Absa Group Limited

Interim financial results

for the six months ended 30 June 2012

ABSA

Member of BARCLAYS

Contents

Interim financial results for the six month ended 30 June 2012.



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Group performance

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Group performance

Overview of the performance within the Absa Group.

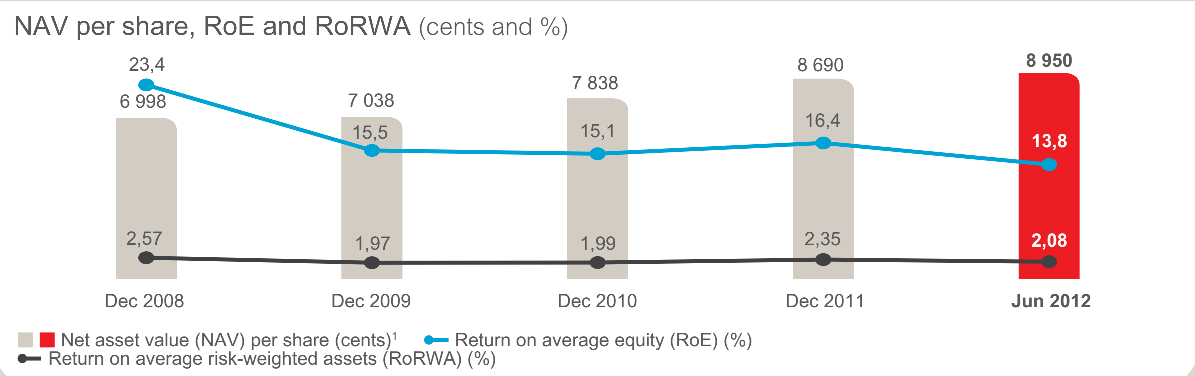
Group performance overview

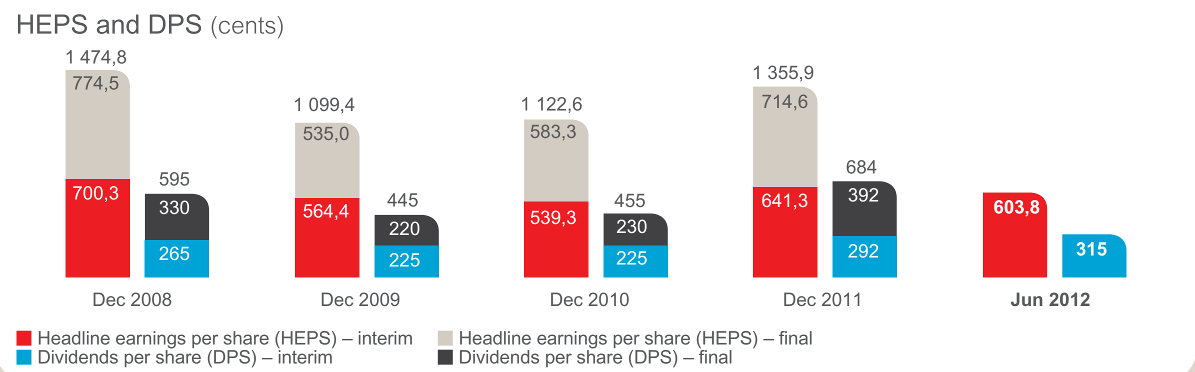
"While our headline earnings in the first half were below expectation, our underlying performance remained solid despite a weak economy. We took action to address impairments, reorganised our business and we are in a strong position to deliver on our One Absa strategy."

Maria Ramos, Group Chief Executive

Key points to note

- Diluted headline earnings per share (HEPS) declined **6%** to **602,3** cents.
- Pre-provision profit increased **3%** to **R10,4** billion.
- Interim dividend of **315** cents per share, up **8%**.
- Return on average equity (RoE) decreased to **13,8%** (30 June 2011: 16,2%).
- Net asset value (NAV) per share grew **10%** to **8 950** cents (30 June 2011: 8 116 cents).
- Absa Group's Core Tier 1 capital adequacy ratio improved to **13,2%** (30 June 2011: 12,8%), well above regulatory requirements.
- Progressed our rest of Africa strategy.





Note
[1]NAV per share's five-year compound annual growth rate calculated at **12%**. The growth rate is calculated from June 2007 to June 2012.

Group performance overview

Growing sustainably

One Absa

We know that the choices we make today will affect the world we live in tomorrow. Sustainability encompasses not only environmental issues, but also broader issues of a social, economic and financial nature. At Absa we have a balanced approach and focus on all areas to ensure the future sustainability of our business.

Our One Absa strategy changes the way we do business and how we collaborate internally. It aims to achieve sustainable growth in targeted markets, standardise and streamline the Group, create a customer- and people-centred organisation, optimise our balance sheet and strengthen our risk management.

Group performance overview

Strategic themes and key points to note

Sustainable
growth in target markets

The Group aims to become the number one bank in South Africa and selected African markets, measured in terms of profitability and return on average equity.

Key points to note

- Decline in headline earnings of **6%**
- Non-interest income growth of **5%**
- Return on average equity of **13,8%**
- Return on average risk-weighted assets of **2,08%**

Balance sheet
optimisation and proactive risk management

To have a strong and resilient balance sheet that can withstand economic and financial instability and to meet all statutory requirements.

Key points to note

- Group total capital adequacy ratio of **16,9%**
- Core Tier 1 capital adequacy ratio of **13,2%**
- Risk-weighted assets of **R426,5 billion (+4%)**
- Credit loss ratio of **1,59%**

Simple, streamlined
Group for customer delivery

Instilling a culture within the Group of operating as a fully integrated organisation, in a manner that generates efficiencies and places the customer at the centre of everything the Group does.

Key points to note

- Cost-to-income ratio of **54,9%**
- **R87 million** invested in delivery footprint **(+32%)**
- Five-year compound annual growth rate of **7%** for operating expenses
- **956** staffed outlets[1]
- **9 822** ATMs[1]

Customer- and people
centred organisation

Delivery of a leading-edge customer service, using the most talented and motivated people.

Key points to note

- Banking customer-base of **12,2 million (-1%)**[1]
- Internet banking users of **1,2 million (+3%)**
- Cellphone banking customers of **3,7 million (+29%)**
- Launch of Absa **Value Bundles**

Note
[1]Include African operations.

Consolidated salient features

	30 June 2012 (Unaudited)	30 June 2011[1] (Unaudited)	Change %	31 December 2011[1] (Audited)
Statement of comprehensive income (Rm)				
Headline earnings[2]	**4 332**	4 595	(6)	9 719
Profit attributable to ordinary equity holders of the Group	**4 189**	4 581	(9)	9 674
Statement of financial position				
Total assets (Rm)	**808 806**	723 261	12	786 719
Loans and advances to customers (Rm)	**506 661**	504 199	0	504 924
Deposits due to customers (Rm)	**457 880**	405 673	13	440 960
Loans-to-deposits ratio (%)	**86,9**	91,0		88,4
Off-statement of financial position (Rm)				
Assets under management and administration	**223 247**	205 309	9	213 186
Financial Services[3]	**171 179**	170 873	0	167 669
Money market	**58 182**	71 330	(18)	57 798
Non-money market	**112 997**	99 543	14	109 871
Financial performance (%)				
Return on average equity	**13,8**	16,2		16,4
Return on average assets[4]	**1,11**	1,29		1,32
Return on average risk-weighted assets[4]	**2,08**	2,23		2,35
Operating performance (%)				
Net interest margin on average interest-bearing assets[4]	**3,94**	3,99		4,11
Impairment losses on loans and advances as % of average loans and advances to customers[4]	**1,59**	1,16		1,01
Non-performing loans as % of loans and advances to customers[4]	**6,4**	7,6		6,9
Non-interest income as % of total operating income	**48,4**	47,9		46,7
Cost-to-income ratio	**54,9**	54,8		55,5
Effective tax rate, excluding indirect taxation	**29,0**	27,6		28,3
Share statistics (million)				
Number of ordinary shares in issue	**718,2**	718,2		718,2
Weighted average number of ordinary shares in issue	**717,5**	716,5		716,8
Diluted weighted average number of ordinary shares in issue	**719,3**	719,7		719,9
Share statistics (cents)				
Headline earnings per share	**603,8**	641,3	(6)	1 355,9
Diluted headline earnings per share	**602,3**	638,5	(6)	1 350,0
Basic earnings per share	**583,8**	639,4	(9)	1 349,6
Diluted earnings per share	**582,4**	636,5	(9)	1 343,8
Dividends per ordinary share relating to income for the period/year	**315**	292	8	684
Dividend cover (times)	**1,9**	2,2		2,0
Net asset value per share	**8 950**	8 116	10	8 690
Tangible net asset value per share	**8 655**	7 856	10	8 392
Capital adequacy (%)[4,5]				
Absa Group	**16,9**	16,7		16,7
Absa Bank	**16,6**	16,0		16,2

Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2]After allowing for **R140 million** (30 June 2011: R143 million; 31 December 2011: R284 million) profit attributable to preference equity holders of the Group.

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

[4]These ratios are unaudited for 31 December 2011.

[5]Refer to pages 97 to 104 for the capital management section.

Consolidated salient features

	30 June			31 December
	2012	2011[1]	Change %	2011[1]
Headline earnings by segment (Rm)				
RBB	**1 933**	2 618	(26)	6 106
Retail Markets	**1 368**	1 789	(24)	4 243
Business Markets	**565**	829	(32)	1 863
CIBW	**1 352**	1 190	14	2 230
Financial Services	**678**	644	5	1 375
Head office, inter-segment eliminations and Other	**369**	143	> 100	8
Return on average risk-weighted assets by segment (%)				
RBB	**1,41**	1,88		1,97
Retail Markets	**1,71**	2,17		2,69
Business Markets	**1,02**	1,45		1,56
CIBW	**2,06**	1,96		1,80
Impairment losses on loans and advances as % of average loans and advances to customers by segment (%)				
RBB	**1,92**	1,38		1,16
Retail Markets	**2,03**	1,46		1,23
Business Markets	**1,55**	1,13		0,93
CIBW	**0,02**	0,04		0,05
Financial Services	**5,31**	0,43		1,80
Loans and advances to customers by segment (Rm)				
RBB	**411 948**	417 627	(1)	412 595
Retail Markets	**317 920**	321 270	(1)	318 734
Business Markets	**94 028**	96 357	(2)	93 861
CIBW	**94 297**	85 956	10	91 888
Financial Services	**185**	259	(29)	137
Head office, inter-segment eliminations and Other	**231**	357	(35)	304
Deposits due to customers by segment (Rm)				
RBB	**205 982**	191 341	8	207 574
Retail Markets	**127 458**	118 156	8	126 210
Business Markets	**78 524**	73 185	7	81 364
CIBW	**252 142**	214 486	18	233 702
Head office, inter-segment eliminations and Other	**(244)**	(154)	(58)	(316)

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Profit and dividend announcement

Salient features

- Diluted headline earnings per share (HEPS) declined 6% to 602,3 cents.
- Pre-provision profit increased 3% to R10,4 billion.
- Interim dividend of 315 cents per share, up 8%.
- Revenue grew 4% to R23,1 billion.
- Net interest margin on average interest-bearing assets narrowed to 3,94% from 3,99%.
- The cash flow hedging reserve increased to R2,3 billion as at 30 June 2012.
- Non-interest revenue grew 5% to R11,2 billion and accounted for 48,4% of total revenue (June 2011: 47,9%).
- With operating expenses growth contained to 4%, Absa's cost-to-income ratio was largely unchanged at 54,9% (June 2011: 54,8%).
- Total loans and advances to banks and customers increased 5% to R564,7 billion.
- Credit impairments increased 39% to R4,0 billion, resulting in a 1,59% credit loss ratio (June 2011: 1,16%).
- Return on average equity (RoE) decreased to 13,8% (June 2011: 16,2%).
- Return on average risk-weighted assets (RoRWA) declined to 2,08% and return on average assets to 1,11% (June 2011: 2,23% and 1,29% respectively).
- Net asset value (NAV) per share grew 10% to 8 950 cents (June 2011: 8 116 cents).
- Absa Group's Core Tier 1 capital adequacy ratio improved to 13,2% (June 2011: 12,8%), well above regulatory requirements.

Overview of results

Absa Group's headline earnings decreased 6% to R4 332 million (June 2011: R4 595 million). Diluted HEPS declined 6% to 602,3 cents (June 2011: 638,5 cents). Absa's RoE decreased to 13,8% (June 2011: 16,2%), slightly above its 13,5% cost of equity (CoE). The Group declared an interim dividend of 315 cents per share, up 8%, after considering regulatory changes, its strong capital position, strategy and growth plans, and near-term business objectives.

Higher credit impairments, particularly in mortgages, were the principal reason headline earnings declined. Pre-provision profit increased 3% to R10,4 billion, largely due to sustainable cost containment. Revenue growth remained subdued, despite solid non-interest revenue growth in target areas, given a slightly lower net interest margin and limited loan growth.

Retail and Business Banking's (RBB) headline earnings reduced by 26%, due to increased credit impairments and a higher cost-to-income ratio. Corporate, Investment Banking and Wealth's (CIBW) headline earnings increased 14% and Financial Services' 5%, as both grew revenue faster than costs.

Operating environment

Fears about the euro debt crisis and its potential impact on the global economy have been the main driver of the volatility in global financial markets over the past six months. South Africa's GDP growth slowed to 2,7% in the first quarter from 3,2% in the fourth quarter of 2011, due mainly to contraction in mining production (because of protracted industrial action and electricity supply constraints). While consumer demand has been a pillar of strength for South Africa's economic recovery, there are signs that consumers are starting to take strain. Household consumption slowed to 3,1% in the first quarter from 4,6% the previous one, on the back of moderating real income growth, job losses and higher inflation. Despite the prime interest rate being at its lowest level since 1974, growth in private sector credit extension has been moderate, averaging 8% in the year to May. Both households and corporates remain cautious about taking on significant amounts of new debt given the uncertainty about the economic outlook. Since the start of the year, inflation declined steadily from 6,3% in January to 5,7% in May 2012, driven by petrol price reductions and moderating food inflation.

Group performance

Statement of financial position

The Group's total assets increased 12% to R808,8 billion on 30 June 2012, reflecting strong growth in loans and advances to banks, trading portfolio assets and statutory liquid asset portfolio particularly during the second half of 2011.

Loans and advances to customers

Absa's loans and advances to customers grew marginally to R506,7 billion (June 2011: R504,2 billion), despite retail mortgage loans and commercial property finance decreasing 3% and 9% respectively. Retail Markets loans and advances decreased 1%, as lower mortgages outweighed 6% growth in credit cards and 4% in vehicle finance. Improving new retail volumes, particularly mortgages, should become evident in the second half of 2012. The acquisition of Edcon's private label store card book of approximately R10 billion should be

Group performance *(continued)*

Statement of financial position *(continued)*

Loans and advances to customers *(continued)*

completed in 2012, subject to Competition Commission approval. Business Markets loans declined 2%, due to lower commercial property finance. CIBW loans grew 10%, as overnight finance and foreign currency loans rose 72% and 67% respectively.

Deposits due to customers

Absa maintained a strong liquidity position, growing customer deposits 13% to R457,9 billion and funding tenor also remained robust with an average long-term funding ratio for Absa Bank of 25,6% for the 12 months ending 30 June 2012. The weighted average life of wholesale funding as at 30 June 2012 was about 17 months. Deposits due to customers contributed over 75% of total funding from 71% last year, while the proportion of debt securities in issue dropped to 21% from 26%. With solid growth in most key categories, Retail Markets' deposits increased 8% to R127,5 billion to maintain its leading market share. Business Markets' deposits rose 7% due to 18% growth in cheque accounts. CIBW's deposits increased 18%, given 10% growth in cheque accounts and significant growth in notice deposits. Absa's loans-to-deposits ratio improved to 87% from 91% in June 2011.

Net asset value

The Group's NAV increased 10% to R64,2 billion, as it generated retained earnings of R1,7 billion in the first half. Absa's NAV per share grew 10% to 8 950 cents (June 2011: 8 116 cents).

Capital to risk-weighted assets

Following the implementation of Basel II.5 and the AIRB approach on our wholesale book, the Group's risk-weighted assets increased 4% to R426,6 billion (June 2011: R408,4 billion). Absa maintained its strong capital levels, which remain above board targets and regulatory requirements. At 30 June 2012, Absa Group's Core Tier 1 and Tier 1 capital adequacy ratios were 13,2% (June 2011: 12,8%) and 14,3% (June 2011: 13,9%) respectively. The Group's total capital ratio improved to 16,9% (June 2011: 16,7%). Absa Bank's Core Tier 1 ratio increased to 12,5% (June 2011: 11,8%) and its total capital ratio was 16,6% (June 2011: 16,0%). Our 8% higher interim dividend is well considered, based on our strong capital position, internal capital generation, strategy and growth plans. With strong free cash flow generation, our leverage remains low at 12,4 times.

Statement of comprehensive income

Net interest income

Net interest income increased 2% to R11 909 million (June 2011: R11 622 million), reflecting 4% growth in interest earning assets. Absa's net interest margin declined to 3,94% from 3,99% because of slightly lower deposit margins and reduced investment banking margins. These items outweighed slightly wider lending margins due to re-pricing.

Credit losses

Credit impairments increased 39% to R4 020 million (June 2011: R2 902 million), which resulted in a Group credit loss ratio of 1,59% from 1,16%. Retail Markets, where credit impairments grew 37% to R3,2 billion, accounted for most of the increase. The need to significantly increase provisions in the mortgage legal book became evident in the second quarter, as more legal accounts moved into write-offs than expected. In response, management has thoroughly reviewed our mortgage provisioning and ensured that the assumptions are more weighted to recent experience. In addition, we have improved our collections processes and systems. Absa also reduced its loan to values on new mortgage business in 2009, which is evident in the far better quality of business written.

Retail Markets' credit loss ratio increased to 2,03% from 1,46%, largely because of mortgages rising to 2,20% from 1,18%. Vehicle and Asset Finance's credit loss ratio improved to 1,04% from 2,08%, while as expected, Personal Loans increased to 5,91% from 4,83%. Early arrears improved across all portfolios. Business Markets' credit loss ratio increased to 1,55% from 1,13% due to higher commercial property finance provisions, due to lower realisations on collateral.

Absa's non-performing loan cover increased to 32,5% from 27,8% last December (June 2011: 29,0%), as its mortgage cover rose to 22,6% from 17,1% last December. Non-performing loans as a percentage of loans and advances improved to 6,4% from 6,9% last December (June 2011: 7,6%), as inflows slowed. Loans subject to debt counselling grew to R4,5 billion from R3,4 billion last December.

Non-interest income

Non-interest income increased 5% to R11 174 million (June 2011: R10 680 million). Net fee and commission income rose 0,3%, as 27% higher fee and commission expenses offset 8% growth in cheque and savings accounts fees and a 13% increase in merchant income.

Profit and dividend announcement

Statement of comprehensive income *(continued)*

Non-interest income *(continued)*

Retail net fee and commission income grew 2%, dampened by lower electronic banking revenue and a R95 million reduction in AllPay revenue following its loss of a government tender. Business Markets' net fee and commission income increased 12%. Its equities revaluations were negative R150 million. Financial Services' net revenue grew 3%, driven by 11% growth in net insurance premium income, despite low loan volumes and higher agriculture claims. CIBW's non-interest income increased 19%, reflecting private equity revaluations, which remain small in a group context, and 21% higher trading revenue.

Operating expenses

Operating expenses increased 4% to R12 666 million (June 2011: R12 218 million), reflecting strong cost containment, while continuing to invest in target growth areas. Staff costs decreased 2% to R6,5 billion, as a result of 15% lower incentive provisions and continued focus on operational efficiencies. Non-staff expenses grew 10%, reflecting 35% higher property costs and a 12% rise in other operating expenses. Professional fees declined 34%. Total IT-related spend, which declined 3% to R2,6 billion, still accounted for 21% of Group costs. Amortisation decreased 12% to R132 million. Retail Markets' expenses increased 0,4%, while CIBW and Financial Services grew 4% and 2% respectively. Business Markets' costs rose 14%, partly due to the change in fair value of investment property. Absa's cost-to-income ratio increased marginally to 54,9% from 54,8%.

Taxation

Absa's taxation decreased 4% to R1 767 million, although its effective tax rate increased to 29,0% from 27,6%. The higher rate was mainly due to an increase in secondary tax on companies after paying a 70% larger final 2011 dividend.

Segment performance

Retail Markets

Headline earnings fell 24% to R1 368 million (June 2011: R1 789 million), due to 37% higher credit impairments of R3,2 billion. However, pre-provision profits grew 3% to R5,4 billion, as 2% revenue growth exceeded flat costs. Retail Markets' cost-to-income ratio improved to 55,4% from 56,0%. Excluding AllPay's lower contribution, non-interest revenue grew 5%. A R2,4 billion credit impairment produced a R0,6 billion loss in Home Loans, despite 10% lower costs and a wider margin. Vehicle and Asset Finance earnings grew 70%, due to far lower credit impairments and flat costs. Card earnings increased 11% to R0,9 billion, a fifth of Group earnings. Personal Loans earnings declined 17%, reflecting lower loans and revenue, plus an expected increase in credit impairments. Retail Markets' return on regulatory capital (RoRC) decreased to 17,3% from 22,3%. Absa maintained its leading share of retail deposits, customers, branches and ATMs.

Business Markets

Adjusting for the move of Corporate clients to CIBW, headline earnings dropped 32% to R565 million (June 2011: R829 million). The decline reflects a R354 million downward adjustment on our investment portfolio, lower commercial property finance advances and higher credit impairments in commercial property and the rest of Africa. Excluding the non-core investment losses, Business Markets' profit before tax increased 3% in South Africa. Core revenue increased 2% to R4,6 billion. Customer loans and advances declined 2%, largely due to lower commercial property finance, although new business volumes improved during the period. Net fees and commissions increased 12% and deposits grew 7%, in line with our strategy. Although underlying costs rose only 3%, Business Markets' cost-to-income ratio increased to 68,6% from 58,8%. RoRC declined to 10,4% from 15,0%.

Financial Services

Headline earnings increased 5% to R678 million (June 2011: R644 million), due mainly to an improved performance in short-term insurance and investment returns. Gross and net premiums income grew 17% and 11% respectively, despite slow loan growth. Operating expenses in the South African business declined 2%. Bancassurance operations outside South Africa moved into profit from a small loss in the prior year. Operations will commence in Zambia on 1 August 2012. Short-term insurance profits grew 13%, despite an agriculture crop underwriting loss on weather-related claims. Life insurance profits increased 2% to R333 million. The embedded value of new business declined 30%, due to lower credit volumes. Investments' assets under management remained unchanged at R171 billion from June 2011, but grew 2% during the half with new equity inflows and institutional mandates offsetting the impact of closing the Dividend Income Fund. Financial Services' RoE declined to 29,0% from 33,3%.

CIBW

Headline earnings grew 14% to R1 352 million (June 2011: R1 190 million). Revenue increased 10% to R4,3 billion, with growth across all business units. Markets revenue increased 8% to R1,8 billion due to 15% growth in foreign exchange and commodities, 38% in Africa trading and 19% in equities and prime services. Fixed income and credit trading revenue declined 4% off a high base. Corporate Products revenue increased 5% to R1,3 billion, a stable performance following integration into CIBW. Investment Banking revenue also grew 7%, with 13% growth in the margin business offset by a 21% decline in the fee business. Private Equity and Infrastructure revenue improved

Segment performance *(continued)*

CIBW *(continued)*

to R232 million, reflecting revaluations on improved underlying earnings. Absa Wealth's net revenue increased 15% mainly as a result of strong non-interest revenue growth and lower impairments. Operating expenses growth was contained to 4%, which improved CIBW's cost-to-income ratio to 54,7% from 57,4%. CIBW's RoRC improved to 21,7% from 20,7%.

Prospects

The global economic environment remains volatile and uncertain on the back of concerns about the euro debt crisis and its potential impact on global growth. We expect global growth to slow somewhat to 3,4% from 3,8% in 2011. Data shows that the US recovery is durable, but not robust as there are clear signs of a loss in momentum. The eurozone is solidly in recession, with agreement on a lasting solution to its structural problems yet to be reached. Developed countries are likely to grow 1,3% this year, in line with 2011. Emerging markets are expected to remain the engine of global growth, although there will be some moderation as both China and India slow. Sub-Saharan Africa's GDP is expected to grow 5,5% this year.

The weak and uncertain global environment is unlikely to support stronger growth in South Africa. We expect 2012 growth of 2,6% from last year's 3,1%. Slightly higher average inflation is likely to erode real household income and conditions in the labour market are expected to remain challenging, suggesting consumers will remain cautious about taking on significant new debt.

Given ongoing significant downside risks to the world and domestic economy, the South African Reserve Bank may follow up July's 50bp reduction in the policy rate with a similar reduction at the September or November MPC meetings. Looking further out, interest rates will ultimately need to increase again as the economy resumes its cyclical recovery. Pinning down the exact timing of this eventual rate rise is very difficult given the particularly uncertain outlook for the economic environment over the coming quarters. As such, we believe that any eventual policy rate rise is only likely to be delivered in late 2013 or beyond.

Against this backdrop, revenue growth is likely to remain subdued this year. Containing costs remains a priority and Absa's cost-to-income ratio is expected to remain similar to last year's. With moderate economic growth, Absa's credit loss ratio is expected to be in the region of 1,4% in 2012. Absa will continue to work closely with Barclays to capture the opportunities that the combined franchises offer in the rest of Africa.

Basis of presentation

The Group's condensed consolidated financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS). The disclosures comply with International Accounting Standard (IAS) 34.

The preparation of financial information requires the use of estimates and assumptions about future conditions. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of loans and advances, goodwill impairment, valuation of financial instruments, impairment of available-for-sale financial assets, impairment of investments in associates and joint ventures, deferred tax assets, consolidation of special purpose entities (SPEs), post-retirement benefits, provisions, share-based payments, liabilities arising from claims made under short-term insurance contracts, liabilities arising from claims made under life-term insurance contracts, income taxes and offsetting of financial assets and liabilities.

Accounting policies

The accounting policies applied in preparing the financial results during the reporting period are the same as the accounting policies in place for the year ended 31 December 2011. Amendments and changes to IFRS mandatory for 31 December 2011 financial year are specified in the most recent audited annual consolidated financial statements. These amendments resulted in some additional disclosures being presented but otherwise had a minimal impact on the financial results during the reporting period.

Reclassifications

- During the second half of the prior year, the Group reclassified certain money market assets linked to investment contracts, with longer-term maturities, from 'Cash, cash balances and balances with central banks' to 'Investment securities', to reflect the true nature of these assets. 'Cash, cash balances and balances with central banks' should comprise cash on hand and demand deposits which the Group expects to be realised within 12 months after the reporting date. This has resulted in comparatives being reclassified for 30 June 2011 (cash, cash balances and balances with central banks (R1 198 million) and investment securities R1 198 million).
- During the reporting period, the Group reclassified certain initial margins placed as collateral which was previously disclosed as 'Other assets' to 'Loans and advances to banks' and 'Loans and advances to customers' to reflect the true nature of these trades as collateralised loans. This has resulted in comparatives being reclassified for 30 June 2011 (loans and advances to banks R175 million, other assets (R1 571 million) and loans and advances to customers R1 396 million) and 31 December 2011 (loans and advances to banks R67 million, other assets (R1 488 million) and loans and advances to customers R1 421 million).

Profit and dividend announcement

Basis of presentation *(continued)*

Reclassifications *(continued)*

- Certain customers within the Group have agreements in place whereby interest receivable or payable is calculated on the net balances of the cheque deposits and cheque advances. During the second half of the prior year, the Group identified that the related cheque account balances owed or receivable were also being reported on a net basis. All balances within this portfolio were reassessed for appropriate presentation in terms of IAS 32 and the Group's stated accounting policies, taking into account contractual arrangements and current business practice applied to these accounts. As a result, certain assets and liabilities relating to these cheque accounts were reclassified so that these are presented on a gross basis. This has resulted in comparatives being reclassified for 30 June 2011 (loans and advances to customers (R7 343 million) and deposits due to customers (R7 343 million)).

Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 30 June 2012 and the date of authorisation of these condensed consolidated financial results as defined in IAS 10.

On behalf of the board

G Griffin
Group Chairman

M Ramos
Group Chief Executive

Johannesburg
27 July 2012

Declaration of interim ordinary dividend number 52

Shareholders are advised that an interim ordinary dividend of **315** cents per ordinary share was declared today, Friday, 27 July 2012, for the six months ended 30 June 2012. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 7 September 2012. The directors of Absa Group confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

The dividend will be subject to the new dividend tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is 15% (fifteen percent).
- The gross local dividend amount is **315** cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is **268** cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group currently has 718 210 043 ordinary shares in issue (includes 988 870 treasury shares).
- Absa Group's income tax reference number is 9150116714.

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, 31 August 2012
Shares commence trading ex dividend	Monday, 3 September 2012
Record date	Friday, 7 September 2012
Payment date	Monday, 10 September 2012

Share certificates may not be dematerialised or rematerialised between Monday, 3 September 2012 and Friday, 7 September 2012, both dates inclusive.

On Monday, 10 September 2012, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not, cheques dated 10 September 2012 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, 10 September 2012.

On behalf of the board

NR Drutman
Company Secretary

Johannesburg
27 July 2012

Absa Group Limited is a company domiciled in South Africa. Its registered office is the 7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001.

Consolidated profit analysis – banking and Financial Services

	Note	Six months ended 30 June 2012 Rm	Six months ended 30 June 2011[1] Rm	Change %	Year ended 31 December 2011 Rm
Income from banking and other activities		**21 111**	20 388	4	41 817
Net interest income	2	**11 907**	11 617	2	24 408
Non-interest income	4	**9 204**	8 771	5	17 409
Net fee and commission income		**7 106**	6 973	2	14 332
Gains and losses from banking and trading activities		**1 868**	1 510	24	2 594
Other income		**230**	288	(20)	483
Income from Financial Services		**3 907**	3 342	17	7 371
Net interest income	2	**2**	5	(60)	21
Non-interest income	4	**3 905**	3 337	17	7 350
Net fee and commission income		**436**	546	(20)	961
Net insurance premium income		**2 662**	2 403	11	5 030
Gains and losses from investment activities		**807**	388	>100	1 359
Total operating income		**25 018**	23 730	5	49 188
Impairment losses on loans and advances		**(4 020)**	(2 902)	(39)	(5 081)
Banking and other activities	3	**(4 016)**	(2 902)	(38)	(5 077)
Financial Services	3	**(4)**	(0)	>(100)	(4)
Benefits due to policyholders from Financial Services	4	**(1 935)**	(1 428)	(36)	(3 356)
Net insurance claims and benefits paid		**(1 352)**	(1 263)	(7)	(2 533)
Changes in investment contract and insurance contract liabilities		**(618)**	(186)	>(100)	(912)
Other operating income		**35**	21	67	89
Operating profit before operating expenditure		**19 063**	19 400	(2)	40 751
Operating expenditure in banking and other activities		**(11 978)**	(11 746)	(2)	(24 454)
Operating expenses	5	**(11 686)**	(11 254)	(4)	(23 438)
Other impairments		**(8)**	(37)	78	(50)
Indirect taxation		**(284)**	(455)	38	(966)
Operating expenditure in Financial Services		**(1 033)**	(1 015)	(2)	(2 127)
Operating expenses	5	**(980)**	(964)	(2)	(2 020)
Other impairments		**(3)**	—	(100)	(2)
Indirect taxation		**(50)**	(51)	2	(105)
Share of post-tax results of associates and joint ventures		**35**	28	25	40
Banking and other activities		**31**	27	15	40
Financial Services		**4**	1	>100	0
Operating profit before income tax		**6 087**	6 667	(9)	14 210
Taxation expense		**(1 767)**	(1 841)	4	(4 026)
Profit for the period/year		**4 320**	4 826	(10)	10 184
Profit attributable to:					
Ordinary equity holders of the Group		**4 189**	4 581	(9)	9 674
Non-controlling interest – ordinary shares		**(9)**	102	>(100)	226
Non-controlling interest – preference shares		**140**	143	(2)	284
		4 320	4 826	(10)	10 184
Headline earnings	1	**4 332**	4 595	(6)	9 719

Note

[1]Comparatives have been reclassified for net interest income and impairment losses on loans and advances from Financial Services, previously disclosed in net interest income and impairment losses on loans and advances from banking and other activities.

Condensed consolidated statement of comprehensive income

	Note	Six months ended 30 June 2012 (Unaudited) Rm	Six months ended 30 June 2011 (Unaudited) Rm	Change %	Year ended 31 December 2011 (Audited) Rm
Net interest income	2	**11 909**	11 622	2	24 429
Interest and similar income		**25 807**	24 682	5	51 221
Interest expense and similar charges		**(13 898)**	(13 060)	(6)	(26 792)
Impairment losses on loans and advances	3	**(4 020)**	(2 902)	(39)	(5 081)
Net interest income after impairment losses on loans and advances		**7 889**	8 720	(10)	19 348
Non-interest income	4	**11 174**	10 680	5	21 403
Net fee and commission income		**7 542**	7 519	0	15 293
Fee and commission income		**8 785**	8 500	3	17 422
Fee and commission expense		**(1 243)**	(981)	(27)	(2 129)
Net insurance premium income		**2 757**	2 481	11	5 209
Net insurance claims and benefits paid		**(1 360)**	(1 263)	(8)	(2 517)
Changes in investment contract and insurance contract liabilities		**(618)**	(186)	>(100)	(914)
Gains and losses from banking and trading activities		**1 868**	1 510	24	2 594
Gains and losses from investment activities		**641**	264	>100	966
Other operating income		**344**	355	(3)	772
Operating profit before operating expenditure		**19 063**	19 400	(2)	40 751
Operating expenditure		**(13 011)**	(12 761)	(2)	(26 581)
Operating expenses	5	**(12 666)**	(12 218)	(4)	(25 458)
Other impairments		**(11)**	(37)	70	(52)
Indirect taxation		**(334)**	(506)	34	(1 071)
Share of post-tax results of associates and joint ventures		**35**	28	25	40
Operating profit before income tax		**6 087**	6 667	(9)	14 210
Taxation expense		**(1 767)**	(1 841)	4	(4 026)
Profit for the period/year		**4 320**	4 826	(10)	10 184
Profit attributable to:					
Ordinary equity holders of the Group		**4 189**	4 581	(9)	9 674
Non-controlling interest – ordinary shares		**(9)**	102	>(100)	226
Non-controlling interest – preference shares		**140**	143	(2)	284
		4 320	4 826	(10)	10 184
Earnings per share:					
Basic earnings per share (cents)	1	**583,8**	639,4	(9)	1 349,6
Diluted earnings per share (cents)	1	**582,4**	636,5	(9)	1 343,8

Condensed consolidated statement of comprehensive income

	Six months ended 30 June			Year ended 31 December
	2012 (Unaudited) Rm	2011 (Unaudited) Rm	Change %	2011 (Audited) Rm
Profit for the period/year	**4 320**	4 826	(10)	10 184
Other comprehensive income				
Foreign exchange differences on translation of foreign operations	**32**	75	(57)	522
Movement in cash flow hedging reserve	**286**	(855)	>100	(237)
Fair value gains/(losses) arising during the period/year	**1 409**	(76)	>100	1 972
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	**(1 012)**	(1 111)	9	(2 300)
Deferred tax	**(111)**	332	>(100)	91
Movement in available-for-sale reserve	**370**	(30)	>100	(17)
Fair value gains/(losses) arising during the period/year	**510**	(60)	>100	(58)
Amortisation of government bonds – release to the profit and loss component of the statement of comprehensive income	**5**	18	(72)	20
Deferred tax	**(145)**	12	>(100)	21
Movement in retirement benefit asset and liabilities	**27**	12	>100	(51)
Increase/(decrease) in retirement benefit surplus	**46**	17	>100	(66)
Increase in retirement benefit deficit	**—**	—	—	(5)
Deferred tax	**(19)**	(5)	>(100)	20
Total comprehensive income for the period/year	**5 035**	4 028	25	10 401
Total comprehensive income attributable to:				
Ordinary equity holders of the Group	**4 909**	3 771	30	9 791
Non-controlling interest – ordinary shares	**(14)**	114	>(100)	326
Non-controlling interest – preference shares	**140**	143	(2)	284
	5 035	4 028	25	10 401

Condensed consolidated statement of financial position

	Note	30 June 2012 (Unaudited) Rm	30 June 2011[1] (Unaudited) Rm	Change %	31 December 2011[1] (Audited) Rm
Assets					
Cash, cash balances and balances with central banks		**25 620**	24 616	4	26 997
Statutory liquid asset portfolio		**60 061**	50 999	18	57 473
Loans and advances to banks		**58 044**	31 086	87	57 499
Trading portfolio assets		**96 768**	57 607	68	84 623
Hedging portfolio assets		**4 868**	3 564	37	4 299
Other assets		**20 112**	14 878	35	14 731
Current tax assets		**703**	191	>100	288
Non-current assets held for sale		**6**	369	(98)	35
Loans and advances to customers	6	**506 661**	504 199	0	504 924
Reinsurance assets		**1 010**	773	31	1 009
Investment securities		**21 530**	22 298	(3)	21 182
Investments in associates and joint ventures		**373**	407	(8)	420
Goodwill and intangible assets		**2 115**	1 864	13	2 135
Investment properties		**2 699**	2 695	0	2 839
Property and equipment		**7 781**	7 363	6	7 996
Deferred tax assets		**455**	352	29	269
Total assets		**808 806**	723 261	12	786 719
Liabilities					
Deposits from banks		**25 827**	17 365	49	38 339
Trading portfolio liabilities		**60 446**	35 930	68	55 960
Hedging portfolio liabilities		**3 251**	1 351	>100	2 456
Other liabilities		**30 071**	15 885	89	14 695
Provisions		**1 136**	1 343	(15)	1 710
Current tax liabilities		**247**	486	(49)	267
Deposits due to customers	7	**457 880**	405 673	13	440 960
Debt securities in issue	7	**125 127**	148 468	(16)	130 262
Liabilities under investment contracts		**15 427**	14 478	7	15 233
Policyholder liabilities under insurance contracts		**3 239**	2 807	15	3 183
Borrowed funds	8	**14 268**	13 786	3	14 051
Deferred tax liabilities		**1 619**	1 456	11	1 198
Total liabilities		**738 538**	659 028	12	718 314
Equity					
Capital and reserves					
Attributable to ordinary equity holders of the Group:					
Share capital	8	**1 434**	1 434	0	1 434
Share premium	8	**4 572**	4 562	0	4 676
Retained earnings		**55 502**	50 876	9	53 813
Other reserves		**2 725**	1 416	92	2 385
		64 233	58 288	10	62 308
Non-controlling interest – ordinary shares		**1 391**	1 301	7	1 453
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Total equity		**70 268**	64 233	9	68 405
Total liabilities and equity		**808 806**	723 261	12	786 719

Note
[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Condensed consolidated statement of financial position – IAS 39 classification

	30 June		31 December	
	2012 (Unaudited)		2011[1] (Audited)	
	Assets Rm	Liabilities and equity Rm	Assets Rm	Liabilities and equity Rm
Fair value through profit or loss	149 686	115 651	130 009	106 371
Designated at fair value	48 977	51 954	41 301	47 955
Cash, cash balances and balances with central banks	3 081	—	3 112	—
Statutory liquid asset portfolio	805	—	804	—
Loans and advances to banks	15 543	—	7 886	—
Other assets	23	—	17	—
Loans and advances to customers	9 708	—	10 198	—
Investment securities	19 817	—	19 284	—
Deposits from banks	—	6 417	—	9 673
Other liabilities	—	31	—	16
Deposits due to customers	—	26 571	—	20 500
Debt securities in issue	—	2 727	—	1 762
Liabilities under investment contracts	—	15 427	—	15 233
Borrowed funds	—	781	—	771
Held for trading	95 841	60 446	84 409	55 960
Trading portfolio assets	95 800	—	84 380	—
Investment securities	41	—	29	—
Trading portfolio liabilities	—	60 446	—	55 960
Hedging instruments	4 868	3 251	4 299	2 456
Hedging portfolio assets	4 868	—	4 299	—
Hedging portfolio liabilities	—	3 251	—	2 456
Available-for-sale	60 881	—	58 636	—
Designated as available-for-sale	35 894	—	35 294	—
Cash, cash balances and balances with central banks	364	—	523	—
Statutory liquid asset portfolio	34 269	—	33 327	—
Investment securities	1 261	—	1 444	—
Hedged items				
Statutory liquid asset portfolio	24 987	—	23 342	—
Amortised cost	578 081	613 743	579 170	602 998
Designated at amortised cost	570 559	593 040	573 824	586 717
Cash, cash balances and balances with central banks	21 476	—	22 832	—
Loans and advances to banks	42 501	—	49 613	—
Other assets	17 151	—	11 999	—
Loans and advances to customers	489 431	—	489 380	—
Deposits from banks	—	19 410	—	28 666
Other liabilities	—	27 137	—	12 092
Deposits due to customers	—	431 309	—	420 460
Debt securities in issue	—	107 230	—	117 726
Borrowed funds	—	7 954	—	7 773
Hedged items	7 522	20 703	5 346	16 281
Loans and advances to customers	7 522	—	5 346	—
Debt securities in issue	—	15 170	—	10 774
Borrowed funds	—	5 533	—	5 507
Held-to-maturity	1 110	—	955	—
Cash, cash balances and balances with central banks	699	—	530	—
Investment securities	411	—	425	—
Non-financial assets and liabilities	19 048	9 144	17 949	8 945
Total equity	—	70 268	—	68 405
	808 806	808 806	786 719	786 719

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Condensed consolidated statement of changes in equity

Balance at the beginning of the year
Total comprehensive income for the period
Profit for the period
Other comprehensive income
Dividends paid during the period
Share buy-back in respect of equity-settled share-based payment schemes
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust
Elimination of the movement in treasury shares held by Group subsidiaries
Movement in share-based payment reserve
Transfer from share-based payment reserve
Value of employee services
Movement in general credit risk reserve
Movement in insurance contingency reserve[1]
Movement in foreign insurance subsidiary regulatory reserve[2]
Share of post-tax results of associates and joint ventures
Increase in the interest of non-controlling equity holders
Balance at the end of the period

Balance at the beginning of the year
Total comprehensive income for the year
Profit for the year
Other comprehensive income
Dividends paid during the year
Share buy-back in respect of equity-settled share-based payment schemes
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust
Elimination of the movement in treasury shares held by Group subsidiaries
Movement in share-based payment reserve
Transfer from share-based payment reserve
Value of employee services
Movement in general credit risk reserve
Movement in insurance contingency reserve
Share of post-tax results of associates and joint ventures
Disposal of associates and joint ventures – release of reserves
Increase in the interest of non-controlling equity holders
Non-controlling interest arising from business combinations
Balance at the end of the year

Notes

[1]This reserve is no longer required due to a change in the Financial Services Board (FSB) regulations.

[2]Under the terms of the foreign insurance subsidiary's legislation, the foreign insurance subsidiary regulatory reserve is calculated on the basis of the following minimum percentages of profits recorded in each period/year for that subsidiary:

- 20% until the value of reserves represents half of the minimum capital required under the foreign insurance subsidiary's legislation.
- 10% from the time the amount specified in the preceding paragraph, has been attained.

Condensed consolidated statement of changes in equity

Six months ended 30 June

2012 (Unaudited)

Ordinary share capital Rm	Ordinary share premium Rm	Retained earnings Rm	Other reserves Rm	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
1 434	4 676	53 813	2 385	62 308	1 453	4 644	68 405
—	—	4 216	693	4 909	(14)	140	5 035
—	—	4 189	—	4 189	(9)	140	4 320
—	—	27	693	720	(5)	—	715
—	—	(2 810)	—	(2 810)	(103)	(140)	(3 053)
—	(192)	—	—	(192)	—	—	(192)
0	8	—	—	8	—	—	8
—	(18)	—	—	(18)	—	—	(18)
0	98	—	(70)	28	—	—	28
0	98	—	(98)	—	—	—	—
—	—	—	28	28	—	—	28
—	—	2	(2)	—	—	—	—
—	—	324	(324)	—	—	—	—
—	—	(8)	8	—	—	—	—
—	—	(35)	35	—	—	—	—
—	—	—	—	—	55	—	55
1 434	4 572	55 502	2 725	64 233	1 391	4 644	70 268

Year ended 31 December

2011 (Audited)

Ordinary share capital Rm	Ordinary share premium Rm	Retained earnings Rm	Other reserves Rm	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
1 433	4 590	47 958	2 309	56 290	1 215	4 644	62 149
—	—	9 623	168	9 791	326	284	10 401
—	—	9 674	—	9 674	226	284	10 184
—	—	(51)	168	117	100	—	217
—	—	(3 744)	—	(3 744)	(173)	(284)	(4 201)
—	(281)	—	—	(281)	—	—	(281)
2	26	—	—	28	—	—	28
(1)	167	—	—	166	—	—	166
0	174	—	(116)	58	—	—	58
0	174	—	(174)	—	—	—	—
—	—	—	58	58	—	—	58
—	—	48	(48)	—	—	—	—
—	—	(19)	19	—	—	—	—
—	—	(40)	40	—	—	—	—
—	—	(13)	13	—	—	—	—
—	—	—	—	—	21	—	21
—	—	—	—	—	64	—	64
1 434	4 676	53 813	2 385	62 308	1 453	4 644	68 405

Condensed consolidated statement of cash flows

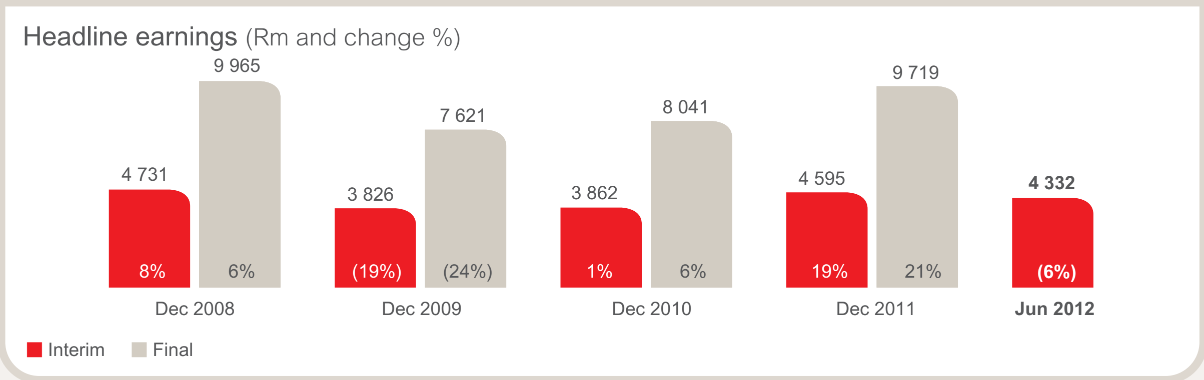
	Note	Six months ended 30 June 2012 (Unaudited) Rm	Six months ended 30 June 2011[1] (Unaudited) Rm	Change %	Year ended 31 December 2011 (Audited) Rm
Net cash (utilised)/generated from operating activities		**(2 550)**	2 210	>(100)	8 305
Net cash generated/(utilised) from investing activities		**1 721**	151	>100	(511)
Net cash utilised in financing activities		**(3 160)**	(2 022)	(56)	(4 143)
Net (decrease)/increase in cash and cash equivalents		**(3 989)**	339	>(100)	3 651
Cash and cash equivalents at the beginning of the year	1	**10 068**	6 417	57	6 417
Effect of exchange rate movements on cash and cash equivalents		**1**	1	0	0
Cash and cash equivalents at the end of the period/year	2	**6 080**	6 757	(10)	10 068
Notes					
1. Cash and cash equivalents at the beginning of the year					
Cash, cash balances and balances with central banks		**7 893**	4 939	60	4 939
Loans and advances to banks		**2 175**	1 478	47	1 478
		10 068	6 417	57	6 417
2. Cash and cash equivalents at the end of the period/year					
Cash, cash balances and balances with central banks		**4 776**	5 234	(9)	7 893
Loans and advances to banks		**1 304**	1 523	(14)	2 175
		6 080	6 757	(10)	10 068

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Performance indicators and condensed notes to the consolidated financial statements

1. Headline earnings and earnings per share



Headline earnings	Six months ended 30 June					Year ended 31 December	
	2012 (Unaudited)		2011 (Unaudited)			2011 (Audited)	
	Gross Rm	**Net[1] Rm**	Gross Rm	Net[1] Rm	Net change %	Gross Rm	Net[1] Rm
Headline earnings is determined as follows:							
Profit attributable to ordinary equity holders of the Group		**4 189**		4 581	(9)		9 674
Total headline earnings adjustments:		**143**		14	>100		45
IFRS 3 – Goodwill impairment	**18**	**18**	—	—	100	28	28
IAS 16 – (Profit)/loss on disposal of property and equipment	**(40)**	**(33)**	2	1	>(100)	(33)	(30)
IAS 28 and 31 – Headline earnings component of share of post-tax results of associates and joint ventures	**—**	**—**	(0)	(0)	100	(0)	(0)
IAS 28 and 31 – Impairment reversal of investments in associates and joint ventures	**—**	**—**	—	—	—	(2)	(1)
IAS 36 – Impairment of subsidiary	**1**	**1**	—	—	100	—	—
IAS 38 – Loss on disposal of intangible assets	**—**	**—**	—	—	—	2	1
IAS 39 – Release of available-for-sale reserves	**5**	**3**	18	13	(77)	20	14
IAS 40 – Change in fair value of investment properties	**154**	**154**	—	—	100	39	33
		4 332		4 595	(6)		9 719

Performance

The Group's headline earnings decreased by 6% to R4 332 million for the six months ended 30 June 2012 from R4 595 million in the comparative period.

Core drivers of headline earnings

- Average loans and advances to customers increased by 2% in an environment where profitable growth remains challenging[2].
- Net interest income increased by 2%, while the net interest margin showed a slight decline from 3,99% to 3,94% for the six months ended 30 June 2012 (31 December 2011: 4,11%).

Notes

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

[2]Annualised growth calculated for a 12-month period, based on 31 December 2011 balances.

Performance indicators and condensed notes to the consolidated financial statements

1. Headline earnings and earnings per share *(continued)*

Performance *(continued)*

Core drivers of headline earnings (continued)

- The impairments losses ratio deteriorated from 1,16% to 1,59% for the six months ended 30 June 2012 (31 December 2011: 1,01%), mainly as a result of the higher coverage required on the mortgage legal book, as property prices and distressed customers remain under pressure.
- Non-interest income increased 5% at R11 174 million for the reporting period from R10 680 million in the comparative period. Net fee and commission income remained unchanged, gross premiums increased 18% and net trading result grew 17%.
- Emphasis on cost containment resulted in operating expenses increasing by only 4%.

At a segment level

- RBB headline earnings declined by 26%, mainly due to an increase in the impairment ratio to 1,92% (30 June 2011: 1,38%) and revenue remaining unchanged over the reporting period. Operating expenses growth was limited to 4%.
  - Retail Markets' headline earnings decreased 24%, mainly as a result of the increase in the impairment ratio to 2,03% (30 June 2011: 1,46%) on the back of the higher coverage required on the mortgage legal book.
  - Business Markets' headline earnings decreased by 32%, largely due to negative property revaluation in the equity portfolio and increased impairments in the commercial finance property book due to lower property revaluation.
- CIBW's headline earnings improved by 14% on the back of a 10% improvement in revenue, while growth in operating expenses was limited to 4%.
- Financial Services' headline earnings increased by 5%, due to strong growth in premium income and an improvement in the investment return on shareholder funds.

	Six months ended 30 June			Year ended 31 December
Earnings per share	**2012 (Unaudited) Rm**	2011 (Unaudited) Rm	Change %	2011 (Audited) Rm
Profit attributable to ordinary equity holders of the Group/diluted earnings[1]	**4 189**	4 581	(9)	9 674

	Six months ended 30 June			Year ended 31 December
	2012 (Unaudited) Number of shares (million)	2011 (Unaudited) Number of shares (million)	Change value/%	2011 (Audited) Number of shares (million)
Issued shares at the beginning of the year	**718,2**	718,2	—	718,2
Treasury shares held by Absa Group Limited Share Incentive Trust	**(0,2)**	(0,7)	0,5	(0,6)
Treasury shares held by Group subsidiaries	**(0,5)**	(1,0)	0,5	(0,8)
Weighted average number of ordinary shares in issue[2]	**717,5**	716,5	1,0	716,8
Basic earnings per share (cents)	**583,8**	639,4	(9)	1 349,6
Weighted average number of ordinary shares in issue	**717,5**	716,5	1,0	716,8
Adjusted for share options issued at no value	**1,8**	3,2	(1,4)	3,1
Diluted weighted average number of ordinary shares in issue	**719,3**	719,7	(0,4)	719,9
Diluted earnings per share (cents)	**582,4**	636,5	(9)	1 343,8

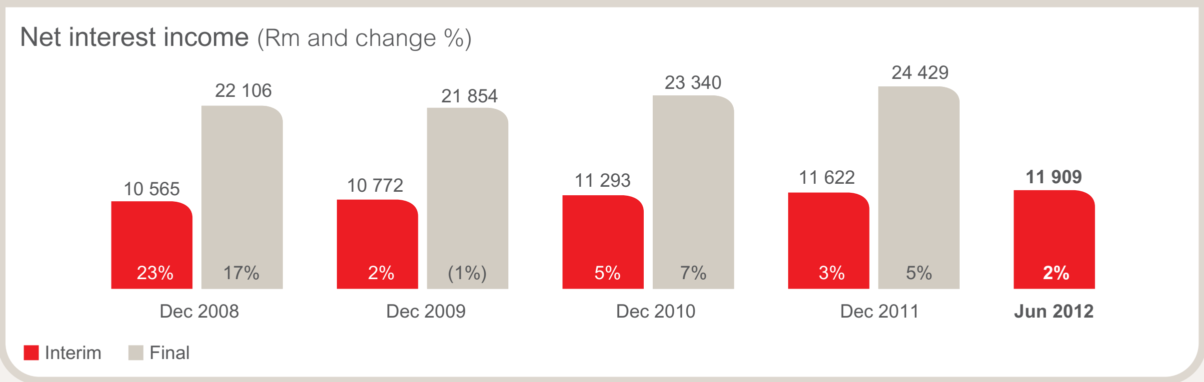
Notes

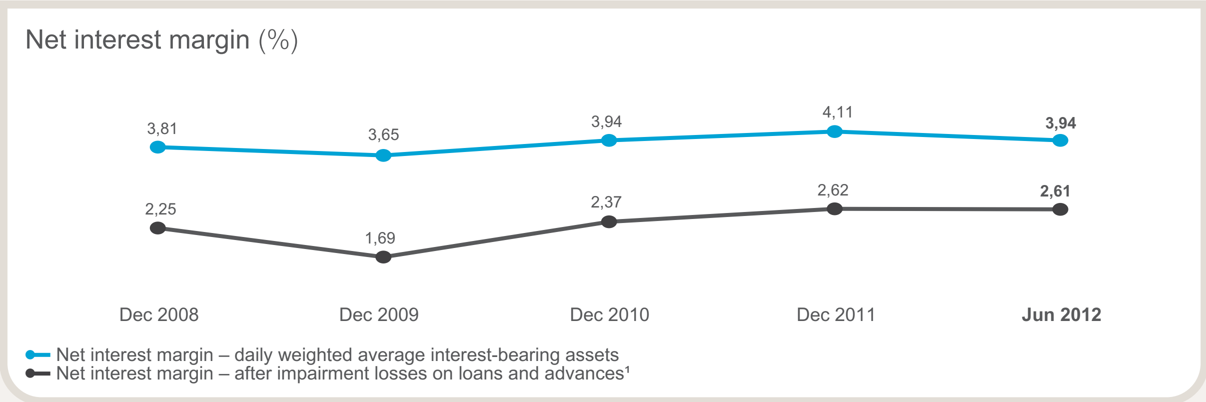
[1]There are currently no instruments in issue that would have a dilutive impact on the profit attributable to ordinary equity holders of the Group.

[2]Refer to page 48 for the number of ordinary shares in issue.

Performance indicators and condensed notes to the consolidated financial statements

2. Net interest income





Performance

The Group's net interest margin showed a slight decline from 3,99% to 3,94% for the six months ended 30 June 2012 (31 December 2011: 4,11%).

Main issues affecting the margin:

- asset margins remained stable due to continued focus on the effective pricing for credit risk;
- average interest rates remained unchanged, with positive capital endowment emanating from a volume increase; and
- growth in customer deposits decreasing the dependence on more expensive wholesale funding.

Absa hedges its margin against changes in interest rates as far as possible. The Group employs a hedging policy whereby structural positions (rate-insensitive assets and liabilities as well as the endowment impact on equity) are hedged on a programme basis by continuously entering into fixed swaps over the entire interest rate cycle. The hedging programme increases margin stability over an interest rate cycle, notably enhancing the margin in a low rate cycle and sacrificing the margin when rates are high. The prime/Johannesburg Interbank Agreed Rate (JIBAR) reset risk cannot be hedged, so a degree of interest rate sensitivity will remain. Therefore, the decision taken at the July 2012 Monetary Policy Committee meeting, to reduce the repo rate by 50 basis points, will have an adverse impact on the Group's net interest margin.

Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme. The change in mark-to-market value is deferred to the cash flow hedging reserve ('Other reserves'), from where it is released to the statement of comprehensive income on an accrual basis. The cash flow hedging reserve, totalling R2,3 billion as at 30 June 2012, will be released to the statement of comprehensive income over the life of the underlying hedging items should market rates prevail at current levels.

Note
[1]Calculated based on daily weighted average interest-bearing assets.

Performance indicators and condensed notes to the consolidated financial statements

2. Net interest income *(continued)*

	Six months ended 30 June		
	2012		
Group average statement of financial position	Average balance[2] Rm	Average rate[3, 4] %	Interest income/ (expense) Rm
Assets			
Cash, cash balances and balances with central banks	2 674	6,09	81
Statutory liquid asset portfolio	57 258	9,44	2 689
Loans and advances to banks and customers	540 340	8,45	22 715
Investment securities	7 964	2,83	112
Other interest[5]	—	—	210
Interest-bearing assets	608 236	8,53	25 807
Non-interest-bearing assets	173 393	—	—
Total assets	781 629	6,64	25 807
Liabilities			
Deposits from banks and due to customers	434 118	(4,22)	(9 129)
Debt securities in issue	116 647	(7,40)	(4 295)
Borrowed funds	13 969	(10,19)	(708)
Other interest[5]	—	—	234
Interest-bearing liabilities	564 734	(4,95)	(13 898)
Non-interest-bearing liabilities	148 417	—	—
Total liabilities	713 151	(3,92)	(13 898)
Equity			
Capital and reserves			
Attributable to ordinary equity holders of the Group:			
Share capital	1 434	—	—
Share premium	4 552	—	—
Retained earnings	54 282	—	—
Other reserves	2 381	—	—
	62 649	—	—
Non-controlling interest – ordinary shares	1 185	—	—
Non-controlling interest – preference shares	4 644	—	—
Total equity	68 478	—	—
Total liabilities and equity	781 629	(3,58)	(13 898)
Net interest margin on average interest-bearing assets		3,94	

Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2]Calculated based on daily weighted average balances.

[3]The average rate has been annualised to reflect a yearly rate.

[4]The average prime rate for the reporting period was **9,00%** (30 June 2011: 9,00%; 31 December 2011: 9,00%).

[5]Includes fair value adjustments on hedging instruments and hedged items.

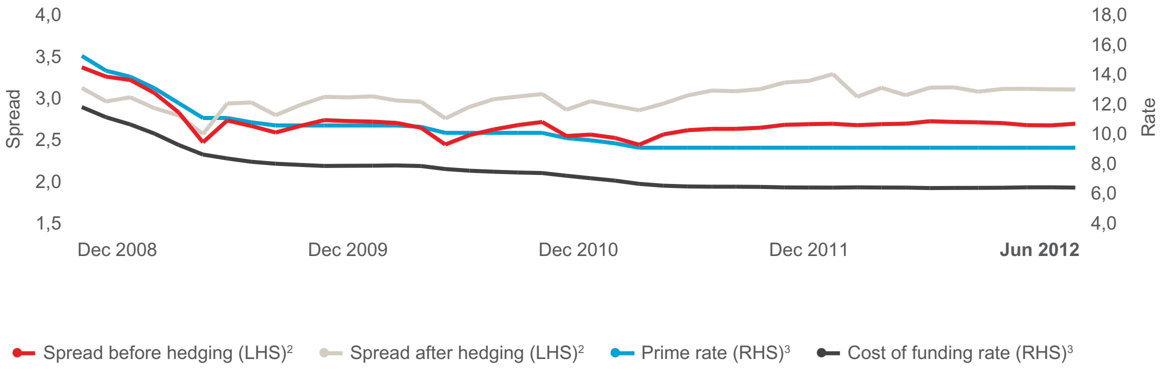
Performance indicators and condensed notes to the consolidated financial statements

Six months ended 30 June			Year ended 31 December		
2011[1]			2011		
Average balance[2] Rm	Average rate[3, 4] %	Interest income/ (expense) Rm	Average balance[2] Rm	Average rate[4] %	Interest income/ (expense) Rm
2 837	5,05	71	3 156	5,04	159
48 555	6,25	1 505	51 839	8,26	4 282
524 703	8,40	21 844	529 446	8,47	44 843
11 425	3,42	194	10 468	3,73	390
—	—	1 068	—	—	1 547
587 520	8,47	24 682	594 909	8,61	51 221
128 714	—	—	142 652	—	—
716 234	6,95	24 682	737 561	6,94	51 221
386 101	(3,82)	(7 315)	402 620	(3,99)	(16 046)
156 631	(6,45)	(5 009)	146 216	(6,57)	(9 602)
13 614	(9,08)	(613)	13 714	(9,84)	(1 350)
—	—	(123)	—	—	206
556 346	(4,73)	(13 060)	562 550	(4,76)	(26 792)
98 749	—	—	111 211	—	—
655 095	(4,02)	(13 060)	673 761	(3,98)	(26 792)
1 433	—	—	1 433	—	—
4 479	—	—	4 565	—	—
47 725	—	—	49 902	—	—
1 545	—	—	1 896	—	—
55 182	—	—	57 796	—	—
1 313	—	—	1 360	—	—
4 644	—	—	4 644	—	—
61 139	—	—	63 800	—	—
716 234	(3,68)	(13 060)	737 561	(3,63)	(26 792)
	3,99			4,11	

Performance indicators and condensed notes to the consolidated financial statements

2. Net interest income *(continued)*

Hedging impact on margin (%)[1]



Change in net interest margin	Six months ended 30 June 2012 Basis points	Six months ended 30 June 2011[4] Basis points	Year ended 31 December 2011 Basis points
Loans and advances to customers	**1**	13	11
Change in customer rates	**2**	13	10
Change in composition	**(1)**	0	1
Deposits due to customers	**(3)**	(6)	(7)
Customer pricing	**(2)**	(5)	(1)
Change in composition	**(1)**	5	(1)
Endowment	**—**	(6)	(5)
Capital	**2**	(5)	(6)
Interest rate risk management (hedging)	**0**	11	12
Other	**(5)**	(3)	7
	(5)	10	17

Performance *(continued)*

Loans and advances to customers

- Most products showed solid improvement in margins on new business due to improved pricing on new business.
- The change in composition towards higher margin products within Retail Markets was offset by strong growth of lower margin corporate loans.

Deposits due to customers

- Margin pressure continues to be experienced across most customer products due to liquidity constraints and fierce competition.

Notes

[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 while the opposite is true for an increasing rate scenario.
- Basis risk still remains between prime assets and three-month JIBAR repricing liabilities after hedging.

[2]Left-hand side of the "y" axis.

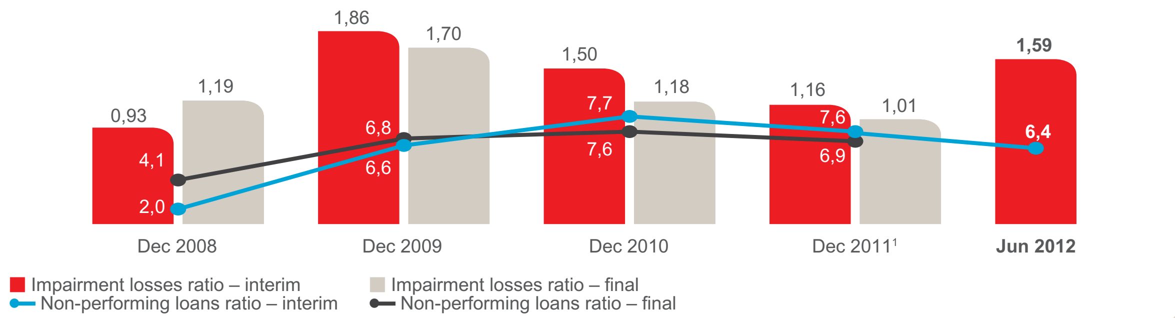
[3]Right-hand side of the "y" axis.

[4]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Performance indicators and notes to the condensed consolidated financial statements

3. Impairment losses on loans and advances

Impairment losses and non-performing loans ratio (%)



Performance

The impairment charge in the statement of comprehensive income increased by 39% to R4 020 million (30 June 2001: R2 902 million). This resulted in an increase in the impairment losses ratio from 1,16% to 1,59% for the six months ended 30 June 2012 (31 December 2011: 1,01%).

At a segment level

RBB

The charge of R3 917 million is mainly driven by the following:

Retail Markets (↑37%)

- The Retail Markets' impairment losses ratio increased from 1,46% to 2,03% for the six months ended 30 June 2012 (31 December 2011: 1,23%).
- The key driver of the increased charge is the higher coverage required on the Home Loans legal portfolio. The Home Loans impairment charge for the reporting period is 80% higher than the comparative period.
- The impairment charge for Card and Personal Loans, each increased by 23% respectively, partially offset by a 48% year-on-year improvement in the Vehicle and Asset Finance portfolio.

Business Markets (↑28%)

- Business Markets' impairment losses ratio increased from 1,13% to 1,55% for the six months ended 30 June 2012 (31 December 2011: 0,93%).
- The 28% year-on-year increase in the impairment charge is driven by lower property revaluations in the commercial property finance book and higher corporate impairments within the African operations.

	Six months ended 30 June			Year ended 31 December
Statement of comprehensive income charge	**2012 (Unaudited) Rm**	2011 (Unaudited) Rm	Change %	2011 (Audited) Rm
Impairments raised during the period/year	**4 341**	3 256	33	5 894
Identified impairments	**4 403**	3 311	33	6 015
Unidentified impairments	**(62)**	(55)	(13)	(121)
Recoveries of loans and advances previously written off	**(321)**	(354)	9	(813)
	4 020	2 902	39	5 081

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Performance indicators and condensed notes to the consolidated financial statements

3. Impairment losses on loans and advances *(continued)*

Impairment losses on loans and advances by segment	Six months ended 30 June 2012 Rm	Six months ended 30 June 2011[1] Rm	Change %	Year ended 31 December 2011[1] Rm
RBB				
Total charge	**3 917**	2 886	36	4 868
Impairment losses ratio (%)	**1,92**	1,38		1,16
Retail Markets				
Home Loans	**2 363**	1 316	80	2 160
Vehicle and Asset Finance	**220**	422	(48)	774
Card	**180**	146	23	213
Personal Loans	**358**	292	23	479
Retail Bank	**86**	157	(45)	339
Total charge	**3 207**	2 333	37	3 965
Impairment losses ratio (%)	**2,03**	1,46		1,23
Business Markets				
Total charge	**710**	553	28	903
Impairment losses ratio (%)	**1,55**	1,13		0,93
CIBW				
Total charge	**9**	16	(44)	39
Impairment losses ratio (%)	**0,02**	0,04		0,05
Financial Services				
Total charge	**4**	0	>100	4
Impairment losses ratio (%)	**5,31**	0,43		1,80
Head office, inter-segment eliminations and Other				
Total charge	**90**	0	>100	170
Impairment losses ratio (%)	**n/a**	n/a		n/a
Charge to the statement of comprehensive income	**4 020**	2 902	39	5 081
Impairment losses ratio (%)	**1,59**	1,16		1,01

Statement of financial position	30 June 2012 (Unaudited) Rm	30 June 2011 (Unaudited) Rm	Change %	31 December 2011 (Audited) Rm
Balance at the beginning of the year	**12 131**	13 902	(13)	13 902
Amounts written off during the period/year	**(2 898)**	(3 073)	6	(6 493)
Foreign exchange differences	**3**	6	(50)	1
Interest on impaired assets	**(548)**	(589)	7	(1 173)
	8 688	10 246	(15)	6 237
Impairments raised during the period/year	**4 341**	3 256	33	5 894
Balance at the end of the period/year	**13 029**	13 502	(4)	12 131
Comprising:				
Identified impairments	**12 284**	12 599	(3)	11 306
Unidentified impairments	**745**	903	(17)	825
	13 029	13 502	(4)	12 131

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

3. Impairment losses on loans and advances *(continued)*

Non-performing loans (↓16%)

Non-performing loans (NPLs) declined to R33 029 million as at 30 June 2012 resulting in a NPL ratio of 6,4% compared to a ratio of 7,6% at 30 June 2011. The Retail Markets' NPL ratio has reduced from 9,9% at 30 June 2011 to 8,5% at June 2012, but remains high due to the mortgages portfolio.

	30 June			
	2012			
Non-performing loans – balances	Outstanding balance Rm	Expected recoveries and fair value of collateral Rm	Net exposure Rm	Total identified impairment Rm
RBB	32 229	21 934	10 295	10 295
Retail Markets	27 742	19 169	8 573	8 573
Cheque accounts	206	72	134	134
Credit cards	1 937	700	1 237	1 237
Instalment credit agreements	2 110	953	1 157	1 157
Microloans	389	131	258	258
Mortgages	21 742	16 823	4 919	4 919
Personal loans	1 358	490	868	868
Business Markets	4 487	2 765	1 722	1 722
Cheque accounts	947	559	388	388
Commercial asset finance	829	312	517	517
Commercial property finance	1 865	1 273	592	592
Term loans	846	621	225	225
CIBW	800	360	440	440
Non-performing loans	33 029	22 294	10 735	10 735
Non-performing loans ratio (%)	6,4			

	30 June			
	2011			
Non-performing loans – balances	Outstanding balance Rm	Expected recoveries and fair value of collateral Rm	Net exposure Rm	Total identified impairment Rm
RBB	38 536	27 538	10 998	10 998
Retail Markets	32 991	23 723	9 268	9 268
Cheque accounts	236	72	164	164
Credit cards	2 558	729	1 829	1 829
Instalment credit agreements	3 061	1 731	1 330	1 330
Microloans	378	76	302	302
Mortgages	25 308	20 542	4 766	4 766
Personal loans	1 450	573	877	877
Business Markets	5 545	3 815	1 730	1 730
Cheque accounts	835	462	373	373
Commercial asset finance	943	346	597	597
Commercial property finance	2 631	2 124	507	507
Term loans	1 136	883	253	253
CIBW	722	341	381	381
Non-performing loans	39 258	27 879	11 379	11 379
Non-performing loans ratio[1] (%)	7,6			

Note
[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Performance indicators and condensed notes to the consolidated financial statements

3. Impairment losses on loans and advances *(continued)*

Non-performing loans – balances	31 December 2011 Outstanding balance Rm	31 December 2011 Expected recoveries and fair value of collateral Rm	31 December 2011 Net exposure Rm	31 December 2011 Total identified impairment Rm
RBB	34 692	25 254	9 438	9 438
Retail Markets	30 142	22 307	7 835	7 835
Cheque accounts	184	52	132	132
Credit cards	2 013	713	1 300	1 300
Instalment credit agreements	2 645	1 370	1 275	1 275
Microloans	348	76	272	272
Mortgages	23 590	19 558	4 032	4 032
Personal loans	1 362	538	824	824
Business Markets	4 550	2 947	1 603	1 603
Cheque accounts	749	432	317	317
Commercial asset finance	932	395	537	537
Commercial property finance	1 894	1 354	540	540
Term loans	975	766	209	209
CIBW	844	405	439	439
Non-performing loans	35 536	25 659	9 877	9 877
Non-performing loans ratio (%)	6,9			

Non-performing loans – Retail Markets	30 June 2012 Rm	30 June 2011 Rm	Change %	31 December 2011 Rm
Non-mortgages	**6 000**	7 683	22	6 552
Mortgages pre-legal	**7 385**	9 978	26	8 856
Mortgages legal	**14 357**	15 330	6	14 734
Total Retail Markets	**27 742**	32 991	16	30 142
Mortgages legal as a % of Retail Markets' NPLs (%)	**51,8**	46,5		48,9
Average in mortgages legal (months)	**20**	17		19

Performance *(continued)*

Retail Markets' NPLs reduced by R2,4 billion from 31 December 2011 to 30 June 2012. Non-mortgages non-performing loans declined significantly by R0,6 billion from R6,6 billion at 31 December 2011.

The mortgages legal portfolio declined by R0,4 billion from 31 December 2011. Mortgages legal as a portion of NPL's increased by 2,9% from 31 December 2011. Mortgages in the legal process are proving slow to resolve as a result of difficult economic conditions facing customers, lengthy repossession processes and Absa's strategy to keep customers in their houses where possible.

3. Impairment losses on loans and advances *(continued)*

	30 June					
	2012					
	New applications		Terminations		Portfolio balance	
Debt counselling	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Cheque accounts	1 236	38	1 231	96	2 279	104
Credit cards	2 912	39	3 416	44	11 662	164
Instalment credit agreements	1 353	161	2 113	265	5 814	659
Mortgages	2 607	1 156	2 202	1 139	6 884	3 166
Personal loans	3 969	186	5 123	227	8 683	354
Other	345	33	224	33	252	11
	12 422	1 613	14 309	1 804	35 574	4 458

	30 June					
	2011					
	New applications		Terminations		Portfolio balance	
Debt counselling	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Cheque accounts	2 289	86	4 893	213	4 780	162
Credit cards	8 475	107	15 327	216	26 642	275
Instalment credit agreements	1 619	142	4 085	427	4 041	351
Mortgages	2 258	1 140	5 359	2 982	6 511	3 119
Personal loans	5 402	205	9 677	330	11 363	366
Other	7 755	71	9 227	124	15 041	153
	27 798	1 751	48 568	4 292	68 378	4 426

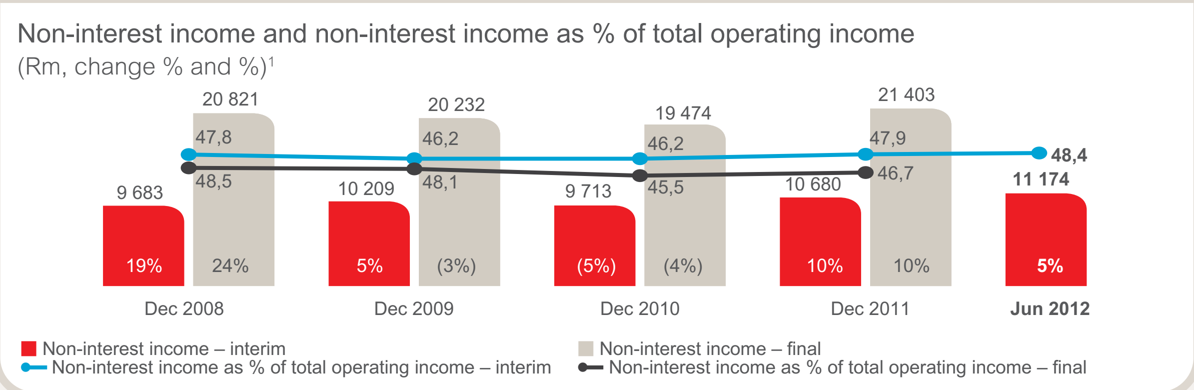
	31 December					
	2011					
	New applications		Terminations		Portfolio balance	
Debt counselling	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Cheque accounts	3 514	154	6 814	327	2 166	130
Credit cards	12 298	158	21 336	303	13 460	183
Instalment credit agreements	2 763	239	5 349	565	4 263	354
Mortgages	3 685	1 834	8 354	4 668	4 945	2 288
Personal loans	8 623	346	14 090	497	7 800	301
Other	10 847	105	12 020	196	1 102	153
	41 730	2 836	67 963	6 556	33 736	3 409

Performance indicators and condensed notes to the consolidated financial statements

3. Impairment losses on loans and advances *(continued)*

Non-performing loans – coverage ratios	30 June 2012 %	30 June 2011 %	31 December 2011 %
RBB	**31,9**	28,5	27,2
Retail Markets	**30,9**	28,1	26,0
Credit cards	**63,9**	71,5	64,6
Instalment credit agreements	**54,8**	43,4	48,2
Mortgages	**22,6**	18,8	17,1
Other	**64,5**	65,1	64,8
Business Markets	**38,4**	31,2	35,2
CIBW	**55,0**	52,8	52,0
	32,5	29,0	27,8

4. Non-interest income



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

Performance indicators and condensed notes to the consolidated financial statements

4. Non-interest income *(continued)*

Non-interest income split	Six months ended 30 June 2012 Composition %	Six months ended 30 June 2012 Rm	Six months ended 30 June 2011 Rm	Change %	Year ended 31 December 2011 Rm
Net fee and commission income	68	7 542	7 519	0	15 293
RBB	60	6 628	6 391	4	13 167
Retail Markets	47	5 143	5 064	2	10 438
Business Markets	13	1 485	1 327	12	2 729
CIBW – Corporate Products	4	476	453	5	945
Financial Services[1]	4	436	546	(20)	961
Other	1	61	166	(63)	299
Inter-segment eliminations[2]	(1)	(59)	(37)	(59)	(79)
Net insurance premium income and claims and benefits paid	13	1 397	1 218	15	2 692
RBB – Retail Markets' (Woolworths Financial Services)	1	87	75	16	161
Financial Services[1]	12	1 309	1 140	15	2 497
Other	0	1	3	>(100)	34
Changes in investment contract and insurance contract liabilities					
Financial Services[1]	(6)	(618)	(186)	>(100)	(912)
Other	—	—	—	—	(2)
Gains and losses from banking and trading activities and investment activities	22	2 509	1 774	41	3 560
RBB	(0)	(39)	130	>(100)	148
Retail Markets	0	39	31	26	65
Business Markets	(0)	(78)	99	>(100)	83
Equities – revaluations	(1)	(150)	79	>(100)	6
Other gains and losses	1	72	20	>100	77
CIBW	16	1 756	1 407	25	2 509
Markets – net trading result	14	1 572	1 294	21	2 159
Private Equity – revaluations	2	201	24	>100	240
Other gains and losses	(0)	(17)	89	>(100)	110
Financial Services[1]	7	807	388	>100	1 359
Other[3]	1	159	44	>100	11
Inter-segment eliminations[4]	(2)	(174)	(195)	11	(467)
Other operating income	3	344	355	(3)	772
Property-related	2	256	186	38	461
RBB	1	165	136	21	325
Retail Markets	0	29	36	(19)	92
Business Markets	1	136	100	36	233
CIBW	0	1	(0)	>100	0
Financial Services[1]	0	9	3	>100	18
Other	1	81	47	72	118
Other operating income	1	140	207	(32)	353
RBB	0	39	56	(30)	115
Retail Markets	1	56	32	75	61
Business Markets	(0)	(17)	24	>(100)	54
CIBW	0	23	87	(74)	115
Financial Services[1]	0	26	18	44	71
Other	0	52	45	16	52
Inter-segment eliminations[5]	(0)	(52)	(37)	(41)	(42)
	100	11 174	10 680	5	21 403

Notes

[1]Financial Services' non-interest income amounts to **R1 970 million** (30 June 2011: R1 909 million; 31 December 2011: R3 994 million). Refer to the segment view on pages 81 to 94.

[2]Includes a debit of **R55 million** (30 June 2011: R33 million debit; 31 December 2011: R71 million debit) eliminated against gains and losses from banking and trading activities, and a debit of **R4 million** (30 June 2011: R4 million debit; 31 December 2011: R8 million debit) eliminated against operating expenses.

[3]Includes the revaluation of investment in Visa Incorporated **Rnil** (30 June 2011: R30 million; 31 December 2011: R30 million).

[4]Includes a debit of **R229 million** (30 June 2011: R228 million debit; 31 December 2011: R538 million debit) eliminated against net interest income and a credit of **R55 million** (30 June 2011: R33 million credit; 31 December 2011: R71 million credit) eliminated against net fees and commission income.

[5]Includes a debit of **R52 million** (30 June 2011: R37 million debit; 31 December 2011: R42 million debit) eliminated against operating expenses.

Performance indicators and condensed notes to the consolidated financial statements

4. Non-interest income *(continued)*

Performance

Non-interest income increased by 5% to R11 174 million for the six months ended 30 June 2012 from R10 680 million for the comparative period.

Banking operations (↑5%)

Net fee and commission income, which constitutes 77% of non-interest income, remained stable at R7 106 million.

- Retail Markets grew net fee and commission income by 2%. There is continued migration of customers from traditional banking channels to electronic channels and also a shift from credit card to debit card and cash back point-of-sale transactions.
- Business Markets' improved transactional banking offering contributed to a 12% increase in net fee and commission income.
- CIBW's net trading result increased 21% year-on-year, while total Markets revenue increased 8%. Investments held in Private Equity experienced positive revaluations during the six months ended 30 June 2012, amounted to R201 million compared to R24 million in the comparative period.

Financial Services operations (↑3%)

Included in non-interest income of the Group is the revenue from the insurance operations on a net basis. This consist of net of reinsurance, unearned premiums, net insurance claims and benefits paid, changes in investment and insurance contract liabilities and acquisition costs. Gross premiums in Life and Insurance increased 13% and 5%, respectively in South Africa and the rest of Africa contributed a further R151 million (30 June 2011: R33 million). Non-premium revenue decreased marginally due to lower revenue levels in the Employee Benefits business. Premium and non-premium revenue before investment returns on shareholder funds improved by 7%. The claims ratio in Insurance deteriorated from 68,2% to 68,7% for the current reporting period, as adverse weather increased crop insurance claims significantly. The underwriting results of all other product lines improved. Investment income on shareholder funds increased 46% to R117 million, mainly due to an improved equity and bond market performance. The embedded value of the Life business increased from R2 858 million at 30 June 2011 to R3 128 million at 30 June 2012. The embedded value of new business in the current reporting period amounted to R151 million, compared to R216 million for the comparative period. This decrease was mostly due to the lower volume of new loans granted.

	Six months ended 30 June			Year ended 31 December
	2012 (Unaudited) Rm	2011 (Unaudited) Rm	Change %	2011 (Audited) Rm
Fee and commission income				
Asset management and other related fees	**34**	37	(8)	81
Consulting and administration fees	**257**	285	(10)	520
Credit-related fees and commissions	**6 125**	5 850	5	12 051
Cheque accounts	**1 790**	1 633	10	3 334
Credit cards[1, 2]	**224**	235	(5)	473
Electronic banking	**1 996**	1 966	2	4 095
Savings accounts	**1 223**	1 146	7	2 387
Other[3]	**892**	870	3	1 762
Insurance commission received	**452**	503	(10)	901
Merchant income[2]	**948**	838	13	1 806
Pension fund payment services[4]	**122**	239	(49)	484
Project finance fees	**104**	85	22	222
Trust and other fiduciary services	**663**	535	24	1 101
Portfolio and other management fees	**546**	414	32	849
Trust and estate income	**117**	121	(3)	252
Other	**80**	128	(38)	256
	8 785	8 500	3	17 422

Notes

[1]Includes acquiring and issuing fees.

[2]'Merchant income' has been disclosed separately in order to achieve fair presentation. This resulted in a reclassification of comparative information. These reclassifications are unaudited.

[3]Includes service, credit-related fees and commissions on mortgage loans and foreign exchange transactions.

[4]During the current reporting period, net fee and commission income in AllPay reduced significantly. A review of this business will take place during the second half of 2012. Refer to the segment view on pages 62 to 64.

Performance indicators and condensed notes to the consolidated financial statements

4. Non-interest income *(continued)*

	Six months ended 30 June			Year ended 31 December
	2012 (Unaudited) Rm	2011 (Unaudited) Rm	Change %	2011 (Audited) Rm
Fee and commission expense				
Cheque processing fees	**(81)**	(85)	5	(171)
Insurance commission paid	**(445)**	(438)	(2)	(877)
Transaction-based legal fees	**(158)**	(100)	(58)	(229)
Trust and other fiduciary service fees[1, 2]	**(108)**	(25)	>(100)	(51)
Valuation fees	**(58)**	(70)	17	(142)
Other[1]	**(393)**	(263)	(49)	(659)
	(1 243)	(981)	(27)	(2 129)
Net insurance premium income				
Gross insurance premiums	**3 435**	2 921	18	6 182
Premiums ceded to reinsurers	**(678)**	(440)	(54)	(973)
	2 757	2 481	11	5 209
Net insurance claims and benefits paid				
Gross claims and benefits paid on insurance contracts	**(1 829)**	(1 580)	(16)	(3 076)
Reinsurance recoveries	**469**	317	48	559
	(1 360)	(1 263)	(8)	(2 517)
Changes in investment contract and insurance contract liabilities				
Increase in investment contract liabilities	**(525)**	(218)	>(100)	(906)
(Increase)/decrease in insurance contract liabilities	**(93)**	32	>(100)	(8)
	(618)	(186)	>(100)	(914)
Gains and losses from banking and trading activities[3]				
Net gains on investments[4]	**151**	187	(19)	437
Debt instruments designated at fair value through profit or loss	**71**	66	8	215
Equity instruments designated at fair value through profit or loss	**85**	139	(39)	242
Available-for-sale unwind from reserves	**(5)**	(18)	72	(20)
Net trading result[5]	**1 645**	1 412	17	2 271
Net trading income excluding the impact of hedge accounting	**1 625**	1 408	15	2 245
Ineffective portion of hedges	**20**	4	>100	26
Cash flow hedges	**19**	25	(24)	33
Fair value hedges	**1**	(21)	>100	(7)
Other	**72**	(89)	>100	(114)
	1 868	1 510	24	2 594

Notes

[1]'Trust and other fiduciary service fees' have been disclosed separately in order to achieve fair presentation. This resulted in a reclassification of 30 June 2011 comparative information. These reclassifications are unaudited.

[2]Management fees, which were previously included as 'Debt collection fees', have been reclassified to 'Trust and other fiduciary service fees' in order to achieve fair presentation. This resulted in a reclassification of 30 June 2011 comparative information. These reclassifications are unaudited.

[3]During the second half of the prior year, the presentation of gains and losses from banking and trading activities was amended to align with market practice and improve the quality of disclosure to the market. This resulted in a reclassification of 30 June 2011 comparative information. These reclassifications are unaudited.

[4]In order to provide for improved disclosure revaluations between debt and equity instruments have been reclassified and disclosed separately.

[5]Due to structure changes, Custody and Trustee income have been reclassified from "Markets" to "Corporate Products". This also resulted in a reclassification from "Net trading result" to "Net gains on investments". These reclassifications are unaudited.

Performance indicators and condensed notes to the consolidated financial statements

4. Non-interest income *(continued)*

	Six months ended 30 June			Year ended 31 December
	2012 (Unaudited) Rm	2011 (Unaudited) Rm	Change %	2011 (Audited) Rm
Gains and losses from banking and trading activities by segment[1,2,3]				
RBB	**(52)**	110	>(100)	104
Retail Markets	**39**	31	26	65
Business Markets	**(91)**	79	>(100)	39
CIBW	**1 751**	1 404	25	2 506
Head office and Other	**138**	24	>100	(26)
Inter-segment eliminations	**31**	(28)	>100	10
	1 868	1 510	24	2 594
Gains and losses from investment activities[1,4]				
Available-for-sale unwind from reserves	**1**	0	>100	1
Net gains on investments from insurance activities[5]	**601**	227	>100	886
Policyholder – investment contracts	**360**	87	>100	511
Policyholder – insurance contracts	**125**	54	>100	173
Shareholder funds	**116**	86	35	202
Other	**39**	37	5	79
	641	264	>100	966
Gains and losses from investment activities by segment[1,2,3]				
RBB – Business Markets	**13**	20	(35)	44
CIBW	**5**	3	67	3
Financial Services	**807**	388	>100	1 359
Head office and Other	**21**	20	5	37
Inter-segment eliminations	**(205)**	(167)	(23)	(477)
	641	264	>100	966
Other operating income				
Exchange differences	**21**	31	(32)	59
Income from investment properties	**13**	5	>100	19
Change in fair value	**—**	—	—	2
Rentals	**13**	5	>100	17
Income from maintenance contracts	**10**	7	43	15
Loss on disposal of intangible assets	**—**	—	—	(2)
Profit/(loss) on disposal of property and equipment	**40**	(2)	>100	33
Profit on sale of developed properties	**20**	24	(17)	48
Profit on sale of repossessed properties	**10**	10	0	24
Rental income	**163**	142	15	324
Sundry income[6]	**67**	138	(51)	252
	344	355	(3)	772
Total non-interest income	**11 174**	10 680	5	21 403

Notes

[1]Refer to the segment views on pages 53 to 94.

[2]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[3]The segmentation of gains and losses from banking and trading and investment activities are unaudited for December 2011.

[4]During the second half of the prior year, the presentation of gains and losses from investment activities was amended to align with market practice and improve the quality of disclosure to the market. This resulted in a reclassification of 30 June 2011 comparative information. These reclassifications are unaudited.

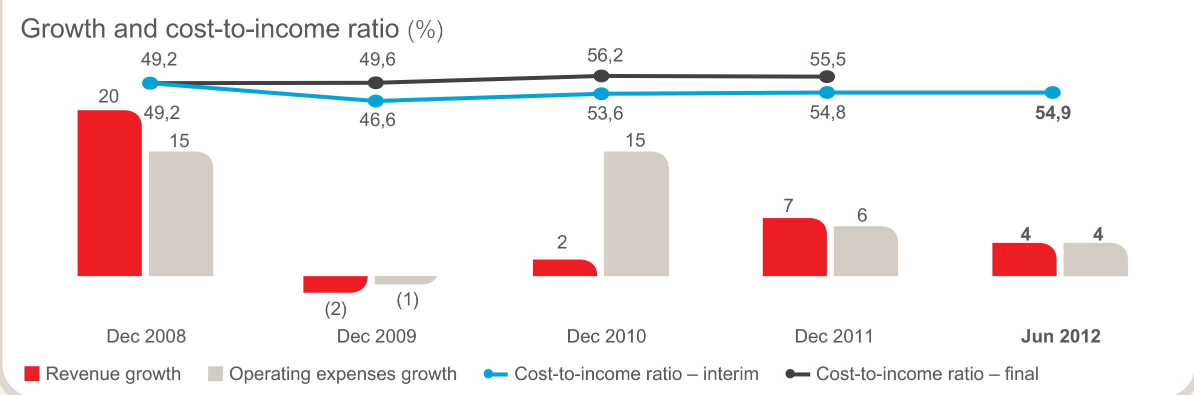
[5]Includes treasury shares held by Group subsidiaries, which are eliminated on consolidation.

[6]Includes service fees levied on sundry non-core business activities.

5. Operating expenses

The Group has embarked on various strategic initiatives to ensure a sustainable drop in the cost base. This was mainly achieved through:

- the merger of Retail and Business Markets and the elimination of duplicate activities;
- optimisation of various inefficient business processes; and
- leveraging off Barclays best practice.



Operating expenses breakdown	Six months ended 30 June 2012 (Unaudited) Rm	Six months ended 30 June 2011 (Unaudited) Rm	Change %	Year ended 31 December 2011 (Audited) Rm
Amortisation of intangible assets	**132**	150	(12)	289
Auditors' remuneration	**99**	82	21	166
Cash transportation	**377**	380	(1)	726
Depreciation	**683**	598	14	1 261
Equipment costs	**197**	124	59	224
Information technology	**1 154**	1 121	3	2 241
Investment properties charges	**154**	—	100	41
Change in fair value	**154**	—	100	41
Other	**—**	—	—	0
Marketing costs	**355**	335	6	1 036
Operating lease expenses on properties	**545**	514	6	1 018
Printing and stationery	**110**	121	(9)	253
Professional fees	**273**	414	(34)	1 076
Property costs[1]	**703**	520	35	1 120
Staff costs	**6 522**	6 623	(2)	13 642
Bonuses	**425**	534	(20)	1 285
Current service costs on post-retirement benefits	**348**	397	(12)	772
Salaries	**5 177**	5 127	1	10 379
Share-based payments	**221**	224	(1)	467
Training costs	**96**	120	(20)	252
Other[2]	**255**	221	15	487
Telephone and postage	**434**	409	6	803
Other[1,3]	**928**	827	12	1 562
	12 666	12 218	4	25 458

Notes

[1]Property costs were previously disclosed as part of 'Other' and is now disclosed separately. This resulted in a reclassification of comparative information for 30 June 2011. These reclassifications are unaudited.

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

[3]Includes fraud losses, travel and entertainment costs and collection fees.

Performance indicators and condensed notes to the consolidated financial statements

5. Operating expenses *(continued)*

Performance

Operating expenses increased 4% year-on-year. This lower than inflation increase is mainly due to the strategies outlined above in particular the 2% decline in staff cost. The Group's cost-to-income ratio remained stable at 54,9% for the reporting period as a result of muted revenue growth.

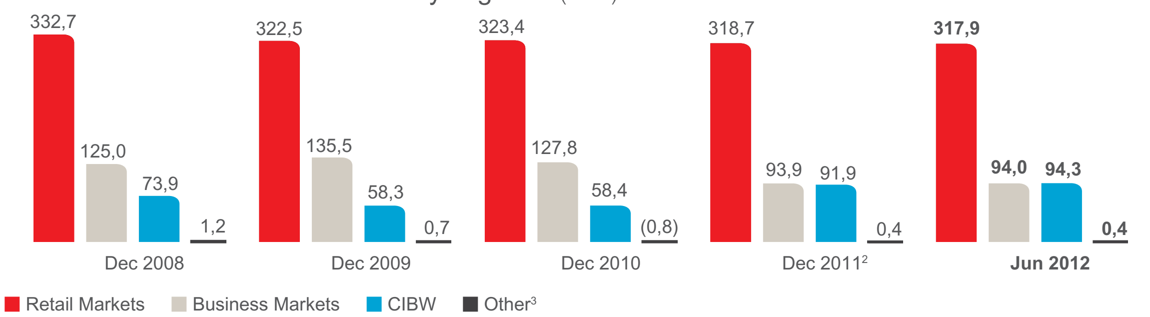
Staff costs (↓2%)

Inflationary increases in salaries were offset by a reduction in staff numbers due to automation initiatives, as well as a 13% decline in performance costs.

Breakdown of information technology costs included in operating expenses	Six months ended 30 June 2012 Rm	2011 Rm	Change %	Year ended 31 December 2011 Rm
Amortisation of intangible assets and depreciation of equipment	**462**	463	(0)	946
Information technology	**1 154**	1 121	3	2 241
Staff costs[1]	**615**	640	(4)	1 293
Other	**383**	470	(19)	983
	2 614	2 694	(3)	5 463

6. Loans and advances to customers

Loans and advances to customers by segment (Rbn)



Loans and advances mix	30 June 2012 %	2011[2] %	31 December 2011[2] %
RBB	**81,3**	82,8	81,7
Retail Markets	**62,7**	63,7	63,1
Business Markets	**18,6**	19,1	18,6
CIBW	**18,6**	17,0	18,2
Financial Services[3]	**0,0**	0,1	0,0
Head office, inter-segment eliminations and Other[3]	**0,1**	0,1	0,1
	100,0	100,0	100,0

Notes

[1]During the reporting period, the information technology change team staff costs were moved from RBB to Enterprise Core Services. This resulted in a reclassification of the comparative information for 30 June and 31 December 2011.

[2]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[3]Includes loans and advances to customers from Financial Services. Refer the segment view on pages 81 to 94.

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

Performance

Growth in loans and advances to customers for the Group remain subdued with a marginal increase in relation to the comparative period. RBB continues to carry the majority of the loans and advances while CIBW's mix contribution increased to 18,6%.

At a segment level

RBB (↓1%)

Net loans and advances to customers reflect a year-on-year marginal decline of 1% to R412 billion.

Retail Markets (↓1%)

- Mortgages, which constitute the bulk of the Retail book, declined by 3% during the reporting period. There has been a significant increase in home loan applications as mortgage originators were brought back online in the final quarter of 2011.
- Instalment credit agreements increased by 4% as the growth in new business starts to gain momentum.
- Credit Cards have shown solid growth of 6% during the reporting period as a result of the higher consumer appetite for unsecured loans.

Business Markets (↓2%)

- Commercial property finance loans have shown a 9% decline during the reporting period. However pipelines have improved since the beginning of the year.
- Cheque accounts, overdrafts and overnight finance grew by 6% year-on-year while instalment credit agreement balances remained unchanged as production levels increased during the reporting period.

CIBW (↑10%)

- Net loans and advances to customers increased by 10% to R94,3 billion.
- The increase is mainly driven by growth in cheque accounts (11%), foreign currency loans (67%) and overnight finance (72%).

Performance indicators and condensed notes to the consolidated financial statements

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

Loans and advances to customers by segment	30 June 2012 Rm	30 June 2011[1] Rm	Change %	31 December 2011[1] Rm	Annualised change[2] %
RBB					
Gross loans and advances to customers	**424 212**	430 500	(1)	424 036	0
Impairment losses on loans and advances	**(12 264)**	(12 873)	5	(11 441)	(14)
	411 948	417 627	(1)	412 595	(0)
Retail Markets					
Cheque accounts	**2 287**	2 760	(17)	2 714	(32)
Credit cards[3]	**22 441**	21 191	6	21 371	10
Instalment credit agreements	**40 117**	38 390	4	38 954	6
Loans to associates and joint ventures	**6 386**	4 347	47	4 836	64
Mortgages	**239 200**	247 758	(3)	242 719	(3)
Personal loans	**17 262**	17 237	0	17 138	1
Other loans and advances	**63**	75	(16)	63	0
Gross loans and advances to customers	**327 756**	331 758	(1)	327 795	(0)
Impairment losses on loans and advances	**(9 836)**	(10 488)	6	(9 061)	(17)
	317 920	321 270	(1)	318 734	(1)
Business Markets					
Cheque accounts, overdrafts and overnight finance[4]	**20 308**	19 079	6	20 198	1
Foreign currency loans	**1 130**	905	25	702	>100
Instalment credit agreements	**18 285**	18 230	0	18 338	(1)
Loans to associates and joint ventures	**2 333**	1 843	27	2 048	28
Mortgages (including commercial property finance)	**41 174**	45 100	(9)	42 380	(6)
Term loans	**12 744**	12 942	(2)	12 002	12
Other loans and advances	**482**	643	(25)	573	(32)
Gross loans and advances to customers	**96 456**	98 742	(2)	96 241	0
Impairment losses on loans and advances	**(2 428)**	(2 385)	(2)	(2 380)	(4)
	94 028	96 357	(2)	93 861	0

Notes

[1] Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2] Annualised growth calculated for a 12-month period, based on 31 December 2011 balances.

[3] Include a balance of **R5 578 million** (30 June 2011: R5 470 million; 31 December 2011: R5 479 million) relating to Woolworths Financial Services.

[4] Include corporate and wholesale overdrafts as well as specialised finance loans.

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

Loans and advances to customers by segment	30 June 2012 Rm	30 June 2011[1] Rm	30 June Change %	31 December 2011[1] Rm	31 December Annualised change[2] %
CIBW					
Cheque accounts	**13 889**	12 554	11	11 242	47
Corporate overdrafts	**38 207**	38 813	(2)	37 684	3
Foreign currency loans	**8 455**	5 067	67	8 918	(10)
Mortgages	**6 929**	7 354	(6)	7 138	(6)
Overnight finance	**13 095**	7 635	72	11 127	36
Preference shares	**6 873**	6 975	(1)	7 727	(22)
Reverse repurchase agreements	**2 045**	1 616	27	1 613	54
Other loans and advances	**5 354**	6 571	(19)	7 006	(47)
Gross loans and advances to customers	**94 847**	86 585	10	92 455	5
Impairment losses on loans and advances	**(550)**	(629)	13	(567)	6
	94 297	85 956	10	91 888	5
Financial Services					
Mortgages	**189**	259	(27)	141	76
Gross loans and advances to customers	**189**	259	(27)	141	76
Impairment losses on loans and advances	**(4)**	(0)	>(100)	(4)	(0)
	185	259	(29)	137	70
Head office, inter-segment eliminations and Other					
Other loans and advances	**442**	357	24	423	9
Gross loans and advances to customers	**442**	357	24	423	9
Impairment losses on loans and advances	**(211)**	—	(100)	(119)	>(100)
	231	357	(35)	304	(48)
Gross loans and advances to customers	**519 690**	517 701	0	517 055	1
Impairment losses on loans and advances	**(13 029)**	(13 502)	4	(12 131)	(15)
Net loans and advances to customers	**506 661**	504 199	0	504 924	1

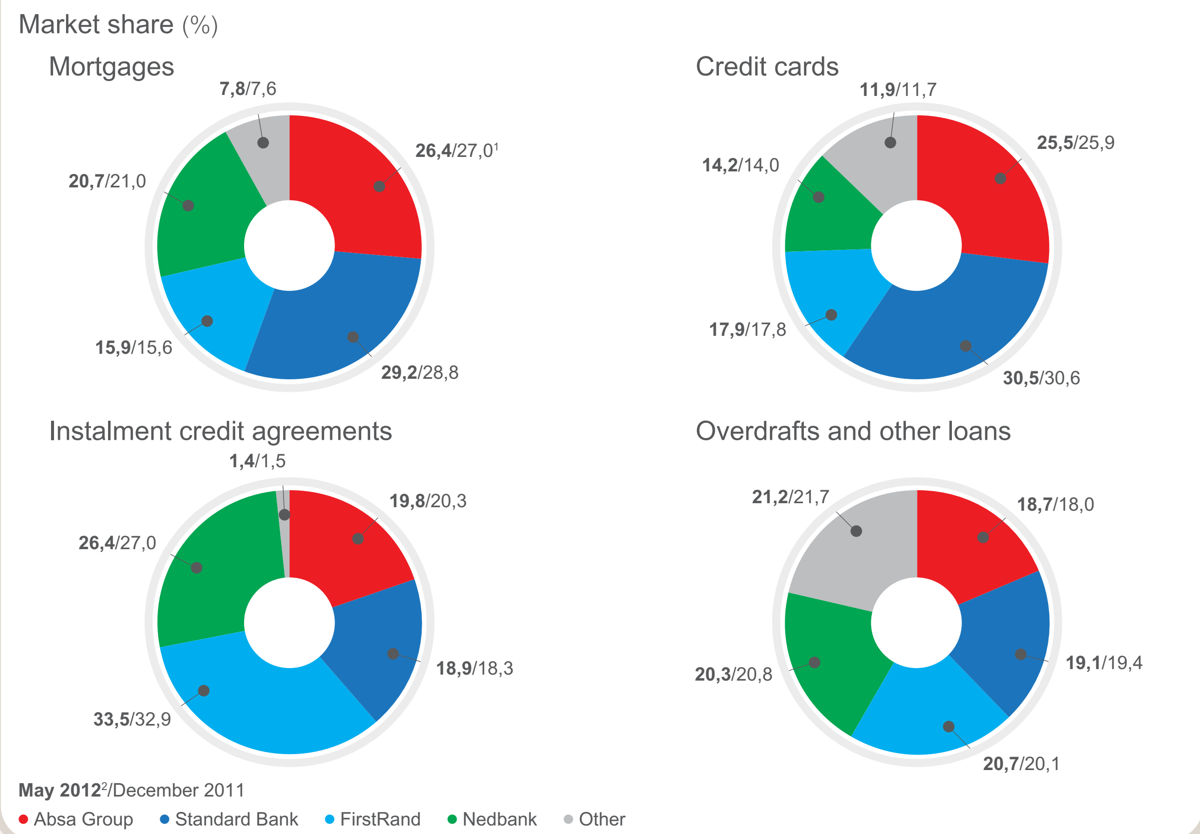
Notes

[1] Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2] Annualised growth calculated for a 12-month period, based on 31 December 2011 balances.

Performance indicators and condensed notes to the consolidated financial statements

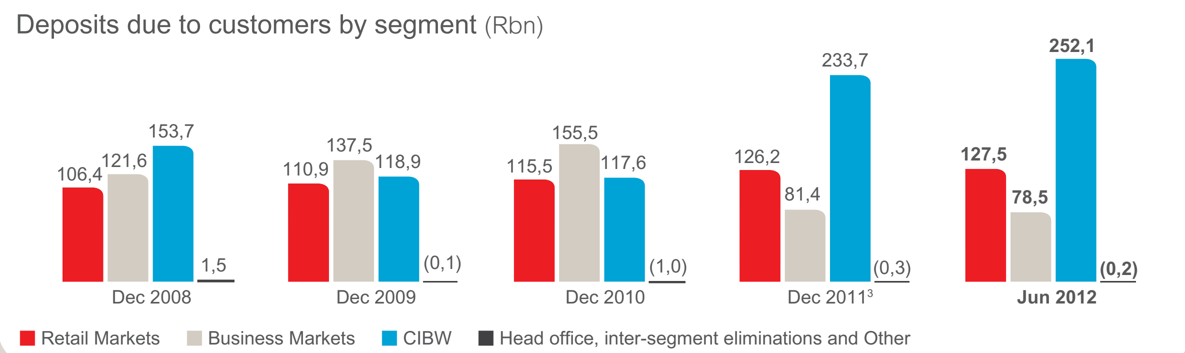
6. Loans and advances to customers *(continued)*



Performance

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

7. Deposits due to customers and debt securities in issue



Notes

[1]Securitisation of **R4 938 million – 0,5% of market share** (30 June 2011: R4 844 million – 0,5% of market share; 31 December 2011: R4 980 million – 0,5% of market share) has been excluded from the Absa mortgages book.

[2]Due to the early results announcement, the market share information for 30 June 2012 was not available for publication.

[3]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Performance indicators and condensed notes to the consolidated financial statements

7. Deposits due to customers and debt securities in issue *(continued)*

Total funding mix	30 June 2012 %	30 June 2011[1] %	31 December 2011[1] %
Deposits due to customers	**75,2**	71,0	72,3
RBB	**33,8**	33,5	34,1
Retail Markets	**20,9**	20,7	20,7
Business Markets	**12,9**	12,8	13,4
CIBW	**41,4**	37,5	38,3
Head office, inter-segment eliminations and Other	**0,0**	0,0	(0,1)
Deposits from banks	**4,2**	3,0	6,3
Debt securities in issue	**20,6**	26,0	21,4
	100,0	100,0	100,0

Total funding composition	30 June 2012 Rm	30 June 2011[1] Rm	30 June Change %	31 December 2011 Rm	31 December Annualised change[2] %
Retail deposits	**127 458**	118 156	8	126 210	2
Low margin	**59 053**	54 604	8	57 304	6
High margin	**68 405**	63 552	8	68 906	(1)
Commercial deposits	**78 524**	73 185	7	81 364	(7)
Corporate and institutional funding[3]	**402 852**	380 165	6	401 987	0
	608 834	571 506	7	609 561	(0)

Performance

The growth in the Group's funding balance is largely driven by the growth in deposits to customers as the contribution to total funding increases to 75,2% at 30 June 2012. The 13% growth in deposits due to customers results in a lower reliance on wholesale funding with the loans-to-deposits ratio declining to 86,9% at 30 June 2012 from 91,0% at 30 June 2011 (31 December 2011: 88,4%).

At a segment level

RBB (↑8%)

The RBB operations reflect solid growth of 8% year-on-year driven by cheque account deposits, savings and transmission deposits, investment products, fixed deposits and notice deposits.

Retail Markets (↑8%)

- Savings products contributed to deposits growth, with increases of 9% in cheque account deposits, 5% in fixed deposits, 7% in savings and transmission deposits and 10% in notice deposits.
- Investment products also showed impressive growth of 12% year-on-year driven by the Investment Advantage offering.
- The Group remains the market leader in individual deposits.

Business Markets (↑7%)

- Business Markets' focus on relationships with existing customers assisted in the growth across most deposit products.
- Cheque account deposits grew by 18% year-on-year as customers made more use of their operating accounts in tight liquidity conditions with higher fund utilisation.

Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2]Annualised growth calculated for a 12-month period, based on 31 December 2011 balances.

[3]Comprises deposits from banks, debt securities in issue as well as deposits due to customers of CIBW.

Performance indicators and condensed notes to the consolidated financial statements

7. Deposits due to customers and debt securities in issue *(continued)*

Performance *(continued)*

At a segment level *(continued)*

CIBW (↑18%)

➜ CIBW's customer deposits increased by 18% year-on-year. The increase in deposits was mainly attributable to the launch of new deposit products including the 32 day notice and ratchet deposits.

	30 June			31 December	
Deposits due to customers by segment	**2012 Rm**	2011[1] Rm	Change %	2011[1] Rm	Annualised change[2] %
RBB	**205 982**	191 341	8	207 574	(2)
Retail Markets					
Call deposits	**437**	440	(1)	474	(16)
Cheque account deposits	**18 365**	16 867	9	18 455	(1)
Credit card deposits	**1 819**	1 796	1	1 880	(7)
Fixed deposits	**29 663**	28 227	5	28 655	7
Investment products	**28 284**	25 251	12	27 337	7
Notice deposits	**11 377**	10 331	10	11 206	3
Savings and transmission deposits	**36 407**	34 118	7	36 891	(3)
Other deposits	**1 106**	1 126	(2)	1 312	(32)
	127 458	118 156	8	126 210	2
Business Markets					
Call deposits	**10 941**	11 270	(3)	11 701	(13)
Cheque account deposits	**39 375**	33 377	18	38 770	3
Fixed deposits	**15 330**	16 668	(8)	17 969	(30)
Foreign currency deposits	**1 353**	1 138	19	1 447	(13)
Investment products	**6 311**	5 954	6	6 467	(5)
Notice deposits	**1 786**	1 760	1	1 789	(0)
Savings and transmission deposits	**3 346**	2 987	12	3 193	10
Other deposits	**82**	31	>100	28	>100
	78 524	73 185	7	81 364	(7)
CIBW					
Call deposits	**36 174**	43 497	(17)	43 609	(34)
Cheque account deposits	**81 931**	74 423	10	77 280	12
Fixed deposits	**77 762**	75 724	3	78 750	(3)
Foreign currency deposits	**7 158**	6 533	10	6 518	20
Notice deposits	**33 920**	43	>100	15 504	>100
Repurchase agreements with non-banks	**12 432**	10 044	24	8 734	85
Other deposits	**2 765**	4 222	(35)	3 307	(33)
	252 142	214 486	18	233 702	16
Head office, inter-segment eliminations and Other					
Other deposits	**(244)**	(154)	(58)	(215)	(27)
Inter-segment eliminations	**—**	—	—	(101)	100
	(244)	(154)	(58)	(316)	46
Deposits due to customers	**457 880**	405 673	13	440 960	8

Notes

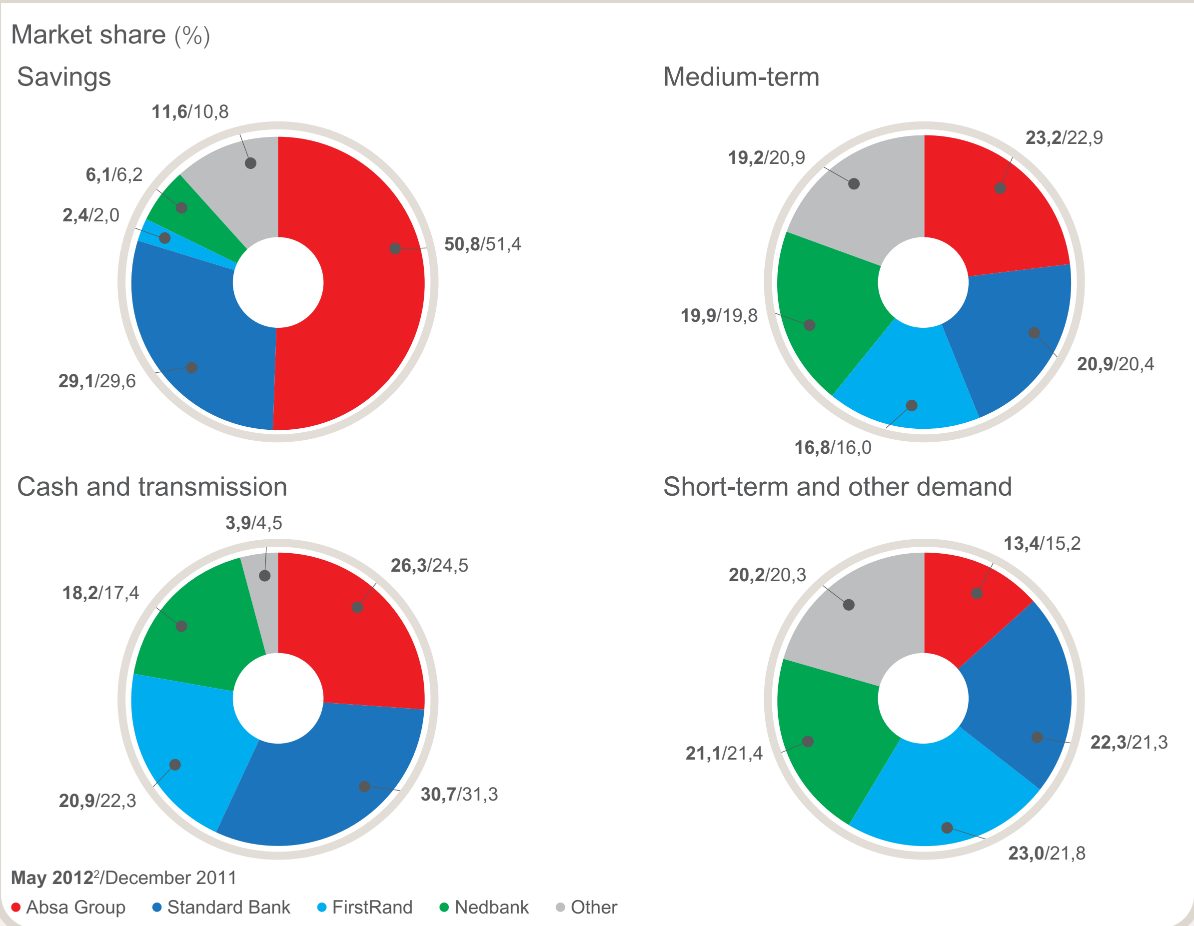
[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2]Annualised growth calculated for a 12-month period, based on 31 December 2011 balances.

Performance indicators and condensed notes to the consolidated financial statements

7. Deposits due to customers and debt securities in issue *(continued)*

Debt securities in issue	30 June 2012 (Unaudited) Rm	30 June 2011 (Unaudited) Rm	Change %	31 December 2011 (Audited) Rm	Annualised change[1] %
Abacas – commercial paper and floating rate notes	**—**	1 553	(100)	—	—
Credit-linked notes	**10 169**	10 952	(7)	8 976	27
Floating rate notes	**65 322**	69 551	(6)	69 553	(12)
Liabilities arising from securitised special purpose entities (SPEs)	**4 219**	4 216	0	4 218	0
Negotiable certificates of deposits	**21 372**	45 583	(53)	30 214	(59)
Promissory notes	**1 316**	1 498	(12)	1 550	(30)
Structured notes and bonds	**1 253**	1 295	(3)	1 451	(27)
Senior notes	**21 476**	13 820	55	14 300	>100
	125 127	148 468	(16)	130 262	(8)



Performance

The Group continues to grow individual deposits, holding the number one position in savings and medium-term products while gaining market share in cash and transmission accounts.

Notes

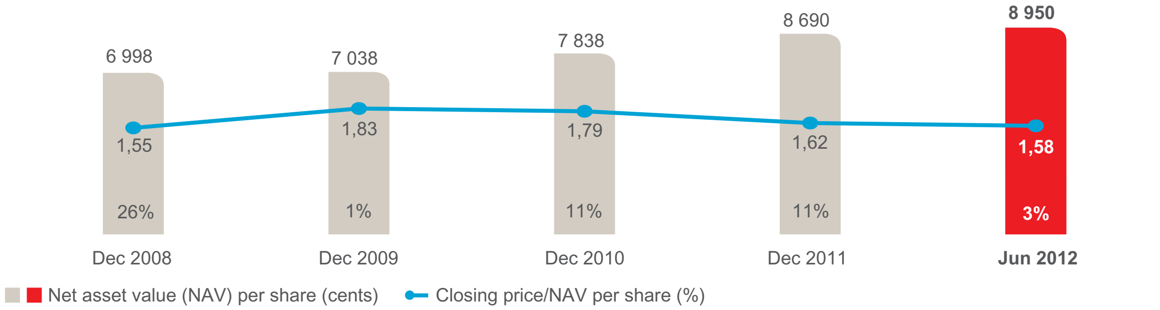
[1]Annualised growth calculated for a 12-month period, based on 31 December 2011 balances.

[2]Due to the early results announcement, the market share information for 30 June 2012 was not available for publication.

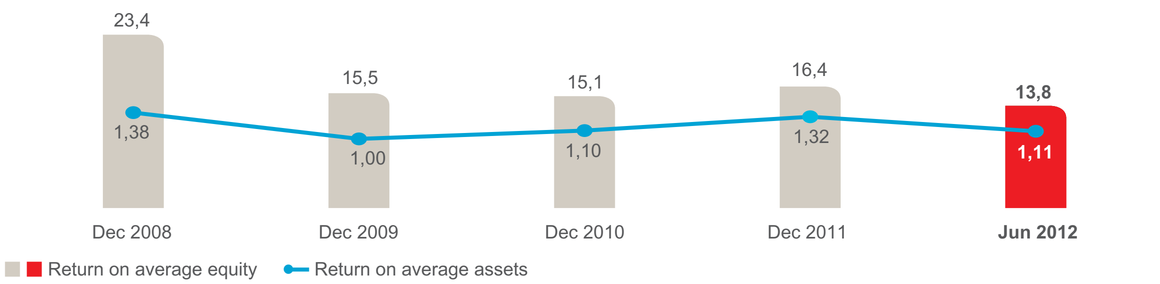
Performance indicators and condensed notes to the consolidated financial statements

8. Equity and borrowed funds[1]

NAV per share and closing price/NAV per share (cents, change % and %)



Return on average equity and assets (%)



Return on average economic capital and risk-weighted assets (%)

Performance

The Group's return on average equity (RoE) deteriorated to 13,8% from 16,2% in the comparative period due to the decline in headline earnings, but remains above the cost of equity (CoE) of 13,5% (30 June 2011: 14,0%; 31 December 2011; 14,0%).

The return on average assets (RoA) declined from 1,29% at 30 June 2011 to 1,11%. The 10% year-on-year improvement in the NAV resulted in the leverage ratio declining from 12,5% to 12,4%.

The return on average economic capital (RoEC) for the reporting period was 20,8%, versus the 22,4% at 30 June 2011.

Note
[1]Refer to pages 97 to 104 for the capital management section.

Performance indicators and condensed notes to the consolidated financial statements

8. Equity and borrowed funds[1] *(continued)*

Total qualifying capital	30 June 2012 Share-holders' equity Rm	30 June 2012 Economic capital Rm	30 June 2012 Tier I regulatory capital Rm	30 June 2011 Share-holders' equity Rm	30 June 2011 Economic capital Rm	30 June 2011 Tier I regulatory capital Rm	31 December 2011 Share-holders' equity Rm	31 December 2011 Economic capital Rm	31 December 2011 Tier I regulatory capital Rm
Ordinary share capital and share premium	6 006	6 006	6 006	5 996	5 996	5 996	6 110	6 110	6 110
Preference share capital and share premium	—	4 644	4 644	—	4 644	4 644	—	4 644	4 644
Retained earnings	55 502	55 502	52 009	50 876	50 876	47 729	53 813	53 813	50 605
Other reserves	2 725	261	—	1 416	49	—	2 385	578	—
Non-controlling interest – ordinary shares	—	—	1 391	—	—	1 301	—	—	1 453
Expected loss adjustment	—	—	(1 220)	—	—	(1 222)	—	—	(1 352)
Other deductions	—	(2 115)	(1 837)	—	(1 864)	(1 627)	—	(2 135)	(1 840)
	64 233	64 298	60 993	58 288	59 701	56 821	62 308	63 010	59 620
Average capital for the period/year	63 271	63 654[2]	60 307	57 289	42 613[2]	55 441	59 315	42 890[2]	56 841

Capital demand – closing balance	30 June 2012 Risk-weighted assets Rm	30 June 2012 Economic capital Rm	30 June 2011 Risk-weighted assets Rm	30 June 2011 Economic capital Rm	31 December 2011 Risk-weighted assets Rm	31 December 2011 Economic capital Rm
Credit risk	311 737	28 111	298 851	27 043	317 920	29 375
RBB	218 519	21 283	223 795	20 083	224 512	21 976
CIBW	88 576	6 762	72 911	6 960	91 268	7 291
Other	4 642	66	2 145	—	2 140	108
Equity investment risk	23 864	3 084	24 136	3 305	22 168	3 007
Market risk	13 354	1 668	9 852	935	8 357	978
Operational risk	60 786	4 088	59 037	4 451	59 460	4 090
Other	16 711	6 249	16 521	5 944	16 584	6 564
	426 452	43 200	408 397	41 678	424 489	44 014

Notes

[1]Refer to pages 97 to 104 for the capital management section.

[2]Represents average required economic capital (demand), compared to the balances that represents the total economic capital (supply).

Performance indicators and condensed notes to the consolidated financial statements

8. Equity and borrowed funds *(continued)*

Share capital and share premium	30 June 2012 (Unaudited) Rm	30 June 2011 (Unaudited) Rm	Change %	31 December 2011 (Audited) Rm
Authorised				
Ordinary shares of R2,00 each	**1 761**	1 761	—	1 761
Issued				
Ordinary shares of R2,00 each	**1 437**	1 437	—	1 437
Treasury shares held by Absa Group Limited Share Incentive Trust	**(1)**	(2)	1	(1)
Treasury shares held by Group subsidiaries	**(2)**	(1)	(1)	(2)
	1 434	1 434	0	1 434
Total issued capital				
Share capital	**1 434**	1 434	0	1 434
Share premium	**4 572**	4 562	0	4 676
	6 006	5 996	0	6 110

Number of ordinary shares in issue (after deduction of treasury shares) – closing balance	30 June 2012 (Unaudited) Number of shares (million)	30 June 2011 (Unaudited) Number of shares (million)	Change value (million)	31 December 2011 (Audited) Number of shares (million)
Ordinary shares in issue of R2,00 each	**718,2**	718,2	—	718,2
Treasury shares held by Absa Group Limited Share Incentive Trust	**(0,2)**	(0,6)	0,4	(0,4)
Treasury shares held by Group subsidiaries	**(0,8)**	(0,6)	(0,2)	(0,8)
	717,2	717,0	0,2	717,0

Borrowed funds	Final maturity date	30 June 2012 (Unaudited) Rm	30 June 2011 (Unaudited) Rm	Change %	31 December 2011 (Audited) Rm
Subordinated callable notes					
Interest rate	*Final maturity date*				
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**	600	—	600
Three-month JIBAR + 2,10%	3 May 2022	**400**	400	—	400
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**	1 500	—	1 500
Accrued interest		**1 339**	1 007	33	1 157
Fair value adjustments		**318**	168	89	283
		14 268	13 786	3	14 051

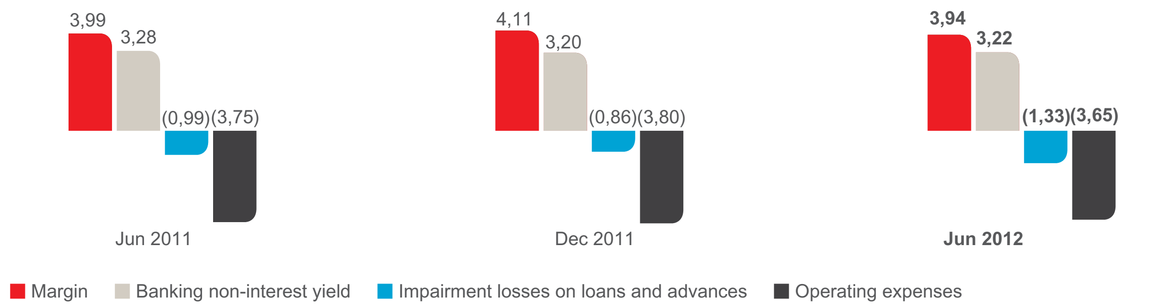
Performance indicators and condensed notes to the consolidated financial statements

9. RoE[1] decomposition

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		Year ended 31 December
		2012 %	2011[2] %	2011 %
Margin (average interest-bearing assets)		3,94 ↓	3,99	4,11
	less			
Impairment losses on loans and advances/ average interest-bearing assets		1,33 ↓	0,99	0,86
	equals			
Net margin (average interest-bearing assets)		2,61 ↓	3,00	3,25
	multiply			
Average interest-bearing assets/average banking assets		0,87 ↓	0,89	0,89
	equals			
Banking interest yield		2,27 ↓	2,67	2,89
	plus			
Banking non-interest yield		3,22 ↓	3,28	3,20
	equals			
Banking revenue yield		5,49 ↓	5,95	6,09
	less			
Operating expenses/average banking assets		3,65 ↑	3,75	3,80
	equals			
Net banking return		1,84 ↓	2,20	2,29
	less			
Other[3]		0,59 ↑	0,80	0,84
	equals			
Banking return		1,25 ↓	1,40	1,45
	multiply			
Average banking assets/total average assets		0,89 ↓	0,92	0,91
	equals			
Return on average assets (RoA)		1,11 ↓	1,29	1,32
	multiply			
Gearing		12,4 ↓	12,5	12,4
	equals			
Return on average equity (RoE)		13,8 ↓	16,2	16,4

Major drivers of RoE (%)



Notes
[1]RoE: Return on average equity.
[2]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.
[3]Includes other impairments, indirect taxation, share of post-tax results of associates and joint ventures and taxation expense.

Performance indicators and condensed notes to the consolidated financial statements

10. Off-statement of financial position items

	30 June			31 December
	2012 (Unaudited) Rm	2011 (Unaudited) Rm	Change %	2011 (Audited) Rm
Assets under management and administration				
Alternative asset management and exchange-traded funds	**36 773**	28 886	27	30 486
Deceased estates	**2 258**	2 230	1	2 166
Participation bond schemes	**2 533**	2 335	8	2 544
Portfolio management	**28 161**	25 837	9	26 792
Private equity	**762**	701	9	728
Trusts	**7 014**	6 592	6	6 720
Unit trusts	**134 591**	128 795	5	133 245
Other	**11 155**	9 933	12	10 505
	223 247	205 309	9	213 186
Financial guarantee contracts[1]				
Financial guarantee contracts	**157**	384	(59)	356
Commitments				
Authorised capital expenditure				
Contracted but not provided for[2]	**970**	798	22	283
Contingencies				
Guarantees[3]	**14 158**	12 198	16	13 226
Irrevocable debt facilities[4]	**44 842**	23 106	94	46 189
Irrevocable equity facilities[4]	**538**	679	(21)	494
Letters of credit	**5 513**	4 189	32	5 190
Other	**4**	11	(64)	10
	65 055	40 183	62	65 109

Notes

[1]Represents the maximum exposure which is not necessarily the measurement recognised on the statement of financial position in accordance with the IFRS.

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

[3]Guarantees include performance and payment guarantee contracts.

[4]Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate 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.

Segment performance

Contents

53 – 94
Segment performance

Overview of the segment performance within the Absa Group.

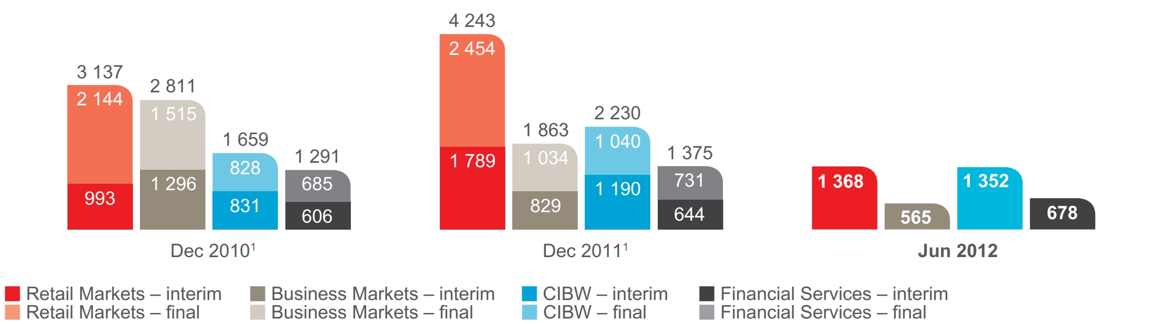
Segment performance overview

RBB's headline earnings reduced by 26%, due to increased credit impairments and a higher cost-to-income ratio. CIBW's headline earnings increased 14% and Financial Services' 5%, as both grew revenue faster than costs.

Key points to note

- Retail Markets' headline earnings decreased by **24%** to **R1,4 billion**, with Business Markets' headline earnings decreasing by **32%**.
- Absa recently awarded Best Retail Bank in Africa, Best Retail Bank in South Africa and Best Credit Card Management at the 2012 Asian Banker International Awards.
- Cellphone banking customer-base increased **29%** to **3,7 million**. Launched Absa **Value Bundles** in Retail Markets.
- Grew deposits due to customers by **13%**.
- Financial Services' gross premium income increased **17%** and it achieved a **29%** return on average equity.
- Integration of corporate clients and products into CIBW successfully completed.
- Combined Retail and Business Banking into a single operation.
- Received a Euromoney award for Best Debt House in South Africa.

Headline earnings (Rm)



Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113. 2010 comparatives have not been reclassified for any structure changes made during the reporting period.

Financial reporting structure

Absa Group Limited

RBB[1,2]

Retail Markets[2]

- Retail banking
  - Home Loans (including Repossessed Properties)
  - Vehicle and Asset Finance (VAF)
  - Card
    - Woolworths Financial Services
  - Personal Loans
  - Retail Bank (including Absa Private Bank)[3]
  - Absa Development Company Holdings
  - AllPay Consolidated Investment Holdings[3]

African operations[4]

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

Business Markets[5]

- Absa Business Bank
  - Commercial Asset Finance (CAF)
  - Commercial Property Finance (CPF)
  - Debt products
- Investment products
- Commercial business
- Equities
- Enterprise business

African operations[4]

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

International operations

- Absa Bank London[6]

CIBW[5,7]

- Absa Capital
  - Investment Banking
  - Markets
  - Private Equity and Infrastructure Investments
  - Other
- Corporate Products
- Absa Wealth

African operations[4]

- Absa Capital Nigeria
- Barclays Bank Mozambique S.A. (BBM)
- National Bank of Commerce Limited (NBC) (Tanzania)

International operations

- Absa Bank London[6]

Financial Services

Life

- Absa Life

Insurance

- Absa Insurance Company
- Absa *idirect*
- AIRMS

Investments

- Absa Asset Management
- Absa Fund Managers
- Absa Investment Management Services
- Absa Mortgage Fund Managers
- Absa Portfolio Managers
- Absa Stockbrokers

Fiduciary

- Absa Consultants and Actuaries
- Absa Health Care Consultants
- Absa Trust

Other

- Absa Insurance and Financial Advisers

African operations[4]

- Absa Financial Services Africa Holdings
- Absa Life Botswana
- Global Alliance Seguros S.A.
- Barclays Life Zambia[7]

Other Group activities

- Corporate Real Estate Services (CRES)
- Enterprise Core Services[2,8,9]

International operations

- Absa Bank London[6]
- Absa Manx Insurance Company

Notes

[1]As part of the 'One Absa' strategy, the segments of Retail Markets (previously known as Retail Banking) and Business Markets (previously known as Absa Business Bank) were merged into the RBB segment.

[2]Absa Cash Solutions Group Processing Centre and Integrated Processing Services were moved from Enterprise Core Services to RBB.

[3]AllPay Consolidated Investment Holdings was moved within Retail Markets to a separately disclosed sub-segment.

[4]The Group's African operations have been allocated to the various segments where those businesses are managed.

[5]The Group's corporate customers and products were transferred from Business Markets to CIBW following an initiative to optimise product delivery to its corporate customers.

[6]Absa Bank London's results have been allocated to the various segments where those businesses are managed.

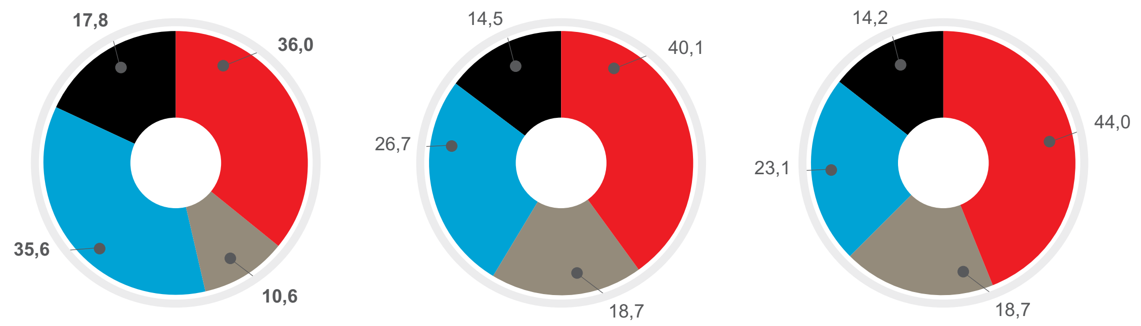
[7]Absa Financial Services cluster obtained regulatory approval to start a new life insurance business in Zambia through its subsidiary Absa Financial Services Africa Holdings (Pty) Ltd.

[8]Foreign exchange operations and Group Payments were moved from Enterprise Core Services to CIBW.

[9]Support Services were renamed to Enterprise Core Services, which consists of two significant divisions namely Corporate Centre and Chief Operating Office.

Profit contribution by segment

Attributable earnings (%)[1]



Six months ended 30 June 2012 | Six months ended 30 June 2011[2] | Year ended 31 December 2011[2]

● Retail Markets ● Business Markets ● CIBW ● Financial Services

	Six months ended 30 June			Year ended 31 December
	2012 (Unaudited) Rm	2011[2] (Unaudited) Rm	Change %	2011[2] (Audited) Rm
Banking operations				
RBB	**1 770**	2 618	(32)	6 053
Retail Markets	**1 368**	1 787	(23)	4 243
Home Loans	**(623)**	33	>(100)	516
Vehicle and Asset Finance	**308**	181	70	403
Card	**904**	811	11	1 758
Personal Loans	**253**	303	(17)	720
Retail Bank	**465**	352	32	634
AllPay	**61**	107	(43)	212
Business Markets	**402**	831	(52)	1 810
CIBW	**1 352**	1 190	14	2 231
Corporate Centre and Chief Operating Office	**374**	416	(10)	(15)
Capital and funding centres	**156**	(144)	>100	315
Non-controlling interest – preference shares[3]	**(140)**	(143)	2	(283)
Total banking	**3 512**	3 937	(11)	8 301
Financial Services	**677**	644	5	1 373
Profit attributable to ordinary equity holders of the Group	**4 189**	4 581	(9)	9 674
Headline earnings adjustments	**143**	14	>100	45
Headline earnings	**4 332**	4 595	(6)	9 719

Notes

[1]Calculated after the allocation of Corporate Centre and Chief Operating Office, Capital and funding centres as well as non-controlling interest-preference shares.

[2]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[3]Includes the elimination of non-controlling interest – preference shares of Retail Markets.

Segment report per market segment

	RBB				CIBW			
	30 June			31 December	30 June			31 December
	2012	2011[1,2]	Change %	2011[1]	**2012**	2011[1,2]	Change %	2011[1,2]
Statement of comprehensive income (Rm)								
Net interest income	**9 623**	9 629	(0)	19 598	**1 520**	1 601	(5)	3 483
Impairment losses on loans and advances	**(3 917)**	(2 886)	(36)	(4 868)	**(9)**	(16)	44	(39)
Non-interest income	**6 880**	6 788	1	13 916	**2 766**	2 318	19	4 339
Operating expenses	**(9 723)**	(9 318)	(4)	(18 920)	**(2 344)**	(2 249)	(4)	(4 597)
Other	**(201)**	(216)	7	(451)	**(52)**	(49)	(6)	(104)
Operating profit before income tax	**2 662**	3 997	(33)	9 275	**1 881**	1 605	17	3 082
Taxation expense	**(900)**	(1 290)	30	(3 013)	**(530)**	(402)	(32)	(833)
Profit for the period/year	**1 762**	2 707	(35)	6 262	**1 351**	1 203	12	2 249
Profit attributable to:								
Ordinary equity holders of the Group	**1 770**	2 618	(32)	6 053	**1 352**	1 190	14	2 231
Non-controlling interest – ordinary shares	**(8)**	89	>(100)	208	**(1)**	13	>(100)	18
Non-controlling interest – preference shares	**0**	0	0	1	**—**	—	—	—
	1 762	2 707	(35)	6 262	**1 351**	1 203	12	2 249
Headline earnings	**1 933**	2 618	(26)	6 106	**1 352**	1 190	14	2 230
Operating performance (%)								
Net interest margin on average interest-bearing assets[3]	**3,66**	3,69		3,68	**n/a**	n/a		n/a
Impairment losses on loans and advances as % of average loans and advances to customers[3]	**1,92**	1,38		1,16	**0,02**	0,04		0,05
Non-interest income as % of total operating income	**41,7**	41,3		41,5	**64,5**	59,1		55,5
Revenue growth	**1**	(2)		(3)	**9**	44		42
Cost growth	**(4)**	2		3	**(4)**	(53)		(52)
Cost-to-income ratio[4]	**58,9**	56,8		56,5	**54,7**	57,4		58,8
Cost-to-assets ratio[3]	**3,4**	3,3		3,3	**0,9**	1,1		1,0
Statement of financial position (Rm)								
Loans and advances to customers	**411 948**	417 627	(1)	412 595	**94 297**	85 956	10	91 888
Investment securities	**1 253**	2 237	(44)	1 647	**7 315**	8 266	(12)	7 181
Other assets	**176 038**	144 233	22	165 723	**378 197**	337 030	12	367 771
Total assets	**589 239**	564 097	4	579 965	**479 809**	431 252	11	466 840
Deposits due to customers	**205 982**	191 341	8	207 574	**252 142**	214 486	18	233 702
Debt securities in issue	**4 256**	4 215	1	4 256	**95 384**	126 737	(25)	107 795
Other liabilities	**374 623**	363 900	3	361 667	**128 020**	86 569	48	120 635
Total liabilities	**584 861**	559 456	5	573 497	**475 546**	427 792	11	462 132
Financial performance (%)								
Return on average economic capital[3,5]	**14,3**	18,9		20,9	**23,5**	21,5		19,7
Return on average risk-weighted assets[3]	**1,41**	1,88		1,97	**2,06**	1,96		1,80
Return on average assets[3]	**0,67**	0,93		1,07	**0,50**	0,56		0,48
Other								
Banking customer base per segment (millions)[3,6]	**12,1**	12,2	(1)	12,0	**0,1**	0,1	0	0,1
Attributable income from the rest of Africa (Rm)[3]	**(165)**	(79)	>(100)	(171)	**102**	88	16	220

Notes

[1]Comparatives have been reclassified for (these reclassifications are unaudited) the following structure changes made during the reporting period, 2010 comparatives have not been reclassified for any structure changes made during the reporting period:

- As part of the 'One Absa' strategy the segments of Retail Markets (previously known as Retail Banking) and Business Markets (previously known as Absa Business Bank) were merged into the RBB segment.
- Absa Cash Solutions Group Processing Centre and Integrated Processing Services were moved from Head office, inter-segment eliminations and Other to RBB.
- The Group's corporate customers and products were transferred from Business Markets to CIBW following an initiative to optimise product delivery to its corporate customers.
- Foreign exchange operations and Group Payments were moved from Head Office, inter-segment eliminations and Other to CIBW.

[2]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[3]These ratios are unaudited for 31 December 2011.

[4]The revenue used in this ratio for Financial Services is net of reinsurance premiums, unearned premiums, net insurance claims and benefits paid, changes in investment contract and insurance contract liabilities and acquisition costs. The cost-efficiency ratio of Financial Services, based on insurance industry norms, is **24,3%** (30 June 2011: 26,5%; 31 December 2011: 25,2%). Refer to pages 81 to 94.

[5]Financial Services' return on average equity is **29,0%** (30 June 2011: 33,3%; 31 December 2011: 32,0%) and Absa Group's return on average equity is **13,8%** (30 June 2011: 16,2%; 31 December 2011:16,4%).

[6]Includes African operations.

Segment report per market segment

Financial Services				Head office, inter-segment eliminations and Other				Group			
30 June			31 December	30 June			31 December	30 June			31 December
2012	2011[2]	Change %	2011	2012	2011[1,2]	Change %	2011[1,2]	2012	2011[2]	Change %	2011[2]
2	5	(60)	21	764	387	97	1 327	11 909	11 622	2	24 429
(4)	(0)	>(100)	(4)	(90)	(0)	>(100)	(170)	(4 020)	(2 902)	(39)	(5 081)
1 970	1 909	3	3 994	(442)	(335)	(32)	(846)	11 174	10 680	5	21 403
(980)	(964)	(2)	(2 020)	381	313	22	79	(12 666)	(12 218)	(4)	(25 458)
(49)	(50)	2	(107)	(8)	(200)	96	(421)	(310)	(515)	40	(1 083)
939	900	4	1 884	605	165	>100	(31)	6 087	6 667	(9)	14 210
(262)	(256)	(2)	(511)	(75)	107	>(100)	331	(1 767)	(1 841)	4	(4 026)
677	644	5	1 373	530	272	94	300	4 320	4 826	(10)	10 184
677	644	5	1 373	390	129	>100	17	4 189	4 581	(9)	9 674
—	—	—	—	—	—	—	—	(9)	102	>(100)	226
—	—	—	—	140	143	(2)	283	140	143	(2)	284
677	644	5	1 373	530	272	94	300	4 320	4 826	(10)	10 184
678	644	5	1 375	369	143	>100	8	4 332	4 595	(6)	9 719
n/a	n/a		n/a	n/a	n/a		n/a	3,94	3,99		4,11
5,31	0,43		1,80	n/a	n/a		n/a	1,59	1,16		1,01
99,9	99,7		99,5	n/a	n/a		n/a	48,4	47,9		46,7
3	11		11	n/a	n/a		n/a	4	6		7
(2)	(12)		(12)	n/a	n/a		n/a	(4)	(8)		(6)
49,7	50,4		50,3	n/a	n/a		n/a	54,9	54,8		55,5
7,5	8,4		8,5	n/a	n/a		n/a	3,3	3,4		3,5
185	259	(29)	137	231	357	(35)	304	506 661	504 199	0	504 924
17 777	17 085	4	17 567	(4 815)	(5 290)	9	(5 213)	21 530	22 298	(3)	21 182
8 508	6 082	40	7 939	(282 128)	(290 581)	3	(280 820)	280 615	196 764	43	260 613
26 470	23 426	13	25 643	(286 712)	(295 514)	3	(285 729)	808 806	723 261	12	786 719
—	—	—	—	(244)	(154)	(58)	(316)	457 880	405 673	13	440 960
—	—	—	—	25 487	17 516	(46)	18 211	125 127	148 468	(16)	130 262
21 608	19 063	13	21 044	(368 720)	(364 645)	1	(356 254)	155 531	104 887	48	147 092
21 608	19 063	13	21 044	(343 477)	(347 283)	(1)	(338 359)	738 538	659 028	12	718 314
81,7	62,1		72,8	n/a	n/a		n/a	20,8	22,4		23,0
n/a	n/a		n/a	n/a	n/a		n/a	2,08	2,23		2,35
5,22	5,59		5,78	n/a	n/a		n/a	1,11	1,29		1,32
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	12,2	12,3	(1)	12,1
13	(5)	>100	(18)	(18)	(1)	>(100)	(3)	(68)	3	>(100)	28

Segment report per geographical segment

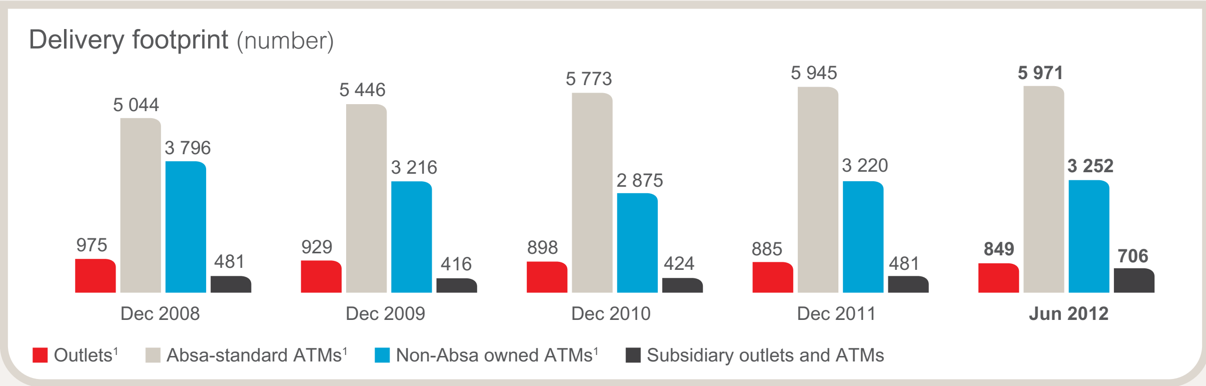
	South Africa and other foreign countries			
	30 June			31 December
	2012 Rm	2011 Rm	Change %	2011 Rm
Statement of comprehensive income				
Net interest income	**11 671**	11 249	4	23 700
Impairment losses on loans and advances	**(3 890)**	(2 831)	(37)	(4 983)
Non-interest income	**10 888**	10 509	4	20 994
Operating expenses	**(11 987)**	(11 770)	(2)	(24 507)
Other	**(295)**	(505)	42	(1 059)
Operating profit before income tax	**6 387**	6 652	(4)	14 145
Taxation expense	**(1 829)**	(1 826)	(0)	(3 975)
Profit for the period/year	**4 558**	4 826	(6)	10 170
Profit attributable to:				
Ordinary equity holders of the Group	**4 335**	4 597	(6)	9 700
Non-controlling interest – ordinary shares	**83**	86	(3)	186
Non-controlling interest – preference shares	**140**	143	(2)	284
	4 558	4 826	(6)	10 170
Headline earnings	**4 478**	4 611	(3)	9 748
Statement of financial position				
Loans and advances to customers	**501 236**	499 800	0	499 389
Investment securities	**20 840**	21 706	(4)	20 453
Other assets	**274 917**	192 141	43	254 514
Total assets	**796 993**	713 647	12	774 356
Deposits due to customers	**448 964**	398 235	13	431 647
Debt securities in issue	**125 127**	148 468	(16)	130 262
Other liabilities	**153 844**	103 857	48	145 490
Total liabilities	**727 935**	650 560	12	707 399

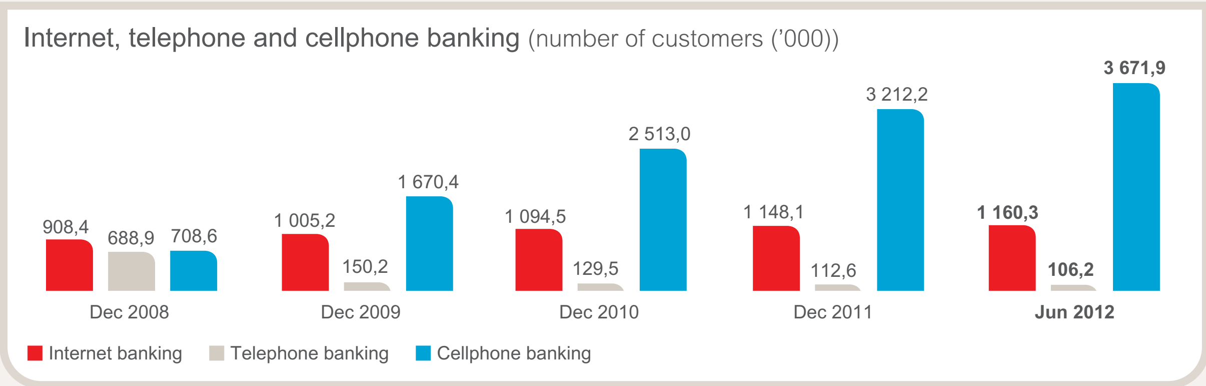
Note

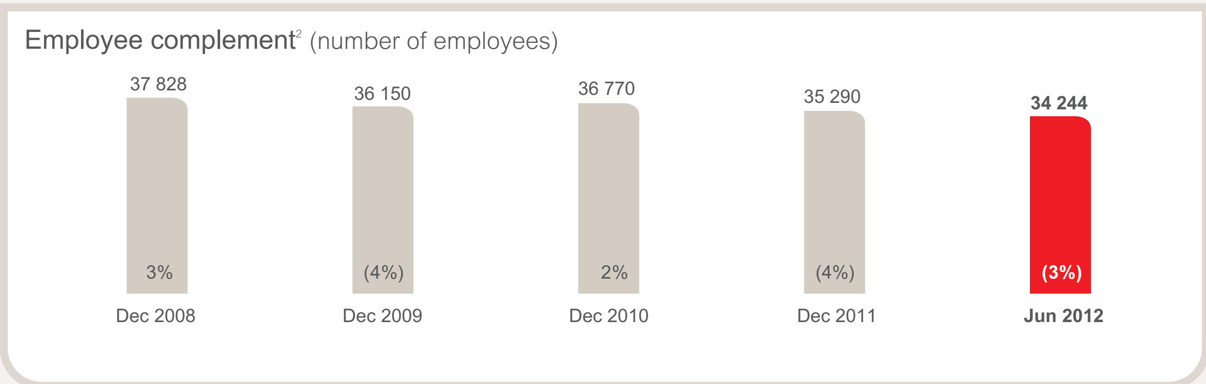
[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Rest of Africa				Group			
30 June			31 December	30 June			31 December
2012 Rm	2011 Rm	Change %	2011 Rm	**2012 Rm**	2011[1] Rm	Change %	2011[1] Rm
238	373	(36)	729	**11 909**	11 622	2	24 429
(130)	(71)	(83)	(98)	**(4 020)**	(2 902)	(39)	(5 081)
286	171	67	409	**11 174**	10 680	5	21 403
(679)	(448)	(52)	(951)	**(12 666)**	(12 218)	(4)	(25 458)
(15)	(10)	(50)	(24)	**(310)**	(515)	40	(1 083)
(300)	15	>(100)	65	**6 087**	6 667	(9)	14 210
62	(15)	>100	(51)	**(1 767)**	(1 841)	4	(4 026)
(238)	0	>(100)	14	**4 320**	4 826	(10)	10 184
(146)	(16)	>(100)	(26)	**4 189**	4 581	(9)	9 674
(92)	16	>(100)	40	**(9)**	102	>(100)	226
—	—	—	—	**140**	143	(2)	284
(238)	0	>(100)	14	**4 320**	4 826	(10)	10 184
(146)	(16)	>(100)	(29)	**4 332**	4 595	(6)	9 719
5 425	4 399	23	5 535	**506 661**	504 199	0	504 924
690	592	17	729	**21 530**	22 298	(3)	21 182
5 698	4 623	23	6 099	**280 615**	196 764	43	260 613
11 813	9 614	23	12 363	**808 806**	723 261	12	786 719
8 916	7 438	20	9 313	**457 880**	405 673	13	440 960
—	—	—	—	**125 127**	148 468	(16)	130 262
1 687	1 030	64	1 602	**155 531**	104 887	48	147 092
10 603	8 468	25	10 915	**738 538**	659 028	12	718 314

Operational key performance indicators







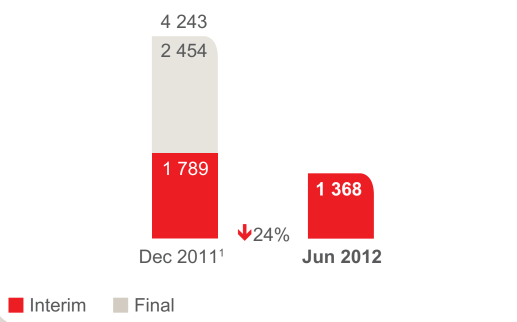
Notes
[1]South Africa.
[2]The employee complement figures exclude contract workers.

RBB – Retail Markets

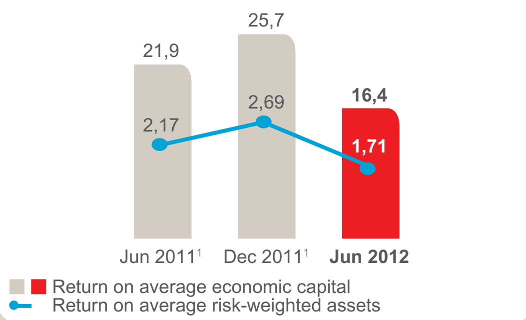
Key points to note

- Headline earnings decreased by **24%** to **R1 368** million.
- Increase in impairments relating to home loans acquired before tighter lending policies introduced.
- Leading position in individual deposits maintained, with **8%** growth.
- Operating efficiencies improved throughout the business, with a marginal year-on-year increase in operating expenses.
- Return on average risk-weighted assets (RoRWA) decreased to **1,71%**, as a result of headline earnings reduction.
- Quality of new assets continued to improve as a result of focus on needs of existing customer base.
- Funding gap reduced as deposits grew by **8%** and advances declined by **1%**.
- Origination strategies revisited and beginning to show promising returns.
- Multi-channel strategy in operation, aimed at optimising infrastructure and appropriately servicing customers.
- Overall, business well positioned to take advantage of new opportunities and targeted external customer growth.
- Financial literacy programme successfully under way, which has to date educated over 1,5 million South Africans.
- Operations in Mozambique and Tanzania showing upward trend in sales performance.
- Absa recently awarded Best Retail Bank in Africa, Best Retail Bank in South Africa and Best Credit Card Management at the 2012 Asian Banker International Awards.
- Absa recognised as best Islamic institution in Non-Gulf Co-operation Council Middle East/Africa 2012 by Global Finance magazine.

Headline earnings (Rm and change %)



Return on average economic capital and risk-weighted assets (%)



Salient features	30 June 2012	30 June 2011[1]	Change %	31 December 2011[1]
Revenue (Rm)	**12 078**	11 896	2	24 334
Headline earnings (Rm)	**1 368**	1 789	(24)	4 243
Attributable earnings (Rm)	**1 369**	1 787	(23)	4 243
Return on average risk-weighted assets (%)	**1,71**	2,17		2,69
Return on average regulatory capital (%)	**17,3**	22,3		27,5
Cost-to-income ratio (%)	**55,4**	56,0		55,6
Credit loss ratio (%)	**2,03**	1,46		1,23

Note
[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

RBB – Retail Markets

	Home Loans				Vehicle and Asset Finance		
	30 June			31 December	30 June		
	2012	2011[1,2]	Change %	2011[1,2]	2012	2011[1,2]	Change %
Statement of comprehensive income (Rm)							
Net interest income	**1 920**	1 871	3	3 787	**931**	952	(2)
Impairment losses on loans and advances	**(2 363)**	(1 316)	(80)	(2 160)	**(220)**	(422)	48
Non-interest income	**129**	159	(19)	342	**170**	169	1
Operating expenses	**(559)**	(620)	10	(1 181)	**(482)**	(480)	(0)
Other	**11**	(39)	>100	(28)	**20**	32	(38)
Operating profit before income tax	**(862)**	55	>(100)	760	**419**	251	67
Taxation expense	**239**	(22)	>100	(244)	**(111)**	(70)	(59)
Profit for the period/year	**(623)**	33	>(100)	516	**308**	181	70
Profit attributable to:							
Ordinary equity holders of the Group	**(623)**	33	>(100)	516	**308**	181	70
Non-controlling interest – ordinary shares	**—**	—	—	—	**—**	—	—
Non-controlling interest – preference shares	**—**	—	—	—	**—**	—	—
	(623)	33	>(100)	516	**308**	181	70
Headline earnings	**(623)**	33	>(100)	516	**308**	181	70
Operating performance (%)							
Impairment losses on loans and advances as % of average loans and advances to customers[4]	**2,20**	1,18		0,97	**1,04**	2,08	
Non-interest income as % of total operating income	**6,3**	7,8		8,3	**15,4**	15,1	
Revenue growth	**1**	24		17	**(2)**	11	
Cost growth	**10**	(18)		(8)	**(0)**	(9)	
Cost-to-income ratio	**27,3**	30,5		28,6	**43,8**	42,8	
Cost-to-assets ratio[4]	**0,5**	0,5		0,5	**2,1**	2,1	
Statement of financial position (Rm)							
Loans and advances to customers	**213 021**	222 569	(4)	218 337	**45 167**	41 189	10
Investment securities	**—**	—	—	—	**—**	—	—
Other assets	**16 588**	21 639	(23)	21 229	**3 470**	4 143	(16)
Total assets	**229 609**	244 208	(6)	239 566	**48 637**	45 332	7
Deposits due to customers	**—**	—	—	—	**9**	7	29
Debt securities in issue	**4 256**	4 215	1	4 256	**—**	—	—
Other liabilities	**225 765**	239 794	(6)	234 811	**47 942**	44 890	7
Total liabilities	**230 021**	244 009	(6)	239 067	**47 951**	44 897	7
Financial performance (%)							
Return on average economic capital[4]	**n/a**	0,9		7,4	**20,3**	11,4	
Return on average risk-weighted assets[4]	**n/a**	0,12		0,83	**2,07**	1,31	
Return on average assets[4]	**n/a**	0,03		0,21	**1,34**	0,81	

Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113. 2010 comparatives have not been reclassified for any structure changes made during the reporting period.

[2]With the creation of the RBB segment, certain revenue and operating costs were reallocated between the different sub-segments within Retail Markets.

[3]Comparatives have been reclassified for the move of Absa Cash Solutions Group Processing Centre and Integrated Processing Services from Head Office, inter-segment eliminations and Other to Retail Markets.

[4]These ratios are unaudited for 31 December 2011.

RBB – Retail Markets

Card				Personal Loans				Retail Bank			
31 December	30 June			31 December	30 June			31 December	30 June		
2011[1,2]	2012	2011[1,2]	Change %	2011[1,2]	2012	2011[1,2]	Change %	2011[1,2]	2012	2011[1,2]	Change %
1 888	1 242	1 166	7	2 411	836	887	(6)	1 779	1 783	1 765	1
(774)	(180)	(146)	(23)	(213)	(358)	(292)	(23)	(479)	(86)	(157)	45
336	1 374	1 224	12	2 559	155	166	(7)	329	3 378	3 245	4
(944)	(1 050)	(947)	(11)	(1 970)	(279)	(321)	13	(584)	(4 250)	(4 182)	(2)
53	(30)	(26)	(15)	(63)	(3)	(2)	(50)	(5)	(158)	(149)	(6)
559	1 356	1 271	7	2 724	351	438	(20)	1 040	667	522	28
(156)	(379)	(400)	5	(854)	(98)	(135)	27	(320)	(218)	(177)	(23)
403	977	871	12	1 870	253	303	(17)	720	449	345	30
403	904	811	11	1 758	253	303	(17)	720	465	352	32
—	73	60	22	112	—	—	—	—	(16)	(7)	>(100)
—	—	—	—	—	—	—	—	—	0	0	0
403	977	871	12	1 870	253	303	(17)	720	449	345	30
403	904	811	11	1 757	253	303	(17)	720	465	354	32
1,88	1,66	1,49		1,05	5,91	4,83		3,87	0,68	1,23	
15,1	52,5	51,2		51,5	15,6	15,8		15,6	65,5	64,8	
9	9	8		8	(6)	14		8	3	(4)	
(9)	(11)	(4)		(7)	13	8		17	(2)	0	
42,4	40,2	39,6		39,6	28,2	30,5		27,7	82,3	83,4	
2,1	7,0	7,0		7,0	4,3	4,9		4,3	5,8	6,6	
42 314	22 336	20 205	11	21 033	12 111	12 492	(3)	12 387	25 285	24 815	2
—	—	—	—	—	—	—	—	—	3	—	100
4 186	8 557	7 577	13	8 423	849	1 093	(22)	1 107	129 595	105 364	23
46 500	30 893	27 782	11	29 456	12 960	13 585	(5)	13 494	154 886	130 179	19
9	1 821	1 797	1	1 883	7	6	17	6	125 561	116 246	8
—	—	—	—	—	—	—	—	—	—	—	—
45 911	27 839	24 856	12	25 910	12 700	13 397	(5)	13 056	28 076	12 874	>100
45 920	29 660	26 653	11	27 793	12 707	13 403	(5)	13 062	153 637	129 120	19
13,0	66,9	60,5		72,2	37,7	41,8		51,9	25,9	20,9	
1,42	5,57	6,53		6,91	3,37	4,51		5,10	3,35	2,31	
0,89	6,03	5,96		6,24	3,89	4,60		5,34	0,63	0,48	

RBB – Retail Markets

	Retail Markets excluding AllPay				AllPay				Total Retail Markets			
31 December	30 June			31 December	30 June			31 December	30 June			31 December
2011[1,2]	2012	2011[1,2]	Change %	2011[1,2]	2012	2011[1,2]	Change %	2011[1,2]	2012	2011[1,3]	Change %	2011[1,3]
3 615	**6 712**	6 641	1	13 480	**12**	17	(29)	37	**6 724**	6 658	1	13 517
(339)	**(3 207)**	(2 333)	(37)	(3 965)	**—**	—	—	—	**(3 207)**	(2 333)	(37)	(3 965)
6 686	**5 206**	4 962	5	10 252	**148**	275	(46)	565	**5 354**	5 238	2	10 817
(8 622)	**(6 620)**	(6 550)	(1)	(13 301)	**(66)**	(110)	40	(217)	**(6 686)**	(6 660)	(0)	(13 518)
(305)	**(160)**	(184)	13	(348)	**(0)**	(0)	>(100)	(0)	**(160)**	(184)	13	(348)
1 035	**1 931**	2 537	(24)	6 118	**94**	182	(48)	385	**2 025**	2 719	(26)	6 503
(390)	**(567)**	(804)	29	(1 964)	**(26)**	(51)	49	(108)	**(593)**	(855)	31	(2 072)
645	**1 364**	1 733	(21)	4 154	**68**	131	(48)	277	**1 432**	1 864	(23)	4 431
634	**1 307**	1 680	(22)	4 031	**61**	107	(43)	212	**1 368**	1 787	(23)	4 243
10	**57**	53	8	122	**7**	24	(71)	65	**64**	77	(17)	187
1	**0**	0	0	1	**—**	—	—	—	**0**	0	0	1
645	**1 364**	1 733	(21)	4 154	**68**	131	(48)	277	**1 432**	1 864	(23)	4 431
637	**1 307**	1 682	(22)	4 033	**61**	107	(43)	210	**1 368**	1 789	(24)	4 243
1,33	**2,03**	1,46		1,23	**n/a**	n/a		n/a	**2,03**	1,46		1,23
64,9	**43,7**	42,7		43,2	**92,4**	94,1		93,9	**44,3**	44,0		44,5
(2)	**3**	6		5	**(45)**	28		42	**2**	6		5
(1)	**(3)**	(2)		(2)	**45**	10		3	**(0)**	(2)		(2)
83,7	**55,5**	56,4		56,0	**42,4**	37,7		36,0	**55,4**	56,0		55,6
6,6	**2,9**	2,9		2,9	**22,3**	14,0		14,7	**2,9**	2,9		2,9
24 663	**317 920**	321 270	(1)	318 734	**—**	—	—	—	**317 920**	321 270	(1)	318 734
3	**3**	—	100	3	**—**	—	—	—	**3**	—	100	3
115 096	**159 062**	139 816	14	150 041	**210**	1 347	(84)	500	**159 272**	141 163	13	150 541
139 762	**476 985**	461 086	3	468 778	**210**	1 347	(84)	500	**477 195**	462 433	3	469 278
124 196	**127 398**	118 056	8	126 094	**60**	100	(40)	116	**127 458**	118 156	8	126 210
—	**4 256**	4 215	1	4 256	**—**	—	—	0	**4 256**	4 215	1	4 256
13 270	**342 322**	335 811	2	332 958	**35**	1 013	(97)	1 162	**342 357**	336 824	2	334 120
137 466	**473 976**	458 082	3	463 308	**95**	1 113	(91)	1 278	**474 071**	459 195	3	464 586
17,1	**15,6**	19,8		23,9	**n/a**	n/a		n/a	**16,4**	21,9		25,7
1,97	**1,63**	2,20		2,52	**n/a**	n/a		n/a	**1,71**	2,17		2,69
0,40	**0,56**	0,72		0,85	**21,83**	21,33		23,08	**0,59**	0,79		0,92

Business unit scope

Retail Markets offers a comprehensive suite of retail banking products and services to individual customers. It provides these products and services through an extensive branch network and self-service terminal network, via relationship managers, call centre agents and electronic and mobile phone channels. Retail Markets caters for the full spectrum of customers in the local market, from those requiring basic banking services to those requiring sophisticated financial solutions. Retail Markets focuses on providing a consistently superior experience across each of its channels, matched closely to the needs and expectations of each customer segment.

Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to the customer through personalised services, as well as through a range of electronic channels and intermediaries such as estate agents and originators.
- **Vehicle and Asset Finance (VAF)** – offers customised vehicle and asset finance products and services through vehicle dealers as well as directly to customers through face-to-face engagements, call centre agents and digital channels.
- **Card** – provides both credit and debit cards, and merchant acquiring across South Africa. It includes Woolworths Financial Services, offering in-store credit cards, as well as short-term insurance products (through Absa Financial Services).
- **Personal Loans** – offers unsecured instalment loans, including fixed and variable rate loans through face-to-face, call centre, electronic and mobile channels.
- **Retail Bank** – offers financial solutions to individuals in South Africa and Absa's African operations in Mozambique and Tanzania, ranging from those entering the market with basic banking needs, to affluent individuals who require more sophisticated banking solutions.
- **AllPay** – participates in the social grant disbursement industry. A review of this business will take place during the second half of 2012.

Financial performance

Headline earnings decreased by 24%, from R1 789 million to R1 368 million for the six months ended 30 June 2012. This decrease is due to subdued revenue growth of 2%, 37% higher credit losses and cost contained at 2011 levels. Retail Markets' credit loss ratio deteriorated from 1,46% to 2,03% for the current reporting period, primarily as a result of decreasing recoveries on the Home Loans legal portfolio. This was partially offset by the improved quality of the new advances portfolio. Operating expense management improved Retail Markets' cost-to-income ratio from 56,0% to 55,4% for the six months ended 30 June 2012. Focus on risk-based pricing and lower credit losses produced a R127 million positive swing in earnings from vehicle and asset finance products. Solid revenue growth, partially offset by 23% higher credit losses, saw Card's earnings grow by 11%. Retail Markets' return on average risk-weighted assets deteriorated notably from 2,17% to 1,71%. The operations in Africa had an encouraging first six months with increasing momentum in sales volumes while operating expenses were contained. Loans in African operations increased 6%, although interest rate cuts impacted negatively on interest income and put pressure on deposit growth.

Favourable

- Remained market leader in individual deposits.
- Continued improvement in quality of new business advances portfolio.
- Growth in credit card and instalment finance advances balances.
- Strong advances growth and momentum in the last quarter of 2011 in secured product portfolios.
- Good product innovations as evidenced in the launch of Value Bundles.
- Upward trend in sales performance in African operations.
- Focused cost management.

Unfavourable

- Increased impairment provisions required on the Home Loans legal portfolio.
- Limited transactional volume growth.
- Declining mortgages and personal loans.
- Limited growth in non-interest income.
- Interest margins under pressure in African operations.

RBB – Retail Markets

Business performance

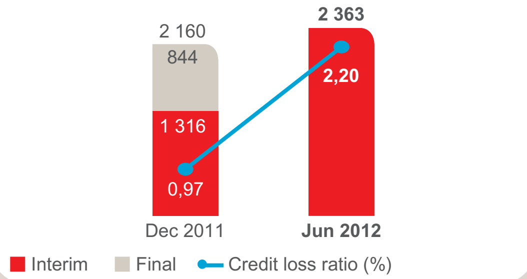
The first half of the year was characterised by a strong internal focus on infrastructure, business processes (particularly origination processes), credit and collections management, and costs. Retail Markets benefited from a sustained cost management approach, which has entrenched Retail Markets' ability to control discretionary spend.

Retail Markets' focus on existing customers led to a significant improvement in the quality of the new advances portfolios and has allowed Retail Markets to serve customer needs more appropriately. Retail Markets is aware that it needs to optimise its origination capabilities to improve business scale for the retail franchise and will focus on leveraging customer insights and existing infrastructure to generate growth in targeted market segments over the next six months. In the African operations, additional ATMs have been deployed and a project initiated to enhance ATM functionality. In addition, mobile banking will be introduced in the second half of the year across our African operations.

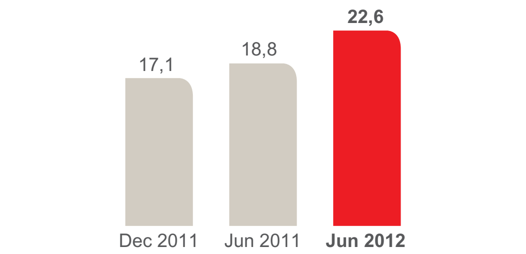
Home Loans

Headline earnings deteriorated from R33 million to a loss of R623 million for the six months ended 30 June 2012, largely as a result of increased impairments due to lower than expected recoveries on the legal portfolio. This was partially offset by widening interest margins and sustained cost management with costs reducing by 10% June year-on-year. The Home Loans portfolio declined by 4% year-on-year, as a result of a declining market share of new business. The effects of the value-based channel strategy, which saw a sustained improvement in the quality of the new Home Loans portfolio but with a consequent drop in market share, are evident in Retail Markets' results. Retail Markets re-engaged the originator channel and focused on improving the efficiency of processes converting applications to registered business, as additional steps to grow the Home Loans portfolio. Retail Markets focus will remain on growing balances and market share in a targeted and responsible manner through a broader channel exposure. Early indications of the success of the approach are evident, but it will take time to impact the overall portfolio.

Credit losses and credit loss ratio (Rm and %)



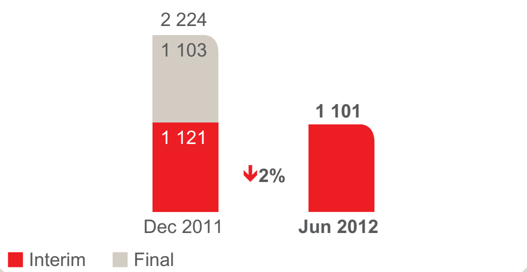
Non-performing loans – coverage ratio (%)



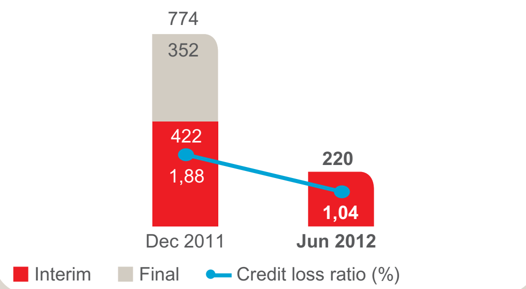
Vehicle and Asset Finance (VAF)

Headline earnings increased by 70%, from R181 million to R308 million for the six months ended 30 June 2012, due to significantly lower credit losses and contained cost growth. The book increased by a respectable 10%, as a focus on origination channels and processes has started to bear results. The value of new vehicle finance production grew by 15%. Retail Markets identified the need to focus further on existing customer relationships in order to drive repeat business flows. Retail Markets took steps to improve the legal book collection processes, with particular emphasis on vehicle recovery and legal portfolio management. Improvements in customer service and turnaround times were evident as a result of the implementation of improved origination processes. The aforesaid process efficiencies contributed to overall successful cost management for the reporting period.

Revenue (Rm and change %)



Credit losses and credit loss ratio (Rm and %)

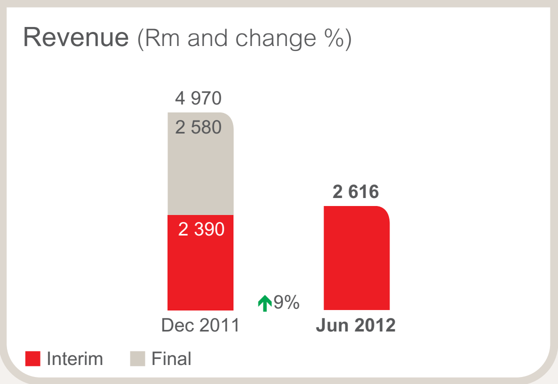


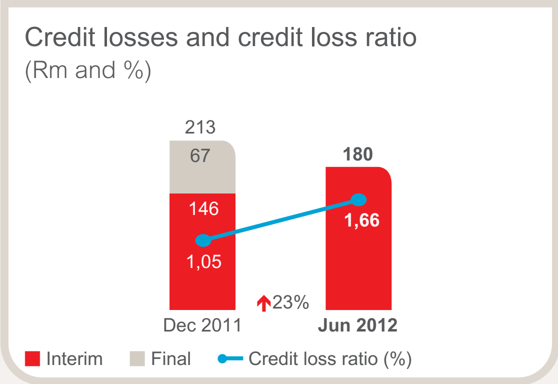
Business performance *(continued)*

Card

Headline earnings increased by 11%, from R811 million to R904 million for the six months ended 30 June 2012, mainly due to robust advances portfolio growth. Account balances grew by 11%, attributable in part to new business increases and management initiatives on the existing portfolios. The continued shift of customers towards debit card facilities and to a lesser extent embedding of low value payment/contact less cards had a positive impact on volume growth although the negative effect of this on net interest and non-interest margins is beginning to manifest. The credit loss ratio deteriorated from 1,49% to 1,66% for the current reporting period, reflecting a more normalised risk appetite. Operating expenses increased by 11% during the current reporting period. The continued roll out of Europay, Mastercard and Visa chips, higher fraud levels on debit card and the replenishment of point-of-sale terminals also contributed to the cost growth. The business experienced a double-digit growth in merchants on the back of continued successful collaboration with Business Markets.

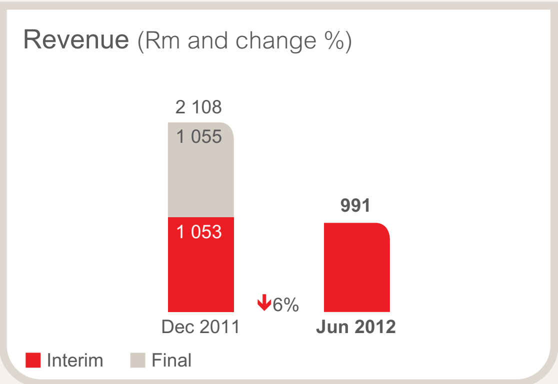
Retail Markets is in the process of acquiring the Edcon Card book. This will facilitate an increased exposure to unsecured lending in an informed and controlled manner through a well established and understood portfolio.

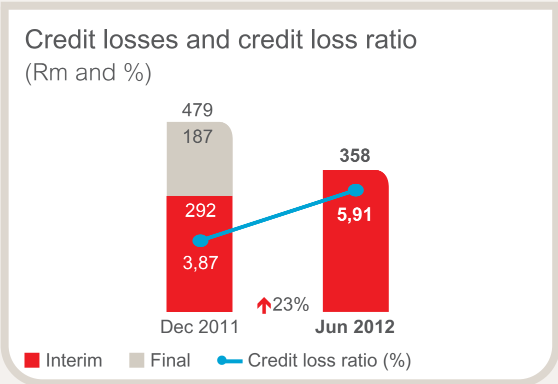




Personal Loans

Headline earnings decreased by 17%, from R303 million to R253 million for the six months ended 30 June 2012, largely due to a decrease in revenue in line with the reduced advances book, partially offset by improved and sustained efficiencies which saw a 13% decline in operating expenses. Credit losses increased by 23%. Loans and advances to customers reduced by 3%, as a result of lower volumes of new loans, leading to significant losses in market share. This portfolio reduction resulted from a continued narrow focus on existing customers, a stringent risk appetite, less effective key origination channels and processes and a migration to lower value and shorter term loans. Retail Markets has various strategies to turn the business around in the second half of the year, which include further expansion into the short-term loan market to serve entry-level banking customers, an ongoing drive to embed the mobile channel within Retail Markets' customer base and intensively managing cost and credit losses.





RBB – Retail Markets

Business performance *(continued)*

Retail Bank

Headline earnings increased by 57%, from R293 million to R460 million for the six months ended 30 June 2012. The business experienced lower credit losses and cost increases were contained to 3% despite continued investment in infrastructure. Revenue is under pressure due to a number of factors, including a decline in the number of transactional accounts, an increase in dormant accounts, a migration of transactions to lower revenue generating channels, and a migration from 'pay as you transact' pricing offers to packaged offerings. While Retail Markets has maintained its position as market leader for individual deposits, deposit book growth has been under pressure in the low interest rate environment. The main focus for the business is to grow transactional and specifically primary accounts by building long-term customer relationships, in line with the strategic intent to become a more customer-centred organisation. New product and pricing offerings, as well as innovative solutions for customers have been introduced and early indications are that this has been received positively by the market. Retail Markets is starting to see the benefits of the Absa Rewards programme manifesting in increased transactional volumes and customer retention for Rewards members.

AllPay

Absa has participated in the social grant disbursement industry through its subsidiary structures in the AllPay group. In this regard, Absa has deployed traditional transactional bank accounts as well as the Sekulula account, a card based product developed specifically for grant recipients. In January 2012, Absa was advised that the contract for future disbursements was awarded in full to a competitor. The tender award is being challenged legally. The full impact of the loss of the social grant disbursement business at a profit before tax level is estimated at R298 million.

Looking ahead

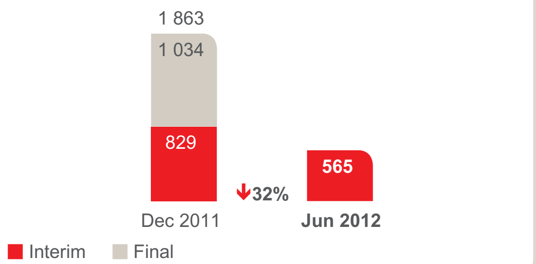
Retail Markets is taking steps to grow quality assets through aligning transacting and origination channel strategies, improving onboarding processes and embracing a more appropriate risk appetite. It will focus intensely on executing customer led strategies within each of the customer segments and product markets to retain and grow its primary customer relationships. Retail Markets will continue to invest in new capabilities, particularly those relating to customer origination and on-boarding. It will also leverage newly developed capabilities aimed at enhancing its ability to compete on value for customer share of wallet, and providing a differentiated service offering as well as broader more inclusive banking services. In Africa, Retail Markets will be enhancing ATM functionality and undertaking new product launches including mobile banking, Money Builder and Islamic banking initiatives while continuing to leverage off corporate banking relationships through Business Markets and Barclays, to grow targeted retail segments. Overall, the business is well positioned to take advantage of new opportunities and targeted external customer growth.

RBB – Business Markets

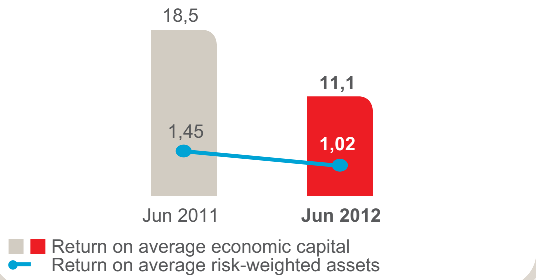
Key points to note

- Deposit volumes increased year-on-year.
- Loans and advances to customers (excluding commercial property finance loans) increased, reflecting continued focus on existing customer needs.
- Core operating expenses contained, with marginal increase of **3%**.
- Enhanced electronic banking platform continued its solid performance and grew by **13%**.
- Process of transferring selected customers from Business Markets to CIBW successfully completed.
- Increasing collaboration between Business Markets, Absa Financial Services, Absa Private Bank, CIBW and Card, to allow customers access to broader range of Absa products and services.
- Fee income continues to increase, on the back of prior year's strong performance.
- Impairments increased due to commercial business defaults and lower property valuations in the commercial property finance book.
- Top honours received as industry leader and award for Enterprise Development Programme aimed at funding of small to medium enterprises at Oliver Empowerment Awards.
- Negative fair value adjustments on the total equity portfolio.

Headline earnings (Rm and change %)



Return on average economic capital and risk-weighted assets (%)



Salient features	30 June 2012	30 June 2011[1]	Change %	31 December 2011[1]
Revenue (Rm)	**4 425**	4 521	(2)	9 180
Headline earnings (Rm)	**565**	829	(32)	1 863
Attributable earnings (Rm)	**402**	831	(52)	1 810
Return on average risk-weighted assets (%)	**1,02**	1,45		1,56
Return on average regulatory capital (%)	**10,4**	15,0		16,0
Cost-to-income ratio (%)	**68,6**	58,8		58,8
Credit loss ratio (%)	**1,55**	1,13		0,93

Note
[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

RBB – Business Markets

Business unit scope

Business Markets offers a comprehensive range of commercial banking products and specialised services, ranging from off-the-shelf transactional products to complex financial solutions. Business Markets provides these banking products and services to commercial customers, with an annual turnover of between R20 million and R750 million, and to enterprise customers, with an annual turnover of less than R20 million. Business Markets assists customers in growing their businesses by offering fully fledged specialist teams who address specific customer needs and providing relationship executives to engage with and support customers on an individual basis.

Key business areas

- **Debt products** – commercial property finance, commercial asset finance, term loans and overdrafts. Fees earned from debt products include upfront, structuring and restructuring fees.
- **Investment products** – term, cheque and call deposits.
- **Transactional and other fee income** – transactional accounts, cash, cheques and internet banking.
- **Equities** – investment portfolio in listed and unlisted property equities.
- **Africa** – business units in Mozambique and Tanzania.

Financial performance

Headline earnings decreased by 32%, from R829 million to R565 million for the six months ended 30 June 2012, mainly due to negative fair value adjustments on investments, increased impairments and interest in suspense. This was partially offset by strong deposit growth of 7% and solid fee growth. Core non-interest income showed solid growth of 12% for the current reporting period, on the back of a strong performance last year. Fee income increased by 12%, attributable to Business Markets' enhanced transactional capabilities, the introduction of new products and reduced revenue leakage. The equity portfolio incurred losses due to negative fair value adjustments and increased costs. Net interest income remained unchanged and impairment losses on loans and advances increased by 28%, due to lower property valuations in the commercial property finance book as well as high corporate impairments in the African operations. Core operating expenses were contained, with a marginal increase of 3% in South Africa from R2 463 million to R2 539 million for the six months ended 30 June 2012, as the business continued to focus on efficiencies.

Favourable

- Good growth in deposits, showing an increase of 7%.
- Loans and advances to customers (excluding commercial property finance loans) starting to increase.
- Solid growth in transactional and fee volumes.
- Effective core cost management with single-digit cost growth.

Unfavourable

- Losses incurred within the equity portfolio.
- Losses in the African operations driven by impairments and interest suspended.
- Commercial property finance loan impairments up year-on-year.

RBB – Business Markets

	30 June			31 December
	2012	2011[1]	Change %	2011[1]
Statement of comprehensive income (Rm)				
Net interest income	**2 899**	2 971	(2)	6 081
Impairment losses on loans and advances	**(710)**	(553)	(28)	(903)
Non-interest income	**1 526**	1 550	(2)	3 099
Operating expenses	**(3 037)**	(2 659)	(14)	(5 402)
Other	**(41)**	(31)	(32)	(103)
Operating profit before income tax	**637**	1 278	(50)	2 772
Taxation expense	**(307)**	(435)	29	(941)
Profit for the period/year	**330**	843	(61)	1 831
Profit attributable to:				
Ordinary equity holders of the Group	**402**	831	(52)	1 810
Non-controlling interest – ordinary shares	**(72)**	12	>(100)	21
	330	843	(61)	1 831
Headline earnings	**565**	829	(32)	1 863
Operating performance (%)				
Impairment losses on loans and advances as % of average loans and advances to customers[2]	**1,55**	1,13		0,93
Non-interest income as % of total operating income	**34,5**	34,3		33,8
Revenue growth	**(2)**	(19)		(20)
Cost growth	**(14)**	12		13
Cost-to-income ratio	**68,6**	58,8		58,8
Cost-to-assets ratio[2]	**5,5**	5,0		4,8
Statement of financial position (Rm)				
Loans and advances to customers	**94 028**	96 357	(2)	93 861
Investment securities	**1 250**	2 237	(44)	1 644
Other assets	**16 766**	3 070	>100	15 182
Total assets	**112 044**	101 664	10	110 687
Deposits due to customers	**78 524**	73 185	7	81 364
Other liabilities	**32 266**	27 076	19	27 547
Total liabilities	**110 790**	100 261	11	108 911
Financial performance (%)				
Return on average economic capital[2]	**11,1**	18,5		19,0
Return on average risk-weighted assets[2]	**1,02**	1,45		1,56
Return on average assets[2]	**1,01**	1,56		1,66

Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113. 2010 comparatives have not been reclassified for any structure changes made during the reporting period.

[2]These ratios are unaudited for 31 December 2011.

RBB – Business Markets

	Equities			
	30 June			31 December
	2012 Rm	2011 Rm	Change %	2011 Rm
Statement of comprehensive income				
Net interest income	**(178)**	(189)	6	(292)
Impairment losses on loans and advances	**(5)**	1	>(100)	2
Non-interest income	**(2)**	184	>(100)	187
Operating expenses	**(273)**	(29)	>(100)	(138)
Other	**(23)**	(4)	>(100)	(20)
Operating profit before income tax	**(481)**	(37)	>(100)	(261)

Business performance

The start of the year was characterised by subdued economic activity within the commercial and business sectors of the economy. This resulted in lower business volumes and transactional banking levels, coupled with intense competition in the market for deposits. Despite these trends, Business Markets increased deposit volumes, as well as loans and advances (excluding commercial property finance loans) and transactional banking volumes, while containing core costs to mid single-digit growth.

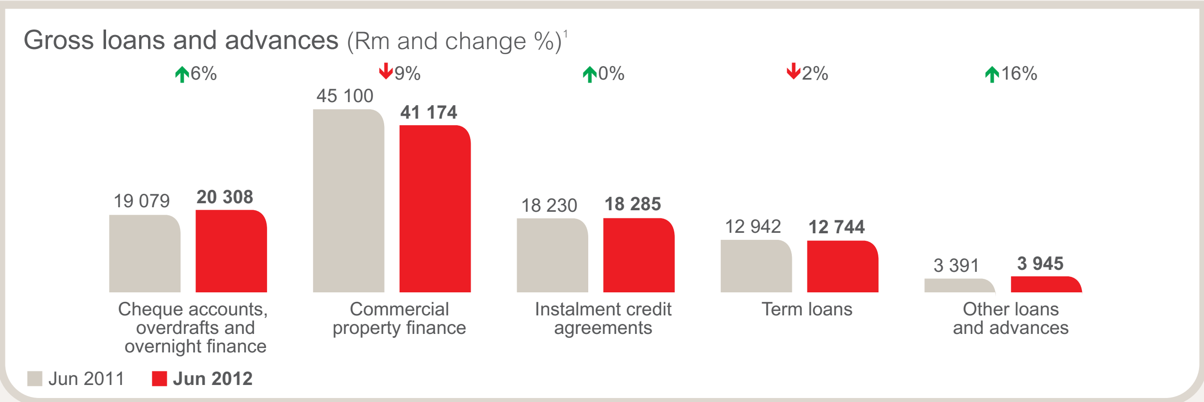
The process of transferring selected customers from Business Markets to CIBW was successfully completed, which was part of the establishment of a corporate bank. Business Markets will continue to work in collaboration with CIBW, Absa Financial Services, Absa Private Bank and Card, to allow customers access to a broader range of Absa products and services. Business Markets rolled out a refined segmentation model aimed at streamlining the business, improving overall sales and service capabilities and allowing for greater focus on individual customer needs. This model is in the process of being embedded and Business Markets believes this will improve service delivery and provide customers with a more inclusive service offering.

Business performance *(continued)*

Debt income and credit-related fees

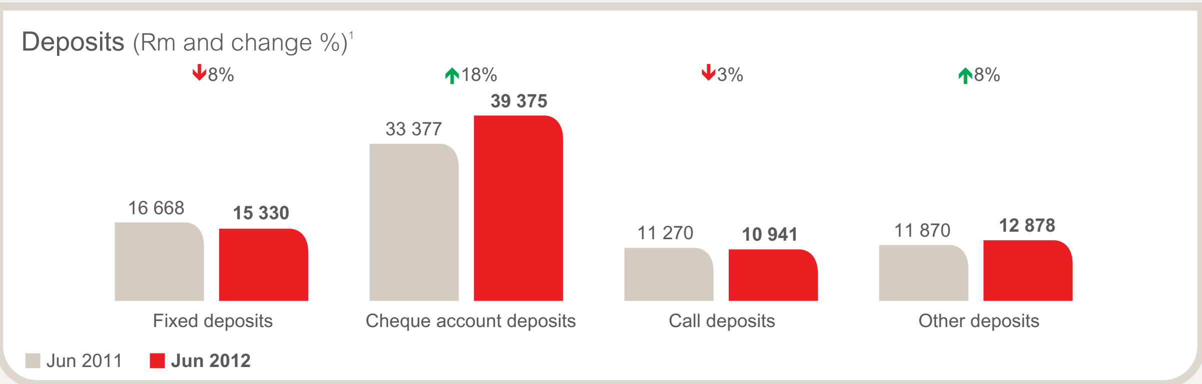
Gross loans and advances (excluding commercial property finance loans) increased year-on-year by 3%. Customers were priced in relation to their risk profile while meeting the desired return hurdle rates.

Production levels in the CAF segment increased by 17%. As a result, the CAF advances book showed pleasing growth, particularly towards the end of the reporting period, reflecting an increase of 5% year-on-year. Increased production levels are attributable to a strategic CAF project which introduced improvements to various aspects of the business such as processes and capacity. In terms of the project, the business also improved pricing to align CAF pricing to the market. CPF has been repositioned as the lender of choice in targeted markets and pipelines have improved significantly since January.



Investment products

In a competitive market, demand for liquidity remained high causing continued pressure on interest rates, and marginally impacted negatively on margins. Continuing volatility in international markets and uncertainty as to interest rate movements led to customers keeping funds predominantly on the short side. Call deposits growth remained stable while cheque account deposits reflected solid volume growth. For the reporting period, Business Markets' strategic imperatives was to focus on existing customers and to promote customer solutioning, including assisting customers with cash flow management and yield optimisation.



Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

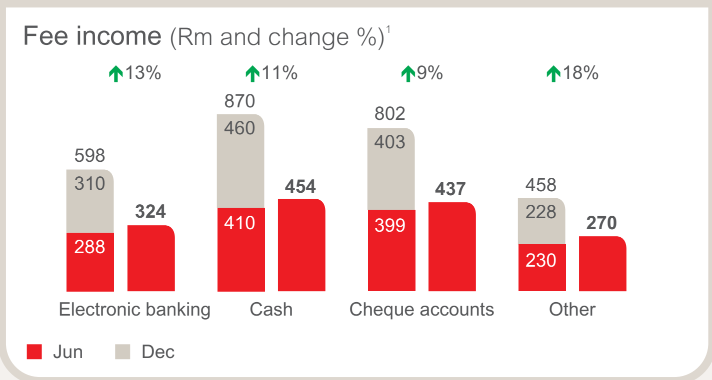
RBB – Business Markets

Business performance *(continued)*

Transactional and other fee income

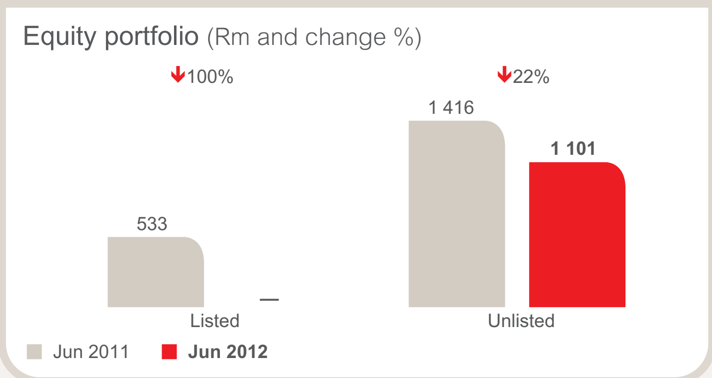
Net fee and commission income increased by 12%, coupled with solid volume growth. Further pricing initiatives were introduced and several areas of revenue leakage were identified. Cheque payment volumes continued to decline in line with industry trends, whereas volumes in electronic payments grew strongly.

New changes to electronic banking security showed improved systems stability in comparison to the prior year. Product innovations such as Bulk Cash Send and Business Integrator Online Card Solutions as well as the prepaid card solution continued to produce positive results.



Equity portfolio

In line with the Group's strategy to reduce exposure to equity investments further steps were taken during the period to reduce Business Markets' exposure to property equity markets. The balance of the listed property portfolio with a carrying value of R211 million was disposed of during the current reporting period. There were no disposal of unlisted property investment during the period. The decrease in the carrying value of unlisted equity investments is attributable to lower revaluations.



Looking ahead

Over the course of the next six months, Business Markets will continue to look at improving its overall service delivery performance and deepening its relationships with existing customers. By better understanding the unique needs of customers and working together with relevant stakeholders Business Markets is well placed to provide innovative and value-added solutions to customer needs. There are several initiatives under way to reduce turnaround times to customers and enhance service levels. Business Markets will also continue to work on creating efficiencies within the business to improve its ability to service customers in the most cost-effective manner. Developing and attracting talent to the business markets environment remains an imperative to improve Business Markets' ability to provide top quality service delivery to customers.

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

CIBW

Key points to note

- Strong growth in headline earnings.
- Operating expenses managed below inflation.
- Investment in strategic growth areas maintained.
- Effective risk-management led to improved returns, despite Basel II.5 increase in capital requirements.
- Integration of corporate clients and products into CIBW successfully completed.
- Received a Euromoney award for Best Debt House in South Africa.
- PACE FX, CIBW's electronic FX trading platform, was awarded Best e-FX platform for Corporates at the FX Week Awards.

	30 June			31 December
Salient features	**2012**	2011[1]	Change %	2011[1]
Revenue (Rm)	**4 277**	3 903	10	7 783
Headline earnings (Rm)	**1 352**	1 190	14	2 230
Revenue on average risk-weighted assets (%)	**6,5**	6,4		6,3
Return on average regulatory capital (%)	**21,7**	20,7		18,9
Cost-to-income ratio (%)	**54,7**	57,4		58,8

Business unit scope

CIBW offers corporate, investment banking and wealth management services. Its primary business is to act as an intermediary between, and advisor to, suppliers and users of various forms of capital. The business model centres on delivering specialist corporate, investment banking, financing, risk management and advisory solutions across various asset classes to corporates, financial institutions, public bodies and high net worth individuals. These capabilities are delivered through a client-centric approach which emphasises the origination and distribution of risk. Through its affiliation with Barclays, CIBW remains the only South African corporate and investment bank which is able to deliver comprehensive international and local solutions to both global and regional clients.

Key business areas

- **Markets** – engages in trading, sales and research activity across all major asset classes and products in sub-Saharan Africa, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients.
- **Investment Banking** – structures innovative solutions to meet clients' strategic acquisition, financing and risk management requirements across industry sectors in South Africa and the sub-Saharan region.
- **Corporate Products** – provides Corporate Banking solutions spanning financing and transactional banking requirements, including Trade and Working Capital as well as a full suite of Cash Management, Payments and Liquidity products and solutions. These services are provided across our combined South African institutional and corporate client base.
- **Private Equity and Infrastructure Investments** – acts as a principal by investing in unlisted equity exposures. Infrastructure Investments acts as a principal by investing in equity and mezzanine loan finance to entities focused on infrastructure development in sub-Saharan Africa.
- **Absa Wealth** – serves high net worth, ultra high net worth and Family Office clients, providing a full range of holistic local and international products using best breed management solutions which include investment management, risk management and structured lending.

Financial performance

CIBW delivered headline earnings of R1 352 million up 14% on the comparative period. This strong performance reflects an increase in revenues of 10% underpinned by growth in all business units, with total costs managed below inflation. Markets revenue increased by 8%, on the back of solid performances in Africa, Equities and Prime as well as Foreign Exchange and Commodities. Investment Banking revenue increased by 7%, with growth in the margin business of 13%, offset by a 21% decline in the fee business. Corporate revenue increased by 5%, reflecting a stable performance following the integration of corporate clients into CIBW. Private Equity earnings remained stable, with improvement in earnings in underlying investments giving rise to net positive revaluations. Absa Wealth's net revenue increased by 15%, underpinned by increased fee earning and transactional activity and improved cross-sell between Absa Capital and Wealth clients. CIBW's return on regulatory capital of 21,7% showed an improvement on the comparative period last year despite the increased capital levels required by the introduction of Basel II.5 regulations.

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

CIBW

	Six months ended 30 June			Year ended 31 December
	2012 Rm	2011[1] Rm	Change %	2011[1] Rm
Statement of comprehensive income				
Net interest income	**1 520**	1 601	(5)	3 483
Impairment losses on loans and advances	**(9)**	(16)	47	(39)
Non-interest income	**2 766**	2 318	19	4 339
Gains and losses from banking and trading activities	**1 751**	1 404	25	2 506
Other non-interest income	**1 015**	914	11	1 833
Operating expenses	**(2 344)**	(2 249)	(4)	(4 597)
Other	**(52)**	(49)	(6)	(104)
Operating profit before income tax	**1 881**	1 605	17	3 082
Taxation expense	**(530)**	(402)	(32)	(833)
Profit for the period/year	**1 351**	1 203	12	2 249
Profit attributable to:				
Ordinary equity holders of the Group	**1 352**	1 190	14	2 231
Non-controlling interest – ordinary shares	**(1)**	13	>(100)	18
	1 351	1 203	12	2 249
Headline earnings	**1 352**	1 190	14	2 230
Notes				
1. Revenue contribution[2]				
Investment Banking	**715**	670	7	1 259
Markets[3]	**1 841**	1 712	8	3 224
Corporate Products[3]	**1 321**	1 255	5	2 568
Private Equity and Infrastructure Investments	**232**	74	>100	317
Absa Wealth	**213**	185	15	392
Other	**(45)**	7	>(100)	23
	4 277	3 903	10	7 783
2. Gains and losses from banking and trading activities				
Net gains on investments[3,4]	**248**	105	>100	381
Debt instruments designated at fair value through profit or loss	**71**	66	8	215
Equity instruments designated at fair value through profit or loss	**177**	39	>100	166
Net trading result	**1 572**	1 294	21	2 159
Net trading income excluding the impact of hedge accounting[3]	**1 570**	1 296	21	2 130
Ineffective portion of hedges	**2**	(2)	>100	29
Cash flow hedges	**(2)**	10	>(100)	21
Fair value hedges	**4**	(12)	>100	8
Other	**(69)**	5	>(100)	(34)
	1 751	1 404	25	2 506

Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

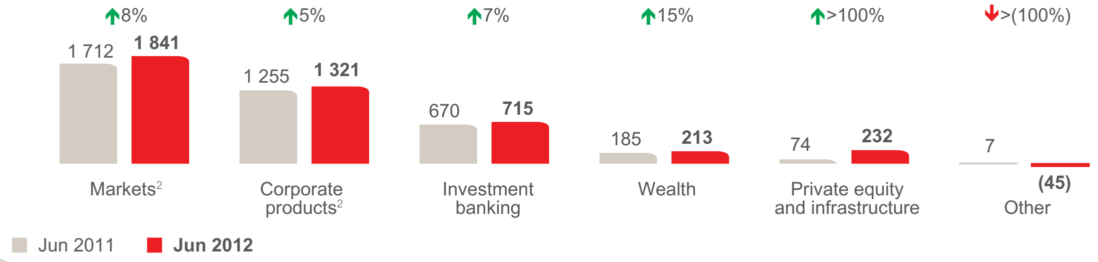
[2]Includes net interest income and non-interest income, net of impairment losses on loans and advances.

[3]Due to structure changes, 'Custody and Trustee income' has been reclassified from 'Markets' to 'Corporate Products'. This also resulted in a reclassification from 'Net trading result' to 'Net gains on investments'. These reclassifications are unaudited.

[4]In order to provide improved disclosure, revaluations between debt and equity instruments have been reclassified.

Financial performance *(continued)*

Revenue mix (Rm and change %)[1]



Favourable

- All business units delivered positive revenue growth during the reporting period.
- Markets' revenue increased while average DVaR continued to decrease.
- Increase in Investment Banking margin business.
- Solid performance from Absa Wealth.
- Private Equity business remained stable.
- Core operational expense growth managed below inflation while continuing to invest in key growth areas.
- Favourable returns on regulatory capital, despite the implementation of Basel II.5 regulations.

Unfavourable

- Decreased Investment Banking fee income, although pipeline remains strong.

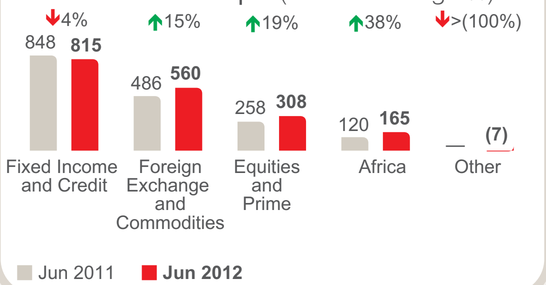
Business performance

The global and domestic environment proved challenging in the first half of the year. Volatility in most major financial markets prevailed as the fiscal uncertainties of marginal economies in the Eurozone continued to negatively impact liquidity. While emerging economies and specifically the South African economy fared slightly better, corporate activity remained subdued.

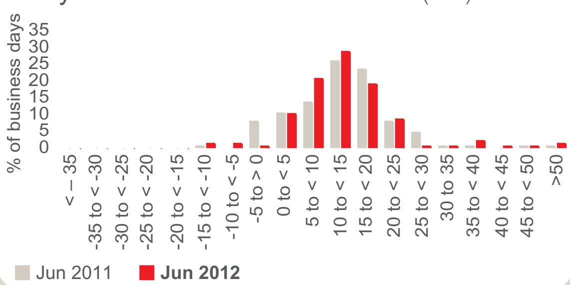
Markets

Net revenue increased off the high base achieved in the comparative period last year, increasing by 8% from R1 712 million to R1 841 million for the six months ended 30 June 2012. Africa trading revenue increased sharply, benefiting from the conclusion of risk management transactions in the power and energy sector, as well as institutional client flows into sovereign debt markets. Equities and Prime delivered solid growth of 19%, resulting from structured equity derivative transactions and a continuation of the strong growth trend in Prime Services, where several key prime brokerage mandates were awarded during the period. Foreign Exchange and Commodities produced encouraging results; increasing by 15% despite a highly competitive environment, and remains a focus area for future investment. Fixed income and Credit declined 4% off the high base achieved in the comparative period last year. Capital increases due to Basell II.5 were mitigated by active risk management during the period.

Markets revenue split (Rm and change %)[1,2]



Daily markets revenue distribution (Rm)



Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2]Due to structure changes, 'Custody and Trustee income' has been reclassified from 'Markets' to 'Corporate Products'.

Business performance *(continued)*

Corporate Products

Revenue from Corporate was up 5% from R1 255 million to R1 321 million for the six months ended 30 June 2012. This reflects a stable performance following the migration of clients and products from Business Markets. The Corporate Products business is a key focus area for investment including the enhancement of the existing product offering and reinvestment in systems.

	30 June			31 December
Salient features	**2012**	2011[1,2]	Change %	2011[1,2]
Net interest income (Rm)	**849**	797	7	1 624
Non-interest income (Rm)	**472**	458	3	944
Net revenue (Rm)	**1 321**	1 255	5	2 568
Average loans and advances (Rbn)	**38,8**	34,8	12	35,8
Average deposits (Rbn)	**106,7**	100,1	7	103,7

Net interest income increased relative to the comparative period last year, driven by growth in both loans and advances and deposits. The Corporate deposit base increased marginally from 30 June 2011 due to a focus on governing pricing rather than aggressively driving volumes.

Non-interest income increased by 3%. Cash payments and liquidity maintained steady growth, particularly in electronic payments and the collections businesses.

Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2]Due to structure changes, 'Custody and Trustee income' has been reclassified from 'Markets' to 'Corporate Products'. These reclassifications are unaudited.

Business performance *(continued)*

Investment Banking

Revenue from Investment Banking grew by 7% from R670 million to R715 million for the six months ended 30 June 2012, mainly driven by increased revenue from the margin business. Fee revenue is down relative to the comparative period last year, mainly due to longer lead times and the consequent impact on deal implementation. However, a strong pipeline is in place for the remainder of the year, notably in the renewable energy sector.

Salient features	30 June 2012	30 June 2011	Change %	31 December 2011
Margin business (Rm)	**619**	549	13	1 029
Fee business (Rm)	**96**	121	(21)	230
Net revenue (Rm)	**715**	670	7	1 259
Average loans and advances (Rbn)	**40,0**	34,7	15	41,9

Private Equity and Infrastructure Investments

Private Equity and Infrastructure Investments' net revenue increased from R74 million to R232 million for the six months ended 30 June 2012. The continued improvement in performance is underpinned by improved earnings in underlying investments, giving rise to net revaluation gains.

Salient features	30 June 2012	30 June 2011	Change %	31 December 2011
Revaluations (Rm)	**201**	24	>100	240
Debt instruments (Rm)	**70**	51	37	185
Equity instruments (Rm)	**131**	(27)	>100	55
Dividends, interest and fees (Rm)	**82**	114	(28)	195
Funding (Rm)	**(51)**	(64)	20	(118)
Net revenue (Rm)	**232**	74	>100	317
Total portfolio size (Rbn)	**5,5**	5,2	6	5,4

Business performance *(continued)*

Absa Wealth

Absa Wealth continued to produce good results. Gross revenue increased by 9% from R216 million to R236 million for the six months ended 30 June 2012, with net revenue increasing by 15% from R185 million to R213 million for the current reporting period. Both net interest income and non-interest income contributed to increased revenue, with the latter benefiting from increased collaboration with the Markets business and increased revenue from investment management activities.

	30 June			31 December
Salient features	**2012**	2011	Change %	2011
Gross revenue (Rm)	**236**	216	9	442
Net interest income	**157**	149	5	306
Non-interest income	**79**	67	18	136
Impairment losses on loans and advances (Rm)	**(23)**	(31)	26	(50)
Net revenue (Rm)	**213**	185	15	392
Average loans and advances (Rbn)	**10,9**	11,2	(3)	11,1
Client assets (Rbn)[1]	**15,2**	14,8	3	15,1

Looking ahead

Following the successful migration of customers and products from Business Markets to CIBW, CIBW is in a strong position to provide a holistic, client-centric corporate offering to clients across the full product value chain. The One Africa strategy remains a key focus and CIBW will work in close collaboration with Barclays to further increase the Group penetration across the African continent. Cost containment will remain a priority, but this will be balanced with continuing investment in strategic growth areas mainly corporate platforms and staffing as well as Africa roll-out. CIBW will continue to work on effective capital utilisation and liquidity management and develop appropriate responses to the changing regulatory environment.

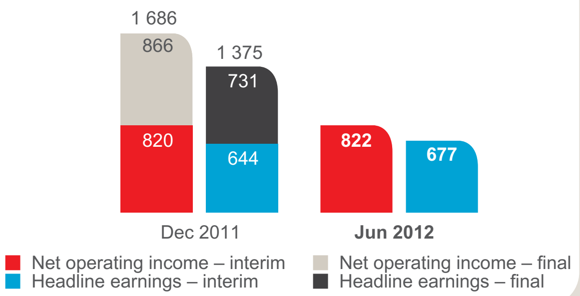
Note
[1]Includes on- and off-statement of financial position assets.

Financial Services

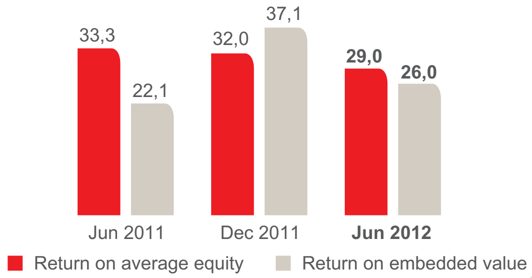
Key points to note

- Insurance earnings grew by **13%**.
- Effective cost management, with a cost-efficiency ratio of **24,3%** (30 June 2011: 26,5%) achieved.
- Operations in Botswana and Mozambique performing well and Zambia operational in second half of 2012.
- Embedded value of new business down year-on-year due to lower retail credit volumes.
- Assets under management of **R171** billion, remained unchanged year-on-year, with an increase of 2% from 31 December 2011.

Net operating income and headline earnings (Rm)



Return on average equity and embedded value (%)



Salient features	30 June 2012	30 June 2011	Change %	31 December 2011
Net operating income (Rm)	**822**	820	0	1 686
Headline earnings (Rm)	**678**	644	5	1 375
Return on average equity (%)	**29,0**	33,3		32,0
Cost-efficiency ratio (%)	**24,3**	26,5		25,2
Assets under management and administration (Rbn)	**171**	171	0	168

Business unit scope

Financial Services provides insurance, fiduciary and non-banking related investment products and services to individual customers. These products and services are offered via a well-established and unique financial services operating model, which combines the strengths of a traditional banking services model with that of a pure distribution channel. This integrated model enables Financial Services to efficiently provide financial services to all market segments in sub-Saharan Africa.

Financial Services

	Life			
	Six months ended 30 June			Year ended 31 December
	2012 Rm	2011 Rm	Change %	2011 Rm
Statement of comprehensive income				
Net insurance premium income	**1 004**	890	13	1 971
Net insurance claims and benefits paid	**(269)**	(253)	(6)	(550)
Investment income				
Policyholder investment contracts	**547**	263	>100	988
Policyholder insurance contracts	**96**	26	>100	107
Changes in investment contract and insurance contract liabilities				
Policyholder investment contracts	**(519)**	(239)	>(100)	(931)
Policyholder insurance contracts	**(90)**	46	>(100)	42
Other income	**(8)**	(15)	47	39
Gross operating income	**761**	718	6	1 666
Net commission paid by insurance companies[1]	**(186)**	(129)	(44)	(398)
Operating expenses	**(119)**	(119)	(0)	(268)
Other impairments and indirect taxation	**(35)**	(40)	13	(81)
Net operating income	**421**	430	(2)	919
Investments income on shareholder funds	**39**	27	44	74
Taxation expense	**(127)**	(129)	2	(258)
Profit for the period/year	**333**	328	2	735
Note				
1. Investment income				
Policyholder investment contracts	**547**	263	>100	988
Net interest income	**148**	419	(65)	519
Dividend income	**19**	12	58	27
Fair value gains/(losses)	**380**	(168)	>100	442
Policyholder insurance contracts	**96**	26	>100	107
Net interest income	**28**	30	(7)	69
Dividend income	**0**	3	>(100)	10
Fair value gains/(losses)	**68**	(7)	>100	28
Shareholder funds	**39**	27	44	74
Net interest income	**17**	12	42	24
Dividend income	**6**	7	(14)	12
Fair value gains/(losses)	**16**	8	>100	38
Total	**682**	316	>100	1 169
Net interest income	**193**	461	(58)	612
Dividend income	**25**	22	14	49
Fair value gains/(losses)	**464**	(167)	>100	508

	Six months ended 30 June			Year ended 31 December
Net fee and commission income	2012 Rm	2011 Rm	Change %	2011 Rm
Employee benefit related fees	**159**	184	(14)	353
Investment management and related fees	**414**	396	5	819
Net commission from advisor business	**205**	218	(6)	431
Net commission paid by insurance companies[1]	**(459)**	(379)	(21)	(902)
Trust and estate income	**128**	127	0	271
Other	**(11)**	—	(100)	(11)
	436	546	(20)	961

Note

[1]Includes internal commission, eliminated on consolidation of Absa Group's results.

Financial Services

Investments				Insurance				Fiduciary Services	
Six months ended 30 June			Year ended 31 December	Six months ended 30 June			Year ended 31 December	Six months ended 30 June	
2012 Rm	2011 Rm	Change %	2011 Rm	**2012 Rm**	2011 Rm	Change %	2011 Rm	**2012 Rm**	2011 Rm
—	—	—	—	**1 507**	1 480	2	2 905	**—**	—
—	—	—	—	**(1 035)**	(1 010)	(2)	(1 959)	**—**	—
—	—	—	—	**—**	—	—	—	**—**	—
—	—	—	—	**27**	28	(4)	65	**—**	—
—	—	—	—	**—**	—	—	—	**—**	—
—	—	—	—	**—**	—	—	—	**—**	—
425	415	2	831	**13**	21	(38)	46	**288**	314
425	415	2	831	**512**	519	(1)	1 057	**288**	314
—	—	—	—	**(232)**	(234)	1	(452)	**—**	—
(212)	(213)	0	(416)	**(147)**	(150)	2	(306)	**(240)**	(252)
(6)	(1)	>(100)	(6)	**3**	(0)	>100	(3)	**(2)**	(1)
207	201	3	409	**136**	135	1	296	**46**	61
11	10	10	23	**54**	36	50	87	**4**	4
(62)	(60)	(3)	(120)	**(51)**	(48)	(6)	(93)	**(15)**	(19)
156	151	3	312	**139**	123	13	290	**35**	46
—	—	—	—	**—**	—	—	—	**—**	—
—	—	—	—	**—**	—	—	—	**—**	—
—	—	—	—	**—**	—	—	—	**—**	—
—	—	—	—	**—**	—	—	—	**—**	—
—	—	—	—	**27**	28	(4)	65	**—**	—
—	—	—	—	**27**	28	(4)	65	**—**	—
—	—	—	—	**—**	—	—	—	**—**	—
—	—	—	—	**—**	—	—	—	**—**	—
11	10	10	23	**54**	36	50	87	**4**	4
11	10	10	23	**46**	40	15	78	**—**	—
—	—	—	—	**5**	5	0	10	**—**	—
—	—	—	—	**3**	(9)	>100	(1)	**4**	4
11	10	10	23	**81**	64	27	152	**4**	4
11	10	10	23	**73**	68	7	143	**—**	—
—	—	—	—	**5**	5	0	10	**—**	—
—	—	—	—	**3**	(9)	>100	(1)	**4**	4

Segment report per geographical segment	Six months ended 30 June			Year ended 31 December	Six months ended 30 June	
	2012 South Africa Rm	2011 South Africa Rm	Change %	2011 South Africa Rm	**2012 Rest of Africa Rm**	2011 Rest of Africa Rm
Net insurance premium income	**2 510**	2 370	6	4 876	**151**	33
Net insurance claims and benefits paid	**(1 304)**	(1 263)	(3)	(2 509)	**(48)**	(0)
Gross operating income	**2 206**	2 192	1	4 632	**104**	21
Operating expenses	**(941)**	(957)	(2)	(1 985)	**(39)**	(7)
Net operating income	**802**	825	(3)	1 697	**20**	(5)
Profit for the period/year	**664**	649	2	1 391	**13**	(5)

Financial Services

		Other				Financial Services			
	Year ended 31 December	Six months ended 30 June			Year ended 31 December	Six months ended 30 June			Year ended 31 December
Change %	2011 Rm	**2012 Rm**	2011 Rm	Change %	2011 Rm	**2012 Rm**	2011 Rm	Change %	2011 Rm
—	—	**150**	33	>100	154	**2 661**	2 403	11	5 030
—	—	**(48)**	(0)	>(100)	(24)	**(1 352)**	(1 263)	(7)	(2 533)
—	—	**18**	(9)	>100	—	**565**	254	>100	988
—	—	**2**	0	>100	1	**125**	54	>100	173
—	—	**(6)**	21	>(100)	25	**(525)**	(218)	>(100)	(906)
—	—	**(3)**	(14)	79	(48)	**(93)**	32	>(100)	(6)
(8)	628	**211**	216	(2)	425	**929**	951	(2)	1 969
(8)	628	**324**	247	31	533	**2 310**	2 213	4	4 715
—	—	**(41)**	(16)	>(100)	(52)	**(459)**	(379)	(21)	(902)
5	(516)	**(262)**	(230)	(14)	(514)	**(980)**	(964)	(2)	(2 020)
(100)	(3)	**(9)**	(8)	(25)	(14)	**(49)**	(50)	2	(107)
(25)	109	**12**	(7)	>100	(47)	**822**	820	0	1 686
0	7	**9**	3	>100	7	**117**	80	46	198
21	(33)	**(7)**	—	>(100)	(7)	**(262)**	(256)	(2)	(511)
(24)	83	**14**	(4)	>100	(47)	**677**	644	5	1 373
—	—	**18**	(9)	>100	—	**565**	254	>100	988
—	—	**—**	1	>(100)	—	**148**	420	(65)	519
—	—	**12**	9	33	17	**31**	21	48	44
—	—	**6**	(19)	>100	(17)	**386**	(187)	>100	425
—	—	**2**	—	100	1	**125**	54	>100	173
—	—	**2**	—	100	1	**57**	58	(2)	135
—	—	**—**	—	—	—	**—**	3	>(100)	10
—	—	**—**	—	—	—	**68**	(7)	>100	28
0	7	**9**	3	>100	7	**117**	80	46	198
—	—	**3**	—	100	—	**77**	62	26	125
—	—	**—**	—	—	—	**11**	12	(8)	22
0	7	**6**	3	>100	7	**29**	6	>100	51
0	7	**29**	(6)	>100	8	**807**	388	>100	1 359
—	—	**5**	1	>100	1	**282**	540	(47)	779
—	—	**12**	9	33	17	**42**	36	17	76
0	7	**12**	(16)	>100	(10)	**483**	(188)	>100	504

	Year ended 31 December	Six months ended 30 June			Year ended 31 December
Change %	2011 Rest of Africa Rm	**2012 Total Rm**	2011 Total Rm	Change %	2011 Total Rm
>100	154	**2 661**	2 403	11	5 030
>(100)	(24)	**(1 352)**	(1 263)	(7)	(2 533)
>100	83	**2 310**	2 213	4	4 715
>(100)	(35)	**(980)**	(964)	(2)	(2 020)
>100	(11)	**822**	820	0	1 686
>100	(18)	**677**	644	5	1 373

Financial Services

	30 June 2012 Rm	30 June 2011[1] Rm	Change %	31 December 2011[1] Rm
Statement of financial position				
Assets				
Cash balances and loans and advances to banks	**2 910**	1 334	>100	2 815
Insurance[2]	**1 729**	198	>100	1 381
Non-insurance	**1 181**	1 136	4	1 434
Other assets[3]	**4 411**	3 203	38	3 898
Financial assets backing investment and insurance liabilities	**19 021**	18 810	1	18 797
Policyholder investment securities	**17 536**	17 175	2	17 454
Insurance[2]	**16 938**	16 640	2	16 871
Non-insurance	**598**	535	12	583
Shareholder investment securities	**1 485**	1 635	(9)	1 344
Insurance	**993**	1 511	(34)	1 212
Non-insurance	**492**	124	100	132
Property and equipment	**128**	79	62	133
Total assets	**26 470**	23 426	13	25 643
Liabilities				
Liabilities under investment contracts	**15 427**	14 478	7	15 233
Policyholder liabilities under insurance contracts[4]	**3 202**	2 786	15	3 167
Other liabilities[3]	**2 935**	1 785	64	2 604
Deferred tax liabilities	**44**	14	>100	40
Total liabilities	**21 608**	19 063	13	21 044
Equity				
Capital and reserves	**4 733**	4 363	8	4 599
Non-controlling interest – ordinary shares[5]	**129**	—	100	—
Total equity	**4 862**	4 363	11	4 599
Total liabilities and equity	**26 470**	23 426	13	25 643

Notes

[1]Comparatives have been reclassified to align to insurance industry norms. These reclassifications are unaudited.

[2]Comparatives have been reclassified. These reclassifications are unaudited. During the second half of 2011, the Group reclassified certain money market instruments linked to investment contracts. Refer to page 109.

[3]Includes settlement account balances in Absa Stockbrokers.

[4]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.

[5]Financial Services bought 65,5% of the units in the Absa Property Equity Fund (APEF) from Business Markets on 28 June 2012. The fund has been consolidated since the acquisition date as Financial Services are exposed to the majority of the risks and rewards in the fund.

Financial Services

Note

1. Financial assets backing investment and insurance liabilities

	30 June 2012					
	Debt instruments Rm	Listed equity instruments Rm	Unlisted equity and hybrid instruments Rm	Money market instruments Rm	Cash balances and loans and advances to banks and other Rm	Total Rm
Policyholder investment securities[1]	378	9 550	57	6 325	1 226	17 536
Investment contracts	58	8 395	57	6 325	1 226	16 061
Insurance contracts	320	1 155	—	—	—	1 475
Shareholder investment securities	602	338	53	—	1 729	2 722
Life	103	258	2	—	790	1 153
Insurance	499	80	51	—	939	1 569
	980	9 888	110	6 325	2 955	20 258

	30 June 2011					
	Debt instruments Rm	Listed equity instruments Rm	Unlisted equity and hybrid instruments Rm	Money market instruments[2] Rm	Cash balances and loans and advances to banks and other[2] Rm	Total Rm
Policyholder investment securities[1]	419	7 736	548	6 749	1 723	17 175
Investment contracts	1	6 680	548	6 749	1 723	15 701
Insurance contracts	418	1 056	—	—	—	1 474
Shareholder investment securities	801	583	127	—	198	1 709
Life	136	477	2	—	91	706
Insurance	665	106	125	—	107	1 003
	1 220	8 319	675	6 749	1 921	18 884

Notes

[1]Includes **R845 million** (30 June 2011: R838 million) assets linked to insurance contracts representing Absa Life Limited's investment in the Absa General Fund. The fund is consolidated as an investment contract with the related policyholder liability disclosed as an insurance contract.

[2]Comparatives have been reclassified. These reclassifications are unaudited. During the second half of 2011, the Group reclassified certain money market instruments linked to investment contracts. Refer to page 109.

Note *(continued)*

1. Financial assets backing investment and insurance liabilities *(continued)*

	31 December					
	2011					
	Debt instruments Rm	Listed equity instruments Rm	Unlisted equity and hybrid instruments Rm	Money market instruments Rm	Cash balances and loans and advances to banks and other Rm	Total Rm
Policyholder investment securities[1]	531	9 048	47	6 599	1 229	17 454
Investment contracts	49	7 942	47	6 599	1 229	15 866
Insurance contracts	482	1 106	—	—	—	1 588
Shareholder investment securities	750	409	53	—	1 381	2 593
Life	99	319	2	—	630	1 050
Insurance	651	90	51	—	751	1 543
	1 281	9 457	100	6 599	2 610	20 047

Notes

[1]Includes R814 million assets linked to insurance contracts representing Absa Life Limited's investment in the Absa General Fund. The fund is consolidated as an investment contract with related policyholder liability disclosed as an insurance contract.

Financial Services

Reconciliation with Group	Financial Services Rm	30 June 2012 Inter-group balances and transactions Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investments linked to investment contracts	14 835	(4 314)	—	10 521
Policyholder liabilities under insurance contracts	(3 202)	72	(109)	(3 239)
Statement of comprehensive income[2]				
Net insurance premium income	2 661	(8)	104	2 757
Net insurance claims and benefits paid	(1 352)	—	(8)	(1 360)
Net gains on investments from insurance activities	565	(205)	—	360
Cash, cash balances and balances with central banks	379	(205)	—	174
Debt instruments	3	—	—	3
Equity instruments	183	—	—	183

Reconciliation with Group	Financial Services Rm	30 June 2011 Inter-group balances and transactions Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investments linked to investment contracts[3]	13 978	(4 723)	—	9 255
Policyholder liabilities under insurance contracts	(2 786)	287	(308)	(2 807)
Statement of comprehensive income[2]				
Net insurance premium income	2 403	(17)	95	2 481
Net insurance claims and benefits paid	(1 263)	8	(8)	(1 263)
Net gains on investments from insurance activities	254	(167)	—	87
Cash, cash balances and balances with central banks	261	(167)	—	94
Debt instruments	0	—	—	0
Equity instruments	(7)	—	—	(7)

Notes

[1]Consists of Absa Manx Insurance Company and Woolworths Financial Services.

[2]Debit amounts are disclosed as positive, credit amounts are disclosed as negative.

[3]Comparatives have been reclassified. These reclassifications are unaudited. During the second half of 2011, the Group reclassified certain money market instruments linked to investment contracts. Refer to page 109.

Financial Services

	31 December			
	2011			
Reconciliation with Group	Financial Services Rm	Inter-group balances and transactions Rm	Other[1] Rm	Absa Group Rm
Statement of financial position[2]				
Investments linked to investment contracts	14 637	(4 745)	—	9 892
Policyholder liabilities under insurance contracts	(3 167)	118	(134)	(3 183)
Statement of comprehensive income[2]				
Net insurance premium income	5 030	(32)	211	5 209
Net insurance claims and benefits paid	(2 533)	—	16	(2 517)
Net gains on investments from insurance activities	988	(477)	—	511
Cash, cash balances and balances with central banks	806	(477)	—	329
Debt instruments	(2)	—	—	(2)
Equity instruments	184	—	—	184

Notes
[1]Consists of Absa Manx Insurance Company and Woolworths Financial Services.
[2]Debit amounts are disclosed as positive; credit amounts are disclosed as negative.

Financial Services

Key business areas

- **Life insurance (Life)** – offers life insurance which covers death, disability and retrenchment, and funeral and investment products.
- **Investments** – consists of six business segments which operate on a collaborative basis to offer individual and institutional customers access to high-quality investment products and services. These include asset management, private client asset management, multi-management, unit trusts, stock broking, participation bonds and linked investments.
- **Short-term insurance (Insurance)** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-customer short-term solution, Absa idirect, is also available to the retail market.
- **Fiduciary services** – consists of employee benefits businesses, offering retirement fund administration, consulting and actuarial services and Health Care Services and Absa Trust which 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. It provides a full spectrum of financial advisory services and acts as an intermediary between Absa customers and various other product providers.

Financial performance

Gross and net insurance premiums were up 17% and 11% respectively on the comparative period. Non-premium revenue remained at prior year levels. Assets under management remained unchanged at R171 billion despite the closure of the Dividend Income Fund. Total operating expenses grew by a modest 2%; however, excluding the new operations outside of South Africa, operating expenses declined 1%. As a result, net operating income of R822 million was achieved, in line with the comparative period last year. An improved performance in the equity and bond markets as well as a change in the investment mix resulted in increased investment income and headline earnings grew by 5% to R678 million. A return on average equity of 29,0% was achieved, lower than the 32,0% achieved at the end of the prior year, attributable to capital retained in the business to fund the Africa expansion programme. The objective of a 30% RoE remains.

Favourable

- Double-digit growth in net premium income.
- Improved cost control and efficiency measures.
- Short-term underwriting performance of most product lines excluding crop.
- Performance of newly established/acquired entities in Botswana and Mozambique.

Unfavourable

- Short-term insurance claims experience in Agriculture.
- Embedded value of new business.
- Closure of Dividend Income Fund and volatile institutional fund flows in Money Market.

Business performance

Life insurance (Life)

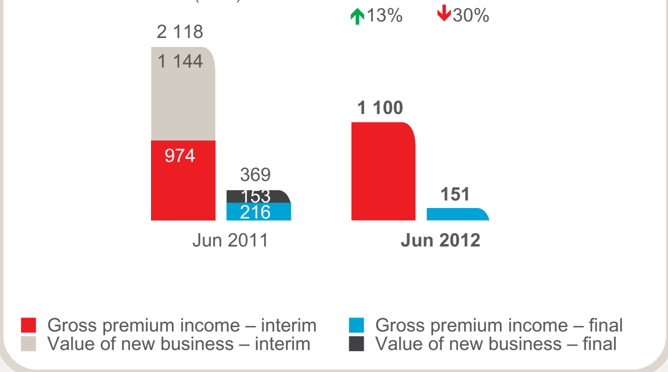
Net premiums grew by 13% during the reporting period, mainly due to excellent new business volumes written during prior years, focus on distribution channels and capacity as well as the entrenchment of the Bancassurance model. The embedded value of new business decreased by 30%, on the back of lower new loan volumes in RBB, although this trend improved during the latter part of the reporting period and is expected to improve further in the second half of the year. Investment returns were not sufficient to fund the guaranteed returns of all relevant products, resulting in a transfer to policyholder liabilities. Costs were well controlled and remained at prior year levels.

The embedded value earnings improved from R295 million to R377 million at 30 June 2012. The return on embedded value is 26,0%, compared to 22,1% for the comparative period in 2011.

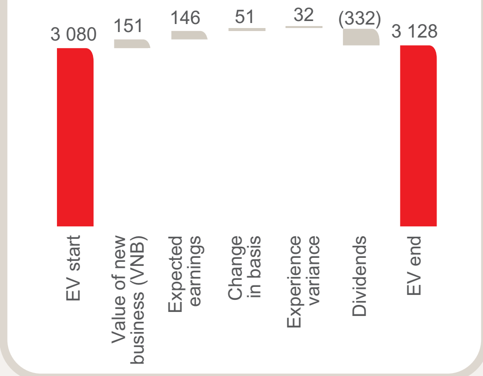
Financial Services

Business performance *(continued)*

Life insurance (Life) *(continued)*



Gross premium income and value of new business (Rm)

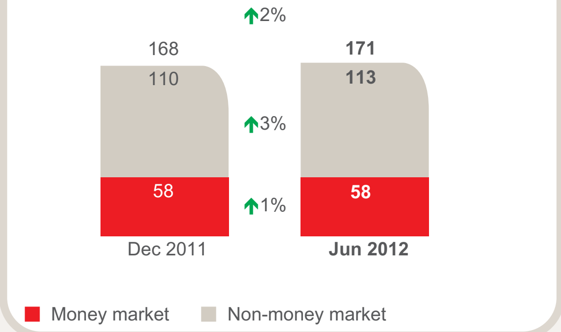


Embedded value (EV) earnings

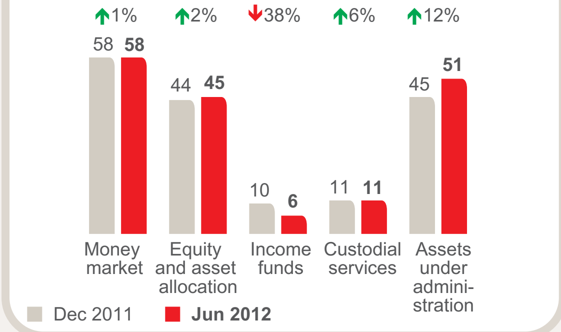
Salient features	30 June 2012 Rm	30 June 2011 Rm	Change %	31 December 2011 Rm
Shareholders' net assets	**1 461**	1 608	(10)	1 477
Cost of solvency capital	**(410)**	(521)	21	(404)
Value of business in force	**2 078**	1 771	17	2 007
	3 128	2 858	9	3 080
Embedded value earnings (Rm)	**377**	295	28	1 045
Return on embedded value (%)	**26,0**	22,1		37,1
Embedded value of new business (Rm)	**151**	216	(30)	369
Value of new business as a % of the present value of future premiums (%)	**8,1**	8,5		7,4

Investments

Despite the continued volatility of institutional fund flows in money markets and a R4 billion reduction in assets due to the closure of the Dividend Income Fund, assets under management remain unchanged at R171 billion for 30 June 2012. Institutional and Retail mandates procured over the period resulted in equity and administration based inflows of R7 billion. Margins declined from 50 bps to 49 bps and revenue grew 2% to R425 million. Increased efficiencies and strong cost management led to a decline in operating expenses. Attributable earnings grew 3% to R156 million.



Assets under management (Rbn and % change)



Assets under management (Rbn and change %)

Business performance *(continued)*

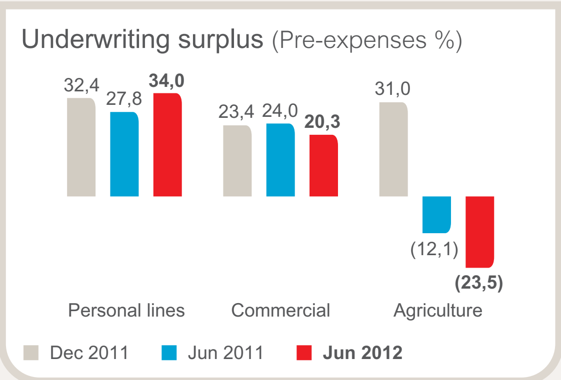
Investments *(continued)*

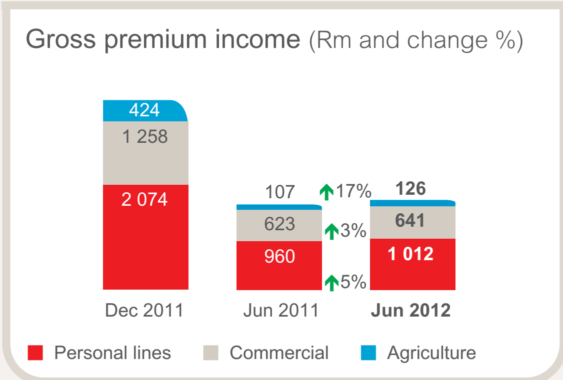
Salient features	30 June 2012	30 June 2011	Change %	31 December 2011
Attributable earnings (Rm)	**156**	151	3	312
Gross margin (bps)	**49**	50		49
Net flows (Rbn)	**0,1**	7,7	>(100)	4,3
Money market	**(13,1)**	5,1	>(100)	(8,5)
Non-money market	**13,2**	2,6	>100	12,8
Net AUMs (Rbn)	**171**	171	0	168

Insurance

Gross and net premiums increased by 5% and 2% respectively and were impacted by a focus on removing non-profitable business. However, improved underwriting and efficiencies implemented in respect of claims management resulted in strong underwriting results in personal lines. Weather-related claims experienced in respect of agriculture insurance resulted in an underwriting loss for the period for this product line.

Increased efficiencies and cost disciplines resulted in a decline of 2% in operating expenses. Attributable earnings grew by 13% from R123 million to R139 million for the six months ended 30 June 2012.





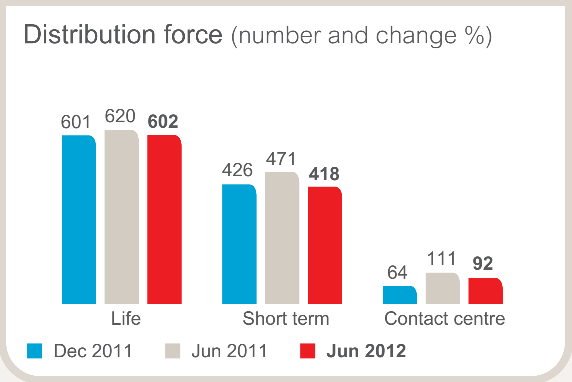
Salient features	30 June 2012 Rm	30 June 2011 Rm	Change %	31 December 2011 Rm
Net asset value	**1 792**	1 646	9	1 806
Attributable earnings	**139**	123	13	290
Gross premiums	**1 779**	1 690	5	3 756
Underwriting profit	**117**	111	5	495
Underwriting margin (%)	**6,2**	7,5		6,5
Solvency margin (%)	**61,1**	55,2		62,1
Claims ratio (%)	**68,7**	68,2		67,4

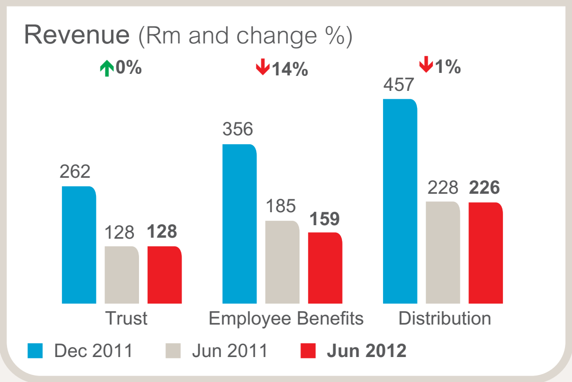
Business performance *(continued)*

Fiduciary services

Fiduciary services include Absa Trust, Estate Administration and Employee Benefits. Absa Trust continues to generate solid cash flows and achieved a RoE of 77% for the reporting period. Absa Trust has shown pleasing results and will continue to focus on attracting high value estates and wills. The revenue of the Employee Benefits business declined during the period due to the loss of non-annuity income included in the 2011 base and attributable earnings declined from R18 million to R6 million.

	30 June			31 December
Salient features	**2012 Rm**	2011 Rm	Change %	2011 Rm
Attributable earnings	**35**	46	(24)	83
Average value of estates distributed	**877**	847	4	907
Members under administration (number of members)	**797 750**	798 322	(0)	763 277





Distribution

Distribution achieved revenue of R226 million despite muted growth in the economy. A new adviser operating model is being implemented which will transform a sales-driven approach to a more customer-centric approach where annuity income business is driven. This initiative creates a competitive value proposition for the Absa adviser to meet customer needs. Strategic partners have been selected, and an Absa agency proposition was developed. Programmes to drive collaboration within the Group will deliver better service and product delivery.

Financial Services

Business performance *(continued)*

Expansion into the rest of Africa

Absa Life Botswana has performed well and business volumes and earnings are in line with expectations. Net premiums written in Absa Life Botswana for the reporting period amounted to R65 million and profit after tax to R15 million. Global Alliance Mozambique achieved net premiums of R86 million for the reporting period and contributed after tax profits of R5 million.

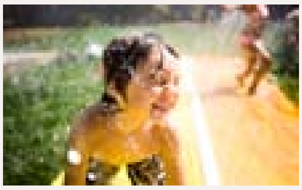
Looking ahead

Absa Financial Services will continue to embed its bancassurance operating model across the Absa and Barclays footprint. Its growth strategy is based on the delivery of customer-centric solutions to the Group's RBB segment. This will be achieved through a clear understanding of customer needs and advanced leads management. In support of the Group's One Africa vision, Absa Financial Services will continue its expansion into new markets across Africa, with immediate focus on Zambia. Management will maintain a focus on delivering differentiated customer service, targeting growth in selected areas, optimising profitability and nurturing a culture that supports bancassurance leadership and excellence.

Capital management

Contents

Overview of capital management within Absa Group and Absa Bank.



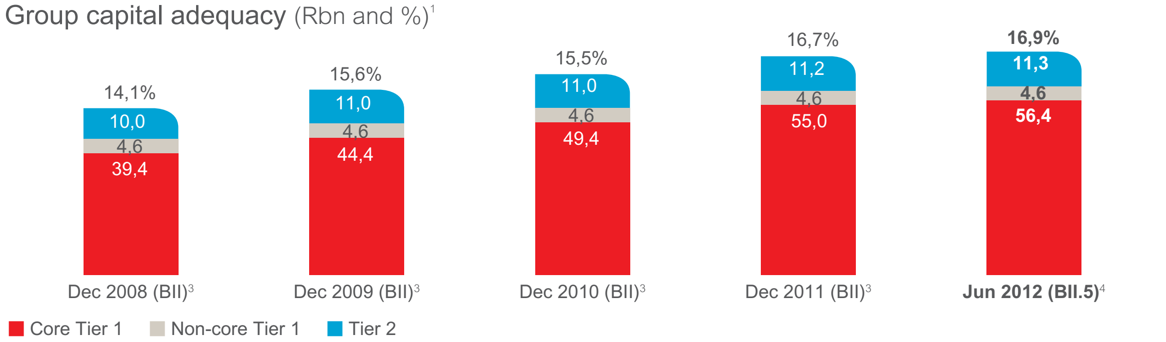
Salient features

Key points to note

- Strong capital position maintained above board-approved target ranges.
- Successful implementation of the Advanced Internal Ratings Based Approach on the wholesale portfolio and Basel II.5 with minimal impact on Core Tier 1.
- Optimal mix of capital remains a key priority.
- Continued focus on net generation of equity and risk-weighted assets optimisation.
- Industry-wide discussion with the South African Reserve Bank (SARB) on pending Basel III regulatory changes continues, in order to clarify uncertainty from a South African perspective. Areas requiring clarification include elements of capital supply, capital demand and capital buffers.

	30 June	31 December			
Group[1]	2012	2011	2011	Minimum regulatory capital requirements	Board target ranges
Capital adequacy (%)					
Core Tier 1	**13,2**	12,8	13,0	**5,25**	**9,5 – 11,0**
Tier 1	**14,3**	13,9	14,1	**7,00**	**—**
Total	**16,9**	16,7	16,7	**9,50**	**12,5 – 14,0**
Capital supply and demand (Rm)					
Free cash flow generated	**1 526**	3 762	3 614		
Qualifying capital	**72 261**	68 169	70 780		
Total risk-weighted assets	**426 452**	408 397	424 489		
Key metrics (%)					
Cost of equity[2]	**13,5**	14,0	14,0		
Return on average risk-weighted assets (RoRWA)	**2,08**	2,23	2,35		
Return on average economic capital (RoEC)	**20,8**	22,4	23,0		

Group capital adequacy (Rbn and %)[1]

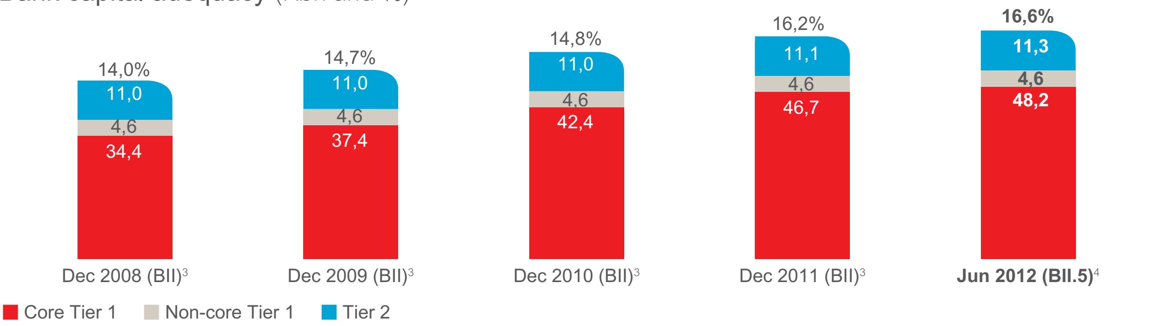


Notes
[1]Reported ratios include unappropriated profits.
[2]The average cost of equity is based on the Capital Asset Pricing Model. This metric changed during the current reporting period.
[3]BII: Basel II.
[4]BII.5: Basel II.5.

Salient features

Bank[1]	30 June 2012	31 December 2011	2011	Minimum regulatory capital requirements	Board target ranges
Capital adequacy (%)					
Core Tier 1	**12,5**	11,8	12,1	**5,25**	**9,0 – 10,5**
Tier 1	**13,7**	13,0	13,3	**7,00**	**—**
Total	**16,6**	16,0	16,2	**9,50**	**12,0 – 13,5**
Capital supply and demand (Rm)					
Free cash flow generated	**2 045**	3 724	4 686		
Qualifying capital	**64 076**	59 954	62 449		
Total risk-weighted assets	**386 490**	373 785	384 933		
Key metrics (%)					
Cost of equity[2]	**13,5**	14,0	14,0		

Bank capital adequacy (Rbn and %)[1]



Notes

[1]Reported ratios include unappropriated profits.

[2]The average cost of equity is based on the Capital Asset Pricing Model. This metric changed during the current reporting period.

[3]BII: Basel II.

[4]BII.5: Basel II.5.

Capital adequacy

The capital adequacy disclosures of the Group and Bank are as follows:

		30 June						31 December		
		2012			2011			2011		
Operations	Regulator	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %
Group	**SARB**									
➜ Including unappropriated profits		**72 261**	**14,3**	**16,9**	68 169	13,9	16,7	70 780	14,1	16,7
➜ Excluding unappropriated profits		**66 531**	**13,0**	**15,6**	62 808	12,6	15,4	62 489	12,1	14,7
Bank	**SARB**									
➜ Including unappropriated profits		**64 076**	**13,7**	**16,6**	59 954	13,0	16,0	62 449	13,3	16,2
➜ Excluding unappropriated profits		**60 641**	**12,8**	**15,7**	56 804	12,2	15,2	56 409	11,8	14,7

Regulatory capital

Risk-weighted assets (RWAs)

The RWAs of the Group and Bank are as follow:

RWAs and minimum required capital – Group	30 June 2012 RWAs Rm	30 June 2012 Minimum required capital[1] Rm	30 June 2011 RWAs Rm	30 June 2011 Minimum required capital[1] Rm	31 December 2011 RWAs Rm	31 December 2011 Minimum required capital[1] Rm
Basel II measurement approach						
Credit risk	311 737	29 615	298 851	28 391	317 920	30 202
Portfolios subject to the Advanced internal ratings based (AIRB) approach	300 209	28 520	143 220	13 606	145 870	13 858
Portfolios subject to the Foundation internal ratings based (FIRB) approach	—	—	143 651	13 647	159 740	15 175
Portfolios subject to the Standardised Approach (SA),	10 212	970	9 409	894	10 595	1 006
Securitisation[2]	1 316	125	2 571	244	1 715	163
Equity investment risk						
Market-based approach (simple risk-weighted approach)	23 864	2 267	24 136	2 293	22 168	2 106
Market risk	13 354	1 269	9 852	936	8 357	794
Standardised Approach	3 257	310	3 058	291	3 828	364
Internal models approach (IMA)	10 097	959	6 794	645	4 529	430
Operational risk[3]						
Advanced measurement approach (AMA)	60 786	5 775	59 037	5 609	59 460	5 649
Non-customer assets	16 711	1 587	16 521	1 569	16 584	1 575
	426 452	40 513	408 397	38 798	424 489	40 326
Pillar 1 requirement (8%)		34 116		32 672		33 959
Pillar 2a requirement (1,5%)		6 397		6 126		6 367

Notes

[1]The required capital is the regulatory minimum (9,50%) excluding the bank specific (Pillar 2b) add on.

[2]Credit risk RWAs pertaining to securitisation have been disclosed separately. This resulted in a reclassification of comparative information.

[3]AMA for operational risk, except for an immaterial portion of the Group that uses the Basic Indicator approach, or Standardised Approach.

Risk-weighted assets (RWAs) *(continued)*

RWAs and minimum required capital – Bank	30 June 2012 RWAs Rm	30 June 2012 Minimum required capital[1] Rm	30 June 2011 RWAs Rm	30 June 2011 Minimum required capital[1] Rm	31 December 2011 RWAs Rm	31 December 2011 Minimum required capital[1] Rm
Basel II measurement approach						
Credit risk	283 620	26 944	275 603	26 182	289 949	27 545
Portfolios subject to the AIRB approach	282 304	26 819	133 186	12 652	135 071	12 832
Portfolios subject to the FIRB approach	—	—	139 846	13 286	153 163	14 550
Securitisation[2]	1 316	125	2 571	244	1 715	163
Equity investment risk						
Market-based approach (simple risk-weighted approach)	25 669	2 439	26 824	2 548	24 555	2 333
Market risk	13 329	1 266	9 852	936	8 357	794
Standardised Approach	3 232	307	3 058	291	3 828	364
IMA	10 097	959	6 794	645	4 529	430
Operational risk[3]						
AMA	52 867	5 022	50 654	4 812	51 067	4 851
Non-customer assets	11 005	1 045	10 852	1 031	11 005	1 046
	386 490	36 716	373 785	35 509	384 933	36 569
Pillar 1 requirement (8%)		30 919		29 903		30 795
Pillar 2a requirement (1,5%)		5 797		5 606		5 774

Notes

[1]The required capital is the regulatory minimum (9,50%) excluding the bank specific (Pillar 2b) add on.

[2]Credit risk RWAs pertaining to securitisation have been disclosed separately. This resulted in a reclassification of comparative information.

[3]AMA for operational risk, except for an immaterial portion of the Group that uses the Basic Indicator approach, or Standardised Approach.

Capital supply

The Group increased its total qualifying capital supply for the six months ended 30 June 2012 by R1,5 billion (30 June 2011: R2,8 billion; 31 December 2011: R5,4 billion).

	Six months ended 30 June		Year ended 31 December	Six months ended 30 June		Year ended 31 December
	Group			Bank		
Movements in qualifying capital	**2012 Rm**	2011 Rm	2011 Rm	**2012 Rm**	2011 Rm	2011 Rm
Balance at the beginning of the year (excluding unappropriated profits)	**62 489**	62 770	62 770	**56 409**	56 890	56 890
Share capital, premium and reserves	**3 860**	(23)	37	**3 932**	(133)	(175)
Non-controlling interest – ordinary shares	**(62)**	86	238	**—**	—	—
Tier 2 subordinated debt issued	**—**	—	—	**—**	—	—
Tier 2 subordinated debt matured	**—**	—	—	**—**	—	—
General allowance for credit impairments:						
→ Standardised Approach	**9**	1	3	**—**	—	—
→ Regulatory deductions	**235**	(26)	(559)	**300**	47	(306)
Balance at the end of the period/year (excluding unappropriated profits)	**66 531**	62 808	62 489	**60 641**	56 804	56 409
Add: unappropriated profits	**5 730**	5 361	8 291	**3 435**	3 150	6 040
Qualifying capital including unappropriated profits	**72 261**	68 169	70 780	**64 076**	59 954	62 449

Capital supply

Breakdown of qualifying capital – Group	30 June 2012 Rm	30 June 2012 %[1]	30 June 2011 Rm	30 June 2011 %[1]	31 December 2011 Rm	31 December 2011 %[1]
Core Tier 1	50 619	11,9	46 816	11,5	46 685	11,0
Ordinary share capital	1 434	0,3	1 434	0,4	1 434	0,3
Ordinary share premium	4 572	1,1	4 562	1,1	4 676	1,1
Reserves[2]	46 279	10,9	42 368	10,4	42 314	10,0
Non-controlling interest – ordinary shares	1 391	0,3	1 301	0,3	1 453	0,3
Deductions	(3 057)	(0,7)	(2 849)	(0,7)	(3 192)	(0,7)
Goodwill	(553)	(0,1)	(572)	(0,1)	(568)	(0,1)
50% of financial and insurance entities not consolidated	(154)	(0,0)	(62)	(0,0)	(122)	(0,0)
50% of amount by which expected loss exceeds eligible provisions	(1 220)	(0,3)	(1 222)	(0,3)	(1 352)	(0,3)
Other deductions	(1 130)	(0,3)	(993)	(0,3)	(1 150)	(0,3)
Non-core Tier 1						
Preference share capital and premium	4 644	1,1	4 644	1,1	4 644	1,1
Tier 1 capital (primary capital)	55 263	13,0	51 460	12,6	51 329	12,1
Tier 2 capital (secondary capital)	11 268	2,6	11 348	2,8	11 160	2,6
Subordinated redeemable debt	12 611	2,9	12 611	3,1	12 611	2,9
General allowance for credit impairment, after deferred tax – SA	31	0,0	21	0,0	23	0,0
Deductions	(1 374)	(0,3)	(1 284)	(0,3)	(1 474)	(0,3)
50% of financial and insurance entities not consolidated	(154)	(0,0)	(62)	(0,0)	(122)	(0,0)
50% of amount by which expected loss exceeds eligible provisions	(1 220)	(0,3)	(1 222)	(0,3)	(1 352)	(0,3)
Total qualifying capital (excluding unappropriated profits)	66 531	15,6	62 808	15,4	62 489	14,7
Qualifying capital (including unappropriated profits)						
Tier 1 capital	60 993	14,3	56 821	13,9	59 620	14,1
Core Tier 1 (excluding unappropriated profits)	50 619	11,9	46 816	11,5	46 685	11,0
Unappropriated profits	5 730	1,3	5 361	1,3	8 291	2,0
Non-core Tier 1	4 644	1,1	4 644	1,1	4 644	1,1
Tier 2 capital	11 268	2,6	11 348	2,8	11 160	2,6
Total qualifying capital (including unappropriated profits)	72 261	16,9	68 169	16,7	70 780	16,7

Notes
[1]Percentage of capital to RWA.
[2]Reserves exclude unappropriated profits.

Capital supply

Breakdown of qualifying capital – Bank	30 June 2012 Rm	30 June 2012 %[1]	30 June 2011 Rm	30 June 2011 %[1]	31 December 2011 Rm	31 December 2011 %[1]
Core Tier 1	44 734	11,6	40 905	11,0	40 655	10,6
Ordinary share capital	303	0,1	303	0,1	303	0,1
Ordinary share premium	11 465	3,0	11 465	3,1	11 465	3,0
Reserves[2]	34 891	9,0	31 001	8,3	30 959	8,0
Deductions	(1 925)	(0,5)	(1 864)	(0,5)	(2 072)	(0,5)
50% of amount by which expected loss exceeds eligible provisions	(1 348)	(0,4)	(1 356)	(0,4)	(1 501)	(0,4)
Other deductions	(577)	(0,1)	(508)	(0,1)	(571)	(0,1)
Non-core Tier 1						
Preference share capital and premium	4 644	1,2	4 644	1,2	4 644	1,2
Tier 1 capital (primary capital)	49 378	12,8	45 549	12,2	45 299	11,8
Tier 2 capital (secondary capital)	11 263	2,9	11 255	3,0	11 110	2,9
Subordinated redeemable debt	12 611	3,3	12 611	3,4	12 611	3,3
Deductions						
50% of amount by which expected loss exceeds eligible provisions	(1 348)	(0,4)	(1 356)	(0,4)	(1 501)	(0,4)
Total qualifying capital (excluding unappropriated profits)	60 641	15,7	56 804	15,2	56 409	14,7
Qualifying capital (including unappropriated profits)						
Tier 1 capital	52 813	13,7	48 699	13,0	51 339	13,3
Core Tier 1 (excluding unappropriated profits)	44 734	11,6	40 905	11,0	40 655	10,6
Unappropriated profits	3 435	0,9	3 150	0,8	6 040	1,5
Non-core Tier 1	4 644	1,2	4 644	1,2	4 644	1,2
Tier 2 capital	11 263	2,9	11 255	3,0	11 110	2,9
Total qualifying capital (including unappropriated profits)	64 076	16,6	59 954	16,0	62 449	16,2

Notes

[1]Percentage of capital to RWA.

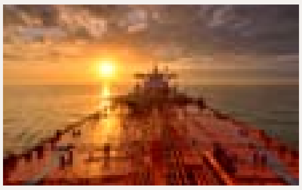
[2]Reserves exclude unappropriated profits.

Reclassification of prior period/ year figures

Contents

107 – 113
Reclassification of prior period/year figures

Overview of the reclassification of prior period/year figures.



Condensed consolidated statement of financial position

	Note	30 June 2011 (Unaudited) As previously reported Rm	Reclassifications[1] Rm	Reclassified Rm
Assets				
Cash, cash balances and balances with central banks	1	25 814	(1 198)	24 616
Statutory liquid asset portfolio		50 999	—	50 999
Loans and advances to banks	2	30 911	175	31 086
Trading portfolio assets		57 607	—	57 607
Hedging portfolio assets		3 564	—	3 564
Other assets	2	16 449	(1 571)	14 878
Current tax assets		191	—	191
Non-current assets held for sale		369	—	369
Loans and advances to customers	2,3	495 460	8 739	504 199
Reinsurance assets		773	—	773
Investment securities	1	21 100	1 198	22 298
Investments in associates and joint ventures		407	—	407
Goodwill and intangible assets		1 864	—	1 864
Investment properties		2 695	—	2 695
Property and equipment		7 363	—	7 363
Deferred tax assets		352	—	352
Total assets		715 918	7 343	723 261
Liabilities				
Deposits from banks		17 365	—	17 365
Trading portfolio liabilities		35 930	—	35 930
Hedging portfolio liabilities		1 351	—	1 351
Other liabilities		15 885	—	15 885
Provisions		1 343	—	1 343
Current tax liabilities		486	—	486
Deposits due to customers	3	398 330	7 343	405 673
Debt securities in issue		148 468	—	148 468
Liabilities under investment contracts		14 478	—	14 478
Policyholder liabilities under insurance contracts		2 807	—	2 807
Borrowed funds		13 786	—	13 786
Deferred tax liabilities		1 456	—	1 456
Total liabilities		651 685	7 343	659 028
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		1 434	—	1 434
Share premium		4 562	—	4 562
Retained earnings		50 876	—	50 876
Other reserves		1 416	—	1 416
		58 288	—	58 288
Non-controlling interest – ordinary shares		1 301	—	1 301
Non-controlling interest – preference shares		4 644	—	4 644
Total equity		64 233	—	64 233
Total liabilities and equity		715 918	7 343	723 261

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to page 109.

Condensed consolidated statement of financial position

		31 December 2011		
	Note	(Audited) As previously reported Rm	(Unaudited) Reclassifications[1] Rm	(Unaudited) Reclassified Rm
Assets				
Cash, cash balances and balances with central banks		26 997	—	26 997
Statutory liquid asset portfolio		57 473	—	57 473
Loans and advances to banks	2	57 432	67	57 499
Trading portfolio assets		84 623	—	84 623
Hedging portfolio assets		4 299	—	4 299
Other assets	2	16 219	(1 488)	14 731
Current tax assets		288	—	288
Non-current assets held for sale		35	—	35
Loans and advances to customers	2	503 503	1 421	504 924
Reinsurance assets		1 009	—	1 009
Investment securities		21 182	—	21 182
Investments in associates and joint ventures		420	—	420
Goodwill and intangible assets		2 135	—	2 135
Investment properties		2 839	—	2 839
Property and equipment		7 996	—	7 996
Deferred tax assets		269	—	269
Total assets		786 719	—	786 719
Liabilities				
Deposits from banks		38 339	—	38 339
Trading portfolio liabilities		55 960	—	55 960
Hedging portfolio liabilities		2 456	—	2 456
Other liabilities		14 695	—	14 695
Provisions		1 710	—	1 710
Current tax liabilities		267	—	267
Deposits due to customers		440 960	—	440 960
Debt securities in issue		130 262	—	130 262
Liabilities under investment contracts		15 233	—	15 233
Policyholder liabilities under insurance contracts		3 183	—	3 183
Borrowed funds		14 051	—	14 051
Deferred tax liabilities		1 198	—	1 198
Total liabilities		718 314	—	718 314
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		1 434	—	1 434
Share premium		4 676	—	4 676
Retained earnings		53 813	—	53 813
Other reserves		2 385	—	2 385
		62 308	—	62 308
Non-controlling interest – ordinary shares		1 453	—	1 453
Non-controlling interest – preference shares		4 644	—	4 644
Total equity		68 405	—	68 405
Total liabilities and equity		786 719	—	786 719

Note

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to page 109.

Reclassifications

1. Money market assets

During the second half of 2011, the Group reclassified certain money market instruments linked to investment contracts, with longer-term maturities, from 'Cash, cash balances and balances with central banks' to 'Investment securities', to reflect the true nature of these instruments. 'Cash, cash balances and balances with central banks' should comprise cash on hand and demand deposits which the Group expects to be realised within 12 months after the reporting date. This has resulted in comparatives being reclassified for 30 June 2011:

	30 June 2011		
	As previously reported Rm	Reclassifications[1] Rm	Reclassified Rm
Cash, cash balances and balances with central banks	25 814	(1 198)	24 616
Investment securities	21 100	1 198	22 298

2. Initial margin

During the reporting period, the Group reclassified certain initial margins placed as collateral which were previously disclosed as 'Other assets' to 'Loans and advances to banks' and 'Loans and advances to customers' to reflect the true nature of these balances as collateralised loans. This has resulted in comparatives being reclassified for 30 June 2011 and 31 December 2011:

	30 June 2011			31 December 2011		
	As previously reported Rm	Reclassifications[1] Rm	Reclassified Rm	As previously reported Rm	Reclassifications[1] Rm	Reclassified Rm
Loans and advances to banks	30 911	175	31 086	57 432	67	57 499
Other assets	16 449	(1 571)	14 878	16 219	(1 488)	14 731
Loans and advances to customers	495 460	1 396	496 852[2]	503 503	1 421	504 924

3. Offsetting

Certain customers within the Group have agreements in place whereby interest receivable or payable is calculated on the net balances of the cheque deposits and cheque advances. During the second half of 2011, the Group identified that the related cheque account balances owed or receivable were also being reported on a net basis. All balances within this portfolio were reassessed for appropriate presentation in terms of IAS 32 and the Group's stated accounting policies, taking into account contractual arrangements and current business practice applied to these accounts. As a result, certain assets and liabilities relating to these cheque accounts were reclassified so that these are presented on a gross basis. This has resulted in comparatives being reclassified for 30 June 2011:

	30 June 2011		
	As previously reported Rm	Reclassifications[1] Rm	Reclassified Rm
Loans and advances to customers	496 852[2]	7 343	504 199
Deposits due to customers	398 330	7 343	405 673

Notes

[1]These reclassifications are unaudited.

[2]This balance reflects the amount before the offsetting reclassification and after the reclassification of initial margin.

Segment report per market segment

	RBB		
	As previously reported	Re-classi-fications[1,2]	Re-clas-sified
Statement of comprehensive income (Rm)			
Net interest income	10 603	(974)	9 629
Impairment losses on loans and advances	(2 866)	20	(2 886)
Non-interest income	7 276	(488)	6 788
Operating expenses	(10 122)	804	(9 318)
Other	(196)	(20)	(216)
Operating profit before income tax	4 695	(698)	3 997
Taxation expense	(1 491)	201	(1 290)
Profit for the period	3 204	(497)	2 707
Profit attributable to:			
Ordinary equity holders of the Group	3 115	(497)	2 618
Non-controlling interest – ordinary shares	89	—	89
Non-controlling interest – preference shares	0	—	0
	3 204	(497)	2 707
Headline earnings	3 115	(497)	2 618
Operating performance (%)			
Net interest margin on average interest-bearing assets	3,61	0,08	3,69
Impairment losses on loans and advances as % of average loans and advances to customers	1,33	0,05	1,38
Non-interest income as % of total operating income	40,7	0,6	41,3
Revenue growth[3]	6	(8)	(2)
Cost growth[3]	(6)	8	2
Cost-to-income ratio	56,6	0,2	56,8
Cost-to-assets ratio	3,2	0,1	3,3
Statement of financial position (Rm)			
Loans and advances to customers	436 315	(18 688)	417 627
Investment securities	2 237	—	2 237
Other assets	207 791	(63 558)	144 233
Total assets	646 343	(82 246)	564 097
Deposits due to customers	271 965	(80 624)	191 341
Debt securities in issue	4 215	—	4 215
Other liabilities	365 038	(1 138)	363 900
Total liabilities	641 218	(81 762)	559 456
Financial performance (%)			
Return on average economic capital	21,5	(2,6)	18,9
Return on average risk-weighted assets	2,02	0,04	2,06
Return on average assets	0,99	(0,06)	0,93

Notes

[1]Comparatives have been reclassified for the following structure changes made during the reporting period:

- As part of the 'One Absa's' strategy, the segments of Retail Markets (previously known as Retail Banking) and Business Markets (previously known as Absa Business Bank) were merged into the RBB segment.
- Absa Cash Solutions Group Processing Centre and Integrated Processing Services were moved from Head office, inter-segment eliminations and Other to RBB.
- The Group's corporate customers and products were transferred from Business Markets to CIBW following an initiative to optimise product delivery to its corporate customers.
- Foreign exchange operations and Group Payments were moved from Head office, inter-segment eliminations and Other to CIBW.

[2]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 109.

[3]2010 comparatives have not been reclassified for any structure changes made during the reporting period.

[4]During the reporting period, the Group reclassified certain money market instruments linked to investment contracts. The amount reflected under Financial Services as a reclassification is before inter-segment eliminations shown under Head office, inter-segment eliminations and Other. Refer to page 109.

Segment report per market segment

30 June 2011

CIBW			Financial Services			Head office, inter-segment eliminations and Other			Group		
As previously reported	Re-classi-fications[1, 2]	Re clas-sified	As previously reported	Re-classi-fications[2,4]	Re-clas-sified	As previously reported	Re-classi-fications[1,2,4]	Re-clas-sified	As previously reported	Re-classi-fications[2]	Re-clas-sified
889	712	1 601	5	—	5	125	262	387	11 622	—	11 622
(36)	20	(16)	(0)	—	(0)	(0)	—	(0)	(2 902)	—	(2 902)
1 897	421	2 318	1 909	—	1 909	(402)	67	(335)	10 680	—	10 680
(1 604)	(645)	(2 249)	(964)	—	(964)	472	(159)	313	(12 218)	—	(12 218)
(36)	(13)	(49)	(50)	—	(50)	(233)	33	(200)	(515)	—	(515)
1 110	495	1 605	900	—	900	(38)	203	165	6 667	—	6 667
(265)	(137)	(402)	(256)	—	(256)	171	(64)	107	(1 841)	—	(1 841)
845	358	1 203	644	—	644	133	139	272	4 826	—	4 826
832	358	1 190	644	—	644	(10)	139	129	4 581	—	4 581
13	—	13	—	—	—	—	—	—	102	—	102
—	—	—	—	—	—	143	—	143	143	—	143
845	358	1 203	644	—	644	133	139	272	4 826	—	4 826
832	358	1 190	644	—	644	4	139	143	4 595	—	4 595
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,05	(0,06)	3,99
0,12	(0,08)	0,04	n/a	n/a	0,43	n/a	n/a	n/a	1,18	(0,02)	1,16
68,1	(9,0)	59,1	99,7	—	99,7	n/a	n/a	n/a	47,9	—	47,9
3	41	44	11	—	11	n/a	n/a	n/a	6	—	6
(9)	(44)	(53)	(12)	—	(12)	n/a	n/a	n/a	(8)	—	(8)
57,6	(0,2)	57,4	50,4	—	50,4	n/a	n/a	n/a	54,8	—	54,8
0,9	0,2	1,1	8,4	—	8,4	n/a	n/a	n/a	3,5	(0,1)	3,4
58 529	27 427	85 956	259	—	259	357	—	357	495 460	8 739	504 199
8 266	—	8 266	10 337	6 748	17 085	260	(5 550)	(5 290)	21 100	1 198	22 298
266 934	70 096	337 030	12 830	(6 748)	6 082	(288 197)	(2 384)	(290 581)	199 358	(2 594)	196 764
333 729	97 523	431 252	23 426	—	23 426	(287 580)	(7 934)	(295 514)	715 918	7 343	723 261
125 909	88 577	214 486	—	—	—	456	(610)	(154)	398 330	7 343	405 673
126 737	—	126 737	—	—	—	17 516	—	17 516	148 468	—	148 468
77 993	8 576	86 569	19 063	—	19 063	(357 207)	(7 438)	(364 645)	104 887	—	104 887
330 639	97 153	427 792	19 063	—	19 063	(339 235)	(8 048)	(347 283)	651 685	7 343	659 028
18,4	8,4	26,8	62,1	—	62,1	n/a	n/a	n/a	22,4	—	22,4
1,83	0,13	1,96	n/a	n/a	n/a	n/a	n/a	n/a	2,23	—	2,23
0,48	0,08	0,56	5,59	—	5,59	n/a	n/a	n/a	1,31	(0,02)	1,29

Segment report per market segment

	RBB		
	As previously reported	Re-classi-fications[1,2]	Re-clas-sified
Statement of comprehensive income (Rm)			
Net interest income	21 545	(1 947)	19 598
Impairment losses on loans and advances	(4 838)	(30)	(4 868)
Non-interest income	14 934	(1 018)	13 916
Operating expenses	(20 517)	1 597	(18 920)
Other	(423)	(28)	(451)
Operating profit before income tax	10 701	(1 426)	9 275
Taxation expense	(3 418)	405	(3 013)
Profit for the year	7 283	(1 021)	6 262
Profit attributable to:			
Ordinary equity holders of the Group	7 074	(1 021)	6 053
Non-controlling interest – ordinary shares	208	—	208
Non-controlling interest – preference shares	1	—	1
	7 283	(1 021)	6 262
Headline earnings	7 127	(1 021)	6 106
Operating performance (%)			
Net interest margin on average interest-bearing assets[3]	3,55	0,13	3,68
Impairment losses on loans and advances as % of average loans and advances to customers[3]	1,09	0,07	1,16
Non-interest income as % of total operating income	40,6	0,9	41,5
Revenue growth[4]	5	(8)	(3)
Cost growth[4]	(5)	8	3
Cost-to-income ratio	56,2	0,3	56,5
Cost-to-assets ratio[3]	3,2	0,1	3,3
Statement of financial position (Rm)			
Loans and advances to customers	440 983	(28 388)	412 595
Investment securities	1 647	—	1 647
Other assets	233 131	(67 408)	165 723
Total assets	675 761	(95 796)	579 965
Deposits due to customers	301 363	(93 789)	207 574
Debt securities in issue	4 256	—	4 256
Other liabilities	362 666	(999)	361 667
Total liabilities	668 285	(94 788)	573 497
Financial performance (%)			
Return on average economic capital[3]	24,7	(3,8)	20,9
Return on average risk-weighted assets[3]	2,30	0,01	2,31
Return on average assets[3]	1,10	(0,03)	1,07

Notes

[1]Comparatives have been reclassified for the following structure changes made during the reporting period:

- As part of the 'One Absa's' strategy, the segments of Retail Markets (previously known as Retail Banking) and Business Markets (previously known as Absa Business Bank) were merged into the RBB segment.
- Absa Cash Solutions Group Processing Centre and Integrated Processing Services were moved from Head office, inter-segment eliminations and Other to RBB.
- The Group's corporate customers and products were transferred from Business Markets to CIBW following an initiative to optimise product delivery to its corporate customers.
- Foreign exchange operations and Group Payments were moved from Head office, inter-segment eliminations and Other to CIBW.

[2]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 109.

[3]These ratios are unaudited.

[4]2010 comparatives have not been reclassified for any structure changes made during the reporting period.

Segment report per market segment

31 December 2011											
CIBW			Financial Services			Head office, inter-segment eliminations and Other			Group		
As previously reported	Reclassifications[1,2]	Reclassified	As previously reported	Reclassifications	Reclassified	As previously reported	Reclassifications[1,2]	Reclassified	As previously reported	Reclassifications[2]	Reclassified
2 062	1 421	3 483	21	—	21	801	526	1 327	24 429	—	24 429
(69)	30	(39)	(4)	—	(4)	(170)	—	(170)	(5 081)	—	(5 081)
3 457	882	4 339	3 994	—	3 994	(982)	136	(846)	21 403	—	21 403
(3 295)	(1 302)	(4 597)	(2 020)	—	(2 020)	374	(295)	79	(25 458)	—	(25 458)
(81)	(23)	(104)	(107)	—	(107)	(472)	51	(421)	(1 083)	—	(1 083)
2 074	1 008	3 082	1 884	—	1 884	(449)	418	(31)	14 210	—	14 210
(560)	(273)	(833)	(511)	—	(511)	463	(132)	331	(4 026)	—	(4 026)
1 514	735	2 249	1 373	—	1 373	14	286	300	10 184	—	10 184
1 496	735	2 231	1 373	—	1 373	(269)	286	17	9 674	—	9 674
18	—	18	—	—	—	—	—	—	226	—	226
—	—	—	—	—	—	283	—	283	284	—	284
1 514	735	2 249	1 373	—	1 373	14	286	300	10 184	—	10 184
1 495	735	2 230	1 375	—	1 375	(278)	286	8	9 719	—	9 719
n/a	—	n/a	n/a	—	n/a	n/a	—	n/a	4,11	—	4,11
0,11	(0,06)	0,05	n/a	n/a	1,80	n/a	—	n/a	1,01	—	1,01
62,6	(7,1)	55,5	99,5	—	99,5	n/a	—	n/a	46,7	—	46,7
0	42	42	11	—	11	n/a	—	n/a	7	—	7
(9)	(43)	(52)	(12)	—	(12)	n/a	—	n/a	(6)	—	(6)
59,7	(0,9)	58,8	50,3	—	50,3	n/a	—	n/a	55,5	—	55,5
0,9	0,1	1,0	8,5	—	8,5	n/a	—	n/a	3,5	—	3,5
62 079	29 809	91 888	137	—	137	304	—	304	503 503	1 421	504 924
7 181	—	7 181	17 567	—	17 567	(5 213)	—	(5 213)	21 182	—	21 182
300 537	67 234	367 771	7 939	—	7 939	(279 573)	(1 247)	(280 820)	262 034	(1 421)	260 613
369 797	97 043	466 840	25 643	—	25 643	(284 482)	(1 247)	(285 729)	786 719	—	786 719
139 249	94 453	233 702	—	—	—	348	(664)	(316)	440 960	—	440 960
107 795	—	107 795	—	—	—	18 211	—	18 211	130 262	—	130 262
118 824	1 811	120 635	21 044	—	21 044	(355 442)	(812)	(356 254)	147 092	—	147 092
365 868	96 264	462 132	21 044	—	21 044	(336 883)	(1 476)	(338 359)	718 314	—	718 314
16,5	6,3	22,8	72,8	—	72,8	n/a	—	n/a	23,0	—	23,0
1,62	0,18	1,80	n/a	—	n/a	n/a	—	n/a	2,35	—	2,35
0,42	0,06	0,48	5,78	—	5,78	n/a	—	n/a	1,32	—	1,32

Appendices

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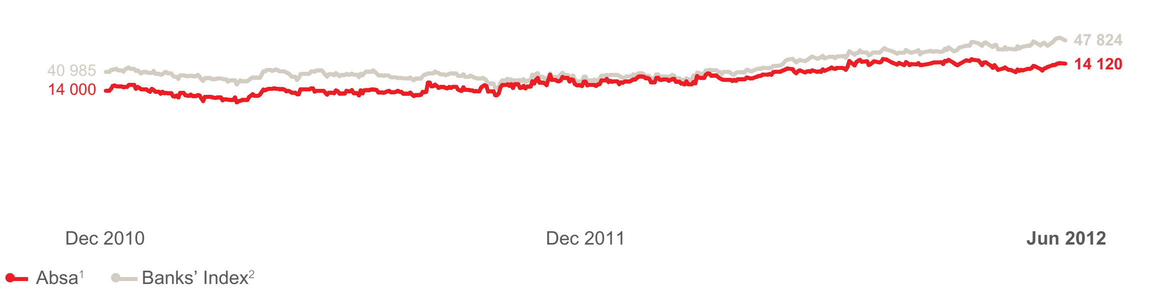
Appendices

Overview of Absa Bank's performance and administrative information.



Share performance

Share performance (cents)



Share performance on the JSE Limited[3]

	Six months ended 30 June			Year ended 31 December
	2012	2011	Change %	2011
Number of shares in issue[4]	**718 210 043**	718 210 043	—	718 210 043
Market prices (cents per share):				
closing	**14 120**	13 481	5	14 100
high	**16 450**	14 220	16	14 682
low	**13 464**	12 390	9	12 319
average	**15 302**	13 404	14	13 559
Closing price/NAV per share (excluding preference shares)	**1,58**	1,66		1,62
Price-to-earnings (P/E) ratio (closing price/headline earnings per share)	**11,6**	10,5		10,4
Volume of shares traded (million)	**224,9**	152,2	48	317,0
Value of shares traded (Rm)	**34 205,3**	20 288,1	69	42 837,8
Market capitalisation (Rm)	**101 411,3**	96 821,9	5	101 267,6

Notes

[1]Absa's annual total return for the 12-month period was **9,81%**.

[2]The Banks' Index outperformed Absa's share price by **16,22%** over the 12-month period. Total return was used to calculate the relative performance (calculated using the dividend yield for the year).

[3]JSE: Johannesburg Stock Exchange.

[4]Includes **162 153** treasury shares held by Absa Group Limited Share Incentive Trust (30 June 2011: 604 837, 31 December 2011: 369 105) and **826 717** treasury shares held by Group subsidiaries (30 June 2011: 578 545, 31 December 2011: 826 717).

Shareholder information and diary

	30 June 2012 %	30 June 2011 %	31 December 2011 %
Major ordinary shareholders (top 10)			
Barclays Bank PLC	**55,5**	55,5	55,5
Public Investment Corporation	**9,5**	9,7	9,3
Batho Bonke Capital Proprietary Limited	**3,9**	5,1	3,9
Sanlam Investment Management	**2,5**	1,4	2,2
Momentum Asset Management	**1,7**	n/a	1,6
Dimensional Fund Advisors Incorporated	**1,7**	1,4	1,4
Investec Asset Management	**1,6**	n/a	1,2
Old Mutual Investment Group SA	**1,5**	3,3	3,0
Stanlib Asset Management	**1,4**	1,2	1,3
The Vanguard Group Incorporated	**1,1**	0,9	n/a
Coronation Fund Managers	**n/a**	2,2	2,3
Prudential Portfolio Managers	**n/a**	0,8	n/a
Other	**19,6**	18,5	18,3
	100,0	100,0	100,0
Geographical split			
England and Wales	**56,7**	56,4	57,1
South Africa	**28,2**	32,8	29,6
United States	**6,9**	4,4	6,3
Other countries	**6,3**	4,7	4,3
Below threshold	**1,9**	1,7	2,7
	100,0	100,0	100,0

Shareholder diary

Financial year-end	31 December 2012
Annual general meeting[1]	2 May 2013
Announcement of the interim results	27 July 2012
Announcement of the final results[1]	5 February 2013

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Interim – June 2012	27 July 2012	31 August 2012	3 September 2012	7 September 2012	10 September 2012
Final – December 2012[1]	5 February 2013	27 March 2013	28 March 2013	5 April 2013	8 April 2013

Note
[1]Subject to change.

Absa Bank Limited and its subsidiaries

Financial reporting structure

Absa Bank Limited

RBB[1,2]

Retail Markets

- Retail banking
  - Home Loans (including Repossessed Properties)
  - Vehicle and Asset Finance (VAF)
  - Card
  - Personal Loans
  - Retail Bank (including Absa Private Bank)

Business Markets[3]

- Absa Business Bank
  - Commercial Asset Finance (CAF)
  - Commercial Property Finance (CPF)
  - Debt products
- Investment products
- Commercial business
- Equities
- Enterprise business

International operations

- Absa Bank London[4]

CIBW[3,5]

- Absa Capital
  - Investment Banking
  - Markets
  - Private Equity and Infrastructure Investments
  - Other
- Absa Wealth
- Corporate Products

International operations

- Absa Bank London[4]

Other Bank activities

- Corporate Real Estate Services (CRES)
- Enterprise Core Services[2,5,6]

International operations

- Absa Bank London[4]

Notes

[1]As part of the 'One Absa' strategy, the segments of Retail Markets (previously known as Retail Banking) and Business Markets (previously known as Absa Business Bank), were merged into the RBB segment.

[2]Absa Cash Solutions Group Processing Centre and Integrated Processing Services were moved from Enterprise Core Services to RBB.

[3]The Group's corporate customers and products were transferred from Business Markets to CIBW following an initiative to optimise product delivery to its corporate customers.

[4]Absa Bank London's results have been allocated to the various segments where those businesses are managed.

[5]Foreign exchange operations and Group Payments were moved from Enterprise Core Services to CIBW.

[6]Support Services were renamed to Enterprise Core Services, which consists of two significant divisions namely Corporate Centre and Chief Operating Office.

Absa Bank Limited and its subsidiaries

Consolidated salient features

	30 June			31 December
	2012 (Unaudited)	2011[1] (Unaudited)	Change %	2011[1] (Audited)
Statement of comprehensive income (Rm)				
Headline earnings[2]	**3 699**	3 733	(1)	7 957
Profit attributable to the ordinary equity holder of the Bank	**3 710**	3 719	(0)	7 901
Statement of financial position				
Total assets (Rm)	**765 260**	685 157	12	742 436
Loans and advances to customers (Rm)	**489 922**	488 952	0	488 331
Deposits due to customers (Rm)	**448 977**	398 247	13	431 762
Loans-to-deposits ratio (%)	**85,7**	89,8		87,2
Off-statement of financial position (Rm)				
Assets under management and administration[3]	**23 074**	21 713	6	22 741
Financial performance (%)				
Return on average equity	**13,9**	15,5		15,8
Return on average assets[4]	**1,00**	1,10		1,13
Return on average risk-weighted assets[4]	**1,93**	1,94		2,07
Operating performance (%)				
Net interest margin on average interest-bearing assets[4]	**3,71**	3,71		3,80
Impairment losses on loans and advances as % of average loans and advances to customers[4]	**1,56**	1,14		1,00
Non-performing loans as % of loans and advances to customers[4]	**6,3**	7,5		6,9
Non-interest income as % of total operating income	**44,5**	44,4		42,8
Cost-to-income ratio	**52,9**	54,8		55,6
Effective tax rate, excluding indirect taxation	**26,6**	27,1		27,7
Share statistics (million) (includes "A" ordinary shares)				
Number of ordinary shares in issue	**374,1**	374,1		374,1
Weighted average number of ordinary shares in issue	**374,1**	374,1		374,1
Diluted weighted average number of ordinary shares in issue	**374,1**	374,1		374,1
Share statistics (cents)				
Headline earnings per share	**988,8**	997,9	(1)	2 127,0
Diluted headline earnings per share	**988,8**	997,9	(1)	2 127,0
Basic earnings per share	**991,7**	994,1	(0)	2 112,0
Diluted earnings per share	**991,7**	994,1	(0)	2 112,0
Dividends per ordinary share relating to income for the period/year	**695,5**	414,3	68	1 034,4
Dividend cover (times)	**1,4**	2,4		2,1
Net asset value per share	**14 574**	13 160	11	14 058
Tangible net asset value per share	**14 389**	12 982	11	13 871
Capital adequacy (%)[4, 5]				
Absa Bank	**16,6**	16,0		16,2

Notes

[1]Comparatives have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

[2]After allowing for **R140 million** (30 June 2011: R143 million; 31 December 2011: R284 million) profit attributable to preference equity holders of the Bank.

[3]Comparative information for 30 June 2011 has been reclassified for a reallocation of assets to a Group subsidiary within CIBW.

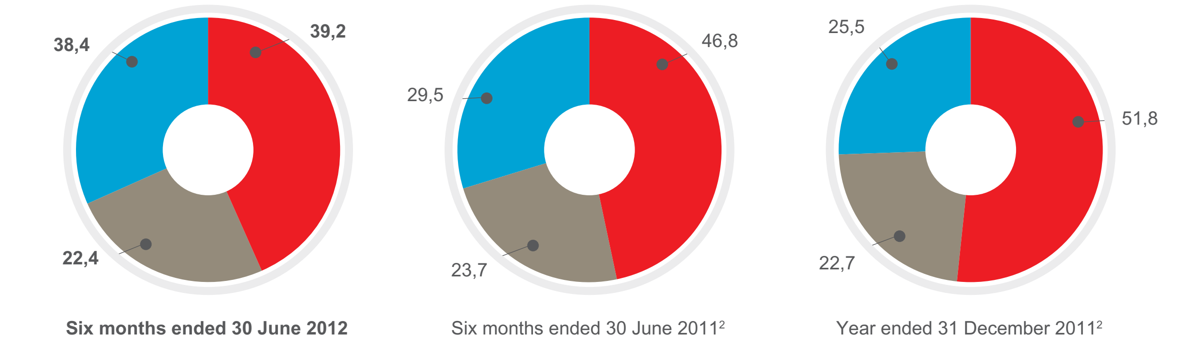
[4]These ratios are unaudited for 31 December 2011.

[5]Refer to pages 97 to 104 for the capital management section.

Absa Bank Limited and its subsidiaries

Profit contribution by segment

Attributable earnings (%)[1]



	Six months ended 30 June			Year ended 31 December
	2012 (Unaudited) Rm	2011[2] (Unaudited) Rm	Change %	2011[2] (Audited) Rm
Banking operations				
RBB	**2 042**	2 558	(20)	5 889
Retail Markets	**1 299**	1 696	(23)	4 095
Home Loans	**(673)**	7	>(100)	448
Vehicle and Asset Finance	**308**	181	70	403
Card	**831**	751	11	1 646
Personal Loans	**253**	303	(17)	720
Retail Bank	**580**	454	28	878
Business Markets	**743**	862	(14)	1 794
CIBW	**1 275**	1 069	19	2 015
Corporate Centre and Chief Operating Office	**377**	379	(1)	(34)
Capital and funding centres	**156**	(144)	>100	315
Preference equity holders of the Bank	**(140)**	(143)	2	(284)
Profit attributable to ordinary equity holder of the Bank	**3 710**	3 719	(0)	7 901
Headline earnings adjustments	**(11)**	14	>(100)	56
Headline earnings	**3 699**	3 733	(1)	7 957

Notes

[1]Calculated after the allocation of Corporate Centre and Chief Operating Office, Capital and funding centres as well as profit attributable to preference equity holders of the Bank.

[2]Comparative information have been reclassified. These reclassifications are unaudited. Refer to pages 107 to 113.

Glossary

Approaches (FIRB, AIRB, AMA and IMA)

Methods available to banks to calculate their regulatory capital requirements based on their own risk estimates. These include the Foundation Internal Ratings-based (FIRB) and Advanced Internal Ratings-based (AIRB) approaches for credit risk, the Advanced Measurement Approach (AMA) for operational risk, and the Internal Models Approach (IMA) for market risk.

Balance sheet

The term balance sheet is used in the same context as the statement of financial position.

Bank

Absa Bank Limited, together with its subsidiary undertakings, special purpose entities, joint ventures, associates and offshore holdings. It is also referred to as 'the Bank' or 'Absa Bank' in this report.

Banks Act

This means the Banks Act, No 94 of 1990 and its regulations.

Barclays

Barclays Group PLC, registered in England under registration number 1026167, and the majority shareholder of Absa Group Limited.

Basel (II, II.5 and III)

The Basel Capital Accord of the Bank for International Settlements is an improved capital adequacy framework aimed at closely aligning banks' capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

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, No 94 of 1990. The subordinated callable notes are listed on the Bond Exchange of South Africa. Borrowed funds also includes preferences shares classified as debt in terms of IAS 32.

Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of South African Reserve Bank (SARB) 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 9,50% of risk-weighted assets. Non-South African banks within the Group have similar capital adequacy methodology requirements.

Companies Act

This means the Companies Act, No 71 of 2008 (as amended) and its regulations.

Cost efficiency ratio

Operating expenses as a percentage of income from operations. Income consists of net interest income and non-interest income net of reinsurance, unearned premiums, net insurance claims and benefits paid, changes in investment and insurance contract liabilities and acquisition costs.

Cost-to-assets ratio

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

Glossary

Cost-to-income ratio

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

Debt securities in issue

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

Dividend cover

Headline earnings per share divided by dividends per share.

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

Dividends per ordinary share for the interim period is the interim dividends declared for the reporting period. 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.

Earnings per share

Profit attributable to ordinary equity holders of the Group

They constitute the 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 ordinary 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 in issue during the period/year, both adjusted for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the period/year.

Economic capital

An internally calculated capital requirement deemed necessary by Absa to support the risks to which it is exposed, at a confidence level consistent with a target credit rating of AA. Also used in the return of average economic capital.

Economic profit

The difference between the return on financial capital invested by shareholders (return on invested capital) and the cost of that capital.

Embedded value

The embedded value of the covered business is the discounted value of the future after tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the company's licence.

The free surplus is the excess of assets over the sum of liabilities and required capital, with assets at market value and liabilities on the statutory valuation method, adjusted to add back inadmissible assets. The required capital is taken to be two times the statutory capital adequacy requirement, in line with the results of internal capital models and the company's dividend policy.

Glossary

Gains and losses from banking and trading activities

Comprises banking and trading portfolios and includes:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses 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.

Gains and losses from investment activities

Comprises insurance and strategic investment portfolios and includes:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries;
- 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.

Group

Absa Group Limited, together with its subsidiary undertakings, special purpose entities, joint ventures, associates and offshore holdings. It is also referred to as 'the Group' or 'Absa Group' in this report.

Headline earnings

Headline earnings reflects 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 of preference shares or ordinary shares, where relevant.

Impairment losses on loans and advances as percentage of average loans and advances to customers (credit loss ratio/impairment losses ratio)

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 (annualised)/year divided by total average advances (calculated on a daily weighted average basis).

Insurance risk

A risk, other than financial risk, transferred from the holder of a contract to the insurance provider. The principal insurance risk is that, over time, the combined cost of claims, administration and acquisition of the contract may exceed the aggregate amount of premiums received and investment income.

Income statement

The term income statement is used in the same context as the statement of comprehensive income.

Liquidity risk

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

Glossary

Loans-to-deposits ratio

Loans and advances to customers as a percentage of deposits due to customers and debt securities in issue.

Market capitalisation

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

Market risk

The risk that movements in market risk factors, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce income or portfolio values.

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.

Net interest income

The amount of interest received or receivable on assets net of interest paid or payable on liabilities.

Net interest margin on average interest-bearing assets

Net interest income for the period (annualised)/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 investment securities (it includes cash and short-term assets, money market assets and capital market assets).

Net trading result

Net trading result includes the profits and losses on CIBW's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as CIBW'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.

Non-current assets held for sale

Assets held for sale are those non-current assets where it is highly probable that the carrying amount will be received principally through a sale transaction within 12 months from the date of the classification. For a sale to be considered highly probable board approval is required for the plan to sell the assets 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.

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 contracts and insurance contract liabilities, gains and losses from banking and trading activities, gains and losses from investment activities as well as other operating income.

Non-performing loans

A loan is typically considered non-performing once its delinquency reaches a trigger point, this is typically when interest is suspended (in accordance with Group 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).

Glossary

Non-performing loans coverage ratio

Net exposure, being the outstanding non-performing loan balance less expected recoveries and fair value of collateral, as a percentage of total outstanding non-performing loan balance.

Non-performing loans ratio

Non-performing loans as a percentage of gross loans and advances to customers.

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.

Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including financial crime; financial reporting; tax risk; legal risk; operations risk; people risk; regulatory risk; technology risk; major change programme risk; corporate responsibility risk; and brand risk.

Price-to-earnings (P/E) ratio

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

Probability of default

The probability that a debtor will default within a one-year time horizon.

Regulatory capital

The capital which the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

Risk-weighted assets

Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or IRB approach rules. Risk-weighted assets are determined by applying the following:

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

Special purpose entity (SPE)

A corporation, trust or other non-bank entity, established for a narrowly defined purpose, including for carrying on securitisation activities. The structure of the entity and its activities are intended to isolate the obligations of the SPE from those of the originator and the holders of the beneficial interests in the securitisation.

Primary (Tier I) capital

A component of regulatory capital, comprising core Tier I capital and other Tier I capital. Other Tier I capital includes qualifying hybrid capital instruments such as non-cumulative perpetual preference shares and innovative Tier I securities.

Secondary (Tier II) capital

A component of regulatory capital, comprising qualifying subordinated loan capital, related minority interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier II capital also includes reserves arising from the revaluation of properties.

Tertiary (Tier III) capital

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

Value at risk

A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Value of new business

The discounted value, at the date of sale, of the projected after tax shareholder profits from new covered business, net of the opportunity cost of the required capital for new business. New covered business is defined as long-term insurance contracts written by the company during the financial year and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

Weighted average number of shares

The number of shares in issue at the beginning of the 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.

These definitions should be read in conjunction with the Group's accounting policies as set out in the annual financial statements, which also clarify certain terms used.

Administrative information

Controlling company

Absa Group Limited

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

Registered office

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E-mail: groupsec@absa.co.za

Board of directors

Group independent non-executive directors

C Beggs, YZ Cuba, SA Fakie, G Griffin (Group Chairman), MJ Husain, PB Matlare, TM Mokgosi-Mwantembe, TS Munday, SG Pretorius, BJ Willemse

Group non-executive directors

AP Jenkins[1], R Le Blanc[1], EC Mondlane Jr[2], IR Ritossa[3]

Group executive directors

DWP Hodnett (Group Financial Director), M Ramos (Group Chief Executive), LL von Zeuner (Deputy Group Chief Executive)

[1]British [2]Mozambican [3]Australian

Transfer secretary

South Africa

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Ernst & Young Inc.

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