ABSA GROUP LIMITED

Authorised financial services and registered credit provider (NCRCP7)

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

ISIN: ZAE000067237

JSE share code: ASA

Issuer code: AMAGB

(Absa, Absa Group, the Group or the Company)

ABSA GROUP LIMITED: PROFIT AND DIVIDEND ANNOUNCEMENT

AUDITED ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED SALIENT FEATURES

31 December

	2010	2009[1]	Change
	(Audited)	(Audited)	%
Statement of comprehensive income(Rm)			
Headline earnings[2]	**8 041**	7 621	6
Profit attributable to ordinary equity holders of the Group	**8 118**	6 840	19
Statement of financial position			
Total assets(Rm)	**716 470**	710 796	1
Loans and advances to customers(Rm)	**498 635**	506 163	(1)
Deposits due to customers(Rm)	**378 111**	356 365	6
Loans-to-deposits ratio (%)	**91,9**	95,9	
Off-statement of financial position(Rm)			
Assets under management and administration	**168 313**	155 114	9
Financial Services[3]	**163 415**	145 453	12
Money market	**66 256**	55 320	20
Non-money market	**97 159**	90 133	8
Financial performance (%)			
Return on average equity	**15,1**	15,5	
Return on average assets	**1,12**	1,02	
Return on risk-weighted assets[4]	**1,99**	1,97	

Notes

[1]*Comparatives have been reclassified. Refer to the "Reclassifications" section.*

[2]*After allowing for* ***R320 million*** *(31 December 2009: R421 million) profit attributable to preference equity holders of the Group.*

[3]*The segmentation of assets under management and administration is unaudited.*

[4]*This ratio is unaudited.*

CONSOLIDATED SALIENT FEATURES (continued)

31 December

	2010	2009[1]	Change
	(Audited)	(Audited)	%
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4,01**	3,74	
Impairment losses on loans and advances as % of average loans and advances to customers	**1,20**	1,74	
Non-performing advances as % of loans and advances to customers[2]	**7,7**	7,0	
Non-interest income as % of total operating income	**45,5**	48,1	
Cost-to-income ratio	**56,2**	49,6	
Effective tax rate, excluding indirect taxation	**27,5**	23,8	
Share statistics(million)			
Number of ordinary shares in issue	**718,2**	718,2	
Weighted average number of ordinary shares in issue	**716,3**	693,2	
Weighted average diluted number of ordinary shares in issue	**720,7**	711,5	
Share statistics(cents)			
Headline earnings per share	**1 122,6**	1 099,4	2
Diluted headline earnings per share	**1 115,7**	1 072,0	4
Basic earnings per share	**1 133,3**	986,7	15
Diluted earnings per share	**1 126,4**	962,2	17
Dividends per ordinary share relating to income for the year	**455**	445	2
Dividend cover(times)	**2,5**	2,5	
Net asset value per share	**7 838**	7 038	11
Tangible net asset value per share	**7 588**	6 865	11
Capital adequacy(%)[2]			
Absa Group	**15,5**	15,6	
Absa Bank	**14,8**	14,7	

Notes

[1]*Comparatives have been reclassified. Refer to the “Reclassifications” section.*

[2]*These ratios are unaudited.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	2010	2009[1]		2008[1]
	(Audited)	(Audited)	Change	(Audited)
	Rm	Rm	%	Rm
Assets				
Cash, cash balances and balances with central banks	**24 361**	20 597	18	24 828
Statutory liquid asset portfolio	**48 215**	33 943	42	33 043
Loans and advances to banks	**24 877**	36 032	(31)	44 893
Trading portfolio assets	**62 047**	52 302	19	77 132
Hedging portfolio assets	**4 662**	2 558	82	3 139
Other assets	**16 131**	17 777	(9)	16 925
Current tax assets	**196**	234	(16)	23
Non-current assets held for sale	**-**	-	-	2 495
Loans and advances to customers **1**	**498 635**	506 163	(1)	532 819
Reinsurance assets	**860**	719	20	903
Investment securities	**23 826**	29 564	(19)	26 980
Investments in associates and joint ventures	**416**	487	(15)	2 144
Goodwill and intangible assets	**1 794**	1 245	44	963
Investment properties	**2 523**	2 195	15	661
Property and equipment	**7 493**	6 606	13	6 127
Deferred tax assets	**434**	374	16	241
Total assets	**716 470**	710 796	1	773 316
Liabilities				
Deposits from banks	**15 406**	36 541	(58)	54 616
Trading portfolio liabilities	**47 454**	44 245	7	70 990
Hedging portfolio liabilities	**1 881**	565	>100	1 080
Other liabilities	**11 239**	12 212	(8)	12 618
Provisions	**1 808**	1 684	7	2 113
Current tax liabilities	**965**	59	>100	385
Non-current liabilities held for sale	**-**	-	-	408
Deposits due to customers	**378 111**	356 365	6	383 204
Debt securities in issue	**164 545**	171 376	(4)	165 900
Liabilities under investment contracts	**13 964**	12 446	12	10 377
Policyholder liabilities under insurance contracts	**3 001**	3 136	(4)	3 076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

		2010	2009[1]		2008[1]
		(Audited)	(Audited)	Change	(Audited)
		Rm	Rm	%	Rm
Borrowed funds	**2**	**13 649**	13 530	1	12 296
Deferred tax liabilities		**2 298**	2 147	7	2 960
Total liabilities		**654 321**	654 306	0	720 023
Equity					
Capital and reserves					
Attributable to ordinary equity holders of the Group:					
Share capital		**1 433**	1 432	0	1 354
Share premium		**4 590**	4 784	(4)	2 251
Other reserves		**2 309**	1 178	96	3 010
Retained earnings		**47 958**	43 153	11	40 992
		56 290	50 547	11	47 607
Non-controlling interest – ordinary shares		**1 215**	1 299	(6)	1 042
Non-controlling interest – preference shares		**4 644**	4 644	-	4 644
Total equity		**62 149**	56 490	10	53 293
Total equity and liabilities		**716 470**	710 796	1	773 316

Note

[1]*Comparatives have been reclassified. Refer to the “Reclassifications” section.*

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	2010			
	(Unaudited)			
	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
1. NON-PERFORMING ADVANCES				
Cheque accounts	220	110	110	110
Credit cards	2 822	797	2 025	2 025
Instalment credit agreements	3 492	2 036	1 456	1 456
Micro loans	445	84	361	361
Mortgages	25 642	20 740	4 902	4 902
Personal loans	1 413	442	971	971
Retail Banking	34 034	24 209	9 825	9 825
Corporate	950	840	110	110
Large and Medium business	2 612	1 734	878	878
Small business	468	390	78	78
Commercial Asset Finance	648	169	479	479
Other	380	276	104	104
Absa Business Bank	5 058	3 409	1 649	1 649
Absa Capital	549	208	341	341
Non-performing advances	39 641	27 826	11 815	11 815
Non-performing advances ratio	7,7			

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

	2009			
	(Unaudited)			
	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
1. NON-PERFORMING ADVANCES (continued)				
Cheque accounts	148	96	52	52
Credit cards	2 959	672	2 287	2 287
Instalment credit agreements	2 635	1 488	1 147	1 147
Micro loans	510	207	303	303
Mortgages	23 687	19 589	4 098	4 098
Personal loans	568	194	374	374
Retail Banking[1]	30 507	22 246	8 261	8 261
Corporate	945	845	100	100
Large and Medium business	2 444	1 713	731	731
Small business	465	362	103	103
Other	923	425	498	498
Absa Business Bank[1]	4 777	3 345	1 432	1 432
Absa Capital	805	562	243	243
Non-performing advances	36 089	26 153	9 936	9 936
Non-performing advances ratio	7,0			

Note

[1]*Comparatives have been reclassified for the move of Absa Small Business from Retail Banking to Absa Business Bank.*

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
2. BORROWED FUNDS			
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			
10,75% 26 March 2015	**-**	1 100	(100)
8,75% 1 September 2017	**1 500**	1 500	-
8,80% 7 March 2019	**1 725**	1 725	-
8,10% 27 March 2020	**2 000**	2 000	-
10,28% 3 May 2022	**600**	-	100
Three-month JIBAR + 0,75% 26 March 2015	**-**	400	(100)
Three-month JIBAR + 2,10% 3 May 2022	**400**	-	100
CPI-linked notes, fixed at the following coupon rates:			
6,25% 31 March 2018	**1 886**	1 886	-
6,00% 20 September 2019	**3 000**	3 000	-
5,50% 7 December 2028	**1 500**	1 500	-
Accrued interest	**826**	575	44
Fair value adjustment	**212**	(156)	>100
	13 649	13 530	1
Portfolio analysis			
Financial liabilities designated at fair value through profit or loss	**739**	718	3
Financial liabilities held at amortised cost	**7 440**	7 221	3
Amortised cost financial liabilities held in a fair value hedging relationship	**5 470**	5 591	(2)
	13 649	13 530	1

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
3.FINANCIAL GUARANTEE CONTRACTS			
Financial guarantee contracts	**599**	1 007	(41)
4.CONTINGENCIES			
Guarantees[1]	**11 051**	10 484	5
Irrevocable facilities[2]	**47 245**	54 517	(13)
Letters of credit[3]	**4 979**	5 007	(1)
Other contingencies	**44**	5	>100
	63 319	70 013	(10)

Notes

[1]*Guarantees include performance guarantee contracts and payment guarantee contracts. Includes revocable facilities of R8 340 million (2009: R3 440 million).*

[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. Includes equity facilities with a value of R750 million (2009: Rnil million) which are not subject to credit risk.*

[3]*Includes revocable facilities of R3 170 million (2009: R3 188 million).*

5. COMMITMENTS			
Authorised capital expenditure			
Contracted but not provided for[1]	**1 061**	928	14

Note

[1]*The Group has capital commitments in respect of construction of buildings, 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	**1 066**	1 157	(8)
Later than one year and no later than five years	**2 059**	2 135	(4)
Later than five years	**482**	307	57
	3 607	3 599	0

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.*

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES

6.1 Acquisitions of businesses during the current year

6.1.1 On 30 June 2010, the Virgin Money South Africa (Proprietary) Limited (VMSA) joint venture arrangement was terminated. This was based on a contractually agreed arrangement whereby, depending on the financial performance of the joint venture, its future existence will be determined. Due to the underperformance of the joint venture the arrangement was terminated and the Bank acquired the underlying business. The termination resulted in the Bank selling its 50% interest in VMSA for R1, while acquiring VMSA’s credit and home loan business for R1, VMSA’s credit card and home loan business contributed a net profit before tax of R40 million and revenue of 57 million to the Bank for the period from 30 June 2010 to 31 December 2010. If the acquisition occurred on 1 January 2010, the Bank’s revenue would have been R116 million higher and the net profit before tax for the year would have been R21 million higher.

Details of the net assets acquired and gain on bargain purchase are as follows:	**Group December 2010 Fair value recognised on acquisition Rm**
Other assets	**0**
Intangible assets	**3**
Other liabilities	**(1)**
Deferred tax liabilities	**(1)**
Net assets acquired	**1**
Satisfied by:	
Fair value of previously held interest	**0**
Cash outflow on acquisition	**0**
Fair value of net assets acquired	**(1)**
Gain on bargain purchase	**(1)**

The consideration paid was less than the fair value of the assets and liabilities acquired. This resulted in a bargain purchase gain of R1 million which was recognised in other operating income in the statement of comprehensive income.

This bargain purchase gain arose primarily due to the underperformance of the underlying VMSA credit card and home loan portfolio. Any transaction costs associated with the transaction were expensed when incurred. No contingent liabilities were recognised as a result of the acquisition and no contingent consideration is payable. No identifiable assets were identified of which the fair values could not be reliably measured. No material receivables were acquired as part of the transaction.

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES *(continued)*

6.1 Acquisitions of businesses during the current year (continued)

6.1.1 (continued)

As part of the termination of the joint venture arrangement the Bank entered into a separate agreement with Virgin Enterprise Limited to sell Virgin branded credit cards and home loans in the market on which the Bank will pay a fee for the use of the Virgin brand name.

6.1.2 Absa Bank Limited, a subsidiary of the Group, previously had a 50,0% share in the preference shares of Sanlam Home Loans (SHL), the holding company of three securitisation vehicles. The investment in SHL has previously been equity accounted as the Bank and Sanlam Life Insurance Limited (Sanlam) had joint control over SHL. On 1 August 2010, the Bank acquired the remaining 50,0% preference shares in SHL, which resulted in the Bank controlling and consolidating SHL. SHL contributed a net profit before tax of R39 million and revenue of R12 million to the Group for the period from 1 August 2010 to 31 December 2010. If the acquisition occurred on 1 January 2010, the Group's revenue would have been R84 million higher and the net profit before tax for the year would have been R70 million higher.

Details of the net assets acquired and gain on bargain purchase are as follows:	**Group December 2010 Fair value recognised on acquisition Rm**
Cash, cash balance and balances with central banks	**409**
Other assets	**11**
Loans and advances to customers	**4 621**
Other liabilities	**(9)**
Debt securities in issue	**(3 687)**
Shareholders' loans	**(1 325)**
Previously held interest	**(10)**
Net assets acquired	**10**
Satisfied by:	
Cash inflow on acquisition	**(61)**
Fair value of net assets acquired	**(10)**
Gain on bargain purchase	**(71)**

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES *(continued)*

6.1 Acquisitions of businesses during the current year (continued)

6.1.2 (continued)

The consideration paid was less than fair value of the asset and liabilities acquired.
No goodwill resulted from the transaction and the excess of R71 million, together with the gain of R10 million recognised as a result of remeasuring the previously held interest to fair value was realised in the statement of comprehensive income in other operating income. Any transaction costs associated to the acquisition have been expensed when incurred. No contingent liabilities were recognised as a result of the acquisition and no contingent consideration is payable. No identifiable assets were identified of which the fair values could not be reliably measured.

Subsequent to the acquisition the debt securities in issue were redeemed in full.

Mortgage loans with a fair value of R4 621 million were acquired as a result of the acquisition. The gross contractual capital amounts receivable were R4 685 million on acquisition date and an impairment provision of R64 million were carried against these loans on acquisition date.

The joint venture agreement was terminated due to the underperformance of the mortgage loan portfolio and consequently the Group obtained full control of SHL. The underperformance of the mortgage loan portfolio gave rise to the gain on bargain purchase as the joint venture partner were willing to sell its 50% stake at below fair value of the underlying assets and liabilities.

	Group December 2010 Rm
Net cash outflow due to acquisitions	**0**
Total cash and cash equivalents acquired	**470**

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES *(continued)*

6.2 Acquisitions of businesses during the previous year

6.2.1 On 31 January 2009, the Group acquired an additional 35,2% interest in Abseq Properties (Proprietary) Limited increasing its shareholding to 85%. Abseq Properties (Proprietary) Limited was previously recognised as an associate designated as fair value through profit or loss. Abseq Properties (Proprietary) Limited contributed a net profit before tax of R10 million to the Group for the period 31 January 2009 to 31 December 2009. If the acquisitions had occurred on 1 January 2009, the Group's revenue would have been R8 million higher and the total profit for the year would have been R1 million higher.

Details of the net assets acquired and goodwill are as follows:	Group December 2009 Fair value recognised on acquisition Rm
Other assets	36
Investments in associates and joint venture	40
Investment properties	1352
Deposits from banks	(8)
Deferred tax liabilities	(160)
Other liabilities	(860)
Previously held interest	(199)
Non-controlling interest	(60)
Net assets acquired	141
Satisfied by:	
Cash outflow on acquisition	166
Fair value of net assets acquired	(141)
Goodwill	25

The goodwill is attributed to the synergies expected to arise after the Group's acquisition of Abseq Properties (Proprietary) Limited. The cost of acquisition includes directly attributable costs including legal, audit and other professional fees. No contingent liabilities were recognised as a result of the acquisition and no contingent consideration is payable.

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES *(continued)*

6.2 Acquisitions during the previous year (continued)

6.2.2 On 1 June 2009, the Group acquired a 100% interest in Blue Age Properties 60 (Proprietary) Limited.

	Group December 2009 Fair value recognised on acquisition Rm
Net assets acquired	0
Satisfied by:	
Cash outflow on acquisition	0
Fair value of net assets acquired	0
Goodwill	0
Net cash outflow due to acquisitions	166

6.3 Disposal of businesses during the current year

6.3.1 Absa Property Equity Fund operated as a special purpose entity catering for the investment of community upliftment projects. This fund was previously consolidated under SIC 12 as the Bank held between 93% and 75% of units (depending on the total of units in issue at a specific point in time) and were thereby exposed to the majority of risk and rewards within the fund.

Between January 2010 to August 2010 the Bank disposed some of the units it owned to the extent that its effective holding decreased to below 50% of the units in issue, at which point the fund was deconsolidated due to the Bank not anymore being exposed to the majority of the risks and rewards in the fund.

No gain or loss was recognised on deconsolidation of the fund due to the underlying assets being measured at fair value.

The remainder of the investment retained after deconsolidation was disposed during September 2010 and October 2010.

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES *(continued)*

6.3 Disposal of businesses during the current year (continued)

Details of net assets disposed of are as follows:	**Group December 2010 Fair value on disposal Rm**
Cash, cash balances and balances with central banks	**22**
Other assets	**0**
Investment securities	**136**
Other liabilities	**0**
Net assets disposed	**158**
Non-controlling interest	**(78)**
Fair value of interest retained	**(64)**
Consideration received	**16**
Cash and cash equivalents disposed	**(22)**
Net cash outflow and disposal	**(6)**

6.4 Disposal of businesses during the previous year

There were no disposals during the previous year.

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

7. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES				
7.1 Net movement resulting from acquisitions and disposals of investments in associates and joint ventures				
	2010		2009	
	(Audited)		(Audited)	
	Effective holding (%)	**Movement Rm**	Effective holding (%)	Movement Rm
Acquired during the current year, at cost:				
One Commercial Investment Holdings (Proprietary) Limited - Cell Captive	**49,0**	**0**	-	n/a
Acquired during the previous year, at cost:				
Kilkishen Investments (Proprietary) Limited	**50,0**	**n/a**	50,0	31
Meadowood Investments 8 (Proprietary) Limited	**50,0**	**n/a**	50,0	0
Pinnacle Point Group Limited	**-**	**95**	27,5	n/a
Stand 1135 Houghton (Proprietary) Limited	**50,0**	**n/a**	50,0	8
Disposed during the current year:				
Pinnacle Point Group Limited	**-**	**(95)**	27,5	n/a
Virgin Money South Africa (Proprietary) Limited	**-**	**(0)**	50,0	n/a
Disposed during the previous year:				
Ambit Properties Limited	**-**	**n/a**	-	(718)
Banco Commercial Angolano	**-**	**n/a**	-	(63)
Transferred to subsidiaries during the current year:				
Sanlam Home Loans (Proprietary) Limited	**100,0**	**-**	50,0	n/a
Transferred (to)/from investment securities designated at fair value through profit or loss during the current year and previous year:				
Blue Financial Services Limited	**6,7**	**(32)**	20,2	451
		(32)		(291)

7. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*		
	2010	2009
	(Audited)	(Audited)
	Rm	Rm
7.2 Details of transfers and purchase consideration on net assets acquired on the aforementioned acquisitions are as follows:		
Cash paid	**95**	61
Conversion of debt to equity	**0**	-
Purchase as part of business combination	**-**	39
Transfer from investment securities	**-**	390
	95	490
7.3 Details of transfers and consideration received on net assets disposed of on the aforementioned disposals are as follows:		
Cash received	**(95)**	(78)
Consideration in shares	**-**	(660)
Total consideration	**(95)**	(738)
Loss on disposal	**(0)**	(43)
Transfer to investment securities	**(32)**	-
Transfer to subsidiaries	**-**	-
	(127)	(781)

8. RELATED PARTIES

The Group's parent company is Barclays Bank PLC (incorporated in the United Kingdom), which owns 55,5%(2009: 55,5%) of the ordinary shares. The remaining 44,5% (2009: 44,5%) 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 fund.
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 and/or dependants and spouses or partners of the individual referred to above.

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
8.1. Transactions with key management personnel and entities controlled by key management[1]			
Loans outstanding at the end of the year	**25**	21	19
Interest income earned	**2**	4	(50)
Deposits at the end of the year	**25**	24	4
Interest expense on deposits	**1**	2	(50)
Guarantees issued by the Group	**70**	57	23
Other investment securities at the end of the year	**68**	126	(46)

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.*

8.2. Key management personnel compensation			
Directors	**66**	87	(24)
Other key management personnel	**78**	46	70

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

8. RELATED PARTIES (continued)			
	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
8.3. Transactions with parent company[1]			
The following are balances with, and transactions entered into with the parent company:			
Balances			
Loans and advances	**15 673**	10 436	50
Derivative assets	**9 144**	6 936	32
Nominal value of derivative assets	**493 402**	341 406	45
Other assets	**552**	196	>100
Reinsurance assets	**-**	18	(100)
Investment securities	**581**	509	14
Deposits	**(6 082)**	(8 246)	26
Debt securities in issue	**-**	(15)	(100)
Derivative liabilities	**(9 006)**	(8 450)	(7)
Nominal value of derivative liabilities	**(375 467)**	(318 237)	>(100)
Other liabilities	**(267)**	(287)	7
Transactions			
Dividends paid	**1 774**	2 213	(20)
Gains and losses from banking and trading activities	**1 646**	2 712	(39)
Interest paid	**36**	54	(33)
Interest received	**(80)**	(215)	63
Net fee and commission income	**(15)**	-	(100)
Operating expenditure	**27**	252	(89)
Other operating income	**(42)**	(37)	(14)

Note

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

8. RELATED PARTIES (continued)

8.4. Associates, joint ventures and retirement benefit fund

The Group provides certain banking and financial services to associates and joint ventures. The Group also provides a number of current and interest-bearing cash accounts to the Absa Group Pension Fund. These transactions are conducted on the same terms as third-party transactions and are not individually material.

In aggregate, the amounts included in the Group's financial statements are as follows:

	2010		
	Associates and joint ventures Rm	**Retirement benefit fund Rm**	**Total Rm**
Value of Absa Group Pension Fund investments managed by the Group	**-**	**7 193**	**7 193**
Value of Absa shares held by the Absa Group Pension Fund	**-**	**116**	**116**
Value of other Absa securities held by the Absa Group Pension Fund	**-**	**1 582**	**1 582**
Statement of financial position			
Deposits	**(0)**	**(30)**	**(30)**
Derivative transactions	**4**	**-**	**4**
Loans and advances to customers	**7 275**	**-**	**7 275**
Other assets	**17**	**-**	**17**
Other liabilities	**(47)**	**-**	**(47)**
Statement of comprehensive income			
Current service costs[1]	**-**	**1 154**	**1 154**
Interest income and similar income	**(617)**	**-**	**(617)**
Interest expense and similar charges	**8**	**1**	**9**
Fees received	**(106)**	**(17)**	**(123)**
Fees paid	**173**	**-**	**173**

Note

[1] Current service costs, which were included in fees paid in the previous year, are shown separately in the current year and consists of employee and employer contributions to the Absa Group Pension Fund.

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

8. RELATED PARTIES (continued)

8.4. Associates, joint ventures and retirement benefit fund (continued)			
	2009		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of Absa Group Pension Fund investments managed by the Group	-	7 047	7 047
Value of Absa shares held by the Absa Group Pension Fund	-	69	69
Value of other Absa securities held by the Absa Group	-	1 444	1 444
Statement of financial position			
Deposits	(177)	(45)	(222)
Loans and advances to customers	8 411	-	8 411
Other assets	2 218	-	2 218
Other liabilities	(127)	-	(127)
Statement of comprehensive income			
Current service costs[1]	-	1 042	1 042
Interest income and similar income	(1 026)	-	(1 026)
Interest expense and similar charges	41	1	42
Fees received	(117)	(17)	(134)
Fees paid	4	-	4

Note

[1] Current service costs, which were included in fees paid in the previous year, are shown separately in the current year and consists of employee and employer contributions to the Absa Group Pension Fund.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

		2010	2009	
		(Audited)	(Audited)	Change
		Rm	Rm	%
Net interest income		**23 340**	21 854	7
Interest and similar income		**54 241**	65 247	(17)
Interest expense and similar charges		**(30 901)**	(43 393)	29
Impairment losses on loans and advances		**(6 005)**	(8 967)	33
Net interest income after impairment losses on loans and advances		**17 335**	12 887	35
Net fee and commission income	**1.1**	**14 391**	14 289	1
Fee and commission income		**16 454**	16 301	1
Fee and commission expense		**(2 063)**	(2 012)	(3)
Net insurance premium income		**4 602**	3 787	22
Net insurance claims and benefits paid		**(2 405)**	(2 215)	(9)
Changes in investment and insurance liabilities		**(1 059)**	(560)	(89)
Gains and losses from banking and trading activities	**1.2**	**2 349**	2 575	(9)
Gains and losses from investment activities	**1.3**	**884**	1 464	(40)
Other operating income		**712**	892	(20)
Operating profit before operating expenditure		**36 809**	33 119	11
Operating expenditure		**(24 949)**	(23 227)	(7)
Operating expenses	**2.1**	**(24 070)**	(20 857)	(15)
Other impairments	**2.2**	**(108)**	(1 457)	93
Indirect taxation		**(771)**	(913)	16
Share of post-tax results of associates and joint ventures		**(9)**	(50)	82
Operating profit before income tax		**11 851**	9 842	20
Taxation expense		**(3 262)**	(2 340)	(39)
Profit for the year		**8 589**	7 502	14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Other comprehensive income			
Exchange differences on translation of foreign operations	**(371)**	(668)	44
Movement in cash flow hedging reserve	**1 152**	(665)	>100
Fair value gains/(losses) arising during the year	**3 421**	(148)	>100
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	**(1 820)**	(776)	>(100)
Deferred tax	**(449)**	259	>(100)
Movement in available-for-sale reserve	**166**	(326)	>100
Fair value gains/(losses) arising during the year	**146**	(306)	>100
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	**-**	(205)	100
Amortisation of government bonds - release to the profit and loss component of the statement of comprehensive income	**92**	104	(12)
Deferred tax	**(72)**	81	>(100)
Movement in retirement benefit asset and liabilities	**21**	52	(60)
Increase in retirement benefit surplus	**27**	104	(74)
Decrease/(increase) in retirement benefit obligation	**2**	(33)	>100
Deferred tax	**(8)**	(19)	58
Total comprehensive income for the year	**9 557**	5 895	62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Profit attributable to:			
Ordinary equity holders of the Group	**8 118**	6 840	19
Non-controlling interest – ordinary shares	**151**	241	(37)
Non-controlling interest – preference shares	**320**	421	(24)
	8 589	7 502	14
Total comprehensive income attributable to:			
Ordinary equity holders of the Group	**9 138**	5 238	74
Non-controlling interest – ordinary shares	**99**	236	(58)
Non-controlling interest – preference shares	**320**	421	(24)
	9 557	5 895	62

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1. NON-INTEREST INCOME			
1.1 Net fee and commission income			
Fee and commission income			
Asset management and other related fees	**105**	103	2
Consulting and administration fees	**510**	428	19
Credit-related fees and commissions	**12 855**	12 494	3
Cheque accounts	**3 198**	3 231	(1)
Credit cards[1]	**1 938**	1 860	4
Electronic banking	**3 828**	3 501	9
Savings accounts	**2 417**	2 301	5
Other[2]	**1 474**	1 601	(8)
Insurance commission received	**950**	1 088	(13)
Pension fund payment services	**497**	545	(9)
Project finance fees	**209**	262	(20)
Trust and other fiduciary services[3]	**1 029**	1 182	(13)
Portfolio and other management fees	**783**	947	(17)
Trust and estate income	**246**	235	5
Other fees and commissions	**299**	199	50
	16 454	16 301	1
Fee and commission expense	**(2 063)**	(2 012)	(3)
Cheque processing fees	**(173)**	(193)	10
Commission paid	**(867)**	(867)	0
Debt collecting fees	**(85)**	(261)	67
Transaction-based legal fees	**(192)**	(148)	(30)
Valuation fees	**(185)**	(176)	(5)
Other	**(561)**	(367)	(53)
	14 391	14 289	1

Notes

[1]*Includes merchant, acquiring and issuing fees.*

[2]*Includes service, commission fees and credit related fees on mortgage loans and foreign exchange.*

[3]*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.*

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1. NON-INTEREST INCOME *(continued)*			
1.1 Net fee and commission income (continued)			
Included above are net fees and commissions linked to financial instruments not at fair value			
Fee and commission income			
Cheque accounts	**3 198**	3 231	(1)
Credit cards	**883**	831	6
Electronic banking	**3 828**	3 501	9
Savings accounts	**2 417**	2 301	5
Other	**1 080**	1 293	(16)
	11 406	11 157	2
Fee and commission expense	**(173)**	(193)	10
	11 233	10 964	2
1.2 Gains and losses from banking and trading activities			
Associates and joint ventures	**87**	(13)	>100
Dividends received	**45**	45	-
Profit/(loss)realised on disposal	**42**	(58)	>100
Available-for-sale unwind from reserve	**(92)**	115	>(100)
Investment securities: unlisted equity and hybrid instruments	**-**	219	(100)
Statutory liquid asset portfolio	**(92)**	(104)	12
Financial instruments designated at fair value through profit or loss	**(316)**	(63)	>(100)
Debt securities in issue	**(28)**	(125)	78
Deposits from banks and due to customers	**(1 315)**	(434)	>(100)

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1. NON-INTEREST INCOME *(continued)*			
1.2 Gains and losses from banking and trading activities (continued)			
Investment securities	**180**	(130)	>100
Debt instruments	**26**	(31)	>100
Listed equity instruments	**86**	466	(82)
Unlisted equity and hybrid instruments	**68**	(565)	>100
Loans and advances to banks and customers	**840**	614	37
Statutory liquid asset portfolio	**7**	12	(42)
Financial instruments held for trading			
Derivatives and trading instruments	**2 570**	2 555	1
Ineffective hedges	**100**	(19)	>100
Cash flow hedges	**115**	(3)	>100
Fair value hedges	**(15)**	(16)	6
	2 349	2 575	(9)
1.3 Gains and losses from investment activities			
Associates and joint ventures			
Profit realised on disposal	**-**	15	(100)
Available-for-sale unwind from reserves			
Investment securities			
Unlisted equity and hybrid investments	**0**	1	(62)
Financial instruments designated at fair value through profit or loss	**908**	1 499	(39)
Cash, cash balances and balances with central banks	**217**	313	(31)
Investment securities	**477**	518	(8)
Debt instruments	**125**	78	60
Listed equity instruments	**344**	393	(12)
Unlisted equity and hybrid instruments	**8**	47	(83)

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1. NON-INTEREST INCOME *(continued)*			
1.3 Gains and losses from investment activities (continued)			
Investments linked to investment contracts	**214**	668	(68)
Cash, cash balances and balances with central banks	**(51)**	(50)	(2)
Debt instruments	**(24)**	(5)	>(100)
Listed equity instruments	**289**	722	(60)
Unlisted equity and hybrid instruments	**0**	1	(97)
Financial instruments held for trading	**(24)**	(41)	41
Investment linked to investment contracts			
Derivative instruments	**(24)**	(41)	41
Subsidiaries			
Loss realised on disposal	**-**	(10)	100
	884	1 464	(40)

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
2. OPERATING EXPENDITURE			
2.1 Operating expenses			
Amortisation of intangible assets	**165**	116	42
Auditors' remuneration	**159**	134	19
Audit fees	**101**	90	12
Audit fees – under provision from previous periods	**6**	9	(33)
Other fees	**52**	35	49
Cash transportation	**729**	467	56
Depreciation	**1 147**	1 129	2
Equipment costs	**271**	278	(3)
Rentals	**134**	139	(4)
Maintenance	**137**	139	(1)
Information technology[1]	**2 085**	1 753	19
Investment property charges – operating expense	**4**	4	(0)
Marketing costs	**1 070**	875	22
Operating lease expenses on properties	**978**	910	7
Other operating costs[2]	**2 737**	2 358	16
Printing and stationery	**272**	283	(4)
Professional fees	**1 096**	897	22
Staff costs	**12 537**	10 816	16
Bonuses	**1 101**	644	71
Current service costs on post-retirement benefits	**635**	551	15
Other staff costs[3]	**528**	331	60
Salaries	**9 707**	8 872	9
Share-based payments	**297**	223	33
Training costs	**269**	195	38
Telephone and postage	**820**	837	(2)
	24 070	20 857	15

Notes

[1]*Included above are research and development costs of* ***R133 million*** *(2009: R146million).*

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

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

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
2. OPERATING EXPENDITURE *(continued)*			
2.2 Other impairments			
Financial instruments	**37**	38	(3)
Amortised cost instruments	**12**	2	>100
Available-for-sale instruments	**25**	36	(31)
Other	**71**	1 419	(95)
Computer software development costs	**4**	19	(79)
Equipment	**13**	9	44
Goodwill[1]	**-**	37	(100)
Investments in associates and joint ventures[2]	**29**	1 328	(98)
Repossessed properties	**25**	26	(4)
	108	1 457	(93)

Notes

[1]*During the previous year, the Group sold contractual rights it had generated in Ambit Management Services (Proprietary) Limited. The company was dormant and consequently the goodwill previously recognised on this investment has been written off.*

[2]*During the previous year, 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 an arm's length sale transaction of these investments. These investments have consequently been impaired in the current and previous years.*

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December

	2010		2009		
	(Audited)		(Audited)		Change
	Gross	**Net**	Gross	Net	Net
	Rm	**Rm**	Rm	Rm	%
3. HEADLINE EARNINGS					
Headline earnings[1] is determined as follows:					
Profit attributable to ordinary equity holders of the Group		**8 118**		6 840	19
Adjustments for:					
IFRS 3 (gain on bargain purchase)and goodwill impairment	**(72)**	**(72)**	37	37	>(100)
IAS 16 profit on disposal of property and equipment	**(41)**	**(37)**	(68)	(58)	36
IAS 21 recycled foreign currency translation reserve, disposal of investments in foreign operations	**-**	**-**	(23)	(23)	100
IAS 27 loss on disposal of subsidiaries	**-**	**-**	10	10	(100)
IAS 28 headline earnings component of share of post-tax results of associates and joint ventures	**(1)**	**(1)**	10	11	>(100)
IAS 28 and 31 net (profit)/loss on disposal of investments in associates and joint ventures	**(42)**	**(42)**	43	35	>(100)
IAS 28 and 31 impairment of investments in associates and joint ventures	**29**	**21**	1 328	956	(98)
IAS 36 impairment of equipment and leasehold improvements	**13**	**9**	9	6	50
IAS 38 impairment and net profit on disposal of intangible assets	**4**	**3**	(46)	(42)	>100
IAS 39 release of available-for-sale reserves	**92**	**66**	(105)	(115)	>100
IAS 39 impairment and net profit on disposal of available-for-sale instruments	**25**	**18**	25	16	13
IAS 40 change in fair value of investment properties	**(50)**	**(42)**	(66)	(52)	19
Headline earnings		**8 041**		7 621	6

Note

[1]*The net amount is reflected after taxation and non-controlling interest.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December

	2010			
	Total equity attributable to ordinary equity holders of the Group	**Non-controlling interest-ordinary shares**	**Non-controlling interest-preference shares**	**Total equity**
	(Audited)	**(Audited)**	**(Audited)**	**(Audited)**
	Rm	**Rm**	**Rm**	**Rm**
Balance at the beginning of the year	**50 547**	**1 299**	**4 644**	**56 490**
Transfer from share-based payment reserve	**59**	**-**	**-**	**59**
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**(234)**	**-**	**-**	**(234)**
Elimination of the movement in treasury shares held by Absa Group companies	**(49)**	**-**	**-**	**(49)**
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust	**31**	**-**	**-**	**31**
Other reserves	**1 131**	**-**	**-**	**1 131**
Transfer from share-based payment reserve	**(61)**	**-**	**-**	**(61)**
Share-based payments for the year	**48**	**-**	**-**	**48**
Other comprehensive income **1**	**999**	**-**	**-**	**999**
Movement in general credit risk reserve	**39**	**-**	**-**	**39**
Movement in insurance contingency reserve	**55**	**-**	**-**	**55**
Movement in associates' and joint ventures' retained earnings reserve	**(9)**	**-**	**-**	**(9)**
Disposal of associates and joint ventures - release of reserves	**60**	**-**	**-**	**60**
Retained earnings	**4 805**	**-**	**-**	**4 805**
Transfer from share-based payment reserve	**2**	**-**	**-**	**2**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December

		2010			
		Total equity attributable to ordinary equity holders of the Group	**Non-controlling interest-ordinary shares**	**Non-controlling interest-preference shares**	**Total equity**
		(Audited)	**(Audited)**	**(Audited)**	**(Audited)**
		Rm	**Rm**	**Rm**	**Rm**
Transfer to general credit risk reserve		**(39)**	**-**	**-**	**(39)**
Transfer to insurance contingency reserve		**(55)**	**-**	**-**	**(55)**
Transfer to associates' and joint ventures' retained earnings reserve (loss)		**9**	**-**	**-**	**9**
Disposal of associates and joint ventures - release of reserves		**(60)**	**-**	**-**	**(60)**
Profit attributable to equity holders of the Group	**1**	**8 118**	**-**	**-**	**8 118**
Other comprehensive income - movement in retirement benefit asset and liabilities	**1**	**21**	**-**	**-**	**21**
Ordinary dividends paid during the year		**(3 191)**	**-**	**-**	**(3 191)**
Dilution of non-controlling equity holders’ interest		**0**	**(0)**	**-**	**-**
Increase in non-controlling equity holders’ interest		**-**	**37**	**-**	**37**
Disposal of businesses		**-**	**(78)**	**-**	**(78)**
Profit attributable to non-controlling equity holders of the Group	**1**	**-**	**151**	**-**	**151**
Other comprehensive income – foreign currency translation effects	**1**	**-**	**(52)**	**-**	**(52)**
Dividends paid during the year		**-**	**(142)**	**-**	**(142)**
Profit attributable to preference equity holders of the Group	**1**	**-**	**-**	**320**	**320**
Preference dividends paid during the year		**-**	**-**	**(320)**	**(320)**
Balance at the end of the year		**56 290**	**1 215**	**4 644**	**62 149**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December

	2010			
	Total equity attributable to ordinary equity holders of the Group	**Non-controlling interest-ordinary shares**	**Non-controlling interest-preference shares**	**Total equity**
	(Audited)	**(Audited)**	**(Audited)**	**(Audited)**
	Rm	**Rm**	**Rm**	**Rm**
Note				
1. Total comprehensive income				
Profit attributable to equity holders of the Group	**8 118**	**151**	**320**	**8 589**
Other comprehensive income	**1 020**	**(52)**	**-**	**968**
	9 138	**99**	**320**	**9 557**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December

	2009			
	Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	(Audited)	(Audited)	(Audited)	(Audited)
	Rm	Rm	Rm	Rm
Balance at the beginning of the year	47 607	1 042	4 644	53 293
Shares issued	2 571	-	-	2 571
Repurchase of preference shares held by Batho Bonke Capital (Proprietary) Limited	3	-	-	3
Costs incurred	(0)	-	-	(0)
Transfer from share-based payment reserve	67	-	-	67
Share buy-back in respect of Absa Group Limited Share Incentive Trust	(86)	-	-	(86)
Elimination of the movement in gains from derivative instruments on shares	2	-	-	2
Elimination of the movement in treasury shares held by Absa Group companies	38	-	-	38
Elimination of the movement in treasury shares held by Absa Group Limited Employee Share Ownership Administrative Trust	0	-	-	0
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust	16	-	-	16
Other reserves	(1 832)	-	-	(1 832)
Transfer from share-based payment reserve	(68)	-	-	(68)
Share-based payments for the year	47	-	-	47
Other comprehensive income **1**	(1 654)	-	-	(1 654)
Movement in general credit risk reserve	(23)	-	-	(23)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December

		2009			
		Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
		(Audited)	(Audited)	(Audited)	(Audited)
		Rm	Rm	Rm	Rm
Movement in insurance contingency reserve		25	-	-	25
Movement in associates' and joint ventures retained earnings reserve		(50)	-	-	(50)
Disposal of associates and joint ventures - release of reserves		(109)	-	-	(109)
Retained earnings		2 161	-	-	2 161
Repurchase of preference shares held by Batho Bonke Capital (Proprietary) Limited		(1 089)	-	-	(1 089)
Transfer from share-based payment reserve		1	-	-	1
Transfer to general credit risk reserve		23	-	-	23
Transfer to insurance contingency reserve		(25)	-	-	(25)
Transfer to associates' and joint ventures retained earnings reserve (loss)		50	-	-	50
Disposal of associates and joint ventures - release of reserves		109	-	-	109
Profit attributable to equity holders of the Group	**1**	6 840	-	-	6 840
Other comprehensive income - movement in retirement benefit asset and liabilities	**1**	52	-	-	52
Ordinary dividends paid during the year		(3 800)	-	-	(3 800)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December

		2009			
		Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
		(Audited)	(Audited)	(Audited)	(Audited)
		Rm	Rm	Rm	Rm
Acquisition of businesses		-	72	-	72
Profit attributable to non-controlling equity holders of the Group	**1**	-	241	-	241
Other comprehensive income – foreign currency translation effects	**1**	-	(5)	-	(5)
Dividends paid during the year		-	(51)	-	(51)
Profit attributable to preference equity holders of the Group	**1**	-	-	421	421
Preference dividends paid during the year		-	-	(421)	(421)
Balance at the end of the year		50 547	1 299	4 644	56 490
Note					
1. Total comprehensive income					
Profit attributable to equity holders of the Group		6 840	241	421	7 502
Other comprehensive income		(1 602)	(5)	-	(1 607)
		5 238	236	421	5 895

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December

1. DIVIDENDS PER SHARE

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Dividends paid to ordinary equity holders during the year			
16 February 2010 final dividend number 47 of 220 cents per ordinary share (9 February 2009: 330 cents)	**1 580**	2 245	(30)
4 August 2010 interim dividend number 48 of 225 cents per ordinary share (3 August 2009: 225 cents)	**1 616**	1 616	-
Dividends paid on shares held by Batho Bonke Capital(Proprietary) Limited in terms of the bridging finance arrangement	**-**	(56)	100
Dividends paid on treasury shares held by Absa Group companies	**(5)**	(5)	-
	3 191	3 800	(16)
Dividends paid to ordinary equity holders relating to income for the year			
4 August 2010 interim dividend number 48 of 225 cents per ordinary share (3 August 2009: 225 cents)	**1 616**	1 616	-
15 February 2011 final dividend number 49 of 230 cents per ordinary share (16 February 2010: 220 cents)	**1 652**	1 580	5
Dividends paid on shares held by Batho Bonke Capital(Proprietary) Limited in terms of the bridging finance arrangement	**-**	(56)	100
Dividends paid on treasury shares held by Absa Group companies	**(3)**	(2)	(50)
	3 265	3 138	4

Note

The STC payable by the Group in respect of the dividend approved and declared subsequent to the reporting date, amounts to ***R165 million*** *(2009: R158 million). No provision has been made for this dividend and the related STC in the financial statements at the reporting date.*

1. DIVIDENDS PER SHARE (continued)

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Dividends paid to non-controlling preference equity holders during the year			
16 February 2010 final dividend number 8 of 3 280,3 cents per preference share (9 February 2009: 4 734,5 cents)	**162**	234	(31)
4 August 2010 interim dividend number 9 of 3 197,5 cents per preference share (3 August 2009: 3 799,3 cents)	**158**	187	(16)
	320	421	(24)
Dividends paid to non-controlling preference equity holders relating to income for the year			
4 August 2010 interim dividend number 9 of 3 197,5 cents per preference share (3 August 2009: 3 799,3 cents)	**158**	187	(16)
15 February 2011 final dividend number 10 of 2 887,6 cents per preference share (16 February 2010: 3 280,3 cents)	**143**	162	(12)
	301	349	(14)

Note

*The STC payable by the Group in respect of the dividend approved and declared subsequent to the reporting date amounts to **R14 million** (2009: R16 million). No provision has been made for this dividend and the related STC in the financial statements at the reporting date.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December

		2010	2009[1]	
		(Audited)	(Audited)	Change
		Rm	Rm	%
Net cash generated from operating activities		**2 202**	4 822	(54)
Net cash generated/(utilised)from investing activities		**1 500**	(2 029)	>100
Net cash utilised from financing activities		**(4 263)**	(1 419)	>(100)
Net (decrease)/increase in cash and cash equivalents		**(561)**	1 374	>(100)
Cash and cash equivalents at the beginning of the year	1	**6 976**	5 600	25
Effect of exchange rate movements on cash and cash equivalents		**2**	2	-
Cash and cash equivalents at the end of the year	**2**	**6 417**	6 976	(8)
NOTES				
1. Cash and cash equivalents at the beginning of the year				
Cash, cash balances and balances with central banks		**5 175**	4 726	10
Loans and advances to banks		**1 801**	874	>100
		6 976	5 600	25
2. Cash and cash equivalents at the end of the year				
Cash, cash balances and balances with central banks		**4 939**	5 175	(5)
Loans and advances to banks		**1 478**	1 801	(18)
		6 417	6 976	(8)

Note

[1]*Comparatives have been reclassified. Refer to the "Reclassifications" section.*

CONSOLIDATED PROFIT CONTRIBUTION BY BUSINESS AREA
Year ended 31 December

	2010	2009[1]	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	**3 353**	1 945	72
Home Loans	**196**	(1 299)	>100
Vehicle and Asset Finance	**280**	265	6
Card	**1 346**	811	66
Personal Loans[2]	**515**	20	>100
Retail Bank[2]	**1 016**	2 148	(53)
Absa Business Bank	**2 903**	3 235	(10)
Absa Capital	**1 480**	288	>100
Underlying performance	**1 518**	1 275	19
Single stock futures impairments	**(38)**	(987)	96
Corporate centre	**(396)**	544	>(100)
Capital and funding centre	**(192)**	(35)	>(100)
Non-controlling interest – preference shares	**(320)**	(421)	24
Total banking	**6 828**	5 556	23
Financial Services	**1 290**	1 284	0
Profit attributable to ordinary equity holders of the Group	**8 118**	6 840	19
Headline earnings adjustments	**(77)**	781	>(100)
Headline earnings	**8 041**	7 621	6

Notes

[1]*Comparatives have been reclassified for the move of Absa Small Business from Retail Banking to Absa Business Bank.*

[2]*Personal Loans were previously disclosed as part of Retail Bank.*

CONSOLIDATED TOTAL REVENUE[1] CONTRIBUTION BY BUSINESS AREA
Year ended 31 December

	2010	2009[2]	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	**23 291**	22 976	1
Home Loans	**3 531**	3 133	13
Vehicle and Asset Finance	**2 193**	2 279	(4)
Card	**4 355**	4 261	2
Personal Loans[3]	**1 936**	1 753	10
Retail Bank[3]	**11 276**	11 550	(2)
Absa Business Bank	**11 626**	11 498	1
Absa Capital	**5 226**	4 446	18
Corporate centre	**(827)**	(527)	(57)
Capital and funding centre	**(106)**	300	>(100)
Total banking	**39 210**	38 693	1
Financial Services	**3 604**	3 393	6
Total revenue	**42 814**	42 086	2

Notes

[1]*Revenue includes net interest income and non-interest income.*

[2]*Comparatives have been reclassified for the move of Absa Small Business from Retail Banking to Absa Business Bank.*

[3]*Personal Loans were previously disclosed as part of Retail Bank.*

CONSOLIDATED INTERNAL REVENUE[1] CONTRIBUTION BY BUSINESS AREA
Year ended 31 December

	2010	2009[2]	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	**(13 467)**	(19 218)	30
Home Loans	**(15 119)**	(19 737)	23
Vehicle and Asset Finance	**(2 918)**	(3 878)	25
Card	**(815)**	(1 204)	32
Personal Loans[3]	**(611)**	(786)	22
Retail Bank[3]	**5 996**	6 387	(6)
Absa Business Bank	**1 880**	629	>100
Absa Capital	**12 320**	20 498	(40)
Corporate centre	**(423)**	(790)	46
Capital and funding centre	**(820)**	(847)	3
Total banking	**(510)**	272	(88)
Financial Services	**510**	(272)	88
Internal revenue	**-**	-	-

Notes

[1]*Revenue includes net interest income and non-interest income.*

[2]*Comparatives have been reclassified for the move of Absa Small Business from Retail Banking to Absa Business Bank.*

[3]*Personal Loans were previously disclosed as part of Retail Bank.*

CONSOLIDATED TOTAL ASSETS BY BUSINESS AREA
Year ended 31 December

	2010	2009[1]	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	**469 043**	449 781	4
Home Loans	**247 881**	241 457	3
Vehicle and Asset Finance	**51 020**	50 543	1
Card	**26 609**	24 146	10
Personal Loans[2]	**12 887**	9 488	36
Retail Bank[2]	**130 646**	124 147	5
Absa Business Bank	**166 838**	164 210	2
Absa Capital	**365 308**	365 579	(0)
Corporate centre	**(380 521)**	(369 492)	(3)
Capital and funding centre	**72 855**	66 765	9
Total banking	**693 523**	676 843	2
Financial Services	**22 947**	33 953	(32)
Total assets	**716 470**	710 796	1

Notes

[1]*Comparatives have been reclassified for the move of Absa Small Business from Retail Banking to Absa Business Bank.*

[2]*Personal Loans were previously disclosed as part of Retail Bank.*

RECLASSIFICATIONS

Some items within the statement of financial position as at 31 December 2009 and the statement of financial position for the year ended 31 December 2008 were reclassified:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	(Audited)	(Audited)	(Audited)
	As previously		
	reported	Reclassifications[1]	Reclassified
	Rm	Rm	Rm
Assets			
Cash, cash balances and balances with central banks	20 597	-	20 597
Statutory liquid asset portfolio	33 943	-	33 943
Loans and advances to banks	36 032	-	36 032
Trading portfolio assets	61 779	(9 477)	52 302
Hedging portfolio assets	2 558	-	2 558
Other assets	17 777	-	17 777
Current tax assets	234	-	234
Loans and advances to customers	503 630	2 533	506 163
Reinsurance assets	719	-	719
Investment securities	29 564	-	29 564
Investments in associates and joint ventures	487	-	487
Goodwill and intangible assets	1 245	-	1 245
Investment properties	2 195	-	2 195
Property and equipment	6 606	-	6 606
Deferred tax assets	374	-	374
Total assets	717 740	(6 944)	710 796
Liabilities			
Deposits from banks	39 616	(3 075)	36 541
Trading portfolio liabilities	53 722	(9 477)	44 245
Hedging portfolio liabilities	565	-	565
Other liabilities	12 212	-	12 212
Provisions	1 684	-	1 684
Current tax liabilities	59	-	59
Deposits due to customers	350 757	5 608	356 365
Debt securities in issue	171 376	-	171 376
Liabilities under investment contracts	12 446	-	12 446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2009

	(Audited)	(Audited)	(Audited)
	As previously		
	reported	Reclassifications[1]	Reclassified
	Rm	Rm	Rm
Policyholder liabilities under insurance contracts	3 136	-	3 136
Borrowed funds	13 530	-	13 530
Deferred tax liabilities	2 147	-	2 147
Total liabilities	661 250	(6 944)	654 306
Equity			
Capital and reserves			
Attributable to ordinary equity holders of the Group:			
Share capital	1 432	-	1 432
Share premium	4 784	-	4 784
Other reserves	1 178	-	1 178
Retained earnings	43 153	-	43 153
	50 547	-	50 547
Non-controlling interest – ordinary shares	1 299	-	1 299
Non-controlling interest – preference shares	4 644	-	4 644
Total equity	56 490	-	56 490
Total equity and liabilities	717 740	(6 944)	710 796

Note

[1]*The Group has reassessed its counterparty risk for certain scrip lending and other trading activities. This was done due to a change in interpretation of customer agreements as well as a reconsideration of the risk inherent in some of its trading portfolios. This resulted in the Group revisiting the principles of netting down or grossing up some transactions to be in line with the risks inherent to the transactions. It was concluded that the reclassification would better reflect the risk that the Group has to manage on the different statement of financial position lines and that this disclosure would enhance disclosure and provide users of the financial statements with more relevant information. This disclosure is now also aligned with industry practice.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2008

	(Audited)	(Audited)	(Audited)
	As previously		
	reported	Reclassifications[1]	Reclassified
	Rm	Rm	Rm
Assets			
Cash, cash balances and balances with central banks	24 828	-	24 828
Statutory liquid asset portfolio	33 043	-	33 043
Loans and advances to banks	44 662	231	44 893
Trading portfolio assets	78 879	(1 747)	77 132
Hedging portfolio assets	3 139	-	3 139
Other assets	16 925	-	16 925
Current tax assets	23	-	23
Non-current assets held for sale	2 495	-	2 495
Loans and advances to customers	532 144	675	532 819
Reinsurance assets	903	-	903
Investment securities	26 980	-	26 980
Investments in associates and joint ventures	2 144	-	2 144
Goodwill and intangible assets	963	-	963
Investment properties	661	-	661
Property and equipment	6 127	-	6 127
Deferred tax assets	241	-	241
Total assets	774 157	(841)	773 316
Liabilities			
Deposits from banks	54 633	(17)	54 616
Trading portfolio liabilities	72 737	(1 747)	70 990
Hedging portfolio liabilities	1 080	-	1 080
Other liabilities	12 618	-	12 618
Provisions	2 113	-	2 113
Current tax liabilities	385	-	385
Non-current liabilities held-for-sale	408	-	408
Deposits due to customers	382 281	923	383 204
Debt securities in issue	165 900		165 900
Liabilities under investment contracts	10 377	-	10 377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2008

	(Audited)	(Audited)	(Audited)
	As previously		
	reported	Reclassifications[1]	Reclassified
	Rm	Rm	Rm
Policyholder liabilities under insurance contracts	3 076	-	3 076
Borrowed funds	12 296	-	12 296
Deferred tax liabilities	2 960	-	2 960
Total liabilities	720 864	(841)	720 023
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	40 992	-	40 992
	47 607	-	47 607
Non-controlling interest – ordinary shares	1 042	-	1 042
Non-controlling interest – preference shares	4 644	-	4 644
Total equity	53 293		53 293
Total equity and liabilities	774 157	(841)	773 316

Note

[1]*The Group has reassessed its counterparty risk for certain scrip lending and other trading activities. This was done due to a change in interpretation of customer agreements as well as a reconsideration of the risk inherent in some of its trading portfolios. This resulted in the Group revisiting the principles of netting down or grossing up some transactions to be in line with the risks inherent to the transactions. It was concluded that the reclassification would better reflect the risk that the Group has to manage on the different statement of financial position lines and that this disclosure would enhance disclosure and provide users of the financial statements with more relevant information. This disclosure is now also aligned with industry practice.*

PROFIT AND DIVIDEND ANNOUNCEMENT

Salient features

- Headline earnings per share (HEPS) increased by 2% to 1 122,6 cents.
- Diluted HEPS increased by 4% to 1 115,7 cents.
- Final dividend of 230 cents per share, up 5% year-on-year.
- Net interest margin on average interest-bearing assets improved to 4,01% from 3,74%.
- Credit impairments fell 33% to R6 005 million, resulting in a 1,20% credit loss ratio.
- Cost-to-income ratio increased to 56,2%.
- Return on average equity (RoE) of 15,1%.
- Return on risk-weighted assets of 1,99%.
- Net asset value (NAV) per share grew by 11% to 7 838 cents.
- Core tier I capital adequacy ratio for the Group of 11,7%, well above regulatory requirements.

Overview

In a challenging operating environment, the Group's headline earnings increased by 6% to R8 041 million (31 December 2009: R7 621 million). HEPS grew by 2% to 1 122,6 cents (31 December 2009: 1 099,4 cents) and fully diluted HEPS increased by 4% to 1 115,7 cents (31 December 2009: 1 072,0 cents). The Group's RoE of 15,1% remained above its cost of equity.

Lower credit impairments, particularly in Retail Banking, and a wider net interest margin on average interest-bearing assets, were the primary reasons for the Group's higher headline earnings. These outweighed muted loan and transaction volume growth, a higher effective tax rate and a 15% rise in operating expenses.

Retail Banking and Absa Capital grew their headline earnings by 85% and 20% respectively, whereas Absa Business Bank's headline earnings fell by 11% and those of Financial Services declined marginally.

Operating environment

The global economy grew around 5% in 2010, a better performance after the acute global economic stress of the two previous years. Emerging markets led the way out of recession, although the USA and Germany also experienced stronger-than-expected growth. However, some European economies experienced difficulties, particularly in their financial sectors. South Africa also recovered in 2010, buoyed by stronger external demand, interest rates at 36-year lows and a recovery in business confidence in most consumer facing sectors. Despite improved growth, business confidence remains generally restrained and many industries continued to shed labour in 2010. Subdued confidence, along with high levels of household indebtedness, has been an important moderating factor in private sector credit growth.

Group performance

Statement of financial position

The Group’s total assets of R716,5 billion as at 31 December 2010 increased 1% from 31 December 2009, but declined marginally from 30 June 2010. Substantial growth of 42% in Absa’s statutory liquid asset portfolio, to strengthen its liquidity, offset lower investment securities and loans and advances to banks.

Loans and advances to customers

Absa’s loans and advances declined by 1% from 31 December 2009 to R498,6 billion, but were flat from 30 June 2010. Retail Banking’s loans and advances increased 1%, given lower customer demand and a sustained focus on risk appetite and pricing. Mortgages, which constituted 60% of total gross Group loans and advances, grew by 1% year-on-year as two small books were acquired. However, growth in credit cards and instalment credit agreements improved in the second half of 2010 and personal and term loans grew 31% year-on-year.

Deposits due to customers

Deposits due to customers increased by 6% to R378,1 billion from 31 December 2009, with solid growth in targeted areas. Retail Banking achieved 4% growth, spread across most of its products, which further entrenched its leading market share in retail deposits. ABB’s deposits grew by 7% from 31 December 2009, with cheque accounts performing well. ABB’s strategy to lengthen its funding saw it increase fixed deposits by 6%. Consequently, Absa’s overall loans-to-deposits ratio declined to 91,9% from the 95,9% of the previous year.

Net asset value

Net asset value (NAV) grew by 11% to R56,3 billion during the year. Retained earnings of R4,9 billion was generated from net profits after paying ordinary dividends. Cash flow hedging increased other reserves by 96% to R2,3 billion. Absa’s NAV per share rose 11% year-on-year to 7 838 cents (31 December 2009: 7 038 cents) and has grown by 15% compound over the past five years.

Capital to risk-weighted assets

Despite a 9% growth in risk-weighted assets due to recalibrating credit models to reflect the recent downturn, Absa maintained its healthy capital levels, which remain well above regulatory requirements. As at 31 December 2010, Absa Group’s core tier l and tier l capital adequacy ratios were 11,7% (31 December 2009: 11,5%) and 12,8% (31 December 2009: 12,7%) respectively. The Group’s total capital ratio declined slightly to 15,5% (31 December 2009: 15,6%). Absa Bank’s tier l ratio improved marginally to 11,9% (31 December 2009: 11,6%) and its total ratio was 14,8% (31 December 2009: 14,7%).

Net interest income

Net interest income increased 7% to R23 340 million (31 December 2009: R21 854 million) despite negative loan growth and 1,02% lower average prime interest rates during the year. This increase is largely attributable to Absa's effective hedging strategy, but also reflects better new business pricing for credit risk and a change in the loan mix towards higher margin products. These outweighed the material negative endowment effect and funding pressure on wholesale deposits. The Group's net interest margin on average interest-bearing assets improved noticeably to 4,01% from 3,74%.

Credit impairments

After almost quadrupling between 2007 and 2009, Absa's credit impairments improved 33% to R6 005 million (31 December 2009: R8 967 million). Retail Banking, where credit impairments fell 36% to R4 820 million from R7 547 million, was responsible for most of the reduction. Early cycle delinquencies improved as lower rates helped consumers to recover and the benefits of effective collections management and sound credit policy became evident. ABB's credit impairments declined by 3% to R1 075 million.

The Group's credit impairments ratio improved by more than expected to 1,20% from the 1,74% recorded for 2009 and the 1,50% for the six months ended 30 June 2010. This is well below the peak of 1,86% recorded 18 months ago. Despite far smaller inflows, non-performing loans remain elevated. Non-performing loans as a percentage of average loans and advances were 7,7% for the year ended 31 December 2010 and remained in line with the 7,6% recorded for the six months ended 30 June 2010 and increased from the 7,0% recorded for the year ended 31 December 2009. Absa's loans subject to debt counselling declined to R7 billion from R9,6 billion at 30 June 2010, owing to strong collection efforts. The Group's non-performing loan coverage ratio improved from 2009.

Non-interest income

Absa's non-interest income declined by 4% to R19 474 million (31 December 2009: R20 232 million), largely because of a revaluation loss of R128 million on its Visa stake (31 December 2009: R272 million profit) and non-recurrence of gains from selling holdings in MasterCard and NuPay (31 December 2009: R271 million). Net fee and commission income grew a modest 1% to R14 391 million (31 December 2009: R14 289 million), because of sluggish transaction volumes and the absence of a price increase in Retail Banking. Electronic banking fees and ABB's fee and commission income increased 9% and 7% respectively. Absa Capital's Markets revenue fell by 7%, which is considered a solid performance in a difficult operating environment with reduced client activity. Revaluations in Private Equity resulted in a R48 million profit (31 December 2009: R623 million loss). Income due to realisations of R40 million (31 December 2009: nil) is also included in non-interest income.

Operating expenses

Absa's operating expenses grew by 15% to R24 070 million (31 December 2009: R20 857 million) as the Group continued to invest for future growth. This included 19% growth in information technology costs from the previous year. Staff costs, the largest component, increased by 16% to R12 537 million (31 December 2009: R10 816 million), reflecting wage settlements and higher incentives. The compound annual growth rate in costs over five years was well controlled at 11%. As expected given modest revenue growth, the Group's cost-to-income ratio rose to 56,2% (31 December 2009: 49,6%).

Taxation

The Group's taxation increased 39% to R3 262 million from R2 340 million for 2009, as its effective tax rate increased to 27,5% from 23,8%. The higher rate was mainly due to a lower proportion of exempt income.

Segmental performance

Retail Banking

Headline earnings increased 85% to R3 232 million (31 December 2009: R1 749 million), largely because of lower credit impairments. Attributable earnings grew by 72% to R3 353 million (31 December 2009: R1 945 million). Retail Banking's credit loss ratio fell to 1,49% from 2,30%, due to improving early stage delinquencies and a successful collections strategy. Revenue grew by 1%, reflecting limited transactional volume and loan growth, plus funding margin pressure. Operating expenses grew by 9%, resulting in a higher cost-to-income ratio of 57,1% (31 December 2009: 53,2%). Headline earnings from Card, Home Loans and Personal Loans improved significantly, while Retail Bank declined 50% due to higher impairments. Retail Banking's return on regulatory capital improved to 20,7%.

Absa Business Bank

Headline earnings dropped by 11% to R2 848 million (31 December 2009: R3 206 million), as loans and advances declined by 1% and commercial property finance equity portfolio values fell. ABB experienced a 3% decrease in credit impairments. Net interest income rose 2%, reflecting solid deposit growth, which partially offset lower customer advances and pressure on deposit margins from lower interest rates. Fee income increased 7% driven by ABB's enhanced transactional capabilities. Operating expenses grew by 14% to R6 397 million (December 2009: R5 624 million), as the business continues to invest in growth initiatives. Nonetheless, ABB's return on regulatory capital remained a credible 22,8%.

Absa Capital

Headline earnings increased by 20% to R1 527 million (31 December 2009: R1 272 million) and attributable earnings increased to R1 480 million (31 December 2009: R288 million). The large growth in attributable earnings is due to single stock futures impairments from the previous year. Private Equity revenue rose significantly from the prior year as a result of an improved performance in the investment portfolio and reduced funding costs. Markets revenue held up relatively well, considering the reduced client flows. With client activity levels below 2009, Investment banking revenue declined by 22%. Absa Wealth’s net revenue grew by 12% owing to improved banking and credit margins. Absa Capital continued to expand into Africa and attributable income from the rest of Africa grew by 14% to R219 million. Further investment in systems, infrastructure and talent contributed to the 23% rise in operating expenses and a 54,3% cost-to-income ratio. Absa Capital’s return on regulatory capital was 16,0%.

Financial Services

Headline earnings declined marginally to R1 291 million (31 December 2009: R1 300 million), in a tough operating environment. Financial Services’ attributable earnings remained relatively unchanged at R1 290 million (31 December 2009: R1 284 million). Nonetheless, it achieved a 34,8% RoE (31 December 2009: 37,9%).The life and short-term insurance companies delivered strong premium growth of 25% and 12% respectively. Absa Life’s embedded value of new business grew by 58% year-on-year to R465 million and its return on embedded value was 39,8%. Assets under management increased by 12% to R163 billion. Short-term insurance claims remained high relative to historical trends, at 68,5%, although they were slightly below 2009’s 69,9%. Investments in distribution channels and technology, as well as increased business volumes and new mandates secured, increased operating costs by 16% year-on-year.

Prospects

Global growth is expected to slow to 4% in 2011, as emerging markets and the US sustain momentum. Although slightly slower, global economic growth is likely to maintain upward pressure on commodity prices, which would be generally positive for South Africa. We expect GDP growth to continue improving as the economy responds to lower interest rates.

Executing its One Absa strategy positions the Group to capture future growth as the economy improves. Nonetheless, revenue growth is likely to remain subdued in 2011, particularly as moderate advances growth is anticipated. However, stronger non-interest revenue growth is expected this year, particularly in key target areas. Credit impairments should improve, albeit at a slower pace than for 2010. Management is committed to containing cost growth, maintaining strong capital levels and improving liquidity further.

Basis of presentation and changes in accounting policies

Absa Group Limited is a company domiciled in South Africa. Its registered office is the 3rd floor, Absa Towers East, 170 Main Street Johannesburg, 2001.

The Group’s condensed results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and contain the information required by International Accounting Standard (IAS) 34.

The accounting policies applied in preparing the financial results for the year ended 31 December 2010 are the same as the accounting policies in place for the year ended 31 December 2009 with the exceptions mentioned below.

Revised *IFRS 3 – Business Combinations* affects acquisitions that are achieved in stages and acquisitions where less than 100% of the equity is acquired. In addition, all acquisition-related costs are expensed. The revised IFRS 3 has been applied prospectively to all business combinations from 1 January 2010. The impact of this amendment on the Group was not significant during the year under review.

Revised *IAS 27 – Consolidated and Separate Financial Statements* specifies that changes in a parent's ownership interest in a subsidiary that does not result in the loss of control must be accounted for as equity transactions. The requirements of IAS 27 have been applied prospectively to transactions with non-controlling interests from 1 January 2010. The impact of this amendment on the Group was not significant during the year under review.

Reclassifications

The Group has reassessed its counterparty risk for certain scrip lending and other trading activities. This was done due to a change in interpretation of customer agreements as well as a reconsideration of the risk inherent in some of its trading portfolios. This resulted in the Group revisiting the principles of netting down or grossing up some transactions to be in line with the risks inherent to the transactions. It was concluded that the reclassification would better reflect the risk that the Group has to manage on the different statement of financial position lines and that this disclosure would enhance disclosure and provide users of the financial statements with more relevant information. This disclosure is now also aligned to industry practice. This has resulted in comparatives being reclassified for December 2009 and December 2008.

Auditors' report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., Absa Group Limited's independent auditors, have audited the consolidated annual financial statements of Absa Group Limited from which the condensed consolidated financial results have been derived. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the condensed consolidated statement of financial position at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes. The audit report of the consolidated annual financial statements is available for inspection at Absa Group Limited's registered office.

On behalf of the board

M Ramos

Group Chief Executive

G Griffin

Group Chairman

Johannesburg

15 February 2011

Declaration of final ordinary dividend number 49

Shareholders are advised that a final ordinary dividend of 230 cents per ordinary share was announced today, Tuesday, 15 February 2011, for the six month period ending 31 December 2010, bringing the total dividend for the year to 455 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, 11 March 2011.

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, 4 March 2011
Shares commence trading ex dividend	Monday, 7 March 2011
Record date	Friday, 11 March 2011
Payment date	Monday, 14 March 2011

Share certificates may not be dematerialised or rematerialised between Monday, 7 March 2011, and Friday, 11 March 2011, both dates inclusive.

On Monday, 14 March 2011, 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 14 March 2011 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, 14 March 2011.

On behalf of the board

S Martin

Group Secretary

Johannesburg

15 February 2011

Enquiries

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