

Your story matters



# Absa Group

FY23 results presentation

11 March 2024

# Arrie Rautenbach

Group Chief Executive

Your story matters



# Challenging operating environment



## Global environment

- Geopolitical risks elevated
- High inflation remains sticky
- Monetary policy expected to be higher for longer
- Supply chain issues developing e.g. Red Sea



## Sub-Saharan Africa

- Sovereign risk remains elevated
- Policy rates elevated
- Inflation remains high
- FX liquidity pressure
- Growth remains relatively attractive

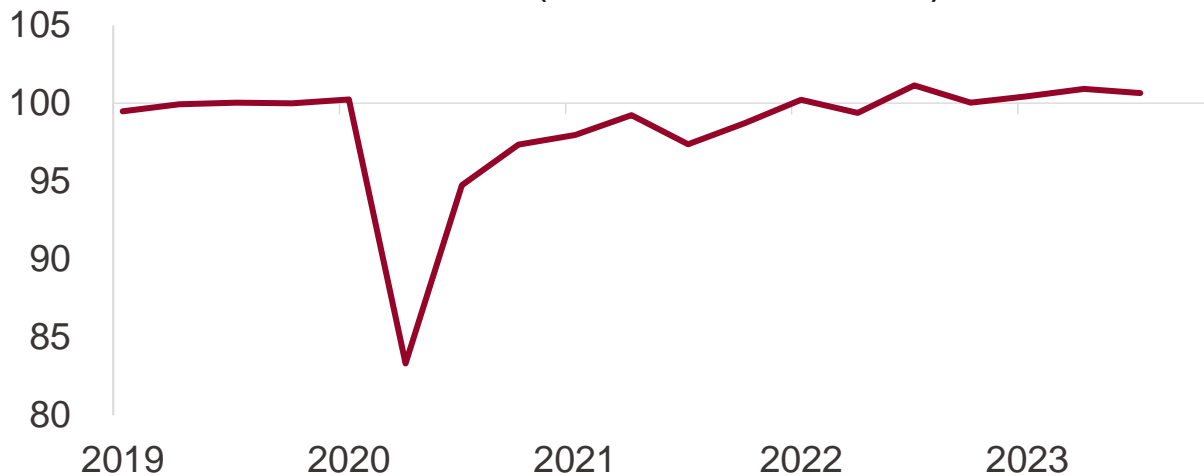


## South Africa

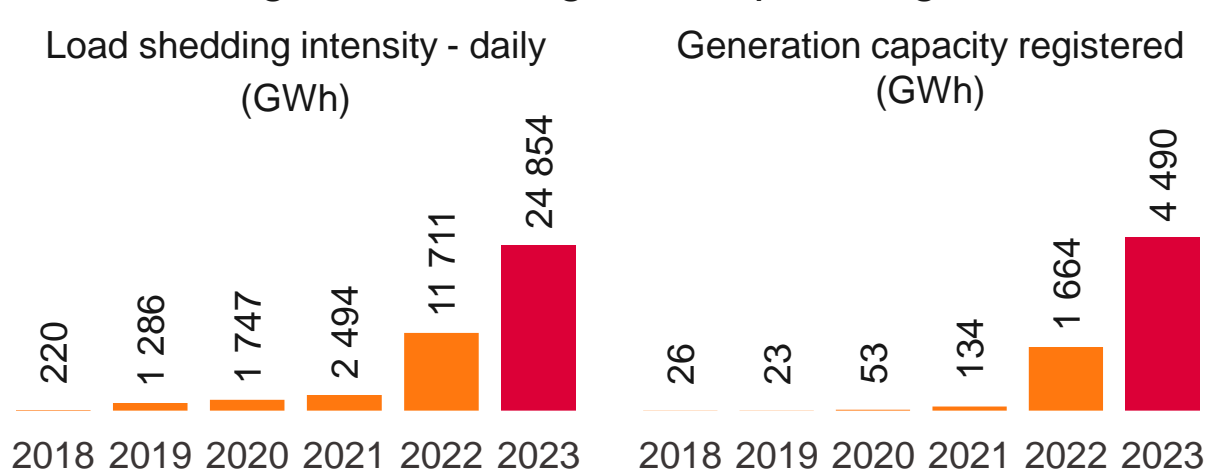
- Disappointing growth
- Interest rate cycle at its peak
- High inflation has recently moderated into the target range
- Consumers under strain
- Infrastructure deteriorating
- Structural reform needs to accelerate

# South Africa pressures remain elevated

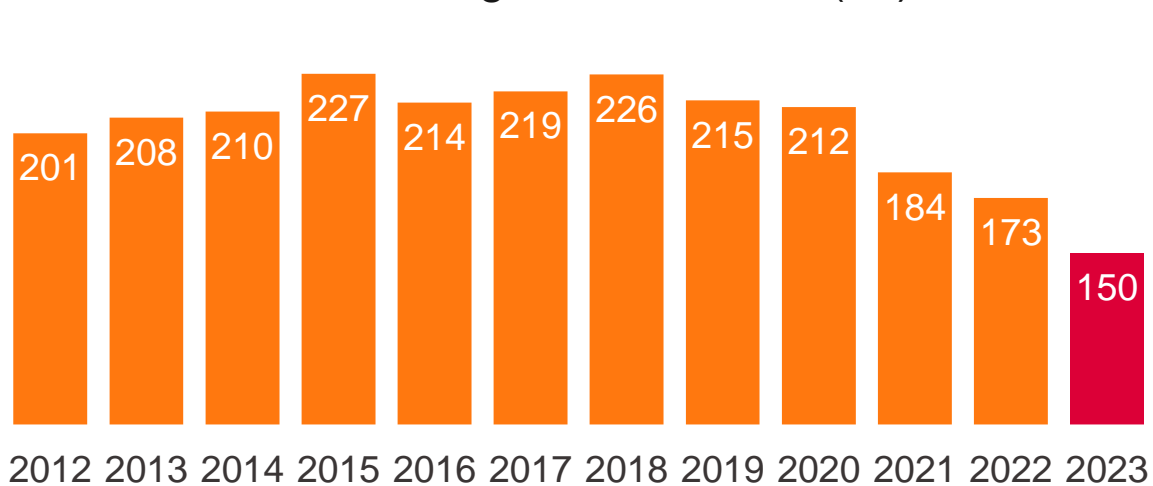
## Real GDP (Index, 4Q19 =100)



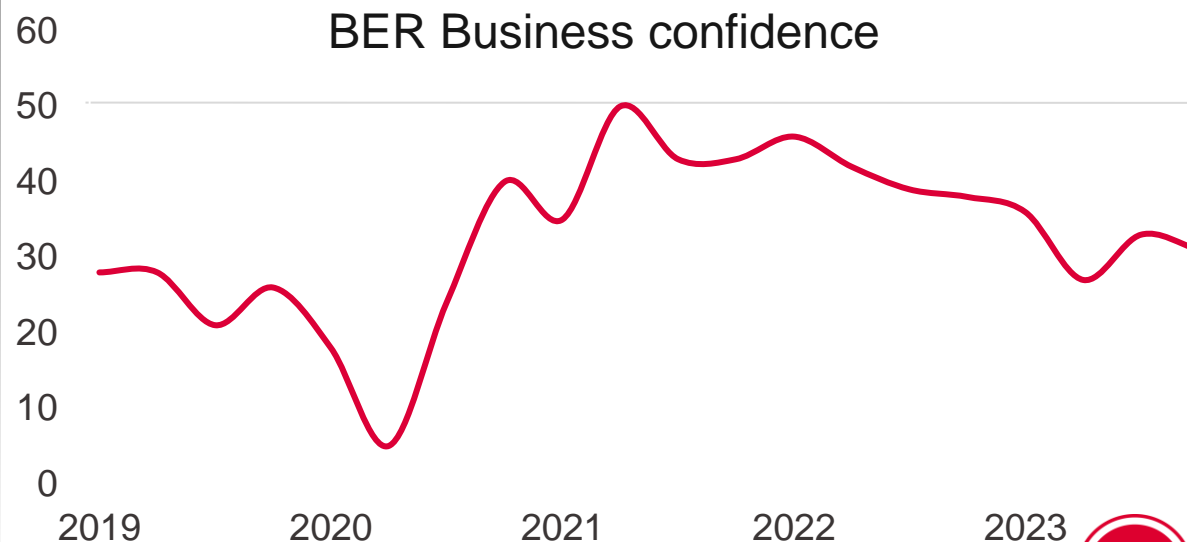
## Escalating loadshedding versus private generation



## Transnet freight rail volumes (mt)

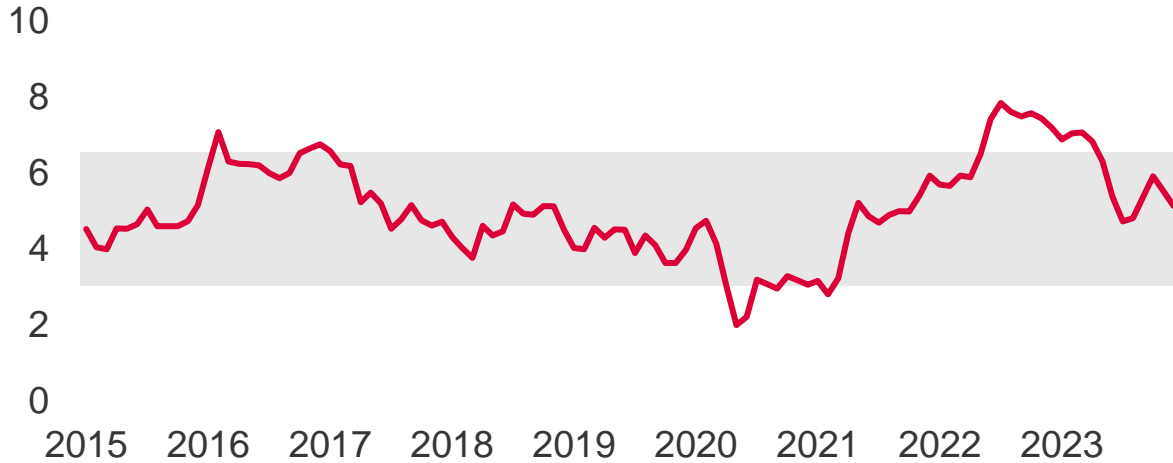


## BER Business confidence

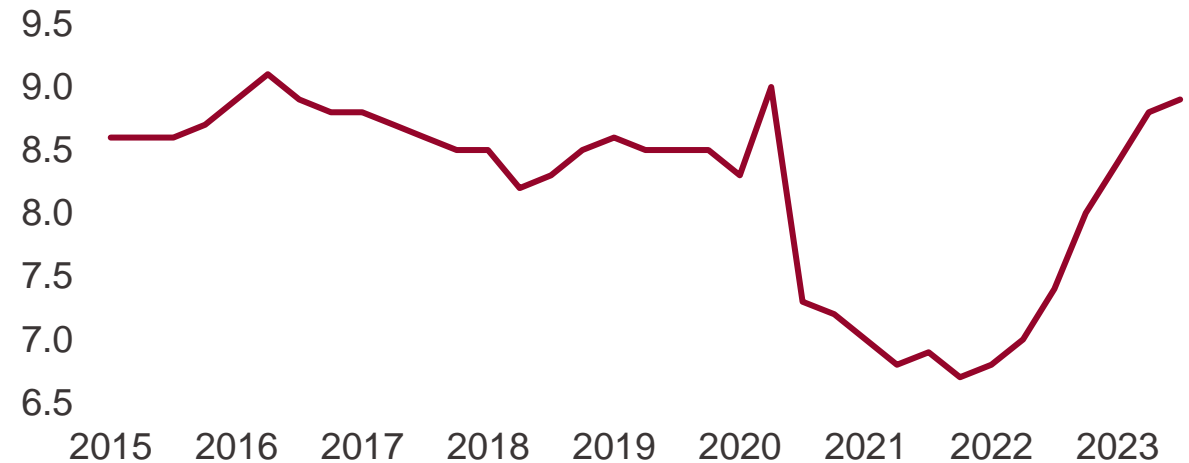


# Pressure mounted on SA consumer and expected to persist

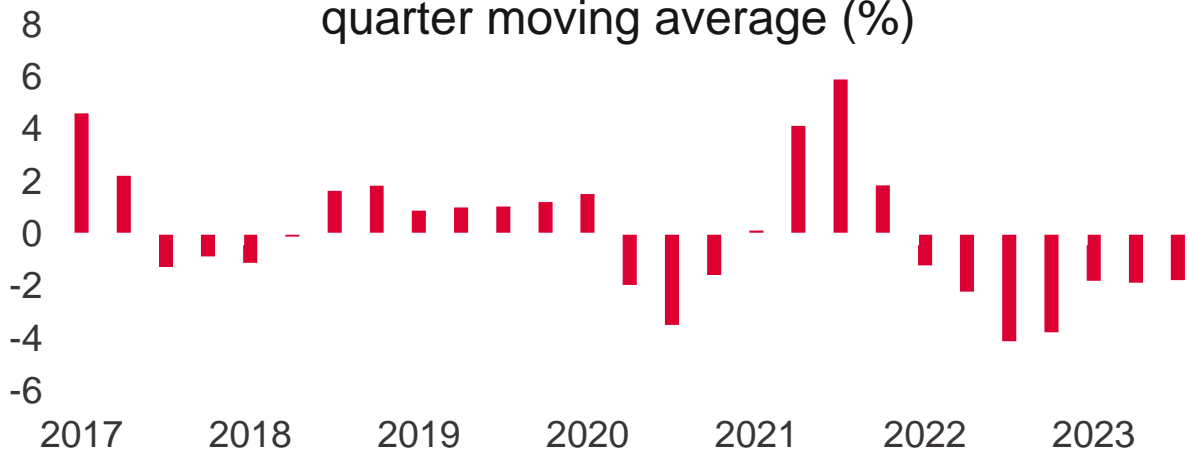
## SA Headline CPI (%)



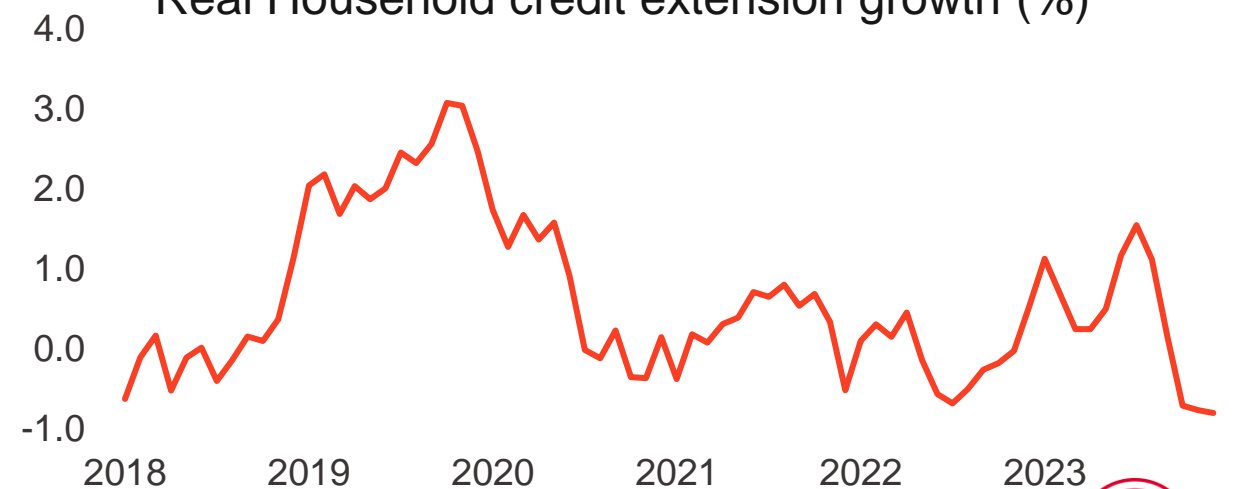
## Quarterly Household Debt service costs (%)



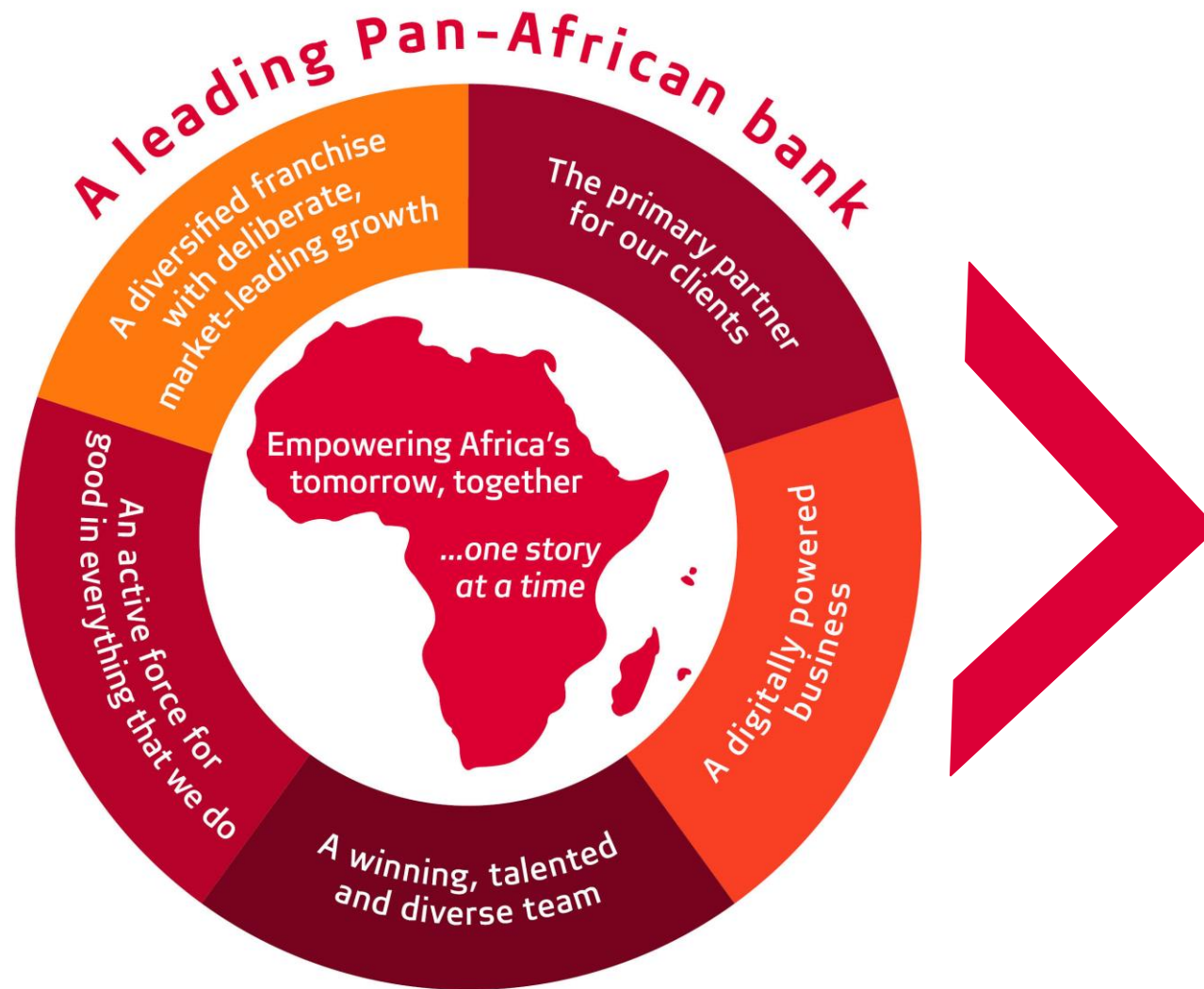
## Inflation adjusted gross earnings per person, two quarter moving average (%)



## Real Household credit extension growth (%)



# Our strategy and medium-term targets remain relevant



## Financial targets

RoE sustainably above 17%

Cost-to-income in the low 50s

# Strategic execution highlights since 2018

## RBB SA

Product Solutions  
Everyday Banking  
Relationship Banking

- Grown customer numbers after years of decline
- Fixed product pricing and proposition with redesigned value for money product suite
- Holistic multi-channel customer experience remediation
- Enhanced and leveraged digital properties
- Integrated customer journeys – including bancassurance

## CIB

- Built out Corporate Banking franchise
- Increased diversification through Africa regions
- Leveraged Absa Access platform for clients across the continent
- Driven strong growth in client acquisitions and client primacy
- Established connectivity to the continent for global clients

## ARO RBB

- Created a more diversified business
- Growing RBB customer numbers
- Leveraging digital opportunity
- Delivering efficient business model

# RBB SA renewal across 3 differentiating capabilities

## Value for money proposition for active customers

- **R1bn** fee transformation journey since 2021
- **+65%** of our customers now rate Absa best value for money bank
- **75% reduction** in pricing related complaints
- Up to **6X monthly fees back** in Rewards value

+

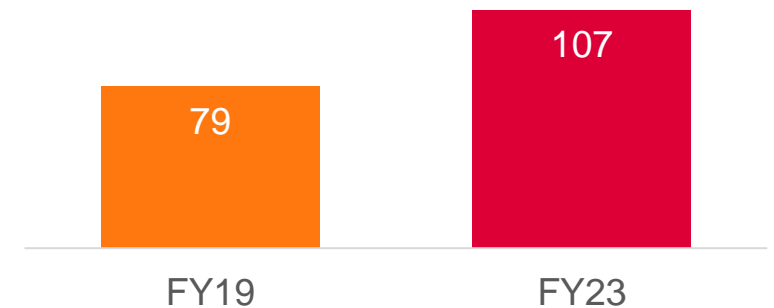
## Integrated digital and data powered engagements

- 109% increase in digital active customers since 2018
- Digital sales now account for 22% of sales.
- Recognised externally with 16 awards in leading digital and data products in 2023
- Advanced analytics sales models increasing conversion rate

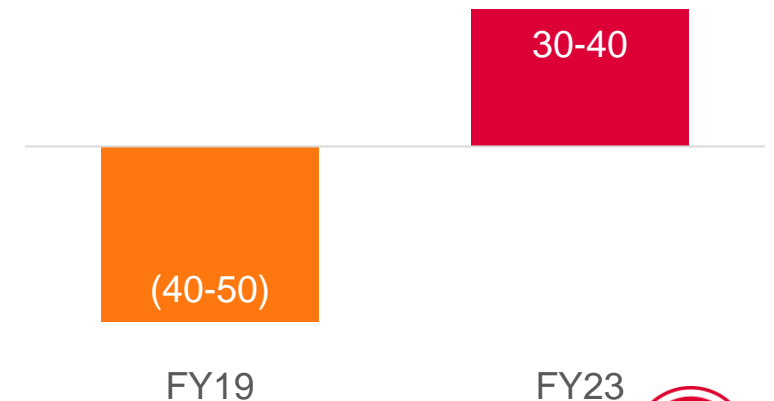
+

## Empathetic and seamless customer experience

### Customer experience index



### Social media sentiment (%)





# RBB SA acquisition momentum and activation on track

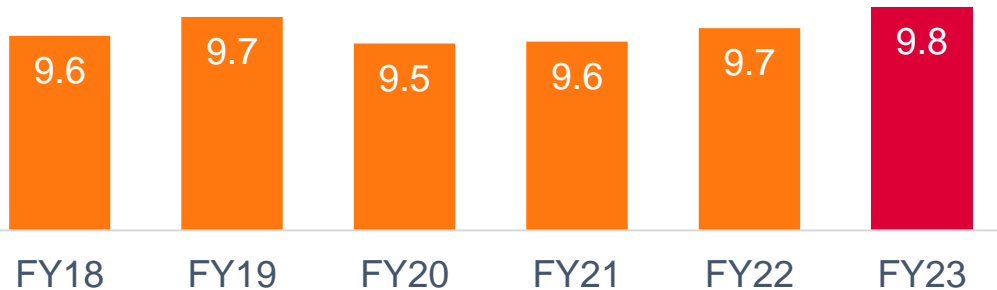
## Acquisition

New to bank  
SA retail  
transactional  
account sales  
**+21%**

Relationship  
Banking  
Transactional  
account sales  
**+42%**

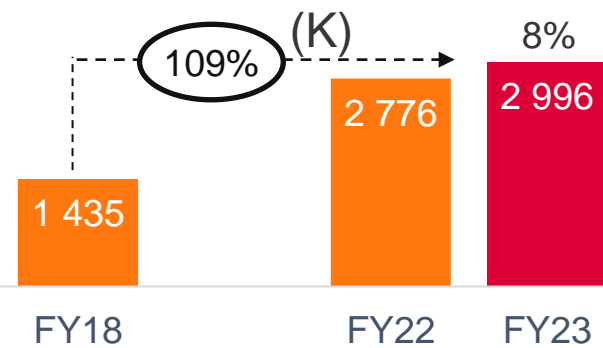
Bancassurance  
978K insurance  
policies sold in 2023  
(life and non-life)

Acquisition evident in customer numbers since  
2020 (m)

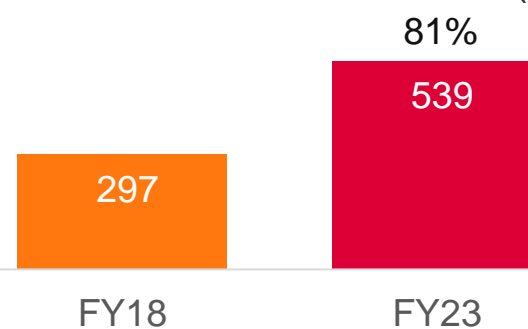


## Activation

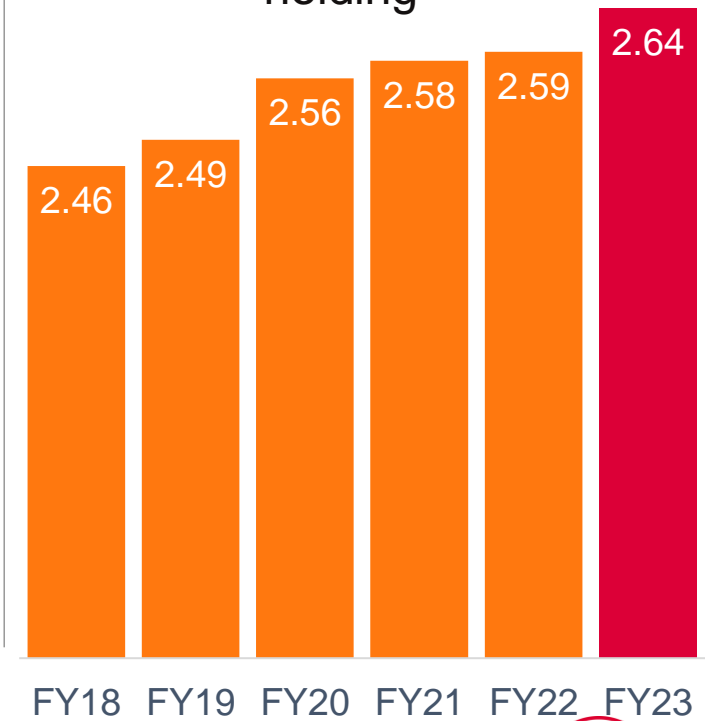
Digitally active retail customers



Rewards new members (K)

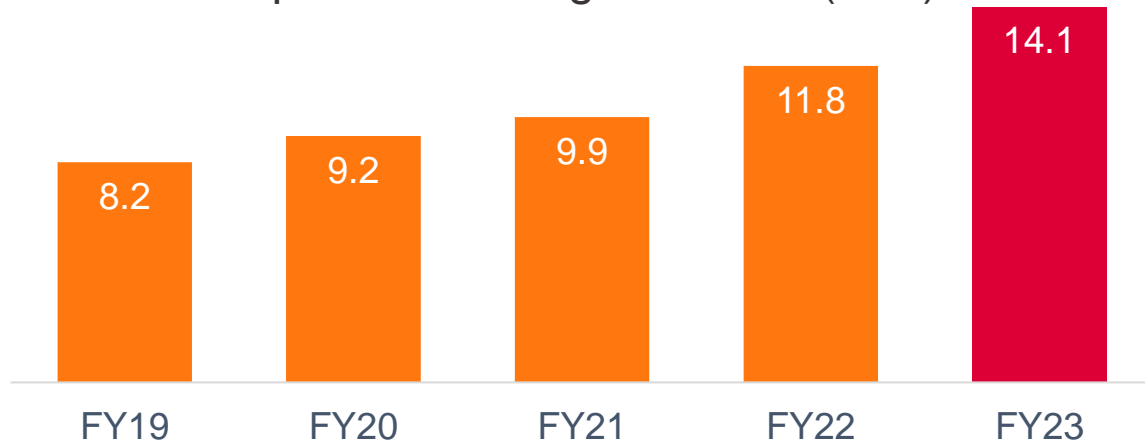


Average SA retail product  
holding

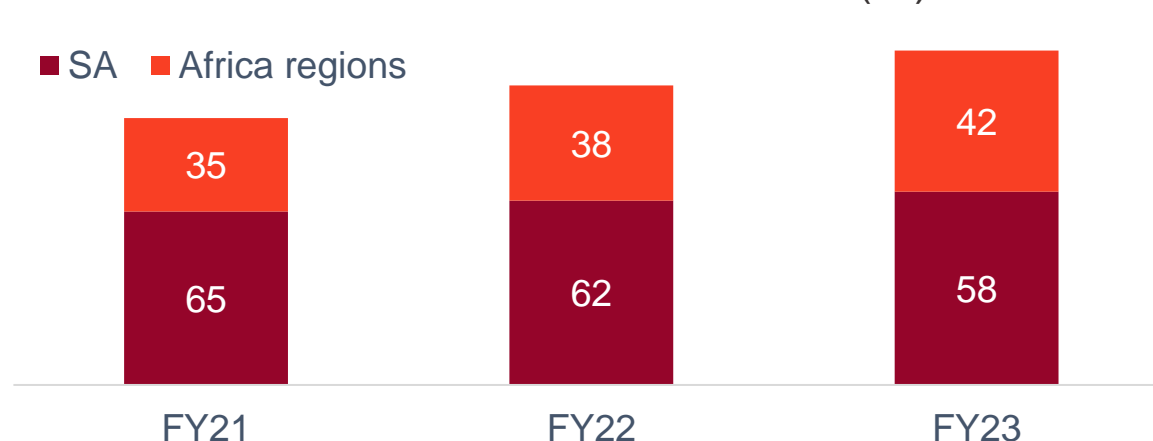


# CIB delivered on its 2019 commitments

Corporate Banking revenues (Rbn)



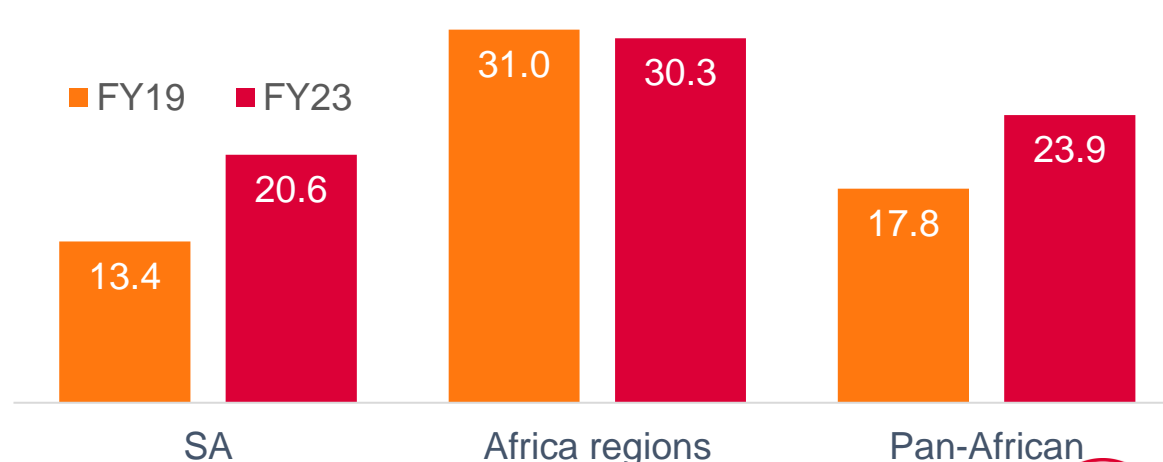
CIB revenues contribution (%)



Connecting global clients with Africa

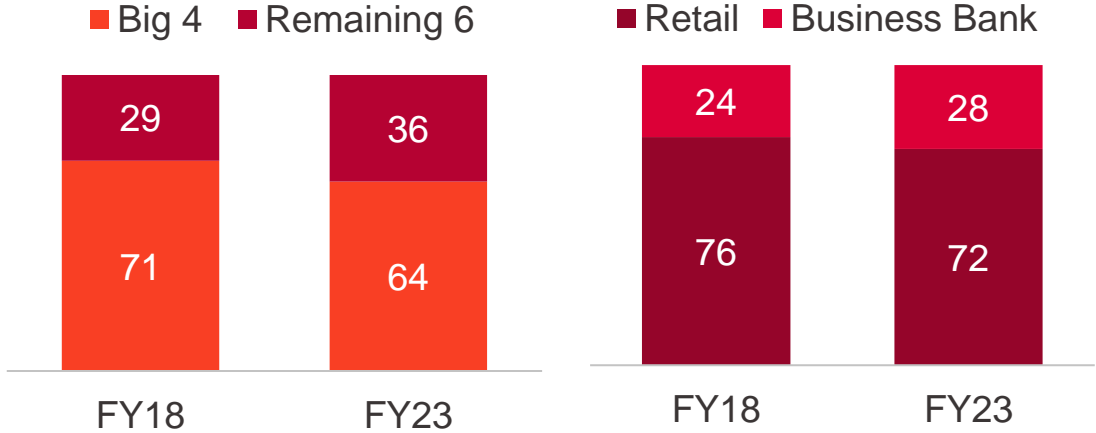


CIB RORC (%)

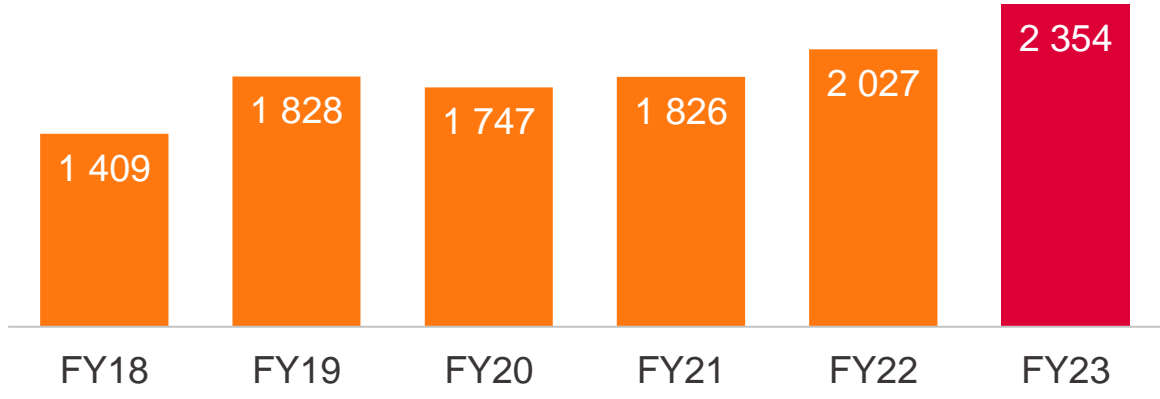


# RBB ARO delivering a more diversified and sustainable business

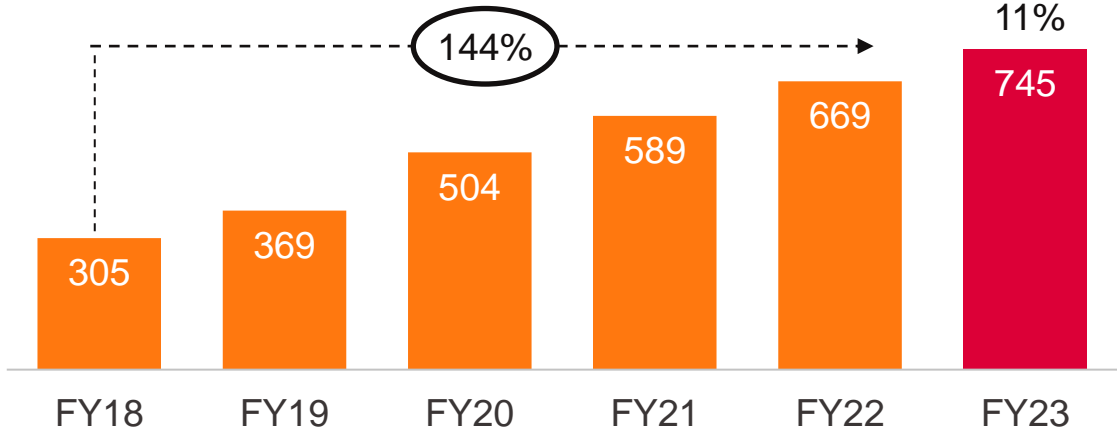
Diversified geographic and business revenues (%)



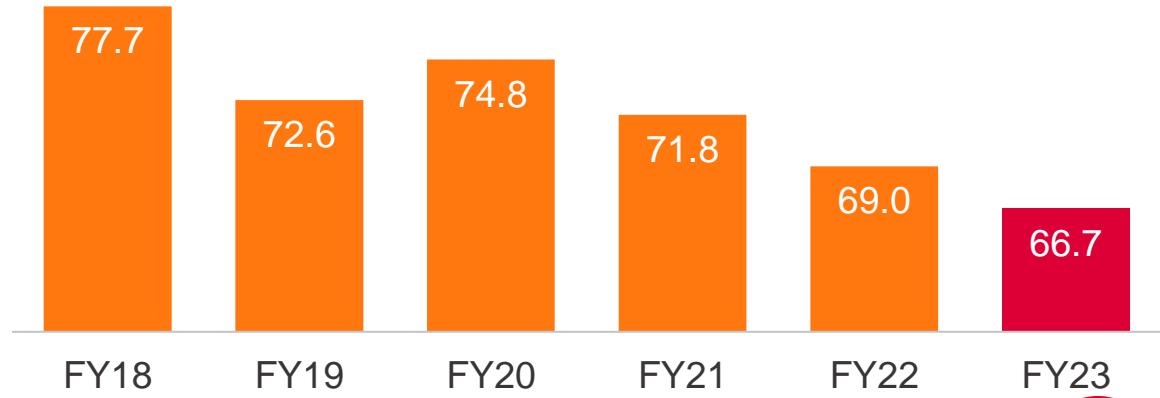
Customer numbers (K)



Digitally active customer numbers (K)



Cost-to-income (%)



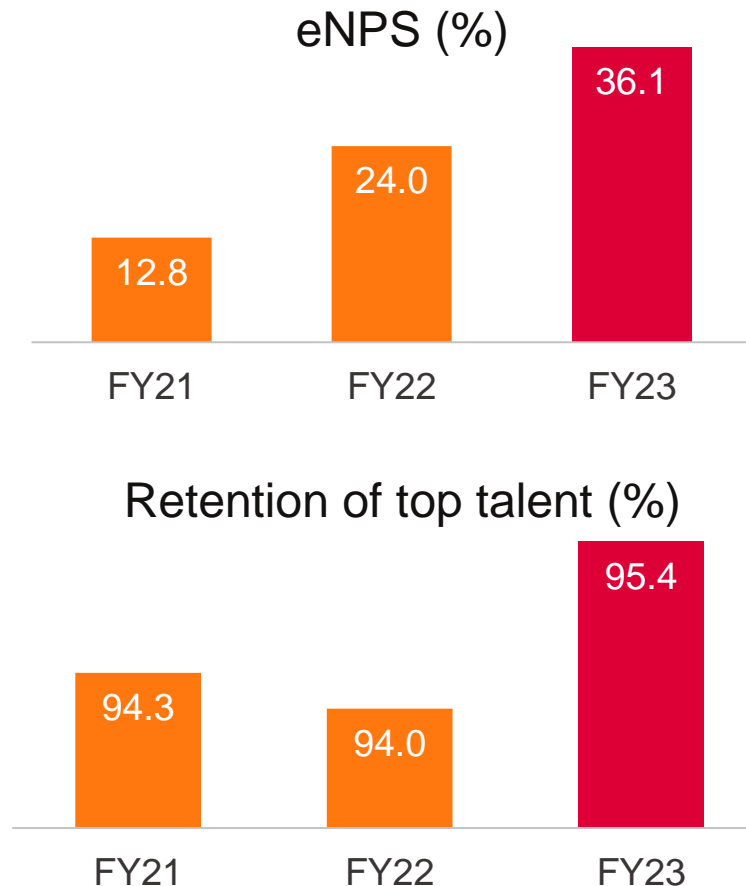
11 Note: Big 4 are Kenya, Botswana, Ghana and Zambia

# Colleague efforts creating an engaged workforce

We have invested in our colleagues

- Launched our employee incentive scheme – eKhaya with 35k now shareholders
  - Increased sense of ownership and commitment
- Invested over R633m in employee development
  - 65% focused on critical and scarce skills
- Focused efforts on pay parity
- Diverse and inclusive workforce

...and are being recognized for our efforts



- Top Employer in South Africa – Forbes annual Best Employer survey
- Certified Top employer in Africa – The Top Employers institute
- Rated best South African company to work and grow a career (LinkedIn)

# Our ESG agenda has progressed

## Climate

**R84bn**  
in cumulative  
sustainability-linked  
financing

Committed to  
**net zero  
emissions**  
by 2050

**93<sup>rd</sup> percentile**  
in S&P Global  
Sustainability rating

Closed  
**5.4GW**  
of renewable power  
deals to date

## Financial Inclusion

Disbursed  
**R7.7bn**  
in mobile lending  
across ARO in 2023

**Affordable  
home loans** to  
**3 625** clients in  
2023

**Consumer  
financial  
education** to  
**105 337**  
beneficiaries

Market first  
**Chatwallet**  
launched

## Diversity and Inclusion

**35 000**  
SME business-women  
mentored in Kenya

Supported **26 859**  
participants in  
**ReadytoWork**  
programme

**B-BBEE share  
scheme**  
launched with  
evergreen CSI  
component

Recognised as a  
**Top Women  
Friendly  
Company**  
by Forbes

# Resulted in a very different business to 2018

## Strengthened our growing balance sheet

**CET1**  
**12.5%**

(2018: 12.0%)

**LCR**  
**124%**

(2018: 109.9%)

**Total ECL coverage**  
**4.10%**

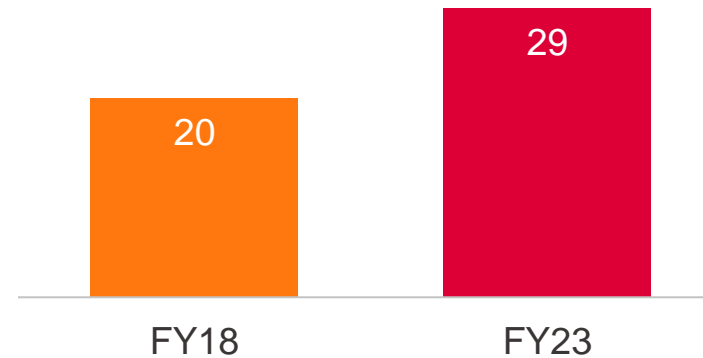
(2018: 3.51%)

**NSFR**  
**118.1%**

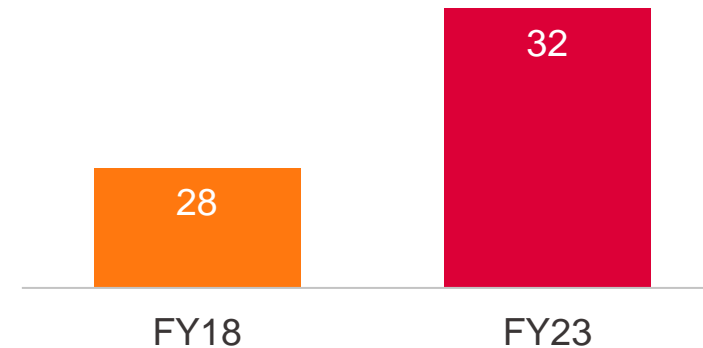
(2018: 110.2%)

## Diversified our business

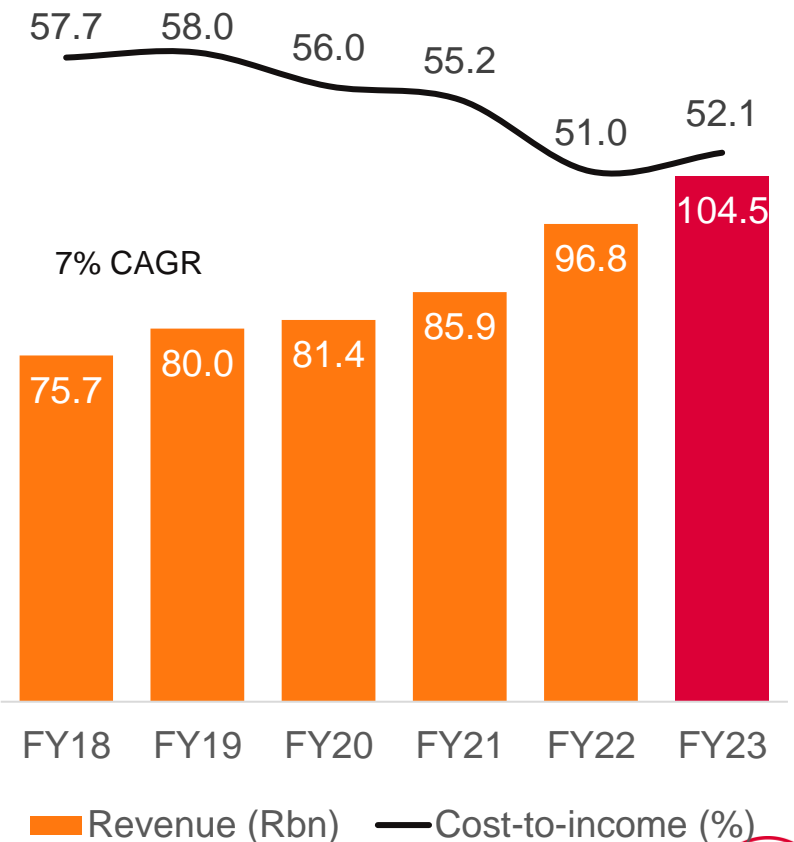
Africa regions contribution\* (%)



CIB contribution\* (%)



## Grew while focusing on efficiency



# 2023 performance overview

- Normalised headline earnings growth of 1% was below our expectation
- Credit loss ratio above through-the-cycle range largely due to SA retail consumer stress
- RoE of 15.3% remains above cost of equity
- Growth momentum maintained, particularly in Africa regions
- Pre-provision profit grew 6% to over R50bn
- Cost-to-income ratio rose slightly to 52%, although still in the low 50s
- Dividend per share 5% higher at 1 370c
- Net asset value up 8% to R168.28 a share

Pre-provision  
profit

**R50bn**

+6%

Cost-to-Income

**52.1%**

(2022: 51.0%)

Credit loss ratio

**118bps**

(2022: 96bps)

Normalised  
HEPS

**2 477c**

+1%

Return of Equity

**15.3%**

(2022: 16.4%)

Dividend per  
share

**1 370c**

+5%

# Business unit performance

## Product Solutions Cluster

- Market sentiment in secured lending lowest in years
- Elevated consumer strain
- Bancassurance model expanding
- IFRS 17 successfully implemented
- Invested in digitizing customer journeys

**Pre-provision profit**  
**+9%**

**Credit loss ratio**  
**99bps**  
(2022: 65bps)

**Headline earnings**  
**-24%**

**RoRC**  
**10.5%**  
(2022: 14.2%)

## Everyday Banking

- Customer growth improving – focus on targeted customer segments
- Deepening customer relationships
- Digital adoption accelerating
- Physical network optimization underway
- #1 in Retail investment deposits

**Pre-provision profit**  
**+7%**

**Credit loss ratio**  
**835bps**  
(2022: 645bps)

**Headline earnings**  
**-17%**

**RoRC**  
**24.4%**  
(2022: 31.6%)

## Relationship Banking

- Segment based operating model embedded
- Invested in Frontline
- SME focus gaining traction
- Diversifying Commercial business
- Refocused Private Wealth

**Pre-provision profit**  
**+1%**

**Credit loss ratio**  
**56bps**  
(2022: 45bps)

**Headline earnings**  
**-1%**

**RoRC**  
**25.5%**  
(2022: 27.9%)



# Business unit performance

## CIB

- Diversified business model paying dividends
- Strong client acquisition
- Absa Access migration progressing well
- Leader in Sustainable finance

**Pre-provision profit**  
**+13%**

**Credit loss ratio**  
**17bps**  
(2022: 27bps)

**Headline earnings**  
**+23%**

**RoRC**  
**23.9%**  
(2022: 21.3%)

## ARO RBB

- Diversified into bancassurance and Business Banking
- Improving efficiency
- Digital adoption accelerating

**Pre-provision profit**  
**+27%**

**Credit loss ratio**  
**184bps**  
(2022: 164bps)

**Headline earnings**  
**+27%**

**RoRC**  
**11.2%**  
(2022: 10.9%)

# We remain committed to our strategy



- Consistent strategic execution
- Growth orientation
- Deliver medium-term targets

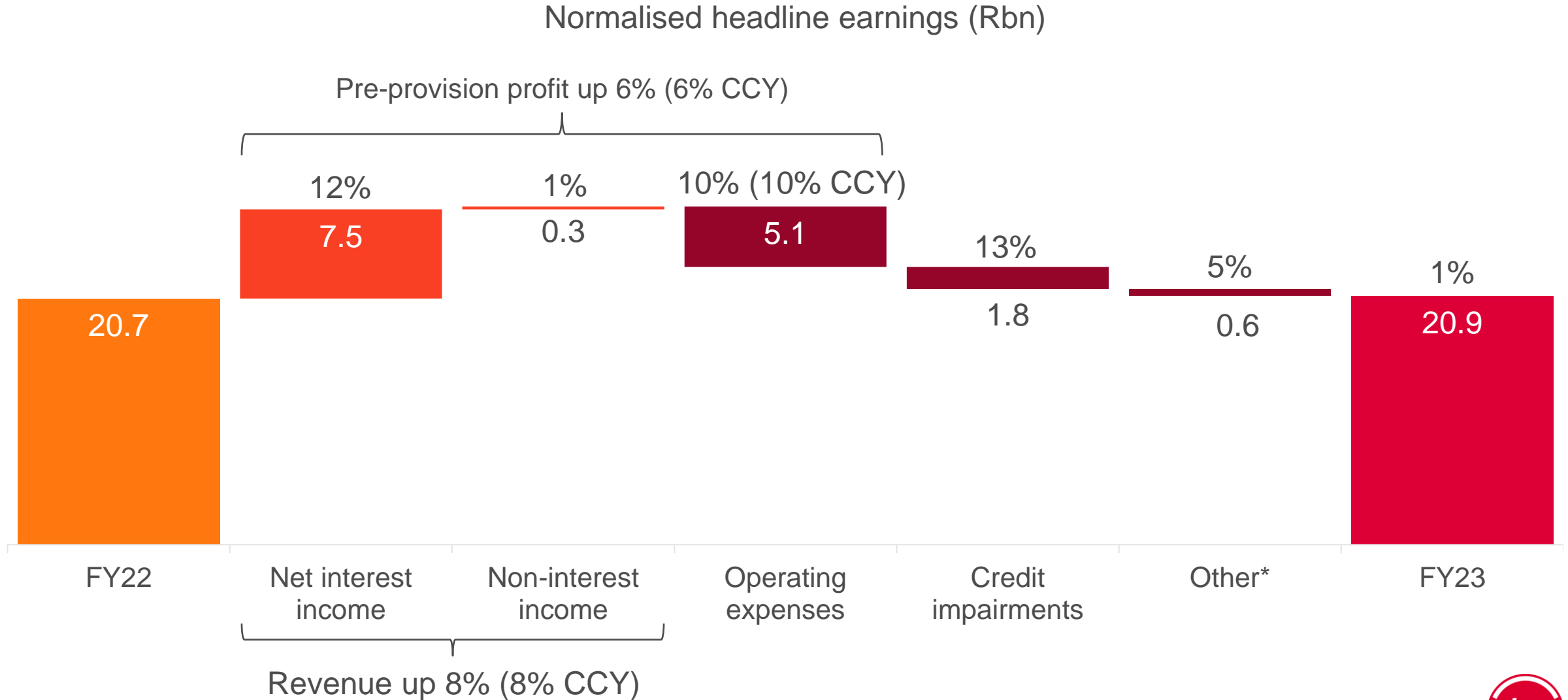
# Chris Snyman

Interim Financial Director

Your story matters

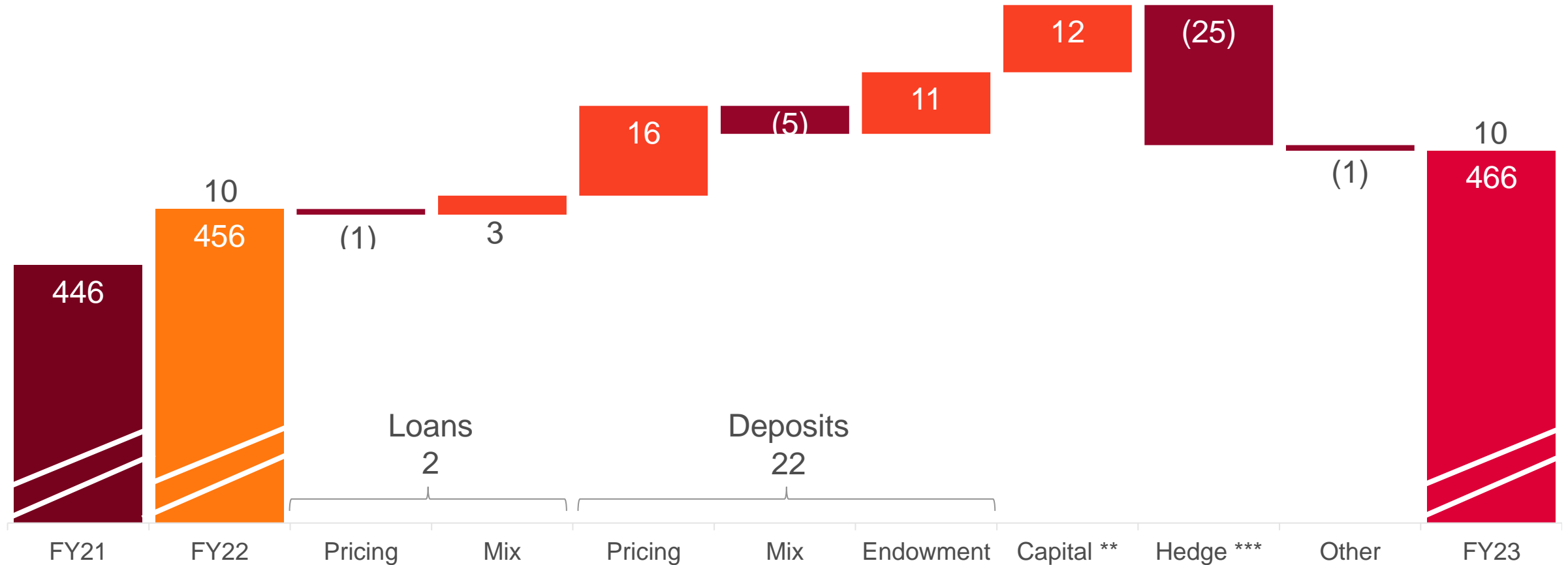


# Net interest income drove earnings growth



# Healthy net interest margin improved further

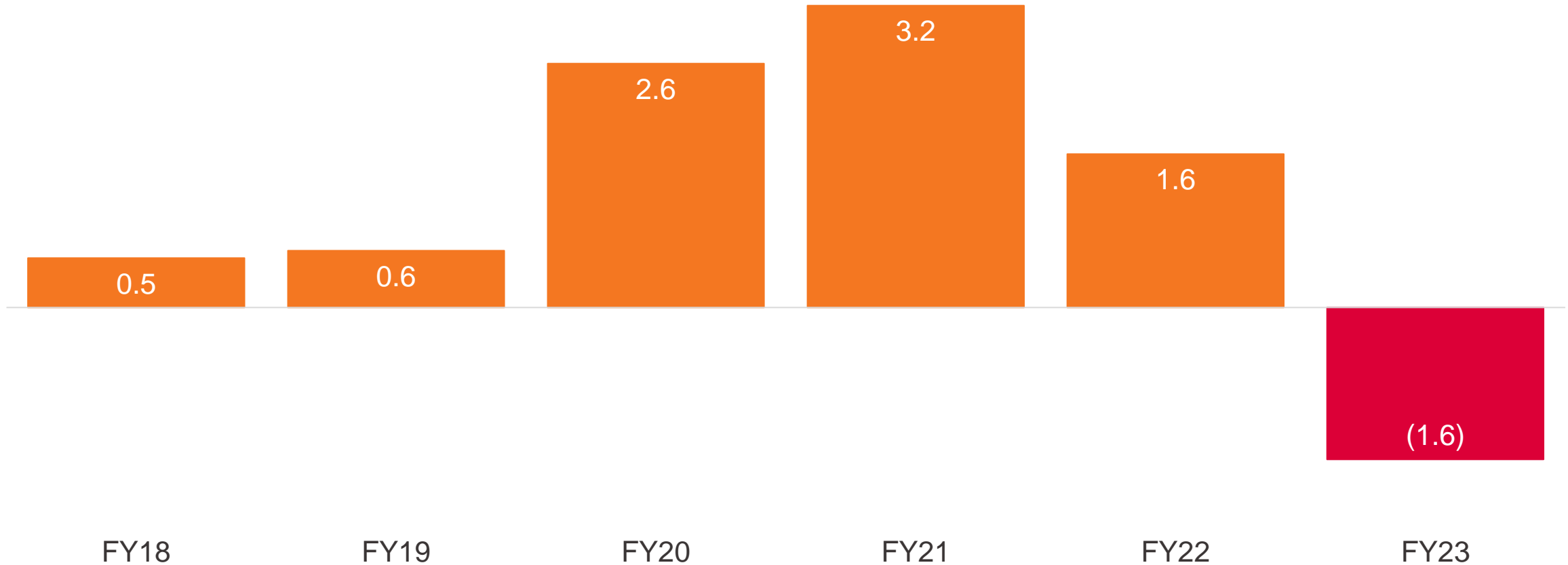
Change in net interest margin\* (basis points)



21  
 Note: \* average interest bearing assets; \*\* group equity endowment; \*\*\* interest rate risk management

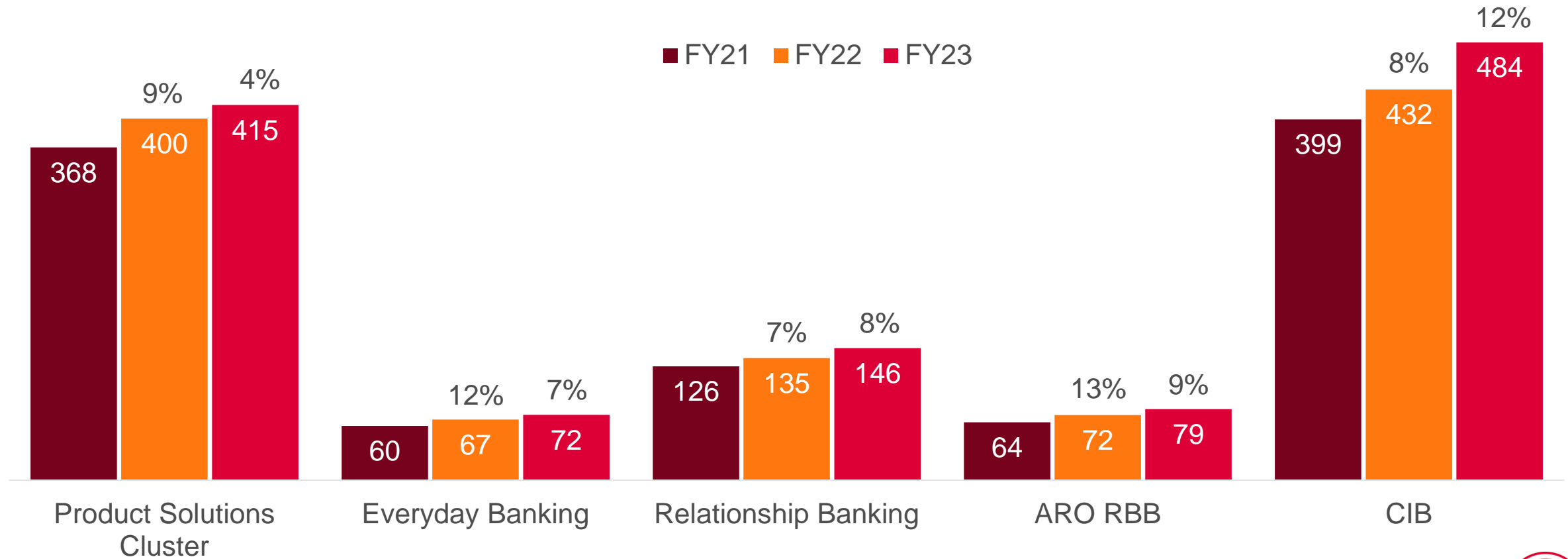
# Considerably lower contribution from structural hedge

Structural hedge release to income statement (Rbn)



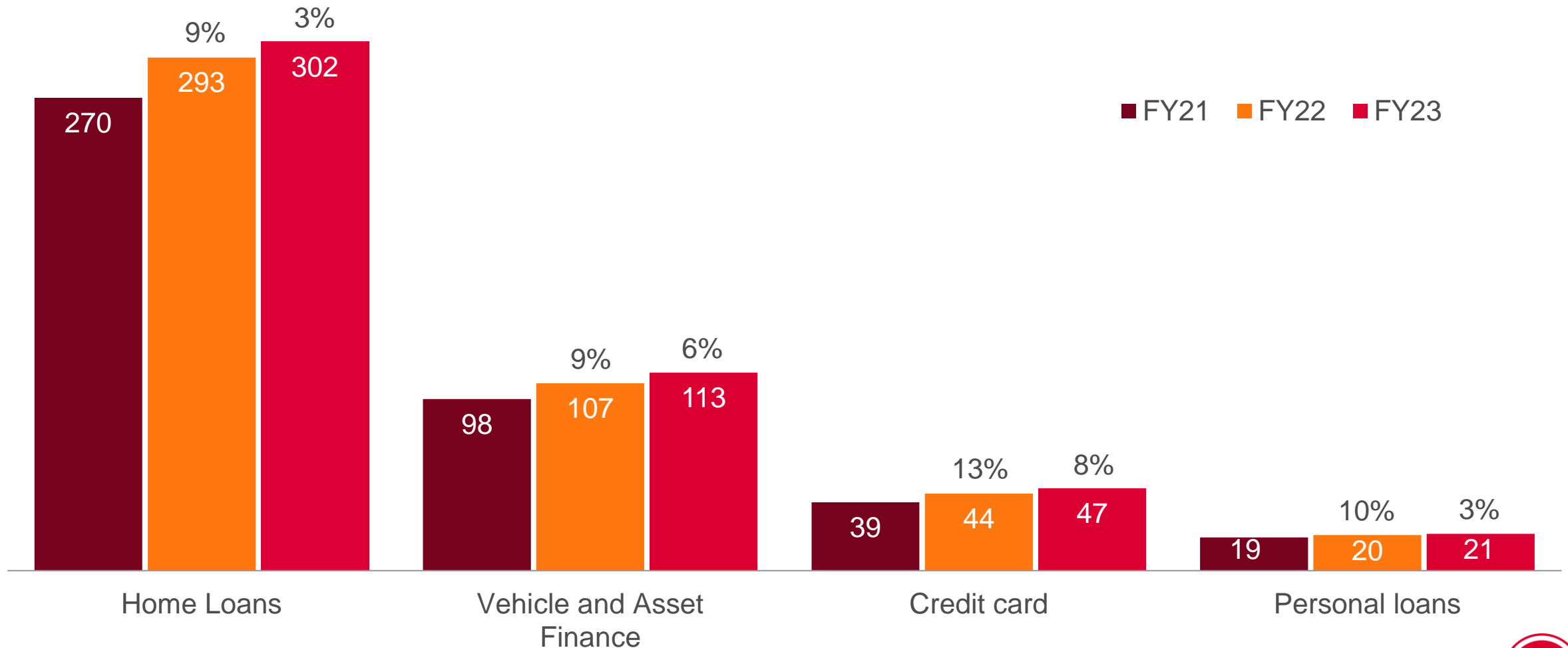
# Loan growth slowing, particularly South African retail

Net customer loans (Rbn)



# Reduced Home Loans production, in line with market

South Africa retail net customer loans (Rbn)

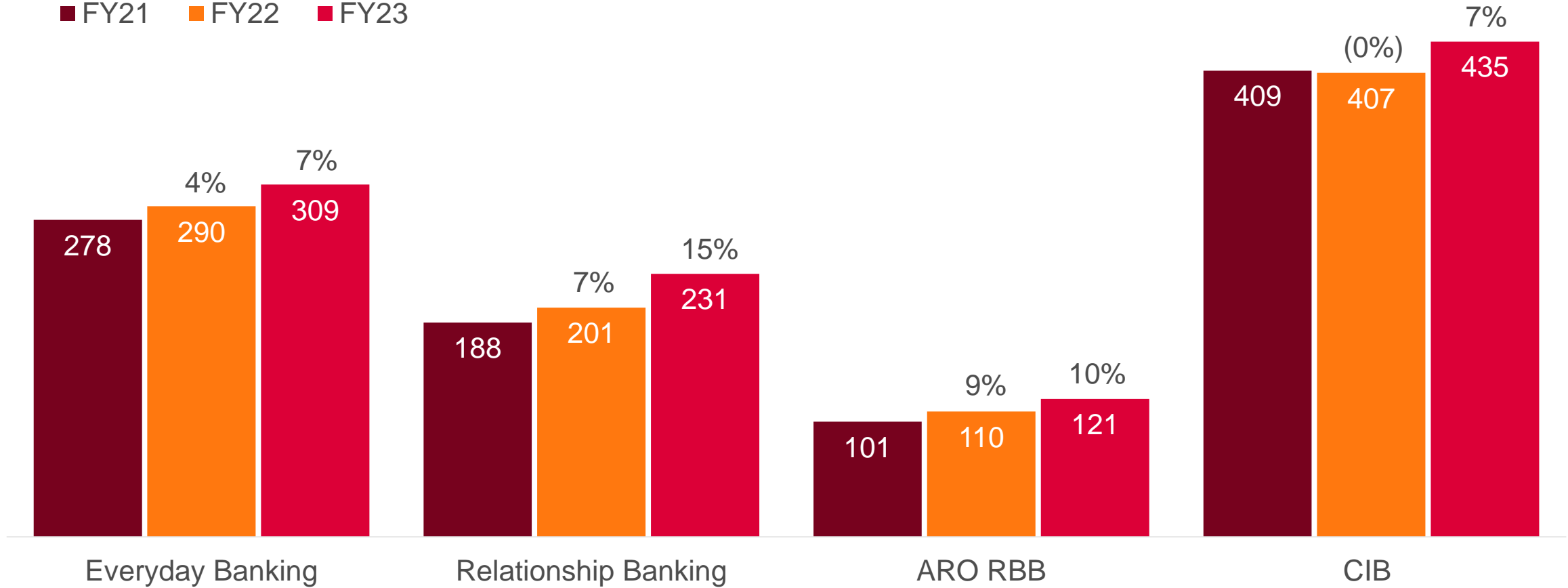




# Broad based deposit growth remains an opportunity

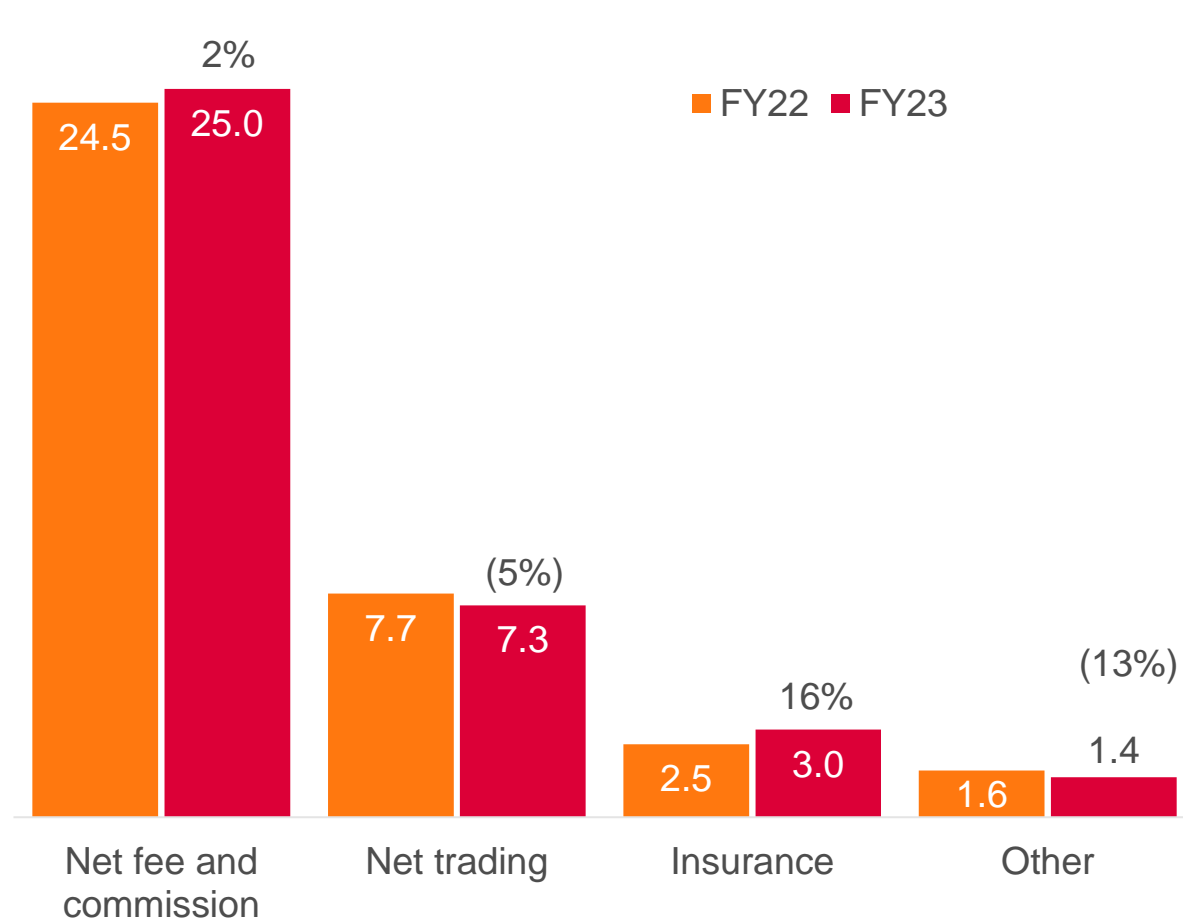
Customer deposits (Rbn)

FY21 FY22 FY23

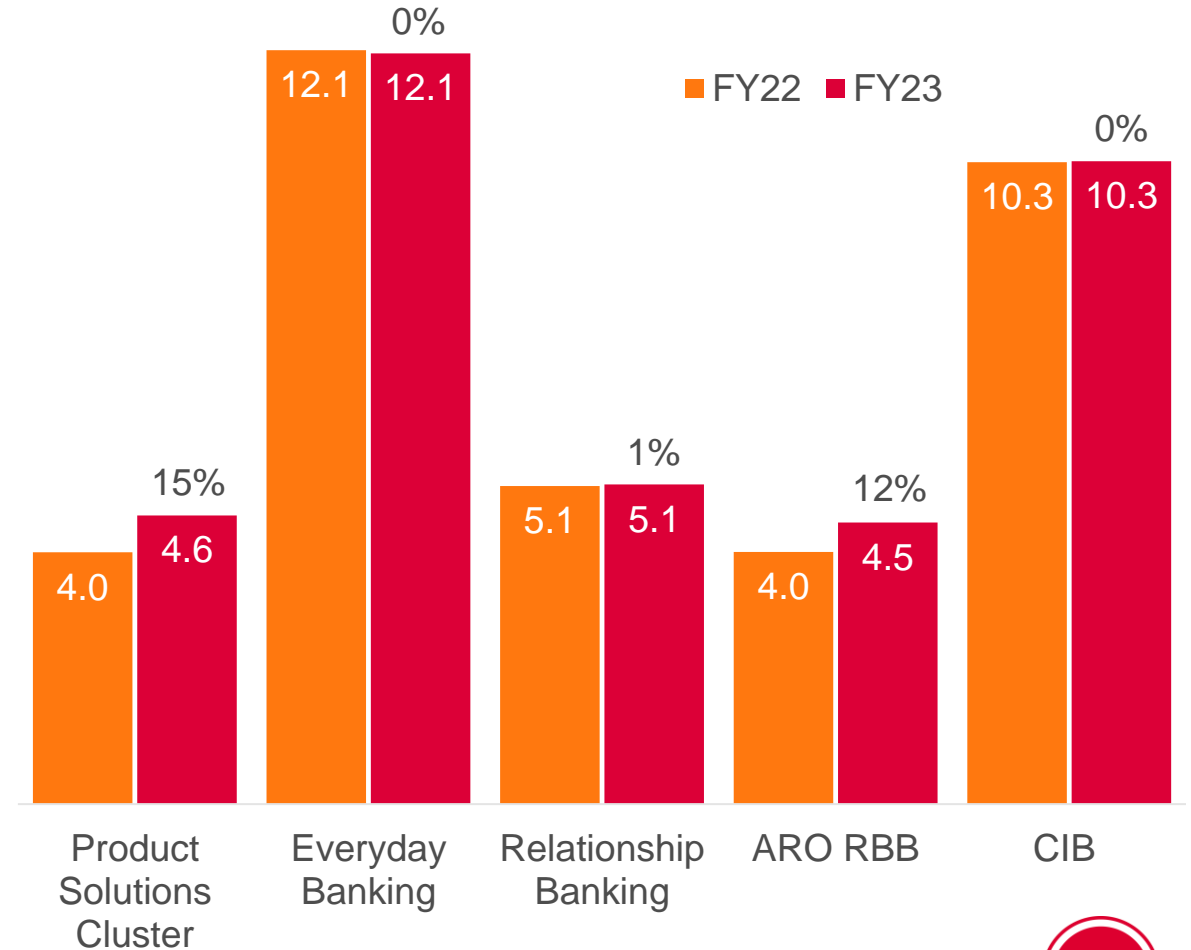


# Insurance underpinned non-interest income growth

Non-interest income (Rbn)

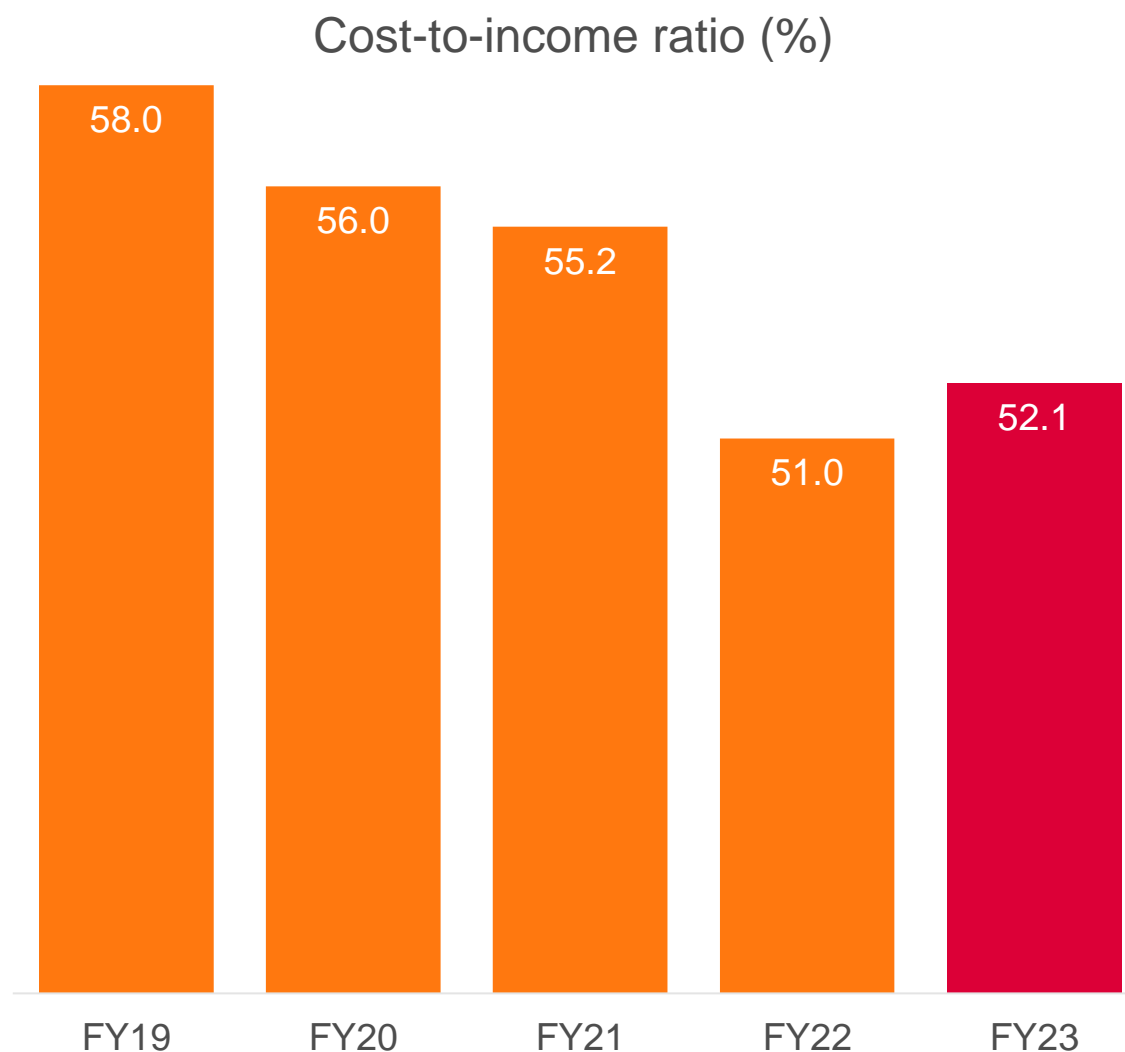


Non-interest income by division (Rbn)



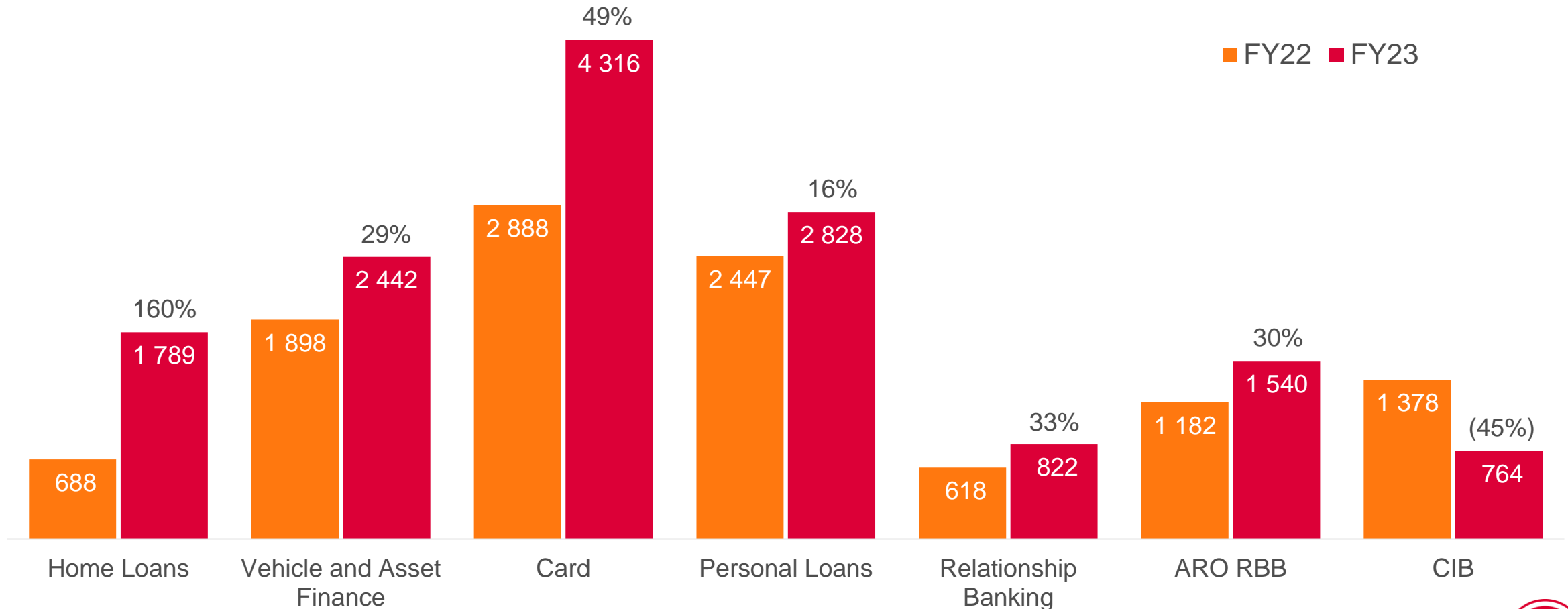
# Cost growth reflects substantial investment in franchise

	FY23 Rm	Change %	Mix %
Staff	31 515	13	58
Property	1 910	3	4
Technology	6 028	9	11
Depreciation	3 024	(3)	6
Professional fees	2 809	(3)	5
Marketing	2 032	18	4
Communication *	1 578	6	3
Cash transportation	1 159	3	2
Amortisation	1 701	2	3
Other **	2 711	27	5
<b>Total</b>	<b>54 467</b>	<b>10</b>	<b>100</b>



# Credit charge increased across divisions, besides CIB

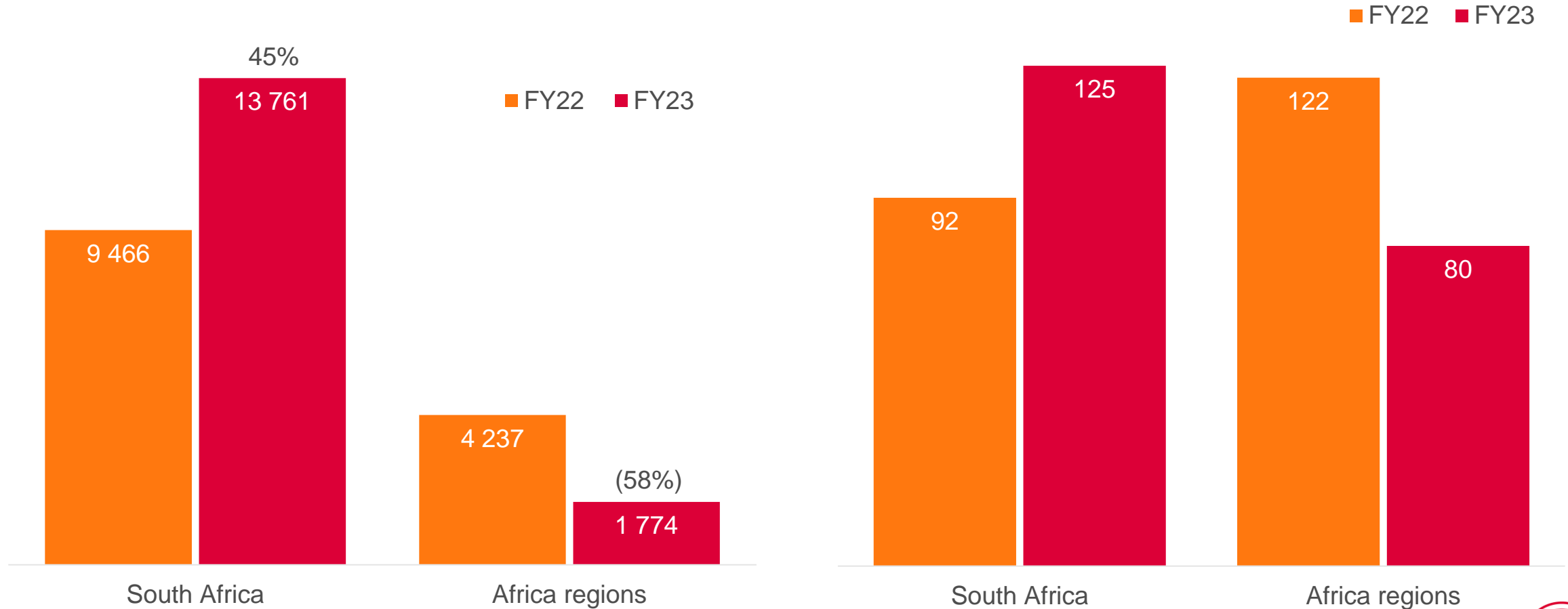
Credit impairments (Rm)



# Credit impairment trends diverge significantly

Credit impairments (Rm)

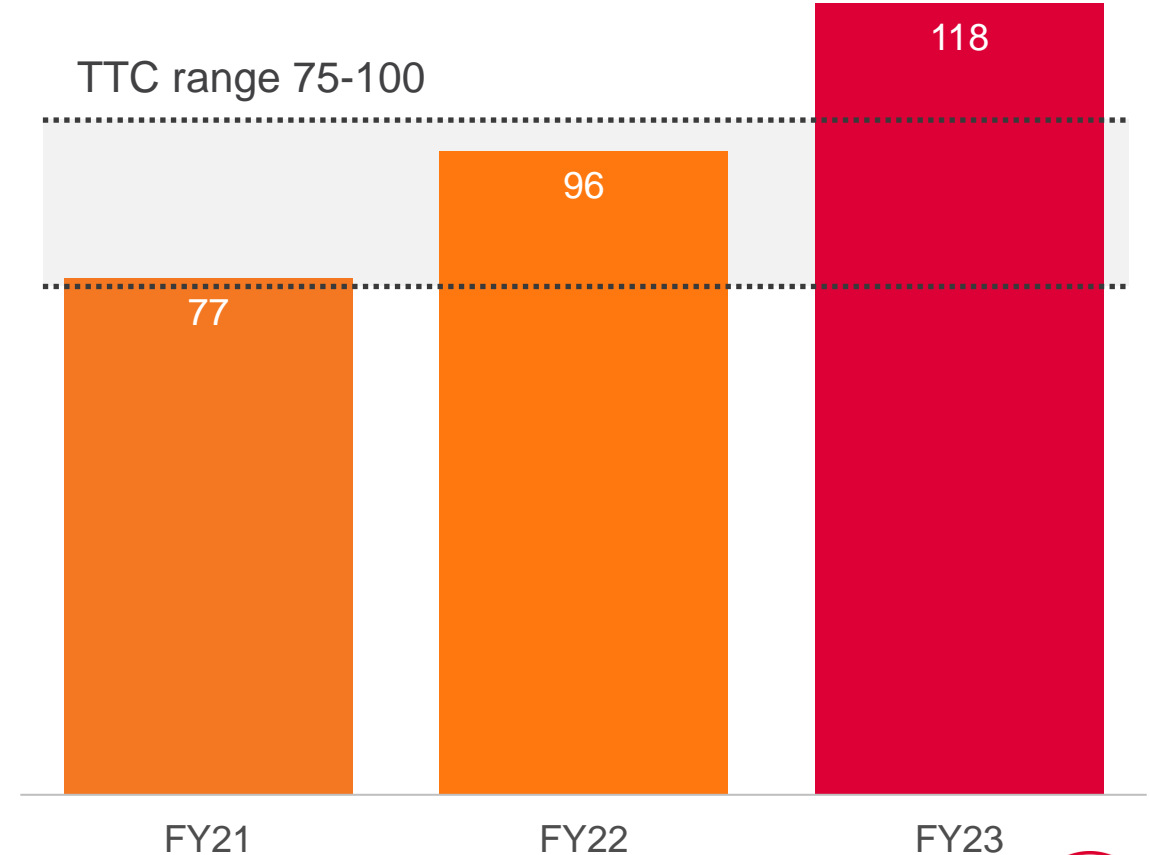
Credit loss ratio (bps)



# Credit loss ratio well above through-the-cycle range

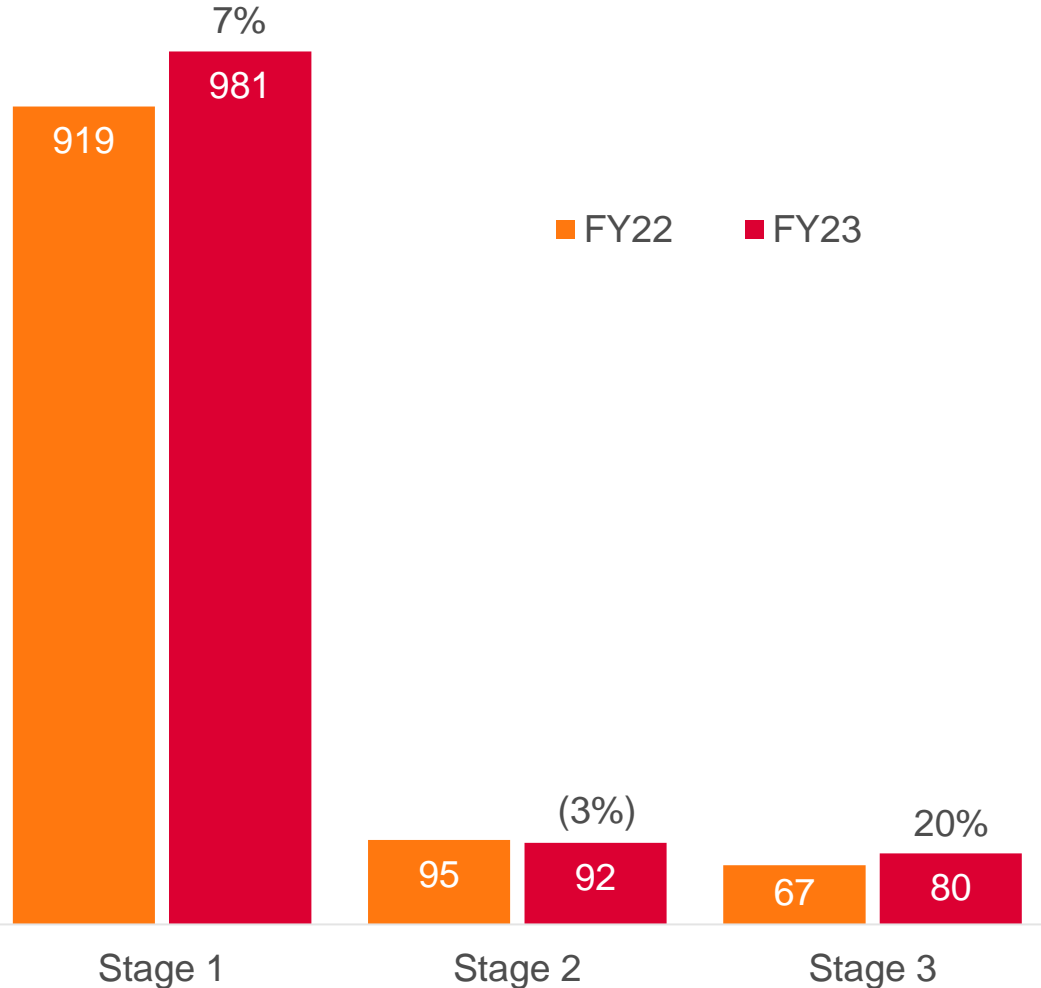
Group credit loss ratio (bps)

Credit loss ratio (%)	FY22	FY23
Product Solutions Cluster	0.65	0.99
Home Loans	0.24	0.58
Vehicle and Asset Finance	1.76	2.08
Everyday Banking	6.45	8.35
Relationship Banking	0.45	0.56
ARO RBB	1.64	1.84
CIB	0.27	0.17
<b>Group</b>	<b>0.96</b>	<b>1.18</b>

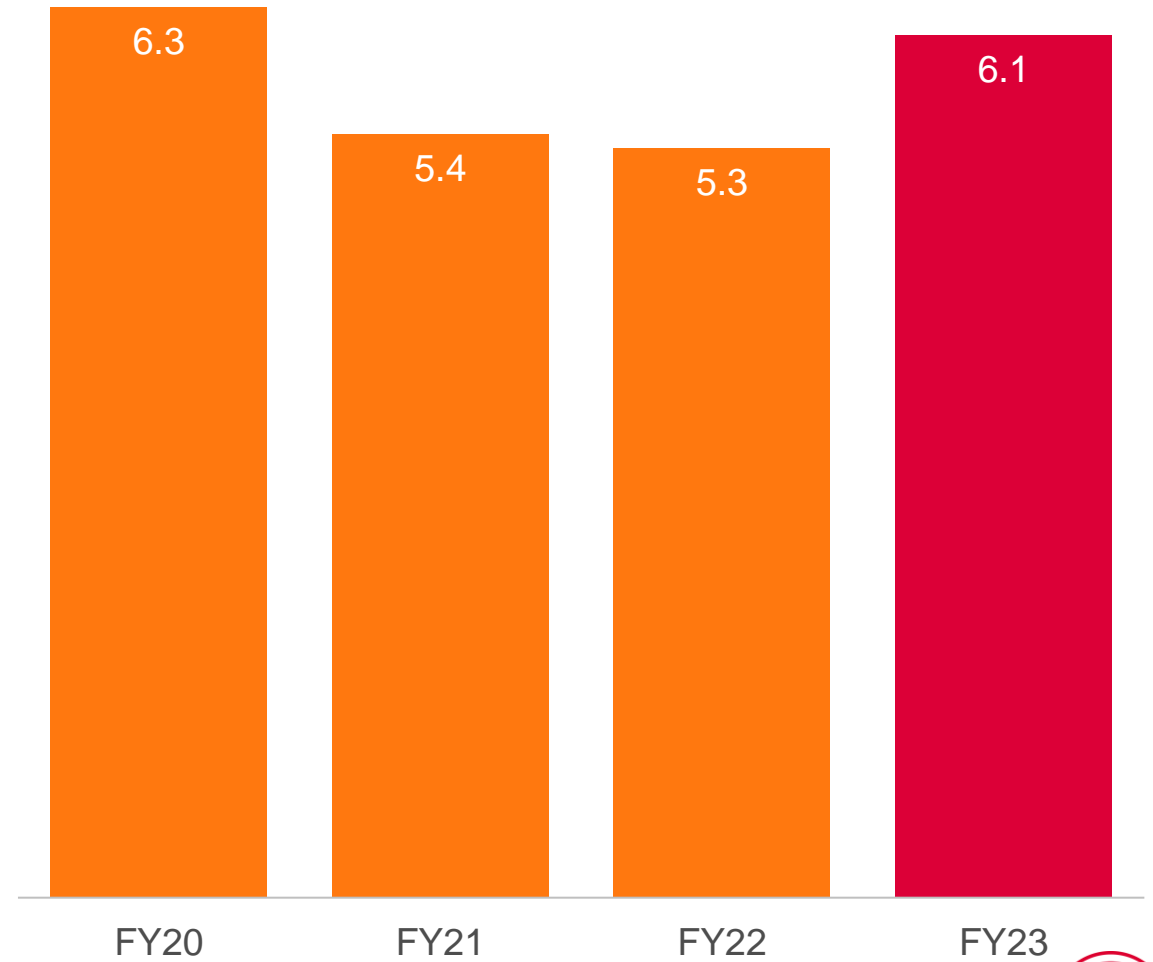


# Credit impairments reflect stage migration

Customer loans by stage (Rbn)



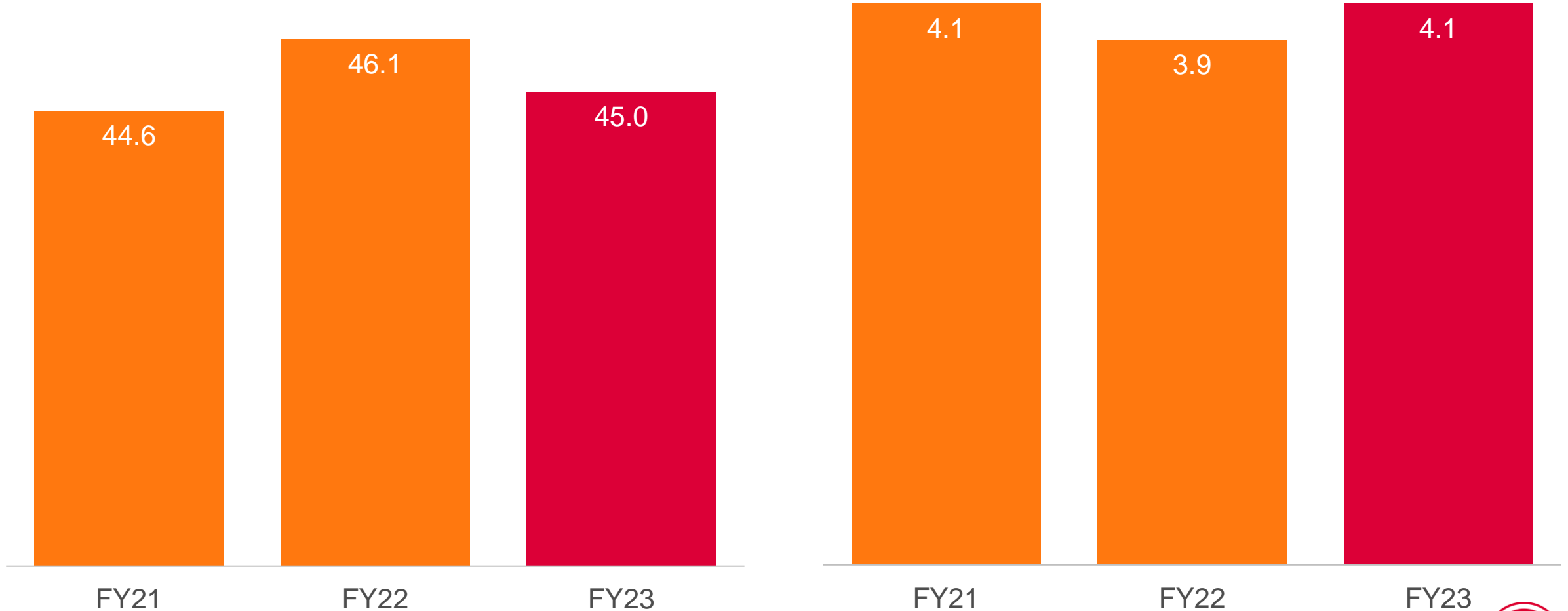
Non-performing loans (%)



# NPL and total loan coverage remain robust

NPL coverage (%)

Total loan coverage (%)

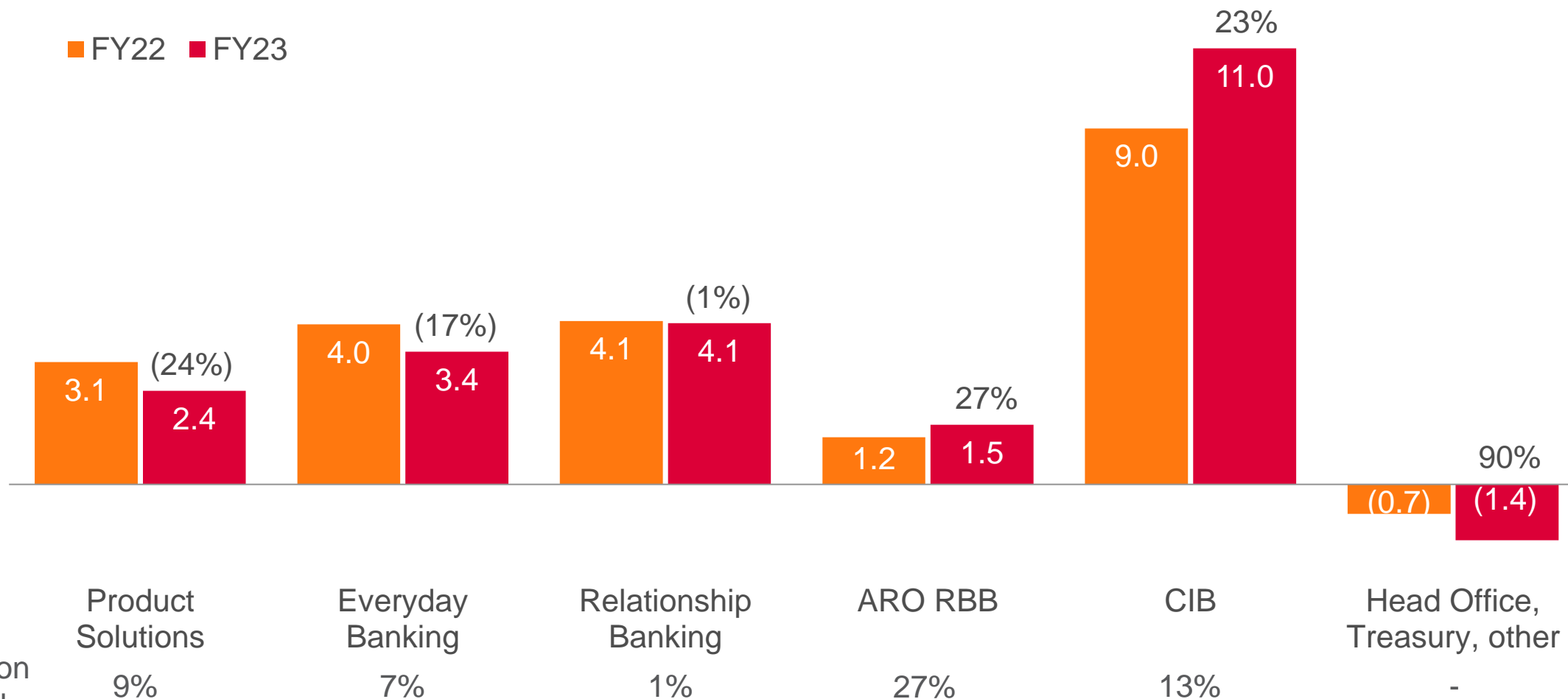




# Material benefit from portfolio diversification ...

Headline earnings (Rbn)

■ FY22 ■ FY23



Pre-provision  
profit growth:

Product  
Solutions  
9%

Everyday  
Banking  
7%

Relationship  
Banking  
1%

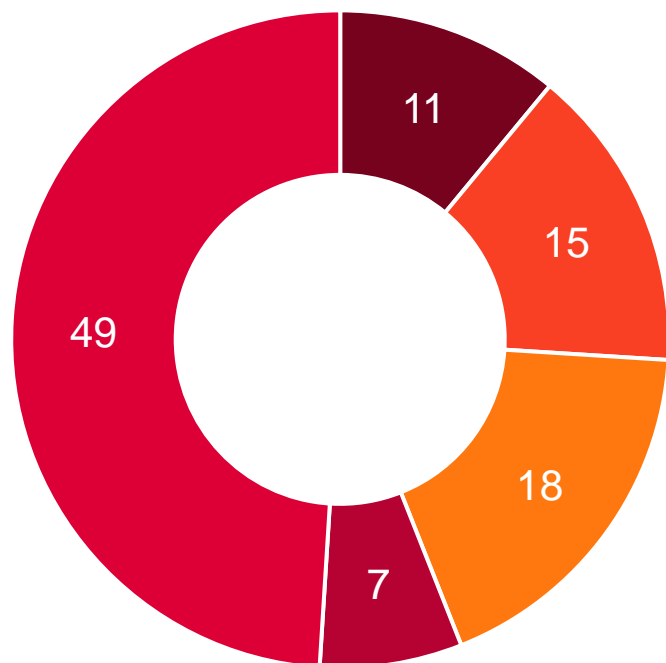
ARO RBB  
27%

CIB  
13%

Head Office,  
Treasury, other  
-

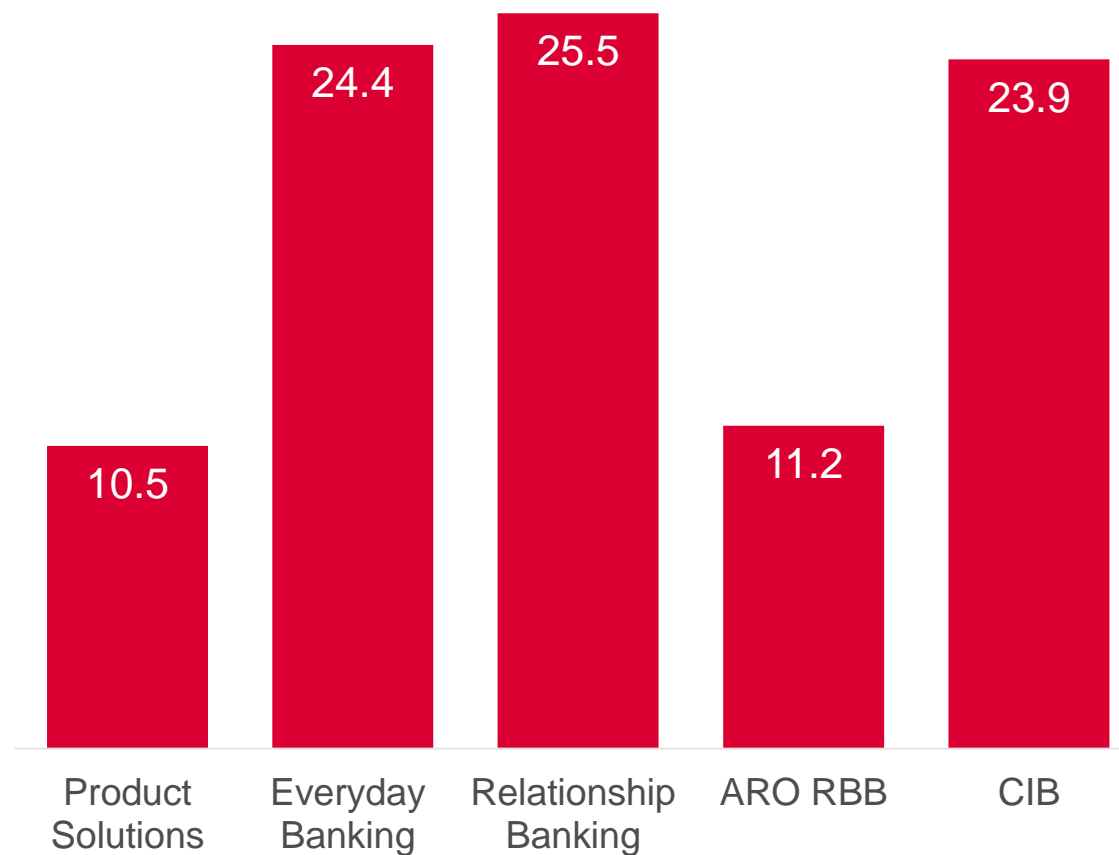
# ... evident in earnings contributions and returns

Group earnings mix (%) \*



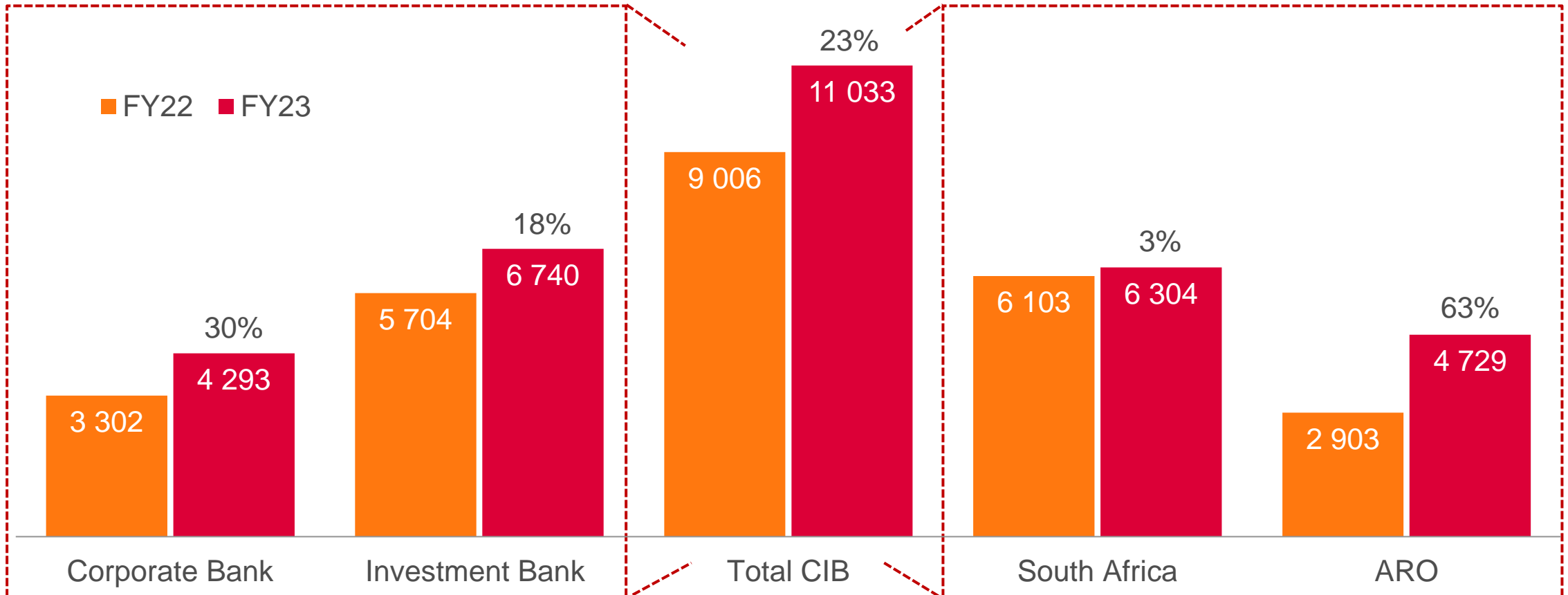
- Product Solutions Cluster
- Everyday Banking
- Relationship Banking
- ARO RBB
- CIB

Return on regulatory capital (%)



# CIB benefits from its improving scale and diversification

Headline earnings (Rm)



Pre-provision  
profit growth:

27%

5%

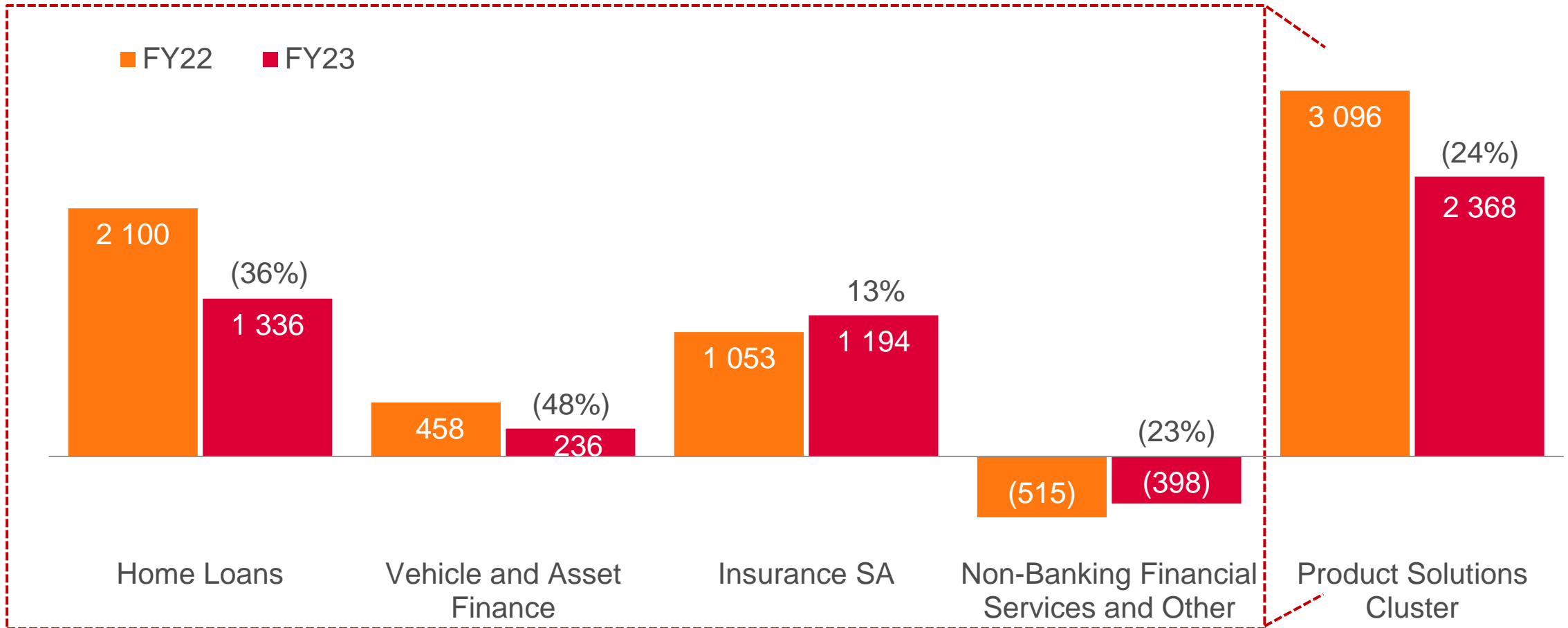
13%

4%

26%

# Secured lending credit charge reduced PSC earnings

Headline earnings (Rm)



Pre-provision profit growth:

2%

12%

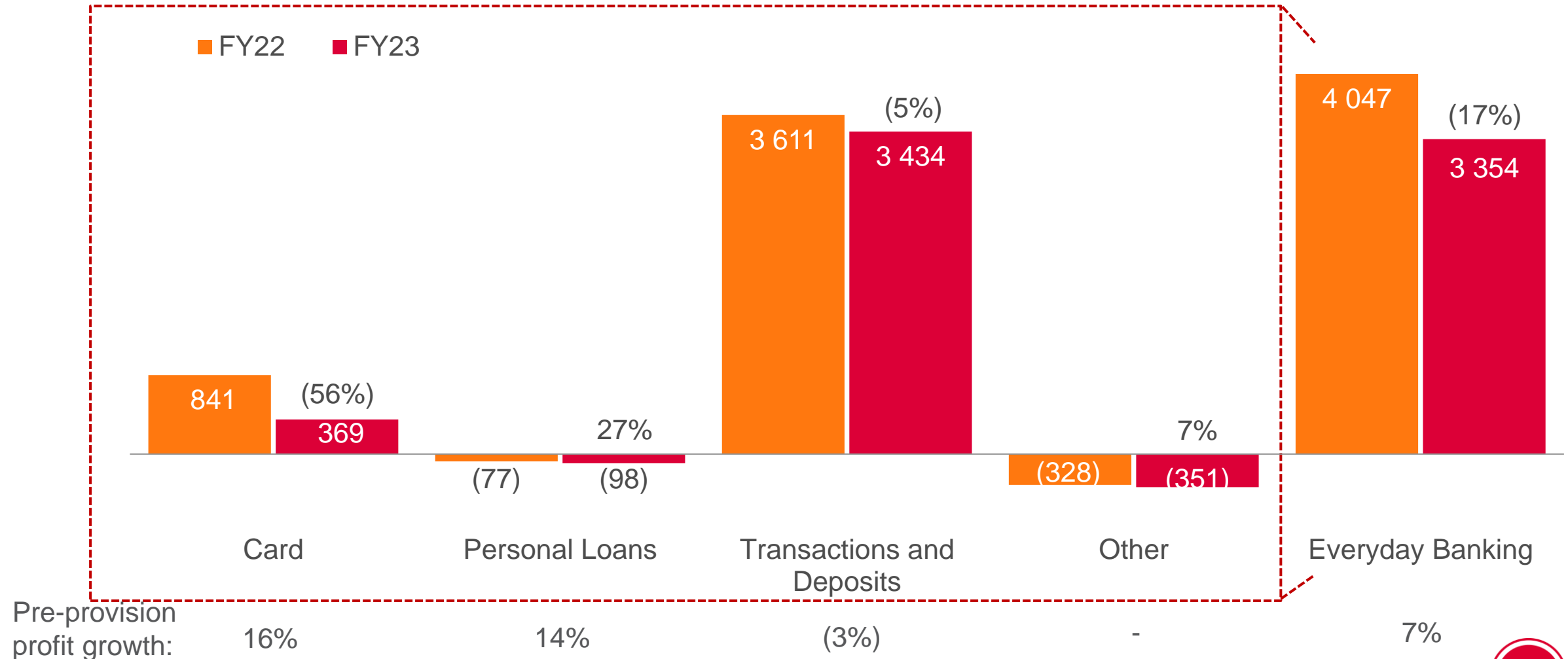
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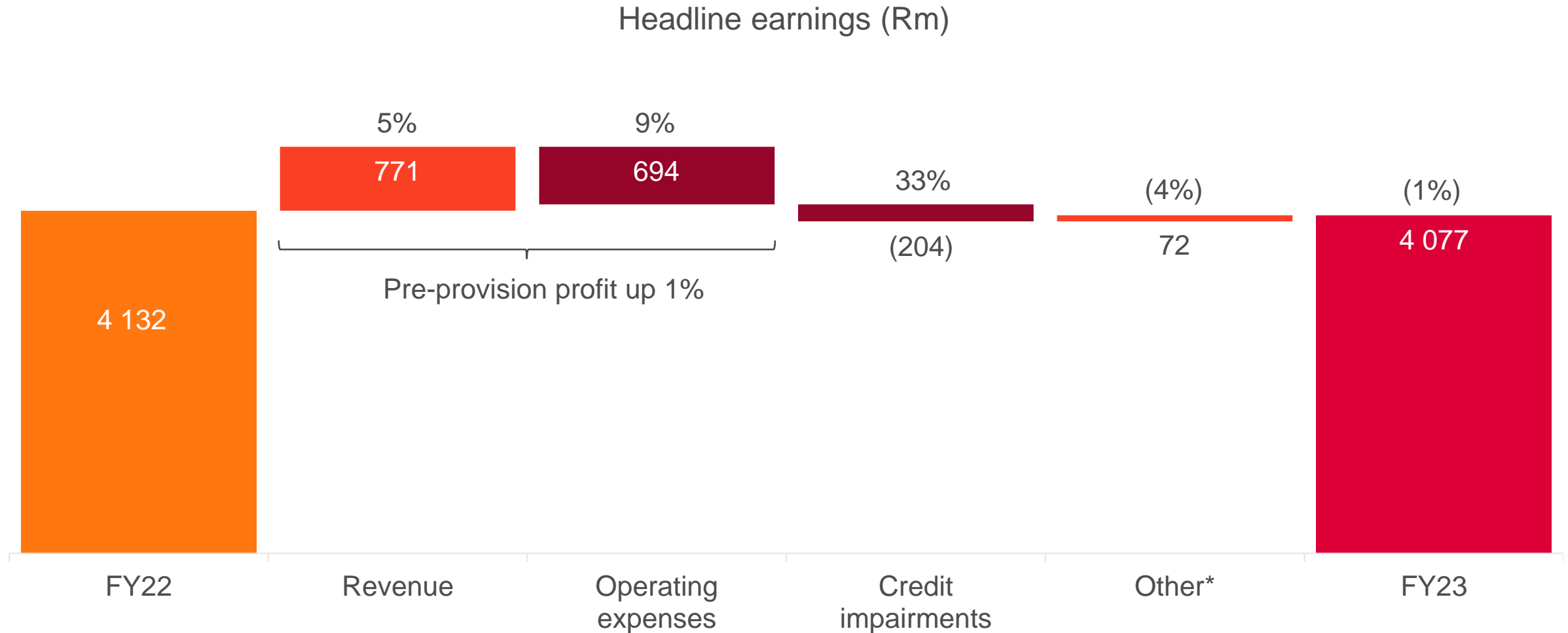
9%

# Lending businesses reduced Everyday Banking earnings

Headline earnings (Rm)

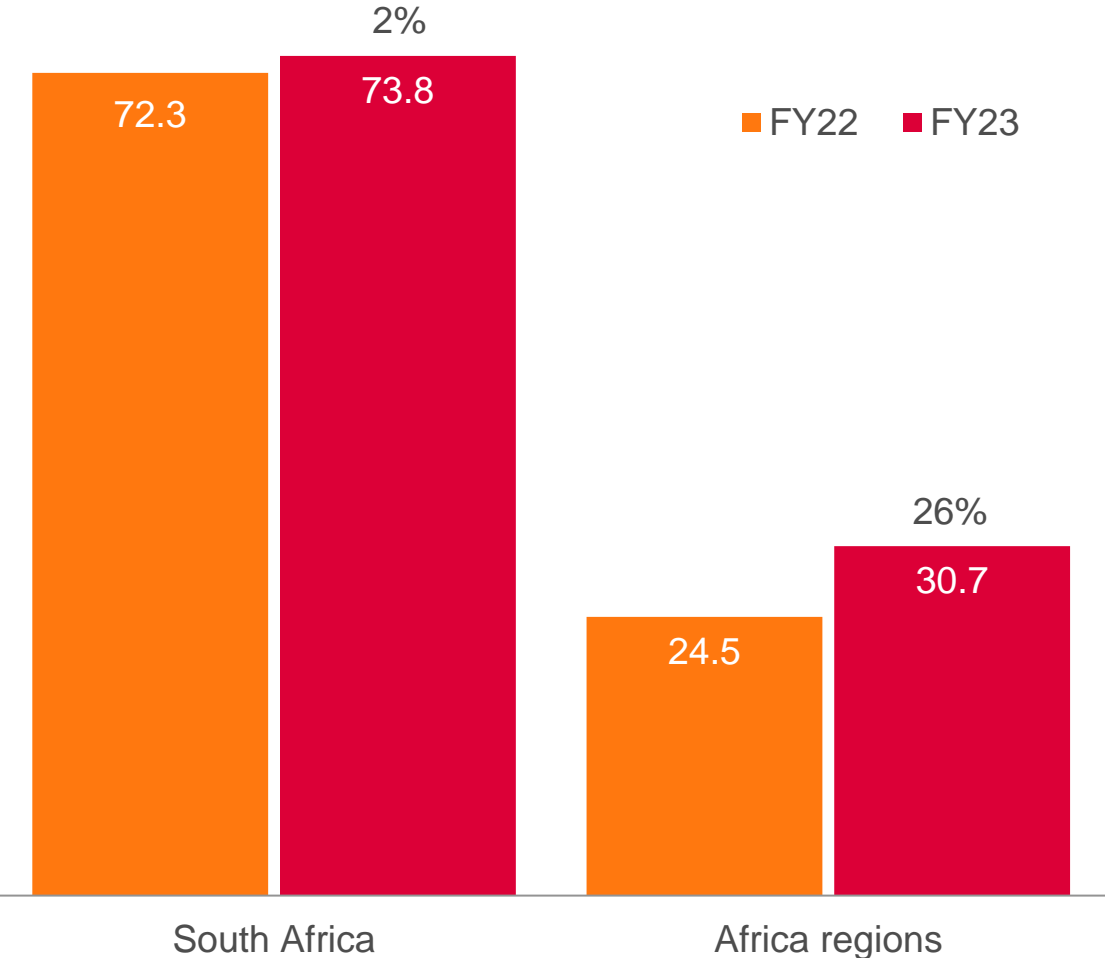


# Relationship Banking investing for growth

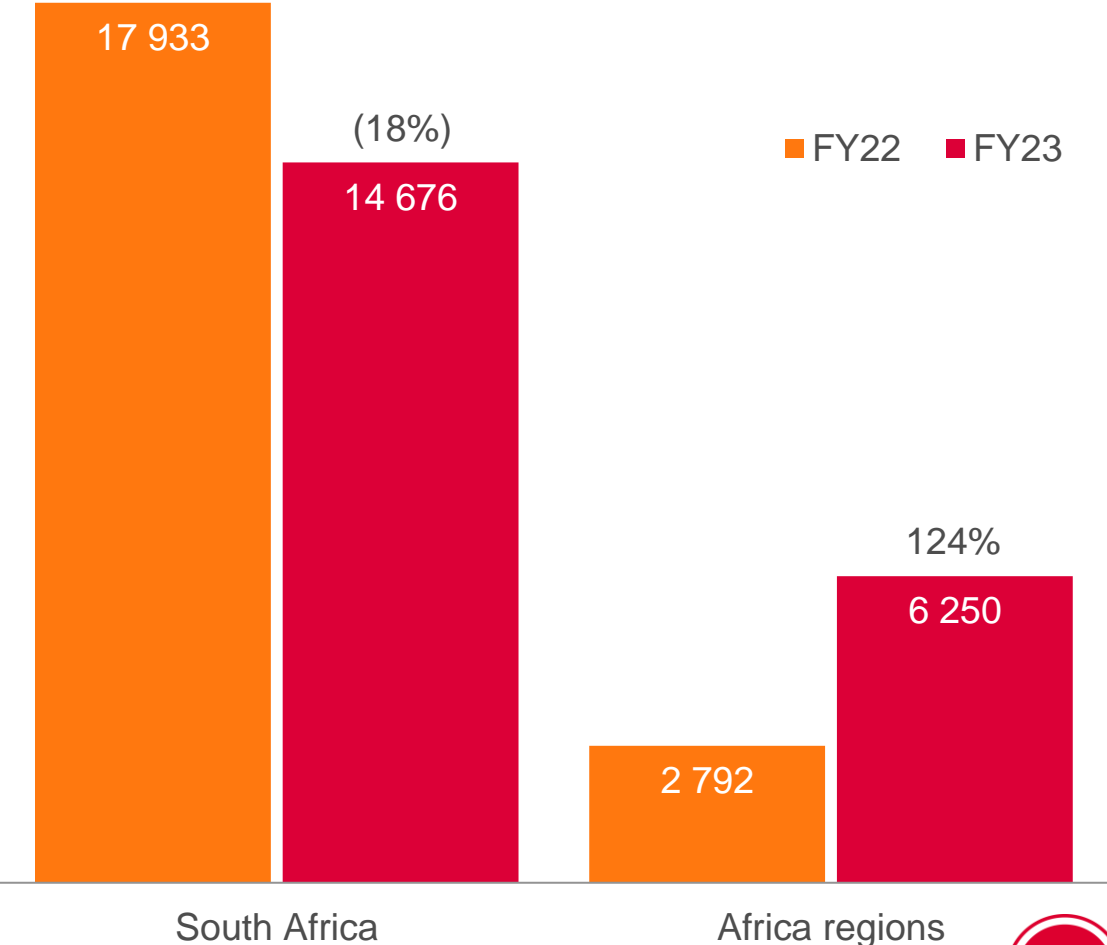


# Africa regions drove group revenue and earnings growth

Revenue (Rbn)

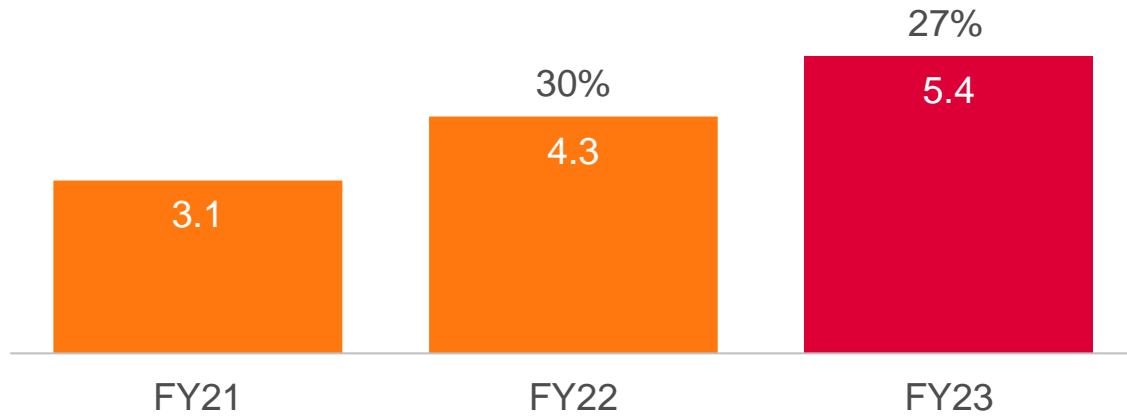


Normalised headline earnings (Rm)

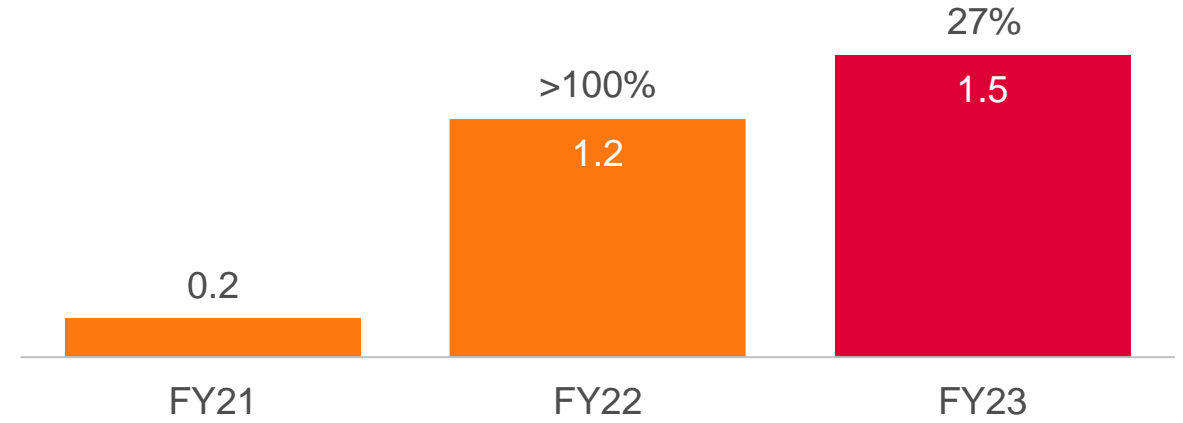


# Substantial operational improvement in ARO RBB

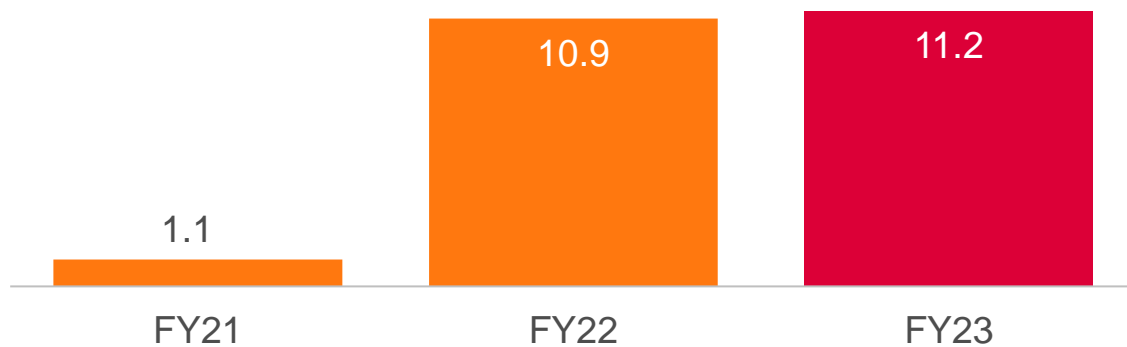
Pre-provision profit (Rbn)



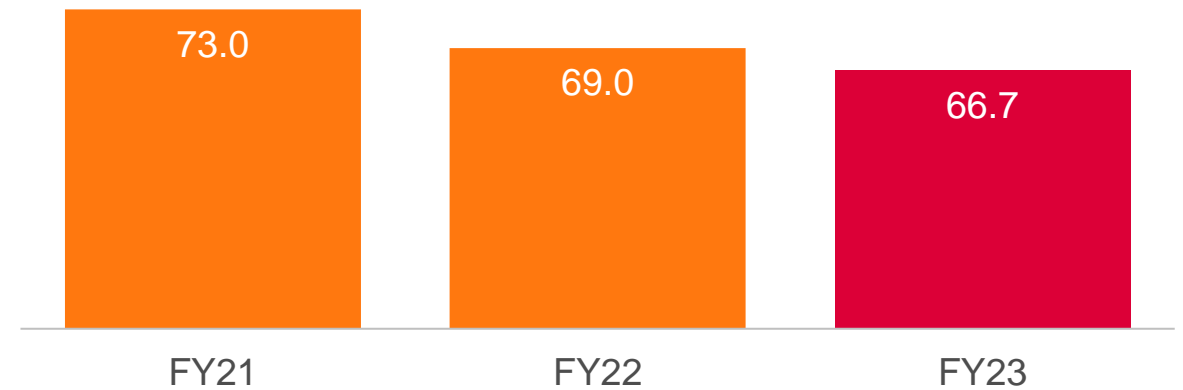
Headline earnings (Rbn)



RoRC (%)



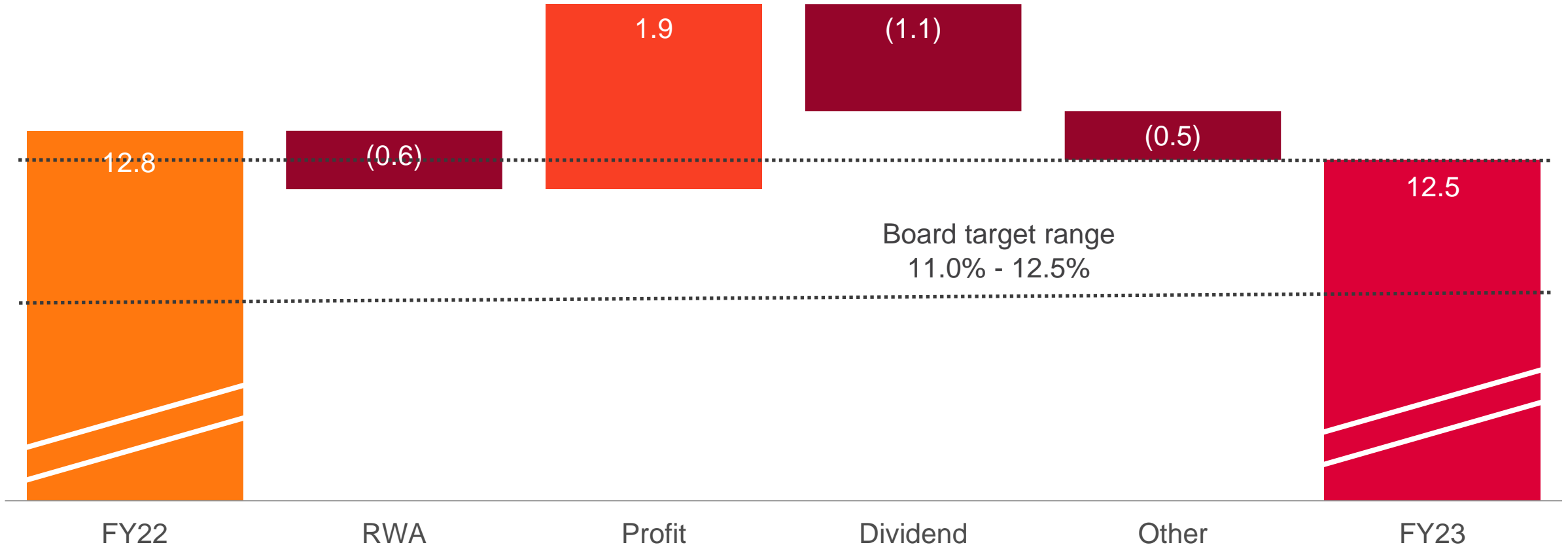
Cost-to-income ratio (%)





# CET1 ratio at the top end of Board target range

Group common equity tier 1 ratio (%)



# No longer normalising for Barclays Separation in FY24

	Normalised Rm	Barclays separation effects (Rm)	IFRS Rm
Net interest income	67 927	128	68 055
Non-interest income	36 603	(16)	36 587
<b>Total income</b>	<b>104 530</b>	<b>112</b>	<b>104 642</b>
Credit impairment charges	15 535		15 535
Operating expenses	54 467	1 237	55 704
Other expenses	3 222	131	3 353
Associates	200		200
<b>Profit before tax</b>	<b>31 506</b>	<b>(1 256)</b>	<b>30 250</b>
Tax expenses	7 983	(296)	7 687
Profit after tax	23 523	(960)	22 563
<b>Headline earnings</b>	<b>20 926</b>	<b>(852)</b>	<b>20 074</b>
Diluted HEPS (c)	2 470		2 415
RoE (%)	15.3		14.4
Cost-to-income ratio (%)	52.1		53.2
NAV per share (c)	16 828		17 109

# 2024 outlook (on an IFRS basis)

## Revenue

High single digit revenue growth, driven by both net interest income and non-interest income. Slower first half growth given a high 1H23 base.

## Balance sheet

High single digit customer loan and customer deposit growth.

## Credit impairments

Credit loss ratio expected to exceed through-the-cycle target range of 75 to 100bps, but to improve slightly YoY. We expect an elevated 1H24 charge similar to 1H23, although 2H24 likely to improve to top of range.

## Operating expenses

Mid- to high single digit growth in operating expenses, resulting in an improved cost-to-income ratio. High single digit pre-provision profit growth.

## Returns

Return on equity improves to between 15% and 16%, with 1H24 below this range.

## Capital

Group CET1 ratio expected to remain in top half of 11.0% to 12.5% Board target range. Dividend payout ratio around 55%.

## Substantial base effects and FY24 shape

Given sizeable 2023 base effects, slower revenue and pre-provision profit growth is expected to dampen 1H24 earnings growth off a relatively high base. Conversely, stronger pre-provision profit growth and a lower credit loss ratio should support better earnings growth in 2H24 versus a relatively low base.

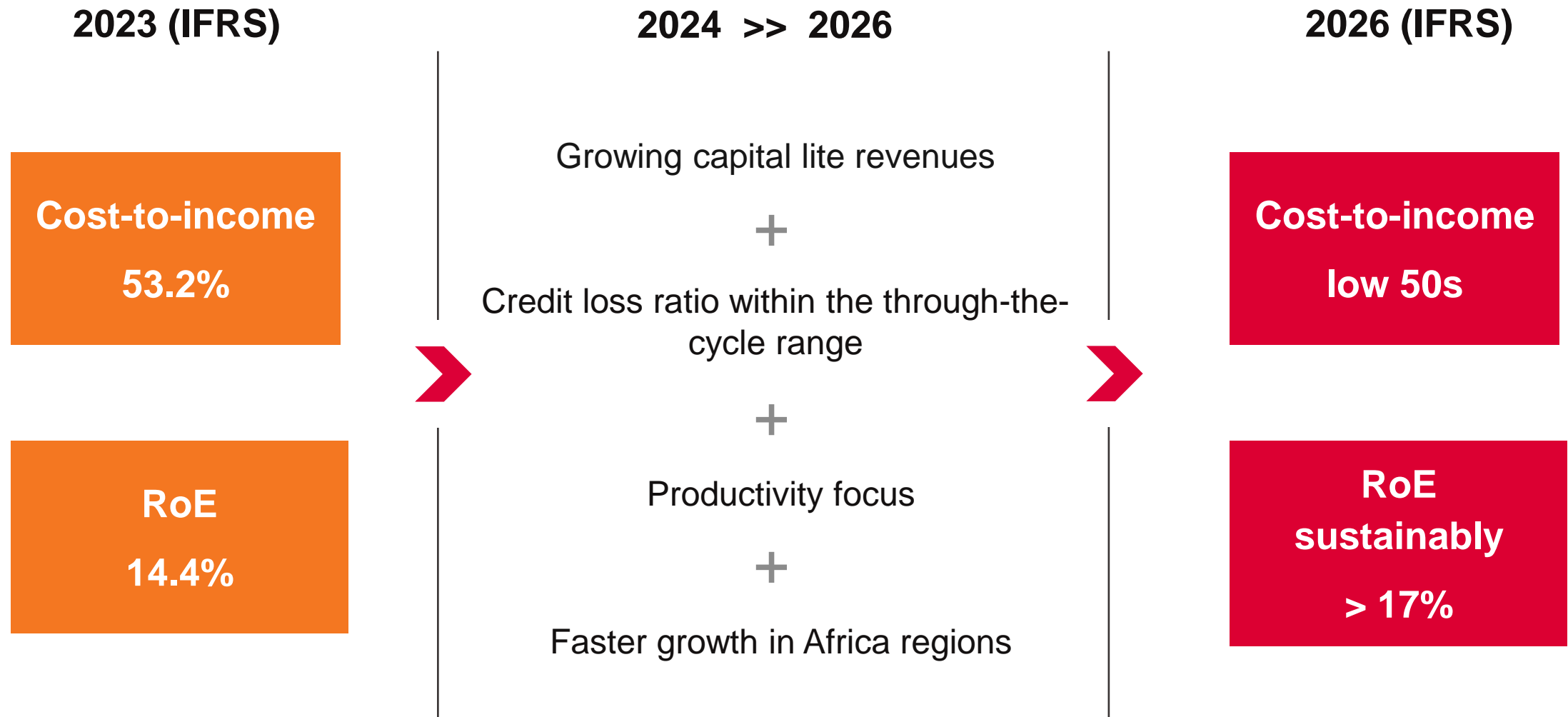
# Arrie Rautenbach

Group Chief Executive

Your story matters



# Pathway to our medium-term targets



# Disclaimer

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.