Absa Group Limited

2005 Annual financial results

ABSA

Group profile

Absa Group Limited is one of South Africa's largest financial services organisations, serving personal, commercial and corporate customers in South Africa. The Group also provides products and services to selected markets in the United Kingdom, Germany, China, Singapore and elsewhere in Africa (in Angola, Mozambique, Namibia, Tanzania and Zimbabwe).

Absa applies a customer-centric business model with targeted business units serving specific market segments.

The Group interacts with its customers through a combination of physical and electronic channels, offering the full spectrum of banking services, from basic products and services for the low-income personal market to customised solutions for the commercial and corporate market.

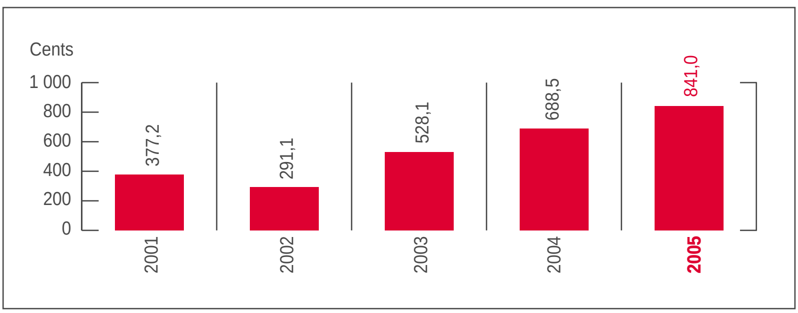
ABSA

Financial highlights

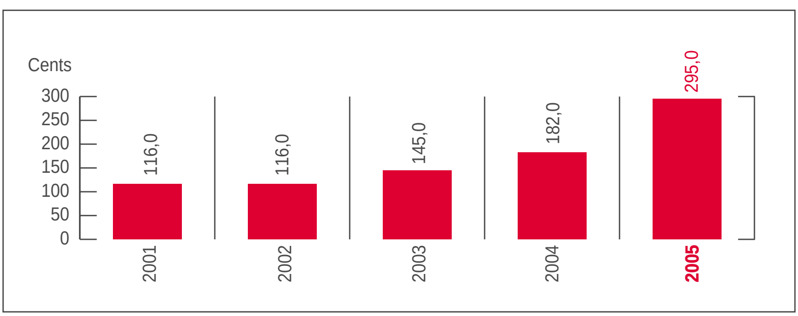
for the year ended 31 March 2005

- Headline earnings **up 23,3%**
- Return on average equity **of 25,5%**
- Cost-to-income ratio **of 56,8%**
- Dividends per share **up 62,1%**

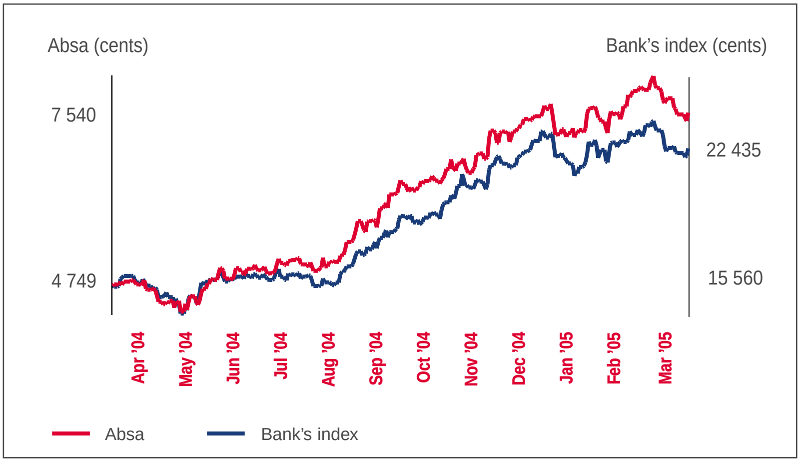
Headline earnings per share



Dividends per share



Share performance



Share performance on the JSE Securities Exchange South Africa

	2005	2004	2003
Number of shares in issue ('000)*	**655 055**	651 055	651 547
Market prices (cents per share):			
– Closing	**7 540**	4 664	2 940
– High	**8 150**	4 700	3 651
– Low	**4 349**	3 000	2 500
– Weighted average	**6 119**	3 623	3 132
Closing price/net asset value per share	**2,07**	1,56	1,14
Closing price/headline earnings per share	**9,0**	6,8	5,6
Volume of shares traded (millions)	**455,5**	459,9	439,9
Value of shares traded (R millions)	**27 870,9**	17 930,8	13 894,4
Market capitalisation (R millions)	**49 391,1**	30 365,2	19 155,5

**Includes 446 073 shares held by the staff share incentive trust (March 2004: 5 375 693).*

Salient features

year ended 31 March

	2005	2004	Change %	2003
Income statement (Rm)				
Headline earnings	**5 484**	4 447	23,3	3 441
Attributable income	**5 511**	4 505	22,3	3 391
Balance sheet (Rm)				
Total assets	**348 686**	306 848	13,6	269 064
Total advances	**268 240**	222 395	20,6	199 297
Total deposits and current accounts	**278 582**	234 380	18,9	222 056
Financial performance (%)				
Return on average equity	**25,5**	24,6		21,4
Return on average assets, excluding acceptances	**1,68**	1,55		1,35
Operating performance (%)				
Net interest margin on average assets	**3,27**	3,40		3,45
Net interest margin on average interest-bearing assets	**3,69**	3,87		3,80
Charge for impairment of advances to average advances	**0,52**	0,90		1,02
Non-performing advances as % of total advances	**2,2**	3,8		5,1
Non-interest income as % of operating income	**53,0**	52,5		50,8
Cost-to-income ratio	**56,8**	57,1		60,0
Share statistics (cents)				
Number of shares in issue (million)	**655,1**	651,1		651,5
Weighted average number of shares (million)	**652,1**	645,9		651,5
Weighted average diluted number of shares (million)	**677,3**	651,3		651,5
Headline earnings per share	**841,0**	688,5	22,1	528,1
Diluted headline earnings per share	**811,1**	682,8	18,8	528,1
Earnings per share	**845,1**	697,5	21,2	520,5
Diluted earnings per share	**815,1**	691,7	17,8	520,5
Dividends per share relating to income for the year	**295,0**	182,0	62,1	145,0
Dividend cover (times)	**2,9**	3,8		3,6
Net asset value per share	**3 640**	2 996	21,5	2 589
Capital adequacy (%)				
Absa Bank	**11,7**	12,3		11,5
Absa Group	**12,2**	13,0		12,5

Group financial reporting structure

ABSA GROUP LIMITED

Retail banking

- Absa Private Bank
- Personal Financial Services (includes MLS)
- Retail Banking Services
- Flexi Banking Services (includes UB Micro Loans)
- Absa Home Loans
- Repossessed Properties
- Absa Card
- Meeg Bank Limited
- Small Business*

Commercial banking

- Business Banking Services*
- Absa Vehicle and Asset Finance (AVAF)

Wholesale banking

Domestic operations

- Absa Corporate and Merchant Bank
- Abvest Holdings (Proprietary) Limited**
- Absa Trading and Investment Solutions Holdings Limited

International operations

- Absa Bank London
- Absa Bank (Asia) Limited (Hong Kong)
- Bankhaus Wölbern and Co (Hamburg)
- Absa Bank Singapore

Changes in the composition of the Group

* Small Business was split from Business Banking Services with effect from 1 December 2003.

** Absa increased its shareholding in Abvest Holdings (Proprietary) Limited, to 90% during the period under review.

*** Absa sold its 50% shareholding in Stonehage Financial Services Holdings Limited during the period under review.

African operations

- Banco Austral, Sarl (Mozambique)
- National Bank of Commerce Limited (NBC) (Tanzania)
- Commercial Bank of Zimbabwe Limited
- Capricorn Investment Holdings Limited (Namibia)

Financial services

Life assurance
- Absa Life Limited

Short-term insurance
- Absa Insurance Company Limited
- Absa Syndicate Investments Holdings Limited
- Absa Manx Insurance Company Limited

Advisory services
- Absa Brokers (Proprietary) Limited
- Absa Consultants and Actuaries (Proprietary) Limited
- Absa Health Care Consultants (Proprietary) Limited

Wealth management
- Absa Fund Managers Limited
- Absa Trust Limited
- Absa Mortgage Fund Managers (Proprietary) Limited
- Stonehage Financial Services Holdings Limited***
- Absa Stockbrokers (Proprietary) Limited and Portfolio Managers (Proprietary) Limited
- Absa Investment Management Services (Proprietary) Limited

Other Group activities

- Absa Development Company Holdings (Proprietary) Limited
- Real Estate Asset Management (excludes Repossessed Properties)
- AllPay Consolidated Investment Holdings (Proprietary) Limited

Profit and dividend announcement

Introduction

Absa continues to deliver sustainable earnings growth

Absa Group Limited is pleased to announce headline earnings of R5 484 million (841,0 cents per share) for the year ended 31 March 2005. This represents growth of 23,3% when compared with the headline earnings of R4 447 million (688,5 cents per share) for the previous financial year. Diluted headline earnings per share increased by 18,8% to 811,1 cents per share.

Return on average assets improved from 1,55% to 1,68% and the Group delivered a return of 25,5% on average shareholders' equity (March 2004: 24,6%). A final dividend of 200 cents per share has been declared, bringing the total dividend for the year to 295 cents per share, 62,1% higher than the 182 cents paid in respect of the 2004 financial year. Absa's dividend cover has been reduced to 2,9 times owing to the Group's healthy capital position.

The Group's share price appreciated by 61,7% for the year under review owing to a significant re-rating of the South African banking sector in general and Absa in particular, coupled with the Barclays offer to acquire a majority stake in the Group. The Barclays transaction, if approved by shareholders, will accelerate Absa's strategy of becoming the leading financial services business in South Africa and the pre-eminent bank on the African continent.

Buoyant retail market conditions enabled retail and commercial banking to post excellent results. Quality asset growth, increased transaction volumes and a reduction in the charge for the impairment of advances underpinned the performance of these business areas. Absa Financial Services capitalised on the strong banking performance to cross-sell its products and, assisted by the strong equity markets, achieved excellent operating results in all of its main businesses.

After a slow start to the year, the contribution from wholesale banking improved during the second six months of the financial year - despite the demand for credit in the corporate sector remaining sluggish. Absa Corporate and Merchant Bank's risk appetite for certain products and exposures has been reduced. This, together with a focus on providing customers with integrated solutions, has ensured that this area is well positioned for future growth.

Reported headline earnings from banking in other African countries were impacted by the strong rand, but these operations continue to make progress and are performing in line with expectations.

Diluted headline earnings per share

The options issued to Absa's staff share incentive trust, the employee share ownership programme (ESOP) and Batho Bonke Capital (Proprietary) Limited, Absa's black economic empowerment partner, have caused a dilution in headline earnings per share of 3,6% to 811,1 cents per share. As a consequence, the growth in fully diluted headline earnings per share was 18,8% compared with the previous financial year.

Accounting policies

AC 140 (IFRS 3) – Business Combinations – is an accounting statement that applies to the accounting for business combinations and any resultant goodwill for which the acquisition agreement date is on or after 31 March 2004.

In accordance with the statement, the amortisation of goodwill ceased with effect from 1 April 2004. However, goodwill needs to be tested for impairment at least annually. Accordingly, an impairment test was conducted on the carrying value of goodwill on the Group's balance sheet. The result of this assessment, which included the consideration of past performance and future prospects, resulted in an impairment charge of R107 million for the year under review.

The Group's financial statements comply in all material respects with South African Statements of Generally Accepted Accounting Practice, which are, other than as described above, consistent with those applied in the previous year.

The Group will adopt International Financial Reporting Standards (IFRS) for the new financial year. Although the full impact of IFRS was analysed, alignment with the policies of Barclays will be required if Absa's shareholders approve the Barclays offer to acquire a majority stake in the Group. Details of these elections made in terms of IFRS and their impact will be communicated in due course.

KPMG Inc. and Ernst & Young have audited the results for the year ended 31 March 2005. Their unqualified audit opinion is available for inspection at the registered office of Absa Group Limited.

Operating environment

Real economic activity improved further during the course of 2004/05, with the gross domestic product increasing by an estimated 4,2% on the previous year.

The improvement in domestic demand was the main cause of the accelerating growth trend during the first half of the financial year. Household consumption expenditure continued to expand rapidly during the second half of the 2004/05 financial year.

However, the mining sector eventually started to succumb to the effects of the strong rand and, despite the global economy experiencing one of its best growth rates in a number of decades and high and rising commodity prices, the further strengthening of the rand created some challenges for South African exporters.

In addition to this, agriculture had to contend with weak domestic and global food commodity prices. Manufacturing production growth also started to lose momentum during the early part of 2005.

Fortunately these effects were offset by relatively low inflation and interest rates, which edged down again in August 2004. This, together with other factors such as rising disposable incomes, facilitated a further improvement in the borrowing capacity of households. A moderate rebound in the corporate sector's financing demand served to underpin the strong growth in total loans and advances extended to the private sector during the year.

Profit and dividend announcement

(continued)

Group performance

Information on the Group performance, the performance of the Group's segments, net asset value and capital adequacy is contained on pages 10 to 41.

Approach by Barclays Bank PLC

Barclays Bank PLC (Barclays), a leading international financial services institution, recently announced its formal offer to Absa shareholders to acquire a controlling stake in the Group. The transaction, still to be approved by shareholders, will be the largest foreign direct investment in South Africa's history and underlines the commitment of Barclays to both Absa and South Africa. The Barclays offer will enable Absa to enhance its South African franchise and sends a positive signal to international capital markets about South Africa as an investment destination.

Absa will retain its South African character and will continue to be listed on the JSE Securities Exchange South Africa. The transaction will create value for all Absa's stakeholders and will improve the Group's competitiveness.

Prospects

Demand for credit growth is expected to be buoyant for the near term. Inflation and interest rates are expected to remain stable, although the possibility of a further downward adjustment in the interest rates cannot be ruled out. In view of the low interest rate environment, interest rate margins are likely to contract further over the next year, but continued good advances growth – albeit at a slower pace – and sound credit quality should counter any negative impact on the Group's net interest margins.

The Group is well positioned to sustain its good performances of the past three years. The Barclays transaction, if approved by shareholders, will add impetus to this performance. Shareholders should note that a successful conclusion to the Barclays transaction could result in Absa's year-end changing from March to December, resulting in a nine-month financial reporting period for the period ending 31 December 2005.

On behalf of the board

D C Cronjé	**S F Booysen**
Chairman	*Group chief executive*

30 May 2005

Declaration of ordinary dividend number 37

Shareholders are advised that a final dividend of 200 cents per ordinary share was declared on 9 May 2005 and is payable to shareholders recorded in the register of members of the company at the close of business on Friday, 24 June 2005.

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

Last day to trade cum-dividend	Friday, 17 June 2005
Shares commence trading ex-dividend	Monday, 20 June 2005
Record date	Friday, 24 June 2005
Payment of dividend	Monday, 27 June 2005

Share certificates may not be dematerialised or rematerialised between Monday, 20 June 2005 and Friday, 24 June 2005, both dates inclusive.

On Monday, 27 June 2005, 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 27 June 2005 will be posted on or about that date. The accounts of shareholders who have dematerialised their shares (which are held at their central securities depository participant or broker) will be credited on Monday, 27 June 2005.

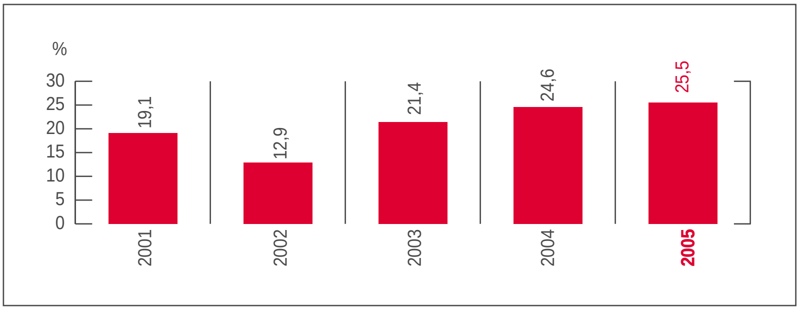
On behalf of the board

W R Somerville
Group secretary

30 May 2005

Group performance

Return on average equity

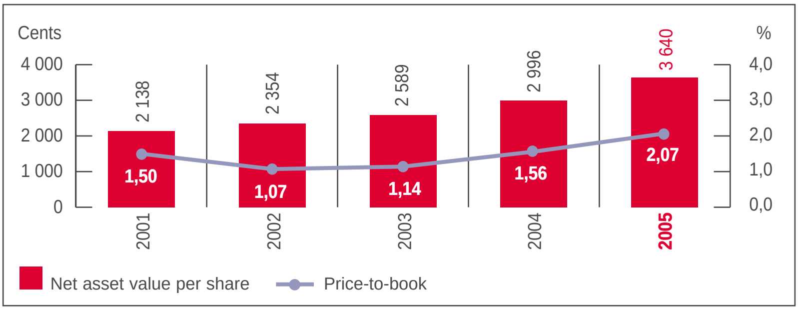


Absa achieved a return on average equity of 25,5% for the year under review, which is comfortably higher than the Group's objective of achieving an RoE of at least 5% above the cost of equity (CoE).

The Group's CoE for the 2005 financial year was set at 15,3%. Therefore the Group exceeded its objective by 5,2%, creating substantial value for shareholders (R2 188 million).

Capital

	2001	2002	2003	2004	**2005**
Capital ratio					
(Average capital/average assets) (%)	6,91	6,67	6,30	6,31	**6,57**
Equity multiplier					
(Average assets/average capital)	14,47	15,00	15,86	15,80	**15,21**



The net asset value of the Absa Group increased by 21,5% from 2 996 cents per share to 3 640 cents per share owing to the strong operational performance.

On the basis of the prescribed consolidated capital requirements of the South African Reserve Bank (SARB), the Group's capital stood at 12,2% of risk-weighted assets at 31 March 2005 (March 2004: 13,0%). Absa Bank's primary capital ratio was 8,3% (March 2004: 7,7%) and the secondary capital ratio was 3,4% (March 2004: 4,6%).

Basel II

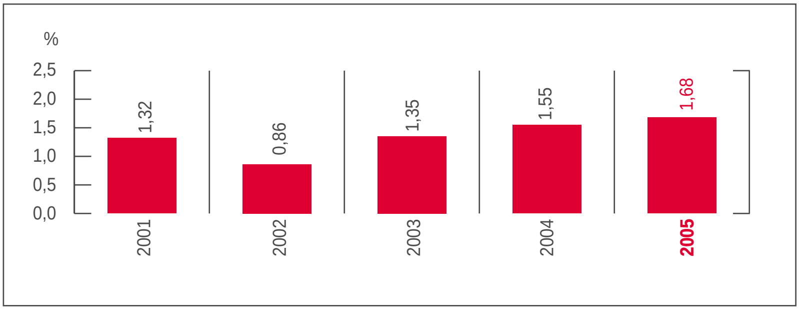
The Group continues to make good progress with the implementation of Basel II and is on track for the planned 2008 implementation date. Based on the current environment, Absa is confident that the anticipated lower capital requirements from credit risk will be sufficient to offset any additional capital required from areas such as operational risk.

Group performance

(continued)

Return on average assets

Return on average assets, excluding acceptances



The Group increased its return on average assets (RoA) from 1,55% to 1,68% in the 2005 financial year. This is in line with the Group's objective of maintaining an RoA greater than 1,5%.

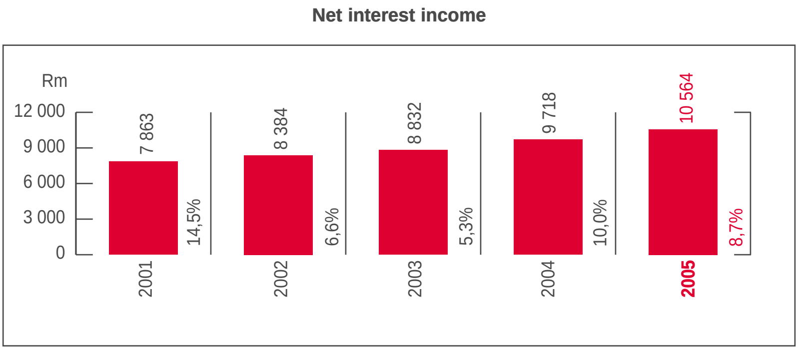
Earnings

Headline earnings

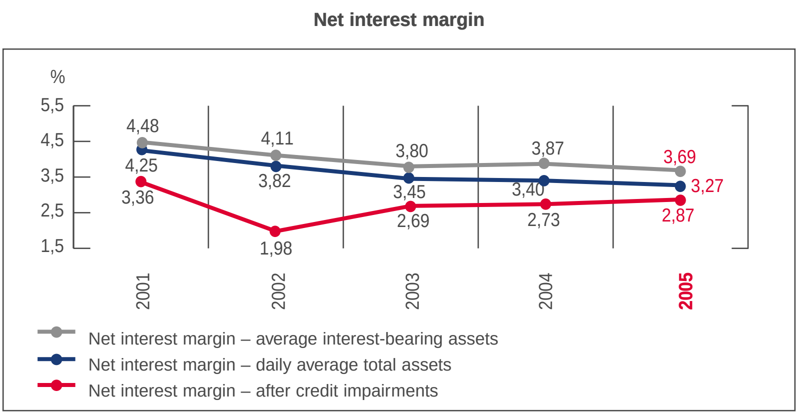
Headline earnings increased by 23,3% from R4 447 million to R5 484 million for the year ended 31 March 2005. This growth was 9,2% greater than the Group's objective of achieving real earnings growth of 10%.

All business areas delivered strong performances, with retail banking contributing R2 406 million (41,1% contribution) and the commercial, wholesale and financial services segments contributing 24,0%, 14,5% and 19,2% respectively.

Interest income



Net interest income increased by 8,7% because of strong advances growth of 20,6%, offset by a decline of 13 basis points in the net interest margin. This decline is primarily attributable to the reduced margin earned on the Group's capital and savings and cheque deposits in the lower interest rate environment, a slight change in the funding mix in favour of wholesale deposits and the impact of increased competition on customer lending rates.



The Group's balance sheet is inherently structured to benefit from a rising interest rate environment. During the year under review, interest rates were largely stable, with only a 50 basis points decline in August 2004. However, the average prime rate for the 2005 financial year was 264 basis points lower than that for the 2004 financial year. This contributed to margin compression of 13 basis points.

A number of strategies have been employed to mitigate the impact of lower rates. These include focused efforts to increase personal and commercial deposits, which grew by 10,6% (in South Africa) and 20,6% respectively, complemented by dynamic hedging to ensure that the repricing mismatch is managed within well defined parameters.

Group performance

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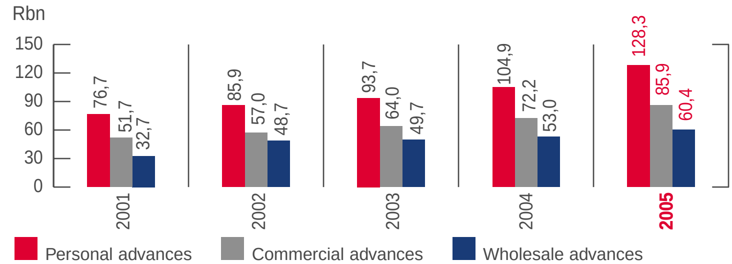
Gross advances



Gross advances increased by 19,4% to R274 639 million, with personal, commercial and wholesale advances showing sound growth of 22,3%, 18,9% and 14,1% respectively.

The growth in personal advances continues to be driven by increased household credit extension. Residential mortgage advances grew by 24,7% and credit cards by 22,8%. Strong advances growth was experienced in the affluent and high net worth market, with Absa Private Bank and Personal Financial Services increasing their respective advances bases by 32%.

Absa's repossessed properties portfolio has been substantially reduced, with the total number of properties in possession declining by 23,1% from March 2004. The remaining properties in this portfolio (6 498 properties) have been adequately provided for.

The solid growth in commercial advances was partly as a result of record new business volumes being achieved by Absa Asset and Vehicle Finance (AVAF). This growth was assisted by the lower interest rate environment, coupled with low vehicle price inflation. Strategic alliances with key suppliers and manufacturers also contributed to the solid asset growth and was in line with AVAF's strategy to diversify its asset mix and target the corporate and business markets.

Both the large and medium business segments drove Business Banking Services' advances growth. The strong property market underpinned a solid contribution to the 20,4% growth in commercial property finance transactions.

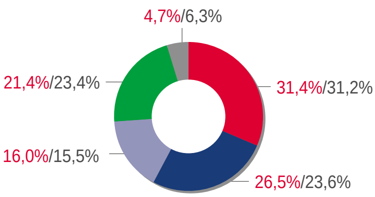
Although the Group's wholesale advances experienced good growth, the demand for traditional interest-bearing products remained under pressure. Investments undertaken by Absa's securitisation vehicle (ABACAS) and the appetite for preference share funding and overnight finance contributed significantly to the growth of 14,1%. These assets attract fees and offer narrower margins than traditional lending products.

Refer to note 1 of the financial statements on page 29 of this report for further information about the Group's advances.

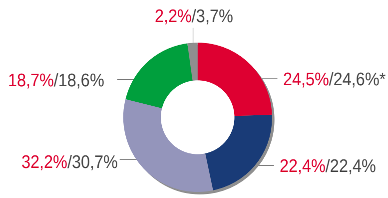
Market share

2005/2004

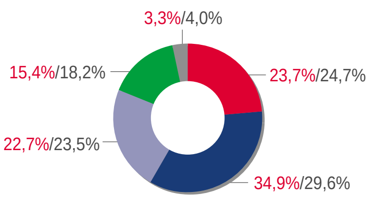
Mortgage loans – % share**



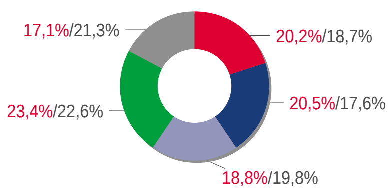
Instalment finance – % share**



Credit cards – % share**



Overdrafts and other loans – % share**



Absa Standard Bank Group FirstRand Nedcor Other

**Securitization of R2,7 billion – 1,7% of market share (2004: R2,8 billion – 2,1% of market share) has been excluded from the Absa instalment finance book.*

***The comparative figures for 2004 have been restated to include Meeg Bank's figures as part of Absa Group and Imperial Bank's figures as part of Nedcor Group, these figures were disclosed as part of "Other" previously.*

The battle for market share intensified in the year under review as players tried to establish dominance in certain product areas. Absa lost some market share in the first half of the 2005 financial year, but the Group turned its position around to record strong performances in most product categories late in the year.

Absa gained market share in the areas of deposits, mortgages and overdrafts and other loans. Various initiatives are under way to enable the Group to accelerate growth, cementing its position as the leading player in the South African retail banking market.

Group performance

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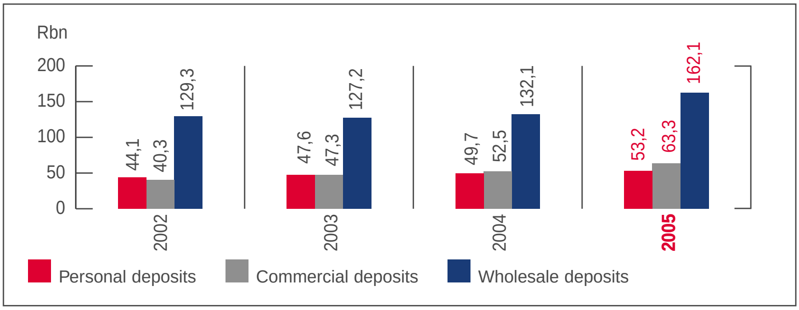
Deposits



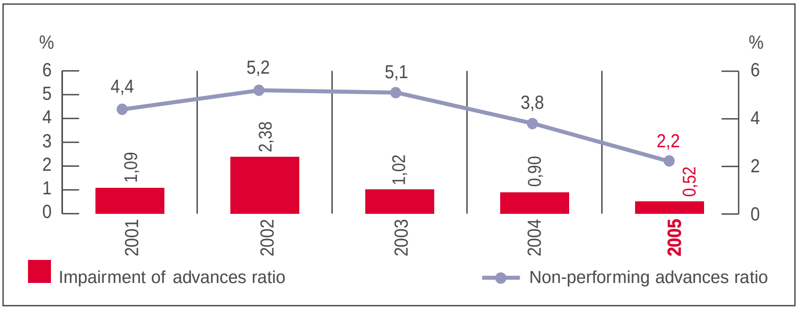
Personal and commercial deposits comprise 41,8% of the Group's funding base (personal 19,1% and commercial 22,7%), which is lower than the 43,6% recorded at 31 March 2004. This can be attributed to a slight change in the funding mix towards wholesale deposits.

In addition, the lower interest rate environment and the good performance of equity markets increased the demand for other investment alternatives.

Despite this trend, personal deposits in South Africa have grown by 10,6% and commercial deposits by 20,6% on the back of cheque accounts as well as savings and fixed deposits.

The Group succeeded in increasing its market share in all deposit categories.

Credit impairments



The low interest rate environment continues to have a positive impact on the affordability of consumer credit as well as debt servicing costs. Household debt relative to disposable income was at approximately 57,5% during the last quarter of the financial year, up from 52,6% a year ago, but debt cost to disposable income is at its lowest level in 20 years.

This, together with the maintenance of prudent credit approval criteria and further enhancements to credit management techniques, supported the continued improvement in the quality of the advances book. As a result, the charge for the impairment of advances to average advances decreased to 0,52% (March 2004: 0,90%).

Non-performing advances as a percentage of total advances decreased from 3,8% (March 2004) to 2,2% at 31 March 2005.

The UniFer book remains adequately provided for. The net outstanding book was R363 million, down from R768 million recorded at 31 March 2004.

Group performance

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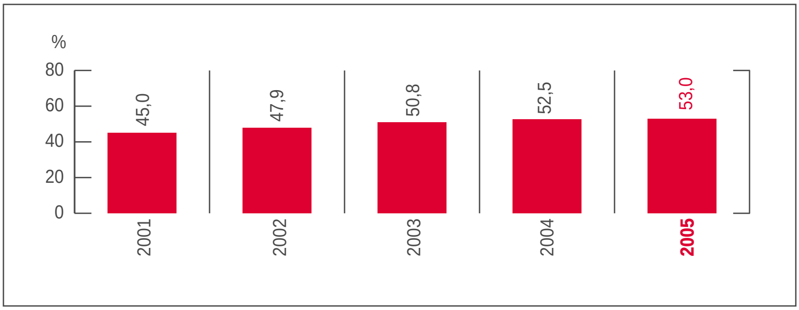
Non-interest income

Non-interest income as % of operating income (excluding credit impairments)



Non-interest income as a percentage of operating income improved marginally from 52,5% to 53,0%.

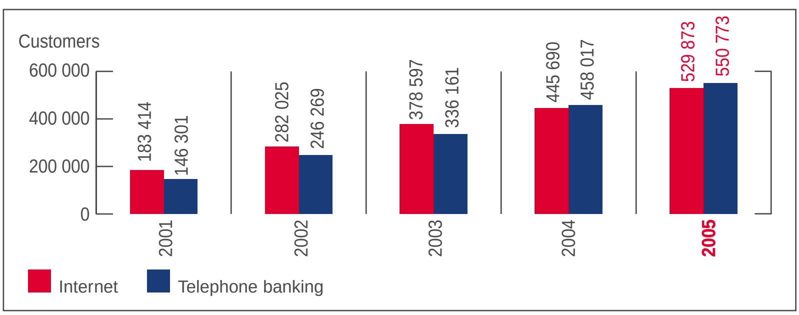
For the year under review, the growth of 16,3% in annuity-based transaction fees, representing 65,5% of total non-interest income, was particularly pleasing. Areas contributing to this growth included increased transaction volumes, specifically in electronic banking and card processing.

Gross trading income improved somewhat during the second half of the financial year, but was still lower than that earned in the 2004 financial year. A reduced risk appetite for proprietary trading and non-directional markets resulted in the lower earnings.

Insurance-related income benefited from the increased volumes generated by the retail banking business units, new products, product bundling and improved underwriting loss ratios.

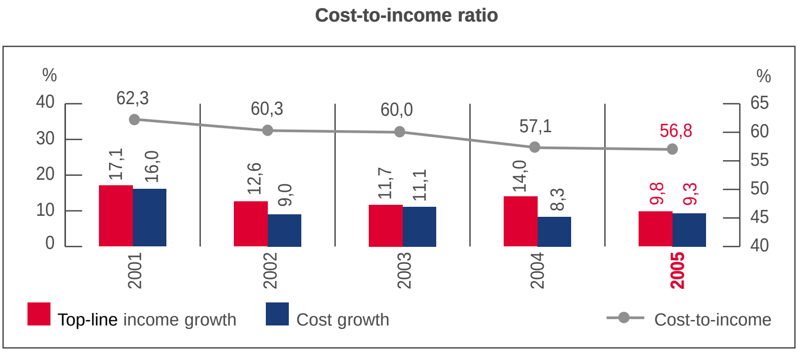
The listed equities investment portfolio held by Financial Services returned R303 million, compared with an appreciation of R317 million for the previous financial year.

Internet and telephone banking

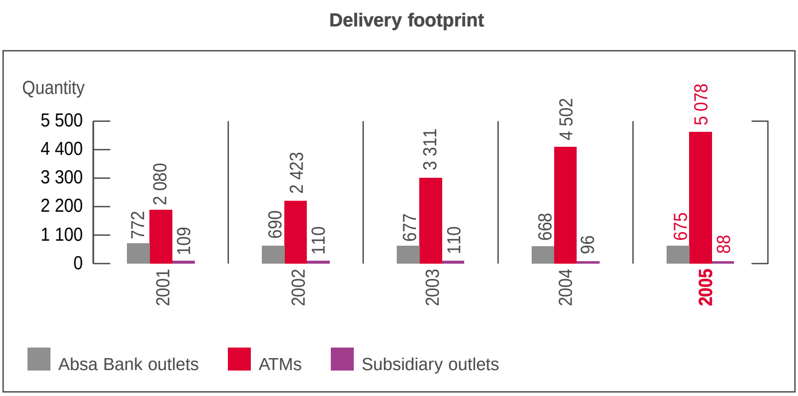


The Group's electronic banking base continues to grow strongly off a high base, with the Group's internet and telephone banking customers growing by 18,9% and 20,3% respectively from 31 March 2004. This has resulted in solid transaction growth from electronic sources, especially from internet and cellphone banking.

Operating expenditure



The cost-to-income ratio, at 56,8%, edged closer to the Group's objective of lowering this ratio to the mid-fifties. This was achieved despite substantial investments in the expansion of the Group's delivery footprint and compliance initiatives of a regulatory nature. Operating expenditure increased by 9,3% compared with top-line income growth of 9,8%.



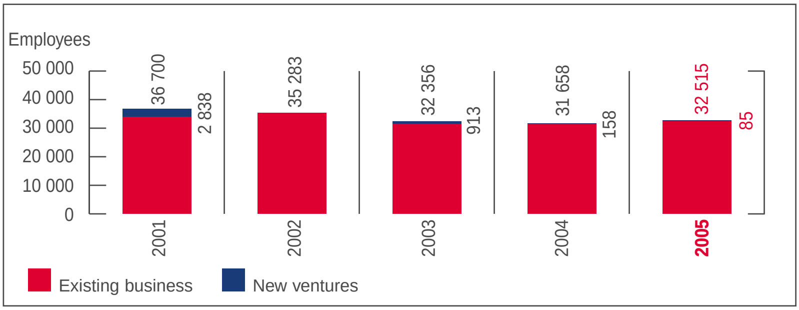
Absa remains committed to expanding its delivery reach, especially by improving its presence in rural and previously disadvantaged communities and by emphasising the growth of the automated teller machine (ATM) network. The focus is on optimising the outlet network and striking a balance between traditional outlets and alternative/electronic delivery mechanisms.

Group performance

(continued)

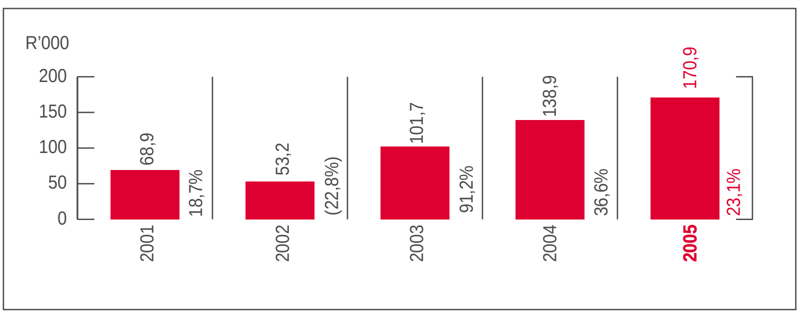
Operating expenditure (continued)

Staff complement



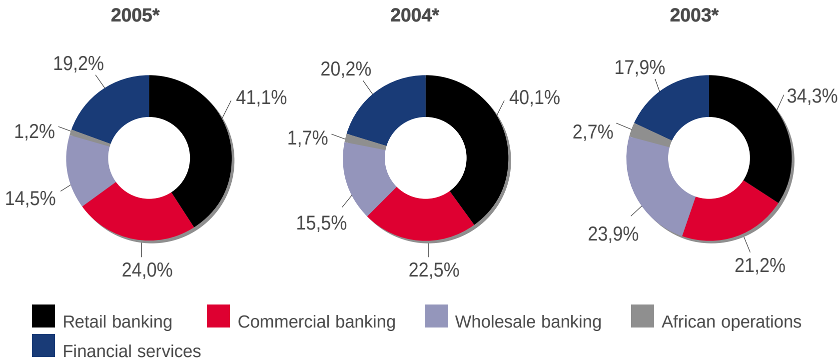
Staff costs grew by 11,1% and represent 49,6% of the cost base, which is slightly higher than the ratio achieved in the comparable period (48,9%). The core drivers of staff costs include growth in headcount to support business expansion and compliance related projects, above-inflation wage settlements and higher incentive provisions owing to the Group's strong performance.

Headline earnings per staff member (average)



The continued strong growth in headline earnings per staff member reflects the Group's ability to leverage existing infrastructure and resources to generate additional income and process greater volumes, while managing costs.

Profit contribution by business area



	Note	2005 Rm	2004 Rm	Change %	2003 Rm
Banking operations					
Retail banking		**2 406**	1 771	35,9	1 159
Absa Private Bank		**18**	1	>100,0	—
Personal Financial Services	1	**203**	171	18,7	183
Retail Banking Services		**404**	263	53,6	231
Flexi Banking Services		**203**	125	62,4	96
Absa Home Loans		**897**	764	17,4	447
Repossessed Properties		**(49)**	(142)	65,5	(241)
Absa Card		**440**	355	23,9	279
Small Business	2	**290**	234	23,9	164
Commercial banking		**1 403**	992	41,4	714
Business Banking Services		**844**	589	43,3	425
Absa Vehicle and Asset Finance (AVAF)		**559**	403	38,7	289
Wholesale banking	3	**843**	684	23,2	807
African operations		**72**	75	(4,0)	91
Capital and funding centre	4	**(159)**	(60)	>(100,0)	—
Total banking		**4 565**	3 462	31,9	2 771
Insurance, fiduciary and investment operations					
Financial services		**1 124**	890	26,3	604
Corporate centre	5	**(205)**	95	>(100,0)	66
Total headline earnings		**5 484**	4 447	23,3	3 441

**Calculated after allocation of capital and funding centre and corporate centre.*

Notes:
1. *MLS was incorporated as part of Personal Financial Services.*
2. *In the previous year Small Business was still part of Business Banking Services, the comparatives have now been restated.*
3. *The Group's local and international wholesale operations (with the exclusion of Bankhaus Wölbern) are managed on an integrated basis and therefore no longer disclosed separately. The profit of Bankhaus Wölbern amounted to R57 million (2004: R57 million).*
4. *Interest rate risk is managed centrally and business units transfer this risk to the capital and funding centre based on the matched funds transfer methodology. A negative contribution reflects the extent to which the negative impact of declining interest rates were not hedged. The unhedged interest rate risk positions were well within the Group's approved risk appetite.*
5. *In addition to non-financial services businesses, this also incorporates costs relating to strategic initiatives which have not been allocated to business units – primarily SAP and Basel II development costs.*

Group performance

(continued)

Profit contribution by business area (continued)

Retail banking

Retail banking increased its headline earnings contribution by 35,9% to R2 406 million, with strong performances from all segment and product business units. Mortgage and credit card advances grew by 24,7% and 22,8% respectively. Growth in fees and commissions amounted to 20,6%, primarily owing to increased transaction volumes. The increase in customer numbers from 5,7 million to 6,9 million during the financial year was encouraging.

The strong growth in residential property values over the past few years had a notably positive impact on the net worth of customers, with an accompanying marked improvement in credit quality. The credit impairment charge in the retail market declined by 40,8%. This charge, as a percentage of average advances, was reduced to 30 basis points.

During the year under review, 14 new staffed outlets were opened, and a further 31 were upgraded. An additional 576 automated teller machines were rolled out – in traditional business areas and historically disadvantaged communities. The improved service levels and reach as a result of this expansion will enhance the Group's ability to comply with the financial sector charter and will further enable the Group to deliver sustainable earnings growth.

Commercial banking

The commercial banking segment continued its impressive headline earnings growth, up 41,4% on last year because of solid advances and deposit growth and improved credit quality.

The lower interest rate environment, coupled with low vehicle price inflation, stimulated the motor industry, resulting in Absa Vehicle and Asset Finance (AVAF) achieving record levels of new business volumes. New business referred by dealers increased as a consequence of the growing number of strategic alliances and joint finance companies formed between AVAF and major dealer groups and manufacturers. The focus on achieving diversification outside the motor vehicle industry paid dividends and contributed to AVAF's impressive earnings growth.

A successful customer acquisition drive and the buoyant property market further boosted strong advances and earnings growth from commercial property finance. This, together with the focus on cost optimisation and enhanced process efficiencies in Business Banking Services, resulted in headline earnings growth of 43,3%.

Business Banking Services retained its leading market position in the public sector and has gained market share in agribusiness and the large and medium business segments.

Wholesale and international banking

Following the relatively weak earnings performance of the first six months, the review of the Group's wholesale and international banking strategy began to pay dividends during the latter months of the financial year. As a result, headline earnings grew by 23,2% compared with the previous financial year.

Merchant banking, particularly the capital and debt markets and debt solutions, posted strong performances, ably assisted by transactions in the project finance area. Commodity finance in the Group's offshore operations performed satisfactorily because of strong commodity prices and demand, especially from China. The balance sheets of the international operations contracted during the year, in line with the Group's reduced risk appetite in these markets. Their contribution to Group earnings improved compared with the previous year.

Other African operations

Good operational performances from African operations outside South Africa were not sufficient to offset the impact of the strong rand and the headline earnings contribution remained in line with the previous year. Subsequent to the year-end, regulatory approval was received for the acquisition of a controlling stake in Banco Comercial Angolano in Angola.

Financial services

The Group's bancassurance model again proved its worth, with improved cross-selling and product penetration levels contributing to the strong operational performance. Underwriting results remain healthy and equity markets grew handsomely for the second consecutive year.

Favourable weather conditions, the correction of under-insurance levels, increased non-mortgage-related business and efficient claims management assisted the short-term insurance company to post record underwriting results.

The life assurance operation has maintained its efficiency to maximise the profitability of strong new business inflows. This, together with equity market gains, enabled the posting of earnings growth of 34,6% off the high earnings base of the previous year.

Group balance sheet

at 31 March

	Note	2005 Rm	2004 Rm	Change %	2003 Rm
Assets					
Cash and short-term assets		**15 184**	14 068	7,9	12 617
Money market assets		**5 002**	3 688	35,6	5 084
Capital market assets		**5 940**	9 161	(35,2)	10 471
Statutory liquid asset portfolio		**14 384**	12 598	14,2	12 970
Advances	1	**268 240**	222 395	20,6	199 297
Derivative and trading assets		**18 534**	28 267	(34,4)	13 469
Other assets		**8 157**	5 846	39,5	5 997
Deferred taxation		**181**	167	8,4	223
Taxation		**5**	28	(82,1)	15
Investments		**8 412**	5 792	45,2	3 506
Associated companies		**604**	624	(3,2)	450
Property and equipment		**2 683**	2 597	3,3	2 613
Intangible assets		**58**	50	16,0	55
Goodwill		**139**	84	65,5	132
Client liabilities under acceptances		**1 163**	1 483	(21,6)	2 165
Total assets		**348 686**	306 848	13,6	269 064
Shareholders' equity and liabilities					
Share capital		**1 310**	1 291	1,5	1 303
Share premium		**1 611**	1 309	23,1	1 532
Reserves		**20 816**	16 750	24,3	14 031
Shareholders' equity		**23 737**	19 350	22,7	16 866
Minority shareholders' equity		**228**	171	33,3	241
Total shareholders' and minority shareholders' equity		**23 965**	19 521	22,8	17 107
Liabilities					
Deposits and current accounts		**278 582**	234 380	18,9	222 056
Derivative and trading liabilities		**21 638**	30 856	(29,9)	12 050
Other liabilities		**7 723**	6 256	23,4	5 745
Deferred taxation		**2 063**	1 331	55,0	1 451
Taxation		**489**	567	(13,8)	327
Provisions		**1 509**	1 272	18,6	1 081
Insurance funds		**5 964**	4 115	44,9	1 396
Other borrowed funds	2	**5 590**	7 067	(20,9)	5 686
Liabilities to clients under acceptances		**1 163**	1 483	(21,6)	2 165
Total liabilities		**324 721**	287 327	13,0	251 957
Total shareholders' equity and liabilities		**348 686**	306 848	13,6	269 064
Contingent liabilities		**16 630**	16 637	0,0	14 275

AC 133: Balance sheet classification as at 31 March 2005

	Assets Rm	Liabilities Rm
Fair value	**64 300**	**27 764**
Held for trading	21 951	21 638
– Money market assets	1 996	—
– Capital market assets	294	—
– Derivative and trading assets	18 534	—
– Investments	1 127	—
– Derivative and trading liabilities	—	21 638
Fair value election	34 919	6 126
– Money market assets	2 691	—
– Capital market assets	5 364	—
– Statutory liquid asset portfolio	4 421	—
– Advances	15 227	—
– Investments	7 216	—
– Deposits and current accounts	—	6 126
Available-for-sale	7 430	—
– Statutory liquid asset portfolio	4 621	—
– Advances	2 740	—
– Investments	69	—
Amortised cost	**284 386**	**296 957**
Originated loans and advances	250 272	—
Held to maturity	12 482	—
Non-trading liabilities	—	283 970
Other assets and liabilities	21 632	12 987
Total shareholders' and minority shareholders' equity	**—**	**23 965**
	348 686	**348 686**

Group income statement

for the year ended 31 March

	Note	2005 Rm	2004 Rm	Change %	2003 Rm
Interest income		**27 132**	28 901	(6,1)	30 299
Interest expense		**(16 568)**	(19 183)	13,6	(21 467)
Net interest income		**10 564**	9 718	8,7	8 832
Impairment of advances	3	**(1 283)**	(1 900)	32,5	(1 957)
Income from lending activities		**9 281**	7 818	18,7	6 875
Non-interest income	4	**11 914**	10 753	10,8	9 127
Operating income		**21 195**	18 571	14,1	16 002
Operating expenditure	5	**(12 761)**	(11 679)	(9,3)	(10 731)
Indirect taxation		**(780)**	(672)	(16,1)	(695)
Impairment charge		**(137)**	(116)	(18,1)	(103)
Net income from operations		**7 517**	6 104	23,1	4 473
Share of associated companies' income		**116**	119	(2,5)	92
Net income before taxation		**7 633**	6 223	22,7	4 565
Taxation		**(2 048)**	(1 627)	(25,9)	(1 104)
Net income after taxation		**5 585**	4 596	21,5	3 461
Minority shareholders' interest		**(74)**	(91)	18,7	(70)
Net income attributable to shareholders		**5 511**	4 505	22,3	3 391
Headline earnings	6	**5 484**	4 447	23,3	3 441
Headline earnings per share		**841,0**	688,5	22,1	528,1
Diluted headline earnings per share		**811,1**	682,8	18,8	528,1
Earnings per share		**845,1**	697,5	21,2	520,5
Diluted earnings per share		**815,1**	691,7	17,8	520,5

Group statement of changes in equity

at 31 March

	2005 Rm	2004 Rm	2003 Rm
Share capital	**1 310**	1 291	1 303
Opening balance	**1 291**	1 303	1 303
Shares bought back	**—**	(1)	—
Shares issued	**8**	—	—
Consolidation of staff share incentive trust	**11**	(11)	—
Share premium	**1 611**	1 309	1 532
Opening balance	**1 309**	1 532	1 532
Utilised during share buy back	**—**	(19)	—
Shares issued	**112**	—	—
Consolidation of staff share incentive trust	**190**	(204)	—
Non-distributable reserves	**331**	755	443
Opening balance	**755**	443	1 408
AC 133 opening balance adjustments	**—**	507	—
Movement in foreign currency translation reserve	**30**	(286)	(711)
Movement in regulatory general credit risk reserve	**(332)**	(119)	—
Movement in available-for-sale assets reserve	**(75)**	(2)	—
Movement in cash flow hedges reserve	**(56)**	95	—
Movement in insurance contingency reserve	**31**	34	(5)
Changes in value of investments held by short-term insurance companies	**—**	(5)	(300)
Movement in associated companies' retained earnings reserve	**(22)**	88	51
Distributable reserves	**20 485**	15 995	13 588
Opening balance	**15 995**	13 588	11 092
AC 133 opening balance adjustments	**—**	(1 165)	—
Consolidation of staff share incentive trust and other	**(4)**	97	—
Transfer (to) insurance contingency reserve	**(31)**	(34)	(29)
Transfer from/(to) associated companies' retained earnings reserve	**20**	(92)	(65)
Transfer from regulatory general credit risk reserve	**332**	119	—
Attributable income	**5 511**	4 505	3 391
Dividends paid during the year	**(1 338)**	(1 023)	(801)
Total shareholders' equity at end of year	**23 737**	19 350	16 866

Group cash flow statement

for the year ended 31 March

	2005 Rm	2004 Rm	2003 Rm
Cash flows from operating activities			
Cash inflow from operating activities	**11 017**	9 293	7 715
Net decrease in operating funds	**(2 182)**	(3 290)	(3 802)
Taxation paid	**(2 125)**	(1 890)	(1 929)
Net cash inflow from operating activities	**6 710**	4 113	1 984
Net cash outflow from investing activities	**(3 063)**	(2 780)	(1 012)
Net cash (outflow)/inflow from financing activities	**(2 526)**	422	677
Net increase in cash and short-term assets	**1 121**	1 755	1 649
Cash and short-term assets at beginning of year	**14 068**	12 617	11 688
Other movements	**(5)**	(304)	(720)
Cash and short-term assets at end of year	**15 184**	14 068	12 617

Notes to the financial statements

for the year ended 31 March

	2005 Rm	2004 Rm	Change %	2003 Rm
1. Advances				
Total personal advances				
Mortgages	**111 343**	89 267	24,7	77 741
Advances	**111 016**	88 777	25,1	77 136
Repossessed properties	**327**	490	(33,3)	605
Cheque accounts	**3 234**	2 928	10,5	3 024
Personal loans	**5 145**	4 437	16,0	4 278
Credit card accounts	**5 394**	4 393	22,8	3 772
Micro loans	**1 582**	2 722	(41,9)	3 400
Other	**1 581**	1 126	40,4	1 531
Gross advances	**128 279**	104 873	22,3	93 746
Impairment of advances	**(2 530)**	(3 916)	35,4	(4 074)
Net advances	**125 749**	100 957	24,6	89 672
Total commercial advances				
Mortgages (including commercial property finance)	**20 553**	16 333	25,8	13 467
Cheque accounts	**10 499**	9 334	12,5	9 817
Instalment finance*	**43 408**	35 708	21,6	28 527
Term loans	**5 402**	5 177	4,3	6 413
Specialised finance	**1 709**	1 224	39,6	1 321
Other	**4 349**	4 463	(2,6)	4 443
Gross advances	**85 920**	72 239	18,9	63 988
Impairment of advances	**(1 770)**	(2 061)	14,1	(2 658)
Net advances	**84 150**	70 178	19,9	61 330
Total wholesale advances				
Corporate overdrafts	**2 305**	2 067	11,5	4 801
Foreign currency loans	**15 618**	15 639	(0,1)	23 288
Specialised and project finance	**13 076**	13 914	(6,0)	8 875
Overnight finance	**6 019**	1 710	>100,0	4 120
Preference shares	**8 318**	5 762	44,4	3 552
Commodities	**1 153**	914	26,1	1 730
Loans granted under resale agreements (Carries)	**3 395**	4 814	(29,5)	—
Securitised corporate loans (Abacas)	**6 087**	3 773	61,3	—
Other	**4 469**	4 393	1,7	3 294
Gross advances	**60 440**	52 986	14,1	49 660
Impairment of advances	**(2 099)**	(1 726)	(21,6)	(1 365)
Net advances	**58 341**	51 260	13,8	48 295
Total gross advances	**274 639**	230 098	19,4	207 394
Impairment of advances	**(6 399)**	(7 703)	16,9	(8 097)
Total net advances	**268 240**	222 395	20,6	199 297

**Although Absa Vehicle and Asset Finance operates in both the personal and commercial markets, this division is included in the commercial banking segment. 66,40% of Absa Vehicle and Asset Finance's total advances are in respect of consumers (personal market).*

Notes to the financial statements

(continued)

	2005 Rm	2004 Rm	Change %	2003 Rm
2. Other borrowed funds				
Subordinated convertible loans				
16,60% effective	**54**	138	(60,9)	286
Unsecured subordinated redeemable debentures				
15,70% nominal	**—**	300	(100,0)	300
14,65% nominal	**200**	200	—	200
14,45% nominal	**300**	300	—	300
17,90% nominal	**250**	250	—	250
Variable rate debentures	**2**	—	100,0	—
Subordinated callable notes				
14,25% (AB02)	**3 100**	3 100	—	3 100
10,75% (AB03)	**1 100**	1 100	—	—
3-month JIBAR + 0,75% (AB03)	**400**	400	—	—
15,00% (AB01)	**—**	1 250	(100,0)	1 250
Redeemable convertible cumulative preference shares	**38**	29	31,0	—
Redeemable cumulative option-holding preference shares	**146**	—	100,0	—
	5 590	7 067	(20,9)	5,686
3. Impairment of advances				
Retail banking	**355**	600	40,8	856
Commercial banking	**639**	720	11,3	823
Wholesale banking	**266**	567	53,1	242
African operations	**20**	(7)	> (100,0)	25
Other	**3**	20	85,0	11
Charge to the income statement	**1 283**	1 900	32,5	1 957
Credit impairments per product				
Residential mortgages	**156**	323	51,7	441
Cheque accounts	**476**	423	(12,5)	420
Personal loans	**83**	113	26,5	144
Instalment finance	**232**	209	(11,0)	236
Credit cards	**78**	79	1,3	57
Other retail advances	**205**	116	(76,7)	159
Other wholesale advances	**225**	580	61,2	197
Micro loans	**37**	29	(27,6)	11
Repossessed properties	**33**	62	46,8	140
Commercial property finance	**31**	54	42,6	151
Reclassification from general to specific impairment	**—**	—	—	86
Total specific impairment charge	**1 556**	1 988	21,7	2 042
Portfolio impairment	**(36)**	124	>100,0	38
Impairment of advances before recoveries	**1 520**	2 112	28,0	2 080
Recoveries of credit impairments	**(237)**	(212)	11,8	(123)
Total charge to the income statement	**1 283**	1 900	32,5	1 957

	2005 Rm	2004 Rm	Change %	2003 Rm
3. Impairment of advances (continued)				
Accumulated impaired advances				
Specific impairments	**5 369**	6 642	19,2	6 508
Non-performing loans	**3 946**	5 332	26,0	6 508
Other impaired loans	**918**	388	>(100,0)	—
Net present value adjustment	**505**	922	45,2	—
Portfolio impairments	**1 030**	1 061	2,9	1 589
	6 399	7 703	16,9	8 097

	Outstanding balance Rm	Security and recoveries Rm	Net exposure Rm	Impairments raised Rm
Non-performing advances at 31 March 2005				
Personal loans	**231**	**104**	**127**	**127**
Retail overdrafts and credit cards	**668**	**149**	**519**	**519**
Foreign currency loans	**559**	**2**	**557**	**557**
Instalment finance	**368**	**86**	**282**	**282**
Mortgages	**1 917**	**1 249**	**668**	**668**
Micro loans	**1 354**	**355**	**999**	**999**
Other	**836**	**42**	**794**	**794**
	5 933	**1 987**	**3 946**	**3 946**
Non-performing advances as % of total advances	**2,2**			
Non-performing advances at 31 March 2004	8 688	3 356	5 332	5 332
Non-performing advances as % of total advances	3,8			

	2005 Rm	2004 Rm	Change %	2003 Rm
4. Non-interest income				
Banking-related income	**9 474**	8 700	8,9	7 821
Commissions and fees	**7 807**	6 712	16,3	6 044
Net trading income	**520**	987	(47,3)	1 075
Total dealing income	**858**	901	(4,8)	708
Net interest (income)/cost	**(203)**	110	>100,0	378
Other non-interest income	**(135)**	(24)	>100,0	(11)
Knowledge-based income	**192**	159	20,8	130
Valuation fees	**123**	78	57,7	63
Unit and property trust income	**202**	174	16,1	119
Pension fund payment services	**433**	421	2,9	267
Other banking income	**197**	169	16,6	123
Insurance-related income	**1 547**	1 236	25,2	908
Net broking commissions	**446**	399	11,8	338
Trust and estate income	**164**	148	10,8	129
Net insurance underwriting surplus	**410**	231	77,5	115
Net life surplus	**381**	283	34,6	178
Other	**146**	175	(16,6)	148

Notes to the financial statements

(continued)

	2005 Rm	2004 Rm	Change %	2003 Rm
4. Non-interest income (continued)				
Investment income	**762**	685	11,2	305
Net profit on realisation of investments	**313**	231	35,5	136
Unrealised gains on fair value election investments	**206**	262	(21,4)	—
Dividend income	**243**	192	26,6	169
Other activities	**131**	132	(0,8)	93
Profit on the disposal of property and equipment	**14**	45	(68,9)	30
Property development profits	**41**	10	>100,0	38
Property rentals	**76**	77	(1,3)	25
	11 914	10 753	10,8	9 127
5. Operating expenditure				
Amortisation	**17**	64	73,4	66
Auditors' remuneration	**70**	49	(42,9)	39
Depreciation	**663**	663	—	632
Information technology costs	**1 059**	873	(21,3)	916
Marketing costs	**499**	395	(26,3)	320
Operating lease charges	**737**	689	(7,0)	585
Other professional fees	**944**	783	(20,6)	485
Staff costs	**6 340**	5 708	(11,1)	5 338
Other expenses	**2 432**	2 455	1,0	2 350
	12 761	11 679	(9,3)	10 731
6. Determination of headline earnings				
Headline earnings is determined as follows:				
Net income attributable to shareholders	**5 511**	4 505	22,3	3 391
Net profit on disposal of property and equipment	**(14)**	(45)	68,9	(30)
Net profit on disposal of available-for-sale assets and strategic investments	**(150)**	(166)	9,6	(16)
Impairment of strategic and available-for-sale investments, associated companies and property	**30**	104	(71,2)	—
Goodwill impaired and written off	**107**	49	>100,0	96
Headline earnings	**5 484**	4 447	23,3	3 441

	Number of shares		
	2005	2004	2003
7. Staff share incentive trust			
Shares and options subject to the trust at the beginning of the year			
Shares issued to participants	**847 702**	1 168 620	1 209 492
Options granted	**33 964 889**	37 939 043	32 048 567
	34 812 591	39 107 663	33 258 059
Shares issued and options granted during the year	**7 090 603**	5 905 310	8 729 746
	41 903 194	45 012 973	41 987 805
Options exercised and implemented, options cancelled and shares released or repurchased by the trustees in terms of the rules of the trust	**(10 765 275)**	(10 200 382)	(2 880 142)
Shares and options subject to the trust at the end of the year	**31 137 919**	34 812 591	39 107 663
Comprising			
Shares issued to participants	**432 741**	847 702	1 168 620
Options granted and unexercised	**30 705 178**	33 964 889	37 939 043
	31 137 919	34 812 591	39 107 663

	2005		2004		2003	
	% of total issued shares	**Number of shares**	% of total issued shares	Number of shares	% of total issued shares	Number of shares
Maximum shares and options available	**10,0**	**65 505 507**	10,0	65 105 507	10,0	65 154 675
Shares and options subject to the trust	**(4,8)**	**(31 137 919)**	(5,3)	(34 812 591)	(6,0)	(39 107 663)
Balance of shares and options available	**5,2**	**34 367 588**	4,7	30 292 916	4,0	26 047 012

Details regarding the options granted and still outstanding at 31 March 2005 are as follows:

Expiry date*	**Number of options**	**Average option price R**
Year to 31 March 2006	68 450	14,78
Year to 31 March 2007	277 213	20,77
Year to 31 March 2008	569 725	30,57
Year to 31 March 2009	598 706	19,17
Year to 31 March 2010	1 881 753	27,48
Year to 31 March 2011	2 111 555	26,60
Year to 31 March 2012	6 309 849	36,74
Year to 31 March 2013	7 409 965	33,64
Year to 31 March 2014	4 626 030	35,29
Year to 31 March 2015	6 851 932	49,65
	30 705 178	36,74

**Options are implementable at least five years before expiry date.*

Segmental reporting per market segment

for the year ended 31 March

	Retail		Commercial		Wholesale	
	2005	2004	**2005**	2004	**2005**	2004
Income statement (Rm)						
Net interest income	**5 771**	5 429	**3 550**	3 105	**1 109**	851
Impairment of advances	**(355)**	(600)	**(639)**	(720)	**(266)**	(567)
Non-interest income	**5 470**	4 658	**1 861**	1 546	**1 584**	2 076
Operating expenditure	**(7 060)**	(6 571)	**(2 674)**	(2 457)	**(1 530)**	(1 457)
Taxation and other	**(1 420)**	(1 145)	**(695)**	(482)	**(54)**	(219)
Headline earnings	**2 406**	1 771	**1 403**	992	**843**	684
Balance sheet (Rm)						
Total assets*	**182 833**	154 024	**102 012**	86 958	**197 551**	178 714
Total advances	**132 232**	107 306	**76 115**	63 067	**58 045**	51 152
Total deposits and current accounts	**62 745**	55 763	**50 565**	46 046	**161 872**	129 087
Financial performance (%)						
Return on average equity	**40,0**	31,9	**27,8**	21,9	**14,8**	12,9
Return on average assets, excluding acceptances	**1,43**	1,16	**1,49**	1,25	**0,45**	0,41
Operating performance (%)						
Net interest margin on average assets	**3,43**	3,57	**3,77**	3,91	**0,59**	0,51
Charge for impairment of advances to average advances	**0,30**	0,60	**0,92**	1,23	**0,49**	1,14
Non-interest income as % of operating income	**48,7**	46,2	**34,4**	33,2	**58,8**	70,9
Cost-to-income ratio	**62,8**	65,1	**49,4**	52,8	**56,8**	49,8
Cost-to-assets ratio	**4,2**	4,3	**2,8**	3,1	**0,8**	0,9

**Total assets include intergroup balances of R157 609 million (2004: R130 790 million).*

African operations		Financial services		Other		Absa Group	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
229	217	**153**	178	**(248)**	(62)	**10 564**	9 718
(20)	7	**(3)**	(9)	**—**	(11)	**(1 283)**	(1 900)
185	168	**1 931**	1 575	**883**	730	**11 914**	10 753
(310)	(309)	**(689)**	(620)	**(498)**	(265)	**(12 761)**	(11 679)
(12)	(8)	**(268)**	(234)	**(501)**	(357)	**(2 950)**	(2 445)
72	75	**1 124**	890	**(364)**	35	**5 484**	4 447
4 390	4 225	**13 279**	9 846	**6 230**	3 871	**506 295**	437 638
1 160	1 034	**167**	147	**521**	(311)	**268 240**	222 395
3 168	3 071	**—**	—	**232**	413	**278 582**	234 380
19,9	20,8	**38,4**	37,2	**n/a**	n/a	**25,5**	24,6
1,67	1,60	**9,72**	12,08	**n/a**	n/a	**1,68**	1,55
5,32	4,64	**n/a**	n/a	**n/a**	n/a	**3,27**	3,40
1,82	(0,74)	**n/a**	n/a	**n/a**	n/a	**0,52**	0,90
44,7	43,6	**92,7**	89,8	**n/a**	n/a	**53,0**	52,5
74,9	80,3	**33,1**	35,4	**n/a**	n/a	**56,8**	57,1
7,2	6,6	**6,0**	8,4	**n/a**	n/a	**3,9**	4,1

Segmental reporting per market segment

(continued)

Retail banking

	Absa Private Bank		Personal Financial Services*		Retail Banking Services		Flexi Banking Services**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Headline earnings (Rm)	**18**	1	**203**	171	**404**	263	**203**	125
Return on average equity (%)	**11,5**	0,6	**24,5**	22,4	**79,1**	62,1	**202,9**	240,4
Cost-to-income ratio (%)	**68,1**	75,9	**64,8**	62,3	**78,8**	80,2	**77,7**	81,8
Total assets (Rm)	**3 254**	2 453	**17 273**	16 301	**31 407**	27 813	**4 865**	4 777
Total advances (Rm)	**2 998**	2 265	**15 068**	11 454	**5 058**	4 395	**497**	1 020
Total deposits and current accounts (Rm)	**2 050**	1 705	**12 231**	11 527	**30 352**	26 817	**3 991**	3 526

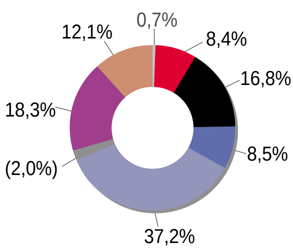
Commercial banking

	Business Banking Services***		AVAF		Total	
	2005	2004	**2005**	2004	**2005**	2004
Headline earnings (Rm)	**844**	589	**559**	403	**1 403**	992
Return on average equity (%)	**38,1**	34,0	**19,7**	17,7	**27,8**	21,9
Cost-to-income ratio (%)	**50,8**	52,3	**47,2**	53,8	**49,4**	52,8
Total assets (Rm)	**54 664**	48 332	**47 348**	38 626	**102 012**	86 958
Total advances (Rm)	**32 799**	27 599	**43 316**	35 468	**76 115**	63 067
Total deposits and current accounts (Rm)	**47 700**	43 206	**2 865**	2 840	**50 565**	46 046

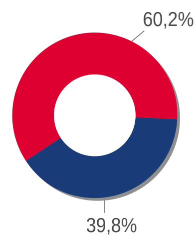
Note: These results are after the allocation of all head office and support charges.
** Includes the results of MLS.*
*** Includes the results of UB Micro Loans.*
**** In the previous year Small Business was still part of Business Banking Services.*

Home Loans		Repossessed Properties		Absa Card		Small Business**		Total	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
897	764	**(49)**	(142)	**440**	355	**290**	234	**2 406**	1 771
24,1	25,3	**n/a**	n/a	**112,5**	157,1	**90,1**	68,5	**40,0**	31,9
34,6	35,1	**n/a**	n/a	**44,4**	47,5	**69,9**	72,4	**62,8**	65,1
107 342	87 066	**56**	196	**5 844**	4 670	**12 792**	10 748	**182 833**	154 024
99 851	80 731	**—**	154	**5 161**	4 120	**3 599**	3 167	**132 232**	107 306
—	—	**—**	—	**2 047**	2 195	**12 074**	9 993	**62 745**	55 763

Retail banking 2005



Commercial banking 2005

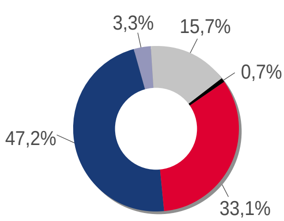


Headline earnings %

Retail banking 2005 Private Bank; Personal Financial Services; Retail Banking Services; Flexi Banking Services; Home Loans; Repossessed Properties; Absa Card; Small Business

Commercial banking 2005 Business Banking Services; Absa Vehicle and Asset Finance (AVAF)

Financial services 2005



Headline earnings %

Financial services 2005 Life insurance; Short-term insurance; Advisory services; Wealth management; Other

Capital adequacy

at 31 March

Capital adequacy of Absa Bank Limited

Risk-weighted assets

	2005 Unweighted assets Rm	2005 Risk-weighted assets Rm	2004 Risk-weighted assets Rm	2003 Risk-weighted assets Rm
Assets – banking activities				
On balance sheet	**273 465**	**181 069**	153 021	141 113
Off balance sheet	**489 241**	**11 534**	16 887	6 456
Total	**762 706**	**192 603**	169 908	147 569
Notional assets – trading activities	**—**	**6 853**	6 409	8 453
	762 706	**199 456**	176 317	156 022

Qualifying capital	**Rm**	**%***	%*	%*
Primary capital				
Share capital	**293**	**0,2**	0,2	0,2
Share premium	**1 606**	**0,8**	0,9	0,4
Reserves	**15 159**	**7,6**	7,1	6,8
Impairments	**(617)**	**(0,3)**	(0,5)	(0,9)
	16 441	**8,3**	7,7	6,5
Secondary capital				
Subordinated convertible loans	**627**	**0,3**	0,4	1,0
Subordinated redeemable debt	**5 250**	**2,6**	3,8	3,6
Regulatory credit provision/ reserve	**1 197**	**0,6**	0,5	0,6
Revaluation reserve	**184**	**0,1**	0,1	—
Impairments	**(460)**	**(0,2)**	(0,2)	(0,2)
	6 798	**3,4**	4,6	5,0
Total qualifying capital	**23 239**	**11,7**	12,3	11,5

**Percentage of capital to risk-weighted assets.*

Capital adequacy of Absa Group Limited and its banking subsidiaries

	2005 Risk-weighted assets Rm	2005 Capital adequacy ratio %	2004 Capital adequacy ratio %	2003 Capital adequacy ratio %
South African operations				
Absa Bank	**199 456**	**11,7**	12,3	11,5
Meeg Bank	**500**	**15,8**	10,9	10,5
MLS Bank*	**—**	**—**	10,7	10,7
Non-South African operations				
Absa Asia (Hong Kong)	**1 297**	**29,6**	39,4	12,1
Absa Bank London (a branch of Absa Bank)	**7 990**	**11,3**	10,0	10,0
Absa Bank Singapore (a branch of Absa Bank)	**2 409**	**10,0**	10,0	10,0
Banco Austral, Sarl (Mozambique)	**337**	**30,3**	36,1	25,3
Bankhaus Wölbern and Co (Germany)	**3 290**	**10,6**	11,1	10,9
Hesse Newman and Co (Germany)	**420**	**19,4**	—	—
National Bank of Commerce (Tanzania)	**1 383**	**16,1**	15,3	19,5
Total banking operations	**217 082**	**11,7**	12,1	11,5

	2005	2004	2003
Risk-weighted assets (Rm)	**217 082**	194 220	179 074
Tier 1 capital (Rm)	**18 206**	15 126	11 909
Tier 1 ratio (%)	**8,4**	7,8	6,7

	2005	2004	2003
Absa Group Limited	**12,2**	13,0	12,5

	2005	2004	2003
Risk-weighted assets (Rm)	**248 112**	210 502	200 890
Tier 1 capital (Rm)	**23 251**	19 188	18 453
Tier 1 ratio (%)	**9,4**	9,1	9,2

**MLS Bank's banking licence was cancelled during the financial year and the activities of MLS Bank were incorporated into Absa Bank.*

Five-year summary of the consolidated balance sheet

at 31 March

	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm
Assets					
Cash and short-term assets	**15 184**	14 068	12 617	11 688	6 402
Money market assets	**5 002**	3 688	5 084	5 233	5 618
Capital market assets	**5 940**	9 161	10 471	10 095	4 590
Statutory liquid asset portfolio	**14 384**	12 598	12 970	13 677	10 896
Advances	**268 240**	222 395	199 297	183 860	156 396
Derivative and trading assets	**18 534**	28 267	13 469	8 606	1 907
Other assets and taxation	**8 162**	5 874	6 012	4 412	2 534
Deferred taxation	**181**	167	223	445	198
Investments	**8 412**	5 792	3 506	3 399	2 671
Associated companies	**604**	624	450	442	332
Subsidiary companies	**—**	—	—	131	—
Property and equipment	**2 683**	2 597	2 613	2 552	2 562
Intangible assets and goodwill	**197**	134	187	66	164
Client liabilities under acceptances	**1 163**	1 483	2 165	2 694	2 244
Total assets	**348 686**	306 848	269 064	247 300	196 514
Shareholders' equity and liabilities					
Shareholders' equity	**23 737**	19 350	16 866	15 335	13 869
Minority shareholders' equity	**228**	171	241	151	490
Total shareholders' and minority shareholders' equity	**23 965**	19 521	17 107	15 486	14 359
Liabilities					
Deposits and current accounts	**278 582**	234 380	222 056	213 766	167 736
Derivative and trading liabilities	**21 638**	30 856	12 050	193	1 306
Other liabilities, provisions and taxation	**9 721**	8 095	7 153	7 900	4 742
Deferred taxation	**2 063**	1 331	1 451	1 414	2 002
Insurance funds	**5 964**	4 115	1 396	1 453	1 163
Other borrowed funds	**5 590**	7 067	5 686	4 394	2 962
Liabilities to clients under acceptances	**1 163**	1 483	2 165	2 694	2 244
Total liabilities	**324 721**	287 327	251 957	231 814	182 155
Total shareholders' equity and liabilities	**348 686**	306 848	269 064	247 300	196 514
Contingent liabilities	**16 630**	16 637	14 275	16 579	14 198

Five-year summary of the consolidated income statement

for the year ended 31 March

	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm
Interest income	**27 132**	28 901	30 299	24 517	22 571
Interest expense	**(16 568)**	(19 183)	(21 467)	(16 133)	(14 708)
Net interest income	**10 564**	9 718	8 832	8 384	7 863
Impairment of advances	**(1 283)**	(1 900)	(1 957)	(4 042)	(1 643)
Income from lending activities	**9 281**	7 818	6 875	4 342	6 220
Non-interest income	**11 914**	10 753	9 127	7 694	6 421
Operating income	**21 195**	18 571	16 002	12 036	12 641
Operating expenditure	**(12 761)**	(11 679)	(10 731)	(9 700)	(8 900)
Indirect taxation	**(780)**	(672)	(695)	(649)	(534)
Impairment charge	**(137)**	(116)	(103)	(144)	—
Net income from operations	**7 517**	6 104	4 473	1 543	3 207
Share of associated companies' income	**116**	119	92	100	53
Net income before taxation	**7 633**	6 223	4 565	1 643	3 260
Taxation	**(2 048)**	(1 627)	(1 104)	(337)	(717)
Net income after taxation	**5 585**	4 596	3 461	1 306	2 543
Minority shareholders' interest	**(74)**	(91)	(70)	380	(101)
Net income attributable to shareholders	**5 511**	4 505	3 391	1 686	2 442
Non-headline earning items	**(27)**	(58)	50	202	4
Headline earnings	**5 484**	4 447	3 441	1 888	2 446

Shareholders' information

at 31 March

	2005 %	2004 %	2003 %
Major ordinary shareholders (holding more than 5%)			
Sanlam Limited and associates	**19,4**	21,3	22,6
Financial Securities Limited (Remgro)	**9,4**	9,4	9,4
Public Investment Corporation	**8,0**	8,7	8,4
Allan Gray on behalf of clients	**7,9**	5,5	—
Old Mutual Asset Managers	**7,6**	—	—
Mines Pension Funds	**—**	—	6,2
Private investors	**5,6**	6,3	6,2
Other	**42,1**	48,8	47,2
	100,0	100,0	100,0

Batho Bonke Capital (Proprietary) Limited and the Employee Share Ownership Programme hold 79 237 500 redeemable cumulative option-holding preference shares ("preference shares").

	Ordinary shares	Preference shares	Total shares
Shares in issue at 31 March 2005	**655 055 074**	**79 237 500**	**734 292 574**

Shareholders' diary

Financial year-end	31 March 2005
Annual general meeting	19 August 2005

Reports

Announcement of the final results	30 May 2005

Dividends

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Final 2004/05	30 May 2005	17 June 2005	20 June 2005	24 June 2005	27 June 2005
Interim 2005/06	21 November 2005	15 December 2005	19 December 2005	23 December 2005	27 December 2005

Definitions

Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of the South African Banks Act requirements. The ratio is calculated by dividing the primary (Tier 1), secondary (Tier 2) and tertiary (Tier 3) capital by the risk weighted assets. The minimum South African total capital adequacy ratio for banks is now 10% of risk-weighted assets. Non-South African banks within the Group have similar requirements.

Primary (Tier 1) capital

Primary capital consists of issued ordinary share capital and perpetual preference share capital, retained earnings and the reserves. This amount is then reduced by the portion of capital that is allocated to trading activities.

Secondary (Tier 2) capital

Secondary capital is made up of compulsory convertible loans, the general impairment provision/reserve and 50% of any revaluation reserves.

Tertiary (Tier 3) capital

Tertiary capital is made up of unappropriated profits in the trading book.

Charge for impairment of advances

Advances impairments are made where there is objective evidence that the Group will not be able to collect all amounts due. The impairment is the difference between the carrying and recoverable amount. The estimated recoverable amount is the present value of expected future cash flows which may result from restructuring, liquidation or collateral held.

Cost-to-income ratio

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

Dividend cover

Headline earnings per share divided by dividends per share.

Dividends per share relating to income for the year

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

Earnings per share

Attributable earnings basis

Net profit for the period divided by the weighted average number of ordinary shares in issue during the period.

Headline earnings basis

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

Fully diluted basis

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

Headline earnings

Headline earnings is not a measure of maintainable earnings. Headline earnings reflect the operating performance of the Group separated from profits and losses on capital items.

Market capitalisation

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

Net asset value per share

Total shareholders' equity excluding minority shareholders' equity divided by the number of shares in issue, less any treasury shares held.

Definitions

(continued)

Net interest margin on average assets
Net interest income divided by average assets (calculated on a daily average basis), expressed as a percentage of average assets.

Net interest margin on average interest-bearing assets
Net interest income divided by average interest-bearing assets (calculated on a daily average basis), expressed as a percentage of average interest-bearing assets. Average interest-bearing assets consist of cash and short-term assets, money market assets, capital market assets, statutory liquid asset portfolio and net advances.

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

Price (closing) earnings ratio
The closing price of ordinary shares divided by headline earnings per share.

Price-to-book
The closing share price relative to the net asset value.

Repossessed properties
Properties acquired through payment defaults on an advance secured by the property.

Risk-weighted assets
Risk-weighted assets are determined by applying risk weights to balance sheet assets and off-balance sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance sheet financial instrument is regulated by the South African Banks Act or by regulations in the respective countries of the other banking licences.

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

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

Administrative information

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