ABSA GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1986/003934/06)

ISIN: ZAE000067237

JSE share code: ASA

Issuer code: AMAGB

(Absa, Absa Group or the Group)

ABSA GROUP: PROFIT AND DIVIDEND ANNOUNCEMENT

AUDITED ANNUAL FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2006

GROUP SALIENT FEATURES

	Twelve months ended			Nine months ended
	31 December			31 December
	2006	2005		2005*
	(Audited)	(Unaudited)	Change	(Audited)
		(Pro forma)	%	
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

	Twelve months ended			Nine months ended
	31 December			31 December
	2006	2005		2005*
	(Audited)	(Unaudited)	Change	(Audited)
		(Pro forma)	%	
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. The comparatives have been restated throughout. See section on "Changes in accounting policies and reclassifications".*

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

GROUP INCOME STATEMENT

	Twelve months ended			Nine months ended
	31 December			31 December
	2006	2005*		2005
	(Audited)	(Unaudited)		(Audited)
		(Pro forma)	Change	
	Rm	Rm	%	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	**(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	**10 951**	10 060	8,9	7 441
Fee and commission expense	**(577)**	(448)	(28,8)	(355)
Net insurance premium income	**2 994**	2 437	22,9	1 948
Net insurance claims and benefits paid	**(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	**1 347**	1 136	18,6	855
Gains and losses from investment activities	**1 916**	1 584	21,0	1 259
Other operating income	**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	**(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

	Twelve months ended			Nine months ended
	31 December			31 December
	2006	2005*		2005
	(Audited)	(Unaudited)		(Audited)
		(Pro forma)	Change	
	Rm	Rm	%	Rm
	8 266	6 337	30,4	4 844
Headline earnings	**7 872**	6 282	25,3	4 902

**The comparatives for the twelve months ended 31 December 2005 have been restated. See section on "Changes in accounting policies and reclassifications".*

DETERMINATION OF HEADLINE EARNINGS

	Twelve months ended			Nine months ended
	31 December			31 December
	2006	2005		2005
	(Audited)	(Unaudited)		(Audited)
		(Pro forma)	Change	
	Rm	Rm	%	Rm
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	-

	Twelve months ended			Nine months ended
	31 December			31 December
	2006	2005		2005
	(Audited)	(Unaudited)		(Audited)
		(Pro forma)	Change	
	Rm	Rm	%	Rm
Headline earnings	**7 872**	6 282	25,3	4 902

GROUP BALANCE SHEET

	31 December		
	2006	2005	
	(Audited)	(Audited)	Change
	Rm	Rm	%
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	**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

	31 December		
	2006	2005	
	(Audited)	(Audited)	Change
	Rm	Rm	%
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	**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)

GROUP STATEMENT OF CHANGES IN EQUITY

	31 December		
	2006	2005*	
	(Audited)	(Audited)	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

	31 December		
	2006	2005*	
	(Audited)	(Audited)	Change
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

	31 December		
	2006	2005*	
	(Audited)	(Audited)	Change
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)

	31 December		
	2006	2005*	
	(Audited)	(Audited)	Change
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

	Twelve months ended	Nine months ended	
	31 December		
	2006	2005	
	(Audited)	(Audited)	Change
	Rm	Rm	%
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 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	**8 343**	6 796	22,8
Effects of exchange rate changes on cash on cash equivalents	**3**	1	>100,0
Cash and cash equivalents at the end of the year/period	**4 787**	8 343	(42,6)

PROFIT CONTRIBUTION BY BUSINESS AREA

	Twelve months ended			Nine months ended
	31 December			31 December
	2006	2005		2005
	(Audited)	(Unaudited)		(Audited)
		(Pro forma)	Change	
	Rm	Rm	%	Rm
Banking operations				
Retail banking	**4 166**	3 161	31,8	2 666
Absa Private Bank	**260**	191	36,1	153
Retail Banking Services	**1 341**	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	**1 282**	938	36,7	845
Absa Capital	**1 115**	764	45,9	491
African operations	**127**	102	24,5	90
Corporate centre	**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	**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

CHANGES IN ACCOUNTING POLICIES AND RECLASSIFICATIONS

GROUP BALANCE SHEET

Rm	Commentary	31 December 2005 (As previously reported)	Accounting policy changes	Reclassi-fications	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 derivative 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
Client 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 derivative 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

Rm	Commentary	31 December 2005 (As previously reported)	Accounting policy changes	Reclassi-fications	31 December 2005 (Restated)
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 ordinary equity holders:					
Share capital		1 327	-	-	1 327
Share premium		1 875	-	-	1 875
Other reserves		622	-	-	622
Distributable reserves		21 931	-	-	21 931
		25 755	-	-	25 755
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

TWELVE MONTHS

		Twelve months ended			Twelve months ended
		31 December			31 December
		2005			2005
		(Unaudited)			(Unaudited)
		(Pro forma)			(Pro forma)
		(As previously	Accounting policy	Reclassi-	
Rm	Commentary	reported)	changes	fications	(Restated)

Rm	Commentary	Twelve months ended 31 December 2005 (Unaudited) (Pro forma) (As previously reported)	Accounting policy changes	Reclassi-fications	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)

		Twelve months ended			Twelve months ended
		31 December			31 December
		2005			2005
		(Unaudited)			(Unaudited)
		(Pro forma)			(Pro forma)
		(As previously	Accounting policy	Reclassi-	
Rm	Commentary	reported)	changes	fications	(Restated)
Profit for the year/period		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

NINE MONTHS

		Nine months ended			Nine months ended
		31 December			31 December
		2005			2005
		(Audited)			(Audited)
		(As previously	Accounting policy	Reclassi-	
Rm	Commentary	reported)	changes	fications	(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)	(13 696)
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

		Nine months ended 31 December 2005 (Audited)			Nine months ended 31 December 2005 (Audited)
Rm	Commentary	(As previously reported)	Accounting policy changes	Reclassi-fications	(Restated)
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)	499	1	(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 year/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 ON THE CHANGES IN ACCOUNTING POLICIES AND RECLASSIFICATIONS

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. Clients 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 now netted these amounts to better reflect the financial position.

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), the 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

Net interest income – increased by 26,5%

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.

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 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.

Impairment charge – increased by 79,8%

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.

Non-interest income – increased by 12,5%

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%.

Operating expenditure – increased by 13,9%

The favourable income growth of 19,0% outpaced operating expenditure 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.

Business unit performance

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 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.

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.

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.

Net asset value and capital adequacy

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%).

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	S F Booysen
Chairman	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 those 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

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Lead sponsor:

Merrill Lynch South Africa (Proprietary) Limited

Co-sponsor:

Absa Capital, a division of Absa Bank Limited

Johannesburg
20 February 2007