Absa Group Limited Interim financial results 30 June 2008

ABSA GROUP LIMITED

Interim financial results

For the six months ended 30 June 2008

Member of the BARCLAYS Group

ABSA

CONTENTS

GROUP PERFORMANCE

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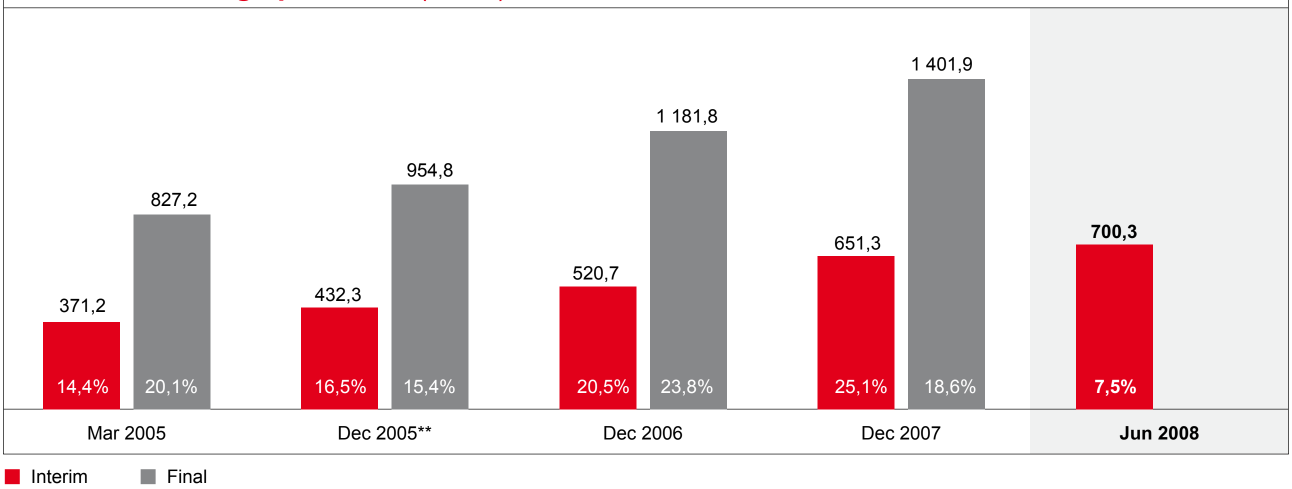
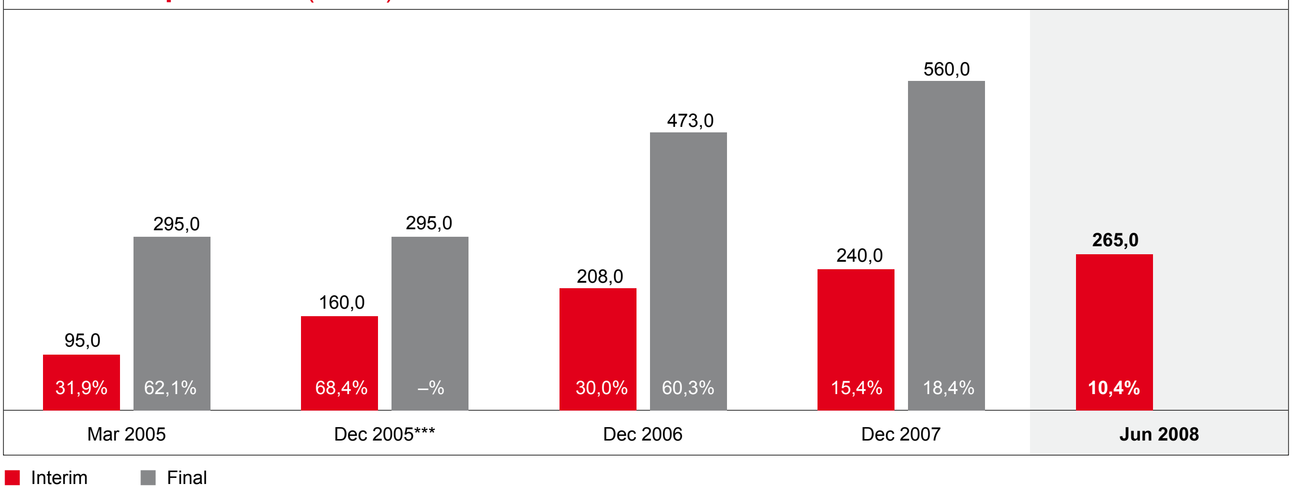
Financial highlights

	For the six months ended 30 June		For the year ended 31 December
	2008	2007*	2007
• Total assets	**R737,6 billion**	R553,9 billion	R640,9 billion
• Headline earnings	**R4 731 million**	R4 365 million	R9 413 million
• Market capitalisation	**R55,8 million**	R88,8 billion	R75,3 billion
• Number of customers (South Africa)	**9,4 million**	8,8 million	9,0 million
• Number of staffed outlets	**1 176**	865	1 011
• Number of ATMs	**8 338**	7 621	7 893

Headline earnings per share (cents)



Dividends per share (cents)



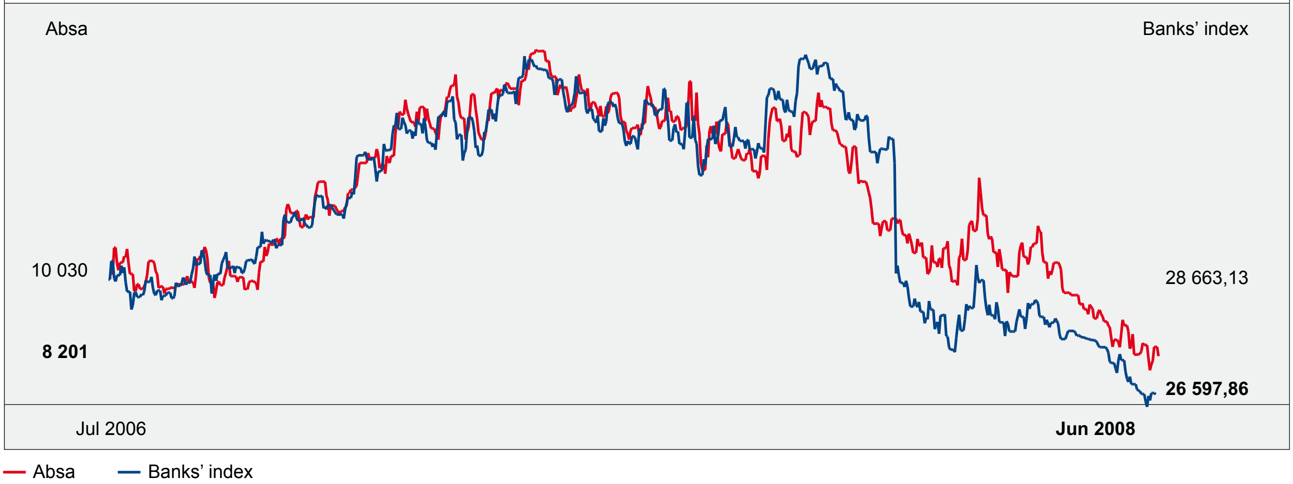
**Only the June 2007 comparatives have been adjusted for the reclassifications mentioned on pages 68 – 70.*

***Pro forma figures (six and twelve months).*

****For the six months ended 30 September 2005 and the nine months ended 31 December 2005.*

Share performance

Share performance (cents)



**Absa's annual total return for the twelve-month period was -31,4%.*

***The banks' index outperformed Absa's share price by 0,72% 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

	Six months ended 30 June		Year ended 31 December
	2008	2007	2007
Number of shares in issue*	**680 128 701**	674 955 074	678 573 074
Market prices (cents per share):			
• closing	**8 201**	13 150	11 100
• high	**11 999**	14 830	14 830
• low	**7 900**	12 170	10 832
• average	**9 861**	13 631	13 207
Closing price/net asset value per share (excluding preference shares)	**1,40**	2,62	2,00
Closing price/headline earnings per share	**5,8**	10,0	7,9
Volume of shares traded (millions)	**244,1**	165,0	343,7
Value of shares traded (R millions)	**23 734,1**	22 413,1	45 370,6
Market capitalisation (R millions)	**55 777,4**	88 756,6	75 321,6

Includes **3 343 451 shares held by the Absa Group Limited Share Incentive Trust (December 2007: 2 678 159), **490 921** shares held by Absa Life Limited and Absa Fund Managers Limited (December 2007: 718 202) and **500** shares held by the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust (December 2007: 68 800).*

Shareholders' information

	30 June 2008 %	30 June 2007 %	31 December 2007 %
Major ordinary shareholders (top 10)*			
Barclays Bank PLC	**58,8**	57,6	58,8
Allan Gray Limited	**7,9**	7,3	6,8
Public Investment Corporation	**5,5**	5,6	6,1
Old Mutual Asset Managers	**4,0**	3,0	4,3
RMB Asset Management	**2,3**	n/a	n/a
Stanlib Asset Management	**1,5**	3,4	1,8
Absa Stockbrokers (Proprietary) Limited**	**1,1**	0,9	1,0
Foord Asset Management	**1,1**	n/a	0,9
Sanlam Investment Management	**1,0**	2,2	2,0
Coronation Fund Managers	**0,8**	2,9	1,8
AXA Financial SA (Bernstein and Alliance)	**n/a**	1,3	1,1
Capital Group Companies Inc.	**n/a**	2,0	n/a
Investec Asset Management	**n/a**	0,9	n/a
Other	**16,0**	12,9	15,4
	100,0	100,0	100,0
Geographical			
England and Wales	**59,1**	58,5	59,3
South Africa	**33,7**	32,3	32,9
United States	**2,7**	4,2	3,1
Other countries	**2,4**	2,7	2,6
Below threshold	**2,1**	2,3	2,1
	100,0	100,0	100,0

**Owing to the Barclays acquisition of a controlling stake in Absa, only the top 10 shareholders are disclosed.*
***Represents shareholding on behalf of various private clients.*

Batho Bonke Capital (Proprietary) Limited and the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust hold 75 409 600 redeemable cumulative option-holding preference shares (preference shares).

	Ordinary shares	**Preference shares**	**Total shares**
Number of shares in issue at 30 June 2008	**680 128 701**	**75 409 600**	**755 538 301**

	Ordinary shares	Preference shares	Total shares
Number of shares in issue at 31 December 2007	678 573 074	75 619 500	754 192 574

Shareholders' diary

Financial year-end	31 December 2008

Announcements

Announcement of the interim results	7 August 2008

Dividends

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Interim June 2008	7 August 2008	22 August 2008	25 August 2008	29 August 2008	1 September 2008

Group salient features

	Six months ended 30 June 2008 (Unaudited)	Six months ended 30 June 2007* (Unaudited)	Change %	Year ended 31 December 2007 (Audited)
Income statement (Rm)				
Headline earnings**	**4 731**	4 365	8,4	9 413
Profit attributable to ordinary equity holders of the Group	**5 335**	4 363	22,3	9 595
Balance sheet (Rm)				
Total assets	**737 577**	553 893	33,2	640 909
Loans and advances to customers	**489 319**	414 906	17,9	455 958
Deposits due to customers	**347 207**	291 306	19,2	310 512
Financial performance (%)				
Return on average equity	**24,6**	26,8		27,2
Return on average assets	**1,39**	1,69		1,68
Operating performance (%)				
Net interest margin on average assets	**3,05**	3,32		3,37
Net interest margin on average interest-bearing assets	**3,66**	3,75		3,83
Impairment losses on loans and advances as % of average loans and advances to customers	**0,93**	0,49		0,58
Non-performing advances as % of loans and advances to customers	**2,0**	1,5		1,6
Non-interest income as % of total operating income	**49,5**	48,6		47,0
Cost-to-income ratio	**49,3**	52,8		51,8
Effective tax rate, excluding indirect taxation	**26,2**	29,6		28,7
Share statistics (million)				
Number of shares in issue	**680,1**	675,0		678,6
Weighted average number of shares	**675,6**	670,2		671,5
Weighted average diluted number of shares	**711,4**	716,5		716,4
Share statistics (cents)				
Earnings per share	**789,7**	651,0	21,3	1 428,9
Diluted earnings per share	**751,1**	610,0	23,1	1 341,4
Headline earnings per share	**700,3**	651,3	7,5	1 401,9
Diluted headline earnings per share	**666,2**	610,2	9,2	1 316,1
Dividends per ordinary share relating to income for the period/year	**265,0**	240,0	10,4	560,0
Dividend cover (times)	**2,6**	2,7		2,5
Net asset value per share	**5 849**	5 020	16,5	5 537
Tangible net asset value per share	**5 800**	4 971	16,7	5 493
Capital adequacy (%)***				
Absa Bank	**13,5**	12,9		12,5
Absa Group	**13,9**	13,9		13,1

**Refer to pages 68 – 70 for the restatement of comparative figures.*
***After allowing for **R220 million** (June 2007: R114 million) profit attributable to preference equity holders of the Group.*
****June 2007 and December 2007 reflect Basel I numbers as previously published.*

Group financial reporting structure

Absa Group Limited

Retail banking

- Absa Wealth(i)
- Retail Bank(i) & (ii)
- Absa Home Loans
- Absa Card
- Absa Vehicle and Asset Finance (AVAF)(iii)
- AllPay Consolidated Investment Holdings (Proprietary) Limited
- Africa Retail(iv)
  - Barclays Bank Mozambique (BBM)
  - National Bank of Commerce Limited (NBC) (Tanzania)
  - Banco Comercial Angolano (Angola)

Commercial banking

- Absa Corporate and Business Bank (ACBB)
- Absa Development Company Holdings (Proprietary) Limited
- Commercial Asset Finance (CAF)(iii)
- Africa Corporate(iv)
  - Barclays Bank Mozambique (BBM)
  - National Bank of Commerce Limited (NBC) (Tanzania)
  - Banco Comercial Angolano (Angola)

Investment banking

- Absa Capital

Changes in the Group financial reporting structure

(i) Absa Private Bank was split into Affluent (shown under Retail Bank) and Absa Wealth during the period under review. Absa Wealth caters for the needs of the high net worth market.
(ii) Retail Bank caters for the needs of the Group's mass market through to affluent individuals as well as the small business market.
(iii) Commercial Asset Finance (CAF) was moved from Retail banking to Commercial banking during the period under review.
(iv) The Group's africa segment has been allocated to the segments where that business is managed in terms of IFRS 8.
(v) Real Estate Asset Management changed its name to Corporate Real Estate Services (CRES).
(vi) Repossessed Properties was moved from Retail banking to Other Group activities during the period under review.
(vii) Absa Bank London excludes portion allocated to Retail, Commercial and Investment banking.

Bancassurance

Insurance
- Absa Life Limited
- Absa Insurance Company Limited

Investments
- Absa Fund Managers Limited
- Absa Mortgage Fund Managers (Proprietary) Limited
- Absa Stockbrokers (Proprietary) Limited
- Absa Investment Management Services (Proprietary) Limited
- Absa Asset Management (Proprietary) Limited and Portfolio Managers (Proprietary) Limited

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

Other
- Absa Brokers (Proprietary) Limited
- Absa Manx Insurance Company Limited
- Absa Syndicate Investments Holdings Limited

Other Group activities

- Corporate Real Estate Services (CRES)(v)
- Repossessed Properties(vi)

International operations
- Absa Bank London(vii)

Profit and dividend announcement

Financial performance

The Group's headline earnings for the six months to 30 June 2008 increased by 8,4% from R4 365 million to R4 731 million. Headline earnings per share increased by 7,5% to 700,3 cents per share and fully diluted headline earnings per share grew by 9,2% to 666,2 cents per share. The dilution of headline earnings stems from the option rights to acquire shares issued to Batho Bonke Capital (Proprietary) Limited (Batho Bonke) (Absa's black empowerment partner) and to the Group's share incentive schemes.

The Group posted attributable earnings of R5 335 million, up 22,3% from the corresponding prior period. Earnings were enhanced by a once-off profit from the Visa Inc public offering that consisted of a cash and share distribution. This resulted in an initial after-tax profit of R636 million.

Absa Capital, the investment banking business, delivered another robust performance, lifting earnings by 32,2%. The Absa Corporate and Business Bank (ACBB) and the Bancassurance business also posted strong operational performances, but their earnings growth, at 14,6% and 0,3% respectively, were adversely impacted by lower returns on their investment portfolios. The challenging market conditions for consumers affected the retail business, which recorded lower earnings for the period, following a decline in business volumes and rising accounts in arrears. Progress with the strategy of diversifying the Group's earnings resulted in growth within the wholesale businesses largely offsetting the downturn experienced in the retail cluster.

The Group recorded an annualised return on average assets of 1,39% for the six months to 30 June 2008 (30 June 2007: 1,69%) and an average return on equity (RoE) of 24,6% (30 June 2007: 26,8%). An interim dividend of 265 cents per share has been declared for the period, representing a growth of 10,4%.

The key features of the Group's performance include:

- a 21,3% increase in revenue;
- a decline of 7,0% in earnings from the retail banking operations;
- strong growth in customer deposits of 19,2%;
- the robust growth of Absa Capital and ACBB earnings; and
- improved operational efficiency with the cost-to-income ratio declining from 52,8% to 49,3% (51,2% excluding the once-off Visa profit).

Operating environment

The South African macro-economic environment deteriorated markedly during the period under review. Economic growth slowed to an annualised 2,1% in the first quarter of 2008 compared with growth rates that averaged 5,0% over the past four years. The slower GDP growth is attributed, inter alia, to power outages that restricted production capacity in both the mining and manufacturing sectors.

South Africans also had to cope with increases in the cost of living and weaker growth in disposable income. CPIX inflation, which first broke through the South African Reserve Bank's (SARB's) 6,0% target ceiling in April 2007, rose to 11,6% in June 2008 and is expected to rise further in the short term. The deterioration in the inflation outlook, driven largely by rising food and fuel costs, that constitute as much as 20% of average household expenses, resulted in the SARB increasing interest rates by 500 basis points since June 2006.

In addition, households had accumulated record levels of indebtedness during the economic boom experienced between 2002 and 2006, as a result of strong growth in disposable income, higher property prices and relatively low inflation and interest rates over that period. During the first quarter of 2008, however, the ratio of household debt to disposable income rose to a record high of 78,2%, while debt servicing costs exceeded 11,0% of disposable income.

With interest rates and inflation at their highest levels in five years and real disposable income declining, household budgets experienced considerable financial strain. This has resulted in a decline in consumer credit quality as reflected in rising accounts in arrears.

Competition Commission enquiry

On 25 June 2008, the Competition Commission (the Commission) published a summary of the findings and recommendations of its enquiry into the South African retail banking sector. The Commission undertook a broad fact-finding review of the banking industry to determine whether customers are being treated fairly. The executive summary highlighted a number of issues regarding the South African retail banking sector in general, but did not comment on the practises of individual banks.

The proposals of the Commission are receiving the Group's full attention, but are not expected to impact the Group's financial results for the current financial year. Future consequences will become clearer as the full report is published and the implementation of recommendations takes effect.

Group performance

Information on the Group performance, net asset value and capital adequacy is contained on pages 11 – 54.

Information relating to the performance of the Group's segments is contained on pages 55 – 67.

Basis of presentation and changes in accounting policies

The Absa Group interim results have been prepared in accordance with International Financial Reporting Standards (IFRS) and the disclosures comply with International Accounting Standard (IAS) 34.

The Group has elected to early adopt IFRS 8 - Operating Segments, during the period commencing 1 January 2008. The statement requires that an entity disclose information to enable users of its financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environment within which it operates. This information should be disclosed in the same manner as presented to the entity's chief operating decision-maker(s). The adoption of the standard had no impact on the reported profits or financial position of the Group.

The Group adopted IFRS 7 – Financial Instruments: Disclosures and IAS 1 – Presentation of Financial Statements: Capital Disclosures (amendment) during the year ended 31 December 2007. The adoption of IFRS 7 and the amendment to IAS 1 impacted disclosures made in the financial statements. The Group also made some reclassifications to the June 2007 income statement and balance sheet as a result of the implementation of IFRS 7. The adoption of the standard had no impact on the reported profits or financial position of the Group.

Strategic focus

The Group remains focused on its long-term strategic goal of being the best financial services provider in South Africa and selected African markets. The diversification of revenue streams by offering a full suite of products to the market and maximising cross-selling opportunities between business clusters is fundamental to the achievement of this objective. Successful diversification will enhance earnings performance through economic cycles, hence the Group's objective to grow the wholesale businesses to 50% of the total Group earnings by 2012. The Group is focusing on four key strategic deliverables:

- Strengthen market leadership in retail financial services.
- Accelerating growth in the commercial business.
- Building the leading investment bank.
- Growing the wealth management capability and reputation.

In pursuing these strategies, the Group will:

- attract and retain the best people;
- enhance competitiveness through transformation;
- strengthen brand leadership;
- leverage its global capability and network;
- enhance operational excellence; and
- lead in risk and capital management.

Prospects

The Group expects growth of the South African economy in the short term to be constrained by inflationary pressures, tighter credit conditions and declining levels of consumer and business confidence which, together with an uncertain global macro-economic environment, are likely to delay an early recovery from the current economic downturn.

Consumers are expected to remain under pressure as higher debt servicing costs and increases in the general cost of living continue to erode disposable income into 2009. Against this backdrop, the Group is likely to experience higher impairments within the retail portfolio. Comprehensive measures have been implemented to protect future earnings of the Group. These include the tightening of credit criteria, increasing the collection capability, providing preventative and curative support for distressed customers and implementing further Group-wide cost efficiency initiatives.

The promotion of product offerings such as deposits, transactional banking and advisory services to protect and enhance the underlying value of the Group remain priorities in the current environment. Moreover, the strong investment-led growth in South Africa should assist Absa Capital and ACBB in maintaining the positive earnings momentum of recent years.

Given the uncertain outlook for the global banking environment, volatile markets, and a higher than anticipated inflation and interest rate environment in South Africa, the headline earnings growth of the Group for the full year is expected to be close to the growth percentage achieved in the six months to June 2008.

On behalf of the board

G Marcus > Chairperson

S F Booysen > Group Chief Executive

7 August 2008
Johannesburg

Declaration of interim ordinary dividend number 44

Shareholders are advised that an interim dividend of 265 cents per ordinary share was declared on Thursday, 7 August 2008, and is payable to shareholders recorded in the register of members of the Group at the close of business on Friday, 29 August 2008.

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, 22 August 2008
Shares commence trading ex dividend	Monday, 25 August 2008
Record date	Friday, 29 August 2008
Payment date	Monday, 1 September 2008

Share certificates may not be dematerialised or rematerialised between Monday, 25 August 2008, and Friday, 29 August 2008, both dates inclusive.

On Monday, 1 September 2008, 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 1 September 2008 will be posted on or about that date. The accounts of those shareholders that have dematerialised their shares (which are held at their participant or broker) will be credited on Monday, 1 September 2008.

On behalf of the board

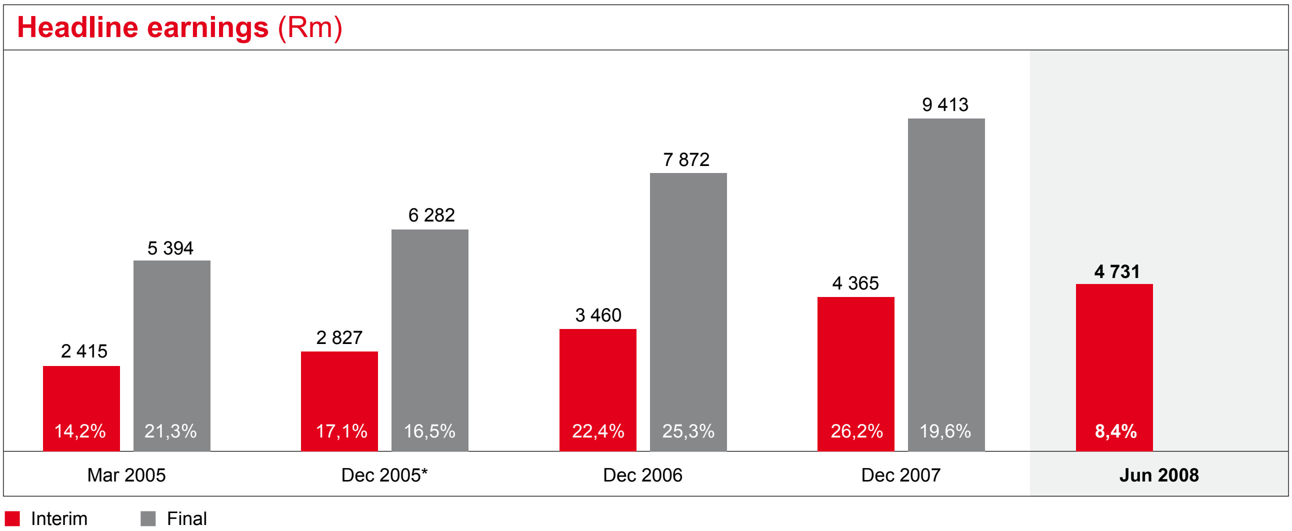
S Martin > Group Secretary

7 August 2008
Johannesburg

Performance indicators

Headline earnings

Objective: Achieve real headline earnings growth of 10%.



**Pro forma figures (six and twelve months).*

Performance:

The Group increased headline earnings by 8,4%, compared to June 2007, to R4 731 million.

Absa Corporate and Business Bank (ACBB) and Absa Capital delivered strong performance compared to June 2007, reflecting growth of 14,6% and 32,2% respectively. Excluding Visa, ACBB and Absa Capital increased their earnings contribution from 36,3% to 42,4%, in line with the Group's focus on improved diversification of its income streams. Including Visa, the earnings contribution of ACBB and Absa Capital would be 37,5%. The challenging market conditions for consumers affected the retail business which reported a decline in earnings of 7,0%.

Absa Capital's growth was underpinned by strong performances across Primary and Secondary Markets. Lack of realisations and higher funding costs led to negative growth in Equity Investments and Investor Services.

Absa's bancassurance operations posted attributable earnings of R752 million for the period. The flat attributable earnings growth resulted mainly from the buoyant equity market performance achieved at the beginning of 2007 which has not been repeated. At an operating level, bancassurance produced growth of 21,5%, mainly attributable to continued new business growth and significant growth in assets under management.

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.

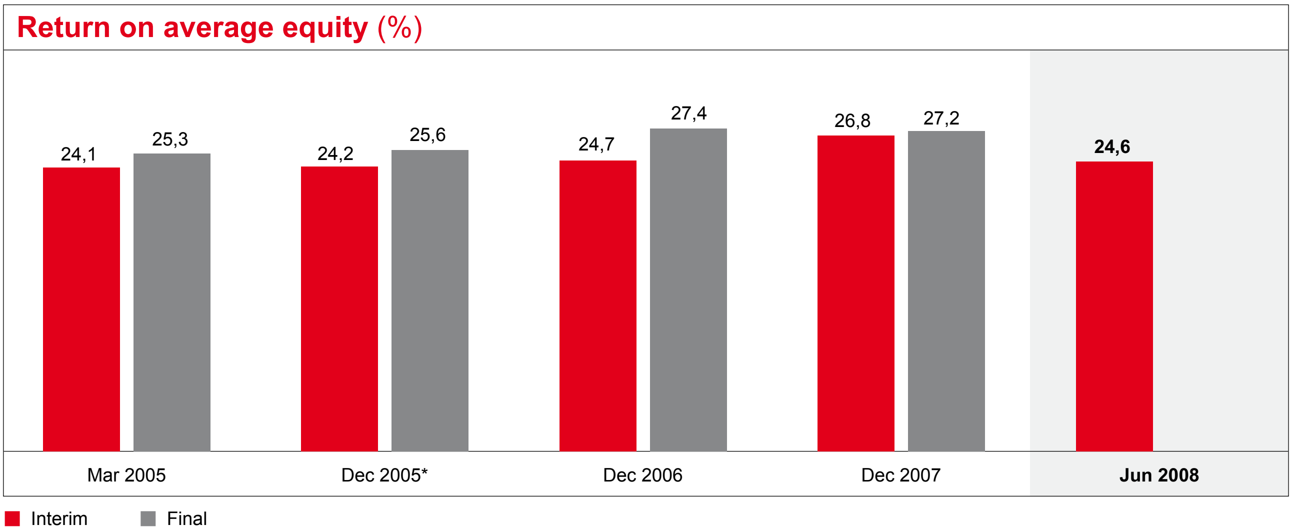
RoE decomposition*

	Notes	Six months ended 30 June 2008 %		2007 %		Year ended 31 December 2007 %
Net interest/interest-bearing assets		**3,66**		3,75		3,83
		multiply		multiply		multiply
Interest-bearing assets/total assets		**0,83**		0,89		0,88
		equals		equals		equals
Net interest yield	2	**3,05**		3,32		3,37
		plus		plus		plus
Non-interest yield	3	**2,94**		3,14		2,98
		equals		equals		equals
Gross yield		**5,99**		6,46		6,35
		less		less		less
Impairment losses	4	**0,64**		0,38		0,43
		equals		equals		equals
Risk-adjusted yield		**5,35**		6,08		5,92
		less		less		less
Operating expenses	5	**2,93**		3,43		3,29
		less		less		less
Indirect taxation and non-credit related impairments		**0,15**		0,19		0,14
		less		less		less
Taxation expense		**0,58**		0,73		0,72
		plus		plus		plus
Share of retained earnings of associated undertakings and joint venture companies		**0,01**		0,01		0,02
		less		less		less
Minority interest		**0,08**		0,05		0,08
		less		less		less
Headline earnings and other adjustments		**0,23**		0,00		0,03
		equals		equals		equals
Return on average assets (RoA)	6	**1,39**		1,69		1,68
		multiply		multiply		multiply
Gearing (average assets/average equity)	7	**17,74**		15,90		16,19
		equals		equals		equals
Return on average equity (RoE)	1	**24,6**		26,8		27,2

**Calculated as a % of average total assets.*

1. Return on average equity

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



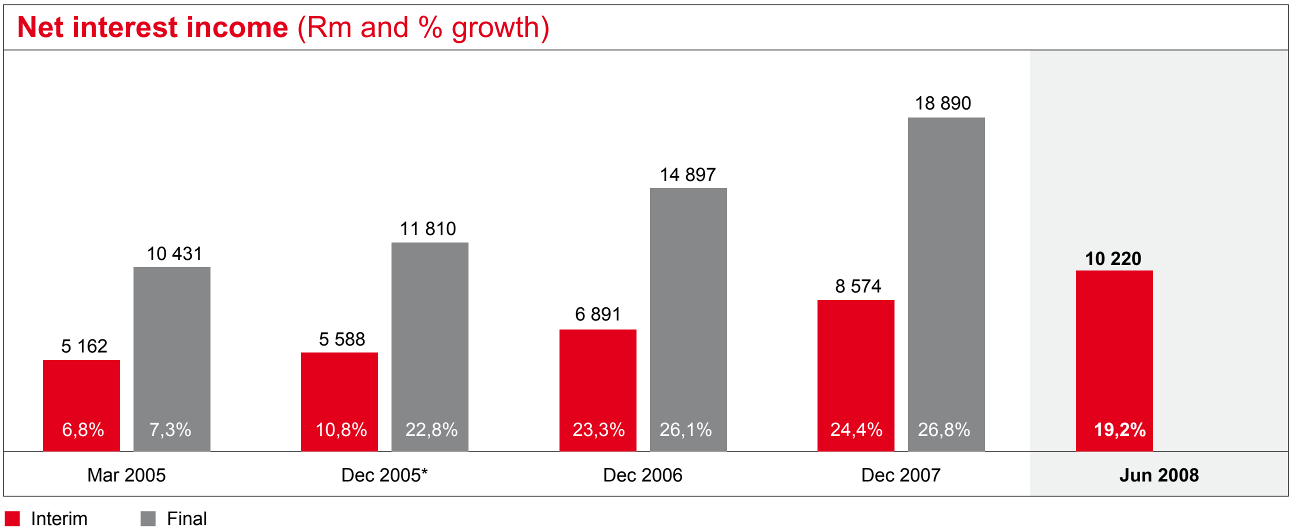
**Pro forma figures (six and twelve months).*

Performance:

The Group achieved a return on average equity (RoE) of 24,6% for the year under review. The pleasing result has enabled the out performance of the Group's objective of achieving an RoE of at least 5% above the Group's cost of equity.

2. Net interest yield

Interest income

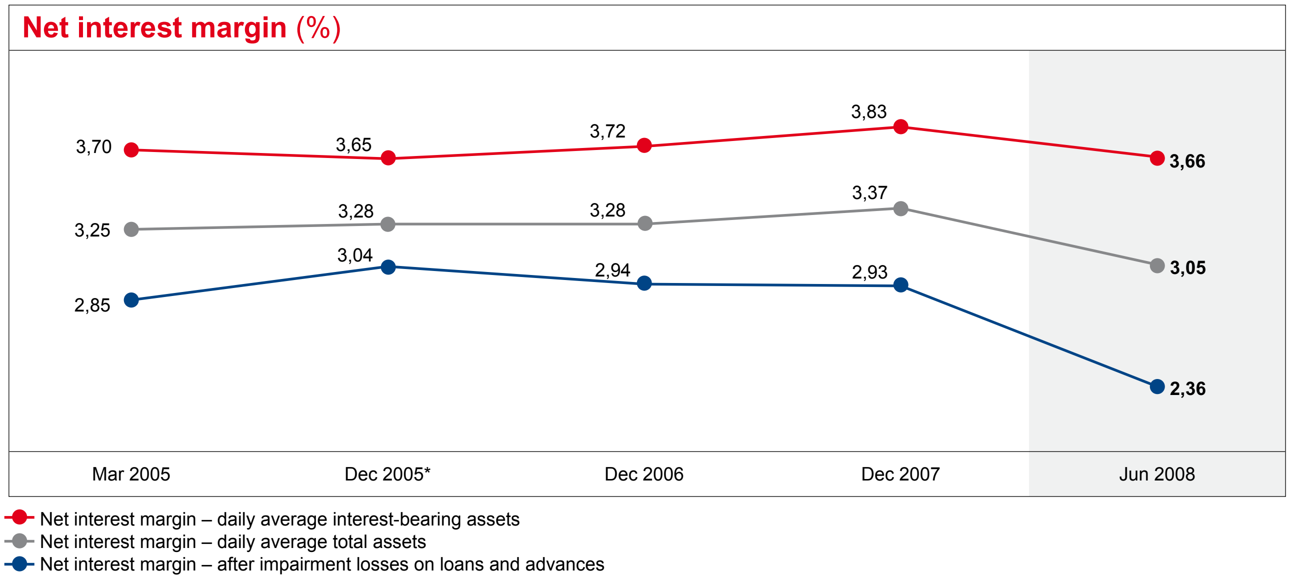


**Pro forma figures (six and twelve months) and growth calculated on June 2004 and December 2004 figures (pro forma six and twelve months).*

Performance:

Net interest income increased by 19,2% to R10 220 million, mainly due to growth in total advances.

Loans and advances to customers increased by 17,9% from 30 June 2007 and by 18,8% in the retail and commercial clusters. Strong growth was experienced by Absa Corporate and Business Bank reflecting growth of 34,0%. This was offset by continued slowing of advances growth in retail to 14,4%.



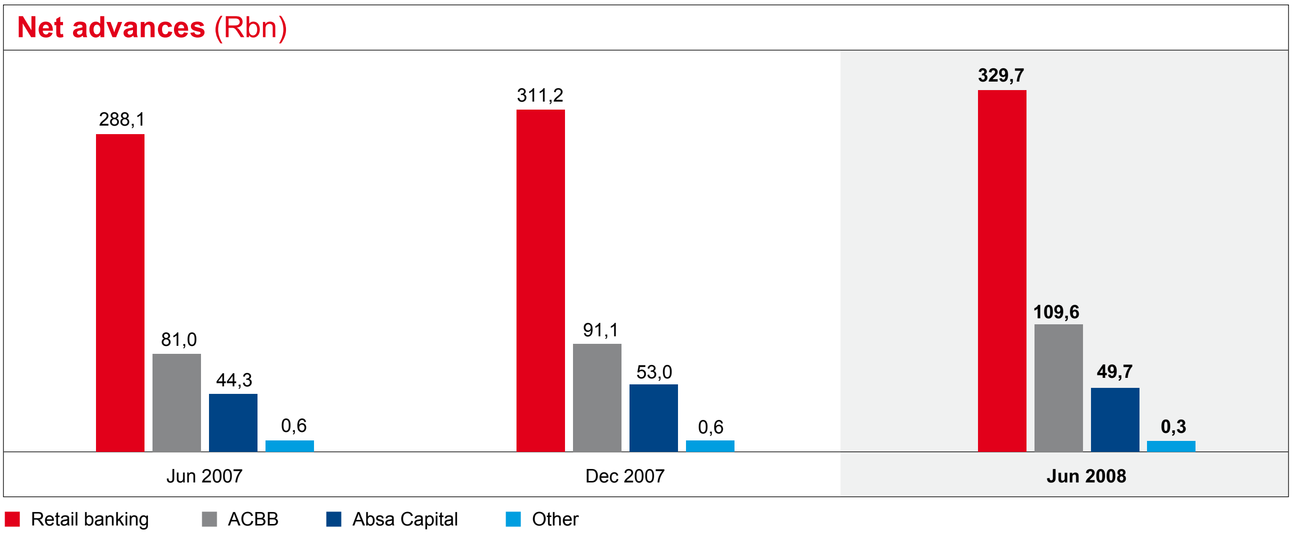
**Pro forma figures (twelve months).*

The net interest margin on average assets declined by 32 basis points from December 2007 to 3,05% as a result of:

- the higher cost of attracting long-term deposits as interest rate uncertainty reduced depositor/investor appetite for longer-term instruments;
- the narrowing of the interest rate spread between the prime rate (from which assets are generally priced) and funding rates, due to the uncertainty in the market regarding prime rate increases;
- increased reliance being placed on wholesale funding; and
- a substantial increase in trading assets that generate income other than interest.

This impact was partially offset by the benefit received from the endowment effect on capital in a rising interest rate cycle. Pressure on wholesale funding costs will persist as long as uncertainty prevails regarding the timing and extent of future rate increases.

Loans and advances to customers



Loans and advances mix (%)

Period	Retail banking	ACBB	Absa Capital	Other
June 2007	69,4	19,7	10,7	0,2
December 2007	68,3	20,0	11,6	0,1
June 2008	**67,4**	**22,4**	**10,2**	**0,0**

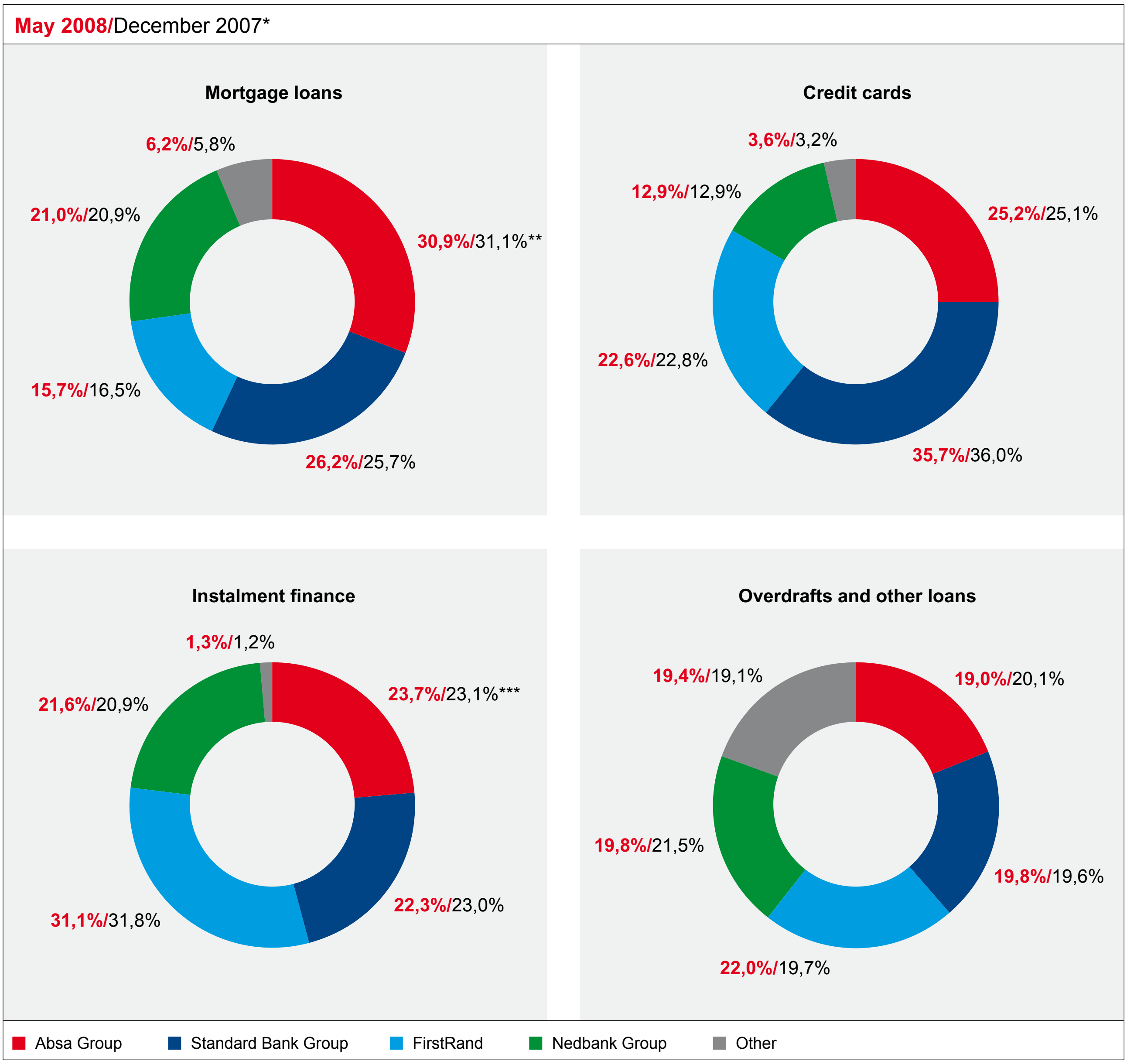
Performance:

The Group increased loans and advances to customers by 17,9% to R489,3 billion, compared with R414,9 billion in June 2007. Growth of retail advances slowed to 14,4% (June 2007: 23,7%) as higher inflation and interest rates negatively impacted consumer demand.

Retail mortgages, including commercial property finance (CPF) in Small Business, increased by 17,5%, retail instalment finance by 5,3% and credit card advances by 10,4% year-on-year. ACBB, however, increased advances by 34,0%, mainly as a result of the strong growth in both the Large and Medium Business segments.

Refer to note 2 of the financial statements on page 36 of this report for further information about the Group's advances.

Market share

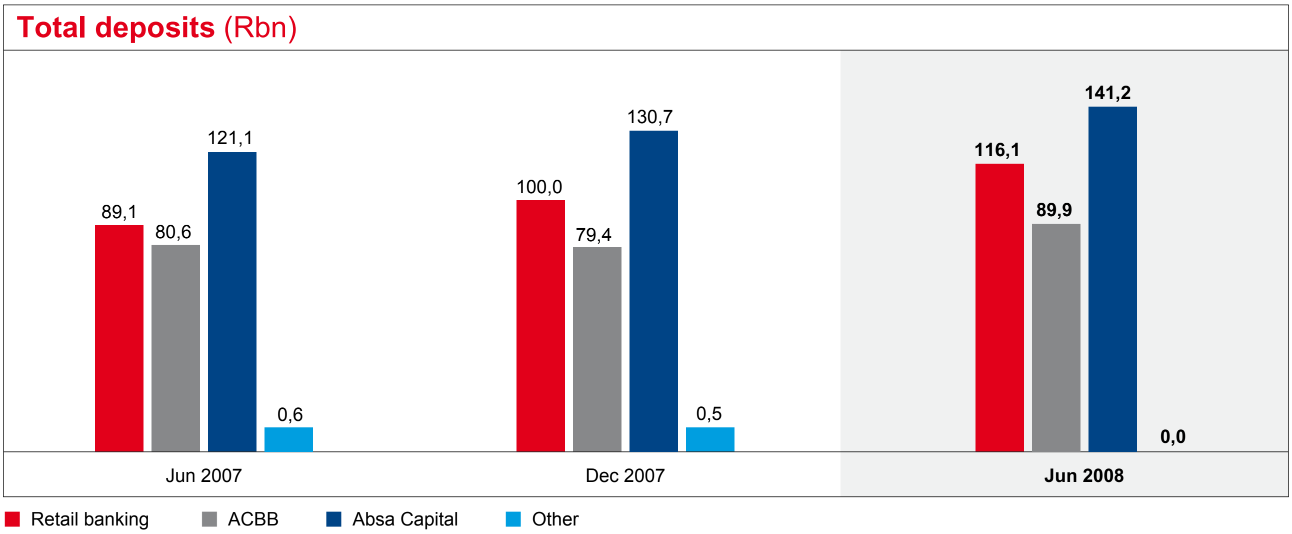


**Owing to the early results announcement, the market share information for June 2008 was not available for publication.*
***Securitisation of **R2,9 billion – 0,3%** of market share (December 2007: R1,6 billion – 0,2% of market share) has been excluded from the Absa mortgage loan book.*
****Securitisation of **R4,2 billion – 1,7%** of market share (December 2007: R5,8 billion – 2,5% of market share) has been excluded from the Absa instalment finance book.*

Performance:

The Group retained market share in credit cards, but gained market share in instalment finance and reduced market share marginally in mortgage loans and overdrafts and other loans.

Deposits due to customers



Total funding (%)	June 2008	December 2007	June 2007
Deposits due to customers	**60,7**	59,1	65,3
Retail banking	**20,3**	19,0	20,0
ACBB	**15,7**	15,1	18,1
Absa Capital	**24,7**	24,9	27,1
Other	**0,0**	0,1	0,1
Deposits from banks	**11,2**	11,1	5,4
Debt securities in issue	**28,1**	29,8	29,3
	100,0	100,0	100,0

Performance:

The Group's deposit base was bolstered by strong growth in the Retail banking deposit book, which has shown a 30,3% growth compared to June 2007. Savings accounts continue to be a major draw-card for new customers and the introduction of a new savings product to compete with money market unit trusts proved popular.

Absa Corporate and Business Bank deposits increased by 11,6%, and, in particular, strong growth in public sector deposits aiding efforts to diversify its deposit base.

Wholesale deposits have shown year-on-year growth of 16,6%. This represents an improvement on 2007 growth, but the increased reliance on wholesale funding remains.

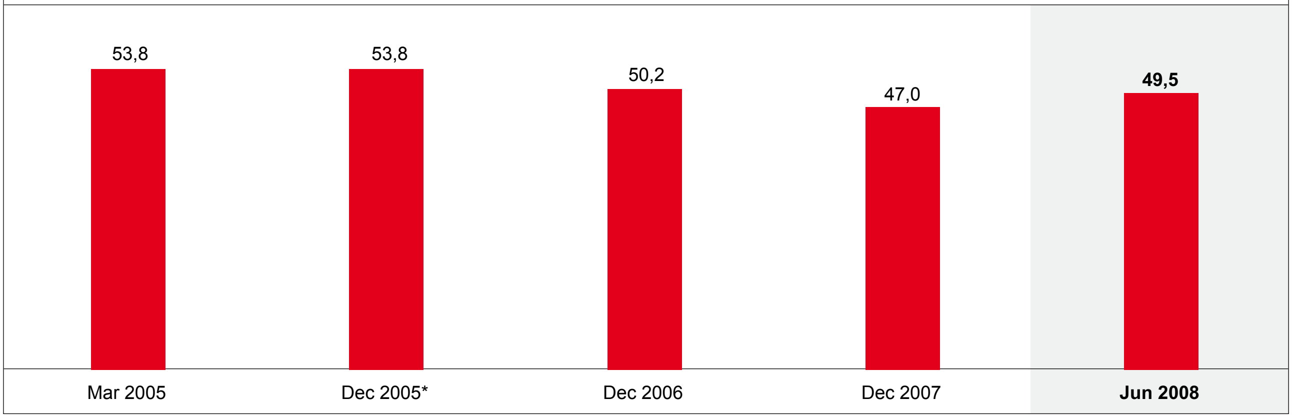
The Group continues to focus on debt securities with a longer tenure to lengthen its funding maturity profile.

The Group gained market share in savings deposits, assisted by a growth in client numbers and innovative new products.

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) (%)



**Pro forma figures (twelve months).*

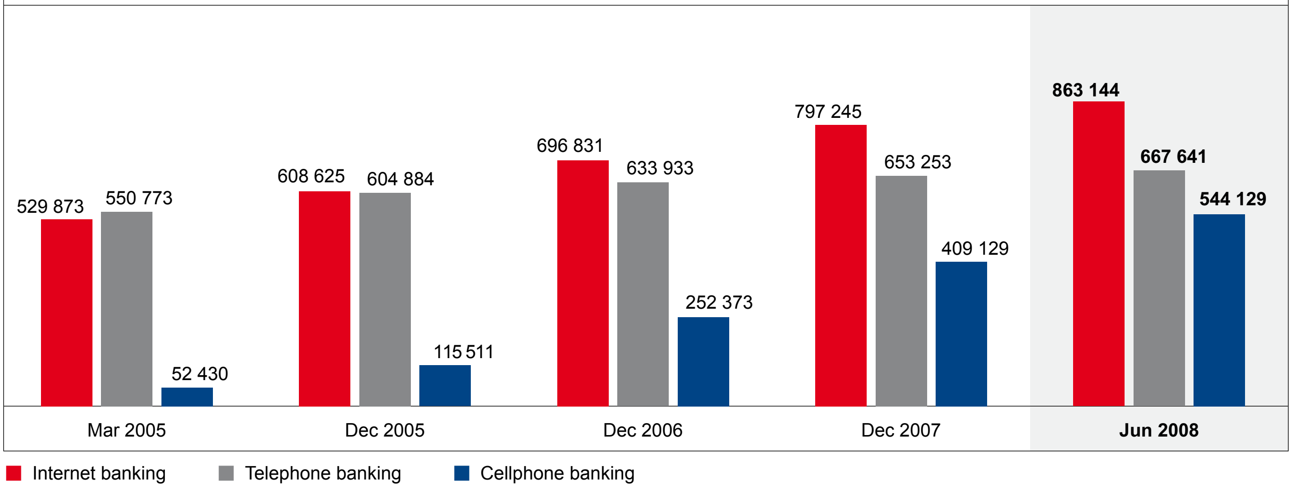
Performance:

Non-interest income increased by 23,5% to R10 030 million. Net fee and commission income, which constitutes approximately 60% of non-interest income, grew by 8,5% to R6 007 million. The growth rate was affected by slowing retail activity and a modest growth in volumes, which was assisted by enhanced cross-selling and an expanded local customer base of 9,4 million customers. Net trading income increased by 65,0% to R886 million following increased client deal flow, broader product offering and more effective risk-taking.

Short-term insurance gross premium income grew by 17,3% and net related claims increased by 22,1%. Long-term insurance gross premium income decreased by 19,7%, due to the switch from single premium to monthly premium credit life business following the introduction of the National Credit Act (NCA). Excluding the NCA-impacted businesses, however, long-term gross premium income grew by 21,3%.

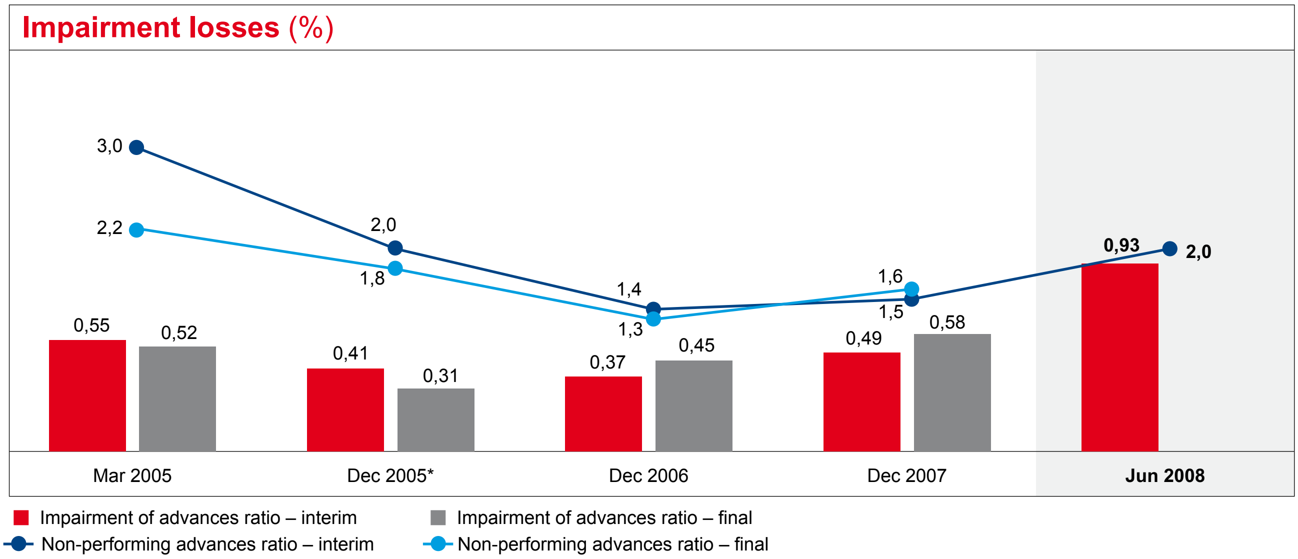
Investment markets remained under pressure during the period under review with related earnings, excluding the Visa one-off profit, decreasing by 20,1%. The value of the ACBB listed commercial property portfolio declined sharply by R259 million and the Bancassurance business was also unable to match the investment performance of the corresponding period.

Internet, telephone and cellphone banking (Customers)



The Group's electronic banking base continues to show growth from a high base. Internet and telephone banking customers increased by 8,3% and 2,2% respectively since 31 December 2007, with cellphone banking increasing by 33,0%.

4. Impairment losses on loans and advances



**Pro forma figures (six and twelve months).*

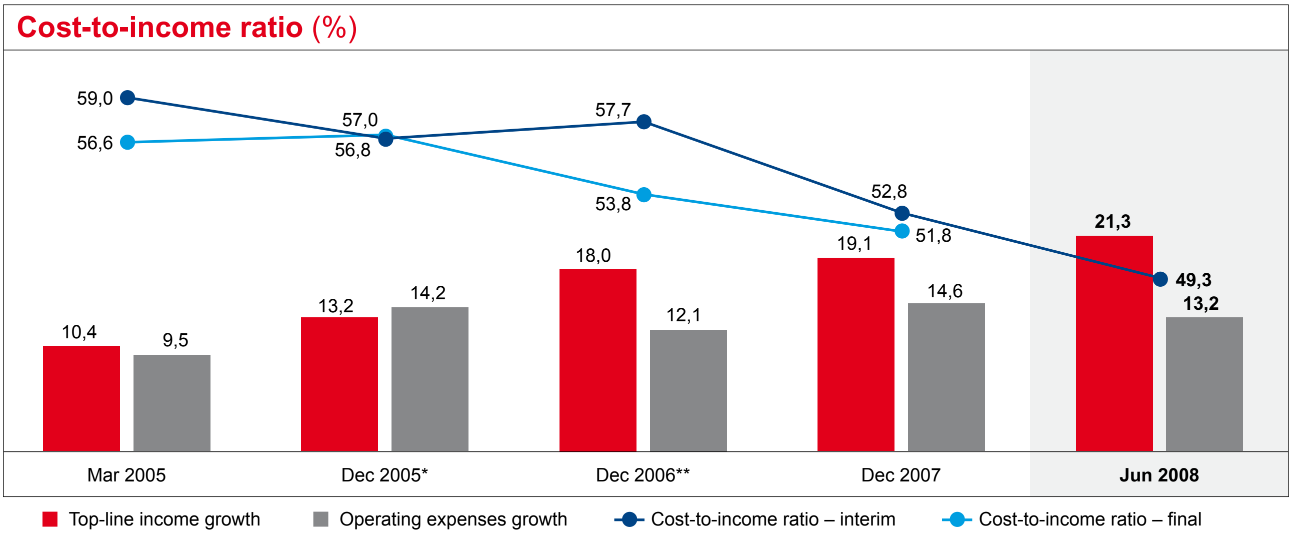
Performance:

Credit impairments, as a percentage of average advances, increased to 0,93% from the 0,49% recorded for the six months to 30 June 2007 and 0,58% as at 31 December 2007. The impairment charge to the income statement increased by 121,1% to R2 178 million.

Retail credit impairments as a percentage of average advances increased to 1,21% from 0,65% in June 2007. Consumer arrears rose sharply due to the increased cost of living and higher interest rates. The credit quality of the corporate sector remained sound. However, indications are emerging that consumer pressure is impacting some commercial sectors and small and medium businesses. Impairment charges relating to investment banking were negligible.

5. Operating expenses

Objective: Drive down the cost-to-income ratio towards 50%.



**Pro forma figures (twelve months).*

***Growth calculated on December 2005 figures (pro forma twelve months) (reclassified for IFRS 7 for comparability).*

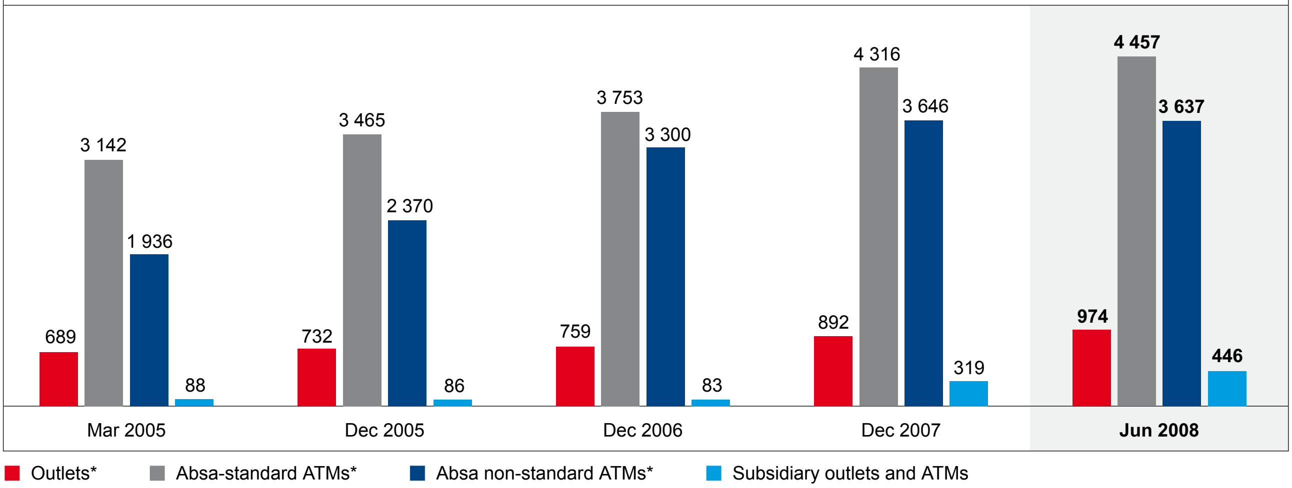
Performance:

Operating expenses increased by 13,2% to R9 985 million during the period. This is attributed principally to the growth in staff costs, cost of premises, professional fees and transportation costs. Staff numbers increased largely as a result of increasing the capacity of the collections department and the continued expansion of the retail delivery footprint in both South Africa and Africa.

The Group achieved revenue growth of 21,3%, assisted by the profit on the Visa IPO, which exceeded growth in operating expenses and resulted in the cost-to-income ratio improving from 52,8% to 49,3% (excluding Visa 51,2%).

Retail trading conditions deteriorated to a greater extent than previously anticipated and a number of actions to improve efficiency were taken in the first six months of the current year. These measures include a reduction in the roll-out of new branches, deferring certain internal projects and a reduction of discretionary spend, particularly within the retail business and head office support services. These measures will continue in the second half of 2008, but will not impact on any of the Group's long-term strategic initiatives and will support the objective of improving operational efficiency.

Delivery footprint (Quantity)

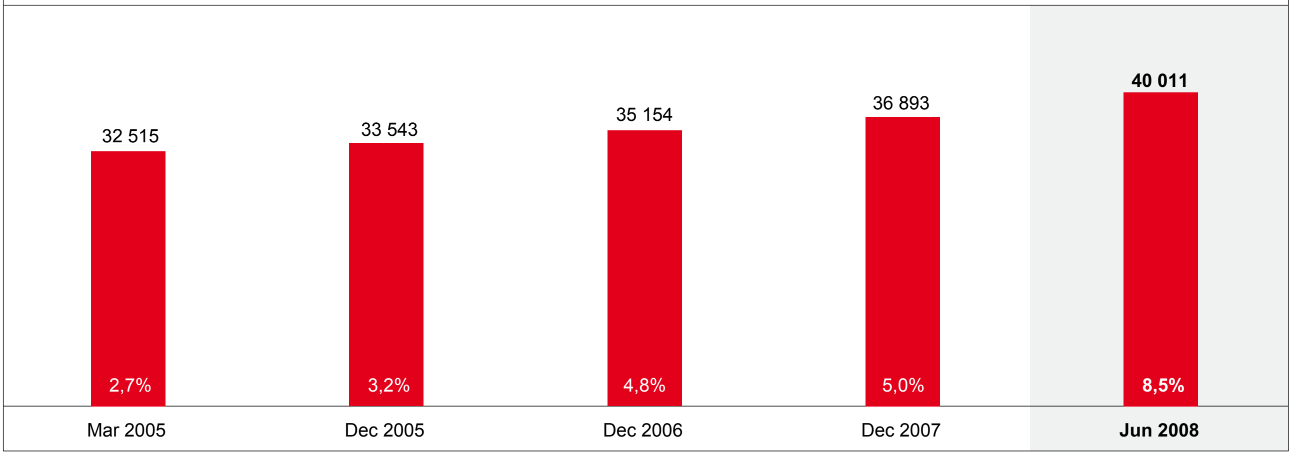


**South Africa.*

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.

ATMs	June 2008	December 2007
Absa-standard	**4 457**	4 316
Branch ATMs	**1 860**	1 790
Remote ATMs	**2 013**	2 005
Corporate ATMs	**18**	20
Franchise ATMs	**261**	232
Self service kioks	**303**	269
Cash acceptor	**2**	—
Absa non-standard	**3 637**	3 646
	8 094	7 962

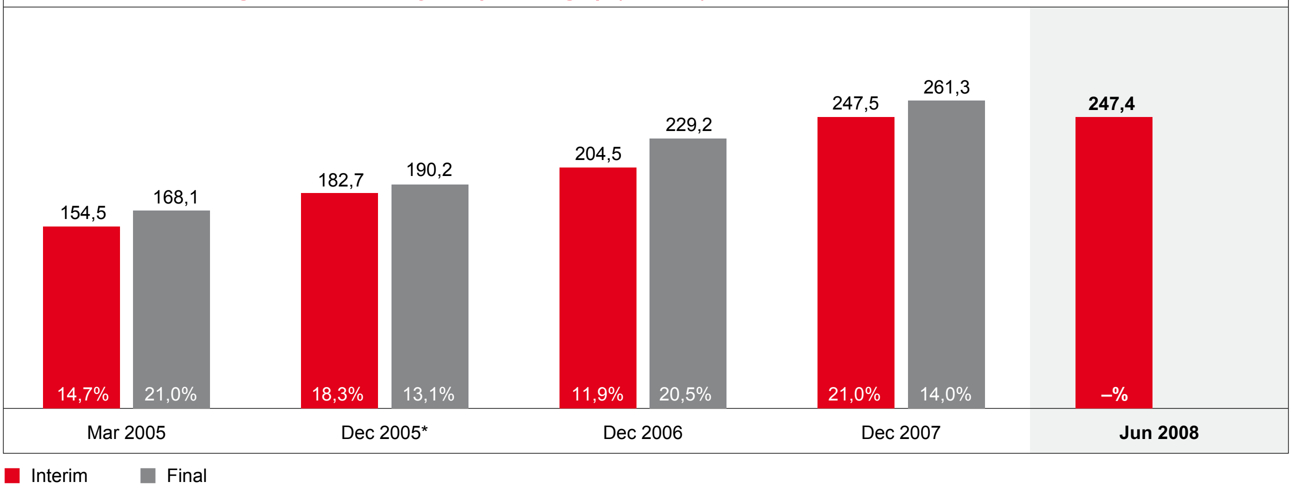
Employee complement* (Employees)



**The employee complement figures exclude contract workers.*

Staff and related costs grew by 13,0% (compared to June 2007) and represent 54,7% of the cost base. The key drivers of this increase included headcount growth to support expansion in South Africa and Africa, service initiatives and compliance requirements. The increase is also as a result of an increase in the collections capacity to ensure the Group is positioned to deal with the current credit environment, especially in the retail environment.

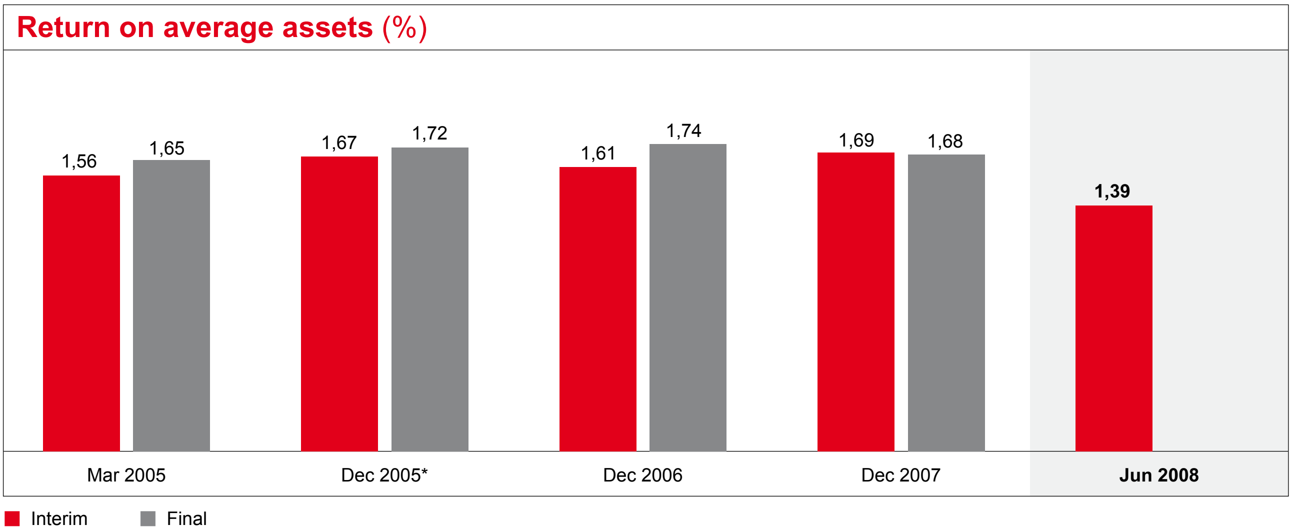
Headline earnings per employee (average) (R'000)



**Pro forma figures (six and twelve months).*

6. Return on average assets

Objective: Maintain an RoA of 1,5%.



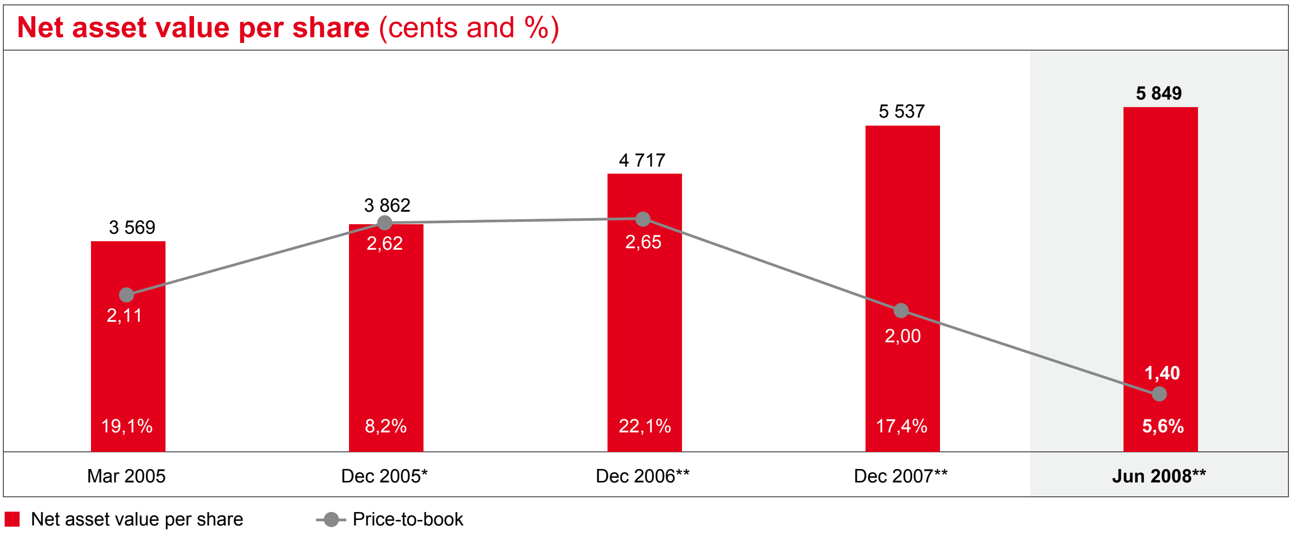
**Pro forma figures (six and twelve months).*

Performance:

The return on average assets (RoA) decreased from 1,69% to 1,39%, compared to 30 June 2007. The lower RoA is primarily related to Bancassurance and Retail, primarily as a result of the higher credit impairments.

The Group's asset base as at 30 June 2008 increased by 33,2% to R737,6 billion. This increase is attributed largely to loans and advances to banks, loans and advances to customers, and the growth in trading and derivative assets. Interest-bearing assets increased by 19,7% and comprise 74,3% of total assets.

7. Net asset value



**Pro forma figures (twelve months).*

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

Performance:

Net asset value increased by 5,6% to 5 849 cents per share compared to December 2007.

Capital to risk-weighted assets

The objective of the Group is to maintain a AAA long-term national credit rating. This was achieved over the period with Fitch Rating Agency and Moody's affirming their respective AAA (zaf) and Aaa.za ratings.

The Group and Absa Bank are capitalised above the board target ratios for Tier I capital of 8,75% and total capital of 12,0%. At 30 June 2008, the capital levels of the Group were 11,4% (Basel II 31 December 2007: 10,4%) at Tier I level and total capital of 13,9% (Basel II 31 December 2007: 12,7%). At the same time, Absa Bank's Tier I ratio stood at 10,6% and its total capital level at 13,5%.

While the Group is well capitalised, the market demand for capital instruments issued by banks has been limited due to the deteriorating macro-economic environment and the effects of the international sub-prime crisis. The cost of raising capital has also increased substantially.

The organic growth of the Group will not be constrained by prevailing market conditions as the Group currently generates sufficient capital from its operations to fund its growth. In addition, a substantial inflow of capital is expected to follow the conversion by Batho Bonke of its option-holding preference shares into ordinary shares. The period during which this conversion may be executed, expires in July 2009. It is unlikely that this conversion will occur during the remainder of the current financial year.

During the period under review, Absa Bank issued inflation-linked bonds valued at R1,5 billion (an additional R0,4 billion was issued in July 2008) at spreads of between 97 and 120 basis points above the three-month JIBAR rate. These bonds qualify as Tier II capital.

Capital management

Introduction

Absa Group Limited (Absa Group or the Group) manages its capital within the minimum regulatory/statutory requirements, economic capital requirements as well as the target levels set by the board of directors. Economic capital is the amount of capital which Absa must hold to protect itself against exceptional losses at a given degree of confidence to maintain the desired credit rating (AA) of the Barclays Group.

Capital management strategy

The capital management strategy is focused on maximising shareholder value through optimising the level and mix of capital resources. Decisions on the allocation of capital resources, conducted as part of the strategic planning review, are based on a number of factors including return on economic and regulatory capital.

Capital management objectives of the Group

- Meet the individual capital ratios required by our regulators plus a prudent buffer set by the Board;
- to maintain an AAA long-term national credit rating and support endeavours of the Barclays Group to maintain a AA credit rating; and
- generate sufficient capital to support asset growth.

Importance of capital management

Capital is managed as a board level priority in Absa which reflects the importance of capital planning. The board is responsible for assessing and approving the Bank's capital management policy, capital target levels, capital strategy and risk based capital allocation in the Group. The capital ratios, together with the short term and medium term capital plans, are disclosed as a minimum on a quarterly basis to the Bank's board.

Absa Group's cost of equity

The Group's average cost of equity for the period ended 30 June 2008 was 15,0%. The cost of equity is based on the capital asset pricing model. The Group has achieved its objective of achieving a return of at least 5% above the cost of equity.

The securitisation of Absa Bank's home loans and vehicle finance receivables of R2,9 billion and R4,2 billion respectively assisted in the Group's management of risk weighted assets.

Credit ratings

	Moody's November 2007	Fitch ratings July 2008	
	Absa Bank	Absa Bank	Absa Group
National			
Short-term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	Aaa.za	AAA (zaf)	AAA (zaf)
Outlook	Stable	Stable	Stable
Local currency			
Short-term	Prime-1	—	—
Long-term	Aa2	A	A
Outlook	Stable	Stable	Stable
Foreign currency			
Short-term	Prime-2	F1	F1
Long-term	Baa1	A	A
Outlook	Positive	Stable	Stable
Bank financial strength	C	—	—
Outlook	Stable	—	—
Individual	—	B/C	B/C
Support	—	1	1

Changes in ratings over the year

Fitch

Fitch changed the long-term local currency rating of Absa Group and Bank from A+ to A an the outlook from negative to stable during 2008. This was due to a revision on the outlook of Barclays, subsequent to its Quarter 1 2008 trading update.

Basel II

The implementation of Basel II on 1 January 2008 has provided the Group with an internationally recognised framework that incorporates best practice in risk and capital management. The additional emphasis that this implementation has added to the business is recognised and embraced. The Group has invested substantial resources in developing the necessary systems and processes to support the Basel II framework and related risk management processes.

The conversion from Basel I to Basel II has resulted in a slightly increased capital adequacy ratio for Absa Bank and a slightly reduced capital adequacy ratio for Absa Group. The Group is satisfied with the conversion process and the embedding of the Basel II processes in the business as usual activities.

GROUP PERFORMANCE

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Group balance sheet

	Note	30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
Assets					
Cash, cash balances and balances with central banks		**22 446**	17 191	30,6	20 629
Statutory liquid asset portfolio		**27 978**	20 848	34,2	22 957
Loans and advances to banks		**61 859**	18 737	>100,0	54 025
Trading assets		**62 191**	17 902	>100,0	25 824
Hedging assets		**2 032**	796	>100,0	725
Other assets		**37 066**	30 377	22,0	24 303
Current tax assets		**543**	34	>100,0	185
Non-current assets classified as held-for-sale	1	**2 254**	—	100,0	—
Loans and advances to customers	2	**489 319**	414 906	17,9	455 958
Reinsurance assets		**714**	399	78,9	485
Deferred tax assets		**137**	121	13,2	111
Investments		**23 742**	27 336	(13,1)	29 327
Investments in associated undertakings and joint venture companies	3	**1 695**	849	99,6	1 469
Intangible assets		**331**	328	0,9	301
Property and equipment		**5 270**	4 069	29,5	4 610
Total assets		**737 577**	553 893	33,2	640 909
Liabilities					
Deposits from banks		**64 259**	24 107	>100,0	58 033
Trading liabilities		**64 256**	24 112	>100,0	34 919
Hedging liabilities		**4 815**	2 994	60,8	2 226
Other liabilities and sundry provisions		**26 220**	19 614	33,7	12 301
Current tax liabilities		**85**	366	(76,8)	183
Deposits due to customers	4	**347 207**	291 306	19,2	310 512
Debt securities in issue	5	**160 718**	130 575	23,1	156 424
Deferred tax liabilities		**1 864**	2 229	(16,4)	2 576
Liabilities under investment contracts		**9 183**	6 712	36,8	7 908
Policyholder liabilities under insurance contracts		**3 070**	3 271	(6,1)	3 318
Borrowed funds	6	**11 087**	9 946	11,5	9 949
Total liabilities		**692 764**	515 232	34,5	598 349
Equity					
Capital and reserves					
Attributable to ordinary equity holders of the Group:					
Share capital		**1 353**	1 342	0,8	1 350
Share premium		**2 356**	2 058	14,5	2 292
Other reserves		**(951)**	462	>(100,0)	406
Retained earnings		**37 022**	30 020	23,3	33 527
		39 780	33 882	17,4	37 575
Minority interest – ordinary shares		**389**	274	42,0	341
Minority interest – preference shares		**4 644**	4 505	3,1	4 644
Total equity		**44 813**	38 661	15,9	42 560
Total equity and liabilities		**737 577**	553 893	33,2	640 909
Contingent liabilities – banking related		**53 215**	54 320	(2,0)	53 197

IAS 39: Balance sheet classification

	30 June 2008 Assets Rm	**30 June 2008** Liabilities and equity Rm	30 June 2007 Assets Rm	30 June 2007 Liabilities and equity Rm
Fair value	**150 059**	**99 046**	82 167	53 872
Held for trading	**62 191**	**64 256**	17 902	24 112
• Trading assets designated as trading	**62 191**	**—**	17 902	—
• Trading liabilities designated as trading	**—**	**64 256**	—	24 112
Fair value through profit and loss	**62 701**	**29 019**	42 819	25 125
• Cash, cash balances and balances with central banks	**4 826**	**—**	2 660	—
• Statutory liquid asset portfolio	**6 786**	**—**	486	—
• Loans and advances to banks	**15 753**	**—**	—	—
• Hedging assets	**2 032**	**—**	796	—
• Loans and advances to customers	**12 416**	**—**	12 332	—
• Investments	**20 888**	**—**	26 545	—
• Deposits from banks	**—**	**—**	—	—
• Hedging liabilities	**—**	**4 815**	—	2 994
• Other liabilities and sundry provisions	**—**	**—**	—	—
• Deposits due to customers	**—**	**6 362**	—	2 337
• Debt securities in issue	**—**	**7 134**	—	13 082
• Liabilities under investment contracts	**—**	**9 183**	—	6 712
• Borrowed funds	**—**	**1 525**	—	—
Available-for-sale	**25 167**	**5 771**	21 446	4 635
• Cash, cash balances and balances with central banks	**999**	**—**	648	—
• Loans and advances to customers	**628**	**—**	—	—
• Statutory liquid asset portfolio	**12 684**	**—**	10 217	—
• Statutory liquid asset portfolio – hedging relationship	**8 492**	**—**	10 145	—
• Investments	**2 364**	**—**	436	—
• Borrowed funds – hedging relationship	**—**	**5 771**	—	4 635
Amortised cost	**587 518**	**593 718**	471 726	461 360
Loans and receivables	**522 380**	**—**	421 311	—
Held to maturity	**1 370**	**—**	1 138	—
Amortised cost assets and liabilities	**51 318**	**572 796**	42 542	453 549
Non-financial assets and liabilities	**12 450**	**20 922**	6 735	7 811
Total equity	**—**	**44 813**	—	38 661
	737 577	**737 577**	553 893	553 893

Group income statement

	Note	Six months ended 30 June 2008 (Unaudited) Rm	Six months ended 30 June 2007 (Unaudited) Rm	Change %	Year ended 31 December 2007 (Audited) Rm
Net interest income		**10 220**	8 574	19,2	18 890
Interest and similar income		**34 832**	24 126	44,4	55 123
Interest expense and similar charges		**(24 612)**	(15 552)	(58,3)	(36 233)
Impairment losses on loans and advances	9	**(2 178)**	(985)	>(100,0)	(2 433)
Net interest income after impairment losses on loans and advances		**8 042**	7 589	6,0	16 457
Net fee and commission income		**6 007**	5 535	8,5	11 600
Fee and commission income	10.1	**6 707**	6 183	8,5	12 873
Fee and commission expense	10.2	**(700)**	(648)	(8,0)	(1 273)
Net insurance premium income	10.3	**1 710**	1 653	3,4	3 192
Net insurance claims and benefits paid	10.4	**(914)**	(778)	(17,5)	(1 603)
Changes in insurance and investment liabilities		**244**	(573)	>100,0	(489)
Gains and losses from banking and trading activities	10.5	**1 573**	908	73,2	1 622
Gains and losses from investment activities	10.6	**269**	1 084	(75,2)	1 561
Other operating income	10.7	**1 141**	291	>100,0	845
Operating income before operating expenditure		**18 072**	15 709	15,0	33 185
Operating expenditure		**(10 498)**	(9 296)	(12,9)	(19 209)
Operating expenses	11.1	**(9 985)**	(8 821)	(13,2)	(18 442)
Non-credit related impairments	11.2	**(0)**	(28)	99,9	(58)
Indirect taxation		**(513)**	(447)	(14,8)	(709)
Share of retained earnings from associated undertakings and joint venture companies		**42**	16	>100,0	91
Operating profit before income tax		**7 616**	6 429	18,5	14 067
Taxation expense		**(1 994)**	(1 900)	(4,9)	(4 042)
Profit for the period/year		**5 622**	4 529	24,1	10 025
Attributable to:					
Ordinary equity holders of the Group		**5 335**	4 363	22,3	9 595
Minority interest – ordinary shares		**67**	52	(28,8)	117
Minority interest – preference shares		**220**	114	(93,0)	313
		5 622	4 529	24,1	10 025
> basic earnings per share (cents per share)		**789,7**	651,0	21,4	1 428,9
> diluted earnings per share (cents per share)	13	**751,1**	610,0	23,1	1 341,4
Headline earnings	12	**4 731**	4 365	8,4	9 413
> headline earnings per share (cents per share)		**700,3**	651,3	7,5	1 401,9
> diluted headline earnings per share (cents per share)		**666,2**	610,2	9,2	1 316,1

Group income statement – banking and insurance activities

	Six months ended 30 June 2008 (Unaudited) Rm	Six months ended 30 June 2007 (Unaudited) Rm	Change %	Year ended 31 December 2007 (Audited) Rm
Income from banking and other activities	**18 547**	15 051	23,2	32 415
Net interest income	**10 220**	8 574	19,2	18 890
Interest and similar income	**34 832**	24 126	44,4	55 123
Interest expense and similar charges	**(24 612)**	(15 552)	(58,3)	(36 233)
Non-interest income	**8 327**	6 478	28,5	13 525
Net fee and commission income	**5 627**	5 195	8,3	10 910
Gains and losses from banking and trading activities	**1 573**	908	73,2	1 622
Other income	**1 127**	375	>100,0	993
Income from bancassurance activities	**2 290**	3 019	(24,1)	5 275
Net insurance premium income	**1 710**	1 653	3,4	3 192
Net investment gains from insurance activities	**200**	1 026	(80,5)	1 393
Net fee and commission income	**380**	340	11,8	690
Total operating income	**20 837**	18 071	15,3	37 690
Impairment losses on loans and advances	**(2 178)**	(985)	>(100,0)	(2 433)
Benefits due to policyholders	**(587)**	(1 377)	57,4	(2 073)
Net insurance claims and benefits paid	**(914)**	(778)	(17,5)	(1 603)
Changes in insurance and investment liabilities				
Insurance contracts	**224**	(110)	>100,0	45
Investment contracts	**20**	(463)	>100,0	(534)
Other income	**83**	(26)	>100,0	19
Income after impairment losses and policyholders' benefits	**18 072**	15 709	15,0	33 185
Operating expenditure in banking activities	**(9 791)**	(8 693)	(12,6)	(18 012)
Operating expenses	**(9 301)**	(8 245)	(12,8)	(17 292)
Non-credit related impairments	**(0)**	(28)	99,9	(58)
Indirect taxation	**(490)**	(420)	(16,7)	(662)
Operating expenditure in bancassurance activities	**(707)**	(603)	(17,2)	(1 197)
Operating expenses	**(684)**	(576)	(18,8)	(1 150)
Indirect taxation	**(23)**	(27)	14,8	(47)
Share of retained earnings of associated undertakings and joint venture companies	**42**	16	>100,0	91
Operating profit before income tax	**7 616**	6 429	18,5	14 067
Taxation expense	**(1 994)**	(1 900)	(4,9)	(4 042)
Profit for the period/year	**5 622**	4 529	24,1	10 025
Attributable to:				
Ordinary equity holders of the Group	**5 335**	4 363	22,3	9 595
Minority interest – ordinary shares	**67**	52	(28,8)	117
Minority interest – preference shares	**220**	114	(93,0)	313
	5 622	4 529	24,1	10 025
Headline earnings	**4 731**	4 365	8,4	9 413

Group statement of changes in equity

	30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
Share capital	**1 353**	1 342	0,8	1 350
Opening balance	**1 350**	1 338	0,9	1 338
Shares issued	**3**	6	(50,0)	13
Transfer from share-based payment reserve	**0**	0	—	0
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**(0)**	(0)	—	(0)
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	**(1)**	(2)	50,0	(0)
Elimination of treasury shares held by Absa Life Limited and Absa Fund Managers Limited	**1**	(0)	>100,0	(1)
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**0**	—	100,0	(0)
Share premium	**2 356**	2 058	14,5	2 292
Opening balance	**2 292**	2 067	10,9	2 067
Shares issued	**63**	103	(38,8)	345
Transfer from share-based payment reserve	**14**	21	(33,3)	93
Share buy-back in respect of Absa Group Limited Share Incentive Trust	**(21)**	(82)	74,4	(130)
Elimination of treasury shares held by Absa Group Limited Share Incentive Trust	**(26)**	(34)	23,5	(5)
Elimination of treasury shares held by Absa Life Limited and Absa Fund Managers Limited	**29**	(17)	>100,0	(73)
Elimination of treasury shares held by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**5**	—	100,0	(5)
Other reserves	**(951)**	462	>(100,0)	406
Opening balance	**406**	412	(1,5)	412
Movement in foreign currency translation reserve	**353**	(4)	>100,0	(60)
Movement in regulatory general credit risk reserve	**(370)**	402	>(100,0)	435
Movement in available-for-sale reserve	**(8)**	16	>(100,0)	60
Movement in cash flow hedges reserve	**(1 409)**	(436)	>(100,0)	(540)
Movement in insurance contingency reserve	**14**	21	(33,3)	20
Movement in associated undertakings and joint venture companies' retained earnings reserve	**42**	16	>100,0	91
Disposal of associated undertakings and joint venture companies – release of reserves	**(16)**	—	(100,0)	—
Share-based payments for the period/year	**52**	57	(8,8)	82
Transfer from share-based payment reserve	**(15)**	(22)	31,8	(94)

	30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
Retained earnings	**37 022**	30 020	23,3	33 527
Opening balance	**33 527**	27 876	20,3	27 876
Subsidiary step-up acquisitions	**—**	—	—	2
Transfer to regulatory general credit risk reserve	**370**	(402)	>100,0	(435)
Transfer to insurance contingency reserve	**(14)**	(21)	33,3	(20)
Transfer to associated undertakings and joint venture companies' retained earnings reserve	**(42)**	(16)	>(100,0)	(91)
Disposal of associated undertakings and joint venture companies – release of reserves	**16**	—	100,0	—
Transfer from share-based payment reserve	**1**	1	—	1
Profit attributable to ordinary equity holders	**5 335**	4 363	22,3	9 595
Dividends paid during the period/year	**(2 171)**	(1 781)	(21,9)	(3 401)
	39 780	33 882	17,4	37 575
Minority interest – ordinary shares	**389**	274	42,0	341
Opening balance	**341**	236	44,5	236
Acquisition of subsidiary	**30**	—	100,0	—
Other reserve movements	**(49)**	(14)	>(100,0)	(12)
Minority share of profit	**67**	52	28,8	117
Minority interest – preference shares	**4 644**	4 505	3,1	4 644
Opening balance	**4 644**	2 992	55,2	2 992
Shares issued	**—**	1 518	(100,0)	1 658
Costs incurred	**—**	(5)	100,0	(6)
Profit attributable to preference equity holders	**220**	114	93,0	313
Preference dividends paid during the period/year	**(220)**	(114)	(93,0)	(313)
Total equity	**44 813**	38 661	15,9	42 560

Group cash flow statement

	Notes	Six months ended 30 June 2008 (Unaudited) Rm	Six months ended 30 June 2007 (Unaudited) Rm	Change %	Year ended 31 December 2007 (Audited) Rm
Net cash (utilised)/generated from operating activities		**(3 033)**	(1 422)	>(100,0)	6 995
Net cash generated/(utilised) from investing activities		**1 964**	(772)	>100,0	(4 995)
Net cash (utilised)/generated from financing activities		**(813)**	1 317	>(100,0)	(193)
Net (decrease)/increase in cash and cash equivalents		**(1 882)**	(877)	>(100,0)	1 807
Cash and cash equivalents at the beginning of the period/year	1	**6 596**	4 787	37,8	4 787
Effect of exchange rate movement on cash and cash equivalents		**(4)**	1	>(100,0)	2
Cash and cash equivalents at the end of the period/year	2	**4 710**	3 911	20,4	6 596
Notes to the cash flow statement					
1. Cash and cash equivalents at the beginning of the period/year					
Cash, cash balances and balances with central banks		**5 091**	3 936	29,3	3 936
Loans and advances to banks		**1 505**	851	76,9	851
		6 596	4 787	37,8	4 787
2. Cash and cash equivalents at the end of the period/year					
Cash, cash balances and balances with central banks		**3 251**	2 688	20,9	5 091
Loans and advances to banks		**1 459**	1 223	19,3	1 505
		4 710	3 911	20,4	6 596

Notes to the financial statements

	30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
1. Non-current assets classified as held-for-sale				
The non-current assets held-for-sale consist of listed and unlisted investments in the existing private equity business, these assets are in the process of being sold to a newly established semi-captive private equity fund under the management of the existing Private Equity team.				
These assets will be derecognised from the Group's balance sheet once sold.				
2. Loans and advances to customers				
Total retail advances				
Cheque accounts	**7 551**	5 723	31,9	6 548
Credit card accounts	**14 456**	13 095	10,4	13 830
Instalment finance	**48 081**	45 659	5,3	47 159
Loans to associated undertakings and joint venture companies	**5 279**	5 255	0,5	5 195
Mortgages (including commercial property finance)	**244 435**	208 037	17,5	228 339
Personal loans	**10 321**	9 906	4,2	10 072
Microloans	**3 236**	2 427	33,3	2 645
UniFer book	**184**	312	(41,0)	189
New business	**3 052**	2 115	44,3	2 456
Other	**944**	965	(2,1)	1 025
Gross advances	**334 303**	291 067	14,9	314 814
Impairment losses on loans and advances	**(4 626)**	(2 940)	(57,3)	(3 627)
Net advances	**329 677**	288 127	14,4	311 187
Total Absa Corporate and Business Bank (ACBB) advances				
Cheque accounts	**18 731**	13 412	39,7	13 825
Foreign currency loans	**2 574**	1 970	30,7	1 728
Loans to associated undertakings and joint venture companies	**2 588**	2 052	26,1	2 300
Instalment finance	**20 186**	14 823	36,2	16 708
Mortgages (including commercial property finance)	**39 759**	31 212	27,4	36 257
Overnight finance	**4 598**	4 160	10,5	4 568
Preference shares	**1 133**	1 141	(0,7)	1 135
Specialised finance and corporate overdrafts	**10 048**	4 685	>100,0	5 662
Term loans	**9 010**	7 674	17,4	8 101
Other	**2 823**	2 369	19,2	2 649
Gross advances	**111 450**	83 499	33,5	92 933
Impairment losses on loans and advances	**(1 819)**	(1 699)	(7,1)	(1 806)
Net advances	**109 631**	81 800	34,0	91 127

	30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
2. Loans and advances to customers *(continued)*				
Total Absa Capital advances				
Foreign currency loans	**5 152**	3 954	30,3	9 828
Loans granted under resale agreements (Carries) and reverse repurchase agreements	**3 775**	6 048	(37,6)	8 233
Loans to associated undertakings and joint venture companies	**1 393**	1 321	5,5	1 782
Overnight finance	**7 634**	7 177	6,4	8 068
Preference shares	**7 059**	8 651	(18,4)	8 579
Corporate loans and overdrafts	**16 117**	14 456	11,5	13 901
Other	**8 768**	2 908	>100,0	2 814
Gross advances	**49 898**	44 514	12,1	53 205
Impairment losses on loans and advances	**(179)**	(179)	—	(194)
Net advances	**49 719**	44 335	12,1	53 011
Total other advances				
Foreign currency loans	**138**	109	26,6	82
Preference shares	**138**	188	(26,6)	163
Other	**63**	414	>(100,0)	427
Gross advances	**339**	711	(52,3)	672
Impairment losses on loans and advances	**(47)**	(68)	30,9	(38)
Net advances	**292**	643	(54,6)	634
Total gross advances	**495 990**	419 792	18,2	461 624
Impairment losses on loans and advances	**(6 671)**	(4 886)	(36,5)	(5 666)
Total net advances	**489 319**	414 906	17,9	455 958
3. Investments in associated undertakings and joint venture companies				
FFS Finance South Africa (Proprietary) Limited	**282**	240	17,5	261
MAN Financial Services (S.A.) (Proprietary) Limited	**53**	40	32,5	46
Commercial property finance related (ACBB)				
Listed investment	**640**	222	>100,0	594
Unlisted investments	**649**	248	>100,0	465
Other	**71**	99	(28,3)	103
	1 695	849	99,6	1 469

	30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
4. Deposits due to customers				
Total retail deposits				
Call	**2 852**	2 738	4,2	2 683
Cheque accounts	**28 347**	25 050	13,2	26 327
Credit card accounts	**1 983**	2 156	(8,0)	2 173
Fixed	**28 775**	21 590	33,3	25 187
Investment products	**14 176**	2 459	>100,0	6 300
Notice	**6 703**	6 483	3,4	6 420
Savings and transmission	**32 410**	27 335	18,6	29 425
Other	**835**	1 286	(35,1)	1 487
Total deposits	**116 081**	89 097	30,3	100 002
Total Absa Corporate and Business Bank (ACBB) deposits				
Call	**11 228**	9 886	13,6	9 719
Cheque accounts	**45 493**	39 984	13,8	39 437
Fixed	**27 428**	24 628	11,4	24 759
Foreign currency	**2 422**	3 297	(26,5)	2 739
Other	**3 322**	2 788	19,2	2 716
Total deposits	**89 893**	80 583	11,6	79 370
Total Absa Capital deposits				
Fixed	**58 487**	52 226	12,0	52 461
Cheque accounts	**30 787**	25 961	18,6	31 197
Call	**38 046**	26 187	45,3	33 352
Foreign currency	**5 068**	10 469	(51,6)	6 049
Repurchase agreements	**733**	2 164	(66,1)	1 115
Other	**8 047**	4 064	98,0	6 489
Total deposits	**141 168**	121 071	16,6	130 663
Total Other deposits				
Fixed	**—**	23	(100,0)	—
Foreign currency	**9**	32	(71,9)	8
Other	**56**	500	(88,8)	469
Total deposits	**65**	555	(88,3)	477
Total deposits	**347 207**	291 306	19,2	310 512

	30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
5. Debt securities in issue				
Abacas – Commercial paper and floating rate notes issued	**10 152**	13 082	(22,4)	12 416
Floating rate notes	**52 307**	26 102	>100,0	35 949
Liabilities arising from securitised Special Purpose Entities	**8 271**	5 469	51,2	9 985
Negotiable certificates of deposit	**60 916**	69 667	(12,6)	75 925
Promissory notes	**4 931**	11 913	(58,6)	7 210
Other debt securities in issue	**24 141**	4 342	>100,0	14 939
	160 718	130 575	23,1	156 424
6. Borrowed funds				
Subordinated callable notes				
14,25% (AB02)	**3 100**	3 100	—	3 100
10,75% (AB03)	**1 100**	1 100	—	1 100
3-month JIBAR + 0,75% (AB04)	**400**	400	—	400
8,75% (AB05)	**1 500**	1 500	—	1 500
8,10% (AB06)	**2 000**	2 000	—	2 000
8,80% (AB07)	**1 725**	1 725	—	1 725
3-month JIBAR + 0,97% (6,25% Nacs)	**890**	—	100,0	
3-month JIBAR + 0,97% (6,25% Nacs)	**104**	—	100,0	—
3-month JIBAR + 0,97% (3,97% Nacs)	**86**	—	100,0	—
3-month JIBAR + 1,20% (6,25% Nacs)	**266**	—	100,0	—
3-month JIBAR + 1,00% (6,25% Nacs)	**179**	—	100,0	—
Accrued interest	**328**	299	9,7	297
Fair value adjustment*	**(743)**	(328)	>(100,0)	(326)
Redeemable cumulative option-holding preference shares	**152**	150	1,3	153
Shares issued	**158**	158	—	158
Elimination of Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(4)**	(12)	66,7	(5)
Redemption of preference shares by Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(8)**	—	(100,0)	(7)
Accrued dividend	**6**	4	50,0	7
	11 087	9 946	11,5	9 949

**The fair value adjustment relates to subordinated callable loans designated as hedged items in a hedging relationship.*

	30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
7. Managed funds				
Estates	**2 931**	2 510	16,8	2 850
Portfolio management	**6 457**	5 831	10,7	5 571
Trusts	**5 883**	5 283	11,4	5 719
Participation bond schemes	**1 840**	1 638	12,3	1 675
Unit trusts	**67 360**	66 103	1,9	68 130
Linked investments	**23 956**	20 948	14,4	22 805
Other	**13 277**	16 523	(19,6)	14 800
	121 704	118 836	2,4	121 550
8. Commitments				
Authorised capital expenditure				
Contracted but not provided for	**1 368**	140	>100,0	135

	Six months ended 30 June 2008 (Unaudited) Rm	30 June 2007 (Unaudited) Rm	Change %	31 December 2007 (Audited) Rm
9. Impairment losses on loans and advances				
Loans and advances to customers	**2 344**	1 191	(96,8)	2 851
Less: recoveries of impairment of advances	**(166)**	(206)	(19,4)	(418)
	2 178	985	>(100,0)	2 433
Credit impairments per segment				
Retail banking				
Absa Wealth	**14**	18	22,2	27
Retail Bank	**478**	267	(79,0)	641
Absa Home Loans	**852**	171	>(100,0)	493
Absa Card	**267**	152	(75,7)	382
Absa Vehicle and Asset Finance	**405**	271	(49,4)	590
Total charge	**2 016**	879	>(100,0)	2 133
Impairment losses ratio	**1,21**	0,65		0,74
Absa Corporate and Business Bank (ACBB)				
Total charge	**175**	106	(65,1)	299
Impairment losses ratio	**0,35**	0,28		0,35
Absa Capital				
Total charge	**(10)**	1	>100,0	1
Impairment losses ratio	**(0,04)**	0,00		0,00
Bancassurance and other				
Total charge	**(3)**	(1)	>100,0	—
Impairment losses ratio	**n/a**	n/a		n/a
Total charge to the income statement	**2 178**	985	>(100,0)	2 433
Accumulated impairments				
Identified impairments	**4 511**	2 997	(50,5)	3 656
Identified	**4 063**	2 781	(46,1)	3 320
Net present value adjustment	**448**	216	>(100,0)	336
Unidentified impairments	**2 160**	1 889	(14,3)	2 010
	6 671	4 886	(36,5)	5 666

	Outstanding balance Rm	Fair value of collateral Rm	Net exposure Rm	Specific impairment Rm	Expected recoveries Rm
Non-performing advances at 30 June 2008					
Absa Home Loans	**5 550**	**4 524**	**1 026**	**1 026**	**—**
Absa Vehicle and Asset Finance	**879**	**369**	**510**	**510**	**—**
Absa Card	**1 133**	**—**	**1 133**	**793**	**340**
Other	**1 506**	**698**	**808**	**723**	**85**
Retail banking	**9 068**	**5 591**	**3 477**	**3 052**	**425**
Absa Corporate and Business Bank	**886**	**466**	**420**	**373**	**47**
Absa Capital	**14**	**—**	**14**	**6**	**8**
	9 968	**6 057**	**3 911**	**3 431**	**480**
Non-performing advances as % of loans and advances to customers	**2,0**				
Non-performing advances at 30 June 2007	6 284	4 041	2 243	1 989	254
Non-performing advances as % of loans and advances to customers	1,5				
Non-performing advances at 31 December 2007	7 311	4 665	2 646	2 282	364
Non-performing advances as % of loans and advances to customers	1,6				

	Six months ended 30 June 2008 (Unaudited) Rm	Six months ended 30 June 2007 (Unaudited) Rm	Change %	Year ended 31 December 2007 (Audited) Rm
10. Non-interest income				
10.1 Fee and commission income				
Credit-related fees and commissions	**5 020**	4 492	11,8	9 590
Cheque accounts	**1 451**	1 230	18,0	2 575
Credit card accounts	**752**	792	(5,1)	1 551
Early redemption penalty income	**95**	123	(22,8)	196
Electronic banking	**1 380**	1 226	12,6	2 657
Foreign exchange fees and commissions	**147**	124	18,5	285
Savings accounts	**1 009**	849	18,8	1 801
Other	**186**	148	25,7	525
Project finance fees	**167**	212	(21,2)	513
External administration fees	**168**	190	(11,6)	217
Commission received	**590**	563	4,8	1 020
Pension fund payment services	**233**	216	7,9	455
Portfolio and other management fees	**116**	113	2,7	255
Trust and estate income	**120**	111	8,1	228
Unit and property trust income	**132**	178	(25,8)	310
Consulting and actuarial fees	**101**	79	27,8	162
Other	**60**	29	>100,0	123
	6 707	6 183	8,5	12 873
10.2 Fee and commission expense				
Cheque processing fees	**(84)**	(73)	(15,1)	(147)
Debt collecting fees	**(43)**	(61)	29,5	(121)
Insurance commission paid	**(386)**	(350)	(10,3)	(671)
Transaction based legal fees	**(45)**	(50)	10,0	(101)
Valuation fees	**(75)**	(66)	(13,6)	(130)
Other fee and commission expenses	**(67)**	(48)	(39,6)	(103)
	(700)	(648)	(8,0)	(1 273)
10.3 Net insurance premium income				
Insurance premium revenue	**1 903**	1 795	6,0	3 531
Premiums ceded to reinsurers	**(193)**	(142)	(35,9)	(339)
	1 710	1 653	3,4	3 192
10.4 Net insurance claims and benefits paid				
Gross claims and benefits paid on insurance contracts	**(955)**	(836)	(14,2)	(1 847)
Reinsurance recoveries	**41**	58	29,3	244
	(914)	(778)	(17,5)	(1 603)
Changes in insurance and investment liabilities	**244**	(573)	>100,0	(489)

	Six months ended 30 June 2008 (Unaudited) Rm	Six months ended 30 June 2007 (Unaudited) Rm	Change %	Year ended 31 December 2007 (Audited) Rm
10. Non-interest income *(continued)*				
10.5 Gains and losses from banking and trading activities				
Net gains on investments	**437**	417	4,8	858
Fair value through profit and loss	**431**	415	3,9	856
Available-for-sale	**—**	2	(100,0)	—
Loss on disposal of and dividend income from associated undertakings and joint venture companies	**6**	—	100,0	2
Net trading income*	**886**	537	65,0	1 097
Economic hedges	**259**	(139)	>100,0	(385)
Other (including ineffective hedges)	**(9)**	93	>(100,0)	52
	1 573	908	73,2	1 622
**Refer to page 54 for definition of net trading income.*				
10.6 Gains and losses from investment activities				
Fair value through profit and loss	**267**	1 057	(74,7)	1 474
Net investment gains from insurance activities	**200**	1 026	(80,5)	1 393
Policyholder – insurance contracts	**7**	166	(95,8)	243
Policyholder – investment contracts	**18**	464	(96,1)	579
Shareholder funds	**175**	396	(55,8)	571
Other investment gains	**67**	31	>100,0	81
Profit on disposal of and dividend income from associated undertakings and joint venture companies	**2**	3	(33.3)	42
Available-for-sale	**—**	10	(100,0)	9
Profit realised on disposal of subsidiary	**—**	14	(100,0)	36
	269	1 084	(75,2)	1 561
10.7 Other operating income				
Exchange differences	**88**	30	>100,0	95
Profit on disposal of intangible assets*	**740**	—	100,0	68
Profit on disposal of property and equipment**	**35**	11	>100,0	80
Property development profit	**41**	47	(12,8)	191
Property rentals	**75**	64	17,2	94
Sundry income	**162**	139	16,5	317
	1 141	291	>100,0	845
**Profit of R740 million on derecognition of VISA membership in June 2008.*				
***December 2007 includes R60 million profit on sale of Diagonal Street (commercial property finance related).*				
Total non-interest income	**10 030**	8 120	23,5	16 728

	Six months ended 30 June 2008 (Unaudited) Rm	Six months ended 30 June 2007 (Unaudited) Rm	Change %	Year ended 31 December 2007 (Audited) Rm
11. Operating expenditure				
11.1 Operating expenses				
Property and equipment-related				
Accommodation costs	**796**	656	(21,3)	1 416
Amortisation	**55**	20	>(100,0)	85
Depreciation	**418**	386	(8,3)	780
Equipment rentals and maintenance	**132**	123	(7,3)	221
Insurance premiums	**117**	110	(6,4)	239
Professional fees				
Auditors' remuneration	**54**	49	(10,2)	77
Other professional fees	**488**	290	(68,3)	850
Staff-related				
Staff costs	**4 834**	3 949	(22,4)	8 362
Incentive schemes	**628**	884	29,0	1 422
Other				
Cash transportation costs	**196**	162	(21,0)	347
Clearing and bank charges	**59**	56	(5,4)	152
Communication and printing	**512**	452	(13,3)	965
Frauds and losses	**170**	63	>(100,0)	224
Information technology costs	**666**	598	(11,4)	1 140
Marketing and advertising costs	**485**	428	(13,3)	898
Travelling and entertainment	**176**	136	(29,4)	333
Other operating expenses	**199**	159	(25,2)	256
Barclays synergy costs	**—**	300	100,0	675
	9 985	8 821	(13,2)	18 442
11.2 Non-credit related impairments				
Computer software development costs	**—**	28	100,0	21
Repossessed properties	**0**	—	(100,0)	37
	0	28	99,9	58

	Six months ended 30 June 2008 (Unaudited) Rm	Six months ended 30 June 2007 (Unaudited) Rm	Change %	Year ended 31 December 2007 (Audited) Rm
12. Determination of headline earnings				
Headline earnings* is determined as follows:				
Profit attributable to ordinary equity holders of the Group	**5 335**	4 363	22,3	9 595
Adjustments for:				
IAS 16 net profit on disposal of property and equipment	**(25)**	(11)	>(100,0)	(57)
IAS 21 recycled foreign currency translation reserve, disposal of investment in foreign operations	**—**	—	—	(29)
IAS 27 net profit on disposal of subsidiaries	**—**	(10)	100,0	(26)
IAS 28 and 31 net profit on disposal of associated undertakings and joint venture companies	**—**	—	—	(31)
IAS 28 underlying associated undertakings and joint venture companies' earnings	**(11)**	(8)	(37,5)	(45)
IAS 38 profit on disposal and impairment of intangible assets	**(636)**	20	>(100,0)	(43)
IAS 39 release of available-for-sale reserves	**68**	11	>100,0	49
Headline earnings	**4 731**	4 365	8,4	9 413

**The net amount is reflected after taxation and minority interest.*

	Six months ended 30 June 2008 (Unaudited) Rm	Six months ended 30 June 2007 (Unaudited) Rm	Change %	Year ended 31 December 2007 (Audited) Rm
13. Diluted earnings per share				
Profit attributable to ordinary equity holders of the Group	**5 335**	4 363	22,3	9 595
Interest expense on convertible debt (net of tax)	**8**	8	—	15
Diluted earnings	**5 343**	4 371	22,2	9 610
Issued shares at the beginning of the period/year	**678,5**	672,0	1,0	672,0
Effect of shares issued during the period/year	**0,1**	0,5	(80,0)	2,8
Less: treasury shares held by the Absa Group Limited Share Incentive Trust	**(2,5)**	(2,0)	(25,0)	(2,5)
Less: treasury shares held by Absa Life Limited and Absa Fund Managers Limited	**(0,5)**	(0,3)	(66,7)	(0,7)
Less: treasury shares held by the Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust	**(0,0)**	—	(100,0)	(0,1)
Weighted average number of ordinary shares in issue (millions)	**675,6**	670,2	0,8	671,5
Basic earnings per share (cents)	**789,7**	651,0	21,3	1 428,9
Weighted average number of ordinary shares in issue (millions)	**675,6**	670,2	0,8	671,5
Adjustments for:				
options linked to redeemable preference shares (millions)	**31,6**	38,4	(17,7)	36,8
share options (millions)	**4,2**	7,9	(46,8)	8,1
Weighted average diluted number of ordinary shares in issue (millions)	**711,4**	716,5	(0,7)	716,4
Diluted earnings per share (cents)	**751,1**	610,0	23,1	1 341,4

14. Share trusts

Absa Group Limited Share Incentive Trust (Share Incentive Trust)

In terms of the rules of the Share Incentive Trust, the maximum number of shares of the Group that may be issued or transferred and/or in respect of which options may be granted to the participants, shall be limited to shares representing 10% of the total number of issued shares from time to time. This scheme is an equity-settled share-based payment arrangement and options are allocated to Group employees according to the normal human resources talent management processes. The options issued up to August 2005 (issue 192) had no performance criteria linked to them and vested in equal tranches after three, four and five years respectively. No dividends accrue to the option holder over the vesting period. The options expire after a period of ten years from the issuing date. Options issued since August 2005 (issue 193) have vesting performance criteria associated with them, which require headline earnings per share to exceed an agreed benchmark over a three-year period from July 2005 for the options to vest. Participants need to be in the employment of the Group at the vesting date in order to be entitled to the options.

	Number of shares		
	30 June		31 December
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Audited)
Outstanding at the beginning of the period/year	**13 618 314**	18 778 473	18 778 473
Granted during the period/year	**—**	160 000	260 000
	13 618 314	18 938 473	19 038 473
Exercised during the period/year	**(1 377 021)**	(3 071 204)	(4 668 453)
Forfeited during the period/year	**(137 489)**	(460 986)	(751 706)
Outstanding at the end of the period/year	**12 103 804**	15 406 283	13 618 314
Of which are exercisable	**4 727 984**	6 572 083	5 602 545

Details regarding the options granted and still outstanding at 30 June 2008 are as follows:

Expiry date*	Number of options	Average option price R
Year to 31 March 2009	85 896	17,85
Year to 31 March 2010	222 035	27,68
Year to 31 March 2011	249 263	26,51
Year to 31 March 2012	741 113	36,56
Year to 31 March 2013	1 197 040	33,59
Year to 31 March 2014	1 503 582	35,37
Year to 31 March 2015	3 863 624	50,18
Year to 31 December 2015	3 427 751	91,43
Year to 31 December 2016	813 500	105,98
	12 103 804	

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

Batho Bonke Capital (Proprietary) Limited

The Group entered into a black economic empowerment (BEE) transaction with Batho Bonke Capital (Proprietary) Limited in July 2004. As the shares issued in terms of the transaction vested immediately and the issue was before 1 January 2005, the provisions of IFRS 2 were not applicable. No costs will be recognised in the income statement of the Group.

	Number of shares		
	30 June		31 December
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Audited)
Outstanding at the end of the period/year	**73 152 300**	73 152 300	73 152 300
Of which are exercisable	**73 152 300**	—	73 152 300

The options outstanding have an exercise price range of R48,00 to R69,00 and weighted average contractual life of 1,0 years (30 June 2007: 2 years and 31 December 2007: 1,5 years).

Absa Group Limited Employee Share Ownership Administrative (ESOP) Trust

As of the implementation date (1 July 2004), all employees of South African wholly owned subsidaries (excluding executive directors of Absa Group Limited and Absa Bank Limited), were eligible to participate in this one-off equity-settled share-based payment scheme. Each employee who elected to participate was issued and allocated 200 compulsory redeemable cumulative option-holding preference shares against a receipt of the R400 subscription price. A maximum of 7 315 200 preference shares were available for allocation to the trust.

On 1 July 2004, 6 085 200 preference shares were issued. The preference shares receive a dividend calculated on par value of the preference shares at a rate of 72% of the prime overdraft rate. These dividends are compounded and paid semi-annually in arrear on 30 September and 31 March of each year. The Group will redeem the preference shares on exercise of the options by the employee or on lapse of the options on the final exercise date. Options can be exercised on 1 March, 1 June, 1 September or 1 December each year. Exercise may occur in lots of 100 only and on payment of the option strike price, which will vary between R48,00 and R69,00 dependent on the 30-day volume weighted trading price on the JSE.

Outstanding at the beginning of the period/year	**946 100**	4 847 400	4 847 400
Forfeited during the period/year	**(19 100)**	(215 000)	(308 500)
Exercised during the period/year	**(218 800)**	—	(3 592 800)
Outstanding at the end of the period/year	**708 200**	4 632 400	946 100
Of which are exercisable	**708 200**	—	946 100

The options outstanding have an exercise price range of R48,00 to R69,00 and weighted average contractual life of 1 year (June 2007: 2 years and 31 December 2007: 1,5 years).

14. Share trusts *(continued)*

Absa Group Phantom Performance Share Plan (Phantom PSP)

The Phantom PSP was implemented as an alternative to 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 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 awards will vest after three years to the extent that the performance conditions are satisfied. These awards are forfeited in total if the Group performance fails to meet the minimum performance criteria.

	Number of shares		
	30 June		31 December
	2008 (Unaudited)	2007 (Unaudited)	2007 (Audited)
Outstanding at the beginning of the period/year	**2 322 883**	1 118 350	1 118 350
Granted during the period/year	**—**	1 355 472	1 382 085
Forfeited during the period/year	**(37 471)**	(150 164)	(177 552)
Outstanding at the end of the period/year	**2 285 412**	2 323 658	2 322 883

The options outstanding have no exercise price and a weighted average contractual life of 1,5 years (30 June 2007: 2,4 years and 31 December 2007: 1,9 years).

As the terms and conditions of this share scheme dictate that options be exercised immediately on vesting, at any given time there are no options which have vested but have not yet been exercised.

The Absa Group Executive Share Award Scheme (ESAS)

The ESAS is an equity-settled share-based payment arrangement, where the participant's notional bonus comprises a number of restricted nil-cost options, based on the allocation price of ordinary shares. Such an initial allocation is held in trust or in the name of the participant. If the participant is in the employ of the Group after the three-year vesting period, the participant will receive 20% matched shares. If the bonus award remains in the ESAS trust for another two years, the participant receives another 10% matched shares. Dividend shares are paid to participants on the ordinary shares as if the shares were held from inception. The number of dividend shares awarded is therefore calculated on the initial allocation and on the 20% and 10% match, over the five-year period. Employees that receive a performance bonus in excess of a predetermined amount were compelled to place a set percentage of the bonus award into the ESAS. Employees also had the option of utilising more of their bonus award for voluntary ESAS options.

Outstanding at the beginning of the period/year	**37 059**	37 059	37 059
Granted during the period/year	**1 019 114**	—	—
Forfeited during the period/year	**(2 739)**	—	—
Outstanding at the end of the period/year	**1 053 434**	37 059	37 059

The options outstanding have no exercise price and a weighted average contractual life of 3,6 years (30 June 2007: 3 years and 31 December 2007: 2,5 years). None of these options were exercisable at the balance sheet date.

Absa Group Phantom Joiners Share Award Plan (JSAP)

The JSAP is a cash-settled share-based payment arrangement that enables the Group to attract and motivate new employees by buying out the "in the money" portion of a participant's shares or options under their previous employer's share scheme by offering the employees Absa Group Limited phantom shares. There is no consideration payable for the grant of an award and the vesting of the awards is not subject to performance conditions. Dividends accrue to the participant over the vesting period which can be over two, three, five or six years.

14. Share trusts *(continued)*

Absa Group Phantom Joiners Share Award Plan (JSAP) (continued)

	Number of shares		
	30 June		31 December
	2008	2007	2007
	(Unaudited)	(Unaudited)	(Audited)
Outstanding at the beginning of the period/year	**312 375**	90 067	90 067
Granted during the period/year	**452 280**	136 782	284 133
Exercised during the period/year	**(52 467)**	—	(44 951)
Forfeited during the period/year	**(10 451)**	(25 039)	(16 874)
Outstanding at the end of the period/year	**701 737**	201 810	312 375

The options outstanding have no exercise price and a weighted average contractual life of 2,5 years (30 June 2007: 2,6 years and 31 December 2007: 1,9 years).

As the terms and conditions of this share scheme dictate that options be exercised immediately on vesting, at any given time there are no options which have vested but have not yet been exercised.

The Absa Group Phantom Executive Share Award Scheme (Phantom ESAS)

The Phantom ESAS is a cash-settled share-based payment arrangement, where the participant's notional bonus comprises a number of restricted nil-cost phantom options, based on the allocation price of ordinary shares. Such an initial allocation is held in trust and can increase or decrease with reference to Absa Group Limited's prevailing share price. If the participant is in the employ of the Group after the three-year vesting period, the participant will receive 20% bonus phantom shares. If the bonus award remains in the Phantom ESAS scheme for another two years, the participant receives an additional 10% bonus phantom shares. Dividend phantom shares are paid to participants on the ordinary phantom shares as if the shares were held from inception. The number of dividend shares awarded is therefore calculated on the initial allocation and on the 20% and 10% bonus phantom shares, over the five-year period. Employees that received a performance bonus in excess of a predetermined amount were compelled to place a set percentage of the bonus award into the Phantom ESAS scheme. Employees also had the option of utilising more of their bonus award for voluntary Phantom ESAS shares.

Outstanding at the beginning of the period/year	**456 066**	—	—
Granted during the period/year	**123 526**	484 202	486 722
Forfeited during the period/year	**(4 723)**	(17 203)	(30 656)
Outstanding at the end of the period/year	**574 869**	466 999	456 066

The options outstanding have no exercise price and a weighted average contractual life of 2,8 years (30 June 2007: 3,9 and 31 December 2007: 3,5 years).

As the terms and conditions of this share scheme dictate that options be exercised immediately on vesting, at any given time there are no options which have vested but have not yet been exercised.

Absa Group Performance Share Plan (PSP)

The PSP was implemented in the current year as an equity-settled share-based payment arrangement. Participants are awarded a number of nil cost options. These shares will then be converted into Absa Group Limited shares after a three-year vesting period and on achieving performance conditions attached to the award. The PSP options (and any associated notional dividends) are awarded at no cost to the participants.

The vesting of the Phantom PSP awards will be subject to some non-market and market-related 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 awards will vest after three years to the extent that the performance conditions are satisfied. These awards are forfeited in total if the Group performance fails to meet the minimum performance criteria.

Granted during the period/year	**1 789 246**	—	—
Forfeited during the period/year	**(9 335)**	—	—
Outstanding at the end of the period/year	**1 779 911**	—	—

The options outstanding have no exercise price and a weighted average contractual life of 2,7 years. None of these options are exercisable.

Capital adequacy

	30 June 2008 Basel II Rm	30 June 2008 Basel II Risk-weighted assets Rm	30 June 2007* Basel I Risk-weighted assets Rm	31 December 2007* Basel I Risk-weighted assets Rm
Absa Bank Limited				
Risk-weighted assets		**339 148**	330 506	359 661
Qualifying capital	**Rm**	**%****	%**	%**
Primary capital				
Ordinary share capital	**303**	**0,1**	0,1	0,1
Ordinary share premium	**9 415**	**2,8**	1,6	1,5
Preference shares	**4 644**	**1,4**	1,4	1,3
Reserves	**23 921**	**6,8**	6,2	6,3
Less: Deductions	**(1 775)**	**(0,5)**	—	—
Fifty percent of amount by which expected loss exceeds eligible provisions	**(1 698)**	**(0,5)**	—	—
Fifty percent of first loss credit ehancement provided in respect of a securitisation scheme	**(77)**	**(0,0)**	—	—
	36 508	**10,6**	9,3	9,2
Secondary capital				
Subordinated redeemable debt	**11 850**	**3,4**	3,1	2,9
Regulatory credit provision/reserve	**—**	**—**	0,5	0,4
Less: Deductions	**(1 785)**	**(0,5)**	—	—
Fifty percent of amount by which expected loss exceeds eligible provisions	**(1 698)**	**(0,5)**	—	—
Fifty percent of first loss credit ehancement provided in respect of a securitisation scheme	**(77)**	**(0,0)**	—	—
Other decutions	**(10)**	**(0,0)**	—	—
	10 065	**2,9**	3,6	3,3
Total qualifying capital	**46 573**	**13,5**	12,9	12,5

**Comparatives have not been restated for Basel II.*
***Percentage of capital to risk-weighted assets.*

	30 June 2008 Basel II Risk-weighted assets Rm	 Capital adequacy ratio %	30 June 2007* Basel I Capital adequacy ratio %	31 December 2007* Basel I Capital adequacy ratio %
Absa Group Limited and its banking subsidiaries				
South African operations				
Absa Bank		**13,5**	12,9	12,5
Non-South African operations				
Banco Commercial Angolano		**35,2**	—	—
Barclays Bank Mozambique		**17,6**	18,3	16,5
National Bank of Commerce (Tanzania)		**16,1**	15,4	13,2
Absa Group Limited		**13,9**	13,9	13,1
Risk-weighted assets (Rm)		**352 213**	347 778	390 695
Tier I capital (Rm)		**40 320**	36 572	39 602
Tier I ratio (%)		**11,4**	10,5	10,1
Risk-weighted assets/total assets (%)		**47,8**	62,8	61,0

**Comparatives have not been restated for Basel II.*

Definitions

Price (closing) earnings ratio
The closing price of ordinary shares divided by headline earnings per share for the period (annualised)/year.

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

Headline earnings
Headline earnings is not a measure of sustainable earnings. Headline earnings reflect the operating performance of the Group separated from re-measurements (an amount recognised in the income statement relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as minority interest – preference shares.

Economic capital
Economic capital is defined as the minimum capital needed to maintain an AA investment rating under an extreme stress scenario.

Net interest margin on average assets
Net interest income for the period (annualised)/year divided by total average assets (calculated on a daily average basis), expressed as a percentage of total average assets.

Net interest margin on average interest-bearing assets
Net interest income for the period (annualised)/year 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, certain investments as well as loans and advances to customers. (It includes cash and short-term assets, money market assets and capital market assets.)

Impairment losses on loans and advances as percentage of average loans and advances to customers
Impairments on loans and advances 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. Impairment losses on loans and advances for the period(annualised)/year divided by total average advances (calculated on a daily average basis), expressed as a percentage.

Non-performing advances
A loan is typically considered non-performing in the retail environment once its delinquency reaches a trigger point, this is typically when interest is suspended (in accordance with Absa policy) or is moved to the legal environment for recovery. As a consequence, a loan that has defaulted is not necessarily non-performing (unless certain criteria are met).

In the Corporate/Wholesale environment, all accounts on the watchlist are evaluated. These are classified into Potential Problem Loans (PPL) and Non-performing Loans (NPL). NPL are typically loans that are in breach of contractual arrangements and show significant signs of distress and inability to service debt. The PPL's for example could be an account where there is concern regarding the financial position and is therefore put on the watchlist for closer monitoring. The client continues to service the loan within contractual terms and as a consequence is not NPL, however, under IAS 39 "an event" has occurred, which can result in a provision being raised.

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.

Cost-to-income ratio
Operating expenses as a percentage of income from operations. Income consists of net interest income and non-interest income.

Cost-to-asset ratio
Operating expenses for the period (annualised)/year divided by total average assets (calculated on a daily average basis), expressed as a percentage of total average assets.

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

Earnings per share

Profit attributable to ordinary equity holders

Net profit for the period less attributable to minorities (not annualised)/year divided by the weighted average number of ordinary shares in issue during the period/year.

Headline earnings basis

Headline earnings for the period (not annualised)/year divided by the weighted average number of shares in issue during the period/year.

Fully diluted basis

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

Dividends per ordinary share relating to income for the period/year

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

Dividend cover

Headline earnings per share divided by dividends per share.

Net asset value per share

Total equity attributable to ordinary equity holders divided by the number of shares in issue. The net asset value per share figure excludes the non-cumulative, non-redeemable preference shares issued.

Price-to-book

The closing share price relative to the net asset value.

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 9,75% of risk-weighted assets. Non-South African banks within the Group have similar requirements.

Risk-weighted assets

Risk-weighted assets are determined by applying the following:

- advanced IRB approach for retail credit;
- foundation IRB approach for wholesale and corporate credit;
- Advanced Measurement Approach for operational risk;
- Internal Models Approach for market risk;
- IRB simple risk weight approach for equity investment risk on the banking book; and
- standardised approach for all African entities for both credit and operational risk.

Primary (Tier I) capital

Primary capital consists of issued ordinary share capital, non-cumulative perpetual preference share capital, retained earnings, hybrid debt instruments (in terms of Basel II) and certain accounting reserves. This amount excludes surplus capital from insurance entities. This amount is further reduced with 50% of the amount that expected losses exceed eligible provisions. Further deductions against Tier I capital include goodwill and certain investments.

Secondary (Tier II) capital

Secondary capital includes cumulative preference shares and subordinated debt (prescribed debt instruments). This amount is further reduced with 50% of the amount that expected losses exceed eligible provisions.

Tertiary (Tier III) capital

Tertiary capital comprises prescribed unsecured subordinated debt with a minimum original maturity of two years.

Non-current assets classified as held-for-sale

Assets held-for-sale are those non-current assets where it is highly probable that the carrying amount will be recovered principally through a sale transaction within one year from the date of classification. For the sale to be considered highly probable, Board approval is required for the plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated.

Assets held-for-sale are valued at the lower of its carrying amount and fair value less costs to sell.

Debt securities in issue

Comprised primarily of short-to-medium-term instruments issued by the Group and includes promissory notes, bonds, negotiable certificates of deposits and commercial paper.

Borrowed funds

Borrowed funds represents subordinated callable bonds qualifying as long-term tier II capital issued by Absa Bank in terms of Section 1 of the Banks Act, 1990. The subordinated callable bonds are listed on the Bond Exchange of South Africa. It also includes preference shares classified as debt in terms of IAS 32 and 39.

Non-interest income

Non-interest income consists of the following income statement line items: net fee and commission income, net insurance premium income, net insurance 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.

Gains and losses from banking and trading activities

Comprises banking and trading portfolios and includes:

- realised gains on financial instruments held at amortised cost, held to maturity or available-for-sale.
- realised gains on the disposal of associated undertakings, joint venture companies and subsidiaries, within the banking portfolios.
- realised and unrealised gains and losses on fair falue through profit and loss designated instruments.
- interest, dividends and fair value movements on certain financial instruments held for trading or at fair value through profit and loss.

Net trading income

Net trading income includes the profits and losses on Absa Capital's desks classified as "trading desks" arising from both the purchase and sale of trading instruments and the revaluation to market value, together with the interest income and interest expense from these instruments and the related funding cost. This also includes similar activities from the African operations. Net trading income excludes hedge ineffectiveness.

Gains and losses from investment activities

Comprises insurance and strategic investment portfolios and includes:

- realised gains on financial instruments held at amortised cost, held to maturity or available-for-sale.
- realised gains on the disposal of associated undertakings, joint venture companies and subsidiaries.
- interest, dividends and fair value movements on certain financial instruments held for trading or at fair value through profit and loss.

IFRS 2 costs

In a share-based payment transaction an entity receives goods or services and pays for those goods or services either in shares or in other equity instruments. A transaction also is considered to be a share-based payment if the entity incurs a liability whose amount is based on the price or value of an entity's share or other equity instrument of the entity.

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

GROUP PERFORMANCE

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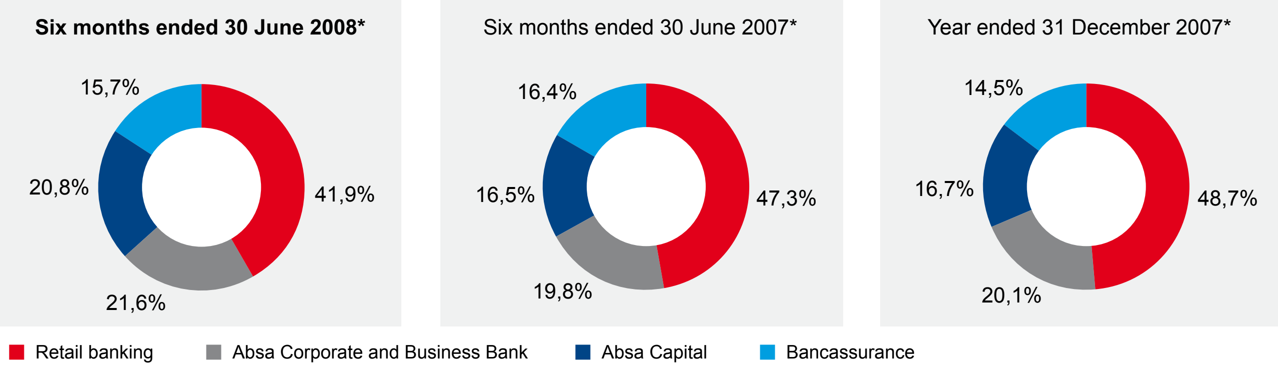
Profit contribution by business area

Contribution by business area (%)



**Calculated after the allocation of capital, funding and corporate centre. If the Visa profit of R636 million is included in June 2008, the contributions will be as follows: Retail – 37,0%, ACBB – 19,1%, Absa Capital – 18,4% and AFS – 13,8%.*

	Notes	Six months ended 30 June **2008 (Unaudited) Rm**	Six months ended 30 June 2007* (Unaudited) Rm	Change %	Year ended 31 December 2007* (Audited) Rm
Banking operations					
Retail banking	1	**2 012**	2 164	(7,0)	5 035
Absa Wealth		**15**	22	(31,8)	46
Retail Bank		**1 183**	916	29,1	2 298
Absa Home Loans		**307**	581	(47,2)	1 296
Absa Card		**258**	330	(21,8)	706
Absa Vehicle and Asset Finance		**249**	315	(21,0)	689
Absa Corporate and Business Bank	1	**1 039**	907	14,6	2 075
Absa Capital		**1 001**	757	32,2	1 733
Corporate centre	2	**764**	21	>100,0	(17)
Capital and funding centre		**(13)**	90	>(100,0)	59
Total banking		**4 803**	3 939	21,9	8 885
Bancassurance		**752**	750	0,3	1 502
Total earnings from business areas		**5 555**	4 689	18,5	10 387
Synergy costs (after tax)	3	**—**	(212)	100,0	(479)
Minority interest – preference shares		**(220)**	(114)	(93,0)	(313)
Profit attributable to ordinary equity holders		**5 335**	4 363	22,3	9 595
Headline earnings adjustments		**(604)**	2	>(100,0)	(182)
Total headline earnings		**4 731**	4 365	8,4	9 413

Notes

1. African operations have been split between Retail banking and Absa Corporate and Business Bank during the period under review.
2. In the current year Corporate centre includes the profit on VISA IPO shares.
3. Synergies relate to the integration of Absa and Barclays following the acquisition by Barclays of a majority share in Absa. Synergy costs are one-off costs incurred in achieving synergy benefits.

**The comparative periods have been restated for:*

- *AllPay Consolidated Investment Holdings (Proprietary) Limited was moved from Corporate centre to Retail banking in August 2007. The June 2007 position has been restated to reflect this.*
- *Absa Development Company Holdings (Proprietary) Limited was moved from Corporate centre to Absa Corporate and Business Bank in August 2007. The June 2007 position has been restated to reflect this.*
- *Commercial Asset Finance was moved from Retail banking to Absa Corporate and Business Bank during the period under review.*
- *Properties in Possession was moved from Retail banking to Corporate centre during the period under review.*
- *Group Payment Systems was moved from Corporate centre to Retail banking during the period under review. The December 2007 position has been restated to reflect this.*

Segmental reporting per market segment

	Retail banking			Absa Corporate and Business Bank			Absa Capital		
	30 June		Change	30 June		Change	30 June		Change
	2008	2007	%	**2008**	2007	%	**2008**	2007	%
Income statement (Rm)									
Net interest income	**6 703**	5 631	19,0	**2 744**	2 185	25,6	**1 136**	702	61,8
Net interest income – external	**18 912**	14 345	31,8	**3 335**	2 122	57,2	**(12 476)**	(8 331)	(49,8)
Net interest income – internal	**(12 209)**	(8 714)	40,1	**(591)**	63	>(100,0)	**13 612**	9 033	50,7
Impairment losses on loans and advances	**(2 016)**	(879)	>(100,0)	**(175)**	(106)	(65,1)	**10**	(1)	>100,0
Non-interest income	**5 085**	4 382	16,0	**991**	1 158	(14,4)	**1 172**	952	23,1
Non interest income – external	**4 851**	4 105	18,2	**847**	1 064	(20,4)	**1 400**	1 126	24,3
Non interest income – internal	**234**	277	(15,5)	**144**	94	53,2	**(228)**	(174)	(31,0)
Operating expenses	**(6 654)**	(5 772)	(15,3)	**(2 042)**	(1 875)	(8,9)	**(896)**	(576)	(55,6)
Other	**(184)**	(150)	(22,7)	**(13)**	(18)	27,8	**(33)**	(32)	(3,1)
Operating profit before income tax	**2 934**	3 212	(8,7)	**1 505**	1 344	12,0	**1 389**	1 045	32,9
Taxation expense	**(880)**	(1 024)	14,1	**(441)**	(409)	(7,8)	**(388)**	(288)	(34,7)
Profit for the period	**2 054**	2 188	(6,1)	**1 064**	935	13,8	**1 001**	757	32,2
Attributable to:									
Ordinary equity holders of the Group	**2 012**	2 164	(7,0)	**1 039**	907	14,6	**1 001**	757	32,2
Minority interest – ordinary shares	**42**	24	(75,0)	**25**	28	10,7	**—**	—	—
Minority interest – preference shares	**—**	—	—	**—**	—	—	**—**	—	—
	2 054	2 188	(6,1)	**1 064**	935	13,8	**1 001**	757	32,2
Balance sheet (Rm)									
Total advances	**329 677**	288 127	14,4	**109 631**	81 800	34,0	**49 719**	44 335	12,1
Investments in associated undertakings and joint venture companies	**369**	319	15,7	**1 342**	477	>100,0	**—**	—	—
Other assets	**120 372**	87 658	37,3	**4 720**	17 549	(73,1)	**382 079**	265 767	43,8
Total assets	**450 418**	376 104	19,8	**115 693**	99 826	16,0	**431 798**	310 102	39,2
Total deposits	**116 081**	89 097	30,3	**89 893**	80 583	11,6	**141 168**	121 071	16,6
Other liabilities	**331 929**	269 293	23,3	**22 863**	11 713	95,2	**288 517**	183 830	56,9
Total liabilities*	**448 010**	358 390	25,0	**112 756**	92 296	22,2	**429 685**	304 901	40,9

**In June 2007 capital was allocated to segments based on Basel I principles. In 2008 the Group adopted a new measurement basis whereby capital is no longer allocated to segments. In order to measure a return per segment a notional economic capital amount has been used as a denominater. The return on equity and return on economic capital are not comparable. June 2007 comparatives have not been restated.*

Bancassurance			Other			Head office and intersegment eliminations			Absa Group		
30 June		Change	30 June		Change	30 June		Change	30 June		Change
2008	2007	%	**2008**	2007	%	**2008**	2007	%	**2008**	2007	%
3	34	(91,2)	**(639)**	7	>(100,0)	**273**	15	>100,0	**10 220**	8 574	19,2
3	34	(91,2)	**1 009**	992	1,7	**(563)**	(588)	4,3	**10 220**	8 574	19,2
—	—	—	**(1 648)**	(985)	(67,3)	**836**	603	38,6	**—**	—	—
1	2	(50,0)	**2**	7	(71,4)	**—**	(8)	100,0	**(2 178)**	(985)	>(100,0)
1 703	1 642	3,7	**462**	(43)	>100,0	**617**	29	>100,0	**10 030**	8 120	23,5
1 850	1 798	2,9	**464**	(41)	>100,0	**618**	68	>100,0	**10 030**	8 120	23,5
(147)	(156)	5,8	**(2)**	(2)	—	**(1)**	(39)	97,4	**—**	—	—
(684)	(576)	(18,8)	**0**	64	100,0	**290**	(86)	>100,0	**(9 985)**	(8 821)	(13,2)
(23)	(27)	14,8	**(31)**	(27)	(14,8)	**(186)**	(205)	9,3	**(471)**	(459)	(2,6)
1 000	1 075	(7,0)	**(206)**	8	>(100,0)	**994**	(255)	>100,0	**7 616**	6 429	18,5
(248)	(325)	23,7	**119**	84	41,7	**(156)**	62	>(100,0)	**(1 994)**	(1 900)	(4,9)
752	750	0,3	**(87)**	92	>(100,0)	**838**	(193)	>100,0	**5 622**	4 529	24,1
752	750	0,3	**(87)**	92	>(100,0)	**618**	(307)	>100,0	**5 335**	4 363	22,3
—	—	—	**—**	—	—	**—**	—		**67**	52	(28,8)
—	—	—	**—**	—	—	**220**	114	(93,0)	**220**	114	(93,0)
752	750	0,3	**(87)**	92	>(100,0)	**838**	(193)	>100,0	**5 622**	4 529	24,1
—	—	—	**289**	644	(55,1)	**3**	—	100,0	**489 319**	414 906	17,9
—	—	—	**—**	—	—	**(16)**	53	>(100,0)	**1 695**	849	99,6
34 937	29 635	17,9	**31 142**	26 166	19,0	**(326 687)**	(288 637)	(13,2)	**246 563**	138 138	78,5
34 937	29 635	17,9	**31 431**	26 810	17,2	**(326 700)**	(288 584)	(13,2)	**737 577**	553 893	33,2
—	—	—	**—**	—	—	**65**	555	(88,3)	**347 207**	291 306	19,2
31 386	25 791	21,7	**32 764**	26 275	24,7	**(361 902)**	(292 976)	(23,5)	**345 557**	223 926	54,3
31 386	25 791	21,7	**32 764**	26 275	24,7	**(361 837)**	(292 421)	(23,7)	**692 764**	515 232	34,5

	Retail banking			Absa Corporate and Business Bank			Absa Capital		
	30 June		Change	30 June		Change	30 June		Change
	2008	2007	%	**2008**	2007	%	**2008**	2007	%
Financial performance (%)									
Return on average equity*	**n/a**	26,4		**n/a**	34,2		**n/a**	30,0	
Return on economic capital*	**19,9**	n/a		**20,5**	n/a		**19,1**	n/a	
Return on average assets	**0,93**	1,23		**1,88**	1,99		**0,47**	0,48	
Operating performance (%)									
Net interest margin on average assets	**3,10**	3,19		**4,96**	4,80		**n/a**	n/a	
Impairment losses on loans and advances as % of average loans and advances to customers	**1,21**	0,65		**0,35**	0,28		**(0,04)**	0,00	
Non-interest income as % of operating income	**43,1**	43,8		**26,5**	34,6		**50,8**	57,6	
Top-line growth	**17,7**	18,1		**11,7**	45,2		**39,5**	30,4	
Cost growth	**15,3**	10,8		**8,9**	30,3		**55,6**	31,2	
Cost-to-income ratio	**56,4**	57,6		**54,7**	56,1		**38,8**	34,8	
Cost-to-assets ratio	**3,1**	3,3		**3,7**	4,1		**0,4**	0,4	
Other									
Atrributable income from the rest of Africa	**25**	16	47,1	**37**	36	2,8	**35**	23	52,2
Restatement of prior year figures									
Structure changes – impact on attributable earnings									
Commercial Asset Finance moved from Retail Banking to Absa Corporate and Business Bank		(108)			108				
AllPay Consolidated Investment Holdings (Proprietary) Limited moved from Other Group activities to Retail Bank		27							
Absa Development Company Holdings (Proprietary) Limited moved from Corporate centre to Absa Corporate and Business Bank					27				
Repossessed Properties moved from Retail Bank to Other Group activities		17							
African operations moved to Retail Banking and Absa Corporate and Business Bank		16			36				
Balance sheet reclassifications									
Investments									
Reclassified from loans and advances to customers					(76)			(982)	
IFRS 7 impact									
Net interest income									
Reclassified from operating expenses								(1)	
Reclassified from indirect taxation								(2)	
Fee and commission income									
Reclassified from other operating income		(5)			(0)				
Fee and commission expense									
Reclassified from operating expenses		(170)			(12)				
Reclassified from fee and commission income									
Gains and losses from banking and trading activities									
Reclassified from operating expenses								(22)	

**In June 2007 capital was allocated to segments based on Basel I principles. In 2008 the Group adopted a new measurement basis whereby capital is no longer allocated to segments. In order to measure a return per segment a notional economic capital amount has been used as a denominater. The return on equity and return on economic capital are not comparable. June 2007 comparatives have not been restated.*

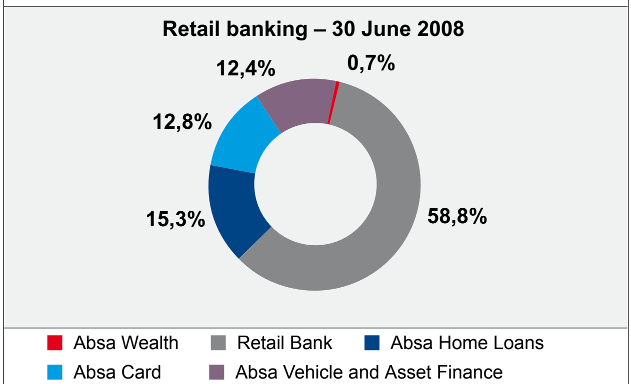
Bancassurance			Other			Head office and intersegment eliminations			Absa Group		
30 June		Change	30 June		Change	30 June		Change	30 June		Change
2008	2007	%	**2008**	2007	%	**2008**	2007	%	**2008**	2007	%
40,4	38,4		**n/a**	n/a		**n/a**	n/a		**24,6**	26,8	
137,9	n/a		**n/a**	n/a		**n/a**	n/a		**22,6**	n/a	
4,17	5,65		**n/a**	n/a		**n/a**	n/a		**1,39**	1,69	
n/a	n/a		**n/a**	n/a		**n/a**	n/a		**3,05**	3,32	
n/a	n/a		**n/a**	n/a		**n/a**	n/a		**0,93**	0,49	
99,8	98,0		**n/a**	n/a		**n/a**	n/a		**49,5**	48,6	
1,8	52,7		**n/a**	n/a		**n/a**	n/a		**21,3**	22,3	
18,9	19,6		**n/a**	n/a		**n/a**	n/a		**13,2**	15,6	
40,1	34,4		**n/a**	n/a		**n/a**	n/a		**49,3**	52,8	
3,8	4,3		**n/a**	n/a		**n/a**	n/a		**2,9**	3,6	
13	5	>100,0							**110**	80	37,5
										—	
				(27)						—	
				(27)						—	
				(17)						—	
										(1 058)	
										(1)	
										(2)	
	(172)			(1)						(178)	
	(1)			(87)						(270)	
	(9)									(9)	
										(22)	

Retail banking

	Absa Wealth 30 June		Retail Bank 30 June		Absa Home Loans 30 June	
	2008	2007	**2008**	2007	**2008**	2007
Total revenue – external (Rm)	341	228	4 540	4 227	13 322	9 318
Net-interest income – external	297	191	606	1 159	13 270	9 256
Non-interest income – external	44	37	3 934	3 068	52	62
Total revenue – internal (Rm)	(198)	(110)	2 579	1 555	(11 343)	(7 605)
Net-interest income – internal	(204)	(115)	2 439	1 327	(11 434)	(7 695)
Non-interest income – internal	6	5	140	228	91	90
Attributable earnings (Rm)	15	22	1 183	916	307	581
Impairment losses on loans and advances as % of average loans and advances to customers (%)	0,35	0,39	2,44	1,57	0,81	0,20
Cost-to-income ratio (%)	73,5	63,1	66,9	69,4	32,8	36,2
Total advances (Rm)	8 539	6 201	40 780	36 494	215 986	184 013
Total assets (Rm)	9 292	8 286	129 344	102 999	233 058	197 806
Total deposits (Rm)	5 494	3 859	108 731	83 144	—	—
Total liabilities (Rm)	9 281	8 290	126 369	99 611	232 970	188 878
Return on average equity (%)	n/a	19,1	n/a	76,1	n/a	14,5
Return on economic capital (%)	4,2	n/a	47,0	n/a	8,0	n/a

	Absa Card 30 June		Absa Vehicle and Asset Finance 30 June		Total 30 June	
	2008	2007	**2008**	2007	**2008**	2007
Total revenue – external (Rm)	1 874	1 599	3 686	3 078	23 763	18 450
Net-interest income – external	1 172	832	3 567	2 907	18 912	14 345
Non-interest income – external	702	767	119	171	4 851	4 105
Total revenue – internal (Rm)	(578)	(418)	(2 435)	(1 859)	(11 975)	(8 437)
Net-interest income – internal	(575)	(374)	(2 435)	(1 857)	(12 209)	(8 714)
Non-interest income – internal	(3)	(44)	—	(2)	234	277
Attributable earnings (Rm)	258	330	249	315	2 012	2 164
Impairment losses on loans and advances as % of average loans and advances to customers (%)	4,46	2,86	1,57	1,09	1,21	0,65
Cost-to-income ratio (%)	49,3	43,8	39,7	42,5	56,4	57,6
Total advances (Rm)	12 247	11 418	52 125	50 001	329 677	288 127
Total assets (Rm)	14 349	12 588	64 375	54 425	450 418	376 104
Total deposits (Rm)	1 847	2 093	9	1	116 081	89 097
Total liabilities (Rm)	14 203	11 518	65 187	50 093	448 010	358 390
Return on average equity (%)	n/a	70,9	n/a	12,0	n/a	26,4
Return on economic capital (%)	23,1	n/a	11,4	n/a	20,1	n/a

Attributable earnings (%)



Note: These results are after the allocation of head office and support charges.

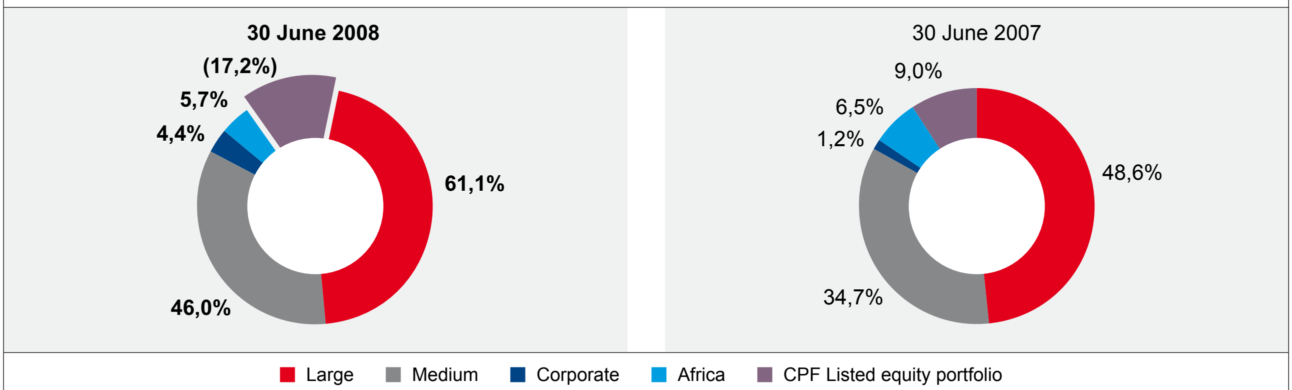
Absa Corporate and Business Bank

	30 June 2008	**Excluding* listed equities**	30 June 2007	Excluding* listed equities	Change %	Excluding* listed equities
Income statement (Rm)						
Net interest income	**2 744**	**2 744**	2 185	2 185	25,6	25,6
Impairment losses on loans and advances	**(175)**	**(175)**	(106)	(106)	(65,1)	(65,1)
Non-interest income	**991**	**1 250**	1 158	1 037	(14,4)	20,5
Operating expenses	**(2 042)**	**(2 042)**	(1 875)	(1 875)	(8,9)	(8,9)
Other	**(13)**	**(13)**	(18)	(18)	27,8	27,8
Operating profit before income tax	**1 505**	**1 764**	1 344	1 223	12,0	44,2
Taxation expense	**(441)**	**(517)**	(409)	(373)	(7,8)	(38,6)
Profit for the period	**1 064**	**1 247**	935	850	13,8	46,7
Attributable to:						
Ordinary equity holders of the Group	**1 039**	**1 222**	907	822	14,6	48,7
Minority interest – ordinary shares	**25**	**25**	28	28	10,7	10,7
	1 064	**1 247**	935	850	13,8	46,7

	30 June **2008**	2007	Change %
Operating profit before income tax by business area			
Large	**920**	653	40,9
Medium	**692**	467	48,2
Corporate	**66**	16	>100,0
Africa	**86**	87	(1,1)
CPF Listed equity portfolio*	**(259)**	121	>(100,0)
	1 505	1 344	12,0

**Includes realised and unrealised profits.*

Attributable earnings (%)



Bancassurance operations

	Note	Life 30 June 2008	2007	Change %
Income statement (Rm)				
Net earned premium		**539**	664	(18,8)
Net insurance claims		**(210)**	(184)	(14,1)
Investment income	1			
policyholder insurance contracts		**(35)**	132	>(100,0)
policyholder investment contracts		**16**	464	(96,6)
Changes in insurance and investment liabilities				
policyholder insurance contracts		**224**	(110)	>100,0
policyholder investment contracts		**9**	(463)	>100,0
Other income		**(4)**	37	>(100,0)
Gross operating income		**539**	540	(0,2)
Net commission paid by insurance companies*		**(95)**	(123)	22,8
Operating expenditure		**(102)**	(91)	(12,1)
Net operating income		**342**	326	4,9
Investment income on shareholder funds	1	**86**	128	(32,8)
Taxation		**(128)**	(146)	12,3
Profit attributable to ordinary equity holders		**300**	308	(2,6)
1. Investment income				
Policyholder – insurance contracts		**(35)**	132	>(100,0)
Net interest income		**52**	37	40,5
Dividend income		**—**	14	(100,0)
Fair value gains		**(87)**	81	>(100,0)
Policyholder – investment contracts		**16**	464	(96,6)
Net interest income		**63**	130	(51,5)
Dividend income		**7**	6	16,7
Fair value gains		**(54)**	328	>(100,0)
Shareholder funds		**86**	128	(32,8)
Net interest income		**9**	10	(10,0)
Dividend income		**5**	6	(16,7)
Fair value gains		**72**	112	(35,7)
Total		**67**	724	(90,7)
Net interest income		**124**	177	(29,9)
Dividend income		**12**	26	(53,8)
Fair value gains		**(69)**	521	>(100,0)

**Net commission paid includes internal commissions, eliminated on consolidation of Absa Group.*

In managing the short-term policyholder liability, certain assets have been allocated specifically for the purpose of backing this liability. The above disclosure reflects the income earned on these assets. Comparatives have been restated accordingly.

Insurance			Other			Total bancassurance		
30 June			30 June			30 June		
2008	2007	Change %	**2008**	2007	Change %	**2008**	2007	Change %
1 152	968	19,0	**19**	21	(9,5)	**1 710**	1 653	3,4
(725)	(594)	(22,1)	**21**	—	100,0	**(914)**	(778)	(17,5)
42	34	23,5	**—**	—	—	**7**	166	(95,8)
—	—	—	**2**	—	100,0	**18**	464	(96,1)
—	—	—	**—**	—	—	**224**	(110)	>100,0
—	—	—	**11**	—	100,0	**20**	(463)	>100,0
8	9	(11,1)	**722**	586	23,2	**726**	632	14,9
477	417	14,4	**775**	607	27,7	**1 791**	1 564	14,5
(164)	(159)	(3,1)	**—**	—	—	**(259)**	(282)	8,2
(130)	(97)	(34,0)	**(475)**	(415)	(14,5)	**(707)**	(603)	(17,2)
183	161	13,7	**300**	192	56,3	**825**	679	21,5
50	182	(72,5)	**39**	86	(54,7)	**175**	396	(55,8)
(19)	(96)	80,2	**(101)**	(83)	(21,7)	**(248)**	(325)	23,7
214	247	(13,4)	**238**	195	22,1	**752**	750	0,3
42	34	23,5	**—**	—	—	**7**	166	(95,8)
42	34	23,5	**—**	—	—	**94**	71	32,4
—	—	—	**—**	—	—	**—**	14	(100,0)
—	—	—	**—**	—	—	**(87)**	81	>(100,0)
—	—	—	**2**	—	100,0	**18**	464	(96,1)
—	—	—	**3**	—	100,0	**66**	130	(49,2)
—	—	—	**10**	—	100,0	**17**	6	>100,0
—	—	—	**(11)**	—	(100,0)	**(65)**	328	>(100,0)
50	182	(72,5)	**39**	86	(54,7)	**175**	396	(55,8)
20	14	42,9	**36**	28	28,6	**65**	52	25,0
28	26	7,7	**3**	15	(80,0)	**36**	47	(23,4)
2	142	(98,6)	**—**	43	(100,0)	**74**	297	(75,1)
92	216	(57,4)	**41**	86	(52,3)	**200**	1 026	(80,5)
62	48	29,2	**39**	28	39,3	**225**	253	(11,1)
28	26	7,7	**13**	15	(13,3)	**53**	67	(20,9)
2	142	(98,6)	**(11)**	43	>(100,0)	**(78)**	706	>(100,0)

	Note	30 June 2008	2007	Change %
Balance sheet (Rm)				
Assets				
Cash balances and money market assets		**6 584**	4 172	57,8
Insurance operations	1	**4 677**	2 389	95,8
Other		**1 907**	1 783	7,0
Other assets*		**18 262**	14 221	28,4
Investments		**10 046**	11 206	(10,4)
Insurance operations	1	**9 860**	10 451	(5,7)
Other		**186**	755	(75,4)
Property and equipment		**45**	36	25,0
Total assets		**34 937**	29 635	17,9
Liabilities				
Current tax liabilities		**79**	52	51,9
Liabilities under investment contracts		**9 183**	6 712	36,8
Policyholder liabilities under insurance contracts		**3 008**	3 201	(6,0)
Other liabilities and sundry provisions*		**18 932**	15 443	22,6
Deferred tax liabilities		**184**	383	(52,0)
Total liabilities		**31 386**	25 791	21,7
Total equity		**3 551**	3 844	(7,6)
Total equity and liabilities		**34 937**	29 635	17,9

1. Cash balances, money market assets and investments (insurance operations)

June 2008	Listed equity	Unlisted equity	Capital market assets	Cash and money market assets	Total
Shareholder investments	**1 797**	**180**	**813**	**230**	**3 020**
Life	**593**	**112**	**88**	**134**	**927**
Non-Life	**1 204**	**68**	**725**	**96**	**2 093**
Policyholder investment	**1 483**	**4 684**	**903**	**4 447**	**11 517**
Investment contracts	**1 483**	**3 867**	**—**	**3 368**	**8 718**
Insurance contracts	**—**	**817**	**903**	**1 079**	**2 799**
Total	**3 280**	**4 864**	**1 716**	**4 677**	**14 537**

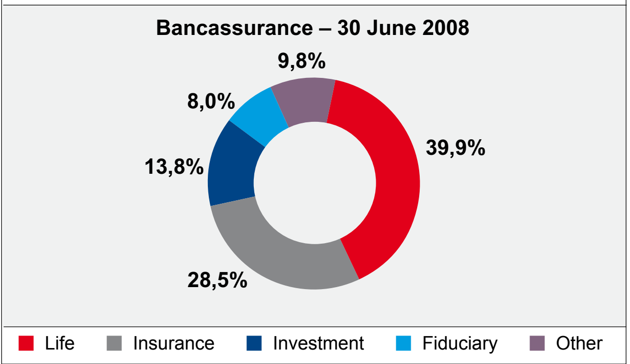
June 2007	Listed equity	Unlisted equity	Capital market assets	Cash and money market assets	Total
Shareholder investments	2 080	237	616	302	3 235
Life	843	197	117	83	1 240
Non-Life	1 237	40	499	219	1 995
Policyholder investment	1 725	4 590	1 203	2 087	9 605
Investment contracts	780	3 853	—	1 885	6 518
Insurance contracts	945	737	1 203	202	3 087
Total	3 805	4 827	1 819	2 389	12 840

**Other assets and liabilities include settlement account balances in Stockbrokers.*

In managing the short-term policyholder liability, certain assets have been allocated specifically for the purpose of backing this liability. The above disclosure reflects this split of assets between policyholders and shareholders. Comparatives have been restated accordingly.

	30 June 2008	2007	Change %
Embedded value and value of new business of Absa Life Limited (Rm)			
Shareholders' net assets	**827**	1 263	(34,5)
Cost of solvency capital	**(19)**	(24)	(20,8)
Value of business in force	**903**	1 089	(17,1)
Total embedded value	**1 711**	2 328	(26,5)
Embedded value earnings (Rm)	**219**	352	(37,8)
Return on embedded value (%)	**22,1**	30,3	
Embedded value of new business (Rm)	**135**	142	(4,9)
Net asset value of short-term insurance companies (Rm)	**1 705**	2 018	(15,5)

Attributable earnings (%)



Commentary

Retail banking

Attributable earnings for retail banking declined by 7,0% to R2 012 million (2007: R2 164 million) as the slowdown in consumer spending reduced demand for lending products and transaction volumes.

Advances growth of 14,4% was achieved, following growth across all categories. The overall composition of advances remained unchanged with secured lending comprising more than 87,5% of the total advances book.

The ongoing focus on reducing the Group's dependency on wholesale funding contributed to a robust 30,3% growth in retail customer deposits. Innovative product offerings, including initiatives such as the online opening of savings accounts, coupled with competitive pricing, resulted in strong gains in market share. Market share statistics as at 31 May 2008 indicated that Absa has the largest share of the individual deposit and advances market in South Africa. The Group will continue to grow retail savings and investments as it strives to become "the savings bank of the nation".

The net interest margin on loans and advances showed a contraction year-on-year, primarily due to higher funding costs. The application of risk-based pricing, to the extent that the competitive market allows, has improved asset margins in the micro-loan, personal loan and credit card products.

Changing consumer behaviour resulted in healthy transaction growth across the Group's electronic channels. Internet banking and cellphone banking transaction volumes grew 19,8% and 85,6% respectively, while debit card usage at point of sale increased by 17,9%. ATM transaction volumes increased by 9,2% and the use of Absa's ATMs by non-Absa customers grew 36,0%, driven by the expanded Absa network.

During the period under review, the South African banking industry experienced a rising incidence of fraud and ATM bombings. The bombings, in particular, have serious implications, as they threaten the physical safety of customers and employees, disrupt customer services and increase the cost and effectiveness of making banking accessible to all South Africans. The Group remains fully committed to supporting the authorities in combating this threat.

The retail banking impairment charge increased by 129,4% to R2 016 million. This resulted mainly from higher impairments from Absa Home Loans, which increased to R852 million, and Absa Vehicle and Asset Finance which increased to R405 million. A reduction in the value of collateral, resulting from the softening housing market and lower residual values of vehicles, further contributed to the overall impairment increases in mortgages and instalment finance.

The Group continues to focus on the collection process and the regular revision of credit criteria. This includes stricter scorecard criteria, close attention to affordability and quality of bureaux information, and stricter loan-to-value criteria on home loans and vehicle finance. The Group's collections capability has also been enhanced and positioned for optimum effect under current market conditions. This investment in the collections capability, together with the expansion in the delivery footprint since June 2007, contributed to a rise in operating expenses of 15,3% in the retail banking cluster.

Absa Corporate and Business Bank (ACBB)

ACBB increased its attributable earnings for the first half of 2008 by 14,6% to R1 039 million (2007: R907 million). The Large and Medium Business lines grew advances strongly, asset and deposit margins widened while impairments remained low. As a result, the cluster recorded robust underlying growth which was diluted by a sharp decline in the value of the listed commercial equity investments.

Total advances and deposits increased by 34,0% and 11,6% respectively. The impairment loss ratio for the advances book increased marginally from 0,28% in June 2007 to 0,35% as higher interest rates have started to impact small and medium businesses.

Transaction income on cheque and corporate overdraft accounts grew moderately by 5,0%, representing the major portion of fee and commission income (38,5%), while electronic banking fees grew by 15,1%, representing 23,4% of fee and commission income.

ACBB continues to leverage Absa Capital's expertise in providing innovative solutions and service to its customer base. This is especially evident within the derivative markets. ACBB also leverages off Absa Capital in terms of its expertise in structuring complex transactions and its capability for international syndication and distribution.

Absa Capital

Absa Capital increased attributable earnings by 32,2% to R1 001 million from R757 million in 2007, due to a strong performance across both of the Secondary Markets and Primary Markets business units. Key drivers of this growth have been Absa Capital's continued improvement of the operating model, technology, products and distribution.

The revenue of Secondary Markets grew by 84,8% and contributed 47,3% of Absa Capital's revenue. Secondary Markets is an area of strength for Absa Capital and the business continues to improve, leveraging off a strong working relationship with Barclays Capital. The growth in revenue is attributable to increased deal flow from new and existing clients, the broadening of the product offering, the increased sale of derivative products to the client base and more effective management.

The revenue of Primary Markets grew by 45,1% during the period and contributed 39,5% of Absa Capital's revenue as Primary Markets continued to grow earnings without an undue accumulation of credit risk. Due to the uncertainties in the South African and global credit markets, Primary Markets has restricted the size of its underwriting positions, preferring to distribute the credit risk through upfront syndication in the present environment. While uncertainties in the global credit markets have negatively impacted local deal flow, Primary Markets continued to perform well due to the client-centric business model which delivers comprehensive international and local solutions by leveraging off Barclays Capital global expertise and capabilities.

The revenue of the Private Equity and Investor Services business unit declined by 10,3% in the first half of 2008 and contributed 13,2% of Absa Capital's revenue. Although revenue in the Private Equity portfolio was positive, the cyclical nature of disposals (lower realisations compared to the corresponding period in 2007), combined with higher funding costs, led to lower revenue in Private Equity. The portfolio is well diversified and the business has a solid transaction pipeline. Investor Services delivered a sound performance in the first half of 2008 and continues to win new mandates.

Bancassurance

Absa's Bancassurance operations posted flat attributable earnings of R752 million for the period under review. The results are underpinned by a strong operational performance which grew by 21,5%, but was adversely affected by investment income on shareholders' funds, which declined by 55,8% as a result of volatile equity and bond market performance. This cluster achieved an RoE of 40,4% (June 2007: 38,4%).

Absa Life grew operating earnings by 4,9% to R342 million. Gross premium income declined by 19,7% in line with the premium payment structure changes on credit life policies brought about by the introduction of the National Credit Act (NCA). Excluding NCA-impacted businesses, gross premium income grew by 21,3%, driven by mass market products and the performance of '@ Ease', a new stand-alone risk product range that was launched early in 2008. The embedded value of new business amounted to R135 million (June 2007: R142 million). Embedded value earnings of R219 million represents a return on embedded value of 22,1% (June 2007: 30,3%).

Absa Insurance increased operating earnings by 13,7% and achieved a 17,3% increase in gross written premiums. This rise was driven by strong growth in the personal and commercial books, as well as the introduction of 'Absa idirect' (a direct insurance offering). Claims levels continued to be a challenge, rising by 22,1% and the claims ratio increased to 62,4% from 61,3% as at 30 June 2007. The higher claims arose from adverse weather conditions, rolling power outages, increases in the incidence of motor accidents and the continuing escalation in repair costs. Despite these factors, Absa Insurance achieved an underwriting margin of 11,5% (June 2007: 12,2%).

Absa Investments operating earnings declined by 6,0% to R140 million. The strategic focus of the business is to grow non-money market assets under management. Non-money market net inflows amounted to R3,2 billion in the period. Assets under management declined by 2,4% since 31 December 2007, to R117 billion. Unit trusts continue to deliver an encouraging performance with five funds being top-quartile performers over a one-year period.

Fiduciary operating earnings grew by 21,7% to R73 million. The acquisition of the Glenrand MIB employee benefits business was finalised during the first half of 2008 and provides critical mass to this cluster's employee benefits business.

Earnings from other African countries

The Group has banking operations in Angola, Mozambique and Tanzania and, in addition, explores profitable opportunities on the African continent through initiatives by each of its business clusters and by leveraging the Barclays brand. This will be enhanced significantly by the agreement with Barclays that Absa Capital will lead the investment banking initiatives in sub-Saharan Africa for the entire Group. A number of bancassurance initiatives have commenced and are yielding promising results. Earnings from other African countries increased by 37,5% to R110 million.

RESTATEMENT OF PRIOR YEAR FIGURES

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Group balance sheet

Reclassifications

Reclassification of certain assets and liabilities

Rm	Commentary	30 June 2007 (Unaudited) (As previously reported)	Reclassifications	30 June 2007 (Unaudited) (Restated)
Assets				
Cash, cash balances and balances with central banks		17 191	—	17 191
Statutory liquid asset portfolio		20 848	—	20 848
Loans and advances to banks		18 737	—	18 737
Trading assets		17 902	—	17 902
Hedging assets		796	—	796
Other assets		30 377	—	30 377
Current tax assets		34	—	34
Loans and advances to customers	1	415 964	(1 058)	414 906
Reinsurance assets		399	—	399
Deferred tax assets		121	—	121
Investments	1	26 278	1 058	27 336
Investments in associated undertakings and joint venture companies		849	—	849
Intangible assets		328	—	328
Property and equipment		4 069	—	4 069
Total assets		553 893	—	553 893
Liabilities				
Deposits from banks		24 107	—	24 107
Trading liabilities		24 112	—	24 112
Hedging liabilities		2 994	—	2 994
Other liabilities and sundry provisions	2	20 218	(604)	19 614
Current tax liabilities		366	—	366
Deposits due to customers		291 306	—	291 306
Debt securities in issue		130 575	—	130 575
Deferred tax liabilities		2 229	—	2 229
Liabilities under investment contracts	2	6 108	604	6 712
Policyholder liabilities under insurance contracts		3 271	—	3 271
Borrowed funds		9 946	—	9 946
Total liabilities		515 232	—	515 232
Equity				
Capital and reserves				
Attributable to ordinary equity holders of the Group:				
Share capital		1 342	—	1 342
Share premium		2 058	—	2 058
Other reserves		462	—	462
Retained earnings		30 020	—	30 020
		33 882	—	33 882
Minority interest – ordinary shares		274	—	274
Minority interest – preference shares		4 505	—	4 505
Total equity		38 661	—	38 661
Total equity and liabilities		553 893	—	553 893

Group income statement

Reclassifications

Reclassification of interest as well as IFRS 7 reclassifications.

Rm	Commentary	Six months ended 30 June 2007 (Unaudited) (As previously reported)	Reclassifi-cations	Six months ended 30 June 2007 (Unaudited) (Restated)
Net interest income	3 & 4	8 577	(3)	8 574
Interest and similar income		24 185	(59)	24 126
Interest expense and similar charges		(15 608)	56	(15 552)
Impairment losses on loans and advances		(985)	—	(985)
Net interest income after impairment losses on loans and advances		7 592	(3)	7 589
Net fee and commission income		5 626	(91)	5 535
Fee and commission income	4 & 5	5 996	187	6 183
Fee and commission expense	4	(370)	(278)	(648)
Net insurance premium income		1 653	—	1 653
Net insurance claims and benefits paid		(778)	—	(778)
Changes in insurance and investment liabilities		(573)	—	(573)
Gains and losses from banking and trading activities	4	930	(22)	908
Gains and losses from investment activities		1 084	—	1 084
Other operating income	5	469	(178)	291
Operating income before operating expenditure		16 003	(294)	15 709
Operating expenditure		(9 590)	294	(9 296)
Operating expenses	4	(9 113)	292	(8 821)
Non-credit related impairments		(28)	—	(28)
Indirect taxation		(449)	2	(447)
Share of retained earnings from associated undertakings and joint venture companies		16	—	16
Operating profit before income tax		6 429	—	6 429
Taxation expense		(1 900)	—	(1 900)
Profit for the period		4 529	—	4 529
Attributable to:				
Ordinary equity holders of the Group		4 363	—	4 363
Minority interest – ordinary shares		52	—	52
Minority interest – preference shares		114	—	114
		4 529	—	4 529
Headline earnings		4 365	—	4 365

Commentary

1. Equity and shareholder loans

Shareholder loans granted to Private Equity, Commercial Property Finance and Incubator Fund clients have been reclassified as part of the net investment in that entity. Previously these were shown as "Loans and advances to customers".

2. Liabilities under investment contracts

The "General Fund", a fund which Absa Life is required to consolidate under IFRS, has been reclassified as an investment contract. The impact of this is the liabilities to policyholders have been moved from "Other liabilities and sundry provisions" to "Liabilities under investment contracts".

3. Reclassification of interest

Hedging income and expenses have been reclassified to better eliminate mismatches.

4. Fee expenses and similar items

While implementing IFRS 7, the Group adopted a policy where all fees paid relating to either a financial instrument or fee income, should be classified as a fee expense. Similarly any fees related to trading should be moved to "Gains and losses from banking and trading activities".

5. Fees from trust and other fiduciary activities

Unit and property trust income has been reclassified from "Other operating income" to "Fee and commission income".