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Focus on investment banking

UBS Financial Services Conference

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17 October 2007

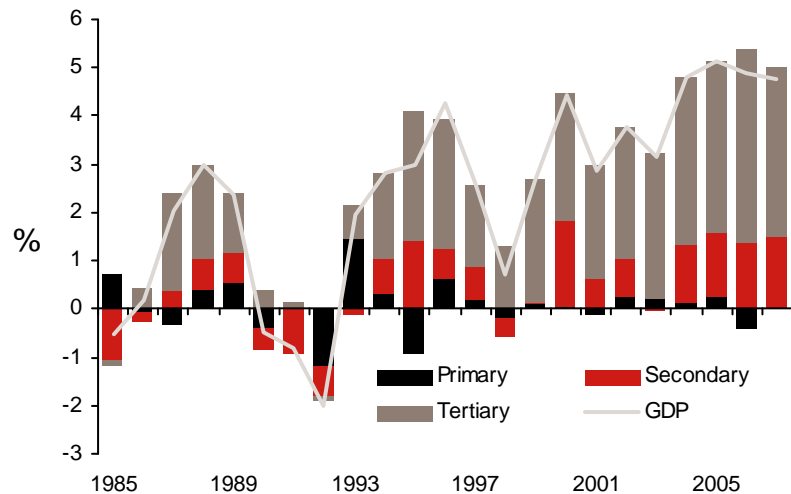
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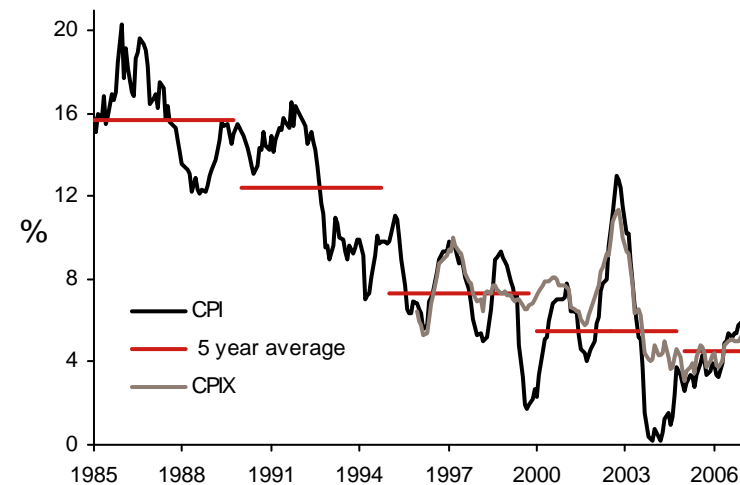
South Africa is a growth market for investment banking, supported by strong macroeconomics

- The South African economy is on a solid growth path
- This is good news for investment banks in South Africa

GDP growth (Q/Q annualised %)



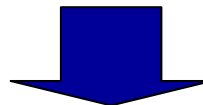
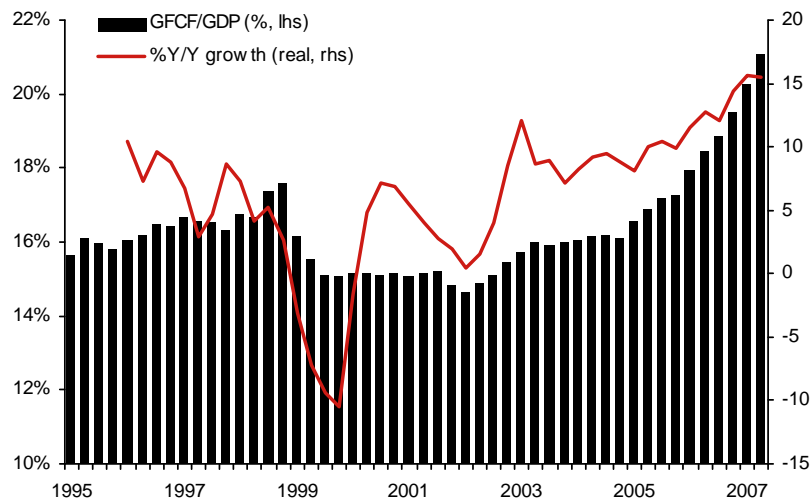
Inflation (annualised %)



... and investment-led growth at the microeconomic level

- Lower consumption-led growth (high debt levels & interest rates) in the coming quarters is being compensated by investment-led growth
- Exports likely to remain strong
- Africa to become a focus for investment in select locations and industries

Gross fixed capital formation/GDP



Solid macro and microeconomic environment creates strong demand for investment banking products and services

Absa Capital's business model is well-positioned to capture market opportunities

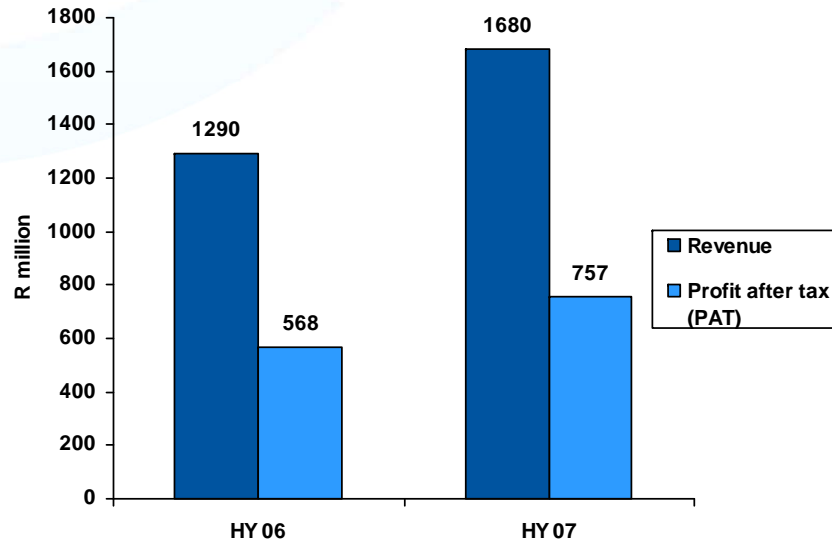
- Robust and flexible business model with global reach
 - Driven by front-office and back-office talent incentivised to maximise opportunities across the franchise
 - Supported by a risk management framework to anticipate, measure and manage risk appropriately (Credit Risk, Market Risk, Operational Risk, Legal, Compliance)



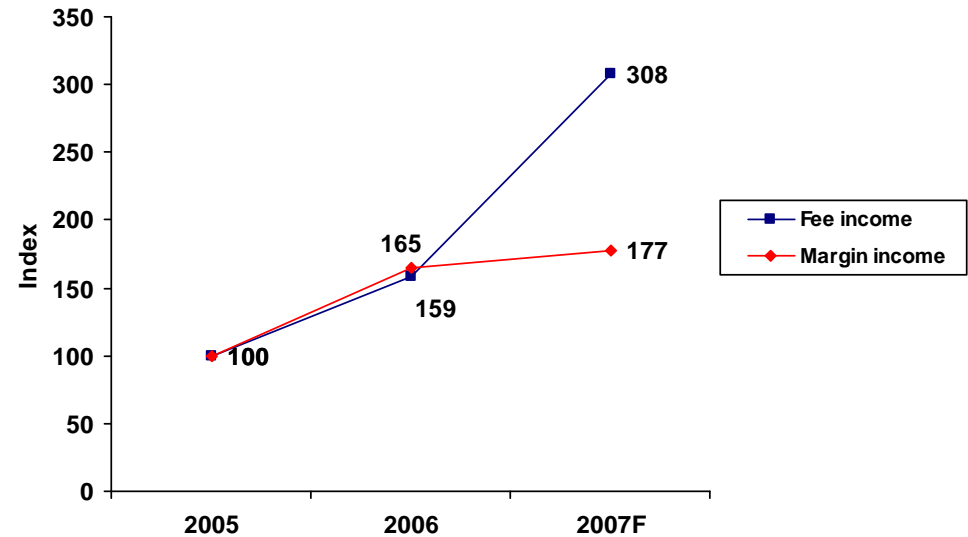
Strong local balance sheet coupled with global knowledge, distribution and technology

Our performance to date demonstrates the effectiveness of our model in the SA market

Absa Capital earnings HY* comparison



Fee and margin income: 2005 = 100



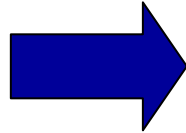
- Absa Capital launched in May 2006
- Strong growth YOY: Revenues 30%, PAT 33%
- On track for strong growth for FY 2007

- Fee income increasing relative to margin income as originate-and-distribute model takes hold

*Six months ended 30 June

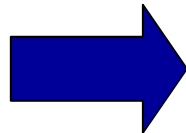
We see a number of bigger opportunities in the market ...

Debt Capital Markets



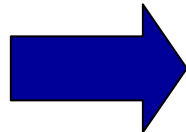
- 80% corporate debt sourced from banks
- Non-government ZAR bond market still new

Public infrastructure



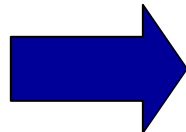
- R416 billion dedicated to infrastructure projects to 2010
- Strong development in power, rail & healthcare sectors

Derivatives



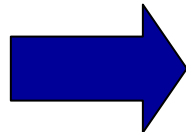
- Use of derivatives relatively low compared to international markets – strong growth opportunity

Private equity



- Relatively low debt-to-equity ratio in South African companies
- Rapid growth of the middle class driving earnings growth

Black Economic Empowerment



- R3,35 trillion of BEE equity still to be transferred
- Opportunity in re-financing and BEE leveraged buy-outs

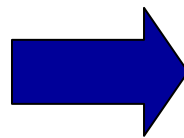
A number of current issues that pose a risk to investment banking performance

- Turmoil in the off-shore credit markets:
 - Exposure to sub-prime risk
 - Reduction in liquidity
- Higher interest rates
 - Demand for finance
 - Impact on funding
- Increased regulation
 - Basel II
 - Global compliance
- Increased globalisation
 - New entrants / competition
 - Capture of global demand

Impact?

The sub-prime crisis may cause a reduction in global growth, but also presents opportunities

- South Africa has low direct exposure to sub-prime assets
 - But we are exposed to indirect effects through globalisation
- Effects of the crisis likely to be positive for banking once the crisis has settled
- Risk that crisis may spill over and affect real growth in the major economies
 - Negative implications for South Africa

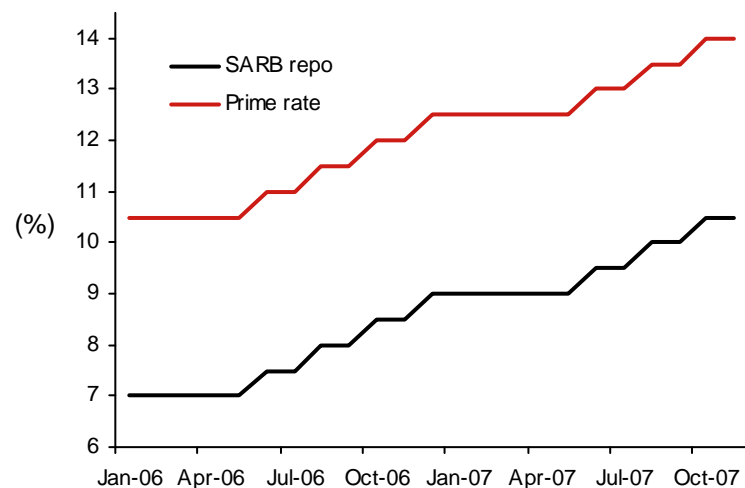


We don't expect a 'Northern Rock' in South Africa, but the crisis has yet to resolve itself

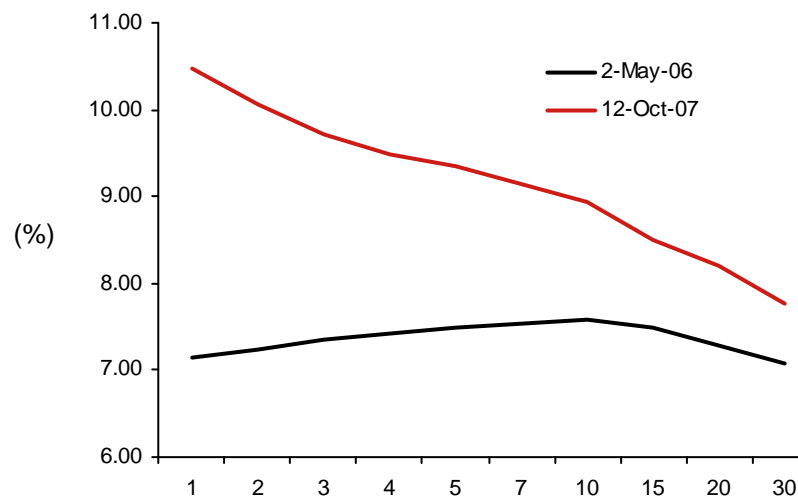
Higher ZAR interest rates restrict corporate loans, but encourage more creative use of the capital markets

- Interest rate cycle may have peaked (+350bp since June 2006)
 - But inflation still a concern, and may force further rate increases
- South Africa's growth prospects outweigh interest rate concerns
- Absa Capital is well-positioned to make the most of high interest rates

Short-term rates



Long-term rates (inverted yield curve)



We see Basel II and globalisation as competitive opportunities for Absa Capital

Basel II:

- Basel II will force banks to be more careful with their capital
- Lower impact on investment banks that focus on origination and distribution (such as Absa Capital) rather than asset gathering

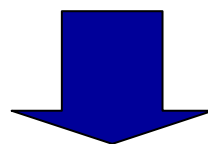
Globalisation

- Globalisation presents both opportunities and threats to investment banks:

| OPPORTUNITIES | THREATS |
|---|--|
| <ul style="list-style-type: none">- Drives demand for financing and risk management solutions | <ul style="list-style-type: none">- Exposure to international sentiment and volatility |
| <ul style="list-style-type: none">- Boosts economic growth | <ul style="list-style-type: none">- New entrants into the market |

While the risks to investment banking profitability have increased, we maintain a positive outlook on the future

- Investment banks operate in an environment of risk
 - If the correct controls are put in place to anticipate, measure and mitigate risks ...
 - And the business has a diversified strategy of products, services and investments
- ⇒ Then investment banks are well-placed to profit in all market conditions



Absa Capital, which builds off the Barclays Capital business model and global franchise, is well-placed to grow market share in South Africa