

Annual financial results
For the twelve months ended 31 December 2006

Stepping
up a gear

Agenda

*Making the most of Absa's unique strategic competitive advantage
in a highly competitive market*

Steve Booysen

Financial overview
Jacques Schindehütte

*Making the most of Absa's unique strategic competitive advantage
in a highly competitive market*

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Favourable trading conditions persisted

- **Best global growth in three decades**
- **Domestic economic expansion continued**
- **Inflation edged upwards**
- **Demand for household credit remained strong**
- **Growing pressure on disposable income**
- **Competition in the banking sector intensified**

The story of our 2006 results is a simple one ...

- **Strong organic growth in all our businesses**
- **Strong operational leverage with revenue growth comfortably exceeding growth in expenses**
- **Good progress with the execution of our strategy**
- **Accelerated synergy realisation**

... delivering good results

- **Headline earnings of R7.9 billion (↑ 25%)**
- **Headline earnings per share of 1 182 cents (↑ 24%)**
- **Attributable earnings of R8.1 billion (↑ 30%)**
- **Dividends per share of 473 cents (2.5x cover)**
- **Return on average equity of 27.4%**
- **Cost-to-income ratio of 54.6%**

Key enablers have provided a solid platform...

- **Leading retail banking franchise**
- **Large national banking infrastructure, footprint and customer base**
- **Restructured and repositioned corporate and business bank**
- **Refreshed approach to investment banking**
- **Unique and successful bancassurance operation**

Retail banking continues to leverage off strong consumer demand

- Continued strong advances growth (↑ 28%)
- Strong competition and changes in the mix added some pressure to margins
- Increase in impairment charge in line with expectations
- Strong increase in transaction volumes and customers
- Operating expenditure growth driven by ongoing expansion of our delivery footprint and higher business volumes (↑ 16%)

Advances ↑ 27.9%, Attributable earnings ↑ 31.8%, RoE of 29.0%

Absa Corporate and Business Bank

- **Strong advances growth (↑ 32%) and good deposit growth (↑ 15%)**
- **Competition added pressure to asset margins while deposit margins improved**
- **Robust growth in transaction volumes (↑ 10%)**
- **Further improvement in the quality of the advances book**
- **Re-alignment of the corporate and business banking models**
- **Upskilling frontline staff**

Advances ↑ 32.0%, Attributable earnings ↑ 36.7%, RoE of 27.2%

Absa Capital – local franchise, global expertise

- **Fully South African, fully global value proposition working**
- **Business model fundamentally changed**
- **Substantial revenue increases in Primary Markets**
- **Strong growth achieved in Investor Services and Equity Investments**
- **Good performance achieved in Secondary Markets**

Attributable earnings **↑ 45.9%**, RoE of 27.1%

Bancassurance – strong operational performance

- **Strong performance from Absa Life**
- **Domestic short-term insurance premiums ↑ 21%**
- **Claims experience in line with that of the industry**
- **Strong growth in assets under management ↑ 22%**
- **Investment income again better than expected**

Attributable earnings ↑ 7.4%, RoE of 38.9%

Strategic alignment of African operations

- **Sale of non-core African operations**
- **Acquisition of Barclays sub-Saharan African operations**
- **Remaining operations performed robustly**

Attributable earnings **↑ 24.5%**, RoE of 23.3%

We continue to create value for all our stakeholders

Shareholders

Delivery of sustainable returns

Customers

Continuous focus on choice and education – full value banking

Employees

Highly capable, empowered and motivated staff

The community

Responsible corporate citizenship

**Governments
and regulators**

Alignment with national priorities

Stable domestic growth in a strong global economy

- **Global economy expected to deliver above trend growth**
- **Domestic economic expansion expected to continue**
- **Stable interest rate environment**
- **Slowdown in household credit growth**

Challenges for the year ahead

- **Pressure on consumers**
- **Legislative changes and competition related issues**
- **Compliance initiatives to continue to take centre stage**
- **Basel II implementation**

Focus for 2007

- **Meeting customer expectations and encouraging a savings and investment culture**
- **Balance sheet optimisation**
- **Leveraging global capabilities**
- **Growth with a prudent risk profile**
- **Doing the basics brilliantly**

Financial overview
Jacques Schindehütte

Group income statement

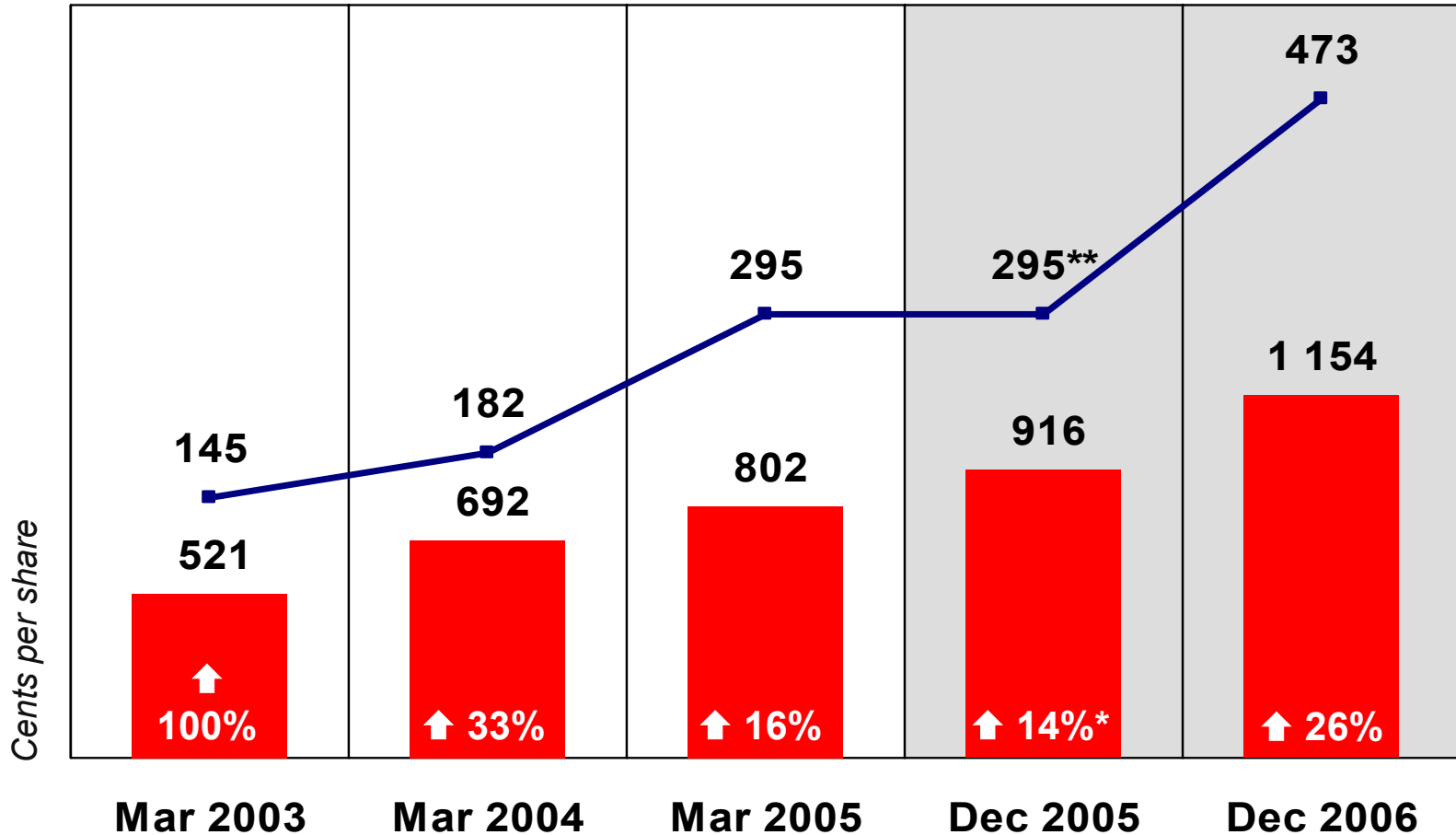
Twelve months ended 31 December

	2006 Rm	2005 Rm	Change %
Net interest income	14 941	11 810	↑ 27
Impairment charge	(1 573)	(875)	↑ 80
Non-interest income	15 502	13 780	↑ 13
Operating expenses*	(17 566)	(15 615)	↑ 13
Taxation	(3 151)	(2 875)	↑ 10
Attributable earnings	8 105	6 252	↑ 30
Headline earnings	7 872	6 282	↑ 25

*Including indirect tax and other impairments

Consistent value creation for shareholders

Twelve months ended



■ Diluted earnings per share (cps)
 —■— Dividends per share (cps)

*Based on March 2005

**Nine months ended 31 December 2005

Cluster performance

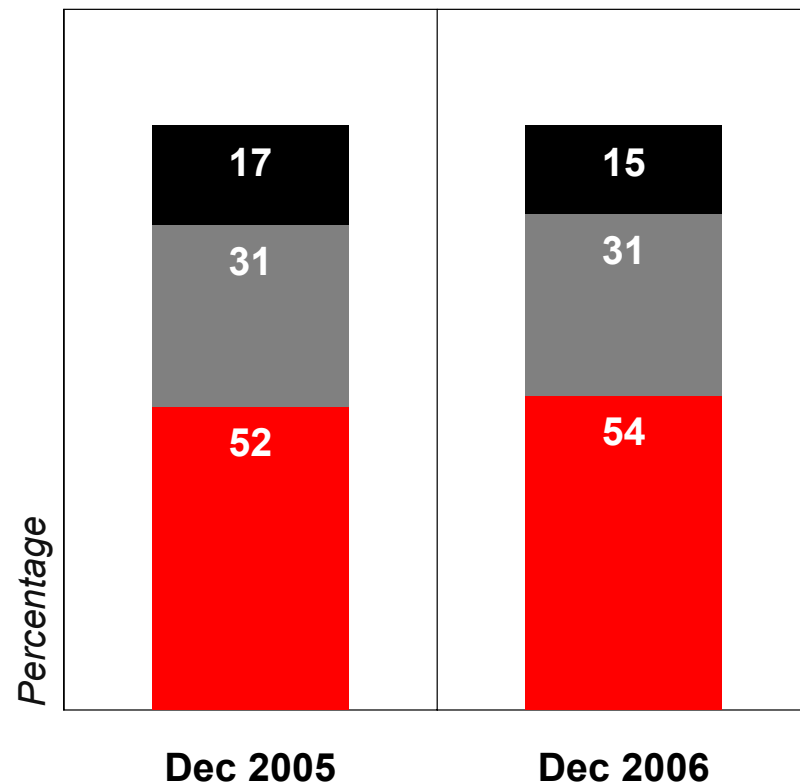
Twelve months ended 31 December 2006

	Attributable earnings Rm	Attributable earnings growth %	RoE %
• Retail banking	4 166	32	29.0
• Corporate and Business Bank	1 282	37	27.2
• Absa Capital	1 115	46	27.1
• African operations	127	25	23.3
• Bancassurance	1 500	7	38.9
• Other	442	>100	–
Absa Group core earnings	8 632	35	
Integration costs	(454)	203	
Preference share dividends	(73)	–	
Absa Group	8 105	30	27.4

Strong growth in advances

	Dec 2006 Rbn	YoY change %	Absa's market share %
Mortgages	216	30	31.9
Credit card advances	12	68	25.6
Instalment finance	57	20	24.4
Overdrafts and other loans	106	15	19.8
Total gross advances	391	25	23.6*

Advances mix



■ Personal (%)
 ■ Commercial (%)
 ■ Wholesale (%)

*Total advances excluding interbank funding

Stable net interest margins

<i>Percentage</i>	Jan 2006	Apr 2005
Net interest margin – Opening position	3.36	3.25
Reclassification of interest in respect of investment activities	(0.09)	
Net interest margin – Adjusted	3.27	
<ul style="list-style-type: none"> • Composition change of deposits • Composition change of advances • Pricing impact of deposits (including risk strategies) • Pricing impact of advances • International and African operations • Impact on capital • Investment, trading and gross-up of derivatives • Other • Impact of IFRS 	<ul style="list-style-type: none"> (0.10) 0.02 0.10 (0.04) 0.05 0.09 (0.06) (0.03) 0.00 	<ul style="list-style-type: none"> (0.00) 0.00 (0.03) (0.06) 0.03 (0.04) 0.09 0.02 0.10
Net interest margin – Closing position	3.30	3.36
	Dec 2006	Dec 2005

Average prime for April to December 2005 – 10.53%, January to December 2006 – 11.12%

Credit impairment increases in line with expectations

Twelve months ended 31 December

	2006		2005	
	NPL*	Charge**	NPL*	Charge**
• Retail banking	1.5	0.48	1.7	0.28
– Absa Home Loans	1.4	0.13	1.0	0.04
– Absa Card	2.9	2.08	3.4	1.31
– AVAF	0.8	0.80	0.7	0.59
• Corporate and Business Bank	1.1	0.67	1.0	0.90
• Absa Capital	0.1	0.00	3.3	(0.07)
• African operations	4.8	2.56	3.9	0.94
Absa Group	1.3	0.44	1.8	0.31

*As a percentage of total advances

**As a percentage of average advances

Non-interest income growth despite base effect

Twelve months ended
31 December

	2006 Rm	2005 Rm	Change %
Net fee and commission income	10 374	9 612	8
Investment income	1 916	1 584	21
Trading and banking income	1 347	1 136	19
Net insurance premium income	2 994	2 437	23
Net insurance claims and benefits paid	(1 319)	(1 053)	(25)
Changes in insurance and investment liabilities	(748)	(532)	(41)
Property related and sundry income	938	596	57
Total non-interest income	15 502	13 780	13

Strong operational performance from bancassurance

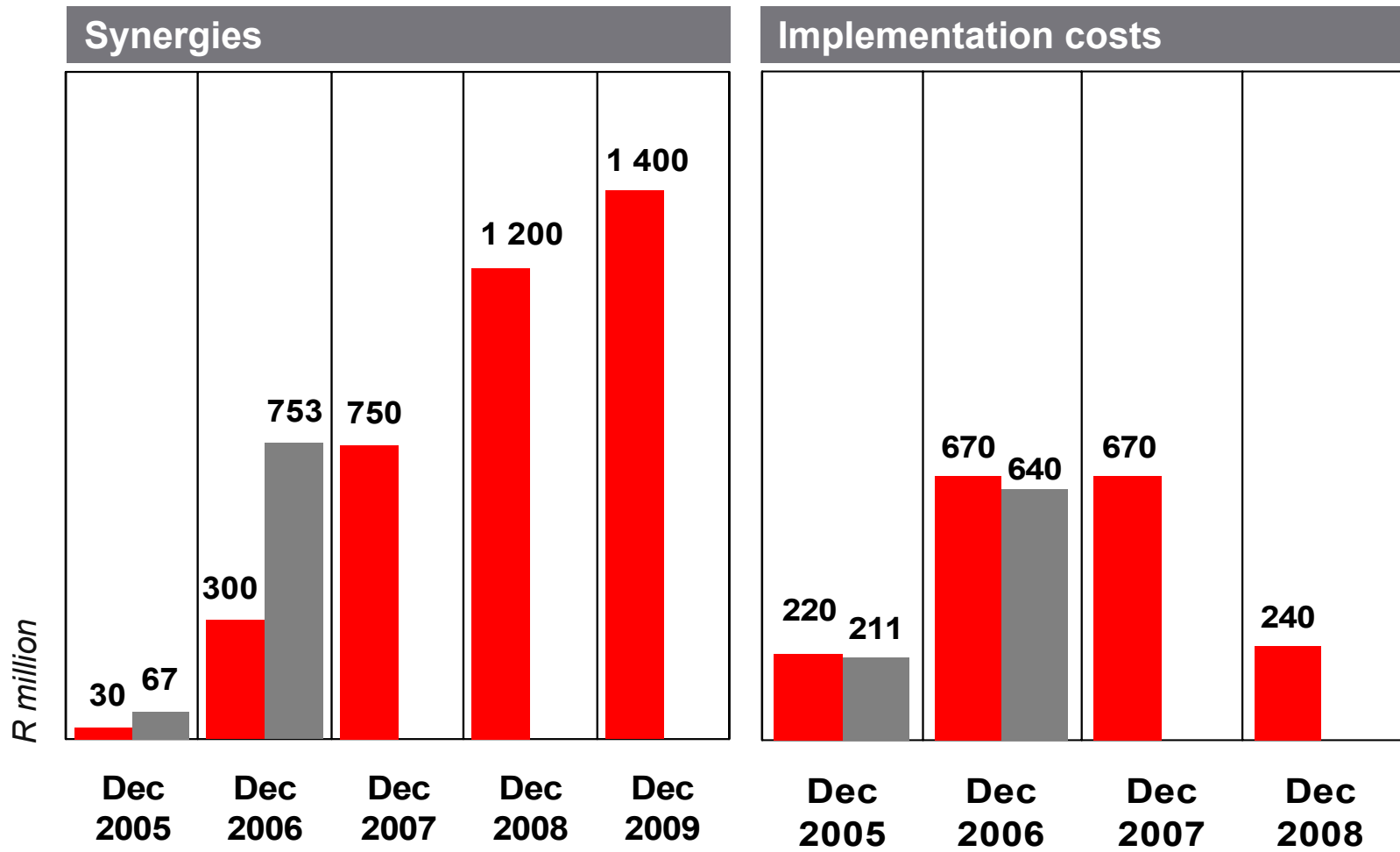
Life assurance

		Twelve months ended 31 December		
		2006	2005	Change %
Embedded value	(Rm)	2 486	2 046	22
Embedded value of new business	(Rm)	263	156	69
Return on embedded value	(%)	37	35	
Net income after tax	(Rm)	591	437	35

Short-term insurance

Loss ratio	(%)	61.2	56.7	
Underwriting margin	(%)	14.2	19.2	
Net income after tax	(Rm)	594	665	(11)

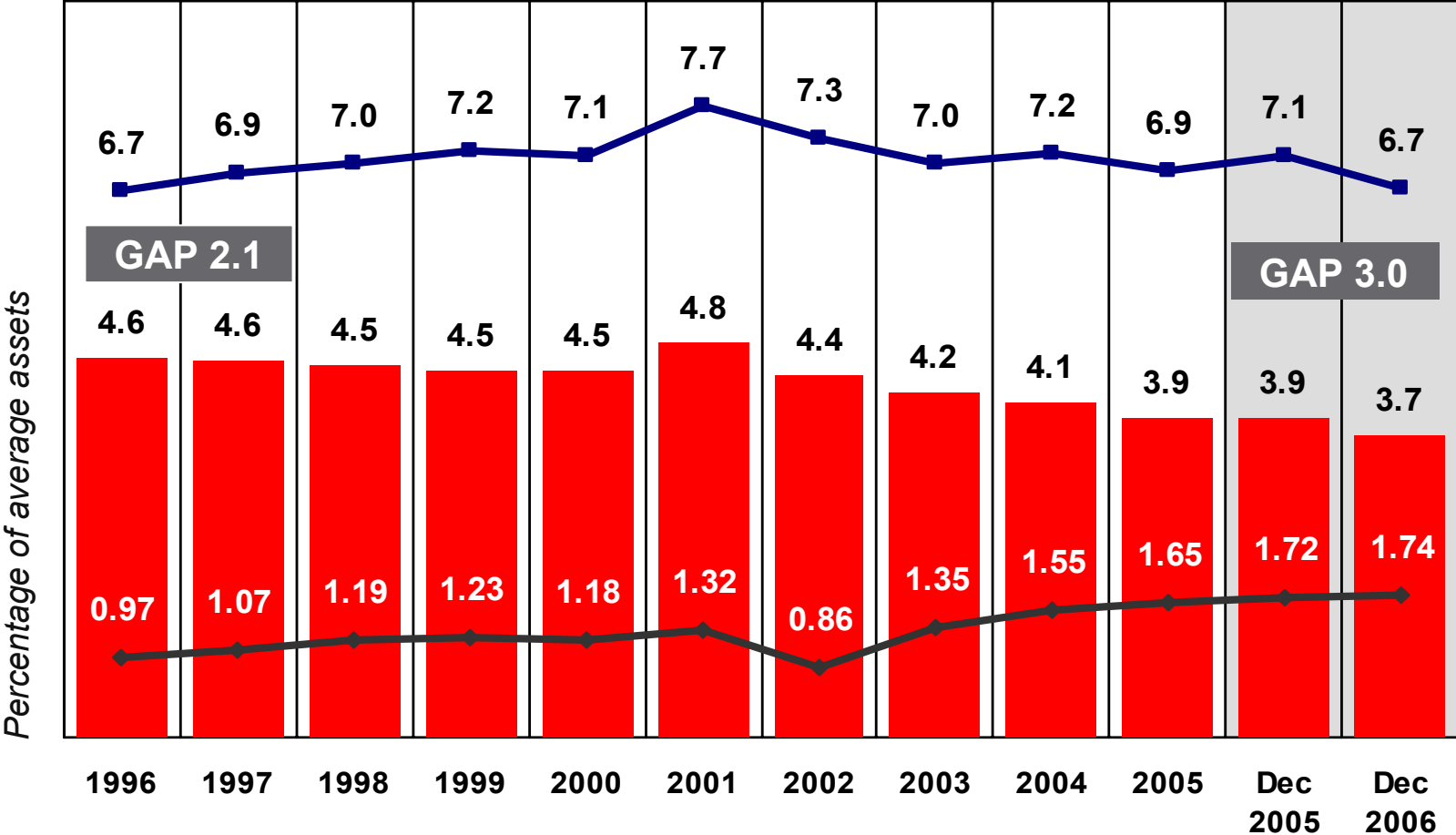
Accelerated synergy realisation



■ Communicated targets (Rm)
 ■ Actual synergies/Implementation costs (Rm)

Stable asset yields and improved efficiency

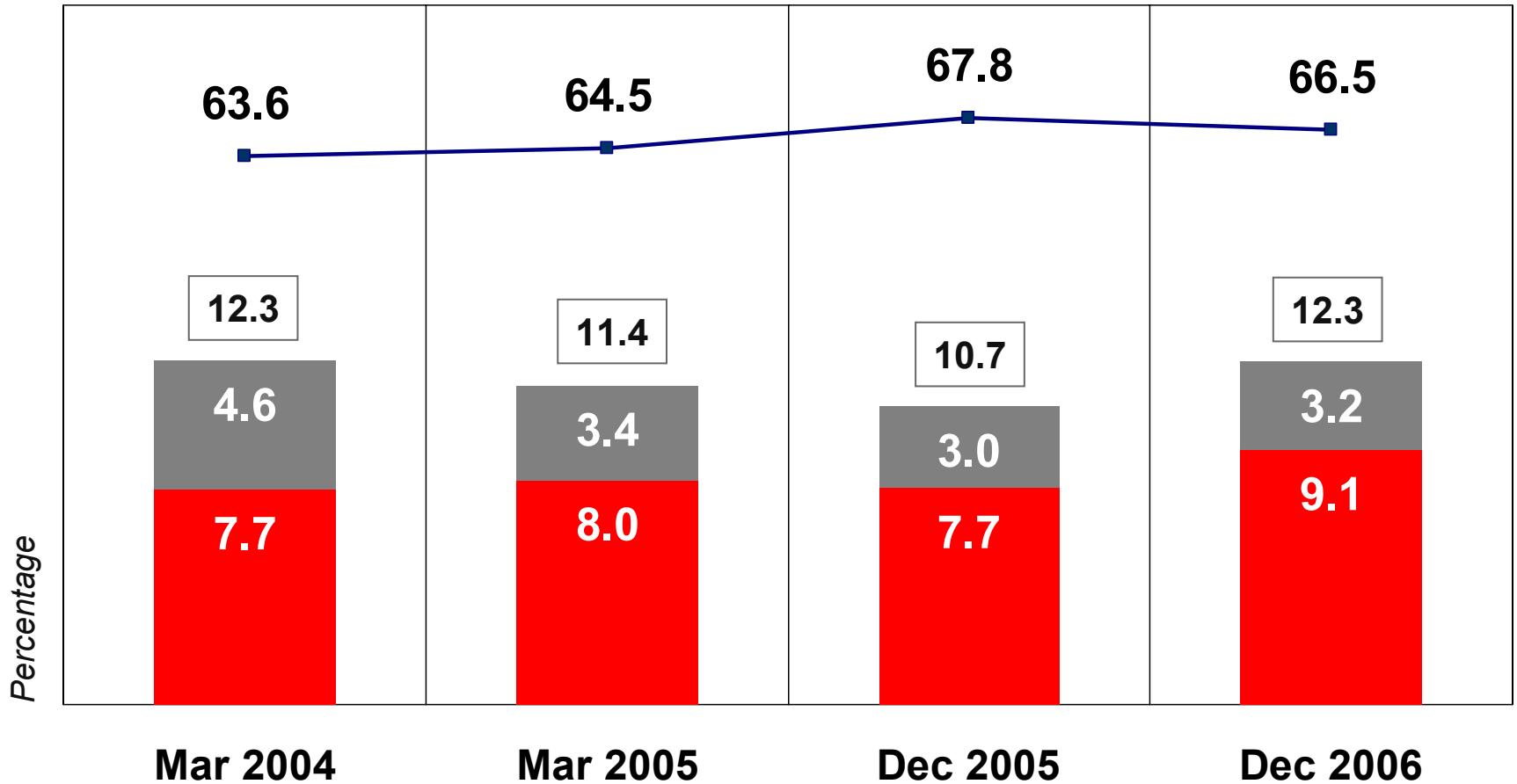
Twelve months ended



■ Operating expenditure (%)
 —■ Total revenue (%)
 —◆ Return on average assets (RoA) (%)

Capital position bolstered for organic growth

Absa Bank



■ Tier I (%) ■ Tier II (%) — Risk weighted assets as a percentage of assets (%)

Absa Group December 2006 – 13.1% (December 2005: 11.3%)

A memorable year





- **Sound top line growth**
- **Impairments under control**
- **Growth directed expenditure**
- **Synergy programme on track**
- **Diversified local franchise**

Addendum

Achievement of financial targets

Target

Status

- | | | |
|---|---|--------------|
| <ul style="list-style-type: none">• Maintain an RoE of at least 5% above the cost of equity |  | 27.4% |
| <ul style="list-style-type: none">• Achieve real headline earnings growth of 10% |  | 25.3% |
| <ul style="list-style-type: none">• Maintain non-interest income at approximately 50% of top-line income |  | 50.9% |
| <ul style="list-style-type: none">• Drive down the cost-to-income ratio towards the mid-fifties |  | 54.6% |

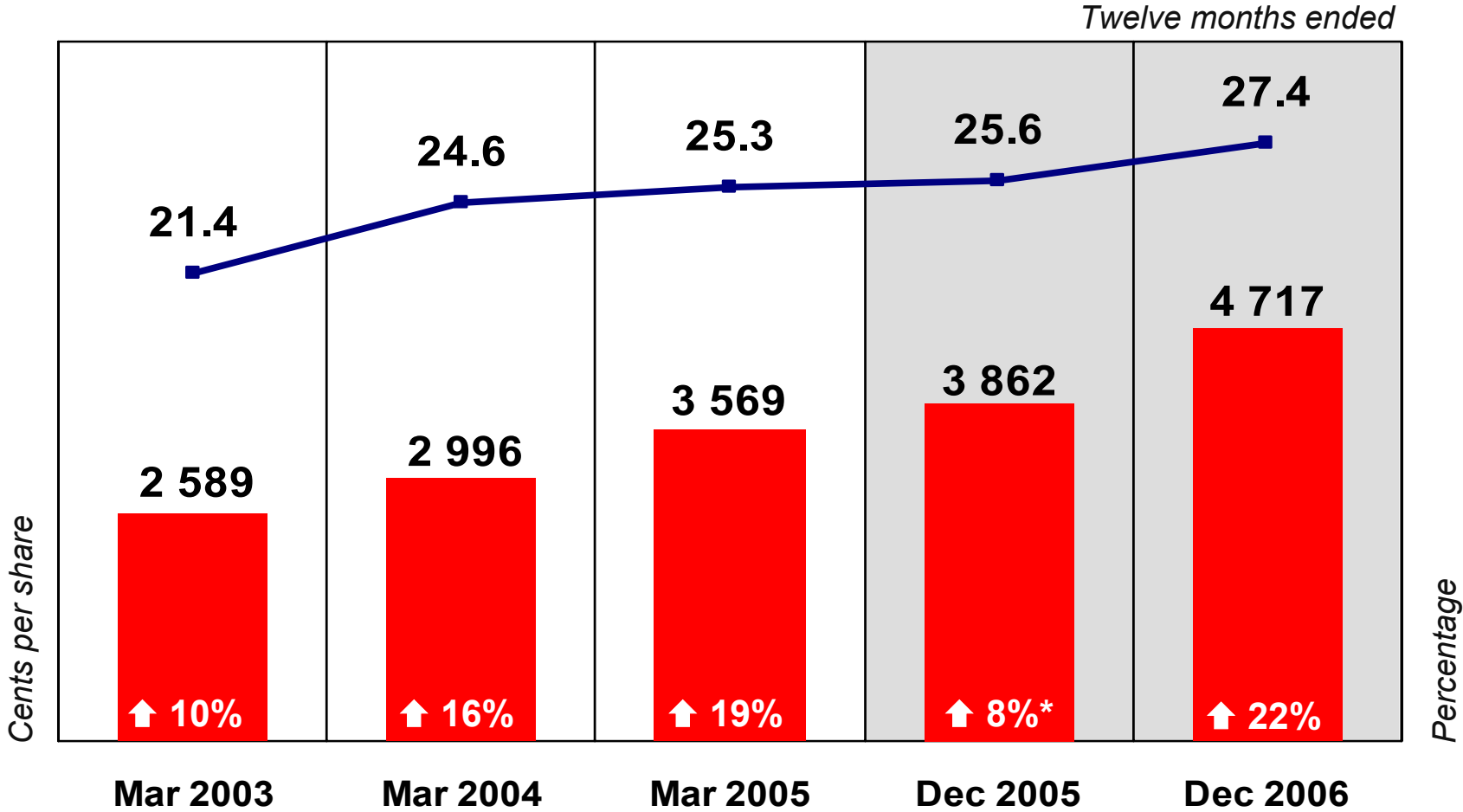
RoE decomposition

Lower expense ratio enhancing the Group's RoA

Twelve months ended 31 December

	2006 %	2005 %
Headline RoA	1.74	1.72
• Net interest income	3.30	3.28
• Non-interest income	3.42	3.82
• Operating expenses	(3.68)	(4.08)
• Credit impairment charge	(0.35)	(0.25)
• Taxation (incl. indirect taxes)	(0.89)	(1.07)
• Other	(0.06)	0.02
Leverage	15.7	14.9
Headline RoE	27.4	25.6

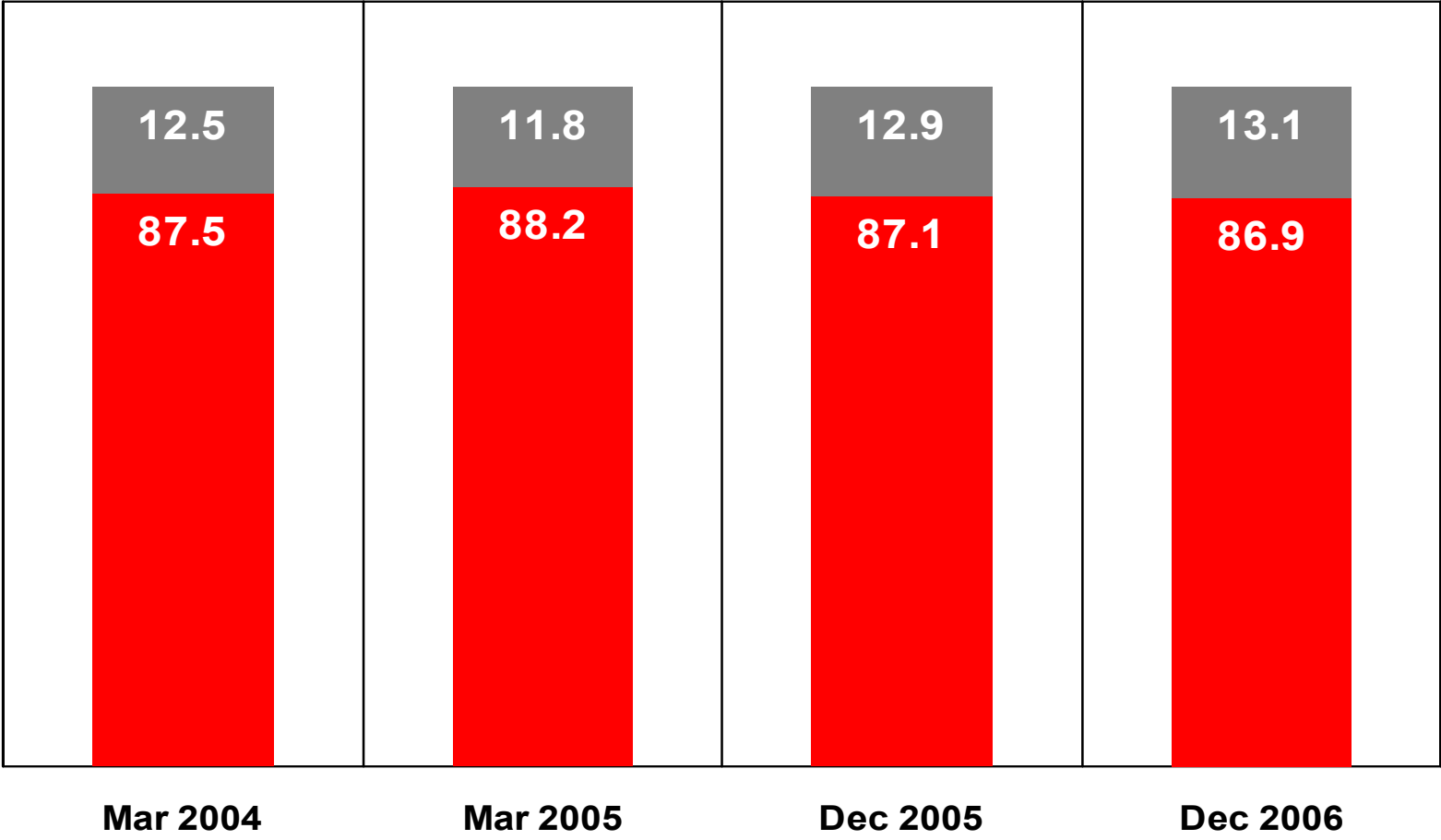
Net asset value vs return on equity



■ Net asset value per share (cps)
 —■ Return on equity (RoE) (%)

*Based on March 2005

Secured vs unsecured retail advances



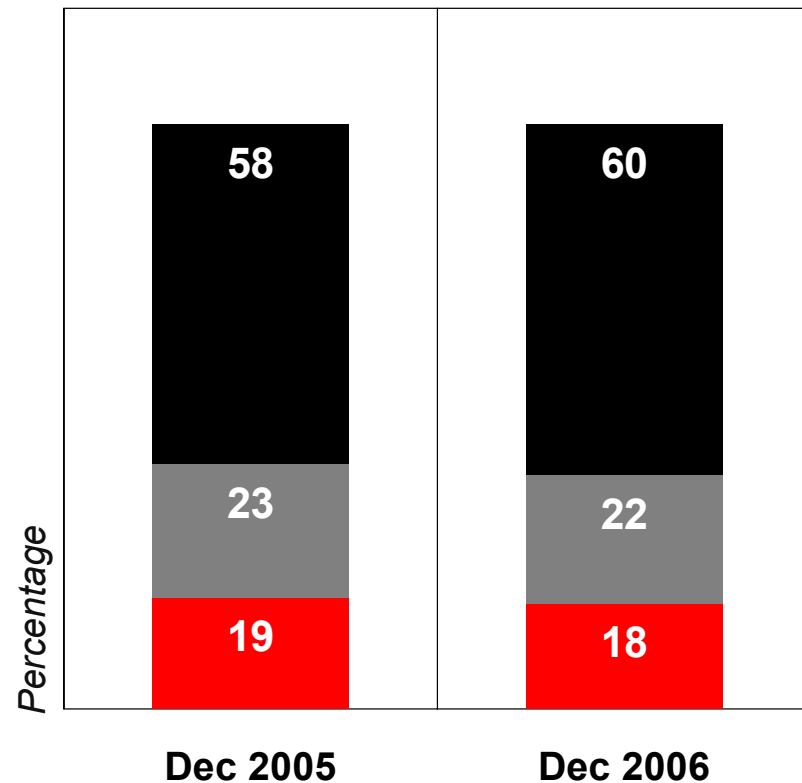
Percentage

■ Secured advances (%) ■ Unsecured advances (%)

Strong reliance on wholesale deposits

	Dec 2006 Rbn	Dec 2005 Rbn	Change %
Cheques	50	41	23.3
Savings and transmission deposits	26	23	18.2
Fixed and notice deposits	50	45	10.2
Other	22	20	8.4
Total personal and commercial deposits	148	129	15.5
Wholesale deposits	220	175	25.4
Total deposits	368	304	22.7

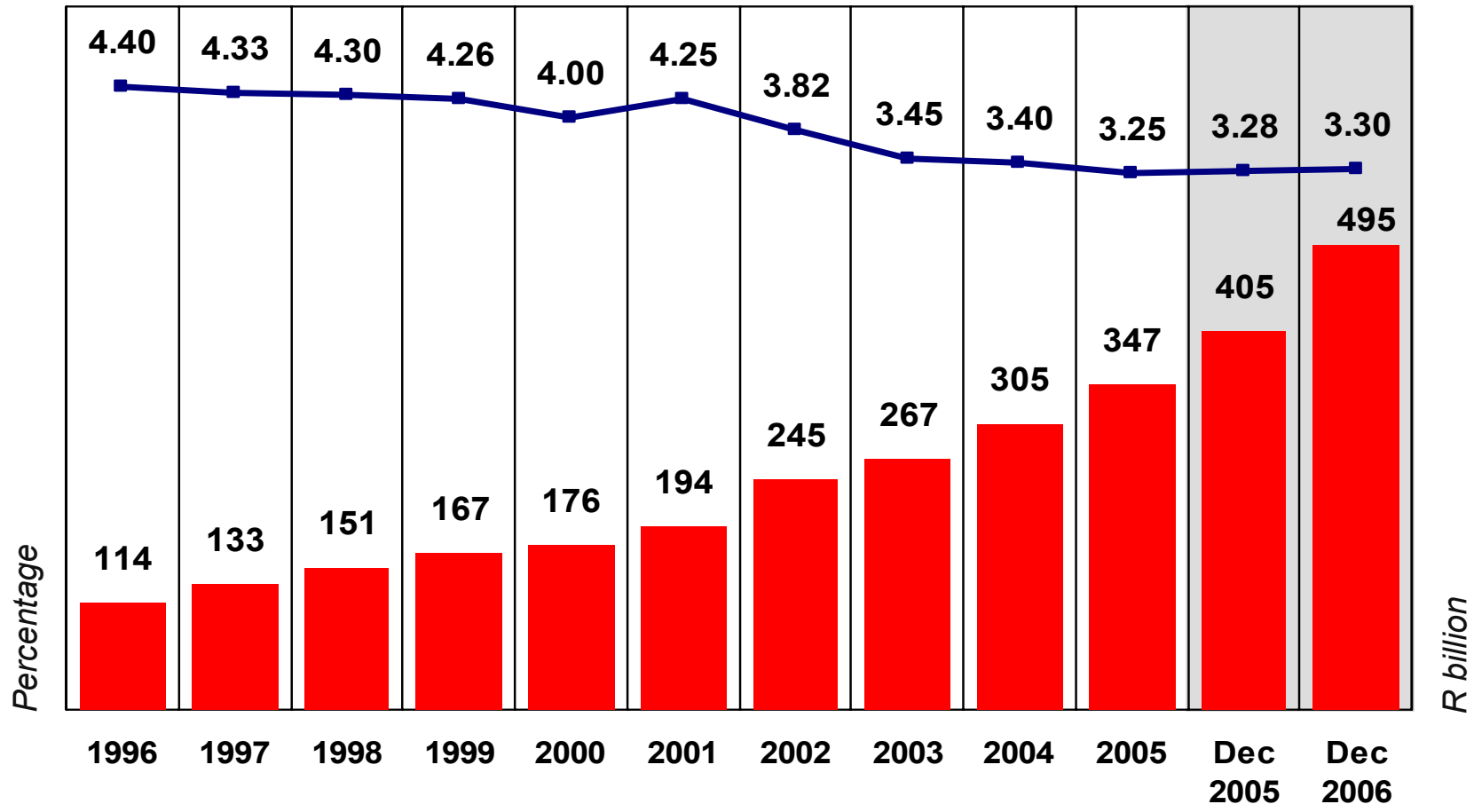
Deposit mix



Personal (%)
 Commercial (%)
 Wholesale (%)

Pressure on net interest margin compensated by strong advances growth

Twelve months ended

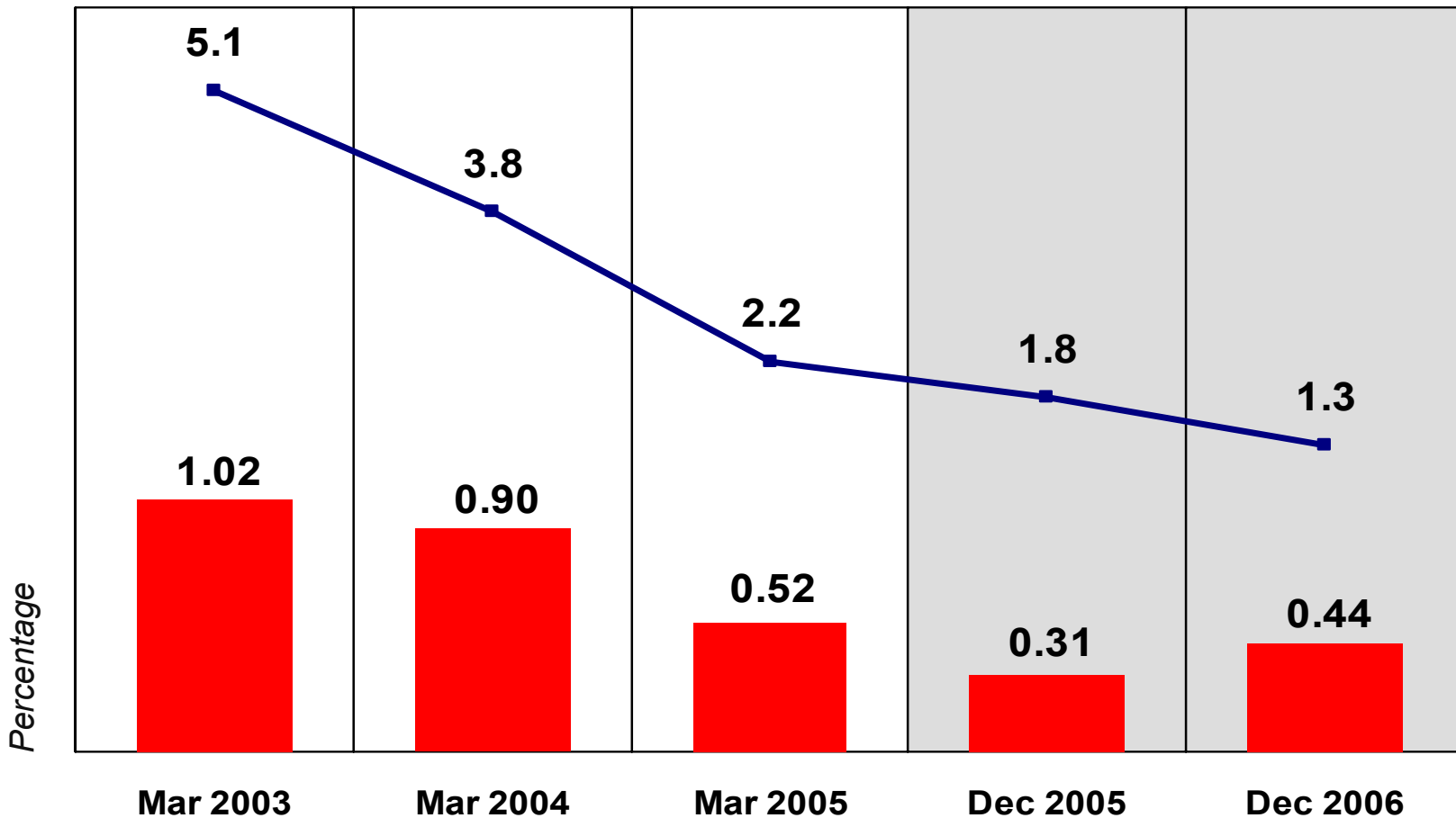


■ Total assets (Rbn)
 —■ Net interest margin (%)

Credit impairment trends

Normalisation of the credit cycle increasing impairment charge

Twelve months ended



■ Impairment of advances ratio (%) ■ Non-performing advances ratio (%)

Non-recurring items

After taxation

	Twelve months ended 31 December 2006 Rm	Business area impacted
Non-headline items	169	
<ul style="list-style-type: none">• Sale of stake in Capricorn Investment Holdings	54	Group
<ul style="list-style-type: none">• Sale of Bankhaus Wölbern & Co.	50	Group
<ul style="list-style-type: none">• Sale of JSE shares	20	Bancassurance
<ul style="list-style-type: none">• Sale of equity in AST-DTS	45	Group
Headline items	146	
<ul style="list-style-type: none">• UniFer provision release	85	Retail banking
<ul style="list-style-type: none">• MasterCard gains	61	Retail banking
Total	315	

Operating expenses vs top-line revenue

Improved operating efficiency across the board

Twelve months ended 31 December 2006

	Top-line growth %	Cost growth %	Cost-to-income ratio %
• Retail banking	24.1	16.1	58.2
– Segment-focused*	23.6	17.3	71.0
– Absa Home Loans	24.7	10.0	40.8
– Absa Card	40.7	30.4	42.3
– AVAF	14.6	7.9	44.9
• Corporate and Business Bank	14.3	14.2	56.3
• Absa Capital	32.3	11.1	38.5
• African operations	(6.6)	(12.1)	64.8
• Bancassurance	6.9	9.3	32.1
Absa Group	19.0	13.9	54.6

*Retail Banking Services and Absa Private Bank

Member of the  **BARCLAYS** Group



Core operating expenses

	Twelve months ended 31 December 2006
Growth attributable to:	%
Total operating expenses	13.9
Adjustments made	
<ul style="list-style-type: none">• Barclays related implementation costs• Compliance and related costs• Infrastructure roll-out• Virgin Money• Investment in employee base• International expenses	(2.9) (1.5) (1.7) (0.6) (0.4) 2.8
Core expenses	9.6

Bancassurance

Investments held at 31 December 2006

	Equity Rm	Unit linked contracts* Rm	Fixed interest Rm	Total Rm
Shareholder investments	2 734	475	1 543	4 752
• Life	770	150	508	1 428
• Non-life	1 964	325	1 035	3 324
Policyholder investments	802	3 977	2 601	7 380
• Insurance contracts	514	679	1 284	2 477
• Investment contracts	288	3 298	1 317	4 903

*Classified for IFRS purposes as unlisted

Bancassurance

Investment performance

Twelve months ended 31 December

	2006		2005		Total Change %
	Gains and losses Rm	Total Rm	Gains and losses Rm	Total Rm	
Shareholders	512	737	593	711	4
Policyholders – investment contracts	435	520	219	289	80
Policyholders – insurance contracts	220	378	293	445	(15)
Total	1 167	1 635	1 105	1 445	13

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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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