

Remuneration Review

31 December 2011



A balanced approach to remuneration

Highlights

- Total compensation as a % of PBT (before total compensation) for 2011 was 46,7%, down from 49,4% in 2010.
- The total performance incentive pool (including the initial value of deferred awards) was 13% up on 2010, with PBT up 20%.
- All of our remuneration arrangements are consistent with the local and international remuneration regulations governing financial services. We operate very high levels of deferral compared to the local market.

Outlook

- We are committed to showing responsibility in remuneration. We will continue to review our remuneration policy and will maintain close dialogue with our key stakeholders.

Strategic pillars discussed



Introduction

We are sensitive to the current focus on executive remuneration, particularly in financial services, and acknowledge that it is an important issue for our stakeholders. On behalf of the board, the GRHRC seeks to achieve an appropriate balance between delivering market competitive remuneration and optimising current and future returns for our shareholders, while considering our other stakeholders, including customers and regulators. All of our decisions seek to balance the views of these stakeholders with the need to attract, retain and incentivise talent in a competitive market, where people are both locally and globally mobile.

During 2011, we carried out a detailed review of remuneration with assistance from Barclays. We have developed a policy and framework which looks at the following key principles:

1. There must be a clear framework for evaluating total compensation costs and the share of value between employees and shareholders.
2. Performance incentives must be determined with reference to clear performance objectives. Performance cannot always be assessed simply by formulae, as this may lead to unintended consequences. The application of informed discretion by the GRHRC is important in order to achieve appropriate outcomes, which reflect the underlying health of the business and the shareholder value created.
3. Remuneration should be structured in accordance with the local and international regulations that govern financial services.
4. Deferral over the medium to long-term, with clawback provisions and linked to share price performance, should be an important feature of performance incentives in order to mitigate the focus on short-term performance and align the interests of senior employees and shareholders.
5. Overall remuneration packages must be competitive; talent is mobile both in local markets and globally.
6. Reporting on remuneration should be transparent and should provide stakeholders with clear insights into our decision-making.

Our remuneration policy and arrangements, summarised here from our full remuneration review available online, are designed to support these principles. Details of the ways in which we have applied these principles to our decision-making for 2011 are set out in table 1.

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Absa is acutely aware of the focus on executive remuneration. Our approach aims to balance the interests and views of our stakeholders with the need to attract and retain talent.



Brand Pretorius Chairman – Group Remuneration and Human Resources Committee

Absa remuneration policy

The GRHRC revised the remuneration policy during 2011. Changes were made to ensure that the policy is appropriately aligned with the interests of shareholders and supports the delivery of the business strategy within our risk management framework. The remuneration policy applies to all businesses and geographies across the Absa Group.

The aims of the Absa remuneration policy are to:

- Attract and retain those people with the ability, experience and skill to deliver the strategy.
- Create a direct and recognisable alignment between the rewards and risk exposure of shareholders and employees, particularly executive directors and senior management.
- Incentivise employees to deliver sustained performance, consistent with strategic goals and appropriate risk management, and to reward success in this.
- Deliver compensation that is affordable and appropriate in terms of value allocated to shareholders and employees.
- Encourage behaviour consistent with the Absa values which guide our business:
 - value our people and treat them with fairness;
 - demonstrate integrity in all our actions;
 - strive to exceed the needs of our customers;
 - take responsibility for the quality of our work; and
 - display leadership in all we do.

The GRHRC keeps under review the remuneration policy and arrangements detailed in this report to ensure that these remain competitive, in accordance with regulatory requirements and provide appropriate incentive for performance.

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Table1: Our approach to key remuneration principles

Key principle	Our approach	How we have applied this in 2011
<p>Operating a framework which evaluates total compensation</p> <p>Link to policy: 4. Deliver compensation that is affordable and appropriate.</p>	<p>In 2011, we established forward looking frameworks for each business and at the Group level that evaluate total compensation and assist with the planning and management of compensation costs.</p> <p>The framework for each business sets out key compensation and risk-adjusted financial ratios achieved by Absa and its competitors, specifically designed to take account of underlying business performance and current and future affordability.</p> <p>At an individual level, remuneration decisions are made on a total compensation basis, benchmarked against the relevant market. The exact pay mix, including the proportions of fixed and variable pay, varies by role, seniority and business to ensure that it is appropriate to each individual.</p>	<p>Our decisions on the aggregate funding of 2011 performance incentives were made with reference to these total compensation frameworks.</p> <p>Total compensation as a percentage of PBT (before total compensation) was 46,7% (49,4% in 2010).</p> <p>Total compensation as a percentage of net income (total income less impairments) was 30,6% (31,4% in 2010).</p>
<p>Linking pay to performance</p> <p>Link to policy: 3. Incentivise employees to deliver sustained performance, consistent with strategic goals and risk management and reward success in this. 4. Deliver compensation that is affordable and appropriate.</p>	<p>Our core principle is to pay for sustained performance.</p> <p>The GRHRC's aggregate incentive funding decisions are based on a risk-adjusted view of financial performance. This is a continuous process with detailed monitoring of financial and risk performance, forecast remuneration and key compensation ratios throughout the year.</p> <p>In reaching its decisions, the GRHRC applies informed discretion to the compensation analysis. We believe that overly formulaic approaches to remuneration can lead to unintended consequences and can incentivise undesirable behaviour.</p> <p>All our long-term remuneration arrangements are subject to performance over time. For deferred awards, performance adjustment is provided through the link to share price over three years; long-term incentives are subject to risk-adjusted financial performance over three years. The GRHRC has the discretion to reduce the vesting of awards, to nil if appropriate, to ensure that payments reflect actual performance achieved over time.</p>	<p>In making performance incentive decisions for 2011, the GRHRC considered overall Group and business financial performance, key risk themes and non-financial performance against our material issues.</p> <p>A summary of the key performance factors considered is set out on page 80.</p> <p>Taking this performance into account, the total performance incentive pool (including the initial value of deferred awards) was 13% up on 2010.</p> <p>The outcomes of prior-year long-term incentives demonstrate the link between pay and performance. During 2011, R270 million of Performance Share Plan (PSP) awards were forfeited because the performance conditions were only partially met. During 2012, R191 million of PSP awards will be forfeited because the performance conditions were not met.</p>
<p>Remuneration regulation</p>	<p>Absa is committed to complying with the regulations that govern financial services, including the King III Corporate Governance Code and the Financial Stability Board (FSB) Implementation Standards.</p> <p>Absa's approach to remuneration is also consistent with the UK Financial Services Authority's (FSA) Remuneration Code by virtue of being a part of the Barclays Group.</p> <p>It should be noted that inconsistent implementation of international regulations around deferral and the structure of remuneration by organisations and regulators places organisations such as ours at a competitive disadvantage in our local markets.</p>	<p>All of our decisions for 2011 have been made in accordance with South African and UK regulatory requirements and international best practice.</p>

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Key principle	Our approach	How we have applied this in 2011
<p>Structure of remuneration</p> <p>Link to policy:</p> <p>2. Create a direct and recognisable alignment between the risk exposure of shareholders and employees.</p>	<p>We operate high levels of deferral on performance incentives, which we believe is appropriate in order to:</p> <ul style="list-style-type: none"> → ensure that remuneration is appropriately adjusted for risk and reflects actual performance achieved over time; → align remuneration with the creation of shareholder value; and → increase retention of our key employees. <p>Deferred awards are delivered as phantom shares, normally released in equal portions over three years.</p> <p>All deferred awards include clawback provisions, which mean that the GRHRC may reduce the vesting of awards, including to nil if appropriate. Events that may lead to the operation of clawback provisions include employee misconduct, material restatement of Absa's financial statements, material failure of risk management or a significant deterioration in the financial health of Absa.</p> <p>We award guaranteed performance incentives by exception, only in the context of hiring and only in relation to the first year. Guaranteed incentives are subject to the same levels of deferral as discretionary incentives.</p>	<p>25% of all 2011 performance incentives were delivered as deferred awards.</p> <p>Maria Ramos received 100% of her 2011 performance incentive as a deferred award.</p> <p>Louis von Zeuner, David Hodnett and Stephen van Coller were subject to the specific remuneration structure requirements of the FSA's Remuneration Code, meaning that they received 20% of their performance incentive in cash in February 2012, 20% in phantom shares released after six months and 60% as a deferred award.</p> <p>For other members of the Group Exco and other highly paid executives, 60% of 2011 performance incentives were delivered as a deferred award.</p> <p>For other senior managers and material risk takers, at least 40% of 2011 performance incentives were delivered as a deferred award.</p> <p>All other employees with performance incentives above a specific threshold were subject to deferral on a scaled basis, with a minimum deferral rate of 30%.</p> <p>Executive directors and other senior executives may also participate in long-term incentives, vesting after three years subject to risk-adjusted performance conditions focused on the execution of the strategy.</p>
<p>Operating in a competitive environment</p> <p>Link to policy:</p> <p>1. Attract and retain those people with the ability, experience and skill to deliver the strategy.</p>	<p>The quantum of our remuneration packages is driven by the need to attract, retain and incentivise talent in a highly competitive market, where people are locally and globally mobile and there is a scarcity of talent.</p> <p>Attracting and developing talented people is essential to the delivery of our strategy and in ensuring we have a leading position in the financial services industry.</p> <p>Decisions are made on an individual basis, taking into account business and personal performance, overall affordability and market data.</p> <p>Decisions on the quantum of remuneration are made on a total compensation basis, with reference to the relevant market. Performance incentives are neither capped nor formulaically linked to a specific proportion of fixed remuneration. We retain discretion over the quantum of incentives to ensure that we can differentiate remuneration levels to reflect appropriately performance and attract, retain and incentivise the most talented people.</p> <p>For the most senior employees, a significant proportion of total compensation is delivered as deferred awards and long-term incentives to help ensure sustained performance over the longer-term.</p>	<p>The quantum of all executive directors and prescribed officers' remuneration is benchmarked against the relevant markets in which we compete for talent.</p> <p>No executive directors or current prescribed officers received increases to their fixed remuneration in the April 2011 pay review.</p> <p>Maria Ramos, Louis von Zeuner and David Hodnett have received increases in their performance incentives compared to 2010. This reflects the absolute and relative performance of Absa in a challenging operating environment and the improvement in underlying profitability, as well as their strong personal contributions.</p> <p>The performance incentive for Bobby Malabie reflects a full year's service, whereas his 2010 performance incentive was for 10 months of the year. His 2011 incentive reflects the performance of Absa Business Bank (PBT up 4% on 2010).</p> <p>Willie Lategan's performance incentive reflects the strong performance of Absa Financial Services (PBT up 9% on 2010).</p> <p>The decrease in Stephen van Coller's performance incentive reflects the decrease in profitability in Absa Capital compared to 2010 (PBT down 7% on 2010).</p>
<p>Transparency and disclosure</p> <p>Link to policy:</p> <p>2. Create a direct and recognisable link between the rewards and risk exposure of shareholders and employees.</p>	<p>We are committed to providing transparency to enable stakeholders to assess our remuneration arrangements, including the ways in which we link pay to performance and align our decisions with shareholder value.</p>	<p>This report, and our full report online, set out the details of our remuneration arrangements to support this commitment to transparency.</p> <p>Our 2011 remuneration disclosures are consistent with the Basel Committee on Banking Supervision's (BCBS) Pillar 3 requirements.</p>

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GRHRC remit and membership

The GRHRC provides governance and strategic oversight of executive and all other employee remuneration, human resources activities and senior talent development. Transformation is also currently within the remit of the GRHRC but in 2011 this was specifically considered by the full board.

The GRHRC Terms of Reference were reviewed in March 2011 and November 2011 in light of best practice and to take account of developments in regulation and corporate governance.

The members of the GRHRC during 2011 were S G Pretorius (Chairman), B P Conellan, B C M M de Vitry (until 21 September 2011), G Griffin, A P Jenkins, T M Mkgosi-Mwantembe, E C Mondlane Jr (from 1 September 2011) and I R Ritossa (from 21 September 2011). A P Jenkins and I R Ritossa are Barclays representatives on the Committee. S G Pretorius, B P Conellan and T M Mkgosi-Mwantembe are considered by the board to be independent of management and free from any business or other relationship that could materially affect the exercise of their independent judgement. The Group Chairman was considered to be independent on appointment.

Advisors

The GRHRC retains independent professional advisors to support its work. During 2011 Deloitte provided the GRHRC with market benchmarking and compensation analytics data.

The Barclays Compensation & Benefits Director also provided valuable insights on Barclays practices, global market trends and the regulatory environment and supported our detailed review of remuneration.

The Group Chief Executive, Deputy Group Chief Executive, Group Financial Director, Chief Human Resources Executive, Chief Risk Officer and Group Head: Reward and Benefits also attend meetings as required and advise the GRHRC, supported by their teams. No Group employee is permitted to participate in discussions or decisions of the GRHRC relating to his or her own remuneration.

GRHRC activities in 2011

The GRHRC met 5 times in 2011. Table 2 sets out the key matters discussed by the GRHRC in 2011 and figure 1 sets out how the Committee's time was allocated.

Figure 1: GRHRC's allocation of time in 2011

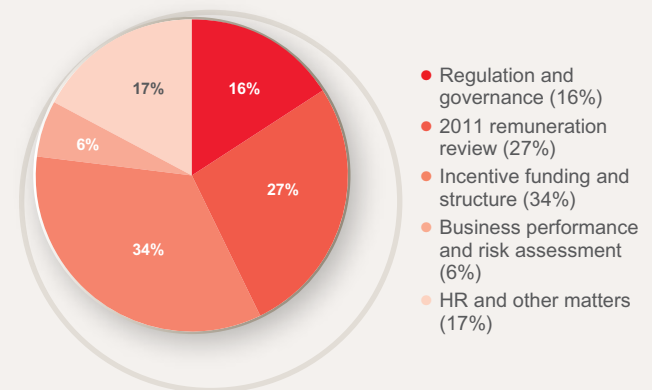


Table 2: Key matters discussed by the GRHRC in 2011

Month	Key matters
January	<ul style="list-style-type: none"> → Structure and funding of 2010 performance incentives → Executive director, Exco and senior management performance and remuneration proposals → Vesting of long-term incentive awards
March	<ul style="list-style-type: none"> → Review of Committee Terms of Reference → Full review of remuneration policy, compensation frameworks, structures and governance
June	<ul style="list-style-type: none"> → 2010/11 payround review → Risk, financial performance and regulatory updates
September	<ul style="list-style-type: none"> → Risk, financial performance and regulatory updates → Initial discussions on 2011 performance incentives funding → Remuneration structure and long-term incentive design → Approval of new compensation frameworks
November	<ul style="list-style-type: none"> → Risk, financial performance and regulatory updates → Structure and funding of 2011 performance incentives → Talent and succession planning

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How we make remuneration decisions

During 2011, the GRHRC established forward looking frameworks to assist with the planning and management of remuneration. The framework for each business unit includes key financial ratios achieved by Absa and its competitors. The frameworks are specifically designed to take account of underlying business unit performance and current and future affordability, and are used by the GRHRC to inform its decisions when approving aggregate remuneration spend, including performance incentives. The historical and 2011 compensation ratios for the Group framework are set out in table 3.

Overall performance incentive pools are determined for each business unit by the GRHRC on a discretionary basis, informed by these frameworks and the risk-adjusted financial and non-financial performance of each business unit and the Group. PBT, RoRWA and net income are considered for all business units, in addition to other industry-specific metrics which may be appropriate.

This analysis is supported by advice from the Group Financial Director and the Chief Risk Officer on the quality of earnings and performance from a risk perspective. The GRHRC also conducts sensitivity analysis on the impact of key performance metrics if the total performance incentive funding were to be adjusted upwards or downwards. The GRHRC takes all this analysis into account, as well as factors driving the long-term sustainability of the business, including strengthening capital, investing in the business and protecting the Absa franchise, in making a decision on the size of the total Group performance incentive pool.

The performance incentive pools are then divided and allocated to the principal business unit or product areas, on the same basis as the overall pools, taking into account the risk-adjusted performance of each area and team.

In linking pay to performance at an individual level, performance incentives are strongly differentiated on the basis of performance. The performance assessment process formally considers both quantitative and qualitative factors, including objectives linked to the overall strategy and adherence to relevant risk frameworks. Employee behaviour is considered in the context of the Absa values. This link helps to reinforce appropriate behaviours and so mitigate operational and reputational risks.

The resulting individual performance ratings have a direct impact on individual remuneration decisions. All individual remuneration decisions are benchmarked against the markets in which we compete for talent. This includes benchmarking against other leading South African financial services organisations and other companies, of a similar size and scope, listed on the JSE.

Detailed reviews are conducted by each team, business unit and function and at the Group level on both performance ratings and remuneration decisions to ensure decisions are consistent, fair and appropriate. Remuneration recommendations are analysed against budgets and by performance rating as well as diversity and inclusion principles. All reviews are cascaded upward through management channels with no individual participating in discussions or decisions relating to their own pay or performance rating.

The GRHRC approves the individual remuneration for any employee with an annual total remuneration equal to or in excess of a pre-determined threshold (R3,5 million in 2011). In addition, the remuneration of all senior managers and material risk takers, including senior finance, risk and compliance officers, is also reviewed by the GRHRC. The aggregate 2011 remuneration for senior managers and material risk takers can be found online.

A new framework, established during 2011, formalised the role and input of the Risk and Compliance functions in remuneration activities. As part of this framework, Group Risk provides regular updates on business performance from a risk perspective and reviews remuneration frameworks and the design and performance targets for incentive plans. Group Risk and Group Compliance also ensure that any material risk or compliance incidents are taken into consideration in the final performance assessment and remuneration decisions for senior managers and material risk takers. There were no material issues identified during or in respect of 2011.

Informed discretion plays an important role in all our remuneration decisions, as opposed to making exclusive use of formulaic approaches. Financial services is a complex and rapidly evolving business and it is essential that the GRHRC can exercise discretion, within a structured governance framework, in order to achieve appropriate compensation outcomes, which reflect the underlying health of the business and the shareholder value created.

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Table 3: 2011 and historical compensation framework ratios

Compensation framework ratio	2011 %	2010 %	2009 %	2008 %
Total compensation as a % of PBT (before total compensation)	46,7	49,4	51,6	40,6
Cost as a % of net income (total income less impairments)	64,8	67,9	71,3	58,5
Total compensation as a % of net income	30,6	31,4	31,7	28,2
RoRWA	2,35	1,99	1,97	2,58

Regulation

Absa is committed to the maintenance of robust remuneration arrangements that are in accordance with regulatory requirements, including the FSB Implementation Standards, the King III Corporate Governance Code and the FSA's Remuneration Code. Table 4 sets out details about the ways in which we comply with key regulatory principles.

Table 4: Remuneration regulation

Regulatory area	Absa practice
Scope and application	FSB Implementation Standards applied across the Group and remuneration arrangements consistent with the FSA's Remuneration Code. All remuneration arrangements considered in context of the King III Code. Senior managers and material risk takers and FSA Code Staff identified and made aware of the implications of their status.
Governance	GRHRC Terms of Reference updated to take account of regulatory and corporate governance developments. The GRHRC reviews the remuneration of all senior managers and material risk takers as well as any employee with total annual remuneration of R3,5 million or more.
Capital	Quantum of variable remuneration considered in the context of capital planning.
Guaranteed incentives	Guarantees are awarded by exception, only in the context of hiring and only in relation to the first year. Guaranteed incentives are subject to the same levels of deferral as discretionary incentives.
Risk-focused remuneration policies	Absa's policies, procedures and practices promote sound risk management. This is embodied in the remuneration policy and the Absa values. Risk and remuneration are linked through governance processes, performance incentive funding, the performance assessment process, performance metric selection, deferral structures and clawback provisions.
Deferral and payment in Absa shares	We operate high levels of deferral. For executive directors, Group Exco and other highly paid executives, at least 60% of performance incentives are delivered as deferred awards. For other senior managers and material risk takers, at least 40% of performance incentives are delivered as deferred awards. All other employees with a performance incentive above a specific threshold are subject to deferral on a scaled basis, with a minimum deferral rate of 30%. Deferred awards are delivered as phantom shares, normally released in equal portions over three years, dependent on future service and subject to clawback provisions.
Remuneration of control function staff	The remuneration of control function staff is not determined within the relevant business unit alone. Initial proposals are initiated by business unit management. Each Group-level function head has 'co-decision' rights in respect of performance assessment and direct remuneration decisions for senior employees within the control function. This ensures appropriate independence in setting the remuneration of control function staff.

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Our remuneration arrangements for 2011

The remuneration policy applies the same overarching principles and practices to all employees, including executive directors and other senior executives, though the exact structure and quantum of individual packages varies by business unit and role. During 2011 the GRHRC undertook a full review of the remuneration structure in place across the Group to ensure regulatory compliance, alignment with the strategic objectives and risk profile of the Group and simplicity of design. Tabl 5 summarises the key elements of Absa's remuneration arrangements for 2011.

We review all remuneration arrangements on a regular basis and may amend, remove or introduce plans, subject to shareholder approval where appropriate, to ensure that our arrangements support the objectives of the remuneration policy.

Table 5: Key elements of Absa's remuneration arrangements

Element	Strategic purpose	Summary
Fixed remuneration	To attract and retain talent in a competitive market and provide market competitive benefits	<ul style="list-style-type: none"> → Fixed remuneration is delivered to all employees based on their total cost to company, which includes base salary and all contributions to employee benefits, including: <ul style="list-style-type: none"> – the Absa Group Pension Fund, a defined contribution pension arrangement to which all employees must belong, as a condition of employment; – the Absa Group Life benefit, which includes a death-in-service benefit as well as temporary and permanent disability benefits; and – medical aid, which is a condition of employment unless an employee is a member of a spouse or partner's registered medical scheme. → Employees, subject to eligibility, may make voluntary allocations from their cost to company for a 13th cheque and motor vehicle benefits. → In addition to cost to company Absa pays a taxable cash medical subsidy (currently R7 200 per annum) to all employees, to assist with rising medical costs. → Cost to company is reviewed annually but increases are not guaranteed. → All employees' cost to company is benchmarked against the appropriate market and we generally aim to pay at the market median. → Where appropriate, based on the existence of key or critical skills, we may target an above median position to ensure we can attract and retain talented employees.
Performance incentives	To incentivise the delivery of annual goals at Group, business, team and individual levels	<ul style="list-style-type: none"> → Performance incentives are awarded annually on a discretionary basis, based on Group, business unit, team and individual performance. → The aggregate incentive pool is determined with reference to Group and business unit performance. This includes a range of risk-adjusted financial metrics, including PBT and RoRWA, and non-financial measures. → Individual incentives are strongly differentiated based on individual performance (both financial and non-financial). Adherence to applicable risk and control frameworks is part of performance assessment. → The structure of individual incentives may vary based on the amount and may include cash, paid in February 2012 following the announcement of 2011 results, and a deferred award (see below). → In 2011, 27 329 employees (85% of total employees) received a performance incentive.

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Element	Strategic purpose	Summary
Deferred awards	To align performance with shareholder value and to retain key senior employees	<ul style="list-style-type: none"> → Employees receiving a performance incentive above a specific threshold, receive a deferred award, dependent on future service and subject to clawback provisions. → Deferral levels typically range from 30% to 60%, depending on role and the value of the performance incentive. → 2012 deferred awards will be delivered as phantom share awards under the Deferred Award Plan (DAP). These awards normally vest in three equal portions on the first, second and third anniversaries of the grant. → For 2012 awards, financial performance conditions have been removed from all DAP awards because we believe that the link to share price and the clawback provisions provide appropriate performance linkage and risk-adjustment. Long-term incentive awards for senior executives will ensure that a significant proportion of total remuneration remains contingent on future performance (see below).
Long-term incentive awards	To reward execution against the strategy and the creation of sustained growth in shareholder value and align senior employees' goals with the long-term success of Absa	<ul style="list-style-type: none"> → Absa's most senior employees may receive long-term incentive awards. → We continually review the design of our long-term incentive arrangements to ensure that they are appropriately aligned to our strategic goals and provide appropriate incentive for longer-term performance. → The structure of arrangements may include both share and cash-based awards, as deemed appropriate by the GRHRC, based on our specific business and operating environments. All awards are structured in accordance with regulatory and corporate governance requirements. → All long-term incentive awards are subject to risk-adjusted performance conditions and clawback provisions over a three-year period. Awards only vests if the performance conditions are satisfied and then at the discretion of the GRHRC to ensure that awards only vest for performance. → Because it has been designed as a share plan, shareholder approval is being sought at the 2012 AGM for the new Absa Long-Term Incentive Plan (Absa LTIP), which will replace the PSP as our primary share-based long-term incentive arrangement. → The Absa LTIP is designed to reward execution against the Group strategy and the creation of sustained growth in shareholder value. Following shareholder approval, the GRHRC will consider making awards under the plan during 2012. Further details are included in the notice of meeting for the 2012 AGM. → The GRHRC may also consider cash-based LTIP arrangements from time to time that may not require shareholder approval but will be disclosed as required in the normal course of our remuneration reporting.

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Executive director and prescribed officers' remuneration

King III provides for the disclosure of the three most highly paid employees who are not directors. We believe that the disclosure of remuneration paid to executive directors, prescribed officers and other senior managers and material risk takers (as required under the Companies Act and the BCBS Pillar 3 requirements) is sufficient to provide stakeholders with evidence of the link between pay and performance and the alignment of remuneration with shareholder value.

Determination of performance incentives

For executive directors and prescribed officers, the individual performance assessment process measures absolute and relative financial performance against the prior year and against board-approved targets, as well as non-financial performance.

The key factors taken into consideration in assessing executive and overall performance over the year are set out below. From this it can be seen that the measurement of performance cannot simply be reduced to a formula; it is important that informed discretion is overlaid onto quantitative analysis.

Summary 2011 performance relating to our material issues

→ Sustainable financial viability

- PBT up 20% to R14 210 million.
- Headline earnings up 21% to R9 719 million.
- Cost-to-income ratio of 55,5% (improved from 56,2% in 2010).
- Cost growth limited to 6%, with sustainable cost containment measures.
- Headline earnings per share up 21% to 1 355,9 cents.
- Total dividend up 50% to 684 cents.
- Group total capital adequacy ratio of 16,7%.
- Strengthened balance sheet, improving the Group's Core Tier 1 ratio to 13%.
- Credit loss ratio improved to 1,01% (from 1,18%) with the impairment charge improving by 15% on 2010.
- RoE of 16,4% and RoRWA of 2,35%, both improved from 2010 and favourable to plan.
- Adherence to control frameworks has generally been good and improved compared to 2010.

→ System and process effectiveness

- Significant progress in rolling out the target operating model in functional areas.
- Progress made on end-to-end processes to improve turnaround time and customer service.

→ Customer experience

- Further progress needed to reach customer satisfaction goals and complaint resolution processes.
- Fraud halved and related customer losses decreased by 82%.

→ Our people

- Talent retention and succession planning improved, with internal promotions and transfers up to 55% from 36%.
- Skills development spend increased to 5% of leviabile payroll spend.
- Employee behaviour is considered against the Absa values as part of the performance assessment process for each individual.

→ Economic equity

- Entry-level customers increased from 7,2 million to 7,4 million.
- Affordable Housing grew its loan book by 10,5% and added R1,5 billion in new home loans.
- Absa's BBBEE recognition level was maintained at Level 3.

Performance is assessed against these factors to determine an individual performance rating. This rating drives a discretionary decision on the quantum of each individual's performance incentive. This is then benchmarked against market data for peers at other banks, financial services organisations and other industrial companies listed on the JSE and moderated as appropriate.

Structure of performance incentives

Maria Ramos received all of her 2011 performance incentive as a deferred award, vesting in three equal portions in 2013, 2014 and 2015.

As required by the FSA's Remuneration Code, performance incentives for Louis von Zeuner, David Hodnett and Stephen van Coller were delivered 20% in cash in February 2012, 20% in phantom shares released after six months and 60% as a deferred award, vesting over three years.

Willie Lategan and Bobby Malabie received their performance incentives 40% in cash in February 2012 and 60% as a deferred award, vesting over three years.

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Remuneration awarded in 2011/12

Tables 7 and 8 set out the value of remuneration awarded to executive directors and prescribed officers for 2011/12. This is the total remuneration awarded for all services to the Absa Group. No employee receives additional remuneration from Barclays or any of Absa's subsidiary companies.

In addition to the remuneration awarded in 2011/12, executive directors and prescribed officers received other payments during 2011 from vested deferred and long-term incentive awards, made in respect of prior years' performance. For executive directors, the initial value of these awards was disclosed in prior years, at the time they were awarded. The value of these payouts and the number of shares outstanding under these awards is set out in table 9.

No executive directors or current prescribed officers received increases to their fixed remuneration in the April 2011 pay review. They have not had increases to their fixed remuneration since April 2010. The total fixed remuneration figures in tables 7 and 8 show an increase for 2011 compared to 2010, as these reflect the increases they received after the first three months of 2010, in April. Gavin Opperman received an increase in his fixed remuneration in April 2011.

Table 6: Reconciliation between remuneration paid and awarded in 2011

	Paid in 2011	Payable in 2012	Payable over 2013 – 2015
Remuneration awarded (tables 7 and 8)	<ul style="list-style-type: none"> → Fixed remuneration (salary and benefits) received monthly; and → payment in lieu of accrued leave (the number of leave days which employees may hold is capped and any days accrued above the cap are paid to the employee in cash). 	<ul style="list-style-type: none"> → 2011 cash performance incentive paid in February 2012; and → 2011 performance incentive in phantom shares, granted February 2012 and released in August 2012. 	<ul style="list-style-type: none"> → Deferred award over phantom shares granted in February 2012 and released in three equal portions in February 2013, 2014 and 2015, dependent on continued service over this period and subject to clawback provisions.
Payouts from long-term awards made in prior years (table 9)	<ul style="list-style-type: none"> → Payments from deferred awards made in 2010 under DAP; → payments from PSP awards made in 2008; → payments from deferred bonus awards made under the Executive Share Award Scheme (ESAS) in 2008; and → gains on options exercised from Share Option Scheme (SOS) awards, originally granted in 2004 and 2005 and which vested in 2009 and 2010 		

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Remuneration disclosures contained in the remuneration review form part of the standard disclosures required in the Group's audited annual financial statements. These disclosures have been indicated as audited with a blue line:

- Table 7: Executive directors' 2011/12 remuneration set out on page 12.
- Table 8: Prescribed officers' 2011/12 remuneration set out on page 13.
- Table 9: Payments from prior years' deferred awards and long-term incentives and outstanding share plan and long-term incentive awards set out on pages 15 and 16.
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Table 7: Executive directors' 2011/12 remuneration

	D W P Hodnett ²		M Ramos		L L von Zeuner		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	R	R	R	R	R	R	R	R
Directors' fees ¹	—	—	—	37 922	—	37 922	—	75 844
Salary	3 056 877	2 484 240	6 070 244	5 948 781	3 930 748	3 789 461	13 057 869	12 222 482
Medical aid	83 268	63 370	64 716	59 100	84 804	76 044	232 788	198 514
Retirement benefits	251 852	204 321	492 593	482 419	322 222	310 185	1 066 667	996 925
Other employee benefits	31 158	22 281	29 740	29 557	88 008	105 302	148 906	157 140
Total fixed remuneration	3 423 155	2 774 212	6 657 293	6 557 779	4 425 782	4 318 914	14 506 230	13 650 905
Performance incentive – cash	1 800 000	2 450 000	—	2 275 000	2 500 000	3 850 000	4 300 000	8 575 000
– phantom shares after six months	1 800 000	—	—	2 275 000	2 500 000	—	4 300 000	2 275 000
Initial value of deferred award ³	5 400 000	4 550 000	14 000 000	8 450 000	7 500 000	7 150 000	26 900 000	20 150 000
Total remuneration	12 423 155	9 774 212	20 657 293	19 557 779	16 925 782	15 318 914	50 006 230	44 650 905
Pay in lieu of leave	—	—	—	—	91 512	88 093	91 512	88 093

Notes

¹The practice of paying directors' fees to executive directors was discontinued in April 2010. M Ramos and L L von Zeuner received directors' fees for the first three months of 2010 after which they were incorporated into fixed remuneration.

²D W P Hodnett joined the board in March 2010 and did not receive any directors' fees. His 2010 fixed remuneration in table 7 reflects the 10 months of the year he served as an executive director. His performance incentives reflect the full amount awarded in respect of 2010/11.

³Deferred awards are delivered as phantom shares vesting over three years, dependent on future service and subject to clawback provisions.

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Table 8: Prescribed officers' 2011/12 remuneration

	W T Lategan		B A Malabie ¹		G R Opperman ²		S van Coller		Total	
	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R	2011 R	2010 R
Salary	2 494 712	2 456 458	2 706 836	2 281 386	2 566 667	2 145 140	2 955 453	2 733 105	10 723 668	9 616 089
Medical aid	92 544	84 516	64 716	28 160	21 252	21 492	92 544	84 516	271 056	218 684
Retirement benefits	207 408	203 704	222 222	185 185	194 445	174 074	244 445	225 920	868 520	788 883
Other employee benefits	79 001	12 523	39 013	19 923	8 919	10 195	14 851	13 648	141 784	56 289
Total fixed remuneration	2 873 665	2 757 201	3 032 787	2 514 654	2 791 283	2 350 901	3 307 293	3 057 189	12 005 028	10 679 945
Performance incentive – cash	2 200 000	1 925 000	1 600 000	980 000	—	1 871 000	3 000 000	5 775 000	6 800 000	10 551 000
– phantom shares after six months	—	—	—	—	—	—	3 000 000	—	3 000 000	—
Initial value of deferred award ³	3 300 000	3 575 000	2 400 000	1 820 000	—	2 600 000	9 000 000	10 725 000	14 700 000	18 720 000
Total remuneration	8 373 665	8 257 201	7 032 787	5 314 654	2 791 283	6 821 901	18 307 293	19 557 189	36 505 028	39 950 945
Pay equal to six months fixed remuneration	—	—	—	—	1 500 000	—	—	—	1 500 000	—
Pay in lieu of leave	—	—	—	—	1 136 857	—	—	—	1 136 857	—

Notes

¹B A Malabie joined Absa on 1 March 2010. The 2010 remuneration was paid in respect of the period he was employed.

²G R Opperman (Chief Executive, Retail Bank) was a prescribed officer until 30 November 2011, when he left Absa. On leaving, he received pay equal to six months' cost to company and the value of all accrued leave. He did not receive an annual performance incentive in respect of 2011.

³Deferred awards are delivered as phantom shares vesting over three years, dependent on future service and subject to clawback provisions.

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Outstanding share plan and long-term incentive plan awards

Absa operates a number of share plans to align the interests of employees with shareholders and the execution of the strategy. Table 9 summarises the interests of each executive director and prescribed officer in long-term plans operated by Absa. This includes:

- prior years' deferred awards under DAP and ESAS (the bonus deferral scheme in place from 2006 to 2010);
- retention awards made in 2010 under the Key Leaders' Retention Plan (KLP); and
- long-term incentives under SOS and PSP.

The details of the structure of each plan are set out in tables 16 and 17. Table 10 summarises the three-year performance conditions set at grant on DAP, PSP and KLP awards.

The outcomes of the 2008 – 2010 and 2009 – 2011 cycle PSP awards demonstrate the link in place between pay and performance:

- The attributable earnings performance condition on the 2008 – 2010 cycle PSP Plan 1 awards was not met and the total shareholder return (TSR) performance condition was met in full. As a result, awards vested in February 2011 at 1,5 times the initial value (the maximum was 3 times). 50% of the maximum awards vested to participants, while 50% (R125 million) lapsed. In table 9, the shares released under the PSP during 2011 reflect the number of shares which vested to executive directors and prescribed officers at the 1,5 multiple.
- The attributable earnings performance condition on the 2008 – 2010 cycle PSP Plan 2 awards was not met and all awards, due to vest in February 2011, lapsed in full (R145 million).
- For the 2009 – 2011 cycle PSP awards, the attributable earnings growth performance condition was not met. As a result, all awards, due to vest in 2012, will lapse in full (R191 million).

There are no outstanding awards under the PSP and it is proposed that it is replaced with the Absa LTIP, subject to approval of the plan by shareholders at the 2012 AGM.

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Table 9: Payments from prior years' deferred awards and long-term incentives and outstanding share plan and long-term incentive awards

	Number of shares under award/option at 1 January 2011	Number of shares awarded during 2011	Strike price for shares under option (R)	Share price on award (R)	Number of shares released/exercised during 2011
Executive directors					
D W P Hodnett					
ESAS 2008	5 955			105	
ESAS 2009	7 880			95	
DAP 2010	24 508			133	8 169
DAP 2011		34 332		133	
PSP Plan 1 2008	17 034			117	25 551
PSP 2009	31 522			95	
JSAP 2008	5 556			117	5 556
KLP 2010 ¹	22 574			133	
Total value of releases					
M Ramos					
2010 incentive in shares		17 166		133	17 166
DAP 2010	40 845			133	13 615
DAP 2011		63 760		133	
KLP 2010 ¹	30 098			133	
Total value of releases					
L L von Zeuner					
SOS 2004	102 000		52		
SOS 2005	60 000		92		
ESAS 2008	23 820			105	23 820
ESAS 2009	21 015			95	
DAP 2010	49 016			133	16 338
DAP 2011		53 951		133	
PSP Plan 1 2008	60 028			105	90 042
PSP 2009	69 349			95	
KLP 2010 ¹	30 098			133	
Total value of releases					
Prescribed officers					
W T Lategan					
SOS 2005	20 000		92		
ESAS 2008	8 337			105	8 337
ESAS 2009	9 850			95	
Voluntary ESAS bonus shares	516			116	516
DAP 2010	22 058			133	7 352
DAP 2011		26 976		133	
PSP Plan 1 2008	19 056			105	28 584
PSP 2009	31 522			95	
KLP 2010 ¹	22 574			133	
Total value of releases					
B A Malabie²					
DAP 2011		13 733		133	
KLP 2010 ¹		16 767		134	
JSAP 2010	17 869			133	7 148
Total value of releases					
S van Coller					
ESAS 2008	35 731			105	35 731
ESAS 2009	39 403			95	
DAP 2010	56 557			133	18 852
DAP 2011		80 926		133	
KLP 2010 ¹	22 574			133	
Total value of releases					
Former prescribed officer – G R Opperman					
SOS 2005	13 334		92		13 334
ESAS 2008	4 406			105	4 406
ESAS 2009	3 414			95	
DAP 2010	14 705			133	4 901
DAP 2011		19 619		133	
PSP Plan 1 2008	9 528			105	14 292
PSP Plan 2 2008	9 420			106	
PSP 2009	10 507			95	
KLP 2010 ¹	22 574			133	
JSAP 2011		108 611		129	
Total value of releases					

Notes

¹The share-based portions of the KLP awards are shown in the table above. 50% of the award is over deferred cash, subject to a PBT performance condition linked to the One Absa strategy. The value of the deferred cash portions are as follows: M Ramos (R4 000 000); L L von Zeuner (R4 000 000); D W P Hodnett (R3 000 000); S van Coller (R3 000 000); W T Lategan (R3 000 000); and B A Malabie (R2 250 000). The cash portion of G R Opperman's award lapsed on leaving.

²In addition to the awards above, B A Malabie has 25 011 shares under award in the Absa HDSA Employees Trust. The Absa HDSA Employees Trust is not an incentive arrangement, but forms part of Absa's BBBEE arrangements. Full details are set out in table 16.

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Market price on release/ exercise date (R)	Value of release/ exercise (R)	Value of dividends released (R)	Value of bonus shares released (ESAS only) (R)	Number of shares/ options lapsed in 2011	Number of shares under award/ option at 31 December 2011	End of performance period	Last exercise/ scheduled vesting date
					5 955	23/02/2011	23/02/2013
					7 880	20/02/2012	20/02/2014
133	1 118 990	36 352			16 339	31/12/2012	20/02/2013
					34 332	31/12/2013	20/02/2014
132	3 886 182	342 514			—	31/12/2010	23/02/2011
					31 522	31/12/2011	20/02/2012
129	815 399	100 841			—	31/03/2011	31/03/2011
					22 574	31/12/2012	01/03/2013
	5 820 571	479 707					
132	2 350 385	90 825			—	20/08/2011	20/08/2011
133	1 864 983	60 587			27 230	31/12/2012	20/02/2013
					63 760	31/12/2013	20/02/2014
					30 098	31/12/2012	01/03/2013
	4 215 368	151 412					
					102 000	19/08/2009	19/08/2014
					60 000	18/08/2010	18/08/2015
131	4 305 587	569 373	622 702		—	23/02/2011	23/02/2013
					21 015	20/02/2012	20/02/2014
133	2 237 979	72 704			32 678	31/12/2012	20/02/2013
					53 951	31/12/2013	20/02/2014
132	13 697 922	1 208 895			—	31/12/2010	23/02/2011
					69 349	31/12/2011	20/02/2012
					30 098	31/12/2012	01/03/2013
	20 241 488	1 850 972	622 702				
					20 000	18/08/2010	18/08/2015
135	1 586 031	205 774	225 378		—	23/02/2011	23/02/2013
					9 850	20/02/2012	20/02/2014
135	69 428				—	28/02/2011	28/02/2013
133	1 007 077	32 716			14 706	31/12/2012	20/02/2013
					26 976	31/12/2013	20/02/2014
132	4 348 147	383 562			—	31/12/2010	23/02/2011
					31 522	31/12/2011	20/02/2012
					22 574	31/12/2012	01/03/2013
	7 010 683	622 052	225 378				
					13 733	31/12/2013	20/02/2014
129	967 553	48 249			16 767	31/12/2012	01/03/2013
					10 721	31/03/2014	31/03/2014
	967 553	48 249					
132	6 522 550	863 215	943 201		—	23/02/2011	23/02/2013
					39 403	20/02/2012	20/02/2014
133	2 582 347	83 891			37 705	31/12/2012	20/02/2013
					80 926	31/12/2013	20/02/2014
					22 574	31/12/2012	01/03/2013
	9 104 897	947 106	943 201				
138	622 031				—	18/08/2010	18/08/2015
130	790 709	104 034	114 424		—	23/02/2011	23/02/2013
					3 414	20/02/2012	20/02/2014
133	671 339	21 809			9 804	31/12/2012	20/02/2013
					19 619	31/12/2013	20/02/2014
132	2 173 479	191 386			—	31/12/2010	23/02/2011
				9 420	—	31/12/2010	23/02/2011
					10 507	31/12/2011	20/02/2012
					22 574	31/12/2012	01/03/2013
				84 475	24 136	31/03/2014	31/03/2014
	4 257 558	317 229	114 424				

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Table 10: Performance conditions attached to the long-term plans in which executive directors and prescribed officers participate

Scheme	Performance target	Actual performance
PSP 2008 – 2010 (plan 1)	<p>A performance underpin that cumulative PAT over the performance period must exceed cumulative PAT over the prior three-year performance period (2005 – 2007).</p> <p>Following achievement of the underpin:</p> <ul style="list-style-type: none"> → 50% of the award was subject to nominal attributable earnings growth. No value vested for less than 10% growth over the performance period and the maximum multiple of three times the initial award vested if attributable earnings growth was 20% over the performance period; and → 50% of the award was subject to TSR based on performance against the financial and industrial (FINI) 15 index. No value vested for performance below the FINI 15 index and the maximum multiplier of three times the initial awards vested if TSR outperformed the FINI 15 index by 10%. 	<ul style="list-style-type: none"> → PAT for the 2008 – 2010 period was R27 408 million, which was higher than the PAT for the 2005 – 2007 period (R24 509 million) so the underpin was met. → Nominal attributable earnings growth over 2008 – 2010 was negative 9,4%, meaning that the performance condition was not met. 50% of the total awards lapsed. → The TSR condition was met. Absa's TSR for the three-year performance period was 13,46% per annum (FINI 15 index plus 10,67%). 50% of awards vested at the maximum multiplier of three times. → The total awards vested at 1,5 times the initial value in February 2011.
PSP 2008 – 2010 (plan 2)	<p>A performance underpin that cumulative PAT over the performance period must exceed cumulative PAT over the prior three-year performance period (2005 – 2007).</p> <p>Following achievement of the underpin, the compound annual growth in attributable earnings over the performance period must exceed the average consumer price index (CPI) over the performance period.</p>	<ul style="list-style-type: none"> → PAT for the 2008 – 2010 period was R27 408 million, which was higher than the PAT for the 2005 – 2007 period (R24 509 million) so the underpin was met. → Compound annual growth in attributable earnings between 2008 and 2010 was negative 5,4%, below average CPI of 7,4% over the same period so the performance condition was not met. Awards lapsed in full in February 2011.
PSP 2009 – 2011	<p>A performance underpin that cumulative PAT over the performance period must exceed cumulative PAT over the prior three-year performance period (2006 – 2008).</p> <p>Following achievement of the underpin, compound annual growth in attributable earnings over the performance period must exceed the average CPI over the performance period.</p>	<ul style="list-style-type: none"> → PAT for the 2009 – 2011 period was R26 275 million, which was lower than the PAT for the 2006 – 2008 period (R29 608 million) so the underpin was not met. → Compound annual growth in attributable earnings between 2009 and 2011 was negative 3,2%, below average CPI of 5,5% over the same period so the performance condition was not met. → Awards will lapse in full in 2012.
DAP 2010 – 2013	<p>RoE must equal or exceed cost of equity (CoE) for each portion to vest.</p>	<ul style="list-style-type: none"> → In 2010, RoE of 15,1% exceeded the CoE of 14,0%, so the first portion of awards vested in February 2011. → In 2011, RoE of 16,4% exceeded the CoE of 14,0%, so the second portion of awards vested in February 2012. → To be measured at the end of 2012 for vesting of the third portion of awards.
DAP 2011 – 2014	<p>RoE must equal or exceed CoE for each portion to vest.</p>	<ul style="list-style-type: none"> → In 2011, RoE of 16,4% exceeded the CoE of 14,0%, so the first portion of awards vested in February 2012. → To be measured at the end of 2012 and 2013 for vesting of the second and third portions of awards.
KLP 2010 – 2012	<p>50% of the award is cash-based and subject to a performance measure linked to the PBT objective of the One Absa strategy. A scaled target was set by the GRHRC.</p> <p>The remaining 50% of the award is over phantom shares and is linked to movements in the share price over the performance period and subject to clawback provisions.</p>	<ul style="list-style-type: none"> → The performance condition for the cash portion to be measured at vesting in March 2013.

Online remuneration review

Service contracts

Details of executive director and prescribed officers' contract terms are shown in table 11.

Executive directors and prescribed officers are employed on permanent contracts of employment, which do not have a fixed term but typically provide for a notice period of six months. These contracts allow for termination with contractual notice from the Group. The GRHRC's approach when considering payments in the event of termination is to take account of the individual circumstances, including the reason for termination, contractual obligations and the applicable rules of any share plans. In cases of gross misconduct, neither notice nor any payments are given. All executive director and prescribed officers' service contracts are being reviewed during 2012 to ensure that key terms of employment, including notice periods, are appropriate.

Special termination arrangements are in place for Louis von Zeuner, entered into in 2008 to ensure continuity during the transition to a new Group Chief Executive. Following the announcement on 1 February 2012 regarding his retirement as an executive director, these arrangements will mature and the benefits detailed in table 11 will be payable.

Table 11: Contract terms and appointment dates

	Board appointment date	Notice period	Potential compensation for loss of office
Executive directors			
D W P Hodnett	1 March 2010	6 months	6 months fixed remuneration (cost to company)
M Ramos	1 March 2009	6 months	6 months fixed remuneration (cost to company)
L L von Zeuner	1 September 2004	6 months	<ul style="list-style-type: none"> → A termination payment of at least R12,35 million; → 6 months fixed remuneration (cost to company) while on special leave; and → Eligible leaver treatment on all share and share-based awards made up to and including 28 February 2009.
Prescribed officers			
W T Lategan		6 months	6 months fixed remuneration (cost to company)
B A Malabie		6 months	6 months fixed remuneration (cost to company)
S van Coller		3 months	3 months fixed remuneration (cost to company)

Group Chairman and non-executive directors

The Group Chairman and non-executive directors receive fees which reflect the specific responsibilities relating to their membership of the board and board committees. The Group Chairman receives a single retainer fee for his role. Non-executive directors receive a fixed fee for board membership and additional fees for membership of each board committee, with premia paid to the chairmen of the board committees. Set fees are also payable for special or ad hoc board or committee meetings and consultancy work. All non-executive directors, regardless of independence or length of service, are subject to the same fee structure and neither the Group Chairman nor the non-executive directors receive any performance-related pay or other benefits.

The same robust governance processes applied to executive remuneration are applied to non-executive remuneration, including benchmarking against the appropriate market. Fees are reviewed each year by the Directors' Affairs Committee and the Group Chairman and Group Chief Executive and are then recommended by the board to shareholders for approval. During 2011, fees have been benchmarked against the relevant market and an increase is proposed for 2012 to ensure market competitiveness. Full details are set out in the 2012 notice of AGM.

Details of the fees received by the non-executive directors during 2011 are set out in table 12.

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Table 12: Group Chairman and non-executive directors' fees

	Absa Group Limited R	Absa Bank Limited R	Absa board committees and sub-committees R	Subsidiary boards, board committees and trusts R	Other ⁵ R	2011 Total R	2010 Total R
Group Chairman							
G Griffin ¹	—	—	—	—	—	3 616 667	1 770 243
Non-executive directors							
C Beggs	219 333	219 333	760 900	64 800	—	1 264 366	294 491
B P Connellan	195 333	195 333	391 650	55 150	76 700	914 166	643 211
Y Z Cuba	219 333	219 333	224 725	—	—	663 391	584 597
S A Fakie	219 333	219 333	242 050	—	—	680 716	474 255
M J Husain	219 333	219 333	280 767	—	—	719 433	541 095
A P Jenkins ²	219 333	219 333	245 833	—	—	684 499	554 338
R Le Blanc ²	219 333	219 333	234 567	—	—	673 233	541 095
P B Matlare ⁴	38 600	38 600	—	—	—	77 200	—
T M Mokgosi-Mwantembe	196 433	196 433	85 333	122 767	—	600 966	477 596
E C Mondlane, Jr	219 333	219 333	122 300	455 480	—	1 016 446	844 024
T S Munday	219 333	219 333	854 533	—	70 100	1 363 299	1 008 116
S G Pretorius	219 333	219 333	274 833	14 367	13 500	741 366	574 465
I R Ritossa ^{2,4}	58 067	58 067	29 850	—	—	145 984	—
B J Willemse	196 433	196 433	294 267	—	63 500	750 633	597 707
Past directors							
D C Arnold ⁶	78 533	78 533	311 456	—	—	468 522	1 153 085
M W Hlahla ⁶	78 533	78 533	51 767	—	—	208 833	486 021
B C M M de Vitry ^{2,3}	138 367	138 367	115 683	—	—	392 417	459 853
Total	2 954 296	2 954 296	4 520 514	712 564	223 800	14 982 137	11 004 192

Notes

¹G Griffin was appointed Group Chairman on 1 October 2010. His 2010 fees reflect the fact that his fee as Group Chairman was paid for three months and non-executive director fees for nine months of 2010.

²The fees for the Barclays non-executive directors (A P Jenkins, R Le Blanc, I R Ritossa, B C M M de Vitry) were paid to Barclays and not to the individuals.

³B C M M de Vitry ceased to be a non-executive director on 21 September 2011. He did not receive a termination payment.

⁴I R Ritossa was appointed to the board on 21 September 2011 and P B Matlare was appointed to the board on 5 December 2011. The fees in this table were paid in respect of the periods they served as directors.

⁵Other fees includes fees for ad hoc and special board and board committee meetings and other consultancy work.

⁶D C Arnold and M W Hlahla ceased to be directors on 21 April 2011. They did not receive termination payments.

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Aggregate remuneration of senior managers and material risk takers

Tables 13 to 15 set out the aggregate 2011 remuneration of senior managers and material risk takers in Absa in accordance with the BCBS Pillar 3 remuneration disclosure requirements.

Senior managers are defined as members of the Exco and other individuals with management responsibility for a material portion of the business. Other material risk takers are defined as the heads of key control functions and individuals responsible for setting trader mandates and risk and stop loss limits.

In 2011, a total of 36 individuals were classified as senior managers and 25 individuals as other material risk takers.

Table 13: Aggregate 2011 remuneration of senior managers and material risk takers by remuneration type

Total value of remuneration for 2011 performance year	Senior managers (Rm)	Material risk takers (Rm)
Fixed remuneration	92	51
Variable remuneration (cash)	40	26
Variable remuneration (phantom shares after six months)	7	—
Deferred remuneration (phantom shares over three years)	76	34
Total 2011 remuneration and deferred remuneration	215	111

Table 14: Additional disclosures on deferred remuneration of senior managers and material risk takers

Total value of outstanding deferred remuneration (share-based awards)	Senior managers (Rm)	Material risk takers (Rm)
Unvested deferred remuneration outstanding at the beginning of 2011	225	84
Deferred remuneration awarded in 2011	87	48
Deferred remuneration increased in 2011 through performance adjustments	16	1
Deferred remuneration reduced in 2011 through performance adjustments	(11)	(4)
Deferred remuneration vested in year	(93)	(27)
Deferred unvested remuneration outstanding at the end of 2011	224	103

All values in table 14 are based on a share price of R141,06 (the daily volume weighted average price of an ordinary Absa share trading on the JSE as at 31 December 2011).

Table 15: Other remuneration disclosures

Total value of awards in 2011 performance year	Rm
Total guaranteed bonuses (11 individuals)	15
Total sign-on awards (93 individuals)	19
Total severance awards (26 individuals)	13

Guaranteed bonuses are made by exception in the context of hiring and only in relation to the first year. All guaranteed bonuses are funded from the total performance incentive pools and subject to the same levels of deferral as discretionary incentives. Sign-on awards are made in the context of new hiring only.

The severance awards in table 15 are the ex-gratia severance payments made on termination. This does not include our contractual obligations on termination, including standard payments for notice and accrued leave.

Online remuneration review

Summary of share plans and other long-term incentive plans

Absa operates a number of current and legacy share plans and long-term incentive plans. Details of current plans in operation are included in table 16. The details of legacy plans with outstanding awards are included in table 17.

Table 16: Summary of Absa share plans and long-term incentive plans currently in operation

Plan name	Employees eligible	Delivery	Design details
Deferred Award Plan (DAP)	All employees (including executive directors and prescribed officers) but typically those whose performance incentives are above a set threshold	Phantom Absa shares released in three equal portions	<ul style="list-style-type: none"> → Plan typically used for delivery of deferred awards. → Phantom Absa share awards vest over three years, in equal annual portions, dependent on future service. → Vesting is subject to clawback provisions. → Awards are settled in cash based on a 20-day volume-weighted average share price immediately preceding the vesting date. → Dividends that would normally be received may be awarded as additional phantom shares and released with each portion of the award. → On cessation of employment, eligible leavers normally retain awards subject to GRHRC discretion. For other leavers awards normally lapse.
Joiners Share Award Plan (JSAP)	All employees (including executive directors and prescribed officers) Typically only used for new joiners	Phantom Absa shares with flexible vesting dates	<ul style="list-style-type: none"> → Plan typically used to deliver phantom share awards to new joiners as a buy-out of awards forfeited on leaving their previous employer. → The plan has flexible vesting dates. The vesting profile applied to buy-outs replicates those which applied to the forfeited awards. → Awards settled in cash based on a 20-day volume-weighted average share price immediately preceding the vesting date. → Dividends that would normally be received may be awarded as additional phantom shares and released with each instalment of the award. → On cessation of employment, eligible leavers normally retain awards subject to GRHRC discretion. For other leavers awards normally lapse.
Batho Bonke Capital (Proprietary) Ltd (Absa HDSA Employees Trust)	Employees qualifying as 'historically disadvantaged'	Shares vesting in 2012	<ul style="list-style-type: none"> → BBBEE arrangement with Batho Bonke Capital (Proprietary) Ltd approved by shareholders in 2004. → Employees from 'historically disadvantaged South African' (HDSA) groups awarded shares as a proportion of the total shares held by the Trust. → Awards held in Absa HDSA Employees Trust on behalf of the beneficiaries. → Shares scheduled to vest in 2012 subject to the approval of the board of Batho Bonke Capital (Proprietary) Ltd and the trustees. → On cessation of employment, eligible leavers normally retain awards. For other leavers awards normally lapse.

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Table 17: Summary of legacy Absa share plans and long-term incentive plans with outstanding awards

Plan name	Last awards made	Employees eligible	Delivery	Design details
Share Option Scheme (SOS)	No awards made since 2006 SOS replaced with PSP in 2006	Selected employees (including executive directors and prescribed officers)	Share option awards	<ul style="list-style-type: none"> → All awards have vested and all outstanding options will expire by 2015. → Participants have until the 10th anniversary of the date of grant to exercise awards. → On cessation of employment, eligible leavers normally retain awards. For other leavers awards normally lapse.
Performance Share Plan (PSP)	No awards made since 2009 No long-term incentive awards made in 2010 or 2011 New share-based long-term incentive plan, Absa LTIP, proposed for 2012	Selected employees (including executive directors and prescribed officers)	Phantom Absa shares that vest after three years, subject to performance conditions	<ul style="list-style-type: none"> → Long-term incentives awards made on a discretionary basis between 2006 and 2009. → Absa performance over three years determined the level of awards released to each participant. → PSP 2006, PSP 2007 and PSP 2008 (Plan 1) had a multiplier of three times subject to the achievement of stretching performance conditions. → Dividends that would normally have been received may be awarded as additional phantom shares and released on vesting. → 2006 and 2007 cycles were cash settled plans based on a 20-day volume-weighted average share price immediately preceding the vesting date. → 2008 and 2009 cycles were equity settled plans. → On cessation of employment, eligible leavers normally retain awards pro rated for time and performance. For other leavers awards will normally lapse. → 2007, 2008 (Plan 2) and 2009 awards lapsed in 2010, 2011 and 2012 respectively as the performance conditions were not met.

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Plan name	Last awards made	Employees eligible	Delivery	Design details
Executive Share Award Scheme (ESAS)	No awards made since 2010 ESAS replaced with Deferred Award Plan (DAP) in 2010	All employees (including executive directors and prescribed officers)	Deferred Absa shares awarded as mandatory bonus deferral	<ul style="list-style-type: none"> → Plan used for mandatory deferral for annual bonus awards over a specific threshold between 2006 and 2010 (final awards are due to expire in 2015). → Awards vest after three years, at which point 'bonus shares' equal to 20% of the value of the initial award may be released. If the participant does not withdraw the award shares until the fifth anniversary, a further 10% 'bonus shares' may be released. → Dividends that would normally have been received may be awarded as additional shares and released on vesting. → Awards made in 2005 and 2006 were settled in cash and awards made in 2008 and 2009 were settled in equity. → On cessation of employment, eligible leavers normally retain awards. For other leavers awards will normally lapse. → Participants could also elect to voluntarily defer additional amounts of variable remuneration (after payment of tax) into Voluntary ESAS (VESAS). → VESAS awards are releasable to the participant at any time but 'bonus shares' are awarded in the same way as for mandatory ESAS if the participant does not withdraw the shares before the third or fifth anniversaries.

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Plan name	Last awards made	Employees eligible	Delivery	Design details
Key Leaders Retention Plan (KLP)	One-off retention initiative in 2010	Selected employees (including executive directors and prescribed officers)	Awards made 50% over cash subject to a performance condition and 50% over phantom Absa shares	<ul style="list-style-type: none"> → One-off retention initiative aimed at securing the services of the key leaders for a three year period. → Awards were targeted at key senior leaders with the ability to materially influence the execution of the One Absa strategy from 2010 to 2012. → 50% of award delivered as deferred cash, subject to the achievement of the PBT objective of the One Absa strategy over 2010 to 2012. Awards vest subject to a sliding scaled of PBT performance. → 50% of award delivered as deferred phantom Absa shares. → The value of dividends that would normally be received may be awarded as additional phantom shares and released on vesting. → Phantom share awards are settled in cash based on a 20-day volume-weighted average share price immediately preceding the vesting date. → Vesting is subject to clawback provisions. → No automatic eligible leaver treatment is applied to awards. The GRHRC determines leaver treatment at their absolute discretion, taking individual circumstances into account. → All outstanding awards vest in 2013.
Employee Share Ownership (ESOP) Trust	July 2004	All employees, regardless of race and gender, in employment on 1 July 2004	Employees allocated redeemable option-holding preference shares	<ul style="list-style-type: none"> → Broad-based employee ownership plan launched as part of Absa's BBBEE arrangements in 2004. → Each employee in the Group at 1 July 2004, was allocated 200 redeemable option-holding preference shares against the receipt of a R400 subscription price. → Options could be exercised at specific intervals, with the final opportunity to do so being 30 June 2009. → All awards have vested and the plan is closed.