ABSA GROUP LIMITED

Authorised financial services and registered credit provider (NCRCP7)

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

ISIN: ZAE000067237

JSE share code: ASA

Issuer code: AMAGB

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

ABSA GROUP LIMITED: PROFIT AND DIVIDEND ANNOUNCEMENT

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

GROUP SALIENT FEATURES

	Six months ended			Year ended
	30 June			31 December
	2010	2009[1]	Change	2009[1]
	(Unaudited)	(Unaudited)	%	(Audited)
Statement of comprehensive income(Rm)				
Headline earnings[2]	**3 862**	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	**7,6**	6,6		7,0

	Six months ended			Year ended
	30 June			31 December
	2010	2009[1]	Change	2009[1]
	(Unaudited)	(Unaudited)	%	(Audited)
loans and advances to customers				
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]				
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 the "Reclassifications and Restatements" section.*

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

[3] *These ratios are unaudited.*

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June			Year ended 31 December
	2010	2009[1]		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	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	**(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 **1.1**	**7 059**	6 903	2	14 289
Fee and commission income	**8 144**	7 799	4	16 301
Fee and commission expense	**(1 085)**	(896)	(21)	(2 012)
Net insurance premium income	**2 165**	1 844	17	3 787
Net insurance claims and benefits paid	**(1 166)**	(1 010)	(15)	(2 215)
Changes in investment and insurance liabilities	**(565)**	10	>(100)	(560)
Gains and losses from banking and trading activities **1.2**	**1 378**	1 281	8	2 575
Gains and losses from investment activities **1.3**	**469**	454	3	1 464
Other operating income	**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 **2.1**	**(11 264)**	(9 782)	(15)	(20 857)
Other impairments **2.2**	**(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

Note

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

GROUP STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June			Year ended 31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
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

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
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

CONDENSED NOTES TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

1. NON-INTEREST INCOME

	Six months ended 30 June			Year ended 31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1.1 Net fee and commission income				
Fee and commission income[1]				
Asset management and other related fees	**55**	67	(18)	103
Consulting and administration fees	**227**	187	21	428
Credit-related fees and commissions	**6 333**	6 071	4	12 494
Credit cards[2]	**939**	889	6	1 860
Cheque accounts	**1 614**	1 606	0	3 231
Electronic banking	**1 848**	1 633	13	3 501
Other	**739**	845	(13)	1 601
Savings accounts	**1 193**	1 098	9	2 301
Insurance commission received	**482**	486	(1)	1 088
Other fees and commissions	**75**	107	(30)	199
Pension fund payment services	**262**	273	(4)	545
Project finance fees	**107**	127	(16)	262
Trust and other fiduciary services[3]	**603**	481	25	1 182
Portfolio and other management fees	**484**	375	29	947
Trust and estate income	**119**	106	12	235
	8 144	7 799	4	16 301
Fee and commission expense[1]	**(1 085)**	(896)	(21)	(2 012)
	7 059	6 903	2	14 289

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 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]*Includes merchant and issuing fees.*

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

CONDENSED NOTES TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

1.1 Net fee and commission income (*continued*)

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Included above are net fees and commissions linked to financial instruments not at fair value				
Fee and commission income				
Credit cards	**435**	395	10	831
Cheque accounts	**1 614**	1 606	0	3 231
Electronic banking	**1 848**	1 633	13	3 501
Other	**607**	553	10	1 293
Savings accounts	**1 193**	1 098	9	2 301
	5 697	5 285	8	11 157
Fee and commission expense	**(88)**	(93)	5	(193)
	5 609	5 192	8	10 964
1.2 Gains and losses from banking and trading activities				
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)

CONDENSED NOTES TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1.2 Gains and losses from banking and trading activities (continued)				
Cash flow hedges	**43**	(7)	>100	(3)
Fair value hedges	**(8)**	(10)	20	(16)
	1 378	1 281	8	2 575
1.3 Gains and losses from investment activities				
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

CONDENSED NOTES TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

2. OPERATING EXPENDITURE

	Six months ended 30 June			Year ended 31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
2.1 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
Other operating costs[1]	**1 277**	1 176	9	2 381
Printing and stationery	**132**	127	4	283
Professional fees	**470**	406	16	908
Staff costs	**5 875**	4 943	19	10 806
Other staff costs[2]	**263**	139	89	321
Salaries	**5 029**	4 589	10	9 423
Share-based payments and incentive schemes	**447**	104	>100	867
Training costs	**136**	111	23	195
Telephone and postage	**417**	411	0	837
	11 264	9 782	15	20 857
Average number of employees employed by the Group	**36 638**	38 466	(5)	36 989
Number of employees employed by the Group at interim/year-end	**36 356**	36 920	(2)	36 150

Notes

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

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

CONDENSED NOTES TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June			Year ended 31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
2.2 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

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.*

CONDENSED NOTES TO THE GROUP STATEMENT OF COMPREHENSIVE INCOME

3. HEADLINE EARNINGS

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Headline 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)
Headline earnings	**3 862**	3 826	1	7 621

Note

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

GROUP STATEMENT OF FINANCIAL POSITION

		30 June			31 December
		2010	2009[1]		2009[1]
		(Unaudited)	(Unaudited)	Change	(Audited)
		Rm	Rm	%	Rm
Assets					
Cash, cash balances and balances with central banks		**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		**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		**359 943**	371 279	(3)	356 365
Debt securities in issue		**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	**2**	**13 359**	11 823	13	13 530
Deferred tax liabilities		**2 461**	2 635	(7)	2 147

	30 June			31 December
	2010	2009[1]		2009[1]
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Total liabilities	**658 907**	695 582	(5)	654 306
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital	**1 433**	1 379	4	1 432
Share premium	**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 the "Reclassifications and Restatements" section.*

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

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

	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
Home Loans	23 643	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	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			

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

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

	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
Home Loans	22 237	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[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			

Note

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

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

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

	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
Home Loans	22 200	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[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 Absa Business Bank.*

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

2. BORROWED FUNDS

	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Subordinated callable notes	**13 359**	11 823	13	13 530
The subordinated debt instruments listed below qualify as secondary capital in terms of the Banks Act, No 94 of 1990 (as amended).				
Interest rate *Final maturity date*				
10,75% 26 March 2015	**-**	1 100	(100)	1 100
8,75% 1 September 2017	**1 500**	1 500	-	1 500
8,80% 7 March 2019	**1 725**	1 725	-	1 725
8,10% 27 March 2020	**2 000**	2 000	-	2 000
10,28% 3 May 2022	**600**	-	100	-
Three-month JIBAR + 0,75% 26 March 2015	**-**	400	(100)	400
Three-month JIBAR + 2,10% 3 May 2022	**400**	-	100	-
CPI - Linked notes, fixed at the following coupon rates:				
6,25% 31 March 2018	**1 886**	1 886	-	1 886
6,00% 20 September 2019	**3 000**	3 000	-	3 000
5,50% 7 December 2028	**1 500**	-	100	1 500
Accrued interest	**745**	403	85	575
Fair value adjustment	**3**	(191)	>100	(156)
Redeemable cumulative option-holding preference shares	**-**	-	-	-
Preference dividend rate 72% of the prime overdraft rate[1]	**-**	158	(100)	158
Redemption of preference shares held by Absa Group Limited Employee Share Ownership Administrative Trust	**-**	(9)	100	(9)
Shares held by the Absa Group Limited Employee Share Ownership Administrative Trust	**-**	(3)	100	-

Note

[1]*Option exercise dates of 1 July 2007 to 1 July 2009, 1 March, 1 June, 1 September or 1 December each year.*

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

2. BORROWED FUNDS (CONTINUED)

	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
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
Portfolio analysis				
Subordinated callable notes designated at fair value through profit or loss	**731**	693	5	718
Financial liabilities at amortised cost				
Subordinated callable notes	**7 699**	5 567	38	7 221
Amortised cost subordinated callable notes in a fair value hedging relationship	**4 929**	5 563	(11)	5 591
	13 359	11 823	13	13 530

Notes

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

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
3.FINANCIAL GUARANTEE CONTRACTS				
Financial guarantee contracts	**614**	1 025	(40)	1 007
4.CONTINGENCIES				
Guarantees[1]	**11 637**	9 075	28	10 484
Irrevocable facilities[2]	**41 407**	30 290	37	54 517
Letters of credit	**5 307**	4 851	9	5 007
Other contingencies	**5**	8	(38)	5
	58 356	44 224	32	70 013

Notes

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

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

CONDENSED NOTES TO THE GROUP STATEMENT OF FINANCIAL POSITION

5. COMMITMENTS

	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Authorised capital expenditure				
Contracted but not provided for[1]	**1 055**	1 521	(31)	928

Note

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

Operating lease payments due[1]				
No later than one year	**1 126**	1 211	(7)	1 157
Later than one year and no later than five years	**2 135**	2 216	(4)	2 135
Later than five years	**351**	408	(14)	307
	3 612	3 835	(6)	3 599

Note

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

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

6.1 Disposal of investment in Pinnacle Point Group Limited

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

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

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

The termination resulted in the 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.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2010

	Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Rm	Rm	Rm	Rm
Opening balance	50 547	1 299	4 644	56 490
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
Other reserves	516	-	-	516
Transfer from share-based payment reserve	(25)	-	-	(25)
Share-based payments for the period	5	-	-	5
Other comprehensive income	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
Transfer from share-based payment reserve	1	-	-	1

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2010 (CONTINUED)

	Total equity attributable to ordinary equity holders of the Group	**Non-controlling interest-ordinary shares**	**Non-controlling interest-preference shares**	**Total equity**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	Rm	**Rm**	**Rm**	**Rm**
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 equity holders of the Group	**3 842**	**107**	**162**	**4 111**
Other comprehensive income - movement in retirement benefit surplus and obligation	**(4)**	**-**	**-**	**(4)**
Dividends paid during the period	**(1 578)**	**(92)**	**(162)**	**(1 832)**
Net acquisition of subsidiaries	**-**	**18**	**-**	**18**
Other comprehensive income - foreign currency translation effects	**-**	**27**	**-**	**27**
Balance at 30 June 2010	**53 294**	**1 359**	**4 644**	**59 297**

Total comprehensive income amounts to **R4 618 million**.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2009

	Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Rm	Rm	Rm	Rm
Opening balance as previously reported	47 280	1 042	4 644	52 966
Restatement of opening balance[1]	327	-	-	327
Restated opening balance	47 607	-	-	53 293
Shares issued	885	-	-	885
Costs incurred	(0)	-	-	(0)
Transfer from share-based payment reserve	26	-	-	26
Share buy-back in respect of Absa Group Limited Share Incentive Trust	(25)	-	-	(25)
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	(12)	-	-	(12)
Elimination of treasury shares held by Absa Life Limited	(29)	-	-	(29)
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative Trust	0	-	-	0
Other reserves	(1 272)	-	-	(1 272)
Transfer from share-based payment reserve	(26)	-	-	(26)
Share-based payments for the period	(29)	-	-	(29)
Other comprehensive income	(1 112)	-	-	(1 112)
Movement in general credit risk reserve	(12)	-	-	(12)
Movement in insurance contingency reserve	9	-	-	9
Movement in associates' and joint ventures' retained earnings reserve	(1)	-	-	(1)
Disposal of associates and joint ventures - release of reserves	(101)	-	-	(101)

Note

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

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2009[1] (CONTINUED)

	Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Rm	Rm	Rm	Rm
Retained earnings	46	-	-	46
Repurchase of preference shares held by Batho Bonke Capital(Proprietary) Limited	(1 089)	-	-	(1 089)
Transfer from share-based payment reserve	(0)	-	-	(0)
Transfer to general credit risk reserve	12	-	-	12
Transfer to insurance contingency reserve	(9)	-	-	(9)
Transfer to associates' and joint ventures' retained earnings reserve	1	-	-	1
Disposal of associates and joint ventures - release of reserves	101	-	-	101
Profit attributable to equity holders of the Group	3 272	113	234	3 272
Dividends paid during the period	(2 242)	(36)	(234)	(2 512)
Net acquisition of subsidiaries	-	50	-	50
Other comprehensive income - foreign currency translation effects	-	6	-	6
Balance at 30 June 2009	**47 226**	**1 175**	**4 644**	**53 045**

Total comprehensive income amounts to R2 513 million.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

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

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

	Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	(Audited)	(Audited)	(Audited)	(Audited)
	Rm	Rm	Rm	Rm
Movement in insurance contingency reserve	25	-	-	25
Movement in associates' and joint ventures retained earnings reserve	(50)	-	-	(50)
Disposal of associates and joint ventures - release of reserves	(109)	-	-	(109)
Retained earnings	2 161	-	-	2 161
Repurchase of preference shares held by Batho Bonke Capital (Proprietary) Limited	(1 089)	-	-	(1 089)
Transfer from share-based payment reserve	1	-	-	1
Transfer to general credit risk reserve	23	-	-	23
Transfer to insurance contingency reserve	(25)	-	-	(25)
Transfer to associates' and joint ventures retained earnings reserve	50	-	-	50
Disposal of associates and joint ventures - release of reserves	109	-	-	109
Profit attributable to equity holders of the Group	6 840	241	421	7 502
Other comprehensive income - movement in retirement benefit surplus and obligation	52	-	-	52
Dividends paid during the year	(3 800)	(51)	(421)	(4 272)
Net acquisition of subsidiaries	-	72	-	72
Other comprehensive income - foreign currency translation effects	-	(5)	-	(5)

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

	Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	(Audited)	(Audited)	(Audited)	(Audited)
	Rm	Rm	Rm	Rm
Balance at 31 December 2009	**50 547**	**1 299**	**4 644**	**56 490**

Total comprehensive income amounts to R5 895 million.

CONDENSED NOTES TO THE GROUP STATEMENT OF CHANGES IN EQUITY

1. DIVIDENDS PER SHARE

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Dividends paid to ordinary equity holders during the period/year				
16 February 2010 final dividend number 47 of 220 cents per ordinary share (9 February 2009: 330 cents)	**1 580**	2 245	(30)	2 245
3 August 2009 interim dividend number 46 of 225 cents per ordinary share	**-**	-	-	1 616
Dividends paid on treasury shares held by Absa Life Limited	**(2)**	(3)	33	(5)
Dividends paid on shares held by Batho Bonke Capital(Proprietary) Limited in terms of the bridging finance arrangement	**-**	-	-	(56)
	1 578	2 242	(30)	3 800
Dividends paid to ordinary equity holders relating to income for the period/year				
5 August 2010 interim dividend number 48 of 225 cents per ordinary share (3 August 2009: 225 cents)	**1 616**	1 616	-	1 616
Dividends paid on treasury shares held by Absa Life Limited	**-**	-	-	(2)
Dividends paid on shares held by Batho Bonke Capital(Proprietary) Limited in terms of the bridging finance arrangement	**-**	-	-	(56)
16 February 2010 final dividend number 47 of 220 cents per ordinary share	**-**	-	-	1 580
	1 616	1 616	-	3 138

CONDENSED NOTES TO THE GROUP STATEMENT OF CHANGES IN EQUITY

1. DIVIDENDS PER SHARE (CONTINUED)

	Six months ended 30 June			Year ended 31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Dividends paid to non-controlling preference equity holders during the period/year				
16 February 2010 final dividend number 8 of 3 280,3 cents per preference share (9 February 2009: 4 734,5 cents)	**162**	234	(31)	234
3 August 2009 interim dividend number 7 of 3 799,3 cents per preference share	**-**	-	-	187
	162	234	(31)	421
Dividends paid to non-controlling preference equity holders relating to income for the period/year				
5 August 2010 interim dividend number 9 of 3 197,5 cents per preference share (3 August 2009: 3 799,3 cents)	**158**	187	(16)	187
16 February 2010 final dividend number 8 of 3 280,3 cents per preference share	**-**	-	-	162
	158	187	(16)	349

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Six months ended			Year ended
	30 June			31 December
	2010	2009		2009
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Net cash generated from operating activities	**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 **1**	**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 2	**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

GROUP PROFIT CONTRIBUTION BY BUSINESS AREA

	Six months ended			Year ended
	30 June			31 December
	2010	2009[1]		2009[1]
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	
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

Note

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

GROUP REVENUE[1] CONTRIBUTION BY BUSINESS AREA

	Six months ended 30 June			Year ended 31 December
	2010	2009[2]		2009[2]
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Banking operations				
Retail banking	**11 282**	11 531	(2)	22 977
Home Loans	**1 633**	1 598	2	3 133
Absa Vehicle and Asset Finance	**1 088**	1 164	(7)	2 279
Card	**2 100**	2 097	0	4 261
Personal Loans	**911**	894	2	1 753
Retail Bank	**5 550**	5 778	(4)	11 551
Absa Business Bank	**5 671**	5 558	2	11 497
Absa Capital	**2 556**	2 315	10	4 446
Corporate centre	**(357)**	(84)	>(100)	(527)
Capital and funding centre	**136**	(54)	>100	300
Total banking	**19 288**	19 266	0	38 693
Bancassurance	**1 718**	1 715	0	3 393
Total revenue	**21 006**	20 981	0	42 086

Notes

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

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

RECLASSIFICATIONS AND RESTATEMENTS

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

GROUP STATEMENT OF FINANCIAL POSITION – 30 JUNE 2009

		(Unaudited) As previously reported Rm	(Unaudited) Reclassifications and restatements Rm	(Unaudited) 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

		(Unaudited)	(Unaudited)	(Unaudited)
		As previously	Reclassifications	Reclassified
		reported	and restatements	and restated
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 – 30 JUNE 2009

		(Unaudited)	(Unaudited)	(Unaudited)
		As previously		
		reported	Reclassifications	Reclassified
		Rm	Rm	Rm
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

GROUP STATEMENT OF COMPREHENSIVE INCOME – 30 JUNE 2009 (*continued*)

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

GROUP STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2009

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

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

COMMENTARY ON THE RECLASSIFICATIONS AND RESTATEMENTS

1. *IFRS 3 – Business Combinations* fair value adjustments

The acquisition of the majority interest in Ballito Junction Development (Proprietary) Limited and Ngwenya River Estate (Proprietary) Limited was accounted for provisionally in the June 2009 financial results in accordance with *IFRS 3 - Business combinations*. The Group finalised the fair values of the assets and liabilities on acquisition within the 12-month window period as allowed by IFRS3. This resulted in a decrease in total assets of R36 million which includes additional goodwill of R6 million being recognised, a decrease in total liabilities of R53 million as well as R17 million negative goodwill recognised in the statement of comprehensive income. 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 consideration of the risk inherent in its hedging 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.

PROFIT AND DIVIDEND ANNOUNCEMENT

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 by Absa Capital against the value of equity positions acquired resulting from single stock future defaults in the first half of 2009.

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 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 transmission 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 l level, 13,1% (June 2009: 11,5%) at tier l level, while the total capital adequacy ratio was 15,8% (June 2009: 13,9%).

Absa Bank's core tier l ratio, as at 30 June 2010, was 10,7% (June 2009: 9,5%), the tier l 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%.

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 the debt review portfolio. 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

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

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 incentives aimed at retaining talented employees, costs were contained to a 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 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 do not result in the loss of control must be accounted for as equity transactions. The revised IFRS 3 has been applied prospectively to all business combinations from 1 January 2010. The requirements of IAS 27 have been applied prospectively to transactions with non-controlling interests from 1 January 2010. The impact of this amendment on the Group was not significant during the period under review.

Changes in accounting policies

During 2009, the 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.

Declaration of interim ordinary dividend number 48

Shareholders are advised that an interim ordinary dividend of 225 cents per ordinary share was declared today, Wednesday, 4 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

Sarita Martin
Group Secretary

Johannesburg
4 August 2010

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