Absa Group Limited Financial results for the year ended 31 December 2009

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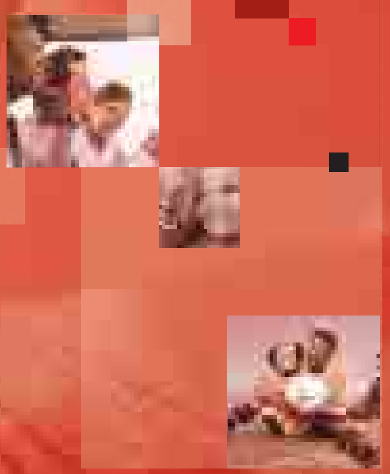
Financial results

for the year ended 31 December 2009



ABSA

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Member of the BARCLAYS Group

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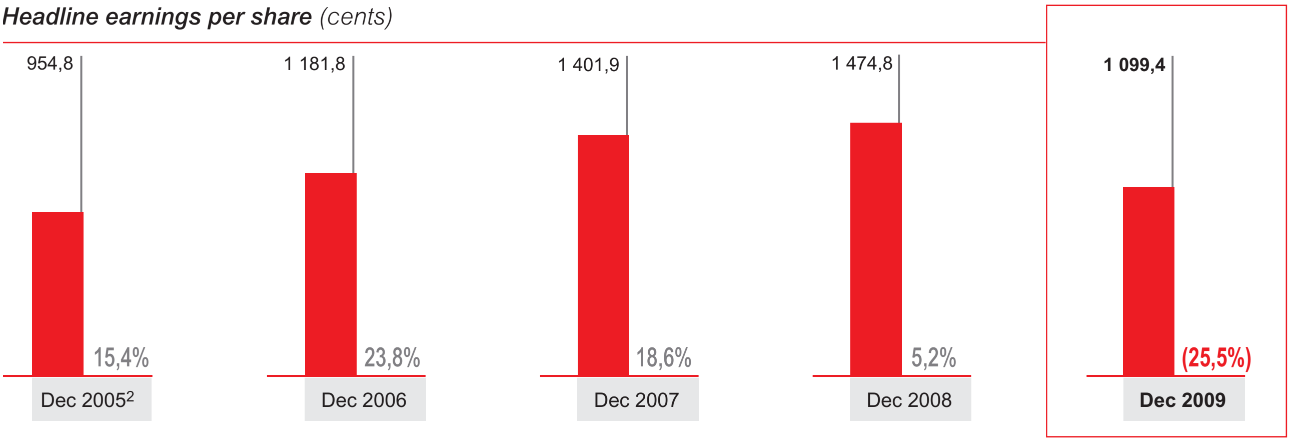
Financial highlights

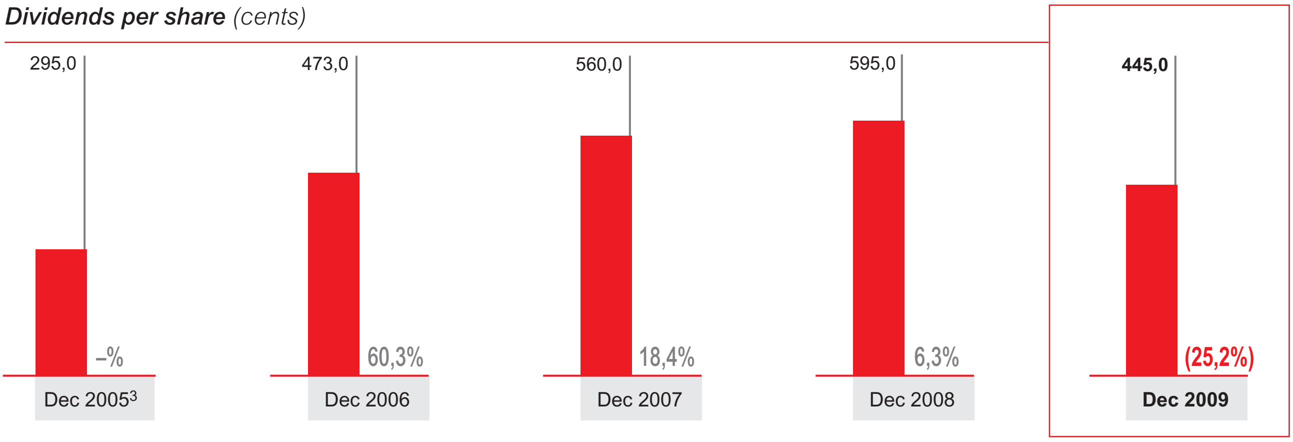
Year ended 31 December

	2009	2008
Total assets	**R717,7 billion**	R774,2 billion
Headline earnings	**R7 621 million**	R9 965 million
Market capitalisation	**R92,3 billion**	R73,6 billion
Number of customers[1]	**11,7 million**	10,7 million
Number of staffed outlets[1]	**1,062**	1,192
Number of ATMs[1]	**8,945**	9,104

***Headline earnings per share** (cents)*



***Dividends per share** (cents)*



Notes

[1]*Including African operations.*

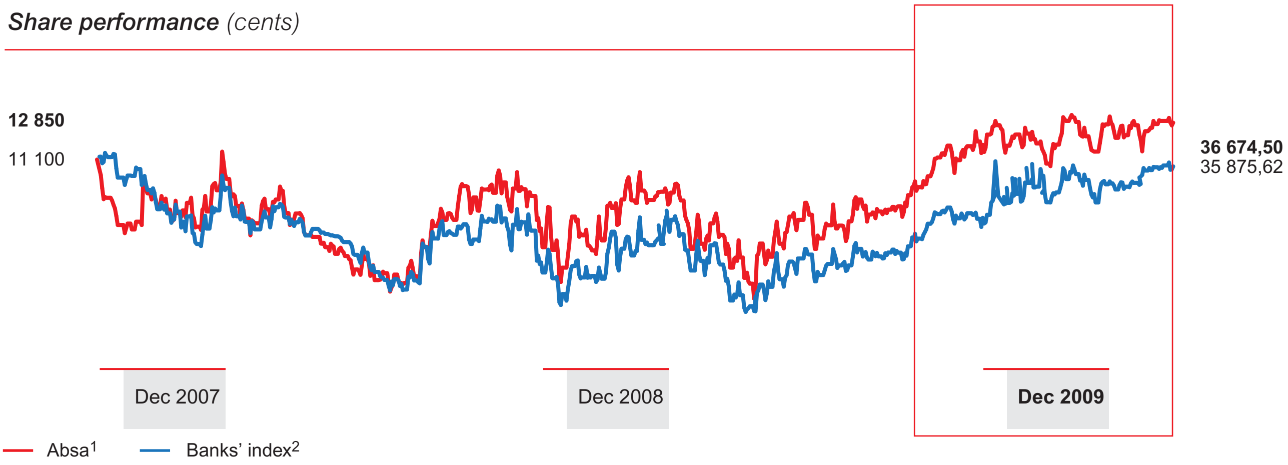
[2]*Pro forma figures (twelve months).*

[3]*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 year ended 31 December 2009 was 23,9%.*

[2]*The Banks' index outperformed Absa's share price by 7,48% during the year ended 31 December 2009. Total return was used to calculate the relative performance (calculated using the dividend yield for the year).*

Share performance on the JSE Limited

	2009	2008	Change %
Number of shares in issue[1]	**718 210 043**	680 278 301	5,6
Market prices (cents per share):			
– closing	**12 850**	10 815	18,8
– high	**13 075**	11 999	9,0
– low	**7 690**	7 900	(2,7)
– average	**11 118**	9 954	11,7
Closing price/net asset value per share (excluding preference shares)	**1,83**	1,55	
Price-to-earnings (P/E) ratio (closing price/headline earnings per share)	**11,7**	7,3	
Volume of shares traded (millions)	**545,3**	551,4	(1,1)
Value of shares traded (R millions)	**59 151,4**	54 635,7	8,3
Market capitalisation (R millions)	**92 290,0**	73 572,1	25,4

Note

[1]*Includes **1 841 624** shares held by the Absa Group Limited Share Incentive Trust (December 2008: 2 400 220), **545 111** shares held by Absa Life Limited (December 2008: 905 111) and **no** shares held by the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust (December 2008: 500).*

Ordinary shares

	2009 %	2008 %
Major ordinary shareholders (top 10)		
Barclays Bank PLC	**55,5**	58,6
Public Investment Corporation	**8,6**	8,5
Batho Bonke Capital (Proprietary) Limited	**5,1**	—
Old Mutual Asset Managers	**3,1**	2,6
Investec Asset Management	**2,7**	1,6
Stanlib Asset Management	**1,7**	2,0
Sanlam Investment Management	**1,4**	1,1
Absa Stockbrokers (Proprietary) Limited[1]	**1,0**	1,1
Investec Securities (Proprietary) Limited (ZA)	**0,8**	n/a
Foord Asset Management	**0,8**	1,1
AXA Financial SA (Bernstein and Alliance)	**n/a**	0,9
Allan Gray Limited	**n/a**	4,1
Other	**19,3**	18,4
	100,0	100,0
Geographical split		
England and Wales	**56,5**	59,1
South Africa	**31,8**	31,0
United States	**4,7**	4,1
Other countries	**4,5**	3,9
Below threshold	**2,5**	1,9
	100,0	100,0

Note

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

Preference shares – unlisted

Batho Bonke Capital (Proprietary) Limited and the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust hold **no** (December 2008: 75 260 000) redeemable cumulative option-holding preference shares.

Black economic empowerment (BEE) transaction

During the year under review shareholders approved the realisation and execution of the Batho Bonke Capital (Proprietary) Limited (Batho Bonke) transaction which was achieved by:

- A specific repurchase and cancellation by Absa of 49,9% of the Group's redeemable cumulative option-holding preference shares held by Batho Bonke on 15 June 2009, which resulted in a cash outflow of R1 062 million;
- An issue by Absa of approximately 36,6 million ordinary shares arising from the exercise by Batho Bonke of 50,1% of the options attached to the Group's redeemable cumulative option-holding preference shares held by Batho Bonke on 15 June 2009; and
- A provision by Absa of a three-month bridging funding facility (1 June 2009 to 1 September 2009), amounting to R1 686 million for the Batho Bonke option exercise, which was repaid on 1 September 2009.

Refer to page 47 for more information.

Shareholders' diary

As at 31 December 2009

Financial year-end	31 December 2009
Annual general meeting	21 April 2010

Announcements

Announcement of the final results	16 February 2010
Announcement of the interim results[1]	5 August 2010

Dividends

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Final December 2009	16 February 2010	5 March 2010	8 March 2010	12 March 2010	15 March 2010
Interim June 2010[1]	5 August 2010	20 August 2010	23 August 2010	27 August 2010	30 August 2010

Note

[1]*Subject to change.*

Year ended 31 December

	2009 (Audited)	2008[1] (Audited)	Change %
Statement of comprehensive income (Rm)			
Headline earnings[2]	**7 621**	9 965	(23,5)
Profit attributable to ordinary equity holders of the Group	**6 840**	10 666	(35,9)
Statement of financial position (Rm)			
Total assets	**717 740**	774 157	(7,3)
Loans and advances to customers	**503 630**	532 144	(5,4)
Deposits due to customers	**350 757**	382 281	(8,2)
Off-balance sheet (Rm)			
Managed funds	**155 114**	125 100	24,0
Financial performance (%)			
Return on average equity	**15,5**	23,4	
Return on average assets	**1,02**	1,38	
Operating performance (%)			
Net interest margin on average assets	**2,92**	3,06	
Net interest margin on average interest-bearing assets	**3,74**	3,81	
Impairment losses on loans and advances as % of average loans and advances to customers	**1,74**	1,19	
Non-performing advances as % of loans and advances to customers[1]	**7,0**	4,1	
Non-interest income as % of total operating income	**48,1**	48,5	
Cost-to-income ratio	**49,6**	49,2	
Effective tax rate, excluding indirect taxation	**23,8**	26,1	
Share statistics (million)			
Number of shares in issue	**718,2**	680,3	
Weighted average number of shares	**693,2**	675,7	
Weighted average diluted number of shares	**711,5**	702,8	
Share statistics (cents)			
Earnings per share	**986,7**	1 578,5	(37,5)
Diluted earnings per share	**962,2**	1 519,9	(36,7)
Headline earnings per share	**1 099,4**	1 474,8	(25,5)
Diluted headline earnings per share	**1 072,0**	1 420,2	(24,5)
Dividends per ordinary share relating to income for the year	**445,0**	595,0	(25,2)
Dividend cover (times)	**2,5**	2,5	
Net asset value per share	**7 038**	6 998	0,6
Tangible net asset value per share	**6 865**	6 857	0,1
	(Unaudited)	(Unaudited)	
Capital adequacy (%)[3]			
Absa Bank	**14,7**	14,0	
Absa Group	**15,6**	14,1	

Notes

[1]*December 2008 comparative has been restated. Refer to pages 79 to 82. The non-performing advances ratio's comparative has also been restated, refer to page 49 for the revised disclosure.*

[2]*After allowing for **R421 million** (December 2008: R457 million) profit attributable to preference equity holders of the Group.*

[3]*Refer to pages 60 to 61 for the capital adequacy section reflecting the Tier I and Tier II capital ratios.*

Group financial reporting structure

As at 31 December 2009

Absa Group Limited

Retail banking

- Retail Bank[1]
- Absa Home Loans (including Repossessed Properties[2])
- Absa Card
- Absa Vehicle and Asset Finance (AVAF)
- AllPay Consolidated Investment Holdings (Proprietary) Limited
- Africa Retail[3]
  - Barclays Bank Mozambique (BBM)
  - National Bank of Commerce Limited (NBC) (Tanzania)
- Meeg Bank Limited[4]
- Woolworths Financial Services (Proprietary) Limited

Corporate and commercial banking

- Absa Corporate and Business Bank (ACBB)
- Absa Development Company Holdings (Proprietary) Limited
- Commercial Asset Finance (CAF)
- Africa Corporate[3]
  - Barclays Bank Mozambique (BBM)
  - National Bank of Commerce Limited (NBC) (Tanzania)
- Absa Bank London – Business Bank[5]

Investment banking

- Absa Capital
- Absa Wealth[6]
- Africa Treasury[3]
  - Barclays Bank Mozambique (BBM)
  - National Bank of Commerce Limited (NBC) (Tanzania)
- Absa Bank London – Corporate[5]

Notes

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

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

[3] *The Group's African operations segment has been allocated to the various segments where those businesses are managed in terms of IFRS 8. Banco Comercial Angolano (Angola) has been disposed of during the year under review.*

[4] *The business of Meeg Bank Limited was divisionalised into Absa Bank Limited during the year under review.*

[5] *Absa Bank London's results have been allocated toCorporate and commercial, Investment banking as well as Other Group activities in terms of IFRS 8.*

[6] *Absa Wealth was moved from Retail banking to Investment banking during the year under review. Absa Wealth caters for the needs of the high net worth market.*

[7] *Absa Manx Insurance Company Limited was moved from Bancassurance to Other Group activities during the year under review.*

Bancassurance

Insurance

Absa Life Limited

Absa Insurance Company Limited

Absa “iDirect” Limited

Investments

Absa Asset Management (Proprietary) Limited

Absa Fund Managers Limited

Absa Investment Management Services (Proprietary) Limited

Absa Mortgage Fund Managers (Proprietary) Limited

Absa Portfolio Managers (Proprietary) Limited

Absa Stockbrokers (Proprietary) Limited

Fiduciary

Absa Consultants and Actuaries (Proprietary) Limited

Absa Health Care Consultants (Proprietary) Limited

Absa Trust Limited

Other

Absa Insurance and Financial Advisors (Proprietary) Limited (formerly Absa Brokers (Proprietary) Limited)

Other Group activities

– Corporate Real Estate Services (CRES)

– Absa Manx Insurance Company Limited[7]

International operations

– Absa Bank London[5]

Profit and dividend announcement

Performance highlights

- Headline earnings per share (HEPS) declined by 25,5% to 1 099,4 cents per share
- Earnings per share (EPS) declined by 37,5% to 986,7 cents per share
- Impairment charge increased by 53,6% to R8 967 million
- Return on average equity (RoE) of 15,5%
- Net asset value (NAV) per share increased by 0,6% to 7 038 cents per share
- Cost-to-income ratio at 49,6%
- Final dividend of 220 cents per share declared
- Capital adequacy ratio improved to 15,6%

Overview

The Absa Group recorded a decline of 23,5% in headline earnings to R7 621 million for the year ended 31 December 2009. HEPS decreased by 25,5% to 1 099,4 cents per share and fully diluted HEPS decreased by 24,5% to 1 072,0 cents per share. Attributable earnings declined by 35,9% to R6 840 million.

Rising credit impairments and the effect of adverse market conditions were the primary reasons for the decline in headline earnings across the Group. In addition, the Group recorded significant impairments against the carrying value of investments acquired after a single stock futures trading default by a broker. Within the context of a demanding economic environment, total revenues reflected a resilient performance, declining only marginally, while sound cost control enabled the Group to cushion the effect of increased impairments. Customer numbers and transaction volumes continued to grow; and interest margins improved during the second half of 2009.

The Retail bank recorded a 21,1% decline in earnings with credit impairments rising by 40,8% to R7 778 million. Revenue increased by 4,9% following strong growth in net fee and commission income. Operating expenditure was limited to the level of the previous year, showing a 0,8% year-on-year increase.

The earnings of the commercial bank declined by 17,9% following a large rise in credit impairments from the low base in 2008. Revenues were stable and operating expenditure increased by only 1,1% compared to the previous year.

The earnings of Absa Capital declined sharply to R288 million as a result of the impairment of the carrying value of investments acquired after the Single Stock Futures trading default by a broker; as well as the decline in the value of the private equity portfolio. Operating earnings were marginally down following a 1,9% growth in Markets revenue offset by subdued activity in the capital and debt markets.

Bancassurance posted a 15,2% decrease in earnings impacted by a deteriorating short-term insurance claims experience and additional investment in the distribution capacity. Revenue demonstrated robust growth following increases of 10,7% and 15,3% in net insurance premiums and net fee and commission income respectively. Absa Investments achieved strong growth in assets under management, supported by the acquisition of significant institutional mandates during 2009.

Notwithstanding the difficult environment and trading conditions, the Group maintained its healthy capital position with a Tier 1 capital ratio of 12,7% and total capital ratio of 15,6% as at 31 December 2009; both were well above the targets set by the Group board and minimum regulatory requirements.

A final dividend of 220 cents per share was declared, representing a dividend cover of 2,5 times.

Operating environment

The beginning of the year was characterised by a sharp fall in economic activity in South Africa with growth declining by 6,4% (annualised) in the first quarter. Domestic economic activity, however, showed signs of renewed growth in the third quarter with gross domestic product (GDP) rising 0,9% (annualised). Early signs of a global recovery helped to boost South Africa's net export position during 2009, even as domestic consumption, which fell by 1,7% (annualised) during the third quarter, continued to show signs of stress. Despite continued public sector support for the economy through direct spending and infrastructure investment, lower levels of business confidence and a higher degree of uncertainty over the economic environment led to continued contraction of private sector capital formation.

Recent economic data shows that household consumption spending reduced throughout 2009, as household finances felt the impact of significant employment losses through declining household incomes. The reduction of the prime rate by 500 basis points from December 2008 to August 2009 resulted in a reduction in debt-service payments for households and corporates alike. The deleveraging of consumer and corporate balance sheets is evidenced in the significant decline in the demand for credit.

Group performance

Statement of fnancial position

The Group's asset base as at 31 December 2009 decreased by 7,3% over the year to R717,7 billion, largely due to a decline in loans and advances to customers and in trading portfolio assets.

Loans and advances to customers

Loans and advances to customers decreased by 5,4% to R503,6 billion. The Retail bank, with 64,9% of total advances, recorded a decline of 3,1% in advances, resulting mainly from reduced demand for credit and proactive credit risk management.

The commercial bank maintained advances at the previous year's level. Risk management and reduced appetite for credit were the underlying factors affecting commercial banking advances growth during the year.

Net asset value

The Group's net asset value per share increased by 0,6% to 7 038 cents per share during the year. The net asset value was positively impacted by the successful conclusion of the Batho Bonke transaction which resulted in a net increase of R1 417 million after a reduction of R1 089 million in retained earnings due to the repurchase of the preference shares held by Batho Bonke. Net asset value was further positively impacted by the surplus capital generated from net profits after the payment of ordinary dividends amounting to R3 800 million. The higher capital level of the Group and lower attributable earnings resulted in a lower RoE of 15,5% at 31 December 2009 compared with 23,4% in the previous year.

Capital to risk-weighted assets

During the year under review, the Group improved its healthy capital adequacy position. As at 31 December 2009, the capital adequacy ratios of the Group were 11,5% (31 December 2008: 10,4%) at a Core Tier 1 level, 12,7% (31 December 2008: 11,6%) at Tier 1 level, and the total capital adequacy ratio was 15,6% (31 December 2008: 14,1%). Absa Bank's Core Tier 1 ratio, as at 31 December 2009, was 10,3% (31 December 2008: 9,7%), the Tier 1 ratio was 11,6% (31 December 2008: 11,0%) and the total capital adequacy ratio was 14,7% (31 December 2008: 14,0%).

Statement of comprehensive income

Net interest income

Net interest income decreased by 1,1% to R21 854 million, resulting from a decline in advances as well as margin pressure.

Whilst the Group was able to largely withstand the pressure on interest margins due to better pricing for liquidity and credit risk and the management of interest rate risk, the net interest margin on average interest-bearing assets contracted 7 basis points year-on-year to 3,74%. The contraction in the margin was primarily due to:

– the extent and speed of interest rate declines during the first half of the year which resulted in a repricing mismatch between prime-linked assets and term-linked liabilities;
– the increased cost of wholesale funding as a result of the volatility in global financial markets; and
– the endowment impact on capital and selected retail and commercial deposits arising from the lower interest rate environment.

Non-interest income

Whilst non-interest income decreased by 2,8% to R20,2 billion, net fee and commission income increased 7,1% to R14,3 billion. The Retail bank grew net fee and commission income by 10,9% due to higher customer numbers and improved utilisation of the various distribution channels.

Business activity levels in the Bancassurance operations continued to grow. During the year, net premium income increased by 10,7%, fees and commissions by 15,3% and assets under management by 19,8%. However, claims and benefits paid to customers rose by 16,0% contributing to the decline of 2,0% in Bancassurance net revenue.

Trading income posted growth due to strong revenue generation by the Fixed Income desk. Foreign currency-related transactions by customers tapered off in the second half of 2009. The fair value of private equity investments held by Absa Capital declined by R623 million compared to an increase in value of R715 million during the previous year. The total return on other investments held in the Group was positive, but lower than the previous comparative year.

Credit impairments

Credit impairments, as a percentage of average advances increased to 1,74% from 1,19% in December 2008. The impairment charge to the statement of comprehensive income rose by 53,6% to R8 967 million.

Retail bank impairments increased by 40,8% to R7 778 million. This charge peaked during the third quarter and the credit impairment ratio improved from 2,52% for the first half of the year to 2,13% for the second half of the year. Non-performing advances remained high mainly due to the continued increase of legal balances as well as balances subject to debt counselling, but the level of new delinquencies were on the decline.

Credit impairments in the commercial bank trebled to R872 million during the year under review but losses as a percentage of average advances, at 0,75%, were in line with expectations, given the economic environment.

Other impairments

The Group acquired substantial shareholdings in four companies late 2008 and early 2009 following the failure of a broker client to honour its commitments in respect of Single Stock Futures transactions. An impairment of R1 364 million was raised against these investments following a significant decline in the traded price of these companies. The carrying value of these investments at 31 December 2009 was R147 million.

Operating expenses

With revenue under pressure, a number of tactical cost reduction measures were implemented during the year resulting in cost decreasing by 1,2%. As a result, the cost-to-income ratio was contained at 49,6%.

Lower incentive payments and a reduction in staff numbers resulted in a drop in staff costs of 6,2% to R10 806 million. In addition, several projects were delayed and discretionary expenditure such as marketing, advertising, travelling and entertainment were substantially reduced.

Business unit performance

Retail banking

Attributable earnings for retail banking declined by 21,1% to R2 863 million in a challenging year for the retail sector. This decline in earnings was largely the result of an increase in impairments of 40,8% to R7 778 million. The retail bank was able to increase revenue by 4,9% and maintain costs at 2008 levels, thereby improving the cost-to-income ratio from 54,4% to 52,3%.

Advances declined by 3,1% following lower customer demand and lower approval rates. Secured lending products remained at 86,2% of the total advances book.

Customer deposits grew by 3,9% to R133,0 billion with growth in both the low and higher margin categories. Deposit margins declined following the lower interest rate environment coupled with the higher yielding products offered. The retail bank was able to reduce the advances-to-deposits ratio from 2,64 at December 2008 to 2,46 in December 2009, resulting in a lower wholesale funding requirement.

The overall interest margin on net assets remained flat compared to the previous year. This is attributed to a focus on higher margins on new business, the reduction in the dependency on wholesale funding and a focus on balance sheet management.

Transaction revenue increased by 10,9% during the year and the trend for customers to move from traditional banking to electronic banking channels continued. The retail bank's digital channels registered a 112,0% growth in cellphone banking customers from December 2008. NotifyMe customers grew by 36,0% and electronic statement delivery by 76,0%. Internet banking customers increased by 11,0% during the year.

The impairments ratio increased from 1,72% in December 2008 to 2,34% in December 2009. The overall impairment charge rose by 40,8% from R5 523 million in December 2008 to R7 778 million in December 2009. This was due mainly to higher impairments from Absa Home Loans that increased by R1 396 million, while Absa Card increased by R513 million and other loan products increased by R579 million.

Absa Corporate and Business Bank

The commercial bank's attributable earnings decreased by 17,9% to R2 317 million. Rising impairments in all sectors had a significant impact on profits.

Net interest income decreased by 3,6% to R5 609 million, resulting from higher funding costs, lower advances growth and downward pressure on deposit margins.

The commercial bank remained committed to growing deposits and achieved year-on-year growth of 4,6%, despite the lack of market liquidity. Competition remained high and margins consequently decreased during the year.

Transaction volume growth was underpinned by a 1,6% increase in customer numbers as well as the implementation of improved cash and electronic banking solutions for customers, which increased by 19,0% and 17,4% respectively. Transaction income on cheque and corporate overdraft accounts increased by 7,4% and electronic banking fees by 19,2% representing, in total, 65,9% of net fee and commission income. This was partly offset by a decrease in Commercial Property Finance (CPF) fees linked to lower CPF payouts, lower derivative product income, and decreased sales of development land resulting from the slowdown in the property market. The equity portfolios within this business returned to stable levels of performance compared to 2008.

Absa Capital

Attributable earnings for Absa Capital declined by 87,3% to R288 million. Headline earnings declined by 44,1% to R1 272 million, from R2 276 million in the previous year. The difference between the decline in headline and attributable earnings relates to the R987 million (after tax) impairments against the value of equity positions acquired resulting from Single Stock Future defaults in 2008.

The Markets business continued to grow, with revenue increasing by 1,9% to R3 264 million. Increased customer flows in derivative products, together with proactive risk management, generated exceptional growth in Fixed Income and Equities revenues. Foreign Exchange revenue, however, was negatively impacted by subdued client activity and lower market volatility, resulting in fewer trading opportunities. The sub-Saharan Africa franchise continued to develop, generating increased trading and client revenues.

The revenue of the Investment Banking business during the year declined by 6,2% to R1 794 million despite a strong increase in fee revenue. This was as a result of reduced margin income due to improved asset quality and higher funding costs.

The Private Equity and Infrastructure Investments business unit recorded negative revenue of R1 191 million due principally to a decline of R623 million in the value of the portfolio and funding costs of R607 million.

Absa Wealth, a business unit providing a full range of onshore and offshore wealth management services to the high and ultra-high net-worth market, was previously reported under the retail bank and is included under Absa Capital. Gross revenue showed good growth of 8,4% year-on-year. The value of client funds under advice increased, reflecting the strengthening client franchise. The business continued to invest in talent, product and infrastructure platforms to drive future growth.

Bancassurance

Bancassurance recorded a 15,2% decline in attributable earnings to R1 284 million (2008: R1 515 million), but achieved a RoE of 37,9%. The decline in attributable earnings was driven by lower operating income, which declined by 11,4% to R1 426 million for the year under review. The operating performance was particularly impacted by increases in short-term insurance claims in the second half of the year. Investment income on shareholders' funds declined by 11,5% to R317 million, reflecting a lower interest rate environment in the year under review.

Absa Life's gross premium income increased by 14,8% to R1 386 million. Continued diversification of the product range to stand-alone risk products for the Affluent segment, an improvement in penetration rates on most product lines, as well as the establishment of new distribution channels for protection solutions in the entry level market contributed to this growth. Embedded value of new business declined by 11,2% to R294 million whilst embedded value earnings of R543 million to December 2009 represented a return on embedded value (ROEV) of 26,0%.

Absa Investments continued to develop its core competencies, and leveraged the strength of the Absa brand to grow its market share. A number of Absa unit trusts were rated in the first quartile performance over one-year and three-year periods. Absa Investments grew assets under management and administration (AUM) by 31% to R153 billion. Total net inflows amounted to R24,9 billion, supported by the acquisition of significant institutional mandates during the period under review. Operational efficiencies in Absa Investments resulted in an improvement in the profit margin from 26,0 basis points to 31,4 basis points.

Absa Insurance and Absa iDirect produced a robust performance with growth in the personal lines and commercial businesses contributing to growth in gross premium income of 10,1% to R3 042 million. The impact of adverse weather conditions, as well as increases in fire-related claims in the commercial property portfolio in the second half of the year, contributed to the deterioration of the loss ratio to 69,9% from 66,0% in 2008. Whilst the underwriting performance declined, the business remains profitable and an underwriting margin of 3,8% was achieved.

Prospects

The economic outlook remains challenging both globally and on the domestic front. Whereas we expect to see a return to growth in the domestic economy supported by a modest upturn in consumption and continued investment in infrastructure spending by government, a number of risks remain. The weak employment market, high levels of existing debt and concern about the sustainability of the global recovery continue to weigh on sentiment. Business volumes are, therefore, likely to show muted growth.

Basis of presentation and changes in accounting policies

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

The following amendments to published standards affected the Group during the year:

Revised *IAS 1 – Presentation of Financial Statements* separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

Amended *IFRS 7 – Financial instruments: Disclosure* requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by observability and significance of inputs using a three-level hierarchy for each class of financial instrument. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures are presented in the notes to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments.

In May 2008 the International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarify wording. There are separate transitional provisions for each amendment. The adoption of the following amendment resulted in a change to accounting policy but did not have any impact on the financial position or performance of the Group.

IAS 23 – Borrowing costs has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. In accordance with the transitional requirements of the Standard, this has been adopted as a prospective change. Borrowing costs have been capitalised on qualifying assets from 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

The Group early adopted *AC 504 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction in the South African Pension Fund Environment* (AC 504). This early adoption resulted in the Group recognising its defined benefit surplus as an asset retrospectively. AC 504 required the Group to assess whether it had an unconditional right to the surplus. This right specifically relates to the surplus once the scheme has run off in the normal course of business. The effective date for AC 504 is financial periods starting on or after 1 April 2009, however the Group elected early adoption as this guidance was published before the Group's year end and seeks to clarify an existing accounting pronouncement.

Changes in accounting policies

The Group changed its accounting policy in accordance with the allowed alternative in *IAS 19 – Employee Benefits* (IAS 19) to recognise actuarial gains and losses on the Group's defined benefit pension plan. As a result of this change in accounting policy, any adjustments to the surplus or deficit by applying the limit to the asset in accordance with IAS 19 will also be recognised in other comprehensive income. This new policy results in more relevant information on the Group's performance by removing the volatility from changes in actuarial assumptions and reserves.

Restatements

The fair values of certain assets acquired as part of business combinations were determined provisionally in the prior year. The fair value of these assets was finalised and adjusted in the current year in terms of the Group's election to utilise a 12-month window period as allowed by *IFRS 3 – Business Combinations*.

Reclassifications

The following reclassification has been effected to the Group's prior year disclosures:

Gains and losses from financial instruments, used as part of the Group's interest rate management, have been reclassified to net interest income from gains and losses from banking and trading activities, in line with the Group's accounting policy. This reclassification eliminates mismatches previously experienced between these two statements of comprehensive income lines.

The Group's results for the year ended 31 December 2009 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.

On behalf of the Board

M Ramos

Group Chief Executive

DC Brink

Group Chairperson

16 February 2010

Johannesburg

Declaration of final ordinary dividend number 47

Shareholders are advised that a final ordinary dividend of 220 cents per ordinary share was announced today, Tuesday, 16 February 2010, bringing the total dividend for the year to 445 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, 12 March 2010.

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, 5 March 2010
Shares commence trading ex dividend	Monday, 8 March 2010
Record date	Friday, 12 March 2010
Payment date	Monday, 15 March 2010

Share certificates may not be dematerialised or rematerialised between Monday, 8 March 2010, and Friday, 12 March 2010, both dates inclusive.

On Monday, 15 March 2010, 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 15 March 2010 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will be credited on Monday, 15 March 2010.

On behalf of the Board

S Martin

Group Secretary

16 February 2010

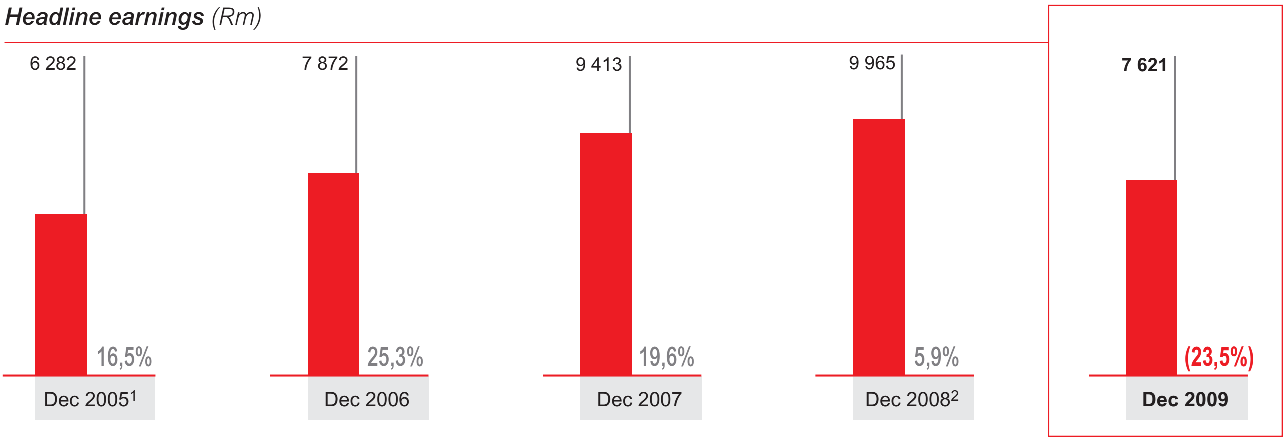
Johannesburg

Performance indicators

Headline earnings

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

Headline earnings *(Rm)*



Notes

[1]*Pro forma figures (twelve months).*
[2]*December 2008 comparative has been restated. Refer to pages 79 to 82.*

Performance:

The Group's headline earnings declined by 23,5%, from R9 965 million in 2008 to R7 621 million in 2009. The compounded annual growth rate over the past five years was 8,1%, compared to 18,9% for the five years ending December 2008.

Headline earnings of R7 621 million for the year exceeded attributable earnings by R781 million. The main headline earnings adjustments were:

– the impairment of equity exposures to Pinnacle Point Group (R931 million before tax), Blue Financial Services (R394 million before tax), Sekunjalo Investments (R36 million before tax) and ConvergeNet Holdings (R37 million before tax); and
– gains on the sale of the MasterCard shareholding amounting to R217 million before tax.

Some of the successes achieved in protecting the Group's earnings during the global banking and economic crisis included:

– Protection of the margin by focusing on client advances pricing and hedging strategies.
– Enabling Retail and commercial deposit growth in a difficult environment through product innovation.
– Growing Retail banking transactions, resulting in net fee and commission income growth of 10,9%.
– Growing assets under management (24,0%), mostly in the Group's Bancassurance operations.
– Managing high credit impairment levels by addressing collections capabilities coupled with the pro-active engagement of customers.
– Maintaining operational costs at 2008 levels.

Earnings were negatively impacted by:

– The impairment of equity exposures arising from Single Stock Future defaults (R1 364 million before tax). These impairments are excluded from headline earnings.
– Poor performance on equity markets, which impacted negatively on Absa Capital's private equity portfolio (revenue of R356 million in 2008 turned into a loss of R1 191 million during 2009).

RoE decomposition[1]

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

	Note		**2009 %**		2008 %
Net interest/interest-bearing assets			**3,74**		3,81
		multiply		multiply	
Interest-bearing assets/total assets			**0,78**		0,80
		equals		equals	
Net interest yield	2		**2,92**		3,06
		plus		plus	
Non-interest yield	3		**2,70**		2,88
		equals		equals	
Gross yield			**5,62**		5,94
		less		less	
Impairment losses	4		**1,20**		0,81
		equals		equals	
Risk-adjusted yield			**4,42**		5,13
		less		less	
Operating expenses	5		**2,78**		2,92
		less		less	
Other impairments and indirect taxation	6		**0,31**		0,10
		less		less	
Taxation expense			**0,31**		0,55
		less		plus	
Share of retained (losses)/earnings from associates and joint ventures			**0,01**		0,01
		less		less	
Minority interest			**0,09**		0,09
		plus		less	
Headline earnings adjustments			**0,10**		0,10
		equals		equals	
Return on average assets (RoA)	7		**1,02**		1,38
		multiply		multiply	
Gearing (average assets/average equity)	8		**15,24**		16,97
		equals		equals	
Return on average equity (RoE)	1		**15,5**		23,4

Note

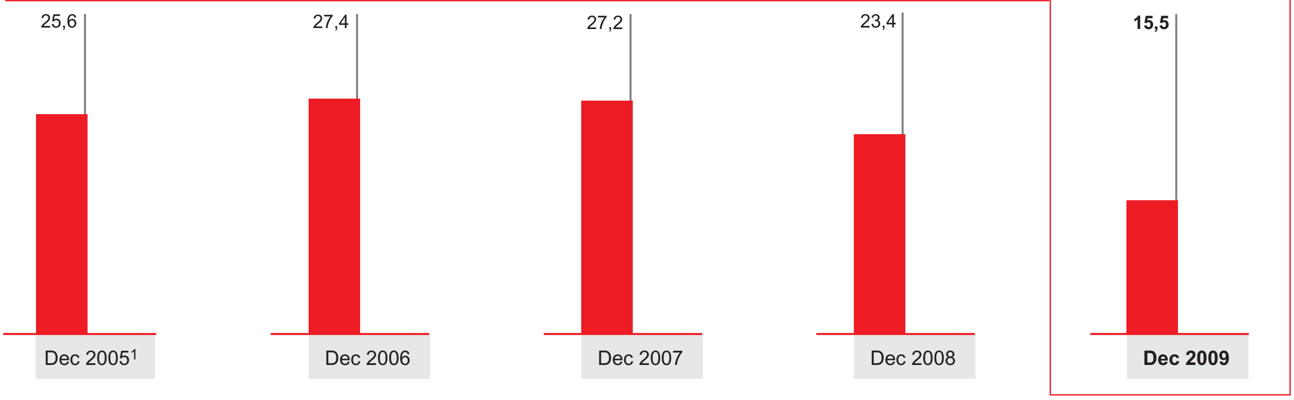
[1]*Calculated as a % of average total assets.*

Performance indicators

1. Return on average equity

Objective: RoE of 6% above the cost of equity (CoE). Return on average economic capital (RoEC) is 8% above CoE.

Return on average equity (%)



Note

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

Performance:

The Group's RoE is calculated based on headline earnings, consistent with previous years. The Group's RoE was 15,5% for the year under review (2008: 23,4%), which is marginally higher than the Group's cost of equity (CoE) of 14,0%. The lower RoE is a function of a lower return on average assets (RoA) coupled with a lower gearing ratio.

Return on average economic capital (RoEC) for the year was 18,2%. The same ratio for the previous financial year was 24,0%.

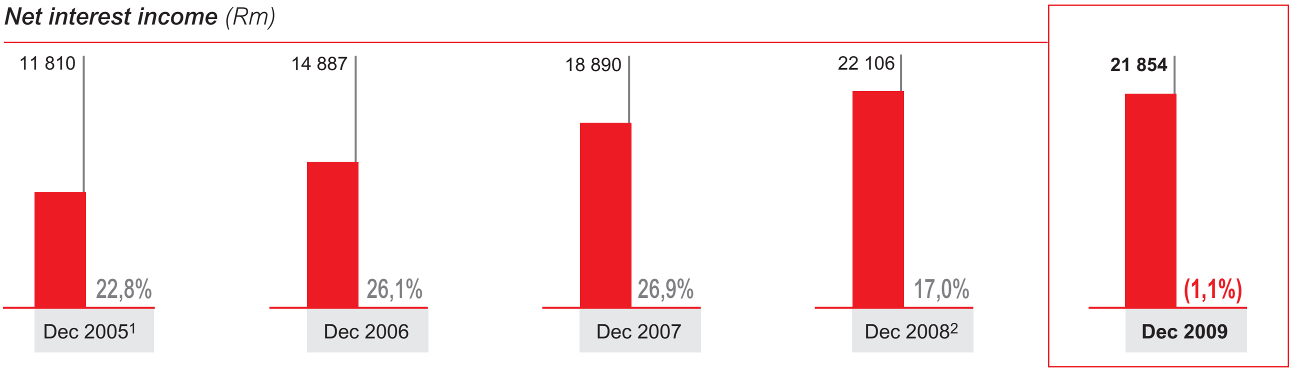
Actual shareholders' equity and qualifying economic and Tier 1 regulatory capital were as follows on 31 December 2009:

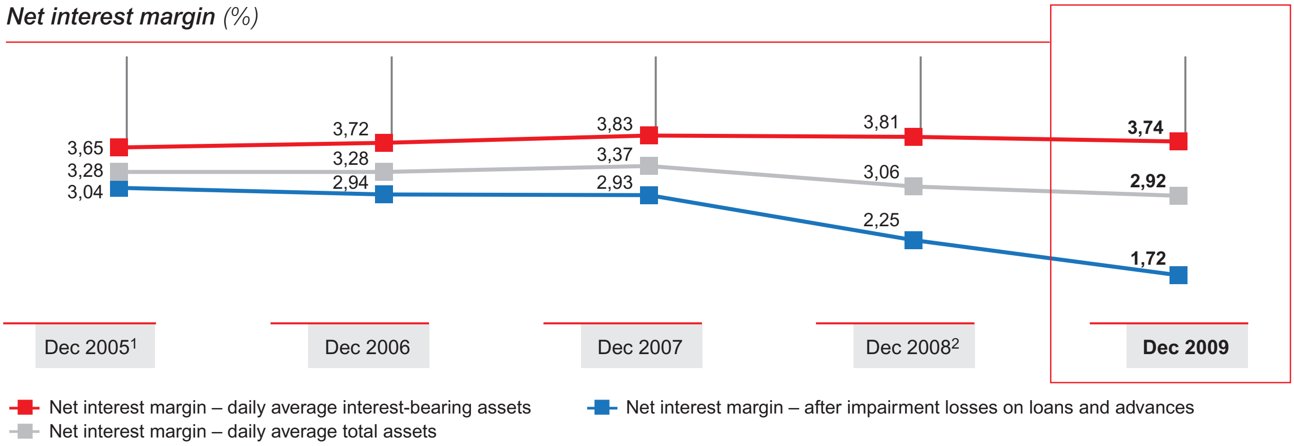
	Shareholders' equity Rm	Economic capital Rm	Tier I regulatory capital Rm
Ordinary share capital and premium	6 216	6 216	6 216
Preference share capital and premium	4 644	4 644	4 644
Other reserves	1 178	741	—
Retained earnings	43 153	42 848	40 075
Minority interest	1 299	1 299	1 299
Expected loss adjustment	—	—	(1 833)
Securitisation adjustment	—	—	(150)
Other deductions	—	(2 544)	(1 280)
Total capital at 31 December 2009	**56 490**	**53 204**	**48 971**
Average capital for the year	**54 892**	**44 268**	**46 560**

	December 2009 %	December 2008 %
Return on average economic capital	**18,2**	24,0

2. Net interest yield

Net interest income





Notes

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

[2] *December 2008 comparative has been restated for profits and losses from financial instruments used as part of the Group's interest rate risk management strategy. Other comparatives have not been restated accordingly.*

	December 2009 (Average) %	**December 2009 %**	December 2008 %	December 2007 %
Market information				
Prime overdraft rate	**13,5**	**10,5**	15,0	14,5
House price index	**355,6**	**371,8**	352,0	353,7
Disposable income/household debt[1]	**79,7**	**78,8**	80,3	80,4

Note

[1] *Represents the Absa estimate and has been used for comparison purposes.*

Performance:

Net interest yield

Net interest income declined by 1,1% for 2009 and the Group's margin on average interest-beaing assets of 3,74% is 7 basis points lower than the margin achieved in 2008.

Advances margin

The average margin on advances contributed an improvement of 27 basis points in the Group's margin relative to the previous year. This change can be attributed to:

– improved client pricing (↑32 basis points);
– change in advances composition (↑14 basis points); and
– higher levels of interest suspended (↓19 basis points).

The change in the advances composition was mainly as a result of the acquisition of Woolworths Financial Services in 2008.

Deposit margin

Fierce competition in a relatively illiquid market, a 450 basis points reduction in interest rates during the year under review and liquidity pressure contributed to declining deposit margins (decline of 42 basis points). This decline can be attributed to:

– pricing (↓47 basis points); and
– composition changes (↑5 basis points).

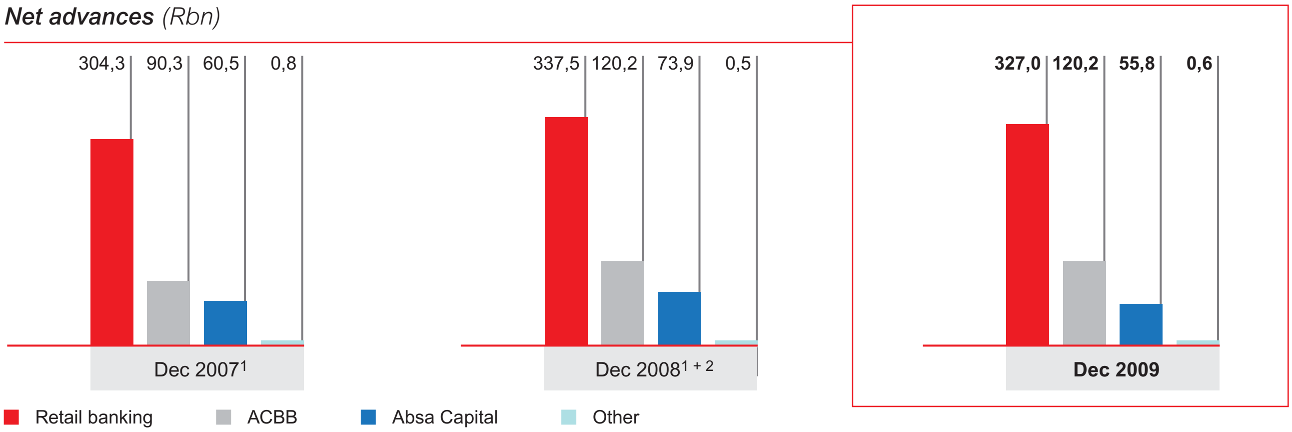
Wholesale funding and interest rate risk management

The cost of wholesale funding contributed a 15 basis points decline to the margin relative to 2008. The impact of the three-month repricing mismatch (after hedging) as a result of the interest rate reductions added further margin pressure of 12 basis points. The negative impact of the endowment on capital (after hedging) was 18 basis points.

Performance indicators

Loans and advances to customers

Net advances *(Rbn)*



Notes

Comparatives have been restated as follows:
[1]Restated for the move of Absa Wealth from Retail banking to Absa Capital.
[2]Restated to account for the fair value adjustments on acquisition of the minority share of two CPF subsidiaries in 2008.

	December 2009 %	December 2008 %	December 2007 %
Loans and advances mix			
Retail banking	**64,9**	63,4	66,7
ACBB	**23,9**	22,6	19,8
Absa Capital	**11,1**	13,9	13,3
Other	**0,1**	0,1	0,2
	100,0	100,0	100,0

	December 2009 Rm	December 2008 Rm	Change %	December 2007 Rm
Loans and advances composition				
Retail banking				
Mortgages	**249 774**	249 737	0,0	228 339
Instalment finance	**40 872**	47 756	(14,4)	47 159
Credit cards	**20 076**	19 522	2,8	13 831
Personal loans	**12 729**	11 789	8,0	10 299
Other loans	**13 798**	15 369	(10,2)	8 277
	337 249	344 173	(2,0)	307 905
ACBB	**122 566**	122 174	0,3	92 122
Absa Capital	**56 315**	74 141	(24,0)	60 754
Other	**658**	514	28,0	843
Gross advances	**516 788**	541 002	(4,5)	461 624
Impairment losses on loans and advances	**(13 158)**	(8 858)	(48,5)	(5 666)
Net advances	**503 630**	532 144	(5,4)	455 958

Performance:

The Group's gross loans and advances to customers declined by 4,5% to R516,8 billion from December 2008.

The Group's Retail banking gross loans and advances to customers declined by 2,0%. ACBB's gross loans and advances remained at 2008 levels and Absa Capital experienced a decline of 24,0% in its loans and advances book.

The core drivers of the decline within the segments were as follows:

Retail banking (↓2,0%)

– Instalment finance loans declined by 14,4% compared to the previous year owing to declining motor vehicle sales.
– Overdrafts declined by 10,9% as a result of lower demand and more prudent affordability criteria.
– Mortgage advances remained constant for the year.

ACBB (↑0,3%)

– The core focus areas, namely cheque accounts and specialised finance and corporate overdrafts, grew by 10,6% and 1,2% respectively.
– Instalment finance loans decreased by 13,0%, resulting from the lower demand for commercial vehicles.

Absa Capital (↓24,0%)

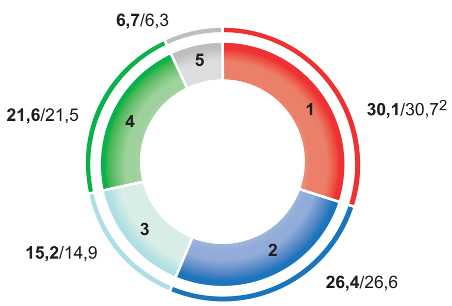
– Reduced foreign currency exposure.
– Lower Overnight finance loan levels.
– Reduction in reverse repurchase balances.

Refer to note 2 of the notes to the primary statements on page 43 for further information about the Group's loans and advances to customers.

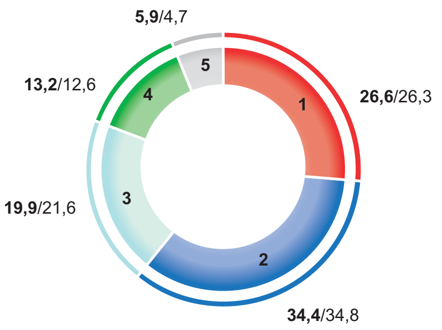
Market share

November 2009/December 2008[1]

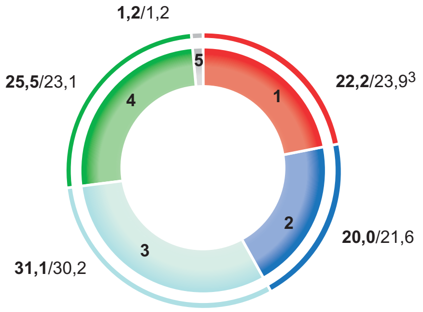
Mortgage loans (%)



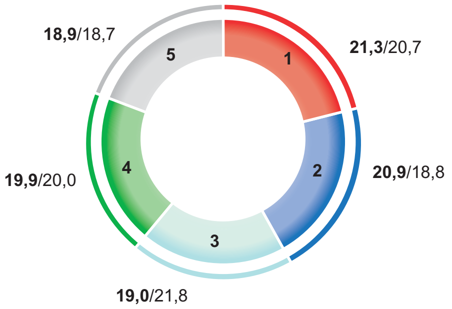
Credit cards (%)



Instalment finance (%)



Overdrafts and other loans (%)



1. Absa Group **2.** Standard Bank Group **3.** FirstRand **4.** Nedbank Group **5.** Other

Notes

[1] *Owing to the early results announcement, the market share information for December 2009 was not available for publication.*

[2] *Securitisation of R3,2 billion – 0,3% of market share (December 2008: R3,3 billion – 0,3% of market share) has been excluded from the Absa mortgage loan book.*

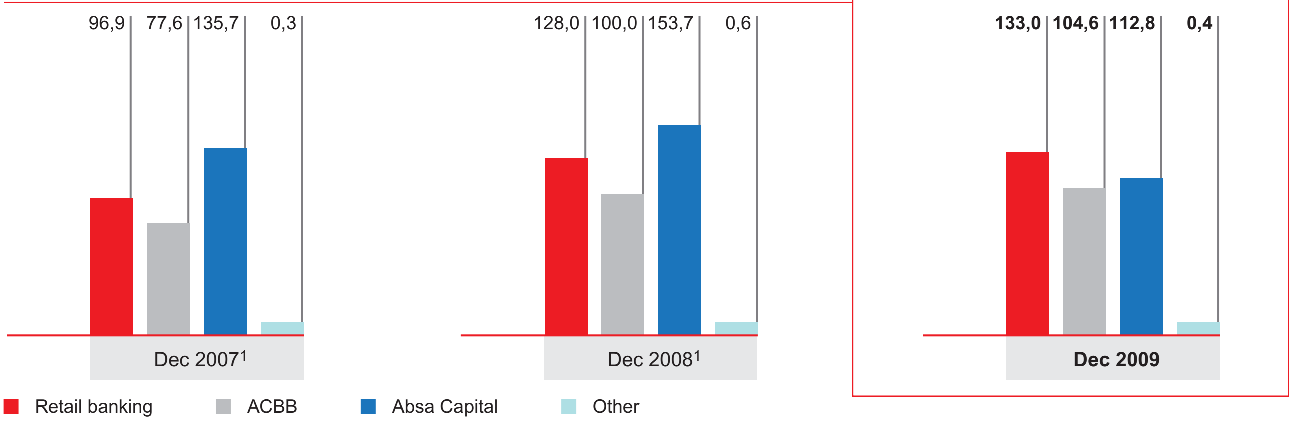
[3] *Securitisation of R1,2 billion – 0,5% of market share (December 2008: R3,4 billion – 1,3% of market share) has been excluded from the Absa instalment finance book.*

Performance:

The Group reduced market share in instalment finance and mortgage loans and gained market share in overdrafts and other loans and credit cards. The loss in market share in respect of mortgages (0,6%) are mainly due to the continued application of stringent credit criteria.

Deposits due to customers

***Total deposits** (Rbn)*



Note

[1]*Comparatives have been restated for the move of Absa Wealth from Retail banking to Absa Capital.*

	December 2009 %	December 2008 %	December 2007 %
Total funding			
Deposits due to customers	**62,5**	63,4	59,1
Retail banking	**23,7**	21,2	18,5
ACBB	**18,6**	16,6	14,8
Absa Capital	**20,1**	25,5	25,7
Other	**0,1**	0,1	0,1
Deposits from banks	**7,1**	9,1	11,1
Debt securities in issue	**30,4**	27,5	29,8
	100,0	100,0	100,0

	December 2009 Rm	December 2008 Rm	Change %	December 2007 Rm
Total funding composition				
Retail deposits	**132 967**	127 953	3,9	96 923
Low margin	**58 115**	56 723	2,5	31 144
High margin	**74 852**	71 230	5,1	65 779
Commercial deposits	**104 628**	100 046	4,6	77 554
Institutional funding	**324 154**	374 815	(13,5)	350 492
	561 749	602 814	(6,8)	524 969

Performance:

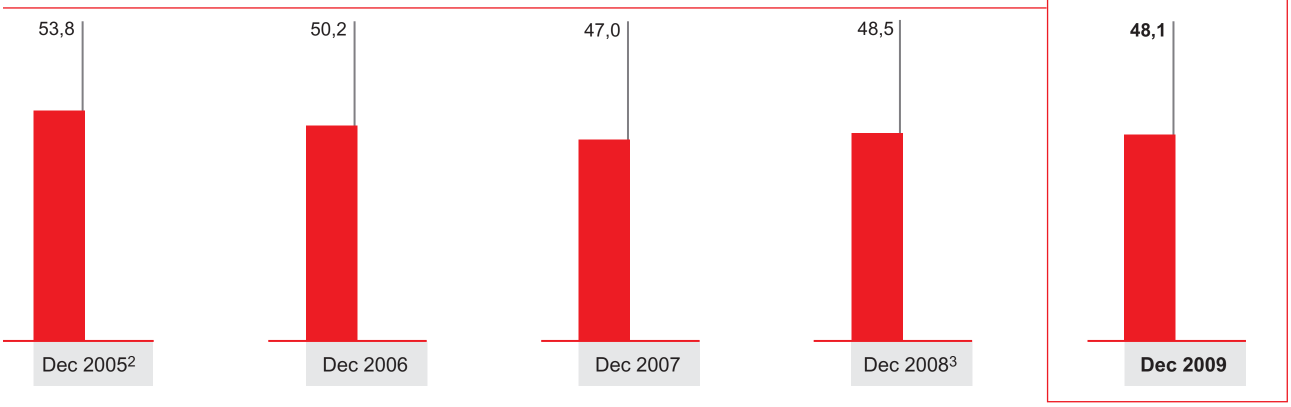
The contribution of Retail and Commercial customer deposits to the funding requirements of the Group increased from 37,8% in 2008 to 42,3% in 2009. Retail banking achieved growth in both its low (investment and fixed deposits) and high (savings and current account) portfolios. ACBB increased its cheque and call deposit products.

Customer deposits in Absa Capital declined by R40,9 billion during the year with an increase in debt securities of R6,5 billion. The decline in customer deposits in Absa Capital is driven by the Group's funding requirements, with the decrease mainly attributable to lower call deposits, fixed deposits and normal volatility in public sector cheque account balances.

3. Non-interest income

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

Non-interest income as % of operating income (%)[1]



Notes

[1]*Excluding impairment losses on loans and advances.*

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

[3]*December 2008 comparative has been restated. Refer to pages 79 to 82.*

Performance:

Non-interest income for the year decreased by 2,8% to R20 232 million.

Banking operations

Net fee and commission income increased by 7,1% during the year. Retail banking continued to grow its internet banking customer base and this contributed to growth in the net fee and commission income line of 10,9%. Fee and commission income in ACBB declined marginally by 1,1%, following lower demand by customers for foreign currency related transactions.

Net trading income accounted for in the non-interest income line of the statement of comprehensive income increased by 13,3%. Including the component of trading accounted for in the interest line, the trading results of the Group increased by 1,9%.

The banking operations of the Group have exposure to equity in Absa Capital, ACBB and the Corporate centre. The fair value movements in respect of the market values of these shares amounted to R206 million for the year, 88,6% down on the previous year.

The Visa Initial Public Offering (IPO) revenue received in 2008 is included in the comparative results under the other operating income line of the statement of comprehensive income and is the main driver of the decrease in banking non-interest income.

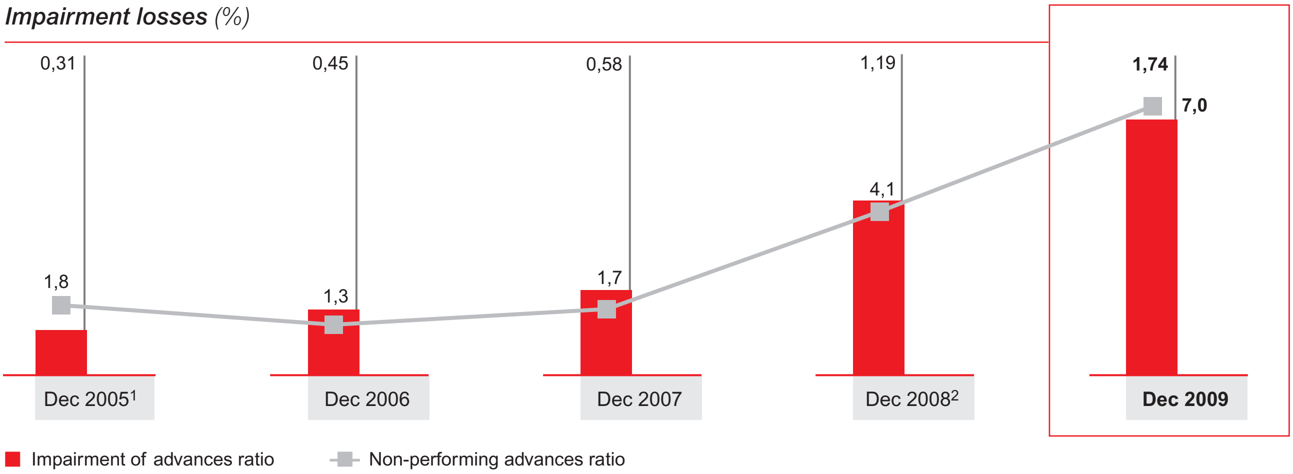
Bancassurance operations

The income from the Group's bancassurance operations declined by 2,0% from 2008. Net fee and commission income increased by 15,3% to R913 million, following strong performances of the asset management and fiduciary business units. Net insurance premiums were 10,7% higher than 2008. Net insurance claims and benefits paid to customers increased by 16,0%, with the average claims ratio in short-term insurance for the year at 69,9%, compared to the 66,0% experienced in 2008. Investment income (shareholder gains) decreased marginally, from R353 million in 2008 to R317 million in 2009, in spite of the relatively poor performance of equity markets and the additional capital released to the Group over the past three years. This performance is attributable to reduced equity exposure and the risk-mitigation actions put in place by hedging the equity exposure.

	December 2009 Rm	December 2008 Rm	Change %
Performance of equity investments			
Private equity	**(623)**	715	(187,1)
Commercial property finance	**152**	133	14,3
Visa Initial Public Offering (IPO)	**—**	740	(100,0)
Visa revaluation	**272**	129	110,9
MasterCard	**217**	—	100,0
Other	**188**	87	116,1
Total banking operations	**206**	1 804	(88,6)

4. Impairment losses on loans and advances

Impairment losses (%)



Notes

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

[2]*The non-performing advances ratio's comparative for 2008 has been restated, refer to page 49 for the revised disclosure.*

Performance:

Absa's credit impairment ratio increased to 1,74% for 2009 (2008: 1,19%). This ratio is lower than the ratio recorded by the Group for the six months ended 30 June 2009 of 1,86%. Based on the lower ratio, it appears that the impairment cycle is stabilising as the Group experienced some reduction in impairment levels in the latter half of the year.

Retail credit impairments peaked towards the middle of 2009 and the credit impairment ratio for the second half of the year improved to 2,13%, compared to 2,52% for the first half of 2009. The most significant improvements were experienced in the card and motor vehicle financing products, although mortgages also improved.

Credit impairments in ACBB also improved during the second half of 2009, from 90 basis points in the first half of 2009 to 59 basis points in the second half of 2009. However, the risk of higher impairment levels in 2010 remains.

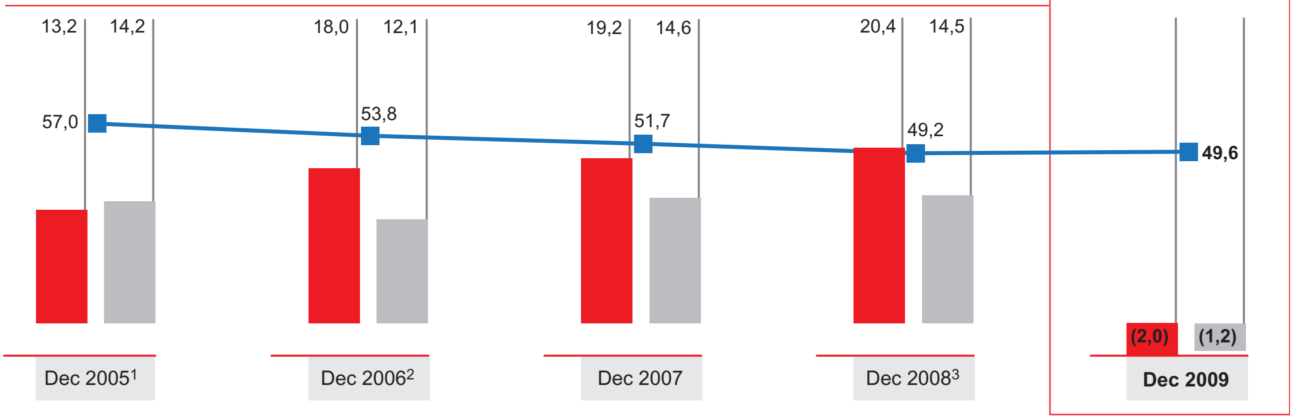
The impairment ratio of Absa Capital increased to 45 basis points during the year.

Non-performing loans (NPLs) increased from R22,1 billion in 2008 to R36,1 billion in 2009 and represents 7,0% of total loans and advances to customers. R8,1 billion (58,1%) of the increase was in respect of mortgages in the home loan portfolio and the percentage NPLs to total loans increased from 4,1% in 2008 to 7,0% in 2009. The value of collateral and expected recoveries on NPLs decreased from 74,6% in 2008 to 72,5% in 2009, mainly owing to a lower property realisation experience in a forced sale scenario during the year.

5. Operating expenses

Objective: To achieve a cost-to-income ratio lower than 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.*

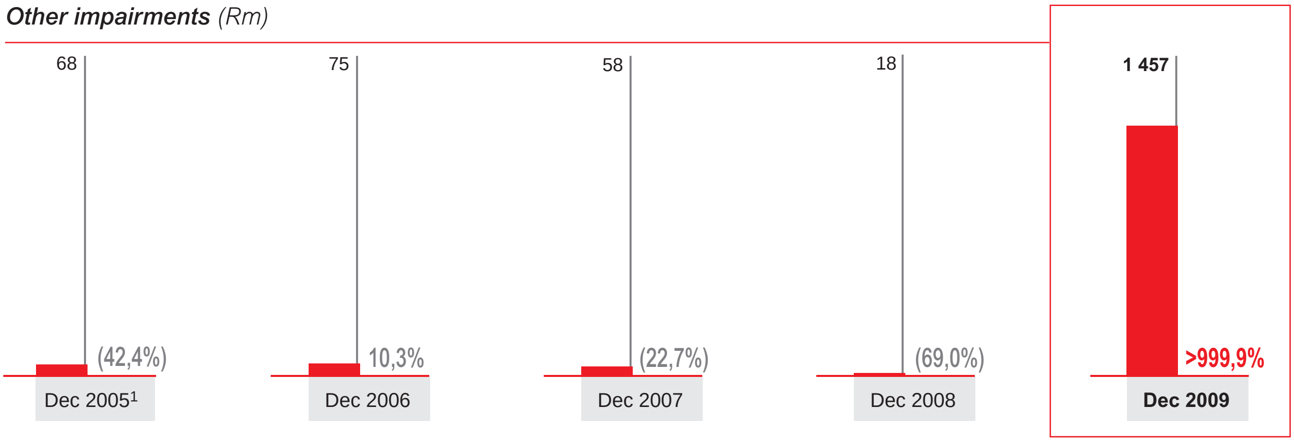
[3] *December 2008 comparative has been restated. Refer to pages 79 to 82.*

Performance:

The Group's cost-to-income ratio remains below 50% in spite of the revenue pressure brought about by the challenging economic environment. Operating expenditure was 1,2% below 2008 levels as a result of a number of actions undertaken by management in 2009. Staff costs (excluding incentives) increased by 1,1%, well below the average annual increase of approximately 8,3% awarded. This was achieved by reducing staff numbers through natural attrition and the reduction of contractors. Incentives were 48,9% lower than the previous year, on the back of the decline in earnings for the year. The spend on discretionary cost items such as travel and entertainment and marketing were below 2008 levels by 29,8% and 8,9% respectively.

6. Other impairments

Other impairments (Rm)



Note

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

Performance:

The Group acquired substantial shareholdings in four companies late 2008 and early 2009 following the failure of a broker client to honour its commitments in respect of Single Stock Futures transactions. As a result of a significant decline in the traded price of these companies, the values of these investments have been fully or partially impaired.

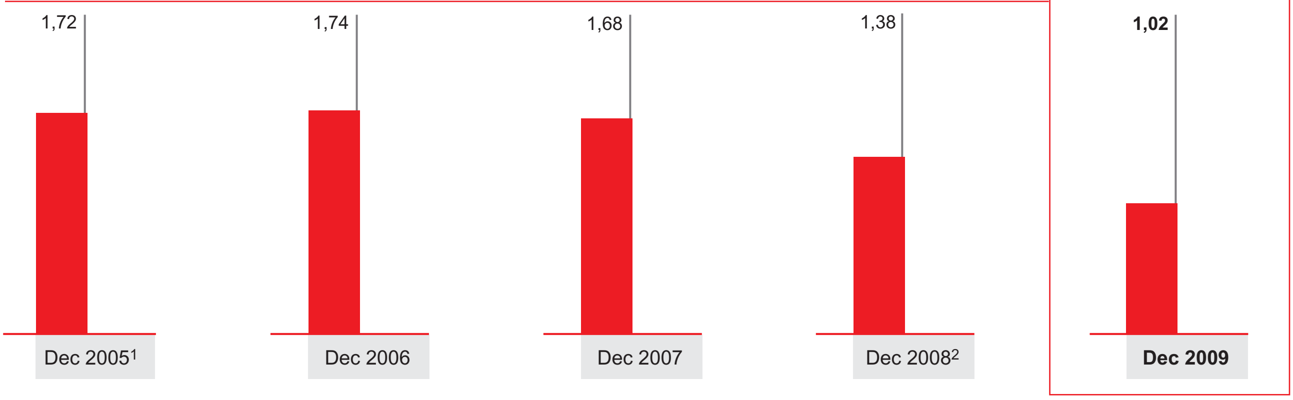
These investments have been impaired as follows:

	Impairment Jun 2009	Impairment Dec 2009	Total impairment 2009	Remaining equity exposure
Pinnacle Point Group Limited	931	—	931	—
Blue Financial Services Limited	136	258	394	58
Sekunjalo Investments Limited	—	3	3	40
ConvergeNet Holdings Limited	28	8	36	49
	1 095	269	1 364	147

The after tax impact of these impairments has been included in the "other impairments" line of the statement of comprehensive income.

7. Return on average assets

Return on average assets (%)



Notes

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

[2]*December 2008 comparative has been restated. Refer to pages 79 to 82.*

Performance:

The Group's RoA decreased from 1,38% in 2008 to 1,02% in 2009. This decline is mainly as a result of higher credit impairments. The Group's RoA before the after-tax impact of impairments decreased from 1,96% to 1,88%. The year-on-year impact of each of the more significant statement of comprehensive income lines on the Group's RoA were as follows (all stated after the impact of tax):

– Operating expenditure (↓8 basis points);

– Taxation (↑24 basis points);

– Net interest income (↓14 basis points);

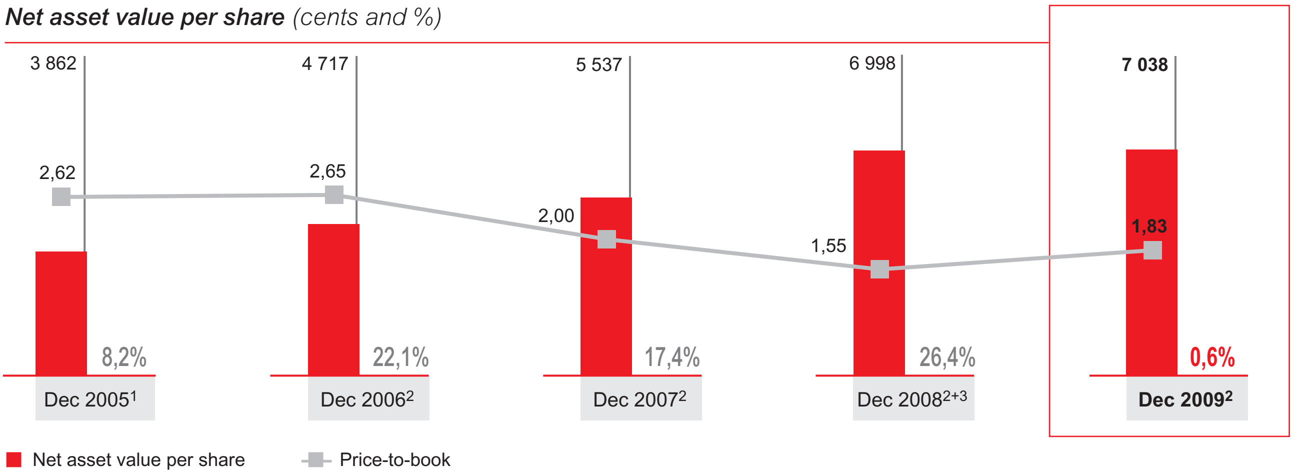
– Non-interest income (↓18 basis points); and

– Credit impairments (↓39 basis points).

8. Gearing

Net asset value

Net asset value per share (cents and %)



Notes

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

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

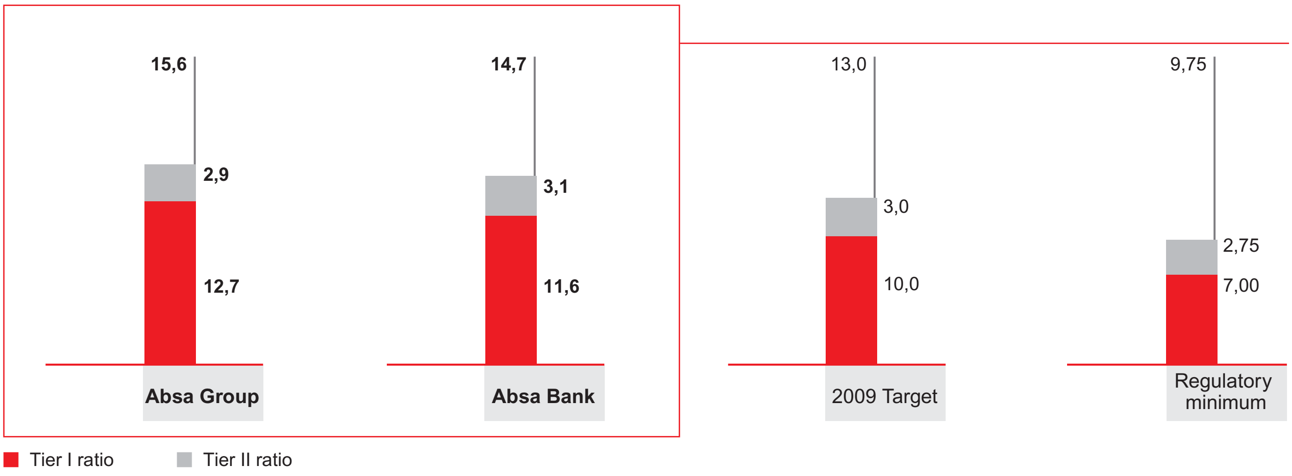
[3]*December 2008 comparative has been restated. Refer to pages 79 to 82.*

Performance:

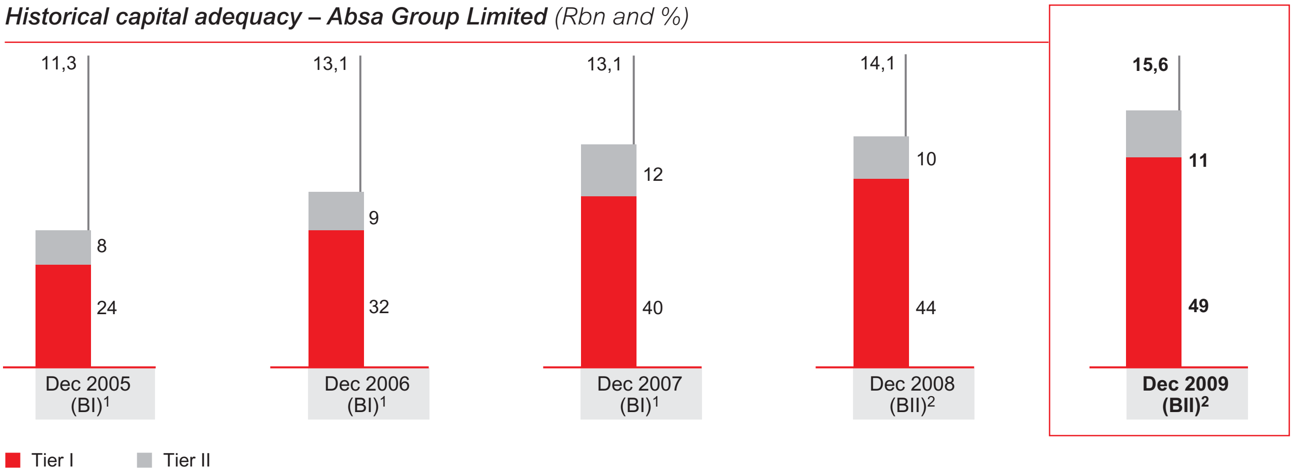
The Group's net asset value per share increased by 0,6% to 7 038 cents per share during the year. The net asset value was positively impacted by the successful conclusion of the Batho Bonke Capital (Proprietary) Limited (Batho Bonke) transaction which resulted in a net increase of R1 417 million after a reduction of R1 089 million in retained earnings due to the repurchase of the preference shares held by Batho Bonke. Net asset value was further positively impacted by the surplus capital generated from net profits after the payment of ordinary dividends amounting to R3 800 million. The higher capital level of the Group and lower attributable earnings, resulted in a lower RoE of 15,5% at 31 December 2009, compared with 23,4% in the previous year.

Capital management

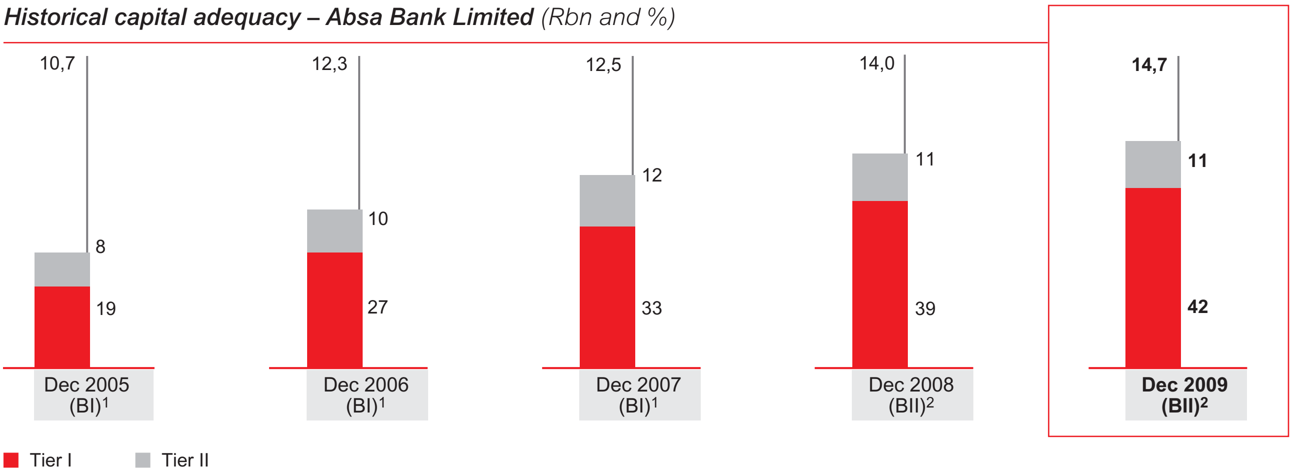
Capital adequacy (%)



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

Performance:

Despite the difficult market conditions experienced during the year under review, Absa Group (the Group) and Absa Bank (the Bank) maintained strong capital adequacy levels throughout the year. At 31 December 2009, the capital adequacy ratios of the Group were 11,5% (31 December 2008: 10,4%) at a Core Tier I level, 12,7% (31 December 2008: 11,6%) at Tier I level, and the total capital adequacy ratio was 15,6% (31 December 2008: 14,1%). Absa Bank's Core Tier I ratio as at 31 December 2009 was 10,3% (31 December 2008: 9,7%), the Tier 1 ratio was 11,6% (31 December 2008: 11,0%) and the total capital adequacy ratio was 14,7% (31 December 2008: 14,0%).

The Group continued its focus on Risk Weighted Assets (RWA) demand management, free capital generation, and the replacement of maturing capital instruments. In this regard:

- the Group's RWA growth was curtailed due to the slowdown in credit growth during the year, growing only by R5,3 billion (1,4%). The Group placed a strong focus on RWA relief by the tightening of risk parameters and methodologies, and taking cognisance of the risk and reward profile associated with assets;
- the Group generated free capital of R3,7 billion, after provision for a dividend cover of 2,5 times headline earnings;
- Absa Bank issued inflation-linked bonds valued at R4,5 billion during the year under review, at spreads of between 260 and 325 bps above the three-month JIBAR rate. These bonds qualify as Tier II capital. The bonds were issued to replace the AB02 bond amounting to R3,1 billion that matured in March 2009; and
- Batho Bonke Capital (Proprietary) Limited (Batho Bonke) successfully concluded and raised third party funding from a consortium of financial institutions, thereby allowing Batho Bonke to exercise the redeemable option-holding preference shares resulting in a Tier I capital benefit of R1,5 billion to Absa Group.

The Group and the 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 EC requirements calculated at a 99,95% confidence level;
- generating sufficient capital to support asset growth; and
- maintain an investment grade 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 was 14,0% (31 December 2008: 16,0%). The cost of equity is based on the Capital Asset Pricing Model (CAPM).

Credit ratings

	Moody's November 2009 Absa Bank	Fitch Ratings November 2009 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	A1	A	A
Outlook	Stable	Stable	Stable
Foreign Currency			
Short-term	Prime-2	F1	F1
Long-term	A3	A	A
Outlook	Positive	Negative	Negative
Bank Financial Strength	C-	C	C
Outlook	Stable	—	—
Support	—	1	1

Changes in ratings over the year

Fitch

Fitch affirmed the National, Local and Foreign Currency ratings for the Group and the Bank but downgraded the Bank Financial Strength rating of the Group and the Bank from 'B/C' to 'C' in April 2009. This is in line with the banking industry due to the economic situation. Furthermore, the Local Currency Outlook was revised from Negative to Stable in November 2009.

Moody's

Moody's upgraded the National, Local Currency Outlook and Bank Financial Strength Outlook of the Bank from Negative to Stable. Absa Bank's Local Currency Long-term rating was downgraded from Aa3 to A1. The Bank Financial Strength Rating of Absa Bank was downgraded from C to C-. This is in line with the banking industry due to the economic situation.

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 I – minimum capital requirement

– Pillar II – supervisory review

– Pillar III – market discipline

Pillar I

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 II

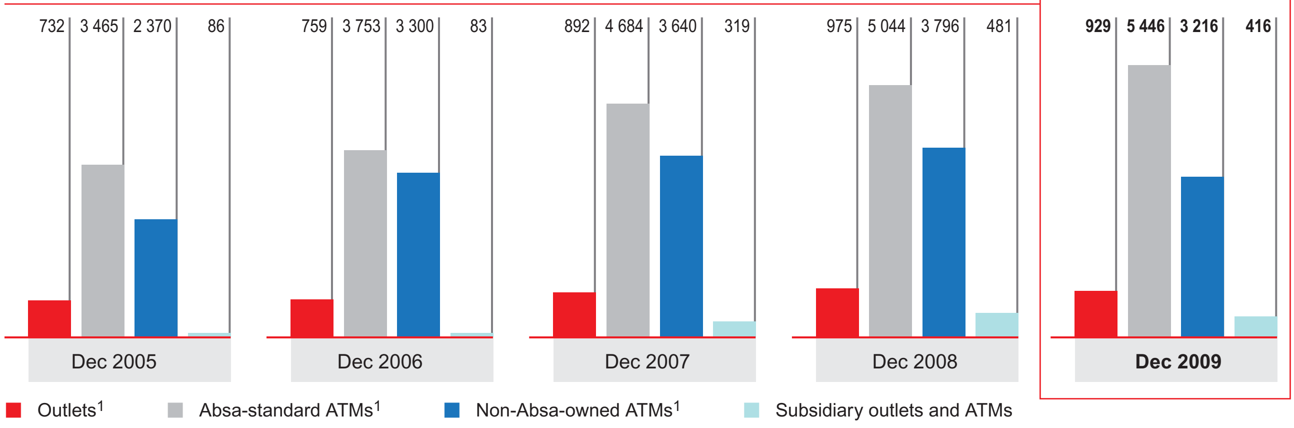
With regards to Pillar II, our comprehensive EC framework ensures that all risks to capital are captured in the assessment of our capital requirement. The EC framework incorporates factors not taken into account by the Pillar I process such as business risk in the banking book (treasury and retail market risk). The assessment of Absa's capital adequacy requirement under the EC environment is both conservative and robust.

Pillar III

Pillar III is not included in this document.

Operational key performance indicators

Delivery footprint (number)



Note

[1]*South Africa.*

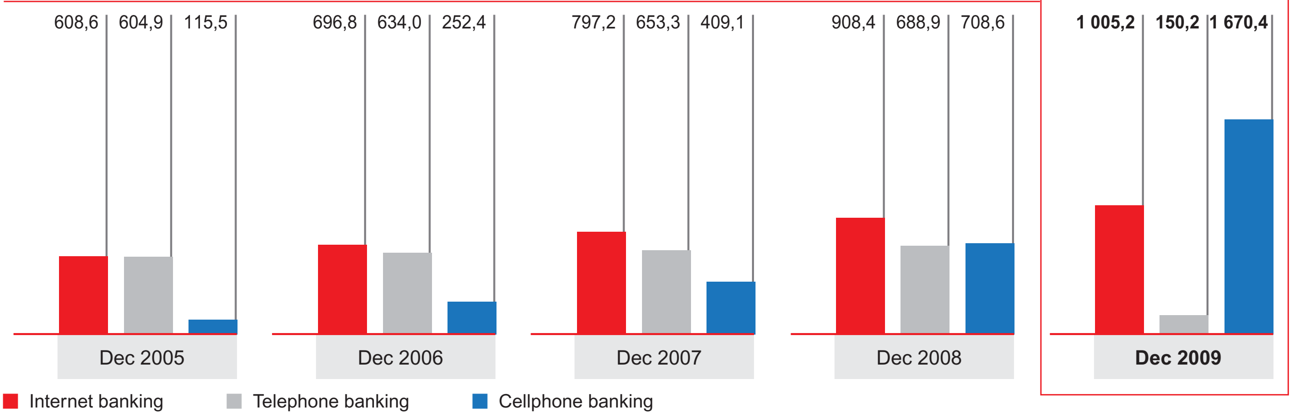
Performance:

Absa consolidated branch outlets during the year to improve efficiency by closing unprofitable outlets.

An additional 402 ATMs were installed to improve coverage and service delivery to clients.

ATMs	December 2009 Number	December 2008 Number
Absa-standard	**5 446**	5 044
Branch ATMs	**1 901**	1 887
Remote ATMs	**2 500**	2 124
Corporate ATMs	**16**	17
Franchise ATMs	**234**	286
Self-service kiosks	**358**	343
Internet kiosks	**385**	385
Cash acceptor	**52**	2
Absa non-standard	**3 216**	3 796
	8 662	8 840

Internet, telephone and cellphone banking (number of customers ('000))

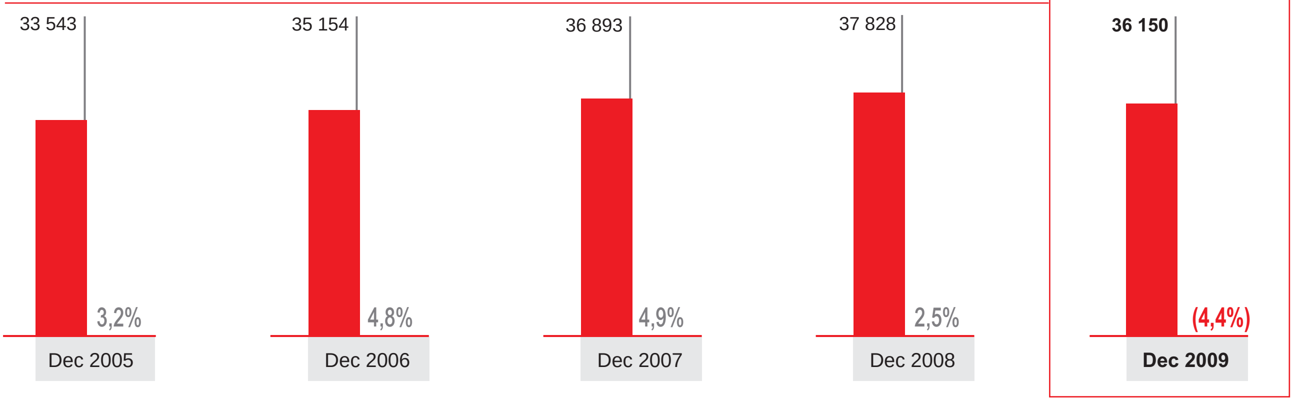


Performance:

Electronic banking fees increased by 15,9% as a result of the continued growth of clients using the Absa internet or/and cellphone banking offering, with a significant move from telephone to cellphone banking.

Operational key performance indicators

Employee complement[1] *(number of employees)*



Note

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

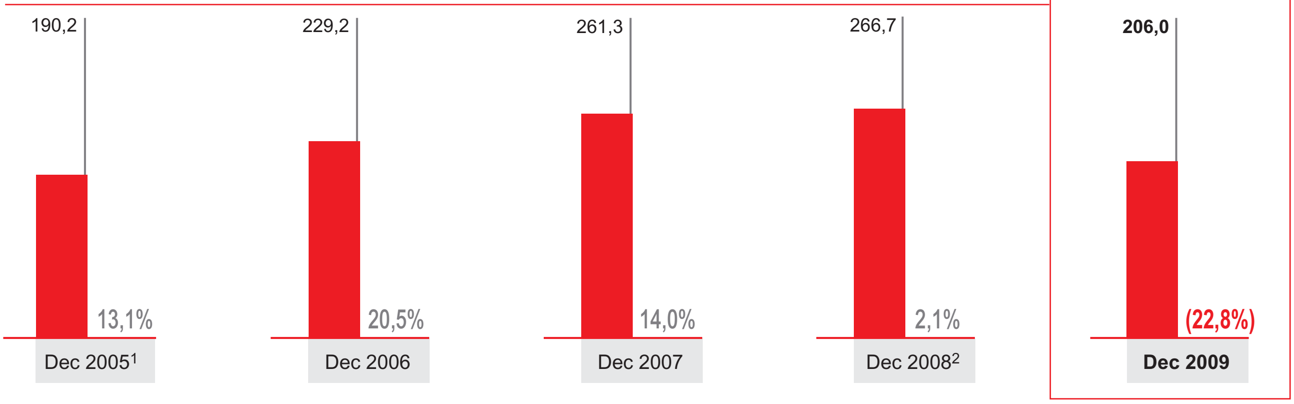
Performance:

Staff costs were only 1,1% higher than the comparative year in spite of the average salary increase of approximately 8,3%. Permanent staff numbers reduced by 1 678 during the past year and contractors/temporary staff numbers also decreased. This was achieved by an enforced staff freeze on new appointments and through normal staff attrition.

The reduction in headcount was also impacted by actions taken in the second half of 2008, which included retrenchments and restructuring, where the savings only flowed through in 2009.

In spite of the overall lower staff numbers, the Group continued to invest in its collections and risk management capacity. Staff numbers in frontline customer services areas were not reduced.

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



Notes

[1]*Pro forma figures (twelve months).*
[2]*December 2008 comparative has been restated. Refer to pages 79 to 82.*

Primary statements

Group statement of financial position

As at 31 December

	Note	2009 (Audited) Rm	2008 (Audited) Rm	Change %	2007 (Audited) Rm
Assets					
Cash, cash balances and balances with central banks		**20 597**	24 828	(17,0)	20 629
Statutory liquid asset portfolio		**33 943**	33 043	2,7	22 957
Loans and advances to banks		**36 032**	44 662	(19,3)	54 025
Trading portfolio assets		**61 779**	78 879	(21,7)	25 824
Hedging portfolio assets		**2 558**	3 139	(18,5)	725
Other assets		**17 777**	16 925	5,0	24 408
Current tax assets		**234**	23	917,4	185
Non-current assets held-for-sale	1	**—**	2 495	(100,0)	—
Loans and advances to customers	2	**503 630**	532 144	(5,4)	455 958
Reinsurance assets		**719**	903	(20,4)	485
Investments		**29 564**	26 980	9,6	29 792
Investments in associates and joint ventures	3	**487**	2 144	(77,3)	1 004
Goodwill and intangible assets		**1 245**	963	29,3	301
Investment property		**2 195**	661	232,1	—
Property and equipment		**6 606**	6 127	7,8	4 610
Deferred tax assets		**374**	241	55,2	111
Total assets		**717 740**	774 157	(7,3)	641 014
Liabilities					
Deposits from banks		**39 616**	54 633	(27,5)	58 033
Trading portfolio liabilities		**53 722**	72 737	(26,1)	34 919
Hedging portfolio liabilities		**565**	1 080	(47,7)	2 226
Other liabilities		**12 212**	12 618	(3,2)	9 953
Provisions		**1 684**	2 113	(20,3)	2 366
Current tax liabilities		**59**	385	(84,7)	183
Non-current liabilities held-for-sale	1	**—**	408	(100,0)	—
Deposits due to customers	4	**350 757**	382 281	(8,2)	310 512
Debt securities in issue	5	**171 376**	165 900	3,3	156 424
Liabilities under investment contracts		**12 446**	10 377	19,9	7 908
Policyholder liabilities under insurance contracts		**3 136**	3 076	2,0	3 318
Borrowed funds	6	**13 530**	12 296	10,0	9 949
Deferred tax liabilities		**2 147**	2 960	(27,5)	2 600
Total liabilities		**661 250**	720 864	(8,3)	598 391
Equity					
Capital and reserves					
Attributable to ordinary equity holders of the Group:					
Share capital	7	**1 432**	1 354	5,8	1 350
Share premium		**4 784**	2 251	112,5	2 292
Other reserves		**1 178**	3 010	(60,9)	384
Retained earnings		**43 153**	40 992	5,3	33 612
		50 547	47 607	6,2	37 638
Minority interest – ordinary shares		**1 299**	1 042	24,7	341
Minority interest – preference shares		**4 644**	4 644	—	4 644
Total equity		**56 490**	53 293	6,0	42 623
Total equity and liabilities		**717 740**	774 157	(7,3)	641 014

IAS 39: Group statement of financial position classification

As at 31 December

	2009 Assets Rm	2009 Liabilities and equity Rm	2008 Assets Rm	2008 Liabilities and equity Rm
Fair value through profit or loss	**108 551**	**89 357**	133 408	111 495
Designated at fair value	**44 435**	**35 070**	51 246	37 678
Cash, cash balances and balances with central banks	**2 271**	**—**	5 182	—
Statutory liquid asset portfolio	**3 636**	**—**	8 273	—
Loans and advances to banks	**2 403**	**—**	7 169	—
Loans and advances to customers	**9 374**	**—**	7 947	—
Investments	**26 751**	**—**	22 675	—
Deposits from banks	**—**	**7 319**	—	9 002
Other liabilities	**—**	**294**	—	139
Deposits due to customers	**—**	**12 552**	—	11 419
Debt securities in issue	**—**	**1 741**	—	6 069
Liabilities under investments contracts	**—**	**12 446**	—	10 377
Borrowed funds	**—**	**718**	—	672
Held-for-trading	**61 558**	**53 722**	79 023	72 737
Investments	**410**	**—**	661	—
Trading portfolio assets classified as trading	**61 148**	**—**	78 362	—
Trading portfolio liabilities classified as trading	**—**	**53 722**	—	72 737
Hedging instruments	**2 558**	**565**	3 139	1 080
Hedging portfolio assets	**2 558**	**—**	3 139	—
Hedging portfolio liabilities	**—**	**565**	—	1 080
Available-for-sale	**32 955**	**—**	28 332	—
Cash, cash balances and balances with central banks	**653**	**—**	1 111	—
Statutory liquid asset portfolio	**17 904**	**—**	12 668	—
Investments	**1 995**	**—**	2 476	—
Hedged items				
Statutory liquid asset portfolio	**12 403**	**—**	12 077	—
Amortised cost	**560 490**	**563 076**	595 073	598 569
Designated at amortised cost	**559 844**	**551 439**	594 508	583 692
Cash, cash balances and balances with central banks	**16 985**	**—**	18 479	—
Loans and advances to banks	**33 629**	**—**	37 493	—
Other assets	**15 620**	**—**	14 904	—
Loans and advances to customers	**493 610**	**—**	523 632	—
Deposits from banks	**—**	**32 297**	—	45 631
Other liabilities	**—**	**10 127**	—	10 621
Deposits due to customers	**—**	**338 205**	—	370 862
Debt securities in issue	**—**	**163 589**	—	151 509
Borrowed funds	**—**	**7 221**	—	5 069
Hedged items	**646**	**11 637**	565	14 877
Loans and advances to customers	**646**	**—**	565	—
Debt securities in issue	**—**	**6 046**	—	8 322
Borrowed funds	**—**	**5 591**	—	6 555
Held-to-maturity	**1 096**	**—**	1 249	—
Cash, cash balances and balances with central banks	**688**	**—**	56	—
Statutory liquid asset portfolio	**—**	**—**	25	—
Investments	**408**	**—**	1 168	—
Non-financial assets and liabilities	**14 648**	**8 817**	16 095	10 800
Total equity	**—**	**56 490**	—	53 293
	717 740	**717 740**	774 157	774 157

Group average statement of financial position

As at 31 December

	2009			2008		
	Average balance Rm	Average rate %	Interest income/ (expense) Rm	Average balance Rm	Average rate %	Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	**1 741**	**8,90**	**155**	1 869	14,87	278
Statutory liquid asset portfolio	**30 409**	**8,97**	**2 728**	25 363	11,47	2 909
Loans and advances to banks and customers	**537 655**	**11,51**	**61 868**	536 960	13,54	72 713
Investments	**14 256**	**3,88**	**553**	15 437	4,41	680
Other interest[1]	**—**	**—**	**(57)**	—	—	(320)
Interest-earning assets	**584 061**	**11,17**	**65 247**	579 629	13,16	76 260
Non-interest-earning assets	**165 431**	**—**	**—**	143 760	—	—
Total assets	**749 492**	**8,71**	**65 247**	723 389	10,55	76 260
Liabilities						
Deposits from banks and due to customers	**412 749**	**(6,31)**	**(26 065)**	407 404	(8,24)	(33 588)
Debt securities in issue	**174 622**	**(9,33)**	**(16 293)**	158 279	(11,94)	(18 905)
Borrowed funds	**12 069**	**(10,31)**	**(1 244)**	11 064	(12,86)	(1 423)
Other interest[1]	**—**	**—**	**209**	—	—	(238)
Interest-bearing liabilities	**599 440**	**(7,24)**	**(43 393)**	576 747	(9,39)	(54 154)
Non-interest-bearing liabilities	**85 667**	**—**	**—**	95 142	—	—
Total liabilities	**685 107**	**(6,33)**	**(43 393)**	671 889	(8,06)	(54 154)
Equity						
Capital and reserves						
Attributable to ordinary equity holders of the Group:						
Share capital	**1 280**	**—**	**—**	1 381	—	—
Share premium	**3 314**	**—**	**—**	2 338	—	—
Other reserves	**2 163**	**—**	**—**	279	—	—
Retained earnings	**51 774**	**—**	**—**	42 324	—	—
	58 531	**—**	**—**	46 322	—	—
Minority interest – ordinary shares	**1 210**	**—**	**—**	539	—	—
Minority interest – preference shares	**4 644**	**—**	**—**	4 639	—	—
Total equity	**64 385**	**—**	**—**	51 500	—	—
Total equity and liabilities	**749 492**	**(5,79)**	**(43 393)**	723 389	(7,49)	(54 154)
Net interest margin on average interest-bearing assets		**3,74**			3,81	
Net interest margin on average assets		**2,92**			3,06	

Daily averages have been used to calculate the average balances.

Note

[1] *Also include fair value adjustments on hedging instruments and hedging income.*

Group statement of comprehensive income

Year ended 31 December

	Note	2009 (Audited) Rm	2008 (Audited) Rm	Change %
Net interest income		**21 854**	22 106	(1,1)
Interest and similar income		**65 247**	76 260	(14,4)
Interest expense and similar charges		**(43 393)**	(54 154)	19,9
Impairment losses on loans and advances	8	**(8 967)**	(5 839)	(53,6)
Net interest income after impairment losses on loans and advances		**12 887**	16 267	(20,8)
Net fee and commission income		**14 289**	13 343	7,1
Fee and commission income	9.1	**16 301**	15 064	8,2
Fee and commission expense	9.2	**(2 012)**	(1 721)	(16,9)
Net insurance premium income	9.3	**3 787**	3 511	7,9
Net insurance claims and benefits paid	9.4	**(2 215)**	(1 890)	(17,2)
Changes in investment and insurance liabilities	9.5	**(560)**	(70)	(700,0)
Gains and losses from banking and trading activities	9.6	**2 575**	3 331	(22,7)
Gains and losses from investment activities	9.7	**1 464**	1 064	37,6
Other operating income	9.8	**892**	1 532	(41,8)
Operating income before operating expenditure		**33 119**	37 088	(10,7)
Operating expenditure		**(23 227)**	(21 856)	(6,3)
Operating expenses	10.1	**(20 857)**	(21 114)	1.2
Other impairments	10.2	**(1 457)**	(18)	>(999,9)
Indirect taxation		**(913)**	(724)	(26,1)
Share of retained (losses)/earnings from associates and joint ventures		**(50)**	73	(168,5)
Operating profit before income tax		**9 842**	15 305	(35,7)
Taxation expense		**(2 340)**	(3 988)	41,3
Profit for the year		**7 502**	11 317	(33,7)
Profit attributable to:				
Ordinary equity holders of the Group		**6 840**	10 666	(35,9)
Minority interest – ordinary shares		**241**	194	24,2
Minority interest – preference shares		**421**	457	(7,9)
		7 502	11 317	(33,7)
– basic earnings per share (cents per share)	11	**986,7**	1 578,5	(37,5)
– diluted earnings per share (cents per share)	11	**962,2**	1 519,9	(36,7)
Headline earnings	12	**7 621**	9 965	(23,5)
– headline earnings per share (cents per share)		**1 099,4**	1 474,8	(25,5)
– diluted headline earnings per share (cents per share)		**1 072,0**	1 420,2	(24,5)

Group statement of comprehensive income

Year ended 31 December

	2009 (Audited) Rm	2008 (Audited) Rm	Change %
Profit for the year	**7 502**	11 317	(33,7)
Other comprehensive income			
Exchange differences on translation of foreign operations	**(668)**	241	(377,2)
Movement in cash flow hedging reserve:	**(665)**	2 660	(125,0)
Fair value (losses)/gains arising during the year	**(148)**	2 054	(107,2)
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	**(776)**	1 636	(147,4)
Deferred tax	**259**	(1 030)	125,1
Movement in available-for-sale reserve:	**(326)**	(89)	(266,3)
Fair value losses arising during the year	**(306)**	(240)	(27,5)
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	**(205)**	—	(100,0)
Amortisation of government bonds – release to the profit and loss component of the statement of comprehensive income	**104**	85	22,4
Deferred tax	**81**	66	22,7
Movement in retirement benefit assets and liabilities:	**52**	190	(72,6)
Increase in retirement benefit surplus	**104**	252	(58,7)
(Increase)/decrease in retirement benefit obligation	**(33)**	14	(335,7)
Deferred tax	**(19)**	(76)	75,0
Total comprehensive income for the year	**5 895**	14 319	(58,8)
Total comprehensive income attributable to:			
Ordinary equity holders of the Group	**5 238**	13 675	(61,7)
Minority interest – ordinary shares	**236**	187	26,2
Minority interest – preference shares	**421**	457	(7,9)
	5 895	14 319	(58,8)

Group profit analysis – banking and insurance activities

Year ended 31 December

	2009 (Audited) Rm	2008 (Audited) Rm	Change %
Income from banking and other activities	**38 696**	39 465	(1,9)
Net interest income	**21 854**	22 106	(1,1)
Interest and similar income	**65 247**	76 260	(14,4)
Interest expense and similar charges	**(43 393)**	(54 154)	19,9
Non-interest income	**16 842**	17 359	(3,0)
Net fee and commission income	**13 376**	12 551	6,6
Gains and losses from banking and trading activities	**2 575**	3 331	(22,7)
Other income	**891**	1 477	(39,7)
Income from bancassurance activities	**6 029**	5 223	15,4
Net insurance premium income	**3 845**	3 473	10,7
Net gains from investment and insurance activities	**1 271**	958	32,7
Net fee and commission income	**913**	792	15,3
Total operating income	**44 725**	44 688	0,1
Impairment losses on loans and advances	**(8 967)**	(5 839)	(53,6)
Benefits due to policyholders	**(2 639)**	(1 761)	(49,9)
Net insurance claims and benefits paid	**(2 217)**	(1 911)	(16,0)
Changes in investment and insurance liabilities	**(560)**	(70)	(700,0)
Investment contracts	**(620)**	(438)	(41,6)
Insurance contracts	**60**	368	(83,7)
Other income	**138**	220	(37,3)
Income after impairment losses and policyholders' benefits	**33 119**	37 088	(10,7)
Operating expenditure in banking activities	**(21 580)**	(20 393)	(5,8)
Operating expenses	**(19 308)**	(19 737)	2,2
Other impairments	**(1 436)**	11	>(999,9)
Indirect taxation	**(836)**	(667)	(25,3)
Operating expenditure in bancassurance activities	**(1 647)**	(1 463)	(12,6)
Operating expenses	**(1 549)**	(1 377)	(12,5)
Other impairments	**(21)**	(29)	27,6
Indirect taxation	**(77)**	(57)	(35,1)
Share of retained (losses)/earnings from associates and joint ventures	**(50)**	73	(168,5)
Operating profit before income tax	**9 842**	15 305	(35,7)
Taxation expense	**(2 340)**	(3 988)	41,3
Profit for the year	**7 502**	11 317	(33,7)
Profit attributable to:			
Ordinary equity holders of the Group	**6 840**	10 666	(35,9)
Minority interest – ordinary shares	**241**	194	24,2
Minority interest – preference shares	**421**	457	(7,9)
	7 502	11 317	(33,7)
Headline earnings	**7 621**	9 965	(23,5)

Condensed Group statement of changes in equity

Year ended 31 December

	2009 (Audited) Rm	2008 (Audited) Rm	Change %
Share capital	**1 432**	1 354	5,8
Opening balance	**1 354**	1 350	0,3
Shares issued	**76**	3	>999,9
Transfer from share-based payment reserve	**0**	0	0,0
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**(0)**	(0)	(0,0)
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	**1**	1	0,0
Elimination of treasury shares held by Absa Life Limited	**1**	(0)	>999,9
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**0**	0	(0,0)
Share premium	**4 784**	2 251	112,5
Opening balance	**2 251**	2 292	(1,8)
Shares issued	**2 495**	72	>999,9
Repurchase of preference shares by Batho Bonke Capital (Proprietary) Limited	**3**	—	100,0
Costs incurred	**(0)**	—	(100,0)
Transfer from share-based payment reserve	**67**	41	63,4
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**(86)**	(63)	(36,5)
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	**15**	7	114,3
Elimination of treasury shares held by Absa Life Limited	**37**	(6)	716,7
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**0**	5	(99,9)
Elimination of gains/(losses) from derivative instruments on own shares	**2**	(97)	102,1
Other reserves	**1 178**	3 010	(60,9)
Opening balance	**3 010**	384	683,9
Other comprehensive income	**(1 654)**	2 819	(158,7)
Movement in foreign currency translation reserve	**(663)**	248	(367,3)
Movement in cash flow hedging reserve	**(665)**	2 660	(125,0)
Movement in available-for-sale reserve	**(326)**	(89)	(266,3)
Movement in general credit risk reserve	**(23)**	(434)	94,7
Movement in insurance contingency reserve	**25**	22	13,6
Movement in associates' and joint ventures' retained earnings reserve	**(50)**	73	(168,5)
Disposal of associates and joint ventures – release of reserves	**(109)**	(3)	>(999,9)
Share-based payments for the year	**47**	193	(75,6)
Transfer from share-based payment reserve	**(68)**	(44)	(54,5)

	2009 (Audited) Rm	2008 (Audited) Rm	Change % Rm
Retained earnings	**43 153**	40 992	5,3
Opening balance as previously reported	**40 665**	33 549	21,2
Restatement of opening balance	**327**	63	419,0
Restated opening balance	**40 992**	33 612	22,0
Movement in general credit risk reserve	**23**	434	(94,7)
Transfer to insurance contingency reserve	**(25)**	(22)	(13,6)
Transfer to associates' and joint ventures' retained earnings reserve	**50**	(73)	168,5
Disposal of associates and joint ventures – release of reserves	**109**	3	>999,9
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**—**	153	(100,0)
Repurchase of preference shares by Batho Bonke Capital (Proprietary) Limited	**(1 089)**	—	(100,0)
Transfer from share-based payment reserve	**1**	3	(66,7)
Profit attributable to ordinary equity holders of the Group	**6 840**	10 666	(35,9)
Other comprehensive income – movement in retirement benefit assets and liabilities	**52**	190	(72,6)
Ordinary dividends paid during the year	**(3 800)**	(3 974)	4,4
	50 547	47 607	6,2
Minority interest – ordinary shares	**1 299**	1 042	24,7
Opening balance	**1 042**	341	205,6
Acquisition of subsidiaries	**72**	548	(86,9)
Dividends declared during the year	**(51)**	(34)	(50,0)
Profit attributable to minority equity holders of the Group	**241**	194	24,2
Other comprehensive income – foreign currency translation effects	**(5)**	(7)	28,6
Minority interest – preference shares	**4 644**	4 644	—
Opening balance	**4 644**	4 644	—
Profit attributable to preference equity holders of the Group	**421**	457	(7,9)
Preference dividends paid during the year	**(421)**	(457)	7,9
Total equity	**56 490**	53 293	6,0

Condensed Group statement of cash flows

Year ended 31 December

	Note	2009 (Audited) Rm	2008 (Audited) Rm	Change %
Net cash generated from operating activities		**5 011**	3 234	54,9
Net cash utilised from investing activities		**(2 218)**	(1 768)	(25,5)
Net cash utilised in financing activities		**(1 419)**	(2 464)	42,4
Net increase/(decrease) in cash and cash equivalents		**1 374**	(1 017)	237,0
Cash and cash equivalents at the beginning of the year	1	**5 600**	6 596	(15,1)
Effect of exchange rate movements on cash and cash equivalents		**2**	2	—
Cash and cash equivalents at the end of the year	2	**6 976**	5 600	24,6

Notes to the condensed Group statement of cash flows

	2009 (Audited) Rm	2008 (Audited) Rm	Change %
1. Cash and cash equivalents at the beginning 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)
2. Cash and cash equivalents at the end of the year			
Cash, cash balances and balances with central banks	**5 176**	4 726	9,5
Loans and advances to banks	**1 800**	874	105,9
	6 976	5 600	24,6

	2009 Rm	2008 Rm	Change %
1. Non-current assets and liabilities held-for-sale			
The Group, through the private equity division in Absa Capital, transferred investments and related liabilities into a newly formed private equity fund during the prior year.			
The Group remained exposed to some of the risks and rewards on these assets and liabilities and consequently continued to recognise these assets within "Non-current assets and liabilities held-for-sale" on the statement of financial position in 2008.			
The completion of the sale within 12 months in terms of IFRS 5 is no longer considered to be highly probable and consequently the investments and related liabilities have been classified as "Investments" and "Other liabilities" respectively on the statement of financial position in 2009.			
2. Loans and advances to customers			
Total retail advances[1]			
Cheque accounts	**4 342**	4 873	(10,9)
Credit card accounts[2]	**20 076**	19 522	2,8
Instalment finance	**40 872**	47 756	(14,4)
Loans to associates and joint ventures	**6 187**	5 441	13,7
Mortgages (including commercial property finance)	**249 774**	249 737	0,0
Personal loans	**12 729**	11 789	8,0
Micro loans	**2 936**	4 034	(27,2)
UniFer book	**155**	173	(10,4)
New business	**2 781**	3 861	(28,0)
Other	**333**	1 021	(67,4)
Gross advances	**337 249**	344 173	(2,0)
Impairments losses on loans and advances	**(10 264)**	(6 655)	(54,2)
	326 985	337 518	(3,1)
Total Absa Corporate and Business Bank (ACBB) advances[3]			
Cheque accounts	**22 953**	20 748	10,6
Foreign currency loans	**2 740**	2 928	(6,4)
Loans to associates and joint ventures	**1 691**	2 617	(35,4)
Instalment finance	**17 692**	20 340	(13,0)
Mortgages (including commercial property finance)	**47 070**	47 102	(0,1)
Overnight finance	**4 898**	5 138	(4,7)
Preference shares	**2 193**	1 241	76,7
Specialised finance and corporate overdrafts	**10 366**	10 239	1,2
Term loans	**10 582**	8 667	22,1
Other	**2 381**	3 154	(24,5)
Gross advances	**122 566**	122 174	0,3
Impairment losses on loans and advances	**(2 336)**	(1 921)	(21,6)
	120 230	120 253	(0,0)

Notes

[1] *Comparatives have been restated for the move of Absa Wealth from Retail banking to Absa Capital.*

[2] *Include a balance of R5,4 billion (December 2008: R4,5 billion) relating to Woolworths Financial Services.*

[3] *Comparatives have been restated for the fair value adjustments on acquisition of the minority share of two CPF subsidiaries in 2008.*

Condensed notes to the financial statements

As at 31 December

		2009 Rm	2008 Rm	Change %
2.	**Loans and advances to customers** *(continued)*			
	Total Absa Capital advances[1]			
	Cheque accounts	**3 060**	2 767	10,6
	Foreign currency loans	**4 998**	9 711	(48,5)
	Loans granted under resale agreements (Carries) and reverse repurchase agreements	**1 988**	7 072	(71,9)
	Mortgages	**7 495**	6 368	17,7
	Overnight finance	**4 909**	6 007	(18,3)
	Preference shares	**5 774**	7 938	(27,3)
	Corporate loans	**26 621**	31 671	(15,9)
	Other	**1 470**	2 607	(43,6)
	Gross advances	**56 315**	74 141	(24,0)
	Impairment losses on loans and advances	**(547)**	(243)	(125,1)
		55 768	73 898	(24,5)
	Total Other advances			
	Foreign currency loans	**—**	107	(100,0)
	Preference shares	**—**	200	(100,0)
	Other	**658**	207	217,9
	Gross advances	**658**	514	28,0
	Impairment losses an loans advances	**(11)**	(39)	71,8
		647	475	36,2
	Total gross advances	**516 788**	541 002	(4,5)
	Impairment losses an loans advances	**(13 158)**	(8 858)	(48,5)
	Total net advances	**503 630**	532 144	(5,4)
3.	**Investments in associates and joint ventures**			
	Blue Financial Services Limited[2]	**58**	—	100,0
	Commercial property finance related – listed (ACBB)[3]	**—**	714	(100,0)
	FFS Finance South Africa (Proprietary) Limited	**259**	300	(13,7)
	MAN Financial Services (S.A.) (Proprietary) Limited	**57**	56	1,8
	Pinnacle Point Group Limited[4]	**—**	931	(100,0)
	Sekunjalo Investments Limited[5]	**41**	59	(30,5)
	Other	**72**	84	(14,3)
		487	2 144	(77,3)

Notes

[1]*Comparatives have been restated for the move of Absa Wealth from Retail banking to Absa Capital.*

[2]*Classification changed from available-for-sale investment to investment in associate, as Absa now owns more than 20% in Blue Financial Services Limited as a result of an additional 2,2% acquired during the year under review. This investment was impaired during the current year to its listed share price.*

[3]*Ambit Properties Limited, a listed commercial property finance investment in associate, was disposed of in June 2009. ApexHi Properties Limited acquired the Group's 34,5% interest in Ambit Properties Limited in exchange for shares in ApexHi Properties Limited.*

[4]*Equity investment which arose as a result of client defaults on Single Stock Futures transactions in Absa Capital, which was fully impaired during 2009.*

[5]*The investment in Sekunjalo Investments Limited was impaired during the current year to its listed share price.*

	2009 Rm	2008 Rm	Change %
4. Deposits due to customers			
Total retail deposits[1]			
Call	**2 380**	2 501	(4,8)
Cheque accounts	**26 183**	26 331	(0,6)
Credit card accounts	**1 864**	2 048	(9,0)
Fixed	**29 490**	30 641	(3,8)
Investment products	**27 321**	23 813	14,7
Notice	**9 825**	6 844	43,6
Savings and transmission	**34 600**	33 506	3,3
Other	**1 303**	2 269	(42,6)
	132 966	127 953	3,9
Total Absa Corporate and Business Bank (ACBB) deposits			
Call	**18 458**	16 053	15,0
Cheque accounts	**44 899**	42 611	5,4
Fixed	**32 511**	33 954	(4,2)
Foreign currency	**3 910**	4 046	(3,4)
Other	**4 850**	3 382	43,4
	104 628	100 046	4,6
Total Absa Capital deposits[1]			
Call	**35 655**	43 748	(18,5)
Cheque accounts	**21 183**	30 753	(31,1)
Fixed	**44 934**	60 165	(25,3)
Foreign currency	**3 920**	6 087	(35,6)
Repurchase agreements	**1 712**	2 217	(22,8)
Other	**5 359**	10 732	(50,1)
	112 763	153 702	(26,6)
Total Other deposits	**400**	580	(31,0)
Total deposits	**350 757**	382 281	(8,2)

Note

[1]*Comparatives have been restated for the move of Absa Wealth from Retail banking to Absa Capital.*

	2009 Rm	2008 Rm	Change %
5. Debt securities in issue			
Abacas – commercial paper and floating rate notes	**4 936**	6 640	(25,7)
Credit linked notes	**8 025**	6 962	15,3
Floating rate notes	**84 925**	63 906	32,9
Liabilities arising from securitised Special Purpose Entities (SPEs)	**4 810**	6 858	(29,9)
Negotiable certificates of deposit	**59 354**	69 364	(14,4)
Promissory notes	**1 855**	3 823	(51,5)
Replica bonds	**1 534**	5 740	(73,3)
Senior notes	**5 922**	2 607	127,2
Other debt securities in issue	**15**	—	100,0
	171 376	165 900	3,3

Condensed notes to the financial statements

As at 31 December

	2009 Rm	2008 Rm	Change %
6. Borrowed funds			
Subordinated callable notes	**13 530**	12 144	11,4
14,25% (AB02)	**—**	3 100	(100,0)
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**	86	—
3-month JIBAR + 0,97% (6,25% Nacs)	**994**	994	—
3-month JIBAR + 1,00% (6,25% Nacs)	**179**	179	—
3-month JIBAR + 1,09% (6,25% Nacs)	**361**	361	—
3-month JIBAR + 1,20% (6,25% Nacs)	**266**	266	—
3-month JIBAR + 3,20% (6,00% Nacs)	**3 000**	—	100,0
3-month JIBAR + 2,60% (5,50% Nacs)	**1 500**	—	100,0
Accrued interest	**575**	379	51,7
Fair value adjustment	**(156)**	54	(388,9)
Redeemable cumulative option-holding preference shares	**—**	152	(100,0)
Shares issued	**158**	158	—
Elimination of shares held by the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**—**	(4)	100,0
Cancellation of preference shares for the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust[1]	**(3)**	—	(100,0)
Redemption of preference shares held by the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(9)**	(8)	(12,5)
Redemption of preference shares held by Batho Bonke Capital (Proprietary) Limited	**(146)**	—	(100,0)
Accrued dividend	**—**	6	(100,0)
	13 530	12 296	10,0

Note

[1] *The cancellation of the preference shares for the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust relate to employees that had left and therefore their shares were not redeemed.*

	2009 Number of shares – millions	2008 Number of shares – millions	Change value
7. Share capital			
7.1 Ordinary share capital			
Issued ordinary shares of R2,00 each	**718,2**	680,3	37,9
Treasury shares held by Absa Group Limited Share Incentive Trust	**(1,8)**	(2,4)	0,6
Treasury shares held by Absa Life Limited	**(0,6)**	(0,9)	0,3
Treasury shares held by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**—**	(0,0)	0,0
Number of shares in issue after deduction of treasury shares	**715,8**	677,0	38,8
Shares issued from December 2008 to December 2009			
The following ordinary shares were issued during the year to meet the obligation of the Absa Group Limited Employee Share Owership Administrative (ESOP) Trust:			
– On 17 March 2009, 93 900 shares at R64,80 per share	**0,1**		
– On 24 June 2009, 434 900 shares at R68,30 per share	**0,4**		
The following ordinary shares were issued to meet the obligation of Absa Group Limited Share Incentive Trust:			
– On 24 June 2009, 753 642 shares at R41,97 per share	**0,8**		
The following ordinary shares were issued to meet the obligation of Batho Bonke Capital (Proprietary) Limited exercising its options to subscribe for ordinary shares:			
– On 15 June 2009, 36 649 300 shares at R68,30 per share	**36,6**		
	37,9		
Weighted average number of ordinary shares in issue (millions)	**693,2**	675,7	17,5
Weighted average diluted number of ordinary shares in issue (millions)	**711,5**	702,8	8,7
7.2 Preference share capital – unlisted			
Issued redeemable cumulative option-holding preference shares of R2,00 each	**—**	75,3	(75,3)
Shares redeemed from December 2008 to December 2009			
The following options held in the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust were exercised by employees:			
– On 17 March 2009, 93 300 preference shares were redeemed and converted into ordinary share capital	**(0,1)**		
– On 24 June 2009, 434 900 preference shares were redeemed and converted into ordinary share capital	**(0,5)**		
– On 1 July 2009, 1 578 900 options were forfeited and cancelled	**(1,6)**		
The following options held by Batho Bonke Capital (Proprietary) Limited were exercised and cancelled:			
– On 15 June 2009, 36 649 300 preference shares were redeemed and converted into ordinary share capital	**(36,6)**		
– On 15 June 2009, 36 503 000 preference shares were repurchased and cancelled	**(36,5)**		
	(75,3)		

Condensed notes to the financial statements

Year ended 31 December

	2009 Rm	2008 Rm	Change %
8. Impairment losses on loans and advances			
Charge to the statement of comprehensive income			
Impairments raised during the year	**9 883**	6 327	56,2
Identified impairments	**9 292**	5 743	61,8
Identified impairments – net present value adjustment	**859**	1 164	(26,2)
Unidentified impairments	**(268)**	(580)	53,8
Recoveries of loans and advances previously written off	**(916)**	(488)	(87,7)
	8 967	5 839	53,6
Credit impairments per segment			
Retail banking			
Retail Bank	**1 602**	1 023	56,6
Absa Home Loans	**3 945**	2 549	54,8
Absa Card	**1 287**	774	66,3
Absa Vehicle and Asset Finance	**944**	1 177	(19,8)
Total charge	**7 778**	5 523	40,8
Impairment losses ratio	**2,34**	1,72	
Absa Corporate and Business Bank (ACBB)			
Total charge	**872**	287	203,8
Impairment losses ratio	**0,75**	0,28	
Absa Capital			
Total charge	**318**	30	960,0
Impairment losses ratio	**0,45**	0,04	
Other			
Total charge	**(1)**	(1)	—
Impairment losses ratio	**n/a**	n/a	
Charge to the statement of comprehensive income	**8 967**	5 839	53,6
Group impairment losses ratio	**1,74**	1,19	

As at 31 December

	2009 Rm	2008 Rm	Change %
Statement of financial position			
Balance at the beginning of the year	**8 858**	5 666	56,3
Exchange differences	**(3)**	—	(100,0)
Interest on impaired assets	**(945)**	(529)	(78,6)
Amounts written off during the year	**(4 635)**	(2 606)	(77,9)
Impairments raised during the year	**9 883**	6 327	56,2
	13 158	8 858	48,5
Comprising:			
Identified impairments	**11 999**	7 428	61,5
Identified impairments	**11 114**	6 457	72,1
Identified impairments – net present value adjustment[1]	**885**	971	(8,9)
Unidentified impairments	**1 159**	1 430	(19,0)
	13 158	8 858	48,5

Note

[1]*Only includes NPV adjustments in respect of legal book. The NPV adjustment relating to pre-legal NPLs are not separated from identified impairments.*

	Outstanding balance Rm	Expected recoveries and fair value of collateral Rm	Net exposure Rm	Identified impair-ments Rm	Net present value[1] Rm
8. Impairment losses on loans and advances *(continued)*					
Non-performing advances[2] at 31 December 2009					
Absa Home Loans	**22 200**	**18 311**	**3 889**	**3 889**	**673**
Absa Vehicle and Asset Finance	**2 598**	**1 476**	**1 122**	**1 122**	**6**
Absa Card	**2 488**	**565**	**1 923**	**1 923**	**—**
Absa Personal Loans	**802**	**224**	**578**	**578**	**1**
Affluent	**1 463**	**1 232**	**231**	**231**	**53**
Absa Small Business	**465**	**362**	**103**	**103**	**7**
Other	**956**	**438**	**518**	**518**	**25**
Retail banking	**30 972**	**22 608**	**8 364**	**8 364**	**765**
Corporate	**945**	**845**	**100**	**100**	**—**
Medium and Large	**2 444**	**1 713**	**731**	**731**	**109**
Other	**923**	**425**	**498**	**498**	**5**
Absa Corporate and Business Bank (ACBB)	**4 312**	**2 983**	**1 329**	**1 329**	**114**
Absa Capital	**805**	**562**	**243**	**243**	**6**
	36 089	**26 153**	**9 936**	**9 936**	**885**
Non-performing advances as a % of loans and advances to customers	**7,0**				
Non-performing advances[2] at 31 December 2008					
Absa Home Loans	14 108	12 101	2 007	2 007	770
Absa Vehicle and Asset Finance	2 030	1 052	978	978	2
Absa Card	1 653	582	1 071	1 071	—
Absa Personal Loans	572	220	352	351	1
Affluent	904	705	199	139	60
Absa Small Business	350	240	110	103	7
Other	1 065	558	507	575	76
Retail banking[3]	20 682	15 458	5 224	5 224	916
Corporate	—	—	—	—	—
Medium and Large	659	425	234	234	49
Other	576	416	160	160	0
Absa Corporate and Business Bank (ACBB)	1 235	841	394	394	49
Absa Capital[3]	222	207	15	15	6
	22 139	16 506	5 633	5 633	971
Non-performing advances as a % of loans and advances to customers	4,1				

Notes

[1] *NPV adjustments on legal book only. The NPV adjustment relating to pre-legal NPLs are not separated from total identified impairments.*

[2] *The NPL definition was changed during the year from 4+payments down and legal to 3+payments and legal. Comparatives have been restated accordingly.*

[3] *Comparatives have been restated for the move of Absa Wealth from Retail banking to Absa Capital.*

	2009 Rm	2008 Rm	Change %
9. Non-interest income			
9.1 Fee and commission income[1]			
Credit-related fees and commissions	**12 494**	11 359	10,0
Cheque accounts	**3 231**	3 027	6,7
Credit card accounts	**1 860**	1 624	14,5
Early redemption penalty income	**105**	174	(39,7)
Electronic banking	**3 501**	3 021	15,9
Foreign exchange fees and commissions	**313**	316	(0,9)
Savings accounts	**2 301**	2 111	9,0
Sundry	**1 183**	1 086	8,9
Asset management and other related fees	**103**	76	35,5
Consulting and administration fees	**428**	410	4,4
Insurance commission received	**1 088**	1 013	7,4
Pension fund payment services	**545**	526	3,6
Portfolio and other management fees[2]	**947**	735	28,8
Project finance fees	**262**	473	(44,6)
Trust and estate income[2]	**235**	253	(7,1)
Other	**199**	219	(9,1)
	16 301	15 064	8,2
9.2 Fee and commission expense[1]			
Cheque processing fees	**(193)**	(168)	(14,9)
Commission paid	**(867)**	(852)	(1,8)
Debt collecting fees	**(261)**	(232)	(12,5)
Transaction-based legal fees	**(148)**	(91)	(62,6)
Valuation fees	**(176)**	(155)	(13,5)
Other	**(367)**	(223)	(64,6)
	(2 012)	(1 721)	(16,9)
9.3 Net insurance premium income			
Insurance premium revenue	**4 390**	3 896	12,7
Premiums ceded to reinsurers	**(603)**	(385)	(56,6)
	3 787	3 511	7,9
9.4 Net insurance claims and benefits paid			
Gross claims and benefits paid on insurance contracts	**(2 521)**	(2 124)	(18,7)
Reinsurance recoveries	**306**	234	30,8
	(2 215)	(1 890)	(17,2)
9.5 Changes in investment and insurance liabilities			
Investment contracts	**(620)**	(438)	(41,6)
Insurance contracts	**60**	368	(83,7)
	(560)	(70)	(700,0)

Notes

[1] *The disclosure of net fee and commission income changed from nature to function during 2009 and certain fees and commissions received, previously shown net of fees and commissions paid, have been restated to show the gross amounts received and paid. Comparatives have been restated accordingly.*

[2] *Disclosed as part of trust and other fiduciary services.*

	2009 Rm	2008 Rm	Change %
9. Non-interest income *(continued)*			
9.6 Gains and losses from banking and trading activities[1 + 2]			
Associates and joint ventures	**(13)**	—	(100,0)
Dividends received	**45**	—	100,0
Loss realised on disposal	**(58)**	—	(100,0)
Available-for-sale unwind from reserve	**115**	(85)	235,3
Equity instruments	**219**	—	100,0
Statutory liquid asset portfolio	**(104)**	(85)	(22,4)
Financial instruments designated at fair value through profit or loss	**(63)**	(925)	93,2
Debt instruments	**(31)**	65	(147,7)
Debt securities in issue	**(125)**	(765)	83,7
Deposits from banks and due to customers	**(434)**	(3 400)	87,2
Equity instruments	**(99)**	1 244	(108,0)
Loans and advances to banks and customers	**614**	1 937	(68,3)
Statutory liquid asset portfolio	**12**	(6)	300,0
Financial instruments held-for-trading			
Derivatives and trading instruments	**2 555**	4 252	(39,9)
Ineffective hedges	**(19)**	89	(121,3)
Cash flow hedges	**(3)**	(18)	83,3
Fair value hedges	**(16)**	107	(115,0)
	2 575	3 331	(22,7)
9.7 Gains and losses from investment activities			
Financial instruments designated at fair value through profit or loss	**1 459**	1 045	39,6
Net investment gains from insurance activities	**1 271**	958	33,7
Policyholder – investment contracts	**668**	492	35,8
Policyholder – insurance contracts	**286**	113	153,1
Shareholder funds	**317**	353	(10,2)
Other investment gains	**188**	87	116,1
Profit on disposal of and dividend income from associates and joint ventures	**15**	31	(51,6)
Loss on disposal of subsidiaries	**(10)**	(12)	16,7
	1 464	1 064	37,6
9.8 Other operating income			
Exchange differences	**40**	237	(83,1)
Income from maintenance contracts	**26**	48	(45,8)
Investment property income	**74**	22	236,4
Profit on disposal of intangible assets[3]	**65**	740	(91,2)
Profit on disposal of property and equipment	**68**	51	33,3
Property development profit	**50**	57	(12,3)
Profit on disposal of repossessed properties	**8**	8	—
Rental income from property subleases	**218**	111	96,4
Sundry income	**343**	258	32,9
	892	1 532	(41,8)
Total non-interest income	**20 232**	20 821	(2,8)

Notes

[1]*Comparatives have been restated for profits and losses from financial instruments used as part of the Group's interest rate risk management.*

[2]*Refer to the segment views on pages 72 to 73 for additional disclosures.*

[3]*Comparatives include the profit of R740 million on derecognition of Visa Initial Public Offering (IPO) in March 2008.*

Condensed notes to the financial statements

Year ended 31 December

	2009 Rm	2008 Rm	Change %
10. Operating expenditure			
10.1 Operating expenses			
Property and equipment-related			
Accommodation costs	**2 003**	1 948	(2,8)
Amortisation	**116**	150	22,7
Depreciation	**1 129**	856	(31,9)
Equipment rental and maintenance	**278**	278	—
Insurance premiums	**102**	131	22,1
Professional fees			
Auditors' remuneration	**134**	110	(21,8)
Other professional fees	**790**	851	7,2
Staff-related			
Staff costs	**9 939**	9 828	(1,1)
Incentive schemes and share-based payments	**867**	1 697	48,9
Other			
Cash transportation costs	**467**	413	(13,1)
Clearing and bank charges	**208**	137	(51,8)
Communication and printing	**1 120**	1 100	(1,8)
Frauds and losses	**358**	290	(23,4)
Information technology costs	**1 701**	1 468	(15,9)
Investment property charges	**4**	7	42,9
Marketing and advertising costs	**875**	961	8,9
Research and development costs	**146**	114	(28,1)
Travelling and entertainment	**269**	383	29,8
Other operating expenses	**351**	392	10,5
	20 857	21 114	1,2
10.2 Other impairments			
Financial instruments	**38**	30	(26,7)
Amortised cost instruments	**2**	29	93,1
Available-for-sale instruments	**36**	1	>(999,9)
Other	**1 419**	(12)	>(999,9)
Computer software development costs	**19**	1	>(999,9)
Equipment	**9**	—	(100,0)
Goodwill	**37**	—	(100,0)
Investments in associates and joint ventures[1]	**1 328**	—	(100,0)
Repossessed Properties	**26**	(13)	(300,0)
	1 457	18	>(999,9)

Note

[1]*During the year under review, indications existed that the carrying amount of the investments in associates, that arose as a result of client defaults on Single Stock Futures within Absa Capital, would not be recoverable. The recoverable amount is the fair value less cost to sell and was based on the Group's best estimate of the price the Group would achieve in a sale transaction of these investments. These investments have consequently been impaired.*

	2009 Rm	2008 Rm	Change %
11. Earnings per share			
Earnings	**6 840**	10 666	(35,9)
Interest expense on convertible debt (net of tax)	**6**	16	(62,5)
Diluted earnings	**6 846**	10 682	(35,9)

	2009 Number of shares – millions	2008 Number of shares – millions	Change value/%
Issued shares at the beginning of the year	**680,2**	678,5	1,7
Effect of shares issued during the year	**15,5**	0,8	14,7
Treasury shares held by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(0,0)**	(0,0)	—
Treasury shares held by Absa Group Limited Share Incentive Trust	**(2,1)**	(2,7)	0,6
Treasury shares held by Absa Life Limited	**(0,4)**	(0,9)	0,5
Weighted average number of ordinary shares in issue (millions)	**693,2**	675,7	17,5
Basic earnings per share (cents)	**986,7**	1 578,5	(37,5)
Weighted average number of ordinary shares in issue	**693,2**	675,7	17,5
Adjustments for:			
options linked to ordinary shares	**3,0**	3,8	(0,8)
options linked to redeemable cumulative option-holding preference shares	**15,3**	23,3	(8,0)
Weighted average diluted number of ordinary shares in issue (millions)	**711,5**	702,8	8,7
Diluted earnings per share (cents)	**962,2**	1 519,9	(36,7)

	2009 Rm	2008 Rm	Change %
12. Headline earnings			
Headline earnings[1] is determined as follows:			
Profit attributable to ordinary equity holders of the Group	**6 840**	10 666	(35,9)
Adjustments for:			
IFRS 3 business combinations – goodwill	**37**	(17)	258,8
IAS 16 net profit on disposal of property and equipment	**(58)**	(37)	(56,8)
IAS 21 recycled foreign currency translation reserve, disposal of investments in foreign operations	**(23)**	(38)	65,8
IAS 27 net loss on disposal of subsidiaries	**10**	17	(41,2)
IAS 28 net loss/(profit) on disposal of associates	**35**	(29)	220,7
IAS 28 impairment of investments in associates	**956**	—	100,0
IAS 28 headline earnings component of associates' earnings	**11**	(54)	120,4
IAS 36 impairment of assets	**6**	—	100,0
IAS 38 net profit on disposal of and impairment of intangible assets	**(42)**	(636)	93,4
IAS 39 release of available-for-sale reserves	**(115)**	61	(288,5)
IAS 39 impairment of and net profit on disposal of available-for-sale assets	**16**	32	(50,0)
IAS 40 change in fair value of investment properties	**(52)**	—	(100,0)
	7 621	9 965	(23,5)

Note

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

Condensed notes to the financial statements

As at 31 December

	2009 Rm	2008 Rm	Change %
13. Related parties			
The Group's ultimate parent company is Barclays PLC (incorporated in the United Kingdom), which owns 55,5% (2008: 58,8%) of the ordinary shares. The remaining 44,5% (2008: 41,2%) of the shares are widely held on the JSE.			
The following are defined as related parties of the Group:			
– Key management personnel.			
– The ultimate parent company, Barclays Bank PLC.			
– Subsidiaries.			
– Associates, joint ventures and retirement benefit funds.			
– An entity controlled/jointly controlled or significantly influenced by any individual referred to above.			
– Post-employment benefit plan for the benefit of employees or any entity that is a related party of the Group.			
– Children or dependants of the individuals referred to above or the spouse of the individual referred to above.			
Transactions[1] with key management personnel and entities controlled by key management			
Loans outstanding at the end of the year	**21**	77	(72,7)
Interest income earned	**4**	3	33,3
Deposits at the end of the year	**24**	17	41,2
Interest expense on deposits	**2**	2	—
Guarantees issued by the Group	**57**	40	42,5
Other investments at the end of the year	**126**	185	(31,9)
Key management personnel compensation			
Directors	**99**	69	43,5
Other key management personnel	**59**	54	9,3
Transactions[2] with parent company			
The following are balances with, and transactions entered into with, the parent company:			
Balances			
Assets	**18 094**	30 231	(40,1)
Liabilities	**16 983**	31 529	(46,1)
Transactions			
Income	**252**	1 229	(79,5)
Expenses	**54**	259	(79,2)
Dividends paid	**2 213**	2 333	(5,1)
14. Managed funds			
Estates	**2 247**	2 545	(11,7)
Portfolio management	**17 770**	6 399	177,7
Trusts	**5 803**	5 019	15,6
Participation bond schemes	**2 105**	2 125	(0,9)
Unit trusts	**69 949**	69 111	1,2
Linked investments	**45 683**	29 462	55,1
Other	**11 557**	10 439	10,7
	155 114	125 100	24,0
15. Commitments			
Authorised capital expenditure			
Contracted but not provided for[3]	**928**	703	32,0

Notes

[1] *These transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with third parties.*

[2] *All transactions entered into are on the same commercial terms and conditions as in the normal course of business.*

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

	2009 Rm	2008 Rm	Change %
16. Contingencies			
Financial guarantee contracts			
Financial guarantee contracts	**1 007**	1 001	0,6
Contingencies			
Guarantees[1]	**10 484**	9 484	10,5
Irrevocable facilities[2]	**54 517**	29 753	83,2
Letters of credit	**5 007**	6 429	(22,1)
Other contingencies	**5**	25	(80,0)
	71 020	46 692	52,1

Notes

[1]*Guarantees include performance guarantee contracts and payment guarantee contracts.*

[2]*Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate the facilities by written notice. Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.*

17. Share-based payments

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 to the vesting date in order to be entitled to the options.

	Number of shares 2009	2008	Change %
Outstanding at the beginning of the year	**9 967 474**	13 618 314	(26,8)
Exercised during the year	**(3 568 819)**	(3 252 141)	(9,7)
Forfeited during the year	**(100 164)**	(398 699)	74,9
Outstanding at the end of the year	**6 298 491**	9 967 474	(36,8)
Of which are exercisable	**5 016 155**	5 943 962	(15,6)

Details regarding the options granted and still outstanding at 31 December 2009 are as follows:

	Number of options	Average option price R
Expity date[1]		
Year to 31 March 2010	**8 635**	27,68
Year to 31 March 2011	**135 971**	26,59
Year to 31 March 2012	**417 314**	36,64
Year to 31 March 2013	**513 889**	33,69
Year to 31 March 2014	**469 905**	35,83
Year to 31 March 2015	**1 715 602**	50,48
Year to 31 December 2015	**2 298 341**	91,18
Year to 31 December 2016	**738 834**	107,11
	6 298 491	

Note

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

17. Share-based payments *(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. The shares issued in terms of the transaction vested immediately. Due to the shares issued vesting immediately and also as a result of the issue being before 1 January 2005, the provisions of IFRS 2 Share-based payments were not applicable. In the current year 49,9% of the options were repurchased from Batho Bonke (Proprietary) Limited at a discount to their fair value. Batho Bonke utilised the proceeds to exercise 11 970 536 options.

The Group provided bridging finance for the remaining 24 678 764 options. The life of the remaining was effectively extended for three months, effective 1 June 2009. The modification does not result in an increase in the fair value of these options and therefore, in terms of the provisions of IFRS 2, no cost is recognised in the statement of comprehensive income in the current year.

The bridging finance was redeemed on 1 September 2009 and Batho Bonke Capital (Proprietary) Limited exercised the balance of the options outstanding.

	Number of shares		
	2009	2008	Change %
Outstanding at the beginning of the year	**73 152 300**	73 152 300	—
Exercised during the year	**(36 649 300)**	—	(100,0)
Repurchased during the year	**(36 503 000)**	—	(100,0)
Outstanding at the end of the year	**—**	73 152 300	(100,0)
Of which are exercisable	**—**	73 152 300	(100,0)

There are no outstanding options at 31 December 2009. The options outstanding at 31 December 2008 had an exercise price range of R48,00 to R69,00 and a weighted average contractual life of 0,5 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 one-off equity-settled share-based payment scheme. Each employee who elected to participate was issued and allocated 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 arrears 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		
	2009	2008	Change %
Outstanding at the beginning of the year	**559 400**	946 100	(40,9)
Exercised during the year	**(539 200)**	(367 500)	(46,7)
Forfeited during the year	**(20 200)**	(19 200)	(5,2)
Outstanding at the end of the year	**—**	559 400	(100,0)
Of which are exercisable	**—**	559 400	(100,0)

17. Share-based payments *(continued)*

Absa Group Phantom Preference 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		
	2009	2008	Change %
Outstanding at the beginning of the year	**2 201 242**	2 322 883	(5,2)
Granted during the year	**—**	17 415	(100,0)
Forfeited during the year	**(33 368)**	(139 056)	76,0
Exercised during the year	**(981 926)**	—	(100,0)
Outstanding at the end of the year	**1 185 948**	2 201 242	(46,1)

The options outstanding have no exercise price and a weighted average contractual life of 0,2 years (31 December 2008: 1,1 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. There is an initial three-year vesting period, after which, the paticipant will receive their initial allocation as well as 20% matched options. If the participant remains in the employ of the Group and in the ESAS for a further two years, the participant receives another 10% matched options. 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		
	2009	2008	Change %
Outstanding at the beginning of the year	**1 015 218**	37 059	>999,9
Exercised during the year	**—**	1 019 114	(100,0)
Forfeited during the year	**(155 110)**	(40 955)	(278,7)
Granted during the year	**1 324 178**	—	100,0
Outstanding at the end of the year	**2 184 286**	1 015 218	115,2

The options outstanding have no exercise price and a weighted average contractual life of 3,7 years (31 December 2008: 3,1 years). None of these options were exercisable at the statement of financial position date.

17. Share-based payments *(continued)*

Absa Group Phantom Joiners Share Awards 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 employers' 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 2009	2008	Change %
Outstanding at the beginning of the year	**953 745**	312 375	205,3
Granted during the year	**305 745**	787 996	(61,2)
Exercised during the year	**(245 954)**	(127 387)	(93,1)
Forfeited during the year	**(90 047)**	(19 239)	(368,0)
Outstanding at the end of the year	**923 489**	953 745	(3,2)

The options outstanding have no exercise price and a weighted average contractual life of 2,4 years (31 December 2008: 2,9 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 their initial allocation and 20% bonus phantom shares. If the participant remains in the employ of the Group and in the Phantom ESAS scheme for a further 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 performance bonuses in excess of a predetermined amount were compelled to place a set percentage of the bonus award into the Phantom ESAS. Employees also had the option of utilising more of their bonus award for voluntary Phantom ESAS shares.

	Number of shares 2009	2008	Change %
Outstanding at the beginning of the year	**554 148**	456 066	21,5
Granted during the year	**24 705**	123 526	(80,0)
Exercised during the year	**(110 731)**	—	(100,0)
Forfeited during the year	**(12 651)**	(25 444)	50,3
Outstanding at the end of the year	**455 471**	554 148	(17,8)
Of which are exercisable	**37 500**	—	100,0

The options outstanding have no exercise price and a weighted average contractual life of 2,1 years (31 December 2008: 3,0 years).

17. Share-based payments *(continued)*

Absa Group Performance Share Plan (PSP)

The PSP is 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		
	2009	2008	Change %
Outstanding at the beginning of the year	**2 007 730**	—	100,0
Granted during the year	**1 589 866**	2 133 707	(25,5)
Forfeited during the year	**(180 108)**	(125 977)	(43,0)
Outstanding at the end of the year	**3 417 488**	2 007 730	70,2

The options outstanding have no exercise price and a weighted average contractual life of 1,8 years (31 December 2008: 2,2 years). None of these options are exercisable at the statement of financial position date.

18. Acquisitions and disposals of subsidiaries and associates

18.1 Disposal of investment in Banco Comercial Angolano S.A.R.L. (BCA)

The Group disposed of its 50% equity investment in BCA during June 2009. The profit on sale amounted to R15 million.

18.2 Disposal of investment in associate – Ambit Properties Limited and subsidiary's management rights – Ambit Management Services (Proprietary) Limited

Absa Corporate and Business Bank held 34,5% of Ambit Properties' equity, these shares were exchanged for ApexHi shares[1]. This resulted in a loss of R58 million on disposal of the investment in Ambit Properties Limited (previously recognised as an investment in associate). In addition ApexHi acquired the management rights to Ambit Properties from Absa.

18.3 Acquisition of a listed associate

The Group acquired additional shares in Blue Financial Services Limited during the year increasing the total shareholding in Blue Financial Services Limited to over 20% in May 2009 at a cost of R62 million.

18.4 Acquisition of additional shares in CPF venture capital organisations

- The Group acquired an additional 50% in the development company Ngwenya River Estate (Proprietary) Limited, increasing its shareholding to 100% on 1 October 2008 (subject to South African Reserve Bank approval).

  As at December 2008, the investment was fully consolidated and minority interest of 50% was provided for. The acquisition became effective from April 2009 after receiving Reserve Bank and Competition Commission approval. The impact on the Group's results were minimal.
- On 31 January 2009, the Group acquired an additional 35,2% interest in Abseq Properties (Proprietary) Limited, at a cost of R166 million, increasing the Group's shareholding to 85,0%. Abseq Properties (Proprietary) Limited was previously recognised as an associate designated at fair value through profit or loss. On consolidation of Abseq, the two joint ventures of Abseq namely Kilkishen Investments (Proprietary) Limited and Stand 1135 (Proprietary) Limited became joint ventures of the Group.
- On 1 January 2009 the Group acquired a 50% interest in Meadowood Investments 8 (Proprietary) Limited for R1.
- On 1 June 2009 the Group acquired a 100% interest in Blue Age Properties 60 (Proprietary) Limited for R100.
- On 1 November 2009 the Group acquired a 50% interest in Tembisa Mall (Proprietary) Limited at a cost of R29,1 million.

Note

[1] *In terms of a scheme proposed by ApexHi whereby ApexHi would acquire the entire shareholding of Ambit Properties Limited.*

Capital adequacy

As at 31 December

	2009 Risk-weighted assets Rm		2008 Risk-weighted assets Rm	
Absa Bank Limited				
Risk-weighted assets				
Credit risk	**256 995**		252 839	
Operational risk	**47 030**		39 098	
Market risk	**9 662**		5 088	
Equity investment risk	**32 194**		41 079	
Other risk	**13 193**		14 767	
	359 074		352 871	
Qualifying capital	**Rm**	**%[1]**	Rm	%[1]
Primary capital				
Ordinary share capital	**303**	**0,1**	303	0,1
Ordinary share premium	**10 465**	**2,9**	9 415	2,7
Preference share capital and premium	**4 644**	**1,3**	4 644	1,3
Reserves[2]	**28 757**	**8,0**	26 003	7,4
Deductions	**(2 430)**	**(0,7)**	(1 511)	(0,5)
50% of amount by which expected loss exceeds eligible provisions	**(1 968)**	**(0,6)**	(1 472)	(0,5)
50% of first loss enhancement provided in respect of a securitisation scheme	**(95)**	**(0,0)**	(39)	(0,0)
Other deductions	**(367)**	**(0,1)**	—	—
	41 739	**11,6**	38 854	11,0
Secondary capital				
Subordinated redeemable debt	**13 111**	**3,7**	12 210	3,5
Deductions	**(2 063)**	**(0,6)**	(1 521)	(0,5)
50% of amount by which expected loss exceeds eligible provisions	**(1 968)**	**(0,6)**	(1 472)	(0,5)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**(95)**	**(0,0)**	(39)	(0,0)
Other deductions	**—**	**—**	(10)	(0,0)
	11 048	**3,1**	10 689	3,0
Total qualifying capital	**52 787**	**14,7**	49 543	14,0

Notes

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

[2]*Reserves include unappropriated banking profits.*

	2009 Risk-weighted assets Rm		2008 Risk-weighted assets Rm	
Absa Group Limited				
Risk-weighted assets				
Credit risk	**276 172**		276 706	
Operational risk	**53 032**		44 689	
Market risk	**9 662**		5 088	
Equity investment risk	**28 657**		37 266	
Other risk	**18 741**		17 248	
	386 264		380 997	
Qualifying capital	**Rm**	**%[1]**	Rm	%[1]
Primary capital				
Ordinary share capital	**1 432**	**0,4**	1 180	0,4
Ordinary share premium	**4 784**	**1,2**	2 251	0.6
Preference share capital and premium	**4 644**	**1,2**	4 644	1,2
Reserves[2]	**40 075**	**10,4**	37 747	9,9
Minority interest	**1 299**	**0,3**	1 042	0,3
Deductions	**(3 263)**	**(0,8)**	(2 715)	(0,8)
Goodwill	**(572)**	**(0,1)**	(577)	(0,2)
Financial and insurance entities not consolidated	**(120)**	**(0,0)**	(446)	(0,1)
50% of amount by which expected loss exceeds eligible provisions	**(1 833)**	**(0,5)**	(1 624)	(0,4)
50% of first loss credit enhancement provided in respect of securitisation scheme	**(150)**	**(0,0)**	(68)	(0,1)
Other deductions	**(588)**	**(0,2)**	—	—
	48 971	**12,7**	44 149	11,6
Secondary capital				
Subordinated redeemable debt	**13 111**	**3,4**	11 711	3,1
General allowance for credit impairment, after deferred tax – standardised approach	**73**	**0,0**	37	0,0
Deductions	**(2 103)**	**(0,5)**	(2 148)	(0,6)
Financial and insurance entities not consolidated	**(120)**	**(0,0)**	(446)	(0,1)
50% of amount by which expected loss exceeds eligible provisions	**(1 833)**	**(0,5)**	(1 624)	(0,4)
50% of first loss credit enhancement provided in respect of securitisation scheme	**(150)**	**(0,0)**	(68)	(0,1)
Other deductions	**—**	**—**	(10)	(0,0)
	11 081	**2,9**	9 600	2,5
Total qualifying capital	**60 052**	**15,6**	53 749	14,1

Notes

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

[2]*Reserves include unappropriated banking profits.*

Definitions

Price-to-earnings (P/E) 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 remeasurements (an amount recognised in the statement of comprehensive income 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 weighted 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 weighted 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, loans and advances to banks and customers and investments. (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 weighted average basis), expressed as a percentage.

Non-performing advances

A loan is typically considered non-performing 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).

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 weighted 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 of the Group

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 of the Group 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 capital adequacy methodology requirements.

Risk-weighted assets

Risk-weighted assets are determined by applying the following:

- advanced Internal Ratings Based (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 market-based simple risk weight approach for equity investment risk in 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 non-redeemable 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 reduced with 50% of the amount that expected losses exceed eligible provisions and 50% of first loss credit enhancement provided in respect of securitisation schemes. 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 reduced with 50% of the amount that expected losses exceed eligible provisions and 50% of first loss credit enhancement provided in respect of securitisation schemes.

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

Assets and liabilities held-for-sale are those non-current assets and liabilities where it is highly probable that the carrying amount will be recovered principally through a sale transaction within 12 months from the date of classification. For the sale to be considered highly probable, Board approval is required for the plan to sell the assets and liabilities, and an active program to locate a buyer and complete the plan must have been initiated.

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

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 notes qualifying as long-term Tier II capital issued by Absa Bank in terms of section 1 of the Banks Act, 1990. The subordinated callable notes 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 statement of comprehensive income 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 cost, 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 value through profit or loss designated instruments; and
- 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, as well as Absa Capital's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and the related funding cost. This also includes similar activities from the African operations.

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; and
- 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

Contents

Business unit performance

Profit contribution by business area

Year ended 31 December

Attributable earnings (%)

2009[1] *2008*[1]

1. Retail banking **2.** Absa Corporate and Business Bank **3.** Absa Capital[2] **4.** Bancassurance

Notes

[1] *Calculated after the allocation of capital, funding and corporate centre.*
[2] *If calculated based on headline earnings, Absa Capital's contribution would be 16,9% (December 2008: 23,9%).*

	2009 (Audited) Rm	2008[1] (Audited) Rm	Change %
Banking operations			
Retail banking	**2 863**	3 628	(21,1)
Retail Bank	**3 086**	2 635	17,1
Absa Home Loans	**(1 299)**	140	>(999,9)
Absa Card	**811**	554	46,4
Absa Vehicle and Asset Finance	**265**	299	(11,4)
Absa Corporate and Business Bank (ACBB)	**2 317**	2 823	(17,9)
Absa Capital	**288**	2 276	(87,3)
Underlying performance	**1 275**	2 276	(44,0)
Single Stock Futures impairment	**(987)**	—	(100,0)
Corporate centre[2]	**544**	877	(38,0)
Capital and funding centre	**(35)**	4	(975,0)
Minority interest – preference shares	**(421)**	(457)	7,9
Total banking	**5 556**	9 151	(39,3)
Bancassurance	**1 284**	1 515	(15,2)
Profit attributable to ordinary equity holders of the Group	**6 840**	10 666	(35,9)
Headline earnings adjustments	**781**	(701)	211,4
Total headline earnings	**7 621**	9 965	(23,5)

Notes

[1] *The comparatives have been restated for:*
- *Repossessed Properties was moved from Corporate centre to Retail banking during the year under review.*
- *ACBB, to account for the fair value adjustments on acquisition of the minority share of two CPF subsidiaries in 2008.*
- *Absa Wealth was moved from Retail banking to Absa Capital during the year under review.*
- *Absa Manx Insurance Company Limited was moved from Bancassurance to Corporate centre during the year under review.*
- *The change in accounting policy regarding the retirement benefit assets and liabilities.*

[2] *Corporate centre's comparatives include the profit on Visa Initial Public Offering (IPO) shares.*

Segmental reporting per market segment

Year ended 31 December

	Retail banking		
	2009	2008[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	**14 150**	14 407	(1,8)
Net interest income – external	**32 236**	39 144	(17,6)
Net interest income – internal	**(18 086)**	(24 737)	26,9
Impairment losses on loans and advances	**(7 778)**	(5 523)	(40,8)
Non-interest income	**11 615**	10 164	14,3
Non-interest income – external	**11 215**	9 767	14,8
Non-interest income – internal	**400**	397	0,8
Depreciation and amortisation	**(376)**	(348)	(8,0)
Operating expenses	**(13 089)**	(13 008)	(0,6)
Other impairments	**(25)**	13	(292,3)
Indirect taxation	**(320)**	(358)	10,6
Share of retained (losses)/earnings from associates and joint ventures	**(49)**	18	(372,2)
Operating profit before income tax	**4 128**	5 365	(23,1)
Taxation expense	**(1 102)**	(1 619)	31,9
Profit for the year	**3 026**	3 746	(19,2)
Profit attributable to:			
Ordinary equity holders of the Group	**2 863**	3 628	(21,1)
Minority interest – ordinary shares	**163**	118	38,1
Minority interest – preference shares	**—**	—	—
	3 026	3 746	(19,2)
Headline earnings	**2 666**	3 600	(25,9)
Operating performance (%)			
Net interest margin on average assets	**3,05**	3,34	
Net interest margin on average interest-bearing assets	**4,12**	4,38	
Impairment losses on loans and advances as % of average loans and advances to customers	**2,34**	1,72	
Non-interest income as % of total operating income	**45,1**	41,4	
Top-line growth[1]	**4,9**	15,2	
Cost growth[1]	**0,8**	14,1	
Cost-to-income ratio	**52,3**	54,4	
Cost-to-assets ratio	**2,9**	3,1	

Note

[1]*December 2008 comparative has been restated. Refer to pages 79 to 82. December 2007 comparatives have not been restated.*

	Absa Corporate and Business Bank			Absa Capital			Bancassurance			Other			Head office and intersegment eliminations			Absa Group		
	2009	2008[1]	Change %	**2009**	2008[1]	Change %	**2009**	2008[1]	Change %	**2009**	2008[1]	Change %	**2009**	2008[1]	Change %	**2009**	2008[1]	Change %
	5 609	5 819	(3,6)	**2 042**	2 427	(15,9)	**21**	10	110,0	**45**	(578)	107,8	**(13)**	21	(161,9)	**21 854**	22 106	(1,1)
	6 878	7 210	(4,6)	**(18 132)**	(24 326)	25,5	**12**	8	50,0	**945**	152	521,7	**(85)**	(82)	(3,7)	**21 854**	22 106	(1,1)
	(1 269)	(1 391)	8,8	**20 174**	26 753	(24,6)	**9**	2	350,0	**(900)**	(730)	(23,3)	**72**	103	(30,1)	**—**	—	—
	(872)	(287)	(203,8)	**(318)**	(30)	(960,0)	**(3)**	1	(400,0)	**1**	—	100,0	**3**	—	100,0	**(8 967)**	(5 839)	(53,6)
	3 100	2 898	7,0	**2 404**	3 230	(25,6)	**3 372**	3 452	(2,3)	**(289)**	434	(166,6)	**30**	643	(95,3)	**20 232**	20 821	(2,8)
	2 734	2 481	10,2	**2 080**	3 741	(44,4)	**3 653**	3 746	(2,5)	**(370)**	336	(210,1)	**920**	750	22,7	**20 232**	20 821	(2,8)
	366	417	(12,2)	**324**	(511)	163,4	**(281)**	(294)	4,4	**81**	98	(17,3)	**(890)**	(107)	(731,8)	**—**	—	—
	(37)	(30)	(23,3)	**(152)**	(32)	(375,0)	**(25)**	(24)	(4,2)	**(85)**	(88)	3,4	**(570)**	(484)	(17,8)	**(1 245)**	(1 006)	(23,8)
	(4 347)	(4 306)	(1,0)	**(2 157)**	(2 397)	10,0	**(1 524)**	(1 353)	(12,6)	**66**	126	(47,6)	**1 439**	830	73,4	**(19 612)**	(20 108)	2,5
	(52)	—	(100,0)	**(1 371)**	(1)	>(999,9)	**(21)**	(29)	27,6	**88**	12	633,3	**(76)**	(13)	(484,6)	**(1 457)**	(18)	>(999,9)
	(47)	(107)	56,1	**(79)**	(65)	(21,5)	**(77)**	(57)	(35,1)	**(76)**	(61)	(24,6)	**(314)**	(76)	(313,2)	**(913)**	(724)	(26,1)
	4	41	(90,2)	**—**	—	—	**—**	—	—	**—**	—	—	**(5)**	14	(135,7)	**(50)**	73	(168,5)
	3 358	4 028	(16,6)	**369**	3 132	(88,2)	**1 743**	2 000	(12,9)	**(250)**	(155)	(61,3)	**494**	935	(47,2)	**9 842**	15 305	(35,7)
	(1 002)	(1 168)	14,2	**(41)**	(856)	95,2	**(459)**	(485)	5,4	**434**	147	195,2	**(170)**	(7)	>(999,9)	**(2 340)**	(3 988)	41,3
	2 356	2 860	(17,6)	**328**	2 276	(85,6)	**1 284**	1 515	(15,2)	**184**	(8)	>999,9	**324**	928	(65,1)	**7 502**	11 317	(33,7)
	2 317	2 823	(17,9)	**288**	2 276	(87,3)	**1 284**	1 515	(15,2)	**(237)**	(466)	49,1	**325**	890	(63,5)	**6 840**	10 666	(35,9)
	38	36	5,6	**40**	—	100,0	**—**	—	—	**—**	1	(100,0)	**—**	39	(100,0)	**241**	194	24,2
	1	1	—	**—**	—	—	**—**	—	—	**421**	457	(7,9)	**(1)**	(1)	—	**421**	457	(7,9)
	2 356	2 860	(17,6)	**328**	2 276	(85,6)	**1 284**	1 515	(15,2)	**184**	(8)	>999,9	**324**	928	(65,1)	**7 502**	11 317	(33,7)
	2 289	2 749	(16,7)	**1 272**	2 276	(44,1)	**1 300**	1 474	(11,8)	**(282)**	(377)	25,2	**376**	243	54,7	**7 621**	9 965	(23,5)
	4,06	4,33		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a		**2,92**	3,06	
	4,77	5,49		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a		**3,74**	3,81	
	0,75	0,28		**0,45**	0,04		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a		**1,74**	1,19	
	35,6	33,2		**54,1**	57,1		**99,4**	99,7		**n/a**	n/a		**n/a**	n/a		**48,1**	48,5	
	(0,1)	20,7		**(21,4)**	37,5		**(2,0)**	10,8		**n/a**	n/a		**n/a**	n/a		**(2,0)**	20,4	
	1,1	15,8		**(5,0)**	59,8		**12,5**	19,9		**n/a**	n/a		**n/a**	n/a		**(1,2)**	14,5	
	50,3	49,7		**51,9**	42,9		**45,7**	39,8		**n/a**	n/a		**n/a**	n/a		**49,6**	49,2	
	3,2	3,2		**0,5**	0,6		**4,5**	4,1		**n/a**	n/a		**n/a**	n/a		**2,8**	2,9	

Segmental reporting per market segment

As at 31 December

	Retail banking			Absa Corporate and Business Bank			Absa Capital			Bancassurance		
	2009	2008[1]	Change %	**2009**	2008[1]	Change %	**2009**	2008[1]	Change %	**2009**	2008[1]	Change %
Statement of financial position (Rm)												
Loans and advances to customers	**326 985**	337 518	(3,1)	**120 230**	120 253	(0,0)	**55 768**	73 898	(24,5)	**268**	—	100,0
Investments	**0**	920	(99,9)	**2 355**	2 479	(5,0)	**14 403**	13 104	9,9	**12 016**	10 306	16,6
Investments in associates and joint ventures	**259**	318	(18,6)	**123**	801	(84,6)	**85**	970	(91,2)	**—**	—	—
Other assets	**146 212**	127 698	14,5	**17 827**	15 681	13,7	**292 790**	357 770	(18,2)	**31 146**	21 963	41,8
Other assets – external	**7 204**	9 333	(22,8)	**7 020**	4 535	54,8	**97 184**	137 394	(29,3)	**30 289**	19 269	57,2
Other assets – internal[2]	**139 008**	118 365	17,4	**10 807**	11 146	(3,0)	**195 606**	220 376	(11,2)	**857**	2 694	(68,2)
Total assets	**473 456**	466 454	1,5	**140 535**	139 214	0,9	**363 046**	445 742	(18,6)	**43 430**	32 269	34,6
Deposits due to customers	**132 966**	127 953	3,9	**104 628**	100 046	4,6	**112 763**	153 702	(26,6)	**—**	—	—
Other liabilities	**336 663**	334 577	0,6	**33 401**	36 678	(8,9)	**247 495**	287 714	(14,0)	**40 002**	28 830	38,8
Other liabilities – external	**8 597**	10 491	(18,1)	**6 275**	6 010	4,4	**236 912**	275 415	(14,0)	**33 382**	21 474	55,5
Other liabilities – internal[2]	**328 066**	324 086	1,2	**27 126**	30 668	(11,5)	**10 583**	12 299	(14,0)	**6 620**	7 356	(10,0)
Total liabilities	**469 629**	462 530	1,5	**138 029**	136 724	1,0	**360 258**	441 416	(18,4)	**40 002**	28 830	38,8
Financial performance (%)												
Return on average economic capital[3 + 4]	**14,2**	19,8		**18,2**	24,8		**14,9**	20,1		**n/a**	n/a	
Return on average assets	**0,58**	0,83		**1,66**	2,04		**0,30**	0,52		**3,74**	4,88	
Other[4]												
Banking customer base per segment (millions)[5]	**11,4**	10,4	9,6	**0,3**	0.3	0,0	**0,0**	0,0	0,0	**—**	—	—
Attributable income from the rest of Africa (Rm)	**49**	54	(9,3)	**20**	20	—	**192**	219	(12,3)	**0**	—	100,0

Notes

[1] *December 2008 comparative has been restated. Refer to pages 79 to 82. December 2007 comparatives have not been restated.*

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

[3] *Bancassurance return on average equity is 37,9% (December 2008: 42,4%) and Absa Group return on average equity is 15,5% (December 2008: 23,4%).*

[4] *Unaudited.*

[5] *Includes African operations.*

Other 2009	Other 2008[1]	Other Change %	Head office and intersegment eliminations 2009	Head office and intersegment eliminations 2008[1]	Head office and intersegment eliminations Change %	Absa Group 2009	Absa Group 2008[1]	Absa Group Change %
131	428	(69,4)	**248**	47	427,7	**503 630**	532 144	(5,4)
151	27	459,3	**639**	144	343,8	**29 564**	26 980	9,6
—	—	—	**20**	55	(63,6)	**487**	2 144	(77,3)
72 119	68 336	5,5	**(375 504)**	(378 559)	0,8	**184 059**	212 889	(13,3)
38 531	37 354	3,2	**3 831**	5 004	(23,4)	**184 059**	212 889	(13,3)
33 588	30 982	8,4	**(379 866)**	(383 563)	1,0	**—**	—	—
72 401	68 791	5,2	**(375 128)**	(378 313)	0,8	**717 740**	774 157	(7,3)
—	11	(100,0)	**400**	569	(29,7)	**350 757**	382 281	(8,2)
31 747	32 443	(2,1)	**(378 815)**	(381 659)	0,7	**310 493**	338 583	(8,3)
27 587	30 695	(10,1)	**(2 260)**	(5 502)	58,9	**310 493**	338 583	(8,3)
4 160	1 748	138,0	**(376 555)**	(376 157)	(0,1)	**—**	—	—
31 747	32 454	(2,2)	**(378 415)**	(381 090)	0,7	**661 250**	720 864	(8,3)
n/a	n/a		**n/a**	n/a		**18,2**	24,0	
n/a	n/a		**n/a**	n/a		**1,02**	1,38	
—	—	—	**—**	—	—	**11,7**	10,7	9,3
24	(42)	156,0	**—**	—	—	**285**	251	(13,5)

Retail banking

Year ended 31 December

	Retail Bank		Absa Home Loans		Absa Card	
	2009	2008	**2009**	2008	**2009**	2008
Total revenue – external (Rm)	**8 959**	8 404	**22 870**	28 396	**5 465**	4 429
Net interest income – external	**159**	537	**22 766**	28 322	**3 473**	2 856
Non-interest income – external	**8 800**	7 867	**104**	74	**1 992**	1 573
Total revenue – internal (Rm)	**7 133**	6 382	**(19 737)**	(24 246)	**(1 204)**	(1 372)
Net interest income – internal	**6 886**	6 165	**(19 906)**	(24 426)	**(1 189)**	(1 373)
Non-interest income – internal	**247**	217	**169**	180	**(15)**	1
Attributable earnings (Rm)[1]	**3 086**	2 635	**(1 299)**	140	**811**	554
Headline earnings (Rm)	**2 889**	2 607	**(1 299)**	140	**811**	554
Impairment losses on loans and advances as a % of average loans and advances to customers (%)[2]	**3,60**	2,47	**1,76**	1,19	**7,13**	5,65
Cost-to-income ratio (%)	**62,0**	65,2	**32,1**	32,1	**38,6**	46,4
Loans and advances to customers (Rm)	**42 663**	44 413	**222 905**	223 870	**17 574**	18 069
Total assets (Rm)	**157 310**	142 698	**241 457**	241 042	**24 146**	24 812
Deposits due to customers (Rm)	**131 248**	126 049	**—**	—	**1 711**	1 888
Total liabilities (Rm)	**154 580**	140 346	**242 171**	241 053	**23 044**	23 933
Return on average economic capital (%)	**54,9**	48,5	**(18,3)**	2,0	**28,1**	25,1

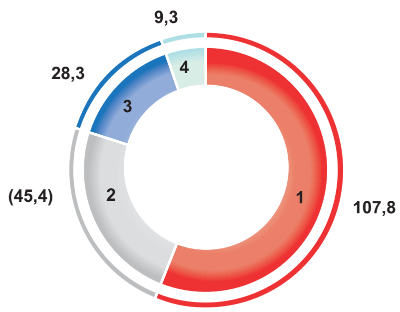
	Absa Vehicle and Asset Finance		Total		
	2009	2008	**2009**	2008	Change %
Total revenue – external (Rm)	**6 157**	7 682	**43 451**	48 911	(11,2)
Net interest income – external	**5 838**	7 429	**32 236**	39 144	(17,6)
Non-interest income – external	**319**	253	**11 215**	9 767	14,8
Total revenue – internal (Rm)	**(3 878)**	(5 104)	**(17 686)**	(24 340)	27,3
Net interest income – internal	**(3 877)**	(5 103)	**(18 086)**	(24 737)	26,9
Non-interest income – internal	**(1)**	(1)	**400**	397	0,8
Attributable earnings (Rm)[1]	**265**	299	**2 863**	3 628	(21,1)
Headline earnings (Rm)	**265**	299	**2 666**	3 600	(25,9)
Impairment losses on loans and advances as a % of average loans and advances to customers (%)[2]	**2,05**	2,31	**2,34**	1,72	
Cost-to-income ratio (%)	**37,0**	37,6	**52,3**	54,4	
Loans and advances to customers (Rm)	**43 843**	51 166	**326 985**	337 518	(3,1)
Total assets (Rm)	**50 543**	57 902	**473 456**	466 454	1,5
Deposits due to customers (Rm)	**7**	16	**132 966**	127 953	3,9
Total liabilities (Rm)	**49 834**	57 198	**469 629**	462 530	1,5
Return on average economic capital (%)	**7,4**	8,6	**14,2**	19,8	

Notes

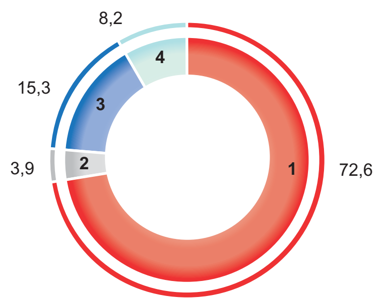
[1] *These results are after the allocation of head office and support charges.*
[2] *Refer to note 8 for the impairment charge to the statement of comprehensive income.*

***Attributable earnings** (%)*

2009



2008



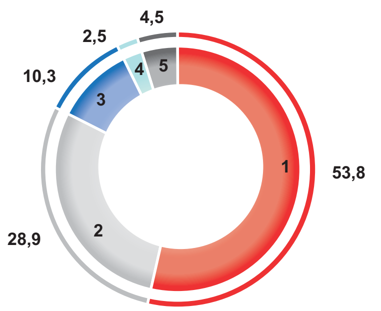
1. Retail Bank **2.** Absa Home Loans **3.** Absa Card **4.** Absa Vehicle and Asset Finance

	2009 Rm	2009 Excluding CPF equities Rm	2008 Rm	2008 Excluding CPF equities Rm	Change %	Change Excluding CPF equities %
Statement of comprehensive income						
Net interest income	**5 609**	**5 609**	5 819	5 819	(3,6)	(3,6)
Impairment losses on loans and advances	**(872)**	**(872)**	(287)	(287)	(203,8)	(203,8)
Non-interest income	**3 100**	**2 948**	2 898	2 765	7,0	6,6
Net fee and commission income	**2 296**	**2 296**	2 321	2 321	(1,1)	(1,1)
Gains and losses from banking and trading activities	**303**	**151**	327	194	(7,3)	(22,2)
Gains and losses from investment activities	**13**	**13**	7	7	85,7	85,7
Other operating income	**488**	**488**	243	243	100,8	100,8
Operating expenses	**(4 384)**	**(4 384)**	(4 336)	(4 336)	(1,1)	(1,1)
Other	**(95)**	**(95)**	(66)	(66)	(43,9)	(43,9)
Operating profit before income tax	**3 358**	**3 206**	4 028	3 895	(16,6)	(17,7)
Taxation expense	**(1 002)**	**(957)**	(1 168)	(1 129)	14,2	15,2
Profit for the year	**2 356**	**2 249**	2 860	2 766	(17,6)	(18,7)
Profit attributable to:						
Ordinary equity holders of the Group	**2 317**	**2 210**	2 823	2 729	(17,9)	(19,0)
Minority interest – ordinary shares	**38**	**38**	36	36	5,6	5,6
Minority interest – preference shares	**1**	**1**	1	1	—	—
	2 356	**2 249**	2 860	2 766	(17,6)	(18,7)
Headline earnings	**2 289**	**2 182**	2 749	2 655	(16,7)	(17,8)

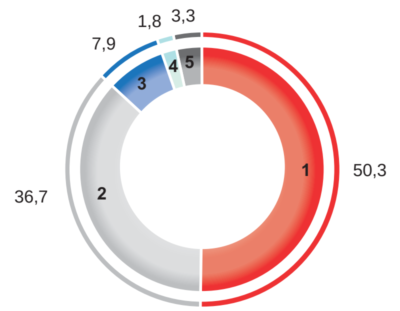
	2009 Rm	2008 Rm	Change %
Operating profit before income tax by business area			
Large	**1 808**	2,025	(10,7)
Medium	**971**	1,477	(34,3)
Corporate	**345**	317	8,8
Africa	**82**	76	7,9
CPF equity portfolio[1]	**152**	133	14,3
– Listed	**84**	(98)	>999,9
– Unlisted	**68**	231	(70,6)
	3 358	4 028	(16,6)

Profit before tax *(%)*

2009



2008



1. Large **2.** Medium **3.** Corporate **4.** Africa **5.** CPF equity portfolio[1]

Note

[1]*Includes realised and unrealised profits on CPF, this however excludes Absa wholly-owned subsidiaries.*

Absa Capital

Year ended 31 December

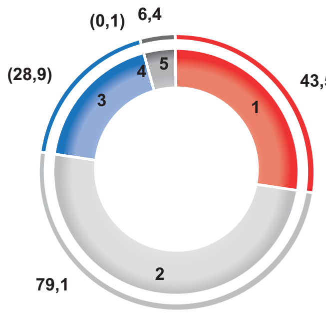
	Note	2009 Rm	2008 Rm	Change %
Statement of comprehensive income				
Net interest income	1	**2 042**	2 427	(15,9)
Impairment losses on loans and advances	1	**(318)**	(30)	(960,0)
Non-interest income	1 + 2	**2 404**	3 230	(25,6)
Operating expenses		**(2 309)**	(2 429)	4,9
Other		**(1 450)**	(66)	>(999,9)
Operating profit before income tax		**369**	3 132	(88,2)
Taxation expense		**(41)**	(856)	95,2
Profit for the year		**328**	2 276	(85,6)
Profit attributable to:				
Ordinary equity holders of the Group		**288**	2 276	(87,3)
Minority interest – ordinary shares		**40**	—	100,0
		328	2 276	(85,6)
Headline earnings		**1 272**	2 276	(44,1)
Statement of financial position				
Loans and advances to customers		**55 768**	73 898	(24,5)
Total assets		**363 046**	445 742	(18,6)
Deposits due to customers		**112 763**	153 702	(26,6)
Total liabilities		**360 258**	441 416	(18,4)
Notes				
1. Revenue contribution[1]				
Investment banking		**1 794**	1 912	(6,2)
Markets		**3 264**	3 204	1,9
Private Equity and Infrastructure Investments		**(1 191)**	356	(434 6)
Single Stock Futures and Other		**(2)**	(126)	98,4
Total Absa Capital revenue		**3 865**	5 346	(27,7)
Private Banking and Investment Management		**263**	281	(6,4)
		4 128	5 627	(26,6)
2. Gains and losses from banking and trading activities				
Net gains on investments		**(619)**	868	(171,3)
Financial instruments designated at fair value through profit or loss		**(621)**	868	(171,5)
Debt instruments		**(31)**	65	(147,7)
Equity instruments		**(590)**	803	(173,5)
Available-for-sale unwind from reserve		**2**	—	100,0
Net trading result		**2 340**	2 066	13,3
Net trading income excluding impact of hedge accounting		**2 349**	2 078	13,0
Ineffective portion of fair value hedges		**(10)**	1	>(999,9)
Ineffective portion of cash flow hedges		**1**	(13)	107,7
Other		**(166)**	(82)	(102,4)
		1 555	2 852	(45,5)

Note

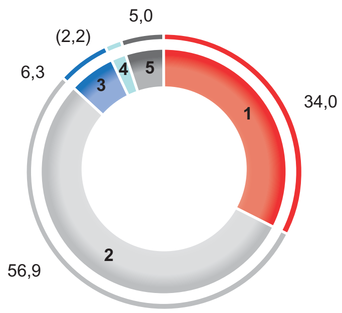
[1]*Net revenue includes net interest income and non-interest income, after deducting impairment losses on loans and advances.*

***Revenue contribution** (%)*

2009



2008



1. Investment banking **2.** Markets **3.** Private Equity and Infrastructure Investments **4.** Single Stock Futures and Other
5. Private Banking and Investment Management

As at 31 December

	Note	2009 Rm	2008[1] Rm	Change %
Statement of financial position				
Assets				
Cash balances and money market assets		**5 975**	7 752	(22,9)
Insurance operations	1	**5 241**	5 544	(5,5)
Other subsidiaries		**734**	2 208	(66,8)
Other assets[2]		**24 437**	13 114	86,3
Financial assets backing investment and insurance liabilities		**12 970**	11 332	14,5
Investments		**12 016**	10 306	16,6
Insurance operations		**11 899**	10 288	15,7
Other subsidiaries		**117**	18	550,0
Other assets backing shareholder investments and policyholder liabilities				
Insurance operations	1	**954**	1 026	(7,0)
Property and equipment		**48**	71	(32,4)
Total assets		**43 430**	32 269	34,6
Liabilities				
Liabilities under investment contracts		**12 446**	10 377	19,9
Policyholder liabilities under insurance contracts[3]		**2 898**	2 871	0,9
Other liabilities[2]		**24 627**	15 521	58,7
Deferred tax liabilities		**31**	61	(49,2)
Total liabilities		**40 002**	28 830	38,8
Total equity		**3 428**	3 439	(0,3)
Total equity and liabilities		**43 430**	32 269	34,6

Notes

[1]*Absa Manx Insurance Company Limited was moved from Bancassurance to Corporate centre during the year under review. Comparatives have been restated accordingly.*

[2]*Other assets and liabilities include settlement account balances in Stockbrokers (Proprietary) Limited.*

[3]*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

Notes

1. Financial assets backing investment and insurance liabilities

	2009					
	Listed equity Rm	**Unlisted equity Rm**	**Capital market assets Rm**	**Other Rm**	**Cash balances and loans and advances to banks Rm**	**Total Rm**
Shareholder investments	**898**	**364**	**870**	**6**	**517**	**2 655**
Life	**789**	**6**	**240**	**6**	**161**	**1 202**
Non-Life	**109**	**358**	**630**	**—**	**356**	**1 453**
Policyholder investments	**7 623**	**1 607**	**537**	**948**	**4 724**	**15 439**
Investment contracts[1]	**7 623**	**739**	**4**	**511**	**3 582**	**12 459**
Insurance contracts[1]	**—**	**868**	**533**	**437**	**1 142**	**2 980**
Total	**8 521**	**1 971**	**1 407**	**954**	**5 241**	**18 094**

	2008					
	Listed equity Rm	Unlisted equity Rm	Capital market assets Rm	Other Rm	Cash balances and loans and advances to banks Rm	Total Rm
Shareholder investments	832	179	1 322	98	454	2 885
Life	472	77	246	40	126	961
Non-Life	360	102	1 076	58	328	1 924
Policyholder investments	6 032	1 176	747	928	5 090	13 973
Investment contracts[1]	6 032	478	6	481	3 450	10 447
Insurance contracts[1]	—	698	741	447	1 640	3 526
Total	6 864	1 355	2 069	1 026	5 544	16 858

	2009	2008	Change %
2. Financial performance			
Assets under management (Rbn)	**254**	212	19,8
Return on average equity (%)	**37,9**	42,4	
Solvency margin (%)	**55,5**	79,6	

Note

[1]*Includes R725 million (Dec 2008: R607 million) in unlisted insurance contracts representing Absa Life Limited's investment in the Absa General Fund. This fund is consolidated as an investment contract at an Absa Group level and disclosed as such in the consolidated financial statements.*

Bancassurance operations

Year ended 31 December

		Life			Insurance			Investments			Other			Total bancassurance		
	Note	**2009 Rm**	2008 Rm	Change %	**2009 Rm**	2008 Rm	Change %	**2009 Rm**	2008 Rm	Change %	**2009 Rm**	2008[1] Rm	Change %	**2009 Rm**	2008[1] Rm	Change %
Statement of comprehensive income																
Net earned premium		**1 291**	1 155	11,8	**2 554**	2 318	10,2	**—**	—	—	**—**	—	—	**3 845**	3 473	10,7
Net insurance claims		**(430)**	(390)	(10,3)	**(1 787)**	(1 531)	(16,7)	**—**	—	—	**—**	10	(100,0)	**(2 217)**	(1 911)	(16,0)
Investment income	1															
– policyholder investment contracts		**537**	653	(17,8)	**—**	—	—	**—**	—	—	**131**	(161)	181,4	**668**	492	35,8
– policyholder insurance contracts		**184**	(14)	>999,9	**102**	127	(19,7)	**—**	—	—	**—**	—	—	**286**	113	153,1
Changes in investment and insurance liabilities																
– policyholder investment contracts		**(508)**	(620)	18,1	**—**	—	—	**—**	—	—	**(112)**	182	(161,5)	**(620)**	(438)	(41,6)
– policyholder insurance contracts		**60**	368	(83,7)	**—**	—	—	**—**	—	—	**—**	—	—	**60**	368	(83,7)
Other income		**(27)**	(7)	(285,7)	**27**	4	575,0	**725**	680	6,6	**933**	827	12,8	**1 658**	1 504	10,2
Gross operating income		**1 107**	1 145	(3,3)	**896**	918	(2,4)	**725**	680	6,6	**952**	858	11,0	**3 680**	3 601	2,2
Net commission paid by insurance companies[2]		**(207)**	(186)	(11,3)	**(400)**	(342)	17,0	**—**	—	—	**—**	—	—	**(607)**	(528)	(15,0)
Operating expenses		**(175)**	(171)	(2,3)	**(269)**	(210)	28,1	**(311)**	(355)	(12,4)	**(794)**	(641)	(23,9)	**(1 549)**	(1 377)	(12,5)
Other impairments and indirect taxation		**(81)**	(42)	(92,9)	**(2)**	(1)	(100,0)	**(6)**	(35)	82,9	**(9)**	(8)	(12,5)	**(98)**	(86)	(14,0)
Net operating income		**644**	746	(13,7)	**225**	365	(38,4)	**408**	290	40,7	**149**	209	(28,7)	**1 426**	1 610	(11,4)
Investment income on shareholder funds	1	**149**	102	46,1	**127**	211	(39,8)	**16**	14	14,3	**25**	31	(19,4)	**317**	358	(11,5)
Net profit on disposal of subsidiary[3]		**—**	—	—	**—**	—	—	**—**	—	—	**—**	32	(100,0)	**—**	32	(100,0)
Taxation expense		**(206)**	(217)	5,1	**(87)**	(78)	(11,5)	**(121)**	(99)	(22,2)	**(45)**	(91)	(50,5)	**(459)**	(485)	5,4
Profit attributable to ordinary equity holders		**587**	631	(7,0)	**265**	498	(46,8)	**303**	205	47,8	**129**	181	(28,7)	**1 284**	1 515	(15,2)
Notes																
1. Investment income																
Policyholder – investment contracts		**537**	653	(17,8)	**—**	—	—	**—**	—	—	**131**	(161)	181,4	**668**	492	35,8
Net interest income		**228**	257	(11,3)	**—**	—	—	**—**	—	—	**1**	4	(75,0)	**229**	261	(12,3)
Dividend income		**42**	20	110,0	**—**	—	—	**—**	—	—	**13**	78	(83,3)	**55**	98	(43,9)
Fair value gains		**267**	376	(29,0)	**—**	—	—	**—**	—	—	**117**	(243)	148,1	**384**	133	188,7
Policyholder – insurance contracts		**184**	(14)	>999,9	**102**	127	(19,7)	**—**	—	—	**—**	—	—	**286**	113	153,1
Net interest income		**70**	105	(33,3)	**102**	127	(19,7)	**—**	—	—	**—**	—	—	**172**	232	(25,9)
Dividend income		**44**	15	193,3	**—**	—	—	**—**	—	—	**—**	—	—	**44**	15	193,3
Fair value gains		**70**	(134)	152,2	**—**	—	—	**—**	—	—	**—**	—	—	**70**	(134)	152,2
Shareholder funds		**149**	102	46,1	**127**	211	(39,8)	**16**	14	14,3	**25**	31	(19,4)	**317**	358	(11,5)
Net interest income		**26**	12	116,7	**124**	61	103,3	**16**	14	14,3	**1**	34	(97,1)	**167**	121	38,0
Dividend income		**17**	27	(37,0)	**58**	83	(30,1)	**—**	—	—	**1**	2	(50,0)	**76**	112	(32,1)
Fair value gains		**106**	63	68,3	**(55)**	67	(182,1)	**—**	—	—	**23**	(5)	560,0	**74**	125	(40,8)
Total		**870**	741	17,4	**229**	338	(32,2)	**16**	14	14,3	**156**	(130)	220,0	**1 271**	963	32,0
Net interest income		**324**	375	(13,6)	**226**	188	20,2	**16**	14	14,3	**2**	38	(94,7)	**568**	615	(7,6)
Dividend income		**103**	61	68,9	**58**	83	(30,1)	**—**	—	—	**14**	80	(82,5)	**175**	224	(21,9)
Fair value gains		**443**	305	45,2	**(55)**	67	(182,1)	**—**	—	—	**140**	(248)	156,5	**528**	124	325,8
2. Operating performance																
Underwriting surplus (Rm)		**n/a**	n/a		**130**	258		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a	
Underwriting margin (%)		**n/a**	n/a		**3,8**	10,2		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a	
Loss ratio (%)		**n/a**	n/a		**69,9**	66,0		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a	
Total net inflows (Rbn)		**n/a**	n/a		**n/a**	n/a		**25**	6		**6**	5		**n/a**	n/a	

Notes

[1]*Absa Manx Insurance Company Limited was moved from Bancassurance to Corporate centre during the year under review. Comparatives have been restated accordingly.*
[2]*Net commission paid includes internal commission, eliminated on consolidation of Absa Group's results.*
[3]*R37 million was accounted for as "Exchange differences" in "Other operating income" and R5 million loss was accounted for as part of "Investment income on shareholder funds".*

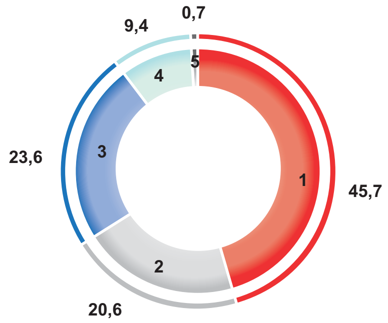
Bancassurance operations

As at 31 December

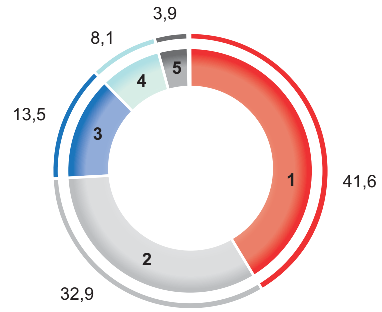
	2009	2008	Change %
Embedded value and value of new business of Absa Life Limited (Rm)			
Shareholders' net assets	**1 321**	1 006	31,3
Cost of solvency capital	**(184)**	(45)	(308,9)
Value of business in force	**1 202**	1 131	6,3
	2 339	2 092	11,8
Embedded value earnings (Rm)	**543**	747	(27,3)
Return on embedded value (%)	**26,0**	35,7	
Embedded value of new business (Rm)	**294**	331	(11,2)
Value of new business as a % of the present value of future premiums	**6,8**	7,4	
Net asset value of short-term insurance companies (Rm)	**1 396**	1 838	(24,0)
Net fee and commission income			
Employee benefit related fees	**281**	207	35,7
Investment management and related fees	**617**	560	10,2
Net commission from advisor business	**372**	291	27,8
Net fee and commission paid by insurance companies	**(608)**	(518)	(17,4)
Trust and estate income	**251**	252	(0,4)
	913	792	15,3

***Attributable earnings** (%)*

2009



2008



1. Life **2.** Insurance **3.** Investment **4.** Fiduciary **5.** Other

Restatement of prior year figures

Contents

Restatement of prior year figures

As at 31 December 2008

	Note	(Audited) As previously reported Rm	Reclassifications and restatements Rm	(Audited) Reclassified and restated Rm
Assets				
Cash, cash balances and balances with central banks	1	24 847	(19)	24 828
Statutory liquid asset portfolio		33 043	—	33 043
Loans and advances to banks		44 662	—	44 662
Trading portfolio assets		78 879	—	78 879
Hedging portfolio assets		3 139	—	3 139
Other assets	1 + 2	16 397	528	16 925
Current tax assets		23	—	23
Non-current assets held-for-sale		2 495	—	2 495
Loans and advances to customers	1	532 171	(27)	532 144
Reinsurance assets		903	—	903
Investments		26 980	—	26 980
Investments in associates and joint ventures		2 144	—	2 144
Goodwill and intangible assets	1	957	6	963
Investment property	1	667	(6)	661
Property and equipment	1	6 208	(81)	6 127
Deferred tax assets	1	243	(2)	241
Total assets		773 758	399	774 157
Liabilities				
Deposits from banks		54 633	—	54 633
Trading portfolio liabilities		72 737	—	72 737
Hedging portfolio liabilities		1 080	—	1 080
Other liabilities and sundry provisions	4	14 785	(14 785)	—
Other liabilities	1 + 2 + 4	—	12 618	12 618
Provisions	4	—	2 113	2 113
Current tax liabilities		385	—	385
Non-current liabilities held-for-sale		408	—	408
Deposits due to customers		382 281	—	382 281
Debt securities in issue		165 900	—	165 900
Liabilities under investment contracts		10 377	—	10 377
Policyholder liabilities under insurance contracts		3 076	—	3 076
Borrowed funds		12 296	—	12 296
Deferred tax liabilities	1 + 2	2 834	126	2 960
Total liabilities		720 792	72	720 864
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		1 354	—	1 354
Share premium		2 251	—	2 251
Other reserves		3 010	—	3 010
Retained earnings	1 + 2	40 665	327	40 992
		47 280	327	47 607
Minority interest – ordinary shares		1 042	—	1 042
Minority interest – preference shares		4 644	—	4 644
Total equity		52 966	327	53 293
Total equity and liabilities		773 758	399	774 157

Group statement of comprehensive income

Year ended 31 December 2008

	Note	(Audited) As previously reported Rm	Reclassi-fications and restatements Rm	(Audited) Reclassified and restated Rm
Net interest income		21 795	311	22 106
Interest and similar income	3	75 949	311	76 260
Interest expense and similar charges		(54 154)	—	(54 154)
Impairment losses on loans and advances		(5 839)	—	(5 839)
Net interest income after impairment losses on loans and advances		15 956	311	16 267
Net fee and commission income		13 343	—	13 343
Fee and commission income	5	14 804	260	15 064
Fee and commission expense	5	(1 461)	(260)	(1 721)
Net insurance premium income		3 511	—	3 511
Net insurance claims and benefits paid		(1 890)	—	(1 890)
Changes in investment and insurance liabilities		(70)	—	(70)
Gains and losses from banking and trading activities	3	3 642	(311)	3 331
Gains and losses from investment activities		1 064	—	1 064
Other operating income	1	1 515	17	1 532
Operating income before operating expenditure		37 071	17	37 088
Operating expenditure		(21 935)	79	(21 856)
Operating expenses	2	(21 193)	79	(21 114)
Other impairments		(18)	—	(18)
Indirect taxation		(724)	—	(724)
Share of retained earnings from associates and joint ventures		73	—	73
Operating profit before income tax		15 209	96	15 305
Taxation expense	2	(3 966)	(22)	(3 988)
Profit for the year		11 243	74	11 317
Profit attributable to:				
Ordinary equity holders of the Group		10 592	74	10 666
Minority interest – ordinary shares		194	—	194
Minority interest – preference shares		457	—	457
		11 243	74	11 317
Headline earnings		9 908	57	9 965

Group statement of financial position

As at 31 December 2007

	Note	(Audited) As previously reported Rm	Restatements 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	2	24 303	105	24 408
Current tax assets		185	—	185
Non-current assets held-for-sale		—	—	—
Loans and advances to customers		455 958	—	455 958
Reinsurance assets		485	—	485
Investments		29 792	—	29 792
Investments in associates and joint ventures		1 004	—	1 004
Goodwill and intangible assets		301	—	301
Property and equipment		4 610	—	4 610
Deferred tax assets		111	—	111
Total assets		640 909	105	641 014
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	4	12 301	(12 301)	—
Other liabilities	2 + 4	—	9 953	9 953
Provisions	4	—	2 366	2 366
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	2 576	24	2 600
Total liabilities		598 349	42	598 391
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		384	—	384
Retained earnings	2	33 549	63	33 612
		37 575	63	37 638
Minority interest – ordinary shares		341	—	341
Minority interest – preference shares		4 644	—	4 644
Total equity		42 560	63	42 623
Total equity and liabilities		640 909	105	641 014

1. *IFRS 3 – Business Combinations* fair value adjustments

The acquisition of the majority interest in Balito Junction Development (Proprietary) Limited and Ngwenya River Estate (Proprietary) Limited was accounted for provisionally in the 2008 financial year in accordance with *IFRS3 – Business Combinations.*

The Group finalised the fair values of the assets and liabilities on acquisition within the 12 month window period as allowed by IFRS3. This resulted in a decrease in total assets of R36 million which includes additional goodwill of R6 million being recognised, a decrease in total liabilities of R53 million as well as R17 million negative goodwill recognised in the statement of comprehensive income.

2. Retirement benefit fund

The Group early adopted *AC 504 The Limit On A Defined Benefit Asset, Minimum Funding Requirements and their interaction in the South African Pension Fund Environment.* This early adoption resulted in the Group recognising its defined benefit surplus as an asset, retrospectively. AC504 required the Group to assess whether it had an unconditional right to the surplus. This right specifically relates to the surplus once the scheme has run off in the normal course of business. The effective date for AC504 is financial periods starting on or after 1 April 2009, however the Group elected the early adoption as this guidance was published before the Group's year-end and seeks to clarify an existing accounting pronouncement.

In addition the Group changed its accounting policy in accordance with the allowed alternative in *IAS 19 Employee Benefits* to recognise actuarial gains and losses on the Group's defined benefit pension plan. As a result of this change in accounting policy, any adjustments to the surplus or deficit by applying the limit to the asset in accordance with *IAS 19 Employee Benefits* will also be recognised in other comprehensive income. This new policy results in more relevant information on the Group's performance by removing the volatility from changes in actuarial assumptions and reserves.

3. Profits and losses from derivatives

Gains and losses from financial instruments, used as part of the Group's interest rate management, have been reclassified to net interest income from gains and losses from banking and trading activities, in line with the Group's accounting policy. This reclassification eliminates mismatches previously experienced between these two statements of comprehensive income lines.

4. Provisions

Provisions were previously disclosed as part of other liabilities and sundry provisions and are now disclosed separately on the statement of financial position.

5. Net fee and commission income

The disclosure of net fee and commission income changed from nature to function during 2009, and certain fees and commissions received, previously disclosed net of fees and commissions paid, have been restated to indicate the gross amounts received and paid. Comparatives have been restated.

Segmental reporting per market segment

As at 31 December 2008

	Retail banking			Absa Corporate and Business Bank			Absa Capital			Bancassurance			Other			Head office and intersegment eliminations			Absa Group		
	As previously reported	Reclassifications	Restated	As previously reported	Reclassifications and restatements	Restated	As previously reported	Reclassifications	Restated	As previously reported	Reclassifications	Restated	As previously reported	Reclassifications	Restated	As previously reported	Reclassifications and restatements	Restated	As previously reported	Reclassifications and restatements	Restated
Statement of comprehensive income (Rm)																					
Net interest income	14 647	(240)	14 407	5 937	(118)	5 819	2 098	329	2 427	10	—	10	(918)	340	(578)	21	—	21	21 795	311	22 106
Net interest income – external	39 652	(508)	39 144	7 210	—	7 210	(24 835)	509	(24 326)	8	—	8	(158)	310	152	(82)	—	(82)	21 795	311	22 106
Net interest income – internal	(25 005)	268	(24 737)	(1 273)	(118)	(1 391)	26 933	(180)	26 753	2	—	2	(760)	30	(730)	103	—	103	—	—	—
Impairment losses on loans and advances	(5 551)	28	(5 523)	(287)	—	(287)	(2)	(28)	(30)	1	—	1	—	—	—	—	—	—	(5 839)	—	(5 839)
Non-interest income	10 262	(98)	10 164	2 763	135	2 898	3 250	(20)	3 230	3 566	(114)	3 452	631	(197)	434	643	—	643	21 115	(294)	20 821
Non-interest income – external	9 851	(84)	9 767	2 464	17	2 481	3 657	84	3 741	3 860	(114)	3 746	533	(197)	336	750	—	750	21 115	(294)	20 821
Non-interest income – internal	411	(14)	397	299	118	417	(407)	(104)	(511)	(294)	—	(294)	98	—	98	(107)	—	(107)	—	—	—
Depreciation and amortisation	(356)	8	(348)	(30)	—	(30)	(24)	(8)	(32)	(24)	—	(24)	(88)	—	(88)	(484)	—	(484)	(1 006)	—	(1 006)
Operating expenses	(13 182)	174	(13 008)	(4 306)	—	(4 306)	(2 169)	(228)	(2 397)	(1 354)	1	(1 353)	73	53	126	751	79	830	(20 187)	79	(20 108)
Other impairments	—	13	13	—	—	—	(1)	—	(1)	(29)	—	(29)	25	(13)	12	(13)	—	(13)	(18)	—	(18)
Indirect taxation	(362)	4	(358)	(107)	—	(107)	(60)	(5)	(65)	(57)	—	(57)	(62)	1	(61)	(76)	—	(76)	(724)	—	(724)
Share of retained earnings from associates and joint ventures	18	—	18	41	—	41	—	—	—	—	—	—	—	—	—	14	—	14	73	—	73
Operating profit before income tax	5 476	(111)	5 365	4 011	17	4 028	3 092	40	3 132	2 113	(113)	2 000	(339)	184	(155)	856	79	935	15 209	96	15 305
Taxation expense	(1 652)	33	(1 619)	(1 168)	—	(1 168)	(843)	(13)	(856)	(516)	31	(485)	198	(51)	147	15	(22)	(7)	(3 966)	(22)	(3 988)
Profit for the year	3 824	(78)	3 746	2 843	17	2 860	2 249	27	2 276	1 597	(82)	1 515	(141)	133	(8)	871	57	928	11 243	74	11 317
Profit attributable to:																					
Ordinary equity holders of the Group	3 706	(78)	3 628	2 806	17	2 823	2 249	27	2 276	1 597	(82)	1 515	(599)	133	(466)	833	57	890	10 592	74	10 666
Minority interest – ordinary shares	118	—	118	36	—	36	—	—	—	—	—	—	1	—	1	39	—	39	194	—	194
Minority interest – preference shares	—	—	—	1	—	1	—	—	—	—	—	—	457	—	457	(1)	—	(1)	457	—	457
	3 824	(78)	3 746	2 843	17	2 860	2 249	27	2 276	1 597	(82)	1 515	(141)	133	(8)	871	57	928	11 243	74	11 317
Headline earnings	3 678	(78)	3 600	2 749	—	2 749				1 556	(82)	1 474	(510)	133	(377)	186	57	243	9 908	57	9 965
Operating performance (%)																					
Net interest margin on average assets	3,33	0,01	3,34	4,42	(0,09)	4,33	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,02	(0,04)	3,06
Net interest margin on average interest-bearing assets	n/a	n/a	4,38	n/a	n/a	5,49	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,81
Impairment losses on loans and advances as % of average loans and advances to customers	1,68	0,04	1,72	0,28	0,00	0,28	0,00	0,04	0,04	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,19	0,0	1,19
Non-interest income as % of total operating income	41,2	0,2	41,4	31,8	1,4	33,2	60,8	(3,7)	57,1	99,7	(0,0)	99,7	n/a	n/a	n/a	n/a	n/a	n/a	49,2	(0,7)	48,5
Top-line growth	15,5	(0,3)	15,2	20,4	0,3	20,7	38,2	(0,7)	37,5	11,7	(0,9)	10,8	n/a	n/a	n/a	n/a	n/a	n/a	20,4	0,0	20,4
Cost growth	14,7	(0,6)	14,1	15,8	—	15,8	60,4	(0,6)	59,8	19,8	0,1	19,9	n/a	n/a	n/a	n/a	n/a	n/a	14,9	(0,4)	14,5
Cost-to-income ratio	54,3	0,1	54,4	49,8	(0,1)	49,7	41,0	1.9	42,9	38,5	1,3	39,8	n/a	n/a	n/a	n/a	n/a	n/a	49,4	(0,2)	49,2
Cost-to-assets ratio	3,1	(0,0)	3,1	3,2	0,0	3,2	0,5	0,1	0,6	4,0	0,1	4,1	n/a	n/a	n/a	n/a	n/a	n/a	3,0	(0,1)	2,9

Notes

[1] *Structure changes: Absa Wealth, Repossessed Properties and Absa Manx Insurance Company.*

[2] *Reclassifications: Profits and losses from financial instruments to interest and similar income.*

[3] *Restatements: IFRS 3 fair value adjustments on acquisition of the minority share of two CPF subsidiaries in 2008 as well as the change in accounting policy relating to the retirement benefit assets and liabilities.*

Segmental reporting per market segment

As at 31 December 2008

	Retail banking			Absa Corporate and Business Bank			Absa Capital			Bancassurance		
	As previously reported	Reclassi-fications	Restated	As previously reported	Reclassi-fications and restate-ments	Restated	As previously reported	Reclassi-fications	Restated	As previously reported	Reclassi-fications	Restated
Statement of financial position (Rm)												
Loans and advances to customers	347 084	(9 566)	337 518	120 280	(27)	120 253	64 332	9 566	73 898	—	—	—
Investments	—	920	920	—	2 479	2 479	—	13 104	13 104	—	10 306	10 306
Investments in associates and joint ventures	318	—	318	801	—	801	970	—	970	—	—	—
Other assets	128 984	(1 286)	127 698	18 169	(2 488)	15 681	370 083	(12 313)	357 770	33 015	(11 052)	21 963
Other assets – external	9 982	(649)	9 333	7 023	(2 488)	4 535	150 424	(13 030)	137 394	29 805	(10 536)	19 269
Other assets – internal	119 002	(637)	118 365	11 146	—	11 146	219 659	717	220 376	3 210	(516)	2 694
Total assets	476 386	(9 932)	466 454	139 250	(36)	139 214	435 385	10 357	445 742	33 015	(746)	32 269
Deposits due to customers	134 985	(7 032)	127 953	100 046	—	100 046	146 670	7 032	153 702	—	—	—
Other liabilities	337 410	(2 833)	334 577	36 731	(53)	36 678	284 405	3 309	287 714	29 106	(276)	28 830
Other liabilities – external	10 574	(83)	10 491	6 063	(53)	6 010	275 342	73	275 415	21 747	(273)	21 474
Other liabilities – internal	326 836	(2 750)	324 086	30 668	—	30 668	9 063	3 236	12 299	7 359	(3)	7 356
Total liabilities	472 395	(9 865)	462 530	136 777	(53)	136 724	431 075	10 341	441 416	29 106	(276)	28 830
Financial performance (%)												
Return on average economic capital[4 + 5]	19,5	0,3	19,8	24,8	—	24,8	21,3	(1,2)	20,1	n/a	n/a	n/a
Return on average assets	0,84	(0,01)	0,83	2,04	0,00	2,04	0,52	(0,00)	0,52	4,57	0,31	4,88

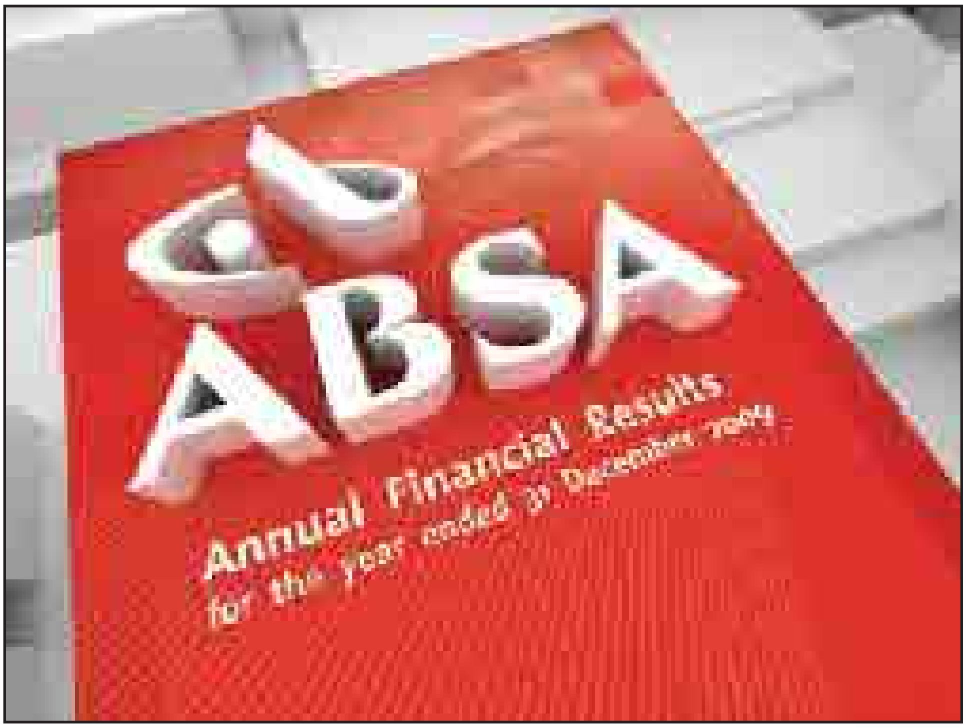
	Other			Head office and intersegment eliminations			Absa Group		
	As previously reported	Reclassi-fications	Restated	As previously reported	Reclassi-fications and restate-ments	Restated	As previously reported	Reclassi-fications and restate-ments	Restated
Statement of financial position (Rm)									
Loans and advances to customers	428	—	428	47	—	47	532 171	(27)	532 144
Investments	—	27	27	—	144	144	—	26 980	26 980
Investments in associates and joint ventures	—	—	—	55	—	55	2 144	—	2 144
Other assets	21 906	46 430	68 336	(332 714)	(45 845)	(378 559)	239 443	(26 554)	212 889
Other assets – external	37 496	(142)	37 354	4 713	291	5 004	239 443	(26 554)	212 889
Other assets – internal	(15 590)	46 572	30 982	(337 427)	(46 136)	(383 563)	—	—	—
Total assets	22 334	46 457	68 791	(332 612)	(45 701)	(378 313)	773 758	399	774 157
Deposits due to customers	11	—	11	569	—	569	382 281	—	382 281
Other liabilities	(13 493)	45 936	32 443	(335 648)	(46 011)	(381 659)	338 511	72	338 583
Other liabilities – external	30 412	283	30 695	(5 627)	125	(5 502)	338 511	72	338 583
Other liabilities – internal	(43 905)	45 653	1 748	(330 021)	(46 136)	(376 157)	—	—	—
Total liabilities	(13 482)	45 936	32 454	(335 079)	(46 011)	(381 090)	720 792	72	720 864
Financial performance (%)									
Return on average economic capital[4 + 5]	n/a	n/a	n/a	n/a	n/a	n/a	23,9	0,1	24,0
Return on average assets	n/a	n/a	n/a	n/a	n/a	n/a	1,37	0,1	1,38

Notes

[1] *Structure changes: Absa Wealth, Repossessed Properties and Absa Manx Insurance Company.*
[2] *Reclassifications: Profits and losses from financial instruments to interest and similar income.*
[3] *Restatements: IFRS 3 fair value adjustments on acquisition of the minority share of two CPF subsidiaries in 2008 as well as the change in accounting policy relating to the retirement benefit assets and liabilities.*
[4] *Bancassurance return on average equity is 42,4% and Absa Group's return on average equity is 23,4%.*
[5] *Unaudited.*

Presentation
to the IAS

Presentation to the IAS


ABSA
Annual Financial Results
for the year ended 31 December


ABSA
Overview
Maria Ramos
Group Chief Executive

The year under review

Strong underlying growth

- Improved **quality** of the **advances** book
- **Growing customer numbers** and primary banking relationships
- Growth of **assets under management**
- **Costs** well **controlled**

Improved risk management

- Dealt with **specific** risk **events**
- Continue to **improve control** environment
- Ensure **focus** on **core** businesses

Positioned for future growth

- **Capital position** further improved
- Improved **liquidity**
- Continued **investment** in **talent**

Performance highlights

Headline earnings of R 7,6 bn (↓24%)

Attributable earnings of R 6,8 bn (↓36%)

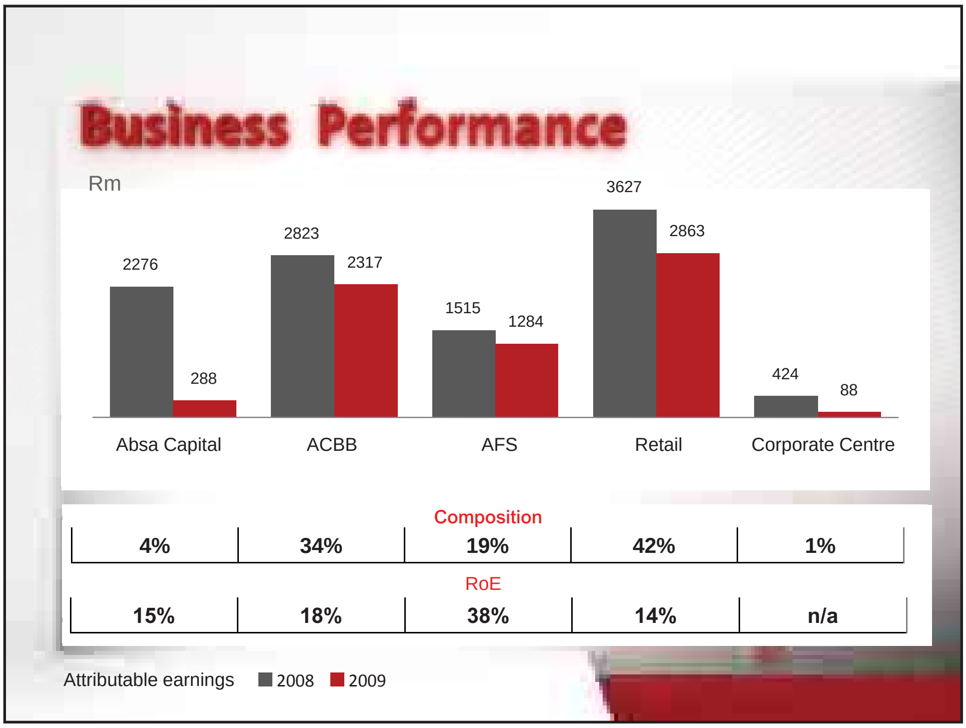
Headline earnings per share of 1 099 cents (↓26%)

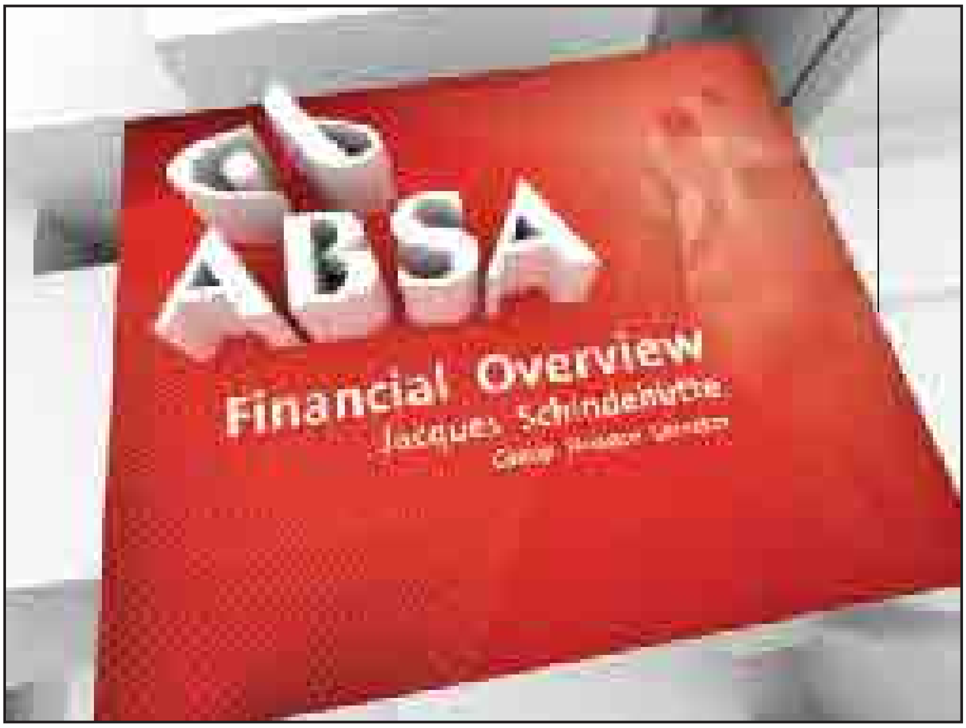
Dividends per share of 445 cents

Net asset value per share of 7 038 cents (↑1%)

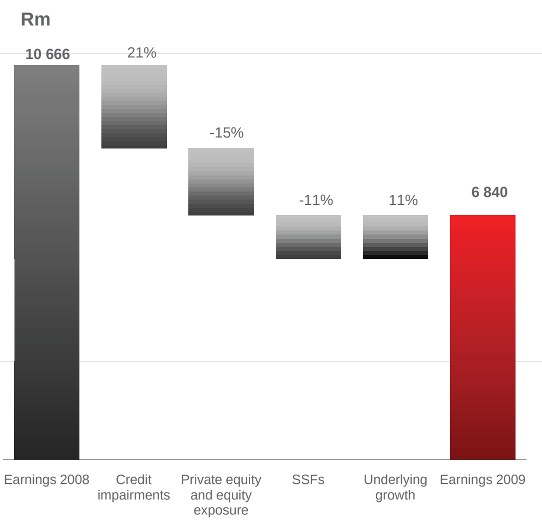
Return on equity of 16%

Tier 1 capital ratio of 12,7%


Business Performance
Rm
2276
288
2823
2317
1515
1284
3627
2863
424
88
Absa Capital
ACBB
AFS
Retail
Corporate Centre
Composition
4%
34%
19%
42%
1%
RoE
15%
18%
38%
14%
n/a
Attributable earnings
2008
2009


ABSA
Financial Overview
Jacques Schindehütte

Earnings**drivers**



Underlying business growth

- Growth in customer numbers and primary banking relationships
- Higher retail and commercial deposit levels
- Growing transaction volumes and fee and commission income
- Improved new business margins
- Strong growth in assets under management
- Costs below 2008 levels

Headline earnings overview

	2009 Rm	2008 Rm	Change %
Operational revenue	38 097	37 302	2
Investment revenue	383	1 840	(79)
Trading revenue	3 264	3 204	2
Top line income	41 744	42 346	(1)
Operating expenditure	(21 770)	(21 838)	-
Credit impairment charge	(8 967)	(5 839)	(54)
Taxation (on headline earnings)	(2 724)	(4 052)	33
Headline earnings	7 621	9 965	(24)
Non-headline earnings (after taxation)	(781)	701	
Attributable earnings	6 840	10 666	(36)

Margins held up

	Group (bps)
Advances	27
- Change in client rates	32
- Change in composition	14
- Interest suspended	(19)
Deposits	(42)
- Client pricing	(47)
- Change in composition	5
Wholesale funding	(15)
Capital	(18)
Interest rate management	41
Change in margin on interest-bearing assets	(7)

Growing annuity income

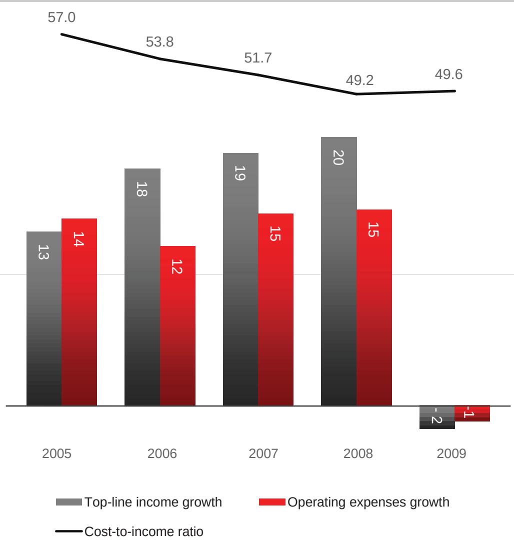
	2009 Rm	Growth %	Composition %
Net fee and commission income	14 289	↑ 7	71
- Cheque accounts	3 231	↑ 7	16
- Credit card	1 860	↑ 15	9
- Electronic banking	3 501	↑ 16	17
- Savings accounts	2 301	↑ 9	12
- Insurance and other income	913	↑ 15	5
- Other fees and commissions paid	2 483	↓ 4	12
Other non-interest income	5 943	↓ 21	29
Total non-interest income	20 232	↓ 3	100

Credit impairments **stabilising**

Impairment charge	Dec 2009 Rm	Change Dec 2008 %	Change Jun 2009 %
Retail banking	7 778	↑ 41	↓15
Commercial banking	872	↑ 204	↓34
Investment banking	318	↑ 960	↑65
Total	8 967	↑ 54	↓15

	NPL ratio		Loss ratio	
	2009 %	2008 %	2009 %	2008 %
Retail banking	9.2	6.0	2.34	1.72
Commercial banking	3.5	1.0	0.75	0.28
Investment banking	1.4	2.3	0.45	0.04
Total	7.0	4.1	1.74	1.19

Flat cost growth



- Appropriate short-term cost reduction actions taken
- Staff numbers lower, mostly through natural attrition
- Cash incentives reduced
- Lower discretionary spend

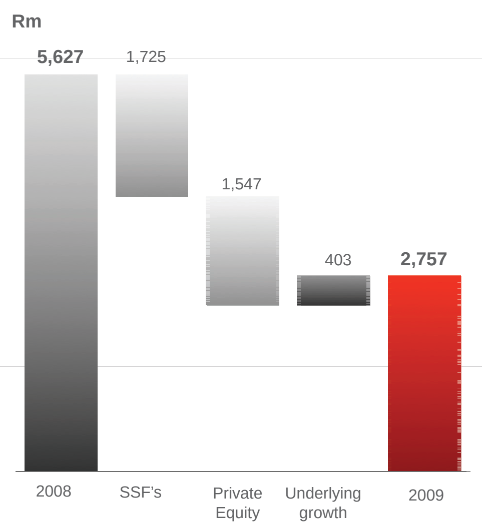
Capital position as at **December 2009**

Capital demand	RWA Rbn	Economic capital Rbn
Credit risk	276	31
- Retail	129	18
- ACBB	85	10
- Absa Capital	62	3
Operational risk	53	4
Market risk	10	1
Equity risk	29	5
Insurance risk	-	1
Other	18	-
Total	386	42

Capital adequacy	Bank %	Group %	Target %
Core Tier I	10.3	11.5	8.0
Tier I	11.6	12.7	10.0
Tier II	3.1	2.9	-
Total	14.7	15.6	13.0

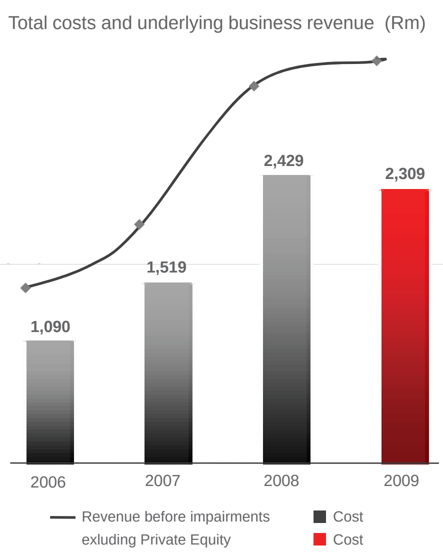
Deposit growth	2009 Rbn	Growth %
Retail	133	↑ 4
Commercial	105	↑ 5
Absa Capital	113	↓ 27
Total customer deposits	351	↓ 8

Revenue after impairments



- Growth in Investment Banking fee income
- Continued growth in Markets revenue
- Headline earnings of R1,3 billion
- Headline earnings affected by Private Equity pre-tax losses of R1,2 billion
- Residual SSF exposure limited to R215 million

Strong **cost containment**



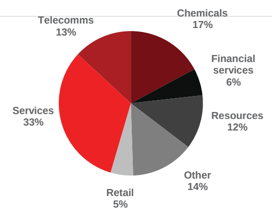
- Cost to income ratio of 52% (2008: 43%)
- Total costs 5% lower than the prior year
- Cost managament is a key focus

Difficult conditions for Equity Investments

Revenue breakdown (Rm)

	2008	2009
Revaluations	715	(623)
Realisations, dividends, interest and other	223	39
Funding	(582)	(607)
Total revenue	356	(1,191)

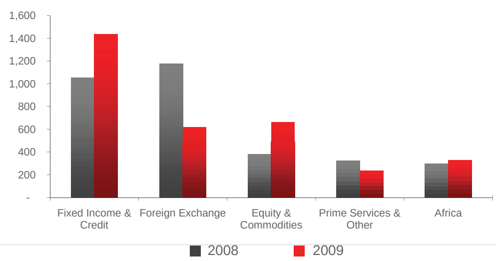
Portfolio exposure by industry (%)



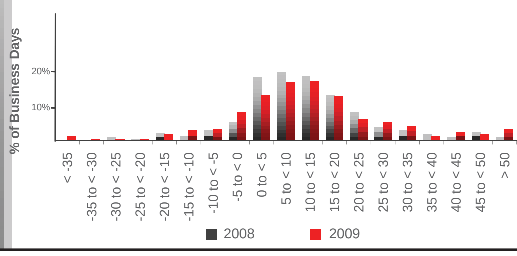
- Private Equity revenue loss of R1,2 billion
- Negative impact of the global recession
- Well diversified portfolio
- Total exposure of R6,7 billion

Markets continued to grow revenue

Revenue distribution per significant product (Rm)

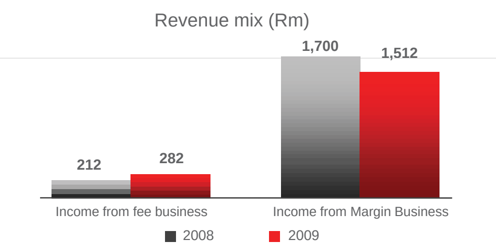


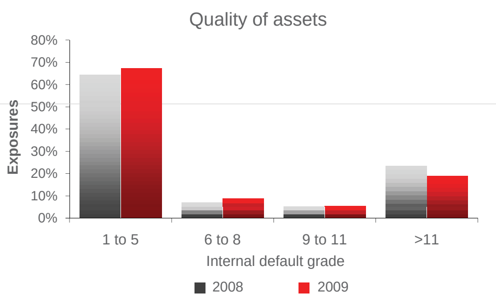
Daily revenue distribution (Rm)



- Markets revenue of R3,3 billion (2% up on prior year)
- Good growth in client activity in Fixed Income & Credit and Equities & Commodities
- Drop in Foreign Exchange flows due to reduced client activity
- Daily revenue distribution continued to shift to the right

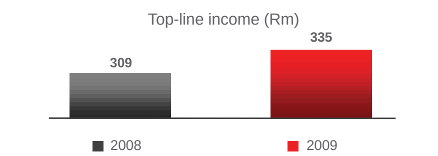
Investment Banking fees delivered a **strong performance**

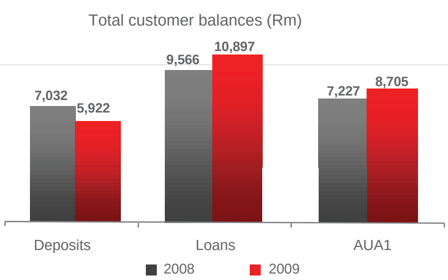




- Investment Banking revenue of R1,8 billion (6% down on prior year)
- Fee business up 33%
  - M&A advisory a key focus following Lehman acquisition
- Margin business down 11%
  - Tight credit management
  - Increased funding costs
- Credit quality of book continues to improve

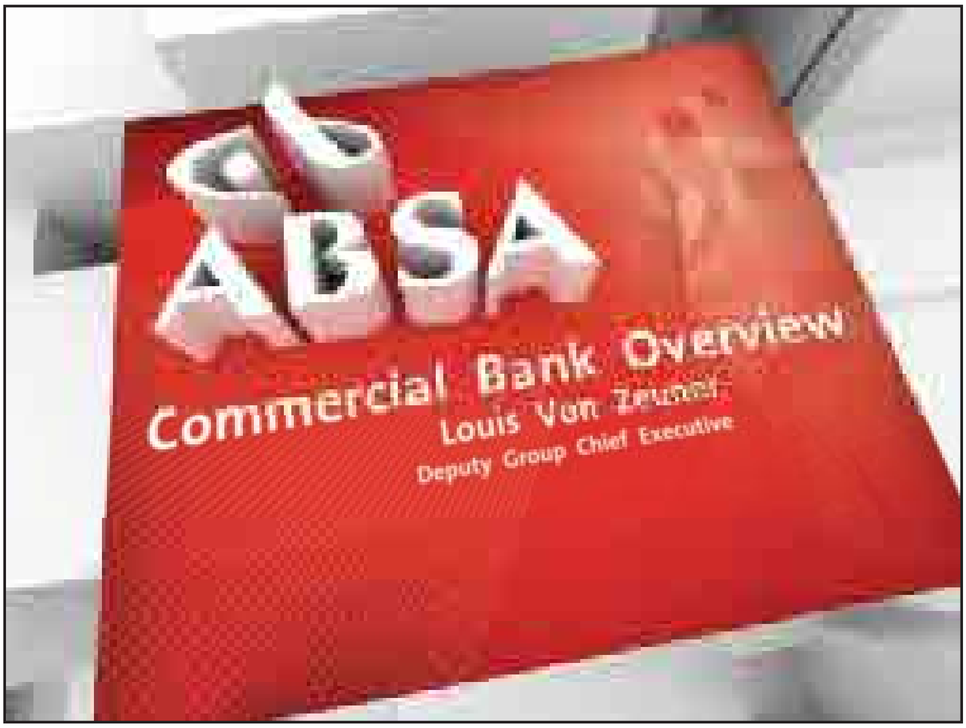
Absa Wealth continuing to **grow**



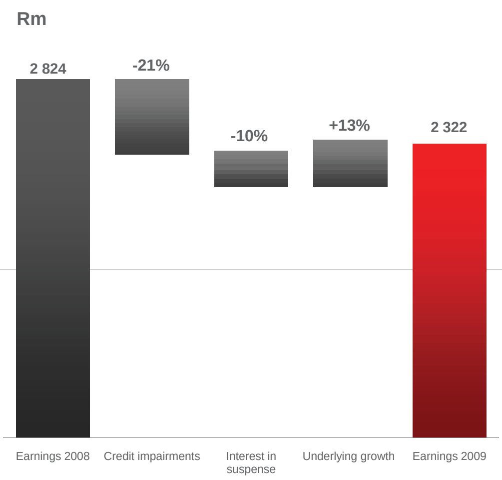


1 Assets under advice

- Revenue before impairments of R 335 million (8% up on prior year)
- Continue to invest in:
  - talent
  - product capability
  - infrastructure and controls



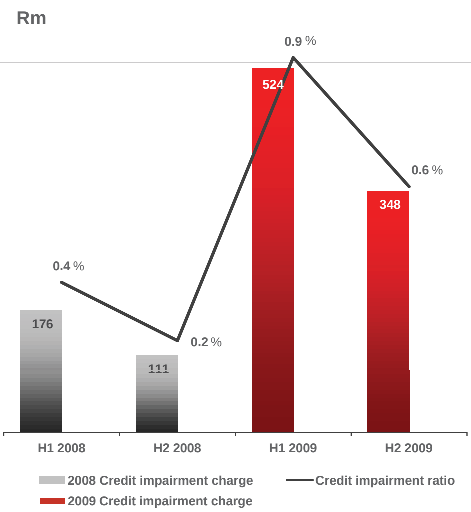
Earnings drivers



Core business growth drivers

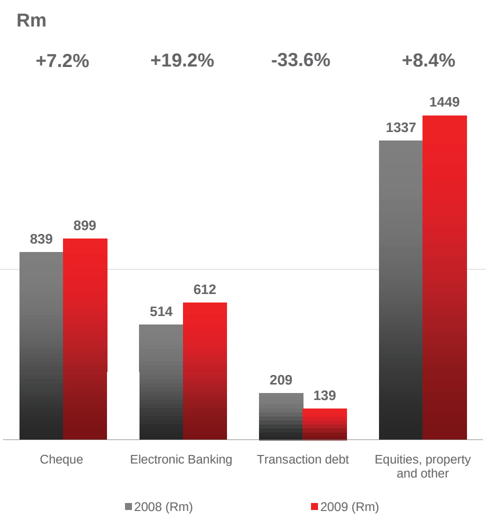
- Advances growth in selected focus areas
- Annuity based fees up 12%
- Growth in electronic banking volumes
- Growth in customers utilising cash management offering
- Customer deposits up 5%
- Cost growth of 1%

Impairment risk remains



- Impairments increased by 204%
- Impairments were largely driven by :
  - Commercial vehicle finance
  - Small and medium enterprises
  - Commercial property finance
- Increased recoveries \ collections capability

Strong growth in **annuity based fees**

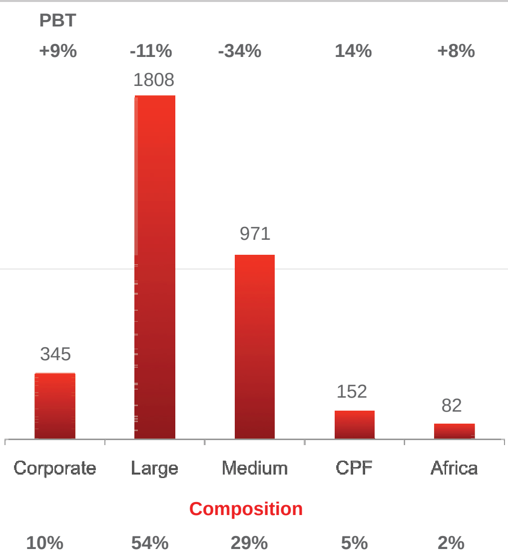


- Improved electronic banking offering
- Property market under strain
- Lower CAF and CPF new business volumes impacted transactional debt fees

Balance sheet growth in core focus areas

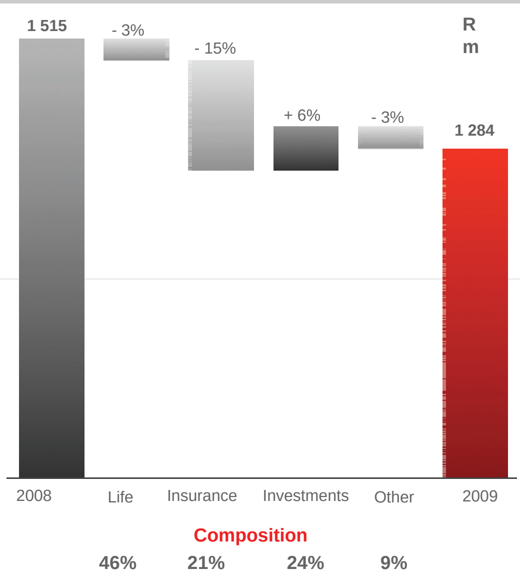
	2009 Rm	2008 Rm	Change %
Cheque accounts	22 953	20 748	↑11
Term loans and other	23 141	20 147	↑15
Installment finance	17 692	20 340	↓13
Mortgage loans	47 070	47 102	-
Other	11 710	13 837	↓15
Gross loans and advances	122 566	122 174	-
Customer deposits	104 628	100 046	↑5

Growing the **corporate franchise**



- Increased market share in the Corporate segment
- Rise in impairment levels mainly impacted medium and large segments
- Commercial property equity exposure reduced
- Improved contribution from rest of Africa

Bancassurance **earnings** composition



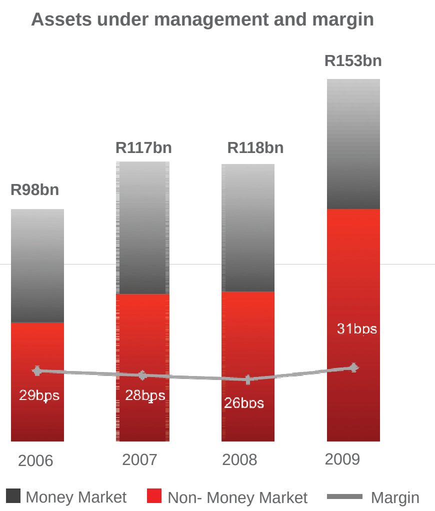
- Strong growth in top line income
- Increased assets under management
- Competitive investment returns for our clients
- Absa Insurance impacted by higher weather-related claims
- Absa Life earnings impacted by higher surrenders, disability and retrenchment claims
- Reduced investment earnings on shareholder funds

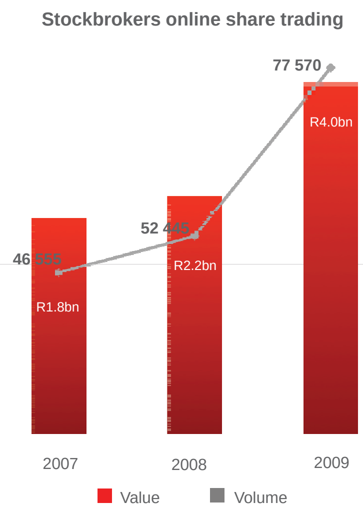
Breakthrough year for Absa Investments

Investments Rbn	2009	2008	Change Rbn
Net Inflows ex MM	23.1	8.9	↑14
Retail	1.9	1.2	↑ 1
Institutional	21.2	7.7	↑14
Money market	1.8	(2.5)	↑ 4
Total net inflows	24.9	6.4	↑18.5
Net operating income Rm	408	290	↑ 41%
Cost-to-income ratio %	42.7	53.3	

- Total net inflows amounted to R25 bn
- Operating income up 41%
- Net margin increased by 5.4 bps to 31.4 bps
- Superior investment performance maintained

Absa Investments market share **continues to grow**





Absa Life top–line **growth resilient**

Life insurance	2009	2008	Change %
Gross premium income Rm	1 386	1 207	↑15
Annual premium equivalent (APE) Rm	761	717	↑ 6
Net income after tax Rm	587	631	↓ 7
Embedded value of new business Rm	294	331	↓11
Return on embedded value %	26.0	35.7	

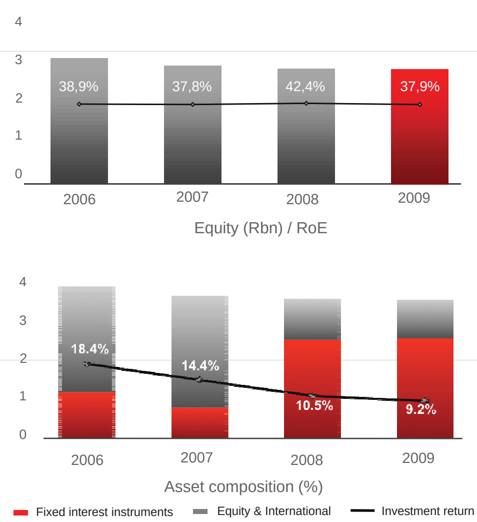
- Continued diversification of the product range to stand alone risk products
- Improved penetration rates on most product lines
- Increase in Absa Financial Adviser market share
- Higher surrenders, disability and retrenchment claims
- Embedded value earnings of R543 million

Absa Insurance **profitable** in tough conditions

Short-term Insurance	2009	2008	Change %
Gross premium income Rm	3 042	2 764	↑10
Gross claims Rm	2 045	1 684	↑21
Underwriting profit Rm	136	263	↓ 48
Underwriting margin %	3.8	10.2	↓6.4

- Gross premium income increased 10%
- *i*Direct achieved scale-gross premium contribution of R88m
- Challenging claims environment. Claims ratio up from 66% to 70%
- Home owners (HOC) loss ratio increased from 54% to 67%
- Commercial and industrial underwriting performance turned around

Healthy Balance Sheet

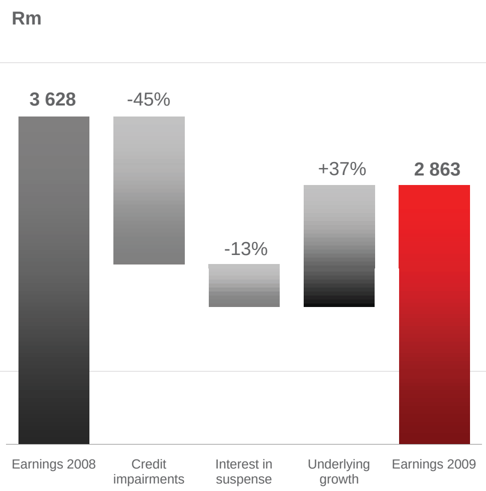


- Business retained its cash generative profile
- Capital programme completed
- Return on equity (RoE) of 37.9%
- Targeted solvency for regulated entities

	Actual	Target
- Absa Insurance	56%	45%
- Absa Life	3.6x	2.5x

- Shareholder funds composition reflects desired profile
- Volatility largely removed

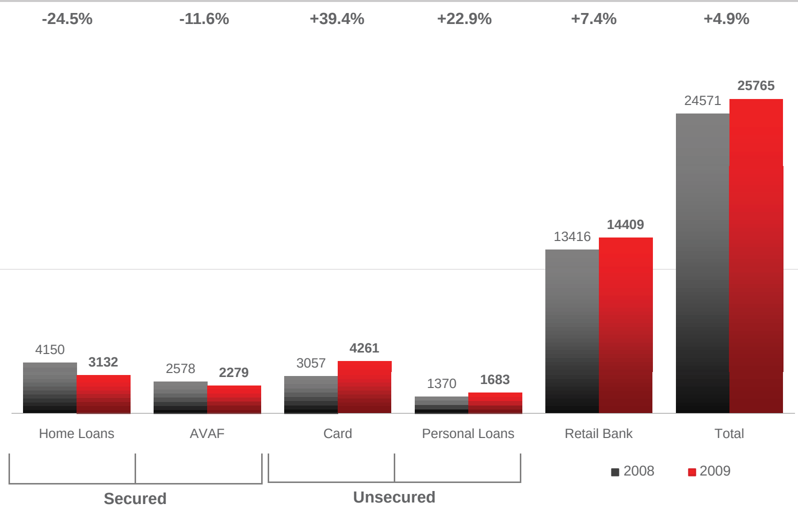
Retail **earnings drivers**



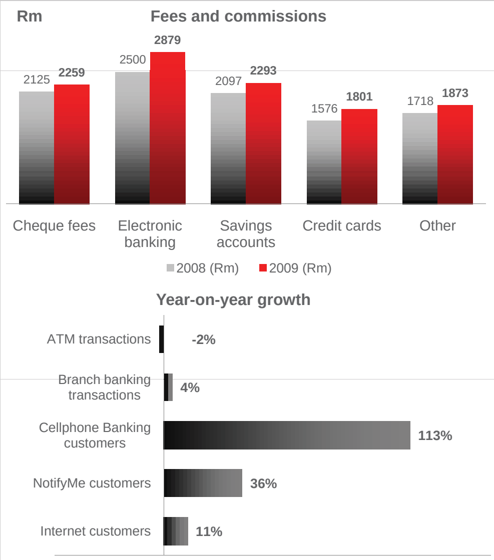
Underlying business growth

- Fees and commission income up 11%
- Retail deposits up 4%
- Customer numbers continue to grow
- Higher transaction volumes
- Improved new business margins
- Cost maintained at previous year levels
- Sale of MasterCard shares

Top-line income growth from **unsecured lending**



Growth in customer numbers and transaction volumes

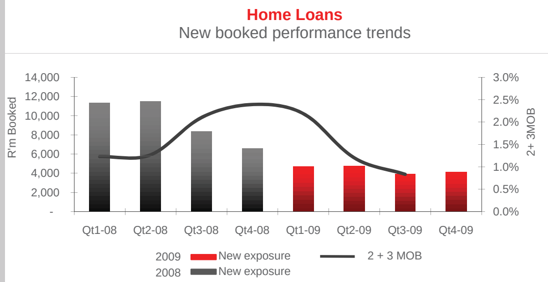


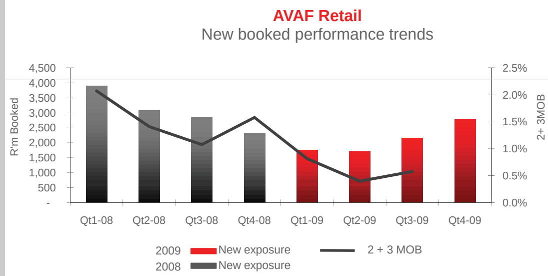
- 10.8 m customers (↑ 10%)
- 1.5 m cellphone banking customers (↑ 113%)
- 5.2 m NotifyMe customers (↑36%)
- 1.2 m internet customers (↑ 11%)
- Debit card point of sale transactions of 153m (↑ 18%)

Strong balance sheet

Gross loans and advances	Dec 2009 Rm	Dec 2008 Rm	Change %
Mortgage loans	249 774	249 737	↑0
Vehicle finance	40 872	47 756	↓14
Card advances	20 076	19 522	↑3
Personal loans	15 665	15 823	↓1
Total net loans and advances	326 985	337 518	↓3
Deposits due to customers	132 957	127 953	↑4

Quality of new business

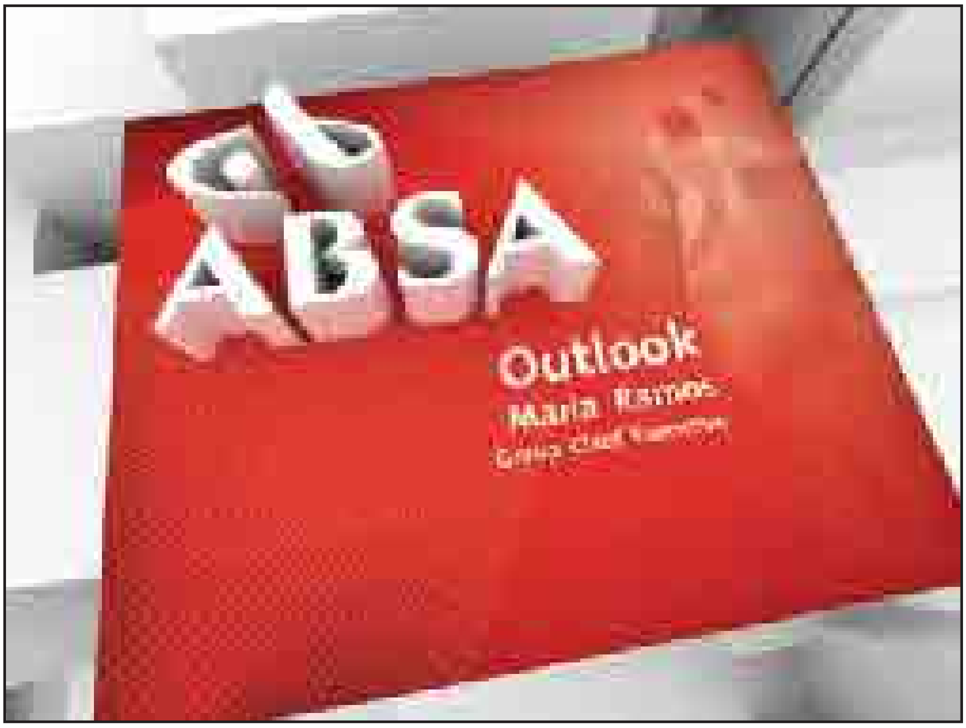




- Vintages improving
- Increased lifetime value and return on capital
- Stress testing confirms quality of new business
- Able to extend lending in certain risk segments
- Objective of secured: unsecured business mix remains

Impairment trend **improving**

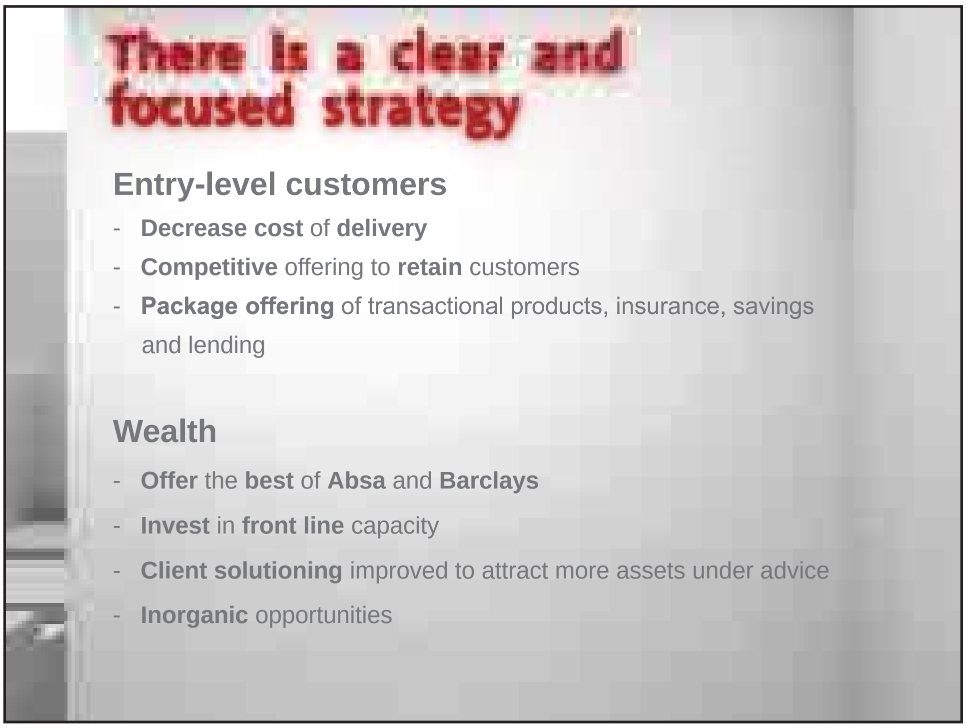
Impairmentcharge	Dec 2009 RM	Dec 2008 RM	Loss ratio %				NPL ratio %	NPL coverage ratio %
			Dec 2009	June 2009	Dec 2008	June 2008		
Secured								
- Home loans	3 945	2 549	1.76	1.86	1.19	0.81	9.8	18.4
- AVAF	944	1 177	2.03	2.88	2.31	1.57	5.7	43.2
Unsecured								
- Card	1 287	774	7.13	8.41	5.65	4.46	16.3	77.6
- Personal loans	939	990	10.86	12.41	36.76	33.67	8.5	71.7
Retail Bank	663	32	1.85	3.09	2.47	2.36	6.7	18.7
Total	7 778	5 523	2.34	2.52	1.72	1.27	9.2	28.4



Underlying operations delivered resilient performance

- Healthy **balance sheet**
- **Strong** underlying **growth**
- Pro-active **risk management**
- **Franchise health** remains robust
- **Attractive growth** opportunities


There is a clear and focused strategy
Corporate
- Establish a CorporateBank
- Fully integrated CIB offering
- Broader suite of investment banking solutions
- Growth in Africa
Commercial
- Increase number of primary banking relationships
- Penetrationthrough best investment banking solutions, forex and electronic banking
- Greater cross sell with bancassurance products
- Leverage agricultural expertise elsewhere in Africa


There is a clear and focused strategy
Entry-level customers
- Decrease cost of delivery
- Competitive offering to retain customers
- Package offering of transactional products, insurance, savings and lending
Wealth
- Offer the best of Absa and Barclays
- Invest in front line capacity
- Client solutioning improved to attract more assets under advice
- Inorganic opportunities

There is a clear and focused strategy

Core Middle Market

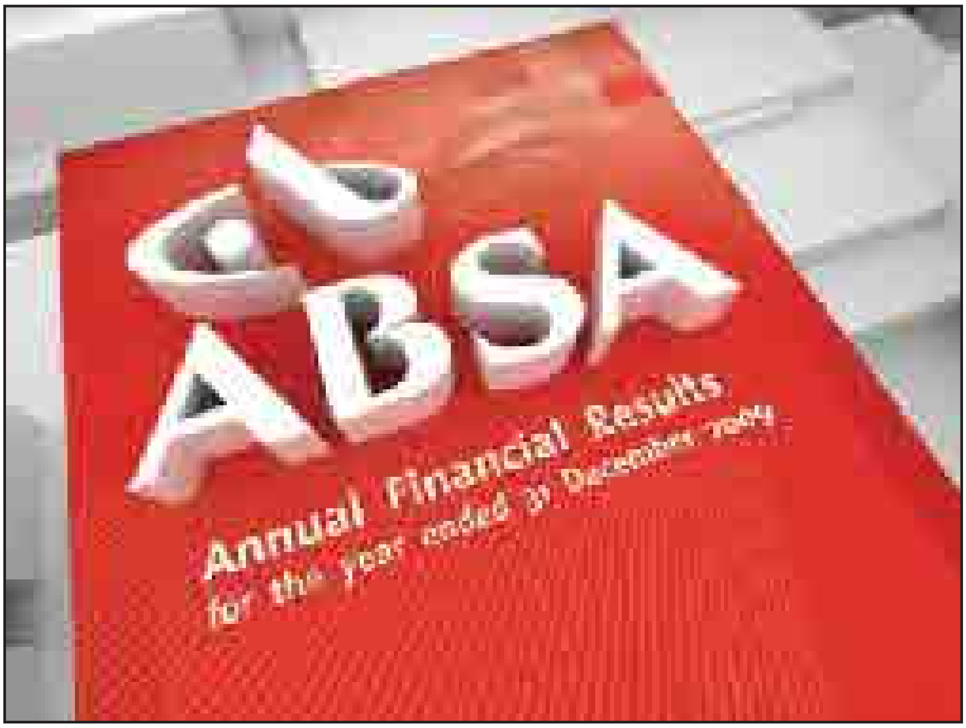
- **Extract** more **value** by **cross** selling and innovative products
- **Differentiate** through **service**
- Channels: **footprint** and **electronic**
- **Insurance** opportunities **outside SA**

What we have already achieved

- **Changes** to **business** and **governance** structure to ensure **integration**
- **Increased** corporate **coverage**
- Improved **electronic banking offering**
- Bancassurance product **strike rate improving**
- **Skilled** client facing **staff** employed in **Wealth**
- **Continued growth** in **Retail** customers and footprint
- Growth in **merchant** and **acquiring business**

In conclusion

- **Strong** capital position with **usage** aligned to **growth strategies**
- **Driving** top line income **growth**
- **Quality** and well **diversified** earnings
- **Integrated** financial services group with **customers** at the **centre**
- **Risk** and **governance** at the **heart** of what we do
- **Responsible corporate citizen** taking cognisance of all stakeholders


ABSA
Annual Financial Results
for the year ended 31 December

Administrative information

Controlling company

Absa Group Limited
Authorised financial services and registered credit provider (NCRCP7)
Incorporated in the Republic of South Africa
Registration number: 1986/003934/06
ISIN: ZAE000067237
JSE share code: ASA
Issuer code: AMAGB

Registered office

3rd Floor, Absa Towers East
170 Main Street, Johannesburg, 2001
Postal address: PO Box 7735, Johannesburg, 2000
Telephone: (+27 11) 350 4000
Telefax: (+27 11) 350 4009
e-mail: groupsec@absa.co.za

Sponsor

JP Morgan Equities Limited
Registration number: 1995/011815/06
1 Fricker Road, Illovo, 2196
Postal address: Private Bag X9936, Sandton, 2146
Telephone: (+27 11) 507 0300

Transfer secretaries

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

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

Shareholder contact information

Shareholder and investment queries about Absa Group should be directed to the following areas:

Group Investor Relations
Telephone: (+27 11) 350 3197
Telefax: (+27 11) 350 5924
e-mail: investorrelations@absa.co.za

Group Secretariat
Telephone: (+27 11) 350 4828
Telefax: (+27 11) 350 4009
e-mail: groupsec@absa.co.za

Other contacts

Group Media Relations
Telephone: (+27 11) 350 5768

Group Finance
Telephone: (+27 11) 350 7565

Absa Group Limited Financial results for the year ended 31 December 2009