

ABSA GROUP LIMITED

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

ISIN: ZAE000255915

JSE share code: ABG

JSE bond issuer code: ABGI

("Absa Group" or "the Group")

**VOLUNTARY TRADING UPDATE AND TRADING STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2022**

Further to Absa Group's trading update and operational outlook of 7 December 2022, there is greater certainty regarding our financial results for the year ended 31 December 2022. The commentary below refers to the percentage change year-on-year in our normalised financial results, which adjust for the consequences of separating from Barclays PLC.

We previously highlighted Ghana's sovereign debt crisis as a potential risk to our 2022 performance. With greater certainty on the terms of the proposed debt exchange programme with the Ghana sovereign, we expect our credit impairments to increase significantly year-on-year, mainly due to impairments on sovereign investment securities and related exposures in the banking book.

Notwithstanding building significant coverage against our sovereign bond exposure in Ghana, the rest of the Group performed strongly, such that our 2022 results are expected to be largely consistent with our guidance on 7 December 2022.

Group revenue for 2022 is expected to increase by mid-teens year-on-year, driven by very strong non-interest income growth in part due to a recovery in life insurance revenue off a low base. Given high single digit operating expense growth, we expect substantial pre-provision profit growth in the mid-20s. Consequently, our 2022 cost-to-income ratio is expected to improve noticeably to the low 50s, in line with the first half 2022 ratio.

Our 2022 credit loss ratio is expected to be similar to our first half 2022 charge of 91 basis points when excluding Ghana sovereign-related charges.

Our return on equity is expected to improve year-on-year to slightly below 17%, well above our cost of equity. Excluding impairment charges on Ghana sovereign-related exposures, our return on equity is expected to be around 18%.

We expect all subsidiary entities to report capital levels in excess of local regulatory requirements. Given our strong Group common equity tier 1 capital ratio, we expect to increase our dividend payout ratio to at least 50% for the year.

Absa Group's IFRS headline earnings per share (HEPS) for 2022 is expected to increase by 10% to 15% from the 2021 comparative of 2147.1 cents, to between 2362 and 2469 cents. IFRS earnings per share for 2022 is expected to rise by 12% to 18%, to between 2396 and 2525 cents, from 2139.6 cents in 2021. Normalised HEPS for 2022 is expected to increase by 10% to 15%, to between 2417 and 2527 cents, from 2197 cents in 2021. Excluding the impairment charges on Ghana sovereign-related exposures, our normalised HEPS for 2022 is expected to increase by more than 20%.

Shareholders are advised that the financial information contained in this trading update and trading statement has not been reviewed or reported on by our auditors.

We will release our 2022 financial results on 13 March 2023.

Johannesburg
17 February 2023

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Lead Independent Sponsor:

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Joint Sponsor:

Absa Bank Limited (Corporate & Investment Bank)

Editor's Note:

Normalised reporting

Given the process of separating from Barclays PLC, Absa Group continues to report IFRS-compliant financial results and a normalised view. The latter adjusts for the consequences of the separation and better reflects its underlying performance.