

**CORPORATE GOVERNANCE STATEMENT OF ABSA BANK
LIMITED**

The Absa board is the focal point of the Group's corporate governance system.

CORPORATE GOVERNANCE

INTRODUCTION

The Absa Group is fully committed to the principles of the Code of Corporate Practices and Conduct set out in the King Committee Report on corporate governance (King II).

The directors have considered the implications of King II and are of the opinion that Absa substantially complies with, and has applied, the requirements of King II with regard to the period under review. Areas requiring further attention will be considered by the board during the 2003 financial year. In supporting the code, the directors recognise the need to conduct the enterprise with integrity and in accordance with generally accepted corporate practices.

APPLICATION OF THE CODE AND APPROACH TO CORPORATE GOVERNANCE

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

Whereas the Absa board reviews overall Group compliance with the code and is the focal point of the Group's corporate governance system, the directors of specific companies in the Group are responsible for ensuring compliance. The Group facilitates a comprehensive process to review compliance with the code by all relevant entities each year. This includes:

- a full and effective review during the year by the Absa board of all aspects relating to on-going corporate governance during the year and the inclusion of statements in this regard in the annual report; and
- a review of current and emerging trends in corporate governance and the Group's systems of governance and their benchmarking against local and international best practice.

RISK MANAGEMENT

Disclosure of Absa's overall risk management philosophy, policy, methodologies and governance structure is set out in the risk management report on page 88 of this annual report. The report also details the Absa board and its principal committees, risk management and other responsibilities.

BOARDS OF DIRECTORS AND NON-EXECUTIVE DIRECTORS

Board composition

Absa has unitary board structures in all South African companies in the Group. The Absa board is a balanced board with a majority of non-executives and a strong contingent of independent non-executive directors. Details on the categorisation of the directors appear on page 18 of this annual report. Within subsidiary companies in the Group, the roles of chairpersons and managing directors do not vest in the same persons and the chairpersons are non-executive directors of the entities of which they are chairpersons.

Board procedures and related matters

The board meets regularly, retains full and effective control over the companies concerned and monitors executive management in implementing board plans and strategies. Additional board meetings, apart from those planned, are convened as circumstances dictate. The number of meetings held during the year under review (including meetings of board-appointed committees) and the attendance of each director is set out on page 117 of this annual report.

The board annually reserves a number of days with management to consider and debate the proposed Group strategy and long-term issues facing Absa, prior to formulation of the Group's annual financial budget.

The board has identified and monitors key risk areas, key performance areas and non-financial aspects relevant to Absa. The directors are entitled to obtain independent professional advice at the Group's expense, should they deem this necessary.

In addition, the board has unrestricted access to all company information, records, documents and property to enable it to discharge its responsibilities. The information needs of the board are reviewed annually. Efficient and timely methods of informing and briefing board members prior to board meetings have been developed.

Directors are afforded the opportunity to propose additional matters for discussion at board meetings. Management ensures that board members are provided with all relevant information and facts to enable the board to reach objective decisions.

The board considers a number of key performance indicators, variance reports and industry trends quarterly. A range of non-financial information is also provided to the board to enable it to consider qualitative performance factors that involve broader stakeholder interests.

The board also recognises the importance of promoting entrepreneurial flair while continuing to ensure conformance to governance and other compliance restraints. The directors bring a wealth of experience from their own fields of business to the board and ensure that debate on matters of strategy, performance, resources, transformation, diversity, employment equity, standards of conduct and policy, is robust, informed and constructive.

Subject to the prior agreement of the board, non-executive directors have access to management and may meet separately with management without the attendance of executive directors.

Directors are kept appropriately informed of key developments affecting the Group between board meetings.

As recommended by King II, the board is presently developing a charter, regulating how business is to be conducted by the board in accordance with the principles of good corporate governance. The charter will set out responsibilities to be discharged by board members collectively as well as the individual roles they are expected to fulfil. Many existing governance practices that have been in place in Absa for a number of years will be codified into the board charter.

The board recognises the importance of promoting entrepreneurial flair while continuing to ensure conformance to governance and other compliance restraints.

The Absa board reserves to itself a range of key decisions to ensure that it retains proper direction and control of the Group.

CORPORATE GOVERNANCE CONTINUED

Board appointments, director training and development and succession planning

Non-executive directors on the Absa board are appointed for specific terms and reappointment is not automatic. The maximum term of office of directors is three years. A third of the directors retire by rotation annually. If eligible, their names are submitted for re-election at the annual general meeting. Non-executive directors are obliged to retire at the annual general meeting following their 70th birthday. The board as a whole, within its powers, selects and appoints directors, including the Group chief executive and executive directors, on the recommendation of the Group Remuneration Committee.

All appointments are in terms of a formal and transparent procedure and are subject to confirmation by the shareholders at the annual general meeting. Prior to appointment, potential board appointees are subject to a "fit and proper" test, as required by the JSE Securities Exchange South Africa and as prescribed by the Banks Act. Re-election to the board is considered subject to performance and continued eligibility.

Training and orientation workshops covering topics such as the Group's business, corporate governance, fiduciary duties and responsibilities, asset and liability management, new laws and regulations and risk management are provided to both new and existing directors. Directors (particularly new directors) are encouraged to attend development programmes with regard to their duties, responsibilities, powers and potential liabilities.

The Group Remuneration Committee annually considers executive, non-executive and senior management succession planning.

Board committees

A number of board-appointed committees have been established to assist the board in discharging its responsibilities. Details of these committees are set out in the accompanying pages and in the risk management report.

The board recognises that it is ultimately accountable and responsible for the performance and affairs of the Group and that the use of delegated authorities to board committees and management in no way mitigates or dissipates the discharge by the board and its directors of their duties and responsibilities.

Specific responsibilities have been delegated to these committees, which operate under written terms of reference confirmed by the board. There is transparency and full disclosure from board committees to the board. In this regard, the minutes of committees represented by non-executive directors as well as the minutes of all significant divisional and subsidiary boards are submitted to the Absa board for noting. Board committees are free to take independent outside professional advice as and when necessary.

Notwithstanding the establishment of the various board committees and delegated authorities, the Absa board reserves to itself a range of key decisions to ensure that it retains proper direction and control of the Group. A comprehensive framework, setting out authorities and responsibilities with regard to matters affecting the businesses of the boards and committees in the Group, assists in the control of the decision-making process and ensures that there is a balance of power and authority to ensure that no individual has unfettered powers of decisionmaking. All board-delegated authorities are reviewed and updated annually by the board.

GROUP REMUNERATION COMMITTEE

Members: D C Brink (chairman), L Boyd, B P Connellan, D C Cronjé and T van Wyk

The Group Remuneration Committee is chaired by an independent non-executive director of Absa and comprises mainly independent non-executive directors of Absa. The Group chief executive attends meetings by invitation but does not participate in discussions and decisions regarding his own remuneration and benefits.

Its specific terms of reference include direct authority for, or consideration and recommendation to, the boards on matters such as succession planning, general staff policy, remuneration and benefits, profit bonuses, executive remuneration, directors' remuneration and fees, service contracts, the share purchase and option schemes, Group retirement funds and potential board appointees. In addition it annually considers the size, diversity demographics, skills and experience of the board and makes appropriate recommendations to the board with regard to these matters.

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

Non-executive directors receive fees for their contribution to the boards and committees on which they serve. The Group chairman recommends proposed fees for consideration by the committee and approval by the Absa board, after considering comparable fee structures and market practices.

The committee annually undertakes a performance assessment of the Group chairman and the Group chief executive. The Group chairman and Group chief executive's remuneration is considered, taking the above assessment into account.

The committee also conducts an effectiveness evaluation of the Absa board to review its performance in meeting its key responsibilities. A key outcome of this process, which was introduced last year, has been the initiation of an annual board strategy session. The board effectiveness evaluation deals with issues such as compliance, board meetings, the board's structure and functions, financial reporting and performance review, risk management, strategy and non-financial matters.

The Group Remuneration Committee is chaired by an independent non-executive director of Absa.

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

CORPORATE GOVERNANCE CONTINUED

Directors' remuneration is subject to shareholders' approval at the annual general meeting. Full details of remuneration matters (including a statement of remuneration philosophy) are contained in the remuneration report set out on pages 118 to 121 of this annual report.

GROUP AUDIT AND COMPLIANCE COMMITTEE

Members: A S du Plessis (chairman), P du P Kruger, D F Mostert and T van Wyk

The chairman and members of the Group Audit and Compliance Committee are non-executive directors on the board of Absa. A third of the members of the Group Audit and Compliance Committee retire annually by rotation and are considered for re-election by the Absa board.

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

Meetings are held at least five times a year and are attended by the external and internal auditors and the compliance officer as well as appropriate members of executive management, including those involved in risk management and control and finance, and the Group chairman (who is not a member of the committee). All of the members of the committee are financially literate.

The committee's terms of reference have been expanded to include various additional compliance aspects. The board, through a comprehensive evaluation (based on the recommendations of King II, the Banks Act, the Group Audit Policy and generally accepted accounting and auditing practices), annually reviews the performance of the Group Audit and Compliance Committee to evaluate how effectively it has discharged its terms of reference.

GROUP RISK COMMITTEE

Members: P du P Kruger (chairman), E R Bosman, D C Cronjé, G Griffin and P E I Swartz

The Group Risk Committee is chaired by an independent, non-executive director and consists of a further three non-executive directors and the Group chief executive. The committee's responsibilities are documented in the risk management section of this annual report.

The committee, which meets four times a year, also reviews issues for consideration as identified by the Group Audit and Compliance Committee, with specific reference to the risk implications of issues such as major control breakdowns and weaknesses and losses affecting the Group resulting from illegal or criminal conduct or activities.

BOARD LENDING COMMITTEE

Non-executive directors' panel: L Boyd, D C Brink, B P Connellan, D C Cronjé and A S du Plessis

The Board Lending Committee considers and approves credit exposures that exceed the mandated approval limits of the Exco lending committee.

EXECUTIVE DIRECTORS AND THE GROUP EXECUTIVE COMMITTEE

There are a number of executive directors on the board of Absa and the boards of the Group's main subsidiaries. There are no service contracts exceeding three years relating to the position of any Group executive director. Executive directors are required to retire from the board (as executive directors) on reaching the age of 60. There is full disclosure in the remuneration report of various remuneration matters in respect of the Group executive directors.

The board appoints executive management, taking into account the recommendations of the Group chief executive and the Group Remuneration Committee. The remuneration and benefits of executive directors are determined by the Group Remuneration Committee.

The Group Executive Committee established by the board is chaired by the Group chief executive and comprises the executive directors of Absa and of the Group's major subsidiary, Absa Bank Limited. It meets once a week and deals with all material matters relating to the strategic management and development of the Group.

Executive directors hold non-executive directorships only to the extent that these do not interfere with their immediate management responsibilities.

SHARE DEALINGS

In terms of the Group's "closed period" policy, directors, officers, participants in the share incentive scheme and staff who may have access to price sensitive information are precluded from dealing in Absa shares for approximately two and a half months prior to release of the Group's interim and final results. Details of directors' dealings in Absa shares are disclosed to the board and the JSE Securities Exchange South Africa through the Stock Exchange News Service (SENS). In addition, details of trades in Absa shares by staff who may have access to price sensitive information are disclosed to the Group Remuneration Committee.

THE COMPANY SECRETARY

All directors have access to the advice and services of the company secretary, who provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should properly be discharged in the best interests of the company.

The secretary also oversees the induction of new directors and assists the Group chairman and the Group chief executive in determining the annual board plan and formulating governance and board-related issues.

INTERNAL CONTROL

The directors are responsible for ensuring that the Group maintains adequate records, which disclose, with reasonable accuracy, the financial performance and position of the Group. In the case of a banking group in particular, great reliance is placed on information contained in its financial statements, not least by the investing community, depositors, other banks and the regulatory authorities.

All directors have access to the advice and services of the company secretary.

The board recognises the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of the Group's stakeholders, building lasting relationships with them and reporting to them in a balanced and comprehensible manner, reflecting openness and favouring substance over form.

CORPORATE GOVERNANCE CONTINUED

To enable the directors to meet these responsibilities, the board sets standards and management implements systems of internal control, comprising policies, standards, procedures, systems and information, to assist in:

- safeguarding assets and reducing the risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records; and
- the timely preparation of reliable financial statements and information in compliance with relevant legislation and generally accepted accounting policies and practices.

The Group's internal audit function and the external auditors independently appraise the adequacy and effectiveness of the internal controls. The Group Audit and Compliance Committee, with extensive input by the internal and external auditors, plays a major role in assisting the directors in satisfying themselves regarding the adequacy and effectiveness of the accounting systems, records and internal controls. The directors' report on this aspect is contained in the statement on the responsibility of directors for annual financial statements. For details on Absa's internal audit function and risk management see page 88 of this annual report.

The board of directors reports annually on the Group's controls in terms of Regulation 39(4) of the Banks Act. The view of the directors in this regard is contained in the statement on the responsibility of directors for the annual financial statements.

GOING CONCERN

The board has considered and recorded the facts and assumptions on which it relies to conclude that the business will continue as a going concern in the financial year ahead. The directors are of the opinion that the business will be a going concern in the year ahead and their statement in this regard is also contained in the statement on the responsibility of directors for annual financial statements.

INTEGRATED SUSTAINABILITY REPORTING

Stakeholder communication and relationships

The Group has various policies governing communication, relationships and conduct with stakeholders. Absa's stakeholders include shareholders, employees, customers, the community and various resource providers. The board recognises the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of the Group's stakeholders, building lasting relationships with them and reporting to them in a balanced and comprehensible manner, reflecting openness and favouring substance over form. Absa reports annually on the nature and extent of its social, transformation, ethical, safety, health and environmental policies and practices.

Absa has an investor relations department responsible for ensuring appropriate communication with shareholders and the investment community. Regular contact is maintained with domestic and international institutional shareholders, fund and asset managers and analysts by means of a

comprehensive investor relations programme. This includes meetings with executive management, investor roadshows, presentations to the investment community as well as liaison with private shareholders.

With regard to the above, the Group recognises the need for full, equal and timely disclosure to all shareholders, as prescribed by the Listings Requirements and guidelines of the JSE Securities Exchange South Africa. It uses a broad range of communication channels, including the Absa website, www.absa.co.za, to achieve this.

The Group recognises the importance of its shareholders' attendance at its annual general meetings, which offers an opportunity for shareholders to raise issues and participate in discussion relating to items included in the notice of meeting. Explanatory notes setting out the effects of all proposed resolutions accompanies the notice of meeting.

The chairmen of board-appointed committees attend annual and other general meetings to respond to questions from shareholders. Where appropriate, shareholders' meetings are conducted on the basis of a poll. Following the August 2002 annual general meeting, extracts of the minutes of shareholders' meetings, reflecting decisions taken at the meeting, will be posted on SENS.

Shareholders will continue to have access to the full set of minutes of such meetings in accordance with the requirements of the Companies Act.

An **employee report**, detailing employment equity issues, training and development initiatives, occupational health and safety matters and Absa's strategy, plan and policy with regard to the potential impact of HIV/Aids on the company's activities, appears on pages 125 of this annual report.

A **social report**, detailing Absa's role in the community as well as health and environmental matters, can be found on pages 129 to 133 of this annual report.

Code of Banking Practice

By endorsing the Code of Banking Practice, Absa has undertaken to apply the underlying values embodied in the code. Absa is committed and dedicated to providing its customers with professional and friendly service, in a manner that is transparent, approachable and in line with what is "fair and just". For this reason, Absa regards the existing code as a living document.

To ensure adherence to the code, training is constantly provided to staff, customers are made aware of the company's commitment to the code and it is also made available through the branch network. Further, Absa's Compliance Department constantly monitors procedures and practices against the code as well as other legislation applicable to the various divisions and business units within Absa.

Of all the customer complaints lodged through Absa's Actionline during the year under review, only 2% required the further intervention of the Office of the Banking Adjudicator. In these cases, Absa was in many instances found to have acted fairly and justly. Absa is consistently striving to improve the delivery of its products and service to ensure an ongoing improvement in customer satisfaction.

The Group
recognises the need
for full, equal and
timely disclosure
to all shareholders.

In Absa, through various risk control procedures, the effects of unethical behaviour are limited.

CORPORATE GOVERNANCE CONTINUED

Ombudsmen for the long- and short-term insurance industries

Members of the long- and short-term insurance industries contribute subscriptions to the offices of the ombudsmen for long-term and short-term insurance.

The ombudsman for long-term insurance mediates in disputes between the subscribing members of the industry and policyholders. In so doing, the ombudsman endeavours to ensure that principles of fairness, equity and independence prevail.

The ombudsman for short-term insurance seeks to resolve disputes between industry members and consumers in an independent, impartial, cost-effective, efficient, informal and fair way.

As a subscribing member, Absa co-operates fully with the offices of the ombudsmen with regard to the resolution of disputes and constantly seeks to maintain positive relationships with their offices.

Organisational integrity and the code of ethics

Unethical behaviour in the broader South African community is reported regularly in the media. A company such as Absa, which represents a sample of the broader community, does not escape these trends. It is therefore crucial for management to ensure that there is an appropriate focus on preventing losses owing to unethical behaviour. In Absa, through various risk control procedures, the effects of unethical behaviour are limited.

Absa's code of ethics is constantly refined, applying input from various interested parties and stakeholders within the organisation. The status of ethical behaviour in the workplace was independently audited during the period under review and the recommendations are presently being considered with a view of improving existing practices.

Management demonstrates its commitment to the ethical code by entrenching various principles. These include rewards and incentives for ethical behaviour and disciplinary procedures, criminal and civil charges for unethical or dishonest behaviour. In addition, employees found guilty of dishonesty during internal procedures are reported to the Banking Council for listing in the industry's register.

Furthermore, newly appointed employees and employees appointed in sensitive positions are assessed for ethical risks. Appropriate training in procedures and laws relating to the prevention of crime is provided and awareness of ethical behaviour is stimulated by regular communication with employees in the Group.

All incidents involving potentially fraudulent activities are formally investigated and corrective actions taken. Procedures are adapted when deemed prudent to prevent further incidence of unethical behaviour.

RECORD OF ATTENDANCE AT MEETINGS

	Absa Group Board	Group Remuneration Committee	Group Audit and Compliance Committee	Group Risk Committee
Meetings planned	6	4	6	4
Meetings held	9	6	9	4
Directors	Note			
Cronjé, D C	9	6		4
Brink, D C	9	6		
Bosman, E R	9			4
Bam, N B	(1)	5		
Boyd, I	7	6		
Connellan, B P	9	6		
Du Plessis, A S	9		9	
Du Toit, F J	(2)	8		
Griffin, G	(3)	5		
Jonker, L N	7			
Kruger, P du P	9		8	4
Mostert, D F	6		6	
Sexwale, T M G	(4)	4		
Shill, H L	(5)	3		2
Sonn, F A	6			
Swartz, P E I	7			4
Van Wyk, I	9	6	9	

Notes:

- (1) Appointed on 21 May 2001
- (2) Appointed on 1 April 2001
- (3) Appointed to the board on 15 October 2001 and to the Group Risk Committee on 1 March 2002
- (4) Appointed on 14 May 2001
- (5) Retired on 24 August 2001