Absa Group Limited

Financial results for the reporting period ended 31 December 2019

Report **overview**

This financial results booklet for the reporting period ended 31 December 2019 is one of the publications released at the time of Absa Group Limited's (Absa Group or the Group) financial results announcement on 11 March 2020. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the annual financial results presentation. The full set of documents is available on www.absa.africa

1. Reportable segment changes

- Rest of Africa (RoA) Banking was renamed to Absa Regional Operations (ARO) to align with the Absa Group brand.
- Wealth, Investment Management and Insurance (WIMI) has been removed from the Group's segmental disclosures to align with how the operations are now managed:
  - Life Insurance and Short-term Insurance (including Insurance Absa Regional Operations) are disclosed as the Insurance Cluster in Retail and Business Banking South Africa (RBB SA).
  - Wealth, Distribution and Fiduciary services have moved to the Relationship Banking segment in RBB SA.
  - WIMI Other is part of Retail and Business Banking Other in RBB SA.
  - Investment Management is reported in Head Office, Treasury and other operations in South Africa.
  - Terminating lines is reported in Head Office, Treasury and other operations in South Africa.

The aforementioned segment changes have resulted in the restatement of financial results for the respective segments, but have not impacted the overall position or net earnings of the Group.

2. Business portfolio changes

The following business portfolio changes have taken place during the reporting period:

- RBB SA operating model: RBB SA has aligned its operating model to enable a more customer-centric approach, which offers more holistic product offerings. The business has now been arranged into the following units:
  - Home Loans;
  - Vehicle and Asset Finance;
  - Everyday Banking;
  - Relationship Banking;
  - Insurance Cluster;
  - Retail and Business Banking Other.
- Software projects and other assets, liabilities (together with the funding provided by Treasury) and associated income and expenses, which were previously centrally maintained, have been moved from Head Office in South Africa to the various responsible segments to ensure end-to-end accountability of business activities.
- The Absa Namibia representative office, which was previously reported in ARO, has been moved to Corporate and Investment Banking South Africa (CIB SA) to support its regional expansion strategy.

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

- In October 2019, Absa Bank Limited entered into an agreement to sell the Edcon loan book within RBB SA. For the financial year ended 31 December 2019, the book was reclassified from loans and advances to customers to non-current assets held for sale as required by IFRS 5. The loan book continued to be measured in accordance with IFRS 9. The conditions precedent to this sale were fulfilled in January 2020, with the effective date of the transfer being 1 February 2020.

3. Adoption of new International Financial Reporting Standards (IFRS)

New IFRSs have been adopted, of which IFRS 16 Leases (IFRS 16) has the most significant impact on the Group's results. Refer to note 17 for more information.

Dividend per share
Final: 620 cents
Interim: 505 cents

Key dates
Dividend payment: 20 April 2020
Financial year-end: 31 December 2019
Annual general meeting: 4 June 2020

Shareholder communications

- The Board of Directors oversees the Group's activities and holds management accountable for adhering to the risk governance framework. To do so, directors view 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 Group Chief Executive. The Financial Director has regular and unrestricted access to the Board of Directors as well as to the Group Audit and Compliance Committee (GACC).
- Together with the GACC, the Board has reviewed and approved the reporting changes contained in the financial results announcement released on 11 March 2020.

Contents

Icons used with this report

▲ ▼ ●	Positive
▲ ▼ ●	Negative
=	Remains the same
▲ ▼	Increase/decrease
▲ ▼	Marginal

Absa Group Limited (1986/003934/06)

The term Absa Group or the Group refers to Absa Group Limited and its subsidiaries.

Financial results for the reporting period ended 31 December 2019.

Date of publication: 11 March 2020.

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

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The Absa Group today

As a financial services provider, we play an important role in the economic life of individuals, businesses and nations. We help to create, grow and protect wealth through partnerships in economic development, while playing a shaping role in Africa's growth and sustainability.

Bring your possibility to life

We believe in possibility, in the actions of people who always find a way to get things done. We believe in creating opportunities for our customers to make their possibilities real and supporting them every step of the way.

Our strategy will bring our purpose alive as we pursue our goal of growth.

Our strategic objectives

1. Growing our portfolio while contributing to the growth of the markets we serve.
2. Reducing costs by creating a more efficient and effective organisation.
3. Delivering top, sustainable returns that maximise long-term value.

Our measures of progress

1. To grow revenue faster, on average, than the South African banking sector, with an improving trend over time and within appropriate risk appetite parameters.
2. To consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2022.
3. To achieve a normalised Group return on equity of 18% to 20% by 2022, which is heavily dependent on the state of SA's economy, while maintaining an unchanged dividend policy.

Normalised Group performance

Normalised Group performance overview

for the reporting period ended 31 December

Improving revenue momentum of 6%

(CCY +5%), particularly in RBB SA which increased by 5% and ARO remaining strong at 14% (CCY +11%).

Headline earnings increased by 1%

(CCY flat) to R16.3bn as higher pre-provision profits were offset by 24% higher impairments. SA business units headline earnings were down 3%, while earnings outside of SA showed strong growth of 17% (CCY +13%) and provided portfolio diversification.

Balance sheet momentum remains strong

across business units with customer deposits growing by 12% (CCY +13%), and pleasingly growing faster than gross customer advances up 9% (CCY +9%).

Return on equity of 15.8%

decreased from the prior year (16.8%), reflecting low earnings growth coupled with a 8% increase in average equity.

Cost growth contained

to inflationary levels of 6% (CCY +5%) despite the impact of increased incremental run, restructuring charges and other once-offs. Low underlying cost growth has been supported by benefits of targeted cost reductions.

Net interest margin decreased

from 464bps to 450bps, mainly reflecting the impact of funding mix as low margin funding continues to grow faster than higher margin transactional balances.

Pre-provision profit up 5%

(CCY +4%) showing improved momentum in RBB SA up 7% versus prior year down 2% and ARO of 17% (CCY +14%) versus prior year growth up 1% (CCY +4%).

Credit loss ratio increased

to 80bps (PY: 73bps) and impairment charges increased by 24% (CCY +23%). RBB SA increased by 38%, particularly in unsecured products which is reflective of the impact of new business strain and an increase in coverage. ARO increased by 53% (CCY +49%) off a low base, partially offset by CIB SA down 63% from higher single name charges in the prior year.

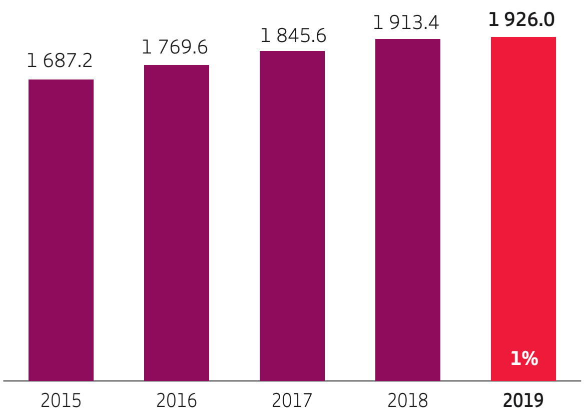
Marginally negative JAWS (-0.5%)

reflecting revenue growth of 6% (CCY +5%) offset by operating cost growth of 6% (CCY +5%) with cost-to-income ratio (58.0%) increasing marginally on the prior year.

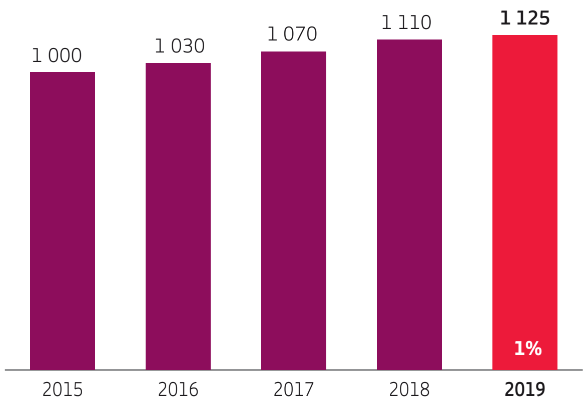
Normalised Group performance overview

for the reporting period ended 31 December

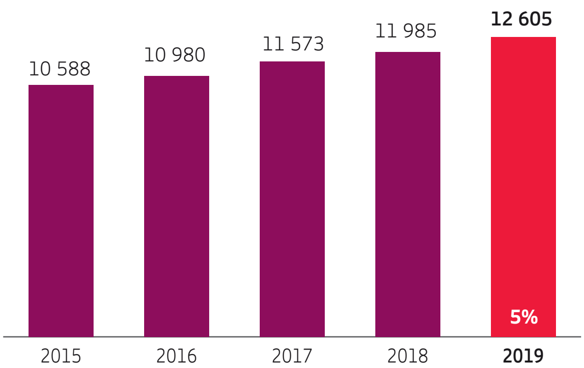
Headline earnings per ordinary share (HEPS) (cents)



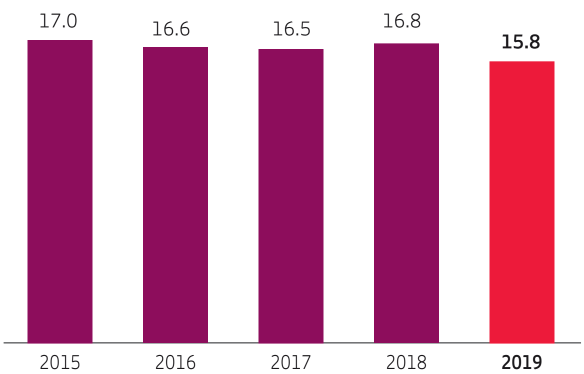
Dividend per share (DPS) (cents)



Net asset value (NAV) per ordinary share (cents)



Return on equity (RoE) (%)



Normalised Group performance overview

for the reporting period ended 31 December

Reconciliation of IFRS to normalised results

		2019	
	IFRS Group performance	Barclays separation effects	Normalised Group performance
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	4.50	n/a	4.50
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[1]	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 (%)			
Return on average assets (RoA)	1.07	n/a	1.20
Return on equity (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	1 747.6	n/a	1 923.3

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'. The amount is presented in 'Loans from Barclays separation segment' in the Consolidated normalised statement of financial position (refer to page 18).

Normalised Group performance overview

for the reporting period ended 31 December

Reconciliation of IFRS to normalised results

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

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'. The amount is presented in 'Loans from Barclays separation segment' in the Consolidated normalised statement of financial position (refer to page 18).

Normalised salient features

for the reporting period ended 31 December

	2019	2018	Change %
Statement of comprehensive income (Rm)			
Income	**79 961**	75 660	6
Operating expenses	**46 357**	43 642	6
Profit attributable to ordinary equity holders	**16 003**	15 903	1
Headline earnings	**16 265**	16 128	1
Statement of financial position			
Loans and advances to customers (Rm)	**916 978**	841 720	9
Total assets (Rm)	**1 394 494**	1 285 552	8
Deposits due to customers (Rm)	**826 293**	736 305	12
Loans-to-deposits and debt securities ratio (%)	**93.0**	93.8	
Average loans-to-deposits and debt securities ratio (%)	**87.5**	88.9	
Financial performance (%)			
Return on equity (RoE)	**15.8**	16.8	
Return on average assets (RoA)	**1.20**	1.34	
Return on risk-weighted assets (RoRWA)	**1.91**	2.12	
Stage 3 loans ratio on gross loans and advances	**4.67**	5.10	
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.50**	4.64	
Credit loss ratio on gross loans and advances to customers and banks	**0.80**	0.73	
Non-interest income as percentage of total income	**42.1**	42.6	
Cost-to-income ratio	**58.0**	57.7	
Jaws	**(1)**	(2)	
Effective tax rate	**26.2**	28.1	
Share statistics (million)			
Number of ordinary shares in issue	**847.8**	847.8	
Number of ordinary shares in issue (excluding treasury shares)	**843.5**	840.2	
Weighted average number of ordinary shares in issue	**844.5**	842.9	
Diluted weighted average number of ordinary shares in issue	**845.7**	844.4	
Share statistics (cents)			
Headline earnings per ordinary share	**1 926.0**	1 913.4	1
Diluted headline earnings per ordinary share	**1 923.3**	1 910.0	1
Basic earnings per ordinary share	**1 895.0**	1 886.7	0
Diluted basic earnings per ordinary share	**1 892.3**	1 883.3	0
Dividend per ordinary share relating to income for the reporting period	**1 125**	1 110	1
Dividend cover (times)	**1.7**	1.7	—
NAV per ordinary share	**12 605**	11 985	5
Tangible NAV per ordinary share	**11 854**	11 273	5
Capital adequacy (%)			
Absa Group Limited	**15.5**	15.4	
Absa Bank Limited	**16.2**	15.4	
Common Equity Tier 1 (%)			
Absa Group Limited	**11.8**	12.0	
Absa Bank Limited	**11.4**	11.2	

Normalised salient features by segment

for the reporting period ended 31 December

	2019	2018[1]	Change %
Headline earnings (Rm)			
RBB South Africa	**9 510**	9 722	(2)
CIB South Africa	**3 230**	3 422	(6)
Absa Regional Operations	**3 635**	3 140	16
Head Office, Treasury and other operations in South Africa	**(110)**	(156)	(29)
Return on average risk-weighted assets (%)			
RBB South Africa[2]	**2.54**	2.84	
CIB South Africa	**1.48**	1.75	
Absa Regional Operations	**1.63**	1.70	
Return on regulatory capital (%)			
RBB South Africa	**21.4**	23.3	
CIB South Africa	**13.3**	15.9	
Absa Regional Operations[3]	**19.0**	18.1	
Credit loss ratio (%)			
RBB South Africa	**1.18**	0.92	
CIB South Africa	**0.11**	0.36	
Absa Regional Operations	**0.98**	0.78	
Loans and advances to customers (Rm)			
RBB South Africa	**506 478**	471 655	7
CIB South Africa	**298 229**	273 169	9
Absa Regional Operations	**111 465**	96 214	16
Head Office, Treasury and other operations in South Africa	**806**	682	18
Deposits due to customers (Rm)			
RBB South Africa	**372 564**	338 235	10
CIB South Africa	**207 461**	173 832	19
Absa Regional Operations	**150 388**	133 656	13
Head Office, Treasury and other operations in South Africa	**95 880**	90 582	6

[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.
[2] The RoRWA includes Insurance cluster returns, but risk-weighted assets of zero have been attributed to the Insurance cluster since it is not regulated under the risk-weighted asset regulations that apply to banking entities.
[3] As the Absa Regional Operations consists primarily of a set of legal entities, the denominator in the RoRC for the Absa Regional Operations is calculated as the sum of the average equity of the legal entities.

Profit commentary

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.

- Diluted normalised HEPS grew 1% to 1 923.3 cents from 1 910 cents.
- The Group declared a 1% higher full-year dividend per share of 1 125 cents.
- RBB South Africa headline earnings declined 2% to R9.5bn, CIB South Africa declined 6% to R3.2bn and Absa Regional Operations rose 16% to R3.6bn.
- Normalised return on equity (RoE) decreased to 15.8% from 16.8%.
- Normalised revenue increased 6% to R80.0bn and operating expenses rose 6% to R46.4bn, resulting in a 58.0% cost-to-income ratio.
- Pre-provision profit increased 5% to R33.6bn on a normalised basis.
- Credit impairments grew 24% to R7.8bn, resulting in a 0.80% credit loss ratio from 0.73%.
- Absa Group's normalised Common Equity Tier 1 (CET 1) ratio of 11.8% remains above regulatory requirements and at the top end of the Board's target range.
- Normalised NAV per share rose 5% to 12 605 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: R195m of interest earned on Barclays PLC's separation contribution (2018: R330m); hedging revenue linked to separation activities of R36m (2018: R525m); operating expenses of R2 410m (2018: R3 161m) and R113m of other expenses (2018: R194m), plus a R538m tax impact of the aforementioned (2018: R484m) items. In total, these adjustments added R1 739m to the Group's normalised headline earnings during the period (2018: R1 986m). Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Overview of results

On a normalised basis, Absa Group's headline earnings grew 1% to R16 265m from R16 128m and diluted HEPS rose 1% to 1 923.3 cents from 1 910.0 cents. The Group's normalised RoE was 15.8% from 16.8% and its return on assets was 1.20% from 1.34%. Revenue grew 6% to R79 961bn, with net interest income and non-interest income rising 7% and 4% respectively. The Group's net interest margin (on average interest-bearing assets) decreased to 4.50% from 4.64%, largely due to lower deposit margins. Gross loans and advances to customers grew 9% to R947bn, while deposits due to customers rose 12% to R826bn. With operating expenses growing 6%, the normalised cost-to-income ratio increased to 58.0% from 57.7%, and pre-provision profit grew 5% to R33.6bn. In constant currency (CCY), pre-provision profit increased 4% and headline earnings was flat. Credit impairments grew 24% to R7.8bn, resulting in a 0.80% credit loss ratio from 0.73%. The Group's normalised NAV per share increased 5% to 12 605 cents and it declared a 1% higher full-year DPS of 1 125 cents.

RBB South Africa's headline earnings declined 2% to R9 510m primarily due to 38% higher credit impairments. CIB South Africa's earnings fell 6% to R3 230m, given 4% lower revenue. Total CIB headline earnings increased 3% to R5 946m, largely due to 48% lower credit impairments. Absa Regional Operations' (ARO) headline earnings grew 16% to R3 635m, or 12% in CCY, with RBB and CIB increasing 22% and 15% respectively.

South African earnings declined 3% to R12 657m, while Africa Regions (includes RBB ARO, CIB ARO, Head Office ARO and Insurance ARO) rose 17% to R3 608m, or 13% in CCY, to account for 22% of Group earnings.

Operating environment

The global economy slowed in the current year, driven by weakness in global trade and investment. The International Monetary Fund (IMF) estimated global growth at 2.9% in the current period, marking the slowest growth since the global financial crisis. Inflation was generally low across advanced and emerging economies due to weak economic activity. The combination of low inflation and slowing economic growth prompted major central banks to cut interest rates and monetary policy is likely to remain accommodative.

South Africa's economy contracted in the third and fourth quarters by 0.8% and 1.4%, respectively, the second recession in two years. The economy has been hit by short-term shocks, persistently weak business sentiment and periods of load shedding. GDP growth for full-year 2019 slowed to 0.2%, the weakest outcome since the 2009 recession. Despite stagnant growth and challenging labour market conditions, household credit extension picked up gradually through the year, reaching 6.1% y/y in December.

Headline inflation surprised on the downside in 2019 and reached a nine-year low of 3.6% YoY in November, reflecting weak demand and persistent slack in the economy, but picked up to 4.0% in December. The South African Reserve Bank (SARB) reduced the repo rate by 25 bps in July 2019, citing the improved inflation outlook. The Rand spent much of 2019 trading weaker, but recovered towards the end of the year to finish slightly higher as a favourable turn in global risk appetite helped offset a generally downbeat assessment of South Africa's risks.

Beyond South Africa, economic growth in our ARO presence countries slowed to a forecast 5.0% in 2019, compared to 5.6% the previous year. This economic slowdown was mostly in Botswana, Mozambique, Uganda and Zambia, due to a weaker global backdrop and significant weather-related challenges.

Profit commentary

Group performance

Statement of financial position

Normalised total assets increased 8% to R1 394bn as at 31 December 2019, largely due to 9% growth in loans and advances to customers.

Gross loans and advances to customers

Gross loans and advances to customers increased 9% to R947bn. RBB South Africa loans rose 7% to R530bn, reflecting 10% growth in instalment credit agreements, 4% higher mortgages, 5% growth in credit cards and a 20% increase in personal and term loans. CIB South Africa's gross loans grew 9% to R300bn, including 27% growth in mortgages and 47% higher reverse repurchase agreements, while term loans rose 2%. Absa Regional Operations' gross loans increased 15% to R116bn or 21% in CCY.

Funding

The Group's liquidity position remains strong, with liquid assets and other sources of liquidity growing 7% to R233bn, which equates to 28% of customer deposits. Its average liquidity coverage ratio for the fourth quarter was 134% from 110%, comfortably above the minimum regulatory hurdle of 100% during the current year. Deposits due to customers grew 12% to R826bn. Loans to deposit and debt securities ratio decreased to 93.0% from 93.8%. Deposits due to customers constituted 75% of total funding from 72%. RBB South Africa's deposits grew 10% to R373bn, with savings and transmission deposits up 11% and fixed deposits up 15%. CIB South Africa's deposits increased 19% to R207bn. Absa Regional Operations' deposits increased 13% to R150bn, or 19% in CCY.

Net asset value

The Group's normalised NAV rose 6% to R106bn and its NAV per share grew 5% to 12 605 cents. During the year it generated retained earnings of R16.0bn, from which it paid R9.4bn in ordinary dividends. Its foreign currency translation reserve decreased by R1.3bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased 6% to R870bn at 31 December 2019, largely due to 7% higher credit RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. Its normalised CET 1 and total capital adequacy ratios were 11.8% and 15.5% respectively (from 12.0% and 15.4%). The Group generated 1.8% of CET 1 capital internally during the year. Declaring a 1% higher full-year DPS of 1 125 cents on a dividend cover of 1.7 times took into account the operating environment, the Group's strong capital position, internal capital generation, strategy and growth plans.

Statement of comprehensive income

The commentary below refers to normalised financial results.

Net interest income

Net interest income increased 7% to R46 306m from R43 425m, or 6% in CCY, while average interest-bearing assets grew 10%. The Group's net interest margin (to average interest-bearing assets) declined to 4.50% from 4.64%, mostly due to a lower deposit margin. Loan pricing decreased 7 bps, primarily due to the Investment Bank and Relationship Banking in SA. Slower growth in Home Loans than overall loans had a positive loan composition impact. Deposit margins decreased, mainly in RBB SA reflecting competitive pricing in Relationship and Everyday Banking. Increased reliance on wholesale funding had an adverse composition effect. Endowment on equity and liabilities after hedging contributed 4bps less as they grew slower than overall interest-bearing assets. The structural hedge released R595m to the income statement, or 6 bps, from R518m. The after tax cash flow hedging reserve for the programme was R1.1bn, from R0.4bn in 2018. Absa Regional Operations had a negative 1bp impact due to lower interest rates in a number of markets. IFRS 16 reduced the net interest margin by 3 bps, with an equal reduction in operating expenses. The increased basis differential between prime and JIBAR in SA added 2 bps, while lower average high quality liquid assets increased the margin by 5bps.

Non-interest income

Non-interest income increased 4% to R33 655m from R32 235m to account for 42.1% of total revenue from 42.6%. On a CCY basis, the growth was 4%. Net fee and commission income grew 5% to R23 606m, representing 70% of total non-interest income. Within this, cheque account fees increased 2% to R5 497m, electronic banking grew 3% to R5 510m, while credit cards and merchant income rose by 6% and 11% respectively. Net trading excluding hedge accounting fell 4% to R4 980m, reflecting Markets in South Africa decreasing 28%, while Absa Regional Operations increased 25%.

RBB South Africa's non-interest income grew 6% to R23 381m, as Transactional and Deposits rose 9% to R8.9bn, reflecting growth in the active cheque account base. Also within RBB SA, Relationship Banking increased 3% to R6.3bn, Card grew 4% to R3.0bn and the Insurance Cluster rose 7% to R3.2bn. CIB South Africa decreased 18% to R3 762m, due to lower Markets revenue in the Investment Bank. Absa's Regional Operations non-interest income grew 17% to R6 041m, or 14% in CCY, as CIB increased 22% and RBB 13%.

Profit commentary

Group performance (continued)

Statement of comprehensive income (continued)

Impairment losses on loans and advances

Credit impairments rose 24% to R7 816m from R6 324m, which increased the Group's credit loss ratio on gross loans and advances to customers and banks to 0.80% from 0.73%. However, this was at the bottom end of the expected through-the-cycle charge of 0.75% to 1.0%. RBB South Africa's credit impairments increased 38% to R6 253m, resulting in a 1.18% credit loss ratio from 0.92%. Home Loans' charge grew 61% to R182m resulting in a 0.08% credit loss ratio from 0.05%. Vehicle and Asset Finance credit impairments grew 8% to R1 099m, improving its credit loss ratio to 1.34% from 1.37%. Card's credit loss ratio increased to 5.46% from 3.47%, given 72% higher credit impairments of R2 536m, while Personal Loans' charge rose 46% to R1 610m increasing its credit loss ratio to 7.16% from 5.51%. Both reflected new business strain under IFRS 9 and higher stage 3 coverage. Relationship Banking's credit impairments grew 16% to R322m, increasing its credit loss ratio to 0.26% from 0.25%. CIB South Africa's credit impairments decreased 63% to R367m from R998m, due to a large single name exposure in the base. Its credit loss ratio improved to 0.11% from 0.36%. Absa Regional Operations' credit charge increased 53% to R1 213m from R794m, increasing its credit loss ratio to 0.98% from 0.78%. Within this, RBB's charge increased 37% to R1 120m, a 2.10% credit loss ratio, while CIB's grew materially to R173m or a 0.30% credit loss ratio.

Operating expenses

Operating expenses grew 6%, or 5% in CCY, to R46 357m from R43 642m, resulting in a 58.0% cost-to-income ratio from 57.7%. Staff costs grew 7% and accounted for 55% of total operating expenses. Salaries rose 9% and total incentives fell 4%. Headcount decreased 6% to 38 472, largely due to reductions in South Africa. Non-staff costs grew 5%. Professional fees grew 5%, while telephone and postage increased 12% and printing and stationary decreased 7%. Operating leases on properties decreased 89%, while depreciation increased 54%, both due to the impact of IFRS 16. Property costs were flat, given optimisation of the real estate portfolio. Marketing costs decreased 4% reflecting lower product campaign and advertising spend. Total IT-related spend grew 18% to R9 323m and constituted 20% of Group operating expenses. Amortisation of intangible assets rose 35%, while cash transportation increased 3%.

RBB South Africa costs grew 4% to R28 581m, reflecting a multi-year transformation plan leveraging digital capabilities. CIB South Africa expenses grew 6% to R6 503m, due to investment in systems and technology after separating from Barclays PLC. Absa Regional Operations' expenses increased 12%, or 8% in CCY, to R10 753m given incremental costs following separation from Barclays PLC partially offset by optimising its branch network. CIB ARO increased 20% and RBB Regional Operations grew 9%.

Taxation

The Group's taxation expense decreased 7% to R6 310m, resulting in a 26.2% effective tax rate from 28.1%.

Segment performance

RBB South Africa

Headline earnings declined 2% to R9 510m, due to 38% higher credit impairments as pre-provision profits increased 7%. Revenue grew 5% to R49 572m, with non-interest income increasing 6%. Costs rose 4% to R28 581m, resulting in a decrease of its cost-to-income ratio from 58.4% to 57.7%. Its credit loss ratio increased to 1.18% from 0.92%. RBB South Africa generated a return on regulatory capital (RoRC) of 21.4% and constituted 58% of total normalised headline earnings excluding the Group centre.

Relationship Banking headline earnings grew 7% to R3 672m, reflecting 6% pre-provision profit growth, partially offset by 16% higher credit impairments. Despite 9% growth in pre-provision profit, Everyday Banking headline earnings fell 13% to R3 500m, given 50% higher credit impairments. Within this, Transactional and Deposits headline earnings grew 9%, while Card and Personal Loans fell 40% and 25% respectively due to higher credit impairments. Home Loans headline earnings rose 1% to R1 588m, largely due to 5% higher pre-provision profits. Insurance Cluster earnings increased 10% to R1 273m, with Life Insurance up 11% and short-term insurance growing 6%. Vehicle and Asset Finance headline earnings rose 41% on 12% higher pre-provision profits.

CIB South Africa

Headline earnings decreased 6% to R3 230m, as pre-provision profits fell 15% as 6% higher costs exceeded 4% lower revenue growth, resulting in a 58.9% cost-to-income ratio. Credit impairments fell 63%, given a large single name in the base. Corporate earnings grew 2% to R1 223m, given 6% higher pre-provision profits and flat credit impairments. Investment Bank earnings decreased 10% to R2 007m, due to 12% lower revenue. CIB South Africa contributed 19.7% of total normalised headline earnings excluding the Group centre and generated a 13.3% RoRC.

Total CIB earnings, including CIB Absa Regional Operations, increased 3%, or 1% in CCY, to R5 946m. Pre-provision profits declined 4%, as revenue grew 3% and costs 10%. Credit impairments fell 48%, resulting in a 0.14% credit loss ratio. Total CIB contributed 36.3% of headline earnings excluding the Group centre and produced an 18.2% RoRC.

Profit commentary

Segment performance (continued)

Absa Regional Operations

Headline earnings grew 16% (CCY +12%) to R3 635m, largely due to 17% higher pre-provision profits. Revenue grew 14% to R18 605m, including 17% higher non-interest income. Costs rose 12% to R10 753m, resulting in a 57.8% cost-to-income ratio. RBB earnings increased 22% to R798m, or 19% in CCY, as higher pre-provision profits rose 26% to outweigh 37% higher credit impairments. CIB earnings grew 15% (CCY +10%) to R2 716m due to 15% revenue growth. Absa Regional Operations accounted for 22% of total headline earnings excluding the Group centre and produced a 19.0% RoE.

Prospects

The Group projects 0.9% real growth for South Africa in 2020. The Group expects a continued difficult environment for the consumer, while heightened uncertainty will continue to dampen business confidence and investment. Downside risks are significant and include the risk of protracted load shedding, a sharper global slowdown due to the coronavirus outbreak and the impact of a potential sovereign credit rating downgrade from Moody's. The SARB decreased the repo rate by 25 bps in January 2020 and financial markets are currently pricing in a high probability of two further 25 bps rate cuts during 2020.

In our Africa regions markets, we expect real GDP growth improving to 5.6% during 2020. Continued infrastructure investment, improved mining output and agriculture should help support growth, although there is risk to the downside, including negative country-specific and idiosyncratic shocks, as well as the potential for a coronavirus-led deterioration in the global outlook dampening Africa's economic outlook.

On the basis described above our current assumptions, and excluding any major unforeseen political, macroeconomic or regulatory developments, we forecast reasonably similar balance sheet growth, although loans could grow faster than deposits, particularly in CIB. The Group continues to expect better loan growth from ARO in CCY than from South Africa. The Group's net interest margin is expected to be similar to 2019, given positive mix impacts from higher growth in retail unsecured lending and ARO, partially offset by low margin deposit growth and slightly lower policy rates. Costs will remain well controlled and we are targeting positive operating Jaws, in part due to non-recurring costs in the base. The Group's credit loss ratio is expected to increase slightly, but remain in the bottom half of the Group's through-the-cycle target range. There is increased risk of further strain in the Group's SA retail portfolios. The Group's RoE is likely to be similar to 2019. We still believe that an RoE target of 18% to 20% is appropriate for our Group, although we do not envisage achieving it until 2022 at the earliest, which is heavily dependent on the state of SA's economy. However, we expect to see consistent progression on our cost-to-income ratio. Lastly, the Group's CET 1 ratio should remain at the top end of the Board's target range and we remain comfortable with the Group's dividend cover at current levels.

Basis of presentation

Basis of presentation

The Group's annual 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 principal accounting policies applied are set out in the Group's most recent audited annual consolidated financial statements.

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

Accounting policies

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

- Changes of the Group's operating segments and business portfolios, which have been presented in the report overview on the inside front cover;
- Adoption of new International Financial Reporting Standards (IFRS), specifically IFRS 16 Leases (IFRS 16), and IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23);
- Amendments to IAS 19 Employment benefit (IAS 19);
- Change in the presentation of interest expense and similar charges in the statement of comprehensive income.

Auditor's report

Ernst & Young Inc. (EY), the Group's independent auditor, has audited the annual consolidated financial statements of the Group from which management prepared the summary consolidated financial results. The auditor has expressed an unmodified audit opinion on the consolidated annual financial statements. The summary consolidated financial results comprise: the summary consolidated statement of financial position at 31 December 2019, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the reporting period then ended and selected explanatory notes. The audit report on the consolidated annual financial statements as well as the independent reporting accountants' report on the normalised financial results and the constant currency pro forma financial information is available for inspection at the Group's registered office.

Events after the reporting period

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

The estimates and judgements applied to determine the financial position at 31 December 2019, most specifically as they relate to the calculation of impairment of loans and advances, were based on a range of forecast economic conditions as at that date. The outbreak of coronavirus has resulted in disruption to business activity globally and recent market volatility, since mid-January 2020. The impact of coronavirus will be closely monitored and assessed for its impact on the business.

The directors are not aware of any other events (as defined per IAS 10 Events after the Reporting Period) after the reporting date of 31 December 2019 and the date of authorisation of these condensed consolidated annual financial statements.

On behalf of the Board

W E Lucas-Bull
Group Chairman

J P Quinn
Financial Director

Johannesburg
11 March 2020

Dividend announcement

Declaration of ordinary dividend number 67

Shareholders are advised that a final ordinary dividend of 620 cents per ordinary share was declared on 11 March 2020, for the period ended 31 December 2019. The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 17 April 2020. The directors of Absa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 620 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 496 cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group Limited currently has 847 750 679 ordinary shares in issue (includes 19 122 853[1] treasury shares).
- Absa Group Limited's income tax reference number is 9150116714.

In compliance with the requirements of Strate, the electronic settlement and custody system used by the JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade cum dividend	Tuesday, 14 April 2020
Shares commence trading ex-dividend	Wednesday, 15 April 2020
Record date	Friday, 17 April 2020
Payment date	Monday, 20 April 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 April 2020 and Friday, 17 April 2020, both dates inclusive. On Monday, 20 April 2020, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 20 April 2020.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
11 March 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.

[1] Includes shares to be utilised when establishing a BBBEE structure.

Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	Note	2019 Rm	2018 Rm	Change %
Net interest income	2	**46 306**	43 425	7
Interest and similar income		**97 796**	89 177	10
Effective interest income		**95 998**	87 575	10
Other interest income		**1 798**	1 602	12
Interest expense and similar charges[1]		**(51 490)**	(45 752)	13
Non-interest income	3	**33 655**	32 235	4
Net fee and commission income		**23 606**	22 523	5
Fee and commission income	3.1	**26 759**	25 675	4
Fee and commission expense	3.1	**(3 153)**	(3 152)	(0)
Net insurance premium income	3.2	**7 830**	7 190	9
Net claims and benefits incurred on insurance contracts	3.3	**(3 747)**	(3 565)	5
Changes in investment and insurance contract liabilities	3.4	**(1 589)**	808	<(100)
Gains from banking and trading activities	3.5	**5 419**	5 270	3
Gains and losses from investment activities	3.6	**1 600**	(636)	<(100)
Other operating income	3.7	**536**	645	(17)
Total income		**79 961**	75 660	6
Impairment losses	4	**(7 816)**	(6 324)	24
Operating income before operating expenses		**72 145**	69 336	4
Operating expenses	5	**(46 357)**	(43 642)	6
Other expenses		**(1 893)**	(1 832)	3
Other impairments		**(319)**	(434)	(26)
Indirect taxation	6	**(1 574)**	(1 398)	13
Share of post-tax results of associates and joint ventures		**221**	179	23
Operating profit before income tax		**24 116**	24 041	0
Taxation expense	7	**(6 310)**	(6 766)	(7)
Profit for the reporting period		**17 806**	17 275	3
Profit attributable to:				
Ordinary equity holders		**16 003**	15 903	1
Non-controlling interest – ordinary shares		**1 016**	831	22
Non-controlling interest – preference shares		**352**	351	0
Non-controlling interest – Additional Tier 1 capital		**435**	190	>100
		17 806	17 275	3
Earnings per share:				
Basic earnings per share (cents)	1	**1 895.0**	1 886.7	0
Diluted earnings per share (cents)	1	**1 892.3**	1 883.3	0

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

Consolidated normalised statement of comprehensive income

for the reporting period ended 31 December

	2019 Rm	2018 Rm	Change %
Profit for the reporting period	**17 806**	17 275	3
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(112)**	53	<(100)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**60**	27	>100
Fair-value gains	**77**	38	>100
Deferred tax	**(17)**	(11)	55
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(44)**	(13)	>100
Fair-value losses	**(61)**	(71)	(14)
Deferred tax	**17**	58	(71)
Movement in retirement benefit fund assets and liabilities	**(128)**	39	<(100)
Decrease in retirement benefit surplus	**(38)**	(26)	46
(Decrease)/increase in retirement benefit deficit	**(104)**	55	<(100)
Deferred tax	**14**	10	40
Items that are or may be subsequently reclassified to profit or loss	**(1 055)**	2 221	<(100)
Movement in foreign currency translation reserve	**(1 409)**	3 058	<(100)
Differences in translation of foreign operations	**(1 527)**	3 058	<(100)
Release to profit or loss	**118**	—	100
Movement in cash flow hedging reserve	**913**	(247)	<(100)
Fair-value gains	**2 081**	265	>100
Amounts transferred within other comprehensive income	**(7)**	(58)	(88)
Amount removed from other comprehensive income and recognised in profit or loss	**(806)**	(550)	47
Deferred tax	**(355)**	96	<(100)
Movement in fair value of debt instruments measured at FVOCI	**(559)**	(590)	(5)
Fair-value gains/(losses)	**(810)**	(750)	8
Release to profit or loss	**(20)**	(9)	>100
Deferred tax	**271**	169	60
Total comprehensive income for the reporting period	**16 639**	19 549	(15)
Total comprehensive income attributable to:			
Ordinary equity holders	**14 930**	17 808	(16)
Non-controlling interest – ordinary shares	**922**	1 200	(23)
Non-controlling interest – preference shares	**352**	351	0
Non-controlling interest – Additional Tier 1 capital	**435**	190	>100
	16 639	19 549	(15)

Consolidated normalised statement of financial position

as at 31 December

	Note	2019 Rm	2018 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**52 532**	46 929	12
Investment securities		**116 747**	135 420	(14)
Loans and advances to banks		**59 745**	53 140	12
Trading portfolio assets		**158 348**	128 569	23
Hedging portfolio assets		**3 358**	2 411	39
Other assets		**30 076**	30 455	(1)
Current tax assets		**1 602**	802	100
Non-current assets held for sale		**3 992**	239	>100
Loans and advances to customers	8	**916 978**	841 720	9
Reinsurance assets		**886**	618	43
Investments linked to investment contracts		**20 042**	18 481	8
Investments in associates and joint ventures		**1 648**	1 310	26
Investment property		**513**	508	1
Property and equipment		**18 106**	15 536	17
Goodwill and intangible assets		**6 338**	5 983	6
Deferred tax assets		**3 583**	3 431	4
Total assets		**1 394 494**	1 285 552	8
Liabilities				
Deposits from banks		**117 423**	121 421	(3)
Trading portfolio liabilities		**59 224**	51 632	15
Hedging portfolio liabilities		**1 379**	1 343	3
Other liabilities		**45 836**	36 058	27
Provisions		**3 919**	3 893	1
Current tax liabilities		**767**	693	11
Non-current liabilities held for sale		**112**	124	(10)
Deposits due to customers	9	**826 293**	736 305	12
Debt securities in issue	10	**159 794**	160 971	(1)
Loans from Barclays separation segment		**2 078**	5 711	(64)
Liabilities under investment contracts		**29 700**	29 674	0
Policyholder liabilities under insurance contracts		**4 331**	4 168	4
Borrowed funds	11	**21 418**	20 225	6
Deferred tax liabilities		**380**	481	(21)
Total liabilities		**1 272 654**	1 172 699	9
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	**1 687**	1 680	0
Share premium	11	**3 875**	3 657	6
Retained earnings		**95 021**	89 124	7
Other reserves		**5 745**	6 239	(8)
		106 328	100 700	6
Non-controlling interest – ordinary shares		**5 073**	4 768	6
Non-controlling interest – preference shares		**4 644**	4 644	—
Non-controlling interest – Additional Tier 1 capital		**5 795**	2 741	>100
Total equity		**121 840**	112 853	8
Total liabilities and equity		**1 394 494**	1 285 552	8

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Consolidated normalised statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the end of the previous reporting period	840 193	1 680	3 657	89 124	6 239	823
Impact of adopting new accounting standards at 1 January 2019						
IFRS 16	—	—	—	(243)	—	—
Adjusted balance at the beginning of the reporting period	840 193	1 680	3 657	88 881	6 239	823
Total comprehensive income	—	—	—	15 895	(965)	—
Profit for the period	—	—	—	16 003	—	—
Other comprehensive income	—	—	—	(108)	(965)	—
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	3 337	7	218	—	—	—
Movement in share-based payment reserve	—	—	400	—	155	—
Transfer from share-based payment reserve	—	—	400	—	(400)	—
Value of employee services	—	—	—	—	575	—
Deferred tax	—	—	—	—	(20)	—
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	843 530	1 687	3 875	95 021	5 745	912

2019										
Fair value through other comprehensive income reserve Rm	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
(80)	403	3 065	7	724	1 297	100 700	4 768	4 644	2 741	112 853
—	—	—	—	—	—	(243)	(13)	—	—	(256)
(80)	403	3 065	7	724	1 297	100 457	4 755	4 644	2 741	112 597
(548)	913	(1 330)	—	—	—	14 930	922	352	435	16 639
—	—	—	—	—	—	16 003	1 016	352	435	17 806
(548)	913	(1 330)	—	—	—	(1 073)	(94)	—	—	(1 167)
—	—	—	—	—	—	(9 377)	(614)	(352)	—	(10 343)
—	—	—	—	—	—	—	10	—	—	10
—	—	—	—	—	—	—	—	—	(435)	(435)
—	—	—	—	—	—	—	—	—	3 054	3 054
—	—	—	—	—	—	(462)	—	—	—	(462)
—	—	—	—	—	—	225	—	—	—	225
—	—	—	—	155	—	555	—	—	—	555
—	—	—	—	(400)	—	—	—	—	—	—
—	—	—	—	575	—	575	—	—	—	575
—	—	—	—	(20)	—	(20)	—	—	—	(20)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	6	—	—	—	—	—	—	—
—	—	—	—	—	221	—	—	—	—	—
(628)	1 316	1 735	13	879	1 518	106 328	5 073	4 644	5 795	121 840

Consolidated normalised statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the end of the previous reporting period	845 554	1 691	3 949	87 982	4 240	779
Impact of adopting new accounting standards at 1 January 2018						
IFRS 9	—	—	—	(5 413)	(126)	—
IFRS 15	—	—	—	(44)	—	—
Adjusted balance at the beginning of the reporting period	845 554	1 691	3 949	82 525	4 114	779
Total comprehensive income	—	—	—	15 924	1 884	—
Profit for the period	—	—	—	15 903	—	—
Other comprehensive income	—	—	—	21	1 884	—
Dividends paid during the reporting period	—	—	—	(9 033)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(491)	(68)	—	—
Elimination of the movement in Treasury shares held by Group entities	(5 361)	(11)	(292)	—	—	—
Movement in share-based payment reserve	—	—	491	—	17	—
Transfer from share-based payment reserve	—	—	491	—	(491)	—
Value of employee services	—	—	—	—	531	—
Deferred tax	—	—	—	—	(23)	—
Movement in general credit risk reserve	—	—	—	(44)	44	44
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(1)	1	—
Share of post-tax results of associates and joint ventures	—	—	—	(179)	179	—
Balance at the end of the reporting period	840 193	1 680	3 657	89 124	6 239	823

2018

Fair value through other comprehensive income reserve Rm	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
445	650	431	6	707	1 222	97 862	4 500	4 644	1 500	108 506
(22)	—	—	—	—	(104)	(5 539)	(230)	—	—	(5 769)
—	—	—	—	—	—	(44)	—	—	—	(44)
423	650	431	6	707	1 118	92 279	4 270	4 644	1 500	102 693
(503)	(247)	2 634	—	—	—	17 808	1 200	351	190	19 549
—	—	—	—	—	—	15 903	831	351	190	17 275
(503)	(247)	2 634	—	—	—	1 905	369	—	—	2 274
—	—	—	—	—	—	(9 033)	(702)	(351)	—	(10 086)
—	—	—	—	—	—	—	—	—	(190)	(190)
—	—	—	—	—	—	—	—	—	1 241	1 241
—	—	—	—	—	—	(559)	—	—	—	(559)
—	—	—	—	—	—	(303)	—	—	—	(303)
—	—	—	—	17	—	508	—	—	—	508
—	—	—	—	(491)	—	—	—	—	—	—
—	—	—	—	531	—	531	—	—	—	531
—	—	—	—	(23)	—	(23)	—	—	—	(23)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	1	—	—	—	—	—	—	—
—	—	—	—	—	179	—	—	—	—	—
(80)	403	3 065	7	724	1 297	100 700	4 768	4 644	2 741	112 853

Condensed consolidated normalised statement of cash flows

for the reporting period ended 31 December

	Note	2019 Rm	2018 Rm	Change %
Net cash generated from operating activities		**11 885**	11 900	(0)
Net cash utilised in investing activities		**(5 601)**	(4 593)	(22)
Net cash utilised in financing activities		**(8 021)**	(6 521)	23
Net (decrease)/increase in cash and cash equivalents		**(585)**	786	<(100)
Cash and cash equivalents at the beginning of the reporting period	1	**18 494**	17 320	7
Effect of foreign exchange rate movements on cash and cash equivalents		**379**	388	(2)
Cash and cash equivalents at the end of the reporting period	2	**18 288**	18 494	(1)

Notes to the condensed consolidated normalised statement of cash flows

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

	2019 Rm	2018 Rm	Change %
Cash, cash balances and balances with central banks[1]	**14 252**	13 518	5
Loans and advances to banks[2]	**4 242**	3 802	12
	18 494	17 320	7

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

	2019 Rm	2018 Rm	Change %
Cash, cash balances and balances with central banks[1]	**14 033**	14 252	(1)
Loans and advances to banks[2]	**4 255**	4 242	—
	18 288	18 494	(1)

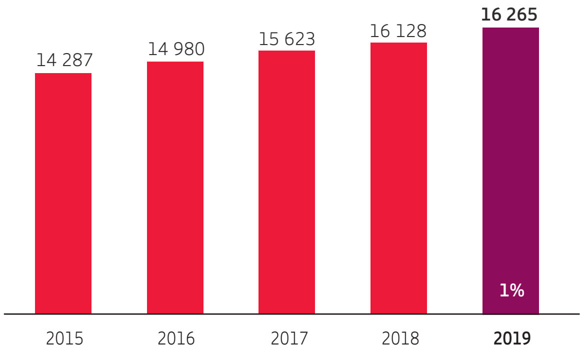
[1] Includes coins and bank notes.
[2] Includes call advances, which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



Headline earnings	2019 Gross Rm	2019 Net Rm	2018 Gross Rm	2018 Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		**16 003**		15 903	1
Total headline earnings adjustment		**262**		225	16
IFRS 3 – Goodwill impairment	**—**	**—**	34	34	(100)
IFRS 5 – Profit on disposal of non-current assets held for sale	**(19)**	**(15)**	(142)	(80)	(81)
IAS 16 – (Profit)/loss on disposal of property and equipment	**(29)**	**(21)**	5	2	<(100)
IAS 21 – Recycled foreign currency translation reserve	**118**	**81**	—	—	100
IAS 36 – Impairment of property and equipment	**197**	**145**	398	297	(51)
IAS 36 – Impairment of intangible assets	**122**	**88**	2	1	>100
IFRS 5 – Re-measurement of non-current assets held for sale	**(9)**	**(6)**	—	—	100
IAS 40 – Change in fair value of investment properties	**(12)**	**(9)**	(38)	(29)	(69)
IAS 40 – Profit on disposal of investment property	**(1)**	**(1)**	—	—	100
		16 265		16 128	1

Notable adjustments to headline earnings

- 'Recycled foreign currency translation reserve' arose primarily from foreign exchange losses realised on settlement of subordinated loans.
- 'Impairment of property and equipment' relates mainly to a property located in the Johannesburg City Centre, branch assets and computer equipment.
- 'Impairment of intangible assets' relates to intangible assets that are no longer being used.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share (continued)

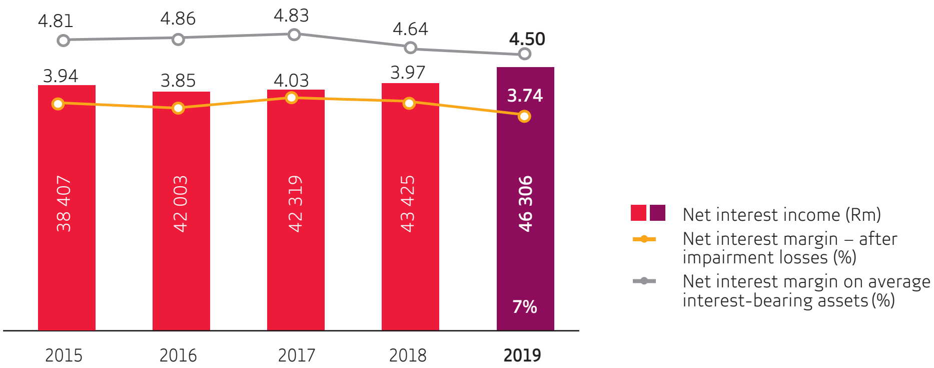
	2019 Rm	2018 Rm	Change value/ %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**16 003**	15 903	1
Weighted average number of ordinary shares in issue (million)	**844.5**	842.9	1.6
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—
Treasury shares held by Group entities (million)	**(3.3)**	(4.9)	1.6
Basic earnings per ordinary share (cents)	**1 895.0**	1 886.7	0
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**16 003**	15 903	1
Diluted weighted average number of ordinary shares in issue (million)	**845.7**	844.4	1.3
Weighted average number of ordinary shares in issue (million)	**844.5**	842.9	1.6
Adjustments for share options issued at no value (million)	**1.2**	1.5	(0.3)
Diluted basic earnings per ordinary share (cents)	**1 892.3**	1 883.3	0
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**16 265**	16 128	1
Weighted average number of ordinary shares in issue (million)	**844.5**	842.9	1.6
Headline earnings per ordinary share (cents)	**1 926.0**	1 913.4	1
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**16 265**	16 128	1
Diluted weighted average number of ordinary shares in issue (million)	**845.7**	844.4	1.3
Diluted headline earnings per ordinary share (cents)	**1 923.3**	1 910.0	1

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income

Net interest income and net interest margin (Rm, % and change %)



Group average statement of financial position	2019 Average balance[1] Rm	2019 Average rate %	2019 Interest income/ (expense) Rm	2018 Average balance[1] Rm	2018 Average rate %	2018 Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	2 577	0.97	25	3 194	0.59	19
Investment securities	118 096	9.14	10 794	113 642	8.97	10 193
Loans and advances to banks and customers	908 355	9.58	86 977	818 866	9.64	78 965
Interest-bearing assets	1 029 028	9.50	97 796	935 702	9.53	89 177
Non-interest-bearing assets	325 677	—	—	269 420	—	—
Total assets	1 354 705	—	97 796	1 205 122	—	89 177
Liabilities						
Deposits due to banks and customers	746 903	(4.94)	(36 920)	671 809	(4.82)	(32 405)
Debt securities in issue	148 298	(8.38)	(12 430)	136 257	(8.34)	(11 365)
Borrowed funds	20 588	(10.39)	(2 140)	18 632	(10.64)	(1 982)
Interest-bearing liabilities	915 789	(5.62)	(51 490)	826 698	(5.53)	(45 752)
Non-interest-bearing liabilities	324 524	—	—	271 940	—	—
Total liabilities	1 240 313	—	(51 490)	1 098 638	—	(45 752)
Total equity	114 391	—	—	106 484	—	—
Total equity and liabilities	1 354 704	—	(51 490)	1 205 122	—	(45 752)
Net interest margin on average interest-bearing assets		4.50			4.64	

[1] Average balances are calculated based on daily weighted average balances.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

2. Net interest income (continued)

Change in net interest margin	2019 bps	2018 bps
Loans and advances to customers (i)	**(4)**	(12)
Change in customer rates (pricing)	**(7)**	(15)
Change in composition	**3**	3
Deposits due to customers (ii)	**(13)**	(8)
Change in customer rates (pricing)	**(4)**	(3)
Change in composition	**(6)**	(3)
Endowment (iii)	**(3)**	(2)
Equity endowment (iii)	**(2)**	(3)
Interest rate risk management (hedging strategy) (iii)	**1**	3
Absa Regional Operations (iv)	**(1)**	(2)
Other (v)	**5**	3
	(14)	(19)

Performance

The Group's net interest margin is 14 bps lower than the previous reporting period (2018: decreased by 19 bps) and reflects the following:

(i) Loans and advances to customers

- Loan margins declined primarily in Investment Bank SA (4 bps), following high growth in preference share investments as well as competitive pricing. Lower client pricing within Relationship Banking had an adverse impact on margins.
- Slower growth in the Home Loans portfolio relative to the Group's overall loans and advances growth created a positive composition impact. This was partially offset by strong growth in CIB SA.

(ii) Deposits due to customers

- Deposit margins declined mainly in RBB SA, reflecting competitive pricing in Relationship and Everyday Banking.
- Increased reliance on wholesale funding and also low-margin deposits within RBB SA created an adverse composition effect.

Performance indicators and condensed normalised notes to the consolidated financial statements

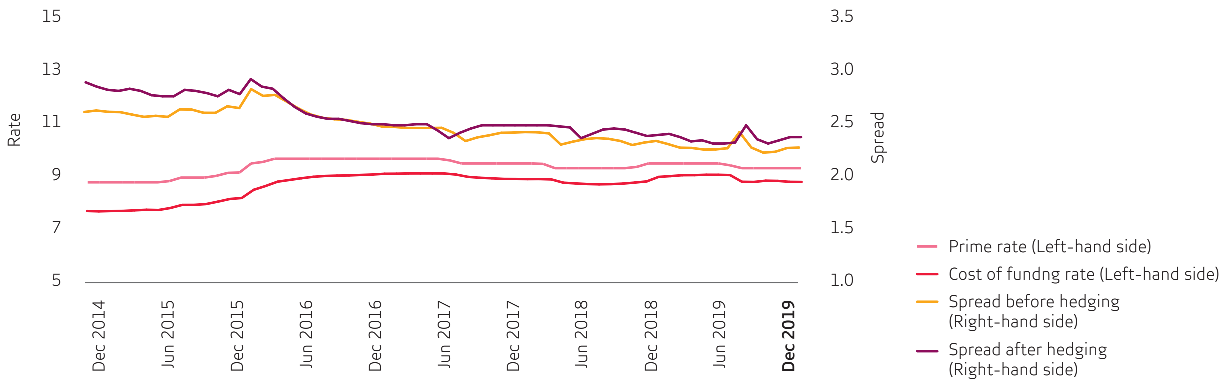
for the reporting period ended 31 December

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

Hedging impact on net interest margin (%)



- Absa Bank Limited employs a governed interest rate strategy (hedging programme) through the interest rate cycle to reduce margin volatility associated with structural balances (i.e. rate-insensitive liabilities as well as the endowment associated with equity).
- Qualification criterion for balances to be treated as structural is well defined and tested. As at 31 December 2019 an aggregate of **13%** (31 December 2018: 13%) of Absa Bank Limited's total capital and liabilities constituted structural balances.
- Cash flow hedge accounting is applied to account for the interest rate swaps executed as part of the hedging programme. The after-tax 'cash flow hedging reserve' relating to the hedging programme reflected a credit balance of **R1.1bn** (R376m in 2018). The benefit realised in the current reporting period of 6 bps was in line with the previous reporting period, releasing **R595m** (31 December 2018: R518m) to the statement of comprehensive income.
- Endowment on equity and liabilities after hedging had a 4 bps negative contribution, reflecting the mix impact of slower growth in endowment balances relative to the Group's overall interest-bearing assets.

(iv) Absa Regional Operations

- Absa Regional Operations had a negative 1 bps from the negative pricing impact of lower benchmark interest rates in a number of markets and also competitive pricing on foreign currency assets and liabilities. This was partially offset by a positive mix impact of the balance sheet growing faster than the Group's overall interest-bearing assets.

(v) Other

- Other items had a cumulative 5 bps positive impact, mainly representing:
  - The negative impact on margin (offset in costs) following the change in the accounting treatment of leases (IFRS 16) (-3 bps);
  - The positive impact on margin of an increase in the basis differential between prime and JIBAR (+2 bps);
  - The impact of high-quality liquid assets (HQLA) on the margin was positive as the average balances declined given the Group's strong LCR position relative to the Group's overall interest-bearing assets, which had a positive composition impact (+5 bps).

[1] Absa Bank Limited hedging strategy:
- The hedging programme provides greater margin stability from an interest rate risk perspective over the entire cycle.
- In a decreasing rate scenario, the hedging programme enhances the net interest margin while the opposite is true for an increasing rate scenario.
- Basis risk still remains between prime assets and the three-month Johannesburg Interbank Agreed Rate (JIBAR) repricing liabilities after hedging.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.1 Net fee and commission income

	2019 Rm	2018 Rm	Change %
Consulting and administration fees	**548**	480	14
Transactional fees and commissions	**20 695**	19 755	5
Cheque accounts	**5 497**	5 401	2
Credit cards (includes card issuing fees)	**2 923**	2 770	6
Electronic banking	**5 510**	5 335	3
Other (includes fees on mortgage loans and foreign currency transactions)	**4 752**	4 170	14
Savings accounts	**2 013**	2 079	(3)
Insurance commission received	**784**	830	(6)
Investment, markets execution and investment banking fees	**400**	477	(16)
Merchant income	**2 289**	2 066	11
Other fee and commission income	**535**	423	26
Trust and other fiduciary services fees[1]	**1 508**	1 644	(8)
Portfolio and other management fees	**1 168**	1 321	(12)
Trust and estate income	**340**	323	5
Fee and commission income	**26 759**	25 675	4
Fee and commission expense	**(3 153)**	(3 152)	(0)
Brokerage fees	**(89)**	(108)	(18)
Cheque processing fees	**(122)**	(120)	2
Clearing and settlement charges	**(823)**	(730)	13
Insurance commission paid	**(994)**	(1 113)	(11)
Notification fees	**(216)**	(180)	20
Other	**(831)**	(826)	1
Valuation fees	**(78)**	(75)	4
	23 606	22 523	5
Segment split[2]			
RBB South Africa	**17 366**	16 619	4
CIB South Africa	**2 062**	2 015	2
Absa Regional Operations	**3 310**	2 961	12
Head Office, Treasury and other operations in South Africa	**868**	928	(6)
	23 606	22 523	5

3.2 Net insurance premium income

	2019 Rm	2018 Rm	Change %
Gross insurance premiums	**8 944**	8 266	8
Premiums ceded to reinsurers	**(1 114)**	(1 076)	4
	7 830	7 190	9
Segment split[2]			
RBB South Africa	**7 866**	7 266	9
Head Office, Treasury and other operations in South Africa	**(36)**	(36)	—
	7 830	7 190	9

[1] Includes 'Asset management and other related fees', which was separately disclosed in prior reporting periods (31 December 2018: R218m).
[2] These numbers have been restated, refer to the report overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.3 Net claims and benefits incurred on insurance contracts

	2019 Rm	2018 Rm	Change %
Gross claims and benefits incurred on insurance contracts	**(4 869)**	(4 045)	20
Reinsurance recoveries	**1 122**	480	>100
	(3 747)	(3 565)	5
Segment split[2]			
RBB South Africa	**(3 808)**	(3 489)	9
Head Office, Treasury and other operations in South Africa	**61**	(76)	<(100)
	(3 747)	(3 565)	5

3.4 Changes in investment and insurance contract liabilities

	2019 Rm	2018 Rm	Change %
Change in insurance contract liabilities	**(19)**	176	<(100)
Change in investment contract liabilities[1]	**(1 570)**	632	<(100)
	(1 589)	808	<(100)
Segment split[2]			
RBB South Africa	**(1 596)**	801	<(100)
Head Office, Treasury and other operations in South Africa	**7**	7	—
	(1 589)	808	<(100)

[1] One of the main drivers of the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Change in investment contract liabilities' should therefore be read in conjunction with Net gains on investments from insurance activities: Policyholder investment contracts reported in 'Gains and losses from investment activities'. The performance of the policyholder assets is significantly higher than the prior year reporting period, which is due to the improved equity performance in the 2019 year when compared to the 2018 year.

[2] These numbers have been restated, refer to the report overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.5 Gains and losses from banking and trading activities

	2019 Rm	2018 Rm	Change %
Net gains on investments	**297**	341	(13)
Debt instruments designated at fair value through profit or loss	**117**	220	(47)
Equity instruments at fair value through profit or loss	**160**	112	43
Unwind from reserves for debt instruments at FVOCI	**20**	9	>100
Net trading result	**5 221**	4 971	5
Net trading income excluding the impact of hedge accounting	**4 980**	5 183	(4)
Ineffective portion of hedges	**241**	(212)	<(100)
Cash flow hedges	**225**	(198)	<(100)
Fair-value hedges	**16**	(14)	<(100)
Other gains	**(99)**	(42)	>100
	5 419	5 270	3
Segment split[1]			
RBB South Africa	**706**	503	40
CIB South Africa[2]	**1 706**	2 535	(33)
Absa Regional Operations	**2 641**	2 153	23
Head Office, Treasury and other operations in South Africa	**366**	79	>100
	5 419	5 270	3

3.6 Gains and losses from investment activities

	2019 Rm	2018 Rm	Change %
Net gains on investments from insurance activities	**1 583**	(580)	<(100)
Policyholder insurance contracts	**275**	47	>100
Policyholder investment contracts[3]	**865**	(1 027)	<(100)
Shareholders' funds	**443**	400	11
Other gains	**17**	(56)	<(100)
	1 600	(636)	<(100)
Segment split[1]			
RBB South Africa[2]	**2 368**	13	>100
Head Office, Treasury and other operations in South Africa	**(768)**	(649)	18
	1 600	(636)	<(100)

[1] The numbers have been restated, refer to the report overview on the inside cover page.

[2] This includes the elimination of investment returns of Absa Life Limited in RBB South Africa for funds invested with CIB South Africa. The elimination is recognised between 'Gains and losses from investment activities' by RBB South Africa, and 'Net interest income' and 'Gains and losses from banking and trading activities' by CIB South Africa.

[3] One of the main drivers of the movement of the Group's 'Liabilities under investment contracts' is the underlying performance of the related assets. 'Net gains on investments from insurance activities: Policyholder investment contracts' should therefore be read in conjunction with 'Change in investment contracts' reported in 'Changes in investment and insurance contract liabilities'. The performance of the policyholder assets is significantly higher than in the prior reporting period, which is due to the improved equity performance in the 2019 year when compared to the 2018 year.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.7 Other operating income

	2019 Rm	2018 Rm	Change %
Property-related income	**140**	146	(4)
Income from investment properties	**18**	47	(62)
Change in fair value	**12**	38	(68)
Rentals	**6**	9	(33)
Property-related income arising from contracts with customers	**122**	99	23
Profit/(loss) on disposal of property and equipment	**30**	(14)	<(100)
Profit on sale of developed properties	**31**	34	(9)
Profit on sale of repossessed properties	**25**	31	(19)
Rental income	**36**	48	(25)
Other operating income	**396**	499	(21)
Foreign exchange differences, including recycle from other comprehensive income	**(111)**	58	<(100)
Income from maintenance contracts	**33**	39	(15)
Sundry income	**474**	402	18
	536	645	(17)
Segment split[1]			
Property-related income	**140**	146	(4)
RBB South Africa	**106**	105	1
Absa Regional Operations	**24**	15	60
Head Office, Treasury and other operations in South Africa	**10**	26	(62)
Other operating income	**396**	499	(21)
RBB South Africa	**373**	282	32
CIB South Africa	**(6)**	24	<(100)
Absa Regional Operations	**66**	25	>100
Head Office, Treasury and other operations in South Africa	**(37)**	168	<(100)
	536	645	(17)

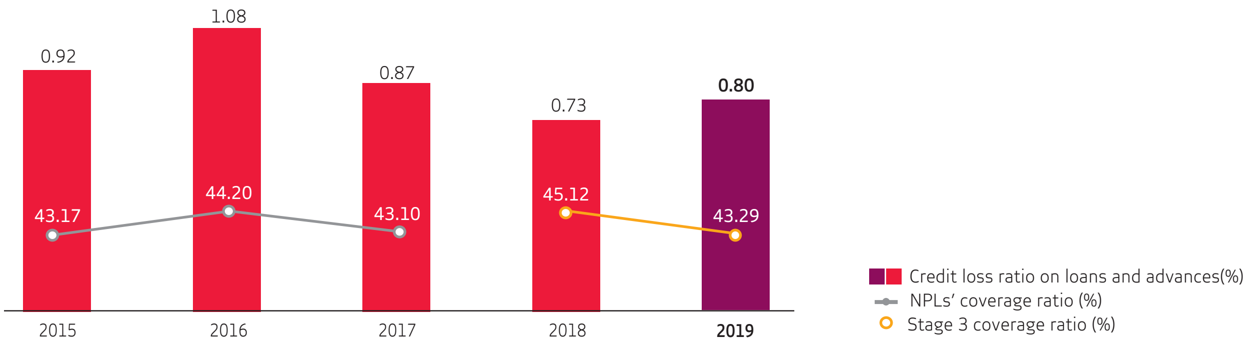
[1] The numbers have been restated, refer to the report overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses

Credit loss and Stage 3 coverage ratio/NPLs' coverage ratios (%)[1]



4.1 Total charge to the statement of comprehensive income by market segment

Charge to the statement of comprehensive income by market segment	2019 Rm	2018[1] Rm	Change %
RBB South Africa			
Home Loans	**182**	113	61
Vehicle and Asset Finance	**1 099**	1 022	8
Everyday Banking	**4 653**	3 108	50
Card	**2 536**	1 478	72
Personal Loans	**1 610**	1 105	46
Transactions and Deposits	**507**	525	(3)
Relationship Banking	**322**	277	16
Retail and Business Banking Other (RBB Other)	**(3)**	2	<(100)
Total charge	**6 253**	4 522	38
Credit loss ratio (%)	**1.18**	0.92	
CIB South Africa			
Total charge	**367**	998	(63)
Credit loss ratio (%)	**0.11**	0.36	
Absa Regional Operations			
Total charge	**1 213**	794	53
Credit loss ratio (%)	**0.98**	0.78	
Head Office, Treasury and other operations in South Africa			
Total charge	**(17)**	10	<(100)
Total charge to the statement of comprehensive income	**7 816**	6 324	24
Interest on cured accounts	**749**	608	23
Total charge to the statement of comprehensive income before cured interest adjustment	**8 565**	6 932	24
Comprising:			
Impairment losses raised	**10 106**	8 705	16
Impairment losses on loans and advances to customers and undrawn facilities[2]	**10 233**	8 756	17
Impairment losses on loans and advances to banks	**(0)**	(39)	(100)
Impairment losses on other financial instruments subject to impairment	**(120)**	6	<(100)
Impairment losses on guarantees and letters of credit	**(7)**	(18)	(61)
Recoveries of financial instruments subject to impairment previously written off	**(826)**	(947)	(13)
Net change in interest in suspense	**(1 464)**	(1 434)	2
Total charge to the statement of comprehensive income	**7 816**	6 324	24

[1] The numbers have been restated, refer to the report overview on the inside cover page.
[2] Impairment losses on loans and advances to customers and undrawn facilities includes net change in interest that has been suspended.

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Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure

	Carrying amount of financial assets 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	—	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
Transactions 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
Absa Regional Operations (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. The excess is recognised in 'Provisions' in the Statement of financial position.

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

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

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

[1] These numbers have been restated; refer to the reporting changes overview on the inside cover page.

[2] This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. The excess is recognised in 'Provisions' in the Statement of financial position.

2018[1] 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
37 665	3 906	10.37	38 273	15 914	41.58	471 655
14 215	238	1.67	18 516	4 801	25.93	227 086
6 041	734	12.15	4 754	1 805	37.97	76 772
8 520	2 398	28.15	9 670	6 536	67.59	57 779
4 767	1 754	36.79	6 582	4 551	69.14	36 219
2 619	452	17.26	2 598	1 634	62.89	18 321
1 134	192	16.93	490	351	71.63	3 239
8 889	536	6.03	5 279	2 719	51.51	110 017
—	—	—	54	53	98.15	1
30 749	305	0.99	2 860	1 978	69.16	273 169
8 491	842	9.92	6 034	3 409	56.50	96 214
9	(191)	—	—	(18)	—	682
9	—	—	—	—	—	272
—	(191)	—	—	(18)	—	410
76 914	4 862	6.32	47 167	21 283	45.12	841 720
3 173	14	0.44	—	—	—	53 140
80 087	4 876	6.09	47 167	21 283	45.12	894 860

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

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

The presentation of the loans and advances to customers has been updated to align to the new RBB operating model, which has resulted in the restatement of comparatives as at 31 December 2018 as disclosed in the following tables:

	2018 Previously published		
Loans and advances to customers	Gross carrying amount Rm	ECL allowance Rm	Net carrying amount Rm
RBB South Africa	488 414	22 493	465 921
Retail Banking South Africa	416 014	19 209	396 805
Credit cards	41 226	6 443	34 783
Instalment credit agreements	85 651	3 373	82 278
Loans to associates and joint ventures	25 490	1	25 489
Mortgages	229 557	5 297	224 260
Other loans and advances	3 526	61	3 465
Overdrafts	6 668	631	6 037
Personal and term loans	23 896	3 403	20 493
Business Banking South Africa	72 400	3 284	69 116
WIMI	5 984	250	5 734

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

			New operating model							
	Home Loans Rm	Vehicle and Asset Finance Rm	Card Rm	Personal Loans Rm	Transactions and Deposits Rm	Everyday Banking Rm	Relationship Banking Rm	Retail and Business Banking Other Rm	Restated RBB South Africa net carrying amount Rm
	227 086	76 772	36 219	18 321	3 239	57 779	110 017	1	471 655
	—	—	34 075	—	—	34 075	708	—	34 783
	—	52 010	—	—	—	—	30 268	—	82 278
	—	22 329	—	—	—	—	3 160	—	25 489
	224 260	—	—	—	—	—	—	—	224 260
	—	2 433	—	—	—	—	1 031	1	3 465
	2 826	—	—	—	3 211	3 211	—	—	6 037
	—	—	2 144	18 321	28	20 493	—	—	20 493
	—	—	—	—	—	—	69 116	—	69 116
	—	—	—	—	—	—	5 734	—	5 734

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance

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

	2019				
	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations 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

	2018				
	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	22 743	2 698	5 130	(404)	30 167
Stage 1	2 923	415	879	(195)	4 022
Stage 2	3 906	305	842	(191)	4 862
Stage 3	15 914	1 978	3 409	(18)	21 283
Undrawn facilities	—	—	87	410	497
Stage 1	—	—	44	201	245
Stage 2	—	—	15	191	206
Stage 3	—	—	28	18	46
Total loans and advances to customers and undrawn facilities	22 743	2 698	5 217	6	30 664

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

The following table sets out a reconciliation of the opening and closing IFRS 9 ECL allowances for loans and advances to customers, by market segment:

	2019				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations 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

	2018[1]				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	22 000	1 821	5 455	19	29 295
Stage 1	3 056	482	1 090	8	4 636
Stage 2	3 433	384	798	11	4 626
Stage 3	15 511	955	3 567	—	20 033
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	1 078	34	119	—	1 231
Stage 2 net transfers	(1 337)	(36)	(298)	—	(1 671)
Stage 3 net transfers	259	2	179	—	440
Impairment losses raised and interest in suspense	6 999	1 207	563	(13)	8 756
Amounts written off[2]	(6 256)	(330)	(1 769)	—	(8 355)
Foreign exchange movements	—	—	968	—	968
Transfer to non-current assets held for sale	—	—	—	—	—
Balance at the end 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

[1] These numbers have been restated to include undrawn facilities.

[2] The RBB South Africa numbers have been restated due to the change in treatment of interest in suspense write-offs. These write-offs were previously disclosed as 'Impairment losses raised and interest in suspense', as opposed to 'Amounts written off'. The restatement has increased 'Impairment losses raised and interest in suspense' and 'Amounts written off' by R856m.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

The following table sets out a reconciliation of the opening and closing IFRS 9 ECL allowances for banks, by market segment:

	2019				
Loans and advances to banks at amortised cost	**RBB South Africa Rm**	**CIB South Africa Rm**	**Absa Regional Operations Rm**	**Head Office, Treasury and other operations in South Africa Rm**	**Total expected credit losses Rm**
Balance at the beginning of the reporting period	**—**	**15**	**3**	**5**	**23**
Stage 1	—	6	2	1	9
Stage 2	—	9	1	4	14
Impairment losses raised	—	3	—	(3)	—
Foreign exchange movements	—	—	1	—	1
Balance at the end of the reporting period	**—**	**18**	**4**	**2**	**24**
Stage 1	—	15	4	2	21
Stage 2	—	3	—	—	3

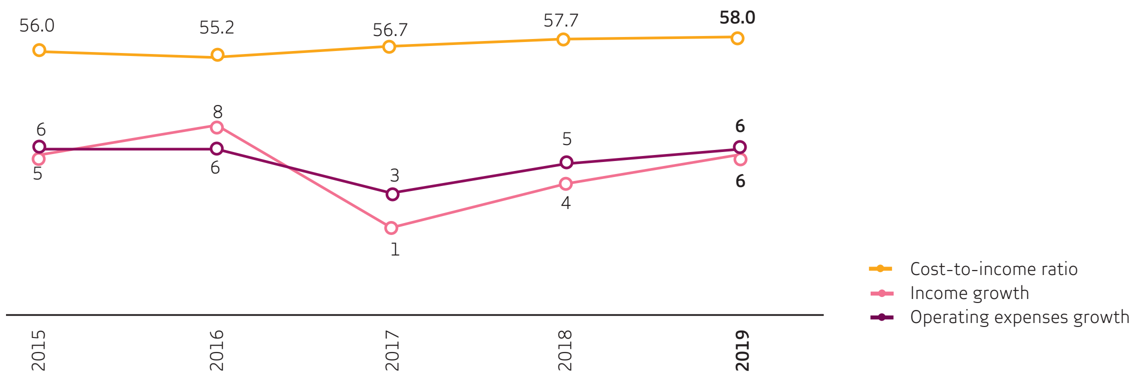
	2018				
Loans and advances to banks at amortised cost	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	—	26	41	—	67
Stage 1	—	4	36	—	40
Stage 2	—	22	5	—	27
Impairment losses raised	—	(11)	(33)	5	(39)
Foreign exchange movements	—	—	(5)	—	(5)
Balance at the end of the reporting period	—	15	3	5	23
Stage 1	—	6	2	1	9
Stage 2	—	9	1	4	14

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses

Jaws and cost-to-income ratio (%)



Breakdown of operating expenses	2019 Rm	2018 Rm	Change %
Administration fees	**563**	468	20
Amortisation of intangible assets	**1 100**	815	35
Auditors' remuneration	**351**	331	6
Cash transportation	**1 304**	1 266	3
Depreciation	**3 564**	2 320	54
Equipment costs	**357**	370	(4)
Information technology	**3 717**	3 194	16
Marketing costs	**1 538**	1 595	(4)
Operating lease expenses on properties	**174**	1 606	(89)
Other operating costs (includes net fraud losses, travel and entertainment costs)	**2 813**	2 663	6
Printing and stationery	**337**	362	(7)
Professional fees	**1 912**	1 820	5
Property costs	**1 763**	1 759	0
Staff costs	**25 696**	24 031	7
Bonuses	**1 946**	2 066	(6)
Deferred cash and share-based payments	**640**	638	0
Other[1]	**1 044**	979	7
Salaries and current service costs on post-retirement benefit funds	**21 625**	19 923	9
Training costs	**441**	425	4
Telephone and postage	**1 168**	1 042	12
	46 357	43 642	6

Breakdown of IT-related spend included in operating expenses	2019 Rm	2018 Rm	Change %
Amortisation of intangible assets and depreciation of IT equipment	**2 259**	1 958	15
Information technology	**3 717**	3 194	16
Staff costs	**2 480**	1 983	25
of which staff costs pre the capitalisation of project-related resource costs	**2 821**	2 569	10
Other	**867**	751	15
	9 323	7 886	18

[1] Includes recruitment costs, membership fees to professional bodies, staff parking, study assistance, staff relocation and refreshment costs.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses (continued)

On a normalised basis operating costs increased by **6%** (CCY 5%) to **R46 357m** (2018: R43 642m) with staff costs increasing by **7%** (CCY 6%) and non-staff costs increasing by **5%** (CCY 5%). Cost growth was inflationary in constant currency terms supported by cost optimisation initiatives despite the impact of higher restructuring costs, incremental run costs post the separation from Barclays PLC as well as higher fraud and litigation charges.

- Administration fees increased by **20%** (CCY 18%) as a result of once-off credits in the prior year base.
- Amortisation of intangible assets increased by **35%** (CCY 34%) and reflected continuing investment in new digital, data and automation capabilities, resulting in an increase in intangible assets.
- Depreciation increased by **54%** (CCY 53%) mainly from the adoption of IFRS 16 on 1 January 2019 whereby right-of-use assets of R3.4bn were recognised at the adoption date. This recognition has resulted in a corresponding 89% decrease in operating lease expenses on properties and an increase in funding costs. The total combined property-related expense growth remained low in line with the Group's property strategy.
- Information technology costs increased by **16%** (CCY 16%) and reflected continued investment in technology services following separation from Barclays PLC.
- Marketing costs decreased by **4%** (CCY 4% lower), reflecting lower product campaign and advertising spend.
- Other operating costs increased by **6%** (CCY 4%), reflecting higher fraud charges, which was partially offset by lower travel costs.
- Professional fees increased by **5%** and include a once-off provision for a litigation claim, which was offset by lower project-related spend.
- Property costs are in line with the prior year, reflecting continued optimisation of the corporate property portfolio and branch network.
- Staff costs increased by **7%** (CCY 6%) to **R25 696m** (31 December 2018: R24 031m). Salary costs grew by **9%** (CCY 8%), reflecting the impact of staff restructuring costs in 2019, lower capitalisation of project resource costs and investment hiring relating to the build-out of new capabilities post separation from Barclays PLC. Excluding these impacts, salary costs grew by circa 4% on a constant currency basis. Bonuses of **R1 946m** (31 December 2018: R2 066m) decreased by **6%** (CCY 6% lower) and deferred cash and share-based payments of **R640m** were in line with prior year on both a reported and constant currency basis (31 December 2018: R638m).
- Telephone and postage costs increased by **12%** (CCY 11%) and reflects an increase in the cost of market data services following separation from Barclays PLC.

6. Indirect taxation

	2019 Rm	2018 Rm	Change %
Training levy	**201**	211	(5)
Value-added tax net of input credits	**1 373**	1 187	16
	1 574	1 398	13

7. Taxation expense

	2019 Rm	2018 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	**24 116**	24 041	0
Share of post-tax results of associates and joint ventures	**(221)**	(179)	23
	23 895	23 862	0
Tax calculated at a tax rate of 28%	**6 691**	6 681	0
Effect of different tax rates in other countries	**52**	34	53
Expenses not deductible for tax purposes[1]	**528**	762	(31)
Assessed losses	**37**	84	(56)
Dividend income	**(447)**	(434)	3
Non-taxable interest[2]	**(315)**	(181)	74
Other income not subject to tax	**(3)**	(124)	(98)
Other	**(224)**	(72)	>100
Items of a capital nature	**11**	16	(31)
	6 310	6 766	(7)

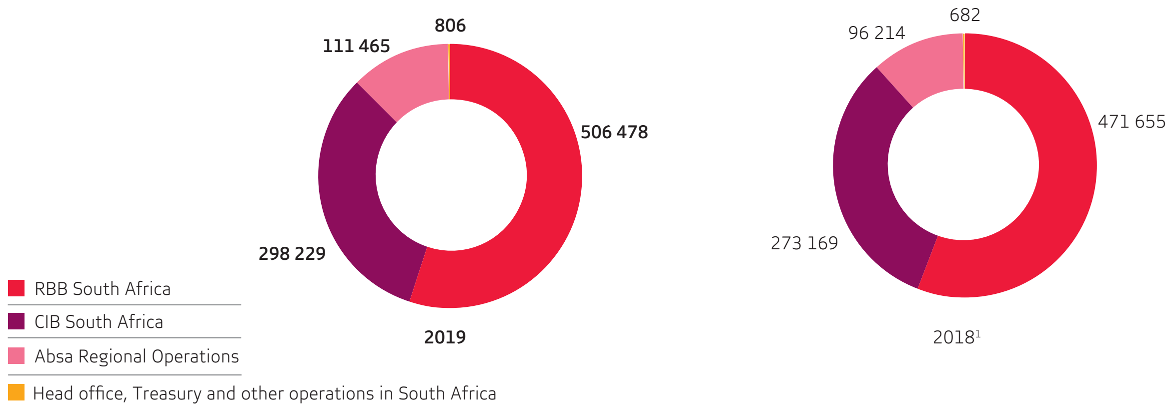
1 This includes donations, non-deductible levies and other non-deductible expenses.
2 This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which is exempt from tax.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

8. Loans and advances to customers

Loans and advances to customers by segment (Rm)



	2019 %	2018 %
RBB South Africa	**55.2**	56.0
CIB South Africa	**32.5**	32.5
Absa Regional Operations	**12.2**	11.4
Head Office, Treasury and other operations in South Africa	**0.1**	0.1
	100.0	100.0

Loans and advances to customers by segment	2019 Rm	2018[1] Rm	Change %
RBB South Africa			
Credit cards	**43 219**	41 226	5
Instalment credit agreements	**94 380**	85 651	10
Loans to associates and joint ventures	**25 923**	25 490	2
Mortgages	**272 279**	261 228	4
Other loans and advances	**4 181**	3 528	19
Overdrafts	**34 513**	30 673	13
Personal and term loans	**55 786**	46 602	20
Gross loans and advances to customers	**530 281[2]**	494 398	7
Impairment losses on loans and advances to customers	**(23 803)**	(22 743)	5
	506 478	471 655	7
CIB South Africa			
Foreign currency loans	**39 101**	36 463	7
Mortgages	**36 197**	28 471	27
Term loans	**113 328**	110 702	2
Overdrafts	**17 571**	21 768	(19)
Overnight finance	**18 130**	18 038	1
Preference shares	**20 986**	20 450	3
Reverse repurchase agreements	**43 222**	29 414	47
Other loans and advances	**11 128**	10 561	5
Gross loans and advances to customers	**299 663**	275 867	9
Impairment losses on loans and advances to customers	**(1 434)**	(2 698)	(47)
	298 229	273 169	9

[1] These numbers have been restated; refer to the reporting overview on the inside cover page.
[2] Edcon portfolio has been transferred to non-current asset held for sale (R4.6bn) therefore not included in the total advances.

Performance indicators and condensed normalised notes to the consolidated financial statements

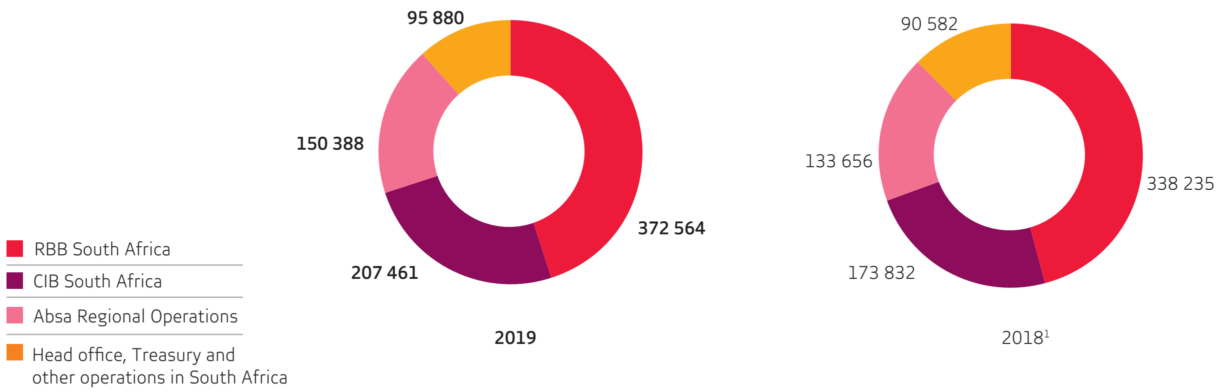
for the reporting period ended 31 December

8. Loans and advances to customers (continued)

Loans and advances to customers by segment (continued)	2019 Rm	2018[1] Rm	Change %
Absa Regional Operations			
Gross loans and advances to customers	**116 475**	101 344	15
Impairment losses on loans and advances to customers	**(5 010)**	(5 130)	(2)
	111 465	96 214	16
Head Office, Treasury and other operations in South Africa			
Gross loans and advances to customers	**296**	278	6
Impairment losses on loans and advances to customers	**510**	404	26
	806	682	18
Total loans and advances to customers			
Gross loans and advances to customers	**946 714**	871 887	9
Impairment losses on loans and advances to customers	**(29 736)**	(30 167)	(1)
Net loans and advances to customers including reverse repurchase agreements	**916 978**	841 720	9
Less: Reverse repurchase agreements	**(43 222)**	(29 414)	47
Net loans and advances to customers excluding reverse repurchase agreements	**873 756**	812 306	8

9. Deposits due to customers

Deposits due to customers by segment (Rm)



Total funding mix	2019 %	2018 %
Deposits due to customers	**74.9**	72.3
RBB South Africa	**33.8**	33.2
CIB South Africa	**18.8**	17.1
Absa Regional Operations	**13.6**	13.1
Head Office, Treasury and other operations in South Africa	**8.7**	8.9
Deposits from banks	**10.6**	11.9
Debt securities in issue	**14.5**	15.8
	100.0	100.0

[1] These numbers have been restated, refer to the report overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

9. Deposits due to customers (continued)

Deposits due to customers by segment	2019 Rm	2018[1] Rm	Change %
RBB South Africa	372 564	338 235	10
Call deposits	13 023	13 810	(6)
Cheque account deposits	85 449	82 370	4
Credit card deposits	1 862	1 904	(2)
Fixed deposits	93 104	80 803	15
Foreign currency deposits	793	581	36
Notice deposits	23 655	18 770	26
Other deposits	307	740	(59)
Saving and transmission deposits	154 371	139 257	11
CIB South Africa	207 461	173 832	19
Call deposits	22 005	24 720	(11)
Cheque account deposits	78 266	78 557	(0)
Fixed deposits	59 084	41 631	42
Foreign currency deposits	19 053	12 495	52
Notice deposits	6 696	1 095	>100
Other deposits	415	732	(43)
Repurchase agreements with non-banks	19 884	12 793	55
Saving and transmission deposits	2 058	1 809	14
Absa Regional Operations	150 388	133 656	13
RBB	75 670	72 443	4
CIB	71 814	58 520	23
Head Office, Treasury and other operations	2 904	2 693	8
Head Office, Treasury and other operations in South Africa	95 880	90 582	6
Total deposits due to customers including repurchase agreements with non-banks	**826 293**	736 305	12
Less: Repurchase agreements with non-banks	**(19 884)**	(12 793)	55
Total deposits due to customers excluding repurchase agreements with non-banks	**806 409**	723 512	11

[1] These numbers have been restated; refer to the reporting overview on the inside cover page.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

10. Debt securities in issue

Debt securities in issue	2019 Rm	2018 Rm	Change %
Commercial paper	**5 290**	1 436	>100
Credit-linked notes	**9 464**	9 049	5
Floating rate notes	**57 028**	64 181	(11)
Negotiable certificates of deposit	**46 539**	53 809	(14)
Other	**1 140**	696	64
Promissory notes	**1 120**	1 257	(11)
Senior notes	**39 111**	30 442	28
Structured notes and bonds	**102**	101	1
	159 794	160 971	(1)
Segment split			
CIB South Africa	**16 612**	11 565	44
Absa Regional Operations	**2 855**	1 363	>100
Head Office, Treasury and other operations in South Africa	**140 327**	148 043	(5)
	159 794	160 971	(1)

11. Equity and borrowed funds

	2019 Rm	2018 Rm	Change %
Authorised			
880 467 500 (2018: 880 467 500) ordinary shares of R2.00 each	**1 761**	1 761	—
Issued			
847 750 679 847 750 679 (2018: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—
4 221 005 (2018: 7 557 551) treasury shares held by Group entities	**(9)**	(16)	(44)
	1 687	1 680	0
Total issued capital			
Share capital	**1 687**	1 680	0
Share premium	**3 875**	3 657	6
	5 562	5 337	4

Number of ordinary shares in issue (after deduction of treasury shares)	2019 Number of shares (million)	2018 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—
Treasury shares held by the Group	**(4.2)**	(7.6)	(45)
	843.6	840.2	0

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

11. Equity and borrowed funds (continued)

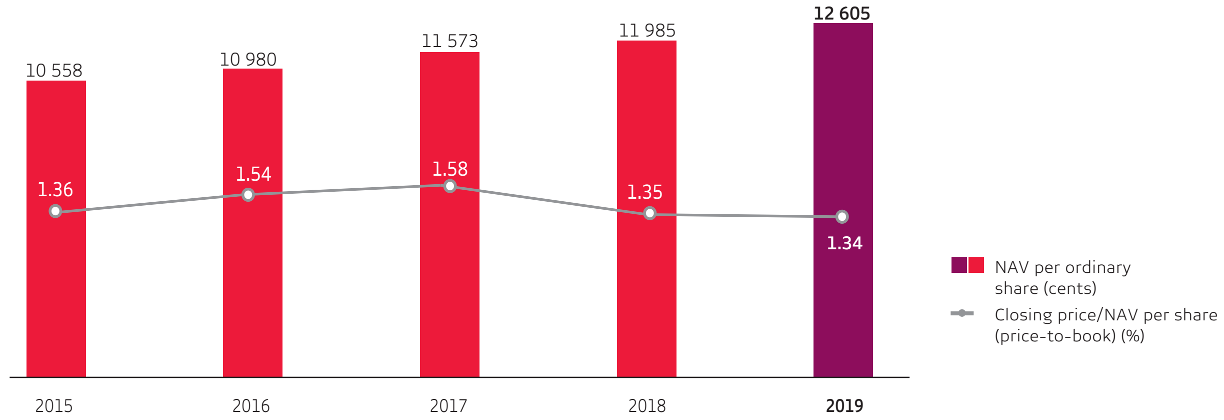
Borrowed funds		2019 Rm	2018 Rm	Change %
Subordinated callable notes issued by Absa Bank Limited				
Interest rate	**Final maturity date**			
Consumer price index-linked notes fixed at 5.50%	7 December 2028	**1 500**	1 500	—
Subordinated callable notes issued by Absa Group Limited				
10.05%	5 February 2025	**807**	807	—
10.835%	19 November 2024	**—**	130	(100)
11.365%	4 September 2025	**508**	508	—
11.40%	29 September 2025	**288**	288	—
11.74%	20 August 2026	**140**	140	—
11.81%	3 September 2027	**737**	737	—
12.43%	5 May 2026	**200**	200	—
Three-month JIBAR + 2.40%	11 April 2029	**1 580**	—	100
Three-month JIBAR + 2.45%	29 November 2028	**1 500**	1 500	—
Three-month JIBAR + 3.30%	19 November 2024	**—**	370	(100)
Three-month JIBAR + 3.50%	5 February 2025	**1 693**	1 693	—
Three-month JIBAR + 3.50%	4 September 2025	**437**	437	—
Three-month JIBAR + 3.60%	3 September 2027	**30**	30	—
Three-month JIBAR + 4.00%	5 May 2026	**31**	31	—
Three-month JIBAR + 4.00%	20 August 2026	**1 510**	1 510	—
Three-month JIBAR + 4.00%	3 November 2026	**500**	500	—
Three-month JIBAR + 3.78%	17 March 2027	**642**	642	—
Three-month JIBAR + 3.85%	25 May 2027	**500**	500	—
Three-month JIBAR + 3.85%	14 August 2029	**390**	390	—
Three-month JIBAR + 3.15%	30 September 2027	**295**	295	—
Three-month JIBAR + 3.45%	29 September 2029	**1 014**	1 014	—
USD 6.25%	25 April 2028	**4 952**	4 932	0
Subordinated callable notes issued by other subsidiaries				
National Bank of Commerce, 16.44% fixed-rate note	29 January 2024	**—**	34	(100)
Barclays Bank of Botswana Limited, Bank rate +2.25%	14 November 2023	**136**	139	(2)
Other				
Accrued interest		**1 162**	1 222	—
Fair-value adjustments		**245**	63	>100
Foreign exchange movements		**621**	613	1
		21 418	20 225	6

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

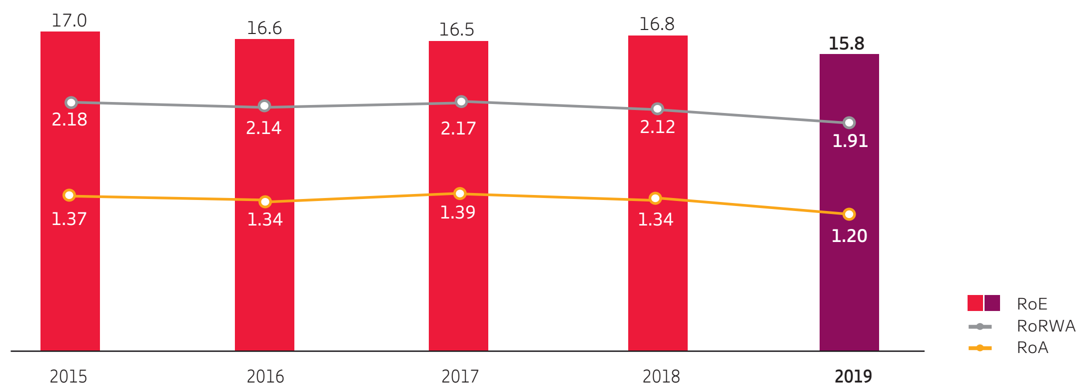
11. Equity and borrowed funds (continued)

NAV per share and closing price/NAV per share (cents and %)



12. Returns

RoE, RoA and RoRWA (%)

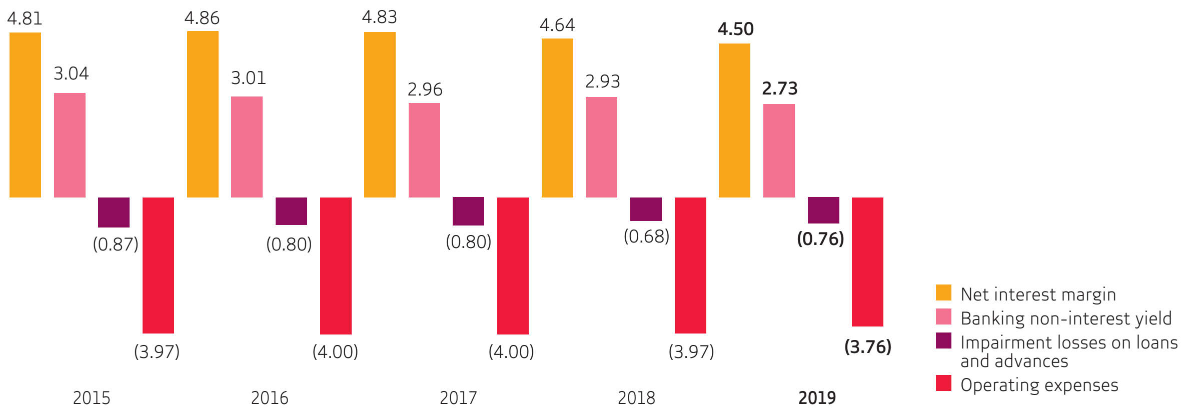


Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

13. RoE decomposition

Major drivers of RoE (%)



		2019 %	2018 %
	Net interest margin on average interest-bearing assets	**4.50**	4.64
Less:	Impairment losses on average interest-bearing assets	**0.76**	0.68
Equals:	Net interest margin on average interest-bearing assets – after impairment losses	**3.74**	3.97
Multiply:	Average interest-bearing assets/Average banking assets	**83.19**	85.02
Equals:	Banking interest yield	**3.11**	3.36
Plus:	Banking non-interest yield	**2.73**	2.93
Equals:	Banking income yield	**5.85**	6.29
Less:	Operating expenses/Average banking assets	**3.76**	3.97
Equals:	Net banking return	**2.09**	2.33
Less:	Other[1]	**0.77**	0.86
Equals:	Banking return	**1.32**	1.46
Multiply:	Average banking assets/Total average assets	**91.07**	91.32
Equals:	RoA	**1.20**	1.34
Multiply:	Leverage	**13.17**	12.54
Equals:	RoE	**15.8**	16.8

[1] "Other" includes other impairments, indirect taxation, share of post-tax results of associates and joint ventures and taxation expense.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

14. Off-statement of financial position items

	2019 Rm	2018 Rm	Change %
Contingencies, commitments and similar items			
Guarantees	**45 325**	46 529	(3)
Irrevocable debt facilities	**174 827**	199 062	(12)
Irrevocable equity facilities	**7**	8	(13)
Letters of credit	**10 463**	14 838	(29)
Other	**1**	63	(98)
	230 623	260 500	(11)
Authorised capital expenditure			
Contracted but not provided for	**1 156**	1 304	(11)

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.

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.

	2019 Rm	2018 Rm	Change %
Operating lease payments due			
Not later than one year	—	1 408	(100)
Later than one year and no later than five years	—	3 905	(100)
Later than five years	—	707	(100)
	—	6 020	(100)

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

15. Legal proceedings

Legal matters

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

- 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, in the 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.

15. Legal proceedings (continued)

Legal matters (continued)

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, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Group has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. Provision is made for all liabilities which are expected to materialise.

In terms of the requirements of IFRS, the Group has, in 2019, reassessed any possible obligation regarding the Pinnacle Point Holdings case to be remote. The case relating to the Ayanda Collective Investment Scheme was amicably resolved during the year under review.

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.

The Group's possible obligation with regards to the matter previously disclosed relating to the SACC seeking sanction against Barclays/Absa has, in the current reporting period, been reassessed to be remote.

16. 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.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Implementation of IFRS 16 Leases

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

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

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

The Group elected the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases, and to use a single discount rate to a portfolio of leases with similar characteristics. For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at initial application was determined as the carrying amount of the leased asset and lease liability under IAS 17 at 31 December 2018.

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

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

17. Implementation of IFRS 16 Leases (continued)

17.2 The following table summarises the total impact of IFRS 16 on the Group's statement of financial position as at 1 January 2020:

	31 December 2018 Rm	Impact of initial adoption of IFRS 16 Rm	1 January 2019 Rm
Assets			
Property and equipment	15 835	3 390	19 225
Other assets	30 642	(9)	30 633
Deferred tax assets	3 431	88	3 519
Total assets	1 288 744	3 469	1 292 213
Liabilities			
Other liabilities[1]	36 662	3 728	40 390
Deferred tax liabilities	360	(3)	357
Total liabilities	1 167 138	3 725	1 170 863
Equity			
Capital and reserves			
Retained earnings	91 237	(243)	90 994
Non-controlling interest – ordinary shares	4 737	(13)	4 724
Total equity	121 606	(256)	121 350
Total liabilities and equity	1 288 744	3 469	1 292 213

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

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

The weighted average incremental borrowing rate applied to discount the lease liabilities at the date of initial application was 9.5%. The weighted average incremental rate was determined as at 1 January 2019 and took into account incremental borrowing rates in South Africa (circa. 9%) and the other countries where the Group operates (between 5% and 23%).

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended 31 December

18. 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.

In June 2019, the IASB proposed targeted amendments to IFRS 17 which aim to support implementation of the standard. The amendments include a proposed deferral of the effective date of the standard to reporting periods beginning on or after 1 January 2023. The IASB will consider the recommendation on the effective date of IFRS 17, and the recommendation to extend the temporary exemption from applying IFRS 9, during its meeting in the week of 16 March 2020.

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 have commenced. Planning work on the financial reporting and disclosure implications has been completed and related development activities are scheduled for 2020. The programme is on track to commence with end-to-end solution testing in the second half of 2020 in preparation for parallel run activities that are planned to commence in 2021.

Amendments to IFRS 3 Business Combinations regarding the definition of a business

The amendments, which apply to business combinations for which the acquisition date is on or after 1 January 2020, revise the definitions included in the appendix to IFRS 3 in order to assist entities in determining whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

Revised Conceptual Framework for Financial Reporting

The purpose of the Framework for Financial Reporting (Conceptual Framework) is to assist the IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place, and to assist all parties to understand and interpret the standards. The Conceptual Framework issued in March 2018 is effective immediately for the IASB and the IFRS Interpretations Committee. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR)

The amendments, which are applicable for financial reporting periods beginning on or after 1 January 2020, focus on hedge accounting issues related to uncertainties arising in the period leading up to the replacement of IBORs with alternative nearly risk-free rates, and provide reliefs to allow hedge accounting to continue during the period of uncertainty before an IBOR is replaced. The amendments are mandatory for all hedge relationships directly affected by interest rate benchmark reform, and are required to be applied on a retrospective basis.

Segment performance

WIMI (as previously disclosed) segment change

for the reporting period ended 31 December

The focus on a client-centric growth strategy and delivering optimally on our customer needs, identified the need to further align the retail businesses of RBB SA and WIMI. Our customers as well as the customer touchpoints across these two value chains are largely the same and accordingly, the WIMI retail businesses have been integrated into a combined RBB SA business. The businesses previously reported under WIMI are now reported as follows:

> Life insurance and short-term insurance businesses (including Insurance Absa Regional Operations) have been combined to form the Insurance Cluster in RBB SA.
> Wealth, Distribution and Fiduciary services have moved to Relationship Banking in RBB SA.
> WIMI other is part of Retail and Business Banking Other in RBB SA.
> Investment Management is reported in Head Office, Treasury and other operations in South Africa.
> Terminating lines are reported in Head Office, Treasury and other operations in South Africa.

		2018 Reallocation to other segments					
	WIMI as previously published Rm	Insurance Cluster Rm	Relationship Banking Rm	Retail and Business Banking Other Rm	RBB SA Rm	Head Office, Treasury and other operations in SA Rm	Total Rm
Statement of comprehensive income							
Net interest income	317	27	262	5	294	23	317
Non-interest income	5 514	3 012	1 032	3	4 047	1 467	5 514
Total income	5 831	3 039	1 294	8	4 341	1 490	5 831
Impairment losses	35	—	34	—	34	1	35
Operating expenses	(3 578)	(1 115)	(1 092)	(655)	(2 862)	(716)	(3 578)
Other operating expenses	(162)	(141)	(13)	(9)	(163)	1	(162)
Operating profit before income tax	2 126	1 783	223	(656)	1 350	776	2 126
Tax expense	(740)	(637)	(59)	151	(545)	(195)	(740)
Profit for the reporting period	1 386	1 146	164	(505)	805	581	1 386
Headline earnings	1 268	1 162	160	(505)	817	451	1 268
Statement of financial position							
Loans and advances to customers	5 734	—	5 734	—	5 734	—	5 734
Loans and advances to banks	2 520	2 216	70	63	2 349	171	2 520
Investment securities	4 218	3 422	299	415	4 136	82	4 218
Other assets	37 976	30 839	1 440	4 495	36 774	1 202	37 976
Total assets	50 448	36 477	7 543	4 973	48 993	1 455	50 448
Deposits due to customers	5 097	—	5 097	—	5 097	—	5 097
Other liabilities	39 850	33 014	2 039	4 350	39 403	447	39 850
Total liabilities	44 947	33 014	7 136	4 350	44 500	447	44 947

Segment performance overview

for the reporting period ended 31 December

Segment reporting structure

The Group's main reportable segments are based on an operating model that is mainly driven by geography and customer as primary dimensions and are disclosed as the following market segments:

* Life Insurance and Short-term Insurance (including Insurance Absa Regional Operations) are disclosed as part of the Insurance Cluster in RBB SA.

Operational metrics	2019	2018	Change %
South Africa			
Outlets (including number of branches and sales centres)	**632**	671	(6)
ATMs	**8 656**	8 961	(3)
Africa regions			
Outlets (including number of branches and sales centres)	**390**	403	(3)
ATMs	**1 107**	1 108	(0)
Number of permanent and temporary employees	**38 472**	40 856	(6)
South Africa (excludes WFS employees)	**28 296**	30 798	(8)
Africa regions	**10 149**	10 037	1
International operations outside Africa[2]	**27**	21	29

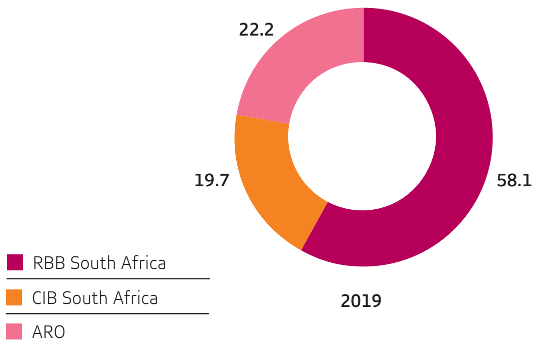
[1] Includes Absa Manx Insurance Company.
[2] Headcount as disclosed is in relation to the Group's international offices in the United States and United Kingdom. In 2018 this headcount was reported as part of South Africa operations and has been restated for comparability.

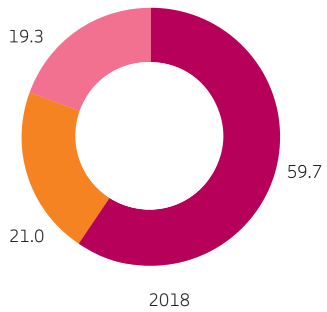
Segment performance overview

for the reporting period ended 31 December

Performance per market segment

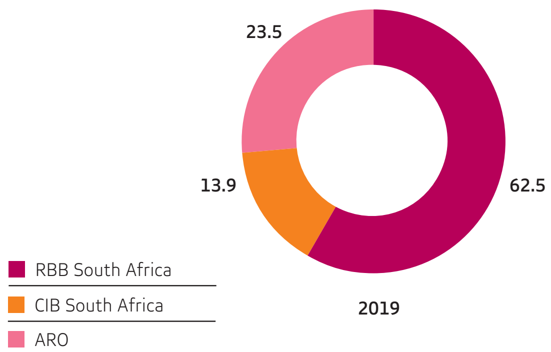
Headline earnings per market segment, excluding Head Office, Treasury and other operations in South Africa and the impact of the Barclays separation (%)

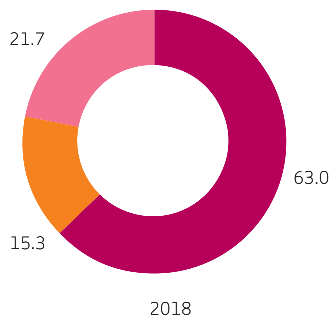




Headline earnings	2019 Rm	2018[1] Rm	Change %
RBB South Africa	9 510	9 722	(2)
CIB South Africa	3 230	3 422	(6)
Absa Regional Operations	3 635	3 140	16
Head Office, Treasury and other operations in South Africa	(110)	(156)	(29)
	16 265	16 128	1

Income per market segment, excluding Head Office, Treasury and other operations in South Africa and the impact of the Barclays separation (%)





Income	2019 Rm	2018[1] Rm	Change %
RBB South Africa	49 572	47 200	5
CIB South Africa	11 040	11 487	(4)
Absa Regional Operations	18 605	16 307	14
Head Office, Treasury and other operations in South Africa	744	666	12
	79 961	75 660	6

[1] These numbers have been restated, refer to the report overview on the inside front cover.

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Segment report per market segment

for the reporting period ended 31 December

	RBB South Africa			CIB South Africa		
	2019	2018[1]	Change %	**2019**	2018[1]	Change %
Statement of comprehensive income (Rm)						
Net interest income	**26 191**	25 140	4	**7 278**	6 913	5
Non-interest income	**23 381**	22 060	6	**3 762**	4 574	(18)
Total income	**49 572**	47 200	5	**11 040**	11 487	(4)
Impairment losses	**(6 253)**	(4 522)	38	**(367)**	(998)	(63)
Operating expenses	**(28 581)**	(27 552)	4	**(6 503)**	(6 130)	6
Other expenses	**(618)**	(707)	(13)	**(100)**	(36)	>100
Operating profit before income tax	**14 120**	14 419	(2)	**4 070**	4 323	(6)
Tax expense	**(3 922)**	(4 158)	(6)	**(534)**	(695)	(23)
Profit for the reporting period	**10 198**	10 261	(1)	**3 536**	3 628	(3)
Profit attributable to:						
Ordinary equity holders	**9 416**	9 643	(2)	**3 225**	3 422	(6)
Non-controlling interest – ordinary shares	**306**	283	8	**—**	—	—
Non-controlling interest – preference shares	**212**	217	(2)	**140**	134	4
Non-controlling interest – Additional Tier 1	**264**	118	>100	**171**	72	>100
	10 198	10 261	(1)	**3 536**	3 628	(3)
Headline earnings	**9 510**	9 722	(2)	**3 230**	3 422	(6)
Operating performance (%)						
Net interest margin on average interest-bearing assets	**3.38**	3.55		**2.23**	2.36	
Credit loss ratio	**1.18**	0.92		**0.11**	0.36	
Non-interest income as % of income	**47.2**	46.7		**34.1**	39.8	
Income growth	**5**	2		**(4)**	8	
Operating expenses growth	**4**	6		**6**	11	
Cost-to-income ratio	**57.7**	58.4		**58.9**	53.4	
Statement of financial position (Rm)						
Loans and advances to customers	**506 478**	471 655	7	**298 229**	273 169	9
Loans and advances to banks	**14 411**	13 563	6	**41 881**	38 027	10
Investment securities	**31 436**	49 326	(36)	**42 382**	39 391	8
Other assets	**364 739**	317 447	15	**246 060**	181 952	35
Total assets	**917 064**	851 991	8	**628 552**	532 539	18
Deposits due to customers	**372 564**	338 235	10	**207 461**	173 832	19
Debt securities in issue	**—**	—	—	**16 612**	11 565	44
Other liabilities	**528 014**	500 847	5	**398 398**	340 009	17
Total liabilities	**900 578**	839 082	7	**622 471**	525 406	18
Financial performance (%)						
RoRWA[2]	**2.54**	2.84		**1.48**	1.75	
RoA	**1.08**	1.20		**0.55**	0.67	
RoRC[3]	**21.4**	23.3		**13.3**	15.9	

[1] These numbers have been restated, refer to the report overview on the inside front cover.

[2] The RoRWA includes Insurance Cluster returns, but risk weighted assets of zero have been attributed to the Insurance Cluster since it is not regulated under the risk-weighted asset regulations that apply to banking entities.

[3] As Absa Regional Operations consists primarily of a set of legal entities, the denominator in the RoRC for Absa Regional Operations is calculated as the sum of the average equity of the legal entities.

Absa Regional Operations			Head Office, Treasury and other operations in South Africa			Normalised Group performance		
2019	2018[1]	Change %	2019	2018[1]	Change %	2019	2018	Change %
12 564	11 153	13	273	219	25	46 306	43 425	7
6 041	5 154	17	471	447	5	33 655	32 235	4
18 605	16 307	14	744	666	12	79 961	75 660	6
(1 213)	(794)	53	17	(10)	<(100)	(7 816)	(6 324)	24
(10 753)	(9 625)	12	(520)	(335)	55	(46 357)	(43 642)	6
(367)	(200)	84	(587)	(710)	(17)	(1 672)	(1 653)	1
6 272	5 688	10	(346)	(389)	(11)	24 116	24 041	0
(1 903)	(1 984)	(4)	49	71	(31)	(6 310)	(6 766)	(7)
4 369	3 704	18	(297)	(318)	(7)	17 806	17 275	3
3 661	3 159	16	(299)	(321)	(7)	16 003	15 903	1
708	545	30	2	3	(33)	1 016	831	22
—	—	—	—	—	—	352	351	0
—	—	—	—	—	100	435	190	>100
4 369	3 704	18	(297)	(318)	(7)	17 806	17 275	3
3 635	3 140	16	(110)	(156)	(29)	16 265	16 128	1
7.39	7.62		n/a	n/a		4.50	4.64	
0.98	0.78		n/a	n/a		0.80	0.73	
32.5	31.6		n/a	n/a		42.1	42.6	
14	5		n/a	n/a		6	4	
12	7		n/a	n/a		6	5	
57.8	59.0		n/a	n/a		58.0	57.7	
111 465	96 214	16	806	682	18	916 978	841 720	9
14 847	11 278	32	(11 394)	(9 728)	17	59 745	53 140	12
35 675	36 043	(1)	7 254	10 660	(32)	116 747	135 420	(14)
56 000	48 382	16	(365 775)	(292 509)	25	301 024	255 272	18
217 987	191 917	14	(369 109)	(290 895)	27	1 394 494	1 285 552	8
150 388	133 656	13	95 880	90 582	6	826 293	736 305	12
2 855	1 363	>100	140 327	148 043	(5)	159 794	160 971	(1)
42 248	34 087	24	(682 093)	(599 520)	14	286 567	275 423	4
195 491	169 106	16	(445 886)	(360 895)	24	1 272 654	1 172 699	9
1.63	1.70		n/a	n/a		1.91	2.12	
1.77	1.83		n/a	n/a		1.20	1.34	
19.0	18.1		n/a	n/a		n/a	n/a	

Segment report per geographical segment

for the reporting period ended 31 December

	South Africa[2]		
	2019	2018[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	33 712	32 242	5
Non-interest income	27 176	26 689	2
Total income	60 888	58 931	3
Impairment losses	(6 603)	(5 530)	19
Operating expenses	(35 162)	(33 596)	5
Other expenses	(1 263)	(1 432)	(12)
Operating profit before income tax	17 860	18 373	(3)
Tax expenses	(4 403)	(4 748)	(7)
Profit for the reporting period	13 457	13 625	(1)
Profit attributable to:			
Ordinary equity holders	12 371	12 798	(3)
Non-controlling interest – ordinary shares	299	286	5
Non-controlling interest – preference shares	352	351	0
Non-controlling interest – Additional Tier 1	435	190	>100
	13 457	13 625	(1)
Headline earnings	12 657	13 046	(3)
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.94	4.09	
Credit loss ratio	0.78	0.72	
Non-interest income as % of income	44.8	45.3	
Income growth	3	3	
Cost growth	5	5	
Cost-to-income ratio	57.7	57.0	
Statement of financial position (Rm)			
Loans and advances to customers	805 513	745 506	8
Loans and advances to banks	44 688	41 191	8
Investment securities	80 297	98 640	(19)
Other assets	242 901	205 367	18
Total assets	1 173 399	1 090 704	8
Deposits due to customers	675 905	602 649	12
Debt securities in issue	156 939	159 608	(2)
Other liabilities	241 892	239 147	1
Total liabilities	1 074 736	1 001 404	7
Financial performance (%)			
RoRWA	2.03	2.28	
RoA	1.10	1.27	

[1] These numbers have been restated, refer to the report overview on the inside front cover.
[2] International operations outside Africa.

Africa regions				Normalised Group performance			
2019	2018[1]	CCY%	Change %	2019	2018	CCY%	Change %
12 594	11 183	9	13	**46 306**	43 425	6	7
6 479	5 546	13	17	**33 655**	32 235	4	4
19 073	16 729	11	14	**79 961**	75 660	5	6
(1 213)	(794)	49	53	**(7 816)**	(6 324)	23	24
(11 195)	(10 046)	8	11	**(46 357)**	(43 642)	5	6
(409)	(221)	78	85	**(1 672)**	(1 653)	3	1
6 256	5 668	7	10	**24 116**	24 041	—	0
(1 907)	(2 018)	(6)	(6)	**(6 310)**	(6 766)	(7)	(7)
4 349	3 650	14	19	**17 806**	17 275	2	3
3 632	3 105	13	17	**16 003**	15 903	—	1
717	545	24	32	**1 016**	831	17	22
—	—	—	—	**352**	351	—	0
—	—	—	—	**435**	190	>100	>100
4 349	3 650	14	19	**17 806**	17 275	2	3
3 608	3 082	13	17	**16 265**	16 128	—	1
7.39	7.60			**4.50**	4.64		
0.98	0.77			**0.80**	0.73		
34.0	33.2			**42.1**	42.6		
14	4			**6**	4		
11	7			**6**	5		
58.7	60.0			**58.0**	57.7		
111 465	96 214	22	16	**916 978**	841 720	10	9
15 057	11 949	36	26	**59 745**	53 140	15	12
36 450	36 780	6	(1)	**116 747**	135 420	(12)	(14)
58 123	49 905	28	16	**301 024**	255 272	20	18
221 095	194 848	21	13	**1 394 494**	1 285 552	10	8
150 388	133 656	19	13	**826 293**	736 305	13	12
2 855	1 363	>100	>100	**159 794**	160 971	—	(1)
44 675	36 276	37	23	**286 567**	275 423	6	4
197 918	171 295	24	16	**1 272 654**	1 172 699	10	9
1.61	1.66			**1.91**	2.12		
1.72	1.77			**1.20**	1.34		

RBB South Africa

for the reporting period ended 31 December

RBB SA pre-provision profit grew **7%**, as income grew **5%** and operating costs growth was controlled at **4%**. This was offset by a **38%** increase in impairment losses that resulted in a headline earnings decline of **2%**.

▲ **Asset production momentum**
accelerated in 2019 with the majority of the portfolios delivering strong growth.

▲ **Entered into**
a binding offer to sell the Edcon portfolio.

▲ **Gross loans and advances grew by 7% to R530bn,**
improving from 6% growth in 2018.

▼ **Deposit margins contracted**
as customers search for yield.

▲ **Deposits grew 10% to R373bn,**
as we gained market share.

▼ **Credit loss ratio increased by 26bps**
to **1.18%**
(2018: 0.92%), on the back of balance sheet resilience built.

▲ **Non-interest income grew 6%**
from improved revenue in Everyday Banking and Insurance.

▼ **Return on Regulatory Capital (RoRC) declined** to **21.4%**
(2018: 23.3%) from new business strain.

▲ **Cost-to-income ratio improved to 57.7%**
from 58.4% in 2018.

Salient features	2019	2018[1]	Change %
Income (Rm)	**49 572**	47 200	5
Pre-provision profit (Rm)	**20 991**	19 648	7
Headline earnings (Rm)	**9 510**	9 722	(2)
Credit loss ratio (%)	**1.18**	0.92	
Cost-to-income ratio (%)	**57.7**	58.4	
RoRWA (%)	**2.54**	2.84	
RoA (%)	**1.08**	1.20	
RoRC (%)	**21.4**	23.3	

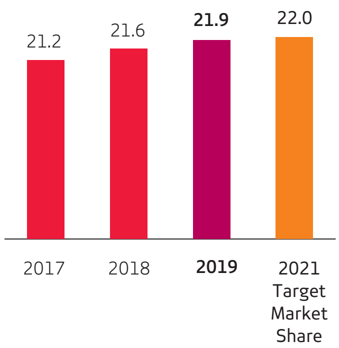
Headline earnings by segment	2019 Rm	2018[1] Rm	Change %
RBB South Africa	**9 510**	9 722	(2)
Home Loans	**1 588**	1 565	1
Vehicle and Asset Finance	**299**	212	41
Everyday Banking	**3 500**	4 024	(13)
Relationship Banking	**3 672**	3 439	7
Insurance Cluster	**1 273**	1 162	10
Retail and Business Banking Other	**(822)**	(680)	21

[1] These numbers have been restated, refer to the report overview on the inside front cover.

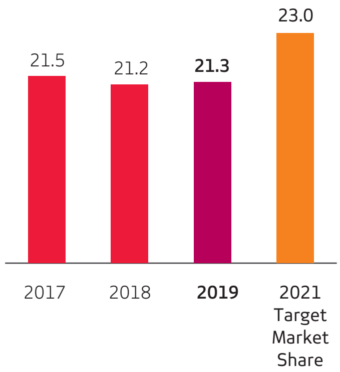
RBB South Africa

for the reporting period ended 31 December

Retail Deposits market share (%)[1]



Retail Banking Advances market share (%)[1]

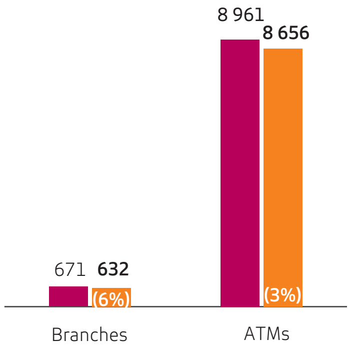


Retail and Business Banking Penetration rate (average number)

Average number of products per customer increased marginally

Customer numbers (millions and % change)

Physical footprint (number and change %)



Physical footprint reduced but continued to maintain optimal scale

Digital footprint (#'000 and change %)

The number of registered Absa Banking App users continued to grow

[1] Source: SARB BA900.

RBB South Africa

for the reporting period ended 31 December

Business profile

RBB offers a comprehensive suite of banking and insurance products and services to individual, enterprise and commercial customers. It caters for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. The focus is on providing a consistently superior experience across each of the channels, matched closely to the needs and expectations of each customer segment. Customers are served through an extensive branch and self-service terminal network, digital channels, financial advisers, relationship bankers as well as dealerships, originators, alliances and joint ventures.

Key business areas

- **Home Loans** – offers residential property-related finance solutions directly to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF)** – offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships and preferred suppliers. VAF's Joint Venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Everyday Banking** – offers day-to-day banking services to the retail customer and includes:
  - **Card** – offers credit cards via a mix of Absa-branded and co-branded offerings, including British Airways, Avios and Virgin Money. Included in this portfolio are partnerships with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products and Edcon, which offers in-store cards.
  - **Personal Loans** – offers unsecured instalment loans through face-to-face engagements and digital channels.
  - **Transactional and Deposits** – offers a full range of transactional banking, savings and investment products, a rewards programme and services through a variety of channels. These include the branch and self-service terminal network, digital channels as well as through a third-party retailer.
- **Relationship Banking** – consists of the business units and associated products where a named relationship exists and was formed to provide customers with a single 'warm-body' relationship manager rather than multiple touchpoints with the Group. The businesses consolidated into Relationship Banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional and deposit products), Private Banking, Wealth and Financial Advisory.

  Relationship Banking also includes an Equity portfolio, which is being reduced in an orderly manner.
- **Insurance Cluster** (Life Insurance and Short-term Insurance, including Insurance Absa Regional Operations, are disclosed as the Insurance Cluster in RBB South Africa):
  - **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
  - **Short-term Insurance** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-client short-term solution, Absa idirect, is also available to the retail market.
- **Retail and Business Banking Other** – includes investment spend, cost associated with the restructure, holding companies and related consolidation entries and allocated shareholder overhead expenses.
  - **Customer Value Management** (not reported separately) – supports the businesses to provide a singular view of the customer across RBB SA while ensuring alignment of the customer value propositions and a consistent voice in the market.

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RBB South Africa

for the reporting period ended 31 December

	Home Loans			Vehicle and Asset Finance			Everyday Banking		
	2019	2018[1]	Change %	**2019**	2018[1]	Change %	**2019**	2018[1]	Change %
Statement of comprehensive income (Rm)									
Net interest income	**4 072**	3 882	5	**2 320**	2 170	7	**12 872**	12 216	5
Non-interest income	**467**	467	0	**530**	518	2	**12 241**	11 357	8
Total income	**4 539**	4 349	4	**2 850**	2 688	6	**25 113**	23 573	7
Impairment losses	**(182)**	(113)	61	**(1 099)**	(1 022)	8	**(4 653)**	(3 108)	50
Operating expenses	**(1 979)**	(1 919)	3	**(1 493)**	(1 474)	1	**(14 867)**	(14 157)	5
Other expenses	**(38)**	(31)	23	**149**	114	31	**(173)**	(171)	1
Operating profit before income tax	**2 340**	2 286	2	**407**	306	33	**5 420**	6 137	(12)
Tax expenses	**(636)**	(647)	(2)	**(55)**	(52)	6	**(1 503)**	(1 729)	(13)
Profit for the reporting period	**1 704**	1 639	4	**352**	254	39	**3 917**	4 408	(11)
Profit attributable to:									
Ordinary equity holders	**1 588**	1 565	1	**296**	212	40	**3 489**	4 024	(13)
Non-controlling interest – ordinary shares	**—**	—	—	**—**	—	—	**299**	286	5
Non-controlling interest – preference shares	**52**	48	8	**25**	27	(7)	**58**	63	(8)
Non-controlling interest – Additional Tier 1	**64**	26	>100	**31**	15	>100	**71**	35	>100
	1 704	1 639	4	**352**	254	39	**3 917**	4 408	(11)
Headline earnings	**1 588**	1 565	1	**299**	212	41	**3 500**	4 024	(13)
Operating performance (%)									
Credit loss ratio	**0.08**	0.05		**1.34**	1.37		**5.50**	4.13	
Non-interest income as % of income	**10.3**	10.7		**18.6**	19.3		**48.7**	48.2	
Income growth	**4**	(11)		**6**	6		**7**	3	
Operating expenses growth	**3**	2		**1**	6		**5**	3	
Cost-to-income ratio	**43.6**	44.1		**52.3**	54.8		**59.2**	60.1	
Statement of financial position (Rm)									
Loans and advances to customers	**237 391**	227 086	5	**83 740**	76 772	9	**61 386**	57 779	6
Loans and advances to banks	**417**	771	(46)	**—**	43	(100)	**12 044**	9 567	26
Investment securities	**12 311**	12 684	(3)	**4 267**	4 193	2	**3 714**	3 576	4
Other assets	**12 576**	8 479	48	**3 218**	2 657	21	**231 330**	208 683	11
Total assets	**262 695**	249 020	5	**91 225**	83 665	9	**308 474**	279 605	10
Deposits due to customers	**1 508**	1 542	(2)	**—**	—	—	**227 212**	205 624	10
Other liabilities	**259 113**	246 287	5	**90 027**	83 350	8	**76 735**	70 880	8
Total liabilities	**260 621**	247 829	5	**90 027**	83 350	8	**303 947**	276 504	10
Financial performance (%)									
RoRWA	**2.00**	2.16		**0.65**	0.49		**3.36**	4.02	
RoA	**0.62**	0.63		**0.35**	0.27		**1.22**	1.57	

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Relationship Banking			Insurance Cluster			Retail and Business Banking Other			Retail and Business Banking South Africa		
2019	2018[1]	Change %	2019	2018[1]	Change %	2019	2018[1]	Change %	2019	2018[1]	Change %
7 538	7 245	4	27	27	0	(638)	(400)	60	26 191	25 140	4
6 349	6 155	3	3 208	3 012	7	586	551	6	23 381	22 060	6
13 887	13 400	4	3 235	3 039	6	(52)	151	<(100)	49 572	47 200	5
(322)	(277)	16	—	—	—	3	(2)	<(100)	(6 253)	(4 522)	38
(8 175)	(8 003)	2	(1 224)	(1 115)	10	(843)	(884)	(5)	(28 581)	(27 552)	4
(85)	(126)	(33)	(134)	(141)	(5)	(337)	(352)	(4)	(618)	(707)	(13)
5 305	4 994	6	1 877	1 783	5	(1 229)	(1 087)	13	14 120	14 419	(2)
(1 460)	(1 456)	(0)	(598)	(637)	(6)	330	363	(9)	(3 922)	(4 158)	(6)
3 845	3 538	9	1 279	1 146	12	(899)	(724)	24	10 198	10 261	(1)
3 673	3 419	7	1 272	1 149	11	(902)	(726)	24	9 416	9 643	(2)
—	—	—	7	(3)	<(100)	—	—	—	306	283	8
76	77	(1)	—	—	—	1	2	(50)	212	217	(2)
96	42	>100	—	—	—	2	—	100	264	118	>100
3 845	3 538	9	1 279	1 146	12	(899)	(724)	24	10 198	10 261	(1)
3 672	3 439	7	1 273	1 162	10	(822)	(680)	21	9 510	9 722	(2)
0.26	0.25		n/a	n/a		n/a	n/a		1.18	0.92	
45. 7	45.9		n/a	n/a		n/a	n/a		47.2	46.7	
4	3		6	16		n/a	n/a		5	2	
2	2		10	8		n/a	n/a		4	6	
58.9	59.7		37.8	36.7		n/a	n/a		57.7	58.4	
123 960	110 017	13	—	—	—	1	1	—	506 478	471 655	7
170	301	(44)	1 326	2 216	(40)	454	665	(32)	14 411	13 563	6
6 615	12 314	(46)	3 460	3 422	1	1 069	13 137	(92)	31 436	49 326	(36)
68 048	58 432	16	32 003	30 839	4	17 564	8 357	>100	364 739	317 447	15
198 793	181 064	10	36 789	36 477	1	19 088	22 160	(14)	917 064	851 991	8
143 833	131 057	10	—	—	—	11	12	(8)	372 564	338 235	10
49 728	45 824	9	33 515	33 014	2	18 896	21 493	(12)	528 014	500 847	5
193 561	176 881	9	33 515	33 014	2	18 907	21 505	(12)	900 578	839 082	7
2.82	2.88		n/a	n/a		n/a	n/a		2.54	2.84	
1.91	2.03		3.39	3.12		n/a	n/a		1.08	1.20	

RBB South Africa

for the reporting period ended 31 December

Business performance

RBB SA continued to execute on its transformation journey, articulated in December 2018, and execution is following a staged approach across the universal product offering. Balance sheet growth was first and foremost in the transformation journey in order to reignite the business in the market, while transactional banking processes and product development were enhanced to leverage the balance sheet growth. In 2019 the implementation of the redesigned operating model, which simplifies the organisational structure as well as enabling efficient decision-making across all business units, was completed. Empowering colleagues by moving decision-making closer to customers resonated across the business and employees adoption to date has been encouraging. Together with the revised operating model and consistent execution of the strategy reflected in the performance trajectory, with progress evident in the key performance metrics across each of the businesses:

- Home Loans registrations have increased **24%** while the market grew **4.9%** (Lightstone);
- VAF production increased **11%** in a market that declined **2.9%** (NAAMSA);
- Personal Loans production increased **23%** with growth in voice and digital channels augmenting strong branch network sales;
- Total Card credit limits in issue increased **17%** from limits granted to new customers **34%** and limit increases on existing customers **69%;**
- Credit and debit card turnover increased **8%** and **7%** respectively;
- Retail deposits grew **10%** while the market grew **9%;**
- Relationship Banking advances increased **12%** mainly in the commercial segment;
- Merchant acquiring turnover increased **12%;**
- Embedded value of new business increased **6%** to **R734m;**
- The average number of products per customer improved to **2.31** (2018: 2.29); and
- The digitally active customers grew by **9%** to **34.5%** driven by a **23%** increase in the number of App users.

RBB SA's customer numbers increased by **1%** to **9.7m** (2018: 9.6m) while primary customers remained stable at **3.1m** customers. Leveraging the universal banking product model resulted in improved customer product holding of **2.31** (2018: 2.29).

The improved momentum in asset production levels in 2019 was driven by the alignment of internal processes, improved credit strategies, changes in acquisition channel mix as well as a shift towards digital end-to-end fulfilment. This translated into a **7%** growth in gross loans and advances to **R530bn** (2018: R494bn). Normalising for the disposal of the Edcon book in 2019, advances growth was **9%**. Advances market share as per BA900 increased to **21.3%** in 2019 (2018: 21.2%).

Deposit growth of 10% reflected faster growth in Savings and Investment products of **15%** driven by new product development, which offset slower growth in core transactional deposits, a key focus area in the strategy evolution. This change in product mix and customers continuing to search for yield, compressed deposit margins in the current year.

Credit vintage construct has remained stable and within appetite. While vintages in the unsecured portfolio ended the year within threshold, marginal signs of deterioration during the year were mitigated by revised acquisition strategies and heightened focus on collections.

The credit risk profile improved across the majority of the portfolios primarily driven by proactive credit risk mitigating strategies, the quality of new loans granted and a strong focus on collections process transformation. The delinquency profile reflected notable improvements with Stage 2 and 3 exposures reducing by **20bps** and **30bps** respectively. The expected credit loss allowance increased by **5%** to **R23.8bn** (2018: 22.7bn) driven by growth in Stage 3 coverage on the back of resilience built in response to the softer macro economic outlook and the delay in collateral realisation. Stage 1 coverage increased to **71bps** (2018: 70bps) reflecting the impact of changing book mix from the stronger growth in the unsecured portfolio.

The insurance business generated growth at solid returns for the business. In the Life Insurance business, new business growth in funeral and credit life sales, primarily linked to the bancassurance opportunity, and retention improvements have resulted in growth in the in-force book. The construct of the in-force book has remained stable, without any notable change in the average duration of the book. The soft economic environment resulted in increased mortality and retrenchment claims, however these remain below our reserving assumptions. Growth in the Short-term business was driven by improved sales and retentions in both Homeowner's insurance and the direct insurance offering. Underwriting margin improved from ongoing portfolio management actions and fewer weather-related events in the year.

The implementation of a multi-year cost transformation plan, which leverages digital capabilities to deliver operating efficiencies and improve customer experience, resulted in positive JAWS of **1%** and the cost-to-income ratio improving to **57.7%** (2018: 58.4%), notwithstanding increased investment spending to bolster improved customer experience.

The increase in non-controlling interest for Additional Tier 1 Instruments is aligned with increased issuances at Group level.

A decline in returns was largely expected given the growth in loans and advances to customers, although the build of expected credit losses did exacerbate the decline. RoRC of **21.4%** (2018: 23.3%) remains healthy and well above cost of equity.

- Looking ahead, the focus remains on building a single customer-facing franchise through:
- Focused execution of the strategy;
- Leveraging the single view of customer created by the integration of the insurance businesses; and
- Remaining cognisant of the macro environment.

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RBB South Africa

for the reporting period ended 31 December

Everyday Banking

	Card			Personal Loans		
	2019	2018	Change %	2019	2018	Change %
Statement of comprehensive income (Rm)						
Net interest income	**4 857**	4 567	6	**2 862**	2 450	17
Non-interest income	**2 951**	2 831	4	**379**	344	10
Total income	**7 808**	7 398	6	**3 241**	2 794	16
Impairment losses	**(2 536)**	(1 478)	72	**(1 610)**	(1 105)	46
Operating expenses	**(3 454)**	(3 264)	6	**(1 075)**	(980)	10
Other expenses	**(104)**	(103)	1	**(4)**	(2)	100
Operating profit before income tax	**1 714**	2 553	(33)	**552**	707	(22)
Tax expenses	**(474)**	(736)	(36)	**(148)**	(195)	(24)
Profit for the reporting period	**1 240**	1 817	(32)	**404**	512	(21)
Profit attributable to:						
Ordinary equity holders	**883**	1 482	(40)	**364**	484	(25)
Non-controlling interest – ordinary shares	**299**	286	5	**—**	—	—
Non-controlling interest – preference shares	**26**	32	(19)	**18**	18	—
Non-controlling interest – Additional Tier 1	**32**	18	78	**22**	10	>100
	1 240	1 818	(32)	**404**	512	(21)
Headline earnings	**894**	1 482	(40)	**364**	484	(25)
Operating performance (%)						
Pre-provision profit	**4 354**	4 134	5	**2 166**	1 814	19
Credit loss ratio	**5.46**	3.47		**7.16**	5.51	
Non-interest income as % of income	**37.8**	38.3		**11.7**	12.3	
Income growth	**6**	—		**16**	6	
Operating expenses growth	**6**	4		**10**	(1)	
Cost-to-income ratio	**44.2**	44.1		**33.2**	35.1	
Statement of financial position (Rm)						
Loans and advances to customers	**37 054**	36 220	2	**20 857**	18 320	14
Loans and advances to banks	**89**	96	(7)	**—**	—	—
Investment securities	**2 117**	2 090	1	**1 053**	1 016	4
Other assets	**14 341**	11 625	23	**484**	504	(4)
Total assets	**53 601**	50 031	7	**22 394**	19 840	13
Deposits due to customers	**1 778**	1 821	(2)	**14**	11	27
Other liabilities	**49 924**	47 063	6	**22 016**	19 804	11
Total liabilities	**51 702**	48 884	6	**22 030**	19 815	11
Financial performance (%)						
RoRWA	**1.59**	2.60		**1.37**	2.06	
RoA	**1.71**	3.03		**1.71**	2.53	

Transactional and Deposits			Everyday Banking		
2019	2018	Change %	2019	2018	Change %
5 153	5 199	(1)	**12 872**	12 216	5
8 911	8 181	9	**12 241**	11 357	8
14 064	13 380	5	**25 113**	23 573	7
(507)	(525)	(3)	**(4 653)**	(3 108)	50
(10 338)	(9 911)	4	**(14 867)**	(14 157)	5
(65)	(66)	(2)	**(173)**	(171)	1
3 154	2 877	10	**5 420**	6 137	(12)
(881)	(799)	10	**(1 503)**	(1 729)	(13)
2 273	2 078	9	**3 917**	4 408	(11)
2 242	2 058	9	**3 489**	4 024	(13)
—	—	—	**299**	286	5
14	13	8	**58**	63	(8)
17	7	>100	**71**	35	>100
2 273	2 078	9	**3 917**	4 408	(11)
2 242	2 058	9	**3 500**	4 024	(13)
3 726	3 469	7	**10 246**	9 416	9
3.25	4.14		**5.50**	4.13	
63.4	61.1		**48.7**	48.2	
5	5		**7**	3	
4	4		**5**	3	
73.5	74.3		**59.2**	60.1	
3 475	3 239	7	**61 386**	57 779	6
11 955	9 471	26	**12 044**	9 567	26
544	470	16	**3 714**	3 576	4
216 505	196 554	10	**231 330**	208 683	11
232 479	209 734	11	**308 474**	279 605	10
225 420	203 792	11	**227 212**	205 624	10
4 795	4 013	19	**76 735**	70 880	8
230 215	207 805	11	**303 947**	276 504	10
10.45	10.42		**3.36**	4.02	
1.06	1.09		**1.22**	1.57	

RBB South Africa

for the reporting period ended 31 December

Business unit performance

Home Loans

Business performance

The housing market remained subdued throughout 2019, with continued financial pressure on households and low consumer confidence.

▼ **National house price inflation index decreased by 1.4 percentage point to 2.4%,** from 3.8% in December 2018.

▼ **Absa homeowner sentiment index declined by 2 percentage points to 75%** in Q3 2019, from 77% in December 2018.

Despite challenging market conditions, new mortgages registered by the industry saw a growth of 4.9% in 2019.

Home Loans has remained focused on delivering on its growth objectives through:

- Embedding the revised risk appetite aimed at 'giving the right customer, the right proposition' with a focus on selecting high credit quality customers in the higher loan-to-value (LTV) bands and improving overall pricing;
- Extensively re-engaging the market, across the value chain from Estate Agents, Attorneys, Valuers and Mortgage Originators;
- Improved operational performance aimed at enhancing the customer experience specifically through reducing the time from application to instruction; and
- New-to-bank Home Loans customers increased by 28% from 2018, creating further cross-sell opportunities.

This has resulted in:

- Turnaround times reducing by **22%** from 2018 on new business approvals
- Growth of **24%** in new mortgages registered, against market growth of 4.9% (Lightstone)
- Flow market share increasing to **22.3%** (2018: 19.1%) (Lightstone)
- An increase in the average LTV on new mortgages registered to **86%** (2018: 84%)
- New mortgages registered originated by mortgage originators increasing by **39%**
- An improvement of **8bps** in the average concession
- Increase in risk-weighted assets as growth in new loans, with higher LTVs replaces mature loans.

Financial performance

Gross loans and advances grew by **5%** to **R243bn** (2018: R232bn), underpinned by the growth in the value of mortgages registered. Market share per BA900 remained constant at **23.3%.**

Headline earnings increased by **1%** to **R1 588m** as pre-provision profit grew **5%** from higher revenues and contained cost growth. This was partially offset by a **61%** increase in impairment losses.

Net interest income grew **5%** to **R4 072m** (2018: R3 882m) in line with book growth as improved front book pricing offsets the run-off of the back book.

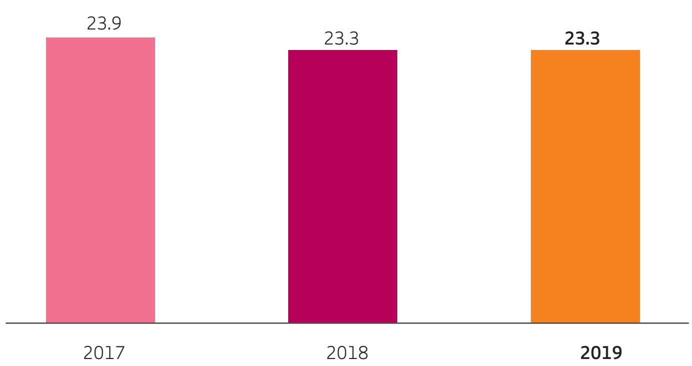
Impairment losses increased to **R182m** (2018: R113m) primarily due to an increase in the legal book as a result of the changes to the sale in execution processes, sanctioned by the High Court, which have delayed the timing of write-offs. Despite this, the Stage 3 coverage ratio remained fairly stable at **25.90%** (2018: 25.93%) while loss rates increased to **0.08%** (2018: 0.05%).

RoRWA decreased by **0.16%** in 2019, primarily driven by the new business strain as risk-weighted asset growth associated with new mortgages initially carry a higher risk weighting, which decreases as the loan matures.

Looking ahead Home Loans will focus on:

- Maintaining a continuous and consistent presence in the market;
- Claiming a leadership position for first-time home buyers;
- Creating an end-to-end digital channel experience for our customers; and
- Enhancing collection capabilities to actively manage delinquencies.

Mortgages market share (%)[1]



[1] Source: SARB BA900.

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Vehicle and Asset Finance

Business performance

The domestic vehicle market experienced another challenging year:

- **New vehicle sales declined by 2.9%** for the 12 months ending December 2019 (NAAMSA)[2].
- **Vehicle price inflation averaged 3.9%** for the period ending December 2019 (StatsSA).
- **The new and used financed vehicle market decreased 6.9% and 2.1%** respectively for the 12 months ending December 2019 (Transunion)[3].

VAF has focused on delivering on its growth objectives by:

- Strengthening dealer relationships by solving for the dealer's complete banking needs through an integrated value proposition, which results in deeper banking relationships;
- Embedding a strengthened regional leadership model;
- Improved collections strategies and operational models; and
- Digitising dealer experiences.

The above has resulted in:

- **Production increasing by 11%** in a contracting market.
- **Used vehicle market share improving to 17.7%** from 15.7% in 2018 (Transunion).
- **Improvement in early arrears** due to lower inflows and higher cures.

Financial performance

Gross loans and advances to customers grew **9%** to **R87bn** (2018: R80bn) underpinned by the solid growth in production at stable margins with new business quality performing in line with expectations.

Headline earnings grew by **41%** to **R299m** (2018: R212m) supported by income growth of **6%** to **R2 850m** (2018: R2 688m) with costs maintained at below inflationary levels partially offset by an increase in the impairment charge.

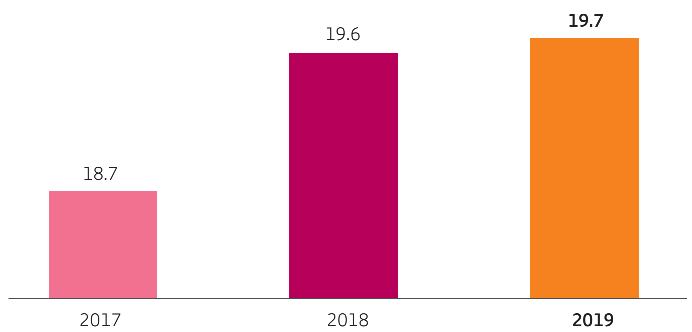
Impairment losses grew by **8%** to **R1 099m** (2018: 1 022m) resulting in a slight decrease in the credit loss ratio to **1.34%** (2018: 1.37%). This reflects lower inflows into early arrears and an improved collections performance offset by a softer economic outlook. The decline in Stage 2 coverage to **7.78%** (2018: 12.15%) is due to a greater proportion of Stage 2 accounts being up to date. The Stage 3 coverage decreased marginally to **37.37%** (2018: 37.97%) primarily due to a reduction in the legal book.

Increase in RoRWA was largely attributable to the growth in earnings.

Looking ahead, VAF will continue to focus on key areas, including:

- Improving returns through the quality of new production and efficient use of financial resources;
- Enhancement of collections capabilities to enable increased acquisitions;
- Embedment of customer onboarding solution and implementation of digital self-service; and
- Deepening existing key partnerships with industry stakeholders.

VAF market share (%)[1]



[1] Source: SARB BA900.
[2] NAAMSA stats for new vehicles.
[3] Transunion stats for new and used vehicles.

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Everyday Banking

Business performance

- **Consumption spending growth continued to be subdued** as consumers faced a weak labour market and economy.
- **Tightening credit market** with a rise in rejection rates on consumer credit applications.

Everyday Banking focused on delivering on its growth objectives through:

- Deepening relationships with customers most notably in the middle market segment;
- Leading the growth with lending products;
- Growing the deposits book;
- Increasing productivity whilst reducing latency;
- Driving a consistent and improved onboarding experience across the channels; and
- Scaling up the digital delivery channels as well as increasing the digital channel mix.

This has resulted in:

- A stable transactional banking and credit card base;
- An increase of 30% in new cheque account sales, albeit in the second half of the year;
- Growth of 10% in deposits which exceeded market growth of 9%;
- An increase in the credit intensity given the strong asset production including:
  - An increase of 23% in Personal Loans production, mainly to existing customers, was achieved without changing the risk appetite;
  - Credit card limits granted to new and existing customers increased 34% and 69% respectively, the effect of which was a 17% growth in the total limits.

Financial performance

Retail deposits grew **10%** to **R227bn** (2018: R206bn) driven by demand for investment products, while transactional deposits were flat year on year. The deposits growth rate exceeded that of the market and resulted in market share increasing to **21.9%** (2018: 21.6%).

Gross loans and advances grew **6%** to **R72.6bn** (2018: R68.2bn). However, excluding the Edcon portfolio, growth was **16%** supported by strong production particularly in the second half of the year.

The overall unsecured lending portfolio risk distribution and delinquency profile was stable year on year, with marginal deterioration evidenced in the second half of the year, although this was mitigated by revised acquisition strategies and heightened focus on collections. The increase in expected credit losses to **R11 211m** (2018: R10 387m) was driven by building balance sheet resilience, which was considered prudent given the softer economic environment and new business strain.

Headline earnings contracted **13%** to **R3 500m** (2018: R4 024m) relative to the prior year, as a **9%** growth in pre-provision profit was offset by a **50%** increase in impairment charges.

Net interest income increased **5%** to **R12 872m** (R12 216m), primarily driven by growth in advances, which was partially offset by margin compression in deposits.

- Net interest income on advances grew by 10%, excluding Edcon the growth was 16% largely driven by credit card, overdrafts and personal loans portfolios which grew 14%, 15% and 17% respectively.
- The net interest on deposits grew 1%, with the impact of the book growth offsetting margin compression following an increase in the composition of low-yield deposit products particularly in the investment deposit portfolio.

Non-interest income grew **8%** to **R12 241m** (2018: R11 357m) reflecting growth in the active cheque account base and an improvement in the card transactional volume. Debit and credit card turnover volumes grew **7%** and **8%** respectively. This was offset by a decline in the store credit sales.

Impairment losses increased **50%** to **R4 653m** (2018: R3 108m) driven mainly by coverage built on the back of a softer economic environment, as well as the impact of expected losses under IFRS 9 on the back of increased production and credit card limits. Given this, the loan loss ratio increased to **5.50%** (2018: 4.13%) despite the quality of the book remaining stable year on year. Stage 3 coverage was increased to **71.96%** (2018: 67.59%), reflective of the increased coverage given the softer economic outlook.

Operating expenses increased **5%** to **R14 867m** (2018: R14 157m) driven by above inflationary salary increases for frontline, and increased investment spend on channel infrastructure both physical and digital. This was partially offset by lower headcount and branch optimisation.

Returns declined largely from new business strain and improved balance sheet resilience on the back of a softer macroeconomic environment.

RBB South Africa

for the reporting period ended 31 December

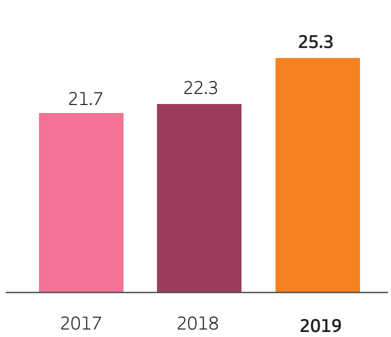
Business unit performance (continued)

Everyday Banking (continued)

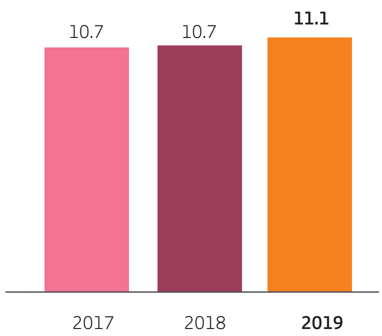
Looking ahead, Everyday Banking will focus on the following:

- Sustaining balance sheet momentum;
- Leveraging the lending base to grow the transactional base and increase primacy;
- Cost optimisation;
- Further expansion of the digital capabilities; and
- Continuous optimisation of the credit and collections strategy.

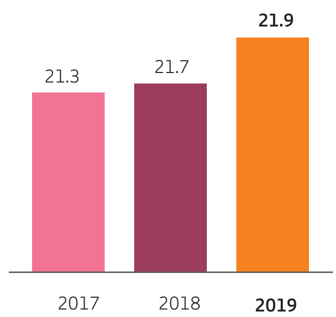
Card market share stock (%)[1]



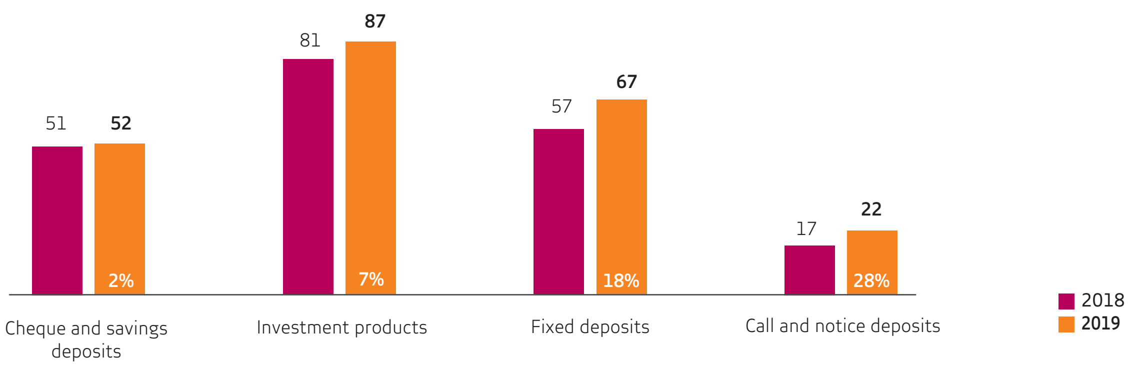
Personal loans market share (%)[1]



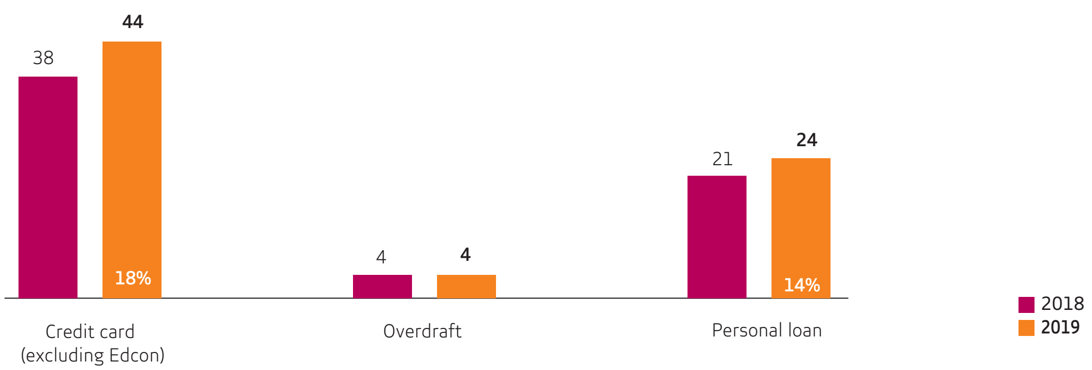
Deposits market share (%)[1]



Deposits (Rbn and change %)



Gross loans and advances (Rbn and change %)



[1] Source: SARB BA900.

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Relationship Banking

Business performance

The changes required to align the organisational structure with the operating model were completed during the year, with the benefits of the simplified and optimised organisational structure already starting to bear fruit. The focus was on integrating the Wealth and Fiduciary businesses, enhancing frontline and credit capabilities to improve customer experience as well as streamlining fulfilment processes.

Relationship Banking successfully completed the roll-out of the Universal Banker model to serve a customer's holistic personal and business financial requirements. Furthermore, focus remained on leveraging the relationship ecosystem across the Group to the benefit of clients.

Financial performance

Deposits growth of **10%** to **R144bn** (2018: R131bn) reflects growth in transactional and savings and investment products, which increased by **3%** and **16%** respectively, reflecting the uplift from new product development and growth in focus segments and sectors.

Gross loans and advances to customers increased by **12%** to **R128bn** (2018: R114bn) driven by sustained momentum in the Commercial segment, while growth in the Enterprise segment slowed as the softer economic environment resulted in a more challenging operating environment.

Headline earnings increased **7%** to **R3 672m** (2018: R3 439m), reflecting pre-provision profit growth of **6%** partially offset by a **16%** growth in impairment losses.

Net interest income increased by **4%** to **R7 538m** (2018: R7 245m) reflecting healthy growth in both advances and deposits, partially offset by margin compression in Commercial asset-backed lending and lower deposit margins reflecting negative composition changes from faster growth in savings and investment products.

Non-interest income increased by **3%** to **R6 349m** (2018: R6 155m) reflecting growth in the core transactional offering, a **12%** increase in merchant turnover and momentum in value-added services, which grew **35%**, partially offset by pressures on cash-related revenues from the migration of clients to more efficient cash products which attract lower margins.

Impairment losses increased **16%** to **R322m** (2018: R277m) driven by a **13%** growth in net advances and deterioration in Commercial Asset Finance and the Small and Medium Enterprise (SME) segment, partially offset by recoveries of amounts impaired in prior financial periods. The credit loss ratio increased marginally to **0.26%** (2018: 0.25%). The decrease in Stage 3 loan coverage to **47.67%** (2018: 51.51%) was due to higher levels of collateral and the finalisation of proceedings against a few large legacy defaults in Commercial Property Finance.

Operating expenses increased by **2%** to **R8 175m** (2018: R8 003m) reflecting lower staff costs growth as a result of the operating model changes. This was partially offset by above inflationary salary increases in the frontline and higher cash transportation costs.

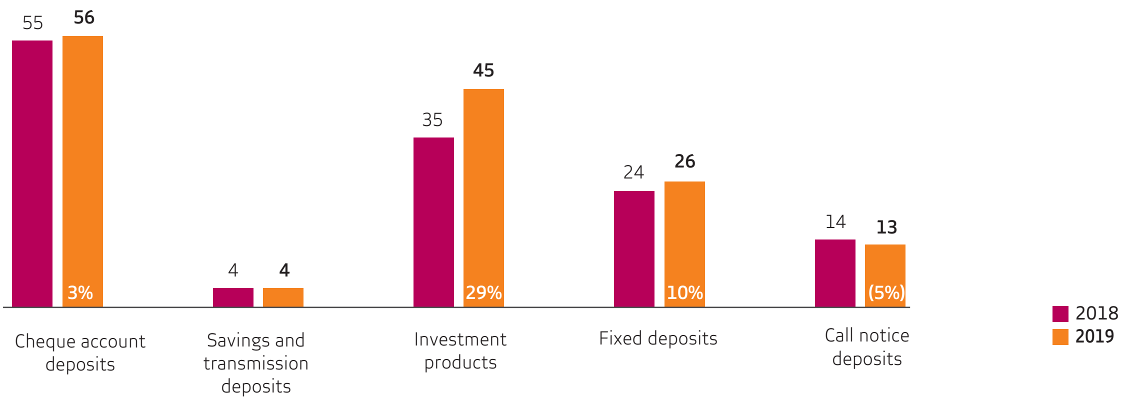
Looking ahead, Relationship Banking will continue to focus on:

- Embedding the Universal Banker model and expanding the relationship ecosystem;
- Growing presence in the young and self-employed professionals;
- Redefining the value proposition for entrepreneurs;
- Diversifying the premium segment into key growth sectors and products; and
- Optimising cash and other payment offerings.

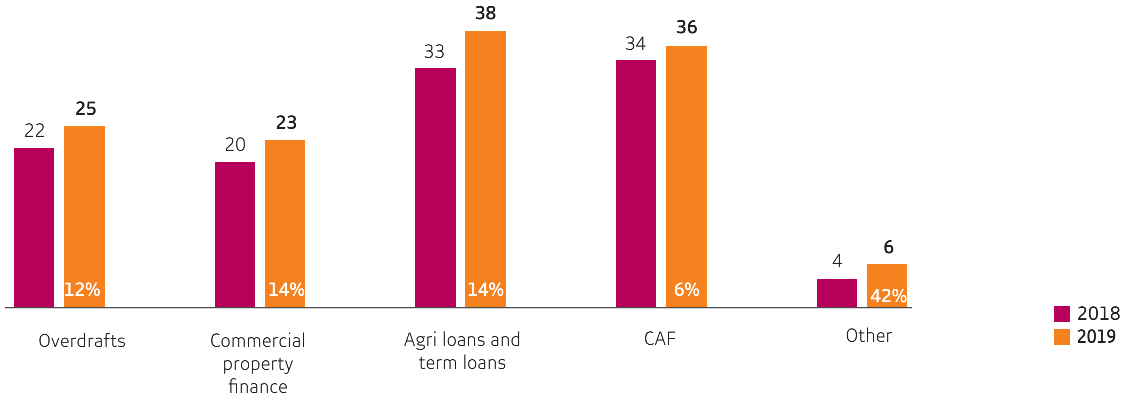
Business unit performance (continued)

Relationship Banking (continued)

Deposits (Rbn and change %)



Gross loans and advances (Rbn and change %)



RBB South Africa

for the reporting period ended 31 December

	Life Insurance		
	2019 Rm	2018 Rm	Change %
Statement of comprehensive income (Rm)			
Net insurance premium income	**4 095**	3 675	11
Net insurance claims and benefits paid	**(1 500)**	(1 305)	15
Investment income			
Policyholder investment contracts	**1 832**	178	>100
Policyholder insurance contracts	**214**	(6)	<(100)
Changes in investment and insurance contract liabilities			
Policyholder investment contracts	**(1 702)**	132	<(100)
Policyholder insurance contracts	**(13)**	177	<(100)
Other income[2]	**76**	61	25
Gross operating income	**3 002**	2 912	3
Net commission paid by insurance companies	**(881)**	(852)	3
Operating expenses	**(676)**	(591)	14
Other expenses	**(125)**	(125)	—
Net operating income	**1 320**	1 344	(2)
Investment income on shareholders' funds	**108**	46	>100
Taxation expense	**(461)**	(517)	(11)
Profit for the period	**967**	873	11
Headline earnings	**963**	869	11
Note (Rm)			
Investment income			
Policyholder investment contracts	**1 832**	178	>100
Net interest income	**1 157**	1 055	10
Dividend income	**319**	285	12
Fair-value gains/(losses)	**356**	(1 162)	<(100)
Policyholder insurance contracts	**214**	(6)	<(100)
Net interest income	**131**	112	17
Dividend income	**17**	16	6
Fair-value gains/(losses)	**66**	(134)	<(100)
Shareholder funds	**108**	46	>100
Net interest income	**105**	71	48
Dividend income	**1**	14	(93)
Fair-value gains/(losses)	**2**	(39)	<(100)
Total	**2 154**	218	>100
Net interest income	**1 393**	1 238	13
Dividend income	**337**	315	7
Fair-value gains/(losses)	**424**	(1 335)	<(100)

	South Africa		
Insurance Cluster per geographical segment	2019 Rm	2018 Rm	Change %
Statement of comprehensive income (Rm)			
Net insurance premium income	**6 450**	6 024	7
Net insurance claims and benefits	**(3 285)**	(2 994)	10
Gross operating income	**3 655**	3 620	1
Operating expenses	**(815)**	(738)	10
Net operating income	**1 602**	1 630	(2)
Profit for the reporting period	**1 243**	1 173	6
Headline earnings	**1 244**	1 183	5

[1] These numbers have been restated, refer to the report overview on the inside front cover.
[2] Includes internal commission, eliminated on consolidation.

Short-term Insurance			Insurance Cluster		
2019 Rm	2018[1] Rm	Change %	2019 Rm	2018[1] Rm	Change %
3 458	3 242	7	7 553	6 917	9
(2 246)	(2 126)	6	(3 746)	(3 431)	9
—	—	—	1 832	178	>100
61	53	15	275	47	>100
—	—	—	(1 702)	132	<(100)
—	—	—	(13)	177	<(100)
64	96	(33)	140	157	(11)
1 337	1 265	6	4 339	4 177	4
(480)	(477)	1	(1 361)	(1 329)	2
(548)	(524)	5	(1 224)	(1 115)	10
(9)	(16)	(44)	(134)	(141)	(5)
300	248	21	1 620	1 592	2
149	145	3	257	191	35
(137)	(120)	14	(598)	(637)	(6)
312	273	14	1 279	1 146	12
310	293	6	1 273	1 162	10
—	—	—	1 832	178	>100
—	—	—	1 157	1 055	10
—	—	—	319	285	12
—	—	—	356	(1 162)	<(100)
61	53	15	275	47	>100
61	53	15	192	165	16
—	—	—	17	16	6
—	—	—	66	(134)	<(100)
149	145	3	257	191	35
141	136	4	246	207	19
5	1	>100	6	15	(60)
3	8	(63)	5	(31)	<(100)
210	198	6	2 364	416	>100
202	189	7	1 595	1 427	12
5	1	>100	342	316	8
3	8	(63)	427	(1 327)	<(100)

Africa regions			Insurance Cluster		
2019 Rm	2018[1] Rm	Change %	2019 Rm	2018[1] Rm	Change %
1 103	893	24	7 553	6 917	9
(461)	(437)	5	(3 746)	(3 431)	9
684	557	23	4 339	4 177	4
(409)	(377)	8	(1 224)	(1 115)	10
18	(38)	<(100)	1 620	1 592	2
36	(27)	<(100)	1 279	1 146	12
29	(21)	<(100)	1 273	1 162	10

RBB South Africa

for the reporting period ended 31 December

	Insurance Cluster		
	2019 Rm	2018[1] Rm	Change %
Statement of financial position			
Assets			
Cash balances and loans and advances to banks	**20**	—	100
Financial assets backing investment and insurance liabilities			
Policyholder investment contracts	**27 556**	27 399	1
Cash balances and loans and advances to banks	**2 215**	2 068	7
Investment securities	**25 341**	25 331	0
Policyholder insurance contracts	**4 069**	3 396	20
Cash balances and loans and advances to banks	**1 112**	1 044	7
Investment securities	**2 121**	1 779	19
Reinsurance assets	**836**	573	46
Shareholder funds	**3 694**	4 396	(16)
Cash balances and loans and advances to banks	**2 351**	2 717	(13)
Investment securities	**1 343**	1 679	(20)
Other assets	**1 122**	952	18
Property and equipment	**328**	334	(2)
Total assets	**36 789**	36 477	1
Liabilities			
Liabilities under investment contracts	**27 492**	27 388	0
Policyholder liabilities under insurance contracts	**4 298**	4 034	7
Other liabilities	**1 584**	1 466	8
Other liabilities	**1 495**	1 371	9
Other liabilities relating to investment contracts	**89**	95	(6)
Deferred tax liabilities	**141**	126	12
Total liabilities	**33 515**	33 014	2
Equity			
Capital and reserves	**3 109**	3 282	(5)
Non-controlling interest	**165**	181	(9)
Total equity	**3 274**	3 463	(5)
Total liabilities and equity	**36 789**	36 477	1

[1] These numbers have been restated, refer to the report overview on the inside front cover.

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Insurance Cluster

Business performance

The operating environment for the year has remained subdued:

- **Increased policyholder indebtedness** lead to an increase in lapse rates and fraudulent claims.

The Insurance Cluster remained focused on delivering on its growth objectives through:

- Delivery of refreshed credit life and funeral products;
- Leveraging data analytics to improve sales retention and collections;
- Re-engineering of claims and supplier management process in Short-term Insurance to improve service as well as reduce claim turnaround time; and
- Focusing on improving the performance of the Insurance Absa Regional Operations.

This has resulted in:

- An increase of **17%** in branch sales volumes from the revised funeral product;
- The life business reflecting robust new business volumes of **114 000** (2018 H2: 101 000) per month in the second half of the year;
- Number of new policies in Instant Life growing by **36%**;
- An increase in new business volumes of **23%** for Homeowner's insurance on the back of strong production in Home Loans; and
- An increase in short-term insurance retention rates from 35% in 2018 to **47%** in 2019.

Life Insurance

The life insurance book has seen growth of 2% in the 2019 year, this builds on the growth seen in the previous two years. We have seen a significant improvement in the book losses in the 2019 year when compared to the previous two years. This can be attributed to the improved collections in the standalone funeral book achieved in the 2019 year.

Pan-Africa Life Insurance headline earnings increased by **11%** to **R963m** (2018: R869m). Net insurance premium income grew by **11%** to **R4 095m** (2018: R3 675m), and shareholder investment income increased by **135%**, partially offset by **15%** increase in claims. Embedded Value of New Business (EVNB) grew by **6%** from improved funeral and underwritten product sales while being adversely impacted by reduced personal loans lending in our Absa Regional Operations.

Return on embedded value decreased primarily from a **38%** decline in Embedded Value earnings. This was driven by the non-recurrence of Solvency Assessment and Management modelling changes in 2018, a weakening in mortality assumptions and an increase in expense assumptions in 2019. This was partially offset by positive investment return variances from changes in asset allocation mandates.

Salient features – Life Insurance	**2019**	2018	Change %
Shareholders' net assets (Rm)	**1 844**	1 894	(3)
Cost of solvency capital (Rm)	**(203)**	(180)	13
Value of business in-force (Rm)	**4 850**	4 749	2
Embedded value (Rm)	**6 491**	6 463	0
Embedded value earnings (Rm)	**1 058**	1 717	(38)
Return on embedded value (%)	**16.3**	31.3	
EVNB (Rm)	**734**	690	6
Value of new business as a percentage of the present value of future premiums (%) (gross)	**11.1**	13.7	

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Insurance Cluster (continued)

South Africa Life

Headline earnings grew by **5%** to **R904m** (2018: R860m) mainly due to **9%** growth in net insurance premium income, as well as **137%** growth in shareholder income. This was partly offset by a 16% increase primarily in credit life claims, as well as a **R120m** reduction in life fund releases in the year when compared to 2018.

Net insurance premium income increased by **9%** to **R3 460m** (2018: R3 162m) due to improved credit life sales on the back of improved strike rates and higher production in the banking operations. As we integrate our digital offerings into the Bank channels, we have experienced encouraging growth in the Instant Life business' sales volumes.

Claims growth of **16%** to **R1 329m** (2018: R1 147m) outstripped net insurance premium income growth primarily due to an increase in retrenchment claims on credit life products and an improved credit collections process driven by higher payouts.

The life fund reflects non-recurrence of 2018 releases and higher reserving requirements from the improved investment performance in unit-linked products, which was partially offset by once-off methodology and assumption refinements.

Shareholder investment income increased **137%** to **R102m** (2018: R43m) primarily due to a change in asset allocation mandates to interest-bearing investments in December 2018, removing the volatility experienced from equity investments in 2018.

Absa Regional Operations Life

Headline earnings grew by more than **100%** as a result of a 24% increase in net insurance premium income as well as a once-off negative reinsurance adjustment in 2018.

Net insurance premium income growth was driven by an improvement in Kenya group schemes, education products and Botswana credit life and group schemes.

Gross premium income
(Rm and change %)

Value of new business
(Rm and change %)

RBB South Africa

for the reporting period ended 31 December

Business unit performance (continued)

Insurance Cluster (continued)

Short-term Insurance

Short-term Insurance headline earnings increased by **6%** to **R310m** (2018: R293m). Net insurance premium income grew by **7%** and underwriting margin increased to **6.1%** (2018: 5.4%). The improvement in underwriting margins and headline earnings was largely attributed to portfolio management actions implemented and the absence of significant catastrophic events in the latter part of the year.

Salient features – Short-term Insurance	2019	2018
Underwriting margin (%) – SA	**9.0**	9.6
Underwriting margin (%) – Pan Africa	**6.1**	5.4
Loss ratio (%)	**65**	66

South Africa Short-term Insurance

Headline earnings increased **5%** to **R340m** (2018: R324m). Underwriting margin of **9%** was achieved driven largely by ongoing portfolio management actions, claims cost-containment activities and no catastrophic weather events in the last quarter of the year.

Net insurance premium income increased by **5%** to **R2 991m** (2018: R2 862m). The increase in premiums was largely attributable to improved new business and retentions in the Homeowners comprehensive book, with strong production momentum in Home Loans contributing favourably. The personal lines direct book continues to grow at healthy levels with pricing and upselling initiatives delivering results.

Absa Regional Operations Short-term Insurance

Absa Regional Operations reported a loss of **R30m** (2018: R32m loss), mainly due to catastrophic weather events in Mozambique while portfolio management actions and claims cost-management initiatives in Kenya improved the results. The loss ratio improved to **62.1%** (2018: 73.5%).

Looking ahead

The Insurance Cluster will continue to focus on the following key strategic themes:

- **Improved product offerings and processes** enhancing customer experience and new business sales;
- Enhance **digital insurance capabilities** and offerings by integration into the bank platforms and processes;
- **Improve product propositions and grow channels;** and
- Focus on **business optimisation** by improved retention and collections through the application of data science.

Total CIB

for the reporting period ended 31 December

Headline earnings growth of 3% to **R5 946m** (31 December 2018: R5 794m, up 1% in constant currency) driven by strong growth in ARO (up 15%) offset by a decline of 6% in South Africa. ARO now constitutes 46% of overall headline earnings (31 December 2018: 41%). Overall performance benefited from income growth of 3% (2% in constant currency) and lower credit impairments, partly offset by operating expenses growth of 10% (9% in constant currency).

Key performance highlights for the period include the following:

▲ Continued growth momentum in ARO

with total income up 15% to **R7 368m** (31 December 2018: R6 391m, up 12% in constant currency).

▼ 4% decline in Investment Bank income

to **R7 854m** (31 December 2018: R8 201m, down 5% in constant currency), driven by a decrease in Markets SA (down 28%) and Banking SA (down 2%) income; offset by growth from the remaining businesses, which includes the Commercial Property Finance and Markets ARO businesses, up 40% and 25% (up 21% in constant currency) respectively.

▲ Solid income growth

from the Corporate Bank franchise, up 9% to **R10 554m** (31 December 2018: R9 677m, up 8% in constant currency), with both SA (up 7%) and ARO (up 12%) contributing positively towards this performance.

▼ Proportion of non-interest income

to total income tracking behind target at **36%**; this is an area of focus for the business.

▲ Strong growth momentum

in the Trade finance business in SA, having grown the portfolio at a compound annual growth of 19% in the last four years.

▼ High operating expenses growth

of 10% to **R9 590m** (31 December 2018: R8 700m, up 9% in constant currency) mainly due to ongoing run costs following separation of systems and international coverage from Barclays PLC; Cost to income (CTI) deteriorated to **52.1%** from 48.7% in the prior period.

▲ Introduced the Absa Access Deposit Note

an innovative investment product, which supported overall deposits growth of 20%.

▼ Lower returns

of **18.2%** (31 December 2018: 21.1%) despite efficient capital management.

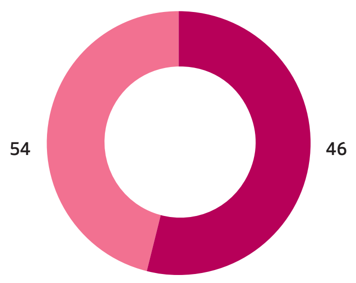
▲ Positive balance sheet Jaws

with customer deposits growing faster than customer loans. Customer deposits up 20% to **R279.3bn** (31 December 2018: R232.4bn, up 22% in constant currency) vs customer loans growth of 11% to **R357.7bn** (31 December 2018: R322.2bn, up 12% in constant currency).

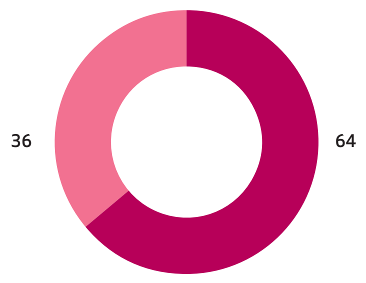
Total CIB

for the reporting period ended 31 December

Headline earnings contribution (%)



Revenue mix (%)



CIB salient features	2019	2018[1]	CCY%	Change %[1]
Income (Rm)	18 408	17 878	2	3
Headline earnings (Rm)	5 946	5 794	1	3
Pre-provision profit (Rm)	8 818	9 178	(5)	(4)
Cost-to-income ratio (%)	52.1	48.7		
Credit loss ratio (%)	0.14	0.32		
RoRC (%)	18.2	21.1		
RoRWA (%)	2.02	2.31		
RoA (%)	0.87	1.00		

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Total CIB

for the reporting period ended 31 December

	CIB South Africa		
	2019	2018[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	**7 278**	6 913	5
Non-interest income	**3 762**	4 574	(18)
Total income	**11 040**	11 487	(4)
Impairment losses	**(367)**	(998)	(63)
Operating expenses	**(6 503)**	(6 130)	6
Other expenses	**(100)**	(36)	>100
Operating profit before income tax	**4 070**	4 323	(6)
Tax expenses	**(534)**	(695)	(23)
Profit for the reporting period	**3 536**	3 628	(3)
Profit attributable to:			
Ordinary equity holders	**3 226**	3 422	(6)
Non-controlling interest – ordinary shares	**–**	—	—
Non-controlling interest – preference shares	**140**	134	4
Non-controlling interest – Additional Tier 1	**170**	72	>100
	3 536	3 628	(3)
Headline earnings	**3 230**	3 422	(6)
Operating performance (%)			
Net interest margin on average interest-bearing assets	**2.23**	2.36	
Credit loss ratio	**0.11**	0.36	
Non-interest income as % of income	**34.1**	39.8	
Income growth	**(4)**	8	
Operating expenses growth	**6**	11	
Cost-to-income ratio	**58.9**	53.4	
Statement of financial position (Rm)			
Loans and advances to customers	**298 229**	273 169	9
Loans and advances to banks	**41 881**	38 027	10
Investment securities	**42 382**	39 391	8
Other assets	**246 060**	181 952	35
Total assets	**628 552**	532 539	18
Deposits due to customers	**207 461**	173 832	19
Debt securities in issue	**16 612**	11 565	44
Other liabilities	**398 398**	340 009	17
Total liabilities	**622 471**	525 406	18
Financial performance (%)			
RoRWA	**1.48**	1.75	
RoA	**0.55**	0.67	

[1] These numbers have been restated, refer to the report overview on the inside front cover.

CIB ARO				Total CIB			
2019	2018[1]	CCY%	Change %	2019	2018[1]	CCY%	Change %
4 494	4 030	8	12	11 772	10 943	6	8
2 874	2 361	18	22	6 636	6 935	(5)	(4)
7 368	6 391	12	15	18 408	17 878	2	3
(173)	(32)	>100	>100	(540)	(1 030)	(47)	(48)
(3 087)	(2 570)	16	20	(9 590)	(8 700)	9	10
(71)	(35)	92	>100	(171)	(71)	>100	>100
4 037	3 754	4	8	8 107	8 077	(1)	0
(966)	(1 127)	(14)	(14)	(1 500)	(1 822)	(17)	(18)
3 071	2 627	12	17	6 607	6 255	4	6
2 716	2 372	10	15	5 942	5 794	1	3
355	255	28	39	355	255	28	39
—	—	—	—	140	134	4	4
—	—	—	—	170	72	>100	>100
3 071	2 627	12	17	6 607	6 255	4	6
2 716	2 372	10	15	5 946	5 794	1	3
5.88	6.45			2.92	3.08		
0.30	0.07			0.14	0.32		
39.0	36.9			36.0	38.8		
15	1			3	6		
20	14			10	9		
41.9	40.2			52.1	48.7		
59 439	49 016	28	21	357 668	322 185	12	11
726	881	(11)	(18)	42 607	38 908	10	10
786	422	>100	86	43 168	39 813	9	8
36 762	29 509	32	25	282 822	211 461	35	34
97 713	79 828	30	22	726 265	612 367	20	19
71 814	58 520	29	23	279 275	232 352	22	20
—	—	—	—	16 612	11 565	44	44
24 864	20 656	30	20	423 262	360 665	18	17
96 678	79 176	29	22	719 149	604 582	20	19
3.53	4.28			2.02	2.31		
3.01	3.33			0.87	1.00		

Total CIB

for the reporting period ended 31 December

	Corporate			
	2019	2018[1]	CCY%	Change %
Statement of comprehensive income (Rm)				
Net interest income	**8 327**	7 654	7	9
Non-interest income	**2 227**	2 023	9	10
Total income	**10 554**	9 677	8	9
Impairment losses	**(402)**	(263)	54	53
Operating expenses	**(5 600)**	(4 953)	12	13
Other expenses	**(56)**	22	<(100)	<(100)
Operating profit before income tax	**4 496**	4 483	(1)	0
Tax expenses	**(997)**	(1 244)	(20)	(20)
Profit for the reporting period	**3 499**	3 239	6	8
Profit attributable to:				
Ordinary equity holders	**3 174**	3 017	3	5
Non-controlling interest – ordinary shares	**224**	157	32	43
Non-controlling interest – preference shares	**45**	45	—	—
Non-controlling interest – Additional Tier 1	**56**	20	>100	>100
	3 499	3 239	6	8
Headline earnings	**3 174**	3 016	3	5
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3.72**	3.78		
Credit loss ratio	**0.29**	0.23		
Non-interest income as % of income	**21.1**	20.9		
Income growth	**9**	2		
Operating expenses growth	**13**	6		
Cost-to-income ratio	**53.1**	51.2		
Statement of financial position (Rm)				
Loans and advances to customers	**134 916**	135 770	2	(1)
Loans and advances to banks	**3 429**	8 927	(62)	(62)
Investment securities	**5 284**	5 185	4	2
Other assets	**106 124**	64 310	66	65
Total assets	**249 753**	214 192	19	17
Deposits due to customers	**230 190**	195 818	19	18
Debt securities in issue	**—**	—	—	—
Other liabilities	**17 223**	16 520	7	4
Total liabilities	**247 413**	212 338	18	17
Financial performance (%)				
RoRWA	**2.43**	2.87		
RoA	**1.36**	1.43		
RoRC	**22.2**	26.2		

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Investment Bank				Total CIB			
2019	2018[1]	CCY%	Change %	**2019**	2018[1]	CCY%	Change %
3 445	3 289	5	5	**11 772**	10 943	6	8
4 409	4 912	(11)	(10)	**6 636**	6 935	(5)	(4)
7 854	8 201	(5)	(4)	**18 408**	17 878	2	3
(138)	(767)	(82)	(82)	**(540)**	(1 030)	(47)	(48)
(3 990)	(3 747)	6	6	**(9 590)**	(8 700)	9	10
(115)	(93)	23	24	**(171)**	(71)	>100	>100
3 611	3 594	—	0	**8 107**	8 077	(1)	0
(503)	(578)	(13)	(13)	**(1 500)**	(1 822)	(17)	(18)
3 108	3 016	2	3	**6 607**	6 255	4	6
2 768	2 777	(1)	(0)	**5 942**	5 794	1	3
131	98	22	34	**355**	255	28	39
95	89	6	7	**140**	134	4	4
114	52	>100	>100	**170**	72	>100	>100
3 108	3 016	2	3	**6 607**	6 255	4	6
2 772	2 778	(1)	(0)	**5 946**	5 794	1	3
1.92	2.16			**2.92**	3.08		
0.06	0.38			**0.14**	0.32		
56.1	59.9			**36.0**	38.8		
(4)	10			**3**	6		
7	14			**10**	9		
50.8	45.7			**52.1**	48.7		
222 752	186 415	19	19	**357 668**	322 185	12	11
39 178	29 981	31	31	**42 607**	38 908	10	10
37 884	34 628	9	9	**43 168**	39 813	9	8
176 698	147 151	21	20	**282 822**	211 461	35	34
476 512	398 175	20	20	**726 265**	612 367	20	19
49 085	36 534	34	34	**279 275**	232 352	22	20
16 612	11 565	44	44	**16 612**	11 565	44	44
406 039	344 145	18	18	**423 262**	360 665	18	17
471 736	392 244	21	20	**719 149**	604 582	20	19
1.69	1.90			**2.02**	2.31		
0.62	0.75			**0.87**	1.00		
15.1	17.4			**18.2**	21.1		

Total CIB

for the reporting period ended 31 December

Business profile

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, advisory products and services. A variety of clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining our in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions in the right way and by executing on this we will create shared growth for clients, colleagues and communities.

Key business areas

Client Engagement integrates client coverage across Africa to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB across the business areas below. This includes the new Growth Capital solutions team, which focuses on offering B-BBEE financing to clients with the aim of creating sustainable local and regional economies.

- **Corporate** – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our African institutional, corporate and public sector client base.
- **Investment Bank comprising:**
  - **Markets** – engages in sales, trading and research activities across all major asset classes and products in our presence markets, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients.
  - **Banking** – structures innovative solutions to meet clients' strategic financing and risk management requirements across industry sectors.
  - **Commercial Property Finance (CPF)** – specialises in financing commercial, industrial, retail and residential development property across our African footprint as well as cross-border financing in other jurisdictions.
  - **Private Equity and Infrastructure Investments (PEII)** – infrastructure Investments acted as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

Financial performance

CIB headline earnings increased by 3% to **R5 946m** (31 December 2018: R5 794m, up 1% in constant currency). This performance was supported by overall income growth of 3% to **R18 408m** (31 December 2018: R17 878m, up 2% in constant currency), coupled with a decline in credit impairments of 48% to **R540m** (31 December 2018: R1 030m, down 47% in constant currency). However, this was slightly offset by operating expenses growth of 10% to **R9 590m** (31 December 2018: R8 700m, up 9% in constant currency).

Income benefited from growth of 9% in the Corporate Bank franchise while the Investment Bank declined by 4%, adversely impacted by a difficult trading environment in SA.

- Corporate Bank income growth of 9% to **R10 554m** (31 December 2018: R9 677m, up 8% in constant currency) was supported by growth from both SA and ARO of 7% and 12% (8% in constant currency) respectively. Trade Finance was up 25% in constant currency driven by a focused execution strategy across the continent. Debt Finance was up 20% in constant currency supported by average customer loans growth, coupled with fee income in SA. Working Capital was up 9% in constant currency due to a strong growth of 15% in SA, which was slightly offset by margin pressure in ARO countries (down 7% in constant currency). Cash Management income was largely unchanged as a result of margin pressure across the Deposits franchise, coupled with the impact of lower collections volumes in SA.
- Investment Bank income declined by 4% to **R7 854m** (31 December 2018: R8 201m, down 5% in constant currency), adversely impacted by lower Markets SA income due to adverse risk management, reduced client activity and reduced market volumes particularly in the Cash equities and Equity derivatives businesses. The Investment Bank was further impacted by a decline in Banking SA income due to lower margins on the portfolio and reduced Advisory activity when compared to the prior period. This was partly offset by a strong performance from the Commercial Property Finance business, which continues to grow in a sustainable manner, and the Markets ARO business due to increased client activity and positive risk management.

Operating expenses increased by 10% to **R9 590m** (31 December 2018: R8 700m, up 9% in constant currency) largely due to ongoing run costs following separation of systems and international coverage from Barclays PLC. The business has identified and is busy implementing cost-saving initiatives, which have mitigated the impact of ongoing run costs.

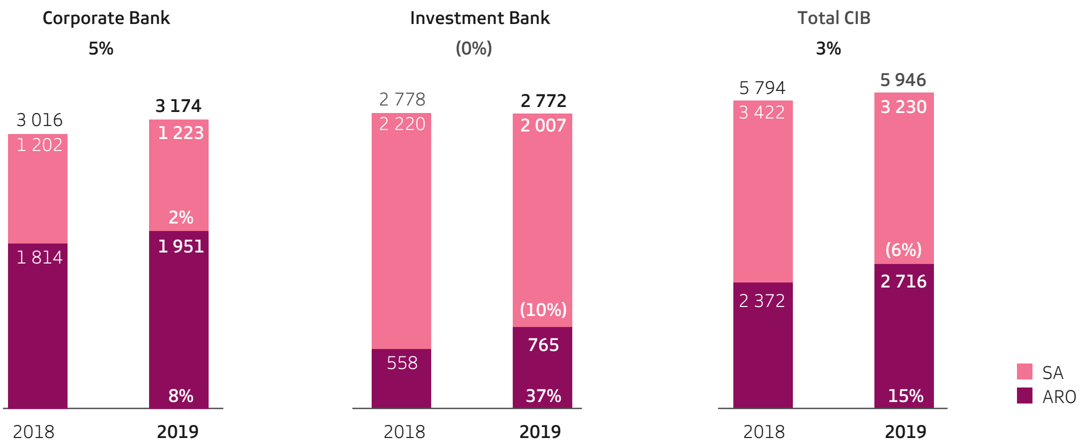
Customer loans increased by 11% to **R357.7bn** (31 December 2018: R322.2bn, up 12% in constant currency), with long-term advances up 9% and short-term advances up 16%. Overall customer deposits increased by 20% to **R279.3bn** (31 December 2019: R232.4bn, up 22% in constant currency), with average deposits growth of 11%, benefiting from the introduction of the Absa Access Deposit Note launched during 2019.

Total CIB

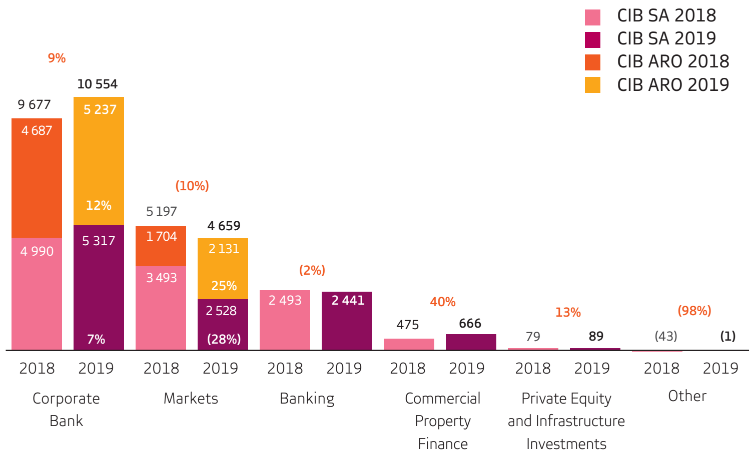
for the reporting period ended 31 December

Financial performance (continued)

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



Business performance

The Corporate and Investment Bank delivered a credible performance in a challenging local, regional and global economy. The financial performance was adversely impacted by tough trading conditions in SA, which in turn impacted returns.

These were the key milestones from this period:

- The business completed the operating model review and implementation, with notable progress made towards transforming the business to create a more diverse and inclusive Pan-African franchise.
- Areas of collaboration with Societe Generale were identified with a joint value proposition across 27 markets put in place.
- 2019 saw the approval of the representative office in New York, a significant milestone in the growth strategy as this office will enable the business to be a globally scalable business by bolstering relationships and driving more connectivity with global clients.
- Continued to make significant progress in the build out of the China team in Africa, growing knowledge, client base and revenues pertaining to the China corridor.
- Overall client experience improved, mainly driven by increased satisfaction with operational touchpoints and more effective complaints handling, this being further validated by numerous awards from Euromoney and Global Finance including best Investment Bank in Africa.
- In addition to the above, 75% of the Separation programme is now complete. The programme is delivering within the time and budget.

Total CIB

for the reporting period ended 31 December

Business performance (continued)

The following accolades were received:

First half of the year:

- Investment Bank of the Year, African Banker Awards;
- Top 5 Non-Research scores for the firm in Administration Efficiency, Corporate Access, FI Securities Execution, and for the work of the Equities Sales team, Financial Mail;
- Top 5 Research placings: General Goods Retailers, Diversified Industrials, ESG Research, and African Macro, Financial Mail;
- 1st place in Research in Fixed Income Securities, Financial Mail;
- 2nd place: Innovative Research, Domestic Economic Trends, Credit Analysis, Technical Analysis, Small and Medium-Cap Equities, Financial Mail;
- 3rd place: Research coverage of Household Goods Retailers, Insurance, Political Analysis categories of research, in the non-Research category of Execution in Derivatives;
- Best M&A Bank in Africa, Global Finance;
- Financial Institutions deal of the year 2019, Bonds, Loans and Sukuk Middle East;
- Project finance deal of the year 2019, Bonds, Loans and Sukuk Middle East;
- Structured deal of the year 2019, Bonds, Loans and Sukuk Middle East;
- Export Finance deal of the year 2019, Bonds, Loans and Sukuk Middle East.

Second half of the year:

- Best Research House, JSE Spire Awards;
- Best Repo Team, JSE Spire Awards;
- Best Market Making Team: FX Options, JSE Spire Awards;
- Best Research Team: Africa, JSE Spire Awards;
- Best Research Team: Economics, JSE Spire Awards;
- Best Research Team: Fixed Income, JSE Spire Awards;
- Best Investment Bank – Pan-Africa, EMEA Africa Banking Awards;
- Best Investment Bank – Botswana, EMEA Africa Banking Awards;
- Best Investment Bank – South Africa, EMEA Africa Banking Awards;
- Best Investment Bank – Tanzania, EMEA Africa Banking Awards;
- Best Investment Bank – Zambia, EMEA Africa Banking Awards;
- Best Loan House – South Africa, EMEA Africa Banking Awards;
- Best Equity House – Mozambique, EMEA Africa Banking Awards;
- Best Cash Management, Euromoney;
- Market leader in Ghana and Zambia, Euromoney;
- Best Service, Ghana, Euromoney;
- Best Transaction Bank – Botswana, The Asian Banker;
- Best Trade Finance Bank – Uganda, The Asian Banker;
- Best Cash Management – Botswana, The Asian Banker;
- Best Cash Management – Tanzania, The Asian Banker;
- Best Cash Management – Zambia, The Asian Banker;
- Best Islamic Corporate Bank South Africa, Global Banking & Finance Awards;
- Best Islamic Trade Finance Provider South Africa, Global Banking & Finance Awards;
- New Funds Shari'ah Top 40 Index Equity Exchange Traded Fund, Global Islamic Finance Awards.

Corporate Bank

The Corporate Bank franchise delivered income growth of 9% to **R10 554m** (31 December 2018: R9 677m, up 8% in constant currency), with a five-year compound annual growth of 10%. The SA business increased income by 7% to **R5 317m** (31 December 2018: R4 990m), while ARO grew by 12% to **R5 237m** (31 December 2018: R4 687m, up 8% in constant currency) and now generates income that has more than doubled in size since 2013.

Non-interest income increased by 10% to **R2 227m** (31 December 2018: R2 023m, up 9% in constant currency), largely supported by increased documentary trade activity as well as fee income received in debt finance. This was partially offset by lower transaction volumes in SA, particularly in the collections book.

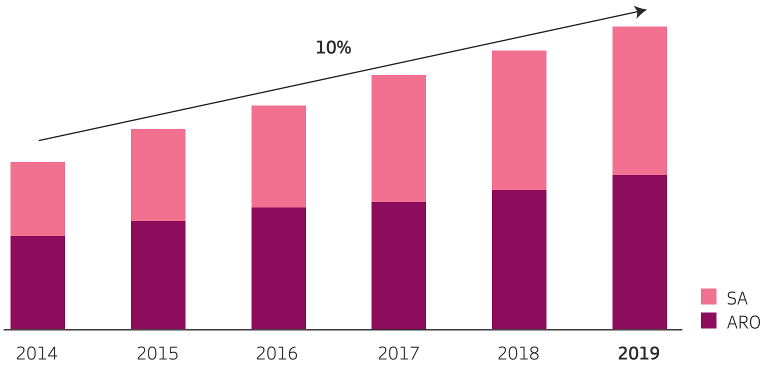
Net interest income increased by 9% to **R8 327m** (31 December 2018: R7 654m, up 7% in constant currency) benefiting from average customer loan growth of 15% to **R126.8bn** (31 December 2018: R110.6bn, up 13% in constant currency) coupled with average customer deposits growth of 9% to **R216.9bn** (31 December 2018: R199.3bn, up 8% in constant currency). This was offset by margin contraction across a number of key markets.

Total CIB

for the reporting period ended 31 December

Business performance (continued)

Corporate Bank income growth trend (CAGR)



Corporate SA performance was driven by:

- Trade up 23% driven by a strong performance in both funded products and documentary products.
- Working capital up 15% driven by an 8% increase in average balances as well as margin expansion as a result of a change in client mix.
- Debt finance up 12% largely driven by significant fee income.
- Deposits up 2% benefiting from 5% growth in average customer deposits. A strong growth was noted in Money Market Deposits following the launch of the Absa Access Deposit Notes.

This was partially offset by:

- Transactions down 3% on prior year, largely driven by pressure in the collections business. This was partially offset by the continued focus on creating primary banking relationships, which has resulted in strong growth within the payments area, up 9% on prior year.

Corporate ARO performance was driven by (below % growths are quoted in constant currency):

- Trade up 26% largely due to a combination of improved trade volumes and balance sheet growth. Customer balances grew 24%, underpinned by growth in key markets.
- Term debt up 22% as a result of strong balance sheet growth in a number of our presence markets.

This was partially offset by:

- Cash management unchanged, with average customer deposits growth of 14% offset by margin contraction. Fee income declined due to a combination of increased online volumes attracting lower tariffs, along with regulatory restrictions on fees being imposed. Significant growth was noted in mobile payment trust account balances of 20%, in line with the increasing adoption of mobile payments as a corporate transacting solution on the continent.
- Working capital down 7% mainly due to lower utilisation levels in some of our markets, linked to competition on USD facilities.

Factors that adversely affected the business during the period included the economic slowdown affecting key European trading partners, which impacted tourism and export businesses in a number of markets, and margin compression as a result of funding pressures across the continent and increased competition.

	2019			2018				Change
Corporate Bank salient features	**SA**	**ARO**	**Total**	SA	ARO	Total[1]	CCY%	%
Gross income (Rm)	**5 317**	**5 237**	**10 554**	4 990	4 687	9 677	8	9
Credit impairments (Rm)	**(231)**	**(171)**	**(402)**	(231)	(32)	(263)	54	53
Net income (Rm)	**5 086**	**5 066**	**10 152**	4 759	4 655	9 414	6	8
Average loans and advances to customers (Rbn)	**72.9**	**53.9**	**126.8**	67.9	42.7	110.6	13	15
Average deposits due to customers (Rbn)	**151.5**	**65.4**	**216.9**	144.1	55.2	199.3	8	9

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Total CIB

for the reporting period ended 31 December

Investment Bank

Total Investment Bank income declined by 4% to **R7 854m** (31 December 2018: R8 201m, down 5% in constant currency), with SA down 12% to **R5 723m** (31 December 2018: R6 497m) and ARO up 25% to **R2 131m** (31 December 2018: R1 704m, up 21% in constant currency).

The performance by business unit is below:

Global Markets

Global Markets income declined by 10% to **R4 659m** (31 December 2018: R5 197m, down 11% in constant currency), with Markets SA down 28% to **R2 528m** (31 December 2018: R3 493m), offset by Markets ARO up 25% to **R2 131m** (31 December 2018: R1 704m, up 21% in constant currency).

The **Markets SA** performance was driven by:

- **Fixed Income and Credit** decreased by 23% to **R1 359m** (31 December 2018: R1 761m) due to notable trades in the Power and Utility sector that did not repeat in this period, coupled with adverse risk management and market illiquidity driven by challenging macroeconomic conditions (both locally and globally). The offshore representative office continues to grow as the business model is embedded with increased institutional client on-boarding.
- **Foreign Exchange and Commodities** decreased by 7% to **R823m** (31 December 2018: R882) due to difficult trading conditions resulting in adverse risk management, however, the client franchise has continued to grow and build momentum by deepening client relationships and driving the acquisition strategy. Furthermore, the Corporate options business increased as a result of continued focus on cross-selling and new client acquisitions.
- **Equities and Prime Services** decreased by 65% to **R255m** (31 December 2018: R724m) due to a reduction in client and market volumes globally. The institutional equities derivatives business was negatively impacted by a reduction in realised volatility, leading to a decrease in volumes and challenges in exiting risk. The Cash Equities business continued to build momentum through the on-boarding of International clients and the extension of research coverage to key sectors in SA.

The replacement, refresh and build-out of the electronic platforms within Global Markets continued making good progress during the period with a number of key initiatives completed.

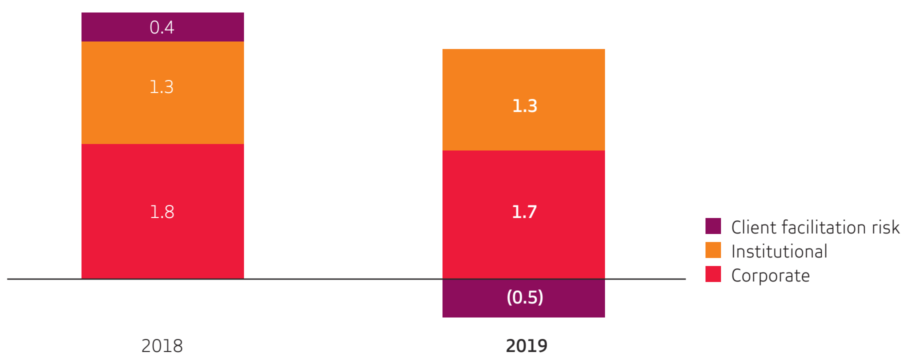
Markets ARO delivered a strong performance across the portfolio with increased sales activity on account of broad-based FX market share gains as well as harnessing of the new institutional client base, while the business also reported positive risk management revenue. Year-on-year growth was seen in eight countries, driven by:

- An increased customer base as a result of continued focus on cross-selling, new client acquisitions and diversification of product offerings, leading to product market share gains particularly in the Business Bank segment;
- Growth in FX flows driven by the roll-out of electronic platforms across the majority of the Retail branch network;
- Discipline and dynamism regarding margin management for Corporate clients transacting on electronic trading platforms;
- Effective risk management resulting in preservation of client margins.

This was partly offset by the following factors:

- Interbank funding pressures in some key markets negatively impacted ability to price derivatives;
- Increased competition from local banks;
- Changes in liquidity across the continent providing fewer revenue opportunities.

Markets SA revenue client vs risk (Rbn)



Total CIB

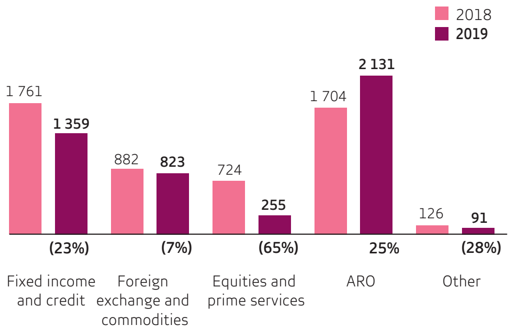
for the reporting period ended 31 December

Business performance (continued)

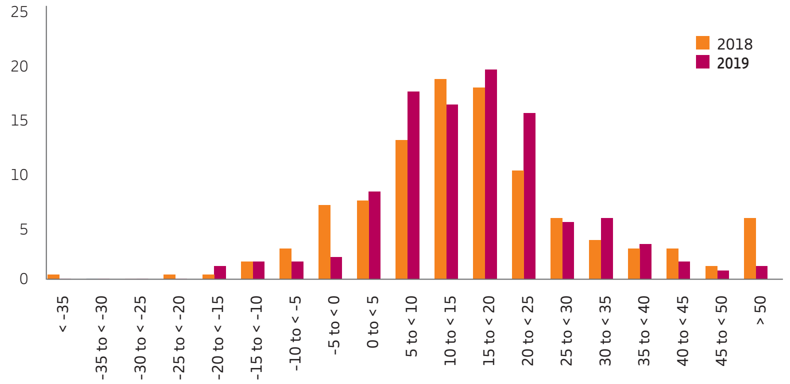
Investment Bank (continued)

Global Markets (continued)

Global markets gross income split (Rm and change %)



Daily markets income distribution (%)



Banking SA

Banking SA income declined by 2% at **R2 441m** (31 December 2018: R2 493m) mainly due to:

- Continued pressure on the SA business landscape affecting the debt portfolio, coupled with lower fee income from the Advisory business (including ECM and DCM) where the business experienced a significant decline in market activity. Furthermore, the SA financing business was adversely impacted by continued margin compression due to competitive pricing and growth in preference share investments.
- Overall average customer advances growth of 14% to **R118.4bn** (31 December 2018: R104.2bn), with the Resource and Project Finance and the Preference share businesses delivering double-digit growth, and contributing positively to overall CIB returns.
- Credit impairments have declined by 88%, from a high base.

Salient features	2019	2018[1]	Change %
Gross income (Rm)	**2 441**	2 493	(2)
Credit impairment (Rm)	**(94)**	(805)	(88)
Net income (Rm)	**2 347**	1 688	39
Average loans and advances to customers (Rbn)	**118.4**	104.2	14

Commercial Property Finance SA (CPF)

The CPF business has continued on its strong growth trajectory, delivering gross income growth of 40% to **R666m** (31 December 2018: R475m). This strong growth results in a three-year compound annual growth of 38%.

Net interest income increased by 42% supported by average portfolio asset growth of 36%, reflecting the business' activity in the market and an increased presence therein, as well as margin expansion. Non-interest income increased by 9%.

The business continues to broaden its product offering with the gradual introduction of Mezzanine financing in 2019. CPF continues to gain market share in South Africa, while maintaining portfolio diversification.

Salient features	2019	2018[1]	Change %
Gross income (Rm)	**666**	475	40
Credit impairment (Rm)	**(40)**	17	<(100)
Net income (Rm)	**626**	492	27
Average portfolio assets (Rbn)	**44.6**	32.8	36

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Total CIB

for the reporting period ended 31 December

Business performance (continued)

Investment Bank (continued)

Private Equity and Infrastructure Investments SA (PEII)

Non-Core Private Equity and Infrastructure Investments reported income of **R89m** (31 December 2018: R79m) mainly generated by dividend income within the portfolio as well as through net positive revaluations.

Salient features	2019	2018[1]	Change %
Revaluations (Rm)	9	27	(67)
Realisations, dividends, interest and fees (Rm)	107	72	49
Funding (Rm)	(27)	(20)	35
Net income (Rm)	89	79	13
Total portfolio size (Rbn)	1.9	1.8	6

Looking ahead

The business remains committed to the growth strategy and its ambition to be a leading Pan-African Corporate and Investment Bank.

Our growth priorities will focus on the following:

- Growing the CIB Africa franchise by winning in key growth sectors across the continent.
- Building out Transactional banking across presence markets by commercialising new capabilities and embedding an effective sales and service model.
- Expand the product offering across the African footprint to deliver a robust solution set to clients.
- Target new growth by following clients into relevant geographies and building connectivity for global clients, creating and leveraging strategic partnerships.

Underpinning these growth objectives is a relentless focus on talent as we attract, develop and engage colleagues.

2020 will be the final year of the separation programme, which has been a critical priority for the firm and the focus will be to complete the remaining projects while driving efficiencies in the business while decommissioning legacy channels.

[1] These numbers have been restated, refer to the report overview on the inside front cover.

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CIB South Africa

for the reporting period ended 31 December

	Corporate		
	2019	2018[1]	Change %
Statement of comprehensive income (Rm)			
Net interest income	**3 828**	3 613	6
Non-interest income	**1 489**	1 377	8
Total income	**5 317**	4 990	7
Impairment losses	**(231)**	(231)	—
Operating expenses	**(3 271)**	(3 051)	7
Other expenses	**(2)**	49	<(100)
Operating profit before income tax	**1 813**	1 757	3
Tax expenses	**(489)**	(489)	—
Profit for the reporting period	**1 324**	1 268	4
Profit attributable to:			
Ordinary equity holders	**1 223**	1 203	2
Non-controlling interest – preference shares	**45**	45	—
Non-controlling interest – Additional Tier 1	**56**	20	>100
	1 324	1 268	4
Headline earnings	**1 223**	1 202	2
Operating performance (%)			
Net interest margin on average interest-bearing assets	**2.56**	2.55	
Credit loss ratio	**0.28**	0.32	
Non-interest income as % of income	**28.0**	27.6	
Income growth	**7**	10	
Operating expenses growth	**7**	12	
Cost-to-income ratio	**61.5**	61.1	
Statement of financial position (Rm)			
Loans and advances to customers	**75 478**	86 754	(13)
Loans and advances to banks	**3 429**	8 899	(61)
Investment securities	**4 613**	4 839	(5)
Other assets	**86 275**	47 021	83
Total assets	**169 795**	147 513	15
Deposits due to customers	**158 637**	137 298	16
Debt securities in issue	**—**	—	—
Other liabilities	**9 745**	8 915	9
Total liabilities	**168 382**	146 213	15
Financial performance (%)			
RoRWA	**1.75**	1.97	
RoA	**0.77**	0.80	

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Investment Bank			Total CIB		
2019	2018[1]	Change %	2019	2018[1]	Change %
3 450	3 300	5	7 278	6 913	5
2 273	3 197	(29)	3 762	4 574	(18)
5 723	6 497	(12)	11 040	11 487	(4)
(136)	(767)	(82)	(367)	(998)	(63)
(3 232)	(3 079)	5	(6 503)	(6 130)	6
(98)	(85)	15	(100)	(36)	>100
2 257	2 566	(12)	4 070	4 323	(6)
(45)	(206)	(78)	(534)	(695)	(23)
2 212	2 360	(6)	3 536	3 628	(3)
2 003	2 219	(10)	3 226	3 422	(6)
95	89	7	140	134	4
114	52	>100	170	72	>100
2 212	2 360	(6)	3 536	3 628	(3)
2 007	2 220	(10)	3 230	3 422	(6)
1.95	2.19		2.23	2.36	
0.06	0.38		0.11	0.36	
39.7	49.2		34.1	39.8	
(12)	6		(4)	8	
5	10		6	11	
56.5	47.4		58.9	53.4	
222 751	186 415	19	298 229	273 169	9
38 452	29 128	32	41 881	38 027	10
37 769	34 552	9	42 382	39 391	8
159 785	134 931	18	246 060	181 952	35
458 757	385 026	19	628 552	532 539	18
48 824	36 534	34	207 461	173 832	19
16 612	11 565	44	16 612	11 565	44
388 653	331 094	17	398 398	340 009	17
454 089	379 193	20	622 471	525 406	18
1.36	1.65		1.48	1.75	
0.47	0.62		0.55	0.67	

Absa Regional Operations

for the reporting period ended 31 December

Key performance highlights for the period include the following:

Pre-provision profits increased

by **17%** (CCY: 14%).

Headline earnings increased

by **16%** (CCY: 12%) and RoE increased to **19.0%** (2018: 18.1%).

Revenue growth

of **14%** (CCY: 11%) was supported by growth in all businesses. The Investment Banking business grew revenue by **25%** (CCY: 21%), RBB grew revenue by **13%** (CCY: 10%) and Corporate Banking grew revenue by **12%** (CCY: 8%).

The positive impact on revenue

from momentum on the balance sheet was partially offset by margins decreasing to **7.39%** (2018: 7.62%) due to declining interest rates across most markets.

Cost-to-income ratio improved

to **57.8%** (2018: 59.0%) as revenue growth exceeded cost growth, despite higher than inflationary cost growth, largely due to the incremental run costs post separation from Barclays PLC.

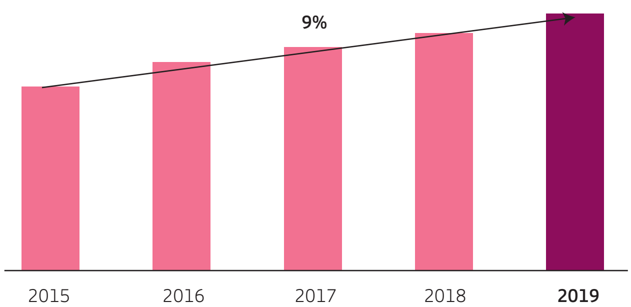
Impairments grew by 53%

(CCY: 49%) resulting in a higher credit loss ratio of **0.98%** (2018: 0.78%) driven by book growth and higher single-name defaults, coupled with increased consumer strain.

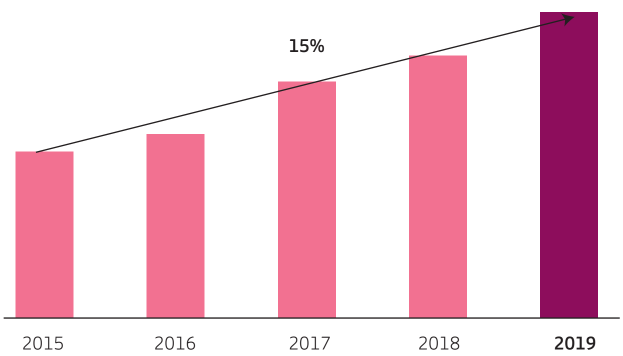
The prior year balance sheet momentum continued into the current year with loans and advances to customers growing by **16%** (CCY: 22%) and deposits due to customers growing by **13%** (CCY: 19%) driven by both RBB and Corporate Banking.

Salient features	2019	2018[1]	CCY%	Change %
Income (Rm)	**18 605**	16 307	11	14
Attributable earnings (Rm)	**3 661**	3 159	12	16
Headline earnings (Rm)	**3 635**	3 140	12	16
Credit loss ratio (%)	**0.98**	0.78		
Cost-to-income ratio (%)	**57.8**	59.0		
Return on equity[2]	**19.0**	18.1		
RoRWA (%)	**1.63**	1.70		
RoA (%)	**1.77**	1.83		

ARO Income growth trend CCY (CAGR)



ARO Headline earnings growth trend CCY (CAGR)



[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover.

[2] As the Absa Regional Operations consists primarily of a set of legal entities, the denominator in the RoRC for the Absa Regional Operations is calculated as the sum of the average equity of the legal entities.

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Absa Regional Operations

for the reporting period ended 31 December

	RBB				CIB			
	2019	2018[1]	CCY%	Change %	2019	2018[1]	CCY%	Change %
Statement of comprehensive income (Rm)								
Net interest income	**7 816**	6 877	10	14	**4 494**	4 030	8	12
Non-interest income	**3 105**	2 749	10	13	**2 874**	2 361	18	22
Total income	**10 921**	9 626	10	13	**7 368**	6 391	12	15
Impairment losses	**(1 120)**	(820)	32	37	**(173)**	(32)	>100	>100
Operating expenses	**(7 665)**	(7 036)	5	9	**(3 087)**	(2 570)	16	20
Other expenses	**(293)**	(182)	58	61	**(71)**	(35)	92	>100
Operating profit before income tax	**1 843**	1 588	13	16	**4 037**	3 754	4	8
Tax expenses	**(662)**	(597)	8	11	**(966)**	(1 127)	(14)	(14)
Profit for the reporting period	**1 181**	991	16	19	**3 071**	2 627	12	17
Profit attributable to:								
Ordinary equity holders	**823**	676	19	22	**2 716**	2 372	10	15
Non-controlling interest – ordinary shares	**358**	315	10	14	**355**	255	28	39
	1 181	991	16	19	**3 071**	2 627	12	17
Headline earnings	**798**	656	19	22	**2 716**	2 372	10	15
Operating performance (%)								
Net interest margin on average interest-bearing assets	**10.62**	10.14			**5.88**	6.45		
Credit loss ratio	**2.10**	1.83			**0.30**	0.07		
Non-interest income as % of income	**28.4**	28.6			**39.0**	36.9		
Income growth	**13**	4			**15**	1		
Operating expenses growth	**9**	4			**20**	14		
Cost-to-income ratio	**70.2**	73.1			**41.9**	40.2		
Statement of financial position (Rm)								
Loans and advances to customers	**52 026**	47 198	16	10	**59 439**	49 016	28	21
Loans and advances to banks	**2**	3	(33)	(33)	**726**	881	(11)	(18)
Investment securities	**9**	4	>100	>100	**786**	422	>100	86
Other assets	**34 532**	34 001	8	2	**36 762**	29 509	32	25
Total assets	**86 569**	81 206	13	7	**97 713**	79 828	30	22
Deposits due to customers	**75 670**	72 443	11	4	**71 814**	58 520	29	23
Debt securities in issue	**74**	32	>100	>100	**—**	—	—	—
Other liabilities	**12 607**	10 211	27	23	**24 864**	20 656	30	20
Total liabilities	**88 351**	82 686	13	7	**96 678**	79 176	29	22
Financial performance (%)								
RoRWA	**1.04**	0.97			**3.53**	4.28		
RoA	**0.95**	0.91			**3.01**	3.33		

Key closing exchange rates in ZAR terms		2019	2018	Change %
Botswana	ZAR/BWP	**1.33**	1.34	(1)
Ghana	ZAR/GHS	**2.48**	2.91	(15)
Kenya	ZAR/KES	**0.14**	0.14	(2)
Mauritius Onshore	ZAR/MUR	**0.39**	0.42	(8)
Mauritius Offshore	ZAR/USD	**14.02**	14.38	(2)
Mozambique	ZAR/MZN	**0.22**	0.23	(4)
Seychelles	ZAR/SCR	**1.02**	1.05	(3)
Tanzania	ZAR/TZS	**0.01**	0.01	(3)
Uganda	ZAR/UGX	**0.00**	0.00	(2)
Zambia	ZAR/ZMW	**1.00**	1.21	(18)

[1] These numbers have been restated, refer to the report overview on the inside front cover.

	Head Office, Treasury and other operations in Absa Regional Operations				Total Absa Regional Operations			
	2019	2018[1]	CCY%	Change %	**2019**	2018[1]	CCY%	Change %
	254	246	3	3	**12 564**	11 153	9	13
	62	44	42	41	**6 041**	5 154	14	17
	316	290	9	9	**18 605**	16 307	11	14
	80	58	26	38	**(1 213)**	(794)	49	53
	(1)	(19)	(92)	(95)	**(10 753)**	(9 625)	8	12
	(3)	17	<(100)	<(100)	**(367)**	(200)	77	84
	392	346	11	13	**6 272**	5 688	7	10
	(275)	(260)	8	6	**(1 903)**	(1 984)	(5)	(4)
	117	86	19	36	**4 369**	3 704	13	18
	122	111	(3)	10	**3 661**	3 159	12	16
	(5)	(25)	(81)	(80)	**708**	545	23	30
	117	86	19	36	**4 369**	3 704	13	18
	121	112	(3)	8	**3 635**	3 140	12	16
	n/a	n/a			**7.39**	7.62		
	n/a	n/a			**0.98**	0.78		
	n/a	n/a			**32.5**	31.6		
	n/a	n/a			**14**	5		
	n/a	n/a			**12**	7		
	n/a	n/a			**57.8**	59.0		
	—	—	—	—	**111 465**	96 214	22	16
	14 119	10 394	46	36	**14 847**	11 278	42	32
	34 880	35 617	4	(2)	**35 675**	36 043	6	(1)
	(15 294)	(15 128)	(7)	1	**56 000**	48 382	28	16
	33 705	30 883	24	9	**217 987**	191 917	22	14
	2 904	2 693	9	8	**150 388**	133 656	19	13
	2 781	1 331	>100	>100	**2 855**	1 363	>100	>100
	4 777	3 220	>100	48	**42 248**	34 087	39	24
	10 462	7 244	89	44	**195 491**	169 106	24	16
	n/a	n/a			**1.63**	1.70		
	n/a	n/a			**1.77**	1.83		

Absa Regional Operations

for the reporting period ended 31 December

Business profile

ARO operates in 10 jurisdictions across the African continent outside of South Africa through 10 legal entities and one representative office. ARO offers a comprehensive suite of banking products and services in our main market segments being Retail and Business Bank and Corporate and Investment Banking.

Key segments

- Retail and Business Bank (RBB)
- Corporate and Investment Bank (CIB)
  - Corporate
  - Investment Bank
- Head Office, Treasury and other operations

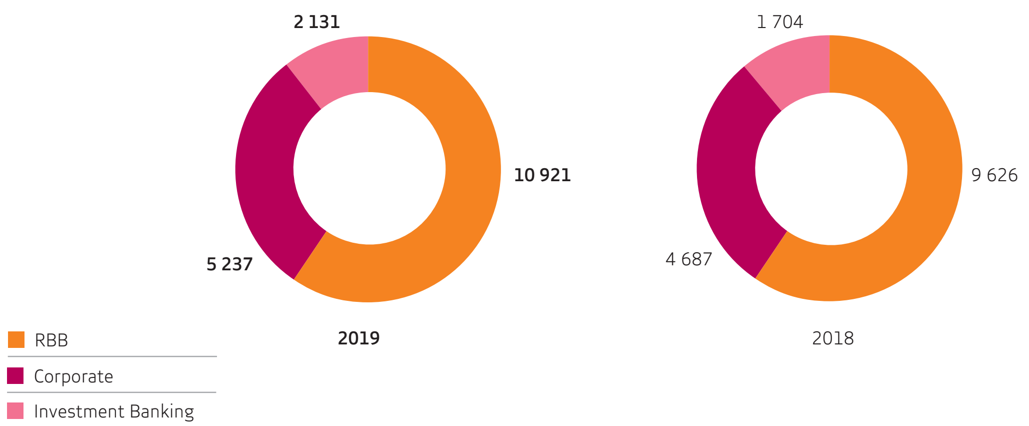
Customers and clients across the continent are served through the following key business entities[1]:

- Absa Bank Kenya Plc
- Absa Bank Botswana Ltd
- Absa Bank Ghana Ltd
- Absa Bank Zambia Plc
- The National Bank of Commerce in Tanzania
- Absa Bank Moçambique, SA
- Absa Bank Uganda Ltd
- Absa Bank (Mauritius) Ltd
- Absa Bank Tanzania Ltd
- Absa Bank (Seychelles) Ltd
- Nigeria – Representative office

Financial performance

ARO delivered headline earnings growth of **16%** (CCY: 12%) to **R3 635m** (2018: R3 140m) and return on equity of **19.0%** (2018: 18.1%). This was underpinned by strong revenue growth in all segments, led by the Investment Banking business with revenue growth of **25%** (CCY: 21%) and strong balance sheet growth in the other businesses. Revenue growth outstripped cost growth driving an increase in pre-provision profits of **17%** (CCY: 14%). A **4%** (CCY: 5%) reduction in tax expenses further aided earnings growth. Earnings growth was negatively impacted by an increase in impairments of **53%** (CCY: 49%) driven by book growth and higher single-name defaults, coupled with increased consumer strain. The Investment Banking, Retail and Business Banking and Corporate Banking businesses grew headline earnings by **37%** (CCY: 30%), **22%** (CCY: 19%) and **8%** (CCY: 4%), respectively. The Rand was, on average, weaker compared to the prior year against the basket of currencies in the countries in which we operate. This had a positive impact on translated earnings. However, currencies ended stronger as at 31 December 2019 compared to 31 December 2018, which had a negative impact on balance sheet growth.

Income contribution by segment excluding Head Office, Treasury and other operations (Rm)



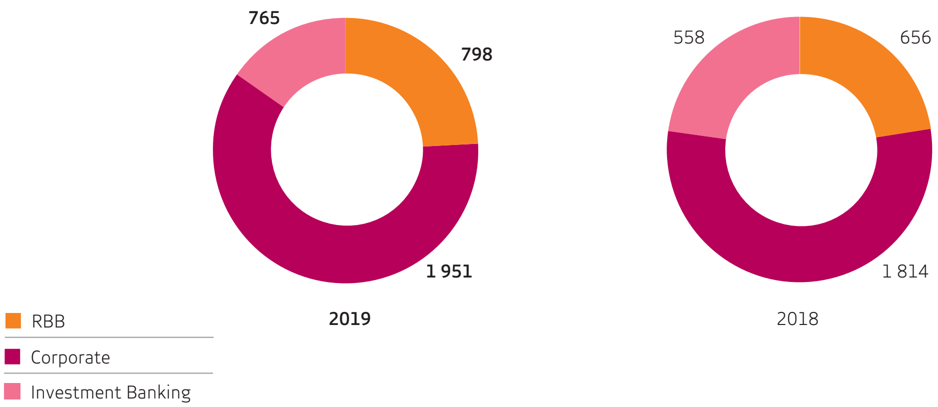
[1] Absa Bank Moçambique, SA and Absa Bank Uganda Ltd successfully rebranded in November 2019, with the remaining markets successfully rebranded in February 2020.

Absa Regional Operations

for the reporting period ended 31 December

Financial performance (continued)

Headline earnings contribution by segment excluding Head Office, Treasury and other operations (Rm)



Net interest income increased by **13%** (CCY: 9%) to **R12 564m** (2018: R11 153m) with RBB's net interest income increasing by **14%** (CCY: 10%) to **R7 816m** (2018: R6 877m) and CIB's net interest income increasing by **12%** (CCY: 8%) to **R4 494m** (2018: R4 030m), despite decreasing interest rates and lower margins. RBB's net interest income growth was driven by a **14%** (CCY: 10%) increase in loans and advances to customers, driven by strong growth in personal lending and mortgages.

Non-interest income grew by **17%** (CCY: 14%) to **R6 041m** (2018: R5 154m). RBB's non-interest income increased by **13%** (CCY: 10%) to **R3 105m** (2018: R2 749m) driven by trade income and foreign exchange sales increasing by 34% and 16%, respectively, coupled with deposit fees growing by 7% and the continued expansion of the virtual lending proposition. CIB's non-interest income increased by **22%** (CCY: 18%) to **R2 874m** (2018: R2 361m). The growth in CIB's non-interest income was driven by increased client activity and positive risk management resulting in a **25%** (CCY: 20%) growth in Investment Banking non-interest income and a strong focus on transactional accounts and customer growth in Corporate resulting in a **14%** (CCY: 10%) growth in Corporate non-interest income.

Impairments grew by **53%** (CCY: 49%) resulting in a higher credit loss ratio of **0.98%** (2018: 0.78%) driven by book growth and higher single-name defaults, coupled with increased consumer strain.

Operating expenses increased by **12%** (CCY: 8%) to **R10 753m** (2018: R9 625m) and was characterised by incremental run costs post separation from Barclays PLC, partly offset by continued transformation of our business through the optimisation of our branch network and investment in technology. As we progress along our journey of separating from Barclays PLC, we continue to drive process optimisation, automation and cost-efficiencies in order to create headroom for investment in growth initiatives. This coupled with revenue growth in excess of cost growth, delivered a positive Jaws ratio and a declining cost-to-income ratio of **57.8%** (2018: 59.0%).

Loans and advances to customers grew by **16%** (CCY: 22%) to **R111.5bn** (2018: R96.2bn). RBB's loans and advances grew by **10%** (CCY: 16%) to **R52.0bn** (2018: R47.2bn) off the back of strong growth in personal lending and mortgages. CIB's loans and advances to customers increased by **21%** (CCY: 28%) to **R59.4bn** (2018: R49.0bn) as a result of an increased focus on targeted sectors, including natural resources, agriculture, public sector, construction and telecommunications.

Deposits due to customers grew by **13%** (CCY: 19%) to **R150.4bn** (2018: R133.7bn). RBB's deposits due to customers increased by **4%** (CCY: 11%) to **R75.7bn** (2018: R72.4bn). CIB's deposits due to customers increased by **23%** (CCY: 29%) to **R71.8bn** (2018: R58.5bn) due to improved product offerings and platforms and an increased focus on relationships with key clients in telecommunications, non-banking financial institutions, fast-moving consumer goods and the public sector.

RBB Absa Regional Operations

for the reporting period ended 31 December

Key performance highlights for the reporting period include:

Revenue increased

by **13%** (CCY: 10%), driven by solid balance sheet growth, improved margins and a **13%** (CCY: 10%) growth in non-interest income.

Income grew faster than operating expenses

resulting in a positive Jaws ratio of **4%** and an improved cost-to-income ratio of **70.2%** (2018: 73.1%).

Headline earnings grew

by **22%** (CCY: 19%), despite headwinds which included increased competition for liquidity, increased impairment levels and a decline in interest rates.

Loans and advances to customers

grew by **10%** (CCY: 16%), mainly due to an increase in sales.

Deposits due to customers increased

by **4%** (CCY: 11%), mainly driven by current account deposit growth.

Credit loss ratio increased

to **2.10%** (2018: 1.83%) largely due to measured credit expansion, growth in mobile lending and challenging macro operating environments.

Salient features	2019	2018[1]	CCY%	Change %
Income (Rm)	**10 921**	9 626	10	13
Attributable earnings (Rm)	**823**	676	19	22
Headline earnings (Rm)	**798**	656	19	22
Credit loss ratio (%)	**2.10**	1.83		
Cost-to-income ratio (%)	**70.2**	73.1		
RoRWA (%)	**1.04**	0.97		
RoA (%)	**0.95**	0.91		

Business profile

RBB offers a comprehensive suite of retail and business banking products and services to individual and commercial customers across the region. A range of solutions are provided to meet customers' transactional, borrowing, savings, protection and investment needs. This is facilitated through branch, self-service and digital channels, supported by a relationship-based model that includes a well-defined coverage structure built on specific customer value propositions.

Key product/segment areas

- **Premier banking:** Represents the affluent retail segment in each market. They are offered exclusive banking with tailor-made solutions from dedicated relationship managers and through our Premier suites.
- **Prestige banking:** Represents the emerging affluent retail segment in each market. They are serviced through dedicated banking teams and offered affordable products and solutions.
- **Personal banking:** Represents the middle-market segment. They are serviced via direct channels, including the branch network.
- **Small and Medium Enterprise (SME) banking:** Represents business clients with an annual turnover of up to R50m. They are serviced using a direct coverage model with a predominantly branch-based interface.
- **Commercial banking:** Represents business clients with an annual turnover of between R50m and R250m. They are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions. Commercial and SME banking includes sector overlays focusing on the primary sectors of agriculture, wholesale and retail, construction, manufacturing, transport and logistics, and franchising.

[1] These numbers have been restated, refer to the report overview on the inside front cover.

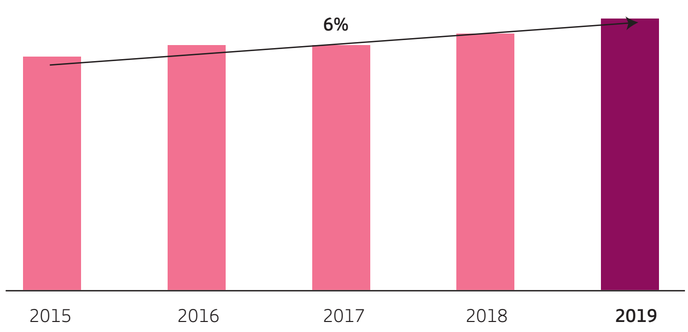
RBB Absa Regional Operations

for the reporting period ended 31 December

Financial performance

RBB delivered headline earnings growth of **22%** (CCY: 19%) to **R798m** (2018: R656m). This was underpinned by strong revenue growth of **13%** (CCY: 10%) to **R10 921m** (2018: R9 626m) which was achieved by the increase in focus on customers through the Customer Lifecycle Management framework, which helped increase the retail customer product penetration rate to **1.80** (2018: 1.66). Strong balance sheet growth, in spite of a challenging operating environment that included declining interest rates, as well as greater competition from traditional banks and payment Fintechs, contributed to the strong increase in revenue.

RBB Income growth trend CCY (CAGR)



Net interest income increased by **14%** (CCY: 10%) to **R7 816m** (2018: R6 877m), despite a reduction in consumer deposit margins driven by falling interest rates, as well as increased competitor deposit pricing to attract liquidity, a reduction in consumer lending margins driven by aggressive competitor pricing most notably in Botswana, Ghana and Seychelles and a more prescriptive approach to scheme lending in specific sectors in order to minimise the impact on impairments. To counter this and to take advantage of falling interest rates, measures were taken to target specific lending opportunities that resulted in an increase in loans and advances to customers by 16%.

Non-interest income grew by **13%** (CCY: 10%) to **R3 105m** (2018: R2 749m), driven by trade income and foreign exchange sales which increased by 34% and 16%, respectively. This was coupled with a 7% growth in deposit fees and the continued expansion of the virtual lending proposition.

Impairments increased by **37%** (CCY: 32%) to **R1 120m** (2018: R820m) resulting in a credit loss ratio of **2.10%** (2018: 1.83%). The increase in impairments, experienced mostly in consumer lending, is predominantly due to measured credit expansions that helped deliver strong production performance, growth in the mobile lending business, as well as challenging macro operating environment outlooks in some markets. Consumer non-performing loans reduced to 4.1% of loans and advances (2018: 4.5%). The increased charge in the commercial segment was driven by book growth. The focus during the year remained on improving credit and collection strategies, collection technologies and improving the level of resourcing and skills.

Operating costs increased by **9%** (CCY: 5%) to **R7 665m** (2018: R7 036m). Notwithstanding the increase in operating cost, the cost-to-income ratio improved to **70.2%** (2018: 73.1%) as a result of continued branch optimisation, enhanced digital capability and effective cost management.

Loans and advances to customers grew by **10%** (CCY: 16%) to **R52.0bn** (2018: R47.2bn). Personal loans and mortgages grew by 18% and 9% respectively. Commercial lending exhibited growth of 28% as a result of greater focus on specific sectors and clients.

Deposits due to customers grew by **4%** (CCY: 11%) to **R75.7bn** (2018: R72.4bn) despite aggressive, competitor deposit pricing. To reduce the cost of funding, specific measures, such as enhancing our transactional offering has resulted in growth in transactional deposits.

RBB Absa Regional Operations

for the reporting period ended 31 December

Business performance

RBB's strategic goals remain intact, with consistent performance reflective of a business that is well positioned to achieve long-term sustainable growth.

Business achievements:

- The Virtual Banking proposition (Timiza) in Kenya provided customers with mobile lending, savings and insurance products, which saw a 35% growth in loan disbursements, through an eightfold growth in repeat borrowing customers, driving a revenue growth of 70%. Over 1.45 million loans were granted this year;
- The mobile lending proposition (Kongola) in Zambia resulted in 1.77 million loan disbursements to 213 thousand active customers. The product offering was extended to include longer term lending, as well as a savings solution (Kasaka Savings);
- Launched purchase order finance, Business Internet Banking, improvement of enterprise development capabilities and expanding structured trade and commodity finance in a number of businesses in support of customers;
- Launched ChatBot capability in Uganda which assisted with client engagement, as well as providing an additional channel to transact on. By enabling this capability on social media channels, such as WhatsApp, we are able to reach a wider customer base and offered more convenient banking;
- Launched remittances business in Kenya and Ghana by partnering with Xpressmoney; and
- Launched mobile money acceptance in Zambia, in partnership with MTN, enabling our Point of Sale (POS) terminals to accept MTN mobile money payments.

Efficiency was supported by:

- Continued growth in digital adoption by customers across a number of channels including iATM (withdrawal and deposits), Mobile Banking, POS and internet banking. The number of digitally active customers grew by 21%, driving a growth in digital transactional volumes of 56% and transaction values by 49%;
- Reengineering, digitisation and automation of key operational processes resulted in a reduction of manual interventions, leading to cost reductions, as well as a 33% reduction in turnaround time to fulfil customer transactions;
- Launched first cashless and fully digital branch in Kampala, Uganda; and
- Continued optimisation of the branch network to serve customers more economically and efficiently.

Looking ahead, there is further potential to extract greater value from the existing franchise. Embedding customer-centricity; delivering customer value propositions that serve business needs throughout the business lifecycle and personal needs throughout their life stages, as well as enhancing customers' multiple-channel experience with a focus on becoming a digitally led bank remained key focus areas. The strategy focuses on:

- Customer Lifecycle Management to further improve the quality of new-to-franchise customer acquisition and deepen the relationship with existing customers through enhanced digital solutions with a focus on mobile and internet banking acquisitions;
- Optimised branch operating model to build fit-for-purpose branches, ensuring that the business is optimally positioned to serve customers and reduce service costs;
- Continuing to embed and enhance the sector focus approach in Commercial and Small and Medium Enterprise Banking;
- Driving the retail segment with refreshed customer value propositions with particular focus on affluent customers;
- Extracting further opportunities from the Corporate customer ecosystems;
- Commercialising a new digital platform aiding the trade between suppliers and buyers within the agriculture industry; and
- Commercialising new business opportunities such as mobile lending and payments.

Achievements included the following:

- Absa Bank was awarded Best Retail Bank in Kenya and Mozambique for 2019 by the Global Banking and Finance Awards.
- Absa Regional Operations data team was awarded the "Best Technology Initiative – Rest of the World" at the Financial Innovation awards held by The London Institute of Banking and Finance.
- Successful rebranding of branches, ATMs, banking platforms and applications from Barclays to the Absa brand was achieved.

CIB Absa Regional Operations

for the reporting period ended 31 December

Key performance highlights for the reporting period include:

Headline earnings growth

of **15%** (CCY: 10%) with the Investment Bank up **37%** (CCY: 30%) and Corporate up **8%** (CCY: 4%).

Impairments increased

to **R173m** (2018: R32m) off a low base in the prior year, resulting in an increase in the credit loss ratio to **0.30%** (2018: 0.07%).

Revenue growth

of **15%** (CCY: 12%), with Investment Banking up **25%** (CCY: 21%) and the Corporate business up **12%** (CCY: 8%).

Operating expenses growth

of **20%** (CCY: 16%) mainly due to ongoing run costs following separation of systems and international coverage from Barclays PLC, resulting in an increase in the cost-to-income ratio to **41.9%** (2018: 40.2%).

Corporate non-interest income grew

by **14%** (CCY: 10%), while net interest income grew by **11%** (CCY: 8%).

Reduction in returns

with RoA and RoRWA at **3.01%** (2018: 3.33%) and **3.53%** (2018: 4.28%) respectively.

Strong balance sheet growth

with loans and advances to customers up by **21%** (CCY: 28%), while customer deposits grew by **23%** (CCY: 29%).

Salient features	2019	2018[1]	CCY%	Change %
Income (Rm)	**7 368**	6 391	12	15
Attributable earnings (Rm)	**2 716**	2 372	10	15
Headline earnings (Rm)	**2 716**	2 372	10	15
Credit loss ratio (%)	**0.30**	0.07		
Cost-to-income ratio (%)	**41.9**	40.2		
RoRWA (%)	**3.53**	4.28		
RoA (%)	**3.01**	3.33		

[1] These numbers have been restated, refer to the report overview on the inside front cover.

CIB Absa Regional Operations

for the reporting period ended 31 December

	Corporate[1]			
	2019	2018[1]	CCY%	Change %
Statement of comprehensive income (Rm)				
Net interest income	**4 499**	4 041	8	11
Non-interest income	**738**	646	10	14
Total income	**5 237**	4 687	8	12
Impairment losses	**(171)**	(32)	>100	>100
Operating expenses	**(2 329)**	(1 902)	18	22
Other expenses	**(54)**	(27)	90	100
Operating profit before income tax	**2 683**	2 726	(4)	(2)
Tax expenses	**(508)**	(755)	(32)	(33)
Profit for the reporting period	**2 175**	1 971	6	10
Profit attributable to:				
Ordinary equity holders	**1 951**	1 814	4	8
Non-controlling interest – ordinary shares	**224**	157	32	43
	2 175	1 971	6	10
Headline earnings	**1 951**	1 814	4	8
Operating performance (%)				
Net interest margin on average interest-bearing assets	**6.06**	6.63		
Credit loss ratio	**0.31**	0.07		
Non-interest income as % of income	**14.1**	13.8		
Income growth	**12**	3		
Operating expenses growth	**22**	11		
Cost-to-income ratio	**44.5**	40.6		
Statement of financial position (Rm)				
Loans and advances to customers	**59 439**	49 016	28	21
Loans and advances to banks	**—**	28	(100)	(100)
Investment securities	**671**	346	>100	94
Other assets	**19 848**	17 289	19	15
Total assets	**79 958**	66 679	26	20
Deposits due to customers	**71 553**	58 520	28	22
Other liabilities	**7 478**	7 605	4	(2)
Total liabilities	**79 031**	66 125	26	20
Financial performance (%)				
RoRWA	**3.22**	4.12		
RoA	**2.63**	2.99		

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Investment Bank				CIB			
2019	2018[1]	CCY%	Change %	2019	2018[1]	CCY%	Change %
(5)	(11)	(55)	(55)	4 494	4 030	8	12
2 136	1 715	20	25	2 874	2 361	18	22
2 131	1 704	21	25	7 368	6 391	12	15
(2)	—	100	100	(173)	(32)	>100	>100
(758)	(668)	11	13	(3 087)	(2 570)	16	20
(17)	(8)	99	>100	(71)	(35)	92	>100
1 354	1 028	26	32	4 037	3 754	4	8
(458)	(372)	21	23	(966)	(1 127)	(14)	(14)
896	656	29	37	3 071	2 627	12	17
765	558	30	37	2 716	2 372	10	15
131	98	22	34	355	255	28	39
896	656	29	37	3 071	2 627	12	17
765	558	30	37	2 716	2 372	10	15
n/a	n/a			5.88	6.45		
n/a	n/a			0.30	0.07		
100.2	100.6			39.0	36.9		
25	(2)			15	1		
13	20			20	14		
35.6	39.2			41.9	40.2		
—	—	—	—	59 439	49 016	28	21
726	853	(8)	(15)	726	881	(11)	(18)
115	76	61	51	786	422	>100	86
16 914	12 220	51	38	36 762	29 509	32	25
17 755	13 149	47	35	97 713	79 828	30	22
261	—	—	100	71 814	58 520	29	23
17 386	13 051	45	33	24 864	20 656	30	20
17 647	13 051	47	35	96 678	79 176	29	22
4.71	4.87			3.53	4.28		
4.76	5.39			3.01	3.33		

CIB Absa Regional Operations

for the reporting period ended 31 December

Business profile

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, advisory products and services. A variety of clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining our in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions in the right way and by executing on this we will create shared growth for clients, colleagues and communities.

Key business areas

Client Engagement integrates client coverage across Africa to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB, across the following business areas:

- **Corporate** – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across our African institutional, corporate and public sector client base.
- **Investment Bank** comprising:
  - **Markets** – engages in sales, trading, and research activities across all major asset classes and products in our presence markets, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients.

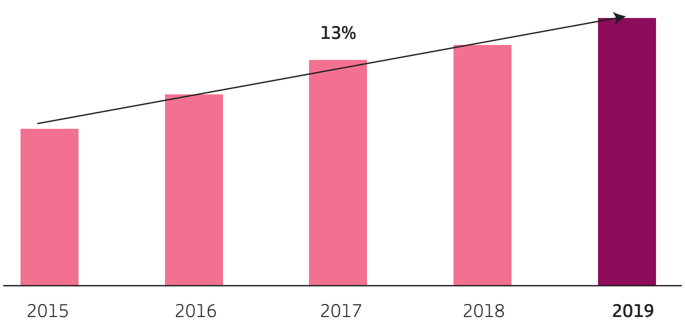
Business performance

Achievements included the following:

- Awarded Investment Bank of the Year at the African Banker Awards 2019;
- Awarded Export Finance Deal of the Year as one of the joint lead managers to fund the Nacala Corridor Railway Line in Mozambique at the Bonds, Loans and Sukuk Middle East Awards 2019;
- Awarded Best Treasury and Cash Management Bank in Mauritius by Global Finance 2019;
- Received the following awards from Global Banking and Finance Review:
  - Best Corporate Bank Mozambique 2019;
  - Best Investment Bank Mozambique 2019; and
  - Best Corporate Bank Zambia 2019.
- Received the following Asian Banker Transaction Awards:
  - Best Transaction Bank by country for Absa Bank Botswana;
  - Best Cash Management Bank by country for Botswana, Tanzania and Zambia; and
  - Best Trade Finance Bank by country for Absa Bank Uganda.
- Received the following 2019 EMEA Finance African Banking Awards:
  - Best Investment Bank in Africa;
  - Best Investment Bank in Botswana, Tanzania and Zambia; and
  - Best Equity House in Mozambique.

Financial performance

CIB Income growth trend CCY (CAGR)



CIB Absa Regional Operations

for the reporting period ended 31 December

Financial performance (continued)

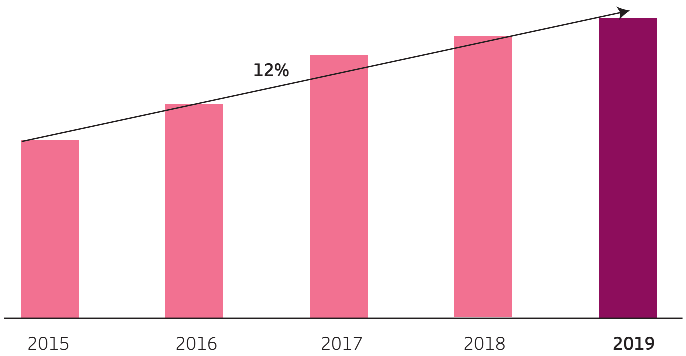
Corporate

Headline earnings increased by **8%** (CCY: 4%) to **R1 951m** (2018: R1 814m) on the back of strong revenue growth, offset by higher impairments and costs.

Revenue was up **12%** (CCY: 8%) to **R5 237m** (2018: R4 687m), with net interest income up **11%** (CCY: 8%) to **R4 499m** (2018: R4 041m) supported by a successful conversion of client relationships to primary banked and a strong balance sheet performance. However, several markets experienced margin compression that negatively impacted product margins.

Salient features	2019	2018[1]	CCY%	Change %
Income (Rm)	**5 237**	4 687	8	12
Attributable earnings (Rm)	**1 951**	1 814	4	8
Headline earnings (Rm)	**1 951**	1 814	4	8
Credit loss ratio (%)	**0.31**	0.07		
Cost-to-income ratio (%)	**44.5**	40.6		
RoRWA (%)	**3.22**	4.12		
RoA (%)	**2.63**	2.99		

Corporate income growth trend CCY (CAGR)



Focus on transactional accounts and customer growth contributed to growth of **14%** (CCY: 10%) in non-interest income to **R738m** (2018: R646m).

Impairments on loans and advances grew by **>100%** to **R171m** (2018: R32m) as a result of a few single-name charges and growth in the asset portfolio, off a low impairment base in the prior year.

Operating expenses grew by **22%** (CCY: 18%) to **R2 329m** (2018: R1 902m) reflecting ongoing run costs following separation of systems and international coverage from Barclays PLC, resulting in negative Jaws of **10%** and an increase in the cost-to-income ratio to **44.5%** (2018: 40.6%).

Loans and advances to customers grew by **21%** (CCY: 28%) to **R59.4bn** (2018: R49.0bn) as a result of increased sales activities, as well as increased focus on targeted sectors, including natural resources, agriculture, public sector, construction and telecommunications.

Deposits due to customers grew by **22%** (CCY: 28%) to **R71.6bn** (2018: R58.5bn), due to improved product offerings and platforms, increased focus on relationships with key clients in telecommunications, non-banking financial institutions, fast-moving consumer goods and public sector.

Business performance

Corporate

The underlying business performed well over the period, with revenue up 8% excluding the impact of foreign currency translation differences. Double-digit growth in revenue from the lending and trade businesses:

- Trade up 26% largely due to a combination of improved trade volumes and balance sheet. Customer balances grew 24% underpinned by growth in key markets; and
- Term debt up 22% as a result of strong balance sheet growth in a number of our presence markets.

[1] These numbers have been restated, refer to the report overview on the inside front cover.

CIB Absa Regional Operations

for the reporting period ended 31 December

Business performance (continued)

Corporate (continued)

This was partially offset by muted growth in liability income:

- Cash management unchanged, with customer deposits growth of 14% offset by margin contraction. Fee income declined due to a combination of increased online volumes attracting lower tariffs along with regulatory changes on fees being imposed. Significant growth was noted in mobile payments trust accounts balances of 20%, in line with the increasing adoption of mobile payments as a corporate transacting solution on the continent; and
- Working capital down 7% mainly due to lower utilisation levels linked to competition on USD facilities.

Contributors to revenue growth included the following:

- Delivery of automated capability in documentary trade across key markets enabling clients to self-initiate and track trade transactions online;
- Identifying and onboarding key hires in businesses at the core of our growth strategy; and
- Critical focus on delivery of separation objectives and the launch of new strategic platforms such as online, mobile and API.

Factors that adversely affected the business during the period included the economic slowdown affecting key European trading partners, which impacted tourism and export businesses in a number of markets, margin compression as a result of funding pressures across the continent and increased competition.

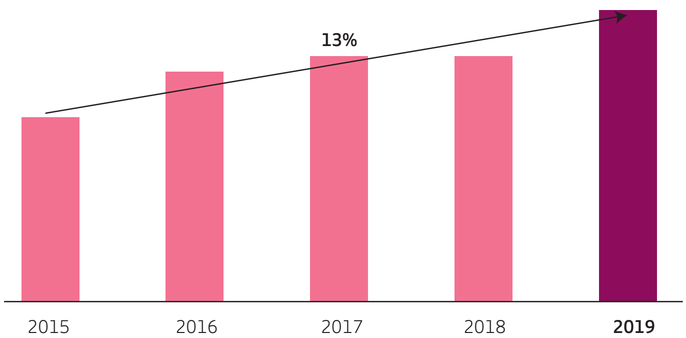
Looking ahead, we will focus on the following strategic objectives:

- Delivery of new and innovative channel products
- Achieving separation on time and simplifying our operating structure to better serve our clients
- Continued focus on engagement with key customers in order to refine our product offering to suit their business needs
- Accessing international clients through our new International Office and expansion into the Asia Corridor
- Roll-out of a pan-African custody and trustee business.

Financial performance

Investment Banking

Investment Banking income growth trend CCY (CAGR)



Headline earnings grew by **37%** (CCY: 30%) to **R765m** (2018: R558m) with revenue up **25%** (CCY: up 21%) to **R2 131m** (2018: R1 704m) and operating expenses grew by **13%** (CCY: 11%) to **R758m** (2018: R668m).

Revenue growth of **25%** (CCY: 21%) resulted from increased client activity and positive risk management. This was achieved through increased focus on building our client franchise by means of improved client solutioning, rolling out more advanced infrastructure, continued build-out of a high-performing team and better collaboration with other business areas.

The **13%** (CCY: 11%) increase in operating expenses was largely due to ongoing run costs following separation of systems and international coverage from Barclays PLC. Despite this, positive Jaws of **12%** and a decrease in the cost-to-income ratio to **35.6%** (2018: 39.2%) was achieved as a result of strong revenue growth.

CIB Absa Regional Operations

for the reporting period ended 31 December

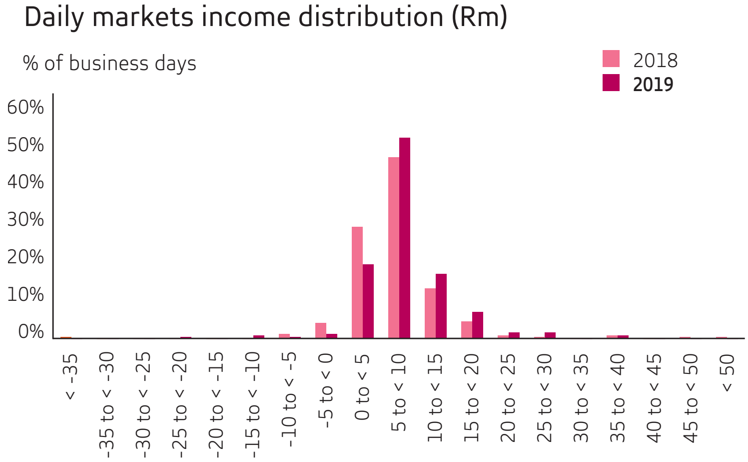
Financial performance (continued)

Investment Banking (continued)

Salient features	2019	2018[1]	CCY%	Change %
Income (Rm)	**2 131**	1 704	21	25
Attributable earnings (Rm)	**765**	558	30	37
Headline earnings (Rm)	**765**	558	30	37
Cost-to-income ratio (%)	**35.6**	39.2		
RoRWA (%)	**4.71**	4.87		
RoA (%)	**4.76**	5.39		

Business performance

Investment Banking



Markets ARO delivered a strong performance across the portfolio with increased sales activity on account of broad-based FX market share gains as well as harnessing of the new institutional client base, while the business also reported positive risk management revenue. Year-on-year growth was seen in eight countries, driven by:

- An increased customer base as a result of continued focus on cross-selling, new client acquisitions and diversification of product offerings, leading to product market share gains particularly in the Business Bank segment;
- Growth in FX flows driven by the roll-out of electronic platforms across the majority of the Retail branch network;
- Discipline and dynamism regarding margin management for Corporate clients transacting on electronic trading platforms; and
- Effective risk management resulting in preservation of client margins.

This was partly offset by the following factors:

- Interbank funding pressures in some key markets negatively impacted ability to price derivatives;
- Highly competitive environment from local banks; and
- Changes in liquidity across the continent providing fewer revenue opportunities.

Looking ahead, we will focus on the following strategic initiatives:

- Continued focus on ecommerce strategy to improve client service and experience;
- Enhancement of the CIB pan-Africa product and coverage model to provide integrated solutions to international clients; and
- Expansion into non-presence markets to grow and diversify revenue streams and provide clients with new market opportunities.

[1] These numbers have been restated, refer to the report overview on the inside front cover.

Head Office, Treasury and other operations in South Africa

for the reporting period ended 31 December

Financial performance

Head office, Treasury and other operations in South Africa includes the Investment Management business. The Investment Management business was previously managed and reported as part of the Group's Wealth, Investment Management and Insurance (WIMI) segment.

Investment Management offers investment management, multi-management, unit trusts and linked investments products and solutions to individual and institutional clients.

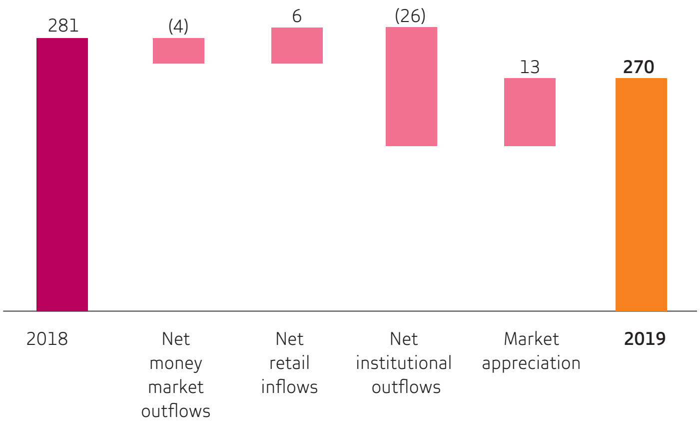
Investment Management headline earnings increased by **4%** to **R379m** (31 December 2018: R366m). This increase in headline earnings was driven by revenue growth of **2%** to **R1.156bn** (31 December 2018: R1.131bn) and sub-inflation operating expenses growth of 1%.

Investment Management – Assets under management and administration

	2019 Rbn	2018 Rbn	Change %
Assets under management and administration	**270**	281	(4)
Money market	**70**	75	(7)
Non-money market	**200**	206	(3)

Movement in assets under management and administration (Rbn)

Assets under management declined by **4%** to **R270bn** since 31 December 2018 (R281bn). Year-to-date net outflows (money market, retail and institutional) were R24bn mainly as a result of outflows within the low margin Alternative Asset Management derivatives.



Group IFRS performance

Consolidated IFRS salient features

for the reporting period ended 31 December

	2019	2018	Change %
Statement of comprehensive income (Rm)			
Income	**80 120**	76 515	5
Operating expenses	**48 767**	46 803	4
Profit attributable to ordinary equity holders	**14 256**	13 917	2
Headline earnings	**14 526**	14 142	3
Statement of financial position			
Total assets (Rm)	**1 399 175**	1 288 744	9
Financial performance (%)			
Return on equity (RoE)	**13.1**	13.4	
Return on average assets (RoA)	**1.07**	1.17	
Return on risk-weighted assets (RoRWA)	**1.71**	1.86	
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.50**	4.65	
Non-interest income as percentage of total income	**42.0**	42.8	
Cost-to-income ratio	**60.9**	61.2	
Jaws	**1**	(4)	
Effective tax rate	**26.5**	29.2	
Share statistics (million)			
Number of ordinary shares in issue	**847.8**	847.8	
Number of ordinary shares in issue (excluding treasury shares)	**828.7**	827.5	
Weighted average number of ordinary shares in issue	**830.0**	830.1	
Diluted weighted average number of ordinary shares in issue	**831.2**	831.7	
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)	**1 750.1**	1 703.7	3
Diluted headline earnings per ordinary share (DHEPS)	**1 747.6**	1 700.4	3
Basic earnings per ordinary share (EPS)	**1 717.6**	1 676.5	2
Diluted basic earnings per ordinary share (DEPS)	**1 715.1**	1 673.3	2
Dividend per ordinary share relating to income for the reporting period	**1 125**	1 110	1
Dividend cover (times)	**1.6**	1.5	7
NAV per ordinary share	**13 669**	13 233	3
Tangible NAV per ordinary share	**12 426**	12 185	2
Capital adequacy (%)			
Absa Group Limited	**15.8**	16.1	
Absa Bank Limited	**16.7**	16.5	
Common Equity Tier 1 (%)			
Absa Group Limited	**12.1**	12.8	
Absa Bank Limited	**11.9**	12.3	

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	Note	2019 Rm	2018 Rm	Change %
Net interest income	2	**46 501**	43 755	6
Interest and similar income		**97 838**	89 236	10
Effective interest income		**96 040**	87 634	10
Other interest income		**1 798**	1 602	12
Interest expense and similar charges[1]		**(51 337)**	(45 481)	13
Non-interest income	3	**33 619**	32 760	3
Net fee and commission income		**23 606**	22 523	5
Fee and commission income	3.1	**26 759**	25 675	4
Fee and commission expense	3.1	**(3 153)**	(3 152)	(0)
Net insurance premium income	3.2	**7 830**	7 190	9
Net claims and benefits incurred on insurance contracts	3.3	**(3 747)**	(3 565)	5
Changes in investment and insurance contract liabilities	3.4	**(1 589)**	808	<(100)
Gains from banking and trading activities	3.5	**5 408**	5 820	(7)
Gains and losses from investment activities	3.6	**1 600**	(636)	>(100)
Other operating income	3.7	**511**	620	(18)
Total income		**80 120**	76 515	5
Impairment losses	4	**(7 816)**	(6 324)	24
Operating income before operating expenses		**72 304**	70 191	3
Operating expenses	5	**(48 767)**	(46 803)	4
Other expenses		**(2 006)**	(2 026)	(1)
Other impairments		**(330)**	(434)	(24)
Indirect taxation	6	**(1 676)**	(1 592)	5
Share of post-tax results of associates and joint ventures		**221**	179	23
Operating profit before income tax		**21 752**	21 541	1
Taxation expense	7	**(5 772)**	(6 282)	(8)
Profit for the reporting period		**15 980**	15 259	5
Profit attributable to:				
Ordinary equity holders		**14 256**	13 917	2
Non-controlling interest – ordinary shares		**937**	801	17
Non-controlling interest – preference shares		**352**	351	0
Non-controlling interest – Additional Tier 1 capital		**435**	190	>100
		15 980	15 259	5
Earnings per share:				
Basic earnings per share (cents)	1	**1 717.6**	1 676.5	2
Diluted earnings per share (cents)	1	**1 715.1**	1 673.3	2

[1] The Group has elected to change its accounting policy to no longer present other interest expense and similar charges separately from interest expense calculated using the effective interest method. This results in more relevant information as in this manner, the Group achieves consistency with its peers. This does not impact the prior reporting periods' results, as total other interest expense and similar charges was Rnil.

Consolidated IFRS statement of comprehensive income

for the reporting period ended 31 December

	2019 Rm	2018 Rm	Change %
Profit for the reporting period	**15 980**	15 259	5
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(112)**	53	<(100)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**60**	27	>100
Fair-value gains	**77**	38	>100
Deferred tax	**(17)**	(11)	55
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(44)**	(13)	>100
Fair-value losses	**(61)**	(71)	(14)
Deferred tax	**17**	58	(71)
Movement in retirement benefit fund assets and liabilities	**(128)**	39	<(100)
Decrease in retirement benefit surplus	**(38)**	(26)	46
Decrease in retirement benefit deficit	**(104)**	55	<(100)
Deferred tax	**14**	10	40
Items that are or may be subsequently reclassified to profit or loss	**(1 034)**	2 215	<(100)
Movement in foreign currency translation reserve	**(1 387)**	3 052	<(100)
Differences in translation of foreign operations	**(1 505)**	3 052	<(100)
Release to profit or loss	**118**	—	100
Movement in cash flow hedging reserve	**913**	(247)	>(100)
Fair-value gains	**2 081**	265	>100
Amounts transferred within other comprehensive income	**(7)**	(58)	(88)
Amount removed from other comprehensive income and recognised in profit or loss	**(806)**	(550)	47
Deferred tax	**(355)**	96	<(100)
Movement in fair value of debt instruments measured at FVOCI	**(560)**	(590)	(5)
Fair-value losses	**(811)**	(750)	8
Release to profit or loss	**(20)**	(9)	>100
Deferred tax	**271**	169	60
Total comprehensive income for the reporting period	**14 834**	17 527	(15)
Total comprehensive income attributable to:			
Ordinary equity holders	**13 202**	15 816	(17)
Non-controlling interest – ordinary shares	**845**	1 170	(28)
Non-controlling interest – preference shares	**352**	351	0
Non-controlling interest – Additional Tier 1 capital	**435**	190	>100
	14 834	17 527	(15)

Consolidated IFRS statement of financial position

as at 31 December

	Note	2019 Rm	2018 Rm	Change %
Assets				
Cash, cash balances and balances with central banks		**52 532**	46 929	12
Investment securities		**116 747**	135 420	(14)
Loans and advances to banks		**59 745**	53 140	12
Trading portfolio assets		**158 348**	128 569	23
Hedging portfolio assets		**3 358**	2 411	39
Other assets		**30 343**	30 642	(1)
Current tax assets		**1 682**	819	>100
Non-current assets held for sale		**3 992**	239	>100
Loans and advances to customers		**916 978**	841 720	9
Reinsurance assets		**886**	618	43
Investments linked to investment contracts		**20 042**	18 481	8
Investments in associates and joint ventures		**1 648**	1 310	26
Investment properties		**513**	508	1
Property and equipment		**18 620**	15 835	18
Goodwill and intangible assets		**10 300**	8 672	19
Deferred tax assets		**3 441**	3 431	0
Total assets		**1 399 175**	1 288 744	9
Liabilities				
Deposits from banks		**117 423**	121 421	(3)
Trading portfolio liabilities		**59 224**	51 632	15
Hedging portfolio liabilities		**1 379**	1 343	3
Other liabilities		**46 355**	36 662	26
Provisions		**4 064**	4 017	1
Current tax liabilities		**172**	236	(27)
Non-current liabilities held for sale		**112**	124	(10)
Deposits due to customers		**826 293**	736 305	12
Debt securities in issue		**159 794**	160 971	(1)
Liabilities under investment contracts		**29 700**	29 674	0
Policyholder liabilities under insurance contracts		**4 331**	4 168	4
Borrowed funds		**21 418**	20 225	6
Deferred tax liabilities		**227**	360	(37)
Total liabilities		**1 270 492**	1 167 138	9
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	11	**1 657**	1 655	0
Share premium	11	**10 428**	10 205	2
Retained earnings		**95 386**	91 237	5
Other reserves		**5 807**	6 387	(9)
		113 278	109 484	3
Non-controlling interest – ordinary shares		**4 966**	4 737	5
Non-controlling interest – preference shares		**4 644**	4 644	—
Non-controlling interest – Additional Tier 1 capital		**5 795**	2 741	>100
Total equity		**128 683**	121 606	6
Total liabilities and equity		**1 399 175**	1 288 744	9

Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the end of the previous reporting period	827 477	1 655	10 205	91 237	6 387	823
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
Total comprehensive income	—	—	—	14 147	(945)	—
Profit for the period	—	—	—	14 256	—	—
Other comprehensive income	—	—	—	(109)	(945)	—
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

2019

Fair value through other comprehensive income reserve Rm	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
(80)	403	3 060	7	877	1 297	109 484	4 737	4 644	2 741	121 606
—	—	—	—	—	—	(243)	(13)	—	—	(256)
(80)	403	3 060	7	877	1 297	109 241	4 724	4 644	2 741	121 350
(548)	913	(1 310)	—	—	—	13 202	845	352	435	14 834
—	—	—	—	—	—	14 256	937	352	435	15 980
(548)	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	—	—	—	—	—
(628)	1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683

Consolidated IFRS statement of changes in equity

for the reporting period ended 31 December

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

2018

Fair value through other comprehensive income reserve Rm	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
445	650	431	6	837	1 222	108 614	4 500	4 644	1 500	119 258
(22)	—	—	—	—	(104)	(5 539)	(230)	—	—	(5 769)
—	—	—	—	—	—	(44)	—	—	—	(44)
423	650	431	6	837	1 118	103 031	4 270	4 644	1 500	113 445
(503)	(247)	2 629	—	—	—	15 816	1 170	351	190	17 527
—	—	—	—	—	—	13 917	801	351	190	15 259
(503)	(247)	2 629	—	—	—	1 899	369	—	—	2 268
—	—	—	—	—	—	(9 033)	(703)	(351)	—	(10 087)
—	—	—	—	—	—	—	—	—	(190)	(190)
—	—	—	—	—	—	—	—	—	1 241	1 241
—	—	—	—	—	—	(557)	—	—	—	(557)
—	—	—	—	—	—	(304)	—	—	—	(304)
—	—	—	—	40	—	531	—	—	—	531
—	—	—	—	(491)	—	—	—	—	—	—
—	—	—	—	554	—	554	—	—	—	554
—	—	—	—	(23)	—	(23)	—	—	—	(23)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	1	—	—	—	—	—	—	—
—	—	—	—	—	179	—	—	—	—	—
(80)	403	3 060	7	877	1 297	109 484	4 737	4 644	2 741	121 606

Condensed consolidated IFRS statement of cash flows

for the reporting period ended 31 December

	Note	2019 Rm	2018 Rm	Change %
Net cash generated from operating activities		**14 866**	13 884	7
Net cash utilised in investing activities		**(7 430)**	(6 577)	(13)
Net cash utilised in financing activities		**(8 021)**	(6 521)	(23)
Net (decrease)/increase in cash and cash equivalents		**(585)**	786	<(100)
Cash and cash equivalents at the beginning of the reporting period	1	**18 494**	17 320	7
Effect of foreign exchange rate movements on cash and cash equivalents		**379**	388	(2)
Cash and cash equivalents at the end of the reporting period	2	**18 288**	18 494	(1)

Notes to the condensed consolidated statement of cash flows

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

	2019 Rm	2018 Rm	Change %
Cash, cash balances and balances with central banks[1]	**14 252**	13 518	5
Loans and advances to banks[2]	**4 242**	3 802	12
	18 494	17 320	7

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

	2019 Rm	2018 Rm	Change %
Cash, cash balances and balances with central banks[1]	**14 033**	14 252	(2)
Loans and advances to banks[2]	**4 255**	4 242	0
	18 288	18 494	(1)

[1] Includes coins and bank notes.

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

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

1. Headline earnings and earnings per ordinary share

Headline earnings	2019 Gross Rm	2019 Net Rm	2018 Gross Rm	2018 Net Rm	Net change %
Headline earnings is determined as follows:					
Profit attributable to ordinary equity holders		14 256		13 917	2
Total headline earnings adjustment		270		225	20
IFRS 3 – Goodwill impairment	—	—	34	34	(100)
IFRS 5 – Profit on disposal of non-current assets held for sale	(19)	(15)	(142)	(80)	(81)
IAS 16 – (Profit)/loss on disposal of property and equipment	(27)	(21)	5	2	<(100)
IAS 21 – Recycled foreign currency translation reserve	118	81	—	—	100
IAS 36 – Impairment of property and equipment	208	153	398	297	(48)
IAS 36 – Impairment of intangible assets	122	88	2	1	>100
IFRS 5 – Re-measurement of non-current assets held for sale	(9)	(6)	—	—	(100)
IAS 40 – Change in fair value of investment properties	(12)	(9)	(38)	(29)	(69)
IAS 40 – Profit on disposal of investment property	(1)	(1)	—	—	(100)
		14 526		14 142	3

	2019 Rm	2018 Rm	Change value/ %
Basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**14 256**	13 917	2
Weighted average number of ordinary shares in issue (million)	**830.0**	830.1	(0.1)
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—
Treasury shares held by Group entities (million)	**(17.8)**	(17.7)	(0.1)
Basic earnings per ordinary share (cents)	**1 717.6**	1 676.5	2
Diluted basic earnings per ordinary share			
Basic earnings attributable to ordinary equity holders (Rm)	**14 256**	13 917	2
Diluted weighted average number of ordinary shares in issue (million)	**831.2**	831.7	(0.5)
Weighted average number of ordinary shares in issue (million)	**830.0**	830.1	(0.1)
Adjustments for share options issued at no value (million)	**1.2**	1.6	(0.4)
Diluted basic earnings per ordinary share (cents)	**1 715.1**	1 673.3	2
Headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**14 526**	14 142	3
Weighted average number of ordinary shares in issue (million)	**830.0**	830.1	(0.1)
Headline earnings per ordinary share (cents)	**1 750.1**	1 703.7	3
Diluted headline earnings per ordinary share			
Headline earnings attributable to ordinary equity holders (Rm)	**14 526**	14 142	3
Diluted weighted average number of ordinary shares in issue (million)	**831.2**	831.7	(0.5)
Diluted headline earnings per ordinary share (cents)	**1 747.6**	1 700.4	3

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income

3.5 Gains and losses from banking and trading activities

	2019 Rm	2018 Rm	Change %
Net gains on investments	**297**	341	(13)
Debt instruments designated at fair value through profit or loss	**117**	220	(47)
Equity instruments at fair value through profit or loss	**160**	112	43
Unwind from reserves for debt instruments at FVOCI	**20**	9	>100
Net trading result	**5 221**	4 971	5
Net trading income excluding the impact of hedge accounting	**4 980**	5 183	(4)
Ineffective portion of hedges	**241**	(212)	>(100)
Cash flow hedges	**225**	(198)	>(100)
Fair-value hedges	**16**	(14)	>(100)
Other gains	**(110)**	508	<(100)
	5 408	5 820	(7)
Segment split[1]			
RBB South Africa	**706**	503	40
CIB South Africa	**1 706**	2 535	(33)
Absa Regional Operations	**2 641**	2 153	23
Head office, Treasury and other operations in South Africa[2]	**367**	79	>100
Barclays separation effects	**(12)**	550	<(100)
	5 408	5 820	(7)

[1] The numbers have been restated, refer to the report overview on the inside cover page.

[2] This includes the elimination of investment returns of Absa Life Limited in RBB SA for funds invested with CIB South Africa. The elimination is recognised between 'Gains and losses from investment activities' by RBB SA, and 'Net interest income' and 'Gains from banking and trading activities' by CIB South Africa.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

3. Non-interest income (continued)

3.7 Other operating income

	2019 Rm	2018 Rm	Change %
Property-related income	**138**	146	(5)
Income from investment properties	**18**	47	(62)
Change in fair value	**12**	38	(68)
Rentals	**6**	9	(33)
Property-related income arising from contracts with customers	**120**	99	21
Profit/(Loss) on disposal of property and equipment	**28**	(14)	>(100)
Profit on sale of developed properties	**31**	34	(9)
Profit on sale of repossessed properties	**25**	31	(19)
Rental income	**36**	48	(25)
Other operating income	**373**	474	(21)
Foreign exchange differences, including recycle from other comprehensive income	**(134)**	35	<(100)
Income from maintenance contracts	**33**	39	(15)
Sundry income	**474**	400	19
	511	620	(18)
Segment split[1]			
Property-related income	**138**	146	(5)
RBB South Africa	**106**	105	1
Absa Regional Operations	**24**	15	60
Head office, Treasury and other operations in South Africa	**8**	26	(69)
Other operating income	**373**	474	(21)
RBB South Africa	**373**	282	32
CIB South Africa	**(6)**	24	<(100)
Absa Regional Operations	**66**	25	>100
Head office, Treasury and other operations in South Africa	**(36)**	168	<(100)
Barclays separation effects	**(24)**	(25)	(4)
	511	620	(18)

[1] The numbers have been restated, refer to the report overview on the inside cover page.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

5. Operating expenses

Breakdown of operating expenses	2019 Rm	2018 Rm	Change %
Administration fees	**579**	469	23
Amortisation of intangible assets	**1 368**	846	62
Auditors' remuneration	**378**	356	6
Cash transportation	**1 304**	1 266	3
Depreciation	**3 638**	2 354	55
Equipment costs	**358**	370	(3)
Information technology	**3 793**	3 292	15
Marketing costs	**1 743**	1 962	(11)
Operating lease expenses on properties	**177**	1 607	(89)
Other operating costs (includes fraud losses, travel and entertainment costs)	**2 887**	2 779	4
Printing and stationery	**344**	362	(5)
Professional fees	**2 463**	2 700	(9)
Property costs	**1 826**	1 816	1
Staff costs	**26 262**	24 761	6
Bonuses	**2 085**	2 196	(5)
Deferred cash and share-based payments	**671**	771	(13)
Other[1]	**1 075**	984	9
Salaries and current service costs on post-retirement benefit funds	**21 981**	20 384	8
Training costs	**450**	426	6
TSA direct costs	**469**	820	(43)
Telephone and postage	**1 178**	1 043	13
	48 767	46 803	4
Barclays separation effects	**2 410**	3 161	(24)
TSA direct costs	**469**	820	(43)
Professional fees	**551**	880	(37)
Staff costs	**566**	730	(22)
Other[2]	**824**	731	13

Total operating cost growth reflects costs incurred in relation to the separation from Barclays PLC of **R2 410m** (2018: R3 161m), a decrease of 24%. These costs decrease the year-on-year growth rates mainly in TSA direct costs, staff costs and professional fees.

6. Indirect taxation

	2019 Rm	2018 Rm	Change %
Training levy	**201**	211	(5)
Value-added tax net of input credits	**1 475**	1 381	7
	1 676	1 592	5

[1] Includes recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.

[2] Includes marketing costs, travel and entertainment costs, information technology costs, property costs, depreciation, amortisation and auditors' remuneration costs.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended 31 December

7. Taxation expense

	2019 Rm	2018 Rm	Change %
Reconciliation between operating profit before income tax and the taxation expense			
Operating profit before income tax	**21 752**	21 541	1
Share of post-tax results of associates and joint ventures	**(221)**	(179)	23
	21 531	21 362	1
Tax calculated at a tax rate of 28%	**6 029**	5 981	1
Effect of different tax rates in other countries	**52**	34	53
Expenses not deductible for tax purposes[1]	**602**	940	(36)
Assessed losses	**37**	84	(56)
Dividend income	**(447)**	(434)	3
Non-taxable interest[2]	**(315)**	(181)	74
Other income not subject to tax	**(3)**	(124)	(98)
Other	**(177)**	(56)	>100
Items of a capital nature	**(6)**	38	<(100)
	5 772	6 282	(8)

11. Equity

	2019 Rm	2018 Rm	Change %
Authorised			
880 467 500 (2018: 880 467 500) ordinary shares of R2.00 each	**1 761**	1 761	—
Issued			
847 750 679 (2018: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—
19 122 853 (2018: 20 273 811) treasury shares held by Group entities	**(39)**	(41)	(5)
	1 657	1 655	0
Total issued capital			
Share capital	**1 657**	1 655	0
Share premium	**10 428**	10 205	2
	12 085	11 860	2

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	2019 Number of shares (million)	2018 Number of shares (million)	Change %
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—
Treasury shares held by the Group	**(19.1)**	(20.3)	(6)
	828.7	827.5	0

[1] This includes donations, non-deductible levies and other non-deductible expenses.

[2] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which is exempt from tax.

Reconciliation of IFRS to normalised results

for the reporting period ended 31 December

	Total Group normalised performance		
	2019	2018	Change %
Statement of comprehensive income (Rm)			
Net interest income	**46 306**	43 425	7
Non-interest income	**33 655**	32 235	4
Total income	**79 961**	75 660	6
Impairment losses	**(7 816)**	(6 324)	24
Operating expenses	**(46 357)**	(43 642)	6
Other operating expenses	**(1 672)**	(1 653)	1
Operating profit before income tax	**24 116**	24 041	0
Tax expenses	**(6 310)**	(6 766)	(7)
Profit for the reporting period	**17 806**	17 275	3
Profit attributable to:			
Ordinary equity holders	**16 003**	15 903	1
Non-controlling interest – ordinary shares	**1 016**	831	22
Non-controlling interest – preference shares	**352**	351	0
Non-controlling interest – Additional Tier 1	**435**	190	>100
	17 806	17 275	3
Headline earnings	**16 265**	16 128	1
Operating performance (%)			
Net interest margin on average interest-bearing assets	**4.50**	4.64	
Credit loss ratio	**0.80**	0.73	
Non-interest income as % of income	**42.1**	42.6	
Income growth	**6**	4	
Operating expenses growth	**6**	5	
Cost-to-income ratio	**58.0**	57.7	
Statement of financial position (Rm)			
Loans and advances to customers	**916 978**	841 720	9
Loans and advances to banks	**59 745**	53 140	12
Investment securities	**116 747**	135 420	(14)
Other assets	**301 024**	255 272	18
Total assets	**1 394 494**	1 285 552	8
Deposits due to customers	**826 293**	736 305	12
Debt securities in issue	**159 794**	160 971	(1)
Other liabilities[1]	**286 567**	275 423	4
Total liabilities	**1 272 654**	1 172 699	9
Financial performance (%)			
RoRWA	**1.91**	2.12	
RoA	**1.20**	1.34	

[1] The amount in Barclays separation effects table 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'. The amount is presented in 'Loan from Barclays separation segment' in the consolidated normalised statement of financial position (refer to page 18).

	Barclays separation effects			IFRS Group		
	2019	2018	Change %	**2019**	2018	Change %
	195	330	(41)	**46 501**	43 755	6
	(36)	525	<(100)	**33 619**	32 760	3
	159	855	(81)	**80 120**	76 515	5
	—	—	—	**(7 816)**	(6 324)	24
	(2 410)	(3 161)	(24)	**(48 767)**	(46 803)	4
	(113)	(194)	(42)	**(1 785)**	(1 847)	(3)
	(2 364)	(2 500)	(5)	**21 752**	21 541	1
	538	484	11	**(5 772)**	(6 282)	(8)
	(1 826)	(2 016)	(9)	**15 980**	15 259	5
	(1 747)	(1 986)	(12)	**14 256**	13 917	2
	(79)	(30)	>100	**937**	801	17
	—	—	—	**352**	351	0
	—	—	—	**435**	190	>100
	(1 826)	(2 016)	(9)	**15 980**	15 259	5
	(1 739)	(1 986)	(12)	**14 526**	14 142	3
	n/a	n/a		**4.50**	4.65	
	n/a	n/a		**0.80**	0.73	
	n/a	n/a		**42.0**	42.8	
	n/a	n/a		**5**	4	
	n/a	n/a		**4**	8	
	n/a	n/a		**60.9**	61.2	
	—	—	—	**916 978**	841 720	9
	—	—	—	**59 745**	53 140	12
	—	—	—	**116 747**	135 420	(14)
	4 681	3 192	47	**305 705**	258 464	18
	4 681	3 192	47	**1 399 175**	1 288 744	9
	—	—	—	**826 293**	736 305	12
	—	—	—	**159 794**	160 971	(1)
	(2 162)	(5 561)	(61)	**284 405**	269 862	5
	(2 162)	(5 561)	(61)	**1 270 492**	1 167 138	9
	n/a	n/a		**1.71**	1.86	
	n/a	n/a		**1.07**	1.17	

Barclays separation effects

Update on programme

The key focus remains the Group's sustainable separation from Barclays PLC, with heightened focus on risk management and execution within scope, budget and timelines.

The programme continues with the transition of 198 services from Barclays PLC to the Group. These services are mapped to 274 projects, to be delivered in order to achieve separation from Barclays PLC. As at 31 December 2019, 158 services (80%) contracted with Barclays PLC have been terminated and 233 Separation projects (85%) have successfully been delivered. 76% of projects on the critical path have been delivered; this is in line with the overall integrated plan, as these projects tend to be more complex and longer in duration.

Key successes achieved in 2019 include the migration of our core banking system for Absa Regional Operations ("ARO") entities from the United Kingdom to South Africa, which now allows the Group to facilitate changes more rapidly, leading to an enhanced customer experience. ARO Digital Channels achieved separation in May 2019, unlocking benefits such as upgraded infrastructure, enhanced monitoring of both infrastructure and applications, a new Mobile Banking user interface and a revamped application for the Group's Uganda, Tanzania and Mozambique operations.

The Group delivered a highly transformative Financial Crime solution across the organisation. Migration of the human capital management system was also achieved, delivering a unified human resources solution across the Group. The successful delivery of Host channels for ARO, which replaced Barclays Host channels, as well as migrated channels from the United Kingdom to South Africa, has created a simpler client experience and reduced the number of online channels our clients use. This is an important step towards the full replacement of our legacy channels.

The brand change is one of unprecedented scale and encompasses the rebranding of all technology and digital platforms, corporate and retail premises, business assets and marketing collateral. The representative office in Nigeria was rebranded in June 2019 whilst the National Bank of Commerce in Tanzania, whose scope of work was limited to systems migration from Barclays PLC to the Group, continues to trade under its current registered name and was successfully separated in September 2019. A further significant milestone was achieved in November 2019 with the successful rebrand of operations in Uganda and Mozambique.

The rebranding process in relation to our subsidiaries in Botswana, Zambia, Kenya, Tanzania, Mauritius, Seychelles and Ghana is on track and will be completed before June 2020. Active engagement with customers and other stakeholders, as well as timeous operational delivery, remain priorities to ensure successful completion of the Groups rebrand and the establishment of a strong foundation for growth into the future.

Group Change

Over the last two and half years, Group Change has been the custodian of the Group's Separation journey, where it has developed a set of key high-value capabilities that are transferrable to the rest of the Group. The successful distribution of Group Change services across the Group will yield efficiencies from the central management of the ongoing Book of Work (Change Projects), elimination of undue risk through standardised governance and risk controls as well as ensure alignment of all change initiatives with Group strategy.

In addition to Separation, additional large programmes of delivery will also reside within Group Change and consume services from a central utility for oversight, assurance and enablement. These large programmes will benefit from the Group Change capabilities and leverage from the Separation legacy. The singular oversight and governance of portfolio execution, spend and risk will inform the prioritisation of execution initiatives, and allow for more efficient trade off decision making, which will be vital to achieving the annual strategic objectives.

Group Change capabilities will continue to mature in 2020, driven by business requirements and best practice.

	Barclays separation effects		
	2019	2018	Change %
Statement of comprehensive income (Rm)			
Net interest income	**195**	330	(41)
Non-interest income	**(36)**	525	<(100)
Total income	**159**	855	(81)
Operating expenses	**(2 410)**	(3 161)	(24)
Other operating expenses	**(113)**	(194)	(42)
Operating profit before income tax	**(2 364)**	(2 500)	(5)
Tax expenses	**538**	484	11
Profit for the reporting period	**(1 826)**	(2 016)	(9)
Profit attributable to:			
Ordinary equity holders	**(1 747)**	(1 986)	(12)
Non-controlling interest – ordinary shares	**(79)**	(30)	>100
	(1 826)	(2 016)	(9)
Headline earnings	**(1 739)**	(1 986)	(12)

Barclays separation effects

	Barclays separation effects		
	2019	2018	Change %
Statement of financial position (Rm)			
Intangible assets	**3 962**	2 690	47
Property, plant and equipment	**514**	299	72
Other assets	**205**	203	1
Total assets	**4 681**	3 192	47
Other liabilities[1]	**(2 162)**	(5 561)	(61)
Total equity	**6 843**	8 753	(22)
Total equity and liabilities	**4 681**	3 192	47

Statement of comprehensive income

Net interest income of **R195m** (31 December 2018: R330m) relates to income earned on the contribution received from Barclays PLC to provide the necessary capital funding to ensure successful separation. The 41% decline in this income line is driven by the reduction in remaining invested capital as Separation spend increases. Capital funding will continue to decline as project execution costs are incurred.

Non-interest income relates to foreign currency revaluation losses of **R36m** (31 December 2018: R515m gains) on GBP and USD deposits held to settle Transitional Services Agreement costs and other foreign currency-denominated costs.

Operating expenses of **R2 410m** (31 December 2018: R3 161m) primarily include, **R1 941m** (31 December 2018: R2 340m) relating to expensed project execution and programme support costs and **R469m** (31 December 2018: R821m) for payments to Barclays PLC for services rendered under the Transitional Services Agreement. Transitional Service Agreement costs reduced by 43% to R469m following the localisation of services and the resultant termination of Barclays PLC services.

The project execution costs relate mainly to staff costs of **R566m** (31 December 2018: R730m), professional fees of **R551m** (31 December 2018: R880m), amortisation of Intangible assets of **R268m** (31 December 2018: R31m) and marketing costs of **R205m** (31 December 2018: R367m) relating to the change. Staff costs decreased by 22% year on year and largely reflect higher capitalisation of manpower costs for the project execution as well as lower project support costs as separation is closer to conclusion. Professional fees decreased by 37% due to reduced use of external resources compared to prior year and the effect of higher capitalisation as more projects are in development stage and qualify for capitalisation. The increase in amortisation expense aligns to the increased capitalised software assets that were brought into use.

Other operating expenses reflect indirect taxation of **R102m** (31 December 2018: R194m).

Statement of financial position

Total assets

Intangible assets consist of capitalised software, professional fees and staff costs relating to the development of such assets net of accumulated amortisation. Intangible assets have increased by **47%** compared to the prior year due to the increase in projects in the development phase and qualify for capitalisation.

Property, plant and equipment mainly consists of hardware relating to Separation technology projects.

Total equity and liabilities

Total equity of **R6.8bn** (31 December 2018: R8.8bn) mainly consists of the R12.1bn contribution received from Barclays PLC and income earned on the contribution less Separation expenditure incurred to date.

[1] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'. The amount is presented in 'Loan from Barclays separation segment' in the consolidated normalised statement of financial position (refer to page 18).

Risk management

Risk management overview

Capital management and RWA

Risk management overview

for the reporting period ended 31 December 2019

The Enterprise Risk Management Framework

The Group maintains an active approach towards managing both current and emerging risks through the continued operating effectiveness of its Board approved Enterprise Risk Management Framework (ERMF). This approach is underpinned by:

- A robust and aligned governance structure at Group, country and business level.
- Well-defined material risk categories known as principal risks.
- A 'three lines of defence' model, with clear accountability for managing, overseeing and independently assuring risks.
- Comprehensive processes to evaluate, respond to, and monitor risks.
- A sound architecture that sets out the appropriate risk practices, tools, techniques and organisational arrangements.

Below is a depiction of the ERMF design.

Risk strategy and appetite

The strategy is set within the parameters of an agreed risk appetite. The risk strategy is developed alongside the Group's strategy. The risk appetite defines the nature and amount of risk the Group is willing to take to achieve strategic objectives.

Risk management framework

The Group's approach to managing risk is outlined in the ERMF. The following foundations underpin the ERMF:

1. A robust and consistent governance structure at Group, country and business level.
2. Well defined material risk categories known as principal risks.
3. A 'three lines of defence' model with clear accountability for managing and overseeing.
4. A comprehensive process to evaluate, respond to and monitor risks.
5. A robust risk operating model which provides clear roles and responsibilities.

Ten principal risks

Financial

Credit
Traded Market
Treasury
Insurance
Business

Non-financial

Operational
Conduct
Model
Technology (incl. cyber and change)
Legal

Risk operating model

The Group applies a 'three lines of defence' model to govern risk across all businesses and functions.

1st line
Process and control owners in customer facing segments and Group functions who are responsible for managing end-to-end risks and controls in their businesses.

2nd line
Independent risk, compliance, legal and control functions who formulate risk and control policies, and review the first line's adherence to these.

3rd line
Internal audit function tests and reviews controls to determine that the first and second lines execute their responsibilities effectively and consistently.

Evaluate, respond, monitor

This is a structured and practical risk management approach to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile.

Evaluate
Individuals, teams and departments, including those responsible for delivering the objective under review, identify and assess the potential risks.

Respond
The appropriate risk response ensures that risks are managed within risk appetite. This includes:
- risk mitigation;
- risk transfer; and
- ceasing certain activities.

Monitor
Ensure that risk profiles remain within agreed appetite levels, verify that controls are working as intended, and challenge or promote re-evaluation of the risks.

Risk management overview

for the reporting period ended 31 December 2019

Current and emerging risks

The Group identifies and assesses both external and internal risks, determines the appropriate response, and monitors the effectiveness of the implemented response. The following table outlines the existing and potential risks to the Group's strategic ambitions and reflects its response to these risks.

Current and emerging risks	Responses
Strategic, execution and business risks arising from external and internal drivers	
› Global uncertainty arising from international trade discussions and other market drivers result in increased pressure on emerging markets. › Disruption through Fintechs and new digitally-led competitor banks affect customer relevance. › Nearing completion of the separation combined with large ongoing strategic change projects results in increased business risk, change risk and people risk.	› Monitor and manage risk strategy and appetite based on the ongoing evaluation of the global and regional developments to identify and mitigate risks as they arise, while enabling business to pursue opportunities. › Deliver scalable digital solutions that focus on customer needs. Continuously build and embed a winning brand with a focus on innovative business processes and products including diversification into new markets and customer segments. › Closely monitor and actively manage risks arising from the completion of separation and strategic change projects.
Economies in the Group's presence countries continue to exhibit subdued growth amid global and domestic uncertainties	
› Continued subdued economic growth, high unemployment, increased inequality and low business and consumer confidence impacting South African markets. › Inconsistent supply of electricity impacting stakeholders through lost business, increased emergency energy costs and potential job losses. › Unfavourable macroeconomic environments with increasing debt burdens and limited fiscal space in presence countries. › Increasing cost and scarcity of capital, funding and liquidity across global markets. › Policy uncertainty in South Africa (eg mining charter, potential land reform, challenges experienced with state owned entities and economic disparities) creates a barrier to investment. › Broader socio-political challenges impacting negatively on colleague turnover and skills retention.	› Monitor leading indicators to ensure economic risks are effectively managed, including: o proactively managing credit portfolio risks; o hedging of interest rate risk and foreign exchange risk as appropriate; o strengthening the Group's position in the presence countries that are growth markets while seeking opportunities to diversify into new markets; o managing cost growth in response to subdued macroeconomic environments; › Analyse specific scenarios to assess the impact of a South African sovereign downgrade or potential external financial support. › Engage with communities and support initiatives as part of the Group's commitment to play a role in society. › Participate in industry advocacy groups to contribute to new and innovative ways to solve social challenges. › Ongoing succession planning to ensure the required depth and strength of colleague skills are retained.
Technology and the pace of change impact competitiveness and operational risk	
› Ever-increasing sophistication of cybercrime, fraud risk and financial crime requires continuous improvement of detection, monitoring and prevention to protect customers and the Group. › Threat detection and prevention of security breaches, disruptions and data mismanagement to protect customers.	› Continue investment in technology platforms, processes and controls including monitoring, enhancements and prioritisation of key issues. › Develop artificial intelligence solutions using global data to strengthen security measures and crime prevention. › Drive awareness with employees and customers on the prevention of cyber-related risks.

Risk management overview

for the reporting period ended 31 December 2019

Current and emerging risks (continued)

Current and emerging risks	Responses
New and emerging regulations and oversight	
› Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets require ongoing co-ordinated approaches to address, including: o Basel III: Finalising post-crisis reforms' standard (Basel III enhancements), including the fundamental review of the trading book (FRTB). o National Credit Amendment Act. o Financial Sector Laws Amendment Bill. o Protection of personal information legislation. o Financial Matters Amendment Bill. o Conduct of Financial Institutions Bill. o Financial Advisory and Intermediary Services Act.	› Maintain a coordinated, comprehensive and forward-looking approach to evaluate, respond to and monitor regulatory change, through ongoing improvement of processes and systems, supported by people, across the Group. › Participate in regulatory and statutory advocacy groups across all presence countries. › Instil a culture of sound regulatory compliance across the Group.
Environmental risks impact on the Group, its clients and its operating environment	
› Adverse effects of climate change and its impact on communities, clients and the Group's credit and insurance businesses. › Complexity of modelling the implications of climate change and incorporation into the Group's strategy and operations. › Increasing stakeholder focus on corporates' impact on the environment and operational sustainability. › Diminished ability of the Group, its clients and staff to operate in a resilient manner due to health related pandemics, eg the coronavirus.	› Became a founding signatory to UNEP Financial Institutions Principles for Responsible Banking. › Approved a sustainability policy and a coal financing standard. › Assess the suitability and strategic alignment of products and customer value propositions with changing environmental factors and the impact on the Group's risk profile. › Develop and enhance credit and insurance risk models to incorporate environmental risk. › Build relationships with clients whose environmental impact is aligned with the Group's strategy and risk appetite. › Stress test the Group's ability to withstand a potential economic downturn due to the coronavirus, and improve business continuity responses to accommodate the effects of pandemics.

Risk management overview

for the reporting period ended 31 December 2019

Risk and capital performance

Key metrics

Common equity tier 1 (CET 1) ratio	
IFRS[1]	Normalised
12.1%	11.8%
2018: 12.8%	2018: 12.0%
Economic capital (EC) coverage	
IFRS[1]	Normalised
1.5	1.5
2018: 1.6	2018: 1.5
Leverage ratio	
IFRS[1]	Normalised
7.2%	7.0%
2018: 7.4%	2018: 7.0%
Liquidity coverage ratio (LCR)[2]	
134.4%	
2018: 109.9%[3]	
Net stable funding ratio (NSFR)	
112.7%	
2018: 110.2%[3]	
Credit loss ratio (CLR)	
0.80%	
2018: 0.73%	
Stage 3 ratio on gross loans and advances (%)	
4.7%	
2018: 5.1%	
Stage 1 and stage 2 coverage ratio	
1.1%	
2018: 1.1%[4]	
Stage 3 coverage ratio	
43.7%	
2018: 45.1%	
Operational risk losses	
R824m	
2018: R535m	

Review of current reporting period

- The Group maintained a capital position with capital buffers sufficient to withstand stressed conditions.
- The liquidity position remained healthy and within liquidity risk appetite.
- The Group continued to invest in infrastructure, process engineering, people and technology in order to deliver improved operational resilience.
- Notwithstanding ongoing political and economic headwinds, book growth in loans and advances to customers reflected positive momentum during the year.
- The growth was relatively broad-based across the portfolios and accounted for an increase in the credit loss rate that is still tracking at the lower end of the Group's through-the-cycle range. Focused portfolio reviews and concerted collections strategies were a strong underpin to the growth story.
- Operational risk losses increased primarily due to heightened fraud and transaction processing related losses.

Priorities

The Group's operating environment is expected to continue to be challenging and risk management will remain a priority, including:

- Ongoing alignment of risk objectives with the Group's strategy to create shared growth for clients and communities in an efficient, responsible and sustainable way.
- Maintain tight control of the finalisation of separation and management of execution risks by delivering a structured programme of work supported by ongoing monitoring of risks and independent quality assurance.
- Continued improvement of control, efficiency and operational resilience across critical processes including collections, cyber security and fraud, data management, disaster recovery and financial crime.
- Continued engagement with regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the most appropriate outcomes for the banking sector and broader economy.
- Assess and evaluate the quantitative and qualitative implications of the implementation of Basel III enhancements published by the Basel Committee on Banking Supervision (BCBS) in December 2017; and the proposed amendments to the regulations relating to banks.

[1] IFRS results include the impact of the contribution amounts received as part of the separation from Barclays PLC. All numbers include unappropriated profits.
[2] The Group LCR reflects an aggregation of the Absa Bank LCR and the LCR of the Absa Regional Operations. For this purpose, a simple average of the relevant 3 month-end data points is used in respect of the Absa Regional Operations. In respect of Absa Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.
[3] The December 2018 Group LCR and NSFR were restated post changes in certain assumptions.
[4] Restatement due to exclusion of fair value loans from the denominator.

Risk management overview

for the reporting period ended 31 December 2019

Credit risk

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.

Key risk metrics[1]	2019	2018
CLR (%)	**0.80**	0.73
Stage 3 ratio on gross loans and advances (%)	**4.7**	5.1
Stage 3 coverage ratio (%)	**43.7**	45.1
Stage 1 and stage 2 coverage ratio (%)	**1.1**	1.1[2]
Total coverage ratio (%)	**3.3**	3.5[2]
Weighted average probability of default (PD) (%)[3]	**2.4**	2.3
Weighted average loss given default (LGD) (%)[3]	**30.5**	30.6
Total credit risk RWA (Rbn)	**672.7**	626.8[4]
Primary credit risk RWA, excluding CCR RWA (Rbn)	**632.9**[5]	594.0[5]
Counterparty credit risk (CCR) RWA (Rbn)[6]	**27.8**	21.7
Equity risk RWA (Rbn)	**12.0**	11.1

Review of current reporting period

- Book growth of 8.6% was achieved in 2019 notwithstanding ongoing political and economic headwinds. The growth trajectory was relatively broad-based across portfolios per risk appetite in accordance with the Group strategy. Underpinning the growth and credit performance were concerted and focused portfolio reviews and collection strategies.
- The 2019 credit loss ratio (CLR) increased to **0.80%** (2018: 0.73%) largely attributable to the observed growth in the Retail and Business Bank book, specifically the Credit Card portfolio and to a lesser extent Personal Loans. Given the portfolio growth and as the age construct of the portfolio changes, the portfolio risk skews to that of newer vintages thus increasing the expected loss rates per IFRS 9. This was offset in Corporate and Investment Banking in the form of lower single name impairments in 2019.
- Stage 3 ratio on gross loans and advances improved to **4.7%** (2018: 5.1%) in the period under review. Book growth, the write-off of a large single name in CIB, and regulatory write-offs in the Absa Regional Operations had a bearing on this ratio, as well as benefits realised from the collections strategy.
- Total coverage was lower at **3.3%** (2018: 3.5%[2]) following higher write-offs in 2019, as well as lower early arrears in AVAF and a higher cure rate overall. Rigorous monitoring of the portfolio performance to ensure early detection of a change in the portfolio risk shape continued to apply and coverage will be reassessed accordingly.
- Primary credit risk RWA increased by R39.0bn (7.4% increase) year-on-year due to enterprise-wide asset growth in line with the Group strategy and risk appetite.
- CCR and credit valuation adjustment (CVA) RWA consumption increased by R6.1bn year-on-year largely due to market moves on FX instruments.

Priorities

- Monitor the macroeconomic, political and regulatory environment to identify and address emerging credit risk at an early stage and consider ongoing potential tail risk events in the near to medium term.
- The possible impact of a negative outlook, the Moody's threat of a downgrade to 'junk status' and an ostensible inability to resolve state-owned company issues will likely remain exacerbating factors.
- Maintain a diversified credit portfolio in terms of key concentration dimensions such as individual counterparties, geographies, industries, products and collateral in accordance with the Group's strategy and risk appetite.
- Ensure a fully capacitated and well-skilled team of qualified credit professionals is maintained.
- Retain focus on regulatory changes, including the rollout of a standardised CCR capital approach, new regulatory large exposure rules and Basel III enhancements to capital rules for credit risk.

[1] Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.
[2] Restatement due to exclusion of fair value loans from the denominator.
[3] The percentages include only portfolios subject to the internal ratings-based (IRB) approaches.
[4] During the annual review of the ERMF in 2019, equity risk was moved under credit risk. The restatement was done for comparative purposes.
[5] Includes IFRS 9 transitional adjustment.
[6] CCR RWA includes CVA.

Risk management overview

for the reporting period ended 31 December 2019

Traded market risk

The risk of the Group's earnings or capital being adversely impacted due to changes in the level or volatility of prices affecting the positions in its 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.

Key risk metrics[1]	2019	2018
Average traded market risk – 99% daily value at risk (DVaR) (Rm)[2]	56.9	51.4
Traded market risk RWA (Rbn)	39.2	37.0

Review of current reporting period

- The increase in average DVaR was principally due to an increase in open risk as a lack of volume across markets created a challenging environment for the business to exit risk obtained through client facilitation.
- The increase of R2.2bn RWA was primarily as a result of an increase in local currency sovereign bonds held in the ARO markets business.

Priorities

- Continue to manage traded market risk and support the business growth strategy within the Group's risk appetite whilst operating in markets with reduced volume and liquidity.
- Perform business and product impact assessments and engage in industry and regulatory forums to assess the impact of the Basel Standard: Minimum Capital Requirements for market risk, or FRTB, issued in January 2019.
- Maintain the momentum generated on the FRTB project to ensure the Group is ready to meet the regulatory implementation date of 1 January 2023 in South Africa.

Treasury risks

Liquidity risk

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.

Key risk metrics[1]	2019	2018
Sources of liquidity (Rbn)	233.3	217.7
NSFR (%)	112.7	110.2[4]
LCR (%)[3]	134.4	109.9[4]
Loan-to-deposit ratio (%)	87.5	88.9[5]
Loans and advances to customers and banks (Rbn)	945.0	838.8
South Africa	826.1	741.4
Absa Regional Operations	118.9	97.4
Deposits from customers and banks (including debt securities) (Rbn)	1 080.1	943.6
South Africa	928.1	814.0
Absa Regional Operations	152.0	129.6
Debt capital market issuances (Rbn)	14.3	8.7
Tier 1 capital	3.1	1.2
Tier 2 capital	1.6	1.5
Senior debt	9.6	6.0

1 Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.
2 The value at risk (VaR) confidence interval used for internal risk management purposes was changed in April 2019 from 95% to 99% to align with regulatory reporting requirements. 95% VaR was R40.1m for the reporting period (December 2018: R28.3m).
3 The Group LCR reflects an aggregation of the Absa Bank LCR and the LCR of the Absa Regional Operations. For this purpose, a simple average of the relevant 3 month-end data points is used in respect of the Absa Regional Operations. In respect of Absa Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.
4 The December 2018 Group LCR and NSFR were restated post changes in certain assumptions.
5 The methodology used to calculate the loan-to-deposit ratio has been changed to include loans and advances to banks and is based on average balances. Comparative ratios have been restated.

Risk management overview

for the reporting period ended 31 December 2019

Treasury risks (continued)

Liquidity risk (continued)

Review of current reporting period

- **Liquidity risk position:**
  - The liquidity risk position of the Group remained healthy, in line with risk appetite, and above the minimum regulatory requirements, with sources of liquidity of **R233.3bn** (December 2018: R217.7bn), amounting to **28.2%** (December 2018: 29.6%) of deposits due to customers.
  - Each geographic entity was required to be self-sufficient from a liquidity and funding perspective, and was responsible for implementing appropriate processes and controls to ensure compliance with local liquidity risk appetite (LRA), regulatory limits and reporting requirements.
- **Long-term balance sheet structure:**
  - Strong loan growth over 2019 was funded by faster growth in customer deposits ensuring sustainability of funding.
  - Long-term funding was raised with appropriate tenor to support the growth in long-term assets, through a combination of funding instruments and capital market issuances.
  - Whilst short-term liquidity premiums have exhibited some volatility, overall funding spreads declined over the course of 2019.
  - There were increased issuances in the debt capital market in 2019 to support growth in longer-term assets and lengthen the contractual duration of funding.
- **Short-term balance sheet structure and liquidity buffers:**
  - The Group targets LCR above the minimum regulatory requirement, and consistently maintained a high-quality liquid assets (HQLA) buffer in excess of the regulatory minimum requirement of 100% during 2019.
  - The Group's average HQLA was **R182.1bn** (December 2018: R190.0bn) which reduced slightly given the strong LCR position.
  - The Group has an internal LRA framework, which was used to determine the amount of HQLA the Group was required to hold in order to meet internally defined stress requirements.
  - The bank has access to a committed liquidity facility (CLF) from the SARB, which was included in HQLA. The CLF is being phased out by the SARB over three years, with effect from 1 December 2019. The bank will ensure compliance with the phase-out rules, and replace this with alternative forms of HQLA.
- **Diversification:**
  - The Group has a well-diversified deposit base and concentration risk was managed within appropriate guidelines. Sources of funding were managed in order to maintain a wide diversity of depositor, product, tenor and currency.
  - The Group entered into a number of facilities with international banks during 2019 to support foreign currency funding requirements. Absa entered into bilateral foreign currency loans and syndicated loans of over $900m during 2019 in order to support lending activities.

Priorities

- Continue to focus on the growth of core retail, relationship bank, corporate and public sector deposits.
- Manage the funding and HQLA position in line with the Board-approved LRA framework and to ensure compliance with the regulatory requirements.
- Maintain adequate liquidity buffers to ensure the Group continues to remain compliant with the LCR while managing the phase-out of the CLF by the SARB.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives while optimising funding cost and complying with the requirements of the NSFR.
- Continue to work with regulatory authorities and other stakeholders on the SARB's proposed approach to bank resolution, as outlined in the recent discussion paper published by the Financial Stability Department of the SARB entitled 'Ending too big to fail: South Africa's intended approach to bank resolution'.

Capital risk

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.

Key risk metrics[1]	2019	2018
Total RWA (Rbn)	**870.4**	818.6
CET 1 capital adequacy ratio (%)[2, 3]	**11.8**	12.0
Return on average risk-weighted assets (RoRWA) (%)[3]	**1.9**	2.1
EC coverage[3]	**1.5**	1.5
Return on average EC (%)[3]	**18.7**	19.2
Return on equity (RoE) (%)[3]	**15.8**	16.8
Cost of equity (CoE) (%)[4]	**13.75**	14.00

[1] Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.
[2] Includes unappropriated profits.
[3] Reported on a normalised basis.
[4] The CoE is based on the capital asset pricing model.

Risk management overview

for the reporting period ended 31 December 2019

Treasury risks (continued)

Capital risk (continued)

Review of current reporting period

- The Group's capital position was above minimum regulatory requirements as at 31 December 2019, with capital buffers sufficient to withstand stressed conditions.
- The CET 1 ratio decreased marginally year-on-year reflecting RWA growth (which increased by 6.3% year-on-year), mainly due to balance sheet growth across the Group.
- The Group issued R3.1bn Basel III Additional Tier 1 capital instruments and R1.6bn Basel III compliant Tier 2 capital instruments which both qualify as regulatory capital at an Absa Group level.

Priorities

- Maintain an optimal mix of high-quality capital while continuing to generate sufficient capital to support profitable growth and a sustainable dividend.
- Continue to look for opportunities to increase the contribution of Additional Tier 1 capital instruments to the overall capital position of the Group.
- Continue to monitor and assess regulatory developments that may affect the capital position, such as Basel III enhancements published by the BCBS in December 2017; and the proposed amendments to the regulations relating to banks.
- Contribute at an industry level to the development of a financial conglomerate supervisory framework in South Africa.

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.

Key risk metrics[1]	2019	2018
Banking book net interest income (NII) sensitivity for a 2% downward shock in interest rates (Rm)	(3 805)	(2 755)

Review of current reporting period

- The increase in NII sensitivity was primarily due to balance sheet growth, structural growth in prime linked assets funded by Jibar-linked liabilities and risk modelling refinements. The Group remained positively exposed to an increase in interest rates on a net basis after hedging activities.
- The Group Treasury Committee and Group Risk and Capital Management Committee 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 that the Group operates.

Priorities

- Continue to deliver margin stability through risk management processes, such as the structural hedge programme in South Africa and through appropriate asset and liability management processes in ARO.
- Retain focus on regulatory changes, specifically preparing for the adoption of the BCBS standard on IRRBB, which is due to be implemented in South Africa by 1 June 2022.

[1] Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.

Risk management overview

for the reporting period ended 31 December 2019

Operational risk

The risk of loss due to failures in our processes, people and systems and from external events.

Key risk metrics[1]	2019	2018
Total operational risk losses as a percentage of gross income (%)	1.0	0.7
Total operational risk losses (Rm)	824	535
Total operational risk RWA (Rbn)	112.3	112.7

Review of current reporting period

- Operational risk losses as at 31 December 2019 were **R824m**, an increase of R289m (35.1%) year-on-year due primarily to an increase in fraud and transaction processing related losses.
- Key achievements in the period include:
  - Improved the Group's data management infrastructure and operating model.
  - Improved the Group's fraud defences, through deployment of technology, increased resourcing and refinement of the fraud operating model.
  - Revised the design of the Group's procurement operating model and infrastructure.

Priorities

- Continue to develop infrastructure, capability and control processes over key datasets, in line with the Group's data standards.
- Continue to strengthen fraud defences through investment in people, process improvements, analytics and technologies.
- Enhance the toolset used in the management of operational risk, with an emphasis on digitisation of risk management and measurement processes.

Business risk

The risk assumed due to potential changes in general business conditions, competitive market environment and strategy, and the risk of earnings variability, resulting in business revenues not covering operating costs after excluding effects of market, credit and operational risks.

Review of current reporting period

- The Group pursued material strategic change while undergoing separation, therefore business risk was elevated to a principal risk type under the ERMF during 2019.
- Progress on the separation project has partially moderated business risk due to the capacity that will be released for additional strategy execution on completion of separation during 2020.
- Progress on strategy execution and the related outcomes have been monitored closely through Board and management committees. The Group and business unit balanced scorecards reflect key financial and non-financial measures of success that are aligned to the strategy and are reported to the Board and management committees on a monthly basis.
- The key choices in the Group strategy announced during 2018 were reviewed during 2019 against the backdrop of emerging trends, the macro-economic environment and progress on strategy execution. Some refinements have been made to our strategy in response to this evaluation, however the core strategy remains relevant and unchanged.

Priorities

- Embed a control framework for the oversight and mitigation of business risk.
- Business risk is expected to remain heightened as a result of uncertainty in the macro-environment and elevated levels of change to support strategy execution. The assumptions and business plans supporting the 2020 financial plans have been rigorously stress tested.
- The Group will continue to monitor business risk through reviews of strategy execution (including balanced scorecards) and approved risk appetite measures. Business performance will be monitored closely through a combination of leading and lagging indicators. Management will proactively manage and closely monitor monthly performances and take corrective actions in order to remain responsive to an uncertain macro-environment.

[1] Unless otherwise indicated, the numbers reported are on an IFRS basis of reporting.

Risk management overview

for the reporting period ended 31 December 2019

Technology risk (including technology, information, cyber and change risk)

The risk of data loss caused by technology failure and compromise to information security, including the risk due to inappropriate selection, prioritisation, execution and closure of major change initiatives.

Review of current reporting period

Technology

- There was significant focus on accelerating the design and implementation of the 'Bank of the Future' through the modernisation of the technology stack and implementation of secure, fit for purpose technologies that will enable the organisation for future success.
- Significant improvement was noted in the stability of the technology estate that resulted in a decrease in the number of high severity incidents and an improvement in the meantime to recovery (MTTR).
- Disaster recovery compliance has increased to 95% for high priority applications and the automation process progressed well with ongoing effort on onboarding applications on the tool. It is expected that this capability will improve the Group's ability to recover significantly and reduce the impact of failures to customers.

Information and cyber security

- The Group's security posture improved significantly in 2019 through the consistent monitoring of the digital platforms and implementation of new capabilities.
- Increased visibility of the estate and the maturing of the cyber security capability has led to informed decision-making by business.
- The monitoring coverage has been extended to all technical systems by leveraging strategic external relationships for early indicators, continuous monitoring and control enhancements; this provided better ways to service users, identify bad behaviour and recover from incidents.
- The introduction of data loss monitoring with enhanced rules protects the businesses from sensitive data being emailed out of the organisation. The data labelling and classification capability is currently being tested and will be rolled out across the organisation.
- The insider trust in-house capability is fully designed and implemented, with embedment targeted for 2020. This capability continues to utilise and leverage existing technologies to detect, prevent and report on potential insider threats.

Change

- The change risk control environment was embedded and matured in the separation book of work. The capabilities, structures, governance and processes successfully implemented to drive the separation programme have now been leveraged to accelerate the progress towards a mature control environment across all strategic change within the organisation. Large programmes were established in critical delivery areas.

Priorities

- **Technology:** Focus areas from a risk perspective for 2020 will include: Identifying, prioritising and remediation of known weaknesses in the Group's estate; and ongoing focus on improving stability across the estate.
- **Information and cyber security:** The Fusion Centre project is formally under way consisting of multi-disciplinary specialist resources. Using reliable threat intelligence, state-of-the-art infrastructure, security technologies and battle-tested processes to maintain and improve enterprise resilience against adversarial, accidental, technological and environmental security incidents, the Fusion Centre is expected to operate in a fully virtualised manner by June 2020.
- **Change:** Complete the separation from Barclays PLC by June 2020; and embed the project management disciplines created in separation across all strategic initiative changes across the Group.

Insurance risk

The risk that future claims, expenses, policyholder behaviour and investment returns will be adversely different from the allowances made in measuring policyholder liabilities and in product pricing.

Review of current reporting period

- Updated the Insurance Principal Risk Management Framework (IPRMF) and the supporting policies to align with the Prudential Standards: Governance and Operational Standards for Insurers (GOI) and Governance and Operational Standards for Insurance Groups (GOG).
- Improvements were made for the integration of economic capital, capital targets and dividend policy.
- The Own Risk and Solvency Assessment (ORSA) process was further improved, with a focus on embedment of key processes into business activities.
- Refinement in the oversight of the end-to-end product lifecycle, including the enhanced monitoring of key metrics affecting profitability and treating customers fairly considerations.
- Data deep dives were performed to understand the quality of the actuarial data controls.
- The IFRS 17[1] project was progressed, mainly focusing on ingesting data from all source systems into the Group's central data repository solution, and progressing with programme design decisions.

[1] New international financial reporting standard for insurance contracts replacing IFRS 4, effective 1 January 2022.

Risk management overview

for the reporting period ended 31 December 2019

Insurance risk (continued)

Priorities

- Further embedment of the updated IPRMF and supporting policies, particularly where amendments have been made in the last refresh cycle.
- Continued improvements of the methodology and processes for risk appetite setting, capital and liquidity management and planning, and stress and scenario testing.
- Further refinement and monitoring of actuarial data controls.
- Continued delivery on the IFRS 17 programme, and test programme design decisions.

Model risk

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Review of current reporting period

- The Group continued to strengthen its capabilities to deliver robust models that support business decision making.
- A model risk appetite statement was implemented in 2019 to effectively monitor model risk across the Group.
- Focus was placed on implementing robust systems to manage model governance and the controls required.
- Performed a benchmarking exercise to assess the Group model risk capabilities against international peers.

Priorities

- Focus on improving the measurement of model risk across the Group.
- Continue to focus on the enhancement of models that support the Group's business decision making.
- Enhancement of the model development and implementation technology platforms.
- Redevelop and/or recalibrate the wholesale regulatory capital PD, LGD and EAD models for consideration and approval by the regulator.
- Strengthening the function's capabilities to address increasing quantities of models, including developing artificial intelligence (AI) and machine learning models to align with external trends.

Conduct risk

The risk of detriment to customers, clients, market integrity, effective competition or Absa Group from the inappropriate supply of financial services, including instances of wilful/negligent misconduct. As such comprises product risk, culture risk, customer engagement risk, reputational risk, environmental risk, regulatory risk and financial crime risk.

Review of current reporting period

- The Group continued to actively participate in and respond to regulatory developments and industry engagements on conduct risk. This included the Conduct of Financial Institutions Bill (COFI) and Banking Conduct Standards in South Africa, and other relevant global learnings, such as the Australian 'Royal Commission into Misconduct into Banking, Superannuation and Financial Services Industry'.
- There has been continued focus on privacy, with greater investment in managing the personal data of our customers, as the quantum and complexity of cyber-attacks increases. Customer awareness and education campaigns were intensified in 2019.
- The complaints management process was strengthened throughout all operations. In South Africa specifically, the number of cases reported to the Banking Ombudsman continued to decrease throughout the year as engagement with dissatisfied customers were improved. Although the highest volume of cases related to availability of channels, high empathy matters related largely to instances of fraud against customers. There were improvements in both preventative fraud capability, and responses where frauds were perpetrated.
- The adoption of the Financial Intelligence Centre (FIC) Amendment Act in 2019, which requires a risk-based approach to financial crime, has strengthened the management of exposure to money-laundering risk. In addition, there has been an overall improvement in customer experience as onboarding processes were simplified, by removing onerous requirements for low risk customers.
- The Group continued to manage responses to high profile matters relating to the industry, including land reform, state capture, cyber incidences, online service outages and financial inclusion.

Risk management overview

for the reporting period ended 31 December 2019

Conduct risk (continued)

Priorities

- Continued engagement with regulators as they aim to finalise key regulations such as the COFI Bill, Banking Conduct Standards and Protection of Personal Information Act.
- Roll out and embedment of the Group Code of Ethics (the Absa Way).
- Further investments into financial crime capability as the sophistication of money-laundering threats increases.
- Responsible lending in response to the challenging macro-environment.
- Driving the Group's position on environmental risks.

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

Review of current reporting period

- Successfully resolved several high-profile cases that involved the Group.
- Enabled and supported the Group's preparation for its rebranding in jurisdictions outside South Africa.
- Concluded several large third-party outsource agreements in support of the Group's ongoing separation from Barclays PLC.
- Participated in industry initiatives in relation to the proposed amendments to section 25 of the Constitution, pertaining to expropriation without compensation.

Priorities

- Progress the embedment of an updated legal risk management framework across the function and Group.
- Strengthen improvements to assurance processes.

Capital management and RWA

for the reporting period ended 31 December 2019

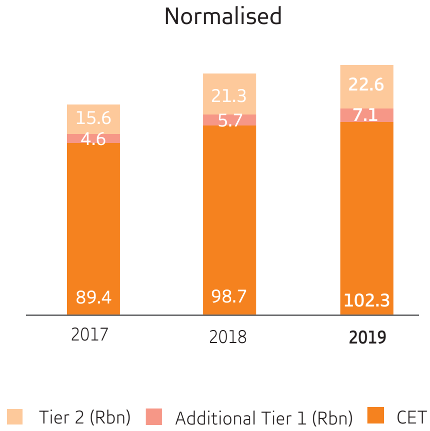
Capital adequacy

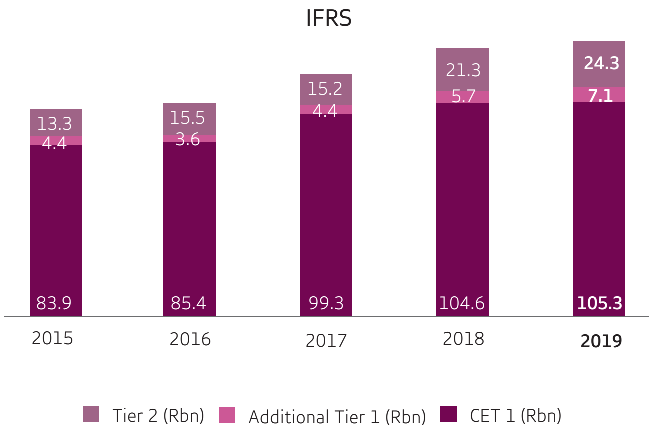
The Group's capital management strategy, which supports and aligns with the Group's strategy, is to create sustainable value for shareholders within approved risk appetite through effective balance sheet management.

Group capital adequacy

Group	Board target ranges[1] %	Minimum RC requirements[2] %	Normalised performance 2019	Normalised performance 2018	IFRS performance 2019	IFRS performance 2018
Statutory capital ratios (includes unappropriated profits) (%)						
CET 1	11.00 – 12.00		**11.8**	12.0	**12.1**	12.8
Tier 1	12.00 – 13.00		**12.7**	12.8	**13.0**	13.5
Total capital adequacy requirement (CAR)	14.50 – 15.50		**15.5**	15.4	**15.8**	16.1
Leverage	5.00 – 7.00		**7.0**	7.0	**7.2**	7.4
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET 1		7.5	—	—	**11.6**	11.3
Tier 1		9.3	—	—	**12.5**	12.0
Total CAR		11.5	—	—	**15.3**	14.6
Leverage		4.0	—	—	**6.9**	6.6

Absa Group qualifying capital (including unappropriated profits)





Normalised 2017	Normalised 2018	Normalised 2019		IFRS 2015	IFRS 2016	IFRS 2017	IFRS 2018	IFRS 2019
12.1	12.0	**11.8**	CET 1 ratio (%)	11.9	12.1	13.5	12.8	**12.1**
14.9	15.4	**15.5**	Total capital adequacy ratio (%)	14.5	14.8	16.1	16.1	**15.8**

[1] Normalised capital ratios (including unappropriated profits) are managed against Board capital target ranges.
[2] The 2019 minimum regulatory capital requirements of **11.5%** (2018: 11.13%) include the capital conservation buffer, which was being phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Capital management and RWA

for the reporting period ended 31 December 2019

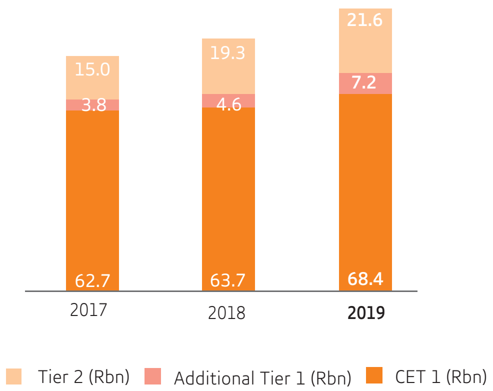
Capital adequacy (continued)

Absa Bank Limited[1] capital adequacy

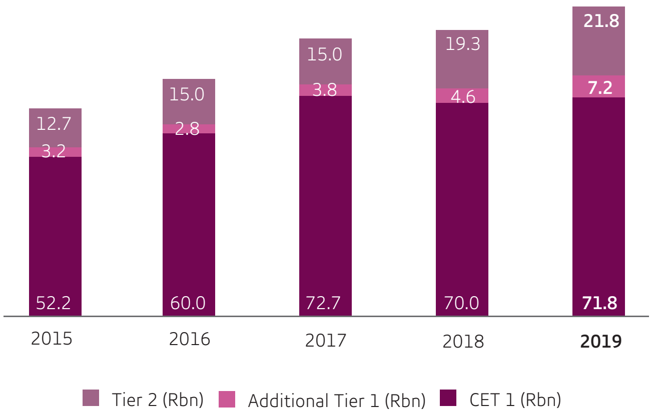
Bank	Board target ranges[2] %	Minimum RC requirements[3] %	Normalised performance 2019	Normalised performance 2018	IFRS performance 2019	IFRS performance 2018
Statutory capital ratios (includes unappropriated profits) (%)						
CET 1	11.00 – 12.00		**11.4**	11.2	**11.9**	12.3
Tier 1	12.00 – 13.00		**12.6**	12.0	**13.1**	13.1
Total capital adequacy requirement (CAR)	14.50 – 15.50		**16.2**	15.4	**16.7**	16.5
Leverage	5.00 – 7.00		**5.7**	5.3	**6.0**	5.7
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET 1		7.5	—	—	**11.5**	11.4
Tier 1		9.3	—	—	**12.7**	12.2
Total CAR		11.5	—	—	**16.3**	15.6
Leverage		4.0	—	—	**5.7**	5.4

Absa Bank qualifying capital (including unappropriated profits)

Normalised



IFRS



Normalised 2017	Normalised 2018	Normalised 2019		IFRS 2015	IFRS 2016	IFRS 2017	IFRS 2018	IFRS 2019
11.6	11.2	**11.4**	CET 1 ratio (%)	10.5	11.6	13.4	12.3	**11.9**
15.0	15.4	**16.2**	Total capital adequacy ratio (%)	13.8	15.1	16.9	16.5	**16.7**

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[2] Normalised capital ratios (including unappropriated profits) are managed against Board capital target ranges.
[3] The 2019 minimum regulatory capital requirements of **11.5%** (2018: 11.13%) include the capital conservation buffer, which was being phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Capital management and RWA

for the reporting period ended 31 December 2019

Overview of RWA

The following table provides the RWAs per BCBS specified risk type and the associated minimum capital requirements on an IFRS basis.

Group	2019 RWA Rm	2018 RWA Rm	2019 Minimum capital requirement[1] Rm
Credit risk[2]	672 722	626 844	77 363
Traded market risk	39 231	37 007	4 512
Operational risk	112 348	112 746	12 920
Non-customer assets	28 148	25 511	3 237
Threshold items	17 957	16 483	2 065
Total	870 406	818 591	100 097

The Group's RWAs increased by R51.8bn to **R870.4bn** (December 2018: R818.6bn), mainly driven by increases in credit risk and market risk.

- **Credit risk:** RWA increased by R45.9bn year-on-year due to enterprise-wide asset growth in line with strategy and risk appetite. Included in this RWA increase are movements in CCR of R1.4bn and in CVA of R4.7bn primarily due to market movements on FX instruments.
- **Traded market risk:** RWA increased by R2.2bn principally due to higher risk taking by the Absa Regional Operations in line with the Group's strategy to grow this business.

Absa Bank[3]	2019 RWA Rm	2018 RWA Rm	2019 Minimum capital requirement[1] Rm
Credit risk[2]	473 608	439 888	54 465
Traded market risk	25 874	29 187	2 976
Operational risk	76 195	76 994	8 762
Non-customer assets	21 146	19 147	2 432
Threshold items	5 077	4 287	584
Total	601 900	569 503	69 219

The Bank's RWAs increased by R32.4bn to **R601.9bn** (December 2018: R569.5bn), mainly driven by increases in credit risk.

- **Credit risk:** RWA increased by R33.7bn year-on-year due to enterprise-wide asset growth in line with strategy and risk appetite. Included in this RWA increase are movements in CCR of R1.0bn and in CVA of R4.7bn primarily due to market movements on FX instruments.
- **Traded market risk:** The R3.3bn reduction of RWA was driven by business reducing risk held over the illiquid year-end period.

[1] The 2019 minimum regulatory capital requirements of **11.5%** (2018: 11.13%) include the capital conservation buffer, which was phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the domestically systemically important bank (D-SIB) add-on.
[2] Credit risk includes equity positions in the banking book, CCR and CVA.
[3] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended 31 December 2019

Capital supply

Breakdown of qualifying capital

Group	2019 Rm	2019 %[1]	2018 Rm	2018 %[1]
CET 1	100 637	11.6	92 829	11.3
Additional Tier 1 capital	8 425	0.9	5 718	0.7
Tier 1 capital	109 062	12.5	98 547	12.0
Tier 2 capital	24 349	2.8	21 288	2.6
Total qualifying capital (excluding unappropriated profits)	133 411	15.3	119 835	14.6
Qualifying capital (including unappropriated profits)				
Tier 1 capital	113 689	13.0	110 308	13.5
CET 1 (excluding unappropriated profits)	100 637	11.6	92 829	11.3
Unappropriated profits	4 627	0.5	11 761	1.5
Additional Tier 1	8 425	0.9	5 718	0.7
Tier 2 capital	24 349	2.8	21 288	2.6
Total qualifying capital (including unappropriated profits)	138 038	15.8	131 596	16.1
Normalised qualifying capital (including unappropriated profits)	135 170	15.5	125 718	15.4

Absa Bank[2]	2019 Rm	2019 %[1]	2018 Rm	2018 %[1]
CET 1	69 118	11.5	64 827	11.4
Additional Tier 1 capital	7 188	1.2	4 599	0.8
Tier 1 capital	76 306	12.7	69 426	12.2
Tier 2 capital	21 785	3.6	19 284	3.4
Total qualifying capital (excluding unappropriated profits)	98 091	16.3	88 710	15.6
Qualifying capital (including unappropriated profits)				
Tier 1 capital	78 998	13.1	74 558	13.1
CET 1 (excluding unappropriated profits)	69 118	11.5	64 827	11.4
Unappropriated profits	2 692	0.4	5 132	0.9
Additional Tier 1	7 188	1.2	4 599	0.8
Tier 2 capital	21 785	3.6	19 284	3.4
Total qualifying capital (including unappropriated profits)	100 783	16.7	93 842	16.5
Normalised qualifying capital (including unappropriated profits)	97 231	16.2	87 541	15.4

[1] Percentage of capital to RWAs.
[2] Absa Bank includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended 31 December 2019

Economic capital

EC provides a common basis on which to aggregate and compare different risks using a forward-looking, single measure of risk. It is a critical input into the Internal Capital Adequacy Assessment Process (ICAAP) and in capital allocation decisions, which supports shareholder value creation. EC considers risk types, which not only lead to potential operating losses but can also result in lower than expected earnings.

In the table below, EC demand is presented at a 99.9% confidence level, aligned to the ERMF principal risks. EC demand is compared to the available financial resources (AFR), which is also referred to as EC supply, to evaluate the total EC surplus. The Group ensures that there are sufficient AFR in order to meet this minimum demand requirement under severe yet plausible stress conditions.

Economic capital[1]	2019 Rm	2018 Rm
Credit risk[2]	58 598	54 467
Traded market risk	4 512	3 139
Operational risk	7 189	6 658
Treasury risk	5 560	5 876
Business risk	9 116	8 824
Insurance risk	3 807	3 028
Total EC requirement	88 782	81 992
IFRS total EC AFR	133 126	127 914
IFRS total EC surplus	44 344	45 922
IFRS EC coverage ratio (times)	1.5	1.6
Normalised total EC AFR	130 155	121 850
Normalised total EC surplus	41 373	39 858
Normalised EC coverage ratio (times)	1.5	1.5

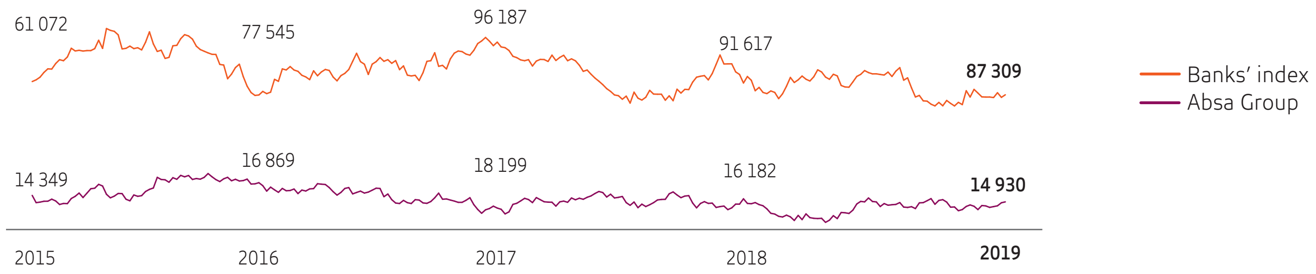
[1] EC demand and AFR reported on a spot basis.
[2] Credit risk includes equity risk, CCR and CVA.

Appendices

Share performance

for the reporting period ended 31 December 2019

Share performance (cents)



Share performance on the JSE	2019	2018	Change %
Number of shares in issue, which includes 4 221 005 (2018: 7 557 551) treasury shares	**847 750 679**	847 750 679	—
Market prices (cents per share):			
closing	**14 930**	16 182	(8)
high	**18 628**	20 700	(10)
low	**14 470**	14 050	3
average	**15 571**	16 842	(8)
Closing price/Normalised NAV per share (excluding preference shares) (%)	**1.18**	1.35	(13)
Normalised price-to-earnings ratio (closing price/HEPS) (%)	**7.6**	8.5	(9)
Volumes of shares traded (million)	**660.0**	807.0	(18)
Value of shares traded (million)	**108 219.0**	136 758.5	(21)
Market capitalisation (Rm)	**126 569.0**	137 183.0	(8)
Annual total return (%)	**(1.0)**	(5.1)	(80)

Shareholder information and diary

Major ordinary shareholders (%)

Dec 2019	2018	
14.88	(14.88)	Barclays Bank PLC (UK)
6.29	(6.29)	Public Investment Corporation (SA)
4.00	(4.32)	Deutsche Securities (SA)
4.23	(4.07)	Old Mutual Plc (SA)
4.46	(3.95)	Prudential Investment Managers (SA)
3.77	(3.68)	Black Rock Incorporated (US)

Dec 2019	2018	
3.20	(3.20)	The Vanguard Group Incorporated (US, AU)
3.00	(2.99)	Citigroup Global Markets (SA)
2.67	(2.58)	Dimensional Fund Advisors (US, UK)
3.44	(2.51)	Investec Asset Management (SA)
50.06	(51.53)	Other

Major shareholding by geography (%)

Dec 2019	2018	
21.97	(23.58)	United Kingdom
45.85	(43.10)	South Africa
20.10	(20.46)	United States and Canada
12.08	(12.86)	Other countries

Shareholder diary

Financial year-end	31 December 2020
Announcement of the 2020 interim results[1]	12 August 2020
Annual general meeting[1]	4 June 2020

Dividend	Declaration date	Last day to trade	Ex-dividend date	Record date	Payment date
Interim	12 August 2020	15 September 2020	16 September 2020	18 September 2020	21 September 2020
Final[1]	11 March 2020	14 April 2020	15 April 2020	17 April 2020	20 April 2020

[1] Subject to change.

Glossary

Amounts written off
Once an advance has been identified as impaired and an impairment allowance has been raised, circumstances may change and indicate that the prospect of further recovery does not exist. Write-offs will occur when, and to the extent that, the debt is considered irrecoverable. A write-off policy based on an age-driven concept drives the timing and extent of write-offs. A write-off can also be triggered by a specific event, such as the conclusion of insolvency proceedings or other formal recovery actions, making it possible to quantify the extent of the advance that is beyond a realistic prospect of recovery. Assets are only written off once all necessary procedures have been completed and the amount of loss has been determined. Recoveries of amounts previously written off, are reversed and accordingly decrease the amount of the reported impairment charge in the statement of comprehensive income.

Approaches (FIRB, AIRB, AMA and IMA)
Methods available to banks to calculate their regulatory capital requirements, based on their own risk estimates. These include the foundation internal ratings-based (FIRB) and advanced internal ratings-based (AIRB) approaches for credit risk, the advanced measurement approach (AMA) for operational risk and the internal models approach (IMA) for market risk.

Average interest-bearing assets
Average interest-bearing assets consist of all accounts that are not impaired and thus attract interest within the asset categories of cash, cash balances and balances with central banks, loans and advances to banks and customers and investment securities (including cash and short-term assets, money market assets and capital market assets).

Average loans to deposits and debt securities ratio
Loans and advances to customers and loans and advances to banks as a percentage of deposits due to customers, deposits to banks and debt securities in issue (calculated on daily weighted averages).

Balance sheet
The term ‘balance sheet’ is used in the same context as the ‘statement of financial position’.

Bank
Absa Bank Limited, together with its subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings. It is also referred to as ‘the Bank’ or ‘Absa Bank’ in this report.

Banking average assets
Banking average assets consist of all average assets related to the banking activities of the Group. Banking average assets exclude ‘Other assets’, ‘Current tax assets’, ‘Non-current assets held for sale’, ‘Reinsurance assets’, ‘Goodwill and intangible assets’, ‘Property and equipment’ and ‘Deferred tax assets’, and includes ‘Trading portfolio liabilities’.

Banking book annual earnings at risk
A measure of the sensitivity of net interest income over a one-year horizon due to a change in the level of interest rates. Calculated as the difference between the estimated income using the current yield curve, and the lowest estimated income following an increase or decrease in interest rates. As per regulatory requirement, a 200 bps downward shock is applied.

Banking income yield
Income as a proportion of banking average assets.

Banking interest yield
Net interest income after credit losses, as a proportion of banking average assets.

Banking non-interest yield
Non-interest income as a proportion of banking average assets.

Banks Act
This means the Banks Act, No 94 of 1990 and its accompanying regulations relating to banks published in the Government Gazette on 12 December 2012.

Barclays
Barclays PLC, registered in England under registration number 1026167.

Basel Capital Accord (II, II.5 and III)
The Basel Capital Accord of the Bank for International Settlements is an improved capital adequacy framework aimed at closely aligning banks’ capital requirements with improved modern risk management practices and sophisticated risk assessment capabilities. It further ensures the risk sensitivity of the minimum capital requirements by including supervisory reviews and market discipline through enhanced disclosure.

Glossary

Borrowed funds

Subordinated callable notes qualifying as long-term Tier 2 capital in terms of section 1 of the Banks Act, No 94 of 1990.

Capital adequacy ratio

The capital adequacy of South African banks is measured in terms of the requirements of the SARB. The ratio is calculated by the aggregate amount of qualifying capital and reserve funds dividend by RWA. The base minimum South African total capital adequacy ratio for banks is 10% of RWA. Non-South African banks in the Group have similar capital adequacy methodology requirements.

Capital – Common Equity Tier 1

Common Equity Tier 1 capital consists of the sum of the following elements:

- Common shares issued by Absa Bank Limited that meet the criteria for classification as common shares for regulatory purposes (or the equivalent for non-joint stock companies);
- Stock surplus (share premium) resulting from the issue of instruments including CET 1;
- Retained earnings;
- Accumulated other comprehensive income and other disclosed reserves;
- Common shares issued by consolidated subsidiaries of Absa Bank Limited and held by third parties (i.e., non-controlling interest) that meet the criteria for inclusion in CET 1; and
- Regulatory adjustments applied in the calculation of CET 1.

Capital – Additional Tier 1 capital

Additional Tier 1 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in CET 1);
- Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital;
- Instrument issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1. See section 4 for the relevant criteria; and
- Regulatory adjustments applied in the calculation of Additional Tier 1 capital.

Capital – Common Equity Tier 1 capital adequacy ratio

A measurement of a bank's core equity capital compared with its total risk-weighted assets. This is the measure of a bank's financial strength. The Common Equity Tier 1 excludes any preference shares or non-controlling interests when determining the calculation.

Capital – Tier 2 capital

Tier 2 capital consists of the sum of the following elements:

- Instruments issued by Absa Bank Limited that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital);
- Stock surplus (share premium) resulting from the issue of instruments included in Tier 2 capital;
- Instruments issued by consolidated subsidiaries of Absa Bank Limited and held by third parties that meet the criteria for inclusion in Tier 2 capital and are not included in Tier 1 capital;
- Certain loan loss provisions such as general provisions/general loan-loss reserve; and
- Regulatory adjustments applied in the calculation of Tier 2 capital.

Capital – Tier 2 ratio

A component of regulatory capital, comprising qualifying subordinated loan capital, related minority interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties.

Claims ratio

Net insurance claims and benefits paid as a percentage of net insurance premium income.

Combined ratio

Insurance losses and expenses incurred as a percentage of net insurance premiums income.

Conduct risk

Conduct risk is the detriment caused to the Group's customers and clients, counterparties or Absa Bank Limited as a result of inappropriate execution of the business activities.

Glossary

Constant currency

The selected line items from the consolidated statement of comprehensive income and consolidated statement of financial position for the Africa regions market segment disclosed on pages 108 and 109 are derived by translating the Statement of comprehensive income and Statement of financial position from the respective individual entities' local currencies to Rand.

The current reporting period's results are translated at the current reporting period's average rates for the Statement of comprehensive income, while the closing rate is used for the Statement of financial position in terms of IFRS.

The percentage change based on constant currency has been presented to provide information on the impact of foreign currency movements on the local currency earnings. This is calculated for the Statement of comprehensive income and Statement of financial position, by translating the previous and current reporting periods' results at the exchange rate as at the prior reporting date and comparing the two outcomes.

The percentage change based on constant currency is provided for illustrative purposes only and may not fairly present the Group's financial position and/or the results of its operations. The directors are responsible for the preparation of the constant currency information.

Cost-efficiency ratio

'Operating expenses' as a percentage of income. Income consists of net interest income and non-interest income, net of reinsurance, unearned premiums, net insurance claims and benefits paid, changes in investment and insurance contract liabilities and acquisition costs.

Cost of equity

An estimate of the return that the market demands in exchange for the risk of ownership of equity.

Cost-to-income ratio

'Operating expenses' as a percentage of income. Income consists of net interest income and non-interest income.

Coverage ratio

Impairment losses on loans and advances as a proportion of gross loans and advances.

Credit loss ratio

Impairment losses on loans and advances for the reporting period, divided by total average advances (calculated on a daily weighted average basis).

Debt securities in issue

Short to medium-term instruments issued by the Group, including promissory notes, bonds and negotiable certificates of deposits.

Diluted headline earnings per share

Headline earnings for the reporting period that is attributable to ordinary equity holders, as a proportion of the weighted average number of ordinary shares in issue adjusted for the effect of all potential dilutive ordinary shares.

Distribution force

Number of active advisers.

Dividend cover

Headline earnings per share divided by dividend per share.

Dividend per ordinary share relating to income for the reporting period

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

Special dividend per ordinary share is a payment made by the Group that is considered separate from the typical recurring dividend cycle, expressed as cents per share.

Earnings per share

Basic earnings per share

This constitutes the net profit for the reporting period, less earnings attributable to non-controlling interest, divided by the weighted average number of ordinary shares in issue during the reporting period.

Diluted basic earnings per share

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

Glossary

Economic capital

Economic capital is an estimate of the maximum downward deviation from expectation in shareholder value, measured on an economic basis over a one-year time horizon and at a 99.95% confidence level. This sets the internal capital requirement deemed necessary by the Group to support the risks which is exposed.

Embedded value

The embedded value of the covered business is the discounted value of the future after-tax shareholder profits (net of the opportunity cost of the required capital) arising from covered business in force at the valuation date, together with the adjusted net worth of the covered business. Covered business is taken to be all long-term insurance business written under the Group's licence.

The free surplus is the excess of assets over the sum of liabilities and required capital, with assets at market value and liabilities on the statutory valuation method, adjusted to add back inadmissible assets. The required capital is taken to be two times the statutory capital adequacy requirement, in line with the results of internal capital models and the Group's dividend policy.

Exchange differences

Differences resulting from the translation of a given number of units of one currency into another currency at different exchange rates.

Expected Credit Loss (ECL) coverage ratio

ECL allowance as a proportion of gross loans and advances to customers and banks.

Financial Markets Act

This means the Financial Markets Act No 19 of 2012 and its regulations. This Act is the primary legislation governing the regulation of financial markets, market infrastructure and securities services in South Africa. It focuses primarily on the licensing and regulation of exchanges, central securities depositories, clearing houses, trade repositories and market infrastructure. The Act also strengthens measures already in place aimed at prohibiting insider trading and other market abuses.

Foreign currency translation

Foreign currency accounts of the Group's subsidiaries translated to reporting currency, with the foreign adjusted currency translation included in a foreign currency translation reserve as equity capital.

Gains and losses from banking and trading activities

Banking and trading portfolios include:

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

Gains and losses from investment activities

Insurance and strategic investment portfolios including:

- realised gains and losses on financial instruments held at amortised cost, held-to-maturity or available-for-sale;
- realised gains and losses on the disposal of associates, joint ventures and subsidiaries;
- realised and unrealised gains and losses on financial instruments designated at fair value through profit or loss; and
- interest, dividends and fair value movements on certain financial instruments held for trading or designated at fair value through profit or loss.

Gross credit extended

Loans advanced to customers and banks, as well as off-balance sheet exposures.

Group

Absa Group Limited, together with its subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings. It is also referred to as 'the Group' or 'Absa Group' in this report.

Glossary

Headline earnings
Headline earnings reflects the operating performance separated from remeasurements (an amount recognised in the statement of comprehensive income relating to any change (realised or unrealised) in the carrying amount of an asset/liability that arose after the initial recognition of such asset or liability) as well as non-controlling interest of preference shares or ordinary shares, where relevant.

Headline earnings per share
Profit attributable to ordinary equity holders after adjusting for separately identifiable remeasurements, net of tax and non-controlling interest, divided by the weighted average number of ordinary shares in issue. A remeasurement is an amount recognised in profit or loss relating to any change in the carrying amount of an asset or liability that arose after the initial recognition of such asset or liability.

Diluted headline earnings per share
Diluted headline earnings per share is calculated by adjusting both the headline earnings and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, assuming they had been in issue for the reporting period.

Income statement
The term Income statement is used in the same context as the Statement of comprehensive income.

Indirect taxation
Indirect taxes are the taxes that are levied on transitions rather than on persons (whether individuals or corporate). These taxes include unclaimed value-added taxes, stamp duties on deposits and Regional Services Council levies.

Jaws
A measure used to demonstrate the extent to which the Group’s income from operations growth rate exceeds operating expenses growth rate. Income from operations consists of net interest income and non-interest income.

Leverage
Average assets as a proportion of average equity.

Life new business margin
Embedded value of new business attained in the Life Insurance key business area of WIMI, as a proportion of the discounted value of the associated future premiums.

Loans-to-deposits and debt securities ratio
Loans and advances to customers as a percentage of deposits due to customers and debt securities in issue.

Long-term funding ratio
Funding with a term in excess of six months.

Market capitalisation
The Group’s closing share price, times the number of shares in issue at the reporting date.

Merchant income
Income generated from the provision of point-of-sale facilities to the Group’s merchant network customers. This income includes both rental income for the supply of point-of-sale units as well as transactional income for the transactions processed on the supplied terminals.

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

Net income
Net income consists of net interest income and non-interest income, net of impairment losses on loans and advances.

Net insurance premium income
The amount of insurance premiums received or receivable from policyholders less reinsurance paid or payable related to reinsurance contracts.

Net interest income
The amount of interest received or receivable on assets net of interest paid or payable on liabilities.

Net interest margin on average interest-bearing assets
Net interest income for the reporting period, divided by average interest-bearing assets (calculated on a daily weighted average basis), expressed as a percentage of average interest-bearing assets.

Glossary

Net present value unwind on non-performing book
A net present value adjustment representing time value of money of expected cash flows within the impairment allowance. Such time value of money reduces as the point of cash flow is approached. The time-based reduction in time value of money is recognised in the statement of comprehensive income as interest received on impaired assets.

Net trading result
Net trading result includes the profits and losses on CIB's trading desks arising from both the purchase and sale of trading instruments and the revaluation to market value, as well as CIB's hedge ineffectiveness. This includes the interest income and interest expense from these instruments and related funding cost. It also includes similar activities from the African operations.

Non-interest income
Non-interest income consists of the following Statement of comprehensive income line items: 'net fee and commission income', 'net insurance premium income', 'net insurance claims and benefits paid', 'changes in investment contracts and insurance contract liabilities', 'gains and losses from banking and trading activities', 'gains and losses from investment activities as well as other operating income'.

Non-interest income as a percentage of income
Non-interest income as a percentage of income from operations. Income consists of net interest income and non-interest income.

Pre-provision profit
Total income less operating expenses.

Price-to-earnings ratio
The closing price of ordinary shares, divided by headline earnings per ordinary share for the reporting period.

Probability of default
The probability that a debtor will default within a one-year time horizon.

Regulatory capital
The capital that the Group holds, determined in accordance with the requirements of the Banks Act and regulations relating to banks.

Return on average assets
Annualised headline earnings as a proportion of total average assets.

Return on average equity
Annualised headline earnings as a proportion of average equity.

Return on average regulatory capital
Measure of efficient use, by segment, of regulatory capital.

Return on average risk-weighted assets
Annualised headline earnings as a proportion of average risk-weighted assets.

Income/Total income
Income consists of net interest income and non-interest income.

Risk-weighted assets
Calculated by assigning a degree of risk, expressed as a percentage (risk weight) to an exposure, in accordance with the applicable standardised or internal ratings-based approaches rules. RWA are determined by applying the:

- AIRB approach for wholesale and retail credit; AMA for operational risk;
- Internal ratings-based market-based simple risk-weight approach for equity investment risk in the banking book; and
- Standardised approach for all African entities (both credit and operational risk).

Glossary

Solvency margin
The amount by which assets, at fair value, exceed liabilities and other comparable commitments.

Stage 1
Assets comprise exposures that are performing in line with expectations at origination. Financial assets that are not purchased or originated with a credit impaired status are required to be classified on initial recognition within stage 1.

Stage 2
Exposures are required to be classified within stage 2 when a significant increase in credit risk has been observed. The factors which trigger a reclassification from stage 1 to stage 2 have been defined so as to meet the specific requirements of IFRS 9, and in order to align with the Group's credit risk management practices.

Stage 3
Credit exposures are classified within stage 3, when they are regarded as being credit impaired, which aligns to the bank's regulatory definition of default.

Stage 3 loans ratio on gross loans and advances
Stage 3 loans and advances as a percentage of gross loans and advances.

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

Underwriting margin
Net insurance premium income remaining after net insurance claims and administrative expenses have been deducted.

Value-at-risk model
A technique that measures the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

Value of new business
The discounted value, at the date of sale, of the projected after-tax shareholder profits from new covered business, net of the opportunity cost of the required capital for new business. New covered business is defined as long-term insurance contracts written by the Group during the reporting period and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

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

Abbreviations and acronyms

A

AEaR	annual earnings at risk
AFR	available financial resources
AFS	annual financial statements
AGL	Absa Group Limited
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee
ATM	automated teller machine

B

Basel	Basel Capital Accord
BERC	Group Executive Risk Committee
BBBEE	broad-based black economic empowerment
BIA	Basic Indicator Approach
Bps	basis points
BU	business unit

C

CAR	capital adequacy requirement
CAGR	compound annual growth rate
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET 1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D

DGS	Deposit Guarantee Scheme
D-SIBs	domestic-systemically important banks
DVaR	daily value at risk

E

EAD	exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card portfolio
EL	expected loss
ERMF	Enterprise Risk Management framework
EVE	economic value of equity
EWIs	early warning indicators

F

FRTB	Fundamental Review of the Trading Book
FX	Forex

G

GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
GWWR	general wrong way risk

H

HQLA	high-quality liquid assets
HR	high risk

I

IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	interest models method
IRB	interest ratings-based
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

KCI	key control indicator
KI	key indicator
KPI	key performance indicator
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios

Abbreviations and acronyms

M

MC	Group Model Committee
MR	market risk

N

NCWO	no-credit-worse-off
NII	net interest income
NPL(s)	non-performing loan(s)
NSFR	net stable funding ratio

O

OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	operational risk data exchange
OTC	over-the-counter

R

RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RDARR	risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	return on average risk-weighted assets
RRP	recovery and resolution plan
RSU	Risk Sanctioning Unit
RW	risk-weight
RWA	risk-weighted assets
RWR	right way risk

S

SA	standardised approach
SA-CCR	standardised approach for counterparty credit risk
SAM	Solvency Assessment and Management
SARB	South African Reserve Bank
SEC	securitisations
SFA	supervisory formula approach
SL	specialised lending
SME	small and medium-sized enterprises
SSFA	simplified supervisory formula approach
sVAR	stressed value at risk
SWWR	specific wrong way risk

T

TLAC	total loss absorbing capacity
TRC	Trading Risk Committee
TSA	the standard approach
TTC	through-the-cycle

V

VAF	Vehicle and Asset Finance
VaR	value at risk

W

WIMI	Wealth, Investment Management and Insurance
WL	watch list

Contact information

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Incorporated in the Republic of South Africa

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Authorised financial services and registered credit provider (NCRCP7)

JSE share code: ABG

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