

ABSA BANK LIMITED

Authorised financial services and registered credit provider (NCRCP7)

Incorporated in the Republic of South Africa

Registration number: 1986/004794/06

ISIN: ZAE000079810

JSE share code: ABSP

(Absa Bank, the Bank or the Company)

ABSA BANK LIMITED: PROFIT AND DIVIDEND ANNOUNCEMENT AUDITED ANNUAL FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010
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CONSOLIDATED SALIENT FEATURES

31 December

	2010	2009 ¹	Change
	(Audited)	(Audited)	%
Statement of comprehensive income(Rm)			
Headline earnings ²	6 412	5 986	7
Profit attributable to ordinary equity holder of the Bank	6 432	5 315	21
Statement of financial position			
Total assets(Rm)	680 923	673 774	1
Loans and advances to customers(Rm)	485 588	490 205	(1)
Deposits due to customers(Rm)	372 644	349 371	7
Loans-to-deposits ratio (%)	90,7	94,4	
Financial performance (%)			
Return on average equity	14,2	14,4	
Return on average assets	0,94	0,84	
Return on risk-weighted assets ³	1,71	1,68	
Operating performance (%)			
Net interest margin on average interest-bearing assets	3,69	3,52	
Impairment losses on loans and advances as % of average loans and advances to customers	1,15	1,69	

Notes

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

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

³This ratio is unaudited.

CONSOLIDATED SALIENT FEATURES (continued)

31 December

	2010	2009 ¹	Change
	(Audited)	(Audited)	%
Operating performance (%) (continued)			
Non-performing advances as % of loans and advances to customers ²	7,6	7,0	
Non-interest income as % of total operating income	41,0	44,0	
Cost-to-income ratio	56,7	49,7	
Effective tax rate, excluding indirect taxation	27,1	20,4	
Share statistics (million)			
(including "A" ordinary shares)			
Number of ordinary shares in issue	374,1	367,7	
Weighted average number of ordinary shares in issue	369,9	362,1	
Weighted average diluted number of ordinary shares in issue	369,9	362,1	
Share statistics(cents)			
Headline earnings per share	1 733,4	1 653,1	5
Diluted headline earnings per share	1 733,4	1 653,1	5
Basic earnings per share	1 738,8	1 467,8	18
Diluted earnings per share	1 738,8	1 467,8	18
Dividends per ordinary share relating to income for the year	959,2	676,5	42
Dividend cover (times)	1,8	2,4	
Net asset value per share	12 955	11 606	12
Tangible net asset value per share	12 781	11 464	11
Capital adequacy(%)²			
Absa Bank	14,8	14,7	

Note
¹Comparatives have been reclassified. Refer to the "Reclassifications" section.

²These 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	17 343	15 526	12	16 549
Statutory liquid asset portfolio	48 215	33 943	42	33 019
Loans and advances to banks	23 633	35 036	(33)	43 790
Trading portfolio assets	57 647	47 303	22	72 929
Hedging portfolio assets	4 662	2 558	82	3 139
Other assets	12 954	7 219	79	8 594
Current tax assets	5	107	(95)	-
Non-current assets held for sale	-	-	-	2 495
Loans and advances to customers 1	485 588	490 205	(1)	513 332
Loans to Absa Group companies	8 071	16 232	(50)	18 990
Investment securities	12 906	16 849	(23)	15 191
Investments in associates and joint ventures	406	473	(14)	2 071
Goodwill and intangible assets	643	522	23	297
Investment properties	1 771	1 705	4	379
Property and equipment	6 987	6 010	16	5 431
Deferred tax assets	92	86	7	78
Total assets	680 923	673 774	1	736 284
Liabilities				
Deposits from banks	21 740	40 160	(46)	60 026
Trading portfolio liabilities	43 530	36 957	18	68 120
Hedging portfolio liabilities	1 881	565	>100	1 080
Other liabilities	7 788	9 089	(14)	7 476
Provisions	1 533	1 486	3	1 893
Current tax liabilities	929	31	>100	322
Note ¹Comparatives have been reclassified. Refer to the "Reclassifications" section.				

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

	2010	2009 ¹		2008 ¹
	(Audited)	(Audited)	Change	(Audited)
	Rm	Rm	%	Rm
Non-current liabilities held for sale	-	-	-	408
Deposits due to customers	372 644	349 371	7	374 099
Debt securities in issue	162 526	169 788	(4)	159 042
Loans from Absa Group companies	-	3 464	(100)	3 946
Borrowed funds	13 649	13 530	1	12 143
Deferred tax liabilities	2 073	1 915	8	2 735
Total liabilities	628 293	626 356	0	691 290
Equity				
Capital and reserves				
Attributable to equity holders of the Bank:				
Ordinary share capital	303	303	-	303
Ordinary share premium	11 465	10 465	10	9 415
Preference share capital	1	1	-	1
Preference share premium	4 643	4 643	-	4 643
Other reserves	3 704	2 566	44	3 939
Retained earnings	32 449	29 340	11	26 670
	52 565	47 318	11	44 971
Non-controlling interest	65	100	(35)	23
Total equity	52 630	47 418	11	44 994
Total equity and liabilities	680 923	673 774	1	736 284

Note

¹Comparatives 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	2 119	553	1 566	1 566
Instalment credit agreements	3 492	2 036	1 456	1 456
Micro loans	445	84	361	361
Mortgages	25 569	20 678	4 891	4 891
Personal loans	928	321	607	607
Retail Banking	32 773	23 782	8 991	8 991
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
Absa Business Bank	4 678	3 133	1 545	1 545
Absa Capital	549	208	341	341
Non-performing advances	38 000	27 123	10 877	10 877
Non-performing advances ratio	7,6			

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	2 335	479	1 856	1 856
Instalment credit agreements	2 505	1 409	1 096	1 096
Micro loans	510	207	303	303
Mortgages	23 644	19 552	4 092	4 092
Personal loans	568	196	372	372
Retail Banking¹	29 710	21 939	7 771	7 771
Corporate	945	845	100	100
Large and Medium business	2 444	1 713	731	731
Small business	465	362	103	103
Commercial Asset Finance	648	244	404	404
Absa Business Bank¹	4 502	3 164	1 338	1 338
Absa Capital	805	562	243	243
Non-performing advances	35 017	25 665	9 352	9 352
Non-performing advances ratio	7,0			

Note

¹Comparatives 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	26 March 2015		
JIBAR + 0,75%		-	400
			(100)
Three-month	3 May 2022		
JIBAR + 2,10%		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	11 052	9 829	12
Irrevocable facilities ²	47 098	54 346	(13)
Letters of credit ³	4 653	4 581	2
Other contingencies	43	5	>100
	62 846	68 761	(9)

Notes

¹Guarantees include performance guarantee contracts and payment guarantee contracts. Includes revocable facilities of R7 631 million (2009: R4 851 million).

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

³Includes revocable facilities of R2 844 million (2009: R2 800 million).

5. COMMITMENTS			
Authorised capital expenditure			
Contracted but not provided for ¹	882	728	21

Note

¹ The 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	1 029	1 150	(11)
Later than one year and no later than five years	1 965	2 132	(8)
Later than five years	386	307	26
	3 380	3 589	(6)

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 Bank. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.

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

As at 31 December

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES	
6.1 Acquisitions 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 R57 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:	Bank 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
<i>Satisfied by:</i>	
Fair value of previously held interest	0
Cash outflow on acquisition	0
Fair value of net liabilities 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 gain on bargain purchase of R1 million which was recognised in other operating income in the statement of comprehensive income.	

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

As at 31 December

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)

6.1 Acquisitions during the current year (continued)

This bargain purchase gain arose primarily due to the under performance 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.

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.

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

As at 31 December

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)	
6.1 Acquisitions during the current year (continued)	
6.1.2 Absa Bank Limited, 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 Bank for the period from 1 August 2010 to 31 December 2010. If the acquisition occurred on 1 January 2010, the Bank'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:	Bank December 2010 Fair value recognised on acquisition Rm
Cash, cash balances 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
<i>Satisfied by:</i>	
Cash inflow on acquisition	(61)
Fair value of net liabilities acquired	(10)
Gain on bargain purchase	(71)
The consideration paid was less than the fair value of the assets 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.	

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

As at 31 December

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)	
6.1 Acquisitions during the current year (continued)	
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 Bank 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.	
	Bank December 2010 Rm
Net cash outflow due to acquisitions	0
Total cash and cash equivalents acquired	470

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

As at 31 December

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)**6.2 Acquisitions during the previous year**

6.2.1 On 31 January 2009, the Bank acquired an additional 35,2% interest in Abseq Properties (Proprietary) Limited increasing its shareholding to 85,0%. 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 Bank for the period 31 January 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, the Bank's revenue would have been R8 million higher and the total profit for the year would have been R1 million higher.

	Bank December 2009 Fair value recognised on acquisition Rm
Details of the net assets acquired and goodwill are as follows:	
Other assets	36
Investments in associates and joint ventures	40
Investment properties	1 352
Deposits from banks	(8)
Deferred tax liabilities	(160)
Other liabilities	(860)
Previously held interest	(199)
Non-controlling interest	(60)
Net assets acquired	141
<i>Satisfied by:</i>	
Cash outflow on acquisition	166
Fair value of net assets acquired	(141)
Goodwill	25

The goodwill is attributable to the synergies expected to arise after the Bank'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.

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

As at 31 December

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES(continued)

6.2 Acquisitions during the previous year (continued)

6.2.2 On 1 August 2009, the Bank acquired the business of Meeg Bank Limited from Absa Group Limited into Absa Bank Limited.

	Bank December 2009 Fair value recognised on acquisition Rm
Details of net assets acquired and gain on bargain purchase are as follows:	
Cash, cash balances and balances with central banks	34
Statutory liquid asset portfolio	24
Loans and advances to banks	483
Other assets	8
Loans and advances to customers	890
Property and equipment	13
Deferred tax assets	1
Other liabilities	(8)
Provisions	(3)
Deposits due to customers	(1 282)
Loans from Absa Group companies	(10)
Net assets acquired	150
<i>Satisfied by:</i>	
Fair value of net assets acquired	150
Gain on bargain purchase	(150)
Net cash outflow due to acquisitions	166
Total cash and cash equivalents acquired	34

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

6. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)**6.3 Disposal of businesses during the current year**

6.3.1 Absa Property Equity Fund operated as a special purpose entity 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 number of units in issue at a specific point time) and were thereby exposed to the majority of risks 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.

	Bank December 2010 Rm
Details of the net assets disposed of are as follows:	
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 and outflow on disposal	(6)
6.4 Disposal of subsidiaries 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 in the carrying value of investments in associates and joint ventures				
	2010		2009	
	Effective holding (%)	Movement Rm	Effective holding (%)	Movement Rm
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)
Transferred to subsidiaries during the current year:				
Sanlam Home Loans (Proprietary) Limited	100,0	-	50,0	n/a
Transferred (to)/from investments designated at fair value through profit or loss during the current and previous year:				
Blue Financial Services Limited	6,7	(32)	20,2	451
		(32)		(228)

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 (continued)		
	31 December	
	2010	2009
	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)	-
Consideration in shares	-	(660)
Total consideration	(95)	(660)
Loss on disposal	(0)	(58)
Transfer to investment securities	(32)	-
Transfer to subsidiaries	-	-
	(127)	(718)

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

As at 31 December

8. RELATED PARTIES

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

	31 December		
	2010	2009	Change
	Rm	Rm	%
8.1. Transactions with key management personnel and entities controlled by key management¹			
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 Bank	70	57	23
Other investments at the end of the year	68	126	(46)

Note

¹The 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	55	77	(29)
Other key management personnel	77	46	67

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

As at 31 December

	31 December		
	2010	2009	Change
	Rm	Rm	%
8. RELATED PARTIES (continued)			
8.3. Transactions with ultimate parent company¹			
The following are balances with, and transactions entered into with the ultimate parent company:			
Balances			
Loans and advances	15 586	10 433	49
Derivative assets	9 144	6 936	32
Nominal value of derivative assets	493 402	341 406	45
Other assets	552	196	>100
Investment securities	434	369	18
Debt securities in issue	-	(15)	100
Deposits	(6 082)	(8 246)	26
Derivative liabilities	(9 006)	(8 450)	(7)
Nominal value of derivative liabilities	(375 467)	(318 237)	(18)
Other liabilities	(267)	(127)	>(100)
Transactions			
Gains and losses from banking and trading activities	1 646	2 712	(39)
Interest received	(80)	(215)	63
Interest paid	36	54	(33)
Net fee and operating 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			
8.4. Transactions with parent company			
The following are balances with and transactions entered into with the parent company:			
Balances			
Assets	174	205	(15)
Liabilities	139	637	(78)
Transactions			
Income	-	8	(100)
Expenses	10	-	100
Dividends	3 420	3 271	5

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

As at 31 December

8. RELATED PARTIES (continued)

8.5. Associates, joint ventures and retirement benefit fund

The Bank provides certain banking and financial services to associates and joint ventures. The Bank 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 Bank'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 Bank	-	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	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 and similar costs	(617)	-	(617)
Interest expense and similar charges	8	1	9
Fees received	(106)	(17)	(123)
Fees paid	173	-	173

Note

¹Current 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)			
8.5. 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 Bank	-	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 Pension Fund	-	1 444	1 444
Statement of financial position			
Deposits	(177)	(45)	(222)
Loans and advances	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 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	21 244	19 888	7
Interest and similar income	52 264	62 533	(16)
Interest expense and similar charges	(31 020)	(42 645)	27
Impairment losses on loans and advances	(5 578)	(8 392)	34
Net interest income after impairment losses on loans and advances	15 666	11 496	36
Net fee and commission income 1.1	12 416	12 247	1
Fee and commission income	13 378	12 993	3
Fee and commission expense	(962)	(746)	(29)
Gains and losses from banking and trading activities 1.2	1 851	2 547	(27)
Gains and losses from investment activities 1.3	24	68	(65)
Other operating income	496	736	(33)
Operating profit before operating expenditure	30 453	27 094	12
Operating expenditure	(21 180)	(19 835)	(7)
Operating expenses 2.1	(20 440)	(17 635)	(16)
Other impairments 2.2	(109)	(1 436)	92
Indirect taxation	(631)	(764)	17
Share of post-tax results of associates and joint ventures	(8)	(50)	84
Operating profit before income tax	9 265	7 209	29
Taxation expense	(2 507)	(1 469)	(71)
Profit for the year	6 758	5 740	18

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	(234)	(201)	(16)
Movement in cash flow hedging reserve	1 153	(661)	>100
Fair value gains/(losses) arising during the year	3 422	(143)	>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)	258	>(100)
Movement in available-for-sale reserve	170	(329)	>100
Fair value gains/(losses) arising during the year	150	(309)	>100
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of the 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	19	75	(75)
Increase in retirement benefit surplus	27	104	(74)
Deferred tax	(8)	(29)	72
Total comprehensive income for the year	7 866	4 624	70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Profit attributable to:			
Ordinary equity holder of the Bank	6 432	5 315	21
Preference equity holders of the Bank	320	421	(24)
Non-controlling interest	6	4	50
	6 758	5 740	18
Total comprehensive income attributable to:			
Ordinary equity holder of the Bank	7 540	4 199	80
Preference equity holders of the Bank	320	421	(24)
Non-controlling interest	6	4	50
	7 866	4 624	70

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	102	100	2
Consulting and administration fees	154	127	21
Credit-related fees and commissions	12 393	12 061	3
Cheque accounts	3 156	3 168	(0)
Credit cards ¹	1 788	1 710	5
Electronic banking	3 823	3 490	10
Other	1 220	1 405	(13)
Savings accounts	2 406	2 288	5
Insurance commission received	386	323	20
Other fees and commissions	100	88	14
Project finance fees	205	268	(24)
Trust and other fiduciary services ²	38	26	46
Portfolio and other management fees	26	10	>100
Trust and estate income	12	16	(25)
	13 378	12 993	3
Fee and commission expense	(962)	(746)	(29)
Cheque processing fees	(173)	(193)	10
Debt collecting fees	(105)	(66)	(59)
Other	(329)	(176)	(87)
Transaction-based legal fees	(189)	(146)	(29)
Valuation fees	(166)	(165)	(1)
	12 416	12 247	1

Notes

¹Includes merchant, acquiring 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.

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	3 156	3 168	(0)
Credit cards	865	811	7
Electronic banking	3 823	3 490	10
Other	1 021	1 029	(1)
Savings accounts	2 406	2 288	5
	11 271	10 786	5
Fee and commission expense	(173)	(193)	10
	11 098	10 593	5
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	(695)	91	>(100)
Debt securities in issue	(83)	(125)	34
Deposits from banks and due to customers	(1 618)	(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	190	28	>100
Debt instruments	27	(31)	>100
Listed equity instruments	81	460	(82)
Unlisted equity and hybrid instruments	82	(401)	>100
Loans and advances to banks and customers	809	610	33
Statutory liquid asset portfolio	7	12	(42)
Financial instruments held for trading			
Derivatives and trading instruments	2 451	2 373	3
Ineffective hedges	100	(19)	>100
Cash flow hedges	115	(3)	>100
Fair value hedges	(15)	(16)	6
	1 851	2 547	(27)
1.3 Gains and losses from investment activities			
Available-for-sale unwind from reserve			
Investment securities			
Unlisted equity and hybrid instruments	0	1	(62)
Financial instruments designated at fair value through profit or loss			
Investment securities	23	66	(65)
Listed equity instruments	21	54	(61)
Unlisted equity and hybrid instruments	2	12	(83)
Subsidiaries			
Dividends received	1	1	-
	24	68	(65)

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	101	62	63
Auditors' remuneration	131	113	16
Audit fees	86	77	12
Audit fees - underprovision from prior periods	6	8	(25)
Other fees	39	28	39
Cash transportation	625	371	68
Depreciation	1 062	1 052	1
Equipment costs	206	199	4
Rentals	116	121	(4)
Maintenance	90	78	15
Information technology ¹	1 969	1 644	20
Investment property charges	4	4	-
Marketing costs	974	799	22
Operating lease expenses on properties	877	815	8
Other operating costs ²	1 770	1 592	11
Printing and stationery	235	239	(2)
Professional fees	970	817	19
Staff costs	10 836	9 252	17
Bonuses	951	518	84
Current service costs on post-retirement benefits	525	542	(3)
Other staff costs ³	466	297	57
Salaries	8 372	7 523	11
Share-based payments and incentive schemes	280	211	33
Training costs	242	161	50
Telephone and postage	680	676	1
	20 440	17 635	16

Notes

¹Included above are research and development costs of **R133 million** (2009: R146 million).

²Other operating costs include accommodation, travel and entertainment costs.

³Other 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	38	36	6
Amortised cost instruments	13	-	100
Available-for-sale instruments	25	36	(31)
Other	71	1 400	(95)
Computer software development costs	4	-	100
Equipment	13	9	44
Goodwill ¹	-	37	(100)
Investments in associates and joint ventures ²	29	1 328	(98)
Reposessed properties	25	26	(4)
	109	1 436	(92)

Notes

¹During the previous year, the Bank 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.

²During 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 Bank's best estimate of the price the Bank 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 earnings¹ is determined as follows:					
Profit attributable to ordinary equity holder of the Bank		6 432		5 315	21
Adjustments for:					
IFRS 3 (gain on bargain purchase) and goodwill impairment	(72)	(72)	(113)	(113)	36
IAS 16 profit on disposal of property and equipment	(26)	(22)	(55)	(49)	55
IAS 21 recycled foreign currency translation reserve, disposal of investments in foreign operations	-	-	(25)	(25)	100
IAS 28 and 31 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 associates and joint ventures	(42)	(42)	58	50	>(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	(65)	(56)	>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	(0)	(0)	(12)	(10)	(100)
Headline earnings		6 412		5 986	7
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 equity holder of the Bank	Non-controlling interest	Total equity
	(Audited)	(Audited)	(Audited)
	Rm	Rm	Rm
Balance at the beginning of the year	47 318	100	47 418
Shares issued	1 000	-	1 000
Other reserves	1 138	-	1 138
Transfer from share-based payment reserve	(46)	-	(46)
Share-based payments for the year	43	-	43
Other comprehensive income 1	1 089	-	1089
Movement in associates' and joint ventures' retained earnings reserve	(8)	-	(8)
Disposal of associates and joint ventures - release of reserves	60	-	60
Retained earnings	3 109	-	3 109
Contribution to Absa Group Limited Share Incentive Trust	(236)	-	(236)
Transfer from share-based payment reserve	46	-	46
Transfer to associates' and joint ventures' retained earnings reserve (loss)	8	-	8
Disposal of associates and joint ventures - release of reserves	(60)	-	(60)
Profit attributable to ordinary equity holder of the Bank 1	6 432	-	6 432
Other comprehensive income - movement in retirement benefit asset 1	19	-	19
Ordinary dividends paid during the year	(3 100)	-	(3 100)
Increase in non-controlling equity holders' interest	-	37	37
Disposal of businesses	-	(78)	(78)
Profit attributable to non-controlling equity holders of the Bank 1	-	6	6
Profit attributable to preference equity holders of the Bank 1	320	-	320

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December

	2010		
	Total equity attributable to equity holder of the Bank	Non- controlling interest	Total equity
	(Audited)	(Audited)	(Audited)
	Rm	Rm	Rm
Preference dividends paid during the year	(320)	-	(320)
Balance at the end of the year	52 565	65	52 630
Note			
1. Total comprehensive income			
Profit attributable to equity holder of the Bank	6 752	6	6 758
Other comprehensive income	1 108	-	1 108
	7 860	6	7 866

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December

	2009		
	Total equity attributable to equity holders of the Bank	Non- controlling interest	Total equity
	(Audited)	(Audited)	(Audited)
	Rm	Rm	Rm
Balance at the beginning of the year	44 971	23	44 994
Shares issued	1 050	-	1 050
Other reserves	(1 373)	-	(1 373)
Transfer from share-based payment reserve	(68)	-	(68)
Share-based payments for the year	39	-	39
Other comprehensive income 1	(1 191)	-	(1 191)
Movement in capital reserve	(3)	-	(3)
Movement in associates' and joint ventures' retained earnings reserve	(50)	-	(50)
Disposal of associates and joint ventures - release of reserves	(100)	-	(100)
Retained earnings	2 670	-	2 670
Transfer from share-based payment reserve	68	-	68
Transfer to associates' and joint ventures' retained earnings reserve (loss)	50	-	50
Disposal of associates and joint ventures - release of reserves	100	-	100
Contribution to Absa Group Limited Share Incentive Trust	(88)	-	(88)
Profit attributable to ordinary equity holder of the Bank 1	5 315	-	5 315
Profit attributable to preference equity holders of the Bank 1	421	-	421
Other comprehensive income - movement in retirement benefit asset 1	75	-	75
Ordinary dividends paid during the year	(2 850)	-	(2 850)
Preference dividends paid during the year	(421)	-	(421)
Acquisition of businesses	-	73	73

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December

	2009		
	Total equity attributable to equity holders of the Bank	Non- controlling interest	Total equity
	(Audited)	(Audited)	(Audited)
	Rm	Rm	Rm
Profit attributable to non-controlling equity holders of the Bank 1	-	4	4
Balance at the end of the year	47 318	100	47 418
Note			
1. Total comprehensive income			
Profit attributable to equity holders of the Bank	5 736	4	5 740
Other comprehensive income	(1 116)	-	(1 116)
	4 620	4	4 624

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1. DIVIDENDS PER SHARE			
Dividends paid to ordinary equity holder during the year			
16 February 2010 final dividend number 47 of 244,8 cents per ordinary share (9 February 2009: 429,6 cents)	900	1 300	(31)
4 August 2010 interim dividend number 48 of 326,4 cents per ordinary share (3 August 2009: 139,3 cents)	1 200	500	>100
27 August 2010 (1 September 2009) special dividend	1 000	1 050	(5)
	3 100	2 850	9
Dividends paid to ordinary equity holder relating to income for the year			
4 August 2010 interim dividend number 48 of 326,4 cents per ordinary share (3 August 2009: 139,3 cents)	1 200	500	>100
27 August 2010 (1 September 2009) special dividend	1 000	1 050	(5)
15 February 2011 final dividend number 49 of 360,9 cents per ordinary share (16 February 2010: 244,8)	1 350	900	50
	3 550	2 450	45

Note

The STC payable by the Bank in respect of the dividend approved and declared subsequent to the reporting date, amounts to **R135 million** (2009: R90 million). No provision has been made for this dividend and the related STC in the financial statements at the reporting date.

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December

	2010	2009	
	(Audited)	(Audited)	Change
	Rm	Rm	%
1. DIVIDENDS PER SHARE (continued)			
Dividends paid to 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: 3 799,0 cents)	158	187	(16)
	320	421	(24)
Dividends paid to 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: 3 799,0 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)	143	162	(12)
	301	349	(14)
Note <i>The STC payable by the Bank 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.</i>			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December

	2010	2009 ¹	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Net cash generated from operating activities	1 750	3 602	(51)
Net cash generated/(utilised) from investing activities	775	(1 271)	>100
Net cash utilised from financing activities	(3 156)	(909)	>(100)
Net (decrease)/increase in cash and cash equivalents	(631)	1 422	>(100)
Cash and cash equivalents at the beginning of the year 1	5 403	3 981	36
Effect of exchange rate movements on cash and cash equivalents	1	-	100
Cash and cash equivalents at the end of the year 2	4 773	5 403	(12)
NOTES			
1. Cash and cash equivalents at the beginning of the year			
Cash, cash balances and balances with central banks	4 543	3 942	15
Loans and advances to banks	860	39	>100
	5 403	3 981	36
2. Cash and cash equivalents at the end of the year			
Cash, cash balances and balances with central banks	4 431	4 543	(2)
Loans and advances to banks	342	860	(60)
	4 773	5 403	(12)
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	3 148	1 896	66
Home Loans	166	(1 291)	>100
Vehicle and Asset Finance	270	265	2
Card	1 243	787	58
Personal Loans ²	515	20	>100
Retail Bank ²	954	2 115	(55)
Absa Business Bank	2 903	3 194	(9)
Absa Capital	1 307	192	>100
Underlying performance	1 345	1 179	14
Single stock futures impairments	(38)	(987)	96
Corporate centre	(414)	489	>(100)
Capital and funding centre	(192)	(35)	>(100)
Preference equity holders of the Bank	(320)	(421)	24
Profit attributable to ordinary equity holder of the Bank	6 432	5 315	21
Headline earnings adjustments	(20)	671	>(100)
Headline earnings	6 412	5 986	7

Notes

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

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

CONSOLIDATED TOTAL REVENUE¹ CONTRIBUTION BY BUSINESS AREA

Year ended 31 December

	2010	2009 ²	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	21 168	20 698	2
Home Loans	3 480	3 106	12
Vehicle and Asset Finance	2 173	2 221	(2)
Card	3 224	3 073	5
Personal Loans ³	1 936	1 753	10
Retail Bank ³	10 355	10 545	(2)
Absa Business Bank	11 243	10 982	2
Absa Capital	4 816	4 150	16
Corporate centre	(1 090)	(644)	(69)
Capital and funding centre	(106)	300	>(100)
Total revenue	36 031	35 486	2

Notes¹Revenue includes net interest income and non-interest income.²Comparatives have been reclassified for the move of Absa Small Business from Retail Banking to Absa Business Bank.³Personal Loans were previously disclosed as part of Retail Bank.

CONSOLIDATED INTERNAL REVENUE¹ CONTRIBUTION BY BUSINESS AREA

Year ended 31 December

	2010	2009 ²	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	(13 169)	(18 760)	30
Home Loans	(15 157)	(19 734)	24
Vehicle and Asset Finance	(2 929)	(3 864)	24
Card	(460)	(741)	38
Personal Loans ³	(611)	(786)	22
Retail Bank ³	5 988	6 365	(6)
Absa Business Bank	1 987	724	>100
Absa Capital	12 370	20 618	(40)
Corporate centre	(435)	(787)	45
Capital and funding centre	(820)	(847)	3
Internal revenue	(67)	948	>(100)

Notes¹Revenue includes net interest income and non-interest income.²Comparatives have been reclassified for the move of Absa Small Business from Retail Banking to Absa Business Bank.³Personal 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	454 095	434 290	5
Home Loans	242 722	238 013	2
Vehicle and Asset Finance	50 877	48 943	4
Card	20 961	18 565	13
Personal Loans ²	12 887	9 488	36
Retail Bank ²	126 648	119 281	6
Absa Business Bank	161 835	159 557	1
Absa Capital	354 152	360 506	(2)
Corporate centre	(362 014)	(347 344)	(4)
Capital and funding centre	72 855	66 765	9
Total assets	680 923	673 774	1

Notes

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

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

RECLASSIFICATIONS

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

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	15 526	-	15 526
Statutory liquid asset portfolio	33 943	-	33 943
Loans and advances to banks	35 036	-	35 036
Trading portfolio assets	47 303	-	47 303
Hedging portfolio assets	2 558	-	2 558
Other assets	7 219	-	7 219
Current tax assets	107	-	107
Loans and advances to customers	487 672	2 533	490 205
Loans to Absa Group companies	16 232	-	16 232
Investment securities	16 849	-	16 849
Investments in associates and joint ventures	473	-	473
Goodwill and intangible assets	522	-	522
Investment properties	1 705	-	1 705
Property and equipment	6 010	-	6 010
Deferred tax assets	86	-	86
Total assets	671 241	2 533	673 774
Liabilities			
Deposits from banks	43 235	(3 075)	40 160
Trading portfolio liabilities	36 957	-	36 957
Hedging portfolio liabilities	565	-	565
Other liabilities	9 089	-	9 089
Provisions	1 486	-	1 486

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2009

	(Audited)	(Audited)	(Audited)
	As previously		
	Reported	Reclassifications ¹	Reclassified
	Rm	Rm	Rm
Current tax liabilities	31	-	31
Deposits due to customers	343 763	5 608	349 371
Debt securities in issue	169 788	-	169 788
Loans from Absa Group companies	3 464	-	3 464
Borrowed funds	13 530	-	13 530
Deferred tax liabilities	1 915	-	1 915
Total liabilities	623 823	2 533	626 356
Equity			
Capital and reserves			
Attributable to equity holders of the Bank:			
Ordinary share capital	303	-	303
Ordinary share premium	10 465	-	10 465
Preference share capital	1	-	1
Preference share premium	4 643	-	4 643
Other reserves	2 566	-	2 566
Retained earnings	29 340	-	29 340
	47 318		47 318
Non-controlling interest	100	-	100
Total equity	47 418	-	47 418
Total equity and liabilities	671 241	2 533	673 774

Note

¹The Bank has reassessed its counterparty risk for certain scrip lending activities. This was done due to a change in interpretation of customer agreements. This resulted in the Bank 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 Bank 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	16 549	-	16 549
Statutory liquid asset portfolio	33 019	-	33 019
Loans and advances to banks	43 559	231	43 790
Trading portfolio assets	72 929	-	72 929
Hedging portfolio assets	3 139	-	3 139
Other assets	8 594	-	8 594
Non-current assets held-for-sale	2 495	-	2 495
Loans and advances to customers	512 657	675	513 332
Loans to Absa Group companies	18 990	-	18 990
Investment securities	15 191	-	15 191
Investments in associates and joint ventures	2 071	-	2 071
Goodwill and intangible assets	297	-	297
Investment properties	379	-	379
Property and equipment	5 431	-	5 431
Deferred tax assets	78	-	78
Total assets	735 378	906	736 284
Liabilities			
Deposits from banks	60 043	(17)	60 026
Trading portfolio liabilities	68 120	-	68 120
Hedging portfolio liabilities	1 080	-	1 080
Other liabilities	7 476	-	7 476
Provisions	1 893	-	1 893
Current tax liabilities	322	-	322
Non-current liabilities held-for-sale	408	-	408
Deposits due to customers	373 176	923	374 099
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	2 735	-	2 735
Total liabilities	690 384	906	691 290

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (consolidated)

As at 31 December 2008

	(Audited)	(Audited)	(Audited)
	As previously		
	reported	Reclassifications ¹	Reclassified
	Rm	Rm	Rm
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	26 670	-	26 670
	44 971	-	44 971
Non-controlling interest	23	-	23
Total equity	44 994	-	44 994
Total equity and liabilities	735 378	906	736 284

Note

¹The Bank has reassessed its counterparty risk for certain scrip lending activities. This was done due to a change in interpretation of customer agreements. This resulted in the Bank 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 Bank 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

Introduction

Absa Bank (the Bank or the Company) increased attributable earnings by 21% to R6 432 million, compared with the year ended 31 December 2009 (December 2009: R5 315 million). Headline earnings for the year improved by 7% to R6 412 million (December 2009: R5 986 million). Basic earnings per share increased by 18% to 1 738,8 cents per share and headline earnings per share increased by 5% to 1 733,4 cents per share. The Bank recorded a 14,2% return on average equity (December 2009: 14,4%) and return on average assets of 0,94% (December 2009: 0,84%) for the year.

Commentary on the operating environment and the results of Absa Bank Limited and its subsidiaries is set out in the Absa Group's financial results announcement. The Absa Group announcement was released on the JSE Limited Securities Exchange News Service and Absa Group's website (www.absa.co.za) on 15 February 2011 and published in the press on 16 February 2011.

Basis of presentation and changes in accounting policies

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

The Bank'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 Bank 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 Bank was not significant during the year under review.

Reclassifications

The Bank 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 Bank 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 Bank 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. This has resulted in comparatives being reclassified for December 2009 and December 2008.

Auditors' report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., Absa Bank Limited's independent auditors, have audited the consolidated annual financial statements of Absa Bank 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 Bank Limited's registered office.

Declaration of dividend number 10: 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 9,0%.

Notice is hereby given that preference dividend number 10, equal to 63% of the average prime rate for 1 September 2010 to 28 February 2011, per Absa Bank preference share has been declared for the period 1 September 2010 to 28 February 2011. The dividend is payable on Monday, 14 March 2011, to holders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 11 March 2011.

Based on the current prime rate, the preference dividend payable for the period 1 September 2010 to 28 February 2011 would be 2 887,6 cents per Absa Bank preference share. Should the prime rate change prior to 28 February 2011, the actual amount of the dividend will be adjusted accordingly.

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 preference 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
Secretary
Johannesburg
15 February 2011

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

Jason Quinn
Group Financial Controller
Absa Group Limited
4th Floor, Absa Towers East, 170 Main Street, Johannesburg
Tel: +2711 350 7565, Fax: +2711 350 6487
E-mail: jason.quinn@absa.co.za

Alan Hartdegen
Head: Investor Relations
Absa Group Limited
3rd Floor, Absa Towers East, 170 Main Street, Johannesburg

Tel: +2711 350 2598, Fax: +2711 350 5924

E-mail: Alan.Hartdegen@absa.co.za

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