

# Interim financial results

for the six months ended  
30 June 2012





# Review

Maria Ramos



# First half performance well below expectations

	1H12	1H11	Change %
Headline earnings (Rm)	<b>4 332</b>	4 595	(6)
Pre-provision profit (Rm)	<b>10 452</b>	10 112	3
Diluted headline earnings per share (cents)	<b>602,3</b>	638,5	(6)
Dividends per ordinary share (cents)	<b>315</b>	292	8
Net interest margin on interest-bearing assets (%)	<b>3,94</b>	3,99	
Credit loss ratio (%)	<b>1,59</b>	1,16	
Cost-to-income ratio (%)	<b>54,9</b>	54,8	
Return on equity (%)	<b>13,8</b>	16,2	
Return on average risk-weighted assets (%)	<b>2,08</b>	2,23	
Return on average assets (%)	<b>1,11</b>	1,29	
Net asset value per share (cents)	<b>8 950</b>	8 116	10
Core Tier 1 capital adequacy ratio (%)	<b>13,2</b>	12,8	

# Delivering on our strategy ...

- Create a leaner group
- Continue to strengthen our balance sheet
- Build a platform for sustainable growth
- Execute One Africa strategy



**... to make customers' lives much easier**



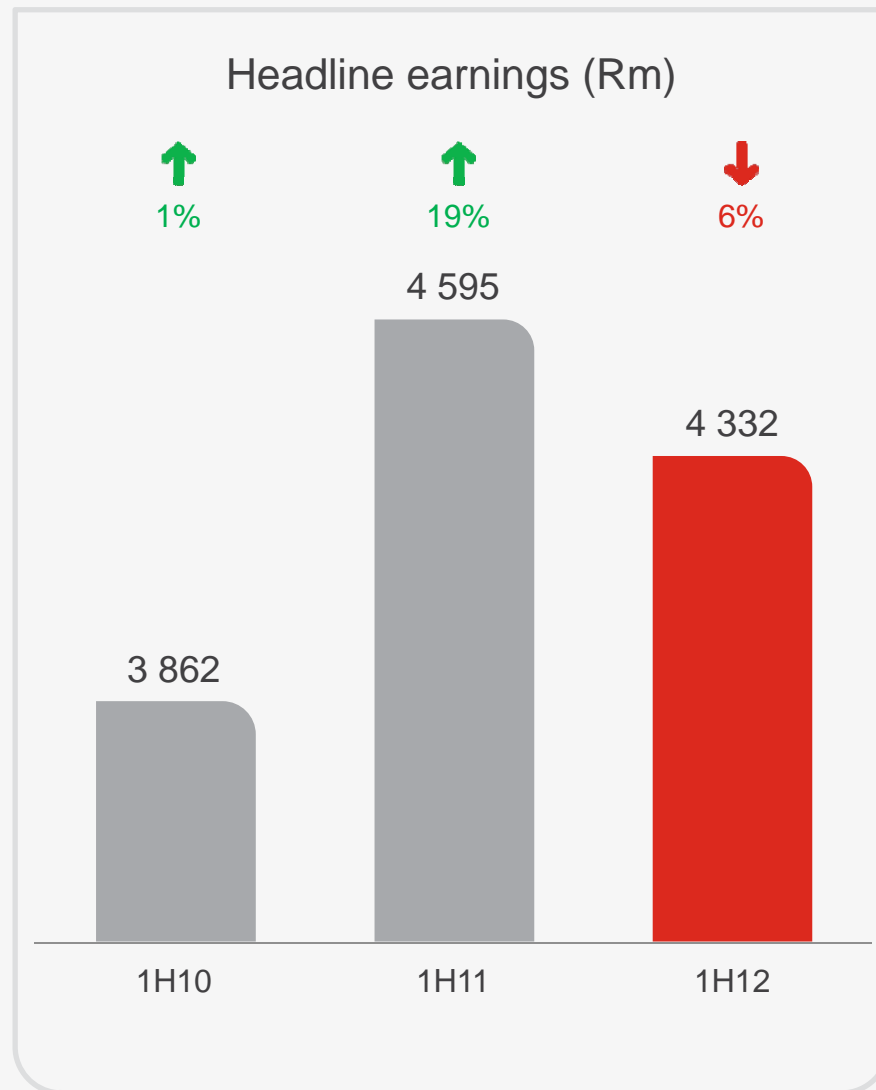
# Financial overview

David Hodnett



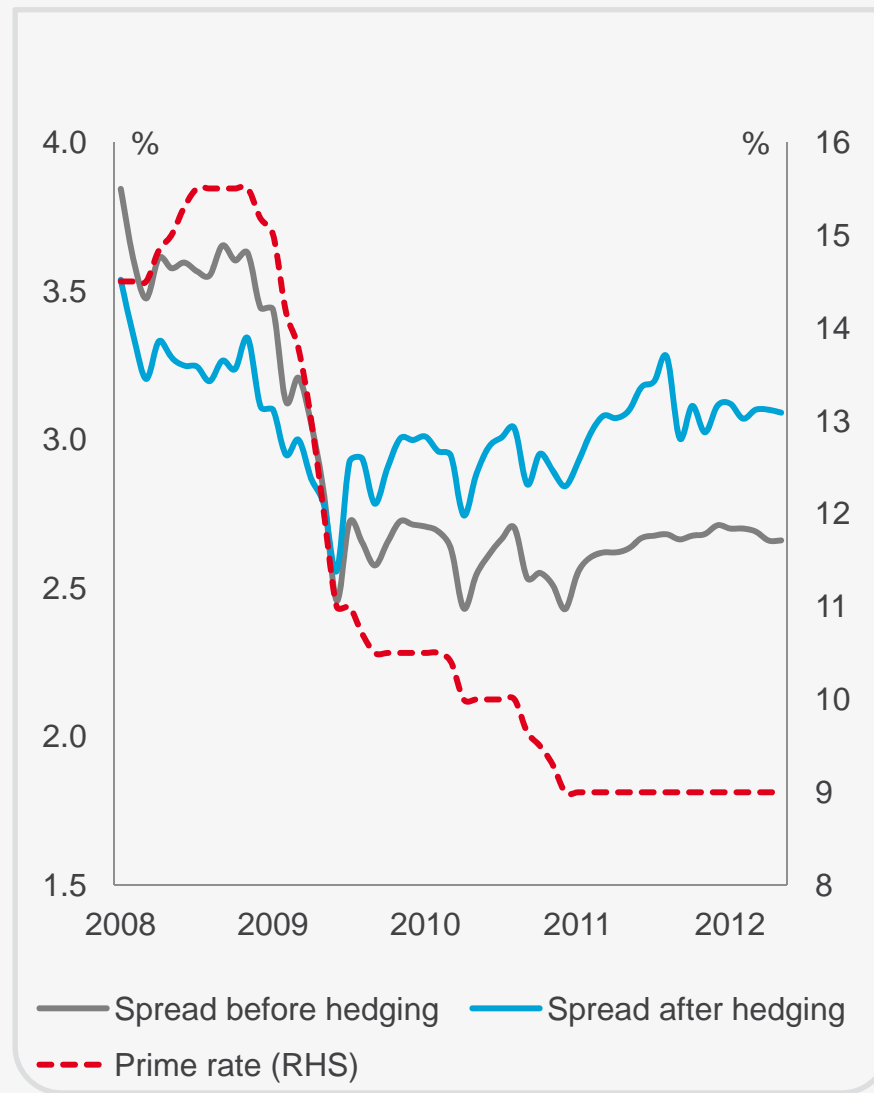
# Earnings decline on higher impairments

	1H12 Rm	1H11 Rm	Change %
Net interest income	11 909	11 622	2
Non-interest income	11 174	10 680	5
<b>Total revenue</b>	<b>23 083</b>	<b>22 302</b>	4
Credit losses	(4 020)	(2 902)	(39)
Operating expenses	(12 666)	(12 218)	(4)
Other	(298)	(746)	60
Taxation	(1 767)	(1 841)	4
<b>Headline earnings</b>	<b>4 332</b>	<b>4 595</b>	(6)



# Stable net interest margin

Change in margins (average interest-bearing assets)	YoY bps
<b>Loans and advances to customers</b>	<b>1</b>
→ Change in customer rates	2
→ Change in composition	(1)
<b>Deposits due to customers</b>	<b>(3)</b>
→ Customer pricing	(2)
→ Change in composition	(1)
→ Endowment	0
<b>Capital</b>	<b>2</b>
<b>Hedging</b>	<b>0</b>
<b>Other</b>	<b>(5)</b>
<b>Total</b>	<b>(5)</b>



# Modest retail non-interest revenue growth

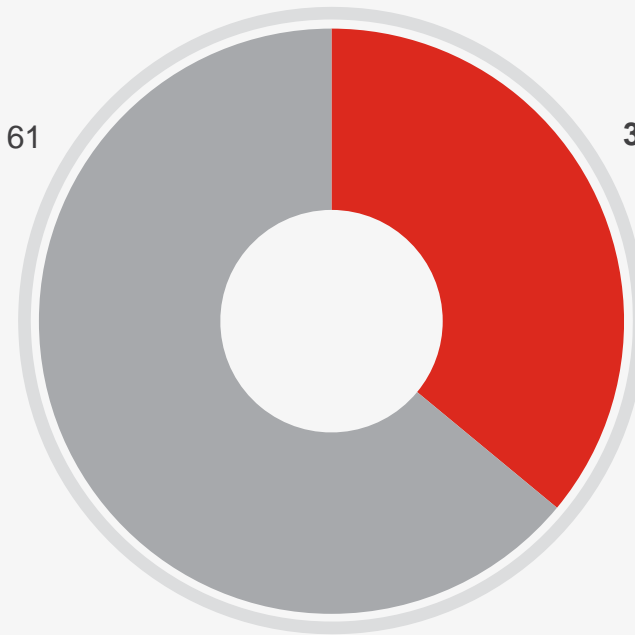
	1H12 Rm	Change %	Mix %
Retail Markets net fees and commissions	5 143	2	47
Business Markets net fees and commissions	1 485	12	13
Corporate net fees and commissions	476	5	4
Financial Services	1 970	3	18
Markets – net trading results	1 572	21	14
Revaluations – private equity and equities	51	>100	0
Other income	477	(22)	4
<b>Total</b>	<b>11 174</b>	<b>5</b>	

Volume of revenue generating retail transactions (%)

1H12 / 1H11

64 / 61

36 / 39



■ Traditional ■ Electronic

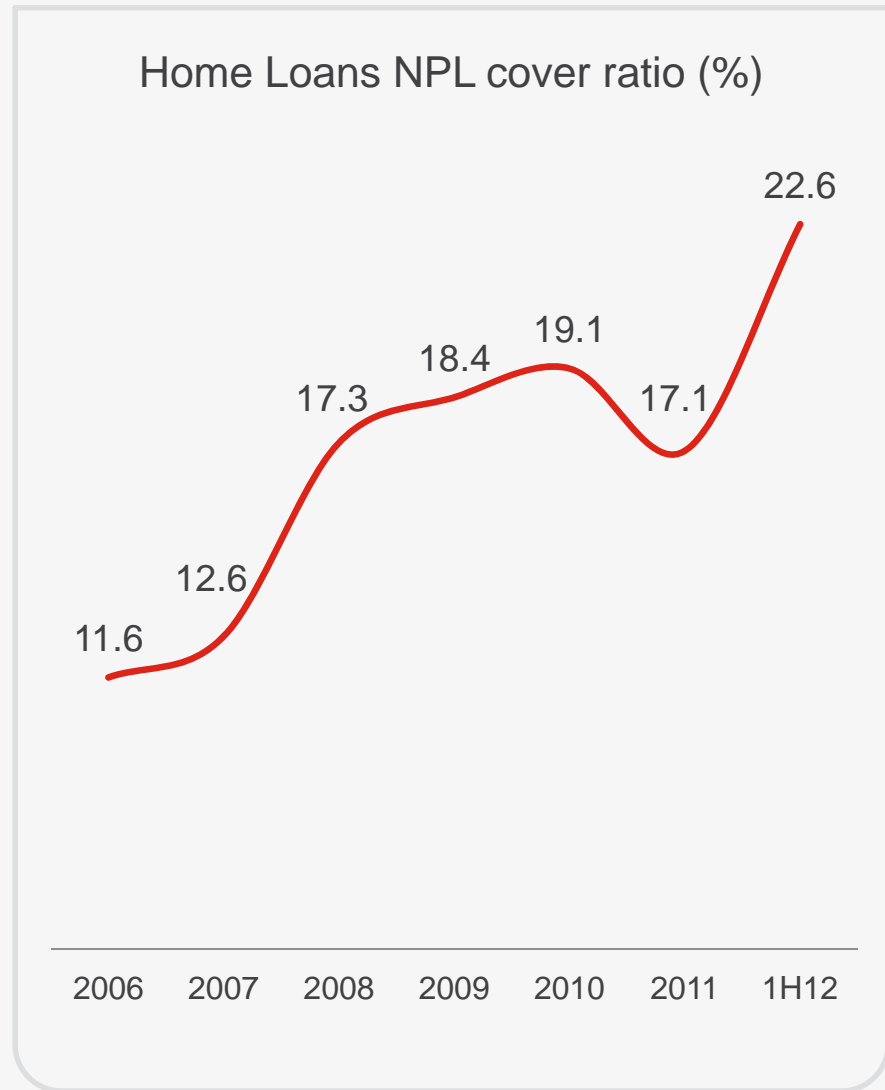


# Significant rise in impairments

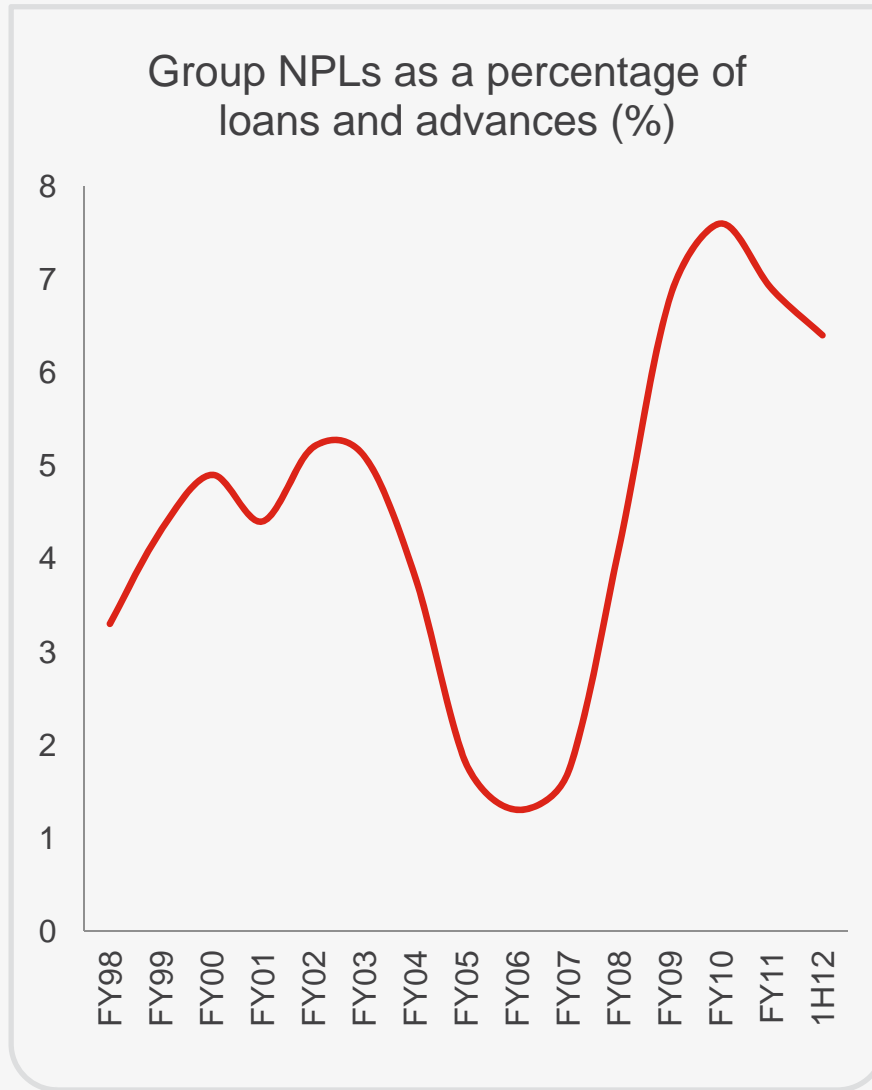
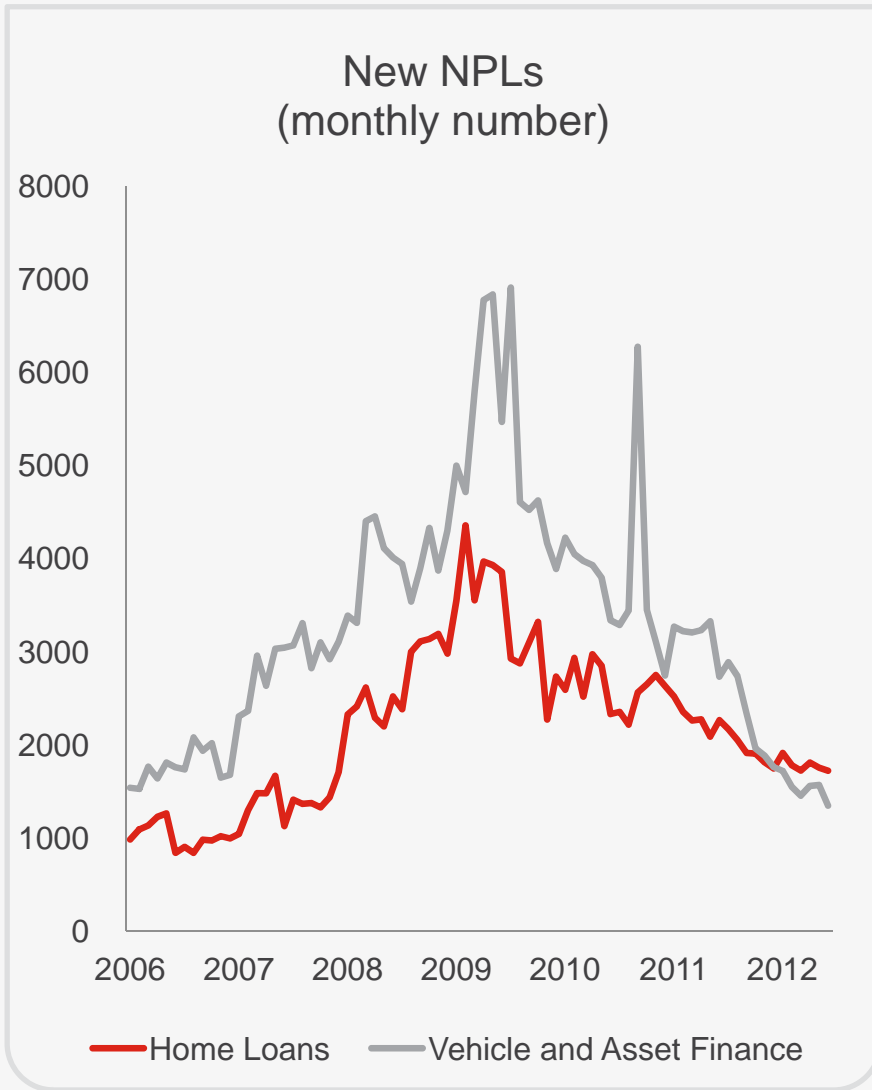
	1H12 %	1H11 %	1H12 %	1H11 %
	Credit loss ratio		NPL coverage ratio	
Retail & Business Banking (RBB)	1,92	1,38	31,9	28,5
➔ Retail Markets	2,03	1,46	30,9	28,1
- Mortgages	2,20	1,18	22,6	18,8
- Vehicle and Asset Finance	1,04	2,08	54,8	43,4
- Card	1,66	1,49	63,9	71,5
- Personal Loans	5,91	4,83	63,9	60,5
- Retail Bank	0,68	1,23	65,9	75,9
➔ Business Markets	1,55	1,13	38,4	31,2
CIBW	0,02	0,04	55,0	52,8
<b>Absa Group</b>	<b>1,59</b>	<b>1,16</b>	<b>32,5</b>	<b>29,0</b>

# Substantial provision in Home Loans legal book

- Were comfortable with our 2011 cover
- Higher write-offs triggered a review
- Actions taken to address risk
  - Model changes
  - Operational
  - Structural

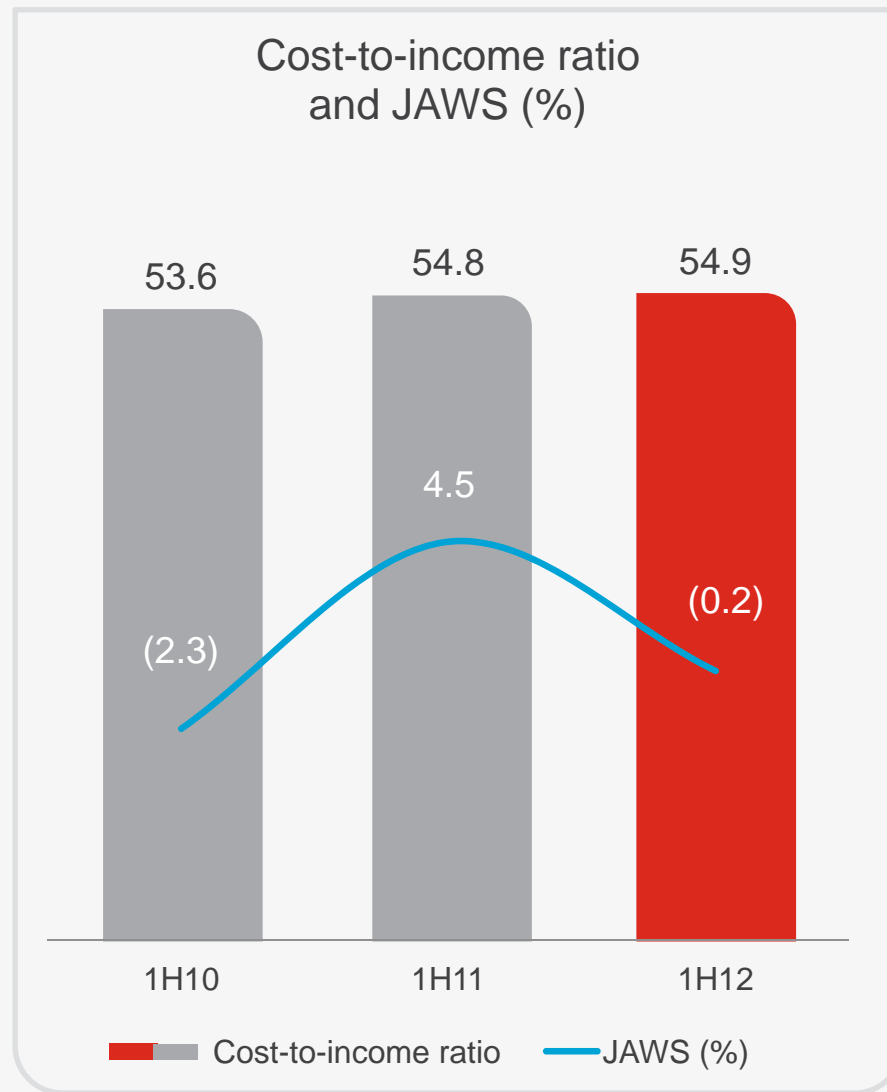


# Lower inflows improve non-performing loans

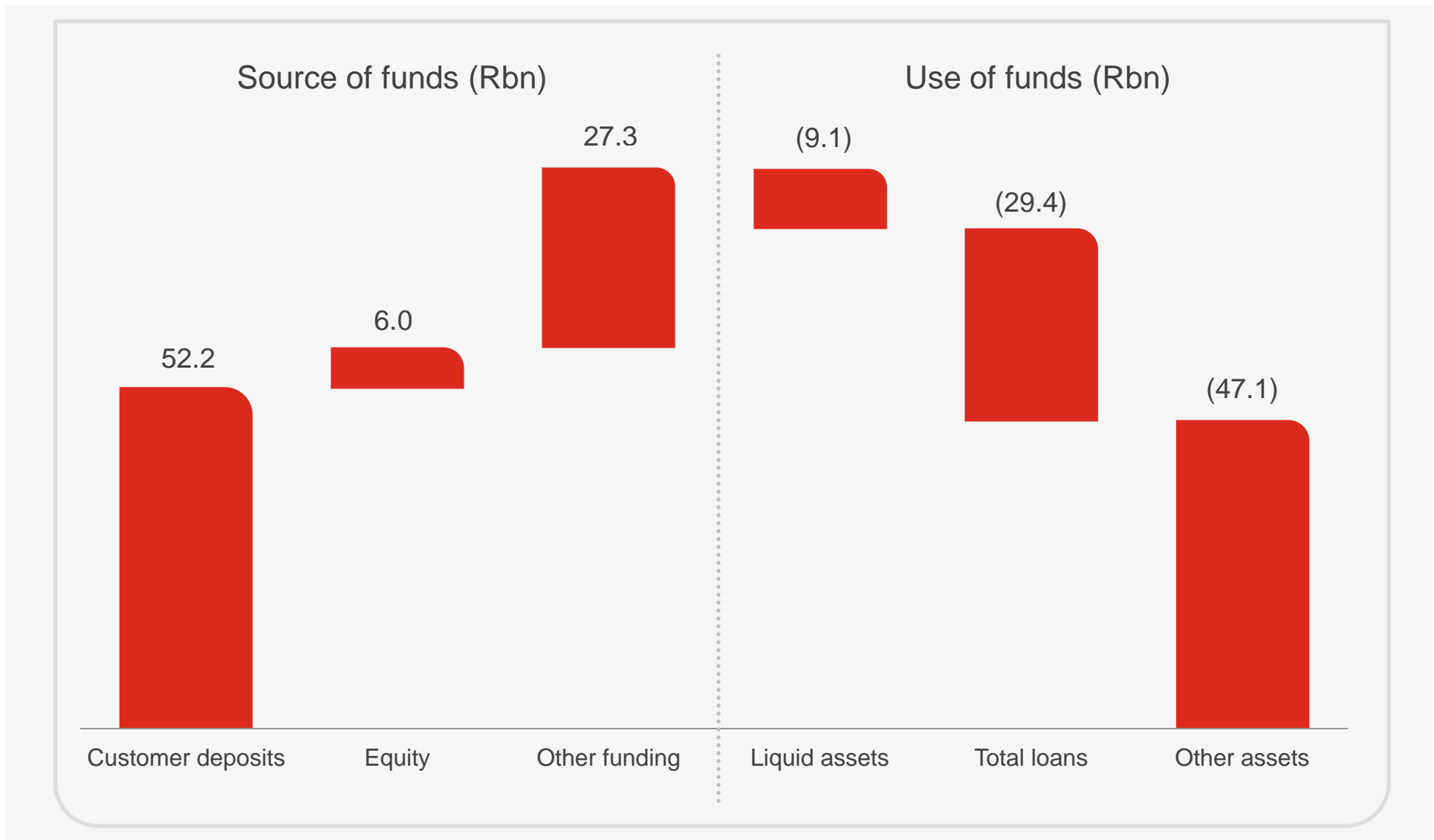


# Sustainable cost containment

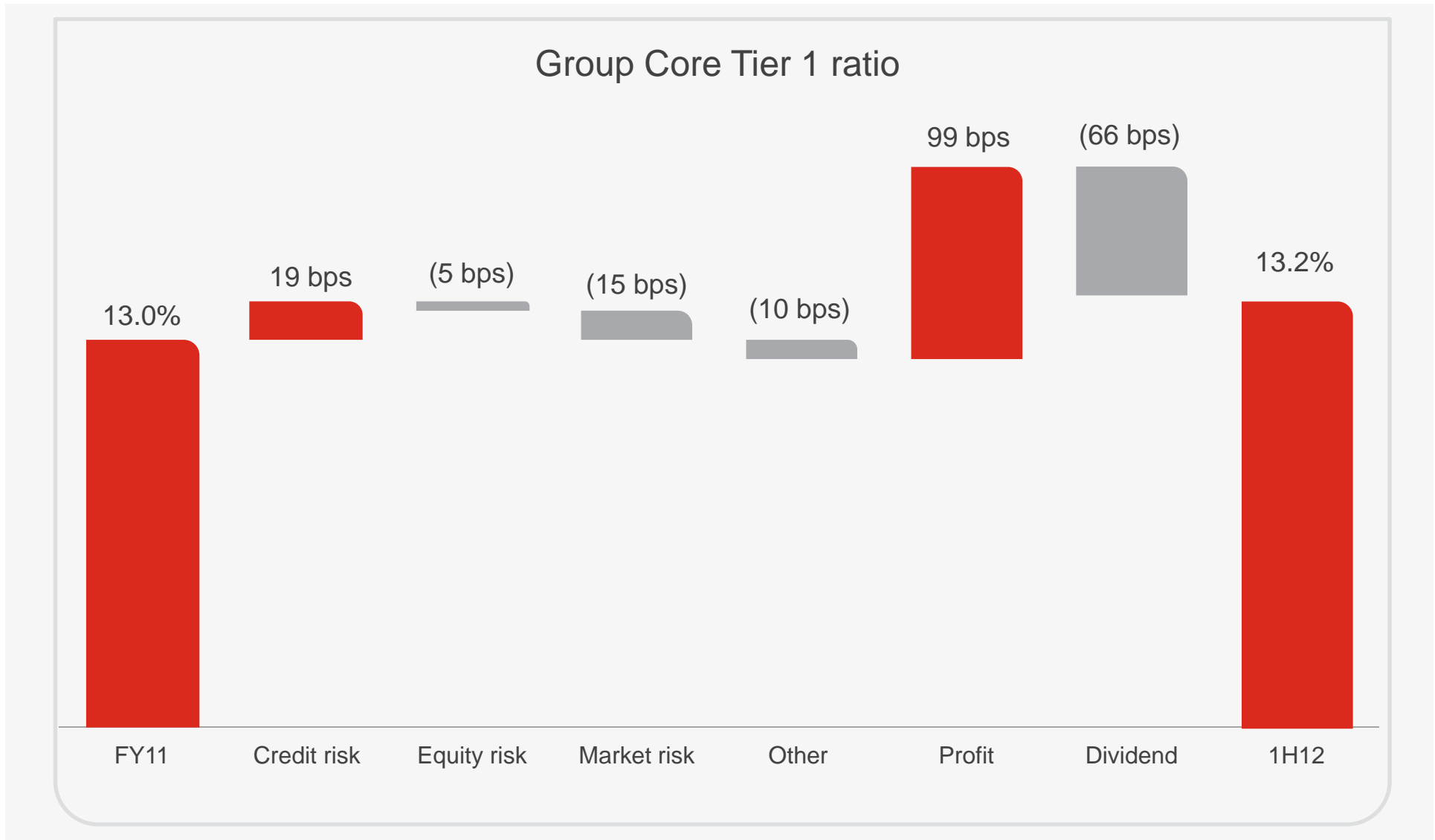
	1H12 Rm	Change %	Mix %
Staff costs	6 522	(2)	51
Accommodation, property and equipment-related	2 282	30	18
Information technology	1 154	3	9
Communication and marketing	899	4	7
Professional and audit fees	372	(25)	3
Other	1 437	6	11
<b>Total</b>	<b>12 666</b>	<b>4</b>	



# Strengthened our balance sheet

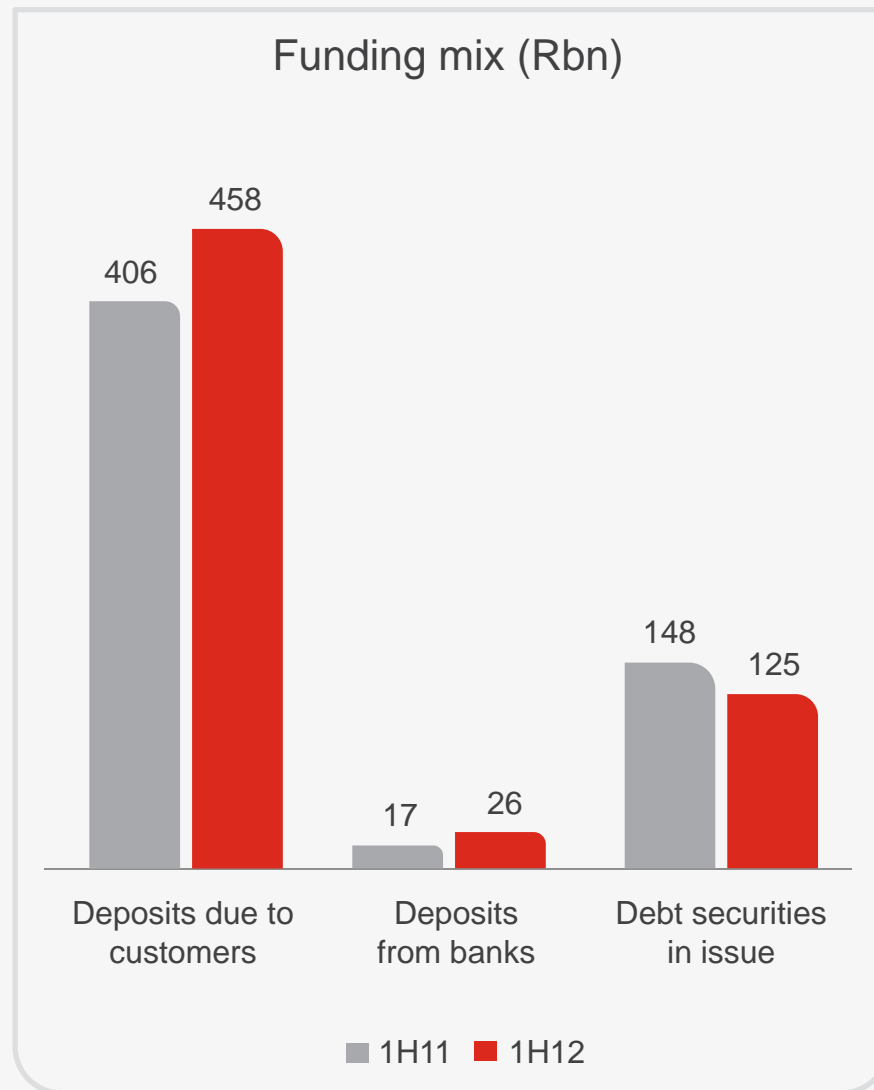


# Strong capital ratios



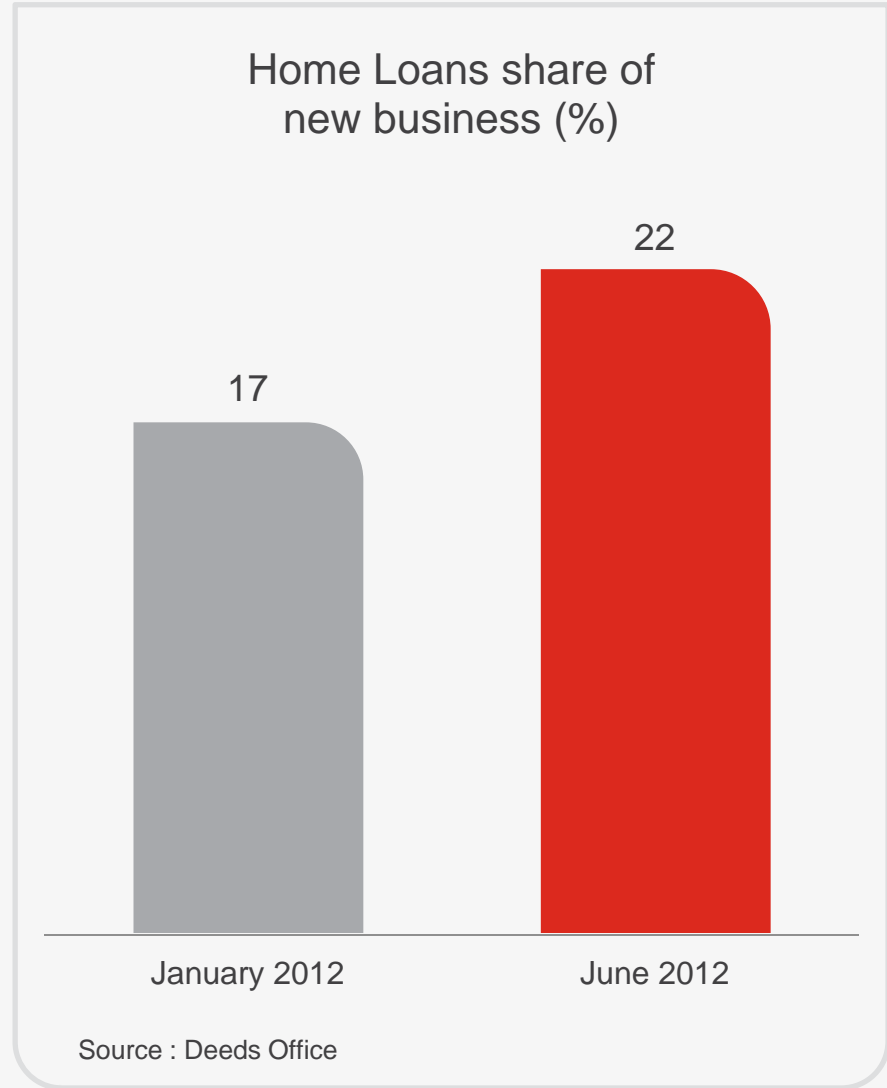
# Solid deposit growth

	1H12 Rm	Change %	Mix %
Cheque accounts	140	12	31
Savings and transmission and investment products	74	9	16
Fixed deposits	123	2	27
Call deposits	48	(14)	10
Other	73	97	16
<b>Total</b>	<b>458</b>	<b>13</b>	



# Improving loan momentum

Loans and advances to customers	1H12 Rbn	Change %	Mix %
Retail Markets	328	(1)	63
→ Credit cards	22	6	4
→ Installment finance	40	4	8
→ Mortgages	239	(3)	46
→ Other	27	13	5
Business Markets	96	(2)	19
CIBW	95	10	18
Other	1	3	0
<b>Total</b>	<b>520</b>	<b>0</b>	





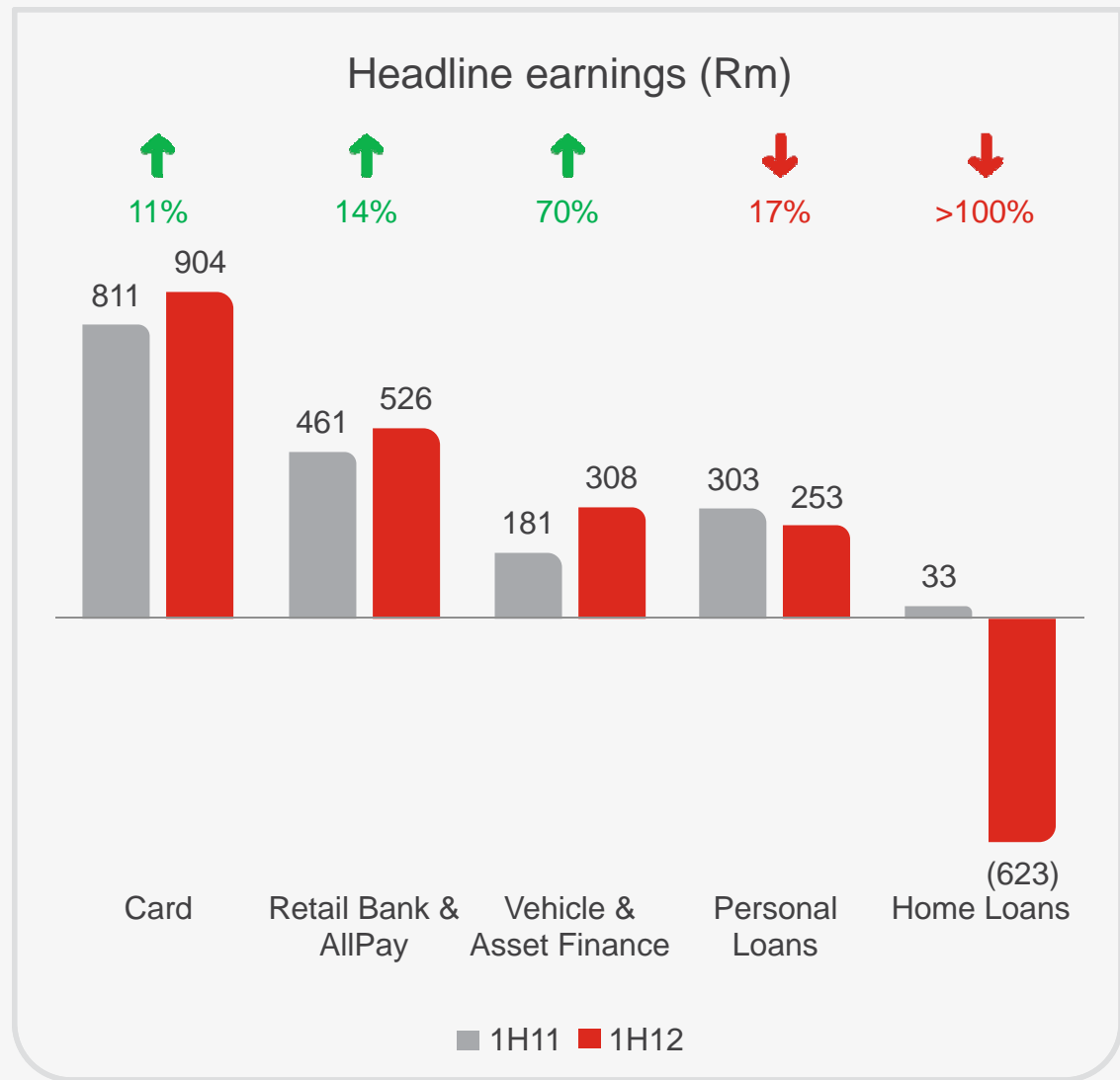
# Diversified earnings

	Headline earnings				RoRC	
	1H12 Rm	1H11 Rm	Change %	Mix %	1H12 %	1H11 %
Retail & Business Banking	1 933	2 618	(26)	45	14,5	19,3
→ Retail Markets	1 368	1 789	(24)	32	17,3	22,3
→ Business Markets	565	829	(32)	13	10,4	15,0
CIBW	1 352	1 190	14	31	21,7	20,7
Financial Services	678	644	5	16	29,0 *	33,3 *
Group centre	369	143	>100	9	-	-
<b>Total</b>	<b>4 332</b>	<b>4 595</b>	<b>(6)</b>		<b>21,9</b>	<b>23,5</b>

Note: \* RoE

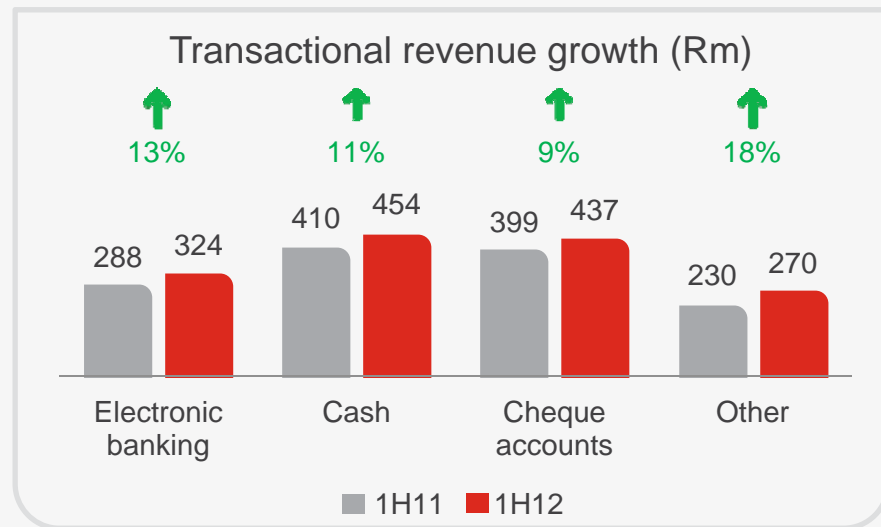
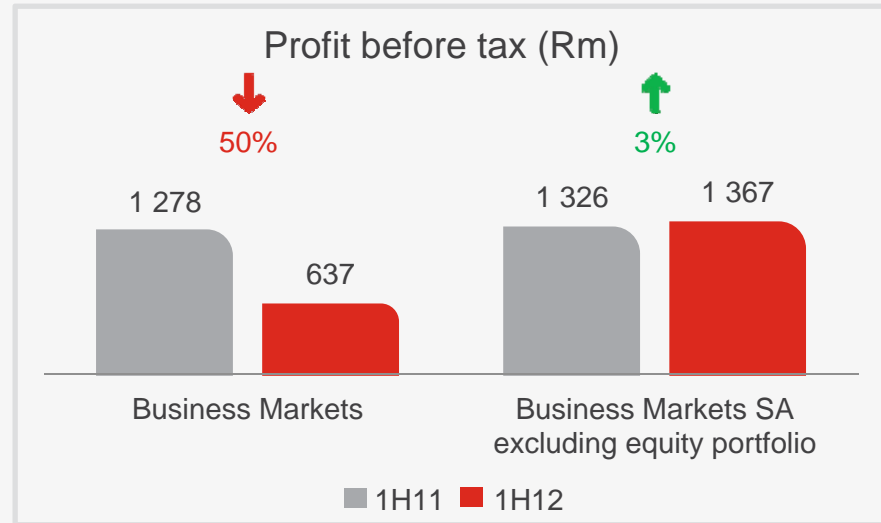
# Divergent Retail Markets performance

- Solid Card performance
- Strong Retail Bank growth
- Continued VAF turnaround
- Lower Personal Loans earnings
- Home Loans loss due to credit impairments



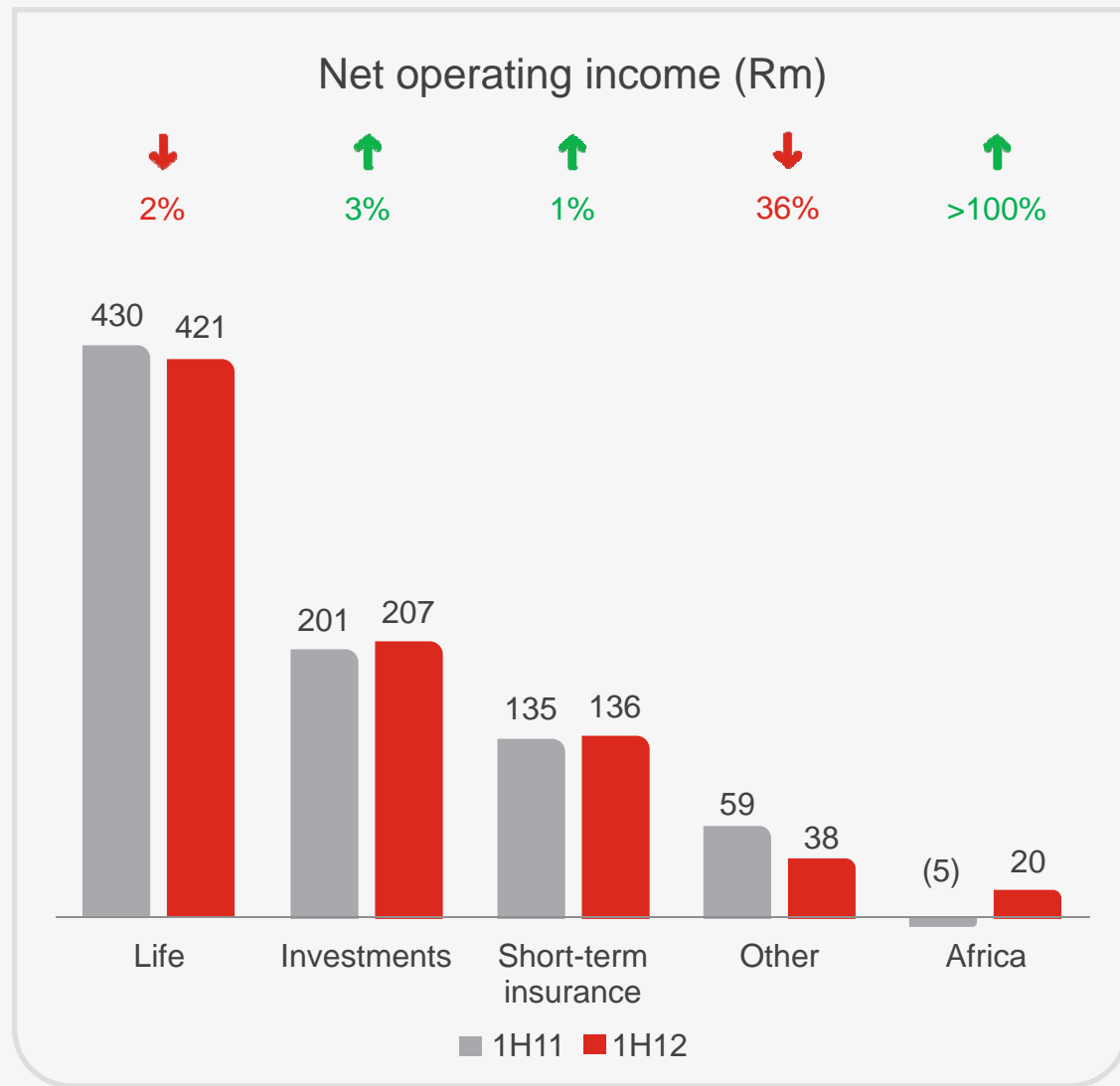
# Equity portfolio reduced Business Markets' earnings

- Transaction strategy successful
- Large equity portfolio write-down
- Underlying growth in South Africa
- Costs well contained
- Improving loan momentum
- Increased credit impairments



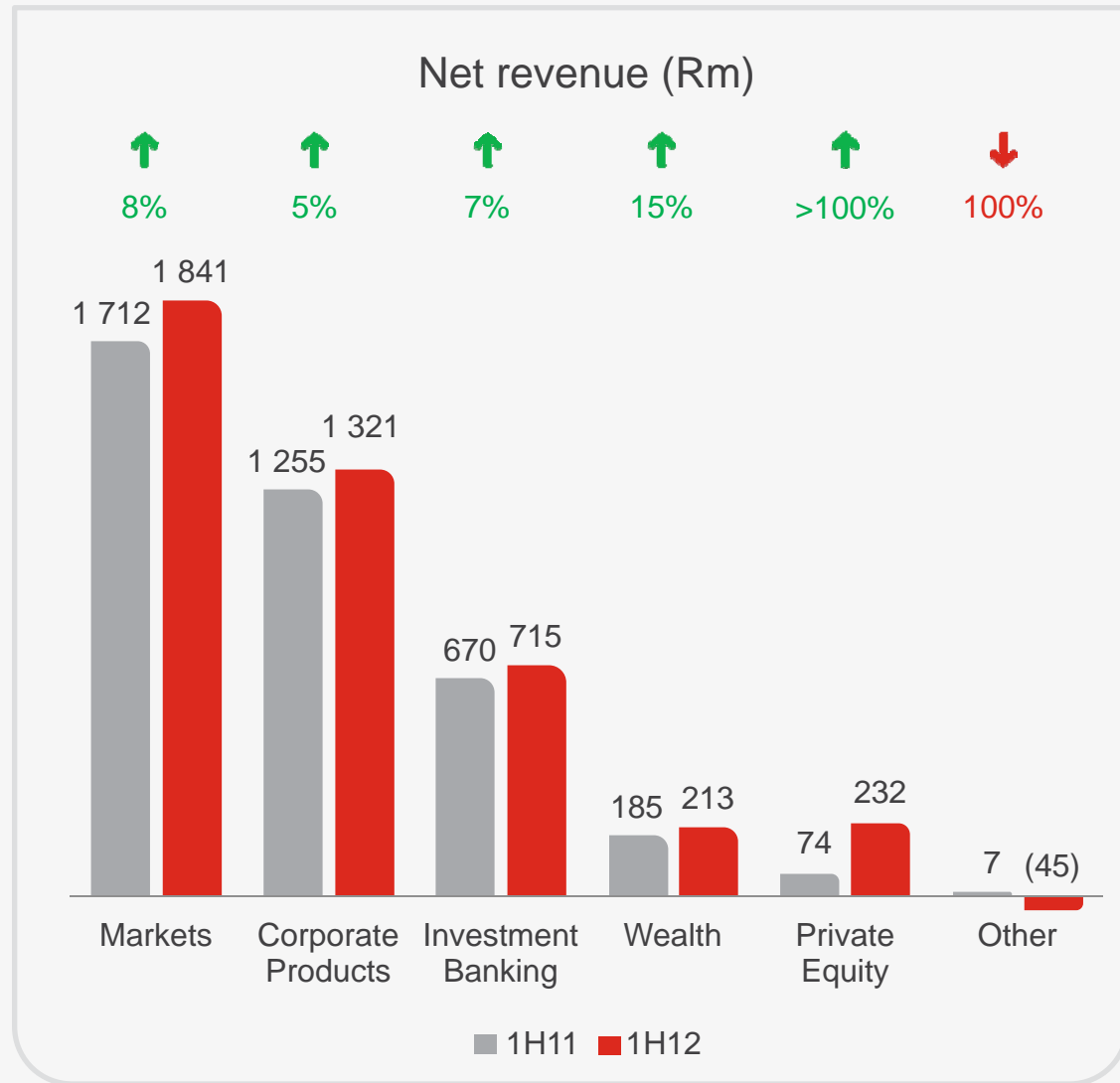
# Steady Financial Services performance

- Maintained attractive returns
- Investment income improved
- Strong growth in premium income, flat non-premium income
- Higher weather-related claims
- Operating expenses well contained
- Rest of Africa performed well



# Solid broad-based CIBW growth

- Strong performances in foreign exchange, Africa trading, equities and prime services
- Stable performance from Corporate
- Investment Banking growth driven by increased margin business
- Strong growth from Absa Wealth
- Improved underlying performance in equity investments





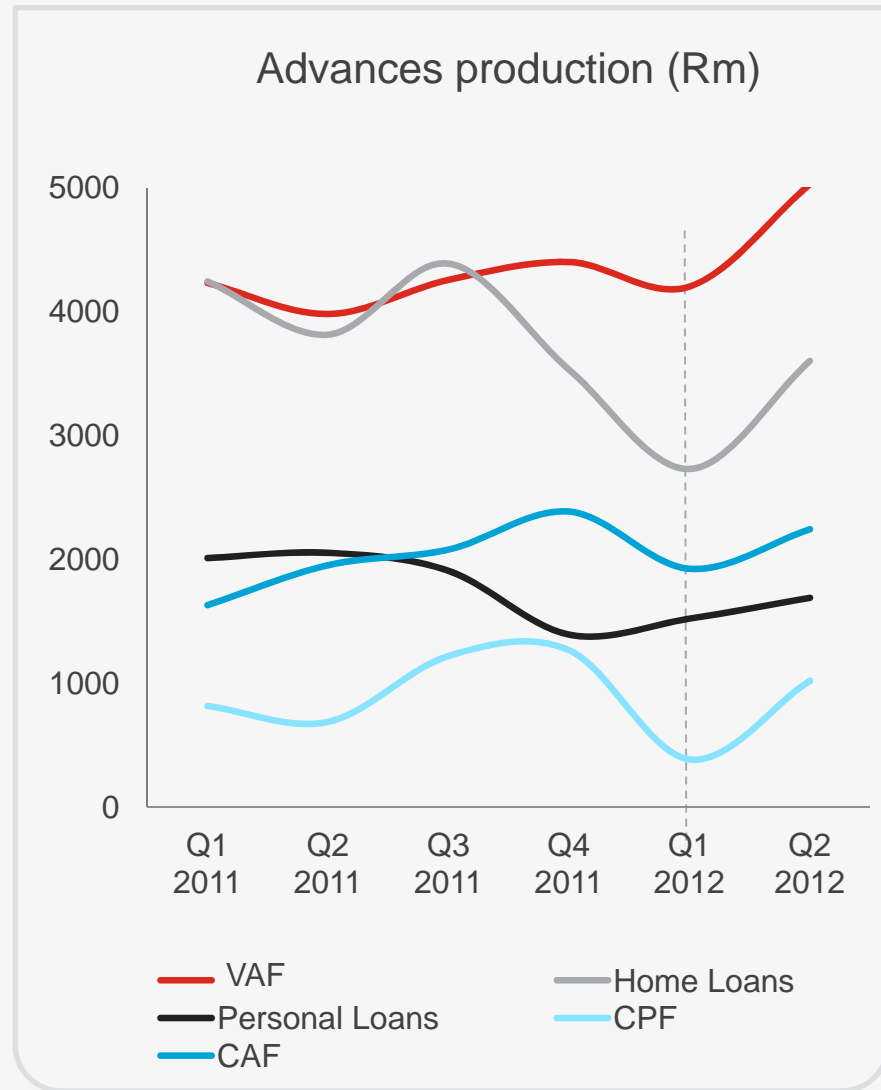
# Strategy and prospects

Maria Ramos



# RBB regaining momentum

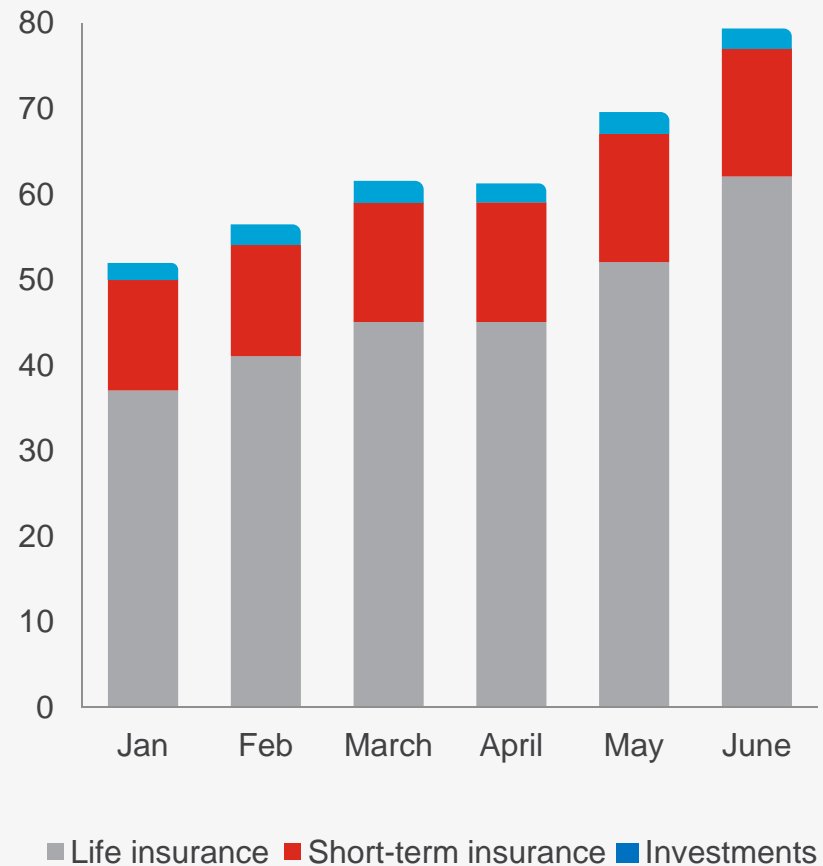
- Customer focus – improved processes and optimised branches
- Innovation – new products, simplified pricing and digital migration
- Advances production growth – return to growth across the franchise



# Financial Services returns attractive

- Operating models – entrenching the bancassurance and revised adviser model
- Efficient business – continue to leverage broader group
- Africa expansion – growth on the back of the Barclays footprint

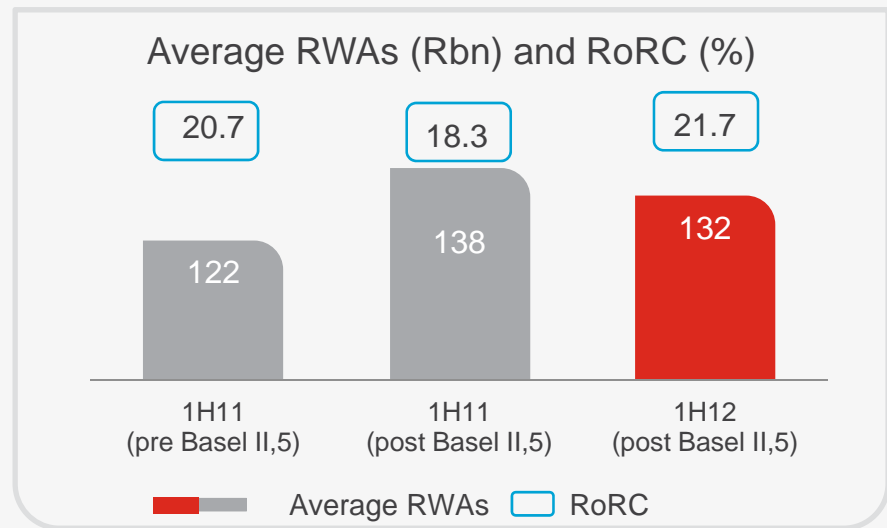
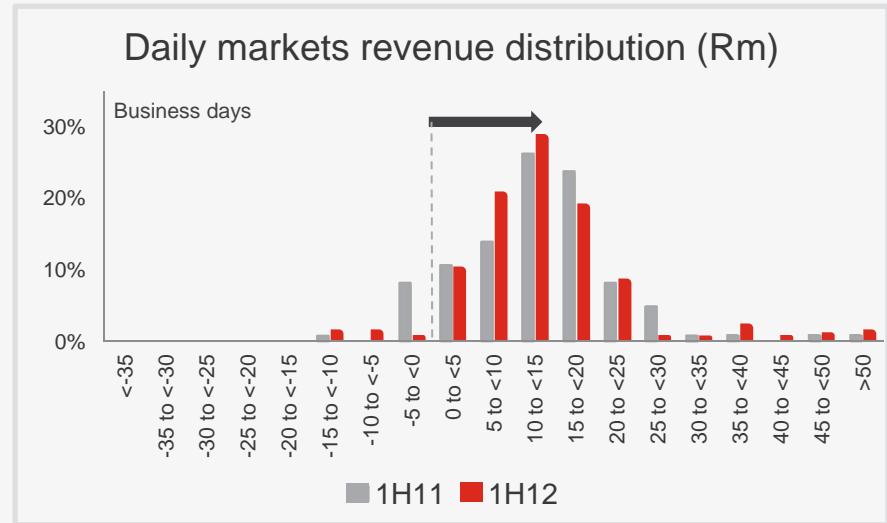
New business – policies and investments (thousands)





# CIBW client focus reflected in improving returns

- Integrated corporate and investment banking – seamless solutions for clients
- Africa expansion – strategy to follow clients together with Barclays
- Returns – focus on improving risk-adjusted returns in Basel environment



# What to expect

- Customer, customer, customer
- Driving One Africa opportunity
- Growing in target areas
- Efficiency an ongoing priority
- Further strengthen our balance sheet
- Continue to invest in talent



# Disclaimer

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