

ABSA GROUP LIMITED

Interim Financial Results

For the six months ended 30 June 2008

Agenda

- **Financial Review** *Jacques Schindehütte*
- **Retail Banking** *Louis von Zeuner*
- **Absa Capital** *John Vitalo*
- **Strategy and Outlook** *Steve Booysen*

Financial Review

Jacques Schindehütte

Financial Highlights

- **Headline earnings of R4,7 billion (↑ 8%)**
- **Attributable earnings of R5,3 billion (↑ 22%)**
- **Headline earnings per share of 700 cents (↑ 8%)**
- **Dividends per share of 265 cents (↑ 10%)**
- **Return on average equity of 24,6%**
- **Cost-to-income ratio of 49,3%**

Good Progress with Earnings Diversification

	Earnings Rm	Earnings growth %	Revenue Growth %	Cost Growth %
Retail Banking	2 012	↓ 7	↑ 18	↑ 15
Commercial Banking	1 039	↑ 15	↑ 12	↑ 9
Absa Capital	1 001	↑ 32	↑ 40	↑ 56
Bancassurance	752	→ 0	↑ 2	↑ 19
Corporate centre ¹	751			
Preference dividends	(220)			
Absa Group	5 335	↑ 22	↑ 21	↑ 13

¹ Includes the profit on VISA IPO shares

Revenue Up 21%, PBT Up 19%

	2008 Rm	2007 Rm	Change %
Net interest income	10 220	8 574	↑ 19
Impairment charge	(2 178)	(985)	↑ 121
Non-interest income	10 030	8 120	↑ 24
Operating expenditure ²	(10 498)	(9 296)	↑ 13
Taxation	(1 994)	(1 900)	↑ 5
Attributable earnings	5 335	4 363	↑ 22
Headline earnings	4 731	4 365	↑ 8

² Including indirect taxation and non-credit related impairments

Proactive Credit Management

	H1 08 %	FY 07 %	H2 07 %	H1 07 %
Retail banking	1.21	0.74	0.83	0.65
Commercial banking	0.35	0.35	0.44	0.28
Absa Capital	(0.04)	0.00	0.00	0.00
Absa Group	0.93	0.58	0.65	0.49
Cover ratios				
Identified impairments	0.91	0.79	0.79	0.71
Unidentified impairments	0.44	0.44	0.44	0.45
Total provision	1.35	1.23	1.23	1.16

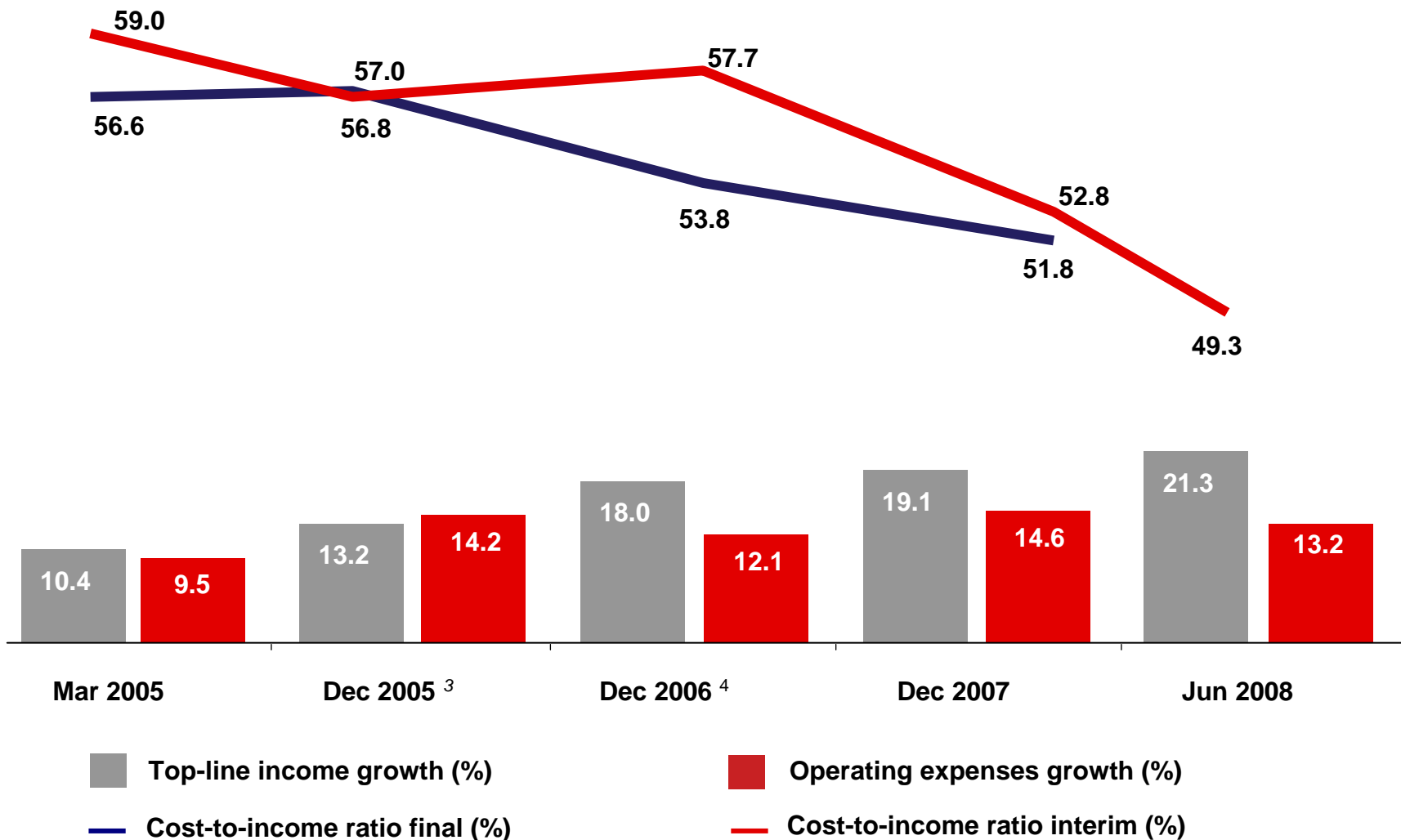
Sustainable Growth in Annuity Income

	2008 Rm	Change %	Mix %
Net fee and commission income	6 007	9	65
Credit-related transaction fees	5 020	12	54
Other banking fees and commissions	607	(14)	7
Bancassurance fees and commissions	380	12	4
Net trading income	886	65	10
Bancassurance – premium income and policyholders' benefits	1 148	27	12
Hedging activities and sundry income	576	72	6
Investment income	673	(20)	7
Non-interest income (excl. VISA IPO)	9 290	14	100

Investment Income Down by 20%

	H1 08 Rm	H1 07 Rm	Growth %	H2 07 Rm
Private Equity	272	229	19	314
Commercial Property Finance	(185)	137	(235)	133
Bancassurance: Shareholder funds	175	396	(56)	175
Retail Banking	275	0	100	0
Group investments	136	80	70	40
	673	842	(20)	662
% of total pre-tax headline earnings	10	13		10
Balance Sheet Investments	9 568	9 661		12 574

Improved Efficiency Softens Rise in Impairments



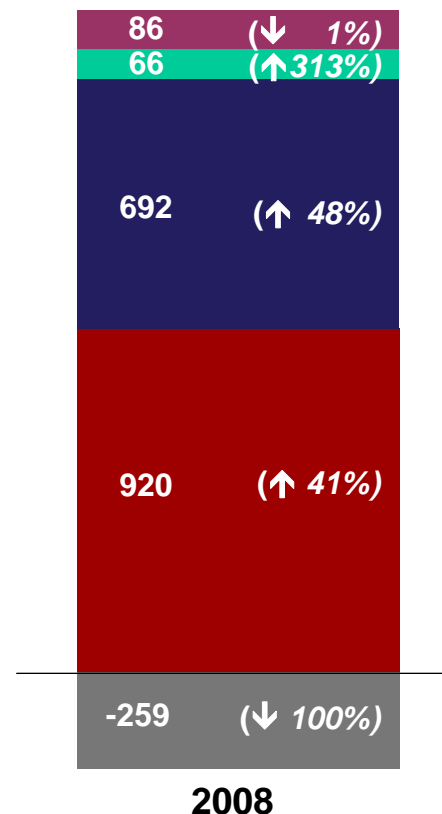
³ Pro-forma figures (twelve months)

⁴ Growth calculated on December 2005 figures (pro forma 12 months) (reclassified for IFRS 7 for comparability)

Commercial Banking Maintains Growth Momentum

- Revenue of R3,7 billion (↑ 12%)
- Revenue, excluding CPF listed equities (↑ 24%)
- Advances growth (↑ 34%)
- Deposit growth (↑ 12%)
- Transactional volumes (↑ 8%)

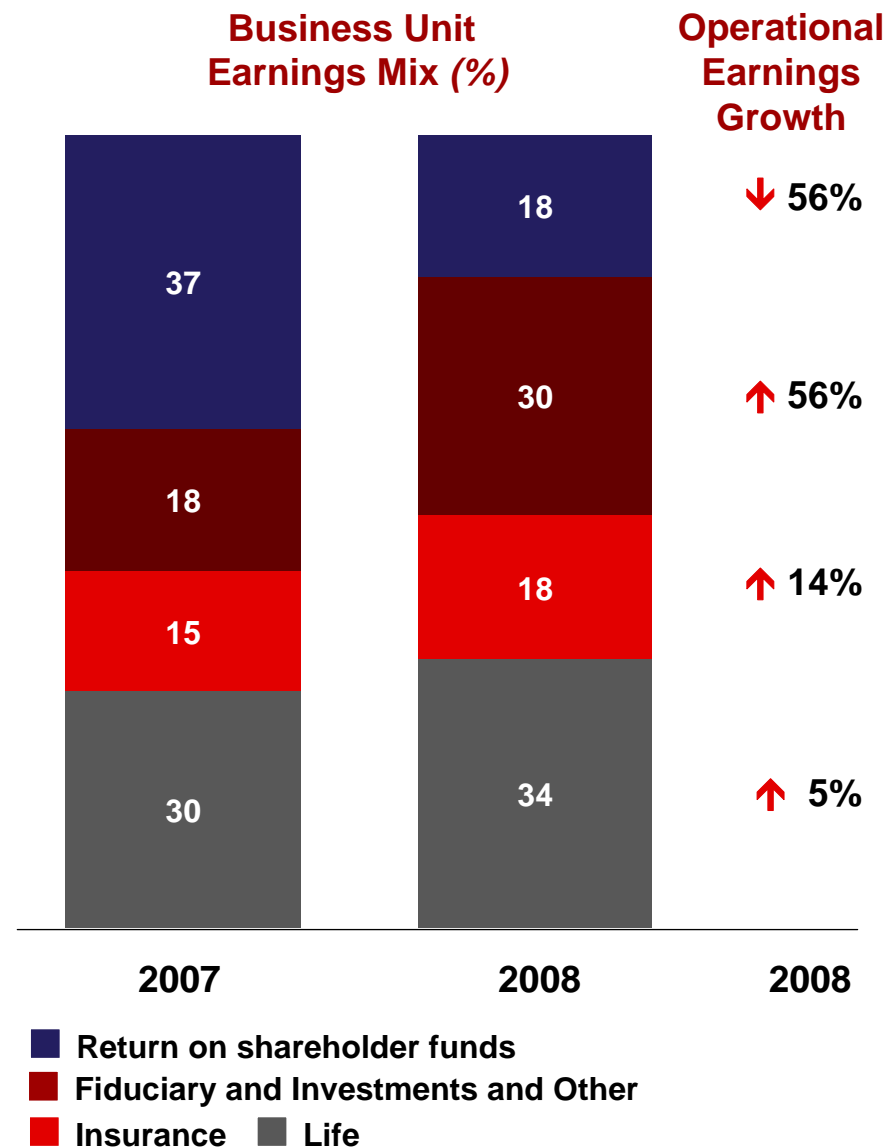
Business unit PBT earnings (Rm)



■ Africa ■ Corporate ■ Medium ■ Large
■ Fair value movements on CPF listed equities

Resilient Earnings from Bancassurance

- Operational earnings (↑ 22%)
- Gross premium income (↑ 17%)
- Embedded value of new business at R135m (↓ 5 %)
- Net inflow of non-money market mandates in excess of R3bn



Strong Organic Capital Generation

As at 30 June 2008

Capital demand (for 6 months)	RWA 2008 Rbn	Mix %
Credit risk	281	80
Retail	124	44
ACBB	69	25
Absa Capital	51	18
Africa and other assets	37	13
Operational risk	44	13
Market risk	4	1
Equity risk	23	6
Total RWA's	352	100

Capital adequacy (%)	Bank	Group
Tier I	10.6	11.4
Tier II	2.9	2.5
Total	13.5	13.9

Capital generation (Rbn)	
Profit for the period	5.3
Growth in RWA	(2.4)
Dividends	(1.8)
Free cash flow	1.1

- Rigorous focus to improve RoEC
- Batho Bonke conversion unlikely in 2008
- Optimal capital levels for Bancassurance

Earnings Diversification Counters Retail Slowdown

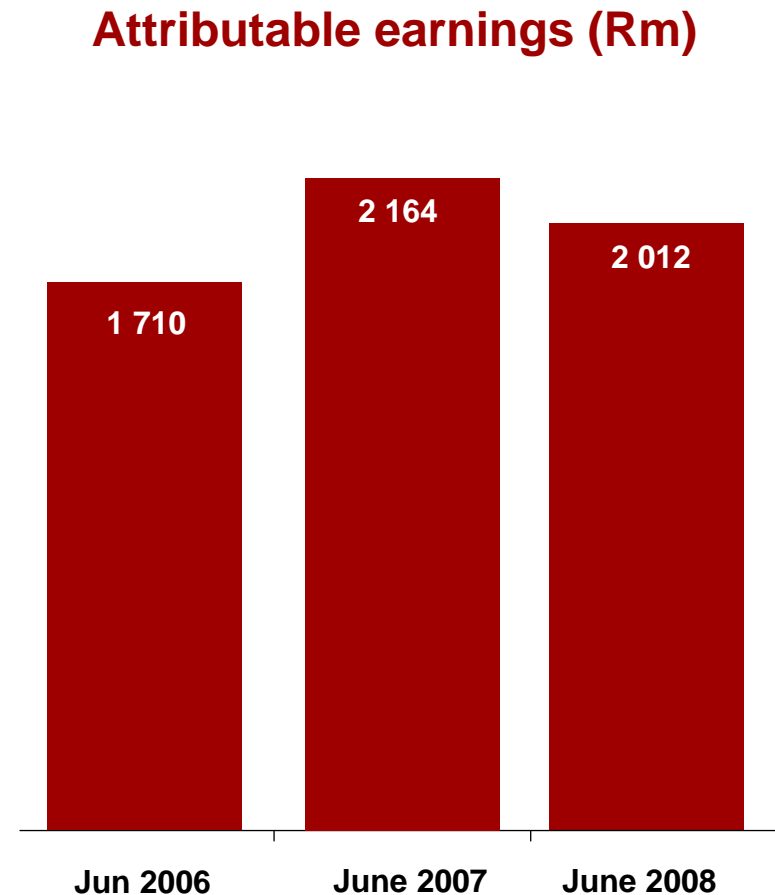
- **Strong performance from Investment and Commercial Banking**
- **Quality of earnings not affected by market volatility**
- **Retail revenue and impairments under pressure**
- **Intensified cost containment measures introduced**
- **Strong free cash flow**

Retail Banking

Louis von Zeuner

Highlights

- Contribution to Group earnings at 42%
- Attributable earnings of R 2 billion (↓ 7%)
- Advances growth (↑ 14%)
- Deposits growth (↑ 30%)
- Cost-to-income ratio (↓ 56%)
- Customer growth (↑ 7%)



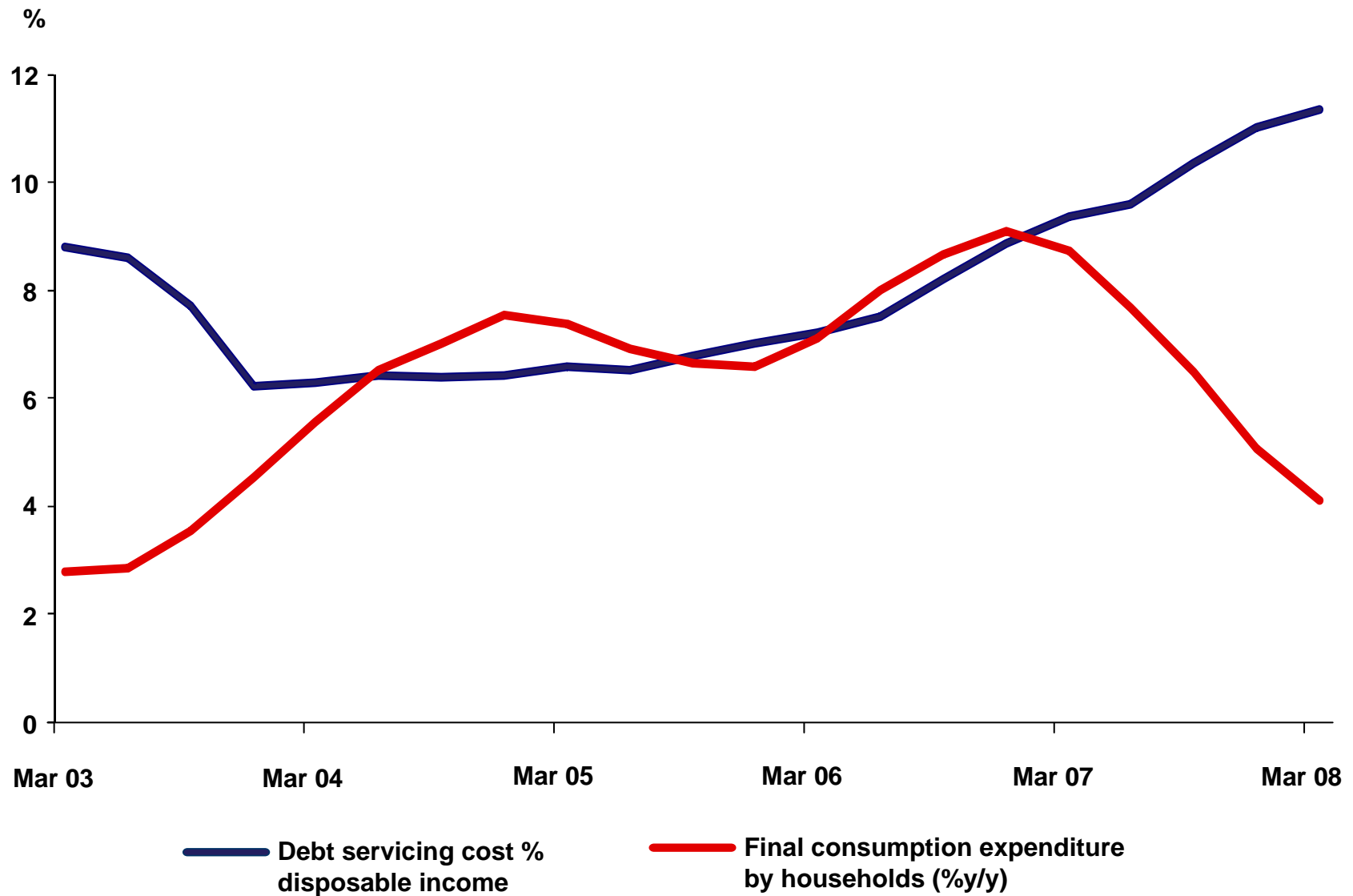
Key Successes

- **Largest individual deposit base**
- **Strong growth in electronic channels**
 - Internet (↑ 20%)
 - Mobile (↑ 86%)
 - ATM's (↑ 9%)
 - Merchant business (↑ 16%)
- **Retained brand leadership**
- **Implemented risk mitigating measures to protect future earnings**
- **Healthy customer growth to 9.3 million**
- **Internet customers reach 1 million**

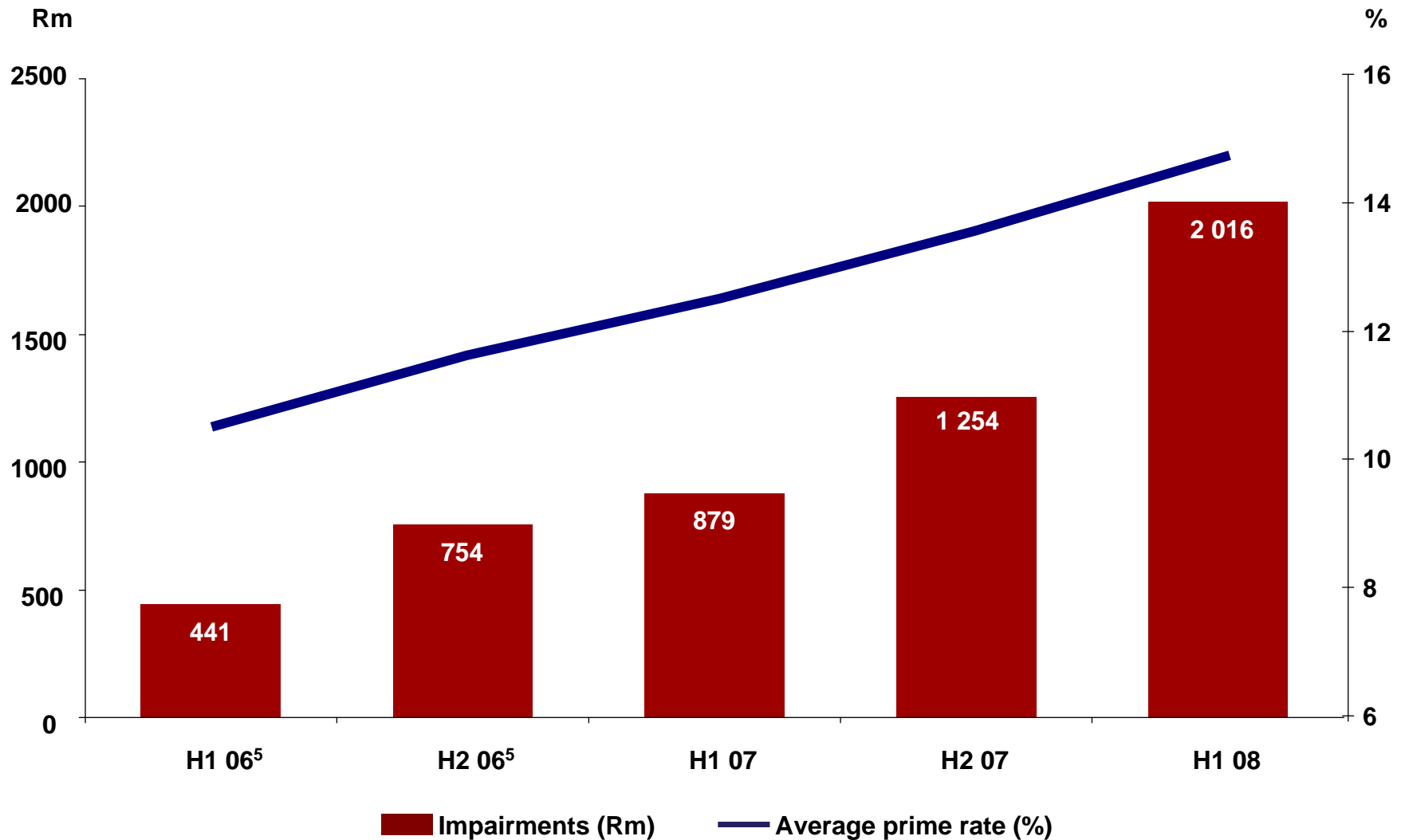
Positive Performance of Unsecured Lending

Total Income (Rm)	June 2008	June 2007	Change %
Secured			
Home loans	1 979	1 713	16
AVAF	1 251	1 219	3
Unsecured			
Instalment loans	1 881	1 465	28
Card	1 296	1 181	10
Transactional products and deposits	5 381	4 435	21
Total	11 788	10 013	18

Challenging Consumer Environment

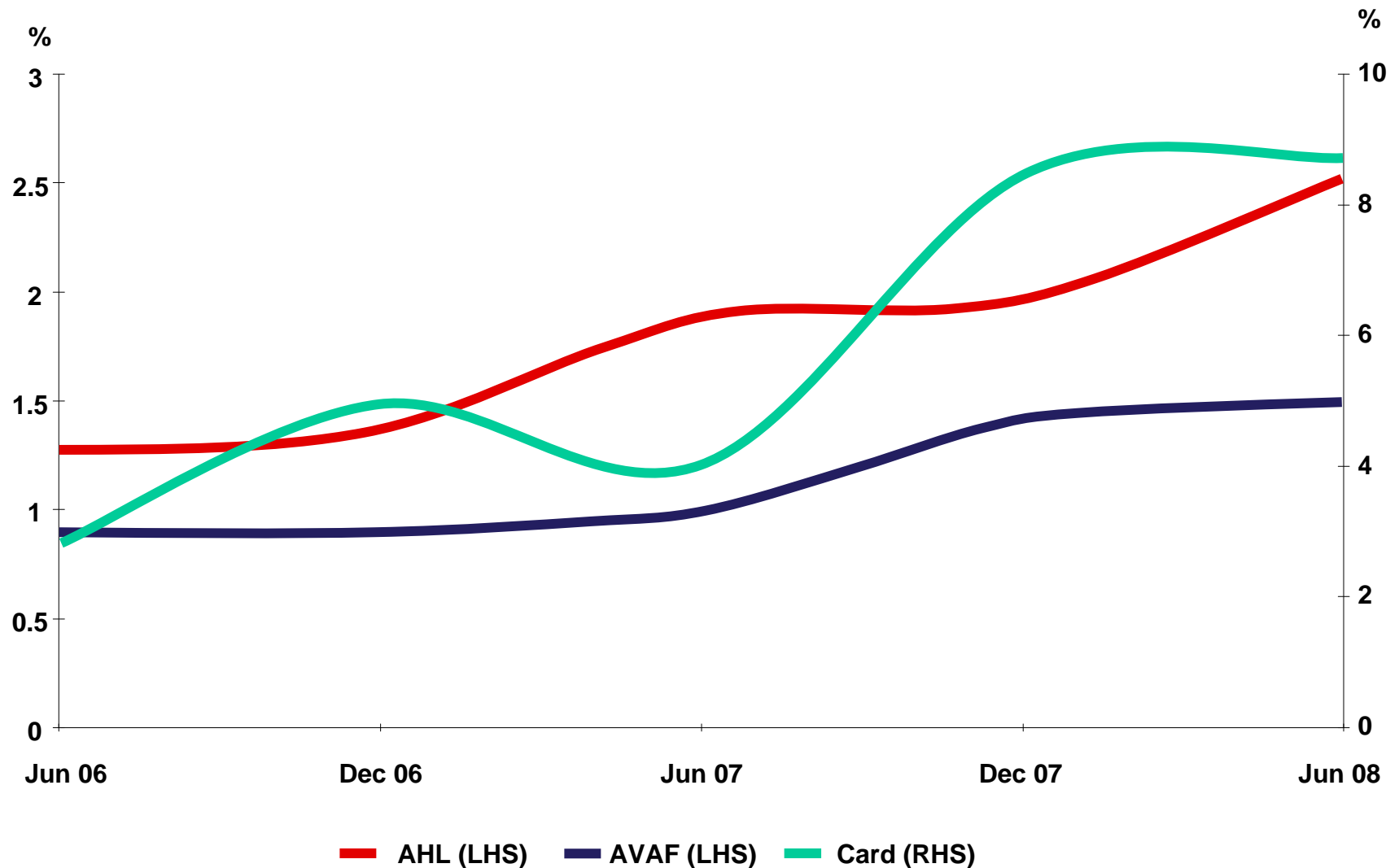


Lower Disposable Income and Security Values Impacting Impairments



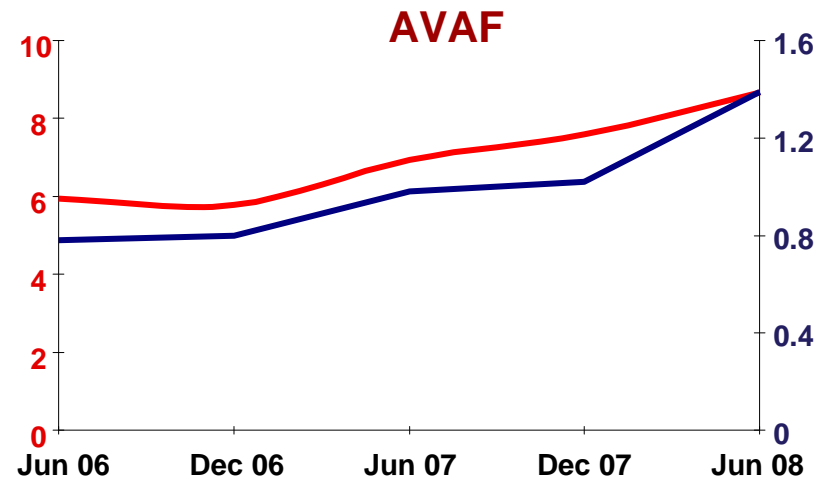
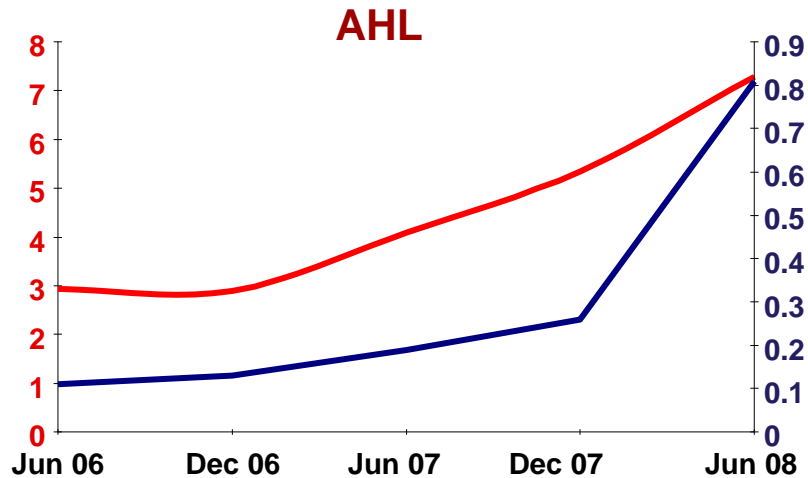
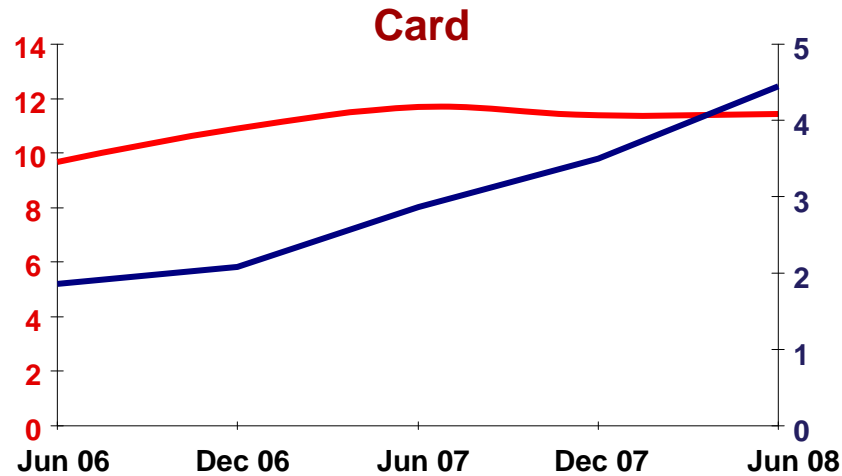
⁵ Not restated for CAF + Africa

Rising NPL's in Home Loans and Asset Finance



Higher Impairments Driven by Delinquency Ratio

Delinquencies vs. Impairments (%)



— Delinquencies ratio

— Impairment ratio

Secured Lending Quality Focus

- **Tightened underwriting criteria**
- **Increased LTV caps, restricting exposure**
- **Improved risk based pricing**
- **Move from volume to return on economic capital**
- **Innovation to limit losses**
- **Enhanced collections recovery capability**

Slowing Growth in Unsecured Lending

- **Proactive measures taken in 2007 delivering results**
- **Ongoing investment in infrastructure**
- **Expansion into Micro Enterprise Finance**
- **Innovation in entry level banking**
- **Improved risk based pricing**

Current Environment Requires Increased Agility

- **Macro economic environment to remain challenging**
- **Pressure on collateral values in secured lending**
- **Rising impairments**
- **Implication of Competition Commission enquiry in banking**

Strategic Focus Going Forward

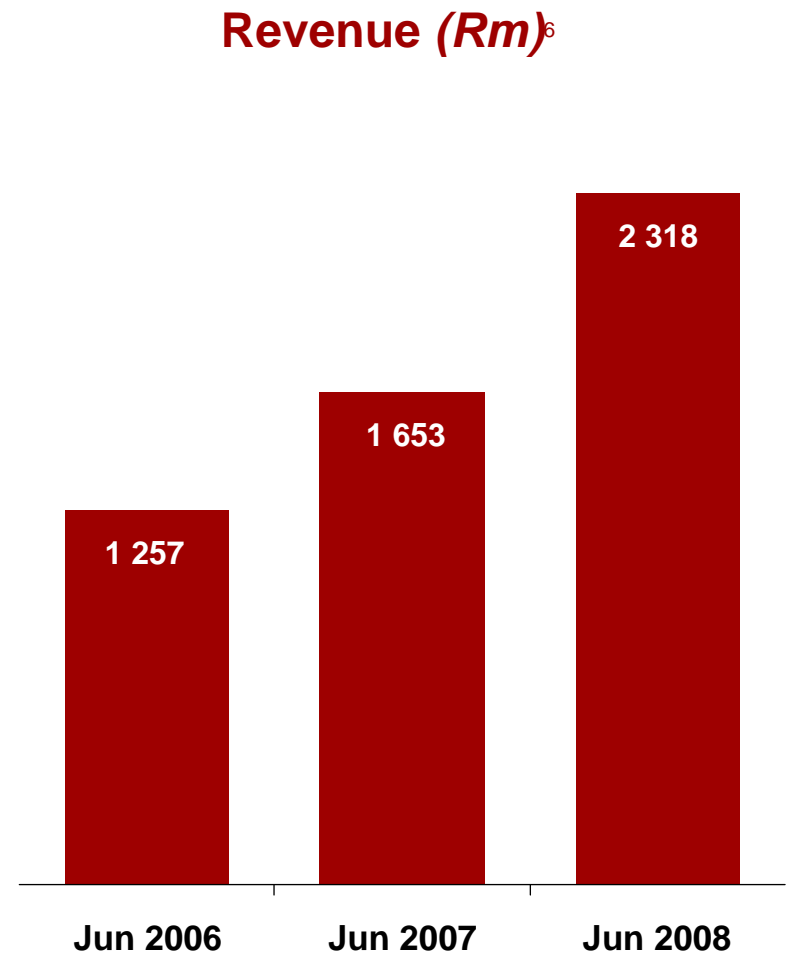
- **Protect the future revenue streams**
- **Grow customer base**
- **Lengthen advances and deposit portfolio duration**
- **Grow the retail affluent segment**
- **Operational excellence**
- **Full banking proposition and superior service**

Absa Capital

John Vitalo

Revenue and Attributable Earnings Grew Strongly

- Revenue of R2,3 billion (↑ 40%)
- Attributable earnings of R1 billion (↑ 32%)
- Contribution to Group earnings of 21% (H2 07 contribution: 17%)

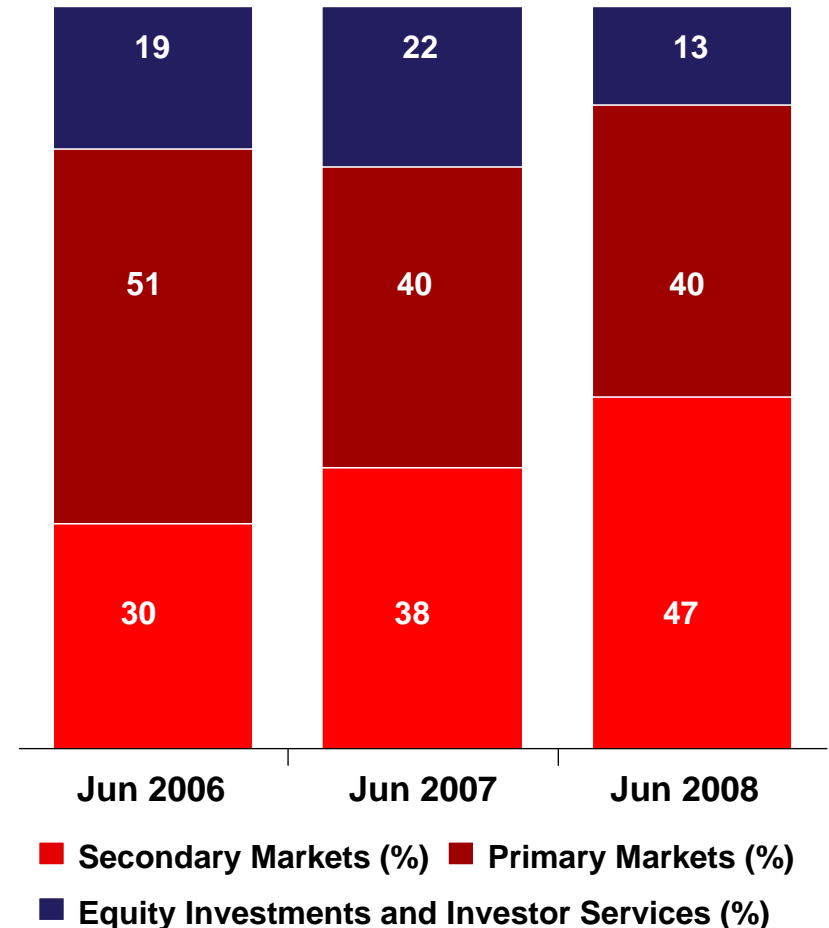


⁶Net of impairment losses on loans and advances

Revenue Mix Diversified in Line with Strategic Objectives

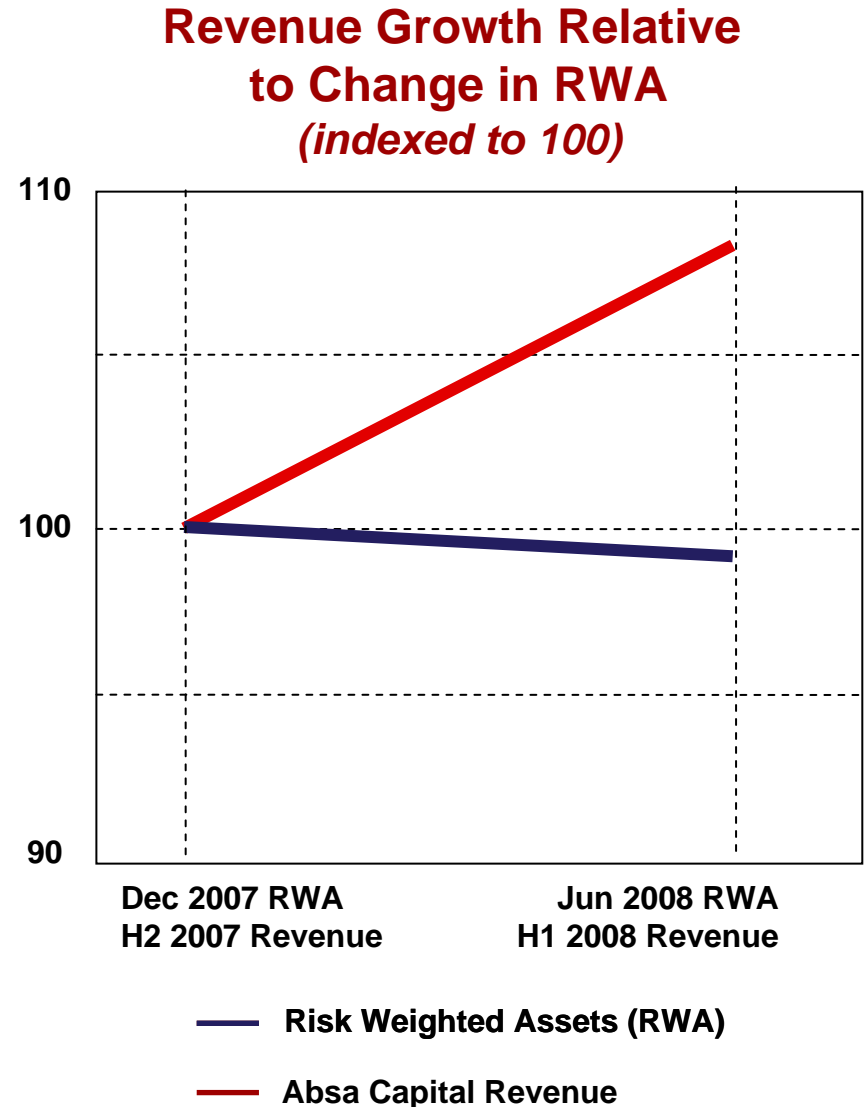
- Change in mix driven by relatively stronger growth in Secondary Markets
- Objective for Secondary Markets to contribute 50% of revenue, is close to being achieved

Business Unit Revenue Mix (%)



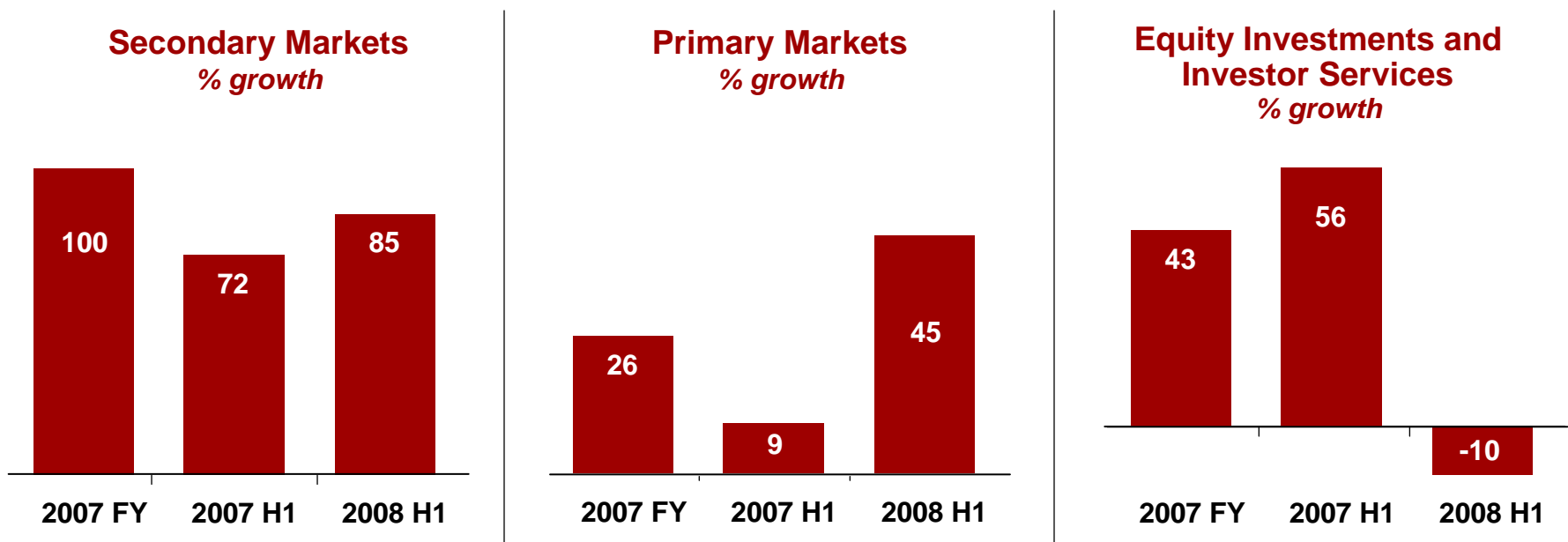
Strong Growth Achieved without an Increase in Risk Weighted Assets

- Strong revenue growth and change in business mix has been achieved without an increase in Risk Weighted Assets
- This has been possible due to further improvements in the high credit quality of advances as well as a strong focus on risk management



Primary and Secondary Markets Grew Strongly

- Strong revenue growth across Primary and Secondary Markets
- Lack of realizations and higher funding costs led to negative growth in Equity Investments and Investor Services



Core Performance Drivers

- **Differentiated investment banking model**
- **Investment in talent**
- **Product innovation**
- **Increased deal flow from new and existing clients**
- **Synergies with Barclays Capital**

Secondary Markets Grew Revenue Aggressively

- **Revenue growth of 85% for H1 08**
- **Contributed 47% to Absa Capital's revenue**
- **Performance driven by:**
 - Increased deal flow from new and existing clients
 - Broadening of the product offering
 - Greater use of derivatives by clients
 - More effective risk taking

Primary Markets Grew Strongly while Optimising Balance Sheet Usage

- **Revenue growth of 45% for H1 08**
- **Contributed 40% 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 optimise balance sheet usage**
- **Size of underwriting positions intentionally constrained**

Equity Investments and Investor Services Under-performed Relative to Last Year

- **Revenue decreased by 10%**
- **Contributed 13% to Absa Capital's revenue**
- **Performance driven by:**
 - A lack of significant realisations (compared to H1 07)
 - Higher funding costs
- **The Private Equity portfolio is well diversified and the business has a solid deal pipeline**
- **Launch of the semi-captive private equity fund is on track**
- **Investor Services delivered a solid performance and continues to win new mandates**

Strategic Focus Going Forward

- **Continue to attract and retain the best people**
- **Invest in support infrastructure and robust controls**
- **Grow the client franchise**
- **Develop opportunities with other Absa business units**
- **Derivatise the client base and develop innovative products**
- **Expand into Sub-Saharan Africa**

Strategy and Outlook

Steve Booysen

A Challenging Environment

- **Global economic woes continuing**
 - US economy heading for recession, EU growth slowing
 - Credit and liquidity crises yet to be resolved
 - Rising inflation, a global challenge
 - Emerging market growth still resilient
- **Domestic economic growth moderating**
 - Household consumption slowing
 - Declining risk appetite and stricter lending criteria
 - Falling equity and property prices impacting household balance sheets
 - Private and public investment spend continuing

In Retail we are Focused on Protecting the Business...

- **Continue to strengthen our collections capability**
- **Reduced risk appetite reflected in stricter lending criteria**
- **Focus on value, not market share**
- **Deliver customer support and service**
- **Ensure productivity and efficiency**

...and in Wholesale we are Focused on Growth

- **Investment Banking**

- Growing market share and expansion into Africa
- Derivatisation of the business
- Leverage Group wide cross-sell opportunity

- **Commercial Banking**

- Further industry specialisation
- Enhanced specialised finance offering
- Leverage Group wide cross-sell opportunities

Our Strategic Objectives...

- **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**

.... will enable us to be the

best financial services provider

in South Africa and selected African Markets

Strategic Enablers

- **Attract and retain the best people**
- **Sustain competitiveness through transformation**
- **Enhance operational excellence**
- **Lead in risk and capital management**
- **Leverage our global knowledge and network**
- **Embed brand leadership**

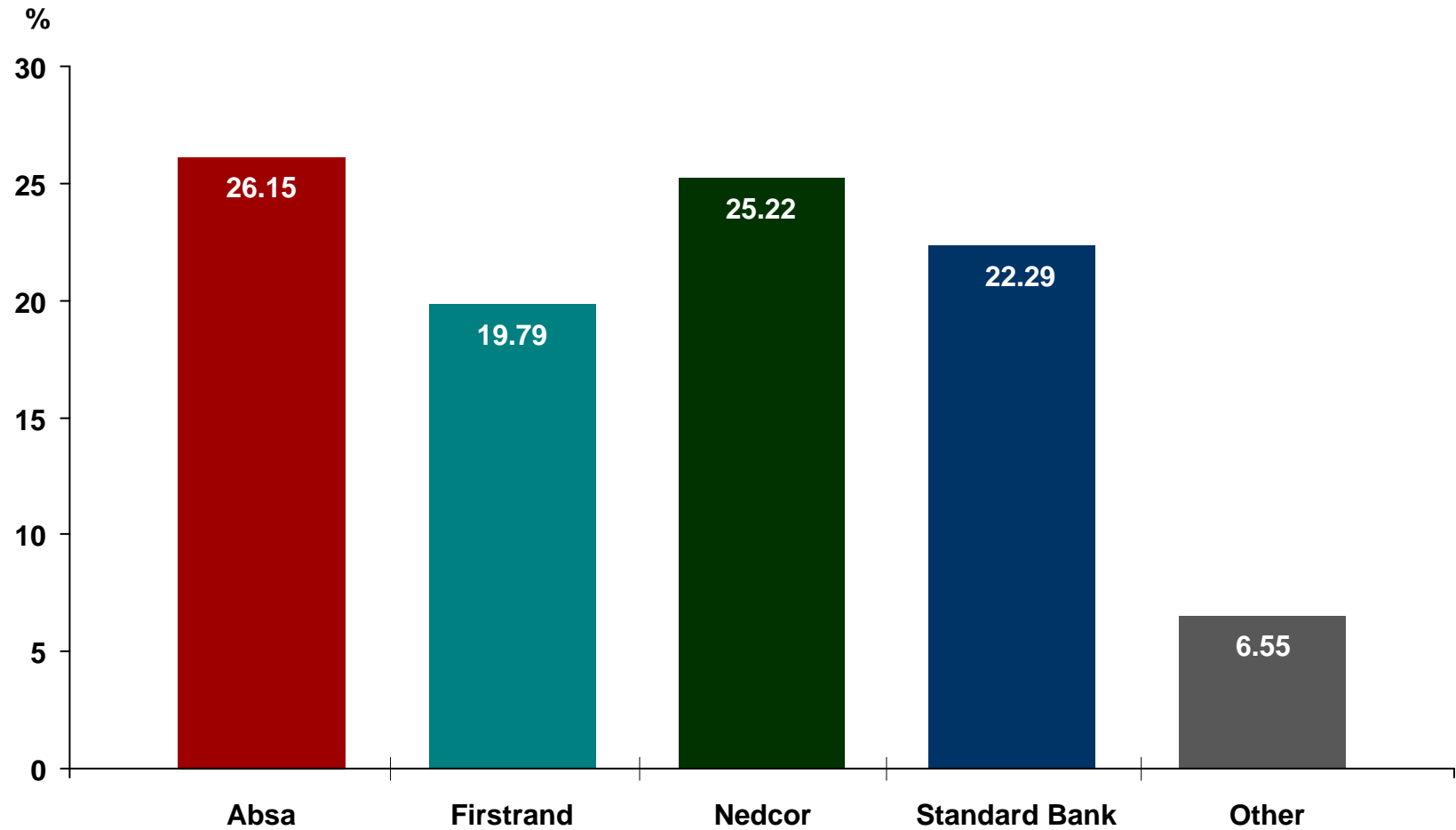
A Strong Franchise

- **A leading financial services brand**
- **9,4 million customers and growing**
- **Largest distribution network**
- **Global banking capabilities**
- **Strong capital position**
- **Significant growth potential**

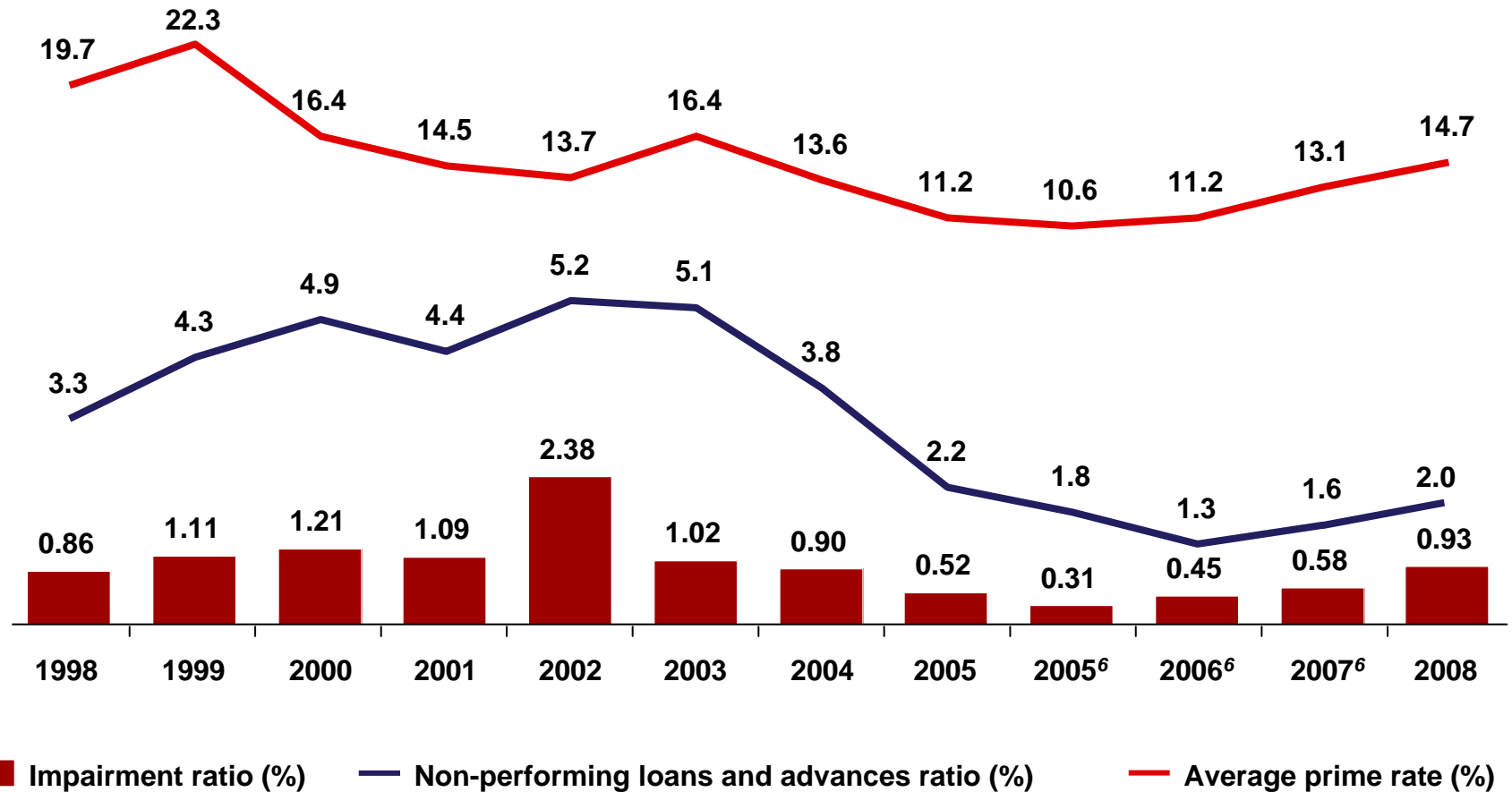
Questions

Addendum

Savings Bank of the Nation

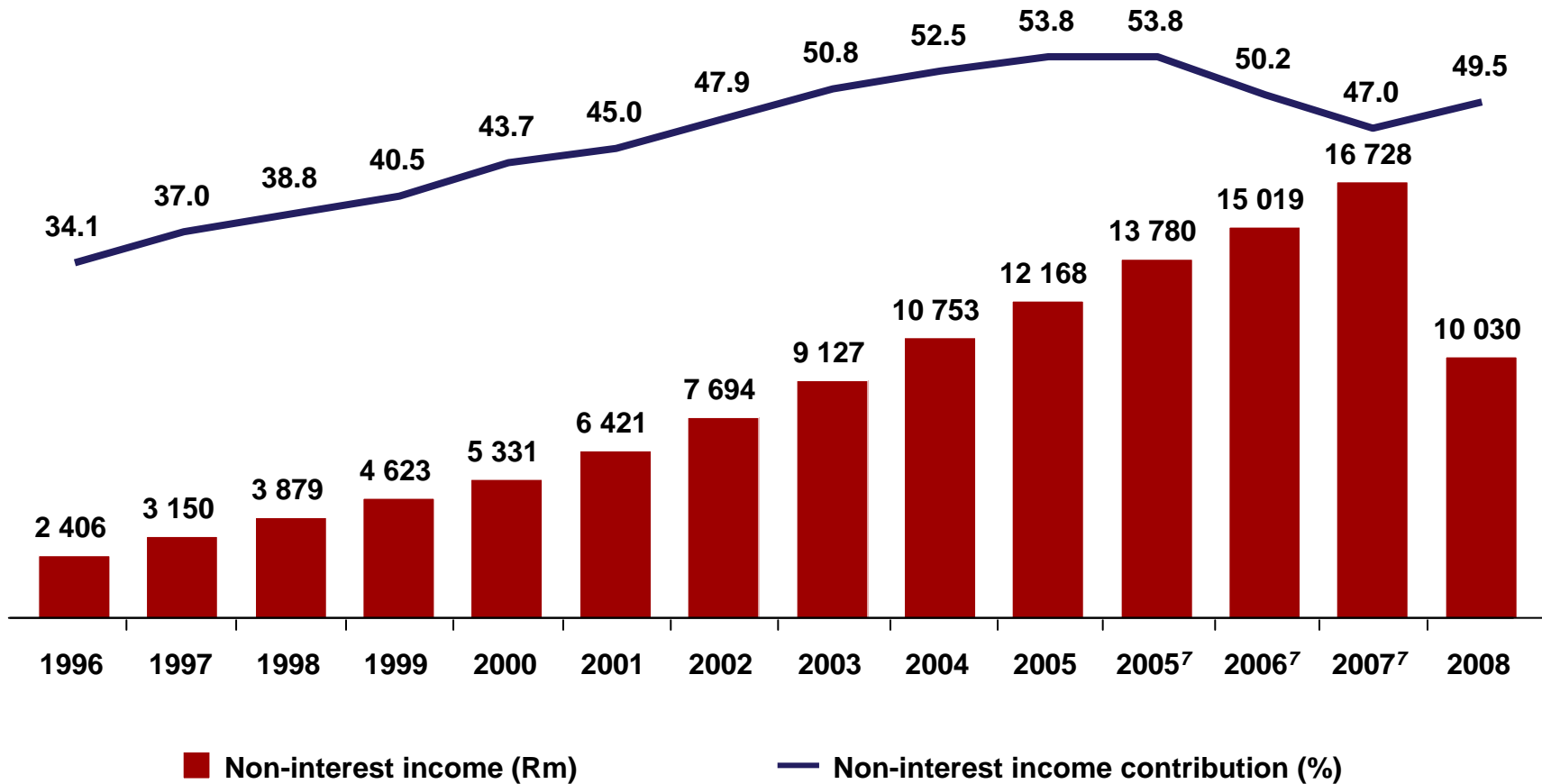


Credit Impairment Trends



⁶ Year to 31 December

Non-interest Income



Non-interest Income

For six months ended 30 June 2008

	2008 Rm	Mix %	Change %
Net fee and commission income	6 007	60	↑ 9
Investment income	269	3	↓ 75
Trading and banking income	1 573	16	↑ 73
Changes in insurance and investment liabilities	244	2	↑ 143
Net insurance premium income	1 710	17	↑ 3
Net insurance claims and benefits paid	(914)	(9)	↑ 18
Property-related and sundry income	1 141	11	↑ 292
Total non-interest income	10 030	100	↑ 24

Bancassurance

For six months to 30 June 2008

Life insurance		2008	2007	Change %
Gross premium income	(Rm)	562	702	↓ 20
Embedded value	(Rm)	1 711	2 328	↓ 26
Embedded value of new business	(Rm)	135	142	↓ 5
Embedded value earnings	(Rm)	219	352	↓ 38
Return on embedded value	(%)	22.1	30.3	
Net operating income	(Rm)	342	326	↑ 5
Net income after tax	(Rm)	300	308	↓ 3

Short-term insurance				
Gross premium income	(Rm)	1 257	1 072	↑ 17
Loss ratio	(%)	62.4	61.3	
Underwriting margin	(%)	11.5	12.2	
Net operating income	(Rm)	183	161	↑ 14
Net income after tax	(Rm)	214	247	↓ 13

Bancassurance

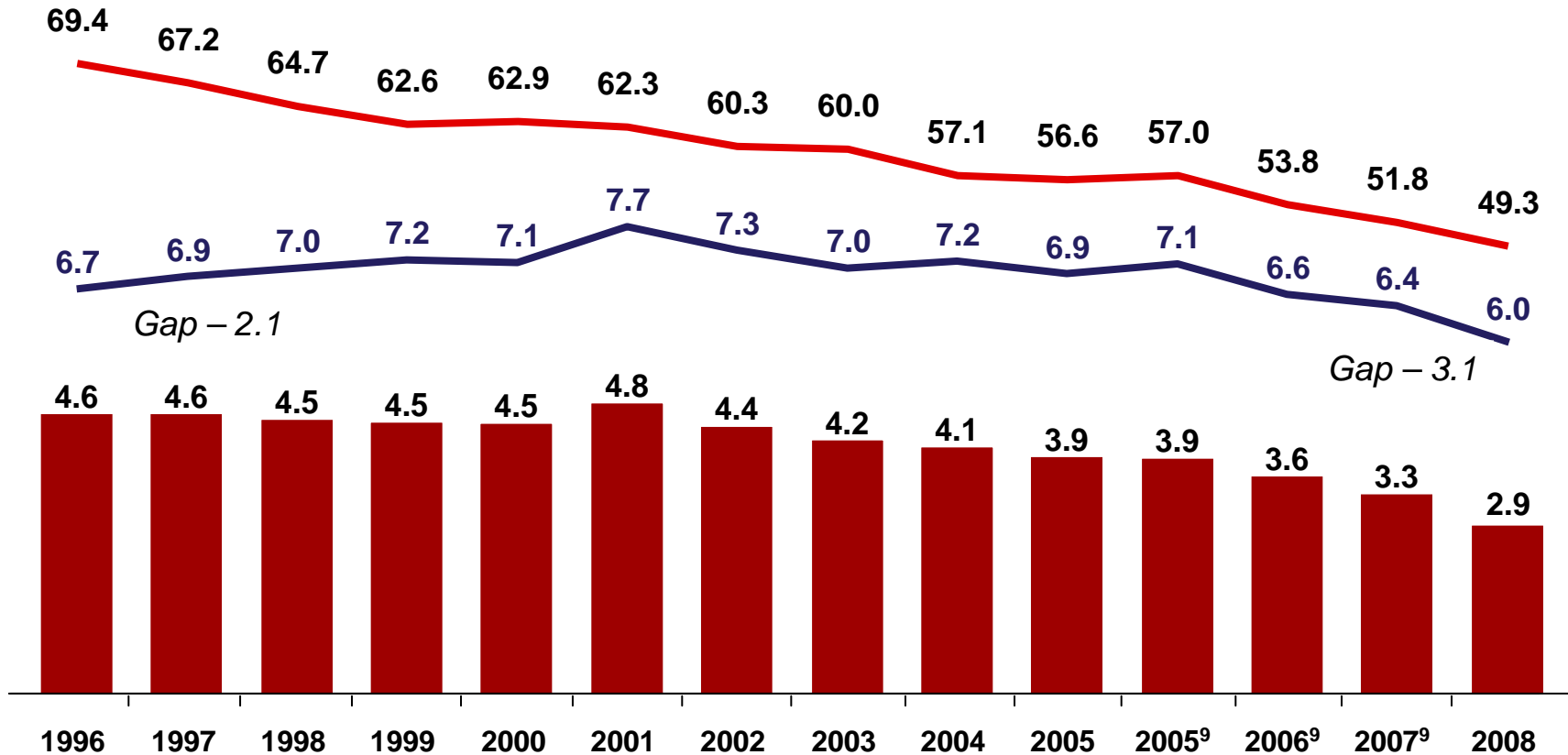
For six months to 30 June 2008

Investments		2008	2007	Change %
Assets under management	(Rbn)	117	114	↑ 2
Net flows (excluding money market)	(Rm)	3 228	3 250	↓ 1
Net operating income	(Rm)	140	149	↓ 6
Net income after tax	(Rm)	104	123	↓ 15

Fiduciary				
Assets under management – Trust	(Rbn)	5 845	5 285	↑ 11
Assets under management – Estates	(Rbn)	2 845	2 510	↑ 13
Number of wills under custody		1 377 589	1 375 235	↑ 0
Net operating income	(Rm)	73	60	↑ 22
Net income after tax	(Rm)	60	43	↑ 37

Enhanced Efficiency

Driving a declining cost-to-income ratio (%)



■ Operating expenditure as a percentage of assets

— Total revenue as a percentage of assets

— Cost-to-income ratio

⁹ Year to 31 December