

# Overview

Maria Ramos

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## Solid performance

- » One Absa strategy delivering
- » Meeting our financial commitments
  - » Revenue growth
  - » Cost containment
  - » Returns
- » Broad-based improvement
- » Further strengthened our balance sheet

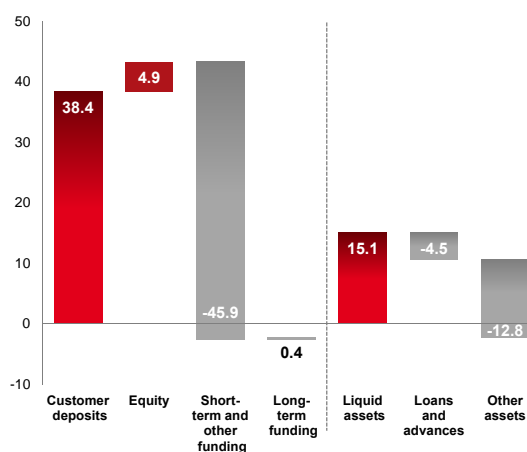
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## Strengthened our balance sheet

- » Increased high capital levels
- » Further improved liquidity
- » Grew deposits in target areas
- » Strong credit rating
- » Additional focus areas
  - » Sticky non-performing loans
  - » Loan book declined

Sources and uses of funding YoY (Rbn)



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## Financial review

David Hodnett

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## Improved performance

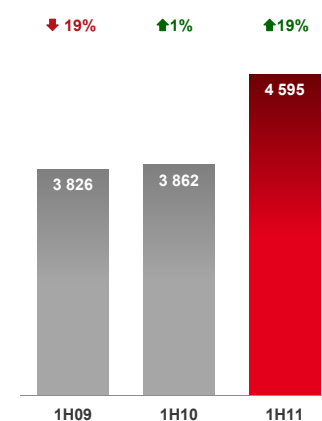
	1H11	1H10	Change %
Headline earnings (Rm)	4 595	3 862	19
Diluted headline earnings per share (cents)	638.5	535.9	19
Dividends per ordinary share (cents)	292	225	30
Net interest margin on average interest-bearing assets (%)	4.05	3.89	
Credit loss ratio (%)	1.18	1.50	
Cost-to-income ratio (%)	54.8	53.6	
Return on equity (%)	16.2	15.0	
Return on risk-weighted assets (%)	2.23	2.00	
Return on assets (%)	1.31	1.08	
Net asset value per share (cents)	8 116	7 420	9
Core Tier 1 capital adequacy ratio (%)	12.8	11.9	

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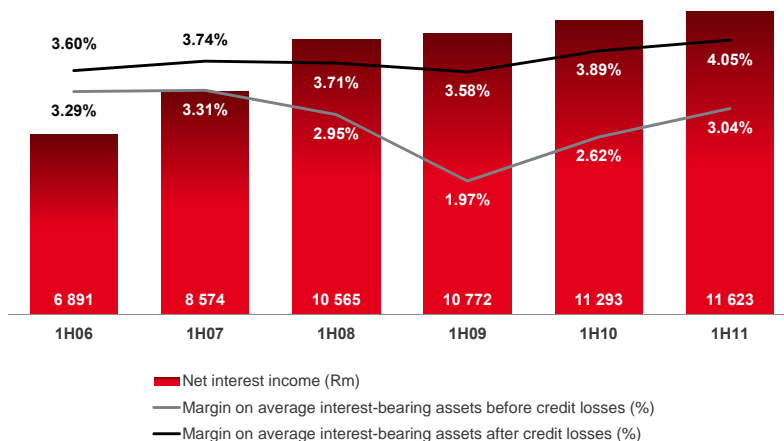
## Good earnings momentum

	1H11 Rm	1H10 Rm	Change %
Net interest income	11 622	11 293	3
Non-interest income	10 680	9 713	10
<b>Total revenue</b>	<b>22 302</b>	<b>21 006</b>	<b>6</b>
Credit losses	(2 902)	(3 704)	22
Operating expenses	(12 218)	(11 264)	(8)
Other	(515)	(421)	(22)
Taxation	(1 841)	(1 506)	(22)
<b>Headline earnings</b>	<b>4 595</b>	<b>3 862</b>	<b>19</b>
<b>Attributable earnings</b>	<b>4 581</b>	<b>3 842</b>	<b>19</b>

## Headline earnings (Rm)

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### Moderate net interest income growth



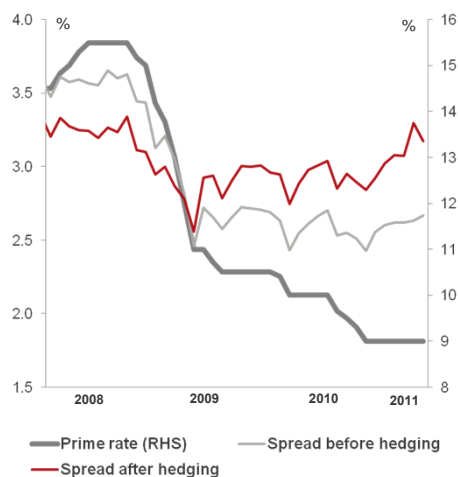
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### Hedging preserved net interest margin

	YoY Δ bps
<b>Loans and advances to customers</b>	<b>13</b>
• Change in client rates	13
• Change in composition	0
<b>Deposits due to customers</b>	<b>(6)</b>
• Client pricing	(5)
• Change in composition	5
• Endowment	(6)
Capital	(5)
Interest rate risk management	9
Other	5
<b>Change in margin on interest-bearing assets</b>	<b>16</b>



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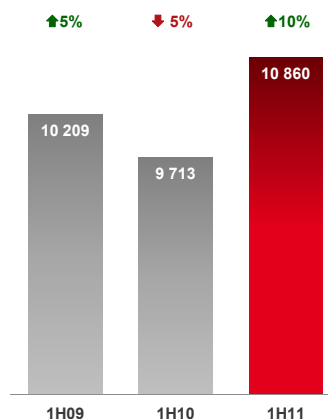


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## Grew non-interest income in target areas

	1H11 Rm	Change %	Mix %
Retail net fees and commissions	5 098	4	47
ABB net fees and commissions	1 795	8	17
Financial Services	1 909	11	18
Markets – net trading results	1 301	5	12
Private Equity – revaluations	24	>100	0
CPF - revaluations	(3)	>(100)	0
Other investment income	73	>100	1
Other income	483	47	5
<b>Total</b>	<b>10 860</b>	<b>10</b>	

## Non-interest income (Rm)



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## NPL cover remains appropriate

	1H11 %	2H10 %	1H10 %	1H11 %	1H10 %
	Credit loss ratio			NPL coverage ratio	
Retail Banking	1.46	1.08	1.90	28.1	28.7
• Mortgages	1.18	0.68	1.30	18.8	18.9
• Vehicle and asset finance	2.08	1.54	2.81	43.4	40.1
• Card	1.49	0.85	4.43	71.5	79.9
• Personal loans	4.83	3.24	6.49	60.5	64.1
• Retail Bank	1.25	3.05	2.07	75.9	69.4
Absa Business Bank	0.95	0.90	1.12		
Absa Capital	0.12	0.07	0.23		
<b>Absa Group</b>	<b>1.18</b>	<b>0.91</b>	<b>1.50</b>	<b>29.0</b>	<b>29.8</b>

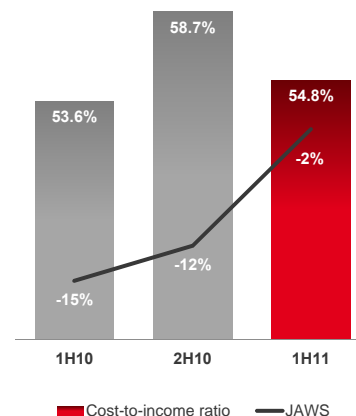
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### Containing costs a priority

	1H11 Rm	Change %	Mix %
Staff costs	6 623	13	54
Accommodation, property and equipment-related	2 084	10	17
Information technology	1 121	6	9
Communication and marketing	865	(1)	7
Professional fees and insurance	497	(9)	4
Cash transportation	380	13	3
Other	648	(5)	6
<b>Total</b>	<b>12 218</b>	<b>8</b>	

Cost-to-income ratio (%)



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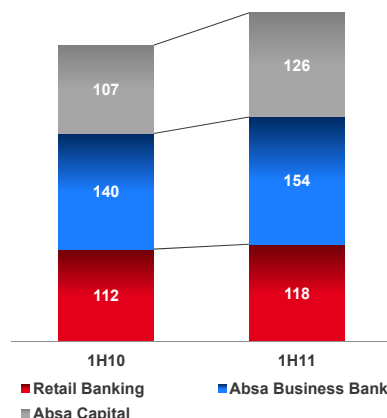


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### Solid core deposit growth

	1H11 Rbn	Change %	Mix %
Cheque accounts	117	10	29
Savings and investments	69	6	17
Fixed deposits	121	14	30
Call deposits	55	6	14
Other	36	20	10
<b>Total</b>	<b>398</b>	<b>11</b>	

Deposits due to customers (Rbn)



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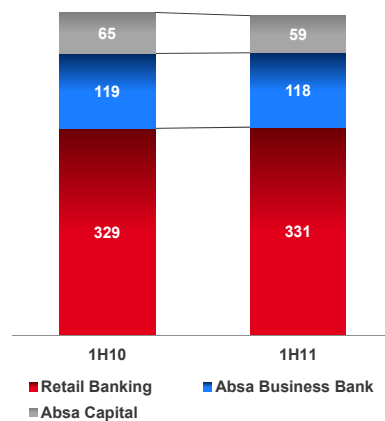


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## Focussed loan strategy

	1H11 Rbn	Change %	Mix %
Retail Banking	331	1	65
• Credit cards	21	6	4
• Instalment finance	38	2	7
• Mortgages	248	0	49
• Other	24	(3)	5
Absa Business Bank	118	(1)	23
Absa Capital	59	(9)	12
<b>Total</b>	<b>509</b>	<b>(1)</b>	

Gross loans and advances to customers (Rbn)

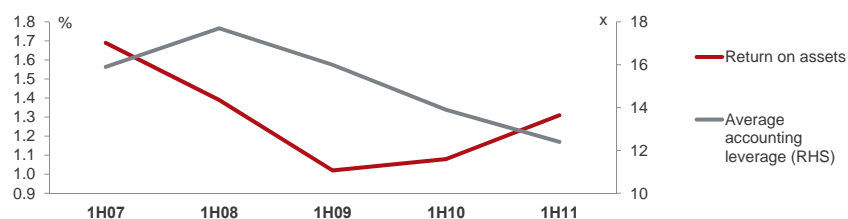


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## Underlying returns improved

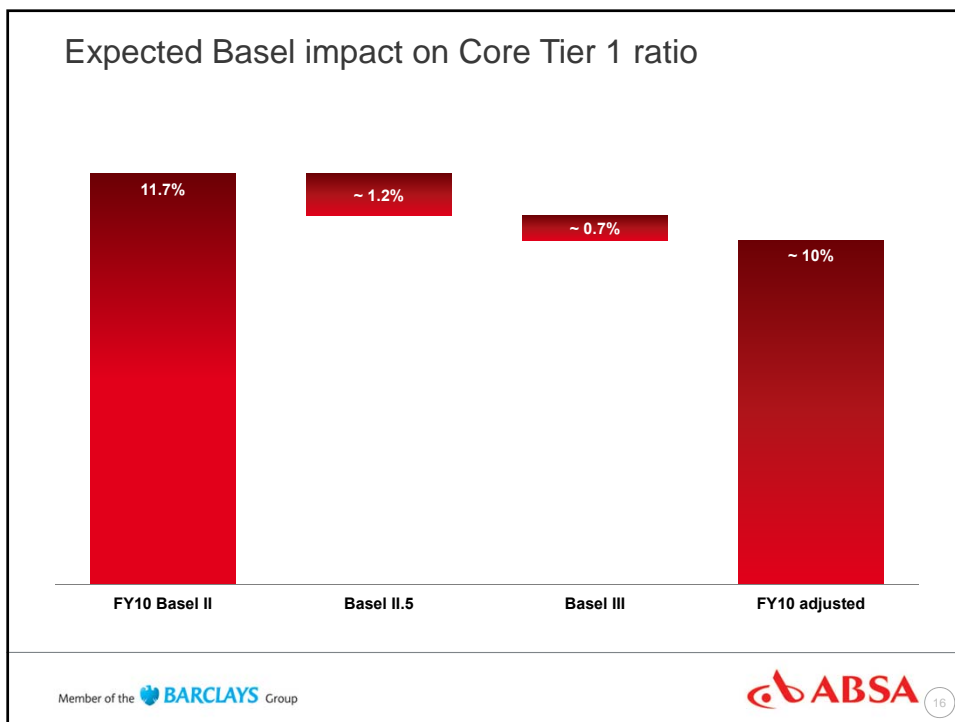
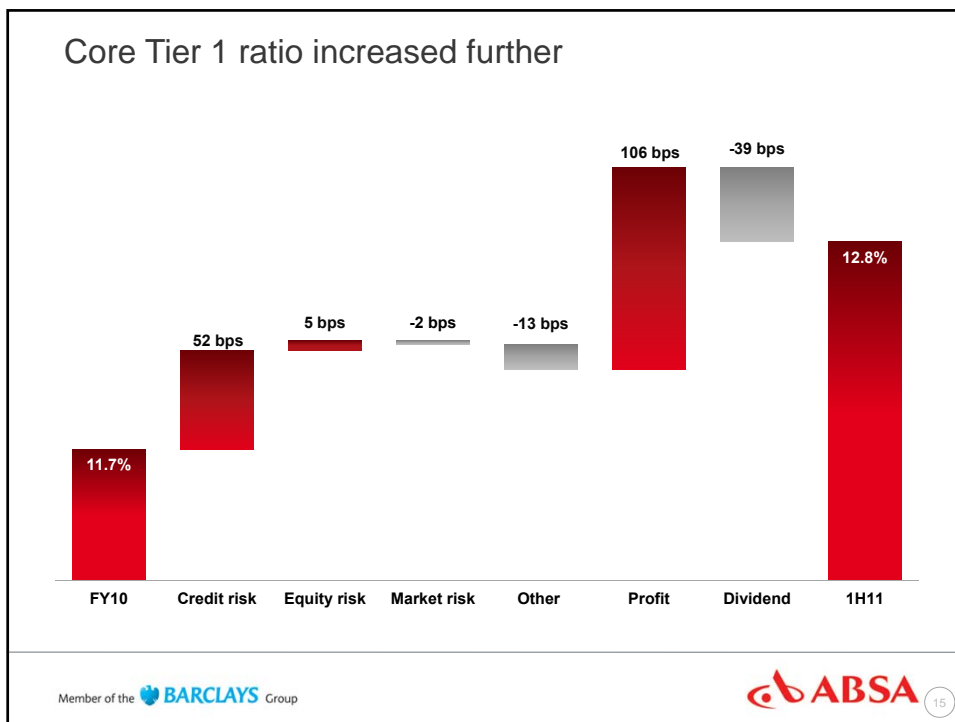
	1H07 %	1H08 %	1H09 %	1H10 %	1H11 %
Income as a percentage of RWAs	10.6	11.6	10.9	10.9	10.8
Cost-to-income ratio	52.8	49.3	46.6	53.6	54.8
Credit losses as a percentage of income	5.9	10.8	23.0	17.6	13.0
Operating margin *	26.1	23.4	18.2	18.4	20.6
Return on risk-weighted assets	2.77	2.72	1.99	2.00	2.23
Financial leverage *	9.7	9.0	8.2	7.5	7.2
Return on equity	26.8	24.6	16.3	15.0	16.2



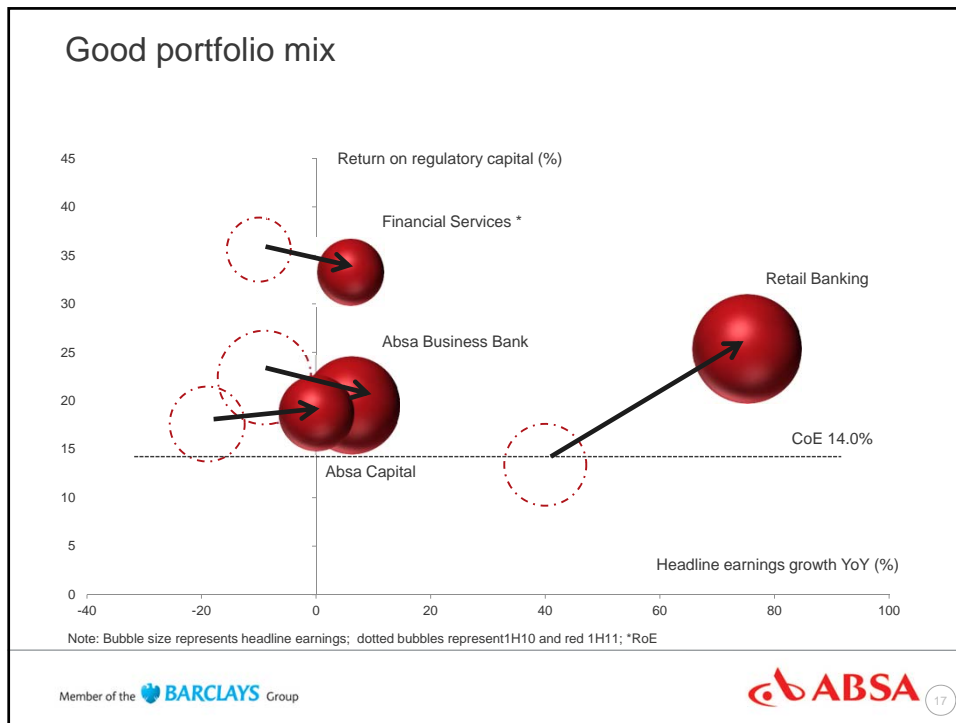
\* Note: Operating margin = headline earnings / total revenue; Financial leverage = average RWAs / average shareholders equity

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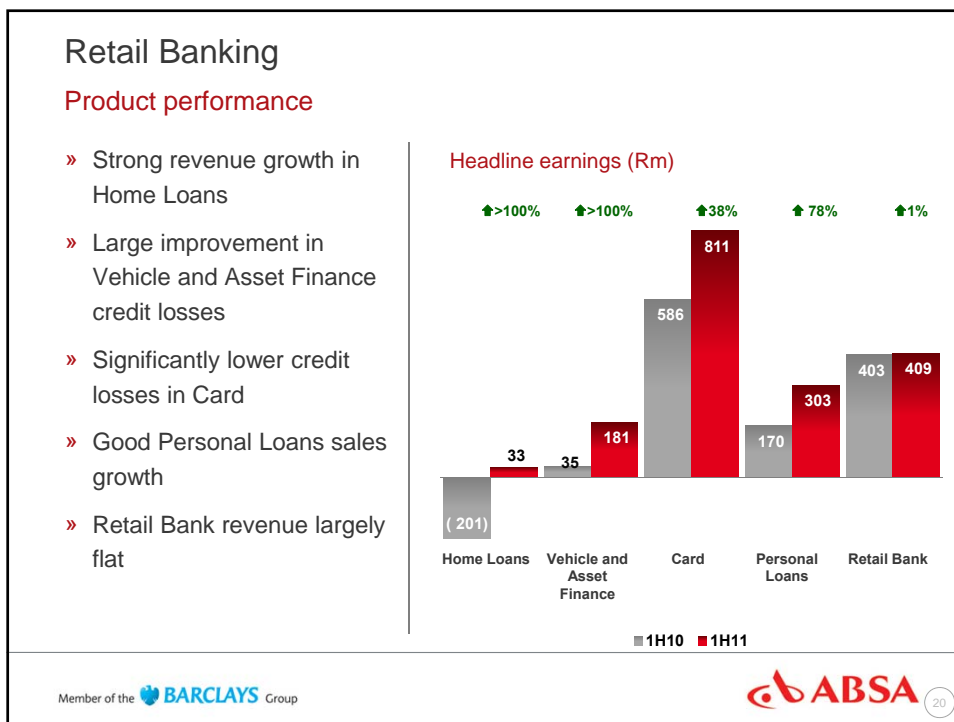
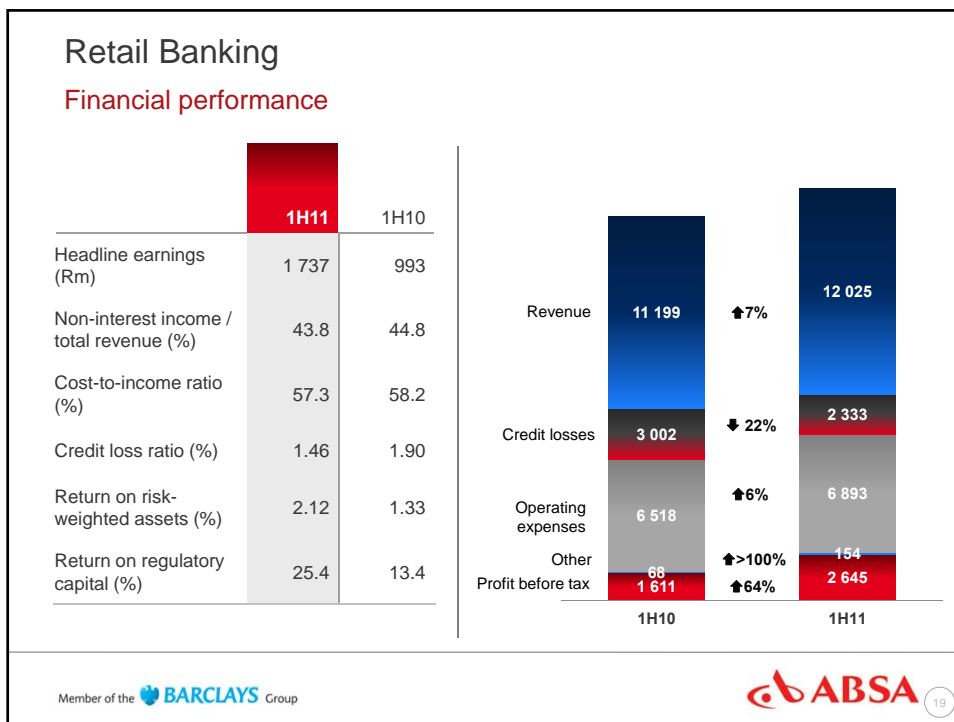






## Cluster performance

Louis von Zeuner



### Retail Banking

#### Loan quality improved

- » Credit losses improved 22%
- » Portion of performing rose
- » 3-6 month delinquency book declined
- » Legal book stabilised
  - » High debt review terminations
  - » More of legal book paying

#### Home Loans legal book full payers (Rm)

Quarter	Value (Rm)
1Q10	1 303
2Q10	1 479
3Q10	1 577
4Q10	1 600
1Q11	1 782
2Q11	1 786

#### Legal accounts rehabilitated (Rm)

Quarter	Value (Rm)
1Q10	514
2Q10	421
3Q10	687
4Q10	631
1Q11	673
2Q11	767

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### Retail Banking

#### Balance sheet shape continues to improve

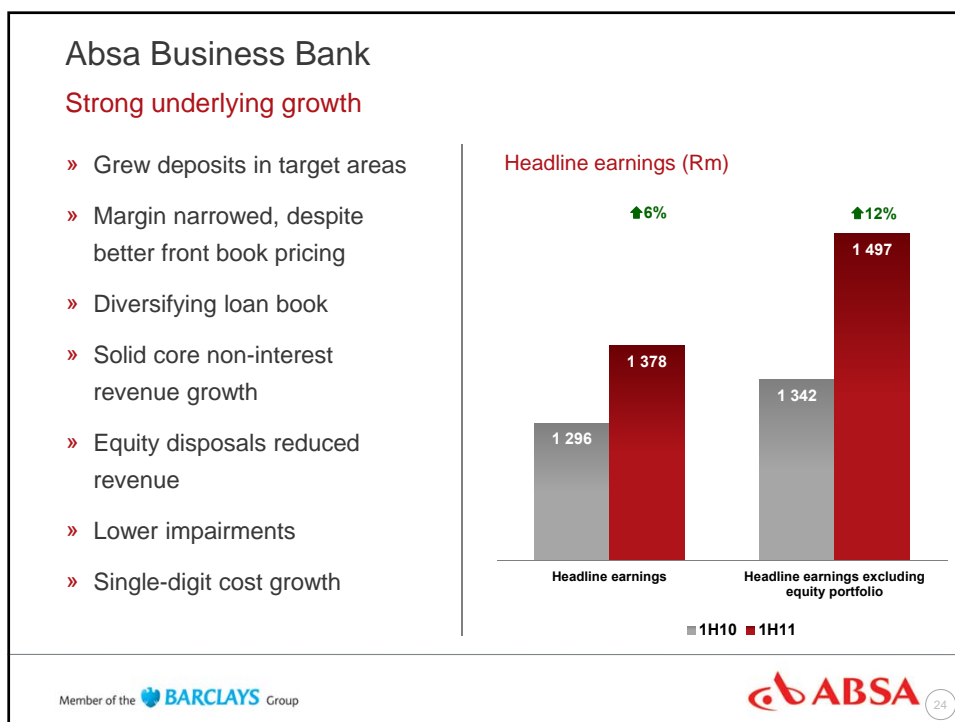
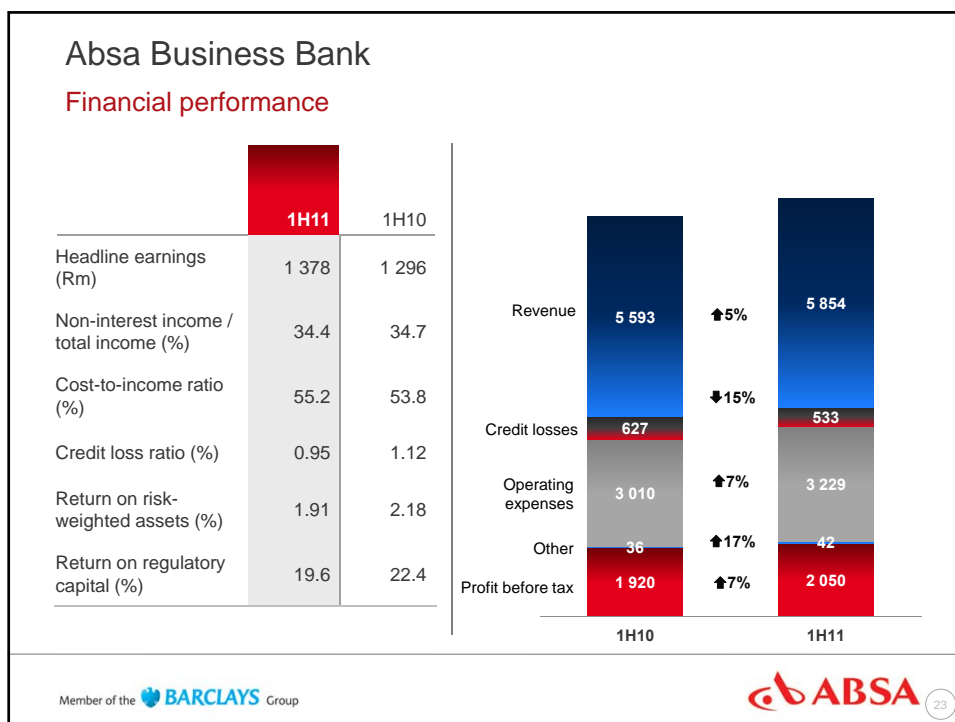
- » Lower funding gap
- » Grew core unsecured products
  - » Secured products grew 1%
  - » Card increased 6%
  - » Personal and Microloans grew 9%
- » Lengthened deposits
- » Proportion of high-margin deposits increased
- » Maintained leading individual total loan and deposit market share

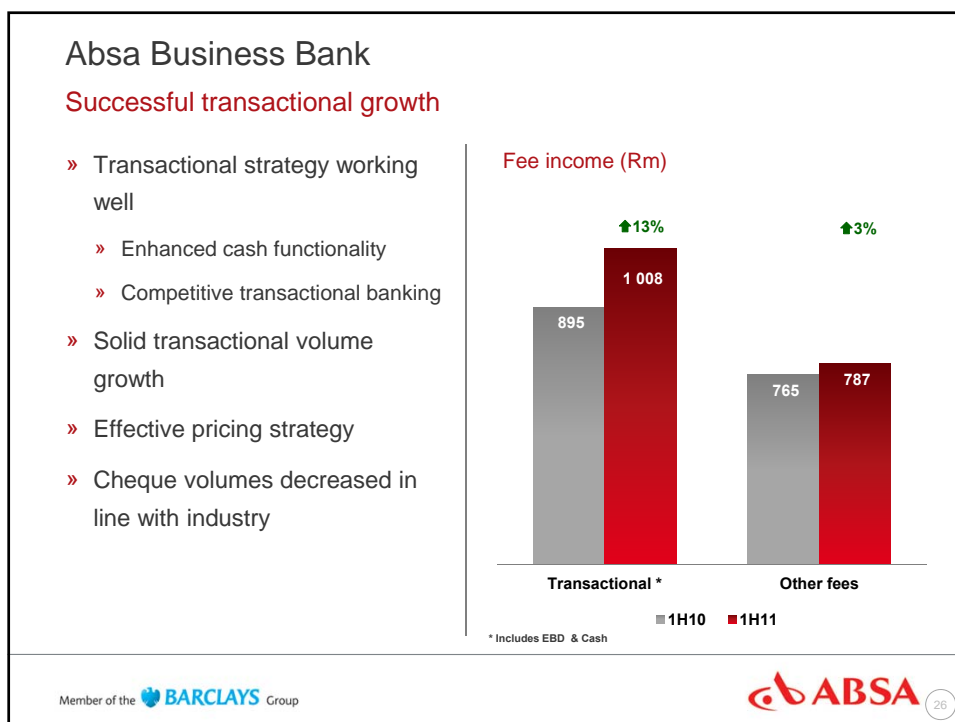
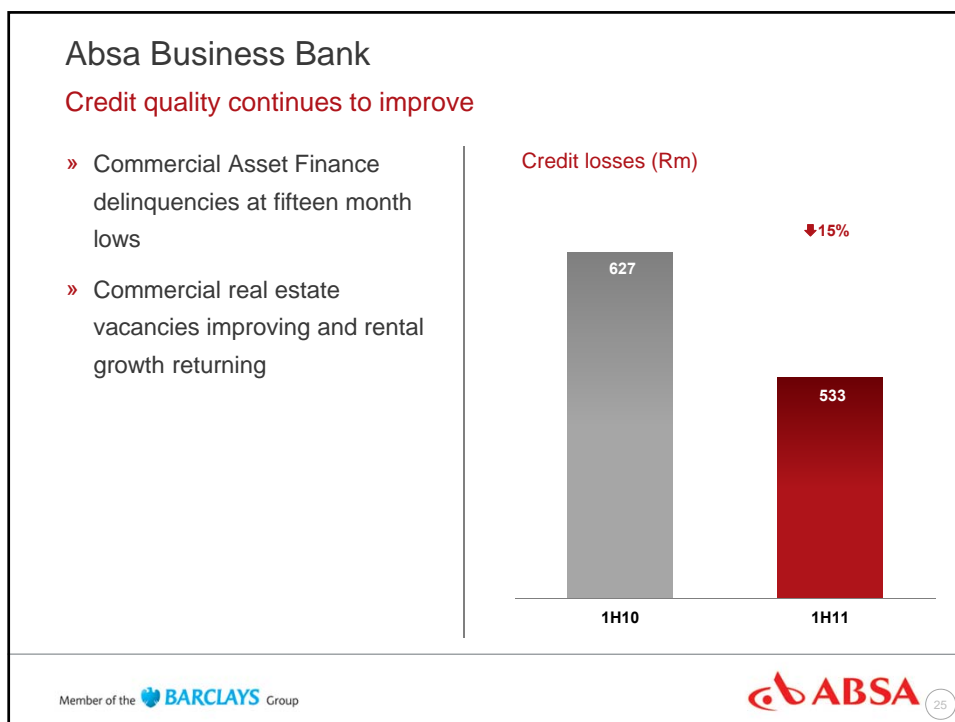
#### Balance sheet growth (%)

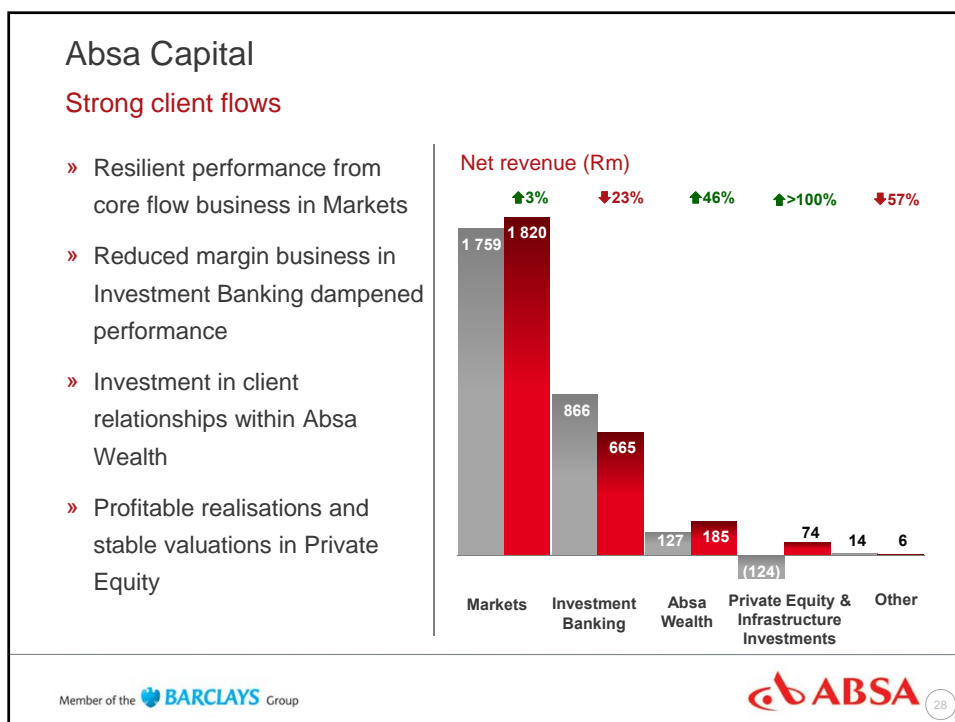
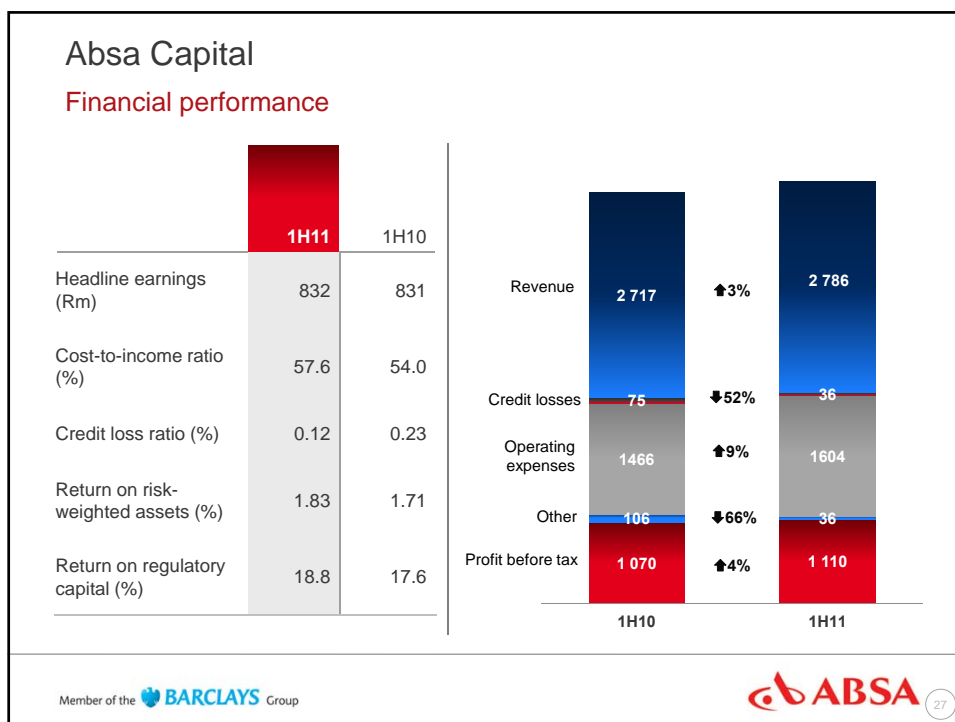
Category	YoY (%)	HoH annualised (%)
Secured lending	1	(2)
Card	6	7
Personal and Microloans	9	11
Deposits	5	5

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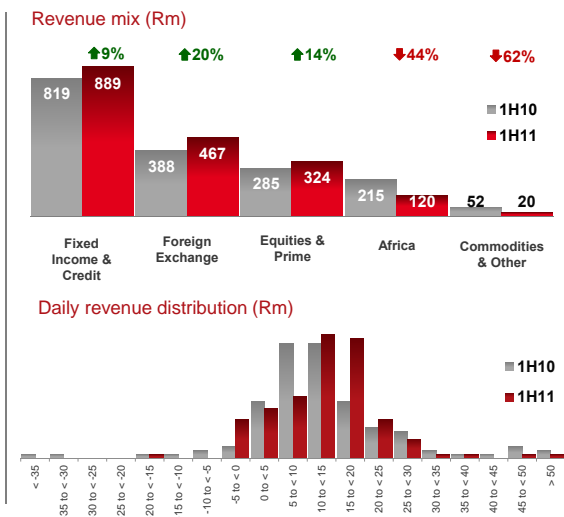




## Absa Capital

### Solid core Markets performance

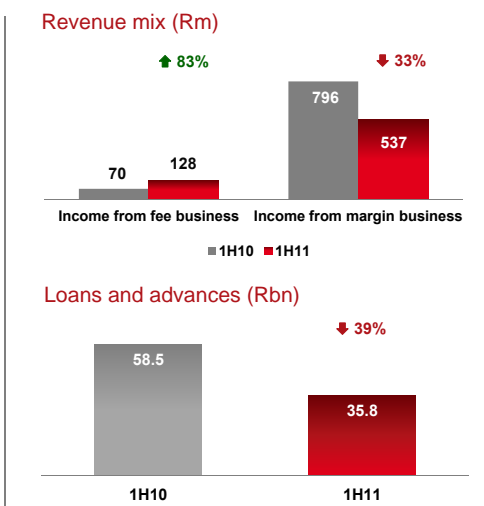
- » Net revenue up 3% to R1.8 billion
- » Strong growth in client activity and transactions
- » Further reduced daily earnings volatility, lower DVaR
- » Solid performance across FX, Fixed Income & Credit and Equities & Prime
- » Africa trading declined

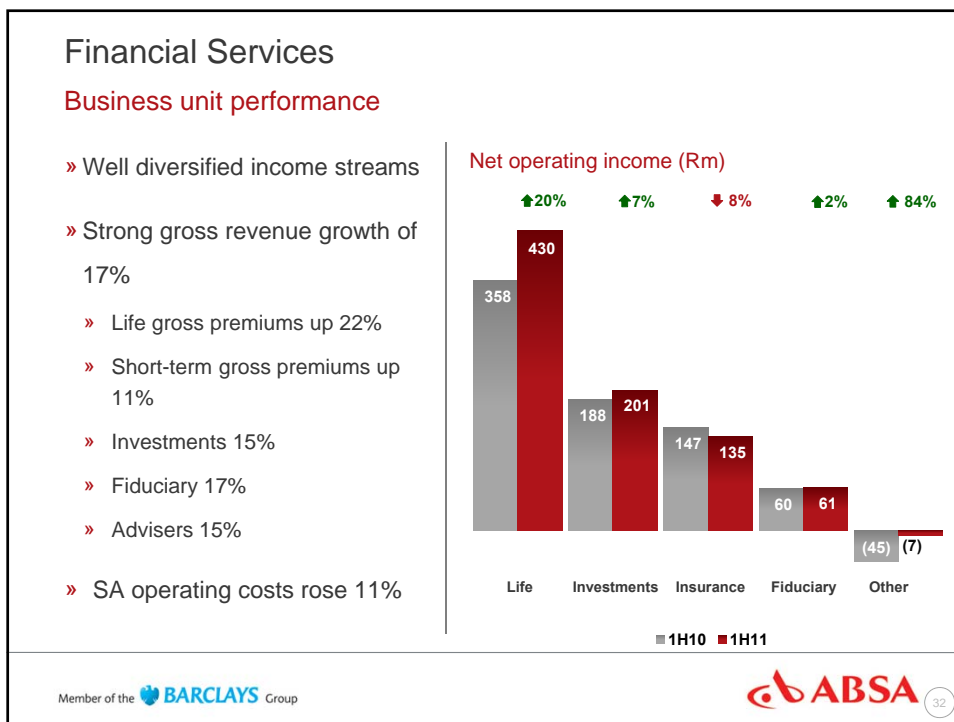
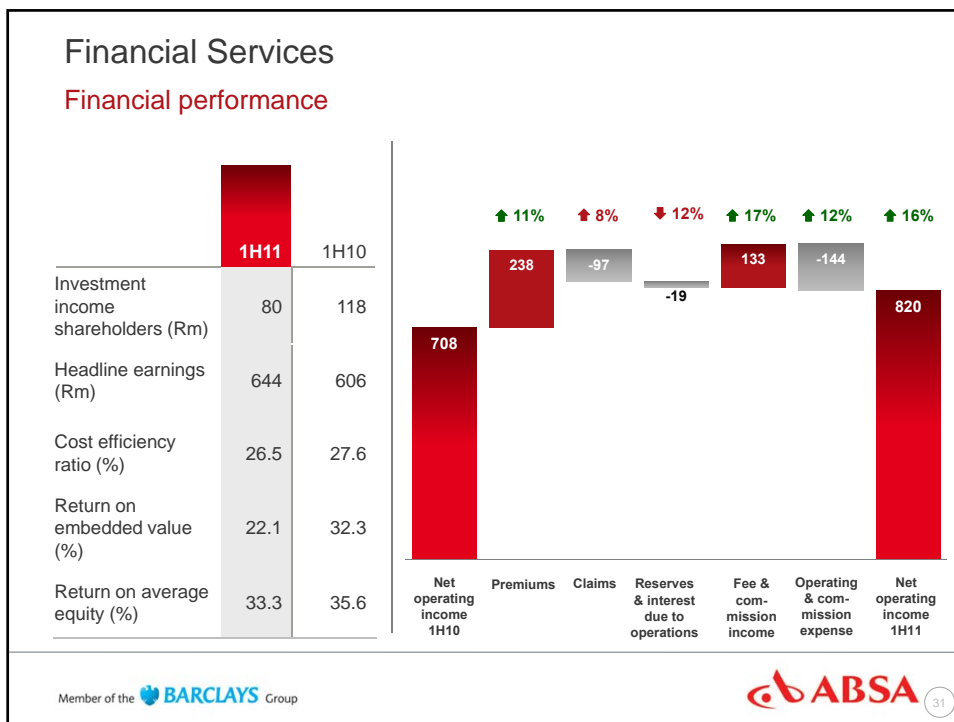


## Absa Capital

### Divergent Investment Banking performances

- » Strong revenue growth in fee business
  - » Increasing corporate activity
  - » Successful start-up of M&A and ECM
- » Lower margin business reduced overall performance
  - » Quality of lending remains strong





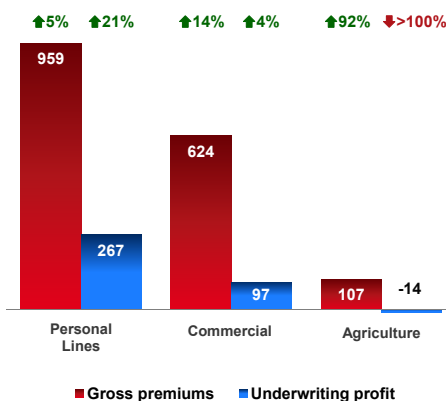


## Financial Services

### Insurance

- » Absa Life maintained growth momentum and margins
  - » Gross premiums rose 22%
  - » Value of new business R216m
  - » RoEV of 22.1%
- » Strong underwriting performance in Absa Short-term insurance besides agri
  - » Exceptionally high crop claims
  - » Underwriting gains on all other products improved
  - » Underwriting margin of 7.5%
- » Lower investment returns on shareholder funds

Gross premium income and underwriting profit (Rm)



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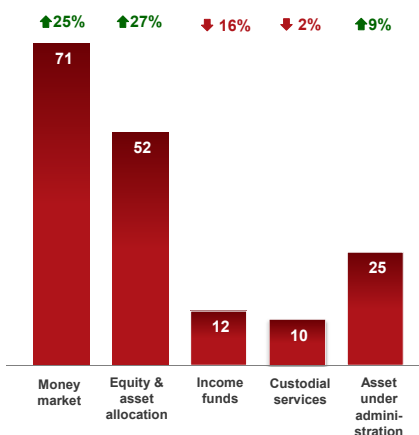
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## Financial Services

### Non-insurance

- » Absa Investments continued to grow market share
  - » AUM up 17%
  - » Income increased 15%
- » Modest revenue growth in Absa Trust
- » Repositioning Employee Benefits
- » Continued to invest in Distribution

Assets under management (Rbn)



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# Prospects

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## One Absa strategy continues to deliver

### Enhancing business-as-usual

- » Grow Retail business
- » Grow core deposits
- » Standardise/streamline the Group
- » Performance through people
- » Leader in foreign exchange

### Key priorities

- » Build Corporate Bank
- » Absa Business Bank leadership
- » Entry-level banking proposition
- » Wealth and investment advisory
- » Grow Africa earnings

### Core fundamentals

- » Strengthening risk and credit management
- » Optimising the balance sheet

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## Africa opportunity

- » Strategy has progressed
- » We are part of a leading franchise
- » Operate as One Bank to capture the opportunity

	Presence since	Share by Assets (%)	Rank by Revenue
Egypt	1864	2	12
South Africa	1888	22	2
Zimbabwe	1912	9	4
Tanzania	1916	18	3 <sup>(1)</sup>
Ghana	1917	4	2
Zambia	1918	10	1
Mauritius	1919	11	3
Kenya	1925	12	1
Uganda	1927	10	3
Botswana	1950	26	1
Seychelles	1959	24	1
Mozambique	2002	7	4

<sup>(1)</sup> Includes consolidated National Bank of Commerce and Barclays Tanzania data except for the ranking based on revenue where NBC is ranked 3rd and Barclays 6th  
Source: Bank Annual Reports; Central banks; Global Credit Ratings; McKinsey

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## Prospects

- » Operational environment remains challenging
- » Focus on execution
- » Maintain a strong balance sheet
- » Sustainable growth and improving returns

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## Disclaimer

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