



Financial results

For the year ended 31 December 2012



Introduction

Maria Ramos












2012 in review

- A challenging year with significant change
 - Comprehensive business review
 - Strategic deals
- Maintained our focus
- Regaining momentum

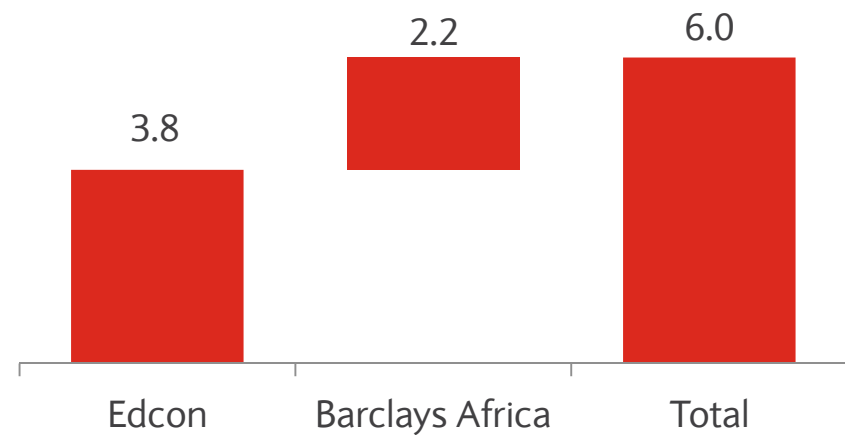
Platform for sustainable growth

Customer focused

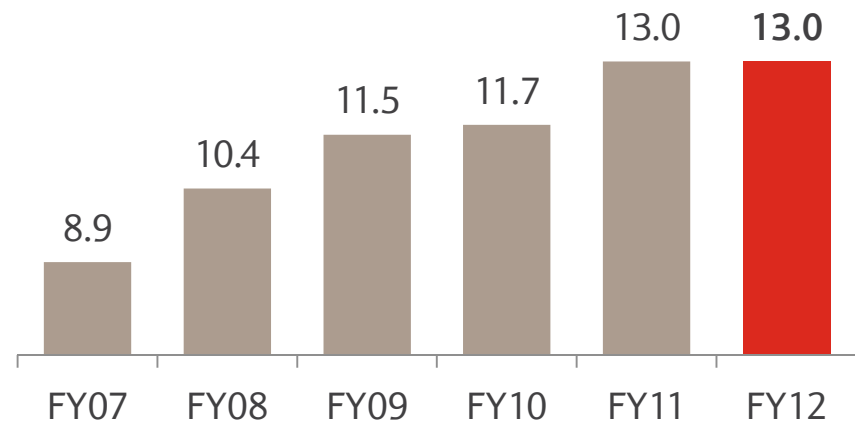
 <p>Best Retail Bank in South Africa</p> <p>2013</p>	 <p>#1 Overall Bank</p> <p>3rd consecutive year</p>	 <p>Best Credit Card Management</p> <p>2012</p>
 <p>Best Retail Bank in Africa</p> <p>2012</p>	 <p>Best Bank for Customer Service</p> <p>2012</p>	 <p>Best Retail Bank in Africa</p> <p>2012</p>
 <p>Best Fixed Income and Currency House</p> <p>4th consecutive year</p>	 <p>Best Bond House</p> <p>2012</p>	 <p>Best Debt House South Africa</p> <p>3rd consecutive year</p>



Acquisitive customer growth (m)



Strong balance sheet (core tier 1 ratio)

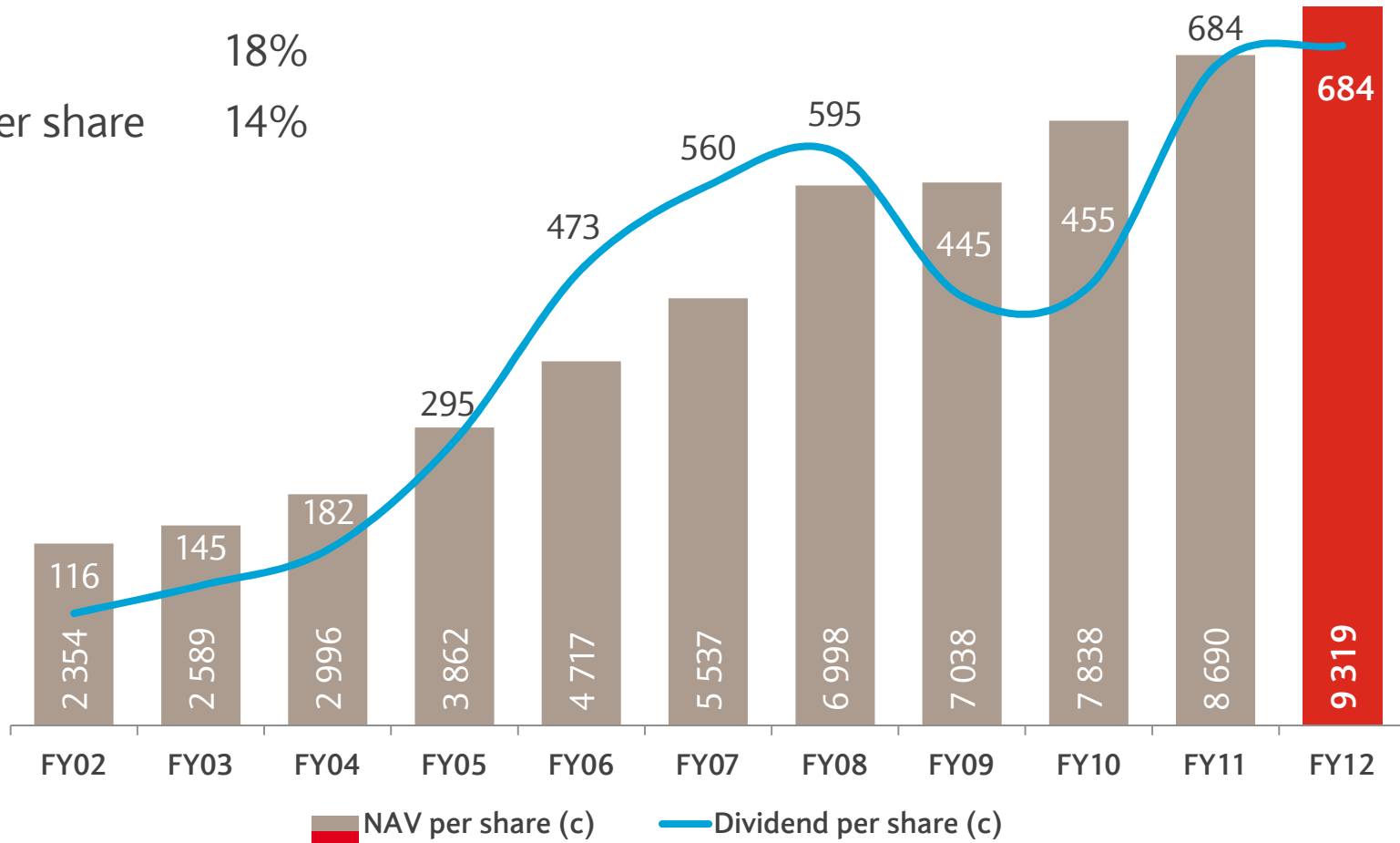


Continued to create value

Ten-year CAGR:

DPS 18%

NAV per share 14%



Note: March year end until 2005.

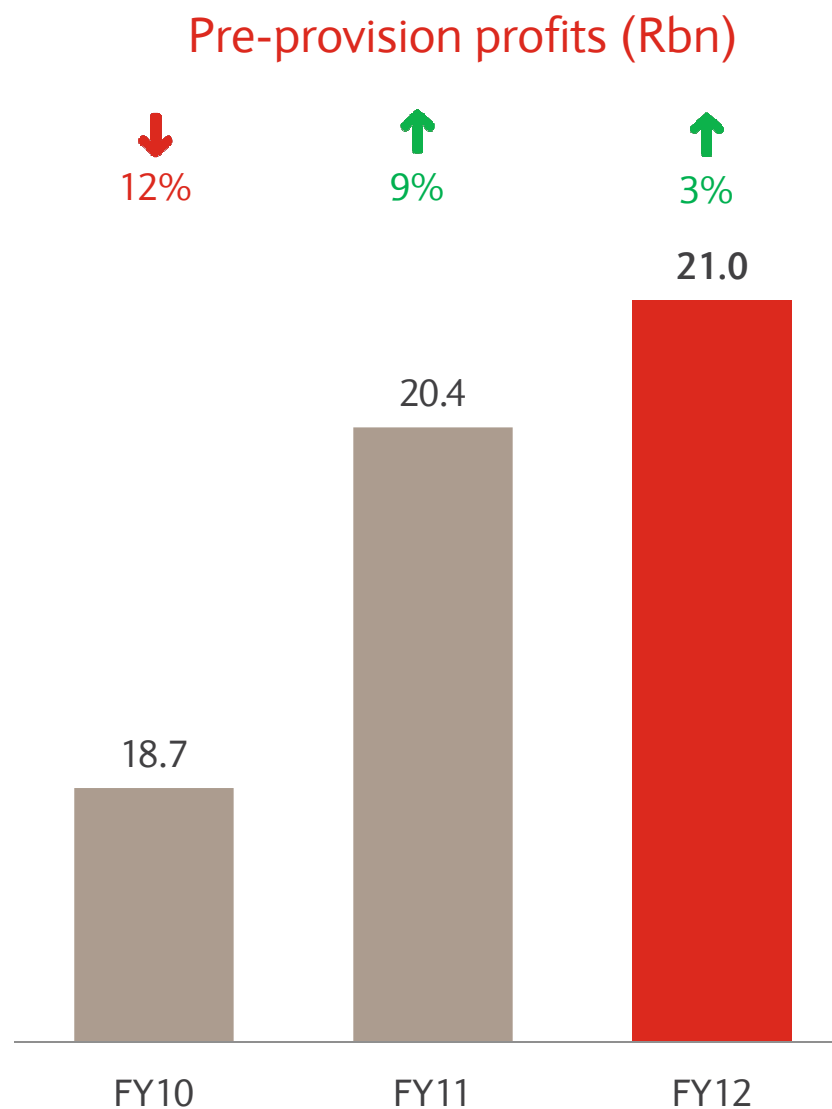
Finance

David Hodnett



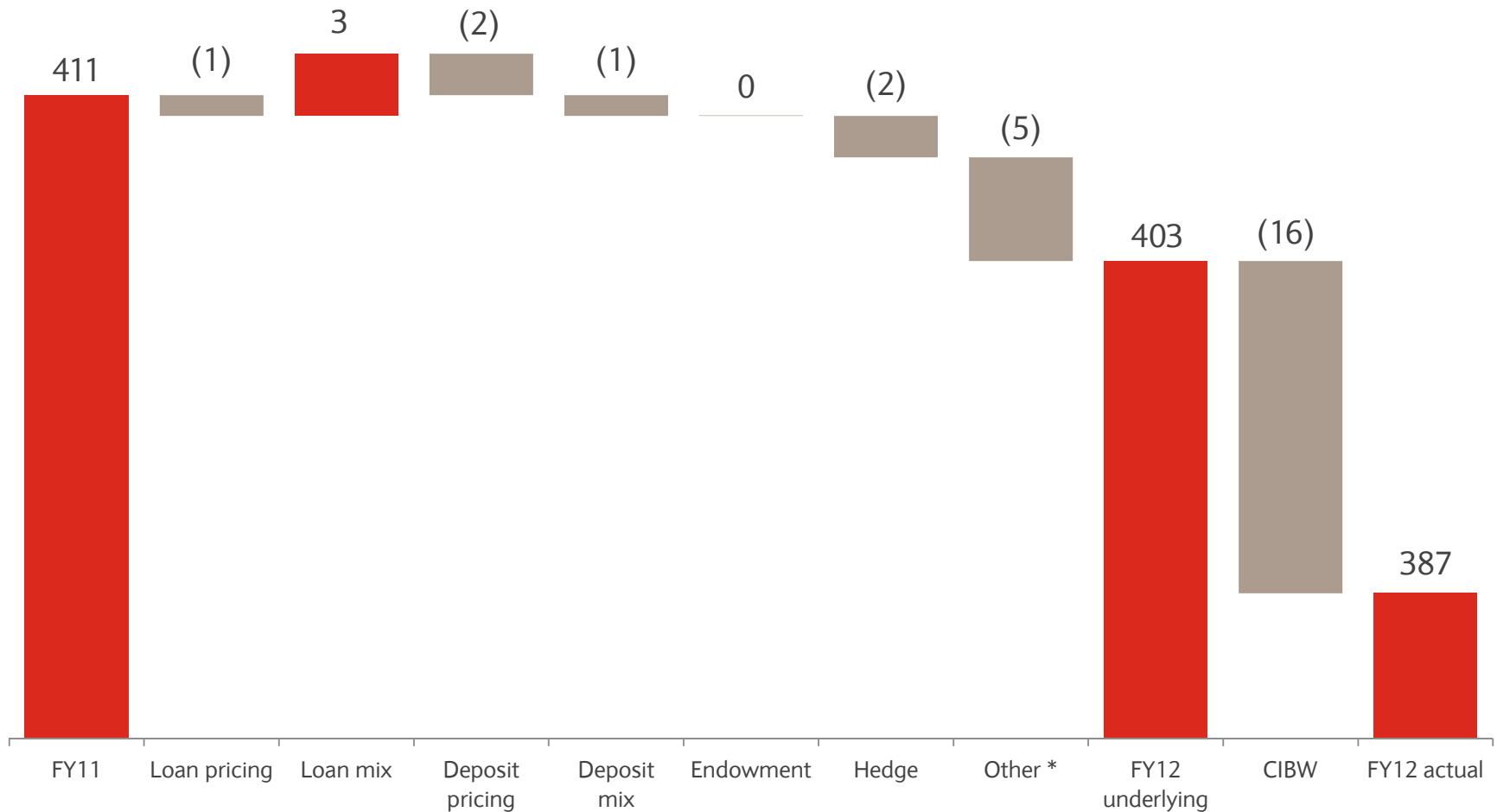
Earnings decline due to substantial impairments

	FY12 Rm	FY11 Rm	Change %
Net interest income	24 111	24 429	(1)
Non-interest income	22 741	21 403	6
Total revenue	46 852	45 832	2
Credit losses	(8 290)	(5 081)	63
Operating expenses	(25 874)	(25 458)	2
Other	(504)	(1 548)	(67)
Taxation	(3 377)	(4 026)	(16)
Headline earnings	8 807	9 719	(9)



Underlying margin broadly stable

Change in net interest margin to average interest bearing assets (basis points)

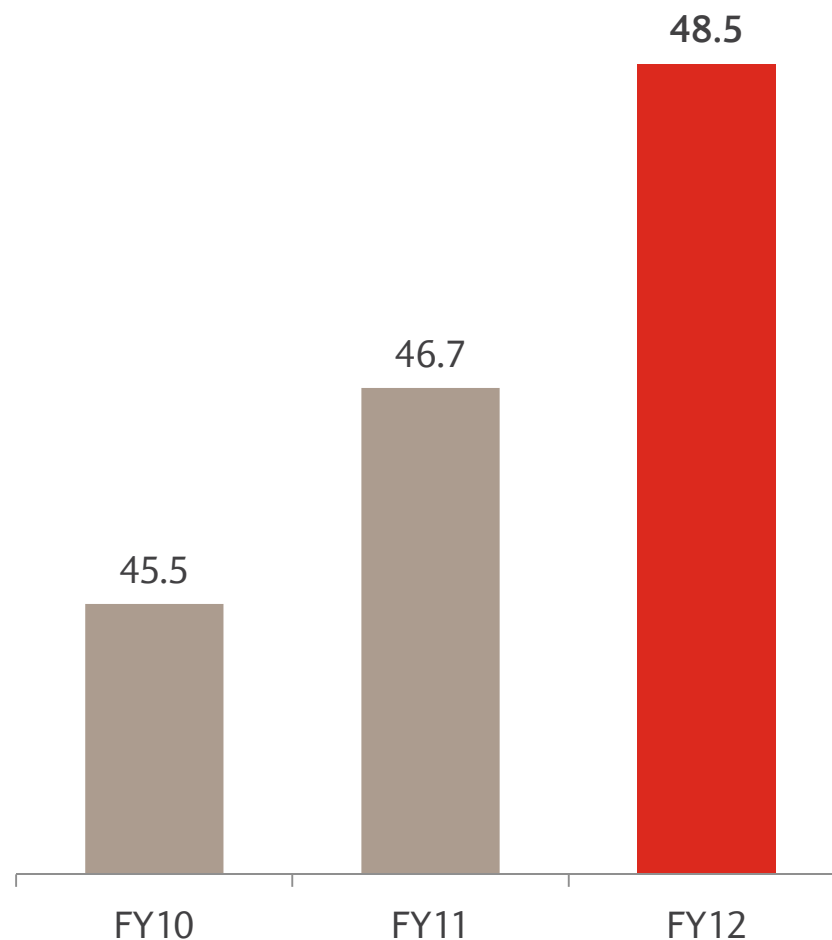


Note: * Includes reset risk, liquidity premiums, funding term and liquid assets

Reasonable non-interest revenue growth

	FY12 Rm	Change %	Mix %
Retail Markets net fees and commissions	10 365	(1)	46
Business Markets net fees and commissions	3 028	11	13
Corporate net fees and commissions	1 002	6	4
Financial Services	4 009	0	18
Markets – net trading results	3 535	64	16
Revaluations – private equity and equities	(60)	(124)	(1)
Other income	862	(3)	4
Total	22 741	6	

Non-interest income/total revenue (%)



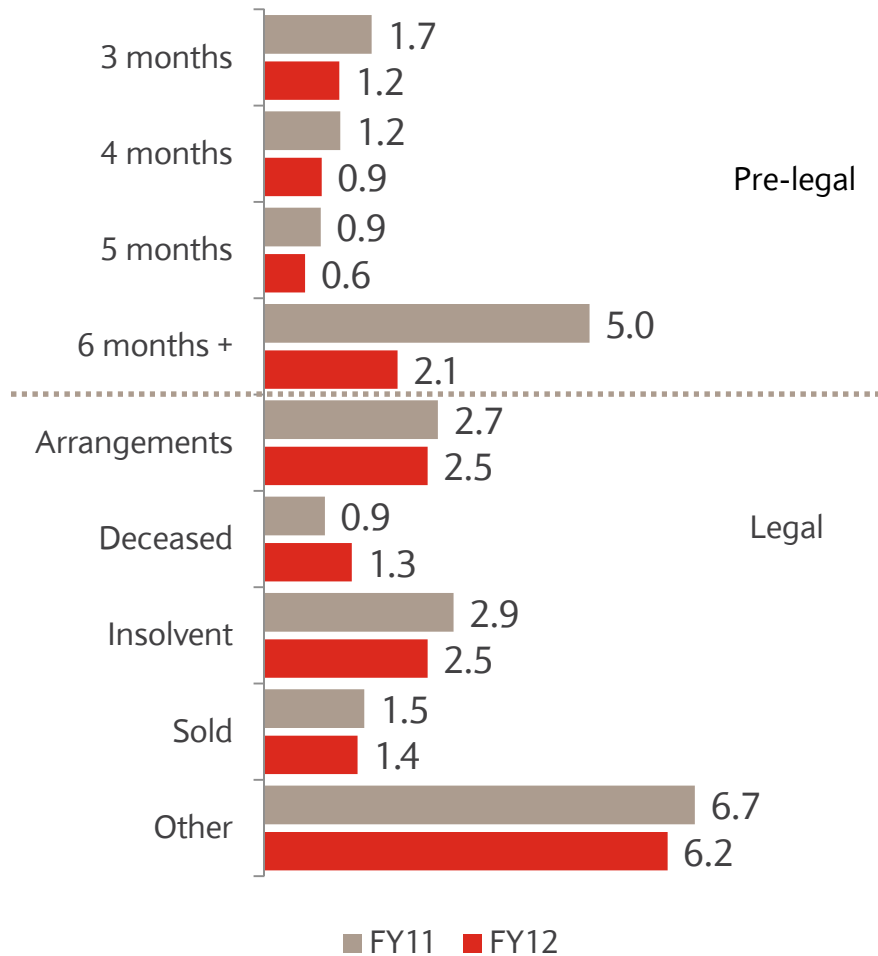
Material rise in NPL cover and credit impairments

	FY12 %	FY11 %	FY12 %	FY11 %
	Credit loss ratio		NPL coverage ratio	
Retail & Business Banking	1.98	1.16	36.4	27.2
→ Retail Markets	1.89	1.23	35.5	26.0
- Mortgages	2.08*	0.97*	28.5	17.1
- Instalment Credit Finance	0.64	1.88	48.9	48.2
- Credit Card	1.65	1.05	67.0	64.6
- Personal Loans	4.68	3.87	65.3	60.5
- Other	1.39	1.33	63.7	75.9
→ Business Markets	2.28	0.93	39.7	35.2
Corporate, Investment Banking and Wealth	0.12	0.05	56.4	52.0
Group	1.59	1.01	37.0	27.8

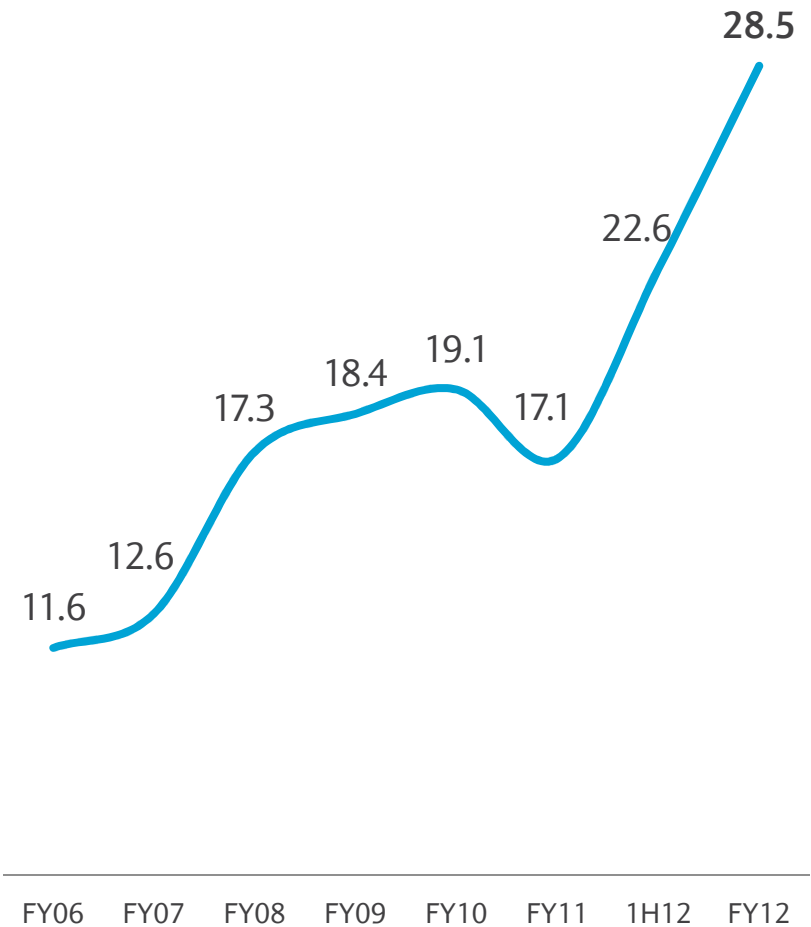
Note: *Home Loans credit loss ratio

Significant Home Loans credit impairments...

Mortgages NPLs (Rbn)

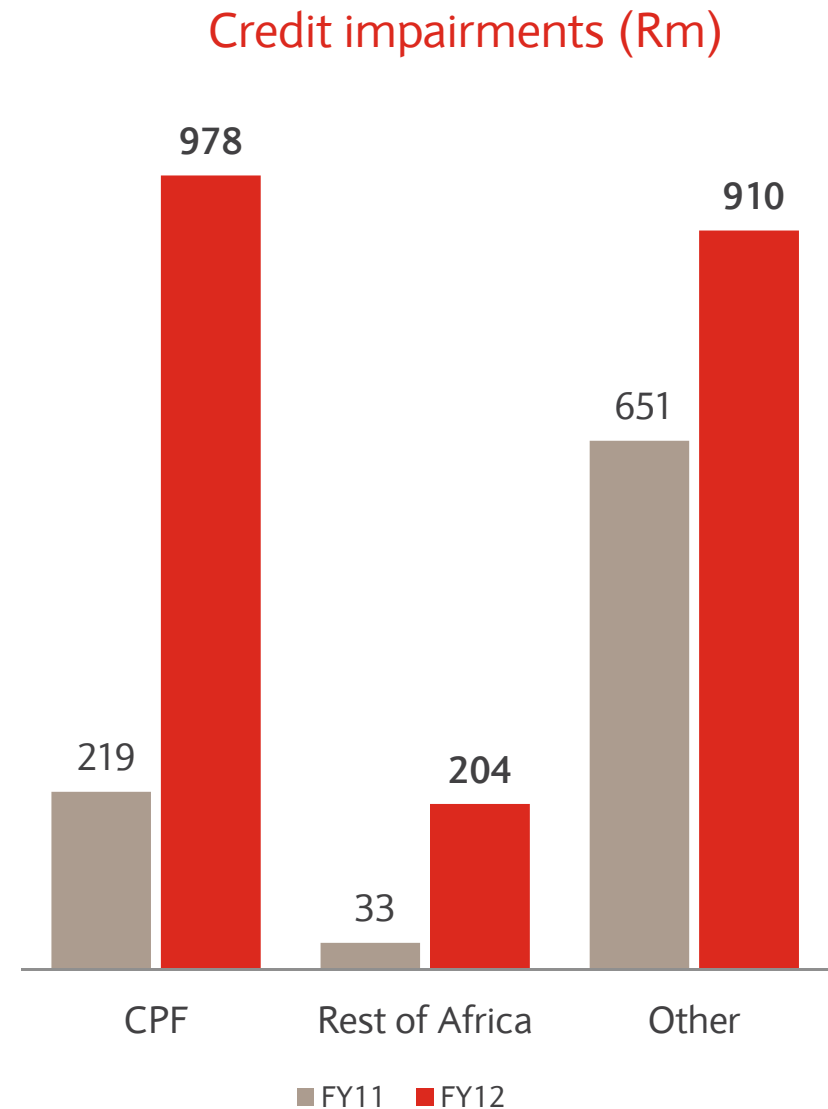


Mortgages NPL cover ratio (%)



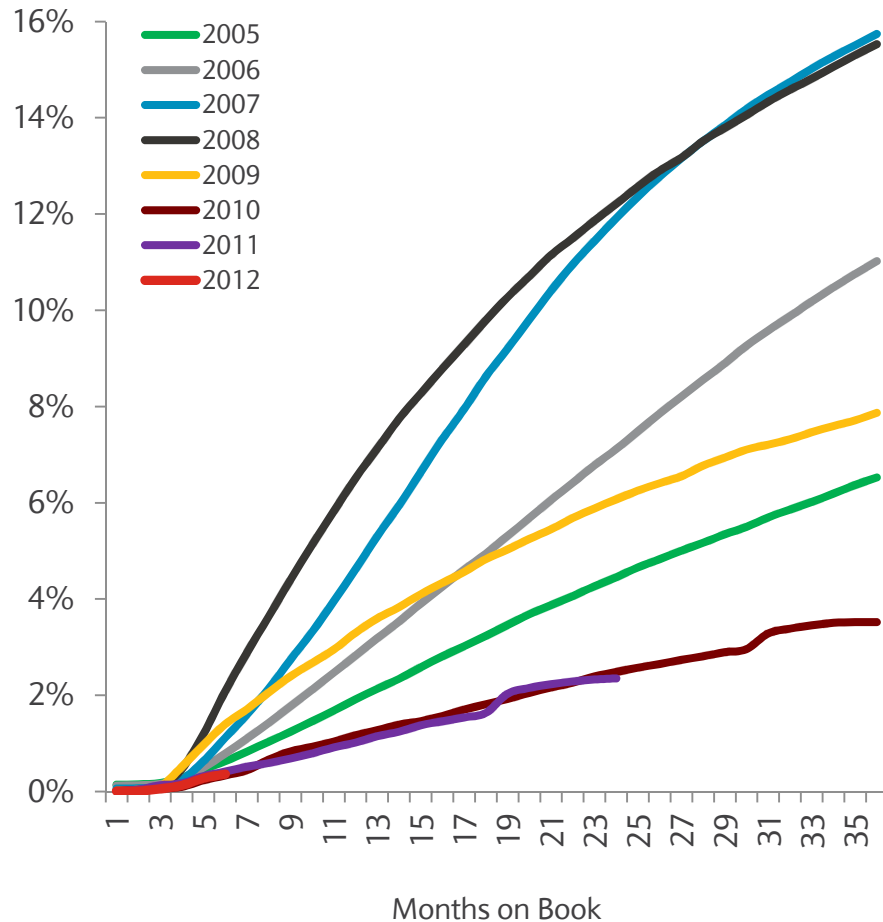
...and Business Markets charge

- Large single name CPF exposure
- More rigorous approach to managing distressed assets
- Increased commercial voluntary liquidations
- Improved NPL cover

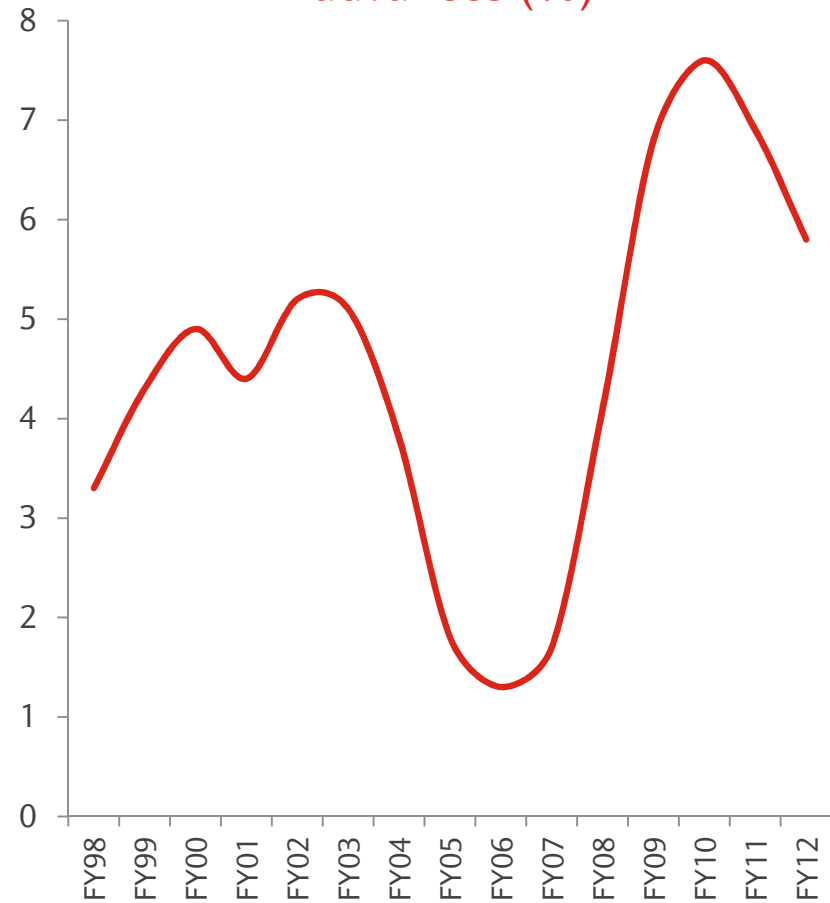


Lower inflows improve non-performing loans

Mortgages becoming NPL or written off (by year originated)



Group NPLs as a percent of loans and advances (%)

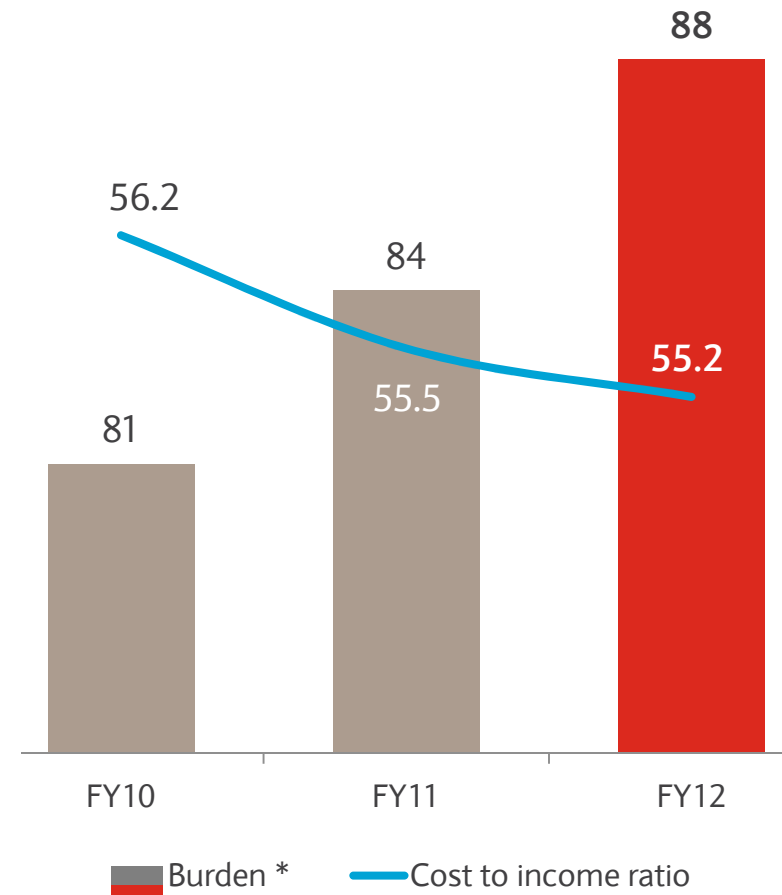


Note: March year end until 2005

Sustainable cost containment

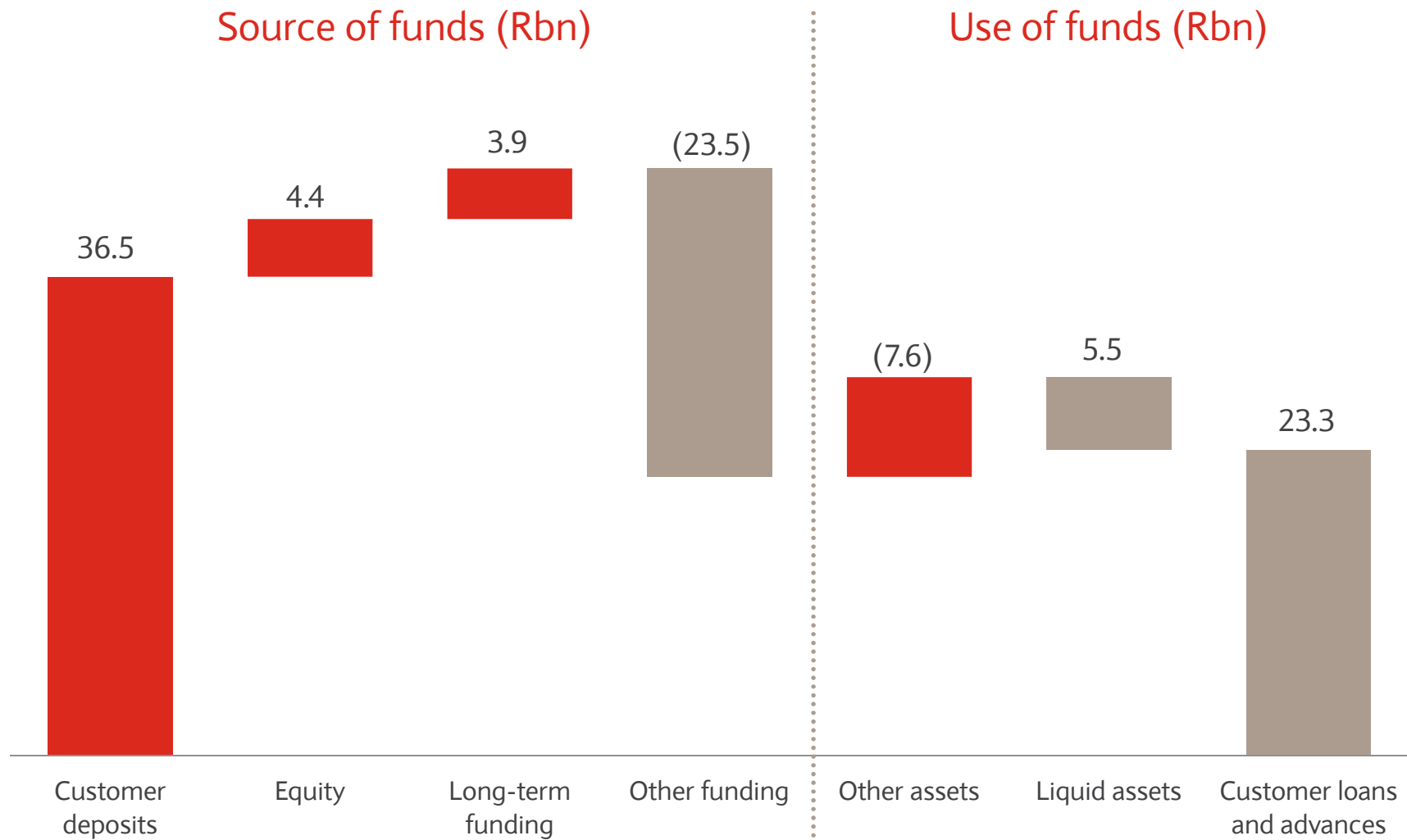
	FY12 Rm	Change %	Mix %
Staff costs	13 078	(4)	51
Accommodation, property and equipment- related	4 725	20	18
Information technology	2 134	(5)	8
Communication	1 014	(4)	4
Marketing	1 024	(1)	4
Professional fees	862	(20)	3
Other	3 039	24	12
Total	25 874	2	

Cost to income and burden (%)



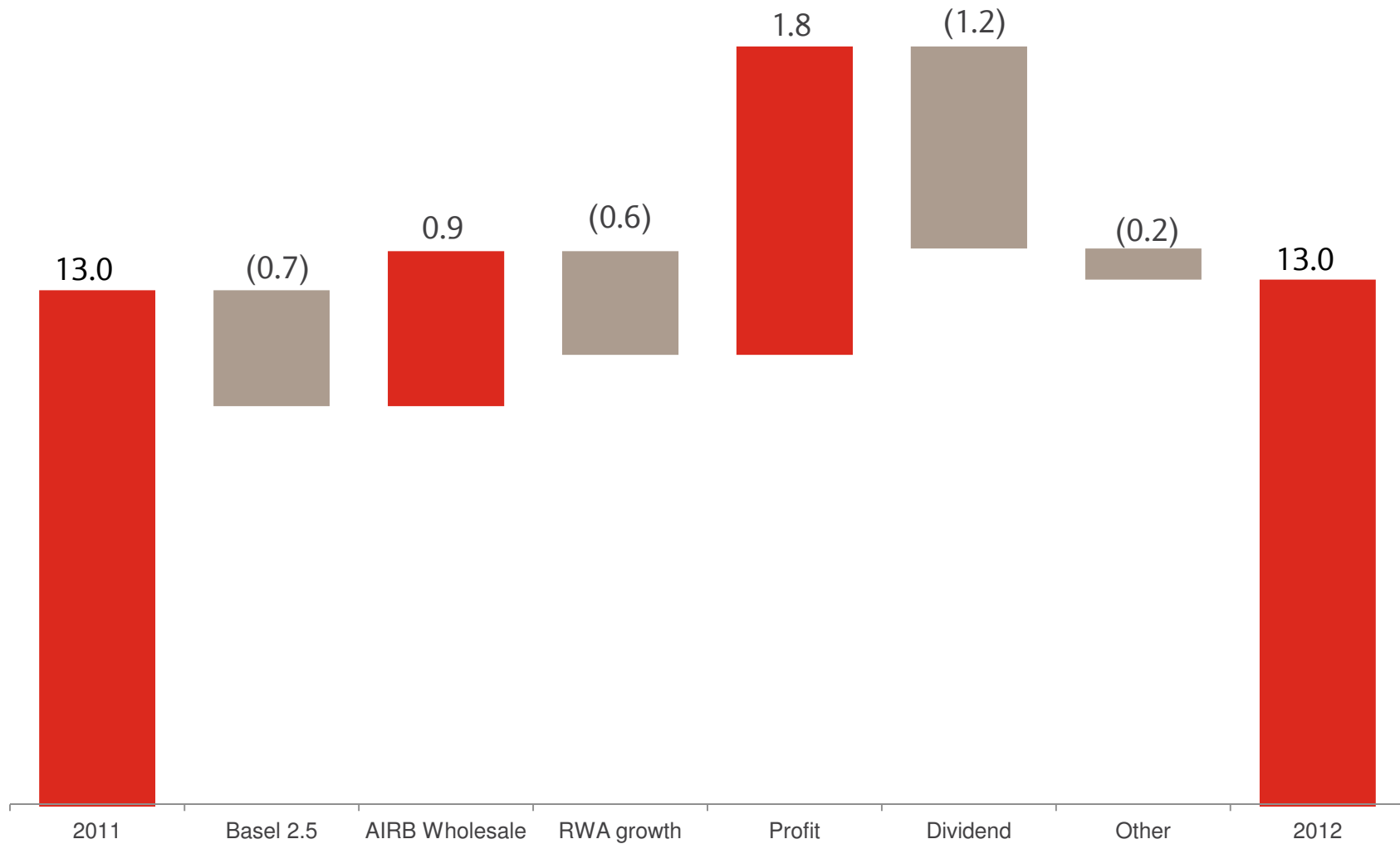
Note: * Burden is non-interest revenue/operating expenses

Strengthened our balance sheet

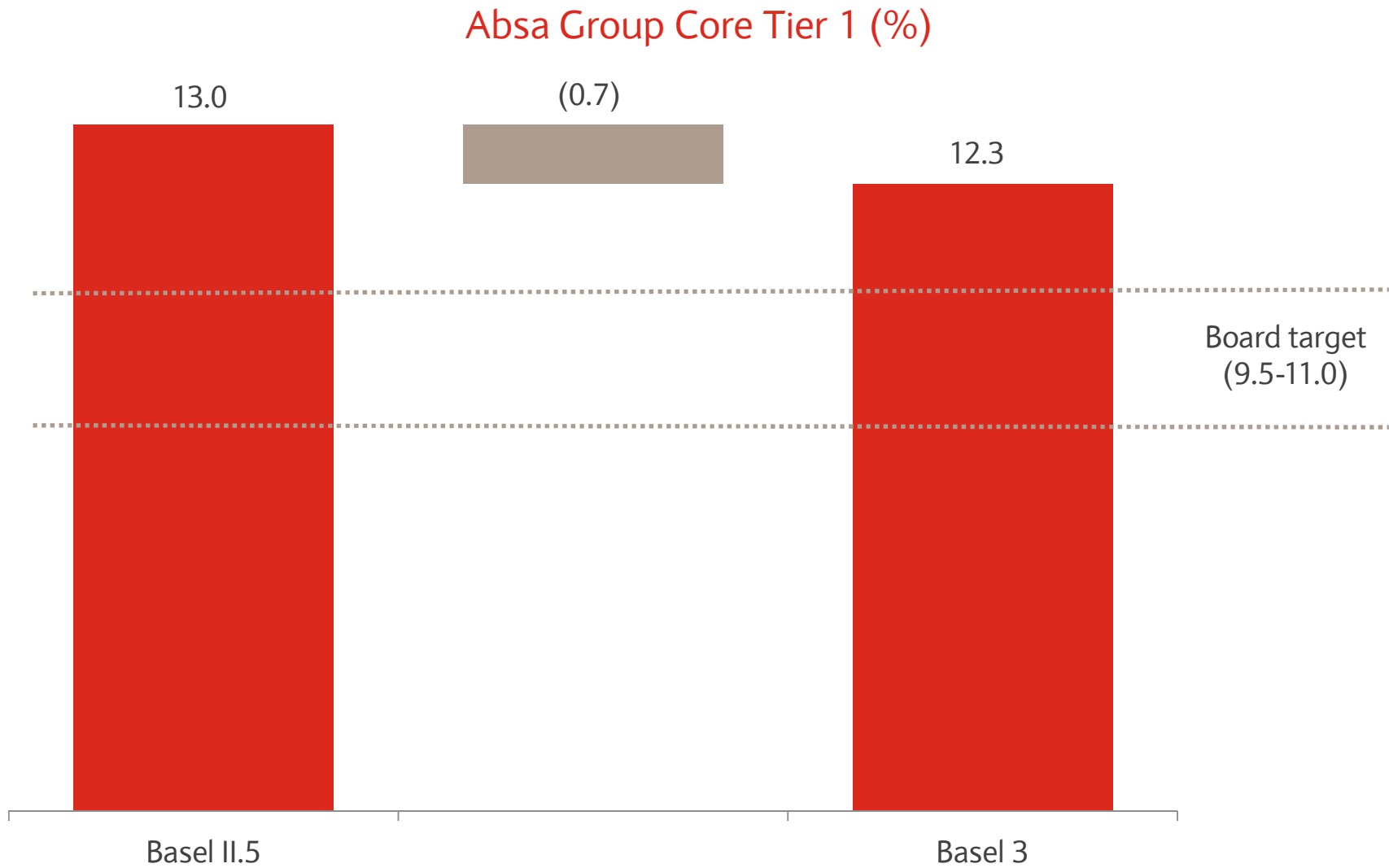


Maintained strong capital ratios

Group Core Tier 1 ratio (%)



Limited Basel 3 capital impact

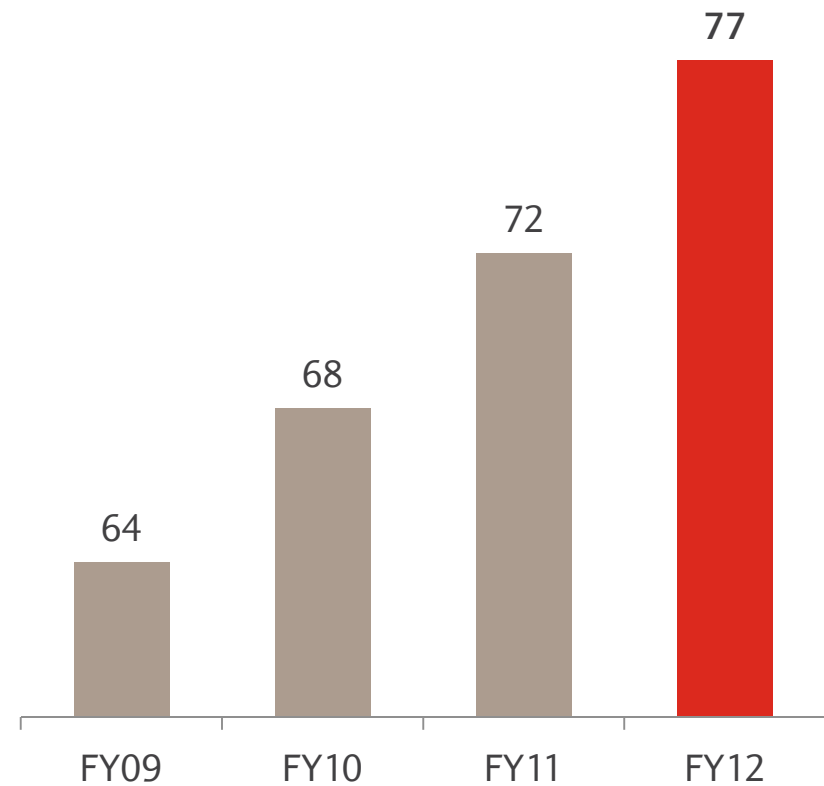


Solid deposit growth

	FY12 Rbn	Change %	Mix %
Cheque accounts	144	7	30
Savings and transmission and investment products	77	4	16
Fixed deposits	126	1	26
Call deposits	57	2	12
Other	73	43	15
Total	477	8	

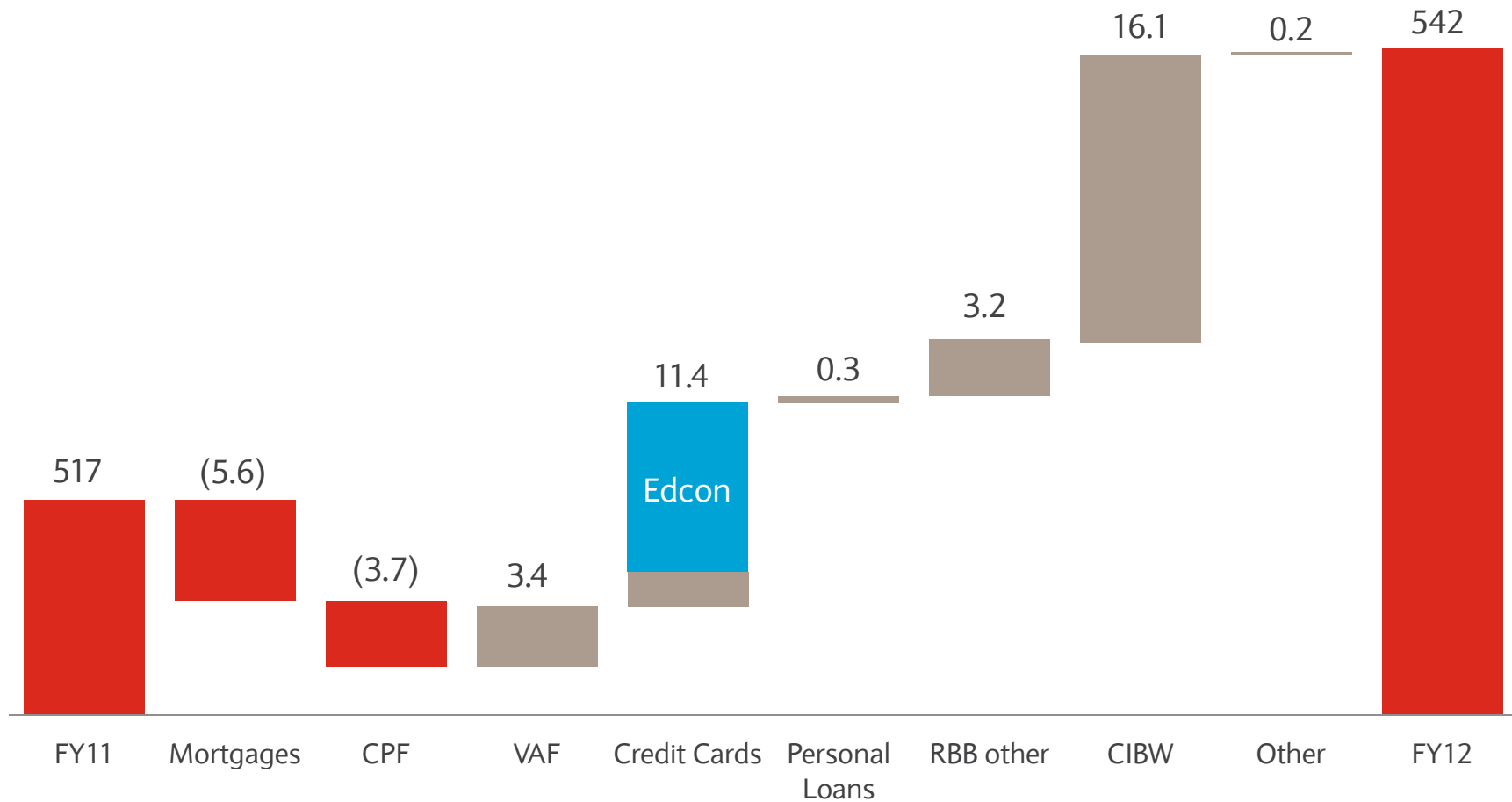
Improving funding mix

Deposits/total funding (%)



Lower property loans a drag

Change in gross customer loans (Rbn)



Substantial scope to improve returns

RoE decomposition (%)

	FY07	FY08	FY09	FY10	FY11	FY12
Revenue to average RWAs	10.2	11.1	11.0	10.6	10.8	10.9
Cost to income ratio	51.7	49.2	49.6	56.2	55.5	55.2
Credit losses to revenue	6.7	13.6	21.3	14.0	11.1	17.7
Operating margin	26.1	23.1	18.1	18.8	21.2	18.8
RoRWA*	2.7	2.6	2.0	2.0	2.3	2.0
Financial leverage	10.2	9.1	7.8	7.6	7.1	6.7
RoE	27.2	23.4	15.5	15.1	16.4	13.6

Note: * Simple average



RoRWA sensitive to credit losses ratio (%)



Note: March year end until FY05

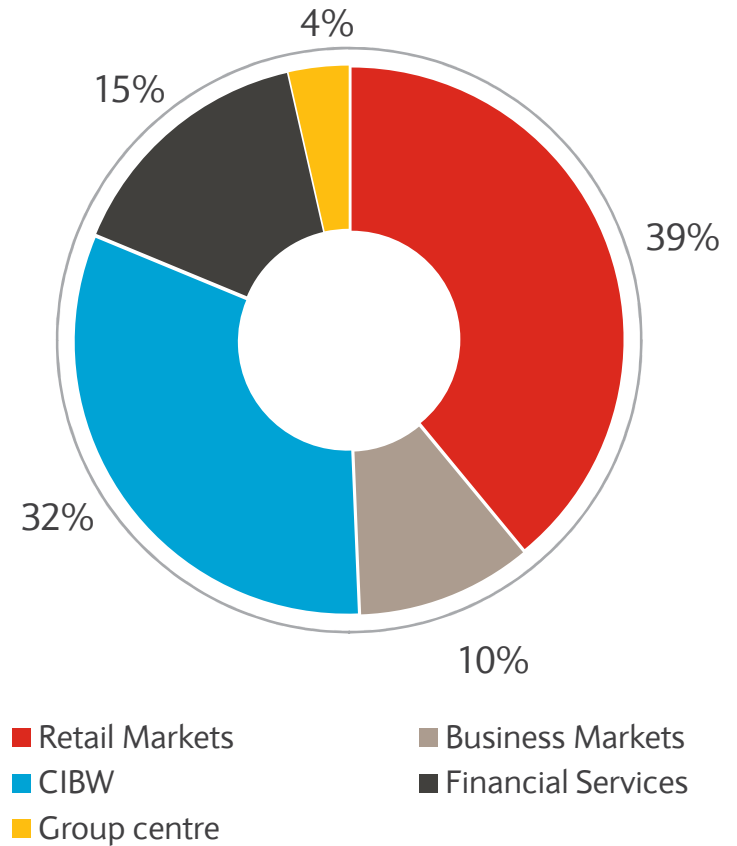


Diversified earnings by business...

Headline earnings

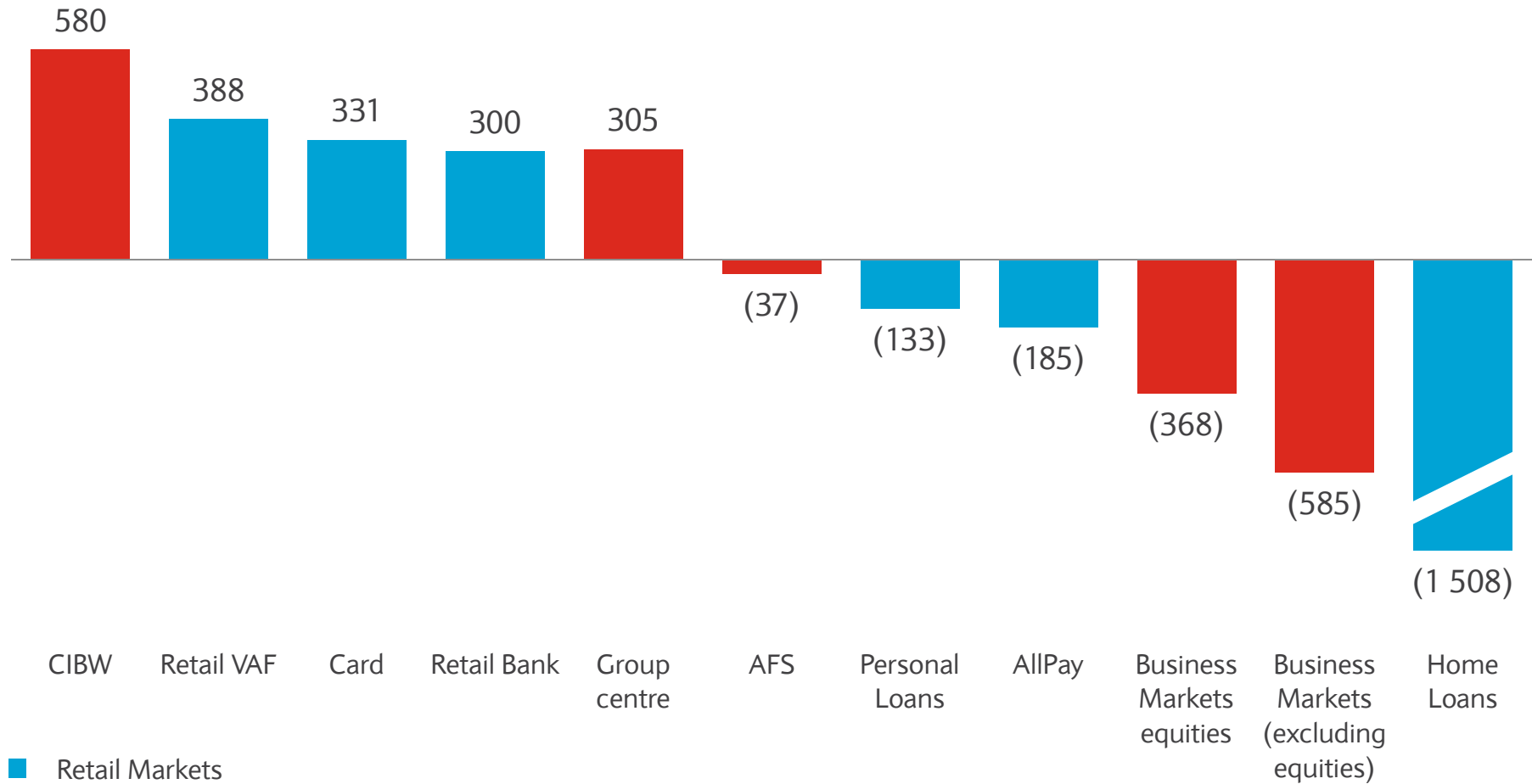
	FY12 Rm	FY11 Rm	Change %
Retail & Business Banking	4 346	6 106	(29)
→ Retail Markets	3 436	4 243	(19)
→ Business Markets	910	1 863	(51)
CIBW	2 810	2 230	26
Financial Services	1 338	1 375	(3)
Group centre	313	8	>100
Total	8 807	9 719	(9)

FY12 headline earnings mix



...and within business units

FY12 change in headline earnings (Rm)



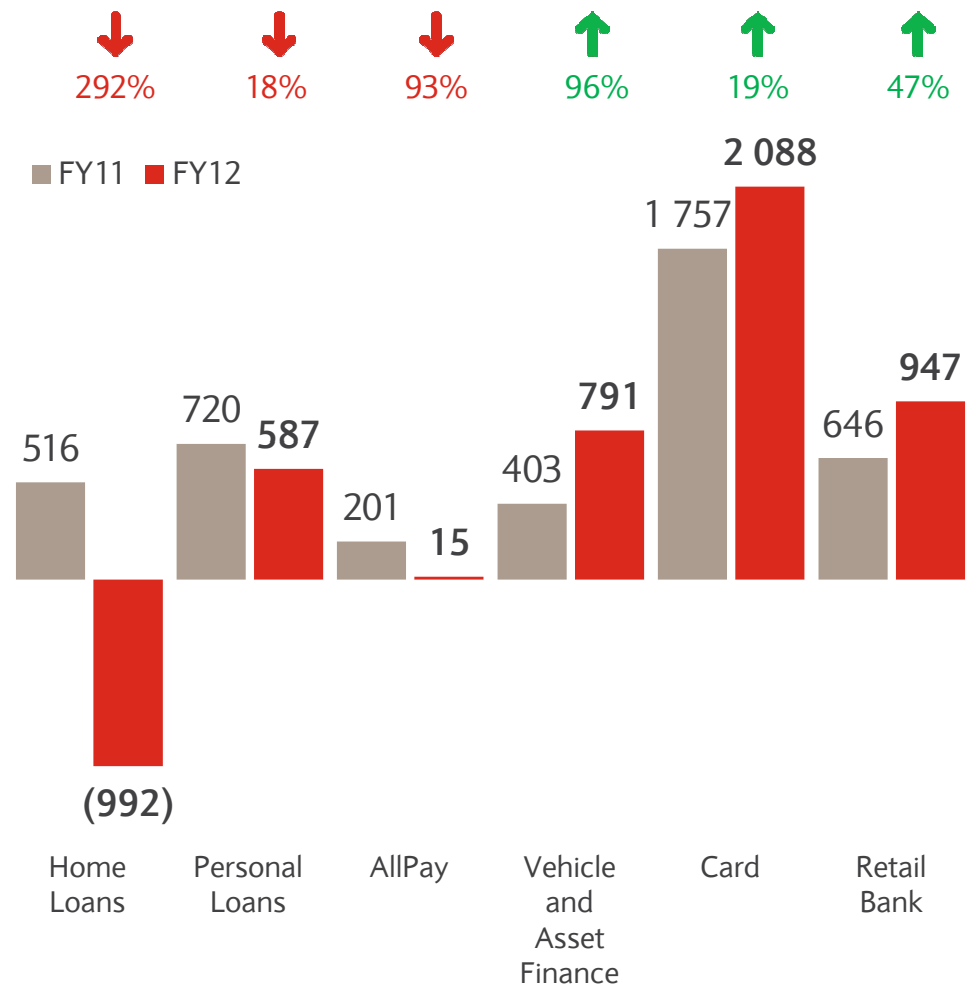
Retail Markets



Diversified portfolio

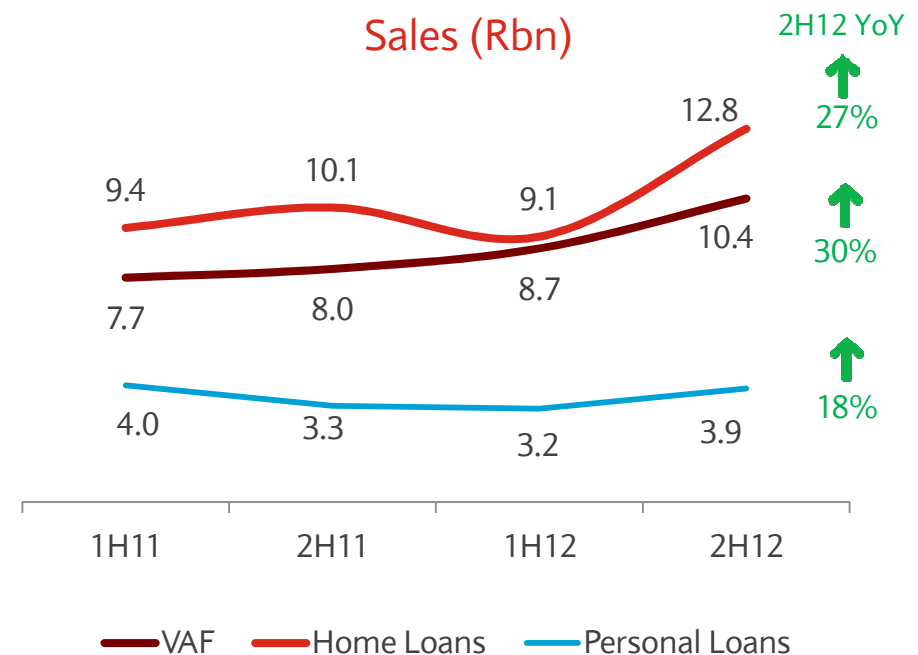
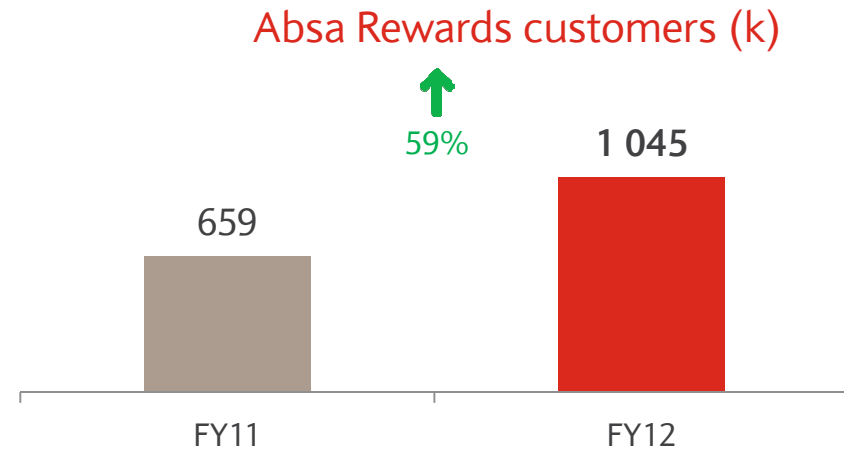
- Pressure on revenues
- Disciplined cost control produced positive JAWS
- Material Home Loans credit impairments
- Selective Personal Loans growth
- Strong Retail Bank, Card and VAF performance

Headline earnings (Rm)



Increased customer focus delivering results

- Primary bank leader
- Leader for individual deposits
- Focus on service, access and value
- Strong innovation delivery
- Strategic partnerships with retailers
- Improving new business

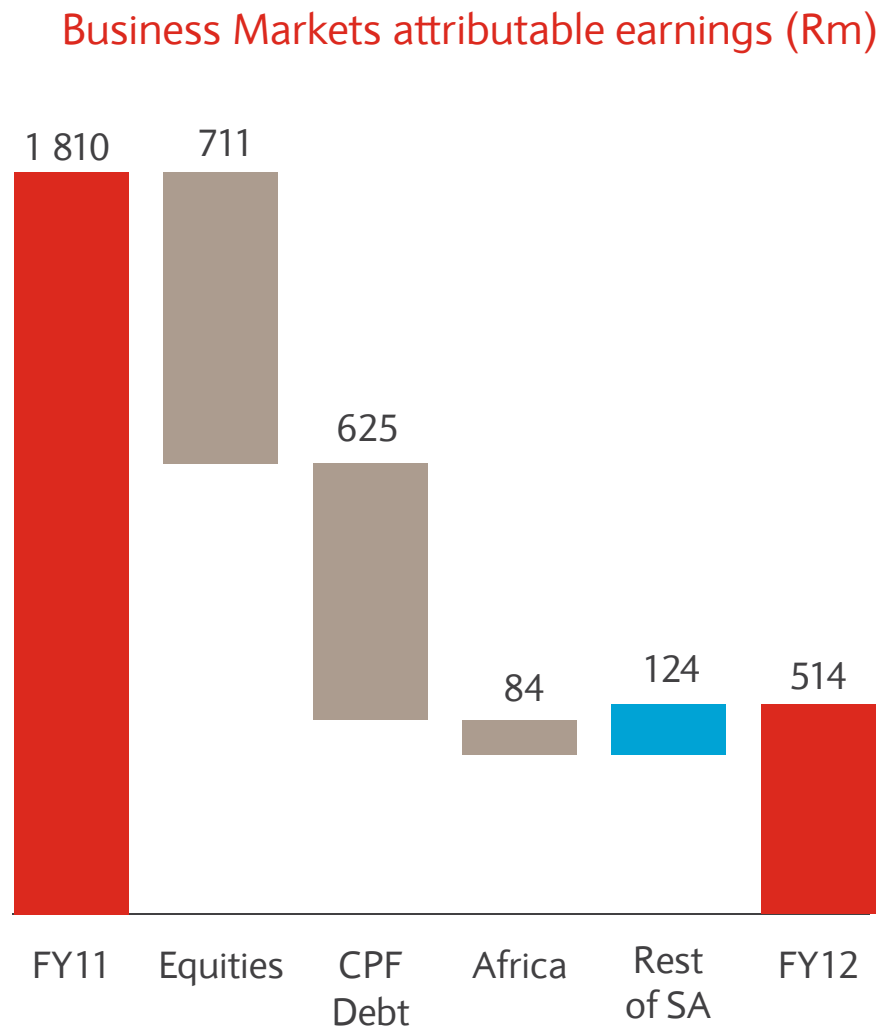


Business Markets



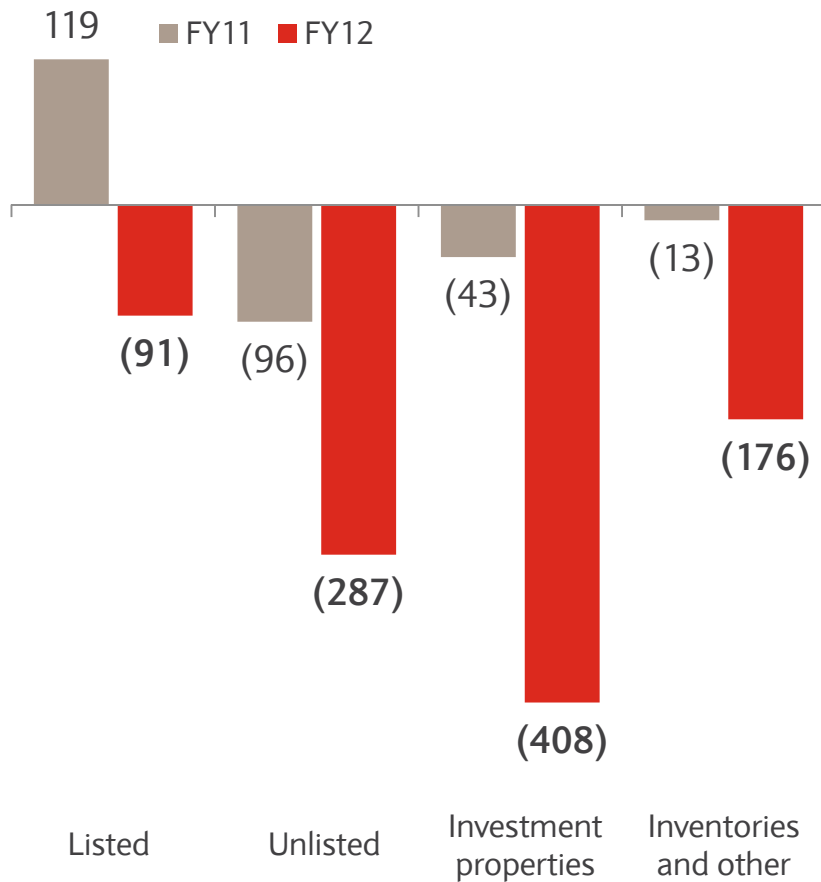
Equities losses and impairments drove fall

- Weak performance from equity portfolio
- CPF earnings significantly lower
- Rest of Africa losses
- Solid growth in rest of SA business

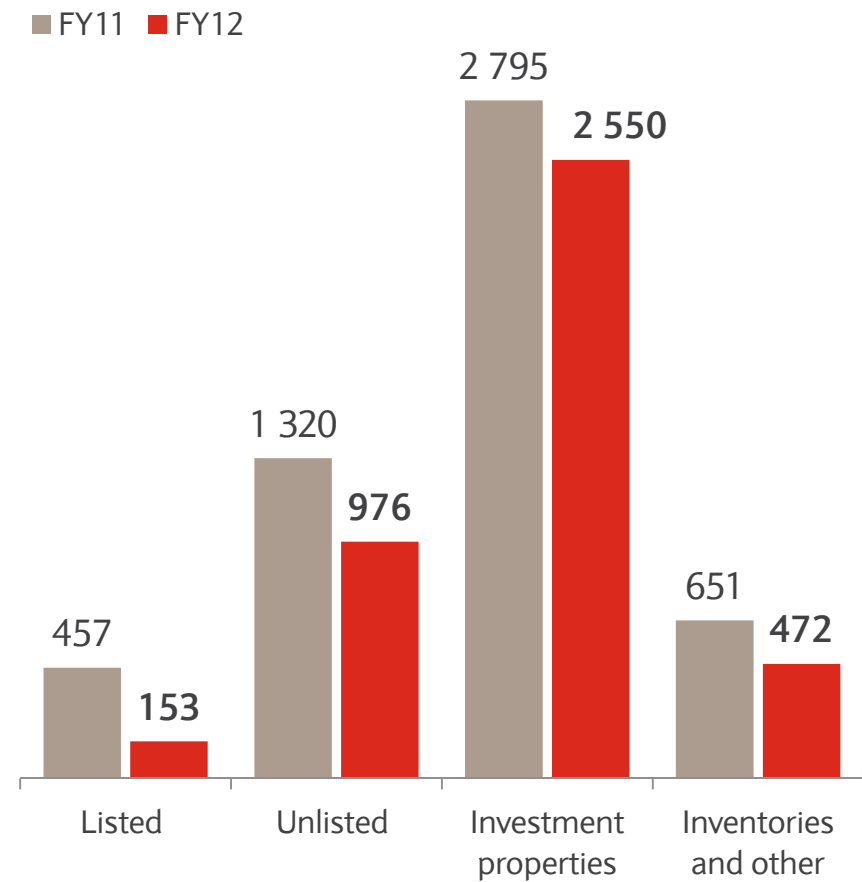


Reducing our equity portfolio

Equity portfolio fair value movement (Rm)

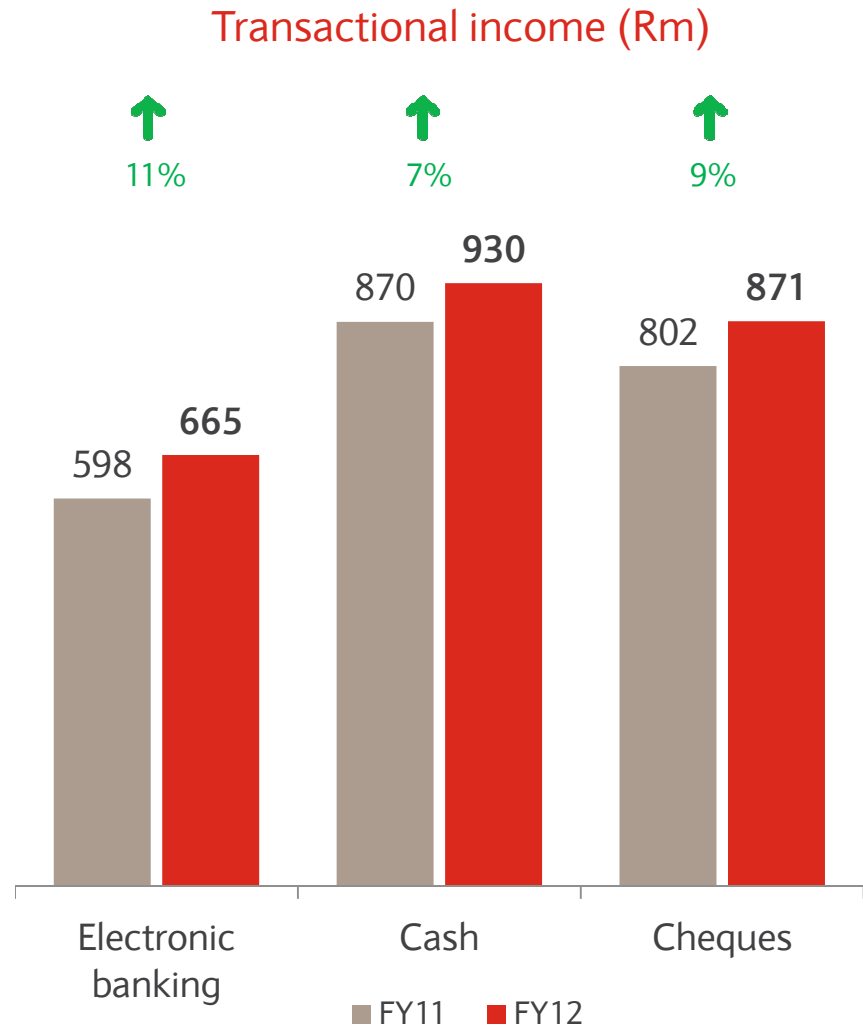


Equity portfolio value (Rm)



Focus on transactional income

- Electronic utilisation by primary customers
- Market leading end-to-end cash solutions
- Sustained cheque fee income despite a reduction in volumes

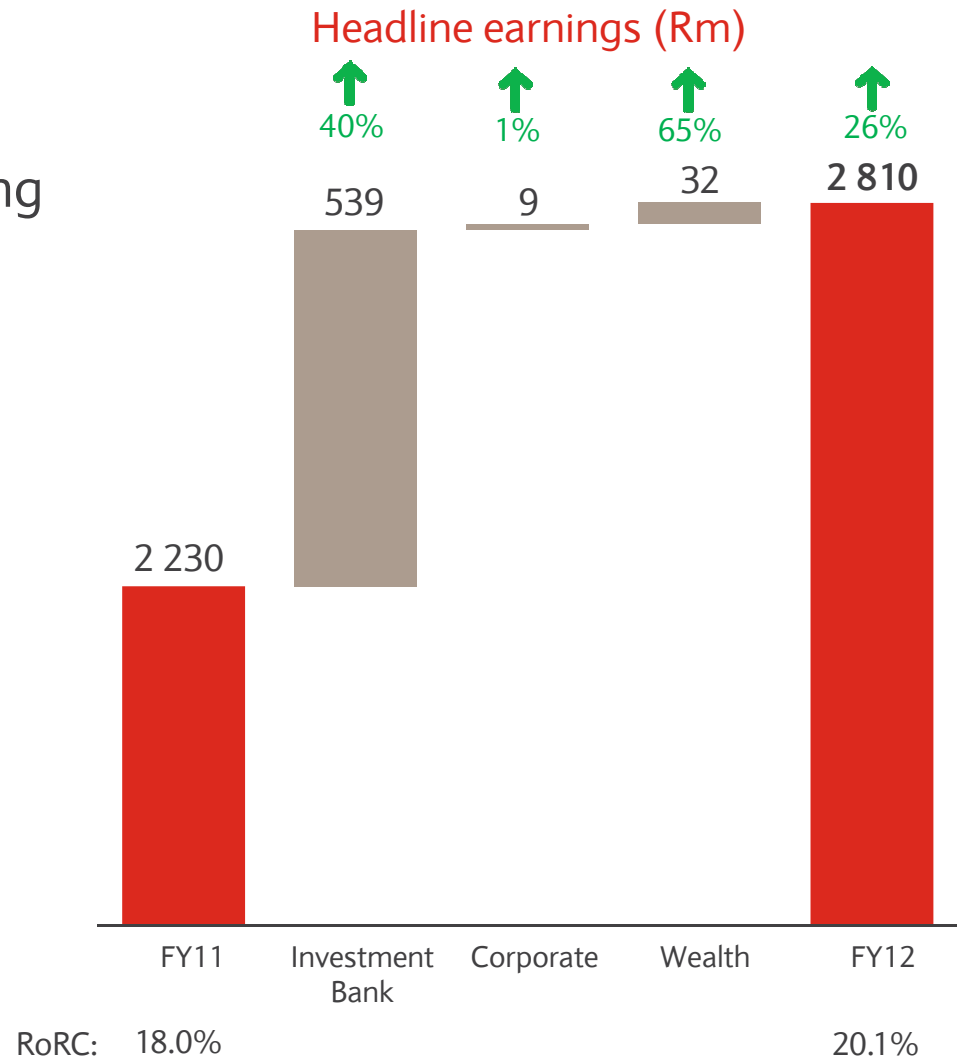


Corporate, Investment Banking and Wealth



Strong performance from integrated CIBW

- Robust revenue growth
- Strong Investment Bank showing in target markets
- Returns improved despite Basel changes
- Corporate fully integrated



Broad-based investment banking growth

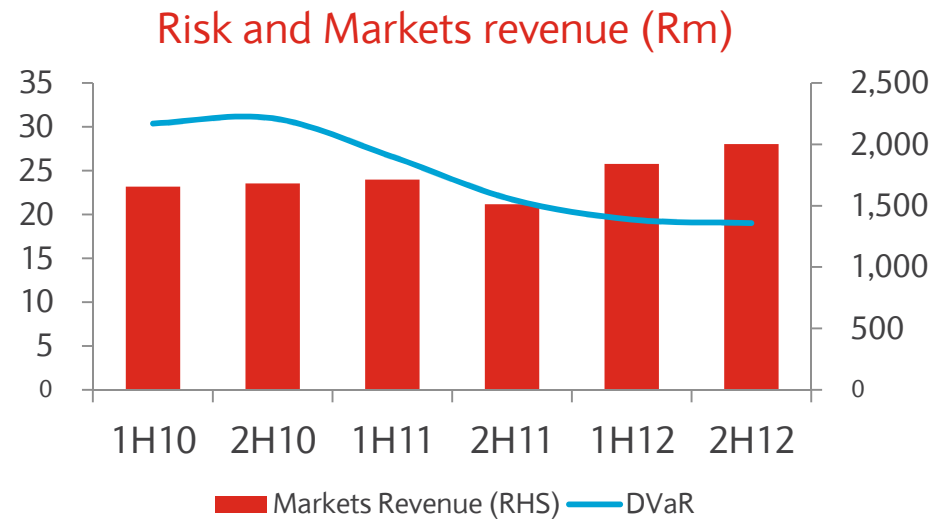
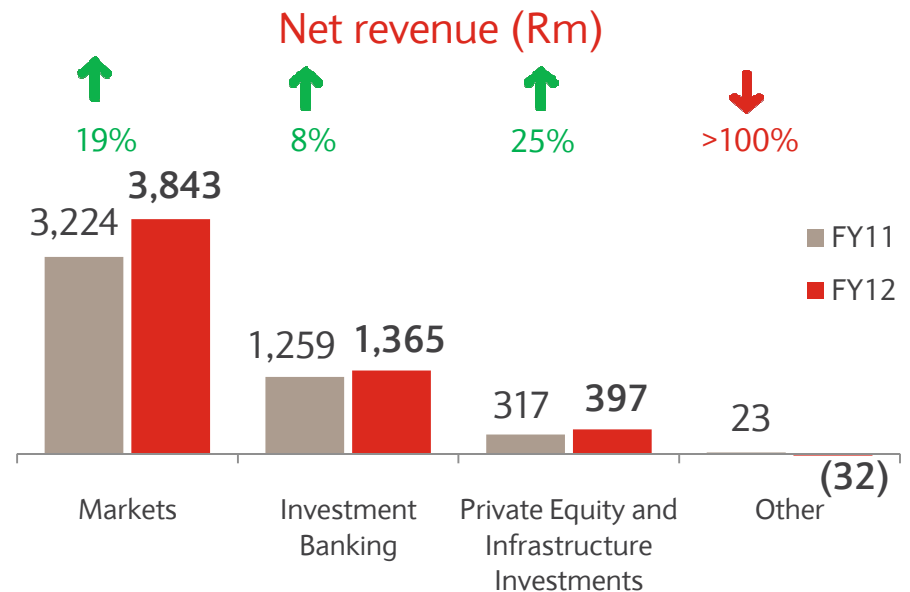
→ Markets grew without increasing market risk

- Client-driven focus
- Collaboration across business
- Africa opportunity

→ Investment banking gaining momentum

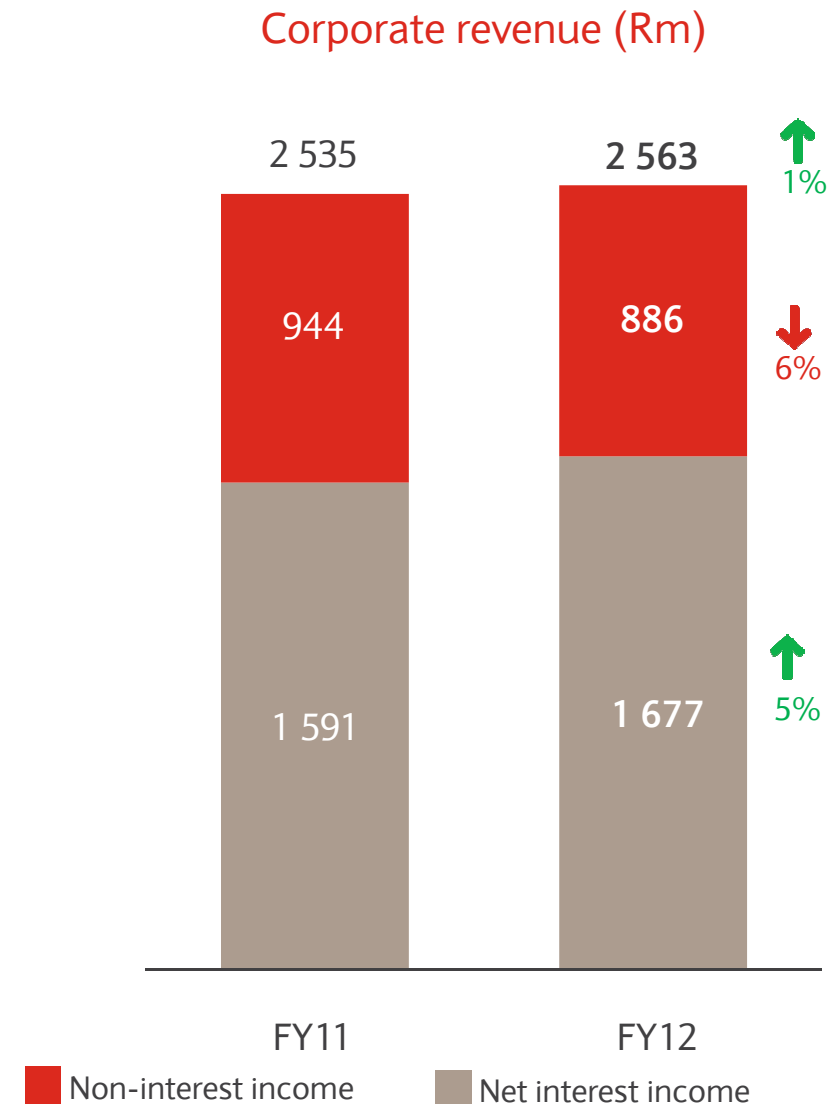
- Balance sheet growth in target sectors
- ECM and M&A gaining client traction

→ Modest Private Equity and Infrastructure Investments returns

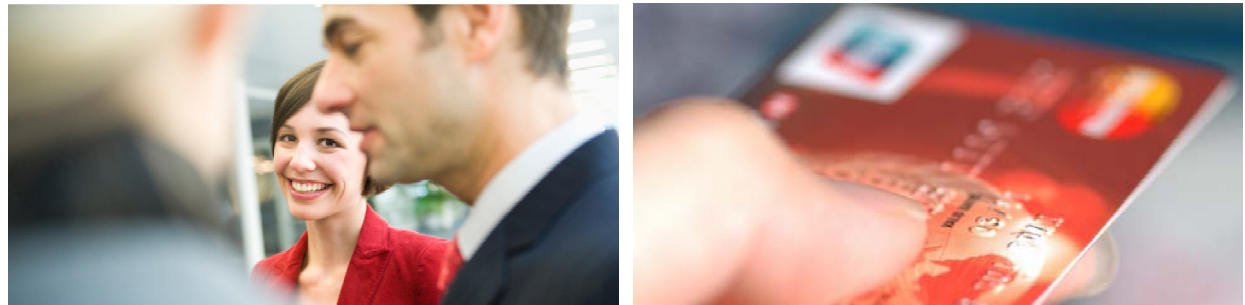


Corporate a medium-term opportunity

- Key products and channels performing in line with expectations
- Total Corporate client revenue across the group up 14%
- Material investment in platforms provides unique customer proposition



Absa Financial Services



Claims and reserves reduce earnings

→ Results impacted by:

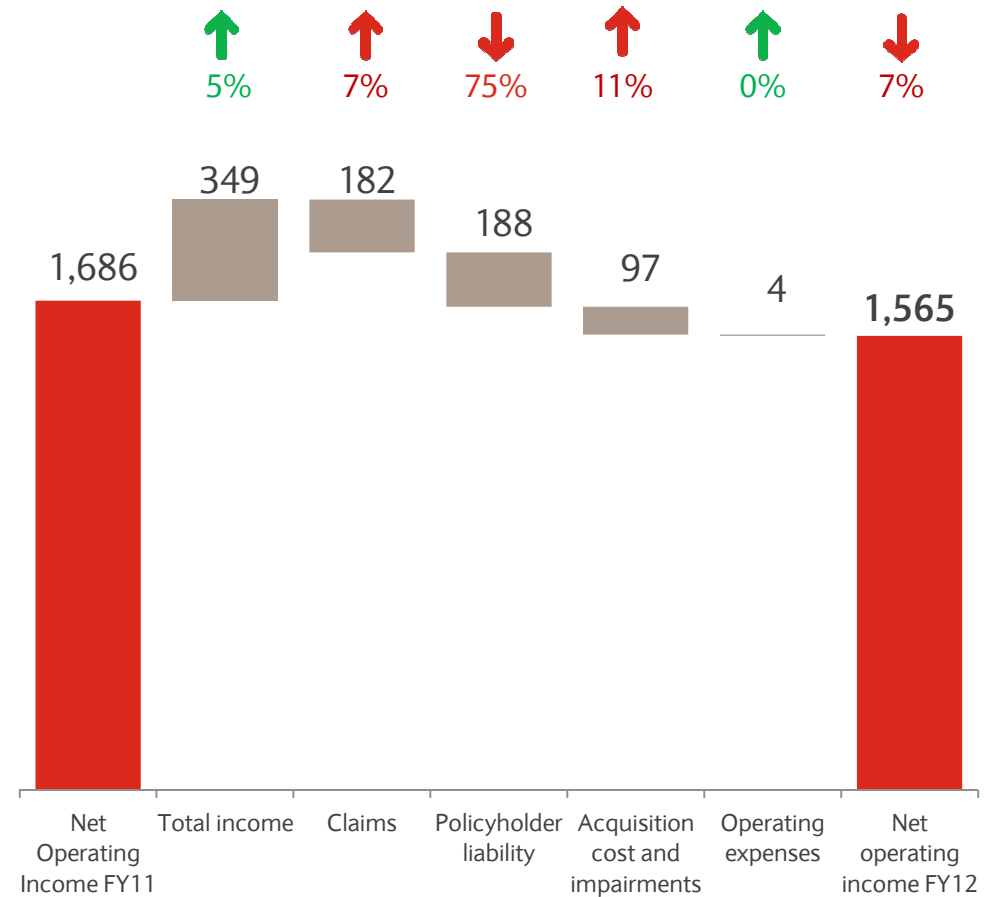
- De-risking shareholder investments
- Strengthening Life reserves
- 4Q Claims experience
- Improved cost efficiency

→ Good 2H sales momentum

→ Africa contribution rising

→ New distribution model

Operating results (Rm)



Strong 2H new business

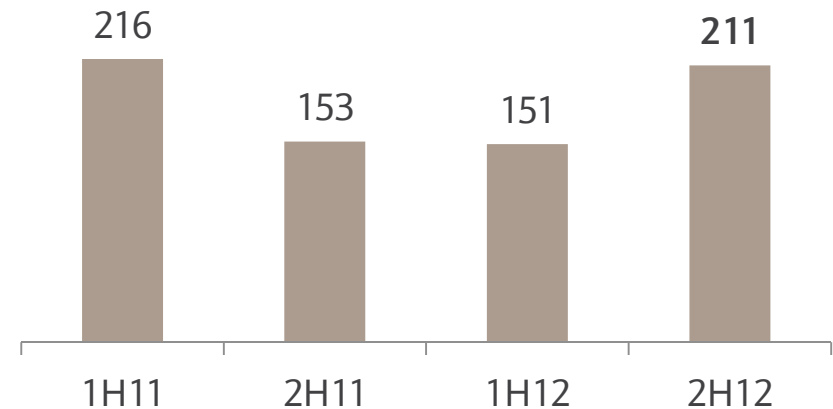
Life insurance

- Significant uplift in new policies sold
- Rest of Africa contributing to growth
- Assumptions and experience variance

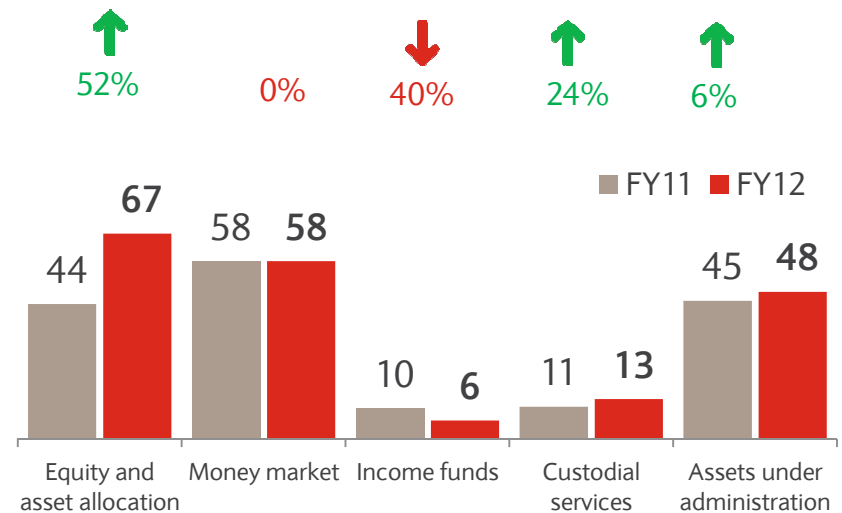
Investments

- AUM R192bn, up 14%
- New institutional mandates of R7bn
- Closing non-core solutions

Embedded value of new business (Rm)

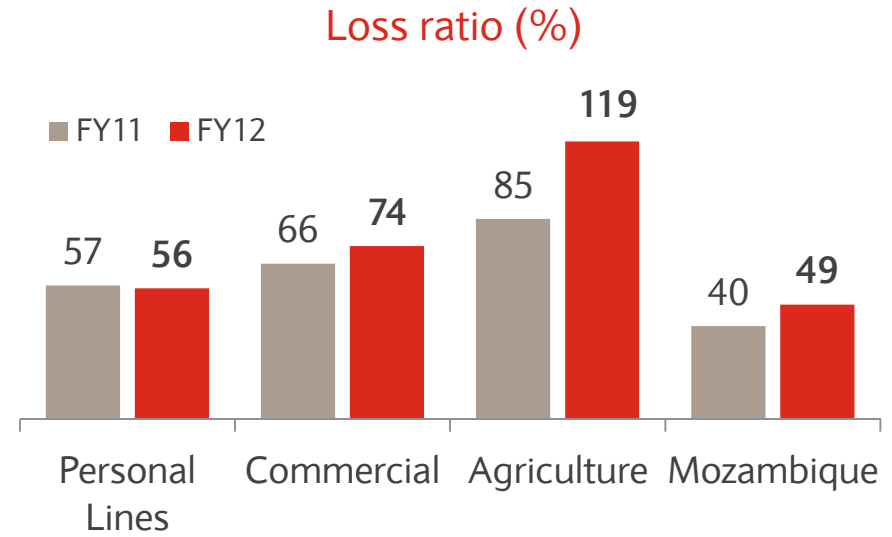


Assets under management (Rbn)

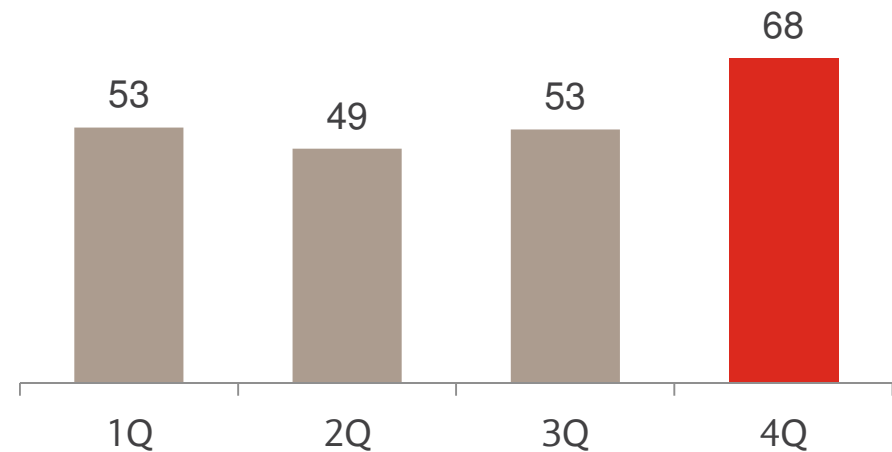


Tough year for short term insurance industry

- SA underwriting margin 4.3% (2011: 6.4%)
- Significant 4Q claims impacted personal lines and HOC
- Agri and Commercial underwriting results deteriorate
- SA costs declined 1%
- Exiting non-core lines impacted top-line growth



SA Personal lines/HOC* loss ratio 2012 (%)



Note: * Homeowners' Comprehensive Insurance



Closing remarks

Maria Ramos



Becoming Africa's Go-To bank

→ Part of a leading global bank

- Significant benefits

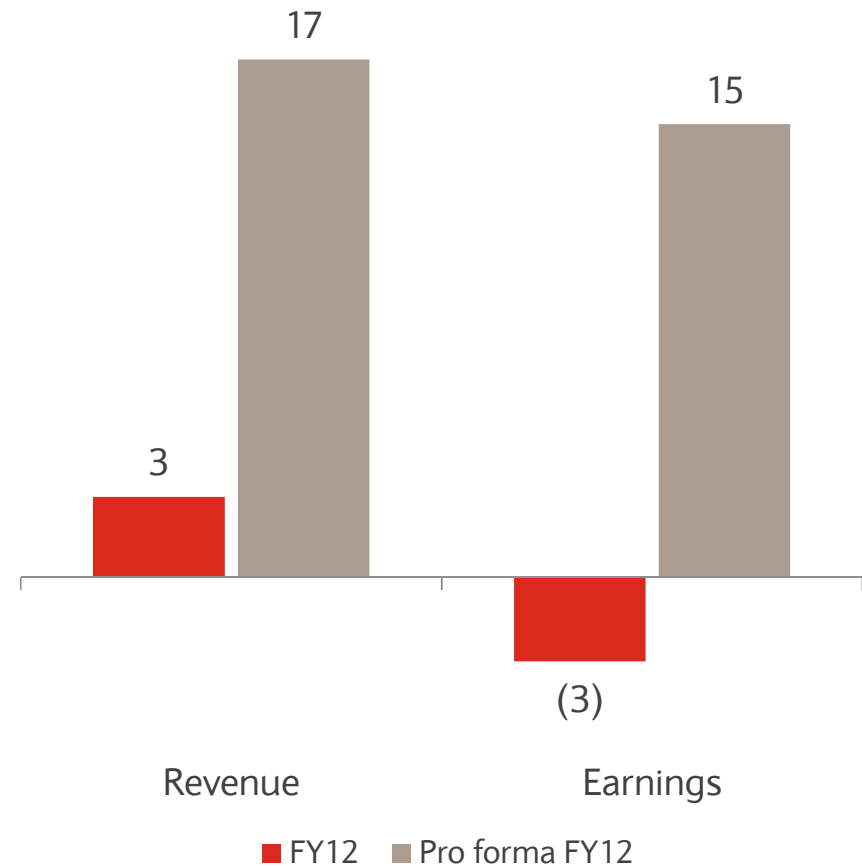
→ Sustainable returns

- Helping people achieve their ambitions – in the right way
- Driven by our values

Transformational deal

- Accelerate One Africa strategy
- Single legal entity
- Leading listed Pan African bank
- Earnings enhancing
- Access to growth across Africa

Deal would increase our rest of Africa component materially (%)



Building business momentum

- Stronger revenue growth
- Positive JAWS
- Significantly reduced credit loss ratio
- Improving returns

Disclaimer

Forward-looking statements

Certain statements in this document are forward looking that relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Absa Group Limited (“Absa”). Words such as “anticipates”, “estimates”, “expects”, “projects”, “believes”, “intends”, “plans”, “may”, “will” and “should” and similar expressions are typically indicative of a forward-looking statement. These statements are not guarantees of Absa’s future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements. Absa makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Absa undertakes no obligation to update the historical information or forward-looking statements in this document.