

Absa Group Limited

Financial Results
For the year ended 31 December 2008



Financial Overview

Jacques Schindehütte
Group Financial Director

Financial Highlights

- Attributable earnings of R10,6bn (↑ 10%)
- Headline earnings of R9,9 billion (↑ 5%)
- Diluted headline earnings per share of 1 412 cents (↑ 7%)
- Dividends per share of 595 cents (↑ 6%)
- Net asset value per share of 6 950 cents (↑ 26%)
- Return on equity of 23.4%
- Tier 1 capital ratio of 11.6%

Strong Growth From Commercial & Investment Banking

	Earnings Rm	Earnings growth %	Earnings composition %	RoE %
Retail Bank	3 706	(25)	35	20
Commercial Bank	2 806	30	26	25
Absa Capital	2 249	30	21	21
Bancassurance	1 597	6	15	40
Corporate Centre	691	-	7	-
Preference Dividends	(457)	(46)	(4)	-
Absa Group	10 592	10	100	23

A Resilient Performance

	2008 Rm	2007 Rm	Change %
Net interest income	21 795	18 890	↑ 15
Non-interest income	21 115	16 756	↑ 26
Top line revenue	42 910	35 646	↑ 20
Impairment charge	(5 839)	(2 433)	↑ 140
Operating expenditure	(21 935)	(19 209)	↑ 14
Taxation	(3 966)	(4 052)	↓ 2
Attributable earnings	10 592	9 595	↑ 10
Headline earnings	9 908	9 413	↑ 5

Capital and Liability Focus

Assets	2008 Rbn	Growth %
Retail advances	348	11
Commercial Advances	120	33
Absa Capital advances	64	21
Total advances	532	17
Trading assets	79	205
Investments	29	(5)
Other interest bearing	103	5
Other non-interest-bearing	31	1
	774	21

Capital and Liabilities	2008 Rbn	Growth %
Retail deposits	135	32
• High margin	78	11
• Low margin	57	79
Commercial deposits	100	29
Institutional funding	368	7
Other liabilities	107	63
Secondary capital	12	24
Primary capital	52	23
	774	21

Interest Margin Remains Under Pressure

Basis Points

	Margin Compression
Decline in margin on total assets	35
<ul style="list-style-type: none">• Increase in non-interest earning assets	(15)
Decline in margin on interest-earnings assets	20
Represented by:	
<ul style="list-style-type: none">• Advances pricing and composition	3
<ul style="list-style-type: none">• Endowment impact on capital	7
<ul style="list-style-type: none">• Deposit pricing and composition	2
<ul style="list-style-type: none">• Cost of wholesale funding	(16)
<ul style="list-style-type: none">• Hedging activities	(14)
<ul style="list-style-type: none">• Other	(2)

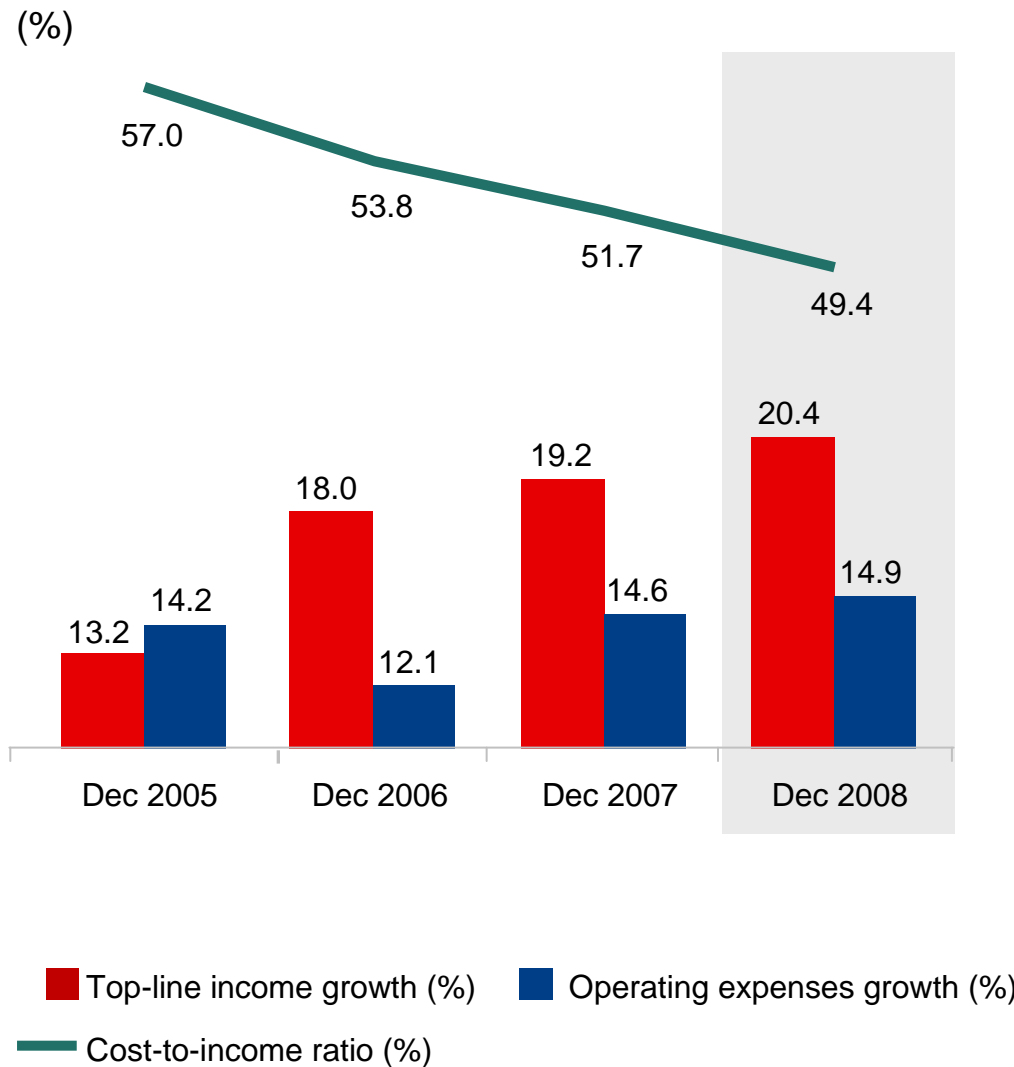
Strong Growth in Non-interest Income

	2008 Rm	Change %	Mix %
Net fee and commission income	13 343	↑ 15	66
Net trading income	2 111	↑ 92	10
Bancassurance – premium income and policyholders' benefits	2 156	↑ 12	11
Hedging activities and other income	1 062	↑ 21	5
Investment income	1 703	↑ 6	8
Non-interest income (excl. Visa IPO)	20 375	↑ 22	100

Prolonged Higher Rates Impact on Recovery Values

Impairments	NPLs		Impairment Ratios		
	2008 %	2007 %	2008 %	2007 %	2008 H1 %
Retail Bank	5.0	2.2	1.68	0.74	1.21
• Home loans	5.4	2.2	1.19	0.26	0.81
• AVAF	3.3	1.5	2.31	1.14	1.57
• Card	7.5	7.6	5.65	3.50	4.46
• Instalment / products	9.8	6.5	8.15	5.34	8.01
• Transactional products	3.8	3.4	0.82	0.97	0.85
Commercial Banking	0.9	0.9	0.28	0.37	0.35
Total	3.5	1.8	1.19	0.58	0.93

Improved Cost-to-income Ratio



- Staff rationalisation
- Consolidated regional structures from 10 to 6
- Reduction in head office structures
- Closure of under-performing branches
- Reallocation of under-performing ATM's
- Introduced streamlined processes in collections

Strong Capital Position

Capital Demand	2008 Rbn	Mix %
Credit risk	294	77
• Retail	141	48
• ACBB	69	23
• Absa Capital	55	19
• Africa and other assets	29	10
Operational risk	45	12
Market risk	5	1
Equity risk	37	10
Total RWA's	381	100

Capital Adequacy (%)	Bank	Group
Core Tier I	9.7	10.3
Tier I	11.0	11.6
Tier II	3.0	2.5
Total	14.0	14.1

Capital Generation (Rbn)	
Profit for the period	11.2
Growth in RWA	(5.1)
Dividends	(4.4)
Free cash flow	1.7

- Rigorous focus on capital demand and RoEC
- Batho Bonke conversion - June 2009

On Reflection – A Resilient Performance

- Non retail businesses excel
- Retail impairments building to a peak but well controlled
- Advances growth and margin under pressure
- Responsive approach to cost management
- Capital and Risk Management intensified

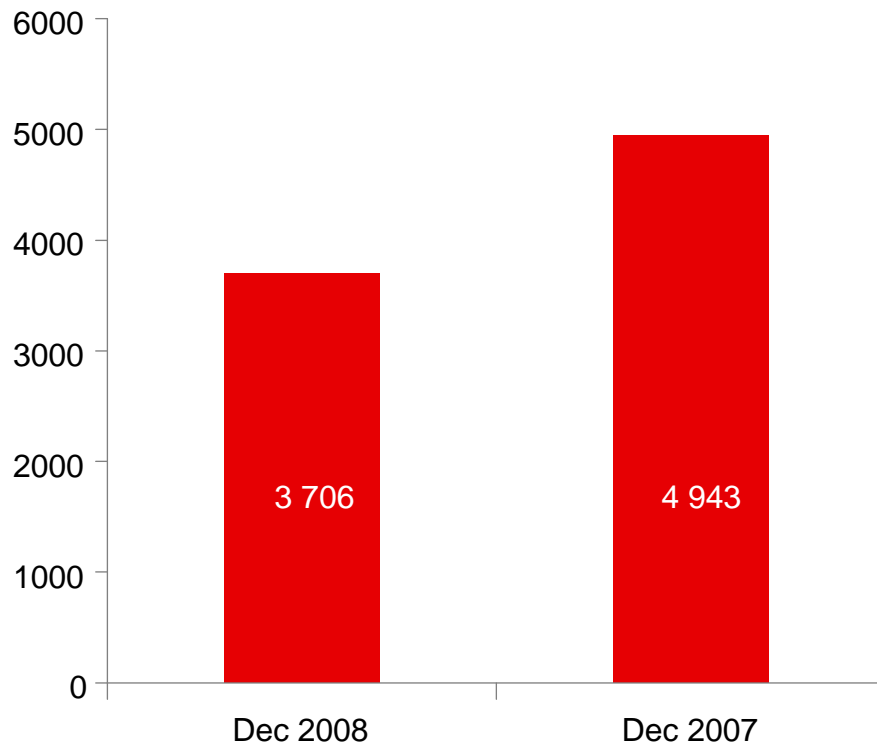


Retail and Commercial Bank Overview

Louis von Zeuner
Chief Executive

Financial Highlights

Attributable Earnings (Rm)



- Revenue of R24.9 billion (↑ 15%)
- Attributable earnings of R3.7billion (↓ 25%)
- Contribution to Group earnings of 35.8% (F07 contribution: 47.8%)
- Sharp rise in impairments of 159%
- Cost to income ratio declines to 54%

Key Performance Highlights

- Largest individual deposit base
- 10 million customers banked with Absa (↑ 12%)
- Strong growth in electronic channels
 - Internet users increased 14% to more than 1 million users
 - Internet transactions increased 25%
 - Cellphone banking transactions increased 74%
- Leading banking brand
- Largest distribution footprint

Advances Growth Slowing, 32% rise in Deposits

Gross Loans and Advances (Rm)		Dec 2008	Dec 2007	Change %	Market share ¹
Mortgage loans		252 704	225 713	12	→ 1
Vehicle finance		47 798	47 159	1	→ 3
Card advances		19 522	13 831	41	↑ 2
Instalment loans		14 665	12 459	18	↓ 2
Total net loans and advances	Rm	347 084	311 803	11	→ 1
Deposits due to customers	Rm	134 985	101 944	32	↑ 1

¹ Market share per BA900 Jan 08 to Nov08

Strong Revenue Growth From Unsecured Lending

Total Income (Rm)	Dec 2008	Dec 2007	Change %
Secured			
• Home loans	4 180	3 891	7
• AVAF	2 578	2 350	10
Unsecured			
• Card	3 057	2 476	23
• Instalment loans	4 049	3 087	31
Transactional products and deposits ²	11 045	9 766	13
Total	24,909	21 570	15

- Increase in overall margin on net assets due to strong retail deposit growth, despite the higher cost of wholesale funding
- Improvement in advances margins due to application of risk based pricing
- Lengthening of average repayment period in home loans
- Transaction volumes in core products increased by 5.2%
- Strong growth in electronic banking volumes

² Includes Personal Loans, which was transferred to Unsecured cluster 1 January 2009

Consumer Distress Impacting Impairment Levels

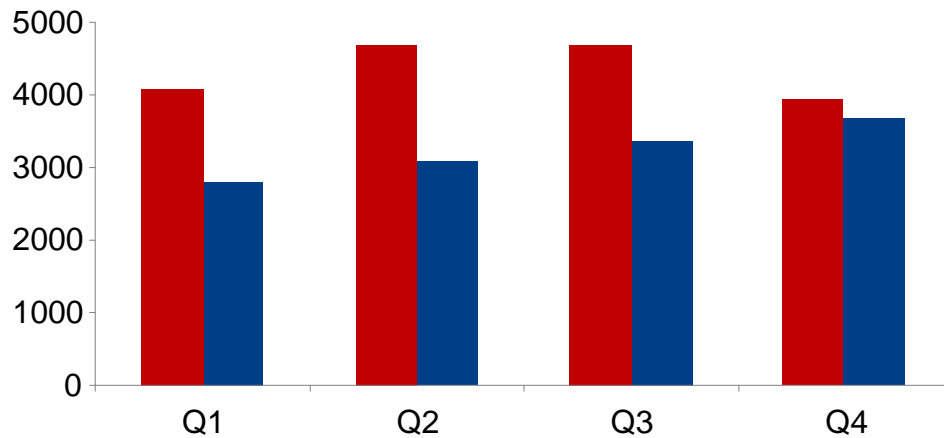
Impairment Ratio	Dec 2008	Dec 2007	Change %
Secured			
• Home loans	1.19	0.26	358
• AVAF	2.31	1.14	103
Unsecured			
• Card	5.65	3.50	61
• Instalment loans	8.15	5.34	53
Transactional products and deposits ³	0.82	0.97	(15)
Total	1.68	0.74	127

- Sustained period of rising interest rates and high inflation
- Reduced ability of customers to service debt
- Impairments accelerated towards the later part of the year, due to:
 - deteriorating security values
 - lag effect as a result of the maturity of the ABSA book

³ Includes Personal Loans, which was transferred to Unsecured cluster 1 January 2009

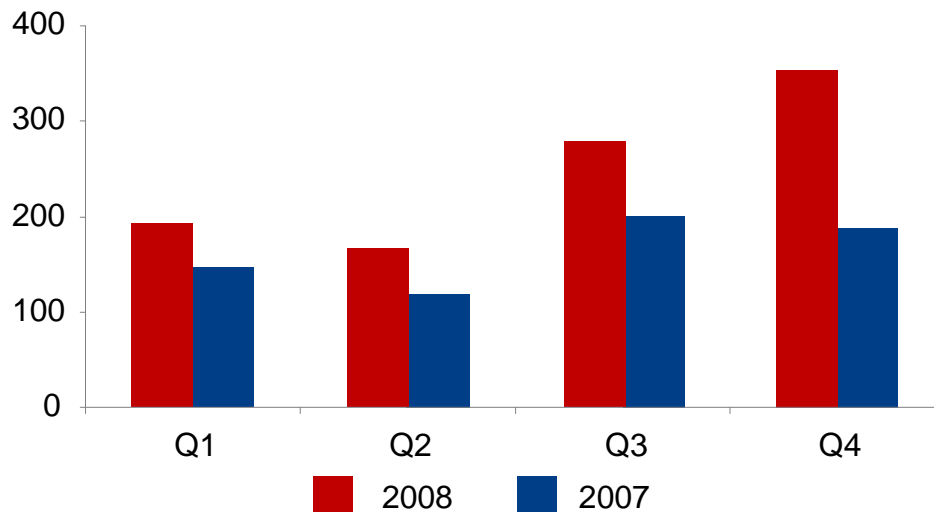
Repossessions Continue to Rise

Vehicle Repossessions



- Number of vehicles repossessed has increased 35% year on year
- Number of vehicles repossessed in Q4 2008 18% down on peak in Q3
- 76% of vehicles repossessed are sold within 60 days

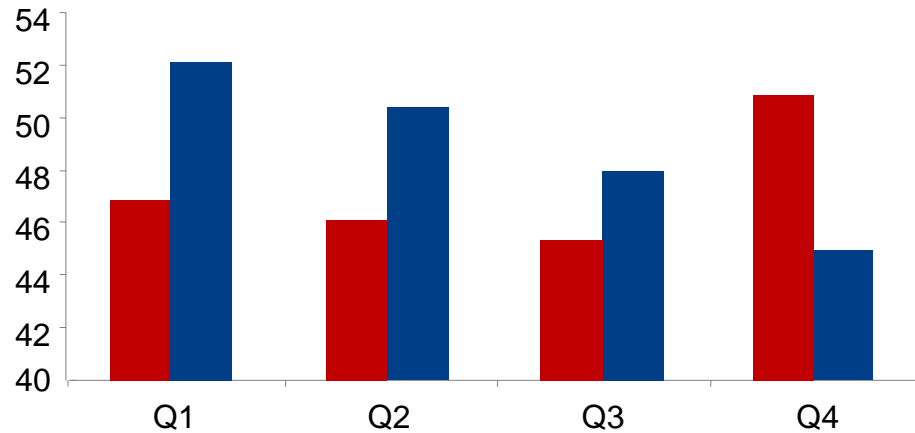
Property Sales in Execution



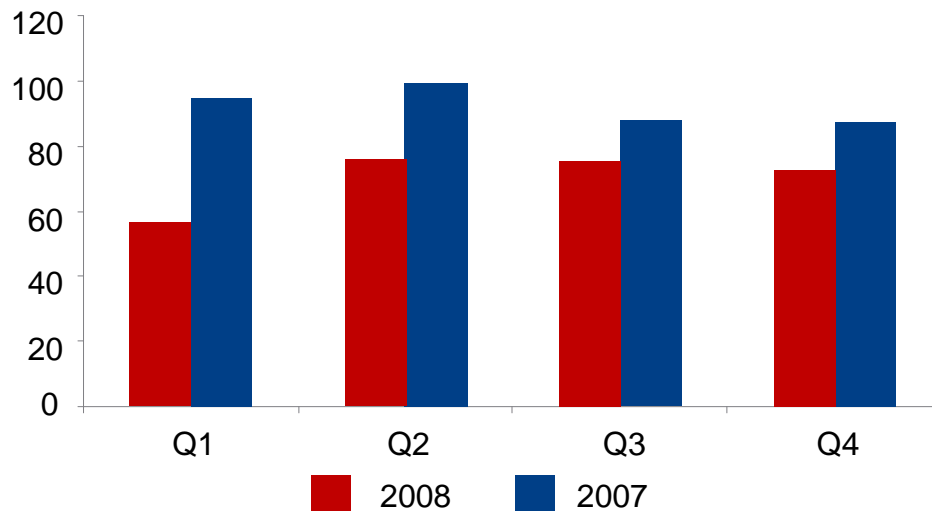
- Number of houses sold in execution has increased 52% year on year
- 90% of houses repossessed are sold within 18 months

Recoveries are Under Pressure

Vehicle Recovery %

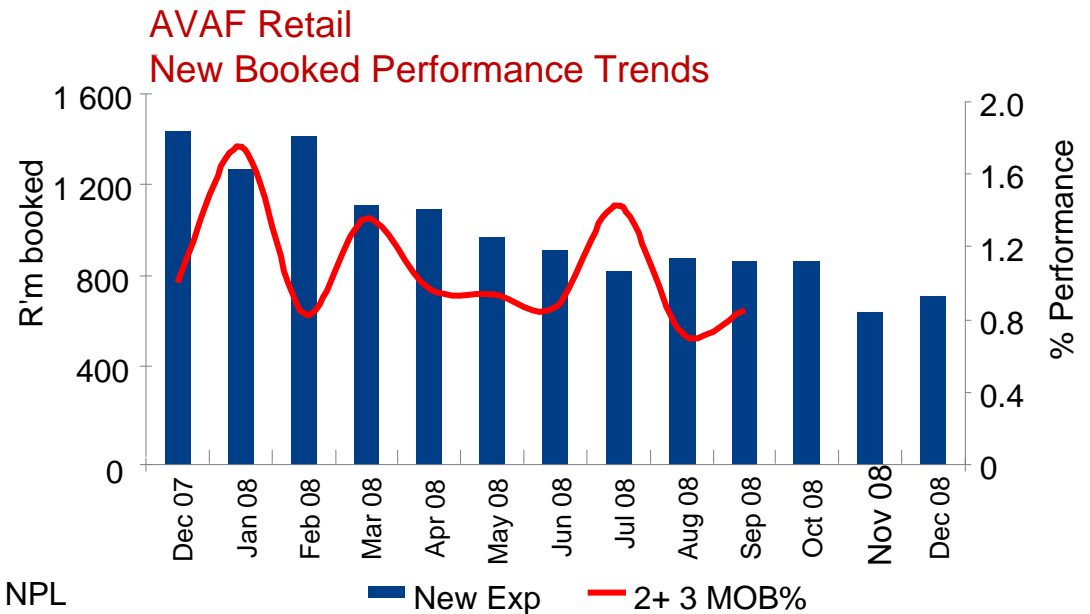
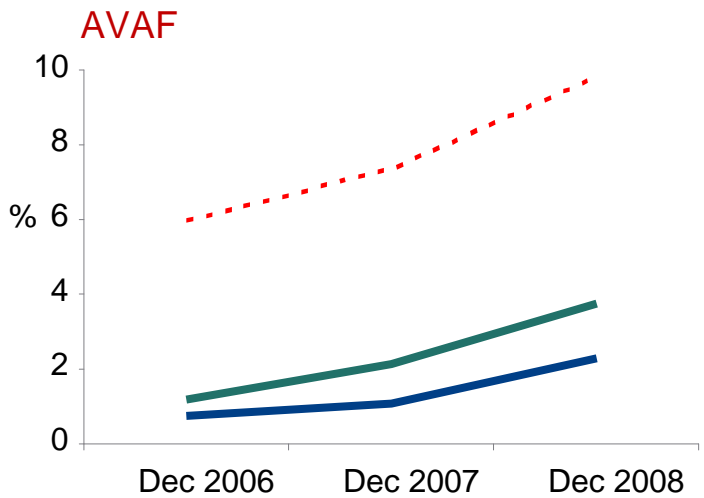
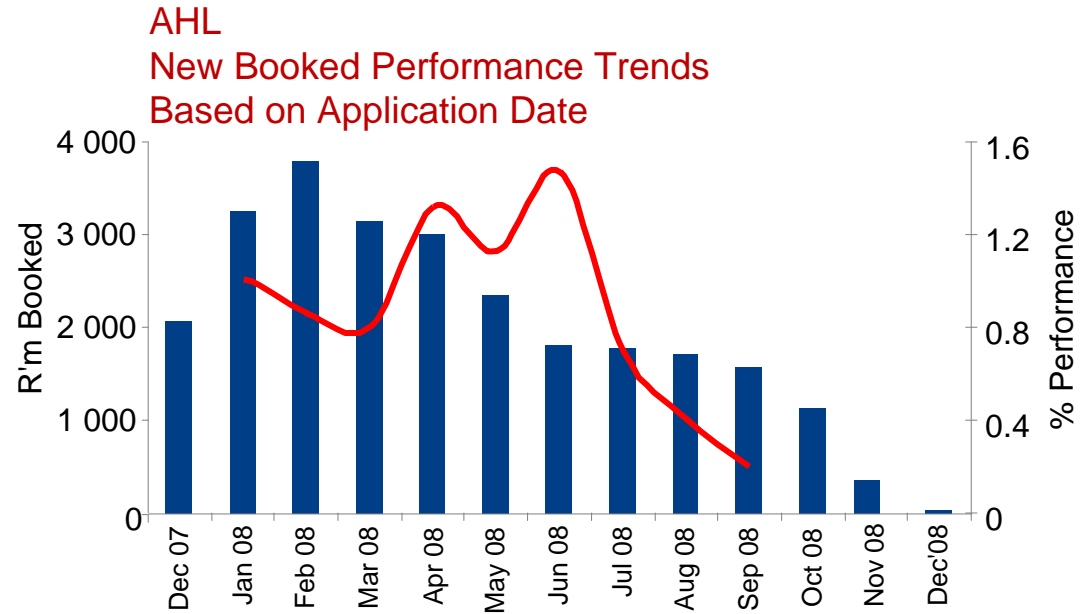
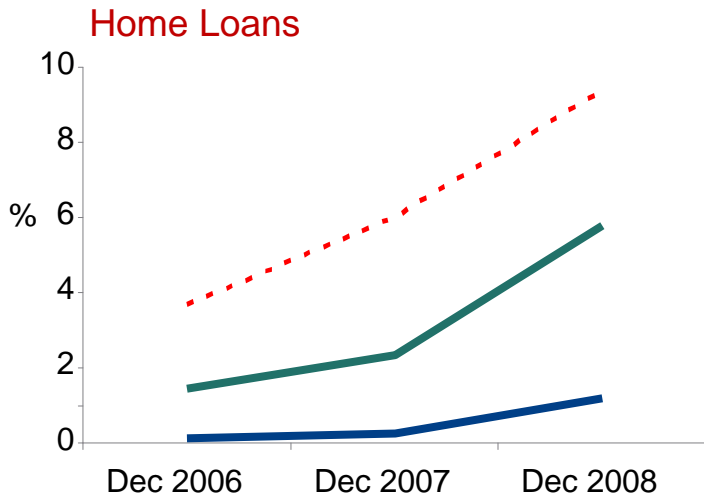


Property Sales in Execution Recovery %



- AVAF recovery as a percentage of debt outstanding is more resilient
- Average sales value per vehicle is up 2% year on year
- Sales in execution recovery percentage down from average 91% in 2007 to 77% in 2008
- Sales in execution recoveries expected to continue to decline through 2009

Higher Impairments Driven by Delinquencies and NPL's

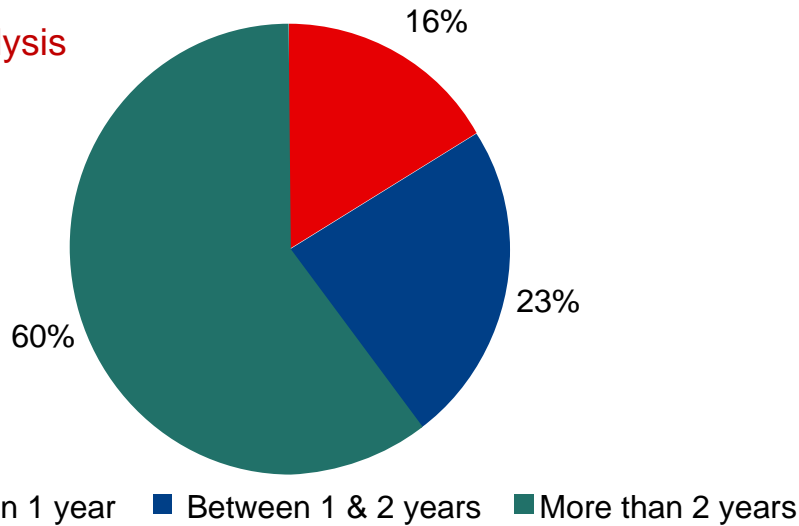


--- Delinquency Ratio — Impairment Ratio — NPL

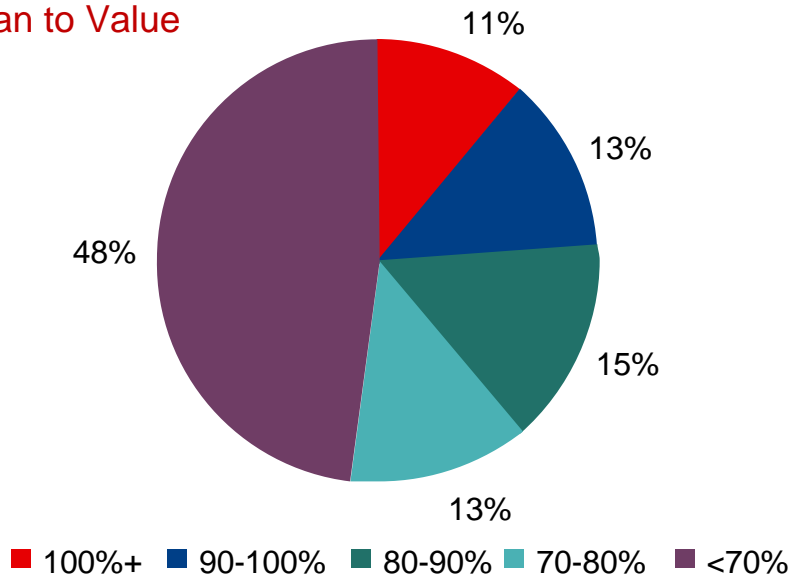
— New Exp — 2+ 3 MOB%

Quality Long Dated Home Loans Book

Age Analysis



Loan to Value



- 60% of book older than 2 years
- Less than 1 year granted under more stringent criteria
 - Loan to value caps
 - Affordability
 - Ability to repay
- 76% of book has less than 90% LTV
- LTV ratio's will continue to improve with more stringent lending criteria

Outlook

- Impairments remain a challenge
- Advances growth to slow further
- Risk of rising unemployment
- Slow down in property price growth

Proactive Risk Management

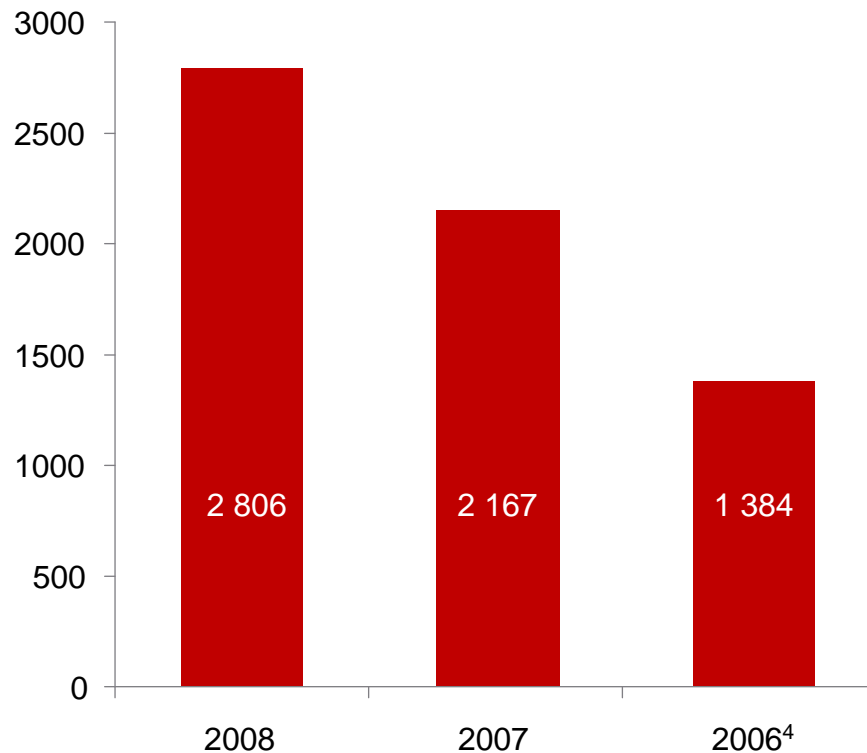
- Grow retail deposits
- Risk based pricing
- Capitalise on cost management initiatives
- Improve cross sell opportunities



Commercial Bank Overview

Key Highlights - ACBB

Attributable Earnings (Rm)



- Attributable earnings of R2.8billion (↑ 30%)
- Revenue of R8.7billion (↑ 20%)
- Transaction volumes up 10%
- Impairments well controlled, impairment ratio of 0.28 %
- Cost to income ratio improves from 51.8% to 49.8%
- Contribution to Group earnings of 27.1% (F07 contribution: 20.9%)
- Growth in advances of 33.1%
- Deposits up 29.0%

⁴ excl CAF & Africa

Strong Advances and Deposit Growth

Abridged Income Statement (Rm)	Dec 2008	Dec 2007	Change %
Net interest	5 937	4 725	26
Non interest income	2 763	2 500	11
Impairments	(287)	(288)	-
Operating costs ⁵	(4 402)	(3 752)	17
Profit before tax	4 011	3 185	26
Attributable income	2 805	2 167	29
Abridged Balance Sheet (Rm)			
Loans and advances	120 280	90 340	33
Deposits	100 046	77 554	29

⁵ Net of earnings from joint ventures

Outlook

- Marginal rise in impairments
- Advances growth slowing
- Synergies with Absa Capital
- Further product and income diversification

Proactive Risk Management

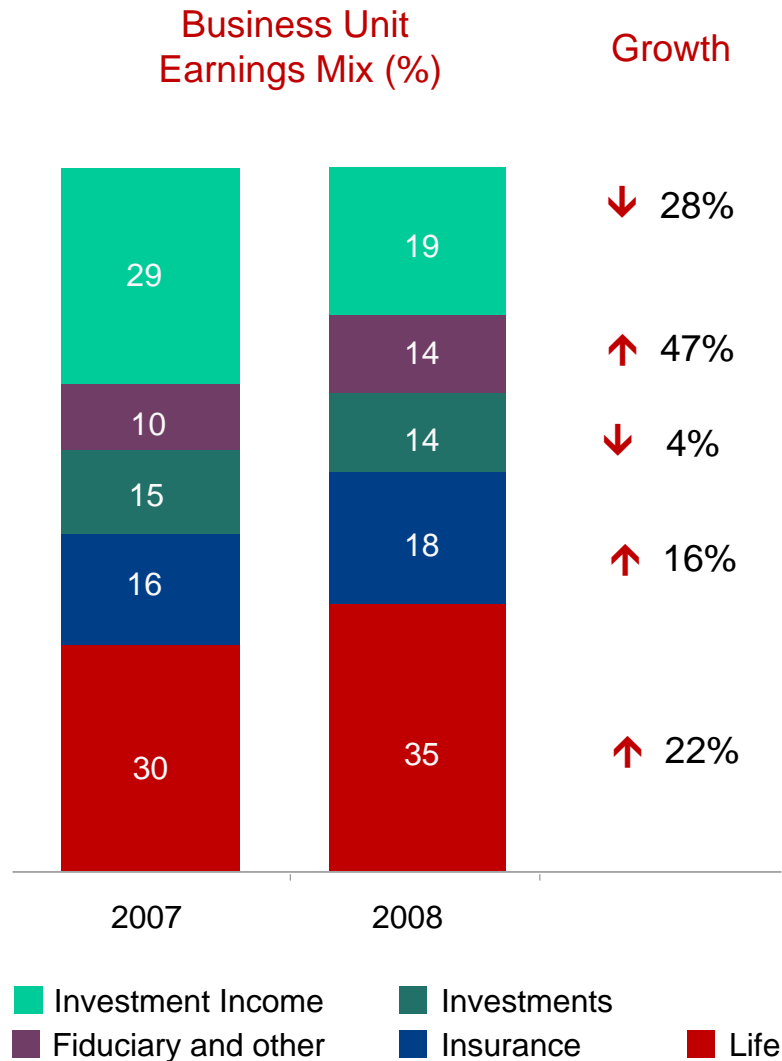
- Margin Management
- Capital management
- Pricing for Risk
- Containment of Costs



Absa Financial Services Overview

Willie Lategan
Chief Executive

Financial Highlights



- Attributable earnings of R1 597m (↑ 6.3%)
- Operational earnings (↑ 16.4%)
- Investment income contribution to earnings of 19% (FY07: 29%)
- Net inflow of non - money market mandates of R9,4bn (↑ 17%)
- Short term Insurance gross premium income (↑ 19%)
- Embedded value of new business at R331m (2007: R213m) (↑ 55%)

Key Performance Highlights

- Reduced volatility of earnings and reliance on investment income
- Investment performance by Absa Asset Management
- Expansion of distribution capacity
- Scale in Employee benefits business
- Successful product initiatives (@Ease; Absa idirect; MyAbsa)
- Solutions for commercial customers implemented

Absa Life Writing Profitable Business

Life Insurance		Dec 2008	Dec 2007	Change %
Gross premium income	Rm	1 207	1 202	↑ 0.4
Embedded value of new business	Rm	331	213	↑ 55.4
Return on embedded value	%	35.7	21.8	↑ 13.9
CAR ratio		3.6	4.7	Target 2.5x

- Improved new business margins to 7.4% (FY07: 5.3%)
- Continued good underwriting experience
- Successful launching of @Ease, mass market solutions
- Strong growth in branch sales
- Diversification from credit related business, whilst improving cross sell

Insurance Top-line Growth Whilst Maintaining Quality

Short-term Insurance		2008	2007	Change %
Gross premium income	Rm	2 764	2 305	↑ 19.3
Underwriting profit	Rm	263	255	↑ 3.1
Underwriting margin	%	10.2	11.5	↓ 1.3
Solvency margin	%	79.6	89.3	Target 60%

- Growth in both the personal and commercial business
- Successful launching of Absa *idirect* contributed to premium growth
- Turnaround of motor and personal lines to profitability
- Commercial results reflect a challenging environment
- Target solvency margin reduced to 60% of NWP

Core Performance Drivers

- Unique and differentiated Bancassurance business model
- Well diversified portfolio of products & services
- Largest broker distribution network in SA
- Shared infrastructure with Absa Group

Strategic Focus

- Drive organic growth by focusing on key customer value propositions
- Accelerate cross sell ratios
- Accumulate assets under management
- Grow distribution capacity
- Improve the retention of existing customers and assets
- Leverage synergies with Absa Group and Barclays
- Grow Africa bancassurance business
- Operational excellence and efficient capital management

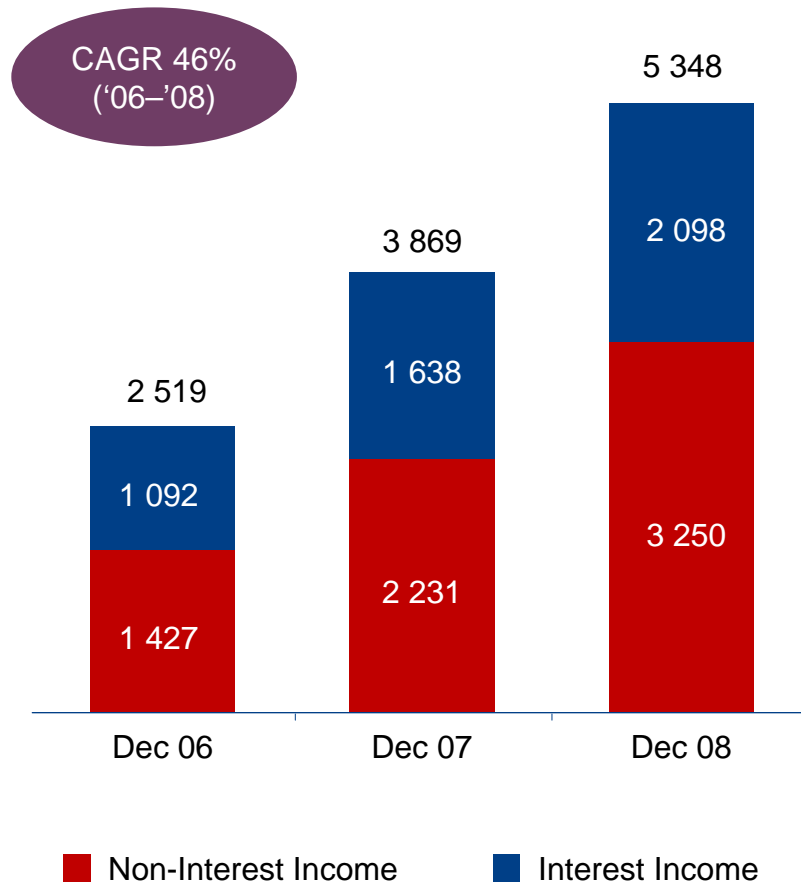


Absa Capital Overview

John Vitalo
Chief Executive

Revenue and Attributable Earnings Grew Strongly

Revenue (Rm⁶)



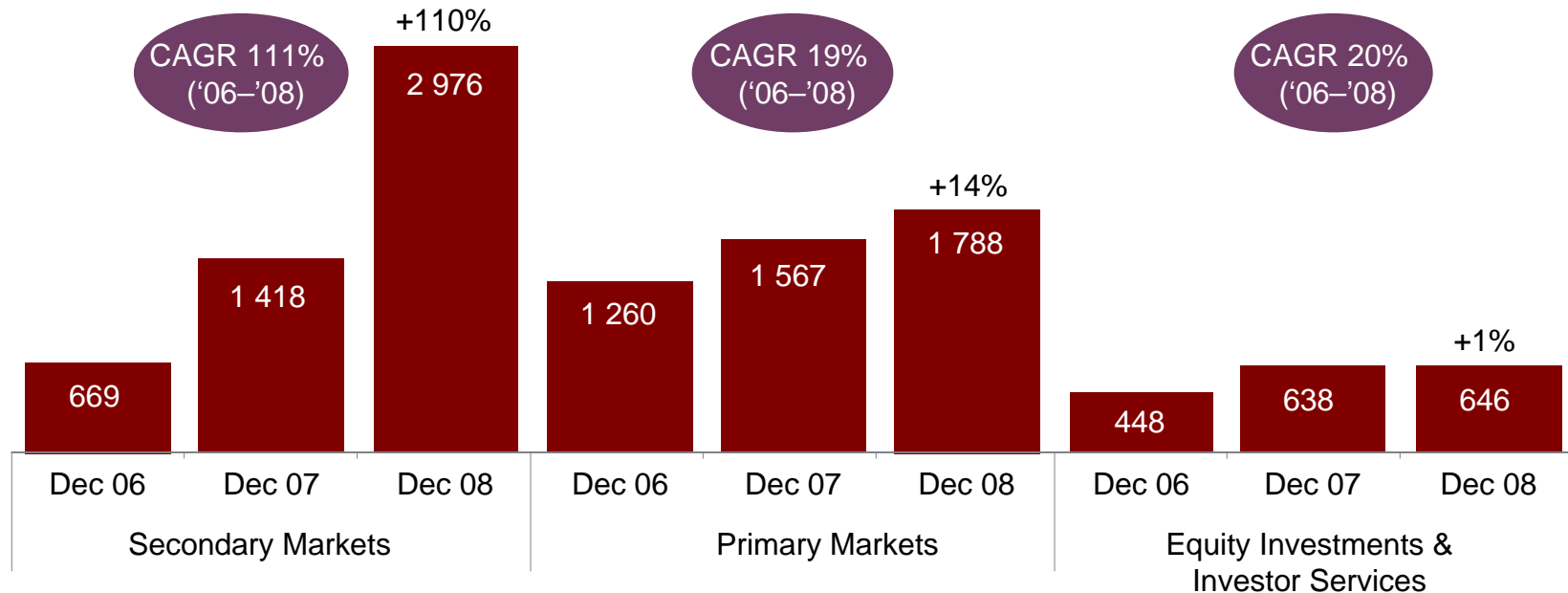
- Revenue of R5.3billion (↑ 38%)
- Attributable earnings of R2.2billion (↑ 30%)
- Contribution to Group earnings of 21.7% (F07 contribution: 16.8%)
- Growth in non-interest income mainly due to continued strength in Secondary Markets

⁶ Gross of impairment losses on loans and advances

Growth in Revenue Across All Business Units

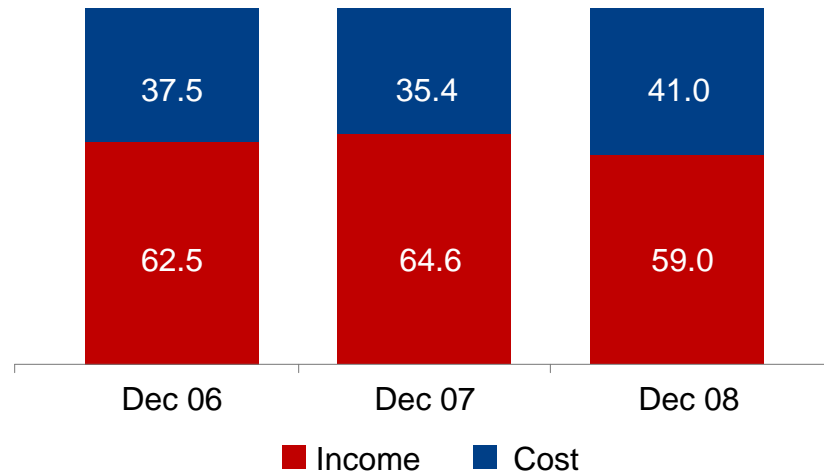
- Strong revenue growth in Secondary Markets
- Primary Markets performed well despite challenging capital market conditions
- Equity Investments and Investor Services delivered revenue on par with prior year with fluctuations offsetting in various business areas
- Strong revenue growth and change in business mix achieved without increase in Risk Weighted Assets

R million

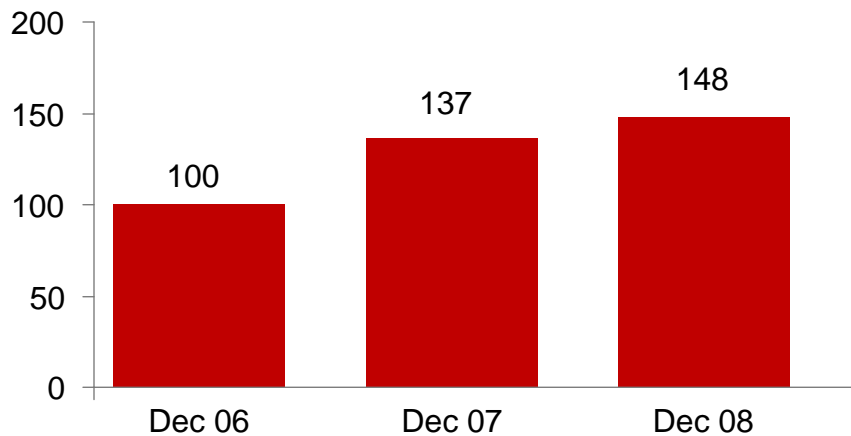


Strong Focus on Cost Management and Productivity

Cost to Income Ratio (%)



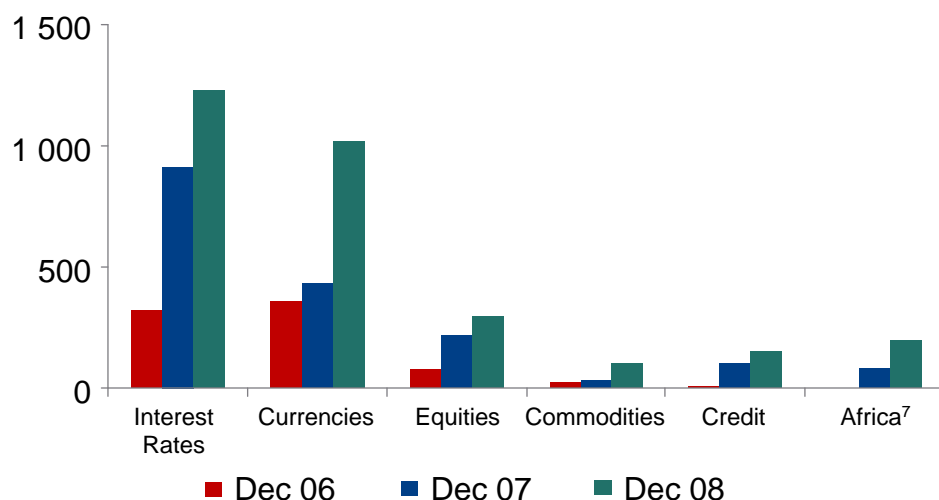
PAT Per Average Head (Indexed to 100)



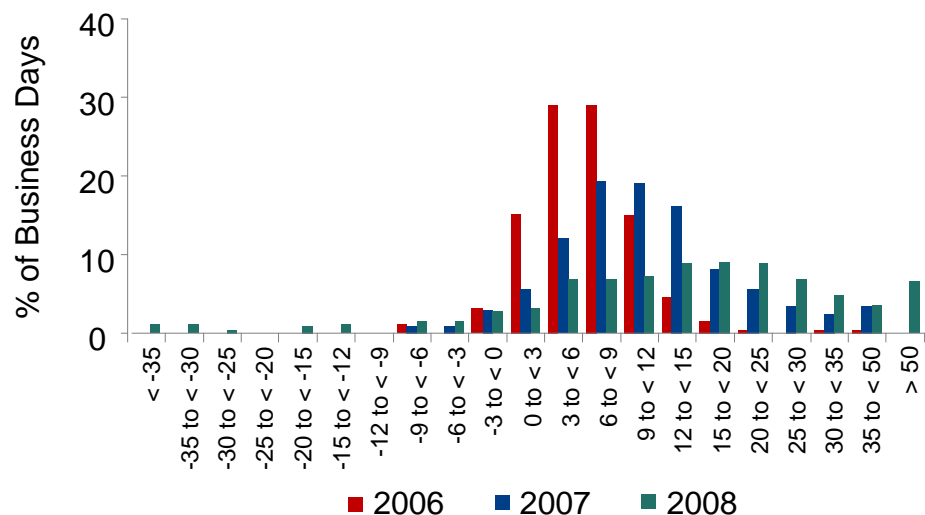
- Business continues to have a strong focus on cost management
- Cost management approach – cost base responsive to revenue conditions
- Productivity per head continues to grow year on year

Secondary Markets Continued to Grow Revenue Rapidly

P&L Distribution Per Significant Product (Rm)



P&L Distribution (Rm)

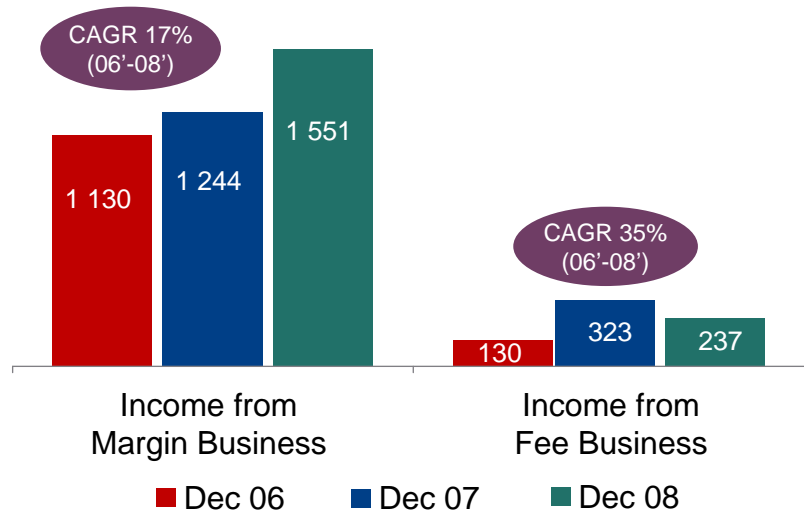


- Revenue growth of 110%
- Contributed 55.0% to Absa Capital's revenue
- P&L distribution has shifted to the right (compared to prior years - increased days with positive P&L)
- Good growth in Sub-Saharan Africa business
- Performance driven by:
 - Increased trading flows from new and existing clients
 - Broadening of the product offering
 - Greater use of risk management products by clients
 - More effective risk management

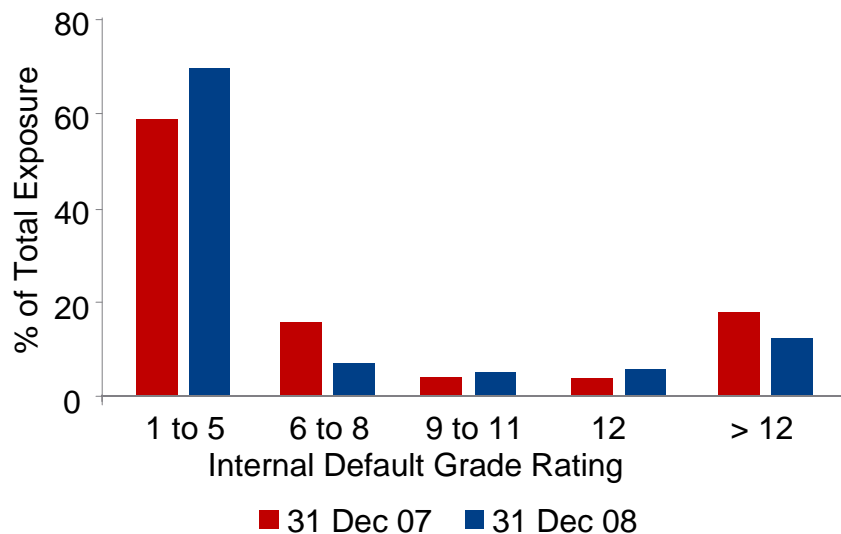
⁷ Sub-Saharan Africa has been included into the 2008 results and restated for 2007; no restatement has been made for 2006

Primary Markets Grew While Continuing to Optimise Balance Sheet Usage

Revenue Mix (Rm)



Quality of Assets



- Revenue growth of 14%
- Contributed 33.1% to Absa Capital's revenue
- Performance driven by:
 - Client-centric business model
 - Leveraging off Barclays Capital global capabilities
 - Delivery of comprehensive international and local solutions
- Growth achieved while continuing to improve asset quality
- Fees limited by self-imposed smaller underwriting positions

Difficult Conditions for Equity Investments and Investor Services

Revenue (Rm)



- Revenue increased by 1%
- Contributed 11.9% to Absa Capital's revenue
- Performance negatively impacted by equity market conditions
- Fund raising for semi-captive private equity fund remains work in progress
- The Private Equity portfolio is well diversified
- Investor Services core performance solid however Safex clearing business suffered a minor loss due to client defaults on single stock futures

Strategic Focus Going Forward

- Continue to invest in support infrastructure and robust controls
- Grow the distribution client franchise
- Optimize usage of balance sheet and capital
- Be the employer of choice for top talent
- Increase risk management penetration with our clients
- Develop opportunities with other Absa business units
- Grow Sub-Saharan Africa business



The Way Forward

Steve Booyesen
Group Chief Executive

The Incredible Situation in Global Markets

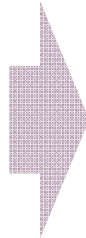
- Global banking conditions under pressure
- Dramatic slowdown in global growth
- Large scale government intervention
- Heightened volatility and risk aversion

Risks to a Recovery in South Africa

- Risk aversion to emerging markets
- Slowdown in growth
- Currency volatility
- Job losses
- The consumer to remain under pressure

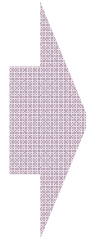
Near Term Priorities

Maintain Profitability



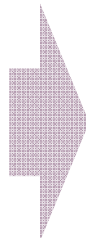
- Focus on liability management
- Profitability vs market share
- Maximise cross selling
- Transaction volumes and asset pricing

Preserve Capital



- Specific capital demand targets
- Free cash flow generation
- RWA relief initiatives
- Higher hurdle rates

Risk and Cost Focus



- Disciplined management of book quality
- Scorecard criteria and collections
- Risk limits
- Further cost efficiency initiatives

Long Term Strategy Remains on Track

To be the Best Financial Services Provider in South Africa and Selected African markets

Build a well diversified business

Embed market leadership in retail financial services

Build the leading investment bank

Accelerate growth in commercial business

Grow and build wealth management

Excellence in Execution Delivers Results

- Earnings diversification
- Risk focus and asset quality
- The retail bank of choice
- Brand and distribution dominance
- Successful strategic alliance with Barclays
- Strong capital position

Addendum

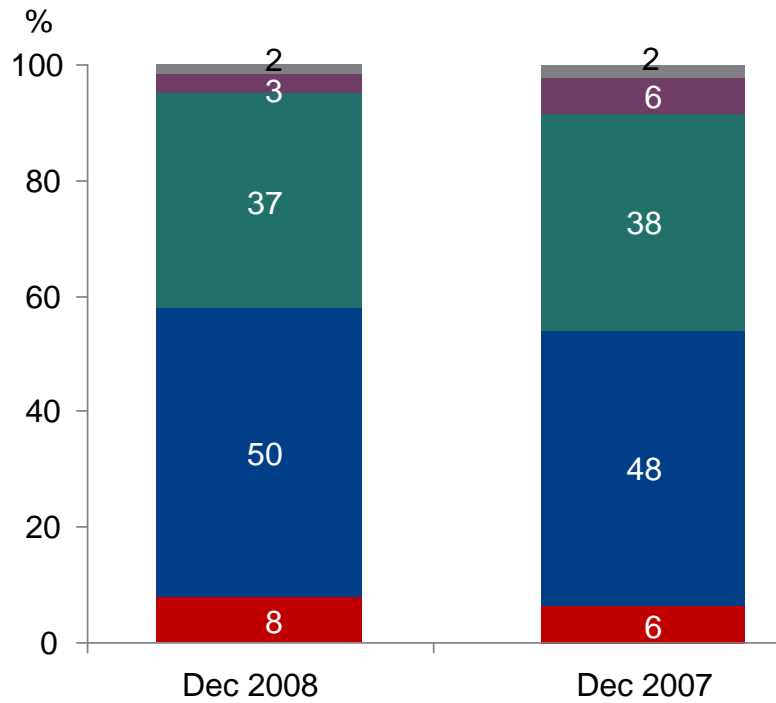
Financial Results

For the year ended 31 December 2008

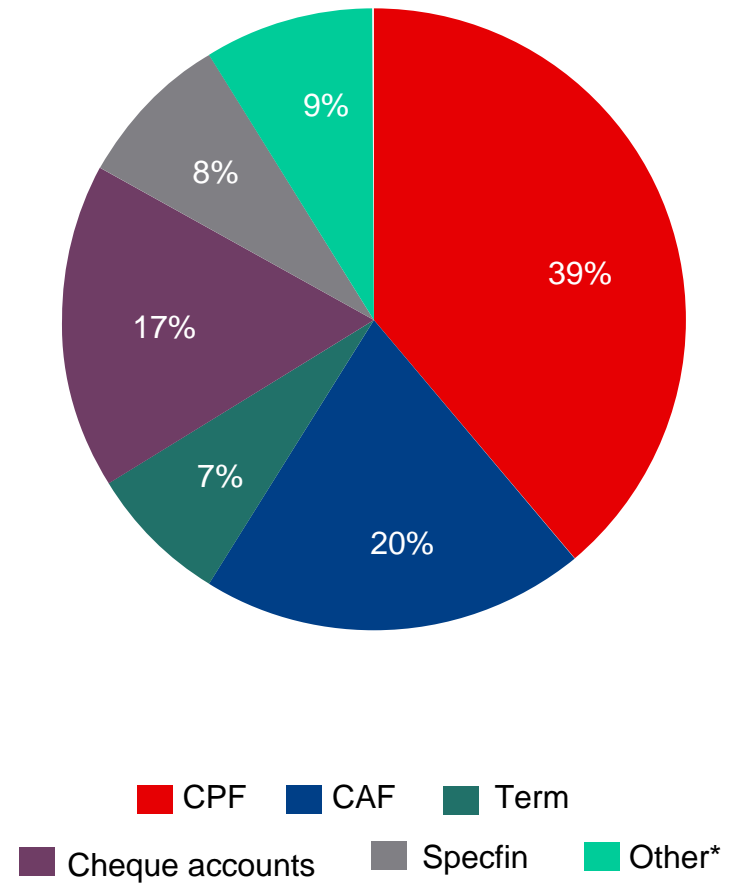
Retail Banking - Abridged Income Statement

Abridged Income Statement (Rm)	Dec 2008	Dec 2007	Change %
Net interest	14 647	12 546	17
Non interest income	10 262	9 024	14
Impairments	(5 551)	(2 144)	159
Operating costs	(13 538)	(11 799)	15
Profit before tax	5 477	7 307	(25)
Attributable income	3 706	4 943	(25)
Abridged Balance Sheet (Rm)			
Loans and advances	346 971	311 697	11
Deposits	134 850	101 847	32

ACBB Product and Sector Diversification



■ Corporate ■ Large ■ Medium
■ CPF Equities ■ Africa



■ CPF ■ CAF ■ Term
■ Cheque accounts ■ Specfin ■ Other*

ACBB Segmental Breakdown PBT

Segmental Income Statement (Rm)	Dec 2008	Dec 2007	Change %
Corporate	317	204	55
Large	2 007	1 514	33
Medium	1 476	1 205	22
CPF Equities			
• Listed	(98)	195	(150)
• Unlisted	231		
Africa	76	66	15
Total	4 009	3 184	26

ACBB Balance Sheet Growth

Balance Sheet (Rm)	Dec 2008	Dec 2007	Change %
Term Loans	8 667	7 874	10
CPF	47 104	36 222	30
Cheques	20 748	14 024	48
CAF	23 547	18 155	30
Specfin	9 071	5 932	53
Other	10 906	8 132	34
Loans and advances	120 045	90 340	33

Impairments - ACBB

Impairment Ratio (%)	Dec 2008	Dec 2007	Change %
CAF	0.25	0.13	(92)
CPF	0.10	(0.03)	433
Other Loans	0.10	0.31	68
Gross Impairment Ratio	0.45	0.41	(10)
Recoveries	(0.17)	(0.04)	(325)
Impairment Ratio	0.28	0.37	24

Bancassurance

Life Insurance		2008	2007	Change %
Embedded value	Rm	2 092	2 091	↑ 0.1
Embedded value earnings	Rm	747	543	↑ 37.5
Net operating income	Rm	746	610	↑ 22.3
Net income after tax	Rm	631	524	↑ 20.4

Short-term Insurance		2008	2007	Change %
Loss ratio	%	66.0	61.9	↑ 4.1
Combined loss ratio	%	89.8	88.5	↑ 1.3
Net operating income	Rm	366	317	↑ 15.5
Net income after tax	Rm	499	537	↓ 7.1

Bancassurance

Investments		2008	2007	Change %
Assets under management	Rbn	117	118	↓ 1.1
Net flows (total)	Rm	6 922	16 046	↓ 56.9
Net flows (non - money market)	Rm	9 358	7 989	↑ 17.1
Cost to income	%	52	51	↑ 1.0
Net operating income	Rm	289	300	↓ 3.7
Net income after tax	Rm	213	227	↓ 6.2

Fiduciary

Assets under management – Trust	Rbn	5 019	5 719	↓ 12.2
Number of wills under custody		1 374 965	1 378 848	↓ 0.3
Members under administration		399 615	309 779	↑ 29.0
Net operating income - Trust	Rm	96	82	↑ 17.1
Net operating income – Employee benefits	Rm	53	44	↑ 20.5
Net income after tax	Rm	123	98	↑ 25.5

Acquisitions as a result of Single Stock Futures Defaults

Share Name	Number of shares (million)	% of Issued Ordinary Shares	Acquisition Cost Rm	Accounting basis
Pinnacle Point Group	1 259.6	28	931.4	Equity accounted
Sekunjalo Investments	84.9	17	36.5	Equity accounted ⁷
Blue Financial Services	95.9	16	389.9	Available for sale
ConvergeNet Holdings ⁸	86.2	10	86.2	Available for sale
Total			1 444.0	

- Acquisition cost is the market value at date of acquisition
- Acquisition cost per share of Blue Financial Services has been reduced as a result of an additional 23 million shares received from the client in settlement of the default claim
- All default claims have been fully provided against; resulting in a R 52 m charge to the income statement relating to margin shortfalls

⁸ Sekunjalo is equity accounted as Absa Corporate and Business Bank already held 9%, taking the total holding to 26%

⁹ ConvergeNet Holdings was acquired in early 2009