ABSA GROUP LIMITED

Authorised financial services and credit provider (NCRCP7)

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

ISIN: ZAE000067237

JSE share code: ASA

Issuer code: AMAGB

(Absa, Absa Group or the Group)

ABSA GROUP LIMITED: PROFIT AND DIVIDEND ANNOUNCEMENT

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

GROUP SALIENT FEATURES

	Year ended 31 December		
	2009	2008[1]	Change
	(Audited)	(Audited)	%
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[3]	**7,0**	4,1	

	Year ended 31 December		
	2009	2008[1]	Change
	(Audited)	(Audited)	%
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(%)			
Absa Bank	**14,7**	14,0	
Absa Group	**15,6**	14,1	

Notes

[1]*Refer to the "Reclassifications and Restatements" section for the restated and reclassified prior year figures.*

[2]*After allowing for **R 421 million** (December 2008: R457 million) profit attributable to preference equity holders of the Group.*

[3]*The comparative has been restated for the change in the NPL definition from 4+payments down and legal to 3+payments down and legal.*

GROUP STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2009	2008	
		(Audited)	(Audited)	Change
		Rm	Rm	%
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		**(8 967)**	(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	**1.1**	**16 301**	15 064	8,2
Fee and commission expense		**(2 012)**	(1 721)	(16,9)
Net insurance premium income		**3 787**	3 511	7,9
Net insurance claims and benefits paid		**(2 215)**	(1 890)	(17,2)
Changes in investment and insurance liabilities		**(560)**	(70)	>(100,0)
Gains and losses from banking and trading activities	**1.2**	**2 575**	3 331	(22,7)
Gains and losses from investment activities	**1.3**	**1 464**	1 064	37,6
Other operating income		**892**	1 532	(41,8)
Operating profit before operating expenditure		**33 119**	37 088	(10,7)
Operating expenditure		**(23 227)**	(21 856)	(6,3)
Operating expenses	**2.1**	**(20 857)**	(21 114)	1,2
Other impairments	**2.2**	**(1 457)**	(18)	>(100,0)
Indirect taxation		**(913)**	(724)	(26,1)
Share of retained (losses)/earnings from associates and joint ventures		**(50)**	73	>(100,0)
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)

GROUP STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Year ended		
	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Other comprehensive income			
Exchange differences on translation of foreign operations	**(668)**	241	>(100,0)
Movement in cash flow hedging reserve	**(665)**	2 660	>(100,0)
Fair value (losses)/gains arising during the year	**(148)**	2 054	>(100,0)
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	**(776)**	1 636	>(100,0)
Deferred tax	**259**	(1 030)	>100,0
Movement in available-for-sale reserve	**(326)**	(89)	>(100,0)
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 obligations	**(33)**	14	>(100,0)
Deferred tax	**(19)**	(76)	75,0
Total comprehensive income for the year	**5 895**	14 319	(58,8)

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
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)
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)

CONDENSED NOTES TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

1. NON-INTEREST INCOME

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1.1 Fee and commission income			
Asset management and other related fees	**103**	76	35,5
Consulting and administration fees	**428**	410	4,4
Credit-related fees and commissions	**12 494**	11 359	10,0
Credit cards[1]	**1 860**	1 624	14,5
Cheque accounts	**3 231**	3 027	6,7
Electronic banking	**3 501**	3 021	15,9
Other	**1 601**	1 576	1,6
Savings accounts	**2 301**	2 111	9,0
Insurance commission received	**1 088**	1 013	7,4
Other fees and commissions	**199**	219	(9,1)
Pension fund payment services	**545**	526	3,6
Project finance fees	**262**	473	(44,6)
Trust and other fiduciary services[2]	**1 182**	988	19,6
Portfolio and other management fees	**947**	735	28,8
Trust and estate income	**235**	253	(7,1)
	16 301	15 064	8,2

Notes

[1]*Includes merchant and issuing fees.*

[2]*The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care*.

Included above is fee and commission linked to financial instruments not at fair value

Fee and commission income			
Credit cards	**831**	732	13,5
Cheque accounts	**3 231**	3 027	6,7
Electronic banking	**3 501**	3 021	15,9
Other	**1 293**	757	70,8
Savings accounts	**2 301**	2 111	9,0
	11 157	9 648	15,6

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1.2 Gains and losses from banking and trading activities			
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)	>100,0
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	>(100,0)
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	>(100,0)
Loans and advances to banks and customers	**614**	1 937	(68,3)
Statutory liquid asset portfolio	**12**	(6)	>100,0
Financial instruments held-for-trading			
Derivatives and trading instruments	**2 555**	4 252	(39,9)
Ineffective hedges	**(19)**	89	>(100,0)
Cash flow hedges	**(3)**	(18)	83,3
Fair value hedges	**(16)**	107	>(100,0)
	2 575	3 331	(22,7)

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1.3 Gains and losses from investment activities			
Associates and joint ventures	**15**	31	(51,6)
Dividends received	**-**	2	(100,0)
Profit realised on disposal	**15**	29	(48,3)
Available-for-sale unwind from reserves			
Equity instruments	**1**	-	100,0
Financial instruments designated at fair value through profit or loss	**830**	398	>100,0
Cash, cash balance and balances with central banks	**312**	91	>100,0
Debt instruments	**78**	232	(66,4)
Equity instruments	**440**	75	>100,0
Financial instruments held-for-trading			
Derivatives and trading instruments	**(41)**	160	>(100,0)
Investments linked to investment contracts	**669**	492	36,0
Cash, cash balances and balances with central banks	**(50)**	(20)	>(100,0)
Debt instruments	**(5)**	-	(100,0)
Equity instruments	**724**	512	41,4
Subsidiaries			
Loss realised on disposal	**(10)**	(17)	41,2
	1 464	1 064	37,6

2. OPERATING EXPENDITURE

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
2.1 Operating expenses			
Amortisation of intangible assets	**116**	150	22,7
Auditors' remuneration	**134**	110	(21,8)
Audit fees	**90**	78	(15,4)
Audit fees – under provision from prior periods	**9**	6	(50,0)
Other fees	**35**	26	(34,6)
Cash transportation	**467**	413	(13,1)
Depreciation	**1 129**	856	(31,9)
Equipment costs	**278**	278	-
Information technology	**1 701**	1 468	(15,9)
Investment property charges	**4**	7	42,9
Change in fair value of investment property	**-**	1	100,0
Operating expenses	**4**	6	33,3
Marketing costs	**875**	961	8,9
Operating lease expenses on property	**910**	1 066	14,6
Other operating costs[1]	**2 381**	2 215	(7,5)
Printing and stationery	**283**	268	(5,6)
Professional fees	**790**	851	7,2
Research and development cost	**146**	114	(28,1)
Staff costs	**10 806**	11 525	6,2
Bonuses	**644**	1 554	58,6
Current service cost on post – retirement benefits	**551**	534	(3,2)
Other staff costs[2]	**321**	512	37,3
Salaries	**8 872**	8 571	(3,5)
Share-based payments	**223**	143	(55,9)
Training costs	**195**	211	7,6
Telephone and postage	**837**	832	(0,6)
	20 857	21 114	1,2

	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
Average number of employees employed by the Group	**36 989**	37 361	(1,0)
Number of employees employed by the Group at year-end	**36 150**	37 828	(4,4)

Notes

[1]*Other operating costs include accommodation costs, travel and entertainment costs.*

[2]*Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.*

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
2.2 Other impairments			
Financial instruments	**38**	30	(26,7)
Amortised cost instruments	**2**	29	93,1
Available-for-sale instruments	**36**	1	>(100,0)
Other	**1 419**	(12)	>(100,0)
Computer software development costs	**19**	1	>(100,0)
Equipment	**9**	-	(100,0)
Goodwill	**37**	-	(100,0)
Investments in associates and joint ventures	**1 328**	-	(100,0)
Repossessed Properties	**26**	(13)	>(100,0)
	1 457	18	>(100,0)

Notes

During the year, the Group sold contractual rights it had generated in Ambit Management Services (Proprietary) Limited to a third party. The company is now dormant and consequently the goodwill previously recognised on this investment has been written off.

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.

CONDENSED NOTES TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

3. HEADLINE EARNINGS

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
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)	>100,0
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)	39,5
IAS 27 net loss on disposal of subsidiaries	**10**	17	(41,2)
IAS 28 net loss/(profit) on disposal of associates	**35**	(29)	>100,0
IAS 28 impairment of investments in associates	**956**	-	100,0
IAS 28 headline earnings component of associates' earnings	**11**	(54)	>100,0
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	>(100,0)
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)
Headline earnings	**7 621**	9 965	(23,5)
Note			
[1] *The net amount is reflected after taxation and minority interest.*			

GROUP STATEMENT OF FINANCIAL POSITION

	31 December			31 December
	2009	2008		2007
	(Audited)	(Audited)	Change	(Audited)
	Rm	Rm	%	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	>100,0	185
Non-current assets held-for-sale	**-**	2 495	(100,0)	-
Loans and advances to customers	**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	**487**	2 144	(77,3)	1 004
Goodwill and intangible assets	**1 245**	963	29,3	301
Investment property	**2 195**	661	>100,0	-
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	**-**	408	(100,0)	-
Deposits due to customers	**350 757**	382 281	(8,2)	310 512
Debt securities in issue	**171 376**	165 900	3,3	156 424
Liabilities under investment				

	31 December			31 December
	2009	2008		2007
	(Audited)	(Audited)	Change	(Audited)
	Rm	Rm	%	Rm
contracts	**12 446**	10 377	19,9	7 908
Policyholder liabilities under insurance contracts	**3 136**	3 076	2,0	3 318
Borrowed funds **1**	**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	**1 432**	1 354	5,8	1 350
Share premium	**4 784**	2 251	>100,0	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

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

1. BORROWED FUNDS

	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Subordinated callable notes	**13 530**	12 144	11,4
The subordinated debt instruments listed below qualify as secondary capital in terms of the Banks Act, No 94 of 1990 (as amended)			
Interest rate *Final maturity date*			
14,25% 22 March 2014	**-**	3 100	(100,0)
10,75% 26 March 2015	**1 100**	1 100	-
8,75% 1 September 2017	**1 500**	1 500	-
8,10% 27 March 2020	**2 000**	2 000	-
8,80% 7 March 2019	**1 725**	1 725	-
Three-month JIBAR + 0,75% 26 March 2015	**400**	400	-
Three-month JIBAR + 0,97% 31 March 2018	**1 080**	1 080	-
Three-month JIBAR + 1,00% 31 March 2018	**179**	179	-
Three-month JIBAR + 1,09% 31 March 2018	**361**	361	-
Three-month JIBAR + 1,20% 31 March 2018	**266**	266	-
Three month JIBAR + 3,20% 20 September 2019	**3 000**	-	100,0
Three-month JIBAR + 2,60% 7 December 2028	**1 500**	-	100,0
Accrued interest	**575**	379	51,7
Fair value adjustment	**(156)**	54	>(100,0)

	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Redeemable cumulative option-holding preference shares	**-**	152	(100,0)
Preference dividend rate **Number**			
72% of the prime overdraft rate[1] 79 237 500	**158**	158	-
Redemption of preference shares for the Absa Group Limited Employee Share Ownership Administrative Trust (4 516 700)	**(9)**	(8)	(12,5)
Shares held by the Absa Group Limited Employee Share Ownership Administrative Trust	**-**	(4)	100,0
Cancellation of preference shares for the Absa Group Limited Employee Share Ownership Administrative Trust[2] (1 568 500)	**(3)**	-	(100,0)
Redemption of preference shares held by Batho Bonke Capital (Proprietary) Limited (73 152 300)	**(146)**	-	(100,0)
Accrued dividend	**-**	6	(100,0)
	13 530	12 296	10,0
Portfolio analysis			
Subordinated callable notes designated at fair value through profit or loss	**718**	672	6,8
Financial liabilities at amortised cost	**7 221**	5 069	42,5
Redeemable cumulative option-holding preference shares	**-**	152	(100,0)
Subordinated callable notes	**7 221**	4 917	46,9
Amortised cost subordinated callable notes in a fair value hedging relationship	**5 591**	6 555	(14,7)
	13 530	12 296	10,0

Notes

[1]*Option exercise dates of 1 July 2007 to 1 July 2009, 1 March, 1 June, 1 September or 1 December each year.*

[2]*The cancellation of the preference shares for the Absa Group Limited Employee Share*

Ownership Administrative Trust relates to employees that had left the employ of the Group and therefore their shares were not redeemed.

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

2. CONTINGENT LIABILITIES

	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
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)
	70 013	45 691	53,2
Total contingent liabilities	**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.*

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

3. COMMITMENTS

	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Authorised capital expenditure			
Contracted but not provided for[1]	**928**	703	32,0
Note [1]*The Group has capital commitments in respect of computer equipment and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.*			
Operating lease payments due[1]			
No later than one year	**1 157**	1 110	4,2
Later than one year and no later than five years	**2 135**	2 251	(5,2)
Later than five years	**307**	473	35,1
	3 599	3 834	(6,1)
Note [1]*The operating lease commitments comprise a number of separate operating leases in relation to properties and equipment, none of which is individually significant to the Group. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.*			

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

4. ACQUISITIONS AND DISPOSALS OF ASSOCIATES AND SUBSIDIARIES

4.1 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.

4.2 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 Limited’s 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 Limited from Absa.

4.3 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.

4.4 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 (Abseq)at a cost of R166 million, increasing its shareholding to 85,0%. Abseq was previously recognised as an associate designated as 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 (investment designated at fair value).

Note

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

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

5. RELATED PARTIES

The Group’s ultimate parent company is Barclays PLC (incorporated in the United Kingdom), which owns 55,5%(2008: 58,6%) of the ordinary shares. The remaining 44,5% (2008: 41,4%) of the shares are widely held on the JSE.

The following are defined as related parties of the Group:

1. Key management personnel.
2. The parent, Barclays Bank PLC.
3. Subsidiaries.
4. Associates, joint ventures and retirement benefit funds.
5. An entity controlled/jointly controlled or significantly influenced by any individual referred to above.
6. Post-employment benefit plans for the benefit of employees or any entity that is a related party of the Group.
7. Children or dependants of the individual referred to above or the spouses of the individuals referred to above.

	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1. Transactions with key management personnel and entities controlled by key management[1]			
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)
Note [1]*The above transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with third parties.*			
2. Key management personnel compensation			
Directors	**99**	69	43,5
Other key management personnel	**59**	54	9,3

	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
3. Transactions with parent company[1]			
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)

Note

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

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Year ended		
	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Share capital	**1 432**	1 354	5,8
Opening balance	**1 354**	1 350	0,3
Shares issued	**76**	3	>100,0
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)	>100,0
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative Trust	**0**	0	(0,0)
Share premium	**4 784**	2 251	>100,0
Opening balance	**2 251**	2 292	(1,8)
Shares issued	**2 495**	72	>100,0
Repurchase of preference shares held 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	>100,0
Elimination of treasury shares held by Absa Life Limited	**37**	(6)	>100,0
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative Trust	**0**	5	(99,9)

	Year ended		
	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Elimination of gains/(losses) from derivative instruments on own shares	**2**	(97)	>100,0
Other reserves	**1 178**	3 010	(60,9)
Opening balance	**3 010**	384	>100,0
Other comprehensive income	**(1 654)**	2 819	>(100,0)
Movement in foreign currency translation reserve	**(663)**	248	>(100,0)
Movement in cash flow hedging reserve	**(665)**	2 660	>(100,0)
Movement in available-for-sale reserve	**(326)**	(89)	>(100,0)
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	>(100,0)
Disposal of associates and joint ventures – release of reserves	**(109)**	(3)	>(100,0)
Share-based payments for the year	**47**	193	(75,6)
Transfer from share-based payment reserve	**(68)**	(44)	(54,5)
Retained earnings	**43 153**	40 992	5,3
Opening balance as previously reported	**40 665**	33 549	21,2
Restatement of opening balance[1]	**327**	63	>100,0
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)	>100,0
Disposal of associates and joint			

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
ventures – release of reserves	**109**	3	>100,0
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**-**	153	(100,0)
Repurchase of preference shares held 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 **1**	**(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	>100,0
Acquisition of subsidiaries	**72**	548	(86,9)
Dividends declared during the year	**(51)**	(34)	(50,0)
Profit attributable to minority equity holders 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 **1**	**(421)**	(457)	7,9
Total equity	**56,490**	53 293	6,0

Note

[1]*Refer to the "Reclassifications and Restatements" section for the restated and reclassified prior year figures.*

CONDENSED NOTES TO THE GROUP STATEMENT OF CHANGES IN EQUITY

1. DIVIDENDS PER SHARE

	Year ended		
	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Dividends paid to ordinary equity holders during the year			
9 February 2009 final dividend number 45 of 330,0 cents per ordinary share (19 February 2008: 320,0 cents)	**2 245**	2 171	3,4
3 August 2009 interim dividend number 46 of 225,0 cents per ordinary share (7 August 2008: 265,0 cents)	**1 616**	1 803	(10,4)
Dividends paid on treasury shares held by Absa Life Limited	**(5)**	(0)	>(100,0)
Dividends paid on shares held by Batho Bonke Capital(Proprietary) Limited in terms of the bridging finance arrangement	**(56)**	-	(100,0)
	3 800	3 974	(4,4)
Dividends paid to ordinary equity holders relating to income for the year			
3 August 2009 interim dividend number 46 of 225,0 cents per ordinary share (7 August 2008: 265,0 cents)	**1 616**	1 803	(10,4)
Dividends paid on treasury shares held by Absa Life Limited	**(2)**	(0)	>(100,0)
Dividends paid on shares held by Batho Bonke Capital(Proprietary) Limited in terms of the bridging finance arrangement	**(56)**	-	(100,0)
16 February 2010 final dividend number 47 of 220,0 cents per ordinary share (9 February 2009: 330,0 cents)	**1 580**	2 245	(29,6)

	Year ended 31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
	3 138	4 048	(22,5)

Note

The STC payable by the Group in respect of the dividend approved and declared subsequent to the statement of financial position date, amounts to R158 million(2008: R225 million). No provision has been made for this dividend and the related STC in the financial statements at the statement of financial position date.

Dividends paid to minority preference equity holders during the year			
9 February 2009 final dividend number 6 of 4 734,5 cents per preference share (19 February 2008: 4 436,0 cents)	**234**	219	6,8
3 August 2009 interim dividend number 7 of 3 799,0 cents per preference share (7 August 2008: 4 797,5 cents)	**187**	238	(21,4)
	421	457	(7,9)
Dividends paid to minority preference equity holders relating to income for the year			
3 August 2009 interim dividend number 7 of 3 799,0 cents per preference share (7 August 2008: 4 797,5 cents)	**187**	238	(21,4)
16 February 2010 final dividend number 8 of 3 280,3 cents per preference share (9 February 2009: 4 734,5 cents)	**162**	234	(30,8)
	349	472	(26,1)

Note

The STC payable by the Group in respect of the dividend approved and declared subsequent to the statement of financial position date amounts to R16 million (2008:R24 million). No provision has been made for this dividend and the related STC in the financial statements at the statement of financial position date.

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Year ended		
	31 December		
	2009	2008	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Net cash generated from operating activities	**5 011**	3 234	54,9
Net cash utilised in 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**	(998)	>100,0
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			
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	>100,0
	6 976	5 600	24,6

GROUP PROFIT CONTRIBUTION BY BUSINESS AREA

	Year ended 31 December		
	2009	2008[1]	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail banking	**2 863**	3 628	(21,1)
Retail Bank	**3 086**	2 635	17,1
Absa Home Loans	**(1 299)**	140	>(100,0)
Absa Card	**811**	554	46,4
Absa Vehicle and Asset Finance	**265**	299	(11,4)
Absa Corporate and Business Bank	**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	>(100,0)
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)	>100,0
Total headline earnings	**7 621**	9 965	(23,5)

GROUP REVENUE[3] CONTRIBUTION BY BUSINESS AREA

	Year ended 31 December		
	2009	2008[1]	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail banking	**25 765**	24 571	4,9
Retail Bank	**16 092**	14 786	8,8
Absa Home Loans	**3 133**	4 150	(24,5)
Absa Card	**4 261**	3 057	39,4
Absa Vehicle and Asset Finance	**2 279**	2 578	(11,6)
Absa Corporate and Business Bank (ACBB)	**8 709**	8 717	(0,1)
Absa Capital	**4 446**	5 657	(21,4)
Corporate centre[2]	**(527)**	536	>(100,0)
Capital and funding centre	**300**	(16)	>100,0
Total banking	**38 693**	39 465	(2,4)
Bancassurance	**3 393**	3 462	(2,0)
Total revenue	**42 086**	42 927	(2,0)

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 additional shares 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 was moved from Bancassurance to Corporate centre during the year under review.*
   - *The change in accounting policy relating to the retirement benefit assets and liabilities.*
2. *Corporate centre's comparatives include the profit on the VISA Initial Public Offering (IPO) shares.*
3. *Revenue includes net interest income and non-interest income.*

RECLASSIFICATIONS AND RESTATEMENTS

Some items within the statement of the comprehensive income and statement of financial position for the years ended 31 December 2008 and 31 December 2007 were reclassified and restated in the current year:

GROUP STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2008

		(Audited)		(Audited)
		As previously reported	Reclassifications and restatements	Reclassified and restated
		Rm	Rm	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

		(Audited)		(Audited)
		As previously reported	Reclassifications and restatements	Reclassified and restated
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

		(Audited)		(Audited)
		As previously	Reclassifications	Reclassified
		reported	and restatements	and restated
		Rm	Rm	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 profit 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:				

	(Audited)		(Audited)
	As previously	Reclassifications	Reclassified
	reported	and restatements	and restated
	Rm	Rm	Rm
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

GROUP STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2007

		(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
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**	-	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

		(Audited)		(Audited)
		As previously		
		reported	Restatements	Restated
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

COMMENTARY ON THE RECLASSIFICATIONS AND RESTATEMENTS

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 *IFRS 3 – 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. 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 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.

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 financial 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, fee and commission income increased 7,1% to R 14,3 billion. The Retail bank grew 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 loans and advances to customers 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.

Events subsequent to statement of financial position date

As at 31 December 2009, Absa Group held 1,26 billion shares (23%) in an associate, Pinnacle Point Group (PPG). On 8 February 2010 Absa Group concluded a transaction in terms of which it would subscribe for a further 1,47 billion shares in PPG and then sell the entire investment of 2,73 billion shares (39%) for R150 million of which R55 million is deferred.

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

Johannesburg
16 February 2010

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