Absa Group Limited

Absa Group Limited Financial results for the year ended 31 December 2011

Financial Results

for the year ended
31 December 2011

Member of the BARCLAYS Group

ABSA

Contents

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Group performance

Contents

1 – 44
Group performance

Group performance overview

31 December

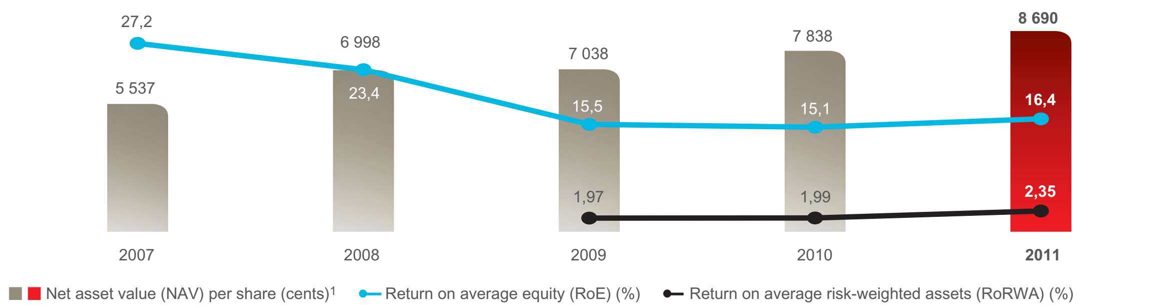
"In an uncertain environment we have achieved our targets and delivered good results, created value for shareholders and further strengthened our balance sheet, while positioning Absa to continue growing."

Maria Ramos, Group Chief Executive

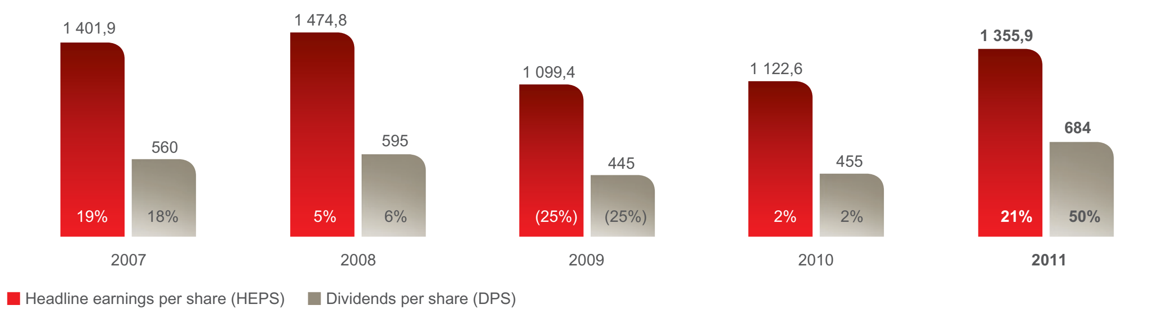
2011 highlights

- Increased diluted headline earnings per share by **21%** year on year.
- Met key commitments to the market, as revenue growth exceeded cost growth.
- Hedging strategy helped to protect the net interest margin, which rose to **4,11%** of interest-bearing assets.
- Increased underlying profitability and improved return on average risk-weighted assets to **2,35%**.
- Further strengthened the balance sheet, improving the Group's Core Tier 1 ratio to **13,0%**.
- Increased dividend per share by **50%**.
- Early successes in implementation of the One Absa strategy.
- Progressed our rest of Africa strategy.

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



HEPS and DPS (cents and change %)



Note

[1]5-year compound annual growth rate of **13%.**

Group performance overview

Growing sustainably

One Absa

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

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

Group performance overview

31 December 2011

Strategic themes and highlights

Sustainable growth in targeted markets

The Group aims to become the number 1 bank in South Africa and selected African markets, measured in terms of profitability and return on average equity.

- Growth in headline earnings of **21%**
- Non-interest income growth of **10%**
- Return on average equity of **16,4%**
- Return on average risk-weighted assets of **2,35%**

Balance sheet optimisation and proactive risk management

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

- Group total capital adequacy ratio of **16,7%**
- Core Tier 1 capital adequacy ratio of **13,0%**
- Risk-weighted assets of **R424,5 billion (+ 0%)**
- Credit loss ratio of **1,01%**

Simple, streamlined Group for customer delivery

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

- Cost-to-income ratio of **55,5%**
- **R156 million** invested in delivery footprint **(+ 0%)**
- 5-year compound annual growth rate of **10%** for operating expenses
- **990** staffed outlets[1]
- **9 541** ATMs[1]

Customer- and people centred organisation

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

- Banking customer-base of **12,1 million (+ 3%)**[1]
- Internet banking users of **1,1 million (+ 5%)**
- Cellphone banking customers of **3,2 million (+ 28%)**
- Launched a **Customer Charter** internally

Note

[1]Including African operations.

Consolidated salient features

31 December

	2011	2010[1]	Change %	2009[1]
Statement of comprehensive income (Rm)				
Headline earnings[2]	**9 719**	8 041	21	7 621
Profit attributable to ordinary equity holders of the Group	**9 674**	8 118	19	6 840
Statement of financial position				
Total assets (Rm)	**786 719**	725 957	8	721 641
Loans and advances to customers (Rm)	**503 503**	508 780	(1)	517 008
Deposits due to customers (Rm)	**440 960**	387 598	14	367 210
Loans-to-deposits ratio (%)	**88,1**	92,1		96,0
Off-statement of financial position (Rm)				
Assets under management and administration[3]	**213 186**	194 949	9	168 289
Financial Services[4]	**167 669**	163 415	8	145 453
Money market	**57 798**	66 256	(13)	55 320
Non-money market	**109 871**	97 159	13	90 133
Financial performance (%)				
Return on average equity	**16,4**	15,1		15,5
Return on average assets[5]	**1,32**	1,10		1,00
Return on average risk-weighted assets[5]	**2,35**	1,99		1,97
Operating performance (%)				
Net interest margin on average interest-bearing assets[5]	**4,11**	3,94		3,65
Impairment losses on loans and advances as % of average loans and advances to customers[5]	**1,01**	1,18		1,70
Non-performing loans as % of loans and advances to customers[5]	**6,9**	7,6		6,8
Non-interest income as % of total operating income	**46,7**	45,5		48,1
Cost-to-income ratio	**55,5**	56,2		49,6
Effective tax rate, excluding indirect taxation	**28,3**	27,5		23,8
Share statistics (million)				
Number of ordinary shares in issue	**718,2**	718,2		718,2
Weighted average number of ordinary shares in issue	**716,8**	716,3		693,2
Diluted weighted average number of ordinary shares in issue	**719,9**	720,7		711,5
Share statistics (cents)				
Headline earnings per share	**1 355,9**	1 122,6	21	1 099,4
Diluted headline earnings per share	**1 350,0**	1 115,7	21	1 072,0
Basic earnings per share	**1 349,6**	1 133,3	19	986,7
Diluted earnings per share	**1 343,8**	1 126,4	19	962,2
Dividends per ordinary share relating to income for the year	**684**	455	50	445
Dividend cover (times)	**2,0**	2,5		2,5
Net asset value per share	**8 690**	7 838	11	7 038
Tangible net asset value per share	**8 392**	7 588	11	6 865
Capital adequacy (%)[5,6]				
Absa Group	**16,7**	15,5		15,6
Absa Bank	**16,2**	14,8		14,7

Notes

[1] Comparatives have been reclassified. Refer to pages 97 – 101.

[2] After allowing for **R284 million** (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, alternative asset management and exchange-traded funds, in order to align assets under management and administration to current market practice.

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

[5] These ratios are unaudited.

[6] Refer to pages 77 to 96 for the capital and risk management section.

Consolidated salient features

31 December

	2011	2010[1]	Change %
Headline earnings by segment (Rm)			
Retail Banking	**4 179**	3 137	33
Home Loans	**516**	125	>100
Vehicle and Asset Finance	**403**	236	71
Card	**1 757**	1 481	19
Personal Loans	**720**	515	40
Retail Bank	**783**	780	0
Absa Business Bank	**2 948**	2 811	5
Absa Capital	**1 495**	1 659	(10)
Financial Services	**1 375**	1 291	7
Head office, inter-segment eliminations and Other	**(278)**	(857)	68
Impairment losses on loans and advances as % of average loans and advances to customers (%)			
Retail Banking	**1,23**	1,48	
Home Loans	**0,97**	0,98	
Vehicle and Asset Finance	**1,88**	2,16	
Card	**1,05**	2,57	
Personal Loans	**3,87**	4,76	
Retail Bank	**1,33**	2,52	
Absa Business Bank	**0,72**	0,93	
Absa Capital	**0,11**	0,15	
Loans and advances to customers by segment (Rm)			
Retail Banking	**318 733**	323 427	(1)
Absa Business Bank	**122 250**	127 792	(4)
Absa Capital	**62 079**	58 378	6
Other[2]	**441**	(817)	>100
Deposits due to customers by segment (Rm)			
Retail Banking	**126 205**	115 494	9
Absa Business Bank	**175 158**	155 536	13
Absa Capital	**139 249**	117 584	18
Other[2]	**348**	(1 016)	>100
Return on average risk-weighted assets by segment (%)[3]			
Retail Banking	**2,64**	1,96	
Absa Business Bank	**1,95**	2,20	
Absa Capital	**1,62**	1,72	

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

[2]Include inter-group and other eliminations. Refer to pages 34 – 39.

[3]These ratios are unaudited.

Profit and dividend announcement

31 December 2011

Salient features

- Diluted headline earnings per share (HEPS) grew 21% to 1350,0 cents.
- Total dividend of 684 cents per share, up 50%.
- Net interest margin on average interest-bearing assets widened to 4,11% from 3,94%.
- Non-interest revenue grew 10% and accounted for 46,7% of total revenue (2010: 45,5%).
- Operating expenses growth contained to 6%, improving Absa's cost-to-income ratio to 55,5% (2010: 56,2%).
- Loans and advances to customers declined 1% to R504 billion.
- Credit losses decreased 15% to R5 081 million, resulting in a 1,01% credit loss ratio (2010: 1,18%).
- Return on average equity (RoE) improved to 16,4% (2010: 15,1%).
- Return on average risk-weighted assets increased to 2,35% and return on average assets (RoA) to 1,32% (2010: 1,99% and 1,10% respectively).
- Net asset value (NAV) per share grew 11% to 8 690 cents (2010: 7 838).
- Absa Group's Core Tier 1 capital adequacy ratio improved to 13,0% (2010: 11,7%), well above regulatory requirements.

Overview of results

The Group's headline earnings increased 21% to R9 719 million (2010: R8 041 million). Diluted HEPS rose 21% to 1 350,0 cents (2010: 1 115,7 cents). Absa's RoE improved to 16,4%, reflecting a higher RoA of 1,32% (2010: 1,10%), offset by reduced leverage. The Group declared a final dividend of 392 cents per share, 70% above the corresponding period, after considering regulatory changes, its strong Core Tier 1 ratio, its strategy and growth plans, and near-term business objectives.

Absa delivered on its key commitments for 2011, including growing revenue faster than operating expenses. The Group's pre-provision profit increased 9% to R20 374 million. Improved non-interest revenue growth, lower credit losses, better cost containment and a wider net interest margin were the primary reasons for Absa's headline earnings growth. These drivers outweighed the impact of lower loans and advances, and a higher effective tax rate.

Retail Banking's 33% headline earnings growth was the principal driver of the Group's 21% increase. Financial Services and Absa Business Bank (ABB) increased earnings 7% and 5% respectively. Absa Capital's headline earnings decreased 10% after a difficult second half.

Operating environment

South Africa's economic growth slowed considerably in recent quarters to an annualised 1,4% in the third quarter of 2011. Household expenditure growth has remained one bright point, rising 3,7% on an annualised basis in the third quarter. This is underpinned by evidence that the worst of the labour market weakness has passed and consumers are benefiting from low interest rates and increased real household income growth. Despite the prime rate being at the lowest level since the 1970s, private sector credit extension remains moderate. Household credit rose at an average of 5,7% from June through November 2011 and corporate credit 3,6%. This modest new borrowing and income growth has reduced household debt to disposable income from a 2008 peak of 82,7% to 75,0%, although consumers remain vulnerable to any monetary policy tightening.

Inflation pressures mounted through 2011, as headline CPI increased from the cyclical low of 3,2% in September 2010 to 6,1% in November 2011, which is above the SARB target range. Growth in core inflation has been more moderate, increasing to 3,9% despite rising food and fuel costs. Given concerns about economic growth, the Reserve Bank has kept its policy rate at 5,5%.

Group performance

Statement of financial position

The Group's total assets rose 8% to R787 billion at 31 December 2011, reflecting strong second half growth in its trading portfolio assets and loans and advances to banks. Absa's statutory liquid asset portfolio increased 19% to R57 billion.

Loans and advances to customers

Absa's loans and advances to customers declined by 1% to R504 billion (2010: R509 billion). Retail Banking's loans and advances decreased 1%, reflecting sustained focus on risk appetite and pricing. Retail mortgages (including Commercial Property Finance), which constitute 47% of total Group gross loans and advances to customers, decreased 4%. Given Retail Banking's strategy to grow its proportion of unsecured loans, credit cards grew 4% and personal loans 7%. Muted client demand also dampened ABB's loans and advances, which declined 4% due to lower Commercial Property Finance, instalment credit agreements and wholesale overdrafts. Absa Capital's loans and advances increased 6%, reflecting strong growth in foreign currency loans and overnight finance.

Group performance *(continued)*

Statement of financial position *(continued)*

Deposits due to customers

Absa continued to improve its liquidity, growing customer deposits 14% to R441 billion and increasing its proportion of long-term funding to 24,5%. With solid growth in most key categories, Retail Banking's deposits increased 9%, to maintain its leading market share. Its proportion of high margin deposits improved further. ABB's deposits increased 13%, given strong growth in cheque account and call deposits. Absa Capital's deposits rose 18%, after solid growth in fixed deposits and notice deposits. Deposits due to customers accounted for 72% of funding compared to 64% in 2009, while the proportion from debt securities in issue dropped to 21% from 30%. The Group's loans-to-deposits ratio declined to 88% from 92%.

Net asset value

The Group's NAV increased 11% to R62 billion, as it generated retained earnings of R5,9 billion during the year. Absa's NAV per share grew 11% to 8 690 cents (2010: 7 838 cents).

Capital to risk-weighted assets

The Group's risk-weighted assets increased 0,4% to R424 billion (2010: R423 billion). Absa maintained its strong capital levels, which remain above board targets and regulatory requirements. At 31 December 2011, Absa Group's Core Tier 1 and Tier 1 capital adequacy ratios were 13,0% (2010: 11,7%) and 14,1% (2010: 12,8%) respectively. The Group's total capital ratio improved to 16,7% (2010: 15,5%). Absa Bank's Core Tier 1 ratio increased to 12,1% (2010: 10,7%) and its total ratio was 16,2% (2010: 14,8%). Factoring in its strong capital position and medium-term plans, the Group was able to increase its total dividend per share by 50%.

Statement of comprehensive income

Net interest income

Net interest income increased 5% to R24 429 million (2010: R23 340 million), despite loans declining slightly and a 0,87% lower average prime rate during the year. The growth stems from the Group's improved net interest margin (4,11% from 3,94%) due to its hedging strategy, better new business pricing and lower reliance on wholesale funding. These outweighed the negative endowment effect on capital and deposits, competitive pricing pressure on deposits and the cost of lengthening funding and increasing surplus liquid assets.

Credit losses

Absa's credit impairments improved 15% to R5 081 million (2010: R6 005 million). Retail Banking, where credit losses decreased 17% to R3 965 million, was responsible for most of the reduction. Early cycle delinquencies improved as lower interest rates helped consumers to recover, and the benefits of effective collections and sound credit policy became evident. ABB's credit losses dropped 24% to R873 million.

The Group's credit loss ratio improved to 1,01% (2010: 1,18%). This is noticeably below 2009's high charge of 1,70%. Retail Banking's credit loss ratio declined to 1,23% (2010: 1,48%), as every category improved, particularly Absa Card and Personal Loans. ABB's credit loss ratio fell to 0,72% from 0,93%. Absa's non-performing loan coverage declined to 27,8% (2010: 29,8%), in part due to 24% higher write-offs of impaired advances.

Non-performing loans as a percentage of loans and advances improved to 6,9% (2010: 7,6%), due to reduced new NPLs, greater write-offs and rehabilitating more accounts. Absa's loans subject to debt counselling reduced to R3,4 billion from R7,0 billion the previous year, reflecting strong collection efforts.

Non-interest income

Despite muted trading and retail client activity, Absa's non-interest income grew 10% to R21 403 million (2010: R19 474 million), owing to growth in targeted areas. Net fee and commission income constituted 71% of non-interest income. It grew 6% to R15 293 million (2010: R14 391 million), due to volume growth and price increases. Retail Banking's net fee and commission income rose 6%, while ABB's demonstrated improving momentum growing 8%. Net revenue from Financial Services, excluding investment returns on shareholder funds, grew 14%. Absa Capital's net trading increased 1% to R2 166 million, despite difficult second half conditions in fixed income. The Group sold its stake in Visa Incorporated in 2011, recording a R30 million gain compared to a R128 million loss the prior year. Private equity and commercial property finance revaluations accounted for less than 1% of total non-interest revenue.

Operating expenses

The Group's operating expenses increased 6% to R25 458 million (2010: R24 070 million), reflecting cost containment while continuing to invest in target growth areas. Staff costs constituted 54% of the total, increasing 9% to R13 642 million. This reflected salary increases, higher bonuses and share-based payments due to significant incentive deferrals from previous years and improved operating performance. Non-staff costs grew just 2%, as containing discretionary spend was a priority. Total IT-related spend grew 5% to R5,3 billion, which represents 21% of Group costs. Absa's cost-to-income ratio improved to 55,5% from 56,2%.

Profit and dividend announcement

31 December 2011

Group performance *(continued)*

Statement of comprehensive income *(continued)*

Taxation

The Group's taxation charge grew 23% to R4 026 million, as its effective tax rate rose to 28,3% from 27,5%. The higher rate was mainly due to a lower proportion of exempt income and secondary tax on companies. Absa continued to contribute significantly to the fiscus, making cash payments of R5,7 billion in 2011.

Segment performance

Retail Banking

Retail Banking produced strong results, growing headline earnings 33% to R4 179 million (2010: R3 137 million). This reflects solid net interest income growth, lower credit losses and a focus on costs. Containing cost growth to 5%, which was less than revenue growth, reduced its cost-to-income ratio to 56,7% (2010: 57,6%). Retail Banking's credit loss ratio improved to 1,23% from 1,48%, as a result of lower early stage delinquencies and successful collection strategies. All business segments increased their headline earnings. While a material recovery in secured lending drove earnings growth, superior unsecured lending returns underpinned the division's 27,0,% return on regulatory capital. Card's strong performance was a standout, growing its headline earnings 19% to R1 757 million. The Group maintained its leading share of retail deposits, customers, branches and ATMs.

Absa Business Bank

ABB had a solid year, growing headline earnings 5% to R2 948 million (2010: R2 811 million), as it managed costs and reduced credit impairments. Operating expenses grew 5%. Enhanced transactional capabilities, new products and reduced revenue leakage increased fee income 8%. ABB grew its deposits 13%, contributing materially to the Group's improved loans-to-deposits ratio. However, competition and lower interest rates reduced ABB's net interest margin noticeably to 4,44% (2010: 4,75%). Book run-off, muted client credit demand and Absa's targeted commercial property finance growth saw its loans and advances decrease 4%. ABB's credit impairments dropped 24%, improving its credit loss ratio to 0,72% from 0,93%. ABB's return on regulatory capital declined slightly to 19,5%.

Absa Capital

Absa Capital experienced a challenging year, particularly in the second half. Its headline earnings decreased 10% to R 1 495 million (2010: R 1 659 million) on flat revenues. Markets revenue declined 3% due to reduced market liquidity and a flat interest rate environment. Fixed Income, Credit and Commodities, the largest components of this, fell 5%. Foreign exchange, a key focus area, partially offset this by growing 8%. Investment Banking revenue decreased 20%. Growth of 44% in its fee business was offset by a decline in the margin business due to the unwind of highly structured on balance sheet financing. Private Equity earnings continued to improve, benefiting from profitable realisations and positive valuations. Wealth's net revenue increased 33%, reflecting lower credit losses and higher transactional activities. Absa Capital's return on regulatory capital decreased to 17,1% (2010: 18,1%).

Financial Services

Net operating income increased 21% to R1 686 million (2010: R1 390 million). The drivers of the strong operational performance included 18% gross revenue growth, a modest 5% increase in claims paid and an improved cost efficiency ratio. Gross and net insurance premiums grew 18% and 13% respectively, while non-insurance income increased 16%. Assets under management increased 3% to R168 billion, in spite of a reduction in assets invested in the dividend income fund. Operating expenditure increased 12%, as AFS established African operations in Botswana and Mozambique and continued to invest heavily in core scalable operating platforms in anticipation of further growth. Investment income on shareholder funds decreased 40% in a low interest rate environment, as a result of de-risking its shareholder funds and poor performance of equity markets. This resulted in 7% headline earnings growth. Its RoE declined to 32,0% from 34,8%, reflecting additional capital retained to expand into Africa. Meanwhile its return on embedded value was 37,1% (2010: 39,8%).

Prospects

Global economic conditions remain challenging. Key structural weaknesses in the Eurozone still need to be addressed, the US economy faces the uncertainty of an election year and emerging markets look to navigate the downside risks created in developed countries. However, Sub-Saharan Africa's GDP is expected to grow 5,5% this year.

For South Africa, the external environment is unlikely to support stronger growth and we expect the economy to grow just 2,8%. Slightly higher inflation will place some pressure on real household income and the labour market is expected to remain weak, which suggests consumers will remain vulnerable and corporates cautious in their business decisions. We expect the Reserve Bank to increase interest rates in the fourth quarter, albeit at a slow pace.

Against this fragile macro backdrop, sector asset and revenue growth is likely to remain muted. However, Absa should continue to benefit from its hedging strategy. Containing costs remains a priority and management is committed to keeping cost growth below revenue growth

Prospects *(continued)*

again this year. Together with an expected credit loss ratio of below 1%, the Group's return should improve further. Absa will continue to work closely with Barclays to capture the opportunities the combined franchises offer in the rest of Africa. Absa remains well positioned for expected regulatory changes with a strong capital position and will continue to improve its liquidity.

Basis of presentation and changes in accounting policies

The Group's condensed 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.

Changes in accounting policies

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

- The Group adopted the predecessor accounting method as its accounting policy for common control transactions. The Group previously accounted for common control transactions in terms of IFRS 3 Business Combinations where these transactions had economic substance. This change in accounting policy will align the Group's accounting policy with its ultimate parent company, Barclays Plc. The change in accounting policy does not impact the Group's consolidated results and had no impact on basic and diluted earnings per share as previously reported.
- Adoption of amendments and changes to IFRS mandatory for the 31 December 2011 financial year. These amendments, specified in the consolidated annual financial statements, resulted in some additional disclosures being presented but otherwise had a minimal impact on the financial results for the year under review.

Reclassifications

- The Group has reclassified certain collateral previously disclosed as 'Other assets' to 'Loans and advances to banks' and 'Loans and advances to customers' in December 2010 and to 'Loans and advances in Banks' in December 2009 to reflect the true nature of these trades as collateralised loans. This has resulted in comparatives being reclassified for 31 December 2010 (loans and advances to banks R2 618 million, other assets (R3 276 million) and loans and advances to customers R658 million) and 31 December 2009 (loans and advances to banks R7 191 million, other assets (R7 191 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 year under review, 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 the comparatives being reclassified for 31 December 2010 (loans and advances to customers R9 487 million, deposits due to customers (R9 487 million)) and 31 December 2009 (loans and advances to customers R10 845 million, deposits due to customers (R10 845 million)).
- The Group has reclassified certain money market assets linked to investment contracts with longer-term maturities from 'Cash, cash balances with central banks' to 'Investment securities' to reflect the true nature of these assets, as '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 31 December 2010 (cash, cash balances and balances with central banks (R620 million) and investment securities R620 million) and 31 December 2009 (cash, cash balances and balances with central banks (R391 million) and investment securities R391 million).

Subsequent events

The directors are not aware of any subsequent events between 31 December 2011 and the date of authorisation of these summarised annual consolidated financial statements.

Profit and dividend announcement

31 December 2011

Basis of presentation and changes in accounting policies *(continued)*

Auditors' report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., Absa Group Limited's independent auditors, have audited the consolidated annual financial statements of Absa Group Limited from which management prepared the condensed consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The condensed consolidated financial results comprise the condensed consolidated statement of financial position at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes, excluding items not indicated as audited. The audit report of the consolidated annual financial statements is available for inspection at Absa Group Limited's registered office.

On behalf of the board

G Griffin
Group Chairman

M Ramos
Group Chief Executive

Johannesburg
10 February 2012

Declaration of final ordinary dividend number 51

Shareholders are advised that a final ordinary dividend of 392 cents per ordinary share was declared today, Friday, 10 February 2012, for the six-month period ended 31 December 2011. This brings the total dividend for the year ended 31 December 2011 to 684 cents per share. The final ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on Friday, 30 March 2012. 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, 23 March 2012
Shares commence trading ex dividend	Monday, 26 March 2012
Record date	Friday, 30 March 2012
Payment date	Monday, 2 April 2012

Share certificates may not be dematerialised or rematerialised between Monday, 26 March 2012 and Friday, 30 March 2012, both dates inclusive.

On Monday, 2 April 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 2 April 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, 2 April 2012.

On behalf of the board

DWP Hodnett
Acting Group Secretary

Johannesburg
10 February 2012

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

Consolidated profit analysis – banking and Financial Services

for the year ended 31 December

	Note	2011 Rm	2010 Rm	Change %
Income from banking and other activities		**41 817**	39 210	7
Net interest income	2	**24 408**	23 330	5
Non-interest income	4	**17 409**	15 880	10
Net fee and commission income		**14 332**	13 461	6
Gains and losses from banking and trading activities		**2 594**	2 349	10
Other income		**483**	70	>100
Income from Financial Services		**7 371**	7 014	5
Net interest income	2	**21**	10	>100
Non-interest income	4	**7 350**	7 004	5
Net fee and commission income		**961**	930	3
Net insurance premium income		**5 030**	4 468	13
Gains and losses from investment activities		**1 359**	1 606	(15)
Total operating income		**49 188**	46 224	6
Impairment losses on loans and advances	3	**(5 081)**	(6 005)	15
Banking and other activities		**(5 077)**	(5 999)	15
Financial Services		**(4)**	(6)	33
Benefits due to policyholders from Financial Services	4	**(3 356)**	(3 410)	2
Net insurance claims and benefits paid		**(2 533)**	(2 406)	(5)
Changes in investment contract and insurance contract liabilities		**(912)**	(1 045)	13
Other income		**89**	41	>100
Operating profit before operating expenditure		**40 751**	36 809	11
Operating expenditure in banking and other activities		**(24 454)**	(23 073)	(6)
Operating expenses	5	**(23 438)**	(22 273)	(5)
Other impairments		**(50)**	(109)	54
Indirect taxation		**(966)**	(691)	(40)
Operating expenditure in Financial Services		**(2 127)**	(1 876)	(13)
Operating expenses	5	**(2 020)**	(1 797)	(12)
Other impairments		**(2)**	1	>(100)
Indirect taxation		**(105)**	(80)	(31)
Share of post-tax results of associates and joint ventures		**40**	(9)	>100
Banking and other activities		**40**	(9)	>100
Financial Services		**0**	—	100
Operating profit before income tax		**14 210**	11 851	20
Taxation expense		**(4 026)**	(3 262)	(23)
Profit for the year		**10 184**	8 589	19
Profit attributable to:				
Ordinary equity holders of the Group		**9 674**	8 118	19
Non-controlling interest – ordinary shares		**226**	151	50
Non-controlling interest – preference shares		**284**	320	(11)
		10 184	8 589	19
Headline earnings	1	**9 719**	8 041	21

Condensed consolidated statement of comprehensive income

for the year ended 31 December

	Note	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Net interest income	2	**24 429**	23 340	5
Interest and similar income		**51 221**	54 241	(6)
Interest expense and similar charges		**(26 792)**	(30 901)	13
Impairment losses on loans and advances	3	**(5 081)**	(6 005)	15
Net interest income after impairment losses on loans and advances		**19 348**	17 335	12
Non-interest income	4	**21 403**	19 474	10
Net fee and commission income		**15 293**	14 391	6
Fee and commission income		**17 422**	16 454	6
Fee and commission expense		**(2 129)**	(2 063)	(3)
Net insurance premium income		**5 209**	4 602	13
Net insurance claims and benefits paid		**(2 517)**	(2 405)	(5)
Changes in investment contract and insurance contract liabilities		**(914)**	(1 059)	14
Gains and losses from banking and trading activities		**2 594**	2 349	10
Gains and losses from investment activities		**966**	884	9
Other operating income		**772**	712	8
Operating profit before operating expenditure		**40 751**	36 809	11
Operating expenditure		**(26 581)**	(24 949)	(7)
Operating expenses	5	**(25 458)**	(24 070)	(6)
Other impairments		**(52)**	(108)	52
Indirect taxation		**(1 071)**	(771)	(39)
Share of post-tax results of associates and joint ventures		**40**	(9)	>100
Operating profit before income tax		**14 210**	11 851	20
Taxation expense		**(4 026)**	(3 262)	(23)
Profit for the year		**10 184**	8 589	19
Profit attributable to:				
Ordinary equity holders of the Group		**9 674**	8 118	19
Non-controlling interest – ordinary shares		**226**	151	50
Non-controlling interest – preference shares		**284**	320	(11)
		10 184	8 589	19
Earnings per share:				
Basic earnings per share (cents)	1	**1 349,6**	1 133,3	19
Diluted earnings per share (cents)	1	**1 343,8**	1 126,4	19

Condensed consolidated statement of comprehensive income

for the year ended 31 December

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Profit for the year	**10 184**	8 589	19
Other comprehensive income			
Foreign exchange differences on translation of foreign operations	**522**	(371)	>100
Movement in cash flow hedging reserve	**(237)**	1 152	>(100)
Fair value gains arising during the year	**1 972**	3 421	(42)
Amount removed from other comprehensive income and recognised in the profit and loss component of the statement of comprehensive income	**(2 300)**	(1 820)	(26)
Deferred tax	**91**	(449)	>100
Movement in available-for-sale reserve	**(17)**	166	>(100)
Fair value (losses)/gains arising during the year	**(58)**	146	>(100)
Amortisation of government bonds – release to the profit and loss component of the statement of comprehensive income	**20**	92	(78)
Deferred tax	**21**	(72)	>100
Movement in retirement benefit asset and liabilities	**(51)**	21	>(100)
(Decrease)/increase in retirement benefit surplus	**(66)**	27	>(100)
(Increase)/decrease in retirement benefit deficit	**(5)**	2	>(100)
Deferred tax	**20**	(8)	>100
Total comprehensive income for the year	**10 401**	9 557	9
Total comprehensive income attributable to:			
Ordinary equity holders of the Group	**9 791**	9 138	7
Non-controlling interest – ordinary shares	**326**	99	>100
Non-controlling interest – preference shares	**284**	320	(11)
	10 401	9 557	9

Condensed consolidated statement of financial position

as at 31 December

	Note	2011 (Audited) Rm	2010[1] (Audited) Rm	Change %	2009[1] (Audited) Rm
Assets					
Cash, cash balances and balances with central banks		**26 997**	23 741	14	20 206
Statutory liquid asset portfolio		**57 473**	48 215	19	33 943
Loans and advances to banks		**57 432**	27 495	>100	43 223
Trading portfolio assets		**84 623**	62 047	36	52 302
Hedging portfolio assets		**4 299**	4 662	(8)	2 558
Other assets		**16 219**	12 855	26	10 586
Current tax assets		**288**	196	47	234
Non-current assets held for sale	6	**35**	—	100	—
Loans and advances to customers	7	**503 503**	508 780	(1)	517 008
Reinsurance assets		**1 009**	860	17	719
Investment securities		**21 182**	24 446	(13)	29 955
Investments in associates and joint ventures		**420**	416	1	487
Goodwill and intangible assets		**2 135**	1 794	19	1 245
Investment properties		**2 839**	2 523	13	2 195
Property and equipment		**7 996**	7 493	7	6 606
Deferred tax assets		**269**	434	(38)	374
Total assets		**786 719**	725 957	8	721 641
Liabilities					
Deposits from banks		**38 339**	15 406	>100	36 541
Trading portfolio liabilities		**55 960**	47 454	18	44 245
Hedging portfolio liabilities		**2 456**	1 881	31	565
Other liabilities		**14 695**	11 239	31	12 212
Provisions		**1 710**	1 808	(5)	1 684
Current tax liabilities		**267**	965	(72)	59
Deposits due to customers	8	**440 960**	387 598	14	367 210
Debt securities in issue	8	**130 262**	164 545	(21)	171 376
Liabilities under investment contracts		**15 233**	13 964	9	12 446
Policyholder liabilities under insurance contracts		**3 183**	3 001	6	3 136
Borrowed funds	9	**14 051**	13 649	3	13 530
Deferred tax liabilities		**1 198**	2 298	(48)	2 147
Total liabilities		**718 314**	663 808	8	665 151
Equity					
Capital and reserves					
Attributable to ordinary equity holders of the Group:					
Share capital	9	**1 434**	1 433	0	1 432
Share premium	9	**4 676**	4 590	2	4 784
Retained earnings		**53 813**	47 958	12	43 153
Other reserves		**2 385**	2 309	3	1 178
		62 308	56 290	11	50 547
Non-controlling interest – ordinary shares		**1 453**	1 215	20	1 299
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Total equity		**68 405**	62 149	10	56 490
Total liabilities and equity		**786 719**	725 957	8	721 641

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Condensed consolidated statement of financial position – IAS 39 classification

as at 31 December

	2011 (Audited) Assets Rm	2011 (Audited) Liabilities and equity Rm	2010[1] (Audited) Assets Rm	2010[1] (Audited) Liabilities and equity Rm
Fair value through profit or loss	130 009	106 371	112 874	84 146
Designated at fair value	41 301	47 955	46 604	34 811
Cash, cash balances and balances with central banks	3 112	—	2 393	—
Statutory liquid asset portfolio	804	—	3 463	—
Loans and advances to banks	7 886	—	8 049	—
Other assets	17	—	16	—
Loans and advances to customers	10 198	—	10 332	—
Investment securities	19 284	—	22 351	—
Deposits from banks	—	9 673	—	1 679
Other liabilities	—	16	—	12
Deposits due to customers	—	20 500	—	16 856
Debt securities in issue	—	1 762	—	1 561
Liabilities under investment contracts	—	15 233	—	13 964
Borrowed funds	—	771	—	739
Held for trading	84 409	55 960	61 608	47 454
Trading portfolio assets	84 380	—	61 393	—
Investment securities	29	—	215	—
Trading portfolio liabilities	—	55 960	—	47 454
Hedging instruments	4 299	2 456	4 662	1 881
Hedging portfolio assets	4 299	—	4 662	—
Hedging portfolio liabilities	—	2 456	—	1 881
Available-for-sale	58 636	—	46 702	—
Designated as available-for-sale	35 294	—	28 606	—
Cash, cash balances and balances with central banks	523	—	458	—
Statutory liquid asset portfolio	33 327	—	26 656	—
Investment securities	1 444	—	1 492	—
Hedged items				
Statutory liquid asset portfolio	23 342	—	18 096	—
Amortised cost	579 170	602 998	548 442	569 439
Designated at amortised cost	573 824	586 717	544 808	554 411
Cash, cash balances and balances with central banks	22 832	—	20 334	—
Loans and advances to banks	49 546	—	19 446	—
Other assets	13 487	—	10 214	—
Loans and advances to customers	487 959	—	494 814	—
Deposits from banks	—	28 666	—	13 727
Other liabilities	—	12 092	—	9 076
Deposits due to customers	—	420 460	—	370 742
Debt securities in issue	—	117 726	—	153 426
Borrowed funds	—	7 773	—	7 440
Hedged items	5 346	16 281	3 634	15 028
Loans and advances to customers	5 346	—	3 634	—
Debt securities in issue	—	10 774	—	9 558
Borrowed funds	—	5 507	—	5 470
Held-to-maturity	955	—	944	—
Cash, cash balances and balances with central banks	530	—	556	—
Investment securities	425	—	388	—
Non-financial assets and liabilities	17 949	8 945	16 995	10 223
Total equity	—	68 405	—	62 149
	786 719	786 719	725 957	725 957

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Condensed consolidated statement of changes in equity

for the year ended 31 December

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

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

Condensed consolidated statement of changes in equity

for the year ended 31 December

2011 (Audited)

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

2010 (Audited)

Ordinary share capital Rm	Ordinary share premium Rm	Retained earnings Rm	Other reserves Rm	Total equity attributable to ordinary equity holders of the Group Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
1 432	4 784	43 153	1 178	50 547	1 299	4 644	56 490
—	—	8 139	999	9 138	99	320	9 557
—	—	8 118	—	8 118	151	320	8 589
—	—	21	999	1 020	(52)	—	968
—	—	(3 191)	—	(3 191)	(142)	(320)	(3 653)
—	(234)	—	—	(234)	—	—	(234)
1	30	—	—	31	—	—	31
(0)	(49)	—	—	(49)	—	—	(49)
0	59	2	(13)	48	—	—	48
0	59	2	(61)	—	—	—	—
—	—	—	48	48	—	—	48
—	—	(39)	39	—	—	—	—
—	—	(55)	55	—	—	—	—
—	—	9	(9)	—	—	—	—
—	—	(60)	60	—	—	—	—
—	—	0	—	0	(0)	—	—
—	—	—	—	—	37	—	37
—	—	—	—	—	(78)	—	(78)
1 433	4 590	47 958	2 309	56 290	1 215	4 644	62 149

Condensed consolidated statement of cash flows

for the year ended 31 December

	Note	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Net cash generated from operating activities		**8 307**	2 202	>100
Net cash (utilised in)/generated from investing activities		**(515)**	1 500	>(100)
Net cash utilised in financing activities		**(4 141)**	(4 263)	3
Net increase/(decrease) in cash and cash equivalents		**3 651**	(561)	>100
Cash and cash equivalents at the beginning of the year	1	**6 417**	6 976	(8)
Effect of exchange rate movements on cash and cash equivalents		**0**	2	(100)
Cash and cash equivalents at the end of the year	2	**10 068**	6 417	57

Notes

1. Cash and cash equivalents at the beginning of the year

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Cash, cash balances and balances with central banks	**4 939**	5 176	(5)
Loans and advances to banks	**1 478**	1 800	(18)
	6 417	6 976	(8)

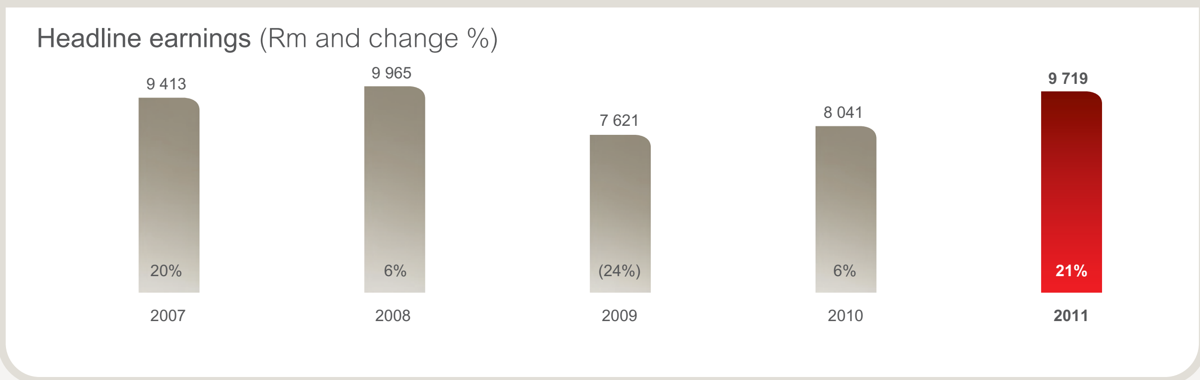
2. Cash and cash equivalents at the end of the year

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Cash, cash balances and balances with central banks	**7 893**	4 939	60
Loans and advances to banks	**2 175**	1 478	47
	10 068	6 417	57

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

1. Headline earnings and earnings per share



Headline earnings	2011 (Audited) Gross Rm	2011 (Audited) Net[1] Rm	2010 (Audited) Gross Rm	2010 (Audited) Net[1] Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders of the Group		9 674		8 118	19
Total headline earnings adjustment:		45		(77)	>100
IFRS 3 – Goodwill impairment and (gain on bargain purchase)	28	28	(72)	(72)	>100
IAS 16 – Profit on disposal of property and equipment	(33)	(30)	(41)	(37)	19
IAS 28 and 31 – Headline earnings component of share of post-tax results of associates and joint ventures	(0)	(0)	(1)	(1)	97
IAS 28 and 31 – Profit on disposal of investments in associates and joint ventures	—	—	(42)	(42)	100
IAS 28 and 31 – Impairment of investments in associates and joint ventures	(2)	(1)	29	21	>(100)
IAS 36 – Impairment of equipment	—	—	13	9	(100)
IAS 38 – Loss on disposal and impairment of intangible assets	2	1	4	3	(67)
IAS 39 – Release of available-for-sale reserves	20	14	92	66	(79)
IAS 39 – Impairment of available-for-sale assets	—	—	25	18	(100)
IAS 40 – Change in fair value of investment properties	39	33	(50)	(42)	>100
		9 719		8 041	21

Performance

The Group's headline earnings increased by 21%, from R8 041 million in 2010 to R9 719 million in 2011.

Core drivers of headline earnings

- The net interest margin improved by 17 basis points to 4,11% despite muted growth in loans and advances. This can be attributed to the interest rate hedging programme and continued repricing.
- Non-interest income grew by 10%.

Note

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

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

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

Performance *(continued)*

Core drivers of headline earnings *(continued)*

- Limiting cost growth to 6% with sustainable cost containment measures.
- A 15% improvement in the impairment charge.

At a segment level

- Retail Banking's headline earnings increased by 33% driven by improved net interest margins, lower impairment losses on loans and advances, and higher fee and commission income.
- Absa Business Bank reported a 5% increase in headline earnings, as revenue grew by 3% and impairments reduced by 24%.
- Absa Capital's headline earnings declined by 10%, due to flat revenue and 9% growth in operating expenses.
- Financial Services' headline earnings rose by 7%, due to strong growth in premium income, which was somewhat dampened by lower investment returns on shareholder funds.

Earnings per share	**2011 (Audited) Rm**	2010 (Audited) Rm	Change %
Profit attributable to ordinary equity holders of the Group/diluted earnings[1]	**9 674**	8 118	19

as at 31 December

	2011 (Audited) Number of shares (millions)	2010 (Audited) Number of shares (millions)	Change value/%
Issued shares at the beginning of the year	**718,2**	718,2	—
Treasury shares held by Absa Group Limited Share Incentive Trust	**(0,6)**	(1,3)	0,7
Treasury shares held by Group subsidiaries	**(0,8)**	(0,6)	(0,2)
Weighted average number of ordinary shares in issue[2]	**716,8**	716,3	0,5
Basic earnings per share (cents)	**1 349,6**	1 133,3	19
Weighted average number of ordinary shares in issue[2]	**716,8**	716,3	0,5
Adjusted for share options issued at no value	**3,1**	4,4	(1,3)
Diluted weighted average number of ordinary shares in issue	**719,9**	720,7	(0,8)
Diluted earnings per share (cents)	**1 343,8**	1 126,4	19

Notes

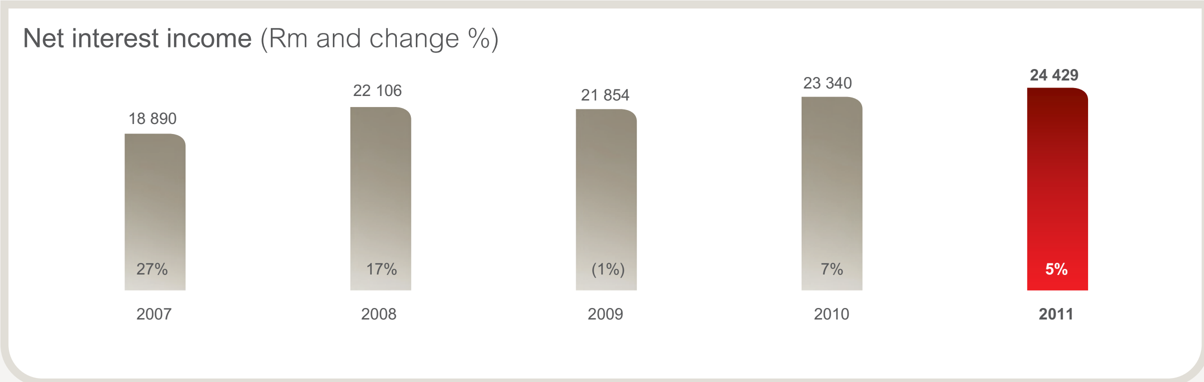
[1]There are currently no instruments in issue that would have a dilutive impact on the profit attributable to ordinary equity holders of the Group.

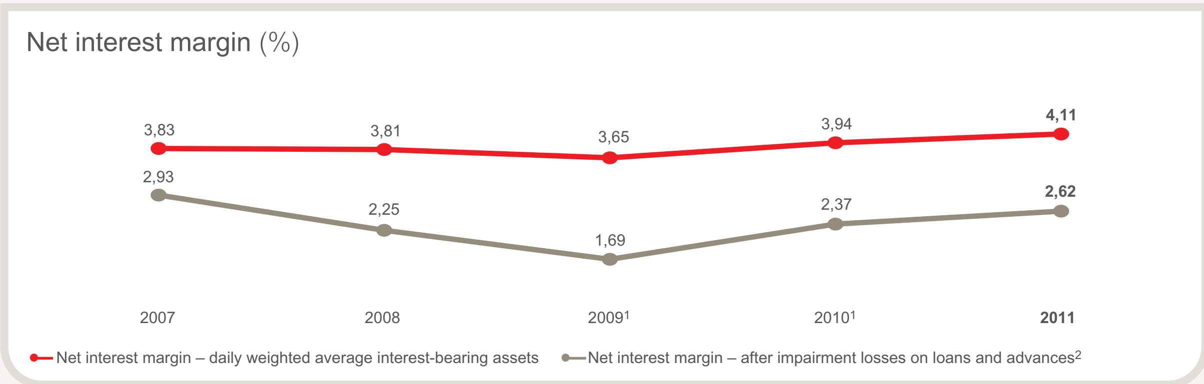
[2]Refer to page 42 for the number of ordinary shares in issue.

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

2. Net interest income





Performance

The Group's margin continued to widen, increasing by 17 basis points from 2010.

This was achieved through:

- wider asset margins reflecting improved pricing for credit risk and a change in product composition to higher margin products;
- the Group's hedging strategy; and
- strong growth in higher-margin customer deposit products, which reduced the reliance on wholesale funding.

The Group hedges its margin against changes in interest rates, as far as possible. The Group employs a hedging policy whereby structural positions (rate insensitive assets and liabilities as well as the endowment impact on equity) are hedged on a programme basis by continuously entering into receive fixed swaps over the entire interest rate cycle. The hedge programme increases margin stability over an interest rate cycle, notably enhancing the margin in a low rate cycle and sacrificing margin when rates are high. The prime/JIBAR reset risk cannot be hedged, so a degree of interest rate sensitivity will remain.

Cash flow hedge accounting is applied for the interest rate swaps executed as part of the hedge programme. The change in mark-to-market value is deferred to the cash flow hedging reserve (other reserves), from where it is released to the statement of comprehensive income on an accrual basis. The cash flow hedging reserve totalling R2,0 billion as at 31 December 2011 will be released to the statement of comprehensive income over the life of the underlying hedged items should market rates prevail at current levels.

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

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

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

2. Net interest income *(continued)*

Group average statement of financial position	2011 Average balance Rm	2011 Average rate[2] %	2011 Interest income/ (expense) Rm	2010[1] Average balance Rm	2010[1] Average rate[2] %	2010[1] Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	3 156	5,04	159	1 741	5,92	103
Statutory liquid asset portfolio	51 839	8,26	4 282	35 331	8,44	2 983
Loans and advances to banks and customers	529 446	8,47	44 843	540 874	9,16	49 550
Investment securities	10 468	3,73	390	14 157	3,50	495
Other[3]	—	—	1 547	—	—	1 110
Interest-bearing assets	594 909	8,61	51 221	592 103	9,16	54 241
Non-interest-bearing assets	142 652	—	—	137 917	—	—
Total assets	737 561	6,94	51 221	730 020	7,43	54 241
Liabilities						
Deposits from banks and due to customers	402 620	(3,99)	(16 046)	374 410	(4,67)	(17 477)
Debt securities in issue	146 216	(6,57)	(9 602)	166 417	(7,68)	(12 786)
Borrowed funds	13 714	(9,84)	(1 350)	13 198	(12,02)	(1 586)
Other[3]	—	—	206	—	—	948
Interest-bearing liabilities	562 550	(4,76)	(26 792)	554 025	(5,58)	(30 901)
Non-interest-bearing liabilities	111 211	—	—	116 774	—	—
Total liabilities	673 761	(3,98)	(26 792)	670 799	(4,61)	(30 901)
Equity						
Capital and reserves						
Attributable to ordinary equity holders of the Group:						
Share capital	1 433	—	—	1 433	—	—
Share premium	4 565	—	—	4 728	—	—
Retained earnings	49 902	—	—	45 169	—	—
Other reserves	1 896	—	—	1 890	—	—
	57 796	—	—	53 220	—	—
Non-controlling interest – ordinary shares	1 360	—	—	1 357	—	—
Non-controlling interest – preference shares	4 644	—	—	4 644	—	—
Total equity	63 800	—	—	59 221	—	—
Total equity and liabilities	737 561	(3,63)	(26 792)	730 020	(4,23)	(30 901)
Net interest margin on average interest-bearing assets		4,11			3,94	

Daily weighted average balances were used in the calculations.

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

[2]The average prime rate for the year was **9,00%** (2010: 9,87%).

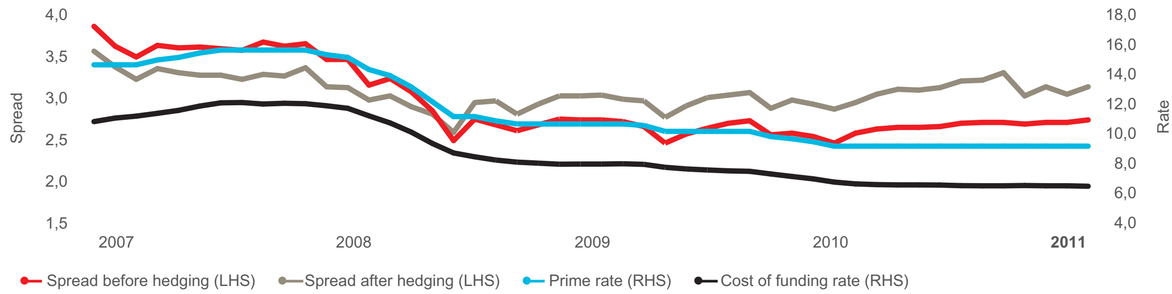
[3]Also include fair value adjustments on hedging instruments and hedged items.

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

2. Net interest income *(continued)*

Hedging impact on margin[1] (%)



Change in margin	2011 basis points	2010[2] basis points
Loans and advances to customers	**11**	9
Change in client rates	**10**	4
Change in composition	**1**	5
Deposits due to customers	**(7)**	(2)
Client pricing	**(1)**	(2)
Change in composition	**(1)**	12
Endowment	**(5)**	(12)
Capital	**(6)**	(12)
Interest rate risk management (hedging)	**24**	25
Other	**(5)**	9
	17	29

Loans and advances to customers

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

Deposits due to customers

- The negative impact of lower interest rates on non-rate sensitive deposits was the largest contributor to the reduction in deposit margins. Slight margin compression was experienced across customer products in an effort to increase funding from this source.
- Product composition changes also had a slight negative impact on the margin.

Notes

[1] Absa's hedging strategy:
- The hedging programme provides greater margin stability from an interest rate risk perspective over the entire cycle.
- In a decreasing rate scenario the hedging programme enhances the margin while the opposite is true for an increasing rate scenario.
- Basis risk still remains between prime assets and 3-month JIBAR repricing liabilities after hedging.

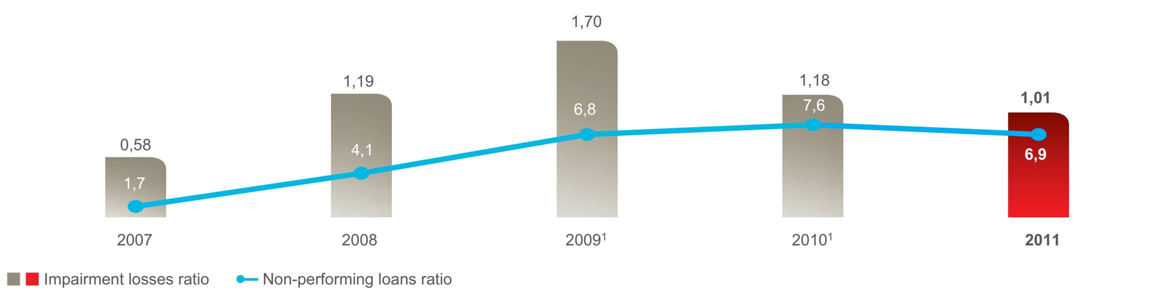
[2] Comparatives have been reclassified. Refer to pages 97 – 101.

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

3. Impairment losses on loans and advances

Impairment losses and non-performing loans ratio (%)



Performance

The impairment losses ratio improved to 1,01% at 31 December 2011 from 1,18% at 31 December 2010. The impairment charge to the statement of comprehensive income decreased by 15% to R5 081 million.

At a segment level

Retail Banking (↓17%)

- Retail Banking's impairment losses ratio improved from 1,48% in 2010 to 1,23% in 2011.
- Significant improvement was experienced in impairment losses on loans and advances in Card (54%) with positive contributions from Vehicle and Asset Finance (12%), Personal Loans (6%) and Home Loans (2%) respectively.

Absa Business Bank (↓24%)

- Absa Business Bank's impairment losses ratio improved to 0,72% for the year ended 31 December 2011 from 0,93% in 2010.
- Improved overall credit profile of the book and a more robust collection process led to impairments declining by 24% to R873 million.

Non-performing loans

Non-performing loans (NPLs) declined by 10% from the prior year to end on R35,5 billion at 31 December 2011. NPLs, as a percentage of gross loans and advances to customers, declined to 6,9% from 2010 (7,6%). A large number of non-performing loan write-off during the year lead to the reduction in the non-performing loans coverage ratio.

Statement of comprehensive income charge	**2011 (Audited) Rm**	2010 (Audited) Rm	Change %
Impairments raised during the year	**5 894**	6 729	(12)
Identified impairments	**6 015**	6 919	(13)
Unidentified impairments	**(121)**	(190)	36
Recoveries of loans and advances previously written off	**(813)**	(724)	(12)
	5 081	6 005	(15)

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

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

Impairment losses on loans and advances by segment	2011 Rm	2010 Rm	Change %
Retail Banking[1]			
Home Loans	**2 160**	2 202	(2)
Vehicle and Asset Finance	**774**	884	(12)
Card	**213**	466	(54)
Personal Loans	**479**	508	(6)
Retail Bank	**339**	703	(52)
Total charge	**3 965**	4 763	(17)
Impairment losses ratio (%)	**1,23**	1,48	
Absa Business Bank[1]			
Total charge	**873**	1 144	(24)
Impairment losses ratio (%)	**0,72**	0,93	
Absa Capital[1]			
Total charge	**69**	96	(28)
Impairment losses ratio (%)	**0,11**	0,15	
Other			
Total charge	**174**	2	>100
Impairment losses ratio (%)	**n/a**	n/a	
Charge to the statement of comprehensive income	**5 081**	6 005	(15)
Impairment losses ratio (%)[1]	**1,01**	1,18	

as at 31 December

Statement of financial position	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Balance at the beginning of the year	**13 902**	13 158	6
Amounts written off during the year	**(6 493)**	(5 219)	(24)
Foreign exchange differences	**1**	(2)	>100
Interest on impaired assets	**(1 173)**	(764)	(54)
	6 237	7 173	(13)
Impairments raised during the year	**5 894**	6 729	(12)
Balance at the end of the year	**12 131**	13 902	(13)
Comprising:			
Identified impairments	**11 306**	12 949	(13)
Unidentified impairments	**825**	953	(13)
	12 131	13 902	(13)

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

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

Non-performing loans – balances

	2011			
	Outstanding balance Rm	Expected recoveries and fair value of collateral Rm	Net exposure Rm	Total identified impairment Rm
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
Retail Banking	**30 142**	**22 307**	**7 835**	**7 835**
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
Absa Business Bank	**4 550**	**2 947**	**1 603**	**1 603**
Absa Capital	**844**	**405**	**439**	**439**
Non-performing loans	**35 536**	**25 659**	**9 877**	**9 877**
Non-performing loans ratio (%)	**6,9**			

Non-performing loans – balances

	2010			
	Outstanding balance Rm	Expected recoveries and fair value of collateral Rm	Net exposure Rm	Total identified impairment Rm
Cheque accounts	220	110	110	110
Credit cards	2 822	797	2 025	2 025
Instalment credit agreements	3 058	1 776	1 282	1 282
Microloans	445	84	361	361
Mortgages	25 642	20 740	4 902	4 902
Personal loans	1 413	442	971	971
Retail Banking[1]	33 600	23 949	9 651	9 651
Cheque accounts	880	448	432	432
Commercial Asset Finance	1 082	429	653	653
Commercial Property Finance	2 483	2 032	451	451
Term loans	1 047	760	287	287
Absa Business Bank[1]	5 492	3 669	1 823	1 823
Absa Capital[1]	549	208	341	341
Non-performing loans	39 641	27 826	11 815	11 815
Non-performing loans ratio (%)[1]	7,6			

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

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

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

Debt counselling	2010					
	New applications		Terminations		Portfolio balance	
	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm	Number of accounts	Exposure Rm
Cheque accounts	6 401	122	7 118	227	8 029	281
Credit cards	20 121	263	18 378	266	38 193	481
Instalment credit agreements	5 087	604	8 748	970	8 218	842
Mortgages	6 527	3 207	6 285	3 531	9 386	4 691
Personal loans	10 717	313	11 287	320	16 058	493
Other	18 703	296	15 625	367	15 692	217
	67 556	4 805	67 441	5 681	95 576	7 005

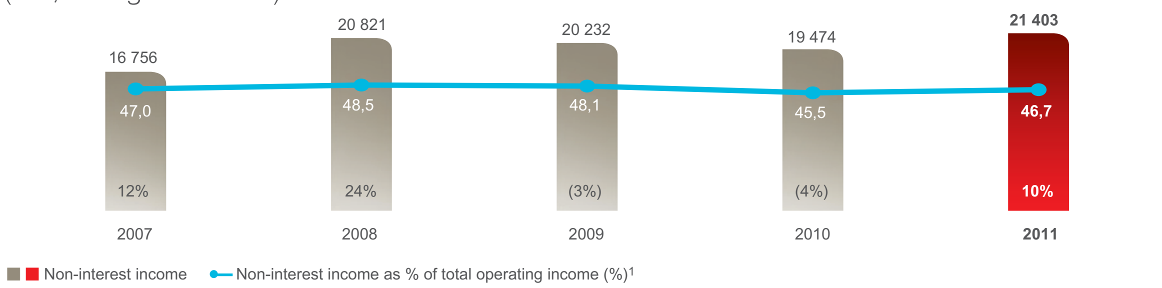
Non-performing loans coverage ratios	**2011 %**	2010 %
Retail Banking	**26,0**	28,7
Credit cards	**64,6**	71,8
Instalment credit agreements	**48,2**	41,9
Mortgages	**17,1**	19,1
Other	**64,8**	69,4
Absa Business Bank	**35,2**	33,2
Absa Capital	**52,0**	62,1
	27,8	29,8

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

4. Non-interest income

Non-interest income and non-interest income as % of total operating income (Rm, change % and %)



Non-interest income breakdown	2011 Rm	2010[2] Rm	Change %	2011 Composition %	2010 Composition %
Net fee and commission income					
Retail Banking	**10 493**	9 935	6	**49**	51
Absa Business Bank	**3 719**	3 433	8	**17**	18
Absa Capital					
Markets – net trading results	**2 166**	2 142	1	**10**	11
Private Equity – revaluations	**240**	48	>100	**1**	0
Absa Business Bank					
Commercial property finance – revaluations	**(102)**	116	>(100)	**(0)**	1
Financial Services	**3 994**	3 594	11	**19**	18
Shareholder funds	**198**	332	(40)	**1**	2
Insurance income	**3 796**	3 262	16	**18**	16
Other investment income	**250**	188	33	**1**	1
Revaluation of investment in Visa Incorporated	**30**	(128)	>100	**0**	(1)
Dividends received from associates and joint ventures	**—**	45	(100)	**—**	0
Profit realised on disposal of investment in Virgin Money SA	**—**	42	(100)	**—**	0
Absa Business Bank – other gains and losses from banking and trading activities	**141**	120	18	**1**	1
Other	**79**	109	(28)	**0**	1
Other income	**643**	18	>100	**3**	0
Gain on bargain purchase	**—**	72	(100)	**—**	0
Property-related income	**462**	404	14	**2**	2
Insurance-related income from Woolworths Financial Services	**161**	112	44	**1**	1
Inter-group and inter-segment eliminations[3]	**(538)**	(817)	34	**(3)**	(4)
Other[4]	**558**	247	>100	**3**	1
	21 403	19 474	10	**100**	100

Performance

Non-interest income increased by 10% to R21 403 million for the year ended 31 December 2011.

Notes

[1]Excluding impairment losses on loans and advances.
[2]Comparatives have been reclassified. Refer to pages 97 – 101.
[3]Inter-group and inter-segment eliminations offset in net interest income.
[4]Includes other inter-segment eliminations.

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

4. Non-interest income *(continued)*

Performance *(continued)*

Banking operations (↑10%)

Net fee and commission income, which constitutes approximately 82% of non-interest income, increased by 6% to R14 332 million.

- Retail Banking grew net fee and commission income by 6%. There was a migration of customers from traditional banking channels to electronic channels and also a significant shift from credit card to debit card and cash back point-of-sales (POS) transactions. A below inflationary pricing increase was introduced during the year ended 31 December 2011 after not increasing fees for 21 months.
- Absa Business Bank's improved transactional banking offering contributed to an 8% year on year rise in net fee and commission income.
- Absa Capital's net trading results increased by 1%, while total Markets revenue decreased by 3%. These movements differ due to lower interest income caused by adverse market conditions in the Markets business. Investments held in Private Equity experienced positive revaluations in the current year with a fair value increase of R240 million compared to a fair value increase of R48 million in the prior year. Net gains on investments included income from realisations, dividends and fair value movements on investments.

The value of the Group's investment in Visa declined by R128 million in 2010. The Group disposed of this investment during 2011, realising a gain of R30 million.

Financial Services operations (↑11%)

Included in non-interest income of the Group is the revenue from insurance on a net basis, i.e. gross revenue net of re-insurance, claims, movement in policyholder liabilities and investment returns as well as acquisition cost. Gross premiums in Life and Short-term Insurance increased by 22% and 10% respectively, while revenue from the non-insurance businesses increased by 16%. On a net basis, revenue before investment returns on shareholder funds improved by 14%. The claims ratio in Short-term Insurance improved from 68,5% in 2010 to 67,4% for the current year, with the underwriting results of all product lines improving. Investment returns on shareholder funds decreased by 40% to R198 million, mainly due to low interest rate environment and declining equity markets.

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Fee and commission income			
Asset management and other related fees	**81**	105	(23)
Consulting and administration fees	**520**	510	2
Credit-related fees and commissions	**12 672**	11 800	7
Cheque accounts	**3 334**	3 198	4
Credit cards[1,2]	**1 094**	883	24
Electronic banking	**4 095**	3 828	7
Savings accounts	**2 387**	2 417	(1)
Other[3]	**1 762**	1 474	20
Insurance commission received	**901**	950	(5)
Merchant income[2]	**1 185**	1 055	12
Pension fund payment services	**484**	497	(3)
Project finance fees	**222**	209	6
Trust and other fiduciary services	**1 101**	1 029	7
Portfolio and other management fees	**849**	783	8
Trust and estate income	**252**	246	2
Other	**256**	299	(14)
	17 422	16 454	6

Notes

[1]Includes acquiring and issuing fees.

[2]During the year under review, merchant income has been separately disclosed in order to achieve fair presentation. This resulted in a reclassification of comparative information.

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

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

4. Non-interest income *(continued)*

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Fee and commission expense			
Cheque processing fees	**(171)**	(173)	1
Insurance commission paid	**(877)**	(867)	(1)
Transaction-based legal fees	**(229)**	(192)	(19)
Trust and other fiduciary service fees[1,2]	**(51)**	(122)	58
Valuation fees	**(142)**	(185)	23
Other[1]	**(659)**	(524)	(26)
	(2 129)	(2 063)	(3)
Net insurance premium income			
Gross insurance premiums	**6 182**	5 365	15
Premiums ceded to reinsurers	**(973)**	(763)	(28)
	5 209	4 602	13
Net insurance claims and benefits paid			
Gross claims and benefits paid on insurance contracts	**(3 076)**	(2 864)	(7)
Reinsurance recoveries	**559**	459	22
	(2 517)	(2 405)	(5)
Changes in investment contract and insurance contract liabilities			
Increase in investment contract liabilities	**(906)**	(1 014)	11
Increase in insurance contract liabilities	**(8)**	(45)	82
	(914)	(1 059)	14
Gains and losses from banking and trading activities[3]			
Associates and joint ventures	**—**	87	(100)
Dividends received	**—**	45	(100)
Profit realised on disposal	**—**	42	(100)
Net gains on investments	**437**	88	>100
Debt instruments	**29**	26	12
Equity instruments	**428**	154	>100
Available-for-sale unwind from reserves	**(20)**	(92)	78
Net trading result	**2 627**	1 789	47
Net trading income excluding the impact of hedge accounting	**2 571**	1 689	52
Ineffective portion of hedges	**56**	100	(44)
Cash flow hedges	**33**	44	(25)
Economic hedges	**30**	71	58
Fair value hedges	**(7)**	(15)	53
Other	**(470)**	385	>(100)
	2 594	2 349	10

Notes

[1]During the year under review, trust and other fiduciary service fees have been disclosed separately in order to achieve fair presentation. This resulted in a reclassification of comparatives.

[2]During the year under review, debt collection fees have been included in trust and other fiduciary service fees. This resulted in a reclassification of comparatives.

[3]Refer to the segment views on pages 45 – 76.

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

4. Non-interest income *(continued)*

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Gains and losses from banking and trading activities by segment[1,2,3]			
Retail Banking	65	137	(53)
Absa Business Bank	39	236	(83)
Absa Capital	2 506	2 199	14
Head office and Other	(26)	(232)	89
Inter-segment eliminations	10	9	11
	2 594	2 349	10
Gains and losses from investment activities[1]			
Available-for-sale unwind from reserves	1	0	>100
Net gains on investments from insurance activities	886	820	8
Policyholder investment contracts	511	214	>100
Policyholder insurance contracts	173	234	(26)
Shareholder funds	202	372	(46)
Other	79	64	23
	966	884	9
Gains and losses from investment activities by segment[1,4]			
Absa Business Bank	44	13	>100
Financial Services	1 359	1 606	(15)
Head office and Other	40	91	(56)
Inter-segment eliminations	(477)	(826)	42
	966	884	9
Other operating income			
Foreign exchange differences	59	59	0
Income from investment properties	19	61	(69)
Change in fair value of investment properties	2	50	(96)
Investment property rentals	17	11	55
Income from maintenance contracts	15	15	0
Loss on disposal of intangible assets	(2)	—	(100)
Profit on disposal of property and equipment	33	41	(20)
Profit on sale of developed properties	48	28	71
Profit on sale of repossessed properties	24	6	>100
Rental income	324	253	28
Sundry income[5]	252	249	1
	772	712	8
Total non-interest income	**21 403**	19 474	10

Notes

[1]Refer to the segment views on pages 45 – 76.

[2]Comparatives have been reclassified. Refer to pages 97 – 101.

[3]The segmentation of gains and losses from banking and trading activities is unaudited.

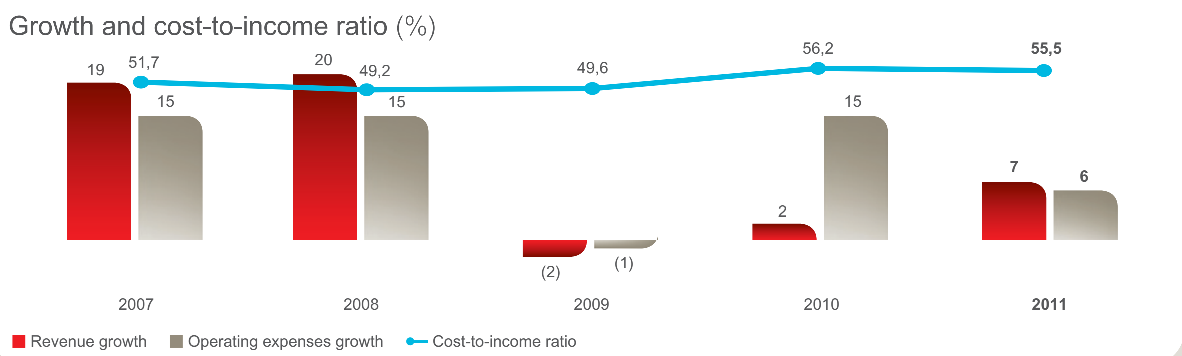
[4]The segmentation of gains and losses from investment activities is unaudited.

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

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

5. Operating expenses



Operating expenses breakdown	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Amortisation of intangible assets	**289**	165	75
Auditors' remuneration	**166**	159	4
Cash transportation	**726**	729	(0)
Depreciation	**1 261**	1 147	10
Equipment costs	**224**	271	(17)
Information technology[1]	**2 241**	2 085	7
Investment property charges	**41**	4	>100
Change in fair value of investment properties	**41**	0	>100
Other	**0**	4	(100)
Marketing costs	**1 036**	1 070	(3)
Operating lease expenses on properties	**1 018**	978	4
Printing and stationery	**253**	272	(7)
Professional fees[1]	**1 076**	1 096	(2)
Property costs[2]	**1 120**	866	29
Staff costs	**13 642**	12 537	9
Bonuses	**1 285**	1 101	17
Current service costs on post-retirement benefits	**772**	635	22
Salaries	**10 379**	9 707	7
Share-based payments	**467**	297	57
Training costs	**252**	269	(6)
Other[3]	**487**	528	(8)
Telephone and postage	**803**	820	(2)
Other[4]	**1 562**	1 871	(17)
	25 458	24 070	6

Performance

Operating expenses increased by 6%. The Group's cost-to-income ratio declined to 55,5%.

Staff costs (↑9%)

Inflationary increases of 4% for senior staff and up to 7% for unionised staff, contributed to the growth in salaries. Staff numbers decreased by 1 570, due to the impact of attrition and continued focus on automation and efficiency initiatives. Growth in the incentive provision is a result of improved performance, coupled with the impact of the Deferred Award Plans (share-based payments) introduced in 2009.

Notes

[1]Both lines include research and development costs totalling **R101 million** (2010: R133 million).

[2]During the year under review, property costs were moved from other and disclosed separately due to the significance thereof. This resulted in a reclassification of comparative information.

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

[4]Includes accommodation, travel and entertainment costs.

Performance indicators and condensed notes to the consolidated financial statements

for the year ended 31 December

5. Operating expenses *(continued)*

Breakdown of information technology costs included in operating expenses	2011 Rm	2010 Rm	Change %
Amortisation of intangible assets and depreciation of equipment	**946**	833	14
Information technology	**2 241**	2 085	7
Staff costs	**1 113**	1 013	10
Other	**983**	1 114	(12)
	5 283	5 045	5

Share-based payments	2011 (Audited) Number of options/ shares	2011 (Audited) Rm	2010 (Audited) Number of options/ shares	2010 (Audited) Rm	Value change %
Staff costs					
The statement of comprehensive income charge for share-based payments is as follows:					
Equity-settled arrangements					
Absa Group Limited Executive Share Award Scheme	**1 349 514**	**58**	2 074 693	55	5
Absa Group Limited Performance Share Plan	**1 325 593**	**2**	3 218 197	(19)	>100
Absa Group Limited Share Incentive Scheme	**1 569 657**	**(2)**	3 235 857	12	>(100)
Cash-settled arrangements					
Absa Group Limited Deferred Award Plan	**4 384 070**	**321**	2 468 193	162	98
Absa Group Limited Phantom Executive Share Award Scheme	**88 665**	**2**	153 404	(9)	>100
Absa Group Limited Phantom Joiners Share Award Plan	**953 689**	**58**	1 182 608	72	(18)
Absa Group Limited Key Leaders Retention Plan	**577 680**	**28**	595 709	24	17
		467		297	57
Total carrying amount of liabilities for cash-selected arrangements as at 31 December		**518**		302	72

During the year, **R58 million** (2010: R48 million) and **R409 million** (2010: R249 million) were charged to the statement of comprehensive income in respect of equity-settled and cash-settled share-based payments, respectively.

as at 31 December

6. Non-current assets held for sale

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Balance at the beginning of the year	**—**	—	—
Transfer from investments in associates and joint ventures	**43**	—	100
Transfer from investment securities	**326**	—	100
Disposal of assets previously disclosed under non-current assets held for sale	**(354)**	—	(100)
Transfer to investment securities	**(15)**	—	(100)
Transfer from property and equipment	**35**	—	100
Balance at the end of the year	**35**	—	100

On 30 June 2011, the Group, through its Absa Capital and Absa Business Bank 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 was transferred to investment securities.

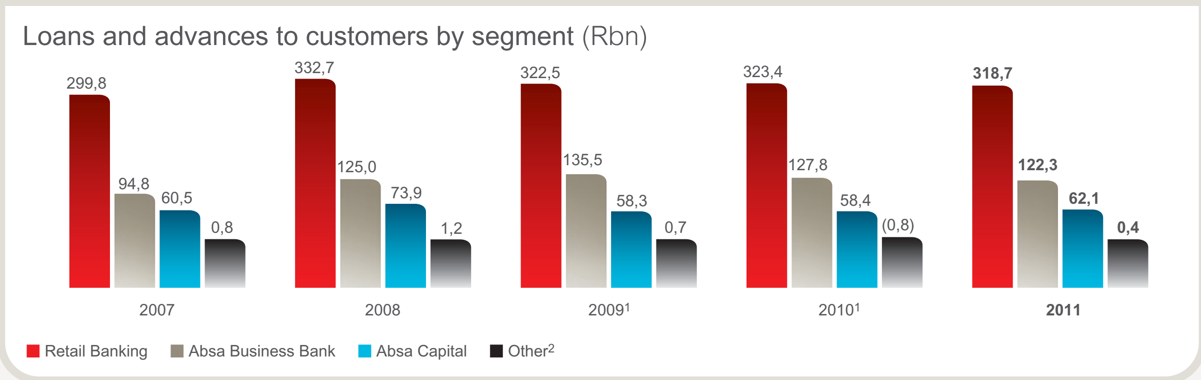
The Group, through its Absa Capital segment, also transferred certain investments designated at fair value through profit or loss with a carrying value of R326 million to non-current assets held for sale on 30 June 2011. These investments were subsequently sold in August 2011.

The Group, through its Corporate Real Estate business, concluded contracts for the sale of several properties during 2011, with transfer due to take place during 2012.

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

7. Loans and advances to customers



Loans and advances mix	2011 %	2010[1] %	2009[1] %
Retail Banking	**63,3**	63,6	62,4
Absa Business Bank	**24,3**	25,0	26,2
Absa Capital	**12,3**	11,5	11,3
Other[2]	**0,1**	(0,1)	0,1
	100,0	100,0	100,0

Performance

Growth in loans and advances to customers for the Group remains subdued with a marginal decline from the prior year. The retail and business banking operations of the Group continue to carry the majority of the loans and advances while Absa Capital's contribution increased to 12,3%.

Retail Banking (↓1%)

- Mortgages, which constitute the bulk of Retail Banking's book, decreased by 4% due to lower registrations and higher run off.
- Instalment credit agreements increased by 2% despite high run off.
- The Group increasingly focused on higher-return unsecured lending. Credit card advances increased by 4%, while personal loans grew by 7%.
- The Group remains the market leader in total individual loans.

Absa Business Bank (↓4%)

- Lower commercial property finance reflects the Group's strategy to reduce its concentration risk to property.
- Corporate overdrafts and specialised finance loans grew by 11%, while cheque accounts grew by 7%.
- Instalment credit agreements declined by 2%.

Absa Capital (↑6%)

- The increase is mainly driven by growth in foreign currency loans and overnight finance.

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

[2]Includes inter-group and inter-segment eliminations. Refer to page 38.

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

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

Loans and advances to customers by segment	2011 Rm	2010[1] Rm	Change %
Retail Banking			
Cheque accounts	**2 714**	2 799	(3)
Credit cards[2]	**21 371**	20 507	4
Instalment credit agreements	**38 954**	38 123	2
Loans to associates and joint ventures	**4 836**	4 827	0
Microloans	**1 922**	2 069	(7)
UniFer book	**52**	54	(4)
New business	**1 870**	2 015	(7)
Mortgages (including Commercial Property Finance)	**242 719**	251 569	(4)
Personal loans	**15 267**	14 292	7
Other loans and advances to customers	**11**	30	(63)
Gross loans and advances to customers	**327 794**	334 216	(2)
Impairment losses on loans and advances	**(9 061)**	(10 789)	16
	318 733	323 427	(1)
Absa Business Bank			
Cheque accounts	**29 288**	27 364	7
Corporate overdrafts and specialised finance loans	**10 571**	9 493	11
Foreign currency loans	**4 458**	2 662	67
Instalment credit agreements	**18 338**	18 768	(2)
Loans to associates and joint ventures	**2 048**	1 998	3
Mortgages (including Commercial Property Finance)	**42 380**	47 634	(11)
Term loans	**13 700**	13 406	2
Wholesale overdrafts	**489**	6 360	(92)
Other loans and advances to customers	**3 409**	2 749	24
Gross loans and advances to customers	**124 681**	130 434	(4)
Impairment losses on loans and advances	**(2 431)**	(2 642)	8
	122 250	127 792	(4)
Absa Capital			
Cheque accounts	**3 068**	3 365	(9)
Corporate overdrafts	**26 185**	26 491	(1)
Foreign currency loans	**5 162**	3 936	31
Mortgages (including Commercial Property Finance)	**7 138**	7 490	(5)
Overnight finance	**10 649**	6 124	74
Preference shares	**7 717**	7 372	5
Reverse repurchase agreements	**1 613**	3 063	(47)
Other loans and advances to customers	**1 061**	1 008	5
Gross loans and advances to customers	**62 593**	58 849	6
Impairment losses on loans and advances	**(514)**	(471)	(9)
	62 079	58 378	6

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

[2]Include a balance of **R5 479 million** (2010: R5 306 million) relating to Woolworths Financial Services Proprietary Limited.

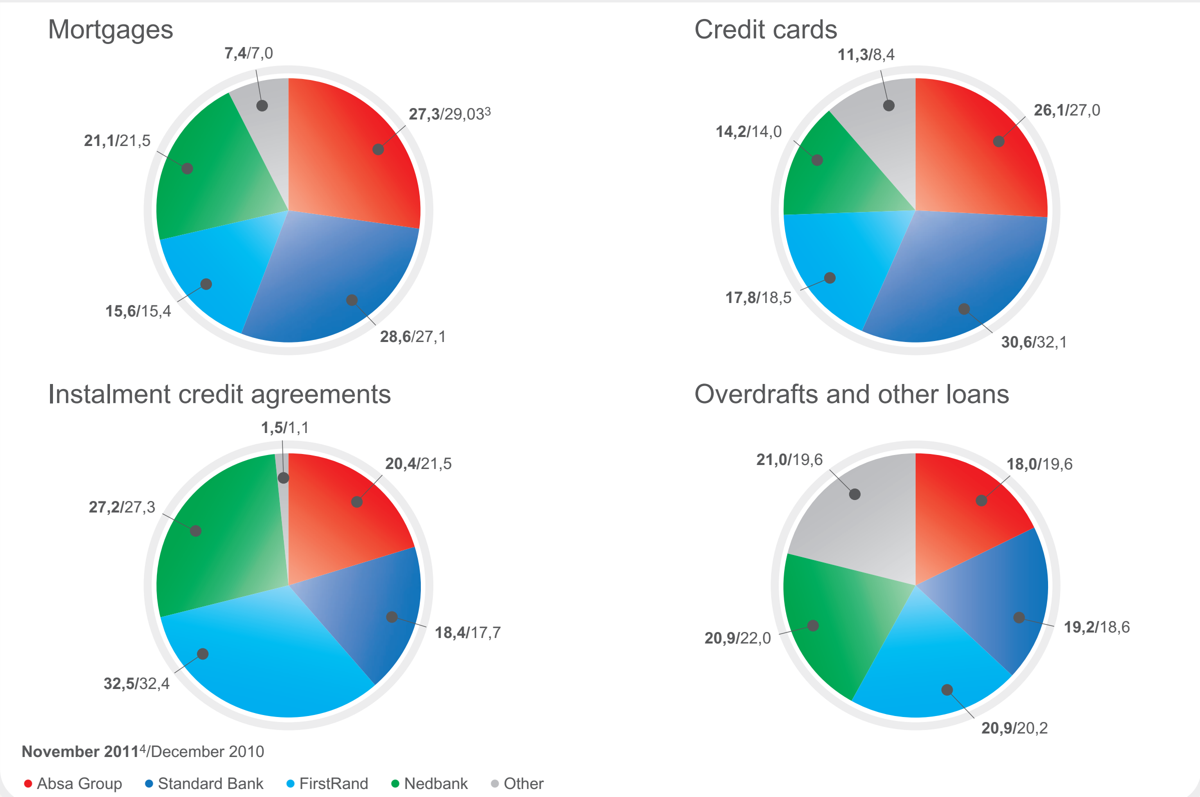
Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

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

Loans and advances to customers by segment *(continued)*	2011 Rm	2010 Rm	Change %
Other			
Other loans and advances to customers	**337**	477	(29)
Inter-group eliminations[1]	**—**	(1 592)	100
Other eliminations	**229**	298	(23)
Gross loans and advances to customers	**566**	(817)	>100
Impairment losses on loans and advances	**(125)**	—	(100)
	441	(817)	>100
Gross loans and advances to customers[2]	**515 634**	522 682	(1)
Impairment losses on loans and advances	**(12 131)**	(13 902)	13
Net loans and advances to customers[2]	**503 503**	508 780	(1)

Market share (%)



Performance

The Group lost market share, particularly in respect of secured lending, due in part to its pricing strategy of ensuring that adequate returns are generated on all new business, decreased new business flow in Home Loans and reducing concentration to Commercial Property Finance.

Notes

[1]Inter-group eliminations comprise the elimination of a once-off inter-group balance at 31 December 2010, which offset with inter-group deposits due to customers (refer to page 38).

[2]Comparatives have been reclassified. Refer to pages 97 – 101.

[3]Securitisation of **R5,0 billion – 0,5% of market share** (2010: R4,4 billion – 0,4% of market share) has been excluded from the Absa mortgages book.

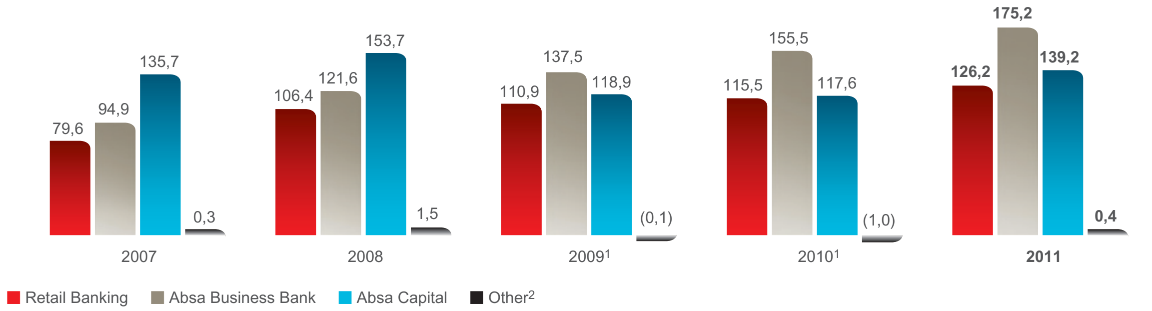
[4]Due to the early results announcement, the market share information for December 2011 was not available for publication.

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

8. Deposits due to customers and debt securities in issue

Deposits due to customers by segment (Rbn)



Total funding mix	2011 %	2010[1] %	2009[1] %
Deposits due to customers	**72,3**	68,3	63,8
Retail Banking	**20,7**	20,3	19,3
Absa Business Bank	**28,7**	27,5	23,9
Absa Capital	**22,8**	20,7	20,5
Other[2]	**0,1**	(0,2)	0,1
Deposits from banks	**6,3**	2,7	6,4
Debt securities in issue	**21,4**	29,0	29,8
	100,0	100,0	100,0

Total funding composition	2011 Rm	2010 Rm	Change %
Retail deposits	**126 205**	115 494	9
Low margin	**57 299**	53 154	8
High margin	**68 906**	62 340	11
Commercial deposits	**175 158**	155 536	13
Corporate and institutional funding[3]	**308 198**	296 519	4
	609 561	567 549	7

Performance

The growth in the Group's funding balance was mainly driven by the increased contribution from Retail Banking and Absa Business Bank, which accounted for 49,4% of the total funding, up from 47,8% in 2010.

At a segment level

Retail Banking (↑ 9%)

- Customers moved to shorter term savings products, which increased cheque accounts by 11%, notice deposits by 15% and savings and transmission deposits by 9%.
- Investment products also showed impressive growth of 11% driven by the Investment Advantage offering.
- The Group remains the market leader in individual deposits.

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

[2]Includes inter-group and inter-segment eliminations. Refer to page 38.

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

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

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

Performance *(continued)*

At a segment level *(continued)*

Absa Business Bank (↑13%)

- Absa Business Bank's focus on improving liquidity was evident in increased growth across most of its deposit products.
- Cheque deposits grew by 14%, as customers made more use of their operating accounts.
- Absa Business Bank also increased term deposits in line with the Group strategy. Products with liquidity-enhanced features were offered and solutions matched client cash flow volatility with term products.

Absa Capital (↑18%)

- Absa Capital's customer deposits increased by 18%. The increase in deposits was mainly attributable to the launch of new deposit products including the 32 Day Notice and Ratchet Deposits.

Deposits due to customers by segment	2011 Rm	2010[1] Rm	Change %
Retail Banking[1]			
Call deposits	**473**	488	(3)
Cheque account deposits	**18 454**	16 609	11
Credit card deposits	**1 880**	1 825	3
Fixed deposits	**28 655**	27 596	4
Investment products	**27 337**	24 631	11
Notice deposits	**11 206**	9 706	15
Savings and transmission deposits	**36 891**	33 712	9
Other	**1 309**	927	41
	126 205	115 494	9
Absa Business Bank[1]			
Call deposits	**19 439**	15 701	24
Cheque account deposits	**106 645**	93 252	14
Fixed deposits	**29 977**	28 097	7
Foreign currency deposits	**7 475**	7 815	(4)
Investment products	**6 553**	6 070	8
Notice deposits	**1 800**	1 629	10
Savings and transmission deposits	**3 241**	2 941	10
Other	**28**	31	(10)
	175 158	155 536	13
Absa Capital[1]			
Call deposits	**35 871**	38 518	(7)
Cheque account deposits	**9 404**	9 005	4
Fixed deposits	**66 742**	58 487	14
Foreign currency deposits	**490**	1 000	(51)
Notice deposits	**15 494**	31	>100
Repurchase agreements with non-banks	**8 734**	7 035	24
Other	**2 514**	3 508	(28)
	139 249	117 584	18
Other			
Other deposits due to customers	**348**	576	(40)
Inter-group eliminations[2]	**—**	(1 592)	100
	348	(1 016)	>100
Deposits due to customers	**440 960**	387 598	14

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

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

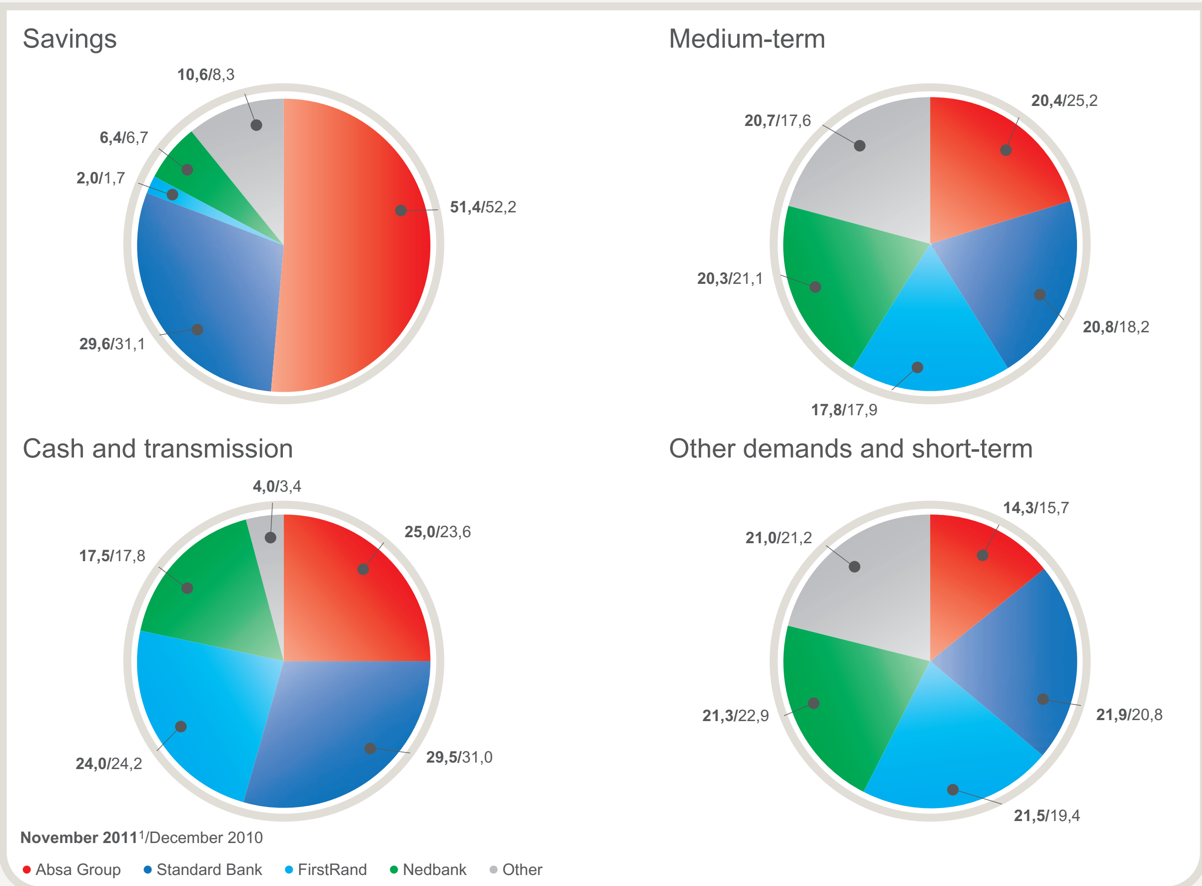
Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

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

Debt securities in issue	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Abacas – commercial paper and floating rate notes	—	1 789	(100)
Credit-linked notes	8 976	6 360	41
Floating rate notes	69 553	75 740	(8)
Liabilities arising from securitised special purpose entities (SPEs)	4 218	4 216	0
Negotiable certificates of deposits	30 214	64 271	(53)
Promissory notes	1 550	1 811	(14)
Structured notes and bonds	1 451	1 220	19
Senior notes	14 300	9 138	56
	130 262	164 545	(21)

Market share (%)



Performance

The Group showed a decline in market share in medium-term and some short-term products, while we remain market leaders in cash and transmission deposits.

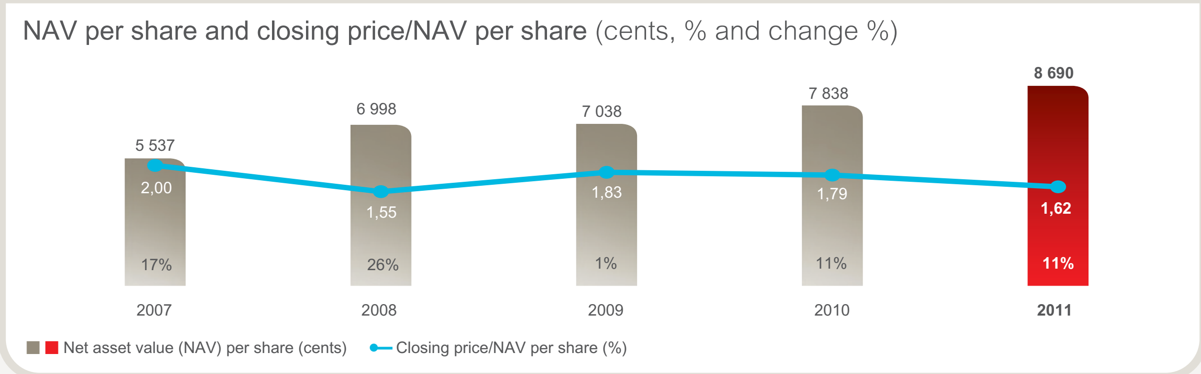
Note

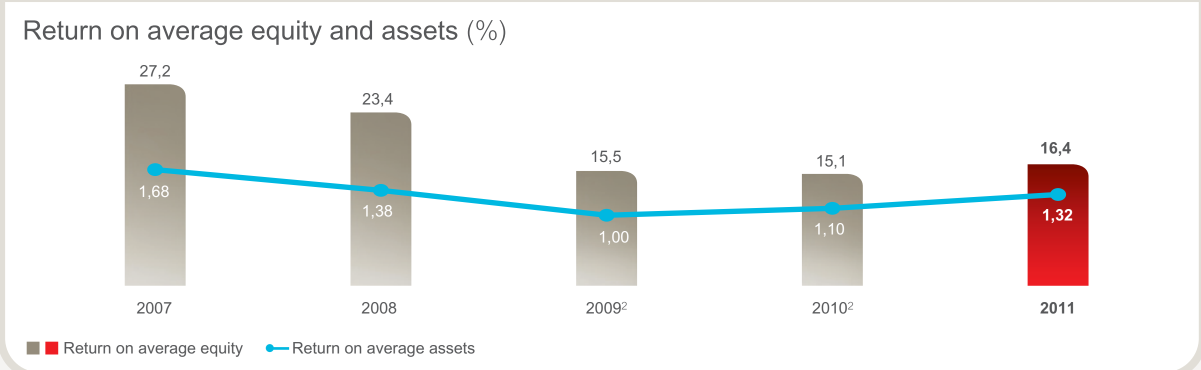
[1]Due to the early results announcement, the market share information for December 2011 was not available for publication.

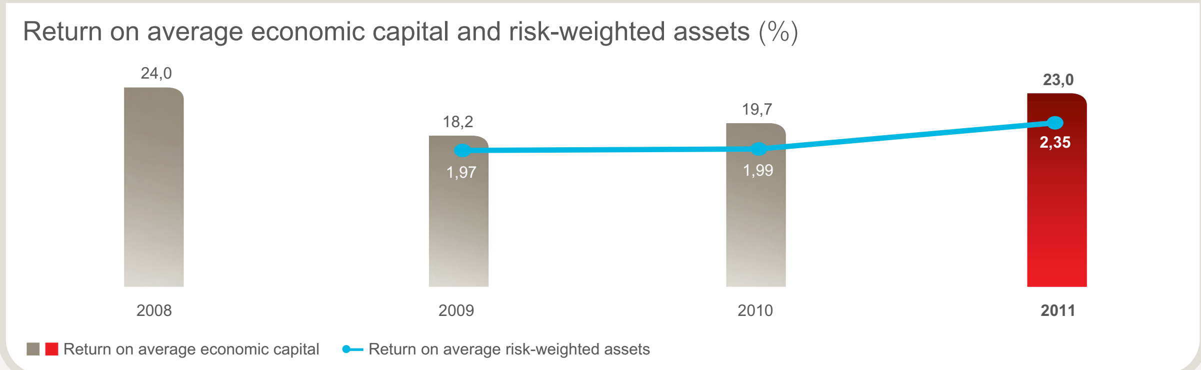
Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

9. Equity and borrowed funds[1]







Performance

The Group's return on average equity (RoE) improved to 16,4% from 15,1% in 2010, and remains well above its 14,0% cost of equity (CoE).

The return on average assets (RoA) improved significantly to 1,32% from 1,10%. A policy of maintaining strong capital levels in the current banking environment resulted in a reduction in the leverage ratio, constraining the improvement in the RoE.

The return on average economic capital (RoEC) was 23,0%, compared to 19,7% in 2010.

Notes

[1]Refer to pages 77 – 96 for the capital and risk management section.

[2]Comparatives have been reclassified. Refer to pages 97 – 101.

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

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

Total qualifying capital	2011 Shareholders' equity Rm	2011 Economic capital[2] Rm	2011 Tier I regulatory capital[2] Rm	2010 Shareholders' equity Rm	2010 Economic capital[2] Rm	2010 Tier I regulatory capital[2] Rm
Ordinary share capital and share premium	6 110	6 110	6 110	6 023	6 023	6 023
Preference share capital and share premium	—	4 644	4 644	—	4 644	4 644
Retained earnings	53 813	53 813	50 605	47 958	47 958	45 011
Other reserves	2 385	578	—	2 309	247	—
Non-controlling interest – ordinary shares	—	—	1 453	—	—	1 215
Expected loss adjustment	—	—	(1 352)	—	—	(1 214)
Other deductions	—	(2 135)	(1 840)	—	(1 794)	(1 618)
	62 308	63 010	59 620	56 290	57 078	54 061
Average capital for the year	59 315	42 890[3]	56 841	53 419	42 525[3]	51 516

Capital demand – closing balance	2011 Risk-weighted assets[2] Rm	2011 Economic capital[2] Rm	2010 Risk-weighted assets[2] Rm	2010 Economic capital[2] Rm
Credit risk	317 920	29 375	316 967	25 519
Retail Banking	126 815	13 453	145 635	13 657
Absa Business Bank	131 633	9 724	113 358	8 304
Absa Capital	57 332	6 090	55 816	3 558
Other	2 140	108	2 158	—
Equity investment risk	22 168	3 007	25 911	4 036
Market risk	8 357	978	9 013	999
Operational risk	59 460	4 090	54 317	4 472
Other	16 584	6 564	16 505	5 893
	424 489	44 014	422 713	40 919

Share capital and share premium	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Authorised			
Ordinary shares of R2,00 each	1 761	1 761	—
Issued			
Ordinary shares of R2,00 each	1 437	1 437	—
Treasury shares held by Absa Group Limited Share Incentive Trust	(1)	(3)	67
Treasury shares held by Group subsidiaries	(2)	(1)	(100)
	1 434	1 433	0
Total issued capital			
Share capital	1 434	1 433	0
Share premium	4 676	4 590	2
	6 110	6 023	1

Notes

[1]Refer to pages 77 – 96 for the capital and risk management section.

[2]Unaudited.

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

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

9. Equity and borrowed funds *(continued)*

Number of ordinary shares in issue (after deduction of treasury shares) – closing balance	2011 (Audited) Number of shares (millions)	2010 (Audited) Number of shares (millions)	Change value (millions)
Ordinary shares in issue of R2,00 each	**718,2**	718,2	—
Treasury shares held by Absa Group Limited Share Incentive Trust	**(0,4)**	(1,0)	0,6
Treasury shares held by Group subsidiaries	**(0,8)**	(0,6)	(0,2)
	717,0	716,6	0,4

Borrowed funds		2011 (Audited) Rm	2010 (Audited) Rm	Change %
Subordinated callable notes				
Interest rate	*Final maturity date*			
8,75%	1 September 2017	**1 500**	1 500	—
8,80%	7 March 2019	**1 725**	1 725	—
8,10%	27 March 2020	**2 000**	2 000	—
10,28%	3 May 2022	**600**	600	—
Three-month JIBAR + 2,10%	3 May 2022	**400**	400	—
CPI-linked notes, fixed at the following coupon rates:				
6,25%	31 March 2018	**1 886**	1 886	—
6,00%	20 September 2019	**3 000**	3 000	—
5,50%	7 December 2028	**1 500**	1 500	—
Accrued interest		**1 157**	826	40
Fair value adjustments		**283**	212	33
		14 051	13 649	3

Performance indicators and condensed notes to the consolidated financial statements

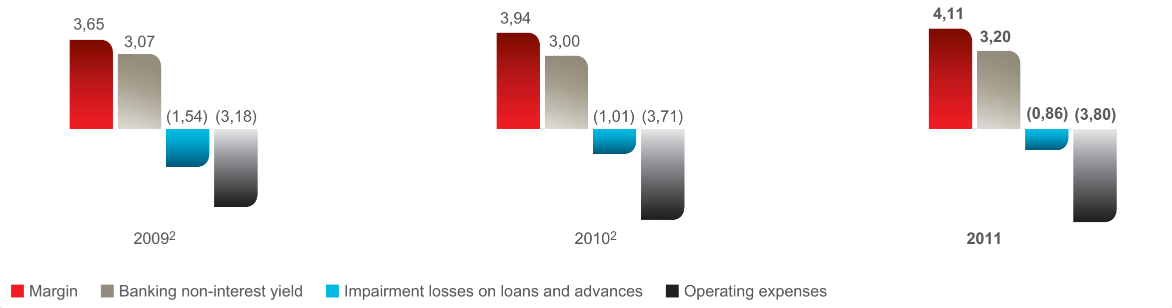
31 December

10. RoE[1] decomposition

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

		2011 %	2010[2] %	
Margin (average interest-bearing assets)		**4,11**	3,94	↑
	less			
Impairment losses on loans and advances/average interest-bearing assets		**0,86**	1,01	↑
	equals			
Net margin (average interest-bearing assets)		**3,25**	2,93	↑
	multiply			
Average interest-bearing assets/average banking assets		**0,89**	0,91	↓
	equals			
Banking interest yield		**2,89**	2,67	↑
	plus			
Banking non-interest yield		**3,20**	3,00	↑
	equals			
Banking revenue yield		**6,09**	5,67	↑
	less			
Operating expenses/average banking assets		**3,80**	3,71	↓
	equals			
Net banking return		**2,29**	1,96	↑
	less			
Other[3]		**0,84**	0,72	↓
	equals			
Banking return		**1,45**	1,24	↑
	multiply			
Average banking assets/total average assets		**0,91**	0,89	↑
	equals			
Return on average assets (RoA)		**1,32**	1,10	↑
	multiply			
Gearing		**12,44**	13,69	↓
	equals			
Return on average equity (RoE)		**16,4**	15,1	↑

Major drivers of RoE[1] (%)



Notes

[1]RoE: Return on average equity.

[2]Comparatives have been reclassified. Refer to pages 97 – 101.

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

Performance indicators and condensed notes to the consolidated financial statements

as at 31 December

11. Off-statement of financial position items

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Assets under management and administration[1]			
Alternative asset management and exchange-traded funds	**30 486**	25 904	18
Deceased estates	**2 166**	2 153	1
Participation bond schemes	**2 544**	2 315	10
Portfolio management	**26 792**	21 145	27
Private equity	**728**	732	(1)
Trusts	**6 720**	6 482	4
Unit trusts	**133 245**	125 320	6
Other	**10 505**	10 898	(4)
	213 186	194 949	9
Financial guarantee contracts[2]			
Financial guarantee contracts	**356**	599	(41)
Commitments			
Authorised capital expenditure			
Contracted but not provided for[3]	**283**	1 061	(73)
Contingencies			
Guarantees[4]	**13 226**	11 051	20
Irrevocable debt facilities[5]	**46 189**	46 495	(1)
Irrevocable equity facilities[5]	**494**	750	(34)
Letters of credit	**5 190**	4 979	4
Other	**10**	44	(77)
	65 109	63 319	3

Notes

[1]Comparatives have been restated for the inclusion of assets managed by Absa Capital on behalf of clients, alternative asset management and exchange traded funds, in order to align assets under management and administration to current market practice.

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

[3]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.

[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 facilities by written notice. Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Segment performance

Contents

Segment performance overview

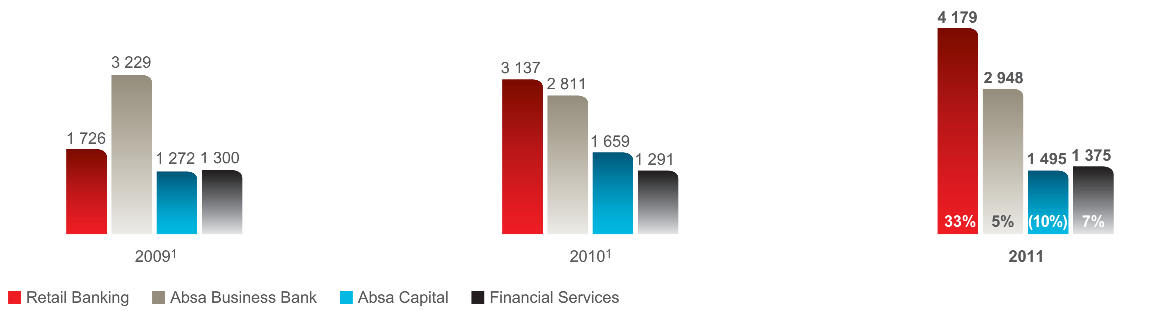
31 December

All segments produced returns comfortably above Absa's cost of equity. Retail Banking's 33% headline earnings growth stands out, reflecting wider margins, lower credit losses and a focus on costs. Absa Business Bank's underlying headline earnings grew 11%, reflecting a focus on core transactional business, strong cost management and lower credit losses. Financial Services' solid revenue growth increased its net operating income 21%, although lower investment returns reduced its headline earnings growth to 7%. Absa Capital had a challenging year and its headline earnings decreased 10%, despite resilient Markets revenue.

2011 highlights

- Retail Banking's headline earnings increased by 33% to **R4,2 billion**, while Absa Business Bank's underlying headline earnings grew **11%**.
- Won the **Asian Banker Awards** for the International Excellence in Retail Financial Services Awards 2011 for "Best Retail Bank in South Africa" and "Best Mobile Phone Banking (International)".
- Increased total customers **3%** to **12,1 million** and cellphone banking customer-base **28%** to **3,2 million**. Retail Banking launched a **Customers Charter**.
- Grew desposits due to customers by **14%**.
- Financial Services' net operating income increased **21%** to **R1,7 billion** and it achieved a **32,0%** return on average equity.
- Merged the Corporate sales team into Absa Capital's Investment Banking division creating a fully integrated coverage model.
- Combined Retail and Business Banking into a single operation and launched a new entry level banking offering.
- Absa Capital retained the top position in the Risk South African rankings.

Headline earnings (Rm and change %)



Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101. 2009 comparatives have not been adjusted for the transfer of the corporate client base from Absa Business Bank to Absa Capital.

Financial reporting structure

as at 31 December 2011

Absa Group Limited

Retail banking

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

African operations[5]

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

Commercial banking

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

African operations[5]

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

International operations

- Absa Bank London[7]

Investment banking

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

African operations[5]

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

International operations

- Absa Bank London[7]

Financial services

Life

- Absa Life
- Absa Life Botswana[8]

Insurance

- Absa Insurance Company
- Absa *idirect*

Investments

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

Fiduciary

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

Other

- Absa Insurance and Financial Advisers
- Absa Financial Services Africa Holdings[8]
- Global Alliance Seguros S.A.[9]

Other Group activities

- Corporate Real Estate Services (CRES)

International operations

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

Notes

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

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

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

[4]Absa Development Company division and Absa Development Company Holdings Proprietary Limited were moved from Absa Business Bank to Retail Bank within Retail Banking.

[5]The Group's African operations have been allocated to the various segments where those businesses are managed in terms of IFRS 8.

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

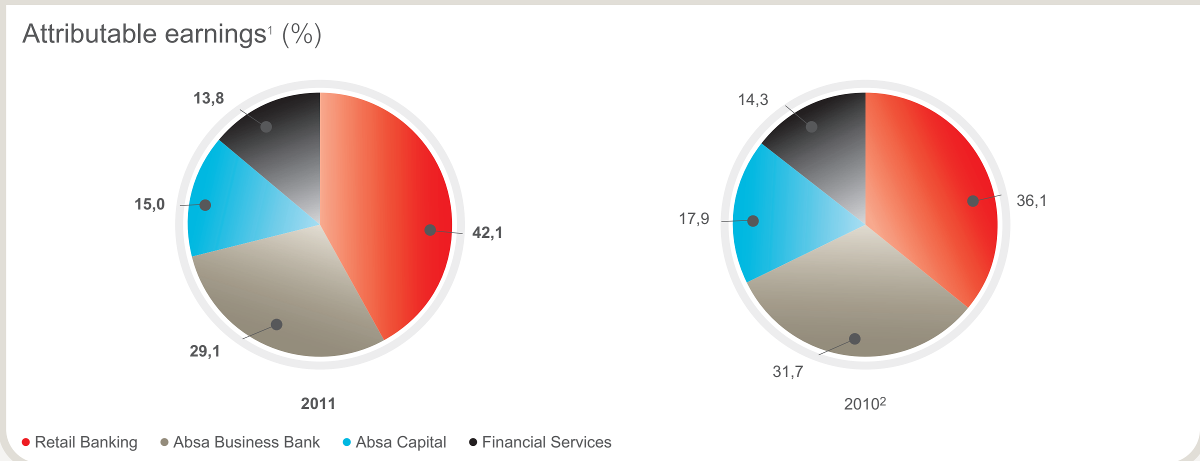
[7]Absa Bank London's results have been allocated to Commercial banking, Investment banking and other Group activities in terms of IFRS 8.

[8]Absa Life Botswana Proprietary Limited and Absa Financial Services Africa Holdings Proprietary Limited (AFS Africa Holdings) became operational during the year under review.

[9]The Group, through AFS Africa Holdings, acquired a 100% stake in Global Alliance Seguros S.A., one of the largest insurance providers in Mozambique, during the year under review.

Profit contribution by segment

for the year ended 31 December



	2011 (Audited) Rm	2010[2] (Audited) Rm	Change %
Banking operations			
Retail Banking	**4 179**	3 258	28
Home Loans	**516**	196	>100
Vehicle and Asset Finance	**403**	236	71
Card	**1 758**	1 483	19
Personal Loans	**720**	515	40
Retail Bank	**782**	828	(5)
Absa Business Bank	**2 895**	2 866	1
Absa Capital	**1 496**	1 612	(7)
Corporate centre	**(301)**	(397)	24
Capital and funding centres	**315**	(192)	>100
Non-controlling interest – preference shares[3]	**(283)**	(319)	11
Total banking	**8 301**	6 828	22
Financial Services	**1 373**	1 290	6
Profit attributable to ordinary equity holders of the Group	**9 674**	8 118	19
Headline earnings adjustments	**45**	(77)	>100
Headline earnings	**9 719**	8 041	21

Notes

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

[2]Comparatives have been reclassified. Refer to pages 97 – 101.

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

Segment report per market segment

for the year ended 31 December

	Retail Banking			Absa Business Bank		
	2011	2010[1]	Change %	**2011**	2010[1]	Change %
Statement of comprehensive income (Rm)						
Net interest income	**13 792**	12 744	8	**7 753**	7 536	3
Impairment losses on loans and advances	**(3 965)**	(4 763)	17	**(873)**	(1 144)	24
Non-interest income	**10 848**	10 346	5	**4 086**	4 009	2
Operating expenses	**(13 965)**	(13 291)	(5)	**(6 552)**	(6 218)	(5)
Other	**(294)**	(254)	(16)	**(129)**	(76)	(70)
Operating profit before income tax	**6 416**	4 782	34	**4 285**	4 107	4
Taxation expense	**(2 049)**	(1 431)	(43)	**(1 369)**	(1 222)	(12)
Profit for the year	**4 367**	3 351	30	**2 916**	2 885	1
Profit attributable to:						
Ordinary equity holders of the Group	**4 179**	3 258	28	**2 895**	2 866	1
Non-controlling interest – ordinary shares	**187**	92	>100	**21**	19	11
Non-controlling interest – preference shares	**1**	1	—	**—**	—	—
	4 367	3 351	30	**2 916**	2 885	1
Headline earnings	**4 179**	3 137	33	**2 948**	2 811	5
Operating performance (%)						
Net interest margin on average interest-bearing assets[4]	**3,19**	2,82		**4,44**	4,75	
Impairment losses on loans and advances as % of average loans and advances to customers[4]	**1,23**	1,48		**0,72**	0,93	
Non-interest income as % of total operating income	**44,0**	44,8		**34,5**	34,7	
Revenue growth[2]	**7**	0		**3**	1	
Cost growth	**(5)**	(8)		**(5)**	(11)	
Cost-to-income ratio[2]	**56,7**	57,6		**55,3**	53,9	
Cost-to-assets ratio[4]	**3,0**	2,8		**3,5**	3,7	
as at 31 December						
Statement of financial position (Rm)						
Loans and advances to customers	**318 733**	323 427	(1)	**122 250**	127 792	(4)
Investment securities	**3**	0	>100	**1 644**	2 243	(27)
Other assets	**150 974**	146 813	3	**82 157**	54 291	51
Total assets	**469 710**	470 240	(0)	**206 051**	184 326	12
Deposits due to customers	**126 205**	115 494	9	**175 158**	155 536	13
Debt securities in issue	**4 256**	4 216	1	**—**	—	—
Other liabilities	**334 612**	346 680	(3)	**28 054**	25 890	8
Total liabilities	**465 073**	466 390	(0)	**203 212**	181 426	12
Financial performance (%)						
Return on average economic capital[3,4]	**25,1**	17,4		**24,1**	23,6	
Return on average risk-weighted assets[4]	**2,64**	1,96		**1,95**	2,20	
Return on average assets[4]	**0,91**	0,66		**1,56**	1,65	
Other						
Banking customer base by segment (millions)[4]	**11,6**	11,3	3	**0,4**	0,4	(4)
Attributable income from the rest of Africa (Rm)[4]	**(123)**	(85)	(45)	**(69)**	(23)	>(100)

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

[2]The revenue used in this ratio for Financial Services is net of re-insurance premiums, unearned premiums, net insurance claims and benefits paid, changes in investment contract and insurance contract liabilities and acquisition costs. The cost-efficiency ratio of Financial Services, based on insurance industry norms, is **25,2%** (2010: 26,4%). Refer to pages 67 – 76.

[3]Financial Services' return on average equity is **32,0%** (2010: 34,8%) and Absa Group's return on average equity is **16,4%** (2010: 15,1%).

[4]Unaudited.

[5]Includes African operations.

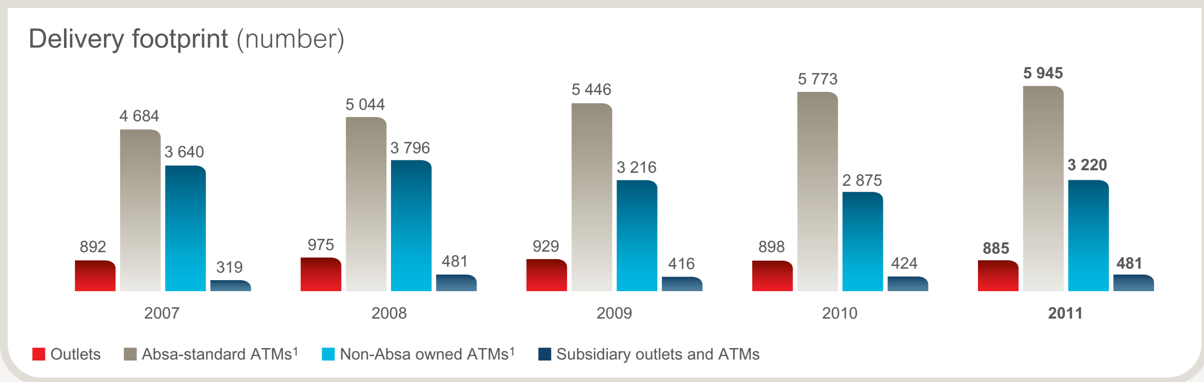
Segment report per market segment

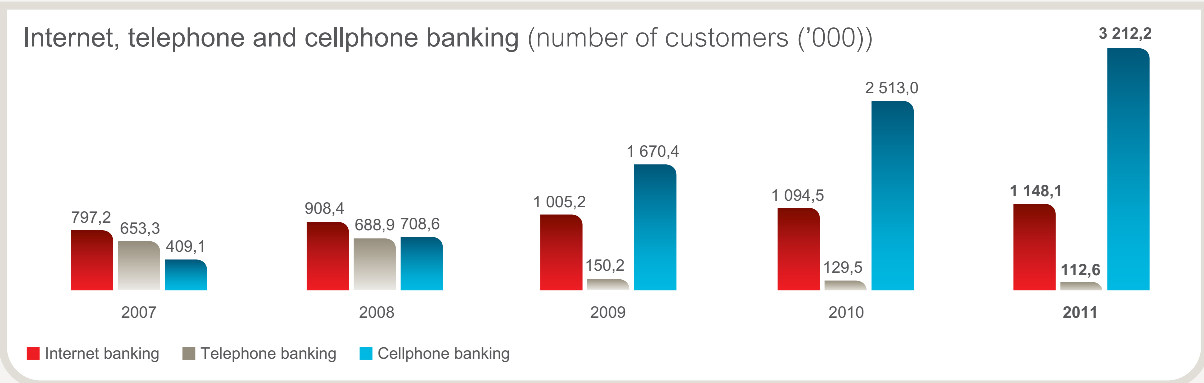
for the year ended 31 December

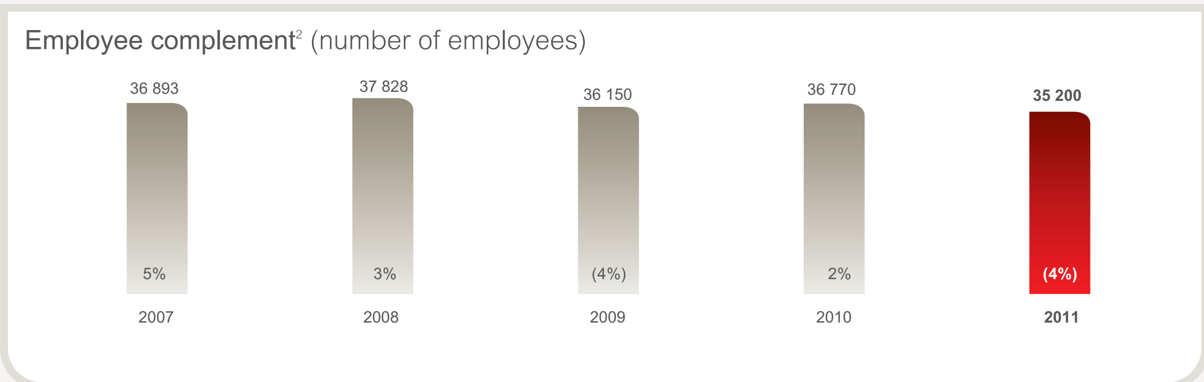
Absa Capital			Financial Services			Head office, inter-segment eliminations and Other			Group		
2011	2010[1]	Change %	**2011**	2010[1]	Change %	**2011**	2010[1]	Change %	**2011**	2010[1]	Change %
2 062	2 578	(20)	**21**	10	>100	**801**	472	70	**24 429**	23 340	5
(69)	(96)	28	**(4)**	(6)	33	**(170)**	4	>(100)	**(5 081)**	(6 005)	15
3 457	2 930	18	**3 994**	3 594	11	**(982)**	(1 405)	30	**21 403**	19 474	10
(3 295)	(3 025)	(9)	**(2 020)**	(1 797)	(12)	**374**	261	43	**(25 458)**	(24 070)	(6)
(81)	(146)	45	**(107)**	(79)	(35)	**(472)**	(333)	(42)	**(1 083)**	(888)	(22)
2 074	2 241	(7)	**1 884**	1 722	9	**(449)**	(1 001)	55	**14 210**	11 851	20
(560)	(589)	5	**(511)**	(432)	(18)	**463**	412	12	**(4 026)**	(3 262)	(23)
1 514	1 652	(8)	**1 373**	1 290	6	**14**	(589)	>100	**10 184**	8 589	19
1 496	1 612	(7)	**1 373**	1 290	6	**(269)**	(908)	70	**9 674**	8 118	19
18	40	(55)	**—**	—	—	**—**	—	—	**226**	151	50
—	—	—	**—**	—	—	**283**	319	(11)	**284**	320	(11)
1 514	1 652	(8)	**1 373**	1 290	6	**14**	(589)	>100	**10 184**	8 589	19
1 495	1 659	(10)	**1 375**	1 291	7	**(278)**	(857)	68	**9 719**	8 041	21
n/a	n/a		**n/a**	n/a		**n/a**	n/a		**4,11**	3,94	
0,11	0,15		**n/a**	n/a		**n/a**	n/a		**1,01**	1,18	
62,6	53,2		**99,5**	99,7		**n/a**	n/a		**46,7**	45,5	
0	24		**11**	6		**n/a**	n/a		**7**	2	
(9)	(31)		**(12)**	(16)		**n/a**	n/a		**(6)**	(15)	
59,7	54,9		**50,3**	49,9		**n/a**	n/a		**55,5**	56,2	
0,9	0,8		**8,5**	5,3		**n/a**	n/a		**3,5**	3,3	
62 079	58 378	6	**137**	242	(43)	**304**	(1 059)	>100	**503 503**	508 780	(1)
7 181	10 594	(32)	**17 567**	16 964	4	**(5 213)**	(5 355)	3	**21 182**	24 446	(13)
300 537	287 138	5	**7 939**	5 741	38	**(279 573)**	(301 252)	7	**262 034**	192 731	36
369 797	356 110	4	**25 643**	22 947	12	**(284 482)**	(307 666)	8	**786 719**	725 957	8
139 249	117 584	18	**—**	—	—	**348**	(1 016)	>100	**440 960**	387 598	14
107 795	148 061	(27)	**—**	—	—	**18 211**	12 268	48	**130 262**	164 545	(21)
118 824	87 015	37	**21 044**	18 975	11	**(355 442)**	(366 895)	3	**147 092**	111 665	32
365 868	352 660	4	**21 044**	18 975	11	**(336 883)**	(355 643)	5	**718 314**	663 808	8
16,5	18,4		**72,8**	65,3		**n/a**	n/a		**23,0**	19,7	
1,62	1,72		**n/a**	n/a		**n/a**	n/a		**2,35**	1,99	
0,42	0,45		**5,78**	3,81		**n/a**	n/a		**1,32**	1,10	
0,1	0,1	(1)	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**12,1**	11,8	3
220	219	0	**3**	3	0	**(3)**	(22)	86	**28**	92	(70)

Operational key performance indicators

as at 31 December







Notes

[1]South Africa.

[2]The employee complement figures exclude contract workers.

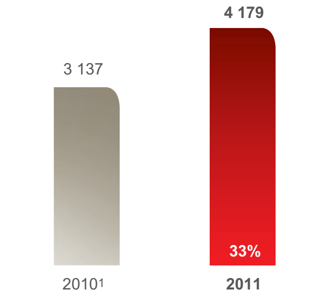
Retail Banking

31 December

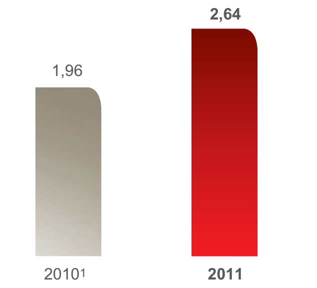
Points to note

- Headline earnings increased by 33% to R4 179 million.
- Performance driven by strategy of capitalising on the existing customer base and extensive distribution network. This was supported by the focus on credit risk and cost management.
- Quality of advances improved further, resulting in a lower credit loss ratio of 1,23%.
- Retained the leading position in individual deposits, with 9% growth.
- Funding gap reduced as advances declined by 1% whilst deposits grew by 9%.
- Over 90% of loans granted were to existing Absa customers, which confirm the strategy of putting the customer at the centre of everything we do.
- The focus on existing customers is driven by the intention to return all products to an acceptable level of profitability.
- In Home Loans the benefits of this strategy has taken longer than anticipated. Whilst this had a negative impact on growth and market share, it had a positive impact on the cost of acquisition and quality of advances. The approach to the strategy has been revisited, as past experiences indicated that a portion of customers prefer utilising mortgage originators.
- Return on average risk-weighted assets (RoRWA's) improved to 2,64% as a results of earnings growth.
- In 2011 Absa continued to expand its banking services in the entry level market through the expansion of 1234 outlets, in-store banking, merchant sign up and remote opening devices.
- Significant focus was placed on improving the understanding of our customers. This highlighted the need to invest in financial literacy education for targeted segments of our customers.
- Absa was recently recognised as the Best Islamic Financial Institution in Non-Gulf Cooperation Council Middle East/Africa 2011 by Global Finance Magazine.
- Retail Banking is capitalising on existing fixed infrastructure investment by actively migrating transactions to the channel that will meet the customer's needs.

Headline earnings (Rm and change %)



Return on average risk-weighted assets (%)



Salient features

	2011	2010[1]	Change %
Revenue (Rm)	**24 640**	23 090	7
Headline earnings (Rm)	**4 179**	3 137	33
Attributable earnings (Rm)	**4 179**	3 258	28
Return on average risk-weighted assets (%)	**2,64**	1,96	
Return on average regulatory capital (%)	**27,0**	20,6	
Cost-to-income ratio (%)	**56,7**	57,6	
Credit loss ratio (%)	**1,23**	1,48	

Note

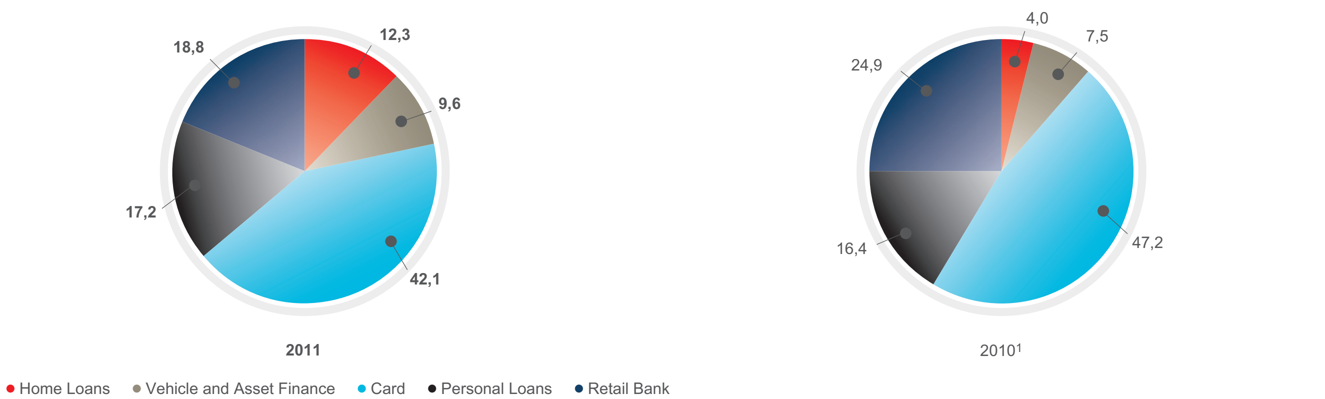
[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Retail Banking

for the year ended 31 December

	Home Loans 2011 (Audited)	Home Loans 2010 (Audited)	Change %	Vehicle and Asset Finance 2011 (Audited)	Vehicle and Asset Finance 2010[1] (Audited)	Change %
Statement of comprehensive income (Rm)						
Net interest income	**3 779**	3 204	18	**1 888**	1 683	12
Impairment losses on loans and advances	**(2 160)**	(2 202)	2	**(774)**	(884)	12
Non-interest income	**285**	327	(13)	**336**	352	(5)
Operating expenses	**(1 108)**	(1 090)	(2)	**(944)**	(868)	(9)
Other	**(36)**	12	>(100)	**53**	21	>100
Operating profit before income tax	**760**	251	>100	**559**	304	84
Taxation expense	**(244)**	(55)	>(100)	**(156)**	(68)	>(100)
Profit for the year	**516**	196	>100	**403**	236	71
Profit attributable to:						
Ordinary equity holders of the Group	**516**	196	>100	**403**	236	71
Non-controlling interest – ordinary shares	**—**	—	—	**—**	—	—
Non-controlling interest – preference shares	**—**	—	—	**—**	—	—
	516	196	>100	**403**	236	71
Headline earnings	**516**	125	>100	**403**	236	71
Operating performance (%)[2]						
Impairment losses on loans and advances as % of average loans and advances to customers	**0,97**	0,98		**1,88**	2,16	
Cost-to-income ratio	**27,3**	30,9		**42,4**	42,7	
as at 31 December						
Statement of financial position (Rm)						
Loans and advances to customers	**218 337**	226 137	(3)	**42 314**	41 436	2
Total assets	**239 376**	247 881	(3)	**46 500**	50 385	(8)
Deposits due to customers	**—**	—	—	**9**	9	—
Total liabilities	**238 878**	247 676	(4)	**45 920**	49 932	(8)
Financial performance (%)[2]						
Return on average economic capital	**7,4**	1,6		**13,0**	7,2	
Return on average risk-weighted assets	**0,83**	0,19		**1,42**	0,85	

Headline earnings (%)



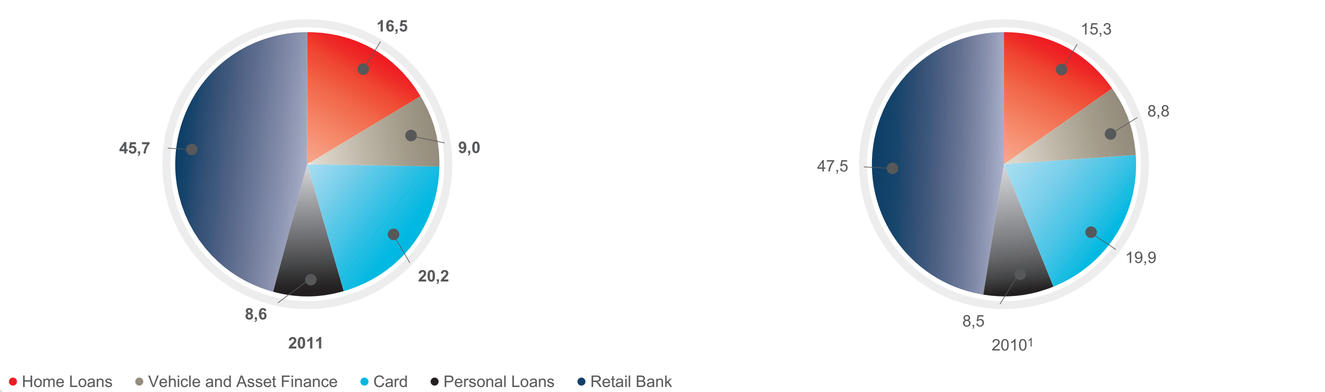
Notes
[1]Comparatives have been reclassified. Refer to pages 97 – 101.
[2]Unaudited.

Retail Banking

for the year ended 31 December

Card 2011 (Audited)	Card 2010[1] (Audited)	Card Change %	Personal Loans 2011 (Audited)	Personal Loans 2010[1] (Audited)	Personal Loans Change %	Retail Bank 2011 (Audited)	Retail Bank 2010[1] (Audited)	Retail Bank Change %	Retail Banking 2011 (Audited)	Retail Banking 2010[1] (Audited)	Retail Banking Change %
2 411	2 300	5	1 779	1 674	6	3 935	3 883	1	13 792	12 744	8
(213)	(466)	54	(479)	(508)	6	(339)	(703)	52	(3 965)	(4 763)	17
2 559	2 301	11	329	286	15	7 339	7 080	4	10 848	10 346	5
(1 970)	(1 839)	(7)	(584)	(705)	17	(9 359)	(8 789)	(6)	(13 965)	(13 291)	(5)
(62)	(68)	9	(5)	(3)	(67)	(244)	(216)	(13)	(294)	(254)	(16)
2 725	2 228	22	1 040	744	40	1 332	1 255	6	6 416	4 782	34
(855)	(643)	(33)	(320)	(229)	(40)	(474)	(436)	(9)	(2 049)	(1 431)	(43)
1 870	1 585	18	720	515	40	858	819	5	4 367	3 351	30
1 758	1 483	19	720	515	40	782	828	(5)	4 179	3 258	28
112	102	10	—	—	—	75	(10)	>100	187	92	>100
—	—	—	—	—	—	1	1	—	1	1	—
1 870	1 585	18	720	515	40	858	819	5	4 367	3 351	30
1 757	1 481	19	720	515	40	783	780	0	4 179	3 137	33
1,05	2,57		3,87	4,76		1,33	2,52		1,23	1,48	
39,6	40,0		27,7	36,0		83,0	80,2		56,7	57,6	
21 033	19 264	9	12 387	11 843	5	24 662	24 747	(0)	318 733	323 427	(1)
29 456	26 746	10	13 489	12 887	5	140 889	132 341	6	469 710	470 240	(0)
1 883	1 826	3	6	4	50	124 307	113 655	9	126 205	115 494	9
27 793	25 143	11	13 057	12 578	4	139 425	131 061	6	465 073	466 390	(0)
72,2	48,9		51,9	36,2		27,8	28,3		25,1	17,4	
6,91	5,46		5,10	4,11		2,73	2,78		2,64	1,96	

Revenue (%)



Retail Banking

31 December

Business unit scope

Retail Banking offers individuals a comprehensive suite of retail banking products and services. It provides these products and services through an extensive face-to-face (internal and third party intermediary channels) and self-service terminal network, via relationship managers, call centre agents and electronic and mobile phone channels.

Key business areas

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

Financial performance

Headline earnings increased by 33% to R4 179 million (2010: R3 137 million), due to 7% revenue growth, 17% lower credit losses and cost growth contained at 5%. Retail Banking's credit loss ratio improved significantly from 1,48% in 2010 to 1,23% as a result of improved quality of advances and declining non-performing loans. Controlled operating expenses growth improved Retail Banking's cost-to-income ratio from 57,6% in 2010 to 56,7%. All the business segments within Retail Banking increased their headline earnings. Focus on risk-based pricing and lower credit losses produced a R487 million positive swing in earnings from secured lending products. Solid revenue and low cost growth, as well as 29% lower credit losses, saw Personal Loans and Card's combined earnings grow by 24%. Retail Banking's return on average risk-weighted assets improved notably from 1,96% to 2,64%.

Favourable

- Unsecured product growth.
- Remained market leader in individual advances and deposits.
- Continued improvement in quality of advances portfolio.
- Improvement in the legal book and non-performing loans.
- Continued to invest in electronic channels.
- Sustainable cost management.

Unfavourable

- Limited transaction volume growth.
- Declining mortgage advances.
- Muted growth in personal loans and vehicle and asset finance advances.

Business performance

During 2011 significant focus was placed on improving the understanding of our customers and their environment. This created the need to invest in financial literacy education for targeted segments of our customers. The impact of the slow economic recovery continued to dampen consumer spending with high levels of debt to disposable income as well as high unemployment levels persisting. Consequently more emphasis was directed at assisting customers through optimising their banking experience. This was achieved by moving transactions more from physical channels towards electronic channels and raising the importance of paperless banking. In addition, the bank improved the end to end processes of loan applications and also introduced a below inflationary pricing review after not increasing fees for 21 months.

Retail Bank is re-configuring outlets to best match the customer profile. In this context, three principle branch types have been defined:

- Affordable branches (which includes our 1234 outlets) for the new to bank and entry level customers.
- Transactional branches for the mainstream clients.
- Exclusive branches for the upper end market.

Business performance *(continued)*

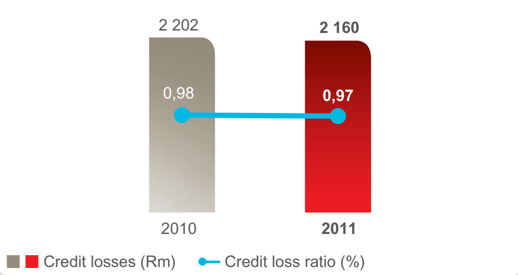
Home Loans

Headline earnings improved from R125 million in 2010 to R516 million, largely as a result of widening interest margins and sustainable cost management. The home loans book declined by 3% during the year, as a result of the declining market share of new business coupled with subdued credit appetite within the market. Home Loans lost market share mainly as a result of focussing on growing the business through transacting with existing customers at reduced origination costs and a value-based channel strategy where estate agents submit home loan applications directly. This strategy was implemented in December 2010 and results indicate that the quality of applicants improved and acquisition costs reduced significantly. However, the strategy resulted in the decline in advances and the approach has been revisited as past experiences indicated that a portion of customers prefer utilising originators.

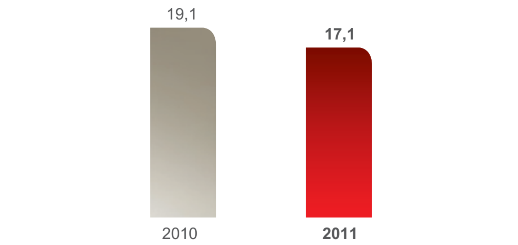
The main focus areas included:

- value-based asset growth;
- collections in the legal book;
- cost management through process efficiency;
- risk-based pricing on new business; and
- targeted acquisition and retention.

Credit losses and credit loss ratio (Rm and %)



Non-performing loans coverage ratio (%)



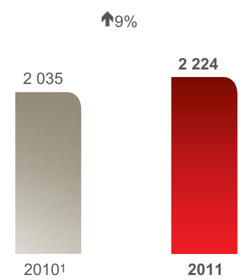
Vehicle and Asset Finance (VAF)

Headline earnings increased by 71%, from R236 million in 2010 to R403 million, due to lower credit losses and solid revenue growth, driven by a focus on quality of returns on new business flow. The book increased by a modest 2%, as high levels of early settlements from customers were seen. The value of new Vehicle and Finance production grew by 7%.

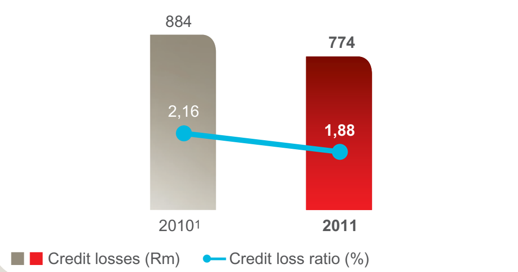
The main focus areas included:

- value-based asset growth;
- sustainable cost management through process efficiencies;
- improving collection of the legal book;
- improving customer service and turnaround times;
- improved risk-based pricing; and
- reviewing and implementing an updated dealer incentive commission (DIC) model.

Revenue (Rm and change %)



Credit losses and credit loss ratio (Rm and %)



Note
[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Retail Banking

31 December

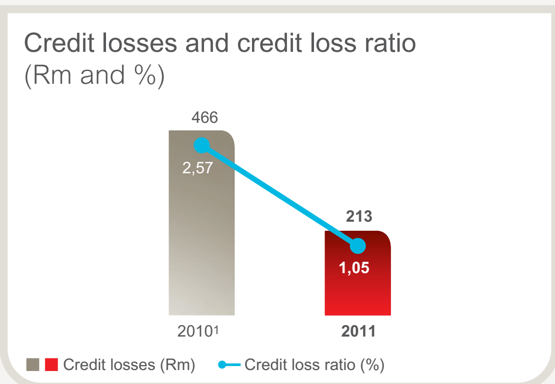
Business performance *(continued)*

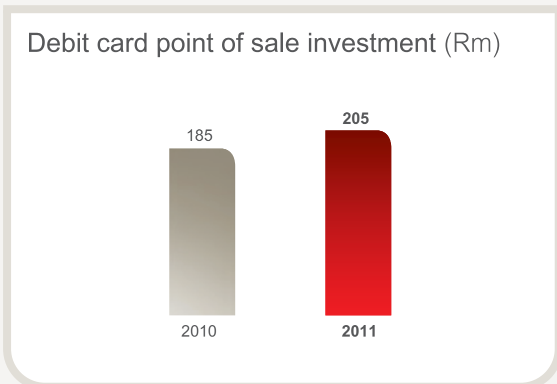
Card

Headline earnings increased by 19% to R1 757 million from R1 481 million in 2010, mainly due to growth in merchants and a decline in credit losses. Account balances increased by 9%, as new business levels increased. The implementation of the Debit Card Portfolio Optimisation strategy, the general shift of consumers towards debit card facilities and the deployment of LVP (Low Value Payment/Contactless Cards) had a positive impact on the volume growth. The credit loss ratio improved significantly from 2,57% in 2010 to 1,05%, mainly due to the improving construct of the advances portfolio as well as high customer payments and effective collections strategies. Operating expenses were well contained during the year despite the continued roll out of Europay, MasterCard and Visa (EMV) chips, higher fraud activities and the replenishment of point of sale terminals. The business also experienced a double digit growth in merchants on the back of successful collaboration with Absa Business Bank.

The main focus areas included:

- new account acquisition;
- optimisation of the Absa Rewards Programme;
- revitalisation of commercial cards business;
- optimisation of payment acceptance;
- improved fraud detection capability; and
- commercialisation of prepaid card business.



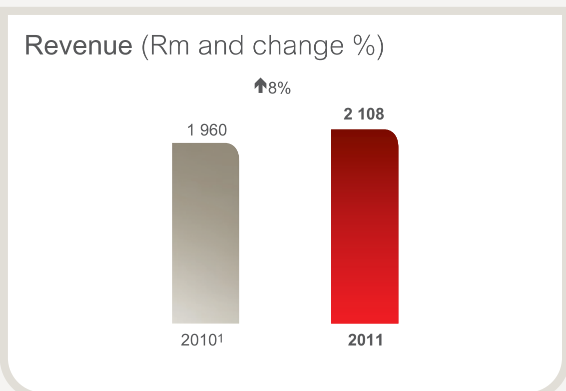


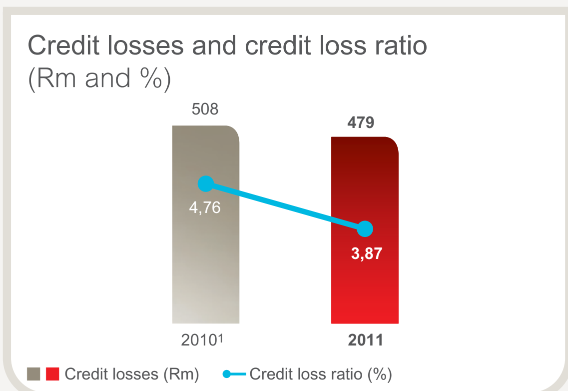
Personal Loans

Headline earnings increased by 40% from R515 million in 2010 to R720 million, largely due to revenue growth in line with the book growth and the introduction of efficiencies leading to a 17% decline in operating expenses. Credit losses also improved by 6%, due to the improving book construct. Loans and advances to customers grew by 5%, as a result of higher volumes of new loans and average loan values.

The main focus areas included:

- product innovation;
- managing costs and credit losses;
- the ongoing drive to embed the mobile channel within the customer base; and
- further expansion into the short-term loan market to serve entry level banking customers.





Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Business performance *(continued)*

Retail Bank

Headline earnings increased marginally from R780 million in 2010 to R783 million. Continued investment in infrastructure negatively impacted the benefit of lower credit losses. The strong growth in management fee volumes indicates that there is a shift in the current account book from pay as you transact to package type offerings. This is one of the contributors to the negative growth in pay as you transact branch and ATM volumes. The main focus areas included:

- sustainable deposits growth;
- growing non-interest revenue; and
- optimisation of the Absa Rewards Programme.

Looking ahead

- We have developed clear, customer-led strategies that pursue sustainable competitive advantage in each of our customer segments and product markets.
- We continue to invest in the core capabilities that have made Absa a leading retail bank as well as investing in new capabilities, aligned to new customer and competitive requirements.
- The Retail business intends to further develop its capabilities to:
  - provide broader, more inclusive banking services,
  - enhance its ability to compete on value for customer wallet share and
  - introduce unique and differentiated services in an increasingly competitive market.
- In 2012 the Retail business will increase its focus on providing a consistently superior experience across each of its channels, matched closely to the needs and expectations of each customer segment.
- The Retail business continues to strive for profitable leadership across all key product markets. Working across both our retail and business banking markets, we are looking to offer Absa customers product and pricing excellence and an even better reason to consolidate their banking requirements with us.
- Prudent risk management remain a key focus for the Retail business. This include both operational risk management and responsible lending, matching our credit risk appetite to our business strategy – to grow quality assets.

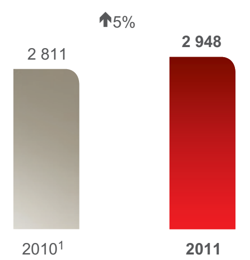
Absa Business Bank

31 December

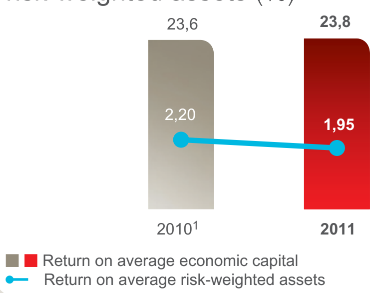
Points to note

- Strong growth in deposits in targeted areas.
- Marginal decline in advances mainly driven by commercial property finance and commercial asset finance.
- Decline in overall margins with overall growth in deposits compressing net margin.
- Expected decline in equity portfolio.
- Concentration risk in commercial property finance advances actively managed.
- Solid transactional volume and income growth.
- Product pricing managed to align with customer behaviour.
- Successfully contained growth in operating expenses to single digits, while continuing to invest in growth initiatives.
- Return on average economic capital improved, driven by strong growth in deposits and transactional business income.
- New transactional banking products launched.

Headline earnings (Rm and change %)



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



Salient features

	2011	2010[1]	Change %
Revenue (Rm)	**11 839**	11 545	3
Headline earnings (Rm)	**2 948**	2 811	5
Attributable earnings (Rm)	**2 895**	2 866	1
Return on average risk-weighted assets (%)	**1,95**	2,20	
Return on average regulatory capital (%)	**19,5**	22,5	
Cost-to-income ratio (%)	**55,3**	53,9	
Credit loss ratio (%)	**0,72**	0,93	

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Business unit scope

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

Key business areas

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

Financial performance

Headline earnings increased by 5% to R2 948 million (2010: R2 811 million), driven by strong deposit growth of 13%, cost containment and good growth in transactional income. Loans declined by 4% and the listed equity property portfolio incurred losses. Net interest income grew by 3%, reflecting 13% deposit growth and risk adjusted pricing, which outweighed lower loans and deposit margin pressure from lower average interest rates. ABB's impairment losses on loans and advances improved by 24%, with a better performing book. Fee income increased by 8%, driven by ABB's enhanced transactional capabilities, new products and reduced revenue leakage. Operating expenses grew by 5% to R6 552 million (2010: R6 218 million), as the business continued to invest in growth initiatives while containing costs.

Favourable

- Deposits grew by 13%.
- Good growth in transactional fees and volumes.
- Large decline in impairment losses on loans and advances.
- Single digit cost growth.

Unfavourable

- Advances declined by 4%, driven by economic conditions, managing concentration risk and client demand.
- Losses were incurred within the equity portfolio.
- Lower deposit margins, due to lower interest rates and increased competition for liquidity.

Absa Business Bank

for the year ended 31 December

Statement of comprehensive income	2011 (Audited) Rm	2011 (Audited) Excluding equity portfolio Rm	2010[1] (Audited) Rm	2010[1] (Audited) Excluding equity portfolio Rm	Change %	Excluding equity portfolio change %
Net interest income	7 753	8 045	7 536	7 932	3	1
Impairment losses on loans and advances	(873)	(875)	(1 144)	(1 144)	24	24
Non-interest income	4 086	3 899	4 009	3 498	2	11
Operating expenses	(6 552)	(6 414)	(6 218)	(6 145)	(5)	(4)
Other	(129)	(109)	(76)	(79)	(70)	(38)
Operating profit before income tax	4 285	4 546	4 107	4 062	4	12
Taxation expense	(1 369)	(1 370)	(1 222)	(1 236)	(12)	(11)
Profit for the year	2 916	3 176	2 885	2 826	1	12
Profit attributable to:						
Ordinary equity holders of the Group	2 895	3 148	2 866	2 813	1	12
Non-controlling interest – ordinary shares	21	28	19	13	11	>100
	2 916	3 176	2 885	2 826	1	12
Headline earnings	2 948	3 157	2 811	2 838	5	11

as at 31 December

Statement of financial position	2011 Rm	2010[1] Rm	Change %
Loans and advances to customers	122 250	127 792	(4)
Total assets	206 051	184 326	12
Deposits due to customers	175 158	155 536	13
Total liabilities	203 212	181 426	12

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Absa Business Bank

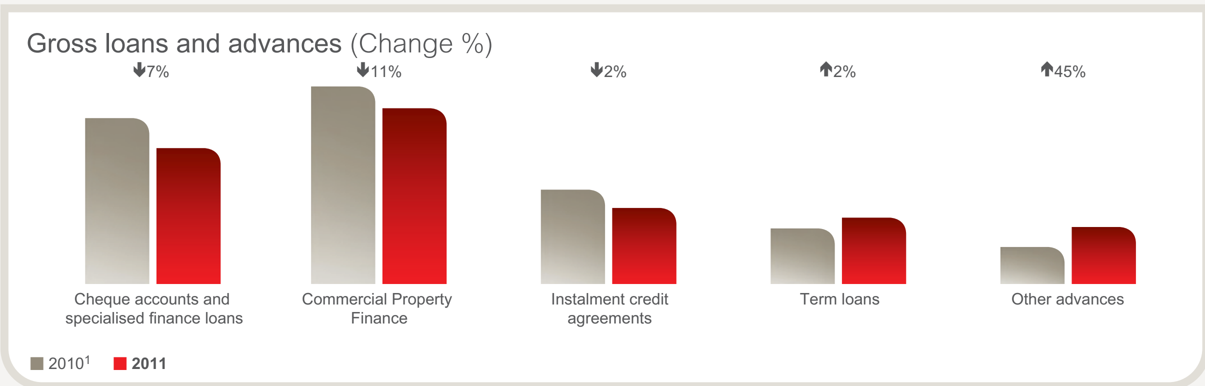
31 December

Business performance

Debt income and credit-related fees

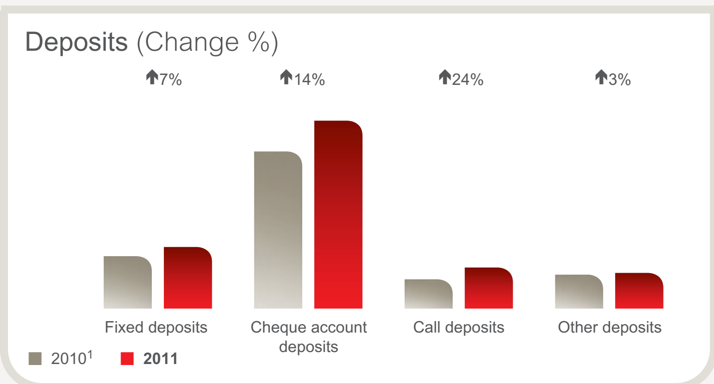
Advances declined by 4%, largely due to declining commercial property and commercial asset books.

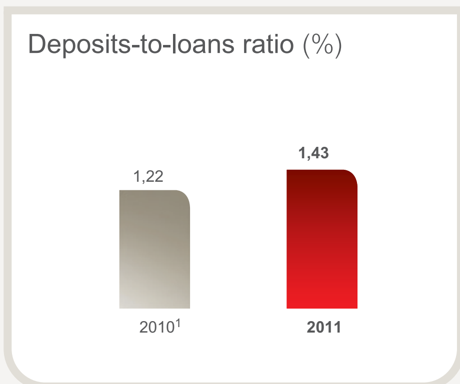
The Commercial Asset Finance (CAF) advances book declined by 1% as a portion of the book was moved to Retail Banking. Production levels, however, increased from R6 billion in 2010 to R8 billion in 2011. Impairments decreased, which together with effective pricing and cost management, improved profitability of the product. Cheque advances grew moderately during the year with term loans declining slightly. Structured Trade and Commodity Finance grew moderately, due to an increased number of deals and higher commodity prices. Working Capital Solutions (WCS) advances increased due to the strong customer base established in the second half of 2010. A new production system was introduced which slowed the sign-on of new customers in the year, but it is expected that benefits would start to flow in 2012.



Investment products

During the year, ABB used pricing differentiation to both attract new funds and aggressively protect existing funds. This approach assisted in delivering strong volume growth in the book and maintaining margins even through periods of high liquidity needs and margin pressure in the market. ABB increased term deposits in line with overall market growth in funds. The uncertainty on future interest rate movements resulted in customers keeping funds predominantly on the short side and cheque and call deposits were the reason for volume growth. Call deposits were used extensively to obtain new funds and customers. By adopting a portfolio approach on deposit volume and pricing across the various business segments, the balance between volume drive and margin income was maintained throughout the year.





Transactional and other fee income

Net fee and commission income increased by 8%, along with an increase in volumes. Pricing initiatives were introduced to reduce revenue leakage. Cheque payment volumes continued to decline in line with industry trends, but volumes in electronic payments and cash grew strongly.

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Absa Business Bank

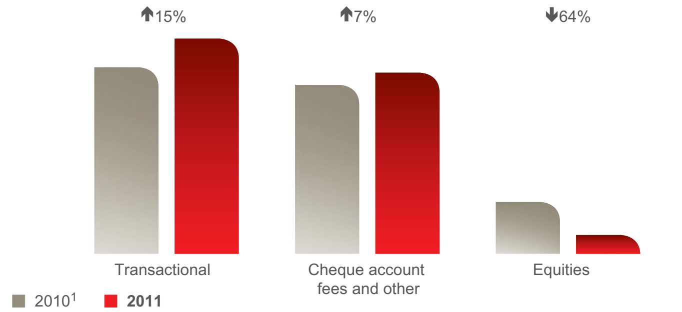
31 December

Business performance *(continued)*

Transactional and other fee income *(continued)*

Electronic banking improved both online security and systems stability compared to 2010. Product innovations included Bulk Cash Send and Business Integrator Online Card solutions as well as the launch of a new prepaid card solution which showed positive early results during the last quarter of 2011.

Fee income (Change %)

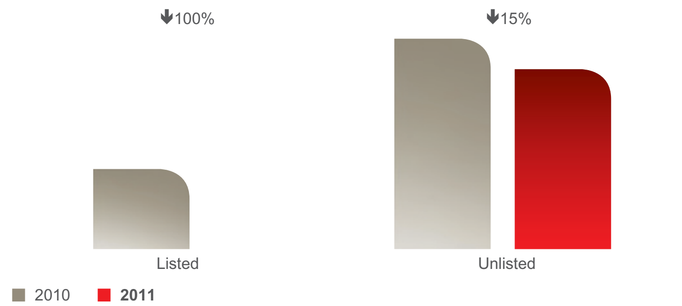


Equity portfolio

The focus was on reducing equity investment exposure to listed and unlisted property market. The listed portfolio reduced by R535 million from 2010 to 2011, which resulted in lower dividend income of R42 million compared to the prior year Continued pressure on property valuations resulted in a R155 million impairment for 2011, which consisted of:

- Middle market residential developments (MMRT's) decreased by R13 million;
- Unlisted property investments decreased by R102 million;
- Diluculo investments up R3 million;
- Goodwill impairments down R28 million; and
- Offshore investments down R15 million.

Equity portfolio (Change %)



Looking ahead

- ABB will continue to improve customer service and gain a better understanding of customer needs and business requirements. A refined segmentation model has been developed and a customer experience team established as a further outcome of the initiative to know and service customers better, which will enable ABB to become truly customer-orientated.
- ABB will provide existing customers with additional products and enhance transactional banking to strengthen and expand primary banking relationships.
- The end-to-end customer process and sales operating model will be comprehensively overhauled to improve customer engagement.
- Risk management practices, particularly recovery and business support, are to be improved.

Note

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

Absa Capital

31 December

Points to note

- Headline earnings decreased by 10%, with revenue increasing marginally and operating expenses increasing by 9%.
- Improved quality of earnings, which was underpinned by strong growth in client franchise revenue.
- Successful leveraging of the global franchise was evidenced by execution of a number of high profile mandates.
- Key business initiatives such as FX and Prime Services delivered good results, with a slow start in Cash Equities.
- Operating expenses reflect the impact of the introduction of deep bonus deferrals in 2010, with core cost growth managed below inflation.
- Absa Capital retained the top position in the Risk South Africa rankings in 2011, winning in 9 categories including Best Overall Bank.
- Absa Capital also garnered 7 JSE Spire Awards in 2011, including Overall Best Fixed Income House.

Salient features	2011	2010[1]	Change %
Revenue (Rm)	5 519	5 508	0
Headline earnings (Rm)	1 495	1 659	(10)
Revenue on average risk-weighted assets (%)	5,92	5,63	
Return on average regulatory capital (%)	17,1	18,1	
Cost-to-income ratio (%)	59,7	54,9	

Business unit scope

Absa Capital offers corporate, investment banking and wealth management services. Its primary business is to act as an intermediary between, and adviser to, suppliers and users of various forms of capital. The business model centres on delivering specialist corporate, investment banking, financing, risk management and advisory solutions across asset classes to corporates, financial institutions, government clients and high net worth individuals. These capabilities are delivered through a client-centric approach which emphasises the origination and distribution of risk. Absa Capital remains the only South African corporate and investment bank to provide a full range of services on both a local and international basis. Through its affiliation with Barclays Capital, Absa Capital's ability to deliver comprehensive international and local solutions to its clients will continue to differentiate it from competitors.

Key business areas

- **Markets –** offers trading, hedging and pricing expertise across various asset classes to a global client base.
- **Investment Banking –** structures innovative solutions to meet clients' strategic acquisition, financing and risk management requirements across industry sectors in South Africa and the sub-Saharan region. Offerings also include product expertise encompassing loans, bonds and structured products (such as project finance, structured equity finance, leveraged finance and debt capital markets).
- **Corporate –** offers banking solutions accross the range of group products to meet corporate client needs.
- **Private Equity and Infrastructure Investments –** Private Equity acts as a principal by investing in equity exposures to companies and other entities. Infrastructure Investments acts as a principal by investing in equity and mezzanine loans to entities focused on infrastructure development in sub-Saharan Africa.
- **Absa Wealth –** provides a full range of onshore and offshore wealth management services to individuals and families in the high and ultra-high net-worth market.

Financial performance

Absa Capital's headline earnings decreased by 10% to R 1 495 million (2010: R 1 659 million), with revenues increasing marginally and operating expenses increasing by 9%. Markets revenue decreased by 3% during the year, largely due to the difficult trading environment in the second half of the year. Investment Banking revenue decreased by 20%, with strong growth of 44% in fees offset by lower margin income as a result of a reduction in structured on balance sheet financing. Private Equity earnings continued to improve, benefiting from positive realisations and net positive revaluations. Absa Wealth's net revenue increased by 33%, reflecting higher margins and fee income as well as lower impairment losses on loans and advances. Absa Capital's return on average regulatory capital decreased from 18,1% in 2010 to 17,1% in 2011.

Note

[1][1]Comparatives have been reclassified. Refer to pages 97 – 101.

Absa Capital

for the year ended 31 December

Statement of comprehensive income	2011 Rm	2010[1] Rm	Change %
Net interest income	**2 062**	2 578	(20)
Impairment losses on loans and advances	**(69)**	(96)	28
Non-interest income	**3 457**	2 930	18
Gains and losses from banking and trading activities	**2 506**	2 199	14
Other non-interest income	**951**	731	30
Operating expenses	**(3 295)**	(3 025)	(9)
Other	**(81)**	(146)	45
Operating profit before income tax	**2 074**	2 241	(7)
Taxation expense	**(560)**	(589)	5
Profit for the year	**1 514**	1 652	(8)
Profit attributable to:			
Ordinary equity holders of the Group	**1 496**	1 612	(7)
Non-controlling interest – ordinary shares	**18**	40	(55)
	1 514	1 652	(8)
Headline earnings	**1 495**	1 659	(10)
Notes			
1. Revenue contribution[2]			
Investment Banking	**1 282**	1 598	(20)
Markets	**3 436**	3 544	(3)
Private Equity and Infrastructure Investments	**317**	22	>100
Absa Wealth	**392**	294	33
Other	**23**	(46)	>100
	5 450	5 412	1
2. Gains and losses from banking and trading activities			
Net gains on investments	**381**	136	>100
Debt instruments	**29**	26	12
Equity instruments	**352**	110	>100
Net trading result	**2 166**	2 142	1
Net trading income excluding the impact of hedge accounting	**2 137**	2 064	4
Ineffective portion of hedges	**29**	78	(63)
Cash flow hedges	**21**	88	(76)
Fair value hedges	**8**	(10)	>100
Other	**(41)**	(79)	48
	2 506	2 199	14

Net gains on investments

Comprise debt and equity instruments designated at fair value through profit or loss.

Net trading result

Includes gains and losses from instruments 'designated at fair value through profit or loss' as well as gains and losses from instruments classified as 'held for trading'. The net trading result of **R2 166 million** (2010: R2 142 million), includes net gains of **R503 million** (2010: R705 million) on financial assets designated at fair value through profit or loss and net losses of **R1 347 million** (2010: R1 767 million) relating to financial liabilities at fair value through profit or loss.

Other

Includes gains and losses from instruments 'designated at fair value through profit or loss' as well as gains and losses from instruments classified as 'held for trading'. Other (losses) of **R41 million** (2010: R79 million) includes net gains of **R43 million** (2010: R158 million) on financial assets designated at fair value through profit or loss.

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

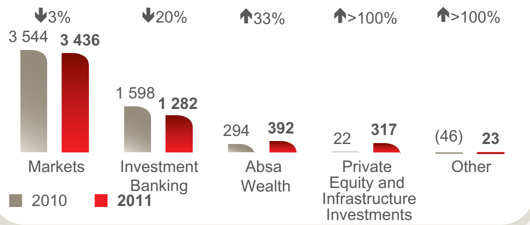
[2]Includes net interest income and non-interest income, net of impairment losses on loans and advances.

Absa Capital

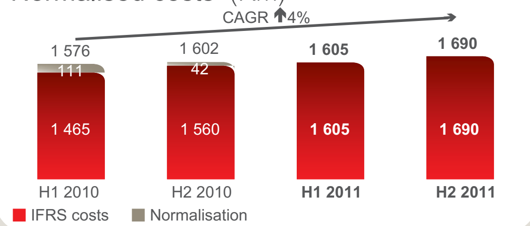
31 December

Financial performance *(continued)*

Revenue mix (Rm and change %)



Normalised costs[1] (Rm)



Favourable

- Client revenues underpin Markets revenues in difficult market conditions.
- Investment banking fee income up 44%.
- Improved performance from Absa Wealth.
- Private Equity stabilised.
- Core cost growth managed below inflation.

Unfavourable

- Investment Banking margin income declined due to unwinding of structured on balance sheet financing business.
- Performance from Africa trading desks impacted by margin compression and higher funding costs.
- Cash Equities business roll-out slower than anticipated.

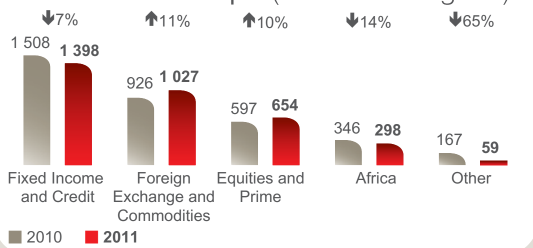
Business performance

The uncertain global economic outlook, casued mainly by the European sovereign debt cristis, resulted in increased volatility and risk aversion, negatively impacting liquidity and client activity. The South African economy grew below expectations and further downgrades to 2012 economic growth forecasts are expected. As a result interest rates were kept on hold throughout the year by the Monetary Policy Committee, and forecasts for 2012 indicate an extension of this period of low nominal and real interest rates, as inflation pressure continues to rise.

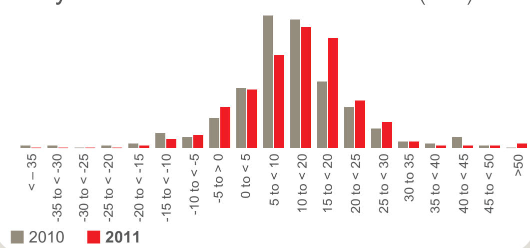
Markets

Markets net revenue decreased by 3% to R 3 436 million (2010: R 3 544 million). Revenues remained resilient in a challenging environment supported by strong growth in the client franchise. The value of these annuity-like flows can be seen in the further improvement of the daily revenue distribution. Daily Value at Risk also continued to reduce during the period. Foreign exchange revenue showed solid growth and the Prime Services roll-out continued to deliver good results. Investment into the Cash Equities business is now largely complete, however revenue growth lagged expectations. Fixed Income was adversely impacted by illiquid markets as well as the absence of monetary policy trends. Africa revenue was lower due to margin compression in foreign exchange trading and higher funding costs.

Markets revenue split (Rm and change %)



Daily Markets revenue distribution (Rm)



Investment Banking

Investment Banking net revenue decreased by 20% to R1 282 million (2010: R1 598 million), with divergent performances from the fee and margin businesses. There was a strong performance from the fee business, which grew by 44% to R241 million as it started to capitalise on the benefits of the integrated corporate and investment banking coverage strategy, as well as close collaboration with Barclays Capital in the Sub-Saharan African region. The unwinding of the structured on balance sheet financing business at the end of 2010 lead to a decrease of 27% in margin income to R1 041 million as well as a reduction in average loans and advances. The quality of income saw an improvement as a result.

Note

[1]Normalised costs are adjusted for changes in the accounting for compensation arrangements.

Absa Capital

31 December

Business performance *(continued)*

Investment Banking *(continued)*

Salient features	2011	2010[1]	Change %
Revenue (Rm)			
➜ Fee business	**241**	167	44
➜ Margin business	**1 041**	1 431	(27)
Average loans and advances (Rbn)	**36**	51	(29)

Private Equity and Infrastructure Investments

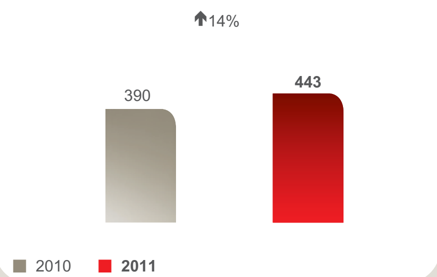
Private Equity and Infrastructure Investments' recovery continued in 2011, with net revenue of R317 million compared to R22 million in 2010. The improved performance was the result of positive realisations and net positive revaluations, mainly on debt exposures in the portfolio, while funding costs were reduced by 38% as a result of lower funding rates and also a smaller portfolio. The portfolio size reduced by 11% during the year, from R6,1 billion to R5,4 billion.

Salient features	2011	2010[1]	Change %
Total portfolio size (Rbn)	**5,4**	6,1	(11)
Net revenue (Rm)	**317**	22	>100
Revaluations	**240**	48	>100
Debt instruments	**185**	30	>100
Equity instruments	**55**	18	>100
Realisations, dividends, interest and fees	**195**	165	18
Funding	**(118)**	(191)	38

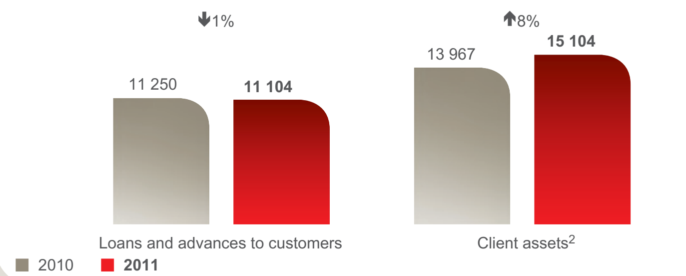
Absa Wealth

Absa Wealth reported 33% growth in net revenue from R294 million in 2010 to R392 million in 2011. Gross revenue increased by 14%, reflecting higher margins and increased fee earning activities. This aligns with the strategy of acquiring more assets under advisement as well as increasing the cross-selling of Absa Capital and Barclays Wealth products. Impairments decreased significantly as a result of improved credit management processes in the business.

Gross revenue (Rm and change %)



Client balances (Rm and change %)



Looking ahead

- ➜ The introduction of the integrated CIBW structure in 2012 will entail the further build out of the corporate business, including taking responsibility for the transactional products used by corporate clients. This will enable these clients to be managed across a fully integrated product value chain, including Markets, Financing, Advisory and Transactional Product.
- ➜ The new structure will enable seamless client service as the business grows across the continent in advancement of the One Africa strategy.
- ➜ Absa Capital will continue to leverage off the global platform to deliver to clients the benefits of the fully global fully local operating model.
- ➜ Capital and liquidity management will remain a key focus in anticipation of ongoing regulatory changes in order to limit the negative impact on shareholder returns.
- ➜ Absa Capital will continue to look for efficiences in the cost structure and opportunities to leverage the infrastructure platform that has been built over the past years across the broader CIBW business.

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

[2]Includes on and off-balance sheet balances.

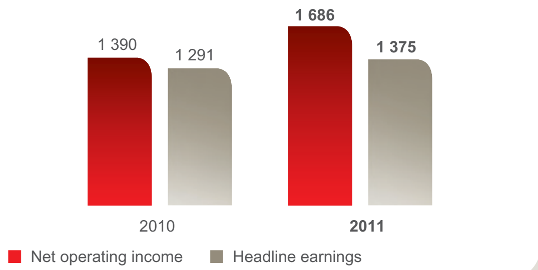
Financial Services

31 December

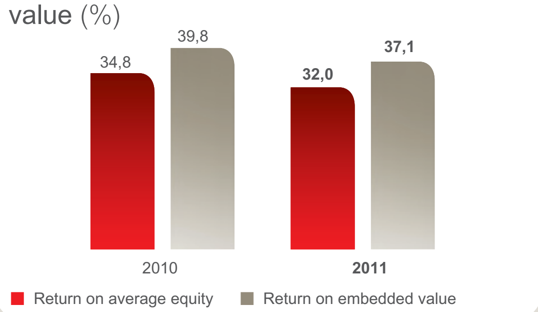
Points to note

- Strong gross revenue growth of 18%.
- Net operating income improved by 21% to R1 686 million.
- Investment returns on shareholder funds decreased by 40%.
- Headline earnings increased by 7% to R1 375 million.
- Cost-efficiency ratio improved from 26,4% in 2010 to 25,2%.
- A return on average equity of 32,0% and a 37,1% return on embedded value was achieved.
- Assets under management increased by 3% to R168 billion.

Net operating income and headline earnings (Rm)



Return on average equity and embedded value (%)



Salient features	2011 Rm	2010 Rm	Change %
Net operating income (Rm)	**1 686**	1 390	21
Headline earnings (Rm)	**1 375**	1 291	7
Return on average equity (%)	**32,0**	34,8	
Cost-efficiency ratio (%)	**25,2**	26,4	

Business unit scope

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

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

Key business areas

- **Life insurance (Life) –** offers life insurance covering death, disability and retrenchment, and funeral and investment products.
- **Investments –** consists of six business segments which work collaboratively to offer individual and institutional clients access to high-quality investment products and services including asset management, private client asset management, multi-management, unit trusts, stock broking, participation bonds and linked investments.
- **Short-term insurance (Insurance) –** provides short-term insurance solutions to the retail and commercial market segments. Customised short-term solutions are also offered to corporate customers. A direct-to-customer short-term solution, idirect, is also available to the retail market.
- **Fiduciary services –** consists of employee benefits businesses, offering retirement fund administration, consulting and actuarial services and Health Care Services and Absa Trust which administers deceased estates and provides trustee services for personal, family, charitable and employee benefit trusts.
- **Distribution –** one of the largest financial, investment and risk advisory companies in South Africa. It provides a full spectrum of financial advisory services and acts as an intermediary between Absa customers and various other product providers.

Financial Services

for the year ended 31 December

Statement of comprehensive income	Note	Life 2011 (Audited) Rm	Life 2010 (Audited) Rm	Life Change %	Investments 2011 (Audited) Rm	Investments 2010 (Audited) Rm	Investments Change %
Net insurance premium income		**1 971**	1 583	25	**—**	—	—
Net insurance claims and benefits paid		**(550)**	(429)	(28)	**—**	—	—
Investment income	1						
Policyholder investment contracts		**988**	957	3	**—**	—	—
Policyholder insurance contracts		**107**	167	(36)	**—**	—	—
Changes in investment contract and insurance contract liabilities							
Policyholder investment contracts		**(931)**	(954)	2	**—**	—	—
Policyholder insurance contracts		**42**	(31)	>100	**—**	—	—
Other income		**39**	(20)	>100	**831**	752	11
Gross operating income		**1 666**	1 273	31	**831**	752	11
Net commission paid by insurance companies[2]		**(398)**	(280)	(42)	**—**	—	—
Operating expenses		**(268)**	(210)	(28)	**(416)**	(362)	(15)
Other impairments and indirect taxation		**(81)**	(64)	(27)	**(6)**	(2)	>(100)
Net operating income		**919**	719	28	**409**	388	5
Investment income on shareholder funds	1	**74**	165	(55)	**23**	17	35
Taxation expense		**(258)**	(222)	(16)	**(120)**	(105)	(14)
Profit for the year		**735**	662	11	**312**	300	4

Note

1. Investment income

	Life 2011 Rm	Life 2010 Rm	Life Change %	Investments 2011 Rm	Investments 2010 Rm	Investments Change %
Policyholder investment contracts	**988**	957	3	**—**	—	—
Net interest income	**519**	584	(11)	**—**	—	—
Dividend income	**27**	33	(18)	**—**	—	—
Fair value gains/(losses)	**442**	340	30	**—**	—	—
Policyholder insurance contracts	**107**	167	(36)	**—**	—	—
Net interest income	**69**	49	41	**—**	—	—
Dividend income	**10**	7	43	**—**	—	—
Fair value gains	**28**	111	(75)	**—**	—	—
Shareholder funds	**74**	165	(55)	**23**	17	35
Net interest income	**24**	29	(17)	**23**	10	>100
Dividend income	**12**	24	(50)	**—**	—	—
Fair value gains/(losses)	**38**	112	(66)	**—**	7	(100)
Total	**1 169**	1 289	(9)	**23**	17	35
Net interest income	**612**	662	(8)	**23**	10	>100
Dividend income	**49**	64	(23)	**—**	—	—
Fair value gains/(losses)	**508**	563	(10)	**—**	7	(100)

Net fee and commission income	2011 Rm	2010 Rm	Change %
Employee benefit related fees	**353**	313	13
Investment management and related fees	**819**	724	13
Net fee and commission from advisor business	**431**	387	11
Net commission paid by insurance companies[2]	**(902)**	(728)	(24)
Trust and estate income	**271**	261	4
Other	**(11)**	(27)	59
	961	930	3

Notes

[1]During the year under review, "Fiduciary services", which was previously disclosed as part of "Other", is disclosed separately. This resulted in a reclassification of comparative information.

[2]Net commission paid by insurance companies includes internal commission, eliminated on consolidation of the Group's results.

Financial Services

for the year ended 31 December

Insurance			Fiduciary services[1]			Other[1]			Financial Services		
2011 (Audited) Rm	2010 (Audited) Rm	Change %	2011 (Audited) Rm	2010 (Audited) Rm	Change %	2011 (Audited) Rm	2010 (Audited) Rm	Change %	2011 (Audited) Rm	2010 (Audited) Rm	Change %
2 905	2 885	1	**—**	—	—	**154**	—	100	**5 030**	4 468	13
(1 959)	(1 977)	1	**—**	—	—	**(24)**	—	(100)	**(2 533)**	(2 406)	(5)
—	—	—	**—**	—	—	**—**	83	(100)	**988**	1 040	(5)
65	67	(3)	**—**	—	—	**1**	—	100	**173**	234	(26)
—	—	—	**—**	—	—	**25**	(60)	>100	**(906)**	(1 014)	11
—	—	—	**—**	—	—	**(48)**	—	(100)	**(6)**	(31)	77
46	18	>100	**628**	578	9	**425**	375	14	**1 969**	1 703	16
1 057	993	6	**628**	578	9	**533**	398	34	**4 715**	3 994	18
(452)	(448)	(1)	**—**	—	—	**(52)**	—	(100)	**(902)**	(728)	(24)
(306)	(309)	1	**(516)**	(450)	(15)	**(514)**	(466)	(10)	**(2 020)**	(1 797)	(12)
(3)	(2)	(50)	**(3)**	(3)	—	**(14)**	(8)	(88)	**(107)**	(79)	(35)
296	234	26	**109**	125	(13)	**(47)**	(76)	38	**1 686**	1 390	21
87	132	(34)	**7**	4	25	**7**	14	(50)	**198**	332	(40)
(93)	(88)	(6)	**(33)**	(35)	6	**(7)**	18	>(100)	**(511)**	(432)	(18)
290	278	4	**83**	94	(12)	**(47)**	(44)	(7)	**1 373**	1 290	6
—	—	—	**—**	—	—	**—**	83	(100)	**988**	1 040	(5)
—	—	—	**—**	—	—	**—**	1	(100)	**519**	585	(11)
—	—	—	**—**	—	—	**17**	14	21	**44**	47	(6)
—	—	—	**—**	—	—	**(17)**	68	>(100)	**425**	408	4
65	67	(3)	**—**	—	—	**1**	—	100	**173**	234	(26)
65	67	(3)	**—**	—	—	**1**	—	100	**135**	116	16
—	—	—	**—**	—	—	**—**	—	—	**10**	7	43
—	—	—	**—**	—	—	**—**	—	—	**28**	111	(75)
87	132	(34)	**7**	4	75	**7**	14	(50)	**198**	332	(40)
78	99	(21)	**—**	1	(100)	**—**	—	—	**125**	139	(10)
10	32	(69)	**—**	3	(100)	**—**	—	—	**22**	59	(63)
(1)	1	>(100)	**7**	—	100	**7**	14	(50)	**51**	134	(62)
152	199	(24)	**7**	4	75	**8**	97	(92)	**1 359**	1 606	(15)
143	166	(14)	**—**	1	(100)	**1**	1	—	**779**	840	(7)
10	32	(69)	**—**	3	(100)	**17**	14	21	**76**	113	(33)
(1)	1	>(100)	**7**	—	100	**(10)**	82	>(100)	**504**	653	(23)

Segment report per geographical segment

	2011 (Audited)			2010 (Audited)		
	South Africa Rm	Rest of Africa Rm	Total Rm	South Africa Rm	Rest of Africa Rm	Total Rm
Net insurance premium income	**4 876**	**154**	**5 030**	4 468	—	4 468
Net insurance claims and benefits paid	**(2 509)**	**(24)**	**(2 533)**	(2 406)	—	(2 406)
Gross operating income	**4 632**	**83**	**4 715**	3 994	—	3 994
Operating expenses	**(1 985)**	**(35)**	**(2 020)**	(1 797)	—	(1 797)
Net operating income	**1 697**	**(11)**	**1 686**	1 390	—	1 390
Profit for the year	**1 391**	**(18)**	**1 373**	1 290	—	1 290

Financial Services

as at 31 December

Statement of financial position

	Note	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Assets				
Cash balances and loans and advances to banks		**4 045**	2 771	46
Insurance operations[1]	1	**2 676**	1 907	40
Other subsidiaries		**1 369**	864	58
Other assets[2,3]		**2 889**	2 135	35
Financial assets backing investment and insurance liabilities		**18 576**	17 960	3
Investment securities		**17 567**	16 964	4
Insurance operations[1]	1	**17 437**	16 841	4
Other subsidiaries		**130**	123	6
Other assets backing investment and insurance liabilities				
Insurance operations	1	**1 009**	996	1
Property and equipment		**133**	81	64
Total assets		**25 643**	22 947	12
Liabilities				
Other liabilities[2]		**2 604**	1 980	32
Liabilities under investment contracts		**15 233**	13 964	9
Policyholder liabilities under insurance contracts[3]		**3 167**	2 988	6
Deferred tax liabilities		**40**	43	(7)
Total liabilities		**21 044**	18 975	11
Total equity		**4 599**	3 972	16
Total liabilities and equity		**25 643**	22 947	12

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

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

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

Note

1. Financial assets backing investment and insurance liabilities

	2011 (Audited)						
	Debt instruments Rm	Listed equity instruments Rm	Money market instruments Rm	Unlisted equity and hybrid instruments Rm	Other Rm	Cash balances and loans and advances to banks Rm	Total Rm
Shareholder investment securities	750	409	—	53	—	1 353	2 565
Life	99	319	—	2	—	624	1 044
Non-Life	651	90	—	51	—	729	1 521
Policyholder investment securities	531	9 047	6 600	47	1 009	1 323	18 557
Investment contracts[1]	48	7 941	6 600	47	540	71	15 247
Insurance contracts[1]	483	1 106	—	—	469	1 252	3 310
Total	1 281	9 456	6 600	100	1 009	2 676	21 122

	2010[2] (Audited)						
	Debt instruments Rm	Listed equity instruments Rm	Money market instruments Rm	Unlisted equity and hybrid instruments Rm	Other Rm	Cash balances and loans and advances to banks Rm	Total Rm
Shareholder investment securities	767	898	—	193	—	638	2 496
Life	216	858	—	2	—	186	1 262
Non-Life	551	40	—	191	—	452	1 234
Policyholder investment securities	495	7 370	6 423	695	996	1 269	17 248
Investment contracts[1]	—	6 317	6 423	695	474	51	13 960
Insurance contracts[1]	495	1 053	—	—	522	1 218	3 288
Total	1 262	8 268	6 423	888	996	1 907	19 744

Notes

[1]Includes **R814 million** (2010: R853 million) assets linked to insurance contracts representing Absa Life Limited's investment in the Absa General Fund. The fund is consolidated as an investment contract with related policyholder liability disclosed as an insurance contract.

[2]Comparatives have been reclassified. Refer to pages 97 – 101.

Financial Services

31 December

Reconciliation to Group

	2011 (Audited) Financial Services Rm	Inter-group balances and trans-actions Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investments linked to investment contracts	14 636	(4 745)	—	9 891
Policyholder liabilities under insurance contracts	(3 167)	118	(134)	(3 183)
Statement of comprehensive income				
Net insurance premium income	5 030	(32)	211	5 209
Net insurance claims and benefits paid	(2 533)	—	16	(2 517)
Net gains on investments from insurance activities	1 359	(473)	0	886
Policyholder investment contracts	988	(477)	—	511
Policyholder insurance contracts	173	—	—	173
Shareholder funds	198	4	0	202

	2010 (Audited) Financial Services Rm	Inter-group balances and trans-actions Rm	Other[1] Rm	Group Rm
Statement of financial position[2]				
Investments linked to investment contracts[3]	13 435	(4 968)	—	8 467
Policyholder liabilities under insurance contracts	(2 988)	244	(257)	(3 001)
Statement of comprehensive income				
Net insurance premium income	4 468	(40)	174	4 602
Net insurance claims and benefits paid	(2 406)	136	(135)	(2 405)
Net gains on investments from insurance activities	1 606	(819)	33	820
Policyholder investment contracts	1 040	(826)	—	214
Policyholder insurance contracts	234	—	—	234
Shareholder funds	332	7	33	372

Notes

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

[2]Debit amounts are shown as positive; credit amounts are shown as negative.

[3]Comparatives have been reclassified. Refer to pages 97 – 101.

Financial Services

31 December

Financial performance

Net operating income increased by 21% to R1 686 million (2010: R1 390 million). The drivers of the strong operational performance included gross revenue growth of 18%, a modest increase of 5% in claims paid and an improvement in the business' cost-efficiency ratio. Gross and net insurance premiums grew by 18% and 13% respectively, while revenue from the other businesses and non-insurance income increased by 16%. Assets under management increased by 3% to R168 billion, despite the R3,5 billion reduction in assets invested in the dividend income fund. Operating expenses grew by 12% and was above inflation, but still remained well below the gross and net revenue growth of 18% and 14% respectively. Investment income earned on shareholder funds decreased by 40% in a low interest rate environment, coupled with the poor performance of equity markets and de-risking of the shareholder portfolio. This resulted in headline earnings growth of 7%, being lower than the 21% growth in net operating income. The return on average equity (RoE) achieved was 32,0%, slightly lower than the 34,8% achieved in 2010, due to capital retained in the business for the Africa expansion programme.

Favourable

- Net revenue growth of 14%.
- Improved claims management and experience.
- Good growth in equity assets under management.
- Revenue growth in excess of cost growth, resulting in an improved efficiency ratio.

Unfavourable

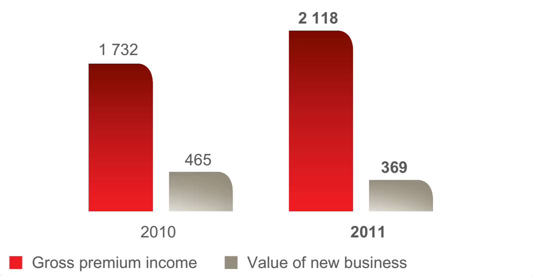
- Investment returns on shareholder funds.
- Increased acquisition cost of new business.
- Slight increase in the effective tax rate.

Business performance

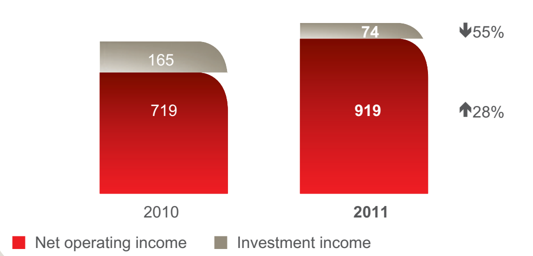
Life

New products, improved service levels, digital channels and higher penetration of the Absa customer base all contributed to Life maintaining its strong revenue momentum and to growing gross and net premiums by 22% and 25% respectively. Income from other sources increased the year-on-year revenue growth by 31% and with claims and operating expenses growing by similar percentages; net operating income increased year on year by 28%. Investment income on shareholder funds declined by 55% due to the lower interest rate environment, poor equity market performance and de-risking of the shareholder portfolio. Profit before and after tax increased by 12% and 11% respectively. The embedded value of new business decreased by 21% to R369 million. The return on embedded value for the year is 37,1%, compared to 39,8% achieved in 2010.

Gross premium income and value of new business (Rm)



Profit before tax (Rm and change %)



Business performance *(continued)*

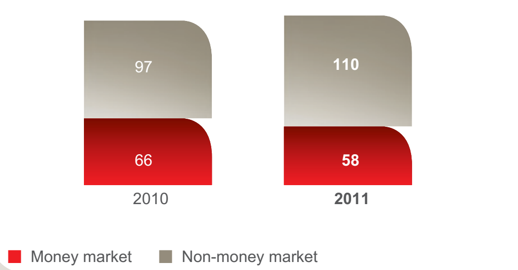
Life *(continued)*

Salient features	2011	2010	Change %
Shareholders' net assets (Rm)	**1 477**	1 525	(3)
Cost of solvency capital (Rm)	**(404)**	(457)	12
Value of business in force (Rm)	**2 007**	1 765	14
	3 080	2 833	9
Embedded value earnings (Rm)	**1 045**	931	12
Return on embedded value (%)	**37,1**	39,8	
Embedded value of new business (Rm)	**369**	465	(21)
Value of new business as a % of value of future premiums (%)	**7,4**	9,5	

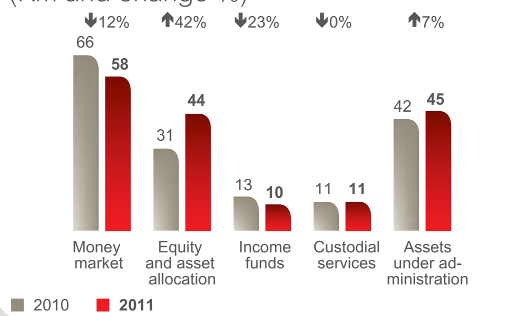
Investments

Investments posted solid growth in revenue of 11% with customers continuing to benefit from excellent investment performance. The continued investment in brand, talent and product development, technology infrastructure and distribution channels resulted in operating expenses growth of 15%. Headline earnings increasing by 4% to R312 million. Assets under management (AUM) grew by 3% to R168 billion despite a R3,5 billion reduction in assets invested in the dividend income fund. Net money market outflows of R8,5 billion and equity-based inflows of R12,7 billion were experienced over the year and net margins improved to the 48,9bps compared to the 46,0bps achieved in 2010, due to higher equity inflows.

Assets under management (Rbn)



Assets under management (Rm and change %)



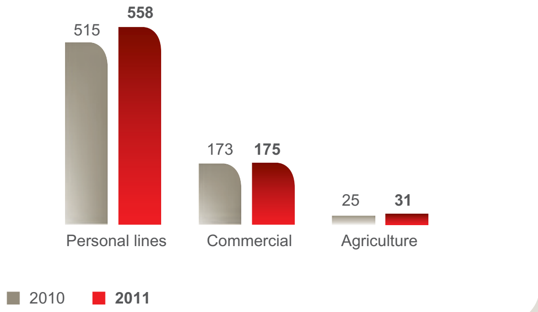
Salient features	2011	2010	Change %
Attributable earnings (Rm)	**312**	300	4
Gross margin (bps)	**48,9**	46,0	
Net flows (Rbn)	**4,3**	11,3	(62)
Money market assets (Rbn)	**(8,5)**	10,9	>(100)
Non-money market assets (Rbn)	**12,7**	0,4	>100
AUM (Rbn)	**168**	163	3

Business performance *(continued)*

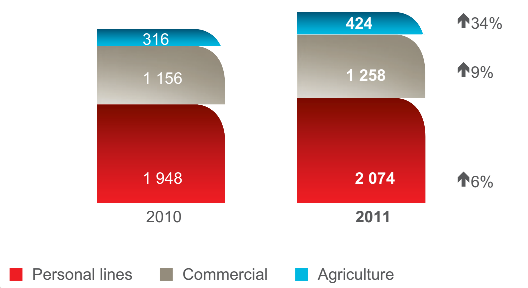
Insurance

Gross premiums increased by 10% to R3 756 million, but a prudent re-insurance approach and a change in the accounting of an associated investment resulted in net premiums only increasing by 1%. Claims paid were in line with the prior year and operating expenses reduced by 1%, resulting in net operating income improving by 26%. Investment returns on shareholder funds declined by 34% in the low interest rate environment. During the year, the Personal Accident business was transferred from the Insurance business to Absa Life and earnings before tax in Insurance decreased from R58 million in 2010 to R45 million in 2011. Absa Life reported pre-tax earnings of R50 million for this product. The underwriting margin of 6,5% was higher than the 5,2% achieved for the previous year and the underwriting results of all product lines improved. The Agri business posted underwriting gains (surplus) of R31 million for the year, despite the loss of R14 million reported at June 2011.

Underwriting surplus (Pre-expenses %)



Gross premium income (Rm and change %)



Salient features	2011	2010	Change %
Net asset value (Rm)	**1 806**	1 424	27
Attributable earnings (Rm)	**290**	278	4
Gross premiums (Rm)	**3 756**	3 420	10
Underwriting surplus (Rm)	**495**	445	11
Underwriting margin (%)	**6,5**	5,2	
Solvency margin (%)	**62,1**	55,3	
Loss ratio (%)	**67,4**	68,5	

Fiduciary services

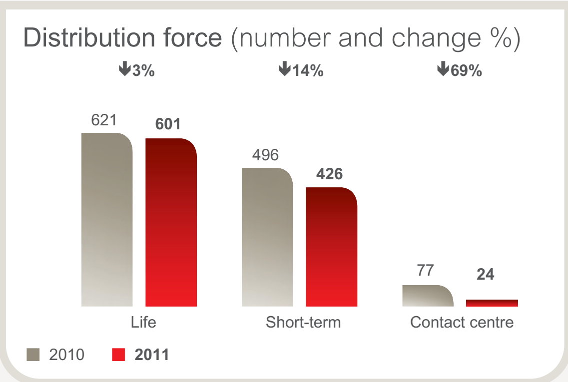
Fiduciary services, comprising Absa Trust, Estate administration and Employee Benefits businesses, were impacted by the economic environment and although revenue increased by 9%, headline earnings reduced by R11 million to R83 million. Absa Trust was impacted by cash shortfall in estates and low demand for properties, delaying the finalisation and reducing the value of estates, but still managed to grow revenue by 3% and maintain earnings at prior year levels. The Employee Benefits business grew revenue by 13%, but headline earnings declined by R10 million. This business has been restructured to align to changing regulatory and legislative environment as well as to improve profitability of customer funds. Customers not contributing adequately to profitability will be moved to the new Umbrella offering to gain from economies of scale, re-priced or exited in 2012.

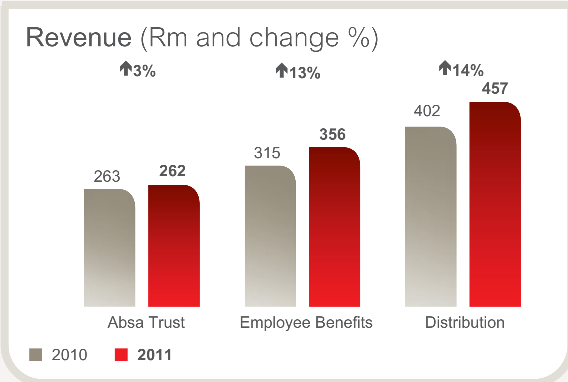
Financial Services
31 December

Business performance *(continued)*

Fiduciary services *(continued)*

Salient features	2011	2010	Change %
Attributable earnings (Rm)	**83**	94	(12)
Average value of estates distributed (Rm)	**907**	599	51
Members under administration (number of members)	**763 277**	606 551	26





Distribution
The integration of advisors into the Absa's branches and an improved product and service offering increased the penetration of Absa's customer base and an increased market share. The loss of experienced advisors continued during the second half of the year and Financial Services focus on developing new and young talent through its advisor academy remained a priority. The pass rate of Absa advisers completing the new regulatory exams was excellent and to date 88% of the advisors successfully completed phase 1. The development of new and improved digital channels, aiming to provide customers with alternative and easier access to Financial Services' products, while improving efficiency and compliance with new regulatory requirements, progressed well.

Expansion into the rest of Africa
The Financial Services operations in Botswana and Mozambique performed well and business volumes and earnings are in line with expectations. The business in Mozambique has contributed to profitability since its acquisition in September , but the Life fund reserving requirements in Botswana resulted in this entity posting a small loss. In addition, due diligence and other head office expenditure resulted in the Africa business posting a loss for the year. A positive contribution from the rest of Africa is expected in 2012.

Looking ahead
- Further penetrate Absa's customer base through integration, leads management and trigger event solutions.
- Continued expansion into the rest of Africa, with immediate focus on Zambia and Kenya.
- Implementation of revised advisor operating model.
- Rolling out and improving digital channels and "straight-through" processing.
- Launch of new Umbrella Pension Fund Administration offering.
- Optimising returns, focussing on efficiency, capital management, product and customer profitability.
- Compliance with regulatory changes.

Capital and risk management

Contents

77 – 96
Capital and risk management

Capital and risk management overview

Introduction

The continuing uncertain economic conditions present a challenge to risk management in the financial services industry. In this context, risk management is a key pillar of the One Absa strategy and is guided by the Principal Risk Policy (PRP), developed and approved by the board. Our structured and disciplined approach to risk management, as well as the investments made in the year, position us well to take advantage of sustainable business growth opportunities.

While we identify 14 risk areas related to our business, this report reviews the most important six risks being credit risk, market risk, liquidity risk, operational risk, insurance risk and capital management. Key areas which received focus during the year are:

- credit risk management;
- liquidity management;
- maintaining adequate capital buffers; and
- enhancing the level of integration of operational risk management tools and processes.

2011 in review

Capital management is a key strategic pillar supporting the One Absa strategy. Closely related is the management of our liquidity resources in order to meet potential stresses on the financial system. We closely monitor key areas such as market conditions, the global banking industry, Basel II.5 and Basel III requirements and anticipated demands for Absa's future asset growth. The environment turned out relatively benign, being largely shielded here in South Africa from the turmoil of international markets. The key challenge for 2012 will be to sustain this favourable position and to exploit the foundation it provides more aggressively for specific, value-adding opportunities.

2011 was a year in which we:

- consolidated and improved our internal risk management processes, in particular the measurement of risk and the calculation of risk versus return;
- improved our liquidity position;
- experienced an improvement in credit risk exposure;
- improved the internal operational risk management processes and environment; and
- limited market and equity risk exposures.

As a result, we saw a marked improvement in both the level and structure of our capital. Capital levels stayed above target ranges for both the Group and the Bank, with Core Tier 1 capital levels improving by 130 and 140 basis points respectively.

The regulatory environment continues to shift, necessitating robust engagement with all relevant authorities. The Group has investigated the impact of Basel II.5 and Basel III and is prepared for full implementation within the timelines required. Due to existing strong capital positions, capital management is not expected to be significantly impacted by Basel III, although uncertainties remain. Based on an initial assessment, capital requirements and risk-weighted assets (RWAs) may increase, but overall capital adequacy should remain at levels above the range set by the board. The Core Tier 1 ratio is expected to decrease by 100 bps (after taking into account the potential impact of Basel III offset). RWA optimisation is a key focus area. The Group is participating in ongoing discussions with the regulator concerning the local application and discretionary limits of Basel III.

During the year, the Group further improved liquidity risk management in formulating the Group's liquidity risk appetite (measured as the number of days that the Group is expected to survive a defined liquidity stress scenario). We have extended this horizon and now hold sufficient liquidity resources to meet the Group's liquidity risk appetite, which is to be able to survive a severe liquidity stress for a minimum period of 30 days. We will continue to focus on liquidity risk management during 2012 and to strengthen the Group's liquidity position ahead of the implementation of Basel III to achieve compliance within the required timeframes.

Risk management will not be significantly impacted by the application of King III in 2012.

The Group's approach to risk management

The board-approved Principal Risk Policy (PRP) sets out the scope of the risks facing the Group and who is responsible for managing these risks. Oversight resides with two board committees, the Group Risk and Capital Management Committee (GRCMC) and the Group Audit and Compliance Committee (GACC). A combined assurance model, owned and managed by Group Risk, covers each principal risk and business area. The aim is to provide a co-ordinated approach to all assurance activities enabling the board and management to assets if the significant risks facing the Group are adequately covered and to maximise the value of these activities.

The Group's approach to risk management *(continued)*

The Group Risk and Capital Management Committee

The GRCMC assists the board in fulfilling its responsibilities in managing risk and complying with the Banks Act. The GRCMC determines and recommends the Group's risk appetite to the board and then reviews and monitors the Group's risk profile against the risk appetite on a quarterly basis. The GRCMC also approves control frameworks for various principal risks and assists in determining capital and liquidity target ranges and monitoring the Group's capital and liquidity levels. *See Absa's five-step process to risk management in the accompanying table.*

Our five-step process to risk management

Identify	→ Understand the principal risks fundamental to achieving the Group's strategy. → Establish the risk appetite. → Establish and communicate the risk management framework including responsibilities, authorities and key controls.
Assess	→ Establish the process for analysing business-level risks. → Agree and implement measurement and reporting standards and methodologies.
Control	→ Establish key control processes and practices, including limit structures, provisioning requirements and reporting standards. → Monitor controls and adherence to risk direction and limits. → Provide early warning of control or appetite breaches. → Ensure that risk management practices and conditions are appropriate for the business environment.
Report	→ Interpret and report on risk exposures, concentrations and risk-taking outcomes. → Interpret and report on sensitivities and key risk indicators. → Communicate with external parties.
Manage/challenge	→ Review and challenge all aspects of the Group's risk profile. → Assess new risk-return opportunities. → Advise on ways to optimise the Group's risk profile. → Review and challenge risk management practices.

The GRCMC consists of six non-executive directors, five of whom are independent directors. The GRCMC meets on a quarterly basis.

GRCMC meetings during the year were also attended by the Group Chief Executive (GCE), Deputy Group Chief Executive, Group Financial Director, Chief Risk Officer and Group Treasurer. Internal and external auditors also attended the meetings in accordance with the Group's governance processes.

The meetings were convened under the mandate contained in its terms of reference and in accordance with applicable regulations. The GRCMC was provided with required representations and information by management at each meeting, which enabled the committee to properly review and monitor the various risks and, in so doing, effectively comply with its mandate. Adequate training is conducted annually to ensure members effectively discharge their duties.

The Chairman of the GRCMC attended all meetings of the GACC, met with the Chief Risk Officer and executive management on a regular basis and reported to the board after each committee meeting.

Capital and risk management overview

The Group's approach to risk management *(continued)*

The Group Risk and Capital Management Committee *(continued)*

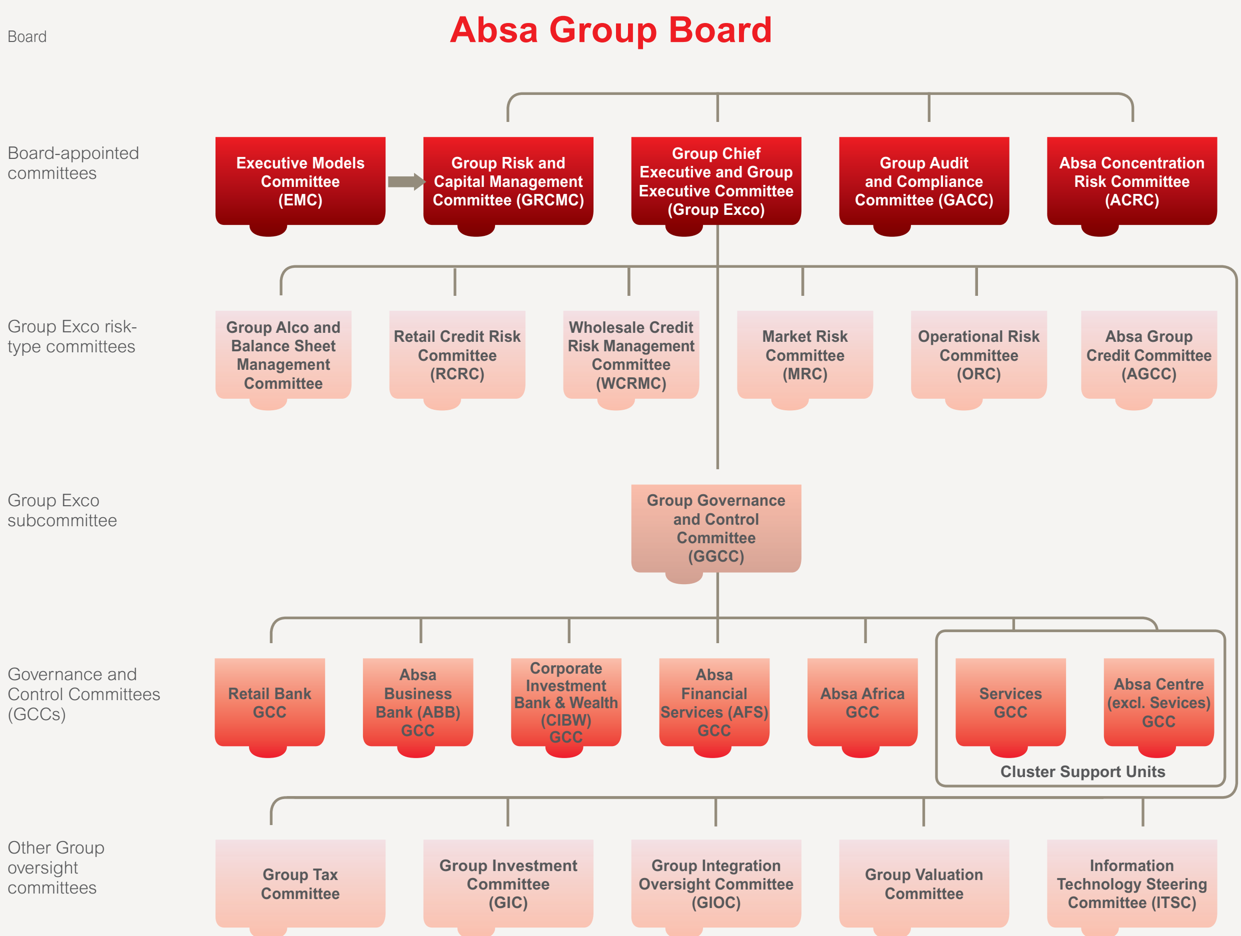
Core activities of the GRCMC

During the year, the GRCMC's activities and key decisions included:

- recommending the Group's risk appetite to the board for approval and monitoring, on a quarterly basis, the actual risk against the board-approved appetite;
- assisting the board in executing its duties with respect to risk and capital management as required by the Banks Act;
- monitoring the Group's emerging risk profiles and reporting its findings to the board;
- monitoring the level of available capital, both current and projected, and reporting to the board on the adequacy of available capital relative to the emerging risk profile of the Group;
- reviewing the adequacy and effectiveness of the PRP, the completeness of principal risks coverage and the ongoing effectiveness of the framework as implemented by the Group;
- assessing the Group's risk management approach and practices in light of the global financial crisis;
- liaising with the GACC to ensure appropriate oversight of key controls and, in turn, considering and acting on concerns raised by the GACC;
- oversight of the risk governance structures and oversight measures for information technology;
- ensuring the appropriate disclosure by the Group of its risk and capital management status and activities; and
- setting the Group's liquidity risk appetite and monitoring the liquidity position of the Group during the year.

The GRCMC is satisfied that the risk management processes and systems provide comprehensive and adequate oversight over the risk exposure of the Group. The GRCMC is satisfied that management was able to effectively respond to, and manage, the risks that arose from time to time.

The Group's risk governance structure



Capital and risk management overview

The Group's risk appetite

The Group's risk appetite is defined as the level of risk the Group is willing to accept in fulfilling its business objectives. The Group's risk appetite framework is embedded within key decision-making processes and supports the implementation of the Group's strategy. We use this to maximise returns without exposing the Group to levels of risk above its appetite. In particular, the risk appetite framework assists in protecting the Group's financial performance, improves management responsiveness and debate regarding the Group's risk profile, assists executive management in improving the control and co-ordination of risk-taking across business units and identifies unused risk capacity in pursuit of profitable opportunities.

The risk appetite framework is developed using a formal quantitative method and is set by the board. Risk appetite outcomes are subjected to stress testing, i.e. validated by estimating the Group's sensitivity to adverse changes in the business environment. This framework then forms the basis for setting business unit targets and risk-taking limits across the Group.

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

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

Stress testing

Stress testing is embedded in the risk management of the Group and is a key focus area in strategic planning processes. Through stress testing and scenario analysis, the Group is able to assess the performance of its portfolios under potentially adverse economic conditions.

Stress tests simulate the effects on the business' financial position across the Group by analysing the impact on profits and the ability to maintain appropriate capital ratios and liquidity levels. Insights gained are integrated into the management process covering the medium to long-term horizon. Stress testing also forms an integral part of evaluating the Group's risk appetite for reasonableness under specifically designed scenarios. Stress tests are regularly discussed with the regulators. We participated in Barclays group-wide stress testing. This has also included participation in the Barclays submission related to the EU-wide annual stress testing conducted by the European Banking Authority (EBA).

Looking ahead

Absa is positioning itself for growth, notwithstanding uncertain and (at times) volatile market conditions. We are working to maintain the quality, level and mix of the Group's capital and to generate sufficient capital to support the exploitation of growth opportunities. We will further strengthen our liquidity risk position ahead of Basel III. By focusing on value and balance sheet optimisation, we will ensure optimal capital and funding utilisation. Through responsible lending and rehabilitation practices we are managing credit risk successfully, despite ongoing pressure in both the wholesale and retail environments.

We will continue to monitor the economic and regulatory environment and ensure that we adapt our risk management to deal with the changing demands on all our business ventures.

Credit risk

	2011 in review	Looking ahead

Definition

Loss to the Group arising from the failure of a customer or counterparty to fulfil its payment obligations.

KPIs	2011 %	2010 %
Growth in loans and advances to customers	**(1,0)**	(1,6)
Non-performing loans as a % of loans and advances to customers	**6,9**	7,6
Impairment losses ratio	**1,01**	1,18
Total credit impairments as a % of total gross loans and advances to customers	**2,4**	2,7

Strategy

- Invest in skills and experience.
- Operate sound credit granting process.
- Monitor credit diligently.
- Continually improve collection and recovery.
- Use models to assist decision-making.

2011 in review

Wholesale credit risk

Domestic and international uncertainty reflected in volatile local equity markets, resulting in credit quality (in the form of probability of default) marginally degrading across the majority of industries within the wholesale portfolio. In spite of this, the performance of the wholesale book in 2011 was steady. The value of exposures on the Early Warning List (the Group's distressed debt list) has decreased, across the board, and particularly in Commercial Property Finance, and identified and unidentified impairment levels have reduced from 2010 levels.

Retail credit risk

Conditions remained challenging, although signs of the expected economic recovery were in evidence. Growth proved difficult and the total portfolio remained static. The Group reviewed its lending policies on a regular basis to ensure returns were optimised. Impairments improved, but remain a key driver. The mortgage loans business reduced market share in 2011 as the retail strategy focused on value creation by ensuring the optimal return levels were met. Mortgage loans have since reviewed the direct strategy through mortgage originators in order to sustain an acceptable market share. Early delinquencies continued to improve in all portfolios. The lengthy process to resolve the legal book, particularly the secured portfolios, has kept this area under pressure, exacerbated by the debt counselling process and the subdued mortgage market. Although improved collections processes and strategies for the mortgage legal portfolio and properties in possession started to bear fruit, a protracted recovery period remains probable. The reduction in the debt counselling book continued in 2011 and stabilised towards the end of the year as accounts entered the legal process. The legal portfolios remained under pressure.

Looking ahead

Wholesale credit risk

We expect to see continued improvement in wholesale impairment levels, and reduced exposure on the Early Warning List. Focus areas for 2012 include reducing concentrations to perceived higher risk sectors, enhancing the risk and control framework and further embedding the AIRB principles in the business.

Retail credit risk

We will continue to focus on value and balance sheet optimisation. The aim is to increase portfolio growth through defining low risk pockets/products and improving decision making processes by continuously assessing market conditions and understanding the impact of economic shifts on the various portfolios. We will therefore remain focused on the quality and profitability of new business written and will continue to be selective in the type of business written within the mortgage portfolios.

We will continue to focus on rehabilitating customer arrears in step with affordability.

We will focus on reducing non-performing loans (especially in the secured portfolios) by optimising the potential value when disposing of assets.

Securitisation

In seeking to pool debt, spread risk and fund the Group's loan operations, securitisation exposes Absa to the risks of irresponsible lending. This may result from declines in underwriting standards, excessive leverage and the risks inherent in the complexity of securitisation instruments.

Securitisation (2011 in review)

In line with the Bank's strategy, the securitisation portfolio has reduced during the year. Abacas, Absa's securitisation conduit, was wound up in December 2011, reducing from R2,53 billion at 31 December 2010 to nil and notes held on the statement of financial position reduced from R2,2 billion to R1,6 billion due to natural amortisation.

Securitisation (Looking ahead)

We will continue to reduce the level of on-statement of financial position securitisation exposures. Furthermore, Absa intends to securitise a portion of the commercial property portfolio in 2012.

Risk management

31 December

Market risk

Definition

The risk that our earnings, capital or ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads.

KPIs	2011 Rm	2010 Rm
Average traded market risk (DVaR)	**23,73**	27,85
Traded market risk regulatory capital (RC) (at 8% of RWAs)	**669**	721
Banking book AEaR for a 2% interest rate shock (% of Group NII)	**<5%**	<5%
Equity investments in the banking book RWAs	**22 168**	25 911

Strategy

- Ensure traded market risk resides mainly in Absa Capital.
- Ensure non-traded interest rate risk is hedged with the external market by a business treasury operation or Group Treasury.
- Maintain a hedge programme for structural products and equity, towards greater net interest margin stability over a full interest rate cycle.
- Apply sound equity investment management principles.

2011 in review

Traded market risk

Despite challenging market conditions, the trading revenue-to-risk ratio remained favourable during the year. The risk profile was adjusted lower in line with increased market volatility and deterioration of traded market liquidity which occured as a result of the sovereign debt crisis. Average traded market risk DVaR decreased by 14,8% from 2010 to 2011, mainly due to lower customer trading activity and lower overnight exposures. The potential impact of increased market volatility was closely monitored through tail risk assessments.

Measurement systems were upgraded to support trading expansion plans and Basel II.5 amendments. Regulatory approval for the Internal Models Approach for trading book general position risk was also maintained.

Interest rate risk in the banking book

Interest rate risk in the banking book was managed to low risk appetite levels.

Our hedge programme for structural products and equity remains in place. Cash flow hedge reserves were further bolstered as a result of favourable mark-to-market movements. With South African interest rates at historically low levels during the past 12 months, efficient maintenance of the structural hedge programme was a key focus.

The Group remains exposed to prime-Jibar basis risk.

Equity investment risk in the banking book

We have reduced our equity exposures.

Looking ahead

Traded market risk

The sovereign debt crisis and spill-over effect into the South African economy remains a concern going into 2012 and is closely monitored.

From 2012, bank regulations based on Basel II.5 will result in an increase in the Group's traded market risk regulatory capital charge primarily due to the introduction of a stressed VaR charge. Traded market risk is expected to return to more normal levels as Basel II.5 implementations become embedded, removing one of the key drivers of uncertainty. Countercyclical enhancements to our traded market risk economic capital model will also result in an increase in internal capital.

The Group will thus remain focused on risk-adjusted returns and efficient use of risk capital across trading desks and products. Key focus areas remain our low capital consuming client flow, cash equities and prime brokerage businesses. We will also continue to focus on client risk solutions for sub-Saharan Africa markets.

Disclosure enhancements will be introduced in respect of Basel II.5 changes and to improve visibility of the Inflation and Credit Spread asset classes.

Interest rate risk in the banking book

We will continue to manage interest rate risk in the banking book to low levels. Efficient maintenance of the structural interest rate hedge programme will remain a focus area.

Equity investment risk in the banking book

The focus in 2012 for equity investments is to continue to balance the portfolio composition in line with the Group's risk appetite, with further selective exits as appropriate.

Liquidity risk

Definition

Failure to meet the Group's payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors and to fulfil commitments to lend. It is the risk that the Group will be unable to continue operating as a going concern due to a lack of funding.

KPIs	2011 %	2010 %
Long-term funding ratio	**26,8**	25,6
Loans-to-deposits ratio	**88,1**	92,1

Strategy

- Grow and diversify the funding base.
- Lengthen the Group's funding profile.
- Build surplus liquid asset holdings.
- Lower the weighted average cost of funding.

2011 in review

The Group's liquidity position remained strong as it continued to focus on increasing its surplus liquid asset reserves, extending its funding term and growing its deposit base. Relatively slow growth in the South African economy meant that the supply of liquidity remained strong. The level of surplus liquid assets held by Absa (defined as unencumbered liquid assets held in excess of the amount required to be held in accordance with the regulations) increased during 2011. As at the reporting date, R27 billion of surplus liquid assets was held in respect of Absa. Total liquid assets held was R63 billion, an increase of R10 billion on 2010.

The Group successfully issued senior unsecured debt to further extend its funding term and diversify its funding base. The Group also succeeded in reducing its reliance on wholesale money markets funding sources. The cost of liquidity remained high, but reduced from peak levels seen towards the end of 2009 and 2010. The appetite for term funding in the money markets reduced towards the end of the year, driven largely by asset managers rebalancing the duration profiles of their money market funds.

Looking ahead

Regulators have allowed several years for full implementation of the Basel liquidity rules. Compliance with the Liquidity Coverage Ratio, aimed at promoting the short-term resilience of a bank's liquidity risk profile, is required by January 2015, whereas compliance with the Net Stable Funding Ratio, aimed at promoting resilience over a longer time horizon (one year), is required by January 2018. The Group will continue to focus on liquidity risk to maintain and continously improve its strong liquidity risk position ahead of Basel III and to ensure full compliance within the required timeframes.

Operational risk

	2011 in review	Looking ahead
Definition Direct or indirect losses resulting from inadequate or failed internal processes or systems, human error or external events. Operational risk exists in the natural course of business activity.	Advanced Measurement Approach (AMA) approval was maintained for the Group subject to the relevant regulatory capital floors. Losses were kept to acceptable levels and remain within appetite. The implementation of new controls improved the management of fraud risk and resulted in fewer losses for the year compared to 2010. Total losses remained within appetite and were down from 2010, partially due to improved recoveries on losses. Absa implemented several control improvement projects during the year, which introduced new systems and technological processes to reduce operational risk (including the risk of fraud) and consequent losses. We improved our risk governance structures and oversight measures for information technology. The continued focus on control enhancements for financial and violent crime resulted in a decrease in losses.	We will continue to control fraud (the key operational risk within the Group) through further implementation and enhancement of fraud systems. A key focus area will be to mitigate operational risks arising from new projects and programmes implemented in response to the changing economic and regulatory environments. Plans to further establish the African presence will require continuous assessment of operational risks and our response to them. Additional focus will be placed on sound project and programme management going forward to reduce risks arising from 'change'. Technology risk management capabilities will be further enhanced. Given regulatory changes and increasing focus on consumer protection, related risks will be monitored.

KPIs	2011	2010
Total number of events	↓	↓
Total loss value	↓	↑

Strategy

- Further embedding an operational risk-aware culture throughout the Group.
- Hold a risk sensitive RC for operational risk under the AMA.
- Enhancing controls using automated solutions as far as possible, specifically relating to fraud and e-fraud.
- Set and monitor appropriate operational risk appetite and tolerance levels.

Risk management

31 December

Insurance risk

Definition

The risk that future claims and expenses will exceed the allowance for expected claims and expenses in measuring policyholder liabilities and in product pricing.

KPIs	2011 %	2010 %
Short-term loss ratio	67,4	68,5
Life new business margin	7,4	9,5
Return on shareholders' assets versus benchmark	7,3 vs 6,9	13,8 vs 10,7

Strategy

- Sustainability through risk management and governance.
- Pursue profitable growth opportunities.
- Balance exposure between life and short-term insurance.

2011 in review

All insurance risk types remained well within set appetite limits. We completed a realignment of the Absa Life portfolios with revised asset allocations. This resulted in improved matching between assets and policyholder liabilities, and a decrease in the risk profile of shareholder assets.

We increased our focus on profitability management per product line and implemented corrective measures to ensure products met the required levels of return.

A review of risk management processes indicated the entities are well prepared for the developing Solvency Assessment and Management legislation.

Looking ahead

We will continue developing the capital model for the short-term insurance environment and maintain focus on driving product profitability by maximising returns on capital allocated to individual product lines.

We will continue with the work required in preparation for the Solvency Assessment and Management legislation, and in particular an assessment of the risk profiles of the insurance entities, and the capital requirements specific to these profiles.

We will continue to focus on:

- diversifying of risk between business lines and between South African and non-South African risks; and
- enhancing risk reporting and measurement with the aim of improving the monitoring of risk appetites and capital requirements across the insurance businesses, particularly in respect of non-South African insurance exposures.

Capital management

31 December

Overview

	2011 in review	Looking ahead

Definition

Failure to maintain adequate levels of capital and/or losing our investment grade credit rating.

KPIs	2011 %	2010 %
Core Tier 1	13,0	11,7
Return on average risk-weighted assets (RoRWA)	2,35	1,99
Return on average economic capital (RoEC)	23,0	19,7
Cost of equity	14,0	14,0

Strategy

Maximise shareholder value by optimising the level and mix of capital resources.

2011 in review

Focus in 2011 included:

- improving capital adequacy levels;
- increasing RoRWAs;
- improving understanding of risk, allowing more accurate allocation of capital and improved returns;
- ensuring capital models were updated to reflect the current environment;
- RWA optimisation; and
- Advanced Internal Ratings Based (AIRB) approach for the wholesale portfolio.

Capital levels remain above board-approved target ranges for both Absa Group and the Bank, with Core Tier 1 capital levels improving by 130 and 140 basis points respectively. Proactive capital management, including RWA optimisation, remains a priority.

The Basel III framework, released in December 2010, is expected to have a significant effect on the global banking industry. The framework introduces new and more stringent capital and liquidity requirements which are expected to be phased in over a number of years.

Looking ahead

Our focus for 2012 is to maintain a strong level, high quality and optimal mix of capital. We will continue to generate sufficient capital to support economically profitable asset growth, while actively managing the business portfolio. In addition, we intend to further optimise the use of capital without jeopardising its ability to comply with expected Basel III regulatory changes. As in 2011, RWA optimisation remains a key focus area, together with the implementation of the AIRB approach for the wholesale credit portfolio.

We are actively engaging with SARB to obtain more clarity on the application of Basel III in South Africa and local discretionary limits which are still to be determined. The Group deems it prudent to maintain higher capital levels in the interim.

Capital management

31 December

2011 highlights

- Strong level and mix of capital maintained.
- Increase in Core Tier 1 capital ratio indicating improved quality of capital.
- Strong capital position maintained above board-approved target ranges, incorporating capital buffers above minimum regulatory requirements.
- Focused on optimising risk-weighted assets.

Key performance indicators[1] – Group	2011 %	2010 %
Core Tier 1	**13,0**	11,7
Return on average risk-weighted assets (RoRWA)	**2,35**	1,99
Return on average economic capital (RoEC)	**23,0**	19,7
Cost of equity[2]	**14,0**	14,0

Key performance indicators[1] – Bank	2011 %	2010 %
Core Tier 1	**12,1**	10,7
Cost of equity[2]	**14,0**	14,0

Introduction

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

Proactive risk and capital management is key to balance sheet optimisation, one of the four strategic pillars supporting the One Absa strategy. The Group continues to monitor and respond pragmatically to market conditions both locally and internationally, while preparing for the forthcoming Basel III legislative environment. In so doing, the Group will ensure adequate capital is available to support future asset growth.

Capital levels remain well above board-approved target ranges for both Absa Group and the Bank, with Core Tier 1 capital levels improving by 130 and 140 basis points respectively. Proactive capital management, including RWA optimisation and equity generation, remains a priority while further improvements in risk management are implemented. The potential impact of proposed regulatory changes are analysed and steps are taken to integrate necessary changes into the business.

The Basel III framework, released in December 2010, is expected to have a significant effect on the global banking industry. The framework introduces new and more stringent capital and liquidity requirements which are expected to be phased in over a number of years. However, the application of Basel III to South Africa and local discretionary items still needs to be determined and the Group is actively engaging with the SARB to obtain more clarity. The Group deems it prudent to maintain higher capital levels in the interim. The Group is also participating in the Basel Committee on Banking Supervision's quantitative impact study, to enable it to assess and provide feedback on the expected impact of the new rules. The Group will continue to review its capital position and implement appropriate management action, when necessary, to ensure it remains adequately capitalised at all times. Further detail on Basel III and the Group's response are set out further on in this section.

Strategy

The Group's capital management objectives are:

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

Governance

Capital is managed in terms of the Group's capital risk control framework. This framework, which includes capital management policy, capital target ranges and capital strategy, is set by the Principal Risk Owner (PRO) for capital management, and is approved by the GRCMC. The board approves the capital risk appetite, as well as the three-year capital plan, as recommended by the GRCMC. The PRO sets a capital management limit framework within the context of the approved capital risk appetite.

All capital risks are reported to the GRCMC on a quarterly basis. The Balance Sheet Management and Capital Committee (BSMCC) meets monthly, in support of the quarterly ALCO meeting, to review, approve and make recommendations relating to the capital risk profile including risk appetite, policies, limits and utilisation.

The head of each business unit (BU), assisted by an independent business risk management team, is accountable for all its capital risks. Each BU is responsible for identifying, measuring, managing, controlling and reporting capital risk, as detailed in the capital risk control framework.

Notes

[1]Reported ratios include unappropriated profits.
[2]The averge cost of equity's based on the Capital Asset Pricing Model.

Capital management

31 December

2011 in review

The Group maintained its strong capital adequacy position, increasing its Core Tier 1 ratio and thereby further improving the quality of capital. Key focus areas included:

- improving capital adequacy levels – the Group ended the year with a strong capital adequacy position, placing it in a healthy position to deal with the implementation of Basel III changes; freeing up of capital through RWA optimisation – which lowers the potential need to raise additional capital in the future, both for Basel III and growth;
- increasing RoRWA – through a combination of active RWA optimisation and targeting higher RoRWA business that meets required hurdle rates; and
- improving understanding of risk – many RWA optimisation exercises focused on improving data quality and improving model accuracy, resulting in a more accurate measurement of risk. The importance of risk sensitive capital allocation, together with the metrics used to measure business performance, allows the Group to allocate capital on a more accurate risk-vs-return basis.

Approach to capital management

The Group plans and manages its capital to ensure it has sufficient and appropriate capital structures to support its risk appetite and business activities, as well as credit rating and regulatory requirements.

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

Internal Capital Adequacy Assessment Process (ICAAP)

The Group has adopted a building block approach to achieve a robust and integrated capital management framework. EC forms the foundation of this and is the primary means by which the Group assesses the impact of a changing business environment and strategy on its risk profile and the need for capital. EC is a measure of capital required to maintain or achieve a target debt rating. Absa targets a capital level equivalent to a AA rating.

Aside from its application in capital management, EC is a key component of Group level and BU level applications such as capital management, stakeholder communication, risk-adjusted performance measurement, pricing and structuring.

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

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

Capital management

31 December

Approach to capital management *(continued)*

Internal Capital Adequacy Assessment Process (ICAAP) *(continued)*

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

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

2011 disclosures

The Group maintained its strong position and continued to focus on RWA optimisation and free capital generation.

Capital requirements

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

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

Capital adequacy

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

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

Target capital ratios for the Group for the year were set by considering the following:

- the preference of rating agencies for permanent capital;
- stressed scenarios;
- proposed Basel amendments; and
- peer analysis.

Capital adequacy ratios – Group[1]	2011 %	2010 %	Minimum regulatory capital requirements %	Board target ranges 2011 %
Core Tier 1	**13,0**	11,7	**5,25**	**9,00 – 11,00**
Tier 1	**14,1**	12,8	**7,00**	**10,00 – 12,00**
Total	**16,7**	15,5	**9,50**	**12,00 – 14,00**

Capital supply and demand for the year – Group	2011 Rm	2010 Rm
Free cash flow generated	**3 614**	2 017
Qualifying capital	**70 780**	65 417
Total risk-weighted assets	**424 489**	422 713

Note

[1]Reported ratios include unappropriated profits.

Capital management

31 December

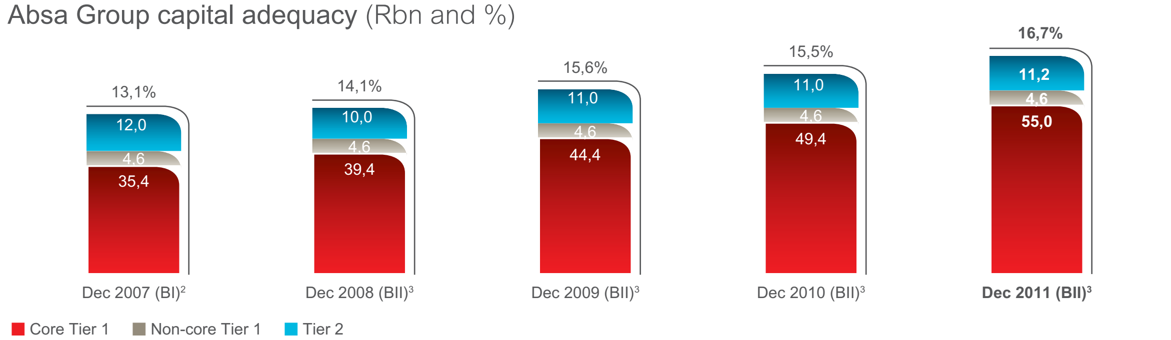
2011 disclosures *(continued)*

Capital adequacy *(continued)*

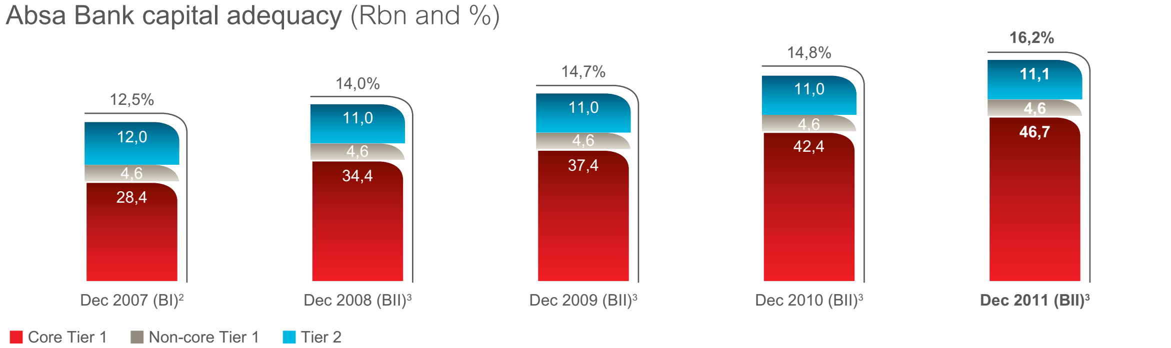
Capital adequacy ratios – Bank[1]	2011 %	2010 %	Minimum regulatory capital requirements %	Board target ranges 2011 %
Core Tier 1	12,1	10,7	5,25	8,50 – 10,50
Tier 1	13,3	11,9	7,00	9,50 – 11,50
Total	16,2	14,8	9,50	11,50 – 13,50

Capital supply and demand for the year – Bank	2011 Rm	2010 Rm
Free cash flow generated	4 686	1 532
Qualifying capital	62 449	57 801
Total risk-weighted assets	384 933	391 735

Absa Group capital adequacy (Rbn and %)



Absa Bank capital adequacy (Rbn and %)



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

Notes

[1]Reported ratios include unappropriated profit.

[2]BI: Basel I.

[3]BII: Basel II.

Capital management

31 December

2011 disclosures *(continued)*

Capital adequacy *(continued)*

		2011			2010			2011 Total target capital adequacy ratio	
Operations	Regulator	Total qualifying capital Rbn	Tier 1 ratio %	Total capital adequacy %	Total qualifying capital Rbn	Tier 1 ratio %	Total capital adequacy %	Regulatory minimum %	Board target[1] %
Absa Group	**SARB**								
Including unappropiated profits		**70 780**	**14,1**	**16,7**	65 417	12,8	15,5		**12,00-14,00**
Excluding unappropiated profits		**62 489**	**12,1**	**14,7**	62 770	12,2	14,9	**9,50**	
Absa Bank	**SARB**								
Including unappropiated profits		**62 449**	**13,3**	**16,2**	57 801	11,9	14,8		**11,50-13,50**
Excluding unappropiated profits		**56 409**	**11,8**	**14,7**	56 890	11,6	14,5	**9,50**	

New disclosure requirements from the SARB require a breakdown of the minimum required capital into the Pillar 1 (minimum Basel II ratio) and Pillar 2a (systemic risk add-on) components.

		2011	
	Total	**Pillar 1**	**Pillar 2a**
Minimum required capital (%)	**9,50**	**8,00**	**1,50**
Absa Group (Rm)	**40 326**	**33 959**	**6 367**
Absa Bank (Rm)	**36 569**	**30 795**	**5 774**

		2010	
	Total	Pillar 1	Pillar 2a
Minimum required capital (%)	9,50	8,00	1,50
Absa Group (Rm)	40 158	33 817	6 341
Absa Bank (Rm)	37 215	31 339	5 876

Note

[1]The board approved the following capital target ranges for 2012:

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

Capital management

31 December

2011 disclosures *(continued)*

Regulatory capital

Risk-weighted assets (RWAs)

RWAs are determined by applying the following:

- Advanced Internal Rating Based (AIRB) approach for retail credit;
- Foundation Internal Ratings Based (FIRB) approach for wholesale credit;
- Advanced Measurement Approach (AMA) for operational risk[1];
- In respect of traded market risk, Internal Models Approach (IMA) for general position risk, and Standardised Approach (SA) for issuer specific risk;
- Internal Ratings Based (IRB) market-based simple risk-weighted method for equity investment risk in the banking book; and
- Standardised Approach (SA) for credit risk in all African entities.

RWAs and minimum required capital – Group	2011 RWAs Rm	2011 Minimum required capital[2] Rm	2010 RWAs Rm	2010 Minimum required capital[2] Rm
Basel II measurement approach				
Credit risk	317 920	30 202	316 967	30 112
Portfolios subject to the AIRB approach	147 585	14 021	167 618	15 924
Portfolios subject to the FIRB approach	159 740	15 175	140 802	13 376
Portfolios subject to the Standardised Approach	10 595	1 006	8 547	812
Equity investment risk				
Market-based approach (simple risk-weighted approach)	22 168	2 106	25 911	2 462
Market risk	8 357	794	9 013	856
Standardised Approach	3 828	364	2 752	261
IMA	4 529	430	6 261	595
Operational risk[1]				
AMA	59 460	5 649	54 317	5 160
Non-customer assets	16 584	1 575	16 505	1 568
	424 489	40 326	422 713	40 158

RWAs and minimum required capital – Bank	2011 RWAs Rm	2011 Minimum required capital[2] Rm	2010 RWAs Rm	2010 Minimum required capital[2] Rm
Basel II measurement approach				
Credit risk	289 949	27 545	294 136	27 943
Portfolios subject to the AIRB approach	136 786	12 995	155 841	14 805
Portfolios subject to the FIRB approach	153 163	14 550	138 285	13 137
Portfolios subject to the Standardised Approach	—	—	10	1
Equity investment risk				
Market-based approach (simple risk-weighted approach)	24 555	2 333	28 670	2 724
Market risk	8 357	794	9 013	856
Standardised Approach	3 828	364	2 752	261
IMA	4 529	430	6 261	595
Operational risk[1]				
AMA	51 067	4 851	48 819	4 638
Non-customer assets	11 005	1 046	11 097	1 054
	384 933	36 569	391 735	37 215

Notes

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

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

Capital management

31 December

2011 disclosures *(continued)*

Capital supply

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

Movements in qualifying capital	Group 2011 Rm	Group 2010 Rm	Bank 2011 Rm	Bank 2010 Rm
Balance at the beginning of the year (excluding unappropriated profits)	**62 770**	57 916	**56 890**	51 201
Share capital, premium and reserves	**37**	4 232	**(175)**	4 963
Non-controlling interest – ordinary shares	**238**	(84)	**—**	—
Tier 2 subordinated debt issued	**—**	1 000	**—**	1 000
Tier 2 subordinated debt matured	**—**	(1 500)	**—**	(1 500)
General allowance for credit impairments: Standardised Approach	**3**	(53)	**—**	—
Regulatory deductions	**(559)**	1 259	**(306)**	1 226
Balance at the end of the year (excluding unappropriated profits)	**62 489**	62 770	**56 409**	56 890
Add: unappropriated profits	**8 291**	2 647	**6 040**	911
Qualifying capital including unappropriated profit	**70 780**	65 417	**62 449**	57 801

Breakdown of qualifying capital – Group	2011 Qualifying capital Rm	2011 %[1]	2010 Qualifying capital Rm	2010 %[1]
Tier 1 capital (primary capital)	**51 329**	**12,1**	51 414	12,2
Core Tier 1	**46 685**	**11,0**	46 770	11,1
Ordinary share capital	**1 434**	**0,3**	1 433	0,3
Ordinary share premium	**4 676**	**1,1**	4 590	1,1
Reserves[2]	**42 314**	**10,0**	42 364	10,1
Non-controlling interest – ordinary shares	**1 453**	**0,3**	1 215	0,3
Deductions	**(3 192)**	**(0,7)**	(2 832)	(0,7)
Goodwill	**(568)**	**(0,1)**	(572)	(0,1)
50% of financial and insurance entities not consolidated	**(122)**	**(0,0)**	(61)	(0,0)
50% of amount by which expected loss exceeds eligible provisions	**(1 352)**	**(0,3)**	(1 214)	(0,3)
Other deductions	**(1 150)**	**(0,3)**	(985)	(0,3)
Non-core Tier 1	**4 644**	**1,1**	4 644	1,1
Preference share capital and premium	**4 644**	**1,1**	4 644	1,1
Tier 2 capital (secondary capital)	**11 160**	**2,6**	11 356	2,7
Subordinated redeemable debt	**12 611**	**2,9**	12 611	3,0
General allowance for credit impairment, after deferred tax – SA	**23**	**0,0**	20	0,0
Deductions	**(1 474)**	**(0,3)**	(1 275)	(0,3)
50% of financial and insurance entities not consolidated	**(122)**	**(0,0)**	(61)	(0,0)
50% of amount by which expected loss exceeds eligible provisions	**(1 352)**	**(0,3)**	(1 214)	(0,3)
Total qualifying capital (excluding unappropriated profits)	**62 489**	**14,7**	62 770	14,9
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**59 620**	**14,1**	54 061	12,8
Core Tier 1 (excluding unappropriated profits)	**46 685**	**11,0**	46 770	11,1
Unappropriated profits	**8 291**	**2,0**	2 647	0,6
Non-core Tier 1	**4 644**	**1,1**	4 644	1,1
Tier 2 capital	**11 160**	**2,6**	11 356	2,7
Total qualifying capital (including unappropriated profits)	**70 780**	**16,7**	65 417	15,5

Notes

[1]Percentage of capital to RWA.

[2]Reserves exclude unappropriated profits.

Capital management

31 December

2011 disclosures *(continued)*

Capital supply *(continued)*

Breakdown of qualifying capital – Bank	2011 Qualifying capital Rm	2011 %[1]	2010 Qualifying capital Rm	2010 %[1]
Tier 1 capital (primary capital)	**45 299**	**11,8**	45 669	11,6
Core Tier 1	**40 655**	**10,6**	41 025	10,4
Ordinary share capital	**303**	**0,1**	303	0,1
Ordinary share premium	**11 465**	**3,0**	11 465	2,9
Reserves[2]	**30 959**	**8,0**	31 134	7,9
Deductions	**(2 072)**	**(0,5)**	(1 877)	(0,5)
50% of amount by which expected loss exceeds eligible provisions	**(1 501)**	**(0,4)**	(1 389)	(0,4)
Other deductions	**(571)**	**(0,1)**	(488)	(0,1)
Non-core Tier 1	**4 644**	**1,2**	4 644	1,2
Preference share capital and premium	**4 644**	**1,2**	4 644	1,2
Tier 2 capital (secondary capital)	**11 110**	**2,9**	11 221	2,9
Subordinated redeemable debt	**12 611**	**3,3**	12 611	3,3
Deductions	**(1 501)**	**(0,4)**	(1 390)	(0,4)
50% of amount by which expected loss exceeds eligible provisions	**(1 501)**	**(0,4)**	(1 390)	(0,4)
Total qualifying capital (excluding unappropriated profits)	**56 409**	**14,7**	56 890	14,5
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**51 339**	**13,3**	46 580	11,9
Core Tier 1 (excluding unappropriated profits)	**40 655**	**10,6**	41 025	10,4
Unappropriated profits	**6 040**	**1,5**	911	0,3
Non-core Tier 1	**4 644**	**1,2**	4 644	1,2
Tier 2 capital	**11 110**	**2,9**	11 221	2,9
Total qualifying capital (including unappropriated profits)	**62 449**	**16,2**	57 801	14,8

Capital transferability

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

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

Economic capital requirements

The Group assesses EC requirements by measuring its risk profile using both internally and externally developed models. The Group assigns EC primarily within six risk categories: retail credit risk, wholesale credit risk, traded and non-traded market risk, operational risk, fixed assets risk and equity investment risk in the banking book.

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

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

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

Notes

[1]Percentage of capital to RWA.

[2]Reserves exclude unappropriated profits.

2011 disclosures *(continued)*

Economic capital requirements *(continued)*

Economic capital resources

The resources available to meet EC requirements is calculated as the average available shareholders' equity after adjustment and includes preference shares, but excludes other non-controlling interests. The Group's EC calculations form the basis of the Group's submission for the Basel II ICAAP.

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

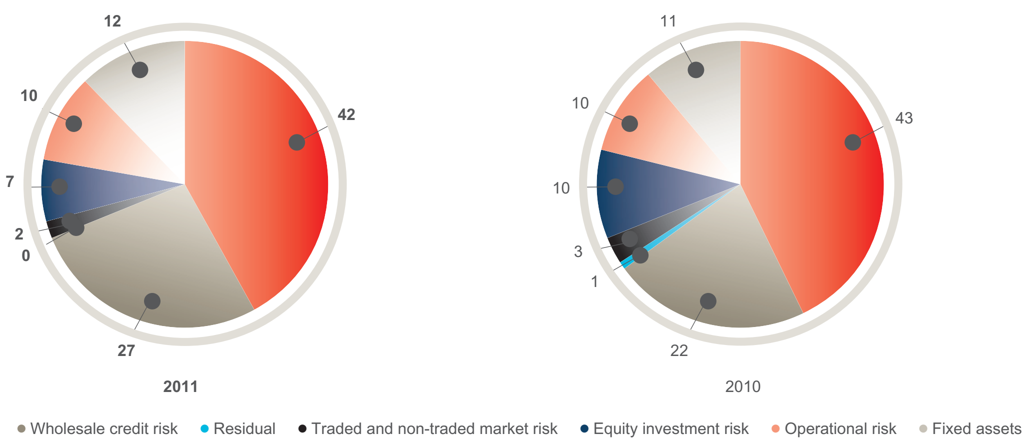
- ordinary shareholders' equity;
- retained earnings, whether appropriated or not; and
- non-redeemable non-cumulative preference shares.

The following equity reserves are excluded from EC resources:

- cash flow hedging reserve: to the extent that the Group undertakes the hedging of future cash flows, shareholders' equity will include gains and losses that will be offset against the gain or loss on the hedged item when it is recognised in the statement of comprehensive income at the conclusion of the hedged transaction. Given the future offset of such gains and losses, they are excluded from shareholders' equity when calculating EC;
- available-for-sale reserve: unrealised gains and losses on such securities are included in shareholders' equity until disposal or impairment. Such gains and losses are excluded from shareholders' equity for the purposes of calculating EC;
- retirement benefit assets and liabilities: the Group has recorded a surplus with a consequent increase in shareholders' equity. This represents a non-cash increase in shareholders' equity. For the purposes of calculating EC, pension surplus is excluded from shareholders' equity;
- non-controlling interest;
- goodwill;
- other perpetual debt, preference shares and subordinated debt; and
- tertiary capital.

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

Economic capital[1] (%)



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

Capital management

31 December

Credit ratings

	November 2011	December 2011	
	Moody's[1]	Fitch ratings	
	Absa Bank	Absa Bank	Absa Group
National			
Short-term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	Aa1.za (RFD[2])	AA+ (zaf)	AA+ (zaf)
Outlook	—	Stable	Stable
Local currency			
Short-term	Prime-1	—	—
Long-term	A1 (RFD[2])	A–	A–
Outlook	—	Stable	Stable
Foreign currency			
Short-term	Prime-2	F2	F2
Long-term	A3 (Negative outlook)	A–	A–
Outlook	—	Stable	Stable
Bank's financial strength	C-	C	C
Baseline Credit Assessment[3]	Baa1	—	—
Viability Rating[4]	—	bbb+	bbb+
Outlook	Stable	Stable	Stable
Support	—	1	1

Basel III

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

- stringent new liquidity requirements through the creation of two ratios: liquidity coverage ratio and net stable funding ratio;
- higher and better quality capital, including the creation of conservation and counter-cyclical buffers;
- improved trading risk coverage; and
- leverage ratio caps with a minimum of 3%, also now incorporating off-statement of financial position exposures.

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

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

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

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

Strategic focus for 2012

Capital management is a key focus area of the Group. The Group's strategic focus for 2012 is to maintain a strong level, high quality and optimal mix of capital, while continuing to generate sufficient capital to support economically profitable asset growth and the active management of the business portfolio. In addition, the Group intends to further optimise the use of capital without jeopardising the Group's ability to comply with expected Basel III regulatory changes. As in 2011, RWA optimisation remains a key focus area, together with the implementation of the Advanced Internal Ratings Based Approach (AIRB) for the wholesale portfolio.

Notes

[1]With regards the Group's European Medium Term Note (EMTN) programme, the provisional (p) A1 ratings for senior unsecured debt and (p) A2 rating for subordinated debt have been placed on review for downgrade (RFD). Baa1 (stable outlook) for junior subordinated debt under the EMTN programme has remained unaffected.

[2]On review for downgrade (RFD).

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

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

Reclassification of prior year figures

Contents

Condensed consolidated statement of financial position

as at 31 December 2010

	Note	(Audited) As previously reported Rm	Reclassifi-cations Rm	(Audited) Reclassified Rm
Assets				
Cash, cash balances and balances with central banks	1	24 361	(620)	23 741
Statutory liquid asset portfolio		48 215	—	48 215
Loans and advances to banks	2	24 877	2 618	27 495
Trading portfolio assets		62 047	—	62 047
Hedging portfolio assets		4 662	—	4 662
Other assets	2	16 131	(3 276)	12 855
Current tax assets		196	—	196
Loans and advances to customers	2,3	498 635	10 145	508 780
Reinsurance assets		860	—	860
Investment securities	1	23 826	620	24 446
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	9 487	725 957
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	3	378 111	9 487	387 598
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	9 487	663 808
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		1 433	—	1 433
Share premium		4 590	—	4 590
Retained earnings		47 958	—	47 958
Other reserves		2 309	—	2 309
		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 liabilities and equity		716 470	9 487	725 957

Segment report per market segment

for the year ended 31 December 2010

	Retail Banking			Absa Business Bank		
	As previously reported	Re-classi-fications[1]	Re-clas-sified	As previously reported	Re-classi-fications[1]	Re-clas-sified
Statement of comprehensive income (Rm)						
Net interest income	12 923	(179)	12 744	7 205	331	7 536
Impairment losses on loans and advances	(4 820)	57	(4 763)	(1 075)	(69)	(1 144)
Non-interest income	10 368	(22)	10 346	4 421	(412)	4 009
Operating expenses	(13 301)	10	(13 291)	(6 397)	179	(6 218)
Other	(255)	1	(254)	(75)	(1)	(76)
Operating profit before income tax	4 915	(133)	4 782	4 079	28	4 107
Taxation expense	(1 470)	39	(1 431)	(1 156)	(66)	(1 222)
Profit for the year	3 445	(94)	3 351	2 923	(38)	2 885
Profit attributable to:						
Ordinary equity holders of the Group	3 353	(95)	3 258	2 903	(37)	2 866
Non-controlling interest – ordinary shares	92	—	92	19	—	19
Non-controlling interest – preference shares	—	1	1	1	(1)	—
	3 445	(94)	3 351	2 923	(38)	2 885
Headline earnings	3 232	(95)	3 137	2 848	(37)	2 811
Operating performance (%)						
Net interest margin on average interest-bearing assets[2]	2,86	(0,04)	2,82	5,09	(0,34)	4,75
Impairment losses on loans and advances as % of average loans and advances to customers[2]	1,49	(0,01)	1,48	0,90	0,03	0,93
Non-interest income as % of total operating income	44,5	0,3	44,8	38,0	(3,3)	34,7
Revenue growth	1	(1)	0	1	—	1
Cost growth	(9)	1	(8)	(14)	3	(11)
Cost-to-income ratio	57,1	0,5	57,6	55,0	(1,1)	53,9
Cost-to-assets ratio[2]	2,8	(0,0)	2,8	4,1	(0,4)	3,7
as at 31 December						
Statement of financial position (Rm)						
Loans and advances to customers	325 790	(2 363)	323 427	123 618	4 174	127 792
Investment securities	0	—	0	2 226	17	2 243
Other assets	143 253	3 560	146 813	40 994	13 297	54 291
Total assets	469 043	1 197	470 240	166 838	17 488	184 326
Deposits due to customers	115 046	448	115 494	136 619	18 917	155 536
Debt securities in issue	4 216	—	4 216	—	—	—
Other liabilities	345 883	797	346 680	27 247	(1 357)	25 890
Total liabilities	465 145	1 245	466 390	163 866	17 560	181 426
Financial performance (%)						
Return on average economic capital[2]	17,9	(0,5)	17,4	23,9	(0,3)	23,6
Return on average risk-weighted assets[2]	n/a	n/a	1,96	n/a	n/a	2,20
Return on average assets[2]	0,68	(0,02)	0,66	1,82	(0,17)	1,65

Notes

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

- Absa Technology Finance Solutions Proprietary Limited was moved from Vehicle and Asset Finance within Retail Banking to Absa Business Bank.
- Debit Card was moved within Retail Banking from Retail Bank to Card.
- Personal loan centres were moved within Retail Banking from Personal Loans to Retail Bank.
- Absa Development Company division and Absa Development Company Holdings Proprietary Limited were moved from Absa Business Bank to Retail Bank within Retail Banking.
- The Group's corporate client base was transferred from Absa Business Bank to Absa Capital following an initiative to optimise product delivery to its corporate clients.

[2]Unaudited.

Segment report per market segment

for the year ended 31 December 2010

Absa Capital			Financial Services			Head office, inter-segment eliminations and Other			Group		
As previously reported	Reclassifications[1]	Reclassified	As previously reported	Reclassifications	Reclassified	As previously reported	Reclassifications	Reclassified	As previously reported	Reclassifications	Reclassified
2 730	(152)	2 578	10	—	10	472	—	472	23 340	—	23 340
(108)	12	(96)	(6)	—	(6)	4	—	4	(6 005)	—	(6 005)
2 496	434	2 930	3 594	—	3 594	(1 405)	—	(1 405)	19 474	—	19 474
(2 836)	(189)	(3 025)	(1 797)	—	(1 797)	261	—	261	(24 070)	—	(24 070)
(146)	—	(146)	(79)	—	(79)	(333)	—	(333)	(888)	—	(888)
2 136	105	2 241	1 722	—	1 722	(1 001)	—	(1 001)	11 851	—	11 851
(616)	27	(589)	(432)	—	(432)	412	—	412	(3 262)	—	(3 262)
1 520	132	1 652	1 290	—	1 290	(589)	—	(589)	8 589	—	8 589
1 480	132	1 612	1 290	—	1 290	(908)	—	(908)	8 118	—	8 118
40	—	40	—	—	—	—	—	—	151	—	151
—	—	—	—	—	—	319	—	319	320	—	320
1 520	132	1 652	1 290	—	1 290	(589)	—	(589)	8 589	—	8 589
1 527	132	1 659	1 291	—	1 291	(857)	—	(857)	8 041	—	8 041
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,01	(0,07)	3,94
0,20	(0,05)	0,15	n/a	n/a	n/a	n/a	n/a	n/a	1,20	(0,02)	1,18
47,8	5,4	53,2	99,7	—	99,7	n/a	n/a	n/a	45,5	—	45,5
18	6	24	6	—	6	n/a	n/a	n/a	2	—	2
(23)	(8)	(31)	(16)	—	(16)	n/a	n/a	n/a	(15)	—	(15)
54,3	0,6	54,9	49,9	—	49,9	n/a	n/a	n/a	56,2	—	56,2
0,8	—	0,8	5,3	—	5,3	n/a	n/a	n/a	3,3	(0,0)	3,3
50 044	8 334	58 378	242	—	242	(1 059)	—	(1 059)	498 635	10 145	508 780
10 611	(17)	10 594	10 541	6 423	16 964	448	(5 803)	(5 355)	23 826	620	24 446
304 653	(17 515)	287 138	12 164	(6 423)	5 741	(307 055)	5 803	(301 252)	194 009	(1 278)	192 731
365 308	(9 198)	356 110	22 947	—	22 947	(307 666)	—	(307 666)	716 470	9 487	725 957
127 462	(9 878)	117 584	—	—	—	(1 016)	—	(1 016)	378 111	9 487	387 598
148 061	—	148 061	—	—	—	12 268	—	12 268	164 545	—	164 545
86 455	560	87 015	18 975	—	18 975	(366 895)	—	(366 895)	111 665	—	111 665
361 978	(9 318)	352 660	18 975	—	18 975	(355 643)	—	(355 643)	654 321	9 487	663 808
16,5	1,9	18,4	n/a	n/a	65,3	n/a	n/a	n/a	19,7	—	19,7
n/a	n/a	1,72	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,99
0,41	0,04	0,45	3,81	—	3,81	n/a	n/a	n/a	1,12	(0,02)	1,10

Condensed consolidated statement of financial position

as at 31 December 2009

	Note	(Audited) As previously reported Rm	Reclassifications Rm	(Audited) Reclassified Rm
Assets				
Cash, cash balances and balances with central banks	1	20 597	(391)	20 206
Statutory liquid asset portfolio		33 943	—	33 943
Loans and advances to banks	2	36 032	7 191	43 223
Trading portfolio assets		52 302	—	52 302
Hedging portfolio assets		2 558	—	2 558
Other assets	2	17 777	(7 191)	10 586
Current tax assets		234	—	234
Loans and advances to customers	3	506 163	10 845	517 008
Reinsurance assets		719	—	719
Investment securities	1	29 564	391	29 955
Investments in associates and joint ventures		487	—	487
Goodwill and intangible assets		1 245	—	1 245
Investment properties		2 195	—	2 195
Property and equipment		6 606	—	6 606
Deferred tax assets		374	—	374
Total assets		710 796	10 845	721 641
Liabilities				
Deposits from banks		36 541	—	36 541
Trading portfolio liabilities		44 245	—	44 245
Hedging portfolio liabilities		565	—	565
Other liabilities		12 212	—	12 212
Provisions		1 684	—	1 684
Current tax liabilities		59	—	59
Deposits due to customers	3	356 365	10 845	367 210
Debt securities in issue		171 376	—	171 376
Liabilities under investment contracts		12 446	—	12 446
Policyholder liabilities under insurance contracts		3 136	—	3 136
Borrowed funds		13 530	—	13 530
Deferred tax liabilities		2 147	—	2 147
Total liabilities		654 306	10 845	665 151
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		1 432	—	1 432
Share premium		4 784	—	4 784
Retained earnings		43 153	—	43 153
Other reserves		1 178	—	1 178
		50 547	—	50 547
Non-controlling interest – ordinary shares		1 299	—	1 299
Non-controlling interest – preference shares		4 644	—	4 644
Total equity		56 490	—	56 490
Total liabilities and equity		710 796	10 845	721 641

Reclassifications

as at 31 December

1. Money market instruments

During the year under review, the Group has reclassified certain money market instr uments linked to investment contracts, with longer-term maturities, from 'Cash, cash 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 31 December 2010 and 31 December 2009.

	2010			2009		
	As previously reported Rm	Reclassification Rm	Reclassified Rm	As previously reported Rm	Reclassification Rm	Reclassified Rm
Cash, cash balances and balances with central banks	24 361	(620)	23 741	20 597	(391)	20 206
Investment securities	23 826	620	24 446	29 564	391	29 955

2. Collateralised loans

During the year under review, the Group has reclassified certain collateralised loans previously disclosed as 'Other assets' to 'Loans and advances to banks' and 'Loans and advances to customers' in 2010 and to 'Loans and advances to banks' in 2009 to reflect the true nature of these trades as collateralised loans. This has resulted in comparatives being reclassified for 31 December 2010 and 31 December 2009.

	2010			2009		
	As previously reported Rm	Reclassification Rm	Reclassified Rm	As previously reported Rm	Reclassification Rm	Reclassified Rm
Loans and advances to banks	24 877	2 618	27 495	36 032	7 191	43 223
Other assets	16 131	(3 276)	12 855	17 777	(7 191)	10 586
Loans and advances to customers	498 635	658	499 293	506 163	—	506 163

3. Offsetting

Certain customers within the Group have agreements in place whereby interest receivable or payable is calculated on the net balances of the cheque deposits and cheque advances. During the year under review, 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 31 December 2010 and 31 December 2009.

	2010			2009		
	As previously reported Rm	Reclassification Rm	Reclassified Rm	As previously reported Rm	Reclassification Rm	Reclassified Rm
Loans and advances to customers	499 293[1]	9 487	508 780	506 163	10 845	517 008
Deposits due to customers	378 111	9 487	387 598	356 365	10 845	367 210

Note

[1]This balance reflects the amount before the offsetting reclassification and after the reclassification of collateralised loans.

Appendices

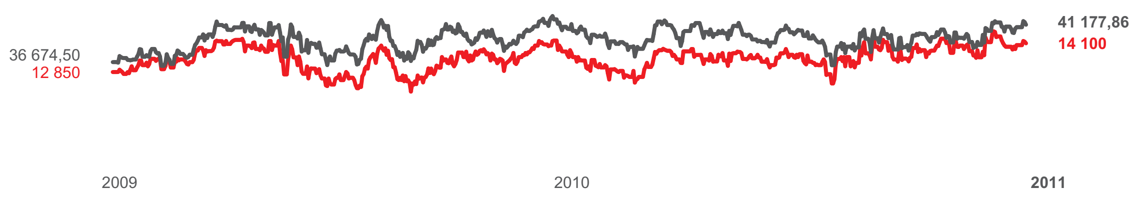
Contents

102 – 109
Appendices

Share performance

31 December

Share performance (cents)



Share performance on the JSE Limited[3]

	2011	2010	Change %
Number of shares in issue[4]	**718 210 043**	718 210 043	—
Market prices (cents per share):			
closing	**14 100**	14 000	1
high	**14 682**	14 295	3
low	**12 319**	12 000	3
average	**13 559**	13 292	2
Closing price/net asset value per share (excluding preference shares)	**1,62**	1,79	
Price-to-earnings (P/E) ratio (closing price/headline earnings per share)	**10,4**	12,5	
Volume of shares traded (millions)	**317,0**	363,3	(13)
Value of shares traded (R millions)	**42 837,8**	48 266,8	(11)
Market capitalisation (R millions)	**101 267,6**	100 549,4	(1)

Notes

[1]Absa's annual total return for the year ended 31 December 2011 was **4,4%**.

[2]The Banks' Index outperformed Absa's share price by **2,59%** during the year ended 31 December 2011. Total return was used to calculate the relative performance (calculated using the dividend yield for the year).

[3]JSE: Johannesburg Stock Exchange.

[4]Includes **369 105** shares held by Absa Group Limited Share Incentive Trust (2010: 1 049 790) and **826 717** shares held by Group subsidiaries (2010: 570 000).

Shareholders' information and diary

as at 31 December

Ordinary shares	2011 %	2010 %
Major ordinary shareholders (top 10)		
Barclays Bank PLC	**55,5**	55,5
Public Investment Corporation	**9,3**	9,4
Batho Bonke Capital Proprietary Limited	**3,9**	5,1
Old Mutual Asset Managers	**3,0**	3,0
Coronation Fund Managers	**2,3**	1,9
Sanlam Investment Management	**2,2**	1,6
Momentum Investments	**1,6**	n/a
Dimensional Fund Advisors Incorporated	**1,4**	1,0
Stanlib Asset Management	**1,3**	1,7
Investec Asset Management	**1,2**	n/a
The Vanguard Group Incorporated	**n/a**	1,0
Prudential Portfolio Managers	**n/a**	0,8
Other	**18,5**	19,0
	100,0	100,0
Geographical split		
England and Wales	**57,1**	56,2
South Africa	**29,6**	33,0
United States	**6,3**	4,6
Other countries	**4,3**	4,5
Below threshold	**2,7**	1,7
	100,0	100,0

Shareholers' diary

Financial year-end	31 December 2011
Annual general meeting	3 May 2012
Announcement of the final results	10 February 2012
Announcement of the interim results[1]	27 July 2012

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Final – December 2011	10 February 2012	23 March 2012	26 March 2012	30 March 2012	2 April 2012
Interim – June 2012[1]	27 July 2012	31 August 2012	3 September 2012	7 September 2012	10 September 2012

Note

[1]Subject to change.

Absa Bank Limited and its subsidiaries

as at 31 December 2011

Financial reporting structure

Absa Bank Limited

Retail banking

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

Commercial banking

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

International operations

- Absa Bank London[6]

Investment banking

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

International operations

- Absa Bank London[6]

Other Bank activities

- Corporate Real Estate Services (CRES)

International operations

- Absa Bank London[6]

Notes

[1]Absa Technology Finance Solutions Proprietary Limited 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 division was moved from Absa Business Bank to Retail Bank within Retail Banking.

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

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

Absa Bank Limited and its subsidiaries

31 December

Consolidated salient features

	2011	2010[1]	Change %	2009[1]
Statement of comprehensive income (Rm)				
Headline earnings[2]	**7 957**	6 412	24	5 986
Profit attributable to the ordinary equity holder of the Bank	**7 901**	6 432	23	5 315
Statement of financial position				
Total assets (Rm)	**742 436**	690 410	8	684 619
Loans and advances to customers (Rm)	**486 910**	495 733	(2)	501 050
Deposits due to customers (Rm)	**431 762**	382 131	13	360 216
Loans-to-deposits ratio (%)	**87,0**	91,0		94,5
Off-statement of financial position (Rm)				
Assets under management and administration[3]	**22 741**	21 861	4	31 534
Financial performance (%)				
Return on average equity	**15,8**	14,2		14,4
Return on average assets[4]	**1,13**	0,93		0,83
Return on average risk-weighted assets[4]	**2,07**	1,71		1,68
Operating performance (%)				
Net interest margin on average interest-bearing assets[4]	**3,80**	3,62		3,46
Impairment losses on loans and advances as % of average loans and advances to customers[4]	**1,00**	1,12		1,65
Non-performing loans as % of loans and advances to customers[4]	**6,9**	7,5		6,8
Non-interest income as % of total operating income	**42,8**	41,0		44,0
Cost-to-income ratio	**55,6**	56,7		49,7
Effective tax rate, excluding indirect taxation	**27,7**	27,1		20,4
Share statistics (million) (includes “A” ordinary shares)				
Number of ordinary shares in issue	**374,1**	374,1		367,7
Weighted average number of ordinary shares in issue	**374,1**	369,9		362,1
Diluted weighted average number of ordinary shares in issue	**374,1**	369,9		362,1
Share statistics (cents)				
Headline earnings per share	**2 127,0**	1 733,4	23	1 653,1
Diluted headline earnings per share	**2 127,0**	1 733,4	23	1 653,1
Basic earnings per share	**2 112,0**	1 738,8	21	1 467,8
Diluted earnings per share	**2 112,0**	1 738,8	21	1 467,8
Dividends per ordinary share relating to income for the year	**1 034,4**	959,2		676,5
Dividend cover (times)	**2,1**	1,8		2,4
Net asset value per share	**14 058**	12 810	10	11 785
Tangible net asset value per share	**13 871**	12 638	10	11 641
Capital adequacy (%)[4,5]				
Absa Bank	**16,2**	14,8		14,7

Notes

[1]Comparatives have been reclassified. Refer to pages 97 – 101.

[2]After allowing for **R284 million** (2010: R320 million) dividend paid to preference equity holders.

[3]Comparatives have been restated for the inclusion of assets managed by Absa Capital on behalf of clients, alternative asset management funds and exchange traded funds, in order to align assets under management and administration to current market practice.

[4]These ratios are unaudited.

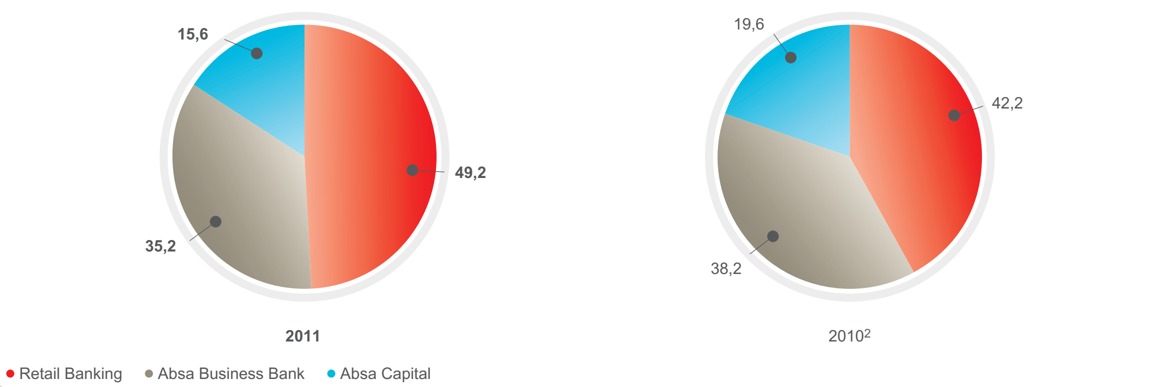
[5]Refer to pages 77 – 96 for the capital and risk management section.

Absa Bank Limited and its subsidiaries

for the year ended 31 December

Profit contribution by segment

Attributable earnings[1] (%)



	2011 (Audited) Rm	2010[2] (Audited) Rm	Change %
Banking operations			
Retail Banking	**4 031**	3 104	30
Home Loans	**448**	166	>100
Vehicle and Asset Finance	**403**	226	78
Card	**1 646**	1 380	19
Personal Loans	**720**	515	40
Retail Bank	**814**	817	(0)
Absa Business Bank	**2 878**	2 815	2
Absa Capital	**1 280**	1 439	(11)
Corporate centre	**(319)**	(414)	23
Capital and funding centres	**315**	(192)	>100
Preference equity holder of the Bank	**(284)**	(320)	11
Profit attributable to ordinary equity holder of the Bank	**7 901**	6 432	23
Headline earnings adjustments	**56**	(20)	>100
Headline earnings	**7 957**	6 412	24

Notes

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

[2]Comparatives have been reclassified. Refer to pages 97 – 101.

Glossary

Balance sheet

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

Borrowed funds

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

Cost-efficiency ratio

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

Cost-to-assets ratio

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

Cost-to-income ratio

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

Debt securities in issue

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

Dividend cover

Headline earnings per share divided by dividends per share.

Dividends per ordinary share relating to income for the year

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

Earnings per share

Profit attributable to ordinary equity holders of the Group

Net profit for the year less earnings attributable to non-controlling interest divided by the weighted average number of ordinary shares in issue during the year.

Headline earnings basis

Headline earnings for the year divided by the weighted average number of shares in issue during the year.

Fully diluted basis

The amount of profit for the year that is attributable to ordinary equity holders of the Group divided by the weighted average number of ordinary shares outstanding during the year, both adjusted for the effects of all dilutive potential ordinary shares, assuming they had been in issue for the year.

Economic capital

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

Glossary

Gains and losses from banking and trading activities

Comprises banking and trading portfolios and includes:

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

Gains and losses from investment activities

Comprises insurance and strategic investment portfolios and includes:

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

Headline earnings

Headline earnings is not a measure of sustainable earnings. Headline earnings reflect the operating performance of the Group separated from remeasurements (an amount recognised in the statement of comprehensive income relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as non-controlling interest.

IFRS 2 – Share-based payments

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

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

Loans and advances are impaired when there is objective evidence that the Group will not be able to collect all amounts due. The impairment is the difference between the carrying and recoverable amount. The estimated recoverable amount is the present value of expected future cash flows which may result from restructuring, liquidation or collateral held. Impairment losses on loans and advances for the year divided by total average advances (calculated on a daily weighted average basis), is expressed as a percentage.

Income statement

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

Loans-to-deposits ratio

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

Market capitalisation

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

Net asset value per share

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

Net interest margin on average interest-bearing assets

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

Glossary

Net trading results

Net trading results includes the profits and losses on Absa Capital's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as Absa Capital's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding cost. This also includes similar activities from the African operations.

Non-current assets held for sale

Assets held for sale are those non-current assets where it is highly probable that the carrying amount will be received principally through a sale transaction within 12 months from the date of the classification. For the sale to be considered highly probable board approval is required for the plan to sell the assets and an active programme to locate a buyer and complete the plan must have been initiated.

Assets held for sale are valued at the lower of its carrying amount and fair value less cost to sell.

Non-interest income

Non-interest income consists of the following statement of comprehensive income line items: net fee and commission income, net insurance premium income, net insurance claims and benefits paid, changes in investment and insurance liabilities, gains and losses from banking and trading activities, gains and losses from investment activities as well as other operating income.

Non-interest income as percentage of total operating income.

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

Non-performing loans

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

Non-performing loans ratio

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

Non-performing loans coverage ratio

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

Price-to-earnings (P/E) ratio

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

Risk-weighted assets

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

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

Weighted average number of shares

The number of shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they participated in the income of the Group, less treasury shares held by entities in the Group, weighted on a time basis for the period during which the entities held these shares.

These definitions should be read in conjunction with the Group's accounting policies, which also clarify certain terms used.

Presentation

Contents

Presentation

Absa Group Limited

2011 Results Presentation

Member of the BARCLAYS Group

ABSA

Review

Maria Ramos
Group Chief Executive

Member of the BARCLAYS Group

ABSA

Delivering on our commitments

- Double digit non-interest income growth ✓
- Single digit cost growth ✓
- Achieved positive JAWS ✓
- Reduced credit loss ratio ✓
- Improved profitability ✓
- Strengthened our balance sheet further ✓

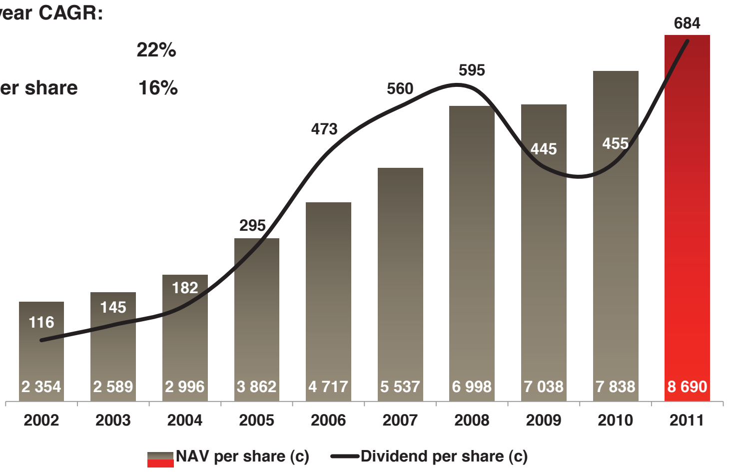
Strong earnings growth
Declared a record dividend

Member of the BARCLAYS Group 3 ABSA

Creating significant value

Nine-year CAGR:

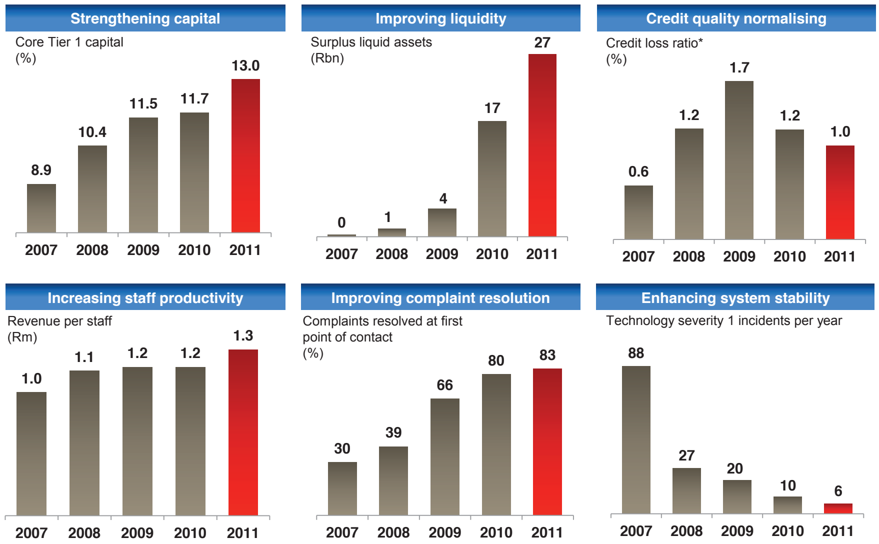
DPS	**22%**
NAV per share	**16%**



Note: March year-end until 2004

Member of the BARCLAYS Group 4 ABSA

Ensuring long term sustainability



Note: *2009 and 2010 restated

Member of the BARCLAYS Group 5 ABSA

Delivering on our strategy

- Established our Corporate Bank
- Forex platform performing well
- Wealth gaining traction
- Retail continues to innovate for customers
- Business Bank growing electronic banking
- Financial Services entered rest of Africa
- Progressed our Africa strategy

Member of the BARCLAYS Group 6 ABSA

Strong combined franchise

- Leading retail bank
- Solid business bank with scope to grow
- Absa Capital strong in targeted areas
- Quality bancassurance franchise

... operating as One Absa

Member of the BARCLAYS Group 7 ABSA

Financial Review

David Hodnett
Group Financial Director

Member of the BARCLAYS Group ABSA

Delivered a strong performance

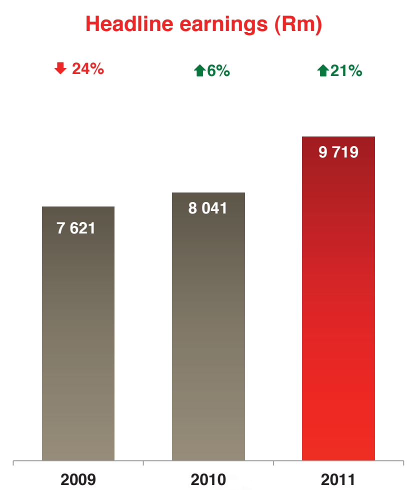
	2011	2010	Change %
Headline earnings (Rm)	9 719	8 041	21
Pre-provision profit (Rm)	20 374	18 744	9
Diluted headline earnings per share (cents)	1 350.0	1 115.7	21
Dividends per ordinary share (cents)	684	455	50
Net interest margin on interest-bearing assets (%)	4.11	3.94*	
Credit loss ratio (%)	1.01	1.18*	
Cost-to-income ratio (%)	55.5	56.2	
Return on equity (%)	16.4	15.1	
Return on risk-weighted assets (%)	2.35	1.99	
Return on assets (%)	1.32	1.10*	
Net asset value per share (cents)	8 690	7 838	11
Core Tier 1 capital adequacy ratio (%)	13.0	11.7	

Note: *2010 restated

Member of the BARCLAYS Group 9

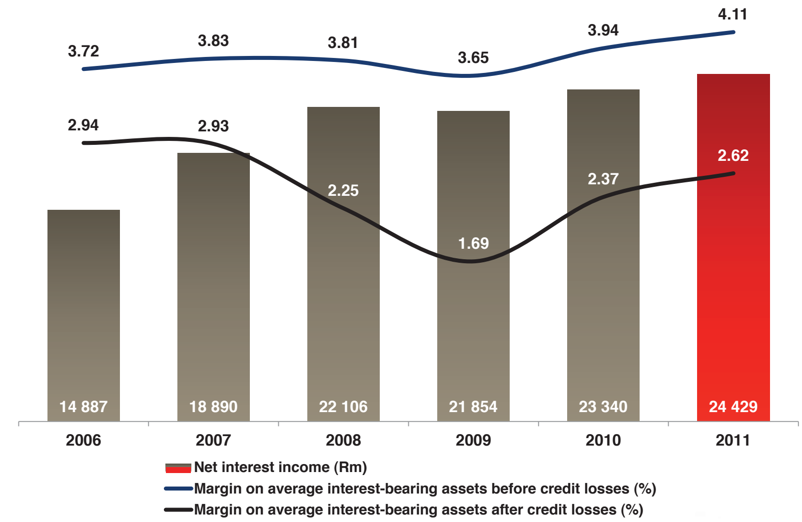
Solid earnings growth

	2011 Rm	2010 Rm	Change %
Net interest income	24 429	23 340	5
Non-interest income	21 403	19 474	10
Total revenue	**45 832**	**42 814**	7
Credit losses	(5 081)	(6 005)	(15)
Operating expenses	(25 458)	(24 070)	6
Other	(1 083)	(888)	22
Taxation	(4 026)	(3 262)	23
Headline earnings	**9 719**	**8 041**	21
Attributable earnings	**9 674**	**8 118**	19



Member of the BARCLAYS Group 10

Moderate net interest income growth



Note: 2009 and 2010 restated

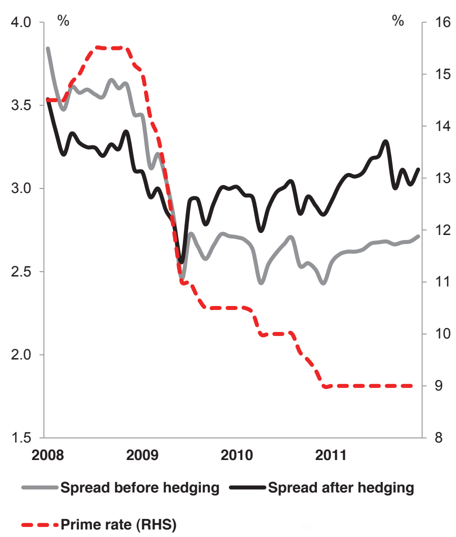
Member of the BARCLAYS Group

11

ABSA

Hedging preserved net interest margin

	YoY Δ bps
Loans and advances to customers	**11**
• Change in client rates	10
• Change in composition	1
Deposits due to customers	**(7)**
• Client pricing	(1)
• Change in composition	(1)
• Endowment	(5)
Capital	(6)
Structural hedging	12
Other	7
Change in margin on average interest-bearing assets	**17**



Member of the BARCLAYS Group

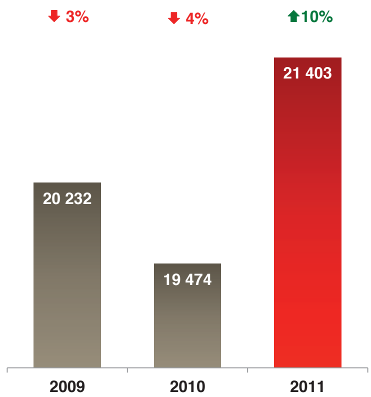
12

ABSA

Grew non-interest income in target areas

	2011 Rm	Change %	Mix %
Retail net fees and commissions	10 493	6	49
ABB net fees and commissions	3 719	8	17
Financial Services	3 994	11	19
Markets – net trading results	2 166	1	10
Revaluations – CPF and Private Equity	138	(16)	1
Other investment income	250	33	1
Other income	643	>100	3
Total	**21 403**	**10**	

Non-interest income (Rm)

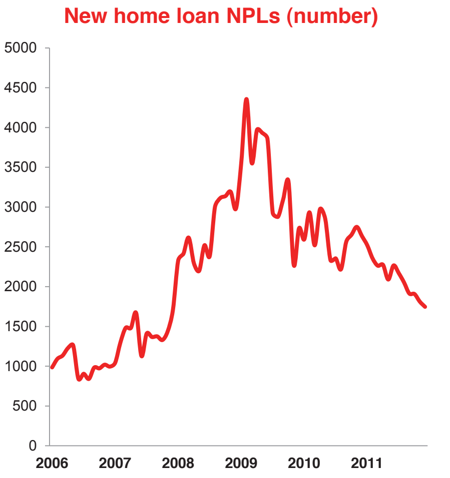


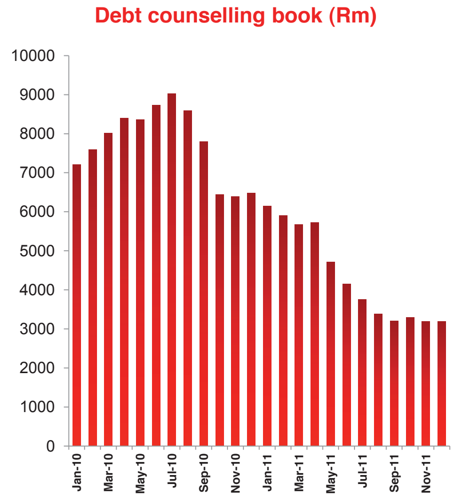
Credit quality improved

	Credit loss ratio 2011 %	Credit loss ratio 2010 %	NPL coverage ratio 2011 %	NPL coverage ratio 2010 %
Retail Banking	1.23	1.48	26.0	28.7
• Mortgages	0.97	0.98	17.1	19.1
• Vehicle and Asset Finance	1.88	2.16	48.2	41.9
• Card	1.05	2.57	64.6	71.8
• Personal Loans	3.87	4.76	60.5	68.7
• Retail Bank	1.33	2.52	75.9	70.8
Absa Business Bank	0.72	0.93	35.2	33.2
Absa Capital	0.11	0.15	52.0	62.1
Absa Group	1.01	1.18	27.8	29.8

Note: 2010 restated

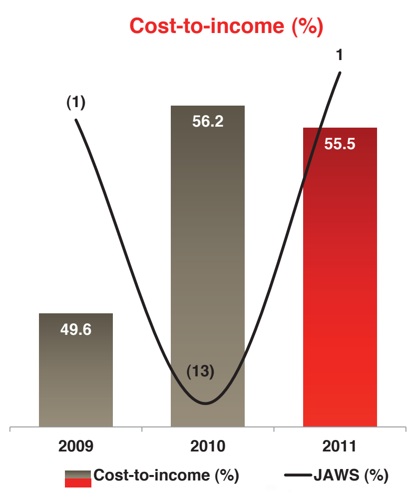
Declining NPL inflows





Sustainable cost containment

	2011 Rm	Change %	Mix %
Staff costs	13 642	9	54
Accommodation, property and equipment-related	4 388	16	17
Information technology	2 241	7	9
Communication and marketing	2 092	(3)	8
Professional and audit fees	1 242	(1)	5
Cash transportation	726	(0)	3
Other	1 127	(27)	4
Total	**25 458**	**6**	



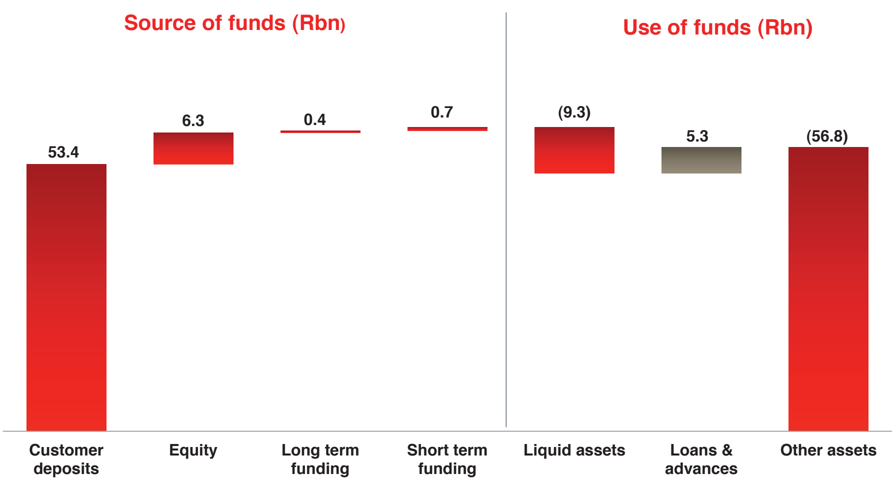
Underlying returns improved further

	2007 %	2008 %	2009 %	2010 %	2011 %
Revenue as a percentage of RWAs	10.2	11.1	10.9	10.6	11.1
Cost-to-income ratio	51.7	49.2	49.6	56.2	55.5
Credit losses as a percentage of income	6.7	13.6	21.3	14.0	11.1
Operating margin *	26.1	23.1	18.1	18.8	21.2
Return on risk-weighted assets	2.67	2.57	1.97	1.99	2.35
Financial leverage *	10.2	9.1	7.9	7.5	7.0
Return on equity	27.2	23.4	15.5	15.1	16.4

Note: *Operating margin = headline earnings / total revenue; financial leverage = average RWAs / average shareholders equity; 2009 and 2010 restated

Member of the BARCLAYS Group 17 ABSA

Strengthened our balance sheet



Note: 2010 restated

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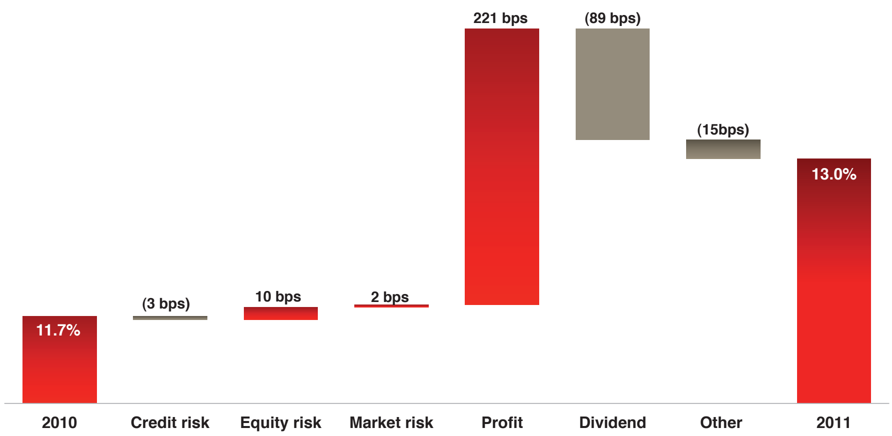
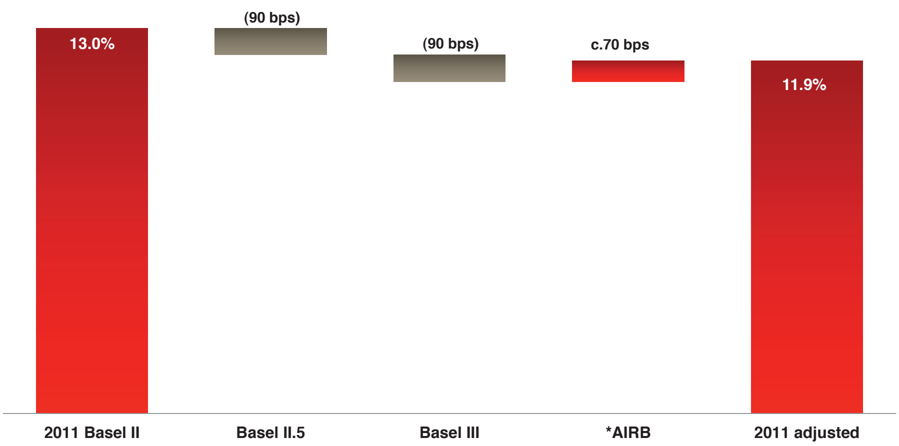
Core Tier 1 ratio improved



Member of the BARCLAYS Group 19 ABSA

Limited Basel capital impact

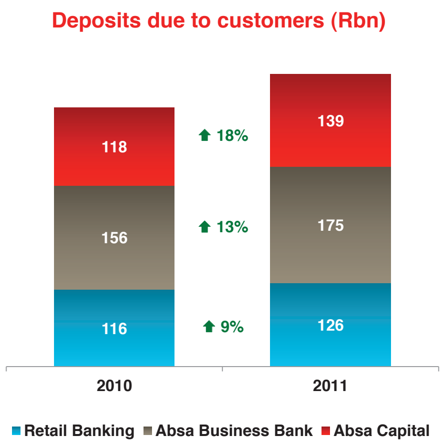


Note: *Advanced Internal Rating-Based on wholesale book

Member of the BARCLAYS Group 20 ABSA

Strong core deposit growth

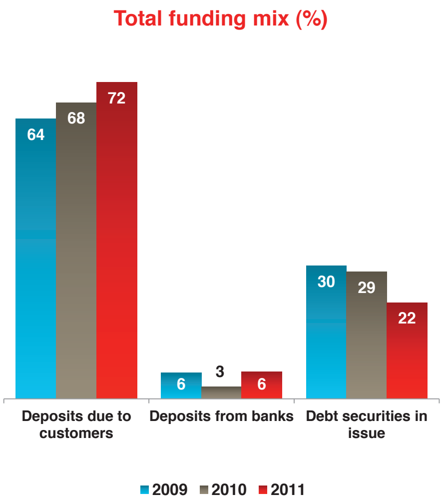
	2011 Rbn	Change %	Mix %
Cheque accounts	135	15	31
Savings and transmission	75	10	17
Fixed deposits	125	10	28
Call deposits	56	2	13
Other	50	51	11
Total	**441**	**14**	

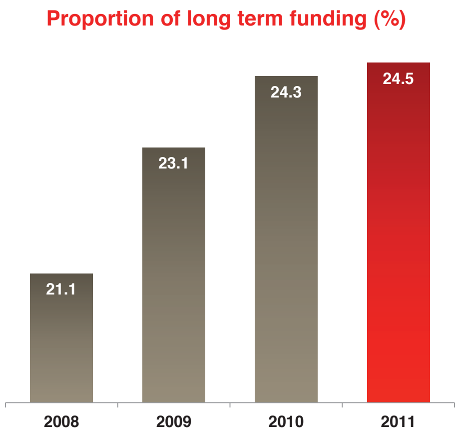


Note: 2010 restated

ABSA

Improving funding mix and term





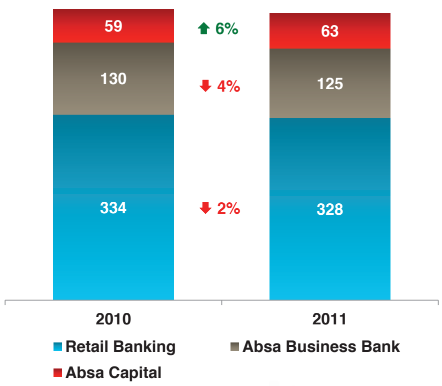
Note: 2009 and 2010 restated

ABSA

Focussed loan strategy

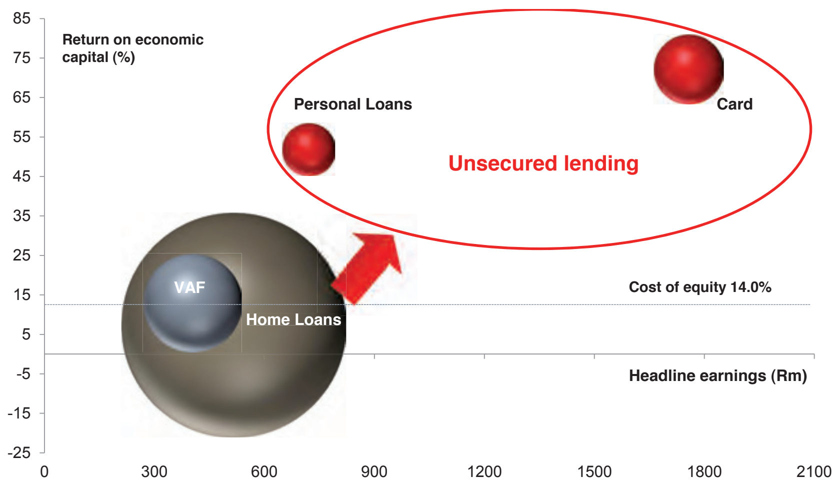
	2011 Rbn	Change %	Mix %
Retail Banking	328	(2)	64
• Credit cards	21	4	4
• Instalment finance	39	2	8
• Mortgages	243	(4)	47
• Other	25	3	5
Absa Business Bank	125	(4)	24
Absa Capital	63	6	12
Total	**516**	**(1)**	

Gross loans and advances to customers (Rbn)



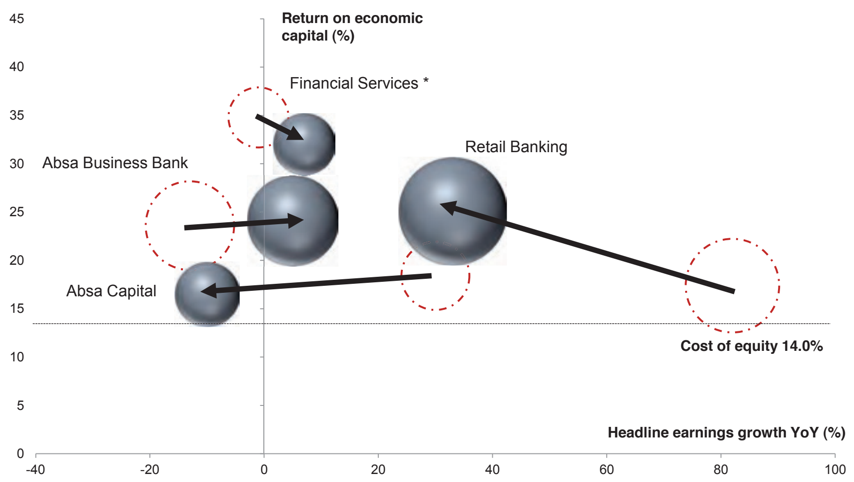
Note: 2010 restated

Changing retail loan mix



Note: Bubble size represents 2011 loans and advances

Retail drove growth and improving returns



Note: Bubble size represents headline earnings; dotted bubbles represent 2010 and grey 2011; *RoE; 2009 not restated for structure changes

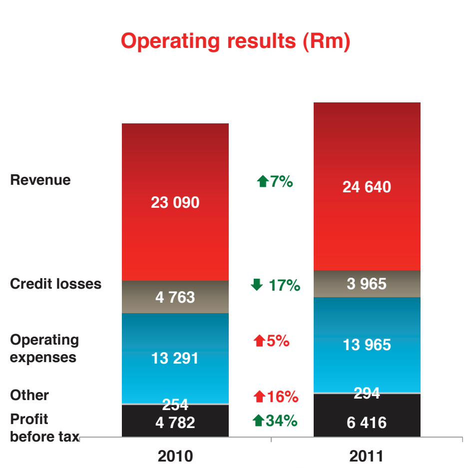
25

Segmental Performance

Louis von Zeuner
Deputy Group Chief Executive

Retail Banking
Balanced set of results

	2011	2010
Headline earnings (Rm)	4 179	3 137
Non-interest income / total revenue (%)	44.0	44.8
Cost-to-income ratio (%)	56.7	57.6
Credit loss ratio (%)	1.23	1.48
Return on risk-weighted assets (%)	2.64	1.96



Note: 2010 restated for structure changes

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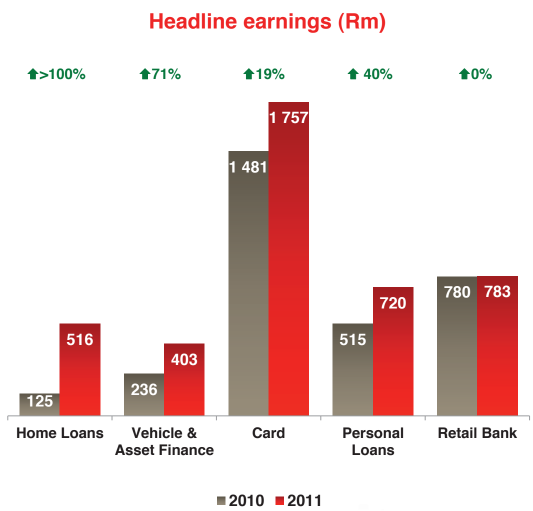
27

ABSA

Retail Banking
Strong performance across products

- Improved profitability
- Grew unsecured loans
- Lower credit losses in all portfolios
- Increased risk-based pricing
- Grew acquiring income
- Improved efficiency



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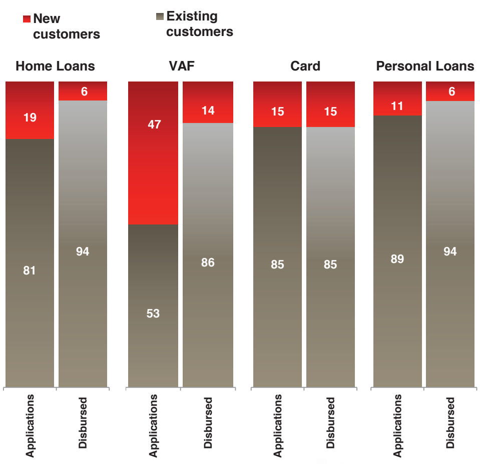
28

ABSA

Retail Banking
Deepening relationship with existing customers

- Increased customers
- Growth focused on existing customers
- Maintained leading individual market share in deposits
- Improved credit quality
- Improved distribution capabilities for entry level banking customers
- Strong merchant growth through collaborating with Business Bank
- Exponential growth in Absa Rewards

Advances - new sales (%)



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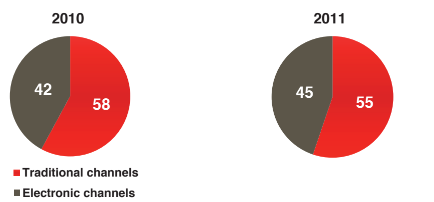
Retail Banking
Non-interest income reflects change in customer behaviour

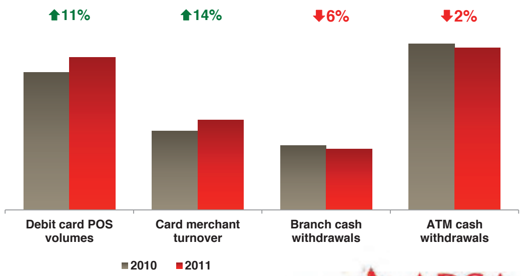
Muted increase, despite solid transactional volume growth

- Accelerated migration
  - Traditional to digital channels
  - Pay as you go to management fees
- Strong growth in:
  - Debit card POS transactions
  - Card merchant acquiring turnover
  - Prepaid purchase transactions
  - Mobile banking customers

Transaction volumes (%)



Volume growth



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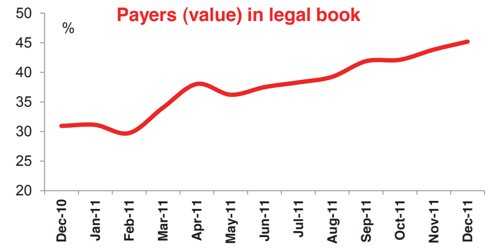
Retail Banking
Quality of advances portfolio continues to improve

- Declining credit loss ratio
- NPLs and legal portfolio reduced
- Portfolio performance improved
  - Construct of performing book
  - Quality of legal book
- LGD parameters improved significantly
- NPL coverage ratios improved

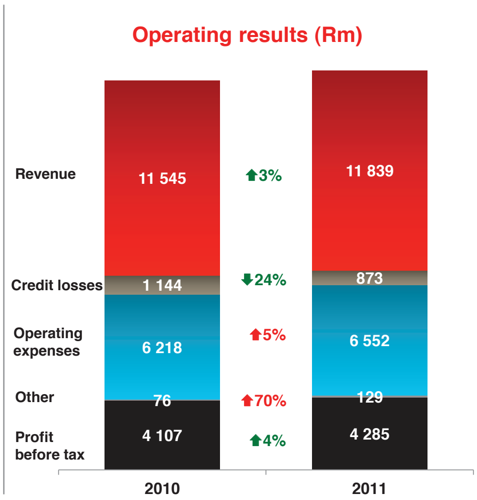


Note: 1H10 and 1H11 not restated

Member of the BARCLAYS Group 31 ABSA

Absa Business Bank
Returning to growth

	2011	2010
Headline earnings (Rm)	2 948	2 811
Non-interest income / total income (%)	34.5	34.7
Cost-to-income ratio (%)	55.3	53.9
Credit loss ratio (%)	0.72	0.93
Return on risk-weighted assets (%)	1.95	2.20



Note: 2010 restated for structure changes

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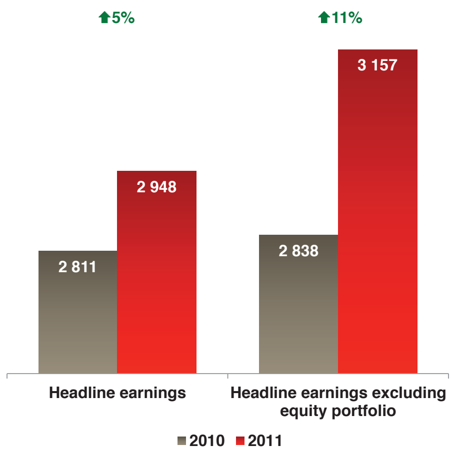
Absa Business Bank
Solid underlying earnings

- Core business grew 11%
- Strong deposit growth
- Reduced commercial property loans, but selected growth in other debt products
- Improved credit quality
- Low cost growth
- Equity portfolio reduced revenue
- Solid core non-interest income growth

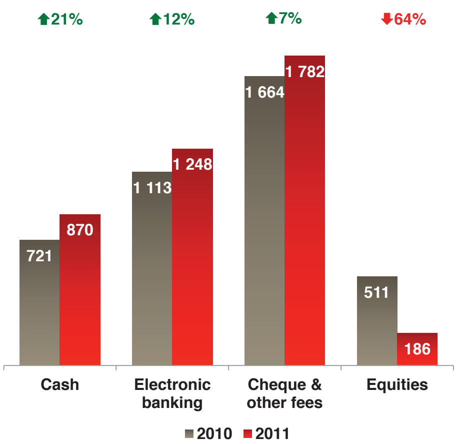
Headline earnings (Rm)



Absa Business Bank
Transactional strategy successful

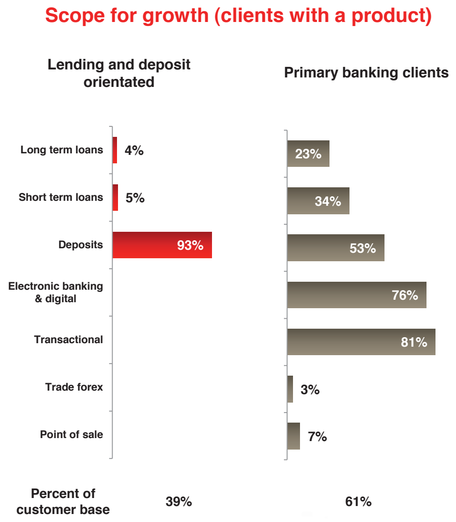
- Strong 15% transactional growth
  - Cash revenue up 21%
  - Electronic banking revenue up 12%
- Enhanced functionality, security and accessibility
- Cheque volumes decreased in line with industry
- Equity portfolio incurred losses
- Grew trade and forex business

Non-interest income (Rm)



Absa Business Bank
Leveraging our large customer base

- Over 500 000 clients (61% are primary)
- Pricing strategy based on behaviour and usage
- Improved credit quality:
  - Reduction in early watch list
  - Lower arrears across all segments
- Repositioned our advances strategy in CAF, Commodity and Structured Finance
- Strong growth in Agri and Public Sector loans
- Absa is SA's leading Agri bank



35

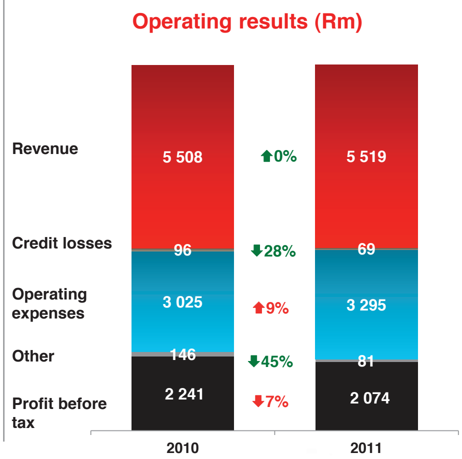
Retail and Business Bank
Do the basics brilliantly

- Bed down new operating model
- Sharper focus on customer value delivery
- Improve cross selling to primary customers
- Enhance our market leading sales and service capabilities
- Build on our strong positions in key products
- Continue to invest in digital and other electronic platforms
- Strong credit risk management
- Leverage product synergies with CIBW

36

Absa Capital
Stable performance in uncertain markets

	2011	2010
Headline earnings (Rm)	1 495	1 659
Cost-to-income ratio (%)	59.7	54.9
Credit loss ratio (%)	0.11	0.15
Return on risk-weighted assets (%)	1.62	1.72



Note: 2010 restated for structure changes

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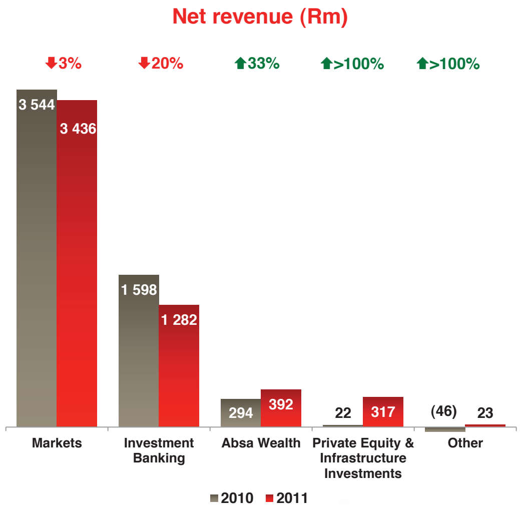
Absa Capital
Diversified revenue base

- Markets client franchise offset difficult market conditions
- Lower structured lending reduced Investment Banking margin revenue
- Strong performance in Absa Wealth
  - Higher margins and fee income
  - Reduced impairments due to improved credit processes
- Stable Private Equity performance



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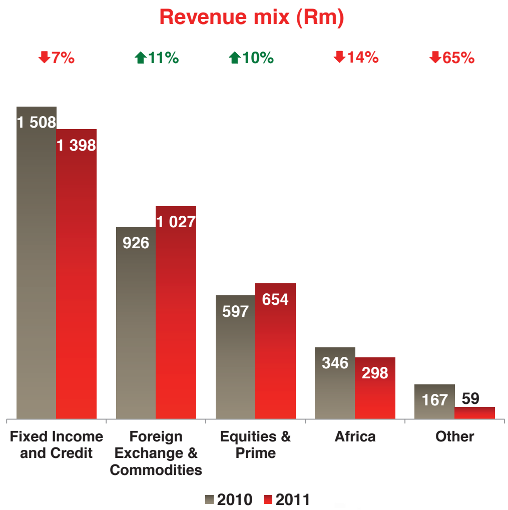
Absa Capital
Resilient Markets revenue underpinned by strong client franchise

- SA business resilient in spite of difficult markets
  - Strong growth in client revenue
  - Successful FX strategy
  - Fixed Income results affected by market dislocation in 2H
  - Prime and Equities roll-out continues
- Margin compression impacted Africa trading



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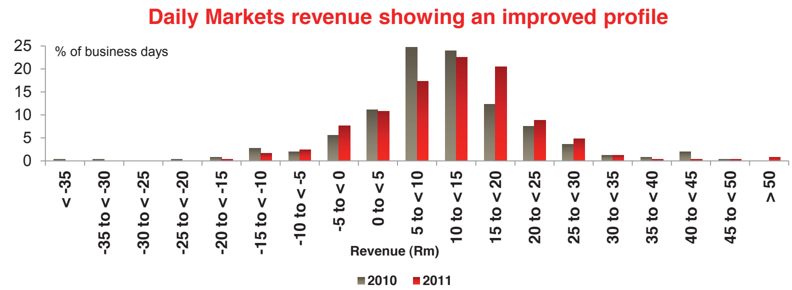
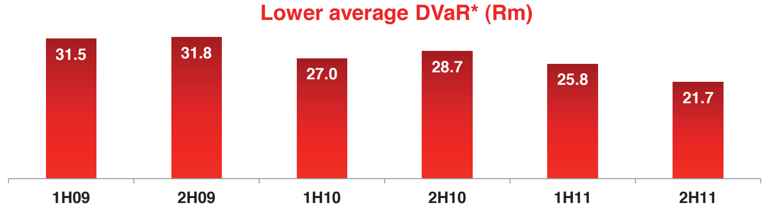
Absa Capital
Increased client contribution improved quality of earnings





*Note: Trading book risk over a 1-day holding period at a 95% confidence interval

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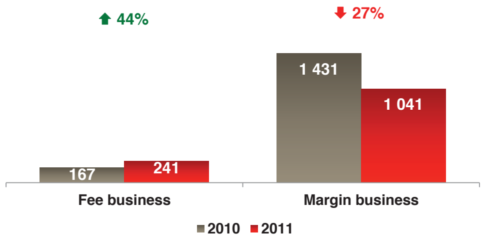
Absa Capital

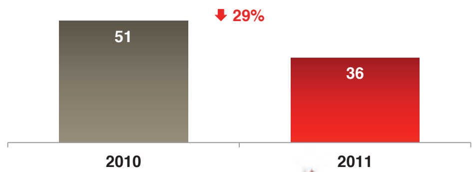
Investment Banking client franchise grew strongly

- Strong growth in fee business
  - Benefit of integrating Corporate
  - Concluded a number of landmark transactions
- Drop in margin business
  - Reduced structured on balance sheet financing
  - Improved quality of income

Revenue mix (Rm)



Average Investment Banking loans and advances (Rbn)



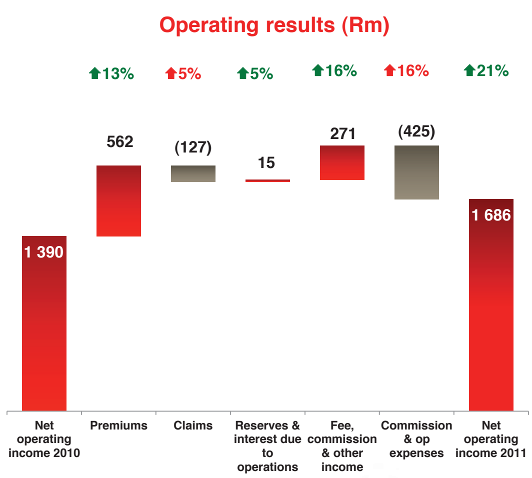
Absa Capital

Integrated Corporate and Investment Bank in 2012

- Implement an integrated Corporate and Investment Bank
- Leverage the global platform
- CIBW in Africa
- Ongoing capital and liquidity optimisation
- Infrastructure leveraging

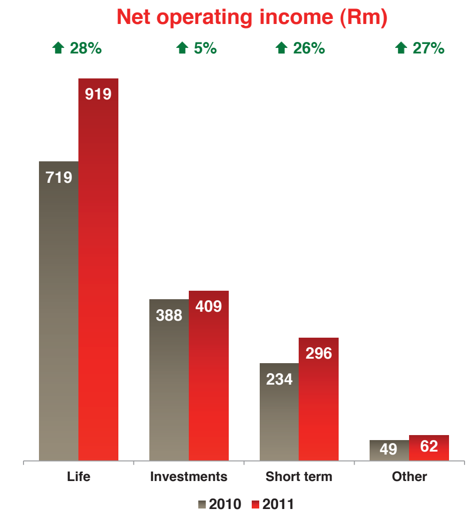
Financial Services
Earnings from operations up 21%

	2011	2010
Headline earnings (Rm)	1 375	1 291
Investment income shareholders (Rm)	198	332
Cost efficiency ratio (%)	25.2	26.4
Return on equity (%)	32.0	34.8
Return on embedded value (%)	37.1	39.8



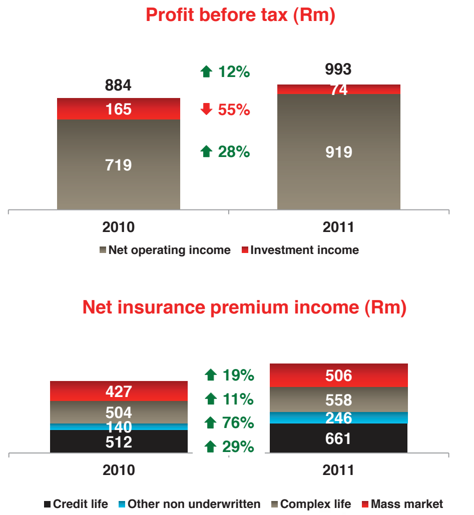
Financial Services
Well diversified revenue streams

- Strong Life and Short term insurance performances
- Investments grew net AUMs 3% to R168 billion
- Africa
  - Established operations in Botswana and Mozambique
  - Gross premiums of R200m
- Fiduciary
  - Headline earnings from employee benefits declined R10m
  - Trust grew revenue by 3% and maintained earnings



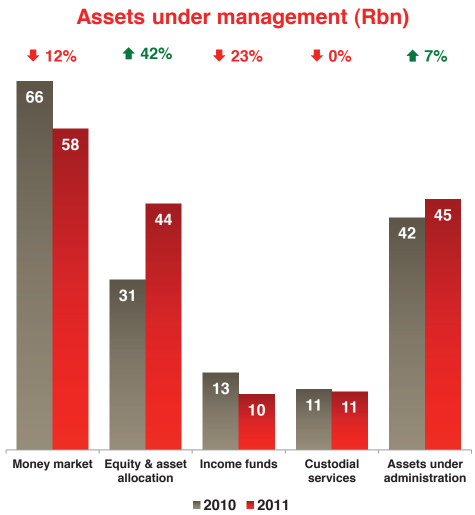
Financial Services
Absa Life maintained growth momentum

- Gross premiums up 22%
- Strong operational earnings growth of 28%
- Embedded value of new business R369m



Financial Services
Absa Investments grew external AUM mandates to R168 billion

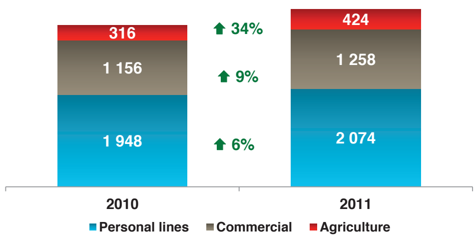
- Customers continue to benefit from top quartile investment performance
- Delivering on our strategy to grow equity mandates
- Exiting Dividend Income Fund due to changing environment
- Institutional outflows from money market fund in 4Q
- Continued investment in brand, technology and talent



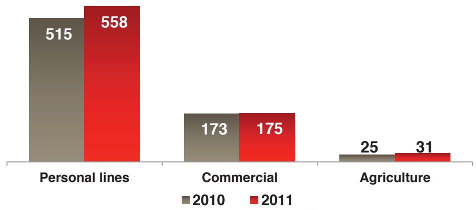
Financial Services
Short term insurance grew operational earnings 26%

- Gross premiums grew 10%
- Crop underwriting results recovered in 2H
- Loss ratio of 67.4% (2010: 68.5%)
- Underwriting margin of 6.5%
- Operating expenses down 1%

Gross premium income (Rm)



Underwriting surplus, pre-management expenses (Rm)



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47

Financial Services
Capturing growth opportunities

- Continue to expand into the rest of Africa, with immediate focus on Zambia and Kenya
- Implement revised advisor operating model
- Further increase cross sell into Absa's customer base through integration, leads management and trigger event solutions
- Roll out and improve digital channels and "straight-through" processing
- Improve customer experience via new products, alternative delivery channels and service levels

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48

Prospects

Maria Ramos
Group Chief Executive

Member of the BARCLAYS Group

ABSA

Uncertain macro backdrop

Global uncertainty persists	SA not immune
• EU debt issues likely to stall growth • US growth remains modest • Many emerging markets tightening policy and growth is moderating – African growth remains robust	• GDP growth slowing • Household consumption resilient • Inflationary pressure increasing • Rates to remain low but may start increasing in 4Q12

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50

ABSA

Progressed our Africa strategy

- Africa is important to us and Barclays
- We have a leading, well-established presence
- Our strategy is gaining momentum
  - Moved Barclays Africa head office to Johannesburg
  - Formed an Africa Executive Committee
  - Established Africa Customer and Community Investment Committees

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What to expect in 2012

- Driving the Africa opportunity
- Growing in targeted areas
- Efficiency an ongoing priority
- Continue to strengthen our balance sheet
- Customer, customer, customer

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What you can measure

- Improved revenue growth
- Lower cost-to-income ratio
- Improved credit loss ratio
- Increased profitability
- Africa synergies

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Disclaimer

Forward-looking statements

Certain statements in this document are forward looking that relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Absa Group Limited ("Absa"). Words such as "anticipates", "estimates", "expects", "projects", "believes", "intends", "plans", "may", "will" and "should" and similar expressions are typically indicative of a forward-looking statement. These statements are not guarantees of Absa's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from these expressed or implied by such statements. Absa makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Absa undertakes no obligation to update the historical information or forward-looking statements in this document.

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Administrative information

Controlling company

Absa Group Limited

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

Registered office

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

Board of directors

Group independent non-executive directors

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

Group non-executive directors

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

Group executive directors

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

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

Transfer secretary

South Africa

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Postal address: PO Box 61051, Marshalltown, 2107
Telephone: (+27 11) 370 5000
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Sponsor

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Auditors

PricewaterhouseCoopers Inc.
Ernst & Young Inc.

Shareholder contact information

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

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Acting Group Secretary

DWP Hodnett
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Other contacts

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