Absa Group Limited

Unaudited condensed consolidated interim financial results for the period ended 30 June 2018

Contents

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

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

Finance is led by the Group's 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 Compliance Committee (GACC).

Together with the GACC, the Board has reviewed and approved the reporting changes contained in the announcements released on the Stock Exchange News Services (SENS) on 6 August 2018. The GACC and the Board are satisfied that the changes disclosed in the SENS result in fair presentation of the consolidated financial position and comply, in all material respects, with the relevant provisions of the Companies Act, IFRS and interpretations of IFRS, and SAICA's Reporting Guides.

Absa Group Limited
(formerly known as Barclays Africa Group Limited)

Absa Group Limited unaudited condensed consolidated interim financial results for the reporting period ended 30 June 2018

Authorised financial services and registered credit provider (NCRCP7)

Registration number: 1986/003934/06

Incorporated in the Republic of South Africa

JSE share code: ABG

ISIN: ZAE000255915

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

Profit and dividend announcement

Salient features

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

IFRS basis

- Diluted Headline earnings per share (HEPS), which includes R1.4bn of separation costs decreased 4% to 877.8 cents.
- An interim dividend of 490 cents was declared representing a 3% year-on-year increase.
- Retail and Business Banking (RBB) South Africa headline earnings grew 4% to R4.2bn, Corporate and Investment Bank (CIB) South Africa declined 6% to R1.7bn, Rest of Africa Banking rose 8% to R1.6bn and Wealth, Investment Management and Insurance (WIMI) increased 5% to R646m.
- Return on Equity (RoE) declined to 13.9%.
- Revenue grew 3% to R37.6bn.
- Operating expenses rose 8% to R22.2bn.
- Pre-provision profit decreased 3% to R15.4bn.
- Credit impairments fell 9% to R3.4bn, resulting in a 0.83% credit loss ratio from 0.96%.
- Absa Group Limited's IFRS Common Equity Tier 1 (CET 1) ratio of 13.3% remains above regulatory requirements and our board target range.
- Net asset value (NAV) per share rose 1% to 12 829 cents.

Normalised basis

- Diluted HEPS grew 3% (5% on a constant currency basis) to 949.5 cents.
- RoE increased slightly to 16.9%.
- Revenue grew 3% to R37.0bn (4% on a constant currency basis).
- Operating expenses rose 4% to R20.8bn.
- Pre-provision profit increased 1% to R16.2bn.
- NAV per share rose 4% to 11 683 cents.

Normalised reporting

Given the process of separating from Barclays PLC, the Group continues to report both 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: **R175m** of interest income on Barclays PLC's separation contribution (30 June 2017: R46m); hedging revenue linked to separation activities of **R413m** (30 June 2017: R238m); operating expenses of **R1 364m** (30 June 2017: R460m) and **R76m** of other expenses (30 June 2017: R325m), plus a **R133m** tax impact of the aforementioned (30 June 2017: R111m) items. In total, these adjustments added **R719m** to the Group's normalised headline earnings during the period (30 June 2017: R152m). Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Non-IFRS measures such as normalised results are considered pro forma financial information as per the JSE listing requirements. The pro forma financial information, is the responsibility of the Group's Board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, and results in operations or cash flows.

Overview of results

The Group's IFRS headline earnings declined 4% to R7 324m from R7 650m and diluted HEPS decreased 4% to 877.8 cents. The Group's RoE fell to 13.9% from 16.2%, largely due to the higher capital base from the Barclays PLC seperation contribution and costs, while its RoA declined to 1.26% from 1.38%. Net interest income increased 3% and non-interest income grew 5%, resulting in 3% higher total revenue. Operating expenses grew 8%, increasing the cost-to-income ratio to 59.0% from 56.4%. Pre-provision profit decreased 3% to R15.4bn. The Group's NAV per share rose 1% to 12 829 cents including Barclays PLC's remaining separation contribution in equity.

On a normalised basis, the Group's headline earnings grew 3% to R8 043m from R7 802m and diluted HEPS rose 3% to 949.5 cents from 921.5 cents. The Group's normalised RoE was 16.9% from 16.8% and its return on assets was 1.40% from 1.41%. Revenue grew 3% to R37.0bn, with net interest income and non-interest income rising 2% and 4% respectively. Revenue grew 4% on a constant currency basis. The Group's net interest margin (on average interest-bearing assets) decreased to 4.76% from 4.81%. Gross loans and advances to customers grew 8% to R811bn, while deposits due to customers rose 3% to R714bn. With operating expenses growing 4%, the normalised cost-to-income ratio increased to 56.2% from 55.5%, and pre-provision profit rose 1% to R16.2bn. The stronger rand reduced Group revenue by 1% and headline earnings by 2%. In constant currency, pre-provision profit grew 3% and headline earnings 5%. Credit impairments fell 9% to R3.4bn, resulting in a 0.83% credit loss ratio from 0.96%. The Group's normalised NAV per share increased 4% to 11 683 cents and it declared a 3% higher half year DPS of 490 cents.

RBB South Africa's headline earnings rose 4% to R4 209m primarily due to 6% lower credit impairments. Retail Banking South Africa headline earnings grew 5% to R3 001m, while Business Banking South Africa increased 1% to R1 208m. CIB South Africa's earnings declined 6%, given a 1% lower pre-provision profit and 79% higher credit impairments. Corporate South Africa fell 3% to R556m and Investment Banking South Africa decreased 7% to R1 127m. Rest of Africa Banking headline earnings grew 8% to R1 636m, or 20% in constant currency. RBB Rest of Africa increased 38%, or 54% in constant currency, while CIB Rest of Africa grew 3% and 15% in constant currency. WIMI's headline earnings increased 5% to R646m, reflecting significant growth in Short-term Insurance.

South African earnings grew 2% to R6.4bn, while Rest of Africa rose 9% or 21% in constant currency to account for 20% of Group earnings.

Profit and dividend announcement

Operating environment

Global economic recovery continued during the period with the US leading the developed economies in the recovery process. Economic growth in Europe and Japan slowed, but domestic fundamentals remain solid giving confidence that growth will improve in the second half. Inflation in developed economies remains muted, while emerging markets saw an uptick due to currency pressures and higher commodity prices. Global monetary policy is still broadly accommodative, although the broad trend is toward tightening.

South Africa's GDP contracted by an annualised 2.2% in the first quarter after a strong annualised 3.1% in the last quarter of 2017. The contraction was due to weakness across key sectors including agriculture, mining, manufacturing and construction. Private sector fixed investment declined in contrast to the strong improvement in business confidence in the first quarter. Headline inflation bottomed at 3.8% in March before increasing slowly to 4.6% in June. As such, the Reserve Bank reduced interest rates 25 basis points in March, but left it unchanged in July.

Economic growth continued to improve in a number of our key Rest of Africa countries. The strengthening global economy, higher commodity prices and improved weather conditions supported growth, with primary sector activities including mining, construction and agriculture standing out as the main growth drivers in many economies. Monetary policy easing continued in our markets as inflation trended lower. Key headwinds include the still weak fiscal positions in Mozambique, Zambia and Kenya.

Group performance

Statement of financial position

Total IFRS assets increased 9% to R1 235bn at June 2018, largely due to 8% growth in gross loans and advances to customers and trading portfolio assets which grew by 23%.

Normalised total assets increased 8% to R1 233bn at 30 June 2018.

Loans and advances to customers

Gross loans and advances to customers increased 8% to R811bn. RBB South Africa loans rose 5% to R477bn. Retail Banking South Africa's loans grew 5% to R407bn, reflecting 12% growth in Vehicle and Asset Finance (VAF), 10% higher Personal Loans and 1% growth in Home Loans, while Card and Payments increased by 1% despite a reduction in the store card portfolio. Business Banking South Africa's loans rose 9% to R70bn, with Term Loans and Agri Loans increasing 13% and 14% respectively. CIB South Africa's loans grew 14% to R235bn, including 13% growth in Corporate and 14% in the Investment Bank. Rest of Africa Banking loans increased 14% to R94bn, or 10% in constant currency.

Funding

The Group's liquidity position remains strong, with liquid assets and other sources of liquidity growing 11% to R218bn, which equates to 31% of customer deposits. The Group's three-month average liquidity coverage ratio for the second quarter of 2018 was 109%, comfortably above the minimum regulatory hurdle of 90% during the first half of 2018. The Group's deposits due to customers grew 3% to R714bn. Its loans to deposit and debt securities ratio increased to 91.6% from 87.1%. Deposits due to customers constituted 76% of total funding. RBB South Africa's deposits grew 5% to R305bn, with Retail Banking South Africa up 7% to R193bn and Business Banking South Africa increasing 3% to R111bn. CIB South Africa's deposits were flat at R184bn. Rest of Africa Banking deposits increased 6% to R127bn, or 3% in constant currency.

Net asset value

The Group's IFRS NAV rose 1% to R109bn and its NAV per share grew 1% to 12 829 cents, despite a R4.2bn reduction on adoption of IFRS 9 on 1 January 2018. During the reporting period the Group generated retained earnings of R7.3bn, from which it paid R5.0bn in ordinary dividends. Its foreign currency translation reserve (FCTR) increased to R2.4bn from R1.8bn at the end of June 2017.

On a normalised basis, NAV rose 3% to R99bn and its NAV per share grew 4% to 11 683 cents.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased 6% to R771bn at 30 June 2018, mainly due to increased credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group's IFRS CET 1 and total capital adequacy ratios were 13.3% and 16.7% respectively (from 13.7% and 16.1%).

On a normalised basis the CET 1 and total capital adequacy ratios were 12.2% and 15.7% respectively (from 12.1% and 14.5%).

The Group generated 2.0% of CET 1 capital internally over the past year. The day 1 impact from implementing IFRS 9 reduced the Group's CET 1 ratio by 5 basis points, as we opted to phase it in over three years. Declaring a 3% higher half year DPS of 490 cents on a dividend cover of 1.9 times took into account the operating environment, the Group's strong capital position, internal capital generation, strategy and growth plans.

Statement of comprehensive income

Net interest income

Net interest income increased 3% to R21 363m from R20 837m (Normalised: increase of 2% to R21 188m from R20 791m), while average interest-bearing assets grew 3%. The Group's net interest margin (to average interest-bearing assets) declined to 4.75% from 4.81% (Normalised: declined to 4.76% from 4.81%). Net interest income grew 3% on a constant currency basis.

Loan pricing reduced the Group's net interest margin by 6 bps, largely due to higher suspended interest in RBB South Africa after implementing IFRS 9. Loan composition added 2 bps to the margin, given slower growth in Home Loans. Deposit pricing reduced the margin by 1 bp, primarily due to competitive pricing on fixed retail deposits in South Africa. Deposit composition increased the margin by 3 bps, as wholesale funding balances were flat. With lower interest rates in South Africa, the equity and deposit endowment reduced the Group margin by 4 bps. The structural hedge released R232m to the income statement, 3 bps more than in the prior reporting period, to largely offset the reduced endowment contribution. Rest of Africa reduced the margin by 1 bp due to the stronger rand.

Group performance (continued)

Statement of comprehensive income (continued)

Non-interest income

IFRS non-interest income grew 5% to R16 267m from R15 532m to account for 43% of total revenue. On a constant currency basis, the growth was 5%.

On a normalised basis non-interest income grew 4% to R15 854m from R15 294m to account for 43% of total revenue from 42%.

Net fee and commission income grew 4% to R10 991m, which represented 68% of total non-interest income. Within this, cheque account fees increased 15% to R2 751m, electronic banking grew 3% to R2 576m, while credit cards and merchant income rose by 7% and 9% respectively. Investment, markets execution and investment banking fees decreased 8% to R266m.

Net trading excluding hedge accounting declined 6% to R2 510m, reflecting Markets in South Africa increasing 1%, while Rest of Africa Banking decreased 8%.

Within other operating income, sundry income increased significantly due to a non-headline gain on the disposal of some subsidiaries.

RBB South Africa's non-interest income grew 5% to R8 763m, as Retail Banking South Africa increased 6% and Business Banking South Africa was flat. Within Retail Banking, Transactional and Deposits rose 10%, reflecting price increases, cheque account growth and reclassifying fee write-offs to credit impairments. CIB South Africa increased 7% to R2 252m, with 10% growth in transactional revenue.

Rest of Africa Banking's non-interest income declined 2% to R2 427m as the impact of a stronger rand offset constant currency growth of 5%. In constant currency, CIB Rest of Africa increased 2% and RBB Rest of Africa 7%.

WIMI's non-interest income increased 11% to R2 844m, including 11% higher Life insurance net premium income, 3% growth in Short-term Insurance net premium income in South Africa and gains on the disposal of subsidiaries.

Impairment losses

IFRS 9 replaced IAS 39 on 1 January 2018, in terms of which credit impairments moved from an incurred basis to an expected credit loss approach. The Group has applied IFRS 9 retrospectively, with an adjustment to retained earnings and other reserves as at 1 January 2018, and elected not to restate comparative periods.

Implementing IFRS 9 increased the Group's IAS 39 credit provisions and interest in suspense by R5.9bn or 27% at 1 January 2018 to R27.8bn. Previously reported IAS 39 impairment ratios in respect of performing and non-performing portfolios are not comparable to similar ratios under IFRS 9. At 30 June 2018 the Group's stage 3 (defaulted) loans were 5.3% of gross loans and advances from 5.5% at 1 January 2018 and the expected credit loss coverage ratios on these were 42.0% and 40.7% respectively.

Credit impairments decreased 9% to R3 431m from R3 773m, which improved the Group's credit loss ratio to 0.83% from 0.96% of gross loans and advances to customers and banks.

RBB South Africa credit impairments decreased 6% to R2 728m, resulting in a 1.15% credit loss ratio from 1.28%. Retail Banking South Africa credit impairments declined 7% to R2 517m, reducing its credit loss ratio to 1.24% from 1.39%. Home Loans' charge fell 61% to R181m resulting in a 0.16% credit loss ratio from 0.41%. Card and Payments' credit loss ratio declined to 4.23% from 5.36%, given 21% lower credit impairments of R897m. Vehicle and Asset Finance credit impairments grew 25% to R594m, increasing its credit loss ratio to 1.14% from 1.01%. Personal Loans' charge rose 3% to R568m and its credit loss ratio improved to 5.87% from 6.21%. Business Banking South Africa credit impairments increased 8% to R211m, in line with its loan growth, to produce a flat credit loss ratio of 0.62%.

CIB South Africa credit impairments increased 79% to R381m from R213m, due to a large single name exposure. Its credit loss ratio increased to 0.30% from 0.18%.

Rest of Africa Banking credit impairments fell 47% to R335m from R638m, reducing its credit loss ratio to 0.72% from 1.38%. RBB Rest of Africa's charge fell 39% to R318m, a 1.53% credit loss ratio, while CIB Rest of Africa decreased 91% to R11m or a 0.05% credit loss ratio.

Operating expenses

Group operating expenses grew 8% to R22 198m from R20 498m, resulting in a 59.0% cost-to-income ratio from 56.4%. Operating expenses increased 5% in constant currency.

On a normalised basis operating expenses 4% to R20 834m from R20 038m, resulting in a 56.2% cost-to-income ratio from 55.5%.

Staff costs grew 6% and accounted for 54% of total operating expenses. Salaries and total incentives rose by 7% and 3%, respectively.

On a normalised basis staff costs grew by 4% and accounted for 55% of total expenses. Salaries rose by 5%, while total incentives fell 7%. Headcount decreased 1%, largely due to reductions in Rest of Africa and a disposal in WIMI.

Non-staff costs grew 11% (Normalised: 4%). Professional fees increased 2% to R1 033m (Normalised: fell 9% to R717m), while telephone and postage declined 9% and printing and stationery increased 7% (Normalised: 6%). Operating leases on properties decreased 2% to R799m and property costs increased 5% to R883m (Normalised: decreased 1% to R834m). Marketing costs rose by 6% to R834m (Normalised: flat at R731m). Total IT-related spend grew 13% to R3 970m and constituted 18% (Normalised: 19%) of Group operating expenses. Amortisation of intangible assets rose 5% to R366m (Normalised: rose 4% to R363m), while cash transportation increased 14% to R612m. The 21% (Normalised: 20%) growth in depreciation reflects investment in technology and optimisation of the corporate property portfolio and branch network.

RBB South Africa costs grew 7% to R12 593m. Retail Banking South Africa increased 7% and Business Banking South Africa 8%, due to salary increases, investment in physical and cyber security, higher cost of cash and amortisation of IT infrastructure.

Group performance (continued)

Statement of comprehensive income (continued)

Operating expenses (continued)

CIB South Africa expenses grew 10% to R3 071m, after two years of low cost growth, as it continues to invest in systems and technology.

Rest of Africa Banking expenses increased 1%, or 7% in constant currency, to R4 333m. CIB Rest of Africa increased 4% and RBB Rest of Africa was flat. A continued focus on optimising the branch network and enhancing digital capabilities kept underlying cost growth below inflation.

WIMI's costs declined 3% to R1 776m, in part due to disposing of Employee Benefits. It achieved strongly positive operating Jaws, which improved its cost-efficiency ratio to 33.6%.

Other expenses decreased 14% to R964m (Normalised: increased 12% to R888m).

Taxation

The Group's taxation expense increased 3% to R3 189m (Normalised: increased 4% to R3 322m), resulting in a 28.7% (Normalised: 27.8%) effective tax rate from 28.0% (Normalised: 27.7%).

Segment performance

RBB South Africa

Headline earnings increased 4% to R4 209m, due to 6% lower credit impairments, as pre-provision profits were flat at R9 007m. Revenue grew 4% to R21 600m, with non-interest income increasing 5%. Costs rose 7% to R12 593m, resulting in a 58.3% cost-to-income ratio from 56.6%. Credit loss ratio improved to 1.15% from 1.28%. RBB South Africa generated a return on regulatory capital (RoRC) of 23.0% and constituted 52% of total normalised headline earnings excluding the Group centre.

Retail Banking South Africa

Headline earnings grew 5% to R3 001m, primarily due to lower credit impairments, as pre-provision profits were flat. Transactional and Deposits earnings fell 9% to R1 048m, largely due to significantly higher credit impairments. Home Loans earnings grew 16% to R901m, given 61% lower credit impairments which offset increased interest in suspense after implementing IFRS 9. Card and Payments earnings grew 19% to R717m, as a result of lower credit impairments and 14% growth in acquiring turnover. Vehicle and Asset Finance earnings fell 6% to R406m, as 25% higher credit impairments outweighed 9% higher net interest income. Personal Loans earnings increased 10% to R201m, largely due to 7% net interest income growth.

Retail Banking South Africa accounted for 37% of normalised headline earnings excluding the Group centre.

Business Banking South Africa

Headline earnings increased 1% to R1 208m, as revenue grew 5% due to 7% net interest income growth. Pre-provision profits were flat, given 8% cost growth due to continued investment in frontline staff and systems. Credit impairments increased 8%, largely in line with loan growth. Business Banking South Africa generated 15% of overall normalised headline earnings excluding the Group centre.

CIB South Africa

Headline earnings decreased 6% to R1 683m, primarily due to 79% higher credit impairments. Pre-provision profits declined 1% as 10% higher costs exceeded 5% revenue growth. Despite 10% revenue growth, Corporate earnings fell 3% to R556m given 18% higher costs. Investment Bank earnings decreased 7% to R1 127m, due to 62% higher credit impairments. CIB South Africa contributed 21% of total normalised headline earnings excluding the Group centre and generated a 15.9% RoRC.

Rest of Africa Banking

Headline earnings grew 8%, or 20% in constant currency, to R1 636m, largely due to 47% lower credit impairments. Pre-provision profits increased 3% in constant currency. Revenue fell 1% to R7 565m, although it increased 5% in constant currency. Costs grew 1% to R4 333m, or 7% in constant currency, resulting in a 57,3% cost-to-income ratio. RBB Rest of Africa earnings increased 38% to R463m, or 54% in constant currency, given positive operating leverage and 39% lower credit impairments. CIB Rest of Africa earnings grew 3%, or 15% in constant currency, to R1 246m as its credit impairments dropped 91%. Rest of Africa Banking accounted for 20% of total normalised headline earnings excluding the Group centre and produced a 19.6% RoE.

WIMI

Headline earnings grew 5% to R646m, with earnings from continuing business lines increasing 8% to R636m. Gross operating income grew 11% to R3 455m and costs fell 7% to R1 551m. Life insurance net operating income grew 26%, while earnings declined 4% due to a deferred tax benefit in the base. Its embedded value of new business increased 25% in South Africa, due to improved retail lending and sales through bank branches. Assets under management grew 8% to R319bn, despite declining 5% year to date. Wealth and Investment Management's earnings declined 15%, largely due to margin compression. Short-term Insurance earnings grew 117%. South African underwriting margins increased to 9.8%. WIMI's South African earnings increased 3% to R682m, while Rest of Africa reported a loss of R36m. WIMI's RoE improved to 22.5% and it generated 8% of total earnings excluding the Group centre.

Profit and dividend announcement

Prospects

In South Africa growth remains challenging given subdued business confidence and headwinds to household spending. We forecast real GDP growth of 1.2% this year and 2.0% next year. Fiscal policy remains a challenge as recent tax increases might not be enough to deliver the much needed consolidation. We expect the Reserve Bank to leave interest rates unchanged for some time.

We forecast real GDP growth of 5% in our Rest of Africa portfolio, although monetary policy easing may have bottomed. At current levels, the rand would dampen our earnings less in the second half than it did in the first half.

Based on these assumptions, and excluding any unforeseen major political, macroeconomic or regulatory developments, our guidance for 2018 is largely unchanged. We expect our loan and deposit growth to improve in 2018, with stronger loan growth in Rest of Africa, CIB and Retail South Africa. Our net interest margin is likely to decline slightly this year. Costs will remain well controlled and our operating Jaws should improve from last year's but is unlikely to be positive. We expect our credit loss ratio to improve in 2018. Our CET 1 ratio is expected to remain above board targets, which will allow us to maintain our current dividend cover. Lastly, our normalised RoE should improve slightly in 2018.

Basis of presentation

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

The accounting policies applied in preparing the unaudited condensed consolidated interim financial results comply with IAS 34 *Interim Financial Reporting*. The principal accounting policies applied are set out in the Group's most recent audited annual consolidated financial statements , except for the adoption of IFRS 9 *Financial Instruments* (IFRS 9), IFRS 16 *Revenue from Contracts with Customers* (IFRS 15), internal accounting policy amendments and changes to the Group's operation segments and business portfolio changes. Refer to note 16.

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

Note 16 includes the impact of the adoption of IFRS 9 *Financial Instruments* (IFRS 9) and specifically the transitional disclosures as required by IFRS 7 Financial Instruments: Disclosures. This summarised report is extracted from audited information with the full transitional report 'Reporting Changes' included from page 152 of Absa Group Limited's interim financial results for the reporting period ending 30 June 2018. All information marked as audited in the Reporting Changes section has been audited by Ernst & Young Inc. (EY) who expressed an unmodified opinion thereon in terms of ISA 805 – Special considerations – Audits of single financial statements and specific elements, accounts or items of financial statement. A copy of the auditor's report on the audited sections of the Reporting Changes section are available for inspection at the Group's registered office, together with a copy of the transitional disclosures that were audited.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of loans and advances, goodwill impairment, fair value measurements, impairment of fair value through other comprehensive income financial assets (2018)/available-for-sale financial assets (2017), consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term and long-term insurance contracts and offsetting of financial assets and liabilities.

Accounting policies

The accounting policies applied in preparing the unaudited condensed consolidated interim financial statements are the same as those in place for the reporting period ended 31 December 2017 except for:

- The adoption of IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 15 *Revenue from Contracts with Customers* (IFRS 15);
- An accounting policy change with respect to the measurement of policyholder liabilities; and
- Changes of the Group's operating segments and business portfolios.

Refer to note 16 for further information.

Standards issued not yet effective

IFRS 16 *Leases* (IFRS 16) sets out the principles for the recognition, measurement, presentation and disclosure of leases. One of the key changes brought by IFRS 16 is the elimination of the classification of leases as either operating leases or finance leases for a lessee, and the introduction of a single lessee accounting model.

Applying the revised model, a lessee is required to recognise:

(a) a right of use asset together with a lease liability representing the future lease payments for all leases (unless the lease term is shorter than 12 months or the underlying asset is of low value and the related exemptions are elected); and
(b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income.

The standard provides revised guidance in defining what constittues a lease and how the lease term is determined as well as enhanced disclosure requirements for both lessees and lessors about its leasing activities and how exposures are managed.

The effective date of IFRS 16 is 1 January 2019, with an allowance of early adoption, provided the entity applies IFRS 15 at the same time.

The implementation of IFRS 16 is expected to give rise to an increase in property, plant and equipment (right use of assets and lease liabilities as lessee operating leases are currently not capitalised. This is not expected to have a significatn impact on the Group's statement of financial position. However, the Group is still in the process of assessing the impact of adoption.

IFRS 17 *Insurance Contracts* (IFRS 17) replaces IFRS 4 *Insurance Contracts* and requires all insurance contracts to be accounted for in a consistent manner. Insurance obligations are required to be accounted for using current values instead of historical cost. The information is required to be updated regularly, providing users with more useful information.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021. An entity may elect to transition using a modified retrospective approach or a fair value transition approach shoud the fully retro approach be impracticable. The Group is in the process of assessing the impact.

Events after the reporting period

The directors are not aware of any events after the reporting date of 30 June 2018 and up to the date of authorisation of these consolidated condensed interim financial results (as defined per IAS 10 *Events after the Reporting Period* (IAS 10)).

On behalf of the Board

W E Lucas-Bull
Group Chairman

M Ramos
Chief Executive Officer

Johannesburg
6 August 2018

Declaration of interim dividend number 64

Shareholders are advised that an interim ordinary dividend of 490 cents per ordinary share was declared on 6 August 2018, for the period ended 30 June 2018. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 14 September 2018. The directors of Absa Group Limited have applied the solvency and liquidity test and reasonably concluded that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

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

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 490 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 392 cents per ordinary share for shareholders liable to pay the dividend tax.
- Absa Group Limited currently has 847 750 679 ordinary shares in issue (includes 16 009 837[1] treasury shares).
- Absa Group Limited's income tax reference number is 9150116714.

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

Last day to trade cum dividend	Tuesday, 11 September 2018
Shares commence trading ex dividend	Wednesday, 12 September 2018
Record date	Friday, 14 September 2018
Payment date	Monday, 17 September 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 12 September 2018 and Friday, 14 September 2018, both dates inclusive. On Monday, 17 September 2018, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 17 September 2018.

On behalf of the Board

N R Drutman
Group Company Secretary

Johannesburg
6 August 2018

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

[1] Includes 13 510 987 of Absa Group Limited shares to be used in the furtherance of the Group's objective of establishing a BBBEE structure.

Consolidated IFRS salient features

for the reporting period ended

	30 June 2018	30 June 2017	31 December 2017
Statement of comprehensive income (Rm)			
Income[1]	**37 630**	36 369	73 395
Operating expenses	**22 198**	20 498	43 304
Profit attributable to ordinary equity holders	**7 253**	7 423	13 888
Headline earnings[1][2]	**7 324**	7 650	14 378
Statement of financial position			
Loans and advances to customers (Rm)	**783 116**	728 985	749 772
Total assets (Rm)	**1 234 643**	1 137 876	1 165 979
Deposits due to customers (Rm)	**714 491**	696 362	689 867
Loans to deposits and debt securities ratio (%)	**91.6**	87.1	90.6
Financial performance (%)			
Return on equity (RoE)	**13.9**	16.2	14.2
Return on average assets (RoA)	**1.26**	1.38	1.27
Return on risk-weighted assets (RoRWA)	**2.00**	2.18	2.00
Stage 3 loans ratio on gross loans and advances	**5.31**	n/a	n/a
Non-performing loans (NPL) ratio on gross loans and advances	**n/a**	3.73	3.75
Operating performance (%)			
Net interest margin on average interest-bearing assets[3]	**4.75**	4.81	4.83
Credit loss ratio on gross loans and advances to customers and banks	**0.83**	0.96	0.87
Non-interest income as percentage of total income	**43.2**	42.7	41.9
Cost-to-income ratio	**59.0**	56.4	59.0
Jaws	**(5)**	(6)	(7)
Effective tax rate	**28.7**	28.0	28.1
Share statistics (million)			
Number of ordinary shares in issue	**847.8**	847.8	847.8
Number of ordinary shares in issue (excluding treasury shares)	**831.8**	847.1	832.8
Weighted average number of ordinary shares in issue[4]	**832.0**	833.8	833.7
Diluted weighted average number of ordinary shares in issue[4]	**834.4**	834.0	833.8
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)[1, 4]	**880.3**	917.5	1 724.5
Diluted headline earnings per ordinary share (DHEPS)[1, 4]	**877.8**	917.3	1 724.2
Basic earnings per ordinary share (EPS)[1, 4]	**871.9**	890.3	1 665.7
Diluted basic earnings per ordinary share (DEPS)[1, 4]	**869.4**	890.0	1 665.5
Dividend per ordinary share relating to income for the reporting period	**490**	475	1 070
Dividend cover (times)	**1.8**	1.9	1.6
NAV per ordinary share[1]	**12 829**	12 654	12 811
Tangible NAV per ordinary share[1]	**12 075**	12 215	12 373
Capital adequacy (%)			
Absa Group Limited	**16.7**	16.1	16.1
Absa Bank Limited	**17.9**	17.4	16.9
Common Equity Tier 1 (%)			
Absa Group Limited	**13.3**	13.7	13.5
Absa Bank Limited	**13.5**	14.1	13.4

[1] Numbers have been restated, refer to note 16 for further details.

[2] After allowing for **R176**m (30 June 2017: R180m; 31 December 2017: R362m) profit attributable to preference equity holders and **R96m** (30 June 2017: Nil; 31 December 2017: R48m) profit attributable to Additional Tier 1 capital holders.

[3] Net interest margin for comparative prior periods have been restated to reflect an update of the Group's policy for classifying assets as interest bearing or non-interest bearing. The updated policy classifies certain assets held for regulatory purposes as interest bearing, under the previous policy these assets were classified as non-interest bearing.

[4] Numbers have been restated, refer to note 6.

Normalised salient features

for the reporting period ended

	30 June		31 December
	2018	2017	2017
Statement of comprehensive income (Rm)			
Income[(1)]	**37 042**	36 085	72 990
Operating expenses	**20 834**	20 038	41 403
Profit attributable to ordinary equity holders[(1)]	**7 972**	7 813	15 370
Headline earnings[(1)(2)]	**8 043**	7 802	15 623
Statement of financial position			
Loans and advances to customers (Rm)	**783 116**	728 985	749 772
Total assets (Rm)	**1 233 038**	1 137 892	1 165 067
Deposits due to customers (Rm)	**714 491**	696 362	689 867
Loans to deposits and debt securities ratio (%)	**91.6**	87.1	90.6
Financial performance (%)			
Return on equity (RoE)[(1)]	**16.9**	16.8	16.5
Return on average assets (RoA)	**1.40**	1.41	1.39
Return on risk-weighted assets (RoRWA)	**2.20**	2.22	2.17
Stage 3 loans ratio on gross loans and advances	**5.31**	n/a	n/a
Non-performing loans (NPL) ratio on gross loans and advances[(3)]	**n/a**	3.73	3.75
Operating performance (%)			
Net interest margin on average interest-bearing assets[(4)]	**4.76**	4.81	4.83
Credit loss ratio on gross loans and advances to customers and banks	**0.83**	0.96	0.87
Non-interest income as percentage of total income	**42.8**	42.4	42.0
Cost-to-income ratio	**56.2**	55.5	56.7
Jaws	**(1)**	(4)	(3)
Effective tax rate	**27.8**	27.7	27.5
Share statistics (million)			
Number of ordinary shares in issue	**847.8**	847.8	847.8
Number of ordinary shares in issue (excluding treasury shares)	**844.5**	847.1	845.6
Weighted average number of ordinary shares in issue[(5)]	**844.7**	846.5	846.5
Diluted weighted average number of ordinary shares in issue[(5)]	**847.1**	846.7	846.6
Share statistics (cents)			
Headline earnings per ordinary share[(1), (5)]	**952.2**	921.7	1 845.6
Diluted headline earnings per ordinary share[(1), (5)]	**949.5**	921.5	1 845.4
Basic earnings per ordinary share[(1), (5)]	**943.8**	923.0	1 815.7
Diluted basic earnings per ordinary share[(1), (5)]	**941.1**	922.8	1 815.5
Dividend per ordinary share relating to income for the reporting period	**490**	475	1 070
Dividend cover (times)	**1.9**	1.9	1.7
NAV per ordinary share[(1)]	**11 683**	11 281	11 573
Tangible NAV per ordinary share[(1)]	**11 093**	10 843	11 030
Capital adequacy (%)			
Absa Group Limited	**15.7**	14.5	14.9
Absa Bank Limited	**16.3**	15.2	15.0
Common Equity Tier 1 (%)			
Absa Group Limited	**12.2**	12.1	12.1
Absa Bank Limited	**11.9**	11.9	11.6

(1) Numbers have been restated, refer to note 16 for further details.

(2) After allowing for **R176m** (30 June 2017: R180m; 31 December 2017: R362m) profit attributable to preference equity holders and **R96m** (30 June 2017: Nil; 31 December 2017: R48m) profit attributable to Additional Tier 1 capital holders.

(3) The NPL ratio is the net exposure, being the outstanding NPL balance, less expected recoveries and fair value of collateral, as a percentage of the total outstanding NPL balance.

(4) Net interest margin for comparative prior periods have been restated to reflect an update of the Group's policy for classifying assets as interest bearing or non-interest bearing. The updated policy classifies certain assets held for regulatory purposes as interest bearing, under the previous policy these assets were classified as non-interest bearing.

(5) Numbers have been restated, refer to note 6.

Reconciliation of IFRS to normalised results

for the reporting period ended

	30 June		
	IFRS Group performance 2018	Barclays separation effects 2018	Total Group normalised performance 2018
Statement of comprehensive income (Rm)			
Net interest income	21 363	175	21 188
Non-interest income[1]	16 267	413	15 854
Total income	37 630	588	37 042
Impairment losses	(3 431)	—	(3 431)
Operating expenses	(22 198)	(1 364)	(20 834)
Other expenses	(964)	(76)	(888)
Share of post-tax results of associates and joint ventures	56	—	56
Operating profit before income tax	11 093	(852)	11 945
Tax expenses[1]	(3 189)	133	(3 322)
Profit for the reporting period	7 904	(719)	8 623
Profit attributable to:			
Ordinary equity holders[1]	7 253	(719)	7 972
Non-controlling interest – ordinary shares	379	—	379
Non-controlling interest – preference shares	176	—	176
Non-controlling interest – additional Tier 1	96	—	96
	7 904	(719)	8 623
Headline earnings[1]	7 324	(719)	8 043
Operating performance (%)			
Net interest margin on average interest-bearing assets[3]	4.75	n/a	4.76
Credit loss ratio on gross loans and advances to customers and banks	0.83	n/a	0.83
Non-interest income as % of total income	43.2	n/a	42.8
Income growth	3	n/a	3
Operating expenses growth	8	n/a	4
Cost-to-income ratio	59.0	n/a	56.2
Effective tax rate	28.7	n/a	27.8
Statement of financial position (Rm)			
Loans and advances to customers	783 116	—	783 116
Loans and advances to banks	62 843	—	62 843
Investment securities	127 437	—	127 437
Other assets	261 247	1 605	259 642
Total assets	1 234 643	1 605	1 233 038
Deposits due to customers	714 491	—	714 491
Debt securities in issue	140 782	—	140 782
Other liabilities[1]	259 851	(8 496)[2]	268 347
Total liabilities[1]	1 115 124	(8 496)	1 123 620
Equity[1]	119 519	10 101	109 418
Total equity and liabilities[1]	1 234 643	1 605	1 233 038
Key performance ratios (%)			
RoA	1.26	n/a	1.40
RoE	13.9	n/a	16.9
Capital adequacy	16.7	n/a	15.7
Common Equity Tier 1	13.3	n/a	12.2
Share statistics (cents)			
Diluted headline earnings per ordinary share	877.8	n/a	949.5

[1] Numbers have been restated, refer to note 16 for further details.

[2] 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'.

[3] Net interest margin for comparative prior periods have been restated to reflect an update of the Group's policy for classifying assets as interest bearing or non-interest bearing. The updated policy classifies certain assets held for regulatory purposes as interest bearing, under the previous policy these assets were classified as non-interest bearing.

Reconciliation of IFRS to normalised results

for the reporting period ended

	30 June		
	IFRS Group performance 2017	Barclays separation effects 2017	Total Group normalised performance 2017
Statement of comprehensive income (Rm)			
Net interest income	20 837	46	20 791
Non-interest income[(1)]	15 532	238	15 294
Total income	36 369	284	36 085
Expected credit losses/impairment losses on loans and advances	(3 773)	—	(3 773)
Operating expenses	(20 498)	(460)	(20 038)
Other expenses	(1 120)	(325)	(795)
Share of post-tax results of associates and joint ventures	79	—	79
Operating profit before income tax	11 057	(501)	11 558
Tax expenses[(1)]	(3 093)	111	(3 204)
Profit for the reporting period	7 964	(390)	8 354
Profit attributable to:			
Ordinary equity holders[(1)]	7 423	(390)	7 813
Non-controlling interest – ordinary shares	361	—	361
Non-controlling interest – preference shares	180	—	180
Non-controlling interest – additional Tier 1	—	—	—
	7 964	(390)	8 354
Headline earnings[(1)]	7 650	(152)	7 802
Operating performance (%)			
Net interest margin on average interest-bearing assets[(3)]	4.81	n/a	4.81
Credit loss ratio on gross loans and advances to customers and banks	0.96	n/a	0.96
Non-interest income as % of total income	42.7	n/a	42.4
Income growth	—	n/a	(1)
Operating expenses growth	5	n/a	3
Cost-to-income ratio	56.4	n/a	55.5
Effective tax rate	28.0	n/a	27.7
Statement of financial position (Rm)			
Loans and advances to customers	728 985	—	728 985
Loans and advances to banks	63 451	—	63 451
Investment securities	115 834	—	115 834
Other assets	229 606	(16)	229 622
Total assets	1 137 876	(16)	1 137 892
Deposits due to customers	696 362	—	696 362
Debt securities in issue	140 192	—	140 192
Other liabilities[(1)]	184 825	(11 731)[(2)]	196 556
Total liabilities[(1)]	1 021 379	(11 731)	1 033 110
Equity[(1)]	116 497	11 715	104 782
Total equity and liabilities[(1)]	1 137 876	(16)	1 137 892
Key performance ratios (%)			
RoA	1.38	n/a	1.41
RoE	16.2	n/a	16.8
Capital adequacy	16.1	n/a	14.5
Common Equity Tier 1	13.7	n/a	12.1
Share statistics (cents)			
Diluted headline earnings per ordinary share	917.3	n/a	921.5

[(1)] Numbers have been restated, refer to note 16 for further details.

[(2)] 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'.

[(3)] Net interest margin for comparative prior periods have been restated to reflect an update of the Group's policy for classifying assets as interest bearing or non-interest bearing. The updated policy classifies certain assets held for regulatory purposes as interest bearing, under the previous policy these assets were classified as non-interest bearing.

Reconciliation of IFRS to normalised results

for the reporting period ended

	31 December 2017		
	IFRS Group performance 2017	Barclays separation effects 2017	Total Group normalised performance 2017
Statement of comprehensive income (Rm)			
Net interest income	42 644	325	42 319
Non-interest income[(1)]	30 751	80	30 671
Total income	73 395	405	72 990
Expected credit losses/impairment losses on loans and advances	(7 022)	—	(7 022)
Operating expenses	(43 304)	(1 901)	(41 403)
Other expenses	(2 270)	(394)	(1 876)
Share of post-tax results of associates and joint ventures	170	—	170
Operating profit before income tax	20 969	(1 890)	22 859
Tax expenses[(1)]	(5 882)	408	(6 290)
Profit for the reporting period	15 087	(1 482)	16 569
Profit attributable to:			
Ordinary equity holders[(1)]	13 888	(1 482)	15 370
Non-controlling interest – ordinary shares	789	—	789
Non-controlling interest – preference shares	362	—	362
Non-controlling interest – additional Tier 1	48	—	48
	15 087	(1 482)	16 569
Headline earnings[(1)]	14 378	(1 245)	15 623
Operating performance (%)			
Net interest margin on average interest-bearing assets[(3)]	4.83	n/a	4.83
Credit loss ratio on gross loans and advances to customers and banks	0.87	n/a	0.87
Non-interest income as % of total income	41.9	n/a	42.0
Income growth	1	n/a	1
Operating expenses growth	8	n/a	3
Cost-to-income ratio	59.0	n/a	56.7
Effective tax rate	28.1	n/a	27.5
Statement of financial position (Rm)			
Loans and advances to customers	749 772	—	749 772
Loans and advances to banks	55 426	—	55 426
Investment securities	111 409	—	111 409
Other assets	249 372	912	248 460
Total assets	1 165 979	912	1 165 067
Deposits due to customers	689 867	—	689 867
Debt securities in issue	137 948	—	137 948
Other liabilities[(1)]	218 906	(9 840)[(2)]	228 746
Total liabilities[(1)]	1 046 721	(9 840)	1 056 561
Equity[(1)]	119 258	10 752	108 506
Total equity and liabilities[(1)]	1 165 979	912	1 165 067
Key performance ratios (%)			
RoA	1.27	n/a	1.39
RoE	14.2	n/a	16.5
Capital adequacy	16.1	n/a	14.9
Common Equity Tier 1	13.5	n/a	12.1
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 724.2	n/a	1 845.4

(1) Numbers have been restated, refer to note 16 for further details.

(2) 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'.

(3) Net interest margin for comparative prior periods have been restated to reflect an update of the Group's policy for classifying assets as interest bearing or non-interest bearing. The updated policy classifies certain assets held for regulatory purposes as interest bearing, under the previous policy these assets were classified as non-interest bearing.

Condensed consolidated statement of financial position

as at

		30 June		31 December
		2018	2017	2017
	Note	**Rm**	Rm	Rm
Assets				
Cash, cash balances and balances with central banks		**48 578**	45 078	48 669
Investment securities		**127 437**	115 834	111 409
Loans and advances to banks		**62 843**	63 451	55 426
Trading portfolio assets		**124 982**	101 554	132 183
Hedging portfolio assets		**2 325**	2 278	2 673
Other assets		**37 974**	36 091	20 960
Current tax assets		**1 018**	536	314
Non-current assets held for sale		**79**	2 601	1 308
Loans and advances to customers	1	**783 116**	728 985	749 772
Reinsurance assets	2	**905**	814	892
Investments linked to investment contracts		**19 194**	19 131	18 936
Investments in associates and joint ventures		**1 217**	1 144	1 235
Investment properties		**420**	268	231
Property and equipment		**15 752**	15 044	15 303
Goodwill and intangible assets		**6 392**	3 714	5 377
Deferred tax assets		**2 411**	1 353	1 291
Total assets		**1 234 643**	1 137 876	1 165 979
Liabilities				
Deposits from banks		**88 466**	49 290	67 390
Trading portfolio liabilities		**67 697**	42 564	64 047
Hedging portfolio liabilities		**1 339**	1 478	1 123
Other liabilities		**42 775**	38 082	31 744
Provisions		**2 558**	1 974	3 041
Current tax liabilities		**309**	—	57
Non-current liabilities held for sale	1	**7**	114	48
Deposits due to customers		**714 491**	696 362	689 867
Debt securities in issue		**140 782**	140 192	137 948
Liabilities under investment contracts		**30 546**	29 918	30 585
Policyholder liabilities under insurance contracts[1]		**4 570**	4 264	4 342
Borrowed funds	3	**21 448**	15 963	15 895
Deferred tax liabilities[1]		**136**	1 178	634
Total liabilities		**1 115 124**	1 021 379	1 046 721
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital		**1 663**	1 694	1 666
Share premium		**10 850**	12 868	10 498
Retained earnings[1]		**90 148**	87 965	92 080
Other reserves		**6 100**	4 750	4 370
		108 761	107 277	108 614
Non-controlling interest – ordinary shares		**4 614**	4 576	4 500
Non-controlling interest – preference shares		**4 644**	4 644	4 644
Non-controlling interest – Additional Tier 1 capital		**1 500**	—	1 500
Total equity		**119 519**	116 497	119 258
Total liabilities and equity		**1 234 643**	1 137 876	1 165 979

[1] Numbers have been restated, refer to note 16 for further details.

Condensed consolidated statement of comprehensive income

for the reporting period ended

	Note	30 June 2018 Rm	30 June 2017 Rm	31 December 2017 Rm
Net interest income		**21 363**	20 837	42 644
Interest and similar income[2]		**43 481**	42 938	85 929
Effective interest income		**43 131**	42 341	84 656
Other interest income		**350**	597	1 273
Interest expense and similar charges[2]		**(22 118)**	(22 101)	(43 285)
Effective interest expense		**(22 118)**	(21 896)	(43 285)
Other interest expense		**—**	(205)	—
Non-interest income	4	**16 267**	15 532	30 751
Net fee and commission income		**10 991**	10 618	21 711
Fee and commission income		**12 604**	12 084	24 724
Fee and commission expense		**(1 613)**	(1 466)	(3 013)
Net insurance premium income		**3 465**	3 250	6 598
Net claims and benefits incurred on insurance contracts		**(1 741)**	(1 694)	(3 334)
Changes in investment and insurance contract liabilities[1]		**(114)**	(513)	(2 023)
Gains and losses from banking and trading activities		**3 097**	3 104	5 246
Gains and losses from investment activities		**243**	448	1 905
Other operating income		**326**	319	648
Total income		**37 630**	36 369	73 395
Impairment losses		**(3 431)**	(3 773)	(7 022)
Operating income before operating expenditure		**34 199**	32 596	66 373
Operating expenditure		**(22 198)**	(20 498)	(43 304)
Other expenses		**(964)**	(1 120)	(2 270)
Other impairments	5	**(184)**	(376)	(648)
Indirect taxation		**(780)**	(744)	(1 622)
Share of post-tax results of associates and joint ventures		**56**	79	170
Operating profit before income tax		**11 093**	11 057	20 969
Taxation expense[1]		**(3 189)**	(3 093)	(5 882)
Profit for the reporting period		**7 904**	7 964	15 087
Profit attributable to:				
Ordinary equity holders[1]		**7 253**	7 423	13 888
Non-controlling interest – ordinary shares		**379**	361	789
Non-controlling interest – preference shares		**176**	180	362
Non-controlling interest – Additional Tier 1 capital		**96**	—	48
		7 904	7 964	15 087
Earnings per share:				
Basic earnings per share (cents)[1, 3]		**871.9**	890.3	1 724.5
Diluted basic earnings per share (cents)[1, 3]		**869.4**	890.0	1 724.2

[1] Numbers have been restated, refer to note 16 for further details.
[2] An amendment was made to IAS 1 *Presentation of Financial Statements*, which is effective from 1 January 2018. The amendment requires interest and similar income which is calculated using the effective interest method, to be presented separately on the face of the statement of comprehensive income. The Group has elected to apply the same approach in presenting interest expense and similar charges to achieve consistency.
[3] Numbers have been restated, refer to note 6.

Condensed consolidated statement of other comprehensive income

for the reporting period ended

	30 June 2018 Rm	30 June 2017 Rm	31 December 2017 Rm
Profit for the reporting period[1]	**7 904**	7 964	15 087
Other comprehensive income			
Items that will not be reclassified to profit or loss	**3**	(31)	(179)
Fair value gain on equity instruments measured at FVOCI	**2**	—	—
Movement of liabilities designated at FVTPL due to changes in own credit risk	**5**	(26)	(147)
Fair value losses	**(45)**	(26)	(147)
Deferred tax	**50**	—	—
Movement in retirement benefit fund assets and liabilities	**(4)**	(5)	(32)
Decrease in retirement benefit surplus	**(6)**	(6)	(91)
Decrease in retirement benefit deficit	**1**	2	45
Deferred tax	**1**	(1)	14
Items that are or may be subsequently reclassified to profit or loss	**2 016**	(414)	(1 328)
Movement in foreign currency translation reserve	**2 373**	(675)	(2 219)
Differences in translation of foreign operations	**2 373**	(623)	(2 271)
Release to profit or loss	**—**	(52)	52
Movement in cash flow hedging reserve	**(588)**	518	794
Fair value (losses)/gains	**(737)**	874	1 465
Amount removed from other comprehensive income and recognised in profit or loss	**(80)**	(157)	(365)
Deferred tax	**229**	(199)	(306)
Movement in fair value of debt instruments measured at FVOCI	**231**	—	—
Fair value gains	**332**	—	—
Release to profit or loss	**3**	—	—
Deferred tax	**(104)**	—	—
Movement in available-for-sale reserve	**—**	(257)	98
Fair value (losses)/gains	**—**	(349)	154
Release to profit or loss	**—**	18	67
Deferred tax	**—**	74	(123)
Total comprehensive income for the reporting period	**9 923**	7 519	13 580
Total comprehensive income attributable to:			
Ordinary equity holders[1]	**8 940**	7 068	12 654
Non-controlling interest – ordinary shares	**711**	271	516
Non-controlling interest – preference shares	**176**	180	362
Non-controlling interest – Additional Tier 1 capital	**96**	—	48
	9 923	7 519	13 580

[1] Numbers have been restated, refer to note 16 for further details.

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Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Restated balance at the end of the previous reporting period[1]	832 838	1 666	10 498	92 080	4 370	779	445
Impact of adopting new accounting standards at 1 January 2018							
IFRS 9	—	—	—	(4 106)	(95)	—	(22)
IFRS 15	—	—	—	(44)	—	—	—
Adjusted balance at the beginning of the reporting period	832 838	1 666	10 498	87 930	4 275	779	423
Total comprehensive income	—	—	—	7 255	1 685	—	227
Profit for the period	—	—	—	7 253	—	—	—
Other comprehensive income	—	—	—	2	1 685	—	227
Dividends paid during the reporting period	—	—	—	(4 962)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Shares issued	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(236)	(42)	—	—	—
Elimination of the movement in treasury shares held by Group entities	(1 097)	(3)	352	—	—	—	—
Movement in share-based payment reserve	—	—	236	—	107	—	—
Transfer from share-based payment reserve	—	—	236	—	(236)	—	—
Value of employee services	—	—	—	—	371	—	—
Deferred tax	—	—	—	—	(28)	—	—
Movement in general credit risk reserve	—	—	—	24	(24)	(24)	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(1)	1	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(56)	56	—	—
Balance at the end of the reporting period	831 741	1 663	10 850	90 148	6 100	755	650

[1] The 'Retained earnings' balance at the beginning of the reporting period has been restated, owing to the change in life insurance accounting policy. As a result, 'Capital and reserves attributable to ordinary equity holders' and 'Total equity' at the beginning of the reporting period have also been restated. Refer to the reporting changes overview in note 16.

30 June 2018

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – additional Tier 1 Capital Rm	Total equity Rm
650	431	6	837	1 222	108 614	4 500	4 644	1 500	119 258
—	—	—	—	(73)	(4 201)	(131)	—	—	(4 332)
—	—	—	—	—	(44)	—	—	—	(44)
650	431	6	837	1 149	104 369	4 369	4 644	1 500	114 882
(588)	2 046	—	—	—	8 940	711	176	96	9 923
—	—	—	—	—	7 253	379	176	96	7 904
(588)	2 046	—	—	—	1 687	332	—	—	2 019
—	—	—	—	—	(4 962)	(466)	(176)	—	(5 604)
—	—	—	—	—	—	—	—	(96)	(96)
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	(278)	—	—	—	(278)
—	—	—	—	—	349	—	—	—	349
—	—	—	107	—	343	—	—	—	343
—	—	—	(236)	—	—	—	—	—	—
—	—	—	371	—	371	—	—	—	371
—	—	—	(28)	—	(28)	—	—	—	(28)
—	—	—	—	—	—	—	—	—	—
—	—	1	—	—	—	—	—	—	—
—	—	—	—	56	—	—	—	—	—
62	2 477	7	944	1 205	108 761	4 614	4 644	1 500	119 519

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance as reported at the end of the previous reporting period	846 675	1 693	4 467	81 604	5 293	757
Restatement owing to change in life insurance accounting policy	—	—	—	134	—	—
Restated balance at the beginning of the reporting period	846 675	1 693	4 467	81 738	5 293	757
Total comprehensive income	—	—	—	7 392	(324)	—
Profit for the period	—	—	—	7 423	—	—
Other comprehensive income	—	—	—	(31)	(324)	—
Dividends paid during the reporting period	—	—	—	(4 832)	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(525)	26	—	—
Elimination of the movement in treasury shares held by Group entities	395	1	(14)	—	—	—
Movement in share-based payment reserve	—	—	525	—	(268)	—
Transfer from share-based payment reserve	—	—	525	—	(525)	—
Value of employee services	—	—	—	—	276	—
Deferred tax	—	—	—	—	(19)	—
Movement in general credit risk reserve	—	—	—	30	(30)	(30)
Share of post–tax results of associates and joint ventures	—	—	—	(79)	79	—
Disposal of non-controlling interest[1]	—	—	—	—	—	—
Barclays separation[2]	—	—	8 415	3 690	—	—
Restated balance at the end of the reporting period	847 070	1 694	12 868	87 965	4 750	727

[1] The Group disposed of its controlling stake in a non-core subsidiary which was classified as held for sale.
[2] As part of the disinvestment, Barclays PLC contributed R12.1bn in recognition of the investments required for the Group to separate from Barclays PLC. The contribution meets the definition of a transaction with a shareholder.

30 June 2017

Available-for-sale reserves 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	Total equity Rm
377	(144)	2 353	6	892	1 052	93 057	4 579	4 644	102 280
—	—	—	—	—	—	134	—	—	134
377	(144)	2 353	6	892	1 052	93 191	4 579	4 644	102 414
(313)	518	(529)	—	—	—	7 068	271	180	7 519
—	—	—	—	—	—	7 423	361	180	7 964
(313)	518	(529)	—	—	—	(355)	(90)	—	(445)
—	—	—	—	—	—	(4 832)	(243)	(180)	(5 255)
—	—	—	—	—	—	(499)	—	—	(499)
—	—	—	—	—	—	(13)	—	—	(13)
—	—	—	—	(268)	—	257	(8)	—	249
—	—	—	—	(525)	—	—	(8)	—	(8)
—	—	—	—	276	—	276	—	—	276
—	—	—	—	(19)	—	(19)	—	—	(19)
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	79	—	—	—	—
—	—	—	—	—	—	—	(23)	—	(23)
—	—	—	—	—	—	12 105	—	—	12 105
64	374	1 824	6	624	1 131	107 277	4 576	4 644	116 497

Condensed consolidated statement of changes in equity

for the reporting period ended

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm
Balance as reported at the end of the previous reporting period	846 675	1 693	4 467	81 604	5 293	757
Restatement owing to change in life insurance accounting policy	—	—	—	134	—	—
Restated balance at the beginning of the reporting period	846 675	1 693	4 467	81 738	5 293	757
Total comprehensive income	—	—	—	13 714	(1 060)	—
Profit for the period	—	—	—	13 888	—	—
Other comprehensive income	—	—	—	(174)	(1 060)	—
Dividends paid during the reporting period	—	—	—	(8 821)	—	—
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	—	—	(741)	12	—	—
Elimination of the movement in treasury shares held by Group entities	(13 837)	(27)	(2 385)	—	—	—
Movement in share-based payment reserve	—	—	742	—	(55)	—
Transfer from share-based payment reserve	—	—	742	—	(742)	—
Value of employee services	—	—	—	—	655	—
Deferred tax	—	—	—	—	32	—
Movement in general credit risk reserve	—	—	—	(22)	22	22
Share of post-tax results of associates and joint ventures	—	—	—	(170)	170	—
Disposal of non-controlling interest[1]	—	—	—	—	—	—
Barclays separation[2]	—	—	8 415	3 690	—	—
Barclays separation – Empowerment Trust[3]	—	—	—	1 891	—	—
Shareholder contribution – fair value of investment[4]	—	—	—	48	—	—
Restated balance at the end of the reporting period	832 838	1 666	10 498	92 080	4 370	779

(1) The Group disposed of its controlling stake in a non-core subsidiary which was classified as held for sale.

(2) As part of the disinvestment, Barclays PLC contributed R12.1bn in recognition of the investments required for the Group to separate from Barclays PLC. The contribution meets the definition of a transaction with a shareholder.

(3) As part of the separation, Barclays PLC contributed cash of R1 891m to the independent Absa Empowerment Trust to allow for its subsidiary to purchase 12 716 260 BAGL shares (1.5%) in the furtherance of the Group's objective of establishing a broad-based black empowerment structure. In terms of the requirements of IFRS, these shares have been accounted for as treasury shares and eliminated against the Group's share capital.

(4) CLS Group Holding AG shares were transferred to Barclays PLC for no consideration in 2005. During the reporting period these shares were transferred back to the Group for a nominal consideration of one British Pound Sterling (GBP). The shares have been recognised at a fair value of R48m. The related credit has been recognised in equity as a shareholder contribution.

31 December 2017

Available-for-sale reserves 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
377	(144)	2 353	6	892	1 052	93 057	4 579	4 644	—	102 280
—	—	—	—	—	—	134	—	—	—	134
377	(144)	2 353	6	892	1 052	93 191	4 579	4 644	—	102 414
68	794	(1 922)	—	—	—	12 654	516	362	48	13 580
—	—	—	—	—	—	13 888	789	362	48	15 087
68	794	(1 922)	—	—	—	(1 234)	(273)	—	—	(1 507)
—	—	—	—	—	—	(8 821)	(567)	(362)	—	(9 750)
	—	—	—	—	—	—	—	—	(48)	(48)
	—	—	—	—	—	—	—	—	1 500	1 500
—	—	—	—	—	—	(729)	—	—	—	(729)
—	—	—	—	—	—	(2 412)	—	—	—	(2 412)
—	—	—	—	(55)	—	687	(4)	—	—	683
—	—	—	—	(742)	—	—	—	—	—	—
—	—	—	—	655	—	655	(4)	—	—	651
—	—	—	—	32	—	32	—	—	—	32
	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	170	—	—	—	—	—
—	—	—	—	—	—	—	(24)	—	—	(24)
—	—	—	—	—	—	12 105	—	—	—	12 105
	—	—	—	—	—	1 891	—	—	—	1 891
—	—	—	—	—	—	48				48
445	650	431	6	837	1 222	108 614	4 500	4 644	1 500	119 258

Condensed consolidated statement of cash flows

for the reporting period ended

	Note	30 June 2018 Rm	30 June 2017[(3)] Rm	31 December 2017[(3)] Rm
Net cash (utilised in)/generated from operating activities		**(1 471)**	1 076	(534)
Income taxes paid		**(3 240)**	(3 236)	(6 371)
Net cash generated from other operating activities		**1 769**	4 312	5 837
Net cash utilised in investing activities		**(1 706)**	(1 455)	(2 634)
Purchase of property and equipment		**(1 809)**	(1 468)	(3 263)
Proceeds from sale of non-current assets held for sale		**1 481**	347	1 146
Net cash utilised in other investing activities		**(1 378)**	(334)	(517)
Net cash (utilised in)/ generated from financing activities		**(141)**	6 721	2 593
Net cash generated from Barclays separation		**—**	12 105	12 105
Issue of Additional Tier 1 capital		**—**	—	1 500
Proceeds from borrowed funds		**5 488**	1 000	2 841
Repayment of borrowed funds		**—**	(1 142)	(2 805)
Dividends paid		**(5 605)**	(5 255)	(9 750)
Net cash (utilised in)/generated from other financing activities		**(24)**	13	(1 298)
Net (decrease)/increase in cash and cash equivalents		**(3 318)**	6 342	(575)
Cash and cash equivalents at the beginning of the reporting period	1	**17 320**	17 734	17 734
Effect of foreign exchange rate movements on cash and cash equivalents		**361**	57	161
Cash and cash equivalents at the end of the reporting period	2	**14 363**	24 133	17 320

Notes to the condensed consolidated statement of cash flows

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

	30 June 2018 Rm	30 June 2017 Rm	31 December 2017 Rm
Cash, cash balances and balances with central banks[(1)]	**13 518**	13 141	13 141
Loans and advances to banks[(2)]	**3 802**	4 593	4 593
	17 320	17 734	17 734

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

	30 June 2018 Rm	30 June 2017 Rm	31 December 2017 Rm
Cash, cash balances and balances with central banks[(1)]	**10 428**	10 924	13 518
Loans and advances to banks[(2)]	**3 935**	13 209	3 802
	14 363	24 133	17 320

(1) Includes coins and bank notes.

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

(3) In order to provide more transparent disclosures, the condensed consolidated statement of cash flows has been expanded to include line items specifying significant cash flow movements. The effect of this is to provide specific disclosure of the following line items, rather than include them in the total cash generated by/used in operating, investing or financing activities: Income taxes paid, purchase of property and equipment, proceeds from sale of non-current assets, cash generated from Barclays separation, Issue of shares, Issue of additional tier 1 capital, proceeds/repayments of borrowed funds, dividends paid. Comparative statements of cash flows have been restated to take account of this additional disclosure.

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

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

- Retail Banking South Africa disposed of a loan book with a carrying amount of **R1 118m** and property, plant and equipment with a carrying amount of **R1m**.
- Rest of Africa Banking disposed of investment property with a carrying amount of **R0.2m**.
- WIMI disposed of a subsidiary with assets of **R139m** and liabilities of **R34m** out of non-current assets and non-current liabilities held for sale respectively.
- WIMI further disposed of a business line with assets of **R9m** and liabilities of **R9m** out of non-current assets and non-current liabilities held for sale respectively.
- In addition, WIMI transferred assets of **R2m** and liabilities of **R2m** to non-current assets and non-current liabilities held for sale respectively.
- Head office transferred property, plant and equipment with a carrying amount of **R37m** to non-current assets held for sale.

The following movements in non-current assets and non-current liabilities held for sale were effected during the period ended 30 June 2017:

- Retail Banking South Africa transferred a subsidiary with total assets of R1 391m to non-current assets held for sale. The Commercial Property Finance (CPF) Equity division in Business Banking South Africa disposed of a subsidiary with assets of R372m and liabilities of R26m out of non-current assets and non-current liabilities held for sale respectively.
- CIB South Africa transferred investment securities with a carrying value of R467m to non-current assets held for sale.
- WIMI transferred a subsidiary with assets of R233m and liabilities of R114m to non-current assets and non-current liabilities held for sale respectively.

The following movements in non-current assets and non-current liabilities held for sale were effected during the period ended 31 December 2017:

- Retail Banking South Africa transferred loans and advances to customers of R1 118m and property and equipment of R1m to non-current assets held for sale. The Commercial Property Finance (CPF) Equity division in Business Banking South Africa disposed of a subsidiary with assets of R373m and liabilities of R26m out of non-current assets and non-current liabilities held for sale respectively. Business Banking South Africa further disposed of two investment properties with a total carrying value of R475m.
- Rest of Africa banking transferred property with a carrying value of R3m to non-current assets held for sale.
- CIB South Africa transferred investment securities with a carrying value of R547m to non-current assets held for sale. Prior to its disposal at a carrying value of R467m, a negative fair value adjustment of R80m was applied to the investment securities.
- WIMI transferred two subsidiaries to non-current assets and non-current liabilities held for sale. The subsidiaries held assets of R139m and R14m, and liabilities of R34m and R14m respectively.

2. Loans and advances

	Stage 1 Gross carrying value[1] Rm	Stage 1 ECL Allowance Rm	Stage 1 ECL coverage %
Loans and advances to customers	688 589	3 620	0.53
RBB South Africa	401 134	2 388	0.60
Retail Banking South Africa	343 612	1 767	0.51
Credit cards	29 713	666	2.24
Instalment credit agreements	70 312	512	0.73
Loans to associates and joint ventures	24 682	1	—
Mortgages	194 840	174	0.09
Other loans and advances	2 356	14	0.59
Overdrafts	4 560	57	1.25
Personal and term loans	17 149	343	2.00
Business Banking South Africa	57 522	621	1.08
CIB South Africa	202 288	434	0.21
Rest of Africa Banking	80 011	950	1.19
WIMI	4 796	28	0.58
Head Office, Treasury and other operations in South Africa	360	(180)	—
Loans and advances	360	8	2.22
Reclassification to provisions[2]	—	(188)	—
Loans and advances to Banks	60 882	11	0.02
Total loans and advances to customers and banks	749 471	3 631	0.48

[1] Included in Stage 1 gross carrying amount on loans and advances to customers and banks is **R65 242m** relating to financial instruments measured at fair value through profit or loss. The fair value measurements for these instruments includes adjustments in respect of their credit quality.

[2] This represents the ECL Allowance on undrawn facilities which has resulted in the ECL on loans and advances exceeding the carrying value of the drawn exposure. This excess is recognised in 'Provisions' on the Group's statement of financial position.

30 June 2018

Stage 2			Stage 3			Total		
Gross carrying value Rm	ECL Allowance Rm	ECL coverage %	Gross carrying value Rm	ECL Allowance Rm	ECL coverage %	Gross carrying value Rm	ECL Allowance Rm	ECL coverage %
76 250	5 018	6.58	46 447	19 532	42.05	811 286	28 170	3.47
37 591	3 980	10.59	37 849	14 715	38.88	476 574	21 083	4.42
30 235	3 581	11.84	32 713	12 195	37.28	406 560	17 543	4.31
4 711	1 619	34.37	5 700	3 790	66.49	40 124	6 075	15.14
6 155	744	12.09	4 755	1 710	35.96	81 222	2 966	3.65
—	—	—	—	—	—	24 682	1	—
15 232	354	2.32	18 521	4 557	24.60	228 593	5 085	2.22
368	14	3.80	22	20	90.91	2 746	48	1.75
1 239	159	12.83	487	288	59.14	6 286	504	8.02
2 530	691	27.31	3 228	1 830	56.69	22 907	2 864	12.50
7 356	399	5.42	5 136	2 520	49.07	70 014	3 540	5.06
29 702	331	1.11	2 804	1 432	51.07	234 794	2 197	0.94
8 261	903	10.93	5 482	3 182	58.04	93 754	5 035	5.37
213	6	2.82	312	232	74.36	5 321	266	5.00
483	(202)	—	—	(29)	—	843	(411)	—
483	2	0.41	—	—	—	843	10	1.19
—	(204)	—	—	(29)	—	—	(421)	—
1 982	10	—	—	—	—	62 864	21	0.03
78 232	5 028	6.43	46 447	19 532	42.05	874 150	28 191	3.22

2. Loans and advances (continued)

	30 June 2017[1]						
	Performing loans			Non-performing loans			
Loans and advances	Exposure Rm	Impair-ment Rm	Coverage ratio %	Exposure Rm	Impair-ment Rm	Coverage ratio %	Net total exposure Rm
RBB South Africa	429 729	4 198	0.98	23 548	9 922	42.14	439 157
Retail Banking South Africa	368 494	3 354	0.91	20 484	8 806	42.99	376 818
Credit cards	34 386	776	2.26	5 403	3 882	71.85	35 131
Instalment credit agreements	71 473	759	1.06	2 221	1 052	47.37	71 883
Loans to associates and joint ventures	20 707	—	—	—	—	—	20 707
Mortgages	216 062	1 195	0.55	10 216	2 132	20.87	222 951
Other loans and advances	2 697	—	—	—	—	—	2 697
Overdrafts	4 575	60	1.31	286	171	59.79	4 630
Personal and term loans	18 594	564	3.03	2 358	1 569	66.54	18 819
Business Banking South Africa	61 235	844	1.38	3 064	1 116	36.42	62 339
Mortgages (including CPF)	25 792	168	0.65	1 501	533	35.51	26 592
Overdrafts	19 367	425	2.19	853	390	45.72	19 405
Term loans	16 076	251	1.56	710	193	27.18	16 342
CIB South Africa	204 310	604	0.30	1 604	617	38.47	204 693
Rest of Africa Banking	77 610	1 085	1.40	4 972	2 559	51.47	78 938
WIMI	5 430	12	0.22	128	61	47.66	5 485
Head Office, Treasury and other operations in South Africa	721	9	1.25	—	—	—	712
Loans and advances to customers	717 800	5 908	0.82	30 252	13 159	43.50	728 985
Loans and advances to banks	63 451	—	—	—	—	—	63 451
	781 251	5 908	0.76	30 252	13 159	43.50	792 436

	31 December 2017[1]						
	Performing loans			Non-performing loans			
Loans and advances	Exposure Rm	Impair-ment Rm	Coverage ratio %	Exposure Rm	Impair-ment Rm	Coverage ratio %	Net total exposure Rm
RBB South Africa	436 694	3 997	0.92	23 868	9 671	40.52	446 894
Retail Banking South Africa	374 760	3 223	0.86	20 534	8 576	41.76	383 495
Credit cards	34 503	729	2.11	5 053	3 605	71.34	35 222
Instalment credit agreements	74 429	698	0.94	2 362	1 117	47.29	74 970
Loans to associates and joint ventures	23 037	—	—	—	—	—	23 037
Mortgages	215 469	1 124	0.52	10 353	2 073	20.02	222 625
Other loans and advances	2 807	—	—	—	—	—	2 807
Overdrafts	5 348	71	1.33	383	215	56.14	5 445
Personal and term loans	19 167	601	3.14	2 383	1 566	65.72	19 383
Business Banking South Africa	61 934	774	1.25	3 334	1 095	32.84	63 399
Mortgages (including CPF)	26 158	141	0.54	1 477	519	35.12	26 975
Overdrafts	19 864	396	1.99	1 082	374	34.57	20 176
Term loans	15 912	237	1.49	775	202	26.08	16 248
CIB South Africa	218 437	559	0.26	2 019	832	41.21	219 065
Rest of Africa Banking	76 738	981	1.28	4 742	2 636	55.59	77 863
WIMI	4 930	13	0.26	262	175	66.79	5 004
Head Office, Treasury and other operations in South Africa	956	10	1.05	—	—	—	946
Loans and advances to customers	737 755	5 560	0.75	30 891	13 314	43.10	749 772
Loans and advances to banks	55 426	—	—	—	—	—	55 426
	793 181	5 560	0.70	30 891	13 314	43.10	805 198

[1] These numbers have been restated, refer to the reporting changes overview in note 16.

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R5 488m** (30 June 2017: R1 142m; 31 December 2017: R2 841m) of subordinated notes were issued and **Rnil** (30 June 2017: R1 000m; 31 December 2017: R2 805m) were redeemed.

4. Disaggregation of non-interest income

The following table disaggregates non-interest income into income received from contracts with customers (by major service lines) and non-interest income from other sources:

	Group 2018						
	RBB South Africa Rm	CIB South Africa Rm	Rest of Africa Rm	WIMI Rm	Head Office Treasury and other operations in South Africa Rm	Barclays Seperation Rm	Total Rm
Fee and commission income from contracts with customers	8 878	1 165	1 487	1 652	(578)	—	12 604
Consulting and administration fees	116	56	27	103	—	—	302
Transactional fees and commissions	7 565	745	1 299	55	3	—	9 667
Cheque accounts	2 619	55	50	27	—	—	2 751
Credit cards	1 271	—	72	—	—	—	1 343
Electronic banking	2 006	520	41	9	—	—	2 576
Other [(1)]	635	169	1 130	19	2	—	1 955
Savings accounts	1 034	1	6	—	1	—	1 042
Merchant income	893	—	76	—	—	—	969
Asset management	11	—	2	649	(13)	—	649
Other fees and commissions	19	118	50	293	(119)	—	361
Insurance commissions received	274	—	33	532	(449)	—	390
Investment banking fees	—	246	—	20	—	—	266
Other income from contracts with customers	38	—	1	—	(14)	—	25
Other non-interest income, net of expenses	(153)	1 087	939	1 192	160	413	3 638
Total non-interest income	8 763	2 252	2 427	2 844	(432)	413	16 267

5. Other impairments

	30 June		31 December
	2018 Rm	2017 Rm	2017 Rm
Impairment raised on financial instruments	2	—	5
Other	182	376	643
Goodwill	—	—	38
Intangible assets[(2)]	—	376	384
Property and equipment[(3)]	182	—	221
	184	376	648

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

[(2)] The impairment incurred during the prior period on intangible assets mainly related to internally generated software, Barclays.Net which was fully impaired.

[(3)] Management have decided to dispose of certain property and equipment resulting in an impairment of **R182m** (30 June 2017: Rnil; 31 December 2017: R221m). As the property will be disposed of, the impairment was calculated based on fair value less cost to sell.

Condensed notes to the consolidated financial results

for the reporting period ended

6. Headline earnings

	30 June				31 December	
	2018		2017		2017	
	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holders[2]		7 253		7 423		13 888
Total headline earnings adjustment:		71		227		490
IFRS 3 – Goodwill impairment	—	—	—	—	38	38
IFRS 5 – (Gain)/loss on disposal of non-current assets held for sale	**(121)**	**(73)**	(7)	(5)	36	39
IAS 16 – Loss/(profit) on disposal of property and equipment	**5**	**3**	(28)	(23)	(43)	(34)
IAS 21 – Recycled foreign currency translation reserve	—	—	52	52	52	52
IAS 36 – Impairment of property and equipment	**182**	**141**	—	—	221	159
IAS 36 – Impairment of intangible assets	—	—	376	274	384	280
IAS 38 – Release of available-for-sale reserves	—	—	18	12	67	49
IAS 40 – Change in fair value of investment properties	—	—	(95)	(78)	(105)	(88)
IAS 40 – Profit on disposal of investment property	—	—	(5)	(5)	(5)	(5)
		7 324		7 650		14 378
Headline earnings per ordinary share (cents)		**880.3**		917.5		1 724.5
Diluted headline earnings per ordinary share (cents)		**877.8**		917.3		1 724.2

IAS 33 *Earnings per share* prescribes that the weighted average number of shares outstanding during a reporting period, and for all periods presented, should be adjusted for events that change the number of ordinary shares outstanding without a corresponding change in resources. The contribution of cash by Barclays PLC and acquisition of Absa Group Limited (AGL) shares by a subsidiary of the independent Absa Empowerment Trust in the previous reporting period did not result in an adjustment to the net asset value of the Group. The weighted average number of shares outstanding in June 2017 has been restated to reflect the acquisition from Barclays PLC of 12 716 260 (1.5%) AGL shares in the current reporting period. The acquisition of shares has been treated as treasury shares from the beginning of 2017, which has led to a reduction in the number of ordinary shares outstanding for the purposes of determining the weighted average number of shares in the Headline earnings per share and Diluted headline earnings per share.

7. Dividends per share

	30 June		31 December
	2018 Rm	2017 Rm	2017 Rm
Dividends declared per share to ordinary equity holders			
Interim dividend (**6 August 2018: 490 cents**) (28 July 2017: 475 cents)	**4 154**	4 027	4 027
Final dividend (1 March 2018: 595 cents)	—	—	5 044
	4 154	4 027	9 071
Dividends declared per share to ordinary equity holders (net of treasury shares)			
Interim dividend (**6 August 2018: 490 cents**) (28 July 2017: 475 cents)	**4 076**	4 024	4 024
Final dividend (1 March 2018: 595 cents)	—	—	4 955
	4 076	4 024	8 979
Dividends declared per share to non-controlling preference equity holders			
Interim dividend (**6 August 2018: 3 543.67 cents**) (28 July 2017: 3 684.06849 cents)	**182**	182	182
Final dividend (1 March 2018: 3 558.01 cents)	—	—	176
	182	182	358
Distributions declared per note to Additional Tier 1 capital note holders			
Distributions (**12 March 2018: 31 500 Rands**) (**12 June 2018: 32 200 Rands**) (12 December 2017: 31 990.79 Rands)	**96**	—	48
	96	—	48

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

[2] Numbers have been restated, refer to note 16 for further details.

7. Dividends per share (continued)

	30 June		31 December
	2018 Rm	2017 Rm	2017 Rm
Dividends paid per share to ordinary equity holders (net of treasury shares)[1]			
Final dividend (**16 April 2018: 595 cents**) (10 April 2017: 570 cents)	4 962	4 832	4 832
Interim dividend (11 September 2017: 475 cents)	—	—	3 989
	4 962	4 832	8 821
Dividends paid per share to non-controlling preference equity holders			
Final dividend (**16 April 2018: 3 588.01 cents**) (10 April 2017: 3 644.79452 cents)	176	180	180
Interim dividend (11 September 2017: 3 684.06849 cents)	—	—	182
	176	180	362
Distributions paid per note to Additional Tier 1 capital note holders			
Distributions (**12 March 2018: 31 500 Rands**) (**12 June 2018: 32 200 Rands**) (12 December 2017: 31 990.79 Rands)	96	—	48
	96	—	48

8. Acquisitions and disposals of businesses and other similar transactions

8.1.1 Acquisitions of businesses during the current reporting period

During the period, the Group acquired the remaining 50% in a non-core investment, which was previously held as an Investment in Associate at Fair Value. The acquisition of the investment had an effective acquisition date of 16 March 2018 and is a business combination within the scope of IFRS 3. The acquisition date fair value of the consideration transferred amounted to **R198m**.

	Group Fair value recognised on acquisition 30 June 2018 Rm
Consideration at date of acquisition:	
Cash	30
Acquisition-date fair value of initial interest	168
Total consideration	198
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and balances at central banks	15
Other assets	4
Investment properties	165
Current tax assets	1
Other liabilities	(14)
Deferred tax liabilities	(5)
Total identifiable net assets	166
Total non-controlling interest	—
Goodwill	32
Total	198

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

	2018 Rm	2017 Rm
Summary of net cash outflow due to acquisitions	30	—

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

8. Acquisitions and disposals of businesses and other similar transactions

8.1.2 Disposals of businesses during the current reporting period

Apart from the business classified as non-current assets/liabilities held for sale and disposed of (refer to note 1), there were no other disposals of businesses that were finalised during the current reporting period. The cash consideration received on disposal of a subsidiary included in non-current assets/liabilities held for sale was **R288m**.

8.2.1 Acquisitions of businesses during the previous reporting period

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

8.2.2 Disposals of businesses during the previous reporting period

Apart from the businesses classified as non-current assets/liabilities held for sale and disposed of (refer to note 1), there were no other disposals of businesses that were finalised during the previous reporting period. The cash consideration received on disposal of a subsidiary included in non-current assets/liabilities held for sale was **R205m.**

9. Related parties

There were no one-off significant transactions with related parties of Absa Group Limited during the current reporting period.

In the prior reporting period, as part of the separation, Barclays PLC sold ordinary Absa Group Limited shares representing 12.2% and 33.7% of issued ordinary share capital in May 2016 and June 2017 respectively. Barclays PLC currently holds 126.2m ordinary Absa Group Limited shares representing 14.9% of issued ordinary shares. The remaining 85.1 % of the shares are widely held on the JSE.

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

Barclays PLC contributed cash of R1 891m to be used in the furtherance of the Group's objective of establishing Broad-Based Black Economic Empowerment structure. The cash was contributed to the independent Absa Empowerment Trust, whose subsidiary purchased 12 716 260 BAGL shares. In terms of the requirements of IFRS, these shares have been accounted for as treasury shares and eliminated against the Group's share capital.

CLS Group Holding AG shares were transferred to Barclays PLC for no consideration in 2005. During the current reporting period these shares were transferred back to the Group for a nominal consideration of one British Pound (GBP). The shares have been recognised at a fair value of R48m. The related credit has been recognised in equity as a shareholder contribution.

10. Financial guarantee contracts

	30 June 2018 Rm	30 June 2017 Rm	31 December 2017 Rm
Financial guarantee contracts	**10**	3	10

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. The credit risk inherent in the balance has led to an ECL provision being raised for such amount.

11. Commitments

	30 June 2018 Rm	30 June 2017 Rm	31 December 2017 Rm
Authorised capital expenditure			
Contracted but not provided for	**1 278**	817	270
The Group has capital commitments in respect of computer equipment, software and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.			
Operating lease payments due			
No later than one year	**1 466**	1 336	1 365
Later than one year and no later than five years	**3 485**	3 173	3 056
Later than five years	**829**	1 096	948
	5 780	5 605	5 369

The operating lease commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Group. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.

12. Contingencies

	30 June		31 December
	2018 Rm	2017 Rm	2017 Rm
Guarantees	42 161	36 934	38 789
Irrevocable debt facilities	170 222	140 877	162 907
Irrevocable equity facilities	21	121	33
Letters of credit	6 968	8 543	7 814
Other	342	91	262
	219 714	186 566	209 805

Guarantees include performance guarantee contracts and payment guarantee contracts.

Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate the facilities by written notice. 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 credit risk inherent in the undrawn component of irrevocable lending facilities are managed and monitored by the Group together with the drawn component as a single exposure. The exposure at default (EAD) on the entire facility is therefore used to calculate the ECL on loans and advances. As a result, the total ECL is recognised in the ECL allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision on the face of the statement of financial position.

Legal proceedings

The Group has been party to proceedings against it during the reporting period, and as at the reporting date the following material cases are disclosed:

- Pinnacle Point Holdings Proprietary Limited : It is alleged that a local bank conducted itself unlawfully in relation to a financial product offered by it, and that Absa Bank Limited was privy to such conduct. Subsequent to the withdrawal of the first plaintiff's (Pinnacle Point Holdings) claim, the total claim amount has been substantially reduced, however, the second to fifth plaintiffs persist with their claims for damages in an amount of R470m.
- Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of the Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R1 157m.

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.

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, 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 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.

Absa Bank Limited, a subsidiary of Absa Group Limited, identified potentially fraudulent activities by certain of its customers using advance payments for imports in 2014 and 2015 to effect foreign exchange transfers from South Africa to beneficiary accounts located in East Asia, UK, Europe and the US. As a result, the Group conducted a review of relevant activities, processes, systems and controls, and provided information to relevant authorities, in a process which has now largely concluded. No financial impact is anticipated.

12. Contingencies (continued)

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

Income taxes

The Group is subject to income taxes in numerous jurisdictions, and the calculation of the Group's tax charge and 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 have indicated 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.

13. Segment reporting

	30 June		31 December
	2018 Rm	2017[1] Rm	2017[1] Rm
13.1 Headline earnings contribution by segment			
RBB South Africa	**4 209**	4 039	8 748
CIB South Africa	**1 683**	1 783	3 411
Rest of Africa Banking	**1 636**	1 512	2 954
WIMI	**646**	616	1 231
Head Office, Treasury and other operations in South Africa	**(131)**	(148)	(721)
Barclays separation effects[2]	**(719)**	(152)	(1 245)
	7 324	7 650	14 378

	30 June		31 December
	2018 Rm	2017[1] Rm	2017[1] Rm
13.2 Total income by segment			
RBB South Africa	**21 600**	20 774	42 607
CIB South Africa	**5 634**	5 372	10 706
Rest of Africa Banking	**7 565**	7 670	15 617
WIMI	**2 998**	2 729	5 580
Head Office, Treasury and other operations in South Africa	**(755)**	(460)	(1 520)
Barclays separation effects[2]	**588**	284	405
	37 630	36 369	73 395

[1] Operational changes, accounting policy changes, management changes and associated changes to the way in which the chief operating decisionmaker views the performance of each segment, have resulted in the allocation of earnings, assets and liabilities between segments, refer to note 16 for further details.
[2] 'Barclays separation effects' is the reconciling stripe between IFRS and normalised results and does not represent a reportable segment.

13. Segment reporting (continued)

	30 June 2018 Rm	30 June 2017[1] Rm	31 December 2017[1] Rm
13.3 Total internal income by segment			
RBB South Africa	**(4 430)**	(4 930)	(9 282)
CIB South Africa	**(3 674)**	(1 729)	(7 900)
Rest of Africa Banking	**3**	(74)	(241)
WIMI	**(192)**	(155)	(471)
Head Office, Treasury and other operations in South Africa	**8 118**	6 842	17 569
Barclays separation effects[3]	**175**	46	325
	—	—	—

	30 June 2018 Rm	30 June 2017[1] Rm	31 December 2017[1] Rm
13.4 Total assets by segment			
RBB South Africa	**758 949**	732 049	753 849
CIB South Africa	**527 795**	467 993	492 110
Rest of Africa Banking	**179 916**	170 511	162 720
WIMI	**51 456**	51 146	50 697
Head Office, Treasury and other operations in South Africa	**(285 078)**	(283 807)	(294 309)
Barclays separation effects[3]	**1 605**	(16)	912
	1 234 643	1 137 876	1 165 979

	30 June 2018 Rm	30 June 2017[1] Rm	31 December 2017[1] Rm
13.5 Total liabilities by segment			
RBB South Africa	**753 921**	724 382	741 550
CIB South Africa	**522 466**	462 821	485 310
Rest of Africa Banking	**157 355**	149 829	142 394
WIMI	**45 990**	45 720	45 643
Head Office, Treasury and other operations in South Africa	**(356 112)**	(349 642)	(358 336)
Barclays separation effects[2], [3]	**(8 496)**	(11 731)	(9 840)
	1 115 124	1 021 379	1 046 721

[1] Operational changes, accounting policy changes, management changes and associated changes to the way in which the chief operating decisionmaker views the performance of each segment, have resulted in the allocation of earnings, assets and liabilities between segments, refer to note 16 for further details.
[2] This presents the cash contribution 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'.
[3] 'Barclays separation effects' is the reconciling stripe between IFRS and normalised results and does not represent a reportable segment.

14. Assets and liabilities not held at fair value

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

	30 June		2017	
	Carrying value Rm	Fair value Rm	Carrying value Rm	Fair value Rm
Financial assets				
Balances with other central banks	14 689	14 689	10 323	10 323
Balances with the South African Reserve Bank	17 862	17 862	18 672	18 672
Coins and bank notes	10 429	10 429	10 924	10 924
Money market assets	101	101	—	—
Cash, cash balances and balances with central banks	43 082	43 082	39 919	39 919
Investment securities	6 580	6 580	—	—
Loans and advances to banks	35 328	35 031	46 189	46 189
Other assets	34 468	34 468	32 422	32 422
RBB South Africa	455 491	455 457	439 062	439 169
Retail Banking South Africa	389 017	388 982	376 818	376 925
Credit cards	34 050	34 050	35 130	35 130
Instalment credit agreements	78 258	78 234	73 882	73 785
Loans to associates and joint ventures	24 681	24 681	20 707	20 707
Mortgages	223 507	223 507	222 952	222 960
Other loans and advances	2 695	2 695	698	698
Overdrafts	5 783	5 783	4 631	4 631
Personal and term loans	20 043	20 033	18 818	19 014
Business Banking South Africa	66 474	66 474	62 244	62 244
Mortgages (including CPF)	27 784	27 784	26 498	26 498
Overdrafts	21 647	21 647	19 403	19 403
Term loans	17 043	17 043	16 343	16 343
CIB South Africa	194 870	194 870	177 508	177 508
Rest of Africa Banking	88 719	88 719	78 937	78 937
WIMI	5 055	5 055	5 485	5 485
Head Office, Treasury and other operations in South Africa	1 254	1 254	709	709
Loans and advances to customers – net of impairment losses	745 389	745 354	701 701	701 808
Total assets (not held at fair value)	864 847	864 515	820 231	820 338
Financial liabilities				
Deposits from banks	66 529	66 529	40 086	40 086
Other liabilities	38 267	38 267	33 576	33 576
Call deposits	75 453	75 453	56 100	56 100
Cheque account deposits	196 198	196 198	208 545	208 545
Credit card deposits	1 788	1 788	1 811	1 811
Fixed deposits	153 260	152 896	163 131	163 923
Foreign currency deposits	33 105	33 105	24 305	24 305
Notice deposits	58 946	58 946	63 125	63 138
Other deposits	2 021	2 021	3 456	3 456
Savings and transmission deposits	161 789	161 789	153 058	153 058
Deposits due to customers	682 559	682 195	673 531	674 336
Debt securities in issue	136 728	136 728	135 421	135 421
Borrowed funds	21 448	21 448	15 963	15 963
Total liabilities (not held at fair value)	945 530	945 166	898 577	899 382

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

The table below summarises the carrying amounts and fair values of those assets and liabilities not held at fair value:

	31 December 2017	
	Carrying value Rm	Fair value Rm
Financial assets		
Balances with other central banks	10 281	10 281
Balances with the South African Reserve Bank	19 109	19 109
Coins and bank notes	13 519	13 519
Cash, cash balances and balances with central banks	42 908	42 909
Loans and advances to banks	38 228	39 037
Other assets	17 486	17 556
RBB South Africa	447 752	447 984
Retail Banking South Africa	383 495	383 727
Credit cards	35 223	35 224
Instalment credit agreements	77 044	77 275
Loans to associates and joint ventures	23 037	23 037
Mortgages	222 625	222 625
Other loans and advances	740	740
Overdrafts	5 443	5 443
Personal and term loans	19 383	19 383
Business Banking South Africa	64 257	64 257
Mortgages (including CPF)	27 833	27 833
Overdrafts	19 199	19 199
Term loans	17 225	17 225
CIB South Africa	192 257	192 257
Rest of Africa Banking	77 005	77 137
WIMI	5 004	5 004
Head Office, Treasury and other operations in South Africa	943	943
Loans and advances to customers – net of impairment losses	722 961	723 325
Non-current assets held for sale	1 118	1 118
Total assets (not held at fair value)	822 702	823 945
Financial liabilities		
Deposits from banks	54 835	54 915
Other liabilities	27 833	27 832
Call deposits	81 076	81 076
Cheque account deposits	191 048	191 048
Credit card deposits	1 921	1 921
Fixed deposits	148 328	148 328
Foreign currency deposits	28 418	28 418
Notice deposits	58 459	58 459
Other deposits	2 629	2 629
Savings and transmission deposits	157 098	157 098
Deposits due to customers	668 977	668 977
Debt securities in issue	132 891	132 891
Borrowed funds	15 895	15 895
Total liabilities (not held at fair value)	900 431	900 510

15. Assets and liabilities held at fair value

15.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

Investment properties

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

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

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

15.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

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

15.2 Fair value measurements (continued)

Equity instruments

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

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

Derivatives

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

Loans and advances

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

Deposits, debt securities in issue and borrowed funds

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

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

15.3 Fair value adjustments

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

Bid-offer valuation adjustments

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

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

15.4 Fair value hierarchy

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

	30 June							
	2018				2017			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	1 689	3 807	—	5 496	2 071	3 088	—	5 159
Investment securities	54 279	56 391	10 189	120 859	57 345	52 208	6 281	115 834
Loans and advances to banks	—	26 961	554	27 515	—	16 812	450	17 262
Trading and hedging portfolio assets	52 028	72 194	2 508	126 730	43 617	56 750	1 787	102 154
Debt instruments	29 413	6 189	74	35 676	21 501	6 327	1 390	29 218
Derivative assets	—	58 331	848	59 179	—	41 035	177	41 212
Commodity derivatives	—	2 034	—	2 034	—	554	—	554
Credit derivatives	—	—	165	165	—	17	164	181
Equity derivatives	—	3 038	602	3 640	—	1 315	13	1 328
Foreign exchange derivatives	—	12 723	3	12 726	—	7 486	—	7 486
Interest rate derivatives	—	40 536	78	40 614	—	31 663	—	31 663
Equity instruments	21 229	—	—	21 229	20 120	—	—	20 120
Money market assets	1 386	7 674	1 586	10 646	1 996	9 388	220	11 604
Other assets	—	73	—	73	—	2	4	6
Loans and advances to customers	—	28 717	9 010	37 727	—	22 622	4 662	27 284
Investments linked to investment contracts	15 320	3 874	—	19 194	16 794	2 337	—	19 131
Total financial assets	123 316	192 017	22 261	337 594	119 827	153 819	13 184	286 830
Financial liabilities								
Deposits from banks	—	21 937	—	21 937	—	9 204	—	9 204
Trading and hedging portfolio liabilities	15 029	53 385	622	69 036	8 034	35 554	454	44 042
Derivative liabilities	—	53 385	622	54 007	—	35 554	454	36 008
Commodity derivatives	—	1 986	—	1 986	—	601	—	601
Credit derivatives	—	7	158	165	—	9	188	197
Equity derivatives	—	3 266	249	3 515	—	1 285	51	1 336
Foreign exchange derivatives	—	15 945	4	15 949	—	8 151	—	8 151
Interest rate derivatives	—	32 181	211	32 392	—	25 508	215	25 723
Short positions	15 029	—	—	15 029	8 034	—	—	8 034
Other liabilities	—	16	43	59	—	12	—	12
Deposits due to customers	158	28 959	2 815	31 932	149	21 772	910	22 831
Debt securities in issue	—	4 020	35	4 055	36	4 251	484	4 771
Liabilities under investment contracts	—	30 546	—	30 546	—	29 918	—	29 918
Total financial liabilities	15 187	138 863	3 515	157 565	8 219	100 711	1 848	110 778
Non-financial assets								
Commodity	576	—	—	576	1 678	—	—	1 678
Investment properties	—	—	420	420	—	—	268	268
Non-recurring fair value measurements								
Non-current assets held for sale[(1)]	—	—	79	79	—	—	2 601	2 601
Non-current liabilities held for sale[(1)]	—	—	7	7	—	—	114	114

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

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

15.4 Fair value hierarchy (continued)

	31 December 2017			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets				
Cash, cash balances and balances with central banks	1 839	3 921	—	5 760
Investment securities	53 068	50 740	7 601	111 409
Loans and advances to banks	—	16 714	484	17 198
Trading and hedging portfolio assets	54 966	76 015	1 824	132 805
Debt instruments	29 668	5 133	177	34 978
Derivative assets	—	58 980	546	59 526
Commodity derivatives	—	981	124	1 105
Credit derivatives	—	—	165	165
Equity derivatives	—	2 371	173	2 544
Foreign exchange derivatives	—	15 878	8	15 886
Interest rate derivatives	—	39 750	76	39 826
Equity instruments	23 662	—	—	23 662
Money market assets	1 636	11 902	1 101	14 639
Other assets	—	2	2	4
Loans and advances to customers	—	22 070	4 741	26 811
Investments linked to investment contracts	17 906	1 030	—	18 936
Total financial assets	127 779	170 492	14 652	312 923
Financial liabilities				
Deposits from banks	—	12 555	—	12 555
Trading and hedging portfolio liabilities	11 946	52 279	945	65 170
Derivative liabilities	—	52 279	945	53 224
Commodity derivatives	—	1 172	121	1 293
Credit derivatives	—	10	148	158
Equity derivatives	—	1 973	423	2 396
Foreign exchange derivatives	—	14 874	4	14 878
Interest rate derivatives	—	34 250	249	34 499
Short positions	11 946	—	—	11 946
Other liabilities	—	3	5	8
Deposits due to customers	203	19 115	1 572	20 890
Debt securities in issue	214	4 355	488	5 057
Liabilities under investment contracts	—	30 585	—	30 585
Total financial liabilities	12 363	118 892	3 010	134 265
Non-financial assets				
Commodity	2 051	—	—	2 051
Investment properties	—	—	231	231
Non-recurring fair value measurements				
Non-current assets held for sale[1]	—	—	190	190
Non-current liabilities held for sale[1]	—	—	48	48

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

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

15.5 Measurement of assets and liabilities categorised at Level 2

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

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Loans and advances to banks	Discounted cash flow models	Interest rate and/or money market curves
Trading and hedging portfolio assets and liabilities		
Debt instruments	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Derivatives		
Commodity derivatives	Discounted cash flow model, option pricing, futures pricing and/or exchange traded fund (ETF) models	Spot price of physical or futures, interest rates and/or volatility
Credit derivatives	Discounted cash flow and/or option pricing models	Interest rate, recovery rate, credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Spot price, interest rate, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	Spot price, interest rate and/or volatility
Interest rate derivatives	Discounted cash flow and/or option pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatility
Money market assets	Discounted cash flow models	Money market curves and/or interest rates
Loans and advances to customers	Discounted cash flow models	Interest rate and/or money market curves
Investment securities and investments linked to investment contracts	Listed equity: market bid price Other items: discounted cash flow models	Underlying price of the market traded instrument, interest rate curves
Deposits from banks	Discounted cash flow models	Interest rate curves and/or money market curves
Deposits due to customers	Discounted cash flow models	Interest rate curves and/or money market curves
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of the market traded instrument and/or interest rate curves

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

15.6 Reconciliation of Level 3 assets and liabilities

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

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

	30 June 2017						
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 505	5	4 890	571	3 358	478	10 807
Net interest income	—	—	51	—	10	—	61
Other income	—	—	—	—	—	(2)	(2)
Gains and losses from banking and trading activities	(2)	—	—	—	—	—	(2)
Gains and losses from investment activities	—	—	—	(51)	12	—	(39)
Purchases	534	—	618	—	2 803	22	3 977
Sales	(250)	(1)	(897)	(70)	(560)	(230)	(2 008)
Transfer out of Level 3	—	—	—	—	658	—	658
Closing balance at the end of the reporting period	1 787	4	4 662	450	6 281	268	13 452

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

15.6 Reconciliation of Level 3 assets and liabilities (continued)

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

	31 December 2017						
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 505	5	4 890	571	3 358	478	10 807
Net interest income	—	—	12	—	62	—	74
Other income	—	—	—	—	—	12	12
Gains and losses from banking and trading activities	(635)	—	29	—	—	—	(606)
Gains and losses from investment activities	—	—	—	—	2	—	2
Purchases	1 101	—	1 020	88	4 832	1	7 042
Sales	(147)	—	(1 112)	(175)	(579)	(260)	(2 273)
Movement in other comprehensive income	—	—	—	—	29	—	29
Settlements	—	(3)	—	—	(22)	—	(25)
Transfer out of Level 3	—	—	(98)	—	(81)	—	(179)
Closing balance at the end of the reporting period	1 824	2	4 741	484	7 601	231	14 883

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

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

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

15.6 Reconciliation of Level 3 assets and liabilities (continued)

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

	30 June 2017					
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	—	308	41	1 139	604	2 092
Gains and losses from banking and trading activities	—	146	—	—	—	146
Issues	—	—	—	295	—	295
Settlements	—	—	(41)	(540)	(120)	(701)
Transfer in/(out) of Level 3	—	—	—	16	—	16
Closing balance at the end of the reporting period	—	454	—	910	484	1 848

	31 December 2017					
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	—	308	41	1 139	604	2 092
Net interest income	—	—	—	7	—	7
Other income	—	—	—	—	—	—
Gains and losses from banking and trading activities	—	585	—	—	—	585
Gains and losses from investment activities	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Movement in other comprehensive income	—	—	—	—	—	—
Issues	—	52	—	1 685	30	1 767
Settlements	—	—	(36)	(1 144)	(68)	(1 248)
Transferred to/(from) assets/liabilities	—	—	—	—	—	—
Transfer in/(out) of Level 3	—	—	—	(115)	(78)	(193)
Closing balance at the end of the reporting period	—	945	5	1 572	488	3 010

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

15.6 Reconciliation of Level 3 assets and liabilities (continued)

15.6.1 Significant transfers between levels

During the 2018 and 2017 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers have been reflected as if they had taken place at the beginning of the year.

15.7 Unrealised gains and losses on Level 3 assets and liabilities

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

	30 June 2018					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	**848**	**581**	**304**	**1 738**	**622**	**622**

	30 June 2017					
	Trading and hedging portfolio assets Rm	Loans and advances to customers[(1)] Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	65	771	287	1 123	136	136

	31 December 2017					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities[(2)] Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	67	761	88	916	284	284

[(1)] The unrealised gains and losses for loans and advances to customers for June 2017 have been restated by R728m. The gains and losses from banking and trading activities on loans and advances to customers has been restated to include the movement in the unrealised gains relating to the base rates applicable to the assets. Previously only unrealised gains relating to the unobservable credit spreads for these assets were taken into account in the disclosure.

[(2)] The unrealised gains and losses for Investment Securities for June and December 2017 have been restated by R243m and R27.61m respectively. The gains and losses from banking and trading activities on investment securities have been restated to include unrealised gains on unlisted Private Equity investments. Previously only unrealised gains relating to unobservable corporate bonds were taken into account in the disclosure.

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

15.8 Sensitivity analysis of valuations using unobservable inputs

As part of the Group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of possible alternative valuations. The assets and liabilities that most impact this sensitivity analysis are those with the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations.

The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 financial assets and liabilities:

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

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

		30 June 2018	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to banks	AGL/Absa funding spread	—/—	—/—
Deposits due to customers	AGL/Absa funding spread	32/(29)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	81/(127)	263/(254)
Loans and advances to customers	Credit spreads	133/(131)	—/—
Other assets	Volatility, credit spreads	—/—	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	338/(338)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	84/(84)	—/—
Other liabilities	Volatility, credit spreads	—/—	—/—
		668/(709)	263/(254)

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

15.8 Sensitivity analysis of valuations using unobservable inputs

		30 June 2017	
	Significant unobservable parameters	Potential effect recorded in profit and loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits due to customers	AGL/Absa funding spread	—/—	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	40/(62)	129/(125)
Loans and advances to customers	Credit spreads	90/(88)	—/—
Other assets	Volatility, credit spreads	—/—	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	153/(153)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	39/(39)	—/—
Other liabilities	Volatility, credit spreads	—/—	—/—
		322/(342)	129/(125)

		31 December 2017	
	Significant unobservable parameters	Potential effect recorded in profit and loss Favourable/(Unfavourable) Rm	Potential effect recorded directly in equity Favourable/(Unfavourable) Rm
Deposits due to banks	AGL/Absa funding spread	17/17	—/—
Deposits due to customers	AGL/Absa funding spread	13/(12)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	76/(76)	323/(306)
Loans and advances to customers	Credit spreads	70/(69)	—/—
Other assets	Credit spreads	—/—	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	33/(33)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	17/(17)	—/—
Other liabilities	Volatility, credit spreads	—/—	—/—
		226/(224)	323/(306)

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

15.9 Measurement of assets and liabilities at Level 3

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

Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	30 June 2018	30 June 2017	31 December 2017
			Range of estimates utilised for the unobservable inputs		
Loans and advances to customers	Discounted cash flow and/or dividend yield models	Credit spreads	**0.04% to 1.97%**	(0.1%) to 2.10%	0.3% to 2.3%
Investment securities and investments linked to investment contracts	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Marketability discounts and/or comparator multiples	**Discount rate of 7.75% to 8%**	Discount rate of 13%, comparator multiples between 5 and 10.5	Discount rates between 7% to 9%, comparator multiples between 5 and 10.5
Trading and hedging portfolio assets and liabilities					
Debt instruments	Discounted cash flow models	Credit spreads	**0.15% to 8.2%**	0.07% to 27.5%	3% to 15%
Derivative assets					
Credit derivatives[1]	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	**0.03% to 14% , 15% to 76%, 60% to 90%**	(0.3%) to 9%, 15% to 76%, 54% to 90%	(0.04%) to 9%, 15% to 76%, 54% to 90%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**14.3% to 41.9%**	16.6% to 21%	15.09% to 64.67%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**3% to 45%**	(12.2%) to 3.27%	(28%) to 29.5%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	**0.21% to 7.2%**	0.1% to 8.33%	0.25% to 10.69%
Deposits due to customers	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	**1.3% to 1.9%**	(0.1%) to 2.10%	0.2% to 1.9%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.3% to 1.9%**	(0.1%) to 1.55%	0.2% to 1.9%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	**1 to 6 years**	1 to 10 years	1 to 6 years
		Annual selling price escalations	**0% to 6%**	1% to 6%	0% to 6%
		Annual rental escalations	**n/a**	1% to 7%	0% to 6%
		Expense ratios	**n/a**	25% to 50%	n/a
		Vacancy rates	**n/a**	1% to 7%	n/a
		Income capitalisation rates	**7.75% to 8%**	10% to 11%	7.75% to 8%
		Risk adjusted discount rates	**11% to 15%**	14%	11% to 15%

For assets or liabilities held at amortised cost and disclosed in levels 2 or 3 of the fair value hierarchy, the discounted cash flow valuation technique is used. Interest rates and money market curves are considered unobservable inputs for items which mature after 5 years. However, if the items mature in less than 5 years, these inputs are considered observable.

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

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

[1] The range of estimates have been disaggregated to better reflect the individual assumptions used.

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

15.10 Unrecognised losses as a result of the use of valuation models using unobservable inputs

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

	30 June 2018 Rm	30 June 2017 Rm	31 December 2017 Rm
Opening balance at the beginning of the reporting period	**(134)**	(139)	(139)
New transactions	**(140)**	17	(27)
Amounts recognised in profit or loss during the reporting period	**34**	(18)	32
Closing balance at the end of the reporting period	**(240)**	(140)	(134)

15.11 Third-party credit enhancements

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

16. Reporting changes overview

The financial reporting changes that have been applied in the current reporting period are as follows:

- The implementation of new IFRS:
  - IFRS 9 – The Group has applied IFRS 9 on a retrospective basis, with an adjustment to retained earnings and other reserves as at 1 January 2018. As permitted under IFRS 9, the Group has elected not to restate comparative periods.
  - IFRS 15 Revenue from Contracts with Customers (IFRS 15) – The Group has elected to adopt IFRS 15 using the cumulative effect method, under which the comparative information has not been restated.

  All other amendments to IFRS effective for the current reporting period have had no impact on the Group's reported results[1];
- Changes in internal accounting policies:
  - A change in the valuation method applied to policyholder liabilities under the Group's life insurance contracts, and
  - The presentation of interest income and interest expense.

Comparative information has been restated to reflect the amendment to the Group's internal accounting policies, and an adjustment has been recognised within retained earnings as at 1 January 2018 to reflect the impact of implementing new standards.

The table below summarises the total impact of the reporting changes on the Group's statement of changes in equity.

	Share capital and share premium Rm	Retained earnings Rm	Other reserves Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest-ordinary shares Rm	Non-controlling interest-preference shares Rm	Non-controlling interest-additional Tier 1 Capital Rm	Total equity Rm
Balance reported as at 31 December 2016	6 160	81 604	5 293	93 057	4 579	4 644	—	102 280
Restatement owing to change in life insurance accounting policy	—	134	—	134	—	—	—	134
Restated balance as at 31 December 2016	6 160	81 738	5 293	93 191	4 579	4 644	—	102 414
Balance reported as at 31 December 2017	12 164	91 882	4 370	108 416	4 500	4 644	1 500	119 060
Restatement owing to change in life insurance accounting policy	—	198	—	198	—	—	—	198
Restated balance as at 31 December 2017	12 164	92 080	4 370	108 614	4 500	4 644	1 500	119 258
Impact of adopting IFRS 9		(4 106)	(95)	(4 201)	(131)	—	—	(4 332)
Impact of adopting IFRS 15	—	(44)	—	(44)	—	—	—	(44)
Adjusted balance as at 1 January 2018	12 164	87 930	4 275	104 369	4 369	4 644	1 500	114 882

[1] The amendments which are effective in the current reporting period relate to IAS 40 *Investment Property*, IAS 28 *Investment in Associates and Joint Ventures*, as well as IFRS 2 *Share-based Payment Transactions* (IFRS 2). The changes to IFRS 2 were however early adopted by the Group in 2016. A new IFRIC Interpretation, IFRIC 22 Foreign Currency Transactions and Advance Consideration is effective in the current reporting period.

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments

This summarised report is extracted from audited information with the full transitional report 'Reporting Changes' included from page 152 of Absa Group Limited's Interim Financial Results for the reporting period ending 30 June 2018. All information marked as audited in the Reporting Changes section has been audited by EY who expressed an unmodified opinion thereon in terms of ISA 805 – Special considerations – Audits of single financial statements and specific elements, accounts or items of financial statement. A copy of the auditor's report on the audited sections of the Reporting Changes section is available for inspection at the Group's registered office, together with a copy of the transitional disclosures that were audited.

16.1.1 Overview and highlights

16.1.1.1 The impact of IFRS 9 on the Group

IFRS 9 is effective from 1 January 2018 and introduces significant changes to three fundamental areas of the accounting for financial instruments, namely:

- The classification and measurement of financial instruments;
- The scope and calculation of credit losses, which has moved from an incurred loss, to an expected credit loss (ECL) approach; and
- The hedge accounting model.

Whilst the adoption of a revised classification and measurement framework has had a less material impact on the Group, application of the IFRS 9 ECL methodology has affected both the financial and regulatory capital position, and can be reasonably expected to impact the net profit or loss of the Group going forward.

In accordance with the transition options allowable under IFRS 9, the Group will continue to apply the hedge accounting requirements set out in IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). The Group employs a governed hedging programme to reduce margin volatility associated with structural balances (i.e. rate insensitive liabilities as well as the endowment associated with equity). Operational complexity would be introduced by adopting the revised IFRS 9 hedge accounting requirements ahead of the finalisation of the International Accounting Standards Board's (IASB) Dynamic Risk Management project in respect of macro hedging. The Group has accordingly elected not to adopt the revised IFRS 9 hedge requirements, but will adopt the revised disclosures set out in the amendments to IFRS 7 Financial Instruments: Disclosures (IFRS 7), which include those relating to hedge accounting.

16.1.1.2 The impact of adopting a revised classification and measurement framework for financial instruments

A portfolio of South African consumer price index (CPI) linked investment securities have been reclassified from available-for-sale under IAS 39, to amortised cost. This aligns the portfolio's classification with the Group's business model of holding the instruments to collect contractual cash flows. Other less significant reclassifications of financial assets were also recorded, although these did not have any impact on equity (refer to 16.1.10). The accounting for financial liabilities remains largely unchanged, except for financial liabilities designated at fair value through profit or loss (FVTPL). Gains and losses on such financial liabilities are required to be presented in other comprehensive income (OCI), to the extent that they relate to changes in own credit risk. The Group early adopted this requirement in 2017, and recognised a debit of **R147m** in OCI.

16.1.1.3 The impact of adopting a revised ECL methodology

The adoption of IFRS 9 will impact the timing of credit loss recognition, by accelerating the recognition of losses relative to IAS 39, and potentially creating increased volatility through the incorporation of forward looking assumptions. Total write offs, debt collections, and the long-run actual credit losses incurred by the Group should remain unchanged. The Group dedicates considerable resources to gaining a clear and accurate understanding of credit risk across the business and to correctly reflect the value of the assets in accordance with applicable accounting principles. The core processes remain the measurement of exposures and concentrations, performance monitoring and tracking of asset quality, and the write off of assets when the whole or part of a debt is irrecoverable.

The implementation of IFRS 9 has been a project of strategic importance to the Group. Over the past four years, extensive work was performed to design, build and test new models, create the necessary infrastructure and develop data management systems that were able to facilitate a successful parallel run in the second half of 2017, and deliver a high quality implementation on 1 January 2018. The Group has had the ability to test the sensitivity of the ECL model and its sub-components to different macroeconomic scenarios, but has not been able to back test the scenarios themselves. This is a natural concomitant of implementing an accounting standard which requires the inclusion of point-in-time forward looking assumptions, and in respect of which, the application of hindsight is expressly prohibited.

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.1 Overview and highlights (continued)

16.1.1.4 Summary of the impact of IFRS 9 as at 1 January 2018

The disclosures set out within this section of the report serve to bridge the statement of financial position of the Group as at 1 January 2018 between IAS 39 and IFRS 9. Information has been provided to facilitate an understanding of the key areas of difference, as well as the core drivers of ECL going forward. The Group highlights the role that unexpected changes in forward looking assumptions may play in driving earnings volatility, and that changes in stage distribution could have an impact on net interest income. Exposures within certain industry sectors or products are expected to be more sensitive to changes in macroeconomic conditions than others, which could mean that the overall response to changes in forward looking assumptions is driven by the relative composition of the loans and advances portfolios.

The adoption of IFRS 9 has impacted the financial and regulatory capital position of the Group, as follows:

- An increase of **R5 868m** (27%) in the Group's ECL provisions (including interest in suspense), from **R21 899m** as at 31 December 2017 to **R27 767m** as at 1 January 2018. Refer to 16.1.3.1.
- A net decrease in retained earnings of **R4 106m** (after a taxation adjustment of **R1 572m** and a non-controlling interest of **R190m**) together with a net decrease in other reserves of **R95m** which includes the effects of reclassifying investment securities from available-for-sale to amortised cost. Refer to 16.1.
- The Group remains strongly capitalised notwithstanding a **R2 118m** decrease in common equity tier 1 supply (CET 1) and a **21 bps** decrease in the CET 1 ratio. The decrease in the CET 1 ratio is before the application of the transitional arrangement which recognises the impact over three years. This deferral reduces the impact on the CET 1 ratio on the date of initial adoption to **5 bps**. Refer to 16.1.5.1.

16.1.1.5 Condensed consolidated statement of financial position for Absa Group Limited

The following table summarises the total impact of IFRS 9 on the statement of financial position as at 1 January 2018

	31 December 2017 Rm	Impact of IFRS 9: Classification and measurement[1] Rm	Impact of IFRS 9: IFRS 9 ECL[2] Rm	1 January 2018 Rm
Assets				
Cash, cash balances and balances with central banks[3]	48 669	—	(10)	48 659
Investment securities	111 409	(195)	(2)	111 212
Loans and advances to banks	55 426	—	(67)	55 359
Loans and advances to customers	749 772	(20)	(5 034)	744 718
Investments in associates and joint ventures[4]	1 235	—	(73)	1 162
Other assets[5]	199 468	55	1 149	200 672
Total assets	1 165 979	(160)	(4 037)	1 161 782
Liabilities				
Trading portfolio liabilities	64 047	(20)	—	64 027
Provisions[6]	3 041	—	574	3 615
Other liabilities[5]	979 831	—	(419)	979 412
Total liabilities	1 046 919	(20)	155	1 047 054
Equity				
Capital and reserves				
Attributable to equity holders:				
Share capital	1 666	—	—	1 666
Share premium	10 498	—	—	10 498
Retained earnings	91 882	—	(4 106)	87 776
Other reserves	4 370	(140)	45	4 275
Ordinary equity holders	108 416	(140)	(4 061)	104 215
Non-controlling interest – ordinary shares	4 500	—	(131)	4 369
Non-controlling interest – preference shares	4 644	—	—	4 644
Non-controlling interest – Additional Tier 1 capital	1 500	—	—	1 500
Total equity	119 060	(140)	(4 192)	114 728
Total liabilities and equity	1 165 979	(160)	(4 037)	1 161 782

[1] Classification and measurement reclassifications relate to two portfolios:
- Short-term commodity-linked instruments that had embedded derivatives which were previously bifurcated under IAS 39, have been mandatorily classified at FVPTL under IFRS 9; and
- A portfolio of CPI linked investment securities that have been reclassified from available-for-sale to amortised cost.

[2] A further analysis of the ECL impact per segment has been disclosed in 16.1.3.1.
[3] Relates predominantly to a central bank within Rest of Africa.
[4] Reflects the change in the Group's share of net assets from associates and joint ventures due to their adoption of IFRS 9.
[5] Relates to the adjustments to deferred tax and current tax assets.
[6] The increase in the carrying value of provisions relates to the expected credit losses recognised on financial guarantee contracts, letters of credit and undrawn facilities (to the extent that it exceeds the gross carrying amount of loans and advances to customers at an account level).

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.2 Key elements of the revised impairment model under IFRS 9

16.1.2.1 Introduction

IFRS 9 introduces an ECL impairment model that requires entities to recognise ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12 month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (lifetime ECL). The assessment of whether an exposure should be transferred from stage 1 to stage 2, is a relative measure, where the credit risk at the reporting date is compared to the risk that existed at initial recognition.

The stage allocation is required to be performed as follows:

- **Stage 1:** 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. These are discussed further in 16.1. 2.2. Stage 2 assets are considered to be cured (i.e. reclassified back into stage 1), when there is no longer evidence of a significant increase in credit risk. The definition of high risk is from a credit management perspective central to controlling the flow of exposures back to stage 1 and gives effect to any cure periods deemed necessary.
- **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. This definition is discussed further in 16.1.2.3. Defaulted assets are considered cured once the original default trigger event no longer applies and both internal and regulatory probation periods have been met. In the Retail portfolio, assets will move from stage 3 to stage 2, but not directly from stage 3 to stage 1. In the Wholesale portfolio assets can move from stage 3 directly to stage 1. Purchased or originated credit impaired lending facilities are classified on origination within stage 3.

16.1.2.2 Definition of a significant increase in credit risk

The Group uses various quantitative, qualitative and back stop measures as indicators of a significant increase in credit risk. The thresholds applied for each portfolio will be reviewed on a regular basis to ensure they remain appropriate. Where evidence of a significant increase in credit risk is not yet available at an individual instrument level, instruments that share similar risk characteristics are assessed on a collective basis.

Key drivers of a significant increase in credit risk include:

- Where the weighted average probability of default (PD) for an individual exposure or group of exposures as at the reporting date evidences a material deterioration in credit quality, relative to that determined on initial recognition;
- Adverse changes in payment status, and where accounts are more than 30 days in arrears at reporting date. In certain portfolios a more conservative arrears rule is applied where this is found to be indicative of increased credit risk (e.g. 1 day in arrears);
- Accounts in the Retail portfolio which meet the portfolio's impairment high risk criteria; and
- The Group's watch list framework applied to the Wholesale portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

16.1.2.3 Definition of credit impaired assets

Assets classified within stage 3 are considered to be credit impaired, which, as discussed in 16.1.2.1. applies when an exposure is in default.

Default within Wholesale and Retail is aligned with the regulatory definition, and therefore assets are classified as defaulted when either:

- The Group considers that the obligor is unlikely to pay its credit obligations without recourse by the Group to actions such as realising security. Elements to be taken as indications of unlikeliness to pay include the following:
  - The Group consents to a distressed restructuring / forbearance of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness of principal, interest or fees;
  - The customer is under debt review, business rescue or similar protection; or,
  - Advice is received of customer insolvency or death.
- The obligor is past due 90 days or more on any credit obligation to the Group.

In addition, within the Retail portfolios:

- All forms of forbearance are treated as in default, regardless of whether the restructure has led to a diminished financial obligation or not; and
- The Group requires an exposure to reflect 12 consecutive months of performance, in order to be considered to have been cured from default.

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.2 Key elements of the revised impairment model under IFRS 9 (continued)

16.1.2.4 Impact of IFRS 9 on interest recognition

Interest income is calculated on stage 1 or stage 2 financial assets by applying the effective interest rate (EIR) to the gross carrying amount of such assets. When exposures are identified as credit impaired (stage 3), or when they are purchased or originated within stage 3, IFRS 9 requires interest income to be calculated based on the net carrying value, which is the gross carrying value after deducting the ECL allowance.

In order to practically give effect to this requirement for stage 3 assets, the Group follows a two-step approach. First, the Group ceases to recognise in profit or loss the contractual interest charged on credit impaired assets (that is to say, contractual interest is suspended). Second, the Group multiplies the net carrying value of the impaired exposure by its EIR and recognises only this amount of interest income within profit or loss. Simply, this means that if during a reporting period, an exposure were classified within stage 3, lower interest income would be recognised than if it had been classified within stage 1 or stage 2 over the same period.

Since an ECL allowance is calculated by discounting the future cash flows expected to be recovered by the exposure's EIR, interest income recognised on stage 3 assets reflects the financial effect of unwinding the discount embedded in the calculation. Application of this approach results in the Group being able to appropriately reflect in profit or loss the financial effect of the 'time value of money', which is embedded within the calculation of the ECL allowance.

In principle, the approach applied by the Group to recognise interest on stage 3 assets under IFRS 9, is not dissimilar from the manner in which the Group calculated the interest on specifically impaired financial assets under IAS 39. The key departure from IAS 39 is however that IFRS 9 requires the balance of interest in suspense to be presented as part of both the gross carrying value of the exposure and the related ECL allowance. Under IAS 39, such amount was excluded from both balances. Therefore, this constitutes a change to the presentation of the gross carrying value and ECL allowance, although it has no impact on the net carrying value of the exposure. Had this revised presentation requirement been applied as at 31 December 2017, the Group would have recognised a larger gross carrying value, and larger impairment allowance of **R3 025m** (refer to 16.1. 3.1. for more detail).

The Group believes that IFRS 9 is not explicit regarding the treatment of contractual interest in suspense which is subsequently recovered. There is only a clear prescription with regards to the recovery of contractual interest previously unrecognised on exposures originated credit impaired, where the standard requires such interest to be recognised as a credit impairment gain instead of interest income. There is presently diversity in interpretation of this matter and therefore the Group has elected to make an accounting policy choice in this regard. The Group's accounting policy is to recognise contractual interest that is recovered, but which was previously unrecognised within net interest income, and resulted in **R292m** being recognised within interest income over the current reporting period. The Group believes that this policy promotes a fairer presentation of ECL as well as net interest income, both of which the Group believes would otherwise be understated.

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16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.3 Reconciliation of the allowance for impairment under IAS 39 to the total ECL allowance under IFRS 9

16.1.3.1 Summary of ECL by segment and class of credit exposure

The following table sets out the transition of the impairment allowances applied to all credit exposures from IAS 39 to IFRS 9, by asset class, and by segment:

	IAS 39 – 31 December 2017				
	Performing provision Rm	Non-performing portfolio Rm	Total IAS 39 (excluding IIS) Rm	Interest in suspense Rm	Total IAS 39 (including IIS) Rm
Retail and Business Banking South Africa	3 997	9 671	13 668	2 313	15 981
Retail Banking	3 223	8 576	11 799	1 264	13 063
Credit cards	729	3 605	4 334	83	4 417
Instalment credit agreements	698	1 117	1 815	94	1 909
Loans to associates and joint ventures	—	—	—	—	—
Mortgages	1 124	2 073	3 197	828	4 025
Other loans and advances	—	—	—	—	—
Overdrafts	71	215	286	73	359
Personal and term loans	601	1 566	2 167	186	2 353
Business Banking South Africa	774	1 095	1 869	1 049	2 918
CIB South Africa	559	832	1 391	123	1 514
Rest of Africa Banking	981	2 636	3 617	564	4 181
WIMI	13	175	188	25	213
Head Office, Treasury and other operations in South Africa	10	—	10	—	10
Loans and advances	10	—	10	—	10
Reclassification to provisions	—	—	—	—	—
Loans and advances to customers	5 560	13 314	18 874	3 025	21 899
Loans and advances to banks	—	—	—	—	—
Total Loans and advances	5 560	13 314	18 874	3 025	21 899
Investment securities	—	—	—	—	—
Cash, cash balances and balances with central banks[1]	—	—	—	—	—
Total ECL allowance: On-statement of financial position	5 560	13 314	18 874	3 025	21 899
Off-statement of financial position exposures					
Undrawn committed facilities[2]	—	—	—	—	—
Financial guarantees	—	—	—	—	—
Letters of credit	—	—	—	—	—
Total ECL allowance: Off-statement of financial position	—	—	—	—	—
Total ECL allowance	5 560	13 314	18 874	3 025	21 899

[1] Relates predominantly to a central bank within Rest of Africa.
[2] Relates to ECL on undrawn committee facilities to the extent that it exceeds the gross carrying amount on loans and advances at an accounting level.

IFRS 9 – 1 January 2018

Stage 1 Rm	Stage 2 Rm	Stage 3 Rm	Total IFRS 9 provision (including IIS) Rm	IFRS 9 transition adjustment Rm
2 408	3 492	14 378	20 278	4 297
1 768	3 184	11 756	16 708	3 645
654	1 343	3 727	5 724	1 307
539	610	1 431	2 580	671
2	—	—	2	2
212	366	4 426	5 004	979
8	18	8	34	34
45	127	240	412	53
308	720	1 924	2 952	599
640	308	2 622	3 570	652
482	384	955	1 821	307
1 090	798	3 087	4 975	794
27	6	233	266	53
(188)	(172)	(47)	(407)	(417)
8	11	—	19	9
(196)	(183)	(47)	(426)	(426)
3 819	4 508	18 606	26 933	5 034
40	27	—	67	67
3 859	4 535	18 606	27 000	5 101
65	118	—	183	183
3	7	—	10	10
3 927	4 660	18 606	27 193	5 294
196	183	47	426	426
91	48	—	139	139
9	—	—	9	9
296	231	47	574	574
4 223	4 891	18 653	27 767	5 868

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.3 Reconciliation of the allowance for impairment under IAS 39 to the total ECL allowance under IFRS 9 (continued)

The measurement of the ECL allowance is required to reflect an unbiased probability-weighted range of possible future outcomes, which are factored into the PD and LGD models, as well as applied in determining whether a significant increase in credit risk has occurred. The reconciliation has not separately presented the effects of macroeconomic scenarios, since these are considered to be inextricably linked to the stage allocations above.

Key drivers of the ECL allowance are as follows:

- **Interest in suspense:** The cumulative interest which was suspended, and therefore not presented as part of the impairment allowance as at 31 December 2017 has been included in the opening impairment allowance, with an equivalent increase in the gross carrying value of the financial assets.
- **Change in emergence period of stage 1 assets:** The emergence period under IAS 39 was calculated as the average time between when a loss event occurred and the impairment event was actually identified, and was typically 12 months or less.
- **Significant increase in credit loss for stage 2 classification:** Under IAS 39, stage 2 assets were classified as performing exposures with an impairment allowance being recognised to reflect latent risks, and calculated based on an appropriate emergence period. Under IFRS 9, lending exposures that have experienced a significant increase in credit risk since origination are required to carry a lifetime ECL allowance.
- **Change in default definition:** The definition of credit impaired is aligned with the regulatory definition of default, which has resulted in a larger population of credit exposures being classified within stage 3 compared to the NPL population under IAS 39. The key differences include the application of a 90-day backstop, as well as a widening of the watch list categories included within stage 3, relative to those that were specifically impaired under IAS 39. Further, all debt counselling and performing forbearance accounts are included in stage 3, but were not previously classified as NPL.
- **Off-balance sheet exposures:** The credit risk inherent in the undrawn component of lending facilities are managed and monitored by the Group together with the drawn component as a single exposure. The exposure at default (EAD) on the entire facility is therefore used to calculate the ECL on loans and advances. As a result, the total ECL is recognised in the ECL allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision on the face of the statement of financial position.

  The Group presents the ECL on financial guarantees and letters of credit as a provision on the statement of financial position.

  The calculation of ECL on other assets: Cash reserves with central banks and investment securities are included within the scope of IFRS 9 ECL and have contributed to the Group's total ECL allowance.

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Condensed notes to the consolidated financial results

for the reporting period ended

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.4 Analysis of the ECL allowance as at 1 January 2018 (continued)

16.1.4.1 Summary of ECL coverage by segment and class of credit exposure

The following table provides an analysis of the total ECL allowance by market segment, and per stage distribution. For credit exposures disclosed on the statement of financial position, the gross carrying value of on – statement of financial position exposures includes only the amounts that were drawn, as at 1 January 2018, whilst the allowance for ECL includes expected losses on committed, undrawn lending facilities. To the extent that the ECL allowance exceeds the carrying value of the drawn exposure, a liability (provision) has been recognised in the statement of financial position. This Provision is adjusted for in Head office.

	1 January 2018					
	Stage 1			Stage 2		
	Gross carrying value Rm	ECL Allowance Rm	ECL coverage %	Gross carrying value Rm	ECL Allowance Rm	ECL coverage %
RBB South Africa	390 374	2 408	0.62	34 888	3 492	10.01
Retail Banking South Africa	336 635	1 768	0.53	27 980	3 184	11.38
Credit cards	29 329	654	2.23	4 392	1 343	30.58
Instalment credit agreements	67 498	539	0.80	5 217	610	11.69
Loans to associates and joint ventures	23 037	2	0.01	—	—	—
Mortgages	193 979	212	0.11	14 461	366	2.53
Other loans and advances	2 453	8	0.33	345	18	5.22
Overdrafts	4 360	45	1.03	1 024	127	12.40
Personal and term loans	15 979	308	1.93	2 541	720	28.34
Business Banking South Africa	53 739	640	1.19	6 908	308	4.46
CIB South Africa[1]	183 184	482	0.26	35 232	384	1.09
Rest of Africa Banking	65 662	1 090	1.66	10 732	798	7.44
WIMI	4 658	27	0.58	229	6	2.62
Head Office, Treasury and other operations in South Africa	187	(188)	—	769	(172)	—
Loans and advances	187	8	4.28	769	11	1.43
Reclassification to provisions	—	(196)	—	—	(183)	—
Loans and advances to customers	644 065	3 819	0.59	81 850	4 508	5.51
Loans and advances to banks[2]	53 360	40	0.07	2 065	27	1.31
Total loans and advances	697 425	3 859	0.55	83 915	4 535	5.40

[1] Included in Stage 1 gross carrying amount on loans and advances to customers is **R26 808m** (CIB South Africa) relating to financial instruments measured at fair value through profit or loss. The fair value measurement for these instruments includes adjustments in respect of their credit quality.

[2] Included in Stage 1 gross carrying amount on loans and advances to banks is **R17 198m** relating to financial instruments measured at fair value through profit or loss. The fair value measurement for these instruments includes adjustments in respect of their credit quality.

Condensed notes to the consolidated financial results

for the reporting period ended

Stage 3			Totals		
Gross carrying value Rm	ECL Allowance Rm	ECL coverage %	Gross carrying value Rm	ECL Allowance Rm	ECL coverage %
37 612	14 378	38.23	462 874	20 278	4.38
31 942	11 756	36.80	396 557	16 708	4.21
5 918	3 727	62.98	39 639	5 724	14.44
4 167	1 431	34.34	76 882	2 580	3.36
—	—	—	23 037	2	0.01
18 213	4 426	24.30	226 653	5 004	2.21
11	8	72.73	2 809	34	1.21
416	240	57.69	5 800	412	7.10
3 217	1 924	59.81	21 737	2 952	13.58
5 670	2 622	46.24	66 317	3 570	5.38
2 143	955	44.56	220 559	1 821	0.83
5 650	3 087	54.64	82 044	4 975	6.06
330	233	70.61	5 217	266	5.10
—	(47)	—	956	(407)	(42.59)
—	—	—	956	19	1.99
—	(47)	—	—	(426)	—
45 735	18 606	40.68	771 650	26 933	3.49
—	—	—	55 425	67	0.12
45 735	18 606	40.68	827 075	27 000	3.26

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.5 The impact of IFRS 9 on regulatory capital

16.1.5.1 Adoption of IFRS 9 and its impact on the Group's regulatory capital

The Group has elected to utilise the transition period of three years for phasing in the regulatory capital impact of IFRS 9, as afforded by paragraph 2.2 of Directive 5 of 2017 issued by the SARB. The key drivers of such impact are explained in the next table:

	31 December 2017							1 January 2018	
IFRS (Including Unappropriated profits)	(IAS 39)	Initial recognition of ECL	Release of EL shortfall	Deferred tax (RWA)	Impact on other reserves	Release of RWA on non-performing loans	Eligible general provisions (Tier 2)	**Fully loaded capital position**	**Transitional capital position**
Note		16.1.5.1.1	16.1.5.1.2	16.1.5.1.3	16.1.5.1.4	16.1.5.1.5	16.1.5.1.6		
Capital supply (Rm)									
Common Equity Tier 1	99 321	(4 106)	2 083		(95)			**97 203**	**98 792**
Tier 1 capital	103 686	(4 106)	2 083		(95)			**101 568**	**103 156**
Total capital	118 899	(4 106)	2 083		(95)		1 269	**118 050**	**118 687**
Risk weighted assets	736 892			3 221		(7 421)		**732 692**	**735 842**
Capital ratios (%)[1]									
Common Equity Tier 1	13.5	(0.6)	0.3	(0.1)	(0.0)	0.2		**13.3**	**13.4**
Tier 1	14.1	(0.6)	0.3	(0.1)	(0.0)	0.1		**13.9**	**14.0**
Total capital	16.1	(0.6)	0.3	(0.1)	(0.0)	0.1	0.2	**16.1**	**16.1**
Leverage									
Leverage exposure	1 311 893	(5 868)	2 083	1 622	(189)			**1 309 541**	**1 311 305**
Leverage ratio (%)	7.9	(0.2)	0.1	(0.0)	(0.0)			**7.8**	**7.9**

16.1.5.1.1 Increase in ECL provision under IFRS 9

The adoption of the revised IFRS 9 ECL model has reduced shareholders equity by **R5 868m** which is partially offset by the recognition of a net tax credit within retained earnings of **R1 572m**. The tax credit includes current and deferred tax.

16.1.5.1.2 Release of ECL shortfall to credit provisions

For reporting periods up to 31 December 2017, the calculation of capital took into account the regulatory expected loss for performing assets, which was greater than the IAS 39 provision, thereby resulting in an additional deduction against CET 1 to the extent of the shortfall in the accounting provision. Under IFRS 9, the accounting ECL allowance has increased resulting in the elimination of the shortfall. This is reflected in the above reconciliation as a reversal of the previous deduction and has the effect of partially reducing the negative impact of IFRS 9 ECL on regulatory capital.

16.1.5.1.3 Recognition of a higher deferred tax asset balance

As discussed in point 16.1.5.1.1, the carrying value of the Group's deferred tax asset balance has increased, driven by an increase in the ECL provision. The reclassification of investment securities, as discussed below in 16.1. 5.1.4 resulted in a reversal of a deferred tax liability. The net effect has been an increase in risk weighted assets (RWA) of **R3 221m**, and accordingly, a decrease in the CET 1 ratio.

16.1.5.1.4 Impact on other reserves under IFRS 9

Other reserves decreased by **R95m** (net of deferred tax) primarily as a result of a reclassification from available-for-sale to amortised cost of a small portfolio of South African CPI linked investments so as to reflect the Group's business model of holding the instruments to collect contractual cash flows.

16.1.5.1.5 Release of RWA on non-performing loans

The alignment of the definition of default for both accounting and regulatory purposes resulted in a reduction of RWA of **R7 421m** due to specific provisions (stage 3) being raised for an increased population of exposures. The methodology applied in calculating default RWA's permits a bank to reduce the LGD of the defaulted exposure by the bank's estimate of expected loss, represented by the bank's specific accounting provision.

[1] The Group's IFRS capital ratios decreased as follows as a result of the adoption of IFRS 9:
- CET 1 ratio decreased by 22 bps on a fully loaded basis and 5 bps after phase-in.
- Tier 1 ratio decreased by 22 bps on a fully loaded basis and 5 bps after phase-in.
- Total capital ratio decreased by 3 bps on a fully loaded basis and 1 bps after phase-in.

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.5 The impact of IFRS 9 on regulatory capital)

16.1.5.1 Adoption of IFRS 9 and its impact on the Group's regulatory capital

16.1.5.1.6 Tier 2 eligible provisions

In respect of the Group's standardised portfolio, the IFRS 9 general provision (stage 1 and stage 2) is added back to Tier 2 capital, subject to a limit of 1.25% of the standardised credit RWA. This has resulted in an increase in total capital of **R1 269m**.

16.1.5.1.7 Impact of IFRS 9 ECL on leverage ratio

Key drivers of change in the leverage ratio as a result of the adoption of IFRS 9 were a decrease in leverage exposure and Tier 1 capital, mainly attributable to increased ECL provisions. This was however partly offset by the release of the EL shortfall.

16.1.6 Drivers of the impairment charge under IFRS 9

Consistent with IAS 39, loans are written off when there is no realistic probability of recovery and the Group's write-off policy remains materially unchanged. IFRS 9 impacts the timing of loss recognition, but over time, the long run expected cash losses are driven by economic and commercial factors, independent from the accounting framework applied.

Differences in the timing of recognition of an impairment charge under IFRS 9 versus IAS 39 are attributed to, inter alia:

- significant increases in credit risk causing a transfer of assets to stage 2 assets;
- significant changes in forward-looking macroeconomic conditions leading to assets moving between stages; and
- the size of new business growth.

Significant increase in credit risk: Transfers of exposures to stage 2 are driven by significant deterioration in credit quality, although a large stage 2 balance does not necessarily mean that the exposures have a poor default grade. An important principle under IFRS 9 is that a significant increase in credit risk constitutes a measure of relative credit risk, requiring the absolute credit quality of an exposure on origination to be compared against the absolute credit quality at reporting date. Exposures classified within stage 2 may actually have a better credit quality than other assets which remain in stage 1. Further, owing to the Group's definition of credit impaired, and the inclusion of performing forbearance accounts within stage 3, a credit impaired exposure may have a better credit quality than an exposure in stage 2. Notwithstanding this principle, should the Group's stage 2 population start growing, this could indicate that the credit quality across the portfolio on reporting date may be worse than management had initially anticipated.

Changes in forward-looking assumptions: IFRS 9 requires forward-looking and historical information to be used in order to determine whether a significant increase in credit risk has occurred, as well as to determine the appropriate PDs and LGDs to be applied. Transfers between stages could be driven by a deteriorating or improving macroeconomic environment, which could make the impairment charge more susceptible to volatility.

New business growth: One of the key changes under IFRS 9 is the recognition of ECL losses in respect of all exposures on initial recognition, or on the date that the Group becomes irrevocably committed to providing a lending facility. This means that growth in new business will strain profitability in the short to medium term, although over time the realised economic returns should, all else being equal, remain unchanged from IAS 39.

16.1.7 Impact of IFRS 9 on the Group's tax position

The adoption of IFRS 9 has resulted in a change in the timing of the recognition of credit losses, but does not impact the value of credit losses ultimately incurred. Accordingly, the long run tax effect of credit losses and recoveries are unchanged by the implementation of a new accounting framework. The change in the timing of loss recognition is accounted for through the recognition of a deferred tax adjustment, calculated based on the statutory tax rate applicable.

In South Africa, the value of the deferred tax asset (and corresponding impact on retained earnings and other reserves) which was recognised on adoption of IFRS 9 was impacted by both a change in the accounting recognition of losses, as well as a change in the tax legislation. In accordance with amended tax legislation issued by the South African Revenue Service in 2017, the deduction permitted in respect of doubtful debt balances has changed to 25% for stage 1 ECL, 40% for stage 2 ECL and 85% for stage 3 ECL. This is a change from the previous deductions under IAS 39, which were 25% of incurred but not reported losses, 80% for portfolio specific impairments and 100% for specific impairments. A higher deferred tax asset has therefore been driven by an increase in the ECL provision under IFRS 9, partially offset by a change in the South African tax treatment of pre-existing allowances.

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.8 Incorporation of forward-looking information in the IFRS 9 modelling

The Group's IFRS 9 impairment models consume macroeconomic information to enable the models to provide an output that is based on forward-looking information. The macroeconomic variables and forecast scenarios are sourced from one of the world's largest research companies, and are reviewed and approved in accordance with the Group's macroeconomic governance framework. This review includes the testing of forecast estimates, the appropriateness of variables and probability weightings, as well as the incorporation of these forecasts into the ECL allowance.

The Group has adopted the use of three economic scenarios: a base scenario, a mild upside scenario, and a mild downside scenario. IFRS 9 requires the inclusion of point-in-time forward looking assumptions, and in respect of which the application of hindsight is prohibited. The scenarios presented below are therefore reflective of the Group's view of forecast economic conditions as at the date of initial adoption.

16.1.8.1 Base scenario

Global

Global expansion is expected to remain broad-based across sectors and synchronised in developed economies. The outlook on emerging market growth remains solid on the back of better growth in developed economies and rising commodity prices. Developed market central banks continue tightening their monetary policies at a gradual pace in 2018 to 2020 but this is not expected to be disruptive to emerging markets.

South Africa

The economy recovered from a weak growth at the start of 2017, on the back of growing agricultural output, but the near-term outlook still remains moderate. Gross domestic product (GDP) growth is forecast to marginally increase in 2018. Positive political developments are observed, although the consumer remains in a defensive mindset, and household spending remains relatively muted given tax increases. Beyond 2019, growth is supported by a stronger global and domestic environment. South Africa's fiscal fortunes and potential ratings downgrade remain a concern over the forecast period. Disappointing growth could result in low fiscal revenue that is expected to undershoot budget targets. No further interest rate cuts over the forecast horizon are assumed.

Rest of Africa

Sub-Saharan Africa's economic recovery continues although the trajectory is not smooth across all jurisdictions. Headwinds that could still derail growth in some markets include low fiscal buffers and political risks ahead of elections in key markets this year. Countries with weak fiscal positions continue to necessitate close monitoring. Economic growth is supported largely by a recovery in the agriculture sector, improved commodity output and prices, as well as more accommodative monetary policy stances.

16.1.8.2 Mild upside scenario: Stronger near-term growth

Global

The global economy grows faster than expected, and is supported by fiscal stimulus in the United States (US), and a quick negotiation of Britain's exit (Brexit) from the European Union (EU), which boosts global business confidence. Commodity prices rise sharply relative to the base scenario and the global financial markets improve. Globally, investor and consumer sentiment rises, due to the favourable financial environment.

South Africa

It is assumed there are no further rating downgrades. Policy and political stability boosts business confidence and private sector fixed investment. We assumed a strong rand compared to the base scenario that is driven by the sovereign rating being unchanged and the positive global sentiment toward emerging markets. Inflation moves lower on the back of the stronger rand and continued moderation in food price inflation. Falling inflation and diminished risk at a domestic level gives the South African Reserve Bank room to provide stimulus to the economy by cutting interest rates to support the economy. The cumulative interest rate cuts, higher commodity prices and stronger global growth boost South Africa's GDP growth.

Rest of Africa

A stronger global economy and higher commodity prices help support growth in African commodity exports and fixed investments. The level of output remains above the baseline scenario. Inflation moves lower as currencies appreciate on the back of capital flows and higher commodity prices supporting exports. Easing inflation allows central banks to lower interest rates, supporting the African economic growth further.

16.1.8.3. Mild downside scenario: Moderate recession

Global

The US economy slows relative to baseline due to delays in implementing the stimulus package promised before the elections. Business and consumer confidence falls in the US, followed by stock market indices. It is assumed Brexit negotiations take longer than expected, increasing uncertainty on financial markets, weighing on business and consumer confidence. As a result, eurozone growth slows compared to baseline, contributing to economic and financial stress faced by some of the heavily indebted countries in the region. Furthermore, slower growth in key markets affects China's exports and result in its GDP growth slowing. Commodity prices fall on the back of weaker global growth.

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.8 Incorporation of forward-looking information in the IFRS 9 modelling (continued)

16.1.8.3 Mild downside scenario: Moderate recession (continued)

South Africa

South Africa goes into recession on the back of weaker global growth environment and falling commodity prices. As a result, government revenue comes under pressure and the finances of state-owned enterprises deteriorate. Ratings agencies downgrade South Africa's sovereign rating further, resulting in capital outflow and rand weakness. The weakening of the rand drives inflation above the SARB's 3% to 6% target range in 2018 to 2019, resulting in the SARB hiking the repurchase rate. The yield curve moves higher in line with the selling of South African bonds and higher short-term rates. Economic performance recovers slowly from 2020 as the weaker exchange rate builds some export competitiveness aiding in arresting some of the rand's decline, and spending power returns slowly to consumers as inflation abates in the middle of 2020.

Rest of Africa

In Sub-Saharan Africa some economies go into recession on the back of lower global growth and commodity prices. Fiscal positions deteriorate further and political risks increase in some markets. Capital outflows and falling exports drive currencies weaker, pushing inflation higher. Central banks intervene by hiking interest rates to help stem the flight of capital and protect currencies.

16.1.9. Critical judgements applied in implementing the new IFRS 9 ECL framework

16.1.9.1 Determination of the lifetime of a credit exposure

The determination of initial recognition and asset duration (lifetime) are critical judgements in determining quantum of lifetime losses that apply. The date of initial recognition reflects the date that a transaction (or account) was first recognised on the statement of financial position. The PD recorded at this time provides the baseline used for subsequent determination of a significant increase in credit risk.

When determining the period over which the entity is expected to be exposed to credit risk, but for which the ECL would not be mitigated by the entity's normal credit risk management actions, the Group considers factors such as historical information and experience about:

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that an entity expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

For asset duration, the approaches which are applied (in line with IFRS 9 requirements) are:

- Term lending: the contractual maturity date, reduced for behavioural trends where appropriate (such as expected settlement and amortisation); and
- Revolving facilities: for Retail portfolios, asset duration is based on behavioural life and this is normally greater than contractual life. For Wholesale portfolios, a sufficiently long period to cover expected life modelled and an attrition rate is applied to cater for early settlement.

16.1.9.2 General IFRS 9 ECL model parameters

The calculation of ECL incorporates the probability that a credit loss will occur, as well as the probability that no credit loss occurs, even if the most likely outcome is no credit loss. The estimate reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. In some cases, relatively simple modelling is considered to be sufficient, without the need to consider the outcome under different scenarios. For example, the average credit losses of a large group of financial instruments with shared risk characteristics may be a reasonable estimate of the probability-weighted amount. In other situations, the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes will be needed.

The IFRS 9 models make use of three parameters, namely PD, LGD and EAD in the calculation of the ECL allowance.

The PD is the likelihood of default assessed on the prevailing economic conditions at the reporting date (that is, at a point in time), adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default; it will not equate to a long run average. For IFRS 9 purposes, two distinct PD estimates are required:

- Lifetime PD: the likelihood of accounts entering default during the remaining life of the asset.
- 12 month PD: the likelihood of accounts entering default within 12 months of the reporting date.

The general approach for the IFRS 9 LGD models has been to leverage the Basel LGD models with bespoke IFRS 9 adjustments to ensure unbiased estimates.

In calculating LGD, losses are discounted to the reporting date using the EIR determined at initial recognition or an approximation thereof. For debt instruments, such as loans and advances, the discount rate applied is the EIR calculated on origination or acquisition date. For financial guarantee contracts or loan commitments for which the EIR cannot be determined, losses are discounted using a rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows (to the extent that such risks have not already been taken into account by adjusting the cash shortfalls).

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.9 Critical judgements applied in implementing the new IFRS 9 ECL framework (continued)

16.1.9.2 General IFRS 9 ECL model parameters (continued)

The EAD model estimates the exposure that an account is likely to have at any point of default in future. This incorporates both the amortising profile of a term loan, as well as behavioural patterns such as the propensity of the client to draw down on unutilised facilities in the lead up to a default event.

Expert credit judgement may, in certain instances, be applied to account for situations where known or expected risk factors have not been considered in the ECL assessment or modelling process, or where uncertain future events have not been incorporated into the modelled approach. Adjustments are intended to be short-term measures and will not be used to incorporate any continuous risk factors. The Group has a robust policy framework which is applied in the estimation and approval of management adjustments.

Models are validated with the same rigour applied to regulatory models. Testing procedures assess the quality of data, conceptual soundness and performance of models, model implementation and compliance with accounting requirements.

16.1.9.3 Interaction of the IFRS 9 ECL models with the Basel Framework

The Group applies both the standardised (TSA) and advanced internal ratings-based (AIRB) approaches to calculate its regulatory capital requirements relating to credit risk. While the Group's operations across the rest of Africa as well as the Edcon portfolio are subject to the TSA approach, the remaining portfolios are subject to the AIRB approach, which applies the Group's own measures of PD, EAD and LGD. In designing IFRS 9 compliant ECL models, the Group recognised that it could leverage the data used by the regulatory models to model IFRS 9 ECL and encourage easier reconciliation of inputs for capital requirement and impairment calculations.

Existing Basel models were used as a starting point to develop IFRS 9 ECL parameters. The following are key differences to the regulatory capital parameters:

Key risk parameter	Basel III	IFRS 9
Probability of default (PD)	Average of default within the next 12 months, but calculated based on the long-run historical average over the whole economic cycle (that is, through the cycle).	For stage 1 assets, the PD is measured for the next 12 months, whilst in the case of stage 2 and stage 3 assets, PD is measured over the remaining life of the financial instrument. The PD should reflect the current and future economic cycles to the extent relevant to the remaining life of the loan calculated at a point in time, as at the reporting date.
Loss given default (LGD)	LGD is a downturn-based metric, representing a prudent view of recovery in adverse economic conditions. The LGD calculation incorporates both direct and indirect costs associated with the collection of the exposure. Cash flows are discounted at the risk-free rate plus an appropriate premium.	A current or forward-looking LGD is used to reflect the impact of economic scenarios, with no bias to adverse economic conditions. Collection costs incorporated into the LGD calculation include only those that are directly attributable to the collection of recoveries. The discount rate applied is the EIR on the exposure.
Exposure at default (EAD)	A downturn EAD is calculated to reflect what would be expected during a period of economic downturn.	The calculation of EAD considers all the contractual terms over the lifetime of the instrument.

16.1.9.4 Retail ECL model parameters

The Retail PD model consists of three elements, namely:

- a term structure, capturing typical default behaviour by the months since observation;
- a behavioural model which incorporates client level risk characteristics; and
- a macroeconomic model that incorporates forward-looking macroeconomic scenarios.

A further adjustment is made to incorporate an account's propensity to attrite. The PD model is used to identify accounts that have increased significantly in credit risk since origination. The final PD is a probability weighted average of the Group's three forecasted macroeconomic scenarios.

The LGD model estimates the loss that can be expected if an account defaults. The regulatory LGD model is adjusted for:

- forward-looking macroeconomic adjustments; and
- future expected changes in collateral and EAD.

The LGD model further incorporates the losses associated with re-defaults for lifetime losses.

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.9 Critical judgements applied in implementing the new IFRS 9 ECL framework (continued)

16.1.9.5 Wholesale ECL model parameters

Wholesale PDs and LGDs are modelled using the parameters from regulatory models as starting point. Parameters are adjusted for differences between requirements under Basel III and IFRS 9.

The main adjustments to PD comprise:

- a macroeconomic adjustment that changes the paradigm from a long-run average default rate to a PD that reflects the prevailing macroeconomic conditions, thereby adjusting the PD from a seven year historical average to a PD reflective of the macroeconomic environment at the reporting date; and
- an adjustment to the regulatory PD to convert it from a PD over 12 months, to a PD over the lifetime of an exposure, to be able to assess significant increases in credit risk and estimate lifetime provisions for stage 2.

The main adjustments to LGD comprise a macroeconomic adjustment that changes the long-run LGD to reflect a given macroeconomic scenario. Lifetime projections of LGD take into account the expected balance outstanding on a loan at the time of default, as well as the value of associated collateral at that point in time.

16.1.10. The key elements of classification and measurement requirements under IFRS 9

IFRS 9 will require financial assets to be classified on the basis of two criteria:

- The business model within which financial assets are managed; and
- Their contractual cash flow characteristics, and specifically whether the cash flows represent Solely Payments of Principal and Interest (SPPI).

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets to collect contractual cash flows, and their contractual cash flows meet the SPPI requirements.

Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows as well as selling financial assets and their contractual cash flows meet the SPPI requirements.

Other financial assets are required to be measured at FVPL if they are held for the purposes of trading, if their contractual cash flows do not meet the SPPI criterion, or if they are managed on a fair value basis and the Group maximises cash flows through sale. IFRS 9 allows an entity to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch).

An entity is permitted to make an irrevocable election for non-traded equity investments to be measured at FVOCI, in which case dividends are recognised in profit or loss, but other gains or losses remain in equity and are not reclassified to profit or loss upon derecognition.

The accounting for financial liabilities remains largely unchanged, except for financial liabilities designated at FVPTL. Gains and losses on such financial liabilities are required to be presented in OCI, to the extent that they relate to changes in own credit risk. The Group early adopted this requirement in 2017.

Condensed notes to the consolidated financial results

for the reporting period ended

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.10 The key elements of classification and measurement requirements under IFRS 9 (continued)

Classification and measurement impact

The following table presents the changes in the classification of financial assets as at 1 January 2018, by showing the changes in the carrying amounts on the basis of their measurement categories in accordance with IAS 39 and the changes in the net carrying amounts, which includes the effects of ECL:

	IAS 39				IFRS 9	
Assets	Measurement category	Carrying amount Rm	Reclassi-fication Rm	Remeasure-ment Rm	Measurement category	Carrying amount Rm
Cash, cash balances and balances with central banks	Designated at FVTPL	4 808	(4 808)	—	Designated at FVTPL	—
		—	4808	—	Mandatorily at FVTPL	4 808
	AFS – designated	952	—	—	FVOCI – debt instruments	952
	Amortised cost – designated	42 909	—	(10)	Held at amortised cost	42 899
		48 669	—	(10)		48 659
Investment securities	Designated at FVTPL	26 335	(14 972)	—	Designated at FVTPL	11 363
		—	14 972	—	Mandatorily at FVTPL	14 972
	AFS – designated	64 657	(7 593)	—	FVOCI – debt instruments	57 064
		—	752	—	FVOCI – equity instruments	752
	AFS – hedged items	20 417	—	—	FVOCI – hedged items	20 417
		—	6 646	(2)	Amortised cost – debt instruments	6 644
		111 409	(195)	(2)		111 212
Loans and advances to banks	Designated at FVTPL	17 198	(15 747)	—	Designated at FVTPL	1 451
			15 747		Mandatorily at FVTPL	15 747
	Amortised cost – designated	38 228	—	(67)	Amortised cost – debt instruments	38 161
		55 426	—	(67)		55 359
Trading portfolio assets	FVTPL – held for trading	130 132	—	—	Mandatorily at FVTPL	130 132
Hedging portfolio assets	FVTPL – hedging instrument	2 673	—	—	FVTPL – hedging Instrument	2 673
Other assets	Designated at FVTPL	4	(4)	—	Designated at FVTPL	—
		—	4	—	Mandatorily at FVTPL	4
	Amortised cost – designated	17 486	—	—	Amortised cost – designated	17 486
		17 490	—	—		17 490
Loans and advances to customers	Designated at FVTPL	26 811	(19 378)	—	Designated at FVTPL	7 433
			19 358	—	Mandatory at FVTPL	19 358
	Amortised cost – designated	722 915	—	(5034)	Amortised cost – designated	717 881
	Amortised cost – hedged items	46	—	—	Amortised cost – hedged items	46
		749 772	(20)	(5 034)		744 718
Investments linked to investment contracts	Designated at FVTPL	18 877	(18 877)	—	Designated at FVTPL	—
		—	18 877	—	Mandatory at FVTPL	18 877
	FVTPL – held for trading	59	—	—	FVTPL – held for Trading	59
		18 936	—	—		18 936
Non-current asset held for sale	Amortised cost – designated	1 118	—	—	Amortised cost – designated	1 118
Assets outside the scope of IFRS 9		30 354	55	1 076	Assets outside the scope of IFRS 9	31 485
Total assets		1 165 979	(160)	(4 037)		1 161 782

16. Reporting changes overview (continued)

16.1 Initial adoption of IFRS 9 Financial Instruments (continued)

16.1.10 The key elements of classification and measurement requirements under IFRS 9 (continued)

Classification and measurement impact (continued)

Adoption of the new classification and measurement rules will require a limited number of reclassifications to be effected as at 1 January 2018, but will not require a significant adjustment to the gross carrying values of the Group's financial assets and financial liabilities. Initial application of the new requirements resulted in a decrease in reserves of **R140m** (after tax) as at 1 January 2018. Explanations of the reclassifications that will be required are provided below:

- A portfolio of consumer price index (CPI) linked investment securities within Treasury, have been reclassified from available-for-sale under IAS 39, to amortised cost in terms of the Group's business model of holding the instruments to collect contractual cash flows. Had these assets not been reclassified to amortised, the fair value of the instruments would have been **R5 619m**, and a fair value loss of **R74m** would have been recognised in OCI during the reporting period.
- Certain financial assets, including loans and advances in CIB and investments in WIMI were designated at FVTPL under IAS 39 as they were managed on a fair value basis. In terms of IFRS 9, these assets are now required to be measured at FVTPL, and noted as mandatory designations.
- Debt securities are held by Treasury in a separate portfolio to meet everyday liquidity needs. These were classified as available-for-sale under IAS 39. Treasury seeks to minimise the cost of managing liquidity needs and therefore actively manages the return on the portfolio. The return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The business model may result in sales activity and these instruments have therefore been classified at FVOCI under IFRS 9.
- In a particular jurisdiction within Rest of Africa, a small portfolio of debt securities held by Treasury have been reclassified from available-for-sale to amortised cost as there is limited evidence of an ability to sell these securities, and the portfolio is therefore aligned to a business model with the objective of collecting contractual cash flows.
- Commodity-linked debt instruments within CIB were previously bifurcated and separately recognised as a loan at amortised cost and a derivative. These are now classified as FVTPL as their cash flows do not consist of SPPI.
- Debt securities held by insurance entities within the rest of Africa have been reclassified from available-for-sale to amortised cost. The objective of the portfolio is to collect contractual cash flows as the securities are neither held within a portfolio whose business model is to manage the securities and evaluate their performance on a fair value basis, nor is it possible to evidence an adequate frequency and volume of sales.

In October 2017, the IASB issued an amendment to IFRS 9 *Prepayment Features with Negative Compensation*. Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain). The amendment clarifies how a company would classify and measure a debt instrument if the borrower is permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Under the amendments, the sign of the prepayment amount is not relevant. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. This amendment is effective on 1 January 2019 and is not expected to have a significant impact on the Group.

16.1.11 Governance

16.1.11.1 Implementation of IFRS 9

The implementation of IFRS 9 has been completed through a jointly accountable risk and finance governance programme, with representation from all impacted departments. A parallel run of IFRS 9 and IAS 39 was initiated in February 2017, providing oversight for both IAS 39 and IFRS 9 impairment results. This included model, process and output validation, testing, calibration and analysis. During the course of the programme there have been regular updates provided to the Group Audit Compliance Committee (GACC), who have approved key judgements and decisions.

16.1.11.2 Ongoing governance of IFRS 9

The Group's basic risk management framework has not been altered due to the introduction of IFRS 9. The Group Credit Impairment Committee (GCIC) remains the key management committee responsible for the governance of impairments as well as the oversight of the Group's impairment position. The overall credit risk appetite also remains unchanged with all the controls in place in the business for the extension and subsequent monitoring of credit exposure. It has, however, been necessary to develop new processes and related controls to support the calculation of the Group's ECL. In particular, new governance processes have been established to review and approve the forward-looking macroeconomic assumptions.

16.2. Adoption of IFRS 15 Revenue from contracts with customers (IFRS 15)

IFRS 15 is effective from 1 January 2018, and replaces the previous revenue recognition standards and interpretations, including IAS 18 *Revenue* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 establishes a single approach for the recognition and measurement of revenue, and requires an entity to recognise revenue as performance obligations are satisfied. It applies to all contracts with customers except for transactions specifically scoped out, which includes interest, dividends, leases, and insurance contracts. The adoption of IFRS 15 has resulted in a change in the accounting treatment of a loyalty programme which resulted in a reduction in retained earnings of **R44m**, net of tax.

16. Reporting changes overview (continued)

16.3 Accounting policy amendments

16.3.1 The accounting treatment of policyholder liabilities under life insurance contracts

During the current reporting period, the Group amended its accounting policy with respect to the measurement of policyholder liabilities, and specifically, with regards to the calculation of discretionary margins held within policyholder reserves. This change impacts life insurance products where the present value of expected benefit payments, plus the future expected administration expenses under a life insurance contract, is lower than the expected discounted value of the contractual premiums to be received. Prior to the change, the Group's policy was to eliminate all negative liabilities. The policy has been changed to allow for discretion to be applied in full or partial elimination of negative liabilities in order to more appropriately provide for prudent reserving and release of profits. This policy change will address scenarios where a loss is recognised in a reporting period solely as a consequence of incurring initial acquisition costs despite the contract being expected to be profitable over its duration. In accordance with the revised policy, negative liabilities will still be eliminated, to avoid the premature recognition of profits; however, such elimination is only applied to the excess remaining after adjusting for the product's initial acquisition costs. The change in accounting policy has been applied retrospectively to the extent practicable, and comparatives restated accordingly.

The effects of the retrospective application are not determinable prior to 2014 and the change in accounting policy has been applied from the start of the 2014 financial year.

The impact of this change on the Group's condensed statement of financial position as at 31 December 2017 is set out in the following table:

	As previously reported 31 December 2017 Rm	Change in accounting policy Rm	Restated 31 December 2017 Rm
Assets			
Total assets	1 165 979	—	1 165 979
Liabilities			
Policyholder liabilities under insurance contracts	4 617	(275)	4 342
Deferred tax liabilities	557	77	634
Other liabilities	1 041 745	—	1 041 745
Liabilities	1 046 919	(198)	1 046 721
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital	1 666	—	1 666
Share premium	10 498	—	10 498
Retained earnings	91 882	198	92 080
Other reserves	4 370	—	4 370
Ordinary equity holders	108 416	198	108 614
Non-controlling interest – ordinary shares	4 500	—	4 500
Non-controlling interest – preference shares	4 644	—	4 644
Non-controlling interest – Additional Tier 1 capital	1 500	—	1 500
Total equity	119 060	198	119 258
Total liabilities and equity	1 165 979	—	1 165 979

16. Reporting changes overview (continued)

16.3 Accounting policy amendments (contiued)

16.3.1 The accounting treatment of policyholder liabilities under life insurance contracts (continued)

The impact of this change on the Group's condensed statement of financial position as at 31 December 2016 is set out in the following table:

	As previously reported 31 December 2016 Rm	Change in accounting policy Rm	Restated 31 December 2016 Rm
Assets			
Total assets	1 101 023	—	1 101 023
Liabilities			
Policyholder liabilities under insurance contracts	4 469	(186)	4 283
Deferred tax liabilities	1 185	52	1 237
Other liabilities	993 089	—	993 089
Liabilities	998 743	(134)	998 609
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital	1 693	—	1 693
Share premium	4 467	—	4 467
Retained earnings	81 604	134	81 738
Other reserves	5 293	—	5 293
Ordinary equity holders	93 057	134	93 191
Non-controlling interest – ordinary shares	4 579	—	4 579
Non-controlling interest – Additional Tier 1 capital	4 644	—	4 644
Total equity	102 280	134	102 414
Total liabilities and equity	1 101 023	—	1 101 023

The impact of the change on the Group's condensed statement of comprehensive income for the reporting period ended 31 December 2017 is disclosed in the following table:

	As previously reported 31 December 2017 Rm	Change in accounting policy Rm	Restated 31 December 2017 Rm
Net interest income	42 644	—	42 644
Non-interest income	30 661	90	30 751
Changes in investment and insurance contract liabilities	(2 113)	90	(2 023)
Other non-interest income	32 774	—	32 774
Operating income before operating expenses	73 305	90	73 395
Operating expenses	(52 596)	—	(52 596)
Share of post-tax results of associates and joint ventures	170	—	170
Operating profit before income tax	20 879	90	20 969
Taxation expense	(5 857)	(25)	(5 882)
Profit for the reporting period	15 022	65	15 087
Ordinary equity holders	13 823	65	13 888
Non-controlling interest	1 199	—	1 199
	15 022	65	15 087

16. Reporting changes overview (continued)

16.3 Accounting policy amendments (contiued)

16.3.2 The presentation of net interest income

As a consequence of IFRS 9, an amendment was made to IAS 1 *Presentation of Financial Statements*, which is effective from 1 January 2018. The amendment requires interest revenue, which is calculated using the effective interest method, to be presented separately on the face of the statement of comprehensive income. This only includes interest earned on financial assets measured at amortised cost or at FVOCI, subject to the effects of applying hedge accounting to derivatives in designated hedge relationships. In compliance with this amendment the Group has separately presented its effective interest income within profit or loss, but elect to present all interest which fall outside the afore-mentioned scope as a sub-component of 'Interest and similar income'. The Group has elected to apply the same approach in presenting 'Interest expense and similar charges' to achieve consistency in the presentation of 'Net interest income'. The revised presentation has been applied on a retrospective basis, to ensure comparability between reporting periods.

16.4 Changes to reportable segments and business portfolios

The following business portfolio changes resulted in the restatement of financial results for the comparative period. None of the restatements have impacted the overall financial position or net earnings of the Group:

- The Group refined its Treasury allocation methodology, resulting in the restatement of net interest income, cash and cash equivalents and investment securities between and within segments.
- The Group continued refining its cost allocation methodology, resulting in the restatement of operating expenses between and within segments.
- Corporate and Investment Banking South Africa (CIB South Africa) review of customer portfolio to be industry specific resulted in R16bn move of loans and advances to customers from Corporate to Investment Banking.
- The South Africa Banking segment (which consisted of RBB South Africa and CIB South Africa in aggregate) has been removed in the Group's segmental disclosures to align with how the banking operations are now managed.

Absa Group Limited

Incorporated in the Republic of South Africa
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Authorised financial services and registered credit provider (NCRCP7)
JSE share code: BGA
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Significant banking subsidiaries

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Absa Bank Limited	absa.africa
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Barclays Bank of Ghana Limited	gh.barclays.com/
Barclays Bank of Kenya Limited	barclays.co.ke
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Barclays Bank Mozambique South Africa	barclays.co.mz/eng
Barclays Bank Seychelles Limited	barclays.sc
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