

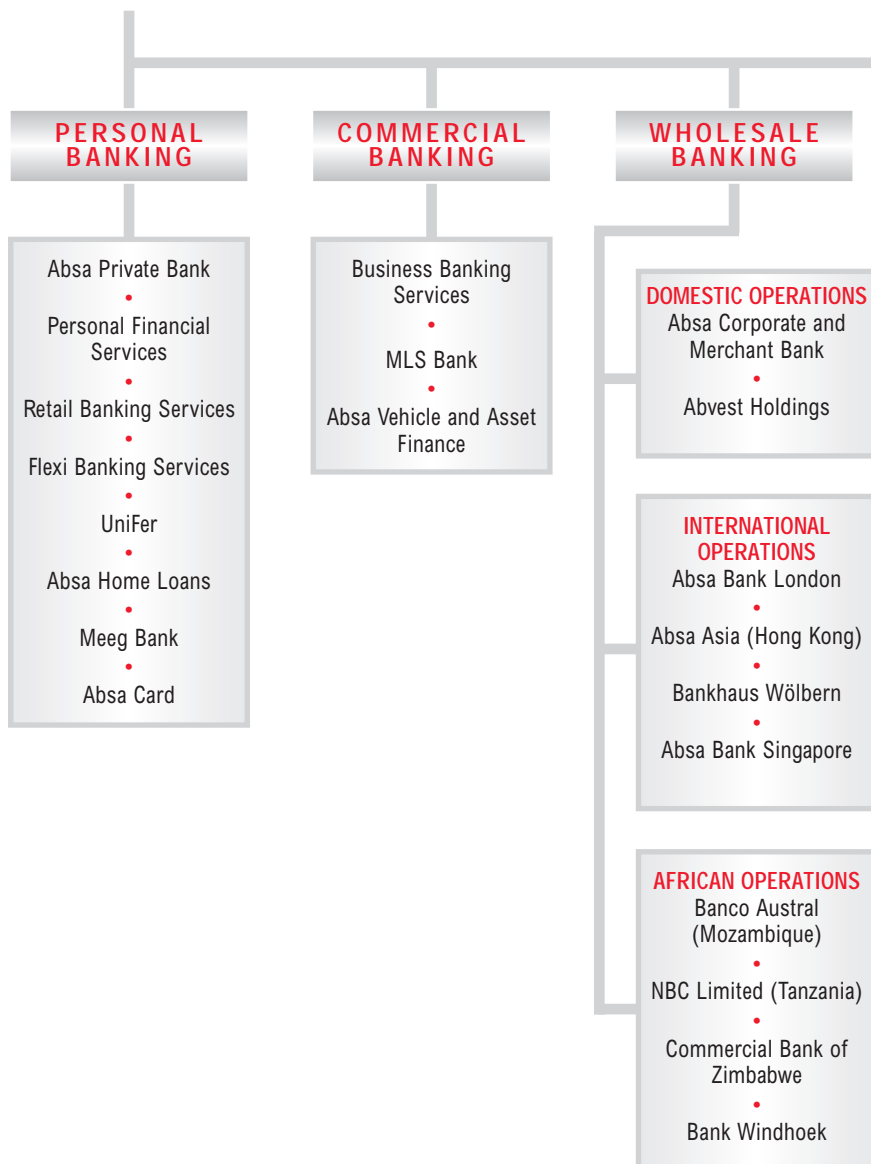
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## SALIENT FEATURES

	Six months ended 30 September 2003 (Unaudited)	2002 (Unaudited)	Change %	Year ended 31 March 2003 (Audited)
<b>Income statement (Rm)</b>				
Headline earnings	2 114	1 515	39,5	3 441
Attributable income	2 087	1 516	37,7	3 391
<b>Balance sheet (Rm)</b>				
Total assets	283 909	253 278	12,1	269 064
Total advances	206 298	192 860	7,0	199 297
Total deposits	225 467	221 551	1,8	222 056
<b>Financial performance (%)</b>				
Return on average equity	24,3	19,2		21,4
Return on average assets, excluding acceptances	1,53	1,22		1,35
<b>Operating performance (%)</b>				
Net interest margin on average assets	3,50	3,44		3,45
Net interest margin on average interest-bearing assets	3,96	3,71		3,80
Charge for bad and doubtful advances	0,87	0,93		1,02
Non-performing advances to total advances	4,6	5,1		5,1
Non-interest income as % of operating income	50,7	50,2		50,8
Cost-to-income ratio	58,6	61,6		60,0
<b>Share statistics (cents)</b>				
Headline earnings per share	324,5	232,5	39,6	528,1
Earnings per share	320,3	232,7	37,6	520,5
Dividends per share relating to income for the period	72,0	60,0	20,0	145,0
Dividend cover (times)	4,5	3,9		3,6
Net asset value per share	2 749	2 483	10,7	2 589
<b>Capital adequacy (%)</b>				
Absa Bank	11,3	10,8		11,5
Absa Group	12,7	12,0		12,5

# GROUP FINANCIAL REPORTING STRUCTURE



## ABSA FINANCIAL SERVICES

### LIFE INSURANCE

Absa Life

### SHORT-TERM INSURANCE

Absa Insurance Company

Absa Syndicate Investments

Absa Manx Insurance Company

### ADVISORY SERVICES

Absa Brokers

Absa Consultants and Actuaries

Absa Health Care Consultants

### WEALTH CREATION

Absa Fund Managers

Absa Trust

Absa Mortgage Fund Managers

Stonehage Financial Services

Absa Stockbrokers and Portfolio Services

Absa Investment Management Services

## OTHER

Absa Development Company

Real Estate Asset Management

AllPay

## Profit and dividend announcement

During the period under review, Absa Group Limited for the first time adopted the accounting statement AC 133: Financial Instruments: Recognition and Measurement. The adoption of AC 133 and the reduction in interest rates have had a positive impact on the results for the six months to 30 September 2003. It is not meaningful to compare these results with those of the corresponding six months of the previous year, which were presented on a pre-AC 133 basis.

Absa Group is pleased to announce headline earnings of R2 114 million (324,5 cents per share) for the six months ended 30 September 2003. This represents a growth in earnings of 39,5% compared with the headline earnings of R1 515 million (232,5 cents per share) for the previous year.

Headline earnings, excluding the impact of AC 133, increased by 20,1% to R1 819 million (279,2 cents per share), compared with R1 515 million (232,5 cents per share) for the corresponding period of the previous year.

The return on average shareholders' funds increased to 24,3% from 19,2% in September 2002. On a pre-AC 133 basis, the return on average shareholders' funds was 20,8%.

All the major banking operations and financial services contributed to the excellent results for the six months. The result of the banking operations were underpinned by strong growth in net interest income and no increase in the charge for bad and doubtful advances. Financial services recorded excellent underwriting results and benefited from the modest recovery of the equity markets.

An interim dividend of 72,0 cents per share has been declared. This translates to growth of 20,0% compared with the 60,0 cents per share of the previous year.

## Accounting policies

The adoption of the accounting statement AC 133 has substantially influenced the financial results of the Group for the six months ending 30 September 2003. The statement requires a greater degree of fair value accounting of the assets and liabilities of the Group than has been the case in the past.

The statement is prospective, and because of the complexity of its application, does not require that the comparative figures of the prior year be restated. Instead, the adjustments to equity that are required in respect of the prior year are dealt with as opening transitional adjustments in the statement of changes in equity.

The transitional adjustments are dealt with in greater detail under the heading "Net asset value." Headline earnings determined on a post-AC 133 basis for the six months ended 30 September 2003 were R295 million higher than those prepared on a pre-AC 133 basis and resulted from increases in the following areas:

	Rm
Net interest income	209
Bad and doubtful debts	(36)
Non-interest income	237
Taxation	(115)
Headline earnings	295

The additional net interest income of R209 million resulting from AC 133 is largely attributable to the unwinding of the net present value impairment as the maturity date of the collection of non-performing loans approaches.

The additional charges for bad and doubtful advances relating to the net present value impairment of newly identified non-performing loans have been offset largely by the commensurate reduction in the net present value impairment of non-performing loans resulting from the reduction in interest rates.

The additional non-interest income of R237 million is attributable to fair value adjustments to equity and capital market investments.

It is evident from the above that the change in accounting practice introduced by AC 133 is likely to lead to increased volatility in earnings in periods characterised by substantial changes in interest rates and equity markets.

The financial statements of the Group comply in all material respects with South African Statements of Generally Accepted Accounting Practice and are, other than as described above, consistent with those applied in the previous year.

## Operating environment

The supply side of the economy is still suffering from the effects of a much stronger exchange rate, tight monetary policy and continuing lacklustre conditions in certain developed economies. The manufacturing and mining sectors, which are largely export-oriented, are experiencing pressure on income and profits resulting from the effects of the strong rand. These developments have impacted negatively on credit extension to the wholesale sector in particular, despite lower interest rates in the second half of 2003.

Credit conditions for consumers have been improving throughout 2003 owing to above-inflation wage increases, personal income tax relief for the third successive year, lower inflation and interest rate cuts.

CPIX inflation has declined significantly from 11,3% in November 2002 to 5,4% in October this year. With the monetary policy focus primarily on inflation, the prime overdraft rate has dropped from 17,0% in June this year to 12,0% at present. The willingness of consumers to resort to credit has pushed up the household debt-to-disposable-income level to more than 53,0% in the first half of 2003, and kept household savings depressed at only about 0,5% of disposable income.

## Group performance

The Group's net interest income increased by 12,8% as a result of an improvement in the net interest margin from 3,44% to 3,50%. Competition, especially in the personal market, caused pressure on lending margins, but this has eased as affordability improved for consumers towards the close of the period. Income from hedging activities mitigated, to some degree, the impact of the higher relative cost of fixed deposits.

Net advances grew moderately, by 7,0%, even though the majority of the core personal banking products (home loans, instalment finance and credit cards) recorded strong growth. Advances growth was negatively affected by a decline in wholesale advances that emanated primarily from a decline in foreign currency loans.

The decline of 350 basis points in the prime overdraft rate during the review period has impacted positively on the bad debt charge as a result of the commensurate reduction of the net present value impairment of non-performing loans. The quality of the advances book, especially in the personal market, has improved in the lower interest rate environment. As a result, the charge for bad and doubtful advances for the six months remained virtually the same as that of the corresponding period of the previous year. It is pleasing to note that the ratio of bad debts to average advances declined to 0,87% (September 2002: 0,93%).

A key element of the Group's strategy is to diversify its earnings streams, thereby decreasing its reliance on net interest income. Non-interest income as a percentage of total income increased from 50,2% for the corresponding period last year to 50,7%.

Non-interest income benefited from solid growth in commissions and fees, pension payment services and insurance-related income. The fair value adjustments to the equity and investment portfolios of the Group boosted this growth by R237 million. Although gross trading income was slightly lower than in the corresponding period last year, the net contribution after accounting for interest cost from this activity was 14,4% higher than the net contribution recorded in the previous year.

Growth in operating expenditure was contained in line with the average CPIX for the period. Although the increase in staff costs was contained to only 4,7%, total operating expenses increased by 8,5%, mainly as a result of an increase in marketing and information technology costs. The cost-to-income ratio improved to 58,6%.

## Segmental reporting

### Personal banking

Personal banking increased its headline earnings contribution by 48,9% to R740 million. Absa Home Loans, Retail Banking Services and Personal Financial Services all posted good results emanating from solid advances growth and lower bad debts. The net holding cost of properties in possession has declined encouragingly.

### Commercial banking

Absa Vehicle and Asset Finance is making good progress in diversifying its business into the financing of office automation, aviation and heavy vehicles. Following the re-branding exercise from the old Bankfin, new business levels have increased substantially as a result of trading under the Absa brand and joint ventures with manufacturers. Cost synergies have been obtained by integrating outlets, operations and credit management into the existing Absa infrastructure. The advances book is of high quality.

## PROFIT COMMENTARY

Business Banking Services has recorded solid growth as a result of healthy deposit levels, transaction volume growth and curtailing bad debts. The Group aims to strengthen its position in this market segment by improving product utilisation and developing specific customer strategies aimed at black-owned businesses, consumables and tourism.

The restructuring of MLS Bank has affected its earnings contribution for the period, but once completed, the integration will result in improved customer service levels.

### Wholesale banking

Earnings from the Group's domestic wholesale operations increased markedly in the six months under review. Merchant banking recorded good growth from a low base, mainly as a result of investment banking making a profit compared with the loss for the corresponding period last year. The back office centralisation project has enabled Absa Corporate and Merchant Bank to contain cost growth.

International wholesale operations reported a 52,6% growth in earnings to R87 million. This improvement stems from a lower charge for bad and doubtful debts. The Group has strengthened its structured trade and commodity finance capability in London, Singapore and Hong Kong.

The headline earnings contribution from African operations outside South Africa declined by 40,6% to R19 million for the six months.

Banco Austral (Mozambique) has embarked on a restructuring and retrenchment programme and is introducing a new IT system. These costs and a decline in the income from inflation-linked government bonds caused the bank to post a loss for the first six months, but it is correctly structured to trade profitably in the future.

The remaining operations in Africa continue to perform according to expectations.

### Financial services

Absa Financial Services, which houses the Group's bancassurance arm, continued to deliver a solid operational performance. A moderate recovery of the equity markets also boosted earnings as a result of the fair value adjustments to the equity portfolio. Underwriting results improved markedly owing to market conditions. The earnings growth and sales contribution to the Group from Absa Brokers also showed some improvement.

Absa Fund Managers has done particularly well, largely as a result of the excellent performance of the Absa Money Market Fund, the value of which now stands at R25,1 billion.

## Net asset value

The net asset value of the Absa Group increased by 10,7% from 2 483 cents per share to 2 749 cents per share. Certain transitional AC 133 adjustments were made to the equity of the Group on 1 April 2003 – the net effect being a R658 million reduction in shareholders' equity. The negative adjustment emanates primarily from fair value adjustments that had to be made in the areas of interest rate risk management and credit provisions.

Specific bad debt provisions had to be increased to take account of the difference between the expected recoveries from the non-performing advances portfolio and the net present value of these recoveries. The impact of this was reduced by a reduction in the general provision for bad and doubtful advances.

Certain assets and derivatives are purchased and designated to hedge the net interest margin of the Group in the event of severe interest fluctuations. AC 133 contains onerous conditions before these hedges qualify as hedges for accounting purposes. Hence the determination of the fair value for the non-qualifying hedges portfolio of the Group resulted in a negative adjustment to equity at the inception of AC 133.

## Capital adequacy

On the basis of the prescribed consolidated capital requirements of the South African Reserve Bank (SARB), the Group's capital stood at 12,7% of risk-weighted assets at 30 September 2003. Absa Bank's capital adequacy was at 11,3% of risk-weighted assets at 30 September 2003. The primary capital ratio was 7,2% and the secondary capital ratio 4,1%.

The improvement in the Tier 1 ratio from 6,2% to the current 7,2% was assisted by the profitability of the bank and the conversion of compulsorily convertible debt to shareholder's equity.

## Corporate governance

The Group is committed to the highest standards of corporate governance. Various board committees support the board by guiding and overseeing the process of ensuring that the same high standards are applied consistently throughout the Group.

The review of corporate governance practices in the South African banking industry conducted by Advocate John Myburgh SC under direction of the SARB reflected positively on Absa Group. In addition to this, the rating agency, CA-Ratings, recently assigned Absa Group a rating of AA-g (extremely sound) after a ratings review of the Group's corporate governance practices.

## Prospects

The expectations of low inflation and lower interest rates suggest that favourable conditions will prevail for the consumer over the medium term. It is in this environment that the Group, with its large consumer customer base, is expected to prosper. Lower interest rates will put margins under pressure as the interest earned on free capital reduces in the coming months. However, the Group has short- to medium-term hedging positions to mitigate the impact of declining rates to some degree.

In view of the expectation that capital market interest rates will not decline to the same degree as they did in the first six months after the adoption of AC 133, the positive impact of AC 133 is expected to decline somewhat in the second half of the year.

On behalf of the board

D C Cronjé  
*Chairman*

E R Bosman  
*Group chief executive*

24 November 2003

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## Declaration of ordinary dividend no 34

Notice is hereby given that an interim dividend of 72,0 cents per ordinary share has been declared and is payable to shareholders recorded in the register of members of the company at the close of business on Friday, 19 December 2003.

In compliance with the requirements of STRATE, the electronic settlement and custody system used by the JSE Securities Exchange South Africa, the company has determined the following salient dates for the payment of the dividend:

Last day to trade cum-dividend	Thursday, 11 December 2003
Shares commence trading ex-dividend	Friday, 12 December 2003
Record date	Friday, 19 December 2003
Payment of dividend	Monday, 22 December 2003

Share certificates may not be dematerialised/rematerialised between Friday, 12 December 2003 and Friday, 19 December 2003, both days inclusive.

On Monday, 22 December 2003, the dividend will be electronically transferred to the bank accounts of certificated shareholders who utilise this facility. In respect of those who do not, cheques dated 22 December 2003, will be posted on or about that date. Shareholders who have dematerialised their shares will have their accounts, held at their central securities depository participant or broker, credited on Monday, 22 December 2003.

On behalf of the board

W R Somerville  
*Group secretary*

24 November 2003



## GROUP INCOME STATEMENT

	Six months ended 30 September			Year ended 31 March 2003
	2003 (Unaudited) Rm	2002 (Unaudited) Rm	Change %	(Audited) Rm
Interest income	16 049	14 388	11,5	30 299
Interest expense	(11 216)	(10 103)	(11,0)	(21 467)
<b>Net interest income</b>	<b>4 833</b>	<b>4 285</b>	<b>12,8</b>	<b>8 832</b>
Charge for bad and doubtful advances	(882)	(881)	(0,1)	(1 957)
<b>Income from lending activities</b>	<b>3 951</b>	<b>3 404</b>	<b>16,1</b>	<b>6 875</b>
Non-interest income	4 978	4 318	15,3	9 127
<b>Operating income</b>	<b>8 929</b>	<b>7 722</b>	<b>15,6</b>	<b>16 002</b>
Operating expenditure	(5 750)	(5 298)	(8,5)	(10 780)
Indirect taxation	(320)	(255)	(25,5)	(695)
Impairment charge – Goodwill	—	(31)	100,0	(54)
<b>Net income from operations</b>	<b>2 859</b>	<b>2 138</b>	<b>33,7</b>	<b>4 473</b>
Share of associated companies' income	44	44	—	92
<b>Net income before taxation</b>	<b>2 903</b>	<b>2 182</b>	<b>33,0</b>	<b>4 565</b>
Taxation	(777)	(637)	(22,0)	(1 104)
<b>Net income after taxation</b>	<b>2 126</b>	<b>1 545</b>	<b>37,6</b>	<b>3 461</b>
Minority shareholders' interest	(39)	(29)	(34,5)	(70)
<b>Net income attributable to shareholders</b>	<b>2 087</b>	<b>1 516</b>	<b>37,7</b>	<b>3 391</b>
<b>Headline earnings</b>	<b>2 114</b>	<b>1 515</b>	<b>39,5</b>	<b>3 441</b>

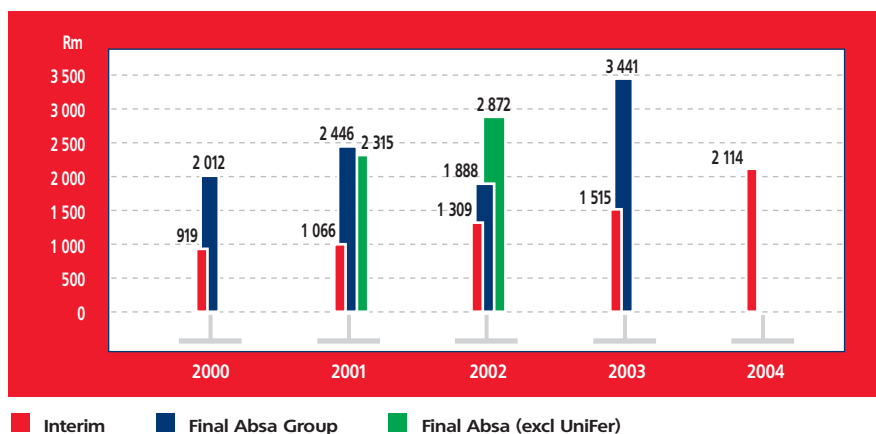
## GROUP BALANCE SHEET

	30 September 2003 (Unaudited) Rm	2002 (Unaudited) Rm	Change %	31 March 2003 (Audited) Rm
<b>Assets</b>				
Cash and short-term assets	13 397	11 251	19,1	12 617
Money market assets	6 360	10 914	(41,7)	7 736
Capital market assets	4 623	2 306	100,5	2 824
Statutory liquid asset portfolio	15 932	17 940	(11,2)	17 965
Advances	206 298	192 860	7,0	199 297
Other assets	28 065	6 748	315,9	19 466
Investments	4 861	5 798	(16,2)	3 506
Associated companies	634	471	34,6	450
Property and equipment	2 547	2 769	(8,0)	2 613
Goodwill	107	11	872,7	132
Intangible assets	57	45	26,7	55
Deferred taxation	281	560	(49,8)	223
Taxation	—	—	—	15
Client liabilities under acceptances	747	1 605	(53,5)	2 165
<b>Total assets</b>	<b>283 909</b>	<b>253 278</b>	<b>12,1</b>	<b>269 064</b>
<b>Liabilities</b>				
Deposits and current accounts	225 467	221 551	1,8	222 056
Deferred taxation	1 243	687	80,9	1 451
Taxation	311	926	(66,4)	327
Other liabilities	28 702	4 832	494,0	17 795
Provisions	1 822	1 446	26,0	1 081
Insurance funds	1 784	1 460	22,2	1 396
Subordinated debt	5 686	4 377	29,9	5 686
Liabilities to clients under acceptances	747	1 605	(53,5)	2 165
<b>Total liabilities</b>	<b>265 762</b>	<b>236 884</b>	<b>12,2</b>	<b>251 957</b>
<b>Shareholders' funds</b>				
Share capital	1 302	1 303	(0,1)	1 303
Share premium	1 513	1 532	(1,2)	1 532
Reserves	15 093	13 341	13,1	14 031
<b>Shareholders' funds</b>	<b>17 908</b>	<b>16 176</b>	<b>10,7</b>	<b>16 866</b>
<b>Minority shareholders' interest</b>	<b>239</b>	<b>218</b>	<b>9,6</b>	<b>241</b>
<b>Total liabilities and shareholders' funds</b>	<b>283 909</b>	<b>253 278</b>	<b>12,1</b>	<b>269 064</b>
<b>Contingencies</b>	<b>14 137</b>	<b>18 813</b>	<b>(24,9)</b>	<b>14 275</b>

## STATEMENT OF CHANGES IN EQUITY

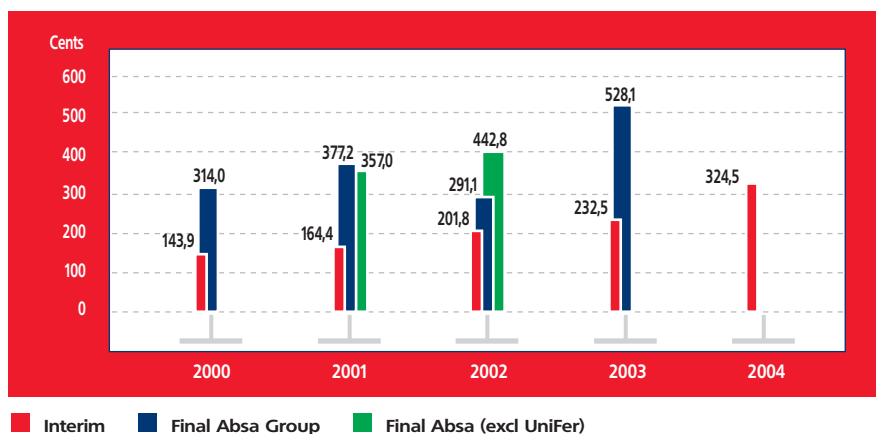
	30 September 2003 (Unaudited) Rm	2002 (Unaudited) Rm	31 March 2003 (Audited) Rm
<b>Share capital</b>	<b>1 302</b>	<b>1 303</b>	<b>1 303</b>
Opening balance	1 303	1 303	1 303
Shares bought back	(1)	—	—
<b>Share premium</b>	<b>1 513</b>	<b>1 532</b>	<b>1 532</b>
Opening balance	1 532	1 532	1 532
Utilised during share buy back	(19)	—	—
<b>Non-distributable reserves</b>	<b>1 190</b>	<b>1 176</b>	<b>443</b>
Opening balance	443	1 408	1 408
AC 133 opening adjustment in respect of:			
– statutory general credit risk reserve	451	—	—
– available-for-sale assets reserve	(78)	—	—
– value of investments held by short-term insurance companies	134	—	—
Movement in foreign currency translation reserve	(113)	(170)	(711)
Movement in statutory general credit risk reserve	11	—	—
Movement in available-for-sale assets reserve	112	—	—
Movement in cash flow hedges reserve	188	—	—
Insurance contingency reserve: transfer from distributable reserves	11	4	(5)
Changes in value of investments held by short-term insurance companies	—	(95)	(300)
Associated companies' earnings	31	29	51
<b>Distributable reserves</b>	<b>13 903</b>	<b>12 165</b>	<b>13 588</b>
Opening balance	13 588	11 092	11 092
AC 133 opening adjustment	(1 165)	—	—
Transfer to insurance contingency reserve	(11)	(4)	(29)
Transfer to non-distributable reserves	(31)	(29)	(65)
Transfer to statutory general credit risk reserve	(11)	—	—
Attributable income	2 087	1 516	3 391
Dividends	(554)	(410)	(801)
<b>Total shareholders' funds at end of period</b>	<b>17 908</b>	<b>16 176</b>	<b>16 866</b>

## HEADLINE EARNINGS

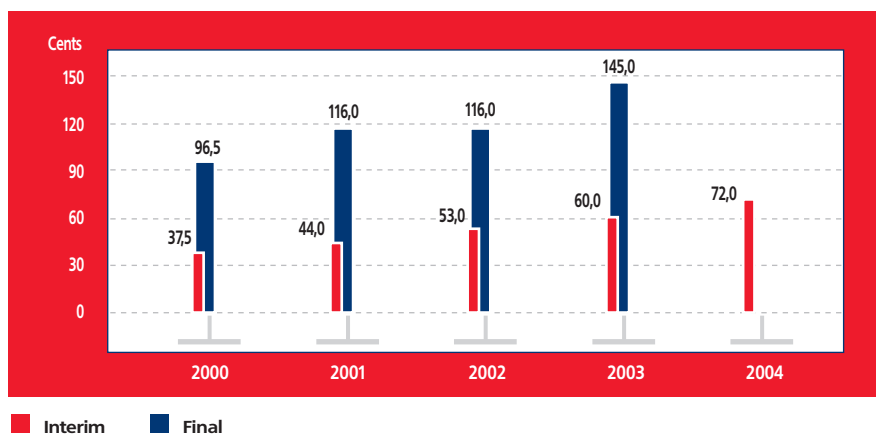


	Six months ended 30 September 2003 (Unaudited) Rm		Year ended 31 March 2003 (Audited) Rm	
			Change %	
<b>Determination of headline earnings</b>				
Net income attributable to shareholders	2 087	1 516	37,7	3 391
Adjustments for:				
Net profit on disposal of property and equipment	(15)	—		(30)
Net profit on disposal of subsidiaries	(9)	(37)		—
Net (profit)/loss on disposal/impairment of strategic investments	26	—		(16)
Goodwill amortised and impaired	25	36		96
<b>Headline earnings</b>	<b>2 114</b>	<b>1 515</b>	<b>39,5</b>	<b>3 441</b>

## HEADLINE EARNINGS PER SHARE

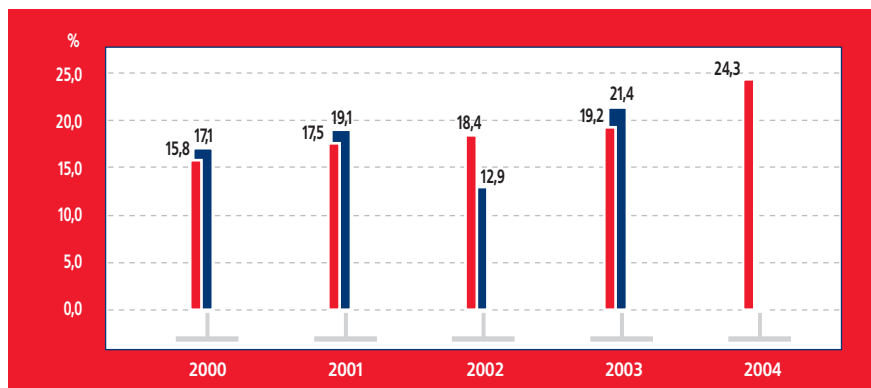


## DIVIDENDS PER SHARE



	Six months ended 30 September 2003 (Unaudited)	2002 (Unaudited)	Year ended 31 March 2003 (Audited)
Dividend cover (times)	4,5	3,9	3,6
Weighted average number of shares (million)	651,5	651,5	651,5

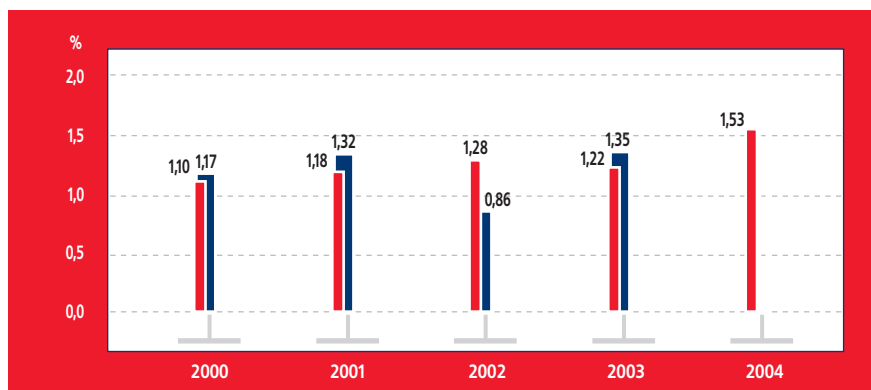
## RETURN ON AVERAGE EQUITY



■ Interim ■ Final

The Group aims to achieve an ROE of 23% over the medium term. Cost of equity for the Group is 16,6%

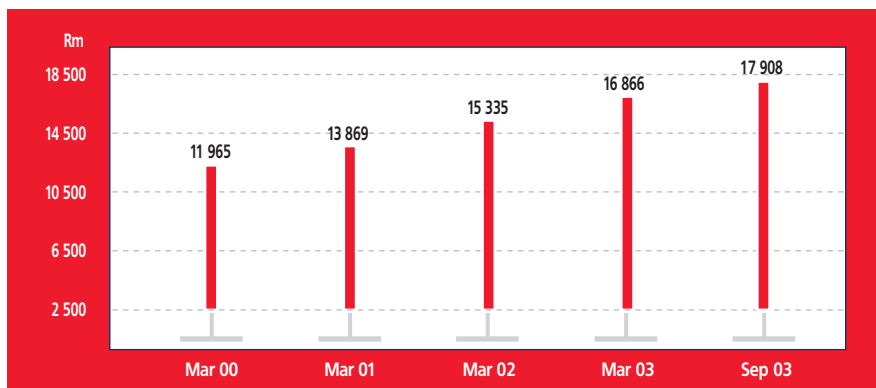
## RETURN ON AVERAGE ASSETS



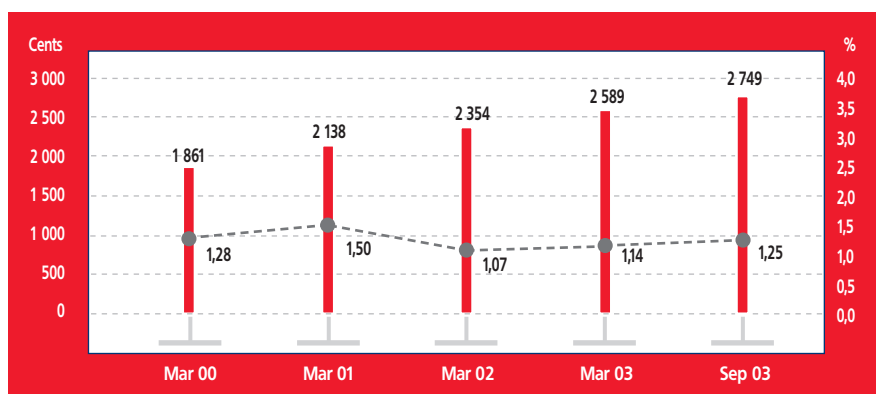
■ Interim ■ Final

The Group aims to maintain an ROA of 1,50% over the medium term

## SHAREHOLDERS' FUNDS

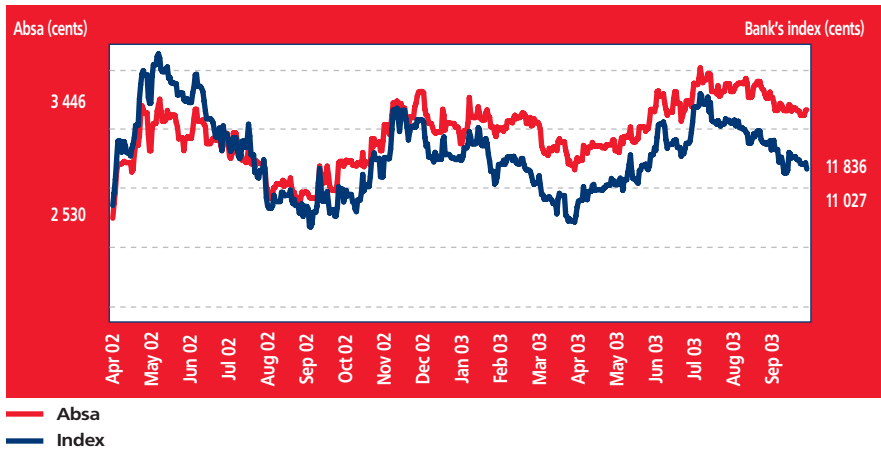


## NET ASSET VALUE PER SHARE



---●--- Price-to-book

## SHARE PERFORMANCE

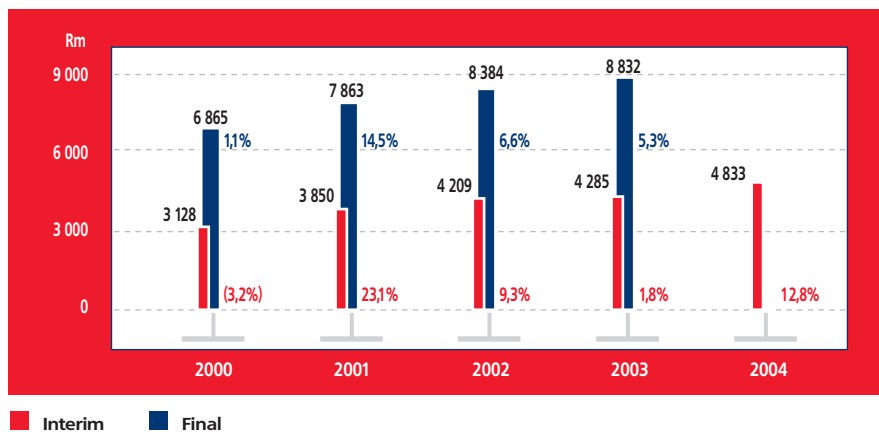


### Share performance on the JSE Securities Exchange South Africa

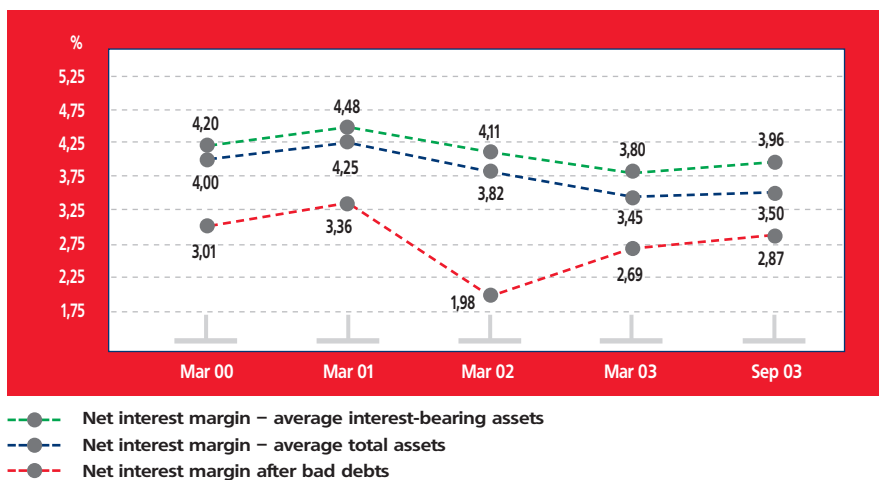
	Six months ended 30 September 2003	Year ended 31 March 2002	Year ended 31 March 2003
Number of shares in issue ('000)	651 055	651 547	651 547
Market prices (cents per share):			
Closing	3 446	2 970	2 940
High	3 800	3 600	3 651
Low	2 940	2 500	2 500
Weighted average	3 398	3 056	3 132
Closing price/net asset value per share	1,25	1,20	1,14
Closing price/earnings	10,6	12,8	5,6
Volume of shares traded (millions)	229,9	220,3	439,9
Value of shares traded (R millions)	7 813,3	6 681,2	13 894,4
Market capitalisation (R millions)	22 435,4	19 640,9	19 155,5



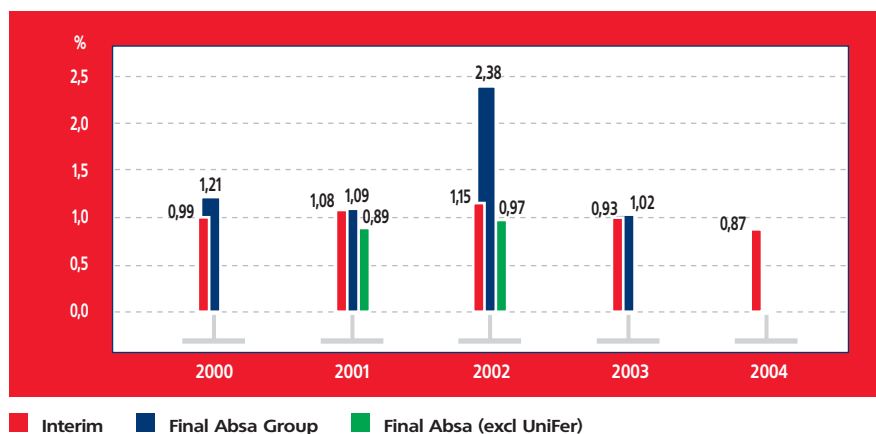
## NET INTEREST INCOME



## NET INTEREST MARGIN

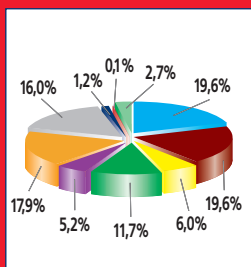


## CHARGE FOR BAD AND DOUBTFUL ADVANCES

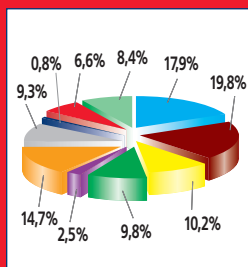


	Six months ended 30 September		Change	Year ended 31 March
	2003 Rm	2002 Rm	%	2003 Rm
Personal banking	329	373	11,8	856
Commercial banking	404	376	(7,4)	823
Wholesale banking	132	127	(3,9)	267
Domestic operations	83	17	(388,2)	42
International operations	46	103	55,3	200
African operations	3	7	57,1	25
Other	17	5	(240,0)	11
Charge to the income statement	882	881	(0,1)	1 957

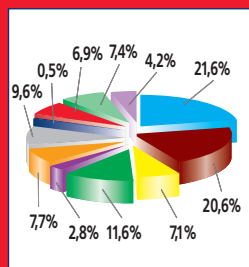
## BAD DEBTS PER PRODUCT



September 2003



September 2002



March 2003

■ Residential mortgages 
 ■ Cheque accounts 
 ■ Personal loans 
 ■ Instalment finance  
■ Credit cards 
 ■ Other retail advances 
 ■ Other wholesale advances 
 ■ Micro loans  
■ Pips written down to market value 
 ■ Commercial property finance  
■ Reclassification from general to specific provision

	Six months ended 30 September			Year ended 31 March
	2003	2002	Change	2003
	Rm	Rm	%	Rm
Residential mortgages	176	156	(12,8)	441
Cheque accounts	176	172	(2,3)	420
Personal loans	54	89	39,3	144
Instalment finance	105	85	(23,5)	236
Credit cards	47	22	(113,6)	57
Other retail advances	161	128	(25,8)	159
Other wholesale advances	144	81	(77,8)	197
Micro loans	11	7	(57,1)	11
Pips written down to market value	1	57	98,2	140
Commercial property finance	24	73	67,1	151
Reclassification from general to specific provision	—	—	—	86
Total specific impairment charge	899	870	(3,3)	2 042
Portfolio impairment	64	92	30,4	38
Bad and doubtful advances before recoveries	963	962	(0,1)	2 080
Recovery of bad debts	(81)	(81)	—	(123)
Total charge to the income statement	882	881	(0,1)	1 957

## PROVISIONS FOR BAD AND DOUBTFUL ADVANCES

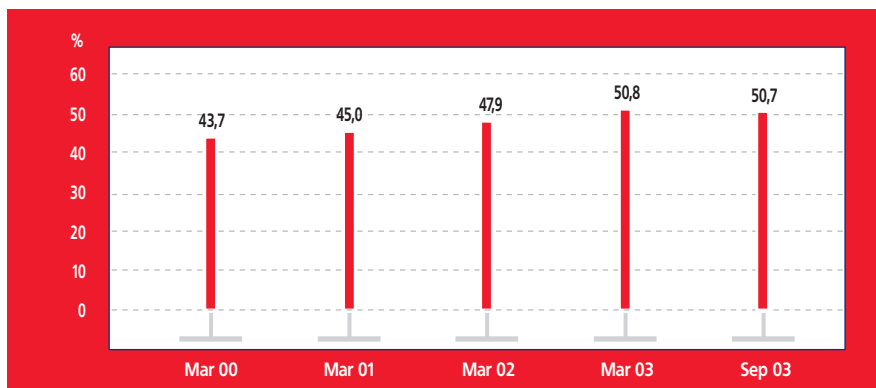
	Six months ended 30 September			Year ended 31 March
	2003 Rm	2002 Rm	Change %	2003 Rm
<b>Accumulated provisions for bad and doubtful advances</b>				
Specific impairments	7 480	6 221	20,2	6 508
Non-performing loans	6 182			
Special mention and substandard accounts	352			
NPV adjustment	946			
Portfolio impairments	1 007	2 005	(49,8)	1 589
	8 487	8 226	3,2	8 097

## NON-PERFORMING ADVANCES

	Outstanding balance Rm	Security and recoveries Rm	Net exposure Rm	Provisions raised Rm
<b>Non-performing advances at 30 September 2003</b>				
Personal loans	462	220	242	260
Retail overdrafts and credit cards	1 365	271	1 094	1 146
Foreign currency loans	544	162	382	382
Instalment finance	479	106	373	373
Mortgages	3 645	2 875	770	777
Micro loans (UniFer)	1 961	—	1 961	1 967
Other	1 374	127	1 247	1 277
	9 830	3 761	6 069	6 182
Non-performing advances as a % of total advances – Absa excl UniFer	3,7			
– Absa Group	4,6			
<b>Non-performing advances at 31 March 2003</b>	10 586	4 451	6 135	6 508
Non-performing advances as a % of total advances – Absa excl UniFer	4,1			
– Absa Group	5,1			

## NON-INTEREST INCOME AS A % OF OPERATING INCOME

(excluding bad debts)

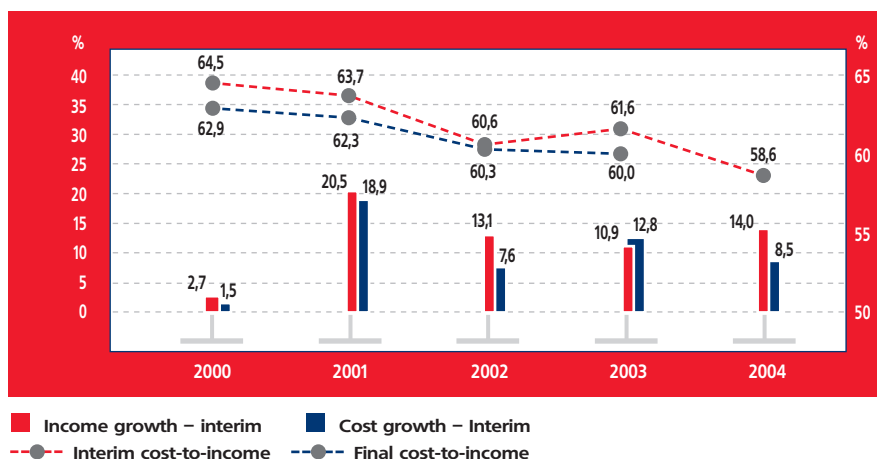


## NON-INTEREST INCOME

	Six months ended 30 September		Year ended 31 March	
	2003 Rm	2002 Rm	Change %	2003 Rm
<b>Banking-related income</b>	<b>3 979</b>	<b>3 696</b>	<b>7,7</b>	<b>7 821</b>
Commissions and fees	3 078	2 832	8,7	6 044
Net trading income*	510	561	(9,1)	1 075
Knowledge-based income	61	87	(29,9)	130
Valuation fees	35	34	2,9	63
Unit and property trust income	81	47	72,3	119
Pension payment services	201	108	86,1	267
Other banking income	13	27	(51,9)	123
<b>Insurance-related income</b>	<b>590</b>	<b>501</b>	<b>17,8</b>	<b>908</b>
Net broking commission	205	169	21,3	338
Trust and estate income	64	60	6,7	129
Net insurance underwriting surplus	127	82	54,9	115
Net life surplus	107	114	(6,1)	178
Other	87	76	14,5	148
<b>Investment income</b>	<b>369</b>	<b>95</b>	<b>288,4</b>	<b>305</b>
Net profit on realisation of investments	69	48	43,8	136
Mark-to-market adjustment on equity investments	237	—	100,0	—
Dividend income	63	47	34,0	169
<b>Other activities</b>	<b>40</b>	<b>26</b>	<b>53,8</b>	<b>93</b>
Profit on the disposal of property and equipment	15	1	1 400,0	30
Property development profits	9	20	(55,0)	38
Property rentals	16	5	220,0	25
	<b>4 978</b>	<b>4 318</b>	<b>15,3</b>	<b>9 127</b>

\* The net treasury contribution (after interest) increased from R451 million (September 2002) to R516 million (September 2003).

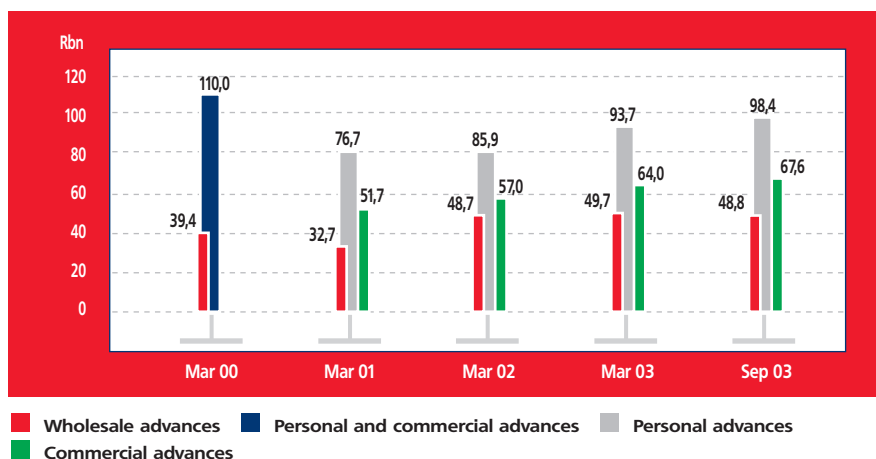
## COST-TO-INCOME RATIO



## OPERATING EXPENDITURE

	Six months ended 30 September			Year ended 31 March
	2003 Rm	2002 Rm	Change %	2003 Rm
Amortisation	37	28	(32,1)	66
Auditors' remuneration	19	15	(26,7)	39
Depreciation	318	294	(8,2)	632
Impairment charge	26	—	(100,0)	49
Information technology costs	509	461	(10,4)	916
Marketing and advertising	224	154	(45,5)	320
Operating lease charges	253	238	(6,3)	585
Professional fees	289	223	(29,6)	485
Staff costs	2 801	2 676	(4,7)	5 338
Other operating expenditure	1 274	1 209	(5,4)	2 350
	5 750	5 298	(8,5)	10 780

## ADVANCES



	30 September 2003 Rm	2002 Rm	Change %	31 March 2003 Rm
<b>Total personal advances:</b>				
Mortgages	82 852	73 584	12,6	77 741
Advances	82 310	72 904	12,9	77 136
Properties in possession	542	680	(20,3)	605
Cheque accounts	2 908	3 833	(24,1)	3 024
Personal loans	4 294	4 181	2,7	4 278
Credit card accounts	3 987	3 485	14,4	3 772
Micro loans	2 983	3 926	(24,0)	3 400
Other	1 375	677	103,1	1 531
Gross advances	98 399	89 686	9,7	93 746
Provision for bad and doubtful advances	(4 479)	(4 256)	(5,2)	(4 074)
Net advances	93 920	85 430	9,9	89 672

## ADVANCES

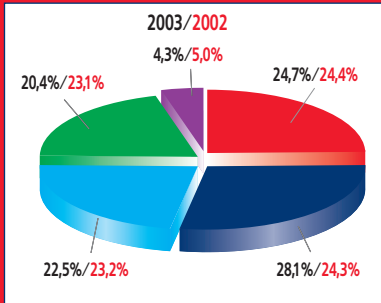
(continued)

	30 September 2003 Rm	2002 Rm	Change %	31 March 2003 Rm
<b>Total commercial advances:</b>				
Mortgages (including commercial property finance)	13 723	13 202	3,9	13 467
Cheque accounts	9 236	8 558	7,9	9 817
Instalment finance*	31 981	25 777	24,1	28 527
Personal loans	6 726	6 023	11,7	6 413
Credit card accounts	66	58	13,8	63
Other	5 829	4 791	21,7	5 701
Gross advances	67 561	58 409	15,7	63 988
Provision for bad and doubtful advances	(2 502)	(2 603)	3,9	(2 658)
Net advances	65 059	55 806	16,6	61 330
<b>Total wholesale advances:</b>				
Corporate overdrafts	3 110	3 885	(19,9)	4 801
Foreign currency loans	14 407	27 915	(48,4)	23 288
Specialised and project finance	9 606	8 910	7,8	8 875
Overnight finance	3 703	4 506	(17,8)	4 120
Preference shares	4 910	2 998	63,8	3 552
Commodities	1 434	2 133	(32,8)	1 730
Carries	5 475	—	100,0	—
Abacus	1 450	—	100,0	—
Other	4 730	2 644	78,9	3 294
Gross advances	48 825	52 991	(7,9)	49 660
Provision for bad and doubtful advances	(1 506)	(1 367)	(10,2)	(1 365)
Net advances	47 319	51 624	(8,3)	48 295
<b>Total gross advances</b>	<b>214 785</b>	<b>201 086</b>	<b>6,8</b>	<b>207 394</b>
Provision for bad and doubtful advances	(8 487)	(8 226)	(3,2)	(8 097)
<b>Total net advances</b>	<b>206 298</b>	<b>192 860</b>	<b>7,0</b>	<b>199 297</b>

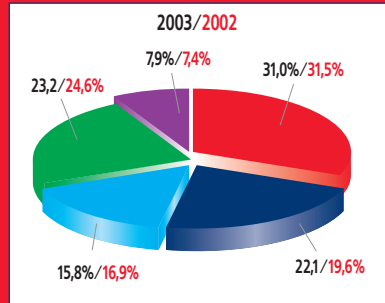
\* Although Absa Vehicle and Asset Finance operates in both the personal and commercial markets, this division is included in the commercial banking segment. 68% of Absa Vehicle and Asset Finance's total advances are in respect of consumers.



## MARKET SHARE

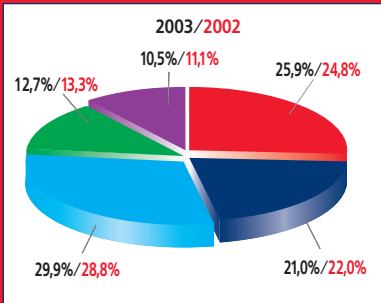


Credit cards - % share

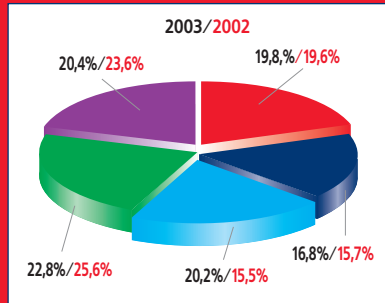


Mortgage loans - % share

■ ABSA ■ SBIC ■ FIRSTRAND ■ NEDCOR/BOE ■ OTHER



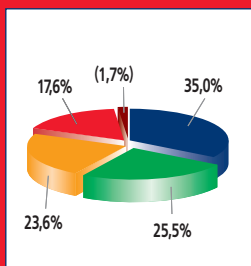
Instalment finance - % share



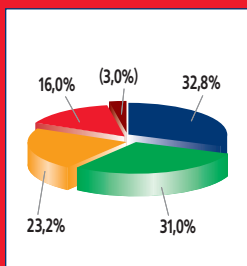
Overdrafts and other loans - % share

■ ABSA ■ SBIC ■ FIRSTRAND ■ NEDCOR/BOE ■ OTHER

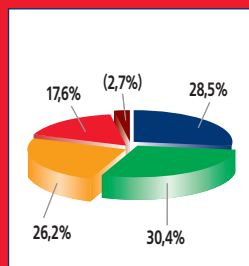
## PROFIT CONTRIBUTION BY BUSINESS AREA



September 2003



September 2002



March 2003

■ Personal banking 
 ■ Commercial banking 
 ■ Wholesale banking 
 ■ Absa Financial Services 
 ■ Other

	Six months ended 30 September		Change %	Year ended 31 March 2003
	2003 Rm	2002* Rm		Rm
<b>Personal banking</b>	<b>740</b>	<b>497</b>	<b>48,9</b>	<b>980</b>
Absa Card	153	129	18,6	296
Absa Home Loans	385	254	51,6	447
Properties in possession	(68)	(102)	33,3	(263)
Absa Private Bank	4	(1)	500,0	—
Personal Financial Services	67	54	24,1	140
Retail Banking Services	149	118	26,3	231
Flexi Banking Services	45	46	(2,2)	126
Meeg Bank	2	—	100,0	—
UniFer	3	(1)	400,0	3
<b>Commercial banking</b>	<b>540</b>	<b>469</b>	<b>15,1</b>	<b>1 047</b>
Business Banking Services	350	298	17,4	700
Absa Vehicle and Asset Finance (AVAF)	169	145	16,6	289
MLS Bank	21	26	(19,2)	58
<b>Wholesale banking</b>	<b>499</b>	<b>353</b>	<b>41,4</b>	<b>903</b>
Domestic operations	393	264	48,9	702
International operations	87	57	52,6	110
African operations	19	32	(40,6)	91
<b>Total banking</b>	<b>1 779</b>	<b>1 319</b>	<b>34,9</b>	<b>2 930</b>
<b>Absa Financial Services (AFS)</b>	<b>372</b>	<b>242</b>	<b>53,7</b>	<b>607</b>
<b>Other</b>	<b>(37)</b>	<b>(46)</b>	<b>19,6</b>	<b>(96)</b>
<b>Total headline earnings</b>	<b>2 114</b>	<b>1 515</b>	<b>39,5</b>	<b>3 441</b>

\*2002 figures restated as set out on pages 30 to 33.

## SEGMENT REPORTING

for the six months ended 30 September 2003

Income statement (Rm)	Personal	Commercial
Net interest income	2 277	1 961
Bad and doubtful advances	(329)	(404)
Non-interest income	2 015	1 040
Operating expenditure	(2 741)	(1 738)
Taxation and other	(482)	(319)
<b>Headline earnings</b>	<b>740</b>	<b>540</b>
<b>Balance sheet (Rm)</b>		
Total assets*	133 301	93 512
Total advances	94 024	64 282
Total deposits	45 352	49 944
<b>Financial performance (%)</b>		
Return on average equity	33,2	22,7
Return on average assets, excluding acceptances	1,10	1,20
<b>Operating performance (%)</b>		
Net interest margin	3,38	4,34
Bad debt ratio	0,72	1,29
Non-interest/total income	46,9	34,7
Cost-to-income ratio	63,9	57,9
Cost-to-assets	4,1	3,8

*\*Total assets include intergroup balances of R125 380 million.*

Wholesale	AFS	Other	Absa Group
606	94	(105)	4 833
(132)	(7)	(10)	(882)
1 036	700	187	4 978
(825)	(307)	(139)	(5 750)
(186)	(108)	30	(1 065)
499	372	(37)	2 114
170 418	5 603	6 455	409 289
48 204	145	(357)	206 298
129 453	—	718	225 467
18,9	34,3	n/a	24,3
0,61	14,16	n/a	1,53
0,72	n/a	n/a	3,50
0,54	n/a	n/a	0,87
63,1	88,2	n/a	50,7
50,2	38,7	n/a	58,6
1,0	11,7	n/a	4,2

## SEGMENT REPORTING

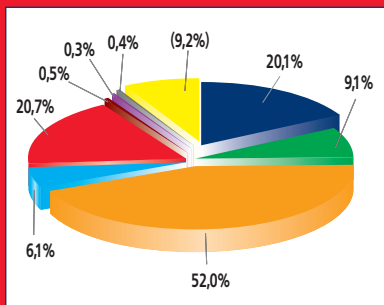
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### PERSONAL BANKING

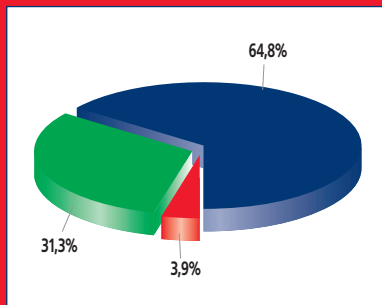
	Absa Private Bank	Personal Financial Services	Retail Banking Services	Flexi Banking Services
Headline earnings (Rm)	4	67	149	45
ROE (%)	5,5	34,6	61,6	405,0
Cost-to-income (%)	72,7	67,3	77,9	76,9
Total assets (Rm)	1 970	12 575	27 086	3 212
Total advances (Rm)	1 749	6 679	4 138	215
Total deposits (Rm)	1 332	11 890	26 132	3 112

### COMMERCIAL BANKING

	Business Banking Services	AVAF	MLS Bank	Total
Headline earnings (Rm)	350	169	21	540
ROE (%)	31,5	15,2	13,4	22,7
Cost-to-income (%)	59,5	55,7	35,1	57,9
Total assets (Rm)	55 422	33 941	4 149	93 512
Total advances (Rm)	29 080	31 413	3 789	64 282
Total deposits (Rm)	49 895	31	18	49 944



Personal banking



Commercial banking

■ Retail Banking Services  
■ Personal Financial Services  
■ Absa Home Loans ■ Flexi Banking Services  
■ Absa Card ■ Private Bank ■ Meeg Bank  
■ UniFer ■ Properties in possession

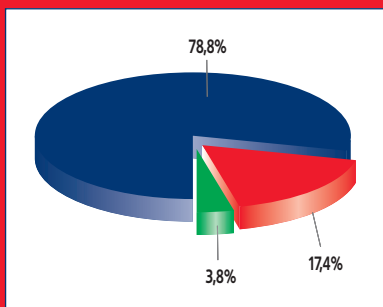
■ Business Banking Services  
■ MLS Bank  
■ Absa Vehicle and Asset Finance

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

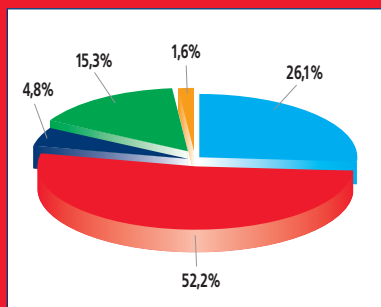
UniFer	Home Loans	PIPs	Absa Card	Meeg Bank	Total
3	385	(68)	153	2	740
—	25,2	—	104,6	10,4	33,2
88,9	35,1	—	44,3	60,8	63,9
1 637	81 662	252	4 162	745	133 301
1 207	75 666	222	3 676	472	94 024
5	—	—	2 188	693	45 352

#### WHOLESALE BANKING

Domestic	International	Africa	Total
393	87	19	499
20,5	14,9	16,5	18,9
44,5	50,6	82,9	50,2
141 636	24 445	4 337	170 418
37 114	10 125	965	48 204
109 227	17 075	3 151	129 453



Wholesale banking



Absa Financial Services

■ Domestic operations  
■ International operations  
■ African operations

■ Life insurance  
■ Short-term insurance  
■ Advisory services  
■ Wealth creation  
■ Other

## SEGMENT REPORTING

for the six months ended 30 September 2002

Income statement (Rm)	Personal	Commercial
Net interest income	1 997	1 689
As previously stated	2 060	1 639
Adjustment**	(63)	50
Bad and doubtful advances	(373)	(376)
Non-interest income	1 775	936
Operating expenditure	(2 499)	(1 532)
As previously stated	(2 619)	(1 441)
Adjustment**	120	(91)
Taxation and other	(403)	(248)
<b>Headline earnings</b>	<b>497</b>	<b>469</b>
<b>Balance sheet (Rm)</b>		
Total assets*	126 967	81 497
Total advances	84 521	55 821
Total deposits	43 432	44 332
<b>Financial performance (%)</b>		
Return on average equity	25,6	22,7
Return on average assets, excluding acceptances	0,79	1,21
<b>Operating performance (%)</b>		
Net interest margin	3,25	4,36
Bad debt ratio	0,91	1,36
Non-interest/total income	47,1	35,7
Cost-to-income ratio	66,3	58,4
Cost-to-assets	4,0	4,0

\*Total assets include intergroup balances of R125 330 million.

\*\*Adjustment due to a refinement in the cost allocation methodology.

Wholesale	AFS	Other	Absa Group
592	67	(60)	4 285
573	67	(54)	4 285
19	—	(6)	—
(127)	(5)	—	(881)
961	497	149	4 318
(895)	(284)	(119)	(5 329)
(872)	(282)	(115)	(5 329)
(23)	(2)	(4)	—
(178)	(33)	(16)	(878)
353	242	(46)	1 515
156 857	4 782	8 505	378 608
52 322	118	78	192 860
133 587	—	200	221 551
16,2	21,7	n/a	19,2
0,46	10,15	n/a	1,22
0,77	n/a	n/a	3,44
0,52	n/a	n/a	0,93
61,9	88,1	n/a	50,2
57,6	50,4	n/a	61,6
1,2	11,9	n/a	4,3



## SEGMENT REPORTING

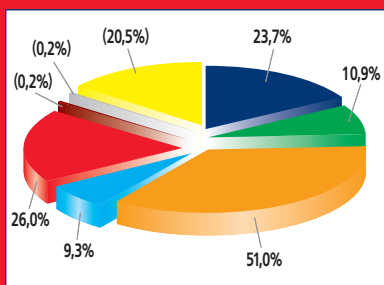
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### PERSONAL BANKING

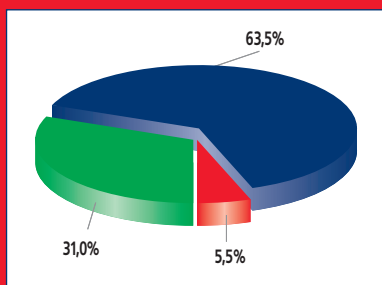
	Absa Private Bank	Personal Financial Services	Retail Banking Services	Flexi Banking Services
Headline earnings (Rm)	(1)	54	118	46
As previously stated	(2)	56	96	60
Adjustment*	1	(2)	22	(14)
ROE (%)	—	44,9	50,0	203,0
Cost-to-income (%)	65,5	67,4	79,3	74,5
Total assets (Rm)	1 802	12 596	25 429	3 058
Total advances (Rm)	1 606	4 339	3 958	169
Total deposits (Rm)	1 435	12 037	24 494	2 863

### COMMERCIAL BANKING

	Business Banking Services	AVAF	MLS Bank	Total
Headline earnings (Rm)	298	145	26	469
As previously stated	340	131	26	497
Adjustment*	(42)	14	—	(28)
ROE (%)	25,5	19,4	17,4	22,7
Cost-to-income (%)	60,0	56,1	35,3	58,4
Total assets (Rm)	49 481	27 958	4 058	81 497
Total advances (Rm)	26 966	25 178	3 677	55 821
Total deposits (Rm)	44 195	66	71	44 332



Personal banking



Commercial banking

- Retail Banking Services
- Personal Financial Services
- Absa Home Loans
- Flexi Banking Services
- Absa Card
- Private Bank
- UniFer
- Properties in possession
- Business Banking Services
- MLS Bank
- Absa Vehicle and Asset Finance

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

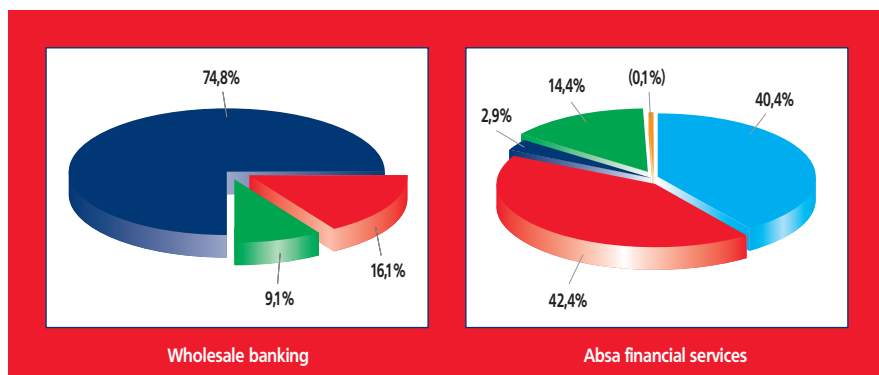
\*Adjustment due to a refinement in the cost allocation methodology.



UniFer	Home Loans	PIPs	Absa Card	Total
(1)	254	(102)	129	497
(1)	214	(109)	151	465
—	40	7	(22)	32
—	21,5	—	98,1	25,6
92,5	37,0	(11,2)	48,0	66,3
2 797	76 912	672	3 701	126 967
2 076	68 640	608	3 125	84 521
425	—	—	2 178	43 432

#### WHOLESALE BANKING

Domestic	International	Africa	Total
264	57	32	353
266	57	32	355
(2)	—	—	(2)
20,7	7,8	17,8	16,2
52,6	53,8	78,2	57,6
112 205	38 726	5 926	156 857
37 160	14 248	914	52 322
104 036	25 215	4 336	133 587



- Domestic operations
- International operations
- African operations

- Life insurance
- Short-term insurance
- Advisory services
- Wealth creation
- Other

## CAPITAL ADEQUACY

Capital adequacy of Absa Bank Limited

### Risk-weighted assets

	30 September 2003	Risk- weighted assets Rm	30 September 2002	31 March 2003
	Unweighted assets Rm		Risk- weighted assets Rm	Risk- weighted assets Rm
<i>Assets – Banking activities</i>				
On balance sheet	219 159	145 049	129 053	141 113
Off balance sheet	354 221	8 609	7 365	6 456
Total	573 380	153 658	136 418	147 569
<i>Notional assets – Trading activities</i>	—	11 458	4 722	8 453
	573 380	165 116	141 140	156 022
<b>Qualifying capital</b>	<b>Rm</b>	<b>%*</b>	<b>%*</b>	<b>%*</b>
<i>Primary capital</i>				
Share capital	293	0,2	0,2	0,2
Share premium	1 606	1,0	0,4	0,4
Reserves	11 025	6,7	6,6	6,8
Impairments	(1 022)	(0,7)	(1,0)	(0,9)
	11 902	7,2	6,2	6,5
<i>Secondary capital</i>				
Subordinated convertible loans	627	0,4	1,2	1,0
Subordinated redeemable debt	5 420	3,3	2,9	3,6
General debt provision	955	0,6	0,7	0,6
Revaluation reserve	106	0,1	0,1	0,0
Impairments	(324)	(0,3)	(0,3)	(0,2)
	6 784	4,1	4,6	5,0
Total qualifying capital	18 686	11,3	10,8	11,5

\*Percentage of capital to risk-weighted assets.

# CAPITAL ADEQUACY OF ABSA GROUP LIMITED

## Capital adequacy of Absa Group Limited and its banking subsidiaries

	30 September 2003 %	2002 %	31 March 2003 %
Absa Bank	11,3	10,8	11,5
Absa Asia	24,5	18,5	12,1
Banco Austral	16,4	24,5	25,3
Bankhaus Wölbern	11,2	10,6	10,9
Meeg Bank	11,3	16,2	10,5
MLS Bank	11,5	10,7	10,7
National Bank of Commerce	17,0	23,4	19,5
PSG Trading and Investment Services	—	—	46,4
<b>Total banking operations</b>	<b>11,3</b>	<b>10,5</b>	<b>11,5</b>
Risk-weighted assets (Rm)	186 531		
Tier 1 capital (Rm)	13 547		
Tier 1 ratio (%)	7,3		
<b>Absa Group Limited</b>	<b>12,7</b>	<b>12,0</b>	<b>12,5</b>
Risk-weighted assets (Rm)	201 780		
Tier 1 capital (Rm)	18 416		
Tier 1 ratio (%)	9,1		

### AC 133 – Financial instruments: Recognition and measurement

#### Introduction

The Group adopted the new accounting statement AC 133: Financial instruments: Recognition and Measurement on 1 April 2003. This accounting standard, together with its international equivalent (IAS 39), is still subject to various improvement projects and is likely to evolve further.

AC 133 is a prospective accounting statement and does not provide for the restatement of historical figures. Instead, on adoption date, opening balances are restated to reflect the adjustments arising from the statement. Accordingly, the results for the six months to 30 September 2003 are not comparable to the same period of the previous year. Detailed results excluding the impact of AC 133 are provided on pages 38 to 43. These figures have been prepared on the same basis as the previous year and are therefore comparable.

AC 133 will increase the volatility of reported results and it is important for shareholders to evaluate the impact of the statement as part of their investment decisions. The pre-and post-AC 133 information provided should facilitate such evaluation and clarify to what extent such adjustments are sustainable.

#### AC 133's main areas of impact

The opening balance adjustment and impact on the results for the period are set out on pages 42 and 40 respectively.

**Fair value accounting** – The statement introduces fair value accounting to certain classes of assets and liabilities. Financial assets and liabilities need to be classified in prescribed categories and measured accordingly. The asset categories are:

- **Originated loans** – The majority of loans and advances of the Group are allocated here (refer page 42). The only exceptions are selected structured finance loans, fixed rate commercial property loans as well as advances acquired from third parties. As was the case pre-AC 133, assets in this category are held at amortised cost.
- **Held-to-maturity assets** – Assets with a fixed maturity date and for which the Group has the ability and intent to hold the assets to such maturity date. As the sale of these assets before maturity date results in the tainting of the entire portfolio, this category is generally limited to short-dated (six months and less) securities held for statutory liquid asset purposes. Held-to-maturity assets are held at amortised cost, which is consistent with the pre-AC 133 policy.
- **Available for sale assets** – This category represents assets not suited to be classified in any of the other three categories. Such assets must be fair valued and AC 133 allows a once-off choice between accounting for the unrealised changes in fair value in the income statement or directly in the statement of changes in equity. Absa elected the latter option. On realisation, such gains or losses have to be accounted in the income statement, but must be excluded from headline earnings. For this reason Absa has generally limited this category to long-term strategic equity investments and longer-dated securities held for regulatory liquid asset purposes.
- **Trading assets** – Assets to be traded with a short-term profit motive. These assets are reflected at fair value with changes in fair values accounted for in the income statement. The statement also allows any other financial asset to be designated as “held-for-trading”, even if the intention is not to trade such asset for short-term gain purposes. Absa elected to make a clear distinction between trading assets and assets designated as “held-for-trading”, with the latter referred to as “fair value election” assets. Trading assets are typically utilised as part of the Treasury trading portfolio and have always been fair valued. “Fair value election” assets include the equities held as part of the investment banking and insurance portfolios, as well as securities utilised for hedging purposes.

**Hedge accounting** – AC 133 sets out onerous requirements to be met before hedge accounting can be applied. A significant percentage of the Group's interest rate hedges do not meet these requirements and in terms of the statement this results in the derivative having to be fair valued while the underlying assets and liabilities are held at cost. As a consequence, a mismatch in the recognition of income arises and the original aim of the hedge is not achieved. During the period under review, cash flow hedge accounting was applied in respect of qualifying hedges and fair value gains of R269 million (pre-tax) are reflected in the statement of changes in equity. In addition, the statement also allows any asset or liability to be designated as "held-for-trading". Absa utilised this to improve matching and designated all fixed deposits as "held-for-trading", resulting in fair value losses approximating the fair value gains arising from non-qualifying interest rate hedges. The main aim of these hedges are to protect the Group's margin against the timing difference between repricing of assets and liabilities during declining interest rate cycles and the published results reasonably reflect this.

### **Initial recognition adjustments**

**Off market interest rate loans** – The low interest rate loan of R438 million to the share incentive trust was the only significant loan affected and resulted in an opening balance adjustment of R96 million (pre-tax). This loan will be repaid over three years and the R97 million adjustment will unwind in the income statement over the same period.

**Transaction cost** – AC 133 requires transaction cost, including home loan origination expenses, to be capitalised and amortised over the period of the loan. Absa previously expensed this cost during the year incurred. This change in policy will result in a lower charge to the income statement over the next five years (the benefit will decline on an annual basis).

### **Credit impairment provisions**

**Specific impairment provisions** – The statement introduces the time value of money concept in determining the level of impairment provisions. Previously provisions were based on the difference between the carrying value of non-performing loans and advances and the total of future expected cash flows. The provision required by AC 133 is the difference between the carrying value and the present value of the total future expected cash flows. The present value is calculated using the effective interest rate of the loan which, in the case of variable rate loans, will be adjusted on each reporting date in line with changes in interest rates. The impact of the present value calculation is significant in respect of the home loan and property in possession portfolios due to the relatively long time period required to take possession of the asset (security) and resell. The present value discount adjustment then unwinds in the income statement (on the net interest line) over the period of cash collection. During the period under review, the lower interest rates at 30 September 2003 resulted in the present value discount on non-performing loans being lower than the opening balance adjustment on 1 April 2003 (refer page 42). This adjustment, which decreased the charge for bad debts by R115 million, is dependent on interest rates and is therefore not sustainable in future years.

**Portfolio impairment provisions (General provisions)** – Prior to AC 133, the general provision was based on the percentages prescribed by the South African Reserve Bank. AC 133 requires a cash flow valuation technique and only allows portfolio impairment if the present value of future cash flows on the performing book is lower than the expectation at time of loan origination. In accordance with this technique, approximately R644 million of the general provision held at 31 March 2003 has been reversed. A statutory credit risk reserve has been created to meet any regulatory requirement in excess of the accounting provision. The Group utilised sophisticated modelling and forecasting techniques in determining the required portfolio impairment. These will be refined as additional historical information becomes available and any future movement in this provision will be separately disclosed.

## SALIENT FEATURES

excluding the impact of AC 133

	Six months ended 30 September			Year ended 31 March 2003 (Audited)
	Pre-AC 133 2003 (Unaudited)	Actual 2002 (Unaudited)	Change %	
<b>Income statement (Rm)</b>				
Headline earnings	1 819	1 515	20,1	3 441
Attributable income	1 792	1 516	18,2	3 391
<b>Balance sheet (Rm)</b>				
Total assets	283 338	253 278	11,9	269 064
Total advances	206 387	192 860	7,0	199 297
Total deposits	225 103	221 551	1,6	222 056
<b>Financial performance (%)</b>				
Return on average equity	20,8	19,2		21,4
Return on average assets, excluding acceptances	1,32	1,22		1,35
<b>Operating performance (%)</b>				
Net interest margin on average assets	3,36	3,44		3,45
Net interest margin on average interest-bearing assets	3,79	3,71		3,80
Charge for bad and doubtful advances	0,83	0,93		1,02
Non-performing advances to total advances	4,6	5,1		5,1
Non-interest income as % of operating income	50,6	50,2		50,8
Cost-to-income ratio	61,4	61,6		60,0
<b>Share statistics (cents)</b>				
Headline earnings per share	279,2	232,5	20,1	528,1
Earnings per share	275,1	232,7	18,2	520,5
Dividends per share relating to income for the period	72,0	60,0	20,0	145,0
Dividend cover (times)	3,9	3,9		3,6

## GROUP INCOME STATEMENT

excluding the impact of AC 133

	Six months ended 30 September			Year ended 31 March 2003 (Audited) Rm
	Pre-AC 133 2003 (Unaudited) Rm	Actual 2002 (Unaudited) Rm	Change %	
Net interest income	4 624	4 285	7,9	8 832
Charge for bad and doubtful advances	(846)	(881)	4,0	(1 957)
Non-interest income	4 741	4 318	9,8	9 127
<b>Operating income</b>	<b>8 519</b>	<b>7 722</b>	<b>10,3</b>	<b>16 002</b>
Operating expenditure	(5 750)	(5 298)	(8,5)	(10 780)
Indirect taxation	(320)	(255)	(25,5)	(695)
Impairment charge – Goodwill	—	(31)	100,0	(54)
<b>Net income from operations</b>	<b>2 449</b>	<b>2 138</b>	<b>14,5</b>	<b>4 473</b>
Share of associated companies' income	44	44	—	92
<b>Net income before taxation</b>	<b>2 493</b>	<b>2 182</b>	<b>14,3</b>	<b>4 565</b>
Taxation	(662)	(637)	(3,9)	(1 104)
<b>Net income after taxation</b>	<b>1 831</b>	<b>1 545</b>	<b>18,5</b>	<b>3 461</b>
Minority shareholders' interest	(39)	(29)	(34,5)	(70)
<b>Net income attributable to shareholders</b>	<b>1 792</b>	<b>1 516</b>	<b>18,2</b>	<b>3 391</b>
<b>Headline earnings</b>	<b>1 819</b>	<b>1 515</b>	<b>20,1</b>	<b>3 441</b>



## AC 133 IMPACT ON THE GROUP INCOME STATEMENT

		Six months ended 30 September		
		Post-AC 133 2003 (Unaudited)	Pre-AC 133 2003 (Unaudited)	AC 133 Impact (Unaudited)
		Rm	Rm	Rm
Notes				
	1	4 833	4 624	209
Net interest income				
	2	(882)	(846)	(36)
Charge for bad and doubtful advances				
	3	4 978	4 741	237
Non-interest income				
<b>Operating income</b>		<b>8 929</b>	<b>8 519</b>	<b>410</b>
Operating expenditure		(5 750)	(5 750)	—
Indirect taxation		(320)	(320)	—
Impairment charge – Goodwill		—	—	—
<b>Net income from operations</b>		<b>2 859</b>	<b>2 449</b>	<b>410</b>
Share of associated companies' income		44	44	—
<b>Net income before taxation</b>		<b>2 903</b>	<b>2 493</b>	<b>410</b>
Taxation		(777)	(662)	(115)
<b>Net income after taxation</b>		<b>2 126</b>	<b>1 831</b>	<b>295</b>
Minority shareholders' interest		(39)	(39)	—
<b>Net income attributable to shareholders</b>		<b>2 087</b>	<b>1 792</b>	<b>295</b>
<b>Headline earnings</b>		<b>2 114</b>	<b>1 819</b>	<b>295</b>

### Notes

<b>1. Net interest income</b>	<b>209</b>
Non-qualifying interest rate hedges	342
Fair value adjustments on deposits designated as "held-for-trading"	(364)
Unwinding of present value adjustment in respect of NPL's	176
Origination costs – net deferral	34
Interest accrual on off-market interest rate loans	21
<b>2. Charge for bad and doubtful advances</b>	<b>(36)</b>
Specific impairment (NPV impact)	(172)
Lower interest rate impact on NPV calculation	115
Portfolio impairment	(42)
General provision	63
<b>3. Non-interest income</b>	<b>237</b>
Fair value adjustments to equity portfolio	185
Fair value adjustments to other investments	52

## GROUP BALANCE SHEET

excluding the impact of AC 133

	30 September Pre-AC 133 2003 (Unaudited) Rm	Actual 2002 (Unaudited) Rm	Change %
<b>Assets</b>			
Cash and short-term assets	13 397	11 251	19,1
Money market assets	6 394	10 914	(41,4)
Capital market assets	4 640	2 306	101,2
Statutory liquid asset portfolio	15 776	17 940	(12,1)
Advances	206 387	192 860	7,0
Other assets and taxation	27 885	7 308	281,6
Investments	4 767	5 798	(17,8)
Associated companies	634	471	34,6
Property and equipment	2 547	2 769	(8,0)
Intangible assets	164	56	192,9
Client liabilities under acceptances	747	1 605	(53,5)
<b>Total assets</b>	<b>283 338</b>	<b>253 278</b>	<b>11,9</b>
<b>Liabilities</b>			
Deposits and current accounts	225 103	221 551	1,6
Other liabilities and provisions	31 808	7 891	303,1
Insurance funds	1 784	1 460	22,2
Subordinated debt	5 686	4 377	29,9
Liabilities to clients under acceptances	747	1 605	(53,5)
<b>Total liabilities</b>	<b>265 128</b>	<b>236 884</b>	<b>11,9</b>
<b>Minority shareholders' interest</b>	<b>239</b>	<b>218</b>	<b>9,6</b>
<b>Shareholders' funds</b>	<b>17 971</b>	<b>16 176</b>	<b>11,1</b>
<b>Total liabilities and shareholders' funds</b>	<b>283 338</b>	<b>253 278</b>	<b>11,9</b>
<b>Contingencies</b>	<b>14 137</b>	<b>18 813</b>	<b>(24,9)</b>

## AC 133 OPENING BALANCE ADJUSTMENT

at 1 April 2003

	Statutory general credit risk reserve Rm	Available- for-sale reserve Rm	Non- distributable reserve Rm	Retained earnings Rm	Total Rm
Fair value adjustment in respect of interest rate hedges	—	—	—	(450)	(450)
Fair value adjustment in respect of equity portfolio's	—	(83)	—	(22)	(105)
Fair value adjustment in respect of other financial instruments	—	(17)	—	(70)	(87)
Present value of off-market loans	—	—	—	(97)	(97)
Initial recognition of adjustment – transaction costs	—	—	—	234	234
Present value adjustment for specific loan provisions	—	—	—	(1 065)	(1 065)
Taxation	—	22	—	439	461
	—	(78)	—	(1 031)	(1 109)
Portfolio (general) impairment provision (after tax)	—	—	—	451	451
Transfer to statutory general credit risk reserve	451	—	—	(451)	—
Transfer of NDR in respect of insurance equity investments	—	—	134	(134)	—
	451	(78)	134	(1 165)	(658)

## AC 133 CLASSIFICATION OF FINANCIAL ASSETS

at 1 April 2003

	Balance at 31/03/2003 Rm	Originating loans Rm	Held-to- maturity Rm	Available- for-sale Rm	Trading Rm	Fair value election Rm
Money market assets	7 736	—	1 020	260	1 990	4 466
Capital market assets	2 824	—	160	—	424	2 240
Statutory liquid asset portfolio	17 965	—	6 842	5 016	—	6 107
Investments	3 506	—	—	212	—	3 294
Advances (gross)	207 394	195 546	—	—	—	11 848
	239 425	195 546	8 022	5 488	2 414	27 955

## SEGMENT REPORTING EXCLUDING THE IMPACT OF AC 133

for the six months ended 30 September 2003

	Personal	Com- mercial	Whole- sale	AFS	Other	Absa Group
<b>Income statement (Rm)</b>						
Net interest income	2 102	1 930	604	94	(106)	4 624
Bad and doubtful advances	(307)	(409)	(113)	(7)	(10)	(846)
Non-interest income	2 015	1 040	987	538	161	4 741
Operating expenditure	(2 741)	(1 738)	(825)	(307)	(139)	(5 750)
Taxation and other	(435)	(307)	(184)	(62)	38	(950)
<b>Headline earnings</b>	<b>634</b>	<b>516</b>	<b>469</b>	<b>256</b>	<b>(56)</b>	<b>1 819</b>
<b>Balance sheet (Rm)</b>						
Total assets*	133 211	93 236	170 469	5 439	6 363	408 718
Total advances	94 072	64 042	48 255	147	(129)	206 387
Total deposits	45 352	49 944	129 453	—	354	225 103
<b>Financial performance (%)</b>						
Headline earnings growth	27,6	10,0	32,9	5,8	21,7	20,1
Return on average equity	28,4	21,7	17,9	23,6	n/a	20,8
Return on average assets, excluding acceptances	0,94	1,14	0,58	9,90	n/a	1,32
<b>Operating performance (%)</b>						
Net interest margin	3,12	4,28	0,72	n/a	n/a	3,36
Bad debt ratio	0,67	1,31	0,46	n/a	n/a	0,83
Non-interest/total income	48,9	35,0	62,0	85,1	n/a	50,6
Cost-to-income ratio	66,6	58,5	51,9	48,6	n/a	61,4
Cost-to-assets	4,1	3,9	1,0	11,8	n/a	4,2

\*Total assets include intergroup balances of R125 380 million.

## UNAUDITED INCOME STATEMENTS FOR FIVE YEARS

for the six months ended 30 September

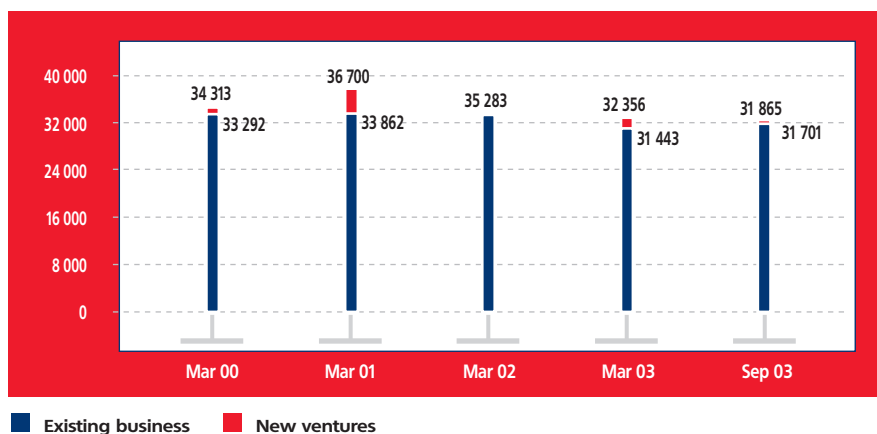
	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm
Interest income	16 049	14 388	11 939	10 838	12 048
Interest expense	(11 216)	(10 103)	(7 730)	(6 988)	(8 920)
<b>Net interest income</b>	<b>4 833</b>	<b>4 285</b>	<b>4 209</b>	<b>3 850</b>	<b>3 128</b>
Charge for bad and doubtful advances	(882)	(881)	(938)	(795)	(675)
<b>Income from lending activities</b>	<b>3 951</b>	<b>3 404</b>	<b>3 271</b>	<b>3 055</b>	<b>2 453</b>
Non-interest income	4 978	4 318	3 547	3 007	2 563
<b>Operating income</b>	<b>8 929</b>	<b>7 722</b>	<b>6 818</b>	<b>6 062</b>	<b>5 016</b>
Operating expenditure	(5 750)	(5 298)	(4 697)	(4 366)	(3 673)
Indirect taxation	(320)	(255)	(299)	(232)	(299)
Impairment charge – Goodwill	—	(31)	—	—	—
<b>Net income from operations</b>	<b>2 859</b>	<b>2 138</b>	<b>1 822</b>	<b>1 464</b>	<b>1 044</b>
Share of associated companies' income	44	44	31	18	12
<b>Net income before taxation</b>	<b>2 903</b>	<b>2 182</b>	<b>1 853</b>	<b>1 482</b>	<b>1 056</b>
Taxation	(777)	(637)	(484)	(357)	(137)
<b>Net income after taxation</b>	<b>2 126</b>	<b>1 545</b>	<b>1 369</b>	<b>1 125</b>	<b>919</b>
Minority shareholders' interest	(39)	(29)	(71)	(59)	—
<b>Net income attributable to shareholders</b>	<b>2 087</b>	<b>1 516</b>	<b>1 298</b>	<b>1 066</b>	<b>919</b>
Adjustment for headline earnings	27	(1)	11	—	—
<b>Headline earnings</b>	<b>2 114</b>	<b>1 515</b>	<b>1 309</b>	<b>1 066</b>	<b>919</b>

# UNAUDITED BALANCE SHEETS FOR FIVE YEARS

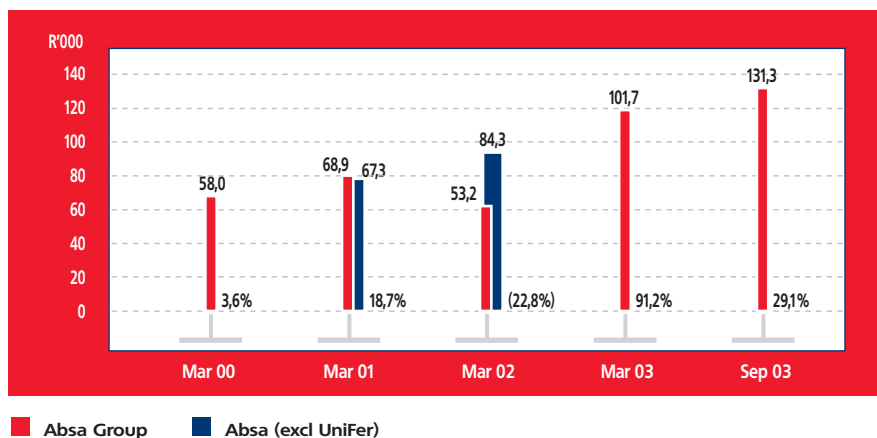
at 30 September

	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm
<b>Assets</b>					
Cash and short-term assets	13 397	11 251	6 574	6 597	5 542
Money market assets	6 360	10 914	8 612	3 591	3 418
Capital market assets	4 623	2 306	1 959	2 061	1 221
Statutory liquid asset portfolio	15 932	17 940	14 366	12 332	12 511
Advances	206 298	192 860	170 037	149 381	136 460
Other assets and taxation	28 346	7 308	4 241	4 952	3 292
Investments	4 861	5 798	3 763	3 326	2 346
Associated companies	634	471	378	254	238
Property and equipment	2 547	2 769	2 347	2 383	2 328
Intangible assets	164	56	170	158	138
Client liabilities under acceptances	747	1 605	1 312	2 315	531
<b>Total assets</b>	<b>283 909</b>	<b>253 278</b>	<b>213 759</b>	<b>187 350</b>	<b>168 025</b>
<b>Liabilities</b>					
Deposits and current accounts	225 467	221 551	186 529	161 188	147 083
Other liabilities and provisions	32 078	7 891	6 585	6 555	5 822
Insurance funds	1 784	1 460	1 291	1 013	917
Subordinated debt	5 686	4 377	2 879	3 107	1 905
Liabilities to clients under acceptances	747	1 605	1 312	2 315	531
<b>Total liabilities</b>	<b>265 762</b>	<b>236 884</b>	<b>198 596</b>	<b>174 178</b>	<b>156 258</b>
Minority shareholders' interest	239	218	452	587	—
Shareholders' funds	17 908	16 176	14 711	12 585	11 767
<b>Total liabilities and shareholders' funds</b>	<b>283 909</b>	<b>253 278</b>	<b>213 759</b>	<b>187 350</b>	<b>168 025</b>
Contingencies	14 137	18 813	13 558	13 399	14 994

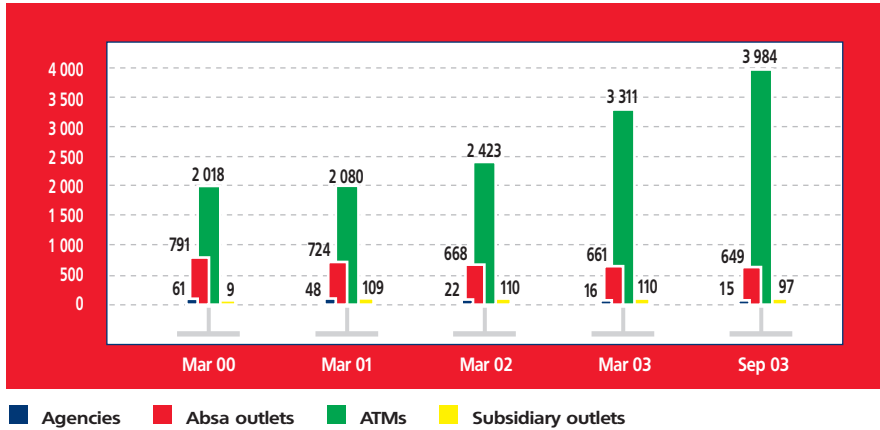
## STAFF COMPLEMENT



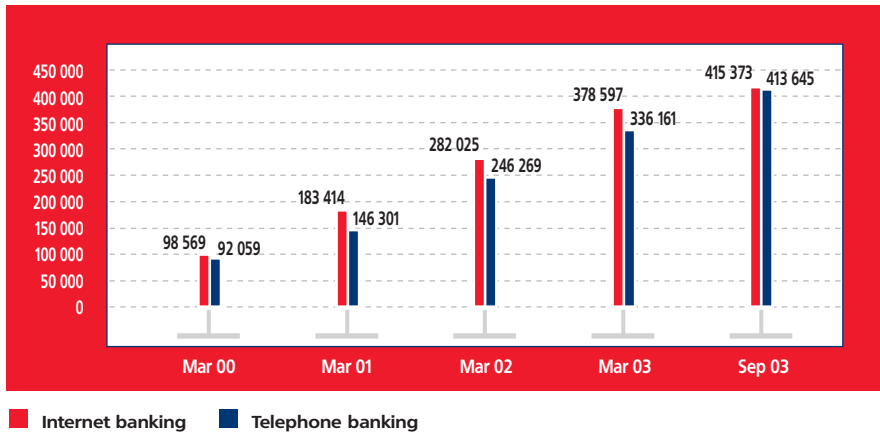
## HEADLINE EARNINGS PER STAFF MEMBER



## OUTLETS



## INTERNET AND TELEPHONE BANKING CUSTOMERS





## SHAREHOLDERS' INFORMATION

	30 September 2003 %	2002 %	31 March 2003 %
Sanlam Limited and associates	22,6	23,2	22,6
Financial Securities Limited (Remgro)	9,4	8,9	9,4
Mines Pension Funds	1,3	8,9	6,2
Public Investment Commissioner	8,4	7,9	8,4
Managed funds and other corporate holdings	51,9	43,8	47,2
Individuals	6,4	7,3	6,2
	100,0	100,0	100,0

## SHAREHOLDERS' DIARY

Financial year-end	31 March 2004
Annual general meeting	20 August 2004

### Reports

Announcement of the final results	31 May 2004
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### Dividends

Dividend	Declaration date	Last day to trade	Ex dividend date	Record date	Payment date
Interim 2003/04	24 Nov 2003	11 Dec 2003	12 Dec 2003	19 Dec 2003	22 Dec 2003
Final 2004/05	31 May 2004	18 June 2004	21 June 2004	25 June 2004	28 June 2004

## ADMINISTRATIVE INFORMATION

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Reg No 1986/003934/06

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