

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 UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

BANK SALIENT FEATURES

	Six months ended			Year ended
	30 June			31 December
	2010	2009 ¹	Change	2009 ¹
	(Unaudited)	(Unaudited)	%	(Audited)
Statement of comprehensive income(Rm)				
Headline earnings ²	3 000	2 854	5	5 986
Profit attributable to ordinary equity holder of the Bank	2 963	2 238	32	5 315
Statement of financial position(Rm)				
Total assets	675 162	716 308	(6)	673 774
Loans and advances to customers	484 583	503 519	(4)	490 205
Deposits due to customers	352 623	363 195	(3)	349 371
Financial performance (%)				
Return on average equity	13,8	14,5		14,4
Return on average assets	0,90	0,82		0,84
Operating performance (%)				
Net interest margin on average assets	3,08	2,79		2,81
Net interest margin on average interest-bearing assets	3,66	3,35		3,52
Impairment losses on loans and advances as % of average loans and advances to customers	1,47	1,81		1,69
Non-performing advances as % of loans and advances to customers	7,5	6,6		7,0
Non-interest income as % of total	41,8	43,8		44,0

	Six months ended			Year ended
	30 June			31 December
	2010	2009 ¹	Change	2009 ¹
	(Unaudited)	(Unaudited)	%	(Audited)
operating income				
Cost-to-income ratio	54,0	46,9		49,7
Effective tax rate, excluding indirect taxation	26,2	21,3		20,4
Share statistics (million)				
(including "A" ordinary shares)				
Number of shares in issue	367,7	359,1		367,7
Weighted average number of shares	367,7	359,1		362,1
Weighted average diluted number of shares	367,7	359,1		362,1
Share statistics(cents)				
Headline earnings per share	815,9	794,9	3	1 653,1
Diluted headline earnings per share	815,9	794,9	3	1 653,1
Earnings per share	805,8	623,3	29	1 467,8
Diluted earnings per share	805,8	623,3	29	1 467,8
Dividends per ordinary share relating to income for the period/year	598,4	431,7	39	676,5
Dividend cover (times)	1,4	1,8		2,4
Net asset value per share	12 284	10 931	12	11 606
Tangible net asset value per share	12 135	10 855	12	11 464
Capital adequacy(%)³				
Absa Bank	14,9	13,7		14,7

Notes

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

²After allowing for **R162 million** (30 June 2009: R234 million) profit attributable to preference equity holders of the Bank.

³This ratio is unaudited.

BANK STATEMENT OF COMPREHENSIVE INCOME

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Net interest income	10 289	9 729	6	19 888
Interest and similar income	26 505	33 670	(21)	62 533
Interest expense and similar charges	(16 216)	(23 941)	32	(42 645)
Impairment losses on loans and advances	(3 532)	(4 527)	22	(8 392)
Net interest income after impairment losses on loans and advances	6 757	5 202	30	11 496
Net fee and commission income 1.1	6 116	5 928	3	12 247
Fee and commission income	6 535	6 288	4	12 993
Fee and commission expense	(419)	(360)	(16)	(746)
Gains and losses from banking and trading activities 1.2	1 116	1 165	(4)	2 547
Gains and losses from investment activities 1.3	4	27	(85)	68
Other operating income	160	477	(66)	736
Operating profit before operating expenditure	14 153	12 799	11	27 094
Operating expenditure	(9 929)	(9 657)	(3)	(19 835)
Operating expenses 2.1	(9 555)	(8 130)	(18)	(17 635)
Other impairments 2.2	(82)	(1 175)	93	(1 436)
Indirect taxation	(292)	(352)	17	(764)
Share of post-tax results of associates and joint ventures	15	(1)	>100	(50)
Operating profit before income tax	4 239	3 141	35	7 209
Taxation expense	(1 111)	(668)	(66)	(1 469)
Profit for the period/year	3 128	2 473	26	5 740

BANK STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Other comprehensive income				
Exchange differences on translation of foreign operations	(77)	(95)	19	(201)
Movement in cash flow hedging reserve	644	(485)	>100	(661)
Fair value gains/(losses) arising during the period/year	1 791	(787)	>100	(143)
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	(897)	113	>(100)	(776)
Deferred tax	(250)	189	>(100)	258
Movement in available-for-sale reserve	(87)	(321)	73	(329)
Fair value losses arising during the period/year	(168)	(236)	29	(309)
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of the comprehensive income	-	(205)	100	(205)
Amortisation of government bonds - release to the profit and loss component of the statement of comprehensive income	46	41	12	104
Deferred tax	35	79	(56)	81
Movement in retirement benefit surplus	(4)	-	(100)	75
(Decrease)/increase in retirement benefit surplus	(6)	-	(100)	104
Deferred tax	2	-	100	(29)
Total comprehensive income for the period/year	3 604	1 572	>100	4 624
Profit attributable to:				
Ordinary equity holder of the Bank	2 963	2 238	32	5 315

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Preference equity holders of the Bank	162	234	(31)	421
Non-controlling interest	3	1	>100	4
	3 128	2 473	26	5 740
Total comprehensive income attributable to:				
Ordinary equity holder of the Bank	3 439	1 337	>100	4 199
Preference equity holders of the Bank	162	234	(31)	421
Non-controlling interest	3	1	>100	4
	3 604	1 572	>100	4 624

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

1. NON-INTEREST INCOME

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1.1 Net fee and commission income				
Fee and commission income				
Asset management and other related fees	53	39	36	100
Consulting and administration fees	54	61	(11)	127
Credit-related fees and commissions	6 176	5 816	6	12 061
Credit cards ¹	867	810	7	1 710
Cheque accounts	1 592	1 569	1	3 168
Electronic banking	1 847	1 626	14	3 490
Other ³	682	720	(5)	1 405
Savings accounts	1 188	1 091	9	2 288
Insurance commission received	100	178	(44)	323
Other fees and commissions	30	52	(42)	88
Project finance fees ³	107	127	(16)	268
Trust and other fiduciary services ²	15	15	-	26
Portfolio and other management fees	9	7	29	10
Trust and estate income	6	8	(25)	16
	6 535	6 288	4	12 993
Fee and commission expense	(419)	(360)	(16)	(746)
	6 116	5 928	3	12 247

Notes

¹Includes merchant and issuing fees.

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

³ Line items within fee and commission income have been reclassified for June 2009 to align with the December 2009 disclosures.

Included above are net fees and commissions linked to financial instruments not at fair value

Fee and commission income				
Credit cards	427	381	12	811
Cheque accounts	1 592	1 569	1	3 168

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1.1 Net fee and commission income (continued)				
Electronic banking	1 847	1 626	14	3 490
Other	504	425	19	1 029
Savings accounts	1 188	1 091	9	2 288
	5 558	5 092	9	10 786
Fee and commission expense	(88)	(93)	5	(193)
	5 470	4 999	9	10 593
1.2 Gains and losses from banking and trading activities				
Associates and joint ventures	42	(58)	>100	(13)
Dividends received	-	-	-	45
Profit/(loss) realised on disposal	42	(58)	>100	(58)
Available-for-sale unwind from reserve	(46)	176	(74)	115
Equity instruments	-	217	(100)	219
Statutory liquid asset portfolio	(46)	(41)	(12)	(104)
Financial instruments designated at fair value through profit or loss	(494)	149	>(100)	91
Debt instruments	17	(40)	>100	(31)
Debt securities in issue	(10)	(8)	(25)	(125)
Deposits from banks and due to customers	(793)	(43)	>(100)	(434)
Equity instruments	(88)	(141)	(38)	59
Loans and advances to banks and customers	377	357	6	610
Statutory liquid asset portfolio	3	24	(88)	12
Financial instruments held for trading				
Derivatives and trading instruments	1 579	915	73	2 373
Ineffective hedges	35	(17)	>100	(19)
Cash flow hedges	43	(7)	>100	(3)
Fair value hedges	(8)	(10)	20	(16)
	1 116	1 165	(4)	2 547

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1.3 Gains and losses from investment activities				
Available-for-sale unwind from reserve				
Equity instruments	-	-	-	1
Financial instruments designated at fair value through profit or loss				
Equity instruments	3	27	(89)	66
Subsidiaries				
Dividends received	1	-	100	1
	4	27	(85)	68

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

2. OPERATING EXPENDITURE

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
2.1 Operating expenses				
Amortisation of intangible assets	47	45	4	62
Auditors' remuneration	65	63	3	113
Cash transportation	283	178	59	371
Depreciation	562	497	13	1 052
Equipment costs	105	89	18	199
Information technology	1 007	795	27	1 620
Investment property charges	-	-	-	4
Marketing costs	286	366	(22)	799
Operating lease expenses on property	440	415	6	815
Other operating costs ¹	808	658	23	1 615
Printing and stationery	116	107	8	239
Professional fees	423	367	15	828
Staff costs	5 071	4 223	20	9 242
Other staff costs ²	224	126	78	287
Salaries	4 312	3 949	9	8 065
Share-based payments and incentive schemes	414	64	>100	729
Training costs	121	84	44	161
Telephone and postage	342	327	5	676
	9 555	8 130	18	17 635
Average number of employees employed by the Bank	30 982	33 313	(7)	31 511
Number of employees employed by the Bank at interim/year-end	30 518	31 446	(3)	30 627

Notes

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

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

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
2.2 Other impairments				
Financial instruments	21	28	(25)	36
Amortised cost instruments	5	-	100	-
Available-for-sale instruments	16	28	(43)	36
Other	61	1 147	(95)	1 400
Computer software development costs	4	-	100	-
Equipment	-	-	-	9
Goodwill ¹	-	37	(100)	37
Investments in associates and joint ventures ²	50	1 067	(95)	1 328
Reposessed properties	7	43	(84)	26
	82	1 175	(93)	1 436

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 comparative periods

CONDENSED NOTES TO THE BANK STATEMENT OF COMPREHENSIVE INCOME

3. HEADLINE EARNINGS

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Headline earnings¹ is determined as follows:				
Profit attributable to ordinary equity holder of the Bank	2 963	2 238	32	5 315
Adjustments for:				
IFRS 3 business combinations (goodwill)	-	27	(100)	(113)
IAS 16 net profit on disposal of property and equipment	(4)	(22)	82	(49)
IAS 21 recycled foreign currency translation reserve, disposal of investments in foreign operations	-	-	-	(25)
IAS 28 net (profit)/loss on disposal of associates and joint ventures	(42)	42	>(100)	50
IAS 28 impairment of investments in associates and joint ventures	36	768	(95)	956
IAS 28 headline earnings component of share of post-tax results of associates and joint ventures	(1)	(4)	75	11
IAS 36 impairment of assets	-	-	-	6
IAS 38 impairment and net profit on disposal of intangible assets	3	(47)	>100	(56)
IAS 39 release of available-for-sale reserves	33	(158)	>100	(115)
IAS 39 impairment and net profit on disposal of available-for-sale assets	12	10	20	16
IAS 40 change in fair value of investment properties	-	-	-	(10)
Headline earnings	3 000	2 854	5	5 986
Note				
¹ The net amount is reflected after taxation and non-controlling interest.				

BANK STATEMENT OF FINANCIAL POSITION

	30 June			31 December
	2010	2009 ¹		2009 ¹
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Assets				
Cash, cash balances and balances with central banks	17 079	16 950	1	15 526
Statutory liquid asset portfolio	35 846	32 189	11	33 943
Loans and advances to banks	36 007	47 641	(24)	35 036
Trading portfolio assets	50 731	58 763	(14)	47 303
Hedging portfolio assets	3 515	2 824	24	2 558
Other assets	11 910	12 845	(7)	7 219
Current tax assets	161	521	(69)	107
Non-current assets held for sale	-	2 017	(100)	-
Loans and advances to customers 1	484 583	503 519	(4)	490 205
Loans to Absa Group companies	10 327	15 763	(34)	16 232
Investments	15 596	14 981	4	16 849
Investments in associates and joint ventures	441	779	(43)	473
Goodwill and intangible assets	548	276	99	522
Investment property	1 737	1 607	8	1 705
Property and equipment	6 582	5 570	18	6 010
Deferred tax assets	99	63	57	86
Total assets	675 162	716 308	(6)	673 774
Liabilities				
Deposits from banks	43 601	45 581	(4)	40 160
Trading portfolio liabilities	37 252	54 534	(32)	36 957
Hedging portfolio liabilities	1 286	1 188	8	565
Other liabilities	11 295	15 604	(28)	9 089
Provisions	807	976	(17)	1 486
Current tax liabilities	-	39	(100)	31
Deposits due to customers	352 623	363 195	(3)	349 371
Debt securities in issue	162 685	173 014	(6)	169 788
Loans from Absa Group companies	-	3 946	(100)	3 464
Borrowed funds 2	13 359	11 823	13	13 530
Deferred tax liabilities	2 319	2 435	(5)	1 915
Total liabilities	625 227	672 335	(7)	626 356

Equity				
Capital and reserves				
Attributable to equity holders of the Bank:				
Ordinary share capital	303	303	-	303
Ordinary share premium	10 465	9 415	11	10 465
Preference share capital	1	1	-	1
Preference share premium	4 643	4 643	-	4 643
Other reserves	3 090	2 897	7	2 566
Retained earnings	31 312	26 640	18	29 340
	49 814	43 899	13	47 318
Non-controlling interest	121	74	64	100
Total equity	49 935	43 973	14	47 418
Total equity and liabilities	675 162	716 308	(6)	673 774

Note

¹Comparatives have been reclassified and restated. Refer to the “Reclassifications and Restatements” section.

CONDENSED NOTES TO THE BANK STATEMENT OF FINANCIAL POSITION

1. NON PERFORMING ADVANCES - 30 JUNE 2010 (Unaudited)

	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
Home Loans	23 590	19 061	4 529	4 529
Absa Vehicle and Asset Finance	2 985	1 785	1 200	1 200
Card	1 821	292	1 529	1 529
Personal Loans	1 042	270	772	772
Absa Private Bank	1 544	1 322	222	222
Other	1 437	757	680	680
Total Retail banking	32 419	23 487	8 932	8 932
Absa Business Bank	4 188	2 803	1 385	1 385
Absa Small Business	439	355	84	84
Total Absa Business Bank	4 627	3 158	1 469	1 469
Total Absa Capital	419	83	336	336
Total non-performing advances	37 465	26 728	10 737	10 737
Non-performing advances as % of loans and advances to customers	7,5			

CONDENSED NOTES TO THE BANK STATEMENT OF FINANCIAL POSITION

1. NON-PERFORMING LOANS - 30 JUNE 2009 (Unaudited)

	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
Home Loans	22 111	18 978	3 133	3 133
Absa Vehicle and Asset Finance	2 965	1 758	1 207	1 207
Card	1 963	475	1 488	1 488
Personal Loans	690	202	488	488
Absa Private Bank	1 302	1 104	198	198
Other	949	519	430	430
Total Retail banking¹	29 980	23 036	6 944	6 944
Absa Business Bank	3 023	2 052	971	971
Absa Small Business	463	340	123	123
Total Absa Business Bank¹	3 486	2 392	1 094	1 094
Total Absa Capital	578	479	99	99
Total non-performing advances	34 044	25 907	8 137	8 137
Non-performing advances as % of loans and advances to customers	6,6			

Note

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

CONDENSED NOTES TO THE BANK STATEMENT OF FINANCIAL POSITION

1. NON PERFORMING ADVANCES - 31 DECEMBER 2009 (Audited)

	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
Home Loans	22 157	18 274	3 883	3 883
Absa Vehicle and Asset Finance	2 486	1 395	1 073	1 073
Card	1 864	370	1 494	1 494
Personal Loans	802	224	578	578
Absa Private Bank	1 463	1 232	231	231
Other	956	438	518	518
Total Retail banking¹	29 710	21 933	7 777	7 777
Absa Business Bank	4 037	2 800	1 237	1 237
Absa Small Business	465	362	103	103
Total Absa Business Bank¹	4 502	3 162	1 340	1 340
Total Absa Capital	805	562	243	243
Total non-performing advances	35 017	25 657	9 360	9 360
Non-performing advances as % of loans and advances to customers	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 BANK STATEMENT OF FINANCIAL POSITION

2. BORROWED FUNDS

	30 June			31 December	
	2010	2009		2009	
	(Unaudited)	(Unaudited)	Change	(Audited)	
	Rm	Rm	%	Rm	
Subordinated callable notes					
The subordinated debt instruments listed below qualify as secondary capital in terms of the Banks Act, No 94 of 1990 (as amended).					
Interest rate	Final maturity date				
10,75%	26 March 2015	-	1 100	(100)	1 100
8,75%	1 September 2017	1 500	1 500	-	1 500
8,80%	7 March 2019	1 725	1 725	-	1 725
8,10%	27 March 2020	2 000	2 000	-	2 000
10,28%	3 May 2022	600	-	100	-
Three-month JIBAR + 0,75%	26 March 2015	-	400	(100)	400
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	-	1 886
6,00%	20 September 2019	3 000	3 000	-	3 000
5,50%	7 December 2028	1 500	-	100	1 500
Accrued interest		745	403	85	575
Fair value adjustment		3	(191)	>100	(156)
		13 359	11 823	13	13 530
Portfolio analysis					
Subordinated callable notes designated at fair value through profit or loss		731	693	6	718
Subordinated callable notes held at amortised cost		7 699	5 567	38	7 221
Amortised cost subordinated callable notes in a fair value hedging relationship		4 929	5 563	(11)	5 591
		13 359	11 823	13	13 530

CONDENSED NOTES TO THE BANK STATEMENT OF FINANCIAL POSITION

	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
3. FINANCIAL GUARANTEE CONTRACTS				
Financial guarantee contracts	614	1 024	(40)	1 007
4. CONTINGENCIES				
Guarantees ¹	11 057	8 825	25	9 829
Irrevocable facilities ²	41 282	30 290	36	54 346
Letters of credit	4 951	4 729	5	4 581
Other contingencies	5	8	(38)	5
	57 295	43 852	31	68 761

Notes

¹Guarantees include performance guarantee contracts and payment guarantee contracts.

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

CONDENSED NOTES TO THE BANK STATEMENT OF FINANCIAL POSITION

5. COMMITMENTS

	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Authorised capital expenditure				
Contracted but not provided for ¹	681	1 283	(47)	728

Note

¹ The Bank has capital commitments in respect of construction of buildings, computer equipment and property purchases. Management is confident that future net revenues and funding will be sufficient to cover these commitments.

Operating lease payments due¹				
No later than one year	1 116	1 196	(7)	1 150
Later than one year and no later than five years	2 129	2 196	(3)	2 132
Later than five years	352	408	(14)	307
	3 597	3 800	(5)	3 589

Note

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

CONDENSED NOTES TO THE BANK STATEMENT OF FINANCIAL POSITION

6. ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

6.1 Disposal of investment in Pinnacle Point Group Limited

During the period under review, the Bank invested a further R95 million in and converted a R125 million loan to Pinnacle Point Group Limited (Pinnacle Point) to equity in terms of an underwriting agreement.

On completion of this transaction, the Bank disposed of its investment in Pinnacle Point for R150 million of which R95 million was received on transaction date. The remainder of the consideration is receivable in 2011 and 2012.

This transaction has not resulted in any profit being recognised in the current period, although additional profit of R55 million may be recognised in 2011 and 2012 on receipt of the remaining consideration.

6.2 Disposal of investment in Virgin Money South Africa (Proprietary) Limited

On 30 June 2010, the Virgin Money South Africa (Proprietary) Limited (VMSA) joint venture arrangement was terminated and restructured into a trademark licence agreement.

The termination resulted in the Bank selling its 50% interest in VMSA for R1, while acquiring VMSA's credit card and home loan business for R1.

A profit on disposal of R88 million has been recognised of which R46 million has been included in headline earnings as it relates to VMSA's indemnification to the Bank for losses incurred in the past and is therefore deemed to be of an operating nature.

The Bank is in the process of finalising the fair values of the assets and liabilities on acquisition in terms of *IFRS 3 - Business Combinations*, which allows for provisional amounts to be recognised for a 12-month period from the acquisition date.

CONDENSED BANK STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010

	Total equity attributable to equity holder of the Bank	Non- controlling interest	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)
	Rm	Rm	Rm
Opening balance	47 318	100	47 418
Other reserves	524	-	524
Transfer from share-based payment reserve	(25)	-	(25)
Share-based payments for the period	8	-	8
Other comprehensive income	480	-	480
Movement in associates' and joint ventures' retained earnings reserve	19	-	19
Disposal of associates and joint ventures - release of reserves	42	-	42
Retained earnings	1 972	-	1 972
Transfer from share-based payment reserve	25	-	25
Transfer to associates' and joint ventures' retained earnings reserve	(19)	-	(19)
Disposal of associates and joint ventures - release of reserves	(42)	-	(42)
Contribution to Absa Group Limited Share Incentive Trust	(51)	-	(51)
Profit attributable to ordinary equity holder of the Bank	2 963	-	2 963
Profit attributable to preference equity holders of the Bank	162	-	162
Other comprehensive income - movement in retirement benefit surplus	(4)	-	(4)
Ordinary dividends paid during the period	(900)	-	(900)
Preference dividends paid during the period	(162)	-	(162)
Net acquisition of subsidiaries	-	18	18
Profit attributable to non-controlling equity holders of the Bank	-	3	3
Balance at 30 June 2010	49 814	121	49 935

Total comprehensive income amounts to **R3 604 million**.

CONDENSED BANK STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2009

	Total equity attributable to equity holders of the Bank	Non- controlling interest	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)
	Rm	Rm	Rm
Opening balance as previously reported	44 640	23	44 663
Restatement of opening balance ¹	331	-	331
Restated opening balance	44 971	23	44 994
Other reserves	(1 042)	-	(1 042)
Transfer from share-based payment reserve	(24)	-	(24)
Share-based payments for the period	(34)	-	(34)
Other comprehensive income	(901)	-	(901)
Movement in associates' and joint ventures' retained earnings reserve	(1)	-	(1)
Disposal of associates and joint ventures - release of reserves	(82)	-	(82)
Retained earnings	(30)	-	(30)
Transfer from share-based payment reserve	24	-	24
Transfer to associates' and joint ventures' retained earnings reserve	1	-	1
Disposal of associates and joint ventures - release of reserves	82	-	82
Contribution to Absa Group Limited Share Incentive Trust	(25)	-	(25)
Profit attributable to ordinary equity holder of the Bank	2 238	-	2 238
Profit attributable to preference equity holders of the Bank	234	-	234
Ordinary dividends paid during the period	(2 350)	-	(2 350)
Preference dividends paid during the period	(234)	-	(234)
Net acquisition of subsidiaries	-	50	50
Profit attributable to non-controlling equity holders of the Bank	-	1	1
Balance at 30 June 2009	43 899	74	43 973

Total comprehensive income amounts to R1 572 million.

Note

¹Comparatives have been restated. Refer to the "Reclassifications and Restatements" section.

CONDENSED BANK STATEMENT OF CHANGES IN EQUITY
FOR THE 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
Restated opening balance	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	(1 191)	-	(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	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	5 315	-	5 315
Profit attributable to preference equity holders of the Bank	421	-	421
Other comprehensive income - movement in retirement benefit surplus	75	-	75
Ordinary dividends paid during the year	(2 850)	-	(2 850)
Preference dividends paid during the year	(421)	-	(421)
Net acquisition of subsidiaries	-	73	73
Profit attributable to non-controlling equity holders of the Bank	-	4	4
Balance at 31 December 2009	47 318	100	47 418

Total comprehensive income amounts to R4 624 million.

CONDENSED NOTES TO THE BANK STATEMENT OF CHANGES IN EQUITY

1. DIVIDENDS PER SHARE

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Dividends paid to ordinary equity holder during the period/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)	1 300
29 May 2009 special dividend paid to Absa Group Limited	-	1 050	(100)	1 050
3 August 2009 interim dividend number 46 of 139,3 cents per ordinary share	-	-	-	500
	900	2 350	(62)	2 850
Dividends paid to ordinary equity holder relating to income for the period/year				
5 August 2010 special dividend paid to Absa Group Limited (29 May 2009 special dividend paid to Absa Group Limited)	1 000	1 050	(5)	1 050
5 August 2010 interim dividend number 48 of 326,4 cents per ordinary share (3 August 2009: 139,3 cents)	1 200	500	>100	500
16 February 2010 final dividend number 47 of 244,8 cents per ordinary share	-	-	-	900
	2 200	1 550	42	2 450

CONDENSED NOTES TO THE BANK STATEMENT OF CHANGES IN EQUITY

1. DIVIDENDS PER SHARE (CONTINUED)

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Dividends paid to preference equity holders during the period/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)	234
3 August 2009 interim dividend number 7 of 3 799,0 cents per preference share	-	-	-	187
	162	234	(31)	421
Dividends paid to preference equity holders relating to income for the period/year				
5 August 2010 interim dividend number 9 of 3 197,5 cents per preference share (3 August 2009: 3 799,0 cents)	158	187	(16)	187
16 February 2010 final dividend number 8 of 3 280,3 cents per preference share	-	-	-	162
	158	187	(16)	349

CONDENSED BANK STATEMENT OF CASH FLOWS

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Net cash generated from operating activities	2 215	3 450	(36)	3 622
Net cash utilised from investing activities	(176)	(784)	78	(1 291)
Net cash utilised from financing activities	(1 613)	(2 842)	43	(909)
Net increase/(decrease) in cash and cash equivalents	426	(176)	>100	1 422
Cash and cash equivalents at the beginning of the period/year 1	5 403	3 981	36	3 981
Effect of exchange rate movements on cash and cash equivalents	1	(1)	>100	-
Cash and cash equivalents at the end of the period/year 2	5 830	3 804	53	5 403
NOTES TO THE CONDENSED BANK STATEMENT OF CASH FLOWS				
1. Cash and cash equivalents at the beginning of the period/year				
Cash, cash balances and balances with central banks	4 543	3 942	15	3 942
Loans and advances to banks	860	39	>100	39
	5 403	3 981	36	3 981
2. Cash and cash equivalents at the end of the period/year				
Cash, cash balances and balances with central banks	4 100	3 059	34	4 543
Loans and advances to banks	1 730	745	>100	860
	5 830	3 804	53	5 403

BANK PROFIT CONTRIBUTION BY BUSINESS AREA

	Six months ended			Year ended
	30 June			31 December
	2010	2009 ¹		2009 ¹
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Banking operations				
Retail banking	975	810	20	1 897
Home Loans	(201)	(706)	72	(1 291)
Absa Vehicle and Asset Finance	52	17	>100	265
Card	486	280	74	787
Personal Loans	170	51	>100	20
Retail Bank	468	1 168	(60)	2 116
Absa Business Bank	1 367	1 457	(6)	3 193
Absa Capital	614	10	>100	192
Underlying performance	661	798	(17)	1 179
Single stock futures impairments	(47)	(788)	94	(987)
Corporate centre	177	404	(56)	489
Capital and funding centre	(8)	(209)	96	(35)
Preference equity holders of the Bank	(162)	(234)	31	(421)
Profit attributable to ordinary equity holder of the Bank	2 963	2 238	32	5 315
Headline earnings adjustments	37	616	(94)	671
Headline earnings	3 000	2 854	5	5 986

Note

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

BANK REVENUE¹ CONTRIBUTION BY BUSINESS AREA

	Six months ended			Year ended
	30 June			31 December
	2010	2009 ²		2009 ²
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Banking operations				
Retail banking	10 225	10 249	(0)	20 699
Home Loans	1 618	1 588	2	3 106
Absa Vehicle and Asset Finance	1 074	1 130	(5)	2 221
Card	1 535	1 490	3	3 073
Personal Loans	911	894	2	1 753
Retail Bank	5 087	5 147	(1)	10 546
Absa Business Bank	5 473	5 262	4	10 982
Absa Capital	2 375	2 076	14	4 150
Corporate centre	(524)	(206)	>(100)	(645)
Capital and funding centre	136	(55)	>100	300
Total revenue	17 685	17 326	2	35 486

Notes

¹Revenue 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.

RECLASSIFICATIONS AND RESTATEMENTS

Some items within the statement of financial position for the six months ended 30 June 2009 and for the year ended 31 December 2009 were reclassified and restated in the current year:

BANK STATEMENT OF FINANCIAL POSITION – 30 JUNE 2009

	(Unaudited)	(Unaudited)	(Unaudited)
	As previously	Reclassifications	Reclassified
	Reported	and restatements	and restated
	Rm	Rm	Rm
Assets			
Cash, cash balances and balances with central banks 1	16 970	(20)	16 950
Statutory liquid asset portfolio	32 189	-	32 189
Loans and advances to banks 4	47 635	6	47 641
Trading portfolio assets	58 763	-	58 763
Hedging portfolio assets	2 824	-	2 824
Other assets 1+2	12 314	531	12 845
Current tax assets	521	-	521
Non-current assets held for sale	2 017	-	2 017
Loans and advances to customers 1+4	503 331	188	503 519
Loans to Absa Group companies	15 763	-	15 763
Investments	14 981	-	14 981
Investments in associates and joint ventures	779	-	779
Goodwill and intangible assets 1	285	(9)	276
Investment property 1	1 647	(40)	1 607
Property and equipment	5 570	-	5 570
Deferred tax assets 1	65	(2)	63
Total assets	715 654	654	716 308
Liabilities			
Deposits from banks 4	46 543	(962)	45 581
Trading portfolio liabilities	54 534	-	54 534
Hedging portfolio liabilities	1 188	-	1 188
Other liabilities and sundry provisions 3	16 623	(16 623)	-
Other liabilities 1+3	-	15 604	15 604
Provisions 3	-	976	976

	(Unaudited)	(Unaudited)	(Unaudited)
	As previously	Reclassifications	Reclassified
	Reported	and restatements	and restated
	Rm	Rm	Rm
Current tax liabilities	39	-	39
Deposits due to customers 4	362 012	1 183	363 195
Debt securities in issue	173 014	-	173 014
Loans from Absa Group companies	3 946	-	3 946
Borrowed funds	11 823	-	11 823
Deferred tax liabilities 1+2	2 296	139	2 435
Total liabilities	672 018	317	672 335
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	2 897	-	2 897
Retained earnings 1	26 309	331	26 640
	43 568	331	43 899
Non-controlling interest 1	68	6	74
Total equity	43 636	337	43 973
Total equity and liabilities	715 654	654	716 308

BANK STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2009

	(Audited)	(Audited)	(Audited)
	As previously		
	reported	Restatements	Restated
	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 4	487 672	2 533	490 205
Loans to Absa Group companies	16 232	-	16 232
Investments	16 849	-	16 849
Investments in associates and joint ventures	473	-	473
Goodwill and intangible assets	522	-	522
Investment property	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 4	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
Current tax liabilities	31	-	31
Deposits due to customers 4	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			

	(Audited)	(Audited)	(Audited)
	As previously		
	reported	Restatements	Restated
	Rm	Rm	Rm
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

COMMENTARY ON THE RECLASSIFICATIONS AND RESTATEMENTS

1. IFRS 3 – Business Combinations fair value adjustments

The acquisition of the majority interest in Ballito Junction Development (Proprietary) Limited and Ngwenya River Estate (Proprietary) Limited was accounted for provisionally in the June 2009 financial results in accordance with *IFRS 3 – Business combinations*. The Bank finalised the fair values of the assets and liabilities on acquisition within the 12-month window period as allowed by IFRS 3. This resulted in a decrease in total assets of R36 million which includes additional goodwill of R6 million being recognised, a decrease in total liabilities of R53 million as well as R17 million negative goodwill recognised in the statement of comprehensive income. This restatement only has an impact on the value of the opening balances of the comparatives disclosed for June 2009.

The acquisition of the majority interest in Abseq Properties (Proprietary) Limited was accounted for provisionally in the June 2009 financial results in accordance with *IFRS 3 – Business combinations*. The Bank finalised the fair values of the assets and liabilities on acquisition within the 12-month window period as allowed by IFRS 3. This resulted in an increase in total assets of R34 million which includes reduced goodwill of R15 million being recognised, an increase in total liabilities of R28 million as well as R6 million additional non-controlling interest.

2. Retirement benefit fund

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

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

3. Provisions

Provisions were previously disclosed as part of other liabilities and sundry provisions and are now disclosed separately on the statement of financial position at December 2009. Comparatives for June 2009 have been reclassified to be consistent with the change made in December 2009.

4. Trading related activities

During the period under review, the Bank has reassessed its counterparty risk for certain trading activities due to a change in interpretation of customer agreements as well as a consideration of the risk inherent in its hedging portfolios. This has resulted in comparatives being restated for June and December 2009.

PROFIT AND DIVIDEND ANNOUNCEMENT

Introduction

Absa Bank increased attributable earnings by 32% to R2 963 million, compared with the six months ended 30 June 2009 (June 2009: R2 238 million). Headline earnings for the period improved by 5% to R3 000 million (June 2009: R2 854 million). Earnings per share increased by 29% to 805,8 cents per share and headline earnings per share increased by 3% to 815,9 cents per share.

The Bank recorded a 13,8% return on average equity (June 2009: 14,5%) and return on average assets of 0,90% (June 2009: 0,82%) for the six months under review.

Commentary pertaining to the operating environment and the results of Absa Bank and its subsidiaries is set out in the Absa Group's financial results announcement. The Absa Group announcement was released on the JSE Limited Securities Exchange News Service and Absa Group's website (www.absa.co.za) on 5 August 2010 and will be published in the press on 6 August 2010.

Basis of presentation and changes in accounting policies

The Bank's interim results have been prepared in accordance with International Financial Reporting Standards (IFRS). The disclosures comply with International Accounting Standard (IAS) 34.

The accounting policies applied in preparing the financial results for the six months ended 30 June 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, acquisition related costs must be accounted for separately from the business combination. The impact of this amendment on the Group was not significant during the period under review.

Revised *IAS 27 - Consolidated and Separate Financial Statements* specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control, must be accounted for as equity transactions. The revised IFRS 3 has been applied prospectively to all business combinations from 1 January 2010. 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 period under review.

Changes in accounting policies

During 2009, the Bank changed its accounting policy in accordance with the allowed alternative in *IAS 19 - Employee Benefits* to recognise actuarial gains and losses on the Bank's defined benefit pension plan. As a result of this change in accounting policy, any adjustments to the surplus or deficit by applying the limit to the asset in accordance with IAS 19 will also be recognised in other comprehensive income. This new policy results in

more relevant information on the Bank's performance by removing the volatility from changes in actuarial assumptions and reserves.

Restatements

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

Reclassifications

During the period under review, the Bank has reassessed its counterparty risk for certain trading activities due to a change in interpretation of customer agreements as well as a reconsideration of the risk inherent in its trading portfolios. This has resulted in comparatives being reclassified for June and December 2009.

Declaration of dividend number 9: Absa Bank non-cumulative, non-redeemable preference shares (Absa Bank preference shares)

The Absa Bank preference shares have an effective coupon rate of 63% of Absa Bank's prevailing prime overdraft lending rate (prime rate). Absa Bank's current prime rate is 10,0%.

Notice is hereby given that preference dividend number 9, equal to 63% of the prime rate as at 31 August 2010 per Absa Bank preference share has been declared for the period 1 March 2010 to 31 August 2010. The dividend is payable on Monday, 30 August 2010 to shareholders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 27 August 2010. Should the prime rate change prior to 30 August 2010, the actual amount of the dividend will be adjusted accordingly.

Based on the current prime rate, the preference dividend payable for the period 1 March 2010 to 31 August 2010 would indicatively be 3 197,5 cents per Absa Bank preference share.

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

Last day to trade cum dividend	Friday, 20 August 2010
Shares commence trading ex dividend	Monday, 23 August 2010
Record date	Friday, 27 August 2010
Payment date	Monday, 30 August 2010

Share certificates may not be dematerialised or rematerialised between Monday, 23 August 2010 and Friday, 27 August 2010, both dates inclusive.

On Monday, 30 August 2010 the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not use this facility, cheques dated 30 August 2010 will be posted on or about that date. The

accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will be credited on Monday, 30 August 2010.

On behalf of the board

Sarita Martin
Company Secretary

Johannesburg
4 August 2010

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

Enquiries

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