Absa Group Limited

Unaudited condensed consolidated financial results for the interim reporting period ended 30 June 2020

Contents

The Board of Directors (Board) 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 and Compliance Committee (GACC).

Together with the GACC, the Board has reviewed and approved the unaudited condensed consolidated interim financial results (hereafter referred to as 'financial results') contained in the announcement released on the Stock Exchange News Service (SENS) on 24 August 2020. The GACC and the Board are satisfied that the details disclosed in the SENS are a fair presentation of the financial results and comply, in all material respects, with the relevant provisions of the Companies Act, JSE Listings Requirements, IFRS and interpretations of IFRS, IAS 34 *Interim Financial Reporting* (IAS 34) and SAICA's Reporting Guides.

Absa Group Limited

Financial results for the period ended 30 June 2020

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
(Absa, Absa Group, the Group or the Company)

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

The financial results are available for inspection at the Company's registered office on weekdays from 09:00 to 16:00.

Profit and dividend announcement

for the interim reporting period ended 30 June 2020

The numbers in the profit commentary represent IFRS results, unless specifically indicated as normalised.

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

- The Covid-19 pandemic and resulting lockdowns and economic downturn across our presence countries had a material impact on the Group's first half performance.
- Diluted headline earnings per share (HEPS) fell 93% to 67.7 cents from 918.4 cents.
- No interim ordinary dividend was declared for the period.
- Retail and Business Banking (RBB) South Africa's headline earnings declined 91% to R415m, Corporate and Investment Bank (CIB) South Africa declined 47% to R817m and Absa Regional Operations (ARO) declined 67% to R569m.
- Return on equity (RoE) decreased to 1.0% from 14.0%.
- Revenue increased 3% to R40.4bn and operating expenses remained constant at R23.0bn, resulting in a 57.1% cost-to-income ratio.
- Pre-provision profit increased 7% to R17.3bn.
- Credit impairments were four times higher at R14.7bn, resulting in a 2.77% credit loss ratio from 0.79%.
- Absa Group's Common Equity Tier 1 (CET 1) ratio of 11.0% remains well above regulatory requirements and within the Board's target range.
- Net asset value (NAV) per share rose 4% to 14 045 cents.

Normalised basis

- Diluted normalised HEPS fell 82% to 173.4 cents from 975.8 cents.
- Normalised RoE decreased to 2.6% from 16.4%.
- Normalised revenue increased 3% to R40.1bn and operating expenses declined 2% to R21.6bn, resulting in a 53.9% cost-to-income ratio.
- Pre-provision profit increased 9% to R18.5bn on a normalised basis.
- Normalised NAV per share rose 6% to 13 080 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 present normalised results for future periods where the financial impact of separation is considered material.

Normalisation adjusts for the following items: R52m (30 June 2019: R113m) of interest earned on Barclays PLC's separation contribution; hedging revenue linked to separation activities of R225m (30 June 2019: R32m loss); operating expenses of R1 427m (30 June 2019: R863m) and R142m (30 June 2019: R40m) of other expenses, plus a R247m (30 June 2019: R181m) tax impact of the aforementioned items. In total, these adjustments added R900m (30 June 2019: R617m) to the Group's normalised headline earnings during the period. As normalisation occurs at a Group level, it does not affect divisional disclosures.

Constant currency

Constant currency (CCY) *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. The constant currency pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the CCY *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 CCY *pro forma* financial information, amounts denoted in the above listed currencies for the current period and prior period have been converted to the presentation currency using the spot exchange rate as at 30 June 2019. The CCY *pro forma* financial information is the responsibility of the directors and has not been reviewed or reported on by the external auditors.

Overview of results

Compared to the 2019 interim financial results, Absa Group's headline earnings fell 93% to R559m from R7 650m and diluted HEPS fell 93% to 67.7 cents from 920 cents. The Group's RoE decreased to 1.0% from 14.0% and its return on assets was 0.07% from 1.16%. Revenue grew 3% to R40 355m, with net interest income growing 6% and non-interest income declining 1%. The Group's net interest margin decreased to 4.23% from 4.52%, largely due to significant policy rate cuts during the period. Gross loans and advances to customers grew 7% to R975bn, while deposits due to customers rose 15% to R920bn. The cost-to-income ratio decreased to 57.1% from 58.7%, and pre-provision profit grew 7% to R17.3bn.

In CCY, pre-provision profit increased 5% and headline earnings declined 94%. Credit impairments grew 297% to R14.7bn, resulting in a 2.77% credit loss ratio from 0.79%. The Group's NAV per share increased 4% to 14 045 cents. No interim dividend was declared.

Profit and dividend announcement

for the interim reporting period ended 30 June 2020

RBB South Africa's headline earnings declined 91% to R415m due to significantly higher credit impairments. CIB South Africa's earnings fell 47% to R817m, reflecting a substantial increase in credit impairments. Total CIB headline earnings declined 43% to R1 590m, again due to materially higher credit impairments. ARO's headline earnings fell 67% to R569m, or 77% in CCY, with RBB and CIB declining 122% and 37%, respectively.

South African headline earnings declined 90% to R626m, while Africa Regions fell 105% to a loss of R66m, or 115% in CCY.

Operating environment

The Covid-19 pandemic has upended the global economy, producing historic declines in economic activity across most economies and generating a dramatic increase in economic uncertainty for the periods ahead. A protracted period of volatility and uncertainty is likely to persist until effective vaccines are approved, produced and distributed on an unprecedented global scale.

In mid-June, the International Monetary Fund (IMF) released a revised global forecast, cutting 2020 gross domestic product (GDP) growth to -4.9%, more than 8 percentage points weaker than its January estimate. For advanced economies, the decline was an even larger 9.6 percentage point adjustment, with economies of this grouping expected to contract by 8% this year. The IMF has lowered its GDP forecast for sub-Saharan Africa to -3.4% this year, signalling the first regional recession since the early 1990s. Monetary policy across all major economies has been eased dramatically, with most emerging markets following suit, and fiscal deficits have rocketed higher everywhere as governments look to mitigate a deeper recession through increased spending despite reduced tax revenues.

South Africa's economy was already under pressure in late 2019, and this contraction continued into 2020 as official data showed the economy shrinking by 2.0% on a quarterly annualised basis in the first quarter. The government-mandated lockdown that commenced in late March and eased only gradually and partially through the remainder of the second quarter, looks set to create the largest quarterly output decline in more than 90 years. Business and consumer confidence hit multi-decade lows in the second quarter.

Despite pronounced Rand weakness during the early months of the year, inflation in South Africa averaged just 3.4% in the half, which, together with the expected deep recession, saw the South African Reserve Bank deliver 300 basis points in rate cuts through to the July Monetary Policy Committee meeting. Lower front-end rates have helped ease some of the interest cost burden on South Africa's borrowers, even as longer-end yields remained elevated, as government finances took strain due to the weak economy. Moody's credit rating agency removed South Africa's last remaining investment grade sovereign credit rating in March.

Beyond South Africa, economic growth in our main ARO presence countries also slowed sharply in the first half, largely on Covid-19-related impacts. Lockdowns took place in several markets, lower commodity prices (excluding gold) hurt others, while reduced global tourism placed strain on various markets. Policy rates in most ARO countries were reduced during the half, as authorities looked to use both monetary and fiscal policy to help mitigate some of these Covid-19 impacts.

Group performance

Statement of financial position

Compared to the 2019 interim financial results, total assets increased 14% to R1 566bn as at 30 June 2020, largely due to 6% growth in net loans and advances to customers, a 49% increase in trading portfolio assets and 69% higher loans and advances to banks.

Gross loans and advances to customers

Gross loans and advances to customers increased 7% to R975bn. RBB South Africa loans rose 4% to R534bn, reflecting 6% growth in instalment credit agreements, 3% higher mortgages and a 16% increase in personal and term loans. CIB South Africa's gross loans grew 6% to R308bn, including 24% growth in mortgages and 37% higher foreign currency loans, while term loans rose 5%. ARO's gross loans increased 25% to R134bn, with RBB up 26% and CIB 25%.

Funding

The Group's liquidity position remains strong, with liquid assets and other sources of liquidity growing 46% to R317bn, which equates to over a third of customer deposits. The Group's liquidity coverage ratio was 126.6% and its net stable funding ratio 117.1%, both comfortably above the minimum regulatory requirement. Deposits due to customers grew 15% to R920bn. The loans-to-deposits and debt securities ratio decreased to 84.9% from 91.7%. Deposits due to customers constituted 76% of total funding from 74%. RBB South Africa's deposits grew 12% to R392bn, with savings and transmission deposits up 22% and fixed deposits increasing 6%, while cheque account deposits rose 3%. CIB South Africa's deposits increased 17% to R243bn, with strong growth in foreign currency and call deposits. ARO's deposits increased 26% to R176bn, or 11% in CCY, as RBB grew 26% and CIB rose 24%.

Net asset value

Compared to the 2019 interim financial results, the Group's NAV rose 3% to R116bn and NAV per share grew 4% to 14 045 cents. During the half, it paid R5.1bn in ordinary dividends which relate to prior year earnings. The foreign currency translation reserve increased by R4.4bn and the cash flow hedging reserve grew by R4.7bn.

Group performance (continued)

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased 11% to R936bn at 30 June 2020, largely due to 12% higher credit RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. CET 1 and total capital adequacy ratios were 11.0% and 14.9%, respectively (from 12.5% and 16.0%). Given the Group's focus on preserving capital, it did not declare an ordinary dividend for the period.

Statement of comprehensive income

Net interest income

Compared to the 2019 interim financial results, the net interest income increased 6% to R24 124m from R22 780m, or 3% in CCY, while average interest-bearing assets grew 12%. The Group's net interest margin declined to 4.23% from 4.52%, mostly due to substantial policy rate cuts during the period. The loan margin improved 7 basis points (bps), with pricing widening by 3 bps largely in Home Loans and Investment Banking in South Africa. Slower growth in Home Loans than overall loans had a positive loan composition impact. Deposit margins decreased 18 bps. Pricing narrowed 5 bps, mainly due to competitive pricing and lower rates in Relationship Banking and Everyday Banking. A higher proportion of low-margin deposits had a negative composition impact, partially offset by reduced reliance on wholesale funding. Given lower policy rates, endowment on equity and liabilities reduced 18 bps. The structural hedge released R914m to the income statement, or 16 bps (from R239m or 5 bps). The after-tax cash flow hedging reserve for the programme increased to R4.5bn from R1.1bn at 31 December 2019. ARO had a negative 4 bps impact, due to lower policy rates across markets and competitive pricing pressures.

Non-interest income

Non-interest income declined 1% to R16 231m from R16 372m to account for 40.2% of total revenue from 41.8%. On a CCY basis, the decline was 3%. Net fee and commission income fell 8% to R10 630m, representing 65% of total non-interest income. Within this, cheque account fees decreased 8% to R2 569m, while credit cards and merchant income fell by 19% and 5%, respectively. Net trading income, excluding the impact of hedge accounting, rose 36% to R3 066m, as Markets in South Africa increased 77% and ARO grew 24%. CIB South Africa increased 1% to R1 803m as a strong performance in Markets was hindered by fair value adjustments taken on other legacy portfolio in Investment Banking. ARO's non-interest income grew 14% to R3 296m, or 4% in CCY, as CIB increased 25% and RBB 3%.

RBB South Africa's non-interest income fell 7% to R10 736m, as Everyday Banking declined 8% to R5 647m and Relationship Banking decreased 13% to R2 713m, partially offset by the Insurance cluster growing 9% to R1 663m. CIB South Africa increased 1% to R1 803m despite strong Markets performance and Corporate growing 9% to R756m, given R570m of negative fair value adjustments in Investment Banking. ARO's non-interest income grew 14% to R3 296m, or 4% in CCY, as CIB increased 25% and RBB 3%.

Impairment losses on loans and advances

The most significant impact of the Covid-19 pandemic and the resulting unprecedented economic downturn was on credit impairments, particularly given that IFRS 9 requires provisions for expected credit losses. Credit impairments rose 297% to R14 661m from R3 695m, which increased the Group's credit loss ratio on gross loans and advances to customers and banks to 2.77% from 0.79%. The credit loss ratio is significantly higher than the Group's expected through-the-cycle charge of 0.75% to 1.0%. The credit charge includes R5 517m of Covid-19 management adjustments, which factored in deteriorating macroeconomic expectations and the substantial payment relief granted to customers during the period. Payment relief was granted on loans and advances to customers with a gross carrying value of R217bn, or 22% of the Group total. Group balance sheet coverage of loans increased to 4.46% from 3.36%.

RBB South Africa's credit impairments increased 259% to R10 333m from R2 876m, resulting in a 3.77% credit loss ratio from 1.12%. Home Loans' charge grew 1 090% to R1 750m resulting in a 1.43% credit loss ratio from 0.13%. Vehicle and Asset Finance credit impairments rose 289% to R2 129m, increasing its credit loss ratio to 4.91% from 1.39%. Everyday Banking's credit impairments (including Personal Loans, Card and overdrafts) grew 156% to R5 107m, or an 11.76% credit loss ratio from 4.93%. Relationship Banking's credit impairments rose 617% to R1 348m, increasing its credit loss ratio to 2.11% from 0.32%. CIB South Africa's credit impairments rose 483% to R1 657m from R284m, resulting in a credit loss ratio of 0.93% from 0.18%. ARO's credit charge grew 388% to R2 672m from R548m, increasing its credit loss ratio to 3.58% from 0.94%. Within ARO, RBB's charge rose 231% to R1 455m, resulting in a 4.63% credit loss ratio, while CIB's increased 866% to R1 140m or a 3.10% credit loss ratio.

Operating expenses

Operating expenses remained unchanged (declined 5% in CCY), at R23 040m from R22 999m, improving the Group's cost-to-income ratio to 57.1% from 58.7%. Staff costs declined 6% and accounted for 53% of total operating expenses. Salaries increased 1% and total incentives dropped 64%. Headcount decreased 5% to 37 727. Non-staff costs grew 8%, including 5% higher depreciation and amortisation of intangible assets increasing 54%. Property costs increased 21%, largely due to Covid-19 costs for protective equipment. Telephone and postage decreased 7% and printing and stationery increased 18%. Marketing costs increased by 33%, while cash transportation costs decreased by 13%. Professional fees grew 41%, given increased project-related spend. Total IT-related spend grew 7% to R4 805m and constituted 21% of Group operating expenses.

RBB South Africa's costs fell 8% to R12 829m, reflecting prior year restructuring and reduced volume-related costs. CIB South Africa's expenses fell 4% to R2 975m, due to cost saving initiatives and lower bonus provisions. ARO's expenses increased 17%, or 7% in CCY, to R5 954m reflecting restructuring costs and higher incremental run costs after separating from Barclays PLC, with underlying growth below inflation.

Taxation

The Group's taxation expense decreased 85% to R471m from R3 204m in line with the reduction in Group earnings.

Profit and dividend announcement

for the interim reporting period ended 30 June 2020

Segment performance

RBB South Africa

Headline earnings dropped 91% to R415m, due to 259% higher credit impairments as pre-provision profits increased 10%. Revenue was flat at R24 276m, as net interest income grew 6% and non-interest income decreased 7%. Costs declined 8% to R12 829m, resulting in a cost-to-income ratio of 52.8% from 57.4%. The credit loss ratio increased to 3.77% from 1.12%. RBB South Africa generated a return on regulatory capital (RoRC) of 1.8%, from 22.5%, and contributed 23% of total Group headline earnings excluding the Group centre.

Relationship Banking's headline earnings fell 38% to R1 046m, despite 9% growth in pre-provision profits. Everyday Banking headline earnings fell 93% to R135m, given substantially higher credit impairments. Within this, Transactional and Deposits headline earnings fell 5% to R1 170m, while Card and Personal Loans lost R505m and R530m, respectively, due to large credit impairments. Home Loans and Vehicle and Asset Finance lost R320m and R996m, respectively, as credit impairments outweighed higher pre-provision profits.

The Insurance cluster headline earnings increased 21% to R709m, as Life Insurance grew 11% and Short-term Insurance rose 57%.

CIB

CIB – South Africa

Headline earnings decreased 47% to R817m, as credit impairments increased 483%, resulting in a 0.93% credit loss ratio. Pre-provision profits grew 28% as 9% revenue growth exceeded 4% lower costs. Corporate earnings fell 35% to R288m, due to significantly higher credit impairments, while Investment Bank earnings decreased 52% to R529m for the same reason, despite 34% higher pre-provision profits. CIB South Africa contributed 45% of total normalised headline earnings, excluding the Group centre, and generated a 6.2% RoRC from 13.3%.

CIB – Total (including ARO)

Total CIB earnings decreased 43% (CCY 46%) to R1 590m. Pre-provision profits increased 24%, as revenue grew 15% and costs 5%. Credit impairments were seven times higher, resulting in a 1.30% credit loss ratio. Total CIB contributed 88% of headline earnings excluding the Group centre and produced an 8.7% RoRC.

ARO

Headline earnings fell 67% (77% in CCY) to R569m, as credit impairments rose 388%. Revenue grew 16% to R10 348m, including 14% higher non-interest income. Costs rose 17% to R5 954m, resulting in a 57.5% cost-to-income ratio. RBB ARO made a R91m loss, due to significantly higher credit impairments, while CIB ARO earnings fell 37% (CCY 49%) to R773m for the same reason. ARO accounted for 32% of total headline earnings, excluding the Group centre, and produced a 5.1% RoE from 18.5%.

Prospects

The Group revised its 2020 real GDP forecast for South Africa to -8.3% in early August, well below the projection of +0.9% in January this year, but an improvement over the -9.7% forecast in May. The volatility in the 2020 forecast reflects the highly uncertain impact that Covid-19 and related policy measures may have on the economy this year. Even as August data show a clear slowing of the spread of the virus in most parts of South Africa, the Group expects a continued difficult environment for the consumer, while heightened uncertainty will continue to dampen business confidence and investment. Downside risks remain significant and include an increase in virus intensity, the lagged impact of the second quarter's historic economic contraction, South Africa's accelerating fiscal challenges, as well as heightened global risks and uncertainty. Absa believes that the South African Reserve Bank could reduce the policy rate further, with a small reduction, given a comfortable inflation outlook and continued signs of significant economic weakness.

In our ARO markets, we expect average real GDP growth of just 0.9% this year, down from our pre-Covid-19 forecast of 5.7%. Economies where tourism is a significant contributor, such as Seychelles, Mauritius and Botswana, are expected to show the most pronounced weakness this year, while the more diversified economies of East Africa are generally expected to be the most resilient to the current challenging environment. Broadly, continued infrastructure investment, improved mining output and agriculture should help support growth. Downside risks include those related to the continuing evolution of the Covid-19 pandemic, unemployment, concern over the levels of public debt and country-specific idiosyncratic shocks.

Based on these assumptions, and excluding any major unforeseen political, macroeconomic or regulatory developments, our guidance for 2020 is as follows:

Our net interest margin is still expected to decline noticeably this year, although we expect a slight improvement in the second half. We believe there could be another 25 bps rate cut in South Africa this year. Our annual sensitivity to further policy rate cuts in South Africa is a R250m (pre-tax) reduction per 50 bps. Customer loan and deposit growth should slow in the second half, with deposits expected to grow faster than loans. Operating expenses are expected to decline year-on-year, resulting in pre-provision profit growth. Our credit loss ratio this year is expected to be well above the 2007 global financial crisis levels. The second half credit loss ratio is expected to improve significantly but should remain well above the through-the-cycle range of 75 to 100 bps. This is based on our current estimates that a further build of macroeconomic variable reserves will not be required and that the reserve will be utilised if and when delinquencies crystallise. Our CET 1 capital ratio is expected to remain resilient as capital generation improves in the second half and should remain broadly at first half levels. Our RoE is expected to remain well below cost of equity this year, although it is likely to improve in the second half. Finally, given our focus on preserving capital, we do not envisage declaring an ordinary dividend for 2020.

Profit and dividend announcement

for the interim reporting period ended 30 June 2020

Declaration of ordinary dividend

In the current economic climate, capital conservation is regarded as paramount to the Group's sustainability over the short to medium term. The Prudential Authority (PA) of the South African Reserve Bank has encouraged the boards of directors of banks to ensure that capital conservation takes priority over any distributions of dividends on ordinary shares. As a result of guidance from the PA and the Board's view as to the need for capital conservation and the appropriate management of capital at this time, no interim dividend for the period ended 30 June 2020 has been declared by the Group.

N R Drutman
Group Company Secretary

Johannesburg
24 August 2020

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

IFRS condensed consolidated interim financial results

for the interim reporting period ended 30 June 2020

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 Listings Requirements and the requirements of the Companies Act.

The accounting policies, presentation and disclosure of the unaudited condensed consolidated interim financial results comply with IAS 34 *Interim Financial Reporting* (IAS 34).

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 effects of the Covid-19 pandemic have resulted in significant estimation uncertainty during the first half of the year. 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, capitalisation, amortisation and impairment of internally generated intangible assets , fair value measurements, 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.

Further information on changes in estimation uncertainty implemented during the reporting period is detailed in the attached notes to condensed consolidated interim financial results.

In light of the anticipated economic impact of Covid-19, the directors have assessed the Group's ability to continue as a going concern and acknowledged the risk of lower revenue in the medium term. The directors have concluded that there are no material uncertainties that could have cast significant doubt over the Group's ability to continue as a going concern for at least one year from the date of approval of the interim financial results.

Accounting policies

The accounting policies applied in preparing the unaudited condensed consolidated financial results are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2019.

Standards issued not yet effective

IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* 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.

On 25 June 2020, the International Accounting Standards Board issued amendments to IFRS 17 resulting from the Exposure Draft that was published on 26 June 2019 and subsequent redeliberations based on feedback received. The effective date of IFRS 17 has been deferred to annual reporting periods beginning on or after 1 January 2023.

During 2018, the Group's joint insurance programme focused on interpreting the requirements of the new accounting standard, solution design, model prototyping as well as the commencement of an impact assessment. During 2019, the solution design was approved and development activities commenced. Development activities have continued in 2020.

The deferral of IFRS 17's effective date to 1 January 2023 has allowed the programme to plan for a full year of parallel runs to ensure that the impact of the new standard is fully quantified and understood prior to the effective date. The IFRS 17 programme is currently on track to deliver an integrated actuarial and finance solution.

Events after the reporting period

The directors are not aware of any other events (as defined per IAS 10 *Events after the Reporting Period*) after the reporting date of 30 June 2020 until the date of authorisation of these condensed consolidated interim financial results.

On behalf of the Board

W E Lucas-Bull
Group Chairman

D Mminele
Group Chief Executive

J P Quinn
Financial Director

Johannesburg
24 August 2020

Condensed consolidated IFRS salient features

for the interim reporting period ended

	30 June		31 December
	2020	2019	2019
Statement of comprehensive income (Rm)			
Income	**40 355**	39 152	80 120
Operating expenses	**23 040**	22 999	48 767
Profit attributable to ordinary equity holders	**485**	7 641	14 256
Headline earnings[1]	**559**	7 650	14 526
Statement of financial position			
Loans and advances to customers (Rm)	**932 293**	882 365	916 978
Total assets (Rm)	**1 566 319**	1 376 705	1 399 175
Deposits due to customers (Rm)	**919 620**	797 708	826 293
Loans to deposits and debt securities ratio (%)	**84.9**	91.7	93.0
Average loans to deposits and debt securities ratio (%)	**87.8**	86.8	87.5
Financial performance (%)			
Return on equity (RoE)	**1.0**	14.0	13.1
Return on average assets (RoA)	**0.07**	1.16	1.71
Return on risk-weighted assets (RoRWA)	**0.12**	1.87	1.72
Stage 3 loans ratio on gross loans and advances	**5.65**	4.79	4.67
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.23**	4.52	4.50
Credit loss ratio on gross loans and advances to customers and banks	**2.77**	0.79	0.80
Non-interest as a percentage of total income	**40.2**	41.8	42.0
Cost-to-income ratio	**57.1**	58.7	60.9
Jaws	**3**	1	1
Effective tax rate	**32.2**	27.5	26.5
Share statistics (million)			
Number of ordinary shares in issue	**847.8**	847.8	847.8
Number of shares in issue (excluding treasury shares)	**827.4**	831.2	828.7
Weighted average number of ordinary shares in issue	**825.5**	831.5	830.0
Diluted weighted average number of ordinary shares in issue	**826.1**	833.0	831.2
Share statistics (cents)			
Basic earnings per ordinary share (EPS)	**58.8**	918.9	1 717.6
Diluted basic earnings per ordinary share (DEPS)	**58.7**	917.2	1 715.1
Headline earnings per ordinary share (HEPS)	**67.7**	920.0	1 750.1
Diluted headline earnings per ordinary share (DHEPS)	**67.7**	918.4	1 747.6
Dividend per ordinary share relating to income for the reporting period	**—**	505	1 125
Dividend cover (times)	**—**	1.8	1.6
NAV per ordinary share	**14 045**	13 534	13 669
Tangible NAV per ordinary share	**12 725**	12 404	12 426
Capital adequacy (%)			
Absa Group Limited	**14.9**	16.0	15.8
Absa Bank Limited	**15.8**	16.6	16.7
Common Equity Tier 1 (%)			
Absa Group Limited	**11.0**	12.5	12.1
Absa Bank Limited	**10.6**	12.2	11.9

(1) After allowing for **R172m** (30 June 2019: R174m; 31 December 2019: R352m) profit attributable to preference equity holders and **R334m** (20 June 2019: R169m; 31 December 2019: R435m) profit attributable to Additional Tier 1 capital holders.

Condensed consolidated statement of financial position

as at

	Note	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Assets				
Cash, cash balances and balances with central banks		**62 393**	52 489	52 532
Investment securities		**156 665**	129 487	116 747
Loans and advances to banks	3	**113 168**	66 947	59 745
Trading portfolio assets		**200 087**	134 595	158 348
Hedging portfolio assets		**11 260**	3 361	3 358
Other assets		**31 694**	52 781	30 343
Current tax assets		**1 993**	1 137	1 682
Non-current assets held for sale	2	**212**	148	3 992
Loans and advances to customers	3	**932 293**	882 365	916 978
Reinsurance assets		**745**	1 085	886
Investments linked to investment contracts		**20 316**	19 516	20 042
Investments in associates and joint ventures		**1 640**	1 520	1 648
Investment properties		**555**	503	513
Property and equipment		**19 026**	18 407	18 620
Goodwill and intangible assets		**10 917**	9 395	10 300
Deferred tax assets		**3 355**	2 969	3 441
Total assets		**1 566 319**	1 376 705	1 399 175
Liabilities				
Deposits from banks		**108 774**	116 687	117 423
Trading portfolio liabilities		**106 651**	50 036	59 224
Hedging portfolio liabilities		**3 824**	1 294	1 379
Other liabilities		**57 958**	59 996	46 355
Provisions		**2 449**	2 762	4 064
Current tax liabilities		**299**	69	172
Non-current liabilities held for sale	2	**171**	121	112
Deposits due to customers		**919 620**	797 708	826 293
Debt securities in issue		**178 795**	164 321	159 794
Liabilities under investment contracts		**27 687**	30 235	29 700
Policyholder liabilities under insurance contracts		**4 422**	4 806	4 331
Borrowed funds	4	**23 299**	21 942	21 418
Deferred tax liabilities		**424**	419	227
Total liabilities		**1 434 373**	1 250 396	1 270 492
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital		**1 655**	1 662	1 657
Share premium		**10 335**	10 824	10 428
Retained earnings		**90 150**	93 286	95 386
Other reserves		**14 063**	6 725	5 807
		116 203	112 497	113 278
Non-controlling interest – ordinary shares		**5 304**	4 749	4 966
Non-controlling interest – preference shares		**4 644**	4 644	4 644
Non-controlling interest – Additional Tier 1 capital		**5 795**	4 419	5 795
Total equity		**131 946**	126 309	128 683
Total liabilities and equity		**1 566 319**	1 376 705	1 399 175

Condensed consolidated statement of comprehensive income

for the interim reporting period ended

	Note	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Net interest income		**24 124**	22 780	46 501
Interest and similar income		**48 926**	47 953	97 838
Effective interest income		**48 011**	47 239	96 040
Other interest income		**915**	714	1 798
Interest expense and similar charges		**(24 802)**	(25 173)	(51 337)
Non-interest income	5	**16 231**	16 372	33 619
Net fee and commission income		**10 630**	11 580	23 606
Fee and commission income		**12 360**	13 090	26 759
Fee and commission expense		**(1 730)**	(1 510)	(3 153)
Net insurance premium income		**4 091**	3 778	7 830
Net claims and benefits incurred on insurance contracts		**(1 905)**	(1 931)	(3 747)
Changes in investment and insurance contract liabilities		**(127)**	(1 238)	(1 589)
Gains and losses from banking and trading activities		**3 045**	2 509	5 408
Gains and losses from investment activities		**24**	1 202	1 600
Other operating income		**473**	472	511
Total income		**40 355**	39 152	80 120
Impairment losses	1	**(14 661)**	(3 695)	(7 816)
Operating income before operating expenses		**25 694**	35 457	72 304
Operating expenses		**(23 040)**	(22 999)	(48 767)
Other expenses		**(1 185)**	(893)	(2 006)
Other impairments	6	**(173)**	(44)	(330)
Indirect taxation		**(1 012)**	(849)	(1 676)
Share of post-tax results of associates and joint ventures		**(8)**	93	221
Operating profit before income tax		**1 461**	11 658	21 752
Taxation expense		**(471)**	(3 204)	(5 772)
Profit for the reporting period		**990**	8 454	15 980
Profit attributable to:				
Ordinary equity holders		**485**	7 641	14 256
Non-controlling interest – ordinary shares		**(1)**	470	937
Non-controlling interest – preference shares		**172**	174	352
Non-controlling interest – Additional Tier 1 capital		**334**	169	435
		990	8 454	15 980
Earnings per share:				
Basic earnings per share (cents)		**58.8**	918.9	1 717.6
Diluted earnings per share (cents)		**58.7**	917.2	1 715.1

Condensed consolidated statement of comprehensive income

for the interim reporting period ended

	30 June		31 December
	2020 Rm	2019 Rm	2019 Rm
Profit for the reporting period	**990**	8 454	15 980
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(536)**	(25)	(112)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(9)**	2	60
Fair value (losses)/gains	**(12)**	3	77
Deferred tax	**3**	(1)	(17)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**22**	(20)	(44)
Fair value losses/(gains)	**28**	(28)	(61)
Deferred tax	**(6)**	8	17
Movement in retirement benefit fund assets and liabilities	**(549)**	(7)	(128)
Decrease in retirement benefit surplus	**(91)**	(11)	(38)
(Decrease)/increase in retirement benefit deficit	**(485)**	1	(104)
Deferred tax	**27**	3	14
Items that are or may be subsequently reclassified to profit or loss	**8 997**	122	(1 034)
Movement in foreign currency translation reserve	**5 068**	(998)	(1 387)
Differences in translation of foreign operations	**5 068**	(998)	(1 505)
Release to profit or loss	**—**	—	118
Movement in cash flow hedging reserve	**4 706**	971	913
Fair value gains	**7 535**	1 696	2 081
Amounts transferred within other comprehensive income	**(1)**	(5)	(7)
Amount removed from other comprehensive income and recognised in profit or loss	**(998)**	(342)	(806)
Deferred tax	**(1 830)**	(378)	(355)
Movement in fair value of debt instruments measured at FVOCI	**(777)**	149	(560)
Fair value (losses)/gains	**(1 143)**	198	(811)
Release to profit or loss	**(14)**	—	(20)
Deferred tax	**380**	(49)	271
Total comprehensive income for the reporting period	**9 451**	8 551	14 834
Total comprehensive income attributable to:			
Ordinary equity holders	**8 215**	7 767	13 202
Non-controlling interest – ordinary shares	**730**	441	845
Non-controlling interest – preference shares	**172**	174	352
Non-controlling interest – Additional Tier 1 capital	**334**	169	435
	9 451	8 551	14 834

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Condensed consolidated statement of changes in equity

for the interim 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	828 628	1 657	10 428	95 386	5 807	912	(628)
Total comprehensive income	—	—	—	(57)	8 272	—	(841)
Profit for the period	—	—	—	485	—	—	—
Other comprehensive income	—	—	—	(542)	8 272	—	(841)
Dividends paid during the reporting period	—	—	—	(5 126)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(235)	37	—	—	—
Elimination of the movement in treasury shares held by Group entities	(1 249)	(2)	(93)	—	—	—	—
Movement in share-based payment reserve	—	—	235	—	(106)	—	—
Transfer from share-based payment reserve	—	—	235	—	(235)	—	—
Value of employee services	—	—	—	—	222	—	—
Deferred tax	—	—	—	—	(93)	—	—
Movement in general credit risk reserve	—	—	—	(74)	74	74	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(24)	24	—	—
Share of post-tax results of associates and joint ventures	—	—	—	8	(8)	—	—
Balance at the end of the reporting period	827 379	1 655	10 335	90 150	14 063	986	(1469)

30 June 2020

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
1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683
4 706	4 407	—	—	—	8 215	730	172	334	9 451
—	—	—	—	—	485	(1)	172	334	990
4 706	4 407	—	—	—	7 730	731	—	—	8 461
—	—	—	—	—	(5 126)	(392)	(172)	—	(5 690)
—	—	—	—	—	—	—	—	(334)	(334)
—	—	—	—	—	(198)	—	—	—	(198)
—	—	—	—	—	(95)	—	—	—	(95)
—	—	—	(106)	—	129	—	—	—	129
—	—	—	(235)	—	—	—	—	—	—
—	—	—	222	—	222	—	—	—	222
—	—	—	(93)	—	(93)	—	—	—	(93)
—	—	—	—	—	—	—	—	—	—
—	—	24	—	—	—	—	—	—	—
	—	—	—	(8)	—	—	—	—	—
6 022	6 157	37	820	1 510	116 203	5 304	4 644	5 795	131 946

Condensed consolidated statement of changes in equity

for the interim 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)	—	—	—
Transactions 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 interim 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	—	—	—	14 147	(945)	—	(548)
Profit for the period	—	—	—	14 256	—	—	—
Other comprehensive income	—	—	—	(109)	(945)	—	(548)
Dividends paid during the reporting period	—	—	—	(9 377)	—	—	—
Transactions 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	—	—	(400)	(62)	—	—	—
Elimination of the movement in treasury shares held by Group entities	1 151	2	223	—	—	—	—
Movement in share-based payment reserve	—	—	400	—	49	—	—
Transfer from share-based payment reserve	—	—	400	—	(400)	—	—
Value of employee services	—	—	—	—	470	—	—
Deferred tax	—	—	—	—	(21)	—	—
Movement in general credit risk reserve	—	—	—	(89)	89	89	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(6)	6	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(221)	221	—	—
Balance at the end of the reporting period	828 628	1 657	10 428	95 386	5 807	912	(628)

31 December 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
	913	(1 310)	—	—	—	13 202	845	352	435	14 834
	—	—	—	—	—	14 256	937	352	435	15 980
	913	(1 310)	—	—	—	(1 054)	(92)	—	—	(1 146)
	—	—	—	—	—	(9 377)	(613)	(352)	—	(10 342)
	—	—	—	—	—	—	10	—	—	10
	—	—	—	—	—	—	—	—	(435)	(435)
	—	—	—	—	—	—	—	—	3 054	3 054
	—	—	—	—	—	(462)	—	—	—	(462)
	—	—	—	—	—	225	—	—	—	225
	—	—	—	49	—	449	—	—	—	449
	—	—	—	(400)	—	—	—	—	—	—
	—	—	—	470	—	470	—	—	—	470
	—	—	—	(21)	—	(21)	—	—	—	(21)
	—	—	—	—	—	—	—	—	—	—
	—	—	6	—	—	—	—	—	—	—
	—	—	—	—	221	—	—	—	—	—
	1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683

Condensed consolidated statement of cash flows

for the interim reporting period ended

	Note	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Net cash generated from operating activities		**5 920**	2 217	14 866
Income taxes paid		**(1 717)**	(3 531)	(6 825)
Net cash generated from other operating activities		**7 637**	5 748	21 691
Net cash utilised in investing activities		**(334)**	(2 950)	(7 430)
Purchase of property and equipment		**(2 162)**	(1 901)	(4 168)
Purchase of intangible assets		**(1 485)**	(1 282)	(3 067)
Proceeds from sale of non-current assets held for sale		**3 740**	108	103
Net cash utilised in other investing activities		**(420)**	125	(298)
Net cash utilised in financing activities		**(6 727)**	(2 332)	(8 021)
Issue of Additional Tier 1 capital		**—**	1 678	3 054
Proceeds from borrowed funds		**2 676**	1 580	1 580
Repayment of borrowed funds		**(2 500)**	(34)	(534)
Dividends paid		**(5 690)**	(5 758)	(10 332)
Net cash utilised in other financing activities		**(1 213)**	202	(1 789)
Net decrease in cash and cash equivalents		**(1 134)**	(3 065)	(585)
Cash and cash equivalents at the beginning of the reporting period[1]	1	**18 288**	18 494	18 494
Effect of foreign exchange rate movements on cash and cash equivalents		**(541)**	(318)	379
Cash and cash equivalents at the end of the reporting period[2]	2	**16 613**	15 111	18 288

Notes to the condensed consolidated statement of cash flows

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

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Cash, cash balances and balances with central banks[1]	**14 033**	14 252	14 252
Loans and advances to banks[2]	**4 255**	4 242	4 242
	18 288	18 494	18 494

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

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Cash, cash balances and balances with central banks[1]	**12 833**	11 241	14 033
Loans and advances to banks[2]	**3 780**	3 870	4 255
	16 613	15 111	18 288

[1] Includes coins and bank notes.

[2] Includes call advances, which are used as working capital by the Group.

1. Impact of Covid-19

As outlined in the profit commentary on page 2, the Covid-19 pandemic has had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour. This in turn has had a significant impact on the risks that the Group is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. This high degree of uncertainty has forced the Group to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial results. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

The most substantial impact on the Group relates to credit risk. IFRS 9 requires expected credit loss (ECL) allowances to be recognised based on a stage allocation methodology:

- Stage 1 ECL allowance reflects the total losses associated with defaults that are expected to occur within 12 months of the reporting date. Exposures must be moved to stage 2 when a significant increase in credit risk has been observed.
- Stage 2 and stage 3 exposures carry an ECL allowance that is based on the losses expected to occur over the lifetime of the exposure.

The ECL allowance estimation must include an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. IFRS 9 models use the following three parameters in ECL allowance calculations: probability of default (PD), loss given defaults (LGD) and exposure at default (EAD). Significant judgement and estimates are applied when quantifying the ECL allowance on loans and advances, and even more so now as credit models are not calibrated for events such as the Covid-19 crisis. Given the deteriorating macroeconomic environment, specific increases in PDs and LGDs were made to appropriately capture the Covid-19 environment.

As the outbreak continues to progress and evolve, it is challenging to predict the full extent and duration of its business and economic impact. Management adjustments were therefore required, in addition to the model outputs, to provide a more appropriate assessment of risk. These additional management adjustments have required greater governance across the Group and were robustly challenged and reviewed by the Group Credit Impairment Committee. A revised approach to the estimation of PDs, identification of significant increase in credit risk (stage 2 impairment), forward-looking scenarios and the impact on estimated ECL allowances was employed. Further complexity was added by the payment relief provided to eligible customers.

In this section, we provide information on the approach taken in estimating ECL allowance. Readers are referred to the risk management section of the booklet for all other risk disclosures.

1. Impact of Covid-19 (continued)

Payment relief measures

The table below provides information on the relief provided to customers which impacted the estimation of ECLs.

Covid-19 customer payment relief

The Group implemented a payment relief programme across segments from March 2020 for eligible customers, allowing customers requiring short-term financial relief, to reduce or defer their monthly instalments to assist with cash flow needs. In anticipation of credit-risk induced pressure on banks' capital, temporary dispensation has been provided by the South African Prudential Authority in relation to relief initiatives where those measures are regarded as short-term liquidity solutions. This dispensation provides that these restructures are not classified as distressed restructures for regulatory purposes, provided that the customers remain up to date once their relief period ends.

RBB SA: Given that the majority of customers' credit profiles remained healthy, payment relief was offered to customers in good standing. Retail customers were able to opt in to receive payment relief with revised repayment terms on the full suite of retail lending products. Interest and fees accrued monthly and were capitalised to the customer's loan account. Business customers benefited from payment relief measures that ranged from proactive payment relief offers to bespoke customer-centric solutions.

CIB (South Africa and ARO): Customers received tailored solutions specific to their individual circumstances, including interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.

ARO Retail and Business Banking: Payment relief programmes have been instituted in all the Absa Regional Operations, providing relief for periods of in general up to six months as informed by local regulatory and management actions.

The Group's existing credit policies continued to apply to customers not meeting the payment relief eligibility criteria.

The gross carrying value of loans and advances to customers that were granted payment relief as at 30 June 2020 is as follows:

	Payment relief total gross carrying amount Rm	Total gross carrying amount Rm	Percentage of portfolio %
RBB South Africa	154 303	533 528	28.92
Home Loans	83 562	245 385	34.05
Vehicle and Asset Finance	28 611	87 592	32.66
Everyday Banking	15 495	73 777	21.00
Card	8 280	45 040	18.38
Personal Loans	7 154	24 569	29.12
Transactional and Deposits	61	4 168	1.46
Relationship Banking	26 635	126 774	21.01
CIB South Africa	37 376	307 517[(1)]	12.15
Absa Regional Operations (ARO)	25 123	133 907	18.76
RBB ARO	14 193	66 064	21.48
CIB ARO	10 930	67 843	16.11
Head Office, Treasury and other operations in South Africa	0	480	0.00
Loans and advances to customers	216 802	975 432	22.23

(1) Includes carrying amount of financial assets at fair value through profit and loss.

Government guaranteed loan scheme

In addition to the above, National Treasury, the South African Reserve Bank (SARB) and commercial banks jointly created a R100bn guaranteed loan scheme to assist small and medium-sized businesses, with an annual turnover of less than R300m (amended on 13 July 2020 to include larger corporates and to remove the turnover threshold), to cover short-term operational costs.

The SARB has provided a special-purpose funding facility to the Group, together with a credit guarantee. The loans granted have a maximum term of 60 months and are issued at the prime interest rate. A six-month repayment holiday commences from the first drawdown after which the repayment of interest and capital starts. Impairment losses on the loans are distributed so that the SARB absorbs a portion of impairment losses prior to the Group. Any losses exceeding this 'first-loss' absorption, as well as the Group's maximum loss participation (which is 6% of the notional value of loans granted), are fully recoverable in terms of the credit guarantee provided by the SARB. As at 30 June 2020 the value of loans approved amounted to **R500m**.

1. Impact of Covid-19 (continued)

Macroeconomic scenarios

As indicated above, ECL estimation must reflect an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. The global shocks experienced in the market have led to a highly uncertain and unprecedented environment and to address such uncertainty, the macroeconomic information utilised at 31 December 2019 has been updated. The ranges between the baseline, mild upside and downside macroeconomic scenarios are significantly wider when compared to those presented at 31 December 2019. As at 30 June 2020, it is the Group's view that the baseline scenario is more likely to occur as opposed to the alternative scenarios, and has been weighted accordingly.

The Group considers several factors in the development of its macroeconomic scenarios including economic growth/retraction and expected recovery, sector-specific impacts, business confidence, house prices, household spending, exchange rate fluctuations, unemployment rates, key fiscal responses initiated by governments and regulatory actions.

The following table shows the key forecast assumptions for the three economic scenarios for South Africa as at 30 June 2020:

	Baseline					Upside					Downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Real GDP (%)	-9.7	3.1	2.0	1.6	1.9	-6.4	2.8	1.8	1.9	2.0	-12.4	2.9	1.5	1.5	1.6
CPI (%)	2.9	3.8	4.0	4.2	4.3	3.1	4.0	4.3	4.4	4.5	2.9	3.7	3.4	3.3	3.8
Repo rate (%)	4.1	3.4	4.0	4.7	4.8	4.3	3.9	4.4	4.9	5.2	3.7	1.8	2.5	3.6	4.0

The following table shows the key forecast assumptions for the three economic scenarios for South Africa as at 31 December 2019:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Real GDP (%)	1.5	1.7	1.8	1.6	1.6	2.9	2.6	1.8	1.4	1.5	-1.4	1.2	2.4	2.2	1.7
CPI (%)	5.2	5.0	5.0	4.9	5.0	3.5	3.1	3.4	4.0	4.7	8.2	6.6	5.9	5.6	5.4
Repo rate (%)	6.5	6.5	6.5	6.5	6.5	4.6	5.0	4.9	5.4	5.8	9.0	8.0	8.2	7.6	7.2

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 30 June 2020:

	Baseline					Upside					Downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Botswana															
Real GDP (%)	-11.9	9.7	5.0	4.2	4.2	-6.5	5.3	5.1	4.5	4.3	-15.1	8.9	4.8	4.0	3.7
CPI (%)	2.7	3.7	4.1	2.9	2.1	2.5	3.2	3.3	3.6	3.8	3.7	5.7	4.9	4.3	3.9
Policy rate (%)	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	6.0	6.0	6.0	6.0
Ghana															
Real GDP (%)	2.0	4.2	6.5	5.9	5.6	3.0	4.9	6.7	6.2	5.9	-1.5	2.3	4.0	5.4	5.3
CPI (%)	10.4	9.6	8.3	8.4	8.6	9.9	8.7	7.9	8.1	8.6	11.9	11.4	9.7	9.7	10.7
Policy rate (%)	14.5	15.5	15.5	15.5	15.5	14.5	14.5	14.5	14.5	14.5	14.0	16.0	16.0	16.0	16.0
Kenya															
Real GDP (%)	1.6	3.9	5.0	5.4	5.5	2.7	4.3	5.4	5.9	5.8	-1.9	2.5	3.7	4.6	4.4
CPI (%)	6.7	5.3	4.7	4.8	5.1	6.0	4.2	4.5	4.7	4.9	7.6	6.7	6.4	6.5	6.8
Policy rate (%)	7.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	6.0	8.0	8.5	8.5	8.5
Mauritius															
Real GDP (%)	-9.1	7.4	5.0	4.2	4.1	-6.3	5.3	5.1	4.8	4.7	-13.4	8.1	4.3	3.8	3.8
CPI (%)	4.6	4.4	2.8	2.6	2.5	3.8	3.4	2.3	2.3	2.2	5.3	6.2	3.8	3.2	2.9
Policy rate (%)	1.9	2.4	2.9	2.9	2.9	1.9	2.4	2.5	2.5	2.5	1.9	4.0	4.0	4.0	4.0

1. Impact of Covid-19 (continued)

Macroeconomic scenarios (continued)

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets as at 31 December 2019:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Botswana															
Real GDP (%)	4.2	3.7	4.2	4.3	4.3	7.9	8.7	4.8	4.3	4.3	-5.4	0.4	5.1	5.8	4.9
CPI (%)	3.0	3.6	4.1	4.1	4.0	1.0	2.8	4.3	4.1	4.0	4.2	5.1	4.0	4.0	4.0
Policy rate (%)	4.8	4.8	5.6	5.8	6.2	3.6	4.2	5.6	5.8	6.2	6.7	6.6	5.6	5.8	6.2
Ghana															
Real GDP (%)	7.1	6.6	6.5	6.5	6.5	9.7	9.7	9.2	8.6	8.0	0.8	3.5	5.8	5.3	5.1
CPI (%)	10.3	10.4	10.8	10.9	10.7	8.4	7.1	9.1	10.3	10.7	11.8	13.5	9.6	9.5	9.9
Policy rate (%)	15.9	16.2	16.4	16.6	16.7	15.3	14.5	14.9	15.7	16.6	17.6	20.8	20.3	18.6	17.1
Kenya															
Real GDP (%)	5.5	6.2	6.3	6.4	6.5	6.2	7.1	7.1	7.3	6.6	3.9	4.1	4.0	5.4	6.7
CPI (%)	5.2	5.7	5.0	4.9	4.9	4.8	4.3	4.2	5.0	5.1	6.0	7.5	5.6	4.8	4.8
Policy rate (%)	8.7	8.9	9.0	9.2	9.3	7.5	7.3	8.0	9.1	9.3	11.2	11.4	9.8	9.2	9.3
Mauritius															
Real GDP (%)	4.2	3.9	4.0	4.0	4.0	6.0	6.0	4.4	4.4	4.2	3.5	3.0	3.8	3.8	3.8
CPI (%)	2.3	3.9	2.8	2.8	2.8	2.0	3.0	2.7	2.8	2.8	2.7	4.7	2.9	2.8	2.8
Policy rate (%)	3.5	4.1	4.1	4.1	4.1	3.0	3.0	3.3	3.6	3.9	3.6	4.3	4.3	4.2	4.2

The narrative below explains the basis of these economic variables for each of the scenarios.

Base scenario as at 30 June 2020

South Africa

GDP is forecast to contract 9.7% in 2020 with a partial recovery of 3.1% in 2021. Household spending will contract by 5% as layoffs and wage cuts erode incomes, while negative wealth affects higher income consumers. Many types of economic activity such as tourism and hospitality, SME manufacturing, non-essential retail and construction seem unlikely to recover quickly. With the country in recession before Covid-19, positive quarterly growth rates from the third quarter will look robust, but will be off a much lower base, and not enough to recoup second quarter losses. Return to 2019 GDP levels will be over the next three to five years. The weak economy constrains companies' pricing power and CPI inflation is expected to average 3.0% in 2020 and 3.9% in 2021. Housing costs represent a significant downside risk for CPI. A further 50 bps rate cut is expected (note: post the reporting period date, a 25 bps cut was announced on 23 July 2020). The main budget deficit is expected to approximate 16.2% of GDP in FY2020/2021. Absa research predicts USD/ZAR to strengthen by 31 December 2020.

ARO

The outlook has worsened significantly in recent months as a result of the impact of the Covid-19 pandemic, though the region may escape a recession in 2020, albeit marginally. Monetary policy authorities have been focusing on providing as much support to economies as possible, with large cuts in policy rates and other measures to boost liquidity. With the spread of the virus continuing and fiscal and external balances weakening, most ARO currencies remain vulnerable to further depreciation.

Upside scenario as at 30 June 2020

South Africa

The pandemic begins to ease in the third quarter with new infections decreasing. Progress is made in developing a vaccine, which is easily accessible for South Africans in 2021. The return to work is faster, although work from home remains, if possible. Bankruptcies in retail and manufacturing are limited as relief packages and monetary measures keep most firms afloat to open fully in the third quarter. Tourism, hotels and catering, aviation, construction and motor trade are still below previous levels and slow to recover. Large firms mostly bring back furloughed labour and the R50bn social grants uplift provides a consumption boost in lower income categories. Higher income categories benefit from the SARB rate cuts; however, no further easing and rate cuts are expected. The unemployment rate declines and rising productivity boosts wages, lifting household incomes and spending. Business and consumer confidence rebound sharply with the stock market following suit. Business investment revives as investor confidence and lower fiscal deficits moderate high bond yields. Tightening starts earlier than in other scenarios as recovery gains traction, but long-term growth prospects are still poor in the absence of significant structural reforms.

ARO

Phased reopening is faster leading to the resumption of quicker economic activity. GDP growth slows by less than baseline scenario in 2020 and the recovery is generally slightly stronger. Inflation is forecast to be slightly lower than in the baseline, allowing even lower policy rates in several countries. ARO currencies, apart from Botswana and Mozambique, continue to remain vulnerable to depreciation, albeit at a slower rate.

1. Impact of Covid-19 (continued)

Macroeconomic scenarios (continued)

Downside scenario as at 30 June 2020

South Africa

The pandemic escalates in winter with more cases than anticipated and the health crisis persists longer than expected. Social distancing and work from home remains for the remainder of 2020. Restrictions on travel and business operations remain in place for much of the third quarter, with the level of GDP remaining below the baseline scenario indefinitely. Factories and mines remain shut for longer, with more business closures, consumer job losses and pay cuts generating knock-on negative effects. Consumer spending on air travel and retail remains subdued due to concerns about contagion and less disposable household income. A much weaker growth outlook, as well as stressed corporate and government finances, curb investment spending resulting in lower productivity. Fiscal relief packages and monetary policy easing have a limited impact in reducing the negative effects of the lockdown. Further rate cuts of 150 bps are possible but fiscal deficits will increase sharply causing upside risks to bond yields.

ARO

The crisis persists longer than expected and deepens with more cases and deaths than anticipated. Restrictions on travel and business operations wind down more slowly. As a result, the unemployment rate increases in 2020. The deep and unrelenting contraction and delay in recovery of GDP is based on the lockdown of many businesses for an extended period when compared to the baseline, despite some countries announcing fiscal stimulus packages and monetary stimulus. Monetary policy is likely to remain accommodative, but ARO currencies continue to remain more vulnerable to depreciation when compared to the baseline scenario.

Estimation of probability of default (PD), loss given default (LGD) and significant increase in credit risk (SICR)

As the Group's ECL modelling methodology does not automatically consider the typical complexity of the current economic environment, management applied these macroeconomic scenarios in conjunction with the following considerations, to determine the appropriate management adjustment when recognising ECL losses for the interim reporting period:

PDs and LGDs	PDs and LGDs were adjusted for current and forward-looking information, either on an individual client basis, or by portfolio as outlined above. The management adjustment was further updated by applying a scaling factor, where applicable, to the modelled PDs and LGDs. The scaling factor was in turn tested against various qualitative factors including impacted industry exposures. Appropriate sense checks were performed on the quantitative outcomes. These PD and LGD scaling factors will be reassessed as the impacts of the Covid-19 pandemic become known and the level of customer distress becomes evident within the models.
SICR events	The impact of Covid-19 on PDs and LGDs, as well as the provision of payment relief, were considered to determine whether a SICR event, which would result in a shift in the exposure from Stage 1 (12-month expected losses) to Stage 2 (full lifetime expected losses), has taken place. As payment arrears are a significant input into the retail credit models, deferred or reduced payments could not be considered in determining whether a SICR has occurred. All available information was considered, including, whether a client is experiencing a short-term liquidity constraint, the respective industry and the anticipated arrears in a Covid-19 environment. This methodology was tested against international guidelines and those issued by the South African Prudential Authority to ensure that the Group's approach was appropriate.

1. Impact of Covid-19 (continued)

Impairment losses pre- and post-management adjustments

The table below provides a breakdown of the total ECL recognised at 30 June 2020 to reflect the impairment charge calculated using the Group's approved models together with the management adjustments raised to incorporate the effects of Covid-19:

	30 June				31 December
	2020			2019	2019
	Impairments losses pre-management adjustments Rm	Macroeconomic variables management adjustment Rm	Impairment losses Rm	Impairment losses Rm	Impairment losses Rm
RBB South Africa	6 768	3 565	10 333	2 876	6 253
Home Loans	800	950	1 750	147	182
Vehicle and Asset Finance	1 203	926	2 129	548	1 099
Everyday Banking	3 886	1 221	5 107	1 995	4 653
Card	2 224	673	2 897	1 133	2 536
Personal Loans	1 401	466	1 867	637	1 610
Transactional and Deposits	261	82	343	225	507
Relationship Banking	880	468	1 348	188	322
RBB Other	(1)	—	(1)	(2)	(3)
CIB South Africa	881	776	1 657	284	367
Absa Regional Operations (ARO)	1 496	1 176	2 672	548	1 213
RBB ARO	821	634	1 455	439	1 120
CIB ARO	657	483	1 140	118	173
Head Office, Treasury and other operations	18	59	77	(9)	(80)
Head Office, Treasury and other operations in South Africa	(1)	—	(1)	(13)	(17)
Total	9 144	5 517	14 661	3 695	7 816

The impairment losses outlined in the table above have also been adversely impacted by increased level of risk for single name wholesale exposures. The Group continuously monitored these exposures through the Group Distressed Assets Committee to ensure any potential risk was appropriately identified, mitigated, and/or adequately provided for. As at 30 June 2020 the following impairment losses were raised for single name exposures:

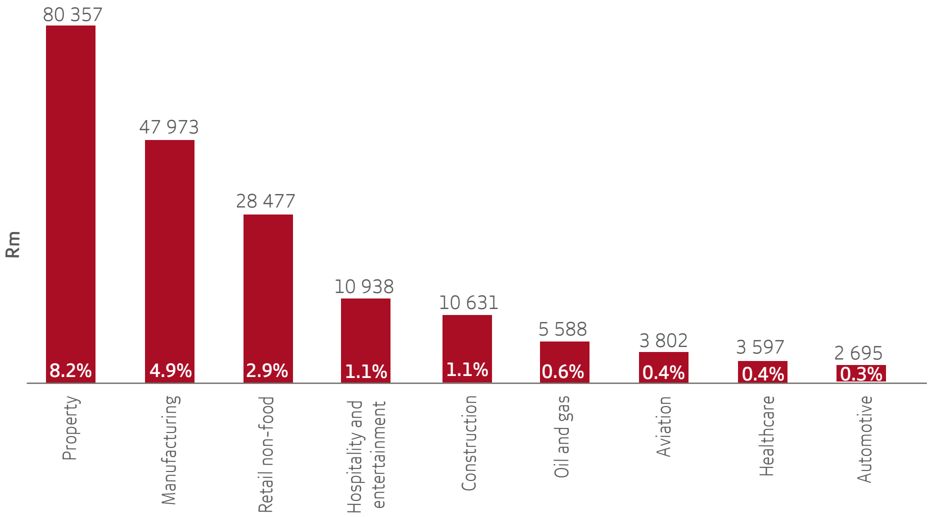
	Single name impairment losses raised Rm
SA Relationship Banking	246
CIB SA	662
CIB ARO	781
ARO Business Banking	130
Total	1 819

1. Impact of Covid-19 (continued)

Wholesale lending in key Covid-19 impacted industries

In addition to the disclosure provided above, the graph below provides a view of the Group's wholesale exposure (across CIB SA and ARO, Relationship Banking and ARO Business Banking), in R millions and as a percentage of total gross loans and advances, to industries that have been significantly impacted by the Covid-19 pandemic:

Concentration risk exposures (% of total loans)



Other estimates and judgements

Other estimates and judgements utilised in preparing the Group's financial results have been impacted by the advent of the pandemic. The table below provides detail of key estimates and judgements.

Impairment of internally generated intangible assets, property and equipment, and goodwill	The far-reaching effects of the pandemic indicate that the Group's internally generated intangible assets, property and equipment, and goodwill may potentially be impaired, and the Group therefore carried out impairment tests on these assets. The recoverable amount of each asset is the higher of the asset's fair value less costs to sell and its value in use or the value in use of the cash generating unit to which it belongs. The Group uses projected cash flow periods of approximately three to five years, with a terminal value thereafter. A conservative 2020 forecast was used in determining future cash flows and the long-term growth rate assumptions used in impairment calculations were revised from 0.0% to 10.0% as at 31 December 2019 to 0.0% to 10.4% at 30 June 2020. The discount rates used, which are based on the Group's weighted average cost of capital, have decreased marginally from 12.9% to 22.5% as at 31 December 2019 to 11.8% to 22.5% at 30 June 2020. A sensitivity analysis was performed on the assumptions and even if the estimated discount rate and/or growth rate was changed by 100 basis points, no additional impairment loss would be recognised. At 30 June 2020, the Group recognised impairment losses on internally generated intangible assets, property and equipment and goodwill of **R76m** (30 June 2019: RNil and 31 December 2019: R122m).

Notes to the condensed consolidated financial results

for the interim reporting period ended

1. Impact of Covid-19 (continued)

Other estimates and judgements (continued)

Post-retirement benefits	While the Absa Pension Fund meets the definition of a defined benefit pension plan, the majority of the Group's employees are part of the defined contribution portion of the fund, and as a result the Group's actuarial risk exposure is limited. In ARO subsidiaries, there are certain legacy defined benefit pension plans; however, the majority of employees in these countries belong to defined contribution pension plans. Defined benefit pension plan valuations are determined using actuarial assumptions and due to the long-term nature of these plans, such estimates are subject to significant uncertainty. IAS 19: *Employee Benefits* does not require actuarial valuations to be carried out at each reporting date; however valuations must be updated for material changes in circumstances. Key assumptions at 30 June 2020 for the Absa Pension Fund include: inflation 4.6% (December 2019: 5.2%) and future salary increases 5.6% (December 2019: 6.2%). Key assumptions for ARO subsidiaries include: › 8.9% weighted average discount rates (December 2019: 10.7%); › 4.9% weighted average inflation (December 2019: 6.5%); and › 3.5% weighted average future salary increases (December 2019: 5.1%). Furthermore, IAS 19 limits the recognition of any pension fund surpluses depending on the fund's statutory rules. Although the statutory valuation of the Absa Pension Fund continues to indicate that the value of pension fund assets exceeds the actuarially determined liability, the valuation indicated negative returns attributable to the employer. The above resulted in adjustments to the amounts recognised at 30 June 2020. The negative returns attributable to the employer for the Absa Pension Fund resulted in a decrease in other comprehensive income (after tax) of **R62m** (30 June 2019: R9m decrease and 31 December 2019: R24m decrease). Adjustments in the assumptions applied to ARO subsidiary funds, primarily the Mauritius Pension Fund, resulted in a decrease in other comprehensive income (after tax) of **R487m** (30 June 2019: R2m increase and 31 December 2019: R104m decrease).
Hedge accounting	Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from the Group exposure to interest rate and foreign currency risk. The Group's structural interest rate hedge represents its most significant cash flow hedge. An assessment of the Group's hedge accounting position and the applied risk management strategy showed no significant changes to the way the Group manages its risk; the movements in the hedging reserve are aligned to the movements in benchmark interest rates. Furthermore, there has been minimal impact of Covid-19 effects on hedge ineffectiveness recognised during the period ended 30 June 2020. At 30 June 2020, the Group recognised a net increase (after tax) of **R4 706m** (30 June 2019: R971m and 31 December 2019: R913m) in other comprehensive income relating to its cash flow hedging activities following a reduction in the benchmark interest rates.
Valuation of insurance liabilities	The Group provides short-term and long-term insurance in South Africa and in Absa Regional Operations. The Group has assessed the carrying value of these insurance liabilities as at 30 June 2020 which were reviewed by independent actuaries. Establishing short-term insurance liabilities is an inherently uncertain process and, therefore, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates. Estimates and judgements are regularly adjusted as changes in facts and experience are identified. No material changes in these estimates and assumptions have been noted at 30 June 2020 when compared to 31 December 2019. Similarly, the value of the life insurance liability is determined using assumptions regarding future mortality, morbidity, discontinuance rates, policyholders' reasonable benefit expectations, and guaranteed benefits and expenses. Reserves were strengthened in response to the pandemic as a result of an increase in the expected retrenchment incidence rate. No other material assumption changes were noted at 30 June 2020 when compared to 31 December 2019.

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

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

- RBB South Africa disposed of the Edcon loan book with a carrying amount of **R3 829m**.
- ARO disposed of property and equipment with a carrying amount of **R1m**.
- Head Office, Treasury and other operations in South Africa transferred property and equipment with a carrying amount of **R28m** to non-current assets held for sale and a **R6m** impairment was recognised on remaining assets previously classified as held for sale.
- An impairment of **R16m** was recognised on assets held by a non-core subsidiary held for sale in Head Office, Treasury and other operations in South Africa. The following additional movements also occurred on the underlying assets and liabilities of the subsidiary: loans and advances to banks **(increase of R7m),** other assets **(increase of R4m)**, deferred tax assets **(increase of R1m)** and other liabilities **(increase of R34m)**.
- The depreciation of the Tanzanian Shilling resulted in a **R33m** and **R25m** increase in assets and liabilities, respectively.

The following movements in non-current assets and non-current liabilities held for sale were effected during the reporting period ended 30 June 2019:

- RBB South Africa disposed of investment property with a carrying amount of R34m.
- Head Office, Treasury and other operations in South Africa disposed of property and equipment with a carrying amount of R50m.
- The following movements occurred on the underlying assets and liabilities of a non-core subsidiary held for sale in Head Office, Treasury and other operations in South Africa: loans and advances to banks (increase of R3m), deferred tax assets (increase of R1m), other liabilities (decrease of R2m) and policyholder liabilities under insurance contracts (decrease of R1m), reinsurance assets (decrease of R13m) and property and equipment (decrease of R1m).

The following movements in non-current assets and non-current liabilities held for sale were effected during the reporting period ended 31 December 2019:

- RBB South Africa disposed of investment property with a carrying amount of R32m.
- ARO disposed of property and equipment with a carrying amount of R2m.
- Head Office, Treasury and other operations in South Africa disposed of property and equipment with a carrying amount of R50m.
- RBB South Africa transferred Edcon loan book with a carrying amount of R3 829m to non-current assets held for sale.
- Head Office, Treasury and other operations in South Africa transferred property and equipment with a carrying amount of R21m to non-current assets held for sale.
- The following movements occurred on the underlying assets and liabilities of a non-core subsidiary held for sale in Head Office, Treasury and other operations in South Africa: loans and advances to banks (increase of R5m), deferred tax assets (increase of R1m), investment securities (increase of R1m), reinsurance assets (decrease of R15m), property and equipment (decrease of R1m), other assets (decrease of R4m), other liabilities (increase of R1m) and policyholder liabilities under insurance contracts (decrease of R13m).

Notes to the condensed consolidated financial results

for the interim reporting period ended

3. Loans and advances

3.1 ECL analysis by market segment and class of credit exposure

	Carrying amount of financial assets measurement at fair value through profit or loss Rm	Stage 1		
		Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB South Africa	—	427 590	4 581	1.07
Home Loans	—	203 666	639	0.31
Vehicle and Asset Finance	—	70 073	918	1.31
Everyday Banking	—	50 114	2 351	4.69
Card	—	31 448	1 489	4.73
Personal Loans	—	16 239	726	4.47
Transactional and Deposits	—	2 427	136	5.60
Relationship Banking	—	103 737	673	0.65
RBB Other	—	—	—	—
CIB South Africa	61 392	202 863	1 352	0.67
ARO	—	114 090	1 704	1.49
Head Office, Treasury and other operations in South Africa	—	229	(199)	—
Loans and advances to customers	—	229	5	2.18
Reclassification to provisions[1]	—	—	(204)	—
Loans and advances to customers	61 392	744 772	7 438	1.00
Loans and advances to banks	57 630	54 395	42	0.08
Total loans and advances to customers and banks	119 022	799 167	7 480	0.94

[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. To the extent that such occurs, a 'provision' is recognised on the Group's statement of financial position.

30 June 2020

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
57 403	6 497	11.32	48 587	21 744	44.75	500 758
19 086	523	2.74	22 633	6 134	27.10	238 089
10 774	1 164	10.80	6 745	2 999	44.46	82 511
10 843	3 423	31.57	12 820	9 530	74.34	58 473
5 980	2 140	35.79	7 612	5 857	76.94	35 554
3 743	931	24.87	4 587	3 310	72.16	19 602
1 120	352	31.43	621	363	58.45	3 317
16 700	1 387	8.31	6 337	3 029	47.80	121 685
—	—	—	52	52	100.00	—
38 543	444	1.15	4 719	949	20.11	304 772
11 649	1 199	10.29	8 168	5 205	63.72	125 799
251	(268)	—	—	(17)	—	964
251	—	—	—	—	—	475
—	(268)	—	—	(17)	—	489
107 846	7 872	7.30	61 474	27 881	45.35	932 293
1 188	3	0.25	—	—	—	113 168
109 034	7 875	7.22	61 474	27 881	45.35	1 045 461

3. Loans and advances (continued)

3.1 ECL analysis by market segment and class of credit exposure (continued)

	Carrying amount of financial assets measurement at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 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	954	2.80
Personal Loans	—	17 294	463	2.68
Transactional 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. To the extent that such occurs, a 'provision' is recognised on the Group's statement of financial position.

30 June 2019

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
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	38 526
2 388	392	16.42	2 640	1 708	64.70	19 759
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

Notes to the condensed consolidated financial results

for the interim reporting period ended

3. Loans and advances (continued)

3.1 ECL analysis by market segment and class of credit exposure (continued)

		Stage 1		
	Carrying amount of financial assets measurement at fair value through profit or loss Rm	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %
RBB South Africa	—	451 601	3 202	0.71
Home Loans	—	209 949	293	0.14
Vehicle and Asset Finance	—	73 684	608	0.83
Everyday Banking	—	53 486	1 436	2.68
Card	—	32 979	875	2.65
Personal Loans	—	18 046	467	2.59
Transactional and Deposits	—	2 461	94	3.82
Relationship Banking	—	114 482	865	0.76
RBB Other	—	—	—	—
CIB South Africa	67 656	201 299	503	0.25
ARO	—	102 215	812	0.79
Head Office, Treasury and other operations in South Africa	—	287	(229)	—
Loans and advances to customers	—	287	12	4.18
Reclassification to provisions[1]	—	—	(241)	—
Loans and advances to customers	67 656	755 402	4 288	0.57
Loans and advances to banks	29 453	29 736	21	0.07
Total loans and advances to customers and banks	97 109	785 138	4 309	0.55

[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. To the extent that such occurs, a 'provision' is recognised on the Group's statement of financial position.

31 December 2019

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
39 097	3 937	10.07	39 583	16 664	42.10	506 478
13 923	235	1.69	18 956	4 909	25.90	237 391
7 996	622	7.78	5 253	1 963	37.37	83 740
9 077	2 555	28.15	10 034	7 220	71.96	61 386
5 083	1 745	34.33	6 384	4 772	74.75	37 054
2 788	489	17.54	3 107	2 128	68.49	20 857
1 206	321	26.62	543	320	58.93	3 475
8 101	525	6.48	5 287	2 520	47.66	123 960
—	—	—	53	52	98.11	1
28 905	316	1.09	1 803	615	34.11	298 229
8 654	951	10.99	5 607	3 248	57.93	111 465
9	(269)	—	—	(12)	—	806
9	—	—	—	—	—	284
—	(269)	—	—	(12)	—	522
76 665	4 935	6.44	46 993	20 515	43.66	916 978
580	3	0.52	—	—	—	59 745
77 245	4 938	6.39	46 993	20 515	43.66	976 723

3. Loans and advances (continued)

3.2 Reconciliation of ECL allowance

The following table sets out the breakdown of the ECL for loans and advances to customers and undrawn facilities:

	30 June 2020				
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	32 822	2 745	8 108	(484)	43 191
Stage 1	4 581	1 352	1 704	(199)	7 438
Stage 2	6 497	444	1 199	(268)	7 872
Stage 3	21 744	949	5 205	(17)	27 881
Undrawn facilities	—	—	83	489	572
Stage 1	—	—	62	204	266
Stage 2	—	—	19	268	287
Stage 3	—	—	2	17	19
Total loans and advances to customers and undrawn facilities	32 822	2 745	8 191	5	43 763

	30 June 2019				
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	23 468	1 573	5 040	(478)	29 603
Stage 1	2 985	392	840	(226)	3 991
Stage 2	3 946	324	786	(236)	4 820
Stage 3	16 537	857	3 414	(16)	20 792
Undrawn facilities	—	—	94	484	578
Stage 1	—	—	71	232	303
Stage 2	—	—	20	236	256
Stage 3	—	—	3	16	19
Total loans and advances to customers and undrawn facilities	23 468	1 573	5 134	6	30 181

	31 December 2019				
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	23 803	1 434	5 010	(510)	29 737
Stage 1	3 202	503	812	(229)	4 288
Stage 2	3 937	316	950	(269)	4 934
Stage 3	16 664	615	3 248	(12)	20 515
Undrawn facilities	—	—	122	522	644
Stage 1	—	—	71	241	312
Stage 2	—	—	29	269	298
Stage 3	—	—	22	12	34
Total loans and advances to customers and undrawn facilities	23 803	1 434	5 132	12	30 381

3. Loans and advances (continued)

3.2 Reconciliation of ECL allowance (continued)

The following table sets out a reconciliation of the opening and closing ECL allowances for loans and advances to customers, by market segment:

	30 June 2020				
Loans and advances to customers at amortised cost and undrawn facilities	**RBB South Africa Rm**	**CIB South Africa Rm**	**ARO Rm**	**Head Office, Treasury and other operations in South Africa Rm**	**Total expected credit losses Rm**
Balance at the beginning of the reporting period	23 803	1 434	5 132	12	30 381
Stage 1	3 202	503	883	12	4 600
Stage 2	3 937	316	979	—	5 232
Stage 3	16 664	615	3 270	—	20 549
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	429	19	304	—	752
Stage 2 net transfers	(1 392)	(68)	(557)	—	(2 017)
Stage 3 net transfers	963	49	253	—	1 265
Impairment losses raised and interest in suspense	11 371	1 627	2 597	(7)	15 588
Amounts written off	(2 352)	(316)	(554)	—	(3 222)
Foreign exchange movements	—	—	1 016	—	1 016
Balance at the end of the reporting period	32 822	2 745	8 191	5	43 763
Stage 1	4 581	1 352	1 766	5	7 704
Stage 2	6 497	444	1 218	—	8 159
Stage 3	21 744	949	5 207	—	27 900

	30 June 2019				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	22 743	2 698	5 217	6	30 664
Stage 1	2 923	415	923	6	4 267
Stage 2	3 906	305	857	—	5 068
Stage 3	15 914	1 978	3 437	—	21 329
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	637	15	117	—	769
Stage 2 net transfers	(1 231)	(23)	(280)	—	(1 394)
Stage 3 net transfers	594	8	163	—	765
Impairment losses raised and interest in suspense	4 122	418	680	—	5 220
Amounts written off	(3 397)	(1 543)	(401)	—	(5 341)
Foreign exchange movements	—	—	(362)	—	(362)
Balance at the end of the reporting period	23 468	1 573	5 134	6	30 181
Stage 1	2 985	392	911	6	4 294
Stage 2	3 946	324	806	—	5 076
Stage 3	16 537	857	3 417	—	20 811

3. Loans and advances (continued)

3.2 Reconciliation of ECL allowance (continued)

The following table sets out a reconciliation of the opening and closing ECL allowances for loans and advances to customers, by market segment:

	31 December 2019				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	22 743	2 698	5 217	6	30 664
Stage 1	2 923	415	923	6	4 267
Stage 2	3 906	305	857	—	5 068
Stage 3	15 914	1 978	3 437	—	21 329
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	817	14	105	—	936
Stage 2 net transfers	(1 156)	(23)	(289)	—	(1 468)
Stage 3 net transfers	339	9	184	—	532
Impairment losses raised and interest in suspense	8 085	538	1 604	6	10 233
Amounts written off	(6 188)	(1 802)	(1 433)	—	(9 423)
Foreign exchange movements	—	—	(256)	—	(256)
Transfer to non-current assets held for sale	(837)	—	—	—	(837)
Balance at the end of the reporting period	23 803	1 434	5 132	12	30 381
Stage 1	3 202	503	883	12	4 600
Stage 2	3 937	316	979	—	5 232
Stage 3	16 664	615	3 270	—	20 549

4. Borrowed funds

During the reporting period, the significant movements in borrowed funds were as follows: **R2 676m** (30 June 2019: R1 580m; 31 December 2019: R1 580m) of subordinated notes were issued and **R2 500m** (30 June 2019: R34m; 31 December 2019: R534m) were redeemed.

5. 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 2020	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	9 183	1 188	1 798	191	—	12 360
Consulting and administration fees	172	62	91	6	—	331
Transactional fees and commissions	7 190	794	1 505	1	—	9 490
Cheque accounts	2 489	63	17	—	—	2 569
Credit cards	1 052	—	95	—	—	1 147
Electronic banking	1 968	485	64	—	—	2 517
Other[1]	883	246	1 320	1	—	2 450
Savings accounts	798	—	9	—	—	807
Merchant income	944	—	72	—	—	1 016
Trust and other fiduciary services fees	68	3	3	569	—	643
Other fees and commissions	109	146	69	(62)	—	262
Insurance commissions received	684	—	49	(323)	—	410
Investment banking fees	16	183	9	—	—	208
Other income from contracts with customers	26	—	13	—	—	39
Other non-interest income, net of expenses	1 527	615	1 485	(21)	226	3 832
Total non-interest income	**10 736**	**1 803**	**3 296**	**170**	**226**	**16 231**

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.

5. Disaggregation of non-interest income (continued)

	31 December 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	20 408	2 341	3 549	461	—	26 759
Consulting and administration fees	348	92	97	11	—	548
Transactional fees and commissions	16 104	1 640	2 979	(28)	—	20 695
Cheque accounts	5 334	138	25	—	—	5 497
Credit cards	2 719	—	204	—	—	2 923
Electronic banking	4 377	1 020	113	—	—	5 510
Other[(1)]	1 680	482	2 618	(28)	—	4 752
Savings accounts	1 994	—	19	—	—	2 013
Merchant income	2 097	—	184	8	—	2 289
Trust and other fiduciary services fees	238	3	5	1 262	—	1 508
Other fees and commissions	204	257	178	(105)	—	534
Insurance commissions received	1 371	—	102	(688)	—	785
Investment banking fees	46	349	4	1	—	400
Other income from contracts with customers	88	—	24	7	(2)	117
Other non-interest income, net of expenses	2 886	1 421	2 467	3	(34)	6 743
Total non-interest income	23 382	3 762	6 040	471	(36)	33 619

6. Other impairments

	30 June		31 December
	2020 Rm	2019 Rm	2019 Rm
Goodwill	**2**	—	—
Intangible assets[(2)]	**74**	—	122
Non-current assets held for sale[(3)]	**22**	—	—
Property and equipment[(4)]	**75**	44	208
	173	44	330

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

(2) Relates to software that is no longer in use for which the value in use is Rnil.

(3) Relates to the decrease in fair value less cost to sell of non-current assets held for sale.

(4) Relates to property and equipment which are being held for sale under IFRS 5. The impairment has been calculated with reference to fair value less cost to sell prior to the transfer of the property and equipment to non-current assets held for sale.

7. Headline earnings

	30 June				31 December	
	2020		2019		2019	
	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holders of the Group		**485**		7 641		14 256
Total headline earnings adjustments:		**74**		9		270
IAS 36 – Goodwill impairment	**2**	**2**	—	—	—	—
IFRS 3 – Gain on bargain purchase	**(86)**	**(66)**	—	—	—	—
IFRS 5 – Profit on disposal of non-current assets held for sale	**—**	**—**	(14)	(12)	(19)	(15)
IAS 16 – Profit on disposal of property and equipment	**(12)**	**(9)**	(7)	(6)	(27)	(21)
IAS 21 – Recycled foreign currency translation reserve	**—**	**—**	—	—	118	81
IAS 36 – Impairment of property and equipment	**75**	**55**	44	33	208	153
IAS 36 – Impairment of intangible assets	**74**	**72**	—	—	122	88
IFRS 5 – Re-measurement of non-current assets held for sale	**22**	**20**	(9)	(6)	(9)	(6)
IAS 40 – Change in fair value of investment properties	**—**	**—**	—	—	(12)	(9)
IAS 40 – Profit on disposal of investment property	**—**	**—**	—	—	(1)	(1)
Headline earnings/diluted headline earnings		**559**		7 650		14 526
Headline earnings per ordinary share (cents)		**67.7**		920.0		1 750.1
Diluted headline earnings per ordinary share (cents)		**67.7**		918.4		1 747.6

[1] The net amount is reflected after taxation and non-controlling interest.

8. Dividends per share

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Dividends declared to ordinary equity holders			
Interim dividend[1] (13 August 2019: 505 cps)	—	4 280	4 280
Final dividend (11 March 2020: 620 cps)	—	—	5 256
	—	4 280	9 536
Dividends declared to ordinary equity holders (net of treasury shares)[2]			
Interim dividend[1] (13 August 2019: 505 cps)	—	4 196	4 196
Final dividend (11 March 2020: 620 cps)	—	—	5 137
	—	4 196	9 333
Dividends declared to non-controlling preference equity holders			
Interim dividend[1] (13 August 2019: 3 595.89 cps)	—	178	178
Final dividend (11 March 2020: 3 469.31507 cps)	—	—	172
	—	178	350
Distributions declared to Additional Tier 1 capital note holders			
Distribution			
10 January 2020: 29 049.32 Rand per note (rpn); 10 January 2019: 29 981.67 rpn	36	37	37
28 February 2020: 28 502.36 rpn	48	—	—
5 March 2020: 27 569.26 rpn	38	—	—
12 March 2020: 31 039.73 rpn; 12 March 2019: 31 561.64 rpn	47	47	47
14 April 2020: 30 061.65 rpn; 10 April 2019: 29 342.47 rpn	36	36	36
28 May 2020: 27 143.01 rpn	46	—	—
5 June 2020: 27 075.73 rpn	37	—	—
12 June 2020: 30 392.77 rpn; 12 June 2019: 32 263.01 rpn	46	49	49
10 July 2019: 29 688.43 rpn	—	—	37
28 August 2019: 29 344.21 rpn	—	—	49
12 September 2019: 32 031.12 rpn	—	—	48
10 October 2019: 29 659.28 rpn	—	—	37
28 November 2019: 28 525.04 rpn	—	—	48
12 December 2019: 31 059.67 rpn	—	—	47
	334	169	435
Dividends paid to ordinary equity holders (net of treasury shares)[2]			
Final dividend (20 April 2020: 620 cps) (15 April 2019: 620 cps)	5 126	5 170	5 130
Interim dividend (16 September 2019: 505 cps)	—	—	4 247
	5 126	5 170	9 377
Dividends paid to non-controlling preference equity holders			
Final dividend (20 April 2020: 3 469.31507 cps) (15 April 2019: 3 518.6986 cps)	172	174	174
Interim dividend (16 September 2019: 3 595.89 cps)	—	—	178
	172	174	352
Distributions paid to Additional Tier 1 capital note holders			
Distribution			
10 January 2020: 29 049.32 rpn; 10 January 2019: 29 981.67 rpn	36	37	37
28 February 2020: 28 502.36 rpn	48	—	—
5 March 2020: 27 569.26 rpn	38	—	—
12 March 2020: 31 039.73 rpn; 12 March 2019: 31 561.64 rpn	47	47	47
14 April 2020: 30 061.65 rpn;10 April 2019: 29 342.47 rpn	36	36	36
28 May 2020: 27 143.01 rpn	46	—	—
5 June 2020: 27 075.73 rpn	37	—	—
12 June 2020: 30 392.77 rpn; 12 June 2019: 32 263.01 rpn	46	49	49
10 July 2019: 29 688.43 rpn	—	—	37
28 August 2019: 29 344.21 rpn	—	—	49
12 September 2019: 32 031.12 rpn	—	—	48
10 October 2019: 29 659.28 rpn	—	—	37
28 November 2019: 28 525.04 rpn	—	—	48
12 December 2019: 31 059.67 rpn	—	—	47
	334	169	435

[1] In the current economic climate, capital conservation, including proactive and appropriate management thereof, is regarded paramount to the Group's sustainability over the short to medium term. The Prudential Authority (PA) has encouraged the boards of directors of banks to ensure that capital conservation takes ultimate priority over any distributions of dividends on ordinary shares. As a result, no interim dividend was declared for the period ended 30 June 2020. The 2019 year-end dividend was declared before this guidance was issued and paid out to shareholders post-consultation with the PA.

[2] The dividends paid on treasury shares are calculated on payment date.

9. Acquisitions and disposals of businesses and other similar transactions

9.1 Acquisitions of businesses during the current reporting period

Effective 1 March 2020, the Group acquired a 100% interest in the assets and liabilities of Societe Generale's South African custody and trustee business. The acquisition price was accounted for under IFRS 3 *Business Combinations*. The Group undertook the acquisition in order to be able to offer customers custody and trustee capabilities. The fair value of the net assets acquired exceeded the fair value of the consideration payable to Societe Generale of **Rnil**, and consequently, following the requirements of IFRS 3, a gain was recognised in connection with the transaction.

	Fair value recognised on acquisition date Rm
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and balances at central banks	**220**
Property and equipment	**1**
Loans and advances to customers	**159**
Intangible assets	**35**
Deposits due to customers	**(317)**
Provisions	**(12)**
Total identifiable net assets	**86**
Gain on bargain purchase	**86**

9.2 Disposals of businesses and similar transactions during the current reporting period

The Group fully disposed of the Edcon loan book in South Africa and Namibia on 1 February 2020. The Group received a cash consideration of **R3 740m** on disposal.

9.3 Acquisitions and disposals of businesses during the previous reporting periods

There were no acquisitions or disposals of businesses during the previous reporting periods.

10. Related parties

The Group has announced the appointment of Daniel Mminele as its new Group Chief Executive, effective 15 January 2020.

In the prior reporting periods, Maria Ramos announced her retirement as the Chief Executive Officer of Absa Group Limited from 28 February 2019. The Board appointed René van Wyk as Absa's Chief Executive Officer for an interim period, with effect from 1 March 2019 to 14 January 2020.

11. Contingencies, commitments and similar items

	30 June		31 December
	2020 Rm	2019 Rm	2019 Rm
Guarantees	**56 289**	46 280	45 325
Irrevocable debt facilities	**183 793**	212 970	174 827
Irrevocable equity facilities	**7**	8	7
Letters of credit	**9 497**	13 208	10 463
Other	**7**	62	1
	249 593	272 528	230 623
Authorised capital expenditure			
Contracted but not provided for	**1 167**	1 864	1 174

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. This amount represents the maximum off-statement of financial position exposure.

Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate the facilities by written notice. Irrevocable debt facilities do not include other lending facilities which are revocable but for which an impairment provision has been raised (i.e. revolving products). The value of these other lending facilities is included in the credit risk disclosure, whereas the above table presents only those gross loan commitments that are contractually committed and are legally irrevocable.

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.

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.

11. Contingencies, commitments and similar items (continued)

Legal matters

The Group has been party to proceedings against it during the reporting period. As at the reporting date the following material cases remain open:

- MyRoof: During 2015, Absa terminated an agreement in terms of which MyRoof provided an online electronic system to Absa 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.
- Absa has received a claim under a guarantee issued by it to secure the obligations of a subsidiary for an amount of US$64m. Absa is defending the matter.

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.

Regulatory matters

The scale of regulatory change remains challenging and the global financial crisis has resulted in a significant tightening of regulation 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.

During the first half of the year, the PA instituted several regulatory relief reforms in specific response to the Covid-19 pandemic. The relief measures provide for a temporary relaxation of both capital supply and short-term liquidity requirements, with the intention of enabling banks to continue the provision of credit into the real economy during this period of financial stress. Furthermore, in anticipation of credit risk-induced pressure on banks' capital brought on by the pandemic, specific temporary dispensation has been provided by the PA in relation to relief initiatives enacted by banks during the stress period, where those relief measures are effectively regarded as short-term liquidity solutions only.

Income taxes

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and provisions 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 provisions for anticipated tax audit 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 provisions 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.

12. Segment reporting

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
12.1 Total headline earnings by segment			
RBB South Africa	**415**	4 847	9 510
CIB South Africa	**817**	1 546	3 230
ARO	**569**	1 727	3 635
Head Office, Treasury and other operations South Africa[1]	**(342)**	147	(110)
Barclays PLC separation effects[2]	**(900)**	(617)	(1 739)
	559	7 650	14 526
12.2 Total income by segment			
RBB South Africa	**24 276**	24 350	49 572
CIB South Africa	**5 780**	5 312	11 040
ARO	**10 348**	8 938	18 605
Head Office, Treasury and other operations South Africa[1]	**(326)**	471	744
Barclays PLC separation effects[2]	**277**	81	159
	40 355	39 152	80 120
12.3 Total internal income by segment			
RBB South Africa	**(2 533)**	(4 709)	(9 117)
CIB South Africa	**(3 756)**	(5 071)	(9 447)
ARO	**(213)**	(209)	(339)
Head Office, Treasury and other operations South Africa[1]	**6 449**	9 989	18 708
Barclays PLC separation effects[2]	**53**	—	195
	—	—	—
12.4 Total assets by segment			
RBB South Africa	**919 439**	878 457	917 064
CIB South Africa[3]	**796 224**	647 485	660 812
ARO	**256 778**	203 506	217 987
Head Office, Treasury and other operations South Africa[1]	**(411 445)**	(356 651)	(401 369)
Barclays PLC separation effects[2]	**5 323**	3 908	4 681
	1 566 319	1 376 705	1 399 175
12.5 Total liabilities by segment			
RBB South Africa	**911 042**	865 968	900 578
CIB South Africa[3]	**792 772**	642 559	654 731
ARO	**229 944**	181 139	195 491
Head Office, Treasury and other operations South Africa[1]	**(498 942)**	(435 051)	(478 146)
Barclays PLC separation effects[2]	**(443)**	(4 219)	(2 162)
	1 434 373	1 250 396	1 270 492

[1] Head Office, Treasury and other operations in South Africa represents a reconciling stripe and is not a reporting segment.

[2] 'Barclays PLC separation effects' is the reconciling stripe and does not represent a reportable segment.

[3] The Corporate debt and structure Trade and Commodity finance portfolios, which were previously reported in corporate SA, have been moved to Investment Bank SA to align the segment report to the entity's internal reporting systems. The business portfolio changes have resulted in the restatement of financial results with the Corporate and Investment Bank (CIB) segment, but have not impacted the overall position or net earnings of the Group.

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:

	30 June			
	2020		2019	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with other central banks	16 931	16 931	13 504	13 504
Balances with the South African Reserve Bank	24 554	24 554	22 041	22 041
Coins and bank notes	12 833	12 833	11 241	11 241
Cash, cash balances and balances with central banks	54 318	54 318	46 786	46 786
Investment securities	30 934	32 203	7 817	7 916
Loans and advances to banks	55 538	55 538	39 289	39 289
Other assets	27 558	27 558	49 619	49 619
RBB South Africa	500 758	495 814	490 493	491 730
Home Loans	238 089	236 115	231 315	231 315
Vehicle and Asset Finance	82 511	81 224	78 970	79 291
Everyday Banking	58 473	57 756	61 714	62 505
Card	35 554	35 554	38 527	39 123
Personal Loans	19 602	18 885	19 758	19 915
Transactions and Deposits	3 317	3 317	3 429	3 467
Relationship Banking	121 684	120 718	118 493	118 618
RBB Other	1	1	1	1
CIB South Africa	243 380	242 758	220 914	220 914
ARO	125 799	125 799	102 028	102 028
Head Office, Treasury and other operations in South Africa	964	964	816	816
Loans and advances to customers – net of impairment losses	870 901	865 335	814 251	815 488
Non-current assets held for sale	52	52	35	35
Total assets (not held at fair value)	1 039 301	1 035 004	957 797	959 133
Financial liabilities				
Deposits from banks	100 624	100 760	58 791	58 791
Other liabilities	52 774	52 774	19 398	19 398
Call deposits	112 940	112 940	87 731	87 731
Cheque account deposits	233 395	233 395	212 982	212 982
Credit card deposits	1 973	1 973	1 792	1 792
Fixed deposits	191 591	195 147	179 513	179 513
Foreign currency deposits	57 616	57 616	36 800	36 800
Notice deposits	72 019	72 019	62 106	62 106
Other deposits	991	991	1 226	1 226
Saving and transmission deposits	201 453	201 453	165 172	165 172
Deposits due to customers	871 978	875 534	747 322	747 322
Debt securities in issue	144 144	143 894	136 618	138 694
Borrowed funds	23 299	23 285	21 942	21 942
Total liabilities (not held at fair value)	1 192 819	1 196 247	984 071	986 147

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 2019	
	Carrying amount Rm	Fair value Rm
Financial assets		
Balances with other central banks	13 176	13 176
Balances with South African Reserve Bank	16 587	16 587
Coins and bank notes	14 033	14 033
Cash, cash balances and balances with central banks	43 796	43 796
Investment securities	8 379	8 356
Loans and advances to banks	30 292	30 292
Other assets	26 883	26 883
RBB South Africa	506 478	507 926
Home Loans	237 391	237 391
Vehicle and Asset Finance	83 740	84 080
Everyday Banking	61 386	61 998
Card	37 054	37 463
Personal Loans	20 857	21 022
Transactions and Deposits	3 475	3 513
Relationship Banking	123 960	124 456
RBB Other	1	1
CIB South Africa	230 573	230 573
ARO	111 465	111 465
Head Office, Treasury and other operations in South Africa	806	806
Loans and advances to customers – net of impairment losses	849 322	850 770
Non-current assets held for sale	3 865	3 865
Total assets (not held at fair value)	962 537	963 962
Financial liabilities		
Deposits from banks	76 743	76 786
Other liabilities	18 876	18 892
Call deposits	82 773	82 773
Cheque account deposits	204 187	204 187
Credit card deposits	1 862	1 862
Fixed deposits	189 121	189 544
Foreign currency deposits	41 567	41 567
Notice deposits	68 997	68 997
Other deposits	943	943
Repurchase agreements	261	261
Saving and transmission deposits	179 892	179 892
Deposits due to customers	769 603	770 026
Debt securities in issue	130 846	133 583
Borrowed funds	21 418	21 418
Total liabilities (not held at fair value)	1 017 486	1 020 705

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 valuators.

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.

The current market and economic conditions arising as a result of the impact of Covid-19 have resulted in increased volatilities of Level 1 fair values, which have been experienced at both a local and global level. The effects thereof have further had a knock-on effect on the valuation inputs used in the determination of the fair value of Level 2 and Level 3 assets and liabilities. The use of non-observable inputs (in the case of Level 2 and Level 3 balances), has resulted in the Group's reassessment of the assumptions and judgements applied, which have been updated to take into account uncertainties arising as a result of the global pandemic, through the adjustment of expectations of future cash flows, discount rates and other significant valuation inputs. Covid-19 did not have an impact on our classifications.

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 analyses, 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.

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							
	2020				2019			
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	3 582	4 493	—	8 075	1 864	3 839	—	5 703
Investment securities	43 196	60 059	22 476	125 731	52 555	54 198	14 917	121 670
Loans and advances to banks	—	57 630	—	57 630	—	27 657	—	27 657
Trading and hedging portfolio assets	73 767	135 330	1 046	210 143	63 514	68 539	4 976	137 029
Debt instruments	45 890	12 240	52	58 182	41 019	10 280	212	51 511
Derivative assets	—	108 331	366	108 697	—	49 223	2 783	52 006
Commodity derivatives	—	1 548	—	1 548	—	289	71	360
Credit derivatives	—	—	218	218	—	—	164	164
Equity derivatives	—	2 929	49	2 978	—	1 920	2 474	4 394
Foreign exchange derivatives	—	19 410	38	19 448	—	9 404	6	9 410
Interest rate derivatives	—	84 444	61	84 505	—	37 610	68	37 678
Equity instruments	26 628	—	—	26 628	21 430	—	—	21 430
Money market assets	1 249	14 759	628	16 636	1 065	9 036	1 981	12 082
Other assets	—	34	—	34	—	6	—	6
Loans and advances to customers	—	51 372	10 020	61 392	—	52 181	15 933	68 114
Investments linked to investment contracts	15 668	4 552	95	20 315	16 583	2 767	166	19 516
Total financial assets	136 213	313 470	33 637	483 320	134 516	209 187	35 992	379 695
Financial liabilities								
Deposits from banks	—	8 150	—	8 150	—	57 892	3	57 895
Trading and hedging portfolio liabilities	11 077	96 718	2 681	110 476	11 465	38 672	1 193	51 330
Derivative liabilities	—	96 718	2 681	99 399	—	38 672	1 193	39 865
Commodity derivatives	—	1 344	—	1 344	—	394	69	463
Credit derivatives	—	168	292	460	—	1	145	146
Equity derivatives	—	2 414	2 057	4 471	—	1 952	589	2 541
Foreign exchange derivatives	—	17 513	11	17 524	—	8 669	136	8 805
Interest rate derivatives	—	75 279	321	75 600	—	27 656	254	27 910
Short positions	11 077	—	—	11 077	11 465	—	—	11 465
Other liabilities	—	35	30	65	—	16	51	67
Deposits due to customers	120	42 383	5 139	47 642	—	45 814	4 571	50 385
Debt securities in issue	782	33 869	—	34 651	—	27 703	—	27 703
Liabilities under investment contracts	—	27 687	—	27 687	—	30 235	—	30 235
Total financial liabilities	11 979	208 842	7 850	228 671	11 465	200 332	5 818	217 615
Non-financial assets								
Commodities	1 202	—	—	1 202	927	—	—	927
Investment properties	—	—	555	555	—	—	503	503
Non-recurring fair value measurements								
Non-current assets held for sale[1]	—	—	160	160	—	—	113	113
Non-current liabilities held for sale[1]	—	—	171	171	—	—	121	121

[1] Includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

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

14.4 Fair value hierarchy (continued)

	31 December 2019			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets				
Cash, cash balances and balances with central banks	2 674	6 062	—	8 736
Investment securities	37 726	56 444	14 198	108 368
Loans and advances to banks	—	29 453	—	29 453
Trading and hedging portfolio assets	71 868	82 914	6 256	161 038
Debt instruments	40 547	12 608	210	53 365
Derivative assets	—	57 268	3 672	60 940
Commodity derivatives	—	302	—	302
Credit derivatives	—	—	155	155
Equity derivatives	—	2 090	3 454	5 544
Foreign exchange derivatives	—	13 044	7	13 051
Interest rate derivatives	—	41 832	56	41 888
Equity instruments	30 775	—	—	30 775
Money market assets	546	13 038	2 374	15 958
Other assets	—	20	—	20
Loans and advances to customers	—	56 752	10 904	67 656
Investments linked to investment contracts	16 985	2 976	81	20 042
Total financial assets	129 253	234 621	31 439	395 313
Financial liabilities				
Deposits from banks	—	40 680	—	40 680
Trading and hedging portfolio liabilities	13 201	46 271	1 131	60 603
Derivative liabilities	—	46 271	1 131	47 402
Commodity derivatives	—	475	—	475
Credit derivatives	—	74	132	206
Equity derivatives	—	1 175	707	1 882
Foreign exchange derivatives	—	12 234	15	12 249
Interest rate derivatives	—	32 313	277	32 590
Short positions	13 201	—	—	13 201
Other liabilities	—	33	19	52
Deposits due to customers	156	52 077	4 457	56 690
Debt securities in issue	1 043	27 905	—	28 948
Liabilities under investment contracts	—	29 700	—	29 700
Total financial liabilities	14 400	196 666	5 607	216 673
Non-financial assets				
Commodities	668	—	—	668
Investment properties	—	—	513	513
Non-recurring fair value measurements				
Non-current assets held for sale[(1)]	—	—	126	126
Non-current liabilities held for sale[(1)]	—	—	112	112

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

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
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

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:

	Trading and hedging portfolio assets Rm	Loans and advances to customers 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	**6 256**	**10 904**	**14 198**	**513**	**81**	**31 952**
Net interest income	—	137	57	—	—	194
Gains and losses from banking and trading activities	(3 209)	283	(319)	—	—	(3 245)
Purchases	33	122	6 945	—	14	7 114
Sales	(5)	(143)	(2 536)	—	—	(2 684)
Movement in other comprehensive income	—	—	(166)	42	—	(124)
Transfer to Level 3	16	67	5 993	—	—	6 076
Transfer out of Level 3	(2 045)	(1 350)	(1 696)	—	—	(5 091)
Closing balance at the end of the reporting period	**1 046**	**10 020**	**22 476**	**555**	**95**	**34 192**

	Trading and hedging portfolio assets Rm	Loans and advances to customers 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

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

14.6 Reconciliation of Level 3 assets and liabilities (continued)

	Trading and hedging portfolio assets Rm	Loans and advances to customers 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	—	439	88	—	—	527
Other income	—	—	—	12	—	12
Gains and losses from banking and trading activities	1 973	(471)	36	—	—	1 538
Gains and losses from investment activities	—	—	19	—	—	19
Purchases	1 101	4 602	1 401	1	—	7 105
Sales	(333)	(1 767)	(836)	(2)	(111)	(3 049)
Movement in other comprehensive income	—	—	(95)	(6)	—	(101)
Settlements	—	—	(7)	—	—	(7)
Transfer to Level 3	962	52	2 134	—	—	3 148
Transfer out of Level 3	(896)	(2 612)	(533)	—	—	(4 041)
Closing balance at the end of the reporting period	6 256	10 904	14 198	513	81	31 952

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

	30 June 2020				
	Deposits from banks Rm	**Trading and hedging portfolio liabilities Rm**	**Other liabilities Rm**	**Deposits due to customers Rm**	**Total liabilities at fair value Rm**
Opening balance at the beginning of the reporting period	**—**	**1 131**	**19**	**4 457**	**5 607**
Gains and losses from banking and trading activities	**—**	**1 577**	**—**	**(43)**	**1 534**
Movement in other comprehensive income	**—**	**—**	**—**	**10**	**10**
Issues	**—**	**—**	**18**	**1 711**	**1 729**
Settlements	**—**	**(13)**	**(7)**	**(1 415)**	**(1 435)**
Transfer to Level 3	**—**	**—**	**—**	**788**	**788**
Transfer out of Level 3	**—**	**(14)**	**—**	**(369)**	**(383)**
Closing balance at the end of the reporting period	**—**	**2 681**	**30**	**5 139**	**7 850**

	30 June 2019				
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers 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

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

14.6 Reconciliation of Level 3 assets and liabilities (continued)

	31 December 2019				
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers 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	—	276	—	96	372
Movement in other comprehensive income	—	—	—	2	2
Issues	—	36	8	4 850	4 894
Settlements	—	—	—	(2 317)	(2 317)
Transfer to Level 3	(19)	(635)	—	(997)	(1 651)
Transfer out of Level 3	—	—	(34)	—	(34)
Closing balance at the end of the reporting period	—	1 131	19	4 457	5 607

14.6.1 Significant transfers between levels

During the 2020 and 2019 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.

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 2020						
	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	**305**	**1 498**	**(83)**	**1 720**	**(1 816)**	**(163)**	**(1 979)**

	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)

	31 December 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	3 197	539	220	3 956	(520)	163	(357)

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 2020	
		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**	**324/(324)**	**—/—**
Investment securities and investments linked to investment contracts	**Risk adjustment yield curves, future earnings and marketability discount**	**—/—**	**(151)/156**
Loans and advances to customers	**Credit spreads**	**(689)/760**	**—/—**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**31/(31)**	**—/—**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(18)/18**	**—/—**

		30 June 2019	
		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	180/(180)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(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	—/—

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

14.8 Sensitivity analysis of valuations using unobservable inputs (continued)

	Significant unobservable parameters	31 December 2019 Potential effect recorded in profit or loss Favourable/(unfavourable) Rm	Potential effect recorded directly in equity Favourable/(unfavourable) Rm
Deposits due to customers	Absa Group Limited/Absa funding spread	349/(395)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(303)/313
Loans and advances to customers	Credit spreads	(692)/760	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	177/(174)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(261)/261	—/—

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 2020 Range of estimates utilised for the unobservable inputs	30 June 2019	31 December 2019
Loans and advances to banks and customers	Discounted cash flow models and/or yield for debt instruments	Credit spreads	**0.66% to 2.92%**	2.45% to 3.21%	0.1% to 2.9%
Investment securities and investments linked to investment contracts	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or competitor 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	**0.25% to 13.02%**	0.15% to 8.2%	0.5% to 12.8%
Derivative assets					
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	**0.02% to 26%, 15% to 93%, 60% to 90%**	0.03% to 14%, 15% to 76%, 60% to 90%	0.02% to 26%, 15% to 93.2%, 60% to 90%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**18.5% to 78.6%**	10.3% to 52.8%	9.3% to 67.3%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**0.57% to 25%**	1.41% to 27%	1.4% to 26%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	**0.25% to 6.5%**	0.05% to 8.7%	0.3% to 8.5%
Deposits due to customers	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	**1.2% to 1.9%**	2.2% to 3.7%	1.13% to 1.7%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.2% to 1.9%**	1.2% to 1.8%	1.13% to 1.7%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	**1 to 5 years**	1 to 6 years	1 to 6 years
		Annual selling price escalations	**6%**	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	**7.75% to 8%**	7.5% to 8%	7.5% to 8%
		Risk adjusted discount rates	**10% to 15%**	11% to 15%	10% to 15%

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

14.9 Measurement of assets and liabilities at Level 3 (continued)

For assets or liabilities held 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 5 years. However, if the items mature in less than 5 years, these inputs are considered to be observable, depending on other facts and circumstances.

For debt securities in issue held 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.

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
	2020 Rm	2019 Rm	2019 Rm
Opening balance at the beginning of the reporting period	**(407)**	(428)	(428)
New transactions	**(101)**	(21)	(52)
Amounts recognised in profit or loss during the reporting period	**21**	39	73
Closing balance at the end of the reporting period	**(487)**	(410)	(407)

14.11 Third-party credit enhancements

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

15. Additional risk management disclosure

The advent of Covid-19 has had a significant impact on the risks that the Group is exposed to as a result of the financial assets it holds and financial liabilities in issue. The Covid-19 risk management disclosures are aimed at demonstrating the impact that the virus has had on the Group's credit, liquidity and market risks, as well as the way in which it manages its capital.

15.1 Credit risk disclosures

Credit risk is the risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

In addition to the information provided in note 1, the following table provides detail regarding the credit quality of financial instruments to which the impairment requirements in IFRS 9 are applicable, in terms of Absa's default grading (DG)[1] system. In order to illustrate how credit quality has changed during the six-month period since 31 December 2019, comparative information at 31 December 2019 has been provided.

[1] Refer to Absa Group Limited's financial statements for the reporting period ended 31 December 2019 for DG bucket definitions.

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15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

		30 June 2020		
			Stage 1	
Maximum exposure to credit risk	Gross maximum exposure Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Balances with other central banks	16 936	9 194	7 725	—
Balances with the South African Reserve Bank	24 555	24 555	—	—
Money market assets	3 365	2 889	476	—
Cash, cash balances and balances with central banks	**44 856**	**36 638**	**8 201**	**—**
Government bonds	64 722	64 471	251	—
Other	56 504	37 978	16 409	—
Treasury bills	25 292	20 026	4 561	—
Investment securities	**146 518**	**122 475**	**21 221**	**—**
Loans and advances to banks	**55 581**	**51 294**	**3 099**	**—**
Accounts receivable	10 499	3 915	6 548	—
Settlement accounts	17 097	10 413	6 684	—
Other assets	**27 596**	**14 328**	**13 232**	**—**
RBB South Africa	533 582	37 346	372 677	17 568
Home Loans	245 385	7 834	189 693	6 139
Vehicle and Asset Finance	87 591	1 124	62 572	6 377
Everyday Banking	73 778	10 554	34 508	5 052
Card	45 041	9 804	19 551	2 094
Personal Loans	24 569	558	13 166	2 514
Transactions and Deposits	4 168	192	1 791	444
Relationship Banking	126 775	17 834	85 904	—
RBB Other	53	—	—	—
CIB South Africa	246 125	124 928	77 929	7
ARO	133 907	9 012	104 916	162
Head Office, Treasury and other operations in South Africa	477	215	11	—
Loans and advances to customers	**914 091**	**171 501**	**555 533**	**17 737**
Off-statement of financial position exposure				
Guarantees	56 289			
Letters of credit	9 497			
Revocable and irrevocable debt facilities	215 328			
Total off-statement of financial position exposure	**281 114**			

DG1-9 Rm	Stage 2 DG10-19 Rm	DG20-21 Rm	Default Rm
—	17	—	—
—	—	—	—
—	—	—	—
—	17	—	—
—	—	—	—
348	1 769	—	—
—	705	—	—
348	2 474	—	—
33	1 133	22	—
34	2	—	—
—	—	—	—
34	2	—	—
5 057	38 866	13 479	48 589
3 073	10 633	5 380	22 633
1 218	4 846	4 709	6 745
105	7 349	3 390	12 820
39	4 609	1 332	7 612
22	1 874	1 848	4 587
44	866	210	621
661	16 038	—	6 338
—	—	—	53
11 668	23 481	3 393	4 719
1 778	7 086	2 785	8 168
—	251	—	—
18 503	69 684	19 657	61 476

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

31 December 2019

Maximum exposure to credit risk	Gross maximum exposure Rm	Stage 1 DG1-9 Rm	Stage 1 DG10-19 Rm	Stage 1 DG20-21 Rm
Balances with other central banks	13 181	4 843	8 085	—
Balances with the South African Reserve Bank	16 587	16 587	—	—
Money market assets	2 272	1 966	306	—
Cash, cash balances and balances with central banks	32 040	23 396	8 391	—
Government bonds	35 338	35 181	157	—
Other	44 966	33 888	9 362	—
Treasury bills	27 419	21 237	2 595	—
Investment securities	107 723	90 306	12 114	—
Loans and advances to banks	30 316	17 957	11 779	—
Accounts receivable	10 175	6 814	3 340	—
Settlement accounts	16 748	11 581	5 167	—
Other assets	26 923	18 395	8 507	—
RBB South Africa	530 280	45 624	385 659	20 319
Home Loans	242 826	11 081	191 335	7 531
Vehicle and Asset Finance	86 933	2 120	65 455	6 109
Everyday Banking	72 596	11 934	34 873	6 679
Card	44 445	11 066	19 847	2 066
Personal Loans	23 940	571	13 324	4 150
Transactions and Deposits	4 211	297	1 702	463
Relationship Banking	127 872	20 489	93 996	—
RBB Other	53	—	—	—
CIB South Africa	232 008	126 035	75 175	89
ARO	116 474	10 308	91 676	230
Head Office, Treasury and other operations in South Africa	296	270	17	—
Loans and advances to customers	879 058	182 237	552 527	20 638
Off statement of financial position exposure				
Guarantees	45 325			
Letters of credit	10 463			
Revocable and irrevocable debt facilities	224 197			
Total off statement of financial position exposure	279 985			

Stage 2 DG1-9 Rm	Stage 2 DG10-19 Rm	Stage 2 DG20-21 Rm	Default Rm
—	253	—	—
—	—	—	—
—	—	—	—
—	253	—	—
—	—	—	—
322	1 394	—	—
3 097	490	—	—
3 419	1 884	—	—
—	537	43	—
19	2	—	—
—	—	—	—
19	2	—	—
593	26 714	11 788	39 583
227	8 414	5 282	18 956
4	4 315	3 677	5 253
115	6 132	2 829	10 034
38	3 825	1 219	6 384
22	1 355	1 411	3 107
55	952	199	543
247	7 853	—	5 287
—	—	—	53
8 646	16 056	4 204	1 803
—	5 692	2 961	5 607
—	9	—	—
9 239	48 471	18 953	46 993

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

The following table provides detail regarding the credit quality of financial instruments which are classified as fair value through profit and loss in terms of Absa's default grading (DG)[1] system. In order to illustrate how credit quality has changed during the six-month period since 31 December 2019, comparative information at 31 December 2019 has been provided.

	30 June 2020			
Maximum exposure to credit risk	Carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Cash, cash balances and balances with central banks	4 711	4 711	—	—
Money market assets	4 711	4 711	—	—
Investment securities	5 174	4 263	911	—
Government bonds	2 016	2 016	—	—
Other	3 158	2 247	911	—
Loans and advances to banks	57 631	13 265	44 366	—
Trading and hedging portfolio assets[2]	183 516	131 996	51 297	223
Debt instruments	58 182	45 338	12 844	—
Derivative assets	108 697	80 868	27 606	223
Money market assets	16 637	5 790	10 847	—
Other assets	34	34	—	—
Accounts receivable	34	34	—	—
Loans and advances to customers	61 393	35 668	25 725	—
Reinsurance assets	745	745	—	—
Insurance contracts	745	745	—	—
Investment linked to investment contracts	2 654	2 654	—	—
Debt instruments	757	757	—	—
Derivative instruments	8	8	—	—
Money market assets	1 889	1 889	—	—
Total	315 858	193 336	122 299	223

[1] Refer to Absa Group Limited's financial statements for the reporting period ended 31 December 2019 for DG bucket definitions.
[2] Includes hedging portfolio assets, which was separately disclosed in the prior reporting period.

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

	31 December 2019			
Maximum exposure to credit risk	Carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Cash, cash balances and balances with central banks	6 463	6 463	—	—
Money market assets	6 463	6 463	—	—
Investment securities	3 743	2 814	929	—
Government bonds	925	925	—	—
Other	2 818	1 889	929	—
Loans and advances to banks	29 453	16 406	13 047	—
Trading and hedging portfolio assets[1]	130 263	100 471	29 743	49
Debt instruments	53 364	41 649	11 715	—
Derivative assets	60 940	48 368	12 523	49
Money market assets	15 959	10 454	5 505	—
Other assets	20	20	—	—
Accounts receivable	20	20	—	—
Loans and advances to customers	67 656	33 399	34 026	231
Reinsurance assets	886	886	—	—
Insurance contracts	886	886	—	—
Investment linked to investment contracts	2 625	2 625	—	—
Debt instruments	816	816	—	—
Derivative instruments	6	6	—	—
Money market assets	1 803	1 803	—	—
Total	241 109	163 084	77 745	280

[1] Includes hedging portfolio assets, which was separately disclosed in the prior reporting period.

Notes to the condensed consolidated financial results

for the interim reporting period ended

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

The following table sets out the analysis of credit risk mitigation and collateral held by the Group against its credit impaired and other financial assets at 30 June 2020. In order to illustrate how our credit risk mitigation and collateral has changed during the six-month period since 31 December 2019, comparative information at 31 December 2019 has been provided.

		Collateral – credit impaired financial assets			
Analysis of credit risk mitigation and collateral	Gross maximum exposure[1] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	113 212	—	—	—	—
Debt instruments	58 182	—	—	—	—
Derivative assets	108 697	—	—	—	—
Money market assets	16 637	—	—	—	—
Trading and hedging portfolio assets	183 516	—	—	—	—
RBB South Africa	654 751	36	28 913	109	101
Home Loans	298 212	—	20 573	—	—
Vehicle and Asset Finance	88 882	—	5 011	—	—
Everyday Banking	111 805	—	3	—	—
Card	77 658	—	—	—	—
Personal Loans	25 123	—	—	—	—
Transactions and Deposits	9 024	—	3	—	—
Relationship Banking	155 800	36	3 326	109	101
RBB Other	52	—	—	—	—
CIB South Africa	375 082	268	299	—	34
ARO	160 500	249	2 175	44	645
Head Office, Treasury and other operations in South Africa	478	—	—	—	—
Loans and advances to customers	1 190 811	553	31 387	153	780
Off-statement of financial position					
Guarantees	56 288	—	8	—	—
Letters of credit	9 497	—	—	—	—
Total off-statement of financial position exposure	65 785	—	8	—	—

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

[1] Included in the gross maximum exposure is the off-statement of financial position exposure for revocable and irrevocable debt facilities.

30 June 2020

		Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets[1] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[1] Rm
—	—	169	—	—	12 370	100 673	113 212
—	—	—	—	—	—	58 182	58 182
—	—	—	—	3 560	78 064	27 073	108 697
—	—	—	—	—	—	16 637	16 637
—	—	—	—	3 560	78 064	101 892	183 516
22 063	51 222	194	423 090	854	188	179 203	603 529
2 131	22 704	—	254 960	—	—	20 548	275 508
1 733	6 744	—	43 304	—	—	38 834	82 138
15 276	15 279	—	—	—	—	96 526	96 526
10 036	10 036	—	—	—	—	67 622	67 622
4 600	4 600	—	—	—	—	20 523	20 523
640	643	—	—	—	—	8 381	8 381
2 871	6 443	194	124 826	854	188	23 295	149 357
52	52	—	—	—	—	—	—
4 117	4 718	913	49 926	—	28 601	290 924	370 364
5 270	8 383	9 179	36 671	3 252	8 569	94 446	152 117
—	—	—	—	—	—	478	478
31 450	64 323	10 286	509 687	4 106	37 358	565 051	1 126 488
572	580	1 004	5 502	1 333	215	47 654	55 708
5	5	127	557	1 395	169	7 244	9 492
577	585	1 131	6 059	2 728	384	54 898	65 200

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

Analysis of credit risk mitigation and collateral	Gross maximum exposure[1] Rm	Collateral – credit impaired financial assets: Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	59 769	—	—	—	—
Debt instruments	53 365	—	—	—	—
Derivative assets	60 940	—	—	—	—
Money market assets	15 958	—	—	—	—
Trading and hedging portfolio assets	130 263	—	—	—	—
RBB South Africa	658 698	18	24 001	26	24
Home Loans	294 916	—	17 349	—	—
Vehicle and Asset Finance	88 585	—	3 985	—	—
Everyday Banking	118 409	—	1	—	—
Card	84 974	—	—	—	—
Personal Loans	24 466	—	—	—	—
Transactions and Deposits	8 969	—	1	—	—
Relationship Banking	156 735	18	2 666	26	24
RBB Other	53	—	—	—	—
CIB South Africa	365 236	187	150	—	40
ARO	146 683	86	1 742	4	561
Head Office, Treasury and other operations in South Africa	295	—	—	—	—
Loans and advances to customers	1 170 912	291	25 893	30	625
Off balance sheet					
Guarantees	45 325	—	10	—	4
Letters of credit	10 463	—	3	—	—
Total off-statement of financial position exposure	55 788	—	13	—	4

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

[1] Included in the gross maximum exposure is the off-statement of financial position exposure for revocable and irrevocable debt facilities.

31 December 2019

		Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets[(1)] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[(1)] Rm
—	—	350	—	—	26 013	33 406	59 769
—	—	—	—	—	—	53 365	53 365
—	—	74	—	1 212	43 992	15 662	60 940
—	—	—	—	—	—	15 958	15 958
—	—	74	—	1 212	43 992	84 985	130 263
18 610	42 679	201	426 764	853	272	187 929	616 019
1 671	19 020	—	255 389	—	—	20 507	275 896
1 267	5 252	—	45 237	—	—	38 096	83 333
13 006	13 007	—	—	—	—	105 402	105 402
9 321	9 321	—	—	—	—	75 653	75 653
3 119	3 119	—	—	—	—	21 347	21 347
566	567	—	—	—	—	8 402	8 402
2 613	5 347	201	126 138	853	272	23 924	151 388
53	53	—	—	—	—	—	—
1 427	1 804	9 393	46 873	—	40 771	266 395	363 432
3 386	5 779	10 156	38 345	1 647	7 377	83 379	140 904
—	—	—	—	—	—	295	295
23 423	50 262	19 750	511 982	2 500	48 420	537 998	1 120 650
255	269	1 187	5 384	1 266	187	37 032	45 056
5	8	94	1 077	483	174	8 627	10 455
260	277	1 281	6 461	1 749	361	45 659	55 511

15. Additional risk management disclosure (continued)

15.2 Treasury risk

15.2.1 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its contractual or contingent cash obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

The liquidity risk position of the Group is strong, in line with risk appetite, and above the minimum regulatory requirements, despite the economic and market uncertainty resulting from the Covid-19 pandemic. Group Treasury management worked closely with regulators and supervisory authorities in addressing market-wide liquidity constraints that arose at the onset of the pandemic at the end of the first quarter.

Although Covid-19 resulted in a market-wide liquidity deterioration in the first quarter of 2020, the PA-led initiatives alleviated the liquidity pressure and supported financial stability and market confidence. The market-wide liquidity conditions therefore improved materially in the second quarter. The PA instructed banks to comply with a revised minimum Liquidity Coverage Ratio (LCR) requirement of 80% (representing a 20% reprieve), with effect from 1 April 2020. The PA shall assess and determine the point at which it considers financial markets to have normalised, following which restoration of the 100% LCR requirement will ensue. An appropriate phase-in arrangement shall be implemented by the PA in this regard.

Liquidity risk is monitored at a Group level under a single comprehensive Treasury Risk Framework. The Treasury Risk Framework is designed to deliver an appropriate term structure and composition of funding consistent with the Liquidity Risk Appetite (LRA) set by the Board. This framework is delivered through a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Each geographic entity is required to be self-sufficient from a liquidity and funding perspective and is responsible for implementing appropriate processes and controls to ensure compliance with local LRA, regulatory limits and reporting requirements. The funding and liquidity of all our regional operations remain strong and resilient in all currencies for the period under review.

A strong core deposit franchise, combined with prudent funding and liquidity management remains a Group priority.

15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.1 Liquidity risk (continued)

The discounted maturity table below provides further analysis in terms of the Group's liquidity position as at 30 June 2020. Comparative information has been provided at 31 December 2019 in order to illustrate the change in the liquidity risk position since 31 December 2019.

	30 June 2020					
	Carrying value (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	57 818	4 327	254	—	(6)	62 393
Investment securities	10 305	43 842	50 805	51 715	(2)	156 665
Loans and advances to banks	24 209	82 012	5 288	1 704	(45)	113 168
Trading and hedging portfolio assets	198 916	1 054	8 515	1 659	—	210 144
Derivative assets	97 469	1 054	8 515	1 659	—	108 697
Non-derivative assets	101 447	—	—	—	—	101 447
Other financial assets	18 765	8 779	86	—	—	27 630
Loans and advances to customers	126 531	200 694	399 622	248 637	(43 191)	932 293
Non-current assets held for sale	—	52	—	—	—	52
Reinsurance assets	—	487	165	93	—	745
Investments linked to investment contracts	583	6 774	3 435	9 524	—	20 316
Financial assets	437 127	348 021	468 170	313 332	(43 244)	1 523 406
Non-financial assets						42 913
Total assets						1 566 319
Liabilities						
Deposits from banks	42 187	41 872	23 245	1 470	—	108 774
Trading and hedging portfolio liabilities	106 861	153	770	2 691	—	110 475
Derivative liabilities	95 784	153	770	2 691	—	99 398
Non-derivative liabilities	11 077	—	—	—	—	11 077
Other financial liabilities	38 599	9 788	214	—	—	48 601
Deposits due to customers	572 150	282 561	52 314	12 595	—	919 620
Debt securities in issue	335	98 653	70 982	8 825	—	178 795
Liabilities under investment contracts	4 918	6 501	6 892	9 376	—	27 687
Policyholder liabilities under insurance contracts	245	—	—	4 177	—	4 422
Borrowed funds	—	7 514	15 785	—	—	23 299
Financial liabilities	765 295	447 042	170 202	39 134	—	1 421 673
Non-financial liabilities						12 700
Total liabilities						1 434 373
Equity						131 946
Total equity and liabilities						1 566 319
Net liquidity position of financial instruments	(328 168)	(99 021)	297 968	274 198	(43 244)	101 733

15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.1 Liquidity risk (continued)

	31 December 2019					
	Carrying value (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	47 734	4 789	13	—	(4)	52 532
Investment securities	9 358	41 394	34 180	31 815	(0)	116 747
Loans and advances to banks	17 921	39 916	1 932	—	(24)	59 745
Trading and hedging portfolio assets	157 681	191	2 350	817	—	161 039
Derivative assets	57 583	191	2 350	817	—	60 941
Non-derivative assets	100 098	—	—	—	—	100 098
Other financial assets	17 471	9 283	189	—	—	26 943
Loans and advances to customers	129 783	214 150	345 297	257 485	(29 737)	916 978
Non-current assets held for sale	145	3 720	—	—	—	3 865
Reinsurance assets	—	570	236	80	—	886
Investments linked to investment contracts	549	4 209	5 898	9 386	—	20 042
Financial assets	380 642	318 222	390 095	299 583	(29 765)	1 358 777
Non-financial assets						40 398
Total assets						1 399 175
Liabilities						
Deposits from banks	25 247	72 337	19 754	85	—	117 423
Trading and hedging portfolio liabilities	59 235	112	446	811	—	60 604
Derivative liabilities	46 034	112	446	811	—	47 403
Non-derivative liabilities	13 201	—	—	—	—	13 201
Other financial liabilities	29 710	8 159	636	—	—	38 505
Deposits due to customers	471 179	281 204	61 895	12 015	—	826 293
Debt securities in issue	372	83 557	63 075	12 790	—	159 794
Liabilities under investment contracts	5 144	4 053	9 803	10 700	—	29 700
Policyholder liabilities under insurance contracts	542	—	—	3 789	—	4 331
Borrowed funds	195	10 706	3 676	6 841	—	21 418
Financial liabilities	591 624	460 128	159 285	47 031	—	1 258 068
Non-financial liabilities						12 424
Total liabilities						1 270 492
Equity						128 683
Total equity and liabilities						1 399 175
Net liquidity position of financial instruments	(210 982)	(141 906)	230 810	252 552	(29 765)	100 709

15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.2 Capital management risk

Capital risk is the risk that the Group has an insufficient level or inappropriate composition of capital supply to support its normal business activities while remaining within its Board capital target ranges and above regulatory capital requirements.

The Group's capital management strategy, which is in line with and in support of the Group's strategy, is to focus on capital preservation through active financial resource management in the face of lower earnings and higher credit RWAs driven by the economic impact of the Covid-19 pandemic.

During the first half of the year, the PA instituted several regulatory relief reforms in specific response to the Covid-19 pandemic. The relief measures provide for a temporary relaxation of both capital supply and short-term liquidity requirements, with the intention of enabling banks to continue the provision of credit into the real economy during this period of financial stress.

Furthermore, in anticipation of credit risk-induced pressure on banks' capital brought on by the pandemic, specific temporary dispensation has been provided by the PA in relation to relief initiatives enacted by banks during the stress period, where those relief measures are effectively regarded as short-term liquidity solutions only.

Capital relief

The following capital buffers above the Group's base minimum capital requirement have been temporarily relaxed:

- Pillar 2A (Systemic Risk) (1%);
- Capital Conservation Buffer (CCB) (2.5%); and
- Domestic-Systemically Important Buffer (D-SIB) (1%).

Review of current reporting period

- The Group's capital position was well above minimum regulatory requirements as at 30 June 2020 and at the lower end of the Board target range of 11 to 12%.
- The capital ratios are weaker year on year due to the payment of the 2019 dividend and lower earnings during H1 2020 driven by higher impairment levels required by IFRS 9 due to the macroeconomic impact of the Covid-19 pandemic. Capital buffers remain strong and well above minimum regulatory requirements.
- Higher Stage 1 and Stage 2 impairments have reduced headline earnings which resulted in a lower CET 1 ratio. However, R3bn of surplus impairments in excess of expected loss (capped at 0.6% of IRB credit risk RWA) has resulted in an increase to Tier 2 reserve funds which helped support the Capital Adequacy Ratio (CAR) with an additional R2.6bn of surplus impairments above the cap available to absorb future loses.

Capital adequacy ratios

	30 June		31 December	30 June		30 June and 31 December	
	2020	2019	2019	**Board target ranges 2020**	**Minimum regulatory capital requirements[1] 2020**	Board target ranges 2019	Minimum regulatory capital requirements 2019
Statutory capital ratios (includes unappropriated profits) (%)							
Common Equity Tier 1	**11.0**	12.5	12.1	**11.0 – 12.0**	**7.0**	11.0 – 12.0	7.5
Tier 1	**11.9**	13.3	13.0	**12.0 – 13.0**	**8.5**	12.0 – 13.0	9.3
Total	**14.9**	16.0	15.8	**14.5 – 15.5**	**10.5**	14.5 – 15.5	11.5
Capital supply and demand for the reporting period (Rm)							
Qualifying capital	**139 502**	134 887	138 137				
Total RWA	**935 766**	844 332	870 406				

[1] The 2020 minimum regulatory capital requirements of 10.5% (2019: 11.5%) include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.3 Interest rate risk in the banking book (IRRBB)

The risk that the Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its banking book assets and liabilities.

The Group Risk and Capital Management Committee continues to evaluate IRRBB on an ongoing basis and take appropriate steps to mitigate the risk. The evaluation and risk mitigation is performed with consideration of the dynamic interest rate environments and balance sheets across the various jurisdictions in which the Group operates.

	30 June		31 December
Key risk metrics	**2020 Rm**	2019 Rm	2019 Rm
Banking book net interest income (NII) sensitivity for a 2% downward shock in interest rates	**(2 884)**	(2 859)	(3 805)

Review of current reporting period

- The Group NII sensitivity reduced from December 2019 as increased hedging was conducted in anticipation of the rate cuts.

15.3 Traded market risk

Traded market risk is the risk of loss to the Group's earnings or capital being adversely impacted due to changes in the level or volatility of prices affecting the positions in its active trading activities across the Group. This includes but is not limited to changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange levels.

The Group Market Risk Committee (GMRC) meets monthly to review, challenge and make recommendations concerning the traded market risk profile, including risk appetite, policies, limits, risk utilisation, valuation risk and the effectiveness of the control environment.

The Trading Risk Committee (TRC) and Market Risk Control and Infrastructure Committee (MRCIC) are subcommittees of the GMRC that provide oversight of specific traded market risks and the traded market risk control environment.

	30 June		31 December
Key risk metrics	**2020 Rm**	2019 Rm	2019 Rm
Average traded market risk – 99% daily value at risk (DVaR)	**57.91**	54.56	51.12

Review of current reporting period

- The increase in average DVaR was principally due to the increase in volatility in markets caused by the Covid-19 pandemic impacting the DVaR time series coupled with lower liquidity making exiting risk challenging for the business.

15.4 Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk, namely transactional and translational risk.

Transactional foreign exchange risk

Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. The Group's policy is for transactional foreign exchange risk to be concentrated and managed within the trading book.

In accordance with the Group's policy, there were no significant net open currency positions outside the trading book at the reporting date that would give rise to material foreign exchange gains and losses being recognised in the statement of comprehensive income or in equity as a result of a foreign exchange rate shock.

15. Additional risk management disclosure (continued)

15.4 Foreign exchange risk (continued)

Foreign currency translation sensitivity analysis

The following table depicts the carrying value of foreign currency net investments and the pre-tax impact on equity of a 5% change in the exchange rate between the ZAR and the relevant functional foreign currencies.

	30 June 2020		31 December 2019	
	Foreign currency net investment Rm	Impact of 5% currency translation shock Rm	Foreign currency net investment Rm	Impact of 5% currency translation shock Rm
Botswana Pula	3 152	158	2 949	147
Ghana Cedi	5 684	284	4 046	202
Kenya Shilling	7 032	352	6 276	314
Mauritian Rupee	1 131	57	1 547	77
Mozambican Metical	1 929	96	1 707	85
Namibian Dollar	96	5	98	5
Nigerian Naira	63	3	49	2
Seychelles Rupee	620	31	726	36
Pound Sterling	417	21	333	17
Tanzanian Shilling	3 152	158	2 461	123
Uganda Shilling	2 303	115	1 786	89
United States Dollar	6 157	308	4 653	233
Zambia Kwacha	1 144	57	1 172	59
	32 880	1 645	27 803	1 390

15.5 Insurance risk

As at 30 June 2020, there was little change in the Group's exposure to insurance risk despite market and economic volatility. No significant changes were effected to the underlying reserving assumptions applied, based on positive lapse rate and mortality experience.

In the Short-Term Insurance business the underwriting margin improved mainly as a result of lower claims incidence on the motor vehicle portfolio, notwithstanding customer premium relief concessions.

Premium relief concessions were provided in the Short-Term Insurance space on motor vehicle insurance for personal and iDirect policies (excluding commercial policies for motor vehicle insurance). Customers eligible for this concession were assessed based on their historical loss ratio and claims history, together with an active policy for at least 12 months, and no defaults on premiums in the preceding two months.

In the Life Insurance business, a higher incidence of retrenchment claims resulted in increased provisioning for these types of claims, including an incurred but not reported (IBNR) provision of R34m which takes into account the backlog in claims processing.

Premium relief in the Life Insurance space was afforded to customers on funeral cover and @Ease products for a period of two months. The uptake thereof was 100% and 65% respectively.

Condensed consolidated normalised results

for the interim reporting period ended

Normalised financial results (normalised results) as a consequence of Barclays PLC separation

Barclays PLC contributed R12.1bn in 2017 (approximately US$1bn at the time) towards the three-year separation programme, which comprised mainly information technology and brand projects, and which commenced on 6 June 2017.

A total of 270 projects have been delivered as part of the separation programme, and all technical solutions have been built. The remaining six projects will be concluded in the next few months.

The separation process has had a significant impact on the Group's financial results over the past three years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenues, and amortisation of the aforementioned assets as they are brought into use. The aforementioned results show a disconnect between the underlying business performance and the IFRS financial results. Normalised 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 2 for the IFRS results.

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

The condensed consolidated 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 (including amortisation of intangible assets) and other expenses (collectively the 'separation'). The Group will present normalised results for future periods where the financial impact of separation is considered material. Normalisation does not affect divisional disclosures.

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 presented in accordance with the JSE Listings Requirements which require that *pro forma* financial information be compiled in terms of the JSE Listings Requirements, the SAICA Guide on *Pro Forma* Financial Information and any relevant guidance issued by the IRBA. The normalised results are presented for illustrative purposes only, have not been reviewed or reported on by the external auditors of the Group and are the responsibility of the Group's Board of Directors. Given its nature, the *pro forma* financial information may not fairly present the Group's financial position, changes in equity, and results of operations or cash flows.

Condensed consolidated normalised salient features

for the interim reporting period ended

	30 June		31 December
	2020[1]	2019	2019
Statement of comprehensive income (Rm)			
Income	**40 078**	39 071	79 961
Operating expenses	**21 613**	22 136	46 357
Profit attributable to ordinary equity holders	**1 443**	8 258	16 003
Headline earnings[2]	**1 459**	8 267	16 265
Statement of financial position			
Total assets (Rm)	**1 560 996**	1 372 797	1 394 494
Financial performance (%)			
Return on equity (RoE)	**2.6**	16.4	15.8
Return on average assets (RoA)	**0.20**	1.26	1.20
Return on risk weighted assets (RoRWA)	**0.32**	2.02	1.91
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.23**	4.52	4.50
Non-interest as a percentage of total income	**39.9**	42.0	42.1
Cost-to-income ratio	**53.9**	56.7	58.0
Jaws	**5**	0	(1)
Effective tax rate	**26.1**	27.1	26.2
Share statistics (million)			
Number of shares in issue (excluding treasury shares)	**842.9**	845.7	843.5
Weighted average number of ordinary shares in issue	**840.6**	845.7	844.5
Diluted weighted average number of ordinary shares in issue	**841.2**	847.2	845.7
Share statistics (cents)			
Basic earnings per ordinary share (EPS)	**171.7**	976.5	1 895.0
Diluted basic earnings per ordinary share (DHEPS)	**171.5**	974.7	1 892.3
Headline earnings per ordinary share (HEPS)	**173.6**	977.5	1 926.0
Diluted headline earnings per ordinary share (DHEPS)	**173.4**	975.8	1 923.3
Dividend per ordinary share relating to income for the reporting period	**—**	505	1 125
Dividend cover (times)	**—**	1.9	1.7
NAV per ordinary share	**13 080**	12 335	12 605
Tangible NAV per ordinary share	**12 277**	11 622	11 854
Capital adequacy (%)			
Absa Group Limited	**14.7**	15.4	15.5
Absa Bank Limited	**15.5**	15.8	16.2
Common Equity Tier 1 (%)			
Absa Group Limited	**10.8**	11.9	11.8
Absa Bank Limited	**10.2**	11.3	11.4

[1] Please refer to the condensed consolidated normalised reconciliation for the interim reporting period ended 30 June 2020 for further information as presented on pages 78 to 80.

[2] After allowing for **R172m** (30 June 2019: R174m; 31 December 2019: R352m) profit attributable to preference equity holders and **R334m** (30 June 2019: R169m; 31 December 2019: R435m) profit attributable to Additional Tier 1 capital holders.

Condensed consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	30 June 2020		
	IFRS Group performance[(1)]	Barclays PLC separation effects[(2)]	Normalised Group performance[(3)]
Statement of comprehensive income (Rm)			
Net interest income	24 124	(52)	24 072
Non-interest income	16 231	(225)	16 006
Total income	40 355	(277)	40 078
Impairment losses	(14 661)	—	(14 661)
Operating expenses	(23 040)	1 427	(21 613)
Other expenses	(1 185)	142	(1 043)
Share of post-tax results of associates and joint ventures	(8)	—	(8)
Operating profit before income tax	1 461	1 292	2 753
Tax expenses	(471)	(247)	(718)
Profit for the reporting period	990	1 045	2 035
Profit attributable to:			
Ordinary equity holders	485	958	1 443
Non-controlling interest – ordinary shares	(1)	87	86
Non-controlling interest – preference shares	172	—	172
Non-controlling interest – Additional Tier 1 capital	334	—	334
	990	1 045	2 035
Headline earnings	559	900	1 459
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.23	n/a	4.23
Credit loss ratio on gross loans and advances to customers and banks	2.77	n/a	2.77
Non-interest income as % of total income	40.2	n/a	39.9
Income growth	3	n/a	3
Operating expenses growth	0	n/a	(2)
Cost-to-income ratio	57.1	n/a	53.9
Effective tax rate	32.2	n/a	26.1
Statement of financial position (Rm)			
Loans and advances to customers	932 293	—	932 293
Loans and advances to banks	113 168	—	113 168
Investment securities	156 665	—	156 665
Other assets	364 193	(5 323)	358 870
Total assets	1 566 319	(5 323)	1 560 996
Deposits due to customers	919 620	—	919 620
Debt securities in issue	178 795	—	178 795
Other liabilities	335 958	443[(4)]	336 401
Total liabilities	1 434 373	443	1 434 816
Equity	131 946	5 766	126 180
Total equity and liabilities	1 566 319	(5 323)	1 560 996
Key performance ratios (%)			
RoA	0.07	n/a	0.20
RoE	1.0	n/a	2.6
Capital adequacy	14.9	n/a	14.7
Common Equity Tier 1	11.0	n/a	10.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	67.7	n/a	173.4

(1) IFRS Group performance presents the IFRS information as extracted from the Group's condensed consolidated financial results for the interim reporting period ended 30 June 2020.

(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 interim 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	16 371	33	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 Group performance presents the IFRS information as extracted from the Group's condensed consolidated financial results for the interim 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 interim reporting period ended

	31 December 2019		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	46 501	(195)	46 306
Non-interest income	33 619	36	33 655
Total income	80 120	(159)	79 961
Impairment losses	(7 816)	—	(7 816)
Operating expenses	(48 767)	2 410	(46 357)
Other expenses	(2 006)	113	(1 893)
Share of post-tax results of associates and joint ventures	221	—	221
Operating profit before income tax	21 752	2 364	24 116
Tax expenses	(5 772)	(538)	(6 310)
Profit for the reporting period	15 980	1 826	17 806
Profit attributable to:			
Ordinary equity holders	14 256	1 747	16 003
Non-controlling interest – ordinary shares	937	79	1 016
Non-controlling interest – preference shares	352	—	352
Non-controlling interest – Additional Tier 1 capital	435	—	435
	15 980	1 826	17 806
Headline earnings	14 526	1 739	16 265
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.49	n/a	4.49
Credit loss ratio on gross loans and advances to customers and banks	0.80	n/a	0.80
Non-interest income as % of total income	42.0	n/a	42.1
Income growth	5	n/a	6
Operating expenses growth	4	n/a	6
Cost-to-income ratio	60.9	n/a	58.0
Effective tax rate	26.5	n/a	26.2
Statement of financial position (Rm)			
Loans and advances to customers	916 978	—	916 978
Loans and advances to banks	59 745	—	59 745
Investment securities	116 747	—	116 747
Other assets	305 705	(4 681)	301 024
Total assets	1 399 175	(4 681)	1 394 494
Deposits due to customers	826 293	—	826 293
Debt securities in issue	159 794	—	159 794
Other liabilities	284 405	2 162[4]	286 567
Total liabilities	1 270 492	2 162	1 272 654
Equity	128 683	(6 843)	121 840
Total equity and liabilities	1 399 175	(4 681)	1 394 494
Key performance ratios (%)			
RoA	1.06	n/a	1.20
RoE	13.1	n/a	15.8
Capital adequacy	15.8	n/a	15.5
Common Equity Tier 1	12.1	n/a	11.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 747.4	n/a	1 923.1

[1] IFRS Group performance presents the IFRS information as extracted from the Group's summary consolidated financial results for the reporting period ended 31 December 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'.

Contact information

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