



Absa Group

1H22 results presentation

15 August 2022

Arrie Rautenbach

Chief Executive

Consistent execution delivering strong performance

- Strong results reaffirm the strategic choices made in 2018
- Turnaround phase of the execution journey is completed
- Strong, experienced and stable leadership team in place
- Evolved the operating model
- Laid a strong foundation for the next phase of the journey, despite a challenging operating environment

Strategy to regain RBB leadership gaining traction

“Fix” phase ...

- Delayed the business
- End-to-end accountability in business
- Integrated bancassurance model
- Improved customer experience
- Stabilised and invested in the digital estate



... the next phase

- Smart growth with targeted customer acquisition
- Deliver superior customer experience with a focus on primacy
- Accelerate digitisation

CIB has a solid foundation for further growth

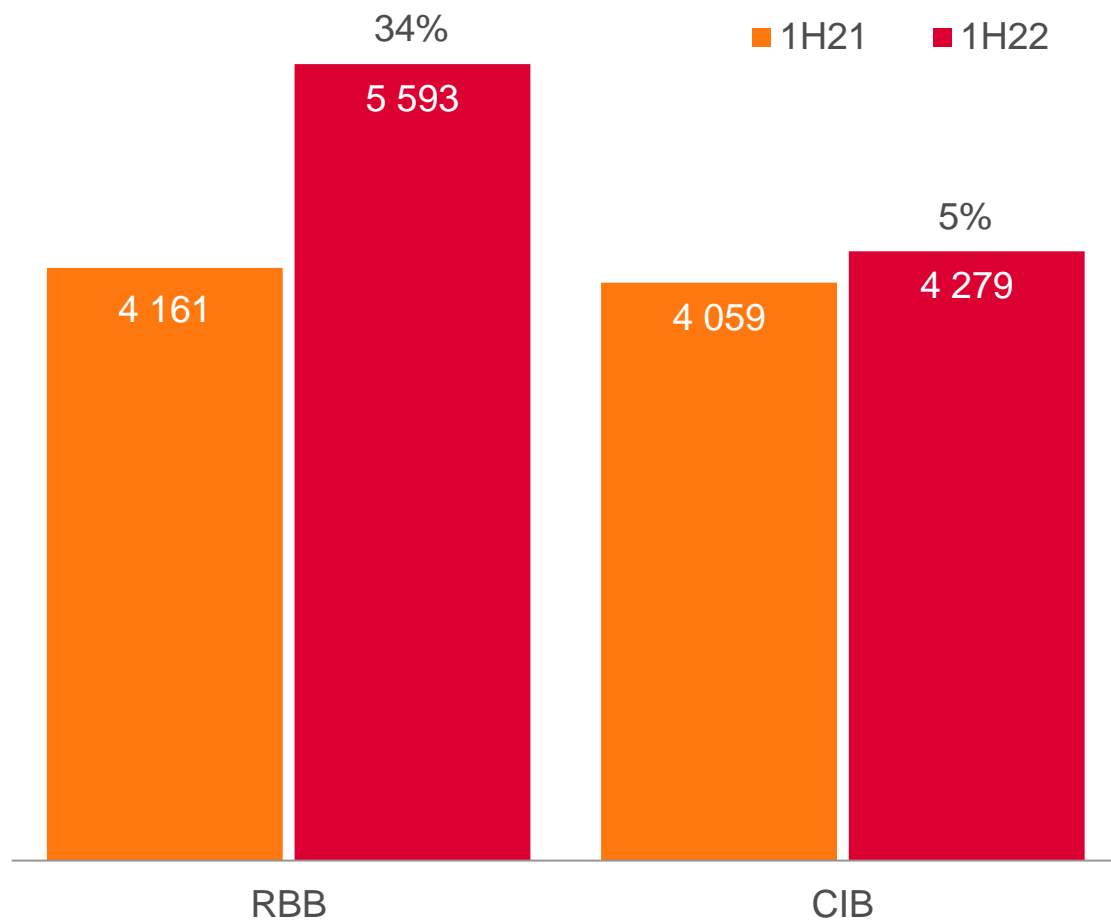
Successful Barclays separation the next phase

- Rebuilt core capabilities
- Digital migration
- Stable and experienced management team
- Embedded the Pan-African business model

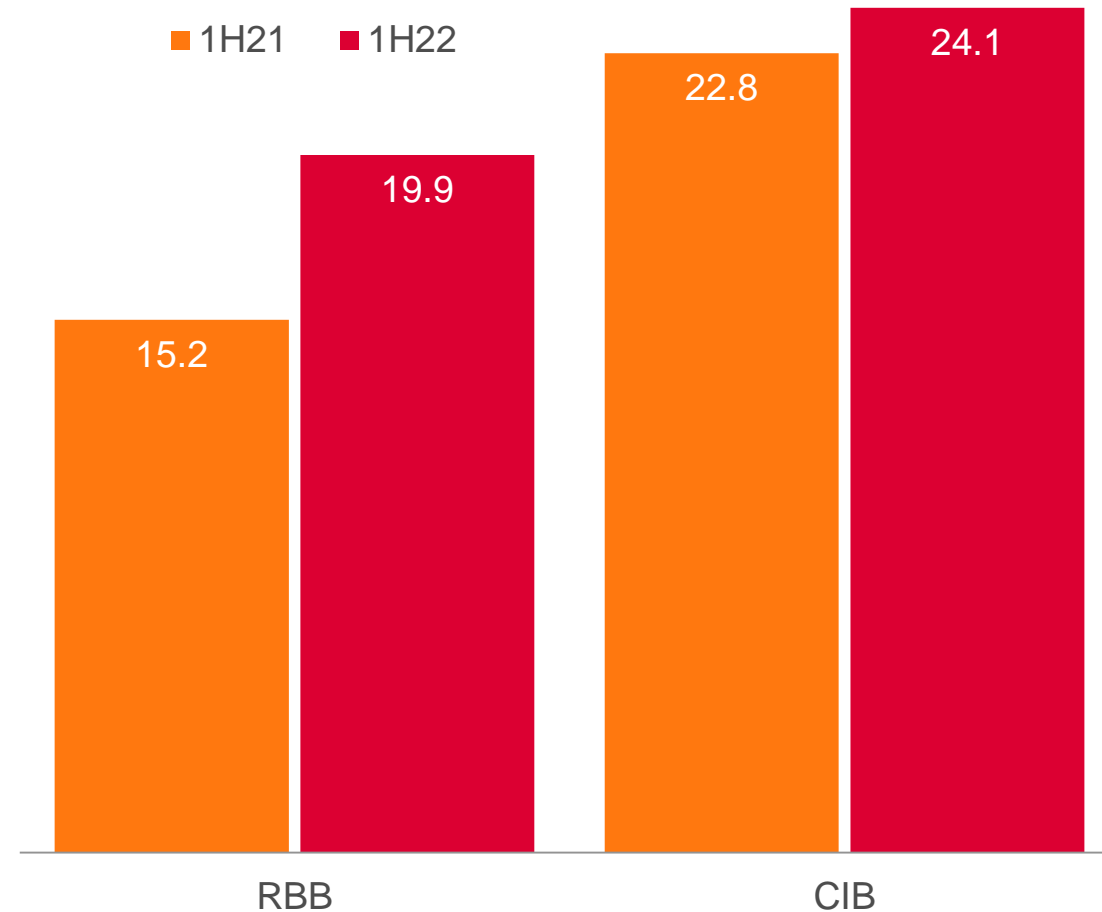
- Shift from a balance sheet-led strategy
- Primary partner for clients
- Growing the CIB ARO franchise
- Focus on ESG

Divisions grew earnings and improved returns

Normalised headline earnings (Rm)

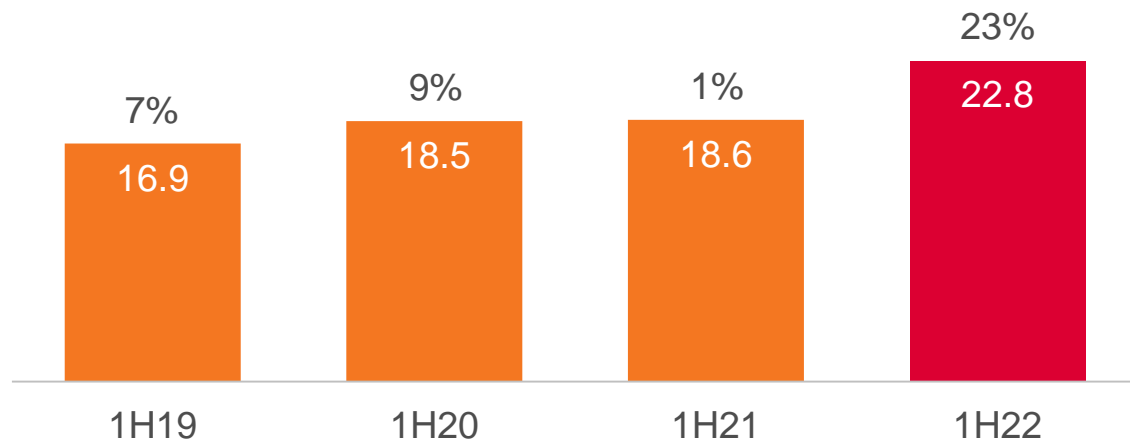


Return on regulatory capital (%)

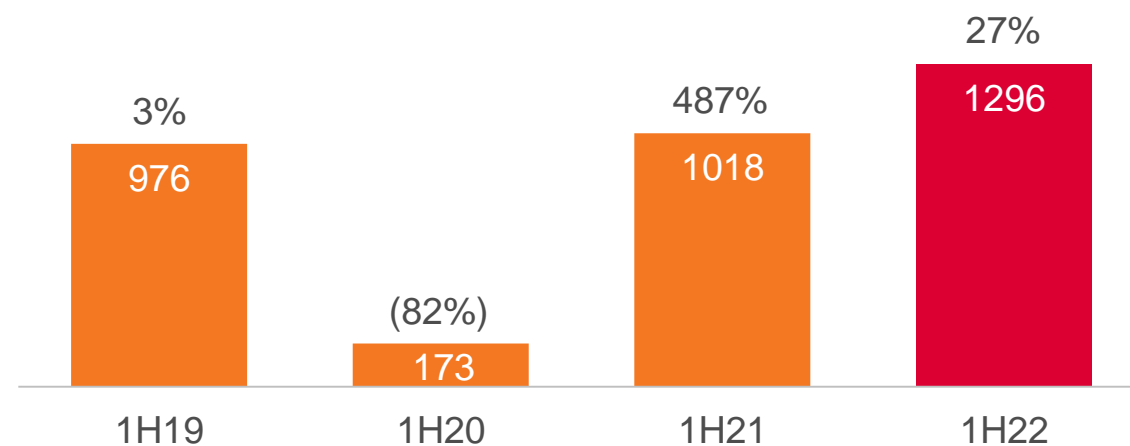


Maintained our positive momentum

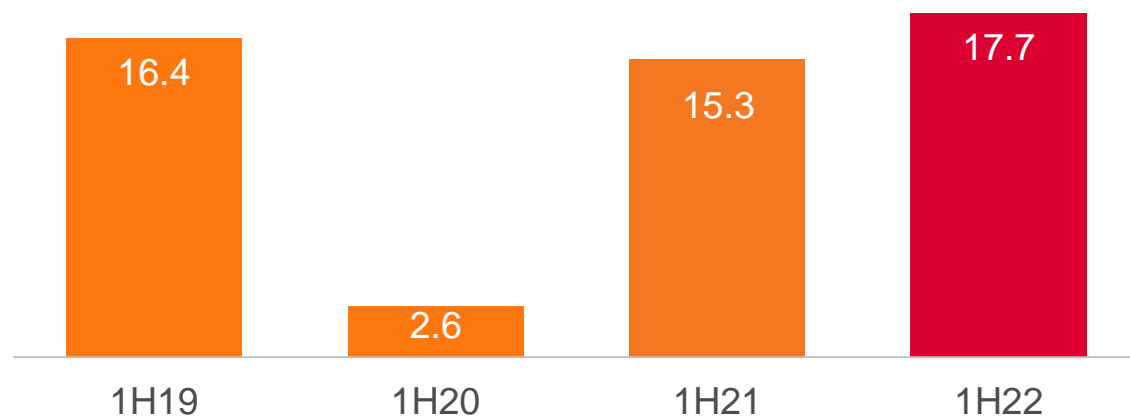
Pre-provision profit (Rbn)



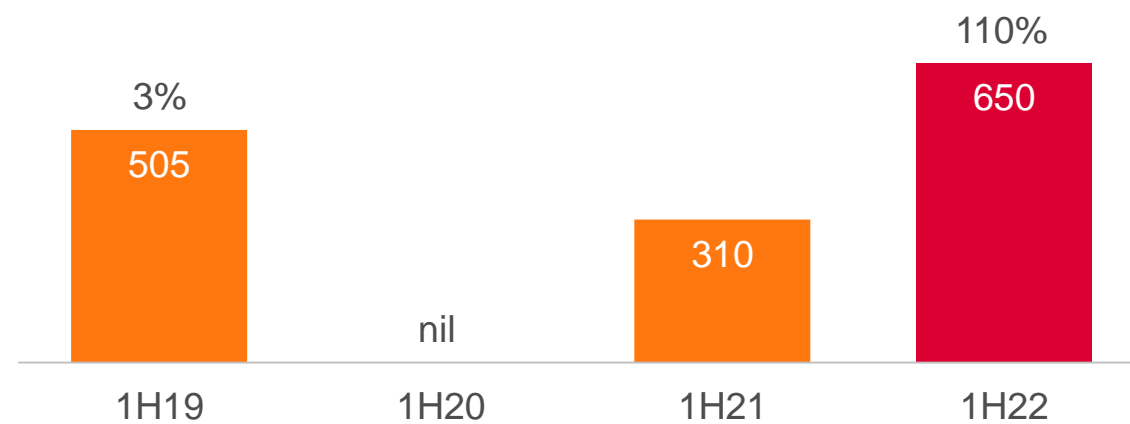
Diluted normalised HEPS (c)



RoE (%)



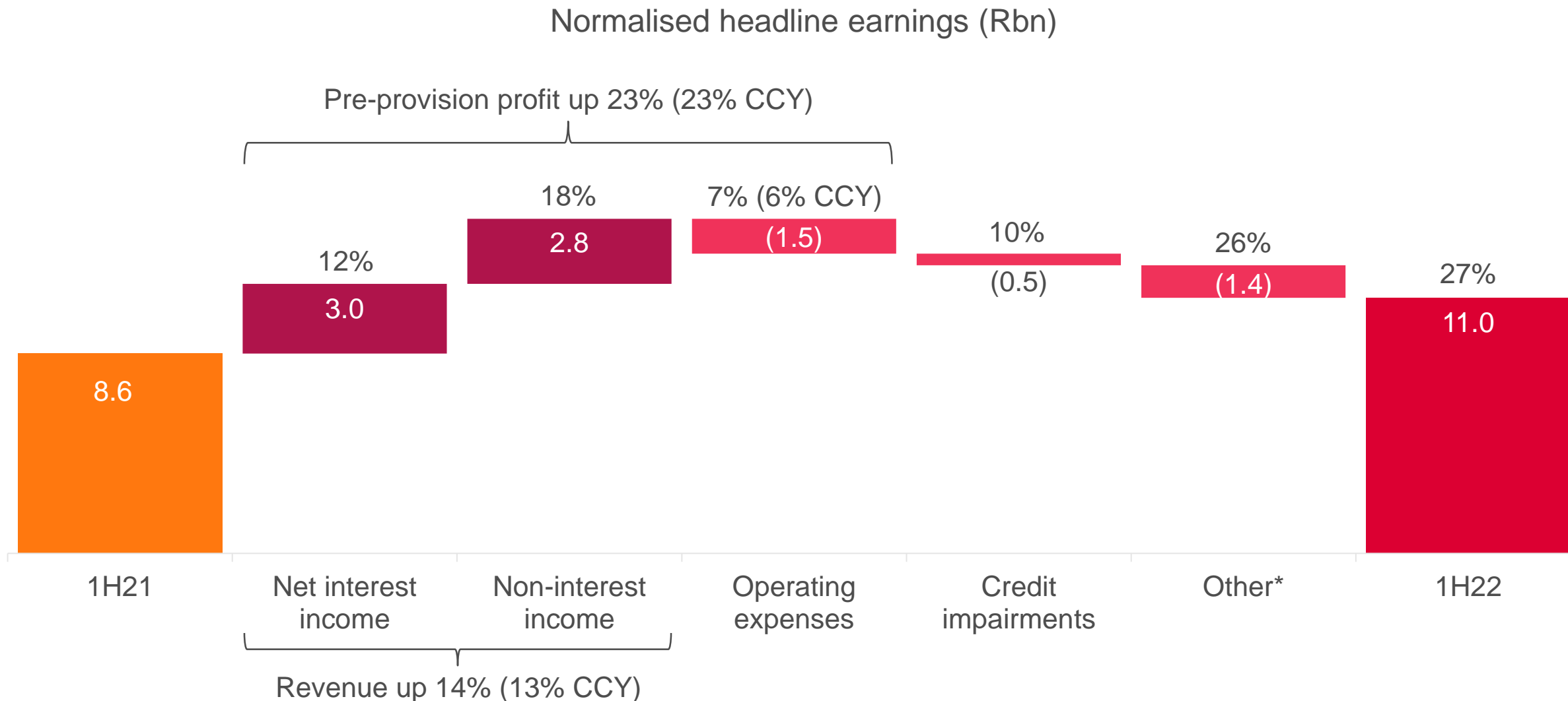
Dividend per share (c)



Jason Quinn

Financial Director

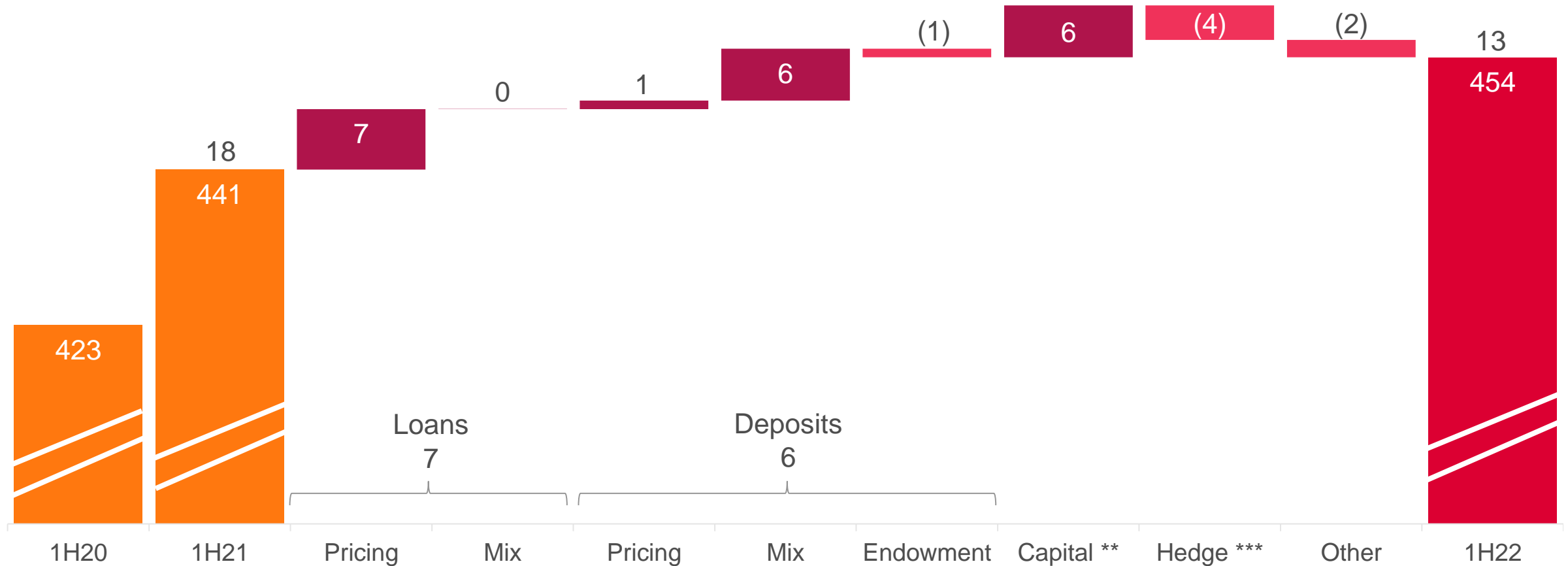
Revenue growth drove strong increase in earnings



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

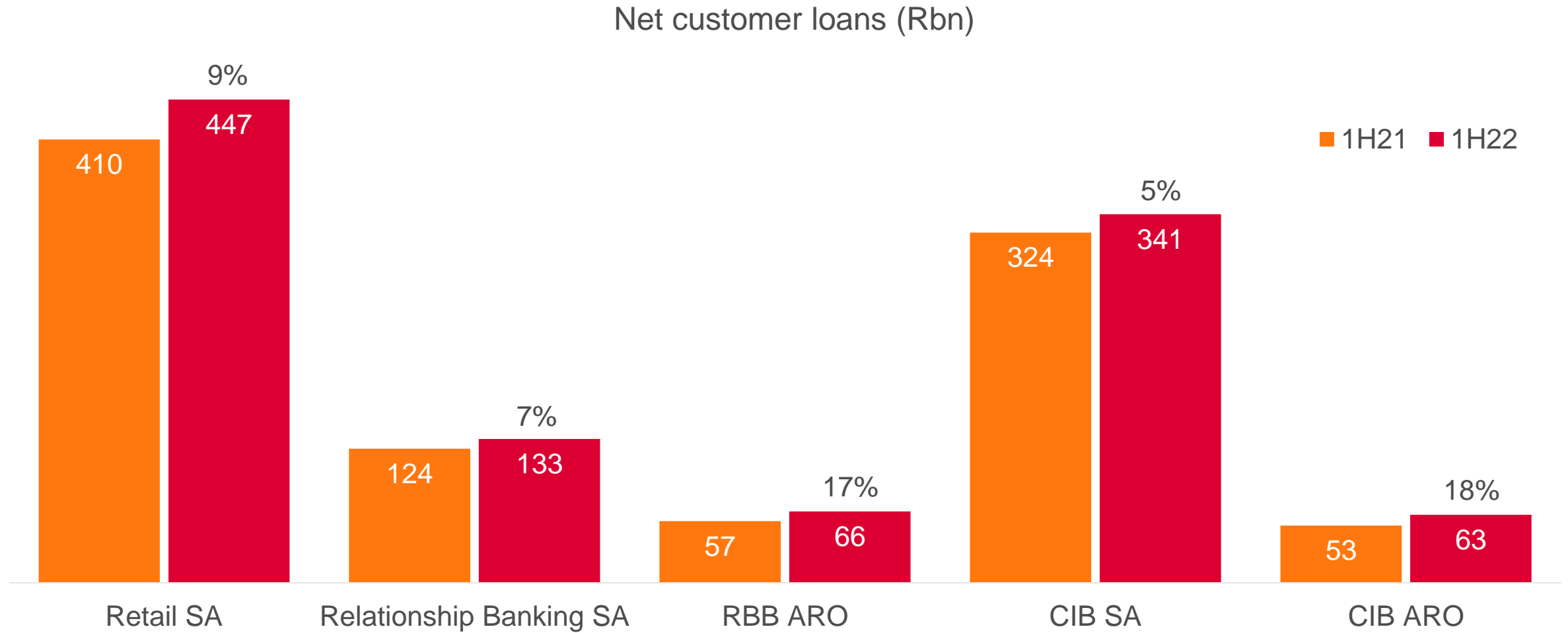
Net interest margin recovery continued

Change in net interest margin* (basis points)



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

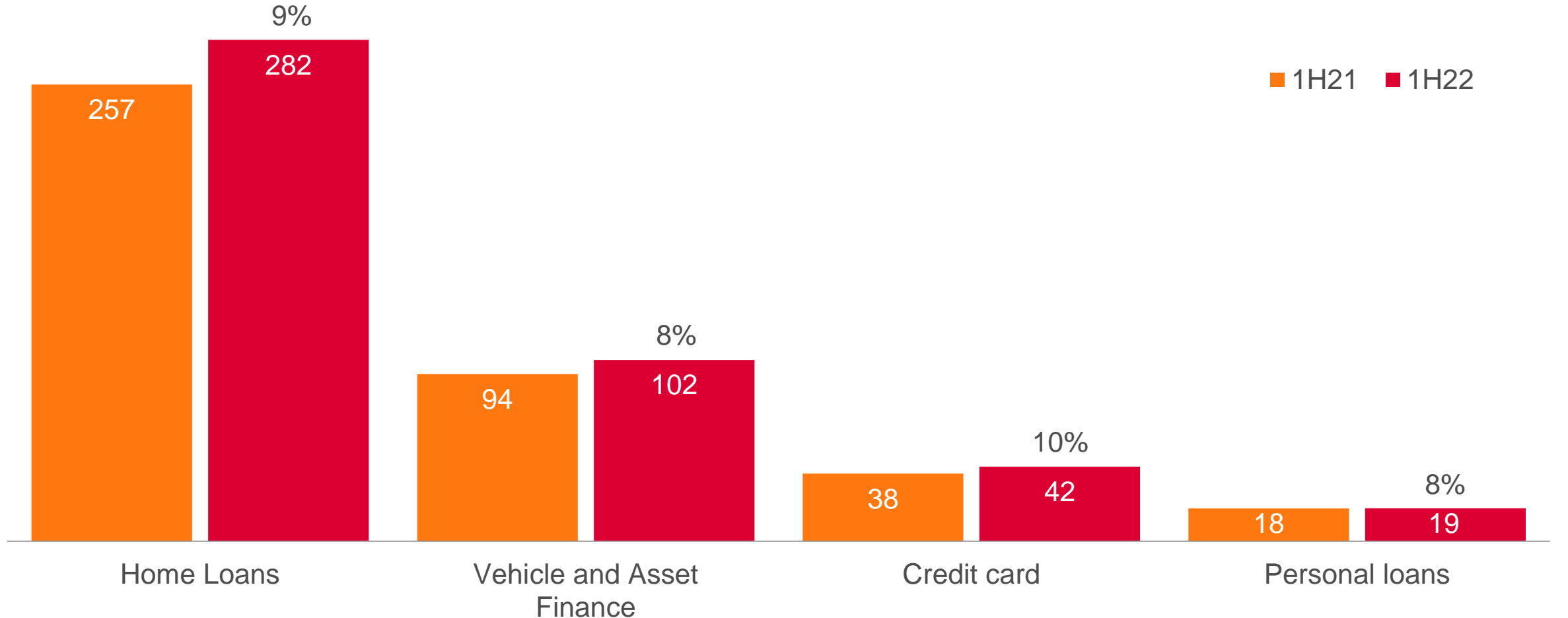
Broad-based loan growth



Note: In constant currency, RBB ARO grew 10% and CIB ARO 9%

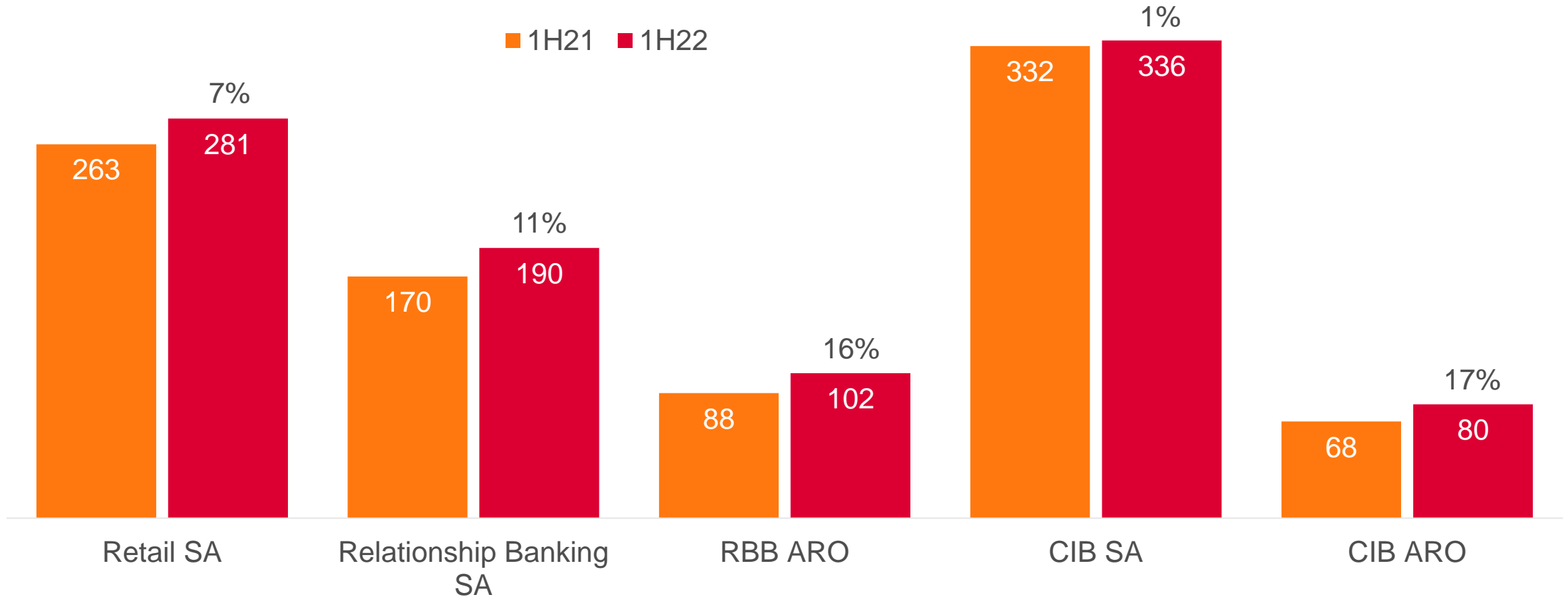
Consistent loan growth across Retail Banking SA

Retail Banking South Africa net customer loans (Rbn)



Continued deposit momentum across the board

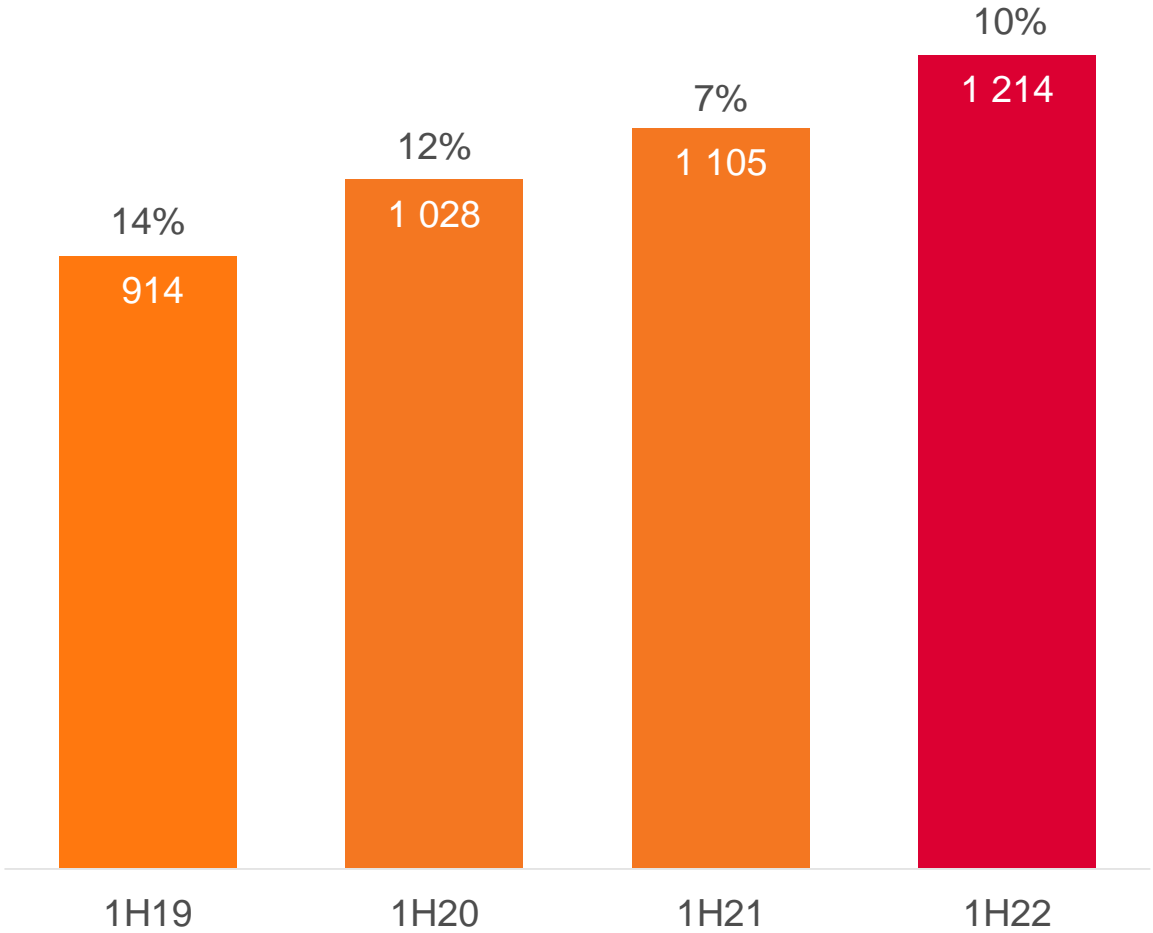
Customer deposits (Rbn)



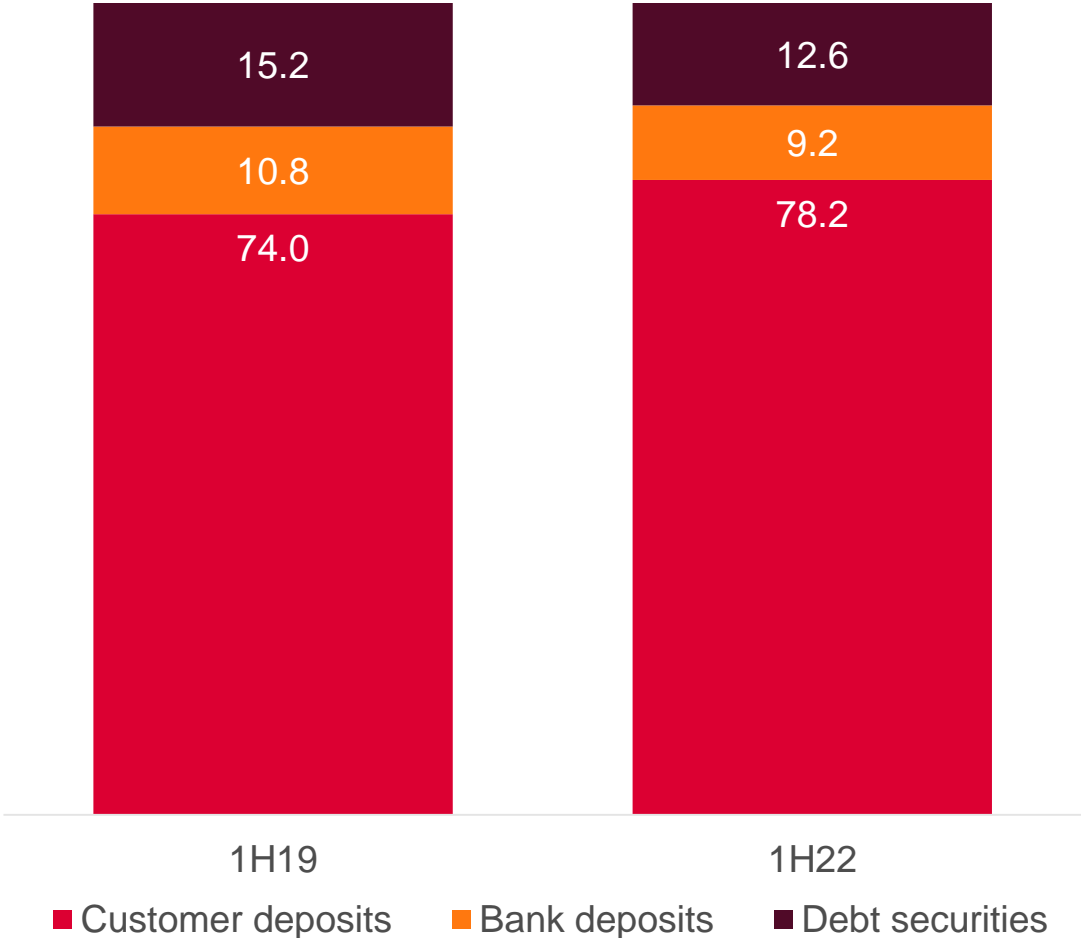
Note: In constant currency, RBB ARO grew 7% and CIB ARO 7%

Substantial deposit growth improved liquidity

Total deposits (Rbn)

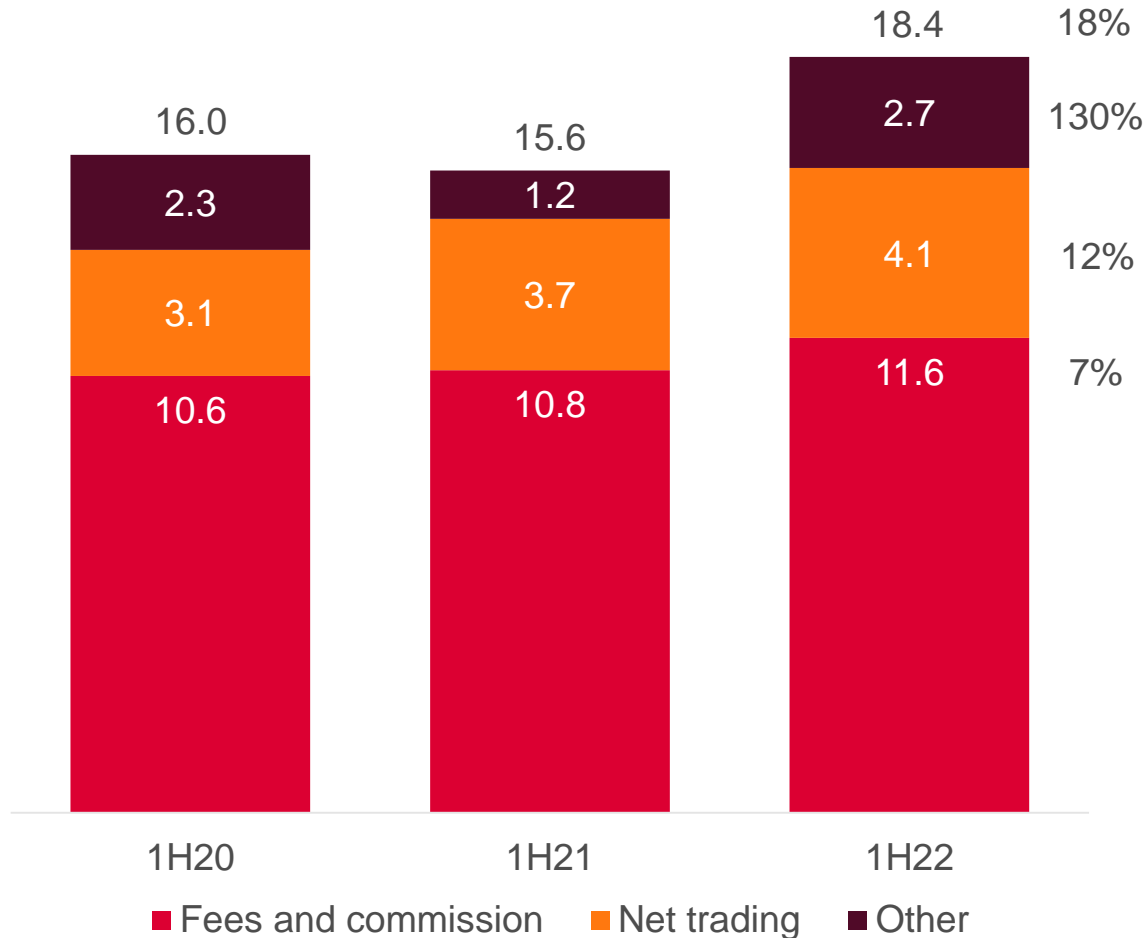


Group funding mix (%)

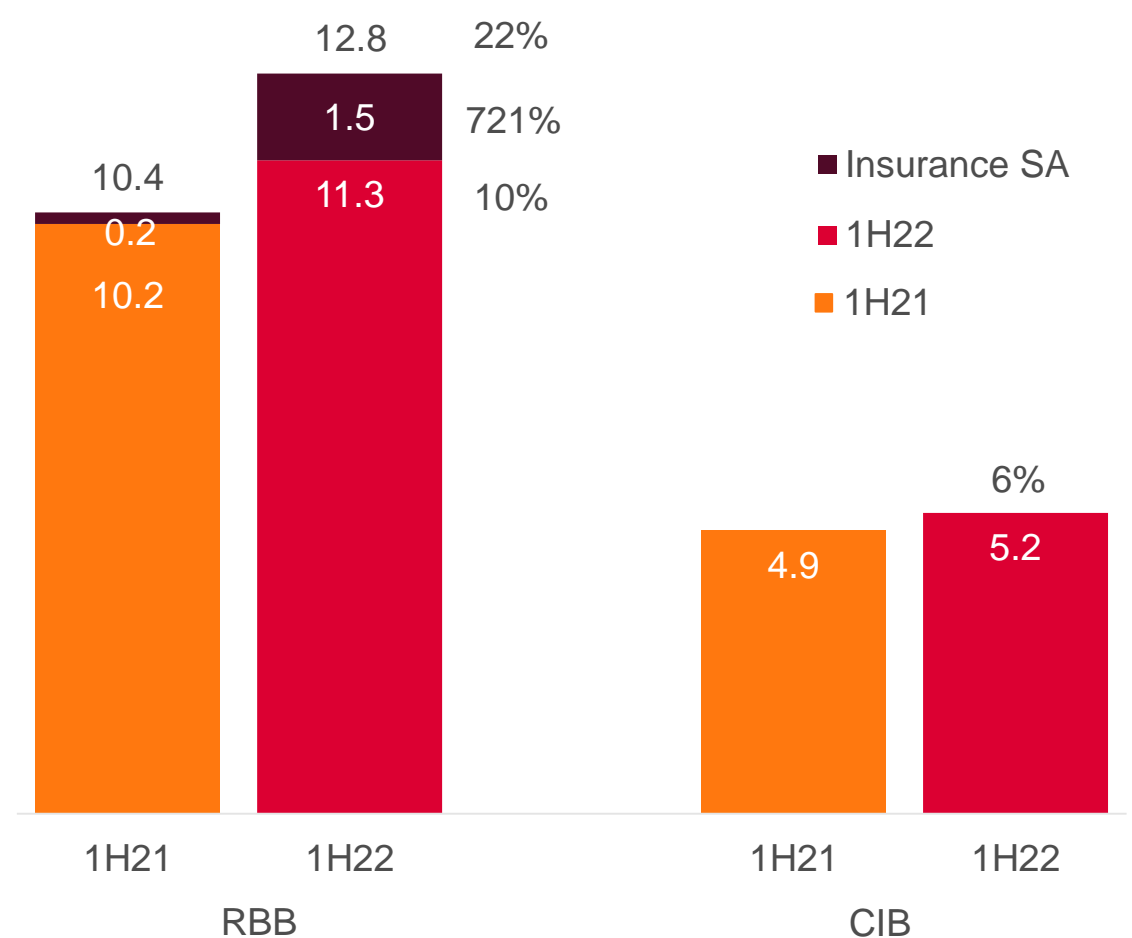


Insurance drove non-interest income rebound

Non-interest income (Rbn)

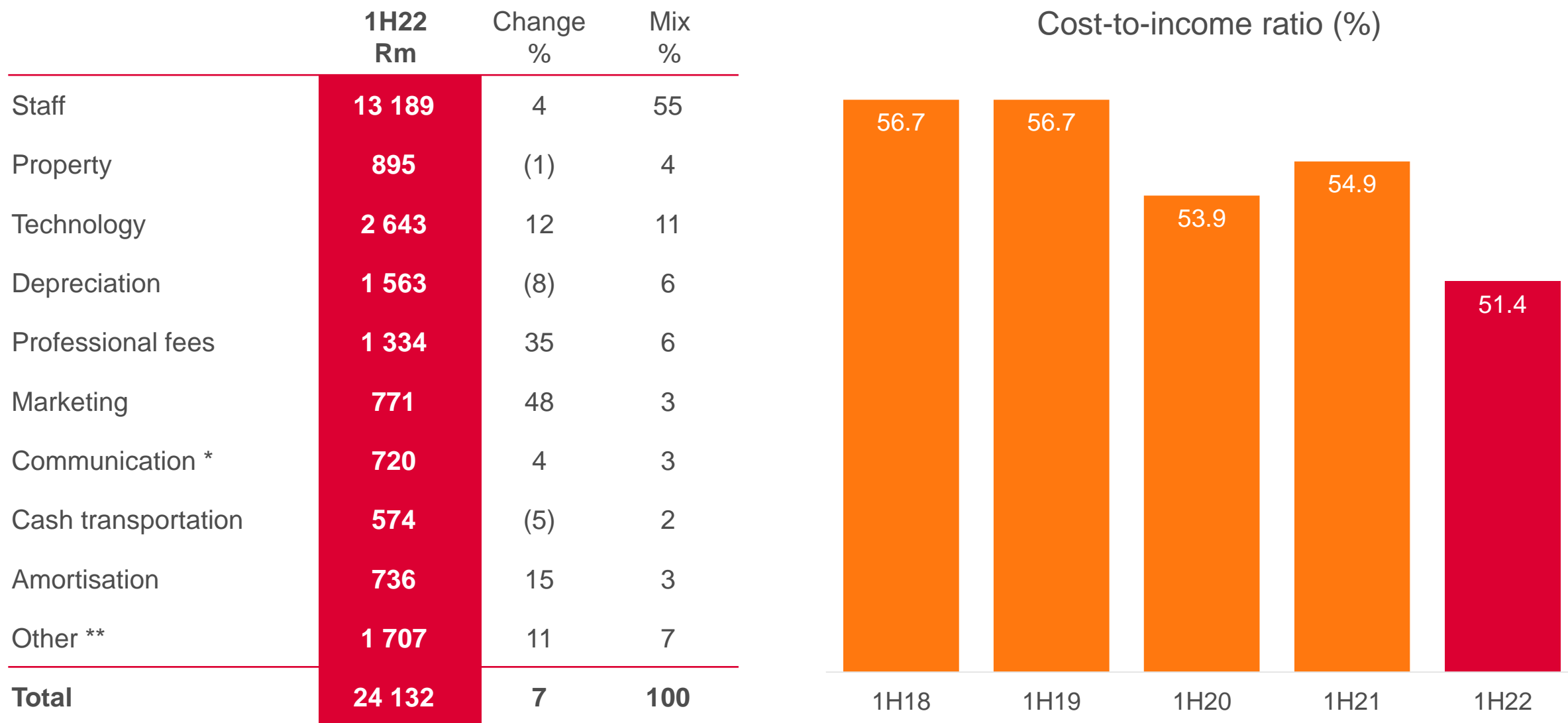


Non-interest income by division (Rbn)



Note: Net trading excludes the impact of hedge accounting

Costs well managed as we continue to invest

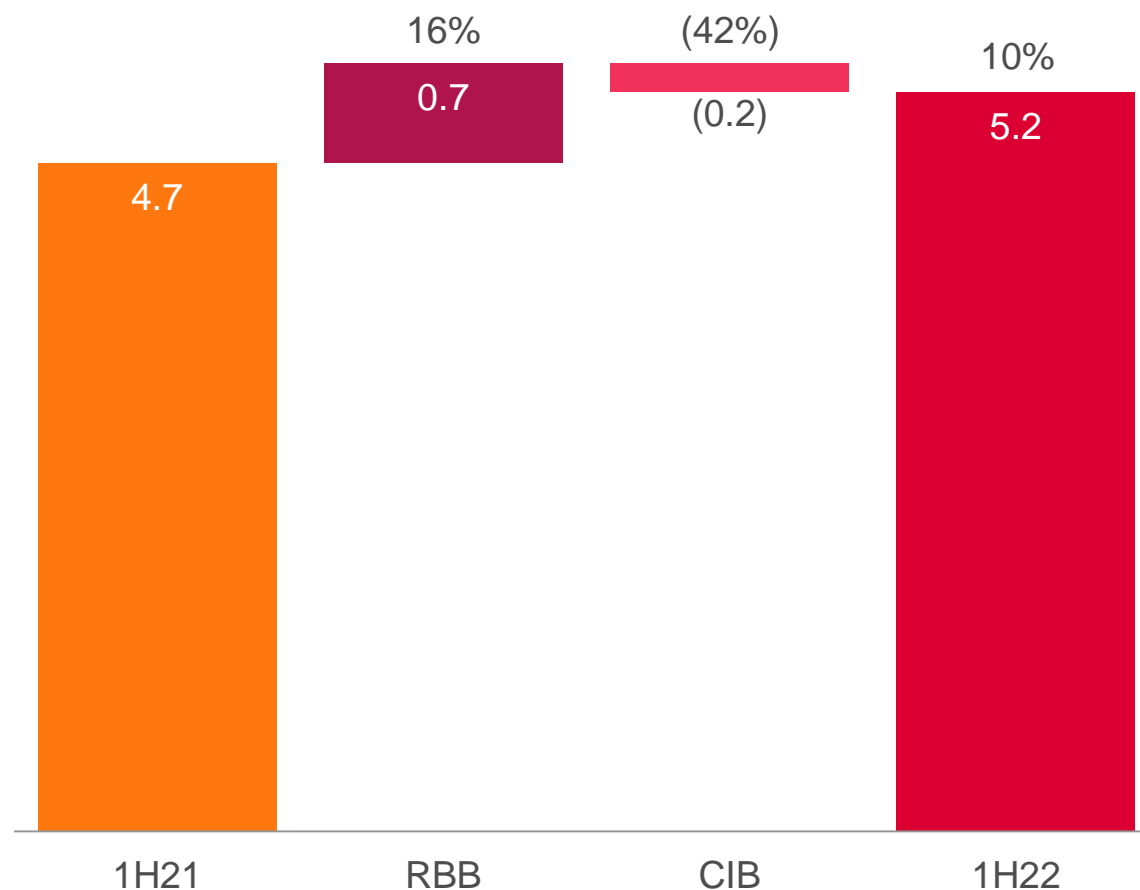


Note: * printing and stationery plus telephone and postage; ** includes administration fees, equipment costs, fraud, travel and entertainment, auditors, other costs etc.

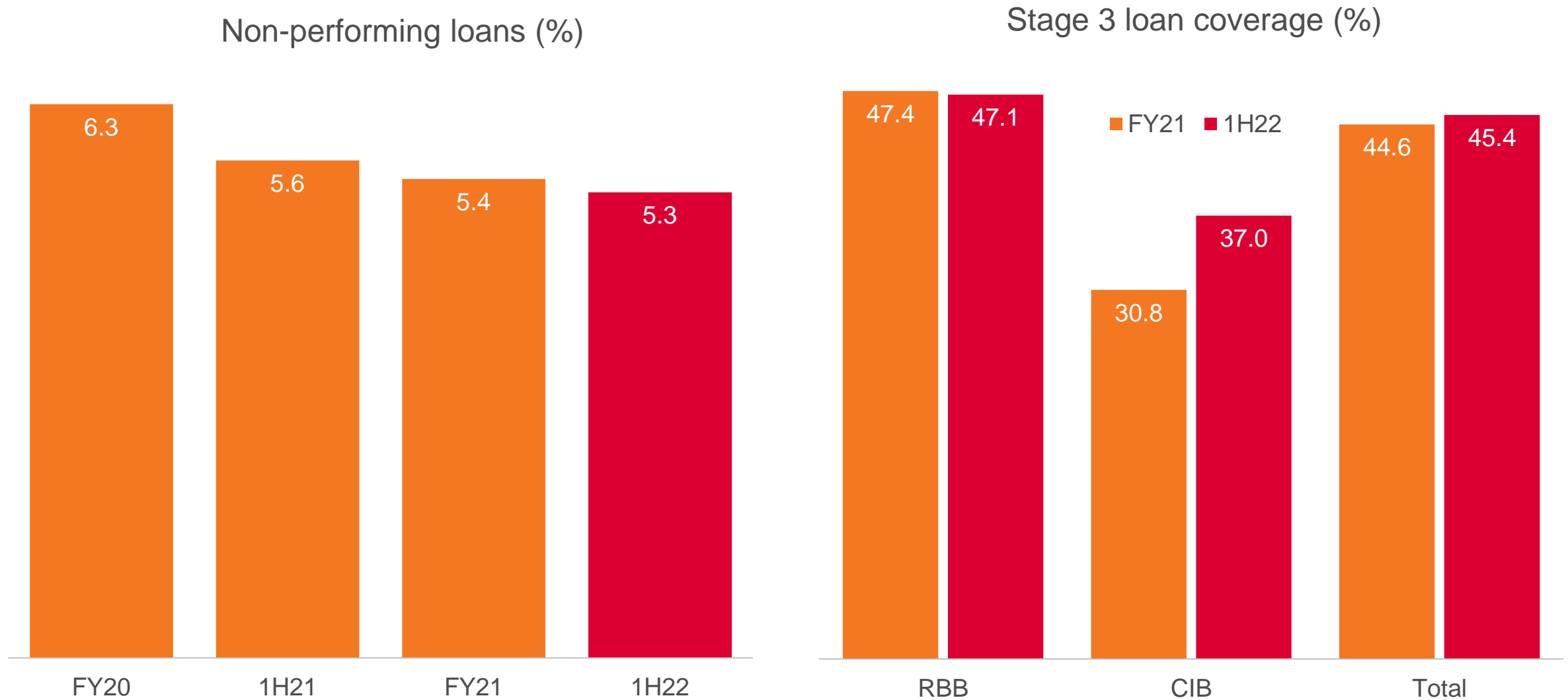
Credit loss ratio increased slightly

Credit loss ratio (%)	1H21	1H22
RBB	1.33	1.44
Everyday Banking	5.72	6.01
Vehicle and Asset Finance	1.58	2.24
Home Loans	(0.22)	0.19
Relationship Banking	1.14	0.34
RBB ARO	1.74	1.70
CIB	0.24	0.13
Group	0.88	0.91

Credit impairments (Rbn)



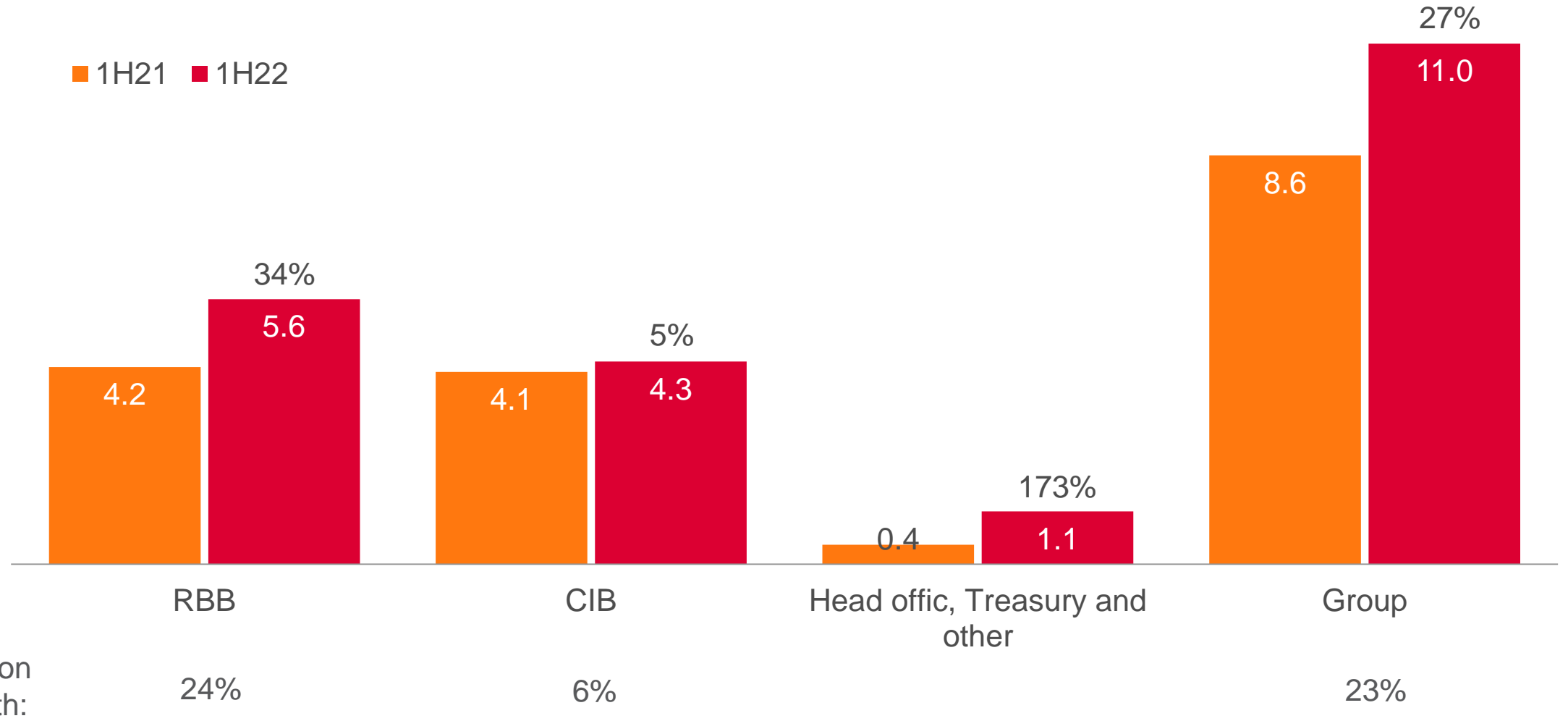
Coverage of declining NPLs remains robust



Broad-based earnings and pre-provision profit growth

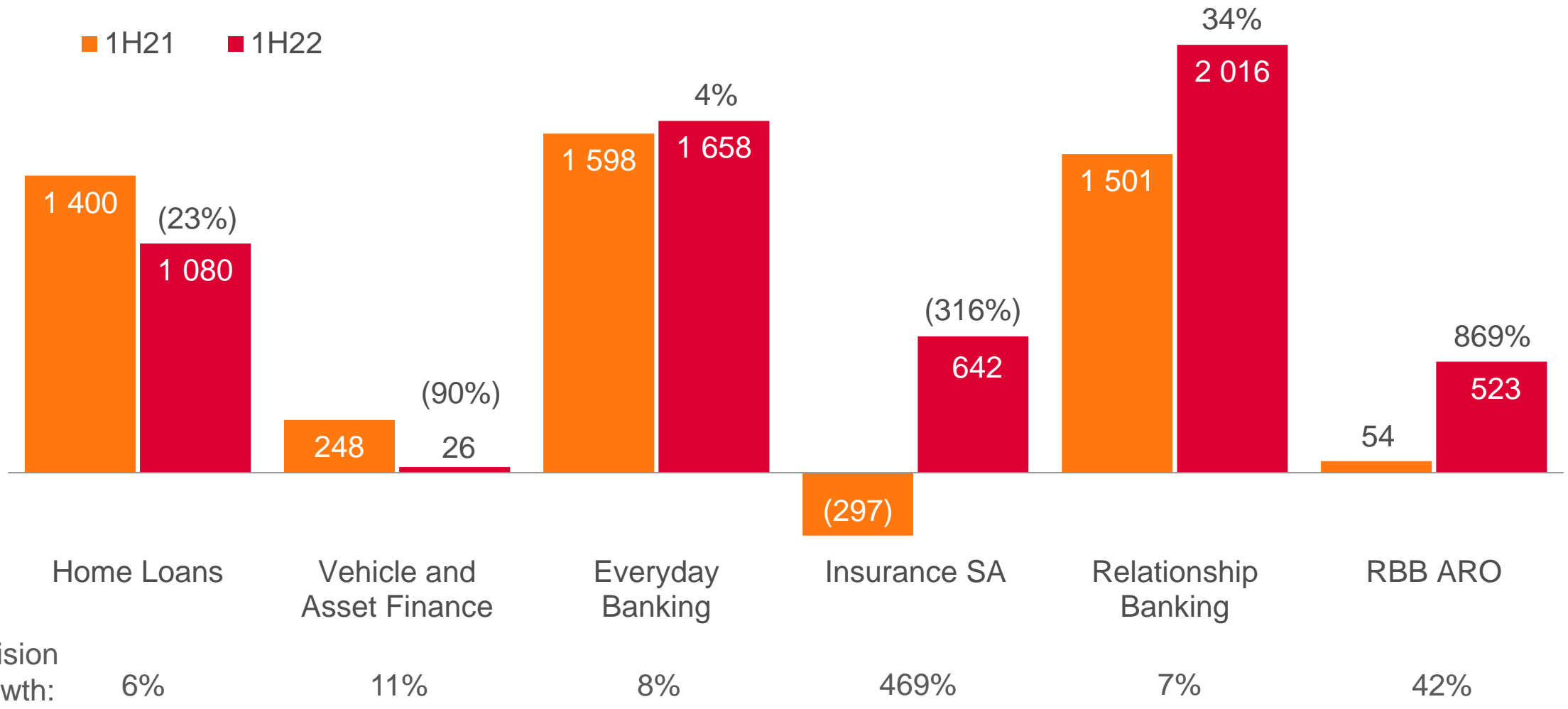
Headline earnings (Rm)

1H21 1H22



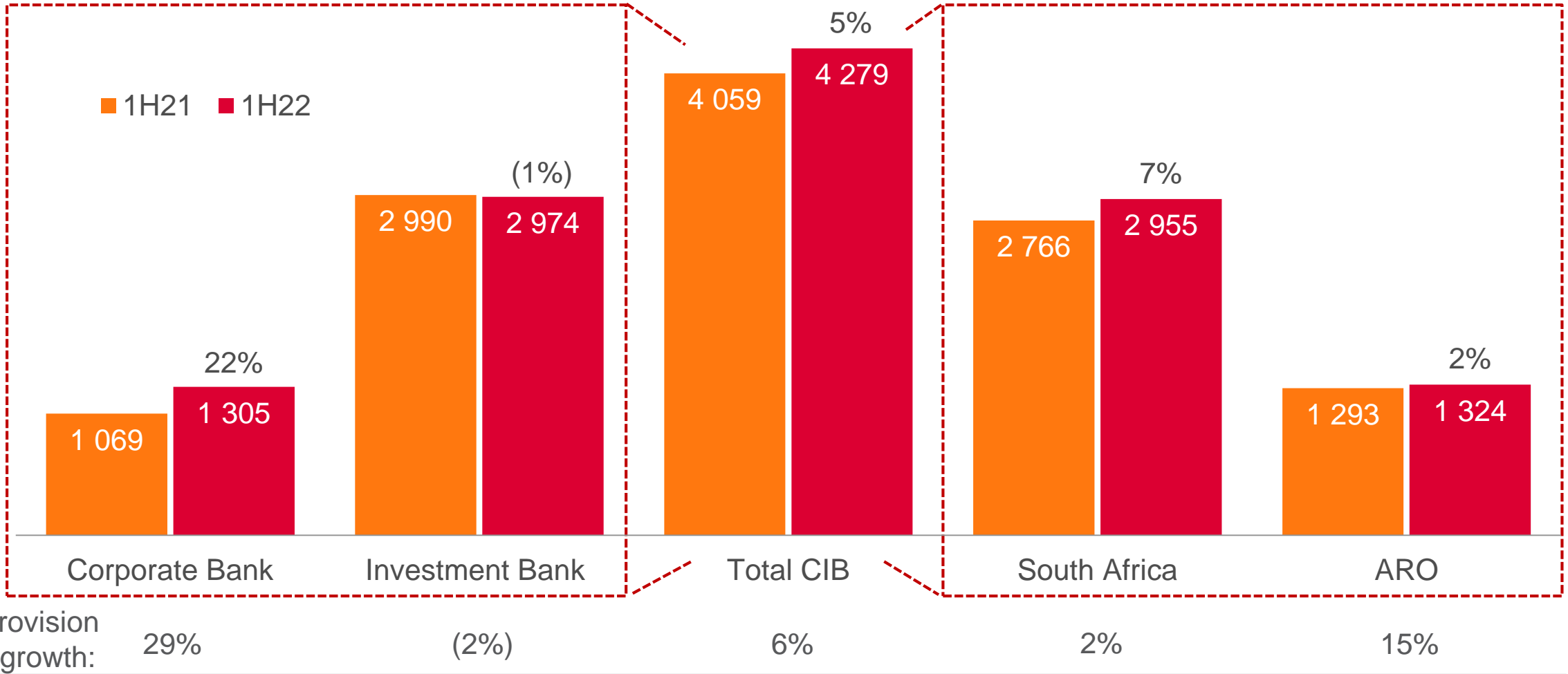
RBB franchises all grew pre-provision profit

Headline earnings (Rm)



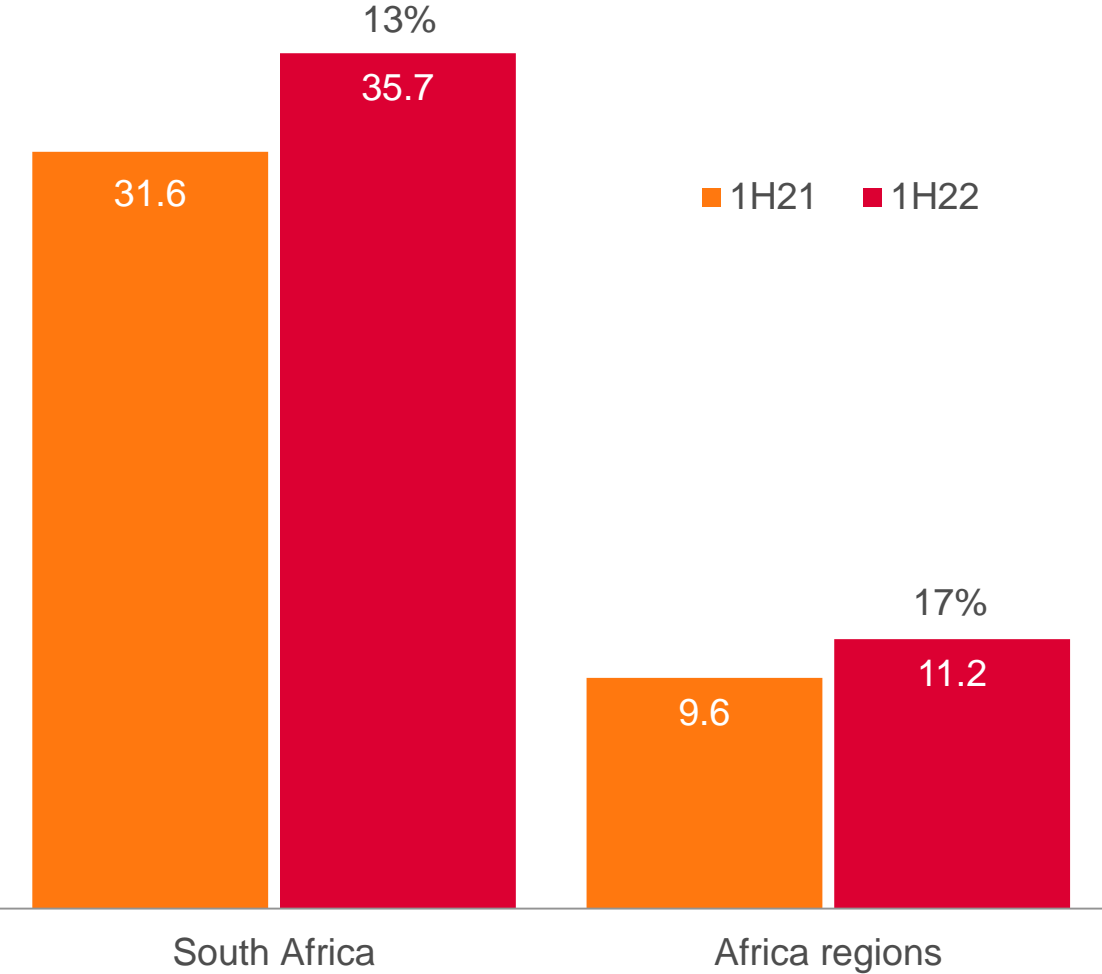
CIB benefits from its diversity

Headline earnings (Rm)

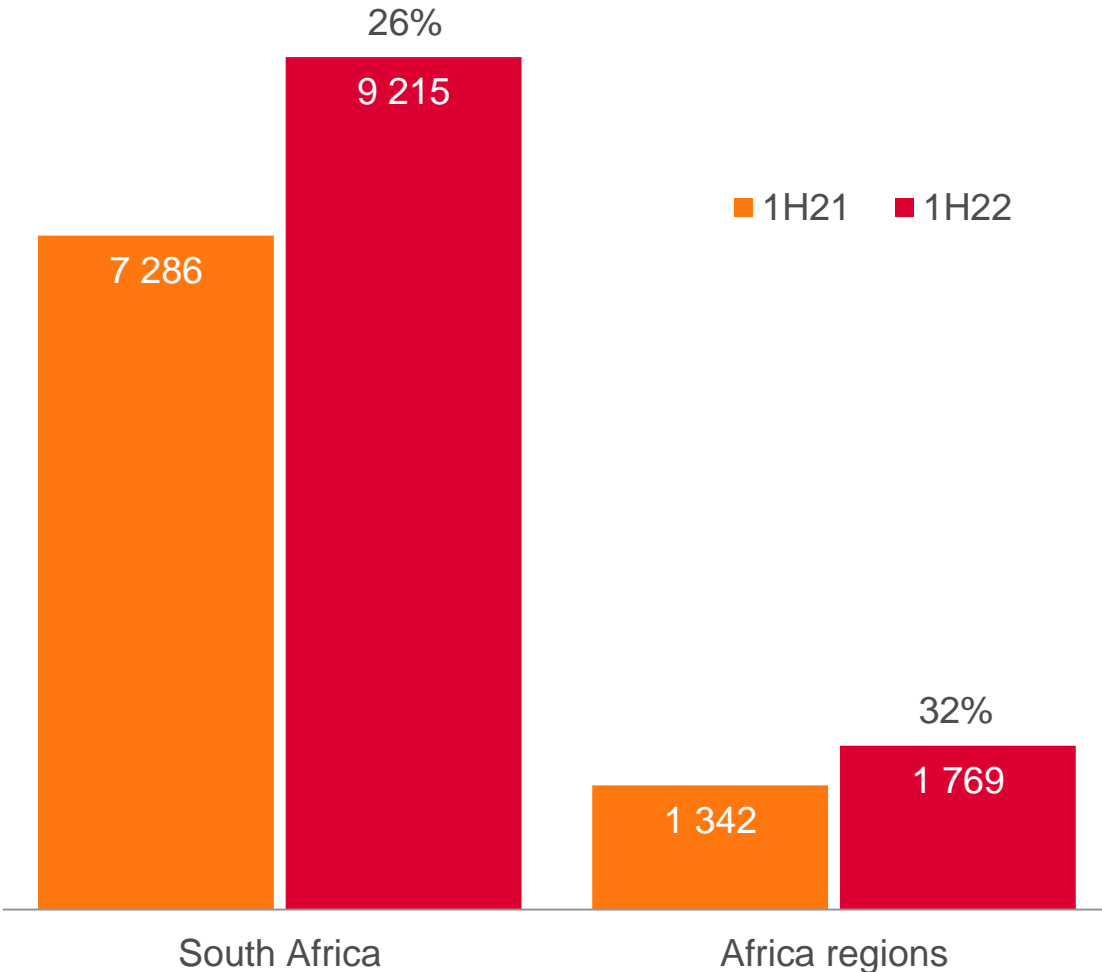


Africa regions improved revenue and earnings growth

Revenue (Rbn)

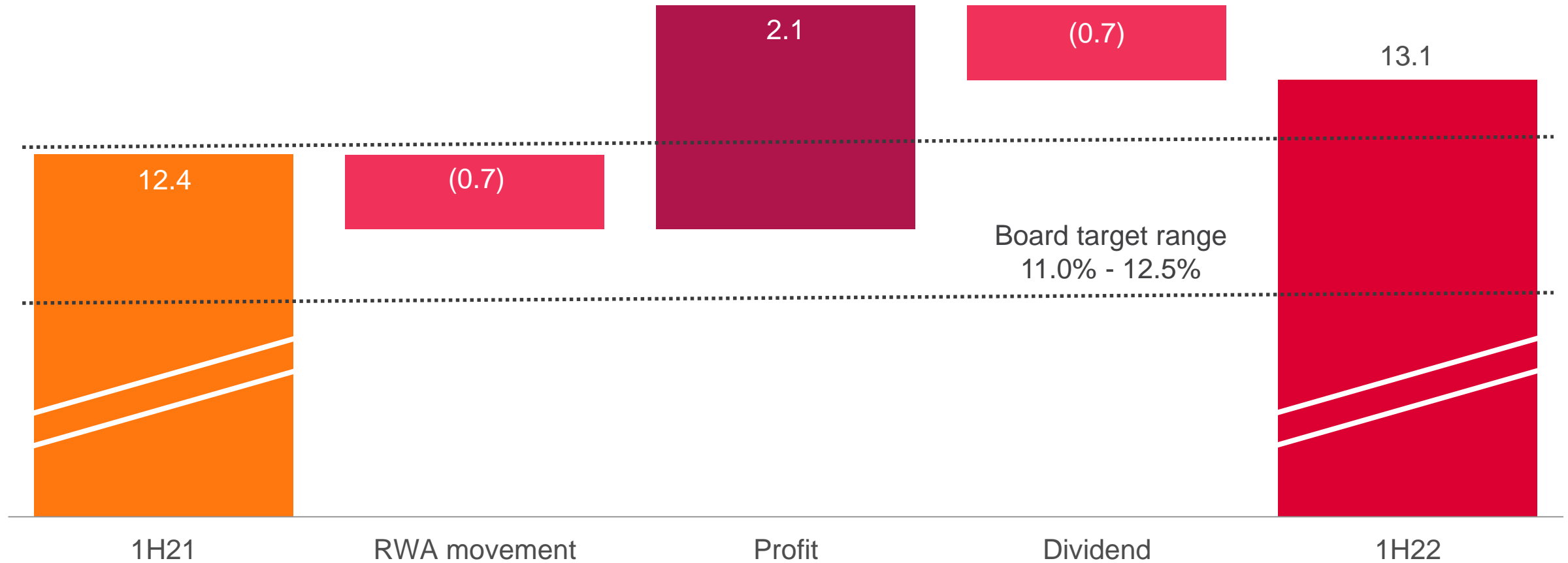


Normalised headline earnings (Rm)



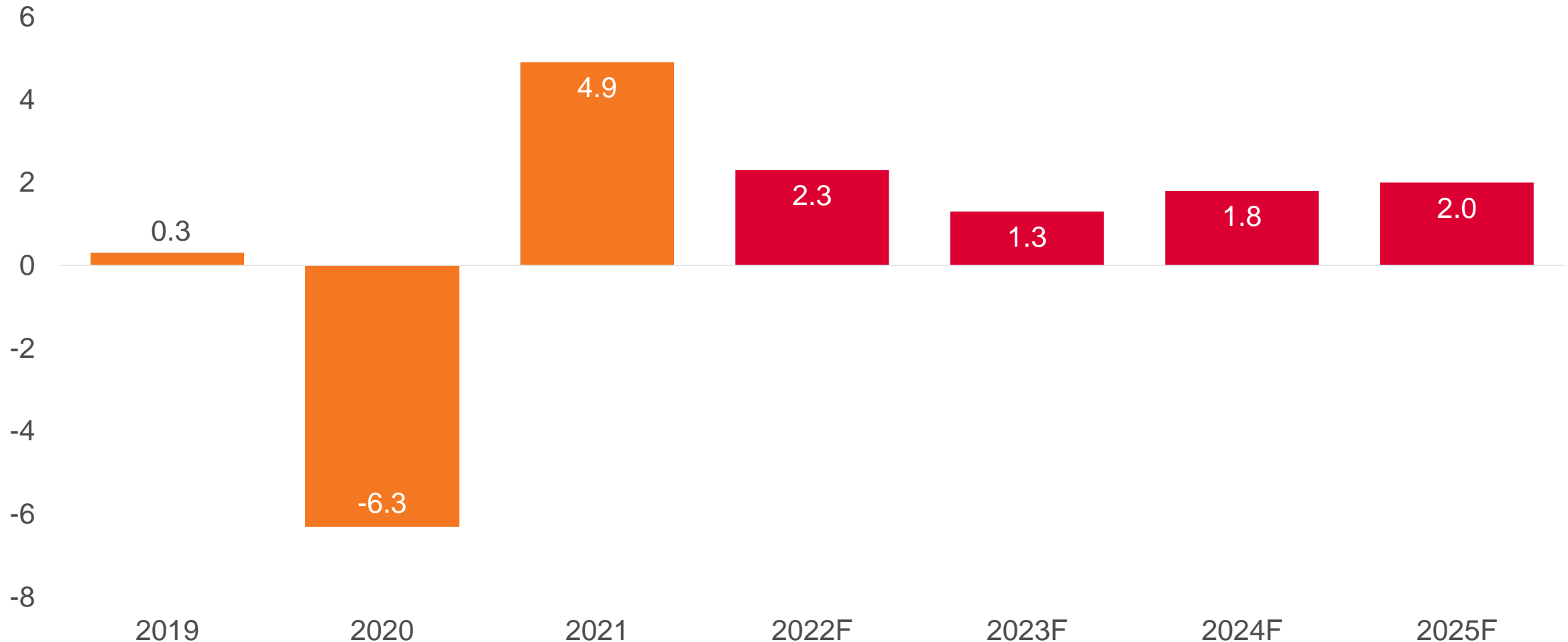
Common equity tier 1 ratio above Board target range

Group common equity tier 1 ratio (%)



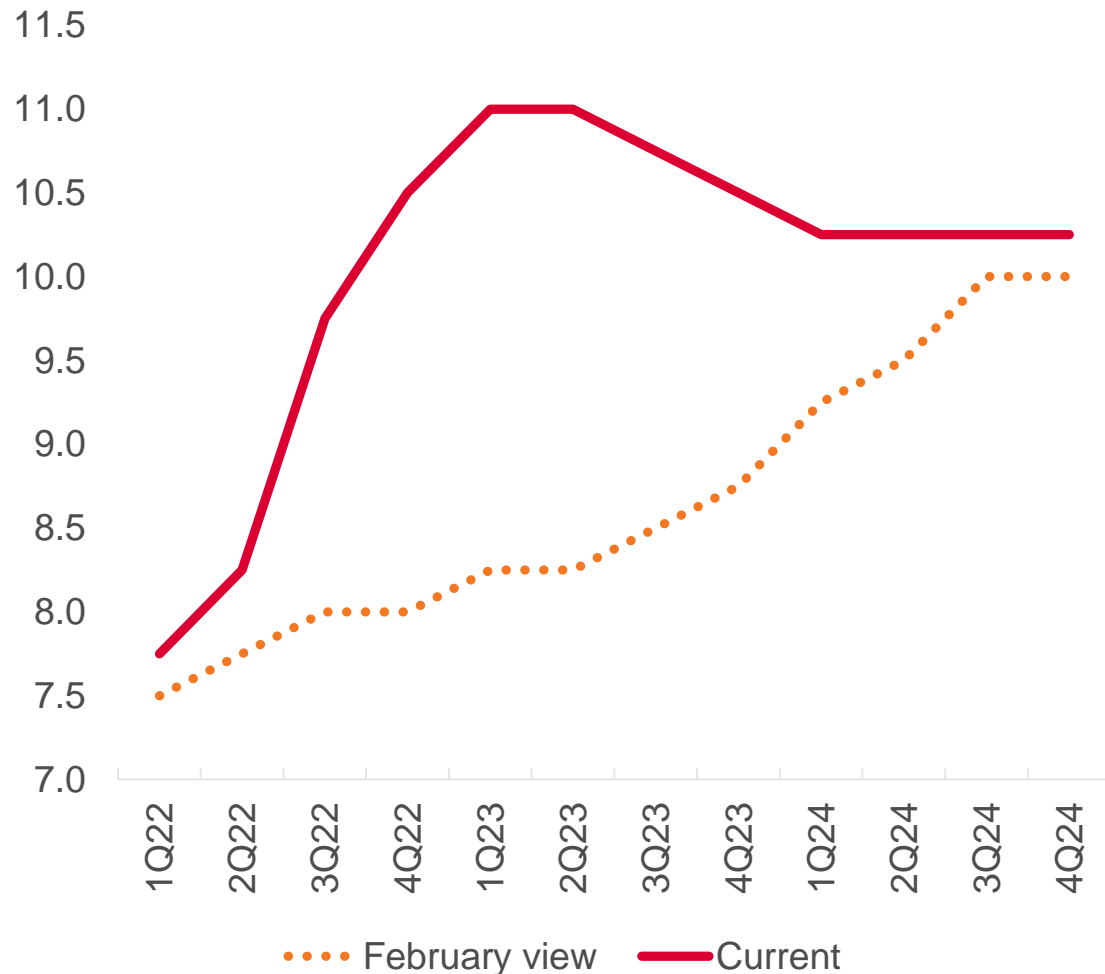
Modest GDP growth expectations, with downside risk

South Africa real GDP growth (%)



Rates rising faster with increased inflationary pressure

South Africa prime rate forecast (%)

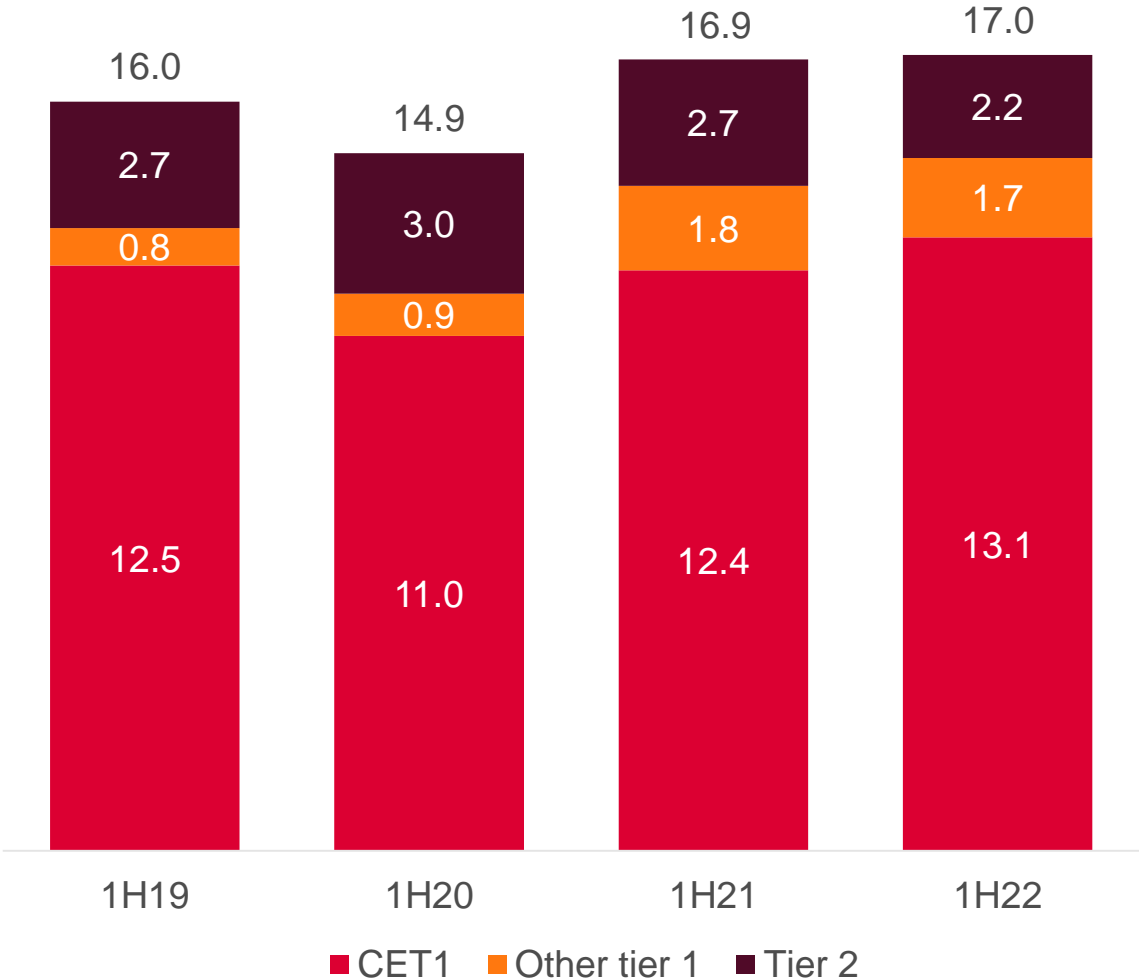


South Africa inflation forecast (%)

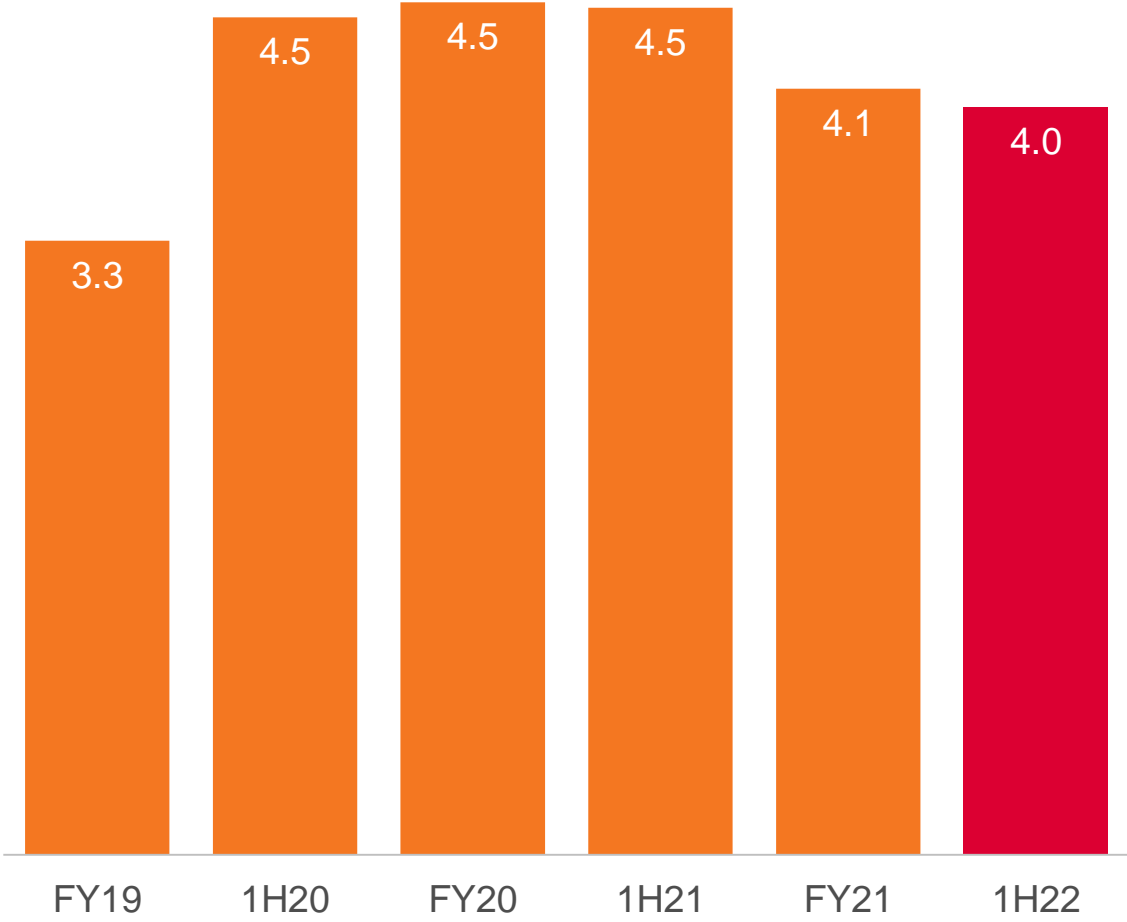


We are well positioned for a tougher macro backdrop

Group capital ratios (%)



Total loan coverage (%)



2022 outlook

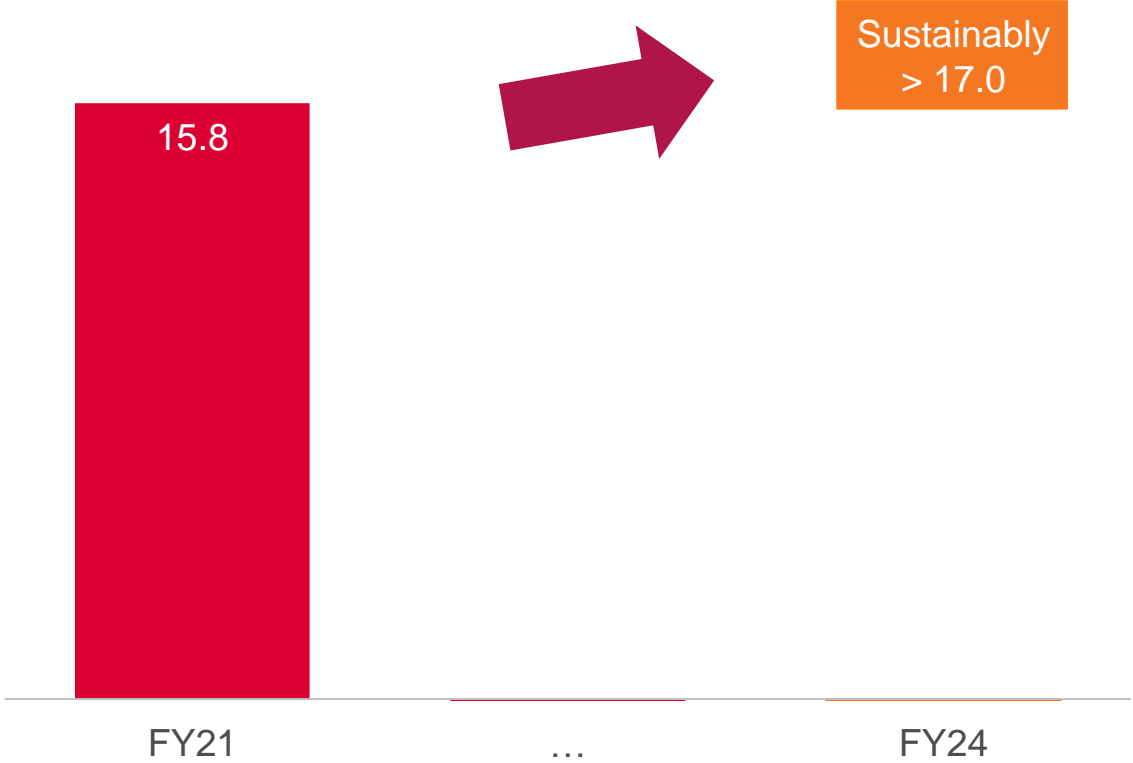
- Low double-digit revenue growth likely, with non-interest income slightly higher than net interest income
- High single digit customer loan growth and low to mid-single digit increase in customer deposits. Net interest margin benefits from rising rates
- Credit loss ratio likely to increase to the upper half of 75 to 100bp through-the-cycle range, broadly in line with 1H22
- We expect low to mid-single digit operating expense growth, resulting in positive operating JAWS with growth in pre-provision profit in the teens
- Cost to income ratio to improve from FY21, but increase slightly from 1H22
- Consequently, RoE expected to improve to around 17%
- Group CET1 capital ratio expected to remain strong and dividend payout ratio increasing to at least 50%

Medium-term targets

Cost-to-income ratio (%)



RoE (%)



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