



Absa Group Limited

Unaudited condensed consolidated financial results
for the interim reporting period ended 30 June 2019

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The Board of Directors oversees the Group's activities and holds management accountable for adhering to the risk governance framework. To do so, directors review reports prepared by the businesses, risk, and others. They exercise sound independent judgement, and probe and challenge recommendations, as well as decisions made by management.

Finance is responsible for establishing a strong control environment over the Group's financial reporting processes and serves as an independent control function advising business management, escalating identified risks and establishing policies or processes to manage risk.

Finance is led by the Financial Director who reports directly to the Chief Executive Officer. The Financial Director has regular and unrestricted access to the Board of Directors (Board) as well as to the Group Audit Compliance Committee (GACC).

Together with the GACC, the Board has reviewed and approved the condensed consolidated interim financial statements including the reporting changes contained in the announcements released on the Stock Exchange News Services (SENS) on 13 August 2019.

The GACC and the Board are satisfied that the changes disclosed in the SENS result in fair presentation of the condensed consolidated financial position and comply, in all material respects, with the relevant provisions of the Companies Act, IFRS and interpretations of IFRS, and SAICA's Reporting Guides.

Absa Group Limited

Unaudited condensed consolidated interim financial results for the reporting period ended 30 June 2019

Authorised financial services and registered credit provider (NCRCP7)

Registration number: 1986/003934/06

Incorporated in the Republic of South Africa

JSE share code: ABG

ISIN: ZAE000255915

These unaudited condensed consolidated interim financial results were prepared by Absa Group Financial Control under the direction and supervision of the Financial Director, J P Quinn CA(SA).

Profit and dividend announcement

for the reporting period ended 30 June

Salient features

Absa Group discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC.

IFRS basis

- Headline earnings per share (HEPS), which included R863m of separation costs, recognised as operating expenses, increased 5% to 920 cents from 880.3 cents.
- The Group declared a 3% higher interim dividend per share (DPS) of 505 cents.
- Retail and Business Banking (RBB) South Africa headline earnings grew 4% to R4.8bn, Corporate and Investment Banking (CIB) South Africa declined 10% to R1.5bn, Absa Regional Operations (ARO), previously known as Rest of Africa Banking, rose 8% to R1.7bn.
- Return on Equity (RoE) declined slightly to 14.0% from 14.1%.
- Revenue increased 5% to R39.2bn and operating expenses grew 4% to R22.9bn, resulting in a lower cost-to-income ratio of 58.7% from 59.5%.
- Pre-provision profit (total income less operating expense) increased 7% to R16.2bn.
- Credit impairments increased 19% to R3.7bn, resulting in a 0.79% credit loss ratio from 0.75%.
- Absa Group's Common Equity Tier 1 (CET 1) ratio of 12.5% remains above regulatory requirements and at the top end of our Board target range.
- Net Asset Value (NAV) per share increased 5% to 13 534 cents.

Normalised basis

- Diluted HEPS grew 3% to 975.8 cents from 949.5 cents.
- RoE decreased to 16.4% from 17.1%.
- Revenue grew 6% to R39.1bn and operating expenses rose 6% to R22.1bn, resulting in a flat 56.7% cost-to-income ratio.
- Pre-provision profit increased 7% to R16.9bn.
- CET 1 ratio increased to 11.9% from 12.2%.
- NAV per share rose 7% to 12 335 cents.

Normalised reporting

Given the process of separating from Barclays PLC, Absa Group continues to report IFRS-compliant financial results and a normalised view. The latter adjusts for the consequences of the separation and better reflects its underlying performance. The Group will continue to present normalised results for future periods where the financial impact of separation is considered material.

Normalisation adjusted for the following income statement items: R113m of interest earned on Barclays PLC's separation contribution (30 June 2018: R175m); R32m of foreign currency revaluation losses (30 June 2018: R413m gains); operating expenses of R863m (30 June 2018: R1 364m) and R40m of indirect taxation in other expenses (30 June 2018: R76m), plus a R181m tax impact of the aforementioned (30 June 2018: R133m) items. In total, these adjustments added R617m to the Group's normalised headline earnings during the period (30 June 2018: R719m). Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Constant currency

Constant currency pro forma financial information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Botswana Pula, Ghanaian Cedi, Kenyan Shilling, Mauritius Rupee, Mozambique Metical, Seychelles Rupee, Tanzanian Shilling, Uganda Shilling, United States Dollar and Zambia Kwacha. Because of its nature, the constant currency pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. In determining the constant currency pro forma financial information, amounts denoted in the above listed currencies for the current period have been converted to the presentation currency using the spot exchange rate as at 31 December 2018. The constant currency pro forma financial information is the responsibility of the directors.

Overview of results

The Group's IFRS headline earnings increased by 4% to R7 650m from R7 324m and diluted HEPS increased 5% to 918.4 cents. The Group's IFRS RoE reduced slightly to 14.0% from 14.1%, while its return on average assets declined to 1.16% from 1.26%. Net interest income increased 8% and non-interest income grew 1%, resulting in 5% higher total revenue. With operating expenses growing 4%, the cost-to-income ratio decreased to 58.7% from 59.5%. Pre-provision profit increased 7% to R16.2bn. The Group's NAV per share rose 5% to 13 534 cents including Barclays PLC's remaining separation contribution in equity.

On a normalised basis, Absa Group's headline earnings grew 3% to R8 267m from R8 043m and diluted HEPS rose 3% to 975.8 cents from 949.5 cents. The Group's normalised RoE is 16.4% from 17.1% and its return on assets is 1.26% from 1.40%. Revenue grew 6% to R39.1bn, with

Profit and dividend announcement

for the reporting period ended 30 June

net interest income and non-interest income rising 9% and 3% respectively. The Group's net interest margin (on average interest-bearing assets) decreased to 4.52% from 4.69%. Gross loans and advances to customers grew 12% to R912bn, while deposits due to customers rose 12% to R798bn. With operating expenses growing 6%, the normalised cost-to-income ratio is flat at 56.7% and pre-provision profit rose 7% to R16.9bn. In constant currency, pre-provision profit grew 5% and headline earnings 1%. Credit impairments increased 19% to R3.7bn, resulting in a 0.79% credit loss ratio from 0.75%. The Group's normalised NAV per share increased 7% to 12 335 cents and it declared a 3% higher interim DPS of 505 cents.

RBB South Africa's headline earnings rose 4% to R4 847m as pre-provision profits increased 8% to outweigh 20% higher credit impairments. Everyday Banking headline earnings grew 11% to R1 998m, Relationship Banking increased 4% to R1 684m, the Insurance Cluster grew 7% to R584m, and Vehicle and Asset Finance grew significantly to R122m, while Home Loans declined 7% to R750m. CIB South Africa's earnings declined 10%, as revenue decreased 5%. Corporate South Africa fell 4% to R539m due to higher credit impairments and Investment Banking South Africa decreased 13% to R1 007m as revenue fell 16%. ARO's headline earnings grew 8% to R1 727m, as 21% pre-provision profit growth outweighed 64% higher credit impairments.

South African earnings grew 1% to R6 517m, while Africa Regions rose 12%, or 4% in constant currency, to R1 750m and accounted for 21% of Group earnings.

Operating environment

The global economy slowed in the second quarter as the United States growth slipped to 2.1% and European Union growth declined to 0.8%, both on a quarterly annualised basis, while China slowed to 6.2% from a year earlier. Forward-looking indicators point to further slowing in global growth in the second half, leading the International Monetary Fund to reduce its forecast for 2019 global growth slightly to 3.2%. Global inflation has remained within or below central bank targets across advanced and many emerging market economies. Consistent with easing growth and inflation, global central banks have turned more cautious on the outlook, signalling a move towards easing monetary policy.

South Africa's economy contracted by 3.2% in the first quarter of 2019, marking the worst quarterly contraction since 2009. Manufacturing, mining and trade sectors were the largest negative contributors, mostly due to load shedding in March 2019. Political and policy uncertainty continued to weigh on business confidence. Consumer spending contracted in the first quarter of 2019, reflecting the weak labour market, moderating confidence and slowing income growth. Growth in consumer credit has been muted in the first half of 2019. Headline consumer price inflation has been benign, averaging 4.3% in the first half, due to contained food price inflation, slowing wage inflation and general weakness in domestic demand. The SA Reserve Bank left the repurchase rate unchanged at 6.75% in the first half of 2019.

Economic growth in our key ARO countries faced uncertainties and headwinds in the first half of 2019. Real GDP data for the first quarter showed that activity slowed in most countries, reflecting limited fiscal space and drought. Headline inflation in several markets remained elevated, driven by weaker currencies and rising food prices. Monetary policy was unchanged in most of our presence markets in the first half of 2019, although Ghana cut interest rates by 100 bps in January 2019.

Group performance

Statement of financial position

Total IFRS assets increased 11% to R1 376bn at 30 June 2019, while normalised increased 10% to R1 372bn, largely due to 13% growth in net loans and advances to customers.

Gross loans and advances to customers

Gross loans and advances to customers increased 12% to R912bn. RBB South Africa gross loans rose 7% to R514bn. Credit cards grew 12% to R45bn and personal and term loans 16% to R50bn, while instalment credit rose 11% to R90bn and mortgages increased 3% to R266bn. CIB South Africa's gross loans grew 23% to R291bn, including 6% higher term loans to R108bn and reverse repurchase agreements increased 80% to R45bn. CIB SA's gross loans grew 5% from 31 December 2018. ARO's gross loans increased 15% to R107bn, or 16% in constant currency.

Funding

Deposits due to customers grew 12% to R798bn, resulting in the Group's loans to deposits and debt securities ratio remaining stable at 91.7%. Deposits due to customers constituted 74% of total funding. RBB South Africa's deposits grew 13% to R349bn, CIB South Africa's deposits grew 13% to R208bn, while ARO's deposits increased 10% to R140bn, or 11% in constant currency.

Net asset value

The Group's IFRS NAV rose 5% to R112bn, while normalised NAV rose 7% to R104bn and IFRS NAV per share grew 5% to 13 534 cents (30 June 2018: 12 915 cents). Profit of R7.6bn (normalised: R8.3bn) excluding non-controlling interest was generated, from which R5.2bn of dividends were paid and its foreign currency translation reserve decreased by R1.0bn, which was offset by an increase in the cash flow hedging reserve.

Profit and dividend announcement

for the reporting period ended 30 June

Group performance (continued)

Statement of financial position (continued)

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) grew 10% to R844bn at 30 June 2019, largely due to 10% higher credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The IFRS CET 1 and total capital adequacy ratios were 12.5% and 16.0% respectively (from 13.3% and 16.7%). The Group generated 2.0% of CET 1 capital internally over the past year. Declaring a 3% higher interim DPS of 505 cents on a dividend cover of 1.9 times took into account the operating environment, the Group's strong capital position, internal capital generation, strategy and growth plans.

Statement of comprehensive income

Net interest income

IFRS net interest income grew 8% to R22 780m from R21 049m (normalised: increased 9%), while average interest-bearing assets grew 13% to R1.0tn. The Group's net interest margin on average interest-bearing assets declined to 4.52% from 4.69% or 4.59% in the second half of 2018.

Loan pricing declined 7 bps, mostly due to Investment Bank South Africa's strong growth in preference shares, as well as higher suspended interest. Pricing was lower in Relationship Banking, while front book margins improved in Home Loans and Personal Loans. Loan mix added 3 bps, since slower growth in Home Loans than the overall book was positive, although this was partially offset by strong CIB growth. Deposit pricing reduced 3 bps due to competitive pricing in Everyday and Relationship Banking. Increased reliance on wholesale funding and stronger growth in lower margin Everyday Banking deposits had a 2 bps adverse composition impact. There was a 5 bps negative impact from equity and deposit endowment income given slower growth in these balances than in the overall interest-bearing assets. The Group hedges structural balances amounting to 13% of Absa Bank Limited's ("the Bank") capital and liabilities. This hedge released R239m, or 5 bps, to the income statement, which was in line with the previous period. ARO reduced the Group's margin by 1 bps, given lower benchmark rates in many of the markets and competitive pricing of foreign currency assets and liabilities. Adopting IFRS 16 Leases (IFRS 16) reduced the margin by 3 bps.

Non-interest income

IFRS non-interest income grew 1% to R16 372m from R16 267m (normalised: 3%) to account for 42% of total revenue from 44%. On a constant currency basis, the growth was 2%.

Net fee and commission income grew 5% to R11 580m, which represented 71% of total non-interest income, with transactional fees and commissions, and merchant income increasing 6% to R10 264m and 11% to R1 074m respectively.

Net trading excluding hedge accounting fell 10% to R2 247m, reflecting markets in South Africa falling 37%, while ARO increased 24%.

RBB South Africa grew 8% to R11 590m, mainly driven by growth in Everyday Banking of 11% and Relationship Banking 4% and Insurance Cluster 5%. CIB South Africa decreased 20% to R1 789m, as the Investment Bank fell 33%, partly offset by an increase in Corporate of 12%. ARO grew 19% to R2 895m, or 12% in constant currency, as CIB increased 23% and RBB 15%.

Impairment losses (credit impairments)

Credit impairments increased 19% to R3 695m from R3 117m, which increased the Group's credit loss ratio to 79 bps from 75 bps of gross loans and advances to customers and banks. The Group's credit loss ratio is expected to range between 75 bps and 100 bps through-the-cycle.

RBB South Africa credit impairments grew 20% to R2 876m, resulting in a 112 bps credit loss ratio from 99 bps. Home Loans' charge increased materially to R147m resulting in a 13 bps credit loss ratio from 5 bps. Everyday Banking's credit loss ratio increased to 493 bps from 458 bps, given 19% higher credit impairments of R1 995m. Vehicle and Asset Finance credit impairments grew 7% to R548m, while its credit loss ratio decreased to 139 bps from 142 bps due to a greater increase in loans and advances. Relationship Banking's charge grew 26% to R188m and its credit loss ratio increased to 32 bps from 28 bps.

CIB South Africa's credit impairments declined 25% to R284m from R381m, improving its credit loss ratio to 18 bps from 30 bps. Corporate's charge increased materially to R266m, while the Investment Bank's fell 95% to R18m.

ARO's credit impairments grew 64% (52% in constant currency) to R548m from R335m, increasing its credit loss ratio to 94 bps from 72 bps. Within this, RBB's charge grew 38% (28% in constant currency) to R439m, resulting in a 174 bps credit loss ratio, while CIB's increased materially to R118m or a 44 bps credit loss ratio.

At 30 June 2019 the Group's stage 3 (defaulted) loans were 4.8% of gross loans and advances from 5.3% at 30 June 2018 and the coverage ratios on these were 44.3% and 45.0% respectively.

Profit and dividend announcement

for the reporting period ended 30 June

Operating expenses

Group operating expenses grew 4% (5% in constant currency) on an IFRS basis to R22 999m from R22 198m. On a normalised basis, operating expenses grew 6% to R22 136m from R20 834m. IFRS cost-to-income ratio decreased to 58.7% from 59.5%, while normalised remained flat at 56.7% year-on-year.

Staff costs grew 7% and accounted for 56% of total operating expenses. Salaries rose 11% with almost half of the increase due to restructuring costs. Bonuses and deferred cash and share-based payments decreased 16% to R1 103m, reflecting provision adjustments on variable compensation schemes.

On a normalised basis staff costs grew 8% and accounted for 57% of total operating expenses. Salaries rose 12% and bonuses, deferred cash and share-based payments decreased 13% to R1 023m.

Non-staff costs decreased 1% while normalised grew 4%. Professional fees decreased 20% (normalised: grew 3%) to R822m, while telephone and postage increased 29% (normalised: 28%) and printing and stationery was flat. Marketing costs decreased 24% (normalised: 21%) to R633m reflecting lower product campaign spend. IT spend grew 19% (normalised: 17%) to R1 894m. Total IT-related spend grew 13% to R4 495m and constituted 20% of Group operating expenses. Amortisation of intangible assets rose 53% (normalised: 29%) to R561m, while cash transportation increased 5% to R640m. Depreciation increased 55% (normalised: 54%) largely from adopting IFRS 16, where right-of-use assets of R3.4bn were recognised at the adoption date on 1 January 2019. This recognition resulted in a corresponding 86% decrease in operating leases on properties.

RBB South Africa's costs grew 4% to R13 976m, resulting in 57.4% cost-to-income ratio from 58.4%. The largest components, Everyday Banking and Relationship Banking, increased costs 4% and 2% respectively. Home Loans' costs grew 2%, while Vehicle and Asset Finance decreased 2% and the Insurance Cluster increased 13%.

CIB South Africa's expenses grew 5% to R3 113m, with Corporate costs flat and the Investment Bank up 10%, mainly due to incremental run costs after separating from Barclays PLC.

ARO's expenses increased 16%, or 8% in constant currency, to R5 074m, as incremental runs costs from the Barclays PLC separation was partly offset by branch optimisation. Its cost-to-income ratio improved to 56.8% from 57.9%. CIB ARO costs grew 22%, or 14% in constant currency, and RBB ARO increased 13%, or 5% in constant currency.

Taxation

The Group's taxation expense is flat at R3 204m (normalised: increased 2% to R3 385m, slightly less than the 4% higher pre-tax profit), resulting in a 27.5% (normalised: 27.1%) effective tax rate from 28.7%.

Segment performance

RBB South Africa

Headline earnings increased 4% to R4 847m, as pre-provision profits increased 8%, which was partially offset by 20% higher credit impairments at R2 876m. Revenue grew 6% to R24 350m, with non-interest income increasing 8%, while costs rose 4% to R13 976m. Everyday Banking headline earnings increased 11% to R1 998m and Relationship Banking grew 4% to R1 684m, while the Insurance Cluster's headline earnings rose 7% to R584m. Home Loans decreased 7% to R750m and Vehicle and Asset Finance grew to R122m from R26m. RBB South Africa generated a return on regulatory capital (RoRC) of 22.5% and constituted 60% of total normalised headline earnings excluding the Group centre.

CIB South Africa

Headline earnings decreased 10% to R1 546m. Pre-provision profits fell 16%, as revenue declined 5% to R5 312m and costs rose 5% to R3 113m. Credit impairments reduced 25% to R284m. Investment Bank earnings decreased 13% to R1 007m due to lower revenue, while Corporate declined 4% due to higher credit impairments. CIB South Africa contributed 19% of total normalised headline earnings excluding the Group centre and generated a 13.3% RoRC.

Absa Regional Operations

Headline earnings grew 8% to R1 727m, which was flat in constant currency. Pre-provision profits grew 21%. Revenue grew 18%, or 10% in constant currency, to R8 938m. Costs increased 16% to R5 074m, or 8% in constant currency. RBB ARO headline earnings increased 2% to R417m, as positive Jaws offset 28% higher credit impairments. CIB ARO headline earnings grew 3%, despite negative Jaws and higher credit impairments. The weaker Rand added 8% to ARO's earnings and revenue growth. ARO accounted for 21% of total normalised headline earnings excluding the Group centre and produced an 18.5% RoE.

Profit and dividend announcement

for the reporting period ended 30 June

Prospects

South Africa's economic growth outlook appears muted. We forecast 0.5% real GDP growth in 2019 with a modest rise to 1.6% in 2020. The prospects for stronger growth are constrained by the slowing global economy, plus weak business sentiment and decelerating household income growth in South Africa. Following the 25 bps cut in the repurchase rate in July, we expect the Reserve Bank to leave interest rates unchanged for some time.

In our ARO markets, we forecast average real GDP growth for those markets of 5.5% for 2019 and 5.9% for 2020 with risks tilted to the downside. Ghana, Kenya and Uganda are expected to continue recording strong growth, although the recovery in other markets is unlikely to be smooth. Downside risks to the region include upcoming elections, slow pace of economic reforms and rising fiscal and debt risks. Global uncertainties will continue to weigh on the region's currency, inflation and interest rate outlook.

Based on these assumptions, and excluding any major unforeseen political, macroeconomic or regulatory developments, our guidance for 2019 has changed slightly. We continue to expect stronger deposit growth this year, which should exceed our loan growth. We expect better loan growth from ARO in constant currency than from South Africa. RBB SA's loan growth momentum should continue, although CIB is likely to slow given a high base. Our net interest margin is likely to decline this year. Costs will remain well controlled and we are targeting flat to positive operating Jaws for the full year. Our credit loss ratio is likely to be similar to 2018. Our CET 1 ratio should remain at the top end of our Board target range and we are comfortable with our dividend cover at 2018 levels. Lastly, our RoE is likely to be marginally lower in 2019, given our weak markets performance year to date. However, we remain committed to our RoE target of 18% to 20% in 2021.

Profit and dividend announcement

for the reporting period ended 30 June

Declaration of interim ordinary dividend number 66

Shareholders are advised that an interim ordinary dividend of 505 cents per ordinary share was declared on 13 August 2019, for the period ended 30 June 2019. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 13 September 2019. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

The dividend will be subject to local dividends withholding tax at a rate of 20%. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- › The dividend has been declared out of income reserves.
- › The local dividend tax rate is twenty per cent (20%).
- › The gross local dividend amount is 505 cents per ordinary share for shareholders exempt from the dividend tax.
- › The net local dividend amount is 404 cents per ordinary share for shareholders liable to pay the dividend tax.
- › Absa Group Limited currently has 847 750 679 ordinary shares in issue (includes 16 545 370⁽¹⁾ treasury shares).
- › Absa Group Limited's income tax reference number is 9150116714.

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	Tuesday, 10 September 2019
Shares commence trading ex-dividend	Wednesday, 11 September 2019
Record date	Friday, 13 September 2019
Payment date	Monday, 16 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 September 2019 and Friday, 13 September 2019, both dates inclusive. On Monday, 16 September 2019, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 16 September 2019.

On behalf of the Board

N R Drutman

Group Company Secretary

Johannesburg
13 August 2019

Absa Group Limited is a company domiciled in South Africa. Its registered office is 7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001.

⁽¹⁾ Includes 14 470 659 Group shares to be used in the furtherance of the Group's objective of establishing a BBBEE structure.

Condensed consolidated interim financial results

for the reporting period ended

Basis of presentation

IFRS financial results

The Group's unaudited condensed consolidated interim financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act.

The accounting policies applied in preparing the unaudited condensed consolidated interim financial results comply with IAS 34 Interim Financial Reporting.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of financial assets measured at amortised cost, goodwill impairment, fair value measurements, impairment of fair value through other comprehensive income financial assets, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term and long-term insurance contracts and offsetting of financial assets and liabilities.

The Directors assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the foreseeable future. For this reason, the information in this report has been prepared on a going concern basis.

Accounting policies

The accounting policies applied in preparing the condensed consolidated interim financial statements are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2018 except:

- (1) Changes of the Group's operating segments and business portfolios, which have been presented in the report overview note 15;
- (2) Adoption of new IFRS, specifically IFRS 16 and IFRIC 23 Uncertainty over Income Tax Treatments;
- (3) Amendments to IAS 19 Employment Benefit; and
- (4) Change in presentation of interest expense in the statement of comprehensive income (SOCl).

Standards issued not yet effective

IFRS 17 – Insurance Contracts (IFRS 17)

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity specific adjustment for risk) and a contractual service margin. The premium allocation approach (PAA) is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the premium allocation approach, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

In June 2019, the IASB proposed targeted amendments to IFRS 17 which aim to ease implementation of the standard. The amendments defer the effective date of the standard to reporting periods beginning on or after 1 January 2022. This is a deferral of one year compared to the current date published in IFRS 17 of 1 January 2021 and is subject to public consultation, which will take place in the latter half of 2019.

During 2018, the Group's joint insurance programme focused on interpreting the requirements of the project, project design and model prototyping as well as the commencement of an impact assessment. This momentum has continued into 2019 where the primary focus for the first half of the year has been on data, systems and business processes. Detailed architectural design work has been performed including infrastructure, application interfaces and data considerations; and priority specifications have been compiled. Database considerations and groundwork for the required build continue to progress as planned. Base case methodologies and interpretations have been established which are being used in the transition and impact assessments that are underway; and work on the financial reporting and disclosure implications has continued.

Condensed consolidated interim financial results

for the reporting period ended

Events after the reporting period

The Directors are not aware of any events (as defined per IAS 10 Events after the Reporting Period) after the reporting date of 30 June 2019 and the date of authorisation of these condensed consolidated interim financial statements.

On behalf of the Board

W E Lucas-Bull
Group Chairman

Johannesburg
12 August 2019

R van Wyk
Chief Executive Officer

J P Quinn
Financial Director

Condensed consolidated IFRS salient features

for the reporting period ended

	30 June 2019	Restated 2018	31 December 2018
Statement of comprehensive income (Rm)			
Income ⁽¹⁾	39 152	37 316	76 515
Operating expenses	22 999	22 198	46 803
Profit attributable to ordinary equity holders	7 641	7 253	13 917
Headline earnings ⁽²⁾	7 650	7 324	14 142
Statement of financial position			
Loans and advances to customers (Rm) ⁽¹⁾	882 365	781 171	841 720
Total assets (Rm) ⁽¹⁾⁽³⁾	1 376 705	1 244 685	1 288 744
Deposits due to customers (Rm)	797 708	714 491	736 305
Loans to deposits and debt securities ratio (%) ⁽¹⁾	91.7	91.3	93.8
Average loans to deposits and debt securities ratio (%) ⁽⁴⁾	86.8	89.4	88.9
Financial performance (%)			
Return on equity (RoE) ⁽¹⁾	14.0	14.1	13.4
Return on average assets (RoA)	1.16	1.26	1.17
Return on risk-weighted assets (RoRWA) ⁽¹⁾	1.87	2.01	1.86
Stage 3 loans ratio on gross loans and advances	4.79	5.31	5.10
Operating performance (%)			
Net interest margin on average interest-bearing assets ⁽¹⁾	4.52	4.69	4.65
Credit loss ratio on gross loans and advances to customers and banks ⁽¹⁾	0.79	0.75	0.73
Non-interest as a percentage of total income ⁽¹⁾	41.8	43.6	42.8
Cost-to-income ratio ⁽¹⁾	58.7	59.5	61.2
Jaws ⁽¹⁾	1	(6)	(4)
Effective tax rate	27.5	28.7	29.2
Share statistics (million)			
Number of ordinary shares in issue	847.8	847.8	847.8
Number of shares in issue (excluding treasury shares)	831.2	831.8	827.5
Weighted average number of ordinary shares in issue	831.5	832.0	830.1
Diluted weighted average number of ordinary shares in issue	833.0	834.4	831.7
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)	920.0	880.3	1 703.7
Diluted headline earnings per ordinary share (DHEPS)	918.4	877.8	1 700.4
Basic earnings per ordinary share (EPS)	918.9	871.9	1 676.5
Diluted basic earnings per ordinary share (DEPS)	917.2	869.4	1 673.3
Dividend per ordinary share relating to income for the reporting period	505	490	1 110
Dividend cover times (times)	1.8	1.8	1.5
NAV per ordinary share ⁽¹⁾	13 534	12 915	13 233
Tangible NAV per ordinary share ⁽¹⁾	12 404	12 146	12 185
Capital adequacy (%)			
Absa Group Limited	16.0	16.7	16.1
Absa Bank Limited	16.6	17.9	16.5
Common Equity Tier 1 (%)			
Absa Group Limited	12.5	13.3	12.8
Absa Bank Limited	12.2	13.5	12.3

⁽¹⁾ The 30 June 2018 numbers and ratios have been restated, refer to note 15.2 for further details.

⁽²⁾ After allowing for **R174m** (30 June 2018: R176m; 31 December 2018: R351m) profit attributable to preference equity holders and **R169m** (30 June 2018: R96m; 31 December 2018: R190m) profit attributable to Additional Tier 1 capital holders.

⁽³⁾ The 30 June 2018 numbers and ratios have been restated, refer to note 15.3 for further details.

⁽⁴⁾ The average loans to deposit and debt securities in issue ratio have been added. The ratio is based on loans and advances to customers, loans and advances to banks and deposits due to customers, deposits from banks and debt securities in issue, and is calculated on a daily weighted average instead of the balances at reporting date. This ratio will be applied going forward.

Condensed consolidated statement of financial position

as at

		30 June	31 December
	Note	2019 Rm	Restated 2018 Rm
Assets			2018 Rm
Cash, cash balances and balances with central banks		52 489	48 578
Investment securities		129 487	127 437
Loans and advances to banks	2	66 947	62 843
Trading portfolio assets		134 595	124 982
Hedging portfolio assets		3 361	2 325
Other assets ⁽¹⁾		52 781	49 447
Current tax assets ⁽²⁾		1 137	1 268
Non-current assets held for sale	1	148	79
Loans and advances to customers ⁽²⁾	2	882 365	781 171
Reinsurance assets		1 085	905
Investments linked to investment contracts		19 516	19 194
Investments in associates and joint ventures ⁽²⁾		1 520	1 187
Investment properties		503	420
Property and equipment		18 407	15 752
Goodwill and intangible assets		9 395	6 392
Deferred tax assets ⁽²⁾		2 969	2 705
Total assets⁽¹⁾⁽²⁾		1 376 705	1 244 685
Liabilities			
Deposits from banks		116 687	88 466
Trading portfolio liabilities		50 036	67 697
Hedging portfolio liabilities		1 294	1 339
Other liabilities ⁽¹⁾		59 996	54 248
Provisions		2 762	2 558
Current tax liabilities		69	309
Non-current liabilities held for sale	1	121	7
Deposits due to customers		797 708	714 491
Debt securities in issue		164 321	140 782
Liabilities under investment contracts		30 235	30 546
Policyholder liabilities under insurance contracts		4 806	4 570
Borrowed funds	3	21 942	21 448
Deferred tax liabilities		419	136
Total liabilities⁽¹⁾		1 250 396	1 126 597
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital		1 662	1 663
Share premium		10 824	10 850
Retained earnings ⁽²⁾		93 286	88 841
Other reserves ⁽²⁾		6 725	6 075
		112 497	107 429
Non-controlling interest – ordinary shares ⁽²⁾		4 749	4 515
Non-controlling interest – preference shares		4 644	4 644
Non-controlling interest – Additional Tier 1 capital		4 419	1 500
Total equity⁽²⁾		126 309	118 088
Total liabilities and equity⁽¹⁾⁽²⁾		1 376 705	1 244 685

⁽¹⁾ The 30 June 2018 numbers have been restated, refer to note 15.3 for further details.

⁽²⁾ The 30 June 2018 numbers have been restated, refer to note 15.2 for further details.

Condensed consolidated statement of comprehensive income

for the reporting period ended

		30 June	31 December	
	Note	2019 Rm	Restated 2018 Rm	2018 Rm
Net interest income		22 780	21 049	43 755
Interest and similar income ⁽¹⁾		47 953	43 167	89 236
Effective interest income ⁽¹⁾		47 239	42 817	87 634
Other interest income		714	350	1 602
Interest expense and similar charges ⁽²⁾		(25 173)	(22 118)	(45 481)
Non-interest income	4	16 372	16 267	32 760
Net fee and commission income		11 580	10 991	22 523
Fee and commission income		13 090	12 604	25 675
Fee and commission expense		(1 510)	(1 613)	(3 152)
Net insurance premium income		3 778	3 465	7 190
Net claims and benefits incurred on insurance contracts		(1 931)	(1 741)	(3 565)
Changes in investment and insurance contract liabilities		(1 238)	(114)	808
Gains and losses from banking and trading activities		2 509	3 097	5 820
Gains and losses from investment activities		1 202	243	(636)
Other operating income		472	326	620
Total income⁽¹⁾		39 152	37 316	76 515
Impairment losses ⁽¹⁾		(3 695)	(3 117)	(6 324)
Operating income before operating expenses		35 457	34 199	70 191
Operating expenses		(22 999)	(22 198)	(46 803)
Other expenses		(893)	(964)	(2 026)
Other impairments	5	(44)	(184)	(434)
Indirect taxation		(849)	(780)	(1 592)
Share of post-tax results of associates and joint ventures		93	56	179
Operating profit before income tax		11 658	11 093	21 541
Taxation expense		(3 204)	(3 189)	(6 282)
Profit for the reporting period		8 454	7 904	15 259
Profit attributable to:				
Ordinary equity holders		7 641	7 253	13 917
Non-controlling interest – ordinary shares		470	379	801
Non-controlling interest – preference shares		174	176	351
Non-controlling interest – Additional Tier 1 capital		169	96	190
		8 454	7 904	15 259
Earnings per share:				
Basic earnings per share (cents)		918.9	871.9	1 676.5
Diluted earnings per share (cents)		917.2	869.4	1 673.3

⁽¹⁾ The 30 June 2018 numbers have been restated, refer to note 15.2 for further details.

⁽²⁾ The Group has elected to change its accounting policy to no longer present other interest expense and similar charges separately from interest expense calculated using the effective interest method. This results in more relevant information as in this manner, the Group achieves consistency with its peers. There is no impact on the 2018 comparative SOCI for 30 June and 31 December, as total other interest expense and similar charges was nil.

Condensed consolidated statement of other comprehensive income

for the reporting period ended

	30 June	31 December	
	2019 Rm	Restated 2018 Rm	2018 Rm
Profit for the reporting period	8 454	7 904	15 259
Other comprehensive income			
Items that will not be reclassified to profit or loss	(25)	3	53
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	2	2	27
Fair value gains	3	2	38
Deferred tax	(1)	—	(11)
Movement on liabilities designated at FVTPL due to changes in own credit risk	(20)	5	(13)
Fair value losses	(28)	(45)	(71)
Deferred tax	8	50	58
Movement in retirement benefit fund assets and liabilities	(7)	(4)	39
Decrease in retirement benefit surplus	(11)	(6)	(26)
Decrease in retirement benefit deficit	1	1	55
Deferred tax	3	1	10
Items that are or may be subsequently reclassified to profit or loss ⁽¹⁾	122	2 022	2 215
Movement in foreign currency translation reserve ⁽¹⁾	(998)	2 379	3 052
Differences in translation of foreign operations ⁽¹⁾	(998)	2 379	3 052
Movement in cash flow hedging reserve	971	(588)	(247)
Fair value gains/(losses)	1 696	(737)	265
Amounts transferred within other comprehensive income	(5)	—	(58)
Amount removed from other comprehensive income and recognised in profit or loss	(342)	(80)	(550)
Deferred tax	(378)	229	96
Movement in fair value of debt instruments measured at FVOCI	149	231	(590)
Fair value gains/(losses)	198	332	(750)
Release to profit or loss	—	3	(9)
Deferred tax	(49)	(104)	169
Total comprehensive income for the reporting period ⁽¹⁾	8 551	9 929	17 527
Total comprehensive income attributable to:			
Ordinary equity holders ⁽¹⁾	7 767	8 946	15 816
Non-controlling interest – ordinary shares	441	711	1 170
Non-controlling interest – preference shares	174	176	351
Non-controlling interest – Additional Tier 1 capital	169	96	190
	8 551	9 929	17 527

⁽¹⁾ The 30 June 2018 numbers have been restated, refer to note 15.2 for further details.

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit- risk reserve Rm	Fair value through other compre- hensive income reserve Rm
Balance at the end of the previous reporting period	827 477	1 655	10 205	91 237	6 387	823	(80)
Impact of adopting new accounting standards at 1 January 2019							
IFRS 16	—	—	—	(243)	—	—	—
Adjusted balance at the beginning of the reporting period	827 477	1 655	10 205	90 994	6 387	823	(80)
Total comprehensive income	—	—	—	7 615	152	—	126
Profit for the period	—	—	—	7 641	—	—	—
Other comprehensive income	—	—	—	(26)	152	—	126
Dividends paid during the reporting period	—	—	—	(5 170)	—	—	—
Transfer with Non-controlling interest holders	—	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(249)	(6)	—	—	—
Elimination of the movement in Treasury shares held by Group entities	3 728	7	619	—	—	—	—
Movement in share-based payment reserve	—	—	249	—	39	—	—
Transfer from share-based payment reserve	—	—	249	—	(249)	—	—
Value of employee services	—	—	—	—	262	—	—
Deferred tax	—	—	—	—	26	—	—
Movement in general credit risk reserve	—	—	—	(43)	43	43	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(11)	11	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(93)	93	—	—
Balance at the end of the reporting period	831 205	1 662	10 824	93 286	6 725	866	46

30 June 2019

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share- based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non- controlling interest – ordinary shares Rm	Non- controlling interest – preference shares Rm	Non- controlling interest – Additional Tier 1 capital Rm	Total equity Rm
403	3 060	7	877	1 297	109 484	4 737	4 644	2 741	121 606
—	—	—	—	—	(243)	(13)	—	—	(256)
403	3 060	7	877	1 297	109 241	4 724	4 644	2 741	121 350
971	(945)	—	—	—	7 767	441	174	169	8 551
—	—	—	—	—	7 641	470	174	169	8 454
971	(945)	—	—	—	126	(29)	—	—	97
—	—	—	—	—	(5 170)	(424)	(174)	—	(5 768)
—	—	—	—	—	—	10	—	—	10
—	—	—	—	—	—	—	—	(169)	(169)
—	—	—	—	—	—	—	—	1 678	1 678
—	—	—	—	—	(255)	—	—	—	(255)
—	—	—	—	—	626	—	—	—	626
—	—	—	39	—	288	(2)	—	—	286
—	—	—	(249)	—	—	—	—	—	—
—	—	—	262	—	262	(2)	—	—	260
—	—	—	26	—	26	—	—	—	26
—	—	—	—	—	—	—	—	—	—
—	—	11	—	—	—	—	—	—	—
—	—	—	—	93	—	—	—	—	—
1 374	2 115	18	916	1 390	112 497	4 749	4 644	4 419	126 309

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings ⁽¹⁾ Rm	Total other reserves ⁽¹⁾ Rm	General credit- risk reserve Rm	Fair value through other compre- hensive income reserve Rm
Balance at the end of the previous reporting period	832 838	1 666	10 498	92 080	4 370	779	445
Impact of adopting new accounting standards at 1 January 2018							
IFRS 9 ⁽¹⁾	—	—	—	(5 413)	(126)	—	(22)
IFRS 15	—	—	—	(44)	—	—	—
Adjusted balance at the beginning of the reporting period	832 838	1 666	10 498	86 623	4 244	779	423
Total comprehensive income ⁽¹⁾	—	—	—	7 255	1 691	—	227
Profit for the period	—	—	—	7 253	—	—	—
Other comprehensive income ⁽¹⁾	—	—	—	2	1 691	—	227
Dividends paid during the reporting period	—	—	—	(4 962)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(236)	(42)	—	—	—
Elimination of the movement in Treasury shares held by Group entities	(1 097)	(3)	352	—	—	—	—
Movement in share-based payment reserve	—	—	236	—	107	—	—
Transfer from share-based payment reserve	—	—	236	—	(236)	—	—
Value of employee services	—	—	—	—	371	—	—
Deferred tax	—	—	—	—	(28)	—	—
Movement in general credit risk reserve	—	—	—	24	(24)	(24)	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(1)	1	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(56)	56	—	—
Balance at the end of the reporting period	831 741	1 663	10 850	88 841	6 075	755	650

⁽¹⁾ These numbers have been restated, refer to note 15.2 for further details

30 June 2018

Cash flow hedging reserve Rm	Foreign currency translation reserve ⁽¹⁾ Rm	Foreign insurance subsidiary regulatory reserve Rm	Share- based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non- controlling interest – ordinary shares ⁽¹⁾ Rm	Non- controlling interest – preference shares Rm	Non- controlling interest – Additional Tier 1 capital Rm	Total equity Rm
650	431	6	837	1 222	108 614	4 500	4 644	1 500	119 258
—	—	—	—	(104)	(5 539)	(230)	—	—	(5 769)
—	—	—	—	—	(44)	—	—	—	(44)
650	431	6	837	1 118	103 031	4 270	4 644	1 500	113 445
(588)	2 052	—	—	—	8 946	711	176	96	9 929
—	—	—	—	—	7 253	379	176	96	7 904
(588)	2 052	—	—	—	1 693	332	—	—	2 025
—	—	—	—	—	(4 962)	(466)	(176)	—	(5 604)
—	—	—	—	—	—	—	—	(96)	(96)
—	—	—	—	—	(278)	—	—	—	(278)
—	—	—	—	—	349	—	—	—	349
—	—	—	107	—	343	—	—	—	343
—	—	—	(236)	—	—	—	—	—	—
—	—	—	371	—	371	—	—	—	371
—	—	—	(28)	—	(28)	—	—	—	(28)
—	—	—	—	—	—	—	—	—	—
—	—	1	—	—	—	—	—	—	—
—	—	—	—	56	—	—	—	—	—
62	2 483	7	944	1 174	107 429	4 515	4 644	1 500	118 088

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit- risk reserve Rm	Fair value through other compre- hensive income reserve Rm
Balance at the end of the previous reporting period	832 838	1 666	10 498	92 080	4 370	779	445
Impact of adopting new accounting standards at 1 January 2018							
IFRS 9	—	—	—	(5 413)	(126)	—	(22)
IFRS 15	—	—	—	(44)	—	—	—
Adjusted balance at the beginning of the reporting period	832 838	1 666	10 498	86 623	4 244	779	423
Total comprehensive income	—	—	—	13 937	1 879	—	(503)
Profit for the period	—	—	—	13 917	—	—	—
Other comprehensive income	—	—	—	20	1 879	—	(503)
Dividends paid during the reporting period	—	—	—	(9 033)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(491)	(66)	—	—	—
Elimination of the movement in Treasury shares held by Group entities	(5 361)	(11)	(293)	—	—	—	—
Movement in share-based payment reserve	—	—	491	—	40	—	—
Transfer from share-based payment reserve	—	—	491	—	(491)	—	—
Value of employee services	—	—	—	—	554	—	—
Deferred tax	—	—	—	—	(23)	—	—
Movement in general credit risk reserve	—	—	—	(44)	44	44	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(1)	1	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(179)	179	—	—
Balance at the end of the reporting period	827 477	1 655	10 205	91 237	6 387	823	(80)

31 December 2018

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share- based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non- controlling interest - ordinary shares Rm	Non- controlling interest - preference shares Rm	Non- controlling interest - Additional Tier 1 capital Rm	Total equity Rm
650	431	6	837	1 222	108 614	4 500	4 644	1 500	119 258
—	—	—	—	(104)	(5 539)	(230)	—	—	(5 769)
—	—	—	—	—	(44)	—	—	—	(44)
650	431	6	837	1 118	103 031	4 270	4 644	1 500	113 445
(247)	2 629	—	—	—	15 816	1 170	351	190	17 527
—	—	—	—	—	13 917	801	351	190	15 259
(247)	2 629	—	—	—	1 899	369	—	—	2 268
—	—	—	—	—	(9 033)	(703)	(351)	—	(10 087)
—	—	—	—	—	—	—	—	(190)	(190)
—	—	—	—	—	—	—	—	1 241	1 241
—	—	—	—	—	(557)	—	—	—	(557)
—	—	—	—	—	(304)	—	—	—	(304)
—	—	—	40	—	531	—	—	—	531
—	—	—	(491)	—	—	—	—	—	—
—	—	—	554	—	554	—	—	—	554
—	—	—	(23)	—	(23)	—	—	—	(23)
—	—	—	—	—	—	—	—	—	—
—	—	1	—	—	—	—	—	—	—
—	—	—	—	179	—	—	—	—	—
403	3 060	7	877	1 297	109 484	4 737	4 644	2 741	121 606

Condensed consolidated statement of cash flows

for the reporting period ended

		30 June	31 December
		2019	Restated
		Rm	2018
	Note		Restated
			2018
			Rm
Net cash generated from/(utilised in) operating activities		2 217	13 884
Income taxes paid		(3 531)	(6 648)
Net cash generated from other operating activities		5 748	20 532
Net cash utilised in investing activities		(2 950)	(6 577)
Purchase of property and equipment		(1 901)	(3 373)
Purchase of intangible assets ⁽¹⁾		(1 282)	(4 161)
Proceeds from sale of non-current assets held for sale		108	1 414
Net cash generated from/(utilised in) other investing activities ⁽¹⁾		125	(457)
Net cash utilised in financing activities		(2 332)	(6 521)
Issue of Additional Tier 1 capital		1 678	1 241
Proceeds from borrowed funds		1 580	6 571
Repayment of borrowed funds		(34)	(3 195)
Dividends paid		(5 758)	(10 087)
Net cash generated from/(utilised in) other financing activities		202	(1 051)
Net (decrease)/increase in cash and cash equivalents		(3 065)	786
Cash and cash equivalents at the beginning of the reporting period	1	18 494	17 320
Effect of foreign exchange rate movements on cash and cash equivalents		(318)	388
Cash and cash equivalents at the end of the reporting period	2	15 111	18 494

Notes to the condensed consolidated statement of cash flows

1. Cash and cash equivalents at the beginning of the reporting period

Cash, cash balances and balances with central banks ⁽²⁾	14 252	13 518	13 518
Loans and advances to banks ⁽³⁾	4 242	3 802	3 802
	18 494	17 320	17 320

2. Cash and cash equivalents at the end of the reporting period

Cash, cash balances and balances with central banks ⁽²⁾	11 241	10 428	14 252
Loans and advances to banks ⁽²⁾	3 870	3 935	4 242
	15 111	14 363	18 494

⁽¹⁾ In order to provide more transparent disclosures, the condensed consolidated statement of cash flows has been expanded to include the purchase of intangible assets separately rather than including it in the total net cash utilised in other investing activities. Comparatives have been restated accordingly.

⁽²⁾ Includes coins and bank notes.

⁽³⁾ Includes call advances, which are used as working capital by the Group.

Condensed notes to the consolidated financial results

for the reporting period ended

1. Non-current assets and non-current liabilities held for sale

The following movements in non-current assets and non-current liabilities held for sale were effected during the current financial reporting period:

- RBB South Africa disposed of investment property with a carrying amount of **R34m**.
- A non-core subsidiary held for sale in Head Office, Treasury and other operations in South Africa had movements in the underlying assets and liabilities not measured in terms of IFRS 5 which are: an increase in loans and advances to banks **R3m**, deferred tax assets **R1m**, decrease in other liabilities **R2m**, policyholder liabilities under insurance contracts **R1m**, reinsurance assets **R13m** and property and equipment **R1m**.
- Head Office, Treasury and other operations in South Africa disposed of property and equipment with a carrying amount of **R50m**.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous reporting period ended 30 June 2018:

- RBB South Africa disposed of a loan book with a carrying amount of R1 118m and property and equipment with a carrying amount of R1m.
- ARO disposed of investment property with a carrying amount of R0.2m.
- RBB South Africa⁽¹⁾ disposed of a subsidiary with assets of R139m and liabilities of R34m out of non-current assets and non-current liabilities held for sale, respectively.
- RBB South Africa⁽¹⁾ further disposed of a business line with assets of R9m and liabilities of R9m out of non-current assets and non-current liabilities held for sale, respectively.
- Head Office, Treasury and other operations in South Africa⁽¹⁾ transferred assets of R2m and liabilities of R2m to non-current assets and non-current liabilities held for sale, respectively.
- Head Office, Treasury and other operations in South Africa transferred property and equipment with a carrying amount of R37m to non-current assets held for sale.

The following movements in non-current assets and non-current liabilities held for sale were effected during the period ended 31 December 2018:

- RBB South Africa disposed of a loan book with a carrying amount of R1 118m and property and equipment with a carrying amount of R1m.
- ARO disposed of investment property with a carrying amount of R2m, and transferred property and equipment with a carrying value of R11m to non-current assets held for sale.
- RBB South Africa⁽¹⁾ disposed of a subsidiary with assets of R139m and liabilities of R34m out of non-current assets and non-current liabilities held for sale, respectively.
- RBB South Africa⁽¹⁾ further disposed of a business line with assets of R14m and liabilities of R14m out of non-current assets and non-current liabilities held for sale, respectively.
- Head Office, Treasury and other operations in South Africa⁽¹⁾ transferred an entity with a net asset value of R20m to non-current assets and non-current liabilities held for sale. This transfer comprised loans and advances to banks R22m, reinsurance assets R73m, investment securities R8m, property and equipment R3m, deferred tax assets R11m, other assets R27m, policyholder liabilities under insurance contracts R92m and other liabilities R32m.
- Head Office, Treasury and other operations in South Africa transferred property and equipment with a carrying amount of R50m to non-current assets held for sale.

⁽¹⁾ This reflects transactions previously disclosed in the WIMI segment. These have been moved to RBB and Head Office, Treasury and other operations in South Africa. Refer to note 15.4.

Condensed notes to the consolidated financial results

for the reporting period ended

2. Loans and advances

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1		
		Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB South Africa	—	436 499	2 985	0.68
Home Loans	—	203 626	266	0.13
Vehicle and Asset Finance	—	71 283	436	0.61
Everyday Banking	—	53 797	1 484	2.76
Card	—	34 040	953	2.80
Personal Loans	—	17 294	464	2.68
Transactions and Deposits	—	2 463	67	2.72
Relationship Banking	—	107 793	799	0.74
RBB Other	—	—	—	—
CIB South Africa	68 114	190 952	392	0.21
ARO	—	94 319	840	0.89
Head Office, Treasury and other operations in South Africa	—	264	(226)	—
Loans and advances to customers	—	264	6	2.27
Reclassification to provisions ⁽¹⁾	—	—	(232)	—
Loans and advances to customers	68 114	722 034	3 991	0.55
Loans and advances to banks	27 657	36 745	20	0.05
Total loans and advances to customers and banks	95 771	758 779	4 011	0.53

⁽¹⁾ This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. This excess is recognised in 'Provisions' in the Group's statement of financial position.

30 June 2019

Stage 2			Stage 3			Net carrying amount Rm
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	
38 381	3 946	10.28	39 081	16 537	42.31	490 493
14 351	267	1.86	18 807	4 936	26.25	231 315
5 675	672	11.84	5 146	2 026	39.37	78 970
8 768	2 498	28.49	9 879	6 748	68.31	61 714
5 305	1 933	36.44	6 775	4 707	69.48	38 527
2 388	392	16.42	2 640	1 708	64.70	19 758
1 075	173	16.09	464	333	71.77	3 429
9 587	509	5.31	5 196	2 775	53.41	118 493
—	—	—	53	52	98.11	1
29 139	324	1.11	2 396	857	35.77	289 028
7 290	786	10.78	5 459	3 414	62.54	102 028
74	(236)	—	—	(16)	—	816
74	—	—	—	—	—	332
—	(236)	—	—	(16)	—	484
74 884	4 820	6.44	46 936	20 792	44.30	882 365
2 570	5	0.19	3	3	100.00	66 947
77 454	4 825	6.23	46 939	20 795	44.30	949 312

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for the reporting period ended

2. Loans and advances (continued)

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1		
		Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB South Africa⁽²⁾	—	405 931	3 039	0.75
Home Loans	—	197 295	286	0.14
Vehicle and Asset Finance	—	65 848	487	0.74
Everyday Banking	—	48 142	1 409	2.93
Card	—	30 777	867	2.82
Personal Loans	—	15 210	485	3.19
Transactions and Deposits	—	2 155	57	2.65
Relationship Banking	—	94 646	857	0.91
RBB Other	—	—	—	—
CIB South Africa⁽²⁾	37 727	165 286	434	0.26
ARO⁽²⁾	—	79 285	950	1.20
Head Office, Treasury and other operations in South Africa	—	360	(180)	—
Loans and advances to customers	—	360	8	2.22
Reclassification to provisions ⁽³⁾	—	—	(188)	—
Loans and advances to customers	37 727	650 862	4 243	0.65
Loans and advances to banks	27 515	33 367	11	0.03
Total loans and advances to customers and banks	65 242	684 229	4 254	0.62

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview in note 15.2.

⁽²⁾ These numbers have been restated, refer to the reporting changes overview in note 15.5.

⁽³⁾ This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. This excess is recognised in 'Provisions' in the Group's statement of financial position.

30 June 2018⁽¹⁾

Stage 2			Stage 3			Net carrying amount Rm
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	
37 803	3 924	10.38	38 161	15 841	41.51	459 091
15 340	258	1.68	18 575	4 640	24.98	226 026
5 837	758	12.99	4 320	1 637	37.89	73 123
8 371	2 449	29.26	9 309	6 469	69.49	55 495
4 981	1 900	38.14	6 385	4 559	71.40	34 817
2 256	369	16.36	2 489	1 608	64.60	17 493
1 134	180	15.87	435	302	69.43	3 185
8 255	459	5.56	5 903	3 041	51.52	104 447
—	—	—	54	54	100.00	—
29 702	331	1.11	2 804	1 432	51.07	233 322
8 261	903	10.93	5 482	3 671	66.96	87 504
483	(202)	—	—	(29)	—	1 254
483	2	0.41	—	—	—	833
—	(204)	—	—	(29)	—	421
76 249	4 956	6.50	46 447	20 915	45.03	781 171
1 982	10	0.50	—	—	—	62 843
78 231	4 966	6.35	46 447	20 915	45.03	844 014

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for the reporting period ended

2. Loans and advances (continued)

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1		
		Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB South Africa⁽¹⁾	—	418 460	2 923	0.70
Home Loans	—	199 683	289	0.14
Vehicle and Asset Finance	—	68 966	450	0.65
Everyday Banking	—	49 976	1 453	2.91
Card	—	32 055	880	2.75
Personal Loans	—	15 710	520	3.31
Transactions and Deposits	—	2 211	53	2.40
Relationship Banking	—	99 835	731	0.73
RBB Other	—	—	—	—
CIB South Africa⁽¹⁾	45 263	196 995	415	0.21
ARO⁽¹⁾	—	86 819	879	1.01
Head Office, Treasury and other operations in South Africa	—	269	(195)	—
Loans and advances to customers	—	269	6	2.23
Reclassification to provisions ⁽²⁾	—	—	(201)	—
Loans and advances to customers	45 263	702 543	4 022	0.57
Loans and advances to banks	19 800	30 190	9	0.03
Total loans and advances to customers and banks	65 063	732 733	4 031	0.55

⁽¹⁾ These numbers have been restated, refer to the reporting changes overview in note 15.5.

⁽²⁾ This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. This excess is recognised in 'Provisions' in the Group's statement of financial position.

31 December 2018

Stage 2			Stage 3			Net carrying amount Rm
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	
37 665	3 906	10.37	38 273	15 914	41.58	471 655
14 215	238	1.67	18 516	4 801	25.93	227 086
6 041	734	12.15	4 754	1 805	37.97	76 772
8 520	2 398	28.15	9 670	6 536	67.59	57 779
4 767	1 754	36.79	6 582	4 551	69.14	36 219
2 619	452	17.26	2 598	1 634	62.89	18 321
1 134	192	16.93	490	351	71.63	3 239
8 889	536	6.03	5 279	2 719	51.51	110 017
—	—	—	54	53	98.15	1
30 749	305	0.99	2 860	1 978	69.16	273 169
8 491	842	9.92	6 034	3 409	56.50	96 214
9	(191)	—	—	(18)	—	682
9	—	—	—	—	—	272
—	(191)	—	—	(18)	—	410
76 914	4 862	6.32	47 167	21 283	45.12	841 720
3 173	14	0.44	—	—	—	53 140
80 087	4 876	6.09	47 167	21 283	45.12	894 860

Condensed notes to the consolidated financial results

for the reporting period ended

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R1 580m** (30 June 2018: R5 488m; 31 December 2018: R6 571m) of subordinated notes were issued and **R34m** (30 June 2018: Rnil; 31 December 2018: R3 195m) were redeemed.

4. Disaggregation of non-interest income

The following table disaggregates non-interest income splitting it into income received from contracts with customers by major service lines and per reportable segment, and other items making up non-interest income:

	30 June 2019					
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	10 022	1 134	1 696	237	1	13 090
Consulting and administration fees	142	49	27	6	—	224
Transactional fees and commissions	7 993	805	1 455	10	1	10 264
Cheque accounts	2 700	68	19	—	—	2 787
Credit cards	1 317	—	93	—	—	1 410
Electronic banking	2 158	505	52	—	—	2 715
Other ⁽¹⁾	805	232	1 282	10	1	2 330
Savings accounts	1 013	—	9	—	—	1 022
Merchant income	984	—	90	—	—	1 074
Trust and other fiduciary services fees	114	2	3	633	—	752
Other fees and commissions	92	124	76	(77)	—	215
Insurance commissions received	672	—	45	(335)	—	382
Investment banking fees	25	154	—	—	—	179
Other income from contracts with customers	35	—	11	(4)	—	42
Other non-interest income, net of expenses	1 533	655	1 188	(103)	(33)	3 240
Total non-interest income	11 590	1 789	2 895	130	(32)	16 372

⁽¹⁾ Includes fees on mortgage loans and foreign currency transactions.

Condensed notes to the consolidated financial results

for the reporting period ended

4. Disaggregation of non-interest income (continued)

	30 June 2018 ⁽¹⁾					
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	9 559	1 157	1 485	563	(160)	12 604
Consulting and administration fees	147	58	25	72	—	302
Transactional fees and commissions	7 628	737	1 301	1	—	9 667
Cheque accounts	2 646	55	50	—	—	2 751
Credit cards	1 270	—	72	1	—	1 343
Electronic banking	2 015	521	42	(2)	—	2 576
Other ⁽²⁾	664	160	1 131	—	—	1 955
Savings accounts	1 033	1	6	2	—	1 042
Merchant income	893	—	76	—	—	969
Trust and other fiduciary services fees	108	(1)	2	700	—	809
Other fees and commissions	106	117	48	90	(160)	201
Insurance commissions received	657	—	33	(300)	—	390
Investment banking fees	20	246	—	—	—	266
Other income from contracts with customers	38	—	1	(14)	—	25
Other non-interest income, net of expenses	1 126	1 079	940	(79)	572	3 638
Total non-interest income	10 723	2 236	2 426	470	412	16 267

	31 December 2018 ⁽¹⁾					
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	19 485	2 343	3 171	676	—	25 675
Consulting and administration fees	245	101	54	80	—	480
Transactional fees and commissions	15 428	1 576	2 756	(5)	—	19 755
Cheque accounts	5 270	115	16	—	—	5 401
Credit cards	2 608	—	162	—	—	2 770
Electronic banking	4 163	1 082	91	(1)	—	5 335
Other ⁽²⁾	1 324	378	2 473	(5)	—	4 170
Savings accounts	2 063	1	14	1	—	2 079
Merchant income	1 902	—	164	—	—	2 066
Trust and other fiduciary services fees	213	1	5	1 425	—	1 644
Other fees and commissions	202	230	104	(113)	—	423
Insurance commissions received	1 454	—	86	(710)	—	830
Investment banking fees	41	435	2	(1)	—	477
Other income from contracts with customers	99	—	3	(12)	—	90
Other non-interest income, net of expenses	2 476	2 231	1 980	(217)	525	6 995
Total non-interest income	22 060	4 574	5 154	447	525	32 760

⁽¹⁾ These numbers have been restated, refer to note 15.4 for further details.

⁽²⁾ Includes fees on mortgage loans and foreign currency transactions.

Condensed notes to the consolidated financial results

for the reporting period ended

5. Other impairments

	30 June 2019 Rm	2018 Rm	31 December 2018 Rm
Impairment raised on financial instruments	—	2	—
Other	44	182	434
Goodwill	—	—	34
Intangible assets	—	—	2
Property and equipment ⁽¹⁾	44	182	398
	44	184	434

6. Headline earnings

	30 June 2019		2018		31 December 2018	
	Gross Rm	Net ⁽²⁾ Rm	Gross Rm	Net ⁽²⁾ Rm	Gross Rm	Net ⁽²⁾ Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holders of the Group		7 641		7 253		13 917
Total headline earnings adjustments:		9		71		225
IAS 36 – Goodwill impairment	—	—	—	—	34	34
IFRS 5 – Profit on disposal of non-current assets held for sale	(14)	(12)	(121)	(73)	(142)	(80)
IAS 16 – (Profit)/Loss on disposal of property and equipment	(7)	(6)	5	3	5	2
IAS 36 – Impairment of property and equipment	44	33	182	141	398	297
IAS 36 – Impairment of intangible assets	—	—	—	—	2	1
IFRS 5 – Re-measurement of non-current assets held for sale	(9)	(6)	—	—	—	—
IAS 40 – Change in fair value of investment properties	—	—	—	—	(38)	(29)
Headline earnings/diluted headline earnings		7 650		7 324		14 142
Headline earnings per ordinary share (cents)		920.0		880.3		1 703.7
Diluted headline earnings per ordinary share (cents)		918.4		877.8		1 700.4

⁽¹⁾ Management has decided to dispose of certain property and equipment resulting in an impairment of **R44m** (30 June 2018: R182m; 31 December 2018: R398m). As the property and equipment will be disposed of, the impairment was calculated based on fair value less costs to sell.

⁽²⁾ The net amount is reflected after taxation and non-controlling interest.

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for the reporting period ended

7. Dividends per share

	30 June 2019 Rm	2018 Rm	31 December 2018 Rm
Dividends declared to ordinary equity holders			
Interim dividend (13 August 2019: 505 cents per share (cps)) (6 August 2018: 490 cps)	4 280	4 154	4 154
Final dividend (11 March 2019: 620 cps)	—	—	5 256
	4 280	4 154	9 410
Dividends declared to ordinary equity holders (net of treasury shares)			
Interim dividend (13 August 2019: 505 cps) (6 August 2018: 490 cps)	4 196	4 076	4 076
Final dividend (11 March 2019: 620 cps)	—	—	5 130
	4 196	4 076	9 206
Dividends declared to non-controlling preference equity holders			
Interim dividend (13 August 2019: 3 595.89 cps) (6 August 2018: 3 543.67 cps)	178	182	175
Final dividend (11 March 2019: 3 518.6986 cps)	—	—	174
	178	182	349
Distributions declared to Additional Tier 1 capital note holders			
Distribution	169	96	190
10 January 2019: 29 981.67 Rand per note (rpn)	37	—	—
12 March 2019: 32 263.01 rpn; 12 March 2018: 31 500 rpn ⁽¹⁾	47	47	47
10 April 2019: 29 342.47 rpn	36	—	—
12 June 2019: 31 561.64 rpn; 12 June 2018: 32 200 rpn ⁽¹⁾	49	49	49
12 September 2018: 31 675.726 rpn ⁽¹⁾	—	—	47
12 December 2018: 31 620.63 rpn ⁽¹⁾	—	—	47
	169	96	190
Dividends paid to ordinary equity holders (net of treasury shares)⁽²⁾			
Final dividend (15 April 2019: 620 cps) (16 April 2018: 595 cps)	5 170	4 962	4 962
Interim dividend (17 September 2018: 490 cps)	—	—	4 071
	5 170	4 962	9 033
Dividends paid to non-controlling preference equity holders			
Final dividend (15 April 2019: 3 518.6986 cps) (16 April 2018: 3 588.01 cps)	174	176	176
Interim dividend (17 September 2018: 3 543.67 cps)	—	—	175
	174	176	351
Distributions paid to Additional Tier 1 capital note holders			
Distribution	169	96	190
10 January 2019: 29 981.67 rpn	37	—	—
12 March 2019: 32 263.01 rpn; 12 March 2018: 31 500 rpn ⁽¹⁾	47	47	47
10 April 2019: 29 342.47 rpn	36	—	—
12 June 2019: 31 561.64 rpn; 12 June 2018: 32 200 rpn ⁽¹⁾	49	49	49
12 September 2018: 31 675.726 rpn ⁽¹⁾	—	—	47
12 December 2018: 31 620.63 rpn ⁽¹⁾	—	—	47
	169	96	190

⁽¹⁾ In order to provide more transparent disclosures, the distributions declared and paid to Additional Tier 1 capital holders have been expanded to separately disclose the amount declared/paid at each date rather than including the total for each period. Comparatives have been restated accordingly.

⁽²⁾ The dividends paid on treasury shares are calculated on payment date.

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for the reporting period ended

8. Acquisitions and disposals of businesses and other similar transactions

8.1.1 Acquisitions of businesses during the current reporting period

There were no acquisitions of businesses during the current reporting period.

8.1.2 Disposals of businesses during the current reporting period

There were no disposals of businesses during the current reporting period.

8.2.1 Acquisitions of businesses during the previous reporting periods

During the prior periods (that is for the 6 month period ended 30 June 2018, as well as the 12 month period ended 31 December 2018), the Group acquired the remaining 50% in a non-core investment, which was previously held as an investment in associate at fair value. The acquisition of the investment had an effective acquisition date of 16 March 2018 and is a business combination within the scope of IFRS 3. The acquisition date fair value of the consideration transferred amounted to R198m.

	Fair value recognised on acquisition 2018 Rm
Consideration at the date of acquisition:	
Cash	30
Acquisition date fair value of initial interest	168
Total consideration	198
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash, cash balances and balances with central banks	15
Other assets	4
Investment properties	165
Current tax assets	1
Other liabilities	(14)
Deferred tax liabilities	(7)
Total identifiable net assets	164
Total non-controlling interest	—
Goodwill	34
Total	198

A summary of the total net cash outflow and cash and cash equivalents related to acquisitions and disposals of businesses and other similar transactions is included below:

	2018 Rm
Summary of net cash outflow due to acquisitions	30

8.2.2 Disposals of businesses during the previous reporting period

During the prior reporting periods (that is for the 6 month period ended 30 June 2018, as well as the 12 month period ended 31 December 2018), apart from the businesses classified as non-current assets/liabilities held for sale and disposed of (refer to note 1) there were no other disposals of businesses that were finalised during the prior reporting period. The cash consideration received on disposal of subsidiary included in non-current assets/liabilities held for sale was 30 June 2018: R288m (31 December 2018: R1 398m).

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9. Related parties

Maria Ramos announced her retirement as the CEO of Absa Group Limited from 28 February 2019. The Board appointed René van Wyk as Absa's Chief Executive Officer with effect from 1 March 2019.

There were no significant transactions with related parties of Absa Group Limited during the previous reporting period.

10. Commitments

	30 June 2019 Rm	2018 Rm	31 December 2018 Rm
Authorised capital expenditure			
Contracted but not provided for	1 864	1 278	1 337
The Group has capital commitments in respect of computer equipment, software and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.			
Operating lease payments due			
No later than one year		1 466	1 408
Later than one year and no later than five years		3 486	3 905
Later than five years		829	707
		5 781	6 020

The operating lease commitments in respect of prior periods comprise a number of separate operating leases in relation to property and equipment, none of which are individually significant to the Group. Leases are negotiated for an average term of three to five years. Following the implementation of IFRS 16 from 1 January 2019, the disclosure relating to 'Operating lease payments due' will no longer be disclosed.

11. Contingencies

	30 June 2019 Rm	2018 Rm	31 December 2018 Rm
Guarantees	46 280	42 171	46 529
Irrevocable debt facilities/other lending facilities	212 970	170 222	199 062
Irrevocable equity facilities	8	21	8
Letters of credit ⁽¹⁾	13 208	7 224	14 838
Other ⁽¹⁾	62	87	63
	272 528	219 725	260 500

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Group undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument.

Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate the facilities by written notice. Following the implementation of IFRS 9 other lending facilities in respect of which expected credit losses are recognised have been included above, as the Group does not enforce the ability to revoke these facilities in the normal day-to-day management thereof.

Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

An impairment provision of **R123m** (30 June 2018: R169m; 31 December 2018: R123m) has been raised on guarantees, **R42m** (30 June 2018: R45m; 31 December 2018: R48m) has been raised for letters of credit and **R578m** (30 June 2018: R481m; 31 December 2018: R497m) on irrevocable debt facilities/other lending facilities.

Irrevocable equity facilities and other contingencies fall outside the scope of the expected credit losses model of IFRS 9.

⁽¹⁾ The 30 June 2018 number has been restated to better reflect the commercial nature of products. The restatement has resulted in R255m being moved from other contingencies to letters of credit.

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11. Contingencies (continued)

Legal matters

The Group has been party to proceedings against it during the reporting period. As at reporting date the material cases are disclosed below:

- ▶ Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R934m.
- ▶ MyRoof: During 2015, Absa terminated an agreement in terms of which MyRoof provided to Absa an online electronic system that facilitated the advertising and sale of distressed Home Loans properties. A dispute subsequently arose, with MyRoof contending that Absa owed to it certain commission-based fee revenue. This resulted in the institution of arbitration proceedings in which MyRoof claims a statement and debatement of account. Absa is disputing both the substance and the quantum of the claim.

The Group is engaged in various other legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Group has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. Provision is made for all liabilities which are expected to materialise. In terms of the requirements of IFRS, cases where the Group's obligation is now determined to be remote have no longer been disclosed above.

Regulatory matters

The scale of regulatory change remains challenging and the global financial crisis has resulted in a significant tightening of regulations and changes to regulatory structures globally and locally, especially for companies that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries globally which, in some cases, is leading to increased regulation.

The nature and impact of future changes in the legal framework, policies and regulatory action especially in the areas of financial crime, banking and insurance regulation, cannot currently be fully predicted and are beyond the Group's control. Some of these are likely to have an impact on the Group's businesses, systems and earnings.

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation. The Group undertakes monitoring, review and assurance activities, and the Group has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate.

In February 2017 the South African Competition Commission (SACC) referred Barclays PLC, BCI and Absa Bank Limited, a subsidiary of Absa Group Limited, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African antitrust law related to Foreign Exchange trading of the South African rand. The SACC found from its investigation that between 2007 and 2013 the banks had engaged in various forms of collusive behaviour. Barclays PLC was the first to bring the conduct to the attention of the SACC under its leniency programme and has cooperated with, and will continue to cooperate with, the SACC in relation to this matter. The SACC is therefore not seeking an order from the Tribunal to impose any fine on Barclays Bank PLC, BCI or Absa Bank Limited.

Income taxes

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and liabilities for income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may indicate disagreement with the Group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. The carrying amount of any resulting liabilities will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, *inter alia*, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Group's Tax Risk Framework.

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12. Segment reporting

	30 June 2019 Rm	2018 ⁽¹⁾ Rm	31 December 2018 ⁽¹⁾ Rm
12.1 Total headline earnings by segment			
RBB South Africa	4 847	4 658	9 722
CIB South Africa	1 546	1 721	3 422
ARO	1 727	1 599	3 140
Head Office, Treasury and other operations South Africa ⁽²⁾	147	65	(156)
Barclays PLC separation effects ⁽³⁾	(617)	(719)	(1 986)
	7 650	7 324	14 142
12.2 Total income by segment			
RBB South Africa	24 350	23 078	47 200
CIB South Africa	5 312	5 580	11 487
ARO	8 938	7 558	16 307
Head Office, Treasury and other operations South Africa ⁽²⁾	471	512	666
Barclays PLC separation effects ⁽³⁾	81	588	855
	39 152	37 316	76 515
12.3 Total internal income by segment			
RBB South Africa	(4 709)	(4 857)	(9 372)
CIB South Africa	(5 071)	(3 756)	(6 897)
ARO	(209)	33	(566)
Head Office, Treasury and other operations South Africa ⁽²⁾	9 989	8 405	16 835
Barclays PLC separation effects ⁽³⁾	—	175	—
	—	—	—
12.4 Total assets by segment			
RBB South Africa	878 457	806 990	851 991
CIB South Africa	615 586	539 827	532 539
ARO	203 506	178 829	191 917
Head Office, Treasury and other operations South Africa ⁽²⁾	(324 752)	(282 566)	(290 895)
Barclays PLC separation effects ⁽³⁾	3 908	1 605	3 192
	1 376 705	1 244 685	1 288 744
12.5 Total liabilities by segment			
RBB South Africa	865 968	798 307	839 082
CIB South Africa	610 660	534 459	525 406
ARO	181 139	156 658	169 106
Head Office, Treasury and other operations South Africa ⁽²⁾	(403 152)	(354 331)	(360 895)
Barclays PLC separation effects ⁽³⁾	(4 219)	(8 496)	(5 561)
	1 250 396	1 126 597	1 167 138

⁽¹⁾ Operational changes, accounting policy changes, management changes and associated changes to the way in which the chief operating decision maker views the performance of each segment, have resulted in the reallocation of earnings, assets and liabilities between segments, refer to note 15.4 for further details.

⁽²⁾ Head Office, Treasury and other operations in South Africa represents a reconciling stripe and is not a reporting segment.

⁽³⁾ 'Barclays PLC separation effects' is the reconciling stripe between IFRS and normalised results and does not represent a reportable segment.

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13. Assets and liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value.

	2019		2018	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with other central banks	13 504	13 504	14 689	14 689
Balances with the South African Reserve Bank	22 041	22 041	17 862	17 862
Coins and bank notes	11 241	11 241	10 429	10 429
Money market assets	—	—	101	101
Cash, cash balances and balances with central banks	46 786	46 786	43 081	43 081
Investment securities	7 817	7 916	6 580	6 580
Loans and advances to banks	39 289	39 289	35 328	35 031
Other assets⁽¹⁾	49 619	49 619	45 941	45 941
RBB South Africa ⁽²⁾⁽³⁾	490 493	491 730	459 091	460 511
Home Loans	231 315	231 315	226 026	226 026
Vehicle and Asset Finance	78 970	79 291	73 123	73 422
Everyday Banking	61 714	62 505	55 495	56 209
Card	38 527	39 123	34 817	35 357
Personal loans	19 758	19 915	17 493	17 631
Transactions and Deposits	3 429	3 467	3 185	3 221
Relationship Banking	118 493	118 618	104 447	104 854
RBB Other	1	1	—	—
CIB South Africa ⁽³⁾	220 914	220 914	195 595	195 595
ARO ⁽²⁾⁽³⁾	102 028	102 028	87 504	87 504
Head Office, Treasury and other operations in South Africa	816	816	1 254	1 254
Loans and advances to customers – net of impairment losses⁽²⁾	814 251	815 488	743 444	744 864
Non-current assets held for sale	35	35	—	—
Total assets (not held at fair value)⁽¹⁾⁽²⁾	957 797	959 133	874 374	875 497
Financial liabilities				
Deposits from banks	58 791	58 791	66 529	66 529
Other liabilities⁽¹⁾	19 398	19 398	49 739	49 739
Call deposits	87 731	87 731	75 453	75 453
Cheque account deposits	212 982	212 982	196 198	196 198
Credit card deposits	1 792	1 792	1 788	1 788
Fixed deposits	179 513	179 513	153 260	152 896
Foreign currency deposits	36 800	36 800	33 105	33 105
Notice deposits	62 106	62 106	58 946	58 946
Other deposits	1 226	1 226	2 021	2 021
Saving and transmission deposits	165 172	165 172	161 789	161 789
Deposits due to customers	747 322	747 322	682 559	682 195
Debt securities in issue	136 618	138 694	136 728	136 728
Borrowed funds	21 942	21 942	21 448	21 448
Total liabilities (not held at fair value)⁽¹⁾	984 071	986 147	957 004	956 640

⁽¹⁾ The 30 June 2018 numbers have been restated, refer to note 15.3.

⁽²⁾ The 30 June 2018 numbers have been restated, refer to note 15.2.

⁽²⁾ The 30 June 2018 numbers have been restated, refer to note 15.5.

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13. Assets and liabilities not held at fair value (continued)

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value.

	31 December 2018	
	Carrying amount Rm	Fair value Rm
Financial assets		
Balances with other central banks	11 371	11 374
Balances with the South African Reserve Bank	13 108	13 108
Coins and bank notes	14 252	14 252
Money market assets	27	27
Cash, cash balances and balances with central banks	38 758	38 761
Investment securities	7 359	7 414
Loans and advances to banks	33 339	35 669
Other assets	27 468	27 356
RBB South Africa ⁽¹⁾	471 655	473 081
Home Loans	227 086	227 086
Vehicle and Asset Finance	76 772	77 087
Everyday Banking	57 779	58 520
Card	36 219	36 780
Personal loans	18 321	18 465
Transactions and Deposits	3 239	3 275
Relationship Banking	110 017	110 387
RBB Other	1	1
CIB South Africa ⁽¹⁾	227 907	227 907
ARO ⁽¹⁾	96 213	96 473
Head Office, Treasury and other operations in South Africa	681	681
Loans and advances to customers – net of impairment losses	796 456	798 142
Non-current assets held for sale	30	30
Total assets (not held at fair value)	903 410	907 372
Financial liabilities		
Deposits from banks	75 651	79 757
Other liabilities	32 614	32 826
Call deposits	80 007	80 007
Cheque account deposits	199 053	199 053
Credit card deposits	1 904	1 904
Fixed deposits	155 184	155 184
Foreign currency deposits	35 597	35 597
Notice deposits	58 367	58 367
Other deposits	2 779	2 779
Saving and transmission deposits	164 321	164 321
Deposits due to customers	697 212	697 212
Debt securities in issue	145 382	147 666
Borrowed funds	20 225	20 225
Total liabilities (not held at fair value)	971 084	977 686

⁽¹⁾ These numbers have been restated, refer to note 15.5.

Condensed notes to the consolidated financial results

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14. Assets and liabilities held at fair value

14.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

The Group has an established control framework with respect to the measurement of fair values. The framework includes a Traded Risk and Valuations Committee and an Independent Valuation Control (IVC) team, which is independent from the front office.

The Traded Risk and Valuations Committee, which comprises representatives from senior management, will formally approve valuation policies and any changes to valuation methodologies. Significant valuation issues are reported to the Absa Group Audit and Compliance Committee.

The Traded Risk and Valuations Committee is responsible for overseeing the valuation control process and will therefore consider the appropriateness of valuation techniques and inputs for fair value measurement.

The IVC team independently verifies the results of trading and investment operations and all significant fair value measurements. They source independent data from external independent parties, as well as internal risk areas when performing independent price verification for all financial instruments held at fair value. They also assess and document the inputs obtained from external independent sources to measure the fair value which supports conclusions that valuations are performed in accordance with IFRS and internal valuation policies.

Investment properties

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account.

Where possible the fair value of the Group's investment properties is determined through valuations performed by external independent valuers.

When the Group's internal valuations are different to that of the external independent valuers, detailed procedures are performed to substantiate the differences, whereby the IVC team verifies the procedures performed by the front office and considers the appropriateness of any differences to external independent valuations.

14.2 Fair value measurements

Valuation inputs

IFRS 13 requires an entity to classify fair values measured and/or disclosed according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined as follows:

Quoted market prices – Level 1

Fair values are classified as Level 1 if they have been determined using observable prices in an active market. Such fair values are determined with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Fair values are classified as Level 2 if they have been determined using models for which inputs are observable in an active market.

A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Valuation technique using significant unobservable inputs – Level 3

Fair values are classified as Level 3 if their determination incorporates significant inputs that are not based on observable market data (unobservable inputs). An input is deemed significant if it is shown to contribute more than 10% to the fair value of an item. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

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for the reporting period ended

14. Assets and liabilities held at fair value (continued)

14.2 Fair value measurements (continued)

Judgemental inputs on valuation of principal instruments

The following summary sets out the principal instruments whose valuation may involve judgemental inputs:

Debt securities and treasury and other eligible bills

These instruments are valued, based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined by reference to quoted market prices for similar instruments or, in the case of certain mortgage-backed securities, valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Equity instruments

Equity instruments are valued, based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined by reference to quoted market prices for similar instruments or by using valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Also included in equity instruments are non-public investments, which include investments in venture capital organisations. The fair value of these investments is determined using appropriate valuation methodologies which, dependent on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price earnings comparisons. For each investment, the relevant methodology is applied consistently over time.

Derivatives

Derivative contracts can be exchange-traded or traded over-the-counter (OTC). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these instruments. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and option pricing models.

Loans and advances

The disclosed fair value of loans and advances to banks and customers is determined by discounting contractual cash flows. Discount factors are determined using the relevant forward base rates (as at valuation date) plus the originally priced spread. Where a significant change in credit risk has occurred, an updated spread is used to reflect valuation date pricing. Behavioural cash flow profiles, instead of contractual cash flow profiles, are used to determine expected cash flows where contractual cash flow profiles would provide an inaccurate fair value.

Deposits, debt securities in issue and borrowed funds

Deposits, debt securities in issue and borrowed funds are valued using discounted cash flow models, applying rates currently offered for issuances with similar characteristics. Where these instruments include embedded derivatives, the embedded derivative component is valued using the methodology for derivatives as detailed above.

The fair value of amortised cost deposits repayable on demand is considered to be equal to their carrying value. For other financial liabilities at amortised cost the disclosed fair value approximates the carrying value because the instruments are short term in nature or have interest rates that reprice frequently.

14.3 Fair value adjustments

The main valuation adjustments required to arrive at a fair value are described below:

Bid-offer valuation adjustments

For assets and liabilities where the Group is not a market maker, mid-prices are adjusted to bid and offer prices respectively. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the firm is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used, since the bid-offer spread does not represent a transaction cost.

Uncollateralised derivative adjustments

A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, the Group's own credit quality, as well as the cost of funding across all asset classes.

Model valuation adjustments

Valuation models are reviewed under the Group's model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. All models and model valuation adjustments are subject to review on at least an annual basis.

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for the reporting period ended

14. Assets and liabilities held at fair value (continued)

14.4 Fair value hierarchy

The following table shows the Group's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety.

	30 June				30 June			
	2019				2018			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	1 864	3 839	—	5 703	1 689	3 807	—	5 496
Investment securities	52 555	54 198	14 917	121 670	54 279	56 391	10 189	120 859
Loans and advances to banks	—	27 657	—	27 657	—	26 961	554	27 515
Trading and hedging portfolio assets	63 514	68 539	4 976	137 029	52 028	72 194	2 508	126 730
Debt instruments	41 019	10 280	212	51 511	29 413	6 189	74	35 676
Derivative assets	—	49 223	2 783	52 006	—	58 331	848	59 179
Commodity derivatives	—	289	71	360	—	2 034	—	2 034
Credit derivatives	—	—	164	164	—	—	165	165
Equity derivatives	—	1 920	2 474	4 394	—	3 038	602	3 640
Foreign exchange derivatives	—	9 404	6	9 410	—	12 723	3	12 726
Interest rate derivatives	—	37 610	68	37 678	—	40 536	78	40 614
Equity instruments	21 430	—	—	21 430	21 229	—	—	21 229
Money market assets	1 065	9 036	1 981	12 082	1 386	7 674	1 586	10 646
Other assets	—	6	—	6	—	73	—	73
Loans and advances to customers	—	52 181	15 933	68 114	—	28 717	9 010	37 727
Investments linked to investment contracts	16 583	2 767	166	19 516	15 320	3 874	—	19 194
Total financial assets	134 516	209 187	35 992	379 695	123 316	192 017	22 261	337 594
Financial liabilities								
Deposits from banks	—	57 892	3	57 895	—	21 937	—	21 937
Trading and hedging portfolio liabilities	11 465	38 672	1 193	51 330	15 029	53 385	622	69 036
Derivative liabilities	—	38 672	1 193	39 865	—	53 385	622	54 007
Commodity derivatives	—	394	69	463	—	1 986	—	1 986
Credit derivatives	—	1	145	146	—	7	158	165
Equity derivatives	—	1 952	589	2 541	—	3 266	249	3 515
Foreign exchange derivatives	—	8 669	136	8 805	—	15 945	4	15 949
Interest rate derivatives	—	27 656	254	27 910	—	32 181	211	32 392
Short positions	11 465	—	—	11 465	15 029	—	—	15 029
Other liabilities	—	16	51	67	—	16	43	59
Deposits due to customers	—	45 814	4 571	50 385	158	28 959	2 815	31 932
Debt securities in issue	—	27 703	—	27 703	—	4 020	35	4 055
Liabilities under investment contracts	—	30 235	—	30 235	—	30 546	—	30 546
Total financial liabilities	11 465	200 332	5 818	217 615	15 187	138 863	3 515	157 565
Non-financial assets								
Commodities	927	—	—	927	576	—	—	576
Investment properties	—	—	503	503	—	—	420	420
Non-recurring fair value measurements								
Non-current assets held for sale ⁽¹⁾	—	—	113	113	—	—	79	79
Non-current liabilities held for sale ⁽¹⁾	—	—	121	121	—	—	7	7

⁽¹⁾ Includes certain items classified in terms of the requirements of IFRS 5 which are measured in terms of their respective standards.

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14. Assets and liabilities held at fair value (continued)

14.4 Fair value hierarchy (continued)

	31 December 2018			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Recurring fair value measurements				
Financial assets				
Cash, cash balances and balances with central banks	2 142	6 029	—	8 171
Investment securities	52 990	63 079	11 991	128 060
Loans and advances to banks	—	19 800	—	19 800
Trading and hedging portfolio assets	61 083	65 144	3 449	129 676
Debt instruments	43 666	8 647	445	52 758
Derivative assets	—	44 495	2 450	46 945
Commodity derivatives	—	1 256	224	1 480
Credit derivatives	—	—	173	173
Equity derivatives	—	3 442	1 947	5 389
Foreign exchange derivatives	—	8 807	26	8 833
Interest rate derivatives	—	30 990	80	31 070
Equity instruments	15 848	—	—	15 848
Money market assets	1 569	12 002	554	14 125
Other assets	—	2	—	2
Loans and advances to customers	—	34 602	10 661	45 263
Investments linked to investment contracts	17 230	1 059	192	18 481
Total financial assets	133 445	189 715	26 293	349 453
Financial liabilities				
Deposits from banks	—	45 751	19	45 770
Trading and hedging portfolio liabilities	15 514	36 007	1 454	52 975
Derivative liabilities	—	36 007	1 454	37 461
Commodity derivatives	—	1 260	222	1 482
Credit derivatives	—	6	174	180
Equity derivatives	—	2 315	778	3 093
Foreign exchange derivatives	—	9 318	19	9 337
Interest rate derivatives	—	23 108	261	23 369
Short positions	15 514	—	—	15 514
Other liabilities	—	2	45	47
Deposits due to customers	238	36 031	2 823	39 092
Debt securities in issue	3	15 586	—	15 589
Liabilities under investment contracts	—	29 674	—	29 674
Total financial liabilities	15 755	163 051	4 341	183 147
Non-financial assets				
Commodities	1 304	—	—	1 304
Investment properties	—	—	508	508
Non-recurring fair value measurements				
Non-current assets held for sale ⁽¹⁾	—	—	239	239
Non-current liabilities held for sale ⁽¹⁾	—	—	124	124

⁽¹⁾ Includes certain items classified in terms of the requirements of IFRS 5 which are measured in terms of their respective standards.

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14. Assets and liabilities held at fair value (continued)

14.5 Measurement of assets and liabilities categorised at Level 2

The following table presents information about the valuation techniques and significant observable inputs used in measuring assets and liabilities categorised as Level 2 in the fair value hierarchy:

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Cash, cash balances and balances with central banks	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Loans and advances to banks	Future cash flows are discounted using market-related interest rates, adjusted for credit inputs, over the contractual period of the instruments (that is, discounted cash flow)	Interest rates and/or money market curves, as well as credit spreads
Trading and hedging portfolio assets and liabilities		
Debt instruments	Discounted cash flow models	Underlying price of market instruments and/or interest rates
Derivatives		
Commodity derivatives	Discounted cash flow techniques, option pricing models, futures pricing models and/or Exchange Traded Fund (ETF) models	Spot price of physical or futures, market interest rates and/or volatilities
Credit derivatives	Discounted cash flow techniques and/or market standard credit derivative pricing	Interest rate, recovery rate and; credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow models, option pricing models and/or futures pricing models	Spot price, interest rate, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models	Interest rate curves, basis curves and/or volatilities
Interest rate derivatives	Discounted cash flow and/or swaption pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatilities
Money market assets	Discounted cash flow models	Money market curves and/or interest rates
Loans and advances to customers	Discounted cash flow models	Interest rate curves, money market curves and/or credit spreads
Investment securities and investments linked to investment contracts	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Deposits from banks	Discounted cash flow models	Interest rate curve, money market curves and/or credit spreads
Deposits due to customers	Discounted cash flow models	Interest rate curve, money market curves and/or credit spreads
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of market traded instruments, interest rate curves and/or credit spreads

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14. Assets and liabilities held at fair value (continued)

14.6 Reconciliation of Level 3 assets and liabilities

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets is set out below:

	30 June 2019							
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	3 449	—	10 661	—	11 991	508	192	26 801
Net interest income	—	—	235	—	63	—	—	298
Gains and losses from banking and trading activities	656	—	506	—	7	—	—	1 169
Purchases	398	—	4 679	—	13	1	—	5 091
Sales	(46)	—	(82)	—	(16)	—	(26)	(170)
Movement in other comprehensive income	—	—	—	—	(82)	(6)	—	(88)
Transfer to Level 3	1 244	—	21	—	3 985	—	—	5 250
Transfer (out) of Level 3	(725)	—	(87)	—	(1 044)	—	—	(1 856)
Closing balance at the end of the reporting period	4 976	—	15 933	—	14 917	503	166	36 495

	30 June 2018							
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 824	2	4 741	484	7 601	231	—	14 883
Net interest income	—	—	32	—	40	—	—	72
Gains and losses from banking and trading activities	418	—	(59)	8	148	—	—	515
Gains and losses from investment activities	—	—	—	—	10	—	—	10
Purchases	485	—	5 470	62	2 596	165	—	8 778
Sales	(95)	—	(61)	—	—	—	—	(156)
Movement in other comprehensive income	—	—	—	—	(9)	—	—	(9)
Transfer in/(out) of Level 3	(124)	(2)	(1 113)	—	—	—	—	(1 239)
Step acquisition of subsidiary	—	—	—	—	(198)	—	—	(198)
Level 3 FCTR	—	—	—	—	1	24	—	25
Closing balance at the end of the reporting period	2 508	—	9 010	554	10 189	420	—	22 681

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for the reporting period ended

14. Assets and liabilities held at fair value (continued)

14.6 Reconciliation of Level 3 assets and liabilities (continued)

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets is set out below: (continued)

	31 December 2018							
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 824	2	4 741	484	7 601	231	—	14 883
Net interest income	—	—	153	—	89	—	—	242
Other income	—	—	—	—	—	38	—	38
Gains and losses from banking and trading activities	1 240	—	427	—	199	—	—	1 866
Gains and losses from investment activities	—	—	—	—	23	—	—	23
Purchases	1 174	—	6 617	—	3 815	165	192	11 963
Sales	(257)	—	(156)	(18)	(516)	—	—	(947)
Movement in other comprehensive income	—	—	—	—	(41)	33	—	(8)
Transferred to/(from) assets/liabilities	—	—	—	—	—	41	—	41
Transfer to Level 3	357	—	—	—	2 928	—	—	3 285
Transfer (out) of Level 3	(889)	(2)	(1 121)	(466)	(1 914)	—	—	(4 392)
Step acquisition of subsidiary	—	—	—	—	(193)	—	—	(193)
Closing balance at the end of the reporting period	3 449	—	10 661	—	11 991	508	192	26 801

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14. Assets and liabilities held at fair value (continued)

14.6 Reconciliation of Level 3 assets and liabilities (continued)

A reconciliation of the opening balances to closing balances for all movements on Level 3 liabilities is set out below:

	30 June 2019					
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	19	1 454	45	2 823	—	4 341
Gains and losses from banking and trading activities	—	144	—	182	—	326
Issues	—	135	6	2 935	—	3 076
Settlements	(16)	—	—	(493)	—	(509)
Transfer (out) of Level 3	—	(540)	—	(876)	—	(1 416)
Closing balance at the end of the reporting period	3	1 193	51	4 571	—	5 818

	30 June 2018					
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	—	945	5	1 572	488	3 010
Gains and losses from banking and trading activities	—	(202)	—	—	—	(202)
Purchases	—	1	38	—	—	39
Issues	—	—	—	4 352	—	4 352
Settlements	—	(1)	—	(1 618)	—	(1 619)
Transfer in/(out) of Level 3	—	(121)	—	(1 491)	(453)	(2 065)
Closing balance at the end of the reporting period	—	622	43	2 815	35	3 515

	31 December 2018					
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	—	945	5	1 572	488	3 010
Gains and losses from banking and trading activities	—	(52)	—	5	—	(47)
Movement in other comprehensive income	—	—	—	1	—	1
Issues	19	1 042	40	2 501	—	3 602
Settlements	—	(344)	—	(766)	—	(1 110)
Transferred to/(from) assets/liabilities	—	—	—	(1)	—	(1)
Transfer (out) of Level 3	—	(137)	—	(489)	(488)	(1 114)
Closing balance at the end of the reporting period	19	1 454	45	2 823	—	4 341

14.6.1 Significant transfers between levels

During the 2019 and 2018 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers have been reflected as if they had taken place at the beginning of the year.

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14. Assets and liabilities held at fair value (continued)

14.7 Unrealised gains and losses on Level 3 assets and liabilities

The total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	30 June 2019						
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	1 915	695	460	3 070	122	(268)	(146)

	30 June 2018						
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	848	581	304	1 733	622	—	622

	31 December 2018						
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	2 589	1 027	233	3 849	(174)	134	(40)

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for the reporting period ended

14. Assets and liabilities held at fair value (continued)

14.8 Sensitivity analysis of valuations using unobservable inputs

As part of the Group's risk management processes, we perform a sensitivity analysis on the significant unobservable parameters, in order to determine the impact of reasonably possible alternative assumptions on the valuation of Level 3 financial assets and liabilities. The assets and liabilities that most impact this sensitivity analysis are those with more illiquid and/or structured portfolios. The alternative assumptions are applied independently and do not take account of any cross correlation between assumptions that would reduce the overall effect on the valuations.

The following tables reflect the reasonable possible variances applied to significant parameters utilised in our valuations:

Significant unobservable parameter	Positive/(negative) variance applied to parameters
Credit spreads	100/(100) bps
Volatilities	10/(10)%
Basis curves	100/(100) bps
Yield curves and repo curves	100/(100) bps
Future earnings and marketability discounts	15/(15)%
Funding spreads	100/(100) bps

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

		30 June 2019	
	Significant unobservable parameters	Potential effect recorded in profit or loss	Potential effect recorded directly in equity
		Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited /Absa funding spread	180/(180)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discounts	—/—	(37)/37
Loans and advances to customers	Credit spreads	(444)/444	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	455/(455)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(256)/(256)	—/—

		30 June 2018	
	Significant unobservable parameters	Potential effect recorded in profit or loss	Potential effect recorded directly in equity
		Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited /Absa funding spread	32/(29)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discounts	81/(127)	263/(254)
Loans and advances to customers	Credit spreads	133/(131)	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	338/(338)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	84/(84)	—/—

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14. Assets and liabilities held at fair value (continued)

14.8 Sensitivity analysis of valuations using unobservable inputs (continued)

		31 December 2018	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited /Absa funding spread	178/(178)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discounts	—/—	(20)/20
Loans and advances to customers	Credit spreads	(323)/323	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	162/(162)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(224)/224	—/—

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14. Assets and liabilities held at fair value (continued)

14.9 Measurement of assets and liabilities at Level 3

The following table presents information about the valuation techniques and significant unobservable inputs used in measuring assets and liabilities categorised as Level 3 in the fair value hierarchy:

Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	30 June 2019	2018	31 December 2018
			Range of estimates utilised for the unobservable inputs		
Loans and advances to banks and customers	Discounted cash flow and/or dividend yield models	Credit spreads	2.45% to 3.21%	0.04% to 1.97%	0.513% to 3.235%
Investment securities and investments linked to investment contracts	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Marketability discounts and/or comparator multiples	Discount rate of 7.75% to 8%	Discount rate of 7.75% to 8%	Discount rate of 7.75% to 8%
Trading and hedging portfolio assets and liabilities					
Debt instruments	Discounted cash flow models	Credit spreads	0.15% to 8.2%	0.15% to 8.2%	0.15% to 8.2%
Derivative assets					
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	0.03% to 14%, 15% to 76%, 60% to 90%	0.03% to 14%, 15% to 76%, 60% to 90%	0.03% to 14%, 15% to 76%, 60% to 90%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	10.3% to 52.8%	14.3% to 41.9%	14.91% to 53.2%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	1.41% to 27%	3% to 45%	(4.48)% to 24.7%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (less than 1 year), repurchase agreement curves (less than 1 year), funding spreads	0.05% to 8.7%	0.21% to 7.2%	0.20% to 9.34%
Deposits due to customers	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	2.2% to 3.7%	1.3% to 1.9%	1.3% to 1.8%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	1.2% to 1.8%	1.3% to 1.9%	1.3% to 1.8%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	1 to 6 years	1 to 6 years	1 to 6 years
		Annual selling price escalations	6%	0% to 6%	6%
		Annual rental escalations	n/a	n/a	6%
		Expense ratios	n/a	n/a	n/a
		Vacancy rates	n/a	n/a	n/a
		Income capitalisation rates	7.5% to 8%	7.5% to 8%	7.5% to 8%
		Risk adjusted discount rates	10% to 15%	11% to 15%	10% to 15%

For assets or liabilities measured at amortised cost and disclosed in Levels 2 or 3 of the fair value hierarchy, the discounted cash flow valuation technique is used. Interest rates and money market curves are considered unobservable inputs for items which mature after five years. However, if the items mature in less than five years, these inputs are considered to be observable, depending on other facts and circumstances.

For debt securities in issue measured at amortised cost, a further significant input would be the underlying price of the market traded instrument.

The sensitivity of the fair value measure is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on fair values.

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for the reporting period ended

14. Assets and liabilities held at fair value (continued)

14.10 Unrecognised (gains) as a result of the use of valuation models using unobservable inputs

The amount that is yet to be recognised in the statement of comprehensive income that relates to the difference between the transaction price and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	30 June	31 December
	2019 Rm	2018 Rm
Opening balance at the beginning of the reporting period	(428)	(134)
New transactions	(21)	(140)
Amounts recognised in profit or loss during the reporting period	39	34
Closing balance at the end of the reporting period	(410)	(240)

14.11 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements.

15. Reporting changes overview

The Group effected the following financial reporting changes during the current reporting period:

- 15.1 Implementation of IFRS 16
- 15.2 Amendments due to developments in IFRS 9 accounting interpretations
- 15.3 Correction of prior period error
- 15.4 Changes to reportable segments and business portfolios
- 15.5 Changes to loans and advances

15.1 Implementation of IFRS 16 Leases

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases, and it replaces IAS 17 *Leases* (IAS 17), IFRIC 4 *Determining whether an arrangement contains a lease* (IFRIC 4), SIC-15 *Operating Leases – Incentives* (SIC-15) and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* (SIC-27).

The key change of IFRS 16 is the introduction of a single lessee accounting model which requires a lessee to recognise assets and liabilities, for lease contracts with a term of more than 12 months, unless the underlying asset is of low value, eliminating the classification of leases as either operating leases or finance leases. As a result, a depreciation charge for the right-of-use assets and interest expense on lease liabilities is recognised as opposed to a straight-line operating lease expense. Lessor accounting remains similar to the previous standard (IAS 17) in which lessors continue to classify leases as finance or operating leases.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019 with no restatement of comparatives.

The Group elected the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases, and to apply a single discount rate to a portfolio of leases with similar characteristics. Significant judgement was applied in determining the appropriate incremental borrowing rate to use. The rates used consider the tenor of the lease, currency of the lease, credit risk of the specific lessee and the economic environment. The Group determined incremental borrowing rates for each entity, for each currency in which they had lease contracts at the various tenors. The weighted average incremental rate, determined as at 1 January 2019 was between 5% and 23% depending on geography and tenor. For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at initial application was determined as the carrying amount of the leased asset and lease liability under IAS 17 at 31 December 2018.

In the application of this model the Group has recognised the following at the date of initial application (unless the lease term is shorter than 12 months or the underlying asset is of low value):

- (a) A lease liability for all leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the applicable entity's incremental borrowing rate at the date of initial application; and
- (b) A right-of-use asset, measured retrospectively, using the applicable entity's incremental borrowing rate at the date of initial application.

In impracticable cases, the Group measured the right-of-use asset at an amount equal to the lease liability, adjusted for any existing prepaid or accrued rentals.

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15. Reporting changes overview (continued)

15.1 Implementation of IFRS 16 Leases (continued)

15.1.1 The table below summarises the total impact of IFRS 16 on the Group's statement of changes in equity:

	Share capital and share premium Rm	Retained earnings Rm	Other reserves Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – Additional Tier 1 Rm	Total equity Rm
Balance reported as at 31 December 2018	11 860	91 237	6 387	109 484	4 737	4 644	2 741	121 606
Impact of adopting IFRS 16	—	(243)	—	(243)	(13)	—	—	(256)
Adjusted balance as at 1 January 2019	11 860	90 994	6 387	109 241	4 724	4 644	2 741	121 350

15.1.2 The following table summarises the total impact of IFRS 16 on the Group's statement of financial position as at 1 January 2019:

	31 December 2018 Rm	Impact of initial adoption of IFRS 16 Rm	1 January 2019 Rm
Assets			
Property and equipment	15 835	3 390	19 225
Other assets	30 624	(9)	30 633
Deferred tax assets	3 431	88	3 519
Total assets	1 288 744	3 469	1 292 213
Liabilities			
Other liabilities ⁽¹⁾	36 662	3 728	40 390
Deferred tax liabilities	360	(3)	357
Total liabilities	1 167 138	3 725	1 170 863
Equity			
Capital and reserves			
Retained earnings	91 237	(243)	90 994
Non-controlling interest – ordinary shares	4 737	(13)	4 724
Total equity	121 606	(256)	121 350
Total liabilities and equity	1 288 744	3 469	1 292 213

15.1.3 The table below reconciles the previously disclosed operating lease commitments to the lease liabilities recognised on 1 January 2019:

	Rm
Operating lease commitments at 31 December 2018	6 020
Discounted using the incremental borrowing rate at 1 January 2019	(1 502)
Finance lease liabilities recognised	4 518
Reconciling items	
Previously disclosed commitments subject to recognition exemption	(375)
Lease liabilities recognised at 1 January 2019	4 143

⁽¹⁾ Includes an amount of R4 143m relating to the IFRS 16 lease liability, which is offset by the release of the IAS 17 straight-lining lease liability of R415m.

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15. Reporting changes overview (continued)

15.2 Amendments due to developments in IFRS 9 accounting interpretations

There are two areas of technical interpretation which have evolved since the publication of the Group's IFRS 9 disclosures, as at 30 June 2018. These are as follows:

15.2.1 Exclusion of post write-off recoveries from loss given default (LGD) modelling

IFRS 9 provides that financial assets should be written off, and accordingly derecognised, when it is considered that there is no reasonable expectation of recovery. The Group has well-governed internal policies, which define how an individual account should be assessed for write-off, and ensure that post write-off recoveries remain insignificant over the long run. Further, the policies are recalibrated over time, as and when actual recovery experience changes. While the Group's write-off policy determines the point of derecognition at an individual account level, it also impacts the level of recoveries modelled on a collective basis for the purposes of determining the LGDs to be applied at a portfolio level. The Group's LGD models have historically included the present value of all forecast recoveries on a pool of loans, over the full life of such loans, thereby including cash flows which would otherwise be classified as post write-off recoveries, from an accounting perspective.

Whilst the guidance regarding derecognition under IFRS 9 remains largely unchanged from IAS 39, IFRS 9 does explicitly provide that write-off constitutes a derecognition event. The IFRS 9 requirements for write-off have been one of the most robustly debated topics following the banking industry's adoption of the standard. With evolving IFRS 9 technical interpretation, the Group has reconsidered the approach previously applied to LGD modelling for accounting purposes. The Group is of the view that under IFRS 9, the write-off assumptions should be consistently applied at both an individual account level and on a collective modelling basis. The original treatment applied up to 30 June 2018 has been adjusted accordingly. The exclusion of post write-off recoveries from LGD, under IFRS 9, has resulted in a significant increase in the allowance for impairment recognised in the statement of financial position, as at 1 January 2018. The change in valuation methodology did not have a significant impact on the credit losses recognised during the previous interim reporting period, since the impact on both the 1 January 2018 and 30 June 2018 impairment loss allowance, were of a similar magnitude. The amendment was taken into account in December 2018.

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for the reporting period ended

15. Reporting changes overview (continued)

15.2 Amendments due to developments in IFRS 9 accounting interpretations (continued)

15.2.1 Exclusion of post write-off recoveries from loss given default (LGD) modelling (continued)

The following table summarises the total impact of the above on the statement of financial position as at 1 January 2018:

	Impact of IFRS 9					
			IFRS 9 ECL			
	31 December 2017 Rm	Classification and measurement ⁽¹⁾ Rm	Reported ECL ⁽²⁾ Rm	Exclusion of PWOR from LGD ⁽³⁾ Rm	Total IFRS 9 ECL impact Rm	1 January 2018 Rm
Assets						
Cash, cash balances and balances with central banks ⁽⁴⁾	48 669	—	(10)	—	(10)	48 659
Investment securities	111 409	(195)	(2)	—	(2)	111 212
Loans and advances to banks	55 426	—	(67)	—	(67)	55 359
Loans and advances to customers	749 772	(20)	(5 034)	(1 936)	(6 970)	742 782
Investments in associates and joint ventures ⁽⁵⁾	1 235	—	(73)	(31)	(104)	1 131
Other assets ⁽⁶⁾	199 468	55	1 149	530	1 679	201 202
Total assets	1 165 979	(160)	(4 037)	(1 437)	(5 474)	1 160 345
Liabilities						
Trading portfolio liabilities	64 047	(20)	—	—	—	64 027
Provisions ⁽⁷⁾	3 041	—	574	—	574	3 615
Other liabilities ⁽⁶⁾	979 831	—	(419)	—	(419)	979 412
Total liabilities	1 046 919	(20)	155	—	155	1 047 054
Equity						
Capital and reserves						
Attributable to ordinary equity holders:						
Share capital	1 666	—	—	—	—	1 666
Share premium	10 498	—	—	—	—	10 498
Retained earnings	91 882	—	(4 106)	(1 307)	(5 413)	86 469
Other reserves	4 370	(140)	45	(31)	14	4 244
Ordinary equity holders	108 416	(140)	(4 061)	(1 338)	(5 399)	102 877
Non-controlling interest – ordinary shares	4 500	—	(131)	(99)	(230)	4 270
Non-controlling interest – preference shares	4 644	—	—	—	—	4 644
Non-controlling interest – Additional Tier 1 capital	1 500	—	—	—	—	1 500
Total equity	119 060	(140)	(4 192)	(1 437)	(5 629)	113 291
Total liabilities and equity	1 165 979	(160)	(4 037)	(1 437)	(5 474)	1 160 345

⁽¹⁾ Classification and measurement reclassifications relate to two portfolios:

- Short-term commodity-linked instruments that had embedded derivatives which were previously bifurcated under IAS 39, have been mandatorily classified as at FVPTL under IFRS 9; and
- A portfolio of CPI linked investment securities that have been reclassified from available-for-sale to amortised cost.

⁽²⁾ Reflects the ECL impact on the adoption of IFRS 9, as previously presented as at 30 June 2018.

⁽³⁾ Reflects the financial impact of amending the Group's methodology for calculating the LGD on loans and advances to customers.

⁽⁴⁾ Relates predominantly to a central bank within ARO.

⁽⁵⁾ Reflects the change in the Group's share of net assets from associates and joint ventures due to their adoption of IFRS 9.

⁽⁶⁾ Relates to the adjustments to deferred tax and current tax assets.

⁽⁷⁾ The increase in the carrying amount of provisions relates to the expected credit losses recognised on financial guarantee contracts, letters of credit and undrawn facilities (to the extent that it exceeds the gross carrying amount of loans and advances to customers at an account level).

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for the reporting period ended

15. Reporting changes overview (continued)

15.2 Amendments due to developments in IFRS 9 accounting interpretations (continued)

15.2.1 Exclusion of post write-off recoveries from loss given default (LGD) modelling (continued)

The impact of this change on the Group's statement of financial position as at 30 June 2018 is set out in the following table:

	As previously reported 30 June 2018 Rm	Exclusion of PWOR from LGD Rm	Restated 30 June 2018 Rm
Assets			
Current tax assets	1 018	250	1 268
Loans and advances to customers	783 116	(1 945)	781 171
Investments in associates and joint ventures	1 217	(31)	1 186
Deferred tax assets	2 411	294	2 705
Total assets	1 234 643	(1 432)	1 233 211
Liabilities			
Total liabilities	1 115 124	—	1 115 124
Equity			
Capital and reserves			
Retained earnings	90 148	(1 307)	88 841
Other reserves	6 100	(26)	6 074
Non-controlling interest – ordinary shares	4 614	(99)	4 515
Total equity	119 519	(1 432)	118 087
Total liabilities and equity	1 234 643	(1 432)	1 233 211

15.2.2 Interest recoveries on cured stage 3 financial assets

IFRS 9 requires interest income on stage 3 assets to be calculated based on the net carrying value of the exposure, that is, the gross carrying value less the ECL allowance. In order to practically give effect to this requirement, the Group suspends the recognition of contractual interest, and then, recognises interest calculated by multiplying the net carrying value by the effective interest rate (EIR). Interest income recognised on stage 3 assets will therefore be less than the contractual interest charged. In some instances, the Group may recover contractual interest which is in excess of that previously recognised under IFRS 9. This prompted extensive industry debate regarding where such excess should be presented, as a credit impairment gain, reflecting a credit recovery event, or as interest income, reflecting recovery of interest in the ordinary course of business. A request for clarification regarding this IFRS 9 requirement was submitted to the IFRS-IC in August 2018. At the IFRS-IC meeting held in November 2018, the committee observed that any unrecognised interest, which is subsequently recovered, should be presented as a credit impairment gain. As a result, the Group has amended its accounting treatment. However, this does not impact profit or loss, but it does reduce both the Group's ECL and interest income by R314m for the period ended 30 June 2018. The amendment was taken into account in December 2018.

The impact of this change on the Group's statement of comprehensive income for the period ended 30 June 2018 is set out in the following table:

	As previously reported 30 June 2018 Rm	Change in presentation of interest recoveries on cured stage 3 assets Rm	Restated 30 June 2018 Rm
Net interest income	21 363	(314)	21 049
Total income	37 630	(314)	37 316
Impairment losses	(3 431)	314	(3 117)
Profit for the period	7 904	—	7 904
Other comprehensive income			
Movement in foreign currency translation reserve			
Differences in translation of foreign operations	2 373	6	2 379

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for the reporting period ended

15. Reporting changes overview (continued)

15.3 Correction of prior period error

The Group determined that certain intra-day 'due for settlement accounts' in respect of long and short proprietary positions with the JSE have been incorrectly netted in June 2018. Correction of this error did not have an impact on profit or loss, or equity, but it did result in a gross up of R11 473m between other assets and other liabilities.

15.4 Changes to reportable segments and business portfolios

The following changes to reportable segments and business portfolios occurred during the reporting period:

- 15.4.1 Rest of Africa (RoA) Banking was renamed to Absa Regional Operations to align to the Absa Group brand.
- 15.4.2 Wealth, Investment Management and Insurance (WIMI) has been removed from the Group's segmental disclosures to align with how the operations are now managed:
 - › Life Insurance and Short-term Insurance are disclosed as the Insurance Cluster in RBB South Africa.
 - › Wealth, Distribution and Fiduciary services have moved to the Relationship Banking segment in RBB South Africa.
 - › WIMI Other is part of Retail and Business Banking Other in RBB South Africa.
 - › Investment Management is reported in Head Office, Treasury and other operations in South Africa.
 - › Terminating lines are reported in Head Office, Treasury and other operations in South Africa.
- 15.4.3 Software projects and other assets, liabilities (together with the funding provided by Treasury) and associated income and expenses which were previously centrally maintained, have been moved from Head Office in South Africa to the various responsible segments to ensure end-to-end accountability of business activities.
- 15.4.4 The Absa Namibia representative office, which was previously reported in ARO, has been moved to CIB South Africa to support its regional expansion strategy.
- 15.4.5 RBB South Africa has aligned its operating model to enable a more customer-centric approach which will offer more holistic product offerings. The business has now been arranged into the following units:
 - › **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
 - › **Vehicle and Asset Finance (VAF)** – offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships, and preferred suppliers. VAF's Joint Venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
 - › **Everyday Banking** – offers the day-to-day banking services for the retail customer and includes:
 - o **Card** – offers credit cards via a mix of Absa-branded and co-branded offerings including British Airways, Avios and Virgin Money. Included in this portfolio are partnerships with Edcon, which offers in-store cards and Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.
 - o **Personal Loans** – offers unsecured instalment loans through face-to-face engagements, call centre agents as well as electronic and digital channels.
 - o **Transactions and Deposits** – offers a full range of transactional banking, savings and investment products, rewards programme and services through a variety of channels. These include the branch network, and self-service terminal digital channels, ATMs, priority suites, call centres as well as through a third-party retailer.
 - › **Relationship Banking** – consists of business units and associated products, where a name relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touch points within the Group. The businesses consolidated into Relationship Banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional and deposit products), Private Banking, Wealth and Financial Advisory. Relationship Banking also includes an Equity Portfolio which is being reduced in an orderly manner.
 - › **Insurance:**
 - o **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and investment products.
 - o **Short-term Insurance** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-client short-term solution, Absa direct, is also available to the retail market.
 - › **RBB Other** – includes investment spend, cost associates with the restructure holding companies and related consolidation entries as well as allocated shareholder overhead expenses.

The afore-mentioned segment and business portfolio changes have resulted in the restatement of financial results for the respective segments, but have not impacted the overall position or net earnings of the Group.

Condensed notes to the consolidated financial results

for the reporting period ended

15. Reporting changes overview (continued)

15.4 Changes to reportable segments and business portfolios (continued)

The following tables set out the changes to the reportable segments for the period ended 30 June 2018 and 31 December 2018:

		Adjustments	
	Previously published Rm	15.2.1 Rm	15.2.2 Rm
Total headline earnings by segment			
RBB South Africa	4 209	—	—
CIB South Africa	1 683	—	—
ARO	1 636	—	—
WIMI	646	—	—
Head Office, Treasury and other operations in South Africa	(131)	—	—
Barclays PLC separation effects	(719)	—	—
	7 324	—	—
Total income by segment			
RBB South Africa	21 600	—	(314)
CIB South Africa	5 634	—	—
ARO	7 565	—	—
WIMI	2 998	—	—
Head Office, Treasury and other operations in South Africa	(755)	—	—
Barclays PLC separation effects	588	—	—
	37 630	—	(314)
Total assets by segment			
RBB South Africa	758 949	(1 079)	—
CIB South Africa	527 795	—	—
ARO	179 916	(352)	—
WIMI	51 456	—	—
Head Office, Treasury and other operations in South Africa	(285 078)	—	—
Barclays PLC separation effects	1 605	—	—
	1 234 643	(1 431)	—
Total liabilities by segment			
RBB South Africa	753 921	—	—
CIB South Africa	522 466	—	—
ARO	157 355	—	—
WIMI	45 990	—	—
Head Office, Treasury and other operations in South Africa	(356 112)	—	—
Barclays PLC separation effects	(8 496)	—	—
	1 115 124	—	—

Adjustments	30 June 2018				Restated post changes to reportable segment Rm
	Restated before changes to reportable segments Rm	Restated before changes to reportable segments Rm	Restated before changes to reportable segments Rm	Restated before changes to reportable segments Rm	
15.3 Rm	15.4.1 Rm	15.4.2 Rm	15.4.3 Rm	15.4.4 Rm	
—	4 209	419	30	—	4 658
—	1 683	—	34	4	1 721
—	1 636	—	(33)	(4)	1 599
—	646	(646)	—	—	—
—	(131)	227	(31)	—	65
—	(719)	—	—	—	(719)
—	7 324	—	—	—	7 324
—	21 286	2 133	(341)	—	23 078
—	5 634	—	(61)	7	5 580
—	7 565	—	—	(7)	7 558
—	2 998	(2 998)	—	—	—
—	(755)	865	402	—	512
—	588	—	—	—	588
—	37 316	—	—	—	37 316
—	757 870	50 272	(1 152)	—	806 990
11 473	539 268	—	(175)	734	539 827
—	179 564	—	(1)	(734)	178 829
—	51 456	(51 456)	—	—	—
—	(285 078)	1 184	1 328	—	(282 566)
—	1 605	—	—	—	1 605
11 473	1 244 685	—	—	—	1 244 685
—	753 921	45 681	(1 295)	—	798 307
11 473	533 939	—	(210)	730	534 459
—	157 355	—	33	(730)	156 658
—	45 990	(45 990)	—	—	—
—	(356 112)	309	1 472	—	(354 331)
—	(8 496)	—	—	—	(8 496)
11 473	1 126 597	—	—	—	1 126 597

Condensed notes to the consolidated financial results

for the reporting period ended

15. Reporting changes overview (continued)

15.4 Changes to reportable segments and business portfolios (continued)

The following tables set out the changes to the reportable segments for the period ended 30 June 2018 and 31 December 2018 (continued):

	Previously published Rm	Changes to reportable segments			Restated Rm
		15.4.2 Rm	15.4.3 Rm	15.4.4 Rm	
Total headline earnings by segment					
RBB South Africa	8 880	817	25	—	9 722
CIB South Africa	3 367	—	43	12	3 422
ARO	3 218	—	(66)	(12)	3 140
WIMI	1 268	(1 268)	—	—	—
Head Office, Treasury and other operations in South Africa	(605)	451	(2)	—	(156)
Barclays PLC separation effects	(1 986)	—	—	—	(1 986)
	14 142	—	—	—	14 142
Total income by segment					
RBB South Africa	43 591	4 341	(747)	15	47 200
CIB South Africa	11 595	—	(108)	—	11 487
ARO	16 323	—	(1)	(15)	16 307
WIMI	5 831	(5 831)	—	—	—
Head Office, Treasury and other operations in South Africa	(1 680)	1 490	856	—	666
Barclays PLC separation effects	855	—	—	—	855
	76 515	—	—	—	76 515
Total assets by segment					
RBB South Africa	803 985	48 993	(987)	—	851 991
CIB South Africa	531 839	—	(345)	1 045	532 539
ARO	192 960	—	2	(1 045)	191 917
WIMI	50 448	(50 448)	—	—	—
Head Office, Treasury and other operations in South Africa	(293 680)	1 455	1 330	—	(290 895)
Barclays PLC separation effects	3 192	—	—	—	3 192
	1 288 744	—	—	—	1 288 744
Total liabilities by segment					
RBB South Africa	795 672	44 500	(1 090)	—	839 082
CIB South Africa	524 761	—	(388)	1 033	525 406
ARO	170 071	—	68	(1 033)	169 106
WIMI	44 947	(44 947)	—	—	—
Head Office, Treasury and other operations in South Africa	(362 752)	447	1 410	—	(360 895)
Barclays PLC separation effects	(5 561)	—	—	—	(5 561)
	1 167 138	—	—	—	1 167 138

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Condensed notes to the consolidated financial results

for the reporting period ended

15. Reporting changes overview (continued)

15.5 Changes to loans and advances

The presentation of loans and advances to customers has been updated to re-align to the RBB operating model, which has resulted in the restatement of comparatives (refer to 15.4) as at 30 June 2018 and 31 December 2019 as disclosed in the following tables:

30 June 2018

	Previously published		Net carrying amount Rm	Exclusion of PWOR from LGD Rm	Restated net carrying amount Rm
	Gross carrying amount Rm	ECL allowance Rm			
Loans and advances to customers					
RBB South Africa	476 575	21 083	455 492	1 456	454 036
Retail Banking South Africa	406 561	17 543	389 018	1 386	387 632
Credit cards	40 124	6 075	34 049	727	33 322
Instalment credit agreements	81 222	2 966	78 256	334	77 922
Loans to associates and joint ventures	24 682	1	24 681	—	24 681
Mortgages	228 593	5 085	223 508	50	223 458
Other loans and advances	2 746	48	2 698	—	2 698
Overdrafts	6 287	504	5 783	86	5 697
Personal and term loans	22 907	2 864	20 043	189	19 854
Business Banking South Africa	70 014	3 540	66 474	70	66 404
WIMI	5 321	266	5 055	—	5 055
ARO	93 754	5 035	88 719	489	88 230

31 December 2018

Previously published

	Gross carrying amount Rm	ECL allowance Rm	Net carrying amount Rm
Loans and advances to customers			
RBB South Africa	488 413	22 493	465 921
Retail Banking South Africa	416 014	19 209	396 805
Credit cards	41 226	6 443	34 783
Instalment credit agreements	85 651	3 373	82 278
Loans to associates and joint ventures	25 490	1	25 489
Mortgages	229 557	5 297	224 260
Other loans and advances	3 526	61	3 465
Overdrafts	6 668	631	6 037
Personal and term loans	23 896	3 403	20 493
Business Banking South Africa	72 400	3 284	69 116
WIMI	5 984	250	5 734

A net carrying amount of **R725m** (31 December 2018: R1 031m) relating to the Absa Namibia representative office has been moved from ARO to CIB South Africa to support its regional expansion strategy.

New operating model

Home Loans Rm	Vehicle Asset Finance Rm	Card Rm	Personal Loans Rm	Transactions and Deposits Rm	Everyday Banking Rm	Relationship Banking Rm	RBB Other Rm	Restated RBB South Africa net carrying amount Rm
226 026	73 123	34 817	17 493	3 185	55 495	104 447	—	459 091
—	—	32 512	—	—	32 512	810	—	33 322
—	49 193	—	—	—	—	28 729	—	77 922
—	21 804	—	—	—	—	2 877	—	24 681
223 458	—	—	—	—	—	—	—	223 458
—	2 126	—	—	—	—	572	—	2 698
2 568	—	—	—	3 129	3 129	—	—	5 697
—	—	2 305	17 493	56	19 854	—	—	19 854
—	—	—	—	—	—	66 404	—	66 404
—	—	—	—	—	—	5 055	—	5 055

New operating model

Home Loans Rm	Vehicle Asset Finance Rm	Card Rm	Personal Loans Rm	Transactions and Deposits Rm	Everyday Banking Rm	Relationship Banking Rm	RBB Other Rm	Restated RBB South Africa net carrying amount Rm
227 086	76 772	36 219	18 321	3 239	57 779	110 017	—	471 654
—	—	34 075	—	—	34 075	708	—	34 783
—	52 010	—	—	—	—	30 268	—	82 278
—	22 329	—	—	—	—	3 160	—	25 489
224 260	—	—	—	—	—	—	—	224 260
—	2 433	—	—	—	—	1 031	—	3 464
2 826	—	—	—	3 211	3 211	—	—	6 037
—	—	2 144	18 321	28	20 493	—	—	20 493
—	—	—	—	—	—	69 116	—	69 116
—	—	—	—	—	—	5 734	—	5 734

Condensed consolidated normalised financial results

for the reporting period ended

Normalised financial results as a consequence of Barclays PLC separation

On 1 March 2016, Barclays PLC announced its intention to sell down its 62.3% interest in the Group. A comprehensive separation programme was initiated by Barclays PLC and the Group to determine possible interactions between the companies to ensure that the Group can operate as an independent and sustainable group without the involvement of Barclays PLC.

Barclays PLC currently holds 14.9% in the Group.

As part of its divestment Barclays PLC contributed £765m to the Group, primarily in recognition of the investments required for the Group to separate from Barclays PLC. Investments will be made primarily in rebranding, technology and separation-related projects and it is expected that these will neutralise the capital and cash flow impact of separation investments on the Group over time.

The separation process has impacted the Group's financial results, most notably as it has had an increase in the capital base and generated endowment revenue thereon. International Financial Reporting Standards (IFRS) required that the Barclays PLC contribution be recognised directly in equity, while the subsequent investment expenditure (including the depreciation or amortisation of capitalised assets), has been and will continue to be recognised in profit or loss. The aforementioned results in a disconnect between underlying business performance and the IFRS financial results during the separation period. Normalised financial results have therefore been disclosed and will continue to be disclosed while the underlying business performance is materially different from the IFRS financial results. Refer to page 1 for the IFRS results.

The following presents the items which have been excluded from the normalised financial results:

- › Barclays PLC contribution (including the endowment benefit)
- › Hedging linked to separation activities
- › Technology and brand separation projects
- › Depreciation and amortisation on the aforementioned projects
- › Transitional service payments to Barclays PLC
- › Employee cost and benefits linked to separation activities
- › Separation project execution and support cost.

Basis of presentation

Normalised financial results

The condensed consolidated interim normalised financial results (normalised results) have been prepared to illustrate the impact of the separation from Barclays PLC and adjust for the interest income on Barclays PLC's separation contribution, hedging linked to the separating activities, operating expenses and other expenses, as well as the tax impact of the aforementioned items (collectively the 'separation').

Normalised results have been prepared for illustrative purposes only and because of their nature may not fairly present the Group's financial position, changes in equity, cash flows and results of operations.

The normalised results have not been prepared using the accounting policies of the Group and do not comply with IFRS. These results are considered to be *pro forma* financial information and have been prepared in terms of the JSE Listings Requirements. The *pro forma* financial information is the responsibility of the Group's Board of Directors.

Condensed consolidated normalised salient features

for the reporting period ended

	30 June 2019	Restated 2018	31 December 2018
Statement of comprehensive income (Rm)			
Income ⁽¹⁾	39 071	36 728	75 660
Operating expenses	22 136	20 834	43 642
Profit attributable to ordinary equity holders	8 258	7 972	15 903
Headline earnings ⁽²⁾	8 267	8 043	16 128
Statement of financial position			
Total assets (Rm) ⁽¹⁾⁽³⁾	1 372 797	1 243 080	1 285 552
Financial performance (%)			
Return on equity (RoE) ⁽¹⁾	16.4	17.1	16.8
Return on average assets (RoA)	1.26	1.40	1.34
Return on risk-weighted assets (RoRWA) ⁽¹⁾⁽³⁾	2.02	2.21	2.12
Operating performance (%)			
Net interest margin on average interest-bearing assets ⁽¹⁾	4.52	4.69	4.64
Non-interest as a percentage of total income ⁽¹⁾	42.0	43.2	42.6
Cost-to-income ratio ⁽¹⁾	56.7	56.7	57.7
Jaws ⁽¹⁾	0	(2)	(2)
Effective tax rate	27.1	27.8	28.1
Share statistics (million)			
Number of shares in issue (excluding treasury shares)	845.7	844.5	840.2
Weighted average number of ordinary shares in issue	845.7	844.7	842.9
Diluted weighted average number of ordinary shares in issue	847.2	847.1	844.4
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)	977.5	952.2	1 913.4
Diluted headline earnings per ordinary share (DHEPS)	975.8	949.5	1 910.0
Basic earnings per ordinary share (EPS)	976.5	943.8	1 886.7
Diluted basic earnings per ordinary share (DEPS)	974.7	941.1	1 883.3
Dividend per ordinary share relating to income for the reporting period	505	490	1 110
Dividend cover (times)	1.9	1.9	1.7
NAV per ordinary share ⁽¹⁾	12 335	11 526	11 985
Tangible NAV per ordinary share ⁽¹⁾⁽²⁾	11 622	10 935	11 273
Capital adequacy (%)			
Absa Group Limited	15.4	15.7	15.4
Absa Bank Limited	15.8	16.3	15.4
Common Equity Tier 1 (%)			
Absa Group Limited	11.9	12.2	12.0
Absa Bank Limited	11.3	11.9	11.2

⁽¹⁾ The 30 June 2018 numbers and ratios have been restated, refer to note 15.2 for further details.

⁽²⁾ After allowing for **R174m** (30 June 2018: R176m; 31 December 2018: R351m) profit attributable to preference equity holders and **R169m** (30 June 2018: R96m; 31 December 2018: R190m) profit attributable to Additional Tier 1 capital holders.

⁽³⁾ The 30 June 2018 numbers and ratios have been restated, refer to note 15.3 for further details.

Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	30 June 2019		
	IFRS Group performance ⁽¹⁾	Barclays PLC separation effects ⁽²⁾	Normalised Group performance ⁽³⁾
Statement of comprehensive income (Rm)			
Net interest income	22 780	113	22 667
Non-interest income	16 372	(32)	16 404
Total income	39 152	81	39 071
Impairment losses	(3 695)	—	(3 695)
Operating expenses	(22 999)	(863)	(22 136)
Other expenses	(893)	(40)	(853)
Share of post-tax results of associates and joint ventures	93	—	93
Operating profit before income tax	11 658	(822)	12 480
Tax expenses	(3 204)	181	(3 385)
Profit for the reporting period	8 454	(641)	9 095
Profit attributable to:			
Ordinary equity holders	7 641	(617)	8 258
Non-controlling interest – ordinary shares	470	(24)	494
Non-controlling interest – preference shares	174	—	174
Non-controlling interest – Additional Tier 1 capital	169	—	169
	8 454	(641)	9 095
Headline earnings	7 650	(617)	8 267
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.52	n/a	4.52
Credit loss ratio on gross loans and advances to customers and banks	0.79	n/a	0.79
Non-interest income as % of total income	41.8	n/a	42.0
Income growth	5	n/a	6
Operating expenses growth	4	n/a	6
Cost-to-income ratio	58.7	n/a	56.7
Effective tax rate	27.5	n/a	27.1
Statement of financial position (Rm)			
Loans and advances to customers	882 365	—	882 365
Loans and advances to banks	66 947	—	66 947
Investment securities	129 487	—	129 487
Other assets	297 906	3 908	293 998
Total assets	1 376 705	3 908	1 372 797
Deposits due to customers	797 708	—	797 708
Debt securities in issue	164 321	—	164 321
Other liabilities	288 367	(4 219) ⁽⁴⁾	292 586
Total liabilities	1 250 396	(4 219)	1 254 615
Equity	126 309	8 127	118 182
Total equity and liabilities	1 376 705	3 908	1 372 797
Key performance ratios (%)			
RoA	1.16	n/a	1.26
RoE	14.0	n/a	16.4
Capital adequacy	16.0	n/a	15.4
Common Equity Tier 1	12.5	n/a	11.9
Share statistics (cents)			
Diluted headline earnings per ordinary share	918.4	n/a	975.8

⁽¹⁾ IFRS performance, presents the IFRS information as extracted from the Group's condensed consolidated interim financial results for the reporting period ended 30 June 2019.

⁽²⁾ Barclays PLC separation effects, presents the financial effects of the separation on the condensed consolidated interim financial results of the Group.

⁽³⁾ Normalised performance, presents the condensed consolidated interim financial results of the Group, after adjusting for the consequences of the separation.

⁽⁴⁾ This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	IFRS Group performance	30 June 2018 Barclays PLC separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income ⁽¹⁾	21 049	175	20 874
Non-interest income	16 267	413	15 854
Total income⁽¹⁾	37 316	588	36 728
Impairment losses ⁽¹⁾	(3 117)	—	(3 117)
Operating expenses	(22 198)	(1 364)	(20 834)
Other expenses	(964)	(76)	(888)
Share of post-tax results of associates and joint ventures	56	—	56
Operating profit before income tax	11 093	(852)	11 945
Tax expenses	(3 189)	133	(3 322)
Profit for the reporting period	7 904	(719)	8 623
Profit attributable to:			
Ordinary equity holders	7 253	(719)	7 972
Non-controlling interest – ordinary shares	379	—	379
Non-controlling interest – preference shares	176	—	176
Non-controlling interest – Additional Tier 1 capital	96	—	96
	7 904	(719)	8 623
Headline earnings	7 324	(719)	8 043
Operating performance (%)			
Net interest margin on average interest-bearing assets ⁽¹⁾	4.69	n/a	4.69
Credit loss ratio on gross loans and advances to customers and banks ⁽¹⁾	0.75	n/a	0.75
Non-interest income as % of total income ⁽¹⁾	43.6	n/a	43.2
Income growth ⁽¹⁾	3	n/a	2
Operating expenses growth	8	n/a	4
Cost-to-income ratio ⁽¹⁾	59.5	n/a	56.7
Effective tax rate	28.7	n/a	27.8
Statement of financial position (Rm)			
Loans and advances to customers ⁽¹⁾	781 171	—	781 171
Loans and advances to banks	62 843	—	62 843
Investment securities	127 437	—	127 437
Other assets ⁽¹⁾⁽²⁾	273 234	1 605	271 629
Total assets⁽¹⁾	1 244 685	1 605	1 243 080
Deposits due to customers	714 491	—	714 491
Debt securities in issue	140 782	—	140 782
Other liabilities ⁽¹⁾⁽²⁾	271 324	(8 496) ⁽³⁾	279 820
Total liabilities⁽¹⁾	1 126 597	(8 496)	1 135 093
Equity ⁽¹⁾	118 088	10 101	107 987
Total equity and liabilities⁽¹⁾	1 244 685	1 605	1 243 080
Key performance ratios (%)			
RoA	1.26	n/a	1.40
RoE ⁽¹⁾	14.1	n/a	17.1
Capital adequacy	16.7	n/a	15.7
Common Equity Tier 1	13.3	n/a	12.2
Share statistics (cents)			
Diluted headline earnings per ordinary share	877.8	n/a	949.5

⁽¹⁾ Numbers and ratios have been restated, refer to note 15.2 for further details.

⁽²⁾ Numbers and ratios have been restated, refer to note 15.3 for further details.

⁽³⁾ This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

Condensed consolidated reconciliation of IFRS to normalised results

for the reporting period ended

	31 December 2018		
	IFRS Group performance	Barclays PLC separation effects	Normalised Group performance
Statement of comprehensive income (Rm)			
Net interest income	43 755	330	43 425
Non-interest income	32 760	525	32 235
Total income	76 515	855	75 660
Impairment losses	(6 324)	—	(6 324)
Operating expenses	(46 803)	(3 161)	(43 642)
Other expenses	(2 026)	(194)	(1 832)
Share of post-tax results of associates and joint ventures	179	—	179
Operating profit before income tax	21 541	(2 500)	24 041
Tax expenses	(6 282)	484	(6 766)
Profit for the reporting period	15 259	(2 016)	17 275
Profit attributable to:			
Ordinary equity holders	13 917	(1 986)	15 903
Non-controlling interest – ordinary shares	801	(30)	831
Non-controlling interest – preference shares	351	—	351
Non-controlling interest – Additional Tier 1 capital	190	—	190
	15 259	(2 016)	17 275
Headline earnings	14 142	(1 986)	16 128
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.65	n/a	4.64
Credit loss ratio on gross loans and advances to customers and banks	0.73	n/a	0.73
Non-interest income as % of total income	42.8	n/a	42.6
Income growth	4	n/a	4
Operating expenses growth	8	n/a	5
Cost-to-income ratio	61.2	n/a	57.7
Effective tax rate	29.2	n/a	28.1
Statement of financial position (Rm)			
Loans and advances to customers	841 720	—	841 720
Loans and advances to banks	53 140	—	53 140
Investment securities	135 420	—	135 420
Other assets	258 464	3 192	255 272
Total assets	1 288 744	3 192	1 285 552
Deposits due to customers	736 305	—	736 305
Debt securities in issue	160 971	—	160 971
Other liabilities	269 862	(5 561) ⁽¹⁾	275 423
Total liabilities	1 167 138	(5 561)	1 172 699
Equity	121 606	8 753	112 853
Total equity and liabilities	1 288 744	3 192	1 285 552
Key performance ratios (%)			
RoA	1.17	n/a	1.34
RoE	13.4	n/a	16.8
Capital adequacy	16.1	n/a	15.4
Common Equity Tier 1	12.8	n/a	12.0
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 700.4	n/a	1 910.0

⁽¹⁾ This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

Contact information

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Queries

Please direct investor relations queries to

IR@absa.co.za

Please direct media queries to

groupmedia@absa.africa

Please direct queries relating to your Absa Group shares to

web.questions@computershare.co.za

Please direct general queries regarding the Group to

absa@absa.co.za

Sponsors

Lead independent sponsor

J.P. Morgan Equities South Africa (Pty) Ltd
Telephone: +27 11 507 0300

Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)
Telephone: +27 11 895 6843
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