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 INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

CONSOLIDATED SALIENT FEATURES

	30 June			31 December
	2011	2010(1)	Change	2010(1)
	(Unaudited)	(Unaudited)	%	(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				
Total Group	4,05	3,89		4,01
Retail and Commercial	3,61	3,53		3,38

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	292	225	30	455
Dividend cover (times)	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)				
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 the "Reclassifications" section.

(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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June			31 December
		2011	2010(1)		2010(1)
		(Unaudited)	(Unaudited)	Change	(Audited)
		Rm	Rm	%	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	1	369	-	100	-
Loans and advances to customers	2	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		398 330	359 943	11	378 111
Debt securities in issue		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	3	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	1 434	1 433	0	1 433
Share premium	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 “Reclassifications” section.

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. 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.

2. NON-PERFORMING ADVANCES

	30 June 2011			
	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
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			

	30 June 2010			
	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
2. NON-PERFORMING ADVANCES (continued)				
Cheque accounts	172	93	79	79
Credit cards(1)	3 113	627	2 486	2 486
Instalment credit agreements(2)	2 709	1 623	1 086	1 086
Microloans(3)	341	64	277	277
Mortgages	25 717	20 868	4 849	4 849
Personal loans(4)	1 149	413	736	736
Retail Banking	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(3)(5)	5 283	3 543	1 740	1 740
Absa Capital(5)	419	83	336	336
Non-performing advances	38 903	27 314	11 589	11 589
Non-performing advances ratio (%)	7,6			

Notes

Comparatives have been reclassified for the following structure changes made during the period under review:

(1)Debit Card was moved within Retail Banking from Retail Bank to Card.

(2)Absa Technology Finance Solutions was moved from Vehicle and Asset Finance within Retail Banking to Absa Business Bank.

(3)Absa Development Company Holdings Proprietary Limited and Absa Development Company division were moved from Absa Business Bank to Retail Bank within Retail Banking.

(4)Personal loan centres were moved within Retail Banking from Personal Loans to Retail Bank.

(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.

	31 December 2010			
	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
2. NON-PERFORMING ADVANCES (continued)				
Cheque accounts	220	110	110	110
Credit cards(1)	2 822	797	2 025	2 025
Instalment credit agreements(2)	3 058	1 776	1 282	1 282
Microloans(3)	445	84	361	361
Mortgages	25 642	20 740	4 902	4 902
Personal loans(4)	1 413	442	971	971
Retail Banking	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(3)(5)	5 492	3 669	1 823	1 823
Absa Capital(5)	549	208	341	341
Non-performing advances	39 641	27 826	11 815	11 815
Non-performing advances ratio (%)	7,7			

Notes

Comparatives have been reclassified for the following structure changes made during the period under review:

(1)Debit Card was moved within Retail Banking from Retail Bank to Card.

(2)Absa Technology Finance Solutions was moved from Vehicle and Asset Finance within Retail Banking to Absa Business Bank.

(3)Absa Development Company Holdings Proprietary Limited and Absa Development Company division were moved from Absa Business Bank to Retail Bank within Retail Banking.

(4)Personal loan centres were moved within Retail Banking from Personal Loans to Retail Bank.

(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.

	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
3. 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).				
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 3 May 2022 JIBAR + 2,10%	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
Portfolio analysis				
Financial liabilities designated at fair value through profit or loss	750	731	3	739
Financial liabilities held at amortised cost	7 623	7 699	(1)	7 440
Amortised cost financial liabilities held in a fair value hedging relationship	5 413	4 929	10	5 470
	13 786	13 359	3	13 649

	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
4. Assets under management and administration(3)				
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
5. FINANCIAL GUARANTEE CONTRACTS				
Financial guarantee contracts	384	614	(37)	599
6. COMMITMENTS				
Authorised capital expenditure				
Contracted but not provided for(1)	798	1 055	(24)	1 061
Operating lease payments due(2)				
No later than one year	1 054	1 126	(6)	1 066
Later than one year and no later than five years	2 064	2 135	(3)	2 059
Later than five years	489	351	39	482
	3 607	3 612	(0)	3 607

Notes

(1)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.

(2)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.

(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.

7. CONTINGENCIES				
Guarantees(1)	12 198	11 637	5	11 051
Irrevocable debt facilities(2)	23 106	40 586	(43)	46 495
Irrevocable equity facilities(2)	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)Guarantees include performance guarantee and payment guarantee contracts.

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

8. ACQUISITIONS AND DISPOSALS OF BUSINESSES

8.1 Acquisition of business during the current period under review

8.1.1 On 1 June 2011, the Group acquired 76% of the units in Absa Property Equity Fund (APEF) and, as a result, has taken on a majority share of the risks and rewards of the fund. APEF operates as a special purpose entity specifically for the investment in community upliftment projects and is consolidated in terms of SIC 12. The fund was previously consolidated under SIC 12 when the Group held between 75% and 93% of the units (depending on the total units in issue at a specific point in time).

Details of the net assets acquired and gain on bargain purchase are as follows:	Group June 2011 Fair value recognised on acquisition Rm
Cash, cash balances and balances with central banks	0
Other assets	1
Investments	277
Other liabilities	0
Non-controlling interest	(67)
Net assets acquired	211
Satisfied by:	
Cash outflow on acquisition	211
Fair value of net assets acquired	(211)
Gain on bargain purchase	-
Net cash outflow due to acquisition	211
Total cash and cash equivalents acquired	0

8. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)

8.2 Acquisitions of businesses during the previous period/year

8.2.1 On 30 June 2010, the Virgin Money South Africa Proprietary Limited (VMSA) joint venture arrangement was terminated. This was based on a contractually agreed arrangement whereby, depending on the financial performance of the joint venture, its future existence will be determined. Due to the underperformance of the joint venture the arrangement was terminated and the Group acquired the underlying business. The termination resulted in the Group selling its 50% interest in VMSA for R1, while acquiring VMSA’s credit card and home loan business for R1. VMSA’s credit card and home loan business contributed a net profit before tax of R40 million and revenue of R57 million to the Group for the period from 30 June 2010 to 31 December 2010. If the acquisition occurred on 1 January 2010, the Group’s revenue would have been R116 million higher and the net profit before tax for the year would have been R21 million higher.

Details of the net assets acquired and gain on bargain purchase are as follows:	Group December 2010 Fair value recognised on acquisition Rm
Intangible assets	3
Other liabilities	(1)
Deferred tax liabilities	(1)
Net assets acquired	1
Satisfied by:	
Fair value of net assets acquired	(1)
Gain on bargain purchase	(1)

This bargain purchase gain arose primarily due to the underperformance of the underlying VMSA credit card and home loan portfolio. Any transaction costs associated with the transaction were expensed when incurred. No contingent liabilities were recognised as a result of the acquisition and no contingent consideration is payable. No identifiable assets were identified of which the fair values could not be reliably measured. No material receivables were acquired as part of the transaction.

8. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)

8.2 Acquisitions of businesses during the previous period/year (continued)

8.2.2 The Group previously had a 50% share in the preference shares of Sanlam Home Loans Proprietary Limited (SHL), the holding company of three securitisation vehicles. The investment in SHL had previously been equity accounted as the Group and Sanlam Life Insurance Limited (Sanlam) had joint control over SHL. On 1 August 2010, the Group acquired the remaining 50% preference shares in SHL, which resulted in the Group controlling and consolidating SHL. SHL contributed a net profit before tax of R39 million and revenue of R12 million to the Group for the period from 1 August 2010 to 31 December 2010. If the acquisition occurred on 1 January 2010, the Group’s revenue would have been R84 million higher and the net profit before tax for the year would have been R70 million higher.

Details of the net assets acquired and gain on bargain purchase are as follows:	Group December 2010 Fair value recognised on acquisition Rm
Cash, cash balance and balances with central banks	409
Other assets	11
Loans and advances to customers	4 621
Other liabilities	(9)
Debt securities in issue	(3 687)
Shareholders’ loans	(1 325)
Previously held interest	(10)
Net assets acquired	10
Satisfied by:	
Cash inflow on acquisition	(61)
Fair value of net assets acquired	(10)
Gain on bargain purchase	(71)

The consideration paid was less than fair value of the asset and liabilities acquired. No goodwill resulted from the transaction and the excess of R71 million, together with the gain of R10 million recognised as a result of remeasuring the previously held interest to fair value was realised in the statement of comprehensive income in “Other operating income”. Any transaction costs associated with the acquisition have been expensed when incurred. No contingent liabilities were recognised as a result of the acquisition and no contingent consideration is payable. No identifiable assets were identified of which the fair values could not be reliably measured.

8. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)

8.2 Acquisitions of businesses during the previous period/year (continued)

8.2.2 (continued)

Subsequent to the acquisition the debt securities in issue were redeemed in full.

Mortgage loans with a fair value of R4 621 million were acquired as a result of the acquisition. The gross contractual capital amounts receivable were R4 685 million on acquisition date and an impairment provision of R64 million was carried against these loans on acquisition date.

The joint venture agreement was terminated due to the underperformance of the mortgage loan portfolio and consequently the Group obtained full control of SHL. The underperformance of the mortgage loan portfolio gave rise to the gain on bargain purchase as the joint venture partner was willing to sell its 50% stake at below fair value of the underlying assets and liabilities.

	Group December 2010 Rm
Net cash outflow due to acquisitions	0
Total cash and cash equivalents acquired	470

8. ACQUISITIONS AND DISPOSALS OF BUSINESSES (continued)

8.3 Disposal of business during the current period under review

There were no disposals during the current period under review.

8.4 Disposal of businesses during the previous period/year

8.4.1 Absa Property Equity Fund (APEF) operated as a special purpose entity specifically for the investment in community upliftment projects. This fund was previously consolidated in terms of SIC 12 as the Group held between 75% and 93% of the units (depending on the total units in issue at a specific point in time) and was thereby exposed to the majority of risks and rewards within the fund.

Between January 2010 and August 2010 the Group disposed of some of the units it owned to the extent that its effective holding decreased to below 50% of the units in issue, at which point the fund was deconsolidated due to the Group not being exposed to the majority of the risks and rewards of the fund anymore.

No gain or loss was recognised on deconsolidation of the fund due to the underlying assets being measured at fair value.

The remainder of the investment retained after deconsolidation was disposed of during September 2010 and October 2010.

Details of net assets disposed of are as follows:	Group December 2010 Fair value on disposal Rm
Cash, cash balances and balances with central banks	22
Other assets	0
Investment securities	136
Other liabilities	0
Net assets disposed	158
Satisfied by:	
Non-controlling interest	(78)
Fair value of interest retained	(64)
Consideration received	16
Cash and cash equivalents disposed	(22)
Net cash outflow on disposal	(6)

9. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES						
	30 June 2011		30 June 2010		31 December 2010	
	(Unaudited)		(Unaudited)		(Audited)	
	Effective holding (%)	Movement Rm	Effective holding (%)	Movement Rm	Effective holding (%)	Movement Rm
9.1 Net movement resulting from acquisitions and disposals of investments in associates and joint ventures						
Acquisitions and disposals during the current period under review:						
There were no acquisitions or disposals of associates and joint ventures during the current period under review.						
Transferred to non-current assets held for sale during the current period under review:						
Sekunjalo Investments Limited	26,4	(42)	26,4	-	26,4	-
Acquired during the previous period/year, at cost:						
One Commercial Investment Holdings Proprietary Limited – Cell Captive	-	-	-	-	49,0	0
Pinnacle Point Group Limited	-	-	-	95	-	95
Disposed during the previous period/year:						
Pinnacle Point Group Limited	-	-	-	(95)	-	(95)
Virgin Money South Africa Proprietary Limited	-	-	-	(0)	-	(0)
Transferred to subsidiaries during the previous period/year:						
Sanlam Home Loans Proprietary Limited	-	-	50,0	-	100,0	-
Transferred to investment securities designated at fair value through profit or loss during the previous period/year:						
Blue Financial Services Limited	-	-	20,2	-	6,7	(32)

9. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*			
	30 June 2011	30 June 2010	31 December 2010
	(Unaudited)	(Unaudited)	(Audited)
	Rm	Rm	Rm
9.2 Details of transfers and purchase consideration on net assets acquired on the aforementioned acquisitions are as follows:			
Cash paid	-	95	95
Conversion of debt to equity	-	0	0
	-	95	95
9.3 Details of transfers and consideration received on net assets disposed of on the aforementioned disposals are as follows:			
Cash received	-	(95)	(95)
Loss on disposal	-	(0)	(0)
Transfer to investment securities	-	-	(32)
Transfer to non-current assets held for sale	(42)	-	-
	(42)	(95)	(127)

10. RELATED PARTIES

	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
10.1 Balances and transactions with parent company(1)(2)(3)				
The following are balances with, and transactions entered into with the parent company:				
Balances				
Loans and advances	20 473	12 704	61	15 673
Derivative assets	7 206	7 614	(5)	9 144
Nominal value of derivative assets	389 798	264 965	47	493 402
Other assets	1 075	1 952	(45)	552
Investment securities	434	512	(15)	581
Deposits	(5 197)	(5 543)	(6)	(6 082)
Derivative liabilities	(5 759)	(10 847)	(47)	(9 006)
Nominal value of derivative liabilities	(323 685)	(323 774)	(0)	(375 467)
Other liabilities	(1 796)	(224)	>100	(267)
Transactions				
Interest received	(82)	(36)	>100	(80)
Interest paid	32	15	>100	36
Net fee and commission income	(9)	-	100	(15)
Gains and losses from banking and trading activities	(68)	2 548	>100	1 646
Other operating income	(125)	(22)	>100	(42)
Operating expenditure	(25)	(169)	(85)	27
Dividends paid	917	877	5	1 774

Notes

(1)Absa Group is a subsidiary of Barclays Bank PLC, which has a majority equity interest in the Group.

(2)All transactions entered into are on the same commercial terms and conditions as in the normal course of business.

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

10. RELATED PARTIES (continued)

10.2 Associates, joint ventures and retirement benefit fund

The Group provides certain banking and financial services to associates and joint ventures. The Group also provides a number of current and interest-bearing cash accounts to the Absa Group Pension Fund. These transactions are conducted on the same terms as third-party transactions and are not individually material.

In aggregate, the amounts included in the Group’s financial statements are as follows:

	30 June 2011		
	(Unaudited)		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of Absa Group Pension Fund investments managed by the Group	-	7 003	7 003
Value of Absa shares held by the Absa Group Pension Fund(1)	-	120	120
Value of other Absa securities held by the Absa Group Pension Fund	-	1 644	1 644
Statement of financial position			
Loans and advances	7 510	-	7 510
Other assets	56	-	56
Deposits	(2)	(73)	(75)
Other liabilities	(80)	-	(80)
Derivative transactions	2	-	2
Statement of comprehensive income			
Interest and similar income	(250)	-	(250)
Interest expense and similar charges	68	0	68
Fees received	(46)	(9)	(55)
Fees paid	84	-	84
Current service costs(2)	-	366	366

Notes

(1)Consists of Absa Group ordinary shares and Absa Bank Limited preference shares.
(2)Include employee contributions.

10. RELATED PARTIES (continued)

10.3 Associates, joint ventures and retirement benefit fund (continued)

	30 June 2010 (Unaudited)		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of Absa Group Pension Fund investments managed by the Group	-	6 716	6 716
Value of Absa shares held by the Absa Group Pension Fund(1)	-	92	92
Value of other Absa securities held by the Absa Group Pension Fund	-	1 964	1 964
Statement of financial position			
Loans and advances	7 394	-	7 394
Other assets	1 096	-	1 096
Deposits	(345)	(49)	(394)
Other liabilities	(50)	-	(50)
Statement of comprehensive income			
Interest and similar income	(379)	-	(379)
Interest expense and similar charges	2	0	2
Fees received	(57)	(9)	(66)
Fees paid	87	-	87
Current service costs(2)	-	335	335

Notes

(1)Consists of Absa Group ordinary shares and Absa Bank Limited preference shares.

(2)Include employee contributions.

10. RELATED PARTIES (continued)

10.4 Associates, joint ventures and retirement benefit fund (continued)

	31 December 2010		
	(Audited)		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of Absa Group Pension Fund investments managed by the Group	-	7 193	7 193
Value of Absa shares held by the Absa Group Pension Fund(1)	-	116	116
Value of other Absa securities held by the Absa Group Pension Fund	-	1 582	1 582
Statement of financial position			
Loans and advances	7 275	-	7 275
Other assets	17	-	17
Deposits	(0)	(30)	(30)
Other liabilities	(47)	-	(47)
Derivative transactions	4	-	4
Statement of comprehensive income			
Interest and similar income	(617)	-	(617)
Interest expense and similar charges	8	1	9
Fees received	(106)	(17)	(123)
Fees paid	173	-	173
Current service costs(2)	-	635	635

Notes

(1)Consists of Absa Group ordinary shares and Absa Bank Limited preference shares.

(2)Include employee contributions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June			Year ended 31 December
		2011	2010		2010
		(Unaudited)	(Unaudited)	Change	(Audited)
		Rm	Rm	%	Rm
Net interest income		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		(2 902)	(3 704)	22	(6 005)
Net interest income after impairment losses on loans and advances		8 720	7 589	15	17 335
Net fee and commission income	1.1	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	1.2	1 510	1 378	10	2 349
Gains and losses from investment activities	1.3	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	2.1	(12 218)	(11 264)	(8)	(24 070)
Other impairments	2.2	(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

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
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

	Six months ended 30 June			Year ended 31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
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
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

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1. NON-INTEREST INCOME				
1.1 Net fee and commission income				
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
Other(2)	870	739	18	1 474
Savings accounts	1 146	1 193	(4)	2 417
Insurance commission received	503	482	4	950
Pension fund payment services	239	262	(9)	497
Other	128	75	71	299
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
	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)
Other	(279)	(272)	(3)	(561)
Transaction-based legal fees	(100)	(88)	(14)	(192)
Valuation fees	(70)	(89)	21	(185)
	(981)	(1 085)	10	(2 063)
Net fee and commission income	7 519	7 059	7	14 391

Notes

(1)Includes merchant, acquiring and issuing fees.

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

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1. NON-INTEREST INCOME (continued)				
1.1 Net fee and commission income (continued)				
Included above are net fees and commissions linked to financial instruments not at fair value:				
Fee and commission income				
Cheque accounts	1 633	1 614	1	3 198
Credit cards	529	435	22	883
Electronic banking	1 966	1 848	6	3 828
Other	585	607	(4)	1 080
Savings accounts	1 146	1 193	(4)	2 417
	5 859	5 697	3	11 406
Fee and commission expense	(85)	(88)	(3)	(173)
	5 744	5 609	2	11 233
1.2 Gains and losses from banking and trading activities				
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)

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1. NON-INTEREST INCOME (continued)				
1.2 Gains and losses from banking and trading activities (continued)				
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
1.3 Gains and losses from investment activities				
Available-for-sale unwind from reserves				
Investment securities				
Unlisted equity and hybrid investments	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

	Six months ended 30 June			Year ended 31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1. NON-INTEREST INCOME (continued)				
1.3 Gains and losses from investment activities (continued)				
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

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
2. OPERATING EXPENDITURE				
2.1 Operating expenses				
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 costs(2)	1 347	1 277	5	2 737
	12 218	11 264	8	24 070

Notes

(1)"Other staff costs" include recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.

(2)"Other operating costs" include accommodation, travel and entertainment costs.

	Six months ended 30 June 2011 (Unaudited) Rm	Six months ended 30 June 2010 (Unaudited) Rm	Change %	Year ended 31 December 2010 (Audited) Rm
2. OPERATING EXPENDITURE (continued)				
2.2 Other impairments				
Financial instruments	2	22	(91)	37
Amortised cost instruments	2	6	(67)	12
Available-for-sale instruments	-	16	(100)	25
Other	35	61	(43)	71
Computer software development costs	-	4	(100)	4
Equipment	0	-	100	13
Investments in associates and joint ventures	-	50	(100)	29
Repossessed properties	35	7	>100	25
	37	83	(55)	108

	Six months ended 30 June 2011 (Unaudited) Gross Rm	Net Rm	Six months ended 30 June 2010 (Unaudited) Gross Rm	Net Rm	Net change %	Year ended 31 December 2010 (Audited) Gross Rm	Net Rm
3. HEADLINE EARNINGS							
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 loss/(profit) on disposal of property and equipment	2	1	(5)	(4)	>100	(41)	(37)
IAS 28 and 31 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)
Headline earnings		4 595		3 862	19		8 041
Note *(1)The net amount is reflected after taxation and non-controlling interest.*							

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June			
	2011			
	(Unaudited)			
	Total equity 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
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	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	13	-	-	13

	Six months ended 30 June				
	2011				
	(Unaudited)				
		Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
		Rm	Rm	Rm	Rm
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 to associates' and joint ventures' retained earnings reserve		(28)	-	-	(28)
Disposal of associates and joint ventures - release of reserves		(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		(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		-	(95)	(143)	(238)
Acquisition of business		-	67	-	67
Balance at the end of the period		58 288	1 301	4 644	64 233

Note

1. Total comprehensive income				
Profit attributable to equity holders of the Group	4 581	102	143	4 826
Other comprehensive income	(810)	12	-	(798)
	3 771	114	143	4 028

	Six months ended 30 June			
	2010			
	(Unaudited)			
	Total equity 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	50 547	1 299	4 644	56 490
Transfer from share-based payment reserve	24	-	-	24
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust	20	-	-	20
Elimination of the movement in treasury shares held by Absa Group subsidiaries	27	-	-	27
Share buy-back in respect of equity-settled share-based payment schemes	(49)	-	-	(49)
Other reserves	516	-	-	516
Transfer from share-based payment reserve	(25)	-	-	(25)
Share-based payments for the period	5	-	-	5
Other comprehensive income 1	484	-	-	484
Movement in general credit risk reserve	(14)	-	-	(14)
Movement in insurance contingency reserve	5	-	-	5
Movement in associates' and joint ventures’ retained earnings reserve	19	-	-	19
Disposal of associates and joint ventures - release of reserves	42	-	-	42

		Six months ended 30 June			
		2010			
		(Unaudited)			
		Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
		Rm	Rm	Rm	Rm
Retained earnings		2 209	-	-	2 209
Transfer from share-based payment reserve		1	-	-	1
Transfer to general credit risk reserve		14	-	-	14
Transfer to insurance contingency reserve		(5)	-	-	(5)
Transfer of profit to associates' and joint ventures' retained earnings reserve		(19)	-	-	(19)
Disposal of associates and joint ventures - release of reserves		(42)	-	-	(42)
Profit attributable to equity holders of the Group	1	3 842	-	-	3 842
Other comprehensive income - movement in retirement benefit asset and liabilities	1	(4)	-	-	(4)
Dividends paid during the period		(1 578)	-	-	(1 578)
Profit attributable to non-controlling equity holders of the Group	1	-	107	162	269
Dividends paid during the period		-	(92)	(162)	(254)
Other comprehensive income – foreign currency translation effects	1	-	27	-	27
Acquisition of businesses		-	18	-	18
Balance at the end of the period		53 294	1 359	4 644	59 297

	Six months ended 30 June			
	2010			
	(Unaudited)			
	Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	Rm	Rm	Rm	Rm
Note				
1. Total comprehensive income				
Profit attributable to equity holders of the Group	3 842	107	162	4 111
Other comprehensive income	480	27	-	507
	4 322	134	162	4 618

	Year ended 31 December			
	2010			
	(Audited)			
	Total equity 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	50 547	1 299	4 644	56 490
Transfer from share-based payment reserve	59	-	-	59
Elimination of the movement in treasury shares held by Absa Group Limited Share Incentive Trust	31	-	-	31
Elimination of the movement in treasury shares held by Absa Group subsidiaries	(49)	-	-	(49)
Share buy-back in respect of equity-settled share-based payment schemes	(234)	-	-	(234)
Other reserves	1 131	-	-	1 131
Transfer from share-based payment reserve	(61)	-	-	(61)
Share-based payments for the year	48	-	-	48
Other comprehensive income 1	999	-	-	999
Movement in general credit risk reserve	39	-	-	39
Movement in insurance contingency reserve	55	-	-	55
Movement in associates' and joint ventures' retained earnings reserve	(9)	-	-	(9)
Disposal of associates and joint ventures - release of reserves	60	-	-	60
Retained earnings	4 805	-	-	4 805
Transfer from share-based payment reserve	2	-	-	2

		Year ended 31 December			
		2010			
		Audited			
		Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
		Rm	Rm	Rm	Rm
Transfer to general credit risk reserve		(39)	-	-	(39)
Transfer to insurance contingency reserve		(55)	-	-	(55)
Transfer of loss to associates' and joint ventures' retained earnings reserve		9	-	-	9
Disposal of associates and joint ventures - release of reserves		(60)	-	-	(60)
Profit attributable to equity holders of the Group	1	8 118	-	-	8 118
Other comprehensive income - movement in retirement benefit asset and liabilities	1	21	-	-	21
Dividends paid during the year		(3 191)	-	-	(3 191)
Profit attributable to non-controlling equity holders of the Group	1	-	151	320	471
Other comprehensive income – foreign currency translation effects	1	-	(52)	-	(52)
Dividends paid during the year		-	(142)	(320)	(462)
Dilution of non-controlling equity holders’ interest		0	(0)	-	-
Increase in non-controlling equity holders’ interest		-	37	-	37
Disposal of businesses		-	(78)	-	(78)
Balance at the end of the year		56 290	1 215	4 644	62 149

	Year ended 31 December			
	2010			
	(Audited)			
	Total equity attributable to ordinary equity holders of the Group	Non-controlling interest-ordinary shares	Non-controlling interest-preference shares	Total equity
	Rm	Rm	Rm	Rm
Note				
1. Total comprehensive income				
Profit attributable to equity holders of the Group	8 118	151	320	8 589
Other comprehensive income	1 020	(52)	-	968
	9 138	99	320	9 557

CONDENSED NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1. DIVIDENDS PER SHARE				
Dividends paid to ordinary equity holders during the period/year				
15 February 2011 final dividend number 49 of 230 cents per ordinary share (16 February 2010: 220 cents)	1 652	1 580	5	1 580
4 August 2010 interim dividend number 48 of 225 cents per ordinary share	-	-	-	1 616
Dividends paid on treasury shares held by Absa Group subsidiaries	(2)	(2)	-	(5)
	1 650	1 578	5	3 191
Dividends paid to ordinary equity holders relating to income for the period/year				
2 August 2011 interim dividend number 50 of 292 cents per ordinary share (4 August 2010: 225 cents)	2 097	1 616	30	1 616
15 February 2011 final dividend number 49 of 230 cents per ordinary share	-	-	-	1 652
Dividends paid on treasury shares held by Absa Group subsidiaries	-	-	-	(3)
	2 097	1 616	30	3 265

Note

The Secondary Tax on Companies (STC) payable by the Group in respect of the dividend approved and declared subsequent to the reporting date, amounts to R210 million (30 June 2010: R162 million; 31 December 2010: R165 million). No provision has been made for the dividend and the related STC at the reporting date, in accordance with IFRS.

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
1. DIVIDENDS PER SHARE (continued)				
Dividends paid to non-controlling preference equity holders during the period/year				
15 February 2011 final dividend number 10 of 2 887,6 cents per preference share (16 February 2010: 3 280,3 cents)	143	162	(12)	162
4 August 2010 interim dividend number 9 of 3 197,5 cents per preference share	-	-	-	158
	143	162	(12)	320
Dividends paid to non-controlling preference equity holders relating to income for the period/year				
2 August 2011 interim dividend number 11 of 2 858,3 cents per preference share (4 August 2010: 3 197,5 cents)	141	158	(11)	158
15 February 2011 final dividend number 10 of 2 887,6 cents per preference share (16 February 2010: 3 280,3)	-	-	-	143
	141	158	(11)	301

Note

The STC payable by the Group in respect of the dividend approved and declared subsequent to the reporting date amounts to R14 million (30 June 2010: R16 million; 31 December 2010: R14 million). No provision has been made for the dividend and the related STC at the reporting date, in accordance with IFRS.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended			Year ended
		30 June			31 December
		2011	2010		2010
		(Unaudited)	(Unaudited)	Change	(Audited)
		Rm	Rm	%	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

CONSOLIDATED PROFIT CONTRIBUTION BY SEGMENT

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Banking operations				
Retail Banking	1 735	1 035	68	3 258
Home Loans	33	(201)	>100	196
Vehicle and Asset Finance(1)	181	35	>100	236
Card(2)	811	587	38	1 483
Personal Loans(3)	303	170	78	515
Retail Bank(4)	407	444	(8)	828
Absa Business Bank(4)(5)	1 380	1 316	5	2 866
Absa Capital(5)	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

Comparatives have been reclassified for the following structure changes made during the period under review:

(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 were moved within Retail Banking from Personal Loans to Retail Bank.

(4)Absa Development Company Holdings Proprietary Limited and Absa Development Company division were 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.

CONSOLIDATED TOTAL REVENUE(1) CONTRIBUTION BY SEGMENT

	Six months ended 30 June			Year ended 31 December
	2011 (Unaudited) Rm	2010 (Unaudited) Rm	Change %	2010 (Audited) Rm
Banking operations				
Retail Banking	12 025	11 199	7	23 090
Home Loans	2 000	1 633	22	3 531
Vehicle and Asset Finance(2)	1 121	1 012	11	2 035
Card(3)	2 390	2 207	8	4 601
Personal Loans(4)	1 053	921	14	1 960
Retail Bank(5)	5 461	5 426	1	10 963
Absa Business Bank(5)(6)	5 854	5 593	5	11 545
Absa Capital(6)	2 786	2 717	3	5 508
Corporate centre	(289)	(357)	19	(827)
Capital and funding centre	12	136	(91)	(106)
Total banking	20 388	19 288	6	39 210
Financial Services	1 914	1 718	11	3 604
Total revenue	22 302	21 006	6	42 814

Notes

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

Comparatives have been reclassified for the following structure changes made during the period under review:

(2)Absa Technology Finance Solutions was moved from Vehicle and Asset Finance within Retail Banking to Absa Business Bank.

(3)Debit Card was moved within Retail Banking from Retail Bank to Card.

(4)Personal loan centres were moved within Retail Banking from Personal Loans to Retail Bank.

(5)Absa Development Company Holdings Proprietary Limited and Absa Development Company division were moved from Absa Business Bank to Retail Bank within Retail Banking.

(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.

CONSOLIDATED INTERNAL REVENUE(1) CONTRIBUTION BY SEGMENT

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Banking operations				
Retail Banking	(5 424)	(7 142)	24	(13 334)
Home Loans	(6 429)	(7 877)	18	(15 119)
Vehicle and Asset Finance(2)	(1 211)	(1 412)	14	(2 753)
Card(3)	(321)	(396)	19	(738)
Personal Loans(4)	(284)	(314)	10	(611)
Retail Bank(5)	2 821	2 857	(1)	5 887
Absa Business Bank(5)(6)	1 269	612	>100	1 551
Absa Capital(6)	4 810	6 818	(29)	12 516
Corporate centre	41	248	(83)	(423)
Capital and funding centre	(510)	(365)	(40)	(820)
Total banking	186	171	9	(510)
Financial Services	(186)	(171)	(9)	510
Internal revenue	-	-	-	-

Notes

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

Comparatives have been reclassified for the following structure changes made during the period under review:

(2)Absa Technology Finance Solutions was moved from Vehicle and Asset Finance within Retail Banking to Absa Business Bank.

(3)Debit Card was moved within Retail Banking from Retail Bank to Card.

(4)Personal loan centres were moved within Retail Banking from Personal Loans to Retail Bank.

(5)Absa Development Company Holdings Proprietary Limited and Absa Development Company division were moved from Absa Business Bank to Retail Bank within Retail Banking.

(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.

CONSOLIDATED TOTAL ASSETS BY SEGMENT

	Six months ended			Year ended
	30 June			31 December
	2011	2010		2010
	(Unaudited)	(Unaudited)	Change	(Audited)
	Rm	Rm	%	Rm
Banking operations				
Retail Banking	462 113	455 312	1	469 792
Home Loans	244 116	241 059	1	247 881
Vehicle and Asset Finance(1)	45 332	49 485	(8)	50 385
Card(2)	27 782	24 934	11	26 746
Personal Loans(3)	13 582	11 507	18	12 887
Retail Bank(4)	131 301	128 327	2	131 893
Absa Business Bank(4)(5)	184 230	173 893	6	175 320
Absa Capital(5)	333 729	354 378	(6)	356 077
Corporate centre	(368 065)	(374 006)	2	(380 521)
Capital and funding centre	80 485	72 872	10	72 855
Total banking	692 492	682 449	1	693 523
Financial Services	23 426	35 755	(34)	22 947
Total assets	715 918	718 204	(0)	716 470

Notes

Comparatives have been reclassified for the following structure changes made during the period under review:

(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 were moved within Retail Banking from Personal Loans to Retail Bank.

(4)Absa Development Company Holdings Proprietary Limited and Absa Developments Company division were 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.

RECLASSIFICATIONS

Some items within the statement of financial position as at 30 June 2010 and 31 December 2010 were reclassified:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	(Unaudited)		
	As previously		
	reported	Reclassifications(1)	Reclassified
	Rm	Rm	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 properties	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.

As at 31 December 2010

	(Audited)		
	As previously reported	Reclassifications(1)	Reclassified
	Rm	Rm	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 properties	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.

Profit and dividend announcement

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.

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.

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 Group's results have been prepared in accordance with International Financial Reporting Standards (IFRS). The disclosures comply with International Accounting Standard (IAS) 34.

The accounting policies applied in preparing the financial results for the 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	M Ramos
Group Chairman	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.

Absa Group Limited

Administrative information

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

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Board of directors
Group independent non-executive directors
C Beggs, BP Connellan, SA Fakie, G Griffin (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 Jenkins3, R Le Blanc(3)
Group executive directors
DWP Hodnett (Financial Director), M Ramos (Chief Executive),
LL von Zeuner (Deputy Chief Executive)
(1)Mozambican (2)French (3)British

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