Absa Group Limited

Interim financial results for the reporting period ended 30 June 2020

Report **overview**

This financial results booklet for the reporting period ended 30 June 2020 is one of the publications released at the time of the Absa Group Limited's (Absa Group or the Group) financial results announcement on 24 August 2020. It is supplemented with additional disclosures, including the Group's JSE Limited SENS announcement and the interim financial results presentation. The full set of documents is available on www.absa.africa

Reportable segment changes

The Corporate Debt and Structure Trade & Commodity Finance portfolios, which were previously reported in Corporate SA, have been moved to Investment Bank SA to align the segment report to the entity's internal reporting system.

The business portfolio changes have resulted in the restatement of financial results within the Corporate and Investment Bank (CIB) segment, but have not impacted the overall position or net earnings of the Group.

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 30 June 2020

Date of publication: 24 August 2020

These interim 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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Dividend per share

Interim: 0 cents

Key dates

Interim dividend payment: n/a

Financial year-end: 31 December 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 Chief Executive Officer. 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 announcements released on Financial Results on 24 August 2020.

Contents

Icons used with this report

Positive

Negative

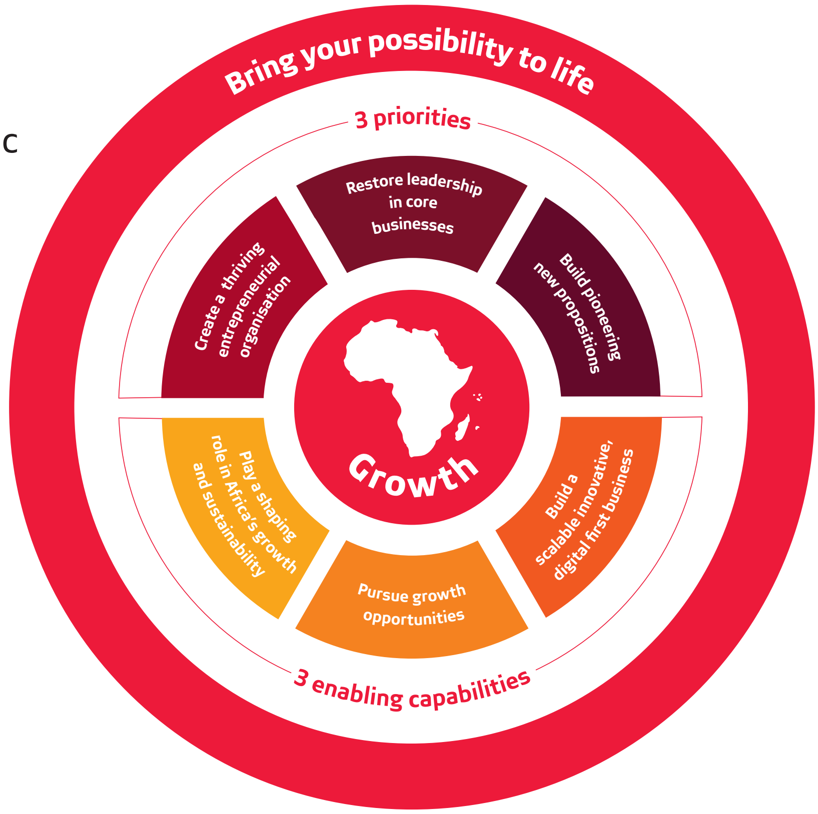
Remains the same

Increase/decrease

Marginal

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.

Three clear and focused strategic drivers in 2020

1 Continue to deliver on our Group strategy through targeted priorities as set out at the start of 2020:

- Accelerating our journey towards becoming a thriving entrepreneurial organisation.
- Growing customer and client primacy ahead of the market.
- Advancing the digital maturity of our business.
- Building a market leading payments capability to create new revenue streams.
- Completing separation successfully.
- Leveraging strategic partnerships.
- Driving operational efficiencies.

2 Immediate stabilisation of the business as a result of the Covid-19 pandemic arising in March 2020:

- Ensuring business resilience through:
  - Capital and liquidity preservation; and
  - Operational stability.
- Delivering our corporate purpose through:
  - The safety and wellbeing of our employees;
  - The safety and financial wellbeing of our customers; and
  - Safeguarding the lives of the communities we serve.

3 Resetting our Group strategy to maintain relevance and competitiveness in the 'Next Normal'.

Normalised Group performance

Normalised Group performance overview

for the reporting period ended 30 June 2020

Headline earnings decreased by 82%

(CCY 85%) to R1.5bn following the impact of higher impairments on the Group's results despite resilient pre-provision profits.

Customer deposits grew 15%

(CCY 13%), which is faster than gross customer advances of 7% (CCY 5%) and the Group maintained a strong liquidity position reflected in the Group Liquidity Coverage Ratio of 127%, well above the regulatory minimum.

Lower earnings performance

mainly reflected higher year-on-year impairment charges which increased to R14.7bn (30 June 2019: R3.7bn) and an increase in the Group's credit loss ratio to 277 bps from 79 bps in the prior year. A material component of the H1 charge related to judgemental macroeconomic overlays which supported an increase in the Group's loan coverage to 4.46% from 3.36%.

The Group maintained a well-capitalised position

with a Group CET 1 ratio of 11.0% as at the reporting date despite the material impact of higher impairments.

Return on equity of 2.6% decreased

year-on-year (30 June 2019: 16.4%) following the reduction in earnings.

Pre-provision profit growth of 9%

(CCY 6%) was supported by positive Jaws of 5%. All business segments remained profitable in the first half and reflected positive pre-provision profit growth with particularly strong growth in CIB Pan-Africa 24% (CCY 17%) and RBB SA 10%.

Muted income growth of 3%

(CCY flat) reflects a reduction in non-interest income of 2% (CCY 4%) as fee and commission income was affected by the economic restrictions on transactional volumes in the second quarter. Net interest income growth of 6% (CCY 3%) was more resilient, despite the impact of materially lower interest rates across the continent benefiting from strong deposit growth and the Group's interest rate hedging programme.

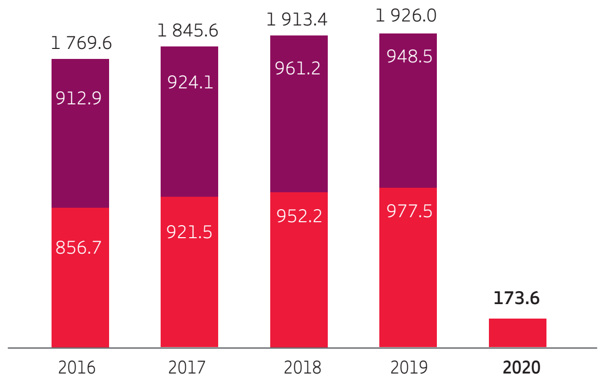
Costs reduced by 2% year-on-year

(CCY 5%) benefiting from management actions in response to the Covid-19 stress, restructuring initiatives in the prior year and lower performance costs in line with the Group's results. The cost-to-income ratio reduced to 53.9% from 56.7%.

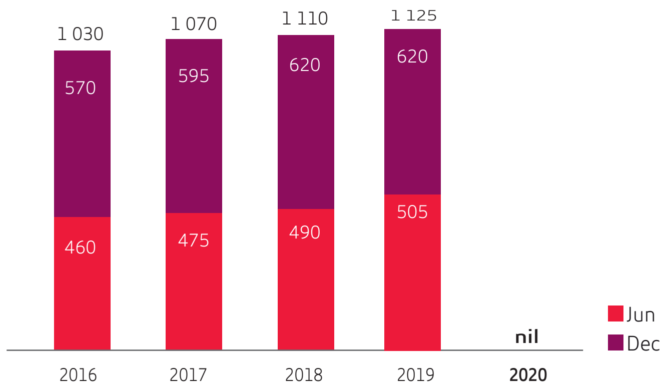
Normalised Group performance overview

for the reporting period ended

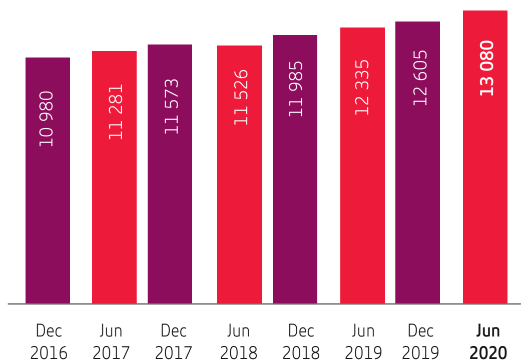
Headline earnings per ordinary share (HEPS) (cents)



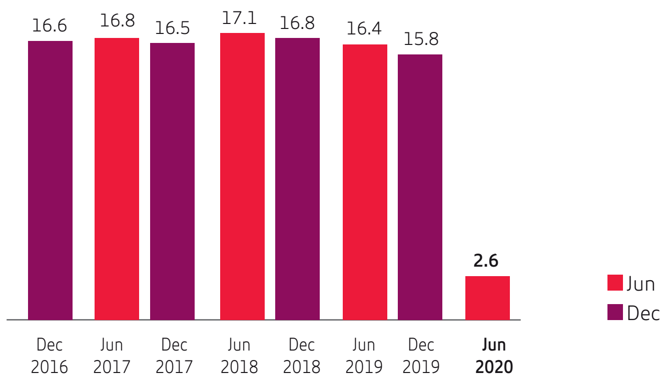
Dividend per share (DPS) (cents)



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



Return on equity (RoE) (%)



Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results

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

[1] 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 27).

Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results

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

[1] 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 27).

Normalised Group performance overview

for the reporting period ended

Reconciliation of IFRS to normalised results

	31 December 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 27).

Normalised salient features

for the reporting period ended

	30 June			31 December
	2020	2019	Change %	2019
Statement of comprehensive income (Rm)				
Income	**40 078**	39 071	3	79 961
Operating expenses	**21 613**	22 136	(2)	46 357
Profit attributable to ordinary equity holders	**1 443**	8 258	(83)	16 003
Headline earnings	**1 459**	8 267	(82)	16 265
Statement of financial position				
Loans and advances to customers (Rm)	**932 293**	882 365	6	916 978
Total assets (Rm)	**1 560 996**	1 372 797	14	1 394 494
Deposits due to customers (Rm)	**919 620**	797 708	15	826 293
Loans to deposits and debt securities ratio (%)	**84.9**	91.7		93.0
Average loans to deposits and debt securities ratio (%)	**87.8**	86.8		87.5
Financial performance (%)				
Return on equity (RoE)	**2.6**	16.4		15.8
Return on average assets (RoA)	**0.20**	1.26		1.20
Return on risk-weighted assets (RoRWA)	**0.32**	2.02		1.91
Stage 3 loans ratio on gross loans and advances	**5.65**	4.79		4.67
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.23**	4.52		4.50
Credit loss ratio on gross loans and advances to customers and banks	**2.77**	0.79		0.80
Non-interest income as percentage of total income	**39.9**	42.0		42.1
Cost-to-income ratio	**53.9**	56.7		58.0
Jaws	**5**	0		(1)
Effective tax rate	**26.1**	27.1		26.2
Share statistics (million)				
Number of ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**842.9**	845.7		843.5
Weighted average number of ordinary shares in issue	**840.6**	845.7		844.5
Diluted weighted average number of ordinary shares in issue	**841.2**	847.2		845.7
Share statistics (cents)				
Headline earnings per ordinary share	**173.6**	977.5	(82)	1 926.0
Diluted headline earnings per ordinary share	**173.4**	975.8	(82)	1 923.3
Basic earnings per ordinary share	**171.7**	976.5	(82)	1 895.0
Diluted basic earnings per ordinary share	**171.5**	974.7	(82)	1 892.3
Dividend per ordinary share relating to income for the reporting period	**—**	505	(100)	1 125
Dividend cover (times)	**—**	1.9	(100)	1.7
NAV per ordinary share	**13 080**	12 335	6	12 605
Tangible NAV per ordinary share	**12 277**	11 622	6	11 854
Capital adequacy (%)				
Absa Group Limited	**14.7**	15.4		15.5
Absa Bank Limited	**15.5**	15.8		16.2
Common Equity Tier 1 (%)				
Absa Group Limited	**10.8**	11.9		11.8
Absa Bank Limited	**10.2**	11.3		11.4

Normalised salient features by segment

for the reporting period ended

	30 June 2020	30 June 2019	Change %	31 December 2019
Headline earnings (Rm)				
RBB South Africa	**415**	4 847	(91)	9 510
CIB South Africa	**817**	1 546	(47)	3 230
Absa Regional Operations	**569**	1 727	(67)	3 635
Head Office, Treasury and other operations in South Africa	**(342)**	147	<(100)	(110)
Return on average risk-weighted assets (%)				
RBB South Africa[1]	**0.22**	2.67		2.54
CIB South Africa	**0.69**	1.48		1.48
Absa Regional Operations	**0.44**	1.64		1.63
Return on regulatory capital (%)				
RBB South Africa	**1.8**	22.5		21.4
CIB South Africa	**6.2**	13.3		13.3
Absa Regional Operations[2]	**5.1**	18.5		19.0
Credit loss ratio (%)				
RBB South Africa	**3.77**	1.12		1.18
CIB South Africa	**0.93**	0.18		0.11
Absa Regional Operations	**3.58**	0.94		0.98
Loans and advances to customers (Rm)				
RBB South Africa	**500 758**	490 493	2	506 478
CIB South Africa	**304 772**	289 028	5	298 229
Absa Regional Operations	**125 799**	102 028	23	111 465
Head Office, Treasury and other operations in South Africa	**964**	816	18	806
Deposits due to customers (Rm)				
RBB South Africa	**392 093**	349 121	12	372 564
CIB South Africa	**243 056**	207 741	17	207 461
Absa Regional Operations	**175 937**	139 901	26	150 388
Head Office, Treasury and other operations in South Africa	**108 534**	100 945	8	95 880

[1] 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.

[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.

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.

- The Covid-19 pandemic and resulting lockdowns and economic downturn across our presence countries had a material impact on the Group's first half performance.
- Diluted normalised headline earnings per share (HEPS) fell 82% to 173.4 cents from 975.8 cents.
- No interim ordinary dividend was declared for the period.
- Retail and Business Banking (RBB) South Africa's headline earnings declined 91% to R415m, Corporate and Investment Bank (CIB) South Africa declined 47% to R817m, and Absa Regional Operations (ARO) declined 67% to R569m.
- Normalised return on equity (RoE) decreased to 2.6% from 16.4%.
- Normalised revenue increased 3% to R40.1bn and operating expenses declined 2% to R21.6bn, resulting in a 53.9% cost-to-income ratio.
- Pre-provision profit increased 9% to R18.5bn on a normalised basis.
- Credit impairments were four times higher at R14.7bn, resulting in a 2.77% credit loss ratio from 0.79%.
- Absa Group's IFRS Common Equity Tier 1 (CET 1) ratio of 11.0% remains well above regulatory requirements and within the Board's target range.
- Normalised net asset value (NAV) per share rose 6% to 13 080 cents.

Normalised reporting

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

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

Overview of results

Compared to the 2019 interim financial results, on a normalised basis, Absa Group's headline earnings fell 82% to R1 459m from R8 267m and diluted HEPS fell 82% to 173.4 cents from 975.8 cents. The Group's normalised RoE decreased to 2.6% from 16.4% and its return on assets was 0.20% from 1.26%. Revenue grew 3% to R40 078m, with net interest income growing 6% and non-interest income declining 2%. The Group's net interest margin decreased to 4.23% from 4.52%, largely due to significant policy rate cuts during the period. Gross loans and advances to customers grew 7% to R975bn, while deposits due to customers rose 15% to R920bn. With operating expenses declining 2%, the normalised cost-to-income ratio decreased to 53.9% from 56.7%, and pre-provision profit grew 9% to R18.5bn. In CCY, pre-provision profit increased 6% and headline earnings declined 85%. Credit impairments grew 297% to R14.7bn, resulting in a 2.77% credit loss ratio from 0.79%. The Group's normalised NAV per share increased 6% to 13 080 cents. No interim dividend was declared.

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

South African normalised headline earnings declined 87% to R840m, while Africa Regions fell 65% to R619m, or 75% in CCY.

Operating environment

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

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

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

Profit commentary

Operating environment (continued)

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

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

Group performance

Statement of financial position

Compared to the 2019 interim financial results, normalised total assets increased 14% to R1 561bn as at 30 June 2020, largely due to 6% growth in net loans and advances to customers, a 49% increase in trading portfolio assets and 69% higher loans and advances to banks.

Gross loans and advances to customers

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

Funding

Compared to the 2019 interim financial results, the Group's liquidity position remains strong, with liquid assets and other sources of liquidity growing 46% to R317bn, which equates to over a third of customer deposits. The Group's liquidity coverage ratio was 126.6% and its net stable funding ratio 117.1%, both comfortably above the minimum regulatory requirement. Deposits due to customers grew 15% to R920bn. The loans-to-deposits and debt securities ratio decreased to 84.9% from 91.7%. Deposits due to customers constituted 76% of total funding from 74%. RBB South Africa's deposits grew 12% to R392bn, with savings and transmission deposits up 22% and fixed deposits increasing 6%, while cheque account deposits rose 3%. CIB South Africa's deposits increased 17% to R243bn, with strong growth in foreign currency and call deposits. ARO's deposits increased 26% to R176bn, or 11% in CCY, as RBB grew 26% and CIB rose 24%.

Net asset value

Compared to the 2019 interim financial results, the Group's normalised NAV rose 6% to R110bn and NAV per share grew 6% to 13 080 cents. During the half, it generated retained earnings of R0.9bn and paid R5.1bn in ordinary dividends, which relate to prior year earnings. The foreign currency translation reserve increased by R4.4bn and the cash flow hedging reserve grew by R4.7bn.

Capital to risk-weighted assets

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

Net interest income

Compared to the 2019 interim financial results, net interest income increased 6% to R24 072m from R22 667m, or 3% in CCY, while average interest-bearing assets grew 13%. The Group's net interest margin declined to 4.23% from 4.52%, mostly due to substantial policy rate cuts during the period. The loan margin improved 7 basis points (bps), with pricing widening by 3 bps largely in Home Loans and Investment Banking in South Africa. Slower growth in Home Loans than overall loans had a positive loan composition impact. Deposit margins decreased 18 bps. Pricing narrowed 5 bps, mainly due to competitive pricing and lower rates in Relationship Banking and Everyday Banking. A higher proportion of low-margin deposits had a negative composition impact, partially offset by reduced reliance on wholesale funding. Given lower policy rates, endowment on equity and liabilities reduced 18 bps. The structural hedge released R914m to the income statement, or 16 bps (from R239m or 5 bps). The after-tax cash flow hedging reserve for the programme increased to R4.5bn from R1.1bn at 31 December 2019. ARO had a negative 4 bps impact, due to lower policy rates across markets and competitive pricing pressures.

Non-interest income

Non-interest income declined 2% to R16 006m from R16 404m to account for 39.9% of total revenue from 42.0%. On a CCY basis, the decline was 4%. Net fee and commission income fell 8% to R10 630m, representing 66% of total non-interest income. Within this, cheque account fees decreased 8% to R2 569m, while credit cards and merchant income fell by 19% and 5%, respectively. Net trading income, excluding the impact of hedge accounting, rose 36% to R3 066m, as Markets in South Africa increased 77% and ARO grew 24%. CIB South Africa increased 1% to R1 803m as a strong performance in Markets was hindered by fair value adjustments taken on other legacy portfolio in Investment Banking.

Group performance (continued)

Statement of comprehensive income (continued)

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

Impairment losses (credit impairments)

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

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

Operating expenses

Operating expenses decreased 2% (CCY 5%), to R21 613m from R22 136m, improving the Group's cost-to-income ratio to 53.9% from 56.7%. Staff costs declined 5% and accounted for 55% of total operating expenses. Salaries increased 1% and total incentives dropped 67%. Headcount decreased 5% to 37 727. Non-staff costs grew 1%, including 3% higher depreciation and amortisation of intangible assets increasing 22%. Property costs increased 13%, largely due to Covid-19 costs for protective equipment. Telephone and postage decreased 7% and printing and stationery declined 5%. Marketing costs and cash transportation costs decreased by 8% and 13%, respectively. Professional fees grew 31%, given increased project-related spend. Total IT-related spend grew 7% to R4 805m and constituted 22% of Group operating expenses.

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

Taxation

The Group's taxation expense decreased 79% to R718m from R3 385m in line with the reduction in Group earnings.

Segment performance

RBB South Africa

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

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

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

CIB

CIB – South Africa

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

Profit commentary

Segment performance (continued)

CIB (continued)

CIB – Total (including ARO)

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

ARO

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

Prospects

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

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

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

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

Basis of presentation

Basis of presentation

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

The accounting policies applied in preparing the interim financial results comply with IAS 34 *Interim Financial Reporting* (IAS 34).

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The effects of the Covid-19 pandemic have resulted in significant estimation uncertainty during the first half of the year. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of financial assets measured at amortised cost, capitalisation, amortisation and impairment of internally generated intangible assets, fair value measurements, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term and long-term insurance contracts and offsetting of financial assets and liabilities.

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

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

Accounting policies

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

Events after the reporting period

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

On behalf of the Board

W E Lucas-Bull
Group Chairman

D Mminele
Chief Executive Officer

J P Quinn
Financial Director

Johannesburg
24 August 2020

Dividend announcement

Declaration of ordinary dividend

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

N R Drutman
Group Company Secretary

Johannesburg
24 August 2020

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

Impact of Covid-19

As outlined in the profit commentary on page 11, the Covid-19 pandemic has had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour. This in turn has had a significant impact on the risks that the Group is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. This high degree of uncertainty has forced the Group to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial results. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

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

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

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

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

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

Impact of Covid-19

Payment relief measures

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

Covid-19 customer payment relief

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

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

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

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

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

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

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

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

Government guaranteed loan scheme

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

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

Impact of Covid-19

Macroeconomic scenarios

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

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

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

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

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

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

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

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

Impact of Covid-19

Macroeconomic scenarios (continued)

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

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

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

Base scenario as at 30 June 2020

South Africa

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

ARO

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

Upside scenario as at 30 June 2020

South Africa

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

ARO

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

Impact of Covid-19

Macroeconomic scenarios (continued)

Downside scenario as at 30 June 2020

South Africa

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

ARO

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

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

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

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

Impact of Covid-19

Impairment losses pre- and post-management adjustments

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

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

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

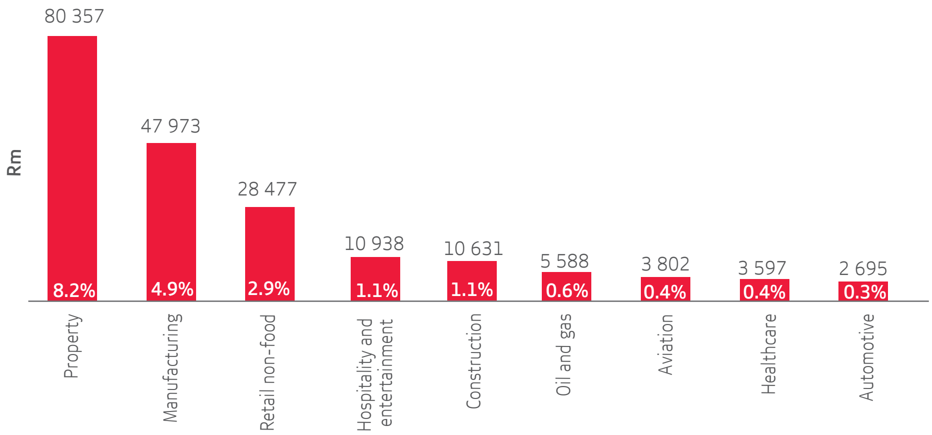
	Single name impairment losses raised Rm
SA Relationship Banking	246
CIB SA	662
CIB ARO	781
ARO Business Banking	130
Total	1 819

Impact of Covid-19

Wholesale lending in key Covid-19 impacted industries

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

Concentration risk exposures (% of total loans)



Other estimates and judgements

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

Impairment of internally generated intangible assets, property and equipment, and goodwill	The far-reaching effects of the pandemic indicate that the Group's internally generated intangible assets, property and equipment, and goodwill may potentially be impaired, and the Group therefore carried out impairment tests on these assets. The recoverable amount of each asset is the higher of the asset's fair value less costs to sell and its value in use or the value in use of the cash generating unit to which it belongs. The Group uses projected cash flow periods of approximately 3-5 years, with a terminal value thereafter. A conservative 2020 forecast was used in determining future cash flows and the long-term growth rate assumptions used in impairment calculations were revised from 0.0% – 10.0% as at 31 December 2019 to 0.0% – 10.4% at 30 June 2020. The discount rates used, which are based on the Group's weighted average cost of capital, have decreased marginally from 12.9% – 22.5% as at 31 December 2019 to 11.8% – 22.5% at 30 June 2020. A sensitivity analysis was performed on the assumptions and even if the estimated discount rate and/or growth rate was changed by 100 basis points, no additional impairment loss would be recognised. At 30 June 2020, the Group recognised impairment losses on internally generated intangible assets, property and equipment and goodwill of **R76m** (30 June 2019: RNil and 31 December 2019: R122m).

Impact of Covid-19

Other estimates and judgements (continued)

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

Consolidated normalised statement of comprehensive income

for the reporting period ended

	Note	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Net interest income	2	**24 072**	22 667	6	46 306
Interest and similar income		**48 920**	47 923	2	97 796
Effective interest income		**48 006**	47 210	2	95 998
Other interest income		**914**	713	28	1 798
Interest expense and similar charges		**(24 848)**	(25 256)	(2)	(51 490)
Non-interest income	3	**16 006**	16 404	(2)	33 655
Net fee and commission income		**10 630**	11 580	(8)	23 606
Fee and commission income	3.1	**12 360**	13 090	(6)	26 759
Fee and commission expense	3.1	**(1 730)**	(1 510)	15	(3 153)
Net insurance premium income	3.2	**4 091**	3 778	8	7 830
Net claims and benefits incurred on insurance contracts	3.3	**(1 905)**	(1 931)	(1)	(3 747)
Changes in investment and insurance contract liabilities	3.4	**(127)**	(1 238)	(90)	(1 589)
Gains and losses from banking and trading activities	3.5	**2 813**	2 543	11	5 419
Gains and losses from investment activities	3.6	**24**	1 202	(98)	1 600
Other operating income	3.7	**480**	470	2	536
Total income		**40 078**	39 071	3	79 961
Impairment losses	4	**(14 661)**	(3 695)	>100	(7 816)
Operating income before operating expenses		**25 417**	35 376	(28)	72 145
Operating expenses	5	**(21 613)**	(22 136)	(2)	(46 357)
Other expenses		**(1 043)**	(853)	22	(1 893)
Other impairments		**(114)**	(44)	>100	(319)
Indirect taxation	6	**(929)**	(809)	15	(1 574)
Share of post-tax results of associates and joint ventures		**(8)**	93	<(100)	221
Operating profit before income tax		**2 753**	12 480	(78)	24 116
Taxation expense	7	**(718)**	(3 385)	(79)	(6 310)
Profit for the reporting period		**2 035**	9 095	(78)	17 806
Profit attributable to:					
Ordinary equity holders		**1 443**	8 258	(83)	16 003
Non-controlling interest – ordinary shares		**86**	494	(83)	1 016
Non-controlling interest – preference shares		**172**	174	(1)	352
Non-controlling interest – Additional Tier 1 capital		**334**	169	98	435
		2 035	9 095	(78)	17 806
Earnings per share:					
Basic earnings per share (cents)	1	**171.7**	976.5	(82)	1 895.0
Diluted earnings per share (cents)	1	**171.5**	974.7	(82)	1 892.3

Consolidated normalised statement of comprehensive income

for the reporting period ended

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Profit for the reporting period	**2 035**	9 095	(78)	17 806
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(520)**	(25)	>100	(112)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(9)**	2	<(100)	60
Fair value (losses)/gains	**(12)**	3	<(100)	77
Deferred tax	**3**	(1)	<(100)	(17)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**22**	(20)	<(100)	(44)
Fair value gains/(losses)	**28**	(28)	<(100)	(61)
Deferred tax	**(6)**	8	<(100)	17
Movement in retirement benefit fund assets and liabilities	**(533)**	(7)	>100	(128)
Decrease in retirement benefit surplus	**(91)**	(11)	>100	(38)
Decrease/(increase) in retirement benefit deficit	**(485)**	1	<(100)	(104)
Deferred tax	**43**	3	>100	14
Items that are or may be subsequently reclassified to profit or loss	**9 011**	114	>100	(1 055)
Movement in foreign currency translation reserve	**5 082**	(1 006)	<(100)	(1 409)
Differences in translation of foreign operations	**5 082**	(1 006)	<(100)	(1 527)
Release to profit or loss	**—**	—	—	118
Movement in cash flow hedging reserve	**4 706**	971	>100	913
Fair value gains	**7 535**	1 696	>100	2 081
Amounts transferred within other comprehensive income	**(1)**	(5)	(80)	(7)
Amount removed from other comprehensive income and recognised in profit or loss	**(998)**	(342)	>100	(806)
Deferred tax	**(1 830)**	(378)	>100	(355)
Movement in fair value of debt instruments measured at FVOCI	**(777)**	149	<(100)	(559)
Fair value (losses)/gains	**(1 143)**	198	<(100)	(810)
Release to profit or loss	**(14)**	—	100	(20)
Deferred tax	**380**	(49)	<(100)	271
Total comprehensive income for the reporting period	**10 526**	9 184	15	16 639
Total comprehensive income attributable to:				
Ordinary equity holders	**9 203**	8 377	10	14 930
Non-controlling interest – ordinary shares	**817**	464	76	922
Non-controlling interest – preference shares	**172**	174	(1)	352
Non-controlling interest – Additional Tier 1 capital	**334**	169	98	435
	10 526	9 184	15	16 639

Consolidated normalised statement of financial position

as at

	Note	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Assets					
Cash, cash balances and balances with central banks		**62 393**	52 489	19	52 532
Investment securities		**156 665**	129 487	21	116 747
Loans and advances to banks		**113 168**	66 947	69	59 745
Trading portfolio assets		**200 087**	134 595	49	158 348
Hedging portfolio assets		**11 260**	3 361	>100	3 358
Other assets		**31 339**	52 646	(40)	30 076
Current tax assets		**1 805**	1 100	64	1 602
Non-current assets held for sale		**212**	148	43	3 992
Loans and advances to customers	8	**932 293**	882 365	6	916 978
Reinsurance assets		**745**	1 085	(31)	886
Investments linked to investment contracts		**20 316**	19 516	4	20 042
Investments in associates and joint ventures		**1 640**	1 520	8	1 648
Investment property		**555**	503	10	513
Property and equipment		**18 390**	18 042	2	18 106
Goodwill and intangible assets		**6 768**	6 030	12	6 338
Deferred tax assets		**3 360**	2 963	13	3 583
Total assets		**1 560 996**	1 372 797	14	1 394 494
Liabilities					
Deposits from banks		**108 774**	116 687	(7)	117 423
Trading portfolio liabilities		**106 651**	50 036	>100	59 224
Hedging portfolio liabilities		**3 824**	1 294	>100	1 379
Other liabilities		**57 388**	59 646	(4)	45 836
Provisions		**2 338**	2 704	(14)	3 919
Current tax liabilities		**336**	263	28	767
Non-current liabilities held for sale		**171**	121	41	112
Deposits due to customers	9	**919 620**	797 708	15	826 293
Debt securities in issue	10	**178 795**	164 321	9	159 794
Loans from Barclays separation segment		**1 158**	4 332	(73)	2 078
Liabilities under investment contracts		**27 687**	30 235	(8)	29 700
Policyholder liabilities under insurance contracts		**4 422**	4 806	(8)	4 331
Borrowed funds	11	**23 299**	21 942	6	21 418
Deferred tax liabilities		**353**	520	(32)	380
Total liabilities		**1 434 816**	1 254 615	14	1 272 654
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 686**	1 691	(0)	1 687
Share premium	11	**3 781**	4 272	(11)	3 875
Retained earnings		**90 757**	91 789	(1)	95 021
Other reserves		**14 017**	6 564	>100	5 745
		110 241	104 316	6	106 328
Non-controlling interest – ordinary shares		**5 500**	4 803	15	5 073
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Non-controlling interest – Additional Tier 1 capital		**5 795**	4 419	31	5 795
Total equity		**126 180**	118 182	7	121 840
Total liabilities and equity		**1 560 996**	1 372 797	14	1 394 494

Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance at the beginning of the reporting period	843 530	1 687	3 875	95 021	5 745	912
Total comprehensive income	—	—	—	923	8 286	—
Profit for the period	—	—	—	1 443	—	—
Other comprehensive income	—	—	—	(520)	8 286	—
Dividends paid during the reporting period	—	—	—	(5 126)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(235)	29	—	—
Elimination of the movement in Treasury shares held by Group entities	(677)	(1)	(94)	—	—	—
Movement in share-based payment reserve	—	—	235	—	(104)	—
Transfer from share-based payment reserve	—	—	235	—	(235)	—
Value of employee services	—	—	—	—	224	—
Deferred tax	—	—	—	—	(93)	—
Movement in general credit risk reserve	—	—	—	(74)	74	74
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(24)	24	—
Share of post-tax results of associates and joint ventures	—	—	—	8	(8)	—
Balance at the end of the reporting period	842 853	1 686	3 781	90 757	14 017	986

30 June 2020

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
(628)	1 316	1 735	13	879	1 518	106 328	5 073	4 644	5 795	121 840
(840)	4 706	4 420	—	—	—	9 209	817	172	334	10 532
—	—	—	—	—	—	1 443	86	172	334	2 035
(840)	4 706	4 420	—	—	—	7 766	731	—	—	8 497
—	—	—	—	—	—	(5 126)	(390)	(172)	—	(5 688)
—	—	—	—	—	—	—	—	—	(334)	(334)
—	—	—	—	—	—	(206)	—	—	—	(206)
—	—	—	—	—	—	(95)	—	—	—	(95)
—	—	—	—	(104)	—	131	—	—	—	131
—	—	—	—	(235)	—	—	—	—	—	—
—	—	—	—	224	—	224	—	—	—	224
—	—	—	—	(93)	—	(93)	—	—	—	(93)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	24	—	—	—	—	—	—	—
—	—	—	—	—	(8)	—	—	—	—	—
(1 468)	6 022	6 155	37	775	1 510	110 241	5 500	4 644	5 795	126 180

Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
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	—	—	—	8 232	145	—
Profit for the period	—	—	—	8 258	—	—
Other comprehensive income	—	—	—	(26)	145	—
Dividends paid during the reporting period	—	—	—	(5 170)	—	—
Transactions with non-controlling interest holders	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(249)	(7)	—	—
Elimination of the movement in Treasury shares held by Group entities	5 483	11	615	—	—	—
Movement in share-based payment reserve	—	—	249	—	33	—
Transfer from share-based payment reserve	—	—	249	—	(249)	—
Value of employee services	—	—	—	—	255	—
Deferred tax	—	—	—	—	27	—
Movement in general credit risk reserve	—	—	—	(43)	43	43
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(11)	11	—
Share of post-tax results of associates and joint ventures	—	—	—	(93)	93	—
Balance at the end of the reporting period	845 676	1 691	4 272	91 789	6 564	866

30 June 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
126	971	(952)	—	—	—	8 377	464	174	169	9 184
—	—	—	—	—	—	8 258	494	174	169	9 095
126	971	(952)	—	—	—	119	(30)	—	—	89
—	—	—	—	—	—	(5 170)	(424)	(174)	—	(5 768)
—	—	—	—	—	—	—	10	—	—	10
—	—	—	—	—	—	—	—	—	(169)	(169)
—	—	—	—	—	—	—	—	—	1 678	1 678
—	—	—	—	—	—	(256)	—	—	—	(256)
—	—	—	—	—	—	626	—	—	—	626
—	—	—	—	33	—	282	(2)	—	—	280
—	—	—	—	(249)	—	—	—	—	—	—
—	—	—	—	255	—	255	(2)	—	—	253
—	—	—	—	27	—	27	—	—	—	27
—	—	—	—	—	—	—	—	—	—	—
—	—	—	11	—	—	—	—	—	—	—
—	—	—	—	—	93	—	—	—	—	—
46	1 374	2 113	18	757	1 390	104 316	4 803	4 644	4 419	118 182

Consolidated normalised statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
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

31 December 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

Condensed consolidated normalised statement of cash flows

for the reporting period ended

	Note	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Net cash generated from operating activities		**5 274**	1 439	>100	13 037
Net cash utilised in investing activities		**326**	(2 172)	<(100)	(5 601)
Net cash utilised in financing activities		**(6 734)**	(2 332)	>100	(8 021)
Net cash decrease in cash and cash equivalents		**(1 134)**	(3 065)	(63)	(585)
Cash and cash equivalents at the beginning of the reporting period	1	**18 288**	18 494	(1)	18 494
Effect of foreign exchange rate movements on cash and cash equivalents		**(541)**	(318)	70	379
Cash and cash equivalents at the end of the reporting period	2	**16 613**	15 111	10	18 288

Notes to the condensed consolidated normalised statement of cash flows

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

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Cash, cash balances and balances with central banks[1]	**14 033**	14 252	(2)	14 252
Loans and advances to banks[2]	**4 255**	4 242	0	4 242
	18 288	18 494	(1)	18 494

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

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Cash, cash balances and balances with central banks[1]	**12 833**	11 241	14	14 033
Loans and advances to banks[2]	**3 780**	3 870	(2)	4 255
	16 613	15 111	10	18 288

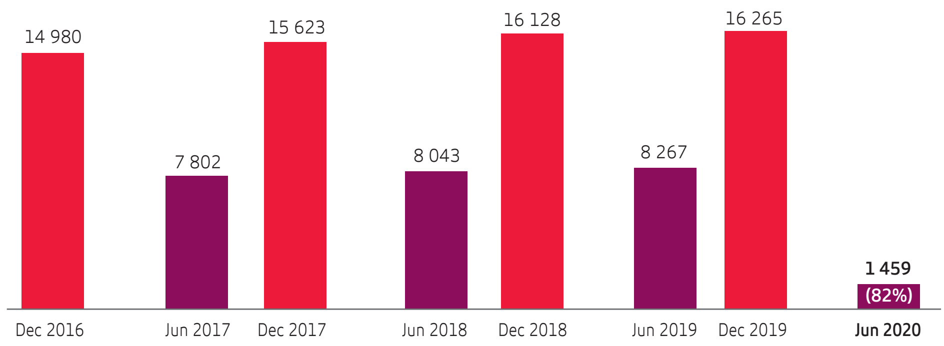
[1] Includes coins and bank notes.
[2] Includes call advances, which are used as working capital by the Group.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

1. Headline earnings and earnings per ordinary share

Headline earnings (Rm and change %)



Headline earnings	30 June 2020 Gross Rm	30 June 2020 Net Rm	30 June 2019 Gross Rm	30 June 2019 Net Rm	Net change %	31 December 2019 Gross Rm	31 December 2019 Net Rm
Headline earnings is determined as follows:							
Profit attributable to ordinary equity holders		1 443		8 258	(83)		16 003
Total headline earnings adjustment		16		9	78		262
IFRS 3 – Goodwill impairment	2	2	—	—	100	—	—
IFRS 3 – Gain on bargain purchase	(86)	(66)	—	—	100	—	—
IFRS 5 – Profit on disposal of non-current assets held for sale	—	—	(14)	(12)	(100)	(19)	(15)
IAS 16 – Profit on disposal of property and equipment	(12)	(9)	(7)	(6)	50	(29)	(21)
IAS 21 – Recycled foreign currency translation reserve	—	—	—	—	—	118	81
IAS 36 – Impairment of property and equipment	75	55	44	33	67	197	145
IAS 36 – Impairment of intangible assets	15	14	—	—	100	122	88
IFRS 5 – Remeasurement of non-current assets held for sale	22	20	(9)	(6)	<(100)	(9)	(6)
IAS 40 – Change in fair value of investment properties	—	—	—	—	—	(12)	(9)
IAS 40 – Profit on disposal of investment property	—	—	—	—	—	(1)	(1)
		1 459		8 267	(82)		16 265

Notable adjustments to headline earnings

- 'Gain on bargain purchase' arose from the purchase of Societe Generale's derivatives clearing, custody and trustee services business in South Africa.
- 'Impairment of property and equipment' relates mainly to properties located in the Johannesburg City Centre and computer equipment.
- 'Impairment of intangible assets' relates to intangible assets that are no longer in use.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

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

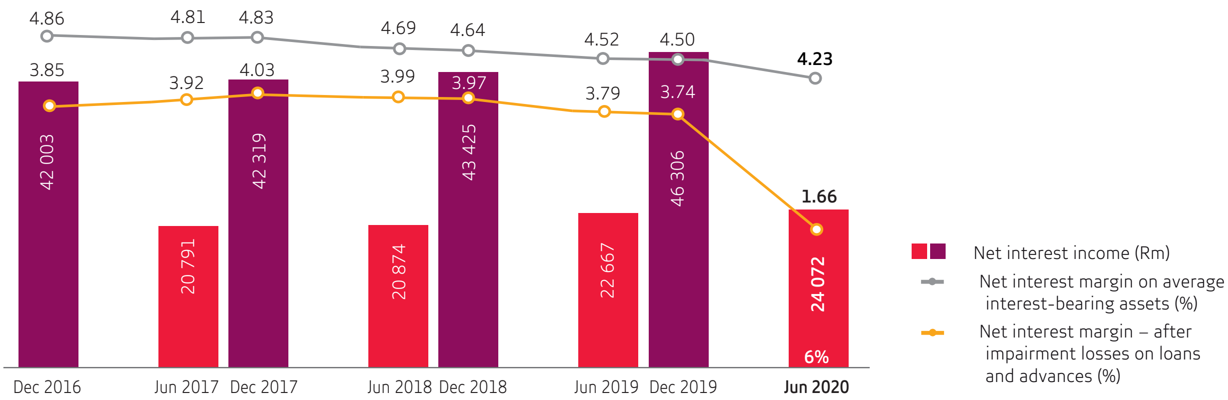
	30 June			31 December
	2020 Rm	2019 Rm	Change value/ %	2019 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**1 443**	8 258	(83)	16 003
Weighted average number of ordinary shares in issue (million)	**840.6**	845.7	(5.1)	844.5
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(7.2)**	(2.1)	(5.1)	(3.3)
Basic earnings per ordinary share (cents)	**171.7**	976.5	(82)	1 895.0
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**1 443**	8 258	(83)	16 003
Diluted weighted average number of ordinary shares in issue (million)	**841.2**	847.2	(6.0)	845.7
Weighted average number of ordinary shares in issue (million)	**840.6**	845.7	(5.1)	844.5
Adjustments for share options issued at no value (million)	**0.6**	1.5	(0.9)	1.2
Diluted basic earnings per ordinary share (cents)	**171.5**	974.7	(82)	1 892.3
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**1 459**	8 267	(82)	16 265
Weighted average number of ordinary shares in issue (million)	**840.6**	845.7	(5.1)	844.5
Headline earnings per ordinary share (cents)	**173.6**	977.5	(82)	1 926.0
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**1 459**	8 267	(82)	16 265
Diluted weighted average number of ordinary shares in issue (million)	**841.2**	847.2	(6.0)	845.7
Diluted headline earnings per ordinary share (cents)	**173.4**	975.8	(82)	1 923.3

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

2. Net interest income

Net interest income and net interest margin (change %)



	30 June						31 December		
	2020			2019			2019		
Group average statement of financial position	**Average balance[1] Rm**	**Average rate %**	**Interest income/ (expense) Rm**	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm	Average balance[1] Rm	Average rate %	Interest income/ (expense) Rm
Assets									
Cash, cash balances and balances with central banks	**3 191**	**1.95**	**31**	3 409	1.36	23	2 577	0.97	25
Investment securities	**121 442**	**8.95**	**5 405**	124 003	9.04	5 560	118 096	9.14	10 794
Loans and advances to banks and customers	**1 018 825**	**8.58**	**43 485**	882 975	9.67	42 340	908 355	9.58	86 977
Interest-bearing assets	**1 143 458**	**8.60**	**48 920**	1 010 387	9.56	47 923	1 029 028	9.50	97 796
Non-interest-bearing assets	**352 553**	**—**	**—**	312 579	—	—	325 677	—	—
Total assets	**1 496 011**	**—**	**48 920**	1 322 966	—	47 923	1 354 705	—	97 796
Liabilities									
Deposits due to banks and customers	**817 666**	**(4.44)**	**(18 036)**	731 054	(5.11)	(18 537)	746 903	(4.94)	(36 920)
Debt securities in issue	**146 645**	**(7.86)**	**(5 730)**	145 771	(8.00)	(5 784)	148 298	(8.38)	(12 430)
Borrowed funds	**22 794**	**(9.55)**	**(1 082)**	19 225	(9.81)	(935)	20 588	(10.39)	(2 140)
Interest-bearing liabilities	**987 105**	**(5.06)**	**(24 848)**	896 050	(5.68)	(25 256)	915 789	(5.62)	(51 490)
Non-interest-bearing liabilities	**387 603**	**—**	**—**	313 164	—	—	324 524	—	—
Total liabilities	**1 374 708**	**—**	**(24 848)**	1 209 214	—	(25 256)	1 240 313	—	(51 490)
Total equity	**121 303**	**—**	**—**	113 752	—	—	114 391	—	—
Total equity and liabilities	**1 496 011**	**—**	**(24 848)**	1 322 966	—	(25 256)	1 354 704	—	(51 490)
Net interest margin on average interest-bearing assets		**4.23**			4.52			4.50	

[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

2. Net interest income (continued)

Change in net interest margin	30 June 2020 bps	30 June 2019 bps	31 December 2019 bps
Loans and advances to customers (i)	**7**	(4)	(4)
Change in customer rates (pricing)	**3**	(7)	(7)
Change in composition	**4**	3	3
Deposits due to customers (ii)	**(18)**	(7)	(13)
Change in customer rates (pricing)	**(5)**	(3)	(4)
Change in composition	**(2)**	(2)	(6)
Endowment (iii)	**(11)**	(2)	(3)
Equity endowment (iii)	**(7)**	(3)	(2)
Interest rate risk management (hedging strategy) (iii)	**11**	—	1
Absa Regional Operations (iv)	**(4)**	(1)	(1)
Other (v)	**(18)**	(2)	5
	(29)	(17)	(14)

Performance

The Group's net interest margin is **29 bps** lower than the previous reporting period (30 June 2019: decreased by 17 bps) mainly reflecting the negative impact of prime interest rate reductions in the current reported period of **275 bps** in South Africa, as well as benchmark interest rate reductions across the Absa Regional Operations markets. The decrease reflects the following:

(i) Loans and advances to customers

- Improved front book pricing in Home Loans and higher margins in Investment Banking in South Africa supported Group margin.
- Slower growth in the Home Loans portfolio relative to the Group's overall loans and advances, created a positive composition impact and was partially offset by negative mix impact of the sale of a store card portfolio.

(ii) Deposits due to customers

- Deposit margins declined mainly in RBB SA reflecting competitive pricing and the impact of lower rates.
- Growth in low-margin deposits in both Corporate SA and RBB SA had a negative composition effect and was partially offset by decreased reliance on wholesale funding.

Performance indicators and condensed normalised notes to the consolidated financial statements

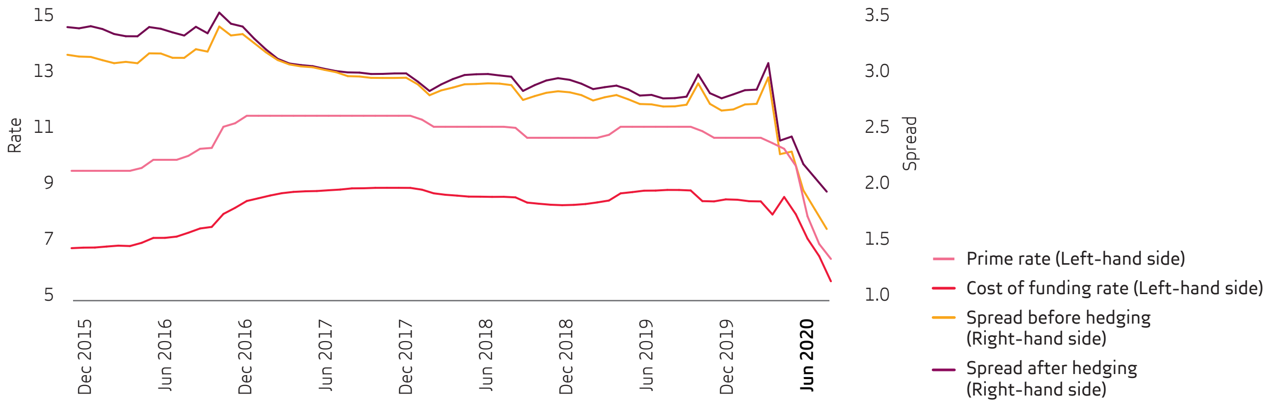
for the reporting period ended

2. Net interest income (continued)

Performance (continued)

(iii) Hedging strategy and equity endowment

Hedging impact on net interest margin[1] (%)



- 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 30 June 2020 an aggregate of **13%** (30 June 2019: 13%; 31 December 2019: 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 **R4.5bn** (30 June 2019: R1.2bn; 31 December 2019: R1.1bn). The benefit realised in the current reporting period is **16 bps** (30 June 2019: 5 bps; 31 December 2019: 6 bps), releasing **R914m** (30 June 2019: R239m; 31 December 2019: R595m) to the statement of comprehensive income.
- Endowment on equity and liabilities after hedging had a net **7 bps** (30 June 2019: 5 bps; 31 December 2019: 4 bps) negative contribution to the Group's net interest margin mainly from the negative 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 **4 bps** (30 June 2019: 1 bps; 31 December 2019: 1 bps) impact on the Group's margin. This mainly reflected the negative margin impact of lower benchmark interest rates across markets as well as competitive pricing pressures (pricing impact). This was partially offset by the positive composition impact of faster growth in the higher yielding ARO balance sheet compared to the rest of the Group's balance sheet (mix impact).

(v) Other

- Other items have had a cumulative **18 bps** negative impact mainly representing:
  - The negative reset impact following the decrease in the prime rate in the current reporting period of 275 bps (-16 bps).
  - A marginal decrease from the negative composition effect of faster growth on high-quality liquid assets (mix impact), which was partially offset by higher yields earned on these instruments (pricing impact).
  - The positive impact on margin of an increase in the basis differential between prime and JIBAR.

[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

3. Non-interest income

3.1 Net fee and commission income

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Consulting and administration fees	**331**	224	48	548
Transactional fees and commissions	**9 490**	10 263	(8)	20 695
Cheque accounts	**2 569**	2 787	(8)	5 497
Credit cards (includes card issuing fees)	**1 147**	1 410	(19)	2 923
Electronic banking	**2 517**	2 715	(7)	5 510
Other (includes fees on mortgage loans and foreign currency transactions)	**2 450**	2 329	5	4 752
Savings accounts	**807**	1 022	(21)	2 013
Insurance commission received	**410**	382	7	784
Investment, markets execution and investment banking fees	**208**	179	16	400
Merchant income	**1 015**	1 074	(5)	2 289
Other fee and commission income	**263**	216	22	535
Trust and other fiduciary services fees	**643**	752	(14)	1 508
Portfolio and other management fees	**517**	585	(12)	1 168
Trust and estate income	**126**	167	(25)	340
Fee and commission income	**12 360**	13 090	(6)	26 759
Fee and commission expense	**(1 730)**	(1 510)	15	(3 153)
Brokerage fees	**(59)**	(45)	31	(89)
Cheque processing fees	**(57)**	(61)	(7)	(122)
Clearing and settlement charges	**(472)**	(421)	12	(823)
Insurance commission paid	**(521)**	(461)	13	(994)
Notification fees	**(134)**	(109)	23	(216)
Other	**(453)**	(376)	20	(831)
Valuation fees	**(34)**	(37)	(8)	(78)
	10 630	11 580	(8)	23 606
Segment split				
RBB South Africa	**7 573**	8 574	(12)	17 366
CIB South Africa	**1 019**	980	4	2 062
Absa Regional Operations	**1 645**	1 589	4	3 310
Head Office, Treasury and other operations in South Africa	**393**	437	(10)	868
	10 630	11 580	(8)	23 606

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.2 Net insurance premium income

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Gross insurance premiums	**4 703**	4 352	8	8 944
Premiums ceded to reinsurers	**(612)**	(574)	7	(1 114)
	4 091	3 778	8	7 830
Segment split				
RBB South Africa[1]	**4 114**	3 795	8	7 866
Head Office, Treasury and other operations in South Africa	**(23)**	(17)	35	(36)
	4 091	3 778	8	7 830

3.3 Net claims and benefits incurred on insurance contracts

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Gross claims and benefits incurred on insurance contracts	**(2 121)**	(2 518)	(16)	(4 869)
Reinsurance recoveries	**216**	587	(63)	1 122
	(1 905)	(1 931)	(1)	(3 747)
Segment split				
RBB South Africa[1]	**(1 866)**	(1 885)	(1)	(3 808)
Head Office, Treasury and other operations in South Africa	**(39)**	(46)	(15)	61
	(1 905)	(1 931)	(1)	(3 747)

3.4 Changes in investment and insurance contract liabilities

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Change in insurance contract liabilities	**42**	(21)	<(100)	(19)
Change in investment contract liabilities[2]	**(169)**	(1 217)	(86)	(1 570)
	(127)	(1 238)	(90)	(1 589)
Segment split				
RBB South Africa[1]	**(130)**	(1 242)	(90)	(1 596)
Head Office, Treasury and other operations in South Africa	**3**	4	(25)	7
	(127)	(1 238)	(90)	(1 589)

[1] Life Insurance and Short-term Insurance (including Absa Regional Insurance Operations) are disclosed as part of the Insurance Cluster in RBB South Africa.

[2] One of the main drivers to 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'.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.5 Gains and losses from banking and trading activities

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Net gains on investments	(204)	129	<(100)	297
Debt instruments at fair value through profit or loss	82	60	37	117
Equity instruments at fair value through profit or loss	(300)	69	<(100)	160
Unwind from reserves for debt instruments at FVOCI	14	—	100	20
Net trading result	3 329	2 444	36	5 221
Net trading income excluding the impact of hedge accounting	3 066	2 247	36	4 980
Ineffective portion of hedges	263	197	34	241
Cash flow hedges	230	200	15	225
Fair value hedges	33	(3)	<(100)	16
Other gains	(312)	(30)	>100	(99)
	2 813	2 543	11	5 419
Segment split				
RBB South Africa	380	310	23	706
CIB South Africa[1]	709	811	(13)	1 706
Absa Regional Operations	1 570	1 261	25	2 641
Head Office, Treasury and other operations in South Africa	154	161	(4)	366
	2 813	2 543	11	5 419

3.6 Gains and losses from investment activities

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Net gains on investments from insurance activities	56	1 189	(95)	1 583
Policyholder insurance contracts	23	173	(87)	275
Policyholder investment contracts[2]	(168)	784	<(100)	865
Shareholders' funds	201	232	(13)	443
Other gains	(32)	13	<(100)	17
	24	1 202	(98)	1 600
Segment split				
RBB South Africa[1]	355	1 656	(79)	2 368
Head Office, Treasury and other operations in South Africa	(331)	(454)	(27)	(768)
	24	1 202	(98)	1 600

[1] 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.

[2] One of the main drivers to 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 contract liabilities' reported in 'Changes in investment and insurance contract liabilities'.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Property-related income	**35**	48	(27)	140
Income from investment properties	**3**	3	—	18
Change in fair value	**—**	—	—	12
Rentals	**3**	3	—	6
Property-related income arising from contracts with customers	**32**	45	(29)	122
Profit on disposal of property and equipment	**12**	7	71	30
Profit on sale of developed properties	**2**	10	(80)	31
Profit on sale of repossessed properties	**1**	10	(90)	25
Rental income	**17**	18	(6)	36
Other operating income	**445**	422	5	396
Foreign exchange differences, including recycle from other comprehensive income	**94**	14	>100	(111)
Income from maintenance contracts	**25**	15	67	33
Sundry income	**326**	393	(17)	474
	480	470	2	536
Segment split				
Property-related income	**35**	48	(27)	140
RBB South Africa	**29**	30	(3)	106
Absa Regional Operations	**13**	17	(24)	24
Head Office, Treasury and other operations in South Africa	**(7)**	1	<(100)	10
Other operating income	**445**	422	5	396
RBB South Africa	**281**	352	(20)	373
CIB South Africa	**75**	(2)	<(100)	(6)
Absa Regional Operations	**68**	28	>100	66
Head Office, Treasury and other operations in South Africa	**21**	44	(52)	(37)
	480	470	2	536

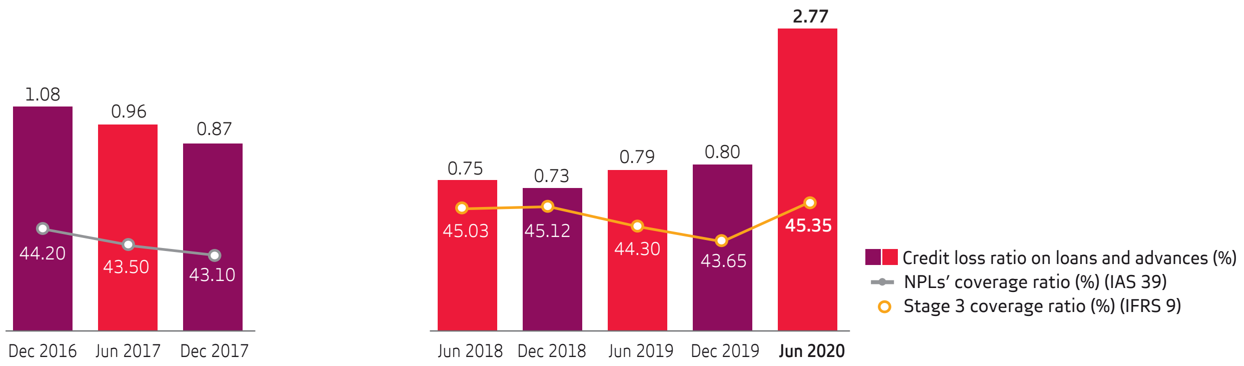
Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses

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

Credit loss and Stage 3 coverage ratios/Non performing loans (NPLs) coverage ratios (%)



Charge to the statement of comprehensive income by market segment	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
RBB South Africa				
Home Loans	**1 750**	147	>100	182
Vehicle and Asset Finance	**2 129**	548	>100	1 099
Everyday Banking	**5 107**	1 995	>100	4 653
Card	**2 897**	1 133	>100	2 536
Personal loans	**1 867**	637	>100	1 610
Transactions and deposits	**343**	225	52	507
Relationship Banking	**1 348**	188	>100	322
Retail and Business Banking Other (RBB Other)	**(1)**	(2)	(50)	(3)
Total charge	**10 333**	2 876	>100	6 253
Credit loss ratio (%)	**3.77**	1.12		1.18
CIB South Africa				
Total charge	**1 657**	284	>100	367
Credit loss ratio (%)	**0.93**	0.18		0.11
Absa Regional Operations				
RBB	**1 455**	439	>100	1 120
CIB	**1 140**	118	>100	173
Head Office, Treasury and other operations	**77**	(9)	<(100)	(80)
Total charge	**2 672**	548	>100	1 213
Credit loss ratio (%)	**3.58**	0.94		0.98
Head Office, Treasury and other operations in South Africa				
Total charge	**(1)**	(13)	(92)	(17)
Total charge to the statement of comprehensive income	**14 661**[1]	3 695	>100	7 816
Interest on cured accounts	**250**	325	(23)	749
Total charge to the statement of comprehensive income before cured interest adjustment	**14 911**	4 020	>100	8 565
Comprising:				
Impairment losses raised	**15 832**	5 217	>100	10 106
Impairment on loans and advances to customers and undrawn facilities[2]	**15 588**	5 220	>100	10 233
Impairment on loans and advances to banks	**21**	8	>100	(0)
Impairment losses on other financial instruments subject to impairment	**76**	(27)	<(100)	(120)
Impairment losses on guarantees and letters of credit	**147**	16	>100	(7)
Recoveries of financial instruments subject to impairment previously written off	**(312)**	(445)	(30)	(826)
Net change in interest including other movements	**(859)**	(1 077)	(22)	(1 464)
Total charge to the statement of comprehensive income	**14 661**	3 695	>100	7 816

[1] Included in the total impairment per the statement of comprehensive income, is the management adjustment that accounts for the change in the macroeconomic environment due to the effect of Covid-19. Refer to the Impact of Covid-19 section.

[2] Impairment losses on loans and advances to customers and undrawn facilities includes the 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

4. Impairment losses (continued)

4.2 ECL analysis by market segment and class of credit exposure

	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	—	427 590	4 581	1.07
Home Loans	—	203 666	639	0.31
Vehicle and Asset Finance	—	70 073	918	1.31
Everyday Banking	—	50 114	2 351	4.69
Card	—	31 448	1 489	4.73
Personal Loans	—	16 239	726	4.47
Transactions and Deposits	—	2 427	136	5.60
Relationship Banking	—	103 737	673	0.65
RBB Other	—	—	—	—
CIB South Africa	61 392	202 863	1 352	0.67
Absa Regional Operations (ARO)	—	114 090	1 704	1.49
Head Office, Treasury and other operations in South Africa	—	229	(199)	—
Loans and advances to customers	—	229	5	2.18
Reclassification to provisions[1]	—	—	(204)	—
Loans and advances to customers	61 392	744 772	7 438	1.00
Loans and advances to banks	57 630	54 395	42	0.08
Total loans and advances to customers and banks	119 022	799 167	7 480	0.94

[1] This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. To the extent that such occurs, a 'provision' is recognised on the Group's statement of financial position.

30 June 2020

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

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	—	436 499	2 985	0.68
Home Loans	—	203 626	266	0.13
Vehicle and Asset Finance	—	71 283	436	0.61
Everyday Banking	—	53 797	1 484	2.76
Card	—	34 040	954	2.80
Personal Loans	—	17 294	463	2.68
Transactions and Deposits	—	2 463	67	2.72
Relationship Banking	—	107 793	799	0.74
RBB Other	—	—	—	—
CIB South Africa	68 114	190 952	392	0.21
Absa Regional Operations (ARO)	—	94 319	840	0.89
Head Office, Treasury and other operations in South Africa	—	264	(226)	—
Loans and advances to customers	—	264	6	2.27
Reclassification to provisions[1]	—	—	(232)	—
Loans and advances to customers	68 114	722 034	3 991	0.55
Loans and advances to banks	27 657	36 745	20	0.05
Total loans and advances to customers and banks	95 771	758 779	4 011	0.53

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

30 June 2019						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
38 381	3 946	10.28	39 081	16 537	42.31	490 493
14 351	267	1.86	18 807	4 936	26.25	231 315
5 675	672	11.84	5 146	2 026	39.37	78 970
8 768	2 498	28.49	9 879	6 748	68.31	61 714
5 305	1 933	36.44	6 775	4 707	69.48	38 526
2 388	392	16.42	2 640	1 708	64.70	19 759
1 075	173	16.09	464	333	71.77	3 429
9 587	509	5.31	5 196	2 775	53.41	118 493
—	—	—	53	52	98.11	1
29 139	324	1.11	2 396	857	35.77	289 028
7 290	786	10.78	5 459	3 414	62.54	102 028
74	(236)	—	—	(16)	—	816
74	—	—	—	—	—	332
—	(236)	—	—	(16)	—	484
74 884	4 820	6.44	46 936	20 792	44.30	882 365
2 570	5	0.19	3	3	100.00	66 947
77 454	4 825	6.23	46 939	20 795	44.30	949 312

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

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	—	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.

31 December 2019						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
39 097	3 937	10.07	39 583	16 664	42.10	506 478
13 923	235	1.69	18 956	4 909	25.90	237 391
7 996	622	7.78	5 253	1 963	37.37	83 740
9 077	2 555	28.15	10 034	7 220	71.96	61 386
5 083	1 745	34.33	6 384	4 772	74.75	37 054
2 788	489	17.54	3 107	2 128	68.49	20 857
1 206	321	26.62	543	320	58.93	3 475
8 101	525	6.48	5 287	2 520	47.66	123 960
—	—	—	53	52	98.11	1
28 905	316	1.09	1 803	615	34.11	298 229
8 654	951	10.99	5 607	3 248	57.93	111 465
9	(269)	—	—	(12)	—	806
9	—	—	—	—	—	284
—	(269)	—	—	(12)	—	522
76 665	4 935	6.44	46 993	20 515	43.66	916 978
580	3	0.52	—	—	—	59 745
77 245	4 938	6.39	46 993	20 515	43.66	976 723

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

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:

30 June 2020	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	32 822	2 745	8 108	(484)	43 191
Stage 1	4 581	1 352	1 704	(199)	7 438
Stage 2	6 497	444	1 199	(268)	7 872
Stage 3	21 744	949	5 205	(17)	27 881
Undrawn facilities	—	—	83	489	572
Stage 1	—	—	62	204	266
Stage 2	—	—	19	268	287
Stage 3	—	—	2	17	19
Total loans and advances to customers and undrawn facilities	32 822	2 745	8 191	5	43 763

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

31 December 2019	RBB South Africa Rm	CIB South Africa Rm	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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

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

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

	30 June 2019				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	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	637	15	117	—	769
Stage 2 net transfers	(1 231)	(23)	(280)	—	(1 394)
Stage 3 net transfers	594	8	163	—	765
Impairment losses raised and interest in suspense	4 122	418	680	—	5 220
Amounts written off	(3 397)	(1 543)	(401)	—	(5 341)
Foreign exchange movements	—	—	(362)	—	(362)
Balance at the end of the reporting period	23 468	1 573	5 134	6	30 181
Stage 1	2 985	392	911	6	4 294
Stage 2	3 946	324	806	—	5 076
Stage 3	16 537	857	3 417	—	20 811

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

4. Impairment losses (continued)

4.3 Reconciliation of ECL allowance (continued)

Loans and advances to customers at amortised cost and undrawn facilities	31 December 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
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

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

Loans and advances to banks at amortised cost	30 June 2020 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	—	18	4	2	24
Stage 1	—	15	4	2	21
Stage 2	—	3	—	—	3
Impairment losses raised	—	—	21	—	21
Balance at the end of the reporting period	—	18	25	2	45
Stage 1	—	15	25	2	42
Stage 2	—	3	—	—	3

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

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:

	30 June 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	—	5	4	(1)	8
Foreign exchange movements	—	—	(3)	—	(3)
Balance at the end of the reporting period	—	20	4	4	28
Stage 1	—	14	3	3	20
Stage 2	—	3	1	1	5
Stage 3	—	3	—	—	3

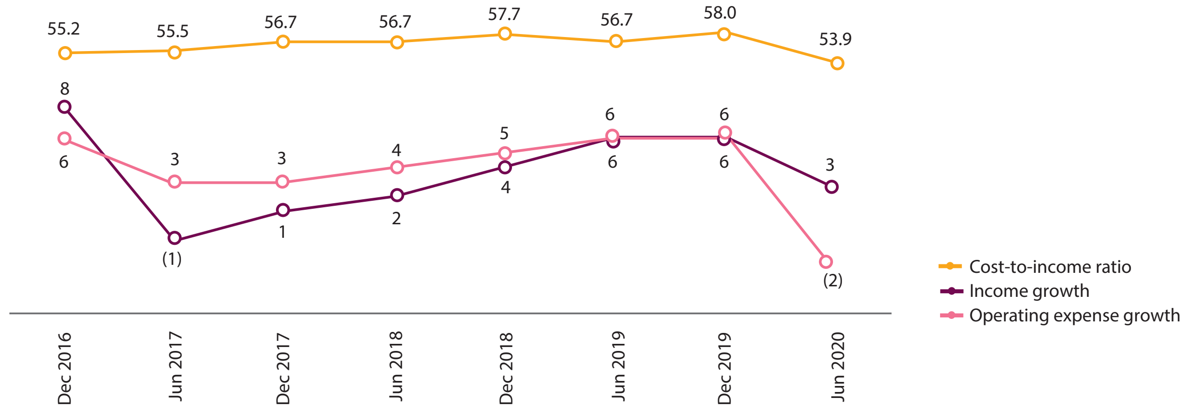
	31 December 2019				
Loans and advances to banks at amortised cost	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	—	15	3	5	23
Stage 1	—	6	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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

Jaws and cost-to-income ratio (%)



Breakdown of operating expenses	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Administration fees	**150**	305	(51)	563
Amortisation of intangible assets	**572**	468	22	1 100
Auditors' remuneration	**157**	157	—	351
Cash transportation	**557**	640	(13)	1 304
Depreciation	**1 794**	1 738	3	3 564
Equipment costs	**174**	175	(1)	357
Information technology	**2 007**	1 869	7	3 717
Marketing costs	**534**	581	(8)	1 538
Operating lease expenses on properties	**101**	109	(7)	174
Other operating costs (includes net fraud losses, travel and entertainment costs)	**1 046**	1 187	(12)	2 813
Printing and stationery	**156**	164	(5)	337
Professional fees	**961**	736	31	1 912
Property costs	**933**	825	13	1 763
Staff costs	**11 919**	12 586	(5)	25 696
Bonuses	**87**	672	(87)	1 946
Deferred cash and share-based payments	**250**	351	(29)	640
Other[1]	**464**	494	(6)	1 044
Salaries and current service costs on post-retirement benefit funds	**10 988**	10 889	1	21 625
Training costs	**130**	180	(28)	441
Telephone and postage	**552**	596	(7)	1 168
	21 613	22 136	(2)	46 357

Breakdown of IT-related spend included in operating expenses	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Amortisation of intangible assets and depreciation of IT equipment	**1 157**	1 044	11	2 259
Information technology	**2 007**	1 869	7	3 717
Staff costs	**1 065**	1 228	(13)	2 480
of which staff costs pre the capitalisation of project-related resource costs	**1 256**	1 400	(10)	2 821
Other	**576**	354	63	867
	4 805	4 495	7	9 323

[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

5. Operating expenses (continued)

On a normalised basis operating costs decreased by 2% (CCY 5%) to **R21 613m** (30 June 2019: R22 136m) reflecting lower year-on-year staff costs of 5% (CCY 8%) as non-staff costs increased by 1% (CCY 1% lower). The decrease in operating expenses reflects the benefit of management actions in response to Covid-19 in the first half of the year which included controlled hiring, lower travel expenditure as well as lower demand-driven costs as a consequence of the Covid-19 lockdown. This, together with the impact of restructuring costs in the prior year base as well as lower incentive costs in line with the Group's results, reflected in a lower year-on-year cost position.

- Administration fees decreased by 51% (CCY 54%) and mainly reflect lower payments for externally managed product services following the sale of a store card portfolio.
- Amortisation of intangible assets increased by 22% (CCY 21%) and reflects continuing investment in new digital, data and automation capabilities.
- Cash transportation costs decreased by 13% (CCY 14%) and reflect lower cash volumes as a result of the Covid-19 lockdown.
- Depreciation increased by 3% (CCY 1%) mainly driven by an increase in the right-of-use assets.
- Information technology costs increased by 7% (CCY 7%) and reflected continued investment in technology services following separation from Barclays PLC.
- Marketing costs decreased by 8% (CCY 10%) reflecting lower product campaign and advertising spend.
- Other operating costs decreased by 12% (CCY 18%) reflecting lower fraud charges and travel costs as a consequence of the Covid-19 lockdown.
- Professional fees increased by 31% (CCY 27%) and mainly reflect increased project-related spend.
- Property costs increased by 13% (CCY 11%) and reflect the impact of Covid-19-related costs for protective equipment. When excluding the afore-mentioned costs, property-related expense growth remained low in line with the Group's property optimisation strategy.
- Staff costs decreased by 5% (CCY 8%) to **R11 919m** (30 June 2019: R12 586m). Salaries and other staff costs of **R11 452m** (30 June 2019: R11 383m) have increased by 1% (CCY 2% lower) mainly reflecting the impact of staff restructuring costs in the 2019 base which, coupled with controlled recruitment in response to Covid-19, resulted in lower headcount. Bonuses of **R87m** (30 June 2019: R672m) decreased by 87% (CCY 90%) in line with the Group's results whilst deferred cash and share-based payments of **R250m** (30 June 2019: R351m) decreased by 29% (CCY 29%).
- Telephone and postage costs decreased by 7% (CCY 10%) and reflect the impact of optimisation initiatives.

6. Indirect taxation

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Training levy	**85**	110	(23)	201
Value-added tax net of input credits	**844**	699	21	1 373
	929	809	15	1 574

7. Taxation expense

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**2 753**	12 480	(78)	24 116
Share of post-tax results of associates and joint ventures	**8**	(93)	<(100)	(221)
	2 761	12 387	(78)	23 895
Tax calculated at a tax rate of 28%	**773**	3 468	(78)	6 691
Effect of different tax rates in other countries	**72**	51	41	52
Expenses not deductible for tax purposes[1]	**280**	272	3	528
Assessed losses	**6**	38	(84)	37
Dividend income	**(303)**	(268)	13	(447)
Non-taxable interest[2]	**(136)**	(101)	35	(315)
Other income not subject to tax	**(41)**	(9)	>100	(3)
Other	**(24)**	(57)	(58)	(244)
Items of a capital nature	**91**	(9)	<(100)	11
	718	3 385	(79)	6 310

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

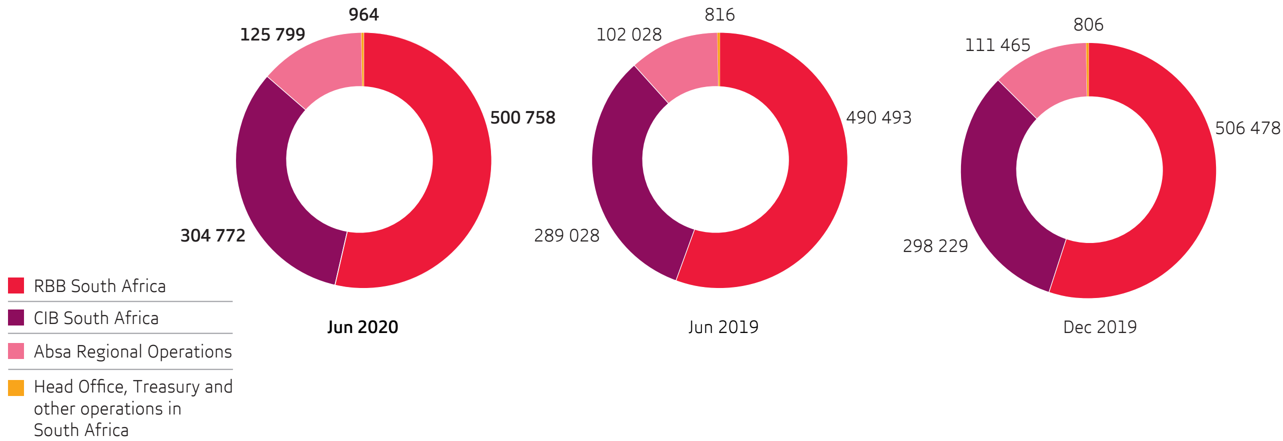
[2] This relates to interest earned from certain governments in Africa as well as interest earned on certain capital instruments, which are exempt from tax.

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

8. Loans and advances to customers

Loans and advances to customers by segment (Rm)



	30 June 2020 %	30 June 2019 %	31 December 2019 %
RBB South Africa	**53.7**	55.6	55.2
CIB South Africa	**32.7**	32.8	32.5
Absa Regional Operations	**13.5**	11.6	12.2
Head Office, Treasury and other operations in South Africa	**0.1**	—	0.1
	100.0	100.0	100.0

Loans and advances to customers by segment	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
RBB South Africa				
Credit cards	**43 259**	44 933	(4)	43 219[1]
Instalment credit agreements	**95 736**	90 176	6	94 380
Loans to associates and joint ventures	**23 877**	25 497	(6)	25 923
Mortgages	**272 406**	265 711	3	272 279
Other loans and advances	**4 412**	3 260	35	4 181
Overdrafts	**35 360**	33 900	4	34 513
Personal and term loans	**58 530**	50 484	16	55 786
Gross loans and advances to customers	**533 580**	513 961	4	530 281
Impairment losses on loans and advances to customers	**(32 822)**	(23 468)	40	(23 803)
	500 758	490 493	2	506 478
CIB South Africa				
Foreign currency loans	**48 124**	35 131	37	39 101
Mortgages	**41 533**	33 424	24	36 197
Term loans	**113 023**	107 845	5	113 328
Overdrafts	**15 287**	18 119	(16)	17 571
Overnight finance	**18 970**	20 468	(7)	18 130
Preference shares	**24 257**	20 157	20	20 986
Reverse repurchase agreements	**34 893**	45 185	(23)	43 222
Other loans and advances	**11 430**	10 272	11	11 128
Gross loans and advances to customers	**307 517**	290 601	6	299 663
Impairment losses on loans and advances to customers	**(2 745)**	(1 573)	75	(1 434)
	304 772	289 028	5	298 229

[1] The Edcon portfolio has been reported as non-current assets held for sale as at 31 December and has therefore been excluded from loans and advances.

Performance indicators and condensed normalised notes to the consolidated financial statements

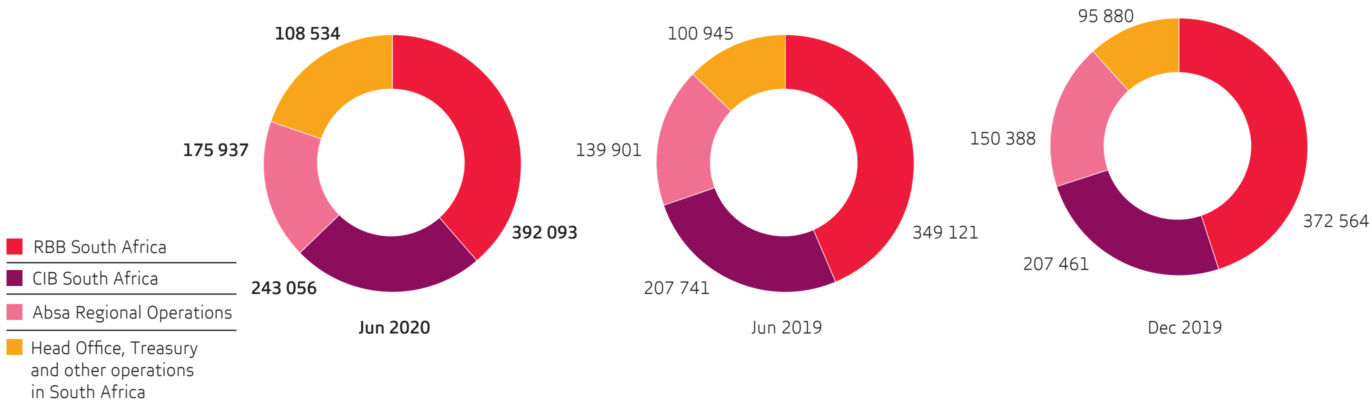
for the reporting period ended

8. Loans and advances to customers (continued)

Loans and advances to customers by segment (continued)	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Absa Regional Operations – Total				
Gross loans and advances to customers	**133 907**	107 068	25	116 475
Impairment losses on loans and advances to customers	**(8 108)**	(5 040)	61	(5 010)
	125 799	102 028	23	111 465
Absa Regional Operations – RBB				
Gross loans and advances to customers	**66 064**	52 595	26	55 386
Impairment losses on loans and advances to customers	**(5 098)**	(3 331)	53	(3 360)
	60 966	49 264	24	52 026
Absa Regional Operations – CIB				
Gross loans and advances to customers	**67 843**	54 473	25	61 089
Impairment losses on loans and advances to customers	**(3 010)**	(1 709)	76	(1 650)
	64 833	52 764	23	59 439
Head Office, Treasury and other operations in South Africa				
Gross loans and advances to customers	**480**	338	42	296
Impairment losses on loans and advances to customers	**484**	478	1	510
	964	816	18	806
Total loans and advances to customers				
Gross loans and advances to customers	**975 484**	911 968	7	946 715
Impairment losses on loans and advances to customers	**(43 191)**	(29 603)	46	(29 737)
Net loans and advances to customers including reverse repurchase agreements	**932 293**	882 365	6	916 978
Less: Reverse repurchase agreements	**(34 893)**	(45 185)	(23)	(43 222)
Net loans and advances to customers excluding reverse repurchase agreements	**897 400**	837 180	7	873 756

9. Deposits due to customers

Deposits due to customers by segment (Rm)



Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

9. Deposits due to customers (continued)

Total funding mix	30 June 2020 %	30 June 2019 %	31 December 2019 %
Deposits due to customers	**76.2**	74.0	74.9
RBB South Africa	**32.5**	32.4	33.8
CIB South Africa	**20.1**	19.3	18.8
Absa Regional Operations	**14.6**	13.0	13.6
Head Office, Treasury and other operations in South Africa	**9.0**	9.3	8.7
Deposits from banks	**9.0**	10.8	10.6
Debt securities in issue	**14.8**	15.2	14.5
	100.0	100.0	100.0

Deposits due to customers by segment	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
RBB South Africa	**392 093**	349 121	12	372 564
Call deposits	**14 517**	14 232	2	13 023
Cheque account deposits	**85 515**	82 815	3	85 449
Credit card deposits	**1 973**	1 792	10	1 862
Fixed deposits	**92 299**	87 371	6	93 104
Foreign currency deposits	**875**	572	53	793
Notice deposits	**25 598**	21 621	18	23 655
Other deposits	**337**	531	(37)	307
Saving and transmission deposits	**170 979**	140 187	22	154 371
CIB South Africa	**243 056**	207 741	17	207 461
Call deposits	**39 146**	23 878	64	22 005
Cheque account deposits	**94 820**	92 055	3	78 266
Fixed deposits	**57 034**	51 760	10	59 084
Foreign currency deposits	**31 294**	13 949	>100	19 053
Notice deposits	**9 888**	4 612	>100	6 696
Other deposits	**262**	489	(46)	415
Repurchase agreements with non-banks	**8 248**	19 295	(57)	19 884
Saving and transmission deposits	**2 364**	1 703	39	2 058
Absa Regional Operations	**175 937**	139 901	26	150 388
RBB	**94 481**	74 708	26	75 670
CIB	**77 530**	62 605	24	71 814
Head Office, Treasury and other operations	**3 926**	2 588	52	2 904
Head Office, Treasury and other operations in South Africa	**108 534**	100 945	8	95 880
Total deposits due to customers including repurchase agreements with non-banks	**919 620**	797 708	15	826 293
Less: Repurchase agreements with non-banks	**(8 248)**	(19 295)	(57)	(19 884)
Total deposits due to customers excluding repurchase agreements with non-banks	**911 372**	778 413	17	806 409

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

10. Debt securities in issue

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Commercial paper	**4 468**	3 603	24	5 290
Credit-linked notes	**8 882**	7 609	17	9 464
Floating rate notes	**61 980**	61 584	1	57 028
Negotiable certificates of deposit	**65 783**	55 950	18	46 539
Other	**1 277**	851	50	1 140
Promissory notes	**1 043**	1 242	(16)	1 120
Senior notes	**35 259**	33 381	6	39 111
Structured notes and bonds	**103**	101	2	102
	178 795	164 321	9	159 794
Segment split				
CIB South Africa	**15 911**	12 587	26	16 612
Absa Regional Operations	**3 756**	2 298	63	2 855
Head Office, Treasury and other operations in South Africa	**159 128**	149 436	6	140 327
	178 795	164 321	9	159 794

11. Equity and borrowed funds

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Authorised				
880 467 500 (30 June 2019: 880 467 500; 31 December 2019: 880 467 500) ordinary shares of R2.00 each	**1 761**	1 761	—	1 761
Issued				
847 750 679 (30 June 2019: 847 750 679; 31 December 2019: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—	1 696
4 898 026 (30 June 2019: 2 074 711; 31 December 2019: 4 221 005) treasury shares held by Group entities	**(10)**	(5)	100	(9)
	1 686	1 691	(0)	1 687
Total issued capital				
Share capital	**1 686**	1 691	(0)	1 687
Share premium	**3 781**	4 272	(11)	3 875
	5 467	5 963	(8)	5 562

	30 June			31 December
Number of ordinary shares in issue (after deduction of treasury shares)	**2020 Number of shares (million)**	2019 Number of shares (million)	Change %	2019 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(4.9)**	(2.1)	>100	(4.2)
	842.9	845.7	(0)	843.6

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

11. Equity and borrowed funds (continued)

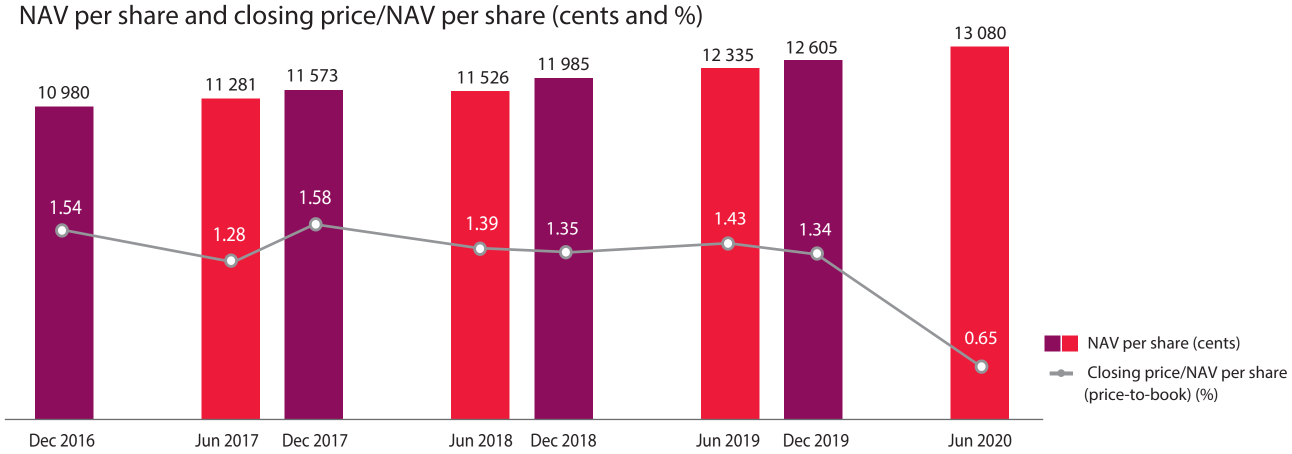
Borrowed funds		30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Subordinated callable notes issued by Absa Bank Limited					
Interest rate	**Final maturity date**				
Consumer Price Index linked notes fixed at 5.50%	7 December 2028	**1 500**	1 500	—	1 500
Subordinated callable notes issued by Absa Group Limited					
10.05%	5 February 2025	**—**	807	(100)	807
10.835%	19 November 2024	**—**	130	(100)	—
11.365%	4 September 2025	**508**	508	—	508
11.40%	29 September 2025	**288**	288	—	288
11.74%	20 August 2026	**140**	140	—	140
11.81%	3 September 2027	**737**	737	—	737
12.43%	5 May 2026	**200**	200	—	200
Three-month JIBAR + 2.13%	17 May 2030	**2 676**	—	100	—
Three-month JIBAR + 2.40%	11 April 2029	**1 580**	1 580	—	1 580
Three-month JIBAR + 2.45%	29 November 2028	**1 500**	1 500	—	1 500
Three-month JIBAR + 3.30%	19 November 2024	**—**	370	(100)	—
Three-month JIBAR + 3.50%	5 February 2025	**—**	1 693	(100)	1 693
Three-month JIBAR + 3.50%	4 September 2025	**437**	437	—	437
Three-month JIBAR + 3.60%	3 September 2027	**30**	30	—	30
Three-month JIBAR + 4.00%	5 May 2026	**31**	31	—	31
Three-month JIBAR + 4.00%	20 August 2026	**1 510**	1 510	—	1 510
Three-month JIBAR + 4.00%	3 November 2026	**500**	500	—	500
Three-month JIBAR + 3.78%	17 March 2027	**642**	642	—	642
Three-month JIBAR + 3.85%	25 May 2027	**500**	500	—	500
Three-month JIBAR + 3.85%	14 August 2029	**390**	390	—	390
Three-month JIBAR + 3.15%	30 September 2027	**295**	295	—	295
Three-month JIBAR + 3.45%	29 September 2029	**1 014**	1 014	—	1 014
USD 6.25%	25 April 2028	**4 952**	4 952	—	4 952
Subordinated callable notes issued by other subsidiaries					
Barclays Bank of Botswana Limited, Bank rate +2.25%	14 November 2023	**135**	138	(2)	136
Other					
Accrued interest		**1 141**	1 246	(8)	1 162
Fair value adjustments on total subordinated debt		**592**	265	>100	245
Foreign exchange movements		**2 001**	539	>100	621
		23 299	21 942	6	21 418

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

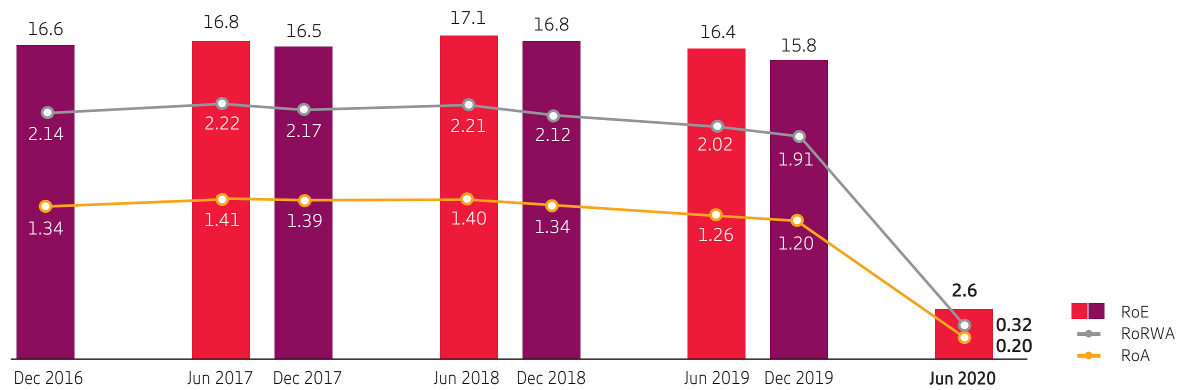
11. Equity and borrowed funds (continued)

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



12. Returns

RoE, RoA and RoRWA (%)

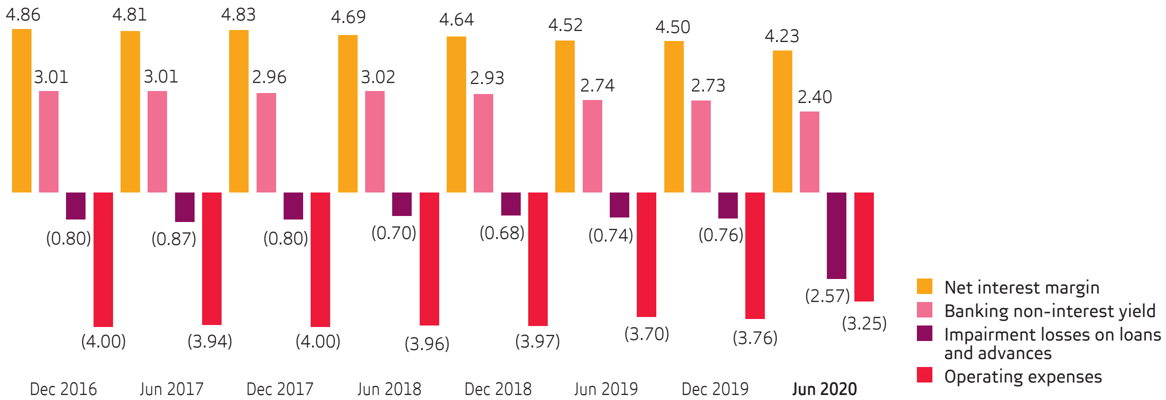


Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

13. RoE decomposition

Major drivers of RoE (%)



		30 June 2020 %	30 June 2019 %	31 December 2019 %
	Net interest margin on average interest-bearing assets	**4.23**	4.52	4.50
Less:	Impairment losses on average interest-bearing assets	**2.57**	0.74	0.76
Equals:	Net interest margin on average interest-bearing assets – after impairment losses	**1.66**	3.78	3.74
Multiply:	Average interest-bearing assets/Average banking assets	**85.32**	84.13	83.19
Equals:	Banking interest yield	**1.41**	3.18	3.11
Plus:	Banking non-interest yield	**2.40**	2.74	2.73
Equals:	Banking income yield	**3.82**	5.92	5.85
Less:	Operating expenses/Average banking assets	**3.25**	3.70	3.76
Equals:	Net banking return	**0.57**	2.22	2.09
Less:	Other[1]	**0.35**	0.80	0.77
Equals:	Banking return	**0.22**	1.42	1.32
Multiply:	Average banking assets/Total average assets	**89.47**	88.73	91.07
Equals:	RoA	**0.20**	1.26	1.20
Multiply:	Leverage	**13.00**	12.98	13.17
Equals:	RoE	**2.6**	16.4	15.8

[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

14. Off-statement of financial position items

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Contingencies, commitments and similar items				
Guarantees	**56 289**	46 280	22	45 325
Irrevocable debt facilities	**183 793**	212 970	(14)	174 827
Irrevocable equity facilities	**7**	8	(13)	7
Letters of credit	**9 497**	13 208	(28)	10 463
Other	**7**	62	(89)	1
	249 593	272 528	(8)	230 623
Authorised capital expenditure				
Contracted but not provided for	**1 166**	1 842	(37)	1 156

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Group undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum off-statement of financial position exposure.

Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate the facilities by written notice.

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

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

The Group has capital commitments in respect of computer equipment, software and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.

15. Legal proceedings

Legal matters

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

- MyRoof: During 2015, Absa terminated an agreement in terms of which MyRoof provided an online electronic system to Absa that facilitated the advertising and sale of distressed Home Loans properties. A dispute subsequently arose, with MyRoof contending that Absa owed to it certain commission-based fee revenue. This resulted in the institution of arbitration proceedings in which MyRoof claims a statement and debatement of account. Absa is disputing both the substance and the quantum of the claim.
- Absa has received a claim under a guarantee issued by it to secure the obligations of a subsidiary, for an amount of US$64m. Absa is defending the matter.

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

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

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

Performance indicators and condensed normalised notes to the consolidated financial statements

for the reporting period ended

15. Legal proceedings (continued)

Regulatory matters

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

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

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

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

For details about these relief measures please refer to the Risk management section.

16. Income tax

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.

17. Standards issued not yet affective

IFRS 17 *Insurance Contracts*

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

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

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

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

Segment performance

Segment performance overview

for the reporting period ended

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 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	30 June 2020	30 June 2019	Change %	31 December 2019
South Africa				
Outlets (including number of branches and sales centres)	**630**	640	(2)	632
ATMs	**8 708**	8 802	(1)	8 656
Africa regions				
Outlets (including number of branches and sales centres)	**390**	394	(1)	390
ATMs	**1 062**	1 084	(2)	1 107
Number of permanent and temporary employees	**37 727**	39 763	(5)	38 472
South Africa (excludes WFS employees)	**27 868**	29 588	(6)	28 296
Africa regions	**9 827**	10 149	(3)	10 149
International operations outside Africa[2]	**32**	26	23	27

[1] Includes Absa Manx Insurance Company.

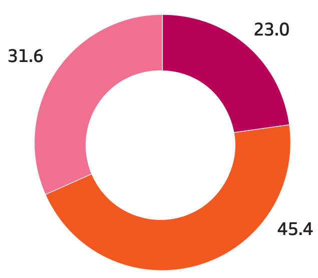
[2] Headcount as disclosed is in relation to the Group's international offices in the United States and United Kingdom.

Segment performance overview

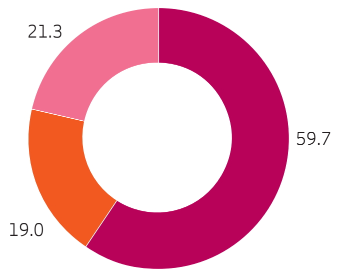
for the reporting period ended

Performance per market segment

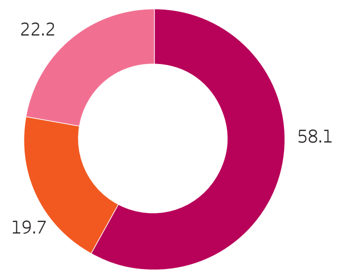
Headline earnings per market segment, excluding Head Office, Treasury and other operations and the impact of the Barclays separation (%)



Jun 2020



Jun 2019

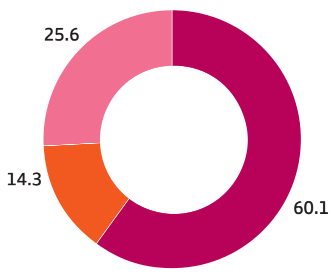


Dec 2019

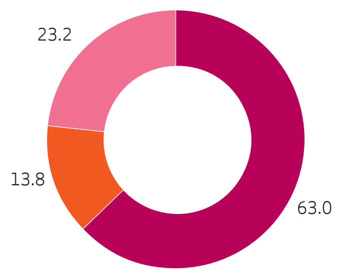
- RBB South Africa
- CIB South Africa
- ARO

Headline earnings	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
RBB South Africa	**415**	4 847	(91)	9 510
CIB South Africa	**817**	1 546	(47)	3 230
Absa Regional Operations	**569**	1 727	(67)	3 635
Head Office, Treasury and other operations in South Africa	**(342)**	147	<(100)	(110)
	1 459	8 267	(82)	16 265

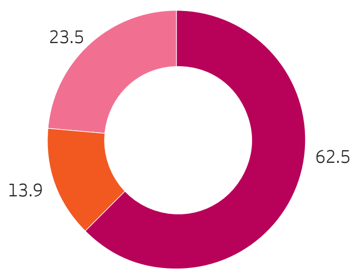
Income per market segment, excluding Head Office, Treasury and other operations and the impact of the Barclays separation (%)



Jun 2020



Jun 2019



Dec 2019

- RBB South Africa
- CIB South Africa
- ARO

Income	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
RBB South Africa	**24 276**	24 350	(0)	49 572
CIB South Africa	**5 780**	5 312	9	11 040
Absa Regional Operations	**10 348**	8 938	16	18 605
Head Office, Treasury and other operations in South Africa	**(326)**	471	<(100)	744
	40 078	39 071	3	79 961

Segment report per market segment

for the reporting period ended

	RBB South Africa				CIB South Africa			
	30 June			31 December	30 June			31 December
	2020	2019	Change %	2019	2020	2019[1]	Change %	2019[1]
Statement of comprehensive income								
Net interest income	**13 540**	12 760	6	26 191	**3 977**	3 523	13	7 278
Non-interest income	**10 736**	11 590	(7)	23 381	**1 803**	1 789	1	3 762
Total income	**24 276**	24 350	(0)	49 572	**5 780**	5 312	9	11 040
Impairment losses	**(10 333)**	(2 876)	>100	(6 253)	**(1 657)**	(284)	>100	(367)
Operating expenses	**(12 829)**	(13 976)	(8)	(28 581)	**(2 975)**	(3 113)	(4)	(6 503)
Other expenses	**(298)**	(313)	(5)	(618)	**(86)**	(37)	>100	(100)
Operating profit/(loss) before income tax	**816**	7 185	(89)	14 120	**1 062**	1 878	(43)	4 070
Tax expense	**(173)**	(2 001)	(91)	(3 922)	**19**	(200)	<(100)	(534)
Profit/(loss) for the reporting period	**643**	5 184	(88)	10 198	**1 081**	1 678	(36)	3 536
Profit attributable to:								
Ordinary equity holders	**397**	4 835	(92)	9 416	**884**	1 546	(43)	3 225
Non-controlling interest – ordinary shares	**(63)**	138	<(100)	306	**—**	—	—	—
Non-controlling interest – preference shares	**106**	107	(1)	212	**66**	67	(1)	140
Non-controlling interest – Additional Tier 1	**203**	104	95	264	**131**	65	>100	171
	643	5 184	(88)	10 198	**1 081**	1 678	(36)	3 536
Headline earnings	**415**	4 847	(91)	9 510	**817**	1 546	(47)	3 230
Operating performance (%)								
Net interest margin on average interest-bearing assets	**3.29**	3.44		3.38	**1.96**	2.06		2.02
Credit loss ratio	**3.77**	1.12		1.18	**0.93**	0.18		0.11
Non-interest income as % of income	**44.2**	47.6		47.2	**31.2**	33.7		34.1
Income growth	**(0)**	6		5	**9**	(5)		(4)
Operating expenses growth	**(8)**	4		4	**(4)**	5		6
Cost-to-income ratio	**52.8**	57.4		57.7	**51.5**	58.6		58.9
Statement of financial position (Rm)								
Loans and advances to customers	**500 758**	490 493	2	506 478	**304 772**	289 028	5	298 229
Loans and advances to banks	**15 987**	14 701	9	14 411	**85 683**	45 507	88	41 881
Investment securities	**31 294**	47 596	(34)	31 436	**44 580**	41 940	6	42 382
Other assets	**371 400**	325 667	14	364 739	**361 189**	271 010	33	278 320
Total assets	**919 439**	878 457	5	917 064	**796 224**	647 485	23	660 812
Deposits due to customers	**392 093**	349 121	12	372 564	**243 056**	207 741	17	207 461
Debt securities in issue	**—**	—	—	—	**15 911**	12 587	26	16 612
Other liabilities	**518 949**	516 847	0	528 014	**533 805**	422 231	26	430 658
Total liabilities	**911 042**	865 968	5	900 578	**792 772**	642 559	23	654 731
Financial performance (%)								
RoRWA[2]	**0.22**	2.67		2.54	**0.69**	1.48		1.48
RoA	**0.09**	1.15		1.08	**0.23**	0.52		0.52
RoRC[3]	**1.8**	22.5		21.4	**6.2**	13.3		13.3

[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 of 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.

Absa Regional Operations				Head Office, Treasury and other operations in South Africa				Normalised Group performance			
30 June			31 December	30 June			31 December	30 June			31 December
2020	2019	Change %	2019	2020	2019[1]	Change %	2019[1]	2020	2019	Change %	2019
7 052	6 043	17	12 564	(497)	341	<(100)	273	24 072	22 667	6	46 306
3 296	2 895	14	6 041	171	130	32	471	16 006	16 404	(2)	33 655
10 348	8 938	16	18 605	(326)	471	<(100)	744	40 078	39 071	3	79 961
(2 672)	(548)	>100	(1 213)	1	13	(92)	17	(14 661)	(3 695)	>100	(7 816)
(5 954)	(5 074)	17	(10 753)	145	27	>100	(520)	(21 613)	(22 136)	(2)	(46 357)
(239)	(130)	84	(367)	(428)	(280)	53	(587)	(1 051)	(760)	38	(1 672)
1 483	3 186	(53)	6 272	(608)	231	<(100)	(346)	2 753	12 480	(78)	24 116
(746)	(1 085)	(31)	(1 903)	182	(99)	<(100)	49	(718)	(3 385)	(79)	(6 310)
737	2 101	(65)	4 369	(426)	132	<(100)	(297)	2 035	9 095	(78)	17 806
577	1 741	(67)	3 661	(415)	136	<(100)	(299)	1 443	8 258	(83)	16 003
160	360	(56)	708	(11)	(4)	>100	2	86	494	(83)	1 016
—	—	—	—	—	—	—	—	172	174	(1)	352
—	—	—	—	—	—	—	—	334	169	98	435
737	2 101	(65)	4 369	(426)	132	<(100)	(297)	2 035	9 095	(78)	17 806
569	1 727	(67)	3 635	(342)	147	<(100)	(110)	1 459	8 267	(82)	16 265
6.88	7.35		7.39	n/a	n/a		n/a	4.23	4.52		4.50
3.58	0.94		0.98	n/a	n/a		n/a	2.77	0.79		0.80
31.8	32.4		32.5	n/a	n/a		n/a	39.9	42.0		42.1
16	18		14	n/a	n/a		n/a	3	6		6
17	16		12	n/a	n/a		n/a	(2)	6		6
57.5	56.8		57.8	n/a	n/a		n/a	53.9	56.7		58.0
125 799	102 028	23	111 465	964	816	18	806	932 293	882 365	6	916 978
21 283	14 605	46	14 847	(9 785)	(7 866)	24	(11 394)	113 168	66 947	69	59 745
50 193	36 875	36	35 675	30 598	3 076	>100	7 254	156 665	129 487	21	116 747
59 503	49 998	19	56 000	(433 222)	(352 677)	23	(398 035)	358 870	293 998	22	301 024
256 778	203 506	26	217 987	(411 445)	(356 651)	15	(401 369)	1 560 996	1 372 797	14	1 394 494
175 937	139 901	26	150 388	108 534	100 945	8	95 880	919 620	797 708	15	826 293
3 756	2 298	63	2 855	159 128	149 436	6	140 327	178 795	164 321	9	159 794
50 251	38 940	29	42 248	(766 604)	(685 432)	12	(714 353)	336 401	292 586	15	286 567
229 944	181 139	27	195 491	(498 942)	(435 051)	15	(478 146)	1 434 816	1 254 615	14	1 272 654
0.44	1.64		1.63	n/a	n/a		n/a	0.32	2.02		1.91
0.46	1.77		1.77	n/a	n/a		n/a	0.20	1.26		1.20
5.1	18.5		19.0	n/a	n/a		n/a	n/a	n/a		n/a

Segment report per geographical segment

for the reporting period ended

	South Africa			
	30 June			31 December
	2020	2019	Change %	2019
Statement of comprehensive income (Rm)				
Net interest income	**17 008**	16 609	2	33 712
Non-interest income	**12 435**	13 276	(6)	27 176
Total income	**29 443**	29 885	(1)	60 888
Impairment losses	**(11 989)**	(3 147)	>100	(6 603)
Operating expenses	**(15 423)**	(16 839)	(8)	(35 162)
Other expenses	**(791)**	(624)	27	(1 263)
Operating profit before income tax	**1 240**	9 275	(87)	17 860
Tax expenses	**41**	(2 301)	<(100)	(4 403)
Profit for the reporting period	**1 281**	6 974	(82)	13 457
Profit attributable to:				
Ordinary equity holders	**834**	6 494	(87)	12 371
Non-controlling interest – ordinary shares	**(59)**	137	<(100)	299
Non-controlling interest – preference shares	**172**	174	(1)	352
Non-controlling interest – Additional Tier 1	**334**	169	98	435
	1 281	6 974	(82)	13 457
Headline earnings	**840**	6 517	(87)	12 657
Operating performance (%)				
Net interest margin on average interest-bearing assets	**3.66**	3.97		3.94
Credit loss ratio	**2.64**	0.76		0.78
Non-interest income as % of income	**42.2**	44.6		44.8
Income growth	**(1)**	3		4
Cost growth	**(8)**	3		5
Cost-to-income ratio	**52.5**	56.2		57.7
Statement of financial position (Rm)				
Loans and advances to customers	**806 494**	780 337	3	805 513
Loans and advances to banks	**91 549**	51 694	77	44 688
Investment securities	**105 512**	91 898	15	80 297
Other assets	**296 851**	242 032	23	242 901
Total assets	**1 300 406**	1 165 961	12	1 173 399
Deposits due to customers	**743 683**	657 807	13	675 905
Debt securities in issue	**175 039**	162 023	8	156 939
Other liabilities	**283 199**	251 061	13	241 892
Total liabilities	**1 201 921**	1 070 891	12	1 074 736
Financial performance (%)				
RoRWA	**0.26**	2.16		2.03
RoA	**0.13**	1.17		1.10

Africa regions					Normalised Group performance				
30 June				31 December	30 June				31 December
			Change					Change	
2020	2019	CCY%	%	2019	2020	2019	CCY%	%	2019
7 064	6 058	5	17	12 594	**24 072**	22 667	3	6	46 306
3 571	3 128	4	14	6 479	**16 006**	16 404	(4)	(2)	33 655
10 635	9 186	4	16	19 073	**40 078**	39 071	(0)	3	79 961
(2 672)	(548)	>100	>100	(1 213)	**(14 661)**	(3 695)	>100	>100	(7 816)
(6 190)	(5 297)	6	17	(11 195)	**(21 613)**	(22 136)	(5)	(2)	(46 357)
(260)	(136)	78	91	(409)	**(1 051)**	(760)	20	38	(1 672)
1 513	3 205	(61)	(53)	6 256	**2 753**	12 480	(80)	(78)	24 116
(759)	(1 084)	(37)	(30)	(1 907)	**(718)**	(3 385)	(82)	(79)	(6 310)
754	2 121	(73)	(64)	4 349	**2 035**	9 095	(80)	(78)	17 806
609	1 764	(76)	(65)	3 632	**1 443**	8 258	(85)	(83)	16 003
145	357	(63)	(59)	717	**86**	494	(85)	(83)	1 016
—	—	—	—	—	**172**	174	(1)	(1)	352
—	—	—	—	—	**334**	169	97	98	435
754	2 121	(73)	(64)	4 349	**2 035**	9 095	(80)	(78)	17 806
619	1 750	(75)	(65)	3 608	**1 459**	8 267	(85)	(82)	16 265
6.89	7.34			7.39	**4.23**	4.52			4.50
3.57	0.94			0.98	**2.77**	0.79			0.80
33.6	34.1			34.0	**39.9**	42.0			42.1
16	19			14	**3**	6			6
17	16			11	**(2)**	6			6
58.2	57.7			58.7	**53.9**	56.7			58.0
125 799	102 028	8	23	111 465	**932 293**	882 365	4	6	916 978
21 619	15 253	28	42	15 057	**113 168**	66 947	66	69	59 745
51 153	37 589	19	36	36 450	**156 665**	129 487	16	21	116 747
62 019	51 966	(4)	19	58 123	**358 870**	293 998	18	22	301 024
260 590	206 836	9	26	221 095	**1 560 996**	1 372 797	11	14	1 394 494
175 937	139 901	11	26	150 388	**919 620**	797 708	13	15	826 293
3 756	2 298	41	63	2 855	**178 795**	164 321	8	9	159 794
53 202	41 525	4	28	44 675	**336 401**	292 586	12	15	286 567
232 895	183 724	10	27	197 918	**1 434 816**	1 254 615	12	14	1 272 654
0.47	1.65			1.61	**0.32**	2.02			1.91
0.50	1.76			1.72	**0.20**	1.26			1.20

RBB South Africa

for the reporting period ended

Headline earnings decline of **91%** to **R415m** (30 June 2019: R4 847m), was impacted by an increase in expected credit loss allowance of **R9bn** from the prior year as balance sheet resilience was built given the heightened macroeconomic uncertainty whilst robust pre-provision earnings growth of **10%** reaffirmed the diversification and quality of our customer franchise.

▲ **Asset market share improved**
in majority of asset classes.

▲ **Balance sheet resilience enhanced.**

▲ **Deposits grew by 12% to R392bn**
in line with the market.

▲ **Cost to income ratio improved to 52.8%**
from 57.4% in 2019.

▲ **Strategic choice to position frontline as pivotal to our organisation.**

▲ **Support provided to customers through volatile markets.**

▲ **Prudent action to bolster expected credit losses allowance.**

▲ **Benefitting from digital investments although lots still to be done.**

▼ **Asset production slowed**
across portfolios in the second quarter.

▼ **Deposit margins continue to contract**
from increased competition and low interest rates.

▼ **Pronounced decline in transactional activity**
in the second quarter as a result of lockdown regulations.

▼ **Credit loss ratio increased to 3.77%**
(30 June 2019: 1.12%) from increased balance sheet resilience.

▼ **Return on Regulatory Capital declined to 1.8% from 22.5%**
from the increased impairment charge.

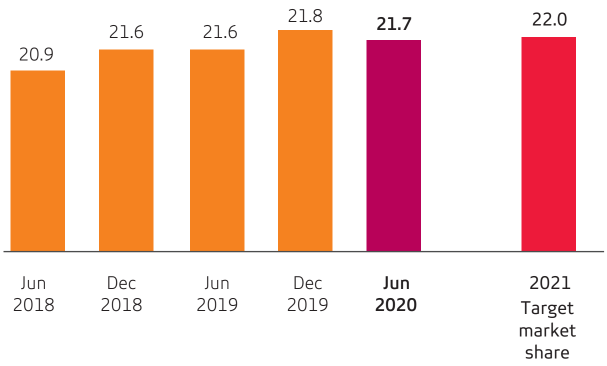
	30 June			31 December
Salient features	2020	2019	Change %	2019
Income (Rm)	**24 276**	24 350	(0)	49 572
Pre-provision profit (Rm)	**11 447**	10 374	10	20 991
Headline earnings (Rm)	**415**	4 847	(91)	9 510
Credit loss ratio (%)	**3.77**	1.12		1.18
Cost-to-income ratio (%)	**52.8**	57.4		57.7
RoRWA (%)	**0.22**	2.67		2.54
RoA (%)	**0.09**	1.15		1.08
RoRC (%)	**1.8**	22.5		21.4

	30 June			31 December
Headline earnings by segment	2020 Rm	2019 Rm	Change %	2019 Rm
RBB South Africa	**415**	4 847	(91)	9 510
Home Loans	**(320)**	750	<(100)	1 588
Vehicle and Asset Finance	**(996)**	122	<(100)	299
Everyday Banking	**135**	1 998	(93)	3 500
Relationship Banking	**1 046**	1 684	(38)	3 672
Insurance Cluster	**709**	584	21	1 273
Retail and Business Banking Other	**(159)**	(291)	(45)	(822)

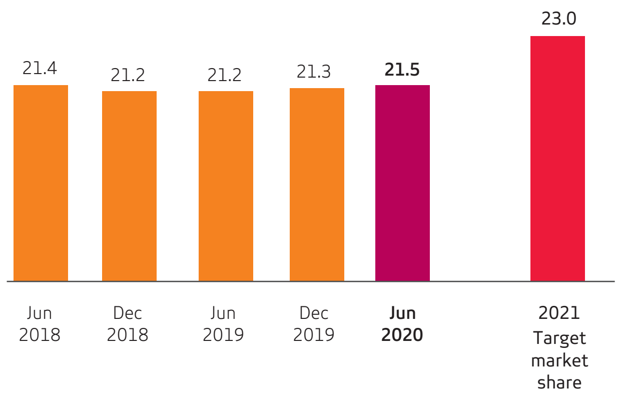
RBB South Africa

for the reporting period ended

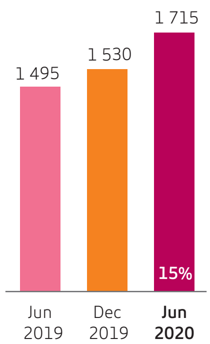
Retail Deposits stock market share (%)



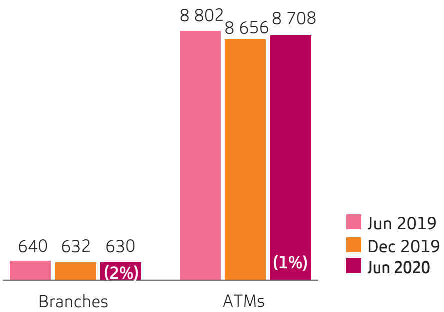
Retail Banking Advances stock market share (%)



Number of digitally active customers (thousands and change %)



Physical footprint (number and change %)



Average product holding per customer

Customer Numbers (millions and % change)

RBB South Africa

for the reporting period ended

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 advisors, relationship bankers as well as dealerships, originators, alliances and joint ventures.

Key business areas

- **Home Loans** – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.
- **Vehicle and Asset Finance (VAF)** – offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships and preferred suppliers. VAF's Joint Venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.
- **Everyday Banking** – offers the day to day banking services for the retail customer and includes:
  - **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. Edcon has been sold effective 1 February 2020.
  - **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, 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 touch points with the Group. The business consolidated into Relationship Banking includes Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional & deposit products), Private Banking, Wealth, Financial Advisory as well as the Trust and Fiduciary offering.

  Relationship Banking also includes an Equity portfolio which is being reduced in an orderly manner.
- **Insurance Cluster** – Life Insurance and Short-term Insurance, including Absa Regional Insurance Operations, are disclosed as the Insurance Cluster in RBB SA:
  - **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 whilst ensuring alignment of the customer value propositions and a consistent voice in the market.

RBB South Africa

for the reporting period ended

	Home Loans				Vehicle and Asset Finance			
	30 June			31 December	30 June			31 December
	2020	2019	Change %	2019	2020	2019	Change %	2019
Statement of comprehensive income								
Net interest income	**2 165**	1 986	9	4 072	**1 253**	1 150	9	2 320
Non-interest income	**228**	228	—	467	**250**	265	(6)	530
Total income	**2 393**	2 214	8	4 539	**1 503**	1 415	6	2 850
Impairment losses	**(1 750)**	(147)	>100	(182)	**(2 129)**	(548)	>100	(1 099)
Operating expenses	**(977)**	(947)	3	(1 979)	**(672)**	(759)	(11)	(1 493)
Other expenses	**(24)**	(17)	41	(38)	**(34)**	62	<(100)	149
Operating profit/(loss) before income tax	**(358)**	1 103	<(100)	2 340	**(1 332)**	170	<(100)	407
Tax expenses	**114**	(303)	<(100)	(636)	**373**	(24)	<(100)	(55)
Profit/(loss) for the reporting period	**(244)**	800	<(100)	1 704	**(959)**	146	<(100)	352
Profit attributable to:								
Ordinary equity holders	**(320)**	749	<(100)	1 588	**(996)**	121	<(100)	296
Non-controlling interest – ordinary shares	**—**	—	—	—	**—**	—	—	—
Non-controlling interest – preference shares	**26**	26	—	52	**13**	13	—	25
Non-controlling interest – additional Tier 1	**50**	25	100	64	**24**	12	100	31
	(244)	800	<(100)	1 704	**(959)**	146	<(100)	352
Headline earnings	**(320)**	750	<(100)	1 588	**(996)**	122	<(100)	299
Operating performance (%)								
Credit loss ratio	**1.43**	0.13		0.08	**4.91**	1.39		1.34
Non-interest income as % of income	**9.5**	10.3		10.3	**16.6**	18.7		18.6
Income growth	**8**	2		4	**6**	7		6
Operating expenses growth	**3**	2		3	**(11)**	(2)		1
Cost-to-income ratio	**40.8**	42.8		43.6	**44.7**	53.7		52.3
Statement of financial position (Rm)								
Loans and advances to customers	**238 089**	231 315	3	237 391	**82 511**	78 970	4	83 740
Loans and advances to banks	**872**	640	36	417	**—**	—	—	—
Investment securities	**12 625**	11 635	9	12 311	**4 407**	3 957	11	4 267
Other assets	**16 144**	11 306	43	12 576	**3 461**	3 015	15	3 218
Total assets	**267 730**	254 896	5	262 695	**90 379**	85 942	5	91 225
Deposits due to customers	**1 367**	1 473	(7)	1 508	**—**	—	—	—
Other liabilities	**265 840**	252 336	5	259 113	**90 294**	84 921	6	90 027
Total liabilities	**267 207**	253 809	5	260 621	**90 294**	84 921	6	90 027
Financial performance (%)								
RoRWA	**(0.76)**	1.96		2.00	**(4.14)**	0.55		0.65
RoA	**(0.24)**	0.60		0.62	**(2.18)**	0.29		0.35

Everyday Banking				Relationship Banking				Insurance Cluster			
30 June			31 December	30 June			31 December	30 June			31 December
2020	2019	Change %	2019	2020	2019	Change %	2019	2020	2019	Change %	2019
6 434	6 300	2	12 872	3 960	3 628	9	7 538	11	13	(15)	27
5 647	6 125	(8)	12 241	2 713	3 118	(13)	6 349	1 663	1 521	9	3 208
12 081	12 425	(3)	25 113	6 673	6 746	(1)	13 887	1 674	1 534	9	3 235
(5 107)	(1 995)	>100	(4 653)	(1 348)	(188)	>100	(322)	—	—	—	—
(6 723)	(7 305)	(8)	(14 867)	(3 758)	(4 066)	(8)	(8 175)	(638)	(612)	4	(1 224)
(63)	(87)	(28)	(173)	(3)	(57)	(95)	(85)	(71)	(64)	11	(134)
188	3 038	(94)	5 420	1 564	2 435	(36)	5 305	965	858	12	1 877
(40)	(844)	(95)	(1 503)	(416)	(672)	(38)	(1 460)	(263)	(273)	(4)	(598)
148	2 194	(93)	3 917	1 148	1 763	(35)	3 845	702	585	20	1 279
135	1 999	(93)	3 489	1 031	1 687	(39)	3 673	707	584	21	1 272
(58)	137	<(100)	299	—	—	—	—	(5)	1	<(100)	7
24	29	(17)	58	40	38	5	76	—	—	—	—
47	29	62	71	77	38	>100	96	—	—	—	—
148	2 194	(93)	3 917	1 148	1 763	(35)	3 845	702	585	20	1 279
135	1 998	(93)	3 500	1 046	1 684	(38)	3 672	709	584	21	1 273
11.76	4.93		5.50	2.11	0.32		0.26	n/a	n/a		n/a
46.7	49.3		48.7	40.7	46.2		45.7	n/a	n/a		n/a
(3)	8		7	(1)	3		4	9	5		6
(8)	4		5	(8)	2		2	4	13		10
55.7	58.8		59.2	56.3	60.3		58.9	38.1	39.9		37.8
58 473	61 714	(5)	61 386	121 685	118 493	3	123 960	—	—	—	—
12 633	11 112	14	12 044	279	312	(11)	170	1 738	1 983	(12)	1 326
3 686	3 439	7	3 714	6 501	12 267	(47)	6 615	3 695	3 266	13	3 460
237 907	214 808	11	231 330	71 397	52 354	36	68 048	29 963	32 179	(7)	32 003
312 699	291 073	7	308 474	199 862	183 426	9	198 793	35 396	37 428	(5)	36 789
240 272	214 073	12	227 212	150 443	133 563	13	143 833	—	—	—	—
71 186	73 963	(4)	76 735	46 942	46 556	1	49 728	32 073	34 115	(6)	33 515
311 458	288 036	8	303 947	197 385	180 119	10	193 561	32 073	34 115	(6)	33 515
0.27	3.88		3.36	1.54	2.67		2.82	n/a	n/a		n/a
0.09	1.46		1.22	1.04	1.87		1.91	3.94	3.13		3.39

Retail and Business Banking Other				Retail and Business Banking South Africa			
30 June			31 December	30 June			31 December
2020	2019	Change %	2019	2020	2019	Change %	2019
(283)	(317)	(11)	(638)	13 540	12 760	6	26 191
235	333	(29)	586	10 736	11 590	(7)	23 381
(48)	16	<(100)	(52)	24 276	24 350	(0)	49 572
1	2	(50)	3	(10 333)	(2 876)	>100	(6 253)
(61)	(287)	(79)	(843)	(12 829)	(13 976)	(8)	(28 581)
(103)	(150)	(31)	(337)	(298)	(313)	(5)	(618)
(211)	(419)	(50)	(1 229)	816	7 185	(89)	14 120
59	115	(49)	330	(173)	(2 001)	(91)	(3 922)
(152)	(304)	(50)	(899)	643	5 184	(88)	10 198
(160)	(305)	(48)	(902)	397	4 835	(92)	9 416
—	—	—	—	(63)	138	<(100)	306
3	1	>100	1	106	107	(1)	212
5	—	100	2	203	104	95	264
(152)	(304)	(50)	(899)	643	5 184	(88)	10 198
(159)	(291)	(45)	(822)	415	4 847	(91)	9 510
n/a	n/a		n/a	3.77	1.12		1.18
n/a	n/a		n/a	44.2	47.6		47.2
n/a	n/a		n/a	(0)	6		5
n/a	n/a		n/a	(8)	4		4
n/a	n/a		n/a	52.8	57.4		57.7
—	1	(100)	1	500 758	490 493	2	506 478
465	654	(29)	454	15 987	14 701	9	14 411
380	13 032	(97)	1 069	31 294	47 596	(34)	31 436
12 528	12 005	4	17 564	371 400	325 667	14	364 739
13 373	25 692	(48)	19 088	919 439	878 457	5	917 064
11	12	(8)	11	392 093	349 121	12	372 564
12 614	24 956	(49)	18 896	518 949	516 847	0	528 014
12 625	24 968	(49)	18 907	911 042	865 968	5	900 578
n/a	n/a		n/a	0.22	2.67		2.54
n/a	n/a		n/a	0.09	1.15		1.08

RBB South Africa

for the reporting period ended

Business performance

RBB SA commenced the year from a position of strategic and financial strength, following the momentum built last year from the consistent execution of its strategy and transformation journey. While performance in the first quarter built on the current impetus and our trajectory improved across leading indicators, the sudden onset of the Covid-19 pandemic from March required a fundamental shift in focus. Prioritising the health and safety of our employees, supporting customers and mitigating the profound financial consequences of the crisis underpinned our response. As the market entered this period of heightened macroeconomic uncertainty, RBB SA's diversified business model, robust risk management discipline, frontline employees and scale defined the quality of its response and the ensuing performance. Sustainability and a commitment to meaningfully help customers navigate this unprecedented health and financial crisis was a trademark principle in RBB SA's Covid-19 approach. The performance in the first six months can, therefore, be split into two very distinct periods.

Performance drivers:

- Home loans registrations were down **31%** while the market contracted by **39%** (Deeds office data);
- VAF production decreased **19%** in a market that shrunk by 42% (Transunion);
- Personal loans production contracted **34%** as risk appetite was tightened;
- Credit card limits in issue increased by **10%** despite adjusted risk appetite;
- Retail deposits grew **12%**, in line with market;
- Relationship Banking advances grew by **3%** specifically in the first quarter;
- Turnover volumes for debit and credit card decreased by **13%** and **14%** respectively;
- Physical cash volumes declined **23%**;
- Merchant acquiring turnover grew **5%**;
- Embedded value of new business decreased **18%** to **R238m** given the lower business volumes;
- Insurance lapse rates remained resilient at **2.5%** per month;
- Claims reduced by **8%** in the short-term insurance business;
- Average product holding per customer has remained constant at **2.31**; and
- Digitally active customers increased by **15%,** with the majority of the growth in the first 6 months of 2020.

Looking after the health and safety of employees required a monumental shift in operations across all areas of the business. Contact centre staff have been moved to different locations in order to manage social distancing protocols and branch openings and trading hours have been dynamically managed, with approximately 259 branches open during Level 5 lockdown, with the majority now open. Where possible staff were encouraged to work from home and have adapted well to working remotely. Relief measures were also put in place for commission based staff that couldn't operate during the lockdown. The pandemic continues to put strain on operations and the business is responding dynamically to the challenges of ensuring consistent and uninterrupted operational delivery.

Supporting customers, required an unprecedented response across the business, based on the core requirement of being empathetic to customers' circumstances. Relief measures included:

- Credit payment relief;
- Insurance premium relief;
- The temporary expansion of credit life to cover a wider definition of loss of income;
- The waiving of Saswitch fees; and
- Supporting SASSA processes.

Given that the majority of our customers' credit profiles remain strong, a comprehensive program, comprising 3-month payment deferral and insurance elements, was designed and implemented on 30 March 2020, to work alongside our existing customer relief mechanisms. The program was based on the following principles:

- Easy to understand for customers;
- Simplified, opt-in process; and
- Accessible to customers in good standing.

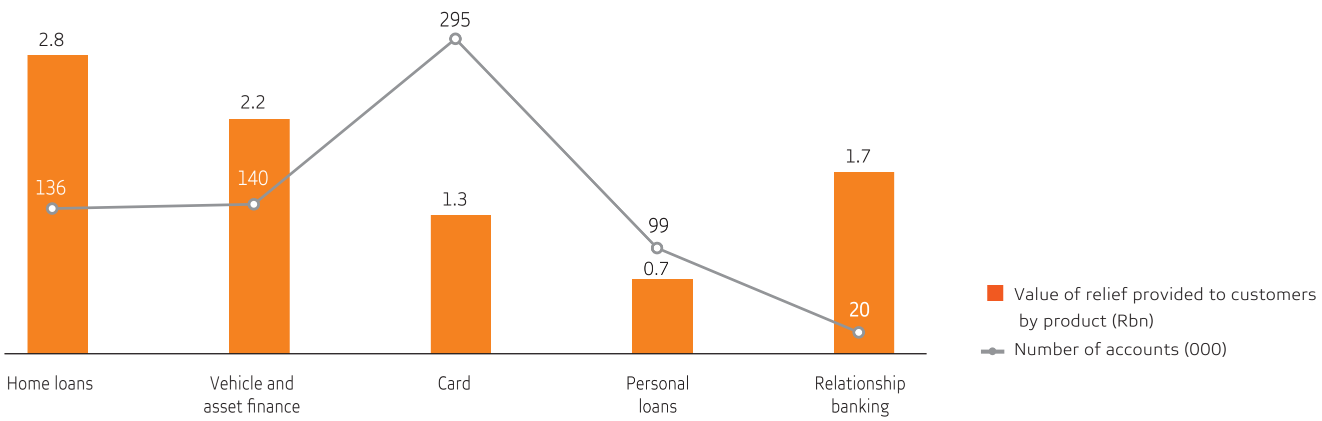
RBB South Africa

for the reporting period ended

Business performance (continued)

The program was well received by customers and provided payment relief of R8.7bn, to approximately 538k customers, representing R154bn of balances as at 30 June 2020. The mortgage take up was the largest by value while card had the highest volume:

Payment relief provided to customers



RBB SA remains committed to proactively assisting customers that may be facing difficulty as they navigate the uncertain environment. A suite of offerings is available including payment relief extensions, debt restructuring, debt consolidation and asset realisation.

The bank is also part of the guaranteed loan scheme that was announced by government. The take up has been slow, with **1,798** applications received by 30 June 2020. Of these applications, **526** have been sanctioned and **341** have been approved to the value of **R500m**. Following recently announced changes by government, the take up is expected to increase.

RBB SA strengthened its credit lifecycle management discipline by using customer and industry insights to direct resources to resilient industries and customers. Credit and pricing strategies have been realigned to limit adverse selection and ensure appropriate returns on new business. The frequency and granularity of risk and impairment monitoring has been enhanced, considering the consistently changing environment. Additionally, collection strategies have been enriched, as the delivery of digital collections capabilities was accelerated to bolster capacity.

The scale of payment relief and the severity of the rapidly deteriorating macroeconomic outlook required RBB SA to amend its forbearance policies and revisit its expected credit loss estimation process. The application of the IFRS 9 standard required that the business use significant judgement in its approach to determining expected credit losses which were influenced by circumstances and conditions around loan losses.

The impairment assessment of payment relief differentiated between customers experiencing temporary and permanent stress. Guidance note 3 has been applied in the classifying and calculating the capital impacts of payment relief.

The determination of expected credit losses is heavily dependent on macroeconomic forecasts that are predominantly based on historical information. The fact that the pandemic is an unprecedented event, falling outside the boundaries of our historical data, required RBB SA to apply an increased level of judgement. RBB SA's macroeconomic variable framework was augmented with additional modelling, on the relationship of credit losses and large GDP contractions, and supplemented with expert review and challenge of the judgmental adjustments..

	Base ECL allowance Rm	Covid-19 Management adjustment Rm	Total ECL allowance Rm
Home Loans	6 346	950	7 296
Vehicle and Asset Finance	4 155	926	5 081
Everyday Banking	14 083	1 221	15 304
Card	8 814	673	9 486
Personal Loans	4 501	466	4 967
Transactional and Deposits	768	82	851
Relationship Banking	4 621	468	5 089
RBB Other	52	0	52
RBB Total	29 257	3 565	32 822

RBB South Africa

for the reporting period ended

Business performance (continued)

The underlying construct of the book remained stable throughout the first quarter. The economic impact of lockdown resulted in a significant increase in customer strain in quarter 2. While the Payment Relief program has assisted clients in their time of need, it also masked arrears in the up-to-date population. When these customer relief measures eventually run down, we do expect to see elevated delinquencies and insolvencies given the significant impact the pandemic has had on the broader macroeconomic environment. As reflected by the increase in our expected credit loss allowances on page 46, we expect the weak economic outlook to severely impact card and personal loan customers due to the unsecured nature of these products.

The impact of masked arrears was taken into account in the bank's assessment of significant increase in credit risk across the portfolio. In light of this risk a large portion of exposures has been moved to stage 2, resulting in stage increasing by **10.8%** of total exposures from 7.4% in December 2019. Stage 3 exposures as a percentage of total exposures increased to **9.1%** (December 2019: 7.5%), from an increase in the legal book as the lockdown slowed down asset realisations while customer delinquencies increased. Stage 3 exposures remain elevated relative to the industry given the conservative treatment of forbearance accounts as Stage 3 exposures. Coverage levels in stage 3 have been increased to account for the expected impact of the slowdown in asset realisations and the reduction in recovery values.

Expected credit loss coverage ratios have increased across all three stages in line with the impact of the macroeconomic deterioration on customers.

The overall expected credit losses of the portfolio increased by **R9bn** in the first half of the year to **R32.8bn** (December 2019: R23.8bn) resulting in ECL coverage increasing **160 bps** to **615 bps**. This resulted in the credit loss ratio increasing to **3.77%** from **1.12%** in June 2019.

The momentum in asset production buffered the advances growth against the impact of the pandemic in the second quarter and resulted in Gross loans and advances increasing **4%** to **R534bn**. Normalising for the disposal of the Edcon book, advances growth was **5%**. Market share per the BA900 increased to **21.5%** (30 June 2019:21.1%).

Deposit growth has remained resilient at **12%**, with **16%** growth in Investment products and **4%** growth in transactional products reflective of the stability and strength of the customer franchise. Retail customers notably, lowered consumption-based expenditure during the lockdown period as Relationship Banking transactional products declined marginally.

RBB SA's customer numbers have remained stable at **9.7m** although customer activity levels have shown a significant decline in the second quarter. The decline in customer income and transaction activity in the lockdown period resulted in primary customers declining to **2.9m** (Dec: 2019: 3.1m) although improvements were noted as lockdown regulations were eased and economic activity ramped-up. Product holding per customer remained stable from December 2019 at 2.31, underpinned by continued leveraging of the product ecosystem.

The insurance business continues to provide a diversification benefit to the overall franchise and generated growth in 2020 at solid returns. The Life Insurance business delivered strong performance in the first quarter as new business volumes increased, however, the lockdown reduced volumes significantly in the second quarter. Lapse rates have remained resilient, yet the drop in new business volumes has seen the in-force book decline **2%**. The weak economic environment has increased retrenchment claims, although reduced underlying mortality claims have partially offset this. Balance sheet resilience was strengthened with additional reserving in response to the impact of the pandemic.

RBB SA remains committed to the multi-year cost transformation program which leverages digital to improve operating efficiencies and customer experience. The actions taken under this program in 2018 and 2019 helped to reset the cost base and together with cost savings from the lower economic activity in the second quarter, tactical management actions and the restructuring costs in 2019, have delivered positive JAWS of **8%** and reduced cost to income to **52.8%**. This reduction has been achieved notwithstanding continued investment into the next stage of the strategy execution journey.

A core feature of RBB SA's transformation journey has been the emphasis placed on strengthening the business's go-to-market capabilities and the focus on relationships as a core. Marketing campaigns have been streamlined to elevate value across the ecosystem, while leveraging the strengths of individual products. Product propositions have been enhanced with the integration of the insurance business, while processes have been integrated into one customer journey. The Absa Rewards programme has been re-invigorated through an improved value proposition, and the introduction of new partners, including Dis-Chem.

Significant improvement in customer complaint management has been critical to stemming customer attrition, with the business recently receiving recognition from the Ombudsman for Banking Services for the noticeable decrease in complaints. The accolades afforded to the insurance business by the South African Customer Satisfaction Index and the Ask Africa Orange Index, bear testament to the progress that has been made in improving customer experience.

RBB South Africa

for the reporting period ended

Business performance (continued)

Being 'digital-first in everything we do' is critical to the success of our transformation and digital journeys – this philosophy permeates all of the businesses' execution plans. Our digital journey commenced when the foundation was reset with a strong focus on stabilising and optimising the estate before shifting the focus to innovation. To date, significant progress has been made as platform architecture has been refreshed, building resilience while substantially improving the quality and speed to market of new functionalities. Consistently being the highest-rated updated banking app since launch is testament to the progress that has been made. Additionally, progress has been made in the digitising and automation of processes across the business, and the recent deployment of Vehicle and Asset Finance's entirely digitised sales process has been revolutionary as customers' sales journeys have been considerably reduced from hours to minutes.

Risk weighted assets increased to **R378bn** (30 June 2019: R372bn) on the back of the affiliated book growth and increased intensity levels. This has been partially offset by the R9bn saving from the disposal of the Edcon book. Slower balance sheet growth, as a result of the pandemic, and the impact of provisioning on capital demand, resulted in slower growth in the second quarter.

RORC declined to **1.8%** (30 June 2019: 22.5%) as a result of the increased impairment charge and is below the group's cost of equity.

Looking forward RBB SA will focus on:

- Proactively assisting customers that may be facing difficulty as they navigate the uncertain environment;
- Leverage strong balance sheet, scale and distribution capabilities across the franchise to prudently and efficiently support our customers;
- Maturing our go to market capability with focus on primacy and digital adoption;
- Strengthening resilience in critical areas of our operations; and
- Accelerating the development of the bank of the future.

RBB South Africa

for the reporting period ended

	Card				Personal loans			
	30 June			31 December	30 June			31 December
	2020	2019	Change %	2019	2020	2019	Change %	2019
Statement of comprehensive income (Rm)								
Net interest income	**2 337**	2 393	(2)	4 857	**1 509**	1 354	11	2 862
Non-interest income	**1 205**	1 425	(15)	2 951	**201**	185	9	379
Total income	**3 542**	3 818	(7)	7 808	**1 710**	1 539	11	3 241
Impairment losses	**(2 897)**	(1 133)	>100	(2 536)	**(1 867)**	(637)	>100	(1 610)
Operating expenses	**(1 366)**	(1 686)	(19)	(3 454)	**(550)**	(543)	1	(1 075)
Other expenses	**(32)**	(50)	(36)	(104)	**(1)**	(1)	—	(4)
Operating profit/(loss) before income tax	**(753)**	949	<(100)	1 714	**(708)**	358	<(100)	552
Tax expense	**215**	(262)	<(100)	(474)	**203**	(98)	<(100)	(148)
Profit/(loss) for the reporting period	**(538)**	687	<(100)	1 240	**(505)**	260	<(100)	404
Profit attributable to:								
Ordinary equity holders	**(506)**	522	<(100)	883	**(530)**	243	<(100)	364
Non-controlling interest – ordinary shares	**(58)**	137	<(100)	299	**—**	—	—	—
Non-controlling interest – preference shares	**9**	14	(36)	26	**9**	9	—	18
Non-controlling interest – additional Tier 1	**17**	14	21	32	**16**	8	100	22
	(538)	687	<(100)	1 240	**(505)**	260	<(100)	404
Headline earnings	**(505)**	523	<(100)	894	**(530)**	243	<(100)	364
Operating performance (%)								
Pre-provision profit	**2 176**	2 132	2	4 354	**1 160**	996	16	2 166
Credit loss ratio	**12.74**	5.07		5.46	**15.29**	5.90		7.16
Non-interest income as % of income	**34.0**	37.3		37.8	**11.8**	12.1		11.7
Income growth	**(7)**	5		6	**11**	14		16
Operating expenses growth	**(19)**	2		6	**1**	4		10
Cost-to-income ratio	**38.6**	44.2		44.2	**32.2**	35.2		33.2
Statement of financial position (Rm)								
Loans and advances to customers	**35 554**	38 526	(8)	37 054	**19 602**	19 759	(1)	20 857
Loans and advances to banks	**240**	94	>100	89	**—**	—	—	—
Investment securities	**1 982**	1 960	1	2 117	**1 090**	972	12	1 053
Other assets	**9 988**	12 005	(17)	14 341	**513**	603	(15)	484
Total assets	**47 764**	52 585	(9)	53 601	**21 205**	21 334	(1)	22 394
Deposits due to customers	**1 899**	1 709	11	1 778	**13**	14	(7)	14
Debt securities in issue	**—**	—	—	—	**—**	—	—	—
Other liabilities	**45 287**	49 334	(8)	49 924	**21 723**	21 077	3	22 016
Total liabilities	**47 186**	51 043	(8)	51 702	**21 736**	21 091	3	22 030
Financial performance (%)								
RoRWA	**(2.10)**	1.85		1.59	**(3.90)**	1.88		1.37
RoA	**(1.99)**	2.08		1.71	**(4.74)**	2.38		1.71

Transactions and Deposits				Everyday Banking			
30 June			31 December	30 June			31 December
2020	2019	Change %	2019	2020	2019	Change %	2019
2 588	2 553	1	5 153	**6 434**	6 300	2	12 872
4 241	4 515	(6)	8 911	**5 647**	6 125	(8)	12 241
6 829	7 068	(3)	14 064	**12 081**	12 425	(3)	25 113
(343)	(225)	52	(507)	**(5 107)**	(1 995)	>100	(4 653)
(4 807)	(5 076)	(5)	(10 338)	**(6 723)**	(7 305)	(8)	(14 867)
(30)	(36)	(17)	(65)	**(63)**	(87)	(28)	(173)
1 649	1 731	(5)	3 154	**188**	3 038	(94)	5 420
(458)	(484)	(5)	(881)	**(40)**	(844)	(95)	(1 503)
1 191	1 247	(4)	2 273	**148**	2 194	(93)	3 917
1 171	1 234	(5)	2 242	**135**	1 999	(93)	3 489
—	—	—	—	**(58)**	137	<(100)	299
6	6	—	14	**24**	29	(17)	58
14	7	100	17	**47**	29	62	71
1 191	1 247	(4)	2 273	**148**	2 194	(93)	3 917
1 170	1 232	(5)	2 242	**135**	1 998	(93)	3 500
2 022	1 992		3 726	**5 358**	5 120		10 246
4.05	3.02		3.25	**11.76**	4.93		5.50
62.1	63.8		63.4	**46.7**	49.3		48.7
(3)	8		5	**(3)**	8		7
(5)	6		4	**(8)**	4		5
70.4	71.8		73.5	**55.7**	58.8		59.2
3 317	3 429	(3)	3 475	**58 473**	61 714	(5)	61 386
12 393	11 018	12	11 955	**12 633**	11 112	14	12 044
614	507	21	544	**3 686**	3 439	7	3 714
227 406	202 200	12	216 505	**237 907**	214 808	11	231 330
243 730	217 154	12	232 479	**312 699**	291 073	7	308 474
238 360	212 350	12	225 420	**240 272**	214 073	12	227 212
—	—	—	—	**—**	—	—	—
4 176	3 552	18	4 795	**71 186**	73 963	(4)	76 735
242 536	215 902	12	230 215	**311 458**	288 036	8	303 947
9.98	11.92		10.45	**0.27**	3.88		3.36
1.03	1.18		1.06	**0.09**	1.46		1.22

RBB South Africa

for the reporting period ended

Business unit performance

Home Loans

Business performance

The South African housing market was severely impacted by the hard lockdown, resulting in economic and financial pressure:

- ▼ National house price inflation index decreased by **0.3** percentage points to **2.4%** in the second quarter of 2020 (December 2019: 2.7%); and
- ▼ Absa homeowner sentiment index declined by **2** percentage points to **74%** in the second quarter of 2020 (December 2019: 76%).

New mortgages registered carried the momentum from the second half of 2019 into first quarter of 2020 with strong performances from the First Time Home Buyer and Investor segments.

The hard lockdown from 27th March severely impacted market activity during the second quarter of 2020. Demand returned as the lockdown regulations were relaxed in Level 3, with the full property industry returning to economic activity.

Total registrations declined by **39%** year on year (Deeds office data) as a result of the closure of the deeds offices during the hard lockdown, resulting in significant pressure on the property market ecosystem..

Home Loans responded to the Covid-19 pandemic by implementing a number of strategic management actions to preserve capital, protect key value chain relationships and assist customers in their time of need, including:

- Implementing a comprehensive payment relief programme across its secured lending products, including home loans, structured loans and pension backed loans. This provided **R2.8bn** of payment relief to over **136k** customers;
- Expanding digital collection capability, enabling sustained engagement with customers and supporting social distancing principles in our contact centres;
- Supporting value chain partners by adapting ways of work, and deploying rapid digitisation to support economic activity;
- Proactively created platforms with strategic partners to share insights and encourage leadership conversations;
- Ongoing review of pricing and acquisition strategies, balancing risk appetite while still supporting the market; and
- Remaining aligned with the market and changes in customer behavior through data and customer insights.

The financial performance was driven by:

- ▲ New mortgages registered declined **31%** against a market decline of **39%**, however registrations in the first quarter increased **20%**;
- ▲ Flow market share increased to **21.6%** (30 June 2019: 20.8%);
- ▲ New mortgages originated by mortgage originators as a percentage of business increased to **54.4%** (30 June 2019: 49.5%);
- ▲ Average LTV on new mortgages registered increased to **87.7%** (30 June 2019: 85.3%);
- ▼ Concession declined by **9 bps**, on the back of strong competition leading up to the lockdown; and
- ▼ Turnaround time worsened by **16%** year on year, mainly as a result of the operational impact of the hard lockdown.

Business unit performance (continued)

Home Loans (continued)

Financial performance

Gross loans and advances grew by **4%** to **R245bn** (30 June 2019: R237bn). This was underpinned by the growth in the value of new mortgages registered up to the 31st of March 2020. The second quarter was severely impacted by the lockdown although partly offset by the slower run-off of the back book, as a result of the payment relief programme. Absa's home loans market share remained constant at **23.3%** (BA900).

Headline earnings decreased by **R1 070m** to a loss of **R320m** as pre-provision profit growth of **12%** from higher revenues and cost containment was more than offset by increased impairments.

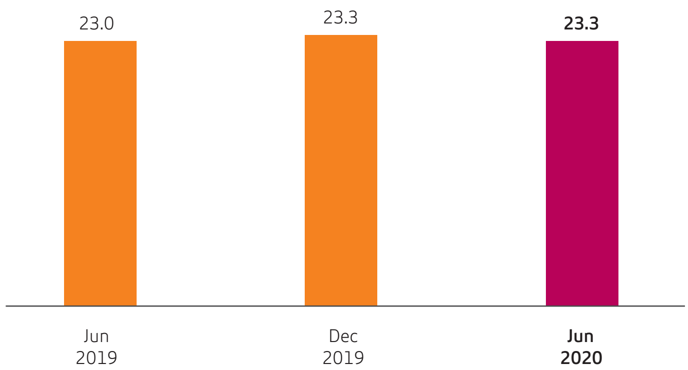
Net interest income increased by **9%** to **R2 165m** driven by the growth in loans and advances and increased client margin.

Impairments increased to **R1 750m** (30 June 2019: R147m) as balance sheet resilience was built given the forecasted economic deterioration as well as an increase in late arrears and the legal book, as lockdown regulations limited asset realisation activities. The credit loss ratio increased to **1.43%** (30 June 2019: 0.13%) and coverage increased across all stages.

Looking ahead Home Loans will focus on:

- A wider range of payment arrangements and solutions to customers, focussing on providing longer term restructures and relief;
- Reskilling staff to enable a shift from a collection focus to a holistic debt management focus;
- Selective growth, leveraging digitisation and data insight to identify focused growth opportunities; and
- Deploying end-to-end digital channel experiences for our customers.

Mortgages market share (%)



RBB South Africa

for the reporting period ended

Business unit performance (continued)

Vehicle and Asset Finance

Business performance

The already pressurised domestic vehicle sales market experienced extreme strain in quarter two of 2020, characterised by:

- ▼ New vehicle sales declining **37%** for the first six months of 2020 (NAAMSA)[1];
- ▼ Vehicle price inflation averaging **3.0%** for the four months ending April 2020 (StatsSA); and
- ▼ The combined New and Used Financed vehicle market decreasing by **42%** for the 6 months ending June 2020 (Transunion)[2].

VAF's focus on delivering against its growth objectives during the first quarter shifted towards protection and preservation in the second quarter through:

- A simple, inclusive and proactive payment relief offering to customers in good standing to protect our existing account base;
- Remaining committed to vehicle dealers by offering support and assistance in partnership with Relationship Banking, further embedding deeper banking relationships within Absa;
- Expanding our collections and customer assistance strategy by strengthening the capacity and capability with front end functional resources; and
- Continuing the delivery of new and enhanced consumer and dealer digital experiences.

The above has resulted in:

- ▲ Production decreasing by **19%** in a strained market that declined by **42%** although production in the first quarter increased **11%**;
- ▼ An increase in the level of arrears due to higher inflows; and
- ▲ Used vehicle market share improving to **22.1%** from **17.3%** in the first half of 2019 (Transunion).

Financial performance

Gross loans and advances to customers grew **7%** to **R87.6bn** (30 June 2019: R82.1bn) supported by higher production during the preceding twelve months as well as a slower run-off on the back book as a result of the payment relief program.

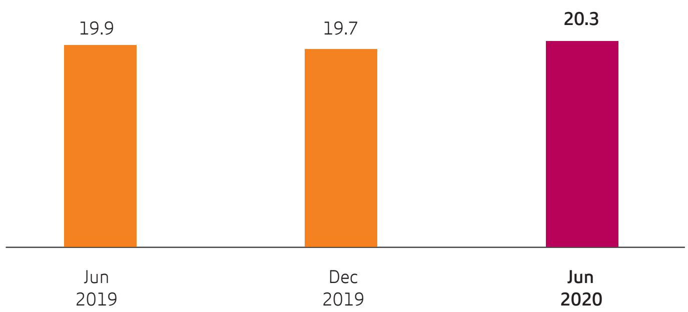
Headline earnings fell by R1 118m to a loss of **R996m** mainly due to higher impairments. Pre-provision profit grew **27%** due to revenue growth of **6%** to **R1 503m** (30 June 2019: R1 415m) underpinned by stable book growth as well as a reduced cost base driven by efficiencies.

Impairments increased to **R2 129m** (30 June 2019: R548m) as expected credit losses increased given the adverse economic outlook combined with a deterioration in the delinquency profile, partially offset by the payment relief offering to customers. The credit loss ratio increased to **4.91%** (30 June 2019: 1.39%) while the rise in the Stage 3 coverage to **44.46%** (30 June 2019: 39.37%) is attributable to the macro-economic variable impact on asset realisation values as well as an increase in the legal book.

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

- Enhanced relief mechanisms for customers still experiencing strain
- Improving returns through the quality of new production and efficient use of financial resources;
- Enhancement of collections capabilities and capacity with a bias for digitisation; and
- Embedment of customer onboarding solution and implementation of digital self-service.

VAF market share (%)



1 NAAMSA stats for new vehicles.
2 Transunion stats for new and used vehicles.

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Everyday Banking

Business performance

The business carried its strong momentum into the first quarter of the year, however, the Covid-19 pandemic had a significant impact on economic activities and business operations in the second quarter following the national lockdown. The long term business strategy remained relevant, although the interruption of the business operations in the second quarter necessitated a shift in focus to preserving and protecting the existing portfolio while accelerating the digital transformation journey.

In response to the heightened uncertainty and impact of the pandemic, the business undertook several measures to reduce the strain to the business operations, including:

- Rearranging the contact centre workspace to reduce density across campuses, enabling social distancing amongst employees;
- Enhancing the risk management approach;
- Implementing a comprehensive payment relief programme;
- Ramping up internal and third party collections function to deal with the increased demand;
- Strengthening expected credit losses allowance
- Accelerating delivery of digital initiatives; and
- Enabling more teams to work from home.

The resetting of the digital foundation in RBB has enabled significant progress to be made in the digital enablement journey including:

- Enhancing banking app and Web functionalities;
- Enabling virtual card as a payment option, allowing customers to retrieve their full card details to perform online shopping transactions without the physical plastic; and
- Introducing Instant Loan on USSD

The consistency of the strategy assisted the business in delivering on its objectives, as demonstrated in the following:

- Cheque accounts increased **4%** with strong growth in core middle market and affluent segments;
- Improvement of customer propositions through the launch of the Expense Protector & Family Banking offerings;
- Onboarding and switching time reduced by between **70%** and **85**%, resulting in cheque and savings account customers being onboarded in **12 minutes** and **4 minutes** respectively;
- Introducing customer financial literacy education based on account behaviour;
- Enhancing the Absa Rewards program to a more value-based proposition; and
- Sustaining the retail deposits growth.

The impact of the pandemic, particularly in the second quarter, was clear as the rate of growth in the underlying key business drivers turned from positive at the end of the first quarter to a contraction by the end of the first half. Sales activities could not be undertaken as they were initially considered non-essential, particularly through the hard lockdown period. The impact of the lockdown was significantly apparent in the key business drivers, including:

- Personal loans production decline of **34%**. (Quarter 1 up 8%; Quarter 2 down 78%);
- Card point of sale usage decline of **11%**. (Quarter 1 up 6%; Quarter 2 down 27%);
- Sales of cheque accounts decline of **24%**. (Quarter 1 up 24%; Quarter 2 down 76%).

The migration of customers to bundled products over the past few years, as well as the improvement in the rate of digital adoption and the increase in digital usage helped cushion the impact of the sharp contraction in transactional activities during the lockdown. The shift of customers to digital commerce has been significant and can be seen through card not present usage which has increased **76%** in 2020. (Quarter 1 up 66% and Quarter 2 up 85%).

Financial performance

Gross loans and advances grew **2%** to **R73.8bn** (30 June 2020: R72.4bn), normalising for the disposal of the Edcon book advances grew **9%** with growth driven by both credit card and personal loans which increased **9% and 10%** respectively. Growth was supported by production momentum carrying through from the second half of 2019 and the first quarter of 2020, although growth slowed in the second quarter of 2020 as sales activities were not considered an essential service during the hard lockdown and credit strategies were realigned to reduce adverse selection.

Retail deposits grew **12%** to **R240bn** (30 June 2019: R214bn), reflective of the stability and strength of the customer franchise. This growth was driven by active management of the investment portfolio and a shift in customer preference to lower-risk cash investments. Transactional deposits grew 11% from limited economic activity during lockdown.

Headline earnings decreased by **93%** as elevated impairment charges offset pre-provision profit growth of 5%. The pre-provision growth was primarily driven by lower operating expenses despite additional costs incurred in response to the pandemic.

Total income declined **3%** to **R12 081m** (June 2019: R12 425m), impacted by the disposal of the Edcon book as well as the lower economic activity in the second quarter. Normalising for the disposal of Edcon revenues were flat on 2019 levels.

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Everyday Banking (continued)

Financial performance (continued)

Net interest income increased **2%** to **R6 434m** (30 June 2019: R6 300m), normalising for the disposal of Edcon the growth was **6%**, driven by growth in both advances and deposits, but partly offset by a compression in deposit margins:

- Net interest income on advances, normalised for Edcon, increased **10%** driven by growth in average balances as margins remained relatively stable.
- Net interest income on deposits increased **3%** as an increase in average balances of **11%** was offset by an unfavourable portfolio mix as well as the reduction in interest rates.

Non-interest income growth contracted **8%** to **R5 647m** (30 June 2019: R6 125m), normalising for Edcon, the growth was **6%** reflective of the reduced economic activity in the second quarter where revenues contracted **15%** on 2019 levels. Annuity fee-based revenue remained resilient through the period as activity linked revenue declined due to reduced customer activity. Card turnover reduced **27%** in the second quarter relative to the prior reporting period, and **28%** against the first quarter.

Impairment losses grew to **R5 107m** (30 June 2019: R1 995m) as we prudently increased expected credit losses in light of the weak economic outlook as well as a deterioration in the delinquency profile. The lockdown restrictions impacted both internal and third-party collections, as well as affecting the customers' ability to make use of the branch channels to make loan payments resulting in increased inflows through the delinquency cycles. Expected credit loss coverage was thus increased to **R15 304m** (30 June 19: R10 730m) across all stages to strengthen the expected credit loss allowance resiliency, given the unsecured nature of the products in this portfolio, resulting in the overall expected credit loss coverage increasing to **20.74%** (30 June 2019: 14.81%), and the loan loss ratio increasing to **11.76%** (30 June 2019: 4.93%).

Operating expenses reduced **8%** to **R6 723m** (30 June 2019: R7 305m) due to lower volumes and customer activity through the lockdown, the disposal of Edcon and continued cost optimisation initiatives with a deliberate focus on reducing non-value adding costs. Notwithstanding the focus on cost reduction, investment in digitisation was accelerated given the impact of the pandemic on customer and employee interactions. Investments geared towards employees based efficiencies and improved customer experiences across our channels were prioritised, with a resultant improvement in service provision and morale of the frontline.

Looking ahead, the focus for Everyday Banking will be on:

- Proactively assisting customers that may be facing difficulty as they navigate the uncertain environment;
- Enhancing collection capabilities including digital functionality;
- Improving the rate of primacy and providing real value for customers;
- Strengthening the onboarding experience for customers across channels; and
- Accelerating back-office automation to remove digital handoffs into the call centre.

RBB South Africa

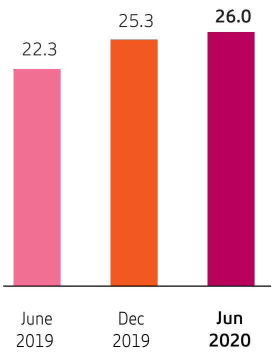
for the reporting period ended

Business unit performance (continued)

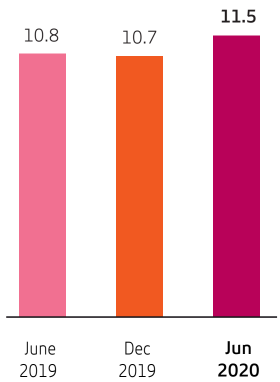
Everyday Banking (continued)

Financial performance (continued)

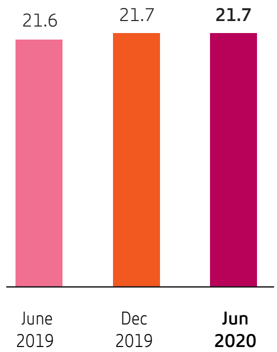
Card market share stock (%)



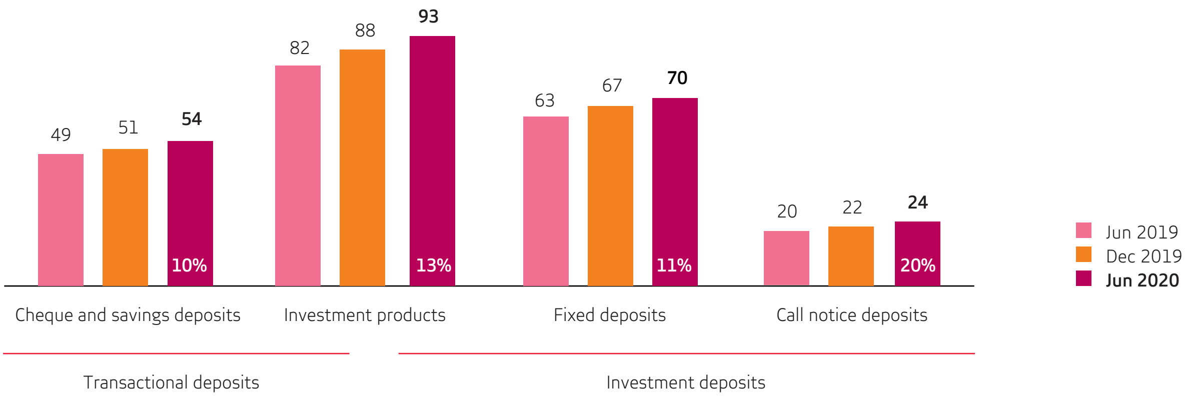
Personal loans market share (%)



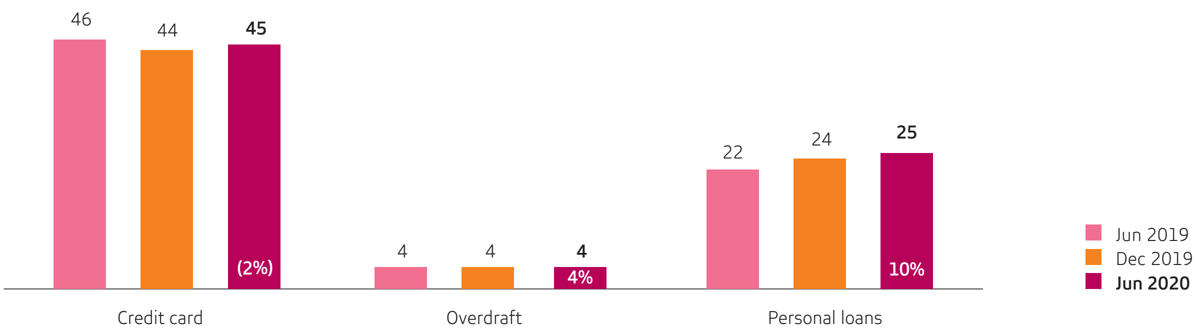
Deposits market share (%)



Deposits (Rm and change %)



Gross loans and advances (Rm and change %)



RBB South Africa

for the reporting period ended

Business unit performance

Relationship Banking

Relationship Banking continued to execute on its key Strategic initiatives underpinning its growth strategy, during the first quarter of 2020 the integration of the Wealth and Fiduciary operations into its core operations was completed. Technology investment into its Digital and CustomerOne platform (Salesforce CRM tool) during the past 12-18 months allowed for a more agile and flexible operation with more than 85% of the workforce currently working from home.

During the second quarter the business focus shifted from strategy execution to preservation and customer service, to this extent Relationship Banking played a key role in the industry and in the broader group and offered comprehensive payment relief measures to assist business and employees impacted by the Covid-19 pandemic, notwithstanding the fact that the Relationship Banking credit portfolio is heavily weighted to primary agriculture and associated sectors which proved more resilient. As at 30 June 2020, 20 000 customers benefited from the comprehensive payment relief measures implemented, which ranged from proactive payment holiday offers on certain commercial asset and property finance agreements to bespoke solutions across all asset classes. The business further assisted with distributions for the South Africa Future Trust as well as participating in the R200bn Government loan guarantee scheme. The relief was not limited to lending related products but customers utilising cash and merchant acquiring payment solutions also benefitted from relief offered on device rentals. These measures offered relief in excess of R1.7bn to customers. The Group's physical cash management operations, managed in Relationship Banking, experienced a particularly challenging period in regards to logistics and cash processing activities. The focus was to ensure that the ATM estate operated optimally and could meet cash demands of Absa customers and the broader public.

Financial performance

Gross loans and advances to customers increased by **3%** to **R127bn** (30 June 2019: R123bn) reflecting sustained momentum in Commercial Lending (Term & Agri loans) products whilst growth in Commercial Asset Finance products contracted by **4%** reflective of the economic strain. The Commercial Property portfolio is flat year on year as a number of large Property development entities migrated to CIB in 2020.

Deposits growth of **13%** to **R150bn** (30 June 2019: R134bn) was driven by continued growth in saving and investments products which increased by **24%**, from healthy demand for the on balance sheet money market equivalent product and a build-up of liquidity across the customer franchise whilst the transactional deposit base declined marginally, mainly in the Local and Provincial government sector. The change in the overall deposit book construct resulted in a negative mix effect with overall deposit margins contracting for the period under review.

Headline Earnings decreased **38%** to **R1 046m** (30 June 2019: R1 684m), reflecting pre-provision profit growth of **9%** as a marginal contraction in revenue was offset by a **8%** decline in the cost base, this was however offset by a substantial growth in impairments given the economic deterioration.

Net Interest Income increased by **8%** to **R3 960m** (30 June 2019: R3 628m) reflecting the growth in average advances and deposits balances, this was partially offset by margin compression in Deposits due to a higher composition of the lower margin savings and investment products.

Non-Interest Income decreased by **13%** to **R2 714m** (30 June 2019: R3 118m) from sub-inflationary pricing increases and lower transactional volumes across products. Despite a drop in transactional volumes, core transactional revenues were somewhat buffered by the recent migration of customers to bundled products. Merchant acquiring volumes grew 5% from customer acquisition as well as large retail clients remaining resilient although average margin contracted given the sharp decline in SME and Commercial volumes. Non-interest Income in our Financial Advisory & Fiduciary operations were negatively impacted as volumes reduced dramatically during hard lockdown as a result of the closure of branches, municipal and master of the high court offices, whilst the recovery post lockdown was further negatively impacted by intermittent closures of these offices.

Impairments increased **616%** to **R1 348m** (30 June 2019: R188m) and the credit loss ratio increased to **2.11%** (30 June 2019: 0.32%) reflective of the economic deterioration. Stage 1 coverage decreased to 0.65% (30 June 2019: 0.74%) given book composition changes as customers with higher coverage moved to stage 2 and as a result of the improved outlook for the agricultural sector. Stage 3 loan coverage decreased to **47.80%** (30 June 2019: 53.41%) as a result of composition changes in the stage 3 portfolio from recoveries in legacy defaults in the Commercial Property Finance portfolio.

Operating expenditure contracted by **8%** and reflects base effect benefits from the optimised cost structure following the operational redesign in the first half of 2019, volume related savings from cash operations and lower performance related incentive costs.

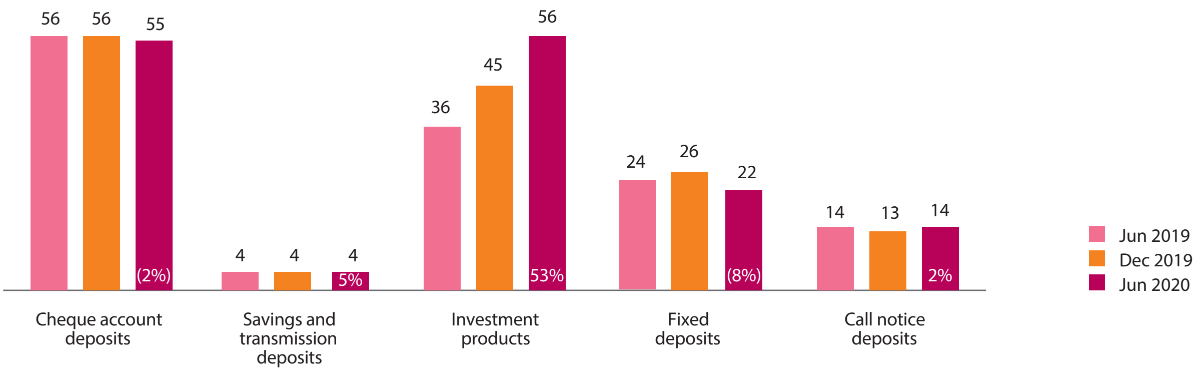
Looking ahead, Relationship Banking will continue to focus on:

- Staying close to customers and supporting them through this period
- 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.

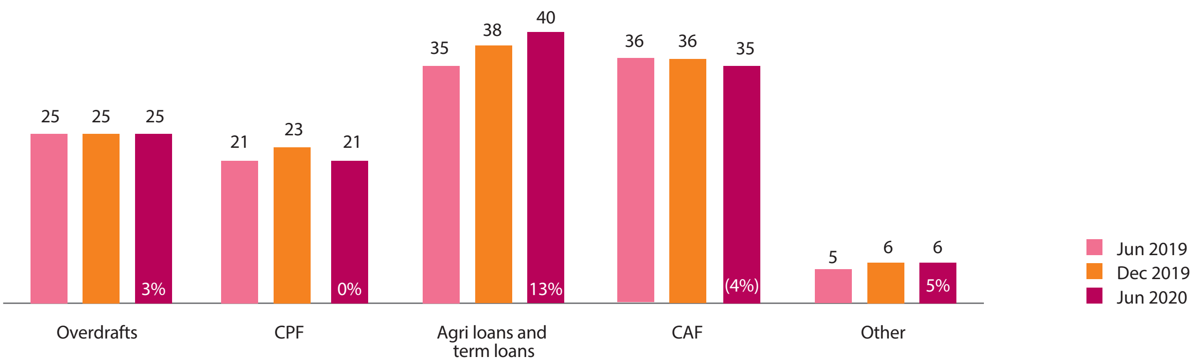
Business unit performance (continued)

Relationship Banking (continued)

Deposits (Rm and change %)



Gross loans and advances (Rm and change %)



RBB South Africa

for the reporting period ended

	Life Insurance			
	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Statement of comprehensive income (Rm)				
Net insurance premium income	**2 188**	1 927	14	4 095
Net insurance claims and benefits paid	**(799)**	(718)	11	(1 500)
Investment income				
Policyholder investment contracts	**558**	1 316	(58)	1 832
Policyholder insurance contracts	**(1)**	141	<(100)	214
Changes in investment and insurance contract liabilities				
Policyholder investment contracts	**(533)**	(1 269)	(58)	(1 702)
Policyholder insurance contracts	**42**	(19)	<(100)	(13)
Other income	**30**	12	>100	76
Gross operating income	**1 485**	1 390	7	3 002
Net commission paid by insurance companies	**(450)**	(385)	17	(881)
Operating expenses	**(343)**	(331)	4	(676)
Other expenses	**(65)**	(58)	12	(125)
Net operating income	**627**	616	2	1 320
Investment income on shareholder funds	**50**	59	(15)	108
Taxation expense	**(169)**	(215)	(21)	(461)
Profit for the period	**508**	460	10	967
Headline earnings	**506**	455	11	963
Note (Rm)				
Investment income				
Policyholder investment contracts	**558**	1 316	(58)	1 832
Net interest income	**561**	523	7	1 157
Dividend income	**121**	161	(25)	319
Fair value gains/(losses)	**(124)**	632	<(100)	356
Policyholder insurance contracts	**(1)**	141	<(100)	214
Net interest income	**71**	61	16	131
Dividend income	**9**	7	29	17
Fair value gains/(losses)	**(81)**	73	<(100)	66
Shareholder funds	**50**	59	(15)	108
Net interest income	**46**	55	(16)	105
Dividend income	**—**	—	—	—
Fair value gains/(losses)s	**4**	4	—	3
Total	**607**	1 516	(60)	2 154
Net interest income	**678**	639	6	1 393
Dividend income	**130**	168	(23)	336
Fair value gains/(losses)	**(201)**	709	<(100)	425

Insurance Cluster per geographical segment	South Africa			
	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Statement of comprehensive income (Rm)				
Net insurance premium income	**3 291**	3 129	5	6 450
Net insurance claims and benefits paid	**(1 627)**	(1 639)	(1)	(3 285)
Gross operating income	**1 863**	1 710	9	3 655
Operating expenses	**(428)**	(404)	6	(815)
Net operating income	**810**	702	15	1 602
Profit for the reporting period	**641**	549	17	1 243
Headline earnings	**642**	549	17	1 244

RBB South Africa

for the reporting period ended

Short-term Insurance				Insurance Cluster			
30 June			31 December	30 June			31 December
2020 Rm	2019 Rm	Change %	2019 Rm	2020 Rm	2019 Rm	Change %	2019 Rm
1 769	1 712	3	3 458	3 957	3 639	9	7 553
(1 041)	(1 136)	(8)	(2 246)	(1 840)	(1 854)	(1)	(3 746)
—	—	—	—	558	1 316	(58)	1 832
25	31	(19)	61	24	172	(86)	275
—	—	—	—	(533)	(1 269)	(58)	(1 702)
—	—	—	—	42	(19)	<(100)	(13)
47	40	18	64	77	52	48	140
800	647	24	1 337	2 285	2 037	12	4 339
(256)	(253)	1	(480)	(706)	(638)	11	(1 361)
(296)	(281)	5	(548)	(639)	(612)	4	(1 224)
(5)	(6)	(17)	(9)	(70)	(64)	9	(134)
243	107	>100	300	870	723	20	1 620
45	76	(41)	149	95	135	(30)	257
(94)	(58)	62	(137)	(263)	(273)	(4)	(598)
194	125	55	312	702	585	20	1 279
203	129	57	310	709	584	21	1 273
—	—	—	—	558	1 316	(58)	1 832
—	—	—	—	561	523	7	1 157
—	—	—	—	121	161	(25)	319
—	—	—	—	(124)	632	<(100)	356
25	31	(19)	61	24	172	(86)	275
25	31	(19)	61	96	92	4	192
—	—	—	—	9	7	29	17
—	—	—	—	(81)	73	<(100)	66
45	76	(41)	149	95	135	(30)	257
67	71	(6)	141	113	126	(10)	246
2	2	—	4	2	2	—	4
(24)	3	<(100)	4	(20)	7	<(100)	7
70	107	(35)	210	677	1 623	(58)	2 364
92	102	(10)	202	770	741	4	1 595
2	2	0	4	132	170	(22)	340
(24)	3	<(100)	4	(225)	712	<(100)	429

Africa regions				Insurance			
30 June			31 December	30 June			31 December
2020 Rm	2019 Rm	Change %	2019 Rm	2020 Rm	2019 Rm	Change %	2019 Rm
666	510	31	1 103	3 957	3 639	9	7 553
(213)	(215)	(1)	(461)	(1 840)	(1 854)	(1)	(3 746)
422	327	29	684	2 285	2 037	12	4 339
(211)	(208)	1	(409)	(639)	(612)	4	(1 224)
60	21	>100	18	870	723	20	1 620
61	36	69	36	702	585	20	1 279
67	35	91	29	709	584	21	1 273

RBB South Africa

for the reporting period ended

	Insurance Cluster			
	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Statement of financial position				
Assets				
Cash balances and loans and advances to banks	—	—	—	20
Financial assets backing investment and insurance liabilities				
Policyholder investment contracts	**25 801**	28 066	(8)	27 556
Cash balances and loans and advances to banks	**942**	2 063	(54)	2 215
Investment securities	**24 859**	26 003	(4)	25 341
Policyholder insurance contracts	**4 029**	3 998	1	4 069
Cash balances and loans and advances to banks	**1 011**	1 031	(2)	1 112
Investment securities	**2 293**	2 035	13	2 121
Reinsurance assets	**725**	932	(22)	836
Shareholder funds	**4 084**	3 802	7	3 694
Cash balances and loans and advances to banks	**2 675**	2 567	4	2 351
Investment securities	**1 409**	1 235	14	1 343
Other assets	**1 101**	1 234	(11)	1 122
Property and equipment	**381**	328	16	328
Total assets	**35 396**	37 428	(5)	36 789
Liabilities				
Liabilities under investment contracts	**25 733**	28 028	(8)	27 492
Policyholder liabilities under insurance contracts	**4 389**	4 506	(3)	4 298
Other liabilities	**1 736**	1 453	19	1 584
Other liabilities	**1 646**	1 349	22	1 495
Other liabilities relating to investment contracts	**90**	104	(13)	89
Deferred tax liabilities	**215**	128	68	141
Total liabilities	**32 073**	34 115	(6)	33 515
Equity				
Capital and reserves	**3 159**	3 132	1	3 109
Non-controlling interest	**164**	181	(9)	165
Total equity	**3 323**	3 313	0	3 274
Total liabilities and equity	**35 396**	37 428	(5)	36 789

Business unit performance (continued)

Insurance Cluster

Business performance

The Insurance Cluster is well positioned to benefit from the integration into RBB and is more resilient following the exit from the volatile Agricultural Crop and Commercial lines of business. The Cluster had a strong start to the year benefiting from the momentum built over the course of 2019 given the consistent execution of the strategy to deliver value from integration with RBB. The onset of the Covid-19 pandemic softened the operating environment but performance remained solid:

- New business volumes in quarter 1 increased by **5%** while volumes decreased by **62%** in quarter 2 due to the lockdown regulations;
- Policy losses within the Life business have remained resilient, with the implementation of the premium holiday relief to policyholders, reducing to **2.5%** (2019: 3.1%) per month in the first six months; and
- Overall claims have decreased by **1%** year on year due to lower motor claims during the Covid-19 lockdown and no catastrophe losses for the year to date in the Short-term business, this has been offset by increased retrenchment claims in the Life business.

Recognising the impact of the pandemic on customers the business took the following steps to alleviate customer strain:

- Implemented enhanced retrenchment benefits to Credit Life customers as part of the Group wide Covid-19 relief;
- Extended the grace period offered to Standalone customers by an additional 2 months; and
- Provided a motor premium discount to compensate customers for reduced motor exposure as a result of the lockdown conditions.

Reserves were strengthened in response to the impact of the pandemic through increasing the retrenchment incident rate, as well as providing for the premium relief granted to customers.

An out of cycle ORSA was initiated to ensure that appropriate capital levels are maintained under a number of stress scenarios. The solvency impact of the pandemic was assessed by performing three stress tests of increasing severity with all businesses remaining solvent throughout the stress scenarios. Capital continues to be managed prudently with the Solvency Capital Requirement cover well in excess of the regulatory minimum of 1 times in the South African Life and Short-term businesses..

Life Insurance

Pan Africa Life Insurance headline earnings increased by **11%** to **R506m** (30 June 2019: R455m) mainly due to growth in net premium income of **14%** to **R2 188m** (30 June 2019: R1 927m), this was partially offset by an **11%** increase in claims and the raising of specific Covid-19 reserves.

Year on year the Embedded Value has reduced by **1%**, this is primarily due to the increase in the retrenchment incidence rate. Embedded Value of New Business (EVNB) declined **18%** due to the allowance for an increased retrenchment claim incidence rate as well as a decline in new business volumes due to the impact of the pandemic. The Life Insurance in-force book has decreased by **2%** in 2020 as a result of reduced new business sales since the implementation of the lockdown.

	30 June			31 December
Salient features – Life Insurance	**2020**	2019	Change %	2019
Shareholders' net assets (Rm)	**1 853**	1 736	7	1 844
Cost of solvency capital (Rm)	**(269)**	(176)	53	(203)
Value of business in force (Rm)	**4 731**	4 846	(2)	4 850
Embedded value (Rm)	**6 315**	6 406	(1)	6 491
Embedded value earnings (Rm)	**432**	458	(6)	1 058
Return on embedded value (%)	**14**	14	0	16
EVNB (Rm)	**238**	291	(18)	734
Value of new business as a percentage of the present value of future premiums (%) (gross)	**7**	10	(27)	11

RBB South Africa

for the reporting period ended

Business unit performance (continued)

Insurance Cluster (continued)

Life Insurance (continued)

South Africa Life

Headline earnings grew by **20%** to **R484m** (30 June 2019: R403m) mainly due to **9%** growth in net premiums which was partly offset by a **10%** increase in claims, as well as the raising of specific Life reserves related to the pandemic.

Net premium increased by **9%** to **R1 795m** (30 June 2019: R1 643m) driven by growth in the funeral business and continued growth in the Instant Life business as a result of the closer integration with bank operations. An additional provision has been raised as a result of premium relief granted to customers.

Claims growth of **10%** to **R712m** (30 June 2019: R646m) was primarily due to an increase in retrenchment claims partially offset by reduced underlying mortality claims.

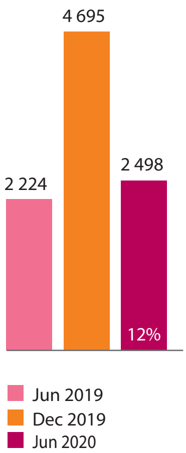
The Life Fund has been strengthened to take into account the increased claims retrenchment incidence rate, this has been offset by the decline in the book, the change in economic assumptions and the impact of the equity markets on the linked insurance products.

Africa Life

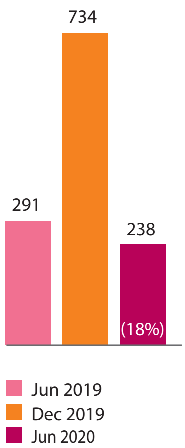
Headline earnings declined **61%** to **R22m** primarily due to the additional reserves raised on the single premium group schemes business. Net premium income grew **38%** to **R393m** (30 June 2019: R284m) driven by growth from the Group Risk, Education and Credit Life business. Claims increased **24%** to **R88m** reflecting the growth in the size of the in-force book. Reserving levels increased by **R243m** to **R952m** due to the growth in single premium Group Risk, Education and personal loans businesses

New business volumes have reduced **60%** as a result of the lockdown however this has been offset by growth in the Group Scheme business. Covid-19 related claims activity was muted in the first half of the year.

Gross premium income
(Rm and change %)



Value of new business
(Rm and change %)



Business unit performance (continued)

Insurance Cluster (continued)

Short-term Insurance

Headline earnings increased by **57%** to **R203m** (30 June 2019: R129m) as net insurance premium income grew by **3%** and underwriting margin increased to **11%** (30 June 2019: 4%). The improvement in underwriting margins and headline earnings was largely attributed to improved claims experience and a significant improvement in the Mozambique operations.

	30 June		31 December
Salient features – Short-term Insurance	**2020**	2019	2019
Underwriting margin (%) – SA	**12. 9**	7.2	9.0
Underwriting margin (%) – Pan Africa	**11. 3**	4.2	6.1
Loss ratio (%)	**59**	66	65

South Africa Short-term Insurance

Headline earnings increased **8%** to **R158m** (30 June 2019: R147m) as underwriting margin improved to **12.9%** (30 June 2019: 7.2%) driven largely by an improved claims experience.

Net insurance premium income increased by **1%** to **R1 496m** (30 June 2019: R1 486m). The increased premium has been supported by good growth in the core homeowner's product of **3%** due to improved lending momentum on the home loan book and higher retention rates. Growth in premium income has been impacted by customer concessions which have been granted to compensate customers for reduced motor exposure as a result of the lockdown conditions.

Claims have reduced by **8%** year on year primarily due to a lower frequency of motor claims because of the lockdown as well as ongoing portfolio management actions, cost containment and fewer weather related events in the first half of the year.

Africa Short-term Insurance

Headline earnings increased to **R45m** (30 June 2019: R17m loss) from improved performances in both Kenya and Mozambique. Underwriting margin improved to **2.5%** mainly due to increased new business and renewals in Mozambique and improvements in the claims experience for both countries.

Looking ahead, the Insurance Cluster will continue to focus on the following key strategic themes:

- Enhance **digital insurance capabilities** and offerings by integration into the bank platforms and processes;
- **Improve product propositions and grow channels**;
- Focus on **business optimisation** by improved retention and collections through the application of data science;
- Increase self-service functionality through the **digital automation** of claims and underwriting functionality; and
- Continue to assess the reserving position taking into account the latest **Covid-19 experience**.

Total CIB

for the reporting period ended

Headline earnings declined by 43% to **R1 590m** (30 June 2019: R2 780m, down 46% in constant currency) as a result of elevated credit impairments in a stressed operating environment, particularly in the second quarter of the year, with a credit loss ratio of **1.30%** (30 June 2019: 0.22%). Excluding credit impairments, pre-provision profits increased by 24% to **R5 384m** (30 June 2019: R4 329m, up 17% in constant currency); reflecting strong income growth of 15% (up 10% in constant currency) and operating expenses growth of 5% (up 2% in constant currency).

Key performance highlights for the period include the following:

▲ **Strong pre-provision profits growth**
of 24% to **R5 384m** (30 June 2019: R4 329m, up 17% in constant currency).

▲ **Strong income growth**
in Markets SA, up 49% to **R1 792m** (30 June 2019: R1 202m), off a low base.

▲ **Improved efficiency ratio**
with a cost-to-income ratio of **47.0%** (30 June 2019: 51.1%) and positive JAWS of 10%.

▲ **Customer deposits grew**
faster than customer loans, up 19% and 8% respectively.

▲ **Achieved substantial separation**
from Barclays Plc within time and budget.

▲ **Awarded the 2020 Excellence in Leadership**
in Africa by Euromoney for the integrated Covid-19 response for employees, clients and communities.

▲ **Corporate SA income growth slowed**
to 4% at **R2 361m** (30 June 2019: R2 270m), as margins and volumes came under pressure.

▼ **Non-interest income**
as a proportion of total income declined marginally to 34.8% (from 35.9%).

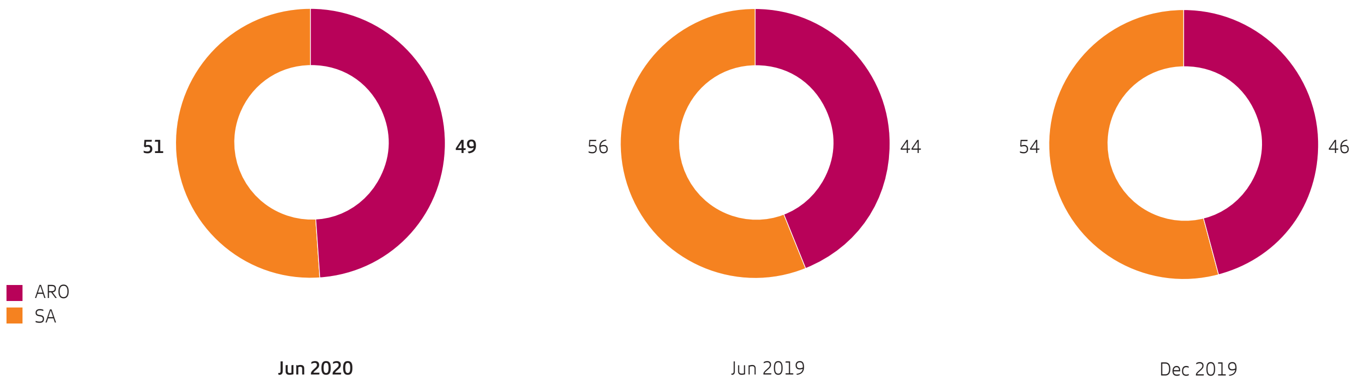
▼ **Credit loss ratio increased**
to **1.30%** (from 0.22%) driven by elevated credit impairments.

▼ **Lower return on regulatory capital**
of **8.7%** (from 18.0%) attributable to the decline in headline earnings.

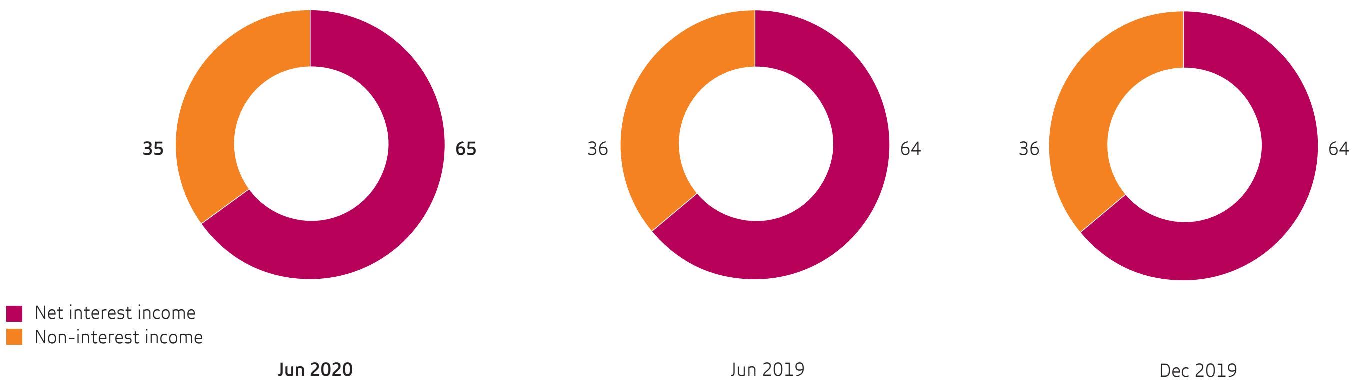
Total CIB

for the reporting period ended

Headline earnings contribution (%)



Revenue mix (%)



CIB salient features	30 June 2020	2019	CCY %	Change %	31 December 2019
Income (Rm)	**10 154**	8 851	10	15	18 408
Headline earnings (Rm)	**1 590**	2 780	(46)	(43)	5 946
Pre-provision profit (Rm)	**5 384**	4 329	17	24	8 818
Cost-to-income ratio (%)	**47.0**	51.1			52.1
Credit loss ratio (%)	**1.30**	0.22			0.14
RoRC (%)	**8.7**	18.0			18.2
RoRWA (%)	**0.97**	2.00			2.02
RoA (%)	**0.38**	0.82			0.83

Total CIB

for the reporting period ended

	CIB South Africa			
	30 June			31 December
	2020	2019[1]	Change %	2019[1]
Statement of comprehensive income (Rm)				
Net interest income	**3 977**	3 523	13	7 278
Non-interest income	**1 803**	1 789	1	3 762
Total income	**5 780**	5 312	9	11 040
Impairment losses	**(1 657)**	(284)	>100	(367)
Operating expenses	**(2 975)**	(3 113)	(4)	(6 503)
Other expenses	**(86)**	(37)	>100	(100)
Operating profit before income tax	**1 062**	1 878	(43)	4 070
Tax expenses	**19**	(200)	<(100)	(534)
Profit for the reporting period	**1 081**	1 678	(36)	3 536
Profit attributable to:				
Ordinary equity holders	**884**	1 546	(43)	3 225
Non-controlling interest – ordinary shares	**—**	—	—	—
Non-controlling interest – preference shares	**66**	67	(1)	140
Non-controlling interest – Additional Tier 1	**131**	65	>100	171
	1 081	1 678	(36)	3 536
Headline earnings	**817**	1 546	(47)	3 230
Operating performance (%)				
Net interest margin on average interest-bearing assets	**1.96**	2.06		2.02
Credit loss ratio	**0.93**	0.18		0.11
Non-interest income as % of income	**31.2**	33.7		34.1
Income growth	**9**	(5)		(4)
Operating expenses growth	**(4)**	5		6
Cost-to-income ratio	**51.5**	58.6		58.9
Statement of financial position (Rm)				
Loans and advances to customers	**304 772**	289 028	5	298 229
Loans and advances to banks	**85 683**	45 507	88	41 881
Investment securities	**44 580**	41 940	6	42 382
Other assets	**361 189**	271 010	33	278 320
Total assets	**796 224**	647 485	23	660 812
Deposits due to customers	**243 056**	207 741	17	207 461
Debt securities in issue	**15 911**	12 587	26	16 612
Other liabilities	**533 805**	422 231	26	430 658
Total liabilities	**792 772**	642 559	23	654 731
Financial performance (%)				
RoRWA	**0.69**	1.48		1.48
RoA	**0.23**	0.52		0.52

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

	CIB ARO					Total CIB				
	30 June				31 December	30 June				31 December
	2020	2019	CCY %	Change %	2019	2019	2019[1]	CCY %	Change %	2019[1]
	2 644	2 150	9	23	4 494	**6 621**	5 673	12	17	11 772
	1 730	1 389	13	25	2 874	**3 533**	3 178	6	11	6 636
	4 374	3 539	11	24	7 368	**10 154**	8 851	10	15	18 408
	(1 140)	(118)	>100	>100	(173)	**(2 797)**	(402)	>100	>100	(540)
	(1 795)	(1 409)	17	27	(3 087)	**(4 770)**	(4 522)	2	5	(9 590)
	(49)	(17)	>100	>100	(71)	**(135)**	(54)	>100	>100	(171)
	1 390	1 995	(41)	(30)	4 037	**2 452**	3 873	(42)	(37)	8 107
	(502)	(575)	(23)	(13)	(966)	**(483)**	(775)	(46)	(38)	(1 500)
	888	1 420	(49)	(37)	3 071	**1 969**	3 098	(42)	(36)	6 607
	779	1 233	(49)	(37)	2 716	**1 663**	2 779	(46)	(40)	5 941
	109	187	(49)	(42)	355	**109**	187	(49)	(42)	355
	—	—	—	—	—	**66**	67	(2)	(1)	140
	—	—	—	—	—	**131**	65	>100	>100	171
	888	1 420	(49)	(37)	3 071	**1 969**	3 098	(42)	(36)	6 607
	773	1 234	(49)	(37)	2 716	**1 590**	2 780	(46)	(43)	5 946
	5.92	5.91			5.88	**2.67**	2.74			2.70
	3.10	0.44			0.30	**1.30**	0.22			0.14
	39.5	39.3			39.0	**34.8**	35.9			36.0
	24	18			15	**15**	3			3
	27	22			20	**5**	10			10
	41.0	39.8			41.9	**47.0**	51.1			52.1
	64 833	52 764	7	23	59 439	**369 605**	341 792	6	8	357 668
	9 274	3 300	>100	>100	726	**94 957**	48 807	92	95	42 607
	775	724	0	7	786	**45 355**	42 664	6	6	43 168
	32 530	30 433	(6)	7	36 762	**393 719**	301 443	29	31	315 082
	107 412	87 221	8	23	97 713	**903 636**	734 706	21	23	758 525
	77 530	62 605	8	24	71 814	**320 586**	270 346	15	19	279 275
	—	—	—	—	—	**15 911**	12 587	26	26	16 612
	31 676	25 048	12	26	24 864	**565 481**	447 279	26	26	455 522
	109 206	87 653	9	25	96 678	**901 978**	730 212	22	24	751 409
	1.70	3.61			3.53	**0.97**	2.00			2.02
	1.46	2.89			3.01	**0.38**	0.82			0.83

Total CIB

for the reporting period ended

	Corporate				
	30 June				31 December
	2020	2019[1]	CCY %	Change %	2019[1]
Statement of comprehensive income (Rm)					
Net interest income	**4 249**	3 726	6	14	7 732
Non-interest income	**1 116**	1 059	2	5	2 170
Total income	**5 365**	4 785	5	12	9 902
Impairment losses	**(1 586)**	(323)	>100	>100	(333)
Operating expenses	**(2 682)**	(2 482)	4	8	(5 386)
Other expenses	**(45)**	(16)	52	>100	(56)
Operating profit before income tax	**1 052**	1 964	(52)	(46)	4 127
Tax expenses	**(281)**	(530)	(52)	(47)	(894)
Profit for the reporting period	**771**	1 434	(52)	(46)	3 233
Profit attributable to:					
Ordinary equity holders	**677**	1 280	(54)	(47)	2 930
Non-controlling interest - ordinary shares	**43**	120	(68)	(64)	224
Non-controlling interest – preference shares	**16**	18	(8)	(11)	35
Non-controlling interest – Additional Tier 1	**35**	16	>100	>100	44
	771	1 434	(52)	(46)	3 233
Headline earnings	**605**	1 281	(54)	(53)	2 930
Operating performance (%)					
Net interest margin on average interest-bearing assets	**3.20**	3.50			3.43
Credit loss ratio	**2.59**	0.63			0.31
Non-interest income as % of income	**20.8**	22.1			21.9
Income growth	**12**	12			9
Operating expenses growth	**8**	6			12
Cost-to-income ratio	**50.0**	51.9			54.4
Statement of financial position (Rm)					
Loans and advances to customers	**105 789**	99 591	(2)	6	102 829
Loans and advances to banks	**11 863**	11 326	0	5	3 431
Investment securities	**6 605**	3 041	>100	>100	3 078
Other assets	**176 564**	128 014	37	38	138 466
Total assets	**300 821**	241 972	20	24	247 804
Deposits due to customers	**280 322**	227 371	19	23	229 636
Debt securities in issue	**—**	—	—	—	—
Other liabilities	**21 287**	14 608	39	46	16 707
Total liabilities	**301 609**	241 979	20	25	246 343
Financial performance (%)					
RoRWA	**0.93**	2.36			2.51
RoA	**0.44**	1.17			1.26
RoRC	**8.4**	21.4			22.9

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

Investment Bank					Total CIB				
30 June				31 December	30 June				31 December
2020	2019[1]	CCY %	Change %	2019[1]	**2020**	2019[1]	CCY %	Change %	2019[1]
2 372	1 947	22	22	4 040	**6 621**	5 673	12	17	11 772
2 417	2 119	8	14	4 466	**3 533**	3 178	6	11	6 636
4 789	4 066	15	18	8 506	**10 154**	8 851	10	15	18 408
(1 211)	(79)	>100	>100	(207)	**(2 797)**	(402)	>100	>100	(540)
(2 088)	(2 040)	1	2	(4 204)	**(4 770)**	(4 522)	2	5	(9 590)
(90)	(38)	>100	>100	(115)	**(135)**	(54)	>100	>100	(171)
1 400	1 909	(33)	(27)	3 980	**2 452**	3 873	(42)	(37)	8 107
(202)	(245)	(33)	(18)	(606)	**(483)**	(775)	(46)	(38)	(1 500)
1 198	1 664	(32)	(28)	3 374	**1 969**	3 098	(42)	(36)	6 607
986	1 499	(39)	(34)	3 011	**1 663**	2 779	(46)	(40)	5 941
66	67	(14)	(1)	131	**109**	187	(49)	(42)	355
50	49	0	2	105	**66**	67	(2)	(1)	140
96	49	99	96	127	**131**	65	>100	>100	171
1 198	1 664	(32)	(28)	3 374	**1 969**	3 098	(42)	(36)	6 607
985	1 499	(39)	(34)	3 016	**1 590**	2 780	(46)	(43)	5 946
2.06	1.93			1.92	**2.67**	2.74			2.70
0.79	0.06			0.07	**1.30**	0.22			0.14
50.5	52.1			52.5	**34.8**	35.9			36.0
18	(6)			(3)	**15**	3			3
2	15			8	**5**	10			10
43.6	50.2			49.4	**47.0**	51.1			52.1
263 816	242 201	9	9	254 839	**369 605**	341 792	6	8	357 668
83 094	37 481	>100	>100	39 176	**94 957**	48 807	92	95	42 607
38 750	39 623	(2)	(2)	40 090	**45 355**	42 664	6	6	43 168
217 155	173 429	24	25	176 616	**393 719**	301 443	29	31	315 082
602 815	492 734	22	22	510 721	**903 636**	734 706	21	23	758 525
40 264	42 975	(6)	(6)	49 639	**320 586**	270 346	15	19	279 275
15 911	12 587	26	26	16 612	**15 911**	12 587	26	26	16 612
544 194	432 671	25	26	438 815	**565 481**	447 279	26	26	455 522
600 369	488 233	22	23	505 066	**901 978**	730 212	22	24	751 409
1.00	1.77			1.69	**0.97**	2.00			2.02
0.35	0.65			0.63	**0.38**	0.82			0.83
8.9	15.8			15.2	**8.7**	18.0			18.2

Total CIB

for the reporting period ended

Business profile

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, and 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, employees 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 BBBEE 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** comprises:
  - **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; and
  - **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

Headline earnings declined by 43% to **R1 590m** (30 June 2019: R2 780m, down 46% in constant currency), with SA down 47% to **R817m** (30 June 2019: R1 546m) and ARO down 37% to **R773m** (30 June 2019: R1 234m, down 49% in constant currency).

Total income increased by 15% to **R10 154m** (30 June 2019: R8 851m, up 10% in constant currency), supported by solid growth from both the Corporate Bank and the Investment Bank, up 12% and 18% respectively. The income performance was resilient in a period characterised by uncertainty and volatility due to the Covid-19 pandemic, the impact of which was limited to the second quarter of the reporting period, and was partly mitigated by the business's response of prioritising individual client needs.

- Corporate Bank income increased by 12% to **R5 365m** (30 June 2019: R4 785m, up 5% in constant currency) with net interest income up 14% to **R4 249m** (2019: R3 726m, up 6% in constant currency) and non-interest income up 5% to **R1 116m** (2019: R1 059m, up 2% in constant currency). The overall performance was driven by increased demand for short-term funding during the various lockdown measures implemented across the markets, resulting in average advances growth and margin expansion (working capital up 17% in constant currency). Furthermore, the flow Trade financing business delivered good growth (up 9% in constant currency), despite strict restrictions on cross-border movements of goods. The Cash Management business increased marginally by 3% in constant currency driven by average customer deposits growth of 19% in constant currency, which included notable growth in lower yielding money market deposits in SA. This was partly offset by margin pressure across all jurisdictions in a declining interest rate environment. Transactional banking volumes declined across most markets, adversely impacting non-interest income growth.
- Investment Bank income increased by 18% to **R4 789m** (30 June 2019: R4 066m, up 15% in constant currency). Within the Investment Bank, the Global Markets business's income increased by 42% to **R3 162m** (30 June 2019: R2 226m, up 37% in constant currency) supported by a strong turnaround in client facilitation risk, particularly in SA, while client flows maintained growth momentum. Furthermore, the Commercial Property Finance business grew by 47% to **R425m** (30 June 2019: R290m), continuing on its momentum and benefitting from the diversity of the portfolio (by sector and geography). This was partially offset by Banking SA and Private Equity, which were adversely impacted by negative fair value adjustments.

Credit impairments increased significantly to **R2 797m** (30 June 2019: R402m, up >100% in constant currency) and is well above the target through the cycle range of 20 to 30 bps at 130 bps (from 22 bps), reflecting the stress in the macroeconomic environment. The main drivers of the elevated impairments are increased single name changes of R1 443m as well as judgemental macroeconomic overlays of R1 259m.

Operating expenses growth managed at 5% to **R4 770m** (30 June 2019: R4 522m, up 2% in constant currency). Excluding the impact of FX translations, the 2% costs growth was a reflection of continued cost-saving initiatives that were implemented in the business, as part of management actions to responsibly contain cost growth.

Average customer deposits increased by 20% to **R299.2bn** (30 June 2019: R249.4bn, 17% in constant currency), supported by strong growth across all deposit classes, with continued momentum from the launch of the Absa Access Deposit Note in 2019.

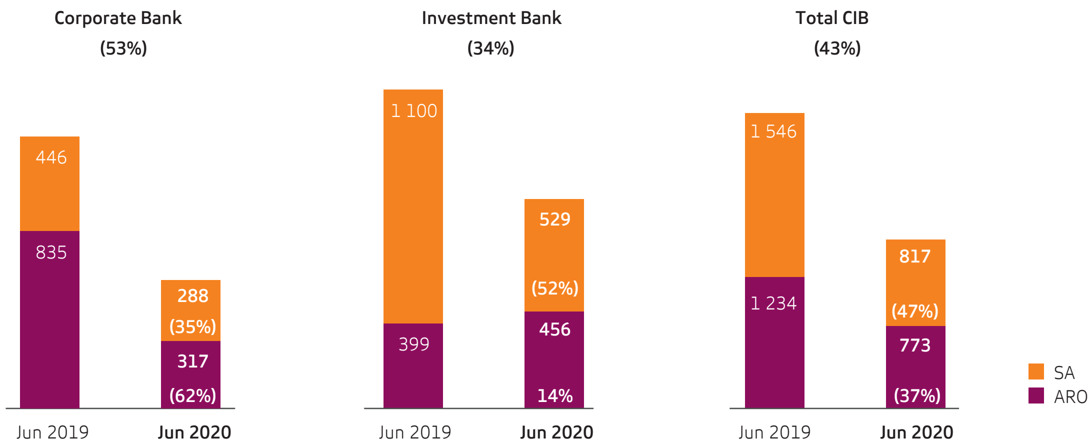
Average customer loans increased by 15% to **R371.6bn** (30 June 2019: R323.2bn, up 13% in constant currency), driven by transactions that were concluded in the latter part of 2019, coupled with increased demand for short-term facilities as the business assisted clients in securing their working capital requirements in this period.

Total CIB

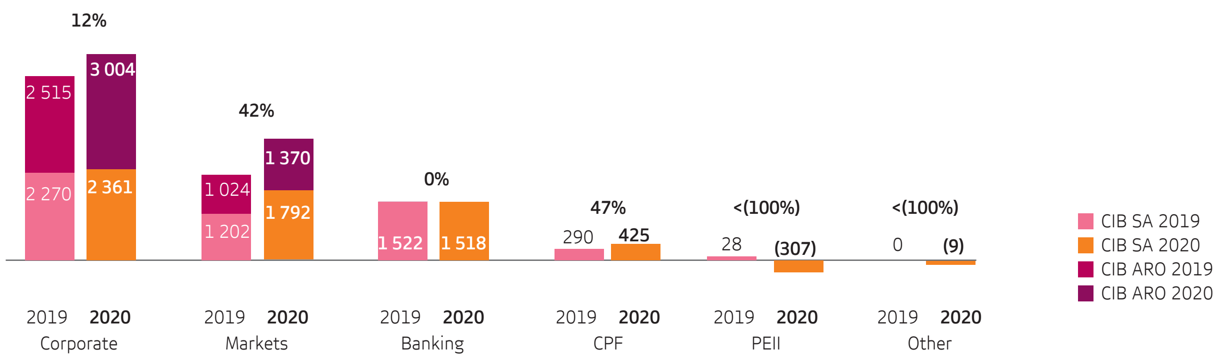
for the reporting period ended

Financial performance (continued)

Headline earnings (Rm and change %)



Gross income mix (Rm and change %)



Total CIB

for the reporting period ended

Business performance

The Corporate and Investment Bank delivered satisfactory results, impacted by the global pandemic. The speed and severity of the onset of Covid-19 has meant a disruption in the execution of the business's strategy, which was built on growth, adding new clients, driving primacy, increasing market share and evaluating non-presence markets. This has necessitated a shift from growth to carefully supporting clients.

Key milestones from this period were as follows:

- The business set up clear overarching response protocols to maintain operational stability, manage firm resources optimally, while supporting and staying close to clients. This has involved the creation of four pillars of focus with the following mandates:
  - Solutioning and advising clients;
  - Ensuring business continuity and employee wellness;
  - Managing capital and liquidity; and
  - Societal good focusing on the business's response to government and other external institutions.
- Approximately R48bn in payment relief was extended to CIB clients in this period. This included interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.
- The business achieved substantial separation from Barclays Plc, a process that comprised 44 key projects with five platinum projects, delivered by more than 200 employees within budget and agreed timelines.
- Absa Investor Services, the custody and trustee business acquired from Societe Generale, was successfully integrated into CIB in March 2020. The business brings over R113bn of assets under custody and a rich network of local and global clients. This new venture aligns to CIB's primary banking focus and will support its ambitions in the near term.
- As part of the implementation of the international strategy, Absa Group went operationally live with an Absa Bank representative office in New York, and established an SEC registered broker dealer through its subsidiary Absa Securities US Inc. The successful acquisition of these licences with the US regulators establishes Absa's US presence and its ability to intermediate Africa-related global trade and investment through this corridor.
- The close proximity to the international client base, through the UK office, has enabled strategic client engagements with product specialists. This approach assisted Absa to be awarded as the joint bookrunner for Helios Towers' Eurobond. Absa has now been the only African bank to act on both of the recent telecommunications tower company bond refinancing.
- The UK representative office has developed good momentum with strong performance in certain sectors, amid challenging circumstances attributable to the pandemic, and continues to originate new client relationships while strengthening existing relationships.

Furthermore, the following accolades were received in this period:

- Best M&A Bank in Africa – Global Finance;
- Excellence in Leadership in Africa – Euromoney;
- Best Bank in Mozambique – Euromoney;
- Best Banking Technology Overhaul in Mozambique – Global Banking and Finance Awards;
- Best Bank for Corporate Investment Management Services in Mozambique – Global Banking and Finance Awards;
- Best Forex Bank in Mozambique – Global Banking and Finance Awards;
- Best Corporate Social Responsibility in Zambia – Global Banking and Finance Awards;
- Best Corporate Bank in Zambia – Global Banking and Finance Awards;
- Best Corporate Bank in Zambia – International Business Magazine; and
- Best Corporate Social Responsibility in Zambia – International Business Magazine.

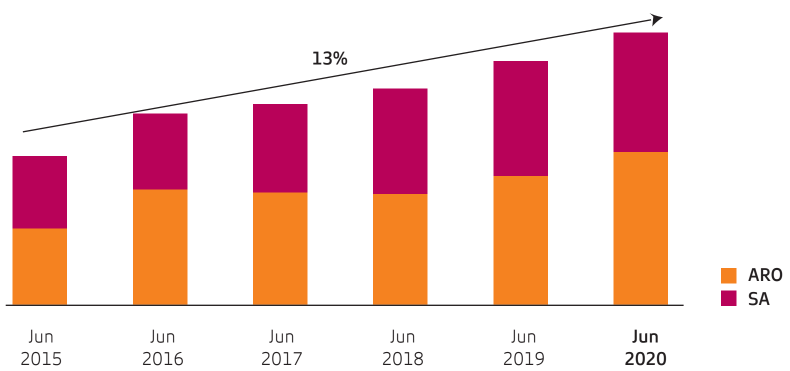
Corporate Bank

The Corporate Bank franchise grew income by 12% to **R5 365m** (30 June 2019: R4 785m, up 5% in constant currency) supported by continued growth in ARO, up 19% to **R3 004m** (30 June 2019: R2 515m, up 7% in constant currency), while SA's growth slowed to 4% at **R2 361m** (30 June 2019: R2 270m).

Net interest income growth of 14% to **R4 249m** (30 June 2019: R3 726m, up 6% in constant currency) benefited from average customer loan growth of 21% coupled with average customer deposit growth of 22%. Margins have been under pressure with contraction in both South Africa and a number of markets on the continent, particularly on customer deposits.

Non-interest income growth of 5% to **R1 116m** (30 June 2019: R1 059m, up 2% in constant currency) was largely driven by increased documentary trade activity. This was partially offset by lower transactional volumes as collections volumes continued to reduce in SA.

Corporate Bank income growth trend (CAGR)



Total CIB

for the reporting period ended

Business performance (continued)

Corporate Bank (continued)

Corporate SA income was driven by the following:

- Working capital up 10% supported by average advances growth of 8% as demand for short-term funding increased, coupled with improved margins as a result of changes in the underlying client mix;
- Deposits up 4% driven by strong growth in average customer deposits of 24% to **R178.9bn** (30 June 2019: R144.0bn). This was, however, offset by an adverse margin impact due to declining interest rates, as well as the impact of growth in lower yielding money market deposits; and
- Trade up marginally by 1% as the fee business increased by 8% from a strong performance in documentary trade products; however, net interest income was adversely impacted by lower advances.

This was partly offset by:

- Transactions down 3% driven by the decline in economic activity, due to continued pressure in the collections business.

Corporate ARO income was driven by[1]:

- Trade up 16% due to a combination of improved volumes and balance sheet growth. Customer loans grew 3% underpinned by growth in key markets;
- Working capital up 42% from increased utilisation and improved margins in some markets;
- Cash management up 5% largely due to a strategic focus on maintaining and growing average customer deposits (up 5%), partly offset by margin compression in a low interest rate environment across the markets. Transactional volumes in most jurisdictions declined for the six-month reporting period owing to Covid-19 lockdowns, in spite of having increased by 8% in the first quarter; and
- Term debt was unchanged with balance sheet growth being offset by delayed conversion of pipeline deals as a result of reduced economic activities.

	30 June								31 December		
	2020			2019					2019		
Corporate Bank salient features	SA	ARO	Total	SA[1]	ARO	Total[1]	CCY %	Change %	SA[1]	ARO	Total[1]
Gross income (Rm)	2 361	3 004	5 365	2 270	2 515	4 785	5	12	4 665	5 237	9 902
Credit impairments (Rm)	(455)	(1 131)	(1 586)	(205)	(118)	(323)	>100	>100	(162)	(171)	(333)
Net income (Rm)	1 906	1 873	3 779	2 065	2 397	4 462	20	(15)	4 503	5 066	9 569
Average loans and advances to customers (Rbn)	44.7	66.7	111.4	41.9	50.5	92.4	13	21	41.3	53.9	95.2
Average deposits due to customers (Rbn)	178.9	74.3	253.2	144.0	62.8	206.8	19	22	150.9	65.4	216.3

Investment Bank

Total Investment Bank income increased by 18% to **R4 789m** (30 June 2019: R4 066m, 15% in constant currency), with SA up 12% to **R3 419m** (30 June 2019: R3 042m), and ARO up 34% to **R1 370m** (30 June 2019: R1 024m, 21% in constant currency).

The performance by business unit is detailed below:

Global Markets

Global Markets income increased by 42% to **R3 162m** (30 June 2019: R2 226m, 37% in constant currency), with Markets SA up 49% to **R1 792m** (30 June 2019: R1 202m) and Markets ARO up 34% to **R1 370m** (30 June 2019: R1 024m, 21% in constant currency).

The Markets SA performance was driven by:

- **Fixed Income and Credit** increased by 73% to **R1 123m** (30 June 2019: R649m) due to increased market making activity on bond and derivative trading as a result of increased global volatility. Strategic transactions that drive corporate hedging activities were put on hold, as clients focused on liquidity and short-term needs. Offsetting this was the dislocation in financial markets, which resulted in the business managing increased volumes through interest rate markets by both local and offshore institutional clients.
- **Foreign Exchange and Commodities** increased by 47% to **R613m** (30 June 2019: R417m) as a result of client facilitation risk, continued support for clients as well as increased levels of volatility experienced due to the unfolding of the global crisis. The business continued to focus on the strategy of growing the client base and invest in state-of-the-art FX trading and digital processing capabilities.
- **Equities and Prime Services** decreased by 83% to **R17m** (30 June 2019: R100m) impacted by extreme market volatility and a difficult equities trading environment. The overall Equities performance masked a stronger performance by the Cash Equities and Prime Service businesses.

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

Total CIB

for the reporting period ended

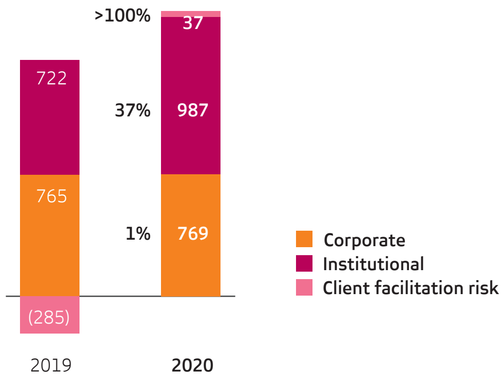
Business performance (continued)

Investment Bank (continued)

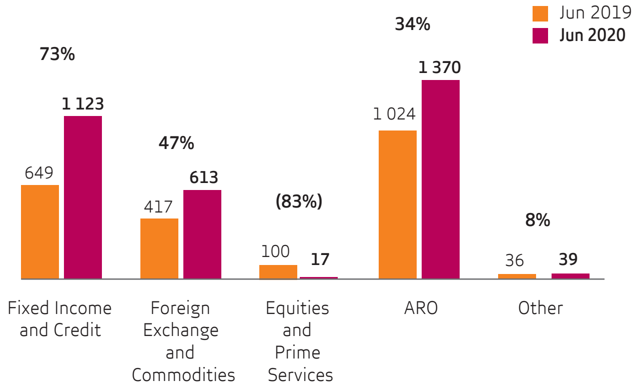
Global Markets (continued)

Markets ARO continued on its growth momentum, supported by good geographic and product diversity. The performance was driven by higher net revenues in government bonds and FX swap trading amidst favourable interest rate environments, coupled with strong client activities in hedging products. In spite of the economic downturn caused by Covid-19, client FX turnover was marginally up year on year, a result of collaboration with Coverage and Transactional Banking teams leading to improved cross sell. Trading on the wholesale international FX market was constrained, reflecting a generally challenging trading environment.

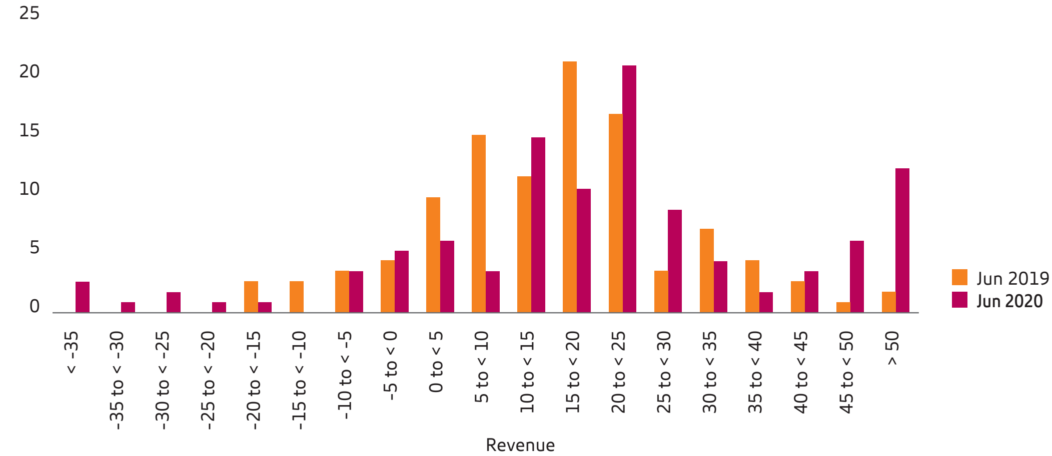
Markets SA revenue: client vs risk (Rm and change %)



Global Markets gross income split (Rm and change %)



Daily markets income distribution (Rm) (%) of Business Days



Total CIB

for the reporting period ended

Business performance (continued)

Investment Bank (continued)

Banking SA

Banking SA revenue was largely unchanged at **R1 518m** (30 June 2019: R1 522m), adversely impacted by fair value adjustments taken on a legacy portfolio; otherwise up 15%.

The underlying business remained resilient, with growth in the Financing business benefitting from improved margins, while fee income increased despite capital raising opportunities remaining under pressure due to limited market activity. Average customer loans increased by 10% to **R161.0bn** (30 June 2019: R145.9bn) with the resource and project finance book increasing by 19% on average, while the preference share portfolio increased by 4% on average and contributed positively to overall CIB returns.

	30 June			31 December
Salient features	**2020**	2019[1]	Change %	2019[1]
Gross income (Rm)	**1 518**	1 522	(0)	3 094
Credit impairment (Rm)	**(1 083)**	(61)	>100	(163)
Net income (Rm)	**435**	1 461	(70)	2 931
Average loans and advances to customers (Rbn)	**161.0**	145.9	10	149.9

Commercial Property Finance SA (CPF)

CPF income increased by 47% to **R425m** (30 June 2019: R290m), with a three-year compound annual growth of 30%.

Net interest income increased by 55% to **R419m** (30 June 2019: R271m) supported by average portfolio asset growth of 33% to **R54.5bn** (30 June 2019: R41.1bn), reflecting the business's activity in the market and an increased presence therein despite the tough economic environment, as well as margin expansion from certain key deals. Non-interest income has declined due to limited fee income earned relative to the prior year.

This business continues to grow and broaden its product offering (including the gradual expansion of mezzanine financing) in a sustainable manner, while maintaining a well-diversified portfolio across geographies and sectors. In addition, the business is taking active steps to manage any risk relating to the pandemic, including monitoring clients closely and restructuring certain positions as the need arises.

	30 June			31 December
Salient features	**2020**	2019	Change %	2019
Gross income (Rm)	**425**	290	47	666
Credit impairment (Rm)	**(97)**	(16)	>100	(40)
Net income (Rm)	**328**	274	20	626
Average portfolio assets (Rbn)	**54.5**	41.1	33	44.6

Private Equity and Infrastructure

Non-core Private Equity and Infrastructure Investments reported negative income of **R307m** (30 June 2019: R28m) mainly due to net negative revaluations.

	30 June			31 December
Salient features	**2020**	2019	Change %	2019
Revaluations (Rm)	**(307)**	(1)	>100	9
Realisations, dividends, interest and fees (Rm)	**8**	43	(81)	107
Funding (Rm)	**(8)**	(14)	(43)	(27)
Net income (Rm)	**(307)**	28	<(100)	89
Total portfolio size (Rbn)	**1.8**	1.9	(5)	1.9

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

Total CIB

for the reporting period ended

Looking ahead

In response to the evolving business landscape, CIB's focus for the near term will include prioritising opportunities for more digital innovation, entrenching remote working models, digital servicing and innovative products that address emerging client needs. The business will also focus on building sustainability into the strategy and operations over a multi-year period, as the business creates collective prosperity for current and future generations.

The key areas of focus will continue to be the following:

- A winning franchise targeting key sectors across the continent;
- Building out Transactional banking across presence markets by commercialising new capabilities, building out a single sign on platform and embedding an effective sales and service model;
- Expanding the product offering across the African footprint to deliver a robust solution set to clients; and
- Staying close to clients in each relevant geography and building connectivity for global clients, while creating and leveraging strategic partnerships.

We are proud of the CIB franchise we have built and the people who power it through a culture of excellence and collaboration. We will continue to invest in talent to execute on the strategy successfully while exceeding client expectations.

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CIB South Africa

for the reporting period ended

	Corporate			
	30 June			31 December
	2020	2019[1]	Change %	2019[1]
Statement of comprehensive income (Rm)				
Net interest income	**1 605**	1 577	2	3 233
Non-interest income	**756**	693	9	1 432
Total income	**2 361**	2 270	4	4 665
Impairment losses	**(455)**	(205)	>100	(162)
Operating expenses	**(1 341)**	(1 407)	(5)	(3 057)
Other expenses	**(20)**	(3)	>100	(2)
Operating profit before income tax	**545**	655	(17)	1 444
Tax expenses	**(139)**	(175)	(21)	(386)
Profit for the reporting period	**406**	480	(15)	1 058
Profit attributable to:				
Ordinary equity holders	**355**	446	(20)	979
Non-controlling interest – preference shares	**16**	18	(11)	35
Non-controlling interest – Additional Tier 1	**35**	16	>100	44
	406	480	(15)	1 058
Headline earnings	**288**	446	(35)	979
Operating performance (%)				
Net interest margin on average interest-bearing assets	**1.78**	2.21		2.14
Credit loss ratio	**1.72**	0.80		0.32
Non-interest income as % of income	**32.0**	30.5		30.7
Income growth	**4**	9		6
Operating expenses growth	**(5)**	(5)		6
Cost-to-income ratio	**56.8**	62.0		65.5
Statement of financial position (Rm)				
Loans and advances to customers	**40 956**	46 827	(13)	43 390
Loans and advances to banks	**9 215**	11 326	(19)	3 431
Investment securities	**5 971**	2 396	>100	2 407
Other assets	**159 530**	111 343	43	118 618
Total assets	**215 672**	171 892	25	167 846
Deposits due to customers	**202 792**	164 766	23	158 083
Debt securities in issue	**—**	—	—	—
Other liabilities	**12 314**	6 967	77	9 229
Total liabilities	**215 106**	171 733	25	167 312
Financial performance (%)				
RoRWA	**0.96**	1.63		1.75
RoA	**0.31**	0.60		0.62

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

Investment Bank				Total CIB South Africa			
30 June			31 December	30 June			31 December
		Change				Change	
2020	2019[1]	%	2019[1]	2020	2019[1]	%	2019[1]
2 372	1 946	22	4 045	**3 977**	3 523	13	7 278
1 047	1 096	(4)	2 330	**1 803**	1 789	1	3 762
3 419	3 042	12	6 375	**5 780**	5 312	9	11 040
(1 202)	(79)	>100	(205)	**(1 657)**	(284)	>100	(367)
(1 634)	(1 706)	(4)	(3 446)	**(2 975)**	(3 113)	(4)	(6 503)
(66)	(34)	94	(98)	**(86)**	(37)	>100	(100)
517	1 223	(58)	2 626	**1 062**	1 878	(43)	4 070
158	(25)	<(100)	(148)	**19**	(200)	<(100)	(534)
675	1 198	(44)	2 478	**1 081**	1 678	(36)	3 536
529	1 100	(52)	2 246	**884**	1 546	(43)	3 225
50	49	2	105	**66**	67	(1)	140
96	49	96	127	**131**	65	>100	171
675	1 198	(44)	2 478	**1 081**	1 678	(36)	3 536
529	1 100	(52)	2 251	**817**	1 546	(47)	3 230
2.10	1.96		1.94	**1.96**	2.06		2.02
0.80	0.06		0.07	**0.93**	0.18		0.11
30.6	36.0		36.5	**31.2**	33.7		34.1
12	(13)		(10)	**9**	(5)		(4)
(4)	14		7	**(4)**	5		6
47.8	56.1		54.1	**51.5**	58.6		58.9
263 816	242 201	9	254 839	**304 772**	289 028	5	298 229
76 468	34 181	>100	38 450	**85 683**	45 507	88	41 881
38 609	39 544	(2)	39 975	**44 580**	41 940	6	42 382
201 659	159 667	26	159 702	**361 189**	271 010	33	278 320
580 552	475 593	22	492 966	**796 224**	647 485	23	660 812
40 264	42 975	(6)	49 378	**243 056**	207 741	17	207 461
15 911	12 587	26	16 612	**15 911**	12 587	26	16 612
521 491	415 264	26	421 429	**533 805**	422 231	26	430 658
577 666	470 826	23	487 419	**792 772**	642 559	23	654 731
0.60	1.42		1.39	**0.69**	1.48		1.48
0.20	0.49		0.48	**0.23**	0.52		0.52

Absa Regional Operations

for the reporting period ended

Key performance highlights for the reporting period include:

Pre-provision profits increased

by **14%** (CCY: 1%).

Headline earnings decreased

by **67%** (CCY: 77%) resulting in a return on equity of **5.1%** (30 June 2019: 18.5%).

Loans and advances to customers

grew by **23%** (CCY: 8%) and deposits due to customers grew by **26%** (CCY: 11%) driven by growth in both RBB and Corporate Banking.

Impairments grew by 388%

(CCY: 350%) resulting in a higher credit loss ratio of **3.58%** (30 June 2019: 0.94%) as expected credit losses increased because of the deterioration in the economic outlook.

Revenue growth

of **16%** (CCY: 4%) was supported by revenue growth in all businesses. The Investment Banking business grew revenue by **34%** (CCY: 21%), Corporate grew revenue by **19%** (CCY: 7%) and RBB grew revenue by **15%** (CCY: 4%).

Margins decreased

to **6.88%** (30 June 2019: 7.35%) due to interest rate cuts in the current year across most markets in response to the global pandemic.

Substantially completed separation successfully,

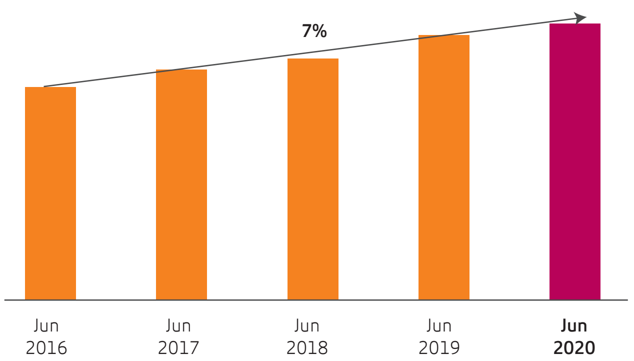
including brand and name change.

Cost-to-income ratio increased

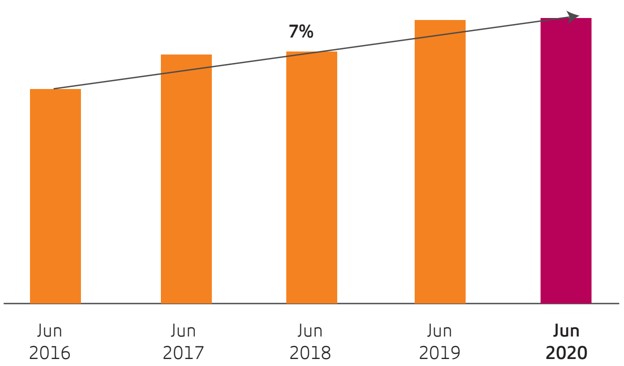
to **57.5%** (30 June 2019: 56.8%) as cost growth exceeded revenue growth.

Salient features	30 June 2020	30 June 2019	CCY %	Change %	31 December 2019
Income (Rm)	**10 348**	8 938	4	16	18 605
Attributable earnings (Rm)	**577**	1 741	(77)	(67)	3 661
Headline earnings (Rm)	**569**	1 727	(77)	(67)	3 635
Credit loss ratio (%)	**3.58**	0.94			0.98
Cost-to-income ratio (%)	**57.5**	56.8			57.8
Return on equity (%)	**5.1**	18.5			19.0
RoRWA (%)	**0.44**	1.64			1.63
RoA (%)	**0.46**	1.77			1.77

ARO income growth trend CCY (CAGR)



ARO pre-provision profit growth trend CCY (CAGR)



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Absa Regional Operations

for the reporting period ended

	RBB					CIB				
	30 June				31 December	30 June				31 December
	2020	2019	CCY %	Change %	2019	2020	2019	CCY %	Change %	2019
Statement of comprehensive income (Rm)										
Net interest income	**4 468**	3 722	8	20	7 816	**2 644**	2 150	9	23	4 494
Non-interest income	**1 529**	1 482	(6)	3	3 105	**1 730**	1 389	13	25	2 874
Total income	**5 997**	5 204	4	15	10 921	**4 374**	3 539	11	24	7 368
Impairment losses	**(1 455)**	(439)	>100	>100	(1 120)	**(1 140)**	(118)	>100	>100	(173)
Operating expenses	**(4 144)**	(3 666)	2	13	(7 665)	**(1 795)**	(1 409)	17	27	(3 087)
Other expenses	**(189)**	(110)	59	72	(293)	**(49)**	(17)	>100	>100	(71)
Operating profit/(loss) before income tax	**209**	989	(84)	(79)	1 843	**1 390**	1 995	(41)	(30)	4 037
Tax expenses	**(216)**	(382)	(49)	(43)	(662)	**(502)**	(575)	(23)	(13)	(966)
Profit/(loss) for the reporting period	**(7)**	607	<(100)	<(100)	1 181	**888**	1 420	(49)	(37)	3 071
Profit attributable to:										
Ordinary equity holders	**(88)**	431	<(100)	<(100)	823	**779**	1 233	(49)	(37)	2 716
Non-controlling interest – ordinary shares	**81**	176	(59)	(54)	358	**109**	187	(49)	(42)	355
	(7)	607	<(100)	<(100)	1 181	**888**	1 420	(49)	(37)	3 071
Headline earnings	**(91)**	417	<(100)	<(100)	798	**773**	1 234	(49)	(37)	2 716
Operating performance (%)										
Net interest margin on average interest-bearing assets	**9.75**	10.28			10.62	**5.92**	5.91			5.88
Credit loss ratio	**4.63**	1.74			2.10	**3.10**	0.44			0.30
Non-interest income as % of income	**25.5**	28.5			28.4	**39.5**	39.3			39.0
Income growth	**15**	15			13	**24**	18			15
Operating expenses growth	**13**	13			9	**27**	22			20
Cost-to-income ratio	**69.1**	70.4			70.2	**41.0**	39.8			41.9
Statement of financial position (Rm)										
Loans and advances to customers	**60 966**	49 264	10	24	52 026	**64 833**	52 764	7	23	59 439
Loans and advances to banks	**2**	3	(39)	(33)	2	**9 274**	3 300	>100	>100	726
Investment securities	**5**	4	(0)	25	9	**775**	724	0	7	786
Other assets	**45 260**	35 512	14	27	34 532	**32 530**	30 433	(6)	7	36 762
Total assets	**106 233**	84 783	11	25	86 569	**107 412**	87 221	8	23	97 713
Deposits due to customers	**94 481**	74 708	13	26	75 670	**77 530**	62 605	8	24	71 814
Debt securities in issue	**91**	73	2	25	74	**—**	—	—	—	—
Other liabilities	**15 058**	12 454	11	21	12 607	**31 676**	25 048	12	26	24 864
Total liabilities	**109 630**	87 235	12	26	88 351	**109 206**	87 653	9	25	96 678
Financial performance (%)										
RoRWA	**(0.19)**	1.19			1.04	**1.70**	3.61			3.53
RoA	**(0.18)**	1.05			0.95	**1.46**	2.89			3.01

		30 June			31 December
Key closing exchange rates in ZAR terms		2020	2019	Change %	2019
Botswana	ZAR/BWP	**1.47**	1.33	11	1.33
Ghana	ZAR/GHS	**2.98**	2.59	15	2.48
Kenya	ZAR/KES	**0.16**	0.14	18	0.14
Mauritius Onshore	ZAR/MUR	**0.43**	0.40	9	0.39
Mauritius Offshore	ZAR/USD	**17.38**	14.13	23	14.02
Mozambique	ZAR/MZN	**0.25**	0.23	10	0.22
Seychelles	ZAR/SCR	**0.99**	1.03	(5)	1.02
Tanzania	ZAR/TZS	**0.01**	0.01	22	0.01
Uganda	ZAR/UGX	**0.00**	0.00	22	0.00
Zambia	ZAR/ZMW	**0.96**	1.10	(13)	1.00

Head Office, Treasury and other operations in ARO					ARO				
30 June				31 December	30 June				31 December
2020	2019	CCY %	Change %	2019	2020	2019	CCY %	Change %	2019
(60)	171	<(100)	<(100)	254	7 052	6 043	5	17	12 564
37	24	42	54	62	3 296	2 895	4	14	6 041
(23)	195	<(100)	<(100)	316	10 348	8 938	4	16	18 605
(77)	9	<(100)	<(100)	80	(2 672)	(548)	>100	>100	(1 213)
(15)	1	>100	<(100)	(1)	(5 954)	(5 074)	7	17	(10 753)
(1)	(3)	(83)	(67)	(3)	(239)	(130)	72	84	(367)
(116)	202	<(100)	<(100)	392	1 483	3 186	(62)	(53)	6 272
(28)	(128)	(73)	(78)	(275)	(746)	(1 085)	(38)	(31)	(1 903)
(144)	74	<(100)	<(100)	117	737	2 101	(74)	(65)	4 369
(114)	77	<(100)	<(100)	122	577	1 741	(77)	(67)	3 661
(30)	(3)	>100	>100	(5)	160	360	(60)	(56)	708
(144)	74	<(100)	<(100)	117	737	2 101	(74)	(65)	4 369
(113)	76	<(100)	<(100)	121	569	1 727	(77)	(67)	3 635
n/a	n/a			n/a	6.88	7.35			7.39
n/a	n/a			n/a	3.58	0.94			0.98
n/a	n/a			n/a	31.8	32.4			32.5
n/a	n/a			n/a	16	18			14
n/a	n/a			n/a	17	16			12
n/a	n/a			n/a	57.5	56.8			57.8
—	—	—	—	—	125 799	102 028	8	23	111 465
12 007	11 302	(3)	6	14 119	21 283	14 605	31	46	14 847
49 413	36 147	19	37	34 880	50 193	36 875	19	36	35 675
(18 287)	(15 947)	30	15	15 294	59 503	49 998	(4)	19	56 000
43 133	31 502	5	37	33 705	256 778	203 506	9	26	217 987
3 926	2 588	37	52	2 904	175 937	139 901	11	26	150 388
3 665	2 225	43	65	2 781	3 756	2 298	41	63	2 855
3 517	1 438	<(100)	>100	4 777	50 251	38 940	4	29	42 248
11 108	6 251	(16)	78	10 462	229 944	181 139	10	27	195 491
n/a	n/a			n/a	0.44	1.64			1.63
n/a	n/a			n/a	0.46	1.77			1.77

Absa Regional Operations

for the reporting period ended

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

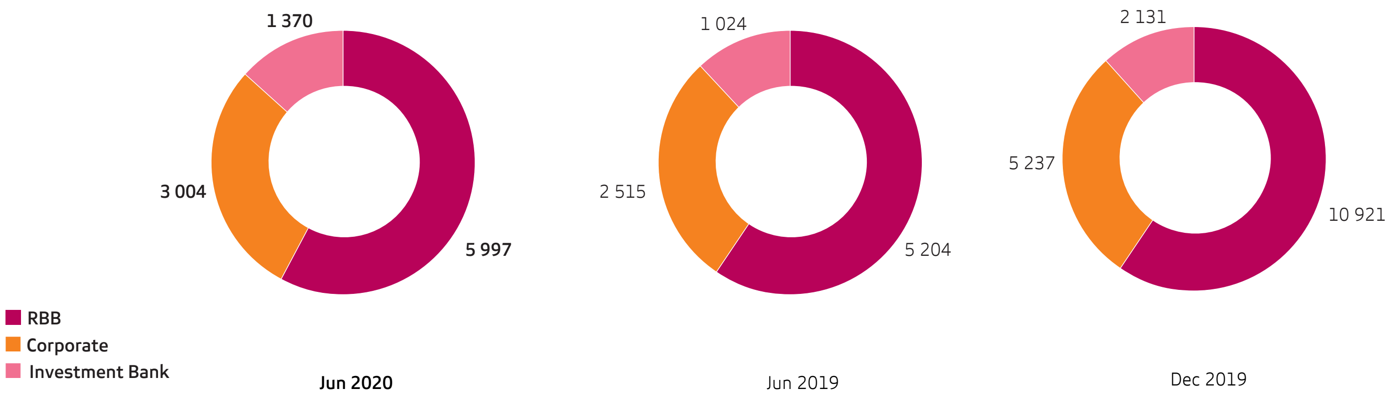
Customers and clients across the continent are served through the following key business entities[1]:

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

Financial performance

ARO's headline earnings declined by **67%** (CCY: 77%) to **R569m** (30 June 2019: R1 727m) resulting in a return on equity of **5.1%** (30 June 2019: 18.5%). This was underpinned by impairments which increased by **388%** (CCY: 350%) resulting in a higher credit loss ratio of **3.58%** (30 June 2019: 0.94%) driven by elevated customer stress levels in both the wholesale and retail portfolios. Pre-provision profits grew by **14%** (CCY: 1%), despite a decrease in margins from interest rate cuts, largely on the back of solid balance sheet momentum at the beginning of the year and cost containment. Headline earnings in RBB and Corporate Banking declined by **122%** (CCY: 129%) and **62%** (CCY: 72%) respectively while the Investment Banking business was able to grow headline earnings by **14%** (CCY: 1%). The Rand was weaker compared to the prior year against the basket of currencies in the countries in which we operate which had a positive impact on translated earnings and balance sheet growth.

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



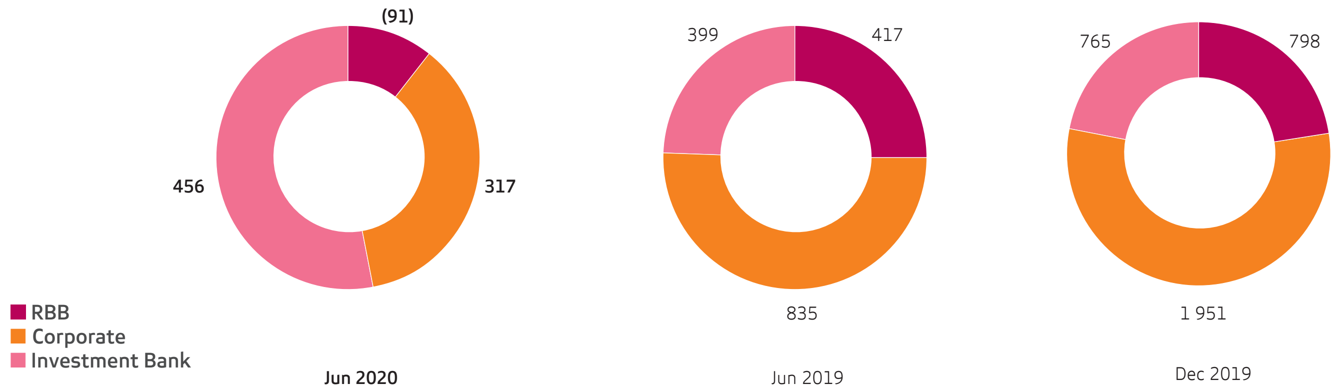
[1] Absa Bank Moçambique, SA and Absa Bank Uganda Limited successfully rebranded in November 2019, with the remaining markets successfully rebranded in February 2020.

Absa Regional Operations

for the reporting period ended

Financial performance (continued)

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



Net interest income increased by **17%** (CCY: 5%) to **R7 052m** (30 June 2019: R6 043m) with RBB's net interest income increasing by **20%** (CCY: 8%) to **R4 468m** (30 June 2019: R3 722m) and CIB's net interest income increasing by **23%** (CCY: 9%) to **R2 644m** (30 June 2019: R2 150m), despite decreasing interest rates and lower margins, largely on the back of balance sheet growth. Policy interest rate reductions were observed during the current year in seven of the markets in which we operate, ranging from 50 bps in Botswana to 250 bps in Mozambique, impacting negatively on net interest income.

Non-interest income grew by **14%** (CCY: 4%) to **R3 296m** (30 June 2019: R2 895m). The Investment Banking business grew non-interest income by **34%** (CCY: 22%) to **R1 370m** (30 June 2019: R1 023m) driven by increased bond and swap trading with increased client activities in hedging products. RBB's non-interest income increased by **3%** (CCY: decreased by 6%) to **R1 529m** (30 June 2019: R1 482m) and Corporate Banking's non-interest income decreased by **2%** (CCY: 12%) to **R360m** (30 June 2019: R366m) reflecting reduced client activity given the global pandemic. Portfolios mostly impacted include cards and cash management fees, while trade fees and FX sales showed resilience.

Impairments increased by **388%** (CCY: 350%) to **R2 672m** (30 June 2019: R548m) resulting in a higher credit loss ratio of **3.58%** (30 June 2019: 0.94%) driven by increased expected losses because of the deterioration in the economic outlook, prudent action to strengthen impairment provisioning for future losses and elevated customer stress levels in both the wholesale and retail portfolios. Despite several payment relief initiatives put in place to assist customers, delinquency profiles still deteriorated. Payment relief was granted to qualifying customers totalling 19% of the total ARO gross loan book. In addition to payment relief, debt restructuring, rate revisions and fee waivers were also implemented to support customers.

Given the dependency of macroeconomic forecasts based on historical information and the unprecedented situation we find ourselves in due to the pandemic, additional judgement was applied in determining expected credit losses. This is due to historical data not including an event such as Covid-19. Additionally, increased levels of modelling, review and challenge was implemented to support the macroeconomic impact on expected credit losses.

	Management adjustments by stage			
	Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total Rm
RBB	144	344	146	634
CIB	414	69	0	483
Head Office, Treasury and other operations in ARO	57	2	0	59
ARO total	615	415	146	1 176

Following a strong and stable book construct in the first quarter, a significant increase in customer strain was observed in the second quarter of 2020 due to the pandemic, although payment relief measures were granted to assist customers, it somewhat concealed arrears in the portfolio. The assessment of significant increases in credit risk in the portfolio took into account this impact of payment relief measures, resulting in a larger portion of exposures having been moved to stage 2. The increase in stage 3 exposures are largely attributable to an increase in the legal book with an increase in customer delinquencies.

Given the impacts of the macroeconomic deterioration on customers, stage 1 and stage 3 coverage ratios have increased.

Operating expenses increased by **17%** (CCY: 7%) to **R5 954m** (30 June 2019: R5 074m). Operating expenses include restructuring costs to rightsize the business for future growth, investment in technology as well as incremental run costs post-separation from Barclays PLC. Underlying cost growth has been contained to well below inflationary increases through various efficiency and cost reduction initiatives. These initiatives delivered a reduction of over 300 full-time employees during the first half of the year. Process optimisation, automation and cost efficiencies creating headroom for investment in growth initiatives continues to remain an area of focus as the journey of separating from Barclays PLC concludes. The cost-to-income ratio increased marginally to **57.5%** (30 June 2019: 56.8%).

Loans and advances to customers grew by **23%** (CCY: 8%) to **R125.8bn** (30 June 2019: R102.0bn). RBB's loans and advances grew by **24%** (CCY: 10%) to **R61.0bn** (30 June 2019: R49.3bn) off the back of growth in commercial lending, mortgages and personal lending driven by momentum achieved in the second half of 2019 which continued into the first quarter of 2020, while card debt declined. CIB's loans and advances to customers increased by **23%** (CCY: 7%) to **R64.8bn** (30 June 2019: R52.8bn) with continued momentum from the second half of 2019 flowing into the first quarter of 2020, 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 **26%** (CCY: 11%) to **R175.9bn** (30 June 2019: R139.9bn). RBB's deposits due to customers increased by **26%** (CCY: 13%) to **R94.5bn** (30 June 2019: R74.7bn). CIB's deposits due to customers increased by **24%** (CCY: 8%) to **R77.5bn** (30 June 2019: R62.6bn) due to an increased focus on client relationships and improved product offerings and platforms.

RBB Absa Regional Operations

for the reporting period ended

Key performance highlights for the reporting period include:

Revenue growth trajectory

maintained despite challenges around the Covid-19 impact on transactional activity, with revenue increasing by **15%** (CCY: 4%), driven by balance sheet growth.

Successful separation

of all banking platforms and applications from Barclays PLC achieved.

Income grew faster

than operating expenses, resulting in a positive Jaws ratio of **2%** and an improved cost-to-income ratio of **69.1%** (30 June 2019: 70.4%).

Credit loss ratio increased

to **4.63%** (30 June 2019: 1.74%) mainly due to elevated levels of consumer strain given the current global economic downturn. Social distancing measures, curfews, lockdowns and reduced branch operating hours further caused disruptions to collection activities.

Loans and advances to customers

grew by **24%** (CCY: 10%) driven by momentum achieved in the second half of the 2019 financial year which continued into the first quarter of 2020.

Non-interest income

as a percentage of total income declined to **25.5%** (30 June 2019: 28.5%) as a result of reduced economic activities from the impact of Covid-19.

Deposits due to customers

increased by **26%** (CCY: 13%) mainly driven by current account deposit growth.

Headline earnings declined

by **122%** (CCY: 129%) as a result of higher impairments.

Successful rebranding of

branches, ATMs, banking platforms and applications to the Absa brand.

Salient features	30 June 2020	30 June 2019	CCY %	Change %	31 December 2019
Income (Rm)	**5 997**	5 204	4	15	10 921
Attributable earnings (Rm)	**(88)**	431	<(100)	<(100)	823
Headline earnings (Rm)	**(91)**	417	<(100)	<(100)	798
Credit loss ratio (%)	**4.63**	1.74			2.10
Cost-to-income ratio (%)	**69.1**	70.4			70.2
RoRWA (%)	**(0.19)**	1.19			1.04
RoA (%)	**(0.18)**	1.05			0.95

RBB Absa Regional Operations

for the reporting period ended

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

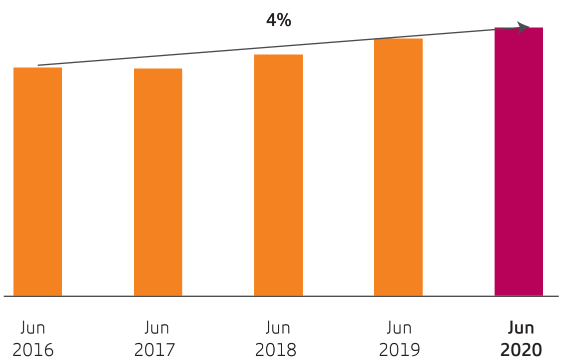
- **Premier banking** – represents the affluent retail segment in each market. Clients are offered exclusive banking with tailor-made solutions from dedicated relationship managers and through our Premier suites.
- **Prestige banking** – represents the emerging affluent retail segment in each market. Clients are serviced through dedicated banking teams and offered affordable products and solutions.
- **Personal banking** – represents the middle-market segment. Clients 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. Clients 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. Clients 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.

Financial performance

RBB's headline earnings declined by **122%** (CCY: 129%) to a loss of **R91m** (30 June 2019: R417m) underpinned by the impact of the Covid-19 pandemic driving increased impairments across all markets. The impact was mitigated by positive Jaws, a lower tax expense and lower non-controlling interest.

Revenue growth of **15%** (CCY: 4%) to **R5 997m** (30 June 2019: R5 204m) was achieved predominantly due to growth in net interest income.

RBB income growth trend CCY (CAGR)



Net interest income increased by **20%** (CCY: 8%) to **R4 468m** (30 June 2019: R3 722m) as a result of solid balance sheet growth but was offset against declining interest rate margins.

Net interest margin on average interest-bearing assets declined by 53 bps to **9.75%** (30 June 2019: 10.28%) as a result of falling interest rates across the majority of markets, increased levels of competitor deposit pricing, a reduction in consumer lending margins driven by aggressive competitor pricing and an increased focus on growing the secured portfolio in relation to the unsecured portfolio to minimise the impact on impairments.

Non-interest income increased by **3%** (CCY: declined by 6%) to **R1 529m** (30 June 2019: R1 482m) due to a decline in transactional activities as a result of stringent lockdown and social distancing measures instituted in markets which resulted in a number of temporary branch closures, as well as an overall decline in market economic activity as a result of the Covid-19 pandemic.

Impairments increased by **231%** (CCY: 200%) to **R1 455m** (30 June 2019: R439m) resulting in a credit loss ratio of **4.63%** (30 June 2019: 1.74%). The increase in impairments is predominantly due to the worsening macroeconomic environments as a result of the Covid-19 pandemic. Payment relief was granted to over 58 000 qualifying customers, totalling loan portfolio balances of over R8bn. Social distancing measures, curfews, lockdowns and reduced branch operating hours further caused disruptions in collection activities in the second quarter of 2020. Consumer non-performing loans declined to **4.4%** of loans and advances (30 June 2019: 4.5%). Impairments in the Commercial segment increased by more than 100% mainly due to worsening macroeconomic environments, an increase in identified impairments as well as book growth. The coverage ratio in the Commercial segment has increased to **7.7%** (30 June 2019: 5.4%). The non-performing loans ratio has increased to **9.7%** of loans and advances (30 June 2019: 9.1%).

RBB Absa Regional Operations

for the reporting period ended

Financial performance (continued)

Operating expenses increased by **13%** (CCY: 2%) to **R4 144m** (30 June 2019: R3 666m). Notwithstanding the increase in operating expenses, the cost-to-income ratio improved to **69.1%** (30 June 2019: 70.4%) as a result of continued branch optimisation, enhanced digital capability and effective cost management.

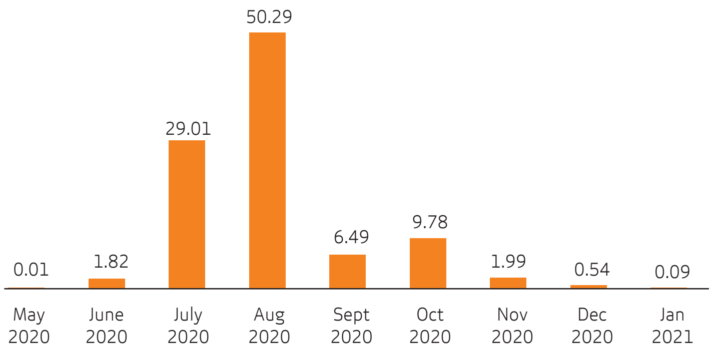
Loans and advances to customers grew by **24%** (CCY: 10%) to **R61.0bn** (30 June 2019: R49.3bn). Commercial lending exhibited growth of 18% predominantly in debt and trade as a result of greater focus on specific sectors and clients. Personal loans and mortgages grew by 5% and 12%, respectively.

Deposits due to customers grew by **26%** (CCY: 13%) to **R94.5bn** (30 June 2019: R74.7bn) despite aggressive competitor deposit pricing. To reduce the cost of funding, specific measures were implemented, such as enhanced transactional offering, that resulted in growth in transactional deposits of 16%.

Business performance

As the ARO markets anticipated the spread of Covid-19 it became imperative to prepare for the impact that this would have on customers and employees. In most of the markets, banking was deemed an essential service throughout lockdown restrictions. The team focused on branch protocols to firstly ensure the safety of customers and employees accessing the branch network and secondly to ensure that the operations of the branch and ATM network remained running steadily throughout this period. Protocols covered the required social distancing, wearing of masks, where possible screens between customers and employees, access limitation to branches, cleaning protocols and in specific cases the closure of branches due to exposure to the virus or where the population of the surrounding branch suffered a surge in Covid-19 cases. Approximately 68 branches had to be closed at different times during this period to ensure safety of customers and employees and these were only implemented where absolutely necessary, for the majority of the branches however, operations were kept running with reduced operating hours or employee rotation to reduce risk. Protocols were reviewed regularly and we monitored the market response to ensure we proactively ensured that operations were continuing for the benefit of customers. These protocols are being monitored as the virus spreads differently in different markets. Relief measures offered to customers included credit payment relief and the waiving of certain transactional fees. Predominantly up to six months and in exceptional circumstances a longer duration payment relief was given to customers alongside other relief mechanisms. Despite all of these challenges, RBB's strategic goals remain intact, with consistent performance reflective of a business that is positioned to achieve long-term sustainable growth.

Payment relief accounts expired concentration (%)



Business achievements:

- Absa Regional Operations data team awarded the 'Best use of Data Analytics' at the Retail Banker International Awards;
- Absa Bank awarded 'Best Bank in Mozambique' in 2020 by the Euromoney Awards for Excellence;
- Bancassurance System and Application awarded the Efma-Accenture Innovation in Insurance Award;
- Absa Bank Seychelles awarded the best SME Bank in Seychelles by the Global Banking and Finance Awards;
- The mobile lending proposition was extended to Ghana (Ahomka) resulting in 210 thousand loans with a disbursement value of over R245m, all disbursed in a period of four months. The mobile lending proposition in Zambia (Kongola) continues to grow with 720 thousand loans disbursed with a disbursement value of over R374m as at the end of June 2020;
- Launched NovoFX in Zambia giving customers the ability to send money across borders for immediate payment into recipients' accounts;
- Launched ChatBot capability in all markets, which assisted with client engagement, as well as providing an additional transaction channel. By enabling this capability on social media channels, such as WhatsApp, reaching a wider customer base and offering more convenient banking; and
- Launched a more responsive and rejuvenated mobile banking platform across markets, enabling the bank to vastly improve ability to enhance user experience and ramp-up on new features to support customers transacting via mobile.

RBB Absa Regional Operations

for the reporting period ended

Business performance (continued)

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 28%, driving a growth in digital transactional volumes of 77% and transaction values by 43%;
- Re-engineering, digitisation and automation of key operational processes resulting in a reduction of manual interventions leading to cost reductions as well as a 33% reduction in turnaround time to fulfil customer transactions; and
- Continued optimisation of the branch network to serve customers more economically and efficiently.

Looking ahead, the focus remains on combatting the effects of the global Covid-19 pandemic by ensuring that banking services go on uninterrupted while ensuring the safety of customers and employees. Relief measures in the form of debt restructurings, payment relief and fee waivers are being offered to customers on a case-by-case basis, minimising the adverse impact of these on customers and the Bank. 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' multi-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 relevant and automated communication focusing on product information and value adding conversations;
- Optimised branch operating model to build fit-for-purpose branches, ensuring that the business is optimally positioned to serve customers and reduce service costs;
- Leveraging off commercial partnerships to enhance business and customer value;
- Continuing to embed and enhance the sector focus approach in Commercial and SME 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;
- Commercialising new business opportunities such as mobile lending and payments; and
- Upskilling relationship managers and bankers to offer excellent customer service.

CIB Absa Regional Operations

for the reporting period ended

Key performance highlights for the reporting period include:

Pre-provision profits growth

of **21%** (CCY: 6%) with the Investment Bank up **33%** (CCY: 19%) and Corporate up **15%** (CCY: 0%).

Revenue growth

of **24%** (CCY: 11%) with Investment Banking up **34%** (CCY: 21%) and the Corporate business up **19%** (CCY: 7%).

Corporate net interest income

grew by **23%** (CCY: 10%) while non-interest income decreased by **2%** (CCY: 12%).

Headline earnings decreased

by **37%** (CCY: 49%) with the Investment Bank up **14%** (CCY: 1%) and Corporate down **62%** (CCY: 72%).

Impairments increased

almost tenfold to **R1 140m** (30 June 2019: R118m) resulting in an increase in the credit loss ratio to **3.10%** (30 June 2019: 0.44%).

Operating expenses growth

of **27%** (CCY: 17%) 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 **41.0%** (30 June 2019: 39.8%).

Strong balance sheet growth

with loans and advances to customers up by **23%** (CCY: 7%) benefitting from transactions concluded in the second half of 2019 while customer deposits grew by **24%** (CCY: 8%).

	30 June				31 December
			CCY	Change	
Salient features	**2020**	2019	%	%	2019
Income (Rm)	**4 374**	3 539	11	24	7 368
Attributable earnings (Rm)	**779**	1 233	(49)	(37)	2 716
Headline earnings (Rm)	**773**	1 234	(49)	(37)	2 716
Credit loss ratio (%)	**3.10**	0.44			0.30
Cost-to-income ratio (%)	**41.0**	39.8			41.9
RoRWA (%)	**1.70**	3.61			3.53
RoA (%)	**1.46**	2.89			3.01

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CIB Absa Regional Operations

for the reporting period ended

	Corporate				
	30 June				31 December
	2020	2019	CCY %	Change %	2019
Statement of comprehensive income (Rm)					
Net interest income	**2 644**	2 149	10	23	4 499
Non-interest income	**360**	366	(12)	(2)	738
Total income	**3 004**	2 515	7	19	5 237
Impairment losses	**(1 131)**	(118)	>100	>100	(171)
Operating expenses	**(1 341)**	(1 075)	15	25	(2 329)
Other expenses	**(25)**	(13)	83	92	(54)
Operating profit before income tax	**507**	1 309	(70)	(61)	2 683
Tax expenses	**(142)**	(355)	(68)	(60)	(508)
Profit for the reporting period	**365**	954	(71)	(62)	2 175
Profit attributable to:					
Ordinary equity holders	**322**	834	(72)	(61)	1 951
Non-controlling interest – ordinary shares	**43**	120	(68)	(64)	224
	365	954	(71)	(62)	2 175
Headline earnings	**317**	835	(72)	(62)	1 951
Operating performance (%)					
Net interest margin on average interest-bearing assets	**6.23**	6.10			6.06
Credit loss ratio	**3.25**	0.46			0.31
Non-interest income as % of income	**12.0**	14.5			14.1
Income growth	**19**	16			12
Operating expenses growth	**25**	25			22
Cost-to-income ratio	**44.7**	42.8			44.5
Statement of financial position (Rm)					
Loans and advances to customers	**64 833**	52 764	7	23	59 439
Loans and advances to banks	**2 648**	—	<(100)	100	—
Investment securities	**634**	645	(7)	(2)	671
Other assets	**17 034**	16 671	(9)	2	19 848
Total assets	**85 149**	70 080	6	22	79 958
Deposits due to customers	**77 530**	62 605	8	24	71 553
Other liabilities	**8 973**	7 641	4	17	7 478
Total liabilities	**86 503**	70 246	8	23	79 031
Financial performance (%)					
RoRWA	**0.90**	3.10			3.22
RoA	**0.75**	2.37			2.63

Investment Bank					Total CIB				
30 June				31 December	30 June				31 December
2020	2019	CCY %	Change %	2019	2020	2019	CCY %	Change %	2019
—	1	>100	(100)	(5)	**2 644**	2 150	9	23	4 494
1 370	1 023	22	34	2 136	**1 730**	1 389	13	25	2 874
1 370	1 024	21	34	2 131	**4 374**	3 539	11	24	7 368
(9)	—	>100	100	(2)	**(1 140)**	(118)	>100	>100	(173)
(454)	(334)	26	36	(758)	**(1 795)**	(1 409)	17	27	(3 087)
(24)	(4)	>100	>100	(17)	**(49)**	(17)	>100	>100	(71)
883	686	15	29	1 354	**1 390**	1 995	(41)	(30)	4 037
(360)	(220)	50	64	(458)	**(502)**	(575)	(23)	(13)	(966)
523	466	(2)	12	896	**888**	1 420	(49)	(37)	3 071
457	399	0	15	765	**779**	1 233	(49)	(37)	2 716
66	67	(14)	(1)	131	**109**	187	(49)	(42)	355
523	466	(2)	12	896	**888**	1 420	(49)	(37)	3 071
456	399	1	14	765	**773**	1 234	(49)	(37)	2 716
n/a	n/a			n/a	**5.92**	5.91			5.88
n/a	n/a			n/a	**3.10**	0.44			0.30
100.0	99.9			100.2	**39.5**	39.3			39.0
34	25			25	**24**	18			15
36	16			14	**27**	22			20
33.1	32.6			35.6	**41.0**	39.8			41.9
—	—	—	—	—	**64 833**	52 764	7	23	59 439
6 626	3 300	84	>100	726	**9 274**	3 300	>100	>100	726
141	79	56	78	115	**775**	724	0	7	786
15 496	13 762	(3)	13	16 914	**32 530**	30 433	(6)	7	36 762
22 263	17 141	14	30	17 755	**107 412**	87 221	8	23	97 713
—	—	—	—	261	**77 530**	62 605	8	24	71 814
22 703	17 407	16	30	17 386	**31 676**	25 048	12	26	24 864
22 703	17 407	16	30	17 647	**109 206**	87 653	9	25	96 678
4.40	5.51			4.71	**1.70**	3.61			3.53
4.30	5.26			4.76	**1.46**	2.89			3.01

CIB Absa Regional Operations

for the reporting period ended

Business profile

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, and 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 bring their possibilities to life and by executing on this, we will create shared growth for clients, employees and communities.

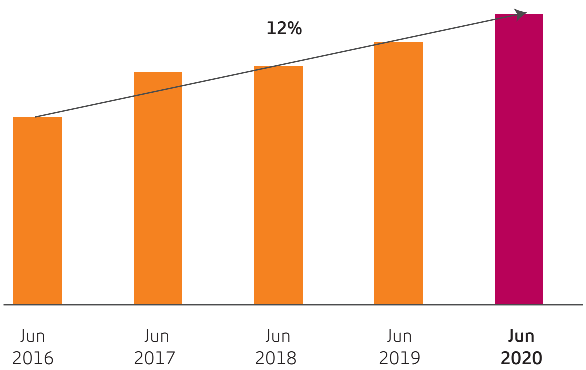
Key business areas

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 – 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.

Financial performance

CIB income growth trend CCY (CAGR)



Corporate

Pre-provision profits increased by **15%** (CCY: 0%) to **R1 663m** (30 June 2019: R1 440m) on the back of strong revenue growth, offset by higher costs.

Revenue was up **19%** (CCY: 7%) to **R3 004m** (30 June 2019: R2 515m), with net interest income up **23%** (CCY: 10%) to **R2 644m** (30 June 2019: R2 149m) supported by closure of key transactions in target sectors. The lower interest rate environment in the markets resulted in contracted deposit margins.

Salient features	30 June 2020	30 June 2019	CCY %	Change %	31 December 2019
Income (Rm)	**3 004**	2 515	7	19	5 237
Attributable earnings (Rm)	**322**	834	(72)	(61)	1 951
Headline earnings (Rm)	**317**	835	(72)	(62)	1 951
Credit loss ratio (%)	**3.25**	0.46			0.31
Cost-to-income ratio (%)	**44.7**	42.8			44.5
RoRWA (%)	**0.90**	3.10			3.22
RoA (%)	**0.75**	2.37			2.63

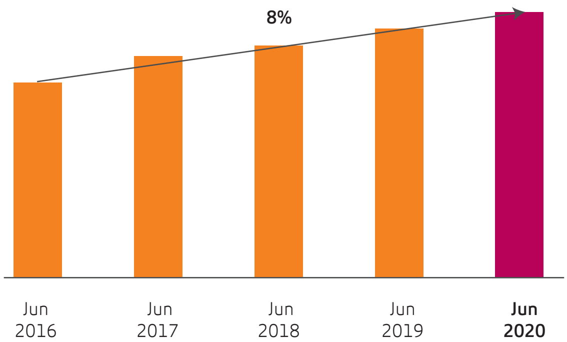
CIB Absa Regional Operations

for the reporting period ended

Financial performance (continued)

Corporate (continued)

Corporate income growth trend CCY (CAGR)



Non-interest income decreased by **2%** (CCY: 12%) to **R360m** (30 June 2019: R366m) as a result of reduced economic activities due to the impact of Covid-19.

Impairments on loans and advances grew by >100% to **R1 131m** (30 June 2019: R118m) as a result of single-name defaults, a worsening macroeconomic environment as well as the growth in the asset portfolio.

Operating expenses grew by **25%** (CCY: 15%) to **R1 341m** (30 June 2019: R1 075m) reflecting ongoing run costs following separation of systems and international coverage from Barclays PLC, resulting in negative Jaws of **6%** (30 June 2019: 9%) and an increase in the cost-to-income ratio to **44.7%** (30 June 2019: 42.8%).

Loans and advances to customers grew by **23%** (CCY: 7%) to **R64.8bn** (30 June 2019: R52.8bn) 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 **24%** (CCY: 8%) to **R77.5bn** (30 June 2019: R62.6bn), 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

Achievements included the following:

- Received the following Awards from Global Banking and Finance Review:
  - Best Bank for Corporate Investment Management Services Mozambique 2020
  - Best Forex Bank Mozambique 2020
  - Best Corporate Bank Zambia 2020
  - Best Corporate Social Responsibility Bank Zambia 2020
- Best Banking Technology Overhaul in Mozambique – Global Banking and Finance Awards;
- Best Corporate Bank in Zambia – International Business Magazine;
- Best Corporate Social Responsibility in Zambia – International Business Magazine;
- Awarded Excellence in Leadership in Africa 2020 from Euromoney; and
- Awarded Best Bank in Mozambique 2020 from Euromoney.

CIB Absa Regional Operations

for the reporting period ended

Business performance (continued)

Corporate (continued)

The underlying business performed well over the period, with revenue up 7% excluding the impact of foreign currency translation differences. Double-digit growth in revenue from the trade and working capital businesses:

- Trade up 16% due to a combination of improved trade volumes and balance sheet. Customer loans grew 3% underpinned by growth in key markets;
- Working capital up 42% from increased utilisation and improved margins in some markets;
- Cash management up 5% largely due to a strategic focus on maintaining and growing average customer deposits (up 5%), partly offset by margin compression in a low interest rate environment across the markets. Transactional volumes in most jurisdictions have declined for the six-month reporting period owing to Covid-19 lockdowns, in spite of having increased by 8% in the first quarter; and
- Term debt was unchanged with balance sheet growth being offset by delayed conversion of pipeline deals as a result of reduced economic activities.

Contributors to growth included the following:

- Delivery of automated capability in documentary trade across key markets enabling clients to self-initiate and track trade transactions online;
- Closure of key pipeline deals due to continued focus on the target sectors and origination;
- Critical focus on delivery of separation objectives and the launch of new strategic platforms such as Absa Access host to host and online, with functionality including mobile and tax payments; and
- Continued client engagement as business actively assisted clients with Covid-19-related requests. This was supported by constant business model innovation accommodating increased restructuring volumes.

Factors that adversely affected the business during the period:

- Economic slowdown on the back of Covid-19 lockdowns and supressed economic activity;
- Margin compression in most of the business in response to monetary policy changes in jurisdictions we operate in and notable impact on the foreign currency book following US Fed rate cuts;
- Delays in execution of key deals in the pipeline due to Covid-19 lockdowns; and
- Regulatory intervention in some markets resulting in commercial banks experiencing outflows of deposits to central banks.

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

- Landing key innovation projects and completing delivery of the digitisation of the trade business estate;
- Continued focus on engagement with key customers in order to refine product offering to suit business needs while commercialising the solutions;
- Grow international clients through the International Office;
- Rollout of a Pan-African custody and trustee business;
- Focus on growing local currency pipeline in-country to mitigate against limited and expensive foreign currency liquidity;
- Target clients in key growth sectors in each country;
- Identify cross-selling opportunities;
- Identify fee driven events in the debt capital markets and M&A space; and
- Supporting customers as they navigate through unprecedented challenges facing the business through funding and restructuring solutions such as payment relief, government lending and subsidy schemes.

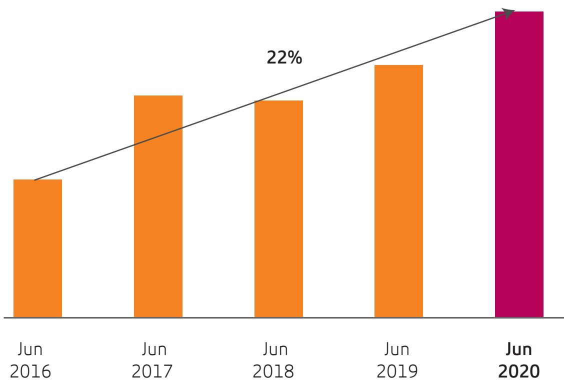
CIB Absa Regional Operations

for the reporting period ended

Financial performance

Investment Banking

Investment Banking income growth trend CCY (CAGR)



Headline earnings grew by **14%** (CCY: 1%) to **R456m** (30 June 2019: R399m) with revenue up **34%** (CCY: up 21%) to **R1 370m** (30 June 2019: R1 024m) and operating expenses up by **36%** (CCY: 26%) to **R454m** (30 June 2019: R334m).

Revenue growth of **34%** (CCY: 21%) resulted from strong performance due to higher net revenues in government bonds and FX swaps trading amid the favourable interest rate environment coupled with very strong client activities in hedging products. In spite of the economic downturn caused by Covid-19, client FX turnover was marginally up year-on-year as a result of collaboration with Coverage and Transactional Banking teams leading to higher cross-sell.

The **36%** (CCY: 26%) increase in operating expenses was largely due to ongoing run costs following separation of systems and international coverage from Barclays PLC resulting in negative Jaws of **2%** (positive 30 June 2019: 9%) and an increase in the cost-to-income ratio to **33.1%** (30 June 2019: 32.6%).

	30 June				31 December
Salient features	**2020**	2019	CCY %	Change %	2019
Income (Rm)	**1 370**	1 024	21	34	2 131
Attributable earnings (Rm)	**457**	399	0	15	765
Headline earnings (Rm)	**456**	399	1	14	765
Cost-to-income ratio (%)	**33.1**	32.6			35.6
RoRWA (%)	**4.40**	5.51			4.71
RoA (%)	**4.30**	5.26			4.76

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 servicing of the new institutional client base, while the business also reported positive risk management revenue. Year-on-year growth was 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 rollout 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:

- Funding pressure in key markets impacting 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 e-commerce strategy to improve client service and experience; and
- Enhancement of the CIB Pan-African product and coverage model to provide integrated solutions to international clients.

Head office, Treasury and other operations in South Africa

for the reporting period ended

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.

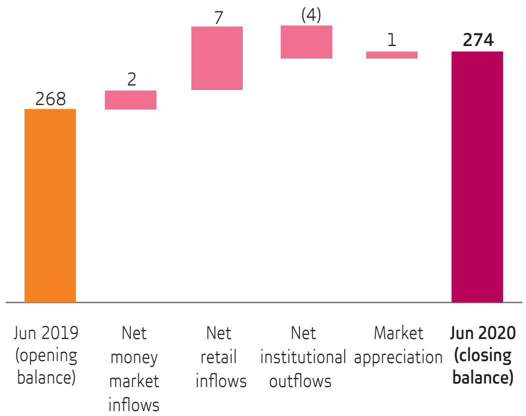
Investment Management headline earnings declined by **15%** to **R158m** (30 June 2019: R187m). The decrease in headline earnings was driven by a decline in revenue of **9%** to **R522m** (30 June 2019: R575m) reflecting margin compression due to a change in the asset mix reflecting faster growth in cash solutions and lower growth in guaranteed products. This was partially offset by a decrease in operating expenses of 4%.

Investment Management – Assets under management and administration

	30 June			31 December
	2020 Rbn	2019 Rbn	Change %	2019 Rbn
Assets under management and administration	**274**	268	2	270
Money market	**76**	74	3	70
Non-money market	**198**	194	2	200

Movement in assets under management and administration (Rbn)

Assets under management increased by **2%** to **R274bn** (30 June 2019: R268bn).



Group IFRS performance

Consolidated IFRS salient features

for the reporting period ended

	30 June			31 December
	2020	2019	Change %	2019
Statement of comprehensive income (Rm)				
Income	**40 355**	39 152	3	80 120
Operating expenses	**23 040**	22 999	0	48 767
Profit attributable to ordinary equity holders	**485**	7 641	(94)	14 256
Headline earnings	**559**	7 650	(93)	14 526
Statement of financial position (Rm)				
Total assets	**1 566 319**	1 376 705	14	1 399 175
Financial performance (%)				
Return on equity (RoE)	**1.0**	14.0		13.1
Return on average assets (RoA)	**0.07**	1.16		1.07
Return on risk-weighted assets (RoRWA)	**0.12**	1.87		1.71
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.23**	4.52		4.50
Non-interest income as percentage of total income	**40.2**	41.8		42.0
Cost-to-income ratio	**57.1**	58.7		60.9
Jaws	**3**	1		1
Effective tax rate	**32.2**	27.5		26.5
Share statistics (million)				
Number of ordinary shares in issue	**847.8**	847.8		847.8
Number of ordinary shares in issue (excluding treasury shares)	**827.4**	831.2		828.7
Weighted average number of ordinary shares in issue	**825.5**	831.5		830.0
Diluted weighted average number of ordinary shares in issue	**826.1**	833.0		831.2
Share statistics (cents)				
Headline earnings per ordinary share (HEPS)	**67.7**	920.0	(93)	1 750.1
Diluted headline earnings per ordinary share (DHEPS)	**67.7**	918.4	(93)	1 747.6
Basic earnings per ordinary share (EPS)	**58.8**	918.9	(94)	1 717.6
Diluted basic earnings per ordinary share (DEPS)	**58.7**	917.2	(94)	1 715.1
Dividend per ordinary share relating to income for the reporting period	**—**	505	(100)	1 125
Dividend cover (times)	**—**	1.8	(100)	1.6
NAV per ordinary share	**14 045**	13 534	4	13 669
Tangible NAV per ordinary share	**12 725**	12 404	3	12 426
Capital adequacy (%)				
Absa Group Limited	**14.9**	16.0		15.8
Absa Bank Limited	**15.8**	16.6		16.7
Common Equity Tier 1 (%)				
Absa Group Limited	**11.0**	12.5		12.1
Absa Bank Limited	**10.6**	12.2		11.9

Consolidated IFRS statement of comprehensive income

for the reporting period ended

		30 June			31 December
	Note	2020 Rm	2019 Rm	Change %	2019 Rm
Net interest income	2	**24 124**	22 780	6	46 501
Interest and similar income		**48 926**	47 953	2	97 838
Effective interest income		**48 011**	47 239	2	96 040
Other interest income		**915**	714	28	1 798
Interest expense and similar charges		**(24 802)**	(25 173)	(1)	(51 337)
Non-interest income	3	**16 231**	16 372	(1)	33 619
Net fee and commission income		**10 630**	11 580	(8)	23 606
Fee and commission income	3.1	**12 360**	13 090	(6)	26 759
Fee and commission expense	3.1	**(1 730)**	(1 510)	15	(3 153)
Net insurance premium income	3.2	**4 091**	3 778	8	7 830
Net claims and benefits incurred on insurance contracts	3.3	**(1 905)**	(1 931)	(1)	(3 747)
Changes in investment and insurance contract liabilities	3.4	**(127)**	(1 238)	(90)	(1 589)
Gains from banking and trading activities	3.5	**3 045**	2 509	21	5 408
Gains and losses from investment activities	3.6	**24**	1 202	(98)	1 600
Other operating income	3.7	**473**	472	0	511
Total income		**40 355**	39 152	3	80 120
Impairment losses	4	**(14 661)**	(3 695)	>100	(7 816)
Operating income before operating expenses		**25 694**	35 457	(28)	72 304
Operating expenses	5	**(23 040)**	(22 999)	0	(48 767)
Other expenses		**(1 185)**	(893)	33	(2 006)
Other impairments		**(173)**	(44)	>100	(330)
Indirect taxation	6	**(1 012)**	(849)	19	(1 676)
Share of post-tax results of associates and joint ventures		**(8)**	93	<(100)	221
Operating profit before income tax		**1 461**	11 658	(87)	21 752
Taxation expense	7	**(471)**	(3 204)	(85)	(5 772)
Profit for the reporting period		**990**	8 454	(88)	15 980
Profit attributable to:					
Ordinary equity holders		**485**	7 641	(94)	14 256
Non-controlling interest – ordinary shares		**(1)**	470	<(100)	937
Non-controlling interest – preference shares		**172**	174	(1)	352
Non-controlling interest – Additional Tier 1 capital		**334**	169	98	435
		990	8 454	(88)	15 980
Earnings per share:					
Basic earnings per share (cents)	1	**58.8**	918.9	(94)	1 717.6
Diluted earnings per share (cents)	1	**58.7**	917.2	(94)	1 715.1

Consolidated IFRS statement of comprehensive income

for the reporting period ended

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Profit for the reporting period	**990**	8 454	(88)	15 980
Other comprehensive income				
Items that will not be reclassified to profit or loss	**(536)**	(25)	>100	(112)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(9)**	2	<(100)	60
Fair value (losses)/gains	**(12)**	3	<(100)	77
Deferred tax	**3**	(1)	<(100)	(17)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**22**	(20)	<(100)	(44)
Fair value (gains)/losses	**28**	(28)	<(100)	(61)
Deferred tax	**(6)**	8	<(100)	17
Movement in retirement benefit fund assets and liabilities	**(549)**	(7)	>100	(128)
Decrease in retirement benefit surplus	**(91)**	(11)	>100	(38)
Decrease/(increase) in retirement benefit deficit	**(485)**	1	<(100)	(104)
Deferred tax	**27**	3	>100	14
Items that are or may be subsequently reclassified to profit or loss	**8 997**	122	>100	(1 034)
Movement in foreign currency translation reserve	**5 068**	(998)	<(100)	(1 387)
Differences in translation of foreign operations	**5 068**	(998)	<(100)	(1 505)
Release to profit or loss	**—**	—	—	118
Movement in cash flow hedging reserve	**4 706**	971	>100	913
Fair value gains	**7 535**	1 696	>100	2 081
Amounts transferred within other comprehensive income	**(1)**	(5)	(80)	(7)
Amount removed from other comprehensive income and recognised in profit or loss	**(998)**	(342)	>100	(806)
Deferred tax	**(1 830)**	(378)	>100	(355)
Movement in fair value of debt instruments measured at FVOCI	**(777)**	149	<(100)	(560)
Fair value (losses)/gains	**(1 143)**	198	<(100)	(811)
Release to profit or loss	**(14)**	—	100	(20)
Deferred tax	**380**	(49)	<(100)	271
Total comprehensive income for the reporting period	**9 451**	8 551	11	14 834
Total comprehensive income attributable to:				
Ordinary equity holders	**8 215**	7 767	6	13 202
Non-controlling interest – ordinary shares	**730**	441	66	845
Non-controlling interest – preference shares	**172**	174	(1)	352
Non-controlling interest – Additional Tier 1 capital	**334**	169	98	435
	9 451	8 551	11	14 834

Consolidated IFRS statement of financial position

as at

	Note	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Assets					
Cash, cash balances and balances with central banks		**62 393**	52 489	19	52 532
Investment securities		**156 665**	129 487	21	116 747
Loans and advances to banks		**113 168**	66 947	69	59 745
Trading portfolio assets		**200 087**	134 595	49	158 348
Hedging portfolio assets		**11 260**	3 361	>100	3 358
Other assets		**31 694**	52 781	(40)	30 343
Current tax assets		**1 993**	1 137	75	1 682
Non-current assets held for sale		**212**	148	43	3 992
Loans and advances to customers	8	**932 293**	882 365	6	916 978
Reinsurance assets		**745**	1 085	(31)	886
Investments linked to investment contracts		**20 316**	19 516	4	20 042
Investments in associates and joint ventures		**1 640**	1 520	8	1 648
Investment property		**555**	503	10	513
Property and equipment		**19 026**	18 407	3	18 620
Goodwill and intangible assets		**10 917**	9 395	16	10 300
Deferred tax assets		**3 355**	2 969	13	3 441
Total assets		**1 566 319**	1 376 705	14	1 399 175
Liabilities					
Deposits from banks		**108 774**	116 687	(7)	117 423
Trading portfolio liabilities		**106 651**	50 036	>100	59 224
Hedging portfolio liabilities		**3 824**	1 294	>100	1 379
Other liabilities		**57 958**	59 996	(3)	46 355
Provisions		**2 449**	2 762	(11)	4 064
Current tax liabilities		**299**	69	>100	172
Non-current liabilities held for sale		**171**	121	41	112
Deposits due to customers	9	**919 620**	797 708	15	826 293
Debt securities in issue	10	**178 795**	164 321	9	159 794
Liabilities under investment contracts		**27 687**	30 235	(8)	29 700
Policyholder liabilities under insurance contracts		**4 422**	4 806	(8)	4 331
Borrowed funds	11	**23 299**	21 942	6	21 418
Deferred tax liabilities		**424**	419	1	227
Total liabilities		**1 434 373**	1 250 396	15	1 270 492
Equity					
Capital and reserves					
Attributable to ordinary equity holders:					
Share capital	11	**1 655**	1 662	(0)	1 657
Share premium	11	**10 335**	10 824	(5)	10 428
Retained earnings		**90 150**	93 286	(3)	95 386
Other reserves		**14 063**	6 725	>100	5 807
		116 203	112 497	3	113 278
Non-controlling interest – ordinary shares		**5 304**	4 749	12	4 966
Non-controlling interest – preference shares		**4 644**	4 644	—	4 644
Non-controlling interest – Additional Tier 1 capital		**5 795**	4 419	31	5 795
Total equity		**131 946**	126 309	4	128 683
Total liabilities and equity		**1 566 319**	1 376 705	14	1 399 175

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
Balance at the beginning of the reporting period	828 628	1 657	10 428	95 386	5 807	912
Total comprehensive income	—	—	—	(57)	8 272	—
Profit for the period	—	—	—	485	—	—
Other comprehensive income	—	—	—	(542)	8 272	—
Dividends paid during the reporting period	—	—	—	(5 126)	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(235)	37	—	—
Elimination of the movement in treasury shares held by Group entities	(1 249)	(2)	(93)	—	—	—
Movement in share-based payment reserve	—	—	235	—	(106)	—
Transfer from share-based payment reserve	—	—	235	—	(235)	—
Value of employee services	—	—	—	—	222	—
Deferred tax	—	—	—	—	(93)	—
Movement in general credit risk reserve	—	—	—	(74)	74	74
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(24)	24	—
Share of post-tax results of associates and joint ventures	—	—	—	8	(8)	—
Balance at the end of the reporting period	827 379	1 655	10 335	90 150	14 063	986

30 June 2020

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
(628)	1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683
(841)	4 706	4 407	—	—	—	8 215	730	172	334	9 451
—	—	—	—	—	—	485	(1)	172	334	990
(841)	4 706	4 407	—	—	—	7 730	731	—	—	8 461
—	—	—	—	—	—	(5 126)	(392)	(172)	—	(5 690)
—	—	—	—	—	—	—	—	—	(334)	(334)
—	—	—	—	—	—	(198)	—	—	—	(198)
—	—	—	—	—	—	(95)	—	—	—	(95)
—	—	—	—	(106)	—	129	—	—	—	129
—	—	—	—	(235)	—	—	—	—	—	—
—	—	—	—	222	—	222	—	—	—	222
—	—	—	—	(93)	—	(93)	—	—	—	(93)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	24	—	—	—	—	—	—	—
—	—	—	—	—	(8)	—	—	—	—	—
(1 469)	6 022	6 157	37	820	1 510	116 203	5 304	4 644	5 795	131 946

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
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	—	—	—	7 615	152	—
Profit for the period	—	—	—	7 641	—	—
Other comprehensive income	—	—	—	(26)	152	—
Dividends paid during the reporting period	—	—	—	(5 170)	—	—
Transactions with non-controlling interest holders	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—
Issuance of Additional Tier 1 capital	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(249)	(6)	—	—
Elimination of the movement in treasury shares held by Group entities	3 728	7	619	—	—	—
Movement in share-based payment reserve	—	—	249	—	39	—
Transfer from share-based payment reserve	—	—	249	—	(249)	—
Value of employee services	—	—	—	—	262	—
Deferred tax	—	—	—	—	26	—
Movement in general credit risk reserve	—	—	—	(43)	43	43
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(11)	11	—
Share of post-tax results of associates and joint ventures	—	—	—	(93)	93	—
Balance at the end of the reporting period	831 205	1 662	10 824	93 286	6 725	866

30 June 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
126	971	(945)	—	—	—	7 767	441	174	169	8 551
—	—	—	—	—	—	7 641	470	174	169	8 454
126	971	(945)	—	—	—	126	(29)	—	—	97
—	—	—	—	—	—	(5 170)	(424)	(174)	—	(5 758)
—	—	—	—	—	—	—	10	—	—	10
—	—	—	—	—	—	—	—	—	(169)	(169)
—	—	—	—	—	—	—	—	—	1 678	1 678
—	—	—	—	—	—	(255)	—	—	—	(255)
—	—	—	—	—	—	626	—	—	—	626
—	—	—	—	39	—	288	(2)	—	—	286
—	—	—	—	(249)	—	—	—	—	—	—
—	—	—	—	262	—	262	(2)	—	—	260
—	—	—	—	26	—	26	—	—	—	26
—	—	—	—	—	—	—	—	—	—	—
—	—	—	11	—	—	—	—	—	—	—
—	—	—	—	—	93	—	—	—	—	—
46	1 374	2 115	18	916	1 390	112 497	4 749	4 644	4 419	126 309

Consolidated IFRS statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm
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

31 December 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

Condensed consolidated IFRS statement of cash flows

for the reporting period ended

		30 June			31 December
	Note	2020 Rm	2019 Rm	Change %	2019 Rm
Net cash generated from operated activities		**5 920**	2 217	>100	11 885
Net cash utilised in investing activities		**(327)**	(2 950)	(89)	(5 601)
Net cash utilised in financing activities		**(6 727)**	(2 332)	>100	(8 021)
Net decrease in cash and cash equivalents		**(1 134)**	(3 065)	(63)	(585)
Cash and cash equivalents at the beginning of the reporting period	1	**18 288**	18 494	(1)	18 494
Effect of foreign exchange rate movement on cash and cash equivalent		**(541)**	(318)	70	379
Cash and cash equivalent at the end of the reporting period	2	**16 613**	15 111	10	18 288

Notes to the condensed consolidated IFRS statement of cash flows

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

	2020 Rm	2019 Rm	Change %	31 December 2019 Rm
Cash, cash balances and balances with central banks[1]	**14 033**	14 252	(2)	14 252
Loans and advances to banks[2]	**4 255**	4 242	0	4 242
	18 288	18 494	(1)	18 494

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

	2020 Rm	2019 Rm	Change %	31 December 2019 Rm
Cash and cash balances with central banks[1]	**12 833**	11 241	14	14 033
Loans and advances to banks[2]	**3 780**	3 870	(2)	4 255
	16 613	15 111	10	18 288

[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

1. Headline earnings and earnings per ordinary share

Headline earnings	30 June 2020 Gross Rm	30 June 2020 Net Rm	30 June 2019 Gross Rm	30 June 2019 Net Rm	Net change %	31 December 2019 Gross Rm	31 December 2019 Net Rm
Headline earnings are determined as follows:							
Profit attributable to ordinary equity holders		485		7 641	(94)		14 256
Total headline earnings adjustment		74		9	>100		270
IFRS 3 – Goodwill impairment	2	2	—	—	100	—	—
IFRS 3 – Gain on bargain purchase	(86)	(66)	—	—	100	—	—
IFRS 5 – Profit on disposal of non-current assets held for sale	—	—	(14)	(12)	(100)	(19)	(15)
IAS 16 – Profit on disposal of property and equipment	(12)	(9)	(7)	(6)	50	(27)	(21)
IAS 21 – Recycled foreign currency translation reserve	—	—	—	—	—	118	81
IAS 36 – Impairment of property and equipment	75	55	44	33	67	208	153
IAS 36 – Impairment of intangible assets	74	72	—	—	100	122	88
IFRS 5 – Remeasurement of non-current assets held for sale	22	20	(9)	(6)	<(100)	(9)	(6)
IAS 40 – Change in fair value of investment properties	—	—	—	—	—	(12)	(9)
IAS 40 – Profit on disposal of investment property	—	—	—	—	—	(1)	(1)
		559		7 650	(93)		14 526

	30 June 2020 Rm	30 June 2019 Rm	Change value/ %	31 December 2019 Rm
Basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**485**	7 641	(94)	14 256
Weighted average number of ordinary shares in issue (million)	**825.5**	831.5	(6.0)	830.0
Issued shares at the beginning of the reporting period (million)	**847.8**	847.8	—	847.8
Treasury shares held by Group entities (million)	**(22.3)**	(16.3)	(6.0)	(17.8)
Basic earnings per ordinary share (cents)	**58.8**	918.9	(94)	1 717.6
Diluted basic earnings per ordinary share				
Basic earnings attributable to ordinary equity holders (Rm)	**485**	7 641	(94)	14 256
Diluted weighted average number of ordinary shares in issue (million)	**826.1**	833.0	(6.9)	831.2
Weighted average number of ordinary shares in issue (million)	**825.5**	831.5	(6.0)	830.0
Adjustments for share options issued at no value (million)	**0.6**	1.5	(0.9)	1.2
Diluted basic earnings per ordinary share (cents)	**58.7**	917.2	(94)	1 715.1
Headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**559**	7 650	(93)	14 526
Weighted average number of ordinary shares in issue (million)	**825.5**	831.5	(6.0)	830.0
Headline earnings per ordinary share (cents)	**67.7**	920.0	(93)	1 750.1
Diluted headline earnings per ordinary share				
Headline earnings attributable to ordinary equity holders (Rm)	**559**	7 650	(93)	14 526
Diluted weighted average number of ordinary shares in issue (million)	**826.1**	833.0	(6.9)	831.2
Diluted headline earnings per ordinary share (cents)	**67.7**	918.4	(93)	1 747.6

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income

3.5 Gains and losses from banking and trading activities

	30 June			31 December
	2020 Rm	2019 Rm	Change %	2019 Rm
Net gains on investments	**(204)**	129	<(100)	297
Debt instruments designated at fair value through profit or loss	**82**	60	37	117
Equity instruments designated at fair value through profit or loss	**(300)**	69	<(100)	160
Unwind from reserves for debt instruments at FVOCI	**14**	—	100	20
Net trading result	**3 329**	2 444	36	5 221
Net trading income excluding the impact of hedge accounting	**3 066**	2 247	36	4 980
Ineffective portion of hedges	**263**	197	34	241
Cash flow hedges	**230**	200	15	225
Fair value hedges	**33**	(3)	<(100)	16
Other gains	**(80)**	(64)	25	(110)
	3 045	2 509	21	5 408
Segment split				
RBB South Africa	**380**	310	23	706
CIB South Africa	**709**	811	(13)	1 706
Absa Regional Operations	**1 570**	1 261	25	2 641
Head Office, Treasury and other operations in South Africa[1]	**155**	160	(3)	367
Barclays separation effects	**231**	(33)	<(100)	(12)
	3 045	2 509	21	5 408

[1] 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.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

3. Non-interest income (continued)

3.7 Other operating income

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Property-related income	35	48	(27)	138
Income from investment properties	3	3	—	18
Change in fair value	—	—	—	12
Rentals	3	3	—	6
Property-related income arising from contracts with customers	32	45	(29)	120
Profit/(loss) on disposal of property and equipment	12	7	71	28
Profit on sale of developed properties	2	10	(80)	31
Profit on sale of repossessed properties	1	10	(90)	25
Rental income	17	18	(6)	36
Other operating income	438	424	3	373
Foreign exchange differences, including recycle from other comprehensive income	94	14	>100	(134)
Income from maintenance contracts	25	15	67	33
Sundry income	319	395	(19)	474
	473	472	0	511
Segment split				
Property-related income	35	48	(27)	138
RBB South Africa	29	30	(3)	106
Absa Regional Operations	13	17	(24)	24
Head Office, Treasury and other operations in South Africa	(7)	1	<(100)	8
Other operating income	438	424	3	373
RBB South Africa	281	352	(20)	373
CIB South Africa	75	(2)	<(100)	(6)
Absa Regional Operations	68	28	>100	66
Head Office, Treasury and other operations in South Africa	20	45	(56)	(36)
Barclays separation effects	(6)	1	<(100)	(24)
	473	472	0	511

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

5. Operating expenses

Breakdown of operating expenses	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Administration fees	**166**	305	(46)	579
Amortisation of intangible assets	**864**	561	54	1 368
Auditors' remuneration	**168**	157	7	378
Cash transportation	**557**	640	(13)	1 304
Depreciation	**1 851**	1 767	5	3 638
Equipment costs	**178**	176	1	358
Information technology	**2 065**	1 894	9	3 793
Marketing costs	**844**	633	33	1 743
Operating lease expenses on properties	**102**	110	(7)	177
Other operating costs (includes fraud losses, travel and entertainment costs)	**1 090**	1 217	(10)	2 887
Printing and stationery	**195**	165	18	344
Professional fees	**1 155**	822	41	2 463
Property costs	**1 025**	844	21	1 826
Staff costs	**12 127**	12 849	(6)	26 262
Bonuses	**148**	727	(80)	2 085
Deferred cash and share-based payments	**251**	376	(33)	671
Other[1]	**478**	499	(4)	1 075
Salaries and current service costs on post-retirement benefit funds	**11 120**	11 063	1	21 981
Training costs	**130**	184	(29)	450
TSA direct costs	**93**	258	(64)	469
Telephone and postage	**560**	601	(7)	1 178
	23 040	22 999	0	48 767
Barclays separation effects	**1 427**	863	65	2 410
TSA direct costs	**93**	258	(64)	469
Professional fees	**194**	87	>100	551
Staff costs	**208**	263	(21)	566
Other[2]	**932**	255	>100	824

Total operating cost growth reflects costs incurred in relation to the separation from Barclays PLC of **R1 427m** (30 June 2019: R863m), an increase of **65%** (CCY 57%). These costs have increased the Group's year-on-year growth rates mainly in marketing costs, professional fees and amortisation of intangible assets.

6. Indirect taxation

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Training levy	**84**	109	(23)	201
Value added tax net of input credits	**928**	740	25	1 475
	1 012	849	19	1 676

[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.

Condensed IFRS notes to the consolidated financial statements

for the reporting period ended

7. Taxation expense

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Reconciliation between operating profit before income tax and the taxation expense				
Operating profit before income tax	**1 461**	11 658	(87)	21 752
Share of post-tax results of associates and joint ventures	**8**	(93)	<(100)	(221)
	1 469	11 565	(87)	21 531
Tax calculated at a tax rate of 28%	**411**	3 238	(87)	6 029
Effect of different tax rates in other countries	**72**	51	41	52
Expenses not deductible for tax purposes[1]	**322**	310	4	602
Assessed losses	**6**	38	(84)	37
Dividend income	**(303)**	(268)	13	(447)
Non-taxable interest[2]	**(136)**	(101)	35	(315)
Other income not subject to tax	**(41)**	(9)	>100	(3)
Other	**32**	(57)	<(100)	(177)
Items of a capital nature	**108**	2	>100	(6)
	471	3 204	(85)	5 772

11. Equity

	30 June 2020 Rm	30 June 2019 Rm	Change %	31 December 2019 Rm
Authorised				
880 467 500 (30 June 2019: 880 467 500; 31 December 2019: 880 467 500) ordinary shares of R2.00 each	**1 761**	1 761	—	1 761
Issued				
847 750 679 (30 June 2019: 847 750 679; 31 December 2019: 847 750 679) ordinary shares of R2.00 each	**1 696**	1 696	—	1 696
20 371 564 (30 June 2019: 16 545 370; 31 December 2019: 19 122 853) treasury shares held by Group entities	**(41)**	(34)	21	(39)
	1 655	1 662	(0)	1 657
Total issued capital				
Share capital	**1 655**	1 662	(0)	1 657
Share premium	**10 335**	10 824	(5)	10 428
	11 990	12 486	(4)	12 085

Number of ordinary shares in issue (after deduction of treasury shares) at the reporting date	30 June 2020 Number of shares (million)	30 June 2019 Number of shares (million)	Change %	31 December 2019 Number of shares (million)
Ordinary shares in issue of R2.00 each	**847.8**	847.8	—	847.8
Treasury shares held by the Group	**(20.4)**	(16.5)	24	(19.1)
	827.4	831.2	(0)	828.7

[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.

Reconciliation of IFRS to normalised results

for the reporting period ended

	Total Group normalised performance			
	30 June			31 December
	2020	2019	Change %	2019
Statement of comprehensive income (Rm)				
Net interest income	**24 072**	22 667	6	46 306
Non-interest income	**16 006**	16 404	(2)	33 655
Total income	**40 078**	39 071	3	79 961
Impairment losses	**(14 661)**	(3 695)	>100	(7 816)
Operating expenses	**(21 613)**	(22 136)	(2)	(46 357)
Other expenses	**(1 051)**	(760)	38	(1 672)
Operating profit/(loss) before income tax	**2 753**	12 480	(78)	24 116
Tax expenses	**(718)**	(3 385)	(79)	(6 310)
Profit/(loss) for the reporting period	**2 035**	9 095	(78)	17 806
Profit attributable to:				
Ordinary equity holders	**1 443**	8 258	(83)	16 003
Non-controlling interest – ordinary shares	**86**	494	(83)	1 016
Non-controlling interest – preference shares	**172**	174	(1)	352
Non-controlling interest – Additional Tier 1	**334**	169	98	435
	2 035	9 095	(78)	17 806
Headline earnings	**1 459**	8 267	(82)	16 265
Operating performance (%)				
Net interest margin on average interest-bearing assets	**4.23**	4.52		4.50
Credit loss ratio	**2.77**	0.79		0.80
Non-interest income as % of income	**39.9**	42.0		42.1
Income growth	**3**	6.4		5.7
Operating expenses growth	**(2)**	6.2		6.2
Cost-to-income ratio	**53.9**	56.7		58.0
Statement of financial position (Rm)				
Loans and advances to customers	**932 293**	882 365	6	916 978
Loans and advances to banks	**113 168**	66 947	69	59 745
Investment securities	**156 665**	129 487	21	116 747
Other assets	**358 870**	293 998	22	301 024
Total assets	**1 560 996**	1 372 797	14	1 394 494
Deposits due to customers	**919 620**	797 708	15	826 293
Debt securities in issue	**178 795**	164 321	9	159 794
Other liabilities[1]	**336 401**	292 586	15	286 567
Total liabilities	**1 434 816**	1 254 615	14	1 272 654
Financial performance (%)				
RoRWA	**0.32**	2.02		1.91
RoA	**0.20**	1.26		1.20

[1] The amount in the 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 27).

Barclays separation effects				IFRS Group			
30 June			31 December	30 June			31 December
2020	2019	Change %	2019	**2020**	2019	Change %	2019
52	113	(54)	195	**24 124**	22 780	6	46 501
225	(32)	<(100)	(36)	**16 231**	16 372	(1)	33 619
277	81	>100	159	**40 355**	39 152	3	80 120
—	—	—	—	**(14 661)**	(3 695)	>100	(7 816)
(1 427)	(863)	65	(2 410)	**(23 040)**	(22 999)	(0)	(48 767)
(142)	(40)	>100	(113)	**(1 193)**	(800)	49	(1 785)
(1 292)	(822)	57	(2 364)	**1 461**	11 658	(87)	21 752
247	181	36	538	**(471)**	(3 204)	(85)	(5 772)
(1 045)	(641)	63	(1 826)	**990**	8 454	(88)	15 980
(958)	(617)	55	(1 747)	**485**	7 641	(94)	14 256
(87)	(24)	>100	(79)	**(1)**	470	<(100)	937
—	—	—	—	**172**	174	(1)	352
—	—	—	—	**334**	169	98	435
(1 045)	(641)	63	(1 826)	**990**	8 454	(88)	15 980
(900)	(617)	46	(1 739)	**559**	7 650	(93)	14 526
n/a	n/a		n/a	**4.23**	4.52		4.50
n/a	n/a		n/a	**2.77**	0.79		0.80
n/a	n/a		n/a	**40.2**	41.8		42.0
n/a	n/a		n/a	**3**	5		5
n/a	n/a		n/a	**0**	4		4
n/a	n/a		n/a	**57.1**	58.7		60.9
—	—	—	—	**932 293**	882 365	6	916 978
—	—	—	—	**113 168**	66 947	69	59 745
—	—	—	—	**156 665**	129 487	21	116 747
5 323	3 908	36	4 681	**364 193**	297 906	22	305 705
5 323	3 908	36	4 681	**1 566 319**	1 376 705	14	1 399 175
—	—	—	—	**919 620**	797 708	15	826 293
—	—	—	—	**178 795**	164 321	9	159 794
(443)	(4 219)	(89)	(2 162)	**335 958**	288 367	16	284 405
(443)	(4 219)	(89)	(2 162)	**1 434 373**	1 250 396	15	1 270 492
n/a	n/a		n/a	**0.12**	1.87		1.71
n/a	n/a		n/a	**0.07**	1.16		1.07

Barclays separation effects

Update on programme

On 5 June 2020, the Group celebrated an important milestone in the Bank's history; achieving substantial separation from Barclays PLC within budget and timeline. 99% of projects in the Separation Book of Work successfully achieved separation, and 89% of service schedules contracted with Barclays PLC were terminated within expected timelines. The remaining projects as at 5 June consisted of three platinum projects (Card Issuing, Project Sigma and FX Product).

In the context of declaring substantial Separation and meeting criteria set by the Group's Board for any Separation project extending beyond 5 June 2020, the technical solutions for all three remaining platinum projects were completed and independently reviewed by PwC. Delivery of these projects pertain to the embedment of the required levels of technical stability:

- **Card Issuing:** The project was subsequently concluded, and separation occurred on 6 July 2020. The associated service schedules are due to terminate early at the end of July 2020;
- **Project Sigma (Capital Management System):** In order to avoid system destabilisation during the financial half-year, Absa decided to switch over to the new client capital management system in early August; and
- **FX Product:** With the feature build complete, the outstanding deliverables relate to systems hardening and client transition onto the new platform. This client transition period extends into the fourth quarter of 2020.

The teams will close out the remaining projects over the next few months.

A comprehensive combined assurance model was introduced earlier in the Programme, whereby all three lines of defence contributed to an integrated assurance plan as well as an integrated risk management approach to assess the quality and sustainability of delivery in the Separation Programme. This was managed through agreed validation processes. As at 30 June 2020, no material failures were found, and remediation of findings remains tightly managed with remaining validations to be concluded in the second half of 2020. Policies, standards and processes established and matured during Separation have provided enduring benefit to the Group in terms of strategic change execution ability, which is testament to the robustness of the Separation control environment. The Change function was subjected to numerous audit reviews throughout the Separation journey which contributed to the continuously improving control environment.

A key focus of the Separation Programme was to ensure that clients were not subjected to service degradation as a result of Separation. Thus far, no adverse customer impact attributable to the Separation Programme has been identified by the Separation Programme Risk function. However, there have been a number of positive impacts on customers arising from Separation. Some of these include the contactless debit card capability in the Absa Regional Office (ARO), Absa Access customer enhancements, enhanced connectivity options with added security features through Host Channels, a revamped mobile banking platform and instantaneous resolution of customer SWIFT and payments queries via the Pan Africa Payments solution.

The experience of separation, as well as the lessons learnt along the way, will benefit Absa for many years to come. This is not only as a result of the tangible separation from Barclays PLC and the birth of a new brand, but also because of the contribution separation has made towards building execution muscle, developing new standards and processes for change management, introducing automated tooling and digitised ways of work, as well as the more intangible benefits of self-belief, courage, tenacity and resilience being injected into the Absa culture.

Despite the Covid-19 pandemic, our teams will continue to maintain dedicated and focused levels of delivery and oversight as well as strict discipline in dealing with any remaining risks. We look forward to both concluding and celebrating a significant chapter upon formal completion of the Separation Programme in December 2020.

Barclays separation effects

	Barclays separation effects			
	30 June			31 December
	2020	2019	Change %	2019
Statement of comprehensive income (Rm)				
Net interest income	**52**	113	(54)	195
Non-interest income	**225**	(32)	<(100)	(36)
Total income	**277**	81	>100	159
Operating expenses	**(1 427)**	(863)	65	(2 410)
Other operating expenses	**(142)**	(40)	>100	(113)
Operating profit/(loss) before income tax	**(1 292)**	(822)	57	(2 364)
Tax expenses	**247**	181	36	538
Profit/(loss) for the reporting period	**(1 045)**	(641)	63	(1 826)
Profit attributable to:				
Ordinary equity holders	**(958)**	(617)	55	(1 747)
Non-controlling interest – ordinary shares	**(87)**	(24)	>100	(79)
	(1 045)	(641)	63	(1 826)
Headline earnings	**(900)**	(617)	46	(1 739)
Statement of financial position (Rm)				
Intangible assets	**4 149**	3 365	23	3 962
Property, plant and equipment	**636**	365	74	514
Other assets	**538**	178	>100	205
Total assets	**5 323**	3 908	36	4 681
Other liabilities[1]	**(443)**	(4 219)	(89)	(2 162)
Total equity	**5 766**	8 127	(29)	6 843
Total equity and liabilities	**5 323**	3 908	36	4 681

Statement of comprehensive income

Net interest income of **R52m** (30 June 2019: R113m) was earned on the contribution received from Barclays PLC to provide the necessary capital funding to ensure successful separation. The 54% decline in this income is driven by the reduction in remaining invested capital as Separation costs increased.

Non-interest income relates to foreign currency revaluation gains of **R225m** (30 June 2019: R32m losses) on GBP and USD deposits held to settle Transitional Services Agreement costs and other foreign currency denominated separation costs. This gain is due to the Rand weakening against foreign currencies.

Operating expenses of **R1 427m** (30 June 2019: R863m) primarily include **R1 334m** (30 June 2019: R605m) relating to expensed project execution and programme support costs and **R93m** (30 June 2019: R258m) for payments to Barclays PLC for services rendered to Absa and ARO subsidiaries under the Transitional Services Agreement. Transitional Service Agreement costs reduced by **64%** to **R93m** following the localisation of services and the resultant termination of Barclays PLC services.

The project execution costs relate mainly to staff costs of **R208m** (30 June 2019: R263m), professional fees of **R194m** (30 June 2019: R87m), Amortisation of intangible assets of **R292m** (30 June 2019: R93m) and Marketing costs of **R310m** (30 June 2019: R53m) relating to the ARO brand. Staff costs decreased by 21% year on year and largely reflect lower project support costs as separation is closer to conclusion. Professional fees increased due to lower capitalisable costs compared to the prior year. The increase in amortisation expense reflects the increase in capitalised assets that have been brought into use.

Other operating expenses of **R142m** (30 June 2019: R40m) reflects indirect taxation of **R84m** (30 June 2019: R40m) and non-credit impairments of **R58m** (30 June 2019: Nil).

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 and impairment losses. The intangible asset book has increased due to the increase in projects in development phases which qualify for capitalisation.

Property, plant and equipment mainly consists of computer hardware relating to separation technology projects, brand-related signage, and furniture and fittings.

Total equity and liabilities

Total equity of **R5.8bn** (30 June 2019: R8.1bn) is 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 condensed consolidated normalised statement of financial position (refer to page 27).

Risk management

Risk management overview

Capital management and RWA

Risk management overview

for the reporting period ended 30 June 2020

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:

- An integrated and dynamic governance structure at Group, country and business level, promoting a sound risk culture.
- Well-defined material risk categories known as principal risks, for a complete risk coverage.
- A 'three lines of defence' model, with clear accountability for managing, overseeing and independently assuring risks.
- Comprehensive and resilient processes to evaluate, respond to, and monitor risks.
- An effective control environment through a robust risk 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 30 June 2020

Current and emerging risks

The Group identifies and assesses both external and internal risks to the Group's strategic ambitions, determines an appropriate response, and monitors the effectiveness of the implemented response.

The outbreak of the Covid-19 pandemic has significantly increased the risks faced globally by financial markets participants and the economy and has materially changed the economic outlook to the downside. Increased focus on risk and capital management has been initiated to address the uncertain outlook over the short- and medium-term horizon. The strategic focus has moreover shifted to one of supporting the Group's clients, whilst preserving capital and liquidity and maintaining the operational resilience of the Group during this time.

For further information, refer to the Impact of Covid-19 section on page 17.

Current and emerging risks	Responses
Covid-19 pandemic has developed into a global humanitarian and financial crisis	
Global recession with forward looking uncertainty › Significantly reduced economic growth or recession resulting in high unemployment, increased inequality and low business and consumer confidence. › Increasing sovereign debt levels and reduced debt and interest servicing capacity increases the risk of an emerging markets debt crisis.	› Due to the changing landscape a dynamic approach to risk appetite setting has been implemented, as the outlook for the rest of 2020 and 2021 continues to develop. › Regularly run and analyse tailored stress scenarios to assess the potential outcomes of the economic impact of the Covid-19 pandemic and potential effectiveness of mitigating actions to guide management responses.
Sovereign interventions may have unintended impacts › Governmental actions taken to slow the spread of the Covid-19 pandemic through lockdowns have resulted in economic hardship only partially mitigated by social welfare measures. › Sovereign fiscal and monetary policies may have unintended consequences over the long term.	› Actively engage with governments to support initiatives to address economic hardship. › Business and risk teams continuously monitor developments and proactively adjust business responses to address the emerging risks.
Pressure on the financial services industry expected to increase › Heightened stress experienced by clients resulting in increased impairments and credit capital demand. › Increased long- and short-term insurance claims negatively impact solvency capital requirements. › Reduced availability of capital supply, funding and liquidity. › Elevated business risk as the impact of the crisis is felt on earnings.	› Monitor and manage the payment relief programmes and other assistance provided to customers, which the Group has implemented during the Covid-19 pandemic. › 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 active preservation of capital and liquidity, and o re-evaluation and reduction of discretionary expenditure in response to the macroeconomic environments.
Resilience, fraud, people and cyber risks are expected to remain heightened for the foreseeable future › Protecting the health of staff, clients and suppliers will remain a key priority until the spread of the virus is sustainably controlled. › Diminished ability of the Group, its clients and staff to operate in a resilient manner due to the impact of the economic crisis should the economic impact worsen. › Fraud risk is heightened as a result of increased economic pressures. › Increased opportunistic cybercrime impacts customers and the Group. › Increased staff wellness concerns arising from mental and emotional strain. › Transition of working from offices to working from home impacted staff productivity.	› Monitor colleague infections and manage preventative measures to keep work areas safe for stakeholders. › Identify and mitigate risks as they arise, with a focus on maintaining resilience. › Continuously monitor fraud to detect and thwart fraud and mitigate areas of weakness. › Continuously improve the Group's technology estate hardening and monitoring to detect and respond to emerging threats. › Monitor and manage the impact on staff through the expanded Group Wellness programme. › Continuously support staff in the ongoing evolution of working environments.

Risk management overview

for the reporting period ended 30 June 2020

Current and emerging risks (continued)

Current and emerging risks	Responses
Strategic, execution and business risks arising from external and internal drivers	
› Global uncertainty arising from international trade disputes and other market drivers result in increased global economic pressure and risk aversion to emerging markets. › Disruption through changing customer preferences, Fintechs and new digitally-led competitor banks affect customer relevance. › Large, ongoing strategic change projects result in increased business risk, change risk and people risk.	› Monitor and manage risk strategy and risk 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 selective opportunities. › Deliver scalable digital solutions that focus on current and evolving customer needs. Continuously build and embed a winning brand with a focus on innovative business processes and products including supporting customers during this time. › Closely monitor and actively manage risks arising from strategic change projects.
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 and prioritisation of key issues. › Develop artificial intelligence (AI) solutions using global data to strengthen security measures and crime prevention. › Drive awareness with employees and customers on the prevention of cyber-related risks.
New and emerging regulations and oversight	
› Increasing pace and evolving complexity of banking and insurance regulations and other regulatory and statutory requirements across the Group's markets require ongoing coordinated approaches to address within the prescribed timeframes.	› 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. › Develop systems with the agility to accommodate rapid change.
Environmental and social risks impact 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 environmental and social risks and incorporation into the Group's strategy and operations. › Increasing stakeholder expectations for corporates to embed environmental, social and corporate governance into operations and report on it. › Deepening understanding of the potential impact of environmental and social risks on the Group, clients and suppliers.	› Became a founding signatory to the UNEP FI[1] Principles for Responsible Banking. › Elevate sustainability to a Principal Risk in the second half of 2020. › Fully adopt TCFD[2] reporting and assurance within three years. › Embed the sustainability policy and coal financing standard, while developing financing standards for additional industries. › 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 assess the impact of climate change risk. › Develop capability to utilise scenario analysis and stress testing to fully understand impact of climate change on the Group's portfolio to inform future decision making. › Build relationships with clients whose environmental impact is aligned with the Group's strategy and risk appetite.

[1] United Nations Environmental Programme Finance Initiative.
[2] Task Force on Climate-related Financial Disclosures.

Risk management overview

for the reporting period ended 30 June 2020

Risk and capital performance

Key metrics

Common equity tier 1 (CET 1) ratio[1]
11.0%
June 2019: 12.5%
Economic capital (EC) coverage[1]
1.4
June 2019: 1.5
Leverage ratio[1]
6.5%
June 2019: 7.0%
Liquidity coverage ratio (LCR)[2]
126.6%
June 2019: 127.0%
Net stable funding ratio (NSFR)
117.1%
June 2019: 111.4%
Credit loss ratio (CLR)
2.77%
June 2019: 0.79%
Stage 3 ratio on gross loans and advances
5.6%
June 2019: 4.8%
Stage 1 and stage 2 coverage ratio
1.7%
June 2019: 1.14%
Stage 3 coverage ratio
45.4%
June 2019: 44.3%
Operational risk losses
R121m
June 2019: R231m

Review of current reporting period

- The Group's capital ratios are weaker due to higher impairment charges but a strong capital position has been maintained which is well above minimum regulatory requirements despite the industry being in a stressed environment due to the economic impact of the Covid-19 pandemic.
- Liquidity remains resilient and is within risk appetite.
- The Group's excess over minimum regulatory requirements for capital and liquidity has been increased by the relief measures provided by the SARB including the removal of the 2.5% capital conservation buffer and the reduction of the minimum LCR from 100% to 80%.
- The Group continued to invest in infrastructure, process re-engineering, people and technology in order to deliver improved operational resilience.
- The Group substantially completed separation from Barclays PLC on 5 June 2020. For the duration of the separation project, risk was heightened and the successful completion of the project was a significant achievement.
- Broad-based book growth continued in Q1 2020 per the risk appetite set in accordance with the Group strategy whilst some paring back in risk appetite occurred in certain portfolios given a consumer under pressure.
- Book growth slowed with the advent of the Covid-19 pandemic where credit demand came to a near standstill and the strategy focus shifted to one of supporting the Group's clients, whilst preserving capital and liquidity and managing credit risk in the existing book.
- Operational risk losses decreased amidst the impacts of the Covid-19 pandemic. The key drivers were reduced fraud, transaction and payment processing losses recognisant of improving controls.

Priorities

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

- Maintaining the operational resilience of the Group in light of the impact of the Covid-19 pandemic on the global and South African financial markets.
- Ongoing alignment of risk objectives with the Group's strategy to support the Group's clients and communities in an efficient, responsible and sustainable way.
- Management of the payment relief strategy and the substantial downside risk presented by the uncertainty in the outlook where an economic recovery will likely be slow and off a low base.
- Maintain tight control of the change book of work and manage execution risks by delivering on structured programmes 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.
- Assessment and evaluation of the quantitative and qualitative implications of the implementation of Basel III enhancements, including the Fundamental Review of the Trading Book (FRTB); and the proposed amendments to the Regulations relating to Banks.

[1] 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 Absa Regional Operations. In respect of Absa Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

Risk management overview

for the reporting period ended 30 June 2020

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	30 June 2020	30 June 2019	31 December 2019
CLR (%)	**2.77**	0.79	0.80
Stage 3 ratio on gross loans and advances (%)	**5.6**	4.8	4.7
Stage 3 coverage ratio (%)	**45.4**	44.3	43.7
Stage 1 and stage 2 coverage ratio (%)	**1.7**	1.1	1.1
Total coverage ratio (%)	**4.5**	3.4	3.3
Performing book weighted average probability of default (PD) (%)[1]	**2.3**	2.4	2.4
Weighted average loss given default (LGD) (%)[1]	**30.8**	30.6	30.5
Total credit risk RWA (Rbn)	**723.0**	644.2	672.7
Primary credit risk RWA, excluding CCR RWA (Rbn)	**683.3**	606.3	632.9
Counterparty credit risk (CCR) RWA[2] (Rbn)	**27.2**	26.4	27.8
Equity risk RWA (Rbn)	**12.5**	11.5	12.0

Review of current reporting period

- The Covid-19 pandemic has had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour. The consequent impact of the lockdown restrictions on the credit portfolio was severe, materialising in an increase in RWA intensity due to the relative deterioration in asset quality over the period, and a substantial rise in the impairment charge due to the significant increase in expected credit losses given the macroeconomic outlook. For further information, refer to the Impact of Covid-19 section on page 17.
- Broad-based book growth continued during Q1 2020 aligned with Group strategy and risk appetite, although some paring back in risk appetite occurred in certain portfolios during this period given increased consumer pressure. This changed with the advent of the Covid-19 pandemic with credit demand coming to a near standstill and the strategic focus shifting to one of supporting the Group's clients, whilst preserving capital and liquidity and managing the credit risk in the existing book.
- To support customers, the Group implemented various payment relief programmes across the region to reduce or defer monthly instalments to assist with cash flow needs (the extent of the relief per portfolio is detailed on page 18). These portfolios have been ring-fenced in order to ensure heightened credit monitoring post the expiry of the relief measures.
- The June 2020 CLR at **2.77%** (June 2019: 0.79%) was well above the through-the-cycle range of 75 to 100 bps and reflects the impact of the Covid-19 pandemic on economic activity and disposable income. The June 2020 impairment charge of **R14.7bn** (June 2019: R3.7bn) includes a material judgemental adjustment (R5.5bn) raised in terms of IFRS 9 for the deterioration of the forward-looking macroeconomic variables (the process and the assumptions applied are detailed on page 19). The Group also took decisive actions during the half to impair single name exposures which amounted to R1.8bn in aggregate.
- Total coverage was higher at **4.5%** (June 2019: 3.4%), particularly in Stage 1 and Stage 2 reflecting the adjustment for the deterioration of the forward-looking macroeconomic variables. Coverages continue to be closely monitored to ensure that the Group remains adequately protected against future losses given the uncertain macroeconomic outlook.
- The stage 3 ratio on gross loans and advances increased to **5.6%** (June 2019: 4.8%) and reflects increased customer pressure as a consequence of the economic impact of the Covid-19 pandemic and an economy in distress. The prolonged lockdown as a result of the Covid-19 pandemic and the expiry of the various payment relief programmes will likely result in increased delinquencies and thereby higher non-performing loans in the near term. It is expected that the macroeconomic adjustment raised during the half will be consumed into the increased impairments required on non-performing loans.
- Primary credit risk RWA increased by **R77.0bn** (12.7%) year-on-year and was attributable to enterprise-wide asset growth in H2 2019 and Q1 2020. The subdued credit demand, as a consequence of the lockdown in Q2 2020, offset by asset quality deterioration particularly in CIB South Africa, reduced the RWA consumption over the last quarter.
- CCR (including CVA) RWA consumption remained relatively flat in the review period.

Priorities

- Management of the potential downside risk presented by the uncertainty in the outlook where an economic recovery will likely be slow and off a low base.
- The proactive management of sectors and companies in distress as a consequence of the economic impact of the Covid-19 pandemic.
- The management of the payment relief strategy that transitions into a longer-term collections approach specific to a customer's unique situation.
- 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 The percentages include only portfolios subject to the internal ratings-based (IRB) approaches.
2 CCR RWA includes credit valuation adjustment (CVA).

Risk management overview

for the reporting period ended 30 June 2020

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 active trading activities across the Group. This includes but is not limited to changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange levels.

	30 June		31 December
Key risk metrics	**2020**	2019	2019
Average traded market risk – 99% daily value at risk (DVaR) (Rm)	**80.7**	58.7	56.9
Traded market risk RWA (Rbn)	**48.8**	41.9	39.2

Review of current reporting period

- The increase in average DVaR was principally due to the increase in volatility in markets caused by the Covid-19 pandemic impacting the DVaR time series coupled with lower liquidity, making exiting risk challenging for the business.
- The R6.9bn increase in market risk RWA was principally due to increased holdings of local currency sovereign bonds in ARO.

Priorities

- Monitoring and managing risk in an environment with a multitude of events of significant economic impact occurring within a short period of time resulting in extreme volatility.
- Managing capital demand within the Group's risk appetite in volatile markets with reduced liquidity through close engagement with business, limit monitoring and return on capital analysis.
- 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.

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.

	30 June		31 December
Key risk metrics	**2020**	2019	2019
Sources of liquidity (Rbn)	**317.1**	216.9	233.3
NSFR (%)	**117.1**	111.4	112.7
LCR (%)[1]	**126.6**	127.0	134.4
Loan-to-deposit ratio[2] (%)	**87.8**	86.8	87.5
Loans and advances to customers and banks (Rbn)	**1 031.2**	918.0	945.0
South Africa	**886.9**	805.0	826.1
Absa Regional Operations	**144.3**	113.0	118.9
Deposits from customers and banks (including debt securities) (Rbn)	**1 174.6**	1 057.5	1 080.1
South Africa	**998.5**	911.2	928.1
Absa Regional Operations	**176.1**	146.3	152.0
Debt capital market issuances (Rbn)	**3.4**	6.7	14.3
Tier 1 capital	**0.0**	1.7	3.1
Tier 2 capital	**2.7**	1.6	1.6
Senior debt	**0.7**	3.4	9.6

[1] 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 three 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.

[2] 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 and not spot balances as disclosed per the Group financial statements.

Risk management overview

for the reporting period ended 30 June 2020

Treasury risks (continued)

Liquidity risk (continued)

Review of current reporting period

- **Liquidity risk position**
  - The liquidity risk position of the Group is resilient, in line with risk appetite, and above the minimum regulatory requirements, despite the economic and market uncertainty resulting from the Covid-19 pandemic.
  - The Group sources of liquidity increased to **R317.1bn** (June 2019: R216.9bn), amounting to **34.5%** (June 2019: 27.2%) of deposits due to customers, demonstrating the strength of the Group's liquidity resources. The increase includes Absa Bank investing in alternative forms of high-quality liquid assets (HQLA) as the Bank reduces reliance on the committed liquidity facility (CLF).
  - Group treasury management worked closely with regulators and supervisory authorities in addressing market-wide liquidity constraints that arose at the onset of the pandemic at the end of the first quarter. The Group maintained an excess supply of US dollars to ensure conservative management of foreign currency liquidity.
  - The Group achieved strong core deposit growth from RBB and Corporate clients resulting in the strengthening of the NSFR.
  - 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**
  - 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 have declined during the latter part of the current reporting period.
- **Short-term balance sheet structure and liquidity buffers**
  - Loan growth was funded by faster growth in customer deposits ensuring a sustainable and diverse funding base.
  - The Group targets LCR above the minimum regulatory requirement, and consistently maintained a HQLA buffer in excess of the regulatory minimum requirement.
  - 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.
  - Absa Bank has access to a CLF from the SARB, which was included in HQLA. The CLF is being phased out by the SARB over three years, starting from 1 December 2019. In compliance with the CLF phase-out, the Bank reduced reliance on the facility while investing in alternative forms of HQLA, thereby increasing average HQLA to **R215.2bn** (June 2019: R179.2bn).
- **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 foreign currency funding position of the Group remains strong, with diversified funding facilities from international banks and appropriate tenors to meet term asset growth.

Priorities

- Preserve the Group's liquidity position in line with risk appetite.
- 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 in accordance with the Covid-19-related relief provided by the SARB, while managing the phase-out of the CLF.
- 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 well as the depositor insurance scheme.

Risk management overview

for the reporting period ended 30 June 2020

Treasury risks (continued)

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.

	30 June		31 December
Key risk metrics	**2020**	2019	2019
Total RWA (Rbn)	**935.8**	844.3	870.4
CET1 capital adequacy ratio (%)[1, 2]	**11.0**	12.5	12.1
EC coverage[2]	**1.4**	1.5	1.5
Cost of equity (CoE) (%)[3]	**13.75**	13.75	13.75

Review of current reporting period

- The Group's capital position was well above minimum regulatory requirements as at 30 June 2020 and at the lower end of the Board target range of 11 to 12%.
- The capital ratios are weaker year-on-year due to the payment of the 2019 dividend and lower earnings during H1 2020 driven by higher impairment levels required by IFRS 9 due to the macroeconomic impact of the Covid-19 pandemic. Capital buffers remain strong and well above minimum regulatory requirements.
- The SARB has reduced the minimum capital requirement by temporarily removing the Pillar 2A requirement which freed up 75 bps of capital at a Tier 1 level to accommodate the impact of current market conditions and helps support the Group's Tier 1 ratio.
- Higher stage 1 and stage 2 impairments have reduced headline earnings which resulted in a lower CET 1 ratio, however R3bn of surplus impairments in excess of expected loss (capped at 0.6% of IRB credit risk RWA) has resulted in an increase to Tier 2 reserve funds which helped support the CAR ratio with an additional R2.6bn of surplus impairments above the cap available to absorb future losses.
- The Group issued R2.68bn of Tier 2 capital instruments which qualify as regulatory capital at an Absa Group level to replace R2.5bn of Tier 2 capital instruments which were called in February 2020.

Priorities

- Heightened focus on capital preservation through active financial resource management in the face of lower earnings and higher credit RWAs driven by the economic impact of the Covid-19 pandemic.
- Optimise RWAs and put in place RWA limits to better manage financial resources which will assist in the management of the capital ratios.
- Continue to monitor and assess the upcoming regulatory developments that may affect the capital position, such as the Basel III enhancements, including FRTB; and the proposed amendments to the Regulations relating to Banks; together with the financial conglomerate supervisory framework in South Africa.
- Contribute at an industry level to the development of a financial conglomerate supervisory framework in South Africa.

[1] Includes unappropriated profits.
[2] Reported on an IFRS basis as the benefit of the separation contribution received from Barclays PLC has reduced to an immaterial level and the Group has elected to stop disclosing normalised capital supply.
[3] The CoE is based on the capital asset pricing model.

Risk management overview

for the reporting period ended 30 June 2020

Treasury risks (continued)

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.

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

Review of current reporting period

- The Group NII sensitivity reduced from December 2019 as increased hedging was conducted in anticipation of the rate cuts. In addition, there has been an increase in floating rate liabilities due to good deposit growth for the first half of the year. The NII sensitivity reflected a higher loss than the actual financial outcome because it assumes a static balance sheet which does not consider the dynamic rolling of maturing interest rate hedges.
- The Group strategy was to actively hedge its structural and other interest rate risks to reduce net interest margin and NII volatility. The majority of the residual risk relates to items that are not viable to hedge. These items included Prime-Jibar basis risk in South Africa and the ARO interest rate risk.
- The Group Risk and Capital Management Committee evaluates IRRBB on an ongoing basis and takes 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 actively manage interest rate risk within risk appetite.
- Continue to manage 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 change management, specifically preparing for the adoption of the BCBS standard on IRRBB, which is due to be implemented in South Africa by 1 June 2022, as well as ongoing modelling and process enhancements.

Operational risk

The risk of loss due to failures in the Group's processes, people and systems and from external events.

	30 June		31 December
Key risk metrics	**2020**	2019	2019
Total operational risk losses as a percentage of gross income (%)	**0.3**	0.6	1.0
Total operational risk losses (Rm)	**121**	231	824
Total operational risk RWA (Rbn)	**115.6**	113.5	112.3

Review of current reporting period

- Operational risk losses as at 30 June 2020 were R121m, a decrease of R110m year-on-year amidst the impacts of the Covid-19 pandemic. The key drivers were reduced fraud, transaction and payment processing losses recognisant of improving controls. The increase in RWA mainly reflects the effect of revenue growth and forex changes in ARO (R5bn) offset by the exclusion of a discontinued operation (R2bn in respect of the Edcon card book).
- Key achievements in the period include:
  - Further development of fraud defences including filling of critical vacancies, extended coverage of predictive analytics to identify internal fraud and rollout of device and session profiling by RBB to mobile banking.
  - Improvements to the management of processes; most notably in the progression of risk and control assessments over critical processes.
  - Embedment of the procurement operating model and implementation of technology to improve supplier sourcing and active management of reputation risk through real-time data.
  - Continued progress on the rollout of infrastructure, capability and control processes over key datasets, in line with the Group's data standards.
  - Substantive completion, with minimal operational impact, of the separation from Barclays PLC.
  - Redevelopment of the advanced measurement approach (AMA) operational risk regulatory capital model.
  - Progress in addressing and preventing debit order abuse within the National Payment System through improved internal controls and migration of 76% of non-authenticated early debit order transactions onto DebiCheck.
- The Group continued to respond to the idiosyncratic risks arising from the Covid-19 pandemic through the resilience war room (led by the Covid-19 Advisory Board) in conjunction with businesses and functions having deployed specific measures and protocols, in line with evolving regulatory requirements, to successfully deliver essential services. These specific measures included:
  - Social distancing, including monitoring, management and redistribution of capacity at high density locations, eg call centres.
  - Distribution of hand sanitisers, personal protective equipment and deep cleaning of buildings.
  - Work-from-home solutions including increased virtual private network (VPN) capacity and enabling solutions.
  - Heightened monitoring of the technology estate and performance of the various security solutions.
  - Analytically based opening and closure of branches and ATMs.
  - Bespoke communications to customers, suppliers, regulators and colleagues.
  - Review of the resilience protocols of critical suppliers.

Risk management overview

for the reporting period ended 30 June 2020

Operational risk (continued)

Priorities

- Increase the automation of fraud defences within CIB and ARO.
- Increase the automation of payment processes in ARO.
- Further improve the stability of the DebiCheck platform and migrate remaining transactions, including authenticated early debit order, to DebiCheck.
- Monitor, and respond to, changes in the colleague profile in light of the impacts of Covid-19 including work from home challenges.
- Enhance the process management capabilities through deployment of infrastructure (people, process, technology) to manage process value chain and library.
- Continued progress on the buildout of data management capabilities.
- Implement the redeveloped AMA operational risk regulatory capital model.
- 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 operating environment reflected elevated business risk due to the economic impact of the Covid-19 pandemic and resulting economic crisis that has affected all the markets within which the Group operates.
- The economic impact of the Covid-19 pandemic may potentially materially change financial services delivery models particularly with regard to the use of digital channels. The Group's response has been via a strategy review process that considers the ongoing impact on its business with a focus on delivering relevant product offerings, customer service models, digitisation and the consequences of its remote working environment on the corporate footprint.
- The Group's separation from Barclays PLC has been previously highlighted as a material risk to strategy execution. This risk has been largely mitigated as of 30 June 2020. Whilst the outbreak of the Covid-19 pandemic has resulted in a slight delay in the finalisation of some projects, separation was substantively completed by 5 June 2020.

Priorities

- Business risk is expected to remain heightened during the remainder of 2020 as the spread of the Covid-19 pandemic continues through most of the Group's markets. The Group will finalise its strategy review process and reassess its strategic priorities in a post-Covid-19 pandemic operating environment.
- The financial implications will be embedded within updated medium-term plans which will be used to monitor strategy execution.
- During a period of elevated business risk, the Group will enhance its review of the Group's competitiveness across key markets, segments and products.

Risk management overview

for the reporting period ended 30 June 2020

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:

- In response to the Covid-19 pandemic, the focus has been on delivering fit-for-purpose remote working toolsets, delivering stable and fast network connectivity and efficient remote user support.
- Third-party supplier risk management has been a focus to mitigate supplier risk. All critical suppliers (including those relating to technology) were identified and their resilience plans have been assessed to reduce service delivery disruption during the Covid-19 pandemic.
- 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 organization 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 mean time to recover.
- Disaster recovery (DR) compliance increased to 95% for high priority applications and the automation of the DR process progressed well with ongoing effort to on-board applications on the automation tool. It is expected that this capability will improve the Group's ability to recover significantly and reduce the customer impact of failures.

Information security and cyber:

- The Group's security posture improved significantly 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. This together with continuous monitoring and control enhancements has 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 has been tested and is being rolled out across the organisation.
- The Insider Trust in-house capability was 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 control environment for the Group Change Function was defined, implemented and matured through the duration of the separation programme, which achieved substantial completion on 5 June 2020. The established policies, standards and processes now form the basis of the control environment for all non-separation change programmes, further evidencing that the separation control environment was sound and that it has provided an enduring platform and benefit for effective change delivery going forward.

Priorities

- **Technology:** Focus areas from a risk perspective for 2020 will include: Identifying, prioritizing and remediation of known weaknesses in the Group's estate; and ongoing focus on improving stability across the estate.
- **Information security and cyber:** 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.
- **Change:** Continued embedment of the project management disciplines created in separation across all strategic change initiatives.

Risk management overview

for the reporting period ended 30 June 2020

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.

	30 June		31 December
Key risk metrics[1]	**2020**	2019	2019
Profit before tax (Rm)	**922**	902	1 951
Capital adequacy cover (regulatory basis) (%)	**1.45**[2]	1.56	1.42

Review of current reporting period

- Death and disability claims were low, and experience favourable relative to that assumed. Experience over the remainder of the financial year is uncertain, as the Covid-19 pandemic unfolds. Retrenchment claims incidence increased, with further unfavourable experience expected in the second half of the year. Non-life claims were favourable during the lockdown period, but subsequently reverted back to normal levels.
- The solvency position of the insurance group remained resilient, due to capital buffers and the mitigating impact of a reduction in dividends in response to the stress conditions.
- Areas of focus as a result of the Covid-19 pandemic:
  - Consideration of immediate strategic priorities, and the re-evaluation of discretionary expenditure;
  - Taking several customer concessions and relief measures to market;
  - Performing an out-of-cycle Own Risk and Solvency Assessment (ORSA), triggered in response to the current economic environment;
  - Focused stress and scenario analysis in response to the pandemic;
  - Assessing the impact on the risk profile relative to risk appetite, an assessment of the suitability of key risk appetite metrics, and reserve and economic capital sufficiency; and
  - Enhanced monitoring and oversight of key risk drivers and early warning indicators.
- The Insurance Principal Risk Management Framework (IPRMF) and a subset of supporting policies were updated, to align with the Prudential Standards: Governance and Operational Standards for Insurance Groups (GOG) and changes in governance structures as a result of the integration into RBB.
- The ORSA process was further improved, with a focus on embedment of key processes into business activities.
- The IFRS 17[3] 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. Timelines were reconsidered in light of the deferred effective date, allowing for an extended parallel run.

Priorities

- Areas of focus as a result of the Covid-19 pandemic:
  - The sustained response to the pandemic in all areas of the insurance operations;
  - Further product enhancements and amendments as required (including suspending sales);
  - Continued focused monitoring of key risk drivers and early warning indicators; and
  - Refreshing forecasts and stress and scenario analysis as economic and demographic experience emerges.
- Update of the remaining IPRMF supporting policies;
- Continued improvements to the methodology and processes for risk appetite setting, capital and liquidity management and planning, and stress and scenario testing;
- Continued improvements to the in-cycle ORSA process and embedment into business activities; and
- Continued delivery on the IFRS 17 programme, and test programme design decisions.

1 The numbers reported are on an IFRS basis of reporting and are shown for Absa Financial Services, the proposed regulated insurance group.
2 Estimated capital position based on roll-forward analysis.
3 International financial reporting standard for insurance contracts replacing IFRS 4, effective from 1 January 2023.

Risk management overview

for the reporting period ended 30 June 2020

Model risk

The risk of 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 and regulatory capital calculations with particular focus on the wholesale regulatory capital PD, LGD and EAD models.
- The model risk appetite statement, implemented in 2019, has been adopted for use and rolled out at individual Business Unit level to effectively monitor model risk across the Group.
- A model risk management workflow solution to manage model risk and monitor the controls effectiveness was implemented.
- Actions have been defined to implement the recommendations from the benchmarking exercise performed during Q4 2019 to assess the Group model risk capabilities against international peers.
- A Model Risk Economic Capital Framework was developed and will be implemented in 2021.

Priorities

- Continue with redevelopment and/or recalibration of the wholesale regulatory capital PD, LGD and EAD models for consideration and approval by the Prudential Authority.
- Review of the definition of default used for regulatory capital and impairment models in retail products to ensure alignment and comparability with local markets and regulations.
- Strengthening the function's capabilities to address increasing quantities of models, including developing AI and machine learning models to align with external trends.
- Continue focusing on enhancements to the model development and implementation technology platforms.

Conduct risk

The risk of detriment to Absa, its customers, clients, market integrity, and effective competition from the inappropriate supply of financial services, including instances of wilful/negligent misconduct, unethical behaviour and the failure to manage regulatory relationships

Review of current reporting period

- The Absa Way Code of Ethics was rolled out across the Group.
- Active participation in and response to regulatory developments and industry engagements on conduct risk. This included commentary on the Conduct of Financial Institutions Bill (COFI Bill) and Conduct Standards for Banks in South Africa, and the Retail Distribution Review (RDR).
- Continued compliance with the Protection of Personal Information Act of South Africa remained a key priority.
- The Group continued to focus on privacy, with greater investment in managing the personal data of the Group's customers, as the quantum and complexity of cyber-attacks increase. Customer awareness and education campaigns continued to be intensified.
- 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 complaints management processes were improved.
- The adoption of the Financial Intelligence Centre (FIC) Amendment Act in 2019, which requires a risk-based approach to financial crime, strengthened the management of exposure to money-laundering risk. In addition, there was an overall improvement in customer experience as on-boarding 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.

Priorities

- Continued engagement with regulators working towards finalising key regulations such as the COFI Bill.
- Embedment of the Treating Customers Fairly Principles.
- Embedment of the Protection of Personal Information Act requirements.
- Re-enforcement of the Absa Way Code of Ethics and the rolling out of ethics training.
- Continued focus on highlighting the importance of whistleblowing within the Group, encouraging employees to raise concerns around inter alia unethical conduct.
- Responsible lending in response to the challenging macro-environment.
- Ongoing investment in data intelligence and analytics to strengthen financial crime capability.
- Ongoing review of sales-based incentives in response to the adverse impact of the Covid-19 pandemic.

Risk management overview

for the reporting period ended 30 June 2020

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

- Enabled and supported the Group's response to the Disaster Management Regulations.
- Concluded the agreements for Phase II of the Covid-19 Emergency Loan Guarantee Scheme between the Group and the Prudential Authority.
- Participated in industry initiatives in relation to the proposed Expropriation Bill.

Priorities

- Continuing attempts to resolve high-profile cases that involve the Group.
- Progress the embedment of an updated Legal Risk Management Framework across the Group including providing training for legal policies.

Capital management and RWA

for the reporting period ended 30 June 2020

Capital adequacy

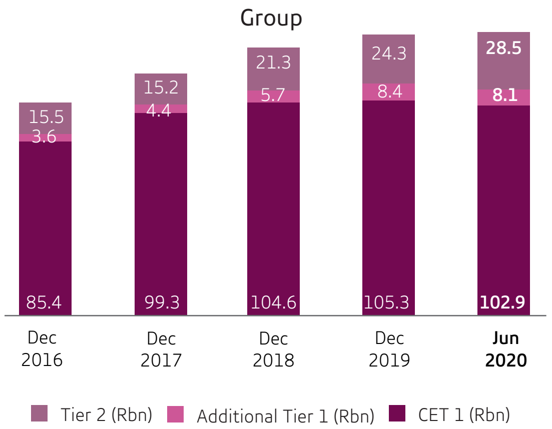
The Group's capital management strategy, which supports and aligns with the Group's strategy, is to focus on capital preservation through active financial resource management in the face of lower earnings and higher credit RWAs driven by the economic impact of the Covid-19 pandemic.

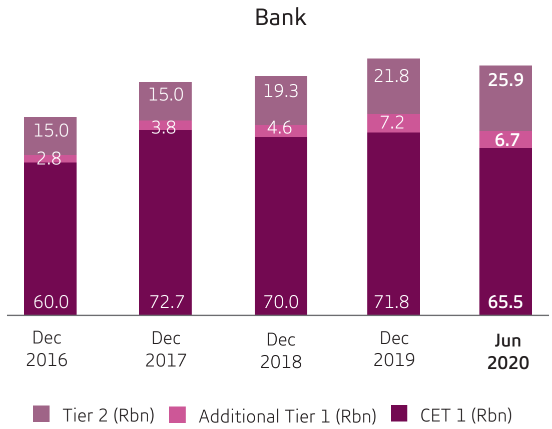
The Group's separation from Barclays PLC has been materially completed and the current difference between IFRS and normalised is expected to result in a marginal permanent uplift to the capital position. This will be the last time that normalised capital ratios are presented.

Capital adequacy

	Board target ranges[1]	Minimum RC requirements[2]	Group IFRS performance			Group normalised performance			Bank IFRS performance		
			30 June		31 December	30 June		31 December	30 June		31 December
Group	%	%	2020	2019	2019	2020	2019	2019	2020	2019	2019
Statutory capital ratios (includes unappropriated profits) (%)											
CET 1	11.00 – 12.00		**11.0**	12.5	12.1	**10.8**	11.9	11.8	**10.6**	12.2	11.9
Tier 1	12.00 – 13.00		**11.9**	13.3	13.0	**11.7**	12.7	12.7	**11.7**	13.2	13.1
Total capital adequacy requirement (CAR)	14.50 – 15.50		**14.9**	16.0	15.8	**14.7**	15.4	15.5	**15.8**	16.6	16.7
Leverage	5.00 – 7.00		**6.5**	7.0	7.2	**6.4**	6.7	7.0	**5.1**	5.6	6.0
Regulatory capital ratios (excludes unappropriated profits) (%)											
CET 1		7.0	**11.0**	11.3	11.6				**10.6**	11.1	11.5
Tier 1		8.5	**11.9**	12.1	12.5				**11.7**	12.1	12.7
Total CAR		10.5	**14.9**	14.8	15.3				**15.8**	15.5	16.3
Leverage		4.0	**6.5**	6.4	6.9				**5.1**	5.2	5.7

Qualifying capital (including unappropriated profits)





Group[3]						Bank				
31 December				30 June		31 December				30 June
2016	2017	2018	2019	2020		2016	2017	2018	2019	2020
12.1	13.5	12.8	12.1	**11.0**	CET 1 ratio (%)	11.6	13.4	12.3	11.9	**10.6**
14.8	16.1	16.1	15.8	**14.9**	Total capital adequacy ratio (%)	15.1	16.9	16.5	16.7	**15.8**

[1] IFRS capital ratios (including unappropriated profits) are managed against Board capital target ranges.

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

[3] The historical normalised CET 1 ratios were 11.8% in December 2019, 12% in December 2018 and 12.1% in December 2017.

Capital management and RWA

for the reporting period ended 30 June 2020

Overview of RWA

The following table provides the RWAs per risk type and the associated minimum capital requirements:

Group	30 June 2020 RWA Rm	30 June 2019 RWA Rm	31 December 2019 RWA Rm	30 June 2020 Minimum capital requirement[1] Rm
Credit risk[2]	**723 031**	644 245	672 722	**75 918**
Traded market risk	**48 759**	41 885	39 231	**5 120**
Operational risk	**115 646**	113 531	112 348	**12 143**
Non-customer assets	**29 299**	28 869	28 148	**3 076**
Threshold items	**19 031**	15 802	17 957	**1 998**
Total	**935 766**	844 332	870 406	**98 255**

The Group's RWAs increased by by R91.4bn to **R935.8bn** (June 2019: R844.3bn), mainly driven by increases in credit risk.

- **Credit risk:** RWA increased by R78.8bn, R47.5bn of which was within ARO. ARO RWA increased due to foreign exchange movements as well as exposure growth predominantly within CIB. RWA in South Africa increased due to lending growth which was offset by a RWA reduction resulting from the sale of the Edcon card book.
- **Traded market risk:** RWA increased by R6.9bn principally due to increased holdings of local currency sovereign bonds in ARO.

Absa Bank[3]	30 June 2020 RWA Rm	30 June 2019 RWA Rm	31 December 2019 RWA Rm	30 June 2020 Minimum capital requirement[1] Rm
Credit risk[2]	**485 856**	453 592	473 608	**51 015**
Traded market risk	**34 786**	32 843	25 874	**3 653**
Operational risk	**74 203**	77 710	76 195	**7 791**
Non-customer assets	**20 518**	21 835	21 146	**2 154**
Threshold items	**4 049**	3 147	5 077	**425**
Total	**619 412**	589 127	601 900	**65 038**

The Bank's RWAs increased by R30.3bn to **R619.4bn** (June 2019: R589.1bn), mainly driven by increases in credit risk.

- **Credit risk:** RWA increased by R32.3bn driven mainly by lending growth. Growth was predominantly in the wholesale portfolios and partially offset by a RWA reduction due to the sale of the Edcon card book.
- **Traded market risk:** The R1.9bn increase in RWA was principally due to market volatility increasing in the face of the Covid-19 pandemic. In addition, the lack of volume across all markets created a challenging environment for the business to exit risk obtained through client facilitation.

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

Capital supply

Breakdown of qualifying capital[1]

Group	30 June 2020 Rm	30 June 2020 %[2]	30 June 2019 Rm	30 June 2019 %[2]	31 December 2019 Rm	31 December 2019 %[2]
CET 1	**102 818**	**11.0**	95 034	11.3	100 637	11.6
Additional Tier 1 capital	**8 067**	**0.9**	7 067	0.8	8 425	0.9
Tier 1 capital	**110 885**	**11.9**	102 101	12.1	109 062	12.5
Tier 2 capital	**28 526**	**3.0**	22 568	2.7	24 349	2.8
Total qualifying capital (excluding unappropriated profits)	**139 411**	**14.9**	124 669	14.8	133 411	15.3
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**110 976**	**11.9**	112 319	13.3	113 689	13.0
CET 1 (excluding unappropriated profits)	**102 818**	**11.0**	95 034	11.3	100 637	11.6
Unappropriated profits	**91**	**0.0**	10 218	1.2	4 627	0.5
Additional Tier 1	**8 067**	**0.9**	7 067	0.8	8 425	0.9
Tier 2 capital	**28 526**	**3.0**	22 568	2.7	24 349	2.8
Total qualifying capital (including unappropriated profits)	**139 502**	**14.9**	134 887	16.0	138 038	15.8

Absa Bank[3]	30 June 2020 Rm	30 June 2020 %[2]	30 June 2019 Rm	30 June 2019 %[2]	31 December 2019 Rm	31 December 2019 %[2]
CET 1	**65 452**	**10.6**	65 204	11.1	69 118	11.5
Additional Tier 1 capital	**6 724**	**1.1**	5 812	1.0	7 188	1.2
Tier 1 capital	**72 176**	**11.7**	71 016	12.1	76 306	12.7
Tier 2 capital	**25 880**	**4.1**	20 517	3.4	21 785	3.6
Total qualifying capital (excluding unappropriated profits)	**98 056**	**15.8**	91 533	15.5	98 091	16.3
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**72 176**	**11.7**	77 613	13.2	78 998	13.1
CET 1 (excluding unappropriated profits)	**65 452**	**10.6**	65 204	11.1	69 118	11.5
Unappropriated profits	**—**	**—**	6 597	1.1	2 692	0.4
Additional Tier 1	**6 724**	**1.1**	5 812	1.0	7 188	1.2
Tier 2 capital	**25 880**	**4.1**	20 517	3.4	21 785	3.6
Total qualifying capital (including unappropriated profits)	**98 056**	**15.8**	98 130	16.6	100 783	16.7

[1] The Group's separation from Barclays PLC has been substantively completed and normalised capital supply is not presented.
[2] Percentage of capital to RWAs.
[3] Absa Bank includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital management and RWA

for the reporting period ended 30 June 2020

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.

	30 June		31 December
Economic capital[1]	**2020 Rm**	2019 Rm	2019 Rm
Credit risk[2]	**63 006**	56 979	58 598
Traded market risk	**5 004**	3 811	4 512
Operational risk	**7 848**	6 928	7 189
Treasury risk	**9 324**	5 914	5 560
Business risk	**9 063**	9 520	9 116
Insurance risk	**5 469**	3 723	3 807
Total EC requirement	**99 714**	86 875	88 782
IFRS total EC AFR	**137 044**	129 994	133 126
IFRS total EC surplus	**37 330**	43 119	44 344
IFRS EC coverage ratio (%)	**1.4**	1.5	1.5

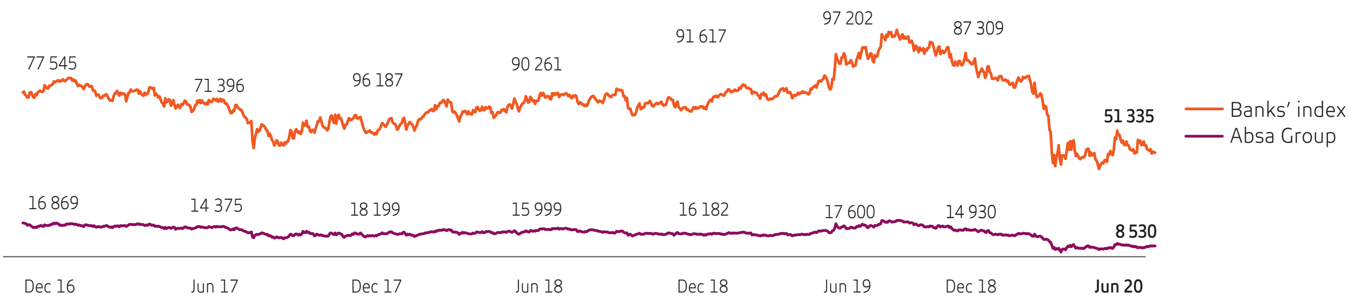
1 EC demand and AFR reported on a spot basis.
2 Credit risk includes equity risk, CCR and CVA.

Appendices

Share performance

for the reporting period ended 30 June 2020

Share performance (cents)

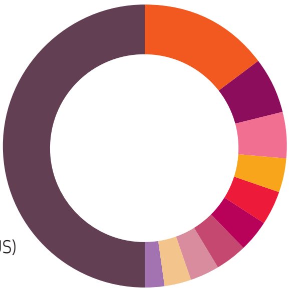


Share performance on the JSE	30 June 2020	30 June 2019	Change %	31 December 2019
Number of shares in issue, which includes **4 898 026** (2019: 2 074 711) treasury shares	**847 750 679**	847 750 679	—	847 750 679
Market prices (cents per share):				
closing	**8 530**	17 600	(52)	14 930
high	**8 931**	18 628	(52)	18 628
low	**8 522**	15 035	(43)	14 470
average	**10 800**	16 906	(36)	15 571
Closing price/normalised NAV per share (excluding preference shares) (%)	**0.65**	1.43	(55)	1.18
Normalised price-to-earnings ratio (closing price/HEPS) (%)	**98.81**	8.93	>100	7.6
Volumes of shares traded (million)	**552.0**	376.7	47	660.0
Value of shares traded (million)	**55 508.0**	63 736.7	(13)	108 219.0
Market capitalisation (Rm)	**72 313.0**	149 204.0	(52)	126 569.0
Annual total return (%)	**(0.5)**	16.9	<(100)	(1.0)

Shareholder information and diary

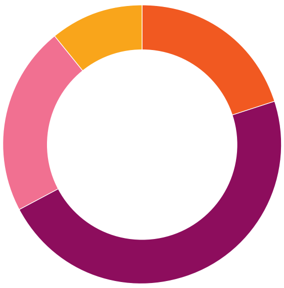
Major ordinary shareholders (%)

June 2020	June 2019	
14.88	(14.88)	Barclays Bank PLC (UK)
6.37	(6.29)	Public Investment Corporation (SA)
5.21	(4.07)	Prudential Investment Managers (SA)
4.01	(3.00)	Citigroup Global Markets (SA)
3.81	(3.78)	Black Rock Incorporated (US, UK, JP, CA)
3.65	(1.86)	Fidelity Management & Research Company (US)
3.63	(4.20)	Old Mutual Asset Managers (SA, NA)
3.28	(3.30)	The Vanguard Group (US, SG, AU)
3.08	(0.37)	Investec Securities (SA)
2.31	(2.89)	Ninety One (SA)
49.77	(55.36)	Other



Major shareholding by geography (%)

June 2020	June 2019	
20.13	(23.57)	United Kingdom
47.33	(42.92)	South Africa
21.76	(20.10)	United States and Canada
10.78	(13.41)	Other countries



Shareholder diary

Financial year-end	31 December 2020
Announcement of the 2020 interim results[1]	24 August 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 divided 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 premium income.

Combined ratio

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

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 Condensed consolidated statement of comprehensive income and Condensed consolidated statement of financial position for the Absa Regional Operations market segment disclosed on pages 118 and 119 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 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 to which it 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 measured at amortised cost and FVOCI;
- 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 measured at amortised cost and FVOCI;
- 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 on insurance assets net of insurance claims and benefits paid on insurance liabilities.

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

Glossary

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.

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 losses have been paid 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

Absa Group Limited

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

JSE share code: ABG

ISIN: ZAE000255915

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Queries

Please direct investor relations queries to
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Please direct media queries to
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Please direct queries relating to your Absa Group shares to
web.questions@computershare.co.za

Please direct general queries regarding the Group to
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Lead independent sponsor

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Joint sponsor

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