Absa Group Limited

Financial results

For the year ended 31 December 2008

Absa Group Limited Financial results for the year ended 31 December 2008

Member of the BARCLAYS Group

ABSA

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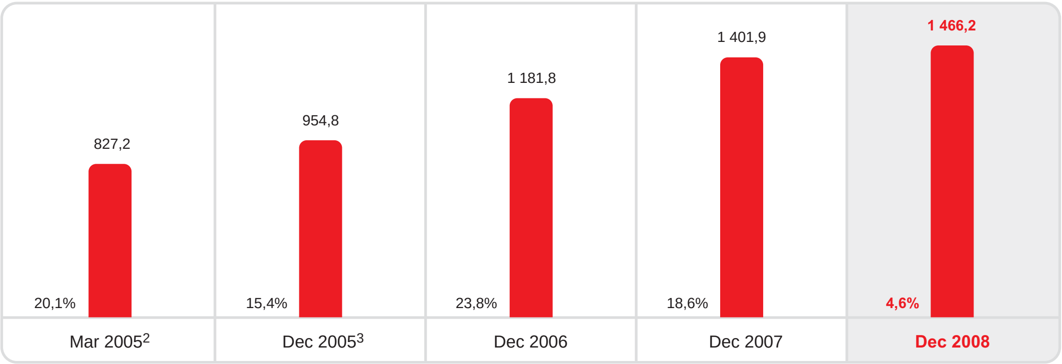
Financial highlights

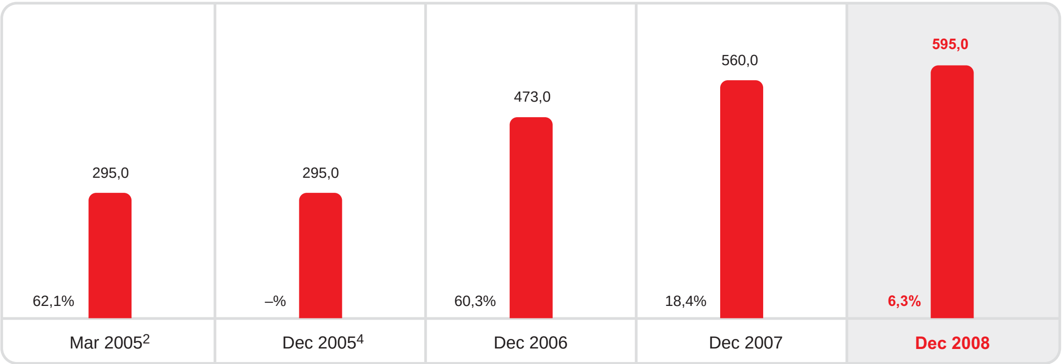
Year ended 31 December

	2008	2007
Total assets	**R773,8 billion**	R640,9 billion
Headline earnings	**R9 908 million**	R9 413 million
Market capitalisation	**R73,6 billion**	R75,3 billion
Number of customers[1]	**10,7 million**	9,6 million
Number of staffed outlets[1]	**1 192**	1 011
Number of ATMs[1]	**9 104**	8 524

Headline earnings per share (cents)



Dividends per share (cents)



Notes

[1] *Including African operations.*

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

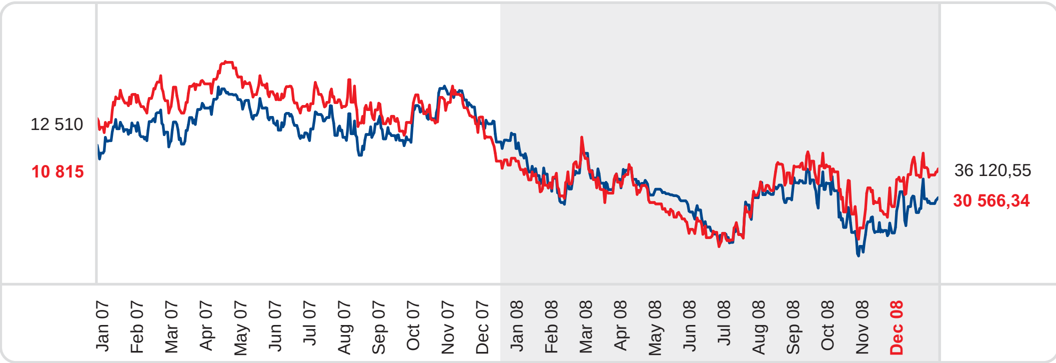
[3] *Pro forma figures (twelve months).*

[4] *For the nine months ended 31 December 2005.*

Share performance

Year ended 31 December

Share performance (cents)



Notes

[1] *Absa's annual total return for the twelve month period was 5,7%.*

[2] *The Absa's share price outperformed the banks' index by 6,73% over the twelve month period. Total return was used to calculate the relative performance (calculated using an annualised dividend yield).*

Share performance on the JSE Limited

	2008	2007	Change %
Number of shares in issue[1]	**680 278 301**	678 573 074	0,3
Market prices (cents per share):			
closing	**10 815**	11 100	(2,6)
high	**11 999**	14 830	(19,1)
low	**7 900**	10 832	(27,1)
average	**9 954**	13 207	(25,1)
Closing price/net asset value per share (excluding preference shares)	**1,56**	2,00	
Closing price/headline earnings per share	**7,4**	7,9	
Volume of shares traded (millions)	**551,4**	343,7	60,2
Value of shares traded (R millions)	**54 635,7**	45 370,6	12,5
Market capitalisation (R millions)	**73 572,1**	75 321,6	(2,3)

Note

[1] *Includes **2 400 220** shares held by the Absa Group Limited Share Incentive Trust (December 2007: 2 678 159), **905 111** shares held by Absa Life Limited and Absa Fund Managers Limited (December 2007: 718 202) and **500** shares held by the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust (December 2007: 68 800).*

Shareholders' information

As at 31 December

	2008 %	2007 %
Major ordinary shareholders (top 10)[1]		
Barclays Bank PLC	**58,6**	58,8
Public Investment Corporation	**8,5**	6,1
Allan Gray Limited	**4,1**	6,8
Old Mutual Asset Managers	**2,6**	4,3
Stanlib Asset Management	**2,0**	1,8
Investec Asset Management	**1,6**	n/a
Absa Stockbrokers (Proprietary) Limited[2]	**1,1**	1,0
Foord Asset Management	**1,1**	0,9
Sanlam Investment Management	**1,1**	2,0
AXA Financial SA (Bernstein and Alliance)	**0,9**	1,1
Coronation Fund Managers	**n/a**	1,8
Other	**18,4**	15,4
	100,0	100,0
Geographical split		
England and Wales	**59,1**	59,3
South Africa	**31,0**	32,9
United States	**4,1**	3,1
Other countries	**3,9**	2,6
Below threshold	**1,9**	2,1
	100,0	100,0

Notes

[1] *Owing to the Barclays acquisition of a controlling stake in Absa, only the top 10 shareholders are disclosed.*

[2] *Represents shareholding on behalf of various private clients.*

Batho Bonke Capital (Proprietary) Limited and the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust hold 75 260 000 redeemable cumulative option-holding preference shares (preference shares).

	Ordinary shares	Preference shares	Total shares
Number of shares in issue at 31 December 2008	**680 278 301**	**75 260 000**	**755 538 301**
Number of shares in issue at 31 December 2007	678 573 074	75 619 500	754 192 574

Shareholders' diary

Financial year-end	31 December 2008
Annual general meeting	21 April 2009

Announcements

Announcement of the final results	9 February 2009
Announcement of the interim results[1]	6 August 2009

Dividends

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Final December 2008	9 February 2009	27 February 2009	2 March 2009	6 March 2009	9 March 2009
Interim June 2009[1]	6 August 2009	22 August 2009	25 August 2009	29 August 2009	1 September 2009

Note
[1]*Subject to change.*

Group salient features

Year ended 31 December

	2008 (Audited)	2007[1] (Audited)	Change %
Income statement (Rm)			
Headline earnings[2]	**9 908**	9 413	5,3
Profit attributable to ordinary equity holders of the Group	**10 592**	9 595	10,4
Balance sheet (Rm)			
Total assets	**773 758**	640 909	20,7
Loans and advances to customers	**532 171**	455 958	16,7
Deposits due to customers	**382 281**	310 512	23,1
Financial performance (%)			
Return on average equity	**23,4**	27,2	
Return on average assets	**1,37**	1,68	
Operating performance (%)			
Net interest margin on average assets	**3,02**	3,37	
Net interest margin on average interest-bearing assets	**3,63**	3,83	
Impairment losses on loans and advances as % of average loans and advances to customers			
Group	**1,19**	0,58	
Retail banking	**1,68**	0,74	
Non-performing advances as % of loans and advances to customers	**3,5**	1,7	
Non-interest income as % of total operating income	**49,2**	47,0	
Cost-to-income ratio	**49,4**	51,7	
Effective tax rate, excluding indirect taxation	**26,1**	28,8	
Share statistics (million)			
Number of shares in issue	**680,3**	678,6	
Weighted average number of shares	**675,7**	671,5	
Weighted average diluted number of shares	**702,8**	716,4	
Share statistics (cents)			
Earnings per share	**1 567,5**	1 428,9	9,7
Diluted earnings per share	**1 509,5**	1 341,4	12,5
Headline earnings per share	**1 466,2**	1 401,9	4,6
Diluted headline earnings per share	**1 412,1**	1 316,1	7,3
Dividends per ordinary share relating to income for the year	**595,0**	560,0	6,3
Dividend cover (times)	**2,5**	2,5	
Net asset value per share	**6 950**	5 537	25,5
Tangible net asset value per share	**6 809**	5 493	24,0
	(Unaudited)	(Unaudited)	
Capital adequacy (%)[3]			
Absa Bank	**14,0**	12,5	
Absa Group	**14,1**	13,1	

Notes

[1]*Refer to pages 70 – 76 for the restatement of prior year figures.*

[2]*After allowing for* ***R457 million*** *(December 2007: R313 million) profit attributable to preference equity holders of the Group.*

[3]*December 2007 reflects Basel I numbers as previously published.*

Group financial reporting structure

As at 31 December 2008

Absa Group Limited

Retail banking

- Absa Wealth[1]
- Retail Bank[1 & 2]
- Absa Home Loans
- Absa Card
- Absa Vehicle and Asset Finance (AVAF)[3]
- AllPay Consolidated Investment Holdings (Proprietary) Limited
- Africa Retail[4]
  - Barclays Bank Mozambique (BBM)
  - National Bank of Commerce Limited (NBC) (Tanzania)
  - Banco Comercial Angolano (Angola)
- Meeg Bank Limited[5]
- Woolworths Financial Services (Proprietary) Limited[6]

Corporate and commercial banking

- Absa Corporate and Business Bank (ACBB)
- Absa Development Company Holdings (Proprietary) Limited
- Commercial Asset Finance (CAF)[3]
- Africa Corporate[4]
  - Barclays Bank Mozambique (BBM)
  - National Bank of Commerce Limited (NBC) (Tanzania)
  - Banco Comercial Angolano (Angola)
- Absa Bank London[9]

Investment banking

- Absa Capital
- Africa Treasury[4]
  - Barclays Bank Mozambique (BBM)
  - National Bank of Commerce Limited (NBC) (Tanzania)
  - Banco Comercial Angolano (Angola)
- Absa Bank London[9]

Changes in the Group financial reporting structure

[1] *Absa Private Bank was split into Affluent (shown under Retail Bank) and Absa Wealth during the year under review. Absa Wealth caters for the needs of the high net worth market.*

[2] *Retail Bank caters for the needs of the Group's mass market through to affluent individuals as well as the small business market.*

[3] *Commercial Asset Finance (CAF) was moved from Retail banking to Corporate and commercial banking during the year under review.*

[4] *The Group's African operations segment has been allocated to the various segments where those businesses are managed in terms of IFRS 8.*

[5] *An additional 50,3% was acquired during the year through the execution of a court order. Absa Group now owns a 100% share in Meeg Bank Limited.*

[6] *50% + 1 share was acquired in Woolworths Financial Services (Proprietary) Limited, effective 1 October 2008.*

[7] *Real Estate Asset Management changed its name to Corporate Real Estate Services (CRES).*

[8] *Repossessed Properties was moved from Retail banking to Other Group activities during the year under review.*

[9] *Absa Bank London's results are also allocated to Corporate and commercial as well as Investment banking in terms of IFRS 8.*

Bancassurance

Insurance

- Absa Life Limited
- Absa Insurance Company Limited

Investments

- Absa Fund Managers Limited
- Absa Mortgage Fund Managers (Proprietary) Limited
- Absa Stockbrokers (Proprietary) Limited
- Absa Investment Management Services (Proprietary) Limited
- Absa Asset Management (Proprietary) Limited and Portfolio Managers (Proprietary) Limited

Fiduciary

- Absa Trust Limited
- Absa Consultants and Actuaries (Proprietary) Limited
- Absa Health Care Consultants (Proprietary) Limited

Other

- Absa Brokers (Proprietary) Limited
- Absa Manx Insurance Company Limited

Other Group activities

- Corporate Real Estate Services (CRES)[7]
- Repossessed Properties[8]

International operations

- Absa Bank London[9]

Profit and dividend announcement

Financial performance

Absa Group Limited recorded an increase of 10,4% in attributable earnings for the year ended 31 December 2008 from R9 595 million to R10 592 million. Headline earnings increased by 5,3% from R9 413 million to R9 908 million. Headline earnings per share (HEPS) increased by 4,6% to 1 466,2 cents per share and fully diluted HEPS[1] increased by 7,3% to 1 412,1 cents per share.

The key financial features include:
– Revenue growth of 20,4% to R42 910 million.
– An 8,0% increase in profit before tax.
– An improvement in the cost-to-income ratio to 49,4%.
– A 6,3% increase in the full-year dividend to 595 cents per share.
– A return on average equity (RoE) of 23,4%.
– A 140,0% rise in the impairment charge to R5 839 million.

"Absa delivered a sound financial performance in a year characterised by significant global financial market turbulence and challenging macroeconomic conditions in South Africa. Proactive credit management, effective cost discipline and growth within the investment and commercial banking businesses underpinned the Group's performance. These results bear testimony to the successful implementation of our strategy to diversify earnings, maintain asset quality, and to manage costs." – Group Chief Executive, Steve Booysen

The Group experienced difficult trading conditions during the year which adversely impacted the performance of the Retail Bank. Consumers in South Africa remained under pressure as the effect of higher inflation and interest rates resulted in slower business volume growth, and an increasing number of accounts in arrears. As a result, the Retail Bank experienced an earnings decline of 25,0%.

The wholesale banking businesses, however, continued to produce robust operating performances with a contribution of 48,8% (2007: 37,7%) to the Group's overall earnings for the year, offsetting, to an extent, some of the decline in the retail business. Earnings growth of 29,5% was achieved in Absa Corporate and Business Bank (ACBB) and 29,8% in Absa Capital. The Bancassurance business recorded a 6,3% growth in earnings as the solid underlying operating performance of the cluster was adversely impacted by the significant market volatility on investment portfolios.

The focus on deposit growth resulted in retail and commercial deposits growing 32,4% and 29,0% respectively. Absa retains its number one market share position for individual deposits.[2]

The Group's capital position remained sound with a Tier 1 capital ratio of 11,6% and total capital ratio of 14,1% as at 31 December 2008.

A final dividend of 330 cents per share has been declared, taking the dividend growth for the full year to 6,3% with a dividend cover of 2,5 times.

The global operating environment

The year under review was marked by considerable turmoil in global financial markets. The international economy and banking sectors worldwide continue to suffer immense losses. Liquidity constraints, widening credit spreads and the ominous global recession constitute growing concerns for market participants worldwide as the economic and financial environment continues to deteriorate. Co-ordinated action is being taken by governments and regulators to address these matters.

The domestic operating environment

Prudent fiscal policies, a firm monetary policy and a strong regulatory framework has meant that the ramifications of the global financial crisis have been limited in South Africa to date. Nevertheless, the country has not been immune to the global fallout. The domestic equity market suffered losses in line with international markets and the currency experienced heightened volatility arising from the risk aversion associated with emerging markets. Net portfolio outflows of about R70 billion[3] in 2008, heightened concerns around the financing of South Africa's current account deficit which stood at 7,9% of gross domestic product (GDP) in the third quarter of 2008. This trend has continued into early 2009, with further net portfolio outflows of around R7,4 billion recorded in January. Global recessionary fears also led to a sharp drop in demand for commodities such as oil and a consequent fall in prices.

Notes

[1] *The dilution of headline earnings stems from the option rights to acquire shares issued to Absa's black economic empowerment partner Batho Bonke Capital (Proprietary) Limited (Batho Bonke) and to the Group's share incentive schemes.*

[2] *As per SA market share statistics BA 900 (November 2008).*

[3] *The Bond Exchange of South Africa and the JSE Limited data.*

The global financial crisis, along with a slowdown in domestic demand, resulted in economic activity slowing as GDP growth decelerated sharply to 0,2% in the third quarter of 2008 from an annualised 5,1% in the second quarter, thereby recording the slowest quarterly growth since 1998.

A persistent rise in inflation for most of 2008, underpinned by rising food and fuel prices, prompted the South African Reserve Bank (SARB) to increase interest rates by a total of 100 basis points (bps) in 2008, representing a cumulative increase of 500 bps from June 2006 to June 2008. Consumer spending power was eroded by the high interest rates and rising prices, while household indebtedness rose to record levels during the year. The considerable pressure on household budgets is reflected in the decline in consumer credit quality and moderation in credit extension, as the appetite to take on additional debt eased. Private sector credit extension moderated to 14,0% year-on-year in December from 23,0% at the beginning of the year.

While most of 2008 was characterised by rising interest rates and inflation, rates were cut by 50 bps in December 2008 and a further 100 bps in February 2009 following a moderation in the fuel price and food price inflation. This trend is expected to continue, assisted by changes in the Consumer Price Index (CPI) calculation methodology. Moreover the widening domestic output gap and decline in commodity prices are expected to exert further downward pressure on inflation.

Notwithstanding indications of declining inflation and a further easing of interest rates, the domestic economy remains at risk. The possibility, of a global recession, emerging market risk aversion, rand volatility and further job losses will constitute a growing threat to economic recovery.

The Group, therefore, expects the economy to remain under pressure during 2009.

Group performance

Information on the Group performance, net asset value and capital adequacy is contained on pages 10 – 55.

Information relating to the performance of the Group’s segments is contained on pages 56 – 69.

Basis of presentation and changes in accounting policy

The Absa Group’s annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Group has elected to early adopt IFRS 8 – Operating Segments, for the year ended 31 December 2008. The statement requires that an entity disclose information to enable users of its financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environment within which it operates. This information should be disclosed in the same manner as presented to the entity’s chief operating decision-maker(s). The adoption of the standard had no impact on the reported profits or financial position of the Group.

During the 2007 financial year, ACBB commenced with investments in unlisted Commercial Property Finance (CPF)-related entities. The investment portfolio was classified as investments in associates as the equity investments generally ranged between 20% and 50% of the company’s issued equity.

During 2008, these investments were reclassified from investments in associates to unlisted investments being measured at fair value through profit or loss according to the scope exclusion for venture capital organisations in IAS 28 – Investments in Associates.

The carrying value of the investments reclassified from the “investment in associates” category to the “unlisted investments” category was R465 million.

The Group’s results for the year ended 31 December 2008 have been audited by the Group’s auditors, PricewaterhouseCoopers Inc. and Ernst & Young Inc. Their audit report is available for inspection at the Group’s registered address, 3rd floor, Absa Towers East, 170 Main Street, Johannesburg, 2001.

Prospects and strategic focus

Global recessionary conditions are expected to persist in the near term and heightened risk aversion and reduced capital flows to emerging markets are likely to continue in 2009.

Conditions facing the South African consumer are expected to remain difficult despite the potential further easing of interest rates. Household spending is likely to remain under pressure should the employment market and consumer confidence levels remain depressed.

Therefore, the Group expects business volumes, particularly in the Retail Bank, to decline and arrears and non-performing loans to increase. Margins are expected to remain under pressure due to the continued higher cost of funding. In addition, the Group will no longer benefit from the positive endowment effect on capital as the interest rate cycle eases.

Profit and dividend announcement

In view of the challenging macroeconomic conditions anticipated during the year ahead, the strategic focus of the Group will remain on:

- protecting its position in the retail and commercial businesses through the disciplined management of book quality, maintenance of strict credit criteria, strengthening the collections capability and ensuring strong customer service and support;
- selectively growing market share by focusing on growth in deposits and customer numbers, maximising cross-selling opportunities as well as enhancing transaction volumes and asset pricing;
- maintaining an ongoing focus on cost reduction; and
- efficient management and allocation of capital.

Given the challenging conditions that lie ahead, Absa will continue to implement comprehensive measures to protect future earnings. The Group remains well capitalised and has a strong balance sheet enabling it to take advantage of growth opportunities as and when they arise. The continuing efforts to diversify the Group's earnings base should underpin future financial performance. In particular, growth in the investment and commercial banking businesses should remain positive, thereby mitigating some of the slowdown in the retail business.

The Group remains committed to managing risk, preserving capital and maintaining current levels of profitability for the year ahead.

On behalf of the board

G Marcus
Chairperson

S F Booysen
Group Chief Executive

9 February 2009
Johannesburg

Declaration of final ordinary dividend number 45

Shareholders are advised that the final ordinary dividend of 330 cents per ordinary share was declared on Monday, 9 February 2009, bringing the total dividend for the year to 595 cents per ordinary share. The final ordinary dividend is payable to shareholders recorded in the register of members of the Group at the close of business on Friday, 6 March 2009.

In compliance with the requirements of Strate, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade *cum* dividend	Friday, 27 February 2009
Shares commence trading *ex* dividend	Monday, 2 March 2009
Record date	Friday, 6 March 2009
Payment date	Monday, 9 March 2009

Share certificates may not be dematerialised or rematerialised between Monday, 2 March 2009, and Friday, 6 March 2009, both dates inclusive.

On Monday, 9 March 2009, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not, cheques dated 9 March 2009 will be posted on or about that date. The accounts of those shareholders that have dematerialised their shares (which are held at their participant or broker) will be credited on Monday, 9 March 2009.

On behalf of the board

S Martin
Group Secretary

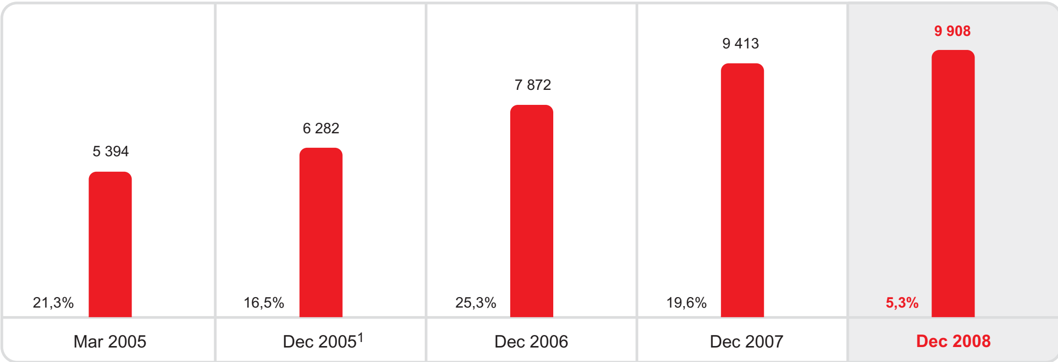
9 February 2009
Johannesburg

Performance indicators

Headline earnings

Objective: Compounded annual growth rate of 15% over 5 years.

Headline earnings (Rm)



Note

[1] *Pro forma figures (twelve months).*

Performance:

The Group increased headline earnings by 5,3%, compared to December 2007, to R9 908 million. The compounded annual growth rate for 2008 over 5 years is 17,4%. This is 2,4% above the objective.

Absa Corporate and Business Bank (ACBB) and Absa Capital delivered strong performances compared to December 2007, reflecting growth of 29,5% and 29,8% respectively. Excluding VISA from the total earnings, ACBB and Absa Capital increased their earnings contribution from 37,7% to 48,8%, in line with the Group's focus on improved diversification of its income streams. If VISA was included, their earnings contribution would be 46,0%. The challenging market conditions for consumers affected the retail business which reported a decline in earnings of 25,0%.

Absa Capital's growth was underpinned by exceptional performance in Secondary Markets and good growth in the Primary Markets business units.

Absa's bancassurance operations posted attributable earnings of R1 597 million for the year. At an operating level, bancassurance produced growth of 16,4%, mainly attributable to continued new business growth as a result of increased distribution capacity and utilising multiple channels during 2008. Absa Life and the short-term insurance operations performed particularly well in difficult market conditions. Weak equity markets resulted in lower investment returns on shareholder funds and this reduced the earnings growth at an attributable level to 6,3%.

Performance indicators

RoE decomposition[1]

In order to obtain a thorough understanding of factors contributing to the Group's performance, an RoE decomposition is provided below. The main components of the decomposition are discussed in the commentary that follows.

	Notes	2008 %	2007 %
Net interest/interest-bearing assets		**3,63**	3,83
		multiply	multiply
Interest-bearing assets/total assets		**0,83**	0,88
		equals	equals
Net interest yield	2	**3,02**	3,37
		plus	plus
Non-interest yield	3	**2,92**	2,99
		equals	equals
Gross yield		**5,94**	6,36
		less	less
Impairment losses	4	**0,81**	0,43
		equals	equals
Risk-adjusted yield		**5,13**	5,93
		less	less
Operating expenses	5	**2,93**	3,29
		less	less
Indirect taxation and other impairments		**0,11**	0,14
		less	less
Taxation expense		**0,55**	0,72
		plus	plus
Share of retained earnings from associates and joint ventures		**0,01**	0,01
		less	less
Minority interest		**0,09**	0,08
		less	less
Headline earnings adjustments		**0,09**	0,03
		equals	equals
Return on average assets (RoA)	6	**1,37**	1,68
		multiply	multiply
Gearing (average assets/average equity)	7	**17,05**	16,19
		equals	equals
Return on average equity (RoE)	1	**23,4**	27,2

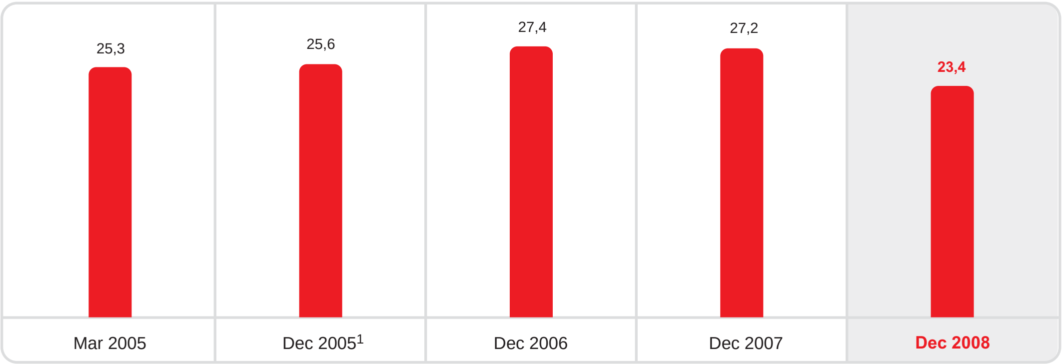
Note

[1] *Calculated as a % of average total assets.*

Note 1 – Return on average equity

Objective: RoE of 6% above the cost of equity (CoE).

Return on average equity (%)



Note

[1] *Pro forma figures (twelve months).*

Performance:

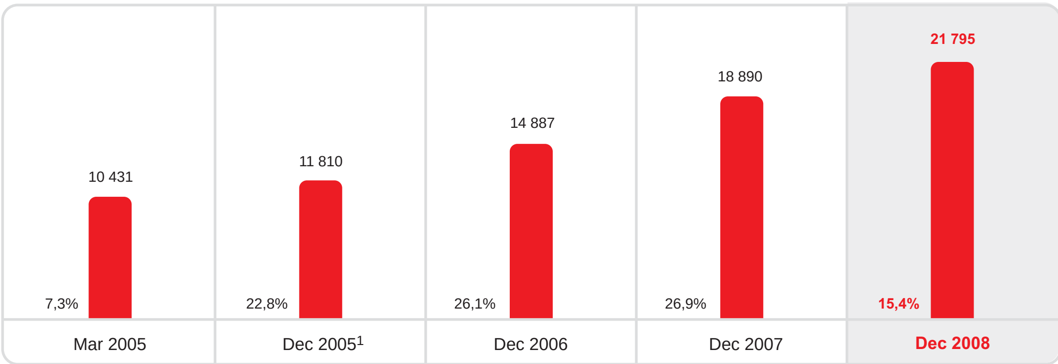
The Group achieved a return on average equity (RoE) of 23,4% for the year under review. This result has enabled the Group to outperform its objective of an RoE of at least 6% above the cost of equity. The average cost of equity for the Group is 15,5%.

Performance indicators

Note 2 – Net interest yield

Net interest income

Net interest income (Rm)



Note

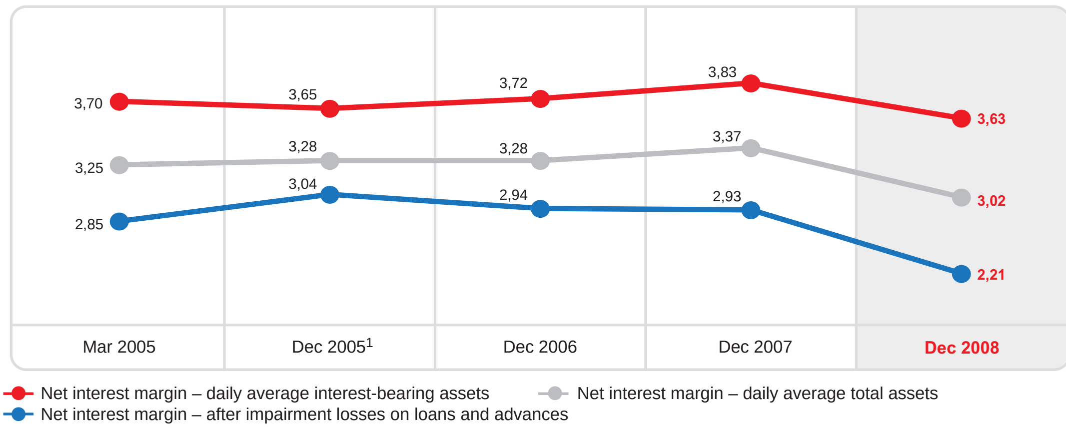
[1]*Pro forma figures (twelve months) and growth % calculated on December 2004 figures (pro forma twelve months).*

Performance:

Net interest income increased by 15,4% to R21 795 million, mainly due to a 16,2% growth in the retail and commercial clusters' total advances. Absa Corporate and Business Bank (ACBB) posted strong advances growth of 33,1%, assisted by funding provided relating to the public and private sectors continued investment in infrastructure. Product innovation resulted in strong growth in specialised finance lending products.

The impact of prolonged higher inflation and interest rates was evident in the retail businesses, with advances growth slowing from 19,4% in 2007 to 11,3% in 2008 (below 10% if one excludes the acquisition of Woolworths Financial Services). The demand for retail instalment finance declined significantly and this book increased by only 1,4%. Mortgages grew 12,2%, assisted by the lengthening of the average repayment term (i.e. customers not making additional repayments to the same extent as the previous few years) as well as re-advances on existing loans.

Net interest margin (%)



Note

[1]*Pro forma figures (twelve months).*

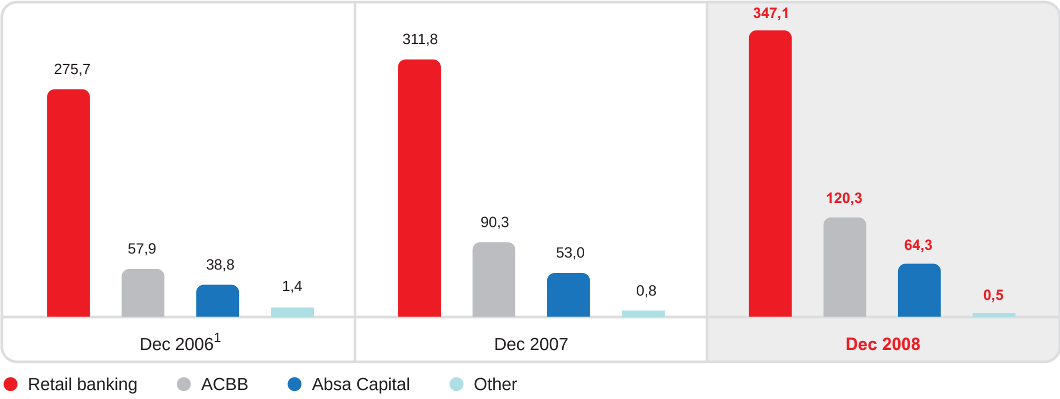
Performance:

The margin on total assets declined by 35 basis points to 3,02%. 15 points of this decline can be attributed to higher non-interest earning assets, most notably trading assets. South Africa was not immune to the global credit and liquidity crisis and this, together with market uncertainty in respect of the longer-term interest rate trends, resulted in the cost of wholesale funding adding another 16 basis points to the margin decline. The Group has a comprehensive hedging strategy whereby it protects its margin against the re-pricing mismatch between assets and liabilities in a changing interest rate environment. In certain cases it is not possible to apply hedge accounting in terms of IAS 39 to the hedging transaction and the protection is managed on an economic hedge basis. During the year the gains on economic hedges implemented to protect the Group against interest rate risk on certain fixed rate assets were thus accounted for in the non-interest income line in terms of IFRS, resulting in margin decline on the underlying assets, offset by higher non-interest income on the hedging transactions.

Pressure on margins is likely to continue in line with the expected higher cost of funding. The Group will also no longer benefit from the positive endowment effect on capital due to the expected declining interest rate cycle.

Loans and advances to customers

Net advances (Rbn)



Loans and advances mix (%)

Year	Retail banking	ACBB	Absa Capital	Other
Dec 2006[1]	73,8	15,5	10,4	0,3
Dec 2007	68,4	19,8	11,6	0,2
Dec 2008	**65,2**	**22,6**	**12,1**	**0,1**

Note

[1]*December 2006 comparatives have not been restated for the move of Commercial Asset Finance (CAF) from Retail banking to ACBB.*

Performance:

Loans and advances to customers increased by 16,7% to R532,2 billion compared with R455,9 billion in December 2007, as a result of increasing retail and commercial business.

While the Group recorded an 11,3% increase in retail advances, there was a slowdown in the growth rate in line with the challenging macroeconomic environment and the tightening of credit criteria. Retail mortgages increased by 12,2%, while cheque accounts and retail instalment finance rose by 8,7% and 1,4% respectively. Credit card advances recorded a strong increase of 41,1%, mainly due to the acquisition of the Woolworths Financial Services (Proprietary) Limited (WFS) book on 1 October 2008. However, credit card advances, excluding the WFS book, grew 8,6% year-on-year.

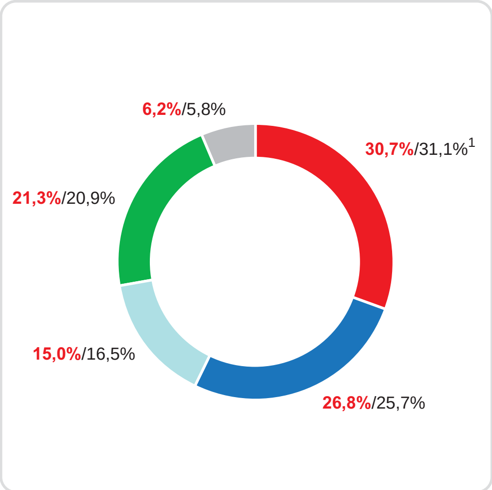
ACBB increased advances by 33,1%, following an improved performance within the Large and Medium Business lines. Strong growth in these segments was driven by sustained commercial credit demand and cross-selling to the existing customer base.

Refer to note 1 of the financial statements on page 36 of this report for further information about the Group's advances.

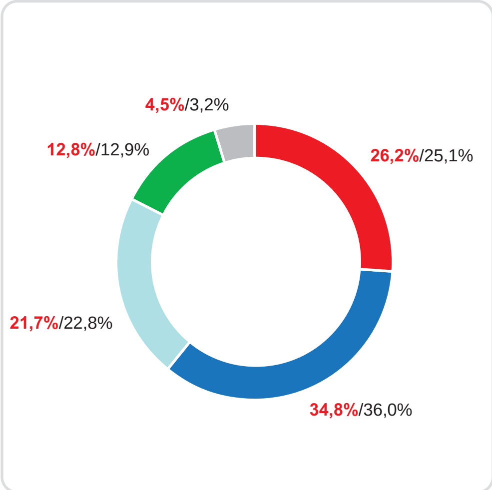
Performance indicators

Market share

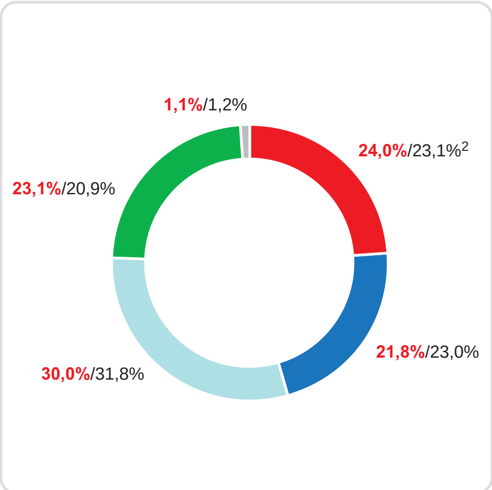
Mortgage loans (%)



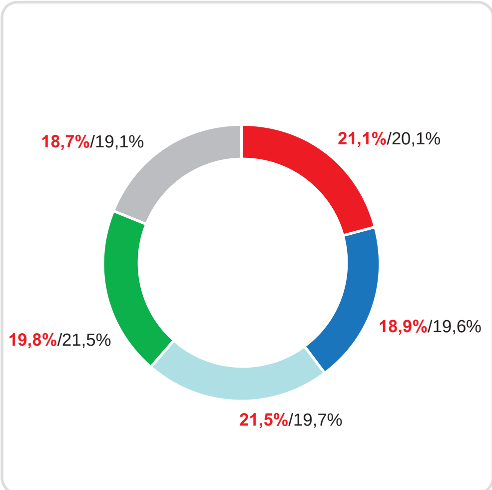
Credit cards (%)



Instalment finance (%)



Overdrafts and other loans (%)



● Absa Group ● Standard Bank Group ● FirstRand ● Nedbank Group ● Other

November 2008[3]/December 2007

Notes

[1] *Securitisation of **R3,3 billion – 0,3%** of market share (December 2007: R1,6 billion – 0,2% of market share) has been excluded from the Absa mortage loan book.*

[2] *Securitisation of **R3,4 billion – 1,3%** of market share (December 2007: R5,8 billion – 2,5% of market share) has been excluded from the Absa instalment finance book.*

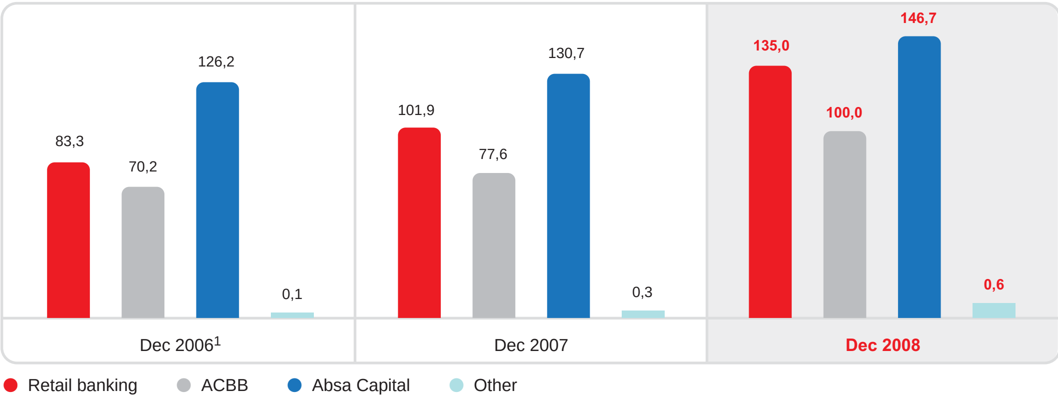
[3] *Owing to the early results announcement, the market share information for December 2008 was not available for publication.*

Performance:

The Group gained market share in instalment finance, credit cards, overdrafts and other loans and reduced market share marginally in mortgage loans. Since December 2007 Absa lost market share in respect of mortgages (0,4%) mainly due to the introduction of more stringent credit criteria.

Deposits due to customers

Total deposits (Rbn)



Total funding (%)	Dec 2006[1]	Dec 2007	Dec 2008
Deposits due to customers	69,3	59,1	**63,4**
Retail banking	20,6	19,4	**22,4**
ACBB	17,4	14,8	**16,6**
Absa Capital	31,3	24,9	**24,3**
Other	0,0	0,0	**0,1**
Deposits from banks	6,2	11,1	**9,1**
Debt securities in issue	24,5	29,8	**27,5**
	100,0	100,0	**100,0**

Note

[1] *December 2006 comparatives have not been restated for the move of Commercial Asset Finance (CAF) from Retail banking to ACBB.*

Performance:

During the year under review, the Group focused on reducing its reliance on wholesale funding by growing deposits. An improvement in the liability gearing ratio was achieved as a result of a 23,1% year-on-year growth of total deposits.

Retail Bank grew its deposit base by R33,1 billion, representing growth of 32,4% on the 2007 closing balance. The strongest growth was achieved in respect of the "Investment Advantage" product, which attracted customer deposits of R17,5 billion during the year.

Fixed deposits grew 30,2% year-on-year, whilst cheque and savings deposits grew by 12,0% and 12,8% respectively. Absa now has the biggest market share in respect of deposits by individuals according to the South African Reserve Bank statistics.

Absa Corporate and Business Bank (ACBB) achieved growth of 29,0% in its deposit base. Fixed and call deposits were the main drivers of the strong growth. Good progress was also made to improve the diversification of the deposit base across various industries.

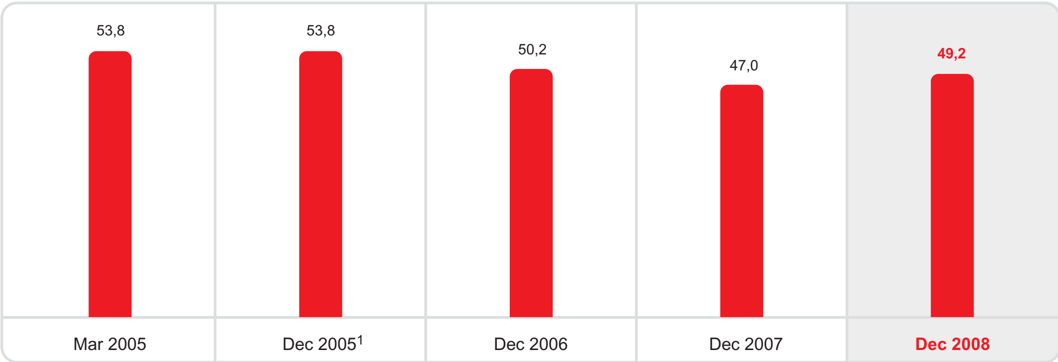
The Group protects itself against interest rate risk resulting from fixed deposits in a changing interest rate environment by implementing hedge positions with a three-month re-pricing profile. This reduces the positive endowment impact of non-interest rate sensitive deposits during periods of increasing rates (i.e. 2008), but will also protect margins during periods where interest rates decline (also refer to page 14).

Performance indicators

Note 3 – Non-interest income

Objective: Maintain non-interest income at approximately 50% of top-line income.

Non-interest income as a percentage of operating income (excluding impairment losses on loans and advances) (%)



Note

[1]*Pro forma figures (twelve months).*

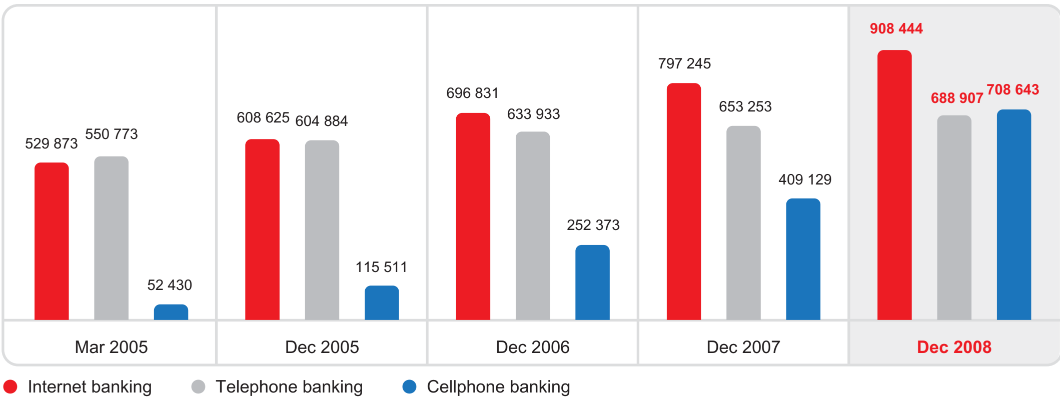
Performance:
Non-interest income increased by 26,0% to R21 115 million. Net fee and commission income, which constitutes approximately 63,2% of non-interest income, grew by 15,0% to R13 343 million. This resulted largely from increased transaction fees and volumes in the Retail Bank.

The Group's trading income increased by 92,4% to R2 111 million, following strong growth in Secondary Markets activity within Absa Capital. Fee and other income in Absa Capital declined as a result of a lower year-on-year contribution from Primary Markets as the proactive reduction of underwriting risk, widening of credit spreads, and reduced credit demand impacted the volume of corporate activity deal-flow.

Gross premium volumes remained strong and short-term insurance premiums grew by 19,9%. Long-term insurance premiums remained flat year-on-year.

Investment markets remained under pressure during the year under review, adversely impacting the value of the listed commercial property portfolio within ACBB which declined by R166 million. This decline was offset by an increase in the valuation of the unlisted Commercial Property Fund (CPF) investments of R172 million. Investment income on shareholders' funds in the Bancassurance business also decreased by 28,2% to R410 million (December 2007: R571 million).

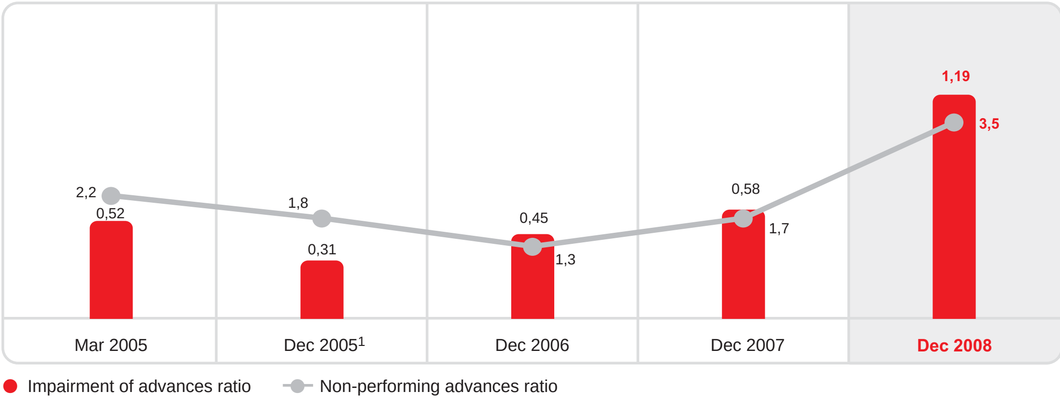
Internet, telephone and cellphone banking (number of customers)



Performance:
The Group's electronic banking base continues to show growth from a high base. Internet and telephone banking customers increased by 13,9% and 5,5% respectively since 31 December 2007, with cellphone banking increasing by 73,2%.

Note 4 – Impairment losses on loans and advances

Impairment losses (%)



Note

[1]*Pro forma figures (twelve months).*

Performance:

Credit impairments, as a percentage of average advances, increased to 1,19% from 0,58% in December 2007. The impairment charge to the income statement increased by 140,0% to R5 839 million.

Retail impairments increased sharply by 158,9% to R5 551 million, attributable to continued financial pressure on the consumer and declining asset values, particularly in the second half of the year.

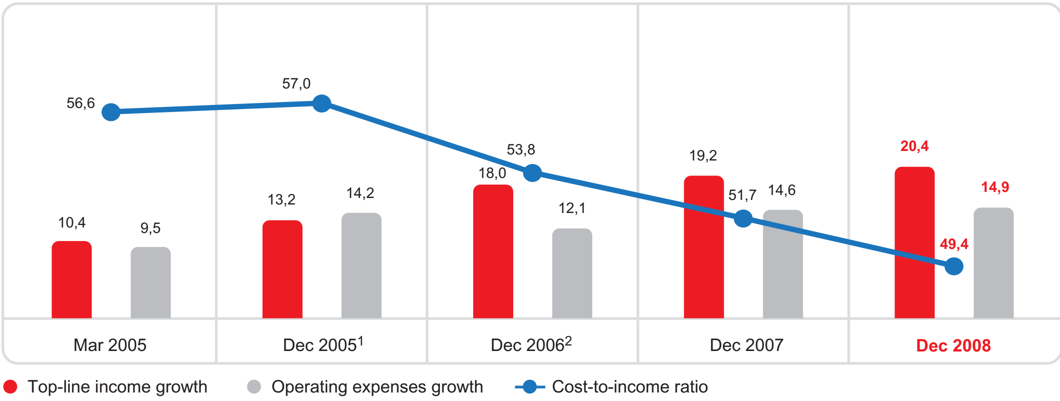
While the credit quality of the corporate sector remained sound, with impairments decreasing marginally by 0,3% to R287 million, challenging global and local macroeconomic conditions began impacting some corporate and commercial sectors, particularly in the fourth quarter of the year. Currently, this risk is being addressed through strict credit risk criteria and a focus on debt recovery. The Group will remain vigilant and maintain its strong focus on the robust management of the credit risk processes in the year ahead.

Impairment charges relating to Absa Capital were negligible.

Note 5 – Operating expenses

Objective: To achieve a cost-to-income ratio of 50% and best in peer-group.

Cost-to-income ratio (%)



Notes

[1] *Pro forma figures (twelve months).*

[2] *Growth calculated on December 2005 figures (pro forma twelve months) (reclassified for IFRS 7 for comparability).*

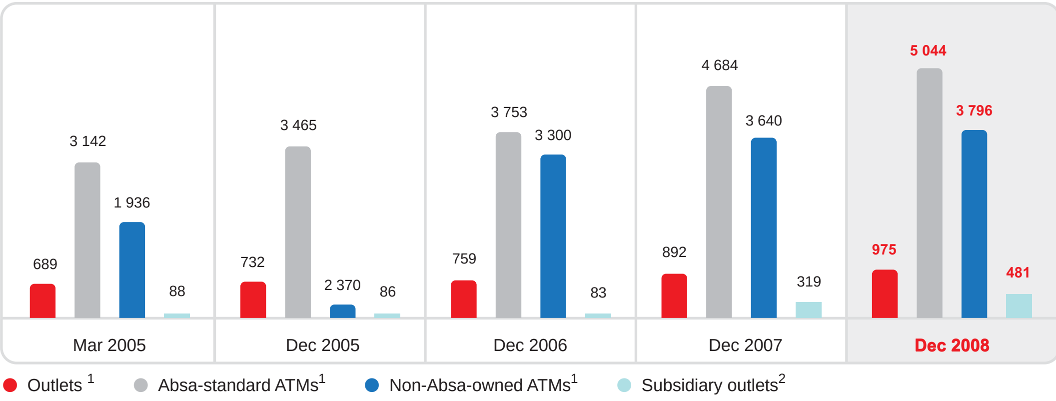
Performance:

In line with the Group's strategy to reduce the cost-to-income ratio to below 50,0%, improved income growth and tighter cost control were reflected in a cost-to-income ratio of 49,4% for the year.

Operating expenses increased by 14,9% to R21 193 million. This is attributed principally to the growth in staff costs in the credit and collection operations, investment in the growth of the non-retail clusters such as Absa Capital and ACBB as well as the acquisition of the WFS book.

During the course of the year, the Group implemented a range of efficiency initiatives and cost management measures. Considerable emphasis was placed on bringing staff costs in line with business volumes across the Group, which included the restructuring of the retail operations. Focus has also been placed on discretionary expenditure. These measures will continue into 2009.

Delivery footprint (number)



Note

[1]*South Africa.*

[2]*Subsidiary outlets include ATM's in other countries.*

Performance:

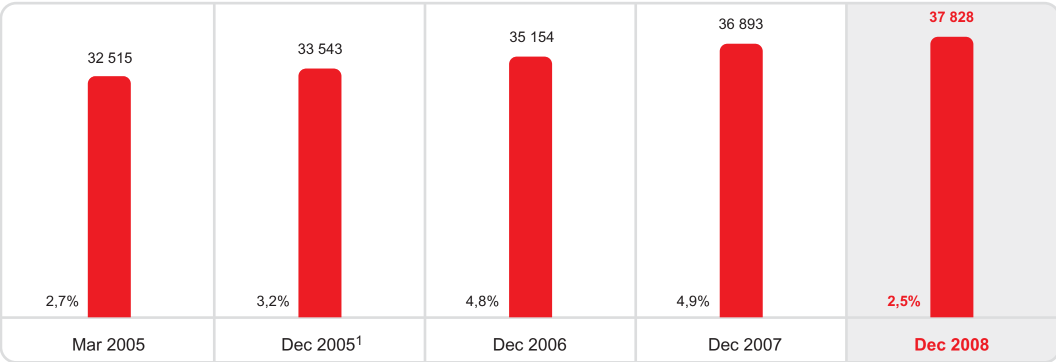
Transaction volume growth across core products moderated during the year with volumes expanding by 5,2%. Retail banking's digital channels, however, recorded a healthy transaction and customer growth.

Absa remains committed to investing in its delivery footprint, with an emphasis on a presence in rural and previously disadvantaged communities. The focus is on optimising the outlet network and striking a balance between traditional outlets and alternative/electronic delivery mechanisms.

ATMs	Dec 2007	Dec 2008
Absa-standard	4 684	**5 044**
Branch ATMs	1 794	**1 887**
Remote ATMs	2 005	**2 124**
Corporate ATMs	20	**17**
Franchise ATMs	232	**286**
Self service kiosks	269	**343**
Internet kiosks	362	**385**
Cash acceptor	2	**2**
Absa non-standard	3 640	**3 796**
	8 324	**8 840**

Performance indicators

Employee complement[1] (number of employees)



Note

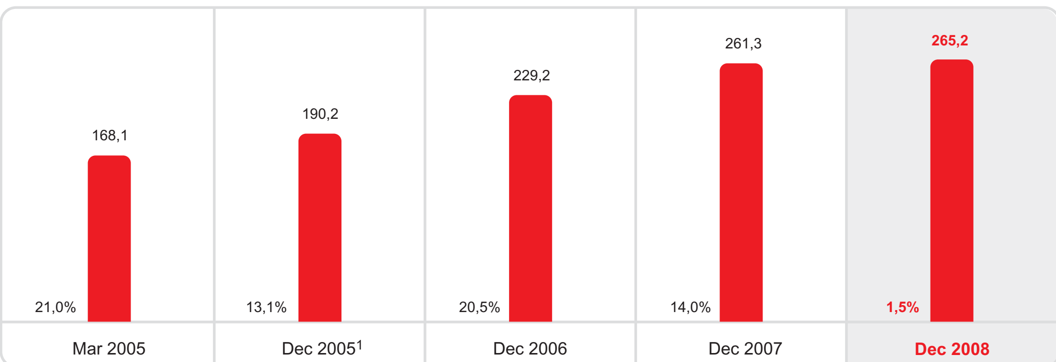
[1]*The employee complement figures exclude contract workers.*

Performance:

Staff and related costs grew by 16,7% compared to December 2007 and represent 54,8% of the cost base. Staff numbers increased during the year in a number of key growth areas, most notably in Absa Capital, ACBB and Bancassurance. The investment in additional branches, ATMs and other infrastructure during 2007 and the early parts of 2008 also contributed to the higher cost base, as did the acquisition of Woolworths Financial Services and GlenRand MIB. Increased delinquencies and rising credit impairments necessitated additional investment in the Group's collection capability, which included the appointment of additional collectors.

During the year the Group implemented a number of actions to reduce the cost base in its Retail and Head Office environments. This included restructuring to improve efficiency, a staff freeze on new appointments and the reduction of temporary staff and contractors. Compared to June 2008, the number of non-permanent staff in Retail Bank reduced by 3 198 as a result. As part of this restructuring process the Group incurred retrenchment costs. We expect to see the benefits from these initiatives in 2009.

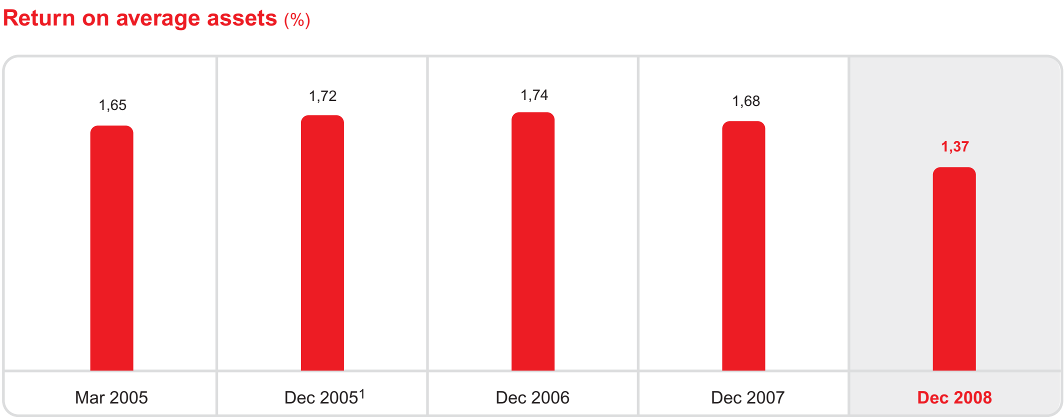
Headline earnings per employee (average) (R'000)



Note

[1]*Pro forma figures (twelve months).*

Note 6 – Return on average assets



Note

[1] *Pro forma figures (twelve months).*

Performance:

The return on average assets (RoA) decreased from 1,68% to 1,37%, compared to 31 December 2007. The lower RoA is primarily due to the increased levels of credit impairments in the Retail banking environment that lead to a decline in earnings of 25,0% by this cluster.

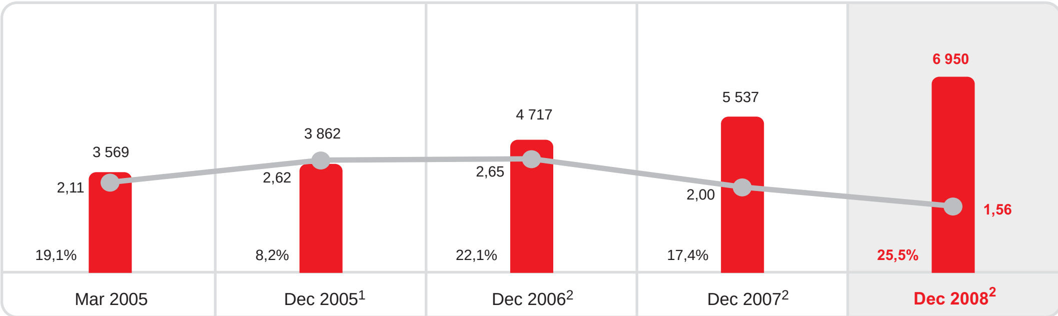
Other factors impacting this ratio include the strong growth in trading assets and lower investment returns on equity portfolios.

The Group's asset base as at 31 December 2008 increased by 20,7% to R773,8 billion, largely attributed to growth in loans and advances to customers (which constitute 68,8% of total assets), trading and derivative assets, and statutory liquid assets.

Performance indicators

Note 7 – Net asset value

Net asset value per share (cents and price-to-book (%))



● Net asset value per share — Price-to-book

Notes

[1] *Pro forma figures (twelve months).*

[2] *The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.*

Performance:

The Group's net asset value increased by 25,5% to 6 950 cents per share year-on-year. The cash flow hedge reserve, which reflects interest rate hedging activity, increased from negative R893 million to positive R1 775 million, following the decline in the swap rates across the curve. This, together with the higher capital level of the Group culminated in a lower RoE of 23,4% at 31 December 2008 compared to 27,2% in December 2007.

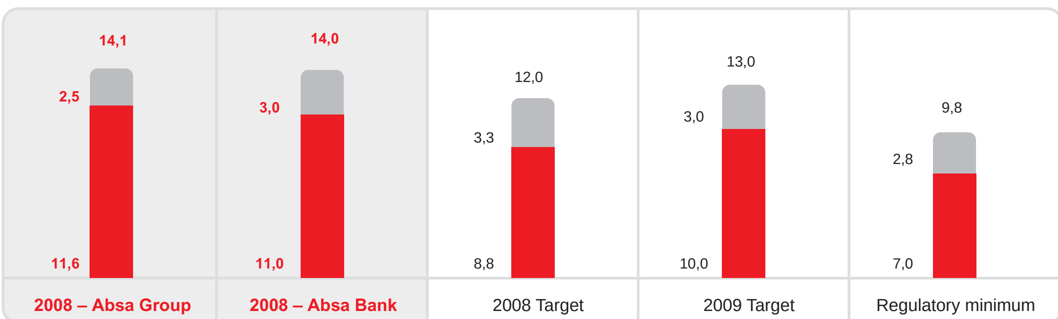
Capital to risk-weighted assets

Despite the difficult market conditions experienced during the year under review, the Group and Absa Bank Limited (Absa Bank) maintained sound capital adequacy levels throughout the year. At 31 December 2008, the capital levels of the Group were 11,6% (Basel I 31 December 2007: 10,1%) at Tier 1 level, and total capital of 14,1% (Basel I 31 December 2007: 13,1%). At 31 December 2008, Absa Bank's Tier 1 ratio stood at 11,0% and its total capital level at 14,0%.

While the Group remains well capitalised, the market demand for bank issued capital instruments was limited by the deteriorating macroeconomic environment and the continuing effects of the international credit crisis. The cost of raising capital also increased substantially. The Group, therefore, focused on risk-weighted asset (RWA) demand management, free capital generation, and the development of innovative capital instruments. In this regard:

- RWA growth was curtailed due to the slowdown in credit growth during the year, growing only 12,1% year-on-year. The Group placed a strong focus on RWA relief by the tightening risk parameters and methodologies, and taking cognisance of the risk and reward profile associated with assets;
- the Group generated free capital of R1,8 billion, after provision for a dividend cover of 2,5 times headline earnings; and
- Absa Bank issued inflation-linked bonds valued at R1,9 billion during the year under review, at spreads of between 97 bps and 120 bps above the three-month JIBAR rate. These bonds qualify as Tier II capital.

Capital adequacy (%)

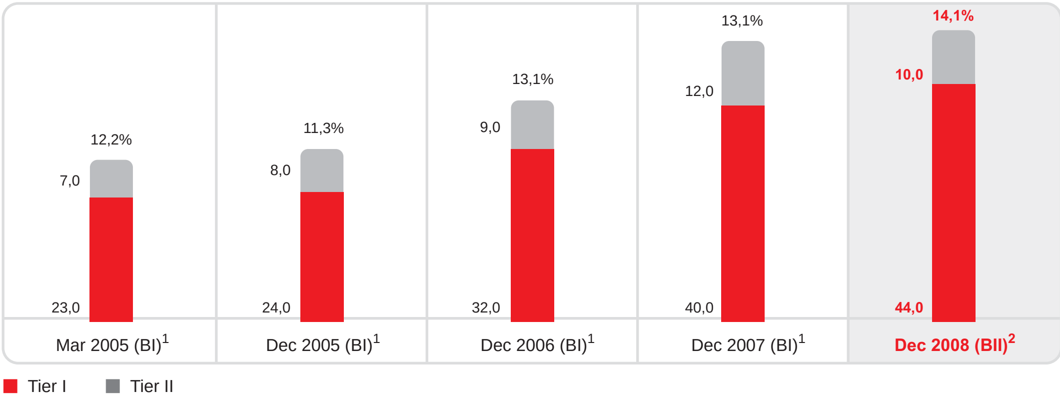


■ Tier I ratio ■ Tier II ratio

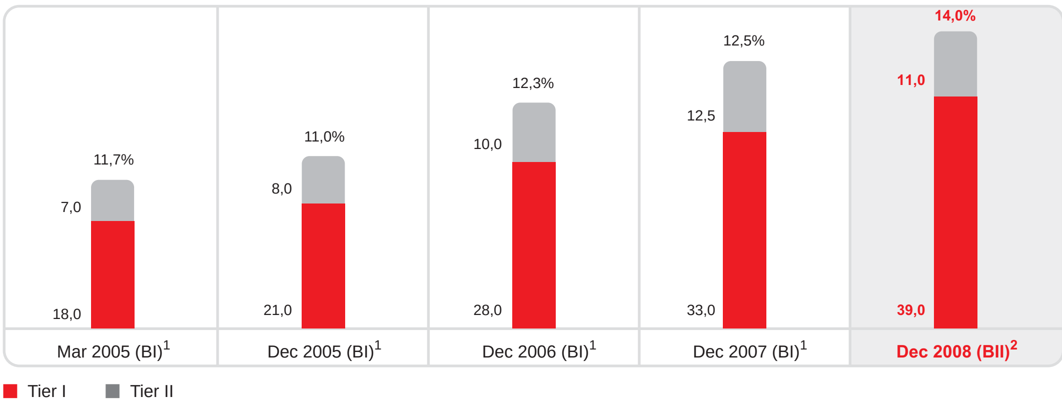
Organic growth for the Group is not expected to be constrained by prevailing market conditions, as it currently generates sufficient capital from its operations to fund growth. In addition, the period during which the empowerment partners of the Group, the Batho Bonke consortium, may exercise their right to acquire 73 million ordinary shares expires in July 2009 and this may lead to a further inflow of capital.

Given the deterioration in the credit environment, the Group is cognisant of the effect of pro-cyclicality introduced by Basel II and will continue to focus on maintaining appropriate levels of capital. The Group has, therefore, increased the target capital adequacy ratios for 2009 to 10% (from 8,8%) for Tier I capital and 13% (from 12%) for the total capital adequacy ratio. These ratios have already been achieved.

Historical capital adequacy – Absa Group Limited (Rbn and %)



Historical capital adequacy – Absa Bank Limited (Rbn and %)



Notes

[1] *BI = Basel I.*

[2] *BII = Basel II.*

Performance indicators

Capital management

Introduction

The Group and Absa Bank manage its capital within the minimum regulatory/statutory requirements, economic capital requirements as well as the target levels set by the board of directors.

Capital management strategy

Absa's capital management strategy is focused on maximising shareholder value by optimising the level and mix of capital resources. Decisions on the allocation of capital resources, conducted as part of the strategic planning review, are based on a number of factors including return on Economic and Regulatory capital. This is conducted as part of the internal capital adequacy assessment process (ICAAP) and strategic planning review.

Capital management objectives of the Group

Absa has a number of capital management objectives:

– meeting the individual capital ratios required by our regulators and the Group's Board;
– maintaining an adequate level of available capital resources as cover for the Economic Capital (EC) requirements calculated at a 99,95% confidence level;
– generating sufficient capital to support asset growth; and
– achieving an international A credit rating.

Importance of capital management

Capital is managed as a board level priority in Absa which reflects the importance of capital planning. The Board is responsible for assessing and approving Absa's capital management policy, capital target levels and capital strategy. The capital ratios, together with the short-term and medium-term capital plans, are set annually and reviewed monthly at the Capital Management Committee (CMC) and are reported at least quarterly to the Absa Group Board.

Absa Group's cost of equity

The Group's average cost of equity for the year ended 31 December 2008 was 15,5%. The cost of equity is based on the Capital Asset Pricing Model (CAPM). The Group has achieved its objective of achieving a return of at least 5% above the cost of equity.

Credit ratings

	Moody's February 2009	Fitch ratings January 2009	
	Absa Bank	**Absa Bank**	**Absa Group**
National			
Short-term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	Aa1.za	AAA (zaf)	AAA (zaf)
Outlook	Stable	Stable	Stable
Local currency			
Short-term	Prime-1	—	—
Long-term	Aa3	A	A
Outlook	Stable	Negative	Negative
Foreign currency			
Short-term	Prime-2	F1	F1
Long-term	Baa1	A	A
Outlook	Positive	Negative	Negative
Bank financial strength	C	B/C	B/C
Outlook	Stable	—	—
Support	—	1	1

Changes in ratings over the year

Fitch

Fitch changed the long-term local and foreign currency rating of Absa Group and Bank from A+ to A during the year. This was due to a change in the rating of the Barclays Group from AA+ to AA. In addition, Fitch changed the outlook from stable to negative in November 2008 following a revision to the outlook of the sovereign long-term foreign currency rating of South Africa.

Moody's

Moody's downgraded the global local currency (GLC) deposit rating of Absa Bank Limited to Aa3 from Aa2. The outlook on the rating was revised to negative. This downgrade is a direct result of a downgrade of the bank financial strength rating (BFSR) of Barclays Bank plc. Moody's also downgraded Absa Bank's national scale ratings to Aa1.za from Aaa.za.

Basel II

The implementation of Basel II on 1 January 2008 has provided the Group with an internationally recognised framework that incorporates best practice in risk and capital management. Under Basel II, banks are expected to hold capital commensurate with the risks assumed. Basel II places emphasis on 3 Pillars:

– Pillar 1 – minimum capital requirement
– Pillar 2 – supervisory review
– Pillar 3 – market discipline

Pillar 1

Absa Group has received approval from the SARB to use the following approaches in order to calculate the regulatory capital requirement under Basel II:

– Retail credit risk – Advanced IRB
– Wholesale credit risk – Foundation IRB
– Operational risk – Advanced Measurement Approach
– Market risk – Internal model
– Equity investment risk – Simple Risk Weight Approach
– Africa – Standardised Approach

Pillar 2

Absa Group submitted its inaugural ICAAP submission to the SARB in October 2008 after approval by the Group Risk and Capital Management Committee and the Group Board. The submission articulates the risk and capital management processes of the Group. Going forward, the ICAAP process will be subject to further development and an annual review.

Primary statements

Group balance sheet

As at 31 December

	Note	2008 (Audited) Rm	2007 (Audited) Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**24 847**	20 629	20,4
Statutory liquid asset portfolio		**33 043**	22 957	43,9
Loans and advances to banks		**44 662**	54 025	(17,3)
Trading portfolio assets		**78 879**	25 824	>100,0
Hedging portfolio assets		**3 139**	725	>100,0
Other assets		**16 397**	24 303	(32,5)
Current tax assets		**23**	185	(87,6)
Loans and advances to customers	1	**532 171**	455 958	16,7
Reinsurance assets		**903**	485	86,2
Investments		**26 980**	29 792	(9,4)
Investments in associates and joint ventures	2	**2 144**	1 004	>100,0
Intangible assets		**957**	301	>100,0
Investment property		**667**	—	100,0
Property and equipment		**6 208**	4 610	34,7
Deferred tax assets		**243**	111	>100,0
Non-current assets held-for-sale	3	**2 495**	—	100,0
Total assets		**773 758**	640 909	20,7
Liabilities				
Deposits from banks		**54 633**	58 033	(5,9)
Trading portfolio liabilities		**72 737**	34 919	>100,0
Hedging portfolio liabilities		**1 080**	2 226	(51,5)
Other liabilities and sundry provisions		**14 785**	12 301	20,2
Current tax liabilities		**385**	183	>100,0
Deposits due to customers	4	**382 281**	310 512	23,1
Debt securities in issue	5	**165 900**	156 424	6,1
Liabilities under investment contracts		**10 377**	7 908	31,2
Policyholder liabilities under insurance contracts		**3 076**	3 318	(7,3)
Borrowed funds	6	**12 296**	9 949	23,6
Deferred tax liabilities		**2 834**	2 576	10,0
Non-current liabilities held-for-sale	3	**408**	—	100,0
Total liabilities		**720 792**	598 349	20,5
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		**1 354**	1 350	0,3
Share premium		**2 251**	2 292	(1,8)
Other reserves		**3 010**	384	>100,0
Retained earnings		**40 665**	33 549	21,2
		47 280	37 575	25,8
Minority interest – ordinary shares		**1 042**	341	>100,0
Minority interest – preference shares		**4 644**	4 644	—
Total equity		**52 966**	42 560	24,5
Total equity and liabilities		**773 758**	640 909	20,7
Contingent liabilities – banking related		**59 727**	53 197	12,3

IAS 39: Balance sheet classification

As at 31 December

	2008 Assets Rm	2008 Liabilities and equity Rm	2007 Assets Rm	2007 Liabilities and equity Rm
Fair value	**164 766**	**129 410**	107 499	84 345
Held for trading	**78 362**	**72 737**	25 359	34 919
Trading assets classified as trading	**78 362**	**—**	25 359	—
Trading liabilities classified as trading	**—**	**72 737**	—	34 919
Fair value through profit or loss	**54 933**	**38 315**	57 040	34 034
Money market assets	**5 182**	**—**	3 644	—
Statutory liquid asset portfolio	**8 273**	**—**	2 683	—
Loans and advances to banks	**7 169**	**—**	10 992	—
Loans and advances to customers	**10 973**	**—**	14 311	—
Investments	**23 336**	**—**	25 410	—
Deposits from banks	**—**	**9 002**	—	10 663
Other liabilities and sundry provisions	**—**	**955**	—	234
Deposits due to customers	**—**	**11 419**	—	11 465
Debt securities in issue	**—**	**5 890**	—	3 764
Liabilities under investment contracts	**—**	**10 377**	—	7 908
Borrowed funds	**—**	**672**	—	—
Available-for-sale	**16 255**	**—**	14 034	—
Money market assets	**1 111**	**—**	737	—
Statutory liquid asset portfolio	**12 668**	**—**	9 933	—
Investments	**2 476**	**—**	3 364	—
Financial instruments in hedging relationship	**15 216**	**18 358**	11 066	15 392
Hedging portfolio assets	**3 139**	**—**	725	—
Hedging portfolio liabilities	**—**	**1 080**	—	2 226
Statutory liquid asset portfolio	**12 077**	**—**	10 341	—
Debt securities in issue	**—**	**10 723**	—	8 321
Borrowed funds	**—**	**6 555**	—	4 845
Amortised cost	**601 730**	**581 666**	523 417	504 452
Cash, cash balances and balances with central banks	**18 498**	**—**	15 987	—
Loans and advances to banks	**37 493**	**—**	43 033	—
Other assets	**14 910**	**—**	22 750	—
Loans and advances to customers	**521 198**	**—**	441 647	—
Deposits from banks	**—**	**45 631**	—	47 370
Other liabilities and sundry provisions	**—**	**10 817**	—	8 592
Deposits due to customers	**—**	**370 862**	—	299 047
Debt securities in issue	**—**	**149 287**	—	144 339
Borrowed funds	**—**	**5 069**	—	5 104
Held-to-maturity	**1 249**	**—**	1 279	—
Money market assets	**56**	**—**	261	—
Statutory liquid asset portfolio	**25**	**—**	—	—
Investments	**1 168**	**—**	1 018	—
Non-financial assets and liabilities	**15 644**	**9 716**	8 714	9 552
Total equity	**—**	**52 966**	—	42 560
	773 758	**773 758**	640 909	640 909

Group income statement

Year ended 31 December

	Note	2008 (Audited) Rm	2007 (Audited) Rm	Change %
Net interest income		**21 795**	18 890	15,4
Interest and similar income		**75 949**	55 123	37,8
Interest expense and similar charges		**(54 154)**	(36 233)	(49,5)
Impairment losses on loans and advances	9	**(5 839)**	(2 433)	>(100,0)
Net interest income after impairment losses on loans and advances		**15 956**	16 457	(3,0)
Net fee and commission income		**13 343**	11 600	15,0
Fee and commission income	10.1	**14 804**	12 873	15,0
Fee and commission expense	10.2	**(1 461)**	(1 273)	(14,8)
Net insurance premium income	10.3	**3 511**	3 192	10,0
Net insurance claims and benefits paid	10.4	**(1 890)**	(1 603)	(17,9)
Changes in investment and insurance liabilities	10.5	**(70)**	(489)	85,7
Gains and losses from banking and trading activities	10.6	**3 642**	1 650	>100,0
Gains and losses from investment activities	10.7	**1 064**	1 561	(31,8)
Other operating income	10.8	**1 515**	845	79,3
Operating income before operating expenditure		**37 071**	33 213	11,6
Operating expenditure		**(21 935)**	(19 209)	(14,2)
Operating expenses	11.1	**(21 193)**	(18 442)	(14,9)
Other impairments	11.2	**(18)**	(58)	69,0
Indirect taxation		**(724)**	(709)	(2,1)
Share of retained earnings from associates and joint ventures		**73**	73	—
Operating profit before income tax		**15 209**	14 077	8,0
Taxation expense		**(3 966)**	(4 052)	2,1
Profit for the year		**11 243**	10 025	12,1
Attributable to:				
Ordinary equity holders of the Group		**10 592**	9 595	10,4
Minority interest – ordinary shares		**194**	117	65,8
Minority interest – preference shares		**457**	313	46,0
		11 243	10 025	12,1
Basic earnings per share (cents per share)	13	**1 567,5**	1 428,9	9,7
Diluted earnings per share (cents per share)	13	**1 509,5**	1 341,4	12,5
Headline earnings	12	**9 908**	9 413	5,3
Headline earnings per share (cents per share)		**1 466,2**	1 401,9	4,6
Diluted headline earnings per share (cents per share)		**1 412,1**	1 316,1	7,3

Group income statement - banking and insurance activities

Year ended 31 December

	2008 Rm	2007 Rm	Change %
Income from banking and other activities	**39 334**	32 444	21,2
Net interest income	**21 795**	18 890	15,4
Interest and similar income	**75 949**	55 123	37,8
Interest expense and similar charges	**(54 154)**	(36 233)	(49,5)
Non-interest income	**17 539**	13 554	29,4
Net fee and commission income	**12 551**	10 910	15,0
Gains and losses from banking and trading activities	**3 642**	1 650	>100,0
Other income	**1 346**	994	35,4
Income from bancassurance activities	**5 313**	5 275	0,7
Net insurance premium income	**3 511**	3 192	10,0
Net gains from investment and insurance activities	**1 010**	1 393	(27,5)
Net fee and commission income	**792**	690	14,8
Total operating income	**44 647**	37 719	18,4
Impairment losses on loans and advances	**(5 839)**	(2 433)	>(100,0)
Benefits due to policyholders	**(1 737)**	(2 073)	16,2
Net insurance claims and benefits paid	**(1 890)**	(1 603)	(17,9)
Changes in investment and insurance liabilities	**(70)**	(489)	85,7
Investment contracts	**(438)**	(534)	18,0
Insurance contracts	**368**	45	>100,0
Other income	**223**	19	>100,0
Income after impairment losses and policyholders' benefits	**37 071**	33 213	11,6
Operating expenditure in banking activities	**(20 471)**	(18 012)	(13,7)
Operating expenses	**(19 815)**	(17 292)	(14,6)
Other impairments	**11**	(58)	>100,0
Indirect taxation	**(667)**	(662)	(0,8)
Operating expenditure in bancassurance activities	**(1 464)**	(1 197)	(22,3)
Operating expenses	**(1 378)**	(1 150)	(19,8)
Other impairments	**(29)**	—	(100,0)
Indirect taxation	**(57)**	(47)	(21,3)
Share of retained earnings from associates and joint ventures	**73**	73	—
Operating profit before income tax	**15 209**	14 077	8,0
Taxation expense	**(3 966)**	(4 052)	2,1
Profit for the year	**11 243**	10 025	12,1
Attributable to:			
Ordinary equity holders of the Group	**10 592**	9 595	10,4
Minority interest – ordinary shares	**194**	117	65,8
Minority interest – preference shares	**457**	313	46,0
	11 243	10 025	12,1
Headline earnings	**9 908**	9 413	5,3

Group statement of changes in equity

Year ended 31 December

	2008 (Audited) Rm	2007 (Audited) Rm	Change %
Share capital	**1 354**	1 350	0,3
Opening balance	**1 350**	1 338	0,9
Shares issued	**3**	13	(76,9)
Transfer from share-based payment reserve	**—**	0	(100,0)
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**(0)**	(0)	—
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	**1**	(0)	>100,0
Elimination of treasury shares held by Absa Life Limited and Absa Fund Managers Limited	**0**	(1)	>100,0
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(0)**	(0)	—
Share premium	**2 251**	2 292	(1,8)
Opening balance	**2 292**	2 067	10,9
Shares issued	**72**	345	(79,1)
Transfer from share-based payment reserve	**41**	93	(55,9)
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**(63)**	(130)	51,5
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	**7**	(5)	>100,0
Elimination of treasury shares held by Absa Life Limited and Absa Fund Managers Limited	**(6)**	(73)	91,8
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**5**	(5)	>100,0
Elimination of gains and losses from derivative instruments on own shares	**(97)**	—	(100,0)
Other reserves	**3 010**	384	>100,0
Opening balance	**384**	412	(6,8)
Reclassification of investments in associates and joint ventures to investments	**—**	(22)	100,0
Movement in foreign currency translation reserve	**248**	(60)	>100,0
Movement in regulatory general credit risk reserve	**(434)**	435	>(100,0)
Movement in available-for-sale reserve	**(89)**	60	>(100,0)
Movement in cash flow hedges reserve	**2 660**	(540)	>100,0
Movement in insurance contingency reserve	**22**	20	10,0
Movement in associates and joint ventures' retained earnings reserve	**73**	91	(19,8)
Disposal of associates and joint ventures – release of reserves	**(3)**	—	(100,0)
Share-based payments for the year	**193**	82	>100,0
Transfer from share-based payment reserve	**(44)**	(94)	53,2

	2008 (Audited) Rm	2007 (Audited) Rm	Change %
Retained earnings	**40 665**	33 549	21,2
Opening balance	**33 549**	27 876	20,4
Reclassification of investments in associates and joint ventures to investments	**—**	22	(100,0)
Subsidiary step-up acquisition	**—**	2	(100,0)
Movement in regulatory general credit risk reserve	**434**	(435)	>100,0
Transfer to insurance contingency reserve	**(22)**	(20)	(10,0)
Transfer to associates and joint ventures' retained earnings reserve	**(73)**	(91)	19,8
Disposal of associates and joint ventures – release of reserves	**3**	—	100,0
Transfer from share-based payment reserve	**3**	1	>100,0
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**153**	—	100,0
Profit attributable to ordinary equity holders	**10 592**	9 595	10,4
Ordinary dividends paid during the year	**(3 974)**	(3 401)	(16,8)
	47 280	37 575	25,8
Minority interest – ordinary shares	**1 042**	341	>100,0
Opening balance	**341**	236	44,5
Acquisition/(disposal) of subsidiaries	**548**	—	100,0
Other reserve movements	**(41)**	(12)	>(100,0)
Minority share of profit	**194**	117	65,8
Minority interest – preference shares	**4 644**	4 644	—
Opening balance	**4 644**	2 992	55,2
Shares issued	**—**	1 658	(100,0)
Costs incurred	**—**	(6)	100,0
Profit attributable to preference equity holders	**457**	313	46,0
Preference dividends paid during the year	**(457)**	(313)	(46,0)
Total equity	**52 966**	42 560	24,5

Group cash flow statement

Year ended 31 December

	Notes	2008 (Audited) Rm	2007 (Audited) Rm	Change %
Net cash generated from operating activities		**3 236**	6 995	(53,7)
Net cash utilised in investing activities		**(1 737)**	(4 995)	65,2
Net cash utilised in financing activities		**(2 497)**	(193)	>(100,0)
Net (decrease)/increase in cash and cash equivalents		**(998)**	1 807	>(100,0)
Cash and cash equivalents at the beginning of the year	1	**6 596**	4 787	37,8
Effect of exchange rate movement on cash and cash equivalents		**2**	2	—
Cash and cash equivalents at the end of the year	2	**5 600**	6 596	(15,1)
Notes to the cash flow statement				
1. Cash and cash equivalents at the beginning of the year				
Cash, cash balances and balances with central banks		**5 091**	3 936	29,3
Loans and advances to banks		**1 505**	851	76,9
		6 596	4 787	37,8
2. Cash and cash equivalents at the end of the year				
Cash, cash balances and balances with central banks		**4 726**	5 091	(7,2)
Loans and advances to banks		**874**	1 505	(41,9)
		5 600	6 596	(15,1)

Notes to the financial statements

As at 31 December

	2008 Rm	2007 Rm	Change %
1. Loans and advances to customers			
Total Retail advances			
Cheque accounts	**7 424**	6 829	8,7
Credit card accounts[1]	**19 522**	13 831	41,1
Instalment finance	**47 798**	47 159	1,4
Loans to associates and joint ventures	**5 441**	5 195	4,7
Mortgages (including commercial property finance)	**256 106**	228 339	12,2
Personal loans	**12 113**	10 299	17,6
Microloans	**4 034**	2 645	52,5
UniFer book	**173**	189	(8,5)
New business	**3 861**	2 456	57,2
Other	**1 358**	1 157	17,4
Gross advances	**353 796**	315 454	12,2
Impairment losses on loans and advances	**(6 712)**	(3 651)	(83,8)
	347 084	311 803	11,3

Note

[1]*Include a balance of R4,5 billion relating to Woolworths Financial Services.*

	2008 Rm	2007 Rm	Change %
Total Absa Corporate and Business Bank (ACBB) advances			
Cheque accounts	**20 748**	13 990	48,3
Foreign currency loans	**2 928**	1 427	>100,0
Loans to associates and joint ventures	**2 644**	2 300	15,0
Instalment finance	**20 340**	16 708	21,7
Mortgages (including commercial property finance)	**47 102**	36 257	29,9
Overnight finance	**5 138**	4 568	12,5
Preference shares	**1 241**	1 135	9,3
Specialised finance and corporate overdrafts	**10 239**	5 995	70,8
Term loans	**8 667**	7 874	10,1
Other	**3 154**	1 868	68,8
Gross advances	**122 201**	92 122	32,7
Impairment losses on loans and advances	**(1 921)**	(1 782)	(7,8)
	120 280	90 340	33,1

Notes to the financial statements

As at 31 December

	2008 Rm	2007 Rm	Change %
1. Loans and advances to customers *(continued)*			
Total Absa Capital advances			
Foreign currency loans	**9 709**	9 828	(1,2)
Loans granted under resale agreements (Carries) and reverse repurchase agreements	**7 072**	8 233	(14,1)
Loans to associates and joint ventures	**1 109**	1 782	(37,8)
Overnight finance	**6 007**	8 068	(25,5)
Preference shares	**7 938**	8 579	(7,5)
Corporate loans and overdrafts	**31 017**	16 330	89,9
Other	**1 666**	385	>100,0
Gross advances	**64 518**	53 205	21,3
Impairment losses on loans and advances	**(186)**	(194)	4,1
	64 332	53 011	21,4
Total Other advances			
Foreign currency loans	**107**	252	(57,5)
Preference shares	**200**	163	22,7
Other	**207**	428	(51,6)
Gross advances	**514**	843	(39,0)
Impairment losses on loans and advances	**(39)**	(39)	—
	475	804	(40,9)
Total gross advances	**541 029**	461 624	17,2
Impairment losses on loans and advances	**(8 858)**	(5 666)	(56,3)
Total net advances	**532 171**	455 958	16,7
2. Investments in associates and joint ventures			
Commercial property finance related – listed (ACBB)	**714**	594	20,2
FFS Finance South Africa (Proprietary) Limited	**300**	261	14,9
MAN Financial Services (S.A.) (Proprietary) Limited	**56**	46	21,7
Pinnacle Point Group Limited	**931**	—	100,0
Sekunjalo Investments Limited	**59**	—	100,0
Other	**84**	103	(18,4)
	2 144	1 004	>100,0

	2008 Rm	2007 Rm	Change %
3. Non-current assets and liabilities held-for-sale			
The Group, through the private equity division of Absa Capital has transferred assets to the value of R2 495 million to a newly formed fund during the year. The Group remains exposed to some of the risks and rewards of these assets and consequently continued to recognise these assets within non-current assets held-for-sale on the balance sheet. The associated liability representing third party investments already received by the fund was carried within non-current liabilities held-for-sale and carried at fair value amounting to R408 million.			
4. Deposits due to customers			
Total Retail deposits			
Call	**2 805**	2 687	4,4
Cheque accounts	**30 261**	27 025	12,0
Credit card accounts	**2 048**	2 170	(5,6)
Fixed	**32 974**	25 324	30,2
Investment products	**23 858**	6 300	>100,0
Notice	**6 858**	6 420	6,8
Savings and transmission	**33 758**	29 934	12,8
Other	**2 423**	2 084	16,3
	134 985	101 944	32,4
Total Absa Corporate and Business Bank (ACBB) deposits			
Call	**16 053**	9 717	65,2
Cheque accounts	**42 611**	38 785	9,9
Fixed	**33 954**	24 638	37,8
Foreign currency	**4 046**	2 170	86,5
Other	**3 382**	2 244	50,7
	100 046	77 554	29,0
Total Absa Capital deposits			
Fixed	**57 832**	52 464	10,2
Cheque accounts	**26 822**	31 204	(14,0)
Call	**43 444**	33 353	30,3
Foreign currency	**6 054**	6 053	0,0
Repurchase agreements	**2 217**	1 115	98,8
Other	**10 301**	6 494	58,6
	146 670	130 683	12,2
Total Other deposits	**580**	331	75,2
Total deposits	**382 281**	310 512	23,1

Notes to the financial statements

As at 31 December

		2008 Rm	2007 Rm	Change %
5.	**Debt securities in issue**			
	Abacas – Commercial paper and floating rate notes	**6 640**	12 416	(46,5)
	Floating rate notes	**55 832**	35 949	55,3
	Liabilities arising from securitised SPEs	**6 858**	9 985	(31,3)
	Negotiable certificates of deposit	**69 260**	75 925	(8,8)
	Promissory notes	**3 823**	7 210	(47,0)
	Other debt securities in issue	**23 487**	14 939	57,2
		165 900	156 424	6,1
6.	**Borrowed funds**			
	Subordinated callable notes			
	14,25% (AB02)	**3 100**	3 100	—
	10,75% (AB03)	**1 100**	1 100	—
	3-month JIBAR + 0,75% (AB04)	**400**	400	—
	8,75% (AB05)	**1 500**	1 500	—
	8,10% (AB06)	**2 000**	2 000	—
	8,80% (AB07)	**1 725**	1 725	—
	3-month JIBAR + 0,97% (3,97% Nacs)	**86**	—	100,0
	3-month JIBAR + 0,97% (6,25% Nacs)	**994**	—	100,0
	3-month JIBAR + 1,00% (6,25% Nacs)	**179**	—	100,0
	3-month JIBAR + 1,09% (6,25% Nacs)	**361**	—	100,0
	3-month JIBAR + 1,20% (6,25% Nacs)	**266**	—	100,0
	Accrued interest	**379**	297	27,6
	Fair value adjustment[1]	**54**	(326)	>100,0
	Redeemable cumulative option-holding preference shares	**152**	153	(0,7)
	Shares issued	**158**	158	—
	Elimination of shares held by the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(4)**	(5)	20,0
	Redemption of preference shares for the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(8)**	(7)	(14,3)
	Accrued dividend	**6**	7	(14,3)
		12 296	9 949	23,6

Note

[1] *The fair value adjustment relates to subordinated callable loans designated as hedged items in a hedging relationship.*

		2008 Rm	2007 Rm	Change %
7.	**Managed funds**			
	Estates	**2 545**	2 850	(10,7)
	Portfolio management	**6 399**	5 571	14,9
	Trusts	**5 019**	5 719	(12,2)
	Participation bond schemes	**2 125**	1 675	26,9
	Unit trusts	**69 111**	68 130	1,4
	Linked investments	**29 462**	22 805	29,2
	Other	**10 439**	14 800	(29,5)
		125 100	121 550	2,9
8 .	**Commitments**			
	Authorised capital expenditure			
	Contracted but not provided for[1]	**703**	135	>100,0

Note

[1] *The Group has capital commitments in respect of computer equipment and property purchases. Management is confident that future net revenues and funding will be sufficient to cover these commitments.*

	2008 Rm	2007 Rm	Change %
9. Impairment losses on loans and advances			
Income statement charge			
Impairments raised during the year	**6 327**	2 851	>(100,0)
Identified impairments	**5 743**	2 282	>(100,0)
Identified impairments – net present value adjustment	**1 164**	263	>(100,0)
Unidentified impairments	**(580)**	306	>100,0
Recoveries of loans and advances previously written off	**(488)**	(418)	16,7
	5 839	2 433	>(100,0)
Credit impairments per segment			
Retail banking			
Absa Wealth	**28**	24	(16,7)
Retail Bank	**1 023**	684	(49,6)
Absa Home Loans	**2 549**	493	>(100,0)
Absa Card	**774**	382	>(100,0)
Absa Vehicle and Asset Finance	**1 177**	561	>(100,0)
Total charge	**5 551**	2 144	>(100,0)
Impairment losses ratio	**1,68**	0,74	
Absa Corporate and Business Bank (ACBB)			
Total charge	**287**	288	0,3
Impairment losses ratio	**0,28**	0,37	
Absa Capital			
Total charge	**2**	1	(100,0)
Impairment losses ratio	**0,00**	0,00	
Bancassurance and other			
Total charge	**(1)**	—	100,0
Impairment losses ratio	**n/a**	n/a	
Total charge to the income statement	**5 839**	2 433	>(100,0)
Balance sheet			
Balance at the beginning of the year	**5 666**	4 739	(19,6)
Exchange differences	**—**	4	100,0
Interest on impaired assets	**(529)**	(274)	93,1
Amounts written off during the year	**(2 606)**	(1 654)	57,6
Impairments raised during the year	**6 327**	2 851	>(100,0)
	8 858	5 666	(56,3)
Comprising:			
Identified impairments	**7 428**	3 656	>(100,0)
Identified	**6 457**	3 320	(94,5)
Net present value adjustment	**971**	336	>(100,0)
Unidentified impairments	**1 430**	2 010	38,3
	8 858	5 666	(56,3)

Notes to the financial statements

As at 31 December

	Outstanding balance Rm	Fair value of collateral Rm	Net exposure Rm	Specific impairment Rm	Expected recoveries Rm
Non-performing advances as at 31 December 2008[1]					
Absa Home Loans	11 861	8 991	2 870	1 870	1 000
Absa Card	1 483	—	1 483	1 015	468
Absa Vehicle and Asset Finance	1 763	789	974	925	49
Other	2 678	1 215	1 463	1 072	391
Retail banking	**17 785**	**10 995**	**6 790**	**4 882**	**1 908**
Absa Corporate and Business Bank	659	385	274	234	40
Commercial Asset Finance	480	243	237	159	78
Absa Corporate and Business Bank	**1 139**	**628**	**511**	**393**	**118**
Absa Capital	—	—	—	—	—
Other	—	—	—	—	—
	18 924	**11 623**	**7 301**	**5 275**	**2 026**
Non-performing advances as % of loans and advances to customers (%)	**3,5**				
Non-performing advances as at 31 December 2007[1]	8 005	4 926	3 079	2 333	746
Non-performing advances as % of loans and advances to customers (%)	1,7				

Note

[1]*The NPL definition was changed during the year from 6+ payments down and legal to 4+ payments down and legal. The comparatives have been restated accordingly.*

Notes to the financial statements

Year ended 31 December

	2008 Rm	2007 Rm	Change %
10. Non-interest income			
10.1 Fee and commission income			
Credit-related fees and commissions	**11 099**	9 611	15,5
Cheque accounts	**3 027**	2 575	17,6
Credit card accounts	**1 624**	1 551	4,7
Early redemption penalty income	**174**	196	(11,2)
Electronic banking	**3 021**	2 657	13,7
Foreign exchange fees and commissions	**316**	285	10,9
Savings accounts	**2 111**	1 801	17,2
Sundry commissions	**826**	546	51,3
Asset management and other related fees	**124**	123	0,8
Consulting and actuarial fees	**206**	162	27,2
External administration fees	**326**	217	50,2
Insurance commission received	**962**	877	9,7
Pension fund payment services	**526**	489	7,6
Portfolio and other management fees[1]	**238**	255	(6,7)
Project finance fees	**686**	513	33,7
Trust and estate income[1]	**259**	228	13,6
Unit and property trust income[1]	**281**	310	(9,4)
Other	**97**	88	10,2
	14 804	12 873	15,0

Note

[1]*Disclosed as part of trust and other fiduciary activities.*

	2008 Rm	2007 Rm	Change %
10.2 Fee and commission expense			
Cheque processing fees	**(168)**	(147)	(14,3)
Commission paid	**(830)**	(671)	(23,7)
Debt collecting fees	**(89)**	(121)	26,4
Transaction based legal fees	**(91)**	(101)	9,9
Valuation fees	**(152)**	(130)	(16,9)
Other	**(131)**	(103)	(27,2)
	(1 461)	(1 273)	(14,8)
10.3 Net insurance premium income			
Insurance premium revenue	**3 896**	3 531	10,3
Premiums ceded to reinsurers	**(385)**	(339)	(13,6)
	3 511	3 192	10,0
10.4 Net insurance claims and benefits paid			
Gross claims and benefits paid on insurance contracts	**(2 124)**	(1 847)	(15,0)
Reinsurance recoveries	**234**	244	(4,1)
	(1 890)	(1 603)	(17,9)
10.5 Changes in investment and insurance liabilities			
Investment contracts	**(438)**	(534)	18,0
Insurance liabilities	**368**	45	>100,0
	(70)	(489)	85,7

	2008 Rm	2007 Rm	Change %
10. Non-interest income *(continued)*			
10.6 Gains and losses from banking and trading activities			
Net gains on investments	**1 244**	875	42,2
Designated at fair value through profit or loss	**1 244**	873	42,5
Profit on disposal of and dividend income from associates and joint ventures	**—**	2	(100,0)
Net trading income[1]	**2 111**	1 097	92,4
Economic hedges	**304**	(393)	>100,0
Other (including ineffective portions)	**(17)**	71	>(100,0)
	3 642	1 650	>100,0

Note

[1]*Refer to page 55 for the definition of net trading income.*

	2008 Rm	2007 Rm	Change %
10.7 Gains and losses from investment activities			
Designated at fair value through profit or loss	**1 045**	1 484	(29,6)
Net investment gains from insurance activities	**1 010**	1 393	(27,5)
Policyholder – investment contracts	**492**	579	(15,0)
Policyholder – insurance contracts	**113**	243	(53,5)
Shareholder funds	**405**	571	(29,1)
Other investment gains	**35**	91	(61,5)
Profit on disposal of and dividend income from associates and joint ventures	**31**	41	(24,4)
(Loss)/profit on disposal of subsidiaries	**(12)**	36	>(100,0)
	1 064	1 561	(31,8)
10.8 Other operating income			
Exchange differences	**237**	96	>100,0
Income from maintenance contracts	**48**	34	41,2
Investment property rentals	**22**	—	100,0
Profit on disposal of intangible assets[1]	**740**	68	>100,0
Profit on disposal of property and equipment[2]	**51**	80	(36,3)
Property development profit	**57**	191	(70,2)
Rental income from property subleases	**111**	94	18,1
Sundry income	**249**	282	(11,7)
	1 515	845	79,3

Notes

[1]*Profit of R740 million on derecognition of VISA membership in March 2008.*
[2]*December 2007 includes R60 million profit on disposal of Diagonal Street (commercial property fund related).*

	2008 Rm	2007 Rm	Change %
Total non-interest income	**21 115**	16 756	26,0

	2008 Rm	2007 Rm	Change %
11. Operating expenditure			
11.1 Operating expenses			
Property and equipment-related			
Accommodation costs	**1 777**	1 416	(25,5)
Amortisation	**150**	85	(76,5)
Depreciation	**856**	780	(9,7)
Equipment rental and maintenance	**278**	295	5,8
Insurance premiums	**131**	239	45,2
Professional fees			
Auditors' remuneration	**89**	73	(21,9)
Other professional fees	**1 136**	1 254	9,4
Staff-related			
Staff costs	**9 907**	8 277	(19,7)
Incentive schemes and share-based payments	**1 697**	1 667	(1,8)
Other			
Cash transportation costs	**413**	347	(19,0)
Clearing and bank charges	**137**	152	9,9
Communication and printing	**1 100**	970	(13,4)
Frauds and losses	**290**	224	(29,5)
Information technology costs	**1 489**	1 185	(25,7)
Investment property charges	**7**	—	(100,0)
Marketing and advertising costs	**961**	931	(3,2)
Travelling and entertainment	**383**	333	(15,0)
Other operating expenses	**392**	214	(83,2)
	21 193	18 442	(14,9)
11.2 Other impairments			
Financial instruments	**30**	—	(100,0)
Available-for-sale instruments	**1**	—	(100,0)
Other assets	**29**	—	(100,0)
Other	**(12)**	58	>100,0
Computer software development costs	**1**	21	95,2
Repossessed Properties	**(13)**	37	>100,0
	18	58	69,0

Notes to the financial statements

Year ended 31 December

	2008 Rm	2007 Rm	Change %
12. Determination of headline earnings			
Headline earnings[1] is determined as follows:			
Profit attributable to ordinary equity holders of the Group	**10 592**	9 595	10,4
Adjustments for:			
IAS 16 net profit on disposal of property and equipment	**(37)**	(57)	35,1
IAS 21 recycled foreign currency translation reserve, disposal of investments in foreign operations	**(38)**	(29)	(31,0)
IAS 27 net loss/(profit) on disposal of subsidiaries	**17**	(26)	>100,0
IAS 28 and 31 net profit on disposal of associates and joint ventures	**(29)**	(31)	6,5
IAS 28 headline earnings component of associates' and joint ventures' earnings	**(54)**	(45)	(20,0)
IAS 38 net profit on disposal of and impairment of intangible assets	**(636)**	(43)	>(100,0)
IAS 39 release of available-for-sale reserves	**92**	49	87,8
IAS 39 impairment of available-for-sale assets	**1**	—	100,0
Headline earnings	**9 908**	9 413	5,3

Note

[1] *The net amount is reflected after taxation and minority interest.*

	2008 Rm	2007 Rm	Change %
13. Diluted earnings per share			
Profit attributable to ordinary equity holders of the Group	**10 592**	9 595	10,4
Interest expense on convertible debt (net of taxation)	**16**	15	6,7
Diluted earnings	**10 608**	9 610	10,4
Issued shares at the beginning of the year	**678,5**	672,0	1,0
Effect of shares issued during the year	**0,8**	2,8	(71,4)
Less: treasury shares held by the Absa Group Limited Share Incentive Trust	**(2,7)**	(2,5)	(8,0)
Less: treasury shares held by Absa Life Limited and Absa Fund Managers Limited	**(0,9)**	(0,7)	(28,6)
Less: treasury shares held by the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(0,0)**	(0,1)	100,0
Weighted average number of ordinary shares in issue (millions)	**675,7**	671,5	0,7
Basic earnings per share (cents)	**1 567,5**	1 428,9	9,7
Weighted average number of ordinary shares in issue (millions)	**675,7**	671,5	0,7
Adjustments for:			
options linked to redeemable preference shares (millions)	**23,3**	36,8	(36,9)
share options (millions)	**3,8**	8,1	(53,1)
Weighted average diluted number of ordinary shares in issue (millions)	**702,8**	716,4	(1,9)
Diluted earnings per share (cents)	**1 509,5**	1 341,4	12,5

14. Share trusts

Absa Group Limited Share Incentive Trust (Share Incentive Trust)

In terms of the rules of the Share Incentive Trust, the maximum number of shares of the Group that may be issued or transferred and/or in respect of which options may be granted to the participants, shall be limited to shares representing 10% of the total number of issued shares from time to time. This scheme is an equity-settled share-based payment arrangement and options are allocated to employees according to the normal human resources talent management processes. The options issued up to August 2005 (issue 192) had no performance criteria linked to them and vested in equal tranches after three, four and five years respectively. No dividends accrue to the option holder over the vesting period. The options expire after a period of ten years from the issuing date. Options issued since August 2005 (issue 193) have performance criteria associated with them, which require headline earnings per share to exceed an agreed benchmark over a three-year period from the grant date for the options to vest. Participants need to be in the employment of the Group at the vesting date in order to be entitled to the options.

	Number of shares		
	2008 (Audited)	2007 (Audited)	Change %
Outstanding at the beginning of the year	**13 618 314**	18 778 473	(27,5)
Granted during the year	**—**	260 000	(100,0)
	13 618 314	19 038 473	(28,5)
Exercised during the year	**(3 252 141)**	(4 668 453)	30,3
Forfeited during the year	**(398 699)**	(751 706)	47,0
Outstanding at the end of the year	**9 967 474**	13 618 314	(26,8)
Of which are exercisable	**5 943 962**	5 602 545	6,1

	2008 (Audited)		2007 (Audited)	
	% of total issued shares	**Number of shares**	% of total issued shares	Number of shares
Maximum shares and options available	**10,0**	**68 027 830**	10,0	67 857 307
Shares and options subject to the trust	**(1,5)**	**(9 967 474)**	(2,0)	(13 618 314)
Balance of shares and options available	**8,5**	**58 060 356**	8,0	54 238 993

Details regarding the options granted and still outstanding at 31 December 2008 are as follows:

Expiry date[1]	**Number of options**	Average option price R
Year to 31 March 2010	**195 908**	27,68
Year to 31 March 2011	**195 969**	26,61
Year to 31 March 2012	**576 575**	36,64
Year to 31 March 2013	**876 350**	33,59
Year to 31 March 2014	**959 361**	35,41
Year to 31 March 2015	**3 200 587**	50,27
Year to 31 December 2015	**3 185 224**	91,27
Year to 31 December 2016	**777 500**	107,13
	9 967 474	

Note

[1]*Options are exercisable at least five years before expiry date.*

14. Share trusts *(continued)*

Batho Bonke Capital (Proprietary) Limited

The Group entered into a black economic empowerment (BEE) transaction with Batho Bonke Capital (Proprietary) Limited in July 2004. As the shares issued in terms of the transaction vested immediately and the issue was before 1 January 2005, the provisions of IFRS 2 – Share-based payments were not applicable. No costs will be recognised in the income statement of the Group.

	Number of shares		
	2008 (Audited)	2007 (Audited)	Change %
Outstanding at the end of the year	**73 152 300**	73 152 300	—
Of which are exercisable	**73 152 300**	73 152 300	—

The options outstanding have an exercise price range of R48,00 to R69,00 and weighted average contractual life of 0,5 years (31 December 2007: 1,5 years).

Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust

As of the implementation date (1 July 2004), all employees of South African wholly owned subsidiaries (excluding executive directors of Absa Group Limited and Absa Bank Limited), were eligible to participate in this once-off equity-settled share-based payment scheme. Each employee who elected to participate was issued and allotted 200 compulsory redeemable cumulative option-holding preference shares against a receipt of the R400,00 subscription price. A maximum of 7 315 200 preference shares were available for allocation to the trust.

On 1 July 2004, 6 085 200 preference shares were issued. The preference shares receive a dividend calculated on the par value of the preference shares at a rate of 72% of the prime overdraft rate.

These dividends are compounded and paid semi-annually in arrear on 30 September and 31 March of each year. The Group will redeem the preference shares on exercise of the options by the employee or on forfeiture of the options on the final option exercise date. Options vest after three years from the date of issue and are forfeited after five years from the date of issue. Options can be exercised on 1 March, 1 June, 1 September or 1 December each year. Exercise may occur in lots of 100 only and on payment of the option strike price, which will vary between R48,00 and R69,00 dependent on the 30-day volume weighted trading price on the JSE.

	Number of shares		
	2008 (Audited)	2007 (Audited)	Change %
Outstanding at the beginning of the year	**946 100**	4,847 400	(80,5)
Forfeited during the year	**(19 200)**	(283 300)	93,2
Exercised during the year	**(367 500)**	(3 618 000)	89,8
Outstanding at the end of the year	**559 400**	946 100	(40,9)
Of which are exercisable	**559 400**	946 100	(40,9)

The options outstanding have an exercise price range of R48,00 to R69,00 and weighted average contractual life of 0,5 years (31 December 2007: 1,5 years).

14. Share trusts *(continued)*

Absa Group Phantom Performance Share Plan (Phantom PSP)

The Phantom PSP is a cash-settled plan and payments made to participants in respect of their awards are in the form of cash. The Phantom PSP shares (and any associated notional dividend shares) are awarded at no cost to the participants. The amount that is ultimately paid to the participants is equal to the market value of a number of ordinary shares as determined after a three-year vesting period. The vesting of the Phantom PSP awards will be subject to non-market performance conditions which will be measured over a three-year period, starting on the first day of the financial year in which the award is made. The awards will vest after three years to the extent that the performance conditions are satisfied. These awards are forfeited in total if the Group performance fails to meet the minimum performance criteria.

	Number of shares		
	2008 (Audited)	2007 (Audited)	Change %
Outstanding at the beginning of the year	**2 322 883**	1 118 350	>100,0
Granted during the year	**17 415**	1 382 085	98,7
Forfeited during the year	**(139 056)**	(177 552)	21,7
Outstanding at the end of the year	**2 201 242**	2 322 883	(5,2)

The options outstanding have no exercise price and a weighted average contractual life of 1,1 years (31 December 2007: 1,9 years).

As the terms and conditions of this share scheme dictate that options be exercised immediately on vesting, at any given time there are no options which have vested but have not yet been exercised.

The Absa Group Executive Share Award Scheme (ESAS)

The ESAS is an equity-settled share-based payment arrangement, where the participant's notional bonus comprises a number of restricted nil-cost options, based on the allocation price of ordinary shares. Such an initial allocation is held in trust or in the name of the participant. If the participant is in the employ of the Group after the three-year vesting period, the participant will receive 20% matched shares. If the bonus award remains in the ESAS for another two years, the participant receives another 10% matched shares. Dividend shares are paid to participants on the ordinary shares as if the shares were held from inception. The number of dividend shares awarded is therefore calculated on the initial share allocation and on the 20% and/or 10% matched shares, over the three- or five-year period. Employees that received a performance bonus in excess of a predetermined amount were compelled to place a set percentage of the bonus award into the ESAS. Employees also had the option of utilising more of their bonus award for voluntary ESAS options.

	Number of shares		
	2008 (Audited)	2007 (Audited)	Change %
Outstanding at the beginning of the year	**37 059**	37 059	—
Granted during the year	**1 019 114**	—	100,0
Forfeited during the year	**(40 955)**	—	(100,0)
Outstanding at the end of the year	**1 015 218**	37 059	>100,0

The options outstanding have no exercise price and a weighted average contractual life of 3,1 years (31 December 2007: 2,5 years). None of these options were exercisable at the balance sheet date.

14. Share trusts *(continued)*

Absa Group Phantom Joiners Share Award Plan (JSAP)

The JSAP is a cash-settled share-based payment arrangement that enables the Group to attract and motivate new employees by buying out the "in the money" portion of a participant's shares or options under their previous employer's share scheme by offering the employees Absa Group Limited phantom shares. There is no consideration payable for the grant of an award and the vesting of the awards is not subject to performance conditions. Dividends accrue to the participant over the vesting period which can be over two, three, five or six years.

	Number of shares		
	2008 (Audited)	2007 (Audited)	Change %
Outstanding at the beginning of the year	**312 375**	90 067	>100,0
Granted during the year	**787 996**	284 133	>100,0
Exercised during the year	**(127 387)**	(44 951)	>(100,0)
Forfeited during the year	**(19 239)**	(16 874)	(14,0)
Outstanding at the end of the year	**953 745**	312 375	>100,0

The options outstanding have no exercise price and a weighted average contractual life of 2,9 years (31 December 2007: 1,9 years).

As the terms and conditions of this share scheme dictate that options be exercised immediately on vesting, at any given time there are no options which have vested but have not yet been exercised.

The Absa Group Phantom Executive Share Award Scheme (Phantom ESAS)

The Phantom ESAS is a cash-settled share-based payment arrangement, where the participant's notional bonus comprises a number of restricted nil-cost options, based on the allocation price of ordinary shares. If the participant is in the employ of the Group after the three-year vesting period, the participant will receive 20% bonus phantom shares. If the bonus award remains in the Phantom ESAS scheme for another two years, the participant receives an additional 10% bonus phantom shares. Dividend phantom shares are paid to participants on the ordinary phantom shares as if the shares were held from inception. The number of dividend phantom shares awarded is therefore calculated on the initial allocation and on the 20% and/or 10% bonus phantom shares, over the three- or five-year period. Employees that received a performance bonus in excess of a predetermined amount are compelled to place a set percentage of their bonus award into the Phantom ESAS. Employees also had the option of utilising more of their bonus award for voluntary ESAS shares.

	Number of shares		
	2008 (Audited)	2007 (Audited)	Change %
Outstanding at the beginning of the year	**456 066**	—	100,0
Granted during the year	**123 526**	486 722	(74,6)
Forfeited during the year	**(25 444)**	(30 656)	17,0
Outstanding at the end of the year	**554 148**	456 066	21,5

The options outstanding have no exercise price and a weighted average contractual life of 1,0 years (31 December 2007: 3,5 years).

As the terms and conditions of this share scheme dictate that options be exercised immediately on vesting, at any given time there are no options which have vested but have not yet been exercised.

14. Share trusts *(continued)*

Absa Group Performance Share Plan (PSP)

The PSP was implemented in the current year as an equity-settled share-based payment arrangement. Participants are awarded a number of nil cost options. These options will then be converted into Absa Group Limited shares after a three-year vesting period and on achieving performance conditions attached to the award. The vesting of the PSP awards will be subject to non-market and market-related performance conditions which will be measured over a three-year period, starting on the first day of the financial year in which the award is made. The awards will vest after three years to the extent that the performance conditions are satisfied. These awards are forfeited in total if the Group performance fails to meet the minimum performance criteria.

	Number of shares		
	2008 (Audited)	2007 (Audited)	Change %
Granted during the year	**2 133 707**	—	100,0
Forfeited during the year	**(125 977)**	—	(100,0)
Outstanding at the end of the year	**2 007 730**	—	100,0

The options outstanding have no exercise price and a weighted average contractual life of 2,2 years. None of these options are exercisable.

Capital adequacy

As at 31 December

	2008 Basel II Risk-weighted assets Rm		2007[1] Basel I Risk-weighted assets Rm
Absa Bank Limited			
Risk-weighted assets			
Credit risk	**252 839**		
Operational risk	**39 098**		
Market risk	**5 088**		
Equity investment risk	**41 079**		
Other risk	**14 767**		
	352 871		359 661
Qualifying capital	**Rm**	**%[2]**	%[2]
Primary capital			
Ordinary share capital	**303**	**0,1**	0,1
Ordinary share premium	**9 415**	**2,7**	1,5
Preference share capital and premium	**4 644**	**1,3**	1,3
Reserves[3]	**26 003**	**7,4**	6,3
Less: Deductions	**(1 511)**	**(0,5)**	—
Fifty percent of amount by which expected loss exceeds eligible provisions	**(1 472)**	**(0,5)**	—
Fifty percent of first loss credit enhancement provided in respect of a securitisation scheme	**(39)**	**—**	—
	38 854	**11,0**	9,2
Secondary capital			
Subordinated redeemable debt	**12 210**	**3,5**	2,9
Regulatory credit provision/reserve	**—**	**—**	0,4
Less: Deductions	**(1 521)**	**(0,5)**	—
Fifty percent of amount by which expected loss exceeds eligible provisions	**(1 472)**	**(0,5)**	—
Fifty percent of first loss credit enhancement provided in respect of a securitisation scheme	**(39)**	**—**	—
Other deductions	**(10)**	**—**	—
	10 689	**3,0**	3,3
Total qualifying capital	**49 543**	**14,0**	12,5

Notes

[1]*Comparatives have not been restated for Basel II.*

[2]*Percentage of capital to risk-weighted assets.*

[3]*Reserves include unappropriated banking profits.*

	2008 Basel II Risk-weighted assets Rm		2007[1] Basel I Risk-weighted assets Rm
Absa Group Limited			
Risk-weighted assets			
Credit risk	**276 706**		
Operational risk	**44 689**		
Market risk	**5 088**		
Equity investment risk	**37 266**		
Other risk	**17 248**		
	380 997		390 695
Qualifying capital	**Rm**	**%[2]**	%[2]
Primary capital			
Ordinary share capital	**1 180**	**0,4**	
Ordinary share premium	**2 251**	**0,6**	
Preference share capital and premium	**4 644**	**1,2**	
Reserves[3]	**37 747**	**9,9**	
Minority interest	**1 042**	**0,3**	
Less: Deductions	**(2 715)**	**(0,8)**	
Goodwill	**(577)**	**(0,2)**	
Financial and insurance entities not consolidated	**(446)**	**(0,1)**	
Fifty percent of amount by which expected loss exceeds eligible provisions	**(1 624)**	**(0,4)**	
Fifty percent of first loss credit enhancement provided in respect of a securitisation scheme	**(68)**	**(0,1)**	
	44 149	**11,6**	10,1
Secondary capital			
Subordinated redeemable debt	**11 711**	**3,1**	
General allowance for credit impairment, after deferred tax – standardised approach	**37**	**0,0**	
Less: Deductions	**(2 148)**	**(0,6)**	
Financial and insurance entities not consolidated	**(446)**	**(0,1)**	
Fifty percent of amount by which expected loss exceeds eligible provisions	**(1 624)**	**(0,4)**	
Fifty percent of first loss credit enhancement provided in respect of a securitisation scheme	**(68)**	**(0,1)**	
Other deductions	**(10)**	**—**	
	9 600	**2,5**	3,0
Total qualifying capital	**53 749**	**14,1**	13,1

Notes

[1] *Comparatives have not been restated for Basel II.*

[2] *Percentage of capital to risk-weighted assets.*

[3] *Reserves include unappropriated banking profits.*

Definitions

Price (closing) earnings ratio

The closing price of ordinary shares divided by headline earnings per share for the year.

Market capitalisation

The Group's closing share price times the number of shares in issue.

Headline earnings

Headline earnings is not a measure of sustainable earnings. Headline earnings reflect the operating performance of the Group separated from re-measurements (an amount recognised in the income statement relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as minority interest - preference shares.

Economic capital

Economic capital is defined as the minimum capital needed to maintain an AA investment rating under an extreme stress scenario.

Net interest margin on average assets

Net interest income for the year divided by total average assets (calculated on a daily average basis), expressed as a percentage of total average assets.

Net interest margin on average interest-bearing assets

Net interest income for the year divided by average interest-bearing assets (calculated on a daily average basis), expressed as a percentage of average interest-bearing assets. Average interest-bearing assets consist of cash, cash balances and balances with central banks, statutory liquid asset portfolio, certain loans and advances to banks, certain investments as well as loans and advances to customers. (It includes cash and short-term assets, money market assets and capital market assets.)

Impairment losses on loans and advances as percentage of average loans and advances to customers

Impairments on loans and advances are made where there is objective evidence that the Group will not be able to collect all amounts due. The impairment is the difference between the carrying and recoverable amount. The estimated recoverable amount is the present value of expected future cash flows which may result from restructuring, liquidation or collateral held. Impairment losses on loans and advances for the year divided by total average advances (calculated on a daily average basis), expressed as a percentage.

Non-performing advances

A loan is typically considered non-performing in the retail environment once its delinquency reaches a trigger point, this is typically when interest is suspended (in accordance with Absa policy) or is moved to the legal environment for recovery. As a consequence, a loan that has defaulted is not necessarily non performing (unless certain criteria are met).

In the Corporate/Wholesale environment, all accounts on the watchlist are evaluated. These are classified as Potential Problem Loans (PPL). NPL are typically loans that are in breach of contractual arrangements and show significant signs of distress and inability to service debt. The PPL's for example could be an account where there is concern regarding the financial position and is therefore put on the watchlist for closer monitoring. The client continues to service the loan within contractual terms and as a consequence is not NPL, however, under IAS 39 'an event' has occurred, which can result in a provision being raised.

Non-interest income as percentage of total operating income

Non-interest income as a percentage of income from operations. Income consists of net interest income and non-interest income.

Cost-to-income ratio

Operating expenses as a percentage of income from operations. Income consists of net interest income and non-interest income.

Cost-to-asset ratio

Operating expenses for the year divided by total average assets (calculated on a daily average basis), expressed as a percentage of total average assets.

Weighted average number of shares

The number of shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they participated in the income of the Group, less treasury shares held by entities in the Group, weighted on a time basis for the period during which the entities held these shares.

Earnings per share

Profit attributable to ordinary equity holders

Net profit for the year less attributable to minorities divided by the weighted average number of ordinary shares in issue during the year.

Headline earnings basis

Headline earnings for the year divided by the weighted average number of shares in issue during the year.

Fully diluted basis

The amount of profit for the year that is attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the year, both adjusted for the effects of all dilutive potential ordinary shares, assuming they had been in issue for the year.

Dividends per ordinary share relating to income for the year

Dividends per ordinary share for the year is the actual interim dividends paid and the final dividends declared for the year under consideration, expressed as cents per share. Dividends per share for the interim period is the interim dividends declared for the period.

Dividend cover

Headline earnings per share divided by dividends per share.

Net asset value per share

Total equity attributable to ordinary equity holders divided by the number of shares in issue. The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

Price-to-book

The closing share price relative to the net asset value.

Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the primary (Tier I), secondary (Tier II) and tertiary (Tier III) capital by the risk-weighted assets. The minimum South African total capital adequacy ratio for banks is now 9,75% of risk-weighted assets. Non-South African banks within the Group have similar requirements.

Risk-weighted assets

Risk-weighted assets are determined by applying the following:

– advanced IRB approach for retail credit;
– foundation IRB approach for wholesale and corporate credit;
– Advanced Measurement Approach for operational risk;
– Internal Models Approach for market risk;
– IRB simple risk weight approach for equity investment risk on the banking book; and
– standardised approach for all African entities for both credit and operational risk.

Primary (Tier I) capital

Primary capital consists of issued ordinary share capital, non-cumulative perpetual preference share capital, retained earnings, hybrid debt instruments (in terms of Basel II) and certain accounting reserves. This amount excludes surplus capital from insurance entities. This amount is further reduced with 50% of the amount that expected losses exceed eligible provisions. Further deductions against Tier I capital include goodwill and certain investments.

Secondary (Tier II) capital

Secondary capital includes cumulative preference shares and subordinated debt (prescribed debt instruments). This amount is further reduced with 50% of the amount that expected losses exceed eligible provisions.

Definitions

Tertiary (Tier III) capital

Tertiary capital comprises prescribed unsecured subordinated debt with a minimum original maturity of two years.

Non-current assets and liabilities held-for-sale

Non-current assets held-for-sale are those non-current assets where it is highly probable that the carrying amount will be recovered principally through a sale transaction within one year from the date of classification. For the sale to be considered highly probable, Board approval is required for the plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated.

Non-current assets held-for-sale are valued at the lower of its carrying amount and fair value less costs to sell.

Non-current liabilities held-for-sale represent third party investments already received by the fund and are carried at fair value.

Debt securities in issue

Comprised primarily of short-to-medium-term instruments issued by the Group and includes promissory notes, bonds, negotiable certificates of deposits and commercial paper.

Borrowed funds

Borrowed funds represents subordinated callable bonds qualifying as long-term tier II capital issued by Absa Bank in terms of Section 1 of the Banks Act, 1990. The subordinated callable bonds are listed on the Bond Exchange of South Africa. It also includes preference shares classified as debt in terms of IAS 32 and 39.

Non-interest income

Non-interest income consists of the following income statement line items: net fee and commission income, net insurance premium income, net insurance claims and benefits paid, changes in investment and insurance liabilities, gains and losses from banking and trading activities, gains and losses from investment activities as well as other operating income.

Gains and losses from banking and trading activities

Comprises banking and trading portfolios and includes:

– realised gains on financial instruments held at amortised costs, held-to-maturity or available-for-sale.
– realised gains on the disposal of associates, joint ventures and subsidiaries, within the banking portfolios.
– realised and unrealised gains and losses on fair falue through profit or loss designated instruments.
– interest, dividends and fair value movements on certain financial instruments held for trading or at fair value through profit or loss.

Net trading income

Net trading income includes the profits and losses on Absa Capital's desks classified as "trading desks" arising from both the purchase and sale of trading instruments and the revaluation to market value, together with the interest income and interest expense from these instruments and the related funding cost.

This also includes similar activities from the African operations. Net trading income excludes hedge ineffectiveness.

Gains and losses from investment activities

Comprises insurance and strategic investment portfolios and includes:

– realised gains on financial instruments held at amortised cost, held-to-maturity or available-for-sale.
– realised gains on the disposal of associates, joint ventures and subsidiaries.
– interest, dividends and fair value movements on certain financial instruments held for trading or at fair value through profit or loss.

IFRS 2 costs

In a share-based payment transaction an entity receives goods or services and pays for those goods or services either in shares or in other equity instruments. A transaction also is considered to be a share-based payment if the entity incurs a liability whose amount is based on the price or value of an entity's share or other equity instrument of the entity.

These definitions should be read in conjunction with the Group's accounting policies, which also clarify certain terms used.

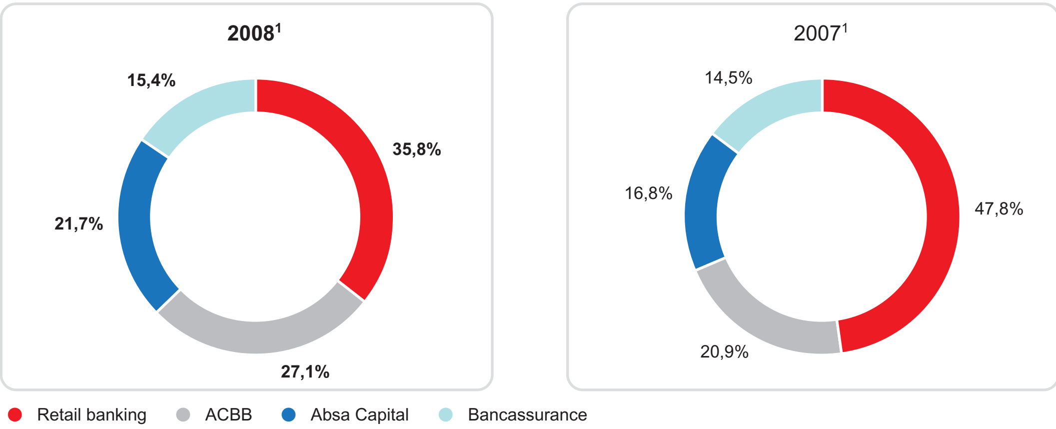
Business unit performance

Business unit performance

Profit contribution by business area

Year ended 31 December

Profit contribution by business area (%)



Note

[1]*Calculated after the allocation of capital, funding and corporate centre. If the VISA profit of R636 million is included in December 2008, the contributions will be as follows: Retail – 33,7%, ACBB - 25,5%, Absa Capital – 20,5% and Bancassurance – 14,5%.*

	Notes	2008 (Audited) Rm	2007[4] (Audited) Rm	Change %
Banking operations				
Retail banking	1	**3 706**	4 943	(25,0)
Absa Wealth		**27**	46	(41,3)
Retail Bank		**2 635**	2 350	12,1
Absa Home Loans		**191**	1 296	(85,3)
Absa Card		**554**	706	(21,5)
Absa Vehicle and Asset Finance		**299**	545	(45,1)
Absa Corporate and Business Bank	1	**2 806**	2 167	29,5
Absa Capital	1	**2 249**	1 733	29,8
Corporate centre	2	**687**	(17)	>100,0
Capital and funding centre		**4**	59	(93,2)
Total banking		**9 452**	8 885	6,4
Bancassurance		**1 597**	1 502	6,3
Total earnings from business areas		**11 049**	10 387	6,4
Synergy costs (after tax)	3	**—**	(479)	100,0
Minority interest – preference shares		**(457)**	(313)	(46,0)
Profit attributable to ordinary equity holders		**10 592**	9 595	10,4
Headline earnings adjustments		**(684)**	(182)	>(100,0)
Total headline earnings		**9 908**	9 413	5,3

Notes

1. African operations have been split between Retail banking, Absa Corporate and Business Bank and Absa Capital during the year under review.
2. In the current year Corporate centre includes the profit on VISA IPO shares and movement in provisions.
3. Synergies relate to the integration of Absa and Barclays following the acquisition by Barclays of a majority share in Absa. Synergy costs are once-off costs incurred in achieving synergy benefits.
4. The comparative period has been restated for:
   - Commercial Asset Finance was moved from Retail banking to Absa Corporate and Business Bank during the year under review.
   - Repossessed Properties was moved from Retail banking to Corporate centre during the year under review.
   - The African operations split is in line with the current business model.

Segmental reporting per market segment

Year ended 31 December

	Retail banking			ACBB			Absa Capital		
	2008 Rm	2007[1] Rm	Change %	**2008 Rm**	2007[1] Rm	Change %	**2008 Rm**	2007[1] Rm	Change %
Income statement									
Net interest income	**14 647**	12 547	16,7	**5 937**	4 725	25,7	**2 098**	1 638	28,1
Net interest income – external	**39 652**	31 541	25,7	**7 210**	4 856	48,5	**(24 835)**	(18 561)	(33,8)
Net interest income – internal	**(25 005)**	(18 994)	(31,6)	**(1 273)**	(131)	>(100,0)	**26 933**	20 199	33,3
Impairment losses on loans and advances	**(5 551)**	(2 144)	>(100,0)	**(287)**	(288)	0,3	**(2)**	(1)	(100,0)
Non-interest income	**10 262**	9 023	13,7	**2 763**	2 500	10,5	**3 250**	2 231	45,7
Non-interest income – external	**9 851**	8 460	16,4	**2 464**	2 298	7,2	**3 657**	2 555	43,1
Non-interest income – internal	**411**	563	(27,0)	**299**	202	48,0	**(407)**	(324)	(25,6)
Depreciation and amortisation	**(356)**	(288)	(23,6)	**(30)**	(21)	(42,9)	**(24)**	(6)	>(100,0)
Operating expenses	**(13 182)**	(11 510)	(14,5)	**(4 306)**	(3 723)	(15,7)	**(2 169)**	(1 362)	(59,3)
Other impairments	**—**	—	—	**—**	—	—	**(1)**	—	(100,0)
Indirect taxation	**(362)**	(341)	(6,2)	**(107)**	(57)	(87,7)	**(60)**	(78)	23,1
Share of retained earnings from associates and joint ventures	**18**	20	(10,0)	**41**	49	(16,3)	**—**	—	—
Operating profit before income tax	**5 476**	7 307	(25,1)	**4 011**	3 185	25,9	**3 092**	2 422	27,7
Taxation expense	**(1 652)**	(2 289)	27,8	**(1 168)**	(975)	(19,8)	**(843)**	(689)	(22,4)
Profit for the year	**3 824**	5 018	(23,8)	**2 843**	2 210	28,6	**2 249**	1 733	29,8
Attributable to:									
Ordinary equity holders of the Group	**3 706**	4 943	(25,0)	**2 806**	2 167	29,5	**2 249**	1 733	29,8
Minority interest – ordinary shares	**118**	75	57,3	**36**	42	(14,3)	**—**	—	—
Minority interest – preference shares	**—**	—	—	**1**	1	—	**—**	—	—
	3 824	5 018	(23,8)	**2 843**	2 210	28,6	**2 249**	1 733	29,8

Notes

[1] *December 2007 comparatives have been restated for structure changes as well as the reclassification of the Commercial Property Funds' unlisted investments to investments. Refer to pages 70 – 76 for reclassification of prior year figures. December 2006 comparatives have not been restated.*

Bancassurance			Other			Head office and inter-segment eliminations			Absa Group		
2008 Rm	2007[1] Rm	Change %	**2008 Rm**	2007[1] Rm	Change %	**2008 Rm**	2007[1] Rm	Change %	**2008 Rm**	2007[1] Rm	Change %
10	(49)	>100,0	**(918)**	(38)	>(100,0)	**21**	67	>(100,0)	**21 795**	18 890	15,4
8	(49)	>100,0	**(158)**	2 070	>(100,0)	**(82)**	(967)	(91,5)	**21 795**	18 890	15,4
2	—	100,0	**(760)**	(2 108)	63,9	**103**	1 034	90,0	**—**	—	—
1	1	—	**—**	(1)	100,0	**—**	—	—	**(5 839)**	(2 433)	>(100,0)
3 566	3 251	9,7	**631**	(263)	>100,0	**643**	14	>100,0	**21 115**	16 756	26,0
3 860	3 709	4,1	**533**	(259)	>100,0	**750**	(7)	>100,0	**21 115**	16 756	26,0
(294)	(458)	(35,8)	**98**	(4)	>100,0	**(107)**	21	>(100,0)	**—**	—	—
(24)	(22)	(9,1)	**(88)**	(78)	(12,8)	**(484)**	(450)	(7,6)	**(1 006)**	(865)	(16,3)
(1 354)	(1 128)	(20,0)	**73**	275	73,5	**751**	(129)	>100,0	**(20 187)**	(17 577)	(14,8)
(29)	—	(100,0)	**25**	(37)	>100,0	**(13)**	(21)	38,1	**(18)**	(58)	69,0
(57)	(47)	(21,3)	**(62)**	32	>(100,0)	**(76)**	(218)	65,1	**(724)**	(709)	(2,1)
—	—	—	**—**	1	—	**14**	3	>100,0	**73**	73	—
2 113	2 006	(5,3)	**(339)**	(109)	>(100,0)	**856**	(734)	>100,0	**15 209**	14 077	(8,0)
(516)	(504)	(2,4)	**198**	247	19,8	**15**	158	90,5	**(3 966)**	(4 052)	2,1
1 597	1 502	6,3	**(141)**	138	>(100,0)	**871**	(576)	>100,0	**11 243**	10 025	12,1
1 597	1 502	6,3	**(599)**	(175)	>(100,0)	**833**	(575)	>100,0	**10 592**	9 595	10,4
—	—	—	**1**	—	100,0	**39**	—	100,0	**194**	117	65,8
—	—	—	**457**	313	46,0	**(1)**	(1)	—	**457**	313	46,0
1 597	1 502	6,3	**(141)**	138	>(100,0)	**871**	(576)	>100,0	**11 243**	10 025	12,1

Segmental reporting per market segment

Year ended 31 December

	Retail banking			Absa Corporate and Business Bank			Absa Capital		
	2008	2007[1]	Change %	**2008**	2007[1]	Change %	**2008**	2007[1]	Change %
Balance sheet (Rm)									
Total advances	**347 084**	311 803	11,3	**120 280**	90 340	33,1	**64 332**	53 011	21,4
Investments in associates and joint ventures	**318**	297	7,1	**801**	643	24,6	**970**	—	100,0
Other assets	**128 984**	106 804	20,8	**18 169**	22 586	(19,6)	**370 083**	373 217	(0,8)
Other assets – external	**9 982**	7 342	35,8	**7 023**	4 973	41,2	**150 424**	102 671	46,5
Other assets – internal[2]	**119 002**	99 462	19,6	**11 146**	17 613	(36,7)	**219 659**	270 546	(18,8)
Total assets	**476 386**	418 904	13,7	**139 250**	113 569	22,6	**435 385**	426 228	2,1
Total deposits	**134 985**	101 944	32,4	**100 046**	77 554	29,0	**146 670**	130 683	12,2
Other liabilities	**337 410**	297 166	13,5	**36 731**	27 140	35,3	**284 405**	289 334	(1,7)
Other liabilities – external	**10 574**	16 193	(34,7)	**6 063**	4 562	32,9	**275 342**	230 968	19,2
Other liabilities – internal[2]	**326 836**	280 973	16,3	**30 668**	22 578	35,8	**9 063**	58 366	(84,5)
Total liabilities	**472 395**	399 110	18,4	**136 777**	104 694	30,6	**431 075**	420 017	2,6
Financial performance (%)									
Return on average equity[3]	**n/a**	28,3		**n/a**	29,5		**n/a**	33,3	
Return on average economic capital[3]	**19,5**	n/a		**24,8**	n/a		**21,3**	n/a	
Return on average assets	**0,84**	1,35		**2,04**	2,07		**0,52**	0,45	
Operating performance (%)									
Net interest margin on average assets	**3,33**	3,30		**4,42**	4,70		**n/a**	n/a	
Impairment losses on loans and advances as a % of average loans and advances to customers	**1,68**	0,74		**0,28**	0,37		**0,00**	0,00	
Non-interest income as percentage of total operating income	**41,2**	41,8		**31,8**	34,6		**60,8**	57,7	
Top-line growth[1]	**15,5**	18,0		**20,4**	39,8		**38,2**	53,6	
Cost growth[1]	**14,7**	11,7		**15,8**	31,8		**60,4**	44,7	
Cost-to-income ratio	**54,3**	54,7		**49,8**	51,8		**41,0**	35,4	
Cost-to-assets ratio	**3,1**	3,3		**3,2**	3,7		**0,5**	0,4	
Other									
Banking customer base per segment (including African operations)	**10 402 735**	9 328 008	11,5	**271 304**	239 460	13,3	**2 655**	2 503	6,1
Atrributable income from the rest of Africa	**54**	81	(33,3)	**20**	7	>100,0	**219**	59	>100,0

Notes

[1] *December 2007 comparatives have been restated for structure changes as well as the reclassification of Commercial Property Funds' unlisted investments to investments Refer to pages 70 to 76 for reclassification of prior year figures. December 2006 comparatives have not been restated.*

[2] *Internal assets and liabilities include all interdivisional and intragroup asset and liability balances. December 2007 comparatives have been restated accordingly. Internal assets and liabilities for the Group are eliminated in "Head office and other intersegment eliminations".*

[3] *In December 2007 capital was allocated to segments based on Basel 1 principles. In 2008 the Group adopted a new measurement basis whereby capital is no longer allocated to segments. In order to measure a return per segment a notional economic capital amount has been used as a denominator. The return on average equity and return on average economic capital are not comparable. December 2007 comparatives have not been restated.*

Bancassurance			Other			Head office and inter-segment eliminations			Absa Group		
2008	2007[1]	Change %	**2008**	2007[1]	Change %	**2008**	2007[1]	Change %	**2008**	2007[1]	Change %
—	—	—	**428**	641	3,4	**47**	163	(71,2)	**532 171**	455 958	16,7
—	—	—	**—**	—	—	**55**	64	(14,1)	**2 144**	1 004	>100,0
33 015	37 526	(12,0)	**21 906**	152 172	(85,8)	**(332 714)**	(508 358)	(34,6)	**239 443**	183 947	30,2
29 805	34 651	(14,0)	**37 496**	29 582	26,0	**4 713**	4 728	(0,3)	**239 443**	183 947	30,2
3 210	2 875	11,7	**(15 590)**	122 590	>(100,0)	**(337 427)**	(513 086)	(34,2)	**—**	—	—
33 015	37 526	(12,0)	**22 334**	152 813	(85,4)	**(332 612)**	(508 131)	(34,5)	**773 758**	640 909	20,7
—	—	—	**11**	9	22,2	**569**	322	76,7	**382 281**	310 512	23,1
29 106	33 618	(13,4)	**(13 493)**	147 224	>(100,0)	**(335 648)**	(506 645)	(33,8)	**338 511**	287 837	17,6
21 747	25 360	(14,2)	**30 412**	4 524	>100,0	**(5 627)**	6 230	>(100,0)	**338 511**	287 837	17,6
7 359	8 258	(10,9)	**(43 905)**	142 700	>(100,0)	**(330 021)**	(512 875)	(35,7)	**—**	—	—
29 106	33 618	(13,4)	**(13 482)**	147 233	>(100,0)	**(335 079)**	(506 323)	(33,8)	**720 792**	598 349	20,5
39,5	37,8		**n/a**	n/a		**n/a**	n/a		**23,4**	27,2	
n/a	n/a		**n/a**	n/a		**n/a**	n/a		**23,9**	n/a	
4,57	4,88		**n/a**	n/a		**n/a**	n/a		**1,37**	1,68	
n/a	n/a		**n/a**	n/a		**n/a**	n/a		**3,02**	3,37	
n/a	n/a		**n/a**	n/a		**n/a**	n/a		**1,19**	0,58	
99,7	101,5		**n/a**	n/a		**n/a**	n/a		**49,2**	47,0	
11,7	2,9		**n/a**	n/a		**n/a**	n/a		**20,4**	19,2	
19,8	15,5		**n/a**	n/a		**n/a**	n/a		**14,9**	14,6	
38,5	35,9		**n/a**	n/a		**n/a**	n/a		**49,4**	51,7	
4,0	3,7		**n/a**	n/a		**n/a**	n/a		**3,0**	3,2	
—	—	—	**—**	—	—	**—**	—	—	**10 676 694**	9 569 971	11,6
—	—	—	**(42)**	1	>(100,0)	**—**	—	—	**251**	148	69,6

Retail banking

Year ended 31 December

	Absa Wealth		Retail Bank		Absa Home Loans	
	2008	2007	**2008**	2007	**2008**	2007
Total revenue – external (Rm)	**593**	544	**8 404**	8 764	**28 395**	21 127
Net interest income – external	**509**	466	**537**	2 144	**28 321**	21 029
Non-interest income – external	**84**	78	**7 867**	6 620	**74**	98
Total revenue – internal (Rm)	**(284)**	(298)	**6 382**	3 843	**(24 216)**	(17 236)
Net interest income – internal	**(298)**	(306)	**6 165**	3 472	**(24 396)**	(17 428)
Non-interest income – internal	**14**	8	**217**	371	**180**	192
Attributable earnings (Rm)	**27**	46	**2 635**	2 350	**191**	1 296
Impairment losses on loans and advances as a % of average loans and advances to customers (%)[1]	**0,33**	0,38	**2,47**	1,87	**1,19**	0,26
Cost-to-income ratio (%)	**76,6**	61,6	**65,2**	65,7	**30,6**	33,8
Total advances (Rm)	**9 566**	7 567	**44 413**	38 246	**223 870**	202 497
Total assets (Rm)	**10 357**	8 206	**142 698**	118 172	**240 617**	219 813
Total deposits (Rm)	**7 032**	5 021	**126 049**	94 844	**—**	—
Total liabilities (Rm)	**10 341**	7 763	**140 346**	114 249	**240 577**	210 000
Return on average equity (%)	**n/a**	11,4	**n/a**	90,4	**n/a**	15,2
Return on average economic capital (%)	**3,8**	n/a	**48,5**	n/a	**2,7**	n/a

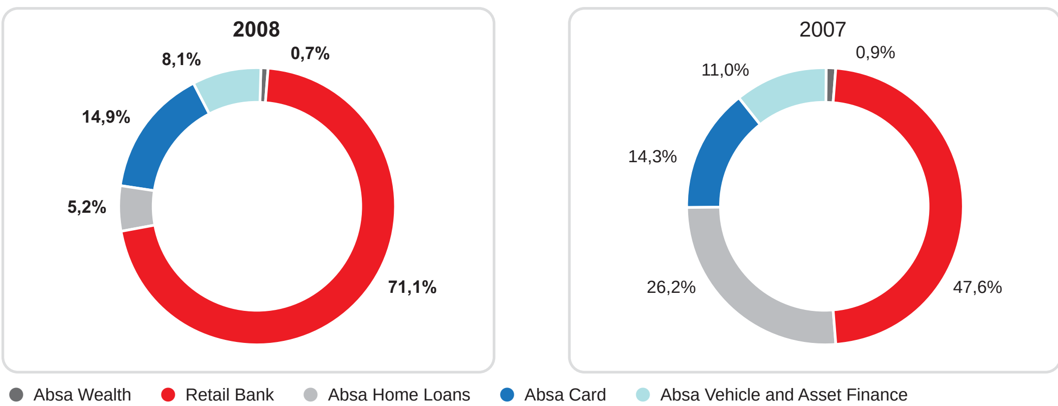
	Absa Card		Absa Vehicle and Asset Finance		Total	
	2008	2007	**2008**	2007	**2008**	2007
Total revenue – external (Rm)	**4 429**	3 353	**7 682**	6 213	**49 503**	40 001
Net interest income – external	**2 856**	1 898	**7 429**	6 004	**39 652**	31 541
Non-interest income – external	**1 573**	1 455	**253**	209	**9 851**	8 460
Total revenue – internal (Rm)	**(1 372)**	(877)	**(5 104)**	(3 863)	**(24 594)**	(18 431)
Net interest income – internal	**(1 373)**	(835)	**(5 103)**	(3 897)	**(25 005)**	(18 994)
Non-interest income – internal	**1**	(42)	**(1)**	34	**411**	563
Attributable earnings (Rm)	**554**	706	**299**	545	**3 706**	4 943
Impairment losses on loans and advances as a % of average loans and advances to customers (%)[1]	**5,65**	3,50	**2,31**	1,14	**1,68**	0,74
Cost-to-income ratio (%)	**46,4**	40,8	**37,6**	43,8	**54,3**	54,7
Total advances (Rm)	**18 069**	11 817	**51 166**	51 676	**347 084**	311 803
Total assets (Rm)	**24 812**	13 995	**57 902**	58 718	**476 386**	418 904
Total deposits (Rm)	**1 888**	2 065	**16**	14	**134 985**	101 944
Total liabilities (Rm)	**23 933**	12 807	**57 198**	54 291	**472 395**	399 110
Return on average equity (%)	**n/a**	70,7	**n/a**	11,4	**n/a**	28,3
Return on average economic capital (%)	**25,1**	n/a	**8,6**	n/a	**19,5**	n/a

Notes

[1]*Refer to note 9 on page 40 for the impairment charge to the income statement.*

[2]*These results are after the allocation of head office and support charges.*

Attributable earnings (%)



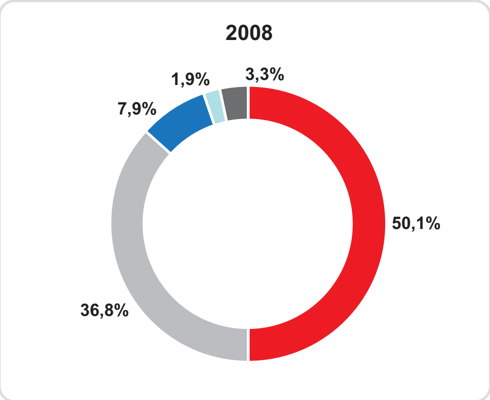
Absa Corporate and Business Bank

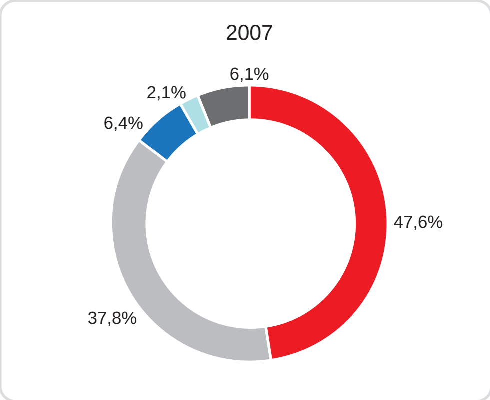
Year ended 31 December

	2008 Rm	2008 Excluding listed equities Rm	2007 Rm	2007 Excluding listed equities Rm	Change %	Change % Excluding listed equities
Income statement						
Net interest income	**5 937**	**5 937**	4 725	4 725	25,7	25,7
Impairment losses on loans and advances	**(287)**	**(287)**	(288)	(288)	0,3	0,3
Non-interest income	**2 763**	**2 861**	2 500	2 305	10,5	24,1
Operating expenses	**(4 336)**	**(4 336)**	(3 744)	(3 744)	(15,8)	(15,8)
Other	**(66)**	**(66)**	(8)	(8)	>(100,0)	>(100,0)
Operating profit before income tax	**4 011**	**4 109**	3 185	2 990	25,9	37,4
Taxation expense	**(1 168)**	**(1 195)**	(975)	(919)	(19,8)	(30,0)
Profit for the year	**2 843**	**2 914**	2 210	2 071	28,6	40,7
Attributable to:						
Ordinary equity holders of the Group	**2 806**	**2 877**	2 167	2 028	29,5	41,9
Minority interest – ordinary shares	**36**	**36**	42	42	(14,3)	(14,3)
Minority interest – preference shares	**1**	**1**	1	1	—	—
	2 843	**2 914**	2 210	2 071	28,6	40,7

	2008 Rm	2007 Rm	Change %
Operating profit before income tax by business area			
Large	**2 008**	1 515	32,5
Medium	**1 477**	1 205	22,6
Corporate	**317**	204	55,4
Africa	**76**	66	15,2
CPF equity portfolio[1]	**133**	195	(31,8)
– Listed	**(98)**	195	>(100,0)
– Unlisted	**231**	—	100,0
	4 011	3 185	25,9

Profit before tax (%)





Large Medium Corporate Africa CPF equity portfolio[1]

Note

[1]*Includes realised and unrealised profits.*

Bancassurance operations

Year ended 31 December

	Note	Life 2008 Rm	2007 Rm	Change %
Income statement				
Net earned premium		**1 155**	1 142	1,1
Net insurance claims		**(390)**	(401)	2,7
Investment income	1			
policyholder investment contracts		**653**	495	31,9
policyholder insurance contracts		**(14)**	170	>(100,0)
Changes in investment and insurance liabilities				
policyholder investment contracts		**(620)**	(482)	(28,6)
policyholder insurance contracts		**368**	45	>100,0
Other income		**37**	24	54,2
Gross operating income		**1 189**	993	19,7
Net commission paid by insurance companies[1]		**(230)**	(196)	(17,3)
Operating expenses		**(171)**	(150)	(14,0)
Other		**(42)**	(37)	(13,5)
Net operating income		**746**	610	22,3
Investment income on shareholder funds[2]	1	**102**	167	(38,9)
Net profit on disposal of subsidiary[2]		**—**	—	—
Taxation expense		**(217)**	(253)	14,2
Profit attributable to ordinary equity holders		**631**	524	20,4
1. Investment income				
Policyholder – investment contracts		**653**	495	31,9
Net interest income		**257**	44	>100,0
Dividend income		**20**	13	53,8
Fair value gains		**376**	438	(14,2)
Policyholder – insurance contracts		**(14)**	170	>(100,0)
Net interest income		**105**	93	12,9
Dividend income		**15**	23	(34,8)
Fair value gains		**(134)**	54	>(100,0)
Shareholder funds		**102**	167	(38,9)
Net interest income		**12**	9	33,3
Dividend income		**27**	15	80,0
Fair value gains		**63**	143	(55,9)
Total		**741**	832	(10,9)
Net interest income		**374**	146	>100,0
Dividend income		**62**	51	21,6
Fair value gains		**305**	635	(52,0)

Notes

[1]*Net commission paid includes internal commissions eliminated on consolidation of Absa Group.*

[2]*R37 million is accounted for as "Exchange differences" in "Other operating income" and R5 million loss is accounted for as part of "Investment income on shareholder funds" in "Gains and losses from investment activities". (Refer to page 43).*

In managing the short-term policyholder liability, certain assets have been allocated specifically for the purpose of backing this liability. The above disclosure reflects the income earned on these assets.

Insurance			Other			Total bancassurance		
2008 Rm	2007 Rm	Change %	**2008 Rm**	2007 Rm	Change %	**2008 Rm**	2007 Rm	Change %
2 318	2 012	15,2	**38**	38	—	**3 511**	3 192	10,0
(1 531)	(1 244)	(23,1)	**31**	42	(26,2)	**(1 890)**	(1 603)	(17,9)
—	—	—	**(161)**	84	>(100,0)	**492**	579	(15,0)
127	73	74,0	**—**	—	—	**113**	243	(53,5)
—	—	—	**182**	(52)	>100,0	**(438)**	(534)	18,0
—	—	—	**—**	—	—	**368**	45	>100,0
3	12	(75,0)	**1 510**	1 203	25,5	**1 550**	1 239	25,1
917	853	7,5	**1 600**	1 315	21,7	**3 706**	3 161	17,2
(342)	(333)	(2,7)	**—**	—	—	**(572)**	(529)	(8,1)
(210)	(203)	(3,4)	**(997)**	(797)	(25,1)	**(1 378)**	(1 150)	(19,8)
(1)	(1)	—	**(42)**	(9)	>(100,0)	**(85)**	(47)	(80,9)
364	316	15,2	**561**	509	10,2	**1 671**	1 435	16,4
211	292	(27,7)	**97**	112	(13,4)	**410**	571	(28,2)
—	—	—	**32**	—	100,0	**32**	—	100,0
(78)	(71)	(9,9)	**(221)**	(180)	(22,8)	**(516)**	(504)	(2,4)
497	537	(7,4)	**469**	441	6,3	**1 597**	1 502	6,3
—	—	—	**(161)**	84	>(100,0)	**492**	579	(15,0)
—	—	—	**4**	4	—	**261**	48	>100,0
—	—	—	**78**	44	77,3	**98**	57	71,9
—	—	—	**(243)**	36	>(100,0)	**133**	474	(71,9)
127	73	74,0	**—**	—	—	**113**	243	(53,5)
127	73	74,0	**—**	—	—	**232**	166	39,8
—	—	—	**—**	—	—	**15**	23	(34,8)
—	—	—	**—**	—	—	**(134)**	54	>(100,0)
211	292	(27,7)	**97**	112	(13,4)	**410**	571	(28,2)
61	13	>100,0	**96**	51	88,2	**169**	73	>100,0
84	69	21,7	**7**	17	(58,8)	**118**	101	16,8
66	210	(68,6)	**(6)**	44	>(100,0)	**123**	397	(69,0)
338	365	(7,4)	**(64)**	196	>(100,0)	**1 015**	1 393	(27,1)
188	86	>100,0	**100**	55	81,8	**662**	287	>100,0
84	69	21,7	**85**	61	39,3	**231**	181	27,6
66	210	(68,6)	**(249)**	80	>(100,0)	**122**	925	(86,8)

Bancassurance operations

As at 31 December

	Note	2008 Rm	2007 Rm	Change %
Balance sheet				
Assets				
Cash balances and money market assets		**8 295**	6 638	25,0
Insurance operations	1	**5 544**	3 666	51,2
Other insurance subsidiaries		**1 045**	977	7,0
Other subsidiaries		**1 706**	1 995	(14,5)
Other assets[1]		**13 737**	19 281	(28,8)
Financial assets backing investment and insurance liabilities		**10 912**	11 570	(5,7)
Investments				
Insurance operations	1	**10 289**	10 640	(3,3)
Other insurance subsidiaries		**44**	722	(93,9)
Other assets backing policyholder investment liabilities				
Insurance operations	1	**481**	231	>100,0
Derivatives backing shareholder investments				
Insurance operations	1	**98**	(23)	>100,0
Property and equipment		**71**	37	91,9
Total assets		**33 015**	37 526	(12,0)
Liabilities				
Current tax liabilities		**59**	129	(54,3)
Liabilities under investment contracts		**10 377**	7 908	31,2
Policyholder liabilities under insurance contracts		**3 076**	3 250	(5,4)
Other liabilities and sundry provisions[1]		**15 533**	22 089	(29,7)
Deferred tax liabilities		**61**	242	(74,8)
Total liabilities		**29 106**	33 618	(13,4)
Total equity		**3 909**	3 908	0,0
Total equity and liabilities		**33 015**	37 526	(12,0)

Note

[1]*Other assets and liabilities include settlement account balances in Stockbrokers.*

1. Cash balances, money market assets and investments (insurance operations)

	2008					
	Listed equity Rm	Unlisted equity Rm	Capital market assets Rm	Derivatives and other Rm	Cash and money market assets Rm	Total Rm
Shareholder investments	**832**	**179**	**1 322**	**98**	**454**	**2 886**
Life	**472**	**77**	**246**	**40**	**126**	**961**
Non-Life	**360**	**102**	**1 076**	**58**	**328**	**1 925**
Policyholder investment	**1 476**	**5 453**	**1 027**	**481**	**5 090**	**13 526**
Investment contracts[1]	**1 476**	**4 755**	**285**	**481**	**3 450**	**10 447**
Insurance contracts[1]	**—**	**698**	**742**	**—**	**1 640**	**3 079**
Total	**2 308**	**5 632**	**2 349**	**579**	**5 544**	**16 412**

	2007					
	Listed equity Rm	Unlisted equity Rm	Capital market assets Rm	Derivatives and other Rm	Cash and money market assets Rm	Total Rm
Shareholder investments	2 585	181	136	(23)	211	3 090
Life	789	113	65	(4)	21	984
Non-Life	1 796	68	71	(19)	190	2 106
Policyholder investment	1 692	3 651	2 395	231	3 455	11 424
Investment contracts[1]	1 692	2 834	363	231	2 808	7 928
Insurance contracts[1]	—	817	2 032	—	647	3 496
Total	4 277	3 832	2 531	208	3 666	14 514

Note

[1]*Includes R607 million (December 2007: R758 million) in unlisted insurance contracts representing Absa Life Limited's investment in the General Fund. This fund is consolidated as an investment contract at an Absa Group level and disclosed as such in the consolidated financial statements.*

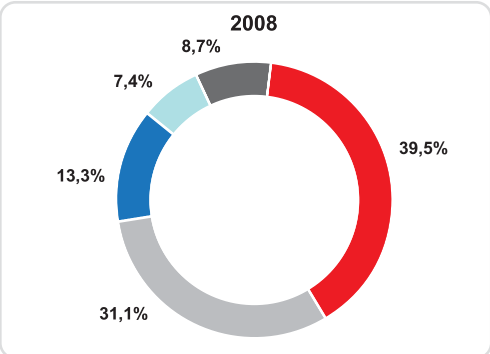
In managing the policyholder liability, certain assets have been allocated specifically for the purpose of backing this liability. The above disclosure reflects this split of assets between policyholders and shareholders.

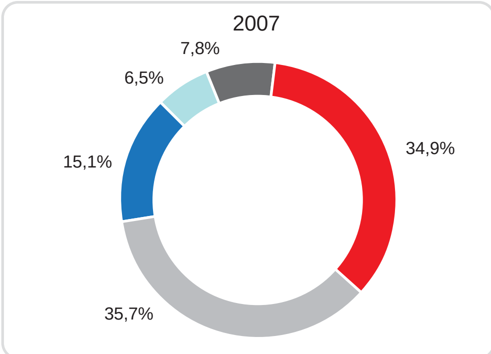
Bancassurance operations

As at 31 December

	2008	2007	Change %
Embedded value and value of new business of Absa Life Limited (Rm)			
Shareholders' net assets	**1 006**	1 082	(7,0)
Cost of solvency capital	**(45)**	(20)	>(100,0)
Value of business in force	**1 131**	1 029	9,9
	2 092	2 091	0,0
Embedded value earnings (Rm)	**747**	543	37,6
Return on embedded value (%)	**35,7**	21,8	
Embedded value of new business (Rm)	**331**	213	55,4
Value of new business as a % of the present value of future premiums	**7,4**	5,3	
Net asset value of short-term insurance companies (Rm)	**1 838**	1 845	(0,4)

Attributable earnings (%)





Life Insurance Investment Fiduciary Other

Retail banking

Attributable earnings for the Retail Bank declined by 25,0% to R3 706 million (December 2007: R4 943 million). This decline resulted from the slowdown in consumer spending, reduced demand for lending products and rising impairments. The Retail Bank increased its top-line income by 15,5% and contained cost growth to 14,7%. The South African customer base continued to grow, increasing by 12,3% to over 10 million customers.

Advances growth of 11,3% was achieved across all categories, with unsecured lending products increasing by 26,2%. The growth in unsecured lending, along with the inclusion of the WFS book, resulted in a 1,5% change in the overall composition of advances with secured lending now comprising 85,8% (December 2007: 87,3%) of the total advances book.

Customer deposits grew a robust 32,4% during the year. Innovative product offerings, including initiatives such as the online opening of investment product accounts, coupled with competitive pricing, resulted in strong gains in market share. The Group currently has the largest share of the individual deposit and advances market in South Africa[1].

The overall interest margin on net assets showed a slight increase year-on-year, primarily due to the strong growth in retail deposits, resulting in a reduced dependence on wholesale funding.

Transaction volume growth across core products moderated during the year with volumes expanding by 5,2%. The Retail Bank's digital channels, however, recorded healthy transaction and customer growth. Internet and cellphone banking transaction volumes grew 25,0% and 74,0% respectively. The number of internet banking users increased by 14,0%, and Absa became the first South African bank to achieve one million internet banking users.

Consumer distress intensified during the year, following the prolonged higher interest rate cycle. In addition, collateral values in respect of vehicle and home loans were subjected to a considerable downward adjustment in the second half of the year as economic conditions deteriorated. The impairment charge consequently increased by 158,9% to R5 551 million. Accordingly, the impairment ratio rose from 0,74% in December 2007 to 1,68% for the full year 2008. This rise was largely due to higher impairments from Absa Home Loans and Absa Vehicle and Asset Finance, which increased 417,0% to R2 549 million and 109,8% to R1 177 million respectively.

During the year under review, the collections process and credit criteria were regularly reviewed. Stricter scorecard criteria, closer attention to affordability and the quality of bureau information, as well as stricter loan-to-value criteria on home loans and vehicle finance, constituted some of the actions taken to manage credit risk. The collections capacity was also enhanced by increasing the number of collectors during the year.

Rising impairments will remain a key risk to the Retail Bank in 2009. The focus will remain on cost control, the further tightening of credit criteria and maintaining strong credit quality at the right price.

Absa Corporate and Business Bank (ACBB)

ACBB increased its attributable earnings for the year by 29,5% to R2 806 million. Total advances increased by 33,1% as a result of continued credit demand in the Large and Medium Business lines. A strong sales focus aimed at growing deposits during the year resulted in a 29,0% increase in deposits. While impairments remained low, advance and deposit margins decreased due to the higher cost of funding experienced during the second half of the year. Equity market volatility, however, resulted in a decline of R166 million in the value of the listed commercial equity investments, thereby diluting, to an extent, the robust underlying performance of the cluster.

The impairment loss ratio decreased from 0,37% in December 2007 to 0,28% as a result of the material recovery of bad debt in the second half of the year as well as the implementation of strict credit risk management processes.

Non-interest income increased by 10,5% as a result of a 10,0% growth in transaction volumes. Cash and electronic banking transactions increased 24,7% and 11,9% respectively. Customer numbers grew 2,70% during the year and transaction income on cheque and corporate overdraft accounts increased by 11,3%, representing 30,1% of fee income. Electronic banking fees grew by 15,4%, representing 18,6% of fee income.

ACBB will continue to provide innovative solutions and service to its customer base. The business is also positioned to leverage off Absa Capital's expertise in structuring complex transactions, and its international syndication and distribution capabilities.

Note

[1]*SA market share statistics BA 900 (November 2008).*

Commentary

Absa Capital

Absa Capital increased attributable earnings by 29,8% to R2 249 million, from R1 733 million in 2007. This performance was driven by exceptional growth in the Secondary Markets and good growth in the Primary Markets business units. The key factors driving growth have been Absa Capital's operating model and continuous improvement in the technology platform, products and distribution.

The Secondary Markets business continues to improve, leveraging off a strong working relationship with Barclays Capital. Revenue for this business unit grew by 109,9% and contributed 55,0% of Absa Capital's revenue. The growth in revenue is attributable to more effective risk management as well as increased trading volumes from new and existing clients, broadening the product offering, market volatility and the increased demand from clients for risk management products.

The revenue of Primary Markets grew by 14,1% during the year and contributed 33,1% of Absa Capital's revenue. Given the current market conditions, the business unit proactively restricted the size of its underwriting positions to distributing more risk upfront. The global credit crisis and the equity market declines have negatively impacted local financing product deal flow. Primary Markets, however, continued to perform well due to the client-centric business model that delivers comprehensive international and local solutions by leveraging off Barclays Capital's global expertise and capabilities.

The revenue of the Equity Investments and Investor Services business unit increased by 1,3% and contributed 11,9% of Absa Capital's revenue. Revenue in the Private Equity portfolio was positive in absolute terms, but declined relative to the corresponding period for 2007. This performance was driven by a combination of lower realisations, poor equity market conditions and higher funding costs.

Bancassurance

The Bancassurance cluster grew attributable earnings by 6,3% to R1 597 million for the year under review, despite a challenging operating environment. This growth was underpinned by 16,4% growth in operating earnings. Investment income on shareholders' funds however declined by 28,2% to R410 million. Capital to the value of R1,6 billion was returned to the Absa Group in 2008. This resulted from a focus on capital efficiency and a reduced risk profile on investments backing policyholders' liabilities and shareholder capital.

The Bancassurance cluster achieved an RoE of 39,5% (December 2007: 37,8%).

Distribution – The distribution capacity increased by 269 additional sales staff, comprising insurance and financial advisors, tied agents and call centre agents. The diversification and expansion of the distribution channels is intended to increase customer access to products and services.

Life assurance – Absa Life increased its operating earnings by 22,3% to R746 million. Gross premium income remained flat year-on-year despite lower credit-related business volumes. The embedded value of new business amounted to R331 million (December 2007: R213 million) driven by strong performances of mass market products and the introduction of '@ Ease', a stand-alone risk product range that was launched early in 2008. Embedded value earnings of R747 million (December 2007: R543 million) represent a return of 35,7% (December 2007: 21,8%).

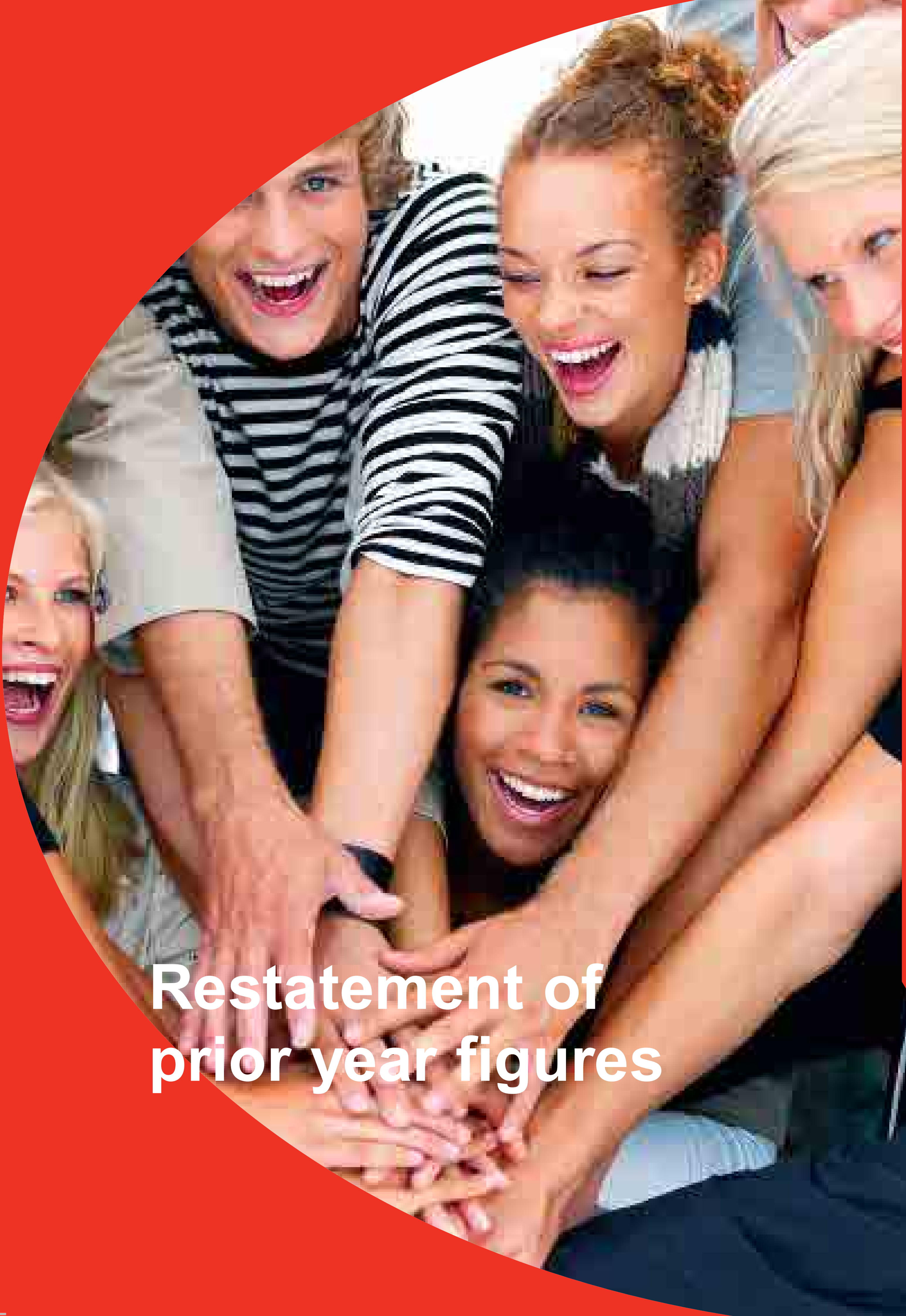
Short-term insurance – The short-term insurance industry was characterised by the hardening underwriting cycle. However, Absa Insurance increased underwriting profit to R263 million on the back of strong growth in gross written premiums which grew by 19,3%. Premium growth was driven by good growth in both the personal and commercial books, particularly in the agriculture business as well as the introduction of 'Absa idirect'. Claim levels remained challenging, rising by 23,0%. The higher claims arose from adverse weather conditions, increases in the incidence of motor accidents and the continuing escalation of repair costs.

Despite these factors, Absa short-term insurance achieved a sound underwriting margin of 10,2% (December 2007: 11,5%).

Investments – Absa Investments operating earnings declined by 3,7% to R289 million. Net inflows to mandates other than money market amounted to R9,4 billion for the year, while money market funds experienced net outflows of R2,4 billion. Assets under management declined marginally from R118 billion at the end of December 2007 to R117 billion. The strategic focus of the business is to grow the non-money market assets under management. Absa Investments continued to deliver an encouraging investment performance with a number of its unit trusts achieving top quartile performance over one-year and three-year periods.

Fiduciary services – Fiduciary operating earnings grew by 20,5% to R153 million. The acquisition of the Glenrand MIB employee benefits and healthcare businesses was finalised during the year under review, adding critical mass to the cluster's businesses. The acquired businesses were turned around to profitability.

The focus for the Bancassurance cluster in 2009 will be on the diversification of income streams and improvement of cross-sell ratios, customer retention, and growth in assets under management.



Restatement of prior year figures

Restatement of prior year figures

Group balance sheet

As at 31 December 2007

Reclassifications

Reclassification of investments in associates and joint ventures to investments.

	(Audited) (As previously reported) Rm	Reclassifi-cations Rm	(Audited) (Restated) Rm
Assets			
Cash, cash balances and balances with central banks	20 629	—	20 629
Statutory liquid asset portfolio	22 957	—	22 957
Loans and advances to banks	54 025	—	54 025
Trading portfolio assets	25 824	—	25 824
Hedging portfolio assets	725	—	725
Other assets	24 303	—	24 303
Current tax assets	185	—	185
Loans and advances to customers	455 958	—	455 958
Reinsurance assets	485	—	485
Investments	29 327	465	29 792
Investments in associates and joint ventures	1 469	(465)	1 004
Intangible assets	301	—	301
Investment property	—	—	—
Property and equipment	4 610	—	4 610
Deferred tax assets	111	—	111
Non-current assets held-for-sale	—	—	—
Total assets	640 909	—	640 909
Liabilities			
Deposits from banks	58 033	—	58 033
Trading portfolio liabilities	34 919	—	34 919
Hedging portfolio liabilities	2 226	—	2 226
Other liabilities and sundry provisions	12 301	—	12 301
Current tax liabilities	183	—	183
Deposits due to customers	310 512	—	310 512
Debt securities in issue	156 424	—	156 424
Liabilities under investment contracts	7 908	—	7 908
Policyholder liabilities under insurance contracts	3 318	—	3 318
Borrowed funds	9 949	—	9 949
Deferred tax liabilities	2 576	—	2 576
Non-current liabilities held-for-sale	—	—	—
Total liabilities	598 349	—	598 349
Equity			
Capital and reserves			
Attributable to ordinary equity holders of the Group:			
Share capital	1 350	—	1 350
Share premium	2 292	—	2 292
Other reserves	406	(22)	384
Retained earnings	33 527	22	33 549
	37 575	—	37 575
Minority interest – ordinary shares	341	—	341
Minority interest – preference shares	4 644	—	4 644
Total equity	42 560	—	42 560
Total equity and liabilities	640 909	—	640 909

Group income statement

Year ended 31 December 2007

Reclassifications

Reclassification of investments in associates and joint ventures to investments.

	(Audited) (As previously reported) Rm	Reclassifications Rm	(Audited) (Restated) Rm
Net interest income	18 890	—	18 890
Interest and similar income	55 123	—	55 123
Interest expense and similar charges	(36 233)	—	(36 233)
Impairment losses on loans and advances	(2 433)	—	(2 433)
Net interest income after impairment losses on loans and advances	16 457	—	16 457
Net fee and commission income	11 600	—	11 600
Fee and commission income	12 873	—	12 873
Fee and commission expense	(1 273)	—	(1 273)
Net insurance premium income	3 192	—	3 192
Net insurance claims and benefits paid	(1 603)	—	(1 603)
Changes in investment and insurance liabilities	(489)	—	(489)
Gains and losses from banking and trading activities	1 622	28	1 650
Gains and losses from investment activities	1 561	—	1 561
Other operating income	845	—	845
Operating income before operating expenditure	33 185	28	33 213
Operating expenditure	(19 209)	—	(19 209)
Operating expenses	(18 442)	—	(18 442)
Other impairments	(58)	—	(58)
Indirect taxation	(709)	—	(709)
Share of retained earnings from associates and joint ventures	91	(18)	73
Operating profit before income tax	14 067	10	14 077
Taxation expense	(4 042)	(10)	(4 052)
Profit for the year	10 025	—	10 025
Attributable to:			
Ordinary equity holders of the Group	9 595	—	9 595
Minority interest – ordinary shares	117	—	117
Minority interest – preference shares	313	—	313
	10 025	—	10 025
Headline earnings	9 413	—	9 413

Commercial Property Fund investment in associates and joint ventures

During the 2007 financial year, Absa Corporate and Business Bank launched the Commercial Property Finance (CPF) division. The CPF division's aim is to identify and invest in property developments by obtaining an equity investment in the identified company and/or provide financing. The investment portfolio was previously classified as investment in associates as the equity investment generally ranges between 20% and 50% of the company's issued equity.

During 2008, these investments were reclassified from investments in associates to unlisted investments being measured at fair value through profit or loss according to the scope exclusion for venture capital organisations in IAS 28 – Investments in Associates. The following factors were considered in reclassifying the investments:

– The investments are in start-up ventures with an expectation of capital growth rather than income return.

– The aim is to generate growth in the medium term in the investments and an exit strategy is usually defined when the investment is made.

– The investments are typically in businesses unrelated to Absa Group's business.

– The investments are managed on a fair value basis.

The value of the investments reclassified from the "investment in associates" category to the "unlisted investments" category was R465 million.

Segmental reporting per market segment

Year ended 31 December 2007

Reclassifications

Reclassification of Commercial Asset Finance, Africa segmentation, Repossessed Properties as well as the reclassification of investments in associates and joint ventures to investments.

	Retail banking			ACBB			Absa Capital		
	(As previously reported) Rm	Reclassifications Rm	(Restated) Rm	(As previously reported) Rm	Reclassifications Rm	(Restated) Rm	(As previously reported) Rm	Reclassifications Rm	(Restated) Rm
Income statement									
Net interest income	12 816	(269)	12 547	3 897	828	4 725	1 655	(17)	1 638
Net interest income – external	33 388	(1 847)	31 541	2 452	2 404	4 856	(18 544)	(17)	(18 561)
Net interest income – internal	(20 572)	1 578	(18 994)	1 445	(1 576)	(131)	20 199	—	20 199
Impairment losses on loans and advances	(2 235)	91	(2 144)	(148)	(140)	(288)	(1)	—	(1)
Non-interest income	9 083	(60)	9 023	2 255	245	2 500	2 155	76	2 231
Non-interest income – external	8 513	(53)	8 460	2 058	240	2 298	2 479	76	2 555
Non-interest income – internal	570	(7)	563	197	5	202	(324)	—	(324)
Depreciation and amortisation	(270)	(18)	(288)	(8)	(13)	(21)	(2)	(4)	(6)
Operating expenses	(11 687)	177	(11 510)	(3 233)	(490)	(3 723)	(1 318)	(44)	(1 362)
Other impairments	(37)	37	—	—	—	—	—	—	—
Indirect taxation	(264)	(77)	(341)	(43)	(14)	(57)	(77)	(1)	(78)
Share of retained earnings from associates and joint ventures	31	(11)	20	56	(7)	49	—	—	—
Operating profit before income tax	7 437	(130)	7 307	2 776	409	3 185	2 412	10	2 422
Taxation expense	(2 341)	52	(2 289)	(851)	(124)	(975)	(679)	(10)	(689)
Profit for the year	5 096	(78)	5 018	1 925	285	2 210	1 733	—	1 733
Attributable to:									
Ordinary equity holders of the Group	5 071	(128)	4 943	1 922	245	2 167	1 733	—	1 733
Minority interest – ordinary shares	25	50	75	3	39	42	—	—	—
Minority interest – preference shares	—	—	—	—	1	1	—	—	—
	5 096	(78)	5 018	1 925	285	2 210	1 733	—	1 733

African operations			Bancassurance			Other			Head office and inter-segment eliminations			Absa Group		
(As previously reported) Rm	Reclassifications Rm	(Restated) Rm	(As previously reported) Rm	Reclassifications Rm	(Restated) Rm	(As previously reported) Rm	Reclassifications Rm	(Restated) Rm	(As previously reported) Rm	Reclassifications Rm	(Restated) Rm	(As previously reported) Rm	Reclassifications Rm	(Restated) Rm
533	(533)	—	(49)	—	(49)	(29)	(9)	(38)	67	—	67	18 890	—	18 890
536	(536)	—	(49)	—	(49)	2 074	(4)	2 070	(967)	—	(967)	18 890	—	18 890
(3)	3	—	—	—	—	(2 103)	(5)	(2 108)	1 034	—	1 034	—	—	—
(41)	41	—	1	—	1	(9)	8	(1)	—	—	—	(2 433)	—	(2 433)
256	(256)	—	3 251	—	3 251	(286)	23	(263)	14	—	14	16 728	28	16 756
256	(256)	—	3 709	—	3 709	(280)	21	(259)	(7)	—	(7)	16 728	28	16 756
—	—	—	(458)	—	(458)	(6)	2	(4)	21	—	21	—	—	—
(35)	35	—	(22)	—	(22)	(78)	—	(78)	(450)	—	(450)	(865)	—	(865)
(444)	444	—	(1 128)	—	(1 128)	362	(87)	275	(129)	—	(129)	(17 577)	—	(17 577)
—	—	—	—	—	—	—	(37)	(37)	(21)	—	(21)	(58)	—	(58)
(12)	12	—	(47)	—	(47)	(48)	80	32	(218)	—	(218)	(709)	—	(709)
3	(3)	—	—	—	—	(2)	3	1	3	—	3	91	(18)	73
260	(260)	—	2 006	—	2 006	(90)	(19)	(109)	(734)	—	(734)	14 067	10	14 077
(68)	68	—	(504)	—	(504)	243	4	247	158	—	158	(4 042)	(10)	(4 052)
192	(192)	—	1 502	—	1 502	153	(15)	138	(576)	—	(576)	10 025	—	10 025
103	(103)	—	1 502	—	1 502	(161)	(14)	(175)	(575)	—	(575)	9 595	—	9 595
89	(89)	—	—	—	—	—	—	—	—	—	—	117	—	117
—	—	—	—	—	—	314	(1)	313	(1)	—	(1)	313	—	313
192	(192)	—	1 502	—	1 502	153	(15)	138	(576)	—	(576)	10 025	—	10 025

Segmental reporting per market segment

Year ended 31 December 2007

Reclassifications

Reclassification of Commercial Asset Finance, Africa segmentation, Repossessed Properties as well as the reclassification of investments in associates and joint ventures to investments.

	Retail banking			ACBB			Absa Capital		
	(As previously reported)	Reclassifications	(Restated)	(As previously reported)	Reclassifications	(Restated)	(As previously reported)	Reclassifications	(Restated)
Balance sheet (Rm)									
Total advances	328 603	(16 800)	311 803	70 370	19 970	90 340	53 011	—	53 011
Investments in associates and joint ventures	341	(44)	297	1 059	(416)	643	—	—	—
Other assets	104 839	1 965	106 804	19 456	3 130	22 586	371 432	1 785	373 217
Other assets – external	35 166	(27 824)	7 342	8 024	(3 051)	4 973	97 872	4 799	102 671
Other assets – internal	69 673	29 789	99 462	11 432	6 181	17 613	273 560	(3 014)	270 546
Total assets	433 783	(14 879)	418 904	90 885	22 684	113 569	424 443	1 785	426 228
Total deposits	96 952	4 992	101 944	76 301	1 253	77 554	130 663	20	130 683
Other liabilities	315 469	(18 303)	297 166	7 614	19 526	27 140	288 071	1 263	289 334
Other liabilities – external	24 333	(8 140)	16 193	6 528	(1 966)	4 562	232 967	(1 999)	230 968
Other liabilities – internal	291 136	(10 163)	280 973	1 086	21 492	22 578	55 104	3 262	58 366
Total liabilities	412 421	(13 311)	399 110	83 915	20 779	104 694	418 734	1 283	420 017
Financial performance (%)									
Return on average equity	26,8		28,3	30,0		29,5	34,6		33,3
Return on average assets	1,28		1,35	2,13		2,07	0,49		0,45
Operating performance (%)									
Net interest margin on average assets	3,25		3,30	4,38		4,70	n/a		n/a
Impairment losses on loans and advances as % of average loans and advances to customers	0,74		0,74	0,23		0,37	0,00		0,00
Non-interest income as % of total operating income	41,4		41,8	36,6		34,6	56,6		57,7
Top-line growth	19,8		18,0	19,0		39,8	51,2		53,6
Cost growth	13,2		11,7	14,1		31,8	39,6		44,7
Cost-to-income ratio	54,5		54,7	52,7		51,8	34,6		35,4
Cost-to-assets ratio	3,1		3,3	3,8		3,7	0,4		0,4

African operations			Bancassurance			Other			Head office and inter-segment eliminations			Absa Group		
(As previously reported)	Reclassifications	(Restated)	(As previously reported)	Reclassifications	(Restated)	(As previously reported)	Reclassifications	(Restated)	(As previously reported)	Reclassifications	(Restated)	(As previously reported)	Reclassifications	(Restated)
3 340	(3 340)	—	—	—	—	471	170	641	163	—	163	455 958	—	455 958
49	(49)	—	—	—	—	(45)	44	(1)	65	—	65	1 469	(465)	1 004
4 820	(4 820)	—	37 526	—	37 526	153 766	(1 595)	152 171	(508 357)	—	(508 357)	183 482	465	183 947
4 781	(4 781)	—	37 386	(2 735)	34 651	(4 476)	34 057	29 581	4 729	—	4 729	183 482	465	183 947
39	(39)	—	140	2 735	2 875	158 242	(35 652)	122 590	(513 086)	—	(513 086)	—	—	—
8 209	(8 209)	—	37 526	—	37 526	154 192	(1 381)	152 811	(508 129)	—	(508 129)	640 909	—	640 909
6 119	(6 119)	—	—	—	—	155	(146)	10	322	—	322	310 512	—	310 512
1 099	(1 099)	—	33 618	—	33 618	148 611	(1 386)	147 224	(506 645)	—	(506 645)	287 837	—	287 837
1 046	(1 046)	—	25 368	(8)	25 360	(8 635)	13 160	4 524	6 230	—	6 230	287 837	—	287 837
53	(53)	—	8 250	8	8 258	157 246	(14 546)	142 700	(512 875)	—	(512 875)	—	—	—
7 218	(7 218)	—	33 618	—	33 618	148 766	(1 532)	147 233	(506 323)	—	(506 323)	598 349	—	598 349
20,1		—	37,8		37,8	n/a		n/a	n/a		n/a	27,2		27,2
1,39		—	4,88		4,88	n/a		n/a	n/a		n/a	1,68		1,68
7,49		—	n/a		n/a	n/a		n/a	n/a		n/a	3,37		3,37
1,47		—	n/a		n/a	n/a		n/a	n/a		n/a	0,58		0,58
32,4		—	101,5		101,5	n/a		n/a	n/a		n/a	47,0		47,0
33,3		—	2,9		2,9	n/a		n/a	n/a		n/a	19,1		19,2
25,3		—	15,5		15,5	n/a		n/a	n/a		n/a	14,6		14,6
60,7		—	35,9		35,9	n/a		n/a	n/a		n/a	51,8		51,7
6,5		—	3,7		3,7	n/a		n/a	n/a		n/a	3,2		3,2

Presentation to the IAS

Absa Group Limited

Financial results
For the year ended 31 December 2008

1

Financial Overview

Jacques Schindehütte
Group Financial Director

2

Financial Highlights

- Attributable earnings of R10,6bn (↑ 10%)
- Headline earnings of R9,9 billion (↑ 5%)
- Diluted headline earnings per share of 1 412 cents (↑ 7%)
- Dividends per share of 595 cents (↑ 6%)
- Net asset value per share of 6 950 cents (↑ 26%)
- Return on equity of 23.4%
- Tier 1 capital ratio of 11.6%

Strong Growth From Commercial & Investment Banking

	Earnings Rm	Earnings growth %	Earnings composition %	RoE %
Retail Bank	3 706	(25)	35	20
Commercial Bank	2 806	30	26	25
Absa Capital	2 249	30	21	21
Bancassurance	1 597	6	15	40
Corporate Centre	691	-	7	-
Preference Dividends	(457)	(46)	(4)	-
Absa Group	10 592	10	100	23

A Resilient Performance

	2008 Rm	2007 Rm	Change %
Net interest income	21 795	18 890	↑ 15
Non-interest income	21 115	16 756	↑ 26
Top line revenue	42 910	35 646	↑ 20
Impairment charge	(5 839)	(2 433)	↑ 140
Operating expenditure	(21 935)	(19 209)	↑ 14
Taxation	(3 966)	(4 052)	↓ 2
Attributable earnings	10 592	9 595	↑ 10
Headline earnings	9 908	9 413	↑ 5

5

Capital and Liability Focus

Assets	2008 Rbn	Growth %
Retail advances	348	11
Commercial Advances	120	33
Absa Capital advances	64	21
Total advances	532	17
Trading assets	79	205
Investments	29	(5)
Other interest bearing	103	5
Other non-interest-bearing	31	1
	774	21

Capital and Liabilities	2008 Rbn	Growth %
Retail deposits	135	32
• High margin	78	11
• Low margin	57	79
Commercial deposits	100	29
Institutional funding	368	7
Other liabilities	107	63
Secondary capital	12	24
Primary capital	52	23
	774	21

6

Interest Margin Remains Under Pressure

Basis Points	Margin Compression
Decline in margin on total assets	35
• Increase in non-interest earning assets	(15)
Decline in margin on interest-earnings assets	20
Represented by:	
• Advances pricing and composition	3
• Endowment impact on capital	7
• Deposit pricing and composition	2
• Cost of wholesale funding	(16)
• Hedging activities	(14)
• Other	(2)

7

Strong Growth in Non-interest Income

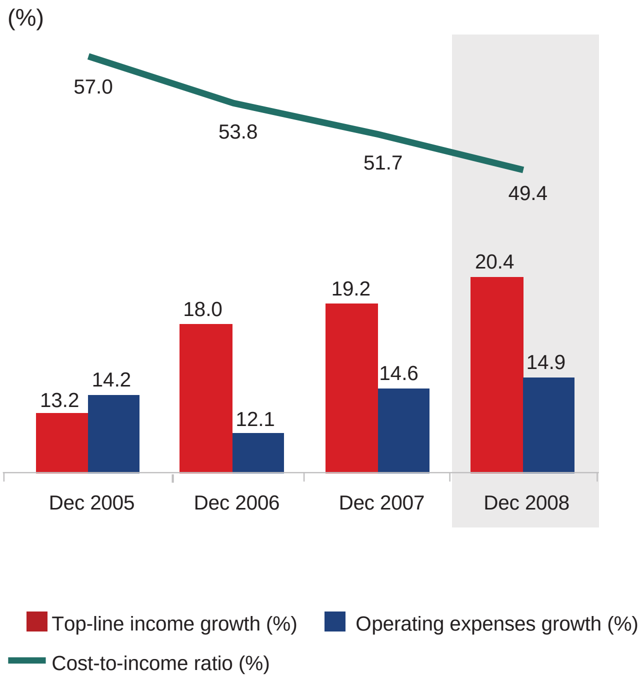
	2008 Rm	Change %	Mix %
Net fee and commission income	13 343	↑ 15	66
Net trading income	2 111	↑ 92	10
Bancassurance – premium income and policyholders' benefits	2 156	↑ 12	11
Hedging activities and other income	1 062	↑ 21	5
Investment income	1 703	↑ 6	8
Non-interest income (excl. Visa IPO)	20 375	↑ 22	100

8

Prolonged Higher Rates Impact on Recovery Values

Impairments	NPLs		Impairment Ratios		
	2008 %	2007 %	2008 %	2007 %	2008 H1 %
Retail Bank	5.0	2.2	1.68	0.74	1.21
• Home loans	5.4	2.2	1.19	0.26	0.81
• AVAF	3.3	1.5	2.31	1.14	1.57
• Card	7.5	7.6	5.65	3.50	4.46
• Instalment / products	9.8	6.5	8.15	5.34	8.01
• Transactional products	3.8	3.4	0.82	0.97	0.85
Commercial Banking	0.9	0.9	0.28	0.37	0.35
Total	3.5	1.8	1.19	0.58	0.93

Improved Cost-to-income Ratio



- Staff rationalisation
- Consolidated regional structures from 10 to 6
- Reduction in head office structures
- Closure of under-performing branches
- Reallocation of under-performing ATM's
- Introduced streamlined processes in collections

Strong Capital Position

Capital Demand	2008 Rbn	Mix %
Credit risk	294	77
• Retail	141	48
• ACBB	69	23
• Absa Capital	55	19
• Africa and other assets	29	10
Operational risk	45	12
Market risk	5	1
Equity risk	37	10
Total RWA's	381	100

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

- Rigorous focus on capital demand and RoEC
- Batho Bonke conversion - June 2009

On Reflection – A Resilient Performance

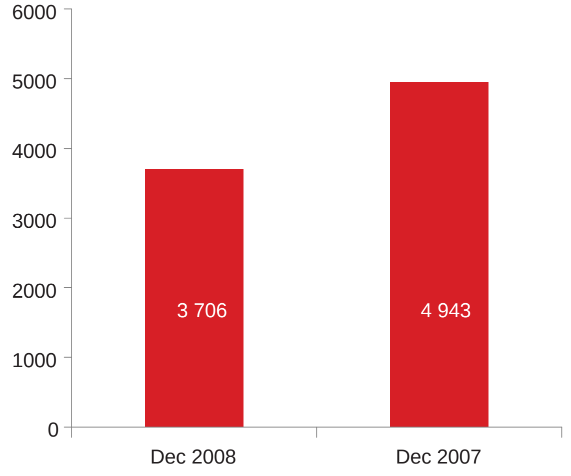
- Non retail businesses excel
- Retail impairments building to a peak but well controlled
- Advances growth and margin under pressure
- Responsive approach to cost management
- Capital and Risk Management intensified

Retail and Commercial Bank Overview

Louis von Zeuner
Chief Executive

Financial Highlights

Attributable Earnings (Rm)



- Revenue of R24.9 billion (↑ 15%)
- Attributable earnings of R3.7billion (↓ 25%)
- Contribution to Group earnings of 35.8% (F07 contribution: 47.8%)
- Sharp rise in impairments of 159%
- Cost to income ratio declines to 54%

Key Performance Highlights

- Largest individual deposit base
- 10 million customers banked with Absa (↑ 12%)
- Strong growth in electronic channels
  - Internet users increased 14% to more than 1 million users
  - Internet transactions increased 25%
  - Cellphone banking transactions increased 74%
- Leading banking brand
- Largest distribution footprint

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Advances Growth Slowing, 32% rise in Deposits

Gross Loans and Advances (Rm)		Dec 2008	Dec 2007	Change %	Market share[1]
Mortgage loans		252 704	225 713	12	→ 1
Vehicle finance		47 798	47 159	1	→ 3
Card advances		19 522	13 831	41	↑ 2
Instalment loans		14 665	12 459	18	↓ 2
Total net loans and advances	Rm	347 084	311 803	11	→ 1
Deposits due to customers	Rm	134 985	101 944	32	↑ 1

[1] Market share per BA900 Jan 08 to Nov08

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Strong Revenue Growth From Unsecured Lending

Total Income (Rm)	Dec 2008	Dec 2007	Change %
Secured			
• Home loans	4 180	3 891	7
• AVAF	2 578	2 350	10
Unsecured			
• Card	3 057	2 476	23
• Instalment loans	4 049	3 087	31
Transactional products and deposits[2]	11 045	9 766	13
Total	24,909	21 570	15

- Increase in overall margin on net assets due to strong retail deposit growth, despite the higher cost of wholesale funding
- Improvement in advances margins due to application of risk based pricing
- Lengthening of average repayment period in home loans
- Transaction volumes in core products increased by 5.2%
- Strong growth in electronic banking volumes

[2] Includes Personal Loans, which was transferred to Unsecured cluster 1 January 2009

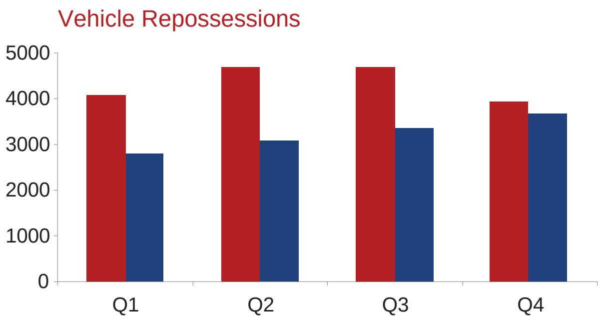
Consumer Distress Impacting Impairment Levels

Impairment Ratio	Dec 2008	Dec 2007	Change %
Secured			
• Home loans	1.19	0.26	358
• AVAF	2.31	1.14	103
Unsecured			
• Card	5.65	3.50	61
• Instalment loans	8.15	5.34	53
Transactional products and deposits[3]	0.82	0.97	(15)
Total	1.68	0.74	127

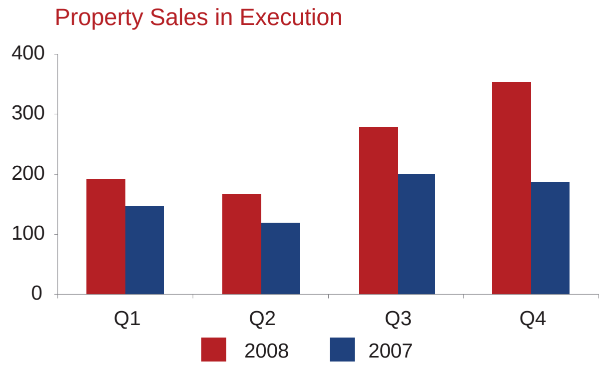
- Sustained period of rising interest rates and high inflation
- Reduced ability of customers to service debt
- Impairments accelerated towards the later part of the year, due to:
  - deteriorating security values
  - lag effect as a result of the maturity of the ABSA book

[3] Includes Personal Loans, which was transferred to Unsecured cluster 1 January 2009

Repossessions Continue to Rise

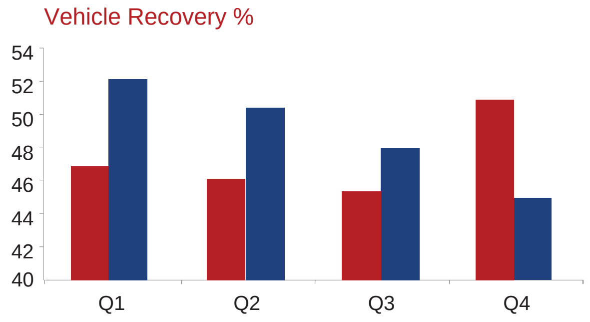


- Number of vehicles repossessed has increased 35% year on year
- Number of vehicles repossessed in Q4 2008 18% down on peak in Q3
- 76% of vehicles repossessed are sold within 60 days

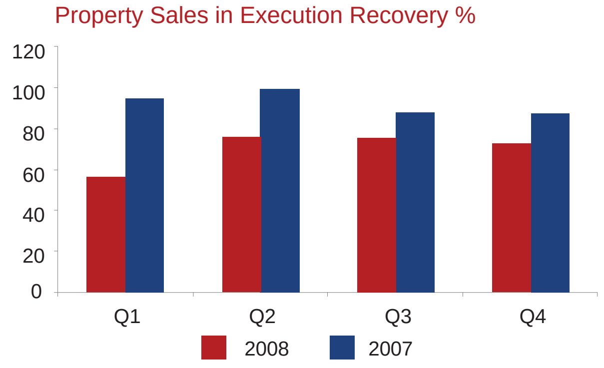


- Number of houses sold in execution has increased 52% year on year
- 90% of houses repossessed are sold within 18 months

Recoveries are Under Pressure



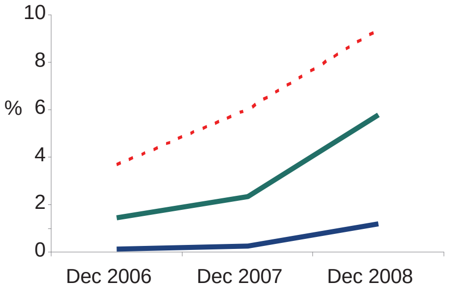
- AVAF recovery as a percentage of debt outstanding is more resilient
- Average sales value per vehicle is up 2% year on year



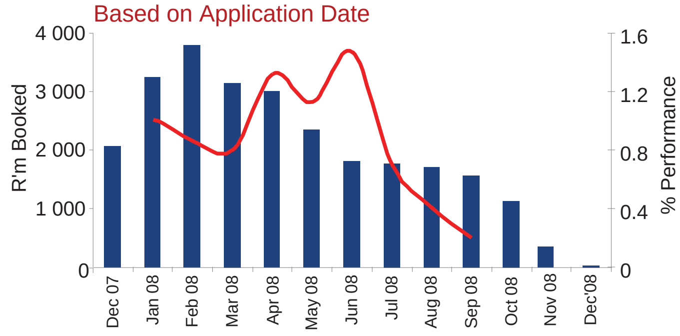
- Sales in execution recovery percentage down from average 91% in 2007 to 77% in 2008
- Sales in execution recoveries expected to continue to decline through 2009

Higher Impairments Driven by Delinquencies and NPL's

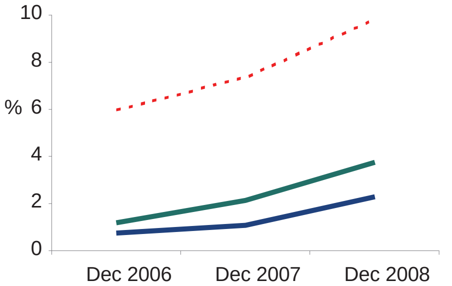
Home Loans



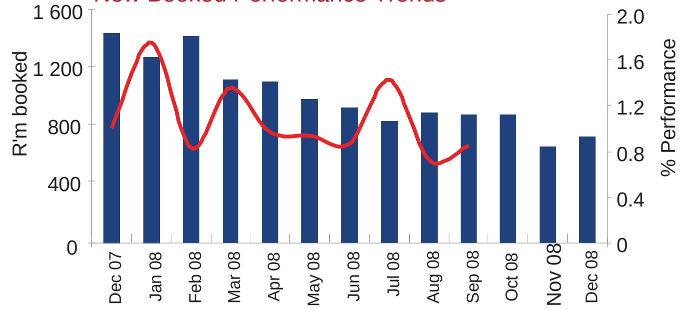
AHL
New Booked Performance Trends
Based on Application Date



AVAF



AVAF Retail
New Booked Performance Trends



Delinquency Ratio   Impairment Ratio   NPL

New Exp   2+ 3 MOB%

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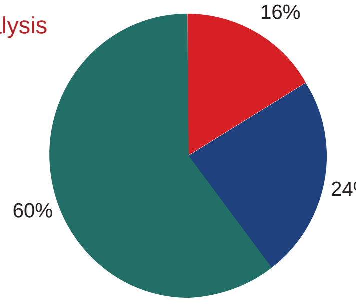
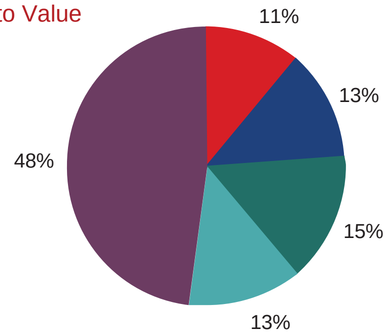
Quality Long Dated Home Loans Book

Age Analysis



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

Loan to Value



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

- 60% of book older than 2 years
- Less than 1 year granted under more stringent criteria
  - Loan to value caps
  - Affordability
  - Ability to repay

- 76% of book has less than 90% LTV
- LTV ratio's will continue to improve with more stringent lending criteria

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Outlook

- Impairments remain a challenge
- Advances growth to slow further
- Risk of rising unemployment
- Slow down in property price growth

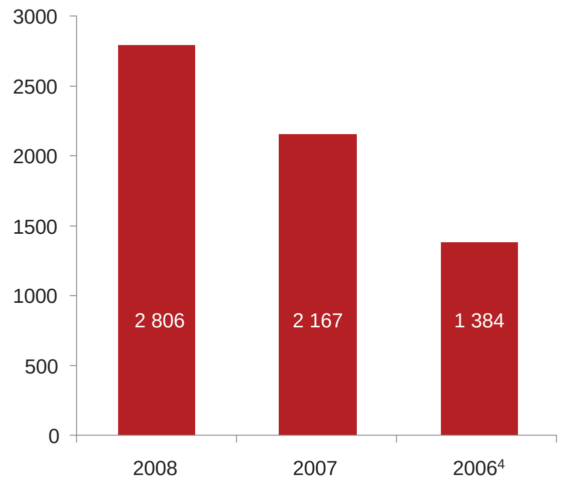
Proactive Risk Management

- Grow retail deposits
- Risk based pricing
- Capitalise on cost management initiatives
- Improve cross sell opportunities

Commercial Bank Overview

Key Highlights - ACBB

Attributable Earnings (Rm)



- Attributable earnings of R2.8billion (↑ 30%)
- Revenue of R8.7billion (↑ 20%)
- Transaction volumes up 10%
- Impairments well controlled, impairment ratio of 0.28 %
- Cost to income ratio improves from 51.8% to 49.8%
- Contribution to Group earnings of 27.1% (F07 contribution: 20.9%)
- Growth in advances of 33.1%
- Deposits up 29.0%

[4] excl CAF & Africa

Strong Advances and Deposit Growth

Abridged Income Statement (Rm)	Dec 2008	Dec 2007	Change %
Net interest	5 937	4 725	26
Non interest income	2 763	2 500	11
Impairments	(287)	(288)	-
Operating costs[5]	(4 402)	(3 752)	17
Profit before tax	4 011	3 185	26
Attributable income	2 805	2 167	29
Abridged Balance Sheet (Rm)			
Loans and advances	120 280	90 340	33
Deposits	100 046	77 554	29

[5] Net of earnings from joint ventures

Outlook

- Marginal rise in impairments
- Advances growth slowing
- Synergies with Absa Capital
- Further product and income diversification

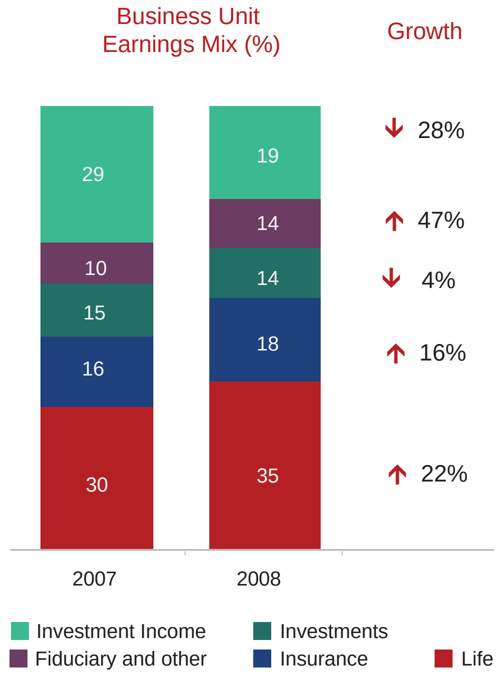
Proactive Risk Management

- Margin Management
- Capital management
- Pricing for Risk
- Containment of Costs

Absa Financial Services Overview

Willie Lategan
Chief Executive

Financial Highlights



- Attributable earnings of R1 597m (↑ 6.3%)
- Operational earnings (↑ 16.4%)
- Investment income contribution to earnings of 19% (FY07: 29%)
- Net inflow of non - money market mandates of R9,4bn (↑ 17%)
- Short term Insurance gross premium income (↑ 19%)
- Embedded value of new business at R331m (2007: R213m) (↑ 55%)

Key Performance Highlights

- Reduced volatility of earnings and reliance on investment income
- Investment performance by Absa Asset Management
- Expansion of distribution capacity
- Scale in Employee benefits business
- Successful product initiatives (@Ease; Absa idirect; MyAbsa)
- Solutions for commercial customers implemented

Absa Life Writing Profitable Business

Life Insurance		Dec 2008	Dec 2007	Change %
Gross premium income	Rm	1 207	1 202	↑ 0.4
Embedded value of new business	Rm	331	213	↑ 55.4
Return on embedded value	%	35.7	21.8	↑ 13.9
CAR ratio		3.6	4.7	Target 2.5x

- Improved new business margins to 7.4% (FY07: 5.3%)
- Continued good underwriting experience
- Successful launching of @Ease, mass market solutions
- Strong growth in branch sales
- Diversification from credit related business, whilst improving cross sell

Insurance Top-line Growth Whilst Maintaining Quality

Short-term Insurance		2008	2007	Change %
Gross premium income	Rm	2 764	2 305	↑ 19.3
Underwriting profit	Rm	263	255	↑ 3.1
Underwriting margin	%	10.2	11.5	↓ 1.3
Solvency margin	%	79.6	89.3	Target 60%

- Growth in both the personal and commercial business
- Successful launching of Absa *idirect* contributed to premium growth
- Turnaround of motor and personal lines to profitability
- Commercial results reflect a challenging environment
- Target solvency margin reduced to 60% of NWP

Core Performance Drivers

- Unique and differentiated Bancassurance business model
- Well diversified portfolio of products & services
- Largest broker distribution network in SA
- Shared infrastructure with Absa Group

Strategic Focus

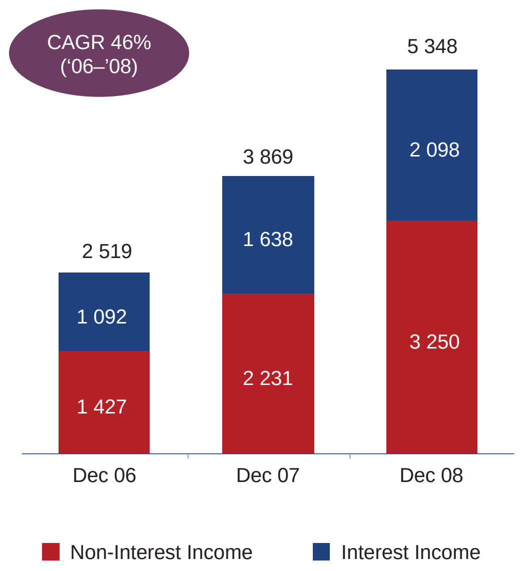
- Drive organic growth by focusing on key customer value propositions
- Accelerate cross sell ratios
- Accumulate assets under management
- Grow distribution capacity
- Improve the retention of existing customers and assets
- Leverage synergies with Absa Group and Barclays
- Grow Africa bancassurance business
- Operational excellence and efficient capital management

Absa Capital Overview

John Vitalo
Chief Executive

Revenue and Attributable Earnings Grew Strongly

Revenue (Rm[6])



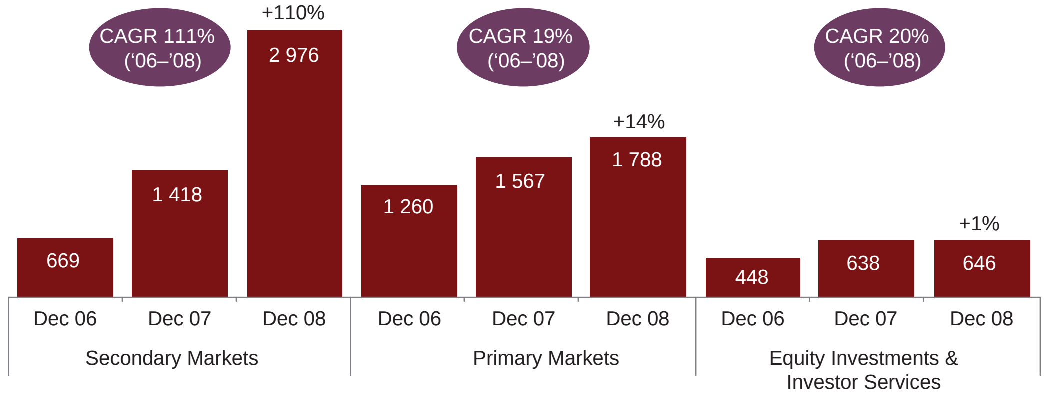
- Revenue of R5.3billion (↑ 38%)
- Attributable earnings of R2.2billion (↑ 30%)
- Contribution to Group earnings of 21.7% (F07 contribution: 16.8%)
- Growth in non-interest income mainly due to continued strength in Secondary Markets

[6] *Gross of impairment losses on loans and advances*

Growth in Revenue Across All Business Units

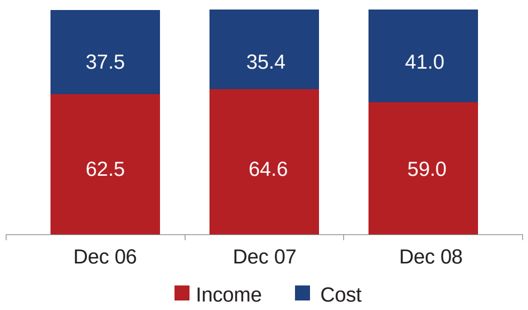
- Strong revenue growth in Secondary Markets
- Primary Markets performed well despite challenging capital market conditions
- Equity Investments and Investor Services delivered revenue on par with prior year with fluctuations offsetting in various business areas
- Strong revenue growth and change in business mix achieved without increase in Risk Weighted Assets

R million

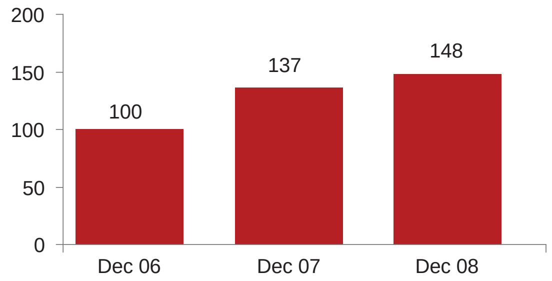


Strong Focus on Cost Management and Productivity

Cost to Income Ratio (%)



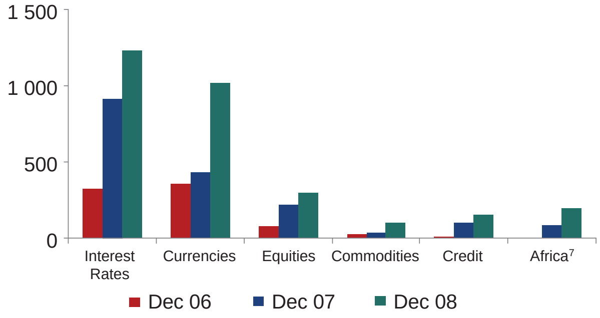
PAT Per Average Head (Indexed to 100)



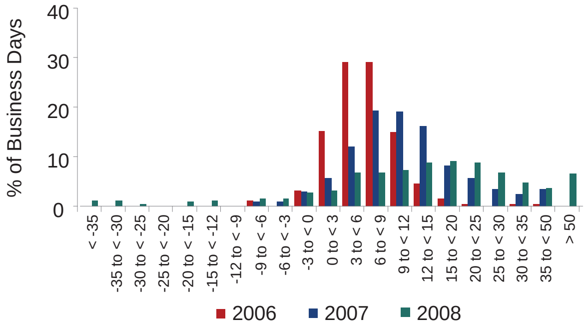
- Business continues to have a strong focus on cost management
- Cost management approach – cost base responsive to revenue conditions
- Productivity per head continues to grow year on year

Secondary Markets Continued to Grow Revenue Rapidly

P&L Distribution Per Significant Product (Rm)



P&L Distribution (Rm)

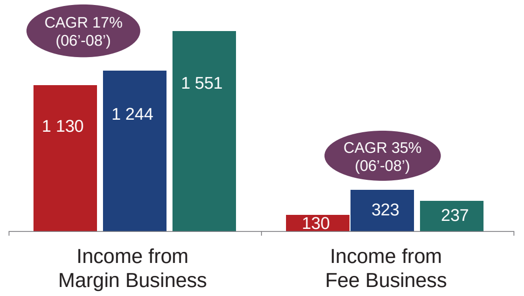


- Revenue growth of 110%
- Contributed 55.0% to Absa Capital's revenue
- P&L distribution has shifted to the right (compared to prior years - increased days with positive P&L)
- Good growth in Sub-Saharan Africa business
- Performance driven by:
  - Increased trading flows from new and existing clients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

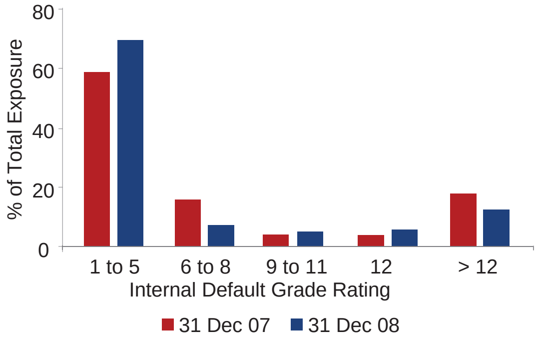
[7] *Sub-Saharan Africa has been included in the 2008 results and restated for 2007; no restatement has been made for 2006*

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

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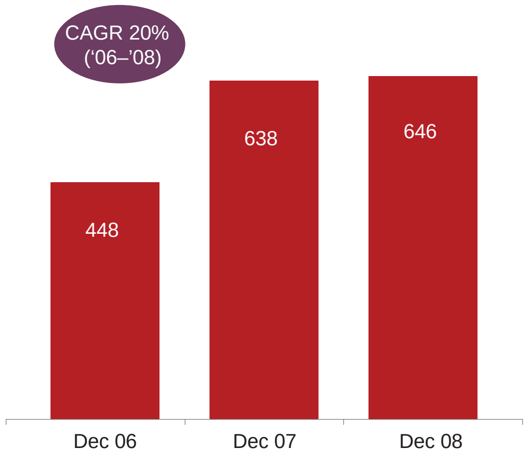
Difficult Conditions for Equity Investments and Investor Services

Revenue (Rm)



- Revenue increased by 1%
- Contributed 11.9% to Absa Capital's revenue
- Performance negatively impacted by equity market conditions
- Fund raising for semi-captive private equity fund remains work in progress
- The Private Equity portfolio is well diversified
- Investor Services core performance solid however Safex clearing business suffered a minor loss due to client defaults on single stock futures

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Strategic Focus Going Forward

- Continue to invest in support infrastructure and robust controls
- Grow the distribution client franchise
- Optimize usage of balance sheet and capital
- Be the employer of choice for top talent
- Increase risk management penetration with our clients
- Develop opportunities with other Absa business units
- Grow Sub-Saharan Africa business

The Way Forward

Steve Booysen
Group Chief Executive

The Incredible Situation in Global Markets

- Global banking conditions under pressure
- Dramatic slowdown in global growth
- Large scale government intervention
- Heightened volatility and risk aversion

Risks to a Recovery in South Africa

- Risk aversion to emerging markets
- Slowdown in growth
- Currency volatility
- Job losses
- The consumer to remain under pressure

Near Term Priorities

Maintain Profitability

- Focus on liability management
- Profitability vs market share
- Maximise cross selling
- Transaction volumes and asset pricing

Preserve Capital

- Specific capital demand targets
- Free cash flow generation
- RWA relief initiatives
- Higher hurdle rates

Risk and Cost Focus

- Disciplined management of book quality
- Scorecard criteria and collections
- Risk limits
- Further cost efficiency initiatives

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Long Term Strategy Remains on Track

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

- 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

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Excellence in Execution Delivers Results

- Earnings diversification
- Risk focus and asset quality
- The retail bank of choice
- Brand and distribution dominance
- Successful strategic alliance with Barclays
- Strong capital position

Addendum

Financial results
For the year ended 31 December 2008

Bancassurance

Life Insurance		2008	2007	Change %
Embedded value	Rm	2 092	2 091	↑ 0.1
Embedded value earnings	Rm	747	543	↑ 37.5
Net operating income	Rm	746	610	↑ 22.3
Net income after tax	Rm	631	524	↑ 20.4

Short-term Insurance				
Loss ratio	%	66.0	61.9	↑ 4.1
Combined loss ratio	%	89.8	88.5	↑ 1.3
Net operating income	Rm	364	316	↑ 15.2
Net income after tax	Rm	497	537	↓ 7.4

Bancassurance

Investments		2008	2007	Change %
Assets under management	Rbn	117	118	↓ 1.1
Net flows (total)	Rm	6 922	16 046	↓ 56.9
Net flows (non - money market)	Rm	9 358	7 989	↑ 17.1
Cost to income	%	52	51	↑ 1.0
Net operating income	Rm	289	300	↓ 3.7
Net income after tax	Rm	213	227	↓ 6.2

Fiduciary				
Assets under management – Trust	Rbn	5 019	5 719	↓ 12.2
Number of wills under custody		1 374 965	1 378 848	↓ 0.3
Members under administration		399 615	309 779	↑ 29.0
Net operating income - Trust	Rm	96	82	↑ 17.1
Net operating income – Employee benefits	Rm	53	44	↑ 20.5
Net income after tax	Rm	123	98	↑ 25.5

Acquisitions as a result of Single Stock Futures Defaults

Share Name	Number of shares (million)	% of Issued Ordinary Shares	Acquisition Cost Rm	Accounting basis
Pinnacle Point Group	1 259.6	28	931.4	Equity accounted
Sekunjalo Investments	84.9	17	36.5	Equity accounted[7]
Blue Financial Services	95.9	16	389.9	Available for sale
ConvergeNet Holdings[8]	86.2	10	86.2	Available for sale
Total			1 444.0	

- Acquisition cost is the market value at date of acquisition
- Acquisition cost per share of Blue Financial Services has been reduced as a result of an additional 23 million shares received from the client in settlement of the default claim
- All default claims have been fully provided against; resulting in a R 52 m charge to the income statement relating to margin shortfalls

[7] Sekunjalo is equity accounted as Absa Corporate and Business Bank already held 9%, taking the total holding to 26%

[8] ConvergeNet Holdings was acquired in early 2009

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Administrative information

Controlling company

Absa Group Limited
(Registration number: 1986/003934/06)
ISIN: ZAE000067237
JSE share code: ASA
Issuer code: AMAGB

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e-mail: groupsec@absa.co.za

Sponsor

Merrill Lynch South Africa (Proprietary) Limited
(Registration number 1995/001805/07)
(Member of the Bank of America Group)
138 West Street, Sandown, Sandton, 2196

Transfer secretaries

South Africa

Computershare Investor Services
(Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, Johannesburg, 2107

ADR depositary

The Bank of New York, Mellon
101 Barclay Street, 22W, New York, NY10286, USA

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Shareholder and investment queries about the
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BASTION GRAPHICS

Absa Group Limited   Financial results for the year ended 31 December 2008