Annual financial results

For the twelve months ended 31 December 2006

Living the Absa *values*

Member of the BARCLAYS Group

ABSA

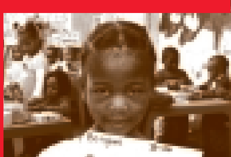
Integrity in all our actions

Absa Group performance

Value our people

Display leadership

Exceed the needs of our customers



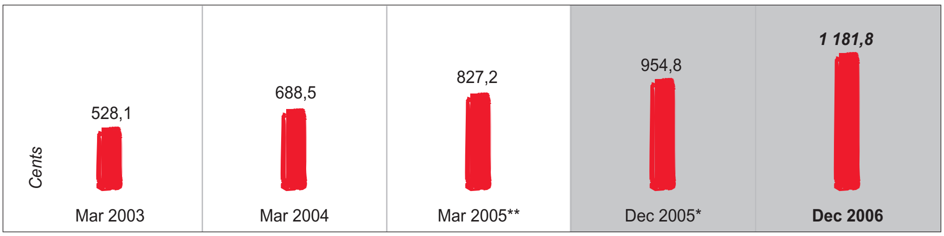
Responsibility for the quality of our work

Contents

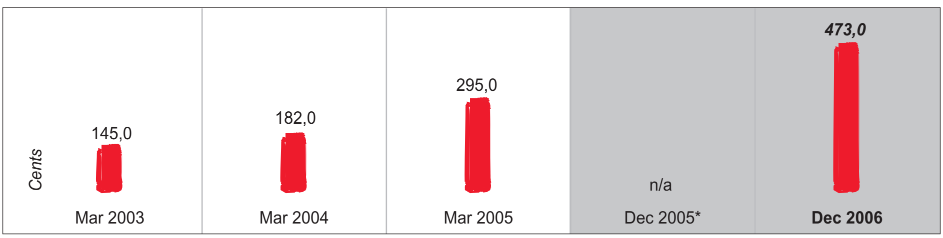
Financial highlights

	For the twelve months ended 31 December 2006	31 December 2005*
• Total assets	**R495,1, billion**	R404,6 billion
• Headline earnings	**R7 872 million**	R6 282 million
• Market capitalisation	**R84,1 billion**	R67,4 billion
• Number of employees	**35 154**	33 543
• Number of customers	**8,4 million**	7,7 million
• Number of staffed outlets	**749**	718
• Number of ATMs	**7 053**	5 835

Headline earnings per share



Dividends per share

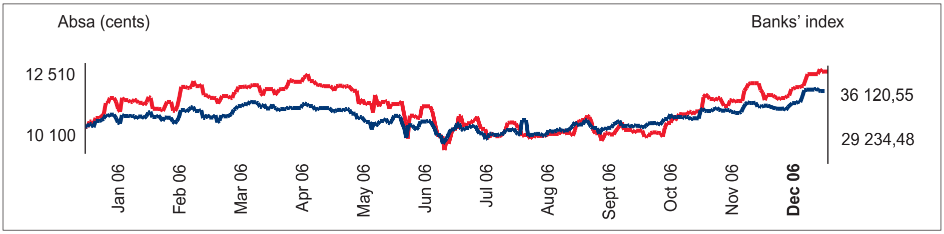


*Twelve months pro forma figures.

**The comparatives for March 2005 have been restated for International Financial Reporting Standards (IFRS).

Share performance

Share performance



**Absa's annualised total return for the twelve months ended 31 December 2006 was 28,0%.*

***Absa share price outperformed the banks' index by 0,25% over the twelve-month period. Total return was used to calculate the relative performance (calculated using an annualised dividend yield).*

Share performance on the JSE Limited

	Twelve months ended		Nine months ended
	31 December 2006	31 December 2005 (Pro forma)	31 December 2005
Number of shares in issue*	**671 955 074**	666 855 074	666 855 074
Market prices (cents per share):			
• closing	**12 510**	10 100	10 100
• high	**12 615**	10 320	10 320
• low	**9 650**	7 125	7 475
• weighted average	**10 944**	8 405	8 674
Closing price/net asset value per share (excluding preference shares)	**2,65**	2,62	2,60
Closing price/headline earnings per share	**10,6**	10,6	10,3
Volume of shares traded (millions)**	**332,3**	391,6	298,2
Value of shares traded (R millions)	**35 925,7**	33 492,4	26 443,4
Market capitalisation (R millions)	**84 061,6**	67 352,4	67 352,4

**Includes 2 654 828 shares held by the Absa Group Limited Share Incentive Trust (December 2005: 3 074 268) and 178 370 shares held by Absa Life Limited (December 2005: 388 200).*

***Only one block trade, of 14,5 million shares, was traded through the JSE during the Barclays acquisition in the period ended 31 December 2005. The remainder of the shares was tendered directly to Barclays by Absa shareholders.*

Group salient features

	Twelve months ended 31 December 2006 (Audited)	31 December 2005 (Unaudited) (Pro forma)	Change %	Nine months ended 31 December 2005* (Audited)
Income statement (Rm)				
Headline earnings**	**7 872**	6 282	25,3	4 902
Profit attributable to ordinary equity holders of the Group	**8 105**	6 252	29,6	4 776
Balance sheet (Rm)				
Total assets	**495 112**	404 561	22,4	404 561
Loans and advances to customers	**386 174**	306 856	25,8	306 856
Deposits due to customers	**368 449**	303 945	21,2	303 945
Financial performance (%)				
Return on average equity	**27,4**	25,6		26,5
Return on average assets	**1,74**	1,72		1,73
Loans-to-deposits ratio	**104,8**	101,0		101,0
Operating performance (%)				
Net interest margin on average assets	**3,30**	3,28		3,27
Net interest margin on average interest-bearing assets	**3,69**	3,65		3,65
Impairment losses on loans and advances as % of average loans and advances to customers	**0,44**	0,31		0,26
Non-performing advances as % of loans and advances to customers	**1,3**	1,8		1,8
Non-interest income as % of total operating income	**50,9**	53,8		52,6
Cost-to-income ratio	**54,6**	57,0		58,0
Effective tax rate, excluding indirect taxation	**27,6**	31,2		31,1
Share statistics (million)				
Number of shares in issue	**672,0**	666,9		666,9
Weighted average number of shares	**666,1**	658,0		662,1
Weighted average diluted number of shares	**703,2**	684,0		690,8
Share statistics (cents)				
Headline earnings per share	**1 181,8**	954,8	23,8	740,4
Diluted headline earnings per share	**1 121,3**	920,3	21,8	710,9
Earnings per share	**1 216,8**	950,3	28,1	721,4
Diluted earnings per share	**1 154,4**	915,9	26,0	692,7
Dividends per ordinary share relating to income for the year/period	**473,0**	n/a		295,0
Dividend cover (times)	**2,5**	n/a		2,5
Net asset value per share	**4 717**	3 862	22,1	3 890
Tangible net asset value per share	**4 682**	3 834	22,1	3 861
Capital adequacy (%)				
Absa Bank	**12,3**	10,7		10,7
Absa Group	**13,1**	11,3		11,3

**The comparatives for the nine months ended 31 December 2005 have been restated for the deconsolidation of certain cell captives, the reclassification of certain assets and liabilities as well as the reclassification of interest and dividends on fair value through profit and loss assets. Refer to pages 50 – 53 for the restatement of prior year figures. The comparatives have been restated throughout the document.*

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

Group financial reporting structure

Absa Group Limited

Retail banking

- Absa Private Bank
- Retail Banking Services (includes Flexi Banking Services, UB Micro Loans and Small Business)
- Absa Home Loans (includes Repossessed Properties)
- Absa Card
- Absa Vehicle and Asset Finance (AVAF)
- Virgin Money South Africa (i)

Commercial banking

- Absa Corporate and Business Bank (ii) & (iii)

Investment banking

- Absa Capital (ii) & (iii)

African operations

- Banco Austral, Sarl (Mozambique)
- National Bank of Commerce Limited (NBC) (Tanzania)
- CBZ Holdings Limited (Zimbabwe)
- Capricorn Investment Holdings Limited (Namibia) (iv)
- Banco Comercial Angolano (Angola)

Changes in the financial reporting structure of the Group

(i) Absa Bank entered into a joint venture with Virgin Money during the year under review.

(ii) Absa Bank London was split into three separate business units during the year – Absa Capital, Absa Corporate and Business Bank and Other in accordance with the nature of their underlying assets.

(iii) In May 2006, Absa Capital was launched, which represents a combination of the global expertise of Barclays Capital and the specialist local knowledge of Absa Corporate and Merchant Bank (ACMB). Certain corporate clients were separated and are now reported as part of Business Bank. Absa Corporate and Business Bank was launched as a result.

(iv) The Group sold Capricorn Investment Holdings Limited to an external party during the year under review.

(v) The Group increased its shareholding in Abvest Holdings (Proprietary) Limited to 100% during March 2006. Abvest is now included under the Group's bancassurance operations.

(vi) Absa Bank (Asia) Limited and Absa Bank Singapore ceased operations from 1 January 2006.

(vii) The Group sold Bankhaus Wölbern & Co. to an external party during the year under review.

Bancassurance

Insurance

- Absa Life Limited
- Absa Insurance Company Limited
- Absa Manx Insurance Company Limited
- Absa Syndicate Investments Holdings Limited

Investments

- Absa Fund Managers Limited
- Absa Mortgage Fund Managers (Proprietary) Limited
- Absa Stockbrokers (Proprietary) Limited and Portfolio Managers (Proprietary) Limited
- Absa Investment Management Services (Proprietary) Limited
- Abvest Holdings (Proprietary) Limited (v)

Fiduciary

- Absa Trust Limited
- Absa Consultants and Actuaries (Proprietary) Limited
- Absa Health Care Consultants (Proprietary) Limited

Other

- Absa Brokers (Proprietary) Limited

Other Group activities

Other companies

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

International operations

- Absa Bank London (ii)
- Absa Bank (Asia) Limited (Hong Kong) (vi)
- Bankhaus Wölbern & Co. (Hamburg) (vii)
- Absa Bank Singapore (vi)

Profit and dividend announcement

Introduction

This announcement deals with the consolidated annual financial results of the Absa Group, its wholly owned subsidiaries, Absa Bank Limited (Absa Bank or the Bank), Absa Financial Services Limited (Absa Financial Services) and its holdings in other subsidiary and associated companies for the twelve months ended 31 December 2006.

As a result of the change in the Group's year-end from March to December, the previous audited financial results for the Group were for the nine months ended 31 December 2005. To facilitate evaluation and interpretation, the financial results for the period under review are compared in the commentary and tables with the unaudited pro forma financial results for the twelve months ended 31 December 2005.

Financial performance

Absa delivered strong headline earnings growth for the twelve months ended 31 December 2006. Headline earnings for the period under review increased by 25,3% to R7 872 million compared with pro forma headline earnings of R6 282 million for the corresponding twelve-month period of the previous year. Attributable earnings for the year under review increased by 29,6%.

All of the Group's banking businesses delivered very strong growth in attributable earnings. The retail, corporate, business and investment banking clusters benefited from a buoyant operating environment and the earnings uplift was assisted by the Barclays/Absa integration benefits. The bancassurance cluster achieved good operational results, but attributable earnings growth was modest.

Headline earnings per share increased by 23,8%, from 954,8 cents per share for the pro forma twelve months ended 31 December 2005 to 1 181,8 cents per share for the year under review. The Group delivered a return of 27,4% on average shareholders' equity (twelve months ended 31 December 2005: 25,6%).

Fully diluted headline earnings per share amounted to 1 121,3 cents. This is an increase of 21,8% compared with the same period of the previous year and includes a dilution of 5,1% or 60,5 cents per share. This dilution flows from the increase in the value of the options issued to Batho Bonke Capital (Proprietary) Limited (Absa's black economic empowerment partner), Absa Group Limited Share Incentive Trust and the Absa Group Limited Employee Share Ownership Administrative Trust (the trust established to facilitate Absa's employee share ownership programme).

A final dividend of 265 cents per share has been declared, bringing the total dividend for the twelve months ended 31 December 2006 to 473 cents per share representing a dividend cover of 2,5 times.

Operating environment

The South African economy continued to expand, with real growth for 2006 estimated to be in the region of 4,9% compared with the 5,1% for 2005. Most sectors experienced very good growth. The secondary sector was supported by buoyant manufacturing and construction activity. Strong consumer spending and a positive business climate supported the tertiary sector. The primary sector continued its lacklustre performance despite the commodities boom and strong consumer demand conditions. The challenges in the gold mining sector continued, resulting in lower gold production, and agricultural output was negatively impacted by a smaller maize crop.

A household debt level of 73% of disposable income was recorded by the third quarter of 2006. Consumers' appetite for credit remained firm 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 in real estate, new vehicle sales and financial services tapering off. The South African monetary authorities have 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.

Group performance

Information on the Group performance, net asset value and capital adequacy is contained on pages 9 to 39.

Information relating to the performance of the Group's segments, is contained on pages 40 to 49.

Basis of presentation and changes in accounting policies

Absa Group's annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The transition to IFRS in the prior year caused significant change. This altered the measurement and recognition of certain items having an impact on the disclosure in the financial statements. Over the past year, there have been refinements to interpretations in the application of the IFRS standards. One such interpretation relates to the treatment of insurance cell captives.

Previously, all cell captives operated by the Group were consolidated, resulting in the assets of the cells being recognised with a corresponding liability equal to the amount of the asset in favour of the cell owner. In terms of the current interpretation, cell arrangements in relation to linked investment products will no longer be consolidated. The comparative information has been restated accordingly.

This restatement has resulted in the balance sheet for the period ending 31 December 2005 reducing by R2,9 billion. There is no impact on the attributable or headline earnings of the Group.

The Group has changed its accounting policy to recognise actuarial gains and losses in accordance with the "corridor method" allowed under IAS 19 – Employee Benefits. This change was prompted by the fact that the pension funds of the various African subsidiaries are consolidated. Management is of the view that this change results in more reliable and relevant information in relation to the underlying operations of those entities. The result of this change is immaterial at a Group level. Consequently, comparative information has not been restated.

Refer to pages 50 – 53 for the restatement of prior year figures.

The Group's results for the twelve months ended 31 December 2006 have been audited by the Group's auditors, Ernst & Young Registered Auditors Inc. and PricewaterhouseCoopers Inc. Their audit report is available for inspection at the Group's registered address, 3rd Floor, Absa Towers East, 170 Main Street, Johannesburg, 2001.

Prospects

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 continue 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. The Group will continue in its relentless pursuit of its strategic objectives, which are designed to position it to capitalise on opportunities that arise.

On behalf of the board

D C Cronjé • *Chairman*

S F Booysen • *Group chief executive*

20 February 2007

Declaration of final ordinary dividend number 41

Shareholders are advised that a dividend of 265 cents per ordinary share is declared on Tuesday, 20 February 2007, and is payable to shareholders recorded in the register of members of the Group at the close of business on Friday, 16 March 2007.

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

Last day to trade cum dividend	Friday, 9 March 2007
Shares commence trading ex dividend	Monday, 12 March 2007
Record date	Friday, 16 March 2007
Payment of dividend	Monday, 19 March 2007

Share certificates may not be dematerialised or rematerialised between Monday, 12 March 2007 and Friday, 16 March 2007, both dates inclusive.

On Monday, 19 March 2007, 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 19 March 2007 will be posted on or about that date. The accounts of shareholders that have dematerialised their shares (which are held at their central securities depository participant or broker) will be credited on Monday, 19 March 2007.

The announcement of the annual financial results of Absa Bank, which has been released simultaneously with this announcement, contains the relevant information regarding the dividend for the Absa Bank non-cumulative, non-redeemable preference shares.

On behalf of the board

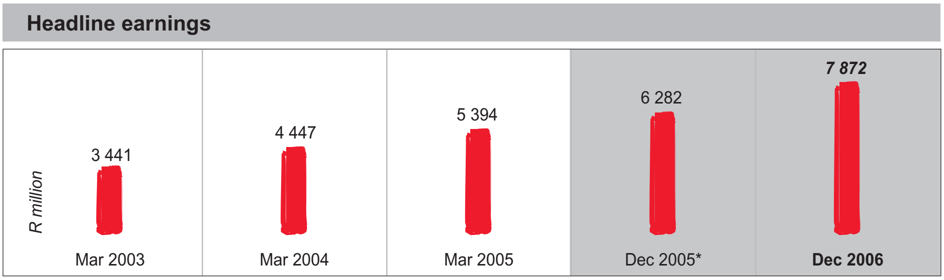
W R Somerville • *Group secretary*

20 February 2007

Headline earnings

Objective:

Achieve real headline earnings growth of 10%.



**Twelve months pro forma figures.*

Performance:

The Group increased headline earnings by 25,3%, compared to December 2005 (pro forma), to R7 872 million. This growth outperforms the Group's objective of delivering real earnings growth of 10%.

All banking business segments delivered a strong performance, compared to December 2005 (pro forma), with retail banking growing headline earnings by 31,8% and Absa Corporate and Business Bank, Absa Capital and the african operations reflecting growth of 36,7%, 45,9% and 24,5% respectively.

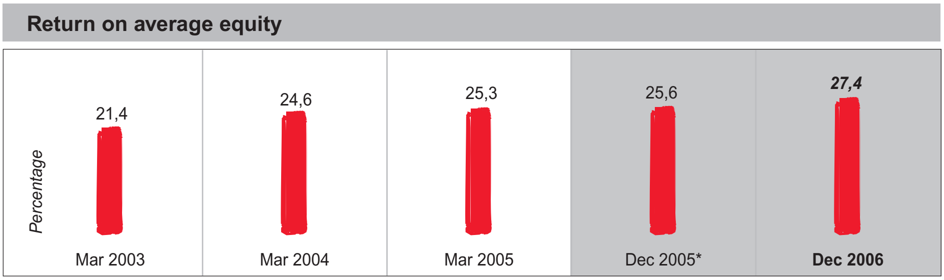
These performances are underpinned by solid advances growth. Consumer debt affordability is expected to remain acceptable, therefore credit quality should remain sound, but at more normalised levels than experienced in the recent past. The higher impairment ratio as a result is in line with expectations.

The Bancassurance businesses delivered sound operating performances. Following a year of buoyant equity markets, investment income again outperformed expectations, but not to the extent achieved in 2005. This together with the higher claims experience in the short-term insurance operations resulted in the modest attributable earnings growth of 7,4%.

1. Return on average equity

Objective:

Maintain an RoE of at least 5% above the cost of equity.



**Twelve months pro forma figures.*

Performance:

The Group achieved a return on average equity (RoE) of 27,4% for the twelve months under review. The pleasing result has enabled a sustained outperformance of 13,9% of the Group's objective of achieving an RoE of at least 5% above the Group's cost of equity of 13,5%.

In order to obtain a thorough understanding of factors contributing to the Group's performance, an RoE decomposition is provided below. The main components of the decomposition are discussed in the commentary that follows.

RoE decomposition

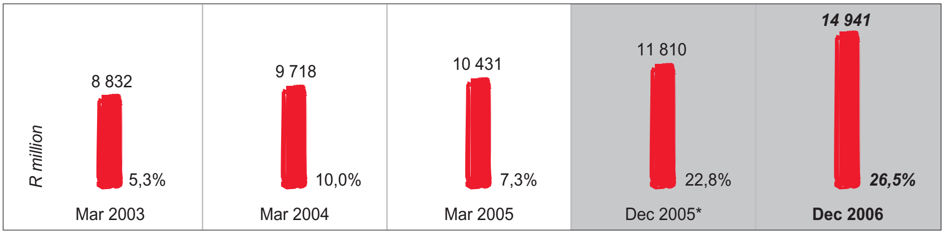
	31 December 2006	31 December 2005	Note
Net interest/interest-bearing assets	**3,69**	3,65	
	multiply	multiply	
Interest-bearing assets/total assets	**0,89**	0,90	
	equals	equals	
Net interest yield	**3,30**	3,28	2
	plus	plus	
Non-interest yield	**3,42**	3,82	3
	equals	equals	
Gross yield	**6,72**	7,10	
	less	less	
Credit impairment	**0,35**	0,25	4
	equals	equals	
Risk-adjusted yield	**6,37**	6,85	
	less	less	
Expenses	**3,68**	4,08	5
	less	less	
Taxes	**0,89**	1,07	
	plus	plus	
Associated undertakings and joint ventures	**0,03**	0,03	
	less	less	
Minorities	**0,04**	0,02	
	less	plus	
Headline earnings adjustments	**0,05**	0,01	
	equals	equals	
RoA	**1,74**	1,72	6
	multiply	multiply	
Gearing (average total assets/average equity)	**15,78**	14,90	7
	equals	equals	
RoE	**27,4**	25,6	1

2. Net interest yield

The drivers of the net interest yield are interest earned on advances and the cost of funding.

Interest income

Net interest income (% growth)

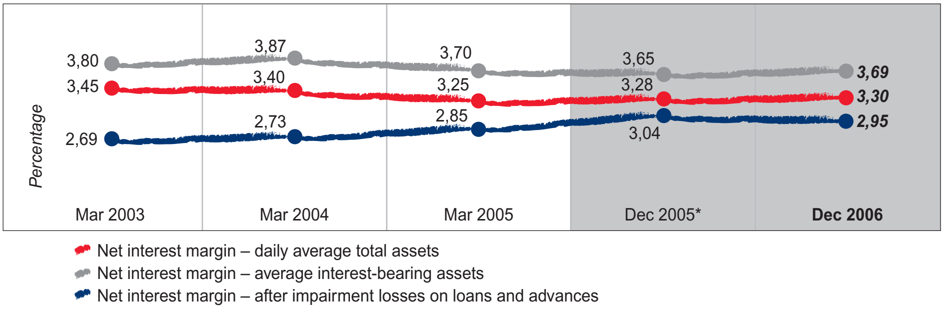


Performance:

The Group's net interest income grew strongly from R11 810 million for the pro forma twelve months ended 31 December 2005 to R14 941 million for the twelve months ended 31 December 2006.

Loans and advances to customers increased by 25,8% from 31 December 2005. The growth in advances was largely supported by high growth in mortgages, credit cards and commercial property finance.

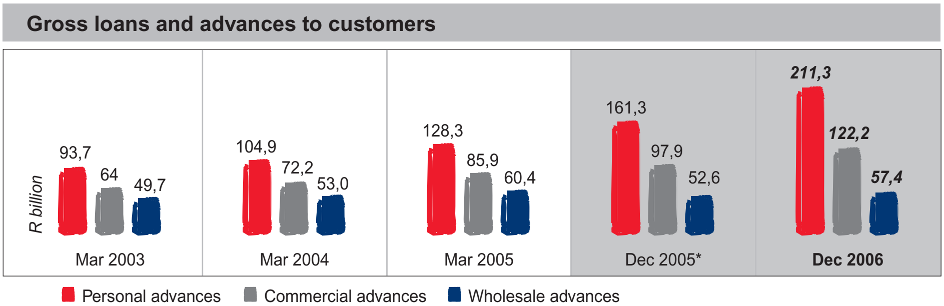
Net interest margin



*Twelve months pro forma figures.

The Group recorded a net interest margin in respect of average assets of 3,30% for the period under review (twelve months to 31 December 2005: 3,28%). The interest margin has remained relatively stable as a result of the benefit of the prime rate increases and preference shares issued by Absa Bank, which was offset by a greater reliance on wholesale funding and competitive pressure on lending rates.

Gross loans and advances to customers



**Reclassification of wholesale funding with banks to loans and advances to banks.*

Loans and advances mix (%)

Period	Personal	Commercial	Wholesale
Mar 2003	45,2	30,9	23,9
Mar 2004	45,6	31,4	23,0
Mar 2005	46,7	31,3	22,0
Dec 2005	51,7	31,4	16,9
Dec 2006	**54,1**	**31,2**	**14,7**

Performance:

Gross advances increased by 25,0% to R390 926 million, compared to 31 December 2005, with personal, commercial and wholesale advances showing growth of 31,0%, 24,9% and 9,0% respectively.

The growth in personal advances continues to be driven by increased household credit extension. Residential mortgage advances grew by 29,8% and credit cards by 61,3%. Sound advances growth continues to be experienced in the affluent and high net worth market, with Absa Private Bank increasing their advances base by 23,2%.

Absa's repossessed properties portfolio continues to decline, with the total number of properties in possession declining by 54,8% from December 2005. The remaining properties in this portfolio (2 390 properties) have been adequately provided for.

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

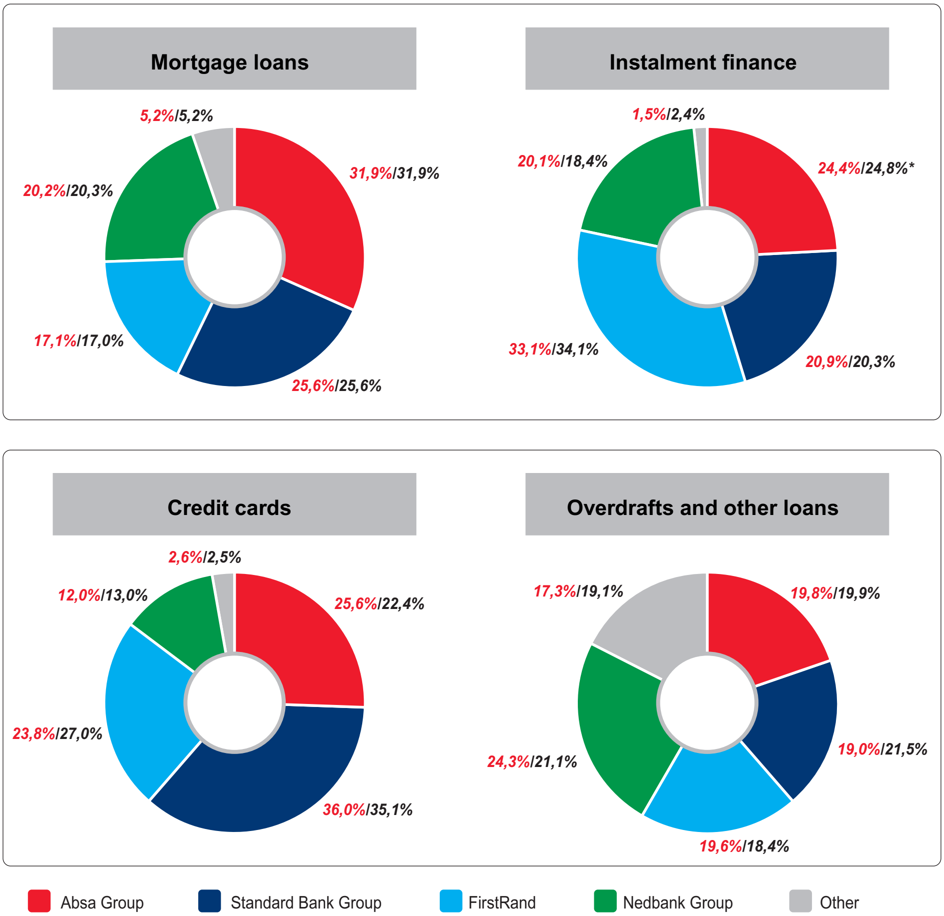
Both the large and medium business segments in Absa Corporate and Business Bank drove commercial advances growth. The strong property market remained a solid contributor to the 24,9% growth in commercial lending, reflecting growth of 33,9%.

The Group's wholesale advances experienced 9,0% growth, however, the demand for traditional interest-bearing products remained under pressure. Investments undertaken by Absa's securitisation vehicle (Abacas) and the appetite for specialised and project finance contributed significantly to the growth. These assets attract fees and offer narrower margins than traditional lending products.

Refer to note 1 of the financial statements on page 27 of this report for further information about the Group's advances.

Market share

December 2006/December 2005



Securitisation of **R3,1 billion – 1,5% of market share (December 2005: R2,7 billion – 1,5% of market share) has been excluded from the Absa instalment finance book.*

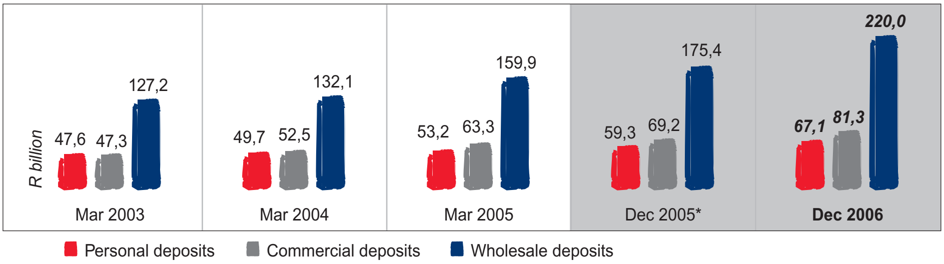
Performance:

The strong advances growth has seen Absa gain market share in credit cards.

Despite continued competition, Absa has retained its leadership position in the mortgage market and has retained its market share. There was a marginal reduction in market share in instalment finance and overdrafts and other loans.

Deposits due to customers

Deposits due to customers



**Reclassification of wholesale funding with banks to deposits from banks.*

Deposits mix (%)

Period	Personal	Commercial	Wholesale
Mar 2003	21,4	21,3	57,3
Mar 2004	21,2	22,4	56,4
Mar 2005	19,2	22,9	57,9
Dec 2005	19,5	22,8	57,7
Dec 2006	**18,2**	**22,1**	**59,7**

Performance:

Personal and commercial deposits comprise 40,3% of the Group's funding base, which is lower than the 42,3% recorded at 31 December 2005. This can be attributed to a change in the funding mix towards wholesale advances.

The ability to attract retail deposits at a time when interest rates are at relatively low levels, remains difficult as investors look to higher yielding asset classes.

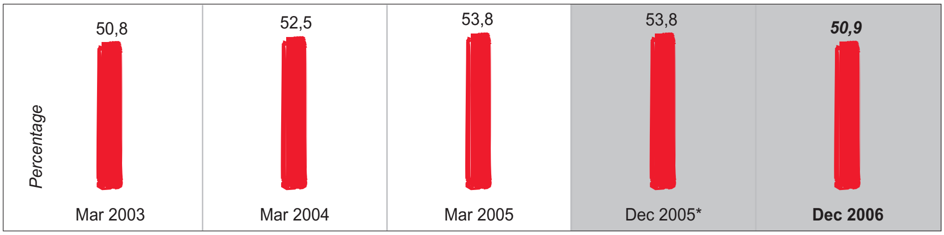
Despite this, personal and commercial deposits have grown 13,2% and 17,5% respectively, compared to 31 December 2005.

3. Non-interest income

Objective:

Maintain non-interest income at approximately 50% of top-line income.

Non-interest income as % of operating income (excluding impairment losses on loans and advances)



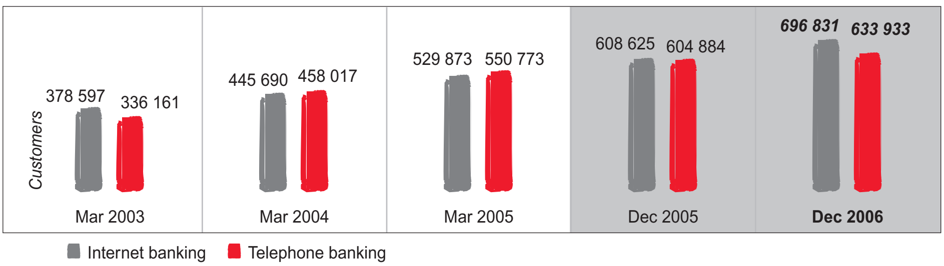
**Twelve months pro forma figures.*

Performance:

Non-interest income constituted approximately 50% of total operating income. The solid growth was achieved on the back of increased transaction volumes, strong growth in insurance related earnings and gains from the sale of a number of strategic investments. The reported growth of total fees and commission income was a modest 8,9%, largely as a result of the loss of fees from the international operations that were sold or closed. Credit card transaction fees increased by 23,6% and fees for both cheque accounts and electronic banking were up 13%.

Insurance related income benefited from a 22,9% rise in net insurance premiums received and the sale of strategic investments assisted in lifting gains from investments by 21,0%.

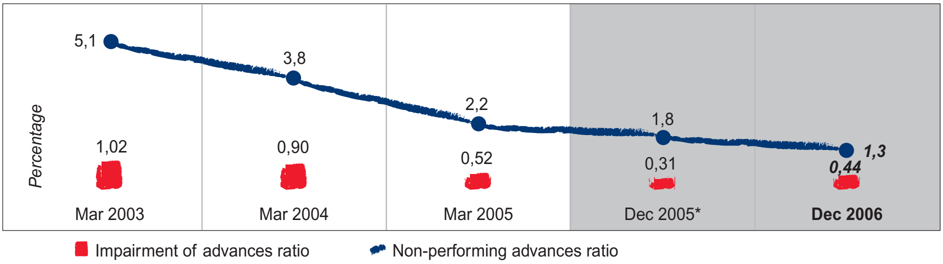
Internet and telephone banking customers



The Group's electronic banking base continues to show growth from a high base. Internet and telephone banking customers increased by 14,5% and 4,8% respectively since 31 December 2005.

4. Impairment losses on loans and advances

Impairment losses on loans and advances



Twelve months pro forma figures.

Performance:

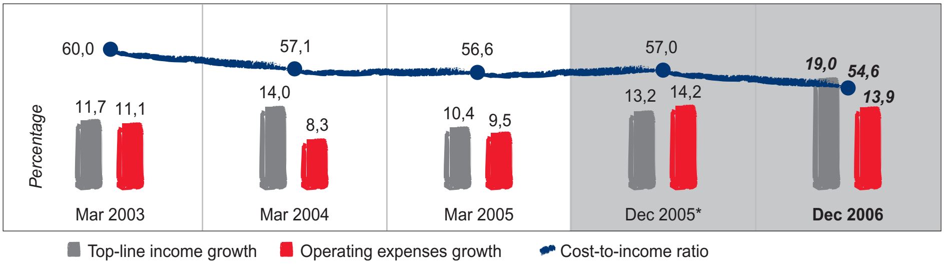
As expected, the impairment charge (R1 573 million), continued its move to more normalised levels and was substantially higher than the R875 million recorded for the corresponding period in 2005. The Group's impairment ratio (income statement charge as a percentage of average advances) for the current period was 0,44% compared with the 0,31% achieved for the twelve months ended 31 December 2005. The higher interest rates and an increase in delinquencies in the main consumer debt products impacted on the loss ratio. Furthermore, an increase in provisions to cater for the expected lower recoveries embedded in the Group's advances book as a result of the National Credit Act (NCA) also contributed to the higher loss ratio.

5. Operating expenditure

Objective:

Drive down the cost-to-income ratio towards the mid-fifties.

Cost-to-income ratio



**Twelve months pro forma figures.*

Performance:

The favourable income growth of 19,0% outpaced operating expenses growth by 5,1 percentage points. This led to a reduced cost-to-income ratio of 54,6%, which compares favourably with the previous year's ratio of 57,0%. The growth in operating expenditure resulted from increased investment in the business in order to facilitate the continued growth in volumes and customers. The growth in operating expenditure is also attributable to an increase in the Group's employee complement, which increased by 1 611 to 35 154, above-inflation salary increases and higher incentive payments following the excellent performance of the Group. The investment in new delivery channels and new business initiatives, including the launch of Virgin Money and Barclays integration activities, also drove up costs.

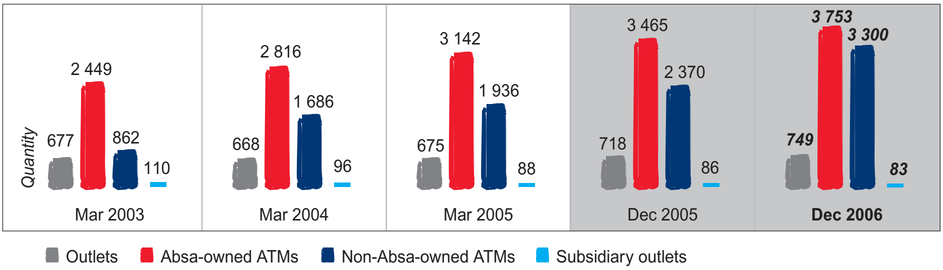
Barclays integration programme

The Group has made excellent progress with initiatives to improve earnings by implementing, where appropriate, the best practices applied by Barclays. As previously communicated, the sustainable profit before tax earnings benefit that the Group aims to derive four years from the date of acquisition by Barclays of its controlling stake in the Absa Group amounts to R1,4 billion per annum.

In the year under review, sustainable profit before tax benefits of R753 million were realised. This is well ahead of the 2006 target of R300 million. The one-off cost of R640 million incurred to achieve this benefit was in line with expectations. The board remains confident that the targets previously communicated to the market will be achieved.

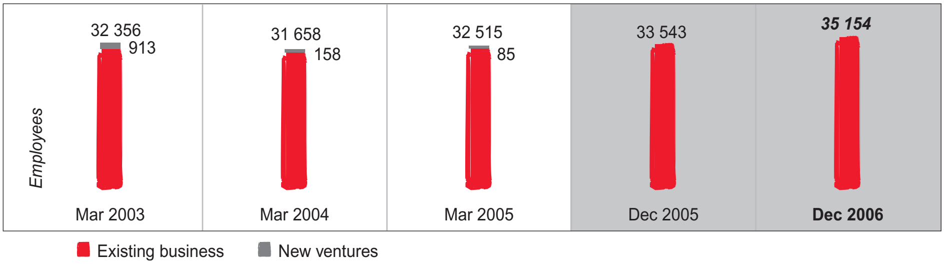
At the time that Barclays acquired its controlling stake in Absa in 2005, Absa and Barclays expressed their intention to combine the other sub-Saharan African Barclays operations with Absa with a view to creating the pre-eminent African banking group. As a first step, Absa acquired Barclays South African operations as at 1 January 2006, which contributed positively to earnings. The overall objective continues to be strategically attractive and remains the intention of both Barclays and Absa. However, concluding such a transaction will take some time owing to the complexities and number of individual businesses involved.

Delivery footprint



Absa remains committed to investing in its delivery footprint, with an emphasis on a presence in rural and previously disadvantaged communities. The focus is on optimising the outlet network and striking a balance between traditional outlets and alternative/electronic delivery mechanisms.

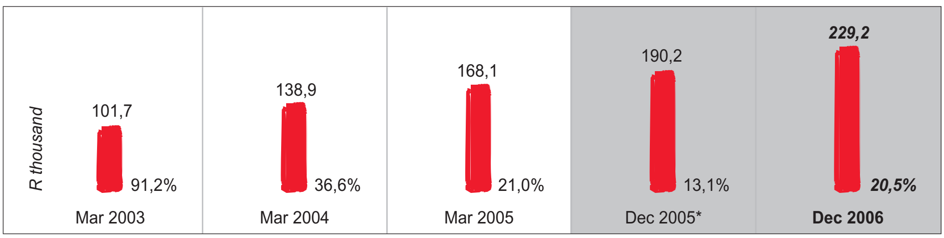
Employee complement*



**The employee complement figures exclude contract workers.*

Staff costs grew by 10,0% (compared to December 2005 pro forma) and represent 49,4% of the cost base. The key drivers of this increase included headcount growth to support expansion, service initiatives and compliance requirements. In addition, above inflation wage settlements and higher incentive provisions owing to the Group's strong performance contribute to the increase.

Headline earnings per employee (average)



**Twelve months pro forma figures.*

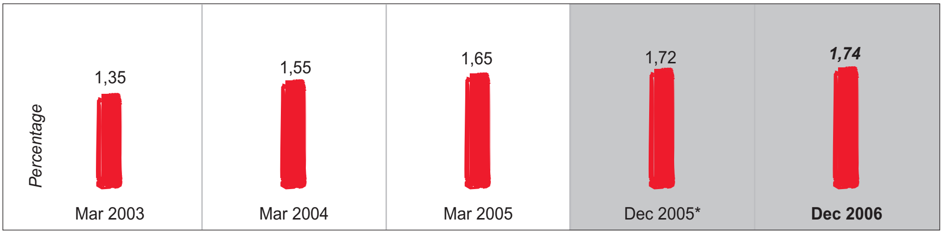
The continued increase in headline earnings per employee, despite headcount and cost growth, demonstrates the Group's ability to leverage existing infrastructure and resources.

6. Return on average assets

Objective:

Maintain an RoA of 1,5%

Return on average assets



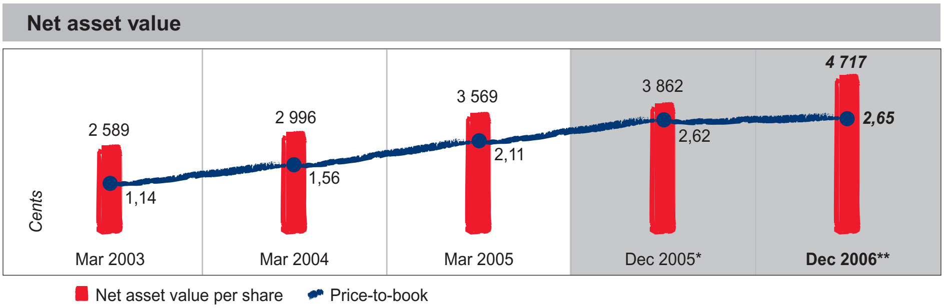
**Twelve months pro forma figures.*

Performance:

The return on average assets (RoA) increased from 1,72% to 1,74%, compared to 31 December 2005 (pro forma). This remains ahead of the Group's objective of maintaining an RoA of greater than 1,5%.

The increase is largely as a result of improved interest margin and positive "gearing" resulting from top-line income growth outpacing expenses growth.

7. Net asset value



**Twelve months pro forma figures.*

***The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued during the period under review.*

Performance:

As a result of the Group's strong operational performance, the net asset value of Absa Group (excluding the Absa Bank non-cumulative, non-redeemable preference shares) increased by 22,1% from 3 862 cents per share at 31 December 2005 to 4 717 cents per share at 31 December 2006.

During the period under review, Absa Bank issued a tier II bond (AB06). The principal amount of the bond was R2 billion, with a final maturity date of 27 March 2020. The issue spread for the bond was 68,5 basis points above the R157 government bond. Absa Bank also issued R3 billion in non-cumulative, non-redeemable preference shares during the period under review. These preference shares were issued with a coupon rate of 63% of the prime overdraft lending rate and were listed on the JSE Limited on 25 April 2006.

In February 2006, the Absa Group board authorised a R20 billion securitisation programme for Absa Bank. In September 2006, Absa Bank entered the first series of the programme by securitising R2 billion of its vehicle finance receivables portfolio.

During the twelve months ended 31 December 2006, Absa Bank's risk-weighted assets increased by 23,6%. This was lower than the 24,5% increase in total assets experienced by Absa Bank. This trend is expected to continue as the bank increases its focus on balance sheet optimisation and capital efficiency.

On the basis of the prescribed consolidated regulatory capital requirements, the Group's capital stood at 13,1% of risk-weighted assets at 31 December 2006 (31 December 2005: 11,3%). The Group's primary capital ratio was 10,1% (31 December 2005: 8,6%) and its secondary capital ratio was 3,0% as at 31 December 2006 (31 December 2005: 2,7%).

Basel II

Absa has aligned its Basel II implementation with the Barclays Group programme. Absa's Basel II development is nearing completion and preparations are under way for the 2007 parallel run. Based on the local Basel II rules, which have not been finalised, Absa remains 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.

Contents

Primary statements

Group balance sheet

	Note	31 December 2006 (Audited) Rm	31 December 2005 (Audited) Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**16 461**	15 036	9,5
Statutory liquid asset portfolio		**20 829**	16 289	27,9
Loans and advances to banks		**21 800**	20 805	4,8
Trading assets		**17 983**	23 450	(23,3)
Hedging assets		**676**	396	70,7
Loans and advances to customers	1	**386 174**	306 856	25,8
Reinsurance assets		**390**	423	(7,8)
Other assets		**12 175**	6 762	80,1
Investments		**13 798**	9 904	39,3
Investments in associated undertakings and joint ventures		**693**	895	(22,6)
Intangible assets		**230**	191	20,4
Property and equipment		**3 750**	3 451	8,7
Current tax assets		**24**	17	41,2
Deferred tax assets		**129**	86	50,0
Total assets		**495 112**	404 561	22,4
Liabilities				
Deposits from banks		**35 156**	25 745	36,6
Trading liabilities		**23 484**	20 915	12,3
Hedging liabilities		**1 902**	486	>100,0
Deposits due to customers		**368 449**	303 945	21,2
Current tax liabilities		**1 181**	417	>100,0
Liabilities under investment contracts		**5 129**	3 459	48,3
Policyholder liabilities under insurance contracts		**3 187**	2 736	16,5
Borrowed funds	2	**8 420**	6 483	29,9
Other liabilities and sundry provisions		**10 746**	11 812	(9,0)
Deferred tax liabilities		**2 537**	2 562	(1,0)
Total liabilities		**460 191**	378 560	21,6
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital		**1 338**	1 327	0,8
Share premium		**2 067**	1 875	10,2
Other reserves		**412**	622	(33,8)
Distributable reserves		**27 876**	21 931	27,1
		31 693	25 755	23,1
Minority interest – preference shares		**2 992**	—	>100,0
Minority interest – ordinary shares		**236**	246	(4,1)
Total equity		**34 921**	26 001	34,3
Total equity and liabilities		**495 112**	404 561	22,4
Contingent liabilities – banking related		**11 771**	16 331	(27,9)

IAS 39: Balance sheet classification as at 31 December 2006

	Assets Rm	Liabilities Rm
Fair value	**80 338**	**48 674**
Held for trading	17 836	22 841
• Trading assets designated as trading	17 836	—
• Trading liabilities designated as trading	—	22 841
Fair value through profit and loss	44 831	25 833
• Money market assets	2 377	—
• Statutory liquid asset portfolio	3 744	—
• Loans and advances to customers	24 311	—
• Investments	13 186	—
• Deposits due to customers	—	15 844
• Borrowed funds	—	2 315
• Hedging assets	676	—
• Non qualifying hedging assets	147	—
• Hedging liabilities	—	1 902
• Non qualifying hedging liabilities	—	643
• Reinsurance assets	390	—
• Liabilities under investment contracts	—	5 129
Available-for-sale	17 671	—
• Money market assets	463	—
• Statutory liquid asset portfolio	17 085	—
• Investments	123	—
Amortised cost	**414 774**	**411 517**
Loans and receivables	383 662	—
Held to maturity	1 122	—
Non-trading liabilities	—	397 054
Other assets and liabilities	29 990	14 463
Total equity	**—**	**34 921**
	495 112	**495 112**

Group income statement

	Note	Twelve months ended 31 December 2006 (Audited) Rm	31 December 2005* (Unaudited) (Pro forma) Rm	Change %	Nine months ended 31 December 2005 (Audited) Rm
Net interest income		**14 941**	11 810	26,5	9 341
Interest and similar income		**38 368**	29 377	30,6	23 037
Interest expense and similar charges		**(23 427)**	(17 567)	(33,4)	(13 696)
Impairment losses on loans and advances	3	**(1 573)**	(875)	(79,8)	(569)
		13 368	10 935	22,2	8 772
Net fee and commission income		**10 374**	9 612	7,9	7 086
Fee and commission income	4.1	**10 951**	10 060	8,9	7 441
Fee and commission expense	4.2	**(577)**	(448)	(28,8)	(355)
Net insurance premium income	4.3	**2 994**	2 437	22,9	1 948
Net insurance claims and benefits paid	4.4	**(1 319)**	(1 053)	(25,3)	(797)
Changes in insurance and investment liabilities		**(748)**	(532)	(40,6)	(526)
Gains and losses from banking and trading activities	4.5	**1 347**	1 136	18,6	855
Gains and losses from investment activities	4.6	**1 916**	1 584	21,0	1 259
Other operating income	4.7	**938**	596	57,4	548
Net operating income		**28 870**	24 715	16,8	19 145
Operating expenditure		**(17 566)**	(15 615)	(12,5)	(12 211)
Operating expenses	5	**(16 620)**	(14 598)	(13,9)	(11 433)
Impairments		**(75)**	(68)	(10,3)	(54)
Indirect taxation		**(871)**	(949)	8,2	(724)
Share of retained earnings of associated undertakings and joint ventures		**113**	112	0,9	101
Operating profit before income tax		**11 417**	9 212	23,9	7 035
Taxation expense		**(3 151)**	(2 875)	(9,6)	(2 191)
Profit for the year/period		**8 266**	6 337	30,4	4 844
Attributable to:					
Ordinary equity holders of the Group		**8 105**	6 252	29,6	4 776
Minority interest – preference shares		**73**	—	>100,0	—
Minority interest – ordinary shares		**88**	85	(3,5)	68
		8 266	6 337	30,4	4 844
• basic earnings per share (cents per share)		**1 216,8**	950,3	28,1	721,4
• diluted earnings per share (cents per share)		**1 154,4**	915,9	26,0	692,7
Headline earnings	6	**7 872**	6 282	25,3	4 902
• headline earnings per share (cents per share)		**1 181,8**	954,8	23,8	740,4
• diluted headline earnings per share (cents per share)		**1 121,3**	920,3	21,8	710,9

**The comparatives for the twelve months ended 31 December 2005 have been restated. Refer to pages 51 & 53 for the restatement of prior year figures.*

Group statement of changes in equity

	31 December 2006 (Audited) Rm	31 December 2005* (Audited) Rm	Change %
Share capital	**1 338**	1 327	0,8
Opening balance	**1 327**	1 310	1,3
Prospective IFRS adjustment – treasury shares Absa Life Limited	**—**	(2)	100,0
Shares issued	**10**	24	(58,3)
Transfer from share-based payments reserve	**0**	—	>100,0
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**0**	—	>100,0
Elimination of treasury shares held by Absa Life Limited	**0**	1	(100,0)
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	**1**	(6)	>100,0
Share premium	**2 067**	1 875	10,2
Opening balance	**1 875**	1 611	16,4
Prospective IFRS adjustment – treasury shares Absa Life Limited	**—**	(40)	100,0
Shares issued	**170**	382	(55,5)
Transfer from share-based payments reserve	**23**	—	>100,0
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**(17)**	—	>(100,0)
Elimination of treasury shares held by Absa Life Limited	**12**	13	(7,7)
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	**4**	(91)	>100,0
Other reserves	**412**	622	(33,8)
Opening balance	**622**	383	62,4
Movement in foreign currency translation reserve	**332**	(130)	>100,0
Movement in regulatory general credit risk reserve	**46**	—	>100,0
Movement in available-for-sale reserve	**58**	90	(35,6)
Movement in cash flow hedges reserve	**(485)**	97	>(100,0)
Movement in insurance statutory reserve	**38**	11	>100,0
Movement in associated undertakings and joint ventures' retained earnings reserve	**113**	101	11,9
Disposal of associated undertakings and joint ventures – release of reserves	**(374)**	—	>(100,0)
Transfer from share-based payments reserve	**(23)**	—	>(100,0)
Share-based payments for the year/period	**85**	70	21,4
Distributable reserves	**27 876**	21 931	27,1
Opening balance	**21 931**	19 969	9,8
IFRS adjustments applied prospectively	**—**	(301)	100,0
Subsidiary step-up acquisitions	**(43)**	—	>(100,0)
Transfer to regulatory general credit risk reserve	**(46)**	—	>(100,0)
Transfer to insurance statutory reserve	**(38)**	(11)	>(100,0)
Transfer to associated undertakings and joint ventures' retained earnings reserve	**(113)**	(101)	(11,9)
Disposal of associated undertakings and joint ventures – release of reserves	**374**	—	>100,0
Profit attributable to ordinary equity holders	**8 105**	4 776	n/a
Dividends paid during the year/period	**(2 294)**	(2 401)	4,5
	31 693	25 755	23,1
Minority interest – preference shares	**2 992**	—	>100,0
Opening balance	**—**	—	—
Shares issued	**3 000**	—	>100,0
Costs incurred	**(8)**	—	>(100,0)
Profit attributable to preference equity holders	**73**	—	>100,0
Dividends paid during the year/period	**(73)**	—	>(100,0)
Minority interest – ordinary shares	**236**	246	(4,1)
Opening balance	**246**	232	6,0
Disposals	**(40)**	—	>(100,0)
Other reserve movements	**(58)**	(54)	(7,4)
Minority share of profit	**88**	68	n/a
Total equity	**34 921**	26 001	34,3

**Relating to the nine months ended 31 December 2005.*

Group cash flow statement

	Note	Twelve months ended 31 December 2006 (Audited) Rm	Nine months ended 31 December 2005 (Audited) Rm	Change %
Net cash flow (utilised in)/from operating activities		**(4 016)**	940	>(100,0)
Net cash flow (utilised in)/from investing activities		**(2 342)**	1 976	>(100,0)
Net cash flow from/(utilised in) financing activities		**2 799**	(1 370)	>100,0
Net (decrease)/increase in cash and cash equivalents		**(3 559)**	1 546	>(100,0)
Cash and cash equivalents at the beginning of the year/period	1	**8 343**	6 796	22,8
Effects of exchange rate changes on cash and cash equivalents		**3**	1	>100,0
Cash and cash equivalents at the end of the year/period	2	**4 787**	8 343	(42,6)

Notes to the cash flow statement

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

Cash, cash balances and balances with central banks	**15 036**	13 183	14,1
Statutory liquid asset portfolio	**16 289**	14 384	13,2
Loans and advances to banks	**20 805**	3 528	>100,0
Less: amounts not held for cash flow purposes	**(43 787)**	(24 299)	(80,2)
	8 343	6 796	22,8

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

Cash, cash balances and balances with central banks	**16 461**	15 036	9,5
Statutory liquid asset portfolio	**20 829**	16 289	27,9
Loans and advances to banks	**21 800**	20 805	4,8
Less: amounts not held for cash flow purposes	**(54 303)**	(43 787)	(24,0)
	4 787	8 343	(42,6)

	31 December 2006 (Audited) Rm	31 December 2005 (Audited) Rm	Change %
1. Loans and advances to customers			
Total personal advances			
Mortgages	**185 453**	142 888	29,8
Advances	**185 311**	142 639	29,9
Repossessed properties	**142**	249	(43,0)
Cheque accounts	**3 432**	3 122	9,9
Personal loans	**8 628**	6 275	37,5
Credit card accounts	**11 156**	6 918	61,3
Microloans	**1 444**	1 416	2,0
Loans to associated undertakings and joint ventures(i)	**612**	477	28,3
Other	**612**	242	>100,0
Gross advances	**211 337**	161 338	31,0
Impairment losses on loans and advances	**(2 147)**	(2 303)	6,8
Net advances	**209 190**	159 035	31,5
Total commercial advances			
Mortgages (including commercial property finance)	**30 120**	22 771	32,3
Cheque accounts	**12 768**	10 981	16,3
Instalment finance*	**56 509**	47 281	19,5
Loans to associated undertakings and joint ventures(ii)	**6 580**	4 581	43,6
Overnight finance	**3 109**	921	>100,0
Specialised finance	**1 671**	1 813	(7,8)
Term loans	**8 709**	7 096	22,7
Other	**2 725**	2 415	12,8
Gross advances	**122 191**	97 859	24,9
Impairment losses on loans and advances	**(2 051)**	(1 647)	(24,5)
Net advances	**120 140**	96 212	24,9
Total wholesale advances			
Corporate overdrafts	**2 092**	2 576	(18,8)
Foreign currency loans	**4 518**	10 535	(57,1)
Specialised and project finance	**11 340**	8 948	26,7
Overnight finance	**4 261**	2 968	43,6
Preference shares	**9 301**	10 514	(11,5)
Commodities	**859**	901	(4,7)
Loans granted under resale agreements (Carries)	**8 561**	5 298	61,6
Securitised corporate loans (Abacas)	**11 228**	8 338	34,7
Loans to associated undertakings and joint ventures(iii)	**453**	365	24,1
Other	**4 765**	2 178	>100,0
Gross advances	**57 378**	52 621	9,0
Impairment losses on loans and advances	**(554)**	(1 973)	71,9
Net advances	**56 824**	50 648	12,2
Total gross advances	**390 906**	311 818	25,4
Client liabilities under acceptances	**20**	961	(97,9)
	390 926	312 779	25,0
Impairment losses on loans and advances	**(4 752)**	(5 923)	19,8
Total net advances	**386 174**	306 856	25,8

Although Absa Vehicle and Asset Finance (AVAF) operates in both the personal and commercial markets,* **44,25% *(December 2005: 43,56%) of AVAF's total advances are in respect of businesses.*

(i) *Previously reported in other personal advances.*

(ii) *Previously reported in instalment finance and mortgages.*

(iii) *Previously reported in Securitised Corporate loans (Abacas).*

	31 December 2006 (Audited) Rm	31 December 2005 (Audited) Rm	Change %
2. Borrowed funds			
Variable rate debentures	**—**	3	(100,0)
Secured redeemable compulsorily convertible debentures	**—**	3	(100,0)
Subordinated callable notes			
14,25% (AB02)	**3 100**	3 100	—
10,75% (AB03)	**1 100**	1 100	—
3-month JIBAR + 0,75% (AB04)	**400**	400	—
8,75% (AB05)	**1 500**	1 500	—
8,10% (AB06)	**2 000**	—	>100,0
Accrued interest and fair value adjustment	**168**	226	(25,7)
Redeemable cumulative option-holding preference shares	**152**	151	0,7
	8 420	6 483	29,9

	Twelve months ended **31 December 2006 (Audited)** Rm	31 December 2005 (Unaudited) (Pro forma) Rm	Change %	Nine months ended 31 December 2005 (Audited) Rm
3. Impairment losses on loans and advances				
Loans and advances to customers	**1 952**	1 182	(65,1)	815
Less: recoveries of impairment of advances	**(379)**	(307)	23,5	(246)
	1 573	875	(79,8)	569
Credit impairments per segment				
Retail banking	**1 195**	526	>(100,0)	348
Absa Corporate and Business Bank	**331**	357	7,3	111
Absa Capital	**(2)**	(25)	(92,0)	152
African operations	**52**	14	>(100,0)	12
Bancassurance	**2**	3	33,3	3
Other	**(5)**	(0)	>100,0	(57)
Total charge to the income statement	**1 573**	875	(79,8)	569
Credit impairments per product				
Mortgage loans	**182**	108	(68,5)	77
Cheque accounts	**237**	184	(28,8)	129
Instalment finance	**400**	330	(21,2)	276
Credit cards	**168**	98	(71,4)	69
Other retail and commercial advances	**219**	140	(56,4)	75
Other wholesale advances	**142**	171	17,0	122
Microloans	**(120)**	35	>100,0	(3)
Repossessed properties	**27**	(64)	>(100,0)	(70)
Commercial property finance	**5**	25	80,0	18
Total specific impairment charge	**1 260**	1 027	(22,7)	693
Portfolio impairment	**692**	155	>(100,0)	122
Impairment of advances before recoveries	**1 952**	1 182	(65,1)	815
Recoveries of credit impairments	**(379)**	(307)	23,5	(246)
Total charge to the income statement	**1 573**	875	(79,8)	569
Accumulated impaired advances				
Specific impairments	**3 048**	4 904	37,8	4 904
Non-performing loans	**2 088**	3 572	41,5	3 572
Other impaired loans	**615**	1 100	44,1	1 100
Net present value adjustment	**345**	232	(48,7)	232
Portfolio impairments	**1 704**	1 019	(67,2)	1 019
	4 752	5 923	19,8	5 923

	Outstanding balance Rm	Security and recoveries Rm	Net exposure Rm	Impairments raised Rm
3. Impairment losses on loans and advances (continued)				
Non-performing advances at 31 December 2006				
Personal loans	**264**	**210**	**54**	**54**
Retail overdrafts and credit cards	**632**	**51**	**581**	**581**
Foreign currency loans	**101**	**—**	**101**	**101**
Instalment finance	**520**	**224**	**296**	**296**
Mortgages	**2 346**	**2 075**	**271**	**271**
Microloans	**382**	**145**	**237**	**237**
Other	**683**	**135**	**548**	**548**
	4 928	**2 840**	**2 088**	**2 088**
Non-performing advances as % of loans and advances to customers	**1,3**			
Gross coverage ratio	**96,4**			
Net coverage ratio	**227,6**			
Non-performing advances at 31 December 2005	5 576	2 004	3 572	3 572
Non-performing advances as % of loans and advances to customers	1,8			
Gross coverage ratio	106,2			
Net coverage ratio	165,8			

	Twelve months ended			Nine months ended
	31 December 2006 (Audited) Rm	31 December 2005 (Unaudited) (Pro forma) Rm	Change %	31 December 2005 (Audited) Rm
4. Non-interest income				
4.1 Fee and commission income				
Asset management and related fees	**59**	68	(13,2)	30
Credit related fees and commission	**8 948**	7 931	12,8	5 779
Credit cards	**1 390**	1 125	23,6	863
Cheque accounts	**2 405**	2 131	12,9	1 624
Electronic banking	**2 248**	1 983	13,4	1 530
Other	**2 905**	2 692	7,9	1 762
Corporate finance fees	**136**	302	(55,0)	265
Insurance commission received	**771**	693	11,3	563
Portfolio and other management fees	**180**	198	(9,1)	171
Trust and estate income	**201**	178	12,9	127
Pension fund payment services	**452**	429	5,4	326
External administration fees	**204**	261	(21,8)	180
	10 951	10 060	8,9	7 441
4.2 Fee and commission expense				
Commissions paid	**(577)**	(448)	(28,8)	(355)
4.3 Net insurance premium income				
Insurance premium revenue	**3 269**	2 672	22,3	2 146
Premiums ceded to reinsurers	**(275)**	(235)	(17,0)	(198)
	2 994	2 437	22,9	1 948

	Twelve months ended 31 December 2006 (Audited) Rm	31 December 2005 (Unaudited) (Pro forma) Rm	Change %	Nine months ended 31 December 2005 (Audited) Rm
4. Non-interest income (continued)				
4.4 Net insurance claims and benefits paid				
Gross claims and benefits paid on insurance contracts	**(1 376)**	(1 195)	(15,1)	(913)
Reinsurance recoveries	**57**	142	(59,9)	116
	(1 319)	(1 053)	(25,3)	(797)
Changes in insurance and investment liabilities	**(748)**	(532)	(40,6)	(526)
4.5 Gains and losses from banking and trading activities				
Net gains on investments	**580**	415	39,8	346
Available-for-sale	**—**	5	(100,0)	5
Fair value through profit and loss	**413**	410	0,7	341
Profit on disposal of associated undertakings and joint ventures	**167**	—	>100,0	—
Dividend income	**27**	19	42,1	19
Net trading results	**942**	956	(1,5)	744
Trading income	**369**	482	(23,4)	417
Net interest income	**392**	285	37,5	213
Dividend income	**181**	189	(4,2)	114
Derivatives (non-qualifying hedges)	**(202)**	(254)	(20,5)	(254)
	1 347	1 136	18,6	855
4.6 Gains and losses from investment activities				
Fair value through profit and loss	**1 740**	1 462	19,0	1 320
Net investment gains from insurance activities	**1 635**	1 452	12,6	1 310
Fair value gains	**1 167**	1 060	10,1	965
Net interest income	**344**	272	26,5	245
Dividend income	**124**	120	3,3	100
Investment gains	**105**	10	>100,0	10
Other dividend income	**72**	111	(35,1)	54
Available-for-sale	**—**	(115)	100,0	(115)
Profit on disposal of associated undertakings and joint ventures	**54**	126	(57,1)	—
Profit on disposal of subsidiary	**50**	—	>100,0	—
	1 916	1 584	21,0	1 259
4.7 Other operating income				
Profit on sale of property and equipment	**11**	17	(35,3)	18
Property development profit	**148**	120	23,3	95
Property rentals	**92**	70	31,4	53
Profit and loss on exchange differences	**81**	6	>100,0	21
Unit/property trust commission	**267**	219	21,9	170
Other banking income	**339**	164	>100,0	191
	938	596	57,4	548
Total non-interest income	**15 502**	13 780	12,5	10 373

	Twelve months ended 31 December 2006 (Audited) Rm	31 December 2005 (Unaudited) (Pro forma) Rm	Change %	Nine months ended 31 December 2005 (Audited) Rm
5. Operating expenditure				
Operating expenses				
Amortisation	**37**	17	>(100,0)	13
Auditors' remuneration	**38**	110	65,5	69
Depreciation	**739**	746	0,9	550
Information technology cost	**1 154**	1 076	(7,2)	813
Marketing and advertising costs	**728**	645	(12,9)	541
Operating lease rentals	**748**	711	(5,2)	557
Professional fees	**1 054**	892	(18,2)	691
Costs relating to Barclays transaction	**—**	120	100,0	120
Barclays synergy costs	**640**	211	>(100,0)	211
Staff costs	**8 218**	7 471	(10,0)	5 735
Other operating expenditure	**3 264**	2 599	(25,6)	2 133
	16 620	14 598	(13,9)	11 433
Impairments				
Associated undertakings and joint ventures	**10**	—	>(100,0)	—
Available-for-sale investments	**(5)**	14	>100,0	14
Computer software development costs	**66**	40	(65,0)	40
Goodwill	**—**	14	100,0	—
Property and equipment	**4**	—	>(100,0)	—
	75	68	(10,0)	54
6. Determination of headline earnings				
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Group	**8 105**	6 252	29,6	4 776
Adjustments for:				
Net profit on disposal of property and equipment	**(11)**	(17)	35,3	(18)
Net (profit)/loss on disposal of available-for-sale assets and strategic investments	**(231)**	19	>(100,0)	130
Impairment costs	**9**	28	(67,9)	14
Associated undertakings and joint ventures	**10**	—	>100,0	—
Available-for-sale assets and strategic investments	**(5)**	14	>(100,0)	14
Goodwill impaired	**—**	14	(100,0)	—
Property and equipment	**4**	—	>100,0	—
Headline earnings	**7 872**	6 282	25,3	4 902

	Number of shares 31 December 2006 (Audited)	31 December 2005 (Audited)
7. Share trusts		
Absa Group Limited Share Incentive Trust		
Shares and options subject to the trust at the beginning of the year/period		
Shares issued to participants	**—**	432 741
Options granted	**25 125 744**	30 705 178
	25 125 744	31 137 919
Shares issued and options granted during the year/period	**678 500**	4 346 639
	25 804 244	35 484 558
Options exercised and implemented, options cancelled and shares released or repurchased by the trustees in terms of the rules of the trust	**(6 919 771)**	(10 358 814)
Shares and options subject to the trust at the end of the year/period	**18 884 473**	25 125 744

	31 December 2006 (Audited)		31 December 2005 (Audited)	
	% of total issued shares	**Number of shares**	% of total issued shares	Number of shares
Maximum shares and options available	**10,0**	**67 195 507**	10,0	66 685 507
Shares and options subject to the trust	**(2,8)**	**(18 884 473)**	(3,8)	(25 125 744)
Balance of shares and options available	**7,2**	**48 311 034**	6,2	41 559 763

Details regarding the options granted and still outstanding at 31 December 2006 are as follows:

Expiry date*	**Number of options**	**Average option price R**
Year to 31 March 2008	155 715	30,58
Year to 31 March 2009	156 869	17,85
Year to 31 March 2010	316 124	27,68
Year to 31 March 2011	394 854	26,79
Year to 31 March 2012	1 424 451	36,79
Year to 31 March 2013	2 877 281	33,59
Year to 31 March 2014	3 023 797	35,38
Year to 31 March 2015	5 858 112	49,90
Year to 31 December 2015	4 018 770	91,47
Year to 31 December 2016	658 500	106,09
	18 884 473	**53,63**

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

Absa Group Phantom Performance Share Plan (Phantom PSP)

The Phantom PSP was implemented during the year under review to replace the Absa Group Limited Share Incentive Scheme. The Phantom PSP is a cash-settled plan and payments made to participants in respect of their awards are in the form of cash. The Phantom PSP shares (and any associated notional dividend shares) are awarded at no cost to the participants. The amount that is ultimately paid out to the participants is equal to the market value of a number of ordinary shares equal to the number of Phantom shares awarded to that participant, as determined after a three-year vesting period. The vesting of the Phantom PSP awards will be subject to two non-market performance conditions which will be measured over a three-year period, starting on the first day of the financial year in which the award is made.

The first performance condition is subject to a profit after tax hurdle, whilst the second condition is subject to an earnings per share target. The awards would be released to the employee according to a sliding scale from 40% to 300% of the award, dependent upon the scale of achievement against the earnings per share benchmark and provided that a threshold has been passed. If the threshold is not passed, 0 percent of the award will vest. The awards will vest after three years to the extent that the performance conditions are satisfied. These awards are forfeited in total if Absa performance fails to meet the minimum criteria.

	Number of options ’000
Granted during the year	**1 118**
Outstanding at 31 December 2006	**1 118**

The options outstanding at 31 December 2006 have no exercise price and a weighted average contractual life of 2,4 years. None of these options were exercisable at the balance sheet date.

The ABSA Group Executive Share Award Scheme (ESAS) – Voluntary (Restricted) Method

	Number of options ’000
Granted during the year	**37**
Outstanding at 31 December 2006	**37**

ABSA Group Phantom Joiners Share Award Plan (JSAP)

	Number of options ’000
Granted during the year	**90**
Outstanding at 31 December 2006	**90**

Capital adequacy of Absa Bank Limited

	31 December 2006 Unweighted assets Rm	31 December 2006 Risk-weighted assets Rm	31 December 2005 Risk-weighted assets Rm
Risk-weighted assets			
Assets – Banking activities			
On-balance sheet	**413 985**	**278 231**	220 920
Off-balance sheet	**728 697**	**8 498**	11 119
Total	**1 142 682**	**286 729**	232 039
Notional assets – Trading activities	**—**	**10 439**	14 096
	1 142 682*	**297 168**	246 135
Qualifying capital	**Rm**	**%****	%**
Primary capital			
Ordinary share capital	**303**	**0,1**	0,1
Ordinary share premium	**5 415**	**1,8**	1,9
Preference shares	**2 992**	**1,0**	—
Reserves	**18 415**	**6,2**	6,0
Impairments	**(127)**	**(0,0)**	(0,3)
	26 998	**9,1**	7,7
Secondary capital			
Subordinated redeemable debt	**8 600**	**2,9**	2,7
Regulatory credit provision/reserve	**827**	**0,3**	0,3
Revaluation reserve	**33**	**—**	—
Impairments	**(52)**	**—**	—
	9 408	**3,2**	3,0
Total qualifying capital	**36 406**	**12,3**	10,7

**Includes Central Securities Depository Participation (CSDP) of R688 099 million risk-weighted at 0%.*

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

Capital adequacy of Absa Group Limited and its banking subsidiaries

	31 December 2006		31 December 2005
	Risk-weighted assets Rm	**Capital adequacy ratio %**	Capital adequacy ratio %
South African operations			
Absa Bank	**297 168**	**12,3**	10,7
Non-South African operations			
Absa Asia (Hong Kong)*	**—**	**—**	150,2
Absa Bank London (a branch of Absa Bank)	**2 306**	**44,9**	16,7
Absa Bank Singapore (a branch of Absa Bank)*	**—**	**—**	10,0
Banco Austral, Sarl (Mozambique)	**462**	**26,2**	27,4
Bankhaus Wölbern & Co. (Germany)**	**—**	**—**	10,1
Hesse Newman & Co. (Germany)**	**—**	**—**	21,2
National Bank of Commerce (Tanzania)	**2 522**	**12,8**	16,1
Total banking operations	**302 458**	**12,5**	11,0
Risk-weighted assets (Rm)		**302 458**	258 259
Tier I capital (Rm)		**28 316**	20 861
Tier I ratio (%)		**9,4**	8,1
Absa Group Limited		**13,1**	11,3
Risk-weighted assets (Rm)		**314 479**	279 935
Tier I capital (Rm)		**31 661**	23 956
Tier I ratio (%)		**10,1**	8,6
Risk-weighted assets/total assets		**63,5**	69,2

**Ceased operations from 1 January 2006.*
*** Sold during the year under review.*

Shareholders' information

	31 December 2006 %	31 December 2005 %
Major ordinary shareholders (top 10)*		
Barclays Bank PLC	**56.5**	56,6
Allan Gray Limited	**6,7**	4,5
Public Investment Corporation	**4,8**	4,0
Old Mutual Asset Managers	**3,3**	5,4
Investec Asset Management	**3,1**	4,2
Coronation Fund Managers	**2,7**	2,3
Sanlam Investment Management	**2,3**	2,1
Stanlib Asset Management	**2,0**	1,0
Capital Group Companies Inc.	**1,9**	n/a
AXA Financial SA (Bernstein and Alliance)	**1,8**	1,7
T. Rowe Price Associates Inc.	**n/a**	0,9
Other	**14,9**	17,3
	100,0	100,0
Geographical		
England and Wales	**57,3**	57,8
South Africa	**31,8**	32,0
United States	**5,5**	4,6
Other countries	**3,2**	3,6
Below threshold	**2,2**	2,0
	100,0	100,0

**Owing to the Barclays acquisition of a controlling stake in Absa, only the top 10 shareholders are disclosed.*

Batho Bonke Capital (Proprietary) Limited and the Absa Group Limited Employee Share Ownership Administrative Trust (ESOP) hold 79 237 500 redeemable cumulative option-holding preference shares (preference shares).

	Ordinary shares	**Preference shares**	**Total shares**
Shares in issue at 31 December 2006	**671 955 074**	**79 237 500**	**751 192 574**

Shareholders' diary

Financial year-end	31 December 2006
Annual general meeting	23 April 2007

Announcements

Announcement of the final results	20 February 2007
Announcement of the interim results	2 August 2007

Dividends

Dividend	**Declaration date**	**Last day to trade**	**Ex dividend date**	**Record date**	**Payment date**
Final December 2006	20 February 2007	9 March 2007	12 March 2007	16 March 2007	19 March 2007
Interim June 2007	2 August 2007	24 August 2007	27 August 2007	31 August 2007	3 September 2007

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 I), secondary (Tier II) and tertiary (Tier III) 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 I) capital

Primary capital consists of issued ordinary share capital and non-cumulative 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 II) capital

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

Tertiary (Tier III) capital

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

Client liabilities under acceptances

Acceptances are no longer disclosed separately on the face of the balance sheet. These figures are disclosed as loans and advances to customers and deposits due to customers.

Impairment losses on loans and advances as percentage of loans and advances to customers

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 expenses 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 ordinary share relating to income for the year/period

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

Earnings per share

Profit attributable to ordinary equity holders

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

Headline earnings basis

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

Fully diluted basis

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

Headline earnings

Headline earnings is not a measure of sustainable earnings. Headline earnings reflect the operating performance of the Group separated from profits and losses on capital items as well as minority interest – preference shares.

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 interest divided by the number of shares in issue. The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

Net interest margin on average assets

Net interest income divided by average assets excluding acceptances (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, cash balances and balances with central banks, statutory liquid asset portfolio, certain loans and advances to banks as well as loans and advances to customers. (It includes cash and short-term assets, money market assets and capital market assets.)

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.
Non-interest income consists of the following income statement line items: net fee and commission income, net insurance premium income, net claims and benefits paid, changes in insurance and investment liabilities, gains and losses from banking and trading activities, gains and losses from investment activities as well as other operating 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 year/period increased by shares issued during the year/period, weighted on a time basis for the year/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.

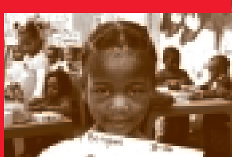
Integrity in all our actions

Business unit performance

Value our people

Display leadership

Exceed the needs of our customers

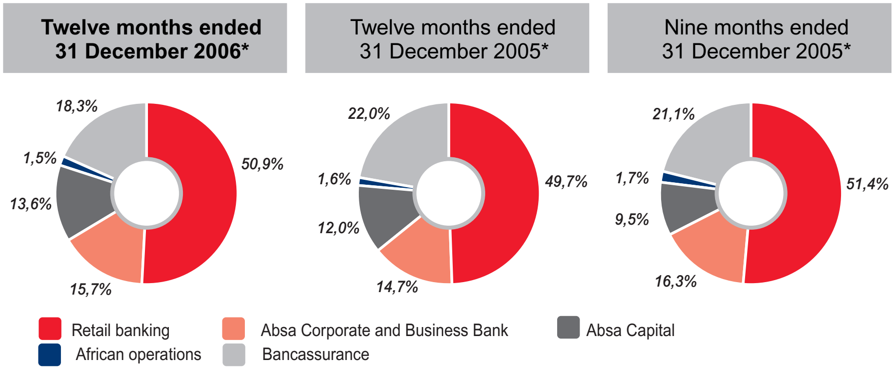


Responsibility for the quality of our work

Contents

Business unit performance

Profit contribution by business area



*Calculated after the allocation of capital, funding and corporate centre and the Barclays transaction costs.

	Notes	Twelve months ended 31 December 2006 (Audited) Rm	Twelve months ended 31 December 2005 (Unaudited) (Pro forma) Rm	Change %	Nine months ended 31 December 2005 (Audited) Rm
Banking operations					
Retail banking		**4 166**	3 161	31,8	2 666
Absa Private Bank		**260**	191	36,1	153
Retail Banking Services	1	**1 341**	984	36,3	805
Absa Home Loans and Repossessed Properties		**1 086**	849	27,9	793
Absa Card		**700**	480	45,8	385
Absa Vehicle and Asset Finance (AVAF)		**779**	657	18,6	530
Absa Corporate and Business Bank	2	**1 282**	938	36,7	845
Absa Capital	2	**1 115**	764	45,9	491
African operations		**127**	102	24,5	90
Corporate centre	3 & 4	**311**	183	69,9	(109)
Capital and funding centre		**131**	(23)	>100,0	(29)
Total banking		**7 132**	5 125	39,2	3 954
Bancassurance	4	**1 500**	1 397	7,4	1 092
Costs relating to the Barclays transaction		**—**	(120)	100,0	(120)
Total earnings from business areas		**8 632**	6 402	34,8	4 926
Synergy costs (after tax)		**(454)**	(150)	>(100,0)	(150)
Minority interest – preference shares		**(73)**	—	>(100,0)	—
Profit attributable to ordinary equity holders		**8 105**	6 252	29,6	4 776
Headline earnings adjustments		**(233)**	30	>(100,0)	126
Total headline earnings		**7 872**	6 282	25,3	4 902

Notes

1. *Retail Banking Services includes the results of Flexi Banking Services, UB Micro Loans and Small Business.*
2. *Includes the transfer of corporate banking business from Absa Capital to Absa Corporate and Business Bank. Comparatives have been restated accordingly.*
3. *Corporate centre's results include the Group's international operations, which are in the process of being wound down as well as non-financial services businesses.*
4. *Bancassurance now includes the results of Abvest, previously reported in Corporate centre. Comparatives have been restated accordingly.*

Segmental reporting per market segment

	Retail Banking		Absa Corporate and Business Bank	
	Dec 2006	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)
Income statement (Rm)				
Net interest income	**10 048**	7 984	**3 079**	2 620
Impairment losses on loans and advances	**(1 195)**	(526)	**(331)**	(357)
Non-interest income	**8 111**	6 651	**1 931**	1 766
Operating expenses	**(10 572)**	(9 104)	**(2 819)**	(2 469)
Other	**(278)**	(336)	**(14)**	(79)
Operating profit before income tax	**6 114**	4 669	**1 846**	1 481
Taxation expense	**(1 948)**	(1 508)	**(564)**	(543)
Profit for the year/period	**4 166**	3 161	**1 282**	938
Attributable to:				
Ordinary equity holders of the Group	**4 166**	3 161	**1 282**	938
Minority interest – preference shares	**—**	—	**—**	—
Minority interest – ordinary shares	**—**	—	**—**	—
	4 166	3 161	**1 282**	938
Headline earnings	**4 166**	3 145	**1 186**	938
Balance sheet (Rm)				
Total assets*	**349 040**	277 095	**80 917**	69 468
Total advances	**276 176**	215 978	**56 606**	42 891
Total deposits	**84 350**	73 368	**69 150**	60 053
Total liabilities	**334 561**	265 565	**76 047**	65 614
Financial performance (%)				
Return on average equity	**29,0%**	28,7%	**27,2%**	28,0%
Return on average assets	**1,33%**	1,27%	**1,57%**	1,44%
Operating performance (%)				
Net interest margin on average assets	**3,21%**	3,22%	**4,10%**	4,01%
Charge for impairment of advances to average advances	**0,48%**	0,28%	**0,67%**	0,90%
Non-interest income as % of operating income	**44,7%**	45,4%	**38,5%**	40,3%
Cost-to-income ratio	**58,2%**	62,2%	**56,3%**	56,3%
Cost-to-assets ratio	**3,4%**	3,7%	**3,8%**	3,8%

**Total assets include intergroup balances of R262 564 million (December 2005: R197 937 million).*

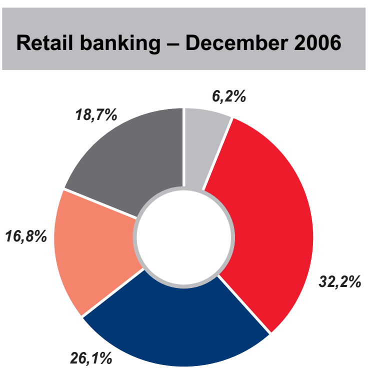
Absa Capital		African operations		Bancassurance		Other		Absa Group	
Dec 2006	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)
1 146	716	**376**	317	**37**	36	**255**	137	**14 941**	11 810
2	25	**(52)**	(14)	**(2)**	(3)	**5**	0	**(1 573)**	(875)
1 424	1 226	**219**	320	**3 081**	2 881	**736**	936	**15 502**	13 780
(990)	(891)	**(385)**	(438)	**(1 000)**	(915)	**(854)**	(781)	**(16 620)**	(14 598)
(114)	(233)	**48**	19	**(59)**	(1)	**(416)**	(275)	**(833)**	(905)
1 468	843	**206**	204	**2 057**	1 998	**(274)**	17	**11 417**	9 212
(353)	(79)	**(19)**	(48)	**(553)**	(592)	**286**	(105)	**(3 151)**	(2 875)
1 115	764	**187**	156	**1 504**	1 406	**12**	(88)	**8 266**	6 337
1 115	764	**127**	102	**1 500**	1 397	**(85)**	(110)	**8 105**	6 252
—	—	**—**	—	**—**	—	**73**	—	**73**	—
—	—	**60**	54	**4**	9	**24**	22	**88**	85
1 115	764	**187**	156	**1 504**	1 406	**12**	(88)	**8 266**	6 337
1 115	764	**127**	98	**1 479**	1 416	**(201)**	(79)	**7 872**	6 282
281 909	213 861	**6 620**	5 387	**23 949**	14 204	**15 242**	22 482	**757 676**	602 498
50 845	38 832	**2 291**	1 786	**120**	93	**136**	7 276	**386 174**	306 856
209 780	150 731	**4 974**	4 088	**—**	479	**199**	7 839	**368 449**	303 945
277 613	209 920	**5 692**	4 703	**19 911**	10 689	**8 932**	20 587	**722 755**	577 079
27,1%	20,7%	**23,3%**	24,1%	**38,9%**	43,4%	**n/a**	n/a	**27,4%**	25,6%
0,44%	0,40%	**2,12%**	1,97%	**7,21%**	10,71%	**n/a**	n/a	**1,74%**	1,72%
0,46%	0,37%	**6,26%**	6,37%	**n/a**	n/a	**n/a**	n/a	**3,30%**	3,28%
0,00%	(0,07)%	**2,56%**	0,94%	**n/a**	n/a	**n/a**	n/a	**0,44%**	0,31%
55,4%	63,1%	**36,8%**	50,3%	**98,8%**	98,8%	**n/a**	n/a	**50,9%**	53,8%
38,5%	45,9%	**64,8%**	68,7%	**32,1%**	31,4%	**n/a**	n/a	**54,6%**	57,0%
0,4%	0,5%	**6,4%**	8,8%	**4,9%**	6,9%	**n/a**	n/a	**3,7%**	3,9%

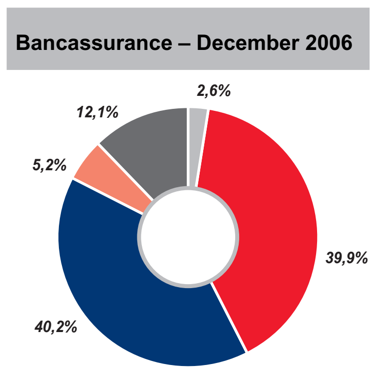
Retail banking

	Absa Private Bank*		Retail Banking Services**		Absa Home Loans***	
	Dec 2006	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)
Headline earnings (Rm)	**260**	191	**1 341**	968	**1 086**	849
Return on average equity (%)	**19,3%**	17,0%	**119,0%**	110,6%	**16,5%**	17,4%
Cost-to-income ratio (%)	**66,4%**	69,1%	**71,8%**	75,9%	**40,8%**	46,2%
Total assets (Rm)	**26 741**	22 518	**63 569**	54 158	**177 762**	137 616
Total advances (Rm)	**24 768**	20 672	**13 848**	9 447	**165 218**	128 191
Total deposits (Rm)	**18 889**	16 354	**59 679**	51 864	**—**	—
Total liabilities (Rm)	**25 372**	21 194	**63 640**	54 535	**170 489**	131 741

	Absa Card		Absa Vehicle and Asset Finance		Total	
	Dec 2006	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005	**Dec 2006**	Dec 2005 (Pro forma)
Headline earnings (Rm)	**700**	480	**779**	657	**4 166**	3 145
Return on average equity (%)	**104,4%**	101,6%	**16,8%**	17,9%	**29,0%**	28,7%
Cost-to-income ratio (%)	**42,3%**	45,7%	**44,9%**	47,7%	**58,2%**	62,2%
Total assets (Rm)	**11 189**	7 470	**69 779**	55 333	**349 040**	277 095
Total advances (Rm)	**9 998**	6 630	**62 344**	51 038	**276 176**	215 978
Total deposits (Rm)	**2 247**	2 230	**3 535**	2 920	**84 350**	73 368
Total liabilities (Rm)	**10 380**	6 943	**64 679**	51 156	**334 560**	265 568

Headline earnings %





Absa Private Bank
Retail Banking Services
Absa Home Loans
Absa Card
Absa Vehicle and Asset Finance (AVAF)

Life
Short-term
Fiduciary
Investment
Other

* *Includes the results of Personal Financial Services.*
** *Includes the results of Flexi Banking Services, UB Micro Loans and Small Business.*
*** *Includes the results of Repossessed Properties.*
Note: These results are after the allocation of head office and support charges.

	Notes	Dec 2006	Dec 2005 (Pro forma)
Balance sheet (Rm)			
Assets			
Cash balances		**2 403**	2 723
Insurance	1	**2 079**	2 199
Other		**324**	524
Other assets		**10 890**	3 581
Investments		**10 626**	7 876
Insurance	1	**10 053**	7 276
Other		**573**	600
Property and equipment		**30**	24
Total assets		**23 949**	14 204
Liabilities			
Current tax liabilities		**223**	110
Liabilities under investment contracts		**5 129**	3 459
Policyholder liabilities under insurance contracts		**3 187**	2 736
Other liabilities and sundry provisions		**11 024**	4 144
Deferred tax liabilities		**348**	240
Total liabilities		**19 911**	10 689
Total equity		**4 038**	3 515
Total equity and liabilities		**23 949**	14 204

1. Cash and investments (insurance operations)

	Dec 2006			
	Listed	**Unlisted**	**Fixed interest**	**Total**
Shareholder investments	**2 734**	**475**	**1 543**	**4 752**
Life	**770**	**150**	**508**	**1 428**
Non-life	**1 964**	**325**	**1 035**	**3 324**
Policyholder investment	**802**	**3 977**	**2 601**	**7 380**
Insurance contracts	**514**	**679**	**1 284**	**2 477**
Investment contracts	**288**	**3 298**	**1 317**	**4 903**

	Dec 2005			
	Listed	Unlisted	Fixed interest	Total
Shareholder investments	2 157	422	1 565	4 144
Life	679	110	527	1 316
Non-life	1 478	312	1 038	2 828
Policyholder investment	701	2 639	1 991	5 331
Insurance contracts	534	474	1 058	2 066
Investment contracts	167	2 165	933	3 265

In managing the liabilities toward policyholders, certain assets have been allocated to be specifically for the purposes of backing the policyholders liability, although no such split legally exists. The above disclosures reflect management of the policyholder liability rather than the legal claim.

	Note	Life assurance Dec 2006	Life assurance Dec 2005 (Pro forma)
Income statement (Rm)			
Net earned premium		**1 265**	942
Net insurance claims		**(303)**	(263)
Investment income	1		
• policyholder insurance contracts		**317**	289
• policyholder investment contracts		**520**	359
Changes in investment and insurance contracts			
• Insurance contracts		**(240)**	(180)
• Investment contracts		**(508)**	(352)
Other income		**16**	14
Gross operating income		**1 067**	809
Commission*		**(344)**	(234)
Operating expenditure		**(129)**	(127)
Net operating income		**594**	448
Investment income on shareholder funds	1	**216**	203
Taxation		**(219)**	(214)
Profit attributable to ordinary equity holders		**591**	437
1. Investment income			
Policyholder – investment contracts		**520**	359
Interest		**75**	64
Dividends		**10**	6
Gains and losses		**435**	289
Policyholder – insurance contracts		**317**	289
Interest		**78**	77
Dividends		**19**	22
Gains and losses		**220**	190
Shareholder funds		**216**	203
Interest		**15**	15
Dividends		**12**	26
Gains and losses		**189**	162
Total		**1 053**	851
Interest		**168**	156
Dividends		**41**	54
Gains and losses		**844**	641

**Commission includes internal commissions, eliminated on consolidation of Absa Group.*
In managing the liabilities toward policyholders, certain assets have been allocated to be specifically for the purposes of backing the policyholders liability, although no such split legally exists. The above disclosures reflect management of the policyholder liability rather than the legal claim.

Short-term insurance		Other		Total bancassurance	
Dec 2006	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)	**Dec 2006**	Dec 2005 (Pro forma)
1 729	1 495	**—**	—	**2 994**	2 437
(1 016)	(790)	**—**	—	**(1 319)**	(1 053)
61	53	**—**	—	**378**	342
—	—	**—**	—	**520**	359
—	—	**—**	—	**(240)**	(180)
—	—	**—**	—	**(508)**	(352)
2	17	**1 149**	1 065	**1 167**	1 096
776	775	**1 149**	1 065	**2 992**	2 649
(274)	(223)	**—**	—	**(618)**	(457)
(145)	(135)	**(784)**	(683)	**(1 058)**	(945)
357	417	**365**	382	**1 316**	1 247
422	508	**99**	40	**737**	751
(185)	(260)	**(149)**	(127)	**(553)**	(601)
594	665	**315**	295	**1 500**	1 397
—	—	**—**	—	**520**	359
—	—	**—**	—	**75**	64
—	—	**—**	—	**10**	6
—	—	**—**	—	**435**	289
61	53	**—**	—	**378**	342
61	53	**—**	—	**139**	130
—	—	**—**	—	**19**	22
—	—	**—**	—	**220**	190
422	508	**99**	40	**737**	751
63	40	**52**	23	**130**	78
63	55	**20**	11	**95**	92
296	413	**27**	6	**512**	581
483	561	**99**	40	**1 635**	1 452
124	93	**52**	23	**344**	272
63	55	**20**	11	**124**	120
296	413	**27**	6	**1 167**	1 060

	Dec 2006	Dec 2005 (Pro forma)
Embedded value and value of new business of Absa Life Limited (Rm)		
Shareholders' net assets	**1 430**	1 104
Cost of solvency capital	**(20)**	(18)
Value in force	**1 076**	960
Total embedded value	**2 486**	2 046
Embedded value earnings (Rm)	**762**	511
Return on embedded value (%)	**37,2**	34,6
Embedded value new business (Rm)	**263**	156
Value of new business as a % of the present value of future premiums	**7,7**	5,3
Net asset value of short-term insurance companies (Rm)	**2 215**	2 061
Managed funds (Rm)*		
Estates	**2 223**	1 755
Portfolio management	**8 332**	5 707
Trusts	**4 980**	4 603
Participation bond schemes	**1 582**	1 344
Unit trusts	**65 651**	52 161
Other	**5 233**	4 658
	88 001	70 228

**Excludes investments under administration.*

Retail banking – attributable earnings up 31,8%

The attributable earnings of R4 166 million were achieved as a result of good performances from Absa Private Bank, Retail Banking Services and Absa Card, which reported earnings growth of 36,1%, 36,3% and 45,8% respectively. The Group's retail banking operations recorded strong advances growth of 27,9% for the year. This enabled this cluster to maintain its market share in most products and achieve a healthy gain in market share in credit card advances. Mortgage advances, where the Group has retained a leadership position increased by 29,8% and credit card advances grew by 61,3%. Although strong growth was recorded in unsecured lending products, secured lending represented 86,9% of total retail advances.

Solid retail deposit growth of 15,0% was recorded on the back of growth in savings, transmission and current accounts. Interest margins declined somewhat, mainly owing to a slight change in the advances composition, competitive pressures and a continued shift in the funding mix.

Strong growth in transaction volumes, which emanated from the increased activities of existing and new customers, resulted in non-interest income growth of 22,0%. 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.

The retail impairment ratio for the period was 0,48% compared with the 0,28% of the previous twelve-month period. The higher impairment charge follows the increases in the prime interest rate and additional provisions that were raised in preparation for the impact of a more complex collections process under the NCA. The good progress that was made with the collection of the UniFer Holdings Limited (UniFer) book resulted in a provision release of R120 million.

Operating expenditure increased by 16,1%, mainly as a result of the expansion of the delivery footprint and increased business volumes. During the period under review, 31 staffed outlets were opened, predominantly in previously disadvantaged areas, and an additional 1 218 ATMs were added. In addition a further 37 outlets were upgraded and 208 internet kiosks and 114 self-service kiosks were put in service.

Absa Corporate and Business Bank – attributable earnings up 36,7%

Absa Corporate and Business Bank increased its attributable earnings to R1 282 million from the R938 million of the previous year. 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 impairment loss ratio of 0,67% compared with the 0,90% of the previous year.

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 cluster.

Absa Capital – attributable earnings up 45,9%

Absa Capital increased attributable earnings to R1 115 million to elevate its contribution to the Group's earnings to 13,8%. 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.

Primary Markets contributed 53% of Absa Capital's revenue for the period under review. Growth in this business 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, which accounted for 17% of total revenue, achieved strong growth by actively managing the investment portfolio and positioning the portfolio for future expansion.

Secondary Markets, which increased revenues throughout the period under review, accounted for 30% of total revenue. Better risk management, additions to product depth and breadth and increased customer flows supported this growth.

African operations – attributable earnings up 24,5%

The increase to R127 million in the earnings from investments in banks in other African states was largely driven by an a good operational performance from the National Bank of Commerce (NBC – Tanzania), which recorded sound advances, deposit and transaction growth over the past year.

Banco Austral, Sarl (Mozambique) increased its asset yields and experienced higher transaction volumes, but had higher than normal credit losses in commodity finance, and posted a decline in earnings as a result.

Bancassurance – attributable earnings up 7,4%

Absa's bancassurance operations posted attributable earnings of R1 500 million for the year under review. The life assurance operations contributed 39,4%, of this following a particularly strong operational performance in 2006. A revision of future claims assumptions following, inter alia, the application of new Aids mortality statistics, boosted earnings for the year. The embedded value of new business, particularly in respect of the credit life business across all banking products, was up 68,6% to R263 million for the period under review. The embedded value of the life business increased by 21,5% to R2 486 million for the twelve months ended 31 December 2006 (twelve months ended 31 December 2005: R2 046 million), yielding a return on embedded value of 37,2%.

The domestic short-term insurance operations increased premiums by 21% but the claims experience for the motor and personal lines business deteriorated in line with that of the industry.

Following a year of buoyant equity markets, investment income again outperformed expectations, but not to the extent achieved in 2005 owing to hedges put in place to protect the Group's earnings against volatility in equity markets. This together with the higher claims experience in the short-term insurance operations resulted in the modest attributable earnings growth of 7,4%.

Investment management operations reported strong growth in assets under management and administration. These grew by R18,1 billion to R99,1 billion for the twelve months under review. The Group is progressing well with its strategy of becoming a more significant participant in this market.

Non-recurring items

The Group's earnings for the year under review were bolstered by a number of non-recurring items amounting to R315 million. Market commentators should take this into account when estimating the future earnings of the Group.

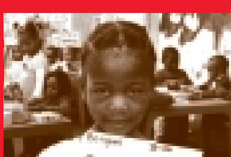
Integrity in all our actions

Restatement of prior year figures

Value our people

Display leadership

Exceed the needs of our customers



Responsibility for the quality of our work

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Restatement of prior year figures

Group balance sheet

Change in accounting policy and reclassifications

Restated for deconsolidation of certain cell captives and other reclassifications of loans and advances and deposits due to customers and banks.

Rm	Commentary	31 December 2005 (As previously reported)	Accounting policy changes	Reclassifi-cations	31 December 2005 (Restated)
Assets					
Cash, cash balances and balances with central banks	1	15 043	(7)	—	15 036
Statutory liquid asset portfolio		16 289	—	—	16 289
Loans and advances to banks	1 & 2	4 602	1	16 202	20 805
Trading assets	3	22 830	—	620	23 450
Hedging assets	3	1 016	—	(620)	396
Loans and advances to customers	2 & 4	322 097	—	(15 241)	306 856
Reinsurance assets		423	—	—	423
Other assets		6 762	—	—	6 762
Investments	1	12 759	(2 855)	—	9 904
Investments in associated undertakings and joint ventures		895	—	—	895
Intangible assets		191	—	—	191
Property and equipment		3 451	—	—	3 451
Current tax assets		17	—	—	17
Deferred tax assets		86	—	—	86
Clients' liabilities under acceptances	4	961	—	(961)	—
Total assets		407 422	(2 861)	—	404 561
Liabilities					
Deposits from banks	2	28 431	—	(2 686)	25 745
Trading liabilities	3	19 397	—	1 518	20 915
Hedging liabilities	3	2 004	—	(1 518)	486
Deposits due to customers	2 & 4	300 298	—	3 647	303 945
Current tax liabilities	1	438	(21)	—	417
Liabilities under investment contracts	1	6 287	(2 828)	—	3 459
Policyholder liabilities under insurance contracts		2 736	—	—	2 736
Borrowed funds		6 483	—	—	6 483
Other liabilities and sundry provisions	1	11 824	(12)	—	11 812
Deferred tax liabilities		2 562	—	—	2 562
Liabilities to clients under acceptances	4	961	—	(961)	—
Total liabilities		381 421	(2 861)	—	378 560
Equity					
Capital and reserves					
Attributable to equity holders					
Share capital		1 327	—	—	1 327
Share premium		1 875	—	—	1 875
Other reserves		622	—	—	622
Distributable reserves		21 931	—	—	21 931
		25 775	—	—	25 775
Minority interest – ordinary shares		246	—	—	246
Total equity		26 001	—	—	26 001
Total equity and liabilities		407 422	(2 861)	—	404 561

Group income statement

Change in accounting policy and reclassifications

Restated for deconsolidation of certain cell captives and reclassification of interest and dividends on fair value through profit and loss assets.

Rm	Commentary	Twelve months ended 31 December 2005 (Unaudited) (Pro forma) (As previously reported)	Accounting policy changes	Reclassifi-cations	Twelve months ended 31 December 2005 (Unaudited) (Pro forma) (Restated)
Net interest income	5	12 154	—	(344)	11 810
Interest and similar income		28 704	—	673	29 377
Interest expense and similar charges		(16 550)	—	(1 017)	(17 567)
Impairment losses on loans and advances		(875)	—	—	(875)
		11 279	—	(344)	10 935
Net fee and commission income		9 592	20	—	9 612
Fee and commission income	1 & 7	10 458	20	(418)	10 060
Fee and commission expense	7	(866)	—	418	(448)
Net insurance premium income		2 437	—	—	2 437
Net insurance claims and benefits paid		(1 053)	—	—	(1 053)
Changes in insurance and investment liabilities	1	(1 017)	485	—	(532)
Gains and losses from banking and trading activities	5 & 6	1 055	—	81	1 136
Gains and losses from investment activities	1 & 5 & 6	1 591	(510)	503	1 584
Other operating income	6	836	—	(240)	596
Net operating income		24 720	(5)	—	24 715
Operating expenditure		(15 622)	7	—	(15 615)
Operating expenses	1 & 4	(14 604)	6	—	(14 598)
Impairments		(68)	—	—	(68)
Indirect taxation		(950)	1	—	(949)
Share of retained earnings of associated undertakings and joint ventures		112	—	—	112
Operating profit before income tax		9 210	2	—	9 212
Taxation expense	1	(2 873)	(2)	—	(2 875)
Profit for the year		6 337	—	—	6 337
Attributable to:					
Ordinary equity holders of the Group		6 252	—	—	6 252
Minority interest – ordinary shares		85	—	—	85
		6 337	—	—	6 337
Headline earnings		6 282	—	—	6 282

Group income statement

Change in accounting policy and reclassifications

Restated for deconsolidation of certain cell captives and reclassifications of interest and dividends on fair value through profit and loss assets.

Rm	Commentary	Nine months ended 31 December 2005 (As previously reported)	Accounting policy changes	Reclassifi-cations	Nine months ended 31 December 2005 (Restated)
Net interest income	5	9 647	—	(306)	9 341
Interest and similar income		23 212	—	(175)	23 037
Interest expense and similar charges		(13 565)	—	(131)	(13 565)
Impairment losses on loans and advances		(569)		—	(569)
		9 078	—	(306)	8 772
Net fee and commission income		7 067	19	—	7 086
Fee and commission income	1 & 7	7 750	19	(328)	7 441
Fee and commission expense	7	(683)	—	328	(355)
Net insurance premium income		1 948	—	—	1 948
Net insurance claims and benefits paid		(797)	—	—	(797)
Changes in insurance and investment liabilities	1	(1 026)	500	—	(526)
Gains and losses from banking and trading activities	5 & 6	781	—	74	855
Gains and losses from investment activities	1 & 5 & 6	1 336	(519)	442	1 259
Other operating income	6	759	—	(211)	548
Net operating income		19 146	(1)	—	19 145
Operating expenditure		(12 216)	5	—	(12 211)
Operating expenses	1 & 4	(11 438)	5	—	(11 433)
Impairments		(54)	—	—	(54)
Indirect taxation		(724)	—	—	(724)
Share of retained earnings of associated undertakings and joint ventures		101	—	—	101
Operating profit before income tax		7 031	4	—	7 035
Taxation expense	1	(2 187)	(4)	—	(2 191)
Profit for the period		4 844	—	—	4 844
Attributable to:					
Ordinary equity holders of the Group		4 776	—	—	4 776
Minority interest – ordinary shares		68	—	—	68
		4 844	—	—	4 844
Headline earnings		4 902	—	—	4 902

Commentary

Accounting policy changes

1. Deconsolidation of certain cell captives

The financial statements for the period ended 31 December 2005 included all the assets of the investment and insurance cells recognised as financial assets, and a liability equal to the amount of the assets was recognised in favour of the cell owner.

Where the cell is created for a linked investment product, the inclusion of assets and liabilities is no longer considered to be appropriate. This results in a reduction in both the assets and liabilities at 31 December 2005. From an income statement perspective only the fee received by the Group is now reflected.

Where the cell captive has been established for third-party insurance purposes, a policy is issued by the Group. The policyholder therefore has a claim against the Group who will in turn recover amounts from the cell established and hence, consolidation remains appropriate.

Reclassifications

2. Change in banks/non-banks advances and deposits split

The financial statements for the period ended 31 December 2005 classified wholesale funding with banks as part of balances with customers. The Group has reclassified this funding as part of balances with banks.

3. Reclassification of non qualifying hedges

The financial statements for the period ended 31 December 2005 classified non qualifying assets and liability hedges as hedging assets or liabilities. The Group has reclassified these as trading assets or liabilities.

4. Client liabilities under acceptances

The financial statements for the period ended 31 December 2005 disclosed client liabilities under acceptances separately on the face of the balance sheet. The Group has now included them as part of loans and advances to/deposits from customers as they are of a similar nature.

5. Reclassification of interest

The financial statements for the period ended 31 December 2005 classified interest on investments held at fair value through profit and loss in net interest income. The Group has reclassified this interest and now discloses it under gains and losses from banking and trading/investment activities.

6. Reclassification of dividend income

The financial statements for the period ended 31 December 2005 classified dividends on non trading activities as part of other income. The Group has reclassified these to gains and losses from banking and trading/investment activities.

7. Fee and commission received/paid

The financial statements for the period ended 31 December 2005 grossed-up commission received in an agency capacity. The Group has netted these amounts to better reflect the financial position

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Presentation to the IAS

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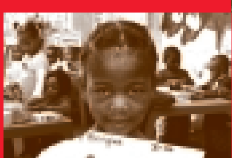

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Administrative information

Controlling company

Absa Group Limited (Registration number: 1986/003934/06)
ISIN: ZAE000067237
JSE share code: ASA
Issuer code: AMAGB

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Postal address: PO Box 7757, Johannesburg, 2000
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Telefax: (+27 11) 350 4009
e-mail: groupsec@absa.co.za

Sponsors

Lead sponsor

Merrill Lynch South Africa (Proprietary) Limited
(Registration number 1995/001805/07)
(Member of the Merrill Lynch Group)
138 West Street, Sandown, Sandton, 2196

Co-sponsor

Absa Capital
Corporate Finance
(a division of Absa Bank Limited)
(Registration number 1986/004794/06)
3rd Floor, Absa Towers North, 3W2,
180 Commissioner Street, Johannesburg, 2001

Transfer secretaries

South Africa

Computershare Investor Services 2004 (Proprietary) Limited
(Registration number 2004/003647/07)
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PO Box 61051, Marshalltown, Johannesburg, 2107

ADR depositary

The Bank of New York
101 Barclay Street, 22W, New York, NY10286, USA

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BASTION GRAPHICS