

Your story matters



# Absa Group 1H24 financial results

19 August 2024

# Arrie Rautenbach

Group Chief Executive

# The macro backdrop remains difficult



## Global environment

- Inflation pressures moderated, but slower than expected
- Monetary policy remained restrictive
- Geopolitical risks elevated
- Election uncertainty persists



## Sub-Saharan Africa

- Policy rates elevated
- Inflation remains high
- Fiscal constraints
- El Nino impact across the continent
- Currency weakness
- Attractive growth rates



## South Africa

- Prime remained at peak levels
- Inflation moderated further
- Continued consumer pressure
- Election uncertainty weighed
- Improved outlook after GNU formed

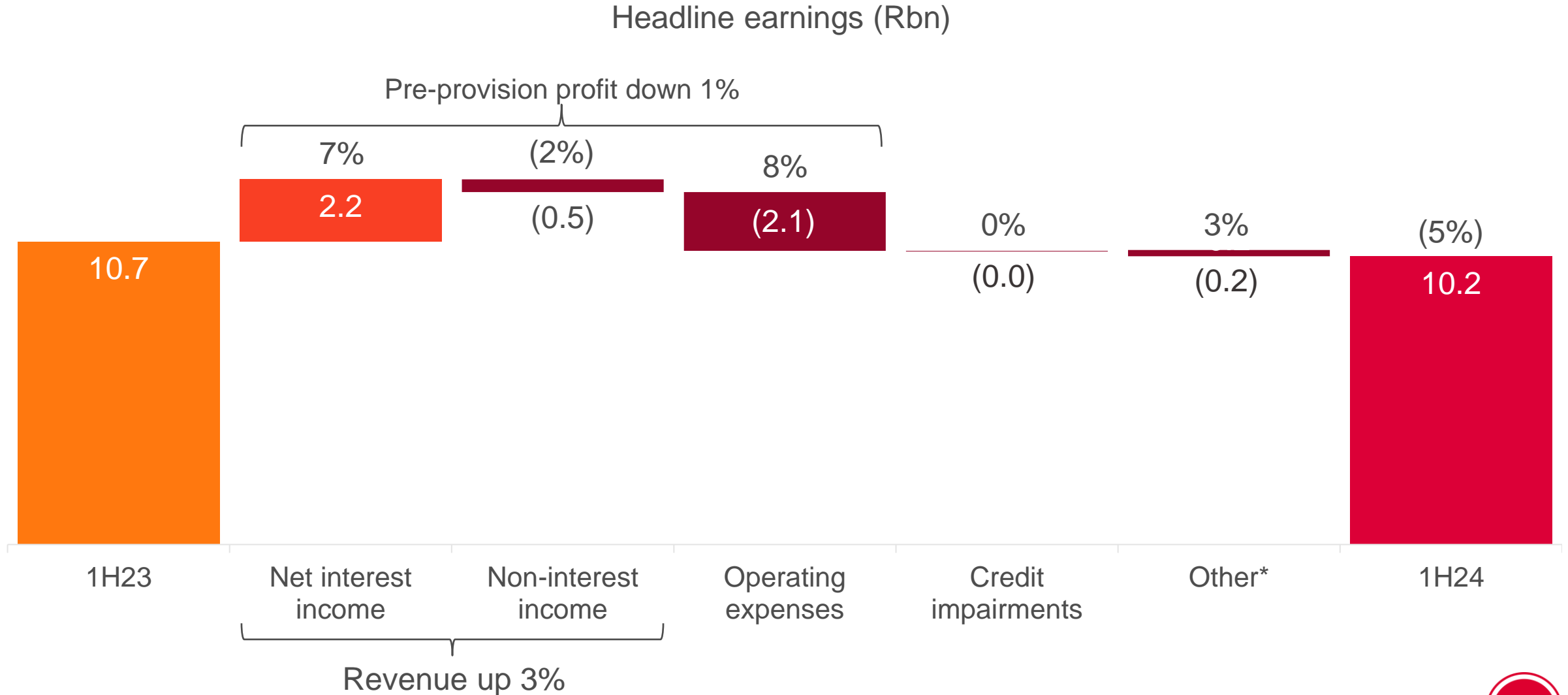
# Key performance metrics

	1H23	1H24	Change (%)
Diluted HEPS (c)	1 289	<b>1 228</b>	(5)
Ordinary interim DPS (c)	685	<b>685</b>	0
RoE (%)	15.7	<b>14.0</b>	
Net interest margin (bps)	462	<b>469</b>	
Cost-to-income ratio (%)	50.6	<b>52.7</b>	
NPLs to gross loans and advances (bps)	582	<b>614</b>	
Credit loss ratio (bps)	127	<b>123</b>	
NAV per share (R)	170.27	<b>180.14</b>	6
CET1 ratio (%)	13.0	<b>12.7</b>	

# Deon Raju

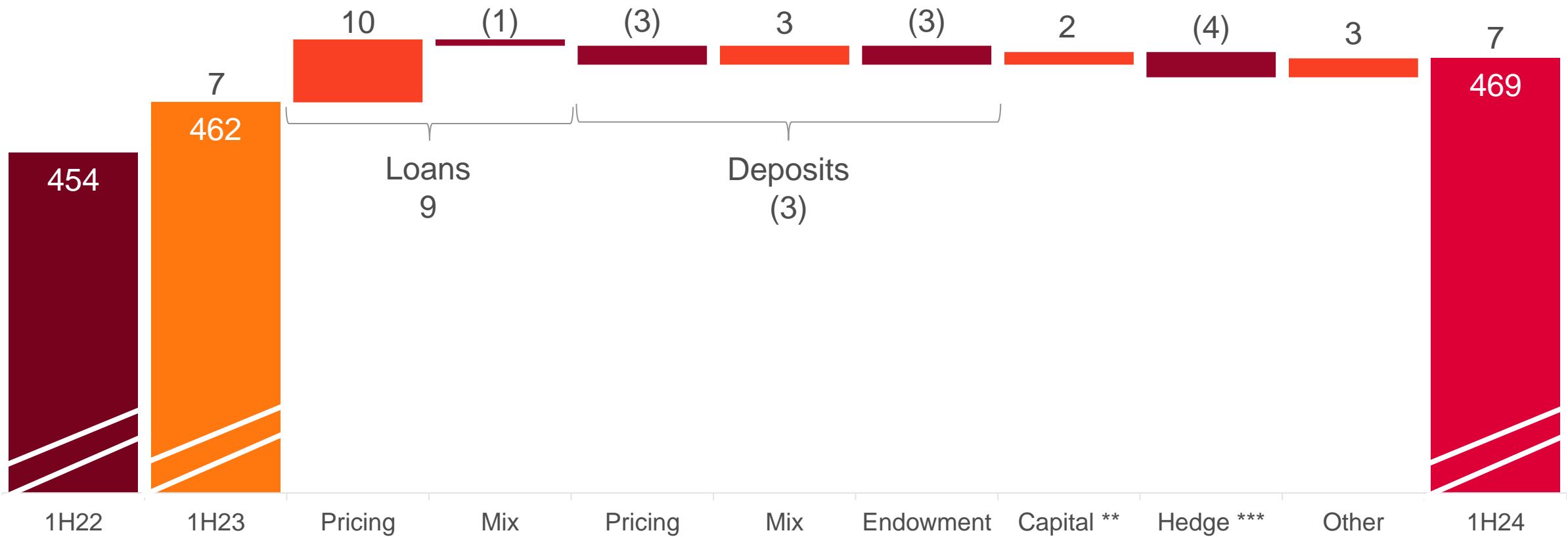
Group Financial Director

# Costs and lower non-interest income reduced earnings



# Loan pricing improved net interest margin

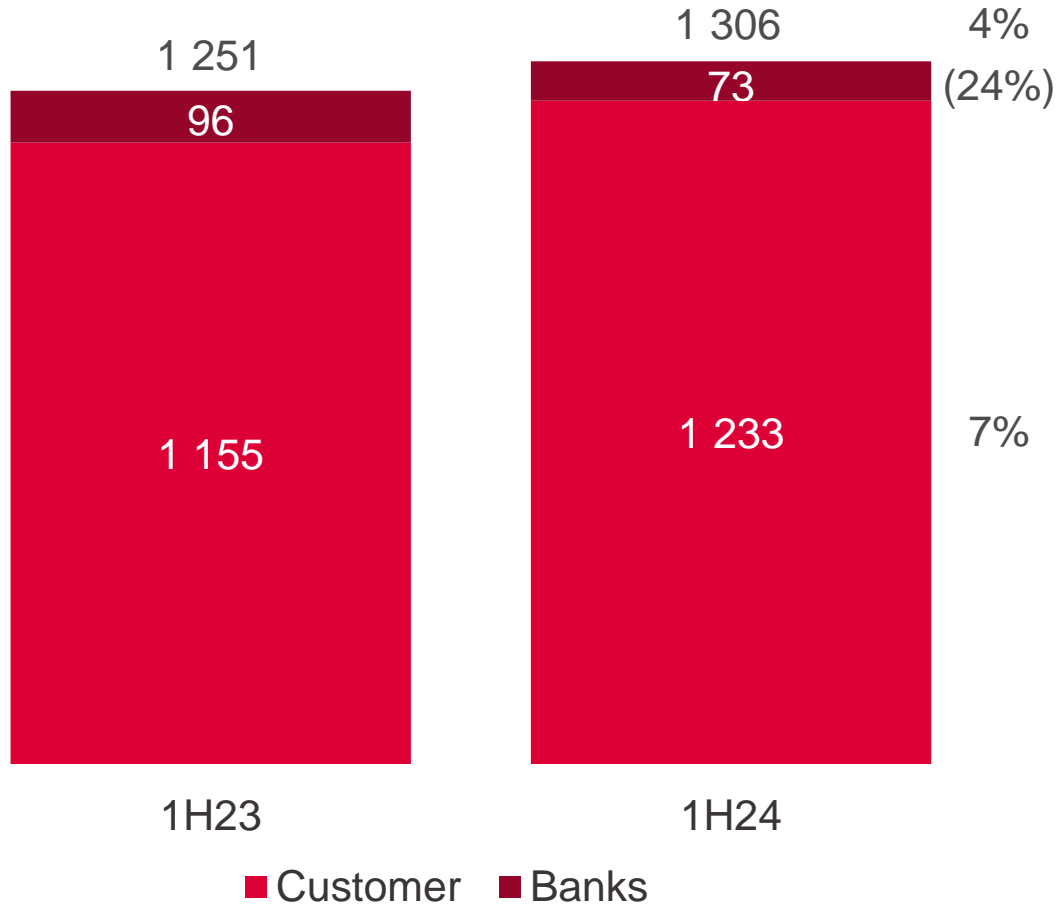
Change in net interest margin\* (basis points)



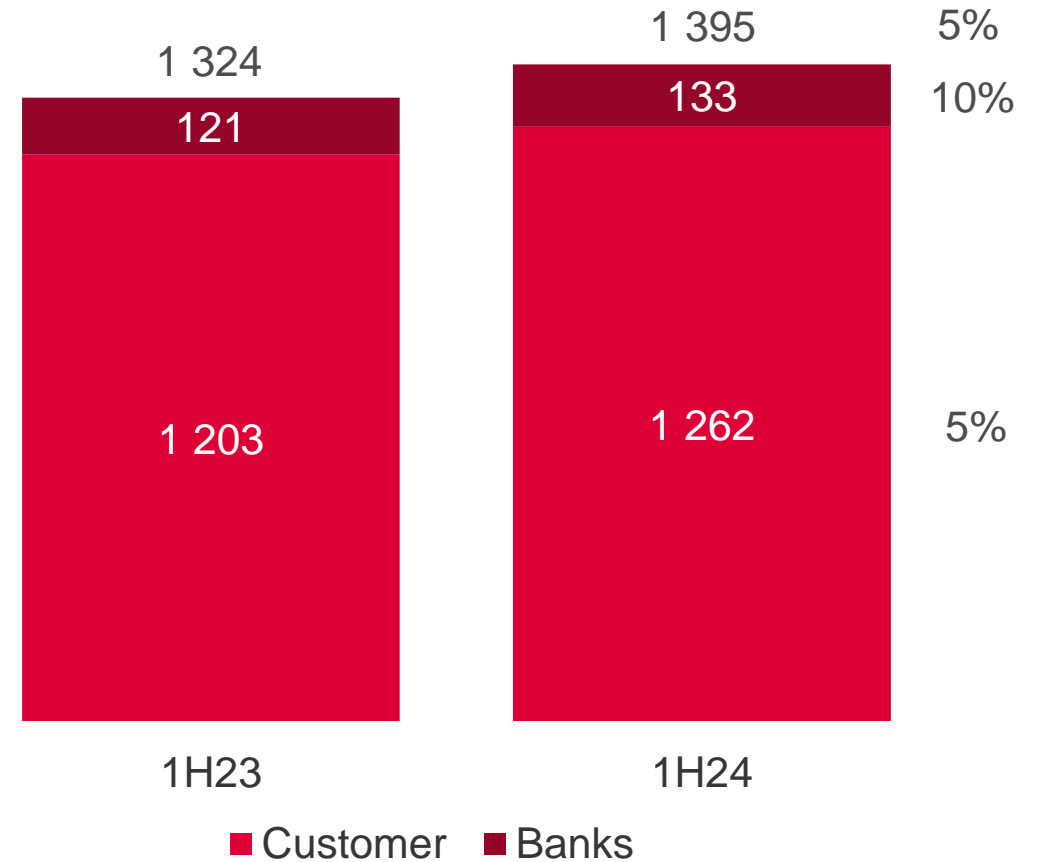
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 Note: \* average interest bearing assets; \*\* group equity endowment; \*\*\* interest rate risk management

# Moderate loan and deposit growth

Group net loans and advances mix (Rbn)



Group deposit mix (Rbn)

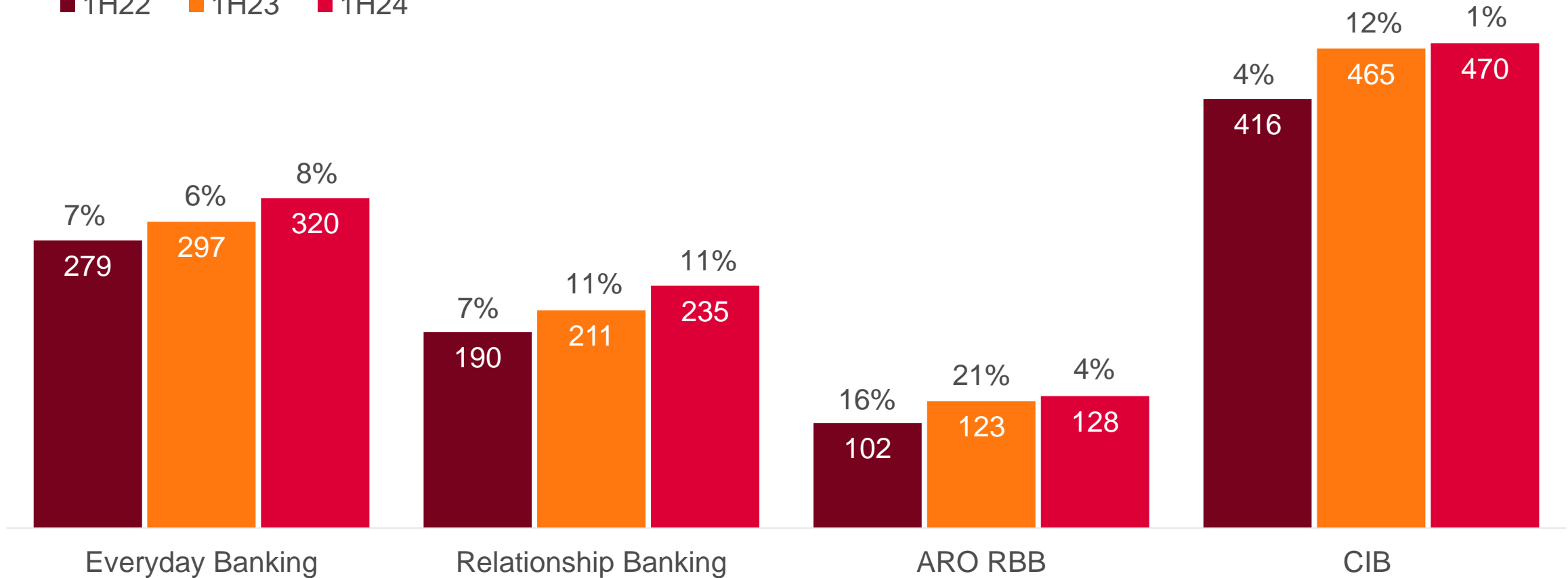




# Solid SA retail and Relationship Banking deposit growth

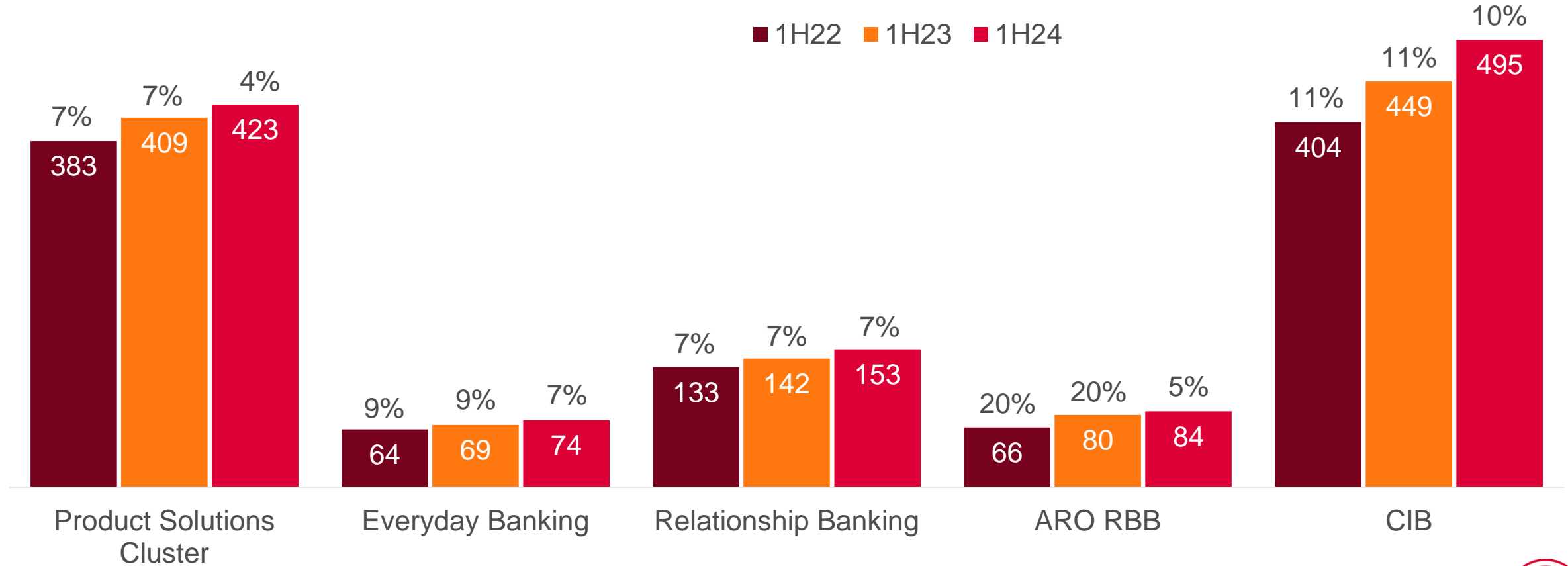
Customer deposits (Rbn)

■ 1H22 ■ 1H23 ■ 1H24



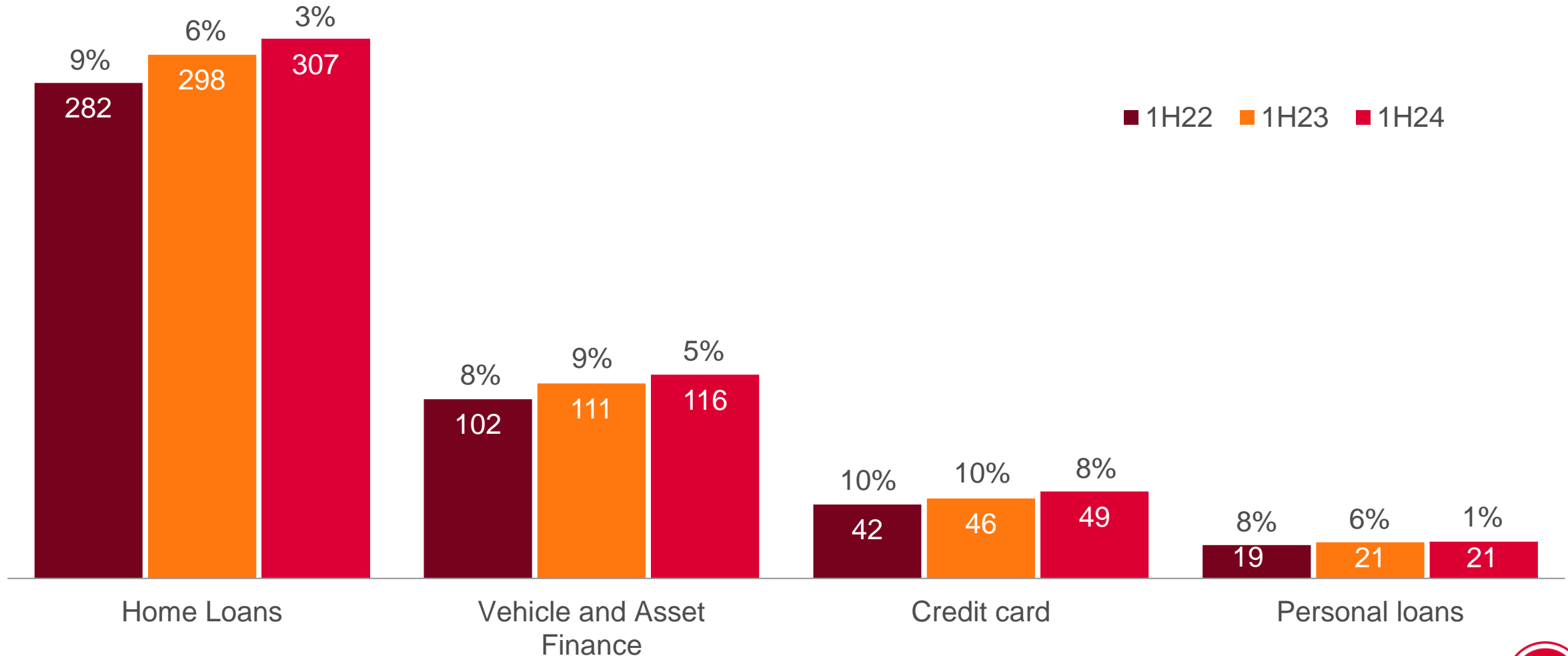
# Loan growth remained robust across most divisions ...

Net customer loans (Rbn)



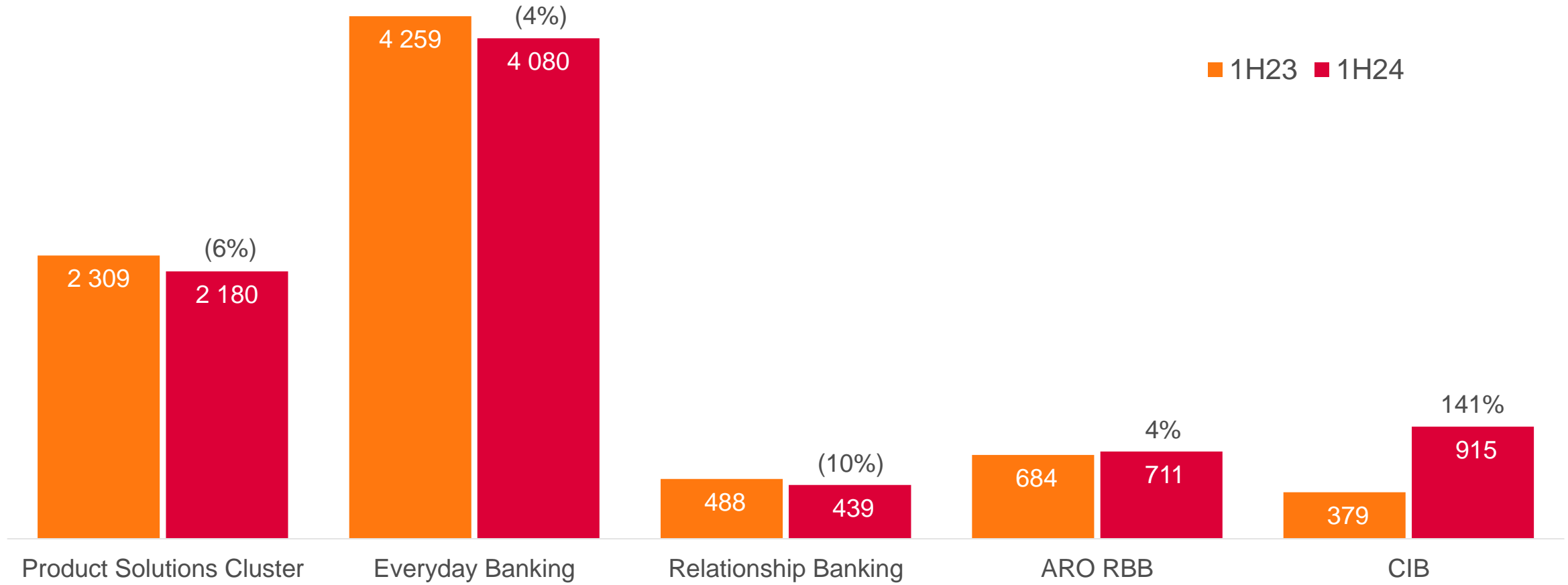
# ... while retail South Africa slows

South Africa retail net customer loans (Rbn)



# Lower retail and RB charge in SA offset by CIB increase

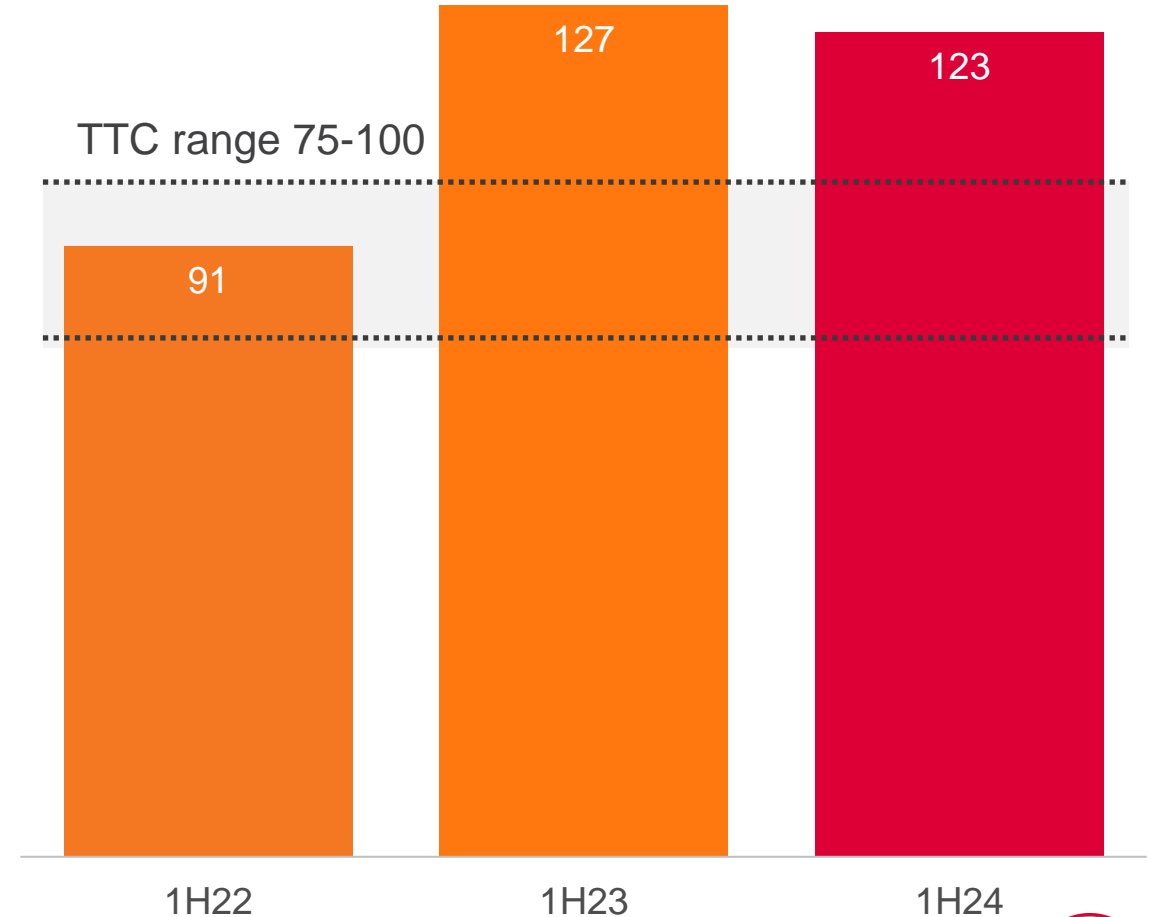
Credit impairment charge (Rm)



# Credit loss ratio remains above through-the-cycle target

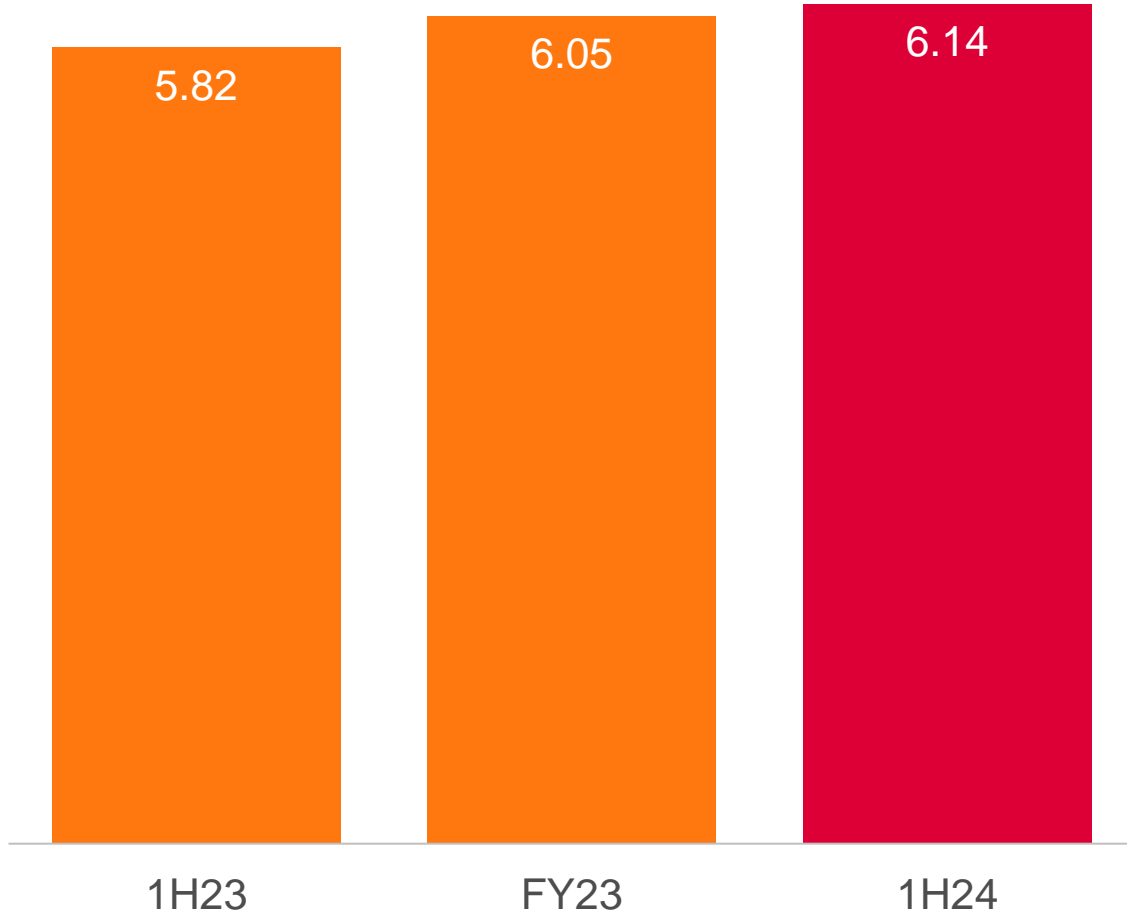
Group credit loss ratio (bps)

Credit loss ratio (%)	1H23	1H24
Product Solutions Cluster	1.11	1.00
Home Loans	0.65	0.49
Vehicle and Asset Finance	2.34	2.32
Everyday Banking	9.22	8.47
Relationship Banking	0.68	0.57
ARO RBB	1.69	1.61
CIB	0.16	0.33
<b>Group</b>	<b>1.27</b>	<b>1.23</b>

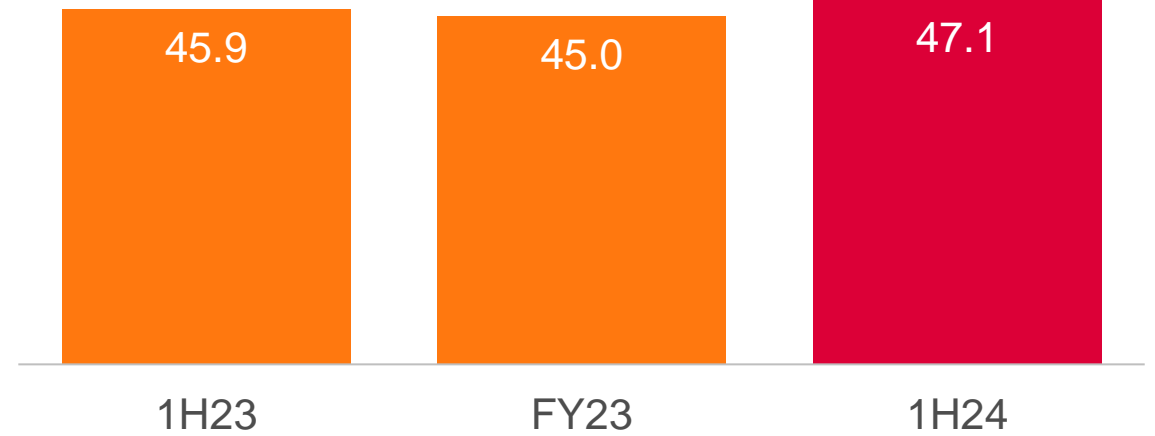


# NPL growth slowed, coverage remains strong

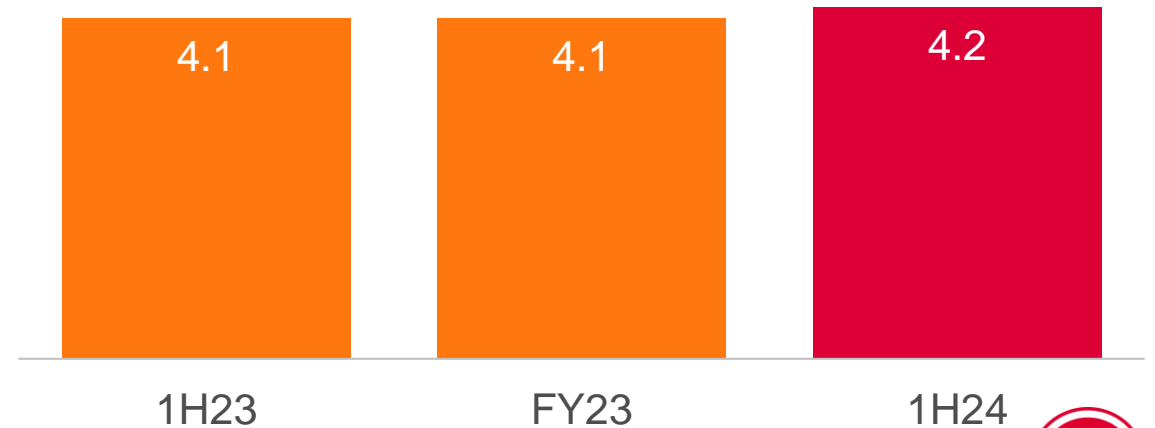
Non-performing loans (%)



NPL coverage (%)

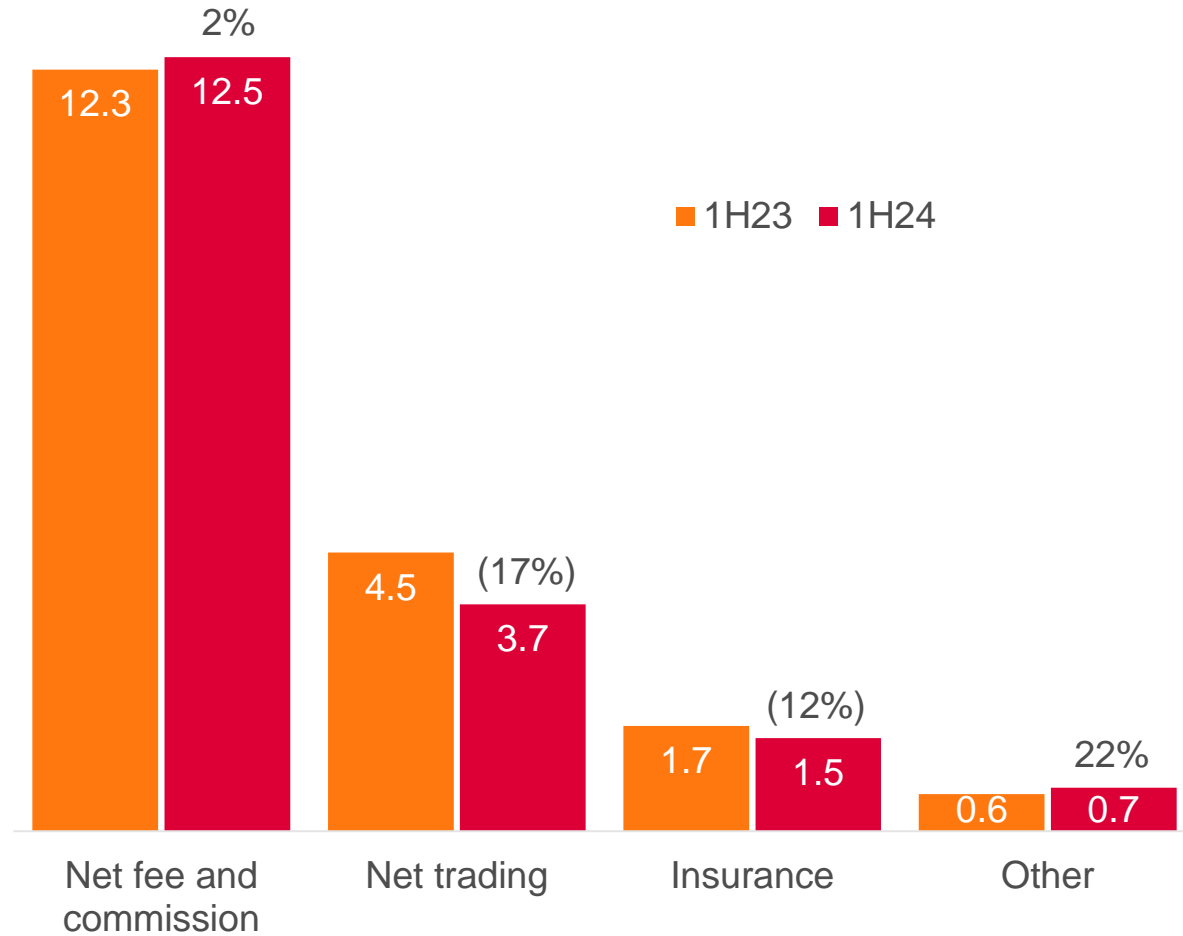


Total loan coverage (%)

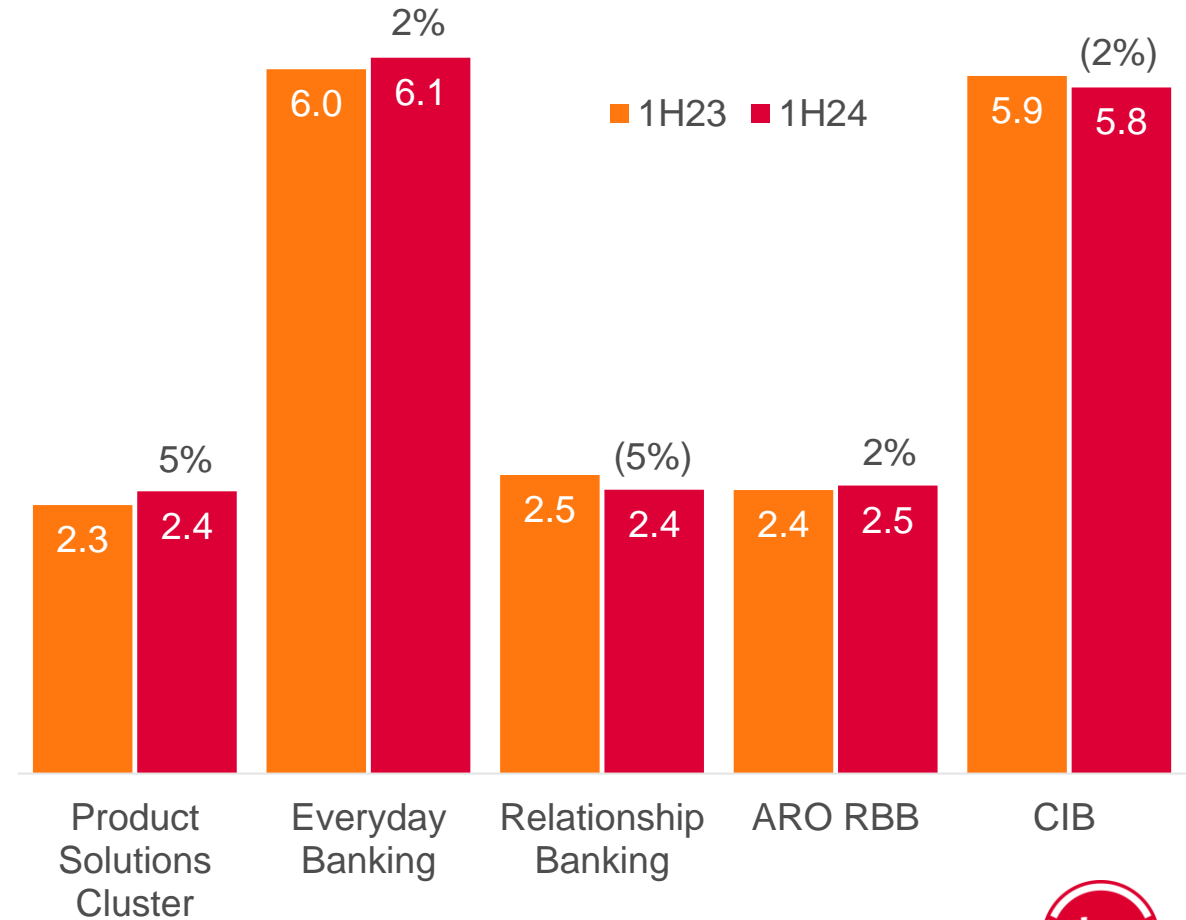


# Lower trading and insurance reduce non-interest income

Non-interest income (Rbn)

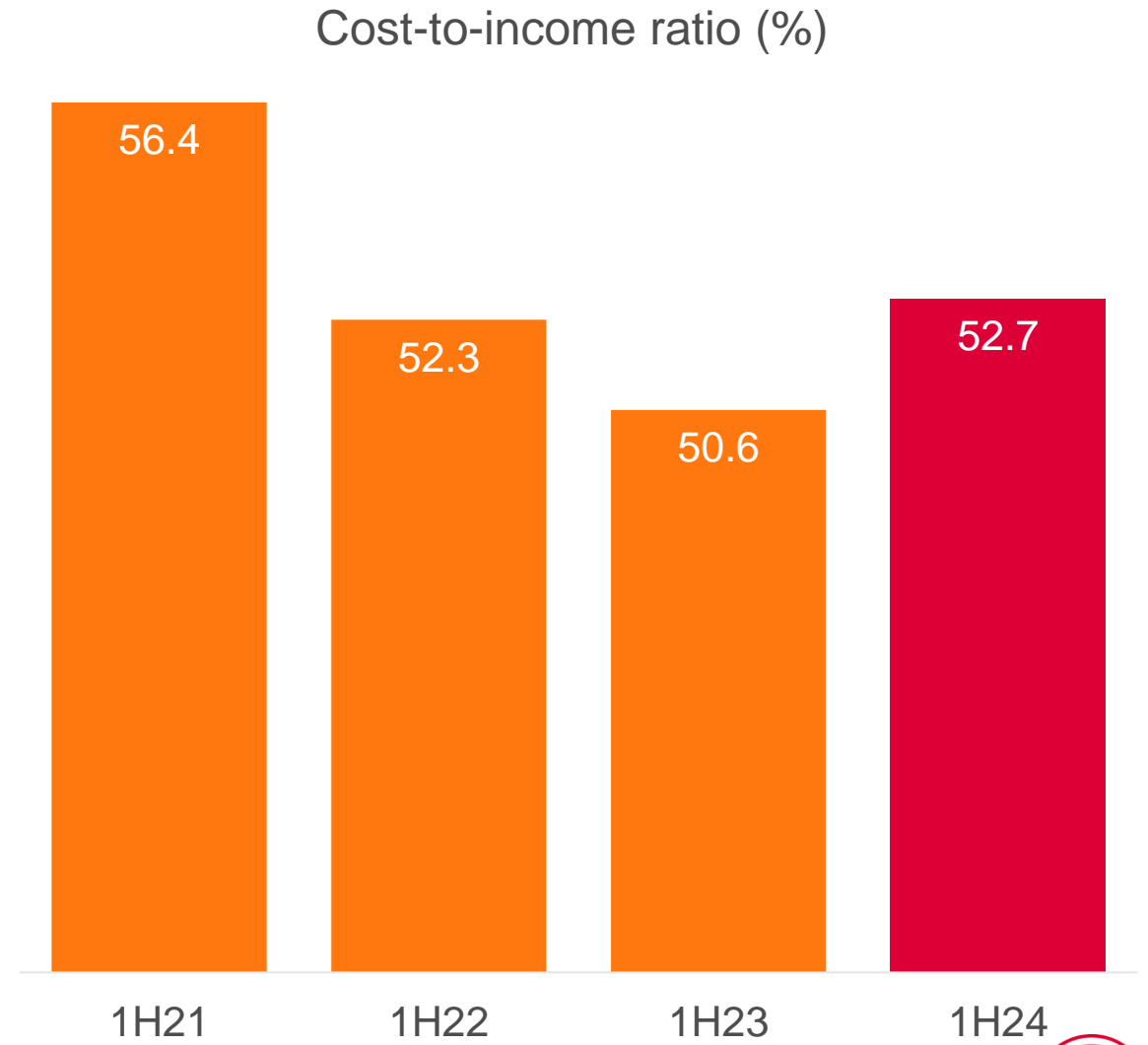


Non-interest income by division (Rbn)



# Cost growth reflects continued investment

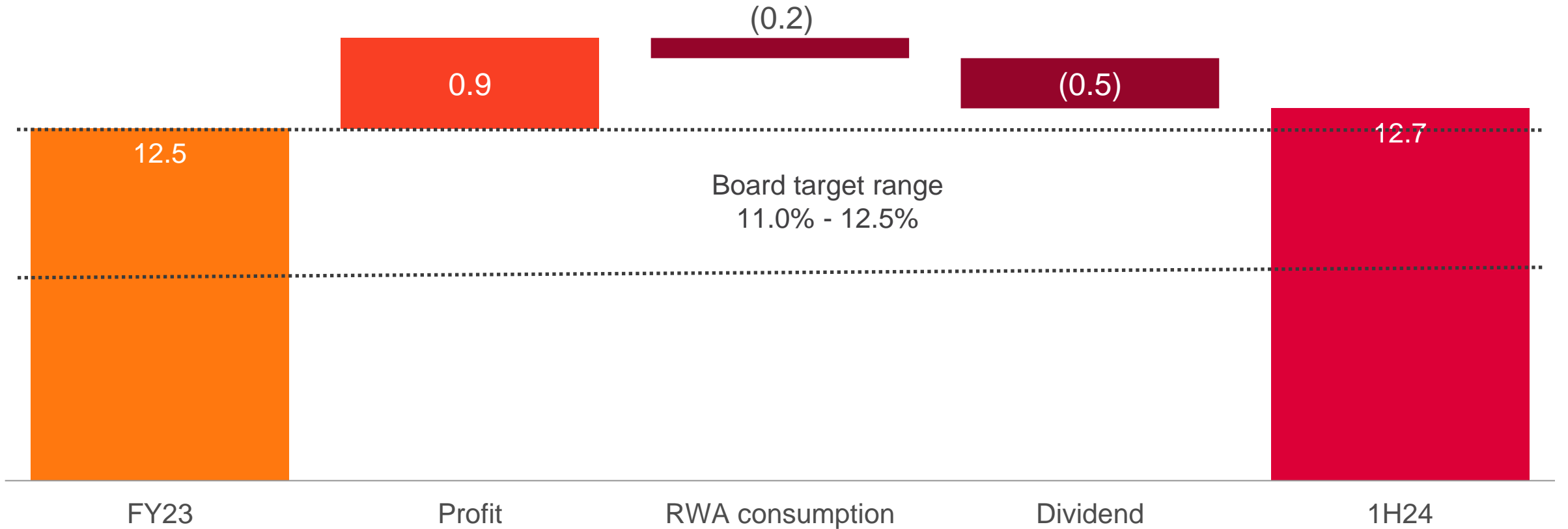
	1H24 Rm	Change %	Mix %
Staff	16 178	10	57
Property	975	5	3
Technology	3 336	14	12
Depreciation	1 559	(0)	6
Professional fees	1 350	11	5
Marketing	1 099	17	4
Communication *	786	1	3
Cash transportation	619	7	2
Amortisation	1 391	8	5
Other **	1 033	(22)	3
<b>Total</b>	<b>28 326</b>	<b>8</b>	<b>100</b>





# CET1 ratio slightly above our Board target range

Group common equity tier 1 ratio (%)

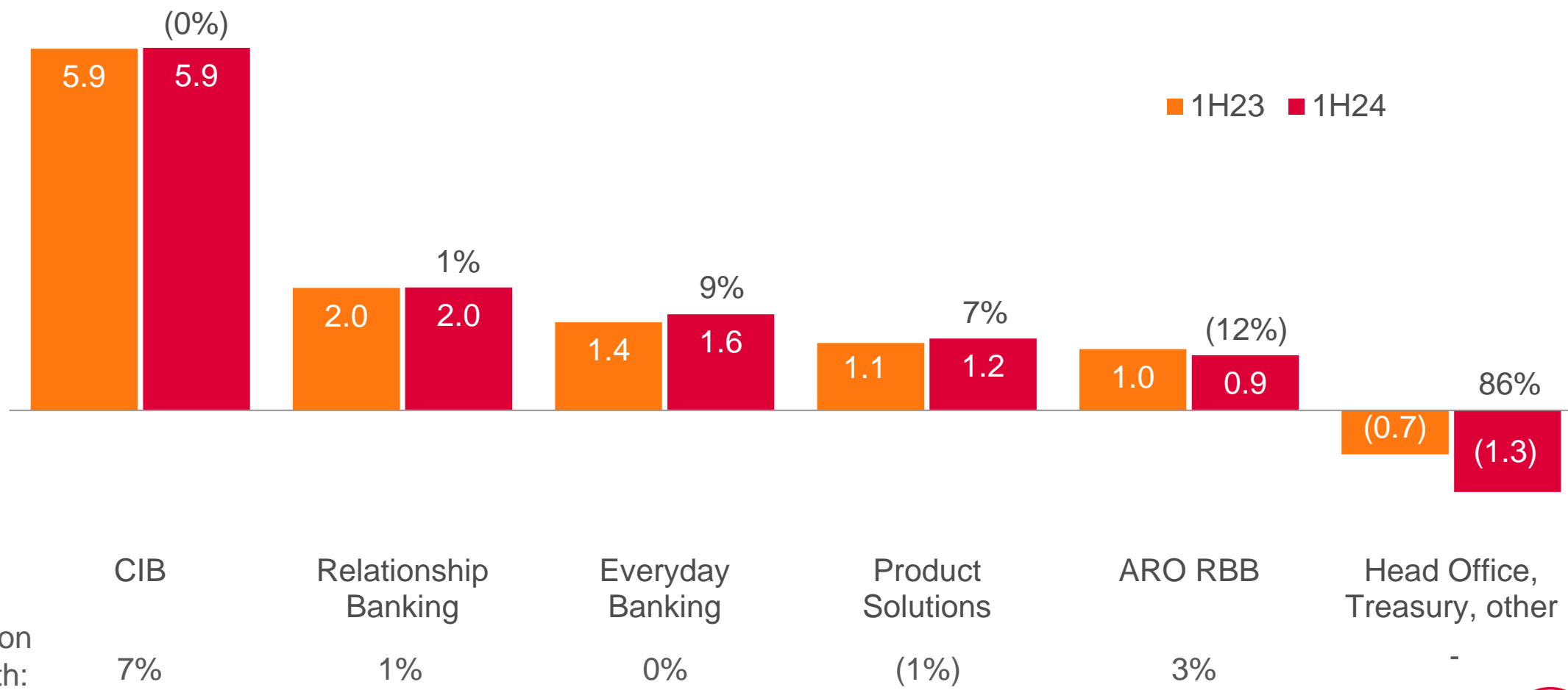


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Group Chief Executive

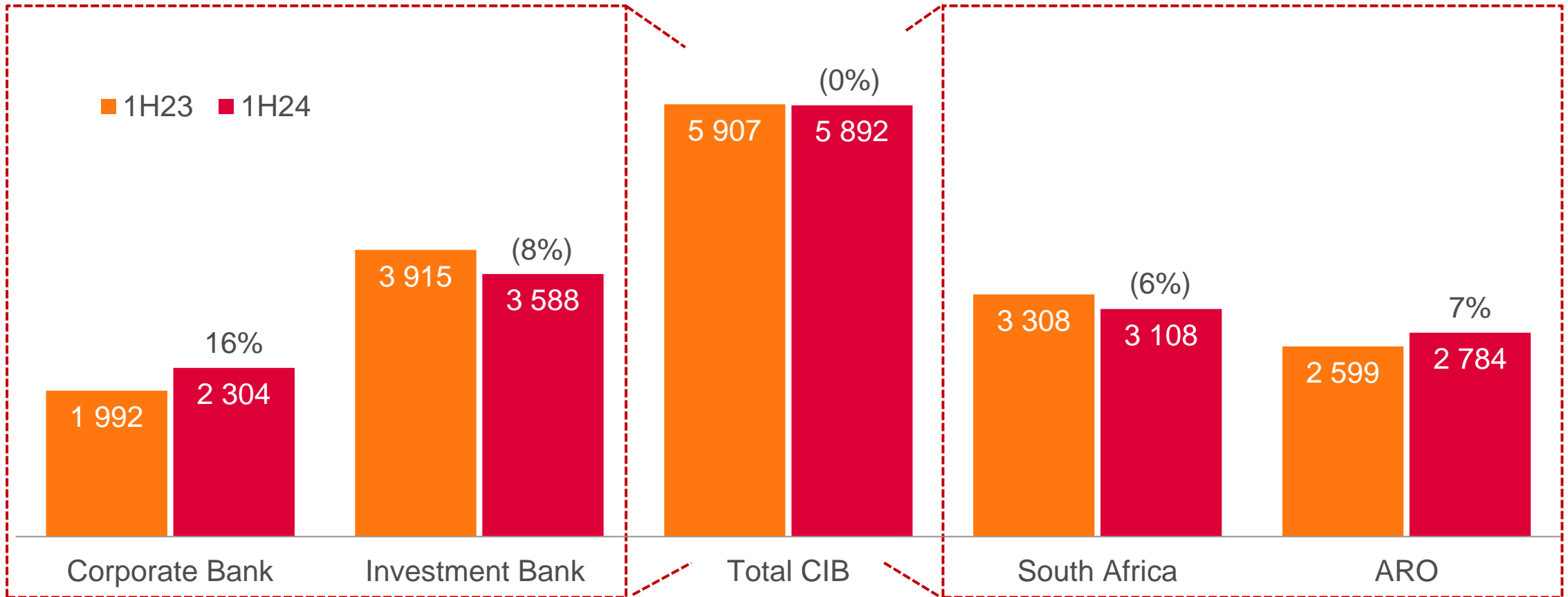
# Divisional earnings growth outweighed by central losses

Headline earnings (Rbn)



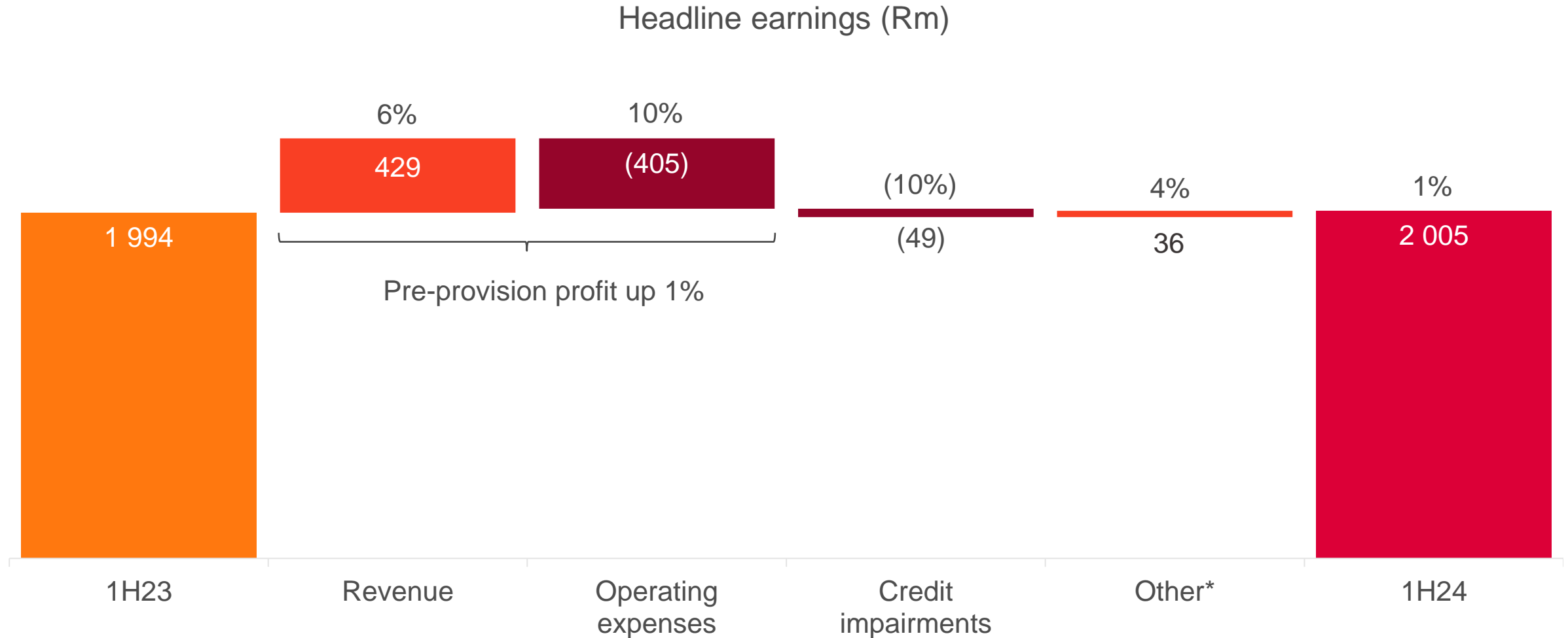
# CIB continues to benefit from its diversification

Headline earnings (Rm)



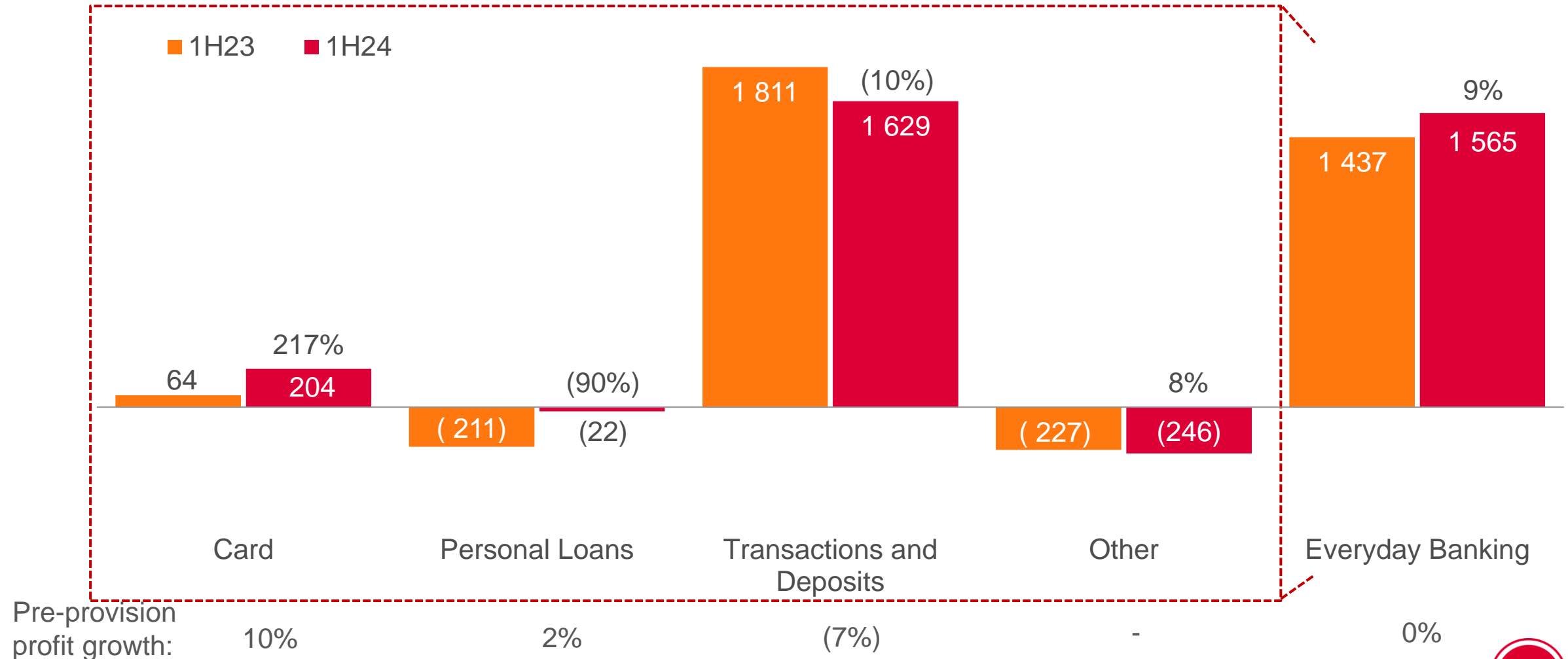
Pre-provision profit growth:

# Relationship Banking has invested in growth



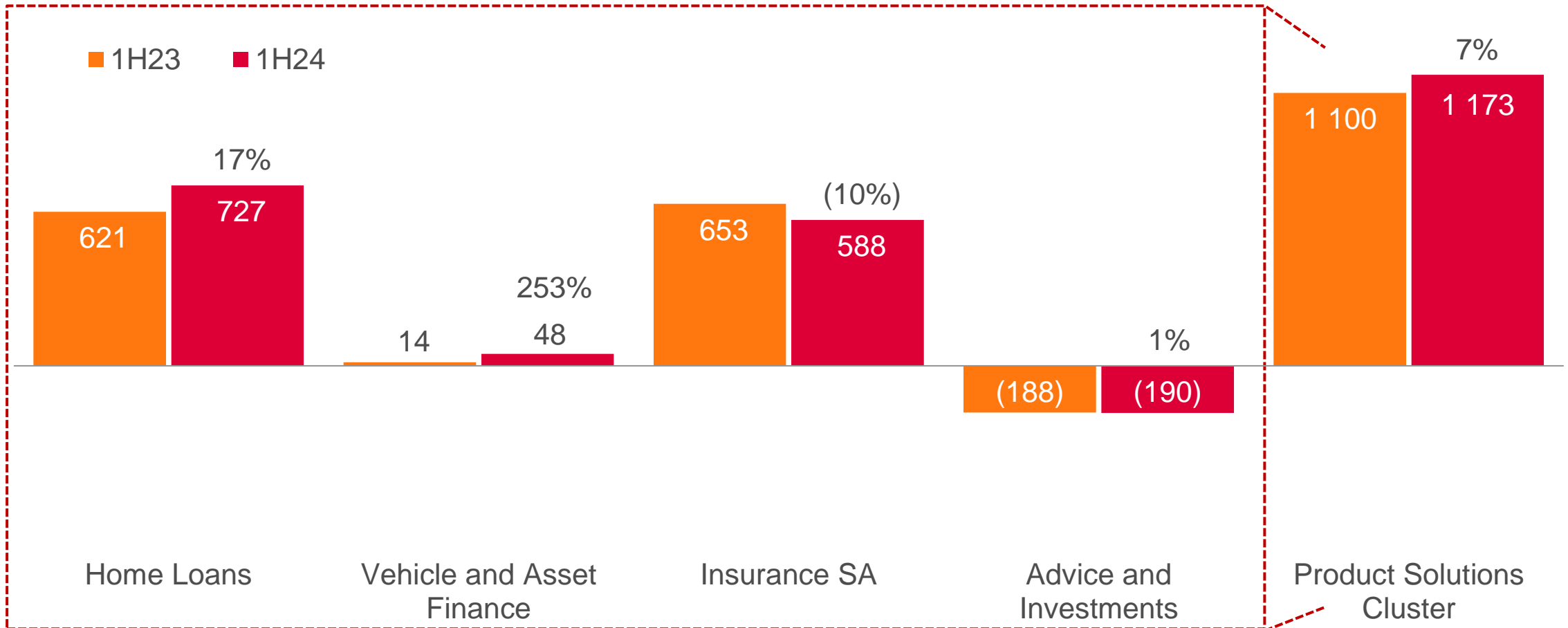
# Card and Personal Loans drove EB earnings growth

Headline earnings (Rm)



# Home Loans underpinned PSC earnings growth

Headline earnings (Rm)



Pre-provision  
profit growth:

(4%)

6%

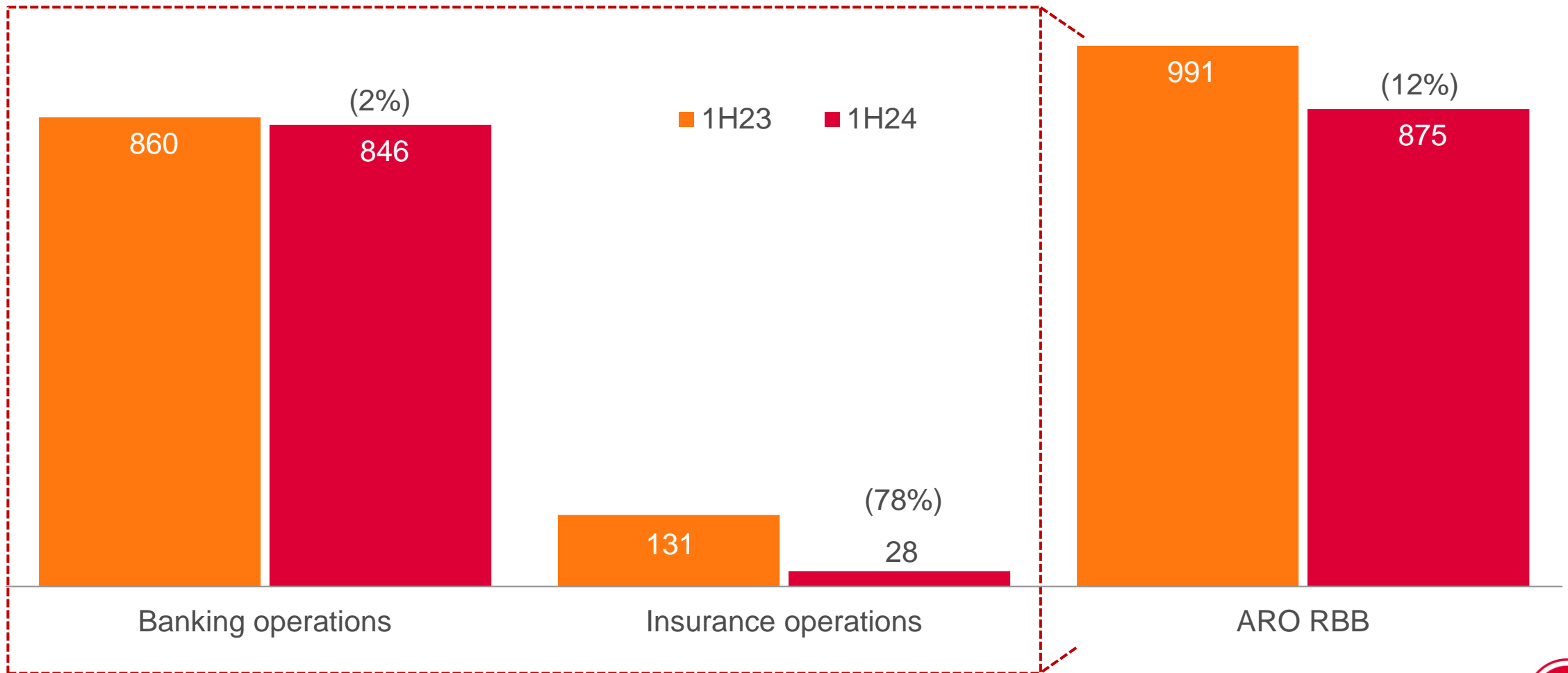
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(1%)

# Stronger Rand reduced ARO RBB earnings off high base

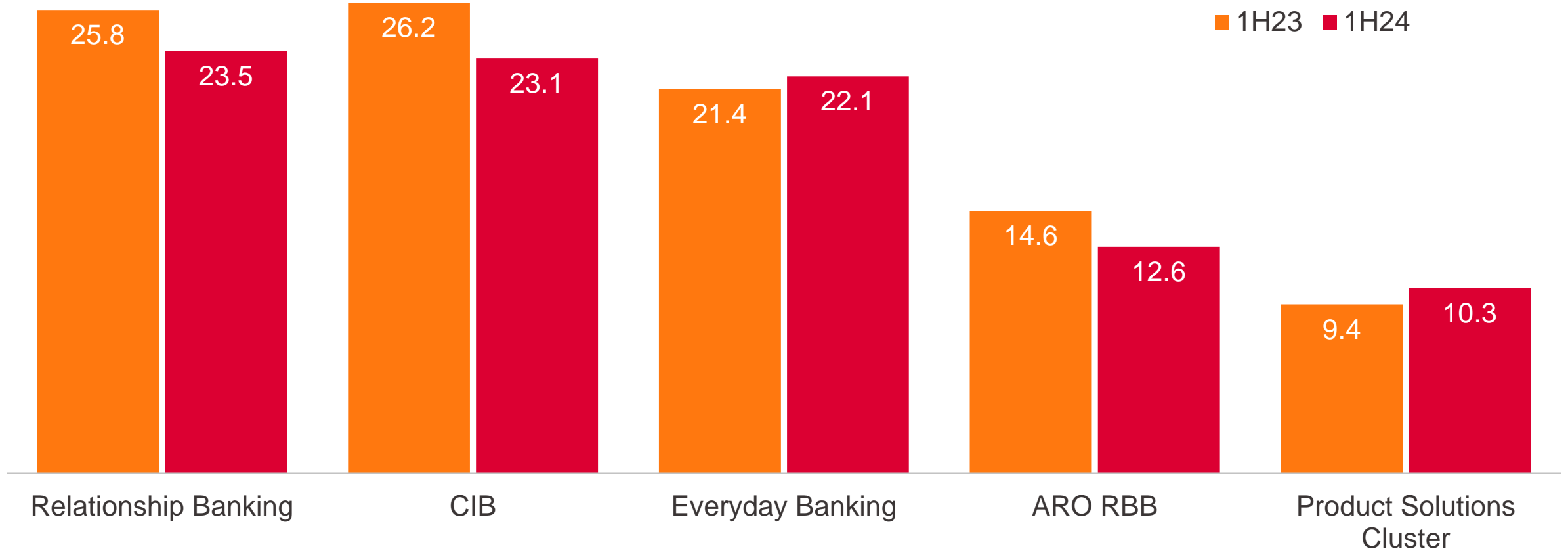
Headline earnings (Rm)





# Scope to improve PSC and ARO RBB returns

Return on regulatory capital (%)



# Deon Raju

Group Financial Director

# 2024 outlook

## Revenue

Mid-single digit revenue growth with broadly similar growth in net interest income and non-interest revenue.

## Balance sheet

Mid- to high single digit customer loan and customer deposit growth.

## Credit impairments

Credit loss ratio expected to improve slightly from 118bps in 2023 and exceed through-the-cycle target range of 75 to 100bps.

## Operating expenses

Mid-single digit growth in operating expenses, producing a similar cost-to-income ratio to 53.2% in 2023 and low to mid-single digit pre-provision profit growth.

## Returns

RoE between 14% and 15% from 14.4% in 2023.

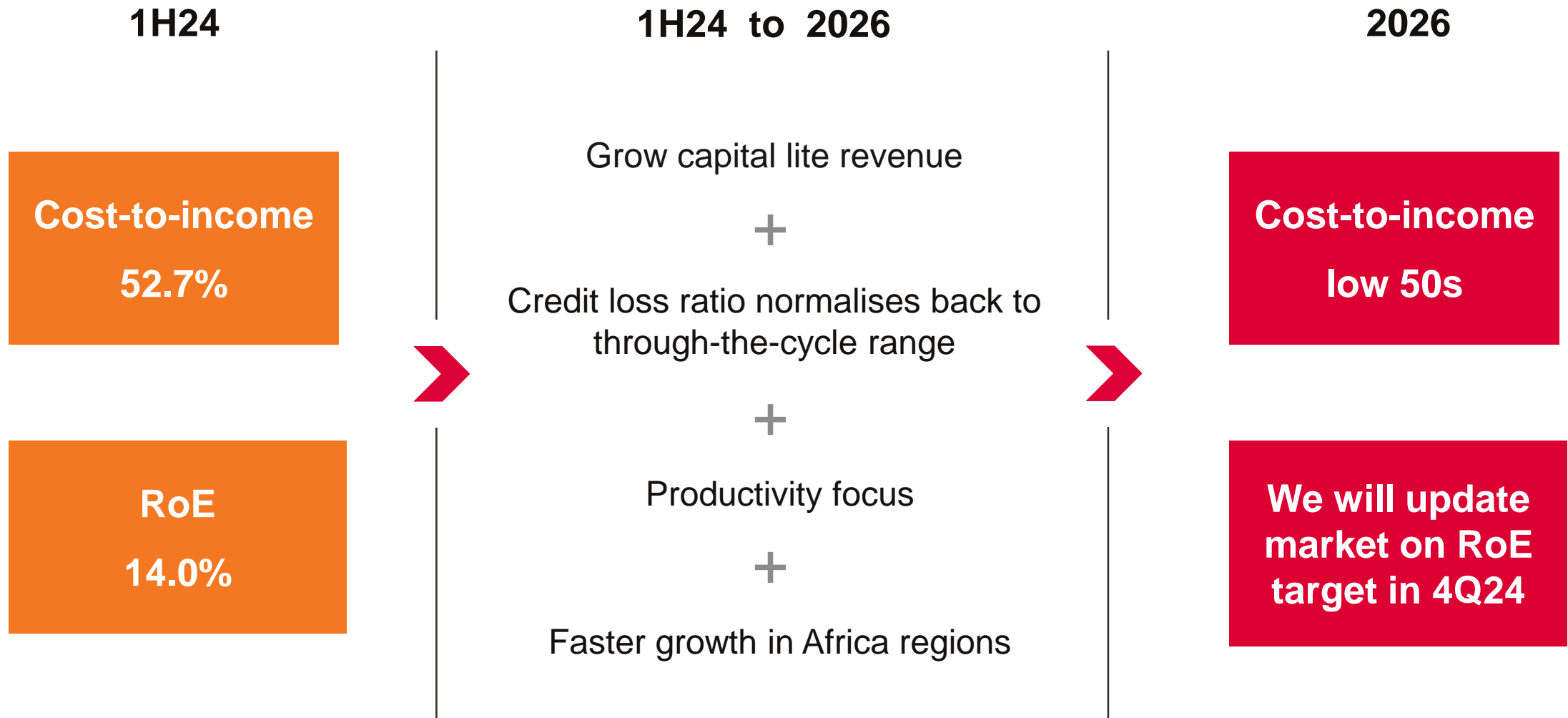
## Capital

Group CET 1 ratio in upper half of 11.0% to 12.5% Board target range.  
Dividend payout ratio around 55%.

## FY24 shape

Stronger pre-provision profit growth and lower credit loss ratio than first half should support better second half earnings growth off a low second half of 2023 base.

# 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.

# Appendix: Substantial income statement items

Rm	1H23	2H23	1H24
<b>Non-interest income impact</b>			
Naira loss	0	718	401
<b>Operating expenses impact</b>			
Barclays separation	627	610	412
eKhaya BEE deal	0	241	290
<b>Headline earnings impact</b>			
Naira loss	0	511	293
Ghana hyperinflation accounting	0	403	253
Barclays separation	444	407	84
eKhaya BEE deal	0	218	163
<b>Total</b>	<b>444</b>	<b>1 539</b>	<b>793</b>
<b>Group headline earnings</b>	<b>10 715</b>	<b>9 360</b>	<b>10 180</b>