

Absa Group Limited

Financial results

for the year ended 31 December 2010

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Maria Ramos

The year under review

Maria Ramos

2010 review

- » Solid results in an uneven economic environment
- » One Absa strategy delivering to plan
- » Strengthened the balance sheet
- » Strong Barclays relationship

Solid results

	2010	2009	Change %
Diluted headline earnings per share (cents)	1 115.7	1 072.0	4
Dividends per ordinary share (cents)	455	445	2
Return on risk-weighted assets (%)	1.99	1.97	
Return on average equity (%)	15.1	15.5	
Tier I capital adequacy ratio (%)	12.8	12.7	

One Absa strategy delivering to plan

Enhancing business as usual

- » Lead in South African foreign exchange
- » Grow retail business
- » Grow core deposits
- » Streamline the Group
- » Enhance employee engagement

Key priorities

- » Corporate Bank
- » Absa Business Bank's market positioning
- » Entry-level banking proposition
- » Wealth and investment advisory
- » Africa earnings

Core fundamentals

- » Strengthening risk management
- » Optimising the balance sheet

Building a corporate bank

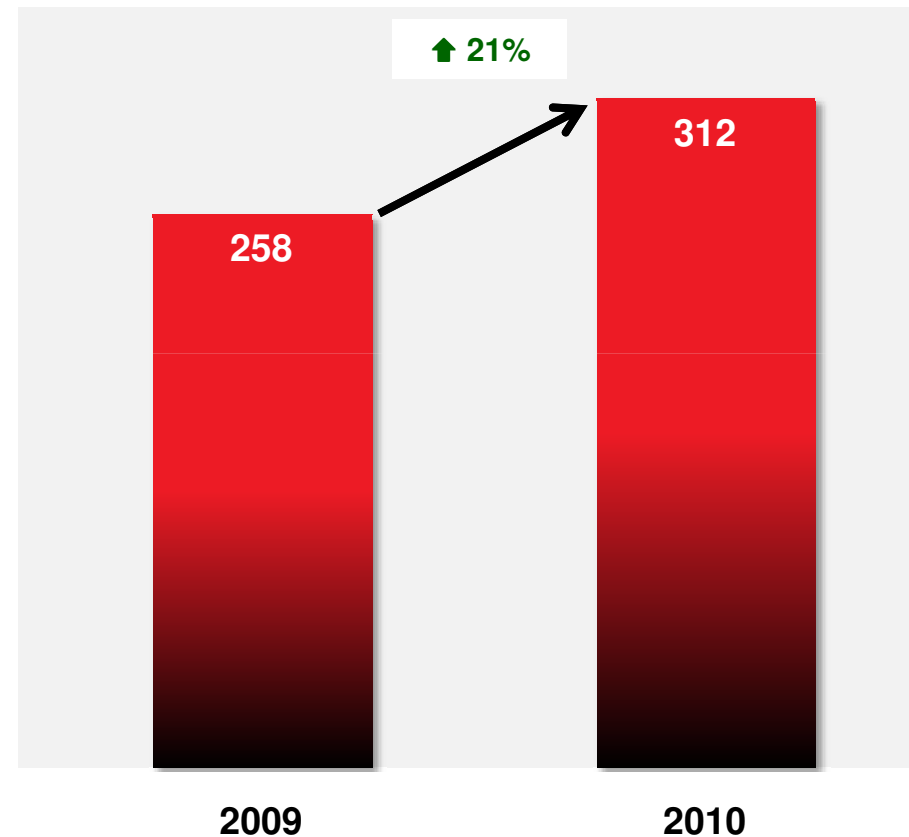
Actions taken

- » Collaborated across client base
- » Migrated clients and staff in 4Q
- » Rolled-out operational processes and efficiencies
- » Grew transactional banking and secondary markets
- » Focused multinational strategy

Outcomes

- » Increase in large mandates won
- » Good non-interest revenue growth

Cash and electronic banking revenue (Rm)



Streamlining the Group

Actions taken

- » Re-engineered FX system
- » Re-platformed Mozambique and Tanzania
- » Replaced branch and contact centre front-end
- » Improved online and electronic banking platforms
- » New short-term and life systems

Outcomes

- » Systems competitive and resilient
- » Enhanced customer service

Total Group IT spend

	2010 Rm	2009 Rm	Change %
Depreciation and amortisation of intangible assets	833	777	7
Information technology	2 085	1 753	19
Staff costs	1 013	835	21
Other	1 114	1 054	6
Total IT spend	5 045	4 419	14

Strengthened the balance sheet

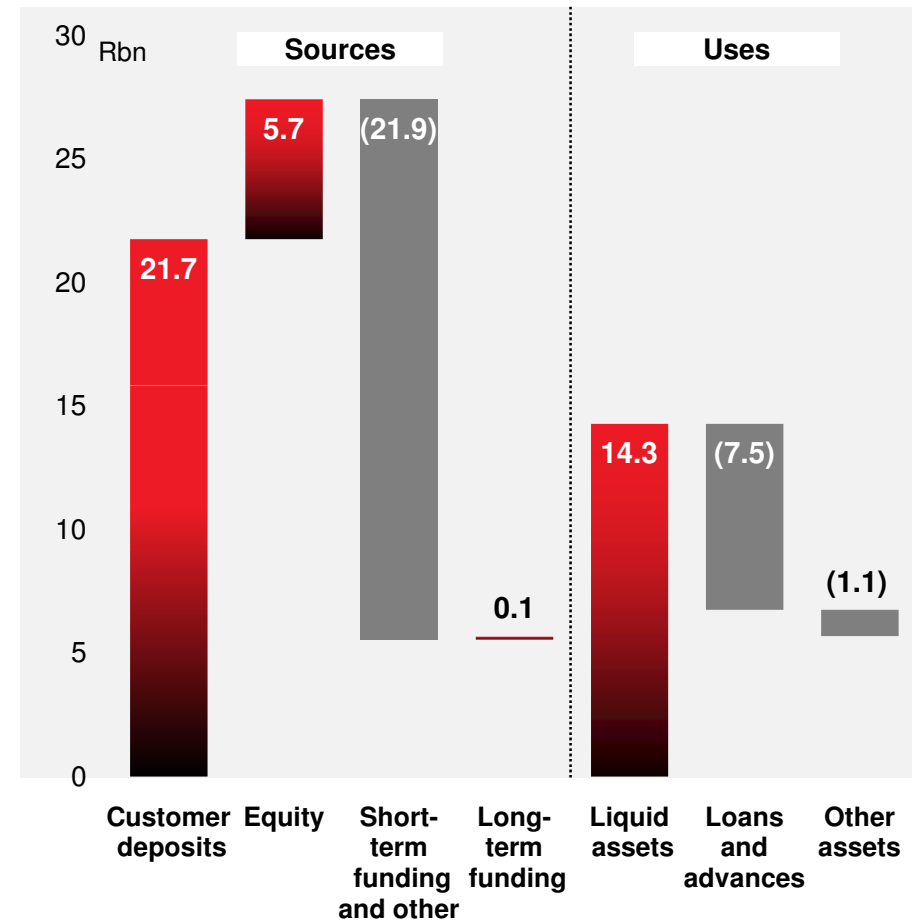
Actions taken

- » Maintained high capital ratios
- » Increased liquidity buffers
- » Lengthened funding profile
- » Grew core deposits
- » Reduced loan concentration risk
- » Improved NPL cover

Outcomes

- » Further strengthened the balance sheet during 2010

Sources and uses of funds in 2010 (Rbn)



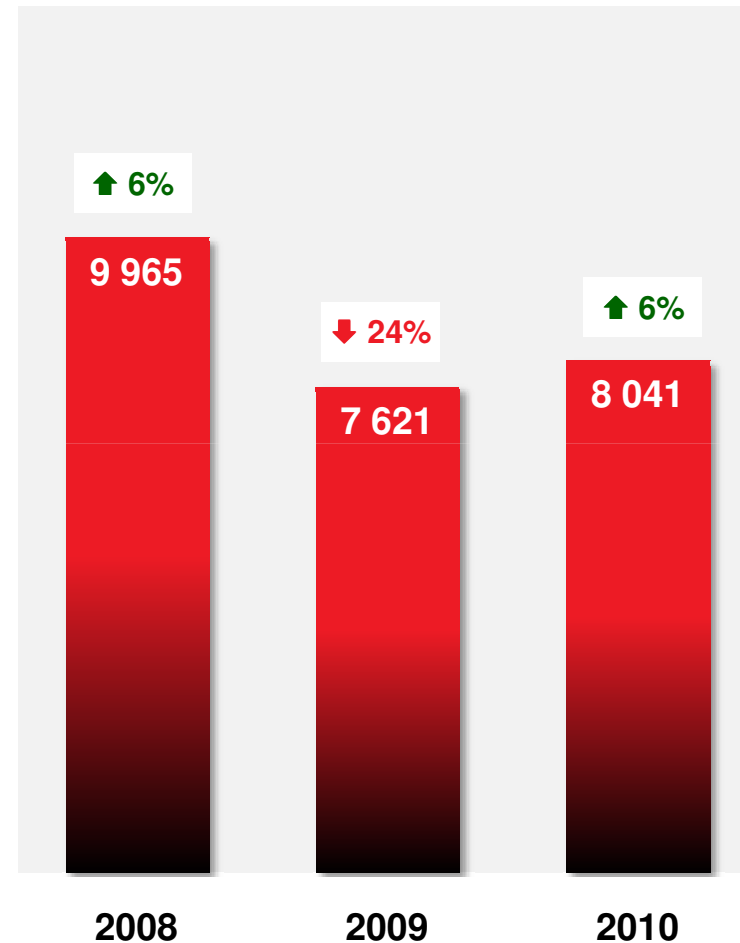
Financial overview

David Hodnett

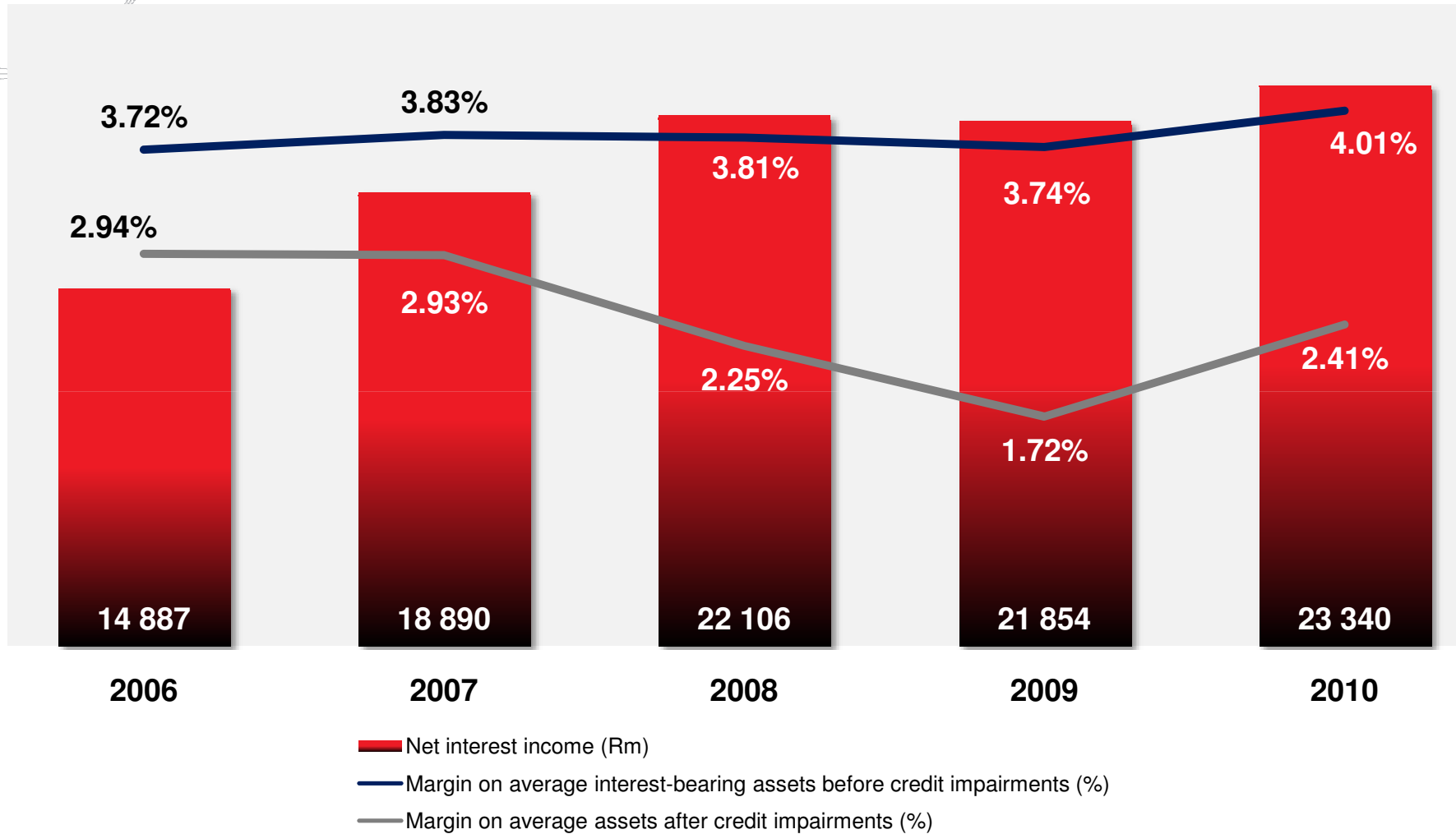
Positive earnings growth

	2010 Rm	2009 Rm	Change %
Net interest income	23 340	21 854	7
Non-interest income	19 474	20 232	(4)
Total income	42 814	42 086	2
Credit impairments	(6 005)	(8 967)	33
Operating expenses	(24 070)	(20 857)	(15)
Other	(888)	(2 420)	63
Taxation	(3 262)	(2 340)	(39)
Attributable earnings	8 118	6 840	19
Headline earnings	8 041	7 621	6

Headline earnings (Rm)

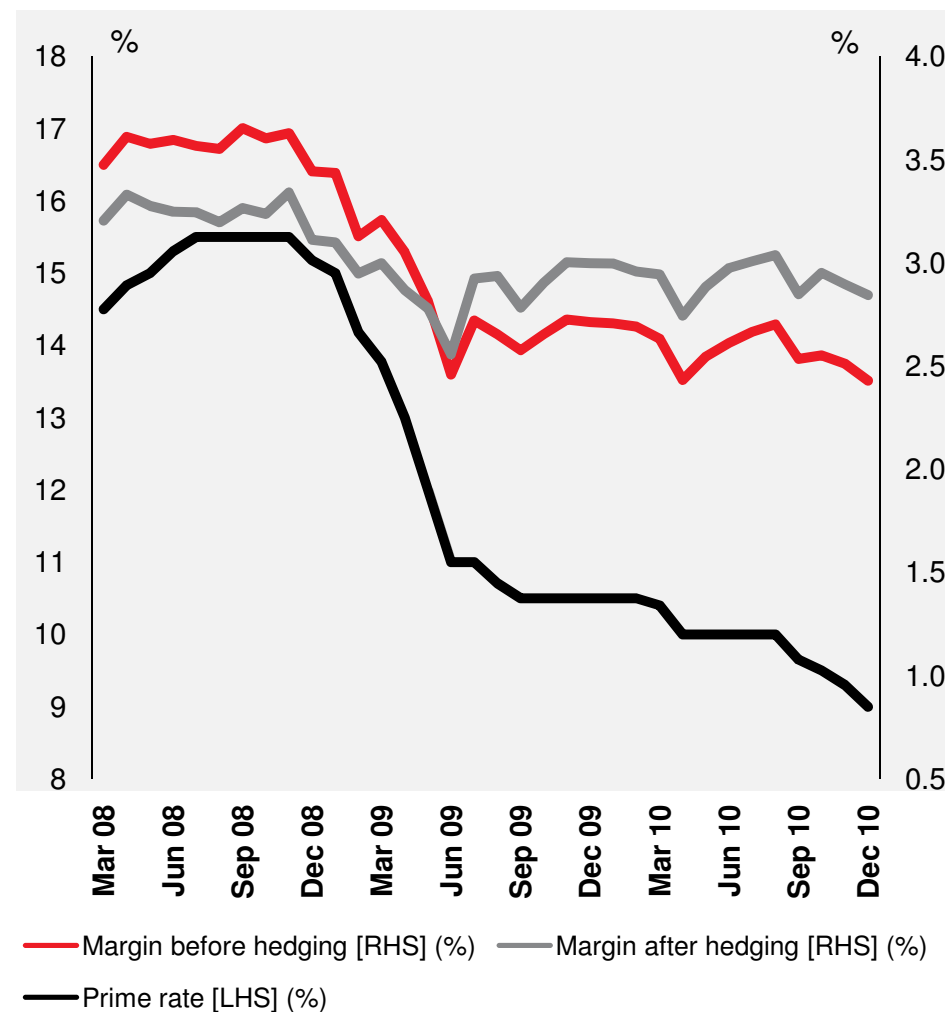


Healthy net interest income



Hedging protects net interest margin

	YoY Δ bps
Loans and advances to customers	9
» Change in client rates	4
» Change in composition	5
Deposits due to customers	(2)
» Client pricing/endowment	(14)
» Change in composition	12
Equity endowment	(12)
Interest rate risk management	25
Other	7
Change in margin on interest-bearing assets	27

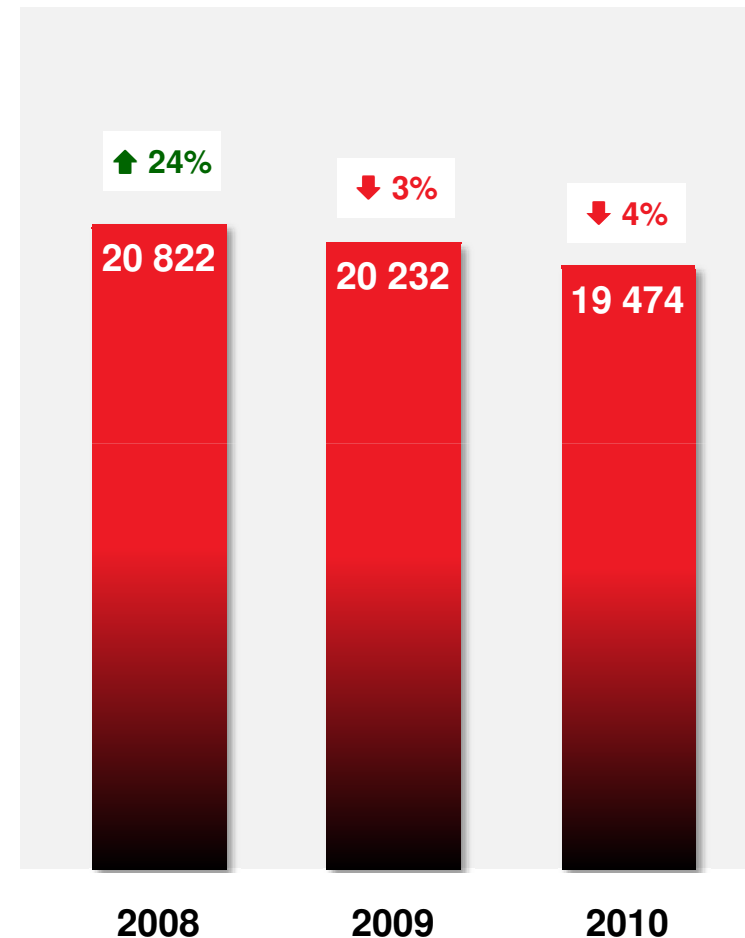


Better quality non-interest revenue

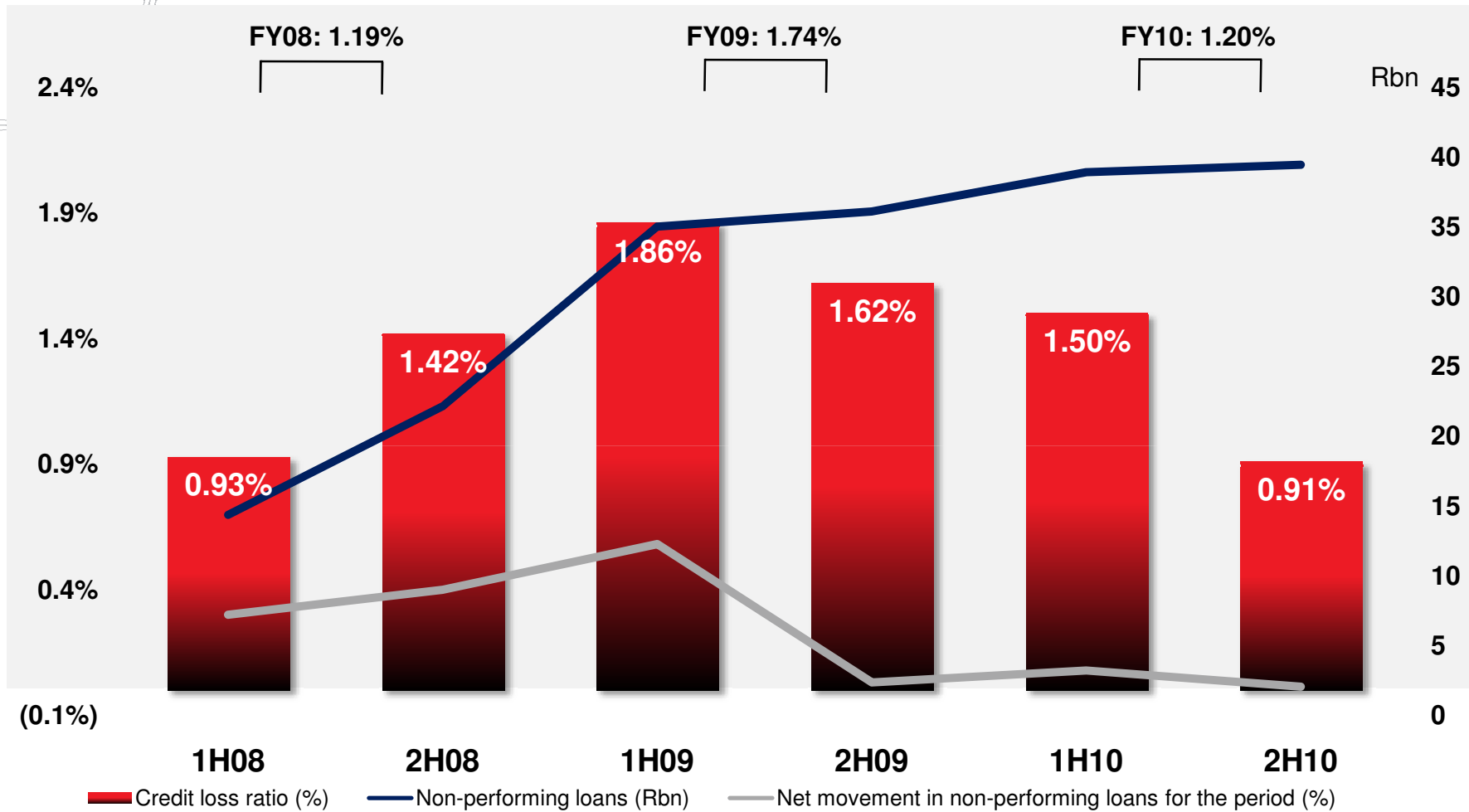
Non-interest income

	2010 Rm	Change %	Mix %
Retail fees and commissions	9 925	1	51
ABB fees and commissions	3 852	7	20
Financial Services	3 594	7	18
Markets and Investment Banking	2 285	(26)	12
Private Equity and Infrastructure Investments	94	>100	0
CPF – revaluations	116	(24)	1
Investment-related income	(24)	>(100)	0
Other	(368)	>(100)	(2)
Total	19 474	(4)	100

Non-interest income (Rm)



Improving credit loss ratio



Appropriate NPL coverage ratios

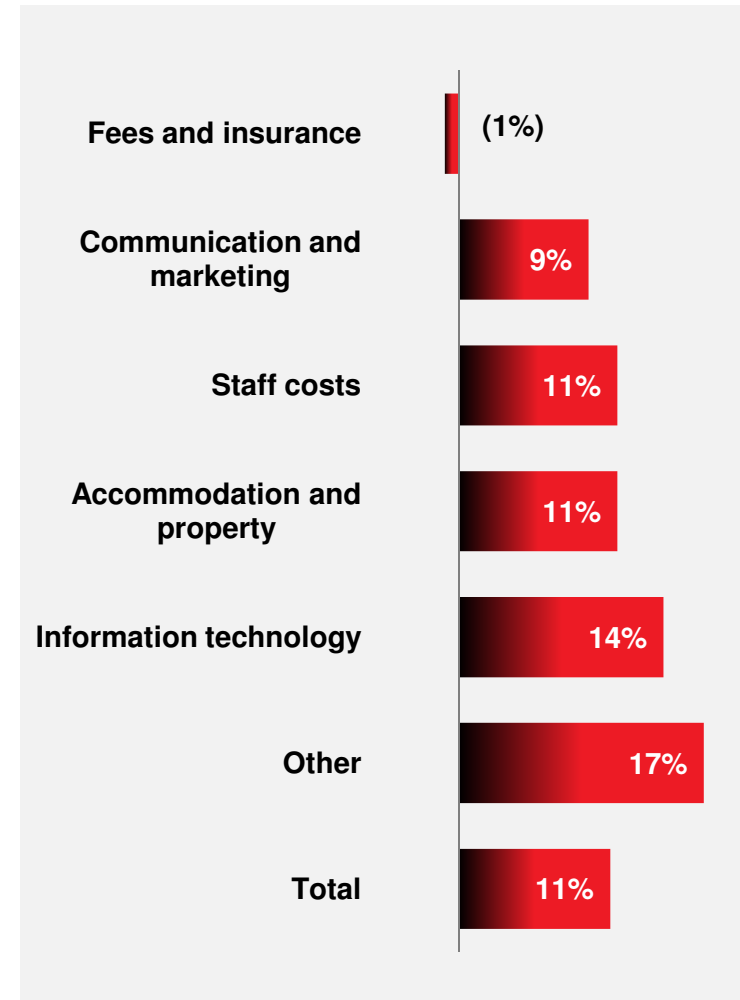
	Dec 2010 %	Jun 2010 %	Dec 2009 %	Dec 2010 %	Dec 2009 %
	Credit loss ratio			NPL coverage ratio	
Retail Banking	1.49	1.90	2.30	28.9	27.1
» Mortgages	0.98	1.30	1.76	19.1	17.3
» Vehicle and asset finance	2.16	2.79	2.05	41.7	43.5
» Card	2.57	4.43	7.13	71.8	77.3
» Other	3.17	3.23	3.42	69.4	59.5
Absa Business Bank	0.90	0.99	0.91		
Absa Capital	0.20	0.29	0.49		
Absa Group	1.20	1.50	1.74	30.0	27.5

Investing in the franchise

Operating expenses

	2010 Rm	Change %
Staff costs	12 537	16
Accommodation, property and equipment-related	3 765	4
Information technology	2 085	19
Communication and marketing	2 162	8
Fees and insurance	1 255	22
Cash transportation	729	56
Other	1 537	32
Total Absa Group	24 070	15

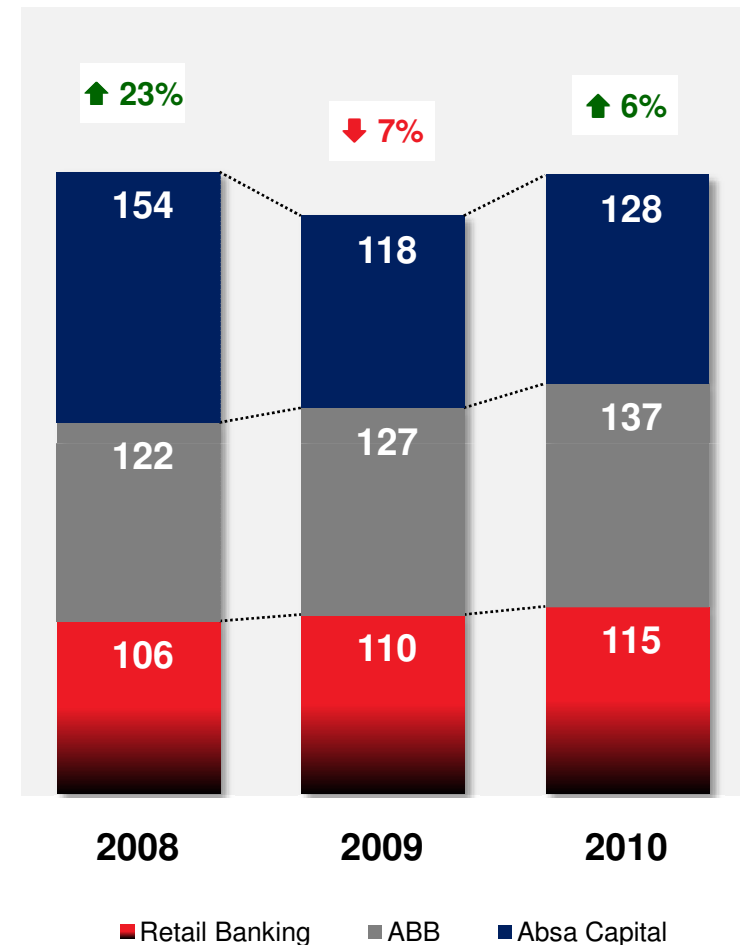
Cost growth – five year CAGR (%)



Strong core deposit growth

	2010 Rbn	Change %	Mix %
Cheque accounts	108	17	29
Savings and investments	68	5	18
Fixed deposits	114	7	30
Call deposits	55	(12)	15
Other	33	10	8
Total customer deposits	378	6	100

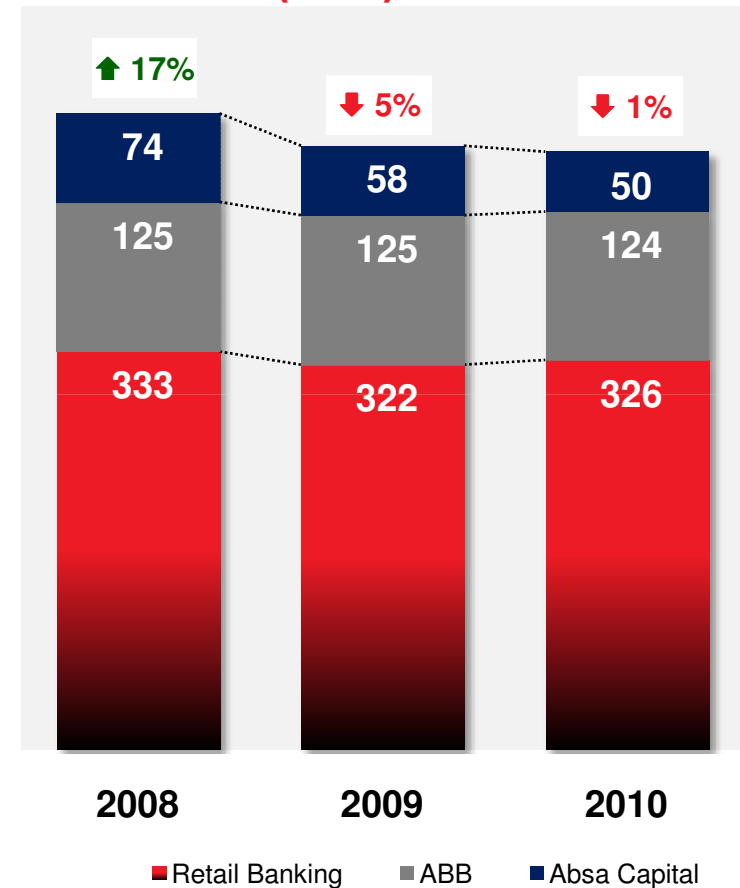
Deposits due to customers (Rbn)



Demand for credit remained low

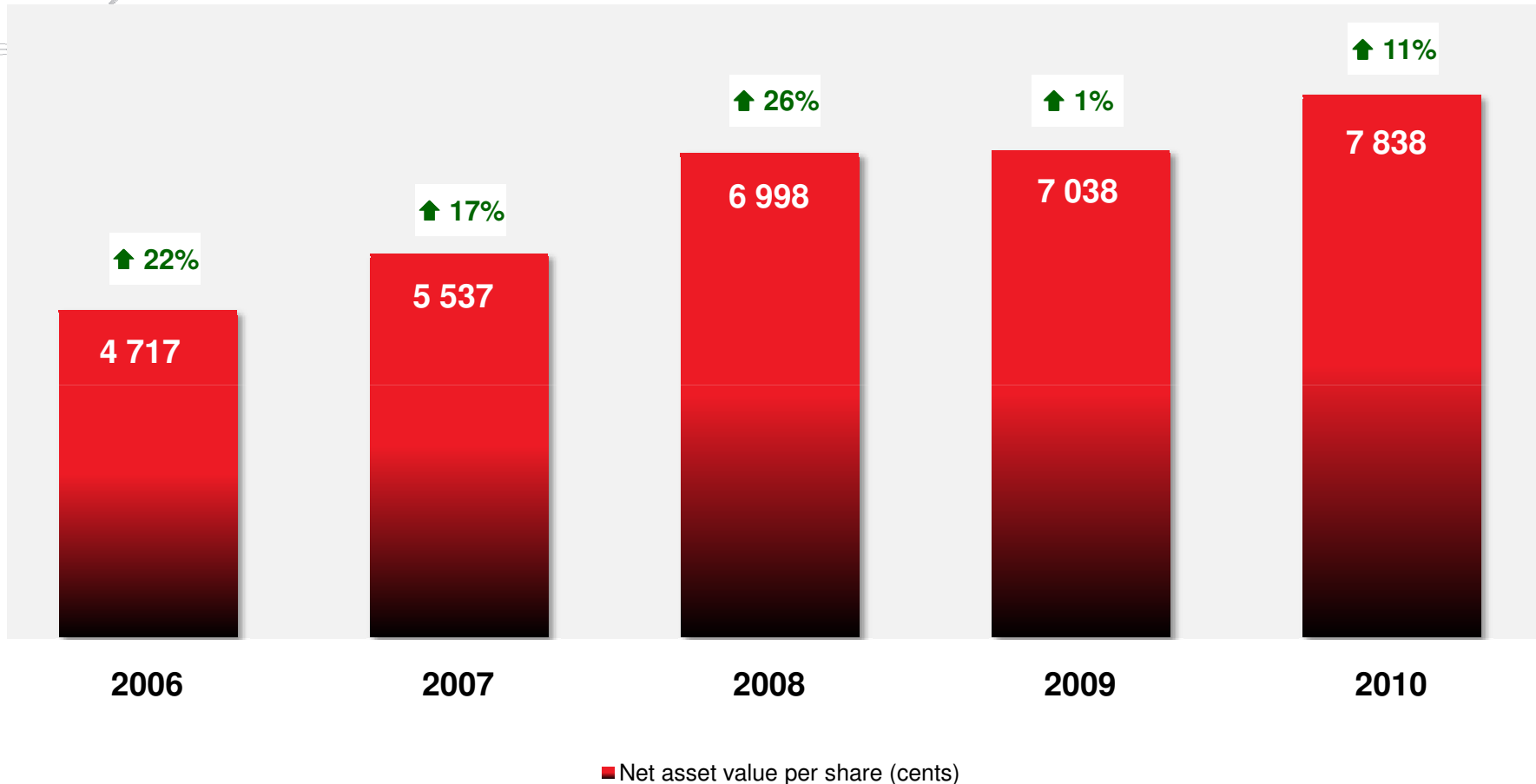
	2010 Rbn	Change %	Mix %
Retail Banking	326	1	65
» Credit cards	21	2	4
» Instalment finance	41	1	8
» Home loans	252	2	51
» Other	12	(6)	2
Absa Business Bank	124	(1)	25
Absa Capital	50	(14)	10
Other	(1)	>(100)	0
Total	499	(1)	100

Net loans and advances to customers (Rbn)



Consistent net asset value growth

Five-year compound annual growth rate of 15%

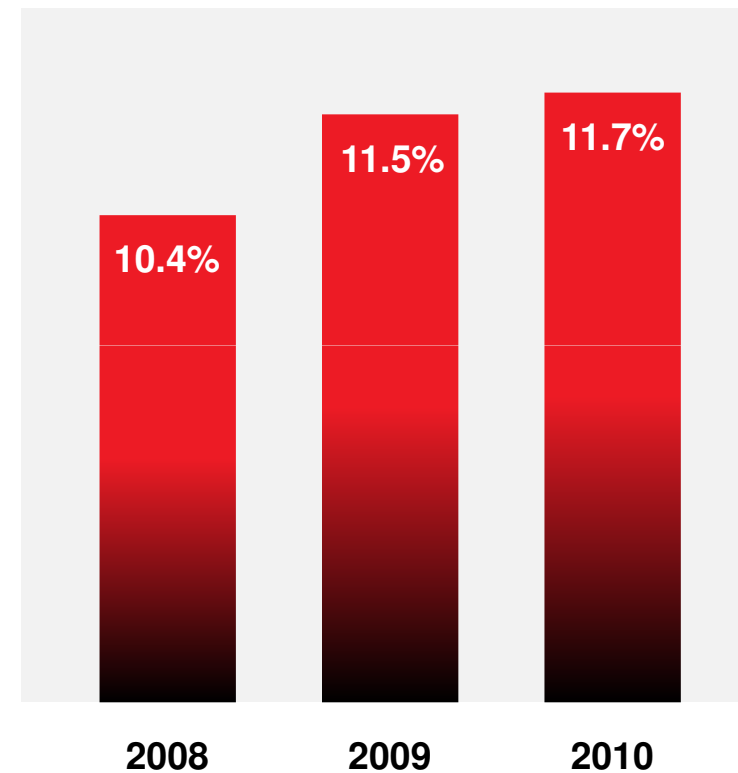


Maintained strong capital position

Capital adequacy ratios (December 2010)

	Core tier I %	Tier I %	Total %
Absa Group			
Capital adequacy ratio	11.7	12.8	15.5
Regulatory minimum	5.25	7.0	9.75
Absa Bank			
Capital adequacy ratio	10.7	11.9	14.8
Regulatory minimum	5.25	7.0	9.75
New Group targets	9.0-11.0	10.0-12.0	12.0-14.0

Absa Group – core tier I capital adequacy ratio (%)

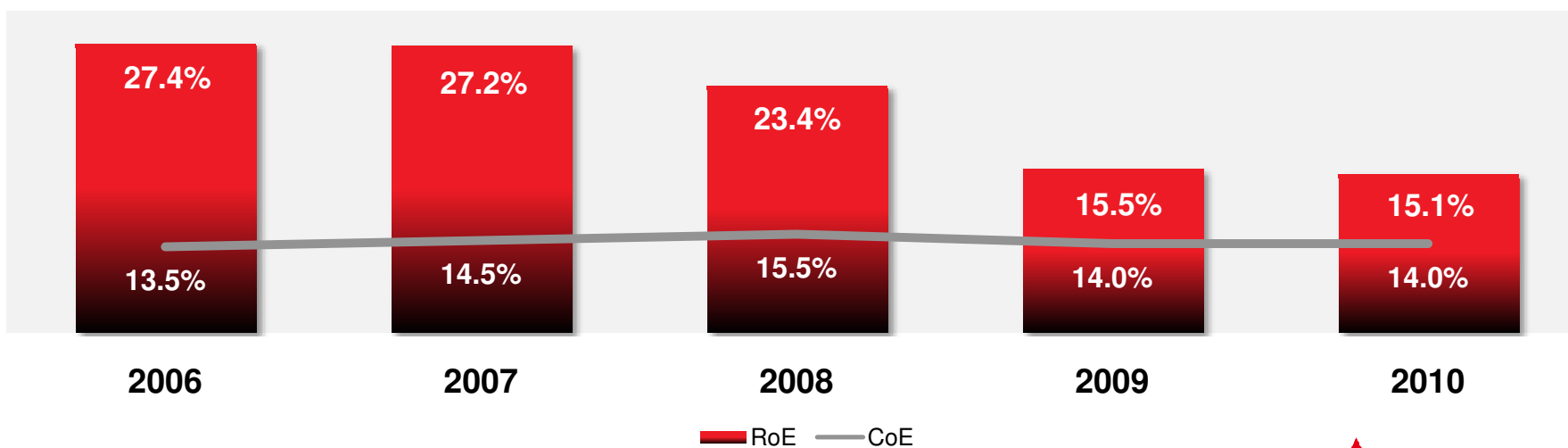


Still generating economic profits

RoE drivers – Absa Group (%)

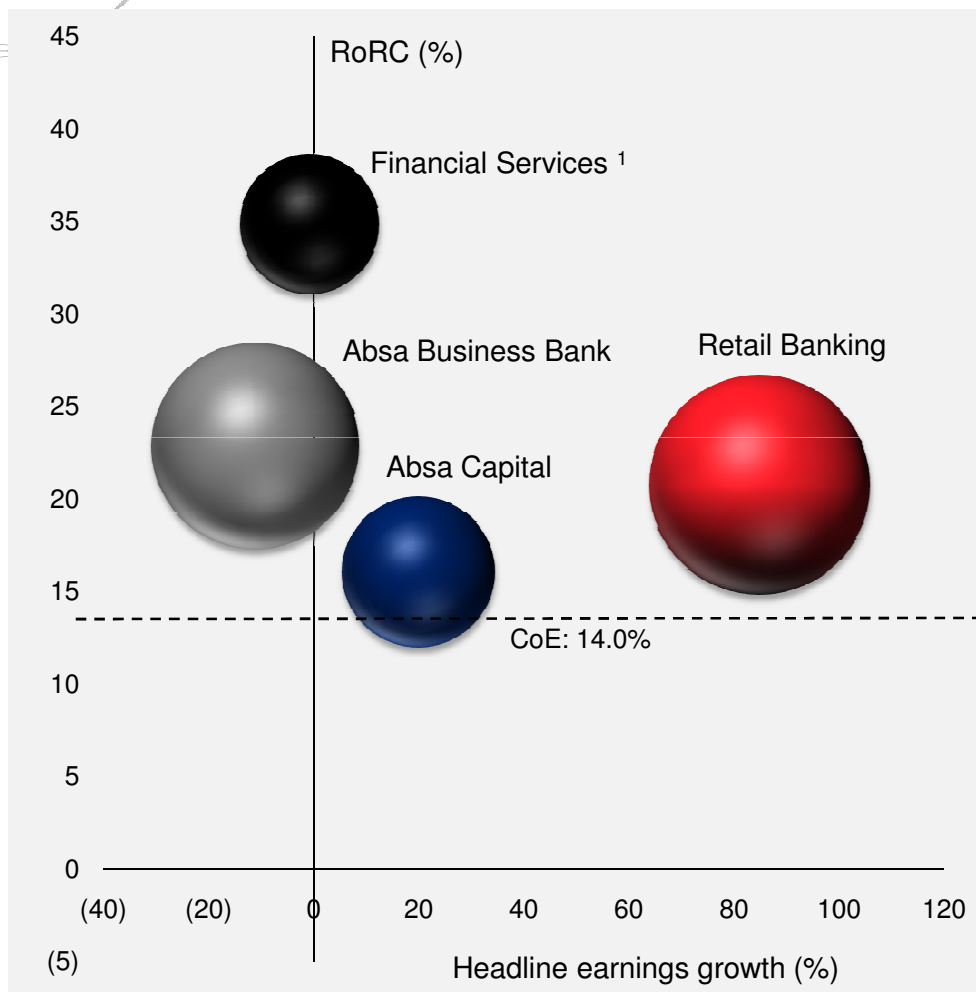
	2006	2007	2008	2009	2010
Income as a percentage of RWAs	10.4	10.2	11.1	10.9	10.6
Cost-to-income ratio	53.8	51.7	49.2	49.6	56.2
Credit impairments as a percentage of income	5.1	6.7	13.6	21.3	14.0
Operating margin	25.5	26.1	23.1	18.1	18.8
RoRWA	2.65	2.67	2.57	1.97	1.99
Financial leverage	10.3	10.2	9.1	7.9	7.6
RoE	27.4	27.2	23.4	15.5	15.1

Group RoE (%)



Good portfolio mix

Divisional growth versus returns (2010)



- » ABB's returns remain high
- » Financial Services RoE attractive
- » Strong Retail Banking turnaround
- » Private equity exposure dampens Absa Capital's return

¹RoE

Member of the  **BARCLAYS** Group

 **ABSA**

Cluster performance

Louis von Zeuner

Retail Banking

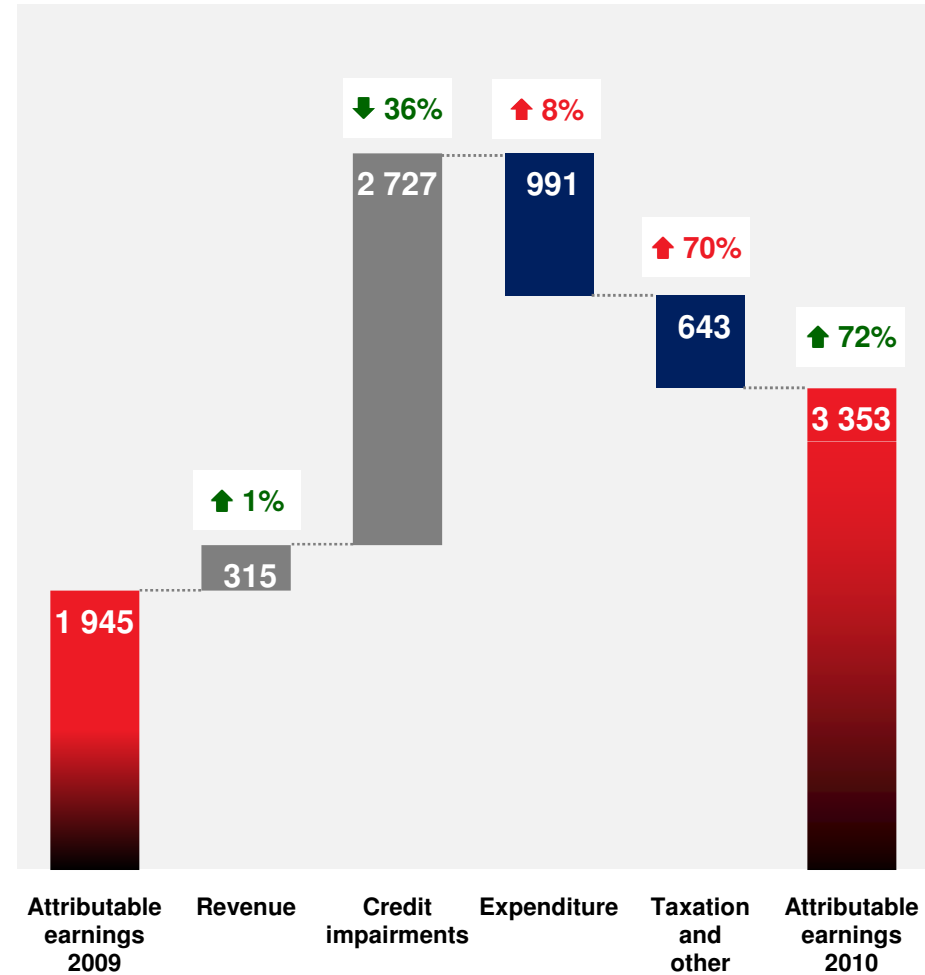
Financial performance

	2010	2009	Change %
Headline earnings (Rm)	3 232	1 749	↑ 85
Revenue (Rm)	23 291	22 976	↑ 1
Cost-to-income ratio (%)	57.1	53.2	
Credit loss ratio (%)	1.49	2.30	
Return on regulatory capital (%)	20.7	11.7	
Average risk-weighted assets (Rbn)	160	153	↑ 5

Impairments outweigh muted revenue

- » Subdued loan growth
- » Lacklustre fee income
- » Stable margins
- » Significantly lower impairments
- » Operating expenses well contained

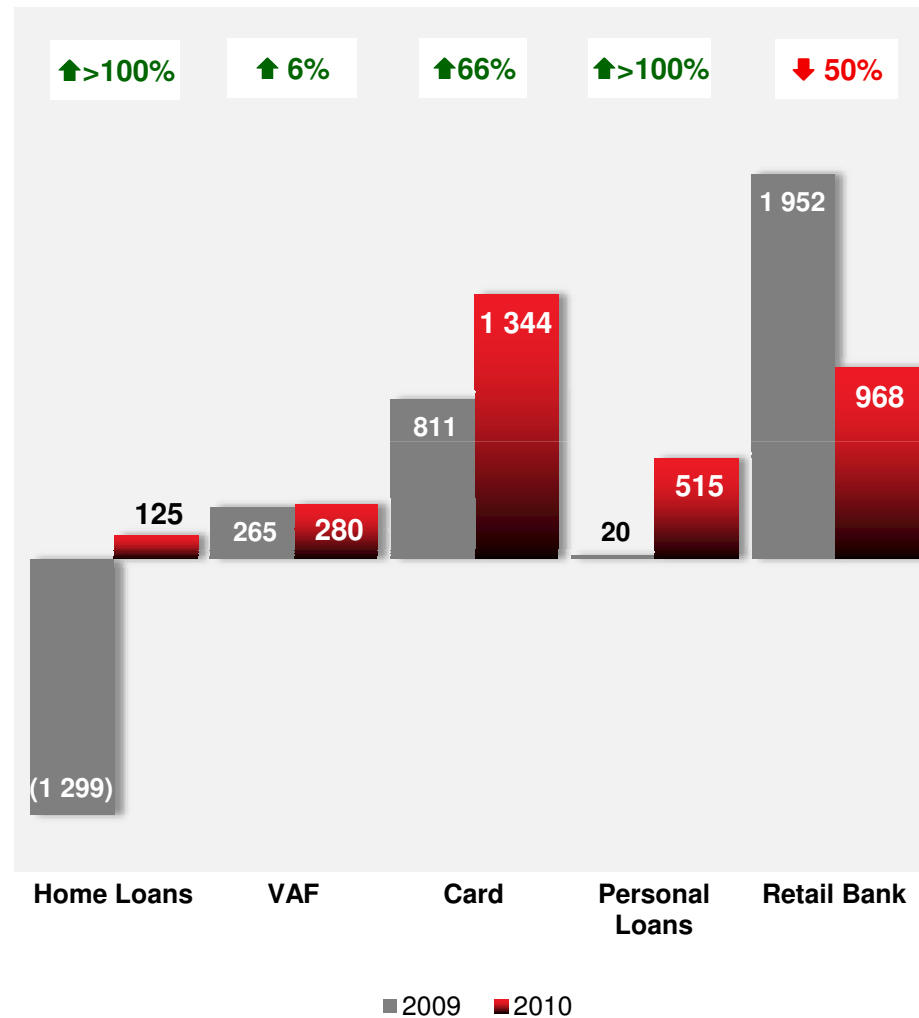
Retail Banking earnings bridge (Rm)



Strong turnaround, particularly in H2

- » Rising proportion of unsecured lending
- » Continued focus on gathering deposits
- » Successful debt counselling strategy
- » New entry level banking model

Headline earnings (Rm)



Retail Banking's strategic focus

2010 achievements

- » Launched several innovative solutions
- » Enhanced collections capability
- » Improved the quality of loan book
- » Better balance sheet structure
- » Continued to invest in delivery footprint

Focus for 2011

- » Deliver compelling value propositions
- » Broaden inclusivity in the entry level market
- » Incentivise customers for number of products held and utilisation
- » Change sales and service model
- » Continue to focus on operational risk and fraud
- » Further enhance collections

Financial Services

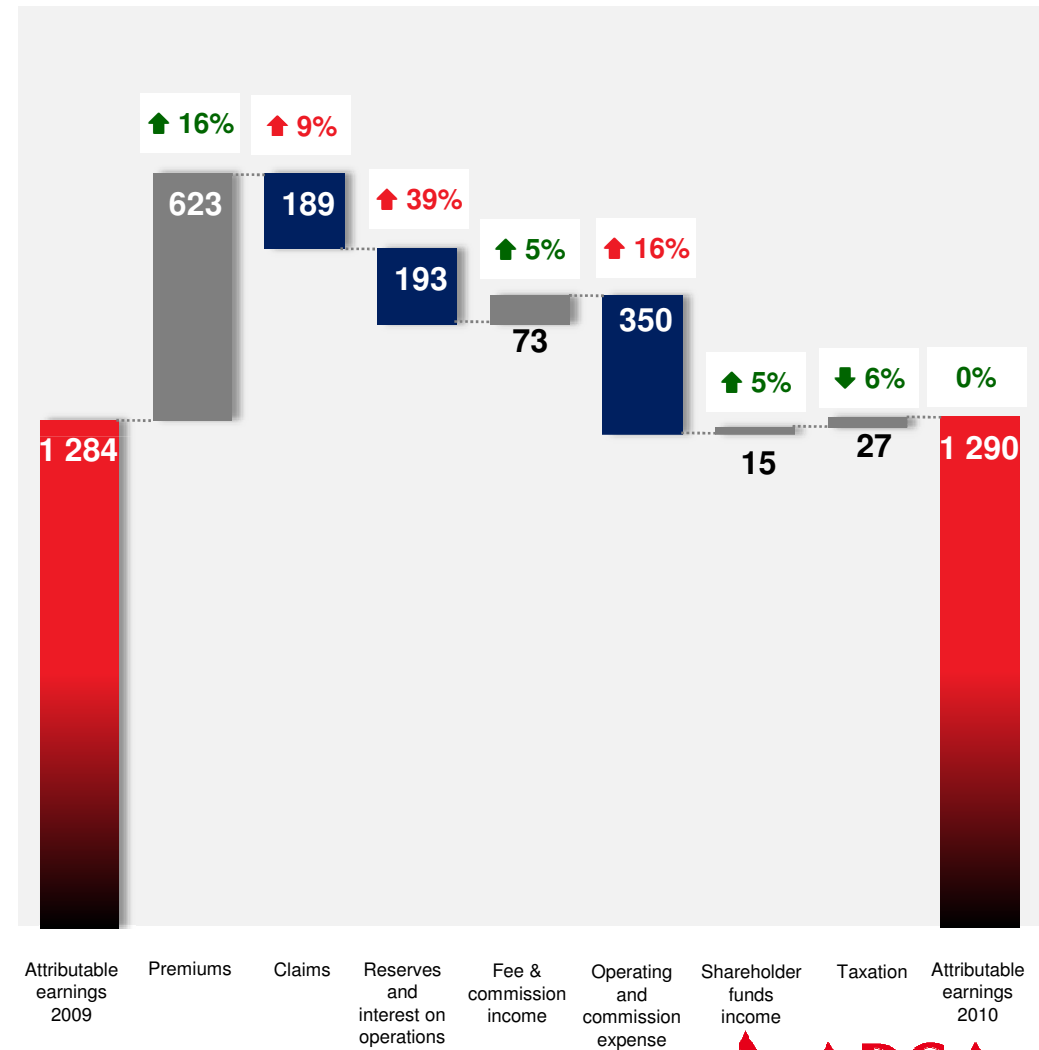
Financial performance

	2010	2009	Change %
Headline earnings (Rm)	1 291	1 300	↓ 1
Net premium income (Rm)	4 468	3 845	↑ 16
Return on equity (%)	34.8	37.9	
Embedded value of new business (Rm)	465	294	↑ 58
Combined ratio (%)	94.8	96.2	
Assets under management (Rbn)	163	145	↑ 12

A strong revenue growth story

- » Strong gross premium growth in life (25%) and short-term insurance (12%)
- » Insurance claims ratio remains high
- » New business strain impacting reserves
- » AUM up 12%, strong inflow of institutional funds
- » Clients benefit from above benchmark returns
- » Operating expenses growth due to distribution and capacity building
- » Africa expansion gaining momentum

Financial Services earnings bridge (Rm)



Resilient operational performance

- » Absa Life's ability to write profitable business entrenched
- » Absa Life's new business APE driven by growth in recurring premiums
- » Absa Insurance's underwriting performance profitable through the underwriting cycle
- » Net fund flows gain momentum in H2
- » Asset mix impacts margin

	2010	2009	Change %
Life – return on embedded value (RoEV) (%)	39.8	26.0	
Life – new business annual premium equivalent (APE) (Rm)	880	761	↑ 16
Insurance – underwriting surplus (Rm)	445	348	↑ 28
Net AUM flows (Rbn)	11.3	24.9	
Investments – gross margin (bps)	46.0	50.6	

Financial Services' strategic focus

2010 achievements

- » Gained new business market share
- » Improved cross sell
- » Doubled *idirect* sales volumes
- » Maintained product margins
- » Barclays pension fund administration
- » Botswana greenfield operations
- » Implemented workflow

Focus for 2011

- » Data mining and trigger event solution
- » Continue rolling out digital strategy
- » Presence in Mozambique and Zambia
- » Integrate advisors into branches
- » Go live with core insurance systems
- » Improve cost-to-income ratio
- » Wealth offering
- » Entry level offering

Absa Business Bank

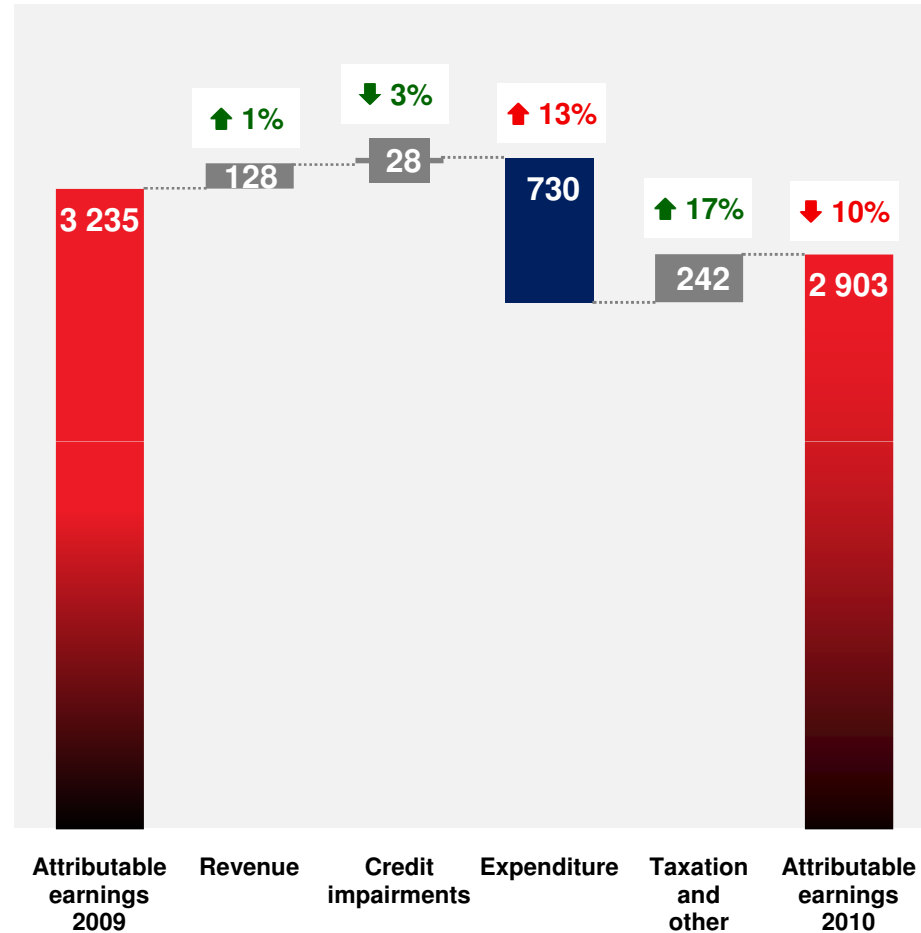
Financial performance

	2010	2009	Change %
Headline earnings (Rm)	2 848	3 206	↓ 11
Revenue (Rm)	11 626	11 498	↑ 1
Cost-to-income ratio (%)	55.0	48.9	
Credit loss ratio (%)	0.90	0.91	
Return on regulatory capital (%)	22.8	28.9	
Average risk-weighted assets (Rbn)	128	114	↑ 12

Investing for growth

- » Loans declined year-on-year
- » Net interest margin widened
- » Flat non-interest revenue
- » Credit loss ratio maintained
- » Cost growth reflects investment

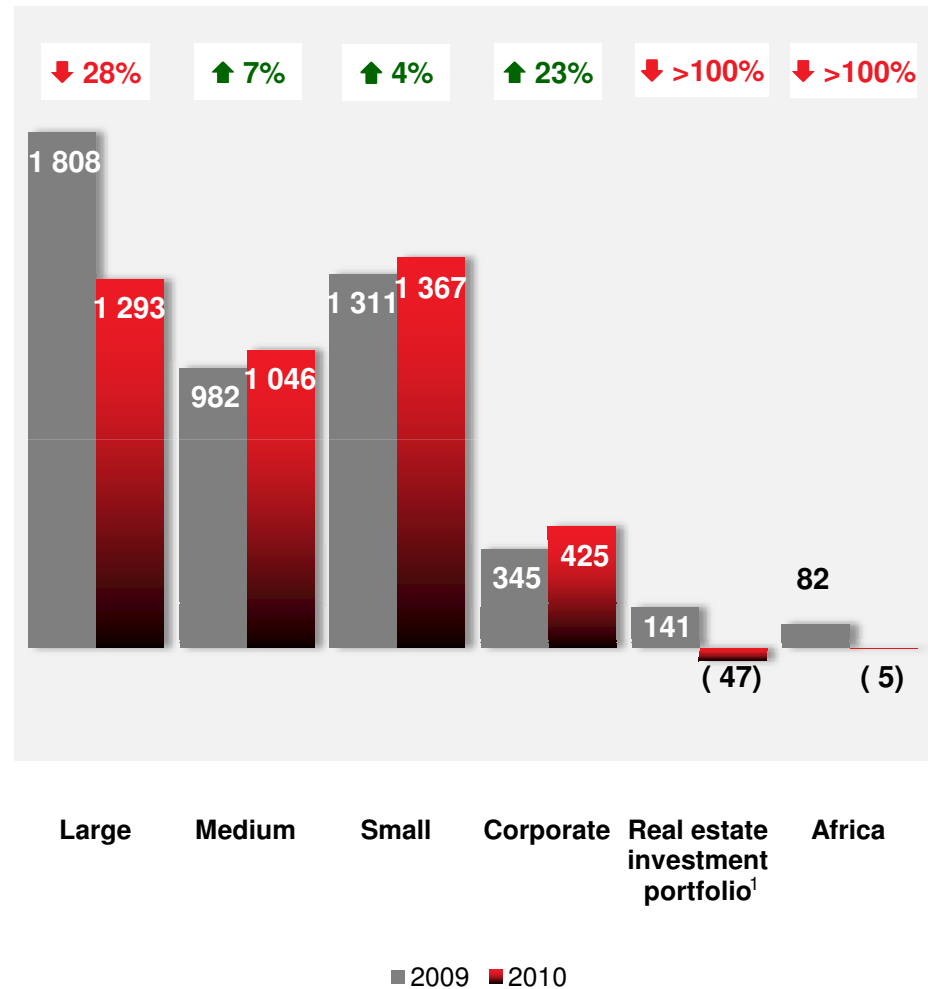
Absa Business Bank earnings bridge (Rm)



Diversity provides resilience

- » Solid transactional volume growth:
 - › Cash volumes \uparrow 20 %
 - › Electronic volumes \uparrow 8%
 - › Foreign exchange trades \uparrow 13%
- » Deposit strategy working
- » Less reliant on commercial property finance

Profit before taxation (Rm)



¹ Includes CPF listed and unlisted equities, and Absa Development Company.

Absa Business Bank's strategic focus

2010 achievements

- » Implemented corporate coverage model
- » Integrated Small Business
- » Increased primary banking relationships
- » Gained transactional banking market share
- » Introduced specialist FX and trade sales teams
- » Improved capital management
- » Strengthened collections

Focus for 2011

- » Cross and up-selling to existing clients
- » Pricing and efficiency
- » Enhance sales effectiveness
- » Strengthen transactional banking
- » Client segmentation
- » Improve risk management capabilities
- » Streamline end-to-end client processes

Absa Capital

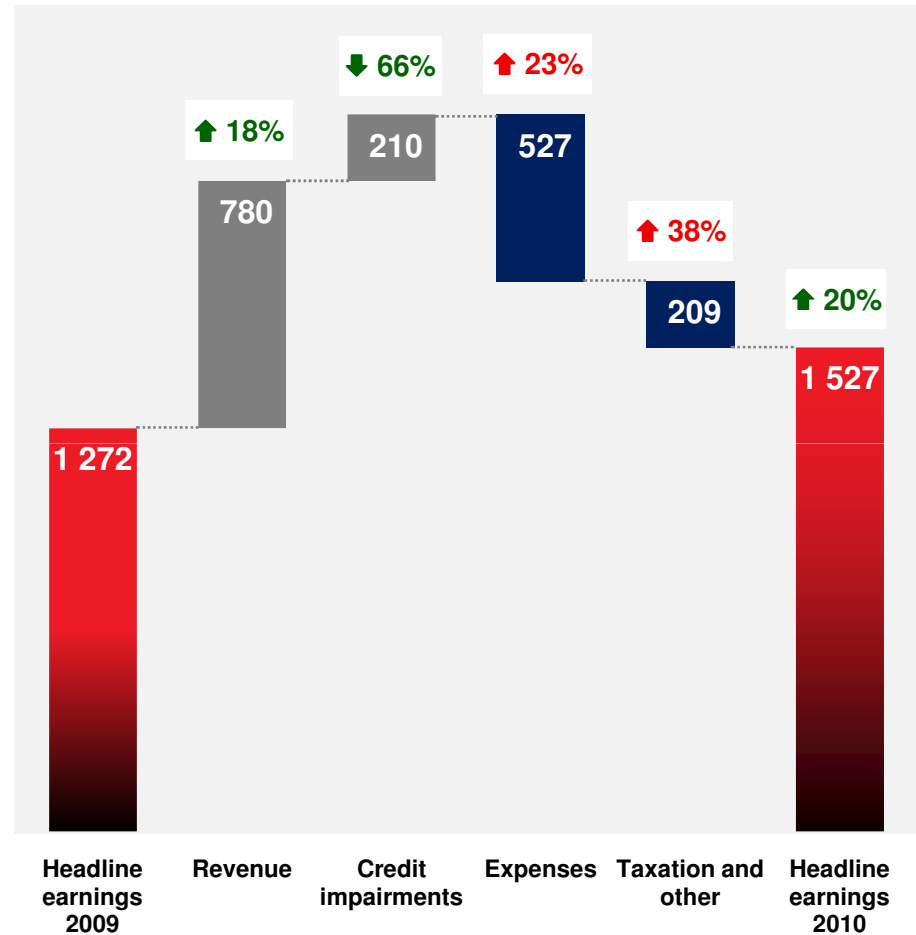
Financial performance

	2010	2009	Change %
Headline earnings (Rm)	1 527	1 272	↑ 20
Revenue (Rm)	5 226	4 446	↑ 18
Cost-to-income ratio (%)	54.3	51.9	
Return on regulatory capital (%)	16.0	12.9	
Average risk-weighted assets (Rbn)	98	101	↓ 3

Revenues resilient

- » Continue to strengthen the franchise
- » Revenue reflects turnaround in Private Equity and growth in Prime Services
- » Cost growth of 8% over the last two years
- » The quality of lending remains strong

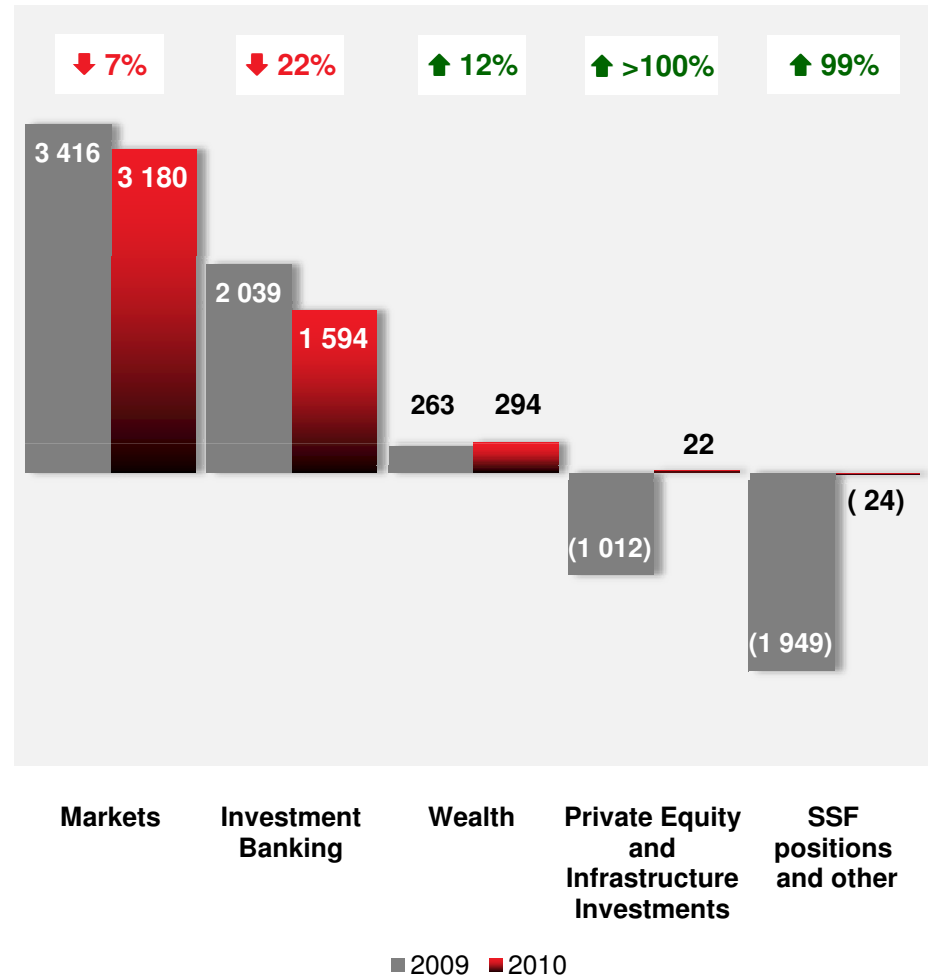
Absa Capital earnings bridge (Rm)



Diversified business model

- » **Markets** – strong performance from Prime Services and Africa trading desks
- » **Investment Banking** – subdued performance due to reduced client activity
- » **Absa Wealth** – further investment in client relationships and improved service quality
- » **Private Equity** – improved performance in underlying companies resulting in more stable valuations

Revenue after credit and other impairments (Rm)



Absa Capital's strategic focus

2010 achievements

- » Rolled out corporate and investment banking model
- » Rolled out enhanced FX platform
- » Grew cash equities and prime services
- » Continued to invest in Africa
- » Improved return on capital

Focus in 2011

- » Optimise corporate and investment banking model
- » Grow our FX client franchise
- » Broaden product offering
- » Pursue opportunities in Africa working with Barclays Africa
- » Optimise capital

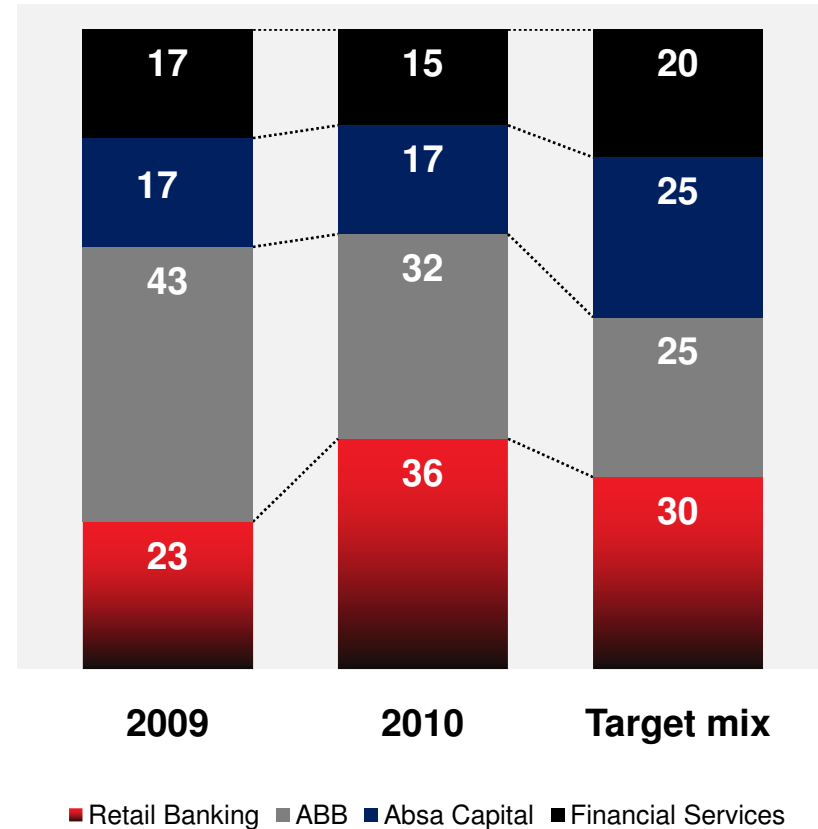
Outlook

Maria Ramos

A robust starting point

- » Strong balance sheet
- » Leading distribution network
- » Large customer base
- » Strong brand
- » Better diversified earnings
- » Retail banking leader
- » Unique bancassurance model
- » Strong investment bank

Headline earnings mix (%)

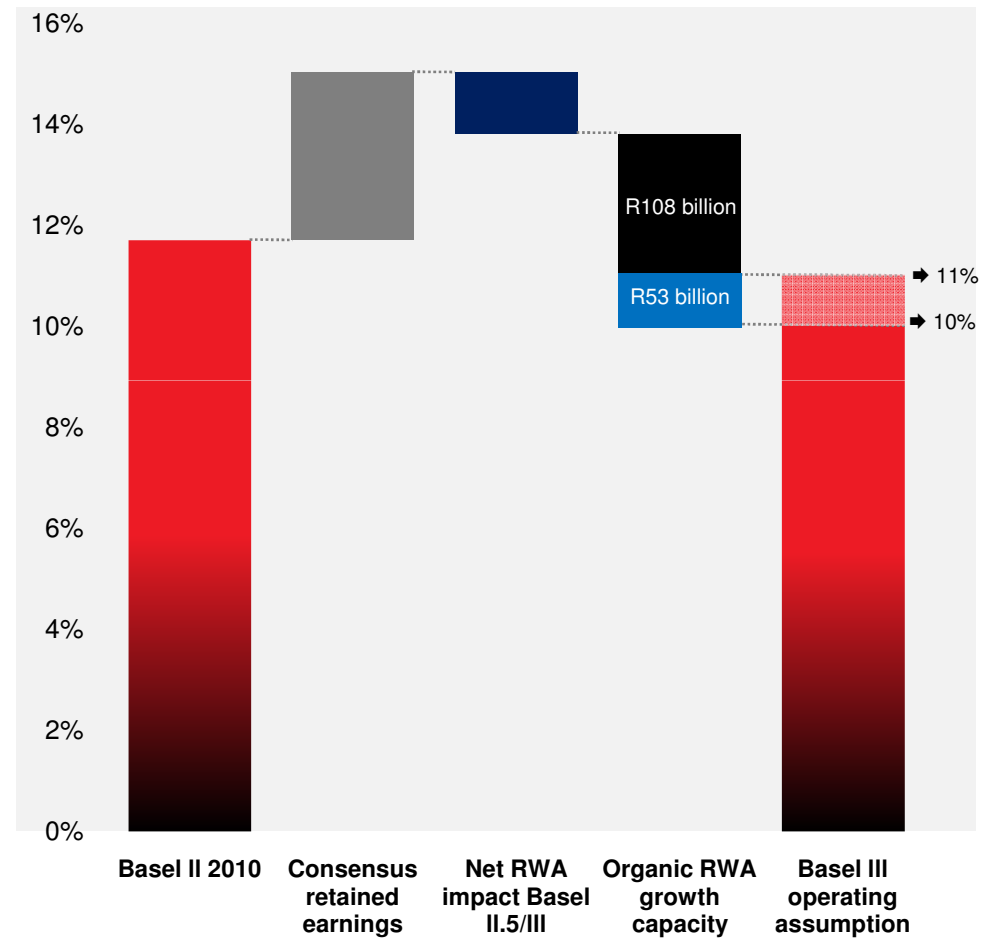


Calculated after the allocation of corporate, capital and funding centres.

Basel III impact

- » Will have far reaching implications
- » Premature to return capital now
 - › Relatively small decline to 2013
 - › National discretion and deductions after 2014 create uncertainty
- » Meeting liquidity requirements is the main challenge for South African banks

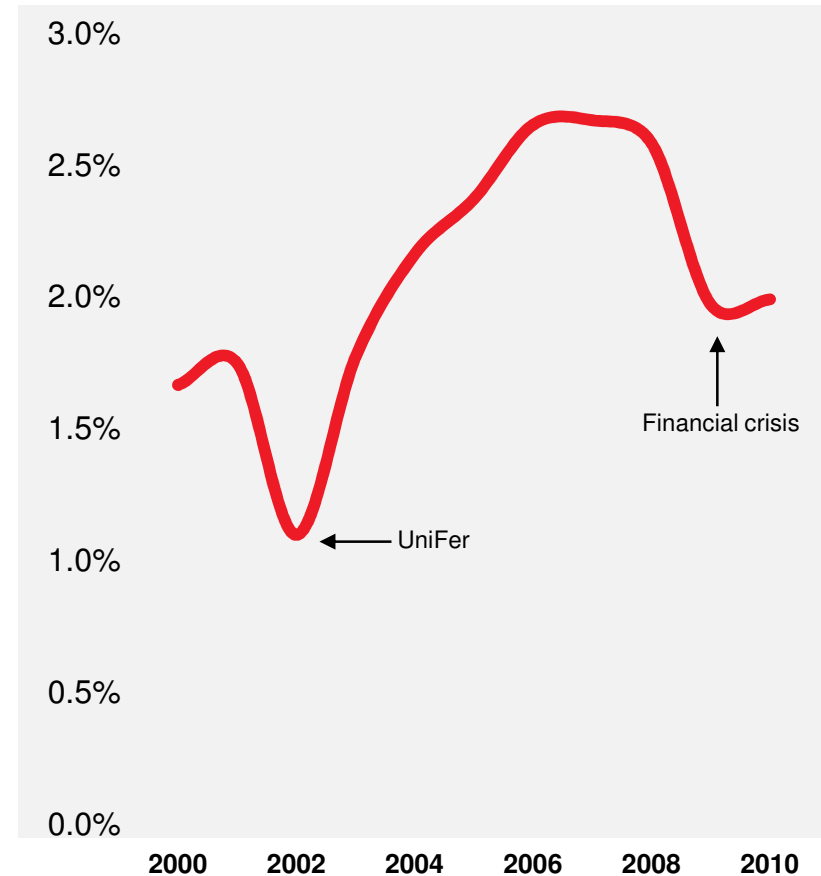
Pro-forma core tier I ratio under Basel III at 31 December 2013 (%)



Greater focus on RoRWA

- » Basel III will reduce returns
- » Optimise risk-weighted assets
- » Improve revenue growth
 - › Non-interest revenue initiatives
 - › Loan growth picks up
- » Manage cost growth
- » Further credit impairment tailwind

RoRWA (%)



The year ahead

- » A strong platform
- » Focus on growth and returns
- » Cost management a priority
- » Capital and liquidity
- » Africa