

Absa Group Limited

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Agenda

South African banking system and
macro economic environment

Absa overview

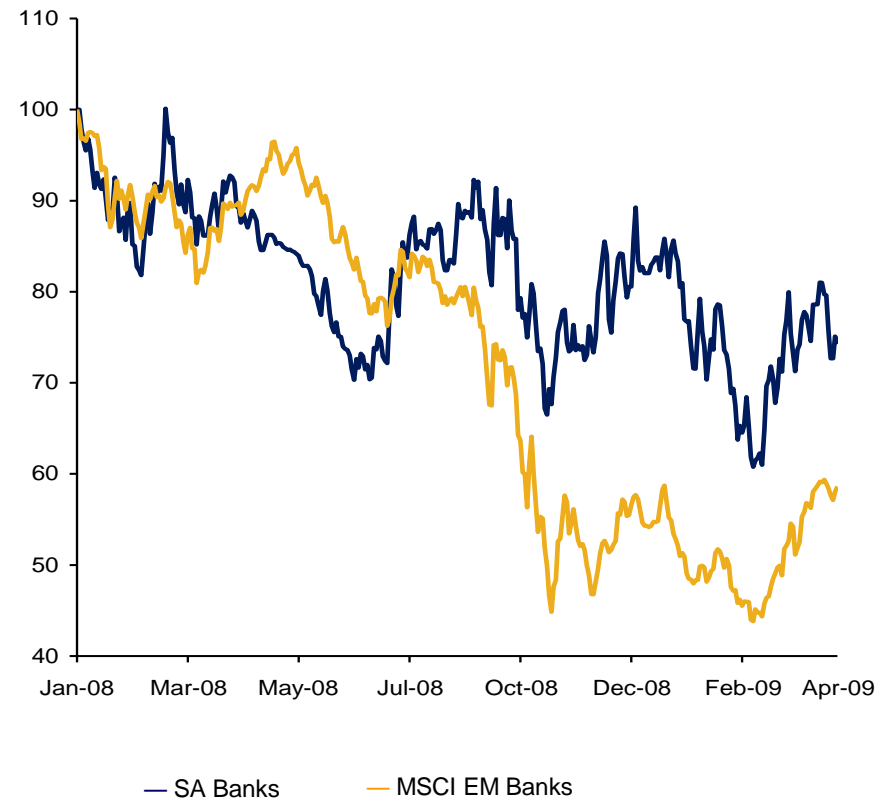
Cluster review
Building strength and market leadership
in all business segments

South African banks have weathered the global financial crisis storm

SA Banks vs Global Banks



SA Banks vs Emerging Markets Banks



The banking system has remained sound and stable

- Well regulated
- Captive system
- SA money market activity operating normally

“Ranked 15th for the soundness of its banking system”

The World Competitiveness Report

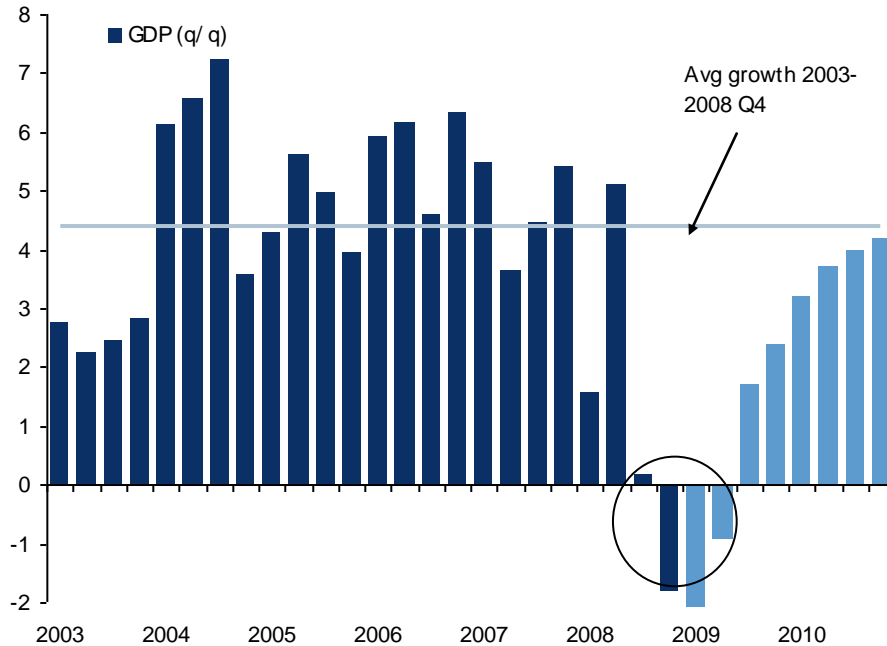
Key differentiators

- No sub prime exposure
- Strong capital ratios
- Market dominated by top 5 banks
 - Large South African exposure
 - Strong working relationships
- No asset bubbles
 - SA house prices have not fallen to the same extent relative to international prices
 - House price inflation y.o.y growth: UK(↓17%),US(↓ 18%), SA(↓ 2%)¹
- Full recourse to home loan clients

¹ Absa house price index

The South African macro economy however is facing headwinds

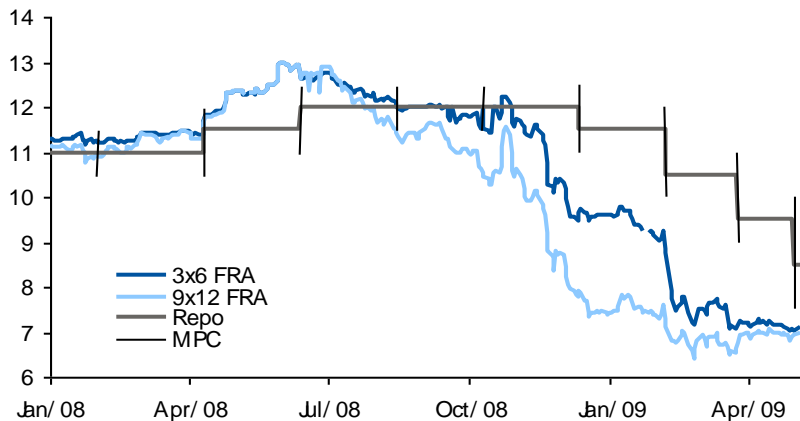
Negative GDP numbers forecasted for Q4 08-Q1 09



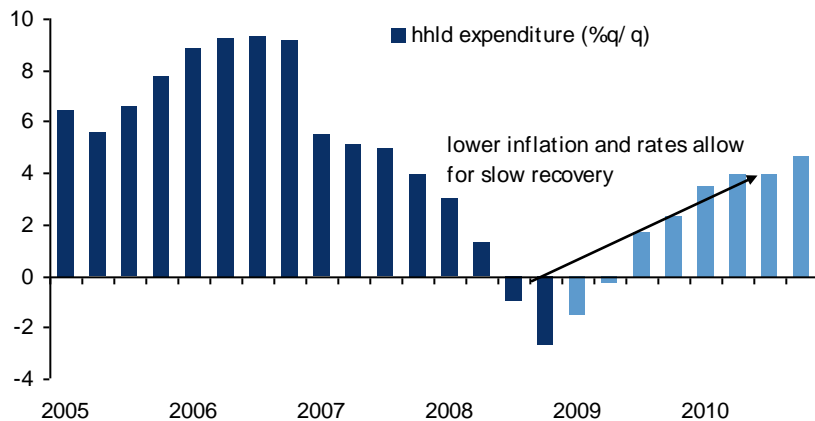
- Decline in consumption
- Lower manufacturing output
- Decline in household wealth
- Drop in private sector investment
- Corporate credit demand falling
- Increased portfolio outflows
- Slowdown in sub-Saharan economic growth

Inflation and interest rates are showing a promising downward trend....

Market increasingly aggressive on rate cuts



Lower inflation and rates will benefit households



- We expect the SARB to cut rates by a further 150bps by mid-year, taking the Repo rate to 7%
- CPI is expected to fall back to the target range by 3Q09, but remaining in the upper end of 3-6% band
- MPC's views on the pace and extent of rate cuts remain critical
- "Pace" looks settled – quickly
- "Extent" however is not clear

A near term recovery however is not expected

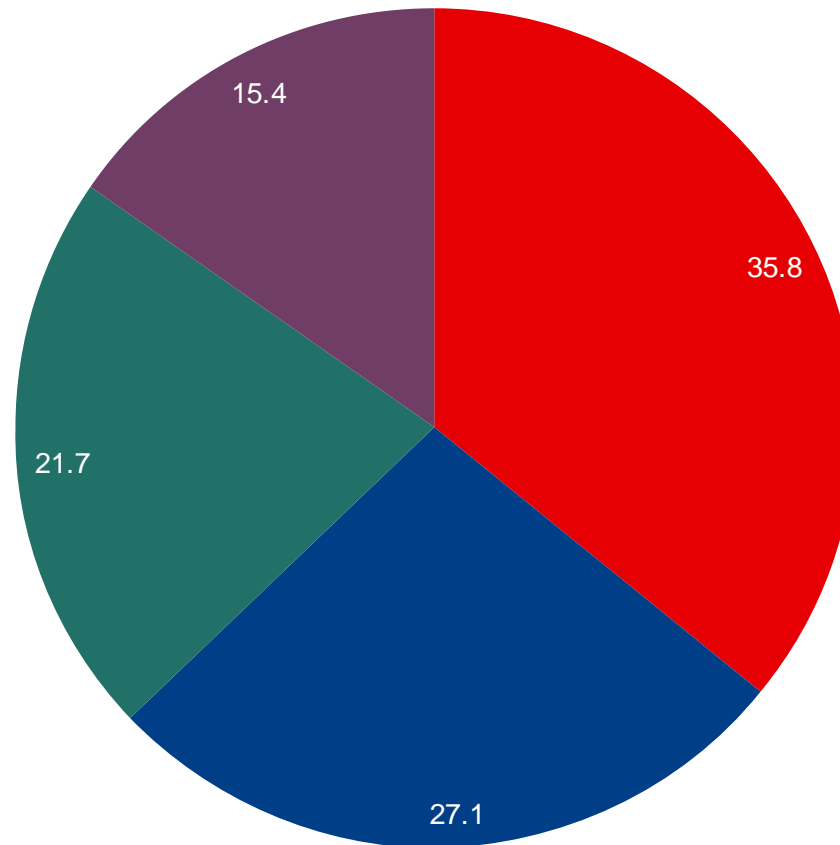
Downside risks:

- Depressed consumer spending and confidence
- Negative outlook for employment
- Corporates showing signs of strain
- Deteriorating business confidence
- Rand volatility

Absa at a glance

- One of the largest South African Banks
- Four business segments
 - Largest retail bank
 - Leading Bancassurance business
 - Growing Commercial and Investment bank
- Subsidiary of the Barclays Group
- Listed JSE: ASA
 - Market capitalisation R74 billion (USD 7.8 billion), 44% Free Float

Profit contribution by business area (%)



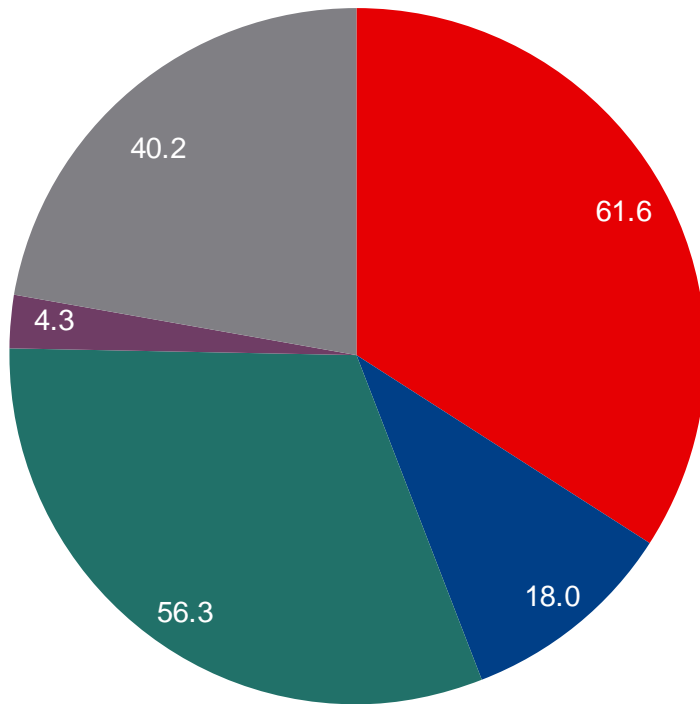
■ Retail Banking ■ Commercial Banking ■ Absa Capital ■ Bancassurance

Note

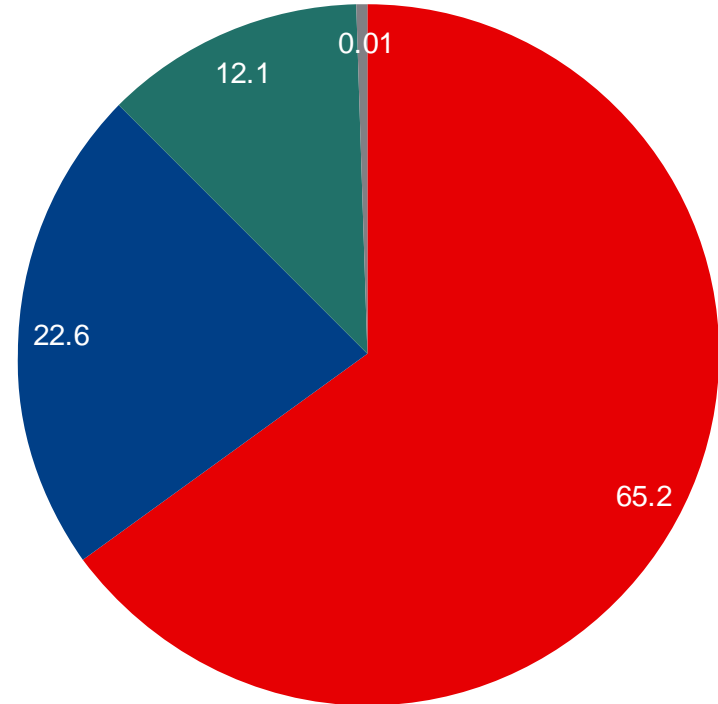
Calculated after the allocation of capital, funding and corporate centre. If Visa profit of R636 million is included in December 2008, the Contributions will be as follows Retail-33.7%, Commercial Banking-25.5%, Absa Capital-20.5% and Bancassurance-14.5%

Total asset and advances breakdown (%)

Total Assets (R773 billion)



Total Advances (R532 billion)



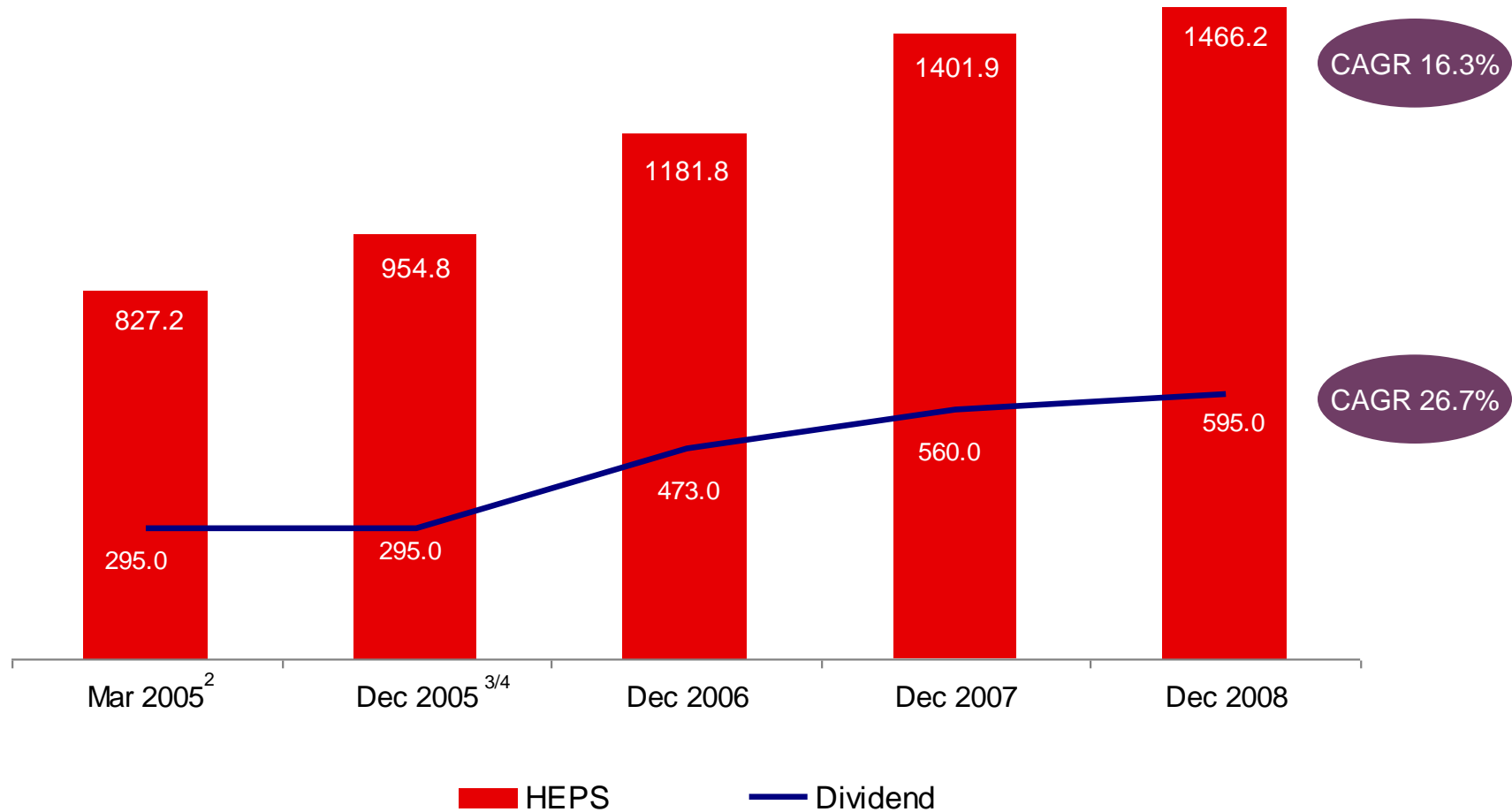
■ Retail Banking ■ Commercial Banking ■ Absa Capital ■ Bancassurance ■ Other

Financial performance

	2008	2007	2006	5-yr CAGR
Total assets (Rm)	773 758	640 909	495 112	20.3%
Attributable income (Rm)	10 592	9 595	8 105	18.6%
Return on equity %	23.4	27.2	27.4	
Return on assets %	1.37	1.68	1.74	
Net interest margin (avg assets) %	3.02	3.37	3.28	
Impairment losses %	1.19	0.58	0.45	
Cost-to-income ratio %	49.4	51.7	53.8	
Diluted headline earnings per share (c)	1 412	1 316	1 121	15.4%
Dividend cover (times)	2.5	2.5	2.5	
Net asset value per share (c)	6 950	5 537	4 717	18.3%

Returns to shareholders

Headline Earnings per Share/Dividends per Share (SA cents)



² Year ended 31 March 2005. Absa's year-end was changed to December in 2005

³ Pro forma figures (twelve months)

⁴ For the nine months ended 31 December 2005

Capital position and funding mix

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 ⁵	11.2
Growth in RWA	(5.1)
Dividends	(4.4)
Free cash flow	1.7

Funding Mix (%)	
Deposits due to customers	63.4
Retail Banking	22.4
ACBB	16.6
Absa Capital	24.3
Other	0.1
Deposits from bank	9.1
Debt securities in issue	27.5

⁵FY08

Retail Bank

A leading retail financial services franchise...

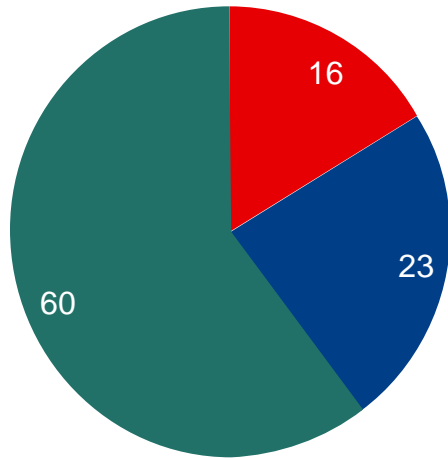
- Largest retail customer base
 - 10 million customers, Core middle market
- Largest distribution footprint
 - 1 192 staffed outlets
 - 9 104 ATMs and self service machines
- Largest individual deposit base
 - Total deposits market share 24%⁶
- No 1 market share in mortgage advances (31%)⁶
- 88% of the book is secured lending

⁶ As per BA900 Feb 2009

Retail Bank

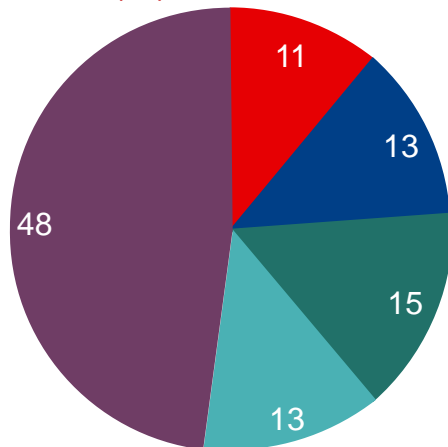
...with a quality long dated home loans book

Age distribution (%)



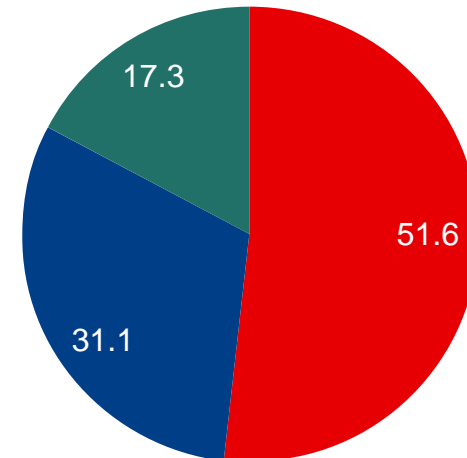
■ Less than 1 year ■ Between 1 & 2 years ■ More than 2 years

LTV distribution (%)



■ 100%+ ■ 90-100% ■ 80-90% ■ 70-80% ■ <70%

Rand value distribution (%)



■ Less than R1 mil ■ Between R1 & 2 mil ■ More than R2 mil

- Core middle market exposure
- 60% of book older than 2 years
- 76% of book has less than 90% LTV
- Average LTV 44%

Retail Bank

Retail performance impacted by distressed consumer environment

- Attributable earnings decline of 25% to R3.7 billion (FY 2008)
- Advances growth slowing
- Sharp rise in impairments
 - deteriorating security values
 - lag effect as a result of the maturity of the book
- Impairments expected to peak by H2 2009

Mitigating actions: Protecting the franchise

Risk Management

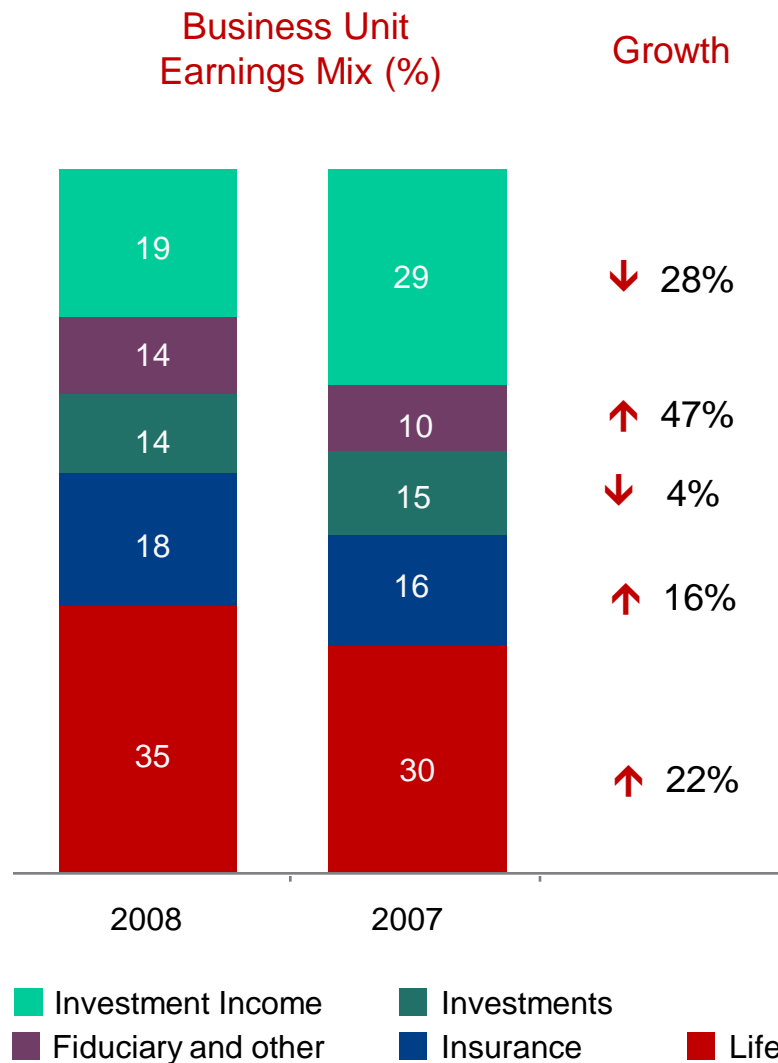
- Tighten underwriting criteria
- Strengthen collections capability
- Increased LTV caps
- Improved risk based pricing
- Return on economic capital

Strategic Responses

- Growing deposits
- Increasing transactional volumes
- Improving cross sell opportunities
- Driving cost management
- Focussed entry into unsecured lending

Bancassurance

Robust financial performance (FY08)



- Attributable earnings of R1 597 million (↑ 6.3%)
- Operational earnings (↑ 16.4%)
- ROE 40%
- Drivers of performance
 - Reducing volatility of earnings by divesting from equity exposure and implementing effective hedging strategies
 - Continuing to refine capital models through-out the business and repatriating all excess capital to Group

Bancassurance

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 customer base
- Leverages off existing bank infrastructure
- A well diversified portfolio of products and services

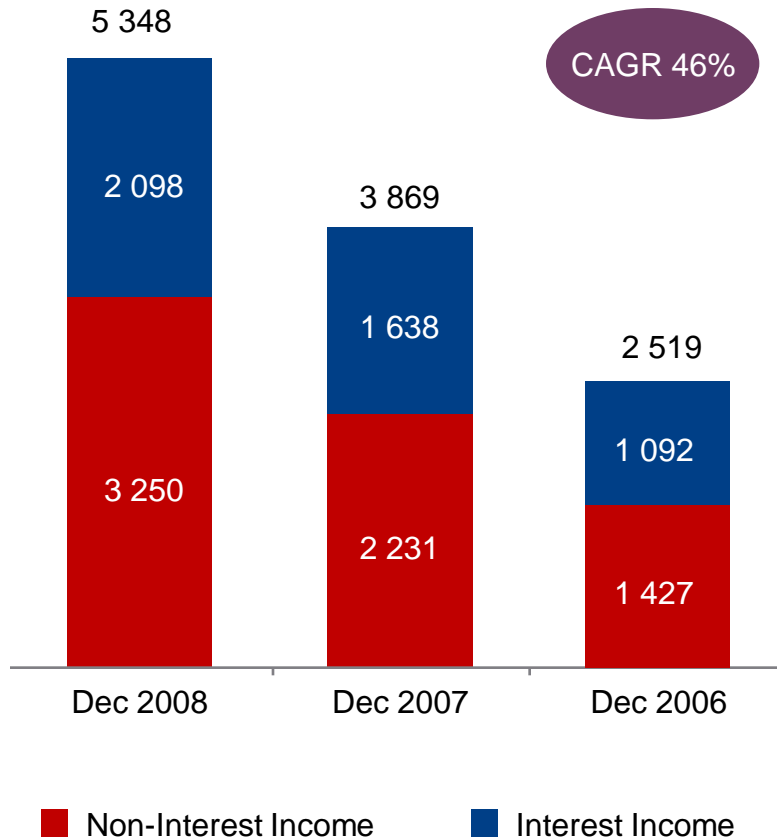
Strategic focus areas

- Organic growth focus on key customer value propositions
- Accelerating cross-sell ratios
- Accumulate assets under management
- Grow distribution capacity
- Leverage synergies with Absa Group and Barclays
- Grow Africa bancassurance business
- Operational excellence and efficient capital management

Absa Capital

Building a leading investment bank

Revenue (R million⁷)



- Launched in 2006
- One of the fastest growing investment banks in South Africa
- Strong relationship with Barclays
 - Technology platforms and product solutions
 - ZAR centre of excellence for Barclays capital
 - Regional lead for investment banking in Sub-Saharan Africa
- Positioned as the only South African investment bank with a fully local, fully global business proposition

⁷Gross of impairment losses on loans and advances

Absa Capital

A top player in South Africa

Firsts in SA in 2008

 **ABSA CAPITAL**
momentum
 Listed first ever capital-protected commodity basket

 **ABSA CAPITAL**

 Listed first ever eRAFI Exchange Traded Fund

 **ABSA CAPITAL**
 First Shari'ah compliant Exchange Traded Fund

 **ABSA CAPITAL**
 First CPI linked subordinated bond issue


 CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD
 THIS CITY WORKS FOR YOU
 R1.0bn bond, first bond for Metropolitan Municipality

Largest transactions in 2008

 **Sonangol**
 US\$2.5bn syndicated loan


 R6.5bn syndicated loan

Mercedes-Benz South Africa
 R3.5bn debt facility*

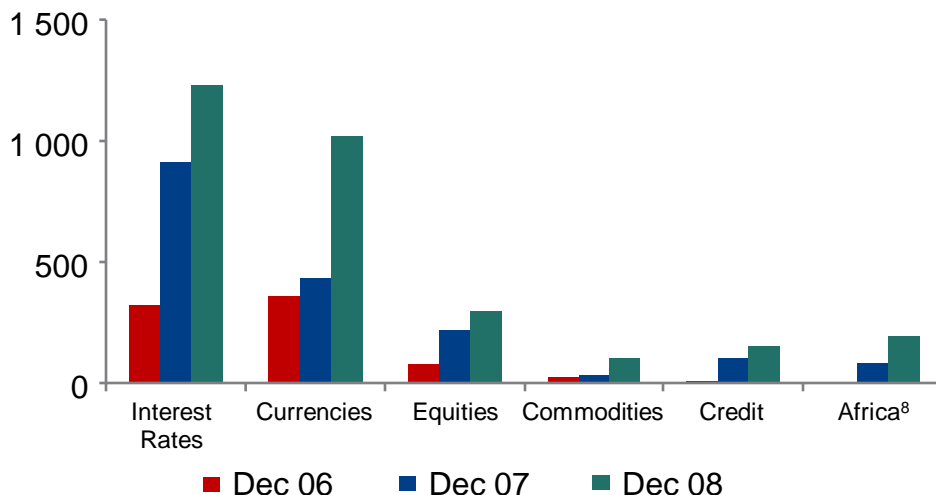

 R2.2bn bond


 R2.0bn bond

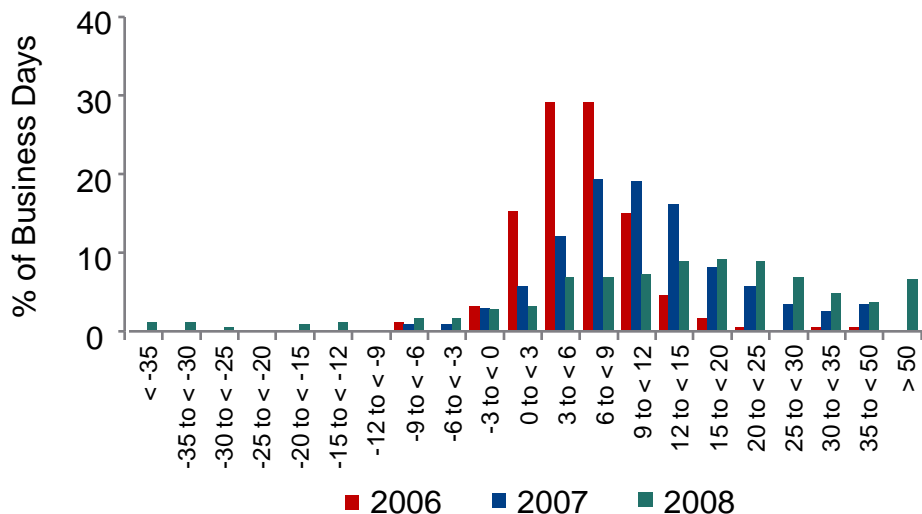
 
 R2.0bn Medium Term Note Programme

Secondary markets continuing to grow revenue rapidly

P&L Distribution Per Significant Product (Rm)



P&L Distribution (Rm)



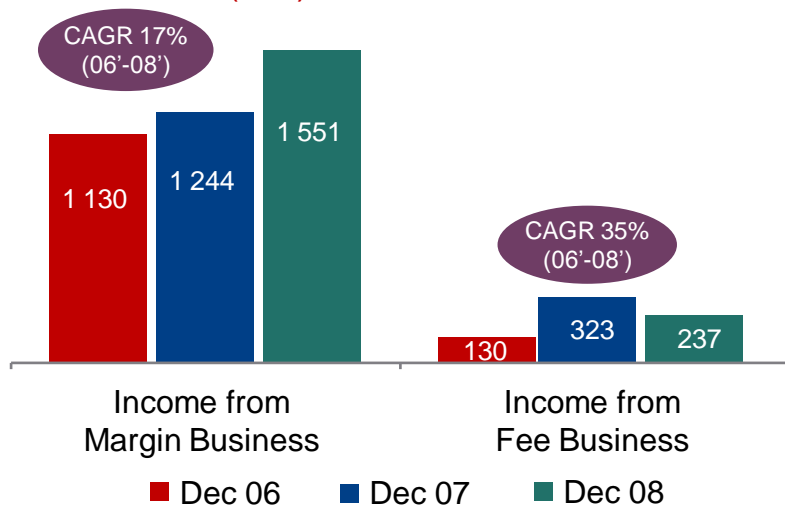
- Revenue growth of 110%
- Contributed 55.0% to Absa Capital's revenue
- P&L distribution has shifted to the right (compared to prior years - increased days with positive P&L)
- Good growth in Sub-Saharan Africa business
- Performance driven by:
 - Increased trading flows from new and existing clients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

⁸ Sub-Saharan Africa has been included into the 2008 results and restated for 2007; no restatement has been made for 2006

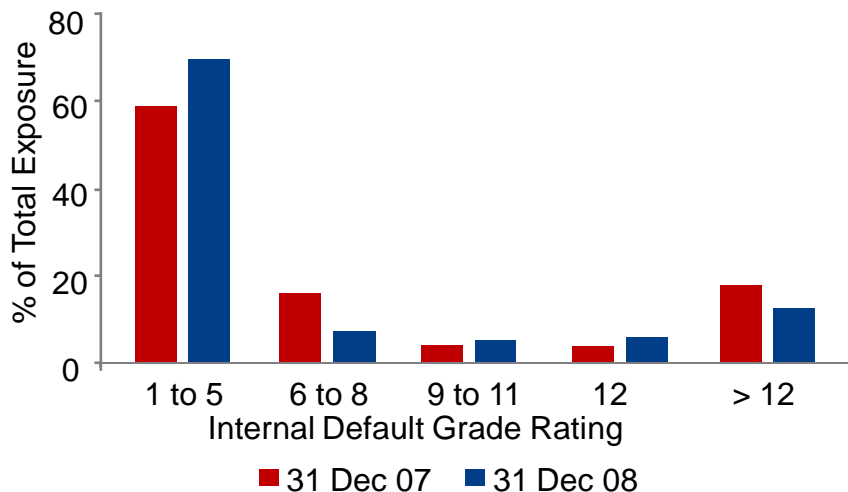
Absa Capital

Primary markets grew while continuing to optimise balance sheet usage

Revenue Mix (Rm)



Quality of Assets

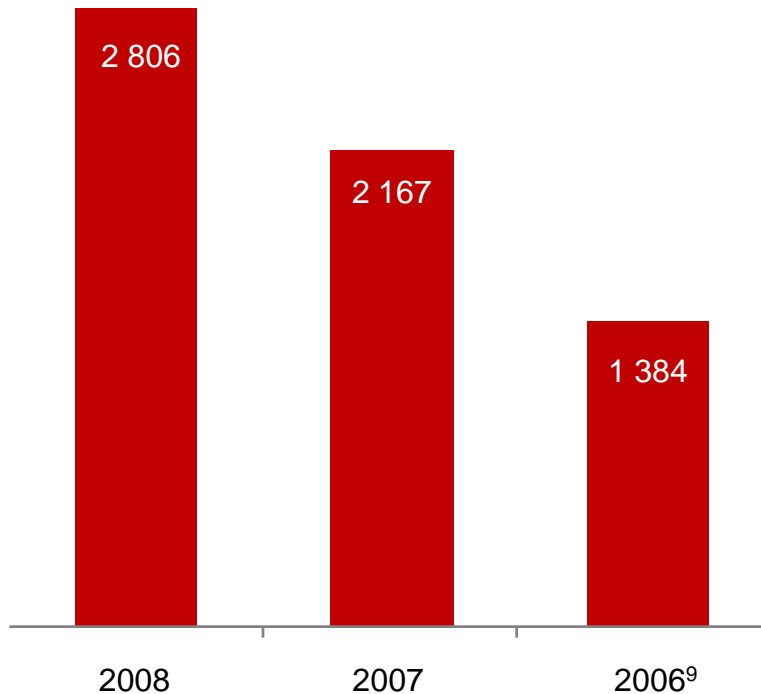


- Revenue growth of 14%
- Contributed 33.1% to Absa Capital's revenue
- Performance driven by:
 - Client-centric business model
 - Leveraging off Barclays Capital global capabilities
 - Delivery of comprehensive international and local solutions
- Growth achieved while continuing to improve asset quality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

Commercial Bank

Accelerating growth in the commercial business

Attributable Earnings (R million)



- Commercial banking has experienced strong growth over the past three years
- SA market share 23%*
- PBT CAGR of 36%

⁹ Attributable Earnings excluding CAF and Africa

* 2008

Key drivers of performance

- Driving product and sector diversification
- Growing non interest income
- Exploiting cross sell opportunities
- Reducing sector concentration risk
- Expansion into Africa

Strategic positioning

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

Diversify the business and reduce earnings cyclicality

Leverage the Barclays relationship

Maintain a robust risk framework

Operational excellence

Well positioned to meet challenges of the current environment

Strong organic growth opportunities,
with the ability to execute acquisitions

Successful strategic alliance with Barclays

Robust asset quality

Well capitalised

Questions?

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

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Absa's ADR depository bank

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New York, NY, 10286
Web site: www.adrbny.com

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