Absa Group Limited

Interim financial results

for the six months ended 30 June 2011

Member of the BARCLAYS Group

ABSA

Today, tomorrow, together.

Contents

The text pages of this report are printed on Naturalis Recycled which contains 50% recycled post-consumer waste and the balance is made with woodpulps from well-managed forests. The cover and dividers of this report are printed on Trucard 2 Matt and is made from 100% woodfree pulps, is fully recyclable and manufactured from carefully managed and renewed commercial forests.

Group

performance

Contents

Group performance

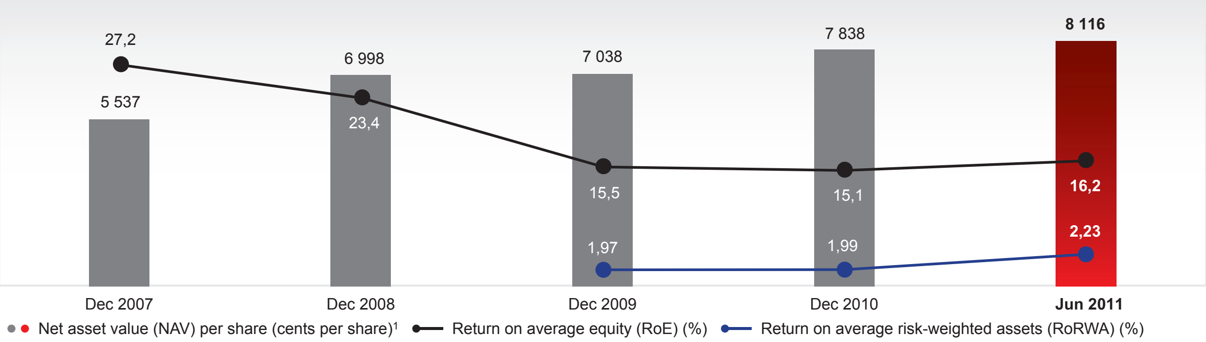
"The Group delivered a solid performance in an uneven economic environment, as headline earnings grew by 19% and return on average equity increased to 16,2%. The Group also delivered on its commitments to improve non-interest revenue growth, while containing costs and further strengthening the balance sheet."

– Maria Ramos, Group Chief Executive

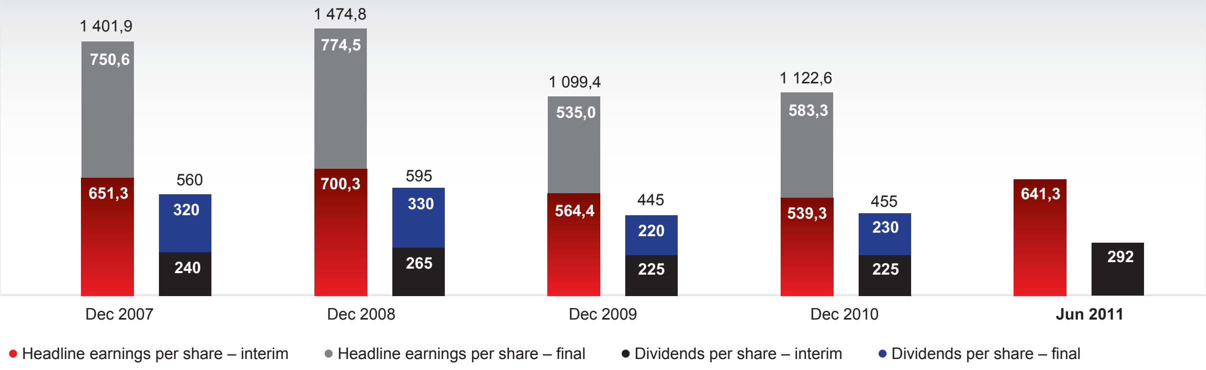
June 2011 highlights

- *Diluted headline earnings per share increased by 19% year on year, in a challenging operating environment.*
- *Improved non-interest revenue growth to 10%, particularly in target areas, while containing growth in operating expenses to 8% year on year.*
- *The Group's hedging strategy increased its net interest margin on interest-bearing assets to 4,05%.*
- *Increased underlying profitability, with return on average assets (RoA) improving to 1,31%.*
- *Further strengthened the balance sheet with an increasing Core Tier 1 ratio to 12,8%.*
- *Declared 30% higher dividends per share.*
- *Early successes in key elements of implementing the One Absa strategy.*
- *Absa was awarded the top banking brand in the TGI SA Icon Brands survey.*

NAV per share, RoE and RoRWA (cents and %)



HEPS and DPS (cents)



Note

[1]5-year compound annual growth rate of 10%, calculated from June 2006 to June 2011.

Implementation of the One Absa strategy

The One Absa strategy positions the Absa Group for sustainable growth. The Group's strong showing in a challenging operating environment demonstrates the strategy's vigour.

In the wake of the global financial crisis, the Group launched the One Absa strategy which comprises four key pillars to position the Group for sustainable growth. The tough business environment has tested and proven the robust quality of Absa's strategy.

Strategic themes	Highlights
1. Sustainable growth in target markets » *The Group aims to become the number 1 bank in South Africa and selected African markets, measured in terms of profitability and return on average equity.*	» *Non-interest income growth of* **10%** » *Growth in headline earnings of* **19%** » *Return on average equity of* **16,2%** » *Return on average risk-weighted assets of* **2,23%**
2. Balance sheet optimisation and proactive risk management » *To have a strong and resilient balance sheet that can withstand economic and financial instability.*	» *Group total capital adequacy ratio of* **16,7%** » *Core Tier 1 capital adequacy ratio of* **12,8%** » *Risk-weighted assets of* **R408,4 billion (+ 3% year-on-year)** » *Credit loss ratio of* **1,18%**
3. 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.*	» *Cost-to-income ratio of* **54,8%** » **R66 million** *invested in delivery footprint* **(+ 43%)** » *5-year compound annual growth rate of* **9%** *for operating expenses* » **997** *staffed outlets*[1] » **9 288** *ATMs*[1]
4. Customer and people centred organisation » *Delivery of a leading-edge customer service, using the most talented and motivated people.*	» *Banking customer-base of* **12,3 million (+ 7%)**[1] » *Contractual financial services relationships of* **5,9 million (+ 2%)** » *Internet banking users of* **1,1 million (+ 6%)** » *Cellphone banking customers of* **2,8 million (+ 42%)** » **36 535** *number of employees* **(+ 0%)**

Note

[1] *Including African operations.*

Consolidated salient features

	30 June 2011 (Unaudited)	30 June 2010[1] (Unaudited)	Change %	31 December 2010[1] (Audited)
Statement of comprehensive income (Rm)				
Headline earnings[2]	**4 595**	3 862	19	8 041
Profit attributable to ordinary equity holders of the Group	**4 581**	3 842	19	8 118
Statement of financial position				
Total assets (Rm)	**715 918**	718 204	(0)	716 470
Loans and advances to customers (Rm)	**495 460**	499 976	(1)	499 293
Deposits due to customers (Rm)	**398 330**	359 943	11	378 111
Loans-to-deposits ratio (%)	**90,6**	95,5		92,0
Off-statement of financial position (Rm)				
Assets under management and administration[3]	**205 309**	178 268	15	194 949
» Financial Services[4]	**170 873**	146 568	17	163 415
› Money market	**71 330**	57 168	25	66 256
› Non-money market	**99 543**	89 400	11	97 159
Financial performance (%)				
Return on average equity	**16,2**	15,0		15,1
Return on average assets	**1,31**	1,08		1,12
Return on average risk-weighted assets[5]	**2,23**	2,00		1,99
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4,05**	3,89		4,01
Impairment losses on loans and advances as % of average loans and advances to customers	**1,18**	1,50		1,20
Non-performing advances as % of loans and advances to customers[5]	**7,7**	7,6		7,7
Non-interest income as % of total operating income	**47,9**	46,2		45,5
Cost-to-income ratio	**54,8**	53,6		56,2
Effective tax rate, excluding indirect taxation	**27,6**	26,8		27,5
Share statistics (million)				
Number of ordinary shares in issue	**718,2**	718,2		718,2
Weighted average number of ordinary shares in issue	**716,5**	716,1		716,3
Weighted average diluted number of ordinary shares in issue	**719,7**	720,7		720,7
Share statistics (cents)				
Headline earnings per share	**641,3**	539,3	19	1 122,6
Diluted headline earnings per share	**638,5**	535,9	19	1 115,7
Basic earnings per share	**639,4**	536,5	19	1 133,3
Diluted earnings per share	**636,5**	533,1	19	1 126,4
Dividends per ordinary share relating to income for the period/year[6]	**292**	225	30	455
Dividend cover (times)[6]	**2,2**	2,4		2,5
Net asset value per share	**8 116**	7 420	9	7 838
Tangible net asset value per share	**7 856**	7 236	9	7 588
Capital adequacy (%)[5,6]				
Absa Group	**16,7**	15,8		15,5
Absa Bank	**16,0**	14,9		14,8

Notes

[1]*Comparatives have been reclassified. These reclassifications have not been audited. Refer to pages 95 – 98.*
[2]*After allowing for **R143 million** (30 June 2010: R162 million; 31 December 2010: R320 million) profit attributable to preference equity holders of the Group.*
[3]*Comparatives have been restated for the inclusion of assets managed by Absa Capital on behalf of clients, exchange-traded funds and alternative asset management funds, in order to align assets under management and administration to current market practice. These restatements have not been audited.*
[4]*The segmentation of assets under management and administration is unaudited.*
[5]*These ratios have not been audited.*
[6]*Refer to pages 73 – 94 for the capital and risk management section.*

Consolidated salient features

	30 June			31 December
	2011	2010[1]	Change %	2010[1]
Headline earnings by segment (Rm)				
Retail Banking	**1 737**	993	75	3 137
» Home Loans	**33**	(201)	>100	125
» Vehicle and Asset Finance	**181**	35	>100	236
» Card	**811**	586	38	1 481
» Personal Loans	**303**	170	78	515
» Retail Bank	**409**	403	1	780
Absa Business Bank	**1 378**	1 296	6	2 811
Absa Capital	**832**	831	0	1 659
Financial Services	**644**	606	6	1 291
Head office, inter-segment eliminations and Other	**4**	136	(97)	(857)
Impairment losses on loans and advances as % of average loans and advances to customers (%)				
Retail Banking	**1,46**	1,90		1,48
» Home Loans	**1,18**	1,30		0,98
» Vehicle and Asset Finance	**2,08**	2,81		2,16
» Card	**1,49**	4,43		2,57
» Personal Loans	**4,83**	6,49		4,76
» Retail Bank	**1,25**	2,07		2,56
Absa Business Bank	**0,95**	1,12		1,01
Absa Capital	**0,12**	0,23		0,15
Loans and advances to customers by segment (Rm)				
Retail Banking	**320 853**	318 173	1	322 979
Absa Business Bank	**115 462**	116 689	(1)	118 786
Absa Capital	**58 529**	64 330	(9)	58 345
Financial Services	**259**	380	(32)	242
Head office, inter-segment eliminations and Other[2]	**357**	404	(12)	(1 059)
Deposits due to customers by segment (Rm)				
Retail Banking	**117 738**	112 282	5	115 046
Absa Business Bank	**154 227**	139 913	10	146 530
Absa Capital	**125 909**	107 164	17	117 551
Head office, inter-segment eliminations and Other[2]	**456**	584	(22)	(1 016)
Return on average risk-weighted assets by segment (%)				
Retail Banking	**2,12**	1,33		1,96
Absa Business Bank	**1,91**	2,18		2,20
Absa Capital	**1,83**	1,71		1,72

Notes

[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*

[2] *Include inter-group and other eliminations. Refer to pages 33 – 38.*

Salient features

- » Diluted headline earnings per share (HEPS) increased 19% year on year to 638,5 cents.
- » Interim dividend of 292 cents per share, up 30% year on year.
- » Net interest margin on average interest-bearing assets improved to 4,05% from 3,89%.
- » Non-interest revenue grew 10% year on year and represented 47,9% of total revenue (June 2010: 46,2%).
- » With cost growth contained to 8% year on year, the Group's cost-to-income ratio improved to 54,8% (December 2010: 56,2%).
- » Loans and advances declined 1% year on year to R495 billion.
- » Credit losses decreased 22% to R2 902 million, resulting in a 1,18% credit loss ratio.
- » Return on average equity (RoE) of 16,2% (June 2010: 15,0%).
- » Return on average risk-weighted assets of 2,23% and return on average assets (RoA) of 1,31% (June 2010: 2,00% and 1,08% respectively).
- » Net asset value (NAV) per share grew 9% to 8 116 cents.
- » Core Tier 1 capital adequacy ratio rose to 12,8%, well above current regulatory requirements.

Overview

The Group's headline earnings increased 19% to R4 595 million (30 June 2010: R3 862 million). HEPS also grew 19% to 641,3 cents (30 June 2010: 539,3 cents) and diluted HEPS increased by 19% to 638,5 cents (30 June 2010: 535,9 cents). The Group's RoE improved to 16,2%, reflecting a higher RoA of 1,31% (30 June 2010: 1,08%). An interim dividend of 292 cents per share was declared, 30% higher than the prior period.

Improved non-interest revenue growth, lower credit losses, better cost containment and a wider net interest margin were primary reasons for the Group's higher headline earnings. These drivers outweighed the impact of lower loans and advances, and a slightly higher effective tax rate.

The 75% increase in Retail Banking's headline earnings was the principal driver of the Group's growth, and Financial Services and Absa Business Bank (ABB) both grew 6% while Absa Capital remained largely flat.

Operating environment

South Africa's economy grew 4,8% in the first quarter of 2011 from 4,5% the preceding quarter. Nonetheless, the recovery remains uneven. Household expenditure growth accelerated to 5,2% quarter on quarter in the first quarter, underpinned by strong real household income growth and interest rates at three-decade lows. Fixed investments however, grew only 3,2% in the first quarter from 1,5% the preceding quarter. Labour market conditions remain challenging, with employment still below pre-crisis levels. Private sector credit rose between 5% and 6,2% year on year during the period January to May 2011. High levels of household indebtedness and challenging labour market conditions are likely to leave the consumer vulnerable to rising prices this year. Consumer price inflation rose from a cyclical low of 3,2% year on year last September, to 5% in June this year. Critically, this increase was driven by food and fuel price pressures, while core inflation remained muted.

Group performance

Statement of financial position

The Group's total assets of R716 billion at 30 June 2011 remained largely unchanged from 30 June 2010. The substantial 42% growth in Absa's statutory liquid asset portfolio to R51 billion to strengthen liquidity offset lower investments and loans and advances to banks.

Loans and advances to customers

Absa's loans and advances to customers declined 1% year on year to R495 billion. Retail Banking's loans and advances increased 1%, reflecting sustained focus on risk appetite and pricing. Mortgages (including Commercial Property Finance), which constituted 59% of total gross Group loans and advances to customers, declined 1% year on year. Given Retail Banking's strategy to grow its proportion of unsecured loans, credit cards grew 6% year on year and personal loans 15%. Restrained client demand also dampened ABB's loans and advances, which declined 1% year on year due to lower Commercial Property Finance and instalment credit agreements. Although broadly unchanged since 31 December 2010, Absa Capital's loans and advances decreased 9% year on year.

Deposits due to customers

Group deposits due to customers increased 11% to R398 billion from 30 June 2010, with sustained growth in targeted areas. Retail Banking's deposits grew 5% year on year, with solid growth in cheque accounts, further entrenching its leading market share in retail deposits. ABB and Absa Capital's deposits grew 10% and 17% year on year respectively and, in line with the Group's strategy to lengthen its funding, their fixed deposits increased by 19% and 20% respectively. The Group's loans-to-deposits ratio declined to 90,6% from 95,5% at 30 June 2010.

Group performance *(continued)*

Statement of financial position *(continued)*

Net asset value

NAV grew 9% year on year to R58 billion. The Group generated retained earnings of R2,9 billion during the period. Absa's NAV per share rose 9% year on year to 8 116 cents (30 June 2010: 7 420 cents).

Capital to risk-weighted assets

The Group's risk-weighted assets increased 3% year on year, largely due to recalibrating its credit models in the second half of 2010. Risk-weighted assets decreased 7% on an annualised basis from 31 December 2010, reflecting flat assets and optimisation initiatives. Absa maintained its healthy capital levels, which remain above regulatory requirements and board targets. At 30 June 2011, Absa Group's Core Tier 1 and Tier 1 capital adequacy ratios were 12,8% (30 June 2010: 11,9%) and 13,9% (30 June 2010: 13,1%) respectively. The Group's total capital ratio increased to 16,7% (30 June 2010: 15,8%). Absa Bank's Core Tier 1 ratio improved to 11,8% (30 June 2010: 10,7%) and its total ratio was 16,0% (30 June 2010: 14,9%). Given these strong capital levels, the Group reduced its dividend cover to 2,2 times from 2,4 times (30 June 2010).

Statement of comprehensive income

Net interest income

Net interest income increased 3% to R11 622 million (30 June 2010: R11 293 million) despite loans declining year on year and a 1,2% lower average prime interest rate during the period. The rise reflects Absa's effective hedging strategy, better new business pricing and a change in its deposit mix towards higher margin products. These factors outweighed the negative endowment effect on capital and deposits, competitive pricing pressures on deposits, as well as the cost of lengthening funding and increasing Absa's surplus liquid assets position. Consequently, the Group's net interest margin on average interest-bearing assets widened to 4,05% from 3,89%.

Credit losses

Absa's credit losses declined 22% to R2 902 million (30 June 2010: R3 704 million). Retail Banking, where credit losses also decreased 22% year on year to R2 333 million, accounted for most of the improvement. Early cycle delinquencies improved as lower interest rates helped consumers to recover, and the benefits of effective collections management and sound credit policy became evident. ABB's credit losses declined 15% year on year to R533 million.

The Group's credit loss ratio improved to 1,18% from 1,50% for the six months ended 30 June 2010 and a peak of 1,86% two years ago. Retail Banking's credit loss ratio declined to 1,46% (30 June 2010: 1,90%), as all major categories improved, particularly Card. ABB's credit loss ratio fell to 0,95% from 1,12% the previous year.

As management expected, however, the Group's credit loss ratio rose from the low 0,91% for the six months ended 31 December 2010. This increase reflects seasonality, declining real property prices and some small book sales in the base. Absa's non-performing loan coverage remained stable at 29,0% from 31 December 2010.

Non-performing loans as a percentage of loans and advances was flat at 7,7% (31 December 2010: 7,7%; 30 June 2010: 7,6%). They were also flat in absolute terms, despite smaller inflows. Absa's loans subject to debt counselling fell to R4,4 billion from R7 billion at 31 December 2010, and R9,6 billion at 30 June 2010, due to strong collection efforts.

Non-interest income

Absa's non-interest income increased 10% to R10 680 million (30 June 2010: R9 713 million), owing to growth in targeted areas. Net fee and commission income, which constituted 70% of non-interest income, grew 7% to R7 519 million (30 June 2010: R7 059 million), due to price increases and volume growth. Retail Banking's net fee and commission income rose 4% year on year. ABB's net fees and commissions demonstrated good momentum growing 8% year on year. Net revenue from Financial Services, excluding investment returns on shareholder funds, increased 15% year on year. Absa Capital's gains and losses from banking and trading activities increased to R1 404 million (30 June 2010: R1 151 million), with a good performance from core client flow business in Markets. The Group sold its stake in Visa Incorporated during the period, recording a R30 million gain compared to a R116 million loss in the comparative period.

Operating expenses

Absa's operating expenses grew 8% to R12 218 million (30 June 2010: R11 264 million), reflecting firm cost containment while continuing to invest in targeted growth opportunities.

Staff costs, which constituted 54% of total costs, increased 13% to R6 623 million (30 June 2010: R5 875 million), due to salary increases and higher incentives from deferrals and the Group's improved performance. Containing discretionary spend was a priority during the period under review. The Group's cost-to-income ratio improved to 54,8% from 56,2% at 31 December 2010, although it increased slightly year on year.

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Taxation

The Group's taxation charge grew 22% year on year to R1 841 million, as the effective tax rate increased slightly to 27,6% from 26,8%. The higher rate was mainly due to a lower proportion of exempt income and secondary tax on companies.

Segmental performance

Retail Banking

Headline earnings increased 75% to R1 737 million (2010: R993 million), due to 7% revenue growth, 22% lower credit losses and cost growth being contained to 6% year on year. Retail Banking's credit loss ratio improved materially to 1,46% from 1,90%, as a result of lower early stage delinquencies and successful collections strategies. Controlled operating expenses growth improved Retail Banking's cost-to-income ratio to 57,3% (30 June 2010: 58,2%). All the business segments within Retail Banking increased their headline earnings year on year. Wider net interest margins and lower credit losses produced a R380 million positive swing in earnings from secured lending. Solid revenue and low cost growth, as well as 38% lower credit losses, saw Personal Loans and Card's combined earnings grow 47% year on year. Retail Banking's return on regulatory capital improved notably to 25,4% from 13,4%.

Absa Business Bank

Headline earnings increased 6% to R1 378 million (30 June 2010: R1 296 million), despite loans declining 1% year on year and a lower contribution from the listed equity property portfolio. Net interest income grew 5%, reflecting 10% deposit growth and higher new loan pricing for risk, which outweighed lower loans and deposit margin pressure from lower average interest rates. ABB's credit losses improved 15% year on year. Fee income increased 8%, driven by ABB's enhanced transactional capabilities and reduced revenue leakage. Operating expenses grew 7% to R3 229 million (30 June 2010: R3 010 million), as the business continued to invest in growth initiatives while containing other costs. ABB's return on regulatory capital decreased to 19,6% (30 June 2010: 22,4%).

Absa Capital

Absa Capital's headline earnings were flat at R832 million (30 June 2010: R831 million). Markets revenue increased by 3% despite a reduced African trading contribution and decreased volatility reducing client balance sheet management activities. Investment Banking revenue decreased 23% year on year, with exceptional growth in fee business being offset by a substantial decline of 33% in the margin business. Private Equity earnings continued to improve, given positive realisations, stable valuations and lower funding costs. Wealth's net revenue increased by 46%, reflecting lower credit losses, and growth in fee-driven customer balances. Costs grew 9% year on year. Absa Capital's return on regulatory capital increased to 18,8% (30 June 2010: 17,6%). Given regulatory capital changes in the near future, efficient capital management remains a focus.

Financial Services

Net operating income increased 16% to R820 million (30 June 2010: R708 million). Financial Services continued to achieve strong topline growth with Life and Insurance gross premiums growing 22% and 11% respectively. The revenue in the non-insurance businesses increased by 16% during the period. Assets under management increased 17% to R171 billion. However, a 32% decrease in investment returns on shareholder funds due to low interest rates and muted equity markets, dampened headline earnings growth to 6%. The RoE achieved was 33,3%, slightly lower than the 35,6% for the six months ended 30 June 2010, due to capital retained in the business for the Africa expansion programme.

Prospects

In our view, consumer vulnerability and the nature of the economic recovery are important factors in considering the pace and magnitude of the interest rate cycle. Given the indications of a still uneven economic recovery and a vulnerable consumer, the South African Reserve Bank is only expected to raise interest rates in the first quarter of 2012, to allow the recovery time to be sustainable. As a baseline, the South African economy is likely to grow 3,5% to 4% this year. However, recent strike action and global uncertainties may reduce this forecast.

Despite some indications of an improving economy, the operating environment is expected to remain challenging. Sector revenue growth is expected to remain subdued, particularly given moderate credit growth. The Group's One Absa strategy is, however, already improving non-interest revenue growth in target areas. Absa should also continue to benefit from its hedging strategy into 2012. Credit losses should continue to improve year on year, although at a far slower pace than in 2010. The focus remains on containing costs, maintaining strong capital levels and working with Barclays to capture the growth opportunities that the combined franchises offer in the rest of Africa.

Basis of presentation and changes in accounting policies

The accounting policies applied in preparing the financial results for the period under review are the same as the accounting policies in place for the year ended 31 December 2010.

Reclassifications

The Group has reclassified certain collaterals 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 June 2010 and December 2010.

On behalf of the board

G Griffin
Group Chairman

M Ramos
Group Chief Executive

Johannesburg
2 August 2011

Declaration of interim ordinary dividend number 50

Shareholders are advised that an interim ordinary dividend of 292 cents per ordinary share was declared today, Tuesday, 2 August 2011, for the six-month period ended 30 June 2011. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 26 August 2011. The directors of Absa Group confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

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, 19 August 2011
Shares commence trading ex dividend	Monday, 22 August 2011
Record date	Friday, 26 August 2011
Payment date	Monday, 29 August 2011

Share certificates may not be dematerialised or rematerialised between Monday, 22 August 2011 and Friday, 26 August 2011, both dates inclusive.

On Monday, 29 August 2011, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not, cheques dated 29 August 2011 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will be credited on Monday, 29 August 2011.

On behalf of the board

S Martin
Group Secretary

Johannesburg
2 August 2011

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 2011 Rm	2010 Rm	Change %	Year ended 31 December 2010 Rm
Income from banking and other activities		**20 393**	19 292	6	39 216
Net interest income	2	**11 622**	11 293	3	23 340
Non-interest income	4	**8 771**	7 999	10	15 876
Net fee and commission income		**6 973**	6 614	5	13 461
Gains and losses from banking and trading activities		**1 510**	1 378	10	2 349
Other income		**288**	7	>100	66
Income from Financial Services	4	**3 337**	3 425	(3)	7 004
Net fee and commission income		**546**	445	23	930
Net insurance premium income		**2 403**	2 165	11	4 468
Gains and losses from investment activities		**388**	815	(52)	1 606
Total operating income		**23 730**	22 717	4	46 220
Impairment losses on loans and advances	3	**(2 902)**	(3 704)	22	(6 005)
Benefits due to policyholders from Financial Services	4	**(1 428)**	(1 711)	17	(3 406)
Net insurance claims and benefits paid		**(1 263)**	(1 166)	(8)	(2 406)
Changes in investment and insurance liabilities		**(186)**	(565)	67	(1 045)
Other income		**21**	20	5	45
Operating profit before operating expenditure		**19 400**	17 302	12	36 809
Operating expenditure in banking and other activities		**(11 746)**	(10 807)	(9)	(23 073)
Operating expenses	5	**(11 254)**	(10 406)	(8)	(22 273)
Other impairments		**(37)**	(81)	54	(109)
Indirect taxation		**(455)**	(320)	(42)	(691)
Operating expenditure in Financial Services		**(1 015)**	(893)	(14)	(1 876)
Operating expenses	5	**(964)**	(858)	(12)	(1 797)
Other impairments		**—**	(2)	100	1
Indirect taxation		**(51)**	(33)	(55)	(80)
Share of post-tax results of associates and joint ventures					
Banking and other activities		**27**	15	80	(9)
Financial Services		**1**	—	100	—
Operating profit before income tax		**6 667**	5 617	19	11 851
Taxation expense		**(1 841)**	(1 506)	(22)	(3 262)
Profit for the period/year		**4 826**	4 111	17	8 589
Profit attributable to:					
Ordinary equity holders of the Group		**4 581**	3 842	19	8 118
Non-controlling interest – ordinary shares		**102**	107	(5)	151
Non-controlling interest – preference shares		**143**	162	(12)	320
		4 826	4 111	17	8 589
Headline earnings	1	**4 595**	3 862	19	8 041

Consolidated statement of comprehensive income

	Note	Six months ended 30 June 2011 (Unaudited) Rm	Six months ended 30 June 2010 (Unaudited) Rm	Change %	Year ended 31 December 2010 (Audited) Rm
Net interest income	2	**11 622**	11 293	3	23 340
Interest and similar income		**24 682**	27 590	(11)	54 241
Interest expense and similar charges		**(13 060)**	(16 297)	20	(30 901)
Impairment losses on loans and advances	3	**(2 902)**	(3 704)	22	(6 005)
Net interest income after impairment losses on loans and advances		**8 720**	7 589	15	17 335
Non-interest income	4	**10 680**	9 713	10	19 474
Net fee and commission income		**7 519**	7 059	7	14 391
Fee and commission income		**8 500**	8 144	4	16 454
Fee and commission expense		**(981)**	(1 085)	10	(2 063)
Net insurance premium income		**2 481**	2 165	15	4 602
Net insurance claims and benefits paid		**(1 263)**	(1 166)	(8)	(2 405)
Changes in investment and insurance liabilities		**(186)**	(565)	67	(1 059)
Gains and losses from banking and trading activities		**1 510**	1 378	10	2 349
Gains and losses from investment activities		**264**	469	(44)	884
Other operating income		**355**	373	(5)	712
Operating profit before operating expenditure		**19 400**	17 302	12	36 809
Operating expenditure		**(12 761)**	(11 700)	(9)	(24 949)
Operating expenses	5	**(12 218)**	(11 264)	(8)	(24 070)
Other impairments		**(37)**	(83)	55	(108)
Indirect taxation		**(506)**	(353)	(43)	(771)
Share of post-tax results of associates and joint ventures		**28**	15	87	(9)
Operating profit before income tax		**6 667**	5 617	19	11 851
Taxation expense		**(1 841)**	(1 506)	(22)	(3 262)
Profit for the period/year		**4 826**	4 111	17	8 589
Profit attributable to:					
Ordinary equity holders of the Group		**4 581**	3 842	19	8 118
Non-controlling interest – ordinary shares		**102**	107	(5)	151
Non-controlling interest – preference shares		**143**	162	(12)	320
		4 826	4 111	17	8 589
Earnings per share:					
Basic earnings per share (cents per share)	1	**639,4**	536,5	19	1 133,3
Diluted earnings per share (cents per share)	1	**636,5**	533,1	19	1 126,4

Consolidated statement of comprehensive income

	Six months ended 30 June 2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	Year ended 31 December 2010 (Audited) Rm
Profit for the period/year	**4 826**	4 111	17	8 589
Other comprehensive income				
Exchange differences on translation of foreign operations	**75**	(37)	>100	(371)
Movement in cash flow hedging reserve	**(855)**	646	>(100)	1 152
Fair value (losses)/gains arising during the period/year	**(76)**	1 794	>(100)	3 421
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	**(1 111)**	(897)	(24)	(1 820)
Deferred tax	**332**	(251)	>100	(449)
Movement in available-for-sale reserve	**(30)**	(98)	69	166
Fair value (losses)/gains arising during the period/year	**(60)**	(179)	66	146
Amortisation of government bonds – release to the profit and loss component of the statement of comprehensive income	**18**	46	(61)	92
Deferred tax	**12**	35	(66)	(72)
Movement in retirement benefit asset and liabilities	**12**	(4)	>100	21
Increase/(decrease) in retirement benefit surplus	**17**	(6)	>100	27
Decrease in retirement benefit deficit	**—**	—	—	2
Deferred tax	**(5)**	2	>(100)	(8)
Total comprehensive income for the period/year	**4 028**	4 618	(13)	9 557
Total comprehensive income attributable to:				
Ordinary equity holders of the Group	**3 771**	4 322	(13)	9 138
Non-controlling interest – ordinary shares	**114**	134	(15)	99
Non-controlling interest – preference shares	**143**	162	(12)	320
	4 028	4 618	(13)	9 557

Consolidated statement of financial position

	Note	30 June 2011 (Unaudited) Rm	30 June 2010[1] (Unaudited) Rm	Change %	31 December 2010[1] (Audited) Rm
Assets					
Cash, cash balances and balances with central banks		**25 814**	22 380	15	24 361
Statutory liquid asset portfolio		**50 999**	35 846	42	48 215
Loans and advances to banks		**30 911**	43 131	(28)	27 495
Trading portfolio assets		**57 607**	56 140	3	62 047
Hedging portfolio assets		**3 564**	3 515	1	4 662
Other assets		**16 449**	16 769	(2)	12 855
Current tax assets		**191**	326	(41)	196
Non-current assets held for sale	6	**369**	—	100	—
Loans and advances to customers	7	**495 460**	499 976	(1)	499 293
Reinsurance assets		**773**	443	74	860
Investment securities		**21 100**	28 159	(25)	23 826
Investments in associates and joint ventures		**407**	454	(10)	416
Goodwill and intangible assets		**1 864**	1 323	41	1 794
Investment properties		**2 695**	2 255	20	2 523
Property and equipment		**7 363**	7 164	3	7 493
Deferred tax assets		**352**	323	9	434
Total assets		**715 918**	718 204	(0)	716 470
Liabilities					
Deposits from banks		**17 365**	38 713	(55)	15 406
Trading portfolio liabilities		**35 930**	46 516	(23)	47 454
Hedging portfolio liabilities		**1 351**	1 286	5	1 881
Other liabilities		**15 885**	15 309	4	11 239
Provisions		**1 343**	978	37	1 808
Current tax liabilities		**486**	10	>100	965
Deposits due to customers	8	**398 330**	359 943	11	378 111
Debt securities in issue	8	**148 468**	163 697	(9)	164 545
Liabilities under investment contracts		**14 478**	13 836	5	13 964
Policyholder liabilities under insurance contracts		**2 807**	2 799	0	3 001
Borrowed funds	9	**13 786**	13 359	3	13 649
Deferred tax liabilities		**1 456**	2 461	(41)	2 298
Total liabilities		**651 685**	658 907	(1)	654 321
Equity					
Capital and reserves					
Attributable to ordinary equity holders of the Group:					
Share capital	9	**1 434**	1 433	0	1 433
Share premium	9	**4 562**	4 805	(5)	4 590
Other reserves		**1 416**	1 694	(16)	2 309
Retained earnings		**50 876**	45 362	12	47 958
		58 288	53 294	9	56 290
Non-controlling interest – ordinary shares		**1 301**	1 359	(4)	1 215
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Total equity		**64 233**	59 297	8	62 149
Total equity and liabilities		**715 918**	718 204	(0)	716 470

Note

[1] *Comparatives have been reclassified. These reclassifications have not been audited. Refer to pages 95 – 98.*

Consolidated statement of financial position – IAS 39 classification

	30 June			
	2011 (Unaudited)		2010[1] (Unaudited)	
	Assets Rm	Liabilities and equity Rm	Assets Rm	Liabilities and equity Rm
Fair value through profit or loss	**102 584**	**77 875**	104 907	82 427
Designated at fair value	**41 896**	**40 594**	45 584	34 625
Cash, cash balances and balances with central banks	**3 287**	**—**	2 594	—
Statutory liquid asset portfolio	**1 490**	**—**	3 448	—
Loans and advances to banks	**7 185**	**—**	4 384	—
Other assets	**16**	**—**	—	—
Loans and advances to customers	**10 726**	**—**	8 991	—
Investment securities	**19 192**	**—**	26 167	—
Deposits from banks	**—**	**3 563**	—	5 268
Other liabilities	**—**	**17**	—	17
Deposits due to customers	**—**	**20 186**	—	13 541
Debt securities in issue	**—**	**1 600**	—	1 232
Liabilities under investment contracts	**—**	**14 478**	—	13 836
Borrowed funds	**—**	**750**	—	731
Held for trading	**57 124**	**35 930**	55 808	46 516
Trading portfolio assets	**57 124**	**—**	55 808	—
Trading portfolio liabilities	**—**	**35 930**	—	46 516
Hedging instruments	**3 564**	**1 351**	3 515	1 286
Hedging portfolio assets	**3 564**	**—**	3 515	—
Hedging portfolio liabilities	**—**	**1 351**	—	1 286
Available-for-sale	**51 583**	**—**	34 720	—
Designated as available-for-sale	**30 384**	**—**	21 256	—
Cash, cash balances and balances with central banks	**533**	**—**	658	—
Statutory liquid asset portfolio	**28 310**	**—**	18 934	—
Investment securities	**1 541**	**—**	1 664	—
Hedged items				
Statutory liquid asset portfolio	**21 199**	**—**	13 464	—
Amortised cost	**543 158**	**564 949**	562 709	568 120
Designated at amortised cost	**542 455**	**553 805**	561 977	557 730
Cash, cash balances and balances with central banks	**21 284**	**—**	18 653	—
Loans and advances to banks	**23 726**	**—**	38 747	—
Other assets	**13 414**	**—**	14 324	—
Loans and advances to customers	**484 031**	**—**	490 253	—
Deposits from banks	**—**	**13 802**	—	33 445
Other liabilities	**—**	**13 099**	—	13 180
Deposits due to customers	**—**	**378 144**	—	346 402
Debt securities in issue	**—**	**141 137**	—	157 004
Borrowed funds	**—**	**7 623**	—	7 699
Hedged items	**703**	**11 144**	732	10 390
Loans and advances to customers	**703**	**—**	732	—
Debt securities in issue	**—**	**5 731**	—	5 461
Borrowed funds	**—**	**5 413**	—	4 929
Held-to-maturity	**1 077**	**—**	803	—
Cash, cash balances and balances with central banks	**710**	**—**	475	—
Investment securities	**367**	**—**	328	—
Non-financial assets and liabilities	**17 516**	**8 861**	15 065	8 360
Total equity	**—**	**64 233**	—	59 297
	715 918	**715 918**	718 204	718 204

Note
[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

Condensed consolidated statement of changes in equity

	Note	Six months ended 30 June 2011 (Unaudited) Total equity attributable to ordinary equity holders of the Group Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
Balance at the beginning of the year		56 290	1 215	4 644	62 149
Transfer from share-based payment reserve		131	—	—	131
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust		18	—	—	18
Elimination of the movement in treasury shares held by Absa Group subsidiaries		71	—	—	71
Share buy-back in respect of equity-settled share-based payment schemes		(247)	—	—	(247)
Other reserves		(893)	—	—	(893)
Transfer from share-based payment reserve		(131)	—	—	(131)
Share-based payments for the period/year		35	—	—	35
Other comprehensive income	1	(822)	—	—	(822)
Movement in general credit risk reserve		(14)	—	—	(14)
Movement in insurance contingency reserve		(2)	—	—	(2)
Movement in associates' and joint ventures' retained earnings reserve		28	—	—	28
Disposal of associates and joint ventures – release of reserves[1]		13	—	—	13
Retained earnings		2 918	—	—	2 918
Transfer from share-based payment reserve		0	—	—	0
Transfer to general credit risk reserve		14	—	—	14
Transfer to insurance contingency reserve		2	—	—	2
Transfer of (profit)/loss to associates' and joint ventures' retained earnings reserve		(28)	—	—	(28)
Disposal of associates and joint ventures – release of reserves[1]		(13)	—	—	(13)
Profit attributable to ordinary equity holders of the Group	1	4 581	—	—	4 581
Other comprehensive income – movement in retirement benefit asset and liabilities	1	12	—	—	12
Dividends paid during the period/year		(1 650)	—	—	(1 650)
Profit attributable to non-controlling equity holders of the Group	1	—	102	143	245
Other comprehensive income – foreign currency translation effects	1	—	12	—	12
Dividends paid during the period/year		—	(95)	(143)	(238)
Dilution of non-controlling equity holders' interest		—	—	—	—
Increase in the interest of non-controlling equity holders' interest		—	—	—	—
Acquisition/(net disposal) of businesses		—	67	—	67
Balance at the end of the period/year		58 288	1 301	4 644	64 233
Note					
1. Total comprehensive income					
Profit for the period/year		4 581	102	143	4 826
Other comprehensive income		(810)	12	—	(798)
		3 771	114	143	4 028

Note

[1] *The current period release of reserves relates to the transfer of an investment in associate to non-current assets held for sale (refer to page 33).*

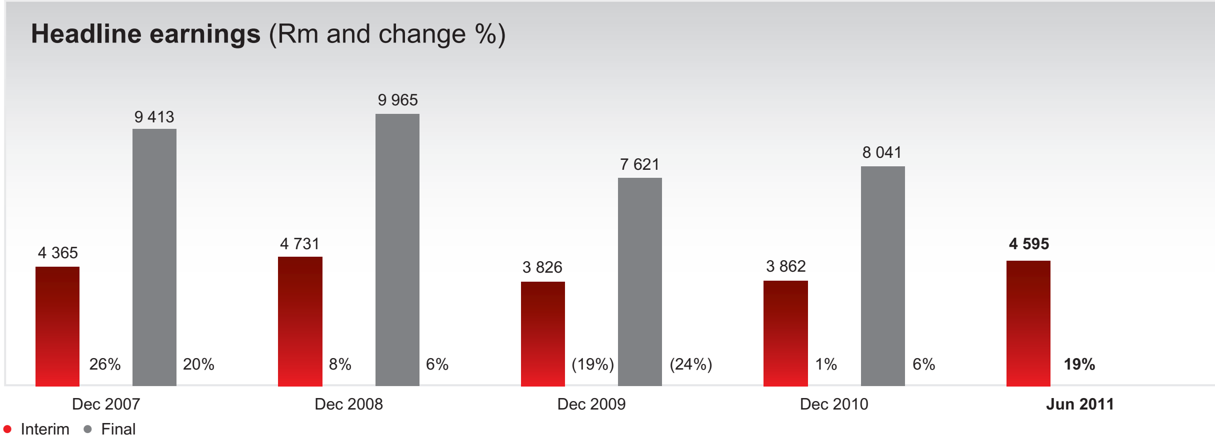
Condensed consolidated statement of changes in equity

Six months ended 30 June 2010 (Unaudited)					Year ended 31 December 2010 (Audited)			
Total equity attributable to ordinary equity holders of the Group Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm	Total equity change %	Total equity attributable to ordinary equity holders of the Group Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
50 547	1 299	4 644	56 490	10	50 547	1 299	4 644	56 490
24	—	—	24	>100	59	—	—	59
20	—	—	20	(10)	31	—	—	31
27	—	—	27	>100	(49)	—	—	(49)
(49)	—	—	(49)	>(100)	(234)	—	—	(234)
516	—	—	516	>(100)	1 131	—	—	1 131
(25)	—	—	(25)	>(100)	(61)	—	—	(61)
5	—	—	5	>100	48	—	—	48
484	—	—	484	>(100)	999	—	—	999
(14)	—	—	(14)	0	39	—	—	39
5	—	—	5	>(100)	55	—	—	55
19	—	—	19	47	(9)	—	—	(9)
42	—	—	42	(69)	60	—	—	60
2 209	—	—	2 209	32	4 805	—	—	4 805
1	—	—	1	(99)	2	—	—	2
14	—	—	14	(0)	(39)	—	—	(39)
(5)	—	—	(5)	>100	(55)	—	—	(55)
(19)	—	—	(19)	(47)	9	—	—	9
(42)	—	—	(42)	69	(60)	—	—	(60)
3 842	—	—	3 842	19	8 118	—	—	8 118
(4)	—	—	(4)	>100	21	—	—	21
(1 578)	—	—	(1 578)	(5)	(3 191)	—	—	(3 191)
—	107	162	269	(9)	—	151	320	471
—	27	—	27	(56)	—	(52)	—	(52)
—	(92)	(162)	(254)	6	—	(142)	(320)	(462)
—	—	—	—	—	0	(0)	—	—
—	—	—	—	—	—	37	—	37
—	18	—	18	>100	—	(78)	—	(78)
53 294	1 359	4 644	59 297	8	56 290	1 215	4 644	62 149
3 842	107	162	4 111	17	8 118	151	320	8 589
480	27	—	507	>(100)	1 020	(52)	—	968
4 322	134	162	4 618	(13)	9 138	99	320	9 557

Condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	Year ended 31 December 2010 (Audited) Rm
Net cash generated from operating activities		**1 012**	3 163	(68)	2 202
Net cash generated/(utilised) from investing activities		**1 349**	(246)	>100	1 500
Net cash utilised in financing activities		**(2 022)**	(2 334)	13	(4 263)
Net increase/(decrease) in cash and cash equivalents		**339**	583	(42)	(561)
Cash and cash equivalents at the beginning of the year	1	**6 417**	6 976	(8)	6 976
Effect of exchange rate movements on cash and cash equivalents		**1**	2	(50)	2
Cash and cash equivalents at the end of the period/year	2	**6 757**	7 561	(11)	6 417
Notes					
1. Cash and cash equivalents at the beginning of the year					
Cash, cash balances and balances with central banks		**4 939**	5 175	(5)	5 175
Loans and advances to banks		**1 478**	1 801	(18)	1 801
		6 417	6 976	(8)	6 976
2. Cash and cash equivalents at the end of the period/year					
Cash, cash balances and balances with central banks		**5 234**	4 685	12	4 939
Loans and advances to banks		**1 523**	2 876	(47)	1 478
		6 757	7 561	(11)	6 417

1. Headline earnings and earnings per share



Headline earnings

	Six months ended 30 June					Year ended 31 December	
	2011 (Unaudited)		2010 (Unaudited)		Net	2010 (Audited)	
	Gross Rm	Net Rm	Gross Rm	Net Rm	change %	Gross Rm	Net Rm
Headline earnings[1] is determined as follows:							
Profit attributable to ordinary equity holders of the Group		**4 581**		3 842	19		8 118
Adjustments for:							
IFRS 3 gain on bargain purchase	**—**	**—**	—	—	—	(72)	(72)
IAS 16 net loss/(profit) on disposal of property and equipment	**2**	**1**	(5)	(4)	>100	(41)	(37)
IAS 28 headline earnings component of share of post-tax results of associates and joint ventures	**(0)**	**(0)**	(1)	(1)	92	(1)	(1)
IAS 28 and 31 net profit on disposal of investments in associates and joint ventures	**—**	**—**	(42)	(42)	100	(42)	(42)
IAS 28 and 31 impairment of investments in associates and joint ventures	**—**	**—**	50	36	(100)	29	21
IAS 36 impairment of equipment and leasehold improvements	**0**	**0**	—	—	100	13	9
IAS 38 impairment of intangible assets	**—**	**—**	4	3	(100)	4	3
IAS 39 release of available-for-sale reserves	**18**	**13**	46	33	(61)	92	66
IAS 39 impairment of available-for-sale instruments	**—**	**—**	16	12	(100)	25	18
IAS 40 change in fair value of investment properties	**—**	**—**	(25)	(17)	100	(50)	(42)
		4 595		3 862	19		8 041

Performance

The Group's headline earnings increased by 19% year on year to R4 595 million for the period under review from R3 862 million in the comparative period.

Note

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

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

Performance *(continued)*

Core drivers of headline earnings

» Loans and advances to customers decreased year on year by 1% in a challenging economic environment as customers continued to de-leverage.

» The margin improved by 16 basis points due to continued focus on effective risk-pricing, strong growth in customer deposits and a change in product composition to higher margin products.

» The impairment losses ratio showed a strong improvement to 1,18% for the period under review from 1,50% in the comparative period.

» Growth in non-interest income improved to 10% as net fee and commission income increased by 7% year on year, gross premiums increased by 17% year on year and trading results increased by 5% year on year.

» Operating expenses increased by 8% year on year due to inflationary increases and investments undertaken to optimally position the Group for future growth.

At a segment level

» **Retail Banking** headline earnings increased by 75% year on year driven by improved margin, lower impairment losses on loans and advances and higher fee and commission income.

» **Absa Business Bank** reported a 6% year-on-year increase in headline earnings as revenue grew by 5% year on year and impairments reduced by 15% year on year.

» **Absa Capital's** headline earnings remained flat at R832 million for the period under review compared to R831 million in the comparative period.

» **Financial Services** headline earnings rose by 6% year on year due to strong growth in premium income, which was dampened by high claims and lower investment return on shareholder funds.

Earnings per share

	Six months ended 30 June			Year ended 31 December
	2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	2010 (Audited) Rm
Profit attributable to ordinary equity holders of the Group/ diluted earnings[1]	**4 581**	3 842	19	8 118

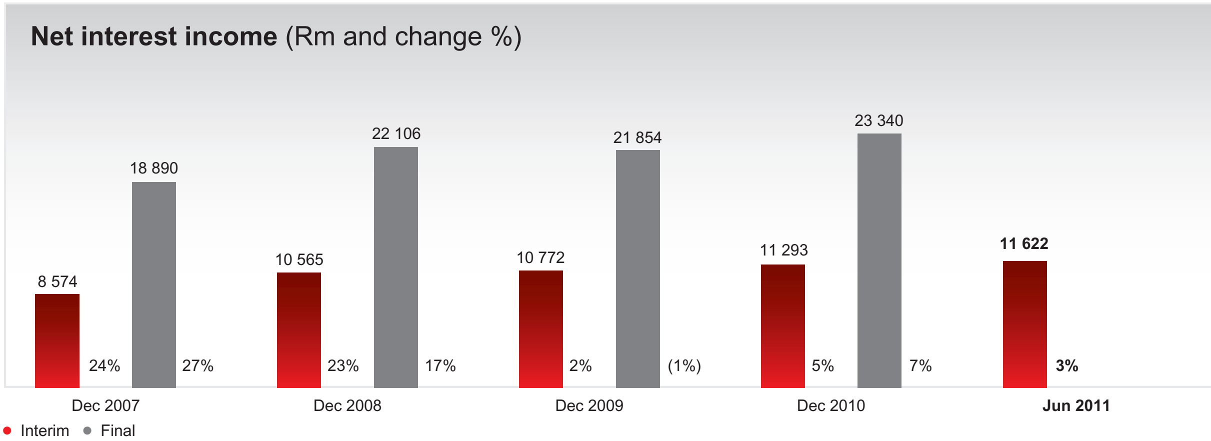
	30 June			31 December
	2011 (Unaudited) Number of shares (millions)	2010 (Unaudited) Number of shares (millions)	Change value/%	2010 (Audited) Number of shares (millions)
Issued shares at the beginning of the year	**718,2**	718,2	—	718,2
Treasury shares held by Absa Group subsidiaries	**(1,0)**	(0,6)	(0,4)	(0,6)
Treasury shares held by Absa Group Limited Share Incentive Trust	**(0,7)**	(1,5)	0,8	(1,3)
Weighted average number of ordinary shares in issue[2]	**716,5**	716,1	0,4	716,3
Basic earnings per share (cents)	**639,4**	536,5	19	1 133,3
Weighted average number of ordinary shares in issue	**716,5**	716,1	0,4	716,3
Adjustments for shares issued at no value:				
Share options	**3,2**	4,6	(1,4)	4,4
Weighted average diluted number of ordinary shares in issue	**719,7**	720,7	(1,0)	720,7
Diluted earnings per share (cents)	**636,5**	533,1	19	1 126,4

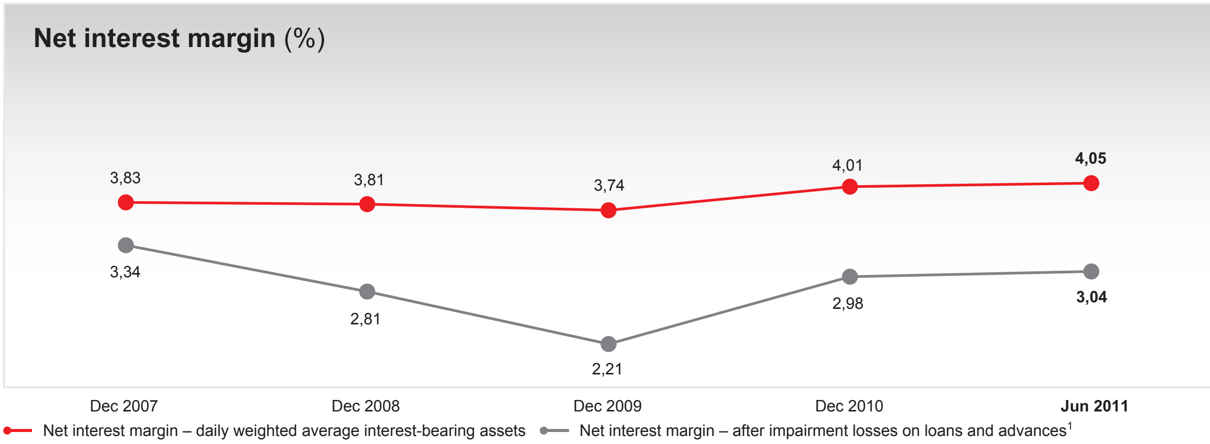
Notes

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

[2] *Refer to page 41 for the number of ordinary shares in issue.*

2. Net interest income





Performance

The Group's margin continued to widen, increasing by 4 basis points and 16 basis points from December 2010 and June 2010 respectively.

This was achieved through:

» wider asset margins reflecting improved pricing for credit risk and a change in product composition to higher margin products;

» the Group's hedging strategy; and

» strong growth in higher-margin deposit products, which countered the negative impact of lower interest rates on deposits.

The Group 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 receive fixed swaps over the entire interest rate cycle. The hedge programme increases margin stability over an interest rate cycle, notably enhancing the margin in a low rate cycle and sacrificing margin when rates are high. The prime/JIBAR reset risk cannot be hedged, so a degree of interest rate sensitivity will remain.

Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedge 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 R1,4 billion as at 30 June 2011 will be released to the statement of comprehensive income over the life of the underlying hedged items should market rates prevail at current levels.

Note

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

2. Net interest income *(continued)*

Group average statement of financial position

	30 June 2011 (Unaudited) Average balance Rm	Average rate[1,2] %	Interest income/ (expense) Rm
Assets			
Cash, cash balances and balances with central banks	2 837	5,05	71
Statutory liquid asset portfolio	48 555	6,25	1 505
Loans and advances to banks and customers	515 796	8,54	21 844
Investment securities	11 425	3,42	194
Other interest[4]	—	—	1 068
Interest-earning assets	578 613	8,60	24 682
Non-interest-earning assets	128 714	—	—
Total assets	707 327	7,04	24 682
Liabilities			
Deposits from banks and due to customers	377 194	(3,91)	(7 315)
Debt securities in issue	156 631	(6,45)	(5 009)
Borrowed funds	13 614	(9,08)	(613)
Other interest[4]	—	—	(123)
Interest-bearing liabilities	547 439	(4,81)	(13 060)
Non-interest-bearing liabilities	98 749	—	—
Total liabilities	646 188	(4,08)	(13 060)
Equity			
Capital and reserves			
Attributable to ordinary equity holders of the Group:			
Share capital	1 433	—	—
Share premium	4 479	—	—
Other reserves	1 545	—	—
Retained earnings	47 725	—	—
	55 182	—	—
Non-controlling interest – ordinary shares	1 313	—	—
Non-controlling interest – preference shares	4 644	—	—
Total equity	61 139	—	—
Total equity and liabilities	707 327	(3,72)	(13 060)
Net interest margin on average interest-bearing assets		4,05	

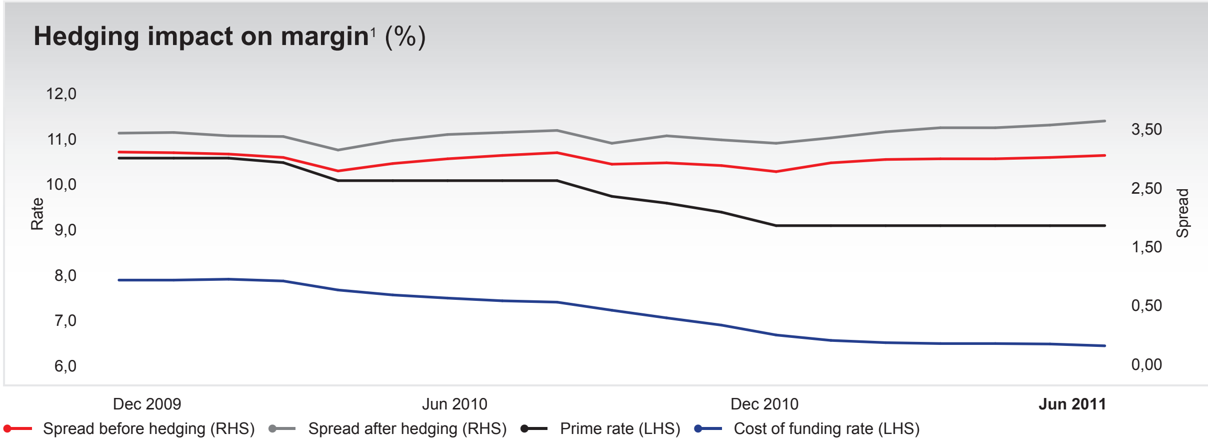
Daily weighted average balances have been used for the calculation.

Notes

[1] *The average rate has been annualised to reflect a yearly rate.*
[2] *The average prime rate for the period was **9,00%** (30 June 2010: 10,23%: 31 December 2010: 9,87%).*
[3] *Comparatives have been reclassified. These reclassifications have not been audited. Refer to pages 95 – 98.*
[4] *Also includes fair value adjustments on hedging instruments and hedged items.*

30 June 2010[3] (Unaudited)			31 December 2010[3] (Audited)		
Average balance Rm	Average rate[1,2] %	Interest income/ (expense) Rm	Average balance Rm	Average rate[2] %	Interest income/ (expense) Rm
1 622	7,46	60	1 741	5,92	103
31 999	7,73	1 227	35 331	8,44	2 983
535 685	9,43	25 040	530 708	9,34	49 550
15 478	3,82	293	14 157	3,50	495
—	—	970	—	—	1 110
584 784	9,51	27 590	581 937	9,32	54,241
133 639	—	—	137 917	—	—
718 423	7,74	27 590	719 854	7,54	54 241
367 502	(5,02)	(9 143)	364 244	(4,80)	(17 477)
166 812	(7,88)	(6 521)	166 417	(7,68)	(12 786)
13 204	(10,03)	(657)	13 198	(12,02)	(1 586)
—	—	24	—	—	948
547 518	(6,00)	(16 297)	543 859	(5,68)	(30 901)
113 254	—	—	116 774	—	—
660 772	(4,97)	(16 297)	660 633	(4,68)	(30 901)
1 463	—	—	1 433	—	—
4 814	—	—	4 728	—	—
1 616	—	—	1 890	—	—
43 778	—	—	45 169	—	—
51 671	—	—	53 220	—	—
1 336	—	—	1 357	—	—
4 644	—	—	4 644	—	—
57 651	—	—	59 221	—	—
718 423	(4,57)	(16 297)	719 854	(4,29)	(30 901)
	3,89			4,01	

2. Net interest income *(continued)*



Net interest margin

	Six months ended 30 June 2011 Basis points	Six months ended 30 June 2010 Basis points	Year ended 31 December 2010 Basis points
Change in margin			
Loans and advances to customers[(i)]	**13**	15	9
Change in client rates	**13**	13	4
Change in composition	**0**	2	5
Deposits due to customers[(ii)]	**(6)**	(17)	(2)
Client pricing	**(5)**	(7)	(2)
Change in composition	**5**	10	12
Endowment	**(6)**	(20)	(12)
Capital	**(5)**	(11)	(12)
Interest rate risk management (hedging)	**9**	36	25
Other	**5**	8	7
	16	31	27

[(i)] ***Loans and advances to customers***

» The majority of products showed solid improvement in margins on new business due to improved pricing.

[(ii)] ***Deposits due to customers***

» The negative impact of lower interest rates on non-rate sensitive deposits was the largest contributor to the reduction in deposit margins. Margin pressure continues to be experienced across most customer products due to liquidity constraints and strong competition.

» Product composition changes had a positive impact on the margin, mainly due to a reduction in low-margin products and growth in higher-margin products.

Note

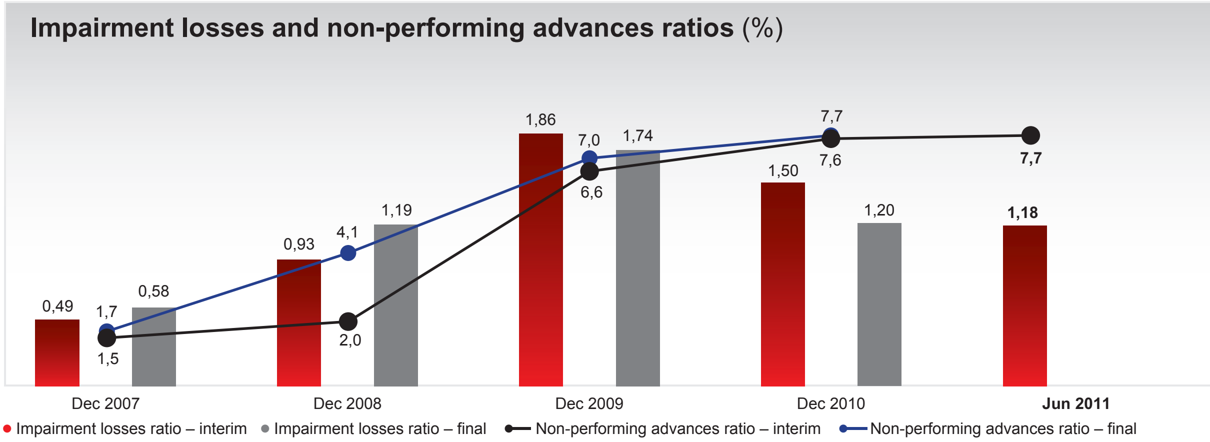
[1] *Absa's hedging strategy:*

» *The hedging programme provides greater margin stability from an interest rate risk perspective over the entire cycle.*

» *In a decreasing rate scenario the hedging programme enhances the margin while the opposite is true for an increasing rate scenario.*

» *Basis risk still remains between prime assets and 3-month JIBAR repricing liabilities after hedging.*

3. Impairment losses on loans and advances



Performance

The impairment losses ratio improved to 1,18% for the period under review from 1,50% at 30 June 2010. The impairment charge to the statement of comprehensive income decreased by 22% to R2 902 million.

Retail Banking (↓22% year on year)

» Retail Banking's impairment losses ratio improved from 1,90% recorded in the comparative period to 1,46% for the period under review.

» Since 30 June 2010, significant improvement was experienced in impairment losses on loans and advances in Card (62%) with positive contributions from Vehicle and Asset Finance (25%), Personal Loans (10%) and Home Loans (8%) respectively.

Absa Business Bank (↓15% year on year)

» Absa Business Bank's impairment losses ratio improved to 0,95% for the period under review from 1,12% in the comparative period.

» The impairment losses ratio, excluding Small Business, for the period under review was 0,88% compared to 0,97% recorded in the comparative period.

Non-performing advances (↑1% year on year)

Non-performing advances (NPAs) remained broadly in line with the comparative period to end on R39,3 billion at 30 June 2011. NPAs, as a percentage of gross loans and advances to customers, remained fairly stable at 7,7% from 30 June 2010 (7,6%). Most of the products contributed to a decline in NPAs of 1% from 31 December 2010 (R39,6 billion).

Charge to the statement of comprehensive income

	Six months ended 30 June			Year ended 31 December
	2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	2010 (Audited) Rm
Impairments raised during the period/year	**3 256**	3 965	(18)	6 729
Identified impairments	**3 311**	4 043	(17)	6 919
Unidentified impairments	**(55)**	(78)	(9)	(190)
Recoveries of loans and advances previously written off	**(354)**	(261)	(36)	(724)
	2 902	3 704	(22)	6 005

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

Impairment losses on loans and advances by segment

	Six months ended 30 June 2011 Rm	Six months ended 30 June 2010 Rm	Change %	Year ended 31 December 2010 Rm
Retail Banking[1]				
Home Loans	**1 316**	1 431	(8)	2 202
Vehicle and Asset Finance	**422**	566	(25)	883
Card	**146**	386	(62)	466
Personal Loans	**292**	325	(10)	508
Retail Bank	**157**	294	(47)	703
Total charge	**2 333**	3 002	(22)	4 762
Impairment losses ratio (%)	**1,46**	1,90		1,48
Absa Business Bank[1]				
Total charge	**533**	627	(15)	1 145
Impairment losses ratio (%)	**0,95**	1,12		1,01
Absa Capital[1]				
Total charge	**36**	75	(52)	96
Impairment losses ratio (%)	**0,12**	0,23		0,15
Other				
Total charge	**0**	—	100	2
Impairment losses ratio (%)	**n/a**	n/a		n/a
Charge to the statement of comprehensive income	**2 902**	3 704	(22)	6 005
Impairment losses ratio (%)	**1,18**	1,50		1,20

Statement of financial position

	30 June 2011 (Unaudited) Rm	30 June 2010 (Unaudited) Rm	Change %	31 December 2010 (Audited) Rm
Balance at the beginning of the year	**13 902**	13 158	6	13 158
Amounts written off during the period/year	**(3 073)**	(2 427)	(27)	(5 219)
Exchange differences	**6**	(1)	>100	(2)
Interest on impaired assets	**(589)**	(363)	(62)	(764)
	10 246	10 367	(1)	7 173
Impairments raised during the period/year	**3 256**	3 965	(18)	6 729
Balance at the end of the period/year	**13 502**	14 332	(6)	13 902
Comprising:				
Identified impairments	**12 599**	13 252	(5)	12 949
Unidentified impairments	**903**	1 080	(16)	953
	13 502	14 332	(6)	13 902

Note
[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

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

Non-performing advances

	Outstanding balance Rm	Expected recoveries and fair value of collateral Rm	Net exposure Rm	Total identified impairment Rm
Balances at 30 June 2011				
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**
Retail Banking	**32 991**	**23 723**	**9 268**	**9 268**
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**
Absa Business Bank	**5 545**	**3 815**	**1 730**	**1 730**
Absa Capital	**722**	**341**	**381**	**381**
Non-performing advances	**39 258**	**27 879**	**11 379**	**11 379**
Non-performing advances ratio (%)	**7,7**			
Balances at 30 June 2010				
Cheque accounts	172	93	79	79
Credit cards	3 113	627	2 486	2 486
Instalment credit agreements	2 709	1 623	1 086	1 086
Microloans	341	64	277	277
Mortgages	25 717	20 868	4 849	4 849
Personal loans	1 149	413	736	736
Retail Banking[1]	33 201	23 688	9 513	9 513
Cheque accounts	1 022	521	501	501
Commercial Asset Finance	1 112	473	639	639
Commercial Property Finance	2 138	1 831	307	307
Term loans	1 011	718	293	293
Absa Business Bank[1]	5 283	3 543	1 740	1 740
Absa Capital[1]	419	83	336	336
Non-performing advances	38 903	27 314	11 589	11 589
Non-performing advances ratio (%)	7,6			

Note

[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

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

Non-performing advances *(continued)*

	Outstanding balance Rm	Expected recoveries and fair value of collateral Rm	Net exposure Rm	Total identified impairment Rm
Balances at 31 December 2010				
Cheque accounts	220	110	110	110
Credit cards	2 822	797	2 025	2 025
Instalment credit agreements	3 058	1 776	1 282	1 282
Microloans	445	84	361	361
Mortgages	25 642	20 740	4 902	4 902
Personal loans	1 413	442	971	971
Retail Banking[1]	33 600	23 949	9 651	9 651
Cheque accounts	880	448	432	432
Commercial Asset Finance	1 082	429	653	653
Commercial Property Finance	2 483	2 032	451	451
Term loans	1 047	760	287	287
Absa Business Bank[1]	5 492	3 669	1 823	1 823
Absa Capital[1]	549	208	341	341
Non-performing advances	39 641	27 826	11 815	11 815
Non-performing advances ratio (%)	7,7			

Debt counselling

	30 June 2011 New applications Number of accounts	New applications Exposure Rm	Terminations Number of accounts	Terminations Exposure Rm	Portfolio balance Number of accounts	Portfolio balance 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**

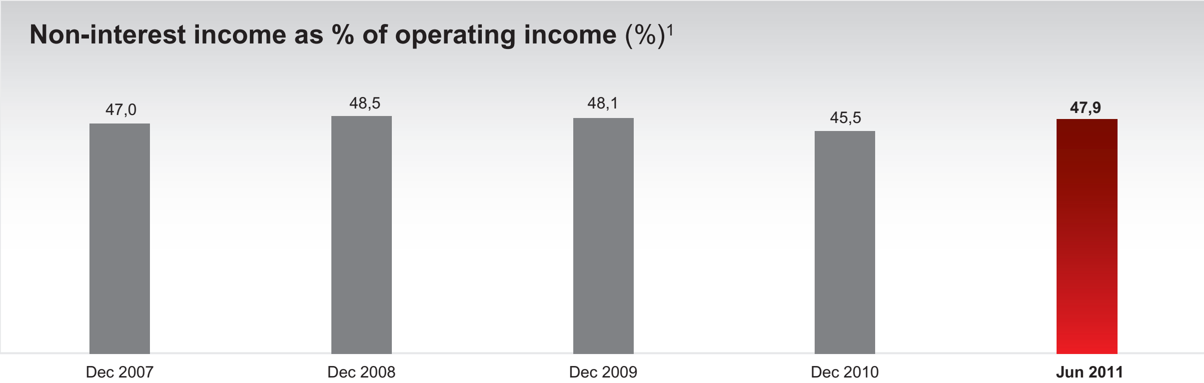
Non-performing advances coverage ratios

	30 June 2011 %	30 June 2010[1] %	31 December 2010[1] %
Retail Banking	**28,1**	28,7	28,7
Credit cards	**71,5**	79,9	71,8
Instalment credit agreements	**43,4**	40,1	41,9
Mortgages	**18,8**	18,9	19,1
Other	**65,1**	65,7	69,4
Absa Business Bank	**31,2**	32,9	33,2
Absa Capital	**52,8**	80,2	62,1
	29,0	29,8	29,8

Note

[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

4. Non-interest income



Non-interest income breakdown

	Six months ended 30 June			Year ended 31 December
	2011 Rm	2010[2] Rm	Change %	2010[2] Rm
Retail Banking – net fee and commission income	**5 098**	4 896	4	9 935
Absa Business Bank – net fee and commission income	**1 795**	1 660	8	3 433
Absa Capital's Markets – net trading results	**1 301**	1 235	5	2 135
Absa Capital's Private Equity – revaluations	**24**	(88)	>100	48
Absa Business Bank – commercial property finance revaluations	**(3)**	47	>(100)	116
Financial Services	**1 909**	1 714	11	3 594
Shareholder funds	**80**	118	(32)	332
Insurance income	**1 829**	1 596	15	3 262
Other investment income	**156**	26	>100	183
Revaluation of investment in Visa Incorporated	**30**	(116)	>100	(128)
Dividends received from associates and joint ventures	**—**	—	—	45
Profit realised on disposal of investment in Virgin Money SA	**—**	42	(100)	42
Absa Business Bank – other gains and losses from banking and trading activities	**83**	64	30	120
Other	**43**	36	19	104
Other income	**400**	223	79	30
Negative goodwill on acquisitions	**—**	—	—	72
Property-related income	**186**	174	7	404
Insurance-related income from Woolworths Financial Services	**78**	—	100	112
Inter-group eliminations[3]	**(165)**	(197)	16	(817)
Other[4]	**301**	246	22	259
	10 680	9 713	10	19 474

Performance

Non-interest income increased year on year by 10% to R10 680 million for the period under review.

Banking operations (↑10% year on year)

Net fee and commission income, which constitutes approximately 80% of non-interest income, increased year on year by 5% to R6 973 million.

» Retail Banking grew net fee and commission income by 4% year on year. There was modest growth in transacting customers and a fee increase was introduced during the period under review for the first time in 21 months. Transaction volumes were flat year on year.

» Absa Business Bank's improved transactional banking offering contributed to an 8% year on year rise in net fee and commission income.

Notes

[1]Excluding impairment losses on loans and advances.
[2]Comparatives have been reclassified. Refer to pages 95 – 98.
[3]Inter-group eliminations offset in net interest income.
[4]Includes inter-segment eliminations.

4. Non-interest income *(continued)*

Performance *(continued)*

Banking operations (↑10% year on year) (continued)

» Absa Capital's net trading results increased by 5% year on year, while total Markets revenue increased by 3% year on year. These year on year movements differ due to lower net interest income in the Markets business. Investments held in Private Equity experienced positive revaluations in the current period with a fair value increase of R24 million compared to a fair value decrease of R88 million in the comparative period. Net gains on investments included income from realisations, dividends and fair value movements on investments.

There was an unrealised loss from Visa of R116 million in the comparative period. The Group disposed of its investment in Visa during the period under review, realising a R30 million gain.

Financial Services operations (↑11% year on year)

Included in non-interest income of the Group is the revenue from insurance on a net basis, i.e. gross revenue net of re-insurance, claims, policyholder liabilities and acquisition cost. Gross premiums in Life and Short-term Insurance increased by 22% and 11% respectively, whilst revenue from the non-insurance businesses increased by 17%.
On a net basis, revenue before investment returns on shareholder funds improved by 15%. The claims ratio in short-term insurance increased from 67,1% in June 2010 to 68,2% for the current period, with adverse weather conditions increasing claims on agricultural insurance significantly. The underwriting results of all other product lines improved. Investment returns on shareholder funds decreased by 32% to R80 million, mainly due to low interest rate environment and declining equity markets.

	Six months ended 30 June			Year ended 31 December
	2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	2010 (Audited) Rm
Fee and commission income				
Asset management and other related fees	**37**	55	(33)	105
Consulting and administration fees	**285**	227	26	510
Credit-related fees and commissions	**6 688**	6 333	6	12 855
Cheque accounts	**1 633**	1 614	1	3 198
Credit cards[1]	**1 073**	939	14	1 938
Electronic banking	**1 966**	1 848	6	3 828
Savings accounts	**1 146**	1 193	(4)	2 417
Other[2]	**870**	739	18	1 474
Insurance commission received	**503**	482	4	950
Pension fund payment services	**239**	262	(9)	497
Project finance fees	**85**	107	(21)	209
Trust and other fiduciary services	**535**	603	(11)	1 029
Portfolio and other management fees	**414**	484	(14)	783
Trust and estate income	**121**	119	2	246
Other	**128**	75	71	299
	8 500	8 144	4	16 454
Fee and commission expense				
Cheque processing fees	**(85)**	(88)	3	(173)
Commission paid	**(438)**	(436)	(1)	(867)
Debt collecting fees	**(9)**	(112)	92	(85)
Transaction-based legal fees	**(100)**	(88)	(14)	(192)
Valuation fees	**(70)**	(89)	21	(185)
Other	**(279)**	(272)	(3)	(561)
	(981)	(1 085)	10	(2 063)
Net insurance premium income				
Insurance premium revenue	**2 921**	2 545	15	5 365
Premiums ceded to reinsurers	**(440)**	(380)	(16)	(763)
	2 481	2 165	15	4 602

Notes
[1]*Includes merchant, acquiring and issuing fees.*
[2]*Includes service, commission and credit-related fees on mortgage loans and foreign exchange transactions.*

4. Non-interest income *(continued)*

	Six months ended 30 June			Year ended 31 December
	2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	2010 (Audited) Rm
Net insurance claims and benefits paid				
Gross claims and benefits paid on insurance contracts	**(1 580)**	(1 330)	(19)	(2 864)
Reinsurance recoveries	**317**	164	93	459
	(1 263)	(1 166)	(8)	(2 405
Changes in investment and insurance liabilities				
Investment contracts	**(218)**	(639)	66	(1 014)
Insurance liabilities	**32**	74	(57)	(45)
	(186)	(565)	67	(1 059)
Gains and losses from banking and trading activities[1]				
Associates and joint ventures	**—**	42	(100)	87
Dividends received	**—**	—	—	45
Profit realised on disposal	**—**	42	(100)	42
Available-for-sale unwind from reserve – statutory liquid asset portfolio	**(18)**	(46)	61	(92)
Financial instruments designated at fair value through profit or loss	**71**	(502)	>100	(316)
Debt securities in issue	**(5)**	3	>(100)	(28)
Deposits from banks and due to customers	**(299)**	(780)	62	(1 315)
Investment securities	**205**	(88)	>100	180
Debt instruments	**26**	16	63	26
Listed equity instruments	**159**	(38)	>100	86
Unlisted equity and hybrid instruments	**20**	(66)	>100	68
Loans and advances to banks and customers	**174**	360	(52)	840
Statutory liquid asset portfolio	**(4)**	3	>(100)	7
Financial instruments held for trading				
Derivatives and trading instruments	**1 453**	1 849	(21)	2 570
Ineffective hedges	**4**	35	(89)	100
Cash flow hedges	**25**	43	(42)	115
Fair value hedges	**(21)**	(8)	>(100)	(15)
	1 510	1 378	10	2 349
Gains and losses from banking and trading activities by segment[1,2]				
Retail Banking	**31**	62	(50)	137
Absa Business Bank	**79**	111	(29)	236
Absa Capital	**1 404**	1 151	22	2 199
Head office and other	**(6)**	(132)	95	(232)
Inter-group eliminations	**2**	186	(99)	9
	1 510	1 378	10	2 349

Notes

[1]*Refer to segment views on pages 44 – 72.*

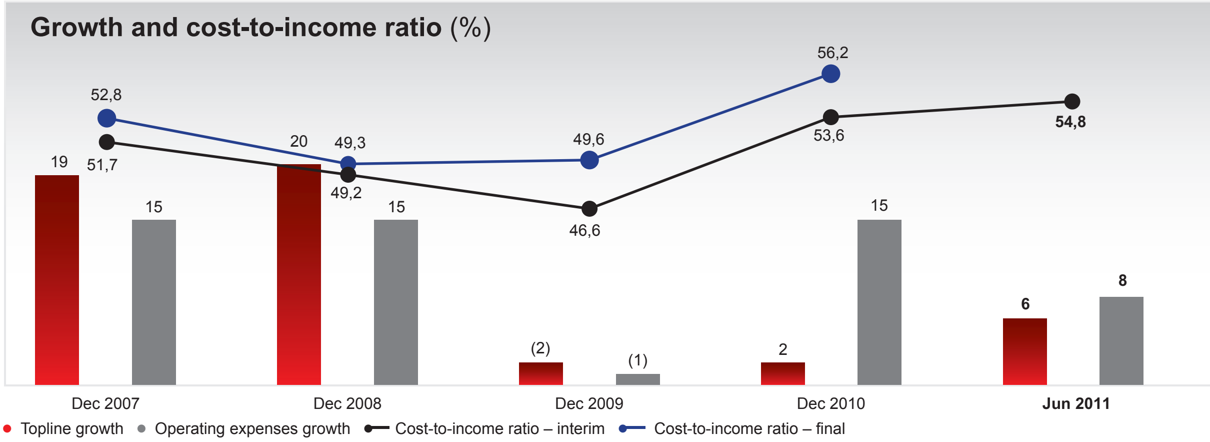
[2]*Comparatives have been reclassified. These reclassifications have not been audited. Refer to pages 95 – 98.*

4. Non-interest income *(continued)*

	Six months ended 30 June 2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	Year ended 31 December 2010 (Audited) Rm
Gains and losses from investment activities[1]				
Available-for-sale unwind from reserves				
Investment securities – unlisted equity and hybrid instruments	**0**	—	100	0
Financial instruments designated at fair value through profit or loss	**258**	461	(44)	908
Cash, cash balances and balances with central banks	**84**	107	(21)	217
Investment securities	**87**	84	4	477
Debt instruments	**35**	72	(51)	125
Listed equity instruments	**50**	6	>100	344
Unlisted equity and hybrid instruments	**2**	6	(67)	8
Investments linked to investment contracts	**87**	270	(68)	214
Cash, cash balances and balances with central banks	**94**	461	(80)	(51)
Debt instruments	**0**	113	(99)	(24)
Listed equity instruments	**(7)**	(304)	98	289
Unlisted equity and hybrid instruments	**0**	0	(0)	0
Financial instruments held for trading				
Investments linked to investment contracts – derivative instruments	**6**	8	(25)	(24)
	264	469	(44)	884
Gains and losses from investment activities by segment[1]				
Absa Business Bank	**20**	2	>100	13
Financial Services	**388**	815	(52)	1,606
Head office and other	**23**	35	(34)	91
Inter-group eliminations	**(167)**	(383)	56	(826)
	264	469	(44)	884
Other operating income				
Exchange differences	**31**	36	(14)	59
Income from investment properties	**5**	30	(83)	61
Income from maintenance contracts	**7**	8	(13)	15
(Loss)/profit on disposal of property and equipment	**(2)**	5	>(100)	41
Profit on disposal of developed properties	**24**	9	>100	28
Profit on disposal of repossessed properties	**10**	0	>100	6
Rental income	**142**	122	16	253
Sundry income	**138**	163	(15)	249
	355	373	(5)	712
Total non-interest income	**10 680**	9 713	10	19 474

Note
[1]*Refer to segment views on pages 44 – 72.*

5. Operating expenses



Operating expenses breakdown

	Six months ended 30 June			Year ended 31 December
	2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	2010 (Audited) Rm
Amortisation of intangible assets	**150**	76	97	165
Auditors' remuneration	**82**	77	6	159
Cash transportation	**380**	335	13	729
Depreciation	**598**	601	(0)	1 147
Equipment costs	**124**	135	(8)	271
Information technology	**1 121**	1 054	6	2 085
Investment property charges	**—**	0	(100)	4
Marketing costs	**335**	329	2	1 070
Operating lease expenses on properties	**514**	486	6	978
Printing and stationery	**121**	132	(8)	272
Professional fees	**414**	470	(12)	1 096
Staff costs	**6 623**	5 875	13	12 537
Bonuses	**534**	378	41	1 101
Current service costs on post-retirement benefits	**397**	328	21	635
Salaries	**5 127**	4 701	9	9 707
Share-based payments	**224**	69	>100	297
Training costs	**120**	136	(12)	269
Other staff costs[1]	**221**	263	(16)	528
Telephone and postage	**409**	417	(2)	820
Other operating expenses[2]	**1 347**	1 277	5	2 737
	12 218	11 264	8	24 070

Performance

Operating expenses increased by 8% year on year. The Group's cost-to-income ratio increased to 54,8% for the period under review, but improved compared to December 2010.

Notes

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

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

5. Operating expenses *(continued)*

Performance *(continued)*

Staff costs (↑13%)

Inflationary increases of 4% for senior staff and up to 7% for unionised staff, contributed to the growth in salaries. The staff quotient increased by 179 year on year, reflecting additional front line sales staff, but partly offset by a reduction due to automation initiatives.

Growth in the incentive provision is a result of improved performance during the period under review, coupled with the impact of the Deferred Award Plans (share-based payments) introduced in 2009.

Breakdown of information technology costs included in operating expenses

	Six months ended 30 June			Year ended 31 December
	2011	2010	Change	2010
	Rm	Rm	%	Rm
Depreciation and amortisation of intangible assets	**463**	446	4	833
Information technology	**1 121**	1 054	6	2 085
Staff costs	**552**	489	13	1 013
Other operating expenses	**470**	521	(10)	1 114
	2 606	2 510	4	5 045

Share-based payments

During the period, **R35 million** (30 June 2010: R5 million; 31 December 2010: R48 million) and **R189 million** (30 June 2010: R64 million; 31 December 2010: R249 million) were charged to the statement of comprehensive income in respect of equity-settled and cash-settled share-based payment transactions, respectively.

	Six months ended 30 June					Year ended 31 December	
	2011 (Unaudited)		2010 (Unaudited)			2010 (Audited)	
	Number of options/ shares	**Rm**	Number of options/ shares	Rm	Value change %	Number of options/ shares	Rm
Staff costs							
The share-based payments charge to the statement of comprehensive income is as follows:							
Equity-settled arrangements							
Absa Group Limited Executive Share Award Scheme	**1 374 986**	**35**	2 156 719	30	17	2 074 693	55
Absa Group Limited Performance Share Plan	**1 378 056**	**2**	3 347 787	(27)	>100	3 218 197	(19)
Absa Group Limited Share Incentive Scheme	**2 467 340**	**(2)**	4 620 246	2	>(100)	3 235 857	12
Cash-settled arrangements							
Absa Group Limited Deferred Award Plan[1]	**5 297 612**	**143**	2 501 755	56	>100	2 468 193	162
Absa Group Limited Phantom Executive Share Award Scheme	**125 561**	**3**	119 921	(13)	>100	153 404	(9)
Absa Group Limited Phantom Joiners Share Award Plan	**1 129 216**	**30**	867 877	17	76	1 182 608	72
Absa Group Limited Phantom Performance Share Plan[2]	**—**	**—**	—	4	(100)	—	—
Absa Group Limited Retention Plan[1]	**573 918**	**13**	—	—	100	595 709	24
		224		69	>100		297

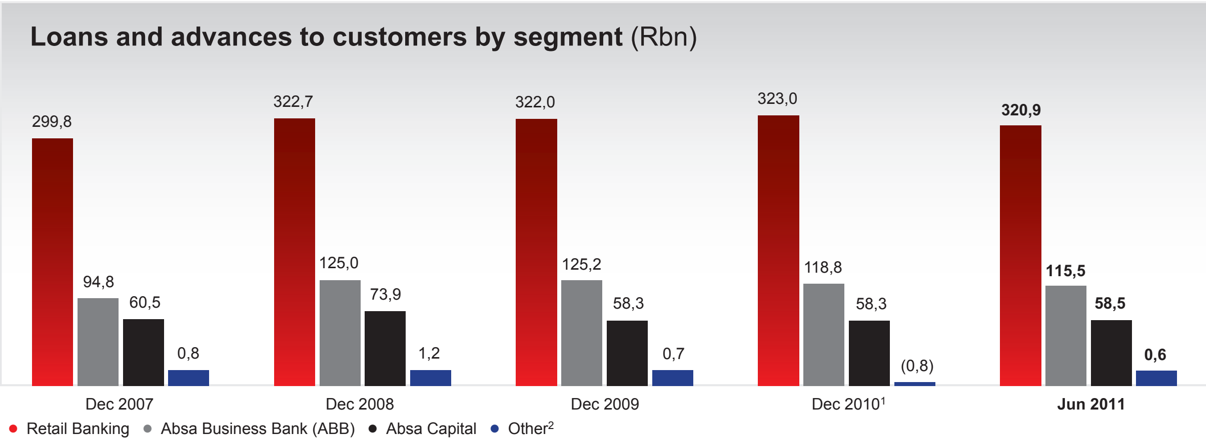
Notes

[1] *The plan was implemented during the prior year.*
[2] *The plan vested during the prior year.*

6. Non-current assets held for sale

The Group has transferred certain investment securities designated at fair value through profit or loss, held by Absa Capital, as well as investments in associates, held by Absa Capital and Absa Business Bank, to non-current assets held for sale. This is because the carrying values of these investments, amounting to R369 million, will be recovered principally through the disposal thereof. Firm agreements are in place for the disposal of these investments at the reporting date, with it being highly probable that the outstanding conditions of these sale agreements will be met after the reporting date, resulting in the disposal of these investments.

7. Loans and advances to customers



Loans and advances mix

	30 June 2011 %	30 June 2010[1] %	31 December 2010[1] %
Retail Banking	**64,8**	63,6	64,7
Absa Business Bank	**23,3**	23,3	23,7
Absa Capital	**11,8**	12,9	11,7
Other[2]	**0,1**	0,2	(0,1)
	100,0	100,0	100,0

Performance

Loans and advances to customers decreased by 1% from 30 June 2010 and 2% annualised from 31 December 2010 to 30 June 2011. The mix of the book was relatively stable with Retail Bank making up the majority of the loans and advances. The general lack of credit demand continues to dampen loan growth.

Retail Banking (↑1% year on year)

» Mortgages, which constitute the bulk of Retail Banking's book, decreased from 31 December 2010 to 30 June 2011 due to lower registrations and higher run off.

» Instalment credit agreements increased by 2% year on year despite high run off.

» The Group increasingly focused on higher-return unsecured lending. Credit card advances increased by 6%, while personal loans grew by 15% year on year.

» The Group remains the market leader in total individual loans.

Absa Business Bank (↓1% year on year)

» Lower commercial property finance reflects the Group's strategy to reduce its concentration risk to property.

» Corporate overdrafts and specialised finance loans grew by 6% year on year, while cheque accounts grew by 2% year on year.

» Lower demand for commercial vehicles saw instalment credit agreements decline year on year by 9%.

Absa Capital (↓9% year on year)

» The year-on-year decline is mainly driven by the decline in corporate overdrafts, foreign currency loans and loans granted under resale agreements.

Notes

[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*

[2] *Includes inter-group and other eliminations.*

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

Loans and advances to customers by segment

	30 June 2011 Rm	30 June 2010 Rm	Change %	31 December 2010 Rm	Growth annualised[1] %
Retail Banking[2]					
Cheque accounts	**2 347**	2 363	(1)	2 351	(0)
Credit cards[3]	**21 191**	19 967	6	20 507	7
Instalment credit agreements	**38 390**	37 521	2	38 123	1
Loans to associates and joint ventures	**4 347**	6 323	(31)	4 827	(20)
Microloans	**2 075**	2 544	(18)	2 069	1
UniFer book	**53**	153	(65)	54	(4)
New business	**2 022**	2 391	(15)	2 015	1
Mortgages (including Commercial Property Finance)	**247 758**	247 139	0	251 569	(3)
Personal loans	**15 215**	13 284	15	14 292	13
Other	**18**	155	(88)	30	(81)
Gross loans and advances	**331 341**	329 296	1	333 768	(1)
Impairment losses on loans and advances	**(10 488)**	(11 123)	6	(10 789)	(6)
	320 853	318 173	1	322 979	(1)
Absa Business Bank[2]					
Cheque accounts	**23 486**	23 131	2	18 358	56
Corporate overdrafts and specialised finance loans	**8 194**	7 742	6	9 493	(28)
Foreign currency loans	**2 021**	2 027	(0)	2 662	(49)
Instalment credit agreements	**18 230**	20 139	(9)	18 768	(6)
Loans to associates and joint ventures	**1 843**	1 781	3	1 998	(16)
Mortgages (including Commercial Property Finance)	**45 100**	48 536	(7)	47 634	(11)
Term loans	**14 382**	11 308	27	13 406	15
Wholesale overdrafts	**1 175**	2 219	(47)	6 360	>(100)
Other	**3 540**	2 505	41	2 749	58
Gross loans and advances	**117 971**	119 388	(1)	121 428	(6)
Impairment losses on loans and advances	**(2 509)**	(2 699)	7	(2 642)	(10)
	115 462	116 689	(1)	118 786	(6)
Absa Capital[2]					
Cheque accounts	**3 133**	3 078	2	3 332	(12)
Corporate overdrafts	**28 004**	29 557	(5)	26 491	12
Foreign currency loans	**3 950**	5 432	(27)	3 936	1
Loans granted under resale agreements (Carries)	**1 616**	3 417	(53)	3 063	(95)
Mortgages (including Commercial Property Finance)	**7 354**	7 841	(6)	7 490	(4)
Overnight finance	**7 161**	6 261	14	6 124	34
Preference shares	**6 965**	7 214	(3)	7 372	(11)
Other	**851**	2 030	(58)	1 008	(31)
Gross loans and advances	**59 034**	64 830	(9)	58 816	1
Impairment losses on loans and advances	**(505)**	(500)	(1)	(471)	15
	58 529	64 330	(9)	58 345	1

Notes

[1]*Annualised growth calculated for a 12-month period, based on 31 December 2010 balances.*

[2]*Comparatives have been reclassified. Refer to pages 95 – 98.*

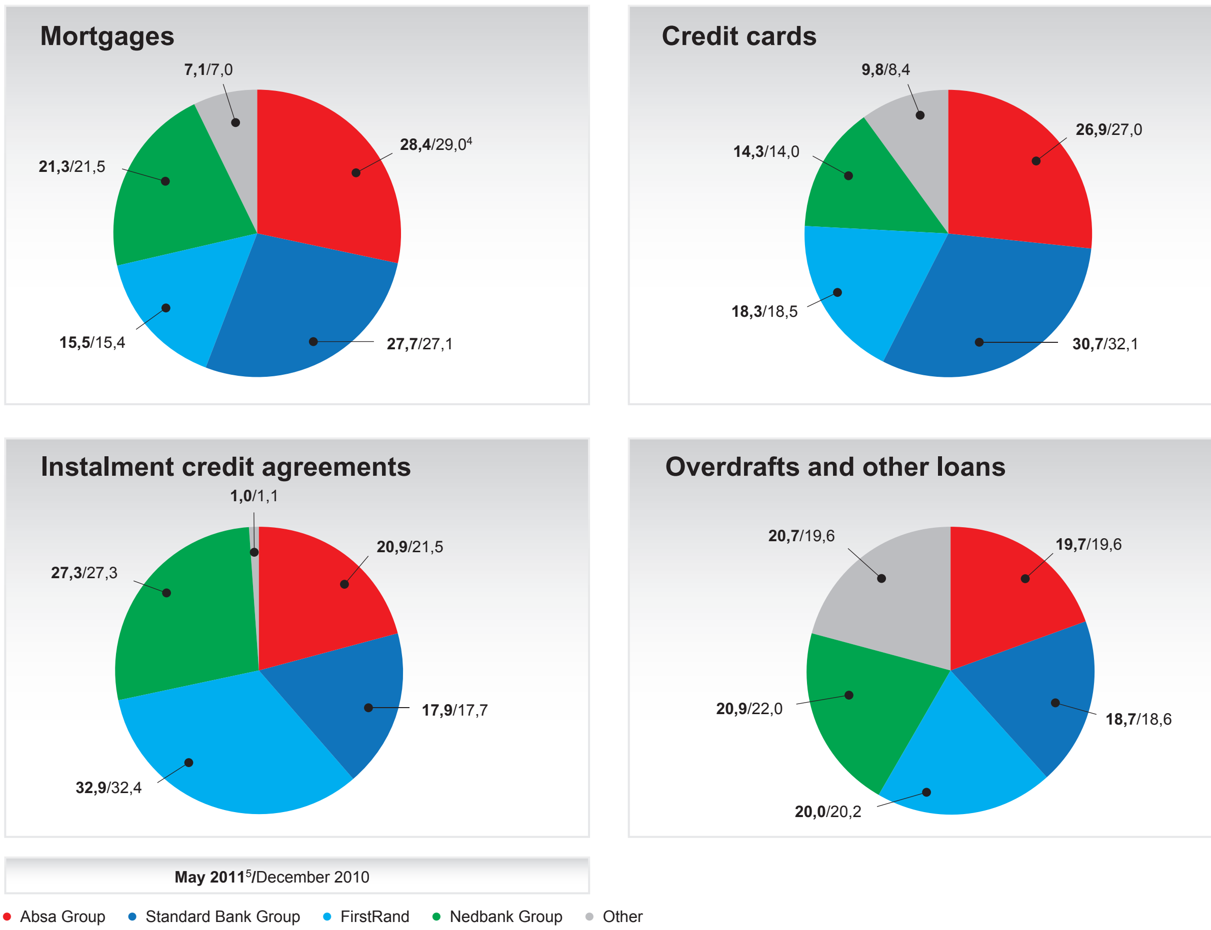
[3]*Include a balance of **R5 470 million** (30 June 2010: R5 287 million; 31 December 2010: R5 306 million) relating to Woolworths Financial Services Proprietary Limited.*

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

Loans and advances to customers by segment *(continued)*

	30 June 2011 Rm	30 June 2010 Rm	Change %	31 December 2010 Rm	Growth annualised[1] %
Other					
Other	**405**	843	(52)	477	(30)
Inter-group eliminations[2]	**—**	—	—	(1 592)	>(100)
Other eliminations	**211**	(49)	>100	298	(59)
Gross advances	**616**	794	(22)	(817)	>(100)
Impairment losses on loans and advances	**—**	(10)	100	—	—
	616	784	(21)	(817)	>(100)
Gross loans and advances[3]	**508 962**	514 308	(1)	513 195	(2)
Impairment losses on loans and advances	**(13 502)**	(14 332)	6	(13 902)	(6)
Net loans and advances[3]	**495 460**	499 976	(1)	499 293	(2)

Market share (%)



Performance

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

Notes

[1] *Annualised growth calculated for a 12-month period, based on 31 December 2010 balances.*

[2] *Inter-group eliminations comprise the elimination of a once-off inter-group balance at 31 December 2010, which offset inter-group deposits due to customers (refer to page 37).*

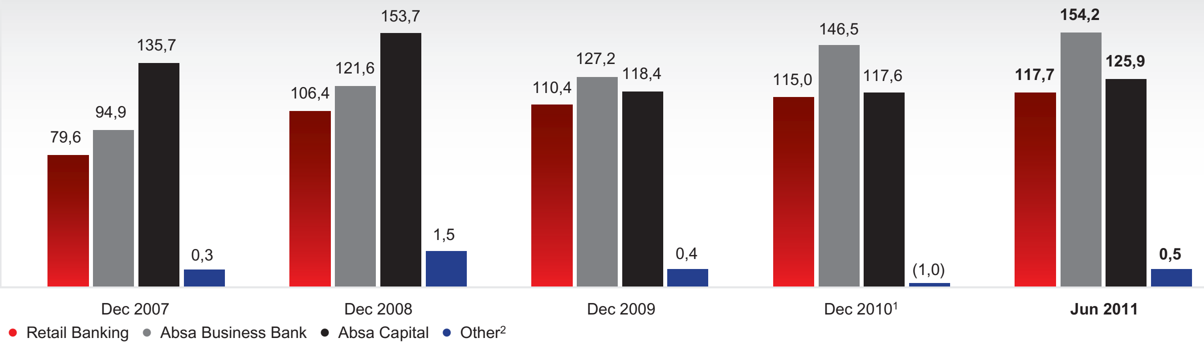
[3] *Comparatives have been reclassified. Refer to pages 95 – 98.*

[4] *Securitisation of **R4,6 billion – 0,4% of market share** (30 June 2010: R3,1 billion – 0,3% of market share; 31 December 2010: R4,4 billion – 0,4% of market share) has been excluded from the Absa mortgages book.*

[5] *Due to the early results announcement, the market share information for June 2011 was not available for publication.*

8. Deposits due to customers and debt securities in issue

Deposits due to customers by segment (Rbn)



Total funding mix

	30 June 2011 %	30 June 2010[1] %	31 December 2010[1] %
Deposits due to customers	**70,7**	64,0	67,7
Retail Banking	**20,9**	20,0	20,6
Absa Business Bank	**27,4**	24,8	26,2
Absa Capital	**22,3**	19,1	21,1
Other[2]	**0,1**	0,1	(0,2)
Deposits from banks	**3,1**	6,9	2,8
Debt securities in issue	**26,2**	29,1	29,5
	100,0	100,0	100,0

Total funding composition

	30 June 2011 Rm	30 June 2010[1] Rm	Change %	31 December 2010[1] Rm	Growth annualised[3] %
Retail deposits	**117 738**	112 282	5	115 046	5
Low margin	**54 599**	53 875	1	53 154	5
High margin	**63 139**	58 407	8	61 892	4
Commercial deposits	**154 227**	139 913	10	146 530	11
Corporate and institutional funding[4]	**292 198**	310 158	(6)	296 486	(3)
	564 163	562 353	0	558 062	2

Performance

The growth in the Group's funding balance was mainly driven by the increased contribution from Retail Banking and Absa Business Bank, which accounted for 48,3% of the total funding, up from 44,8% in the comparative period.

Retail Banking (↑5% year on year)

» Customers moved to shorter term savings products, which increased cheque accounts by 10%, notice deposits by 14% and savings and transmissions by 6%.

» The Group remains the market leader in individual deposits.

Notes

[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*
[2]*Includes inter-group eliminations. Refer to page 37.*
[3]*Annualised growth calculated for a 12-month period, based on 31 December 2010 balances.*
[4]*Comprises deposits from banks, debt securities in issue as well as deposits due to customers of Absa Capital.*

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

Performance *(continued)*

Absa Business Bank (↑10% year on year)

- Absa Business Bank's focus on improving liquidity was evident in increased growth across most of its deposit products.
- Cheque deposits grew by 10%, as customers made more use of their operating accounts in tight liquidity conditions with higher fund utilisation.
- Absa Business Bank also increased term deposits in line with the Group strategy. Products with liquidity-enhanced features were offered and solutions matched client cash flow volatility with term products.

Absa Capital (↑17 % year on year)

- Absa Capital's customer deposits increased 17% year on year and 14% annualised from 31 December 2010 to 30 June 2011. This increase in deposits was partly due to the launch of new deposit products.

Deposits due to customers by segment

	30 June			31 December	Growth
	2011	2010	Change	2010	annualised[1]
	Rm	Rm	%	Rm	%
Retail Banking deposits[2]					
Call	**440**	538	(18)	488	(20)
Cheque accounts	**16 454**	14 898	10	16 161	4
Credit card accounts	**1 796**	1 733	4	1 825	(3)
Fixed	**28 227**	28 634	(1)	27 596	5
Investment products	**25 251**	24 052	5	24 631	5
Notice	**10 331**	9 042	14	9 706	13
Savings and transmissions	**34 118**	32 196	6	33 712	2
Other	**1 121**	1 189	(6)	927	42
	117 738	112 282	5	115 046	5
Absa Business Bank (ABB) deposits[2]					
Call	**15 245**	16 028	(5)	15 701	(6)
Cheque accounts	**90 072**	81 856	10	84 246	14
Fixed	**30 801**	25 780	19	28 097	19
Foreign currency	**7 186**	6 267	15	7 815	(16)
Investment products	**6 075**	5 546	10	6 070	0
Notice	**1 773**	1 597	11	1 629	18
Savings and transmissions	**3 041**	2 809	8	2 941	7
Other	**34**	30	13	31	20
	154 227	139 913	10	146 530	11
Absa Capital deposits[2]					
Call	**39 522**	35 363	12	38 518	5
Cheque accounts	**10 798**	10 215	6	8 972	41
Fixed	**61 591**	51 375	20	58 487	11
Foreign currency	**484**	1 418	(66)	1 000	>(100)
Repurchase agreements	**10 044**	2 315	>100	7 035	86
Other	**3 470**	6 478	(46)	3 539	(4)
	125 909	107 164	17	117 551	14
Other					
Other deposits due to customers	**456**	584	(22)	576	(42)
Inter-group eliminations[3]	**—**	—	—	(1 592)	>100
	456	584	(22)	(1 016)	>100
Deposits	**398 330**	359 943	11	378 111	11

Notes

[1]*Annualised growth calculated for a 12-month period, based on 31 December 2010 balances.*

[2]*Comparatives have been reclassified. Refer to pages 95 – 98.*

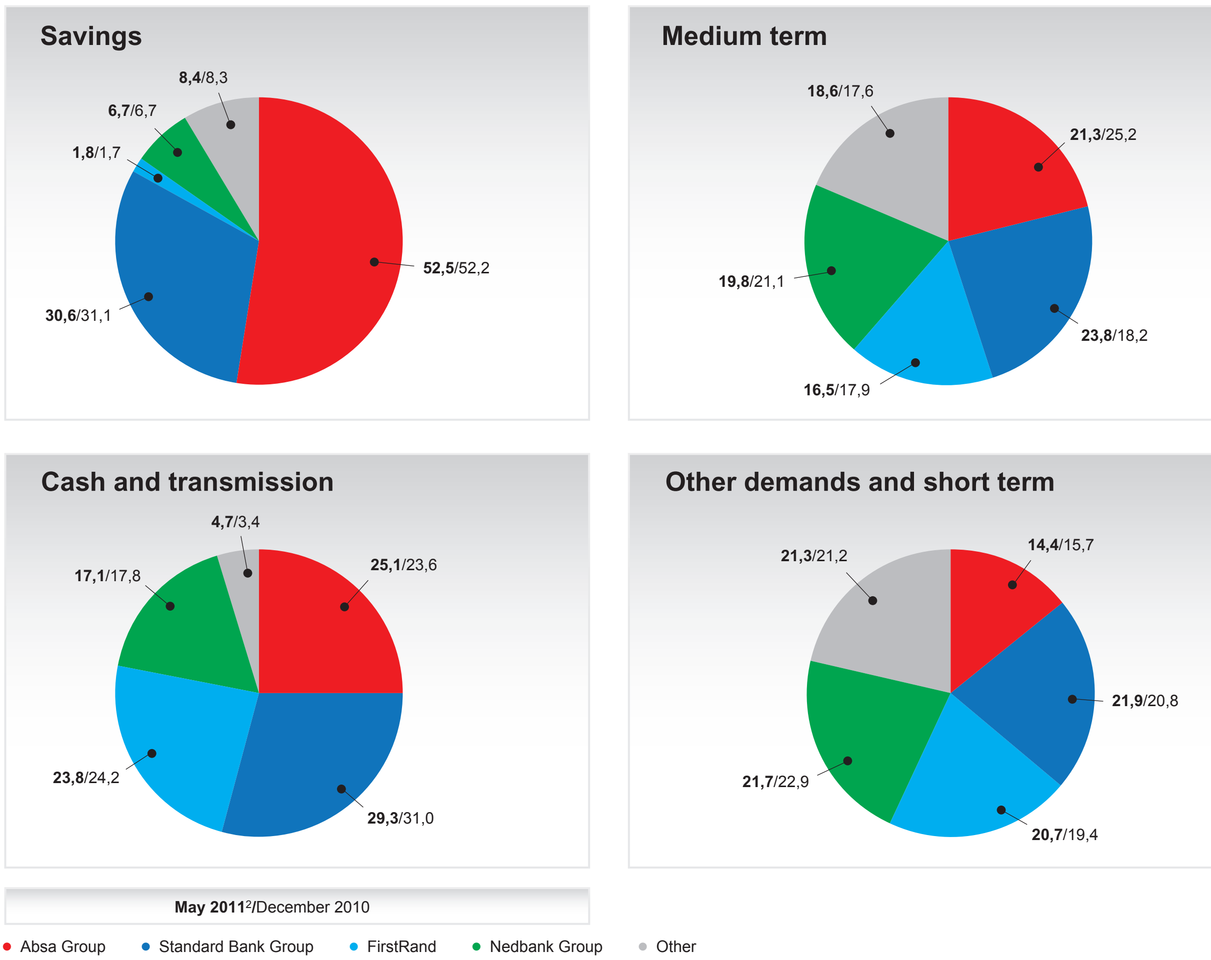
[3]*Inter-group eliminations comprise the elimination of a once-off inter-group balance at 31 December 2010, which offset with inter-group loans and advances to customers (refer to page 35).*

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

Debt securities in issue

	30 June			31 December	
	2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	2010 (Audited) Rm	Growth annualised[1] %
Abacas – commercial paper and floating rate notes	**1 553**	4 291	(64)	1 789	(27)
Credit-linked notes	**10 952**	5 508	99	6 360	>100
Floating rate notes	**69 551**	76 874	(10)	75 740	(16)
Liabilities arising from securitised special purpose entities (SPEs)	**4 216**	4 165	1	4 216	(0)
Negotiable certificates of deposit	**45 583**	61 202	(26)	64 271	(59)
Promissory notes	**1 498**	1 474	2	1 811	(35)
Replica bonds	**1 295**	1 233	5	1 220	12
Senior notes	**13 820**	8 950	54	9 138	>100
	148 468	163 697	(9)	164 545	(20)

Market share (%)



Performance

The Group showed marginal changes in market share in the various categories.

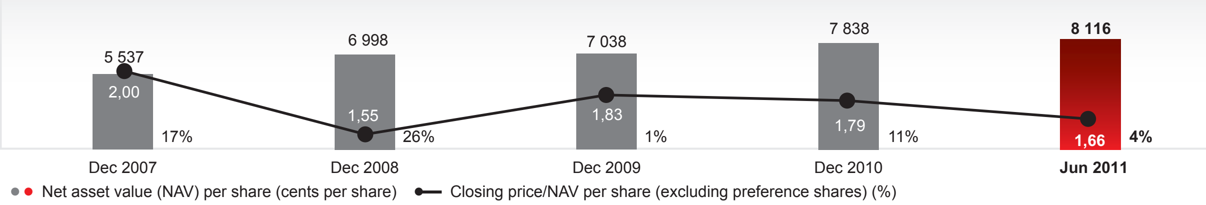
Notes

[1] *Annualised growth calculated for a 12-month period, based on 31 December 2010 balances.*

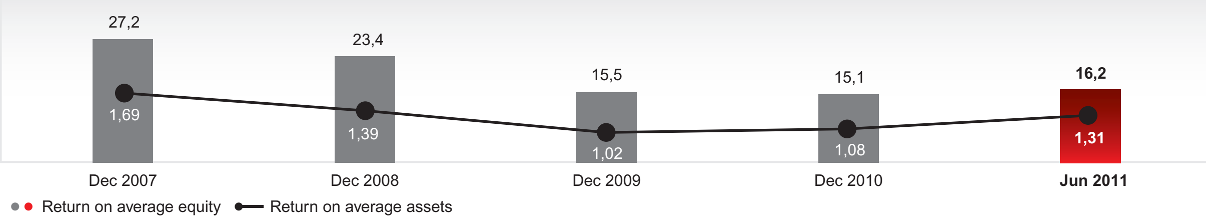
[2] *Due to the early results announcement, the market share information for June 2011 was not available for publication.*

9. Equity and borrowed funds[1]

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



Return on average equity and assets (%)



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

Performance

The Group's return on average equity (RoE) improved to 16,2% in the period under review from 15,1% in the comparative period, and remains well above its 14,0% cost of equity (CoE).

The return on average assets (RoA) improved significantly to 1,31% from 1,08%. A conservative policy with regards to capital levels in the current banking environment resulted in a reduction in the leverage ratio, constraining the improvement in the RoE.

The return on average economic capital (RoEC) for the period under review was 22,4%, compared to 19,7% in the comparative period.

Total qualifying capital

	30 June			31 December		
	2011			2010		
	Share-holders' equity Rm	**Economic capital Rm**	**Tier 1 regulatory capital Rm**	Share-holders' equity Rm	Economic capital Rm	Tier 1 regulatory capital Rm
Ordinary share capital and share premium	**5 996**	**5 996**	**5 996**	6 023	6 023	6 023
Preference share capital and share premium	**—**	**4 644**	**4 644**	—	4 644	4 644
Other reserves	**1 416**	**49**	**—**	2 309	247	—
Retained earnings	**50 876**	**50 876**	**47 729**	47 958	47 958	45 011
Non-controlling interest – ordinary shares	**—**	**—**	**1 301**	—	—	1 215
Expected loss adjustment	**—**	**—**	**(1 222)**	—	—	(1 214)
Other deductions	**—**	**(1 864)**	**(1 627)**	—	(1 794)	(1 618)
	58 288	**59 701**	**56 821**	56 290	57 078	54 061
Average capital for the period/year	**57 289**	**42 613**	**55 441**	53 419	42 525	51 516

Note

[1]*Refer to pages 73 – 94 for the capital and risk management section.*

9. Equity and borrowed funds *(continued)*

Capital demand – closing balance

	30 June				31 December	
	2011		2010		2010	
	Risk-weighted assets Rm	**Economic capital Rm**	Risk-weighted assets Rm	Economic capital Rm	Risk-weighted assets Rm	Economic capital Rm
Credit risk	**298 851**	**27 043**	286 268	26 851	316 967	25 519
Retail Banking	**123 771**	**13 815**	134 980	15 571	145 635	13 657
Absa Business Bank	**124 394**	**8 212**	92 350	8 211	113 358	8 304
Absa Capital	**48 541**	**5 016**	57 191	3 096	55 816	3 558
Other	**2 145**	**—**	1 747	—	2 158	—
Equity investment risk	**24 136**	**3 305**	28 814	4 562	25 911	4 036
Market risk	**9 852**	**935**	9 434	1 048	9 013	999
Operational risk	**59 037**	**4 451**	53 633	3 988	54 317	4 472
Other	**16 521**	**5 944**	17 312	5 704	16 505	5 893
	408 397	**41 678**	395 461	42 153	422 713	40 919

Share capital and share premium

	30 June			31 December
	2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	2010 (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	**(2)**	(3)	33	(3)
Treasury shares held by Absa Group subsidiaries	**(1)**	(1)	(0)	(1)
	1 434	1 433	0	1 433
Total issued capital				
Share capital	**1 434**	1 433	0	1 433
Share premium	**4 562**	4 805	(5)	4 590
	5 996	6 238	(4)	6 023

9. Equity and borrowed funds *(continued)*

Number of ordinary shares in issue (after deduction of treasury shares)

	30 June 2011 Number of shares (millions)	30 June 2010 Number of shares (millions)	Change value (millions)	31 December 2010 Number of shares (millions)
Ordinary shares of R2,00 each	**718,2**	718,2	—	718,2
Treasury shares held by Absa Group Limited Share Incentive Trust	**(0,6)**	(1,3)	0,7	(1,0)
Treasury shares held by Absa Group subsidiaries	**(0,6)**	(0,6)	(0,0)	(0,6)
	717,0	716,3	0,7	716,6

Borrowed funds

		30 June 2011 (Unaudited) Rm	30 June 2010 (Unaudited) Rm	Change %	31 December 2010 (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		**1 007**	745	35	826
Fair value adjustment		**168**	3	>100	212
		13 786	13 359	3	13 649

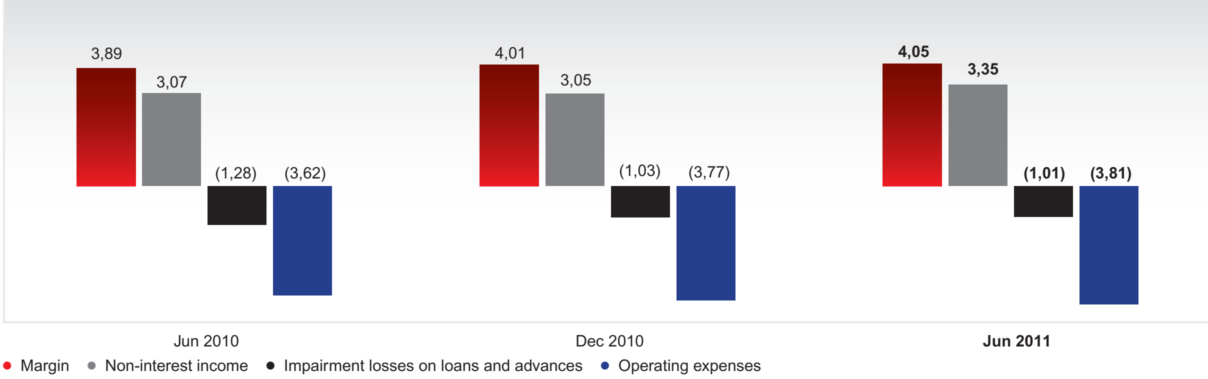
Performance indicators and condensed notes to the consolidated financial statements

10. RoE[1] decomposition

In order to obtain a thorough understanding of factors contributing to the Group's performance, a RoE[1] decomposition is provided below.

		Six months ended 30 June 2011 %		Six months ended 30 June 2010 %	Year ended 31 December 2010 %
Margin (average interest-bearing assets)		**4,05**	↑	3,89	4,01
	less				
Impairment losses on loans and advances/average interest-bearing assets		**1,01**	↑	1,28	1,03
	equals				
Net margin (average interest-bearing assets)		**3,04**	↓	2,61	2,98
	multiply				
Average interest-bearing assets/average banking assets		**0,89**	↓	0,92	0,91
	equals				
Banking interest yield		**2,71**	↑	2,40	2,71
	plus				
Banking non-interest yield		**3,35**	↑	3,07	3,05
	equals				
Banking revenue yield		**6,06**	↑	5,47	5,76
	less				
Operating expenses/average banking assets		**3,81**	↓	3,62	3,77
	equals				
Net banking return		**2,25**	↑	1,85	1,99
	less				
Other[2]		**0,81**	↓	0,63	0,73
	equals				
Banking return		**1,44**	↑	1,22	1,26
	multiply				
Average banking assets/total average assets		**0,91**	↑	0,89	0,89
	equals				
Return on average assets (RoA)		**1,31**	↑	1,08	1,12
	multiply				
Gearing (times)		**12,35**	↓	13,85	13,48
	equals				
Return on average equity (RoE[1])		**16,2**	↑	15,0	15,1

Major drivers of RoE[1] (%)



Notes

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

[2]*Includes other impairments, indirect taxation, share of post-tax results of associates and joint ventures and taxation expense.*

11. Off-statement of financial position items

	30 June 2011 (Unaudited) Rm	30 June 2010 (Unaudited) Rm	Change %	31 December 2010 (Audited) Rm
Assets under management and administration[1]				
Alternative asset management and exchange traded funds	**28 886**	24 799	16	25 904
Deceased estates	**2 230**	2 339	(5)	2 153
Participation bond schemes	**2 335**	2 089	12	2 315
Portfolio management	**25 837**	18 119	43	21 145
Private equity	**701**	—	100	732
Trusts	**6 592**	5 955	11	6 482
Unit trusts	**128 795**	114 611	12	125 320
Other	**9 933**	10 356	(4)	10 898
	205 309	178 268	15	194 949
Financial guarantee contracts				
Financial guarantee contracts	**384**	614	(37)	599
Commitments				
Authorised capital expenditure				
Contracted but not provided for[2]	**798**	1 055	(24)	1 061
Contingencies				
Guarantees[3]	**12 198**	11 637	5	11 051
Irrevocable debt facilities[4]	**23 106**	40 586	(43)	46 495
Irrevocable equity facilities[4]	**679**	821	(17)	750
Letters of credit	**4 189**	5 307	(21)	4 979
Other	**11**	5	>100	44
	40 183	58 356	(31)	63 319

Notes

[1]*Comparatives have been restated for the inclusion of assets managed by Absa Capital on behalf of clients, exchange traded funds and alternative asset management funds, in order to align assets under management and administration to current market practice. These restatements have not been audited.*

[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 guarantee contracts 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

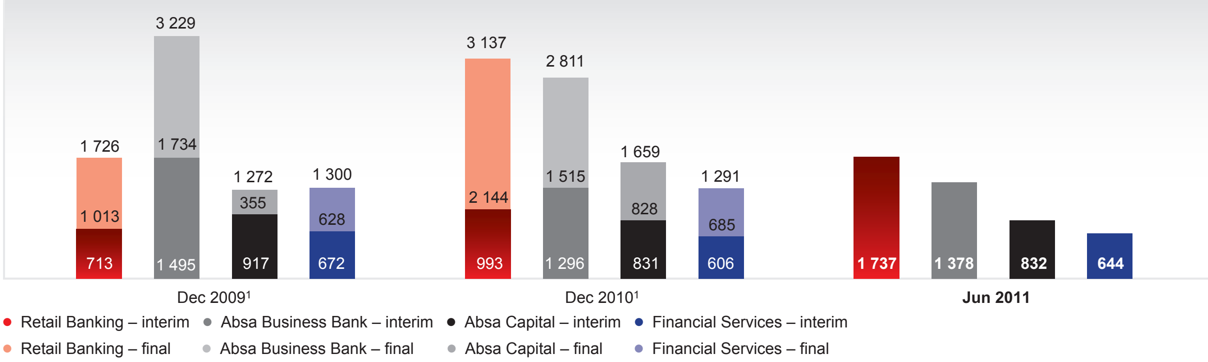
Contents

All the segments improved their revenue growth and reduced their cost growth, which assisted in increasing their headline earnings and generate returns above the Group's cost of equity. Nonetheless, Retail Banking's 75% headline earnings growth, due to lower credit losses and achieving positive JAWS, stands out. Absa Business Bank's headline earnings grew by 6%, reflecting improved growth and lower credit losses. Financial Services' solid revenue growth increased its net operating income by 16%, although lower investment returns reduced its headline earnings growth to 6%. Absa Capital's earnings remained largely unchanged, due to its resilient Markets' revenues.

June 2011 highlights

- *Retail Bankings' headline earnings increased 75% to R1,7 billion.*
- *Won the Asian Banker Awards for the International Excellence in Retail Financial Services Awards 2011 for "Best Retail Bank in South Africa" and "Best Mobile Phone Banking (International)".*
- *Cellphone banking customer-base grew by 42% year on year to over 2,8 million.*
- *Financial Services' net operating income increased by 16% to R820 million and it achieved a 33,3% return on average equity.*
- *Successfully merged the Corporate sales team into Absa Capital's Investment Banking division creating a fully-integrated coverage model.*
- *Absa Business Bank strategic co-operative agreement with BKB Limited. A market first and the most important step in creating an AgriBank.*

Headline earnings (Rm)



Note

[1] *Comparatives have been reclassified. Refer to pages 95 – 98. 2009 comparatives have not been adjusted for the transfer of the corporate client base from Absa Business Bank to Absa Capital.*

Financial reporting structure

Absa Group Limited

Retail banking

- Home Loans (including Repossessed Properties)
- Vehicle and Asset Finance[1] (VAF)
- Card[2]
- Personal Loans[3]
- Retail Bank (including Absa Private Bank)[2,3]
  - Absa Development Company Holdings Proprietary Limited[4]
- Woolworths Financial Services Proprietary Limited

African operations[5]

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

Commercial banking

- Absa Business Bank (ABB)[1,4,6]
  - Large Business
  - Medium Business
  - Small Business
  - Public sector
  - Commercial Asset Finance (CAF)
  - Commercial Property Finance (CPF)

African operations[5]

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

International operations

- Absa Bank London[7]

Investment banking

- Absa Capital[6]
  - Investment Banking
  - Markets
  - Private Equity and Infrastructure Investments
  - Single stock futures and other
- Absa Wealth

African operations[5]

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

International operations

- Absa Bank London[7]

Financial services

Life

- Absa Life
- Absa Life (Botswana)[8]

Insurance

- Absa Insurance Company
- Absa *idirect*

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
- AFS African Holdings[8]

Other Group activities

- Corporate Real Estate Services (CRES)

International operations

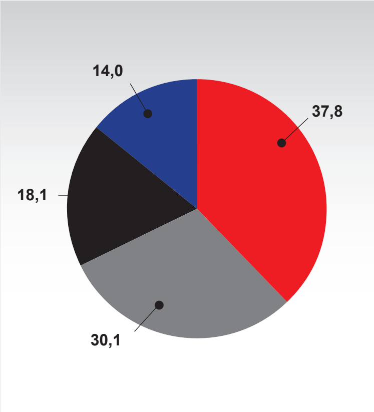
- Absa Bank London[7]
- Absa Manx Insurance Company Limited

Notes

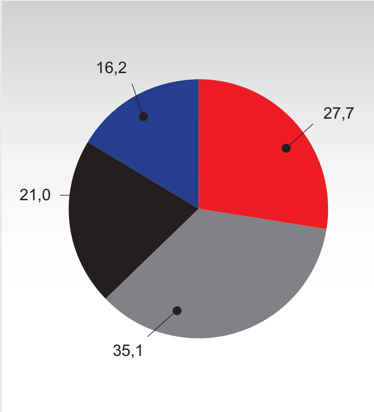
[1] Absa Technology Finance Solutions was moved from Vehicle and Asset Finance within Retail Banking to Absa Business Bank.
[2] Debit Card was moved within Retail Banking from Retail Bank to Card.
[3] Personal loan centres was moved within Retail Banking from Personal Loans to Retail Bank.
[4] Absa Development Company division and Absa Development Company Holdings Proprietary Limited were moved from Absa Business Bank to Retail Bank within Retail Banking.
[5] The Group's African operations have been allocated to the various segments where those businesses are managed in terms of IFRS 8.
[6] The Group's corporate client base was transferred from Absa Business Bank to Absa Capital following an initiative to optimise product delivery to its corporate clients.
[7] Absa Bank London's results have been allocated to Commercial banking, Investment banking and other Group activities in terms of IFRS 8.
[8] The Group established Absa Life Botswana Proprietary Limited and AFS African Holdings Proprietary Limited during the period under review.

Profit contribution by segment

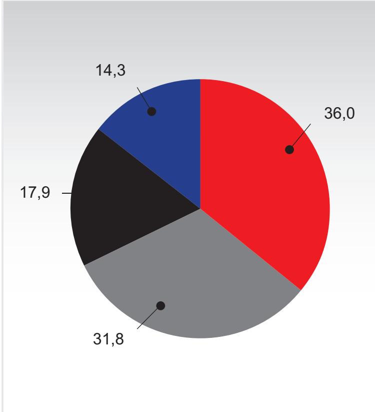
Attributable earnings[1] (%)



Six months ended 30 June 2011



Six months ended 30 June 2010[2]



Year ended 31 December 2010[2]

● Retail Banking ● Absa Business Bank ● Absa Capital ● Financial Services

	Six months ended 30 June			Year ended 31 December
	2011 Rm	2010[2] Rm	Change %	2010[2] Rm
Banking operations				
Retail Banking	**1 735**	1 035	68	3 258
Home Loans	**33**	(201)	>100	196
Vehicle and Asset Finance	**181**	35	>100	236
Card	**811**	587	38	1 483
Personal Loans	**303**	170	78	515
Retail Bank	**407**	444	(8)	828
Absa Business Bank	**1 380**	1 316	5	2 866
Absa Capital	**832**	784	6	1 612
Corporate centre	**277**	271	2	(396)
Capital and funding centre	**(144)**	(8)	>(100)	(192)
Non-controlling interest – preference shares	**(143)**	(162)	12	(320)
Total banking	**3 937**	3 236	22	6 828
Financial Services	**644**	606	6	1 290
Profit attributable to ordinary equity holders of the Group	**4 581**	3 842	19	8 118
Headline earnings adjustments	**14**	20	(30)	(77)
Headline earnings	**4 595**	3 862	19	8 041

Notes

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

[2] *Comparatives have been reclassified. Refer to pages 95 – 98.*

Segment report per market segment

	Retail Banking			Absa Business Bank		
	30 June			30 June		
	2011	2010[1]	Change %	2011	2010[1]	Change %
Statement of comprehensive income (Rm)						
Net interest income	**6 763**	6 187	9	**3 840**	3 655	5
Impairment losses on loans and advances	**(2 333)**	(3 002)	22	**(533)**	(627)	15
Non-interest income	**5 262**	5 012	5	**2 014**	1 938	4
Operating expenses	**(6 893)**	(6 518)	(6)	**(3 229)**	(3 010)	(7)
Other	**(154)**	(68)	>(100)	**(42)**	(36)	(17)
Operating profit before income tax	**2 645**	1 611	64	**2 050**	1 920	7
Taxation expense	**(833)**	(501)	(66)	**(658)**	(592)	(11)
Profit for the period	**1 812**	1 110	63	**1 392**	1 328	5
Profit attributable to:						
Ordinary equity holders of the Group	**1 735**	1 035	68	**1 380**	1 316	5
Non-controlling interest – ordinary shares	**77**	75	3	**12**	12	0
Non-controlling interest – preference shares	**0**	0	(0)	**—**	—	—
	1 812	1 110	63	**1 392**	1 328	5
Headline earnings	**1 737**	993	75	**1 378**	1 296	6
Operating performance (%)						
Net interest margin on average interest-bearing assets[2]	**3,17**	2,96		**4,77**	5,19	
Impairment losses on loans and advances as % of average loans and advances to customers	**1,46**	1,90		**0,95**	1,12	
Non-interest income as % of total operating income	**43,8**	44,8		**34,4**	34,7	
Topline growth[3]	**7**	(3)		**5**	1	
Cost growth	**(6)**	(8)		**(7)**	(12)	
Cost-to-income ratio[3]	**57,3**	58,2		**55,2**	53,8	
Cost-to-assets ratio	**3,0**	3,0		**3,7**	4,0	
Statement of financial position (Rm)						
Loans and advances to customers	**320 853**	318 173	1	**115 462**	116 689	(1)
Investment securities	**0**	0	0	**2 237**	2 188	2
Other assets	**141 260**	137 139	3	**66 531**	55 016	21
Total assets	**462 113**	455 312	1	**184 230**	173 893	6
Deposits due to customers	**117 738**	112 282	5	**154 227**	139 913	10
Debt securities in issue	**4 215**	4 165	1	**—**	—	—
Other liabilities	**336 967**	336 408	0	**28 071**	32 087	(13)
Total liabilities	**458 920**	452 855	1	**182 298**	172 000	6
Financial performance (%)						
Return on average economic capital[4]	**20,0**	11,0		**23,8**	21,0	
Return on average risk-weighted assets	**2,12**	1,33		**1,91**	2,18	
Return on average assets	**0,77**	0,45		**1,57**	1,70	
Other						
Banking customer-base by segment (millions)[5]	**11,7**	10,9	7	**0,5**	0,5	(4)
Attributable income from the rest of Africa (Rm)	**(53)**	(10)	>(100)	**(26)**	(14)	(86)

Notes

[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*

[2] *The Group re-assessed the criteria of certain internal loans during the year and re-aligned them to the definition of average interest-bearing assets, resulting in the restatement of the comparative ratio of certain segments. The re-alignment did not affect the Group consolidated ratio.*

[3] *The income used in this ratio for Financial Services is net of re-insurance, unearned premiums, net insurance claims and benefits paid, changes in policyholder liabilities and acquisition costs. The cost-efficiency ratio of Financial Services, based on insurance industry norms, is **26,5%**. Refer to pages 64 – 72.*

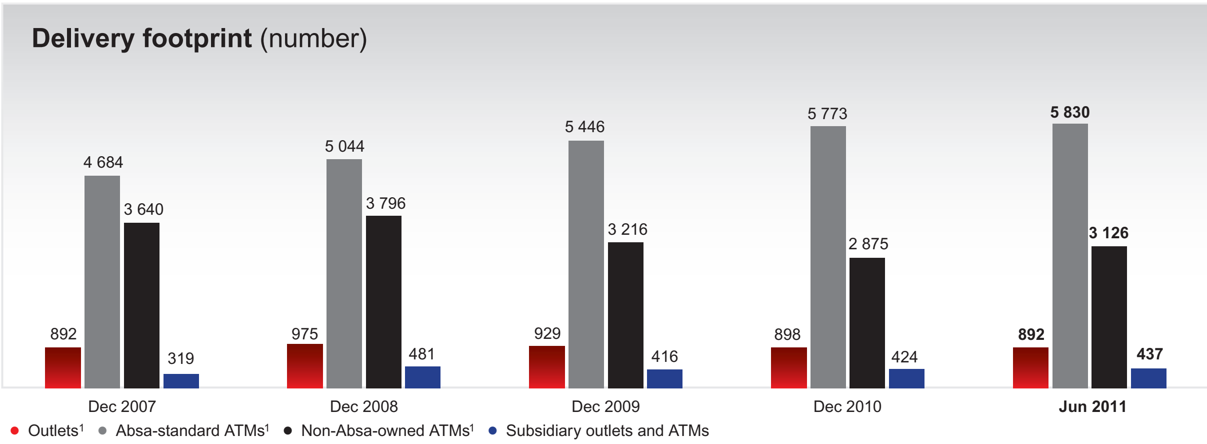
[4] *Financial Services' return on average equity is **33,3%** (30 June 2010: 35,6%) and Absa Group's return on average equity is **16,2%** (30 June 2010: 15,0%)*

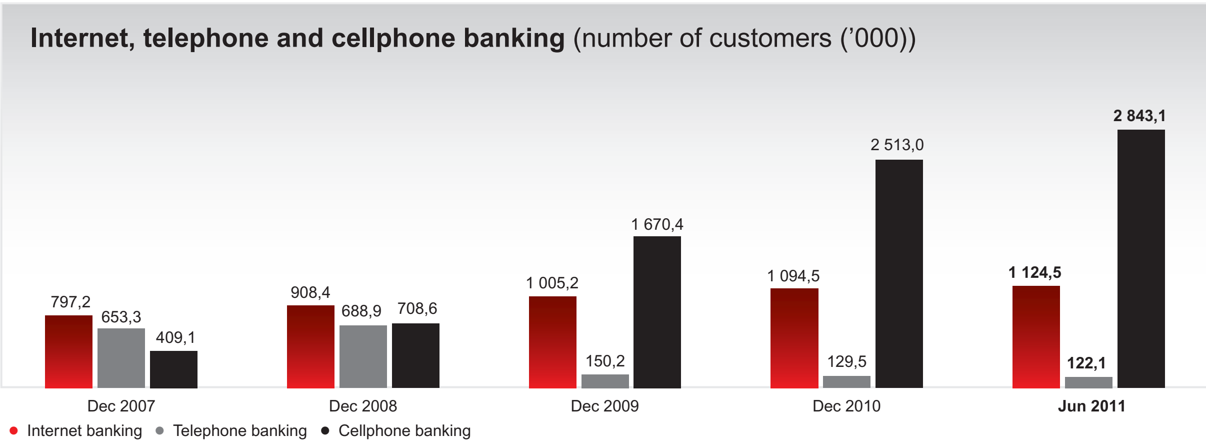
[5] *Includes African operations.*

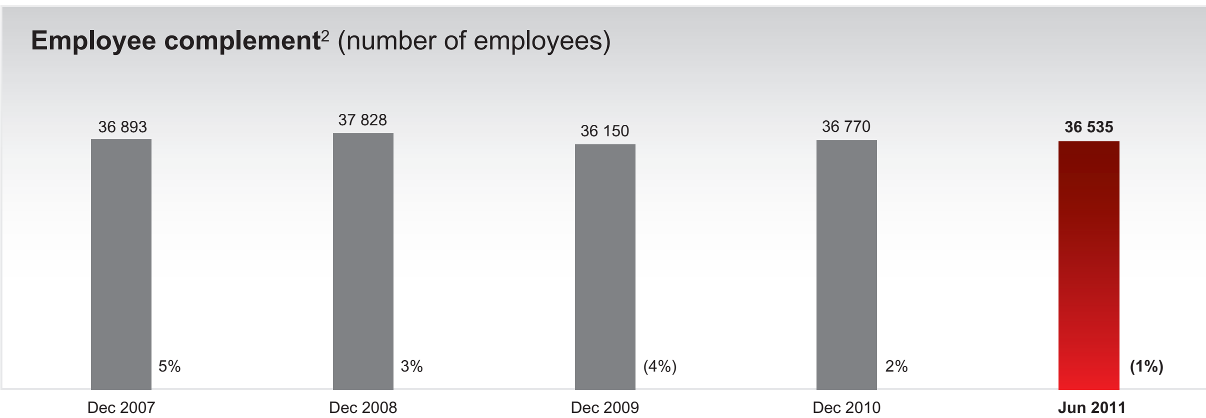
Segment report per market segment

Absa Capital			Financial Services			Head office, inter-segment eliminations and Other			Absa Group		
30 June			30 June			30 June			30 June		
2011	2010[1]	Change %	2011	2010[1]	Change %	2011	2010	Change %	2011	2010[1]	Change %
889	1 177	(24)	5	4	25	125	270	(54)	11 622	11 293	3
(36)	(75)	52	(0)	1	>(100)	(0)	(1)	100	(2 902)	(3 704)	22
1 897	1 540	23	1 909	1 714	11	(402)	(491)	18	10 680	9 713	10
(1 604)	(1 466)	(9)	(964)	(858)	(12)	472	588	(20)	(12 218)	(11 264)	(8)
(36)	(106)	66	(50)	(35)	(43)	(233)	(176)	(32)	(515)	(421)	(22)
1 110	1 070	4	900	826	9	(38)	190	>(100)	6 667	5 617	19
(265)	(266)	0	(256)	(220)	(16)	171	73	>100	(1 841)	(1 506)	(22)
845	804	5	644	606	6	133	263	(49)	4 826	4 111	17
832	784	6	644	606	6	(10)	101	>(100)	4 581	3 842	19
13	20	(35)	—	—	—	—	—	—	102	107	(5)
—	—	—	—	—	—	143	162	(12)	143	162	(12)
845	804	5	644	606	6	133	263	(49)	4 826	4 111	17
832	831	0	644	606	6	4	136	(97)	4 595	3 862	19
n/a	n/a		n/a	n/a		n/a	n/a		4,05	3,89	
0,12	0,23		n/a	n/a		n/a	n/a		1,18	1,50	
68,1	56,7		99,7	99,8		n/a	n/a		47,9	46,2	
3	17		11	0		n/a	n/a		6	0	
(9)	(59)		(12)	(17)		n/a	n/a		(8)	(15)	
57,6	54,0		50,4	49,9		n/a	n/a		54,8	53,6	
0,9	0,8		8,4	4,5		n/a	n/a		3,5	3,2	
58 529	64 330	(9)	259	380	(32)	357	404	(12)	495 460	499 976	(1)
8 266	13 319	(38)	10 337	12 222	(15)	260	430	(40)	21 100	28 159	(25)
266 934	276 729	(4)	12 830	23 153	(45)	(288 197)	(301 968)	5	199 358	190 069	5
333 729	354 378	(6)	23 426	35 755	(34)	(287 580)	(301 134)	5	715 918	718 204	(0)
125 909	107 164	17	—	—	—	456	584	(22)	398 330	359 943	11
126 737	147 133	(14)	—	—	—	17 516	12 399	41	148 468	163 697	(9)
77 993	97 101	(20)	19 063	32 148	(41)	(357 207)	(362 477)	1	104 387	135 267	(22)
330 639	351 398	(6)	19 063	32 148	(41)	(339 235)	(349 494)	3	651 685	658 907	(1)
18,4	18,3		62,1	66,6		n/a	n/a		22,4	19,1	
1,83	1,71		n/a	n/a		n/a	n/a		2,23	2,00	
0,48	0,46		5,59	3,20		n/a	n/a		1,31	1,08	
0,1	0,1	0	n/a	n/a	n/a	n/a	n/a	n/a	12,3	11,5	7
88	141	(38)	(5)	—	(100)	(1)	(14)	93	3	103	(97)

Operational key performance indicators







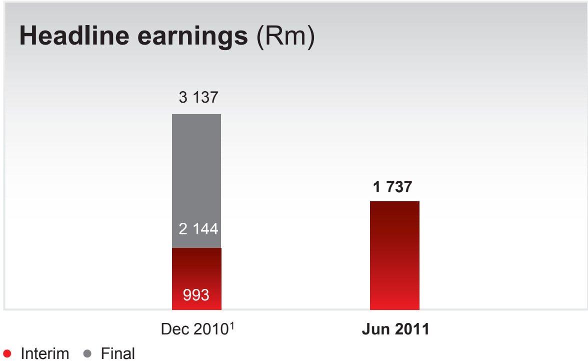
Notes

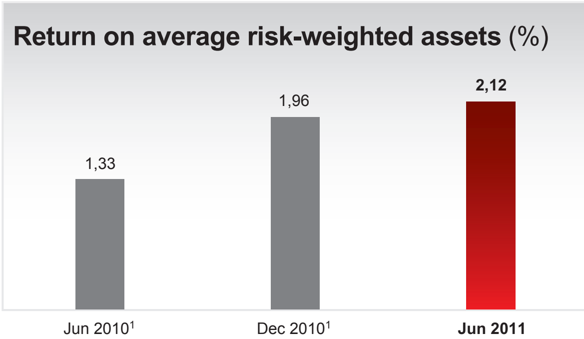
[1] *South Africa.*

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

June 2011 highlights

- *Headline earnings increased 75% to R1 737 million.*
- *Advances quality improved further, resulting in a 1,46% credit loss ratio.*
- *Remained market leader in individual deposits, with 5% growth year on year.*
- *Launched Bank Earn to enhance the Absa Rewards Programme.*
- *Introduced a Customer Needs Analysis Tool to gain a deeper understanding of our customers.*
- *Cellphone banking customer-base grew by 42% year on year to over 2,8 million.*
- *Won the Asian Banker Awards for the International Excellence in Retail Financial Services Awards 2011 for "Best Retail Bank in South Africa" and "Best Mobile Phone Banking (International)".*
- *The youth of South Africa has, for the sixth year running, awarded Absa with the Coolest Bank Award at the 2011 Sunday Times Generation Next Awards.*
- *Global Finance Magazine awarded Absa the Best Islamic Financial Institution in Non-Gulf Cooperation Council Middle East/Africa 2011 as well as the South African country award for the third year in a row.*
- *For the second year running, Absa was awarded the Top Brand accolade in the banking category in the TGI SA Icon Brands survey.*





Salient features

	Six months ended 30 June		Change	Year ended 31 December
	2011	2010[1]	%	2010[1]
Revenue (Rm)	**12 025**	11 199	7	23 090
Headline earnings (Rm)	**1 737**	993	75	3 137
Attributable earnings (Rm)	**1 735**	1 035	68	3 258
Return on average risk-weighted assets (%)	**2,12**	1,33		1,96
Return on regulatory capital (%)	**25,4**	13,4		20,6
Cost-to-income ratio (%)	**57,3**	58,2		57,6
Credit loss ratio (%)	**1,46**	1,90		1,48

Business unit scope

Retail Banking offers individuals a comprehensive suite of retail banking products and services. It provides these through an extensive face to face and self-service terminal network, via relationship managers, electronic and cellphone channels.

Key business areas

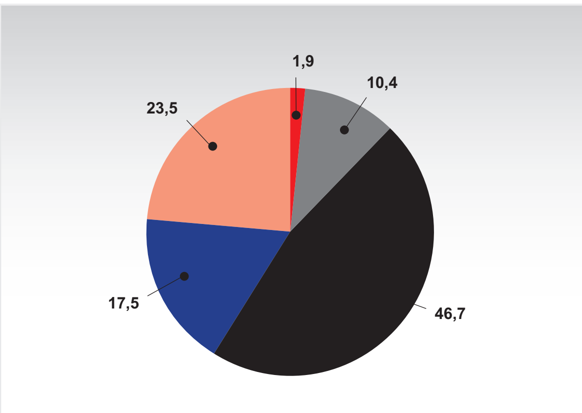
- **Home Loans ➔** offers residential property-related ownership solutions direct to the customer through face to face outlets, as well as electronic channels.
- **Vehicle and Asset Finance (VAF) ➔** offers customised vehicle and asset finance products and services through vehicle dealers as well as directly to customers through face to face outlets as well as electronic channels.
- **Card ➔** provides both credit and debit cards, and merchant acquiring across South Africa. Includes Woolworths Financial Services, offering in-store and credit cards, as well as short-term insurance products.
- **Personal Loans ➔** offers unsecured instalment loans, including fixed and variable loans through face to face channels.
- **Retail Bank ➔** offers financial solutions to individuals in South Africa and Absa's African operations, ranging from those entering the market with basic banking needs, to affluent individuals who require more sophisticated banking.

Note

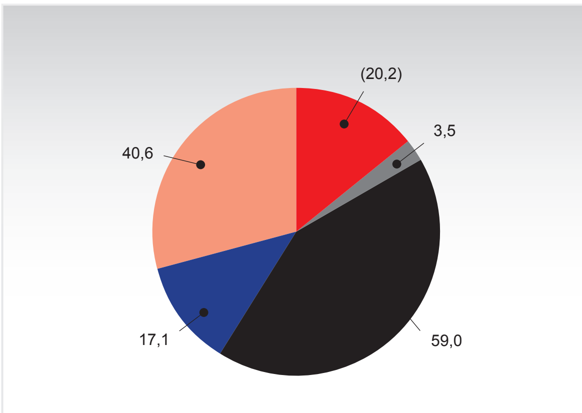
[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*

	Home Loans			Vehicle and Asset Finance		
	30 June			30 June		
	2011	2010	Change %	**2011**	2010[1]	Change %
Statement of comprehensive income (Rm)						
Net interest income	**1 869**	1 510	24	**952**	865	10
Impairment losses on loans and advances	**(1 316)**	(1 431)	8	**(422)**	(566)	25
Non-interest income	**131**	123	7	**169**	147	15
Operating expenses	**(585)**	(525)	(11)	**(481)**	(439)	(10)
Other	**(44)**	40	>(100)	**32**	28	14
Operating profit before income tax	**55**	(283)	>100	**250**	35	>100
Taxation expense	**(22)**	82	>(100)	**(69)**	(0)	>(100)
Profit for the period	**33**	(201)	>100	**181**	35	>100
Profit attributable to:						
Ordinary equity holders of the Group	**33**	(201)	>100	**181**	35	>100
Non-controlling interest – ordinary shares	**—**	—	—	**—**	—	—
Non-controlling interest – preference shares	**—**	—	—	**—**	—	—
	33	(201)	>100	**181**	35	>100
Headline earnings	**33**	(201)	>100	**181**	35	>100
Operating performance (%)						
Impairment losses on loans and advances as % of average loans and advances to customers	**1,18**	1,30		**2,08**	2,81	
Cost-to-income ratio	**29,3**	32,1		**42,9**	43,4	
Statement of financial position (Rm)						
Loans and advances to customers	**222 569**	222 000	0	**41 189**	40 644	1
Total assets	**244 116**	241 059	1	**45 332**	49 485	(8)
Deposits due to customers	**—**	—	—	**7**	8	(13)
Total liabilities	**243 917**	241 131	1	**44 897**	49 150	(9)
Financial performance (%)						
Return on average economic capital	**0,9**	—		**11,4**	2,0	

Headline earnings (%)



Six months ended 30 June 2011



Six months ended 30 June 2010[1]

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

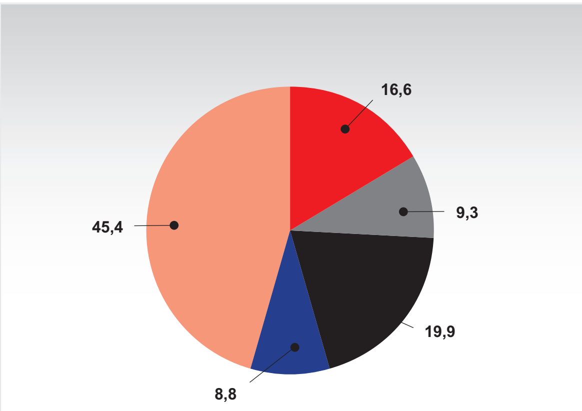
Note

[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

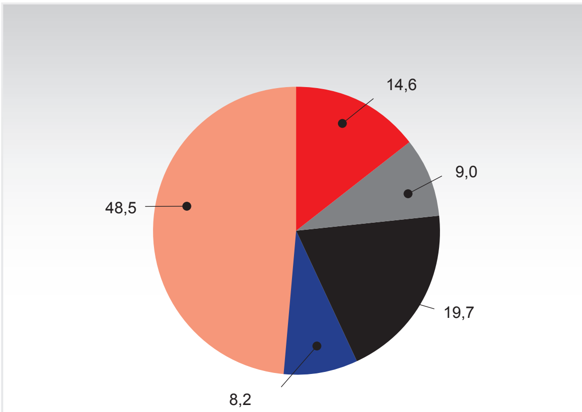
Retail Banking

	Card			Personal Loans			Retail Bank			Total		
	30 June			30 June			30 June			30 June		
	2011	2010[1]	Change %	**2011**	2010[1]	Change %	**2011**	2010[1]	Change %	**2011**	2010[1]	Change %
	1 166	1 102	6	**887**	787	13	**1 889**	1 923	(2)	**6 763**	6 187	9
	(146)	(386)	62	**(292)**	(325)	10	**(157)**	(294)	47	**(2 333)**	(3 002)	22
	1 224	1 105	11	**166**	134	24	**3 572**	3 503	2	**5 262**	5 012	5
	(947)	(915)	(3)	**(320)**	(350)	9	**(4 560)**	(4 289)	(6)	**(6 893)**	(6 518)	(6)
	(26)	(27)	4	**(3)**	(1)	>(100)	**(113)**	(108)	(5)	**(154)**	(68)	>(100)
	1 271	879	45	**438**	245	79	**631**	735	(14)	**2 645**	1 611	64
	(400)	(250)	(60)	**(135)**	(75)	(80)	**(207)**	(258)	20	**(833)**	(501)	(66)
	871	629	38	**303**	170	78	**424**	477	(11)	**1 812**	1 110	63
	811	587	38	**303**	170	78	**407**	444	(8)	**1 735**	1 035	68
	60	42	43	**—**	—	—	**17**	33	(48)	**77**	75	3
	—	—	—	**—**	—	—	**0**	0	(0)	**0**	0	(0)
	871	629	38	**303**	170	78	**424**	477	(11)	**1 812**	1 110	63
	811	586	38	**303**	170	78	**409**	403	1	**1 737**	993	75
	1,49	4,43		**4,83**	6,49		**1,25**	2,07		**1,46**	1,90	
	39,6	41,5		**30,4**	38,0		**83,5**	79,0		**57,3**	58,2	
	20 205	18 176	11	**12 492**	10 628	18	**24 398**	26 725	(9)	**320 853**	318 173	1
	27 782	24 934	11	**13 582**	11 507	18	**131 301**	128 327	2	**462 113**	455 312	1
	1 797	1 733	4	**6**	3	100	**115 928**	110 538	5	**117 738**	112 282	5
	26 653	23 899	12	**13 400**	11 404	18	**130 053**	127 271	2	**458 920**	452 855	1
	60,5	39,1		**41,8**	26,9		**31,2**	26,4		**20,0**	11,0	

Revenue (%)



Six months ended 30 June 2011



Six months ended 30 June 2010[1]

- Home Loans
- Vehicle and Asset Finance
- Card
- Personal Loans
- Retail Bank

Financial performance

Headline earnings increased 75% to R1 737 million (30 June 2010: R993 million), due to 7% revenue growth, 22% lower credit losses and cost growth being contained to 6% year on year. Retail Banking's credit loss ratio improved materially to 1,46% from 1,90%, as a result of lower early stage delinquencies and successful collections strategies. Controlled operating expenses growth improved Retail Banking's cost-to-income ratio to 57,3% (30 June 2010: 58,2%). All the business segments within Retail Banking increased their headline earnings year on year. Wider net interest margins and lower credit losses produced a R380 million positive swing in earnings from secured lending. Solid revenue and low cost growth, as well as 38% lower credit losses, saw Personal Loans and Card's combined earnings grow 47% year on year. Retail Banking's return on regulatory capital improved notably to 25,4% from 13,4%.

Favourable

» *Unsecured product growth.*

» *Remained market leader in individual deposits.*

» *Continued improvement in quality of advances portfolio.*

» *Debt review portfolio substantially reduced.*

Unfavourable

» *Sticky legal book.*

» *Limited transaction volume growth.*

Business performance

Retail Banking's customer base increased moderately to 11,7 million at 30 June 2011 from 10,9 million at 30 June 2010. Customers benefitted from an extensive footprint of 9 288 self-service terminals and 997 outlets across South Africa, Tanzania and Mozambique.

Retail Banking is running awareness campaigns such as Bank on Us and Bank Earn that encourages customers to transact more with Absa through channels such as ATMs, cash acceptors, internet and cellphone banking, and card payments. These facilities offer convenience, choice and security, and facilitate a wide range of payments and cash transfers.

Home Loans

Headline earnings improved to a profit of R33 million (30 June 2010: R201 million loss), largely as a result of widening net interest margins and lower credit losses. The home loans book was largely in line with the comparative period, as a result of sustained focus on risk appetite and pricing. Home Loans lost market share due to its cautious credit appetite as consumers remained under pressure and a value-based strategy where estate agents submit home loan applications directly to them. This strategy was implemented in December 2010 and the results for the period under review indicate that the quality of applicants improved and acquisition costs reduced significantly.

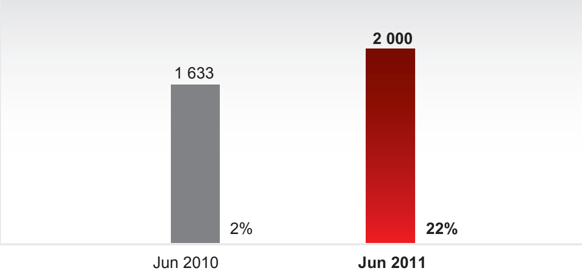
The main focus areas include:

» value-based asset growth.

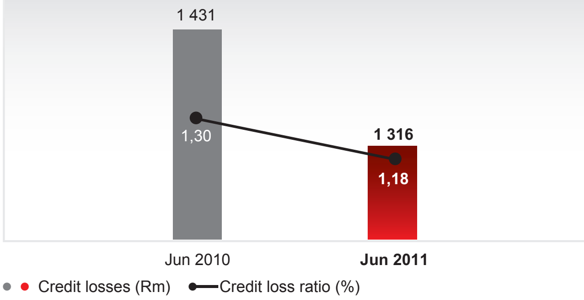
» collections in the legal book.

» cost management through process efficiency.

Revenue (Rm and change %)



Credit losses and credit loss ratio (Rm and %)



Business performance *(continued)*

Vehicle and Asset Finance (VAF)

Headline earnings improved sharply to R181 million (30 June 2010: R35 million), due to lower credit losses and solid revenue growth. The book increased by 1% year on year due to high levels of early settlements as customers consolidated their debt. Sales increased 14% year on year by value.

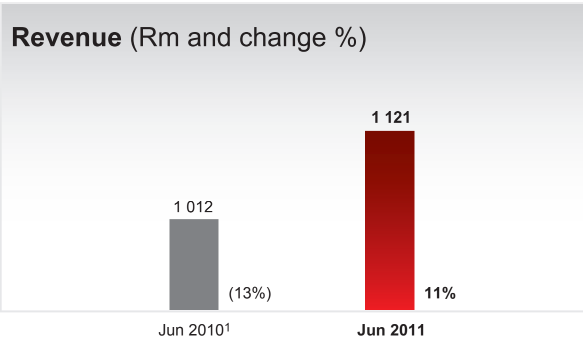
The main focus areas include:

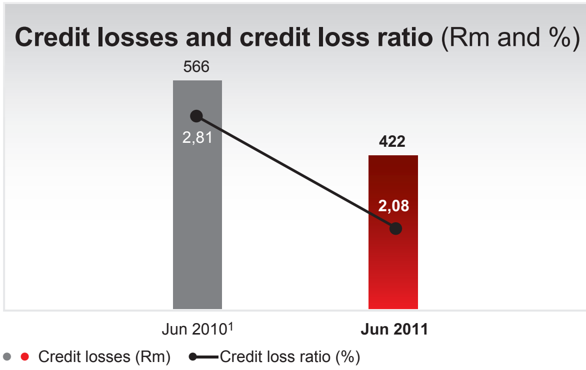
» improve sales and service model.

» improve end-to-end processing efficiencies.

» pricing.

» managing costs and credit losses.





Card

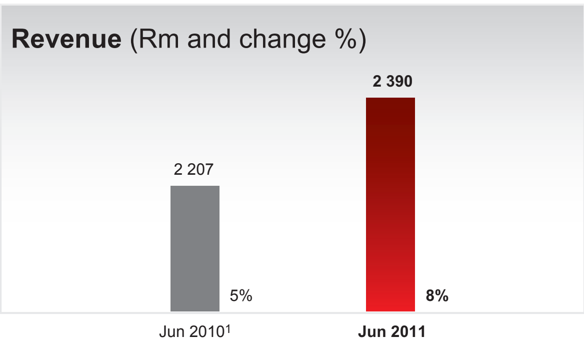
Headline earnings increased by 38% to R811 million (30 June 2010: R586 million), mainly due to growth in transaction volumes and lower credit losses. Account balances increased by 11%, as new business levels increased year on year. Customers were, however, still reluctant to use their full credit facilities and were rather choosing to settle their short-term debt. The credit loss ratio improved significantly to 1,49%, from 4,43% in June 2010, as a result of reducing the debt counselling portfolio, good payment behaviour and successful collections. Operating expenses were well contained, rising only 3% year on year, despite investments to implement the first contactless card in the market.

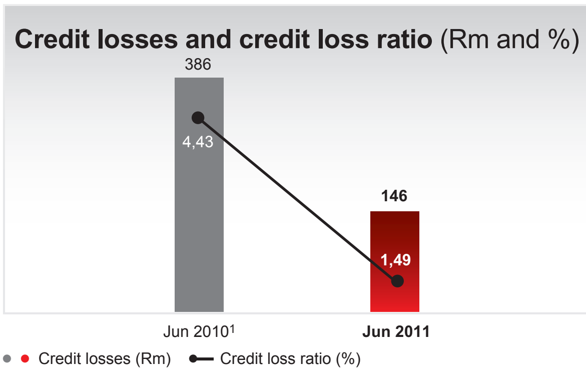
The main focus areas include:

» improve integration.

» reduce operational costs.

» diversify customer portfolios.





Note

[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

Business performance *(continued)*

Personal Loans

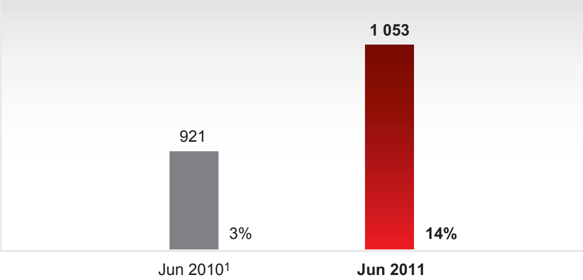
Headline earnings increased to R303 million (30 June 2010: R170 million). This was primarily due to strong revenue growth and lower operating expenses, and an improving cost-to-income ratio. Loans and advances to customers grew 18% year on year, as a result of higher volumes of new loans and average loan values.

The main focus areas include:

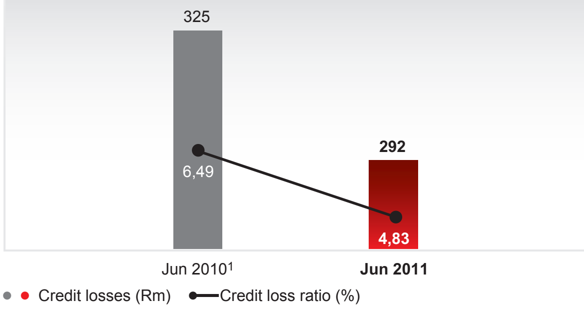
» product innovation.

» managing costs and credit losses.

Revenue (Rm and change %)



Credit losses and credit loss ratio (Rm and %)



Retail Bank

Headline earnings increased to R409 million (30 June 2010: R403 million), as flat revenue growth dampened lower credit losses. Excluding the impact of the Virgin acquisition in 2010, revenue grew 3%. The favourable impact from growth in deposits was contained by margin pressure in a low interest rate environment. There was pressure from operations in the rest of Africa due to substantially lower levels of loans and advances.

The main focus areas include:

» sustainable deposits growth.

» growing non-interest revenue.

» enhancing Rewards Programme.

Focus going forward

» Delivering value propositions to the market
  › In 2010 an in-depth segmentation exercise across the customer base was concluded.
  › The insights gained led to the development of various tactical and strategic initiatives, which started to deliver benefits during the period under review.
  › A number of proof of concepts were successfully implemented, aimed at enabling specific value drivers for revenue growth aspirations.
  › The focus going forward is to scale the above initiatives so they are appropriate.

» Broadening entry level inclusivity
  › The focus will remain on implementing fit for purpose branches and customer education.

» Incentivising customers for use of Absa products
  › The refined Absa Rewards Programme is a success story where customers are rewarded for buying products and using our transactional payment mechanisms.

» Changing sales and service model
  › Several new channel functionalities and innovations have been introduced for new segments aimed at delivering a differentiated customer experience.
  › Focused and controlled cost management as well as improving the delivery by front-line staff.
  › The focus will remain on streamlining critical customer facing and back-office processes and continuing to provide market leading channel access and convenience.

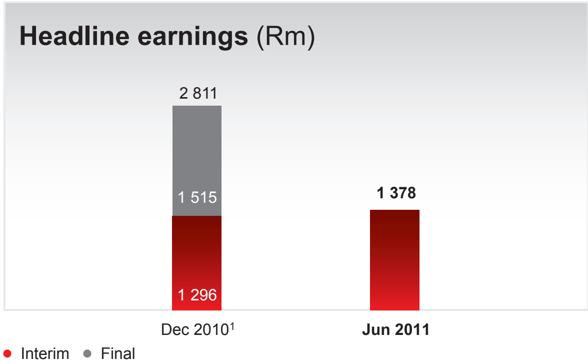
» Continuing to focus on operational risk and fraud.

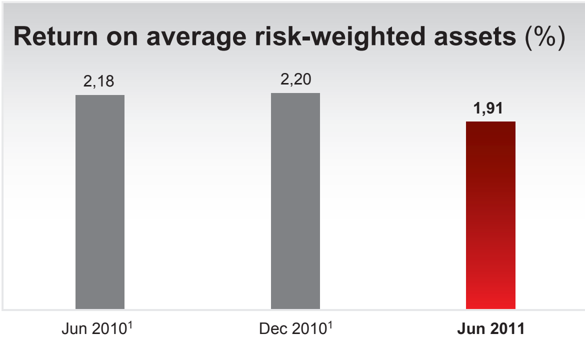
Note

[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*

June 2011 highlights

- » *Solid deposit growth in targeted areas.*
- » *Managed concentration risk in advances.*
- » *Solid transactional volume growth and reducing revenue leakage increased fee income.*
- » *Successfully contained costs while continuing to invest in growth initiatives.*
- » *Return on economic capital improved due to deposit growth and transactional business income.*
- » *Strategic co-operative agreement with BKB Limited. A market first and the most important step in creating an AgriBank.*
- » *Launched AgriGrow Card, another market first.*
- » *Mail and Guardian Award for Corporate Reputation – Absa Business Bank was awarded 2nd place in the business category (all sectors).*





Salient features

	Six months ended 30 June		Change	Year ended 31 December
	2011	2010[1]	%	2010[1]
Revenue (Rm)	**5 854**	5 593	5	11 545
Headline earnings (Rm)	**1 378**	1 296	6	2 811
Attributable earnings (Rm)	**1 380**	1 316	5	2 866
Return on average risk-weighted assets (%)	**1,91**	2,18		2,20
Return on regulatory capital (%)	**19,6**	22,4		22,5
Cost-to-income ratio (%)	**55,2**	53,8		53,9
Credit loss ratio (%)	**0,95**	1,12		1,01

Business unit scope

Absa Business Bank (ABB) offers a comprehensive range of commercial banking products and specialised services to large, medium and small businesses. It aims to meet the full spectrum of commercial clients' needs, ranging from off-the-shelf transactional products to complex financial solutions. ABB's objective is to make banking, whether local or international, convenient for its clients and to partner with them to grow their businesses. Absa Business Bank is the only business bank in South Africa to offer a fully fledged industry specialist team supporting Relationship Executives.

Key business areas

- » **Debt products** ➔ mainly includes commercial debt, structured loans, cheque, trade and working capital short-term debt products. Fees earned from debt products, include upfront and structuring fees.
- » **Investment products** ➔ largely consists of operational term and cheque deposits, as well as call deposits.
- » **Transactional and other fee income** ➔ includes transactional accounts, cash, cheques, domestic and international payments, electronic banking, foreign exchange and trade solutions.
- » **Equity portfolio** ➔ investment portfolio in listed as well as unlisted property equities.

Note

[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

	Six months ended 30 June					
	2011	2011 Excluding equity portfolio	2010[1]	2010[1] Excluding equity portfolio		Excluding equity portfolio change
	Rm	Rm	Rm	Rm	Change %	%
Statement of comprehensive income						
Net interest income	**3 840**	**4 027**	3 655	3 853	5	5
Impairment losses on loans and advances	**(533)**	**(534)**	(627)	(628)	15	15
Non-interest income	**2 014**	**1 904**	1 938	1 737	4	10
Operating expenses	**(3 229)**	**(3 206)**	(3 010)	(2 980)	(7)	(8)
Other	**(42)**	**(33)**	(36)	(38)	(17)	13
Operating profit before income tax	**2 050**	**2 158**	1 920	1 944	7	11
Taxation expense	**(658)**	**(655)**	(592)	(592)	(11)	(11)
Profit for the period	**1 392**	**1 503**	1 328	1 352	5	11
Profit attributable to:						
Ordinary equity holders of the Group	**1 380**	**1 489**	1 316	1 338	5	11
Non-controlling interest – ordinary shares	**12**	**14**	12	14	0	0
	1 392	**1 503**	1 328	1 352	5	11
Headline earnings	**1 378**	**1 497**	1 296	1 342	6	12

	30 June		
	2011	2010[1]	Change
	Rm	Rm	%
Statement of financial position			
Loans and advances to customers	**115 462**	116 689	(1)
Total assets	**184 230**	173 893	6
Deposits due to customers	**154 227**	139 913	10
Total liabilities	**182 298**	172 000	6

Financial performance

Headline earnings increased 6% to R1 378 million (30 June 2010: R1 296 million), despite loans declining 1% year on year and a lower contribution from the listed equity property portfolio. Net interest income grew by 5%, reflecting 10% deposit growth and higher new loan pricing for risk, which outweighed lower loans and deposit margin pressure from lower average interest rates. ABB's credit losses improved 15% year on year. Fee income increased 8%, driven by ABB's enhanced transactional capabilities and reduced revenue leakage. Operating expenses grew by 7% to R3 229 million (30 June 2010: R3 010 million), as the business continued to invest in growth initiatives while containing other costs. ABB's return on regulatory capital decreased to 19,6% (30 June 2010: 22,4%).

Favourable

» *Deposits grew 10%.*

» *Solid growth in transactional fees and volumes.*

» *Large decline in credit losses.*

Unfavourable

» *Advances declined modestly.*

» *Substantially lower equity portfolio contribution.*

» *Slightly lower deposit margins, due to lower interest rates.*

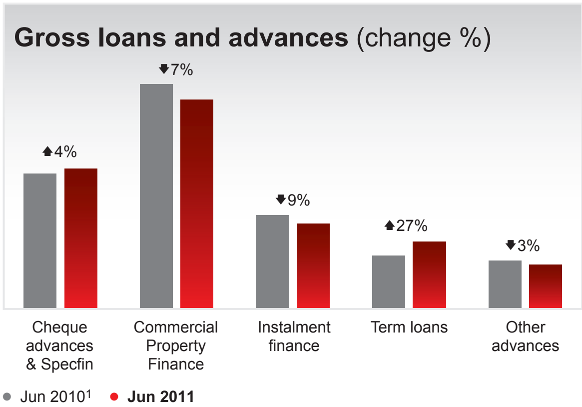
Note

[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*

Business performance

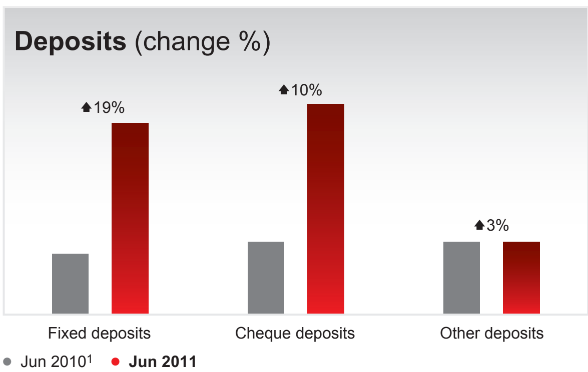
Debt income and credit-related fees

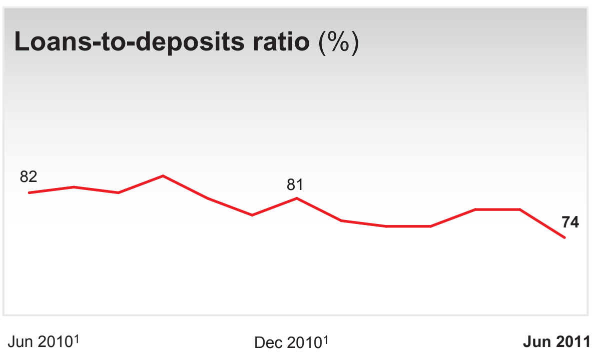
- Advances declined by 1%, largely due to lower commercial property and commercial asset books.
- Commercial property finance decreased as ABB reduced its concentration risk.
- Lower instalment finance reflected the difficult economic conditions. Credit losses decreased, which together with effective pricing, improved profitability.
- Term loans grew strongly, while cheque advances grew moderately.
- Structured Trade and Commodity Finance grew strongly due to an increased number of deals and higher commodity prices.
- Working Capital Solutions provides clients with working capital advances against the security of their receivables. A new platform is being introduced and this area is exceeding target.



Investment income

- Solid deposit growth, including 10% higher cheque deposits, as clients made more use of their operating accounts in tight liquidity conditions.
- During the period under review, ABB focused on growing cheque accounts using a variety of interest pricing options, given the scale and diversity of its client base.
- ABB increased term deposits in line with the Group strategy. Products with liquidity-enhanced features were offered and solutions matched client cash flow volatility with term products.
- Margins came under pressure due to low rate volatility and increased competition for liquidity.
- Cross-selling of other Absa products was expanded in collaboration with Absa Capital and Absa Investments.





Note

[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

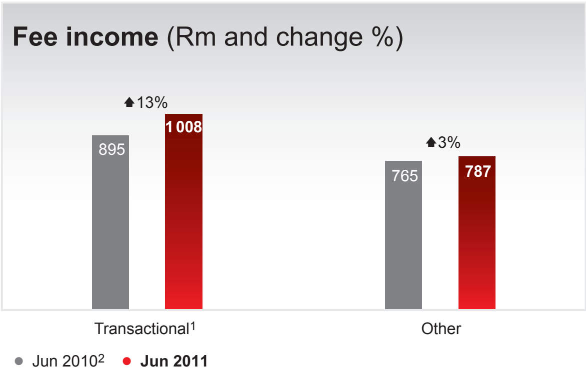
Business performance *(continued)*

Transactional income

» Fees and commissions increased by 8%, with over 67 000 users transacting on ABB systems (Cash Focus, BI Online, local banking) daily.

» Cheque payment volumes continued to decline, but volumes in electronic payments and cash grew strongly.

» Pricing initiatives reduced revenue leakage and reflected client behaviour.



Equity-related portfolio

» Formulated differentiated strategies for listed and unlisted portfolios.

» The listed portfolio was reduced, while ABB's unlisted investments made a lower contribution to earnings.

» Less dividend from a smaller portfolio and lower valuations were experienced.

Focus going forward

» Provide existing clients with additional products. We will focus on enhancing transactional banking to strengthen and expand primary banking relationships. It also remains a priority to build a next generation electronic banking system.

» Improving client service and gaining a better understanding of client needs and business requirements. We have developed a refined segmentation model as a further outcome of knowing our clients better and which will enable ABB to become truly client-orientated.

» Comprehensively overhauling our end-to-end customer process and sales operating model to improve client engagement.

» Improving risk management practices, particularly recovery and business support, remains a key priority for 2011.

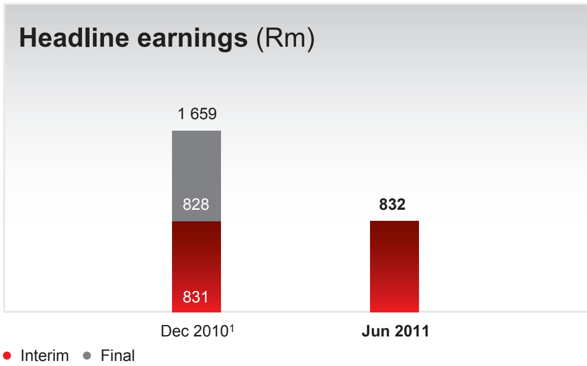
Notes

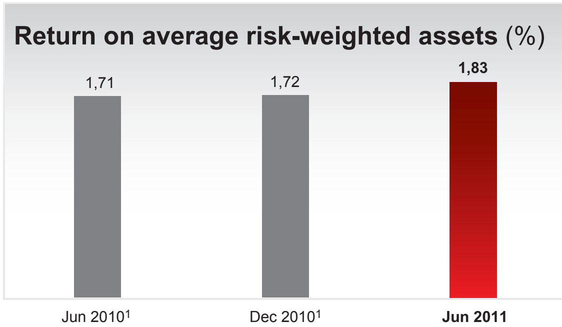
[1]*Includes income from Electronic Banking Division and Cheques.*

[2]*Comparatives have been reclassified. Refer to pages 95 – 98.*

June 2011 highlights

- *Headline earnings maintained, despite Investment Banking's reduced contribution.*
- *Improved return on regulatory capital shows benefits of focus on client franchise.*
- *Foreign exchange business benefitted from investment.*
- *Rolled out PACE FX (a foreign exchange electronic execution platform for corporate and institutional clients) to our Tanzanian treasury.*
- *Successfully merged the Corporate sales team into Absa Capital's Investment Banking division, creating a fully-integrated coverage model.*
- *Several high profile mandates successfully executed through working with Barclays Capital. Greater collaboration means a wider product offering and the ability to operate across multiple regional jurisdictions.*





Salient features

	Six months ended 30 June		Change	Year ended 31 December
	2011	2010[1]	%	2010[1]
Revenue (Rm)	**2 786**	2 717	3	5 508
Headline earnings (Rm)	**832**	831	0	1 659
Return on average risk-weighted assets (%)	**1,83**	1,71		1,72
Return on regulatory capital (%)	**18,8**	17,6		17,7
Cost-to-income ratio (%)	**57,6**	54,0		54,9

Business unit scope

Absa Capital offers investment banking and wealth management services. Our primary business is to act as an intermediary between, and adviser to, suppliers and users of various forms of capital. Absa Capital has a unique business model, combining local specialist knowledge (as part of the Group) and global expertise (through its close affiliation with Barclays Capital).

The business model centres on delivering specialist investment banking, financing, risk management and advisory solutions across asset classes to corporations, financial institutions and government clients. These capabilities are delivered through a client-centric approach that emphasises the distribution of risk.

Absa Capital remains the only South African investment bank that is fully local and fully global. Through our affiliation with Barclays Capital, our ability to deliver comprehensive international and local solutions to our clients will continue to differentiate us from our competitors.

Key business areas

- **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. We also offer product expertise encompassing loans, bonds and structured products (such as project finance, structured equity finance, leveraged finance and debt capital markets).
- **Markets** ➔ offers trading, hedging and pricing expertise across various asset classes to a global client base.
- **Private Equity and Infrastructure Investments** ➔ Private Equity acts as a principal by investing in equity exposures to companies and other entities. Infrastructure Investments acts as a principal by investing in equity exposures to entities focused on infrastructure development in sub-Saharan Africa.
- **Absa Wealth** ➔ provides a full range of onshore and offshore wealth management services to individuals and families in the high and ultra-high net-worth market.

Note
[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

	Six months ended 30 June 2011 Rm	2010[1] Rm	Change %
Statement of comprehensive income			
Net interest income	**889**	1 177	(24)
Impairment losses on loans and advances	**(36)**	(75)	52
Non-interest income	**1 897**	1 540	23
Operating expenses	**(1 604)**	(1 466)	(9)
Other	**(36)**	(106)	66
Operating profit before income tax	**1 110**	1 070	4
Taxation expense	**(265)**	(266)	0
Profit for the period	**845**	804	5
Profit attributable to:			
Ordinary equity holders of the Group	**832**	784	6
Non-controlling interest – ordinary shares	**13**	20	(35)
	845	804	5
Headline earnings	**832**	831	0
Notes			
1. Net revenue contribution[2]			
Investment Banking	**665**	866	(23)
Markets	**1 820**	1 759	3
Private Equity and Infrastructure Investments	**74**	(124)	>100
Absa Wealth	**185**	127	46
Other	**6**	14	(57)
	2 750	2 642	4
2. Gains and losses from banking and trading activities			
Net gains on investments[(i)]			
Financial instruments designated at fair value through profit or loss	**105**	(66)	>100
Debt instruments	**26**	16	63
Equity instruments	**79**	(82)	>100
Net trading results[(ii)]	**1 301**	1 235	5
Net trading income excluding impact of hedge accounting	**1 303**	1 206	8
Ineffective portion of cash flow hedges	**10**	35	(71)
Ineffective portion of fair value hedges	**(12)**	(6)	(100)
Other[(iii)]	**(2)**	(18)	89
	1 404	1 151	22

[(i)] **"Net gains on investments"** comprises debt and equity instruments designated at fair value through profit or loss and available-for-sale reserve unwind.

[(ii)] **"Net trading results"** includes gains and losses from instruments 'designated at fair value through profit or loss' as well as gains and losses from instruments classified as 'held for trading'. The net trading result of **R1 301 million** (30 June 2010: R1 235 million), includes net gains of **R245 million** (30 June 2010: R235 million) on financial assets designated at fair value through profit or loss and net losses of **R202 million** (30 June 2010: R804 million) relating to financial liabilities at fair value through profit or loss.

[(iii)] **"Other"** includes gains and losses from instruments 'designated at fair value through profit or loss' as well as gains and losses from instruments classified as 'held for trading'. Other (debits) of **R2 million** (30 June 2010: R18 million loss) includes net losses of **R65 million** (30 June 2010: R125 million gain) on financial assets designated at fair value through profit or loss.

Notes
[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*
[2] *Net revenue includes net interest income and non-interest income, net of impairment losses on loans and advances.*

Financial performance

Absa Capital's headline earnings were flat at R832 million (30 June 2010: R831 million). Markets revenue increased by 3%, despite a reduced African trading contribution and decreased volatility, reducing client balance sheet management activities. Investment Banking revenue decreased 23% year on year, with exceptional growth in fee business being offset by a substantial decline of 33% in the margin business. Private Equity earnings continued to improve, given positive realisations, stable valuations and lower funding costs. Wealth's net revenue increased by 46%, reflecting lower credit losses and growth in fee-driven customer balances. Costs grew 9% year on year. Absa Capital's return on regulatory capital increased to 18,8% (30 June 2010: 17,6%). Given regulatory capital changes in the near future, efficient capital management remains a focus.

Favourable

» *Solid core client franchise performance.*

» *Investment Banking fee income increased by 83%.*

» *Improved Wealth performance.*

» *Private Equity continued to improve.*

Unfavourable

» *Investment Banking margin income declined by 33%.*

» *Disappointing performance from Africa trading desks due to reduced client appetite and margin compression.*

» *Slow cash equities start.*

Business performance

Investment Banking

Investment Banking revenue declined 23% to R665 million, with divergent performances from the fee and margin businesses. The fee business performed exceptionally well, growing 83% to R128 million. The benefits of the integrated corporate and investment banking strategy are starting to emerge. A deliberate reduction in highly structured on-balance sheet financing reduced the balance sheet and the contribution from the margin business substantially. Income from margin business decreased 33% to R537 million.

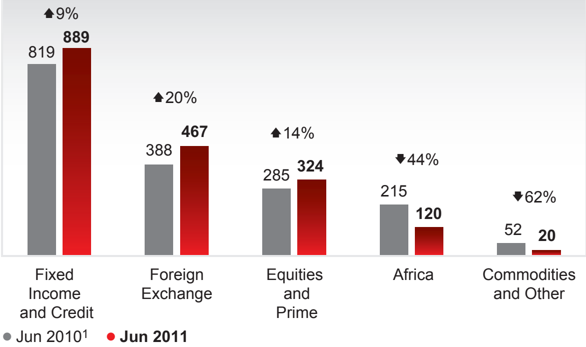
Salient features

	30 June 2011	2010[1]	Change %
Revenue			
» Fee business (Rm)	**128**	70	83
» Margin business (Rm)	**537**	796	(33)
Loans and advances to customers (Rbn)	**35,8**	58,5	(39)

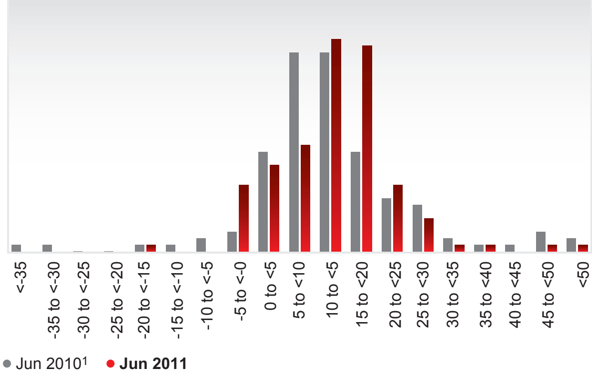
Markets

Markets net revenue increased 3% to R1 820 million (30 June 2010: R1 759 million). The integrated corporate and investment banking strategy increased Markets' client flows, which has improved the quality of earnings. Daily earnings were less volatile and DVaR declined from prior periods. Absa Capital benefitted from its investment in the foreign exchange business, which grew 20% year on year. Fixed Income and Credit also delivered solid results, despite lower rates and volatility reducing clients' balance sheet management activities. Equities and Prime delivered a strong performance, however, expected revenue from the cash equities business was slower than anticipated. Progress in delivering the research offering and traction with clients remains on track. Lower client appetite and margin compression resulted in a disappointing performance from the Africa desk. Nonetheless, sub-Saharan Africa remains a key focus area.

Revenue mix (Rm and change %)



Daily revenue distribution (Rm)



Note

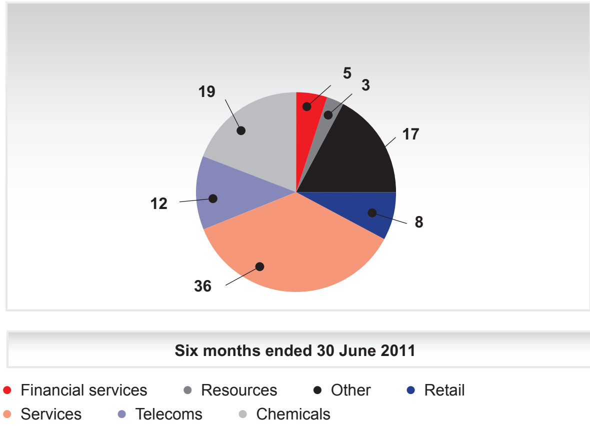
[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*

Business performance *(continued)*

Private Equity and Infrastructure Investments

Private Equity and Infrastructure Investments' net revenue improved substantially to R74 million (30 June 2010: R124 million loss). The improvement reflects profitable exits, stable valuations and lower funding costs on a smaller portfolio. The portfolio reduced to R5,2 billion from R6,1 billion at 31 December 2010. It remains sound and is well-positioned to benefit from the continued economic recovery.

Portfolio exposure by industry (%)



Salient features

	30 June 2011	2010[1]	Change %
Total portfolio size (Rbn)	**5,2**	6,5	(20)
Net revenue (Rm)	**74**	(124)	>100
» Revaluations	**24**	(88)	>100
» Realisations, dividends, interest and fees	**114**	59	93
» Funding	**(64)**	(95)	(33)

Absa Wealth

Absa Wealth performed well. Revenue grew 13%, reflecting a shift in mix to fee-based investment and advisory-led products, plus cross-selling of Absa Capital products. Significantly lower credit losses contributed to 46% higher net revenue. Assets under management increased 22% as a result of the new business focus.

Focus going forward

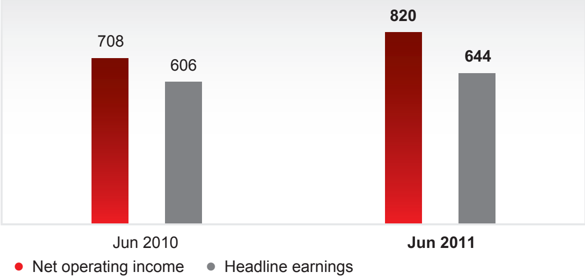
- » Well-positioned to grow through franchise penetration and a deeper product offering.
- » Continue to build the corporate offering and foreign exchange franchise.
- » Capital optimisation remains a core principle underpinning all initiatives.
- » Africa is an important component of Barclays Emerging Markets' franchise and close collaboration with Barclays Capital will continue.
- » Attracting, developing and retaining top talent remains a priority.

Note
[1]*Comparatives have been reclassified. Refer to pages 95 – 98.*

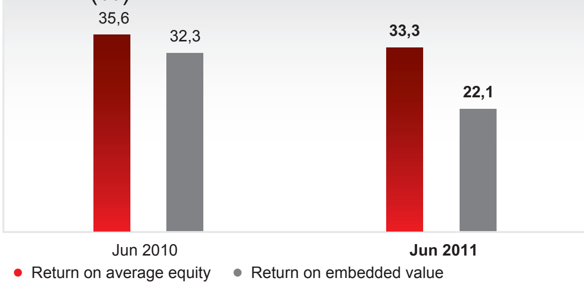
June 2011 highlights

- *Topline grew 17%.*
- *Cost efficiency ratio improved to 26,5% from 27,6%.*
- *Net operating income increased 16% to R820 million.*
- *A return on average equity of 33,3% and a 22,1% return on embedded value was achieved.*
- *Assets under management of R171 billion, up 17% year on year.*
- *The insurance underwriting margin improved to 7,5% from 5,2% (31 December 2010).*
- *Botswana Life operational.*
- *For the second year running, Absa was awarded the Top Brand accolade in the short-term household insurance category in the TGI SA Icon Brands survey.*

Net operating income and headline earnings (Rm)



Return on average equity and embedded value (%)



Salient features

	30 June 2011	2010	Change %	31 December 2010
Net operating income (Rm)	**820**	708	16	1 390
Headline earnings (Rm)	**644**	606	6	1 291
Return on average equity (%)	**33,3**	35,6		34,8
Cost efficiency ratio (%)	**26,5**	27,6		27,4
Assets under management and administration (Rbn)	**171**	147	17	163

Business unit scope

The Financial Services segment provides insurance, fiduciary and non-banking related investment products and services. These are offered through a well-established and unique financial services operating model, which combines the strengths of a traditional financial services model with that of a pure distribution model.

This integrated model enables the Group to efficiently provide financial services to all market segments in sub-Saharan Africa.

Key business areas

- **Life insurance (Life)** ➔ offers life insurance covering death, disability and retrenchment as well as funeral and investment products.
- **Short-term insurance (Insurance)** ➔ provides short-term insurance solutions to the retail and commercial market segments. Customised short-term solutions are also offered to corporate customers. idirect, a direct-to-customer short-term solution, is also available to the retail market.
- **Investments** ➔ consists of six businesses which work collaboratively to offer individual and institutional clients access to high-quality investment products and services including asset management, private client asset management, multi-management, unit trusts, stock broking, participation bonds and linked investments.
- **Fiduciary services** ➔ offers retirement fund administration, consulting and actuarial services. It 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 the full spectrum of financial advisory services and acts as an intermediary between Absa customers and various other product providers.

	Note	Life Six months ended 30 June 2011 Rm	2010 Rm	Change %	Insurance Six months ended 30 June 2011 Rm	2010 Rm	Change %
Statement of comprehensive income							
Net insurance premium income		**890**	729	22	**1 480**	1 436	3
Net insurance claims and benefits paid		**(253)**	(202)	(25)	**(1 010)**	(964)	(5)
Investment income	1						
Policyholder investment contracts		**263**	669	(61)	**—**	—	—
Policyholder insurance contracts		**26**	9	>100	**28**	35	(20)
Changes in investment and insurance liabilities							
Policyholder investment contracts		**(239)**	(666)	64	**—**	—	—
Policyholder insurance contracts		**46**	74	(38)	**—**	—	—
Other income		**(15)**	(7)	>(100)	**21**	(18)	>100
Gross operating income		**718**	606	18	**519**	489	6
Net fee and commission paid by insurance companies[2]		**(129)**	(129)	0	**(234)**	(197)	(19)
Operating expenses		**(119)**	(92)	(29)	**(150)**	(144)	(4)
Other		**(40)**	(27)	(48)	**(0)**	(1)	>100
Net operating income		**430**	358	20	**135**	147	(8)
Investment income on shareholder funds	1	**27**	34	(21)	**36**	65	(45)
Taxation expense		**(129)**	(100)	(29)	**(48)**	(56)	14
Profit for the period		**328**	292	12	**123**	156	(21)
Note							
1. Investment income							
Policyholder investment contracts		**263**	669	(61)	**—**	—	—
Net interest income		**419**	334	25	**—**	—	—
Dividend income		**12**	22	(45)	**—**	—	—
Fair value (losses)/gains		**(168)**	313	>(100)	**—**	—	—
Policyholder insurance contracts		**26**	9	>100	**28**	35	(20)
Net interest income		**30**	26	15	**28**	35	(20)
Dividend income		**3**	2	50	**—**	—	—
Fair value losses		**(7)**	(19)	63	**—**	—	—
Shareholder funds		**27**	34	(21)	**36**	65	(45)
Net interest income		**12**	14	(14)	**40**	51	(22)
Dividend income		**7**	9	(22)	**5**	9	(44)
Fair value gains/(losses)		**8**	11	(27)	**(9)**	5	>(100)
Total		**315**	712	(56)	**64**	100	(36)
Net interest income		**461**	374	23	**68**	86	(21)
Dividend income		**22**	33	(33)	**5**	9	(44)
Fair value (losses)/gains		**(168)**	305	>(100)	**(9)**	5	>(100)

	Six months ended 30 June 2011 Rm	2010 Rm	Change %
Net fee and commission income			
Employee benefit related fees	**184**	142	30
Investment management and related fees	**396**	333	19
Net commission from advisor business	**218**	195	12
Net fee and commission paid by insurance companies	**(379)**	(350)	(8)
Trust and estate income	**127**	125	2
	546	445	23

Notes

[1]"Fiduciary" was shown as part of "Other" in the previous year.

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

Investments			Fiduciary[1]			Other[1]			Total		
Six months ended 30 June			Six months ended 30 June			Six months ended 30 June			Six months ended 30 June		
2011	2010	Change	2011	2010	Change	2011	2010	Change	2011	2010	Change
Rm	Rm	%	Rm	Rm	%	Rm	Rm	%	Rm	Rm	%
—	—	—	—	—	—	33	—	100	2 403	2 165	11
—	—	—	—	—	—	(0)	—	(100)	(1 263)	(1 166)	(8)
—	—	—	—	—	—	(9)	(16)	44	254	653	(61)
—	—	—	—	—	—	0	—	100	54	44	23
—	—	—	—	—	—	21	27	(22)	(218)	(639)	66
—	—	—	—	—	—	(14)	—	(100)	32	74	(57)
415	365	14	314	267	18	216	213	1	951	820	16
415	365	14	314	267	18	247	224	10	2 213	1 951	13
—	—	—	—	—	—	(17)	(24)	29	(379)	(350)	(8)
(213)	(175)	(22)	(252)	(206)	(22)	(229)	(241)	5	(964)	(858)	(12)
(1)	(2)	50	(1)	(1)	—	(8)	(4)	(100)	(50)	(35)	(43)
201	188	7	61	60	2	(7)	(45)	84	820	708	16
10	8	25	4	4	—	3	7	(57)	80	118	(32)
(60)	(58)	(3)	(19)	(17)	(12)	—	11	>(100)	(256)	(220)	(16)
151	138	9	46	47	(2)	(4)	(27)	85	644	606	6
—	—	—	—	—	—	(9)	(16)	44	254	653	(61)
—	—	—	—	—	—	1	1	0	420	335	25
—	—	—	—	—	—	9	7	29	21	29	(28)
—	—	—	—	—	—	(19)	(24)	21	(187)	289	>(100)
—	—	—	—	—	—	—	—	—	54	44	23
—	—	—	—	—	—	—	—	—	58	61	(5)
—	—	—	—	—	—	—	—	—	3	2	50
—	—	—	—	—	—	—	—	—	(7)	(19)	63
10	8	25	4	4	0	3	7	(57)	80	118	(32)
10	8	25	—	—	—	—	—	—	61	73	(16)
—	—	—	—	2	(100)	—	—	—	12	20	(40)
—	—	—	4	2	100	3	7	(57)	7	25	(72)
10	8	25	4	4	0	(6)	(9)	33	388	815	(52)
10	8	25	—	—	—	1	1	0	539	469	15
—	—	—	—	2	(100)	9	7	29	36	51	(29)
—	—	—	4	2	100	(16)	(17)	6	(187)	295	>(100)

	Six months ended 30 June					
	2011			2010		
	South Africa Rm	Rest of Africa Rm	Total Rm	South Africa Rm	Rest of Africa Rm	Total Rm
Segment report per geographical segment						
Net insurance premium income	2 370	33	2 403	2 165	—	2 165
Net insurance claims and benefits paid	(1 263)	(0)	(1 263)	(1 166)	—	(1 166)
Gross operating income	2 192	21	2 213	1 951	—	1 951
Operating expenses	(957)	(7)	(964)	(858)	—	(858)
Net operating income	825	(5)	820	708	—	708
Profit for the period	649	(5)	644	606	—	606

	Note	30 June 2011 Rm	2010 Rm	Change %
Statement of financial position				
Assets				
Cash balances and loans and advances to banks		**9 807**	13 188	(26)
Insurance operations	1	**8 718**	6 308	38
Other subsidiaries[1]		**1 089**	6 880	(84)
Other assets[1,2]		**2 342**	9 456	(75)
Financial assets backing investment and insurance liabilities		**11 198**	13 047	(14)
Investment securities		**10 337**	12 222	(15)
Insurance operations	1	**10 214**	12 102	(16)
Other subsidiaries		**123**	120	3
Other assets backing investment and insurance liabilities				
Insurance operations	1	**861**	825	4
Property and equipment		**79**	64	23
Total assets		**23 426**	35 755	(34)
Liabilities				
Other liabilities[2]		**1 785**	15 655	(89)
Liabilities under investment contracts		**14 478**	13 836	5
Policyholder liabilities under insurance contracts[3]		**2 786**	2 621	6
Deferred tax liabilities		**14**	36	(61)
Total liabilities		**19 063**	32 148	(41)
Total equity		**4 363**	3 607	21
Total equity and liabilities		**23 426**	35 755	(34)

Notes

[1] *Comparatives have been reclassified for the following changes:*

- *Reclassification of certain collaterals to the amount of R5 905 million from "Other assets" to "Cash balances" and "Loans and advances to banks", to reflect the true nature of these trades as collateralised loans. Refer to page 95.*
- *Reclassification of reinsurance assets to the amount of R142 million from "Other assets" to "Other assets backing shareholder and policyholder liabilities".*

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

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

Note

1. Financial assets backing investment and insurance liabilities

	Debt instruments Rm	Listed equity instruments Rm	Unlisted equity and hybrid instruments Rm	Other Rm	Cash balances and loans and advances to banks Rm	Total Rm
	30 June 2011					
Shareholder investment securities	**800**	**515**	**197**	**—**	**163**	**1 675**
Life	**136**	**478**	**2**	**—**	**81**	**697**
Non-life	**664**	**37**	**195**	**—**	**82**	**978**
Policyholder investment securities	**419**	**6 680**	**1 603**	**861**	**8 555**	**18 118**
Investment contracts[1]	**1**	**6 680**	**548**	**444**	**6 806**	**14 479**
Insurance contracts[1]	**418**	**—**	**1 055**	**417**	**1 749**	**3 639**
	1 219	**7 195**	**1 800**	**861**	**8 718**	**19 793**

	Debt instruments Rm	Listed equity instruments Rm	Unlisted equity and hybrid instruments Rm	Other Rm	Cash balances and loans and advances to banks Rm	Total Rm
	30 June 2010					
Shareholder investments securities	776	832	243	16	547	2 414
Life	236	793	8	16	96	1 149
Non-life	540	39	235	—	451	1 265
Policyholder investments securities	526	7 910	1 815	809	5 761	16 821
Investment contracts[1]	68	7 910	949	464	4 457	13 848
Insurance contracts[1]	458	—	866	345	1 304	2 973
	1 302	8 742	2 058	825	6 308	19 235

Note

[1]*Includes* ***R838 million*** *(30 June 2010: R706 million) in unlisted insurance contracts representing Absa Life Limited's investment in the Absa General Fund. This fund is classified as an investment contract on consolidation and disclosed as such in the consolidated financial statements.*

Reconciliation with Absa Group

	30 June 2011 Financial Services Rm	Inter-group balances and transactions Rm	Other[1] Rm	Absa Group Rm
Statement of financial position				
Investments linked to investment contracts	7 229	828	—	8 057
Policyholder liabilities under insurance contracts	(2 786)	287	(308)	(2 807)
Statement of comprehensive income				
Net insurance premium income	2 403	(17)	95	2 481
Net insurance claims and benefits paid	(1 263)	8	(8)	(1 263)
Investment income – policyholder investment contracts/Gains and losses from investment activities	254	(167)	—	87
Cash, cash and balances and balances with central banks	261	(167)	—	94
Debt instruments	0	—	—	0
Listed equity instruments	(7)	—	—	(7)
Unlisted equity and hybrid instruments	0	—	—	0

	30 June 2010 Financial Services Rm	Inter-group balances and transactions Rm	Other[1] Rm	Absa Group Rm
Statement of financial position				
Investments linked to investment contracts	8 927	451	—	9 378
Policyholder liabilities under insurance contracts	(2 621)	45	(223)	(2 799)
Statement of comprehensive income				
Net insurance premium income	2 165	(20)	20	2 165
Net insurance claims and benefits paid	(1 166)	66	(66)	(1 166)
Investment income – policyholder investment contracts/Gains and losses from investment activities	653	(383)	—	270
Cash, cash and balances and balances with central banks	713	(252)	—	461
Debt instruments	313	(200)	—	113
Listed equity instruments	(373)	69	—	(304)
Unlisted equity and hybrid instruments	0	—	—	0

Note

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

Financial performance

Net operating income increased 16% to R820 million (30 June 2010: R708 million). Financial Services continued to achieve strong topline growth with Life and Insurance gross premiums growing 22% and 11% respectively. The revenue in the non-insurance businesses increased by 16% during the period. Assets under management increased 17% to R171 billion. However, a 32% decrease in investment returns on shareholder funds due to low interest rates and muted equity markets, dampened headline earnings growth to 6%. The RoE achieved was 33,3%, slightly lower than the 35,6% for the six months ended 30 June 2010, due to capital retained in the business for the Africa expansion programme.

Favourable earnings drivers

» *Topline growth across all businesses, particularly Absa Life, Absa Investments and Employee Benefits.*

» *Good growth in assets under management.*

» *Efficiency improvements in Insurance and the advisor distribution channel.*

Unfavourable earnings drivers

» *Investment returns on shareholder funds.*

» *Agriculture insurance claims.*

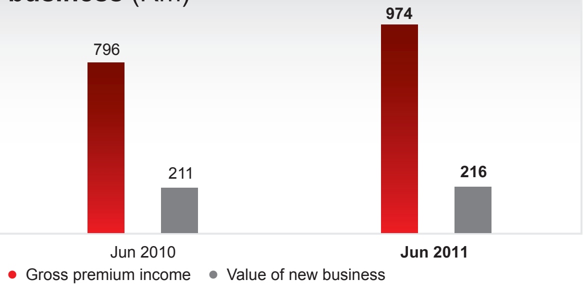
» *Cost growth relatively high due to continued investment in infrastructure and distribution.*

Business performance

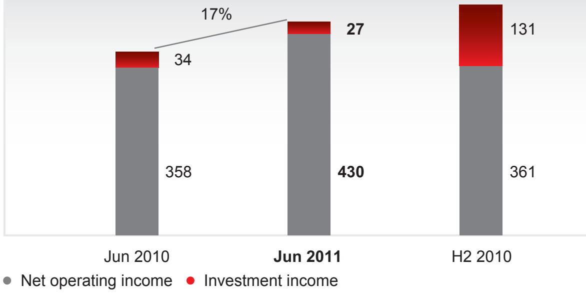
Life

Absa Life maintained its strong revenue momentum and gross and net premiums grew by 22% respectively. Product development, service levels, rolling out digital channels and improved leads management improved penetration of Absa's customer base and increased market share. The embedded value of new business increased by 2% to R216 million and embedded value earnings of R295 million represented a 22,1% return on embedded value. Net operating income increased by 20%. Headline earnings rose by 12% to R328 million, with strong operating results partly offset by lower investment returns and a higher effective tax rate. The strong performance in equity markets in the six months ended 31 December 2010 may dampen full year headline earnings growth.

Gross premium income and value of new business (Rm)



Profit before tax (Rm and change %)



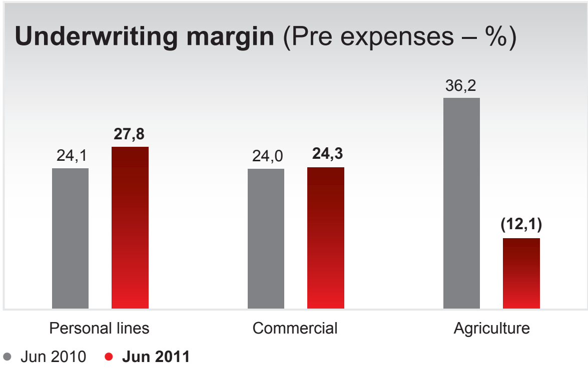
Salient features

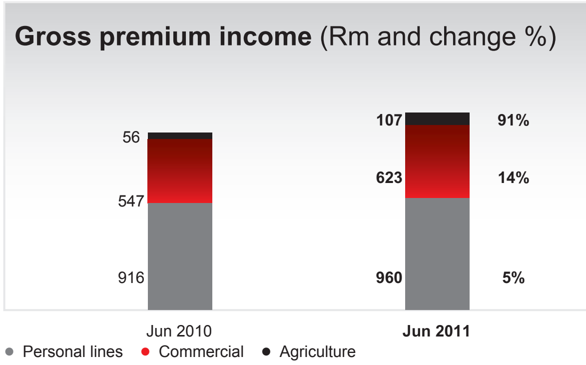
	30 June 2011	30 June 2010	Change %	31 December 2010
Shareholders' net assets (Rm)	**1 608**	1 323	22	1 525
Cost of solvency capital (Rm)	**(521)**	(193)	>(100)	(457)
Value of business in force (Rm)	**1 771**	1 267	40	1 765
	2 858	2 397	19	2 833
Embedded value earnings (Rm)	**295**	352	(16)	931
Return on embedded value (%)	**22,1**	32,3		39,8
Embedded value new business (Rm)	**216**	211	2	465
Value of new business as a percentage of value of future premiums (%)	**8,5**	7,2		9,5

Business performance *(continued)*

Insurance

Gross premiums increased by 11% to R1 690 million, while commercial product lines (15%) and *idirect* (27%) showed solid growth. Adverse weather conditions severely increased agricultural insurance claims, resulting in an underwriting loss for the first time in four years. The underwriting results of all other product lines improved. The underwriting margin of 7,5% was lower than the 9,1% achieved for the comparative period, but above the 5,2% achieved for the prior year. Significant improvements to process efficiency saw operating expenses increasing by only 4%. Net operating income decreased by 8% due to the high agricultural claims. Investment returns declined by 45%, resulting in 21% lower headline earnings.



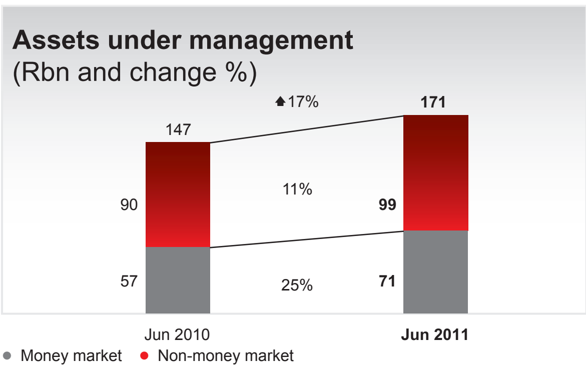


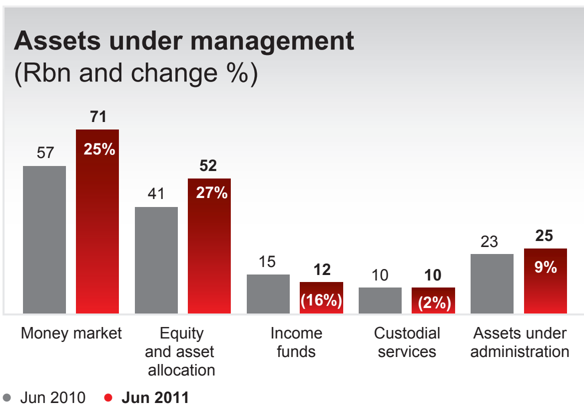
Salient features

	30 June		Change	31 December
	2011	2010	%	2010
Net asset value (Rm)	**1 646**	1 553	6	1 424
Attributable earnings (Rm)	**123**	156	(21)	278
Gross premiums (Rm)	**1 690**	1 519	11	3 420
Underwriting surplus (Rm)	**111**	131	(15)	445
Underwriting margin (%)	**7,5**	9,1		5,2
Solvency margin (%)	**55,2**	59,4		55,3
Loss ratio (%)	**68,2**	67,1		68,5

Investments

The excellent investment track record achieved by this business continues to attract additional client flows and assets under management (AUM) grew by 17% to R171 billion at 30 June 2011. Net money market and equity-based inflows amounted to R5,1 billion and R6,5 billion respectively. These Inflows were mostly institutional in nature and average margins declined to 50 basis points from 51 basis points. Investments is core to the Financial Services growth strategy and it continued to invest in brand, talent and product development, technology infrastructure and distribution channels. Operating expenses increased by 22% as a result. Total revenue grew by 14% and headline earnings increased by 9% to R151 million.





Business performance *(continued)*

Investments *(continued)*

Salient features

	30 June 2011	30 June 2010	Change %	31 December 2010
Attributable earnings (Rm)	**151**	138	9	300
Gross margin (bps)	**50**	51		46
Net flows (Rbn)	**7,7**	1,1	>100	11,3
» Money market (Rbn)	**5,1**	1,8	>100	
» Equity and asset allocations (Rbn)	**6,5**	7,5	(13)	
» Income funds (Rbn)	**(1,5)**	(2,1)	29	
» Custodial services (Rbn)	**(1,0)**	(0,4)	>(100)	
» Assets under administration (Rbn)	**(1,5)**	(5,7)	74	
AUM (Rbn)	**171**	147	17	163

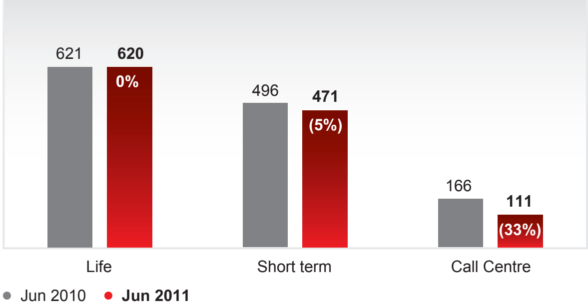
Fiduciary services

While total revenue increased by 18%, earnings remained unchanged at R46 million. Employee Benefits (EB) saw strong revenue and high cost growth, mainly due to significant additional work carried out on backlogs in new fund mandates. Barclays' strategic decision not to proceed with outsourcing its retirement fund was disappointing, but will not result in any losses. EB will be repositioned during the following six months, with attention to be given to an umbrella fund offering, regulatory changes and exiting unprofitable products and customers. As a result, current revenue levels are not sustainable, but a lower cost base is expected to improve profitability. However, the costs associated with this repositioning are likely to impact short-term profitability. Absa Trust's revenue grew only 1%, as a decline in property values dampened the estate administration business.

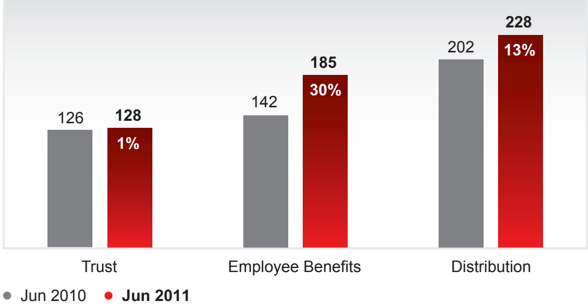
Salient features

	30 June 2011	30 June 2010	Change %	31 December 2010
Attributable earnings (Rm)	**46**	47	(2)	93
Assets under management – Absa Trust (Rm)	**6,6**	6,0	11	6,5
Average value of estates distributed (Rm)	**847**	764	11	833
Members under administration (number of members)	**798 322**	544 295	47	606 551

Distribution force (number and change %)



Revenue (Rm and change %)



Distribution

Integrating advisors into Absa's branches and a better product and service offering improved the penetration of Absa's customers and increased market share. Financial Services continued to invest in developing new and young talent through its Advisor academy. The roll-out of digital channels continued providing customers with alternative access to Financial Services' products while improving efficiency and compliance with new regulatory requirements.

Focus going forward

» Further penetrate Absa's customer base through integration, leads management and trigger event solutions.
» Rolling out and improving digital channels and "straight-through" processing.
» Expansion into the rest of Africa, with immediate focus on Mozambique and Zambia.
» Repositioning Employee Benefits.
» Optimising returns, focussing on efficiency, capital management, product and customer profitability.
» Ensuring compliance with regulatory changes.

Capital and risk management

Contents

Capital and risk management

June 2011 highlights

- *Increase in Core Tier 1 capital indicating improved quality of capital.*
- *Focus on rehabilitating customer arrears and reducing impairments.*
- *Further increase in the amount of surplus liquid assets held, building on the strong growth achieved during 2010.*
- *Interest rate risk management hedging activities positively impacted on the net interest margin, off-setting the negative endowment effects during the period under review.*
- *Advanced Measurement Approach (AMA) approval for operational risk maintained.*
- *Progress made on capital model development in short-term insurance environment.*

Overview

The risk management environment remained challenging during the period under review, as the economic conditions remain uncertain. Following its ongoing investment in risk management, the Group remains well positioned to take advantage of opportunities.

Capital management

Capital management remains a key strategic pillar under the One Absa strategy. The Group continues to monitor market conditions, the effect of global banking conditions, preparation for Basel III and ensure that the Group has adequate capital available to support future asset growth.

Capital levels remained well above board approved target ranges for both the Group and the Bank, with Core Tier 1 capital levels improving by 110 basis points. Risk-weighted asset (RWA) optimisation remained a priority with improvements in risk management effected, while the impacts of proposed regulatory changes are analysed and integrated into the business.

The Group's approach to risk management

Risk management is a key pillar of the One Absa strategy. The Group has a structured and disciplined approach to the management of risks. The board approved Principal Risk Policy (PRP) sets out the scope of the risks, who is responsible for managing them and high level procedures for risk management.

Risk management activities

During the period under review the governance process functioned effectively. The Group Risk and Capital Management Committee (GRCMC) obtained sufficient and appropriate information concerning the Group's risk profile. The information included the process employed by executive management for monitoring and managing these risks.

The key highlights and achievements during the period under review are listed below:

Credit risk

Wholesale credit risk marginally improved across certain industries. There was continued emphasis on containing impairments and managing watch lists.

Retail credit conditions were challenging with the total portfolio remaining static during the period under review. Impairments and delinquencies continued to improve. A reduction of R2,6 billion in the debt counselling book was achieved.

Market risk

Traded market risk remained at low levels and was managed within the set risk appetite. Traded market risk and revenue reflect continued market uncertainties and client volumes as well as the current low interest rate volatility period. These aspects were managed so that a favourable risk-adjusted return was delivered. Internal Models Approach (IMA) approval for trading book general position risk was maintained, with reduced regulatory capital requirements to apply to the following six months. Upgraded traded market risk measurement systems delivered enhanced performance and scalability and the trader limits attestation control process was fully automated over the period under review.

For non-traded market risks, the focus of the market risk teams remained on interest rate risk and equity investment risk.

The structural interest rate hedge programme was efficiently maintained.

Liquidity risk

The emphasis on effective liquidity management continued during the period under review with banks globally continuing to improve their liquidity risk positions in response to the financial crisis.

The Group increased surplus liquid assets while maintaining the loans-to-deposits ratio. The funding term further increased to 26,8% by the reporting date.

Operational risk

The operational risk management team focused on continuing the improvement of controls, risk management systems and processes.

Risk management activities *(continued)*

Insurance risk

Substantial work was undertaken to enhance risk management policies and structures, and to achieve a return on capital allocated per product line. Disinvestment by Absa Life Limited in equities has resulted in reduced investment risk exposure that will reduce volatility of returns, but will reduce returns in the longer term.

Regulatory risk

A number of laws came into effect during the period under review including, in particular, the Consumer Protection Act and the new Companies Act. The processes and policies around this legislation were integrated into operations.

The Group's risk appetite

The Group's risk appetite framework is embedded within key decision-making processes and supports the implementation of the Group's strategy. It aims to maximise returns without exposing the Group to levels of risk outside of its appetite. The risk appetite framework is defined as the level of risk the Group is willing to accept in fulfilling its business objectives. It has an impact on the Group's strategy, capital and portfolio management and day-to-day operations.

The risk appetite framework is developed using a formal quantitative method and stress testing techniques based on advanced risk analysis. The framework, set by the board, is used as a basis for setting business unit targets and risk taking limits across the Group. Stress testing and scenario analysis are closely aligned with the risk appetite process and are used to evaluate the reasonableness of appetite levels set on a forward looking basis.

Risk appetite methodology

The Group's risk appetite can be categorised into the following four broad areas:

» earnings volatility in comparison to targets;
» capacity to absorb unexpected losses;
» capital ratio targets; and
» desired dividend payout levels.

The objectives of the risk appetite framework are to:

» assist in protecting the Group's financial performance;
» improve management responsiveness and debate regarding the Group's risk profile;
» assist executive management in improving the control and co-ordination of risk-taking across business units; and
» enable unused risk capacity to be identified in pursuit of profitable opportunities.

Stress testing

Stress testing is embedded in the risk management of the Group and is a key focus area in strategic planning processes. Through stress testing and scenario analysis, the Group is able to assess the performance of its portfolios under the anticipated economic environment as well as evaluate the impact on its portfolios of adverse and favourable economic conditions.

Risk appetite outcomes are validated by estimating the Group's sensitivity to adverse changes in the business environment, which includes operational risk events that may impact the Group as a whole. Group-wide stress tests allow senior management to gain a better understanding of how portfolios are likely to react to changing economic and geopolitical conditions and how the Group can best respond to them.

King III

Due to existing practice, risk management will not be significantly impacted by the application of King III in 2011. However, the Group is currently aligning certain policies and procedures within risk management, where necessary. Risk governance structures for information technology were improved and certain oversight measures were revised. The Group does not expect any material issues in risk management following the application of King III.

Basel III

The Group has investigated the impacts of Basel III and is prepared for full implementation within the timelines required.

Capital management is not expected to be significantly impacted by Basel III, although uncertainties remain. Based on an initial assessment, capital requirements and RWAs may increase but overall capital adequacy should remain at levels above the current requirements. RWA optimisation is a key focus area. The Group is participating in ongoing discussions with the regulator concerning the local application and discretionary limits of Basel III.

As a result of the current emphasis on strengthening the liquidity of the Group, no significant impacts are expected following the application of Basel III within the required timelines.

Focus going forward

The Group will continue to monitor the economic situation and ensure that it effectively and timeously adapts its risk management policies, procedures, risk appetite and stress tests to deal with the changing demands and challenges of the economic environment. The Group remains committed to developing and enhancing appropriate risk management procedures and practices, and to keeping pace with applicable regulatory requirements and best practice standards in the industry.

Scenario planning, stress testing and risk appetite remain high on the risk governance agenda and will continue to be used to assess the impact of risk management on financial performance, capital and liquidity management and to meet regulatory and business requirements.

In terms of capital and risk management further strategic areas of focus are as follows:

Capital management

The Group remains focused on preparation for the implementation of Basel II.5 and Basel III. RWA optimisation will be a key focus area during the implementation period. The Group is expected to remain well capitalised and maintained its current investment grade target rating.

Credit risk

Impairment levels across wholesale and retail credit risk are expected to improve further during the following six months. The Group will remain focused on the value and quality of business in order to achieve balance sheet optimisation.

Mortgage portfolios and, in particular, debt counselling and legal portfolios, remain a strategic focus area.

Market risk

The Group will continue to actively manage its traded risk-weighted assets towards more efficient use of capital in anticipation of the increase in traded market risk regulatory capital charges from 2012.

With local interest rates remaining low, efficient maintenance of the structural interest rate hedge programme will remain a focus area in the following six months.

In line with the capital, liquidity and balance sheet optimisation programme of the Group, there will be continued focus on reducing equity investment exposures in the banking book, towards a leaner portfolio, while remaining highly selective on new investments.

Liquidity risk

Liquidity risk management will continue to receive focus within the Group for the remainder of 2011 and during 2012. The Group will continue to strengthen its liquidity position ahead of the implementation of Basel III in order to achieve compliance within the required timeframes.

Operational risk

The Group will continue to focus on improvements to its operational risk management processes.

Insurance risk

The management of risk and return on capital will continue to be enhanced in line with developing Solvency Assessment and Management legislation.

Regulatory risk

The regulatory environment remains challenging and the Group is constantly reviewing the potential impacts of the new regulatory and legislative requirements.

June 2011 highlights

- *Strong capital position maintained.*
- *Increase in Core Tier 1 capital indicating an improved quality of capital.*
- *Board approved capital target ranges incorporating capital buffers above minimum regulatory requirements.*
- *Focus on risk-weighted asset (RWA) optimisation.*

Salient features[1]

	Absa Group			
	30 June		31 December	Minimum regulatory capital
	2011	2010	2010	requirements
Capital adequacy (%)				
Core Tier 1	**12,8**	11,9	11,7	5,25
Tier 1	**13,9**	13,1	12,8	7,00
Total	**16,7**	15,8	15,5	9,75
Capital supply and demand for the period/year (Rm)				
Free cash flow generated	**3 762**	1 900	2 017	
Qualifying capital	**68 169**	62 647	65 417	
Total RWAs	**408 397**	395 461	422 713	
Key metrics (%)				
Cost of equity[2]	**14,0**	14,0	14,0	
Return on average risk-weighted assets (RoRWA)	**2,23**	2,00	1,99	
Return on average economic capital (RoEC)	**22,4**	19,1	19,7	

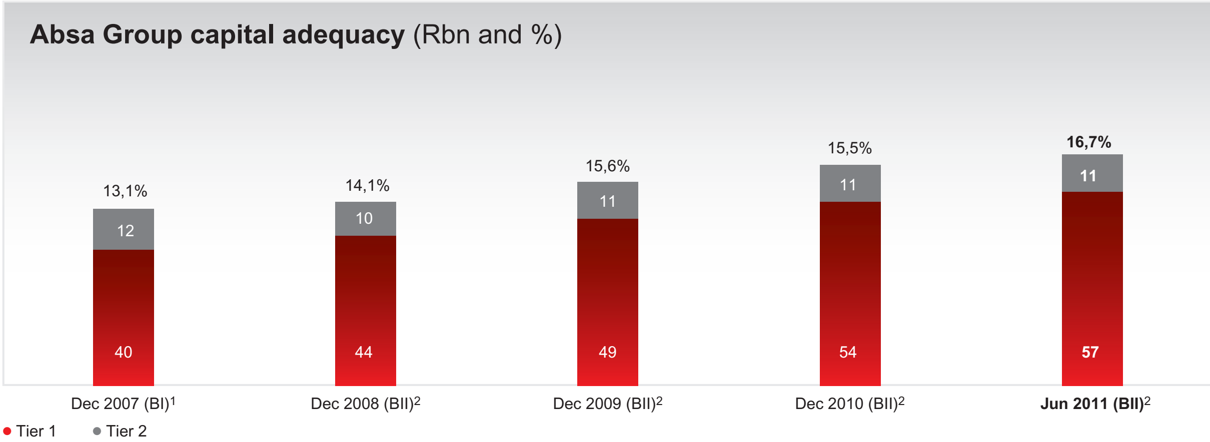
	Absa Bank			
	30 June		31 December	Minimum regulatory capital
	2011	2010	2010	requirements
Capital adequacy (%)				
Core Tier 1	**11,8**	10,7	10,7	5,25
Tier 1	**13,0**	12,0	11,9	7,00
Total	**16,0**	14,9	14,8	9,75
Capital supply and demand for the period/year (Rm)				
Free cash flow generated	**3 724**	1 183	1 532	
Qualifying capital	**59 954**	54 908	57 801	
Total RWAs	**373 785**	368 313	391 735	
Key metrics (%)				
Cost of equity[2]	**14,0**	14,0	14,0	

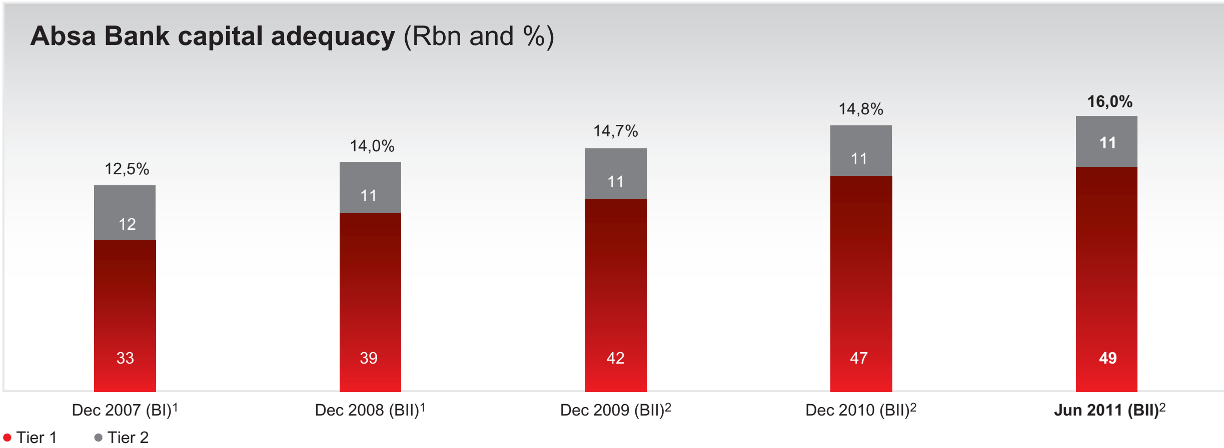
Notes

[1] *Reported ratios include unappropriated profits.*

[2] *The average cost of equity is based on the Capital Asset Pricing Model (CAPM).*

Salient features *(continued)*





Introduction

Capital management is a key focus area for the Group. The Group's capital management strategy is focused on maximising shareholder value by optimising the level and mix of capital resources. Decisions on allocating capital resources are based on a number of factors including return on economic capital (RoEC) and return on regulatory capital (RoRC), and are part of the internal capital adequacy assessment process (ICAAP).

Strategy

The strategic objectives for capital management are:

- meeting the capital ratios required by regulators and the target ranges set by the board;
- maintaining an adequate level of available capital resources as cover for the economic capital (EC) requirements calculated at a 99,95% confidence level;
- generating sufficient capital to support asset growth;
- maintaining an investment grade credit rating.

Governance

Capital management is a board level priority in the Group. The board assesses and approves the capital management policy, capital target ranges and capital strategy. The Group has a dedicated team that manages and executes these responsibilities. The team presents regular capital reports to the Group Asset and Liability Committee, Group Executive Committee, Group Risk and Capital Management Committee (GRCMC) and the board. Risk oversight of the capital management function is provided by the GRCMC, under a specific mandate from the board.

Notes
[1] BI: Basel I.
[2] BII: Basel II.

Capital management

Six months period in review

The Group has embarked on an initiative to identify and bring about RWA savings. The benefits of this initiative are as follows:

» improved capital adequacy levels – the Group ended the 2010 financial year with a strong capital adequacy position, but there is uncertainty around certain Basel III rules to be implemented with effect from 2013, and it is expected that these rules will increase the Group's capital requirements;

» freeing up of capital – which lowers the potential need to raise additional capital in the future;

» increase in RoRWAs – optimising RWAs increases RoRWAs. RoRWA is one of the key performance indicators used in conjunction with other metrics to measure the business performance of the Group; and

» improved understanding of risk – many of the RWA optimisation exercises focus on improving data quality and removing excess conservatism, resulting in a more accurate measurement of risk. The importance of capital allocation, together with the metrics used to measure business performance, allows the Group to allocate capital on a more accurate risk-vs-return basis.

Approach to capital management

The proper planning and management of capital is essential to the Group to ensure it has sufficient and appropriate capital structures to support its risk appetite, business activities, credit rating and regulatory requirements.

The capital management framework adopted by the Group provides the basis for effective capital planning and structuring, capital issuance, Basel alignment, EC utilisation and economic profit. It provides end-to-end integration of the Group's strategy, risk management and financial processes. The purpose of the framework is to ensure capital consumption in the business divisions has an impact on performance measurement, which in turn translates into management performance assessment, product pricing requirements and the achievement of the Group's desired strategic positioning.

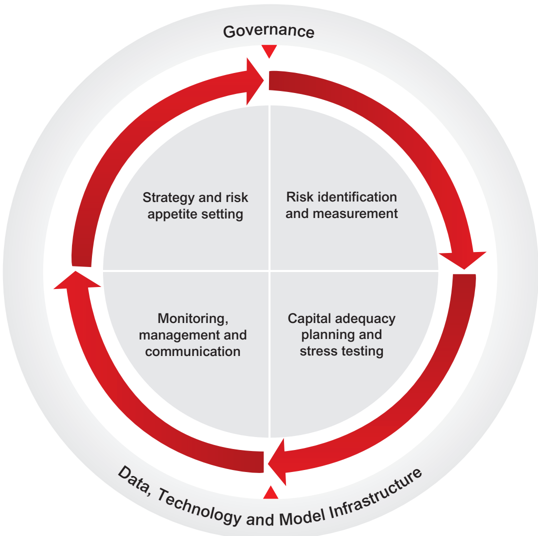
Internal Capital Adequacy Assessment Process (ICAAP)

The Group has adopted a building block approach to achieve a robust and integrated capital management framework. EC forms the foundation of this and is the primary means by which the Group assesses the impact of a changing business environment and strategy on its risk profile and the need for capital.

EC is also a measure of capital required to maintain or achieve a target debt rating. Aside from its application in capital management, EC is a key component of Group level and business unit level applications such as capital management, stakeholder communication, risk-adjusted performance measurement and pricing/structuring.

While the ICAAP is intended to align with regulatory requirements under Pillar 1 and Pillar 2 of Basel II, the main guiding principle in designing the ICAAP for the Group has been suitability for capital management and other internal applications. The Group considers its ICAAP to be in line with international best practice and is of opinion that it addresses the core banking principles of Pillar 2 of Basel II.

The building blocks of the Group's ICAAP are as follows:



These processes are conducted within an environment with established governance practices and oversight, and are supported by adequate data, technology expertise and model infrastructure.

Stress testing is performed to identify early warning thresholds and risk events that may adversely impact the Group's risk profile. Stress testing is also used to determine adequate capital buffers that are considered sufficient to ensure that both Absa Group and Absa Bank do not breach the minimum regulatory ratios under the stress scenarios and to formulate appropriate management actions. From an ICAAP perspective, stress testing represents the link between capital and risk management. As a result of global events, stress testing has become increasingly important in assessing appropriate levels of capital.

June 2011 disclosures

During the period under review the Group maintained its strong capital adequacy position. The Group continued to focus on RWA demand management (optimisation) and free capital generation.

Regulatory capital

Risk-weighted assets (RWAs)

RWAs are determined by applying the following:

- Advanced Internal Rating Based (AIRB) approach for retail credit;
- Foundation Internal Ratings Based (FIRB) approach for wholesale credit;
- Advanced Measurement Approach (AMA) for operational risk;
- In respect of traded market risk, Internal Models Approach (IMA) for general position risk, and Standardised Approach for issuer specific risk;
- Internal Ratings Based (IRB) market-based simple risk-weighted approach for equity investment risk in the banking book; and
- Standardised Approach for credit risk in all African entities.

Absa Group RWAs and minimum required capital

	30 June				31 December	
	2011		2010		2010	
	RWAs Rm	Required[1] capital Rm	RWAs Rm	Required[1] capital Rm	RWAs Rm	Required[1] capital Rm
Basel II measurement approach						
Credit risk	**298 851**	**28 391**	286 268	27 195	316 967	30 112
Portfolios subject to the AIRB approach	**146 222**	**13 891**	161 818	15 372	167 618	15 924
Portfolios subject to the FIRB approach	**143 220**	**13 606**	114 733	10 900	140 802	13 376
Portfolios subject to the Standardised Approach	**9 409**	**894**	9 717	923	8 547	812
Equity investment risk						
Market-based (simple risk-weighted approach)	**24 136**	**2 293**	28 814	2 737	25 911	2 462
Market risk	**9 852**	**936**	9 434	896	9 013	856
Standardised Approach	**3 058**	**291**	2 428	230	2 752	261
IMA	**6 794**	**645**	7 006	666	6 261	595
Operational risk[2]						
AMA	**59 037**	**5 609**	53 633	5 095	54 317	5 160
Non-customer assets	**16 521**	**1 569**	17 312	1 645	16 505	1 568
	408 397	**38 798**	395 461	37 568	422 713	40 158

Notes

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

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

June 2011 disclosures *(continued)*

Absa Bank RWAs and minimum required capital

	30 June 2011		30 June 2010		31 December 2010	
	RWAs Rm	Required[1] capital Rm	RWAs Rm	Required[1] capital Rm	RWAs Rm	Required[1] capital Rm
Basel II measurement approach						
Credit risk	**275 603**	**26 182**	266 564	25 324	294 136	27 943
Portfolios subject to the AIRB approach	**133 186**	**12 652**	158 552	15 063	155 841	14 805
Portfolios subject to the FIRB approach	**142 417**	**13 530**	107 272	10 191	138 285	13 137
Portfolios subject to the Standardised Approach	**—**	**—**	740	70	10	1
Equity investment risk						
Market-based (simple risk-weighted approach)	**26 824**	**2 548**	31 422	2 985	28 670	2 724
Market risk	**9 852**	**936**	9 433	896	9 013	856
Standardised Approach	**3 058**	**291**	2 427	230	2 752	261
IMA	**6 794**	**645**	7 006	666	6 261	595
Operational risk[2]						
AMA	**50 654**	**4 812**	49 382	4 691	48 819	4 638
Non-customer assets	**10 852**	**1 031**	11 512	1 094	11 097	1 054
	373 785	**35 509**	368 313	34 990	391 735	37 215

Capital requirements

The Group manages its capital in accordance with minimum regulatory requirements, EC requirements as well as target ranges approved by the board, as follows:

- from a **regulatory perspective**: net qualifying capital (Tier 1 capital plus Tier 2 capital) must sufficiently exceed Basel II minimum capital requirements to provide a buffer for prudence;
- from an **economic perspective:** available capital resources must be sufficient to meet EC requirements over a 3 year period; and
- in accordance with **board approved target ranges:** which are derived from stress testing results, and are set above the minimum regulatory requirements.

Capital adequacy

The Group sets target capital ranges/levels for regulated entities to ensure that the objectives of capital management are met. Appropriate capital management actions are taken if these target ranges/levels are at risk of being breached.

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

Target capital ratios for the Group for the period under review were set by taking the following into account:

- the optimisation of the cost of equity given regulatory constraints on capital composition;
- the preference of rating agencies for permanent capital;
- stressed scenarios;
- proposed Basel amendments; and
- peer analysis.

Target capital levels were set for the following regulated entities: Absa Group Limited, Absa Bank Limited, Barclays Bank Mozambique S.A. (BBM), National Bank of Commerce (NBC), Absa Life Limited and Absa Insurance Company Limited. Target capital levels for all other entities are equal to minimum regulatory requirements set by the respective regulators.

Notes

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

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

June 2011 disclosures *(continued)*

Capital adequacy *(continued)*

Absa Group – local, foreign banking and insurance entities

		30 June 2011		30 June 2010		31 December 2010		2011 Total target capital adequacy ratio	
Operations	Regulator	Tier 1 ratio %	Total capital adequacy %	Tier 1 ratio %	Total capital adequacy %	Tier 1 ratio %	Total capital adequacy %	Regulatory minimum %	Board target[1] %
Local entities (South Africa)									
Absa Group[2]	SARB	**13,9**	**16,7**	13,1	15,8	12,8	15,5	**9,75**	**12,00 – 14,00**
Absa Bank[2]	SARB	**13,0**	**16,0**	12,0	14,9	11,9	14,8	**9,75**	**11,50 – 13,50**
Foreign banking entities									
BBM[3]	Banco de Mozambique	**21,9**	**21,9**	14,4	14,4	20,4	20,4	**8,00**	**15,00**
NBC[4]	Bank of Tanzania	**13,0**	**13,0**	14,1	14,1	13,0	13,0	**12,00**	**14,00**
Insurance entities									
Absa Life Limited	FSB[5]	**n/a**	**3,6 x CAR[6]**	n/a	3,1 x CAR[6]	n/a	3,5 x CAR[6]	**1,0 x CAR[6]**	**2,0 x CAR[6,8]**
Absa Insurance Company Limited	FSB[5]	**n/a**	**54,4% x NWP[7]**	n/a	57,7% x NWP[7]	n/a	53,7% x NWP[7]	**25% x NWP[7]**	**45% x NWP[7,8]**
Absa *idirect* Limited	FSB[5]	**n/a**	**87,9% x NWP[7]**	n/a	54,9% x NWP[7]	n/a	60,1% x NWP[7]	**25% x NWP[7]**	**25% x NWP[7,9]**

Capital supply

The Group increased its total qualifying capital supply by R2,8 billion (2010: R5,4 billion).

Qualifying capital

Regulatory guidelines define 3 tiers of capital:

Primary (Tier 1)

- Primary capital consists of issued ordinary share capital, non-cumulative non-redeemable preference share capital, retained earnings, hybrid debt instruments (in terms of Basel II) and certain accounting reserves.
- Primary capital is reduced by 50% of the amount that expected losses exceed eligible provisions and 50% of first loss credit enhancement provided in respect of securitisation schemes. Further deductions against Tier 1 capital include goodwill and certain investments.
- Primary capital is the highest tier of capital and can be used to meet trading and banking activity requirements.

Secondary (Tier 2)

- Secondary capital includes cumulative preference shares and subordinated debt (prescribed debt instruments).
- Secondary capital is reduced by 50% of the amount that expected losses exceed eligible provisions and 50% of first loss credit enhancement provided in respect of securitisation schemes.
- Secondary capital can also be used to meet trading and banking activity requirements.

Tertiary (Tier 3)

- Tertiary capital comprises prescribed unsecured subordinated debt with minimum original maturity of 2 years.
- The use of Tier 3 is restricted to trading activities only.
- It is not eligible to support counterparty or settlement risk.

Notes

1 The board approved the following target ranges for 2011

	Total	*Total Tier 1*	*Core Tier 1*
Absa Group	*12,00% – 14,00%*	*10,00% – 12,00%*	*9,00% – 11,00%*
Absa Bank	*11,50% – 13,50%*	*9,50% – 11,50%*	*8,50% – 10,50%*

2 Statutory ratios include unappropriated profits.
3 Basel I statutory ratios and regulatory requirements.
4 Basel I regulatory ratios and requirements.
5 FSB: Financial Services Board.
6 Capital adequacy requirement (CAR): Actuarial calculation of value at risk on insurance liabilities. 2,0 times (2010: 2,0 times) being the required capital level determined by Absa Life Limited.
7 NWP: Net written premiums.
8 45% (2010: 45%) of NWP, being the required capital level determined by Absa Insurance Company Limited.
9 Quota share reinsurance is used to maintain capital adequacy at a level sufficiently in excess of the regulatory minimum.

June 2011 disclosures *(continued)*

Qualifying capital *(continued)*

Movements in qualifying capital

	30 June 2011 Absa Group Rm	30 June 2011 Absa Bank Rm
Balance at the beginning of the year	**65 417**	**57 801**
Share capital, premium and reserves	**2 691**	**2 106**
Non-controlling interest – ordinary shares	**86**	**—**
General allowance for credit impairments: Standardised Approach (SA)	**1**	**—**
Regulatory deductions	**(26)**	**47**
Balance at the end of the period	**68 169**	**59 954**

Breakdown of Absa Group's qualifying capital

	30 June 2011 Rm	30 June 2011 %[1]	30 June 2010 Rm	30 June 2010 %[1]	31 December 2010 Rm	31 December 2010 %[1]
Primary capital						
Ordinary share capital	**1 434**	**0,4**	1 433	0,4	1 433	0,3
Ordinary share premium	**4 562**	**1,1**	4 805	1,2	4 590	1,1
Preference share capital and premium	**4 644**	**1,1**	4 644	1,2	4 644	1,1
Reserves[2]	**47 729**	**11,7**	42 552	10,8	45 011	10,7
Non-controlling interest – ordinary shares	**1 301**	**0,3**	1 359	0,3	1 215	0,3
Deductions	**(2 849)**	**(0,7)**	(3 002)	(0,8)	(2 832)	(0,7)
Goodwill	**(572)**	**(0,1)**	(573)	(0,1)	(572)	(0,1)
50% financial and insurance entities not consolidated	**(62)**	**(0,0)**	(69)	(0,0)	(61)	(0,0)
50% of amount by which expected loss exceeds eligible provisions	**(1 222)**	**(0,3)**	(1 632)	(0,4)	(1 214)	(0,3)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**—**	**—**	(107)	(0,1)	—	—
Other deductions	**(993)**	**(0,3)**	(621)	(0,2)	(985)	(0,3)
	56 821	**13,9**	51 791	13,1	54 061	12,8
Secondary capital						
Subordinated redeemable debt	**12 611**	**3,1**	12 611	3,2	12 611	3,0
General allowance for credit impairment, after deferred tax – SA	**21**	**0,0**	52	0,0	20	0,0
Deductions	**(1 284)**	**(0,3)**	(1 807)	(0,5)	(1 275)	(0,3)
50% financial and insurance entities not consolidated	**(62)**	**(0,0)**	(68)	(0,0)	(61)	(0,0)
50% of amount by which expected loss exceeds eligible provisions	**(1 222)**	**(0,3)**	(1 632)	(0,4)	(1 214)	(0,3)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**—**	**—**	(107)	(0,1)	—	—
	11 348	**2,8**	10 856	2,7	11 356	2,7
Total qualifying capital	**68 169**	**16,7**	62 647	15,8	65 417	15,5

Notes

[1] *Percentage of capital to RWAs.*

[2] *Reserves include unappropriated banking profits.*

June 2011 disclosures *(continued)*

Qualifying capital *(continued)*

Breakdown of Absa Bank's qualifying capital

	30 June				31 December	
	2011		2010		2010	
	Rm	%[1]	Rm	%[1]	Rm	%[1]
Primary capital						
Ordinary share capital	**303**	**0,1**	303	0,1	303	0,1
Ordinary share premium	**11 465**	**3,1**	10 465	2,8	11 465	2,9
Preference share capital and premium	**4 644**	**1,2**	4 644	1,3	4 644	1,2
Reserves[2]	**34 151**	**9,1**	30 979	8,4	32 045	8,2
Deductions	**(1 864)**	**(0,5)**	(2 244)	(0,6)	(1 877)	(0,5)
Goodwill	**—**	**—**	(1)	(0,0)	—	—
50% of amount by which expected loss exceeds eligible provisions	**(1 356)**	**(0,4)**	(1 798)	(0,5)	(1 389)	(0,4)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**—**	**—**	(53)	(0,0)	—	—
Other deductions	**(508)**	**(0,1)**	(392)	(0,1)	(488)	(0,1)
	48 699	**13,0**	44 147	12,0	46 580	11,9
Secondary capital						
Subordinated redeemable debt	**12 611**	**3,4**	12 611	3,4	12 611	3,3
Deductions	**(1 356)**	**(0,4)**	(1 850)	(0,5)	(1 390)	(0,4)
50% of amount by which expected loss exceeds eligible provisions	**(1 356)**	**(0,4)**	(1 798)	(0,5)	(1 390)	(0,4)
50% of first loss credit enhancement provided in respect of a securitisation scheme	**—**	**—**	(52)	(0,0)	—	—
	11 255	**3,0**	10 761	2,9	11 221	2,9
Total qualifying capital	**59 954**	**16,0**	54 908	14,9	57 801	14,8

Capital transferability

The Group is the primary provider of equity capital to its subsidiaries and capital is held centrally in accordance with the approved annual Group capital plan.

The Group policy stipulates that capital held in Group entities in excess of board approved target levels/ranges should be repatriated to the Group in the form of dividends and/or capital repatriation, subject to local regulatory requirements and exchange controls and strategic management decisions. Apart from the aforesaid, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group liabilities when due.

Economic capital (EC)

EC capital is defined as the minimum capital needed to maintain an AA Investment rating under an extreme stress scenario. The Group assesses EC requirements by measuring its risk profile using both internally and externally developed models. The Group assigns EC primarily within six risk categories: retail credit risk, wholesale credit risk, traded and non-traded market risk, operational risk, fixed assets risk and equity investment risk in the banking book.

The Group regularly enhances its EC methodology and benchmarks outputs to external reference points. The framework reflects default probabilities during average credit conditions (through-the-cycle (TTC) effect), rather than those prevailing at the reporting date (point-in-time (PIT)), therefore removing cyclicality from the EC calculation.

EC for wholesale credit risk includes counterparty credit risk arising as a result of credit risk on traded market exposures. EC for market risk covers both traded and non-traded market risk. The framework also adjusts EC to reflect time horizon, correlation of risks and risk concentrations.

EC is allocated on a consistent basis across all of the Group's businesses and risk activities. A single cost of equity is applied to calculate the cost of risk. The total average EC required by the Group, as determined by risk assessment models and after considering the Group's estimated portfolio effects, is compared with the supply of EC to evaluate EC utilisation.

Notes

[1] *Percentage of capital to RWAs.*

[2] *Reserves include unappropriated banking profits.*

June 2011 disclosures *(continued)*

Economic capital *(continued)*

Economic capital supply

The supply of EC is calculated as the average available shareholders' equity after adjustment and including preference shares, but excluding other non-controlling interests. The Group's EC calculations form the basis of the Group's submission for Basel II ICAAP.

Funds available for EC are impacted by a number of factors arising from the application of IFRS and are adjusted for in calculating available funds for EC. EC supply includes:

» ordinary shareholders' equity;

» retained earnings, whether appropriated or not; and

» non-redeemable, non-cumulative preference shares.

The following other capital resources are excluded from EC:

» Cash flow hedging reserve – to the extent that the Group undertakes the hedging of future cash flows, shareholders' equity will include gains and losses that will be offset against the gain or loss on the hedged item when it is recognised in the statement of comprehensive income at the conclusion of the hedged transaction. Given the future offset of such gains and losses, they are excluded from shareholders' equity when calculating EC.

» Available-for-sale reserve – unrealised gains and losses on such securities are included in shareholders' equity until disposal or impairment. Such gains and losses are excluded from shareholders' equity for the purposes of calculating EC.

» Retirement benefit assets and liabilities – the Group has recorded a surplus with a consequent increase in shareholders' equity. This represents a non-cash increase in shareholders' equity. For the purposes of calculating EC, pension surplus is excluded from shareholders' equity.

» Non-controlling interest.

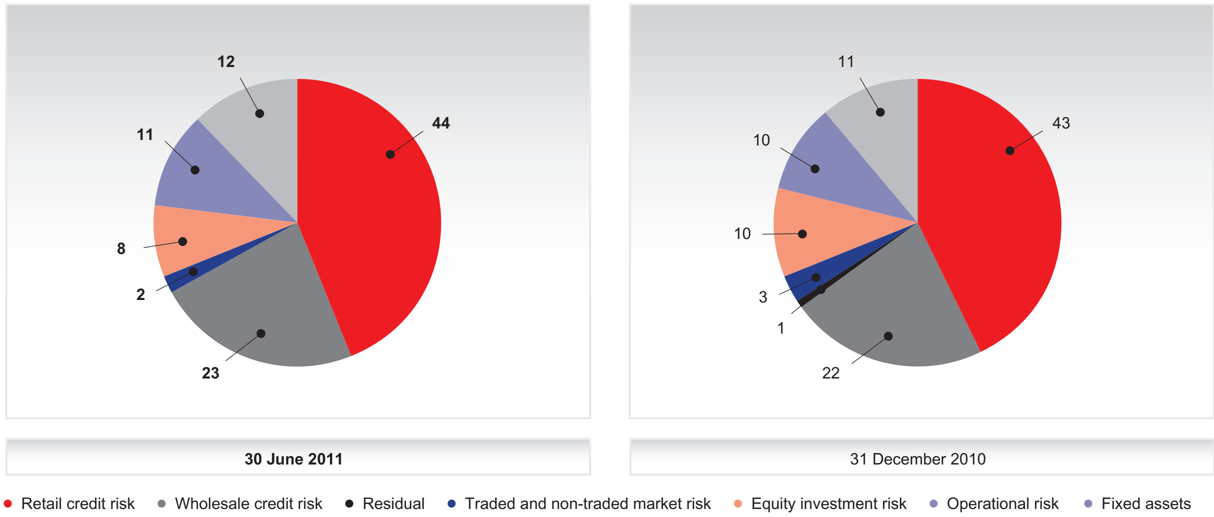
» Goodwill.

» Other perpetual debt, preference shares and subordinated debt.

» Tertiary capital.

EC allocations reflect varying levels of risk. The EC framework covers not only Basel II Pillar 1 risks but also additional economic risks not covered at all, or inadequately covered in Pillar 1. Further, other risks included in EC are an add-on for concentration risk within the credit portfolio and country transfer risk.

Economic capital[1] (%)



Note

[1] *Excludes insurance due to difference in confidence level in terms of insurance regulation.*

June 2011 disclosures *(continued)*

Credit ratings

	July 2011 Moody's[1] Absa Bank Limited	July 2011 Fitch ratings[2] Absa Bank Limited	Absa Group Limited
National			
Short term	Prime–1.za	F1+ (zaf)	F1+ (zaf)
Long term	Aa1.za	AAA (zaf)	AAA (zaf)
Outlook	Stable	Stable	Stable
Local currency			
Short term	Prime–1	—	—
Long term	A1	A	A
Outlook	Stable	Stable	Stable
Foreign currency			
Short term	Prime–2	F1	F1
Long term	A3	A	A
Outlook	Stable	Stable	Stable
Bank's financial strength	C–	C	C
Baseline Credit Assessment[3]	Baa1	—	—
Viability Rating[4]	—	bbb+	bbb+
Outlook	Stable	Stable	Stable
Support	—	1	1

Basel III

The finalised Basel III framework was released on 16 December 2010. The framework focuses on the following areas:

» stringent new liquidity requirements through the creation of two ratios: liquidity coverage ratio and net stable funding ratio;

» higher and better quality capital, including the creation of conservation and counter-cyclical buffers;

» improved trading risk coverage; and

» leverage ratio caps with a minimum of 3%, also now incorporating off-statement of financial position exposures.

The Group is expected to remain adequately capitalised following the implementation of Basel II.5 and Basel III. However, it is anticipated that the new rules will increase the Group's capital requirements. Certain management actions have been identified to mitigate the impact of this anticipated increase in capital requirements.

There is uncertainty regarding the implementation of certain Basel III rules, particularly the National Discretion items, and the Group is actively engaging with the SARB to obtain more clarity. The Group has deemed it prudent to maintain higher capital levels until clarity is obtained.

The Basel Committee on Banking Supervision (BCBS) is monitoring the potential impact of Basel III by initiating Quantitative Impact studies (QIS) exercises by local regulators worldwide. The Group is participating in the QIS, which covers capital, liquidity and leverage. The QIS will be repeated every six months to refine the expected effects and to investigate the impact of different parameters.

The Group will continue to review its capital position in light of the Basel III rules and will implement appropriate management actions when necessary.

Focus going forward

In the following six months, the Group will focus on:

» maintaining its well capitalised position;

» introducing further RWA optimisation initiatives and preparing for the implementation of Basel II.5 in January 2012 and Basel III with effect from 2013;

» maintaining its investment grade target rating, following its ratings meetings held during the period under review;

» continuing to generate sufficient capital to support asset growth; and

» achieving a return above the cost of equity.

Notes

[1] *Moody's released a rating agency report pertaining to Absa Bank Limited in July 2011. There were no changes in the ratings in the July 2011 report compared to the July 2010 report.*

[2] *Fitch released a rating report pertaining to Absa Bank Limited and Absa Group Limited in July 2011. There were no changes in the July 2011 report compared to the January 2011 report.*

[3] *The baseline credit assessment reflects what the local currency deposit rating of the bank with the given Bank Financial Strength Rating would be without any assumed external support from a government or third party.*

[4] *Fitch introduced a Viability rating on financial institutions around the globe, with effect from July 2011, which represents Fitch's primary assessment of the intrinsic (stand alone) creditworthiness of these institutions.*

June 2011 highlights

- *Focus on rehabilitating customer arrears and reducing impairments.*
- *Improved use of data to optimise management of risk and reward.*
- *Enhanced governance and operational efficiencies.*
- *Submission of the Absa Wholesale Advanced Internal Ratings Based (AIRB) application to the South African Reserve Bank (SARB).*

Salient features

	30 June		31 December
	2011	2010	2010
	%	%	%
Growth in total gross loans and advances to customers	**(1)**	(4)	(1)
Non-performing advances as a percentage of loans and advances	**7,7**	7,6	7,7
Impairment losses ratio	**1,18**	1,50	1,20
Total credit impairments as a percentage of total gross loans and advances to customers	**2,7**	2,8	2,7

Introduction

Credit risk is the risk of loss to the Group arising from the failure of a customer or counterparty to fulfil its payment obligations. Credit risk arises mostly from lending and related banking activities, including underwriting, dealing in traded products such as derivative contracts, as well as securities borrowing and lending products. It may also arise when fair values of the Group's exposure to financial instruments decline.

Strategy

Credit risk is a core component of lending quality and it impacts on the risk versus reward model. Credit risk has been under increased focus due to recent economic conditions and subdued growth.

The Group's credit risk strategy involves:

- maintaining an appropriate credit risk environment through continued investment in skilled and experienced staff;
- operating under a sound credit-granting process using the flexibility of industry leading systems;
- maintaining an appropriate credit administration, measurement and monitoring process;
- ensuring adequate and operationally effective controls over credit risk;
- optimising the use of available data to make informed decisions and to build robust models (risk and reward);
- proactively managing credit risk through the economic cycle and ensuring the desired return/economic profit is maintained;
- managing credit risk and the mitigation thereof within the risk appetite boundaries of the Group;
- measuring credit risk inherent in the portfolio using models which are relevant and accurately calibrated; and
- continuing focus on enhancing Absa's collection and recovery processes.

Governance

During the period under review, the revised governance frameworks which redefined and articulated the roles and responsibilities of stakeholders in the credit risk management process, were embedded. The credit risk policy frameworks provide structures within which credit risk is managed and for which compulsory credit policies are prescribed. These policies are approved by the Credit Risk Committee (CRC) and are supported by Business Unit (BU) policies approved at a BU level. BU management is responsible for implementing relevant credit policies. Various credit cluster committees exist to perform reviews and provide adequate oversight for the specific risk in a particular business area.

Additional oversight is in place by virtue of the requirement to report to the Governance and Control Committees, CRC and ultimately the Group Risk and Capital Management Committee to ensure there are adequate reviews of controls, risk trends and that credit risk is managed effectively.

Approach to credit risk

Credit risk measurement and control is applied on a tailored basis across various BUs to meet the specific requirements of the credit portfolios.

Currently, the Group applies both the Standardised and Internal Ratings Based (IRB) approaches to various portfolios for the purpose of calculating regulatory capital requirements but, in many cases, uses more sophisticated approaches for the management of risk internally.

Six months period in review

Wholesale credit risk

The domestic economy is gradually moving out of recession, although the recovery has been more pronounced in some sectors, such as manufacturing and motor-related industries, than others, such as commercial property, where asset prices remain under pressure. This uneven rebound, combined with systemic uncertainty about the sustainability of the recovery, has resulted in a lack of commitment to infrastructure and working capital investment, with customers instead focusing on de-leveraging their statements of financial position.

The gradual increase in economic activity and concomitant recovery in local equity markets have served to improve the credit quality (in the form of probability of default) across the majority of industries within the wholesale portfolio. Although these levels have not yet returned to those seen pre-crisis, the improvement has been consistent since the height of the crisis in early 2009, and is expected to continue as the local macro-economic environment stabilises further and major sovereign debt issues are resolved. The improvement has also been seen through reduced inflows to the early warning list (the Bank's distressed debt list), and reduced specific and portfolio impairment levels.

Retail credit risk

Conditions remained challenging, although signs of the expected economic recovery were in evidence. Growth proved difficult and the total portfolio remained static. The Group reviewed its lending policies on a regular basis to ensure returns were optimised. Impairments remained a key driver with continued improvement apparent.

Early delinquencies continued to improve in all portfolios in line with the economic recovery.The legal books, particularly the secured portfolios, remained under pressure due to the lengthy legal process, exacerbated by the debt counselling process and the subdued mortgage market. Although improved collections processes and strategies for the mortgage legal portfolio and properties in possession started to bear fruit, a protracted recovery period remained expected.

The reduction in the debt counselling book continued, notwithstanding the moratorium on certain mortgage accounts until March 2011. Many accounts entered the legal process and this continued to place the legal portfolios under pressure.

Securitisation

The securitisation portfolio reduced during the period under review. Abacas, Absa's securitisation conduit, reduced from R2,5 billion at 31 December 2010 to R2,3 billion at 30 June 2011, and notes held on-statement of financial position reduced from R3,6 billion to R3,1 billion, both due to natural amortisation.

Focus going forward

Wholesale Credit Risk

The Group expects to see further improvement in wholesale impairment levels. It will remain focused on reducing concentrations to perceived higher risk sectors, enhancing the risk control framework and further embedding the AIRB principles in the business.

Retail credit risk

The Group will continue to focus on value and statement of financial position optimisation. The aim is to increase portfolio growth through defining low risk pockets/products and improve decision making processes by continuously assessing market conditions and understanding the impact of economic shifts on the various portfolios. The Group will therefore remain focused on the quality and profitability of new business written.

As the economic recovery gains momentum, affordability should return and the Group will continue to focus on rehabilitating customer arrears as appropriate.

A key component in the 2011 strategic focus for retail credit risk is the debt counselling and legal portfolios with emphasis on mortgages.

Securitisation

The strategic focus for securitisations remains reducing the on-statement of financial position securitisation exposures, and winding down Abacas through natural amortisation of the underlying notes.

June 2011 highlights

- *Traded market risk remained low. Risk and revenue reflect continued challenging markets and client volumes and the current low interest rate volatility period, but were managed to deliver favourable risk-adjusted returns.*
- *Interest rate risk in the banking book managed to low levels, while efficiently maintaining the structural hedging programme.*
- *Interest rate risk management hedging activities positively impacted on the net interest margin, off-setting the negative endowment effects during the period under review.*
- *Selected assets in the equity investments portfolio were exited towards creating a leaner portfolio, while remaining highly selective on new investments.*

Salient features

	30 June		31 December
	2011	2010	2010
Average traded market risk (DVaR[1]) (Rm)	**25,80**	27,03	27,85
Traded market risk Regulatory Capital (at 8% of RWAs) (Rm)	**788**	755	721
Banking book AEaR for 2% interest rate shock (% of Group net interest income)	**<5%**	<5%	<5%
Equity investments in the banking book RWAs (Rm)	**24 136**	28 814	25 911

Introduction

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. Market risk arises mainly from trading activities and equity investments.

The Group is also exposed to market risk through non-traded interest rate risk in its banking book. This market risk section should be read in conjunction with the insurance risk management section, which addresses life insurance mismatch risk and life and short-term insurance investment risk.

Strategy

The Group's market risk management objectives are:

- understanding and controlling market risk through robust measurement, controls and oversight;
- facilitating business growth within a controlled and transparent risk management framework;
- ensuring traded market risk resides primarily in Absa Capital; and
- ensuring a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle in the banking book.

Governance

Business unit management is responsible for the day-to-day management of identified market risks and does so by applying the risk control framework and within the risk appetite set. A centralised market risk team provides oversight and challenge.

Monthly oversight and monitoring is in place whereby these risks are reported to the Market Risk Committee, Group Asset and Liability Committee and Group Investment Committee. Reporting to the Group Risk and Capital Management Committee (GRCMC) takes place on a quarterly basis.

Approach to market risk

Market risk is managed in terms of the Group's market risk policy framework, as approved by the GRCMC, and in accordance with the Principal Risk Policy requirements. The board approves the market risk appetite for trading and non-trading activities, on the recommendation of the GRCMC. A market risk limits framework is set within the context of the approved market risk appetite. The Group Chief Risk Officer appoints a Principal Risk Owner for market risk, who is responsible for the market risk policy framework.

A suite of complementary techniques is used to measure and control market risk, which includes daily value at risk, stress testing, tail risk, annual earnings at risk and economic capital.

Note
[1] *DVaR: Daily value at risk.*

Six months period in review

Traded market risk

The trading environment for the period under review continued to be characterised by slow economic growth and unclear market direction, resulting in continued low client activity. The high South African market interest rate volatility observations at the end of 2008 and in early 2009 rolled out of the two year DVaR historical data set, and were replaced by less volatile observations. Traded market risk and revenue continued to reflect muted markets and client volumes and lower volatility. These aspects were effectively managed and a favourable risk-adjusted return was delivered. Internal Models Approach approval for trading book general position risk was maintained, with a reduction in the regulatory capital requirement from the following six months. Upgraded traded market risk measurement systems architecture were put in place, delivering enhanced performance and scalability to support trading expansion plans. New Basel II.5 trading book capital charges, notably the stressed value at risk (VaR) and incremental risk charges, will translate into an increase in the Group's trading risk regulatory capital charge from 2012. Readiness preparations began in 2010, with final embedment during 2011, along with enhanced specific risk measurement developments. Stressed VaR and incremental risk is now reported daily and monthly respectively for internal purposes. In anticipation of these future regulatory capital charges, the Group further continues to actively manage its traded risk-weighted assets towards more efficient use of capital. To strengthen controls, the trader limits attestation process was fully automated, with the intranet-based training and attestation process completed by all relevant front office staff during the period under review.

Interest rate risk in the banking book

Interest rate risk in the banking book was managed to low risk appetite levels. A hedge programme for structural products and equity remains in place, contributing towards a higher degree of stability of the mismatch margin component of the net interest margin over a full interest rate cycle. With South African interest rates having reached exceptionally low levels, efficient maintenance of the structural hedge programme was a key focus. Interest rate risk management hedging activities impacted positively on the net interest margin during the period under review off-setting negative endowment effects as per the same period. The Group remains exposed to interest rate reset risk, arising from the timing difference between mainly prime-linked assets funded with liabilities with a three month repricing profile after hedging, with an adverse impact in a decreasing interest rate environment and vice versa. During the period under review, the impact from reset risk was marginally positive. Prepayment and recruitment risk from fixed rate loan offerings to customers continues to be managed on customer behaviour risk principles.

Equity investment risk in the banking book

Equity investment exposure was managed down during the period under review, towards creating a leaner portfolio while being highly selective in terms of new investments. Notably, the remaining Visa Incorporated shares were disposed of during the period under review, while Absa Capital has successfully realised close to R1 billion of its equity investment assets since the beginning of 2010.

Focus going forward

Traded market risk

The Group will benefit from a reduced regulatory trading risk capital requirement for the following six months in line with the recent internal model approval review. However, in anticipation of the increase in traded market risk regulatory capital charges from 2012, the Group will remain focused on facilitating client business and actively managing its traded risk-weighted assets towards achieving more efficient use of capital. With developments in place and internal parallel runs already underway in respect of the new Basel II.5 trading book stressed VaR and incremental risk capital charges, the focus will be on associated regulatory model waiver applications and parallel runs for regulatory reporting purposes commencing in the following six months.

Interest rate risk in the banking book

Efficient maintenance of the structural interest rate hedge programme will remain a focus area in the following six months.

Equity investment risk in the banking book

In line with the capital, liquidity and statement of financial position optimisation programme, there will be continued focus on reducing equity investment exposures to create a leaner portfolio, with highly selective criteria for new investments.

June 2011 highlights

- *Liquidity risk management process remained robust and comprehensive.*
- *Further increase in amount of surplus liquid assets held, building on the strong growth achieved during 2010.*
- *Further improvement in wholesale funding term, thereby further strengthening the position attained at 31 December 2010. The key contributors were a strong demand for senior unsecured debt in local capital markets and demand for longer dated money markets funding.*
- *Cost of liquidity remained broadly stable and well controlled. Funding taken on during 2010, when liquidity premiums were higher, continued to impact profitability.*

Salient features

	30 June		31 December
	2011	2010	2010[1]
	%	%	%
Long-term funding ratio	**26,8**	24,6	25,6
Loans-to-deposits ratio	**90,5**	95,5	92,0

Introduction

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. Liquidity risk, more generally, is the risk that an entity will be unable to continue operating as a going concern due to a lack of funding.

Liquidity risk is inherent in all banking operations and confidence can be affected by a range of institution specific and market-wide events including, but not limited to, market rumours, credit events, payment system disruptions, systemic shocks, terrorist attacks and even natural disasters.

The appropriate and efficient management of liquidity risk by banks is of utmost importance in ensuring confidence in the financial markets and in ensuring banks pursue sustainable business models, thereby fulfilling their key economic role of maturity transformation (i.e. the process by which banks transform deposits from customers, which tend to be of a shorter-term nature, into loans, which tend to be of a longer-term nature).

The efficient management of liquidity risk is essential to the Group to ensure:

- normal banking operations continue uninterrupted;
- the interests of all stakeholders in the Group are protected;
- financial market confidence is maintained at all times; and
- liquidity risk is managed in line with regulatory liquidity requirements at all times.

Strategy

The liquidity funding strategy of the Group is based on the following objectives:

- growing and diversifying the funding base to support asset growth and other strategic initiatives;
- further lengthening the Group's funding profile in order to continue improving key liquidity metrics and reducing the Group's liquidity risk exposure;
- continuing to build surplus liquid asset holdings in view of Basel liquidity requirements; and
- focusing on lowering the weighted average cost of funding, within agreed parameters for liquidity risk.

Governance

Group Treasury is responsible for managing liquidity risk on behalf of the Group. As part of the overall liquidity risk management control process, independent oversight and regular independent reviews are conducted to assess the effectiveness of the function.

Group Treasury reports monthly to the Market Risk Committee thereby ensuring a constant review of the liquidity position of the Group. The Group Risk and Capital Management Committee, under delegated authority from the board, reviews and approves the control framework and policy for liquidity risk management.

Note

[1] *Comparatives have been reclassified. Refer to pages 95 – 98.*

Liquidity risk

Approach to liquidity risk

A dedicated team in Group Treasury is responsible for implementing the liquidity risk framework and policy and for ensuring that liquidity risk is adequately managed across all business units. Group Treasury also monitors and manages the Group's liquidity position to ensure full regulatory compliance. Group Treasury takes cognisance of the contractual and business-as-usual liquidity positions, as well as of the liquidity position under stress.

Six months period in review

The close attention given to liquidity risk continued into 2011, with banks globally concentrating on improving their liquidity risk positions subsequent to the financial crisis. The Group carefully monitored liquidity risk to ensure management of the risk remained appropriate.

Wholesale funding term showed an increasing trend during the period under review, with the long-term ratio reaching a level of 26,8% by the reporting date.

The loans-to-deposits ratio remained broadly level during the period under review with continued emphasis on asset quality and prudent liquidity risk management practices.

Focus going forward

Liquidity risk measurement and management received attention globally during the period under review. This is expected to continue for the following six months as well as into 2012. Although the final Basel rules afford banks a period of time before full compliance is required, the Group will maintain its focus on liquidity risk and further strengthen its liquidity risk position ahead of Basel III, to ensure full compliance within the required timeframes.

June 2011 highlights

- *The Group maintained Advanced Measurement Approach (AMA) approval.*
- *Focus on control enhancements continued with emphasis on financial and violent crime, anti-money laundering measures, technology controls and effective business continuity.*

Introduction

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human error or external events. Operational risk exists in the natural course of business activity.

Strategy

Operational risk is managed under the operational risk management framework adopted by the Group, which is an ancillary framework of the Group's overall risk management framework. The AMA to operational risk is applied throughout the Group, with the exception of the Group's African operations and certain small entities.

The objective of the operational risk management framework is to ensure the Group manages operational risks in an optimal and consistent manner, making certain these risks are measured accurately and the Group is adequately capitalised.

Governance

Operational risk is governed by means of a clear hierarchy of governance committees. These committees include business unit, segment and Group level operational risk committees, segment and Group level Governance and Control Committees as well as the Group Risk and Capital Management Committee at board level. Operational risk processes also form an inherent part of the internal audit process.

Approach to operational risk

The Group manages operational risk through the Principal Risk Policies, which consists of clearly defined individual frameworks.

The aim in managing operational risk is to increase the efficiency and effectiveness of the Group's resources, and to make use of growth opportunities while minimising operational risks.

Six months period in review

The recent focus on the control environment in the Group was evident, in that losses remained fairly stable (with a slight downward trend). Large losses remained well under control with a clear improvement seen during the period under review.

The Group implemented major control improvements during the period under review as part of the continued focus on control enhancements. Some of these improvements were as follows:

- technology-related controls were reviewed and enhanced;
- the fraud oversight process was further embedded which process combines ongoing investigation with lessons learnt;
- focus on the control environment of the Africa businesses, specifically on crime and technology; and
- all critical processes and systems were appropriately catered for and secured to protect against any disaster or other forced break in normal operations.

Financial crime remained one of the primary risks of the Group, while the risk of failures in the execution of processes remained secondary risks. An integrated approach to these risks adopted in 2010 continued through the period under review. People risk, a main focus area during the previous financial year remained a priority. The tough economic climate, combined with other pressures such as increased complexity in the work environment, lack of skills and increasing regulation meant the Group faced higher risks than usual in this environment.

Focus going forward

Operational risk remains a key priority for the Group and for the remainder of the year the following are key focus areas:

- minimising financial crime through enhancements in automation of key controls to minimise and reduce loss producing activities;
- increasing automation to enhance business and to ensure the Group keeps pace with ever-changing technologies, such that customers ultimately benefit from these changes;
- procuring compliance with changes in the regulatory landscape as well as ensuring the changing legislative landscape is fully utilised to reap rewards intended for all stakeholders; and
- enhancing talent retention and recruitment practices through the launch of various innovative retention and training strategies.

The board and senior management will continue to put the necessary emphasis on the management of operational risk through consistent implementation and monitoring of policies, processes and systems in all material products, services and activities, in line with an approved risk appetite and tolerance levels.

June 2011 highlights

» *Revised asset allocations implemented in the Absa Life Limited investment portfolios following an asset-liability modelling exercise conducted in 2010.*

» *Insurance risk taken on in Absa Life Botswana with effect from 1 March 2011.*

» *Disinvestment by Absa Life Limited in equities has resulted in reduced investment risk exposure that will reduce volatility of returns, but will reduce returns in the longer term.*

Salient features

	30 June		31 December
	2011	2010	2010
	%	%	%
Short-term loss ratio	**68,2**	67,1	68,5
Value of Absa Life Limited new business margin	**8,5**	7,2	9,5
Return on shareholders' assets versus benchmark	**2,3 vs 2,6**	2,8 vs 0,2	13,8 vs 10,7

Introduction

Insurance risk, from management's perspective, is the risk that future claims and expenses will exceed the allowance for expected claims and expenses, in the estimation of policyholder liabilities and in product pricing.

Life insurance underwriting activities are undertaken by Absa Life Limited, Absa Life Botswana and Woolworths Financial Services Proprietary Limited through an Absa Life Limited cell captive. Short-term insurance underwriting activities are undertaken by Absa Insurance Company Limited, Absa Insurance Risk Management Services, Absa *idirect* Limited and Absa Manx Insurance Company Limited (Absa Manx). The nature of the operations of these entities gives rise to four types of insurance risk:

» short-term insurance underwriting risk;

» life insurance underwriting risk;

» life insurance mismatch risk; and

» life and short-term insurance investment risk (including interest rate, foreign exchange and equity investment risk).

Strategy

The insurance entities listed above actively pursue profitable growth opportunities that provide diversification of underlying risks.

By diversifying the nature of the insurable interest, the insurance entities reduce their exposure to certain insurance risks and also reduce the risk of many claims arising from the same event. In particular:

» there is a focus on seeking sources of business that complement the traditional Financial Services products;

» agricultural insurance provides a diversification benefit in relation to property insurance as it is impacted differently by weather patterns; and

» risk exposures in the rest of Africa provide a diversification benefit as risk events in South Africa are unlikely to occur at the same time in those countries in Africa.

There is high level focus on enhanced risk management to ensure insurance entities understand and manage existing risks, and that appropriate consideration is given to the risks related to potential new business lines. The continued internal focus on enhanced risk management will ensure the insurance entities are prepared for the developing Solvency Assessment and Management legislative environment.

Governance

The boards of directors, together with management of the insurance entities, take primary responsibility for the management of short-term insurance underwriting risk, life insurance underwriting risk, life insurance mismatch risk and investment risk.

In terms of the principal risk control framework, management identify, assess, control, manage and report on all risks related to insurance underwriting, mismatch and investments. Within the Financial Services segment, the Absa Financial Services Governance and Control Committee and the Capital and Investment Risk Committee, as well as the Actuarial Review Committees and Capital and Investment Committees, are responsible for monitoring risk management, control effectiveness and principal risk reporting across all insurance entities.

Insurance risk

Approach to insurance risk

Underwriting risk, life insurance mismatch risk and investment risk are core to the business of the insurance entities. The successful management of these risks is fundamental to the success of the insurance entities.

Short-term insurance underwriting risk is managed through underwriting authority mandates and by referral to an Underwriting Review Committee, when required. Risk governance is monitored through the entity and Absa Financial Services Governance and Control Committees, the Actuarial Review Committee and Principal Risk reporting.

An Underwriting Risk Forum monitors life insurance underwriting performance and quality on a monthly basis to ensure risk taken is in line with risk priced and reserved for. Risk governance is monitored through the entity and Absa Financial Services Governance and Control Committees, the Actuarial Review Committee and Principal Risk reporting.

A monthly Investment Risk Committee meeting monitors life insurance mismatch risk. A quarterly review is conducted by the Absa Financial Services Capital and Investment Risk Committee and the Actuarial Review Committee. Monthly Entity Investment Risk Committee meetings monitor investment risk across the insurance entities. A quarterly review is undertaken by the Absa Financial Services Capital and Investment Risk Committee and the Actuarial Review Committees.

Six months period in review

All risk types have remained well within appetite limits. Re-alignment of Absa Life Limited portfolios to revised asset allocations has proceeded in line with plan. Progress has been made on capital model development in the short-term insurance environment.

Focus going forward

The insurance entities will continue to focus on the enhancement of short-term insurance underwriting discipline, the monitoring of concentration risk and on business growth opportunities that support diversification of underlying risks.

The development of risk utilisation methodologies will continue, with the aim of enhanced monitoring of risk appetite and capital requirements across the insurance businesses for both earnings impacts and solvency requirement reporting.

Investment strategies that enhance management of life insurance mismatch risk will continue to be reviewed.

Restatement

of prior year figures

Contents

Consolidated statement of financial position

	30 June 2010 (Unaudited)		
	As previously reported Rm	Reclassifications[1] Rm	Reclassified Rm
Assets			
Cash, cash balances and balances with central banks	22 380	—	22 380
Statutory liquid asset portfolio	35 846	—	35 846
Loans and advances to banks	37 226	5 905	43 131
Trading portfolio assets	56 140	—	56 140
Hedging portfolio assets	3 515	—	3 515
Other assets	22 674	(5 905)	16 769
Current tax assets	326	—	326
Loans and advances to customers	499 976	—	499 976
Reinsurance assets	443	—	443
Investment securities	28 159	—	28 159
Investments in associates and joint ventures	454	—	454
Goodwill and intangible assets	1 323	—	1 323
Investment property	2 255	—	2 255
Property and equipment	7 164	—	7 164
Deferred tax assets	323	—	323
Total assets	718 204	—	718 204
Liabilities			
Deposits from banks	38 713	—	38 713
Trading portfolio liabilities	46 516	—	46 516
Hedging portfolio liabilities	1 286	—	1 286
Other liabilities	15 309	—	15 309
Provisions	978	—	978
Current tax liabilities	10	—	10
Deposits due to customers	359 943	—	359 943
Debt securities in issue	163 697	—	163 697
Liabilities under investment contracts	13 836	—	13 836
Policyholder liabilities under insurance contracts	2 799	—	2 799
Borrowed funds	13 359	—	13 359
Deferred tax liabilities	2 461	—	2 461
Total liabilities	658 907	—	658 907
Equity			
Capital and reserves			
Attributable to ordinary equity holders of the Group:			
Share capital	1 433	—	1 433
Share premium	4 805	—	4 805
Other reserves	1 694	—	1 694
Retained earnings	45 362	—	45 362
	53 294	—	53 294
Non-controlling interest – ordinary shares	1 359	—	1 359
Non-controlling interest – preference shares	4 644	—	4 644
Total equity	59 297	—	59 297
Total equity and liabilities	718 204	—	718 204

Note

[1] *The Group has reclassified certain collaterals within Financial Services to "Loans and advances to banks" to reflect the true nature of these trades as collateralised loans.*

Segment report per market segment

	Retail Banking			Absa Business Bank		
	30 June 2010			30 June 2010		
	As previously reported	Reclassifications[1]	Reclassified	As previously reported	Reclassifications[1]	Reclassified
Statement of comprehensive income (Rm)						
Net interest income	6 277	(90)	6 187	3 495	160	3 655
Impairment losses on loans and advances	(3 035)	33	(3 002)	(589)	(38)	(627)
Non-interest income	5 005	7	5 012	2 176	(238)	1 938
Operating expenses	(6 527)	9	(6 518)	(3 095)	85	(3 010)
Other	(68)	—	(68)	(36)	—	(36)
Operating profit before income tax	1 652	(41)	1 611	1 951	(31)	1 920
Taxation expense	(517)	16	(501)	(564)	(28)	(592)
Profit for the period	1 135	(25)	1 110	1 387	(59)	1 328
Profit attributable to:						
Ordinary equity holders of the Group	1 060	(25)	1 035	1 375	(59)	1 316
Non-controlling interest – ordinary shares	75	—	75	12	—	12
Non-controlling interest – preference shares	—	0	0	0	(0)	—
	1 135	(25)	1 110	1 387	(59)	1 328
Headline earnings	1 018	(25)	993	1 355	(59)	1 296
Operating performance (%)						
Net interest margin on average interest-bearing assets[2]	3,73	(0,77)	2,96	5,62	(0,43)	5,19
Impairment losses on loans and advances as % of average loans and advances to customers	1,90	(0,00)	1,90	0,99	0,13	1,12
Non-interest income as % of total operating income	44,4	0,4	44,8	38,4	(3,7)	34,7
Topline growth	(2)	(1)	(3)	2	(1)	1
Cost growth	(9)	1	(8)	(14)	2	(12)
Cost-to-income ratio	57,9	0,3	58,2	54,6	(0,8)	53,8
Cost-to-assets ratio	3,0	(0,0)	3,0	4,1	(0,1)	4,0
Statement of financial position (Rm)						
Loans and advances to customers	320 802	(2 629)	318 173	122 735	(6 046)	116 689
Investment securities	0	—	0	2 188	—	2 188
Investments in associates and joint ventures[3]	280	(280)	—	114	(114)	—
Other assets	133 306	3 833	137 139	36 442	18 574	55 016
Total assets	454 388	924	455 312	161 479	12 414	173 893
Deposits due to customers	112 282	—	112 282	125 916	13 997	139 913
Debt securities in issue[4]	—	4 165	4 165	—	—	—
Other liabilities	339 669	(3 261)	336 408	33 566	(1 479)	32 087
Total liabilities	451 951	904	452 855	159 482	12 518	172 000
Financial performance (%)						
Return on average economic capital	11,6	(0,6)	11,0	22,4	(1,4)	21,0
Return on average risk-weighted assets	n/a	n/a	1,33	n/a	n/a	2,18
Return on average assets	0,46	(0,01)	0,45	1,80	(0,10)	1,70

Notes

[1] *Comparatives have been reclassified for the following structure changes made during the period under review:*
- *Absa Technology Finance Solutions was moved from Vehicle and Asset Finance within Retail Banking to Absa Business Bank.*
- *Debit Card was moved within Retail Banking from Retail Bank to Card.*
- *Personal loan centres was moved within Retail Banking from Personal Loans to Retail Bank.*
- *Absa Development Company Proprietary Limited and Absa Development Company division were moved from Absa Business Bank to Retail Bank within Retail Banking.*
- *The Group's corporate client base was transferred from Absa Business Bank to Absa Capital following an initiative to optimise product delivery to its corporate clients.*

[2] *The Group re-assessed the criteria of certain internal loans during the period and re-aligned them to the definition of average interest-bearing assets, resulting in the restatement of the ratio of certain segments. The re-alignment did not affect the Group consolidated ratio.*

[3] *Investments in associates and joint ventures were previously disclosed separately and are now disclosed as part of other assets.*

[4] *Debt securities in issue were previously disclosed as part of other liabilities and are now disclosed separately.*

Segment report per market segment

Absa Capital 30 June 2010			Financial Services 30 June 2010			Head office, inter-segment eliminations and Other 30 June 2010			Absa Group 30 June 2010		
As previously reported	Reclassifications[1]	Reclassified	As previously reported	Reclassifications	Reclassified	As previously reported	Reclassifications	Reclassified	As previously reported	Reclassifications	Reclassified
1 247	(70)	1 177	4	—	4	270	—	270	11 293	—	11 293
(80)	5	(75)	1	—	1	(1)	—	(1)	(3 704)	—	(3 704)
1 309	231	1 540	1 714	—	1 714	(491)	—	(491)	9 713	—	9 713
(1 372)	(94)	(1 466)	(858)	—	(858)	588	—	588	(11 264)	—	(11 264)
(106)	—	(106)	(35)	—	(35)	(176)	—	(176)	(421)	—	(421)
998	72	1 070	826	—	826	190	—	190	5 617	—	5 617
(278)	12	(266)	(220)	—	(220)	73	—	73	(1 506)	—	(1 506)
720	84	804	606	—	606	263	—	263	4 111	—	4 111
700	84	784	606	—	606	101	—	101	3 842	—	3 842
20	—	20	—	—	—	—	—	—	107	—	107
—	—	—	—	—	—	162	—	162	162	—	162
720	84	804	606	—	606	263	—	263	4 111	—	4 111
747	84	831	606	—	606	136	—	136	3 862	—	3 862
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,89	—	3,89
0,29	(0,06)	0,23	n/a	n/a	n/a	n/a	n/a	n/a	1,50	—	1,50
51,2	5,5	56,7	99,8	—	99,8	n/a	n/a	n/a	46,2	—	46,2
10	7	17	0	—	0	n/a	n/a	n/a	0	—	0
(49)	(10)	(59)	(17)	—	(17)	n/a	n/a	n/a	(15)	—	(15)
53,7	0,3	54,0	49,9	—	49,9	n/a	n/a	n/a	53,6	—	53,6
0,8	—	0,8	4,5	—	4,5	n/a	n/a	n/a	3,2	—	3,2
55 655	8 675	64 330	380	—	380	404	—	404	499 976	—	499 976
13 319	—	13 319	12 222	—	12 222	430	—	430	28 159	—	28 159
37	(37)	—	—	—	—	23	(23)	—	454	(454)	—
298 705	(21 976)	276 729	23 153	—	23 153	(301 991)	23	(301 968)	189 615	454	190 069
367 716	(13 338)	354 378	35 755	—	35 755	(301 134)	—	(301 134)	718 204	—	718 204
121 161	(13 997)	107 164	—	—	—	584	—	584	359 943	—	359 943
—	147 133	147 133	—	—	—	—	12 399	12 399	—	163 697	163 697
243 659	(146 558)	97 101	32 148	—	32 148	(350 078)	(12 399)	(362 477)	298 964	(163 697)	135 267
364 820	(13 422)	351 398	32 148	—	32 148	(349 494)	—	(349 494)	658 907	—	658 907
16,1	2,2	18,3	n/a	n/a	66,6	n/a	n/a	n/a	19,1	—	19,1
n/a	n/a	1,71	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,00
0,41	0,05	0,46	3,20	—	3,20	n/a	n/a	n/a	1,08	—	1,08

Consolidated statement of financial position

	31 December 2010 (Audited)		
	As previously reported Rm	Reclassifications[1] Rm	Reclassified Rm
Assets			
Cash, cash balances and balances with central banks	24 361	—	24 361
Statutory liquid asset portfolio	48 215	—	48 215
Loans and advances to banks	24 877	2 618	27 495
Trading portfolio assets	62 047	—	62 047
Hedging portfolio assets	4 662	—	4 662
Other assets	16 131	(3 276)	12 855
Current tax assets	196	—	196
Loans and advances to customers	498 635	658	499 293
Reinsurance assets	860	—	860
Investment securities	23 826	—	23 826
Investments in associates and joint ventures	416	—	416
Goodwill and intangible assets	1 794	—	1 794
Investment property	2 523	—	2 523
Property and equipment	7 493	—	7 493
Deferred tax assets	434	—	434
Total assets	716 470	—	716 470
Liabilities			
Deposits from banks	15 406	—	15 406
Trading portfolio liabilities	47 454	—	47 454
Hedging portfolio liabilities	1 881	—	1 881
Other liabilities	11 239	—	11 239
Provisions	1 808	—	1 808
Current tax liabilities	965	—	965
Deposits due to customers	378 111	—	378 111
Debt securities in issue	164 545	—	164 545
Liabilities under investment contracts	13 964	—	13 964
Policyholder liabilities under insurance contracts	3 001	—	3 001
Borrowed funds	13 649	—	13 649
Deferred tax liabilities	2 298	—	2 298
Total liabilities	654 321	—	654 321
Equity			
Capital and reserves			
Attributable to ordinary equity holders of the Group:			
Share capital	1 433	—	1 433
Share premium	4 590	—	4 590
Other reserves	2 309	—	2 309
Retained earnings	47 958	—	47 958
	56 290	—	56 290
Non-controlling interest – ordinary shares	1 215	—	1 215
Non-controlling interest – preference shares	4 644	—	4 644
Total equity	62 149	—	62 149
Total equity and liabilities	716 470	—	716 470

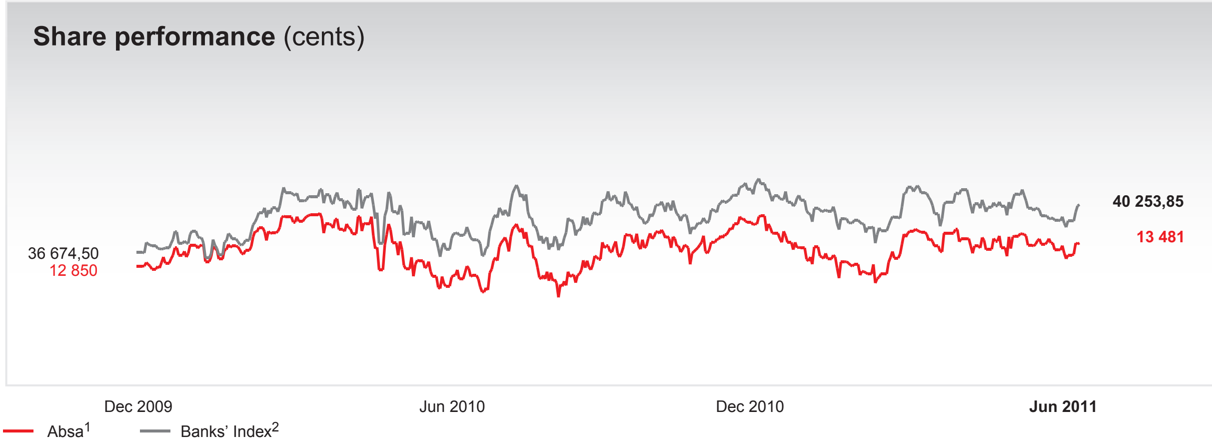
Note

[1] *The Group has reclassified certain collaterals within Absa Capital to "Loans and advances to banks" and "Loans and advances to customers" to reflect the true nature of these trades as collateralised loans. These reclassifications have not been audited.*

Appendixes

Contents

Share performance



Share performance on the JSE Limited[3]

	Six months ended 30 June 2011	Six months ended 30 June 2010	Change %	Year ended 31 December 2010
Number of shares in issue[4]	**718 210 043**	718 210 043	—	718 210 043
Market prices (cents per share):				
closing	**13 481**	12 149	11	14 000
high	**14 220**	14 295	(1)	14 295
low	**12 390**	12 149	2	12 000
average	**13 404**	13 344	0	13 292
Closing price/net asset value per share (excluding preference shares)	**1,66**	1,64		1,79
Price-to-earnings (P/E) ratio (closing price/headline earnings per share)	**10,5**	11,2		12,5
Volume of shares traded (millions)	**152,2**	180,0	(15)	363,3
Value of shares traded (Rm)	**20 288,1**	24 211,2	(16)	48 266,8
Market capitalisation (Rm)	**96 821,9**	87 255,3	11	100 549,4

Notes

[1] *Absa's annual total return for the 12-month period was **14,7%.***

[2] *The Banks' Index outperformed Absa's share price by **3,14%** 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 **604 837** shares held by Absa Group Limited Share Incentive Trust (30 June 2010: 1 330 149; 31 December 2010: 1 049 790) and **578 545** shares held by Absa Group subsidiaries (30 June 2010: 545 111; 31 December 2010: 570 000).*

Ordinary shares

	30 June 2011 %	30 June 2010 %	31 December 2010 %
Major ordinary shareholders (top 10)			
Barclays Bank PLC	**55,5**	55,5	55,5
Public Investment Corporation	**9,7**	9,2	9,4
Batho Bonke Capital Proprietary Limited	**5,1**	5,1	5,1
Old Mutual Asset Managers	**3,3**	3,1	3,0
Coronation Fund Managers	**2,2**	n/a	1,9
Sanlam Investment Management	**1,4**	1,5	1,6
Dimensional Fund Advisors Incorporated	**1,4**	0,8	1,0
Stanlib Asset Management	**1,2**	1,9	1,7
The Vanguard Group Incorporated	**0,9**	n/a	1,0
Prudential Portfolio Managers	**0,8**	0,8	0,8
Investec Securities Proprietary Limited (ZA)	**n/a**	0,9	n/a
Capital Group Companies Incorporated	**n/a**	0,8	n/a
Other	**18,5**	20,4	19,0
	100,0	100,0	100,0
Geographical split			
England and Wales	**56,4**	56,7	56,2
South Africa	**32,8**	32,0	33,0
United States	**4,4**	4,7	4,6
Other countries	**1,7**	4,4	4,5
Below threshold	**4,7**	2,2	1,7
	100,0	100,0	100,0

Shareholders' diary

Financial year-end	31 December 2011
Annual general meeting[1]	24 April 2012
Announcement of the interim results	2 August 2011
Announcement of the final results[1]	15 February 2012

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Interim – June 2011	2 August 2011	19 August 2011	22 August 2011	26 August 2011	29 August 2011
Final – December 2011[1]	15 February 2012	23 March 2012	26 March 2012	30 March 2012	2 April 2012

Note

[1] *Subject to change.*

Financial reporting structure

Absa Bank Limited

Retail banking

- Home Loans (including Repossessed Properties)
- Vehicle and Asset Finance (VAF)[1]
- Card[2]
- Personal Loans[3]
- Retail Bank (including Absa Private Bank)[2,3,4]

Commercial banking

- Absa Business Bank (ABB)[1,4,5]
  - Large Business
  - Medium Business
  - Small Business
  - Public sector
  - Commercial Asset Finance (CAF)
  - Commercial Property Finance (CPF)

International operations

- Absa Bank London[6]

Investment banking

- Absa Capital[5]
  - Investment Banking
  - Markets
  - Private Equity and Infrastructure Investments
  - Single stock futures and other
- Absa Wealth

International operations

- Absa Bank London[6]

Other Group activities

- Corporate Real Estate Services (CRES)

International operations

- Absa Bank London[6]

Notes

[1] Absa Technology Finance Solutions was moved from Vehicle and Asset Finance within Retail Banking to Absa Business Bank.

[2] Debit card was moved within Retail Banking from Retail Bank to Card.

[3] Personal loan centres was moved within Retail Banking from Personal Loans to Retail Bank.

[4] Absa Development Company division was moved from Absa Business Bank to Retail Bank within Retail Banking.

[5] The Group's corporate client base was transferred from Absa Business Bank to Absa Capital following an initiative to optimise product delivery to its corporate clients.

[6] Absa Bank London's results have been allocated to Commercial banking, Investment banking and other Group activities in terms of IFRS 8.

Consolidated salient features

	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)	Change %	31 December 2010[1] (Audited)
Statement of comprehensive income (Rm)				
Headline earnings[2]	**3 733**	3 000	24	6 412
Profit attributable to ordinary equity holder of the Bank	**3 719**	2 963	26	6 432
Statement of financial position				
Total assets (Rm)	**677 814**	675 162	0	680 923
Loans and advances to customers (Rm)	**480 213**	484 583	(1)	486 246
Deposits due to customers (Rm)	**390 904**	352 623	11	372 644
Loans-to-deposits ratio (%)	**89,4**	94,0		90,9
Off-statement of financial position (Rm)				
Assets under management and administration[3]	**34 436**	29 049	19	31 534
Financial performance (%)				
Return on average equity	**15,5**	13,8		14,2
Return on average assets	**1,12**	0,90		0,94
Return on average risk-weighted assets[4]	**1,94**	1,68		1,71
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3,72**	3,66		3,69
Impairment losses on loans and advances as % of average loans and advances to customers	**1,17**	1,47		1,15
Non-performing advances as % of loans and advances to customers[4]	**7,7**	7,5		7,6
Non-interest income as % of total operating income	**44,4**	41,8		41,0
Cost-to-income ratio	**54,8**	54,0		56,7
Effective tax rate, excluding indirect taxation	**27,1**	26,2		27,1
Share statistics (million)				
(including "A" ordinary shares)				
Number of ordinary shares in issue	**374,1**	367,7		374,1
Weighted average number of ordinary shares in issue	**374,1**	367,7		369,9
Weighted average diluted number of ordinary shares in issue	**374,1**	367,7		369,9
Share statistics (cents)				
Headline earnings per share	**997,9**	815,9	22	1 733,4
Diluted headline earnings per share	**997,9**	815,9	22	1 733,4
Basic earnings per share	**994,1**	805,8	23	1 738,8
Diluted earnings per share	**994,1**	805,8	23	1 738,8
Dividends per ordinary share relating to income for the period/year	**414,3**	598,4	(31)	959,2
Dividend cover (times)	**2,4**	1,4		1,8
Net asset value per share	**13 160**	12 284	7	12 955
Tangible net asset value per share	**12 982**	12 135	7	12 781
Capital adequacy (%)[4,5]				
Absa Bank	**16,0**	14,9		14,8

Notes

[1]*Comparatives have been reclassified. These reclassifications have not been audited. Refer to pages 95 – 98.*

[2]*After allowing for **R143 million** (30 June 2010: R162 million; 31 December 2010: R320 million) dividend paid to preference equity holders.*

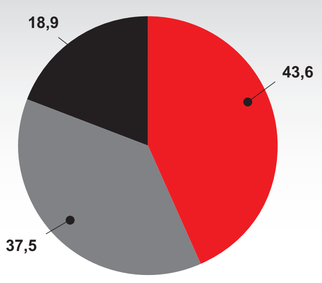
[3]*Comparatives have been restated for the inclusion of assets managed by Absa Capital on behalf of clients, exchange traded funds and alternative asset management funds, in order to align assets under management and administration to current market practice. These restatements have not been audited.*

[4]*These ratios have not been audited.*

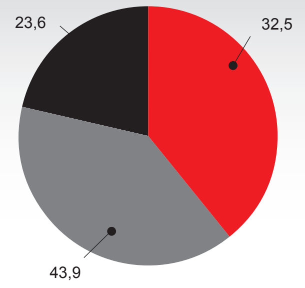
[5]*Refer to pages 73 – 94 for the capital and risk management section.*

Profit contribution by segment

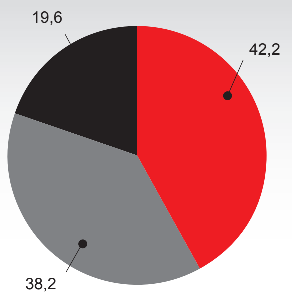
Attributable earnings[1] (%)



Six months ended 30 June 2011



Six months ended 30 June 2010[2]



Year ended 31 December 2010[2]

● Retail Banking ● Absa Business Bank ● Absa Capital

	Six months ended 30 June			Year ended 31 December
	2011	2010[2]		2010[2]
	Rm	Rm	%	Rm
Banking operations				
Retail Banking	**1 644**	960	71	3 104
Home Loans	**7**	(201)	>100	166
Vehicle and Asset Finance	**183**	37	>100	226
Card	**751**	542	39	1 380
Personal Loans	**303**	170	78	515
Retail Bank	**400**	412	(3)	817
Absa Business Bank	**1 411**	1 298	9	2 815
Absa Capital	**711**	698	2	1 439
Corporate centre	**240**	177	36	(414)
Capital and funding centre	**(144)**	(8)	>(100)	(192)
Preference equity holders of the Bank	**(143)**	(162)	12	(320)
Profit attributable to ordinary equity holder of the Bank	**3 719**	2 963	26	6 432
Headline earnings adjustments	**14**	37	(62)	(20)
Headline earnings	**3 733**	3 000	24	6 412

Notes

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

[2]Comparatives have been reclassified. Refer to pages 95 – 98.

Definitions

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

Borrowed funds
Borrowed funds represent subordinated callable notes qualifying as long-term Tier 2 capital issued by Absa Bank Limited in terms of Section 1 of the Banks Act, 1990. The subordinated callable notes are listed on the Bond Exchange of South Africa. They also include preference shares classified as debt in terms of IAS 32.

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

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

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

Earnings per share

Profit attributable to ordinary equity holders of the Group
Net profit for the period/year less earnings attributable to non-controlling interests 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 attributable to ordinary equity holders of the Group divided by the weighted average number of ordinary shares outstanding during the period/year, both adjusted for the effects of all dilutive potential ordinary shares, assuming they had been in issue for the period/year.

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

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

Gains and losses from investment activities
Comprises insurance and strategic investment portfolios and includes:
- realised gains on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains on the disposal of associates, joint ventures and subsidiaries;
- 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.

Headline earnings
Headline earnings is not a measure of sustainable earnings. Headline earnings reflect the operating performance of the Group separated from re-measurements (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 interests – preference shares.

IFRS 2 – Share-based payments
In a share-based payment transaction, an entity receives goods or services and pays for those goods or services either in shares or in other equity instruments. A transaction is also considered to be a share-based payment if the entity incurs a liability, the amount of which is based on the price or value of an entity's share or other equity instrument of the entity.

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/year divided by total average advances (calculated on a daily weighted average basis), is expressed as a percentage.

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

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.

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

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

Net trading results
Net trading results include the profits and losses on Absa Capital's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as Absa Capital's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding costs. These also include 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 classification. For the 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 and insurance liabilities, gains and losses from banking and trading activities, gains and losses from investment activities as well as operating income.

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.

Definitions

Non-performing advances

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

Non-performing advances ratio

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

Price-to-earnings (P/E) ratio

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

Weighted average number of shares in issue

The number of ordinary shares in issue at the beginning of the period/year increased by ordinary 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, 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

7th Floor, Absa Towers West
15 Troye Street, Johannesburg, 2001
Postal address: PO Box 7735, Johannesburg, 2000
Telephone: (+27 11) 350 4000
E-mail: groupsec@absa.co.za

Board of directors

Group independent non-executive directors

C Beggs, BP Connellan, SA Fakie, G Griffin (Group Chairman), MJ Husain, TM Mokgosi-Mwantembe, EC Mondlane Jr[1], TS Munday, SG Pretorius, BJ Willemse

Group non-executive directors

YZ Cuba, BCMM de Vitry d'Avaucourt[2], AP Jenkins[3], R Le Blanc[3]

Group executive directors

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

[1]*Mozambican* [2]*French* [3]*British*

Transfer secretaries

South Africa

Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg, 2001
Postal address: PO Box 61051, Marshalltown, 2107
Telephone: (+27 11) 370 5000
Telefax: (+27 11) 370 5271/2

ADR depositary

BNY Mellon
101 Barclay Street, 22W, New York, NY, 10286
Telephone: +1 212 815 2248

Sponsor

J P Morgan Equities Limited
No 1 Fricker Road, Cnr. Hurlingham Road, Illovo, Johannesburg, 2196
Postal address: Private Bag X9936, Sandton, 2146
Telephone: (+27 11) 507 0300
Telefax: (+27 11) 507 0503

Auditors

PricewaterhouseCoopers Inc.
Ernst & Young Inc.

Shareholder contact information

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

Group Investor Relations

AM Hartdegen (Head of Investor Relations)
Telephone: (+27 11) 350 2598
E-mail: investorrelations@absa.co.za

Group Secretary

S Martin
E-mail: sarita.martin@absa.co.za

Other contacts

Group Media Relations

J Dludlu (Head: Group Communication)
Telephone: (+27 11) 350 3221

Group Finance

JP Quinn (Group Financial Controller)
Telephone: (+27 11) 350 7565

Website address

www.absa.co.za

Absa Group Limited Interim financial results for the six months ended 30 June 2011