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

ABSA GROUP LIMITED: PROFIT AND DIVIDEND ANNOUNCEMENT
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

CONSOLIDATED SALIENT FEATURES

	30 June			31 December
	2012	2011(1)	Change	2011(1)
	(Unaudited)	(Unaudited)	%	(Audited)
Statement of comprehensive income(Rm)				
Headline earnings (2)	4 332	4 595	(6)	9 719
Profit attributable to ordinary equity holders of the Group	4 189	4 581	(9)	9 674
Statement of financial position				
Total assets (Rm)	808 806	723 261	12	786 719
Loans and advances to customers (Rm)	506 661	504 199	0	504 924
Deposits due to customers (Rm)	457 880	405 673	13	440 960
Loans-to-deposits ratio (%)(3)	86,9	91,0		88,4
Off-statement of financial position (Rm)				
Assets under management and administration	223 247	205 309	9	213 186
Financial services (4)	171 179	170 873	0	167 669
Money market	58 182	71 330	(18)	57 798
Non-money market	112 997	99 543	14	109 871
Financial performance (%)				
Return on average equity (3)	13,8	16,2		16,4
Return on average assets (5)	1,11	1,29		1,32
Return on average risk-weighted assets (5)	2,08	2,23		2,35
Operating performance (%)				
Net interest margin on average interest-bearing assets (5)	3,94	3,99		4,11

Impairment losses on loans and advances as % of average loans and advances to customers (5)	1,59	1,16		1,01
Non-performing loans as a % of loans and advances to customers(5)	6,4	7,6		6,9
Non-interest income as % of total operating income (3)	48,4	47.9		46,7
Cost-to-income ratio (3)	54,9	54,8		55,5
Effective tax rate, excluding indirect taxation	29,0	27,6		28,3
Share statistics (million)				
Number of ordinary shares in issue	718,2	718,2		718,2
Weighted average number of ordinary shares in issue	717,5	716,5		716,8
Diluted weighted average number of ordinary shares in issue	719,3	719,7		719,9
Share statistics (cents)				
Headline earnings per share	603,8	641,3	(6)	1 355,9
Diluted headline earnings per share	602,3	638,5	(6)	1 350,0
Basic earnings per share	583,8	639,4	(9)	1 349,6
Diluted earnings per share	582,4	636,5	(9)	1 343,8
Dividends per ordinary share relating to income for the period/year	315	292	8	684
Dividend cover (times) (3)	1,9	2,2		2,0
Net asset value per share (3)	8 950	8 116	10	8 690
Tangible net asset value per share (3)	8 655	7 856	10	8 392
Capital adequacy (%)(5)				
Absa Group	16,9	16,7		16,7
Absa Bank	16,6	16,0		16,2

Notes

(1) Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

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

(3) These ratios have been calculated by management based on extracted audited information contained in the audited annual financial statements for 31 December 2011.

(4) The segmentation of assets under management and administration is unaudited.

(5) These ratios are unaudited for 31 December 2011.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June			31 December
	2012	2011(1)		2011(1)
	(Unaudited)	(Unaudited)	Change	(Audited)
Note	Rm	Rm	%	Rm
Assets				
Cash, cash balances and balances with central banks	25 620	24 616	4	26 997
Statutory liquid asset portfolio	60 061	50 999	18	57 473
Loans and advances to banks	58 044	31 086	87	57 499
Trading portfolio assets	96 768	57 607	68	84 623
Hedging portfolio assets	4 868	3 564	37	4 299
Other assets	20 112	14 878	35	14 731
Current tax assets	703	191	>100	288
Non-current assets held for sale 1	6	369	(98)	35
Loans and advances to customers 2,3,4	506 661	504 199	0	504 924
Reinsurance assets	1 010	773	31	1 009
Investment securities	21 530	22 298	(3)	21 182
Investments in associates and joint ventures	373	407	(8)	420
Goodwill and intangible assets	2 115	1 864	13	2 135
Investment properties	2 699	2 695	0	2 839
Property and equipment	7 781	7 363	6	7 996
Deferred tax assets	455	352	29	269
Total assets	808 806	723 261	12	786 719
Liabilities				
Deposits from banks	25 827	17 365	49	38 339
Trading portfolio liabilities	60 446	35 930	68	55 960
Hedging portfolio liabilities	3 251	1 351	>100	2 456
Other liabilities	30 071	15 885	89	14 695
Provisions	1 136	1 343	(15)	1 710
Current tax liabilities	247	486	(49)	267
Deposits due to customers 5	457 880	405 673	13	440 960
Debt securities in issue 6	125 127	148 468	(16)	130 262
Liabilities under investment contracts	15 427	14 478	7	15 233
Policyholder liabilities under insurance contracts	3 239	2 807	15	3 183
Borrowed funds 7	14 268	13 786	3	14 051
Deferred tax liabilities	1 619	1 456	11	1 198
Total liabilities	738 538	659 028	12	718 314

Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital	1 434	1 434	0	1 434
Share premium	4 572	4 562	0	4 676
Retained earnings	55 502	50 876	9	53 813
Other reserves	2 725	1 416	92	2 385
	64 233	58 288	10	62 308
Non-controlling interest - ordinary shares	1 391	1 301	7	1 453
Non-controlling interest - preference shares	4 644	4 644	-	4 644
Total equity	70 268	64 233	9	68 405
Total liabilities and equity	808 806	723 261	12	786 719

Note

(1)Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended			Year ended
	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
Note	Rm	Rm	%	Rm
Net interest income	11 909	11 622	2	24 429
Interest and similar income 8.1	25 807	24 682	5	51 221
Interest expense and similar charge 8.2	(13 898)	(13 060)	(6)	(26 792)
Impairment losses on loans and advances3	(4 020)	(2 902)	(39)	(5 081)
Net interest income after impairment losses on loans and advances	7 889	8 720	(10)	19 348
Non-interest income	11 174	10 680	5	21 403
Net fee and commission income	7 542	7 519	0	15 293
Fee and commission income 9.1	8 785	8 500	3	17 422
Fee and commission expense 9.2	(1 243)	(981)	(27)	(2 129)
Net insurance premium income	2 757	2 481	11	5 209
Net insurance claims and benefits paid	(1 360)	(1 263)	(8)	(2 517)
Changes in investment contract and insurance contract liabilities	(618)	(186)	>(100)	(914)
Gains and losses from banking and trading activities 9.3	1 868	1 510	24	2 594
Gains and losses from investment activities 9.4	641	264	>100	966
Other operating income	344	355	(3)	772
Operating profit before operating expenditure	19 063	19 400	(2)	40 751
Operating expenditure	(13 011)	(12 761)	(2)	(26 581)
Operating expenses 10.1	(12 666)	(12 218)	(4)	(25 458)
Other impairments 10.2	(11)	(37)	70	(52)
Indirect taxation	(334)	(506)	34	(1 071)
Share of post-tax results of associates and joint ventures	35	28	25	40
Operating profit before income tax	6 087	6 667	(9)	14 210
Taxation expense	(1 767)	(1 841)	4	(4 026)
Profit for the period/year	4 320	4 826	(10)	10 184

Other comprehensive income				
Foreign exchange differences on translation of foreign operations	32	75	(57)	522
Movement in cash flow hedging reserve	286	(855)	>100	(237)
Fair value gains/(losses) arising during the period/year	1 409	(76)	>100	1 972
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	(1 012)	(1 111)	9	(2 300)
Deferred tax	(111)	332	>(100)	91
Movement in available-for-sale reserve	370	(30)	>100	(17)
Fair value gains/(losses) arising during the period/year	510	(60)	>100	(58)
Amortisation of government bonds - release to the profit and loss component of the statement of comprehensive income	5	18	(72)	20
Deferred tax	(145)	12	>(100)	21
Movement in retirement benefit asset and liabilities	27	12	>100	(51)
Increase/(decrease) in retirement benefit surplus	46	17	>100	(66)
Increase in retirement benefit deficit	-	-	-	(5)
Deferred tax	(19)	(5)	>(100)	20
Total comprehensive income for the period/year	5 035	4 028	25	10 401
Profit attributable to:				
Ordinary equity holders of the Group	4 189	4 581	(9)	9 674
Non-controlling interest - ordinary shares	(9)	102	>(100)	226
Non-controlling interest - preference shares	140	143	(2)	284
	4 320	4 826	(10)	10 184

Total comprehensive income attributable to:				
Ordinary equity holders of the Group	4 909	3 771	30	9 791
Non-controlling interest – ordinary shares	(14)	114	>(100)	326
Non-controlling interest – preference shares	140	143	(2)	284
	5 035	4 028	25	10 401
Earnings per share:				
Basic earnings per share(cents)	583,8	639,4	(9)	1 349,6
Diluted earnings per share(cents)	582,4	636,5	(9)	1 343,8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June 2012 (Unaudited)			
	Capital and reserves attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	Rm	Rm	Rm	Rm
Balance at the beginning of the year	62 308	1 453	4 644	68 405
Total comprehensive income for the period	4 909	(14)	140	5 035
Profit for the period	4 189	(9)	140	4 320
Other comprehensive income	720	(5)	-	715
Dividends paid during the period	(2 810)	(103)	(140)	(3 053)
Share buy-back in respect of equity-settled share-based payment schemes	(192)	-	-	(192)
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust	8	-	-	8
Elimination of the movement in treasury shares held by Group subsidiaries	(18)	-	-	(18)
Movement in share-based payment reserve	28	-	-	28
Transfer from share-based payment reserve	(98)	-	-	(98)
Transfer to share capital, share premium and retained earnings	98	-	-	98
Value of employee services	28	-	-	28
Movement in general credit risk reserve	-	-	-	-
Transfer from general credit risk reserve	(2)	-	-	(2)
Transfer to retained earnings	2	-	-	2

Movement in insurance contingency reserve (1)	-	-	-	-
Transfer from insurance contingency reserve	324	-	-	324
Transfer to retained earnings	(324)	-	-	(324)
Share of post-tax results of associates and joint ventures	-	-	-	-
Transfer to associates and joint ventures reserve	35	-	-	35
Transfer from retained earnings	(35)	-	-	(35)
Movement in foreign insurance subsidiary regulatory reserve (2)	-	-	-	-
Transfer to insurance subsidiary regulatory reserve	8	-	-	8
Transfer from retained earnings	(8)	-	-	(8)
Increase in the interest of the non-controlling equity holders	-	55	-	55
Balance at the end of the period	64 233	1 391	4 644	70 268

Notes

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

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

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

	Six months ended 30 June 2011 (Unaudited)			
	Capital and reserves attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	Rm	Rm	Rm	Rm
Balance at the beginning of the year	56 290	1 215	4 644	62 149
Total comprehensive income for the period	3 771	114	143	4 028
Profit for the period	4 581	102	143	4 826
Other comprehensive income	(810)	12	-	(798)
Dividends paid during the period	(1 650)	(95)	(143)	(1 888)
Share buy-back in respect of equity-settled share-based payment schemes	(247)	-	-	(247)
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 Group subsidiaries	71	-	-	71
Share-based payments for the period	35	-	-	35
Transfer from share based payment	(131)	-	-	(131)
Transfer to share premium reserve	131			131
Value of employees	35	-	-	35
Movement in general credit risk reserve	-	-	-	-
Transfer from general credit risk reserve	(14)	-	-	(14)
Transfer to retained earnings	14	-	-	14

Movement in insurance contingency reserve	-	-	-	-
Transfer to insurance contingency reserve	2	-	-	2
Transfer from retained earnings	(2)	-	-	(2)
Share of post-tax results of associates and joint ventures	-	-	-	-
Transfer to associates' and joint ventures' reserve	28	-	-	28
Transfer from retained earnings	(28)	-	-	(28)
Disposal of associates and joint ventures - release of reserves	-	-	-	-
Transfer to associates' and joint ventures' reserve	13	-	-	13
Transfer from retained earnings	(13)	-	-	(13)
Non-controlling interest arising from business combinations	-	67	-	67
Balance at the end of the period	58 288	1 301	4 644	64 233

	Year ended			
	31 December 2011			
	(Audited)			
	Capital and reserves attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	Rm	Rm	Rm	Rm
Balance at the beginning of the year	56 290	1 215	4 644	62 149
Total comprehensive income for the year	9 791	326	284	10 401
Profit for the year	9 674	226	284	10 184
Other comprehensive income	117	100	-	217
Dividends paid during the year	(3 744)	(173)	(284)	(4 201)
Share buy-back in respect of equity-settled share-based payment schemes	(281)	-	-	(281)
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust	28	-	-	28
Elimination of the movement in treasury shares held by Group subsidiaries	166	-	-	166
Movement in the share-based payment reserve	58	-	-	58
Transfer from share based-payment reserve	(174)	-	-	(174)
Transfer to share capital and share premium	174	-	-	174
Value of employee services	58	-	-	58
Movement in general credit risk reserve	-	-	-	-
Transfer from general credit risk reserve	(48)	-	-	(48)
Transfer to retained earnings	48	-	-	48

Movement in insurance contingency reserve	-	-	-	-
Transfer to insurance contingency reserve	19	-	-	19
Transfer from retained earnings	(19)	-	-	(19)
Share of post-tax results of associates and joint ventures	-	-	-	-
Transfer to associates' and joint ventures' reserve	40	-	-	40
Transfer from retained earnings	(40)	-	-	(40)
Disposal of associates and joint ventures - release of reserves	-	-	-	-
Transfer to associates' and joint ventures' reserve	13	-	-	13
Transfer from retained earnings	(13)	-	-	(13)
Increase in the interest of non-controlling equity holders	-	21	-	21
Non-controlling interest arising from business combinations	-	64	-	64
Balance at the end of the year	62 308	1 453	4 644	68 405

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

Note

(1) Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

1. NON-CURRENT ASSETS HELD FOR SALE

The Bank, through its Corporate Real Estate business segment, concluded contracts for the sale of several properties during 2011, with transfer of the properties due to take place in the second half of 2012. Two of the properties situated in Klerksdorp and Amanzimtoti, classified as non-current assets held for sale as at 31 December 2011, remain in this category at the reporting date, pending transfer.

On 30 June 2011, the Group, through its Corporate, Investment Banking and Wealth (CIBW) and Retail and Business Banking (RBB) segments, transferred its investment in Sekunjalo Investments Limited, with a carrying value of R43 million, to non-current assets held for sale. A portion of this investment was subsequently sold in July 2011 and the remaining portion transferred to investment securities.

The Group, through its CIBW segment, also transferred certain investments designated at fair value through profit or loss with a carrying value of R326 million to non-current assets held for sale on 30 June 2011. These investments were subsequently sold in August 2011.

2. LOANS AND ADVANCES TO CUSTOMERS

	30 June			31 December
	2012	2011(1)		2011(1)
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Cheque accounts	36 576	34 823	5	33 398
Corporate overdrafts and specialised finance loans	8 126	8 252	(2)	10 681
Credit cards	22 686	21 408	6	21 579
Foreign currency loans	9 591	5 981	60	9 628
Instalment credit agreements	58 509	56 698	3	57 385
Gross advances	70 157	67 000	5	68 540
Unearned finance charges	(11 648)	(10 302)	(13)	(11 155)
Reverse repurchase agreements	2 045	1 616	27	1 613
Loans to associates and joint ventures	8 718	6 190	41	7 909
Microloans	1 876	2 075	(10)	1 922
Mortgages	287 572	300 558	(4)	292 463
Other advances(2)	3 802	4 715	(19)	4 618
Overnight finance	14 360	8 646	66	12 320
Personal and term loans	29 863	30 364	(2)	29 925
Preference shares	6 873	6 975	(1)	6 958

Wholesale overdrafts	29 093	29 400	(1)	26 656
Gross loans and advances to customers	519 690	517 701	0	517 055
Impairment losses on loans and advances (Refer to note 3)	(13 029)	(13 502)	4	(12 131)
	506 661	504 199	0	504 924

Notes

(1) Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

(2) Include customer liabilities under acceptances, working capital solutions and collateralised loans.

3. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Balance at the beginning of the year	12 131	13 902	(13)	13 902
Amounts written off during the period/year	(2 898)	(3 073)	6	(6 493)
Foreign exchange differences	3	6	(50)	1
Interest on impaired assets (refer to note 8.1)	(548)	(589)	7	(1 173)
	8 688	10 246	(15)	6 237
Impairments raised during the period/year	4 341	3 256	33	5 894
Balance at the end of the period/year	13 029	13 502	(4)	12 131
Comprising:				
Identified impairments	12 284	12 599	(3)	11 306
Unidentified impairments	745	903	(17)	825
	13 029	13 502	(4)	12 131

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

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

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

Note

(1) Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

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

5. DEPOSITS DUE TO CUSTOMERS				
	30 June			31 December
	2012	2011(1)		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Call deposits	47 553	55 206	(14)	55 783
Cheque account deposits	139 671	124 667	12	134 505
Credit card deposits	1 823	1 800	1	1 884
Fixed deposits	122 755	120 620	2	125 273
Foreign currency deposits	9 305	8 549	9	8 947
Notice deposits	47 083	12 133	>100	28 500
Other deposits (2)	2 161	3 672	(41)	2 771
Repurchase agreements with non-banks	12 432	10 044	24	8 734
Savings and transmission deposits	75 097	68 982	9	74 563
	457 880	405 673	13	440 960

Notes

(1)Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

(2)Include partnerships contributions received, deposits due on structured deals, preference investments on behalf of customers and unclaimed deposits

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

7. BORROWED FUNDS

Subordinated callable notes

The subordinated debt instruments listed below qualify as secondary capital in terms of the Banks Act No 94 of 1990 (as amended).

		30 June			31 December
		2012	2011		2011
		(Unaudited)	(Unaudited)	Change	(Audited)
		Rm	Rm	%	Rm
Interest rate	Final maturity date				
8,75%	1 September 2017	1 500	1 500	-	1 500
8,80%	7 March 2019	1 725	1 725	-	1 725
8,10%	27 March 2020	2 000	2 000	-	2 000
10,28%	3 May 2022	600	600	-	600
Three-month JIBAR + 2,10%	3 May 2022	400	400	-	400
CPI-linked notes fixed at the following coupon rates:					
6,25%	31 March 2018	1 886	1 886	-	1 886
6,00%	20 September 2019	3 000	3 000	-	3 000
5,50%	7 December 2028	1 500	1 500	-	1 500
Accrued interest		1 339	1 007	33	1 157
Fair value adjustment		318	168	89	283
		14 268	13 786	3	14 051

8. NET-INTEREST INCOME				
	Six months ended			Year ended
	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
8.1 Interest and similar income				
Interest and similar income is earned from:				
Cash, cash balances and balances with central banks	81	71	14	159
Fair value adjustments on hedging instruments	26	1 049	(98)	1 063
Investment securities	112	194	(42)	390
Loans and advances to banks	391	222	77	991
Loans and advances to customers	22 324	21 622	3	43 852
Cheque accounts	1 427	1 473	(3)	2 947
Corporate overdrafts and specialised finance loans	357	181	97	664
Credit cards	1 592	1 468	8	2 991
Foreign currency loans	124	97	28	177
Instalment credit agreements	2 788	2 822	(1)	5 577
Interest on impaired financial assets (refer to note 3)	548	589	(7)	1 173
Loans to associates and joint ventures	232	207	12	417
Microloans	247	280	(12)	544
Mortgages	10 684	11 038	(3)	22 062
Other advances(1)	666	43	>100	412
Overnight finance	397	345	15	584
Personal and term loans	1 871	1 793	4	3 649
Preference shares	259	307	(16)	619
Wholesale overdrafts	1 132	979	16	2 036
Other interest	184	19	>100	484
Statutory liquid asset portfolio	2 689	1 505	79	4 282
	25 807	24 682	5	51 221

Note

(1) Include items such as interest on factored debtors' books.

	Six month ended			Year ended
	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
8.2 Interest expense and similar charges				
Interest expense and similar charges are paid on:				
Borrowed funds	708	613	15	1 350
Debt securities in issue	4 295	5 009	(14)	9 602
Deposits due to customers	8 900	7 137	25	15 636
Call deposits	1 446	1 568	(8)	3 082
Cheque account deposits	1 610	1 384	16	2 761
Credit card deposits	5	5	0	10
Fixed deposits	3 481	3 439	29	6 315
Foreign currency deposits	40	44	(9)	102
Notice deposits	1 061	205	>100	777
Other deposit due to customers	140	(515)	(39)	494
Savings and transmission deposits	1 117	1 007	11	2 095
Deposits from banks	229	178	29	411
Call deposits	164	160	3	309
Fixed deposits	45	25	80	98
Other	20	(7)	>100	4
Fair value adjustments on hedging instruments	(337)	9	>(100)	(472)
Interest incurred on finance leases	30	46	(35)	85
Other interest	73	68	7	180
	13 898	13 060	6	26 792

9. NON-INTEREST INCOME	Six months ended			Year ended
	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
9.1 Fee and commission income				
Asset management and other related fees	34	37	(8)	81
Consulting and administration fees	257	285	(10)	520
Credit-related fees and commissions	6 125	5 850	5	12 051
Cheque accounts	1 790	1 633	10	3 334
Credit cards (1)(2)	224	235	(5)	473
Electronic banking	1 996	1 966	2	4 095
Other credit-related fees and commission (3)	892	870	3	1 762
Savings accounts	1 223	1 146	7	2 387
Insurance commission received	452	503	(10)	901
Merchant income (2)	948	838	13	1 806
Other fees and commission	80	128	(38)	256
Pension fund payment services (4)	122	239	(49)	484
Project finance fees	104	85	22	222
Trust and other fiduciary services	663	535	24	1 101
Portfolio and other management fees(3)	546	414	32	849
Trust and estate income	117	121	(3)	252
	8 785	8 500	3	17 422
9.2 Fee and commission expense				
Cheque processing fees	(81)	(85)	5	(171)
Insurance commission paid	(445)	(438)	(2)	(877)
Other fee and commission expense(6)	(393)	(263)	(49)	(659)
Transaction-based legal fees	(158)	(100)	(58)	(229)
Trust and other fiduciary service fees (6)(7)	(108)	(25)	>(100)	(51)
Valuation fees	(58)	(70)	17	(142)
	(1 243)	(981)	(27)	(2 129)
Net fee and commission income	7 542	7 519	0	15 293

Included above are net fees and commissions linked to financial instruments not at fair value to the value of R3 830 million (30 June 2011: R3 562 million; 31 December 2011: R6 940 million).

Notes

(1) Includes acquiring and issuing fees.

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

(4) Includes service, credit-related fees and commissions on mortgage loans and foreign exchange transactions.

(5) During the current reporting period, net fee and commission income in AllPay reduced significantly. A review of this business will take place during the second half of 2012.

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

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

	Six month ended 30 June			Year ended 31 December
	2012	2011(1)		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
9.3. Gains and losses from banking and trading activities				
Net gains on investments (2)	151	187	(19)	437
Debt instruments designated at fair value through profit or loss	71	66	8	215
Equity instruments designated at fair value through profit or loss	85	139	(39)	242
Available-for-sale unwind from reserves	(5)	(18)	72	(20)
Net trading result (3)(4)	1 645	1 412	17	2 271
Net trading income excluding the impact of hedge accounting (5)(6)	1 625	1 408	15	2 245
Ineffective portion of hedges	20	4	>100	26
Cash flow hedges	19	25	(24)	33
Fair value hedges	1	(21)	>100	(7)
Other (7)	72	(89)	>100	(114)
	1 868	1 510	24	2 594

Notes

(1) During the second half of the prior year, the presentation of gains and losses from banking and trading activities was amended to align with market practice and

improve the quality of disclosure to the market. This resulted in a reclassification of 30 June 2011 comparatives information. These reclassifications are unaudited.

(2)In order to provide for improved disclosure, revaluations between debt and equity instruments have reclassified and disclosed separately.

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

(4)'Net trading result' comprises 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.

(5)The net trading income of R1 625 million (30 June 2011: R1 408 million; 31 December 2011: R2 245 million), consist of the following:

- Losses on financial instruments designated at fair value through profit or loss of R444 million (30 June 2011: gain of R45 million; 31 December 2011: loss of R839 million).
- Gains on financial instruments held for trading of R2 069 million (30 June 2011: R1 363 million; 31 December 2011 R3 084 million).

(6)Net losses on financial instruments designated at fair value through profit or loss consist of:

- Net gains of R310 million (30 June 2011: R245 million; 31 December 2011: R503 million) on financial assets designed at fair value through profit or loss.
- Net losses of R754 million (30 June 2011: R200 million; 31 December 2011: R1 342 million) relating to financial liabilities designated at fair value through profit or loss.

(7)'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:

- Losses on financial instruments designated at fair value through profit or loss of R24 million (30 June 2011: R175 million; 31 December 2011: R33 million).
- Gains on financial instruments held for trading of R96 million (30 June 2011: gains of R86 million; 31 December 2011: Losses of R81 million).

	Six months ended			Year ended
	30 June			31 December
	2012	2011(1)		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
9.4 Gains and losses from investment activities				
Available-for-sale unwind from reserves	1	0	>100	1
Net gains on investments from insurance activities (2)(3)(4)	601	227	>100	886
Policyholder - investment contracts	361	87	>100	511
Policyholder - insurance contracts	125	54	>100	173
Shareholder funds	115	86	34	202
Other (5)	39	37	5	79
	641	264	>100	966

Notes

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

(2)'Net gains on investments from insurance activities' comprise cash, debt and equity instruments designated at fair value through profit or loss as well as gains or losses from instruments held for trading.

(3)'Net gains on investments from insurance activities' of R601 million (30 June 2011: R227 Million; 31 December 2011: R886 million) consist of the following:

- Gains on financial instruments designated at fair value through profit or loss of R601 million (30 June 2011: R221 million; 31 December 2011: R880 million).
- Gains on financial instruments held for trading of Rnil (30 June 2011: R6 million; 31 December 2011: R6 million).

(4)Includes treasury share held by Group subsidiaries, which are eliminated on consolidation.

(5)'Other' includes gains and losses from instruments designated at fair value through profit or loss.

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

Notes

(1) Includes fraud losses, travel and entertainment costs and collection fees.

(2) Property costs were previously disclosed as part of 'Other operating expenses' and is now disclosed separately. This resulted in a reclassification of 30 June 2011 comparative information. These reclassifications are unaudited.

(3) Includes recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.

	Six months ended			Year ended
	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
10.2 Other impairments				
Financial instruments	9	2	>100	5
Amortised cost	9	2	>100	5
Other	2	35	(94)	47
Goodwill	18	-	100	28
Investments in associates and joint ventures	-	-	-	(2)
Repossessed properties	(16)	35	>(100)	21
	11	37	(70)	52

11. HEADLINE EARNINGS							
	Six months ended					Year ended	
	30 June					31 December	
	2012		2011			2011	
	(Unaudited)		(Unaudited)			(Audited)	
	Gross	Net	Gross	Net	Change	Gross	Net
	Rm	Rm	Rm	Rm	%	Rm	Rm
Headline earnings (1) are determined as follows:							
Profit attributable to ordinary equity holders of the Group		4 189		4 581	(9)		9 674
Total headline earnings adjustments:		143		14	>100		45
IFRS 3 – Goodwill impairment	18	18	–	–	100	28	28
IAS 16 – (Profit)/loss on disposal of property and equipment	(40)	(33)	2	1	>(100)	(33)	(30)
IAS 28 and 31 – Share of post- tax results of associates and joint ventures	–	–	(0)	(0)	100	(0)	(0)
IAS 28 and 31 – Impairment reversal of investments in associates and joint ventures	–	–	–	–	–	(2)	(1)
IAS 36 – Impairment of subsidiary	1	1	–	–	100	–	–
IAS 38 – Loss on disposal of intangible assets	–	–	–	–	–	2	1
IAS 39 – Release of available-for-sale reserves	5	3	18	13	(77)	20	14
IAS 40 – Change in fair value of investment properties	154	154	–	–	100	39	33
Headline earnings / diluted headline earnings		4 332		4 595	(6)		9 719
Headline earnings per share (cents)		603,8		641,3	(6)		1 355,9
Diluted headline earnings per share (cents)		602,3		638,5	(6)		1 350,0

Note

(1) The net amount is reflected after taxation and non-controlling interest.

12. DIVIDENDS PER SHARE				
	Six months ended			Year ended
	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	Audited
	Rm	Rm	%	Rm
Dividends paid to ordinary equity holder during the period/year				
10 February 2012 final dividend number 51 of 392 cents per ordinary share (15 February 2011: 230 cents)	2 815	1 652	70	1 652
2 August 2011 interim dividend number 50 of 292 cents per ordinary share	-	-	-	2 098
Dividends paid on treasury shares held by Absa Group subsidiaries	-	(2)	100	(6)
	2 815	1 650	71	3 744
Dividends paid to ordinary equity holders relating to income for the period/year				
27 July 2012 interim dividend number 52 of 315 cents per ordinary share (2 August 2011: 292 cents)	2 265	2 098	8	2 098
10 February 2012 final dividend number 51 of 392 cents per ordinary share	-	-	-	2 815
Dividends paid on treasury shares held by Absa Group subsidiaries	-	-	-	(2)
	2 265	2 098	8	4 911
Dividends paid to non-controlling preference equity holders during the period/year				
10 February 2012 final dividend number 12 of 2 827,2 cents per preference share (15 February 2011: 2 887,6 cents)	140	143	(2)	143
2 August 2011 interim dividend number 11 of 2 858,3 cents per preference share	-	-	-	141
	140	143	(2)	284

Dividends paid to non-controlling preference equity holders relating to income for the period/year				
27 July 2012 interim dividend number 13 of 3 134,7 cents per preference share (2 August 2011: 2 858,3 cents)	155	141	10	141
10 February 2012 final dividend number 12 of 2 827,2 cents per preference share	-	-	-	140
	155	141	10	281

Notes

(1) In 2007, the Minister of Finance announced a two-phase approach to STC reform, which included the reduction of the STC tax rate to 10% and the replacement of STC with a new dividend tax on shareholders (dividend tax). On 1 April 2012 dividend tax came into effect and the tax ceased to be levied at a company level, and is now levied on the shareholders who receive the dividends.

(2) Unutilised STC credits at the end of December 2011 were utilised against the STC payable on the final dividend declared in February 2012. Deferred tax assets relating to unutilised STC credits up to 31 March 2012 have be utilised.

13. ACQUISITIONS AND DISPOSALS

The following interests were acquired of during the current period/year:

Subsidiaries

Absa Financial Services cluster obtained regulatory approval to start a new life insurance business in Zambia through its subsidiary Absa Financial Services Africa Holdings (Pty) Ltd. Absa Financial Services Africa Holding (Pty) Ltd paid R15 million in ordinary share capital during May 2012 for the startup company, Barclays Life Zambia (Pty) Ltd. Ten employees were engaged by the company to start up operations. Trading operations are expected to commence in August 2012. No accounting entries have been recorded in the books of Barclays Life Zambia (Pty) Ltd, a subsidiary of Absa Financial Services Africa Holding (Pty) Ltd as at 30 June 2012. An accrual for staff costs has been recognised in Absa Financial Services Africa Holding (Pty) Ltd's books for the work performed by the ten employees as at 30 June 2012.

Business combination

On 1 September 2011 Absa Financial Services Africa Holdings (Pty) Ltd (AFSAH) acquired 100% of the share capital of Global Alliance Seguros S.A. (GA) for a purchase price of R129 million. The purchase price was subject to a guaranteed net asset value of $11 million and a due diligence investigation at the acquisition date. The due diligence highlighted a shortfall in the actual net asset value and AFSAH and the seller subsequently entered into negotiations and further investigation to resolve the differences. The seller accepted the outcome of the due diligence and consequently the final purchase price was settled at R129 million. The difference between the initial purchase price paid of R156 million and the final purchase price of R129 million was kept in an escrow account and refunded to Absa at the end of May 2012. The acquisition price of R129 million is represented by net assets of R54 million, goodwill of R24 million and other intangible assets net of deferred tax of R51 million. No material adjustments were recognised in 2012 to the initial accounting.

Transfer

Absa Bank Ltd through its Commercial Property Finance (CPF) division, sold all of its Class C units (effectively 65,5%) in the Absa Property Equity Fund (APEF) to Absa Financial Services (AFS) on 28 June 2012. At the Absa Bank level, there is a disposal of a business, while AFS will recognise an acquisition of a business. From an Absa Group consolidated perspective, there is no change in the accounting and presentation with no impact on the Absa Group's reported profits. The transfer resulted in net assets of R340 million being transferred between the two segments.

Associates and joint ventures

There were no entities that were acquired or disposed of during the reporting period.

14. RELATED PARTIES

The Group's ultimate parent company is Barclays Bank PLC, which owns 55,5% (June and December 2011: 55,5%) of the ordinary shares in Absa Group Limited. The remaining 44,5% (30 June and 31 December 2011: 44,5%) of the shares are widely held on the JSE.

The following are defined as related parties of the Group:

- key management personnel;
- the ultimate parent company;
- the parent company;
- fellow subsidiaries;
- subsidiaries;
- associates, joint ventures and retirement benefit funds;
- an entity controlled/jointly controlled or significantly influenced by any individual referred to above;
- post-employment benefit plans for the benefit of employees or any entity that is a related party of the Group; and
- children and/or dependants and spouses or partners of the individuals referred to above.

IAS 24 requires the identification of key management personnel, who are individuals responsible for planning, directing and controlling the activities of the entity, including directors. Key management personnel are defined as executive and non executive directors and members of the Executive Committee (Exco).

Balances and transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
14.1 Balances and transactions with the ultimate parent company				
Balances				
Loans and advances to banks	35 795	20 072	78	41 065
Derivative assets	12 685	7 155	77	10 255
Nominal value of derivative assets	694 589	389 430	78	637 611
Other assets	4 025	1 075	>100	338
Investment securities	584	435	34	499
Deposits from banks	(8 391)	(5 003)	(68)	(5 784)
Derivative liabilities	(12 299)	(5 739)	>(100)	(10 488)
Nominal value of derivative liabilities	(552 403)	(320 593)	(72)	(462 870)
Other liabilities	(3 510)	(1 783)	(97)	(1 167)

Transactions				
Interest and similar income	(82)	(82)	(0)	(111)
Interest and similar expense	51	32	59	67
Net fee and commission income	(9)	(10)	10	(17)
Gains and losses from banking and trading activities	(152)	(68)	>(100)	(136)
Other operating income	(23)	(125)	>100	(152)
Operating expenditure	(28)	(76)	>100	(115)
Dividends paid	1 563	917	70	2 082

Trade balances must be settled in accordance with market conventions applicable to the underlying transaction. Non-trade balances must be settled by the close of the month immediately following the month in which the transaction occurred. Further, settlement must be in the currency required by the ultimate parent company. In exceptional cases it may be impractical or inefficient to settle balances monthly. In such cases, the unsettled balances must be explicitly agreed monthly in writing, and full settlement must be made at least quarterly.

There were no bad debt expenses and provisions for bad debts that related to balances and transactions with the ultimate parent company.

Note

(1) Debit amounts are shown as positive; credit amounts are shown as negative.

	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
14.2 Balances and transactions with fellow subsidiaries, associates and joint ventures of the ultimate parent company (1)(2)				
Balances				
Loans and advances to banks	47	401	>(100)	(188)
Derivative assets	195	52	>100	0
Nominal value of a derivative assets	4 375	368	>100	608
Other assets	83	0	100	1
Deposits from banks	(764)	(194)	>(100)	(559)
Derivative liabilities	7	(21)	>100	(72)
Nominal value of derivative liabilities	948	(3 092)	>(100)	(1 441)
Other liabilities	(120)	(13)	>(100)	(52)
Transactions				
Interest and similar income	-	-	-	(2)
Net fee and commission income	(4)	-	(100)	(12)

Operating expenditure	72	51	41	152

Notes

(1) Debit amounts are shown as positive; credit amounts are shown as negative.

(2) Fellow subsidiaries, associates and joint ventures are those entities of Barclays Bank PLC.

15. ASSETS UNDER MANAGEMENT AND ADMINISTRATION				
	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Alternative asset management and exchange-traded funds	36 773	28 886	27	30 486
Deceased estates	2 258	2 230	1	2 166
Other	11 155	9 933	12	10 505
Participation bond schemes	2 533	2 335	8	2 544
Portfolio management	28 161	25 837	9	26 792
Private equity	762	701	9	728
Trusts	7 014	6 592	6	6 720
Unit trusts	134 591	128 795	5	133 245
	223 247	205 309	9	213 186
16. FINANCIAL GUARANTEE CONTRACTS				
Financial guarantee contracts(1)	157	384	(59)	356
17. COMMITMENTS				
Authorised capital expenditure				
Contracted but not provided for(2)	970	798	22	283
Operating lease payments due(3)				
No later than one year	1 048	1 054	(1)	1 106
Later than one year and no later than five years	1 899	2 064	(8)	2 136
Later than five years	382	489	(22)	585
	3 329	3 607	(8)	3 827
18. CONTINGENCIES				
	Six months ended			Year ended
	30 June			31 December
	2012	2011		2011
	(Unaudited)	(Unaudited)	Change	Audited
	Rm	Rm	%	Rm
Guarantees(4)	14 158	12 198	16	13 226
Irrevocable debt facilities(5)	44 842	23 106	94	46 189
Irrevocable equity facilities(5)	538	679	(21)	494
Letters of credit	5 513	4 189	32	5 190
Other contingencies	4	11	(64)	10
	65 055	40 183	62	65 109
Notes				

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

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

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

(4) Guarantees include performance and payment guarantee contracts.

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

19. SEGMENT PERFORMANCE

	Six months ended			Year ended
	30 June			31 December
	2012	2011(1)		2011(1)
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
19.1 Condensed consolidated profit contribution by segment				
RBB	1 770	2 618	(32)	6 053
Retail Markets	1 368	1 787	(23)	4 243
Home Loans	(623)	33	>(100)	516
Vehicle and Asset Finance	308	181	70	403
Card	904	811	11	1 758
Personal Loans	253	303	(17)	720
Retail Bank	459	291	59	505
AllPay	67	168	(61)	341
Business Markets	402	831	(52)	1 810
CIBW	1 352	1 190	14	2 231
Corporate centre and Chief Operating Office	374	416	(10)	(15)
Capital and funding centres	156	(144)	>100	315
Non-controlling interest – preference shares (2)	(140)	(143)	2	(283)
Total banking	3 512	3 937	(11)	8 301
Financial Services	677	644	5	1 373
Profit attributable to ordinary equity				

holders of the Group(3)	4 189	4 581	(9)	9 674
Headline earnings adjustments	143	14	>100	45
Headline earnings	4 332	4 595	(6)	9 719

Notes

(1)Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

(2) Includes the elimination of non-controlling interest- preference shares of Retail Markets.

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

	Six months ended			Year ended
	30 June			31 December
	2012	2011(1)		2011(1)
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
19.2 Condensed consolidated total revenue (2) contribution by segment				
RBB	16 503	16 417	1	33 514
Retail Markets	12 078	11 896	2	24 334
Home Loans	2 049	2 030	1	4 129
Vehicle and Asset Finance	1 101	1 121	(2)	2 224
Card	2 616	2 390	9	4 970
Personal Loans	991	1 053	(6)	2 108
Retail Bank	5 161	5 010	3	10 302
AllPay	160	292	(45)	601
Business Markets	4 425	4 521	(2)	9 180
CIBW	4 286	3 919	9	7 822
Corporate centre and Chief Operating Office	(238)	40	>(100)	(198)
Capital and funding centres	560	12	>100	679
Total banking	21 111	20 388	4	41 817
Financial Services	1 972	1 914	3	4 015
Total revenue	23 083	22 302	4	45 832

Notes

(1) Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassifications note 21.

(2)Revenue includes net interest income and non-interest income.

	30 June			31 December
	2012	2011(1)		2011(1)
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
19.3 Condensed consolidated internal revenue (2) contribution by segment				
RBB	(5 544)	(6 096)	9	(11 727)
Retail Markets	(5 337)	(5 529)	3	(10 934)
Home Loans	(6 285)	(6 427)	2	(12 887)
Vehicle and Asset Finance	(1 245)	(1 211)	(3)	(2 435)
Card	(377)	(321)	(17)	(634)
Personal Loans	(279)	(284)	2	(569)
Retail Bank	2 838	2 697	5	5 554
AllPay	11	17	(35)	37

Business Markets	(207)	(567)	63	(793)
CIBW	5 587	6 495	(14)	12 691
Corporate centre and Chief Operating Office	224	297	(25)	607
Capital and funding centres	(59)	(510)	88	(1 170)
Total banking	208	186	(33)	401
Financial Services	(208)	(186)	(12)	(401)
Internal revenue	-	-		-

Notes

(1) Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

(2) Revenue includes net interest income and non-interest income.

	Six months ended			Year ended
	30 June			31 December
	2012	2011(1)		2011(1)
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
19.4 Condensed consolidated total assets by segment				
RBB	589 239	564 097	4	579 965
Retail Markets	477 195	462 433	3	469 278
Home Loans	229 609	244 208	(6)	239 566
Vehicle and Asset Finance	48 637	45 332	7	46 500
Card	30 893	27 782	11	29 456
Personal Loans	12 960	13 585	(5)	13 494
Retail Bank	154 886	130 179	19	139 762
AllPay	210	1 347	(84)	500
Business Markets	112 044	101 664	10	110 687
CIBW	479 809	431 252	11	466 840
Corporate centre and Chief Operating Office	(381 889)	(375 999)	(2)	(369 695)
Capital and funding centres	95 177	80 485	18	83 966
Total banking	782 336	699 835	12	761 076
Financial Services	26 470	23 426	13	25 643
Total assets	808 806	723 261	12	786 719

Note

(1) Comparatives have been reclassified. These reclassifications are unaudited. Refer to the reclassification note 21.

20. FAIR VALUE HIERARCHY DISCLOSURES

20.1 Significant transfers of financial instruments between levels

No significant transfers between levels took place during the current reporting period.

	Six months ended 30 June 2011		
	Valuations with reference to observable prices	Valuations based on observable inputs	Valuations based on unobservable inputs
	Level 1	Level 2	Level 3
	Rm	Rm	Rm
Financial liabilities designated at fair value through profit and loss	-	655	(655)
Deposit due to customers	-	655	(655)
Total financial liabilities	-	655	(655)

	Year ended 31 December 2011		
	Valuations with reference to observable prices	Valuations based on observable inputs	Valuations based on unobservable inputs
	Level 1	Level 2	Level 3
	Rm	Rm	Rm
Financial liabilities designated at fair value through profit and loss	-	655	(655)
Deposits due to customers	-	655	(655)
Total financial liabilities	-	655	(655)

21. RECLASSIFICATIONS

21.1 Statement of financial position reclassifications

Some items within the statement of financial position as at 30 June 2011 and 31 December 2011 were reclassified:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2011		
		(Unaudited)		
		As previously reported	Reclassifications	Reclassified
		Rm	Rm	Rm
Assets				
Cash, cash balances and balances with central banks	(1)	25 814	(1 198)	24 616
Loans and advances to banks	(2)	30 911	175	31 086
Other assets	(2)	16 449	(1 571)	14 878
Loans and advances to customers	(2)(3)	495 460	8 739	504 199
Investment securities	(1)	21 100	1 198	22 298
Liabilities				
Deposits due to customers	(3)	398 330	7 343	405 673

Notes

(1) Money market instruments

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

(2) Initial margin

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

(3) Certain customers within the Group have agreements in place whereby interest receivable or payable is calculated on the net balances of the cheque deposits and

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

	31 December 2011		
	As previously reported	Reclassifications(1)	Reclassified
	(Audited)	(Unaudited)	(Unaudited)
	Rm	Rm	Rm
Assets			
Loans and advances to banks	57 432	67	57 499
Other assets	16 219	(1 488)	14 731
Loans and advances to customers	503 503	1 421	504 924

Note

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

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

Profit and dividend announcement

Salient features

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

Overview of results

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

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

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

Operating environment

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

Group performance

Statement of financial position

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

Loans and advances to customers

Absa’s loans and advances to customers grew marginally to R506,7 billion (June 2011: R504,2 billion), despite retail mortgage loans and commercial property finance decreasing 3% and 9% respectively. Retail Markets’ loans and advances decreased 1%, as lower mortgages outweighed 6% growth in credit cards and 4% in vehicle finance. Improving new retail volumes, particularly mortgages, should become evident in the second half of 2012. The acquisition of Edcon’s private label store card book of approximately R10 billion should be completed in 2012, subject to Competition Commission approval. Business Markets’ loans declined 2%, due to lower commercial property finance. CIBW loans grew 10%, as overnight finance and foreign currency loans rose 72% and 67% respectively.

Deposits due to customers

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

Net asset value

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

Capital to risk-weighted assets

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

Statement of comprehensive income

Net interest income

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

Credit losses

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

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

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

(June 2011: 7,6%), as inflows slowed. Loans subject to debt counselling grew to R4,5 billion from R3,4 billion last December.

Non-interest income

Non-interest income increased 5% to R11 174 million (June 2011: R10 680 million). Net fee and commission income rose 0,3%, as 27% higher fee and commission expenses offset 8% growth in cheque and savings accounts fees and a 13% increase in merchant income. Retail net fee and commission income grew 2%, dampened by lower electronic banking revenue and a R95 million reduction in AllPay revenue following its loss of a government tender. Business Markets' net fee and commission income increased 12%. Its equities revaluations were negative R150 million. Financial Services net revenue grew 3%, driven by 11% growth in net insurance premium income, despite low loan volumes and higher agriculture claims. CIBW's non-interest income increased 19%, reflecting private equity revaluations, which remain small in a group context, and 21% higher trading revenue.

Operating expenses

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

Taxation

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

Segment performance

Retail Markets

Headline earnings fell 24% to R1 368 million (June 2011: R1 789 million), due to 37% higher credit impairments of R3,2 billion. However, pre-provision profits grew 3% to R5,4 billion, as 2% revenue growth exceeded flat costs. Retail Markets' cost-to-income ratio improved to 55,4% from 56,0%. Excluding AllPay's lower contribution, non-interest revenue grew 7%. A R2,4 billion credit impairment produced a R0,6 billion loss in Home Loans, despite 10% lower costs and a wider margin. Vehicle and Asset Finance earnings grew 70%, due to far lower credit impairments and flat costs. Card earnings increased 11% to R0,9 billion, a fifth of Group earnings. Personal Loans earnings declined 17%, reflecting lower loans and revenue, plus an expected increase in credit impairments. Retail Markets' return on regulatory capital (RoRC) decreased to 17,3% from 22,3%. Absa maintained its leading share of retail deposits, customers, branches and ATMs.

Business Markets

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

Financial Services

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

CIBW

Headline earnings grew 14% to R1 352 million (June 2011: R1 190 million). Revenue increased 10% to R4,3 billion, with growth across all business units. Markets revenue increased 8% to R1,8 billion due to 15% growth in foreign exchange and commodities, 38% in Africa trading and 19% in equities and prime services. Fixed income and credit trading revenue declined 4% off a high base. Corporate Products revenue increased 5% to R1,3 billion, a stable performance following integration into CIBW. Investment Banking revenue also grew 7%, with 13% growth in the margin business offset by a 21% decline in the fee business. Private Equity and Infrastructure revenue improved to R232 million, reflecting revaluations on improved underlying earnings. Absa Wealth's net revenue increased 15% mainly as a result of strong non-interest revenue growth and lower impairments. Operating expenses growth was contained to 4%, which improved CIBW's cost-to-income ratio to 54,7% from 57,4%. CIBW's RoRC improved to 21,7% from 20,7%.

Prospects

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

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

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

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

Basis of presentation

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

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

Accounting policies

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

Reclassifications

- During the second half of the prior year, the Group reclassified certain money market assets linked to investment contracts, with longer-term maturities, from 'Cash, cash balances and balances with central banks' to 'Investment securities', to reflect the true nature of these assets. 'Cash, cash balances and balances with central banks' should comprise cash on hand and demand deposits which the Group expects to be realised within 12 months after the reporting date. This has resulted in comparatives being reclassified for 30 June 2011 (cash, cash balances and balances with central banks (R1 198 million) and investment securities R1 198 million).
- During the reporting period, the Group reclassified certain initial margins placed as collateral which was previously disclosed as 'Other assets' to 'Loans and advances to banks' and 'Loans and advances to customers' to reflect the true nature of these trades as collateralised loans. This has resulted in comparatives being reclassified for 30 June 2011 (loans and advances to banks R175 million, other assets (R1 571 million) and loans and advances to customers R1 396 million) and 31 December 2011 (loans and advances to banks R67 million, other assets (R1 488 million) and loans and advances to customers R1 421 million).
- Certain customers within the Group have agreements in place whereby interest receivable or payable is calculated on the net balances of the cheque deposits and cheque advances. During the second half of the prior year, the Group identified that the related cheque account balances owed or receivable were also being reported on a net basis. All balances within this portfolio were reassessed for appropriate presentation in terms of IAS 32 and the Group's stated accounting policies, taking into account contractual arrangements and current business practice applied to these accounts. As a result, certain assets and liabilities relating to these cheque accounts were reclassified so that these are presented on a gross basis. This has resulted in comparatives being reclassified for 30 June 2011 (loans and advances to customers R7 343 million and deposits due to customers (R7 343 million)).

Events after the reporting period

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

Declaration of interim ordinary dividend number 52

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

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

- The dividend has been declared out of income reserves.
- The local dividends tax rate is 15% (fifteen per centum).
- The gross local dividend amount is 315 cents per ordinary share for shareholders exempt from the dividends tax.
- The net local dividend amount is 268 cents per ordinary share for shareholders liable to pay the dividends tax;
- The local dividend withholding tax amount is 47 cents per ordinary share for shareholders liable to pay the dividend withholding tax.
- Absa Group currently has 718 210 043 ordinary shares in issue (includes 988 870 treasury shares).
- Absa Group's income tax reference number is 9150116714.

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

Last day to trade cum dividend	Friday, 31 August 2012
Shares commence trading ex dividend	Monday, 3 September 2012
Record date	Friday, 7 September 2012
Payment date	Monday, 10 September 2012

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

On Monday, 10 September 2012, the dividend will be electronically transferred to the bank accounts of certificated shareholders who use this facility. In respect of those who do not, cheques dated 10 September 2012 will be posted on or about that date. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will be credited on Monday, 10 September 2012.

On behalf of the board

NR Drutman
Company Secretary
Johannesburg

27 July 2012

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

Administrative information

Absa Group Limited

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, YZ Cuba,

SA Fakie, G Griffin (Group Chairman),

MJ Husain, PB Matlare,

TM Mokgosi-Mwantembe,

TS Munday, SG Pretorius,

BJ Willemse

Group non-executive directors

AP Jenkins[1], R Le Blanc[1],

EC Mondlane Jr[2], IR Ritossa[3]

Group executive directors

DWP Hodnett (Group Financial Director), M Ramos (Group Chief Executive),

LL von Zeuner (Deputy Group Chief Executive)

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

Transfer secretaries

South Africa

Computershare Investor Services

Proprietary Limited

70 Marshall Street

Johannesburg, 2001

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Telephone: (+27 11) 370 5000

Telefax: (+27 11) 370 5271/2

ADR depositary

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Telephone: +1 212 815 2248

Lead Independent Sponsor
J P Morgan Equities Limited
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Illovo, Johannesburg, 2196
Postal address: Private Bag X9936
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Joint Sponsor
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15 Alice lane
Sandton, 2196
Postal address: Private Bag X10056
Sandton, 2146
Telephone: (+2711) 506 7951/(+2711) 895 6821
Telefax: (+2711) 895 7809

Auditors
PricewaterhouseCoopers Inc.
Ernst & Young Inc.

Shareholder contact information
Shareholder and investment queries about the
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Company Secretary
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Other Contacts
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Group Finance
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