

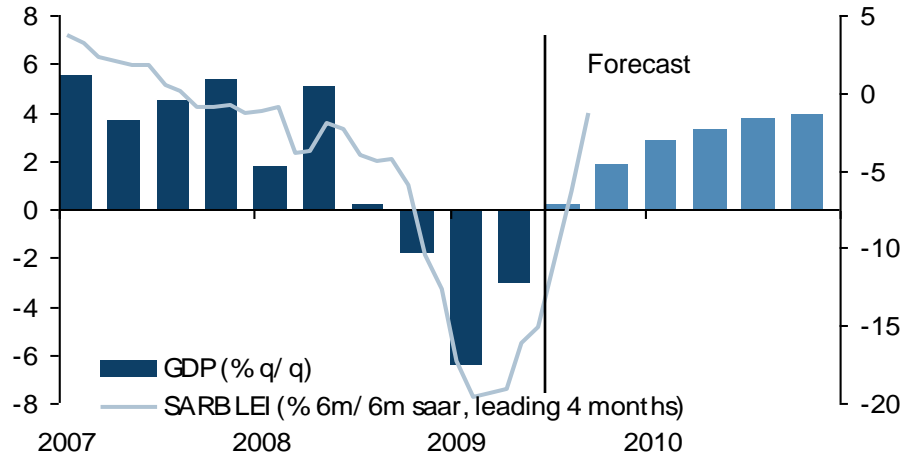
# Absa Group Limited

**Building strength and market leadership in  
all business segments**

Louis von Zeuner  
Deputy Group Chief Executive  
Nedgroup Securities Investment Conference  
Cape Town  
09 October 2009

# SA economic growth remains challenging...

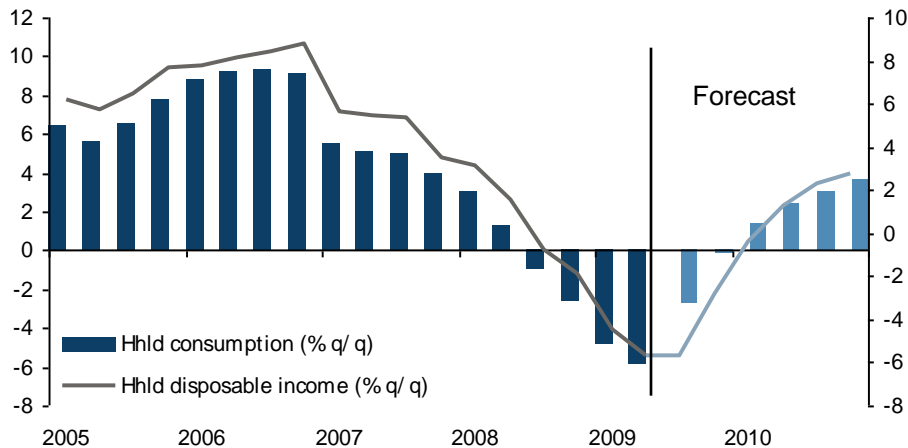
## A return to modest positive growth in H2 09



- GDP growth expected to shrink 2.1% in 2009
- 500bps cut in policy rate, but core inflation still 2pp above target band
- PSCE growth (↓ 2.3% y/y in Aug) at its lowest levels since 2004
- Household debt as a % of disposable income fell to 76,3% in 2Q09
- Consumers continue to struggle with:

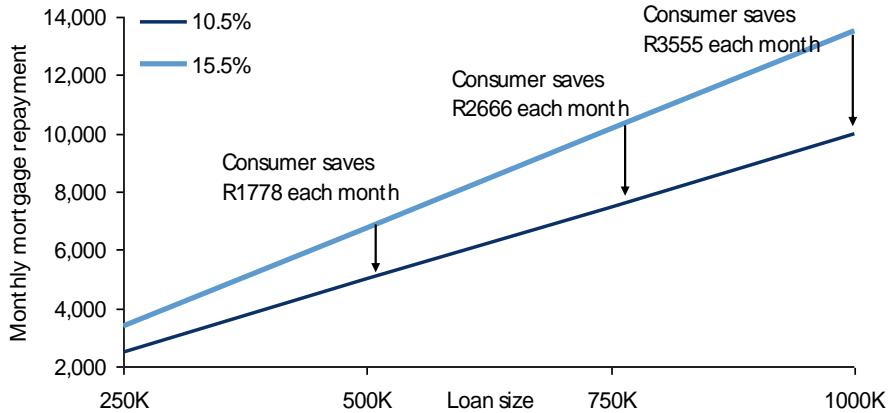
- Falling income growth;
- Uncertain employment prospects (+/- 500k jobs shed in the 1H09); and
- Increasing food and electricity prices

## Household spending is likely to remain depressed

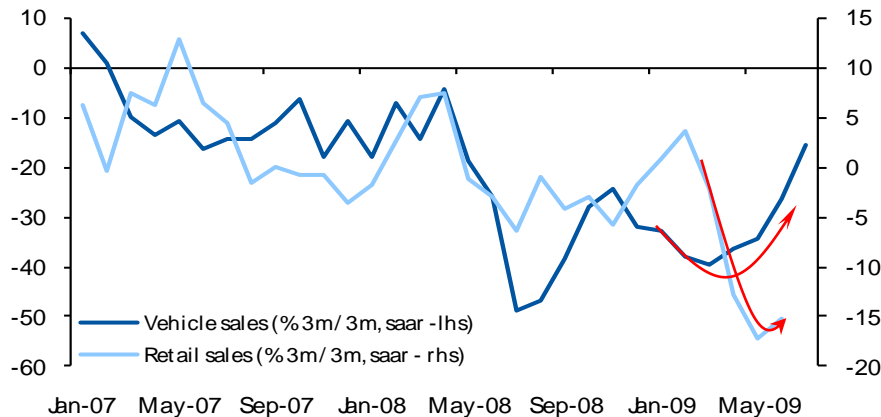


# ...signs of a recovery are evident

## Lower interest rates will help consumers



## Mixed signals from the trade sector point to weak conditions in 2H 09



- Improvement in global risk appetite
- SA recovery may take longer
- Modest return in consumption growth into the turn of the year
- Debt servicing cost dropped to 8%
- Rand remains resilient
- Mining sector recovery dependent on strength of global upturn
- PMI increased 8.7 points to 48.0 in Sep
- Mixed signals, however, persist in the trade sector

# Banking returns however will remain under pressure in the medium term

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- Widening spreads
- Liability margin contraction
- Rising defaults in particular commercial sector
- Maintaining higher capital levels

# Absa has produced a resilient performance

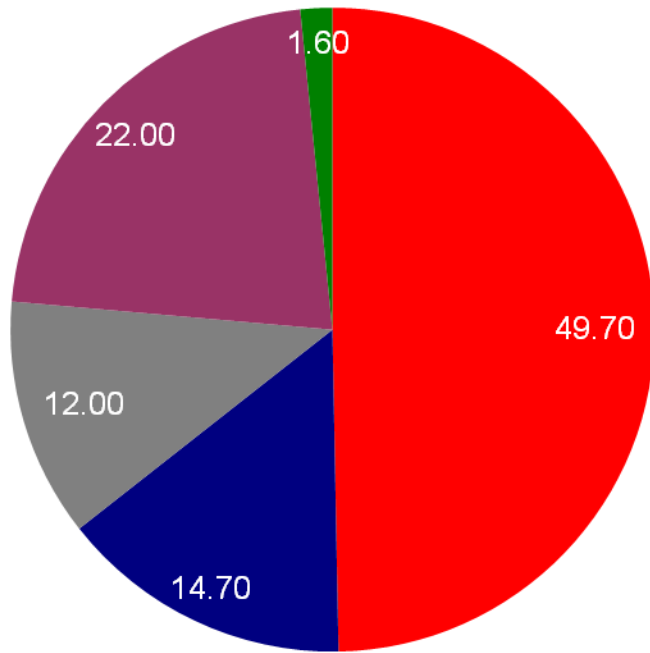
	Earnings Rm	Earnings growth %	Earnings composition %	RoE <sup>2</sup> %
Retail banking	1 336	↓ 31	41	12
ACBB	1 098	↑ 3	33	17
Absa Capital <sup>1</sup>	129	↓ 87	4	
• Headline earnings	917	↓ 10	28	18
• SSF impairment	(788)		(24)	
Bancassurance	672	↓ 5	21	38
Corporate centre	37	↓ 94	1	–
Absa Group	3 272	↓ 39	100	16

1. Includes Absa Wealth.

2. Based on headline earnings.

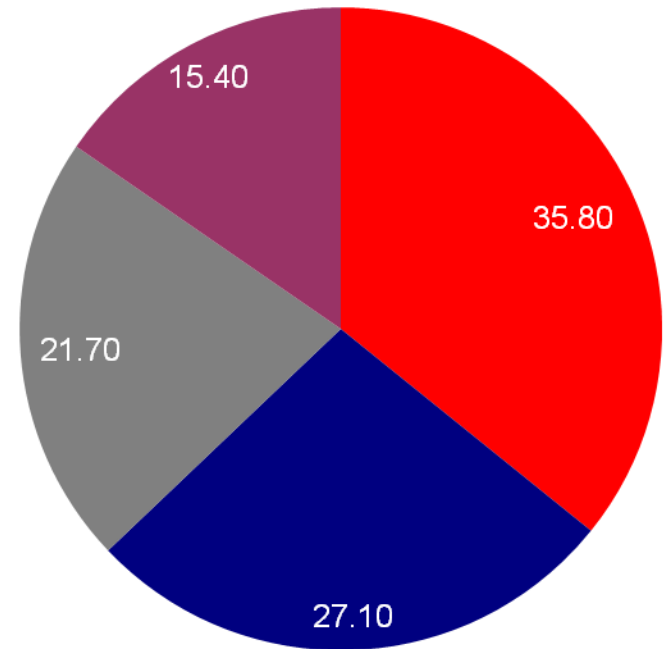
# Diversification has reduced earnings volatility

2005 (%)



- Retail Banking
- ABCap
- African Operations
- ACBB
- Bancassurance

2008 (%)



- Retail Banking
- Absa Capital
- ACBB
- Bancassurance

# We aim to build market leadership in all business segments

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- Retail bank – protect the franchise
  - Responsible lending
- Commercial bank – accelerate growth in commercial
  - No. 2 position in 2011
- Strengthen Absa Capital franchise further
- Leveraging off the unique Bancassurance business model
- Africa – engaging stakeholders to finalise strategy
- Retain and motivate top talent
- Improve efficiency and effectiveness

# Retail Bank

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## A leading retail franchise – despite current position still opportunity to grow

- Largest retail customer base
  - 11 million customers, Core middle market
- Largest distribution footprint
  - 1 081 staffed outlets
  - 9 211 ATMs and self service machines
- Largest market share for deposits and advances
- Targeted growth in selected markets:
  - Unsecured lending – entry level banking; cost of delivery
  - Cross-selling across the group
  - Electronic banking; Internet Banking; Retail affluent; Islamic banking



## Performance impacted by distressed consumer environment

- Attributable earnings decline of 30% to R1.3 billion (H1 2009)
- Sharp rise in impairments
  - Declining asset values
  - lag effect as a result of the maturity of the book
- Impairments expected to peak at the end of 2009
- Proactive cost management (CTI ratio of 51.5%)
- Debt counseling delays late cycle delinquencies/ legal restructuring of debt

## Mitigating actions: Protecting the franchise

### Risk Management

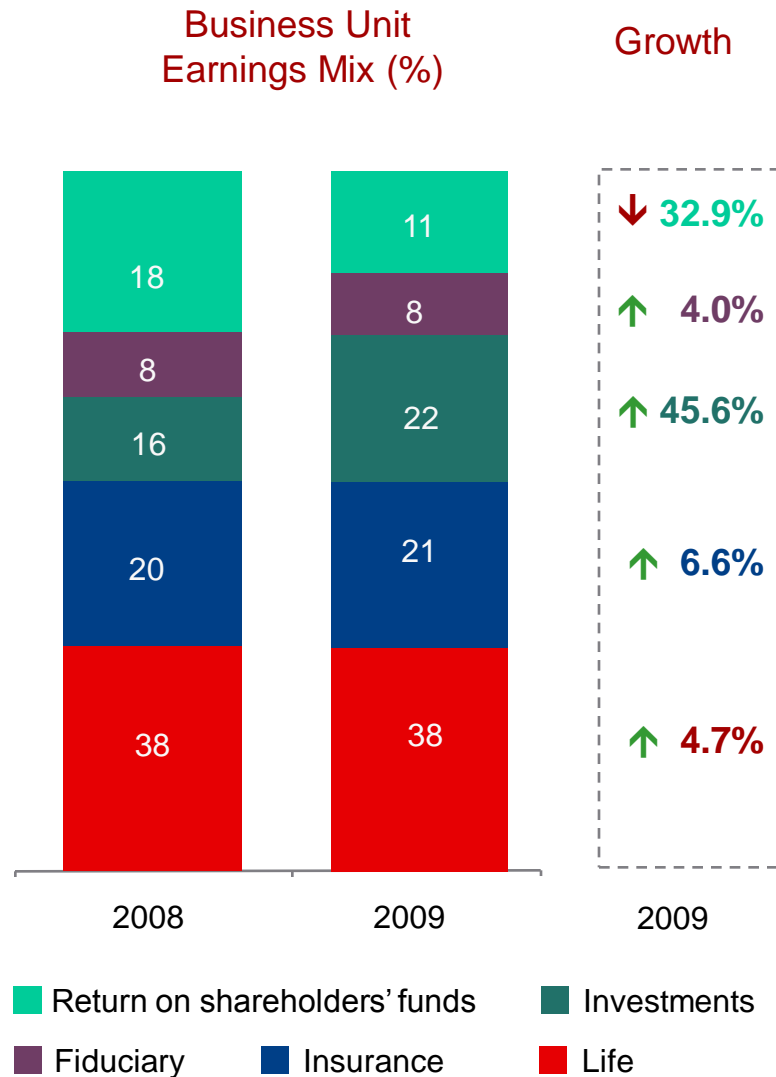
- Responsible lending
- Consumer support
- Continue with collections
- Disciplined cost management
- Improved risk based pricing
- Return on economic capital
- Grow non-interest income

### Strategic Responses

- Customer Service
- Growing deposits
- Improving cross sell opportunities
- Driving cost management
- Enhance the offering to entry level segment

# Bancassurance

## Robust operating performance



- Attributable earnings of R672m (↓ 4.8%)
- Operational earnings (↑ 8.5%)
- Absa Investments : Total net inflows of R25 bn (↑ R24 bn)
- Absa Investments : Assets under management of R144 bn (↑ 23.1%)
- Return on Equity (ROE) of 38.3% (1H08: 43.5%) (↓ 5.2%)
- Cost to income ratio of 22%
- Contribution to Group earnings 20.7% (H108: 14.9%)

## A unique business model

- Combines strengths of traditional bancassurance model with a pure distributor model into a single integrated model
- Largest broker distribution network in South Africa
- Enables increased cross-sell with largest existing retail bank and commercial customer base
- Leverages off existing bank infrastructure
- A well diversified portfolio of products and services
- Investment/ Deposit solution with Absa Capital

## Leveraging off our competitive advantage - Strategic focus areas:

- Leveraging the Group's infrastructure
- Improving cross-sell ratios into the customer base
- Diversification of income streams
- Customer and asset retention
- Grow Africa bancassurance business
- Continued growth in assets under management
- Operational excellence and efficient capital management

# Absa Capital and Absa Wealth

## New Structure

### Absa Capital

#### Markets

- Fixed income and credit
- Sub-Saharan Africa
- Foreign Exchange
- Equity and Commodities
- Prime Services & Other

#### Investment Banking

- Debt Financing Products
- Equity Financing Products
- Advisory

#### Private Equity & Infrastructure Investments

- Private Equity
- Infrastructure Investments

#### Centre

- Legacy SSF positions

### Absa Wealth

#### Private Banking and Investment Management

- Onshore and offshore wealth management services
- Advisory, fiduciary, banking, credit, risk and investments

## A top player in South Africa

- Raised ZAR 1.0 billion for Edcon in the year's largest securitisation deal
- NewGold ETF broke the ZAR 10.0 billion mark
- The corporate risk advisory team closed an inflation linked transaction in the ZAR market marking a landmark transaction in the South African Project Finance space
- Absa Capital in partnership with Plexus Asset Management launched the first sector Exchange Traded Fund based on eRAFI™ methodology
- Closed its first ever bond transaction in Zambia
- Secured its first two mandates within the Nigerian market
- Launched the first securitisation in the South African market for 2009 for Eskom Finance (Pty) Ltd

## Strategic focus

### Absa Capital

- Grow the client franchise and increase risk management penetration
- Continue to invest in support infrastructure and robust controls
- Be the employer of choice for top talent
- Increase collaboration with other Absa business units to increase share of client wallet
- Grow Sub-Saharan Africa business

### Absa Wealth

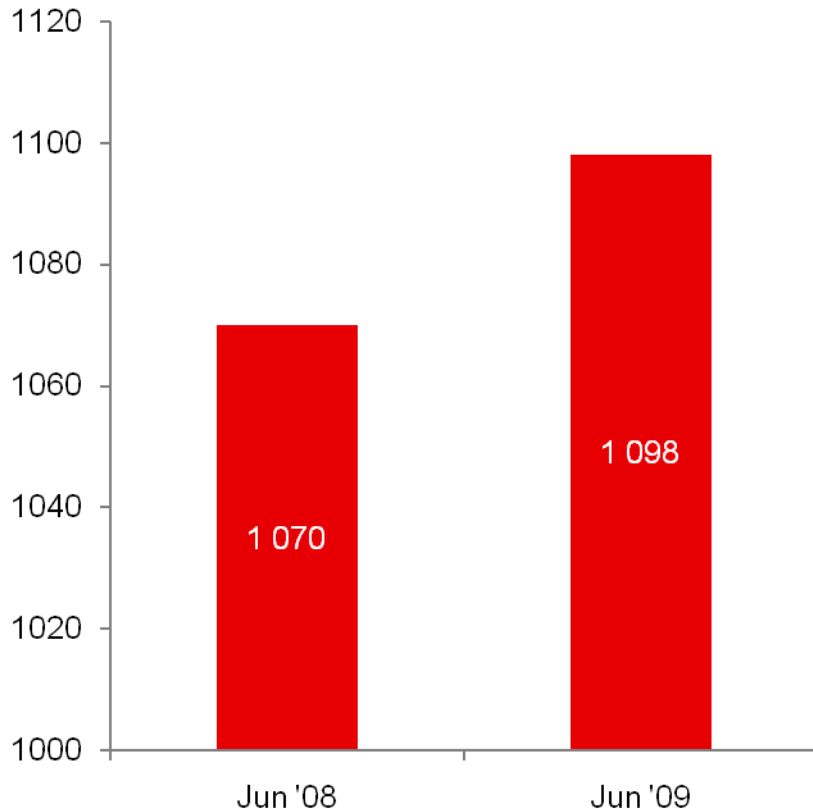
- Deliver proprietary advice tools and package bespoke investment solutions
- Leverage the Barclays Wealth offshore proposition
- Launch of the Absa Wealth brand
- Build our support infrastructure and robust controls



# Commercial Bank

## Positive Performance

Attributable earnings (Rm)



- Attributable earnings of R 1 098m (↑ 2.6%)
- Revenue of R4 215m (↑ 12%)
- Strong deposit growth (↑ 17%)
- Transaction volumes continue to rise (↑ 12%)
- Rise in impairment ratio to 0.9%
- Cost to income ratio improves from 54% to 50%
- Contribution to Group earnings – 34.0% (H108: 22.7%)

## Growing our commercial business – moving from number 4 to strong number 2

- Focus on growth in non-interest income growth
- Increase the contribution of Markets revenue with Absa Capital
- Focus and improve the electronic banking solutions
- Deepen share of customer wallet
- Continue growth in agriculture, public sector and PPP finance
- Strong risk management focus

# Africa

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## Key Milestones

- Continue to deliver on mandate of Absa Capital/ AFS as the Barclays Group's service provider in Africa
- Resolve dual representation in Tanzania
- Grow the Mozambique franchise
- Establish a presence in markets where we have or applied for representative office licence
- Reach agreement with Barclays on presence in countries where there is no representation
- Regulatory approval

# Strategic positioning

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

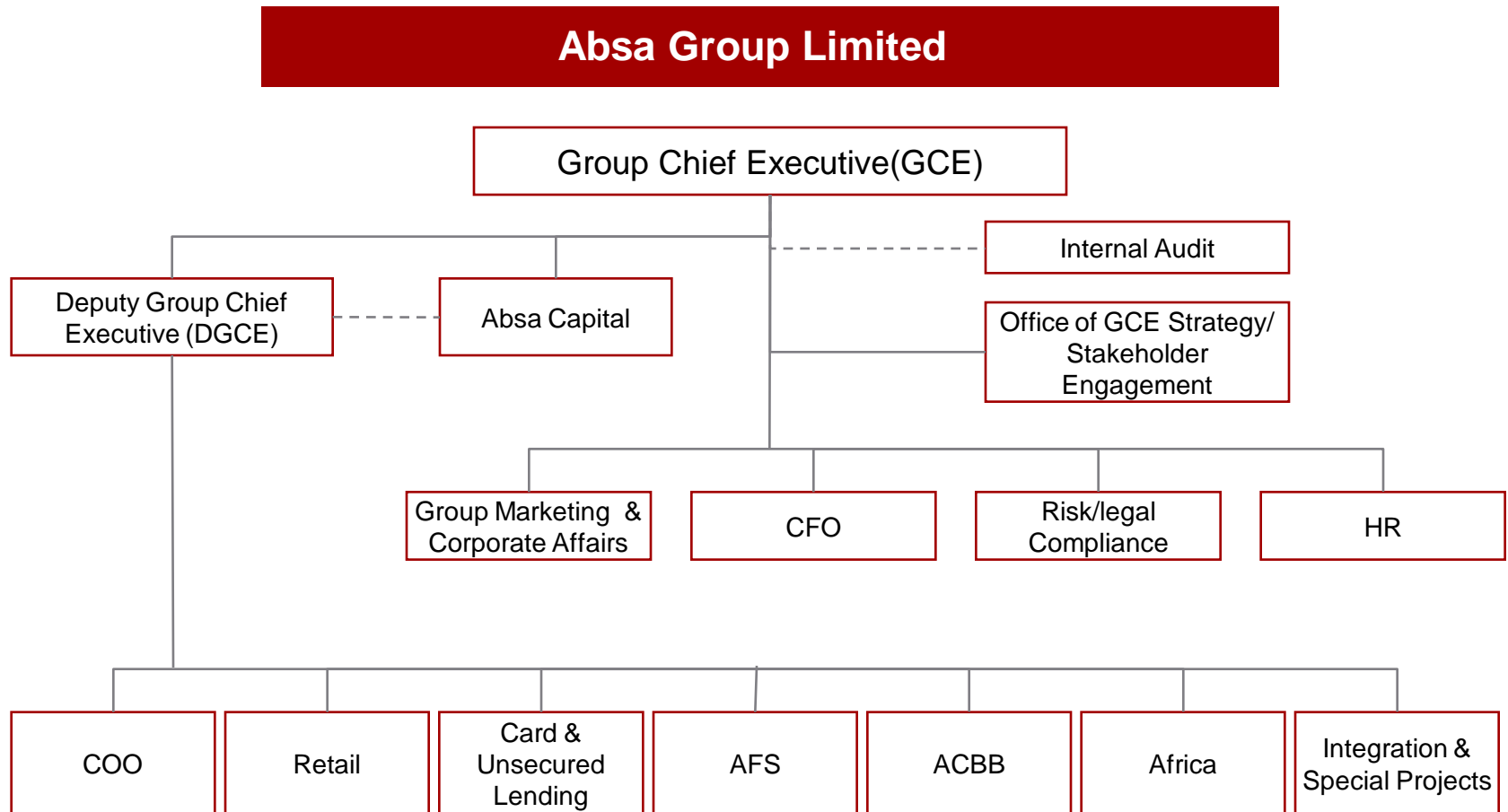
Targeted growth in economic value

Balance sheet optimisation and proactive risk management

Simple and streamlined Group for *customer delivery*

Customer people centric organisation

# New executive structure



# Protecting our future revenue streams

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## Finding the balance between growth and risk

- Scale and strength of retail bank
- Robust Bancassurance model
- Successful investment banking franchise
- Growing our commercial banking offering
- Growing profits faster than risk

# Questions?

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Listed on the JSE	ASA
Reuters	ASAJ.J
Bloomberg	ASA SJ

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## Registered address

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- Nwabisa Piki

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Telephone (+2711)

## Transfer secretaries

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PO Box 61051, Marshalltown, Johannesburg, 2107  
Telephone: +2711 370 5000

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## Absa's ADR depository bank

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The Bank of New York  
Postal address: 101 Barclay Street, 22W,  
New York, NY, 10286  
Web site: [www.adrbny.com](http://www.adrbny.com)

# Disclaimer

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This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended and Section 27A of the US Securities Act of 1933, as amended with respect to certain of the plans, current goals and expectations of Absa Group Limited (Absa) relating to its future financial condition and performance. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as “aim”, “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “objective”, “believe”, or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding Absa’s future financial position, income growth, impairment charges, business strategy, projected levels of growth in the banking and financial markets, projected costs, estimates of capital expenditures, and plans and objectives for future operation.

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