

Absa
Group Limited
Interim financial results
For the six months ended 30 June 2010

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The six months under review

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Key macro factors impacting the results

Global macro factors

- Uneven global economic recovery
- Increased downside risk to global economic recovery
- Unfolding regulatory reform

Local macro factors

- Subdued economic upturn
- Real income growth
- Muted consumer and commercial sectors
- High unemployment and household debt levels

Positioned for sustainable growth

Implementing the “One Absa” strategy

Sustainable growth in targeted markets

Balance sheet optimisation and pro-active risk management



Simple, streamlined Group for customer delivery

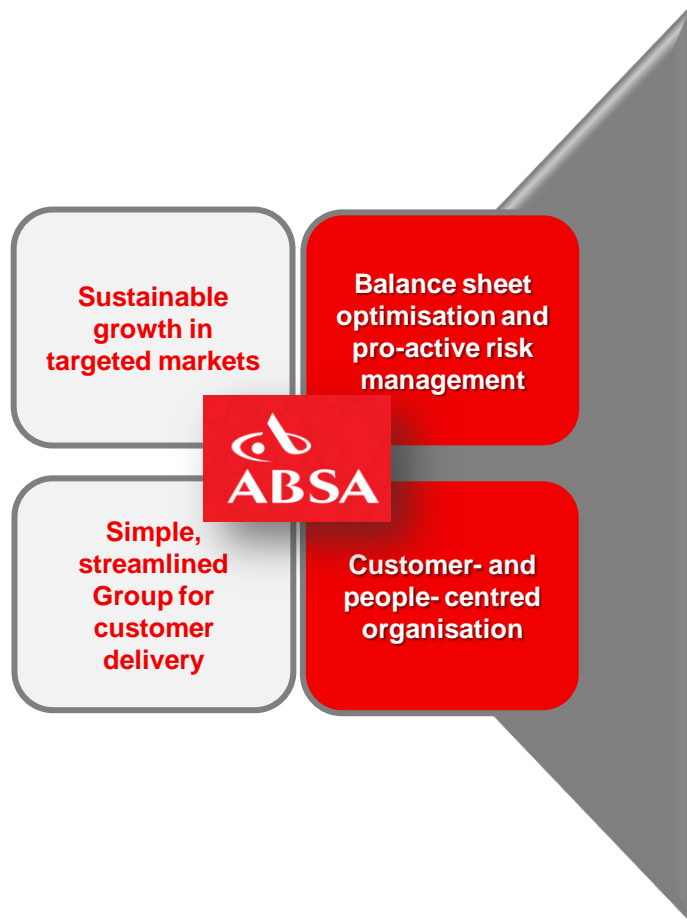
Customer- and people-centred organisation

Delivering to plan



- Corporate Bank co-coverage in place
- Double digit increase in Absa Business Bank's electronic and cash transactions
- Two million cellphone customers at June 2010
- Strengthened leadership position in agriculture sector
- Good growth in insurance business
- Solid revenue growth in Absa Capital
- Strong growth in African treasury earnings
- Approval to list in Tanzania and for Nigerian rep office; Namibian rep office established

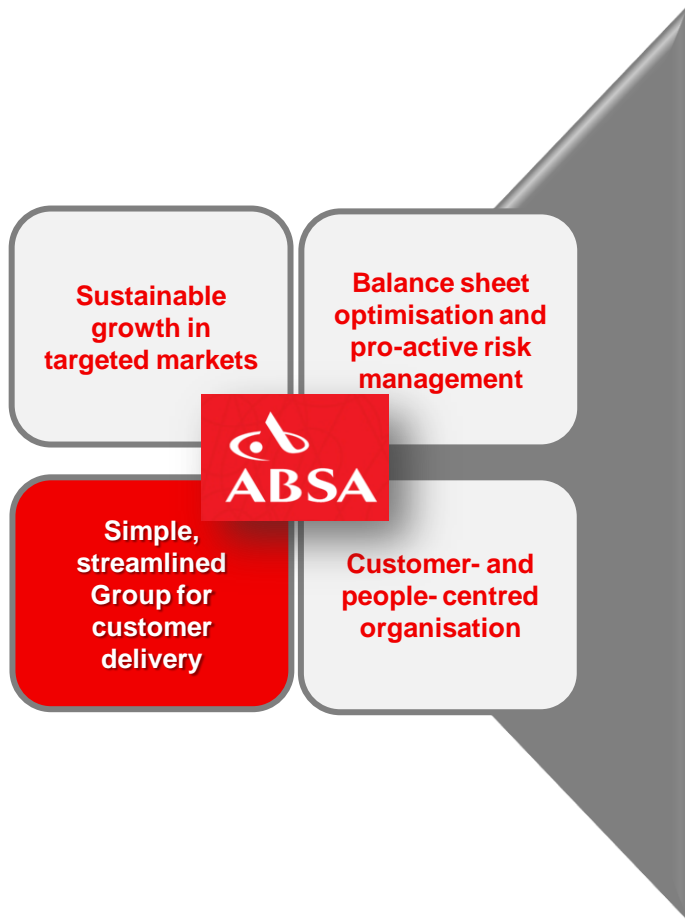
Delivering to plan



- Further improved long-term funding
- Core tier I ratio rose to 11.9%
- Enhanced retail collections strategy

- Innovative products launched, especially in Card and Digital
- Branch customer satisfaction levels rising
- Highest brand loyalty in financial services
- Senior positions filled

Delivering to plan



- Upgraded data centres and systems re-platforming
- Enhanced FX capability
- Re-designing customer processes on an end-to-end basis
- Rationalising property portfolio
- Reducing 3rd party sourcing costs

Sound financial performance

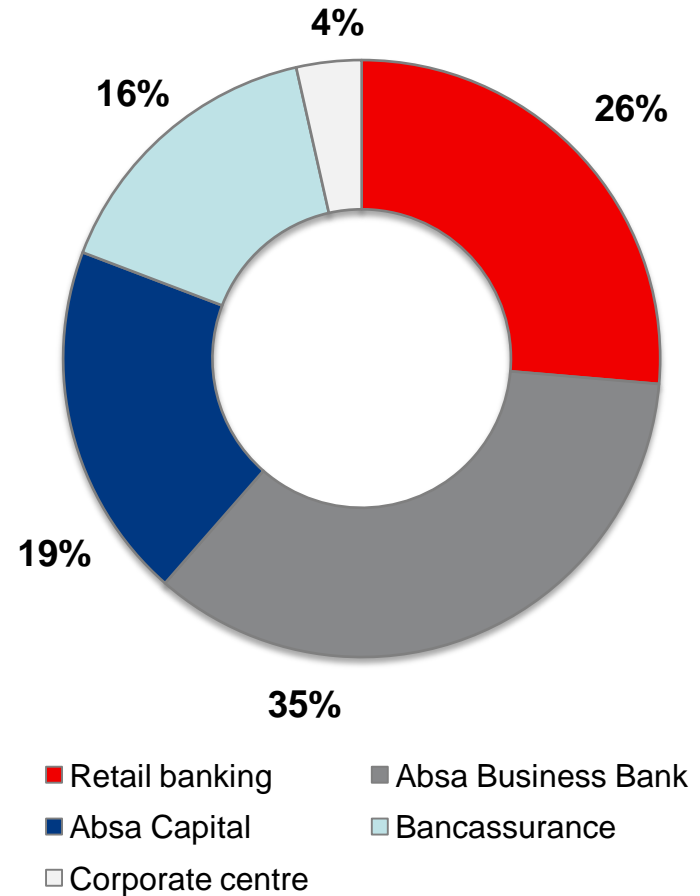
	Jun 2010	Change %	Jun 2009
Headline earnings (Rm)	3 862	↑ 1	3 826
Headline earnings per share (HEPS) (cents)	539.3	↓ 4	564.4
Diluted HEPS (cents)	535.9	↓ 3	550.5
Attributable earnings (Rm)	3 842	↑ 17	3 272
Dividends per ordinary share (cents)	225	→ 0	225
Net asset value per share (cents)	7 420	↑ 13	6 576
Return on average equity (%)	15.0		16.3
Credit impairment ratio (%)	1.50		1.86
Cost-to-income ratio (%)	53.6		46.6
Tier I capital adequacy ratio (%)	13.1		11.5

Diversified earnings mix

Headline earnings

	Jun 2010 Rm	Change %	Jun 2009 Rm
Retail banking	1 018	40	728
Absa Business Bank	1 355	(9)	1 481
Absa Capital	747	(19)	917
Bancassurance	606	(10)	672
Corporate centre	136	>100	28
Absa Group	3 862	1	3 826

Headline earnings mix – Jun 2010 (%)



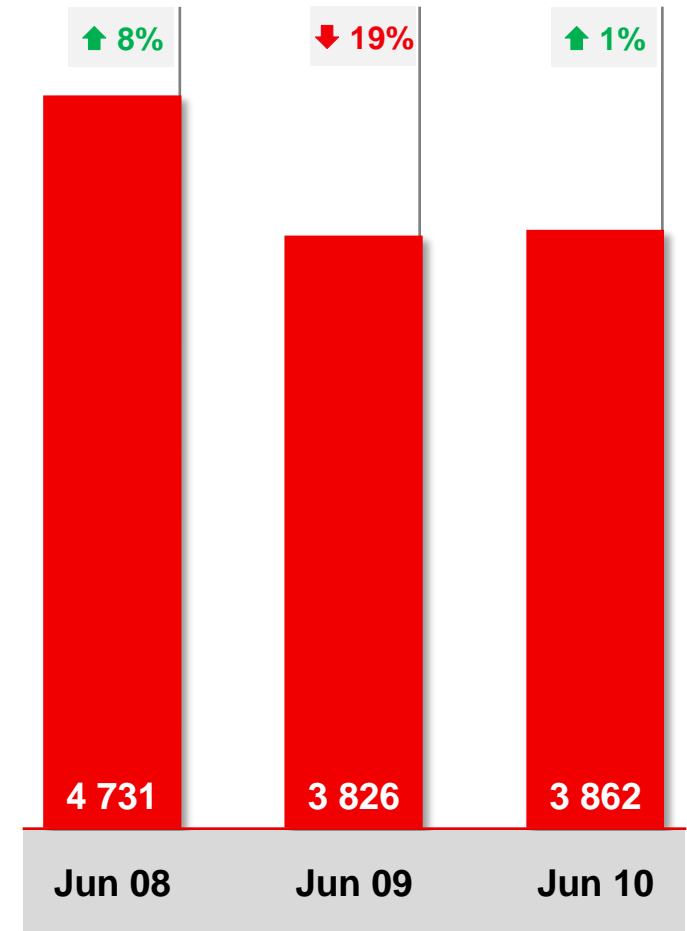
Financial overview

David Hodnett

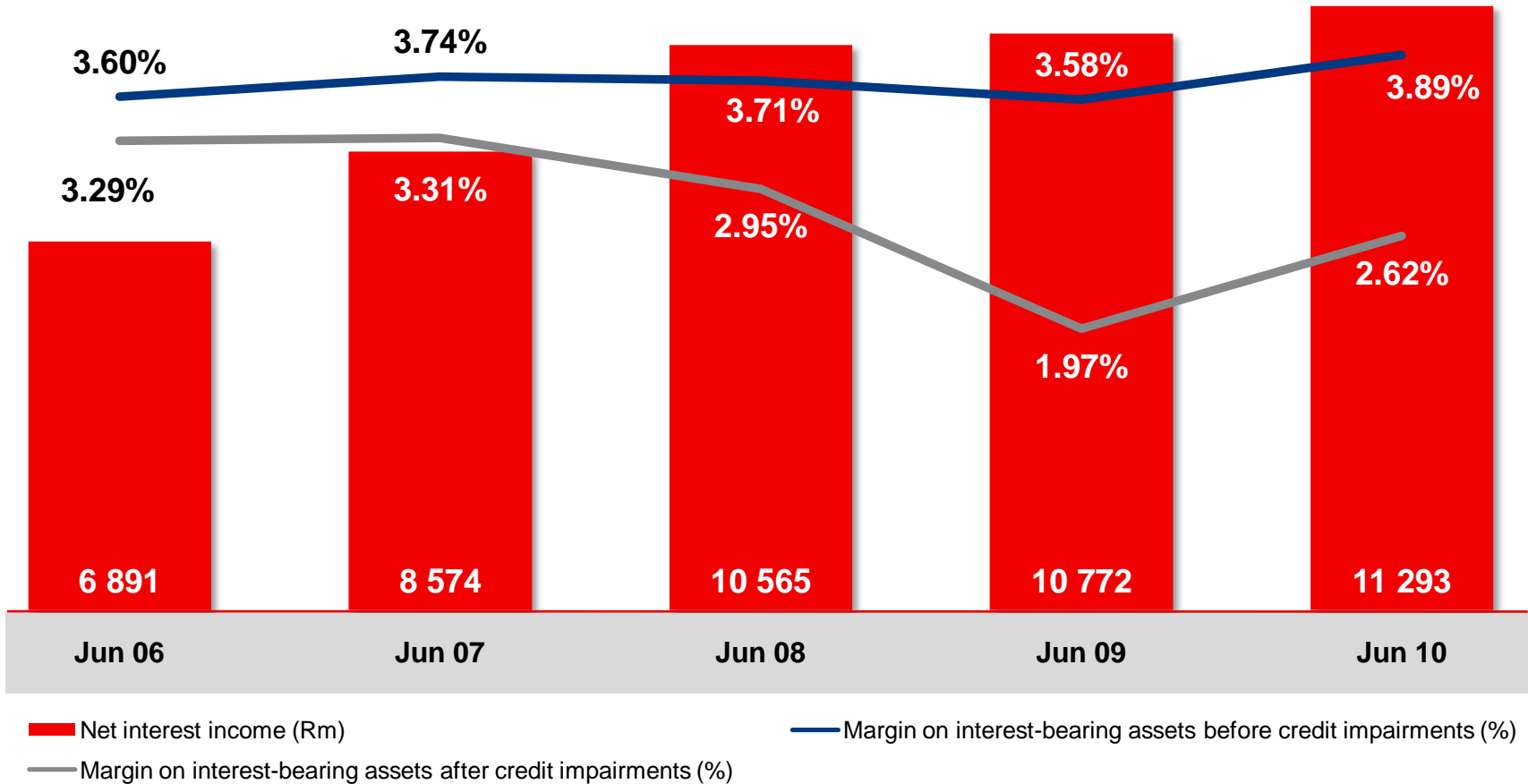
Positive earnings

	Jun 2010 Rm	Change %	Jun 2009 Rm
Net interest income	11 293	5	10 772
Non-interest income	9 713	(5)	10 209
Total income	21 006	0	20 981
Credit impairments	(3 704)	23	(4 834)
Operating expenditure	(11 264)	(15)	(9 782)
Other	(421)	74	(1 608)
Taxation	(1 506)	(32)	(1 138)
Attributable earnings	3 842	17	3 272
Headline earnings	3 862	1	3 826

Headline earnings (Rm)



Net interest income resilient

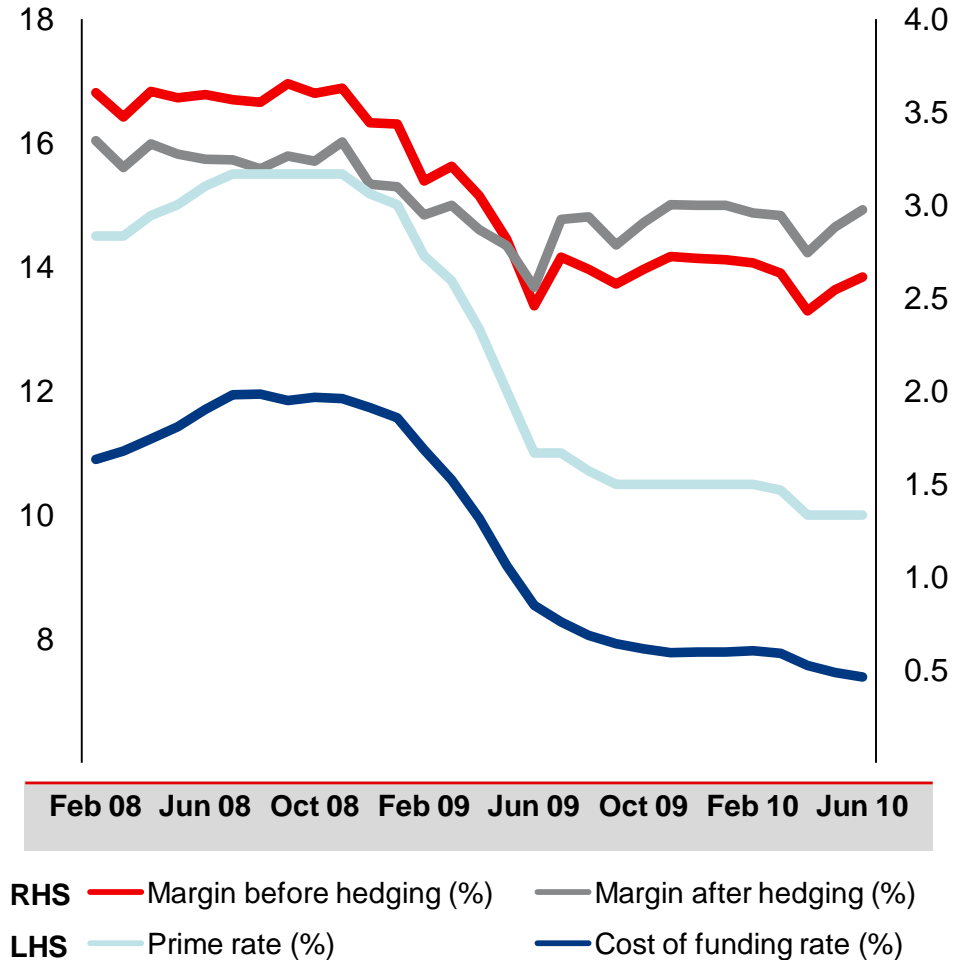


Note: Classification of interest-bearing assets has been restated.

Improved net interest margin

	YoY Δ bps
Advances	15
• Change in client rates	13
• Change in composition	2
Deposits	(17)
• Client pricing/endowment	(27)
• Change in composition	10
Capital	(11)
Interest rate management	36
Other	8
Change in margin on interest-bearing assets	31

Hedging impact on margin (%)

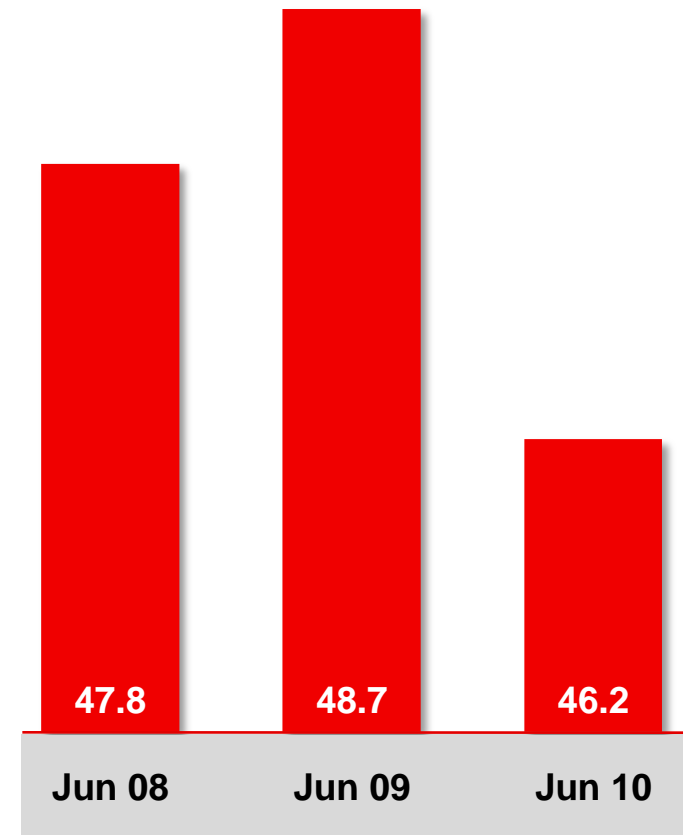


Fee and commission income growth

Non-interest income (Rm)

	Jun 2010 Rm	Change %	Mix %
Retail fees and commissions	4 890	3	50
ABB fees and commissions	1 879	7	19
Bancassurance	1 596	0	17
Markets and Investment Banking	1 336	(10)	14
Private Equity and Infrastructure Investments	(84)	67	(1)
Investment-related income	85	(81)	1
Other	11	(97)	0
Total	9 713	(5)	100

Non-interest income as a % of operating income (%)



Credit impairment ratios declining

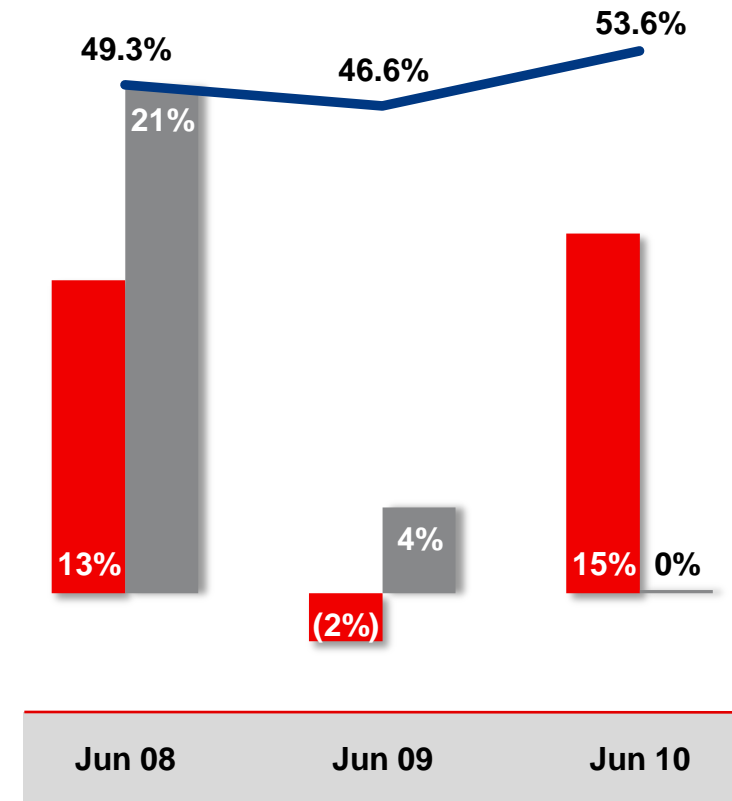
	Credit impairment ratio			NPL coverage ratio	
	Jun 2010 %	Dec 2009 %	Jun 2009 %	Jun 2010 %	Dec 2009 %
Retail banking	1.90	2.30	2.49	28.8	27.1
• Home Loans	1.30	1.76	1.86	19.2	17.5
• AVAF	2.79	2.05	2.88	40.6	43.2
• Card	4.43	7.13	8.41	78.4	77.3
• Other	3.23	3.42	2.88	41.6	41.2
Absa Business Bank	0.99	0.91	1.06		
Absa Capital	0.29	0.49	0.32		
Absa Group	1.50	1.74	1.86		

Investing in the franchise

Operating expenses

	Jun 2010 Rm	Change %
Staff costs	5 875	19
Accommodation, property and equipment-related	1 837	7
Information technology	1 054	24
Communication and marketing	878	(2)
Fees and insurance	710	7
Cash transportation	335	46
Other	575	19
Total Absa Group	11 264	15

Cost-to-income ratio (%)

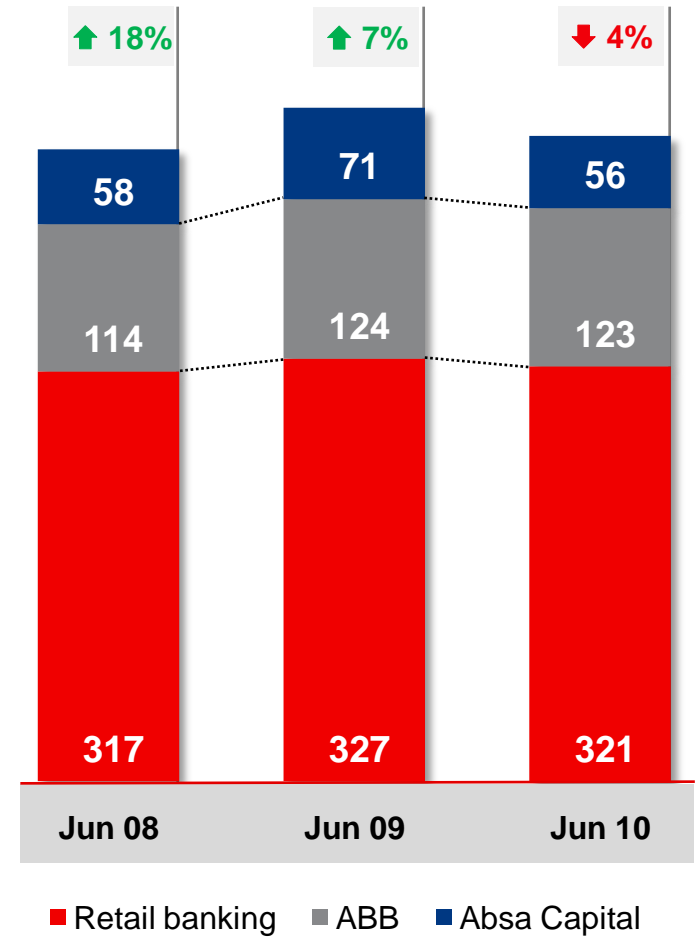


■ Cost growth (%) ■ Income growth (%)
— Cost-to-income ratio (%)

Low demand for credit

	Jun 2010 Rbn	Change %	Mix %
Retail banking	332	(1)	65
• Credit cards	20	(0)	4
• Instalment finance	40	(7)	8
• Mortgages	247	(1)	48
• Other	25	9	5
Absa Business Bank (ABB)	125	(1)	24
Absa Capital	56	(21)	11
Other	1	>100	0
Gross loans and advances	514	(4)	100

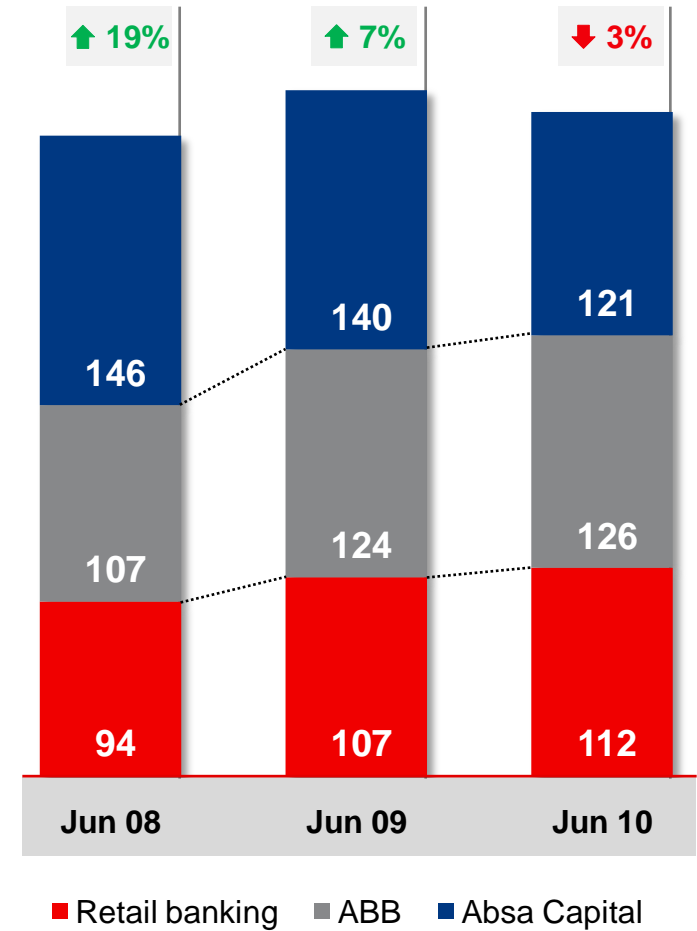
Net loans and advances to customers (Rbn)



Grew retail and commercial deposits

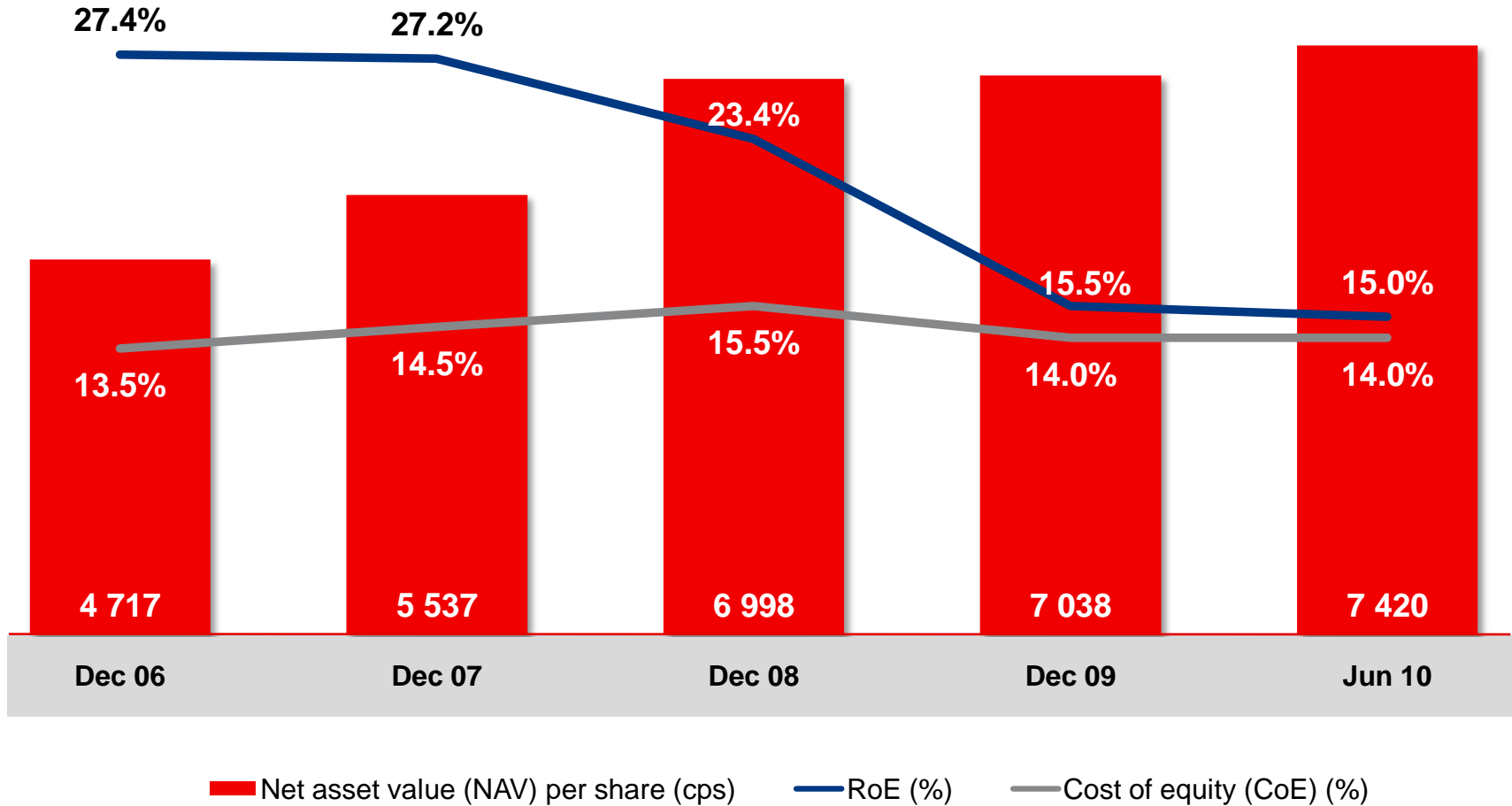
	Jun 2010 Rbn	Change %	Mix %
Cheque accounts	107	11	30
Savings, transmission and investment accounts	65	3	18
Fixed deposits	106	(9)	29
Call deposits	52	(15)	14
Other	30	(11)	9
Total customer deposits	360	(3)	100

Deposits due to customers (Rbn)



Net asset value growth

Compounded annual growth of 14%

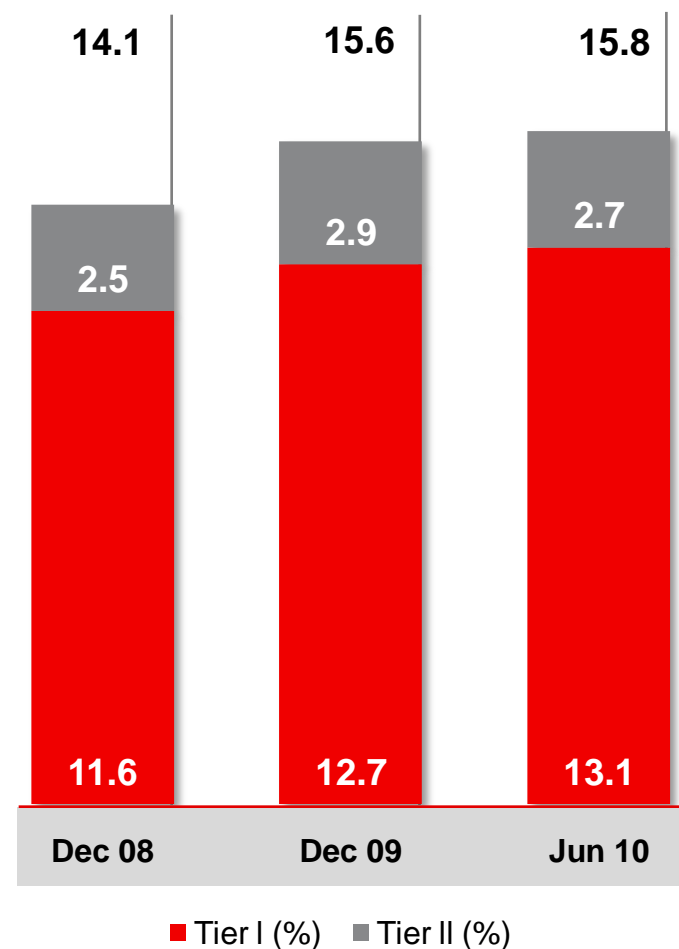


Well capitalised

Capital adequacy ratios (Jun 2010)

	Core Tier I %	Tier I %	Total %
Absa Group			
Capital adequacy ratio	11.9	13.1	15.8
Regulatory minimum	5.25	7.00	9.75
Target	9.5	10.5	13.0
Absa Bank			
Capital adequacy ratio	10.7	12.0	14.9
Regulatory minimum	5.25	7.00	9.75
Target	9.5	10.5	13.0

Absa Group – Capital adequacy ratio (%)



Cluster performance

Louis von Zeuner

Retail banking

Financial performance

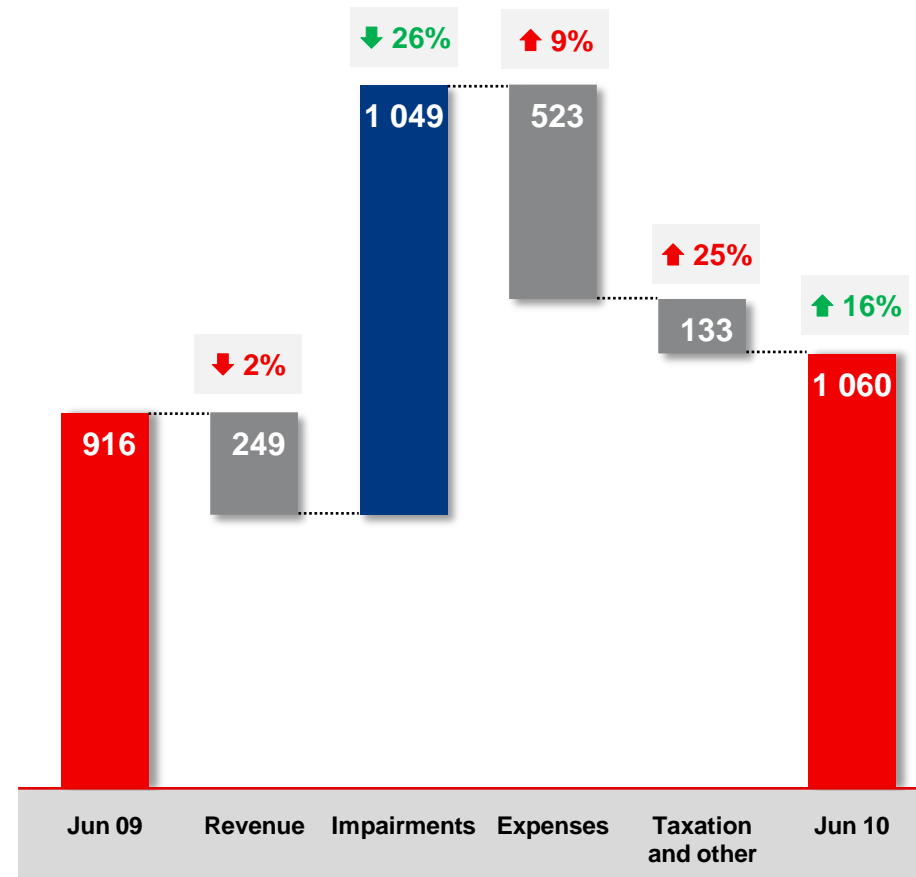
	Jun 2010	Change %	Jun 2009
Headline earnings (Rm)	1 018	↑ 40	728
Revenue (Rm)	11 282	↓ 2	11 531
Cost-to-income ratio (%)	57.9		52.1
Credit impairment ratio (%)	1.90		2.49
Return on regulatory capital (%)	14.0		9.8

Retail banking

Performance drivers

- Resilient fee income, particularly in card and electronic banking
- Lower advances, but improved quality
- Enhanced collections
- Continued cost control
- Grew customer base and Absa-owned ATM footprint
- Solid deposit growth

Attributable earnings (Rm)

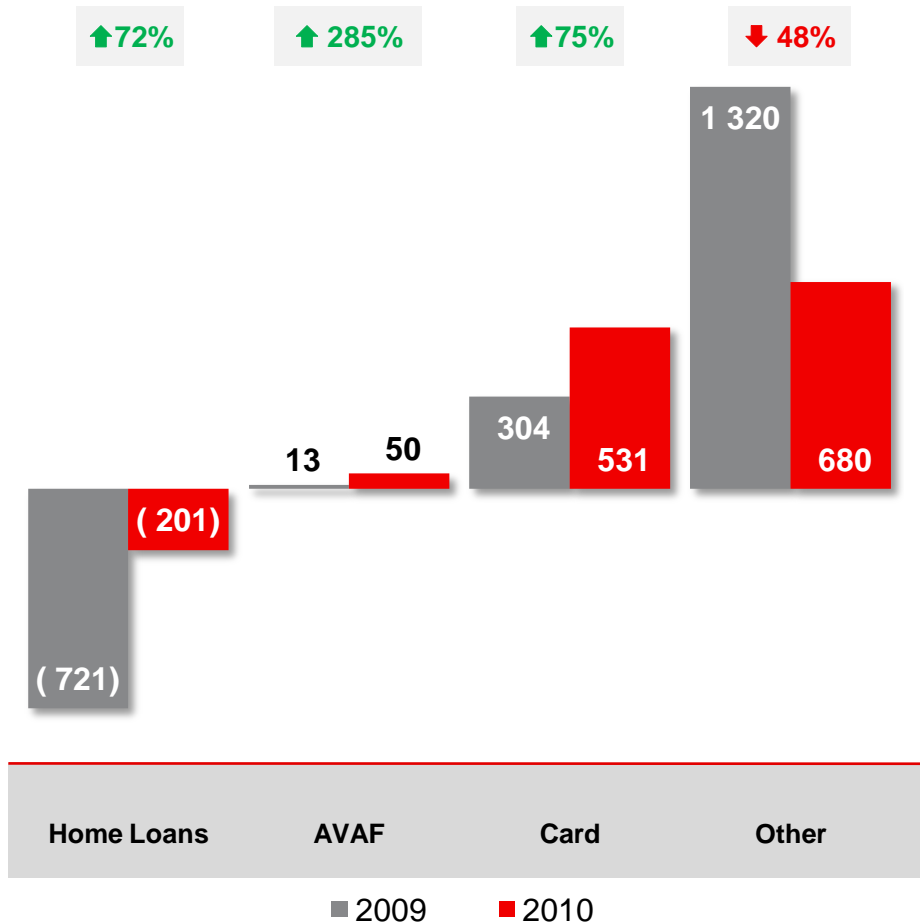


Retail banking

Unsecured lending and deposits drove earnings

- Secured lending remained under pressure but is recovering
 - Limited demand for credit
 - Wider margins
 - Improved impairments
- Unsecured lending continued to grow strongly
 - Improved quality of advances
 - Solid card acquiring growth
 - Cost increases contained below inflation

Attributable earnings – Jun (Rm)

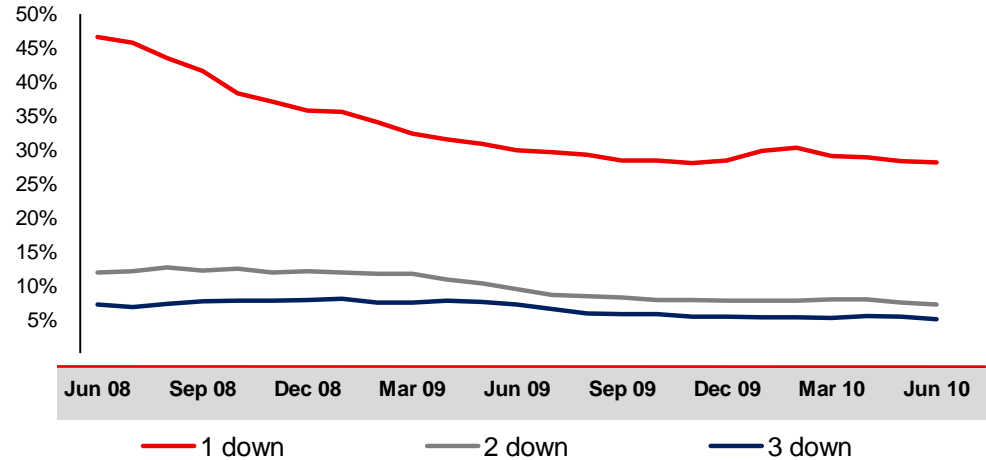


Retail banking

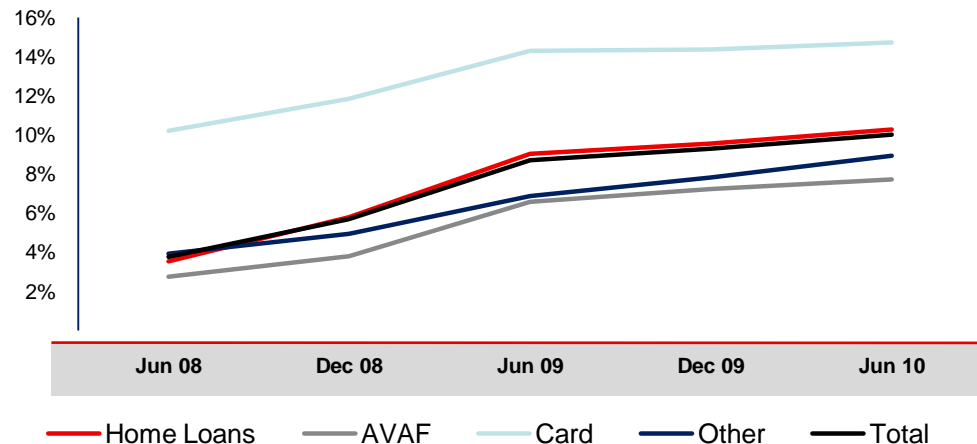
Credit impairment ratios trending down

- Early arrears improving
- Stabilising late cycle arrears and legal, offset by debt counselling arrears
- Improvements due to:
 - Lower interest rates
 - Enhanced collections
 - Pro-active credit management

Early arrears (%)



Late stage delinquencies (%)



Retail banking

Strategic focus

Sustainable growth in targeted markets

Balance sheet optimisation and pro-active risk management



Simple, streamlined Group for customer delivery

Customer- and people-centred organisation

- Make banking easier for our customers
- Optimise distribution footprint
- Deepen customer relationships and improve solutions
- Prudent risk management
- Standardise and simplify key customer interactions
- Manage funding gap

Absa Business Bank

Financial performance

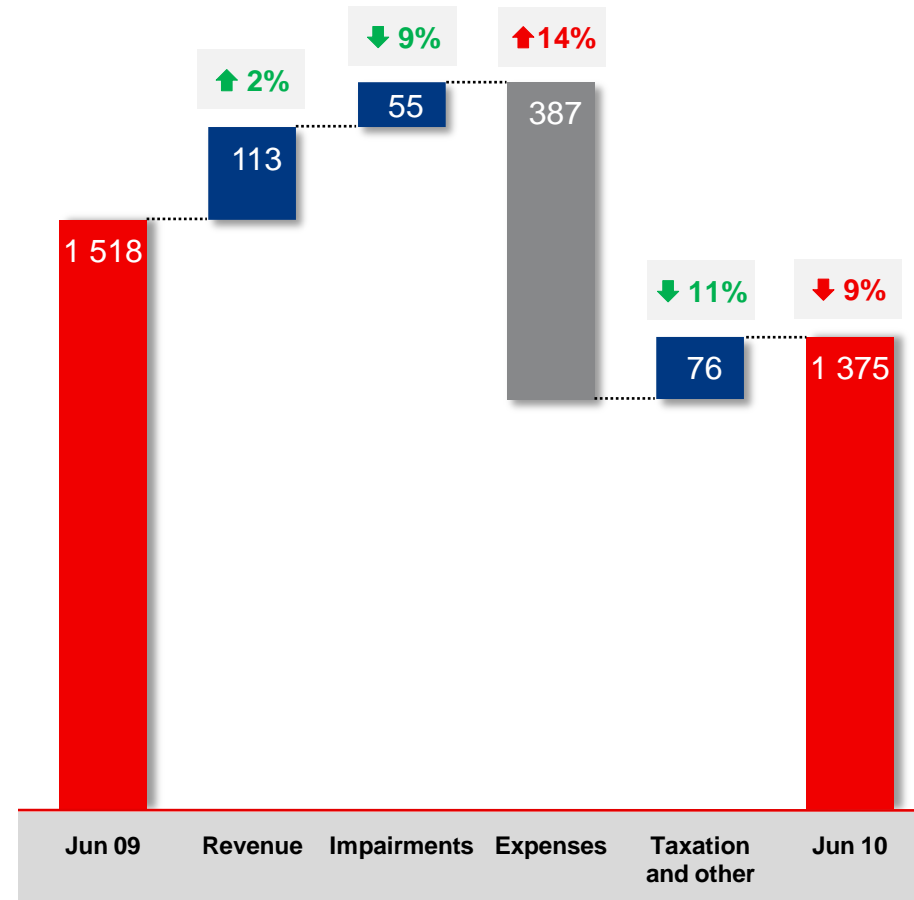
	Jun 2010	Change %	Jun 2009
Headline earnings (Rm)	1 355	↓ 9	1 481
Revenue (Rm)	5 671	↑ 2	5 558
Cost-to-income ratio (%)	54.6		48.7
Credit impairment ratio (%)	0.99		1.06
Return on regulatory capital (%)	23.2		26.9

Absa Business Bank

Performance drivers

- Solid transactional volume growth particularly in electronic banking and cash
- Deepened primary banking relationships
- Stabilisation of impairments
- Lower advances but positive deposit growth
- Costs well controlled but investing for the future

Attributable earnings (Rm)

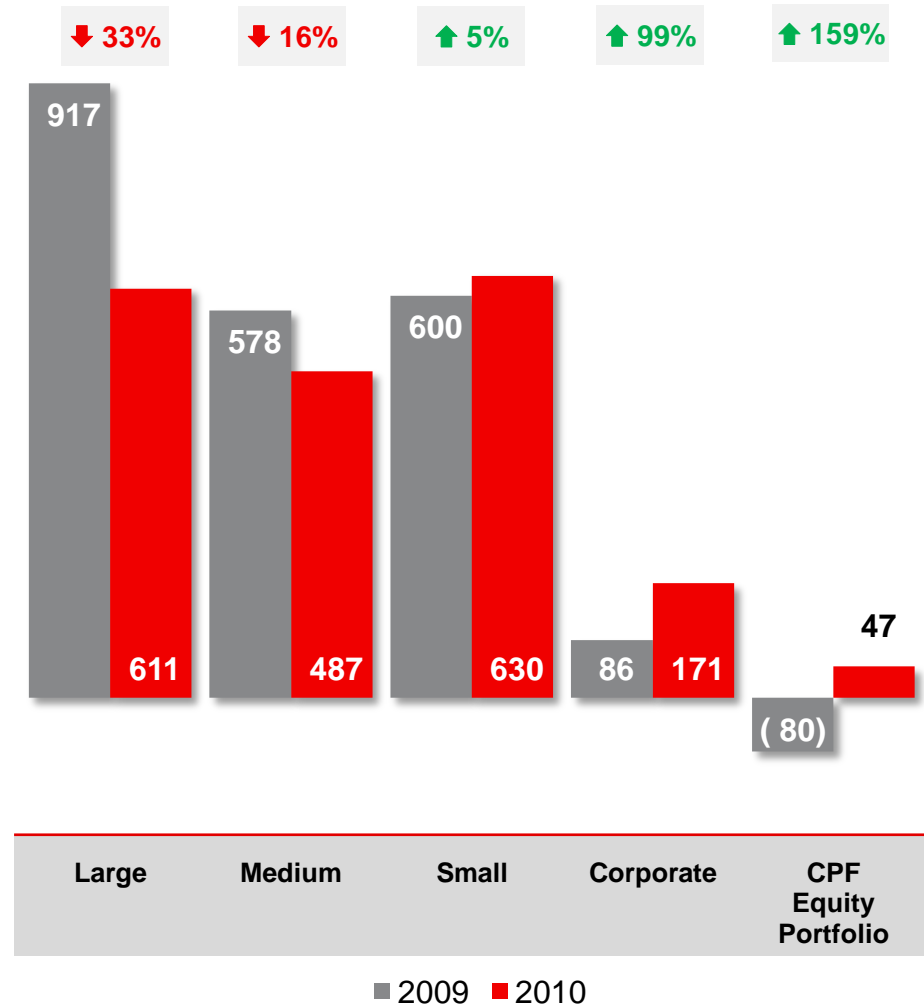


Absa Business Bank

Motivated sales force with a broad footprint

- **Large segment** – Commercial Property Finance (CPF) and Commercial Asset Finance (CAF) books declined
- **Medium segment** – negatively impacted by impairments
- **Small segment** – positive earnings due to deposit growth and reduced impairment levels
- **Corporate segment** – performed well with an increase in customers and transactional volumes
- **CPF Equity Portfolio** – Improved equity markets

Profit before taxation – Jun (Rm)



Absa Business Bank

Strategic focus

Sustainable growth in targeted markets

Balance sheet optimisation and pro-active risk management



Simple, streamlined Group for customer delivery

Customer- and people-centred organisation

- Enhance transactional capabilities
- Deepen primary banking relationships
- Improve collaboration and product innovation
- Expand Agri value proposition and leverage strong Public Sector position
- Overhaul frontline capabilities and processes
- Grow sub-Saharan African opportunities

Absa Capital

Financial performance

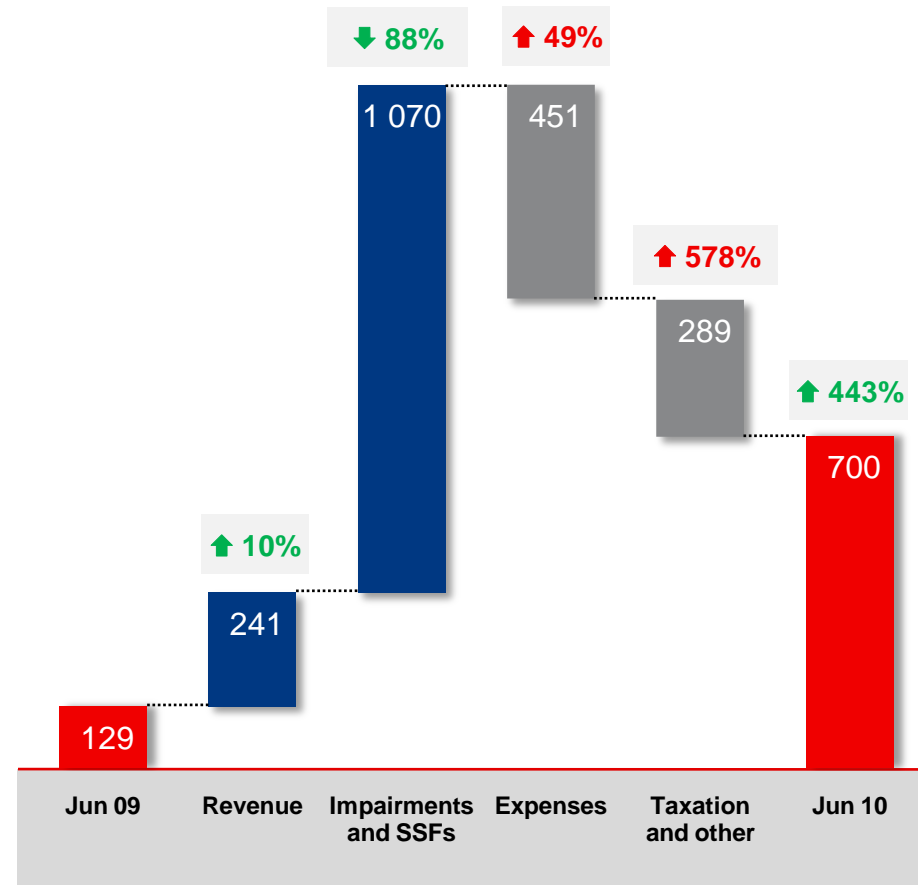
	Jun 2010	Change %	Jun 2009
Headline earnings (Rm)	747	↓ 19	917
Attributable earnings (Rm)	700	↑ 443	129
Revenue (Rm)	2 556	↑ 10	2 315
Cost-to-income ratio (%)	53.7		39.8
Return on regulatory capital (%)	15.4		18.6

Absa Capital

Performance drivers

- Revenue growth as a result of improved performance from Private Equity, sub-Saharan Africa and Debt Capital Markets
- Focused containment of capital utilisation
- Lower SSF impairment with immaterial remaining exposure
- Continued investment in systems, infrastructure and talent

Attributable earnings (Rm)

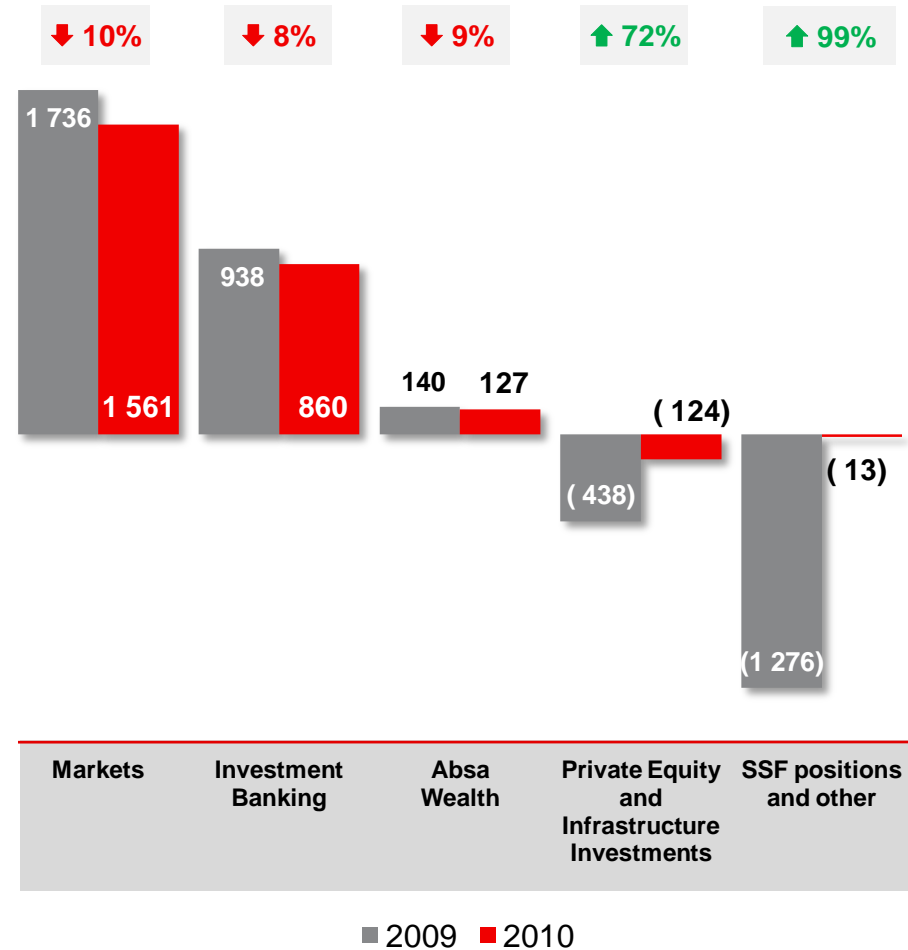


Absa Capital

Diversified business model resulted in a mixed picture

- **Markets** – pressure on revenue owing to reduced client activity, lower volatility and tighter margins
- **Investment Banking** – both fee and margin business declined
- **Absa Wealth** – improved banking and credit margins and an increase in sales, offset by higher impairments
- Stable **Private Equity** valuations as underlying earnings performance improved

Revenue after credit and other impairments – Jun (Rm)



Absa Capital

Strategic focus

Sustainable growth in targeted markets

Balance sheet optimisation and pro-active risk management



Simple, streamlined Group for customer delivery

Customer- and people-centred organisation

- Further enhance foreign exchange capability
- Implement corporate bank model
- Leverage new cash equities and equity capital markets business
- Focused wealth advisory business
- Continue to optimise capital
- Treasury and investment banking opportunities in Africa

Bancassurance

Financial performance

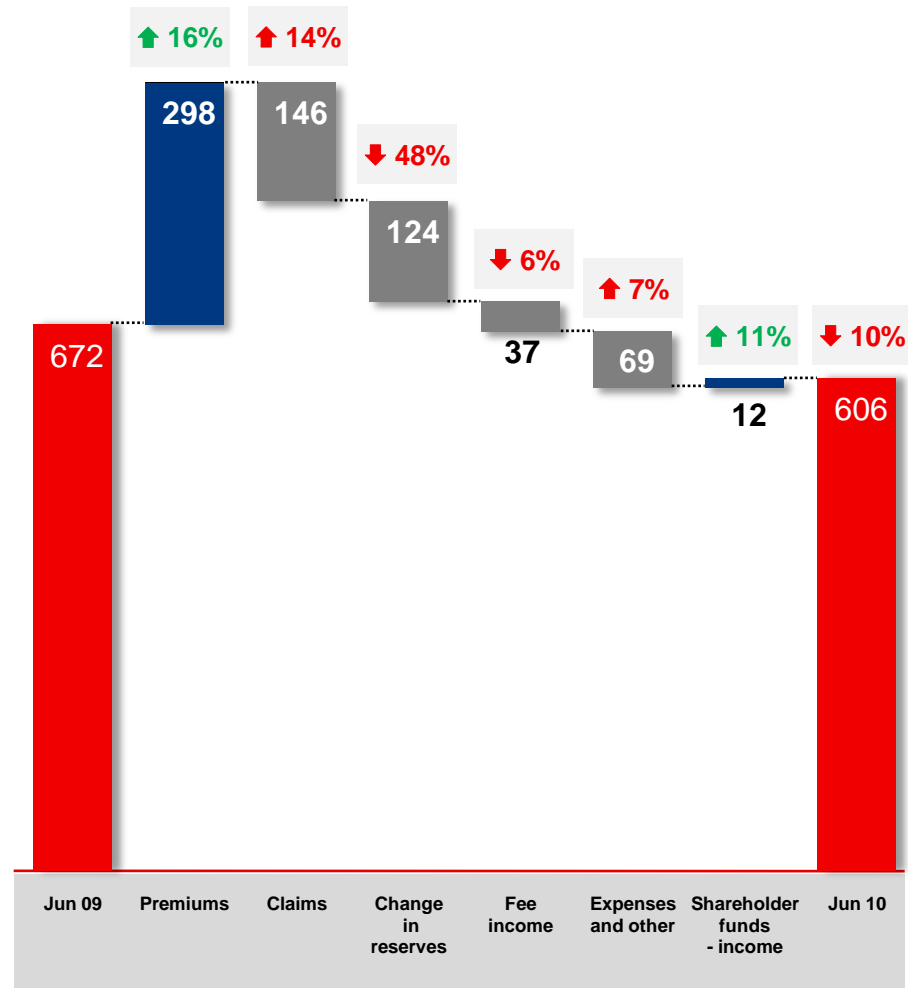
	Jun 2010	Change %	Jun 2009
Headline earnings (Rm)	606	↓ 10	672
Net premium income (Rm)	2 165	↑ 16	1 867
Return on equity (%)	35.6		38.3
Embedded value of new business (Rm)	211	↑ 29	164
Combined ratio (%)	90.9		89.7
Investments – assets under management (Rbn)	147	↑ 8	136

Bancassurance

Performance drivers

- Strong premium growth in insurance businesses
- Increase in insurance claims ratio
- New business strain impacting reserves
- Lower fee income
- Operating expenses growth due to capacity building
- Investment income on shareholder funds recovered

Attributable earnings (Rm)



Bancassurance

Resilient operational performance

- Absa Life's ability to write profitable business and earn superior returns entrenched
- Absa Life's new business APE driven by growth in recurring premiums
- Absa Insurance's underwriting performance profitable through the underwriting cycle
- Investments' net business flows remained positive despite persistent outflows on discretionary business
- Superior investment margins maintained

	Jun 2010	Change %	Jun 2009
Life – Return on embedded value (RoEV) (%)	32.3		14.7
Life – New business annual premium equivalent (APE) (Rm)	473	▲ 44	329
Insurance – Underwriting surplus (Rm)	243	▼ 6	259
Net AUM flows (Rbn)	2.3		25.1
Investments – Gross margin (bps)	46.6		57.5

Bancassurance

Strategic focus

Sustainable growth in targeted markets

Balance sheet optimisation and pro-active risk management



Simple, streamlined Group for customer delivery

Customer- and people-centred organisation

- Improve cross sell and penetration into the Absa customer base
- Grow distribution capacity through multiple channels
- Expand Africa bancassurance presence
- Leverage synergies within AFS, Absa Group and Barclays
- Build a compelling wealth segment value proposition
- Enhance technology solutions for better customer service

Outlook

Maria Ramos

Review

- Maintained strong balance sheet and liquidity position
- Well capitalised
- Enhanced quality of new business
- Diversified offerings stood the business in good stead
- Risk management remained a key focus

Basel II Amendments expected to have far reaching implications

Implications of capital/liquidity changes

- Higher funding costs
- Premium on gathering deposits and raising long-term unsecured debt
- RWAs to be more expensive, placing a premium on higher RoRWA activities
- Leverage ratio to be implemented

Leading to

- Sharper focus on returns, potentially a shift in product mix
- Greater competition amongst banks for deposit business and reduced margins
- Possible re-pricing of some products and services
- Constrained balance sheet growth relative to the capital base

Strategic priorities

Key priorities

- Corporate Bank
- Absa Business Bank's market positioning
- Entry-level and inclusive banking proposition
- Wealth and investment advisory services
- Earnings from Africa

Enhancing business as usual

- Lead foreign exchange centre in South Africa
- Retail business growth
- Growth in retail and commercial deposits
- Streamlining the Group
- Performance through people strategy

Core fundamentals

- Strengthening risk management
- Balance sheet optimisation
- Target operating model implementation

Leveraging off Barclays commitment to Absa and to Africa

The next six months

Macro factors

- Domestic trading conditions to improve slowly
- Challenging business environment
- Low consumer credit appetite
- Subdued corporate credit demand
- Regulatory environment to remain challenging

Absa

- Adaptability to capital and liquidity imperatives
- Subdued revenue growth
- Modest balance sheet growth
- Continued improvements in retail credit impairments
- Further investment in the franchise

Absa
Group Limited
Interim financial results
For the six months ended 30 June 2010