

ABSA BANK LIMITED

Authorised financial services and credit provider (NCRCP7)

Incorporated in the Republic of South Africa

Registration number: 1986/004794/06

ISIN: ZAE000079810

JSE share code: ABSP

(Absa Bank or the Bank)

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| ABSA BANK LIMITED: PROFIT AND DIVIDEND ANNOUNCEMENT AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009 |
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BANK SALIENT FEATURES

| | Year ended | | Change % |
|---|-------------------|--------------------------------|-------------|
| | 31 December | | |
| | 2009 (Audited) | 2008 ¹ (Audited) | |
| Statement of comprehensive income(Rm) | | | |
| Headline earnings ² | 5 986 | 7 770 | (23,0) |
| Profit attributable to ordinary equity holder of the Bank | 5 315 | 8 464 | (37,2) |
| Statement of financial position(Rm) | | | |
| Total assets | 671 241 | 735 378 | (8,7) |
| Loans and advances to customers | 487 672 | 512 657 | (4,9) |
| Deposits due to customers | 343 763 | 373 176 | (7,9) |
| Financial performance(%) | | | |
| Return on average equity | 14,4 | 21,8 | |
| Return on average assets | 0,84 | 1,15 | |
| Operating performance(%) | | | |
| Net interest margin on average assets | 2,81 | 3,05 | |
| Net interest margin on average interest-bearing assets | 3,52 | 3,71 | |
| Impairment losses on loans and advances as % of average loans and advances to customers | 1,69 | 1,19 | |
| Non-interest income as % of total operating income | 44,0 | 43,9 | |
| Cost-to-income ratio | 49,7 | 50,5 | |

| | Year ended | | Change % |
|--|-------------------|--------------------------------|-------------|
| | 31 December | | |
| | 2009 (Audited) | 2008 ¹ (Audited) | |
| Effective tax rate, excluding indirect taxation | 20,4 | 25,3 | |
| Share statistics (million) | | | |
| (including "A" ordinary shares) | | | |
| Number of shares in issue | 367,7 | 359,1 | |
| Weighted average number of shares | 362,1 | 354,6 | |
| Weighted average diluted number of shares | 362,1 | 354,6 | |
| Share statistics(cents) | | | |
| Earnings per share | 1 467,8 | 2 386,9 | (38,5) |
| Diluted earnings per share | 1 467,8 | 2 386,9 | (38,5) |
| Headline earnings per share | 1 653,1 | 2 191,2 | (24,6) |
| Diluted headline earnings per share | 1 653,1 | 2 191,2 | (24,6) |
| Dividends per ordinary share relating to income for the year | 669,6 | 2,073,6 | (67,7) |
| Dividend cover (times) | 2,5 | 1,0 | |
| Net asset value per share | 11,606 | 11,231 | 3,3 |
| Tangible net asset value per share | 11,464 | 11,149 | 2,8 |
| | | | |
| | (Unaudited) | (Unaudited) | |
| Capital adequacy(%) | | | |
| Absa Bank | 14,7 | 14,0 | |

Notes

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

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

BANK STATEMENT OF COMPREHENSIVE INCOME

| | Year ended | | Change |
|--|---------------|---------------|---------------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| Net interest income | 19 888 | 20 550 | (3,2) |
| Interest and similar income | 62 533 | 73 475 | (14,9) |
| Interest expense and similar charges | (42 645) | (52 925) | 19,4 |
| Impairment losses on loans and advances | (8 392) | (5 627) | (49,1) |
| Net interest income after impairment losses on loans and advances | 11 496 | 14 923 | (23,0) |
| Net fee and commission income | 12 247 | 11 720 | 4,5 |
| Fee and commission income 1.1 | 12 993 | 12 367 | 5,1 |
| Fee and commission expense | (746) | (647) | (15,3) |
| Gains and losses from banking and trading activities 1.2 | 2 547 | 3 096 | (17,7) |
| Gains and losses from investment activities 1.3 | 68 | 91 | (25,3) |
| Other operating income | 736 | 1 170 | (37,1) |
| Operating profit before operating expenditure | 27 094 | 31 000 | (12,6) |
| Operating expenditure | (19 835) | (19 117) | (3,8) |
| Operating expenses 2.1 | (17 635) | (18 498) | 4,7 |
| Other impairments 2.2 | (1 436) | 11 | >(100,0) |
| Indirect taxation | (764) | (630) | (21,3) |
| Share of retained (losses)/earnings from associates and joint ventures | (50) | 65 | >(100,0) |
| Operating profit before income tax | 7 209 | 11 948 | (39,7) |
| Taxation expense | (1 469) | (3 027) | 51,5 |
| Profit for the year | 5 740 | 8 921 | (35,7) |

BANK STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

| | Year ended | | Change % |
|---|--------------|---------------|---------------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | (201) | (4) | >(100,0) |
| Movement in cash flow hedging reserve | (661) | 2 668 | >(100,0) |
| Fair value (losses)/gains arising during the year | (143) | 2 064 | >(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 | 258 | (1 032) | >100,0 |
| Movement in available-for-sale reserve | (329) | (92) | >(100,0) |
| Fair value losses arising during the year | (309) | (243) | (27,2) |
| Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of the 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 | 75 | 181 | (58,6) |
| Increase in retirement benefit surplus | 104 | 252 | (58,7) |
| Deferred tax | (29) | (71) | 59,2 |
| Total comprehensive income for the year | 4 624 | 11 674 | (60,4) |
| Profit attributable to: | | | |
| Ordinary equity holder of the Bank | 5 315 | 8 464 | (37,2) |
| Preference equity holders of the Bank | 421 | 457 | (7,9) |
| Minority interest | 4 | (0) | >100,0 |

| | Year ended | | |
|--|-------------|-----------|--------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | Change |
| | Rm | Rm | % |
| | 5 740 | 8 921 | (35,7) |
| Total comprehensive income attributable to: | | | |
| Ordinary equity holder of the Bank | 4 199 | 11 217 | (62,6) |
| Preference equity holders of the Bank | 421 | 457 | (7,9) |
| Minority interest | 4 | (0) | >100,0 |
| | 4 624 | 11 674 | (60,4) |

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

1. NON-INTEREST INCOME

| | Year ended | | Change |
|---|---------------|---------------|------------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| 1.1 Fee and commission income | | | |
| Asset management and other related fees | 100 | 72 | 38,9 |
| Consulting and administration fees | 127 | 163 | (22,1) |
| Credit-related fees and commissions | 12 061 | 11 151 | 8,2 |
| Credit cards ¹ | 1 710 | 1 570 | 8,9 |
| Cheque accounts | 3 168 | 2 990 | 6,0 |
| Electronic banking | 3 490 | 3 013 | 15,8 |
| Other | 1 405 | 1 473 | (4,6) |
| Savings accounts | 2 288 | 2 105 | 8,7 |
| Insurance commission received | 323 | 384 | (15,9) |
| Other fees and commissions | 88 | 98 | (10,2) |
| Project finance fees | 268 | 474 | (43,5) |
| Trust and other fiduciary services ² | 26 | 25 | 4,0 |
| Portfolio and other management fees | 10 | 17 | (41,2) |
| Trust and estate income | 16 | 8 | 100,0 |
| | 12 993 | 12 367 | 5,1 |

Notes

¹Includes merchant and issuing fees.

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

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

| Fee and commission income | | | |
|---------------------------|---------------|--------------|-------------|
| Credit cards | 811 | 724 | 12,0 |
| Cheque accounts | 3 168 | 2 990 | 6,0 |
| Electronic banking | 3 490 | 3 013 | 15,8 |
| Other | 1 029 | 651 | 58,1 |
| Savings accounts | 2 288 | 2 105 | 8,7 |
| | 10 786 | 9 483 | 13,7 |

| | Year ended | | Change |
|---|-------------|-----------|----------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | 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 | 91 | (940) | >100,0 |
| Debt instruments | (31) | 138 | >(100,0) |
| Debt securities in issue | (125) | (765) | 83,7 |
| Deposits from banks and due to customers | (434) | (3 400) | 87,2 |
| Equity instruments | 59 | 1 241 | (95,2) |
| Loans and advances to banks and customers | 610 | 1 852 | (67,1) |
| Statutory liquid asset portfolio | 12 | (6) | >100,0 |
| Financial instruments held-for-trading | | | |
| Derivatives and trading instruments | 2 373 | 4 032 | (41,1) |
| Ineffective hedges | (19) | 89 | >(100,0) |
| Cash flow hedges | (3) | (18) | 83,3 |
| Fair value hedges | (16) | 107 | >(100,0) |
| | 2 547 | 3 096 | (17,7) |
| 1.3 Gains and losses from investment activities | | | |
| Available-for-sale unwind from reserve | | | |
| Equity instruments | 1 | – | 100,0 |
| Financial instruments designated at fair value through profit or loss | | | |
| Equity instruments | 66 | 37 | 78,4 |
| Subsidiaries | 1 | 54 | (98,1) |
| Dividends received | 1 | 1 | – |
| Profit realised on disposal | – | 53 | (100,0) |
| | 68 | 91 | (25,3) |

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

2. OPERATING EXPENDITURE

| | Year ended | | Change |
|--|-------------|-----------|--------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| 2.1 Operating expenses | | | |
| Amortisation of intangible assets | 62 | 103 | 39,8 |
| Auditors' remuneration | 113 | 88 | (28,4) |
| Audit fees | 77 | 56 | (37,5) |
| Audit fees - under provision from prior periods | 8 | 6 | (33,3) |
| Other fees | 28 | 26 | (7,7) |
| Cash transportation | 371 | 320 | (15,9) |
| Depreciation | 1 052 | 790 | (33,2) |
| Equipment costs | 199 | 207 | 3,9 |
| Information technology | 1 592 | 1 373 | (16,0) |
| Investment property charges | 4 | 13 | 69,2 |
| Change in fair value of investment property | - | 7 | 100,0 |
| Operating expenses | 4 | 6 | 33,3 |
| Marketing costs | 799 | 896 | 10,8 |
| Operating lease expenses on property | 815 | 987 | 17,4 |
| Other operating costs ¹ | 1 615 | 1 549 | (4,3) |
| Printing and stationery | 239 | 225 | (6,2) |
| Professional fees | 710 | 821 | 13,5 |
| Research and development cost | 146 | 114 | (28,1) |
| Staff costs | 9 242 | 10 268 | 10,0 |
| Bonuses | 518 | 1 440 | 64,0 |
| Current service cost on post-retirement benefits | 542 | 529 | (2,5) |
| Other staff costs ² | 287 | 487 | 41,1 |
| Salaries | 7 523 | 7 505 | (0,2) |
| Share-based payments | 211 | 120 | (75,8) |
| Training costs | 161 | 187 | 13,9 |
| Telephone and postage | 676 | 744 | 9,1 |
| | 17 635 | 18 498 | 4,7 |
| | | | |
| | | | |

| | 31 December | | Change |
|--|-------------|-----------|--------|
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| Average number of employees employed by the Bank | 31 851 | 32 959 | (3,4) |
| Number of employees employed by the Bank at year-end | 30 627 | 33 074 | (7,4) |

Notes

¹Other operating costs include accommodation costs, travel and entertainment costs.

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

| | Year ended | | Change |
|--|-------------|-----------|----------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| 2.2 Other impairments | | | |
| Financial instruments | | | |
| Available-for-sale instruments | 36 | 1 | >(100,0) |
| Other | 1 400 | (12) | >(100,0) |
| Computer software development costs | - | 1 | 100,0 |
| Equipment | 9 | - | (100,0) |
| Goodwill | 37 | - | (100,0) |
| Investments in associates and joint ventures | 1 328 | - | (100,0) |
| Reposessed Properties | 26 | (13) | >(100,0) |
| | 1 436 | (11) | >(100,0) |

Notes

During the year, the Bank 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 Bank's best estimate of the price the Bank would achieve in a sale transaction of these investments. These investments have consequently been impaired.

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

3. HEADLINE EARNINGS

| | Year ended | | Change |
|---|--------------|--------------|---------------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| Headline earnings¹ is determined as follows: | | | |
| Profit attributable to ordinary equity holder of the Bank | 5 315 | 8 464 | (37,2) |
| Adjustments for: | | | |
| IFRS 3 business combinations - goodwill | (113) | (17) | >(100,0) |
| IAS 16 net profit on disposal of property and equipment | (49) | (35) | (40,0) |
| IAS 21 recycled foreign currency translation reserve, disposal of investments in foreign operations | (25) | - | (100,0) |
| IAS 27 net profit on disposal of subsidiaries | - | (45) | 100,0 |
| IAS 28 net loss on disposal of associates | 50 | - | 100,0 |
| IAS 28 impairment of associates | 956 | - | >100,0 |
| IAS 28 headline earnings component of associates' earnings | 11 | (53) | >100,0 |
| IAS 36 impairment of assets | 6 | - | 100,0 |
| IAS 38 net profit on disposal of and impairment of intangible assets | (56) | (636) | 91,2 |
| 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 | 31 | (48,4) |
| IAS 40 change in fair value of investment properties | (10) | - | (100,0) |
| Headline earnings | 5 986 | 7 770 | (23,0) |
| Note | | | |
| ¹ The net amount is reflected after taxation and minority interest. | | | |

BANK 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 | 15 526 | 16 549 | (6,2) | 15 069 |
| Statutory liquid asset portfolio | 33 943 | 33 019 | 2,8 | 22 957 |
| Loans and advances to banks | 35 036 | 43 559 | (19,6) | 52 691 |
| Trading portfolio assets | 47 303 | 72 929 | (35,1) | 25 876 |
| Hedging portfolio assets | 2 558 | 3 139 | (18,5) | 725 |
| Other assets | 7 219 | 8 594 | (16,0) | 5 107 |
| Current tax assets | 107 | - | 100,0 | 168 |
| Non-current assets held-for-sale | - | 2 495 | (100,0) | - |
| Loans and advances to customers | 487 672 | 512 657 | (4,9) | 443 120 |
| Loans to Absa Group companies | 16 232 | 18 990 | (14,5) | 15 338 |
| Investments | 16 849 | 15 191 | 10,9 | 6 574 |
| Investments in associates and joint ventures | 473 | 2 071 | (77,2) | 905 |
| Goodwill and intangible assets | 522 | 297 | 75,8 | 228 |
| Investment property | 1 705 | 379 | >100,0 | - |
| Property and equipment | 6 010 | 5 431 | 10,7 | 4 258 |
| Deferred tax assets | 86 | 78 | 10,3 | 48 |
| Total assets | 671 241 | 735 378 | (8,7) | 593 064 |
| | | | | |
| Liabilities | | | | |
| Deposits from banks | 43 235 | 60 043 | (28,0) | 65 167 |
| Trading portfolio liabilities | 36 957 | 68 120 | (45,7) | 22 947 |
| Hedging portfolio liabilities | 565 | 1 080 | (47,7) | 2 226 |
| Other liabilities | 9 089 | 7 476 | 21,6 | 7 927 |
| Provisions | 1 486 | 1 893 | (21,5) | 2 253 |
| Current tax liabilities | 31 | 322 | (90,4) | 56 |
| Non-current liabilities held-for-sale | - | 408 | (100,0) | - |
| Deposits due to customers | 343 763 | 373 176 | (7,9) | 304 877 |
| Debt securities in issue | 169 788 | 159 042 | 6,8 | 134 023 |
| Loans from Absa Group companies | 3 464 | 3 946 | (12,2) | 5 900 |

| | | | | | |
|--|---|----------------|---------|--------|---------|
| Borrowed funds | 1 | 13 530 | 12 143 | 11,4 | 9 796 |
| Deferred tax liabilities | | 1 915 | 2 735 | (30,0) | 2 288 |
| Total liabilities | | 623 823 | 690 384 | (9,6) | 557 460 |
| | | | | | |
| Equity | | | | | |
| Capital and reserves | | | | | |
| Attributable to equity holders of the Bank: | | | | | |
| Ordinary share capital | | 303 | 303 | 0,0 | 303 |
| Ordinary share premium | | 10 465 | 9 415 | 11,2 | 5 415 |
| Preference share capital | | 1 | 1 | - | 1 |
| Preference share premium | | 4 643 | 4 643 | - | 4 643 |
| Other reserves | | 2 566 | 3 939 | (34,9) | 1 583 |
| Retained earnings | | 29 340 | 26 670 | 10,0 | 23 633 |
| | | 47 318 | 44 971 | 5,2 | 35 578 |
| Minority interest | | 100 | 23 | >100,0 | 26 |
| Total equity | | 47 418 | 44 994 | 5,4 | 35 604 |
| Total equity and liabilities | | 671 241 | 735 378 | (8,7) | 593 064 |

CONDENSED NOTES TO THE BANK STATEMENT OF FINANCIAL POSITION

1. BORROWED FUNDS

| | 31 December | | | Change % |
|--|----------------------------|-----------|--------|-------------|
| | 2009 | 2008 | | |
| | (Audited) | (Audited) | | |
| | Rm | Rm | | |
| Subordinated callable notes | | | | |
| 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 | 378 | 52,1 |
| Fair value adjustment | | (156) | 54 | >(100,0) |
| | | 13 530 | 12 143 | 11,4 |
| <i>Portfolio analysis</i> | | | | |
| Subordinated callable notes designated at fair value through profit or loss | | 718 | 671 | 7,0 |
| Subordinated callable notes held at amortised cost | | 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 | 12 143 | 11,4 |

CONDENSED NOTES TO THE BANK STATEMENT OF FINANCIAL POSITION

2. CONTINGENT LIABILITIES

| | 31 December | | Change |
|--------------------------------------|-------------|-----------|--------|
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| Financial guarantee contracts | | | |
| Financial guarantee contracts | 1 007 | 1 001 | 0,6 |
| | | | |
| Contingencies | | | |
| Guarantees ¹ | 9 829 | 9 134 | 7,6 |
| Irrevocable facilities ² | 54 346 | 29 753 | 82,7 |
| Letters of credit | 4 581 | 6 069 | (24,5) |
| Other contingencies | 5 | 25 | (80,0) |
| | 68 761 | 44 981 | 52,7 |
| | | | |
| Total contingent liabilities | 69 768 | 45 982 | 51,7 |

Notes

¹Guarantees include performance guarantee contracts and payment guarantee contracts.

²Irrevocable facilities are commitments to extend credit where the Bank 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 BANK STATEMENT OF FINANCIAL POSITION

3. COMMITMENTS

| | 31 December | | Change |
|--|-------------|-----------|--------|
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| Authorised capital expenditure | | | |
| Contracted but not provided for ¹ | 728 | 455 | 60,0 |

Note

¹The Bank 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 due¹ | | | |
|--|-------|-------|--------|
| No later than one year | 1 150 | 1 094 | 5,1 |
| Later than one year and no later than five years | 2 132 | 2 221 | (4,0) |
| Later than five years | 307 | 473 | (35,1) |
| | 3 589 | 3 788 | (5,3) |

Note

¹The operating lease commitments comprise a number of separate operating leases in relation to properties and equipment, none of which is individually significant to the Bank. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.

4. ACQUISITIONS AND DISPOSALS OF ASSOCIATES AND SUBSIDIARIES

4.1 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 shares¹. 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.

4.2 Acquisition of a listed associate

The Bank 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.

4.3 Acquisition of additional shares in CPF venture capital organisations

- The Bank 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 Bank's results were minimal.
- On 31 January 2009, the Bank 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 Bank.
- On 1 January 2009 the Bank acquired a 50% interest in Meadowood Investments 8 (Proprietary) Limited for R1.
- On 1 November 2009 the Bank 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 BANK STATEMENT OF FINANCIAL POSITION

5. RELATED PARTIES

The Bank's ultimate parent company is Barclays PLC (incorporated in the United Kingdom), which owns 55,5% (2008: 58,6%) of the ordinary shares of Absa Group Limited. 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 Bank:

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

| | 31 December | | Change |
|--|-------------|-----------|--------|
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| 1. Transactions with key management personnel and entities controlled by key management¹ | | | |
| 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 Bank | 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 | 89 | 60 | 48,3 |
| Other key management personnel | 59 | 54 | 9,3 |

| | 31 December | | Change |
|--|---|-----------|--------|
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| 3. Transactions with ultimate parent company¹ | | | |
| The following are balances with, and transactions entered into with the ultimate parent company: | | | |
| Balances | | | |
| Assets | 17 934 | 29 971 | (40,2) |
| Liabilities | 16 823 | 30 272 | (44,4) |
| Transactions | | | |
| Income | 252 | 1 229 | (79,5) |
| Expenses | 54 | 259 | 79,2 |
| Note | ¹ All transactions entered into are on the same commercial terms and conditions as in the normal course of business. | | |

CONDENSED BANK STATEMENT OF CHANGES IN EQUITY

| | Year ended | | Change % |
|---|---------------|--------------|---------------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | |
| Ordinary share capital | 303 | 303 | 0,0 |
| Opening balance | 303 | 303 | - |
| Shares issued | 0 | 0 | 0,0 |
| | | | |
| Ordinary share premium | 10 465 | 9 415 | 11,2 |
| Opening balance | 9 415 | 5 415 | 73,9 |
| Shares issued | 1 050 | 4 000 | (73,8) |
| | | | |
| Preference share capital | 1 | 1 | - |
| Opening balance | 1 | 1 | - |
| | | | |
| Preference share premium | 4 643 | 4 643 | - |
| Opening balance | 4 643 | 4 643 | - |
| | | | |
| Other reserves | 2 566 | 3 939 | (34,9) |
| Opening balance | 3 939 | 1 583 | >100,0 |
| Other comprehensive income | (1 191) | 2 572 | >(100,0) |
| Movement in foreign currency translation reserve | (201) | (4) | >(999,9) |
| Movement in cash flow hedging reserve | (661) | 2 668 | >(100,0) |
| Movement in available-for-sale reserve | (329) | (92) | >(100,0) |
| Movement in general credit risk reserve | - | (431) | 100,0 |
| Movement in capital reserve | (3) | - | (100,0) |
| Movement in associates' and joint ventures' retained earnings reserve | (50) | 65 | >(100,0) |
| Disposal of associates and joint ventures - release of reserves | (100) | 11 | >(100,0) |
| Share-based payments for the year | 39 | 181 | (78,5) |
| Transfer from share-based payment reserve | (68) | (42) | (61,9) |
| | | | |

| | Year ended | | Change % |
|---|---------------|-----------|-------------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | |
| Retained earnings | 29 340 | 26 670 | 10,0 |
| Opening balance as previously reported | 26 339 | 23 557 | 11,8 |
| Restatement of opening balance ¹ | 331 | 76 | >100,0 |
| Restated opening balance | 26 670 | 23 633 | 12,9 |
| Movement in general credit risk reserve | - | 431 | (100,0) |
| Transfer to associates' and joint ventures' retained earnings reserve | 50 | (65) | >100,0 |
| Disposal of associates and joint ventures - release of reserves | 100 | - | 100,0 |
| Transfer from share-based payment reserve | 68 | 42 | 61,9 |
| Contribution to the Absa Group Limited Share Incentive Trust | (88) | (61) | (44,3) |
| Profit attributable to ordinary equity holder of the Bank | 5 315 | 8 464 | (37,2) |
| Profit attributable to preference equity holders of the Bank | 421 | 457 | (7,9) |
| Other comprehensive income - movement in retirement benefit assets | 75 | 181 | (58,6) |
| Ordinary dividends paid during the year | 1 (2 850) | (5 955) | 52,1 |
| Preference dividends paid during the year | 1 (421) | (457) | 7,9 |
| | 47 318 | 44 971 | 5,2 |
| Minority interest | 100 | 23 | >100,0 |
| Opening balance | 23 | 26 | (11,5) |
| Acquisition of subsidiaries | 73 | 10 | >100,0 |
| Dividends declared during the year | - | (13) | 100,0 |
| Profit attributable to minority equity holders of the Bank | 4 | (0) | >100,0 |
| Total equity | 47 418 | 44 994 | 5,4 |

Note

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

CONDENSED NOTES TO THE BANK STATEMENT OF CHANGES IN EQUITY

1. DIVIDENDS PER SHARE

| | Year ended | | Change % |
|--|-------------|-----------|-------------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | |
| Dividends paid to ordinary equity holder during the year | | | |
| 9 February 2009 final dividend number 45 of 429,6 cents per ordinary share (19 February 2008: 323,8 cents) | 1 300 | 980 | 32,7 |
| 3 August 2009 interim dividend number 46 of 139,3 cents per ordinary share (7 August 2008: 322,2 cents) | 500 | 975 | (48,7) |
| 1 September 2009 special dividend paid to Absa Group Limited (8 621 397 "A" ordinary shares of R121,79) (17 March 2008: 21 768 707 "A" ordinary shares of R183,75) | 1 050 | 4 000 | (73,8) |
| | 2 850 | 5 955 | (52,1) |
| Dividends paid to ordinary equity holder relating to income for the year | | | |
| 3 August 2009 interim dividend number 46 of 139,3 cents per ordinary share (7 August 2008: 322,2 cents) | 500 | 975 | (48,7) |
| 1 September 2009 special dividend paid to Absa Group Limited (8 621 397 "A" ordinary shares of R121,79) (17 March 2008: 21 768 707 "A" ordinary shares of R183,75) | 1 050 | 4 000 | (73,8) |
| 16 February 2010 final dividend number 47 of 244,8 cents per ordinary share (9 February 2009: 429,6 cents) | 900 | 1 300 | (30,8) |
| | 2 450 | 6 275 | (61,0) |

| | Year ended | | Change |
|---|-------------|-----------|--------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | % |
| Note | | | |
| <i>The STC payable by the Bank in respect of the dividend approved and declared subsequent to the statement of financial position date, amounts to R90 million. No provision has been made for this dividend and the related STC in the financial statements at the statement of financial position date.</i> | | | |
| Dividends paid to 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 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 | | | |
| <i>The STC payable by the Bank in respect of the dividend approved and declared subsequent to the statement of financial position date amounts to R16 million. No provision has been made for this dividend and the related STC in the financial statements at the statement of financial position date.</i> | | | |

CONDENSED BANK STATEMENT OF CASH FLOWS

| | Year ended | | Change % |
|--|--------------|----------------|------------------|
| | 31 December | | |
| | 2009 | 2008 | |
| | (Audited) | (Audited) | |
| | Rm | Rm | |
| Net cash generated from operating activities | 3 622 | 708 | >100,0 |
| Net cash utilised from investing activities | (1 291) | (1 223) | (5,6) |
| Net cash utilised from financing activities | (909) | (526) | (72,8) |
| Net increase/(decrease) in cash and cash equivalents | 1 422 | (1 041) | >100,0 |
| Cash and cash equivalents at the beginning of the year 1 | 3 981 | 5 023 | (20,7) |
| Effect of exchange rate movements on cash on cash equivalents | - | (1) | 100,0 |
| Cash and cash equivalents at the end of the year 2 | 5 403 | 3 981 | 35,7 |
| NOTES TO THE CONDENSED BANK STATEMENT OF CASH FLOWS | | | |
| 1. Cash and cash equivalents at the beginning of the year | | | |
| Cash, cash balances and balances with central banks | 3 942 | 4 673 | (15,6) |
| Loans and advances to banks | 39 | 350 | (88,9) |
| | 3 981 | 5 023 | (20,7) |
| 2. Cash and cash equivalents at the end of the year | | | |
| Cash, cash balances and balances with central banks | 4 543 | 3 942 | 15,2 |
| Loans and advances to banks | 860 | 39 | >100,0 |
| | 5 403 | 3 981 | 35,7 |

BANK PROFIT CONTRIBUTION BY BUSINESS AREA

| | Year ended | | Change % |
|--|--------------|-------------------|---------------|
| | 31 December | | |
| | 2009 | 2008 ¹ | |
| | (Audited) | (Audited) | |
| | Rm | Rm | |
| Banking operations | | | |
| Retail banking | 2 814 | 3 334 | (15,6) |
| Retail Bank | 3 053 | 2 419 | 26,2 |
| Absa Home Loans | (1 291) | 92 | >(100,0) |
| Absa Card | 787 | 536 | 46,8 |
| Absa Vehicle and Asset Finance | 265 | 287 | (7,7) |
| Absa Corporate and Business Bank | 2 276 | 2 791 | (18,5) |
| Absa Capital | 192 | 1 994 | (90,4) |
| Underlying performance | 1 179 | 1 994 | (40,9) |
| Single Stock Futures impairment | (987) | - | (100,0) |
| Corporate centre ² | 489 | 798 | (38,7) |
| Capital and funding centre | (35) | 4 | >(100,0) |
| Preference equity holders of the Bank | (421) | (457) | 7,9 |
| Profit attributable to ordinary equity holder of the Bank | 5 315 | 8 464 | (37,2) |
| Headline earnings adjustments | 671 | (694) | >100,0 |
| Total headline earnings | 5 986 | 7 770 | (23,0) |

BANK REVENUE³ CONTRIBUTION BY BUSINESS AREA

| | Year ended | | Change % |
|--|---------------|-------------------|--------------|
| | 31 December | | |
| | 2009 | 2008 ¹ | |
| | (Audited) | (Audited) | |
| | Rm | Rm | |
| Banking operations | | | |
| Retail banking | 23 487 | 22 879 | 2,7 |
| Retail Bank | 15 087 | 13 603 | 10,9 |
| Absa Home Loans | 3 106 | 4 072 | (23,7) |
| Absa Card | 3 073 | 2 752 | 11,7 |
| Absa Vehicle and Asset Finance | 2 221 | 2 452 | (9,4) |
| Absa Corporate and Business Bank (ACBB) | 8 193 | 8 309 | (1,4) |
| Absa Capital | 4 150 | 5 213 | (20,4) |
| Corporate centre ² | (644) | 328 | >(100,0) |
| Capital and funding centre | 300 | (102) | >100,0 |
| Total revenue | 35 486 | 36 627 | (3,1) |

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.
- The change in accounting policy relating to the retirement benefit assets.

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:

BANK STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2008

| | (Audited) | | (Audited) |
|--|----------------|-------------------|----------------|
| | As previously | Reclassifications | Reclassified |
| | reported | and restatements | and restated |
| | Rm | Rm | Rm |
| Assets | | | |
| Cash, cash balances and balances with central banks 1 | 16 568 | (19) | 16 549 |
| Statutory liquid asset portfolio | 33 019 | - | 33 019 |
| Loans and advances to banks | 43 559 | - | 43 559 |
| Trading portfolio assets | 72 929 | - | 72 929 |
| Hedging portfolio assets | 3 139 | - | 3 139 |
| Other assets 1+2 | 8 066 | 528 | 8 594 |
| Non-current assets held-for-sale | 2 495 | - | 2 495 |
| Loans and advances to customers 1 | 512 684 | (27) | 512 657 |
| Loans to Absa Group companies | 18 990 | - | 18 990 |
| Investments | 15 191 | - | 15 191 |
| Investments in associates and joint ventures | 2 071 | - | 2 071 |
| Goodwill and intangible assets 1 | 291 | 6 | 297 |
| Investment property 1 | 385 | (6) | 379 |
| Property and equipment 1 | 5 512 | (81) | 5 431 |
| Deferred tax assets 1 | 80 | (2) | 78 |
| Total assets | 734 979 | 399 | 735 378 |
| | | | |
| Liabilities | | | |
| Deposits from banks | 60 043 | - | 60 043 |
| Trading portfolio liabilities | 68 120 | - | 68 120 |
| Hedging portfolio liabilities | 1 080 | - | 1 080 |
| Other liabilities and sundry provisions 4 | 9 427 | (9 427) | - |
| Other liabilities 1+4 | - | 7 476 | 7 476 |
| Provisions 4 | - | 1 893 | 1 893 |
| Current tax liabilities | 322 | - | 322 |
| Non-current liabilities held-for- | 408 | - | 408 |

| | (Audited) | | (Audited) |
|---|----------------|-------------------|----------------|
| | As previously | Reclassifications | Reclassified |
| | reported | and restatements | and restated |
| | Rm | Rm | Rm |
| sale | | | |
| Deposits due to customers | 373 176 | - | 373 176 |
| Debt securities in issue | 159 042 | - | 159 042 |
| Loans from Absa Group companies | 3 946 | - | 3 946 |
| Borrowed funds | 12 143 | - | 12 143 |
| Deferred tax liabilities 1+2 | 2 609 | 126 | 2 735 |
| Total liabilities | 690 316 | 68 | 690 384 |
| | | | |
| Equity | | | |
| Capital and reserves | | | |
| Attributable to equity holders of the Bank: | | | |
| Ordinary share capital | 303 | - | 303 |
| Ordinary share premium | 9 415 | - | 9 415 |
| Preference share capital | 1 | - | 1 |
| Preference share premium | 4 643 | - | 4 643 |
| Other reserves | 3 939 | - | 3 939 |
| Retained earnings 1+2 | 26 339 | 331 | 26 670 |
| | 44 640 | 331 | 44 971 |
| Minority interest | 23 | - | 23 |
| Total equity | 44 663 | 331 | 44 994 |
| Total equity and liabilities | 734 979 | 399 | 735 378 |

BANK STATEMENT OF COMPREHENSIVE INCOME - 31 DECEMBER 2008

| | (Audited) | | (Audited) |
|--|---------------|-------------------|---------------|
| | As previously | Reclassifications | Reclassified |
| | reported | and restatements | and restated |
| | Rm | Rm | Rm |
| Net interest income | 20 239 | 311 | 20 550 |
| Interest and similar income 3 | 73 164 | 311 | 73 475 |
| Interest expense and similar charges | (52 925) | - | (52 925) |
| Impairment losses on loans and advances | (5 627) | - | (5 627) |
| Net interest income after impairment losses on loans and advances | 14 612 | 311 | 14 923 |
| Net fee and commission income | 11 720 | - | 11 720 |
| Fee and commission income | 12 367 | - | 12 367 |
| Fee and commission expense | (647) | - | (647) |
| Gains and losses from banking and trading activities 3 | 3 407 | (311) | 3 096 |
| Gains and losses from investment activities | 91 | - | 91 |
| Other operating income 1 | 1 153 | 17 | 1 170 |
| Operating profit before operating expenditure | 30 983 | 17 | 31 000 |
| Operating expenditure | (19 196) | 79 | (19 117) |
| Operating expenses 2 | (18 577) | 79 | (18 498) |
| Other impairments | 11 | - | 11 |
| Indirect taxation | (630) | - | (630) |
| Share of retained earnings from associates and joint ventures | 65 | - | 65 |
| Operating profit before income tax | 11 852 | 96 | 11 948 |
| Taxation expense 2 | (3 005) | (22) | (3 027) |
| Profit for the year | 8 847 | 74 | 8 921 |
| Profit attributable to: | | | |
| Ordinary equity holder of the Bank | 8 390 | 74 | 8 464 |
| Preference equity holders of the Bank | 457 | - | 457 |
| Minority interest | (0) | - | (0) |
| | 8 847 | 74 | 8 921 |

BANK STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2007

| | (Audited) | | (Audited) |
|---|----------------|--------------|----------------|
| | As previously | | |
| | reported | Restatements | Restated |
| | Rm | Rm | Rm |
| Assets | | | |
| Cash, cash balances and balances with central banks | 15 069 | - | 15 069 |
| Statutory liquid asset portfolio | 22 957 | - | 22 957 |
| Loans and advances to banks | 52 691 | - | 52 691 |
| Trading portfolio assets | 25 876 | - | 25 876 |
| Hedging portfolio assets | 725 | - | 725 |
| Other assets 2 | 5 002 | 105 | 5 107 |
| Current tax assets | 168 | - | 168 |
| Loans and advances to customers | 443 120 | - | 443 120 |
| Loans to Absa Group companies | 15 338 | - | 15 338 |
| Investments | 6 574 | - | 6 574 |
| Investments in associates and joint ventures | 905 | - | 905 |
| Goodwill and intangible assets | 228 | - | 228 |
| Property and equipment | 4 258 | - | 4 258 |
| Deferred tax assets | 48 | - | 48 |
| Total assets | 592 959 | 105 | 593 064 |
| | | | |
| Liabilities | | | |
| Deposits from banks | 65 167 | - | 65 167 |
| Trading portfolio liabilities | 22 947 | - | 22 947 |
| Hedging portfolio liabilities | 2 226 | - | 2 226 |
| Other liabilities and sundry provisions 4 | 10 180 | (10 180) | - |
| Other liabilities 4 | - | 7 927 | 7 927 |
| Provisions 4 | - | 2 253 | 2 253 |
| Current tax liabilities | 56 | - | 56 |
| Deposits due to customers | 304 877 | - | 304 877 |
| Debt securities in issue | 134 023 | - | 134 023 |
| Loans from Absa Group companies | 5 900 | - | 5 900 |
| Borrowed funds | 9 796 | - | 9 796 |
| Deferred tax liabilities 2 | 2 259 | 29 | 2 288 |
| Total liabilities | 557 431 | 29 | 557 460 |

| | (Audited) | | (Audited) |
|---|---------------|--------------|-----------|
| | As previously | | |
| | reported | Restatements | Restated |
| | Rm | Rm | Rm |
| Equity | | | |
| Capital and reserves | | | |
| Attributable to equity holders of the Bank: | | | |
| Ordinary share capital | 303 | - | 303 |
| Ordinary share premium | 5 415 | - | 5 415 |
| Preference share capital | 1 | - | 1 |
| Preference share premium | 4 643 | - | 4 643 |
| Other reserves | 1 583 | - | 1 583 |
| Retained earnings | 23 557 | 76 | 23 633 |
| | 35 502 | 76 | 35 578 |
| Minority interest | 26 | - | 26 |
| Total equity | 35 528 | 76 | 35 604 |
| Total equity and liabilities | 592 959 | 105 | 593 064 |

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 Bank 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 Bank 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 Bank recognising its defined benefit surplus as an asset, retrospectively. AC 504 required the Bank 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 Bank elected the early adoption as this guidance was published before the Bank's year-end and seeks to clarify an existing accounting pronouncement.

3. Profits and losses from derivatives

Gains and losses from financial instruments, used as part of the Bank's interest rate management, have been reclassified to net interest income from gains and losses from banking and trading activities, in line with the Bank'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.

PROFIT AND DIVIDEND ANNOUNCEMENT

Introduction

Absa Bank (the Bank or the Company) is a wholly-owned subsidiary of Absa Group Limited (Absa Group or the Group), both of which are listed on the JSE Limited (the JSE).

Absa Bank and its subsidiaries' financial results for the year ended 31 December 2009 and its preference dividend declaration for the period 1 September 2009 to 28 February 2010 are contained in this announcement.

Commentary pertaining to the operating environment and the results of Absa Bank and its subsidiaries is set out in the Absa Group's financial results announcement. The Absa Group announcement was released on the JSE Securities Exchange News Services (SENS) and Absa Group's website (www.absa.co.za) on 16 February 2010 and will be published in the press on 17 February 2010.

Basis of presentation and changes in accounting policies

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

The following amendments to published standards affected the Bank during the period:

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 Bank 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 Bank.

IAS 23 - Borrowing costs has been revised to require capitalisation of borrowing costs on qualifying assets and the Bank 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 Bank 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 Bank recognising its defined benefit surplus as an asset retrospectively. AC 504 required the Bank 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 Bank elected early adoption as this guidance was published before the Bank's year end and seeks to clarify an existing accounting pronouncement.

Changes in accounting policies

The Bank changed its accounting policy in accordance with the allowed alternative in IAS 19 - *Employee Benefits* (IAS 19) to recognise actuarial gains and losses in other comprehensive income in the period in which they occur. 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 Bank'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 Bank'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 Bank's prior year disclosures:

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

The Bank's results for the year ended 31 December 2009 have been audited by the Bank's auditors, PricewaterhouseCoopers Inc. and Ernst & Young Inc. Their audit report is available for inspection at the Bank'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 Bank held 1,26 billion shares (23%) in an associate, Pinnacle Point Group (PPG). On 8 February 2010 Absa Bank 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 dividend number 8: Absa Bank non-cumulative, non-redeemable preference shares (Absa Bank preference shares)

The Absa Bank preference shares have an effective coupon rate of 63% of Absa Bank's prevailing prime overdraft lending rate (prime rate). Absa Bank's current prime rate is 10,5%.

Notice is hereby given that preference dividend number 8, equal to 63% of the prime rate as at 28 February 2010, per Absa Bank preference share has been declared for the period 1 September 2009 to 28 February 2010. The dividend is payable on Monday, 15 March 2010, to shareholders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 12 March 2010. Should the prime rate change prior to 28 February 2010, the actual amount of the dividend will be adjusted accordingly.

Based on the current prime rate, the preference dividend payable for the period 1 September 2009 to 28 February 2010 would indicatively be 3 280,3 cents per Absa Bank preference share.

In accordance with the provisions of Strate, the electronic settlement and custody system used by the JSE, and the JSE Listings Requirements, the following salient dates for the payment of the preference 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
Secretary

Johannesburg
16 February 2010

Please note that the preference dividend calculation dates are 28 (29) February and 31 August of each year and that the payment date may not be later than 45 days after the preference dividend calculation date.

Enquiries

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