Absa Group Limited

Interim financial results

For the six months ended 30 June 2010

Member of the BARCLAYS Group

ABSA

Today, tomorrow, together.

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Performance indicators

Absa produced a stable financial performance for the six months ended 30 June 2010 in a difficult operating environment. The focus for the period under review has been on positioning the Group for sustainable growth. This is being achieved through the implementation of the "One Absa" strategy.

The "One Absa" strategy is defined by four key themes, namely:

- to become the leading bank in South Africa and selected African countries in terms of profitability and return on equity;
- to have a strong and shock-resilient statement of financial position and to proactively manage risk;
- to establish a "One Absa" mindset in order to improve integration, generate efficiencies and focus on delivery to customers; and
- to deliver great customer service by talented and motivated people.

Performance for the six months ended 30 June 2010

Strategic theme: Sustainable growth in targeted markets

- Net interest income growth of **5%**
- Growth in attributable earnings of **17%**
- RoE of **15,0%**

Strategic theme: Statement of financial position optimisation and proactive risk management

- Group total capital adequacy ratio of **15,8%**
- Tier I capital adequacy ratio of **13,1%**
- Risk-weighted assets of **R395,5 billion** (↑1%)
- Impairment ratio of **1,50%**

Strategic theme: Simple, streamlined Group for customer delivery

- Cost-to-income ratio of **53,6%**
- **R46 million** invested in delivery footprint (↓10%)

Strategic theme: Customer and people centred organisation

- Banking customer-base[1] of **11,5 million** (↑2%)
- Contractual bancassurance relationships of **5,8 million** (↑3%)
- Internet users of **1,1 million** (↑10%)
- Cellphone banking customers of **2,0 million** (↑52%)
- **1 043** staffed outlets[1]
- **8 885** ATMs[1]
- **36 356** employees[1]

Note

[1] *Including African operations.*

Financial performance

The six months under review was characterised by stable revenue growth, lower impairment levels and an increase in operating expenses.

This resulted in attributable earnings and headline earnings increasing by 17% and 1% respectively, for the period under review. The difference between the change in headline and attributable earnings mainly relates to the impairment against the value of equity positions acquired resulting from single stock future defaults incurred in the first half of 2009.

Loans and advances to customers declined by 4%:
R499,9 billion
(30 June 2009: R521,6 billion)

Net interest margin on average interest-bearing assets:
3,89%
(30 June 2009: 3,58%)

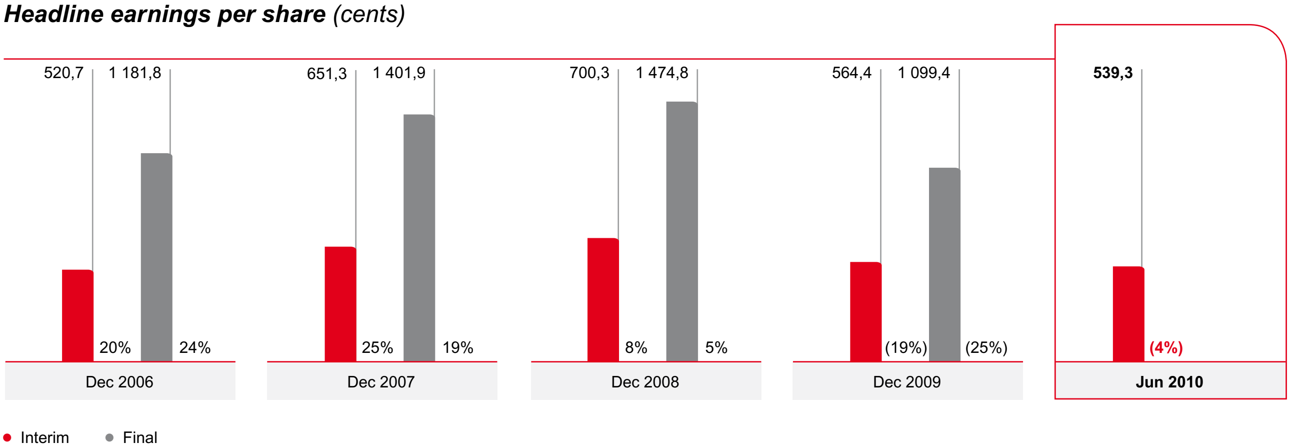
Total capital adequacy ratio increased by 190 basis points:
15,8%
(30 June 2009: 13,9%)

Impairment losses ratio:
1,50%
(30 June 2009: 1,86%)

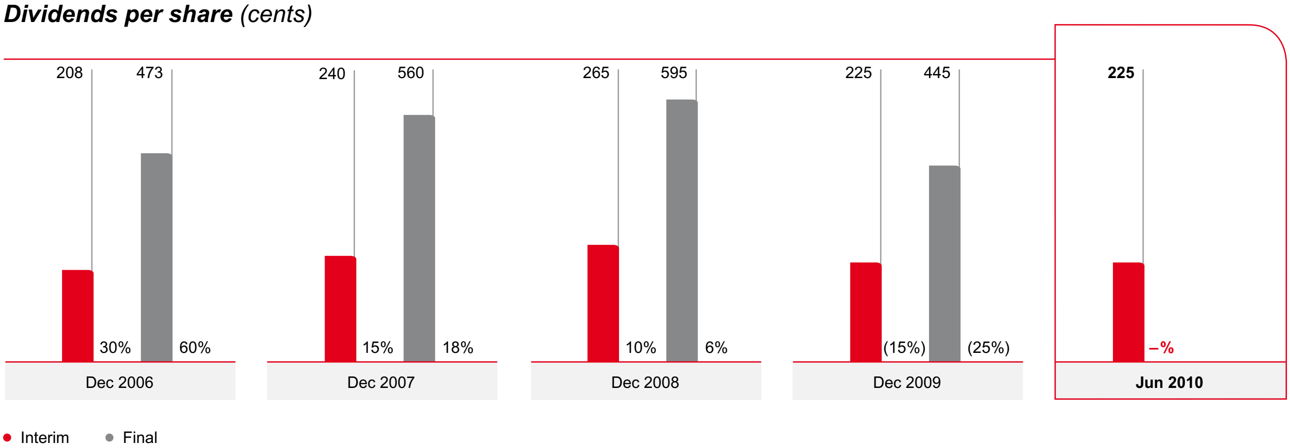
Market capitalisation increased by 10%:
R87,3 billion
(30 June 2009: R79,0 billion)

Cost-to-income ratio:
53,6%
(30 June 2009: 46,6%)

Headline earnings per share *(cents)*



Dividends per share *(cents)*



	Six months ended 30 June 2010 (Unaudited)	30 June 2009[1] (Unaudited)	Change %	Year ended 31 December 2009[1] (Audited)
Statement of comprehensive income (Rm)				
Headline earnings[2]	**3 862**	3 826	1	7 621
Profit attributable to ordinary equity holders of the Group	**3 842**	3 272	17	6 840
Statement of financial position (Rm)				
Total assets	**718 204**	748 627	(4)	710 796
Loans and advances to customers	**499 976**	521 615	(4)	506 163
Deposits due to customers	**359 943**	371 279	(3)	356 365
Off-statement of financial position (Rm)				
Assets under management and administration	**153 469**	149 523	3	155 114
Financial performance (%)				
Return on average equity	**15,0**	16,3		15,5
Return on average assets	**1,08**	1,02		1,02
Operating performance (%)				
Net interest margin on average assets	**3,17**	2,86		2,92
Net interest margin on average interest-bearing assets	**3,89**	3,58		3,74
Impairment losses on loans and advances as % of average loans and advances to customers	**1,50**	1,86		1,74
Non-performing advances as % of loans and advances to customers	**7,6**	6,6		7,0
Non-interest income as % of total operating income	**46,2**	48,7		48,1
Cost-to-income ratio	**53,6**	46,6		49,6
Effective tax rate, excluding indirect taxation	**26,8**	23,9		23,8
Share statistics (million)				
Number of shares in issue	**718,2**	718,2		718,2
Weighted average number of shares	**716,1**	677,9		693,2
Weighted average diluted number of shares	**720,7**	696,1		711,5
Share statistics (cents)				
Headline earnings per share	**539,3**	564,4	(4)	1 099,4
Diluted headline earnings per share	**535,9**	550,5	(3)	1 072,0
Earnings per share	**536,5**	482,7	11	986,7
Diluted earnings per share	**533,1**	470,9	13	962,2
Dividends per ordinary share relating to income for the period/year	**225**	225	—	445
Dividend cover (times)	**2,4**	2,5		2,5
Net asset value per share	**7 420**	6 576	13	7 038
Tangible net asset value per share	**7 236**	6 442	12	6 865
Capital adequacy (%)[3 + 4]				
Absa Group	**15,8**	13,9		15,6
Absa Bank	**14,9**	13,7		14,7

Notes

[1] *Comparatives have been reclassified and restated. Refer to pages 92 – 101.*

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

[3] *Refer to pages 60 – 65 for the capital management section reflecting the Tier I and Tier II capital ratios.*

[4] *These ratios are unaudited.*

Group financial reporting structure

Absa Group Limited

Retail banking

- Home Loans (including Repossessed Properties)
- Absa Vehicle and Asset Finance (AVAF)
- Card
- Personal Loans
- Retail Bank (including Absa Private Bank)[1]
- Woolworths Financial Services (Proprietary) Limited

African operations

- Barclays Bank Mozambique (BBM)
- National Bank of Commerce Limited (NBC) (Tanzania)

Commercial banking

- Absa Business Bank (ABB)[2]
  - Large Business
  - Medium Business
  - Small Business[3]
  - Public sector
  - Commercial Asset Finance (CAF)
  - Commercial Property Finance (CPF)
  - Absa Development Company Holdings (Proprietary) Limited

African operations

- Barclays Bank Mozambique (BBM)
- National Bank of Commerce Limited (NBC) (Tanzania)

International operations

- Absa Bank London

Investment banking

- Absa Capital
  - Investment banking
  - Markets
  - Private Equity and Infrastructure Investments
  - Single stock futures and other
- Absa Wealth

African operations

- Barclays Bank Mozambique (BBM)
- National Bank of Commerce Limited (NBC) (Tanzania)

International operations

- Absa Bank London

Bancassurance

Insurance

- Absa Life Limited
- Absa Insurance Company Limited
- Absa *idirect* Limited

Investments

- Absa Asset Management (Proprietary) Limited
- Absa Fund Managers Limited
- Absa Investment Management Services (Proprietary) Limited
- Absa Mortgage Fund Managers (Proprietary) Limited
- Absa Portfolio Managers (Proprietary) Limited
- Absa Stockbrokers (Proprietary) Limited

Fiduciary

- Absa Consultants and Actuaries (Proprietary) Limited
- Absa Health Care Consultants (Proprietary) Limited
- Absa Trust Limited

Other

- Absa Insurance and Financial Advisers (Proprietary) Limited

Other Group activities

- Corporate Real Estate Services (CRES)

International operations

- Absa Bank London
- Absa Manx Insurance Company Limited

Notes

[1] On 30 June 2010, the Virgin Money South Africa (Proprietary) Limited joint venture arrangement was terminated and restructured into a trademark licence agreement which is managed through the Card division.

[2] Absa Corporate and Business Bank (ACBB) changed its name to Absa Business Bank (ABB) during the period under review. The Corporate business is still managed by Commercial banking.

[3] Absa Small Business was moved from Retail banking to Commercial banking during the period under review.

Overview of results

The Group increased attributable earnings by 17% to R3 842 million, compared to the six months ended 30 June 2009 (June 2009: R3 272 million). Headline earnings for the period increased by 1% to R3 862 million (June 2009: R3 826 million). The difference between the change in headline and attributable earnings relates mainly to impairments recognised against the value of equity positions acquired resulting from single stock future defaults in the first half of 2009 by Absa Capital.

Headline earnings per share (HEPS) declined by 4% to 539,3 cents per share, with fully diluted HEPS decreasing by 3% to 535,9 cents per share. This decline was driven by an increase in the weighted average number of shares in issue owing to the successful conclusion, in 2009, of the Group's broad-based black economic empowerment transaction.

The Group recorded a 15,0% return on average equity (RoE) (June 2009: 16,3%) and a return on average assets of 1,08% (June 2009: 1,02%) for the six months under review.

Subdued asset growth, low transaction volume growth, the continued increase in insurance claims and the weakness of equity markets impacted the revenue performance for the period. Earnings were, however, positively influenced by a decline in the retail credit impairment charge. The Group continued to make investments in people and information technology during the period under review in order to position the Group for future growth.

The Group's retail banking operations and Absa Capital experienced positive attributable earnings growth for the period. However, Absa Business Bank and the Group's bancassurance operations experienced a decline in attributable earnings as a result of the challenging operating environment.

Operating environment

Fears over the sustainability of the global economic recovery remained top of the global agenda over the past six months, fuelled by the sovereign debt crisis in Southern Europe and the potential impact of fiscal austerity measures on economic growth in the Euro zone. This illustrates that the global economic recovery will remain fragile and that the trajectory of the expected upturn will not be smooth.

The South African economy started showing signs of recovery, with first quarter GDP growing at an annualised rate of 4,6%. Output in the primary and secondary sectors of the economy grew, but output levels in these sectors are yet to recover to their pre-crisis levels. A similar picture emerges when viewing the demand side of the economy. Although real household consumption and income grew in the first quarter of 2010, they remain below their previous cyclical highs and employment levels remain under pressure. Corporate credit extension has been contracting for almost a year now, underscoring the challenging private sector investment environment.

Consumer price inflation continued to trend lower since the start of this year, falling from 6,2% in January to 4,2% in June. The generally more benign inflation outlook, along with an inconsistent economic recovery, saw the prime interest rate in March fall to its lowest level since the late 1970s. Financial markets currently price in a better than even chance of a further rate cut later in the year.

Group performance

Statement of financial position

The Group's total assets as at 30 June 2010 at R718,2 billion remained relatively unchanged from 31 December 2009, but declined by 4% from 30 June 2009 largely due to a decline in loans and advances to customers.

Loans and advances to customers

The Group experienced a decline in gross loans and advances of 4% from June 2009. The mortgage book, comprising 59% of the Group's gross loans and advances, remained unchanged from 31 December and 30 June 2009, while instalment finance loans declined significantly by 10% from 30 June 2009 and 6% from 31 December 2009 (annualised). The decline in advances was as a result of lower customer demand and the continued focus on risk appetite. This, together with the focus on pricing for risk at a customer level, lead to a decline in market share in some products. For the first time since August 2008, growth in the instalment finance book was experienced in the latter part of the period under review. Personal and term loans grew strongly over the period and increased by 32% from 31 December 2009 (annualised) and 14% from June 2009. Due to continued customer deleveraging, corporate loans declined by 18% from 30 June 2009 and 8% from 31 December 2009 (annualised).

Deposits due to customers

Deposits due to customers increased 2% to R359,9 billion from December 2009 (annualised). Absa achieved solid deposit growth in retail banking, particularly from cheque accounts, savings and transmissions accounts compared to June 2009, thereby further cementing the Group's leading market share in individual deposits.

Net asset value

The Group's net asset value (NAV) per share increased by 5% to 7 420 cents per share (cps) compared to 7 038 cps as at 31 December 2009. Surplus capital was generated from net profits after the payment of ordinary dividends. Since the growth rate in NAV exceeds the growth in headline earnings, the Group's RoE declined from 15,5% for the year ended 31 December 2009 to 15,0% for the six months ended 30 June 2010.

Capital to risk-weighted assets

The Group improved its healthy capital adequacy position during the period under review. As at 30 June 2010, the capital adequacy ratios of the Group were 11,9% (June 2009: 10,3%) at a core tier I level, 13,1% (June 2009: 11,5%) at tier I level, while the total capital adequacy ratio was 15,8% (June 2009: 13,9%).

Absa Bank's core tier I ratio, as at 30 June 2010, was 10,7% (June 2009: 9,5%), the tier I ratio was 12,0% (June 2009: 10,8%) and the total capital adequacy ratio was 14,9% (June 2009: 13,7%).

Statement of comprehensive income[1]

The subdued economic environment resulted in the Group's total revenue remaining largely unchanged. Revenue, net of impairments, increased by 7%. Operating expenses increased by 15% owing to the continued investment in infrastructure and people required to grow the business. This, together with an increase in taxation of 32% and a reduction in non-controlling interest, resulted in an increase in attributable earnings of 17% and headline earnings improved by 1%.

Note

[1] *Comparatives relate to the six months ended 30 June 2009.*

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Net interest income

Net interest income increased by 5% to R11 293 million. The net interest margin on average interest-earning assets improved by 31 basis points, from 3,58% to 3,89%. The margin of the retail and commercial businesses remained largely unchanged in spite of the significant negative endowment impact on capital and pricing pressure on wholesale deposits. This was the result of improved pricing for credit risk, a change in the advances composition in favour of higher margin products and effective hedging strategies to ensure margin stability.

Credit impairments

After almost doubling in 2008, credit impairment charges have started to decline. The Group recorded an impairment charge of R3 704 million for the six months ended 30 June 2010 (June 2009: R4 834 million), a reduction of 23%. In spite of a lower inflow into legal, non-performing advances remain high due to a low cure rate and the impact of accounts subject to debt review. Non-performing advances, as a percentage of loans and advances to customers, at 7,6%, were above the levels recorded for June 2009 (6,6%), and December 2009 (7,0%).

The Group's credit impairment ratio improved to 1,50% from the 1,86% recorded for the six months ended 30 June 2009 and the 1,74% recorded for the year ended 31 December 2009.

Non-interest income

Continued growth in customer numbers resulted in net fee and commission income increasing by 2%. All business units showed an increase in net fees and commissions, except for investment banking which reflects the lack of business flow in this area. Strong insurance premium growth was offset by higher insurance claims. The Group experienced solid growth in net trading results of 12% to R1 217 million (June 2009: R1 082 million). Returns from equity-related investments in the banking book declined by approximately R244 million, mainly as a result of the inclusion of the profit on the sale of MasterCard shares (R217 million) and unrealised gains on Visa (R115 million) in non-interest income for the six months ended 30 June 2009. The listed value of the Visa shareholding declined by R116 million in the current period. As a result, non-interest income showed negative growth of 5%.

Operating expenses

Group operating expenses increased by 15%. The Group's strategic initiatives, however, resulted in additional investment in information technology as a result of the replacement of legacy systems, the enhancement of end-to-end processes and the implementation of systems to adopt the Basel II advanced internal ratings-based approach. Excluding these investments and initiatives aimed at retaining talented employees, costs were contained to an 11% increase.

Taxation

The Group's taxation increased by 32% to R1 506 million for the six months ended 30 June 2010 (June 2009: R1 138 million). The effective taxation rate for the period increased to 26,8% from 23,9%.

Segmental performance

Retail banking

Retail banking increased headline earnings by 40% to R1 018 million (June 2009: R728 million). The business grew attributable earnings by 16% to R1 060 million (June 2009: R916 million). The improvement can largely be attributed to the significant decline of 26% in the credit impairment charge. The cluster experienced a 2% decline in total revenue, owing to subdued credit demand, limited transaction volume growth and one-off items in the base. Revenue for 2009 included the gains on the mark-to-market of Visa and sale of MasterCard shares. Operating costs remained well managed, and the cluster experienced a 9% growth in operating expenses.

Absa Business Bank

Absa Business Bank experienced a decline in attributable and headline earnings of 9%. Interest income remained at previous levels in spite of negative advances growth and pressure on deposit margins. However, in line with the continued focus on non-interest income, net fees and commissions increased by 7%, which was underpinned by an increase in electronic and cash transactions of 13% and 24% respectively. The credit impairment charge declined by 9% with operating expenses increasing by 14% as a result of continued investment in capacity enhancement.

Absa Capital

Attributable earnings for Absa Capital increased by 443% to R700 million, with headline earnings declining by 19% to R747 million (June 2009: R917 million). Revenue from the markets business remained strong in spite of the significant reduction in foreign currency client flows. Client activity in respect of investment banking was below previous year levels and revenue declined by 8%. The business continued to expand into Africa and attributable earnings from sources outside of South Africa recorded growth of 60%. Continued investment in systems, infrastructure and talent impacted cost growth.

Bancassurance

Absa's insurance companies delivered strong premium growth with gross premium income for Absa Life and Absa Insurance increasing by 29% and 12% respectively. However, lower fee income, together with increases in short-term insurance claims, combined to drive attributable earnings down 10% to R606 million. Absa Life's embedded value of new business increased by 29% to R211 million and achieved a return on embedded value of 32,3% while Absa Insurance recorded an underwriting margin of 9,1%. The return on the investment of shareholders' funds increased by 11% to R118 million, reflecting the low interest rate environment.

Prospects

The business environment will remain challenging in spite of our expectation that the economic upturn will continue and household spending will recover slowly. In excess of one million job losses and high levels of household indebtedness will continue to weigh on the willingness and ability of households to take on new debt. Investment growth is expected to remain tepid until the slack that was built up during the recession is fully utilised, thus making a quick recovery in corporate credit demand unlikely. Although

Prospects *(continued)*

overall credit growth is likely to remain weak, signs that the economic recovery is proceeding suggest that interest rates are at or near their low point, but continuing uncertainty around the impact of global events suggests that a cautious approach may be maintained by the South African Reserve Bank. The Group expects little change in trading conditions in the second half of the year.

Basis of presentation and changes in accounting policies

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

Restatements

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

Reclassifications

During the period under review, the Group 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.

On behalf of the board

DC Brink
Group Chairman

M Ramos
Group Chief Executive

Johannesburg
5 August 2010

Declaration of interim ordinary dividend number 48

Shareholders are advised that an interim ordinary dividend of 225 cents per ordinary share was declared today, Thursday, 5 August 2010. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 27 August 2010.

In compliance with the requirements of Strate, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade cum dividend	Friday,	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

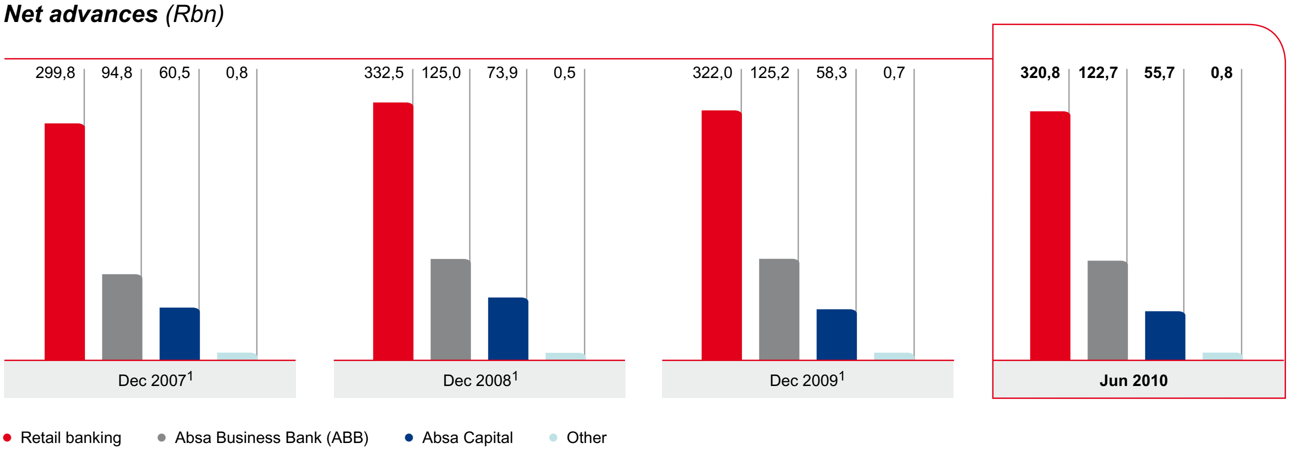
S Martin
Group Secretary

Johannesburg
5 August 2010

Statement of financial position

1. Loans and advances to customers

***Net advances** (Rbn)*



	June 2010 %	June 2009[1] %	December 2009[1] %
Loans and advances mix			
Retail banking	**64,2**	62,6	63,7
ABB	**24,5**	23,7	24,7
Absa Capital	**11,1**	13,6	11,5
Other	**0,2**	0,1	0,1
	100,0	100,0	100,0

	June 2010 Rm	June 2009[1] Rm	December 2009[1] Rm	Growth year-on-year %	Growth annualised[2] %
Loans and advances composition					
Retail banking					
Credit card accounts	**19 967**	19 973	20 076	(0)	(1)
Instalment finance	**40 334**	43 557	40 872	(7)	(3)
Mortgages (including commercial property finance)	**247 139**	249 430	247 711	(1)	(0)
Personal loans	**13 284**	11 061	11 663	20	28
Other	**11 385**	11 650	11 842	(2)	(8)
	332 109	335 671	332 164	(1)	(0)
ABB	**125 269**	126 249	127 651	(1)	(4)
Absa Capital	**56 136**	71 161	58 848	(21)	(9)
Other	**794**	312	658	>100	42
Gross advances	**514 308**	533 393	519 321	(4)	(2)
Impairment losses on loans and advances	**(14 332)**	(11 778)	(13 158)	(22)	18
Net advances	**499 976**	521 615	506 163	(4)	(2)

Notes

[1]*Comparatives have been reclassified for the move of Absa Small Business from Retail banking to ABB. Also refer to pages 92 – 101 for additional reclassifications and restatements.*

[2]*Annualised: Growth calculated for a 12-month period, based on December 2009 figures.*

Statement of financial position *(continued)*

1. Loans and advances to customers *(continued)*

Performance:

The Group's loans and advances to customers remained at similar levels to 31 December 2009, but declined by 4% from 30 June 2009. The majority of Absa's loans and advances reside within the Group's retail and business banking operations, with Absa Capital only comprising 11% of the Group's loans and advances book. Both the Group's retail and business banking operations recorded a marginal decline in loans and advances from 30 June and 31 December 2009. The lack of credit demand combined with increased risk aversion had a negative impact on both Retail banking and ABB's loans and advances growth. Absa Capital, however, experienced a large decline in loans and advances of 21% from 30 June 2009 and 9% from 31 December 2009.

Retail banking (↓1% gross advances year-on-year)

- Mortgage advances declined by 1% from 30 June 2009 and maintained the same levels from 31 December 2009. The decline was as a result of lower demand for credit and the focus on pricing for risk on a customer level.
- Instalment finance loans declined by 7% from 30 June 2009 and 3% from 31 December 2009 owing to lower customer demand and tight credit scorecards. The retail instalment finance book experienced growth in the latter part of the period under review for the first time since August 2008. The Group increasingly focused on unsecured lending due to higher returns. Credit card advances levels remained at June 2009 levels, but personal loans increased by 20% compared to June 2009 and 28% compared to December 2009.

Absa Business Bank (↓1% gross advances year-on-year)

- The main focus during the period under review was to grow primary banking relationships and expand the specialised finance business. Furthermore, the Group decided not to grow its exposure to commercial property finance during the review period.
- Cheque accounts, specialised finance and corporate overdrafts grew by 3% and 8% respectively from 30 June 2009. Cheque accounts declined by 20% and specialised finance and corporate overdrafts grew by 4%, since 31 December 2009.
- A significant decline in the demand for commercial vehicles resulted in instalment finance loans reducing by 15% from 30 June 2009. Instalment finance loans showed a reduction of 14% since 31 December 2009.

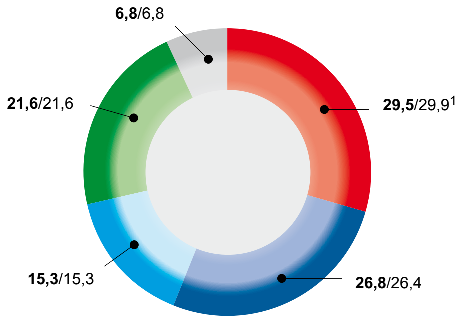
Absa Capital (↓21% gross advances year-on-year)

- This decline was mostly in respect of Carries and overnight finance. Gross advances declined by 9% since 31 December 2009.

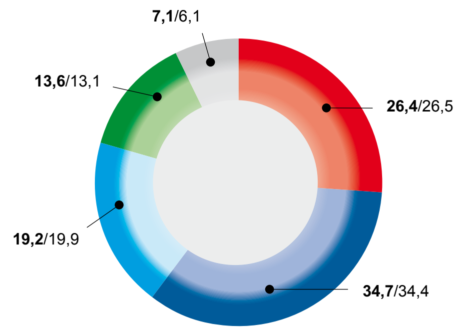
Statement of financial position *(continued)*

2. Market share (Loans and advances to customers)

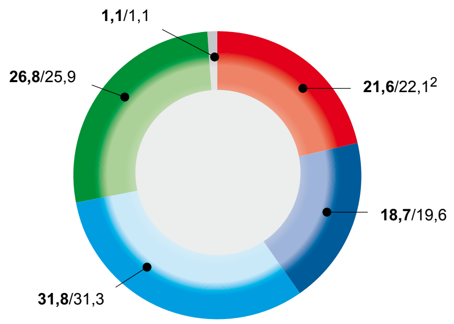
***Mortgage loans** (%)*



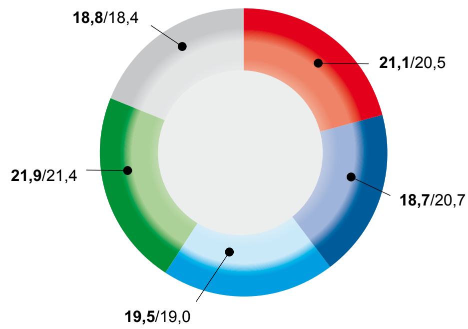
***Credit cards** (%)*



***Instalment finance** (%)*



***Overdrafts and other loans** (%)*



May 2010[3]/December 2009

● Absa Group ● Standard Bank Group ● FirstRand ● Nedbank Group ● Other

Performance:

The Group lost market share, particularly in respect of secured lending, as part of its pricing philosophy of ensuring adequate returns at a customer level are generated for shareholders on all new business.

Notes

[1]*Securitisation of **R3,1 billion – 0,3% of market share** (31 December 2009: R3,2 billion – 0,3% of market share) has been excluded from the Absa mortgage loan book.*

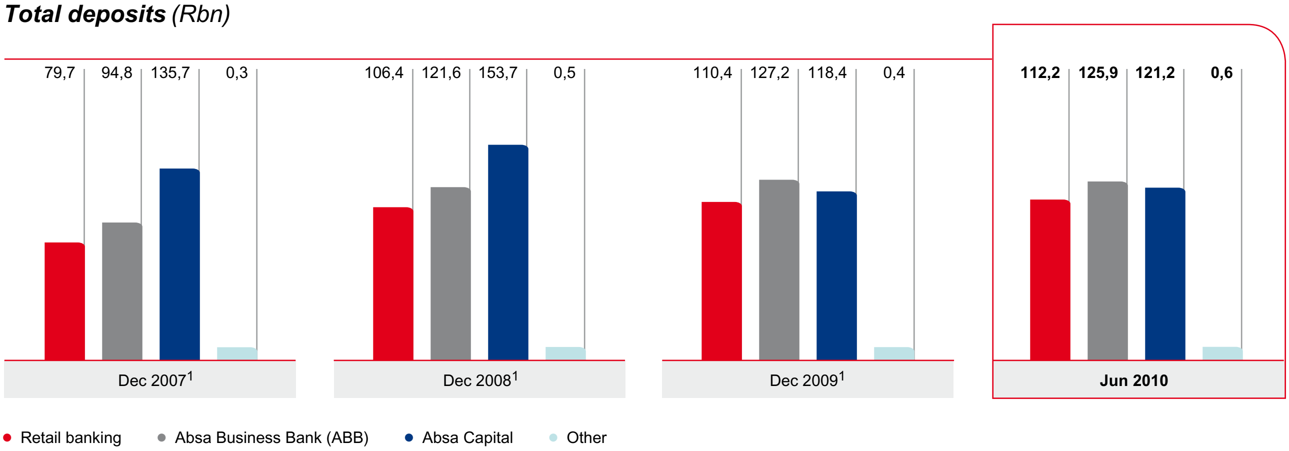
[2]*Securitisation of **R0,7 billion – 0,3% of market share** (31 December 2009: R1,2 billion – 0,5% of market share) has been excluded from the Absa instalment finance book.*

[3]*Owing to the early results announcement, the market share information for June 2010 was not available for publication.*

Statement of financial position *(continued)*

3. Deposits due to customers

***Total deposits** (Rbn)*



	June		December
	2010	2009[1]	2009[1]
	%	%	%
Total funding mix			
Deposits due to customers	**64,0**	63,1	63,1
Retail banking	**20,0**	18,2	19,6
ABB	**22,4**	21,0	22,5
Absa Capital	**21,5**	23,8	20,9
Other	**0,1**	0,1	0,1
Deposits from banks	**6,9**	7,0	6,5
Debt securities in issue	**29,1**	29,9	30,4
	100,0	100,0	100,0

	June		December	Growth	Growth
	2010	2009[1]	2009[1]	year-on-year	annualised[2]
	Rm	Rm	Rm	%	%
Total funding composition					
Retail deposits	**112 282**	107 176	110 434	5	3
Low margin	**53 875**	50 578	51 914	7	8
High margin	**58 407**	56 598	58 520	3	(0)
Commercial deposits	**125 916**	123 671	127 160	2	(2)
Corporate and institutional funding	**324 155**	357 041	326 688	(9)	(2)
	562 353	587 888	564 282	(4)	(1)

Notes

[1]*Comparatives have been reclassified for the move of Absa Small Business from Retail banking to ABB. Also refer to pages 92 – 101 for additional reclassifications and restatements.*

[2]*Annualised: Growth calculated for a 12-month period, based on December 2009 figures.*

Statement of financial position *(continued)*

3. Deposits due to customers *(continued)*

Performance:

Retail banking and ABB increased their contribution to the Group's funding base from 39,2% at 30 June 2009 to 42,4% at 30 June 2010. This is marginally higher than the 42,1% reported at 31 December 2009.

Retail banking (↑5% year-on-year)

- Retail deposits reflected solid growth across the core product categories.
- Cheque accounts and fixed deposits increased by 7% and 11% respectively from 30 June 2009 (31 December 2009: 2% and 12% respectively).

Absa Business Bank (↑2% year-on-year)

- Fierce competition for commercial funding was evident and margins came under pressure during the period.
- Solid growth was achieved in respect of call deposits (10%) and savings and transmissions accounts (including investment products) (6%) since 30 June 2009 (31 December 2009: 6% and 3% respectively).
- With expectations of interest rates having reached the bottom of the cycle, the demand for fixed deposits was lower and balances declined by 6% compared to 30 June 2009 (31 December 2009: 9%). Foreign currency deposits declined by 14% during the year (31 December 2009: 22%).

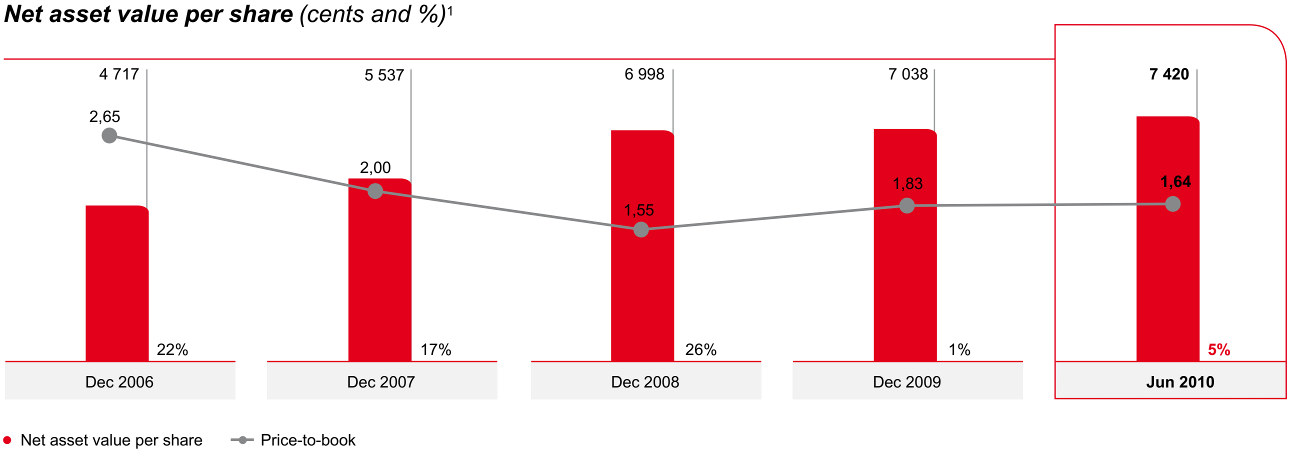
Absa Capital (↓13% year-on-year)

- Absa Capital is responsible for raising wholesale funding on behalf of the Group. Increased funding raised by Retail banking and ABB resulted in a reduction in the reliance on wholesale funding, hence resulted in a decrease in funding raised by Absa Capital. (Positive growth of 5% compared to 31 December 2009 in a similar proportion to the reduction in debt securities in issue).

Statement of financial position *(continued)*

4. Equity

***Net asset value per share** (cents and %)*[1]



Performance:

The Group's net asset value (NAV) per share increased by 5% to 7 420 cents per share compared to 7 038 cents per share as at 31 December 2009. Surplus capital of R1,9 billion was generated from net profits after provision for a dividend cover of 2,4 times of headline earnings.

Since the growth rate in NAV exceeds the growth in headline earnings, the Group's return on average equity (RoE) declined from 15,5% for the year ended 31 December 2009 to 15,0% for the six months ended 30 June 2010.

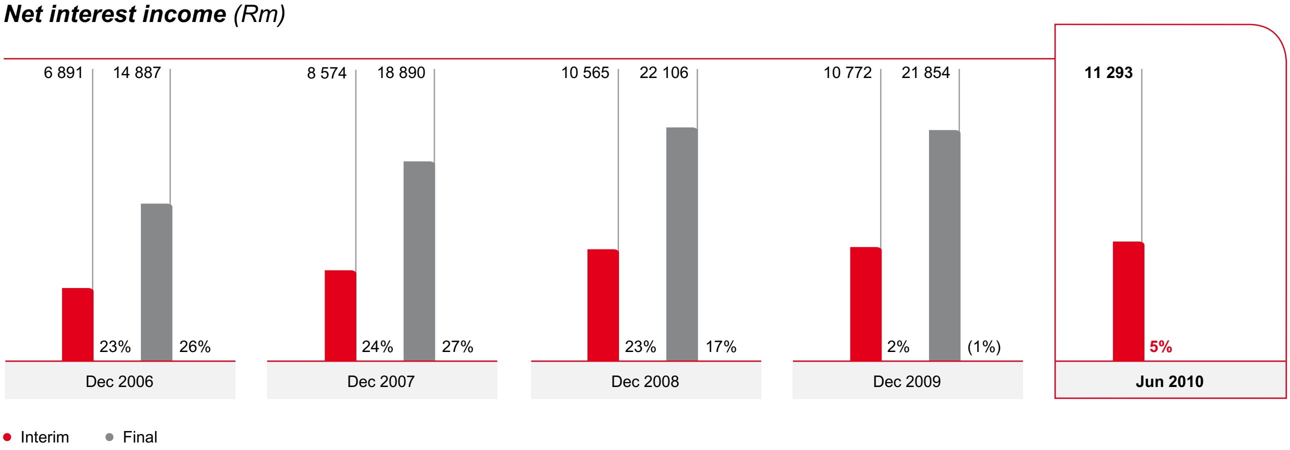
Note

[1] *The net asset value per share figures exclude the non-cumulative, non-redeemable preference shares issued.*

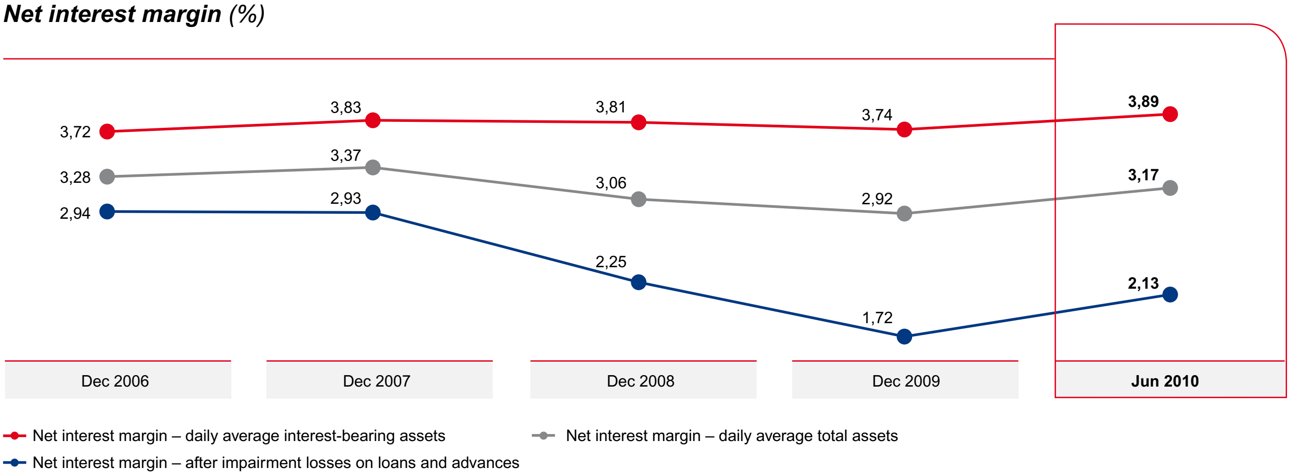
Statement of comprehensive income

1. Net interest income

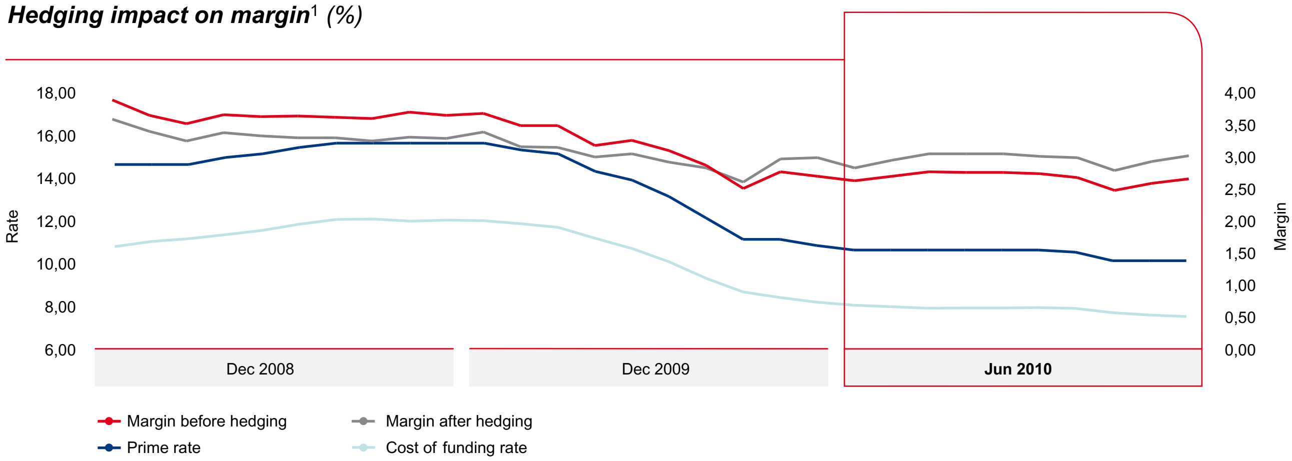
***Net interest income** (Rm)*



***Net interest margin** (%)*



***Hedging impact on margin**[1] (%)*



Note

[1]*Absa's hedging strategy:*

- *the hedging programme provides greater margin stability from an interest rate risk perspective over the entire cycle.*
- *in a decreasing rate scenario the hedging programme enhances the margin whilst the opposite is true for an increasing ratio scenario.*
- *basis risk still remains between prime assets and three-month JIBAR repricing liabilities after hedging.*

Statement of comprehensive income *(continued)*

1. Net interest income *(continued)*

	June 2010 basis points
Net interest margin	
Loans and advances to customers	**15**
Change in client rates	**13**
Change in composition	**2**
Deposits due to customers	**(17)**
Client pricing/endowement	**(27)**
Change in composition	**10**
Capital	**(11)**
Interest rate risk management (hedging)	**36**
Other	**8**
Change in margin	**31**

Performance:

The Group managed to maintain margins of its retail and commercial businesses at previous year levels in spite of the negative endowment impact of the lower interest rate environment and pressure on commercial deposit margins. This was achieved through:

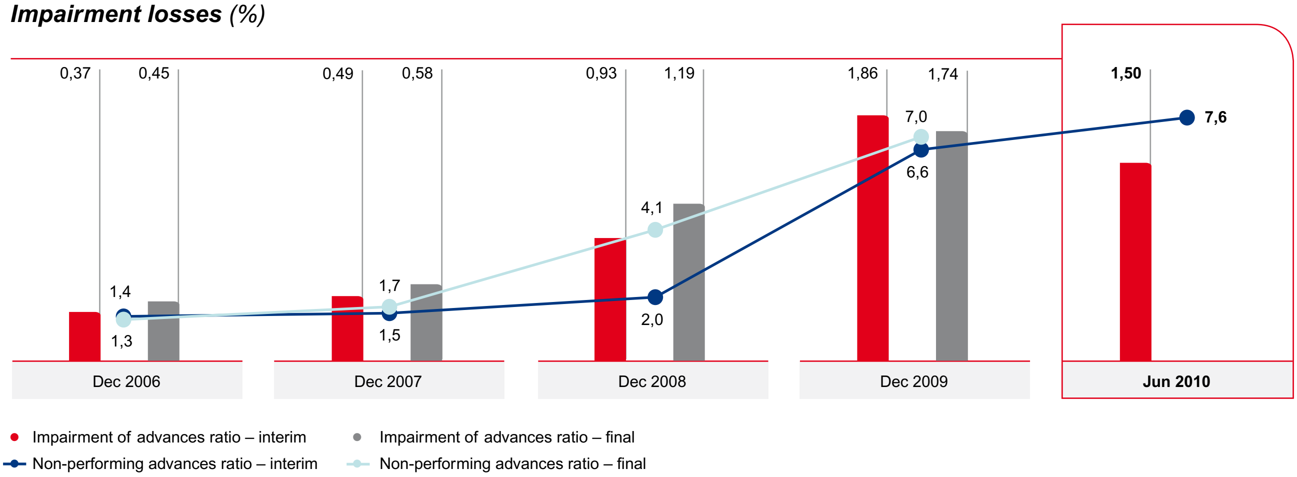
- improved pricing for credit risk;
- hedging strategies employed by the Group; and
- change in composition of advances in favour of higher margin unsecured loans.

The improvement in the Group's margin is attributable to an improvement in Absa Capital's net interest margin (partly due to a reduction in funding costs in Private Equity and a reduction on the equity exposures in respect of the single stock future defaults).

Statement of comprehensive income *(continued)*

2. Impairment losses on loans and advances

***Impairment losses** (%)*



Performance:

Credit impairments, as a percentage of average advances, improved to 1,50% from 1,86% for the six months ended June 2009. The impairment charge to the statement of comprehensive income decreased by 23%, from the comparable period, to R3 704 million for the six months under review.

Retail banking (↓26%)

- Retail banking's credit impairment ratio improved from the 2,49% recorded for the six months ended 30 June 2009, to 1,90% for the period under review.
- Significant improvements were experienced in the credit impairment charge for cards, personal loans and mortgages of 49%, 26% and 31% respectively since 30 June 2009.
- The impairment charge for instalment finance, at R599 million, decreased by 12% for the period under review due to improved arrears trends.

Absa Business Bank (ABB) (↓9%)

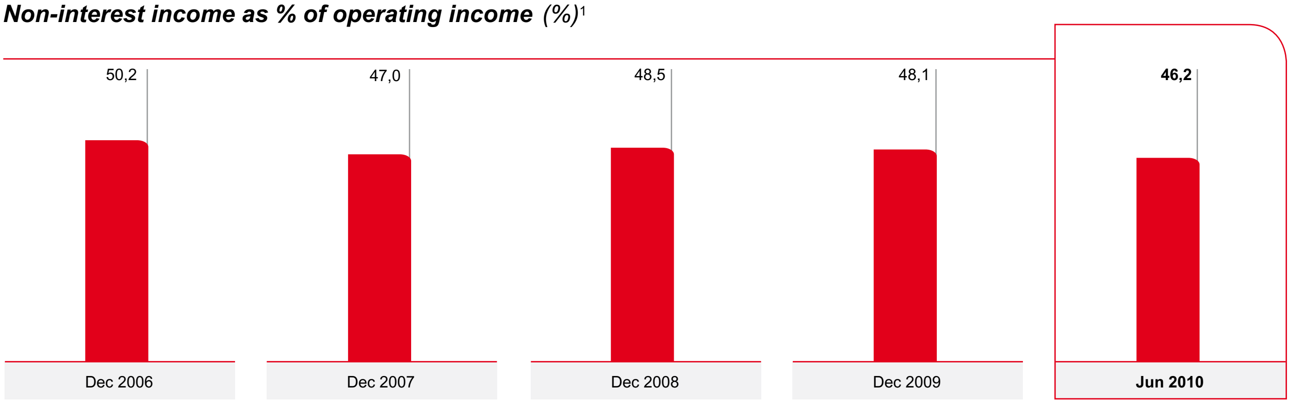
- ABB's credit impairment ratio improved to 0,99% from the 1,06% recorded for the six months ended 30 June 2009 (31 December 2009: 0,91%).
- Excluding Absa Small Business, the credit impairment ratio for the period was 0,85% of advances compared to 0,90% recorded in June 2009.

Non-performing loans (NPLs) increased from R35,0 billion in June 2009 (31 December 2009: R36,1 billion) to R38,9 billion and represents 7,6% of total advances to customers. NPLs in respect of retail mortgages continued to increase in spite of much lower new inflows, mainly due to the impact of debt counselling and a low cure rate.

Statement of comprehensive income *(continued)*

3. Non-interest income

***Non-interest income as % of operating income** (%)*[1]



	Six months ended 30 June 2010 Rm	2009 Rm	Change %	Year ended 31 December 2009 Rm
Retail net fee and commission income	**4 890**	4 744	3	9 803
ABB net fee and commission income	**1 879**	1 748	7	3 598
Markets – net trading results	**1 217**	1 082	12	2 340
Private Equity – revaluations	**(88)**	(226)	61	(623)
Commercial property finance – revaluations	**47**	(80)	>100	152
Bancassurance	**1 714**	1 702	1	3 372
Shareholder funds	**118**	106	11	317
Insurance income	**1 596**	1 596	—	3 055
Other investment income	**(80)**	429	>(100)	677
Revaluation of investment in Visa Incorporated	**(116)**	115	>(100)	272
Disposal of investment in MasterCard Incorporated	**—**	217	(100)	217
Other	**36**	97	(63)	188
Other income	**134**	810	(83)	913
	9 713	10 209	(5)	20 232

Performance:

Non-interest income decreased by 5% to R9 713 million for the six months ended 30 June 2010.

Banking operations (↓6%)

- Net fee and commission income, which constitutes approximately 83% of non-interest income, increased by 1% to R6 614 million for the period under review.
- Retail banking achieved growth of 3% in net fee and commission income. Transaction volumes grew marginally and no fee increase was implemented during the period under review.
- Absa Business Bank (ABB) performed well and their improved electronic banking offering contributed to a 7% increase in net fee and commission income. Fee income from cheque accounts also increased following the focus on primary banking relationships.
- Absa Capital's net trading results grew by R135 million, which represents an increase of 12% from the comparative period, whereas total revenue for Markets decreased by 10% against the comparative period. The difference in growth rates is attributable to the decline in net interest income in the Markets business. Revaluations from the investments held in Private Equity stabilised during the period under review, with minimal revaluations compared to previous years. The fair value of private equity investments held by Absa Capital declined by R88 million compared to R226 million during the previous year.
- Earnings from the Group's listed equity portfolio's decreased significantly during the period under review. Included in the June 2009 results were realised and unrealised gains from MasterCard (R217 million) and Visa (R115 million). The value of the Group's investment in Visa declined by R116 million during the period under review.

Bancassurance operations (↑1%)

- Net insurance premiums were 16% higher than for the six months ended 30 June 2009 following strong performance in both life and short-term insurance.
- Net insurance claims and benefits increased by 14% compared to the comparative period.
- The average claims ratio in short-term insurance increased to 67,1% compared to 64,2% at June 2009 (31 December 2009: 70,0%), mainly due to weather related claims.
- Investment income from shareholder funds increased from R106 million for the six months ended 30 June 2009 to R118 million for the period under review, as a result of the risk-mitigation measures that were put in place to hedge the market exposure.

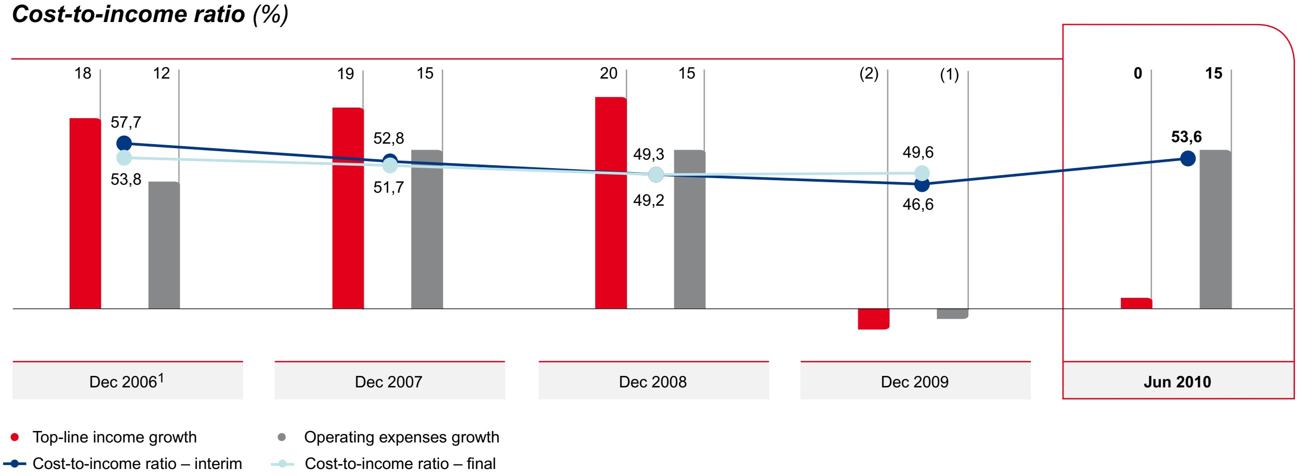
Note

[1] *Excluding impairment losses on loans and advances.*

Statement of comprehensive income *(continued)*

4. Operating expenses

***Cost-to-income ratio** (%)*



Performance:

Operating expenses increased by 15% compared to the six months ended 30 June 2009. The Group's cost-to-income ratio increased to 53,6% for the period under review as a result of the lack of revenue growth.

Information technology (IT) costs (↑24%)

- Significant investment in improving systems and IT capacity drove cost growth to its high levels. Included in the spend are the implementation of systems for the adoption of the Basel II advanced internal ratings based approach, the replacement of legacy systems and the enhancement of end-to-end processes.

Staff-related costs (↑19%)

- Salaries increased by 10%, following increases that varied between 5% for senior staff up to 10% for unionised staff and an increase in staff numbers. Staff numbers increased by 206 to improve front line sales capacity, service levels and the control and compliance environments.
- Incentive provisions, although well below 2008 levels, increased significantly compared to 2009 as a result of the very low base of June 2009. Incentive provisions for the six months are proportionally in line with incentive provisions raised for the full 2009 year.

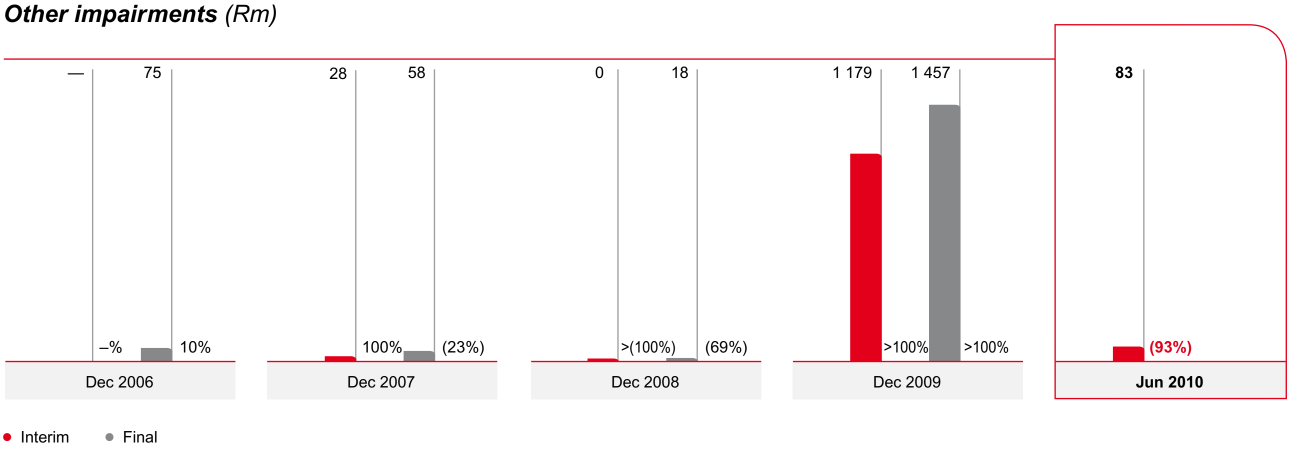
Note

[1]Growth calculated on December 2005 figures (pro forma 12 months).

Statement of comprehensive income *(continued)*

5. Other impairments

***Other impairments** (Rm)*



	Six months ended 30 June 2010 Impairment Rm	Six months ended 30 June 2009 Impairment Rm	Year ended 31 December 2009 Impairment Rm	30 June 2010 Remaining equity exposure Rm
Pinnacle Point Group Limited	**—**	931	931	**—**
Blue Financial Services Limited	**47**	136	394	**11**
Sekunjalo Investments Limited	**3**	—	3	**39**
ConvergeNet Holdings Limited	**16**	28	36	**26**
	66	1 095	1 364	**76**

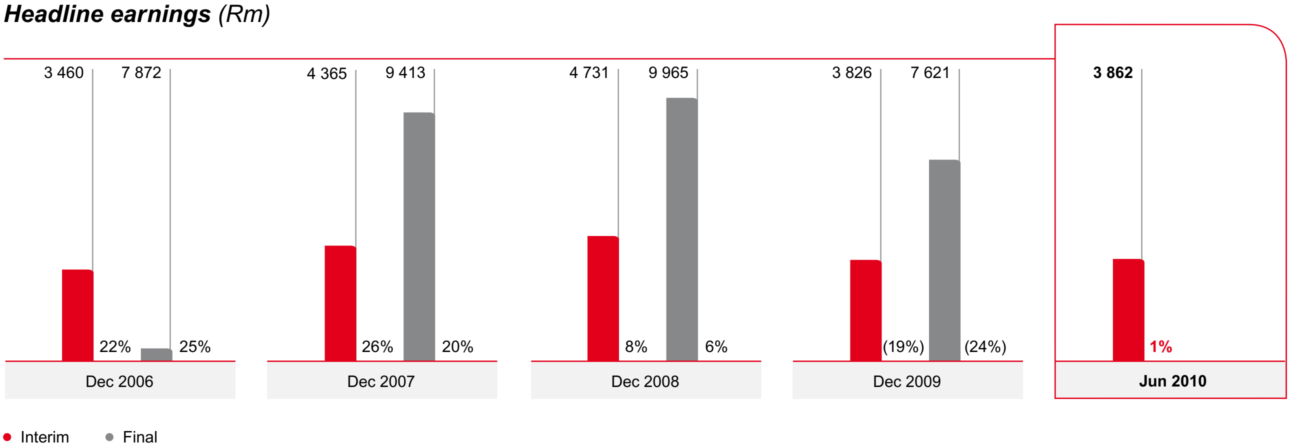
Performance:

The investment in Pinnacle Point Group Limited was disposed of during the period under review. As a result of the continued decline in the market price of the remaining companies, the value of these investments has been impaired by a further R66 million. The remaining exposure amounts to R76 million.

Statement of comprehensive income *(continued)*

6. Headline earnings

***Headline earnings** (Rm)*



Performance:

The Group's headline earnings increased by 1% from R3 826 million in 2009 to R3 862 million for the six months ended 30 June 2010. The compounded annual growth rate over the past five years, from June 2005[1], was 6%.

The core headline earnings drivers included:

- Average loans and advances to customers declined by 5% in an economic environment that remains challenging.
- The margin was, however, well protected and improved by 31 basis points from the corresponding period.
- Impairments, as a percentage of loans and advances to customers, showed a strong improvement, from 1,86% for the six months ended 30 June 2009 to 1,50% for the period under review.
- Growth in non-interest income was also affected by slower than anticipated economic activity as well as once-off gains in the 2009 base and showed negative growth of 5%.
- Operating expenses increased by 15%, owing to investments undertaken in order to optimally position the Group for future growth.

At a cluster/business unit level:

- **Retail banking** showed a considerable improvement and increased headline earnings by 40%, which can largely be attributed to a lower impairment charge. In spite of no fee increase in 2010, net fee and commission income grew by 3%.
- **Absa Business Bank (ABB)** reported a decrease of 9% in headline earnings for the period. This resulted from subdued revenue growth of 2% and operating expenses growth of 14% owing to investments undertaken to enhance capacity. Net fee and commission income grew by 7% with the corporate segment performing particularly strongly.
- **Absa Capital** recorded a negative growth of 19% in headline earnings for the six months under review. Foreign exchange revenues were impacted by the slowdown in customer volumes. Low corporate activity and lack of statement of financial position growth (due to lack in demand) impacted on both interest and non-interest income. Earnings from Africa grew strongly during the period under review, from a low base. Revaluations from the investments held in Private Equity stabilised during the period under review, with minimal revaluations compared to the comparative period. Operating expenses increased by 49%, year-on-year, from an exceptionally low base in the comparative period caused by staff costs that were cut in line with performance and a decrease in the cash component of incentives.
- The **bancassurance** operations showed a 10% decline in headline earnings owing mainly to lower fee and net commission income as well as higher claims ratio. Net insurance premium income grew strongly (16%), but this was partly offset by the impact of new business strain, the strengthening of the guaranteed products reserve as well as capacity building in Absa *idirect* Limited and Absa Consultants and Actuaries (Proprietary) Limited.

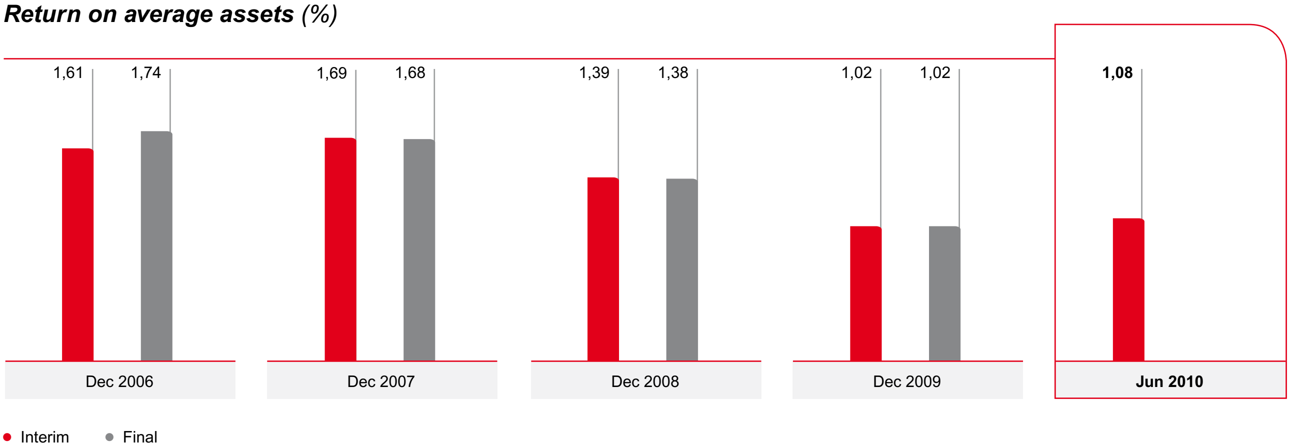
Note

[1] *Pro forma figures (six months).*

Financial performance

1. Return on average assets

***Return on average assets** (%)*



Performance:

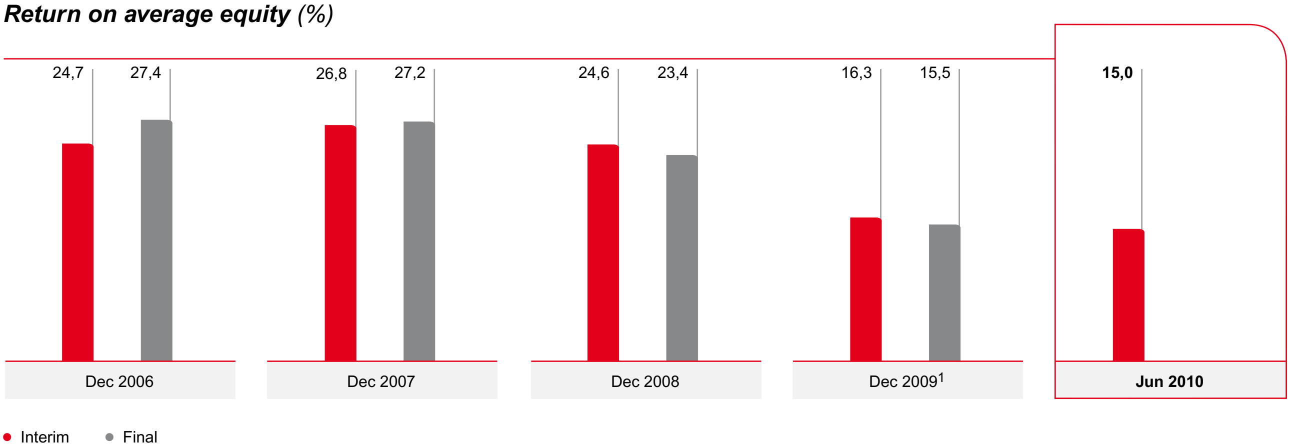
The Group's RoA improved from 1,02% for the six months ended 30 June 2009 to 1,08% for the period under review in 2010, mainly due to the lower impairment charge. The impact (annualised) of each of the significant statement of comprehensive income lines on the Group's RoA was:

- Net interest income (↑31 basis points)
- Non-interest income (↑2 basis points)
- Credit impairments (↑24 basis points)
- Operating expenditure (↓26 basis points)
- Taxation (↓12 basis points)
- Other (↑1 basis point)
- Headline earnings adjustments (↓14 basis points).

Financial performance *(continued)*

2. Return on average equity

***Return on average equity** (%)*



	June 2010		
	Shareholders' equity Rm	**Economic capital Rm**	**Tier I regulatory capital Rm**
Total qualifying capital			
Ordinary share capital and share premium	**6 238**	**6 238**	**6 238**
Preference share capital and share premium	**—**	**4 644**	**4 644**
Other reserves	**1 694**	**400**	**—**
Retained earnings	**45 362**	**45 362**	**42 552**
Non-controlling interest – ordinary shares	**—**	**—**	**1 359**
Expected loss adjustment	**—**	**—**	**(1 632)**
Securitisation adjustment	**—**	**—**	**(107)**
Other deductions	**—**	**(1 323)**	**(1 263)**
	53 294	**55 321**	**51 791**
Average capital for the period	**51 921**	**42 566[2]**	**50 381**

	June		December
	2010 %	2009 %	2009 %
Return on average economic capital	**19,1**	17,7	18,2

Notes

[1]*June 2009 comparative has been restated for the change in accounting treatment of the retirement benefit fund. Refer to pages 92 – 101.*

[2]*Represents average required economic capital.*

Financial performance *(continued)*

2. Return on average equity *(continued)*

	June				December	
	2010		2009		2009	
	Risk-weighted assets Rm	**Economic capital Rm**	Risk-weighted assets Rm	Economic capital Rm	Risk-weighted assets Rm	Economic capital Rm
Capital demand – closing balance						
Credit risk	**286 268**	**26 851**	283 369	31 524	276 172	30 580
Retail	**134 980**	**15 571**	127 032	18 041	124 370	17 674
ABB	**92 350**	**8 211**	88 309	9 477	87 124	9 819
Absa Capital	**57 191**	**3 096**	65 274	3 978	61 959	3 087
Other	**1 747**	**—**	2 754	28	2 719	—
Equity investment risk	**28 814**	**4 562**	31 315	5 789	28 657	4 721
Market risk	**9 434**	**1 048**	8 158	1 364	9 662	1 064
Operational risk	**53 633**	**3 988**	49 415	3 549	53 032	3 838
Other	**17 312**	**5 704**	20 098	2 791	18 741	2 079
	395 461	**42 153**	392 355	45 017	386 264	42 282

Performance:

The Group's has recorded a return on average equity (RoE)[1] of 15,0% for the six months ended 30 June 2010 (30 June 2009: 16,3%), which is marginally higher than the Group's cost of equity (CoE) of 14,0%.

The lower RoE is mainly as a result of a reduction in the gearing ratio from 16,02 to 13,85, with the return on average assets (RoA) improving from 1,02% to 1,08%.

The return on average economic capital (RoEC) for the period was 19,1%, improving from the 17,7% for the six months ended 30 June 2009.

Actual shareholders' equity and qualifying economic and Tier I regulatory capital, as at 30 June 2010, are included in the table on page 23.

Note

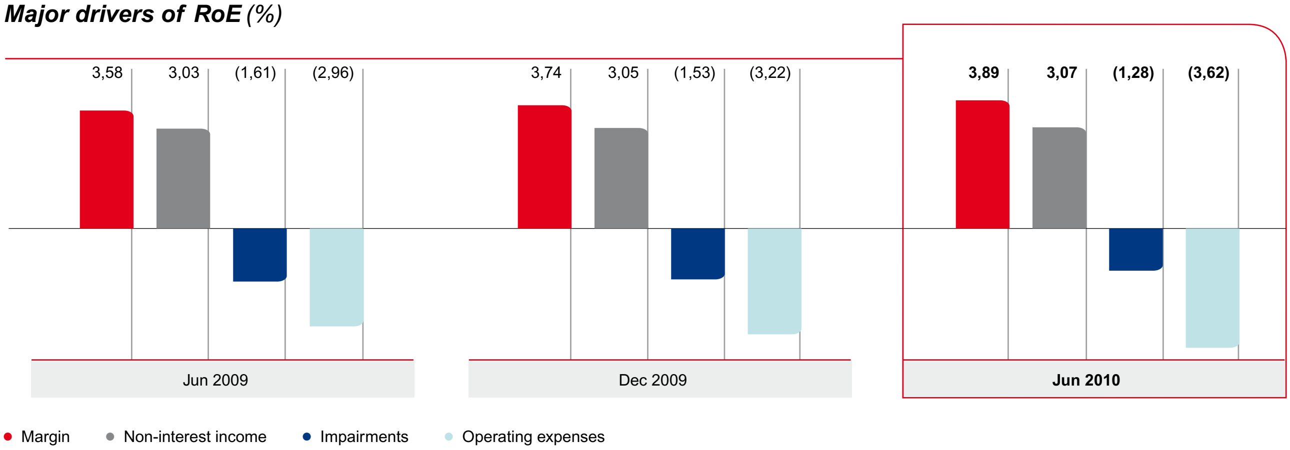
[1] *The Group's RoE is calculated based on headline earnings, consistent with previous years.*

RoE decomposition[1]

In order to obtain a thorough understanding of factors contributing to the Group's performance, an RoE decomposition is provided below.

		Six months ended 30 June 2010 %		Six months ended 30 June 2009 %	Year ended 31 December 2009 %
Margin (interest-bearing assets)		**3,89**	↑	3,58	3,74
	less				
Impairments/interest-bearing assets		**1,28**	↑	1,61	1,53
	equals				
Net margin (interest-bearing assets)		**2,61**	↑	1,97	2,21
	multiply				
Interest-bearing assets/banking assets		**0,92**	↑	0,91	0,89
	equals				
Banking interest yield		**2,40**	↑	1,80	1,96
	plus				
Banking non-interest yield		**3,07**	↑	3,03	3,05
	equals				
Banking revenue yield		**5,47**	↑	4,83	5,01
	less				
Operating expenses/banking assets		**3,62**	↓	2,96	3,22
	equals				
Net banking return		**1,85**	↓	1,87	1,79
	less				
Taxation, non-controlling interest and other		**0,63**	↑	0,71	0,63
	equals				
Banking return		**1,22**	↑	1,16	1,16
	multiply				
Banking assets/total assets		**0,89**	↑	0,88	0,88
	equals				
Return on average assets (RoA)[2]		**1,08**	↑	1,02	1,02
	multiply				
Gearing		**13,85**	↓	16,02	15,24
	equals				
Return on average equity (RoE)[1]		**15,0**	↓	16,3	15,5

***Major drivers of RoE** (%)*



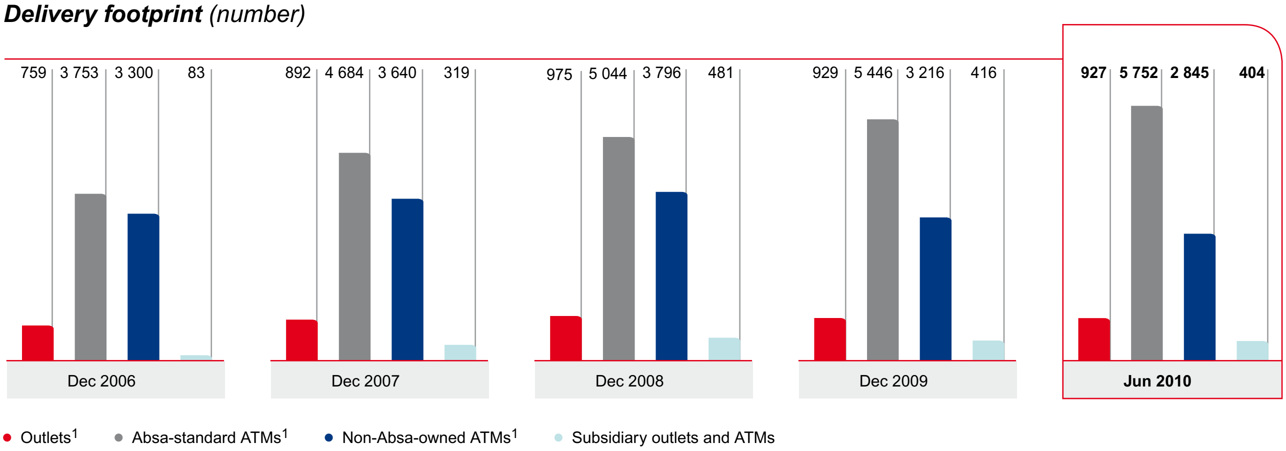
Notes

[1]*RoE: Return on average equity.*

[2]*RoA: Return on average assets.*

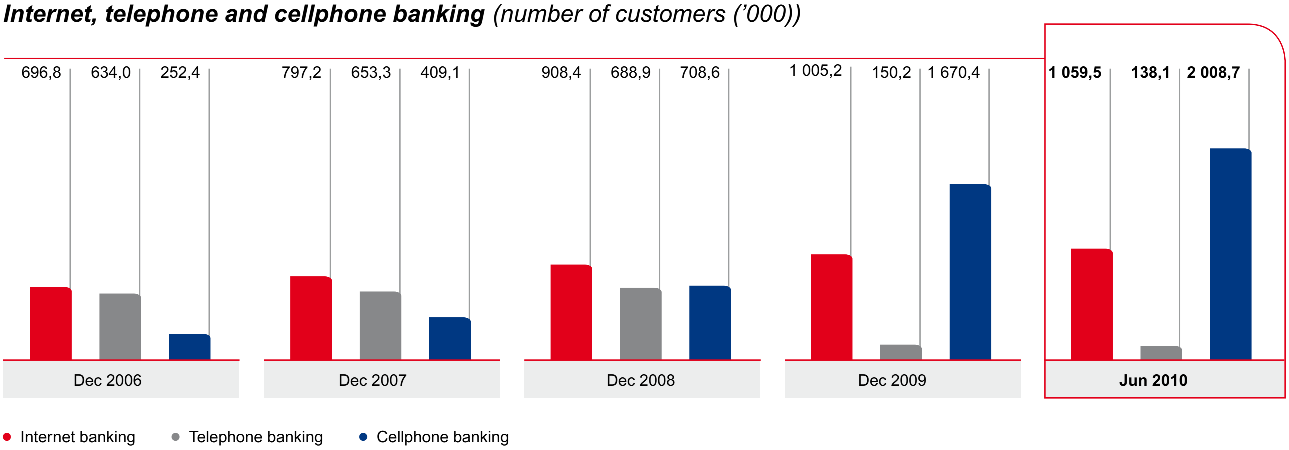
Operational key performance indicators

Delivery footprint *(number)*



	June 2010 Number	June 2009 Number	December 2009 Number
ATMs			
Absa-standard	**5 752**	5 142	5 446
Branch ATMs	**1 869**	1 860	1 901
Corporate ATMs	**16**	17	16
Franchise ATMs	**213**	187	234
Remote ATMs	**2 802**	2 350	2 500
Internet kiosk	**385**	385	385
Self-service kiosk	**365**	343	358
Cash acceptor	**102**	—	52
Absa non-standard	**2 845**	3 795	3 216
	8 597	8 937	8 662

Internet, telephone and cellphone banking *(number of customers ('000))*

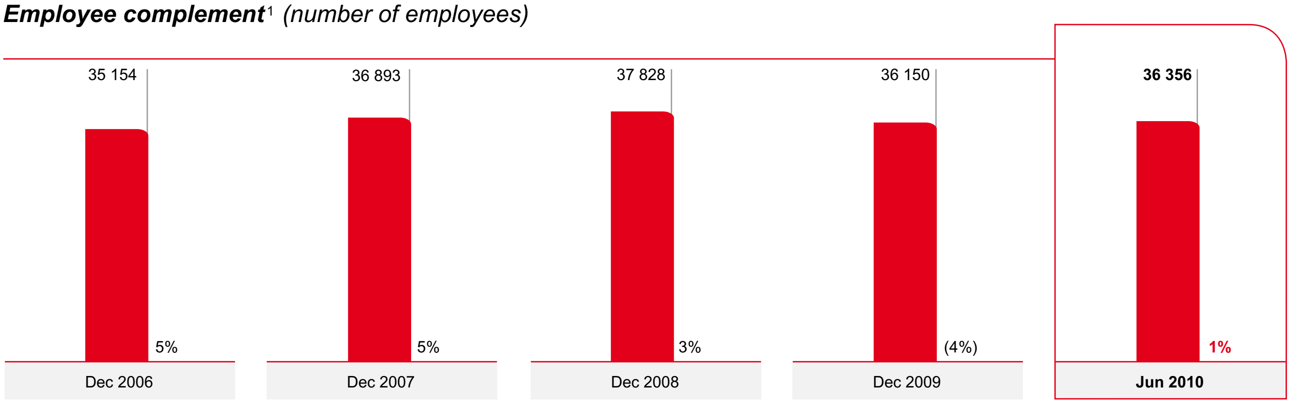


Note

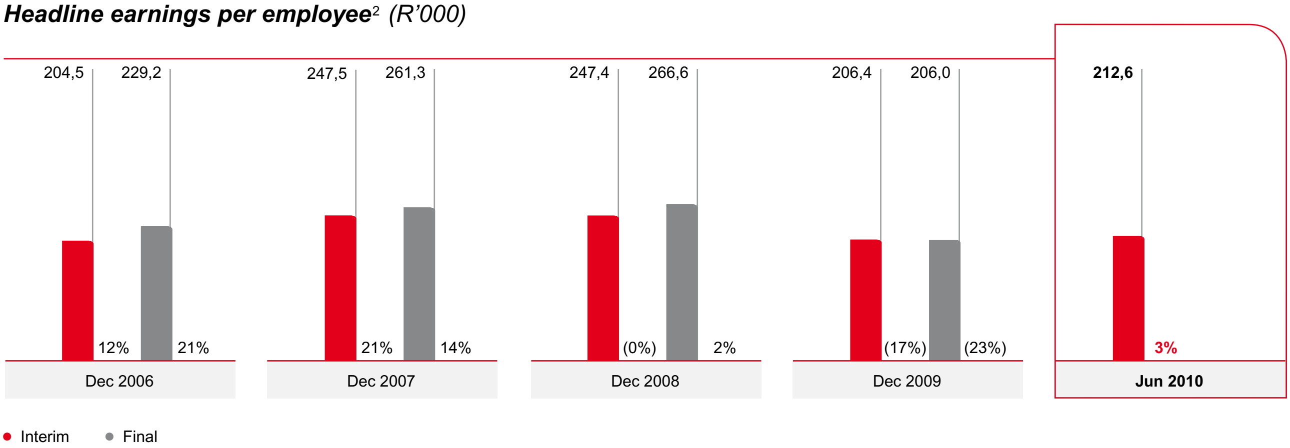
[1] *South Africa.*

Operational key performance indicators *(continued)*

Employee complement*[1] *(number of employees)



Headline earnings per employee*[2] *(R'000)



Notes

[1] *The employee complement figures exclude contract workers.*

[2] *Average number of employees used for the period.*

Contents

Primary statements

Group statement of financial position

	Note	30 June 2010 (Unaudited) Rm	30 June 2009[1] (Unaudited) Rm	Change %	31 December 2009[1] (Audited) Rm
Assets					
Cash, cash balances and balances with central banks		**22 380**	22 391	(0)	20 597
Statutory liquid asset portfolio		**35 846**	32 213	11	33 943
Loans and advances to banks		**37 226**	48 392	(23)	36 032
Trading portfolio assets		**56 140**	61 784	(9)	52 302
Hedging portfolio assets		**3 515**	2 824	24	2 558
Other assets		**22 674**	21 310	6	17 777
Current tax assets		**326**	620	(47)	234
Non-current assets held for sale		**—**	2 017	(100)	—
Loans and advances to customers	1	**499 976**	521 615	(4)	506 163
Reinsurance assets		**443**	847	(48)	719
Investments		**28 159**	24 346	16	29 564
Investments in associates and joint ventures	2	**454**	789	(42)	487
Goodwill and intangible assets		**1 323**	956	38	1 245
Investment property		**2 255**	2 047	10	2 195
Property and equipment		**7 164**	6 121	17	6 606
Deferred tax assets		**323**	355	(9)	374
Total assets		**718 204**	748 627	(4)	710 796
Liabilities					
Deposits from banks		**38 713**	40 923	(5)	36 541
Trading portfolio liabilities		**46 516**	58 002	(20)	44 245
Hedging portfolio liabilities		**1 286**	1 188	8	565
Other liabilities		**15 309**	18 907	(19)	12 212
Provisions		**978**	1 109	(12)	1 684
Current tax liabilities		**10**	237	(96)	59
Deposits due to customers	3	**359 943**	371 279	(3)	356 365
Debt securities in issue	4	**163 697**	175 686	(7)	171 376
Liabilities under investment contracts		**13 836**	11 053	25	12 446
Policyholder liabilities under insurance contracts		**2 799**	2 740	2	3 136
Borrowed funds	5	**13 359**	11 823	13	13 530
Deferred tax liabilities		**2 461**	2 635	(7)	2 147
Total liabilities		**658 907**	695 582	(5)	654 306
Equity					
Capital and reserves					
Attributable to ordinary equity holders of the Group:					
Share capital	6	**1 433**	1 379	4	1 432
Share premium	6	**4 805**	3 071	56	4 784
Other reserves		**1 694**	1 738	(3)	1 178
Retained earnings		**45 362**	41 038	11	43 153
		53 294	47 226	13	50 547
Non-controlling interest – ordinary shares		**1 359**	1 175	16	1 299
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Total equity		**59 297**	53 045	12	56 490
Total equity and liabilities		**718 204**	748 627	(4)	710 796

Note

[1] *Comparatives have been reclassified and restated. Refer to pages 92 – 101.*

	30 June 2010 (Unaudited) Assets Rm	2010 (Unaudited) Liabilities and equity Rm	2009[1] (Unaudited) Assets Rm	2009[1] (Unaudited) Liabilities and equity Rm
Fair value through profit or loss	**104 907**	**82 427**	117 225	92 583
Designated at fair value	**45 584**	**34 625**	52 969	33 393
Cash, cash balances and balances with central banks	**2 594**	**—**	2 610	—
Statutory liquid asset portfolio	**3 448**	**—**	4 919	—
Loans and advances to banks	**4 384**	**—**	5 338	—
Loans and advances to customers	**8 991**	**—**	17 919	—
Investments	**26 167**	**—**	22 183	—
Deposits from banks	**—**	**5 268**	—	5 888
Other liabilities	**—**	**17**	—	19
Deposits due to customers	**—**	**13 541**	—	12 622
Debt securities in issue	**—**	**1 232**	—	3 118
Liabilities under investment contracts	**—**	**13 836**	—	11 053
Borrowed funds	**—**	**731**	—	693
Held for trading	**55 808**	**46 516**	61 432	58 002
Trading portfolio assets	**55 808**	**—**	61 432	—
Trading portfolio liabilities	**—**	**46 516**	—	58 002
Hedging instruments	**3 515**	**1 286**	2 824	1 188
Hedging portfolio assets	**3 515**	**—**	2 824	—
Hedging portfolio liabilities	**—**	**1 286**	—	1 188
Available-for-sale	**34 720**	**—**	30 089	—
Cash, cash balances and balances with central banks	**658**	**—**	748	—
Statutory liquid asset portfolio	**18 934**	**—**	15 381	—
Loans and advances to customers	**—**	**—**	305	—
Investments	**1 664**	**—**	1 766	—
Hedged items				
Statutory liquid asset portfolio	**13 464**	**—**	11 889	—
Amortised cost	**562 709**	**568 120**	584 244	594 440
Held at amortised cost	**561 977**	**557 730**	583 650	582 638
Cash, cash balances and balances with central banks	**18 653**	**—**	18 597	—
Loans and advances to banks	**32 842**	**—**	43 054	—
Other assets	**20 229**	**—**	19 202	—
Loans and advances to customers	**490 253**	**—**	502 797	—
Deposits from banks	**—**	**33 445**	—	35 035
Other liabilities	**—**	**13 180**	—	17 050
Deposits due to customers	**—**	**346 402**	—	358 657
Debt securities in issue	**—**	**157 004**	—	166 329
Borrowed funds	**—**	**7 699**	—	5 567
Hedged items	**732**	**10 390**	594	11 802
Loans and advances to customers	**732**	**—**	594	—
Debt securities in issue	**—**	**5 461**	—	6 239
Borrowed funds	**—**	**4 929**	—	5 563
Held-to-maturity	**803**	**—**	857	—
Cash, cash balances and balances with central banks	**475**	**—**	436	—
Statutory liquid asset portfolio	**—**	**—**	24	—
Investments	**328**	**—**	397	—
Non-financial assets and liabilities	**15 065**	**8 360**	16 212	8 559
Total equity	**—**	**59 297**	—	53 045
	718 204	**718 204**	748 627	748 627

Note

[1]*Comparative has been reclassified and restated. Refer to pages 92 – 101.*

Group average statement of financial position

	30 June					
	2010 (Unaudited)			2009[1] (Unaudited)		
	Average balance Rm	**Average rate[2] %**	**Interest income/ (expense) Rm**	Average balance Rm	Average rate[2] %	Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	**1 622**	**7,46**	**60**	1 637	8,75	71
Statutory liquid asset portfolio	**31 999**	**7,73**	**1 227**	29 369	7,39	1 076
Loans and advances to banks and customers	**535 685**	**9,43**	**25 040**	561 570	12,21	33 992
Investments	**15 478**	**3,82**	**293**	14 549	4,66	336
Other interest[3]	**—**	**—**	**970**	—	—	18
Interest-earning assets	**584 784**	**9,51**	**27 590**	607 125	11,79	35 493
Non-interest-earning assets	**133 639**	**—**	**—**	152 390	—	—
Total assets	**718 423**	**7,74**	**27 590**	759 515	9,42	35 493
Liabilities						
Deposits from banks and due to customers	**367 502**	**(5,02)**	**(9 143)**	383 505	(7,75)	(14 733)
Debt securities in issue	**166 812**	**(7,88)**	**(6 521)**	175 244	(11,06)	(9 607)
Borrowed funds	**13 204**	**(10,03)**	**(657)**	11 965	(10,23)	(607)
Other interest[3]	**—**	**—**	**24**	—	—	226
Interest-bearing liabilities	**547 518**	**(6,00)**	**(16 297)**	570 714	(8,73)	(24 721)
Non-interest-bearing liabilities	**113 254**	**—**	**—**	131 372	—	—
Total liabilities	**660 772**	**(4,97)**	**(16 297)**	702 086	(7,10)	(24 721)
Equity						
Capital and reserves						
Attributable to ordinary equity holders of the Group:						
Share capital	**1 463**	**—**	**—**	1 218	—	—
Share premium	**4 814**	**—**	**—**	2 436	—	—
Other reserves	**1 616**	**—**	**—**	2 598	—	—
Retained earnings	**43 778**	**—**	**—**	45 301	—	—
	51 671	**—**	**—**	51 553	—	—
Non-controlling interest – ordinary shares	**1 336**	**—**	**—**	1 232	—	—
Non-controlling interest – preference shares	**4 644**	**—**	**—**	4 644	—	—
Total equity	**57 651**	**—**	**—**	57 429	—	—
Total equity and liabilities	**718 423**	**(4,57)**	**(16 297)**	759 515	(6,56)	(24 721)
Net interest margin on average interest-bearing assets		**3,89**			3,58	
Net interest margin on average assets		**3,17**			2,86	

Daily averages have been used to calculate the average balances.

Notes

[1] *Comparatives have been restated.*

[2] *The average rate has been annualised to reflect a yearly rate. Average prime rate for the period was 10,23% (30 June 2009: 13,16%).*

[3] *Also include fair value adjustments on hedging instruments and hedging items.*

	Note	Six months ended 30 June 2010 (Unaudited) Rm	2009[1] (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
Net interest income		**11 293**	10 772	5	21 854
Interest and similar income		**27 590**	35 493	(22)	65 247
Interest expense and similar charges		**(16 297)**	(24 721)	34	(43 393)
Impairment losses on loans and advances	7	**(3 704)**	(4 834)	23	(8 967)
Net interest income after impairment losses on loans and advances		**7 589**	5 938	28	12 887
Net fee and commission income		**7 059**	6 903	2	14 289
Fee and commission income	8.1	**8 144**	7 799	4	16 301
Fee and commission expense	8.2	**(1 085)**	(896)	(21)	(2 012)
Net insurance premium income	8.3	**2 165**	1 844	17	3 787
Net insurance claims and benefits paid	8.4	**(1 166)**	(1 010)	(15)	(2 215)
Changes in investment and insurance liabilities	8.5	**(565)**	10	>(100)	(560)
Gains and losses from banking and trading activities	8.6	**1 378**	1 281	8	2 575
Gains and losses from investment activities	8.7	**469**	454	3	1 464
Other operating income	8.8	**373**	727	(49)	892
Operating profit before operating expenditure		**17 302**	16 147	7	33 119
Operating expenditure		**(11 700)**	(11 389)	(3)	(23 227)
Operating expenses	9.1	**(11 264)**	(9 782)	(15)	(20 857)
Other impairments	9.2	**(83)**	(1 179)	93	(1 457)
Indirect taxation		**(353)**	(428)	18	(913)
Share of post-tax results of associates and joint ventures		**15**	(1)	>100	(50)
Operating profit before income tax		**5 617**	4 757	18	9 842
Taxation expense		**(1 506)**	(1 138)	(32)	(2 340)
Profit for the period/year		**4 111**	3 619	14	7 502
Profit attributable to:					
Ordinary equity holders of the Group		**3 842**	3 272	17	6 840
Non-controlling interest – ordinary shares		**107**	113	(5)	241
Non-controlling interest – preference shares		**162**	234	(31)	421
		4 111	3 619	14	7 502
• basic earnings per share (cents per share)	10	**536,5**	482,7	11	986,7
• diluted earnings per share (cents per share)	10	**533,1**	470,9	13	962,2
Headline earnings	11	**3 862**	3 826	1	7 621
• headline earnings per share (cents per share)		**539,3**	564,4	(4)	1 099,4
• diluted headline earnings per share (cents per share)		**535,9**	550,5	(3)	1 072,0

Note

[1]*Comparative has been reclassified. Refer to pages 92 – 101.*

Group statement of comprehensive income

	Six months ended 30 June 2010 (Unaudited) Rm	Six months ended 30 June 2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
Profit for the period/year	**4 111**	3 619	14	7 502
Other comprehensive income				
Exchange differences on translation of foreign operations	**(37)**	(280)	87	(668)
Movement in cash flow hedging reserve	**646**	(507)	>100	(665)
Fair value gains/(losses) arising during the period/year	**1 794**	(817)	>100	(148)
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	**(251)**	197	>(100)	259
Movement in available-for-sale reserve	**(98)**	(319)	69	(326)
Fair value losses arising during the period/year	**(179)**	(234)	24	(306)
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of 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 and obligation	**(4)**	—	(100)	52
(Decrease)/increase in retirement benefit surplus	**(6)**	—	(100)	104
Increase in retirement benefit obligation	**—**	—	—	(33)
Deferred tax	**2**	—	100	(19)
Total comprehensive income for the period/year	**4 618**	2 513	84	5 895
Total comprehensive income attributable to:				
Ordinary equity holders of the Group	**4 322**	2 160	>100	5 238
Non-controlling interest – ordinary shares	**134**	119	13	236
Non-controlling interest – preference shares	**162**	234	(31)	421
	4 618	2 513	84	5 895

	Six months ended 30 June 2010 (Unaudited) Rm	2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
Income from banking and other activities	**19 292**	19 266	0	38 696
Net interest income	**11 293**	10 772	5	21 854
Interest and similar income	**27 590**	35 493	(22)	65 247
Interest expense and similar charges	**(16 297)**	(24 721)	34	(43 393)
Non-interest income	**7 999**	8 494	(6)	16 842
Net fee and commission income	**6 614**	6 520	1	13 376
Gains and losses from banking and trading activities	**1 378**	1 281	8	2 575
Other income	**7**	693	(99)	891
Income from insurance activities	**3 425**	2 602	32	6 029
Net insurance premium income	**2 165**	1 867	16	3 845
Net gains from investment and insurance activities	**815**	352	>100	1 271
Net fee and commission income	**445**	383	16	913
Total operating income	**22 717**	21 868	4	44 725
Impairment losses on loans and advances	**(3 704)**	(4 834)	23	(8 967)
Benefits due to policyholders	**(1 711)**	(887)	(93)	(2 639)
Net insurance claims and benefits paid	**(1 166)**	(1 020)	(14)	(2 217)
Changes in investment and insurance liabilities	**(565)**	10	>(100)	(560)
Investment contracts	**(639)**	(153)	>(100)	(620)
Insurance contracts	**74**	163	(55)	60
Other income	**20**	123	(84)	138
Income after impairment losses and policyholders' benefits	**17 302**	16 147	7	33 119
Operating expenditure in banking activities	**(10 807)**	(10 625)	(2)	(21 580)
Operating expenses	**(10 406)**	(9 051)	(15)	(19 308)
Other impairments	**(81)**	(1 175)	93	(1 436)
Indirect taxation	**(320)**	(399)	20	(836)
Operating expenditure in insurance activities	**(893)**	(764)	(17)	(1 647)
Operating expenses	**(858)**	(731)	(17)	(1 549)
Other impairments	**(2)**	(4)	50	(21)
Indirect taxation	**(33)**	(29)	(14)	(77)
Share of post-tax results of associates and joint ventures	**15**	(1)	>100	(50)
Operating profit before income tax	**5 617**	4 757	18	9 842
Taxation expense	**(1 506)**	(1 138)	(32)	(2 340)
Profit for the period/year	**4 111**	3 619	14	7 502
Profit attributable to:				
Ordinary equity holders of the Group	**3 842**	3 272	17	6 840
Non-controlling interest – ordinary shares	**107**	113	(5)	241
Non-controlling interest – preference shares	**162**	234	(31)	421
	4 111	3 619	14	7 502
Headline earnings	**3 862**	3 826	1	7 621

Condensed Group statement of changes in equity

	30 June 2010 (Unaudited)			
	Total equity attributable to ordinary equity holders of the Group Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
Opening balance as previously reported	50 547	1 299	4 644	56 490
Restatement of opening balance[1]	—	—	—	—
Restated opening balance	50 547	1 299	4 644	56 490
Shares issued	—	—	—	—
Repurchase of preference shares held by Batho Bonke Capital (Proprietary) Limited	—	—	—	—
Costs incurred	—	—	—	—
Transfer from share-based payment reserve	24	—	—	24
Share buy-back in respect of Absa Group Limited Share Incentive Trust	(49)	—	—	(49)
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	20	—	—	20
Elimination of treasury shares held by Absa Life Limited	27	—	—	27
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative Trust	—	—	—	—
Elimination of gains from derivative instruments on own shares	—	—	—	—
Other reserves	516	—	—	516
Transfer from share-based payment reserve	(25)	—	—	(25)
Share-based payments for the period/year	5	—	—	5
Other comprehensive income[2]	484	—	—	484
Movement in general credit risk reserve	(14)	—	—	(14)
Movement in insurance contingency reserve	5	—	—	5
Movement in associates' and joint ventures' retained earnings reserve	19	—	—	19
Disposal of associates and joint ventures – release of reserves	42	—	—	42
Retained earnings	2 209	—	—	2 209
Repurchase of preference shares held by Batho Bonke Capital (Proprietary) Limited	—	—	—	—
Transfer from share-based payment reserve	1	—	—	1
Transfer to general credit risk reserve	14	—	—	14
Transfer to insurance contingency reserve	(5)	—	—	(5)
Transfer to associates' and joint ventures' retained earnings reserve	(19)	—	—	(19)
Disposal of associates and joint ventures – release of reserves	(42)	—	—	(42)
Profit attributable to ordinary equity holders of the Group	3 842	—	—	3 842
Other comprehensive income – movement in retirement benefit surplus and obligation	(4)	—	—	(4)
Ordinary dividends paid during the period/year	(1 578)	—	—	(1 578)
Net acquisition of subsidiaries	—	18	—	18
Profit attributable to non-controlling equity holders of the Group	—	107	—	107
Other comprehensive income – foreign currency translation effects	—	27	—	27
Dividends paid during the period/year	—	(92)	—	(92)
Profit attributable to preference equity holders of the Group	—	—	162	162
Preference dividends paid during the period/year	—	—	(162)	(162)
Closing balance	53 294	1 359	4 644	59 297

Total comprehensive income amounts to **R4 618 million** (30 June 2009: R2 513 million; 31 December 2009: R5 895 million).

Notes

[1] *Comparatives have been restated. Refer to pages 92 – 101.*

[2] *Includes foreign currency translation effects of **R(64) million** (30 June 2009: R(286) million; 31 December 2009: R(663) million).*

30 June 2009 (Unaudited)					31 December 2009 (Audited)			
Total equity attributable to ordinary equity holders of the Group Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm	Change %	Total equity attributable to ordinary equity holders of the Group Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
47 280	1 042	4 644	52 966	7	47 280	1 042	4 644	52 966
327	—	—	327	(100)	327	—	—	327
47 607	1 042	4 644	53 293	6	47 607	1 042	4 644	53 293
885	—	—	885	(100)	2 571	—	—	2 571
—	—	—	—	—	3	—	—	3
(0)	—	—	(0)	100	(0)	—	—	(0)
26	—	—	26	(8)	67	—	—	67
(25)	—	—	(25)	(96)	(86)	—	—	(86)
(12)	—	—	(12)	>100	16	—	—	16
(29)	—	—	(29)	>100	38	—	—	38
0	—	—	0	(100)	0	—	—	0
—	—	—	—	—	2	—	—	2
(1 272)	—	—	(1 272)	>100	(1 832)	—	—	(1 832)
(26)	—	—	(26)	4	(68)	—	—	(68)
(29)	—	—	(29)	>100	47	—	—	47
(1 112)	—	—	(1 112)	>100	(1 654)	—	—	(1 654)
(12)	—	—	(12)	(17)	(23)	—	—	(23)
9	—	—	9	(44)	25	—	—	25
(1)	—	—	(1)	>100	(50)	—	—	(50)
(101)	—	—	(101)	>100	(109)	—	—	(109)
46	—	—	46	>100	2 161	—	—	2 161
(1 089)	—	—	(1 089)	100	(1 089)	—	—	(1 089)
(0)	—	—	(0)	>100	1	—	—	1
12	—	—	12	17	23	—	—	23
(9)	—	—	(9)	44	(25)	—	—	(25)
1	—	—	1	>(100)	50	—	—	50
101	—	—	101	>(100)	109	—	—	109
3 272	—	—	3 272	17	6 840	—	—	6 840
—	—	—	—	(100)	52	—	—	52
(2 242)	—	—	(2 242)	30	(3 800)	—	—	(3 800)
—	50	—	50	(64)	—	72	—	72
—	113	—	113	(5)	—	241	—	241
—	6	—	6	>100	—	(5)	—	(5)
—	(36)	—	(36)	>(100)	—	(51)	—	(51)
—	—	234	234	(31)	—	—	421	421
—	—	(234)	(234)	31	—	—	(421)	(421)
47 226	1 175	4 644	53 045	12	50 547	1 299	4 644	56 490

Condensed Group statement of cash flows

	Six months ended 30 June 2010 (Unaudited) Rm	2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
Net cash generated from operating activities	**3 163**	1 086	>100	5 011
Net cash (utilised)/generated from investing activities	**(246)**	1 372	>(100)	(2 218)
Net cash utilised from financing activities	**(2 334)**	(3 004)	22	(1 419)
Net increase/(decrease) in cash and cash equivalents	**583**	(546)	>100	1 374
Cash and cash equivalents at the beginning of the period/year	**6 976**	5 600	25	5 600
Effect of exchange rate movements on cash and cash equivalents	**2**	2	—	2
Cash and cash equivalents at the end of the period/year	**7 561**	5 056	50	6 976
Notes to the condensed Group statement of cash flows				
1. Cash and cash equivalents at the beginning of the period/year				
Cash, cash balances and balances with central banks	**5 176**	4 726	10	4 726
Loans and advances to banks	**1 800**	874	>100	874
	6 976	5 600	25	5 600
2. Cash and cash equivalents at the end of the period/year				
Cash, cash balances and balances with central banks	**4 685**	3 630	29	5 176
Loans and advances to banks	**2 876**	1 426	>100	1 800
	7 561	5 056	50	6 976

	30 June 2010 (Unaudited) Rm	30 June 2009 (Unaudited) Rm	Change %	31 December 2009 (Audited) Rm
1. Loans and advances to customers				
Total Retail banking advances[1]				
Cheque accounts	**2 363**	2 688	(12)	2 401
Credit card accounts[2]	**19 967**	19 973	(0)	20 076
Instalment finance	**40 334**	43 557	(7)	40 872
Loans to associates and joint ventures	**6 323**	5 094	24	6 187
Mortgages (including commercial property finance)	**247 139**	249 430	(1)	247 711
Personal loans	**13 284**	11 061	20	11 663
Micro loans	**2 544**	3 445	(26)	2 936
UniFer book	**153**	165	(7)	155
New business	**2 391**	3 280	(27)	2 781
Other	**155**	423	(63)	318
Gross advances	**332 109**	335 671	(1)	332 164
Impairment losses on loans and advances	**(11 307)**	(8 886)	(27)	(10 130)
	320 802	326 785	(2)	322 034
Total Absa Business Bank (ABB) advances[1]				
Cheque accounts	**25 372**	24 652	3	28 127
Foreign currency loans	**2 007**	2 302	(13)	2 628
Loans to associates and joint ventures	**1 781**	2 045	(13)	1 691
Instalment finance	**16 501**	19 300	(15)	17 692
Mortgages (including commercial property finance)	**48 536**	48 911	(1)	49 134
Specialised finance and corporate overdrafts	**16 784**	15 540	8	16 423
Term loans	**11 308**	10 501	8	9 576
Other	**2 980**	2 998	(1)	2 380
Gross advances	**125 269**	126 249	(1)	127 651
Impairment losses on loans and advances	**(2 534)**	(2 547)	1	(2 470)
	122 735	123 702	(1)	125 181
Total Absa Capital advances[1]				
Cheque accounts	**2 967**	2 989	(1)	3 060
Foreign currency loans	**5 452**	6 698	(19)	4 998
Loans granted under resale agreements (Carries) and reverse repurchase agreements	**3 417**	6 423	(47)	1 988
Mortgages	**7 841**	6 849	14	7 495
Overnight finance	**4 130**	7 459	(45)	7 442
Preference shares	**5 199**	7 060	(26)	5 774
Corporate loans	**25 543**	31 025	(18)	26 621
Other	**1 587**	2 658	(40)	1 470
Gross advances	**56 136**	71 161	(21)	58 848
Impairment losses on loans and advances	**(481)**	(342)	(41)	(547)
	55 655	70 819	(21)	58 301

Notes

[1]*Comparatives have been reclassified for the move of Absa Small Business from Retail banking to ABB. Also refer to pages 92 – 101 for additional reclassifications and restatements.*

[2]*Include a balance of **R5 287 million** (30 June 2009: R5 368 million; 31 December 2009: R5 407 million) relating to Woolworths Financial Services (Proprietary) Limited.*

	30 June 2010 (Unaudited) Rm	30 June 2009 (Unaudited) Rm	Change %	31 December 2009 (Audited) Rm
1. Loans and advances to customers *(continued)*				
Total Other advances				
Preference shares	**—**	200	(100)	—
Other	**794**	112	>100	658
Gross advances	**794**	312	>100	658
Impairment losses on loans and advances	**(10)**	(3)	>(100)	(11)
	784	309	>100	647
Total gross advances	**514 308**	533 393	(4)	519 321
Impairment losses on loans and advances	**(14 332)**	(11 778)	(22)	(13 158)
Total net advances	**499 976**	521 615	(4)	506 163
2. Investments in associates and joint ventures				
Blue Financial Services Limited[1]	**11**	316	(97)	58
FFS Finance South Africa (Proprietary) Limited	**280**	291	(4)	259
MAN Financial Services (S.A.) (Proprietary) Limited	**47**	58	(19)	57
Pinnacle Point Group Limited[2]	**—**	0	(100)	0
Sekunjalo Investments Limited[1]	**39**	57	(32)	41
Other[3]	**77**	67	15	72
	454	789	(42)	487

Notes

[1] *These investments were impaired, during the current and comparative periods, to their listed share prices.*

[2] *The investment in Pinnacle Point Group Limited was fully impaired during the previous year and disposed of during the current period.*

[3] *On 30 June 2010, the Virgin Money South Africa (Proprietary) Limited (VMSA) joint venture arrangement was terminated and restructured into a trademark licence agreement which is managed through the Card division. The termination resulted in the Group selling its 50% interest in VMSA for R1, while acquiring VMSA's credit card and home loan business for R1. The investment had a carrying value of R nil at the date of termination.*

	30 June 2010 (Unaudited) Rm	30 June 2009 (Unaudited) Rm	Change %	31 December 2009 (Audited) Rm
3. Deposits due to customers				
Total Retail banking deposits[1]				
Call	**538**	649	(17)	740
Cheque accounts	**14 898**	13 905	7	14 745
Credit card accounts	**1 733**	1 860	(7)	1 864
Fixed	**28 634**	25 872	11	27 048
Investment products	**24 052**	23 574	2	23 673
Notice	**9 042**	8 839	2	8 810
Savings and transmissions	**32 196**	31 345	3	32 361
Other	**1 189**	1 132	5	1 193
	112 282	107 176	5	110 434
Total Absa Business Bank (ABB) deposits[1]				
Call	**19 509**	17 786	10	20 098
Cheque accounts	**57 603**	55 755	3	56 337
Fixed	**33 425**	35 390	(6)	34 953
Foreign currency	**3 587**	4 167	(14)	4 020
Investment products	**5 546**	3 518	58	3 648
Notice	**1 606**	1 599	0	1 467
Savings and transmissions	**2 809**	4 345	(35)	4 598
Other	**1 831**	1 111	65	2 039
	125 916	123 671	2	127 160
Total Absa Capital deposits[1]				
Call	**31 884**	42 473	(25)	41 263
Cheque accounts	**34 468**	26 173	32	21 183
Fixed	**43 728**	56 229	(22)	44 934
Foreign currency	**4 098**	4 964	(17)	3 920
Repurchase agreements	**2 315**	3 662	(37)	1 712
Other	**4 668**	6 341	(26)	5 359
	121 161	139 842	(13)	118 371
Total Other deposits	**584**	590	(1)	400
Total deposits	**359 943**	371 279	(3)	356 365
4. Debt securities in issue				
Abacas – commercial paper and floating rate notes	**4 291**	5 762	(26)	4 936
Credit linked notes	**5 508**	9 594	(43)	8 025
Floating rate notes	**76 874**	79 678	(4)	84 925
Liabilities arising from securitised special purpose entities (SPEs)	**4 165**	5 739	(27)	4 810
Negotiable certificates of deposit	**61 202**	67 834	(10)	59 354
Promissory notes	**1 474**	2 095	(30)	1 855
Replica bonds	**1 233**	2 639	(53)	1 534
Senior notes	**8 950**	2 345	>100	5 922
Other	**—**	—	—	15
	163 697	175 686	(7)	171 376

Note

[1]*Comparatives have been reclassified for the move of Absa Small Business from Retail banking to ABB. Also refer to pages 92 – 101 for additional reclassifications and restatements.*

		30 June 2010 (Unaudited) Rm	30 June 2009 (Unaudited) Rm	Change %	31 December 2009 (Audited) Rm
5. Borrowed funds					
Subordinated callable notes		**13 359**	11 823	13	13 530
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)
Redeemable cumulative option-holding preference shares		**—**	—	—	—
Preference dividend rate	*Option excercise dates*				
72% of the prime overdraft rate	1 July 2007 to 1 July 2009 1 March, 1 June, 1 September or 1 December of each year	**—**	158	(100)	158
Redemption of preference shares held by Absa Group Limited Employee Share Ownership Administrative Trust		**—**	(9)	100	(9)
Shares held by Absa Group Limited Employee Share Ownership Administrative Trust		**—**	(3)	100	—
Cancellation of preference shares held by Absa Group Limited Employee Share Ownership Administrative Trust[1]		**—**	—	—	(3)
Redemption of preference shares held by Batho Bonke Capital (Proprietary) Limited		**—**	(146)	100	(146)
		13 359	11 823	13	13 530

Note

[1] *The cancellation of the preference shares held by Absa Group Limited Employee Share Ownership Administrative Trust relate to employees who resigned and therefore their shares were not redeemed.*

		30 June 2010 (Unaudited) Rm	30 June 2009 (Unaudited) Rm	Change %	31 December 2009 (Audited) Rm
6.	**Share capital and share premium**				
	Authorised				
	Ordinary shares of R2,00 each[1]	**1 761**	1 600	10	1 761
	Issued				
	Ordinary shares of R2,00 each	**1 437**	1 437	—	1 437
	Shares linked to Batho Bonke Capital (Proprietary) Limited bridging finance	**—**	(49)	100	—
	Treasury shares held by Absa Group Limited Share Incentive Trust	**(3)**	(6)	50	(4)
	Treasury shares held by Absa Life Limited	**(1)**	(3)	67	(1)
		1 433	1 379	4	1 432
	Total issued capital				
	Share capital	**1 433**	1 379	4	1 432
	Share premium	**4 805**	3 071	56	4 784
		6 238	4 450	40	6 216

		30 June 2010 (Unaudited) Number of shares (millions)	30 June 2009 (Unaudited) Number of shares (millions)	Change value	31 December 2009 (Audited) Number of shares (millions)
6.1	**Issued number of shares**				
	Issued ordinary shares of R2,00 each	**718,2**	718,2	—	718,2
	Shares linked to Batho Bonke Capital (Proprietary) Limited bridging finance	**—**	(24,7)	24,7	—
	Treasury shares held by Absa Group Limited Share Incentive Trust	**(1,3)**	(2,6)	1,3	(1,8)
	Treasury shares held by Absa Life Limited	**(0,6)**	(1,2)	0,6	(0,6)
	Number of shares in issue after deduction of treasury shares	**716,3**	689,7	26,6	715,8
	Weighted average number of ordinary shares in issue	**716,1**	677,9	38,2	693,2
	Weighted average diluted number of ordinary shares in issue	**720,7**	696,1	24,6	711,5

Note

[1]*The authorised share capital was increased, from 800 000 000 to 880 467 500, during the second half of 2009, in terms of article 177.4 of the articles of association of the Company, which states that upon redemption of any issued redeemable preference share, that issued share shall:*

- *be automatically cancelled as to its issue, but not as to its authorisation; and simultaneously*
- *be automatically converted from an authorised but unissued redeemable preference share to an authorised but unissued ordinary share of R2,00 each ranking pari passu in all aspects with the authorised ordinary shares.*

	Six months ended 30 June 2010 (Unaudited) Rm	Six months ended 30 June 2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
7. Impairment losses on loans and advances				
7.1 Charge to the statement of comprehensive income				
Impairments raised during the period/year	**3 965**	5 018	(21)	9 883
Identified impairments	**4 043**	4 919	(18)	10 151
Unidentified impairments	**(78)**	99	>(100)	(268)
Recoveries of loans and advances previously written off	**(261)**	(184)	(42)	(916)
	3 704	4 834	(23)	8 967
Credit impairments per segment				
Retail banking				
Home Loans	**1 431**	2 073	(31)	3 945
Absa Vehicle and Asset Finance	**599**	678	(12)	944
Card	**386**	761	(49)	1 287
Personal Loans	**326**	442	(26)	1 005
Retail Bank	**293**	130	>100	366
Total charge	**3 035**	4 084	(26)	7 547
Impairment losses ratio (%)	**1,90**	2,49		2,30
Absa Business Bank (ABB)				
Total charge	**589**	644	(9)	1 103
Impairment losses ratio (%)	**0,99**	1,06		0,91
Absa Capital				
Total charge	**80**	120	(33)	318
Impairment losses ratio (%)	**0,29**	0,32		0,49
Other				
Total charge	**—**	(14)	100	(1)
Impairment losses ratio (%)	**n/a**	n/a		n/a
Charge to the statement of comprehensive income	**3 704**	4 834	(23)	8 967
Group impairment losses ratio (%)	**1,50**	1,86		1,74

	30 June 2010 (Unaudited) Rm	30 June 2009 (Unaudited) Rm	Change %	31 December 2009 (Audited) Rm
7.2 Statement of financial position				
Balance at the beginning of the period/year	**13 158**	8 858	49	8 858
Exchange differences	**(1)**	(1)	—	(3)
Interest on impaired assets	**(363)**	(470)	23	(945)
Amounts written off during the period/year	**(2 427)**	(1 627)	(49)	(4 635)
Impairments raised during the period/year	**3 965**	5 018	(21)	9 883
	14 332	11 778	22	13 158
Comprising:				
Identified impairments	**13 252**	10 249	29	11 999
Unidentified impairments	**1 080**	1 529	(29)	1 159
	14 332	11 778	22	13 158

	Outstanding balance Rm	Expected recoveries and fair value of collateral Rm	Net exposure Rm	Total identified impairment Rm
7. Impairment losses on loans and advances *(continued)*				
7.3 Non-performing advances at 30 June 2010 (Unaudited)				
Home Loans	**23 643**	**19 109**	**4 534**	**4 534**
Absa Vehicle and Asset Finance	**3 093**	**1 837**	**1 256**	**1 256**
Card	**2 831**	**611**	**2 220**	**2 220**
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	**33 590**	**23 906**	**9 684**	**9 684**
Absa Business Bank	**4 455**	**2 970**	**1 485**	**1 485**
Absa Small Business	**439**	**355**	**84**	**84**
Total Absa Business Bank (ABB)	**4 894**	**3 325**	**1 569**	**1 569**
Total Absa Capital	**419**	**83**	**336**	**336**
Total non-performing advances	**38 903**	**27 314**	**11 589**	**11 589**
Non-performing advances as % of loans and advances to customers	**7,6**			
Non-performing advances at 30 June 2009 (Unaudited)				
Home Loans	22 237	19 090	3 147	3 147
Absa Vehicle and Asset Finance	3 120	1 851	1 269	1 269
Card	2 652	761	1 891	1 891
Personal Loans	690	202	488	488
Absa Private Bank	1 302	1 104	198	198
Other	949	519	430	430
Total Retail banking[1]	30 950	23 527	7 423	7 423
Absa Business Bank	3 023	2 052	971	971
Absa Small Business	463	340	123	123
Total Absa Business Bank (ABB)[1]	3 486	2 392	1 094	1 094
Total Absa Capital	578	479	99	99
Total non-performing advances	35 014	26 398	8 616	8 616
Non-performing advances as % of loans and advances to customers	6,6			
Non-performing advances at 31 December 2009 (Audited)				
Home Loans	22 200	18 311	3 889	3 889
Absa Vehicle and Asset Finance	2 598	1 476	1 122	1 122
Card	2 488	565	1 923	1 923
Personal Loans	802	224	578	578
Absa Private Bank	1 463	1 232	231	231
Other	956	438	518	518
Total Retail banking[1]	30 507	22 246	8 261	8 261
Absa Business Bank	4 312	2 983	1 329	1 329
Absa Small Business	465	362	103	103
Total Absa Business Bank (ABB)[1]	4 777	3 345	1 432	1 432
Total Absa Capital	805	562	243	243
Total non-performing advances	36 089	26 153	9 936	9 936
Non-performing advances as % of loans and advances to customers	7,0			

Note

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

	Six months ended 30 June 2010 (Unaudited) Rm	2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
8. Non-interest income				
8.1 Fee and commission income[1]				
Credit-related fees and commissions	**6 333**	6 071	4	12 494
Cheque accounts	**1 614**	1 606	0	3 231
Credit card accounts	**939**	889	6	1 860
Early redemption penalty income	**47**	56	(16)	105
Electronic banking	**1 848**	1 633	13	3 501
Foreign exchange fees and commissions	**154**	148	4	313
Savings accounts	**1 193**	1 098	9	2 301
Sundry	**538**	641	(16)	1 183
Asset management and other related fees	**55**	67	(18)	103
Consulting and administration fees	**227**	187	21	428
Insurance commission received	**482**	486	(1)	1 088
Pension fund payment services	**262**	273	(4)	545
Portfolio and other management fees[2]	**484**	375	29	947
Project finance fees	**107**	127	(16)	262
Trust and estate income[2]	**119**	106	12	235
Other	**75**	107	(30)	199
	8 144	7 799	4	16 301
8.2 Fee and commission expense[1]				
Cheque processing fees	**(88)**	(93)	5	(193)
Commission paid	**(436)**	(416)	(5)	(867)
Debt collecting fees	**(112)**	(113)	1	(261)
Transaction-based legal fees	**(88)**	(61)	(44)	(148)
Valuation fees	**(89)**	(81)	(10)	(176)
Other	**(272)**	(132)	>(100)	(367)
	(1 085)	(896)	(21)	(2 012)
8.3 Net insurance premium income				
Insurance premium revenue	**2 545**	2 153	18	4 390
Premiums ceded to reinsurers	**(380)**	(309)	(23)	(603)
	2 165	1 844	17	3 787
8.4 Net insurance claims and benefits paid				
Gross claims and benefits paid on insurance contracts	**(1 330)**	(1 131)	(18)	(2 521)
Reinsurance recoveries	**164**	121	36	306
	(1 166)	(1 010)	(15)	(2 215)
8.5 Changes in investment and insurance liabilities				
Investment contracts	**(639)**	(153)	>(100)	(620)
Insurance liabilities	**74**	163	(55)	60
	(565)	10	>(100)	(560)

Notes

[1] *The disclosure of net fee and commission income changed from nature to function during 2009, and certain fees and commissions received, previously disclosed net of fees and commissions paid, have been reclassified to indicate the gross amounts received and paid. Comparatives for June 2009 have been reclassified accordingly, on a basis consistent with the change made in December 2009.*

[2] *Disclosed as part of trust and other fiduciary services.*

	Six months ended 30 June 2010 (Unaudited) Rm	2009 (Unaudited) Rm	Change %	31 December 2009 (Audited) Rm
8. Non-interest income *(continued)*				
8.6 Gains and losses from banking and trading activities[1]				
Associates and joint ventures	**42**	(54)	>100	(13)
Dividends received	**—**	—	—	45
Profit/(loss) realised on disposal	**42**	(54)	>100	(58)
Available-for-sale unwind from reserve	**(46)**	175	>(100)	115
Equity instruments	**—**	216	(100)	219
Statutory liquid asset portfolio	**(46)**	(41)	(12)	(104)
Financial instruments designated at fair value through profit or loss	**(502)**	163	>(100)	(63)
Debt instruments	**16**	(40)	>100	(31)
Debt securities in issue	**3**	(8)	>100	(125)
Deposits from banks and due to customers	**(780)**	(43)	> (100)	(434)
Equity instruments	**(104)**	(142)	27	(99)
Loans and advances to banks and customers	**360**	372	(3)	614
Statutory liquid asset portfolio	**3**	24	(88)	12
Financial instruments held for trading				
Derivatives and trading instruments	**1 849**	1 014	82	2 555
Ineffective hedges	**35**	(17)	>100	(19)
Cash flow hedges	**43**	(7)	>100	(3)
Fair value hedges	**(8)**	(10)	20	(16)
	1 378	1 281	8	2 575
8.7 Gains and losses from investment activities[1]				
Associates and joint ventures				
Profit realised on disposal	**—**	15	(100)	15
Available-for-sale unwind from reserves				
Equity instruments	**—**	—	—	1
Financial instruments designated at fair value through profit or loss	**191**	301	(37)	830
Cash, cash balances and balances with central banks	**107**	71	51	312
Debt instruments	**72**	33	>100	78
Equity instruments	**12**	197	(94)	440
Financial instruments held for trading				
Derivatives and trading instruments	**8**	(25)	>100	(41)
Investments linked to investment contracts	**270**	173	56	669
Cash, cash balances and balances with central banks	**461**	223	>100	(50)
Debt instruments	**113**	(4)	>100	(5)
Equity instruments	**(304)**	(46)	>(100)	724
Subsidiaries				
Loss realised on disposal	**—**	(10)	100	(10)
	469	454	3	1 464

Note

[1] *Refer to the segment views on pages 69 – 91 for additional disclosures.*

	Six months ended 30 June 2010 (Unaudited) Rm	2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
8. Non-interest income *(continued)*				
8.8 Other operating income				
Exchange differences	**36**	48	(25)	40
Income from maintenance contracts	**8**	15	(47)	26
Investment property income	**30**	71	(58)	74
Profit on disposal of intangible assets	**—**	65	(100)	65
Profit on disposal of property and equipment	**5**	32	(84)	68
Property development profit	**9**	19	(53)	50
Profit on disposal of repossessed properties	**0**	—	100	8
Rental income from property subleases	**122**	96	27	218
Sundry income	**163**	381	(57)	343
	373	727	(49)	892
Total non-interest income	**9 713**	10 209	(5)	20 232
9. Operating expenditure				
9.1 Operating expenses				
Amortisation of intangible assets	**76**	71	7	116
Auditors' remuneration	**77**	75	3	134
Cash transportation	**335**	230	46	467
Depreciation	**601**	537	12	1 129
Equipment costs	**135**	133	2	278
Information technology	**1 054**	847	24	1 729
Investment property charges	**—**	—	—	4
Marketing costs	**329**	362	(9)	875
Operating lease expenses on property	**486**	464	5	910
Printing and stationery	**132**	127	4	283
Professional fees	**470**	406	16	908
Staff costs	**5 875**	4 943	19	10 806
Salaries	**5 029**	4 589	10	9 423
Share-based payments and incentive schemes	**447**	104	>100	867
Training costs	**136**	111	23	195
Other staff costs[1]	**263**	139	89	321
Telephone and postage	**417**	411	1	837
Other[2]	**1 277**	1 176	9	2 381
	11 264	9 782	15	20 857

Notes

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

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

	Six months ended 30 June 2010 (Unaudited) Rm	2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
9. Operating expenditure *(continued)*				
9.2 Other impairments				
Financial instruments	**22**	32	(31)	38
Amortised cost instruments	**6**	4	50	2
Available-for-sale instruments	**16**	28	(43)	36
Other	**61**	1 147	(95)	1 419
Computer software development costs	**4**	—	100	19
Equipment	**—**	—	—	9
Goodwill[1]	**—**	37	(100)	37
Investments in associates and joint ventures[2]	**50**	1 067	(95)	1 328
Repossessed properties	**7**	43	(84)	26
	83	1 179	(93)	1 457
10. Earnings per share				
Earnings	**3 842**	3 272	17	6 840
Interest expense on convertible debt (net of tax)	**—**	6	(100)	6
Diluted earnings	**3 842**	3 278	17	6 846

	30 June 2010 (Unaudited) Number of shares (millions)	2009 (Unaudited) Number of shares (millions)	Change value/ %	31 December 2009 (Audited) Number of shares (millions)
Issued shares at the beginning of the period/year	**718,2**	680,2	38,0	680,2
Effect of shares issued during the period/year	**—**	1,1	(1,1)	15,5
Treasury shares held by Absa Group Limited Employee Share Ownership Administrative Trust	**—**	(0,0)	0,0	(0,0)
Treasury shares held by Absa Group Limited Share Incentive Trust	**(1,5)**	(2,2)	0,7	(2,1)
Treasury shares held by Absa Life Limited	**(0,6)**	(1,2)	0,6	(0,4)
Weighted average number of ordinary shares in issue	**716,1**	677,9	38,2	693,2
Basic earnings per share (cents)	**536,5**	482,7	11	986,7
Weighted average number of ordinary shares in issue	**716,1**	677,9	38,2	693,2
Adjustments for:				
options linked to ordinary shares	**4,6**	3,8	0,8	3,0
options linked to redeemable cumulative option-holding preference shares	**—**	14,4	(14,4)	15,3
Weighted average diluted number of ordinary shares in issue	**720,7**	696,1	24,6	711,5
Diluted earnings per share (cents)	**533,1**	470,9	13	962,2

Notes

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

[2]*During the previous year, indications existed that the carrying amount of the investments in associates, that arose as a result of client defaults on single stock futures within Absa Capital, would not be recoverable. The recoverable amount is the fair value less cost to sell and was based on the Group's best estimate of the price the Group would achieve in an arm's length sale transaction of these investments. These investments have consequently been impaired in the current and comparative periods.*

		Six months ended 30 June 2010 (Unaudited) Rm	2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
11.	**Headline earnings**				
	Headline earnings[1] is determined as follows:				
	Profit attributable to ordinary equity holders of the Group	**3 842**	3 272	17	6 840
	Adjustments for:				
	IFRS 3 business combinations (goodwill)	**—**	27	(100)	37
	IAS 16 net profit on disposal of property and equipment	**(4)**	(23)	83	(58)
	IAS 21 recycled foreign currency translation reserve, disposal of investments in foreign operations	**—**	—	—	(23)
	IAS 27 net loss on disposal of subsidiaries	**—**	7	(100)	10
	IAS 28 net (profit)/loss on disposal of associates and joint ventures	**(42)**	24	>(100)	35
	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 equipment	**—**	—	—	6
	IAS 38 impairment and net profit on disposal of intangible assets	**3**	(47)	>100	(42)
	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	**(17)**	(50)	66	(52)
		3 862	3 826	1	7 621
12.	**Assets under management and administration**				
	Estates	**2 339**	2 685	(13)	2 247
	Linked investments	**42 827**	41 685	3	45 683
	Participation bond schemes	**2 089**	1 974	6	2 105
	Portfolio management	**18 119**	12 094	50	17 770
	Trusts	**5 955**	5 203	14	5 803
	Unit trusts	**71 784**	73 391	(2)	69 949
	Other	**10 356**	12 491	(17)	11 557
		153 469	149 523	3	155 114
13.	**Commitments**				
	Authorised capital expenditure				
	Contracted but not provided for[2]	**1 055**	1 521	(31)	928
14.	**Financial guarantee contracts**				
	Financial guarantee contracts	**614**	1 025	(40)	1 007
15.	**Contingencies**				
	Guarantees[3]	**11 637**	9 075	28	10 484
	Irrevocable facilities[4]	**41 407**	30 290	37	54 517
	Letters of credit	**5 307**	4 851	9	5 007
	Other	**5**	8	(38)	5
		58 356	44 224	32	70 013

Notes

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

[2] *The Group has capital commitments in respect of construction of buildings, computer equipment and property purchases. Management is confident that future net revenue and funding will be sufficient to cover these commitments.*

[3] *Guarantees include performance guarantee contracts and payment guarantee contracts.*

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

16. Share-based payments

During the period, R5 million (June 2009: R44 million; December 2009: R123 million) and R64 million (June 2009: R47 million; December 2009: R100 million) were charged to the statement of comprehensive income in respect of equity-settled and cash-settled share-based payment transactions, respectively.

	Number of options/ shares	Six months ended 30 June 2010 (Unaudited) Rm	Six months ended 30 June 2009 (Unaudited) Rm	Change %	Year ended 31 December 2009 (Audited) Rm
Staff costs					
The share-based payment charge to the statement of comprehensive income is as follows:					
Equity-settled arrangements:					
Absa Group Limited Share Incentive Trust	**4 620 246**	**2**	15	(87)	26
Absa Group Limited Executive Share Award Scheme	**2 156 719**	**30**	37	(19)	78
Absa Group Limited Performance Share Plan	**3 347 787**	**(27)**	(8)	>(100)	19
Cash-settled arrangements:					
Absa Group Limited Phantom Performance Share Plan	**—**	**4**	13	(69)	9
Absa Group Limited Phantom Joiners Share Award Plan	**867 877**	**17**	18	(6)	51
Absa Group Limited Phantom Executive Share Award Scheme	**119 921**	**(13)**	16	>(100)	40
Absa Group Limited Deferred Award Plan[1]	**2 501 755**	**56**	—	100	—
	13 614 305	**69**	91	(24)	223

Absa Group Limited Share Incentive Trust (Share Incentive Trust)

In terms of the rules of the Share Incentive Trust, the maximum number of shares of Absa Group Limited that may be issued or transferred and/or in respect of which options may be granted to the participants, shall be limited to shares representing 10% of the total number of issued shares from time to time. This scheme is an equity-settled share-based payment arrangement and options are allocated to employees according to the normal human resources talent management processes. The options issued up to August 2005 (issue 192) had no performance criteria linked to them and vested in equal tranches after three, four and five years respectively. No dividends accrue to the option holder over the vesting period. The options expire after a period of ten years from the issuing date. Options issued since August 2005 (issue 193) have performance criteria associated with them, which require headline earnings per share to exceed an agreed benchmark over a three-year period from the grant date for the options to vest. Participants need to be in the employment of the Group at the vesting date in order to be entitled to the options.

	Number of options 30 June 2010 (Unaudited)	30 June 2009 (Unaudited)	Change %	31 December 2009 (Audited)
Outstanding at the beginning of the period/year	**6 298 491**	9 967 474	(37)	9 967 474
Exercised during the period/year	**(1 503 187)**	(1 415 495)	(6)	(3 568 819)
Forfeited during the period/year	**(175 058)**	(1 511)	>(100)	(100 164)
Outstanding at the end of the period/year	**4 620 246**	8 550 468	(46)	6 298 491
Of which are exercisable	**3 741 854**	5 973 250	(37)	5 016 155

Note

[1] *The plan was implemented during the current period.*

16. Share-based payments *(continued)*

Absa Group Limited Share Incentive Trust (Share Incentive Trust) *(continued)*

Details regarding the options outstanding at 30 June 2010 are as follows:

	Number of options	Average option price R
Expiry date[1]		
Year to 31 March 2012	**261 875**	**37,34**
Year to 31 March 2013	**348 494**	**33,63**
Year to 31 March 2014	**306 335**	**35,01**
Year to 31 March 2015	**1 230 035**	**49,06**
Year to 31 December 2015	**1 836 005**	**91,16**
Year to 31 December 2016	**637 502**	**107,76**
	4 620 246	

Absa Group Limited Executive Share Award Scheme (ESAS)

The ESAS is an equity-settled share-based payment arrangement, where the participant's notional bonus comprises a number of restricted nil-cost options, based on the allocation price of ordinary shares. There is an initial three-year vesting period, after which, the participant will receive their initial allocation as well as 20% matched options. If the bonus award remains in the ESAS for another two years, the participant receives another 10% matched options. Dividends, in the form of additional shares, are paid to participants on the ordinary shares, awarded on exercise of the options, as if the shares were held from inception. The number of dividend shares awarded is therefore calculated on the initial share allocation and on the 20% and/or 10% matched shares, over the three- or five-year period. Employees that received a performance bonus in excess of a predetermined amount were compelled to place a set percentage of the bonus award into the ESAS. Employees also had the option of utilising more of their bonus award for voluntary ESAS options.

	Number of options			
	30 June			31 December
	2010 (Unaudited)	2009 (Unaudited)	Change %	2009 (Audited)
Outstanding at the beginning of the period/year	**2 184 286**	1 015 218	>100	1 015 218
Forfeited during the period/year	**(27 567)**	—	(100)	(155 110)
Granted during the period/year	**—**	1 330 780	(100)	1 324 178
Outstanding at the end of the period/year	**2 156 719**	2 345 998	(8)	2 184 286

The options outstanding have no exercise price and a weighted average contractual life of 3,2 years (30 June 2009: 4,3 years; 31 December 2009: 3,7 years). None of these options were exercisable at the statement of financial position date.

Note

[1]*Options are exercisable at least five years before expiry date.*

16. Share-based payments *(continued)*

Absa Group Limited Performance Share Plan (PSP)

The PSP is an equity-settled share-based payment arrangement. Participants are awarded a number of nil-cost options. These options will then be converted into Absa Group Limited shares after a three-year vesting period and on achieving performance conditions attached to the award. The vesting of the PSP awards will be subject to non-market and market-related performance conditions which will be measured over a three-year period, starting on the first day of the financial year in which the award is made. The awards will vest after three years to the extent that the performance conditions are satisfied. These awards are forfeited in total if the Group performance fails to meet the minimum performance criteria.

	Number of options			
	30 June			31 December
	2010	2009	Change	2009
	(Unaudited)	(Unaudited)	%	(Audited)
Outstanding at the beginning of the period/year	**3 417 488**	2 007 730	70	2 007 730
Forfeited during the period/year	**(69 701)**	(6 905)	>(100)	(180 108)
Granted during the period/year	**—**	1 596 059	(100)	1 589 866
Outstanding at the end of the period/year	**3 347 787**	3 596 884	(7)	3 417 488

The options outstanding have no exercise price and a weighted average contractual life of 1,3 years (30 June 2009: 2,2 years; 31 December 2009: 1,8 years). None of these options are exercisable at the statement of financial position date.

Batho Bonke Capital (Proprietary) Limited

The Group entered into a black economic empowerment (BEE) transaction with Batho Bonke Capital (Proprietary) Limited (Batho Bonke) in July 2004. The options issued in terms of the transaction vested immediately. Due to the options issued vesting immediately and also as a result of the issue being before 1 January 2005, the provisions of *IFRS 2 Share-based Payment* were not applicable. In the prior year 49,9% of the options were repurchased from Batho Bonke at a discount to their fair value. Batho Bonke utilised the proceeds to exercise 11 970 536 options. The Group provided bridging finance for the remaining 24 678 764 options. The life of these options was effectively extended for three months, effective 1 June 2009. The modification did not result in an increase in the fair value of these options and therefore, in terms of the provisions of IFRS 2, no cost was recognised in the statement of comprehensive income.

The bridging finance was redeemed on 1 September 2009 and Batho Bonke exercised the balance of the options outstanding.

	Number of options			
	30 June			31 December
	2010	2009	Change	2009
	(Unaudited)	(Unaudited)	%	(Audited)
Outstanding at the beginning of the period/year	**—**	73 152 300	(100)	73 152 300
Exercised during the period/year	**—**	(11 970 536)	100	(36 649 300)
Repurchased during the period/year	**—**	(36 503 000)	100	(36 503 000)
Outstanding at the end of the period/year	**—**	24 678 764	(100)	—
Of which are exercisable	**—**	—	—	—

There are no outstanding options at 30 June 2010. The options outstanding at 30 June 2009 had an exercise price of R70,69 and a weighted average contractual life of 0,2 years.

16. Share-based payments *(continued)*

Absa Group Limited Employee Share Ownership Administrative Trust

As of the implementation date (1 July 2004), all employees of South African wholly owned subsidiaries (excluding executive directors of Absa Group Limited and Absa Bank Limited), were eligible to participate in this one-off equity-settled share-based payment scheme. Each employee who elected to participate, was issued and allocated 200 compulsory redeemable cumulative option-holding preference shares against a receipt of the R400,00 subscription price. A maximum of 7 315 200 preference shares were available for allocation to the trust.

On 1 July 2004, 6 085 200 preference shares were issued. The preference shares received a dividend calculated on the par value of the preference shares at a rate of 72% of the prime overdraft rate. These dividends were compounded and paid semi-annually in arrears on 30 September and 31 March of each year. The Group redeemed the preference shares on exercise of the options by the employee or on forfeiture of the options on the final option exercise date. Options vested after three years from the date of issue and were forfeited after five years from the date of issue. Options could be exercised on 1 March, 1 June, 1 September or 1 December of each year. Exercise could occur in lots of 100 only and on payment of the option strike price, which varied between R48,00 and R69,00 dependent on the 30-day volume weighted trading price on the JSE.

	Number of options			
	30 June			31 December
	2010	2009	Change	2009
	(Unaudited)	(Unaudited)	%	(Audited)
Outstanding at the beginning of the period/year	**—**	559 400	(100)	559 400
Exercised during the period/year	**—**	(539 200)	100	(539 200)
Forfeited during the period/year	**—**	(20 200)	100	(20 200)
Outstanding at the end of the period/year	**—**	—	—	—
Of which are exercisable	**—**	—	—	—

Absa Group Limited Phantom Performance Share Plan (Phantom PSP)

The Phantom PSP is a cash-settled plan as payments made to participants in respect of their awards are in the form of cash. The Phantom PSP shares (and any associated notional dividend) are awarded at no cost to the participants. The amount that is ultimately paid to the participants is equal to the market value of a number of Absa Group Limited ordinary shares, as determined after a three-year vesting period. The vesting of the Phantom PSP awards will be subject to non-market performance conditions which will be measured over a three-year period, starting on the first day of the financial year in which the award is made. The awards will vest after three years to the extent that the performance conditions are satisfied. These awards are forfeited in total if the Group's performance fails to meet the minimum performance criteria.

	Number of shares			
	30 June			31 December
	2010	2009	Change	2009
	(Unaudited)	(Unaudited)	%	(Audited)
Outstanding at the beginning of the period/year	**1 185 948**	2 201 242	(46)	2 201 242
Exercised during the period/year	**—**	(933 112)	100	(981 926)
Forfeited during the period/year	**(1 185 948)**	(19 211)	>(100)	(33 368)
Granted during the period/year	**—**	38 904	(100)	—
Outstanding at the end of the period/year	**—**	1 287 823	(100)	1 185 948

There are no phantom shares outstanding at 30 June 2010. The phantom shares outstanding at 30 June 2009 had no exercise price (31 December 2009: no exercise price) and a weighted average contractual life of 0,7 years (31 December 2009: 0,2 years).

16. Share-based payments *(continued)*

Absa Group Limited Phantom Joiners Share Award Plan (JSAP)

The JSAP is a cash-settled share-based payment arrangement that enables the Group to attract and motivate new employees by buying out the "in the money" portion of a participant's shares or options under their previous employers' share scheme by offering the employees Absa Group Limited phantom shares. There is no consideration payable for the grant of an award and the vesting of the awards is not subject to performance conditions. Dividends accrue to the participant over the vesting period which can be over two, three, five or six years.

	Number of shares			
	30 June			31 December
	2010	2009	Change	2009
	(Unaudited)	(Unaudited)	%	(Audited)
Outstanding at the beginning of the period/year	**923 489**	953 745	(3)	953 745
Exercised during the period/year	**(156 998)**	(114 398)	(37)	(245 954)
Forfeited during the period/year	**(33 246)**	(42 120)	21	(90 047)
Granted during the period/year	**134 632**	117 679	14	305 745
Outstanding at the end of the period/year	**867 877**	914 906	(5)	923 489

The phantom shares outstanding have no exercise price and a weighted average contractual life of 2,3 years (30 June 2009: 2,6 years; 31 December 2009: 2,4 years). As the terms and conditions of this share scheme dictate that options be exercised immediately on vesting, at any given time there are no options which have vested but have not yet been exercised.

Absa Group Limited Phantom Executive Share Award Scheme (Phantom ESAS)

The Phantom ESAS is a cash-settled share-based payment arrangement, where the participant's notional bonus comprises a number of restricted nil-cost phantom shares, based on the allocation price of Absa Group Limited's ordinary shares. If the participant is in the employ of the Group after the three-year vesting period, the participant will receive 20% matched phantom shares. If the bonus award remains in the Phantom ESAS for another two years, the participant receives an additional 10% bonus phantom shares. Dividends, in the form of cash, is paid to participants on settlement of the phantom shares as if the shares were held from inception. The number of dividend phantom shares awarded is therefore calculated on the initial allocation and on the 20% and/or 10% bonus phantom shares, over the three- or five-year period. Employees that received a performance bonus in excess of a predetermined amount were compelled to place a set percentage of the bonus award into the Phantom ESAS. Employees also had the option of utilising more of their bonus award for voluntary Phantom ESAS options.

	Number of shares			
	30 June			31 December
	2010	2009	Change	2009
	(Unaudited)	(Unaudited)	%	(Audited)
Outstanding at the beginning of the period/year	**455 471**	554 148	(18)	554 148
Exercised during the period/year	**(320 740)**	—	(100)	(110 731)
Forfeited during the period/year	**(37 902)**	(2 037)	>(100)	(12 651)
Granted during the period/year	**23 092**	—	100	24 705
Outstanding at the end of the period/year	**119 921**	552 111	(78)	455 471
Of which are exercisable	**102 484**	123 526	(17)	37 500

The phantom shares outstanding have no exercise price and a weighted average contractual life of 2,6 years (30 June 2009: 2,5 years; 31 December 2009: 2,1 years).

16. Share-based payments *(continued)*

Absa Group Limited Deferred Award Plan (DAP)

The DAP is a cash-settled share-based payment arrangement. The DAP awards (and any associated notional dividends) are awarded at no cost to the participants. The awards vest in equal tranches after one, two and three years, with each tranche subject to its own independent non-market related performance condition. The amount that is paid to the participants is equal to the market value of a number of Absa Group Limited's ordinary shares, as determined on the vesting date, to the extent that the non-market related conditions attached to the awards are met. If the Group fails to meet the minimum performance criteria, the awards made in that tranche are forfeited in total.

	Number of shares			
	30 June			31 December
	2010 **(Unaudited)**	2009 (Unaudited)	Change %	2009 (Audited)
Outstanding at the beginning of the period/year	**—**	—	—	—
Forfeited during the period/year	**(7 883)**	—	(100)	—
Granted during the period/year	**2 509 638**	—	100	—
Outstanding at the end of the period/year	**2 501 755**	—	100	—

The phantom shares outstanding have no exercise price and a weighted average contractual life of 2,1 years. As the terms and conditions of this share scheme dictate that phantom shares be settled immediately on vesting, at any given time there are no phantom shares which have vested but have not yet been settled.

17. Acquisition and disposal of subsidiaries, associates and joint ventures

17.1 Disposal of investment in Pinnacle Point Group Limited

During the period under review, the Group 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 Group 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 an additional profit of R55 million may be recognised in 2011 and 2012 on receipt of the remaining consideration.

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

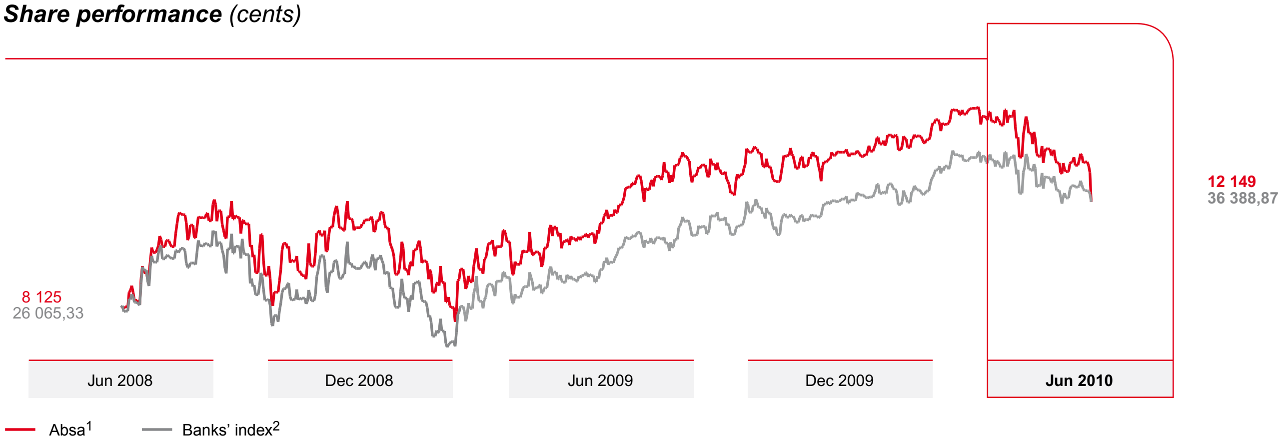
On 30 June 2010, the Virgin Money South Africa (Proprietary) Limited (VMSA) joint venture arrangement was terminated and restructured into a trademark licence agreement.

The termination resulted in the Group 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 Group for losses incurred in the past and is therefore deemed to be of an operating nature.

The Group 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.

***Share performance** (cents)*



Share performance on the JSE Limited[3]

	Six months ended 30 June 2010	Six months ended 30 June 2009	Change %	Year ended 31 December 2009
Number of shares in issue[4]	**718 210 043**	718 210 043	—	718 210 043
Market prices (cents per share):				
closing	**12 149**	11 000	10	12 850
high	**14 295**	11 000	30	13 075
low	**12 149**	8 130	49	7 690
average	**13 344**	9 806	36	11 118
Closing price/net asset value per share (excluding preference shares)	**1,64**	1,63		1,83
Price-to-earnings (P/E) ratio (closing price/headline earnings per share)	**11,2**	9,7		11,7
Volume of shares traded (millions)	**180,0**	301,0	(40)	545,3
Value of shares traded (R millions)	**24 211,2**	29 142,8	(17)	59 151,4
Market capitalisation (R millions)	**87 255,3**	79 003,1	10	92 290,0

Notes

[1]Absa's annual total return for the 12-month period was 14,5%.

[2]The Banks' index outperformed the Absa share price by 16,14% over the 12-month period. Total return was used to calculate the relative performance (calculated using an annualised dividend yield).

[3]JSE: Johannesburg Stock Exchange.

*[4]Includes **1 330 149** shares held by the Absa Group Limited Share Incentive Trust (31 December 2009: 1 841 624) and **545 111** shares held by Absa Life Limited (31 December 2009: 545 111).*

Shareholders' information

	30 June 2010 %	30 June 2009 %	31 December 2009 %
Major ordinary shareholders (top 10)			
Barclays Bank PLC	**55,5**	55,4	55,5
Public Investment Corporation	**9,2**	5,9	8,6
Batho Bonke Capital (Proprietary) Limited	**5,1**	5,1	5,1
Old Mutual Asset Managers	**3,1**	3,5	3,1
Stanlib Asset Management	**1,9**	1,9	1,7
Sanlam Investment Management	**1,5**	1,8	1,4
Investec Securities (Proprietary) Limited	**0,9**	n/a	0,8
Capital Group Companies Incorporated	**0,8**	n/a	n/a
Dimensional Fund Advisors Incorporated	**0,8**	n/a	n/a
Prudential Portfolio Managers	**0,8**	n/a	n/a
Investec Asset Management	**n/a**	2,1	2,7
Absa Stockbrokers (Proprietary) Limited[1]	**n/a**	n/a	1,0
AXA Financial SA (Bernstein and Alliance)	**n/a**	1,3	n/a
Foord Asset Management	**n/a**	1,0	0,8
Allan Gray Limited	**n/a**	1,0	n/a
Other	**20,4**	21,0	19,3
	100,0	100,0	100,0
Geographical split			
England and Wales	**56,7**	56,0	56,5
South Africa	**32,0**	33,2	31,8
United States	**4,7**	4,6	4,7
Other countries	**4,4**	4,2	4,5
Below threshold	**2,2**	2,0	2,5
	100,0	100,0	100,0

Shareholders' diary

Financial year-end	31 December 2010
Annual general meeting	20 April 2011

Announcements	
Announcement of the interim results	5 August 2010
Announcement of the final results[2]	15 February 2011

Dividends

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Interim June 2010	5 August 2010	20 August 2010	23 August 2010	27 August 2010	30 August 2010
Final December 2010[2]	15 February 2011	4 March 2011	7 March 2011	11 March 2011	14 March 2011

Notes

[1]*Represents shareholding on behalf of various private clients.*

[2]*Subject to change.*

Price-to-earnings (P/E) ratio

The closing price of ordinary shares divided by headline earnings per share for the period/year.

Market capitalisation

The Group's closing share price times the number of shares in issue.

Headline earnings

Headline earnings is not a measure of sustainable earnings. Headline earnings reflect the operating performance of the Group separated from remeasurements (an amount recognised in the statement of comprehensive income relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as non-controlling interest – preference shares.

Economic capital

Economic capital is defined as the minimum capital needed to maintain an AA investment rating under an extreme stress scenario.

Net interest margin on average assets

Net interest income for the period/year divided by total average assets (calculated on a daily weighted average basis), expressed as a percentage of total average assets.

Net interest margin on average interest-bearing assets

Net interest income for the period/year divided by average interest-bearing assets (calculated on a daily weighted average basis), expressed as a percentage of average interest-bearing assets. Average interest-bearing assets consist of all accounts attracting interest within the asset categories of cash, cash balances and balances with central banks, statutory liquid asset portfolio, loans and advances to banks and customers and investments (it includes cash and short-term assets, money market assets and capital market assets).

Impairment losses on loans and advances as percentage of average loans and advances to customers

Loans and advances are impaired when there is objective evidence that the Group will not be able to collect all amounts due. The impairment is the difference between the carrying and recoverable amount. The estimated recoverable amount is the present value of expected future cash flows which may result from restructuring, liquidation or collateral held. Impairment losses on loans and advances for the period/year divided by total average advances (calculated on a daily weighted average basis), expressed as a percentage.

Non-performing advances

A loan is considered non-performing once its delinquency reaches a trigger point, this is typically when interest is suspended (in accordance with Absa's policy) or if the loan is moved to the legal environment for recovery. As a consequence, a loan that has defaulted is not necessarily non-performing (unless certain criteria are met).

Non-interest income as percentage of total operating income

Non-interest income as a percentage of income from operations. Income consists of net interest income and non-interest income.

Cost-to-income ratio

Operating expenses as a percentage of income from operations. Income consists of net interest income and non-interest income.

Cost-to-asset ratio

Operating expenses for the period/year divided by total average assets (calculated on a daily weighted average basis), expressed as a percentage of total average assets.

Weighted average number of shares

The number of shares in issue at the beginning of the period/year increased by shares issued during the period/year, weighted on a time basis for the period during which they participated in the income of the Group, less treasury shares held by entities in the Group, weighted on a time basis for the period during which the entities held these shares.

Earnings per share

Profit attributable to ordinary equity holders of the Group

Net profit for the period/year less earnings attributable to non-controlling interest divided by the weighted average number of ordinary shares in issue during the period/year.

Headline earnings basis

Headline earnings for the period/year divided by the weighted average number of shares in issue during the period/year.

Fully diluted basis

The amount of profit for the period/year that is attributable to ordinary equity holders of the Group divided by the weighted average number of ordinary shares outstanding during the period/year, both adjusted for the effects of all dilutive potential ordinary shares, assuming they had been in issue for the period/year.

Dividends per ordinary share relating to income for the period/year

Dividends per ordinary share for the year is the actual interim dividends paid and the final dividends declared for the year under consideration, expressed as cents per share. Dividends per share for the interim period is the interim dividends declared for the period.

Dividend cover

Headline earnings per share divided by dividends per share.

Net asset value per share

Total equity attributable to ordinary equity holders divided by the number of shares in issue. The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

Price-to-book

The closing share price relative to the net asset value.

Non-current assets and liabilities held for sale

Assets and liabilities held for sale are those non-current assets and liabilities where it is highly probable that the carrying amount will be recovered principally through a sale transaction within 12 months from the date of classification. For the sale to be considered highly probable, board approval is required for the plan to sell the assets and liabilities, and an active programme to locate a buyer and complete the plan must have been initiated.

Assets held for sale are valued at the lower of its carrying amount and fair value less cost to sell.

Debt securities in issue

Comprised primarily of short- to medium-term instruments issued by the Group and includes promissory notes, bonds, negotiable certificates of deposits and commercial paper.

Borrowed funds

Borrowed funds represents subordinated callable notes qualifying as long-term Tier II capital issued by Absa Bank Limited in terms of Section 1 of the Banks Act, 1990. The subordinated callable notes are listed on the Bond Exchange of South Africa. It also includes preference shares classified as debt in terms of IAS 32.

Non-interest income

Non-interest income consists of the following statement of comprehensive income line items: net fee and commission income, net insurance premium income, net insurance claims and benefits paid, changes in investment and insurance liabilities, gains and losses from banking and trading activities, gains and losses from investment activities as well as other operating income.

These definitions should be read in conjunction with the Group's accounting policies, which also clarify certain terms used.

Gains and losses from banking and trading activities

Comprises banking and trading portfolios and includes:

- realised gains on financial instruments held at amortised cost, held-to-maturity, or available-for-sale;
- realised gains on the disposal of associates, joint ventures and subsidiaries, within the banking portfolios;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

Net trading results

Net trading results include the profits and losses on Absa Capital's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as Absa Capital's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding cost. This also includes similar activities from the African operations.

Gains and losses from investment activities

Comprises insurance and strategic investment portfolios and includes:

- realised gains on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains on the disposal of associates, joint ventures and subsidiaries, within the investment portfolios;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

IFRS 2 – *Share-based Payment* costs

In a share-based payment transaction an entity receives goods or services and pays for those goods or services either in shares or in other equity instruments. A transaction is also considered to be a share-based payment if the entity incurs a liability whose amount is based on the price or value of an entity's share or other equity instrument of the entity.

Capital and liquidity management

Contents

Capital and liquidity management

Introduction

Capital management strategy

The Group's capital management strategy is focused on maximising shareholder value by optimising the level and mix of capital resources. Decisions on the allocation of capital resources are based on a number of factors including return on economic (EC) and regulatory capital (RC), and are part of the internal capital adequacy assessment process (ICAAP).

Capital management objectives of the Group

The Group has a number of capital management objectives:

- to meet the capital ratios required by its regulators and the Group's board;
- to maintain an adequate level of available capital resources as cover for EC requirements calculated at a 99,95% confidence level;
- to generate sufficient capital to support asset growth;
- to maintain an investment grade credit rating; and
- to achieve a return above the cost of equity.

Importance of capital management

Capital is managed as a board level priority in the Group, which reflects the importance of capital planning. The board is responsible for assessing and approving the Group's capital management policy, capital target levels and capital strategy. The capital target levels, together with the short- and medium-term capital plans, are set annually and reviewed monthly by the Group Asset and Liabilities Commitee (ALCO) and are reported at least quarterly to the Group Risk and Capital Management Committee (GRCMC) and the Absa Group board.

Governance and risk framework

Capital strategy includes managing the capital that is required for organic growth and strategic acquisitions, as well as optimising the Group's capital structure within approved target levels. The target levels are set to provide the Group with adequate buffers for unforeseen changes to statement of financial position growth and risks that may arise from changes in the business strategy and/or economic conditions.

The Group's appetite for capital risk is managed by the use of target capital ratios set above the regulatory minimum thereby creating a buffer. The size of the buffer is derived from stress testing to ensure the capital base can sustain unforeseen events affecting the Group's risk profile, capital base and/or risk-weighted assets (RWAs). In general, stress testing is a key element of the risk appetite framework and gives valuable insight to management on potential high-risk areas.

Stress testing is also used to identify early warning thresholds and risk events to forewarn management of adverse developments in the risk profile and to agree on appropriate management action. Furthermore, from an ICAAP perspective it is the link between risk management and capital management.

Given the current global economic events that have impacted severely on the banking industry, stress testing has become a crucial part of assessing appropriate levels of capital.

The target capital ratios for Absa Group and Absa Bank for 2010 have been set by taking the following into account:

- the challenges faced by banks due to the unfavourable economic environment;
- expected focus of international regulators and the South African Reserve Bank (SARB) on Tier 1 and core Tier 1 capital adequacy resources;
- the intention to maintain more than the total minimum regulatory adequacy ratio in the form of Tier 1 capital;
- the intention to ensure that the Group is adequately capitalised in the most severe stress scenario; and
- rating agencies' preference for permanent capital.

Absa Group and Absa Bank have adequate buffers to cover for stress events and the buffers are in line with those of its peers.

Capital targets (Absa Bank and Absa Group)

	Total %	Tier I Equity and reserves %	Core Tier I %
Regulatory minimum			
CAR (Basel II)[1]	9,75	7,00	5,25
Buffer	3,25	3,50	4,25
Target (2010)	13,00	10,50	9,50
Previous target (2009)	13,00	10,00	8,00

Absa Group's cost of capital

The Group's average cost of capital for the period ended 30 June 2010 was 14,0% (31 December 2009: 14,0%). The cost of capital is based on the Capital Asset Pricing Model (CAPM), which utilises the following assumptions:

- Beta with market: Absa Group's beta compared to the Financial and Industrial Index (excluding resources) is used.
- Market risk premium: The market risk premium used represents the difference between returns of financial and industrial listed equities and bonds over the long term.
- Risk-free rate: The risk-free rate is calculated using the 10-year derived SA long-bond rate.

Regulatory capital requirements

Banking – South African entities

The Group sets target capital levels for the major regulated entities in order to ensure that the objectives of capital management are met. Appropriate capital management actions will be taken if these target levels are breached.

Capital adequacy and the use of regulatory capital are monitored by employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and implemented by the SARB or other host regulators for supervisory purposes. These techniques include the capital adequacy ratio calculation, which the SARB and other host regulators regard as a key supervisory tool.

Banking – Non-South African (foreign) entities

Target capital levels have currently been set for the following foreign banking entities: Barclays Bank Mozambique S.A. and National Bank of Commerce (Tanzania).

Note

[1]CAR: Capital adequacy requirement.

Introduction *(continued)*

Regulatory capital requirements *(continued)*

Banking – Non-South African (foreign) entities *(continued)*

Absa Group Limited's foreign banking entities

		30 June 2010		31 December 2009		31 December
			Total capital		Total capital	2008 & 2009
		Tier I	**adequacy**	Tier I	adequacy	Host regulatory
		ratio	**ratio**	ratio	ratio	requirement
Foreign banking entities	**Regulator**	**%**	**%**	%	%	%
Barclays Bank Mozambique S.A.	Banco de Mozambique	**14,4**	**14,4**	15,8	15,8	8,0
National Bank of Commerce (Tanzania)	Bank of Tanzania	**14,1**	**14,1**	14,2	14,2	12,0

Non-banking entities

The capital requirements for regulated entities other than banks are determined in accordance with the requirements of the respective regulator. The capital requirements for unregulated entities are determined in accordance with the SARB capital requirements, which entail the application of a 9,75% capital requirement to the total on- and off-statement of financial position exposures net of intergroup exposures.

Target capital levels have currently been set for the following regulated non-banking entities namely, Absa Life Limited and Absa Insurance Company Limited. Target capital levels for all other entities are set in relation to the minimum regulatory requirements set by the respective regulator.

Absa Group Limited's insurance entities

	30 June 2010			31 December 2009		
	Minimum			Minimum		
	regulatory			regulatory		
Insurance entities	**requirement**	**Target**	**Actual**	requirement	Target	Actual
Absa Life Limited	**1,0 x CAR**	**2,5 x CAR[1]**	**3,1**	1,0 x CAR	2,5 x CAR[1]	3,6
Absa Insurance Company Limited	**25% x NWP**	**45% x NWP[2]**	**57,7%**	25% x NWP	45% x NWP[2]	55,5%

Absa Life Limited's capital adequacy requirement (CAR) is determined on a prescribed basis with reference to the Financial Services Board's (FSB) requirement. Absa Life Limited aims to retain a 2,5 multiple of CAR at all times, which is in line with the results of internal risk-based models.

Absa Insurance Company Limited is required to retain capital equal to 25% of net written premiums by the FSB. The target capital ratio of 45% of net written premiums has been determined using a risk-based capital model.

With regards to future regulatory changes, the FSB is in the process of developing a new solvency regime for the South African long-term and short-term insurance industries to be in line with international standards. The expected date of completion of this project is January 2014. Both Absa Life Limited and Absa Insurance Company Limited are involved in the development of the new standards.

Qualifying capital

Banking entities

Regulatory guidelines define three tiers of capital resources:

- Primary (Tier 1) capital comprises mainly shareholders' funds, including certain accounting reserves, hybrid debt instruments (in terms of Basel II) and non-redeemable, non-cumulative preference shares. Primary capital is the highest tier and can be used to meet trading and banking activities requirements.
- Secondary (Tier II) capital includes cumulative preference shares and subordinated debt (prescribed debt instruments). Tier II capital can also be used to support both trading and banking activities requirements.
- Tertiary (Tier III) capital comprises prescribed unsecured subordinated debt with minimum original maturity of two years. The use of Tier III capital is restricted to trading activities only. It is not eligible to support counterparty or settlement risk.

Other regulated entities

The qualifying capital is determined in terms of the rules and regulations of the regulator responsible for the supervision of the entity.

Unregulated entities

Only primary capital as defined in the section titled 'Banking entities' above is regarded as qualifying capital.

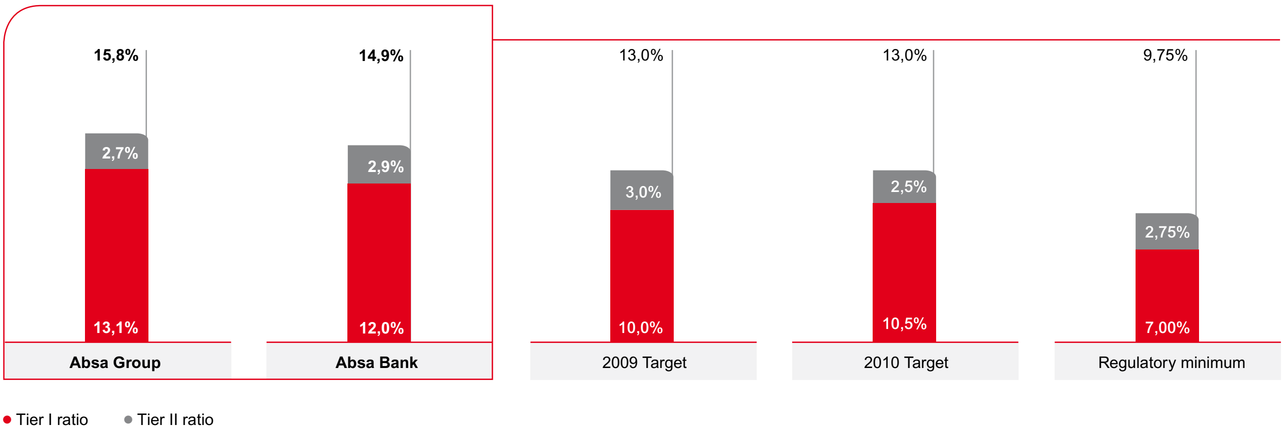
Notes

[1] *Capital adequacy requirement (CAR): Actuarial calculation of value at risk on insurance liabilities.* ***2,5 times*** *(2009: 2,5) being the required capital level determined by Absa Financial Services (AFS) board.*

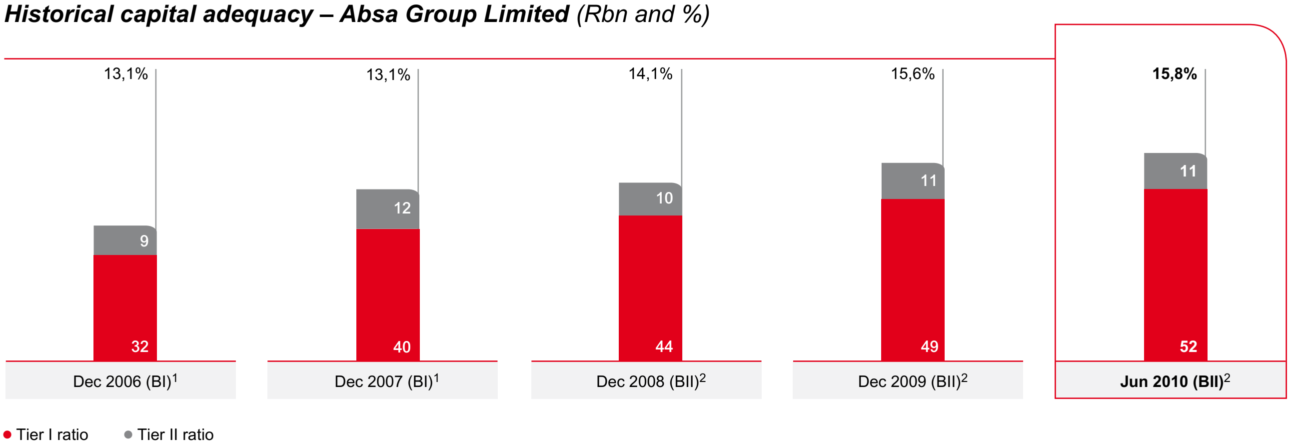
[2] ***45%*** *(2009: 45%) of net written premiums (NWP), being the required capital level determined by the AFS board.*

Capital adequacy

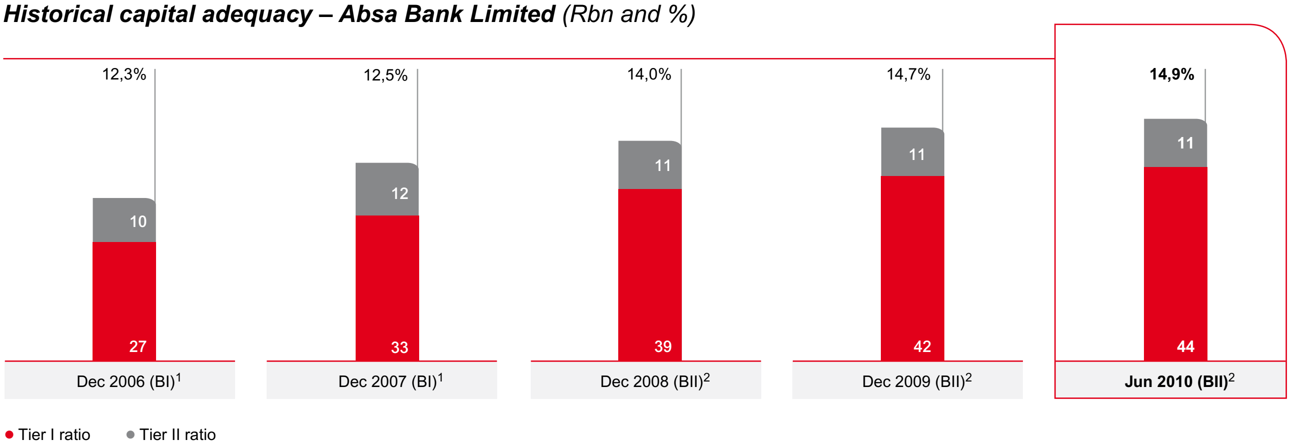
Capital adequacy (%)



Historical capital adequacy – Absa Group Limited (Rbn and %)



Historical capital adequacy – Absa Bank Limited (Rbn and %)



Notes

[1]BI: Basel I.

[2]BII: Basel II.

Capital adequacy *(continued)*

	30 June 2010 Risk-weighted assets Rm	30 June 2009 Risk-weighted assets Rm	31 December 2009 Risk-weighted assets Rm
Absa Group Limited			
Risk-weighted assets			
Credit risk	**286 268**	283 369	276 172
Equity investment risk	**28 814**	31 315	28 657
Market risk	**9 434**	8 158	9 662
Operational risk	**53 633**	49 415	53 032
Other risk	**17 312**	20 098	18 741
	395 461	392 355	386 264

Qualifying capital	30 June 2010 Rm	30 June 2010 %[1]	30 June 2009 Rm	30 June 2009 %[1]	31 December 2009 Rm	31 December 2009 %[1]
Primary capital						
Ordinary share capital	**1 433**	**0,4**	1 379	0,4	1 432	0,4
Ordinary share premium	**4 805**	**1,2**	3 071	0,8	4 784	1,2
Preference share capital and premium	**4 644**	**1,2**	4 644	1,2	4 644	1,2
Reserves[2]	**42 552**	**10,8**	37 674	9,6	40 075	10,4
Non-controlling interest – ordinary shares	**1 359**	**0,3**	1 169	0,3	1 299	0,3
Deductions	**(3 002)**	**(0,8)**	(3 028)	(0,8)	(3 263)	(0,8)
Financial and insurance entities not consolidated	**(69)**	**(0,0)**	(234)	(0,1)	(120)	(0,0)
Goodwill	**(573)**	**(0,1)**	(569)	(0,1)	(572)	(0,1)
50% of amount by which expected loss exceeds eligible provisions	**(1 632)**	**(0,4)**	(1 800)	(0,5)	(1 833)	(0,5)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**(107)**	**(0,1)**	(62)	(0,0)	(150)	(0,0)
Other deductions	**(621)**	**(0,2)**	(363)	(0,1)	(588)	(0,2)
	51 791	**13,1**	44 909	11,5	48 971	12,7
Secondary capital						
Subordinated redeemable debt	**12 611**	**3,2**	11 611	3,0	13 111	3,4
General allowance for credit impairment after deferred tax – standardised approach	**52**	**0,0**	52	0,0	73	0,0
Deductions	**(1 807)**	**(0,5)**	(2 106)	(0,6)	(2 103)	(0,5)
Financial and insurance entities not consolidated	**(68)**	**(0,0)**	(234)	(0,1)	(120)	(0,0)
50% of amount by which expected loss exceeds eligible provisions	**(1 632)**	**(0,4)**	(1 800)	(0,5)	(1 833)	(0,5)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**(107)**	**(0,1)**	(62)	(0,0)	(150)	(0,0)
Other deductions	**—**	**—**	(10)	(0,0)	—	—
	10 856	**2,7**	9 557	2,4	11 081	2,9
Total qualifying capital	**62 647**	**15,8**	54 466	13,9	60 052	15,6

Notes

[1] *Percentage of capital to risk-weighted assets.*

[2] *Reserves include unappropriated banking profits.*

Capital adequacy *(continued)*

	30 June 2010 Risk-weighted assets Rm		30 June 2009 Risk-weighted assets Rm		31 December 2009 Risk-weighted assets Rm	
Absa Bank Limited						
Risk-weighted assets						
Credit risk	**266 564**		259 469		256 995	
Equity investment risk	**31 422**		34 829		32 194	
Market risk	**9 433**		8 158		9 662	
Operational risk	**49 382**		41 830		47 030	
Other risk	**11 512**		14 048		13 193	
	368 313		358 334		359 074	
Qualifying capital	**Rm**	**%[1]**	Rm	%[1]	Rm	%[1]
Primary capital						
Ordinary share capital	**303**	**0,1**	303	0,1	303	0,1
Ordinary share premium	**10 465**	**2,8**	9 414	2,6	10 465	2,9
Preference share capital and premium	**4 644**	**1,3**	4 644	1,3	4 644	1,3
Reserves[2]	**30 979**	**8,4**	26 126	7,3	28 757	8,0
Deductions	**(2 244)**	**(0,6)**	(1 760)	(0,5)	(2 430)	(0,7)
Goodwill	**(1)**	**(0,0)**	—	—	—	—
50% of amount by which expected loss exceeds eligible provisions	**(1 798)**	**(0,5)**	(1 592)	(0,5)	(1 968)	(0,6)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**(53)**	**(0,0)**	(35)	(0,0)	(95)	(0,0)
Other deductions	**(392)**	**(0,1)**	(133)	(0,0)	(367)	(0,1)
	44 147	**12,0**	38 727	10,8	41 739	11,6
Secondary capital						
Subordinated redeemable debt	**12 611**	**3,4**	12 111	3,4	13 111	3,7
Deductions	**(1 850)**	**(0,5)**	(1 637)	(0,5)	(2 063)	(0,6)
50% of amount by which expected loss exceeds eligible provisions	**(1 798)**	**(0,5)**	(1 592)	(0,5)	(1 968)	(0,6)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**(52)**	**(0,0)**	(35)	(0,0)	(95)	(0,0)
Other deductions	**—**	**—**	(10)	(0,0)	—	—
	10 761	**2,9**	10 474	2,9	11 048	3,1
Total qualifying capital	**54 908**	**14,9**	49 201	13,7	52 787	14,7

Notes

[1]Percentage of capital to risk-weighted assets.

[2]Reserves include unappropriated banking profits.

Capital performance

During the period under review Absa Group Limited and Absa Bank Limited maintained its strong capital adequacy position. At 30 June 2010, the capital adequacy ratios of the Group were 11,9% (31 December 2009: 11,5%) at a Core Tier 1 level, 13,1% (31 December 2009: 12,7%) at a Tier I level, and the total capital adequacy ratio was 15,8% (31 December 2009: 15,6%). Absa Bank's Core Tier I ratio as at 30 June 2010 is 10,7% (31 December 2009: 10,3%), the Tier I ratio was 12,0% (31 December 2009: 11,6%) and the total capital adequacy ratio was 14,9% (31 December 2009: 14,7%).

The Group continued to focus on risk-weighted assets (RWA), demand management, free capital generation and the replacement of maturing capital instruments. In this regard:

- the Group's RWA growth was curtailed due to the slowdown in credit growth during the period, growing only by R9 billion;
- the Group placed a strong focus on RWA relief by the tightening of risk parameters and methodologies, and taking cognisance of the risk and reward profile associated with assets;
- the Group generated free capital of R1,9 billion, after provision for a dividend cover of 2,4 times of headline earnings; and
- Absa Bank issued subordinated callable bonds valued at R1,0 billion during the period under review. This included a R600 million fixed coupon bond as well as a R400 million floating-rate bond with coupons of 10,28% and three-month JIBAR + 210 basis points, respectively. The issuance was part of a R3,0 billion capital raising programme, of which R1,5 billion was issued in December 2009 to replace the AB03 and AB04 bonds amounting to R1,1 billion and R0,4 billion, respectively, that matured in March 2010. These bonds qualify as Tier II capital.

The Group continually reviews the applicability of models and data used to measure RWA's as more information becomes available.

The Group and Absa Bank manage its capital within the minimum regulatory requirements, economic capital requirements as well as the target levels set by the board of directors.

Credit ratings

	Moody's July 2010 Absa Bank	Fitch July 2010 Absa Bank	Absa Group
National			
Short-term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	Aa1.za	AAA (zaf)	AAA (zaf)
Outlook	Stable	Stable	Stable
Local Currency			
Short-term	Prime-1	—	—
Long-term	A1	A	A
Outlook	Stable	Stable	Stable
Foreign Currency			
Short-term	Prime-2	F1	F1
Long-term	A3	A	A
Outlook	Stable	Negative	Negative
Bank Financial			
Strength	C-	C	C
Outlook	Stable	—	—
Support	—	1	1

Fitch

Fitch released the rating report pertaining to Absa Bank and Absa Group in July 2010. There were no changes in the ratings in the July 2010 report compared to the November 2009 report.

Moody's

Moody's released the rating report pertaining to Absa Bank in July 2010. There were no changes in the ratings in the July 2010 report compared to the November 2009 report, except for the foreign currency outlook which changed from positive to stable.

Basel II

The implementation of Basel II on 1 January 2008 has provided the Group with an internationally recognised framework that incorporates best practice in risk and capital management. Under Basel II, banks are expected to hold capital commensurate with the risks assumed. Basel II places emphasis on three pillars:

- Pillar I – minimum capital requirement;
- Pillar II – supervisory review; and
- Pillar III – market discipline.

Pillar I

Absa Group has received approval from the SARB to use the following approaches in order to calculate the regulatory capital requirement under Basel II:

- Retail credit risk – Advanced IRB;
- Wholesale credit risk – Foundation IRB;
- Operational risk – Advanced Measurement Approach;
- Market risk – Internal model;
- Equity investment risk – Simple Risk Weight Approach; and
- Africa – Standardised Approach.

Pillar II

With regards to Pillar II, the Group's comprehensive EC framework ensures that all risks to capital are captured in the assessment of the capital requirement. The EC framework incorporates factors not taken into account by the Pillar I process such as business risk and interest rate risk in the banking book (treasury and retail market risk). The assessment of Absa's capital adequacy requirement under the EC environment is both conservative and robust.

Pillar III

In accordance with Pillar III requirements, the Group prepares a comprehensive, publicly available risk management report on a bi-annual basis. The report discloses the capital adequacy position, risk profile and risk management practices within the Group. Further, the report incorporates strategies, processes, structure and organisation, scope and nature of risk management systems and reporting within the Group including risk mitigation strategies and their effectiveness.

Introduction

Liquidity risk arises if Absa is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequence of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Absa manages liquidity risk to ensure that funding mismatches are appropriate and within specified guidelines, and that sufficient liquidity is maintained to withstand the impact of an adverse liquidity event. Liquidity risk is managed according to the Liquidity Risk Control Framework and Policy (LRCF) which sets out the framework for responsibilities, processes, reporting and assurance that supports the management of liquidity risk. The LRCF incorporates the Contingency Funding and Liquidity Plan (CFLP), which is designated to manage and mitigate the effect of stress liquidity events. A number of liquidity risk metrics are in place to manage the Group's business-as-usual (contractual as well as behavioural) and stressed liquidity risk profiles.

As liquidity risk and the management thereof play a crucial role in the effective functioning of the banking sector, it has received significant focus as a result of recent turbulence in global financial markets.

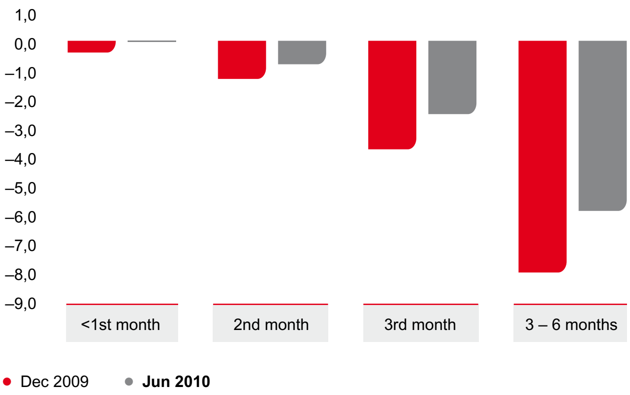
The Basel Committee on Banking Supervision (BCBS) proposed a new framework for liquidity in December 2009 in their document "International Framework for Liquidity Risk Measurement, Standards and Monitoring". Absa and other South African Banks recently participated in a quantitative impact study, initiated by BCBS in order to determine the potential impact of these proposals. Although certain of the original proposals were relaxed in a recent press release (see press release from the Basel Committee of Banking Supervisors dated 26 July 2010); the proposals outlined are still expected to have significant implications for banks in terms of the amount of liquid assets held and the lengthening of funding profiles. Absa is playing an active role in the debate to ensure that the final proposals are appropriate for banks in South Africa. A project is already under way to enhance the existing liquidity risk measurement and management systems of Absa to cater for any additional requirements arising from the proposals from BCBS.

In addition, Absa has taken steps to further improve its already robust liquidity position by raising an additional surplus liquid assets.

Behavioural liquidity mismatch

Absa manages its behavioural (business-as-usual) mismatches within board-approved limits and both the short-term contractual and behavioural mismatches have shown significant improvements in recent months, despite current economic conditions.

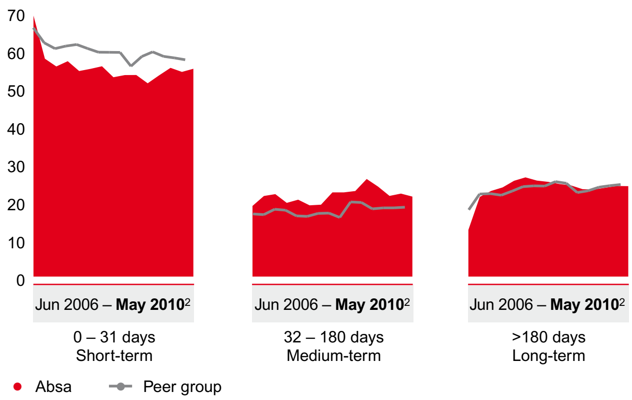
***Cumulative BAU behavioural mismatch** (%)*



Funding tenor and funding sources

The short-term funding ratio (i.e. the proportion of funding with a contractual term of 31 days or less) has been managed down through time and Absa is currently less dependent on short-term funding. Absa's short-term funding ratio is 54,2% at 30 June 2010.

***Funding ratios – Absa vs. peer group**[1] (%)*



Notes

[1]*Source: BA900 regulatory returns.*

[2]*Owing to the early results announcement, the peer group ratios for June 2010 were not available for publication.*

Funding tenor and funding sources

(continued)

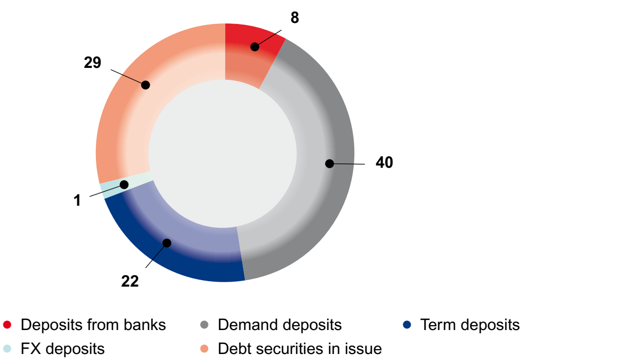
Funding is sourced from a variety of depositors representing a cross section of the SA economic sectors, with a wide range of maturities.

Absa has a well diversified deposit base and concentration risk is managed within appropriate guidelines. Sources of liquidity are regularly reviewed to maintain a wide diversification by provider, product and term.

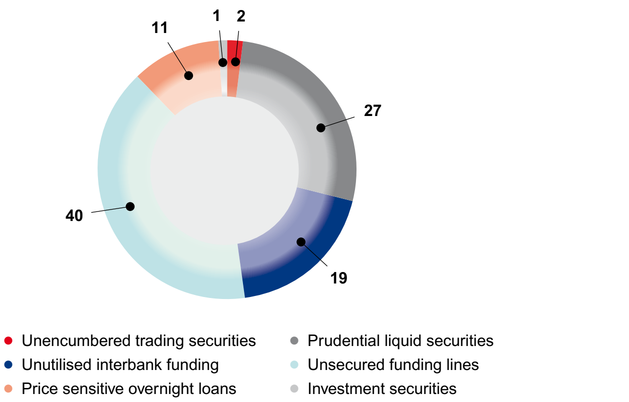
Group Treasury's overall objective is to ensure that, under a moderate to high liquidity stress event, Absa's stress funding sources and liquidity buffers exceed the estimated stress funding requirements for a period of at least 30 days.

At 30 June 2010 Absa's survival horizon was well in excess of internal limits, with sources of stress funding exceeding funding required under stress by a factor in excess of 2.

***Absa's funding composition** (%)*



***Absa's sources of stress funding** (%)*



Stress and scenario testing

Through scenario analysis and stress testing Absa aims to manage and mitigate liquidity risk by:

- determining, evaluating and testing the impact of adverse liquidity scenarios;
- identifying opportunities for rapid and effective responses to a crisis situation;
- aiding management in planning for crisis avoidance or reducing the severity of a crisis; and
- setting liquidity limits, sources of stress funding and liquidity buffers as well as formulating a funding strategy designed to minimise liquidity risk.

A detailed Contingent Funding and Liquidity Plan (CFLP) has been designed to protect depositors, creditors and shareholders under adverse liquidity conditions. The contingency plan considers early warning indicators and sets out the crisis response strategy addressing sources of stress funding, strategies for crisis avoidance/minimisation and the internal and external communication strategy with key stakeholders.

Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the primary (Tier I), secondary (Tier II) and tertiary (Tier III) capital by the risk-weighted assets. The minimum South African total capital adequacy ratio for banks is 9,75% of risk-weighted assets. Non-South African banks within the Group have similar capital adequacy methodology requirements.

Risk-weighted assets

Risk-weighted assets are determined by applying the following:

- advanced Internal Ratings Based (IRB) approach for retail credit;
- foundation IRB approach for wholesale and corporate credit;
- Advanced Measurement Approach for operational risk;
- Internal Models Approach for market risk;
- IRB market-based simple risk weight approach for equity investment risk in the banking book; and
- standardised approach for all African entities.

Primary (Tier I) capital

Primary capital consists of issued ordinary share capital, non-cumulative non-redeemable preference share capital, retained earnings, hybrid debt instruments (in terms of Basel II) and certain accounting reserves. This amount excludes surplus capital from insurance entities. This amount is reduced with 50% of the amount that expected losses exceed eligible provisions and 50% of first loss credit enhancement provided in respect of securitisation schemes. Further deductions against Tier I capital include goodwill and certain investments.

Secondary (Tier II) capital

Secondary capital includes cumulative preference shares and subordinated debt (prescribed debt instruments). This amount is reduced with 50% of the amount that expected losses exceed eligible provisions and 50% of first loss credit enhancement provided in respect of securitisation schemes.

Tertiary (Tier III) capital

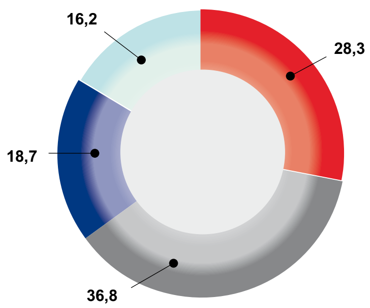
Tertiary capital comprises prescribed unsecured subordinated debt with a minimum original maturity of two years.

Business unit
performance

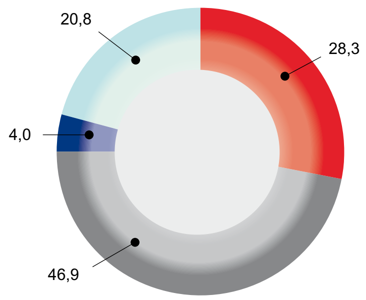
Contents

Business unit performance

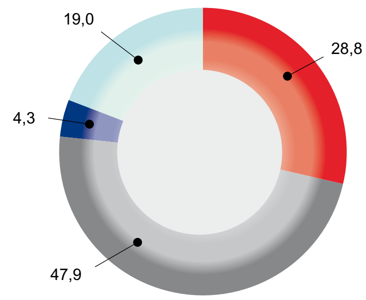
***Attributable earnings** (%)*



Six months ended 30 June 2010[1]



Six months ended 30 June 2009[1]



Year ended 31 December 2009[1]

● Retail banking ● Absa Business Bank ● Absa Capital[2] ● Bancassurance

	Six months ended 30 June			Year ended 31 December
	2010 (Unaudited) Rm	2009[3] (Unaudited) Rm	Change %	2009[3] (Audited) Rm
Banking operations				
Retail banking	**1 060**	916	16	1 945
Home Loans	**(201)**	(721)	72	(1 299)
Absa Vehicle and Asset Finance	**50**	13	>100	265
Card	**531**	304	75	811
Personal Loans	**170**	51	>100	20
Retail Bank	**510**	1 269	(60)	2 148
Absa Business Bank	**1 375**	1 518	(9)	3 235
Absa Capital	**700**	129	>100	288
Underlying performance	**747**	917	(19)	1 275
Single stock futures impairments	**(47)**	(788)	94	(987)
Corporate centre	**271**	368	(26)	544
Capital and funding centre	**(8)**	(97)	92	(35)
Non-controlling interest – preference shares	**(162)**	(234)	31	(421)
Total banking	**3 236**	2 600	24	5 556
Bancassurance	**606**	672	(10)	1 284
Profit attributable to ordinary equity holders of the Group	**3 842**	3 272	17	6 840
Headline earnings adjustments	**20**	554	(96)	781
Headline earnings	**3 862**	3 826	1	7 621

Notes

[1]Calculated after the allocation of corporate, capital and funding centres.

*[2]If calculated based on headline earnings, Absa Capital's contribution would be **20,0%** (30 June 2009: 24,2%; 31 December 2009: 16,9%).*

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

	Retail banking			Absa Business Bank			Absa Capital			Bancassurance		
	30 June		Change	30 June		Change	30 June		Change	30 June		Change
	2010	2009[1]	%	**2010**	2009[1]	%	**2010**	2009[1]	%	**2010**	2009[1]	%
Statement of comprehensive income (Rm)												
Net interest income	**6 277**	6 381	(2)	**3 495**	3 502	(0)	**1 247**	1 040	20	**4**	13	(69)
Net interest income – external	**13 679**	17 737	(23)	**3 024**	3 528	(14)	**(6 051)**	(11 082)	45	**13**	9	44
Net interest income – internal	**(7 402)**	(11 356)	35	**471**	(26)	>100	**7 298**	12 122	(40)	**(9)**	4	>(100)
Impairment losses on loans and advances	**(3 035)**	(4 084)	26	**(589)**	(644)	9	**(80)**	(120)	33	**1**	—	100
Non-interest income	**5 005**	5 150	(3)	**2 176**	2 056	6	**1 309**	1 275	3	**1 714**	1 702	1
Non-interest income – external	**4 812**	4 974	(3)	**1 838**	1 835	0	**1 919**	1 379	39	**1 876**	1 853	1
Non-interest income – internal	**193**	176	10	**338**	221	53	**(610)**	(104)	>(100)	**(162)**	(151)	(7)
Operating expenses	**(6 527)**	(6 004)	(9)	**(3 095)**	(2 708)	(14)	**(1 372)**	(921)	(49)	**(858)**	(731)	(17)
Depreciation and amortisation	**(193)**	(185)	(4)	**(21)**	(20)	(5)	**(93)**	(63)	(48)	**(18)**	(11)	(64)
Other operating expenses	**(6 334)**	(5 819)	(9)	**(3 074)**	(2 688)	(14)	**(1 279)**	(858)	(49)	**(840)**	(720)	(17)
Other impairments	**(7)**	(41)	83	**(1)**	(38)	97	**(65)**	(1 095)	94	**(2)**	(4)	50
Indirect taxation	**(79)**	(147)	46	**(26)**	(24)	(8)	**(41)**	(37)	(11)	**(33)**	(29)	(14)
Share of post-tax results of associates and joint ventures	**18**	(13)	>100	**(9)**	7	>(100)	**—**	—	—	**—**	—	—
Operating profit before income tax	**1 652**	1 242	33	**1 951**	2 151	(9)	**998**	142	>100	**826**	951	(13)
Taxation expense	**(517)**	(252)	>(100)	**(564)**	(613)	8	**(278)**	5	>(100)	**(220)**	(279)	21
Profit for the period	**1 135**	990	15	**1 387**	1 538	(10)	**720**	147	>100	**606**	672	(10)
Profit attributable to:												
Ordinary equity holders of the Group	**1 060**	916	16	**1 375**	1 518	(9)	**700**	129	>100	**606**	672	(10)
Non-controlling interest – ordinary shares	**75**	74	1	**12**	19	(37)	**20**	18	11	**—**	—	—
Non-controlling interest – preference shares	**—**	—	—	**0**	1	(21)	**—**	—	—	**—**	—	—
	1 135	990	15	**1 387**	1 538	(10)	**720**	147	>100	**606**	672	(10)
Headline earnings	**1 018**	728	40	**1 355**	1 481	(9)	**747**	917	(19)	**606**	672	(10)
Operating performance (%)												
Net interest margin on average assets	**2,85**	2,91		**4,66**	4,44		**n/a**	n/a		**n/a**	n/a	
Net interest margin on average interest-bearing assets	**3,73**	3,70		**5,62**	5,36		**n/a**	n/a		**n/a**	n/a	
Impairment losses on loans and advances as % of average loans and advances to customers	**1,90**	2,49		**0,99**	1,06		**0,29**	0,32		**n/a**	n/a	
Non-interest income as % of total operating income	**44,4**	44,7		**38,4**	37,0		**51,2**	55,0		**99,8**	99,2	
Top-line growth[1]	**(2)**	12		**2**	11		**10**	(7)		**0**	4	
Cost growth[1]	**9**	4		**14**	(3)		**49**	(11)		**17**	7	
Cost-to-income ratio	**57,9**	52,1		**54,6**	48,7		**53,7**	39,8		**49,9**	42,6	
Cost-to-assets ratio	**3,0**	2,7		**4,1**	3,4		**0,8**	0,4		**4,5**	4,8	

	Other			Head office and intersegment eliminations			Absa Group		
	30 June		Change	30 June		Change	30 June		Change
	2010	2009	%	**2010**	2009[1]	%	**2010**	2009[1]	%
Statement of comprehensive income (Rm)									
Net interest income	**35**	(210)	>100	**235**	46	>100	**11 293**	10 772	5
Net interest income – external	**455**	509	(11)	**173**	71	>100	**11 293**	10 772	5
Net interest income – internal	**(420)**	(719)	42	**62**	(25)	>100	**—**	—	—
Impairment losses on loans and advances	**—**	—	—	**(1)**	14	>(100)	**(3 704)**	(4 834)	23
Non-interest income	**(102)**	(104)	2	**(389)**	130	>(100)	**9 713**	10 209	(5)
Non-interest income – external	**(173)**	(98)	(77)	**(559)**	266	>(100)	**9 713**	10 209	(5)
Non-interest income – internal	**71**	(6)	>100	**170**	(136)	>100	**—**	—	—
Operating expenses	**(43)**	3	>(100)	**631**	579	9	**(11 264)**	(9 782)	(15)
Depreciation and amortisation	**(48)**	(41)	(17)	**(303)**	(288)	(5)	**(676)**	(608)	(11)
Other operating expenses	**5**	44	(89)	**934**	867	8	**(10 588)**	(9 174)	(15)
Other impairments	**(5)**	—	(100)	**(3)**	(1)	>(100)	**(83)**	(1 179)	93
Indirect taxation	**(35)**	(37)	5	**(139)**	(154)	10	**(353)**	(428)	18
Share of post-tax results of associates and joint ventures	**—**	—	—	**6**	5	20	**15**	(1)	>100
Operating profit before income tax	**(150)**	(348)	57	**340**	619	(45)	**5 617**	4 757	18
Taxation expense	**106**	44	>100	**(33)**	(43)	23	**(1 506)**	(1 138)	(32)
Profit for the period	**(44)**	(304)	86	**307**	576	(47)	**4 111**	3 619	14
Profit attributable to:									
Ordinary equity holders of the Group	**(206)**	(538)	62	**307**	575	(47)	**3 842**	3 272	17
Non-controlling interest – ordinary shares	**—**	—	—	**—**	2	(100)	**107**	113	(5)
Non-controlling interest – preference shares	**162**	234	(31)	**—**	(1)	100	**162**	234	(31)
	(44)	(304)	86	**307**	576	(47)	**4 111**	3 619	14
Headline earnings	**(175)**	(515)	66	**311**	543	(43)	**3 862**	3 826	1
Operating performance (%)									
Net interest margin on average assets	**n/a**	n/a		**n/a**	n/a		**3,17**	2,86	
Net interest margin on average interest-bearing assets	**n/a**	n/a		**n/a**	n/a		**3,89**	3,58	
Impairment losses on loans and advances as % of average loans and advances to customers	**n/a**	n/a		**n/a**	n/a		**1,50**	1,86	
Non-interest income as % of total operating income	**n/a**	n/a		**n/a**	n/a		**46,2**	48,7	
Top-line growth[1]	**n/a**	n/a		**n/a**	n/a		**0**	4	
Cost growth[1]	**n/a**	n/a		**n/a**	n/a		**15**	(2)	
Cost-to-income ratio	**n/a**	n/a		**n/a**	n/a		**53,6**	46,6	
Cost-to-assets ratio	**n/a**	n/a		**n/a**	n/a		**3,2**	2,6	

Note

[1]Comparative has been reclassified for the move of Absa Small Business from Retail banking to Absa Business Bank. Also refer to pages 92 – 101 for additional reclassifications and restatements.

Segmental reporting per market segment

	Retail banking			Absa Business Bank			Absa Capital			Bancassurance		
	30 June		Change	30 June		Change	30 June		Change	30 June		Change
	2010	2009[1]	%	2010	2009[1]	%	2010	2009[1]	%	2010	2009[1]	%
Statement of financial position (Rm)												
Loans and advances to customers	**320 802**	326 785	(2)	**122 735**	123 702	(1)	**55 655**	70 819	(21)	**380**	—	100
Investments	**—**	9	(100)	**2 188**	2 810	(22)	**13 319**	12 238	9	**12 222**	10 185	20
Investments in associates and joint ventures	**280**	291	(4)	**114**	129	(12)	**37**	352	(89)	**—**	—	—
Other assets	**133 306**	117 175	14	**36 442**	36 122	1	**298 705**	339 891	(12)	**23 153**	17 811	30
Other assets – external	**6 689**	7 284	(8)	**6 978**	7 710	(9)	**109 570**	130 256	(16)	**22 263**	16 257	37
Other assets – internal[2]	**126 617**	109 891	15	**29 464**	28 412	4	**189 135**	209 635	(10)	**890**	1 554	(43)
Total assets	**454 388**	444 260	2	**161 479**	162 763	(1)	**367 716**	423 300	(13)	**35 755**	27 996	28
Deposits due to customers	**112 282**	107 176	5	**125 916**	123 671	2	**121 161**	139 842	(13)	**—**	—	—
Other liabilities	**339 669**	334 769	1	**33 566**	37 024	(9)	**243 659**	280 675	(13)	**32 148**	24 361	32
Other liabilities – external	**7 965**	7 716	3	**5 799**	6 366	(9)	**231 628**	272 808	(15)	**27 284**	20 014	36
Other liabilities – internal[2]	**331 704**	327 053	1	**27 767**	30 658	(9)	**12 031**	7 867	53	**4 864**	4 347	12
Total liabilities	**451 951**	441 945	2	**159 482**	160 695	(1)	**364 820**	420 517	(13)	**32 148**	24 361	32
Financial performance (%)												
Return on average economic capital[3]	**11,6**	8,2		**22,4**	22,6		**16,1**	17,7		**n/a**	n/a	
Return on average assets	**0,46**	0,33		**1,80**	1,88		**0,41**	0,42		**3,20**	4,40	
Other												
Banking customer base per segment (millions)[4]	**10,9**	10,7	2	**0,5**	0,6	(1)	**0,0**	0,0	10	**—**	—	—
Attributable income from the rest of Africa (Rm)	**(10)**	33	>(100)	**(14)**	10	>(100)	**141**	88	60	**2**	1	100

	Other			Head office and intersegment eliminations			Absa Group		
	30 June		Change	30 June		Change	30 June		Change
	2010	2009	%	2010	2009[1]	%	2010	2009[1]	%
Statement of financial position (Rm)									
Loans and advances to customers	**669**	887	(25)	**(265)**	(578)	54	**499 976**	521 615	(4)
Investments	**155**	—	100	**275**	(896)	>100	**28 159**	24 346	16
Investments in associates and joint ventures	**—**	—	—	**23**	17	35	**454**	789	(42)
Other assets	**78 097**	62 482	25	**(380 088)**	(371 604)	(2)	**189 615**	201 877	(6)
Other assets – external	**40 957**	35 740	15	**3 158**	4 630	(32)	**189 615**	201 877	(6)
Other assets – internal[2]	**37 140**	26 742	39	**(383 246)**	(376 234)	(2)	**—**	—	—
Total assets	**78 921**	63 369	25	**(380 055)**	(373 061)	(2)	**718 204**	748 627	(4)
Deposits due to customers	**—**	—	—	**584**	590	(1)	**359 943**	371 279	(3)
Other liabilities	**34 187**	24 024	42	**(384 265)**	(376 550)	(2)	**298 964**	324 303	(8)
Other liabilities – external	**29 998**	21 839	37	**(3 710)**	(4 440)	16	**298 964**	324 303	(8)
Other liabilities – internal[2]	**4 189**	2 185	92	**(380 555)**	(372 110)	(2)	**—**	—	—
Total liabilities	**34 187**	24 024	42	**(383 681)**	(375 960)	(2)	**658 907**	695 582	(5)
Financial performance (%)									
Return on average economic capital[3]	**n/a**	n/a		**n/a**	n/a		**19,1**	17,7	
Return on average assets	**n/a**	n/a		**n/a**	n/a		**1,08**	1,02	
Other									
Banking customer base per segment (millions)[4]	**—**	—	—	**—**	—	—	**11,5**	11,3	2
Attributable income from the rest of Africa (Rm)	**—**	—	—	**(14)**	(2)	>(100)	**105**	130	(19)

Notes

[1] *Comparative has been reclassified for the move of Absa Small Business from Retail banking to Absa Business Bank. Also refer to pages 92 – 101 for additional reclassifications and restatements.*

[2] *Internal assets and liabilities include all interdivisional and intergroup asset and liability balances. Internal assets and liabilities for the Group are eliminated in "Head office and intersegment eliminations".*

[3] *Bancassurance return on average equity is **35,6%** (30 June 2009: 38,3%) and Absa Group return on average equity is **15,0%** (30 June 2009: 16,3%).*

[4] *Includes African operations.*

Business unit scope

Retail banking primarily serves individuals, by offering a comprehensive suite of retail banking products and services. These products and services are provided through an extensive branch and automated teller machine (ATM) network as well as through relationship managers, internet, telephone and cellphone banking.

Business segments

- **Home Loans** ➡ Offers residential property related ownership solutions to individuals.
- **Absa Vehicle and Asset Finance (AVAF)** ➡ Offers customised vehicle and asset finance products and services to individuals.
- **Card** ➡ Provides credit and debit cards as well as a merchant acquiring network across South Africa.
- **Personal Loans** ➡ Offers unsecured instalment loans (including micro loans) to individuals.
- **Retail Bank** ➡ Offers financial solutions to individuals ranging from those who are just entering the banking market, with basic formal banking needs, up to affluent individuals, who require more sophisticated banking solutions.

Financial performance

Retail banking's attributable earnings for the six months under review increased by 16% to R1 060 million (30 June 2009: R916 million). The increase in earnings was largely due to a reduction in impairments.

Advances declined by 2% from 30 June 2009, following lower customer demand and continued restrictive credit lending criteria. Customer deposits increased by 5% to R112,3 billion (30 June 2009: R107,2 billion) with growth in both the low and higher margin categories. This growth resulted in a decrease in the deposit to advances ratio from 3,05% at 30 June 2009 to 2,86% at 30 June 2010. The combination of the negative advances growth and stable interest margins resulted in a decline in net interest income of 2%. The lower dependency on wholesale funding limited the decline in net interest income.

The overall impairment charge declined by 26% to R3 035 million (30 June 2009: R4 084 million). An improvement in early cycle delinquencies was evident, reflecting the combined effects of the economic recovery, sound credit policy and collections management. The impairment ratio decreased from 2,49% for the six months ended 30 June 2009 to 1,90% for the period under review.

Non-interest income declined by 3% for the period under review as a result of a reduction in investment income. Transactional based fees increased by 3% as a result of a below inflation increase in pricing coupled with a 1% increase in volumes. Solid growth was experienced in card, electronic banking and international banking income. Bancassurance income also reflected healthy growth.

Operating expenditure increased by 9%, which resulted in an increase in the cost-to-income ratio to 57,9% (30 June 2009: 52,1%). The ratio deteriorated as a result of no growth in income coupled with selective investments made in order to position the business for future growth. The investments mainly include the expansion of the distribution footprint.

Attributable earnings of R1 060 million

(30 June 2009: R916 million)

Return on economic capital of 11,6%

(30 June 2009: 8,2%)

Cost-to-income ratio of 57,9%

(30 June 2009: 52,1%)

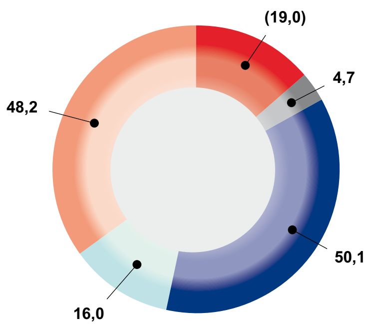
Impairment ratio of 1,90%

(30 June 2009: 2,49%)

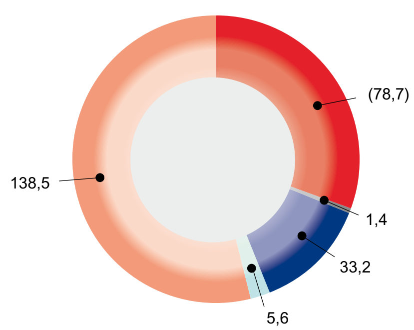
	Home Loans 30 June 2010	Home Loans 30 June 2009	Absa Vehicle and Asset Finance 30 June 2010	Absa Vehicle and Asset Finance 30 June 2009	Card 30 June 2010	Card 30 June 2009
Total revenue – external (Rm)	**9 510**	12 753	**2 583**	3 380	**2 528**	2 814
Net interest income – external	**9 464**	12 707	**2 446**	3 252	**1 518**	1 861
Non-interest income – external	**46**	46	**137**	128	**1 010**	953
Total revenue – internal (Rm)	**(7 877)**	(11 155)	**(1 495)**	(2 216)	**(428)**	(717)
Net interest income – internal	**(7 954)**	(11 229)	**(1 507)**	(2 225)	**(415)**	(716)
Non-interest income – internal	**77**	74	**12**	9	**(13)**	(1)
Attributable earnings (Rm)[1]	**(201)**	(721)	**50**	13	**531**	304
Headline earnings (Rm)	**(201)**	(721)	**50**	13	**530**	304
Impairment losses on loans and advances as a % of average loans and advances to customers (%)[2]	**1,30**	1,86	**2,79**	2,88	**4,43**	8,41
Cost-to-income ratio (%)	**32,1**	31,7	**42,2**	37,1	**41,1**	39,3
Loans and advances to customers (Rm)	**222 000**	224 022	**43 273**	46 028	**18 176**	17 947
Total assets (Rm)	**241 059**	241 661	**49 798**	52 495	**24 878**	24 654
Deposits due to customers (Rm)	**—**	—	**8**	2	**1 733**	1 704
Total liabilities (Rm)	**241 131**	242 030	**49 188**	51 925	**23 899**	23 857
Return on average economic capital (%)	**—**	—	**3,1**	0,8	**35,3**	22,5

	Personal Loans 30 June 2010	Personal Loans 30 June 2009	Retail Bank 30 June 2010	Retail Bank 30 June 2009	Total 30 June 2010	Total 30 June 2009	Change %
Total revenue – external (Rm)	**1 225**	1 326	**2 645**	2 438	**18 491**	22 711	(19)
Net interest income – external	**1 113**	1 230	**(862)**	(1 313)	**13 679**	17 737	(23)
Non-interest income – external	**112**	96	**3 507**	3 751	**4 812**	4 974	(3)
Total revenue – internal (Rm)	**(314)**	(432)	**2 905**	3 340	**(7 209)**	(11 180)	36
Net interest income – internal	**(335)**	(432)	**2 809**	3 246	**(7 402)**	(11 356)	35
Non-interest income – internal	**21**	—	**96**	94	**193**	176	10
Attributable earnings (Rm)[1]	**170**	51	**510**	1 269	**1 060**	916	16
Headline earnings (Rm)	**170**	51	**469**	1 081	**1 018**	728	40
Impairment losses on loans and advances as a % of average loans and advances to customers (%)[2]	**6,51**	9,16	**2,07**	0,86	**1,90**	2,49	
Cost-to-income ratio (%)	**36,9**	41,6	**78,3**	67,0	**57,9**	52,1	
Loans and advances to customers (Rm)	**10 628**	9 618	**26 725**	29 170	**320 802**	326 785	(2)
Total assets (Rm)	**11 507**	9 415	**127 146**	116 035	**454 388**	444 260	2
Deposits due to customers (Rm)	**3**	—	**110 538**	105 470	**112 282**	107 176	5
Total liabilities (Rm)	**11 404**	9 353	**126 329**	114 780	**451 951**	441 945	2
Return on average economic capital (%)	**25,0**	7,8	**36,4**	65,7	**11,6**	8,2	

Attributable earnings (%)



Six months ended 30 June 2010



Six months ended 30 June 2009

● Home Loans ● Absa Vehicle and Asset Finance ● Card ● Personal Loans ● Retail Bank

Notes

[1]*These results are after the allocation of head office and support charges.*

[2]*Refer to page 43 for the impairment charge to the statement of comprehensive income.*

Business overview

Retail banking's customer base increased moderately to 10,9 million at 30 June 2010, The self-service device footprint continued to increase and now total 8 885 self-service devices. Absa has 1 043 physical outlets located across South Africa, Tanzania and Mozambique.

Enhanced collections, through the implementation of an enhanced collections structure, process optimisation and focused collections training, assisted in enhancing the overall health of the retail franchise. Consumers were however, still experiencing some financial strain which has resulted in an increase in the debt review portfolio. A number of initiatives have been implemented to reduce the number of customers entering the debt review process.

Absa was voted the "coolest bank" for the fifth year in a row, by the Sunday Times Generation Next survey.

Home Loans

House price levels improved in the first half of 2010, driven by the recovery of the economy. Despite this, household mortgage advances growth remained subdued. Home Loans loss in attributable earnings for the period under review was reduced by 72% to R201 million. This improvement was largely due to a reduction in impairments. Advances declined by 1% compared to 30 June 2009, following lower customer demand and stringent credit lending criteria. The combination of the lower advances and improved interest margins resulted in a modest net interest income increase of 2%.

AVAF

An improvement in the vehicle market was evident during the first half of 2010, resulting in an increase in motor vehicle sales. AVAF's attributable earnings for the six months under review increased by 285% to R50 million (30 June 2009: R13 million). The increase in earnings was largely due to a reduction in impairments. AVAF experienced a decline in advances of 6%, following a lower appetite for credit and prudent affordability criteria. For the first time since August 2008, AVAF's asset book experienced growth during the latter part of the period under review. The combination of the lower advances growth and stable interest margins resulted in a decline in net interest income.

Card

Card experienced strong earnings growth for the period under review. This was largely due to the improved quality of the current book, the resultant decline in the impairment charge for the period and solid card acquiring growth. Despite this, account balances have remained static, with new business levels remaining low, mainly as a result of the low credit appetite in the market. During the latter part of the period under review, credit criteria were selectively relaxed to match the improving economic conditions.

Personal Loans

Personal Loans achieved significant growth in attributable earnings of 233% compared to the same period last year, partly owing to a 26% decline in impairments. Sales volumes increased by 15% since 30 June 2009, with a corresponding increase in sales value booked of 56%. This is due to business moving sales into lower risk and higher value personal loans supported by an increase in consumer demand. Advances growth of 11% was driven by growing loan value and lower impairments as existing book delinquency levels continued to improve.

Retail Bank

The Retail Bank experienced growth in deposits owing to a continued focus on the acquisition of savings and transactional accounts achieved through innovative new product offerings. An increase in demand for long-term savings and cheque accounts was also evident during the period under review. Advances declined by 8% from 30 June 2009 and this, in combination with the change in the advances mix and stable margins, resulted in muted net interest growth. Numerous initiatives were implemented during the period, with the key focus being on the enhancement of customer service, productivity and efficiency.

Strategic focus

Retail banking strives to earn the majority of its customers' business over their lifetime by offering the full range of financial products and rewarding them for buying more products and services from the Absa Group. A number of strategic themes will assist in achieving this intent by:

- Making banking easier for our customers.
- Optimising the distribution footprint.
- Deepening customer relationships and improving solutions.
- Prudent risk management.
- Standardising and simplifying key customer interactions.
- Managing the funding gap.

Retail banking will remain focused on responsible and disciplined cost management, treating customers fairly, and making sure that customers remain the centre of everything we do.

Business unit scope

Absa Business Bank (ABB) offers a comprehensive range of commercial banking products and specialised services for corporates and large, medium and small businesses. This includes start-up entrepreneurs as well as non-traditional developmental credit.

ABB's offerings range from off-the-shelf transactional products to complex financial solutions. The products and services aim to meet the full spectrum of corporate and commercial customer needs. They are designed to make banking, whether local or international, convenient and efficient.

Business segments

- The **Large segment** predominantly consists of groups with an annual turnover of between R100 million to R750 million.
- The **Medium segment** predominantly consists of groups with an annual turnover of between R10 million and R100 million.
- The **Small segment** serves the market which is broadly defined as any business with an annual turnover of less than R10 million.
- The **Corporate segment** predominantly consists of groups with an annual turnover of more than R750 million.
- **Africa Corporate banking** is the business unit that ABB utilises to provide financial products and services to corporate and multinational customers in all Pan-African countries. It maintains a close working relationship with Barclays Africa to provide continental coverage. Local African corporate and commercial customers are served through subsidiary businesses in Tanzania and Mozambique as well as a representative office in Namibia.

Financial performance

ABB experienced a decline in attributable earnings of 9% to R1 375 million for the six months under review (30 June 2009: R1 518 million). Despite a good growth in net fee and commission income, low statement of financial position growth impacted the results negatively.

While competition remained high, margins have been managed and maintained. Asset growth remained compressed due to lower credit demand, resulting in a decline of 1%. Despite the decrease in market liquidity, ABB achieved a 2% growth in deposits from 30 June 2009.

Net interest income remained at similar levels to the comparable period at R3 495 million (30 June 2009: R3 502 million). Negative advances growth also impacted net interest income growth. The positive growth in deposits was somewhat offset by the downward pressure on deposit margins as a result of the declining prime rate when compared to the previous reporting period.

Net fee and commission income increased by 7%, which was underpinned by an increase in electronic and cash transactions of 13% and 24% respectively, but was partly offset by a decrease in commercial property finance (CPF) and Commercial Asset Finance (CAF) fees and decreased Absa Development Company (Proprietary) Limited sales. The CPF equity portfolio value increased by 159% since 30 June 2009 and generated revenue of R47 million for the six months under review.

Revenue of R5 671 million

(30 June 2009: R5 558 million)

Attributable earnings of R1 375 million

(30 June 2009: R1 518 million)

Return on economic capital of 22,4%

(30 June 2009: 22,6%)

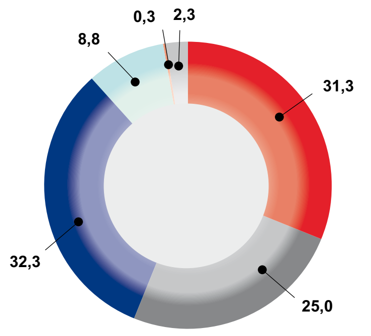
Impairment ratio of 0,99%

(30 June 2009: 1,06%)

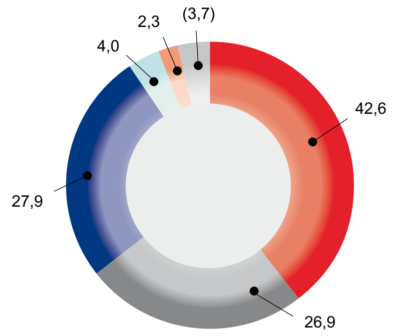
	Six months ended 30 June					
	2010		2009			Change
		Excluding CPF equities		Excluding CPF equities	Change	Excluding CPF equities
	Rm	**Rm**	Rm	Rm	%	%
Statement of comprehensive income						
Net interest income	**3 495**	**3 495**	3 502	3 502	(0)	(0)
Impairment losses on loans and advances	**(589)**	**(589)**	(644)	(644)	9	9
Non-interest income	**2 176**	**2 129**	2 056	2 136	6	(0)
Net fee and commission income	**1 879**	**1 879**	1 748	1 748	7	7
Gains and losses from banking and trading activities	**128**	**81**	24	104	>100	(22)
Gains and losses from investment activities	**2**	**2**	5	5	(60)	(60)
Other operating income	**167**	**167**	279	279	(40)	(40)
Operating expenses	**(3 095)**	**(3 095)**	(2 708)	(2 708)	(14)	(14)
Other	**(36)**	**(36)**	(55)	(55)	35	35
Operating profit before income tax	**1 951**	**1 904**	2 151	2 231	(9)	(15)
Taxation expense	**(564)**	**(550)**	(613)	(635)	8	13
Profit for the period	**1 387**	**1 354**	1 538	1 596	(10)	(15)
Profit attributable to:						
Ordinary equity holders of the Group	**1 375**	**1 342**	1 518	1 576	(9)	(15)
Non-controlling interest – ordinary shares	**12**	**12**	19	19	(37)	(37)
Non-controlling interest – preference shares	**0**	**0**	1	1	(21)	(21)
	1 387	**1 354**	1 538	1 596	(10)	(15)
Headline earnings	**1 355**	**1 322**	1 481	1 539	(9)	(14)

	Six months ended 30 June		
	2010	2009	Change
	Rm	Rm	%
Operating profit before income tax by business area			
Large	**611**	917	(33)
Medium	**487**	578	(16)
Small	**630**	600	5
Corporate	**171**	86	99
Africa	**5**	50	(90)
CPF equity portfolio[1]	**47**	(80)	>100
Listed	**47**	(67)	>100
Unlisted	**—**	(13)	100
	1 951	2 151	(9)

***Profit before tax** (%)*



Six months ended 30 June 2010



Six months ended 30 June 2009

• Large • Medium • Small • Corporate • Africa • CPF equity portfolio[1]

Note

[1] *Includes realised and unrealised profits on CPF, this however excludes Absa wholly-owned subsidiaries.*

Business overview

During the six months under review, ABB placed a specific focus on:

- Driving differentiation through transactional products, specifically cash management and electronic banking.
- Continuing to expand its delivery of a full banking proposition to establish a sustainable basis for future competitiveness.
- Continuing to make use of a broader transactional offering to increase primary banking relationships of current customers.
- Leveraging ABB's extensive knowledge in the agriculture and public sectors to consolidate market share.
- Initiating collaboration between product areas to pursue cross-selling opportunities and enhance advances growth, especially relating to commercial asset finance (CAF).
- Collaborating with Absa Capital so as to leverage off foreign exchange opportunities.
- Establishing commercial opportunities in sub-Saharan Africa.
- Successfully integrating the Group's small business operations into ABB.

ABB serves the second largest commercial customer base in South Africa with a highly motivated sales force and broad footprint.

Large segment

The core focus of the Large segment during the period under review was on market expansion and increasing the share of the customer's wallet through aggressive cross selling of the product range with a focus on, inter alia, secondary market products, electronic banking, international banking, specialised financial solutions, and working capital solutions. Tight operational expenditure control was a priority while statement of financial position growth remained under pressure.

Medium segment

The Medium segment experienced high impairment levels during the first six months of the year. This segment continued to focus on increasing its market share in new markets and wallet share of the existing customer base. Cost containment remained a core focus.

Small business

The Group's small business operations were successfully integrated into ABB, thereby ensuring a dedicated focus on all business market segments. The small business operations will continue to provide financial products and services and non-traditional developmental credit to all businesses with a turnover of below R10 million, including start-up entrepreneurs.

Corporate segment

The Corporate segment achieved significant revenue growth during the period under review. This coupled with an increase in the number of customer groups, contributed to a notable earnings performance. Electronic banking volumes increased, partly owing to the introduction of the "notify me" product. The segment started to see the benefits of the new "corporate coverage model", which is being introduced in collaboration with Absa Capital. This is enabling the Corporate segment to offer holistic investment and transactional banking solutions. Secondary market activity increased during the period under review.

Africa Corporate Banking

The unit experienced a challenging six months, with revenue remaining under pressure. Significant progress is being made with the roll-out of products such as cash in transit, courier services, CPF and Islamic banking.

Strategic focus

ABB's main strategic focus is aligned with the "One Absa" strategy, with the core intent of achieving market leadership. ABB has determined 13 strategic objectives based on the "One Absa" framework and has mobilised five workstreams to contribute to this strategy.

Our core strategic focus is aimed at establishing market leading transactional banking capabilities to support ABB's aim of deepening primary banking relationships.

ABB is also targeting specific market segments, including agriculture, and is driving product development and credit processes to support its objectives in these areas. Significant focus is being placed on trade and commodity finance product areas and cash flow solutions. ABB is also focusing on African opportunities for Public Private Partnerships, project finance, agriculture banking and structured trade and commodity finance.

ABB's work streams also focuses on the quick wins and key capabilities required to rekindle advances growth, while simultaneously increasing the focus on sales. ABB is focusing on better ways to service clients through a comprehensive overhaul of processes and expansion of frontline staff capacity supported by a deeper understanding of customer needs and behaviours.

Business unit scope

Absa offers investment banking and wealth management services through Absa Capital and Absa Wealth, respectively. Absa Capital's primary business is to act as an intermediary between, and adviser to, suppliers and users of various forms of capital. Absa Capital has a unique business model, representing a combination of fully local specialist knowledge (as part of Absa Group) and fully global expertise (through its alliance with Barclays Capital).

The business model is centred on delivering specialist investment banking financing, risk management and advisory solutions across asset classes to corporations, financial institutions and government clients. These capabilities are delivered through a client-centric approach, with an emphasis on origination and distribution of risk.

Business segments

- **Investment banking** ➡ Structures innovative solutions to suit clients' strategic acquisition, financing and risk management requirements across industry sectors in South Africa and the broader sub-Saharan Africa region. It also offers product expertise encompassing loans, bonds and structured products (such as project finance, structured equity finance, leveraged finance and debt capital markets).
- **Markets** ➡ Offers expertise in trading, hedging and pricing activities across various asset classes to a global client base.
- **Private Equity and Infrastructure Investments** ➡ Private Equity acts as a principal by investing in equity exposures to companies and other entities. Infrastructure Investments acts as a principal in equity exposures in entities focussed on infrastructure development in sub-Saharan Africa.
- **Absa Wealth** ➡ Provides a full range of onshore and offshore wealth management services to individuals and families in the high and ultra-high net-worth market.

Financial performance

Attributable earnings for Absa Capital increased by 443% to R700 million, with headline earnings declining by 19% to R747 million, from R917 million for the six months ended 30 June 2009. The difference between headline and attributable earnings relates to the impairments raised against the value of equity positions acquired as a result of single stock future defaults incurred during the first half of 2009.

Despite Markets and Investment banking revenues declining year-on-year, overall revenue increased, benefiting from improving performance from Private Equity and reduced funding costs on single stock future positions. The business continued to expand into Africa and attributable income earned from sources outside of South Africa recorded growth of 60%.

Revenue of R2 556 million

(30 June 2009: R2 315 million)

Attributable earnings of R700 million

(30 June 2009: R129 million)

Return on economic capital of 16,1%

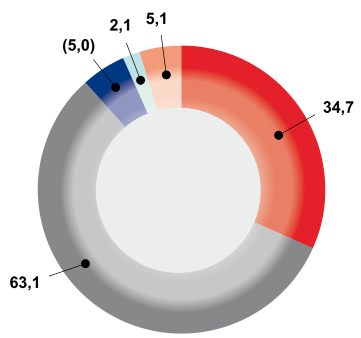
(30 June 2009: 17,7%)

Cost-to-income ratio of 53,7%

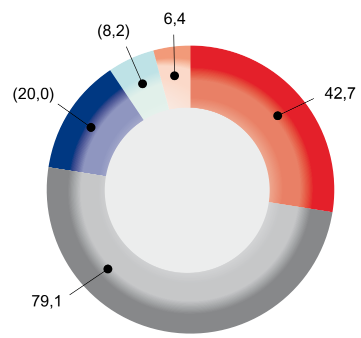
(30 June 2009: 39,8%)

	30 June 2010 Rm	2009 Rm	Change %
Statement of comprehensive income			
Net interest income	**1 247**	1 040	20
Impairment losses on loans and advances	**(80)**	(120)	33
Non-interest income	**1 309**	1 275	3
Operating expenses	**(1 372)**	(921)	(49)
Other	**(106)**	(1 132)	91
Operating profit before income tax	**998**	142	>100
Taxation expense	**(278)**	5	>(100)
Profit for the period	**720**	147	>100
Profit attributable to:			
Ordinary equity holders of the Group	**700**	129	>100
Non-controlling interest – ordinary shares	**20**	18	11
	720	147	>100
Headline earnings	**747**	917	(19)
Statement of financial position			
Loans and advances to customers	**55 655**	70 819	(21)
Total assets	**367 716**	423 300	(13)
Deposits due to customers	**121 161**	139 842	(13)
Total liabilities	**364 820**	420 517	(13)
Notes			
1. Revenue contribution[1 + 2]			
Investment banking	**860**	938	(8)
Markets	**1 561**	1 736	(10)
Private Equity and Infrastructure Investments	**(124)**	(438)	72
Single stock futures and other	**52**	(181)	>100
Total Absa Capital revenue	**2 349**	2 055	14
Absa Wealth	**127**	140	(9)
	2 476	2 195	13
2. Gains and losses from banking and trading activities			
Net gains on investments			
Financial instruments designated at fair value through profit or loss	**(66)**	(284)	77
Debt instruments	**16**	(40)	>100
Equity instruments	**(82)**	(244)	66
Net trading results	**1 217**	1 082	12
Net trading income excluding impact of hedge accounting	**1 188**	1 085	9
Ineffective portion of fair value hedges	**(6)**	(3)	(100)
Ineffective portion of cash flow hedges	**35**	—	100
Other	**(17)**	37	>(100)
	1 134	835	36

***Revenue contribution**[1 + 2] (%)*



Six months ended 30 June 2010



Six months ended 30 June 2009

- Investment banking
- Markets
- Private Equity and Infrastructure Investments
- Single stock futures and other
- Absa Wealth

Notes

[1]*Net revenue includes net interest income and non-interest income, after deducting impairment losses on loans and advances.*

[2]*Notional interest has been allocated to the business units for the first time during 2010. Comparatives have been adjusted accordingly.*

Business overview

Investment banking

Investment banking's revenue declined by 8% to R860 million mainly owing to continued low demand for credit from the corporate sector. Income from fee business declined by 39% to R73 million reflecting muted corporate activity and low levels of fund-raising activity in South African capital markets. Debt Capital Markets business showed significant growth year-on-year. Income from margin business declined by 4% to R787 million, partly as a result of improved credit quality of the book.

Markets

The Markets business delivered a resilient performance, against the backdrop of generally reduced client activity across most asset classes, lower market volatility and tighter spreads. Revenue decreased by 10% to R1 561 million from R1 736 million in the previous year. Foreign exchange revenues were impacted by the slowdown in customer volumes, while derivative risk management opportunities related to financing transactions also declined relative to the six months ended 30 June 2009. The sub-Saharan Africa franchise continued to develop, generating increased trading and client revenues, and new business areas such as credit trading, prime services and cash equity trading increased their revenue contribution from a low base in 2009.

Private Equity and Infrastructure Investments

The Private Equity and Infrastructure Investments business unit recorded negative revenue of R124 million principally owing to funding costs of R95 million. The portfolio recorded negative fair value movements of R88 million, the impact of which was offset by realisations, dividends and interest of R59 million.

Absa Wealth

Absa Wealth grew revenue by 13% which was driven by growth in non-interest income and improving deposit margins. Growth in non-interest income of 30% reflected increased sales of structured lending and investment solutions to high-net-worth and ultra-high-net-worth clients. Operating expenses increased by 22% as the business continued to invest in talent, product and infrastructure to drive future growth.

Awards and accolades

Absa Capital has been recognised with the following awards during the first half of the year:

- Euromoney Project Finance "Deal of the Year" award for two deals completed in 2009 – African Oil Deal of the Year for Kosmos Energy and Telecoms Deal of the Year for MTN Uganda.
- Financial Mail Analyst Rankings – 1st for Dealing Fixed Interest Securities.
- EMEA Finance award for two deals completed in 2009 – Best Project Finance Deal in EMEA for Ghana's jubilee oil field and Best Sovereign Bond Deal in EMEA for RSA's US$1,5 billion Eurobond.

Strategic focus

Absa Capital is well-positioned for growth. The intention is to grow volumes through franchise penetration and incremental deepening of the product offering thereby maximising the existing platform. The addition of new business lines, such as mergers and acquisitions, cash equities, equity capital markets and prime services will further drive growth initiatives.

Growth is not possible without people and the attraction, development and retention of top talent will continue to be a critical strategy in future. Aligning with the "One Absa" strategy, Absa Capital will implement a corporate bank model, further enhance its foreign exchange capability and focus on wealth advisory business. Continuous focus on capital optimisation and treasury and investment banking opportunities in Africa remain key to growth going foward.

Business unit scope

The **bancassurance** cluster is the custodian in the Absa Group for the provision of insurance, fiduciary and non-banking related investment products and services. This is provided through a well-established and unique bancassurance operating model which combines the strengths of a traditional bancassurance model with that of a pure distributor model.

This integrated model enables Absa Group to efficiently provide bancassurance products to all market segments in South Africa.

Business segments

- **Life insurance** ➡ Offers life assurance covering death, disability and retrenchment as well as funeral and investment products.
- **Short-term insurance** ➡ Provides short-term insurance solutions to both the retail and commercial segments. Customised short-term solutions are also made available for corporate customers.
- **Absa Investments** ➡ Consists of six businesses which work collaboratively to offer individual and institutional clients access to high quality investment products and services including asset management, private client asset management, multi-management, unit trusts, stock broking, participation bonds and linked investments.
- **Fiduciary services** ➡ Offers retirement fund administration, consulting and actuarial services. Administers deceased estates and provides trustee services for personal, family, charitable and employee benefit trusts.
- **Distribution** ➡ One of the largest financial, investment and risk advisory companies in South Africa. Provides a full spectrum of financial advisory services and acts as an intermediary between Absa's customers and various other product providers.

Financial performance

Bancassurance's results for the six months ended 30 June 2010 reflect the continued tough operating environment in which the financial services industry had to operate. The impact of the recession proved to be deeper and longer than anticipated. Against this backdrop, the life and short-term insurance companies delivered strong revenue growth and retained their ability to achieve superior margins.

In line with the industry as a whole, attributable earnings for the six months under review came under pressure and declined by 10% to R606 million (30 June 2009: R672 million). Operating income declined by 16% to R708 million as a result of lower growth in net fee and commission income, together with increases in short-term insurance claims, particularly in the first quarter of the year. This was partly offset by a recovery in the performance of investment income on shareholders' funds, which increased by 11% to R118 million. The business remained highly capital efficient and achieved a RoE of 35,6% for the period under review.

Investments – assets under management and administration of R147 billion

(30 June 2009: R136 billion)

Attributable earnings of R606 million

(30 June 2009: R672 million)

Return on average equity of 35,6%

(30 June 2009: 38,3%)

Embedded value of new business of R211 million

(30 June 2009: R164 million)

	Note	30 June 2010 Rm	2009 Rm	Change %
Statement of financial position				
Assets				
Cash balances and loans and advances to banks		**7 283**	6 853	6
Insurance operations	1	**6 308**	5 637	12
Other subsidiaries		**975**	1 216	(20)
Other assets[1 + 2]		**15 503**	10 212	52
Financial assets backing investment and insurance liabilities		**12 905**	10 886	19
Investments		**12 222**	10 185	20
Insurance operations	1	**12 102**	10 093	20
Other subsidiaries		**120**	92	30
Other assets backing shareholder and policyholder liabilities				
Insurance operations	1	**683**	701	(3)
Property and equipment		**64**	45	42
Total assets		**35 755**	27 996	28
Liabilities				
Other liabilities[1 + 2]		**15 655**	10 801	45
Current tax liabilities		**—**	25	>(100)
Liabilities under investment contracts		**13 836**	11 053	25
Policyholder liabilities under insurance contracts[3]		**2 621**	2 435	8
Deferred tax liabilities		**36**	47	(23)
Total liabilities		**32 148**	24 361	32
Total equity		**3 607**	3 635	(1)
Total equity and liabilities		**35 755**	27 996	28

Notes

[1] *Other assets and liabilities include settlement account balances in Absa Stockbrokers (Proprietary) Limited.*

[2] *Comparatives have been restated. Refer to pages 92 – 101.*

[3] *In managing the policyholder liability, certain assets have been allocated specifically for the purpose of backing this liability. The disclosure on the next page reflects the split of assets between policyholders and shareholders.*

Notes

1. Financial assets backing investment and insurance liabilities

	30 June 2010					
	Listed equity Rm	**Unlisted equity Rm**	**Debt instruments Rm**	**Other Rm**	**Cash balances and loans and advances to banks Rm**	**Total Rm**
Shareholder investments	**832**	**243**	**776**	**16**	**547**	**2 414**
Life	**793**	**8**	**236**	**16**	**96**	**1 149**
Non-Life	**39**	**235**	**540**	**—**	**451**	**1 265**
Policyholder investments	**7 910**	**1 815**	**526**	**667**	**5 761**	**16 679**
Investment contracts[1]	**7 910**	**949**	**68**	**464**	**4 457**	**13 848**
Insurance contracts[1]	**—**	**866**	**458**	**203**	**1 304**	**2 831**
Total	**8 742**	**2 058**	**1 302**	**683**	**6 308**	**19 093**

	30 June 2009					
	Listed equity Rm	Unlisted equity Rm	Debt instruments Rm	Other Rm	Cash balances and loans and advances to banks Rm	Total Rm
Shareholder investments	495	211	930	10	1 254	2 900
Life	495	11	234	10	400	1 150
Non-Life	—	200	696	—	854	1 750
Policyholder investments	6 101	1 762	594	691	4 383	13 531
Investment contracts[1]	6 101	1 060	3	510	3 390	11 064
Insurance contracts[1]	—	702	591	181	993	2 467
Total	6 596	1 973	1 524	701	5 637	16 431

	30 June		
	2010	2009	Change %
2. Financial performance			
Assets under management and administration (Rbn)	**147**	136	8
Return on average equity (%)	**35,6**	38,3	
Solvency margin (%)	**59,4**	76,8	

Note

[1]*Includes **R706 million** (June 2009: R593 million) in unlisted insurance contracts representing Absa Life Limited's investment in the Absa General Fund. This fund is consolidated as an investment contract at an Absa Group level and disclosed as such in the consolidated financial statements.*

Bancassurance

	Life			Insurance			Investments[1]			Other[1]			Total bancassurance		
	30 June		Change	30 June		Change	30 June		Change	30 June		Change	30 June		Change
	2010	2009	%	**2010**	2009	%	**2010**	2009	%	**2010**	2009	%	**2010**	2009	%
Statement of comprehensive income (Rm)															
Net earned premium income	**729**	586	24	**1 436**	1 281	12	**—**	—	—	**—**	—	—	**2 165**	1 867	16
Net insurance claims	**(202)**	(197)	(3)	**(964)**	(823)	(17)	**—**	—	—	**—**	—	—	**(1 166)**	(1 020)	(14)
Investment income															
policyholder investment contracts	**669**	150	>100	**—**	—	—	**—**	—	—	**(16)**	23	>(100)	**653**	173	>100
policyholder insurance contracts	**9**	22	(59)	**35**	51	(31)	**—**	—	—	**—**	—	—	**44**	73	(40)
Changes in investment and insurance liabilities															
policyholder investment contracts	**(666)**	(143)	>(100)	**—**	—	—	**—**	—	—	**27**	(10)	>100	**(639)**	(153)	>(100)
policyholder insurance contracts	**74**	163	(55)	**—**	—	—	**—**	—	—	**—**	—	—	**74**	163	(55)
Other income	**(7)**	(3)	>(100)	**(18)**	13	>(100)	**365**	374	(2)	**456**	431	6	**796**	814	(2)
Gross operating income	**606**	578	5	**489**	522	(6)	**365**	374	(2)	**467**	444	5	**1 927**	1 917	0
Net commission paid by insurance companies[2]	**(129)**	(108)	(19)	**(197)**	(200)	2	**—**	—	—	**—**	—	—	**(326)**	(308)	(6)
Operating expenses	**(92)**	(90)	(2)	**(144)**	(126)	(14)	**(175)**	(162)	(8)	**(447)**	(353)	(27)	**(858)**	(731)	(17)
Other impairments and indirect taxation	**(27)**	(22)	(23)	**(1)**	(1)	—	**(2)**	(7)	71	**(5)**	(4)	(25)	**(35)**	(33)	(6)
Net operating income	**358**	358	—	**147**	195	(25)	**188**	205	(8)	**15**	87	(83)	**708**	845	(16)
Investment income on shareholder funds	**34**	10	>100	**65**	71	(8)	**8**	10	(20)	**11**	15	(27)	**118**	106	11
Taxation expense	**(100)**	(102)	2	**(56)**	(80)	30	**(58)**	(64)	9	**(6)**	(33)	82	**(220)**	(279)	21
Profit attributable to ordinary equity holders	**292**	266	10	**156**	186	(16)	**138**	151	(9)	**20**	69	(71)	**606**	672	(10)
Notes															
1. Investment income															
Policyholder – investment contracts	**669**	150	>100	**—**	—	—	**—**	—	—	**(16)**	23	>(100)	**653**	173	>100
Net interest income	**334**	177	89	**—**	—	—	**—**	—	—	**1**	1	—	**335**	178	88
Dividend income	**22**	43	(49)	**—**	—	—	**—**	—	—	**7**	8	(13)	**29**	51	(43)
Fair value gains/(losses)	**313**	(70)	>100	**—**	—	—	**—**	—	—	**(24)**	14	>(100)	**289**	(56)	>100
Policyholder – insurance contracts	**9**	22	(59)	**35**	51	(31)	**—**	—	—	**—**	—	—	**44**	73	(40)
Net interest income	**26**	46	(43)	**35**	51	(31)	**—**	—	—	**—**	—	—	**61**	97	(37)
Dividend income	**2**	36	(94)	**—**	—	—	**—**	—	—	**—**	—	—	**2**	36	(94)
Fair value gains/(losses)	**(19)**	(60)	68	**—**	—	—	**—**	—	—	**—**	—	—	**(19)**	(60)	68
Shareholder funds	**34**	10	>100	**65**	71	(8)	**8**	10	(20)	**11**	15	(27)	**118**	106	11
Net interest income	**14**	7	>100	**51**	68	(25)	**8**	10	(20)	**—**	(37)	>100	**73**	48	52
Dividend income	**9**	7	29	**9**	34	(74)	**—**	—	—	**2**	—	—	**20**	41	(51)
Fair value gains/(losses)	**11**	(4)	>100	**5**	(31)	>100	**—**	—	—	**9**	52	(83)	**25**	17	47
Total	**712**	182	>100	**100**	122	(18)	**8**	10	(20)	**(5)**	38	>(100)	**815**	352	>100
Net interest income	**374**	230	63	**86**	119	(28)	**8**	10	(20)	**1**	(36)	>100	**469**	323	45
Dividend income	**33**	86	(62)	**9**	34	(74)	**—**	—	—	**9**	8	13	**51**	128	(60)
Fair value gains/(losses)	**305**	(134)	>100	**5**	(31)	>100	**—**	—	—	**(15)**	66	>(100)	**295**	(99)	>100
2. Operating performance															
Underwriting surplus (Rm)	**n/a**	n/a		**243**	259	(6)	**n/a**	n/a		**n/a**	n/a		**n/a**	n/a	
Underwriting margin (%)	**n/a**	n/a		**9,1**	10,3		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a	
Loss ratio (%)	**n/a**	n/a		**67,1**	64,2		**n/a**	n/a		**n/a**	n/a		**n/a**	n/a	

Notes

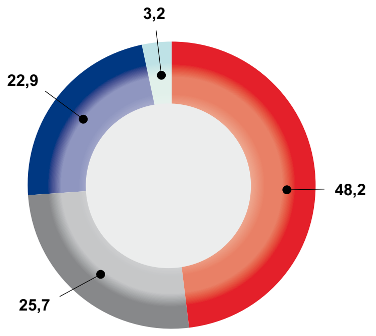
[1] *Investments have been reclassified from "Other" to a separate category.*

[2] *Net commission paid includes internal commission, eliminated on consolidation of Absa Group's results.*

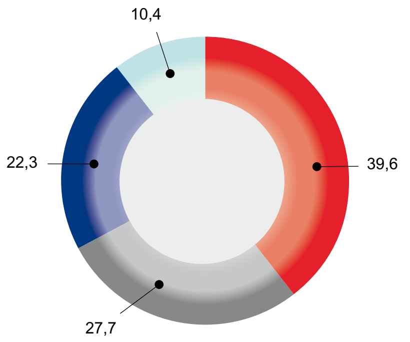
	30 June 2010	2009	Change %
Embedded value and value of new business of Absa Life Limited (Rm)			
Shareholders' net assets	**1 323**	1 150	15
Cost of solvency capital	**(193)**	(96)	>(100)
Value of business in force	**1 267**	1 060	20
	2 397	2 114	13
Embedded value earnings (Rm)	**352**	149	>100
Return on embedded value (%)	**32,3**	14,7	
Embedded value of new business (Rm)	**211**	164	29
Value of new business as a % of the present value of future premiums (%)	**7,2**	9,0	
Net asset value of short-term insurance companies (Rm)	**1 553**	1 808	(14)

	Six months ended 30 June 2010 Rm	2009 Rm	Change %
Net fee and commission income			
Employee benefit related fees	**142**	115	23
Investment management and related fees	**333**	313	6
Net commission from adviser business	**195**	167	17
Net fee and commission paid by insurance companies	**(350)**	(321)	(9)
Trust and estate income	**125**	109	15
	445	383	16

***Attributable earnings** (%)*



Six months ended 30 June 2010



Six months ended 30 June 2009

• Life • Insurance • Investments • Other

Business overview

Life insurance

Absa Life achieved strong growth in gross premium income which increased by 29% to R796 million. Continued improvement in penetration of the customer base, the stabilisation of retention on most product lines, together with a higher market share of adviser business contributed to this growth. Embedded value of new business increased by 29% to R211 million while embedded value earnings of R352 million to 30 June 2010 represents a return on embedded value (RoEV) of 32,3%. Attributable earnings increased by 10% to R292 million, the adverse impact of increased new business strain being partially offset by higher investment returns on shareholders' funds.

Short-term insurance

Gross premium for Absa Insurance and Absa *idirect* grew by 12% to R1 519 million. The Personal Lines portfolio underwriting performance was negatively impacted by the deterioration in the performance of the Home Owners Comprehensive (HOC) book which came under pressure from a marked increase in claims from weather related events. The commercial book's underwriting performance also declined due to large fire and warranty related claims. The overall underwiting result of R243 million for the first half of the year was 6% lower than the R259 million for the comparable period in 2009. The combined ratio of 90,9% increased slightly from 89,7% in 2009. Attributable earnings declined by 16% to R156 million.

Absa Investments

Absa Investments' assets under management and administration (AUM) grew by 8% to R147 billion with net inflow of funds amounting to R2,3 billion. Gross sales improved and net business flows remained positive despite increased outflows on discretionary business. Margins declined to 46,6 basis points from 57,5 basis points due to a higher proportion of institutional funds under management. A continued focus on operational efficiencies assisted the business in maintaining a competitive cost-to-income ratio of 46,9% (2009: 42,2%).

Fiduciary services

The fiduciary business achieved operating earnings of R60 million, down from R75 million achieved in 2009. The employee benefits business was adversely affected by reduced margins while Absa Trust was impacted by a reduction in estate values.

Distribution

Total revenue for the period grew by 18% as economic conditions started to show signs of improvement. The net result for the period under review was impacted by lower sales staff numbers and an increased share of revenue being paid to advisers. The attraction and retention of sales staff remains challenging.

Strategic focus

The bancassurance cluster is well placed to benefit even further from the relationship with Absa's retail banking operations and Barclays and through the adoption of the "One Absa" strategy. The business focus will be on further leveraging synergies presented by Group relationships and improving insight into the bank customer base to better penetrate and service each unique customer segment, including the wealth segment. The building of better and more convenient distribution channels as well as the rentention of the sales staff will also remain key.

In order to accelerate the strategy execution and extend the geographic footprint into Africa, the bancassurance cluster will also look at opportunities to expand into Africa while continuing to invest in technology and capacity to remain competitive and customer orientated.

Restatement of prior year figures

Contents

Restatement of prior year figures

	Note	As previously reported Rm	30 June 2009 (Unaudited) Reclassifications and restatements Rm	Reclassified and restated Rm
Assets				
Cash, cash balances and balances with central banks	1	22 411	(20)	22 391
Statutory liquid asset portfolio		32 213	—	32 213
Loans and advances to banks	4	48 386	6	48 392
Trading portfolio assets	4	68 123	(6 339)	61 784
Hedging portfolio assets		2 824	—	2 824
Other assets	1 + 2	20 779	531	21 310
Current tax assets		620	—	620
Non-current assets held for sale		2 017	—	2 017
Loans and advances to customers	1 + 4	521 427	188	521 615
Reinsurance assets		847	—	847
Investments		24 346	—	24 346
Investments in associates and joint ventures		789	—	789
Goodwill and intangible assets	1	965	(9)	956
Investment property	1	2 087	(40)	2 047
Property and equipment		6 121	—	6 121
Deferred tax assets	1	357	(2)	355
Total assets		754 312	(5 685)	748 627
Liabilities				
Deposits from banks	4	41 885	(962)	40 923
Trading portfolio liabilities	4	64 341	(6 339)	58 002
Hedging portfolio liabilities		1 188	—	1 188
Other liabilities and sundry provisions	3	20 055	(20 055)	—
Other liabilities	1 + 2 + 3	—	18 907	18 907
Provisions	3	—	1 109	1 109
Current tax liabilities		237	—	237
Deposits due to customers	4	370 096	1 183	371 279
Debt securities in issue		175 686	—	175 686
Liabilities under investment contracts		11 053	—	11 053
Policyholder liabilities under insurance contracts		2 740	—	2 740
Borrowed funds		11 823	—	11 823
Deferred tax liabilities	1 + 2	2 496	139	2 635
Total liabilities		701 600	(6 018)	695 582
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		1 379	—	1 379
Share premium		3 071	—	3 071
Other reserves		1 738	—	1 738
Retained earnings	1 + 2	40 711	327	41 038
		46 899	327	47 226
Non-controlling interest – ordinary shares	1	1 169	6	1 175
Non-controlling interest – preference shares		4 644	—	4 644
Total equity		52 712	333	53 045
Total equity and liabilities		754 312	(5 685)	748 627

Group statement of comprehensive income

	Note	As previously reported Rm	Reclassifications Rm	Reclassified Rm
		Six months ended 30 June 2009 (Unaudited)		
Net interest income		10 772	—	10 772
Interest and similar income		35 493	—	35 493
Interest expense and similar charges		(24 721)	—	(24 721)
Impairment losses on loans and advances		(4 834)	—	(4 834)
Net interest income after impairment losses on loans and advances		5 938	—	5 938
Net fee and commission income		6 903	—	6 903
Fee and commission income	5	7 629	170	7 799
Fee and commission expense	5	(726)	(170)	(896)
Net insurance premium income		1 844	—	1 844
Net insurance claims and benefits paid		(1 010)	—	(1 010)
Changes in investment and insurance liabilities		10	—	10
Gains and losses from banking and trading activities		1 281	—	1 281
Gains and losses from investment activities		454	—	454
Other operating income		727	—	727
Operating profit before operating expenditure		16 147	—	16 147
Operating expenditure		(11 389)	—	(11 389)
Operating expenses		(9 782)	—	(9 782)
Other impairments		(1 179)	—	(1 179)
Indirect taxation		(428)	—	(428)
Share of post-tax results of associates and joint ventures		(1)	—	(1)
Operating profit before income tax		4 757	—	4 757
Taxation expense		(1 138)	—	(1 138)
Profit for the period		3 619	—	3 619
Profit attributable to:				
Ordinary equity holders of the Group		3 272	—	3 272
Non-controlling interest – ordinary shares		113	—	113
Non-controlling interest – preference shares		234	—	234
		3 619	—	3 619
Headline earnings		3 826	—	3 826

	Note	31 December 2009 (Audited) As previously reported Rm	Restatements Rm	Restated Rm
Assets				
Cash, cash balances and balances with central banks		20 597	—	20 597
Statutory liquid asset portfolio		33 943	—	33 943
Loans and advances to banks		36 032	—	36 032
Trading portfolio assets	4	61 779	(9 477)	52 302
Hedging portfolio assets		2 558	—	2 558
Other assets		17 777	—	17 777
Current tax assets		234	—	234
Loans and advances to customers	4	503 630	2 533	506 163
Reinsurance assets		719	—	719
Investments		29 564	—	29 564
Investments in associates and joint ventures		487	—	487
Goodwill and intangible assets		1 245	—	1 245
Investment property		2 195	—	2 195
Property and equipment		6 606	—	6 606
Deferred tax assets		374	—	374
Total assets		717 740	(6 944)	710 796
Liabilities				
Deposits from banks	4	39 616	(3 075)	36 541
Trading portfolio liabilities	4	53 722	(9 477)	44 245
Hedging portfolio liabilities		565	—	565
Other liabilities		12 212	—	12 212
Provisions		1 684	—	1 684
Current tax liabilities		59	—	59
Deposits due to customers	4	350 757	5 608	356 365
Debt securities in issue		171 376	—	171 376
Liabilities under investment contracts		12 446	—	12 446
Policyholder liabilities under insurance contracts		3 136	—	3 136
Borrowed funds		13 530	—	13 530
Deferred tax liabilities		2 147	—	2 147
Total liabilities		661 250	(6 944)	654 306
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		1 432	—	1 432
Share premium		4 784	—	4 784
Other reserves		1 178	—	1 178
Retained earnings		43 153	—	43 153
		50 547	—	50 547
Non-controlling interest – ordinary shares		1 299	—	1 299
Non-controlling interest – preference shares		4 644	—	4 644
Total equity		56 490	—	56 490
Total equity and liabilities		717 740	(6 944)	710 796

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 Group 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 Group 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 Group early adopted *AC 504 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction in the South African Pension Fund Environment,* during 2009. This early adoption resulted in the Group recognising its defined benefit surplus as an asset, retrospectively. AC 504 requires the Group 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 Group elected early adoption as this guidance was published before the Group's year-end and seeks to clarify an existing accounting pronouncement.

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

3. 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 Group 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 restated for June and December 2009.

5. Net fee and commission income

The disclosure of net fee and commission income changed from nature to function during 2009, and certain fees and commissions received, previously disclosed net of fees and commissions paid, have been reclassified to indicate the gross amounts received and paid. Comparatives for June 2009 have been reclassified accordingly, on a basis consistent with the change made in December 2009.

Segmental reporting per market segment
Segmental reporting per market segment

	Retail banking 30 June 2009[1]			Absa Business Bank 30 June 2009[1+2]			Absa Capital 30 June 2009[2]			Bancassurance 30 June 2009[2]			Other 30 June 2009			Head office and intersegment eliminations 30 June 2009[2]			Absa Group 30 June 2009[2]		
	As previously reported	Reclassi-fications	Reclassified	As previously reported	Reclassi-fications and restatements	Reclassified and restated	As previously reported	Restatements	Restated	As previously reported	Restatements	Restated	As previously reported	Reclassi-fications	Reclassified	As previously reported	Restatements	Restated	As previously reported	Reclassi-fications and restatements	Reclassified and restated
Statement of comprehensive income (Rm)																					
Net interest income	7 091	(710)	6 381	2 792	710	3 502	1 040	—	1 040	13	—	13	(210)	—	(210)	46	—	46	10 772	—	10 772
Net interest income – external	17 727	10	17 737	3 538	(10)	3 528	(11 082)	—	(11 082)	9	—	9	509	—	509	71	—	71	10 772	—	10 772
Net interest income – internal	(10 636)	(720)	(11 356)	(746)	720	(26)	12 122	—	12 122	4	—	4	(719)	—	(719)	(25)	—	(25)	—	—	—
Impairment losses on loans and advances	(4 204)	120	(4 084)	(524)	(120)	(644)	(120)	—	(120)	—	—	—	—	—	—	14	—	14	(4 834)	—	(4 834)
Non-interest income	5 783	(633)	5 150	1 423	633	2 056	1 275	—	1 275	1 702	—	1 702	(104)	—	(104)	130	—	130	10 209	—	10 209
Non-interest income – external	5 577	(603)	4 974	1 232	603	1 835	1 379	—	1 379	1 853	—	1 853	(98)	—	(98)	266	—	266	10 209	—	10 209
Non-interest income – internal	206	(30)	176	191	30	221	(104)	—	(104)	(151)	—	(151)	(6)	—	(6)	(136)	—	(136)	—	—	—
Operating expenses	(6 625)	621	(6 004)	(2 087)	(621)	(2 708)	(921)	—	(921)	(731)	—	(731)	3	—	3	579	—	579	(9 782)	—	(9 782)
Depreciation and amortisation	(186)	1	(185)	(19)	(1)	(20)	(63)	—	(63)	(11)	—	(11)	(41)	—	(41)	(288)	—	(288)	(608)	—	(608)
Other operating expenses	(6 439)	620	(5 819)	(2 068)	(620)	(2 688)	(858)	—	(858)	(720)	—	(720)	44	—	44	867	—	867	(9 174)	—	(9 174)
Other impairments	(41)	—	(41)	(38)	—	(38)	(1 095)	—	(1 095)	(4)	—	(4)	—	—	—	(1)	—	(1)	(1 179)	—	(1 179)
Indirect taxation	(149)	2	(147)	(22)	(2)	(24)	(37)	—	(37)	(29)	—	(29)	(37)	—	(37)	(154)	—	(154)	(428)	—	(428)
Share of post-tax results of associates and joint ventures	(13)	—	(13)	7	—	7	—	—	—	—	—	—	—	—	—	5	—	5	(1)	—	(1)
Operating profit before income tax	1 842	(600)	1 242	1 551	600	2 151	142	—	142	951	—	951	(348)	—	(348)	619	—	619	4 757	—	4 757
Taxation expense	(432)	180	(252)	(433)	(180)	(613)	5	—	5	(279)	—	(279)	44	—	44	(43)	—	(43)	(1 138)	—	(1 138)
Profit for the period	1 410	(420)	990	1 118	420	1 538	147	—	147	672	—	672	(304)	—	(304)	576	—	576	3 619	—	3 619
Profit attributable to:																					
Ordinary equity holders of the Group	1 336	(420)	916	1 098	420	1 518	129	—	129	672	—	672	(538)	—	(538)	575	—	575	3 272	—	3 272
Non-controlling interest – ordinary shares	74	—	74	19	—	19	18	—	18	—	—	—	—	—	—	2	—	2	113	—	113
Non-controlling interest – preference shares	—	—	—	1	—	1	—	—	—	—	—	—	234	—	234	(1)	—	(1)	234	—	234
	1 410	(420)	990	1 118	420	1 538	147	—	147	672	—	672	(304)	—	(304)	576	—	576	3 619	—	3 619
Headline earnings	1 148	(420)	728	1 061	420	1 481	917	—	917	672	—	672	(515)	—	(515)	543	—	543	3 826	—	3 826
Operating performance (%)																					
Net interest margin on average assets	3,09	(0,18)	2,91	4,07	0,37	4,44	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,86	—	2,86
Net interest margin on average interest-bearing assets	3,93	(0,23)	3,70	4,44	0,92	5,36	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,51	0,07	3,58
Impairment losses on loans and advances as % of average loans and advances to customers	2,52	(0,03)	2,49	0,90	0,16	1,06	0,32	—	0,32	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,86	—	1,86
Non-interest income as % of total operating income	44,9	(0,2)	44,7	33,8	3,2	37,0	55,0	—	55,0	99,2	—	99,2	n/a	n/a	n/a	n/a	n/a	n/a	48,7	—	48,7
Top-line growth	11	1	12	12	(2)	11	(7)	—	(7)	4	—	4	n/a	n/a	n/a	n/a	n/a	n/a	4	—	4
Cost growth	1	3	4	2	(6)	(3)	(11)	—	(11)	7	—	7	n/a	n/a	n/a	n/a	n/a	n/a	(2)	—	(2)
Cost-to-income ratio	51,5	0,6	52,1	49,5	(0,8)	48,7	39,8	—	39,8	42,6	—	42,6	n/a	n/a	n/a	n/a	n/a	n/a	46,6	—	46,6
Cost-to-assets ratio	2,9	(0,2)	2,7	3,0	0,4	3,4	0,4	—	0,4	4,8	—	4,8	n/a	n/a	n/a	n/a	n/a	n/a	2,6	—	2,6

Notes

[1] *Structure changes: Absa Small Business moved from Retail banking to Absa Business Bank.*

[2] *Reclassifications and restatements: Refer to pages 92 – 95.*

	Retail banking 30 June 2009[1]			Absa Business Bank 30 June 2009[1+2]			Absa Capital 30 June 2009[2]			Bancassurance 30 June 2009[2]			Other 30 June 2009			Head office and intersegment eliminations 30 June 2009[2]			Absa Group 30 June 2009[2]		
	As previously reported	Reclassifications	Reclassified	As previously reported	Reclassifications and restatements	Reclassified and restated	As previously reported	Restatements	Restated	As previously reported	Restatements	Restated	As previously reported	Reclassifications	Reclassified	As previously reported	Restatements	Restated	As previously reported	Reclassifications and restatements	Reclassified and restated
Statement of financial position (Rm)																					
Loans and advances to customers	331 853	(5 068)	326 785	118 661	5 041	123 702	70 604	215	70 819	—	—	—	887	—	887	(578)	—	(578)	521 427	188	521 615
Investments	9	—	9	2 810	—	2 810	12 238	—	12 238	10 185	—	10 185	—	—	—	(896)	—	(896)	24 346	—	24 346
Investments in associates and joint ventures	291	—	291	129	—	129	352	—	352	—	—	—	—	—	—	17	—	17	789	—	789
Other assets	133 832	(16 657)	117 175	19 440	16 682	36 122	339 885	6	339 891	24 150	(6 339)	17 811	62 482	—	62 482	(372 040)	436	(371 604)	207 749	(5 872)	201 877
Other assets – external	7 292	(8)	7 284	7 677	33	7 710	130 250	6	130 256	22 596	(6 339)	16 257	35 740	—	35 740	4 194	436	4 630	207 749	(5 872)	201 877
Other assets – internal	126 540	(16 649)	109 891	11 763	16 649	28 412	209 635	—	209 635	1 554	—	1 554	26 742	—	26 742	(376 234)	—	(376 234)	—	—	—
Total assets	465 985	(21 725)	444 260	141 040	21 723	162 763	423 079	221	423 300	34 335	(6 339)	27 996	63 369	—	63 369	(373 497)	436	(373 061)	754 312	(5 685)	748 627
Deposits due to customers	128 296	(21 120)	107 176	102 551	21 120	123 671	138 659	1 183	139 842	—	—	—	—	—	—	590	—	590	370 096	1 183	371 279
Other liabilities	335 131	(362)	334 769	36 687	337	37 024	281 637	(962)	280 675	30 700	(6 339)	24 361	24 024	—	24 024	(376 675)	125	(376 550)	331 504	(7 201)	324 303
Other liabilities – external	8 065	(349)	7 716	6 042	324	6 366	273 770	(962)	272 808	26 353	(6 339)	20 014	21 839	—	21 839	(4 565)	125	(4 440)	331 504	(7 201)	324 303
Other liabilities – internal	327 066	(13)	327 053	30 645	13	30 658	7 867	—	7 867	4 347	—	4 347	2 185	—	2 185	(372 110)	—	(372 110)	—	—	—
Total liabilities	463 427	(21 482)	441 945	139 238	21 457	160 695	420 296	221	420 517	30 700	(6 339)	24 361	24 024	—	24 024	(376 085)	125	(375 960)	701 600	(6 018)	695 582
Financial performance (%)																					
Return on average economic capital[3]	12,4	(4,2)	8,2	17,0	5,6	22,6	17,7	—	17,7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17,7	—	17,7
Return on average assets	0,50	(0,17)	0,33	1,55	0,33	1,88	0,42	—	0,42	4,40	—	4,40	n/a	n/a	n/a	n/a	n/a	n/a	1,02	—	1,02

Notes

[1] *Structure changes: Absa Small Business moved from Retail banking to Absa Business Bank.*

[2] *Reclassifications and restatements: Refer to pages 92 – 95.*

[3] *Bancassurance return on average equity is 38,3% and Absa Group's return on average equity is 16,3%.*

Presentation

to the IAS

Presentation to the IAS

Contents

Controlling company

Absa Group Limited

Authorised financial services and registered credit provider (NCRCP7)
Incorporated in the Republic of South Africa
Registration number: 1986/003934/06
ISIN: ZAE000067237
JSE share code: ASA
Issuer code: AMAGB

Registered office

3rd Floor, Absa Towers East
170 Main Street, Johannesburg, 2001
Postal address: PO Box 7735, Johannesburg, 2000
Telephone: (+27 11) 350 4000
Telefax: (+27 11) 350 4009
Email: groupsec@absa.co.za

Sponsor

J.P. Morgan Equities Limited

Registration number: 1995/011815/06
1 Fricker Road, Illovo, 2196
Postal address: Private Bag X9936, Sandton, 2146
Telephone: (+27 11) 507 0300

Transfer secretaries

South Africa

Computershare Investor Services (Proprietary) Limited

Registration number: 2004/003647/07
70 Marshall Street, Johannesburg, 2001
Postal address: PO Box 61051, Marshalltown, Johannesburg, 2107

ADR depositary

BNY Mellon

101 Barclay Street, 15E, New York, NY 10286, USA

Shareholder contact information

Shareholder and investment queries about the Absa Group should be directed to the following areas:

Group Investor Relations

Telephone: (+27 11) 350 5926
Telefax: (+27 11) 350 5924
Email: investorrelations@absa.co.za

Group Secretariat

Telephone: (+27 11) 350 4828
Telefax: (+27 11) 350 4009
Email: groupsec@absa.co.za

Other contacts

Group Media Relations

Telephone: (+27 11) 350 5768

Group Finance

Telephone: (+27 11) 350 7565