

ABSA GROUP LIMITED

INTERIM FINANCIAL RESULTS

For the six months ended 30 September 2005



Today tomorrow together

AGENDA

Sustainable value creation

Steve Booysen

Financial overview

Jacques Schindehütte

Leveraging best practices

Robert East

**Building the pre-eminent bank
in South Africa and the rest of
Africa**

Steve Booysen



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STEVE BOOYSEN

SUSTAINABLE VALUE CREATION



ECONOMIC DRIVERS

POSITIVE OPERATING ENVIRONMENT

Global conditions

- **Moderate decline in world growth**
- **High oil prices impacting consumer confidence**

Favourable domestic economic environment

- **Low interest rates**
- **Inflation within the target range**
- **Buoyant demand for credit**
- **Strong equity market and positive sentiment persisting**



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INDUSTRY ISSUES

- **Consumer awareness and activism**
- **Increased regulation and compliance**
- **Black economic empowerment**
- **Competitive market**



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THE SIX MONTHS UNDER REVIEW

FINANCIAL HIGHLIGHTS

- **Headline earnings ↑ 24.6%**
- **Headline earnings per share ↑ 22.5%**
- **Return on average equity of 25.0%**
- **Dividends per share ↑ 68.4%**
- **Fully diluted earnings per share ↑ 19.6%**

SEGMENTAL PERFORMANCE

AN ALL-ROUND STRONG PERFORMANCE

For the six months ended 30 September 2005

	Headline earnings growth (%)
• Leveraged Absa's strong retail banking franchise	↑ 23.4
• Solid growth from all commercial banking entities	↑ 32.9
• Wholesale banking revitalised	↑ 29.6
• Enhanced contribution from African operations	↑ 62.8
• Bancassurance operations benefiting from strong operational performance and equity markets	↑ 40.5

RETAIL BANKING

- **Strong advances growth**
- **Increased transaction volumes**
- **Continued growth of the customer base**
- **Further improvement in the quality of the advances book**
- **Enhancement of the Group's delivery footprint**

Headline earnings ↑ 23.4%, RoE of 40.4%, Impairment charge ↓ to 0.13%

COMMERCIAL BANKING

- **Good advances and deposit growth**
- **Commercial property finance continued to perform strongly**
- **Enhanced asset quality**
- **Retention of leading position in the public sector and agribusiness**
- **Very strong performance from Absa Vehicle and Asset Finance**

Headline earnings ↑ 32.9%, RoE of 25.5%, Impairment charge ↓ to 0.69%

WHOLESALE AND INTERNATIONAL BANKING

- **Active deal initiation and structuring**
- **Favourable credit environment**
- **Solid increase in transactional banking**
- **Treasury trading activities benefiting from equity-related and customer trading activities**
- **Closure of international operations**

Headline earnings ↑ 29.6%, RoE of 12.8%, Impairment charge ↓ to 0.44%

FINANCIAL SERVICES

- **Risk products perform strongly**
- **Strong growth in investment markets**
- **Underwriting performance remained good**
- **Expansion of the product range**

Headline earnings ↑ 40.5%, RoE of 38.4%

DELIVERING STRONG PERFORMANCE

- **Sustainable earnings growth**
- **Value creation for stakeholders**
- **Improvement of the franchise**
- **Barclays transaction concluded**



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JACQUES SCHINDEHÜTTE

FINANCIAL OVERVIEW

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

- IAS 39, 32 and 4 prospectively applied
- No need for re-designation of financial instruments
- IFRS 2 – 7 November 2002 and Batho Bonke
- Retained income reduced by R804 million
- Impact on period under review:
 - Presentation of income statement
 - Decline in headline earnings of R132 million

GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER

	2005 (Rm)	2004 (Rm)	Change
Net interest income	6 249	5 162	↑ 21%
Credit impairments	(494)	(637)	↓ 22%
Non-interest income	6 184	5 543	↑ 12%
Operating expenses	(7 890)	(6 778)	↑ 16%
Taxation	(1 185)	(934)	↑ 27%
Other	144	59	↑ >100%
Headline earnings	3 008	2 415	↑ 25%

NET INTEREST MARGIN ANALYSIS

IFRS MITIGATING PRESSURE ON MARGINS

Percentage	Apr 2005	Apr 2004
Net interest margin – Opening position*	3.25	3.40*
Net inherent interest margin – Opening position	3.28	3.31
• Composition change of deposits and advances	(0.02)	-
• Pricing impact of deposits	(0.08)	(0.17)
• Pricing impact of advances	(0.06)	0.16
• International and African operations	0.03	0.08
• Endowment impact on capital	(0.03)	(0.19)
• Trading and gross-up of derivatives	0.09	0.06
• Other	0.02	0.03
Net inherent interest margin – Closing position	3.23	3.28
• Impact of IFRS	0.09	(0.02)
• Interest risk strategies in closing position	0.03	(0.01)
Net interest margin – Closing position	3.35	3.25
	Sep 2005	Mar 2005

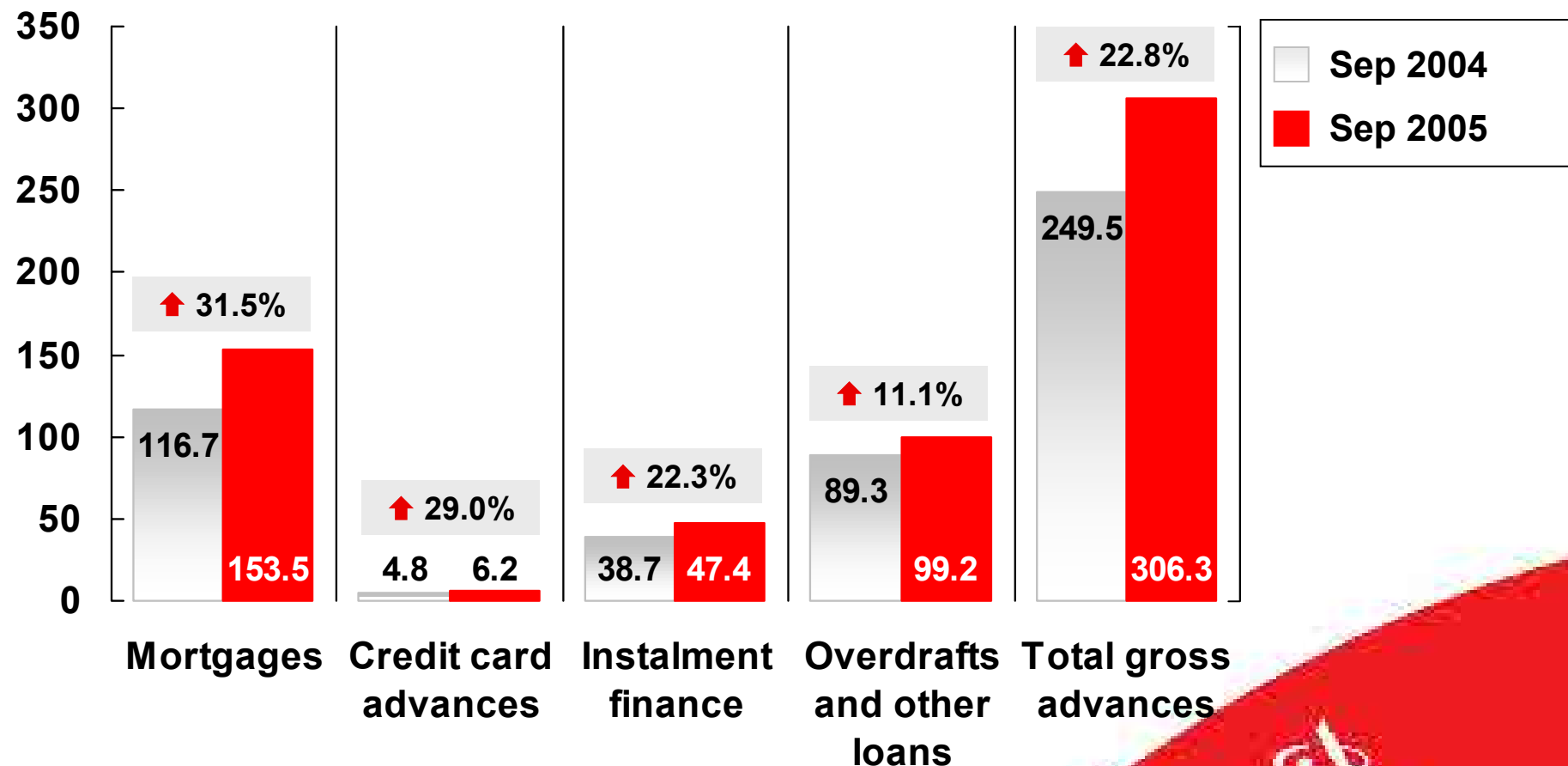
**Includes interest rate risk strategies of 9bp positive for April 2004*

Average prime for the year ended 31 March 2004 ➔ 13.82%, 31 March 2005 ➔ 11.18%, average prime for the six months ended 30 September 2005 ➔ 10.54%.

LOANS AND ADVANCES TO CUSTOMERS

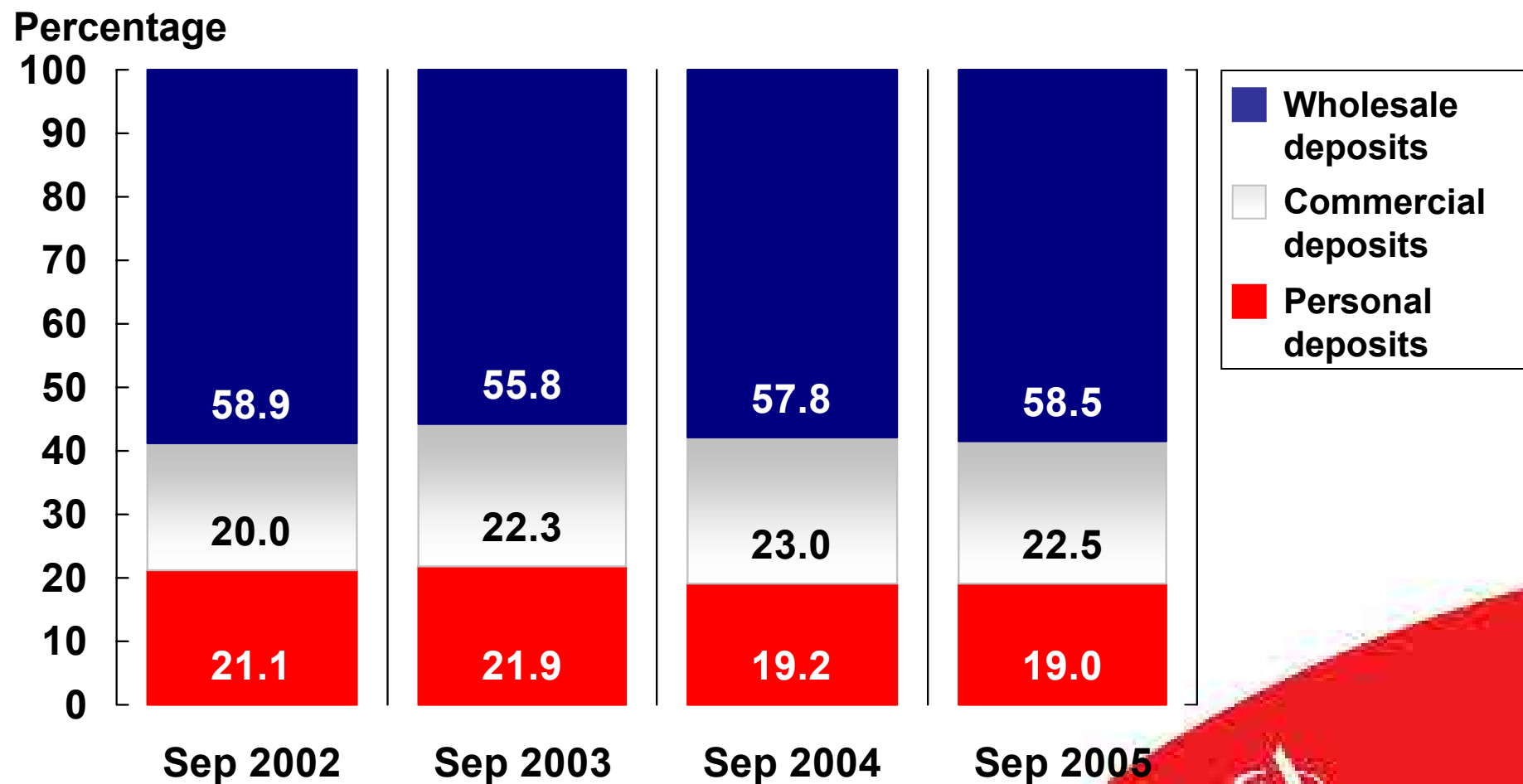
STRONG ADVANCES GROWTH

R billion



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DEPOSITS DUE TO CUSTOMERS AND BANKS



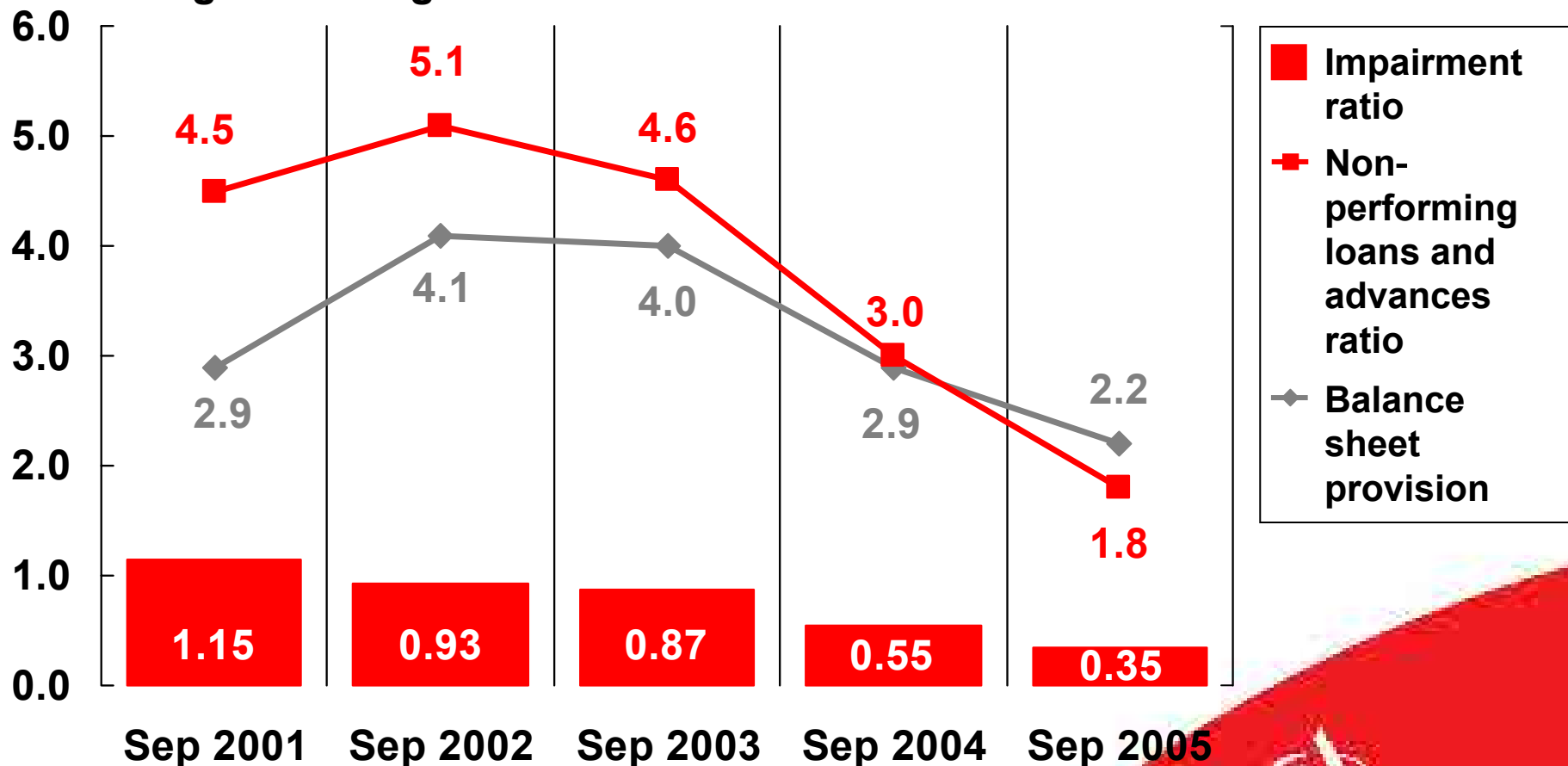
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Note: Reporting periods prior to September 2004 have not been restated for IFRS

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

CONTINUED IMPROVEMENT IN ASSET QUALITY

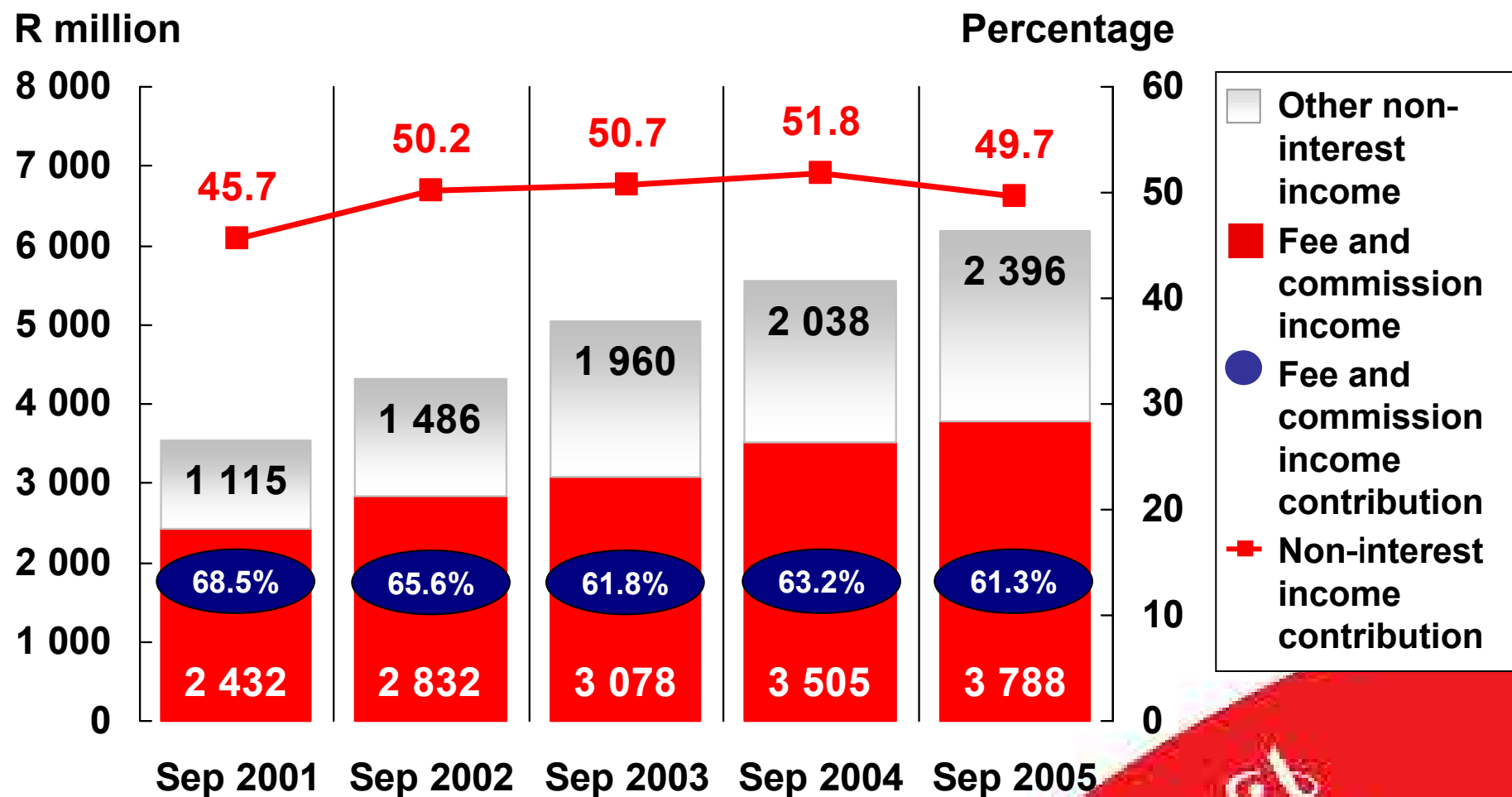
Percentage of average loans and advances



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NON-INTEREST INCOME LIMITED IFRS IMPACT

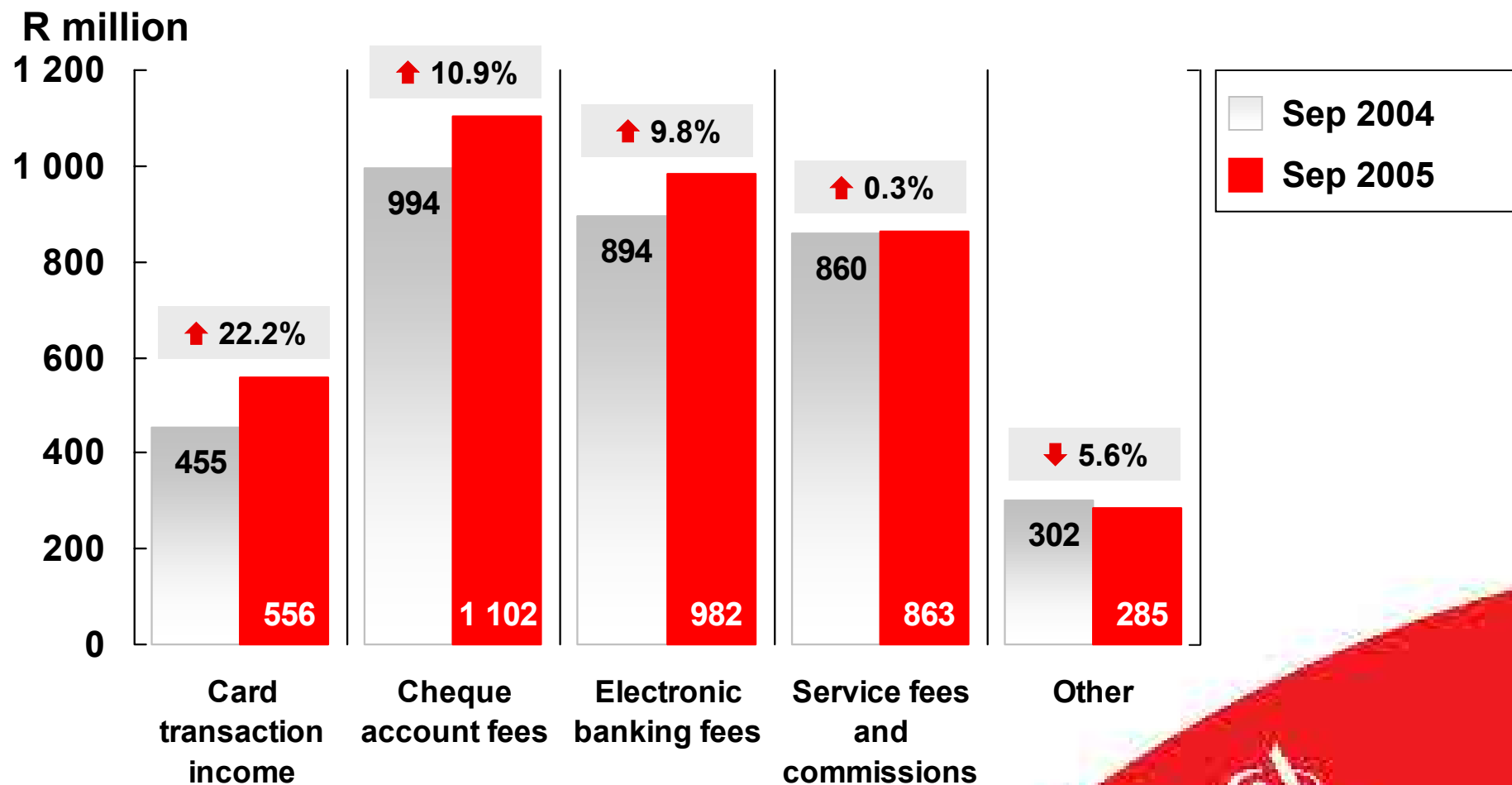


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FEE AND COMMISSION INCOME

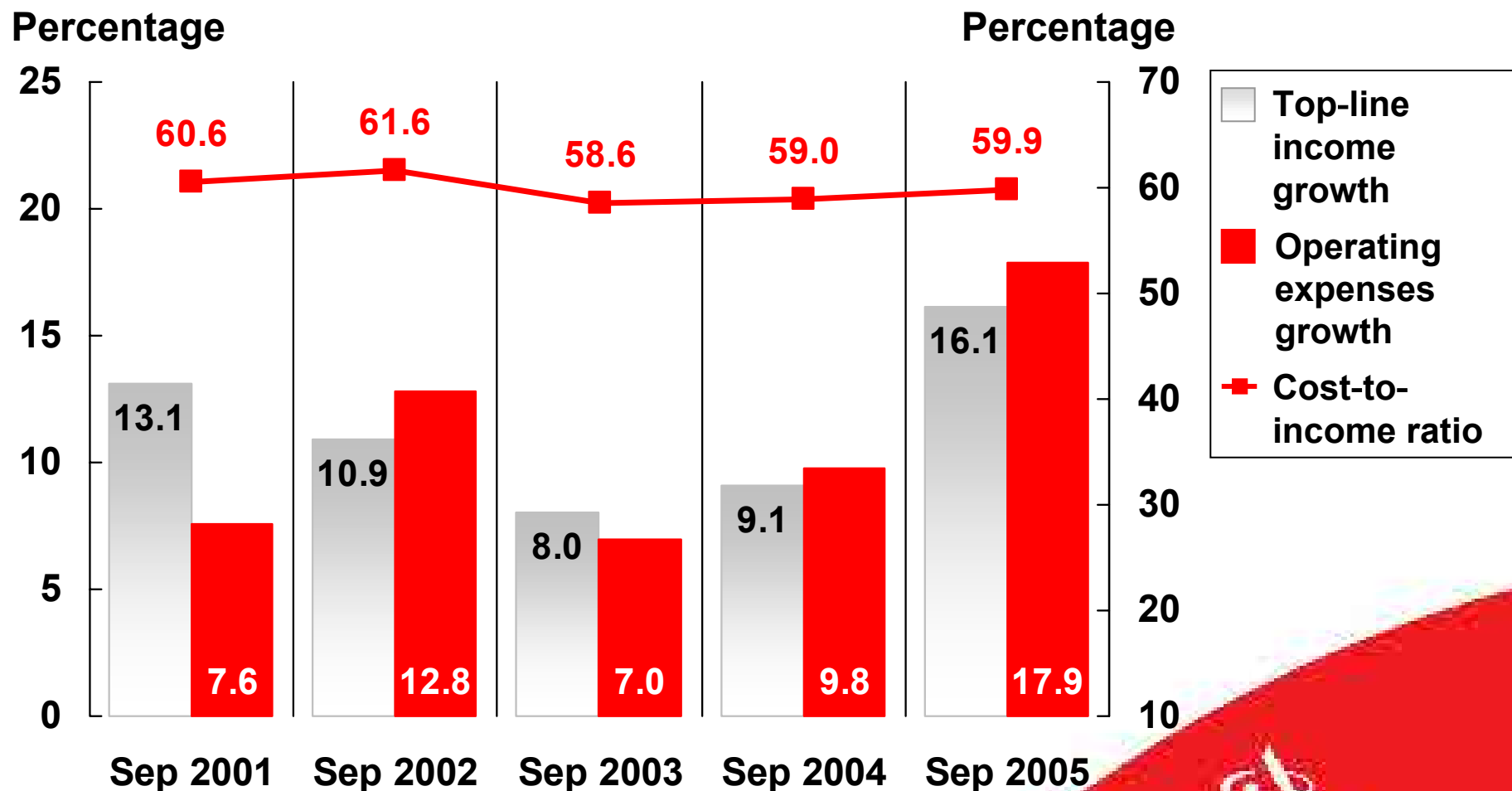
TRANSACTION VOLUMES DRIVING GROWTH



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OPERATING EXPENSES

BUILDING A SOLID PLATFORM FOR GROWTH



Note: Reporting periods prior to September 2004 have not been restated for IFRS

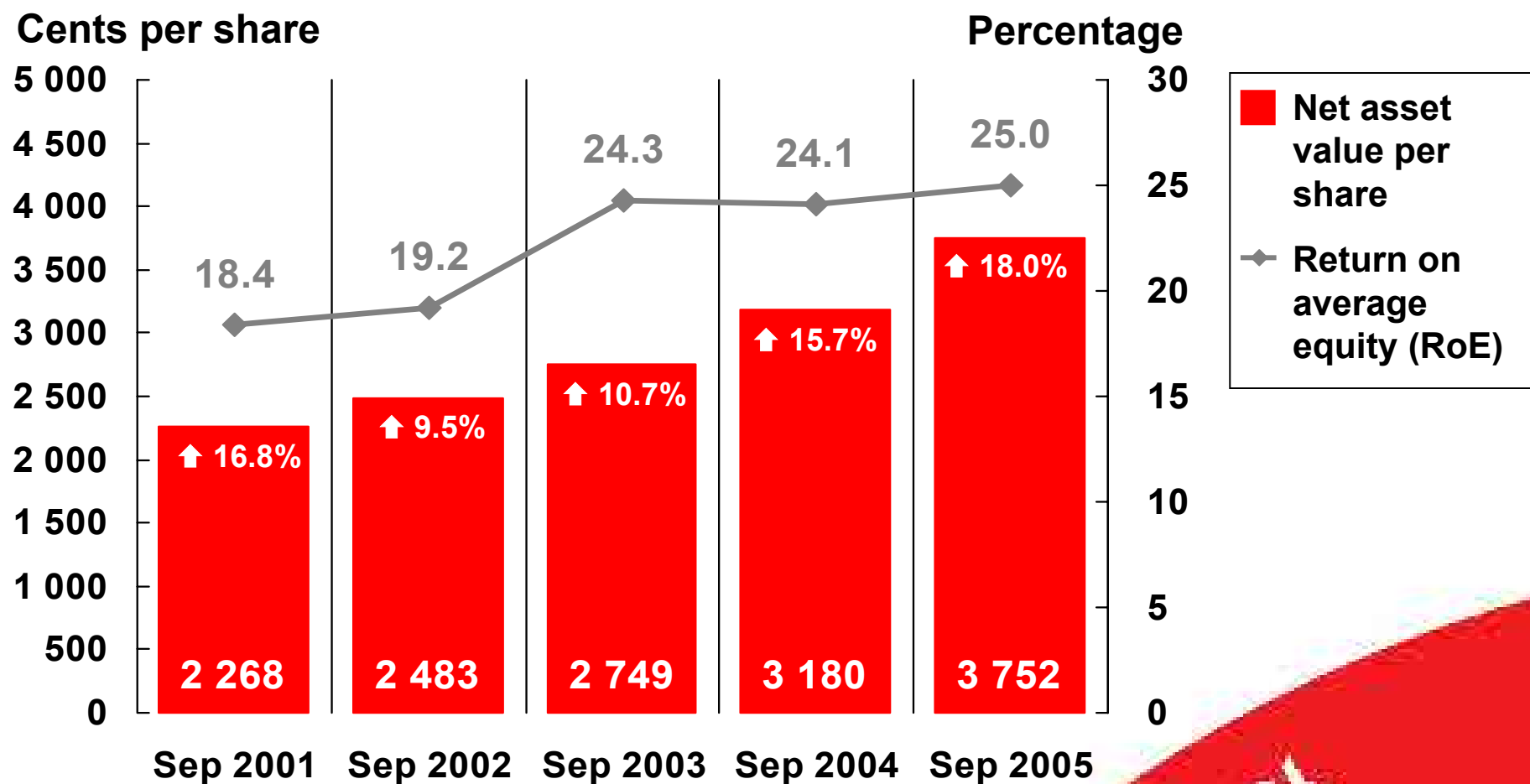
SEGMENTAL PERFORMANCE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER

	Headline earnings	Capital allocation	Headline earnings contribution	RoE
	(Rm)	(%)	(%)	(%)
• Retail banking	1 317	27.1	43.8	40.4
• Commercial banking	800	26.1	26.6	25.5
• Wholesale and international banking	398	25.9	13.2	12.8
• African operations	70	2.5	2.3	23.7
• Financial services	645	13.9	21.4	38.4
• Corporate and capital centre and Barclays transaction costs	(222)	4.5	(7.3)	n/a
Absa Group	3 008	100.0	100.0	25.0

SHAREHOLDER VALUE CREATION

SUSTAINABLE GROWTH

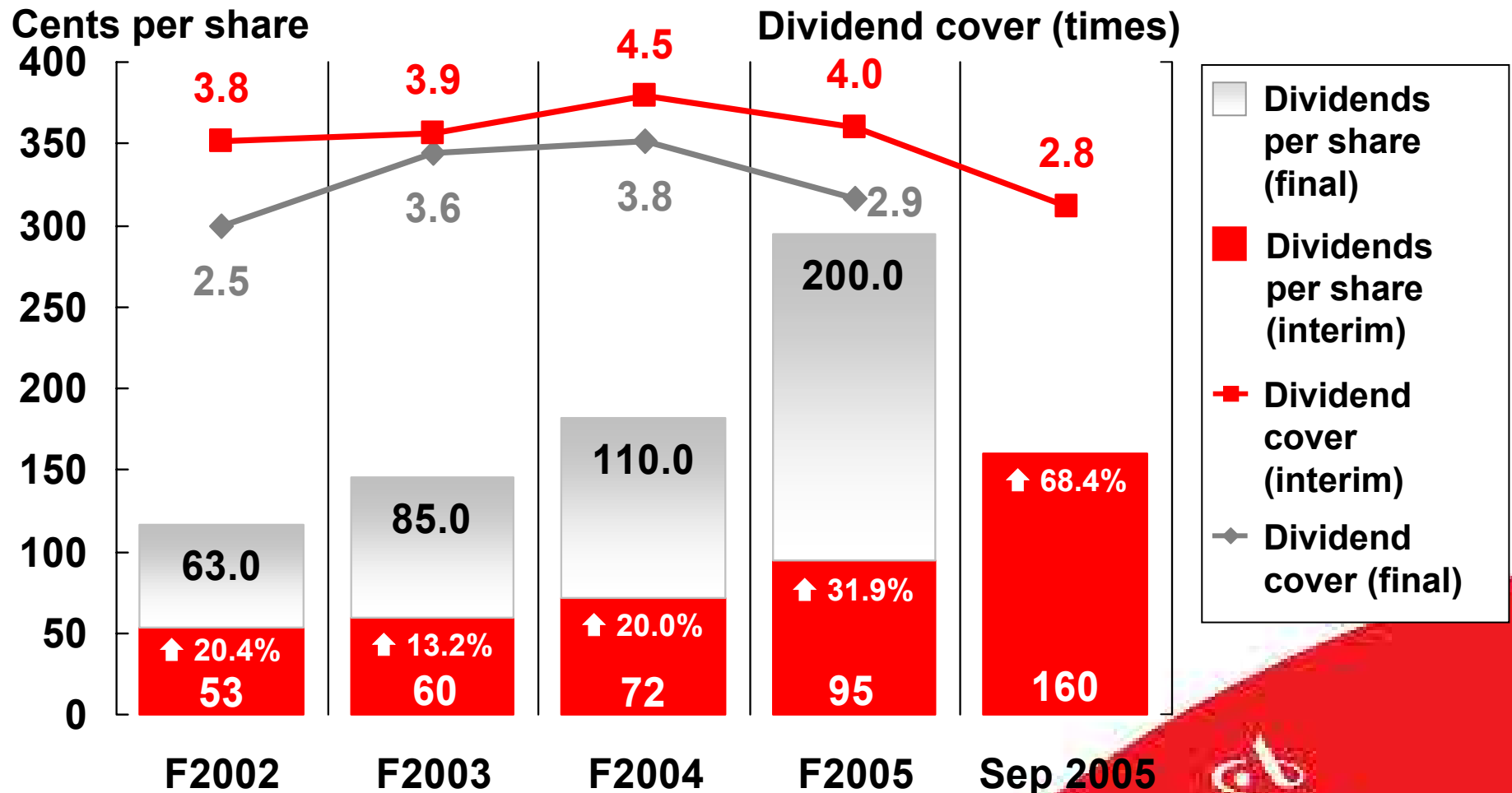


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DIVIDENDS PER SHARE

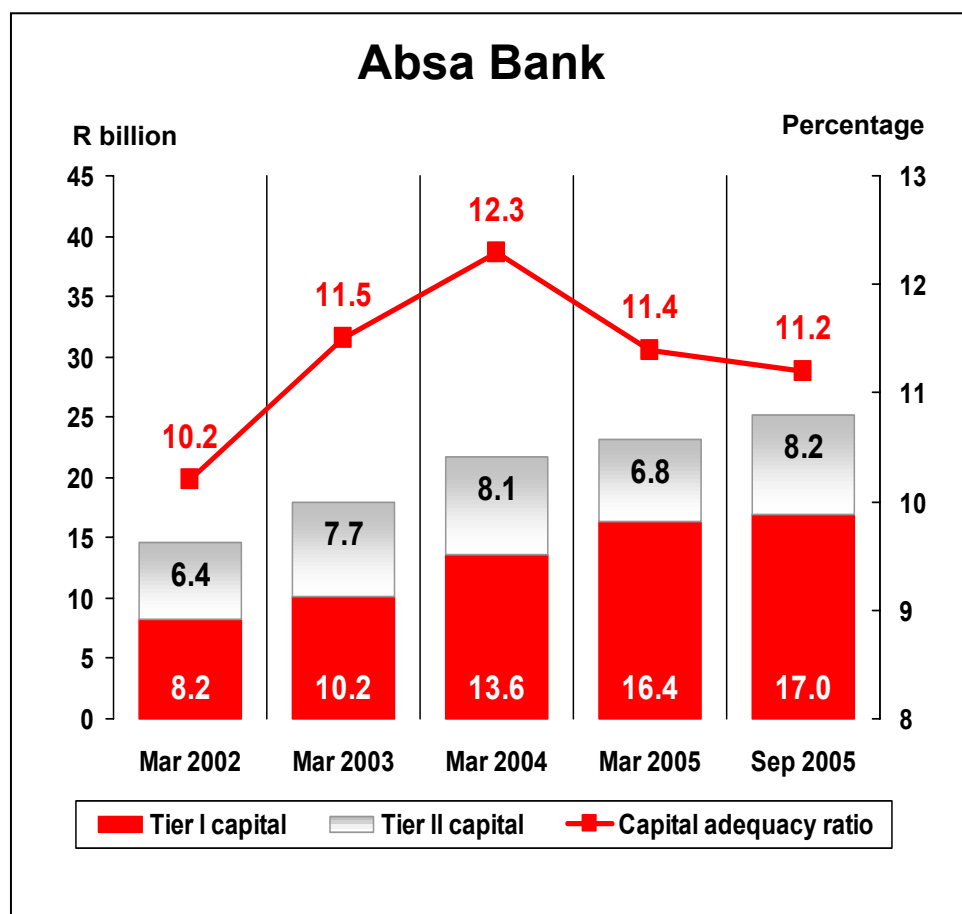
FIVE-YEAR CAGR OF 29.5%



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CAPITAL ADEQUACY

EFFICIENT CAPITAL MANAGEMENT



	Sep 2005	Mar 2005
Absa Bank	11.2	11.4
• Tier I	7.5	8.0
• Tier II	3.7	3.4
– Tier II convertible	0.3	0.3
– Tier II debt	3.0	2.5
– Tier II regulatory capital reserves	0.4	0.6
Absa Group	11.7	12.0

Note: Reporting periods prior to September 2004 have not been restated for IFRS

PROSPECTS

- **Solid consumer-related loans and advances growth expected**
- **Slight pressure expected on the net interest margin**
- **Credit quality to remain good with low provisioning**
- **Volume growth to drive non-interest income growth**
- **Higher cost growth owing to investments made for future growth and the Barclays implementation programme**



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ROBERT EAST

LEVERAGING BEST PRACTICES

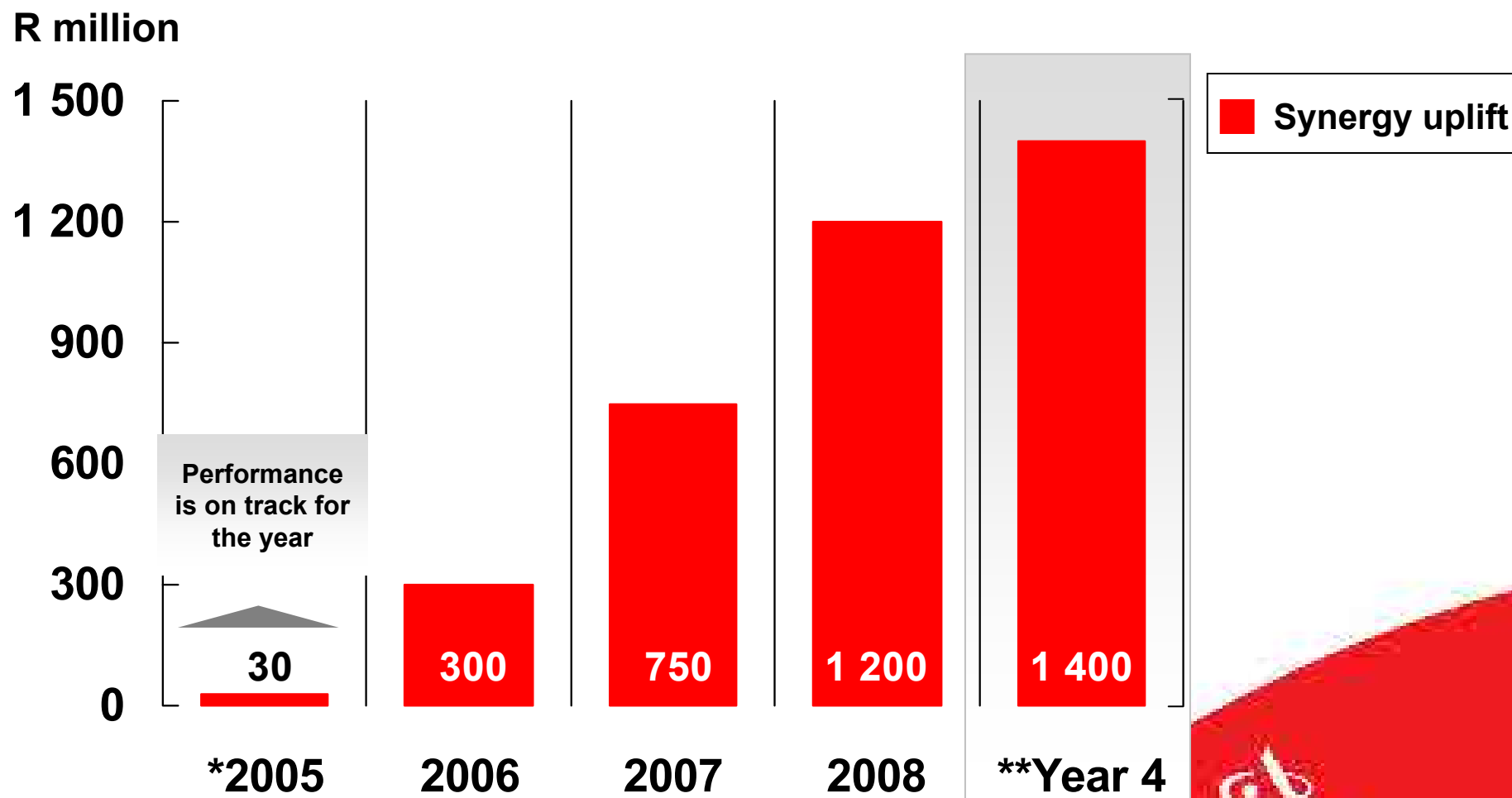
INTEGRATION GOALS

- **Delivery of R1.4 billion of pre-tax synergies per annum four years after the completion of the transaction**
- **Laying the foundation to build Absa into the pre-eminent bank in South Africa and the rest of Africa**



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INDICATIVE SYNERGY BENEFITS AN EARLY VIEW



*For the five months August to December 2005

**Mid 2008 to mid 2009

Note: December year-end



REVENUE SYNERGIES

- **ACMB and Barclays Capital working together**
- **Business Banking Services – applying value aligned performance management (VAPM)**
- **Absa Card – applying customer value management**
- **Retail banking – best practice sales and customer insight**
- **Lower funding costs owing to improved credit rating**



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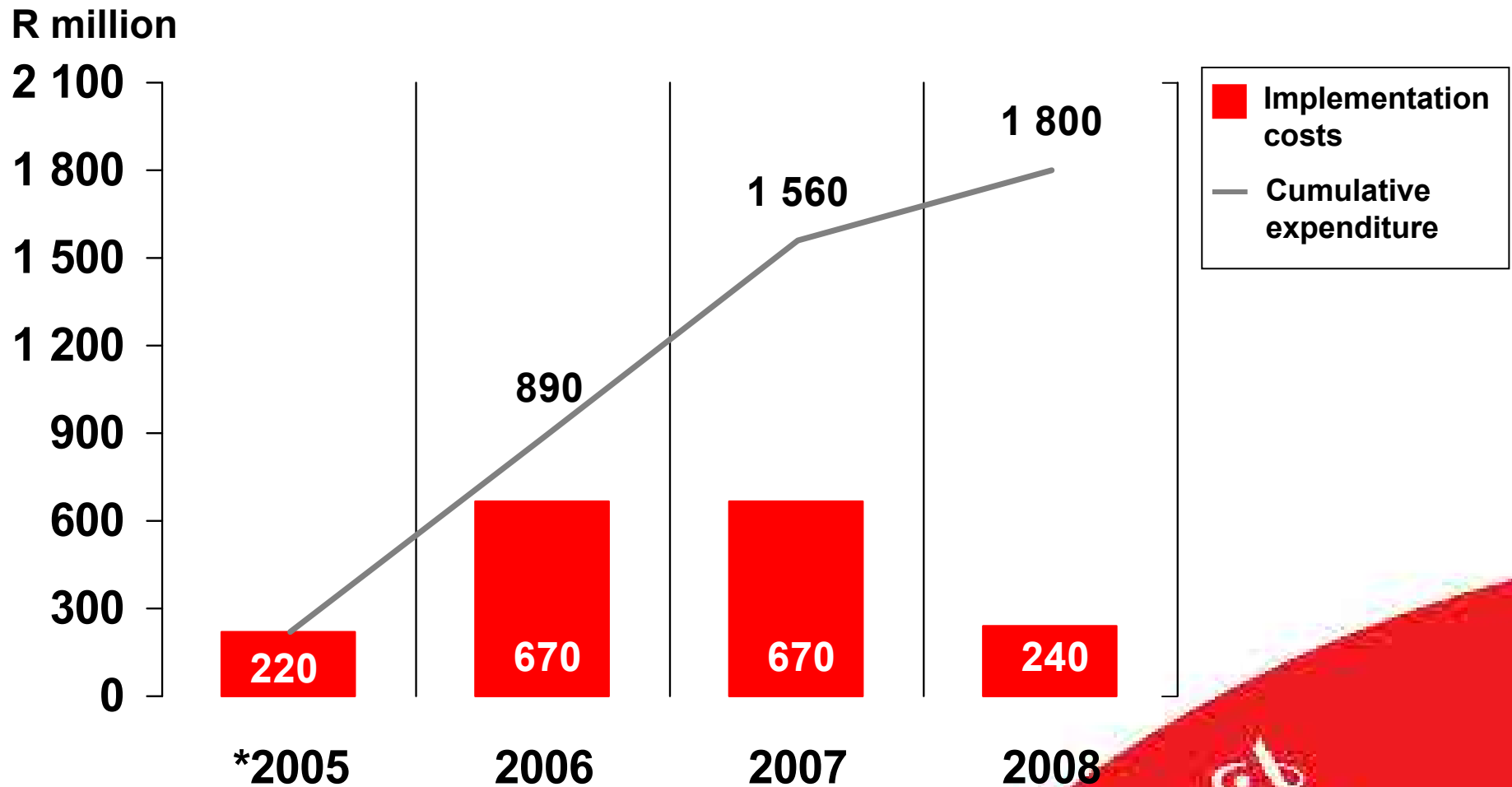
COST SYNERGIES

- **Use of Barclays global purchasing power**
- **IT and operations best practice**
- **Risk capability**



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INDICATIVE IMPLEMENTATION COSTS AN EARLY VIEW



*For the five months August to December 2005
Note: December year-end



INTEGRATION SUMMARY

- **Good progress against plan**
- **A number of early wins already achieved**
- **Robust plans in place for 2006 delivery**



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**BUILDING THE PRE-EMINENT BANK
IN SOUTH AFRICA AND THE REST OF AFRICA**



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PURPOSE, VISION AND MISSION

Purpose

To enable our customers to achieve their ambitions and by doing so, deliver superior benefits to all our stakeholders

Vision

To become the pre-eminent bank in South Africa and the rest of Africa

Mission

By ensuring we:

- **Put the customer at the centre of everything we do**
- **Differentiate through superior service and competitive products**
- **Continuously innovate**
- **Are brilliant at execution**
- **Have the best people and engage them in our business**
- **Lead by example**

ABSA'S VISION IMPLIES SEVEN STRATEGIC THEMES

Building the best bank in South Africa

1 Extending our strong South African personal banking franchise

2 Strengthening our South African commercial banking franchise

3 Transforming our South African corporate and wholesale banking franchises

4 Extending our South African bancassurance franchise

Building the leading bank in sub-Saharan Africa

5 Extending existing sub-Saharan African markets

6 Entering profitable new sub-Saharan African markets

Contributing to the development of the Barclays Group

7 Through the above, creating distinct capabilities for the Barclays Group

ACQUISITION OF BARCLAYS AFRICAN OPERATIONS

- **Sale of Barclays South Africa branch to Absa progressing according to plan but still subject to regulatory approval**
- **Acquisition of nine Barclays sub-Saharan African operations (excluding Barclays South Africa)**
 - Expected timeframe of 18 – 24 months
 - All or substantially all to be funded by available internal resources and the issue of preference shares
- **Transactions to be undertaken on an arms-length basis**



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KEY ENABLERS DRIVING GROWTH

- **Customer-centricity**
- **Effective capital and risk management**
- **Best talent and the entrenchment of a performance culture**
- **The best of Barclays and the best of Absa**



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BUILDING THE PRE-EMINENT BANK

- **Sustainable growth**
- **Synergy extraction**
- **Transformation**
- **African acquisition drive**
- **Maintain “business as usual” focus**
- **Leveraging solid platform for growth**



ADDENDUM

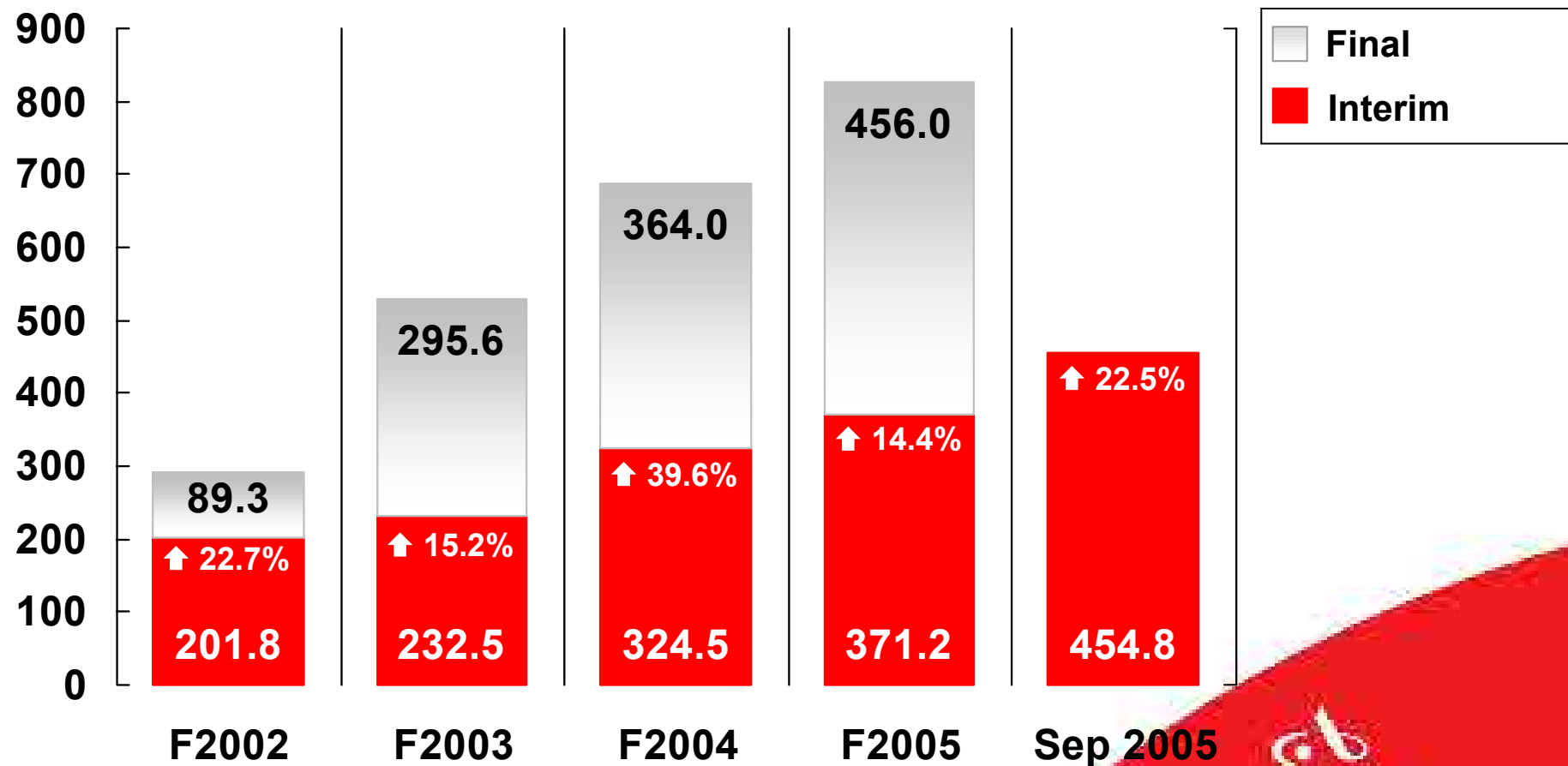


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HEADLINE EARNINGS PER SHARE

FIVE-YEAR CAGR OF 22.6%

Cents per share



Note: Reporting periods prior to September 2004 have not been restated for IFRS

LOANS AND ADVANCES TO CUSTOMERS

STRONG ADVANCES GROWTH

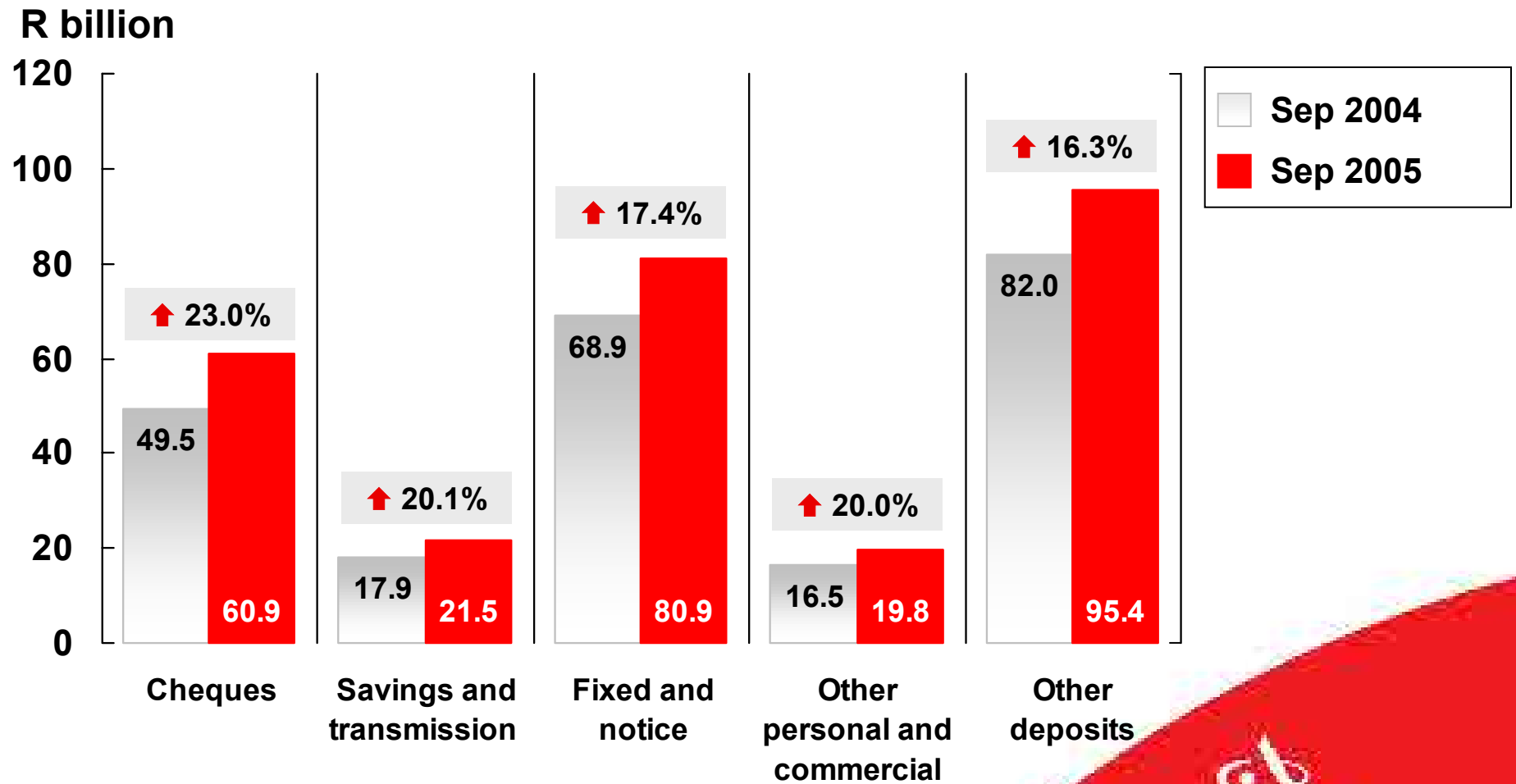
	Sep 2005 (Rbn)	YoY % change	Absa's market share (%)*
• Mortgages	153.5	31.5	31.6
• Credit card advances	6.2	29.0	22.5
• Instalment finance	47.4	22.3	24.7
• Overdrafts and other loans	99.2	11.1	19.8
Total gross advances	306.3	22.8	23.4

* Source: DI 900s



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DEPOSITS DUE TO CUSTOMERS



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DEPOSITS DUE TO CUSTOMERS

	Sep 2005 (Rbn)	YoY % change
• Cheques	60.9	23.0
• Savings and transmission	21.5	20.1
• Fixed and notice	80.9	17.4
• Other personal and commercial deposits	19.8	20.0
• Other deposits	95.4	16.3
Total deposits	278.5	20.1



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COST EFFICIENCY

<i>Percentage</i>	September 2005		September 2004	
	Cost-to-income	Cost-to-assets	Cost-to-income	Cost-to-assets
• Retail banking	64.6	4.1	64.2	4.4
• Commercial banking	53.2	3.0	54.6	3.2
• Wholesale and international banking	63.6	0.8	65.9	0.8
• African operations	67.3	10.0	73.8	6.9
• Financial services	27.9	5.5	35.5	7.4
Absa Group	59.9	4.1	59.0	4.1

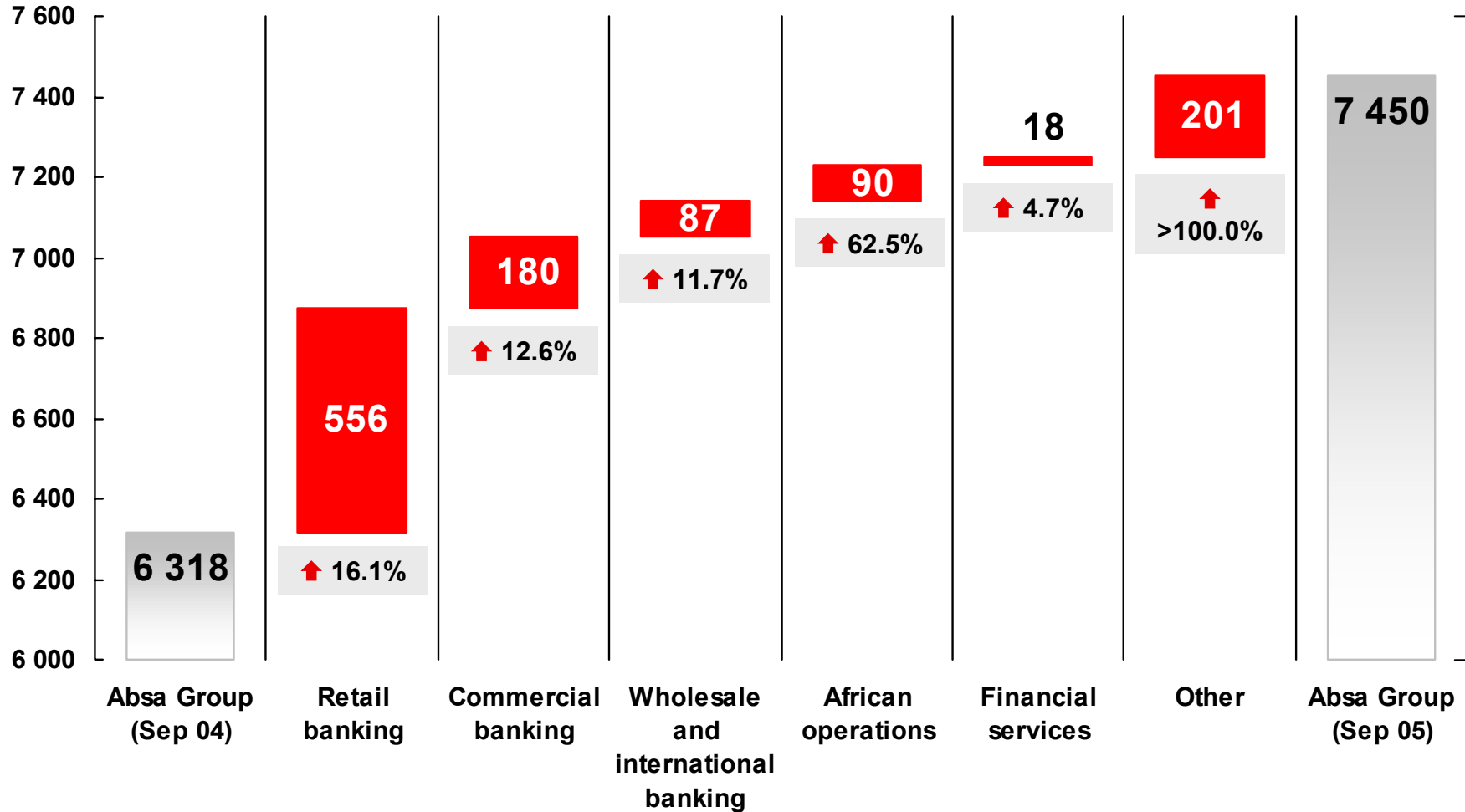


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COST EFFICIENCY

GROWTH IN OPERATING EXPENSES

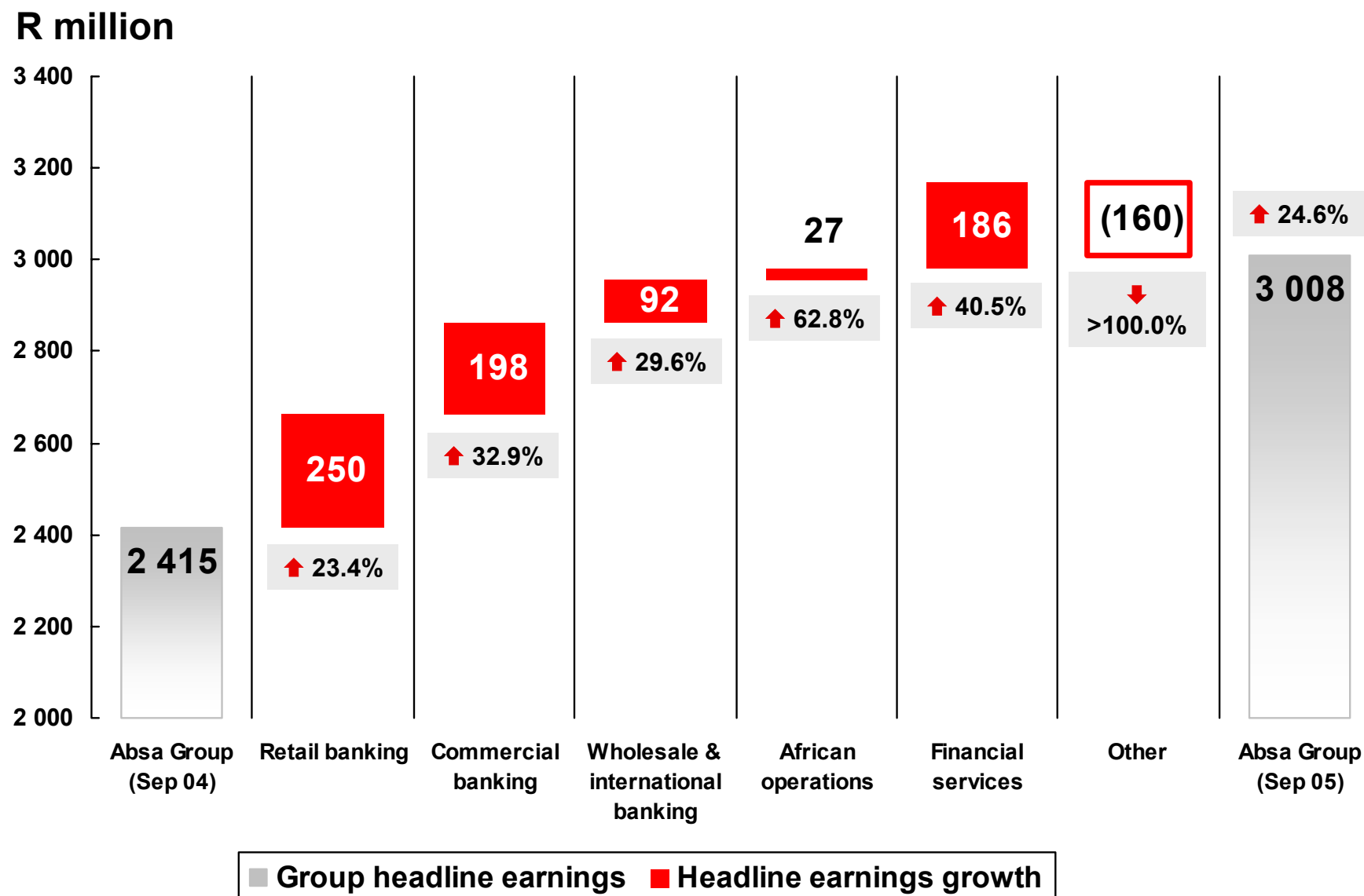
R million



Group operating expenses
 Operating expenses growth

SEGMENTAL PERFORMANCE

AN ALL-ROUND STRONG PERFORMANCE





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