ABSA BANK LIMITED
Registration number: 1986/004794/06
Authorised financial services and registered credit provider (NCRCP7)
Incorporated in the Republic of South Africa
ISIN: ZAE000079810
JSE share code: ABSP
(Absa, Absa Bank, the Bank or the Company)

ABSA BANK LIMITED: PROFIT AND DIVIDEND ANNOUNCEMENT
AUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED SALIENT FEATURES

31 December

	2011	2010(1)	Change	2009(1)
	(Audited)	(Audited)	%	(Audited)
Statement of comprehensive income(Rm)				
Headline earnings(2)	7 957	6 412	24	5 986
Profit attributable to 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 (%)(3)	87,0	91,0		94,5
Off-statement of financial position(Rm)				
Assets under management and administration(4)	22 741	21 861	4	31 534
Financial performance (%)				
Return on average equity(3)	15,8	14,2		14,4
Return on average assets(5)	1,13	0,93		0,83
Return on average risk-weighted assets(5)	2,07	1,71		1,68
Operating performance (%)				
Net interest margin on average interest-bearing assets(5)	3,80	3,62		3,46
Impairment losses on loans and advances as % of average loans and advances to customers(5)	1,00	1,12		1,65

Non-performing advances as % of loans and advances to customers(5)	6,9	7,5		6,8
Non-interest income as % of total operating income(3)	42,8	41,0		44,0
Cost-to-income ratio(3)	55,6	56,7		49,7
Effective tax rate, excluding indirect taxation	27,7	27,1		20,4
Share statistics (million)				
(including "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	8	676,5
Dividend cover (times)(3)	2,1	1,8		2,4
Net asset value per share(3)	14 058	12 955	9	11 606
Tangible net asset value per share(3)	13 871	12 781	9	11 464
Capital adequacy (%)(5)				
Absa Bank	16,2	14,8		14,7

Notes

(1) Comparatives have been reclassified. Refer to note 20.

(2) After allowing for R284 million (31 December 2010: R320 million) profit attributable to preference equity holders of the Bank.

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

(4) 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.

(5) These ratios are unaudited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December

		2011	2010(1)		2009(1)
		(Audited)	(Audited)	Change	(Audited)
		Rm	Rm	%	Rm
Assets					
Cash, cash balances and balances with central banks		19 505	17 343	12	15 526
Statutory liquid asset portfolio		57 473	48 215	19	33 943
Loans and advances to banks		55 803	26 251	>100	35 036
Trading portfolio assets		79 603	57 647	38	47 303
Hedging portfolio assets		4 299	4 662	(8)	2 558
Other assets		12 948	9 678	34	7 219
Current tax assets		84	5	>100	107
Non-current assets held for sale	1	35	-	100	-
Loans and advances to customers	2,3,4	486 910	495 733	(2)	501 050
Loans to Group companies		7 164	8 071	(11)	16 232
Investment securities		8 331	12 906	(35)	16 849
Investments in associates and joint ventures		412	406	1	473
Goodwill and intangible assets		700	643	9	522
Investment properties		1 840	1 771	4	1 705
Property and equipment		7 268	6 987	4	6 010
Deferred tax assets		61	92	(34)	86
Total assets		742 436	690 410	8	684 619
Liabilities					
Deposits from banks		44 702	21 740	>100	40 160
Trading portfolio liabilities		49 232	43 530	13	36 957
Hedging portfolio liabilities		2 456	1 881	31	565
Other liabilities		10 536	7 788	35	9 089
Provisions		1 457	1 533	(5)	1 486
Current tax liabilities		255	929	(73)	31

Deposits due to customers	5	431 762	382 131	13	360 216
Debt securities in issue	6	128 051	162 526	(21)	169 788
Loans from Group companies		1 438	-	100	3 464
Borrowed funds	7	14 051	13 649	3	13 530
Deferred tax liabilities		1 104	2 073	(47)	1 915
Total liabilities		685 044	637 780	7	637 201
Equity					
Capital and reserves					
Attributable to equity holders of the Bank:					
Ordinary share capital		303	303	-	303
Ordinary share premium		11 465	11 465	-	10 465
Preference share capital		1	1	-	1
Preference share premium		4 643	4 643	-	4 643
Retained earnings		37 217	32 449	15	29 340
Other reserves		3 605	3 704	(3)	2 566
		57 234	52 565	9	47 318
Non-controlling interest		158	65	>100	100
Total equity		57 392	52 630	9	47 418
Total liabilities and equity		742 436	690 410	8	684 619

Note

(1) Comparatives have been reclassified. Refer to note 20.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

		2011	2010	
		(Audited)	(Audited)	Change
		Rm	Rm	%
Net interest income		22 110	21 244	4
Interest and similar income	8.1	49 210	52 264	(6)
Interest expense and similar charges	8.2	(27 100)	(31 020)	13
Impairment losses on loans and advances	3	(4 876)	(5 578)	13
Net interest income after impairment losses on loans and advances		17 234	15 666	10
Non-interest income		16 514	14 787	12
Net fee and commission income		13 393	12 416	8
Fee and commission income	9.1	14 421	13 378	8
Fee and commission expense	9.1	(1 028)	(962)	(7)
Gains and losses from banking and trading activities	9.2	2 504	1 851	35
Gains and losses from investment activities	9.3	54	24	>100
Other operating income		563	496	14
Operating profit before operating expenditure		33 748	30 453	11
Operating expenditure		(22 462)	(21 180)	(6)
Operating expenses	10.1	(21 485)	(20 440)	(5)
Other impairments	10.2	(73)	(109)	33
Indirect taxation		(904)	(631)	(43)
Share of post-tax results of associates and joint ventures		47	(8)	>100
Operating profit before income tax		11 333	9 265	22
Taxation expense		(3 140)	(2 507)	(25)
Profit for the year		8 193	6 758	21

Other comprehensive income			
Foreign exchange differences on translation of foreign operations	218	(234)	>100
Movement in cash flow hedging reserve	(242)	1 153	>(100)
Fair value gains arising during the year	1 964	3 422	(43)
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	94	(449)	>100
Movement in available-for-sale reserve	(24)	170	>(100)
Fair value (losses)/gains arising during the year	(65)	150	>(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	(47)	19	>(100)
(Decrease)/increase in retirement benefit surplus	(66)	27	>(100)
Deferred tax	19	(8)	>100
Total comprehensive income for the year	8 098	7 866	3
Profit attributable to:			
Ordinary equity holder of the Bank	7 901	6 432	23
Preference equity holders of the Bank	284	320	(11)
Non-controlling interest	8	6	33
	8 193	6 758	21
Total comprehensive income attributable to:			
Ordinary equity holder of the Bank	7 806	7 540	4
Preference equity holders of the Bank	284	320	(11)
Non-controlling interest	8	6	33
	8 098	7 866	3
Earnings per share:			
Basic earnings per share (cents)	2 112,0	1 738,8	21
Diluted earnings per share (cents)	2 112,0	1 738,8	21

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

	2011		
	(Audited)		
	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
	Rm	Rm	Rm
Balance at the beginning of the year	52 565	65	52 630
Total comprehensive income for the year	8 090	8	8 098
Profit for the year	8 185	8	8 193
Other comprehensive income	(95)	–	(95)
Dividends paid during the year	(3 184)	–	(3 184)
Contribution to the Absa Group Limited Share Incentive Trust	(281)	–	(281)
Movement in the share-based payment reserve	44	–	44
Transfer from share-based payment reserve	–	–	–
Transfer from share-based payment reserve	(155)	–	(155)
Transfer to retained earnings	155	–	155
Value of employee services	44	–	44
Share of post-tax results of associates and joint ventures	–	–	–
Transfer to associates and joint ventures reserve	47	–	47
Transfer from retained earnings	(47)	–	(47)
Disposal of associates and joint ventures – release of reserves	–	–	–
Transfer to associates and joint ventures reserve	13	–	13
Transfer from retained earnings	(13)	–	(13)
Increase in the interest of non-controlling equity holders	–	21	21
Non-controlling interest arising from business combinations	–	64	64
Balance at the end of the year	57 234	158	57 392

	2010		
	(Audited)		
	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
	Rm	Rm	Rm
Balance at the beginning of the year	47 318	100	47 418
Total comprehensive income for the year	7 860	6	7 866
Profit for the year	6 752	6	6 758
Other comprehensive income	1 108	–	1 108
Dividends paid during the year	(3 420)	–	(3 420)
Shares issued	1 000	–	1 000
Contribution to the Absa Group Limited Share Incentive Trust	(236)	–	(236)
Movement in the share-based payment reserve	43	–	43
Transfer from share-based payment reserve	–	–	–
Transfer from share-based payment reserve	(46)	–	(46)
Transfer to retained earnings	46	–	46
Value of employee services	43	–	43
Share of post-tax results of associates and joint ventures	–	–	–
Transfer to associates and joint ventures reserve	(8)	–	(8)
Transfer from retained earnings	8	–	8
Disposal of associates and joint ventures – release of reserves	–	–	–
Transfer to associates and joint ventures reserve	60	–	60
Transfer from retained earnings	(60)	–	(60)
Increase in the interest of non-controlling equity holders	–	37	37
Non-controlling interest arising from business combinations	–	78	(78)
Balance at the end of the year	52 565	65	52 630

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

		2011	2010(1)	
		(Audited)	(Audited)	Change
		Rm	Rm	%
Net cash generated from operating activities		3 464	1 750	98
Net cash generated from investing activities		3 026	775	>100
Net cash utilised in financing activities		(3 465)	(3 156)	(10)
Net increase/(decrease) in cash and cash equivalents		3 025	(631)	>100
Cash and cash equivalents at the beginning of the year	1	4 773	5 403	(12)
Effect of exchange rate movements on cash and cash equivalents		0	1	(100)
Cash and cash equivalents at the end of the year	2	7 798	4 773	63
NOTES				
1. Cash and cash equivalents at the beginning of the year				
Cash, cash balances and balances with central banks		4 431	4 543	(2)
Loans and advances to banks		342	860	(60)
		4 773	5 403	(12)
2. Cash and cash equivalents at the end of the year				
Cash, cash balances and balances with central banks		7 226	4 431	63
Loans and advances to banks		572	342	67
		7 798	4 773	63

Note

(1) Comparatives have been reclassified. Refer to note 20.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December

1. NON-CURRENT ASSETS HELD FOR SALE

On 30 June 2011, the Bank, 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 Bank, 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 Bank, through its Corporate Real Estate business, concluded contracts for the sale of several properties during 2011, with transfer due to take place during 2012.

2. LOANS AND ADVANCES TO CUSTOMERS

	2011	2010(1)		2009(1)
	(Audited)	(Audited)	Change	(Audited)
	Rm	Rm	%	Rm
Cheque accounts	31 370	30 696	2	38 360
Corporate overdrafts and specialised finance loans	10 681	9 612	11	13 485
Credit cards	16 072	15 258	5	14 774
Foreign currency loans	8 564	5 602	53	6 659
Instalment credit agreements	57 246	56 874	1	58 181
Gross advances	68 401	67 424	1	68 551
Unearned finance charges	(11 155)	(10 550)	(6)	(10 370)
Reverse repurchase agreements	1 613	3 063	(47)	1 988
Loans to associates and joint ventures	7 909	8 025	(1)	7 878
Microloans	1 690	1 766	(4)	2 417
Mortgages	287 710	302 516	(5)	301 352
Other(2)	3 179	2 961	7	3 407
Overnight finance	12 320	7 647	61	12 340
Personal and term loans	26 324	25 262	4	18 705
Preference shares	6 973	6 637	5	7 967
Wholesale overdrafts	26 647	32 638	(18)	25 551
Gross loans and advances to customers	498 298	508 557	(2)	513 064

Impairment losses on loans and advances (refer to note 3)	(11 388)	(12 824)	11	(12 014)
	486 910	495 733	(2)	501 050

Notes

(1) Comparatives have been reclassified. Refer to note 20.

(2) Other includes client liabilities under acceptances and working capital solutions.

3. IMPAIRMENT LOSSES ON LOANS AND ADVANCES			
	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Balance at the beginning of the year	12 824	12 014	7
Amounts written off during the year	(5 787)	(4 574)	(27)
Foreign exchange differences	1	(2)	>100
Interest on impaired assets refer to note 8.1)	(1 176)	(766)	(54)
	5 862	6 672	(12)
Impairments raised during the year	5 526	6 152	(10)
Balance at the end of the year	11 388	12 824	(11)
Comprising:			
Identified impairments	10 618	11 936	(11)
Unidentified impairments	770	888	(13)
	11 388	12 824	(11)
3.1 Statement of comprehensive income charge for the year ended 31 December			
Impairments raised during the year	5 526	6 152	(10)
Identified impairments	5 642	6 303	(10)
Unidentified impairments	(116)	(151)	23
Recoveries of loans and advances previously written off	(650)	(574)	(13)
	4 876	5 578	(13)

4. NON-PERFORMING LOANS				
	2011			
	(Unaudited)			
	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
Cheque accounts	153	45	108	108
Credit cards	1 498	532	966	966
Instalment credit agreements	2 645	1 370	1 275	1 275
Microloans	348	76	272	272
Mortgages	23 479	19 466	4 013	4 013
Personal loans	1 116	486	630	630
Retail Banking	29 239	21 975	7 264	7 264
Cheque accounts	749	432	317	317
Commercial Asset Finance	932	395	537	537
Commercial Property Finance	1 894	1 354	540	540
Term loans	693	532	161	161
Absa Business Bank	4 268	2 713	1 555	1555
Absa Capital	844	405	439	439
Non-performing loans	34 351	25 093	9 258	9 258
Non-performing loans ratio (%)	6,9			

	2010(1)			
	(Unaudited)			
	Outstanding balance	Expected recoveries and fair value of collateral	Net exposure	Total identified impairment
	Rm	Rm	Rm	Rm
Cheque accounts	220	110	110	110
Credit cards	2 119	553	1 566	1 566
Instalment credit agreements	3 058	1 776	1 282	1 282
Microloans	445	84	361	361
Mortgages	25 569	20 678	4 891	4 891
Personal loans	928	321	607	607
Retail Banking	32 339	23 522	8 817	8 817
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	667	484	183	183
Absa Business Bank	5 112	3 393	1 719	1 719
Absa Capital	549	208	341	341
Non-performing loans	38 000	27 123	10 877	10 877
Non-performing loans ratio (%)	7,6			

Note

(1) Comparatives have been reclassified. Refer to note 20.

5. DEPOSITS DUE TO CUSTOMERS

	2011	2010(1)		2009(1)
	(Audited)	(Audited)	Change	(Audited)
	Rm	Rm	%	Rm
Call deposits	55 528	54 686	2	61 980
Cheque account deposits	130 953	116 371	13	100 475
Credit card deposits	1 884	1 830	3	1 868
Fixed deposits	124 341	113 217	10	105 928
Foreign currency deposits	6 898	7 942	(13)	7 211
Notice deposits	28 500	11 365	>100	10 293
Other(2)	2 695	3 664	(26)	8 069
Repurchase agreements with non-banks	8 734	7 035	24	1 712
Savings and transmission deposits	72 229	66 021	9	62 680
	431 762	382 131	13	360 216

Notes

(1) Comparatives have been reclassified. Refer to note 20.

(2) Other includes partnership contributions received, deposits due on structured deals, preference investments on behalf of customers and unclaimed deposits.

6. DEBT SECURITIES IN ISSUE

	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Abacas - Commercial paper issued and floating rate notes	–	1 789	(100)
Credit linked notes	8 976	6 360	41
Floating rate notes	69 854	75 748	(8)
Negotiable certificates of deposit	30 302	64 460	(53)
Promissory notes	3 168	3 759	(16)
Structured notes and bonds	1 451	1 220	19
Senior notes	14 300	9 190	56
	128 051	162 526	(21)

7. BORROWED FUNDS			
Subordinated callable notes			
The subordinated debt instruments listed below qualify as secondary capital in terms of the Banks Act, No 94 of 1990 (as amended).			
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 adjustment	283	212	33
	14 051	13 649	3

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December

NET INTEREST INCOME

8.1 Interest and similar income

	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Interest and similar income is earned from:			
Cash, cash balances and balances with central banks	2	2	0
Fair value adjustments on hedging instruments	1 063	1 023	4
Investment securities	317	448	(29)
Loans and advances to banks	961	1 214	(21)
Other	806	934	(14)
Reverse repurchase agreements	155	280	(45)
Loans and advances to customers	41 543	46 067	(10)
Cheque accounts	2 572	2 760	(7)
Corporate overdrafts and specialised finance loans	664	1 255	(47)
Credit cards	2 089	2 069	1
Foreign currency loans	110	167	(34)
Instalment credit agreements	5 559	6 024	(8)
Interest on impaired financial assets (refer to note 3)	1 176	766	54
Loans to associates and joint ventures	417	486	(14)
Microloans	505	651	(22)
Mortgages	21 672	24 847	(13)
Other(1)	286	857	(67)
Overnight finance	584	571	2
Personal and term loans	3 260	2 900	12
Preference shares	619	693	(11)
Wholesale overdrafts	2 030	2 021	0
Other	1 042	527	98
Statutory liquid asset portfolio	4 282	2 983	44
	49 210	52 264	(6)

Note

(1)Includes items such as interest on factored debtors’ books.

8.2 Interest expense and similar charges			
	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Interest expense and similar charges are paid on:			
Borrowed funds	1 350	1 586	(15)
Debt securities in issue	9 474	12 850	(26)
Deposits due to customers	15 475	16 979	(9)
Call deposits	3 072	3 231	(5)
Cheque account deposits	2 758	3 192	(14)
Credit card deposits	10	13	(23)
Fixed deposits	6 227	7 112	(12)
Foreign currency deposits	82	128	(36)
Notice deposits	777	456	70
Other	480	516	(7)
Savings and transmission deposits	2 069	2 331	(11)
Deposits from banks	1 101	534	>100
Call deposits	572	219	>100
Fixed deposits	504	281	79
Other	25	34	(26)
Fair value adjustments on hedging instruments	(482)	(1 102)	56
Interest incurred on finance leases	85	109	(22)
Other	97	64	52
	27 100	31 020	(13)
9. NON-INTEREST INCOME			
9.1 Fee and commission income			
Asset management and other related fees	78	102	(24)
Consulting and administration fees	110	154	(29)
Credit-related fees and commissions	12 443	11 471	8
Cheque accounts	3 292	3 156	4
Credit cards(1)(2)	1 070	866	24
Electronic banking	4 086	3 823	7
Other(3)	1 620	1 220	33
Savings accounts	2 375	2 406	(1)
Insurance commission received	436	386	13
Merchant income(2)	1 035	922	12
Other	97	100	(3)
Project finance fees	203	205	(1)
Trust and other fiduciary services	19	38	(50)
Portfolio and other management fees(3)(4)	14	26	(46)
Trust and estate income	5	12	(58)

	14 421	13 378	8
Fee and commission expense			
Cheque processing fees	(171)	(173)	1
Other(2)	(429)	(329)	(30)
Transaction-based legal fees	(227)	(189)	(20)
Trust and other fiduciary services(2)(4)	(64)	(105)	39
Valuation fees	(137)	(166)	17
	(1 028)	(962)	(7)
Net fee and commission income	13 393	12 416	8

Included above are net fees and commissions linked to financial instruments not at fair value of R6 918 million (2010: R6 549 million).

Notes

(1) Includes acquiring and issuing fees.

(2) During the year under review, merchant income, trust and other fiduciary service fees have been disclosed in order to achieve fair presentation. This resulted in a reclassification of comparative information.

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

(4) During the year under review, debt collection fees have been included in trust and other fiduciary service fees. This resulted in a reclassification of comparative information.

9.2 Gains and losses from banking and trading activities(1)

	2011 (Audited) Rm	2010 (Audited) Rm	Change %
Associates and joint ventures	–	87	(100)
Dividends received	–	45	(100)
Profit realised on disposal	–	42	(100)
Net gains on investments	432	99	>100
Debt instruments	29	27	7
Equity instruments	423	164	>100
Available-for-sale unwind from reserves	(20)	(92)	78
Net trading result	2 491	1 705	46
Net trading income excluding the impact of hedge accounting	2 435	1 605	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	(419)	(40)	>(100)
	2 504	1 851	35

Net gains on investments comprise debt and equity instruments designated at fair value through profit or loss and available for sale unwind from reserves.

Net trading result comprises gains and losses from instruments designated at fair value through profit or loss as well as gains and losses from instruments classified as held for trading.

The net trading income of R2 435 million (2010: R1 605 million), consist of the following:

- Losses on financial instruments designated at fair value through profit or loss of R844 million (2010: R1 061 million).
- Gains on financial instruments held for trading of R3 279 million (2010: R2 666 million).

Financial instruments designated at fair value through profit or loss consist of:

- Net gains of R595 million (2010: R705 million) on financial assets designed at fair value through profit or loss.
- Net losses of R1 439 million (2010: R1 766 million) relating to financial liabilities designated 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.

- Gains on financial instruments designated at fair value through profit or loss of R105 million (2010: R176 million).
- Losses on financial instruments held for trading of R524 million (2010: R216 million).

Note

(1) During the year under review, the presentation of "Gains and losses from banking and trading activities" has been amended to align with market practice and improve the quality of disclosure to the market. This resulted in a reclassification of comparative information.

9.3 Gains and losses from investment activities(1)

	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Available-for-sale unwind from reserves	1	0	>100
Net investment gains			
Other(2)	53	24	>100
	54	24	>100

Notes

(1) During the year under review, the presentation of "Gains and losses from investment activities" has been amended to align with market practice and improve the quality of disclosure to the market. This resulted in a reclassification of comparative information.

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

10. OPERATING EXPENDITURE			
10.1 Operating expenses			
	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Amortisation of intangible assets	148	100	48
Auditors' remuneration	149	131	14
Cash transportation	643	625	3
Depreciation	1 155	1 062	9
Equipment costs	173	206	(16)
Information technology(1)	2 065	1 969	5
Investment property charges	43	4	>100
Change in fair value of investment properties	43	0	100
Other	0	4	(100)
Marketing costs	928	974	(5)
Operating lease expenses on properties	880	877	0
Other(2)(3)	728	956	(16)
Printing and stationery	216	235	(8)
Professional fees(1)	934	970	(4)
Property costs(3)	1 042	814	28
Staff costs	11 722	10 836	8
Bonuses	1 098	951	15
Current service costs on post-retirement benefits	648	525	23
Other(4)	428	466	(8)
Salaries	8 897	8 372	6
Share-based payments	434	280	55
Training costs	217	242	(10)
Telephone and postage	659	680	(3)
	21 485	20 440	5

Notes

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

(2) Includes accommodation, travel and entertainment costs.

(3) 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.

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

10.2 Other impairments			
	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Financial instruments	26	38	(32)
Amortised cost instruments	26	13	100
Available-for-sale instruments	–	25	(100)
Other	47	71	(34)
Computer software development costs	–	4	(100)
Equipment	–	13	(100)
Goodwill	28	–	100
Investments in associates and joint ventures	(2)	29	>(100)
Repossessed properties	21	25	(16)
	73	109	(33)

11. HEADLINE EARNINGS					
	2011		2010		
	(Audited)		(Audited)		Net
	Gross	Net	Gross	Net	change
	Rm	Rm	Rm	Rm	%
Headline earnings(1) is determined as follows:					
Profit attributable to ordinary equity holder of the Bank		7 901		6 432	23
Total headline earnings adjustment:		56		(20)	>100
IFRS 3 - Goodwill impairment /(gain on bargain purchase)	28	28	(72)	(72)	>100
IAS 16 - Profit on disposal of property and equipment	(27)	(22)	(26)	(22)	0
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 associates and joint ventures	-	-	(42)	(42)	100
IAS 28 and 31 - Impairment (reversal)/charge of investments in associates and joint ventures	(2)	(1)	29	21	>(100)
IAS 36 - Impairment of equipment	-	-	13	9	(100)
IAS 38 - Impairment of intangible assets	-	-	4	3	(100)
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	43	37	(0)	(0)	>100
Headline earnings/diluted headline earnings		7 957		6 412	24
Headline earnings per share/diluted headline earnings per share (cents)		2 127,0		1 733,4	23

Note

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

12. DIVIDENDS PER SHARE			
	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Dividends paid to ordinary equity holder during the year			
15 February 2011 final dividend number 49 of 360,9 cents per ordinary share (16 February 2010: 244,8 cents)	1 350	900	50
2 August 2011 interim dividend number 50 of 414,3 cents per ordinary share (4 August 2010: 326,4 cents)	1 550	1 200	29
4 August 2010 special dividend to the ordinary and 'A' ordinary equity holder	–	1 000	(100)
	2 900	3 100	(6)
Dividends paid to ordinary equity holder relating to income for the year			
2 August 2011 interim dividend number 50 of 414,3 cents per ordinary share (4 August 2010: 326,4 cents)	1 550	1 200	29
4 August 2010 special dividend to the ordinary and 'A' ordinary equity holder	–	1 000	(100)
10 February 2012 final dividend number 51 of 620,1 cents per ordinary share (15 February 2011: 390,9 cents)	2 320	1 350	72
	3 870	3 550	9

Note

The STC payable by the Bank in respect of the final dividend approved and declared subsequent to the reporting date amounts to R232 million (2010: R 135 million). No provision has been made for this dividend and the related STC in the financial statements at the reporting date, accordance with IFRS.

	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Dividends paid to preference equity holders during the year			
15 February 2011 final dividend number 10 of 2 887,6 cents per preference share (16 February 2010: 3 280,3 cents)	143	162	(12)
2 August 2011 interim dividend number 11 of 2 858,3 cents per preference share (4 August 2010: 3 197,5 cents)	141	158	(11)
	284	320	(11)
Dividends paid to preference equity holders relating to income for the year			
2 August 2011 interim dividend number 11 of 2 858,3 cents per preference share (4 August 2010: 3 197,5 cents)	141	158	(11)
10 February 2012 final dividend number 12 of 2 827,2 cents per preference share (15 February 2011: 2 887,6 cents)	140	143	(2)
	281	301	(7)

Notes

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

(2) In 2007, the Minister of Finance announced a two-phase approach to STC reform which included the reduction of the STC tax rate to 10% and the replacement of STC with dividends tax on shareholders (dividends tax). When the dividends tax comes into effect on 1 April 2012, the tax will cease to be levied at a company level, and will instead be levied on the shareholders who received the dividend.

Unutilised STC credits at the end of December 2011 will be utilised against the STC payable on the final dividend subsequent to year-end. Before the new withholding dividend tax comes into effect, any remaining deferred tax asset relating to unutilised STC credits up to 31 March 2011 will be utilised.

13. ACQUISITIONS AND DISPOSALS OF BUSINESSES

The following interests were acquired during the year under review:

13.1 Subsidiaries and business combinations

The Bank acquired 76% of the units in the Absa Property Equity Fund (APEF) for R211 million during April 2011 and, as a result, has taken on a majority share of the risks and rewards of the fund. The net assets acquired amounted to R211 million. APEF operates as a special purpose entity (SPE) specifically for the investment in community upliftment projects and is consolidated in terms of SIC 12. The fund was previously consolidated under SIC 12. The APEF was disposed of and reacquired in 2011. Since acquisition, the APEF contributed a net profit before tax of R13 million and revenue of R10 million to the Bank for the period 1 April 2011 to 31 December 2011. If the acquisition occurred on 1 January 2011, the Group's revenue would have been R17 million higher and the net profit before tax for the year would have been R18 million higher.

The Bank together with two other parties has a shareholding in Barrie Island Investments Proprietary Limited (Barrie Island). During January 2011, the Bank entered into an agreement to purchase an additional 30% of the shares in Barrie Island from another shareholder who wished to exit the arrangement. Following this purchase, the Group will own 70% of the shares of Barrie Island. At the acquisition date, the investment was recognised at R nil million. A fair value loss was processed in the statement of comprehensive income when additional shares in Barrie Island were acquired. Barrie Island holds property in Alberton. The property is zoned for commercial and residential property. Net liabilities incurred in the further acquisition totalled R3 million with goodwill raised at R3 million. The goodwill in Barrie Island has been impaired because Barrie Island has been consistently making losses and is not expected to be profitable in the near future. Since the further acquisition, Barrie Island had no revenue and profit before tax impact to the Bank for the period to 31 December 2011. Goodwill raised on acquisition was subsequently impaired.

The partnership in the IFU Property Fund was dissolved during the year under review. Overlook at Sugarloaf Incorporated (a new legal entity incorporated in the United States of America) was established to replace the IFU Property Fund. This did not affect the Bank's overall statement of financial position.

During the year under review, the Bank sold certain exposures to Commissioner Street No. 4 (RF) Limited (Commissioner Street 4), a special purpose entity established by the Bank. Commissioner Street 4 issued various classes of notes to investors.

The following table summarises the acquisition date fair values of the assets and liabilities acquired in the above transactions:

Class of asset/(liability)	APEF	Barrie Island
Cash, cash balances and balances with central banks	0	0
Other assets	1	40
Other liabilities	(0)	(50)
Investment securities	277	–
Deferred tax asset	–	1
Fair value of existing interest	–	3
Non-controlling interest	(67)	3
Net assets acquired/(liabilities incurred)	211	(3)
Cash outflow on acquisition	211	0
Fair value of net (assets acquired)/liabilities incurred	(211)	3
Goodwill	–	3
Total cash and cash equivalents acquired	0	0

A full list of subsidiaries as at 31 December 2011 is available, on request, at the registered address of the Bank.

13.2 Associates and joint ventures

The following interests were disposed of during the year under review:
Sekunjalo Investments Limited was classified as an "equity-accounted" associate held by Absa Capital and Absa Business Bank. Absa Capital's investment was disposed of and the remaining investment held by Absa Business Bank was transferred to investment securities.

14. RELATED PARTIES

The Bank's ultimate parent company is Barclays Bank PLC, which owns 55,5% (2010: 55,5%) of the ordinary shares in Absa Group Limited. The remaining 44,5% (2010: 44,5%) of the shares are widely held on the JSE.
The following are defined as related parties of the Bank:
- key management personnel;
- the ultimate parent company;
- the parent company;
- fellow subsidiaries;
- subsidiaries;
- associates, joint ventures and retirement benefit funds;
- an entity controlled/jointly controlled or significantly influenced by any individual referred to above;

- post-employment benefit plans for the benefit of employees or any entity that is a related party of the Bank; and
- children and/or dependants and spouses or partners of the individuals referred to above.

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

14.1 Transactions with key management personnel and entities controlled by key management

A number of banking and insurance transactions are entered into with key management personnel in the normal course of business, under terms that are no more favourable than those arranged with third parties. These include loans, deposits and foreign currency transactions. The related party transactions, outstanding balances at year-end, and related expenses and income with related parties for the year are as follows:

	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Balances			
Loans	624	758	(18)
Deposits	33	25	32
Guarantees issued by the Bank	79	70	13
Other investments	81	68	19

Loans include mortgages, asset finance transactions, overdraft and other credit facilities. Loans to key management personnel are provided on the same terms and conditions as loans to employees of the Bank, including interest rates and collateral requirements. There were no bad debts expenses and provision for bad debts that related to balances with key management personnel.

In addition to the specific guarantees, a number of key management personnel and entities controlled by key management personnel have unlimited surety with the Bank.

	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Transactions			
Interest income	56	2	>100
Interest expense	1	1	-
Key management personnel compensation			
Executive directors			
Post-employment benefit contributions	1	1	-
Salaries and other short-term benefits	20	27	(26)

Share-based payments	27	17	59
Termination benefits	–	10	(100)
	48	55	(14)
Other key management personnel			
Post-employment benefit contributions	2	1	100
Salaries and other short-term benefits	42	43	(2)
Share-based payments	36	33	9
Termination benefits	3	–	100
	83	77	8
14.2 Balances and transactions with ultimate parent company(1)(2)			
The following are balances with, and transactions entered into with the ultimate parent company:			
Balances			
Loans and advances	41 065	15 174	>100
Derivative assets	10 254	9 079	13
Nominal value of derivative assets	637 611	489 895	30
Other assets	338	952	(64)
Investment securities	499	434	15
Deposits from banks	(5 784)	(5 821)	1
Derivative liabilities	(10 488)	(8 999)	(17)
Nominal value of derivative liabilities	(462 870)	(375 175)	(23)
Other liabilities	(1 167)	(533)	>(100)
Transactions			
Interest and similar income	(111)	(80)	(39)
Interest expense and similar charges	67	36	86
Net fee and commission income	(17)	(15)	(13)
Gains and losses from banking and trading activities	(136)	1 646	>(100)
Other operating income	(152)	(42)	>(100)
Operating expenditure	(115)	(252)	54

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

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

14.3 Balances and transactions with fellow subsidiaries, associates and joint ventures of the ultimate parent company (1)(2)

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

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

Notes

(1) The Bank's ultimate parent company is Barclays Bank PLC, which has a majority equity interest in Absa Group Limited.

(2) Debit amounts are shown as positives; credit amounts are shown as negatives

	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Balances			
Loans and advances to banks	188	412	(54)
Derivative assets	–	65	(100)
Nominal value of derivative liabilities	–	3 507	(100)
Other assets	1	(400)	>100
Deposits from banks	(559)	(262)	>(100)
Derivative liabilities	(72)	(7)	>(100)
Nominal value of derivative liabilities	(1 441)	(292)	>(100)
Other liabilities	(52)	266	>(100)
Transactions			
Interest and similar income	(2)	–	(100)
Net fee and commission income	(12)	–	(100)
Operating expenditure	152	279	(46)

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

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

14.4 Balances and transactions with parent company(1)(2)

The following are balances with and transactions entered into with the parent company:

	2011	2010	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Balances			
Loans and advances	215	(174)	>100
Other liabilities	(138)	139	>(100)
Transactions			
Dividends paid	3 184	3420	(7)
Interest expense and other charges	8	10	(20)

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

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

13.5 Balances and transactions with fellow subsidiaries

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

The following transactions were entered into with fellow subsidiaries:

	2011	2010	Change
	Rm	Rm	%
Balances			
Loans and advances to Group companies	(25)	–	(100)
Transactions			
Interest and similar income	–	(18)	100
Net fee and commission income	–	2	(100)

Various terms and conditions were agreed upon, taking into account transfer pricing and relevant tax requirements.

Notes

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

(2) Absa Bank is a wholly owned subsidiary of Absa Group Limited.

15. ASSETS UNDER MANAGEMENT AND ADMINISTRATION(1)			
	2011	2010	Change
	Rm	Rm	%
Alternative asset management and exchange-traded funds	16 615	16 231	2
Portfolio management	5 136	4 779	7
Private equity	728	732	(1)
Unit trusts	262	119	>100
	22 741	21 861	4
16. FINANCIAL GUARANTEE CONTRACTS			
Financial guarantee contracts(2)	356	599	(41)
17. COMMITMENTS			
Authorised capital expenditure			
Contracted but not provided for(3)	119	882	(87)
Operating lease payments due(4)			
No later than one year	1 073	1 029	4
Later than one year and no later than five years	2 062	1 965	5
Later than five years	488	386	26
	3 623	3 380	7
Sponsorship payments due(5)(6)			
Not later than one year	209	305	(32)
Later than one year and no later than five years	299	508	(41)
	508	813	(38)
18. CONTINGENCIES			
Guarantees(7)	12 509	11 052	13
Irrevocable debt facilities(8)	45 637	46 348	(2)
Irrevocable equity facilities(8)	494	750	(34)
Letters of credit	4 560	4 653	(2)
Other	10	43	(77)
	63 209	62 846	1

Notes

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

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

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

(5) During the year under review, additional information has been included for sponsorships. This resulted in a reclassification of comparative information.

(6) The Group has sponsorship commitments in respect of sports and arts and culture sponsorships. Certain sponsorship agreements in place, expire in 2012 and are under review by management for renewal in the foreseeable future.

(7) Guarantees include performance and payment guarantee contracts.

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

19. SEGMENT PERFORMANCE

19.1 Condensed consolidated profit contribution by segment

for the year ended 31 December

	2011	2010(1)	
	(Audited)	(Audited)	Change
	Rm	Rm	%
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 holders 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

Note

(1) Comparatives have been reclassified. Refer to note 20.

19.2 Condensed consolidated total revenue(1) contribution by segment

for the year ended 31 December

	2011	2010(1)	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	22 348	21 022	6
Home Loans	3 951	3 480	14
Vehicle and Asset Finance	2 219	2 015	10
Card	3 757	3 470	8
Personal Loans	2 108	1 960	9
Retail Bank	10 313	10 097	2
Absa Business Bank	11 390	11 107	3
Absa Capital	5 101	5 098	0
Corporate centre	(894)	(1 090)	(18)
Capital and funding centres	679	(106)	>100
Total revenue	38 624	36 031	7

Notes

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

(2) Comparatives have been reclassified. Refer to note 20.

19.3 Condensed consolidated internal total revenue(1) contribution by segment

for the year ended 31 December

	2011	2010(2)	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	(10 401)	(12 992)	20
Home Loans	(12 898)	(15 157)	15
Vehicle and Asset Finance	(2 442)	(2 764)	12
Card	(303)	(384)	21
Personal Loans	(569)	(611)	7
Retail Bank	5 811	5 924	(2)
Absa Business Bank	2 800	1 614	73
Absa Capital	7 741	12 566	(38)
Corporate centre	(337)	(435)	(23)
Capital and funding centres	(1 170)	(820)	(43)
Internal revenue	(1 367)	(67)	>(100)

Notes

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

(2) Comparatives have been reclassified. Refer to note 20.

19.4 Condensed consolidated total assets by segment

as at 31 December

	2011	2010(1)	
	(Audited)	(Audited)	Change
	Rm	Rm	%
Banking operations			
Retail Banking	452 455	454 452	(0)
Home Loans	234 114	242 722	(4)
Vehicle and Asset Finance	46 382	50 242	(8)
Card	23 352	21 098	11
Personal Loans	13 489	12 887	5
Retail Bank	135 118	127 503	6
Absa Business Bank	200 359	180 163	11
Absa Capital	359 211	344 954	4
Corporate centre	(353 555)	(362 014)	(2)
Capital and funding centres	83 966	72 855	15
Total assets	742 436	690 410	8

Note

(1) Comparatives have been reclassified. Refer to note 20.

20. RECLASSIFICATIONS

20.1 Some items within the statement of financial position for the years ended 31 December 2010 and 31 December 2009 were reclassified in the current year:

	2010		
	(Audited)		
	As previously reported	Reclassification	Reclassified
	Rm	Rm	Rm
Loans and advances to banks(1)	23 633	2 618	26 251
Other assets(1)	12 954	(3 276)	9 678
Loans and advances to customers	485 588	10 145	495 733
Collateralised loans(1)		658	
Offsetting (2)		9 487	
Total assets (2)	680 923	9 487	690 410
Deposits due to customers (2)	372 644	9 487	382 131
Total liabilities (2)	628 293	9 487	637 780
Total liabilities and equity (2)	680 923	9 487	690 410
	2009		
	(Audited)		
	As previously reported	Reclassification	Reclassified
	Rm	Rm	Rm
Loans and advances to banks	35 036	–	35 036
Other assets	7 219	–	7 219
Loans and advances to customers(2)	490 205	10 845	501 050
Total assets(2)	673 774	10 845	684 619
Deposits due to customers(2)	349 371	10 845	360 216
Total liabilities(2)	626 356	10 845	637 201
Total liabilities and equity(2)	673 774	10 845	684 619

Notes

(1) Collateralised loans

During the year under review, the Bank 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 as reflected in the table above.

(2) Offsetting

Certain customers within the Bank 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 Bank 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 Bank's stated accounting policies, taking into account contractual arrangements and current business practise 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 and 31 December 2009 as reflected in the table above.

20.2 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 was 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.

Profit and dividend announcement

Overview

The Bank’s headline earnings increased 24% to R7 957 million (2010: R6 412 million). Diluted headline earnings per share rose 23% to 2 127,0 cents (2010: 1 733,4 cents). Absa’s return on average equity (RoE) improved to 15,8%, reflecting a higher return on average assets (RoA) of 1,13% (2010: 0,93%), offset by reduced leverage.

Absa delivered on its key commitments to for 2011, including growing revenue faster than operating expenses. The Bank’s pre-provision profit increased 10% to R17 139 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 35% headline earnings growth was the principal driver of the Bank’s 24% increase. Absa Business Bank (ABB) increased earnings 4%. Absa Capital’s headline earnings decreased 14% 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 a 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 (Consumer Price Index) 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%.

Bank performance

Statement of financial position

The Bank's total assets rose 8% to R742 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 2% to R487 billion (2010: R496 billion). Retail Banking's loans and advances declined 2%, reflecting sustained focus on risk appetite and pricing. Retail mortgages (including Commercial Property Finance), which constitute 48% of total Bank gross loans and advances to customers, decreased 4%. Given Retail Banking's strategy to grow its proportion of unsecured loans, credit cards grew 5% and personal loans 6%. Muted client demand also dampened ABB's loans and advances, which declined 5% 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.

Deposits due to customers

The Bank continued to improve its liquidity, growing customer deposits 13% to R432 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 12%, 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 71% of funding compared to 64% in 2009, while the proportion from debt securities in issue dropped to 21% from 29%. The Bank's loans-to-deposits ratio decreased to 87,0% from 91,0%.

Net asset value (NAV)

The Bank's NAV increased 10% to R53 billion, as it generated retained earnings of R5,0 billion during the year. Absa's NAV per share grew 9% to 14 058 cents (2010: 12 955 cents).

Capital to risk-weighted assets

The Bank's risk-weighted assets decreased by 2% to R385 billion (2010: R392 billion). Absa maintained its strong capital levels, which remain above board targets and regulatory requirements. At 31 December 2011, Absa Bank's Core Tier 1 and Tier 1 capital adequacy ratios were 12,1% (2010: 10,7%) and 13,3% (2010: 11,9%) respectively. The Bank's total capital ratio improved to 16,2% (2010: 14,8%).

Statement of comprehensive income

Net interest income

Net interest income increased 4% to R22 110 million (2010: R21 244 million), despite loans declining slightly and a 0,87% lower average prime rate during the year. The growth stems from the Bank's improved net interest margin (3,80% from 3,62%) 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 13% to R4 876 million (2010: R5 578 million). Retail Banking, where credit losses decreased 14% to R3 792 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 23% year on year to R843 million.

The Bank's credit loss ratio improved to 1,00% from 1,12%. This is noticeably below 2009's high charge of 1,65%. Retail Banking's credit loss ratio declined to 1,22% (2010: 1,41%), as every category improved, particularly Absa Card and Personal Loans. ABB's credit loss ratio fell to 0,72% from 0,91%. Absa's non-performing loan coverage declined to 27,0% (2010: 27,7%), in part due to 27% higher write-offs.

Non-performing loans as a percentage of loans and advances improved to 6,9% (2010: 7,5%), due to reduced new NPLs (non-performing loans), 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 levels, Absa's non-interest income grew 12% to R16 514 million (2010: R14 787 million), owing to growth in targeted areas. Net fee and commission income, which constituted 81% of non-interest income grew 8% to R13 393 million (2010: R12 416 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%. Absa Capital's net trading increased 1% to R2 036 million, despite difficult second half conditions in fixed income. The Bank sold its stake in Visa Incorporated in 2011, recording a R30 million gain compared to a R128 million loss in the prior year. Private equity and commercial property finance revaluations accounted for less than 1% of total non-interest revenue.

Operating expenses

The Bank's operating expenses increased 5% to R21 485 million (2010: R20 440 million), reflecting cost containment while continuing to invest in target growth areas.

Staff costs constituted 55% of total, increased 8% to R11 722 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 R2,1 billion, which represents 10% of the Bank's costs. Absa's cost-to-income ratio improved to 55,6% from 56,7%.

Taxation

The Bank's taxation charge grew 25% to R3 140 million, as its effective tax rate rose to 27,7% from 27,1%. 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 R4,8 billion.

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 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 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 again this year. Together with an expected credit loss ratio of below 1%, the Bank's returns 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 continued improvement in its liquidity.

Basis of presentation and changes in accounting policies

The Bank'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 Bank'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 Bank adopted the predecessor accounting method as its accounting policy for common control transactions. The Bank 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 Bank's accounting policy with its ultimate parent company, Barclays PLC. The change in accounting policy does not impact the Bank's consolidated results and will have 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 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 Bank has reclassified certain collateral previously disclosed as 'Other assets' to 'Loans and advances to banks' and 'Loans and advances to customers' in 2010to 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).
- Certain customers within the Bank 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 Bank 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 Bank'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)).

Going concern

The directors assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the year ahead. For this reason these condensed annual consolidated financial statements are prepared on a going concern basis.

Events after the reporting period

The directors are not aware of any events after the reporting period of 31 December 2011 and the date of authorisation of these summarised annual consolidated financial statements as defined in IAS 10.

Auditors' report

Ernst & Young Inc. and PricewaterhouseCoopers Inc., Absa Bank Limited's independent auditors, have audited the consolidated annual financial statements of Absa Bank Limited from which the condensed consolidated financial results have been derived. 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 indicated as unaudited. The audit report of the consolidated annual financial statements is available for inspection at Absa Bank Limited's registered office.

On behalf of the board

G Griffin	M Ramos
Chairman	Chief Executive

Johannesburg

10 February 2012

Declaration of dividend number 12: Absa Bank non-cumulative, non-redeemable preference shares (Absa Bank preference shares)

The Absa Bank preference shares have an effective coupon rate of 63% of Absa Bank's prevailing prime overdraft lending rate (prime rate). Absa Bank's current prime rate is 9,0%.

Notice is hereby given that preference dividend number 12, equal to 63% of the average prime rate for 1 September 2011 to 29 February 2012, per Absa Bank preference share has been declared for the period 1 September 2011 to 29 February 2012. The dividend is payable on Monday, 2 April 2012, to shareholders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 30 March 2012.

The directors of Absa Bank confirm that the Bank will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

Based on the current prime rate, the preference dividend payable for the period 1 September 2011 to 29 February 2012 would indicatively be 2 827,2 cents per Absa Bank preference share.

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 preference 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 Company Secretary
Johannesburg
10 February 2012

Please note that the preference dividend calculation dates are 28 (29) February and 31 August of each year and that the payment date may not be later than 45 days after the preference dividend calculation date.

Administrative information

These condensed annual consolidated financial statements are a summary of the audited annual consolidated financial statements of the Bank, which were prepared by Absa Group Financial Reporting under the direction and supervision of the Financial Director, DWP Hodnett CA(SA). A copy of the audited annual financial statements will be available from 30 March 2012, either on www.absa.co.za or, on request, at the registered address of the Bank.

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JSE share code: ABSP

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MJ Husain, PB Matlare,
TS Munday, SG Pretorius,
BJ Willemse

Non-executive directors
AP Jenkins(1), R Le Blanc(1),
EC Mondlane Jr(2), IR Ritossa(3)

Executive directors

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

(1)British (2)Mozambican (3)Australian

Transfer secretary

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For more information on our results refer to our website:

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