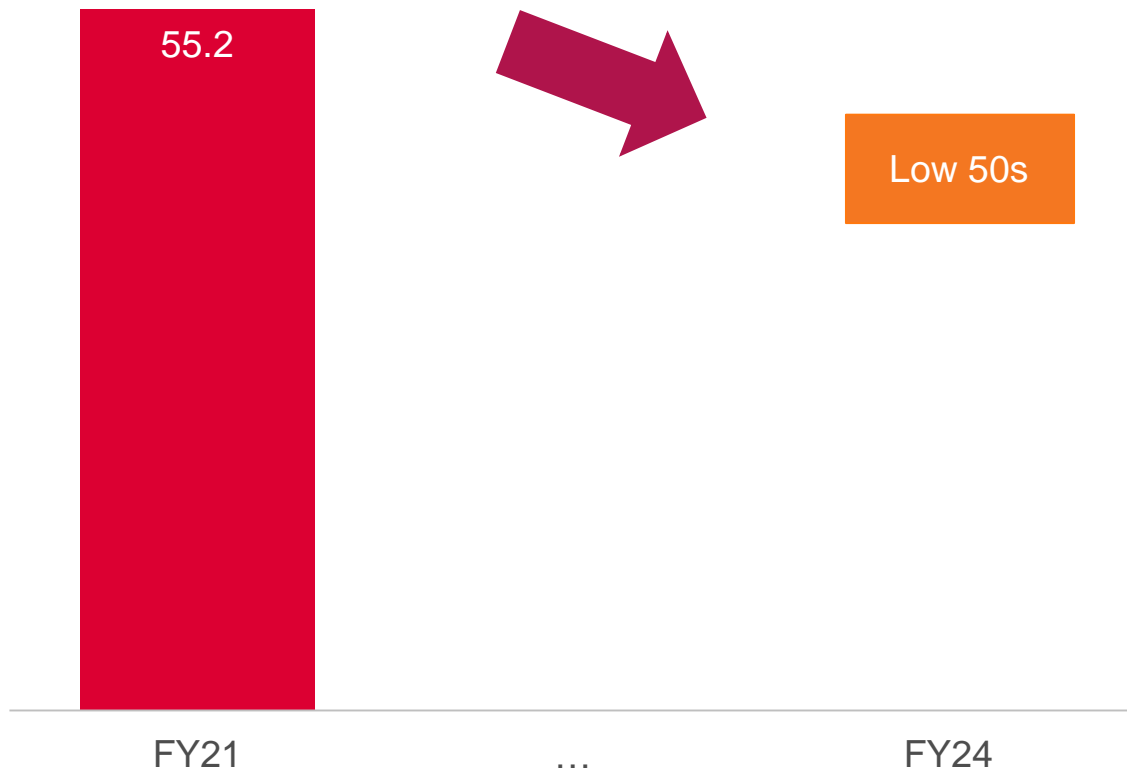


# 2022 outlook

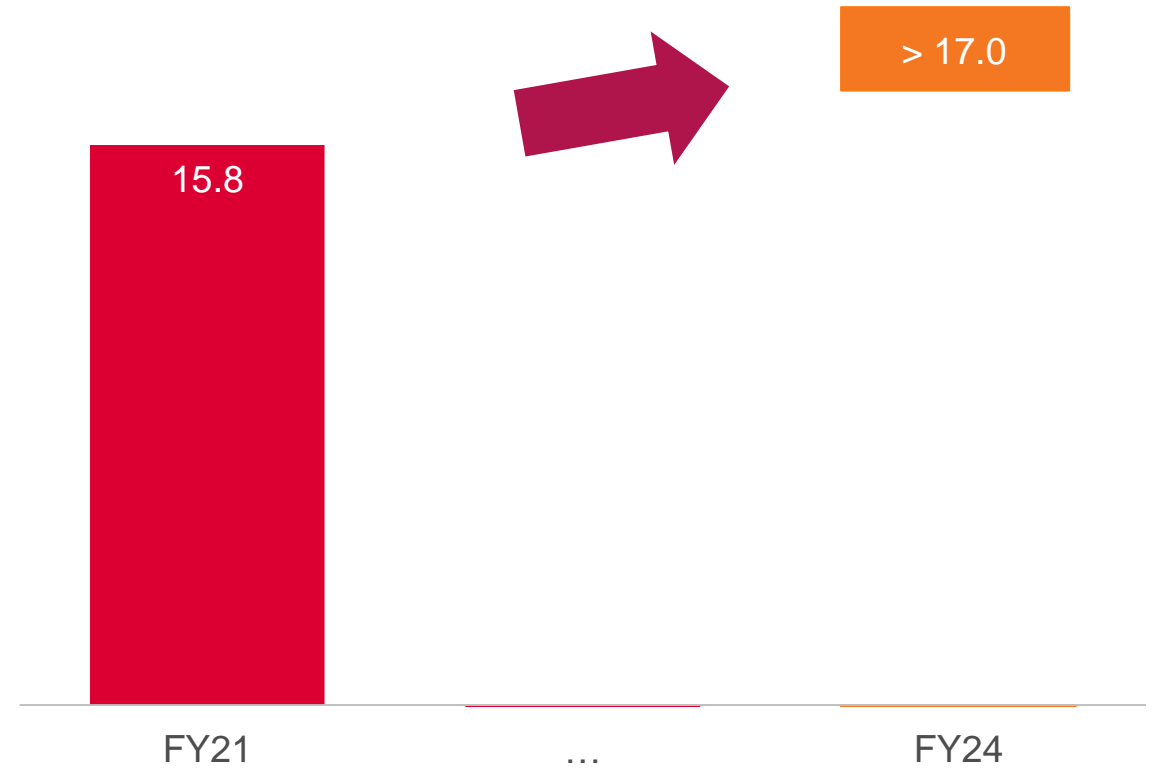
- We expect high single digit revenue growth
  - Driven by improved non-interest income growth (partly due to lower life insurance claims)
  - High single digit customer loan and deposit growth. Net interest margin benefits from rising rates
- We expect mid-single digit operating expense growth, resulting in positive operating JAWS and high single digit growth in pre-provision profits
- Credit loss ratio likely to increase, but remain in the bottom half of through-the-cycle range of 75 to 100bps
- Consequently, RoE expected to be similar to 2021
- Group CET1 capital ratio expected to decline, although remain above 12%
  - Dividend payout ratio expected to increase to at least 50%

# Medium-term targets – 2024

Cost-to-income ratio (%)



RoE (%)



# Disclaimer

## Forward-looking statements

Certain statements (words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘believes’, ‘intends’, ‘plans’, ‘may’, ‘will’ and ‘should’ and similar expressions in this document are forward looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Absa Group Limited and its subsidiaries. These statements are not guarantees of future operating, financial or other results and involve certain risks, uncertainties and assumptions and so actual results and outcomes may differ materially from these expressed or implied by such statements. We make no express or implied representation or warranty that the results we anticipated by such forward-looking statements will be achieved. These statements represent one of many possible scenarios and should not be viewed as the most likely or standard scenario. We are not obligated to update the historical information or forward looking statements in this document.