Absa Bank Limited

Annual report

For the twelve months ended 31 December 2006

Member of the BARCLAYS Group

ABSA

Contents

D C Cronjé: Chairman
S F Booysen: Chief executive

Dear Shareholder

The annual financial results of Absa Bank Limited (Absa Bank or the Bank) for the twelve months ended 31 December 2006 are contained in this report. As a result of the change in the year-end from March to December, the previous audited financial results were for the nine months ended 31 December 2005.

Letter from the chairman and chief executive

Key financial highlights

For the year under review, Absa Bank maintained its earnings momentum, as was evident from the achievement of headline earnings of R5 861 million and headline earnings per share of 1 742,5 cents for the twelve months ended 31 December 2006. The Bank delivered a return on equity of 25,1% (nine months ended 31 December 2005: 22,8%).

All of the business areas delivered strong growth in attributable earnings. The retail, business, corporate and investment banking segments benefited from a buoyant operating environment and the earnings uplift was assisted by the Absa-Barclays integration benefits.

The operating environment

The favourable trading conditions of the past few years persisted for the twelve months under review. Despite high commodity prices, which caused rising inflation and higher interest rates in many developed and emerging market economies, global economic growth in 2006 was close to 5% – the best performance since the 1970s.

The South African economy, which is now in its seventh year of expansion, delivered real growth of 5,0% in 2006, compared with 5,1% for 2005. Consumers retained their appetite for credit and private sector credit growth edged upwards to over 27% year-on-year in the final quarter of 2006. Strong consumer spending in the first half of 2006 gradually made way for a levelling-off in spending growth rates in the last quarter of the year, with activity expansion in real estate, new vehicle sales and financial services tapering off. The South African monetary authorities responded to the high demand for credit, rising inflation, strong consumer demand and the widening current account deficit by increasing interest rates by 200 basis points since June 2006.

Compliance, legislation and regulation

Absa made a submission to the Competition Commission enquiry hearings in November 2006. Absa's view is that the regulatory and commercial aspects of the banking environment have changed and will continue to shift further in future. This should result in increased consumer protection, a lowering of barriers to entry and intensified competition in the industry.

The National Credit Act (NCA), which becomes fully effective on 1 June 2007, was the primary regulatory and compliance challenge of the year. The required changes and adjustments have been successfully dealt with. Comprehensive strategies to take advantage of any new opportunities that may arise as a result of the implementation of the NCA have been developed.

Compliance with Basel II remains on track and anti-money-laundering preparedness has reached the desired levels.

Looking ahead

The domestic economic landscape is expected to remain favourable, but inflationary pressures are expected to continue in 2007, with the CPIX inflation rate likely to test the 6% upper limit of the target range. Under such conditions, the South African Reserve Bank is expected to maintain its tight monetary policy during the early part of 2007. Real economic growth of around 4,5% is expected in 2007.

Increasing household indebtedness, tighter monetary conditions, the NCA and other legislative changes are expected to result in pressure on earnings growth as a result of lower credit and transaction volume growth and a higher impairment charge.

Absa is well positioned to benefit from the expected acceleration in fixed investment spending and to deal successfully with the anticipated slowdown in household consumption expenditure growth. Absa will continue in its relentless pursuit of its strategic objectives, which are designed to take it to pre-eminence.

Danie Cronjé

Steve Booysen

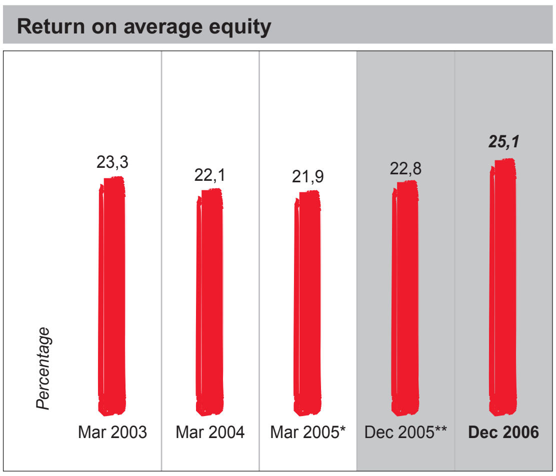
D C Cronjé • *Chairman*

S F Booysen • *Chief executive*

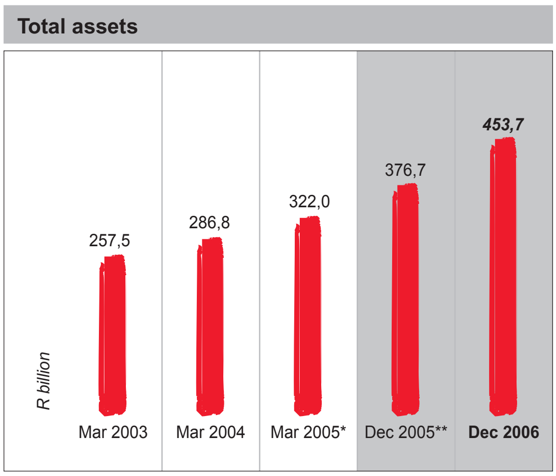
	Twelve months ended 31 December 2006 (Audited)	Nine months ended 31 December 2005* (Audited)
Income statement (Rm)		
Headline earnings**	**5 861**	3 443
Profit attributable to the ordinary equity holder of the Bank	**6 051**	3 431
Balance sheet (Rm)		
Total assets	**453 726**	376 687
Loans and advances to customers	**368 320**	292 955
Deposits due to customers	**348 934**	289 113
Financial performance (%)		
Return on average equity	**25,1**	22,8
Return on average assets	**1,42**	1,31
Loans-to-deposits ratio	**105,6**	101,3
Operating performance (%)		
Net interest margin on average assets	**3,42**	3,29
Net interest margin on average interest-bearing assets	**3,71**	3,64
Impairment losses on loans and advances as a percentage of average loans and advances to customers	**0,44**	0,27
Non-interest income as a percentage of total operating income	**45,4**	46,3
Cost-to-income ratio	**58,1**	62,5
Effective tax rate, excluding indirect taxation	**28,4**	30,1

**The comparatives for the nine months ended 31 December 2005 have been reclassified for the reclassification of certain assets and liabilities as well as the reclassification of interest and dividends on fair value through profit and loss assets. The comparatives have been reclassified throughout the document.*

***Excludes R73 million profit attributable to preference equity holders of the Bank.*



**Restated for International Financial Reporting Standards.*
***Nine months ended 31 December 2005.*



**Restated for International Financial Reporting Standards.*
***Nine months ended 31 December 2005.*

Salient features

	Twelve months ended 31 December 2006 (Audited)	Nine months ended 31 December 2005* (Audited)
Share statistics (millions)		
(including "A" ordinary shares)		
Number of shares in issue	**337,3**	332,9
Weighted average number of shares	**336,3**	321,0
Weighted average diluted number of shares	**336,3**	321,0
Share statistics (cents)		
Headline earnings per share	**1 742,5**	1 072,6
Diluted headline earnings per share	**1 742,5**	1 072,6
Earnings per share	**1 799,0**	1 068,8
Diluted earnings per share	**1 799,0**	1 068,8
Dividends per share relating to income for the year/period	**591,9**	1 309,7
Dividend cover (times)	**2,9**	0,8
Net asset value per share	**7 630**	6 545
Tangible net asset value per share	**7 586**	6 508
Capital adequacy (%)		
Absa Bank	**12,3**	10,7

**The comparatives for the nine months ended 31 December 2005 have been reclassified for the reclassification of certain assets and liabilities as well as the reclassification of interest and dividends on fair value through profit and loss assets. The comparatives have been reclassified throughout the document.*

Absa Group Limited

Absa Bank Limited (100%)

Wholly owned subsidiaries

Retail banking

Absa Private Bank

Retail Banking Services*

Flexi Banking Services*

Small Business*

Absa Home Loans

Absa Card

Absa Vehicle and Asset Finance

Commercial banking

Absa Corporate and Business Bank**

Investment banking

Absa Capital**

Other

African operations

Associated undertakings and other interests#

FFS Finance South Africa (Proprietary) Limited (50%)

MAN Financial Services (S.A.) (Proprietary) Limited (50%)

Unitrans Finance (Proprietary) Limited (35%)

Maravedi Group (Proprietary) Limited (45%)

Virgin Money (Proprietary) Limited (50%)

Sanlam Home Loans (Proprietary) Limited (50%)

**These entities are housed under Retail Banking Services for financial reporting purposes.*

***In May 2006, Absa Capital was launched. It represents a combination of the global expertise of Barclays Capital and the specialist local knowledge of Absa Corporate and Merchant Bank. Certain corporate customers, that used to be served by Absa Capital, are now served by Absa Corporate and Business Bank.*

#Commercial property associated undertakings and joint venture companies are not disclosed. Refer to Annexure F of the Absa Bank Limited and its subsidiaries' financial statements for further information.

Introduction

Good corporate governance is an integral part of Absa's operations. Accordingly, Absa Bank Limited is fully committed to the principles of the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance (King II). The purpose of King II is to promote the highest level of corporate governance in South Africa. In supporting the code, the directors recognise the need to conduct the enterprise with integrity and in accordance with generally accepted corporate practices.

Key governance highlights and developments

The following were the key governance highlights and developments during the year under review:

- Ongoing compliance with King II.
- Successful implementation of section 404 of the Sarbanes-Oxley Act within the context of the materiality limits applicable to Barclays PLC.
- Process regarding the identification and recruitment of a new chairperson to replace Dr Danie Cronjé, who will be retiring from the board in 2007.
- Further improvement in reporting processes to the board, board committees and Absa's Executive Committee.
- Implementation of a new employee share scheme and related share scheme matters.
- Ongoing adoption of governance standards and practices applied by Barclays as well as other international best practices, where deemed appropriate, by the Absa board.
- The alignment of the membership of the Absa Group and Absa Bank boards.
- The introduction of an annual director performance assessment for all directors.
- An annual board effectiveness evaluation (previously done on a three-yearly cycle).
- The formation of a Board Finance Committee, with a mandate from the board to review and approve investments and divestments and related transactions, subject to specific limits.
- The formation of a Group Credit Committee, which replaced the Board Lending Committee.
- Ongoing progress with regard to meeting the requirements of the Financial Sector Charter.

Challenges

Some of the key governance challenges include:

- The need to improve the board continuously and the availability of suitably skilled and experienced directors in this regard. This is especially pertinent for banks, which need to be at the forefront of risk management.
- The challenge of responding and adhering to a continuing flow of new laws and regulations, while at the same time ensuring a profitable and sustainable business.
- Basel II – ongoing preparation to ensure compliance by 2008.

Looking ahead

For the year ahead, Absa has the following corporate governance objectives and focus areas:

- Ongoing compliance with King II.
- Induction and assimilation of a new chairperson, who will replace Dr Danie Cronjé.
- Ongoing focus on the board's succession plan, specifically given that certain board members will be reaching retirement age over the next few years.
- Greater focus on director training and development.
- Ongoing adoption of governance standards and practices applied by Barclays as well as other international best practices, where deemed appropriate by the Absa board.
- Ongoing work to meet the requirements of Basel II by 2008 and the implementation of a market disclosure policy.

Compliance with King II

The directors are of the opinion that Absa complies with, and has applied, the requirements of King II with regard to the year under review.

Application of the code and approach to corporate governance

All entities in the Bank are required to subscribe to the spirit and principles of the code. In addition, the code is applied to all operating entities of the nature and size identified in King II.

Whereas the Absa board takes overall responsibility for compliance with the code and is the focal point of Absa's corporate governance system, the directors of specific companies in the Bank are responsible for ensuring compliance in respect of the companies of which they are directors.

Absa facilitates a comprehensive process to review compliance with the code by all relevant entities annually. This includes:

- a full and effective review by Absa's board of all aspects relating to ongoing corporate governance, the inclusion of statements in this regard in the annual report and consideration of the requirements of Regulation 38(5) of the Banks Act (in terms of which the board is required to report annually to the Registrar of Banks on the extent to which the process of corporate governance implemented by the Company successfully achieves the objectives determined by the board); and
- a review of current and emerging trends in corporate governance and Absa's governance systems as well as benchmarking Absa's governance systems against local and international best practice.

In its governance approach, the board believes that, while compliance with the formal standards of governance practice is important, greater emphasis is placed on ensuring the effectiveness of governance practice, with substance prevailing over form. The board also seeks to ensure that good governance is practised at all levels in the Bank and is an integral part of Absa's operations.

Absa's corporate governance standards, which support the Bank's overall strategy, are captured and measured in terms of the Bank's overall balanced scorecard measurement.

Absa and Barclays have agreed on a governance framework for how the two entities will work together. The framework takes account of matters such as the regulatory, legislative and industry constraints applicable to Absa and Barclays respectively, the legal implications resulting from the parent/subsidiary relationship between Barclays and Absa Group Limited, the fiduciary responsibilities of the Absa and Barclays boards of directors and Absa's normal corporate governance procedures. The framework is intended to ensure that Barclays and Absa can work together to maximise value for all stakeholders while complying with all regulatory and legislative requirements. The framework is reviewed by the board annually, taking account of recommendations made by the Directors' Affairs Committee.

Boards of directors and board committees

Board composition

Absa has unitary board structures.

The board has an appropriate balance, with a majority of independent directors*.The chairman of the Absa board is an independent director.

Details on the categorisation of the directors appear on page 17 of this report. There were 23 directors, of whom six were executive, five non-executive and 12 independent directors as at 31 December 2006.

Board appointments and succession planning

Non-executive directors on the Absa board are appointed for specific terms and reappointment is not automatic.

The maximum term of office of directors is three years, whereafter they are obliged to retire but can offer themselves for re-election. A third of the directors retire by rotation annually. If eligible, their names are submitted for re-election. Non-executive directors are required to retire at the Absa Group Limited annual general meeting following their 70th birthday.

The board as a whole, within its powers, selects and appoints directors, including the chief executive and executive directors, on the recommendation of the Group Remuneration Committee (in respect of executive directors) and the Directors' Affairs Committee (DAC) (in respect of non-executive directors).

The DAC considers non-executive director succession planning and makes appropriate recommendations to the board. This encompasses an evaluation of the skills, knowledge and experience required to implement the Bank's business plans and strategy and address any gaps in this regard, as well as the board transformation process to meet the requirements of the Financial Sector Charter.

All appointments are in terms of a formal and transparent procedure. Prior to appointment, potential board appointees are subject to a "fit and proper" test, as required by the JSE Limited and as prescribed by the Banks Act.

Independence

The DAC assesses the independence of each Absa director against the criteria set out in King II. Based on this assessment, the DAC is of the view that the following directors meet these criteria: D C Cronjé, D C Brink, D C Arnold, D E Baloyi, B P Connellan, A S du Plessis, G Griffin, M W Hlahla, L N Jonker, P du P Kruger, F A Sonn and P E I Swartz.

With regard to Dr Cronjé, the DAC specifically considered the fact that he is chairman of Absa Group and Absa Bank while at the same time being a director of Barclays PLC and Barclays Bank PLC. The DAC noted that Dr Cronjé did not represent Barclays PLC and Barclays Bank PLC on the Absa boards nor vice versa. In addition, the committee felt that he was sufficiently independently minded. Taking these factors into account, the committee was of the view that Dr Cronjé is an independent director.

Board performance assessment

The DAC annually assesses the contribution of each director, using an individual director evaluation process that is conducted by the chairman and deputy chairman. The chairman's performance is dealt with by the DAC, whereas that of the deputy chairman is dealt with by the chairman and one other member of the DAC.

The Absa board as a whole considers the outcomes of the above processes. This culminates in a determination by the board as to whether the board will endorse a retiring director's re-election. Where a director's performance is not considered satisfactory, the board will not endorse the re-election.

Individual director performance is assessed against the following criteria: time, availability and commitment to performing the function of an Absa director, strategic thought and specific skills, knowledge and experience brought to the board, the director's views on key issues and challenges facing Absa, the director's views on his/her own

**A non-executive director who is independent, as defined by King II.*

performance as a board member, attendance over the past year and other areas or roles where the director's specific skills could be used.

Annually, a collective board effectiveness evaluation is conducted. This assessment is aimed at determining how the board's effectiveness can be improved. The DAC considers the outcomes of the evaluation and makes recommendations where deemed appropriate. The Absa board considers the outcomes of the evaluation and the recommendations of the DAC.

Board remuneration

Absa Bank has obtained dispensation from the JSE Limited relating to the disclosure of individual director emoluments as Absa Bank is a wholly owned subsidiary of Absa Group Limited. Absa Group Limited provides full disclosure relating to its directors' emoluments in the Absa Group Limited shareholder report.

The consolidated directors' emoluments for Absa Bank can be found in note 42 of the consolidated financial statements.

Attendance at board meetings

Board meeting attendance (2006)

Director	Appointment	Resignation	Feb	Mar	Apr	Jun	Jul	Oct	Nov*	Dec
L N Angel			A	✔	✔	✔	✔	✔	✔	A
D C Arnold			✔	✔	✔	✔	✔	✔	✔	✔
D E Baloyi			✔	✔	✔	✔	✔	✔	✔	✔
S F Booysen (chief executive)			✔	✔	✔	✔	✔	✔	✔	✔
D C Brink (deputy chairman)			✔	A	✔	✔	✔	✔	✔	✔
D Bruynseels			✔	✔	✔	✔	✔	✔	✔	✔
B P Connellan			✔	✔	✔	✔	✔	✔	A	✔
D C Cronjé (chairman)			✔	✔	✔	✔	✔	✔	✔	✔
Y Z Cuba	6 Dec '06									
A S du Plessis			✔	✔	✔	✔	✔	✔	✔	✔
R R Emslie (alternate)			✔	✔	✔	✔	✔	✔	A	✔
C Erasmus		30 Dec '06	✔	✔	A	✔	✔	✔	✔	✔
G Griffin			✔	✔	✔	✔	✔	✔	✔	✔
M W Hlahla			✔	✔	✔	✔	✔	A	✔	✔
L N Jonker			✔	✔	✔	✔	✔	✔	✔	✔
N Kheraj			✔	✔	✔	✔	✔	✔	✔	✔
P du P Kruger			✔	✔	✔	✔	✔	✔	✔	✔
L W Maasdorp		30 Sept '06	✔	✔	✔	✔	✔			
N P Mageza (alternate)			✔	✔	✔	✔	A	✔	A	✔
D L Roberts		23 Oct '06	✔	✔	✔	✔	✔			
J H Schindehütte			✔	✔	✔	✔	✔	✔	✔	✔
F F Seegers	23 Oct '06							✔	✔	✔
T M G Sexwale			A	✔	✔	✔	✔	✔	✔	✔
I B Skosana		20 Feb '06	✔							
F A Sonn			✔	✔	✔	✔	✔	✔	✔	✔
P E I Swartz			✔	✔	✔	✔	✔	✔	✔	A
J P van der Merwe		30 Dec '06	✔	✔	✔	✔	✔	✔	✔	✔
L L von Zeuner			✔	✔	✔	✔	✔	✔	✔	✔

Legend

*Special meeting ✔ Attendance A Apologies

Board committees

A number of board-appointed committees have been established to assist the board in discharging its responsibilities. The membership and principal functions of the standing committees appear in the pages that follow.

A comprehensive framework, setting out authorities and responsibilities with regard to matters affecting the businesses of the Bank's boards and committees, assists in the control of the decision-making process and sees to it that there is a balance of power and authority to ensure that no individual has unfettered powers of decision-making.

The Absa board also makes use of ad hoc board committees to deal with specific matters from time to time. Examples of matters dealt with by such committees in the recent past include Absa's broad-based BEE transaction and the proposed acquisition of the Barclays African operations, where the board has considered and made decisions based on the recommendations of the committees. These ad hoc committees operate under written terms of reference and, in the above instances, its members are all independent directors and have provided independent oversight.

The board is of the opinion that the board committees set out on the following pages have effectively discharged their responsibilities as contained in their respective terms of reference for the year under review.

Group Remuneration Committee

Members: D C Brink (chairman), D E Baloyi, B P Connellan, D C Cronjé and F F Seegers.

Composition and meeting procedures: The Group Remuneration Committee is chaired by an independent director of Absa and comprises mainly independent directors of Absa. The chief executive, the executive director responsible for human resources and Absa's executive director responsible for finance attend the meetings by invitation, but do not participate in discussions and decisions regarding their remuneration and benefits. Meetings are held five times a year.

Role, purpose and principal functions: Consideration and recommendation to the board on matters such as succession planning, general employee policies, remuneration and benefits, performance bonuses, executive remuneration, directors' remuneration and fees, service contracts, the share purchase and option schemes and Absa retirement funds.

The committee considers executive directors' emoluments, share and option allocations and other benefits, taking account of responsibility, individual performance and retention strategies. To this end, the committee relies on external market surveys and industry reward levels as benchmarks. Remuneration packages are structured in such a way that short- and long-term incentives depend on the achievement of business objectives and the delivery of shareholder value.

Non-executive directors receive fees for their contribution to the boards and committees on which they serve. The chairman and management recommend proposed fees for consideration by the committee and recommendation to the Absa board, after considering comparable fee structures and market practices. The remuneration of non-executive directors is submitted to shareholders for sanction at the Absa Group Limited annual general meeting held prior to its implementation and payment.

The committee undertakes an annual performance assessment of the chief executive. The chairman's and chief executive's remuneration are considered taking the assessment of the DAC and the Group Remuneration Committee, respectively, into account.

Group Remuneration Committee – meeting attendance (2006)

Director	Appointment	Resignation	Jan	Mar	May*	Jul	Sept	Oct*	Nov
D E Baloyi	17 Feb '06			✔	✔	✔	✔	✔	✔
D C Brink (chairman)			✔	✔	✔	✔	✔	✔	✔
B P Connellan			✔	✔	✔	✔	✔	✔	✔
D C Cronjé			✔	✔	✔	✔	✔	✔	✔
D L Roberts		23 Oct '06	✔	✔	✔	✔	✔		
F F Seegers	23 Oct '06							✔	✔

Legend

*Special meeting ✔ Attendance

Group Audit and Compliance Committee (GACC)

Members: A S du Plessis (chairman), D C Arnold, Y Z Cuba, N Kheraj and P du P Kruger.

Composition and meeting procedures: Other than Mr Kheraj and Ms Cuba, who are non-executive directors, the chairman and remaining members of the GACC are independent directors on the board of Absa.

A third of the members of the GACC retire annually by rotation and are considered for re-election by the Absa board. Meetings are held at least five times a year and are attended by the external and internal auditors and the compliance officer and, on invitation, members of executive management, including those involved in risk management, control and finance, and Absa's chairman (who is not a member of the committee). All of the members of the committee are financially literate.

At every meeting, time is reserved for separate private discussions with committee members only, the committee together with management (excluding the external auditors) and the committee together with the external auditors (excluding management). Private discussions provide an opportunity for committee members, management and the external auditors to communicate privately and candidly.

The internal and external auditors, as well as the compliance officer, have unrestricted access to the GACC, which ensures that their independence is in no way impaired.

Role, purpose and principal functions: The GACC assists the board with regard to reporting financial information, selecting and properly applying accounting policies, monitoring Absa's internal control systems and various compliance related matters. Specific responsibilities include:

- reviewing and/or approving internal audit and compliance policies, plans, reports and findings;
- ensuring compliance with applicable legislation and regulations;
- making the necessary enquiries to ensure that all risks to which the Bank is exposed are identified and managed in a well-defined control environment;
- dealing with matters relating to financial and internal control, accounting policies, reporting and disclosure;
- reviewing and recommending to the board interim and annual financial statements and profit and dividend announcements;
- recommending to the board the appointment and dismissal of the external auditors and fees payable to the external auditors;
- evaluating the performance of the external auditors;
- approving Absa's policy on non-audit services and ensuring compliance therewith;
- reviewing and/or approving external audit plans, findings, reports and fees; and
- collaborating with the Group Risk Committee and considering issues identified by that committee.

Absa's policy on non-audit services, which is annually reviewed by the GACC, sets out in detail which services may or may not be provided by Absa's external auditors. The policy is largely based on the requirements of the Sarbanes-Oxley Act. The external auditors are prohibited from providing bookkeeping or other services related to Absa's accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, fairness opinions or contributions-in-kind reports, actuarial services, internal audit outsourcing, management functions or other secondments, human resource functions (including recruitment/selection), broker or dealer, investment adviser or investment banking services, legal and expert services and services where Absa is represented by the external auditors in legal proceedings involving tax matters.

Services that may be provided by the external auditors are statutory audit services, regulatory audit services, other attest and assurance services, regulatory non-audit services and taxation services (except for services where Absa is represented in legal proceedings). They may also provide accountancy advice, risk management and controls advice and carry out transaction support and recoveries. Assignments for allowable services above a certain value must be pre-approved by the GACC. Assignments within management's mandate must be pre-approved by Absa's finance director. All non-audit service fees are reported to the GACC quarterly.

Absa has a formal external auditor evaluation process which occurs annually and includes various criteria and standards such as audit planning, technical abilities, audit process/outputs and quality control, business insight, independence and general factors (such as BEE credentials).

Absa has an audit partner rotation process in accordance with the relevant legal and regulatory requirements.

The committee stays abreast of current and emerging trends in accounting standards and held several workshops during the period under review, specifically with regard to the Sarbanes-Oxley Act and the alignment of Absa's audit committee practices with those of Barclays.

Group Audit and Compliance Committee – meeting attendance (2006)

Director	Appointment	Resignation	Jan	Apr	Apr*	Jul	Sept	Nov	Nov
D C Arnold			✔	✔	✔	✔	✔	✔	✔
Y Z Cuba	6 Dec '06								
A S du Plessis (chairman)			✔	✔	✔	✔	✔	✔	✔
N Kheraj			✔	✔	✔	✔	✔	✔	✔
P du P Kruger			✔	✔	✔	✔	✔	✔	✔
L W Maasdorp		30 Sept '06	✔	✔	✔	✔	✔		

Legend

*Special meeting ✔ Attendance

Group Risk Committee (GRC)

Members: P du P Kruger (chairman), D C Arnold, D C Cronjé, A S du Plessis, G Griffin, M W Hlahla, N Kheraj and P E I Swartz.

Composition and meeting procedures: The GRC is chaired by an independent director and consists of a further six independent directors and one non-executive director (N Kheraj). Members of executive management attend by invitation. The committee meets at least four times a year.

Role, purpose and principal functions: To assist the board with regard to risk management and to ensure compliance with the requirements of the Banks Act regarding risk and capital management.

The GRC's principal responsibilities are:

- to assist the board:
  - in its evaluation of the adequacy and efficiency of the risk policies, procedures, practices and controls applied in Absa in the day-to-day management of the business;
  - in the identification of the build-up and concentration of the key risks and in developing a risk mitigation strategy to ensure that Absa manages the risks in an optimal manner;
  - to set up an independent risk management function, coordinate the monitoring of risk management on a globalised basis, and facilitate and promote communication regarding risk policies, procedures, practices and controls or any other related matter; and
  - in establishing a process that relates capital to the level of risk undertaken and states capital adequacy goals with respect to risk, taking account of Absa's strategic focus and business plan;
- to liaise with the GACC regarding matters which are common areas of responsibility;
- to annually recommend to the board for approval Absa's risk appetite, and to monitor the actual risk taken on against the board-approved appetite on a quarterly basis;

- to review the adequacy and efficiency of the risk-type control frameworks and policies determined in accordance with the board's approved risk approach;
- to review the Bank's various risk profiles and ensure they are understood and appropriately managed in the Bank; and
- in conjunction with the GACC, to ensure Absa makes appropriate disclosure of its risk management status and activities.

Group Risk Committee – meeting attendance (2006)

Director	Appointment	Mar	Jun	Sept	Nov
D C Arnold		✔	✔	✔	✔
D C Cronjé		✔	✔	✔	✔
A S du Plessis		✔	✔	✔	✔
G Griffin		✔	✔	✔	✔
M W Hlahla	28 Jul '06			A	✔
N Kheraj		✔	A#	✔	A#
P du P Kruger (chairman)		✔	✔	✔	✔
P E I Swartz		✔	✔	A	✔

Legend

✔ Attendance A Apologies

#The Barclays risk director attended these meetings.

Directors' Affairs Committee (DAC)

Members: D C Cronjé (chairman), D C Brink, L N Jonker, F F Seegers, T M G Sexwale and F A Sonn.

Composition and meeting procedures: The DAC is chaired by the chairman and the majority of its members are independent directors. Four meetings a year are scheduled.

Role, purpose and principal functions: This committee assists the board with regard to corporate governance, board nominations and related matters. More specifically, this encompasses:

- reviewing all aspects relating to ongoing corporate governance during the year, the inclusion of statements in this regard in the report to shareholders and consideration of the requirements of Regulation 38(5) of the Banks Act;
- considering current and emerging trends in corporate governance and Absa's governance systems as well as benchmarking Absa's governance systems against local and international best practice;
- reviewing the size, diversity, demographics, skills and experience of the board, perceived gaps in the board's composition, potential board appointees and non-executive director performance evaluations (including that of the chairman);
- conducting an effectiveness evaluation of the Absa board to review its performance in meeting its key responsibilities; and
- evaluating the individual performance of directors annually as well as the performance of the board as a whole.

Directors' Affairs Committee – meeting attendance (2006)

Director	Appointment	Resignation	Jan	Apr	Jul	Aug*	Oct*	Nov
D C Brink			✔	✔	✔	✔	✔	✔
D C Cronjé (chairman)			✔	✔	✔	✔	✔	✔
L N Jonker			✔	✔	✔	✔	✔	✔
D L Roberts		23 Oct '06	✔	✔	✔	✔	✔	
F F Seegers	23 Oct '06							✔
T M G Sexwale			A	✔	✔	A	✔	✔
F A Sonn	17 Feb '06			✔	✔	A	✔	✔

Legend

*Special meeting ✔ Attendance A Apologies

Group Credit Committee

Members, composition and meeting procedures: The committee consists of a panel of four independent directors (D C Brink, B P Connellan, D C Cronjé and A S du Plessis), of which at least two are required as a quorum for facility decisions. Certain members of executive management and risk management also attend meetings. The committee meets daily as required.

Role, purpose and principal functions: The Group Credit Committee considers and approves credit exposures that exceed the mandated approval limits of management in the credit risk function. The Group Credit Committee replaced the former Board Lending Committee and divisional credit committees.

Credit Committee: Large Exposures

Members: D C Cronjé (chairman), S F Booysen, D C Brink, B P Connellan, A S du Plessis and J H Schindehütte.

Composition and meeting procedures: Four independent directors and the chief executive and Absa's finance director. Specific members of management, such as the executive managers responsible for credit and enterprise-wide risk management, attend meetings ex officio. Quarterly meetings are scheduled for this committee.

Role, purpose and principal functions: This committee has been established pursuant to requirements set by the South African Reserve Bank (Bank Supervision Department) with regard to large exposures (amounts exceeding 10% of Absa Bank Limited's capital and reserves). The committee approves or ratifies credit exposures that exceed the mandated approval limits of the Group Credit Committee. The Absa board sets these limits annually.

Credit Committee: Large Exposures – meeting attendance (2006)

Director	Apr	Jul	Sept	Nov
S F Booysen	✔	✔	✔	✔
D C Brink	✔	✔	✔	✔
B P Connellan	✔	✔	✔	A
D C Cronjé (chairman)	✔	✔	✔	✔
A S du Plessis	✔	✔	✔	✔
J H Schindehütte	✔	✔	✔	✔

Legend

✔ Attendance A Apologies

Implementation Committee

Members: G Griffin (chairman), B P Connellan, D C Cronjé and F F Seegers.

Composition and meeting procedures: The Implementation Committee is chaired by an independent director and the majority of its members are independent directors. Six meetings were held during 2006.

Role, purpose and principal functions: This committee provides governance oversight and assists the board with regard to integration and implementation risks and opportunities flowing from the acquisition by Barclays of a controlling stake in Absa Group Limited (the transaction). More specifically this encompasses:

- considering integration/implementation opportunities and risks flowing from and/or as a consequence of the transaction and making recommendations to the board and/or the relevant committees of the board, where appropriate, relating to actions deemed necessary to realise the planned benefits flowing from the transaction;
- providing a forum for Absa management for more detailed reporting to the board on progress with regard to implementation/integration matters, and more specifically where management is required to seek provisional support for a planned action, subject to final board approval where necessary;

- providing oversight of any implementation investments (including write-offs but excluding acquisitions and disposals) as approved by Absa management within their mandate and making recommendations to the board with regard to any implementation investments above management's mandate; and
- within its mandate, reviewing and approving any economic transfer arrangements (ETAs) between Absa and Barclays and recommending to the Absa board any ETAs exceeding its mandate.

Implementation Committee – meeting attendance (2006)

Director	Appointment	Resignation	Feb	Apr	Jul	Sept	Oct	Dec
B P Connellan	17 Feb '06			✔	✔	✔	✔	✔
D C Cronjé			✔	✔	✔	✔	✔	✔
G Griffin (chairman)			✔	✔	✔	A	✔	✔
L W Maasdorp		30 Sept '06	✔	✔	✔	✔		
D L Roberts		23 Oct '06	✔	✔	✔	✔	✔	
F F Seegers	23 Oct '06							✔

Legend

✔ Attendance A Apologies

Board Finance Committee

Members: D C Cronjé (chairman), D C Brink, A S du Plessis, P du P Kruger and F F Seegers.

Composition and meeting procedures: The Board Finance Committee is chaired by an independent director and the majority of its members are independent directors. This committee was formed in early 2006 and has a mandate from the board to review and approve investments and divestments and certain defined large transactions, subject to specific limits. Meetings are held on an ad hoc basis as required. Six meetings were held during 2006.

Role, purpose and principal functions: The committee is mandated by the board to enter into and settle the terms of all transactions with regard to the acquisition and disposal of investments as well as to approve capital raising and securitisation transactions, subject to limits set by the board. Previously, these transactions were dealt with by the board, whereas these are now dealt with by the committee. The advantage of this is that the committee can more rapidly deal with matters within its mandate (such as investment or divestment opportunities), whereas previously this would typically have been dealt with at the next scheduled board meeting.

Introduction

The Absa Bank board has an appropriate balance with a majority of independent directors. The chairman of the Absa Bank board is an independent director. As at 31 December 2006, there were 23 directors, of whom six were executive, five non-executive and 12 were considered to be independent directors.

Key developments

A number of developments impacted the membership of the Absa Bank board during the twelve months under review. These included:

- The resignation of Mr Skosana on 20 February 2006;
- The resignation of Mr Maasdorp on 30 September 2006;
- The resignation of Mr Roberts on 23 October 2006 and the appointment of Mr Seegers at the same date;
- The appointment of Ms Cuba on 6 December 2006; and
- The retirement of Mr Erasmus and Mr van der Merwe from the Absa Bank board on 30 December 2006.

Board membership

The Absa Bank board comprised the following directors as at 31 December 2006:

Independent non-executive directors	D C Arnold, D E Baloyi, D C Brink (deputy chairman), D C Cronjé (chairman), B P Connellan, A S du Plessis, G Griffin, M W Hlahla, L N Jonker, P du P Kruger, F A Sonn and P E I Swartz
Non-executive directors	L N Angel, Y Z Cuba, N Kheraj*, F F Seegers# and T M G Sexwale
Executive directors	S F Booysen (chief executive), D Bruynseels*, R R Emslie (alternate), N P Mageza (alternate), J H Schindehütte and L L von Zeuner

*British
#Dutch

Board committee membership

Absa seeks to ensure that a majority of independent non-executive directors serve on its board committees.The board committees are set out below.

Committee*	Members
Group Audit and Compliance Committee	A S du Plessis (chairman), D C Arnold, Y Z Cuba, N Kheraj and P du P Kruger
Group Risk Committee	P du P Kruger (chairman), D C Arnold, D C Cronjé, A S du Plessis, G Griffin, M W Hlahla, N Kheraj and P E I Swartz
Group Remuneration Committee	D C Brink (chairman), D E Baloyi, B P Connellan, D C Cronjé and F F Seegers
Directors' Affairs Committee	D C Cronjé (chairman), D C Brink, L N Jonker, F F Seegers, T M G Sexwale and F A Sonn
Group Credit Committee	D C Brink , B P Connellan, D C Cronjé and A S du Plessis
Credit Committee: Large Exposures	D C Cronjé (chairman), S F Booysen, D C Brink, B P Connellan, A S du Plessis and J H Schindehütte
Implementation Committee	G Griffin (chairman), B P Connellan, D C Cronjé and F F Seegers
Board Finance Committee	D C Cronjé (chairman), D C Brink, A S du Plessis, P du P Kruger and F F Seegers

*These committees govern both Absa Group Limited and Absa Bank Limited.

Biographical details and appointment dates of board members

The biographical details and appointment dates of the Absa Bank's board members as at 31 December 2006 were as follows:

D C (Danie) Cronjé

Age 60

Qualifications DCom

Title Chairman

Year appointed 1987

Independence Independent director

Absa board committee memberships
- Directors' Affairs Committee (chairman)
- Group Remuneration Committee
- Group Risk Committee
- Group Credit Committee
- Credit Committee: Large Exposures (chairman)
- Implementation Committee
- Board Finance Committee

Other directorships/ trusteeships Dr Cronjé is a director of Barclays PLC and Barclays Bank PLC. He is the chairman of Absa Group Limited, the Absa Foundation and a trustee of the Absa Group Retirement Fund. He is a member of certain subsidiary boards in Absa.

Skills, expertise and experience Dr Cronjé joined Volkskas in 1975 and held various positions in Volkskas Merchant Bank and Volkskas Group. He was formerly deputy chief executive and subsequently Group chief executive of Absa until 1997.

D C (Dave) Brink

Age 67

Qualifications MSc Eng (Mining), Diploma in Business Administration, Graduate Diploma in Company Direction

Title Deputy chairman

Year appointed 1992

Independence Independent director

Absa board committee memberships
- Directors' Affairs Committee
- Group Remuneration Committee (chairman)
- Group Credit Committee
- Credit Committee: Large Exposures
- Board Finance Committee

Other directorships/ trusteeships Chairman of Unitrans Limited, and a director of Sappi Limited, BHP Billiton Limited and BHP Billiton PLC. He is the deputy chairman of Absa Group Limited. He is also a trustee of the Absa Foundation and chairman of the Absa Group Retirement Fund. He is co-chairman of the Business Trust, a director of the National Business Initiative and vice-president of the South African Institute of Directors.

Skills, expertise and experience Joined Murray & Roberts Limited in 1970 after eight years in the gold industry with Anglo American Corporation of South Africa Limited. Appointed chief executive officer of Murray & Roberts Holdings Limited in 1986 and chairman in 1994. Mr Brink was chief executive officer of Sankorp Limited from 1994 to 1997.

S F (Steve) Booysen

Age 44

Qualifications DCom (Acc), CA(SA)

Title Chief executive

Year appointed 2004

Independence Executive director

Absa board committee memberships
- Credit Committee: Large Exposures
- Attends various other board committee meetings ex officio.

Other directorships/ trusteeships Dr Booysen is the Group chief executive of Absa Group Limited and is also a director of various companies in the Absa Group.

Skills, expertise and experience After completing his articles with Ernst & Young (1980 – 1983), Dr Booysen became a lecturer in accounting at the University of South Africa (1983 – 1988). His first appointment with Absa was as senior manager: Finance at TrustBank (1989 – 1991). He then became an assistant general manager at TrustBank (1991 – 1992). From 1992 to 1994, he was assistant general manager: Group Finance at Absa. He then joined Absa Corporate Bank (now Absa Capital). He held the positions of assistant general manager, general manager and deputy operating executive until he was appointed as a Group executive director in 2001. He was appointed as Group chief executive of Absa Group Limited in August 2004.

L N (Nthobi) Angel

Age 52

Qualifications BA (Hons), MSc (Sociology)

Year appointed 2004

Independence Non-executive director

Absa board committee memberships
- None, but she is a trustee of the Absa Foundation.

Other directorships/ trusteeships Ms Angel is chairperson of a women's investment group, TsaRona Investments, and a director of Batho Bonke Capital and Absa Group Limited. She is active in nature conservation and is a director of the Open Africa Initiative and the Peace Parks Foundation. She is also a trustee of the Kagiso Trust and a board member of Deloitte Chartered Accountants (SA).

Skills, expertise and experience From 1994 to 1995, Ms Angel was the public affairs manager at Rhone-Poulenc Rorer SA (Proprietary) Limited. Thereafter she was appointed as general manager: Corporate Affairs at Engen Petroleum Limited, a position she held until early 2000, when she was appointed as executive director: Strategic Affairs at Engen.

From 2001 to 2003, Ms Angel was seconded to the Presidency as chief operations officer: Strategic Planning and Communications.

From 2004 to 2005 she was the chief executive officer of Mvelaphanda Resources Limited. She was then appointed as the managing director: External Relations at Eskom. She resigned from this position in June 2006, so as to focus on her role as chairperson of TsaRona Investments.

D C (Des) Arnold

Age 66

Qualifications CA(SA), FCMA, AMP

Year appointed 2003

Independence Independent director

Absa board committee memberships
- Group Audit and Compliance Committee
- Group Risk Committee

Other directorships/ trusteeships Mr Arnold is a director of the Wits Health Consortium (Proprietary) Limited and chairman of its audit committee. He is also chairman of the Barlows Pension Fund, a director of Absa Group Limited, and a trustee of the Absa Group Retirement Fund.

Skills, expertise and experience Mr Arnold was formerly the executive director: Finance and Administration of Barloworld Limited. He joined the Barlows Group in 1967 and held a number of senior financial positions in the Barlows Group, which culminated in his appointment to the board in 1993. He retired from Barloworld at the end of March 2003.

Mr Arnold is a past president of the Eastern, Central and Southern African Federation of Accountants (ECSAFA) and represented ECSAFA on the Council of the International Federation of Accountants (IFAC). He is also a past president of the South African Institute of Chartered Accountants (SAICA) and is an honorary life member of SAICA. He has represented SAICA on the Financial and Management Accounting Committee of IFAC.

D E (Danisa) Baloyi

Age 50

Qualifications Ed.D (International Education and Development)

Year appointed 2004

Independence Independent director

Absa board committee memberships
- Group Remuneration Committee

Other directorships/ trusteeships Dr Baloyi is an executive director of the National Black Business Caucus with expertise in the fields of business development and strategy. She is the chairperson of the Advertising Standards Authority, the Diabo Share Trust for Telkom employees, Medikredit and the National Skills Authority.

Dr Baloyi serves on a number of other boards, including Absa Group Limited, the Business Unity South Africa Council, SA Tourism (where she is deputy chairperson), the Southern African Enterprise Development Fund, Metrofile Holdings Limited (formerly MGX Holdings Limited) and Enterprise Risk Management Limited. Dr Baloyi is also the chairperson of South African Women Investment Holdings, an organisation she founded, and serves on the board of governors of the SA Council on HIV/Aids.

Skills, expertise and experience Dr Baloyi spent 12 years in the US studying and working for, among others, the African-American Institute and the United Nations Development Fund for Women. She also taught at well-known academic institutions, including City University of New York, Essex County College and Rutgers University. She has been involved in many of the empowerment charter processes.

Bank board

Age 46

Qualifications BA (Hons), MBA, Diploma in Financial Studies, Associate of the Chartered Institute of Bankers

Year appointed 2005

Independence Executive director

Absa board committee memberships
- Attends various board committee meetings ex officio.

Other directorships/ trusteeships He is a director of Absa Group Limited, Barclays Bank of Botswana Limited, Barclays Bank of Ghana Limited, Barclays Bank of Kenya Limited, Barclays Bank of Zambia Limited, Barclays Bank Egypt (SAE), Barclays Overseas Pension Fund Trustees Limited and the Overseas Development Institute.

Skills, expertise and experience Joined Barclays in 1980. He has fulfilled a variety of UK-based branch, regional and head office roles, including a position as deputy head of the Barclays business sector marketing department. He was the head of Network and Operations (1995–1996). He was then appointed as finance director for the Barclays Africa, Caribbean, Middle East and Latin American business (1997). He was appointed as managing director for Barclays Africa in 1999. He now holds the role of chief executive officer for Barclays Africa.

He led the transformation of the Barclays business in Africa. Following the acquisition of Barclays majority holding in Absa, Mr Bruynseels was appointed Group executive director and member of the Absa Executive Committee and board (2005).

D (Dominic) Bruynseels

Age 66

Qualifications CA(SA)

Year appointed 1994

Independence Independent director

Absa board committee memberships
- Group Remuneration Committee
- Group Credit Committee
- Credit Committee: Large Exposures
- Implementation Committee

Other directorships/ trusteeships Director of Absa Group Limited, Illovo Sugar Limited, Tiger Brands Limited, Reunert Limited and Sasol Limited.

Skills, expertise and experience After qualifying as a chartered accountant, he joined the Barlows Group in 1964. He managed a number of subsidiaries and was appointed as a director of Barlow Rand Limited in 1985. Mr Connellan was executive chairman of the building materials, steel and paint division until 1990. Thereafter he was appointed as executive chairman of Nampak Limited, a position he held until retirement in 2000.

B P (Brian) Connellan

Age 29

Qualifications BCom (Hons), CA(SA)

Year appointed 2006

Independence Non-executive director

Absa board committee memberships
- Group Audit and Compliance Committee

Other directorships/ trusteeships Director of Absa Group Limited, Mvelaphanda Group Limited, Mvelaphanda Holdings (Proprietary) Limited, Total Facilities Management Company (Proprietary) Limited and Life Healthcare (Proprietary) Limited. She is a member of the Nelson Mandela Foundation Investment and Endowment Committee.

Skills, expertise and experience In 1999, Ms Cuba commenced her career in marketing with Robertsons Foods. Thereafter, she moved to Fisher Hoffman, an auditing firm, where she completed her articles in 2002. She then joined Mvelaphanda in January 2003 in its corporate finance division. She currently holds the position of deputy chief executive officer of Mvelaphanda Group Limited and Mvelaphanda Holdings (Proprietary) Limited.

Y Z (Yolanda) Cuba

A S (Attie) du Plessis

Age 62

Qualifications BCom, CA(SA), H DipTax, AMP

Year appointed 1992

Independence Independent director

Absa board committee memberships

- Group Audit and Compliance Committee (chairman)
- Group Risk Committee
- Group Credit Committee
- Credit Committee: Large Exposures
- Board Finance Committee

Other directorships/ trusteeships He is a director of Absa Group Limited, Sanlam Limited, KWV Group Limited and various companies in the Sanlam Group.

Skills, expertise and experience From 1986 to 2002, he was an executive director of Sankorp Limited and Sanlam Limited.

R R (Robert) Emslie

Age 48

Qualifications BCom (Hons), CA(SA)

Year appointed 2004

Independence Executive director (alternate)

Absa board committee memberships

- None, but attends various board committee meetings ex officio.

Other directorships/ trusteeships A director of Paramount Property Fund Limited, Ambit Properties Limited and various companies in the Absa Group.

Skills, expertise and experience Robert commenced his career as a lecturer at the Rand Afrikaans University (now the University of Johannesburg), focusing on accountancy and taxation. He joined Absa Group Limited in 1987 as the head of taxation for the Bankorp Group. Robert has held numerous positions in Absa's finance department. From 1998 until 2000, Robert was a member of the Absa Corporate and Merchant Bank (now Absa Capital) executive committee and was responsible for volume transactional products and the back office environment. In 2000, he was appointed as the managing executive responsible for Business Banking Services. In 2003, he became the managing executive of Absa Corporate and Merchant Bank and, during 2005, he was appointed as the head of Absa Corporate and Business Bank.

G (Garth) Griffin

Age 57

Qualifications BSc, FIA, FASSA

Year appointed 2001

Independence Independent director

Absa board committee memberships

- Group Risk Committee
- Implementation Committee (chairman)
- Also serves on the board of Absa Financial Services and Absa Life Actuarial Committee

Other directorships/ trusteeships He is chairman of two privately held companies based in Cape Town and is a trustee of the University of Cape Town Foundation. He is also a director of Absa Group Limited.

Skills, expertise and experience An actuary, Mr Griffin has wide experience in the financial services industry, both locally and internationally. He worked for Old Mutual from 1970 to 1999, at which time he was managing director responsible for Old Mutual's worldwide asset management and unit trust businesses, as well as all activities outside South Africa.

Since 1999, he has consulted to a number of South African and international businesses, including Orbis, Investec Asset Management and Old Mutual PLC and served as a non-executive director on a number of boards, including Sage, Swiss Re of South Africa and Citadel Holdings. Mr Griffin was Group chief executive officer of the Sage Group from April 2003 to May 2005.

He is currently a member of the Council of the Actuarial Society of South Africa.

Bank board

M W (Monhla) Hlahla

Age 43

Qualifications BA (Hons) (Economics), MA (Urban and Regional Planning)

Year appointed 2005

Independence Independent director

Absa board committee memberships
- Group Risk Committee

Other directorships/ trusteeships Non-executive director of Absa Group Limited, the Air Traffic and Navigation Services and the Industrial Development Corporation. She is the second vice-chairperson and special adviser to the chairperson of the Airports Council International World Governing Body.

Skills, expertise and experience Ms Hlahla completed her studies in the United States of America. During her studies, she also worked at the Coalition for Women's Economic Development in Los Angeles.

In 1994, she reinvested her expertise in South Africa and joined the Development Bank of Southern Africa, where she successfully managed several large infrastructure projects. In 2000, Ms Hlahla joined Old Mutual Employee Benefits as regional manager: Northern Region, a position she held until her appointment as chief executive officer of the Airports Company South Africa (ACSA) in 2001.

L N (Lourens) Jonker

Age 66

Qualifications BSc (Agric)

Year appointed 1996

Independence Independent director

Absa board committee memberships
- Directors' Affairs Committee

Other directorships/ trusteeships He is chairman of Weltevrede Wine Estates (Proprietary) Limited and a director of Absa Group Limited, Naspers Limited, Toeloms Investments No 1 (Proprietary) Limited and Weltevrede Cellar (Proprietary) Limited. Mr Jonker was re-appointed to the Naspers Investments Limited board in September 2005.

Skills, expertise and experience Mr Jonker is the owner of Weltevrede Wine Estate. Joined the board of KWV Co-operative in 1981 and became chairman of KWV Group Limited and KWV Investments Limited in 1994. Mr Jonker led the successful transformation of KWV from a co-operative to a fully commercialised company. He resigned from the KWV board in December 2003. He was also adjudged farmer of the year in 1996 and served on various committees in the wine industry.

N (Naguib) Kheraj

Age 42

Qualifications BA, MA (Economics)

Year appointed 2005

Independence Non-executive director

Absa board committee memberships
- Group Audit and Compliance Committee
- Group Risk Committee

Other directorships/ trusteeships He serves on the boards of Absa Group Limited, Barclays PLC and Barclays Bank PLC.

Skills, expertise and experience Mr Kheraj was appointed as Group finance director of Barclays and joined the board of that company on 1 January 2004. He has previously held the positions of chief executive of Barclays Private Clients, deputy chairman of Barclays Global Investors, global head of Investment Banking and global chief operating officer of Barclays Capital. Prior to joining Barclays, he was a managing director and held the position of chief financial officer for Europe at Salomon Brothers.

Age 69

Qualifications BSc Eng (Mining), MBL

Year appointed 1996

Independence Independent director

Absa board committee memberships
- Group Audit and Compliance Committee
- Group Risk Committee (chairman)
- Board Finance Committee

Other directorships/ trusteeships Mr Kruger is a director of Absa Group Limited, Abagold (Proprietary) Limited, Hardekoolkamp Properties (Proprietary) Limited, Wilderness 927 Trust, KGMF Trust, and the Rand Afrikaans University Trust.

Skills, expertise and experience Joined Sasol in 1964 at the Sigma Colliery in Sasolburg. Appointed chief executive officer and managing director of the Sasol Group in 1987. He was appointed as chairman of Sasol in 1996 and was a director of numerous Sasol subsidiaries. He retired from the Sasol boards on 31 December 2005.

P du P (Paul) Kruger

Age 52

Qualifications ACCA

Year appointed 2003

Independence Executive director (alternate)

Absa board committee memberships
- None, but attends various board committee meetings ex officio.

Other directorships/ trusteeships A director of Absa Financial Services Limited, Kelrose Trust and Integrated Processing Solutions (Proprietary) Limited.

Skills, expertise and experience Peter joined Absa in January 2000 to take over a number of executive functions at Absa's instalment finance arm and was appointed as an executive director in 2003. He was appointed as chief operating officer in 2006.

He commenced his career in the audit environment, working for Coopers & Lybrand Chartered Accountants (SA) as audit senior, supervisor and manager. He also worked in Transnet Limited's Group Internal Audit Services. He moved into general management at Autonet, the road passenger and freight logistics division of Transnet Limited. He held the positions of executive manager: Tours Express, general manager: Passenger Businesses as well as chief executive officer: Autonet. In 1988, he moved to the financial services sector to join Nedcor Limited's technology and operations process management division.

N P (Peter) Mageza

Age 47

Qualifications BCom (Hons), CA(SA), H DipTax

Year appointed 2005

Independence Executive director

Absa board committee memberships
- Credit Committee: Large Exposures
- Attends various other board committee meetings ex officio.

Other directorships/ trusteeships A director of Absa Group Limited and various companies in the Absa Group.

Skills, expertise and experience Served articles with Ernst & Young from 1981 to 1983. Served in various senior managerial positions at Transnet until 1999. Joined Absa as Group executive: Group Finance during 1999. Appointed as a Group executive director in January 2005.

J H (Jacques) Schindehütte

Bank board

F F (Frits) Seegers

Age 47

Qualifications Master's degrees in engineering and finance

Year appointed 2006

Independence Non-executive director

Absa board committee memberships
- Group Remuneration Committee
- Directors' Affairs Committee
- Implementation Committee
- Board Finance Committee

Other directorships/ trusteeships Mr Seegers is a director on the boards of Absa Group Limited, Barclays PLC and Barclays Bank PLC.

Skills, expertise and experience Mr Seegers is responsible for all Barclays retail and commercial banking operations globally. This includes UK Banking (Retail and Business), International Retail and Commercial Banking, and Barclaycard.

Mr Seegers joined Barclays in July 2006, having previously held senior positions in Citigroup over the past 17 years. Most recently, he was the chief executive officer of the Global Consumer Group with a remit covering all retail operations in Europe, Middle East and Africa. He was also a member of the Citigroup Operating Committee and the Citigroup Management Committee.

Between 2001 and 2004, Mr Seegers was the chief executive officer of Consumer Banking for Asia Pacific, covering 11 consumer markets. Under his leadership, this region was the fastest growing part of Citigroup. Prior to this, he developed internet banking for Citibank and held various posts including division executive for Japan, president of Citibank California, marketing director for Citibank Direct and marketing director of Citibank Belgium.

Mr Seegers joined Citigroup in Germany as an associate in 1989.

T M G (Tokyo) Sexwale

Age 53

Qualifications Certificate in Business Studies

Year appointed 2001

Independence Non-executive director

Absa board committee memberships
- Directors' Affairs Committee

Other directorships/ trusteeships Executive chairman of Mvelaphanda Holdings (Proprietary) Limited and Mvelaphanda Group Limited. Chairman of Northam Platinum Limited, Trans Hex Group Limited, Mvelaphanda Resources Limited and a director of Absa Group Limited and Gold Fields Limited. Mr Sexwale is a trustee of the Nelson Mandela Foundation and chancellor of the Vaal University of Technology, as well as a trustee of the Desmond Tutu Peace Trust.

Skills, expertise and experience A former member of the national executive committee of the African National Congress and former premier of Gauteng.

F A (Franklin) Sonn

Age 67

Qualifications BA (Hons), PTD, FIAC

Year appointed 1999

Independence Independent director

Absa board committee memberships
- Directors' Affairs Committee

Other directorships/ trusteeships Chairman of African Star Ventures (Proprietary) Limited, Airports Company South Africa Limited (ACSA), Kwezi V3 Engineers (Proprietary) Limited and Ekapa Mining (Proprietary) Limited. Director of Absa Group Limited, Sappi Limited, Safmarine (Proprietary) Limited, Steinhoff International Holdings Limited, Macsteel Holdings Limited, Metropolitan Holdings Limited, RGA Reinsurance Company of South Africa Limited and RGA SA Holdings (Proprietary) Limited. Trustee of the Nelson Mandela Foundation and the Legal Resources Trust. Chancellor of the University of the Free State.

Skills, expertise and experience Rector of the Peninsula Technikon from 1978 to 1994. Served as South African ambassador to the United States of America from 1995 to 1998. Former president of the Afrikaanse Handelsinstituut. President of the Union of Teachers Associations of South Africa for 16 years.

P E I (Peter) Swartz

Age	65
Qualifications	Advanced Primary Teacher's Diploma
Year appointed	1994
Independence	Independent director
Absa board committee memberships	• Group Risk Committee
Other directorships/ trusteeships	He serves on the boards of Absa Group Limited, Distell Limited and Sun International Limited. He is a trustee of the Cape Peninsula University of Technology Foundation, Western Cape Cerebral Palsy Association and the Eoan Group Trust.
Skills, expertise and experience	Was a school music teacher for 10 years. He became the first chancellor of the Cape Technikon (Cape Peninsula University of Technology). He has, over the past 35 years, held personal interests in various industries, including cinemas, hotels, supermarkets, fast foods outlets, centrifugal pump manufacturing and property development. A former chairman of the South African Tourism board. He also served over many years as a director of Sanlam Limited, Ellerines Holdings Limited and New Clicks Holdings Limited.

L L (Louis) von Zeuner

Age	45
Qualifications	BEcon
Year appointed	2004
Independence	Executive director
Absa board committee memberships	• None, but attends various board committee meetings ex officio.
Other directorships/ trusteeships	Mr von Zeuner serves on the boards of Absa Group Limited, the Banking Association South Africa, Section 21 Housing Company, MasterCard and the SA Payments Strategy Association.
Skills, expertise and experience	His first position was that of a clerk in the Goodwood branch of Volkskas. He worked in the branch system until 1995, by which time he had been branch manager of four branches, namely Wynberg (1989 – 1990), Cape Town (1990 – 1991), Old Paarl Road (1991 – 1992) and Stellenbosch (1992 – 1995). His appointment as regional manager for the Northern Cape in Kimberley (1995 – 1996) elevated him to Absa's general management. He then became provincial general manager of the Northern Province (1996 – 1998) and the Free State (1998 – 1999). In 2000, he moved to Absa head office, where he became the operating executive of Absa Commercial Bank. He was appointed as an executive director on the Absa board in September 2004.

Introduction

Absa Bank is a wholly owned subsidiary of Absa Group Limited (Absa Group), which is listed on the JSE Limited.

Absa Bank recorded solid headline earnings of R5 861 million for the year ended 31 December 2006. Return on average equity increased to 25,1%, up from 22,8% for the nine months ended 31 December 2005.

The key performance drivers of the Bank's business units are encapsulated in this section of the report.

Segmental earnings

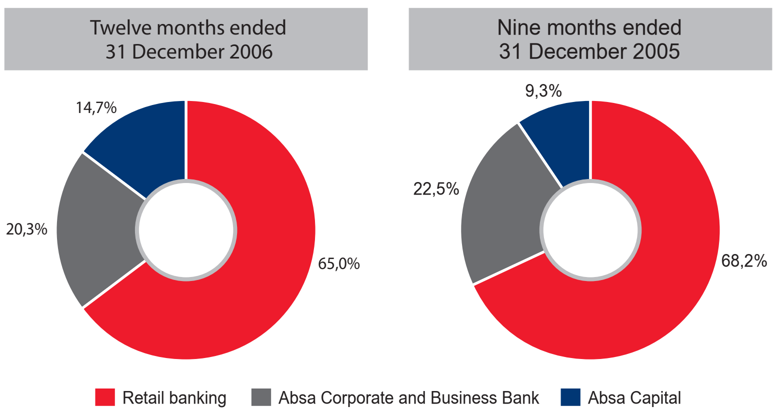
All of the Bank's businesses delivered very strong growth in attributable earnings. The retail, business, corporate and investment banking segments benefited from a buoyant operating environment and the earnings uplift was assisted by the Absa-Barclays integration benefits.

Segmental performance

Segmental earnings

	Twelve months ended 31 December 2006 Rm	Nine months ended 31 December 2005 Rm
• Retail banking	**4 095**	2 564
• Absa Corporate and Business Bank	**1 282**	845
• Absa Capital	**928**	351
• Other	**273**	(59)
• Costs relating to the Barclays transaction	**—**	(120)
Total earnings from business areas	**6 578**	3 581
Integration costs (after taxation)	**(454)**	(150)
Profit attributable to preference equity holders	**(73)**	—
Profit attributable to ordinary equity holder	**6 051**	3 431
Headline earnings adjustments	**(190)**	12
Total headline earnings	**5 861**	3 443

Earnings from business units*



**Excludes entities included under "other" and costs relating to the Barclays transaction.*

Retail banking

The attributable earnings of R4 095 million were achieved as a result of good performances from Absa Private Bank, Retail Banking Services and Absa Card. The Bank's retail banking operations recorded strong advances growth for the year. This enabled this segment to maintain its market share in most products and achieve a healthy gain in market share in credit card advances.

Solid retail deposit growth was recorded on the back of growth in savings, transmission and current accounts. Strong growth in transaction volumes, which emanated from the increased activities of existing and new customers, resulted in solid non-interest income. The retail customer base increased by 9,5% to 8,3 million as at December 2006. Volumes in the branch network grew moderately. Good growth was experienced in automated teller machine (ATM), internet and cell phone banking transactions.

During the period under review, the focus on the expansion of the delivery footprint was sustained, with 31 staffed outlets being opened, predominantly in previously disadvantaged areas, and the addition of 1 218 ATMs. A further 37 outlets were upgraded and 208 internet kiosks and 114 self-service kiosks were put in service during 2006.

The contribution to attributable earnings of the various business units in retail banking was as follows:

	Twelve months ended 31 December 2006 Rm	Nine months ended 31 December 2005 Rm
Segment-focused business units		
• **High net worth and affluent market** ➜ Absa Private Bank	**260**	153
• **Middle, mass and small business markets** ➜ Retail Banking Services*	**1 318**	806
Product-focused business units		
• **Credit cards** ➜ Absa Card	**700**	385
• **Home loans** ➜ Absa Home Loans**	**1 086**	762
• **Instalment finance** ➜ Absa Vehicle and Asset Finance***	**731**	458
Retail banking	**4 095**	2 564

**Includes Flexi Banking Services, Small Business and UB Micro Loans.*
***Includes Repossessed Properties.*
****Instalment finance was previously reported as part of commercial banking.*

Commercial banking – Absa Corporate and Business Bank

Absa Corporate and Business Bank delivered attributable earnings of R1 282 million for the twelve months ended 31 December 2006. This performance was driven by strong growth in advances, deposits and transaction volumes. Listed commercial property finance investments also performed very well.

The advances margin came under increased pressure as a result of heightened competition. The quality of the advances book improved further, as evidenced by an improvement in the impairment loss ratio.

During the year under review, the emphasis fell on implementing a new value aligned performance measurement tool that assists relationship managers to enhance customer profitability. This period also saw the introduction of a new operating model in Medium Business and the incorporation of Absa's corporate segment into the business bank segment.

Investment banking – Absa Capital

Absa Capital delivered attributable earnings of R928 million to elevate its contribution to the Bank's earnings. This was largely as a result of increased customer flows following the launch of Absa Capital during the period under review. Absa Capital has been refocused into three business units: Primary Markets, Secondary Markets, and Investor Services and Equity Investments. As a result, certain customers and products were migrated to Absa Corporate and Business Bank during 2006.

Growth in Primary Markets was achieved as a result of an enhanced value proposition, enabled through a comprehensive and holistic international and local solutions approach, which in turn led to an increased customer deal flow.

Investor Services and Equity Investments achieved strong growth by actively managing the investment portfolio and positioning the portfolio for future expansion.

Secondary Markets increased revenues throughout the year under review through better risk management, additions to product depth and breadth and increased customer flows.