Absa Bank Limited

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

Contents

The Board of Directors (Board) oversees the Bank'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 Bank's financial reporting processes and serves as an independent control function advising business management, escalating identified risks and establishing policies or processes to manage risk.

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

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

Absa Bank Limited

Financial results for the period ended 30 June 2020.

Authorised financial services and registered credit provider (NCRCP7)

Registration number: 1986/004794/06

Incorporated in the Republic of South Africa

JSE share code: ABSP

ISIN: ZAE000079810

(Absa, Absa Bank, the Bank or the Company)

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

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

Dividend announcement

for the interim reporting period ended 30 June 2020

Declaration of interim preference share dividend number 29

Absa Bank non-cumulative, non-redeemable preference shares (Absa Bank preference shares)

The Absa Bank preference shares have an effective coupon rate of 70% of Absa Bank's prevailing prime overdraft lending rate (prime rate). Absa Bank's current prime rate is 7%.

Notice is hereby given of the preference dividend number 29, calculated at 70% of the average prime rate for 1 March 2020 to 31 August 2020. The dividend is payable on Monday, 21 September 2020, to shareholders of the Absa Bank preference shares recorded in the Register of Members of the Company at the close of business on Friday, 18 September 2020.

The directors of Absa Bank confirm that the Bank will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

Based on the average prime rate, the estimated preference dividend payable for the period 1 March 2020 to 31 August 2020 will be 2 741.0274 cents per Absa Bank preference share. Should there be any change to the prime rate between the date of declaration and 31 August 2020, an adjustment to the dividend will be made.

The dividend will be subject to 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 estimated gross local dividend amount is 2 741.0274 cents per preference share for shareholders exempt from the dividend tax.
- The estimated net local dividend for shareholders subject to withholding tax at a rate of 20% amounts to 2 192.82192 cents per preference share.
- Absa Bank currently has 4 944 839 preference shares in issue.
- Absa Bank's income tax reference number is 9575117719.

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

Last day to trade cum dividend	Tuesday, 15 September 2020
Shares commence trading ex-dividend	Wednesday, 16 September 2020
Record date	Friday, 18 September 2020
Payment date	Monday, 21 September 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 September 2020 and Friday, 18 September 2020, both dates inclusive. On Monday, 21 September 2020, the dividend will be electronically transferred to the bank accounts of shareholders.

On behalf of the Board

N R Drutman
Company Secretary

Johannesburg

24 August 2020

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

IFRS condensed consolidated interim financial results

for the interim reporting period ended 30 June 2020

Overview of results

Absa Bank Limited (the Bank) is a subsidiary of Absa Group Limited (the Group), which is listed on the exchange operated by the JSE Limited. These unaudited condensed consolidated interim financial results are published to provide information to holders of the Bank's listed non-cumulative, non-redeemable preference shares.

Commentary relating to the Bank's condensed consolidated interim financial results is included in the Group results, as presented to shareholders on 24 August 2020.

Basis of presentation

IFRS financial results

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

The accounting policies, presentation and disclosure of the financial results contain the information required by and comply with IAS 34.

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

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The effects of the Covid-19 pandemic have resulted in significant estimation uncertainty during the first half of the year. The accounting policies that are deemed critical to the Bank'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, impairment of financial assets measured at amortised cost, capitalisation, amortisation and impairment of internally generated intangible assets, fair value measurements, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments and offsetting of financial assets and liabilities.

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

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 2019.

Events after the reporting period

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

W E Lucas-Bull
Chairman

D Mminele
Group Chief Executive

J P Quinn
Financial Director

Johannesburg

24 August 2020

Condensed consolidated IFRS salient features

as at

	30 June		31 December
	2020 Rm	2019 Rm	2019 Rm
Statement of comprehensive income (Rm)			
Income	**25 702**	26 065	52 757
Operating expenses	**15 390**	16 464	35 116
(Loss)/profit attributable to ordinary equity holders	**(1 676)**	4 246	7 098
Headline earnings[1]	**(1 611)**	4 276	7 320
Statement of financial position			
Loans and advances to customers (Rm)	**796 592**	769 884	794 382
Total assets (Rm)	**1 291 776**	1 154 828	1 159 825
Deposits due to customers (Rm)	**745 030**	659 347	677 809
Loans to deposits and debt securities ratio (%)	**86.5**	93.7	95.1
Average loans to deposits and debt securities ratio (%)	**86.6**	85.8	86.5
Financial performance (%)			
Return on equity (RoE)	**(4.0)**	11.0	9.3
Return on average assets (RoA)	**(0.26)**	0.77	0.64
Return on risk-weighted assets (RoRWA)	**(0.53)**	1.51	1.34
Stage 3 loans ratio on gross loans and advances	**5.47**	4.59	4.47
Operating performance (%)			
Net interest margin on average interest-bearing assets	**3.24**	3.48	3.53
Credit loss ratio on gross loans and advances to customers and banks[2]	**2.49**	0.71	0.72
Non-interest as a percentage of total income	**37.6**	41.3	39.8
Cost-to-income ratio	**59.9**	63.2	66.6
Jaws	**(5)**	(2)	—
Effective tax rate	**31.5**	25.8	24.0
Share statistics (million)			
Number of ordinary shares in issue	**448.3**	448.3	448.3
Weighted average number of ordinary shares in issue	**448.3**	448.3	448.3
Diluted weighted average number of ordinary shares in issue	**448.3**	448.3	448.3
Share statistics (cents)			
Basic earnings per ordinary share (EPS)	**(373.9)**	947.1	1 583.3
Diluted basic earnings per ordinary share (DEPS)	**(373.9)**	947.1	1 583.3
Headline earnings per ordinary share (HEPS)	**(359.6)**	953.6	1 632.6
Diluted headline earnings per ordinary share (DHEPS)	**(359.6)**	953.6	1 632.6
Dividend per ordinary share relating to income for the reporting period	**—**	446.1	446.1
Dividend cover (times)	**—**	2.1	3.7
Net asset value (NAV) per ordinary share	**17 952**	18 035	18 000
Tangible NAV per ordinary share	**15 848**	16 253	16 065
Capital adequacy (%)			
Absa Bank Limited	**15.8**	16.6	16.7
Common Equity Tier 1 (%)			
Absa Bank Limited	**10.6**	12.2	11.9

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

(2) Restated, to correct the credit loss ratio on gross loans and advances to customers and banks for the reporting period ended 31 December 2019.

Condensed consolidated statement of financial position

as at

	Note	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Assets				
Cash, cash balances and balances with central banks		**31 761**	29 432	25 485
Investment securities		**100 343**	87 022	75 230
Loans and advances to banks	3	**91 441**	51 443	44 993
Trading portfolio assets		**158 650**	100 310	111 592
Hedging portfolio assets		**11 256**	3 357	3 355
Other assets		**18 804**	44 320	21 728
Current tax assets		**1 229**	852	1 223
Non-current assets held for sale	2	**44**	—	3 706
Loans and advances to customers	3	**796 592**	769 884	794 382
Loans to Absa Group Companies		**54 535**	41 960	50 460
Investments in associates and joint ventures		**1 640**	1 520	1 648
Property and equipment		**15 279**	15 701	15 588
Goodwill and intangible assets		**9 430**	7 989	8 863
Deferred tax assets		**772**	1 038	1 572
Total assets		**1 291 776**	1 154 828	1 159 825
Liabilities				
Deposits from banks		**111 127**	121 762	119 477
Trading portfolio liabilities		**102 559**	45 969	55 968
Hedging portfolio liabilities		**3 824**	1 294	1 379
Other liabilities		**38 174**	50 466	32 338
Provisions		**1 380**	1 653	2 622
Current tax liabilities		**8**	57	6
Deposits due to customers		**745 030**	659 347	677 809
Debt securities in issue		**175 593**	162 547	157 603
Borrowed funds	4	**23 147**	21 804	21 282
Deferred tax liabilities		**15**	14	16
Total liabilities		**1 200 857**	1 064 913	1 068 500
Equity				
Capital and reserves				
Attributable to equity holders:				
Ordinary share capital		**304**	304	304
Ordinary share premium		**36 879**	36 879	36 879
Preference share capital		**1**	1	1
Preference share premium		**4 643**	4 643	4 643
Additional Tier 1 capital		**5 795**	4 419	5 795
Retained earnings		**35 403**	38 637	39 075
Other reserves		**7 891**	5 031	4 625
		90 916	89 914	91 322
Non-controlling interest – ordinary shares		**3**	1	3
Total equity		**90 919**	89 915	91 325
Total liabilities and equity		**1 291 776**	1 154 828	1 159 825

Condensed consolidated statement of comprehensive income

for the interim reporting period ended

	Note	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Net interest income		**16 045**	15 291	31 772
Interest and similar income		**38 974**	41 662	81 652
Effective interest income		**38 059**	41 059	79 871
Other interest income		**915**	603	1 781
Interest expense and similar charges		**(22 929)**	(26 371)	(49 880)
Non-interest income	5	**9 657**	10 774	20 985
Net fee and commission income		**8 593**	9 471	19 060
Fee and commission income		**9 477**	10 214	20 661
Fee and commission expense		**(884)**	(743)	(1 601)
Gains and losses from banking and trading activities		**715**	926	1 485
Gains and losses from investment activities		**(1)**	1	3
Other operating income		**350**	376	437
Total income		**25 702**	26 065	52 757
Impairment losses	1	**(11 162)**	(2 860)	(6 032)
Operating income before operating expenses		**14 540**	23 205	46 725
Operating expenses		**(15 390)**	(16 464)	(35 116)
Other expenses		**(849)**	(646)	(1 456)
Other impairments	6	**(154)**	(44)	(318)
Indirect taxation		**(695)**	(602)	(1 138)
Share of post-tax results of associates and joint ventures		**(8)**	93	221
Operating (loss)/profit before income tax		**(1 707)**	6 188	10 374
Taxation expense		**537**	(1 599)	(2 488)
(Loss)/Profit for the reporting period		**(1 170)**	4 589	7 886
Loss)/Profit attributable to:				
Ordinary equity holders		**(1 676)**	4 246	7 098
Non-controlling interest – ordinary shares		**—**	—	1
Preference equity holders		**172**	174	352
Additional Tier 1 capital		**334**	169	435
		(1 170)	4 589	7 886
Earnings per share:				
Basic earnings per share (cents)		**(373. 9)**	947. 1	1 583.3
Diluted earnings per share (cents)		**(373. 9)**	947. 1	1 583.3

Condensed consolidated statement of comprehensive income

for the interim reporting period ended

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Profit for the reporting period	**(1 170)**	4 589	7 886
Other comprehensive income			
Items that will not be reclassified to profit or loss	**(49)**	(27)	(59)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(9)**	2	9
Fair value (losses)/gains	**(12)**	3	11
Deferred tax	**3**	(1)	(2)
Movement on liabilities designated at fair value through profit or loss (FVTPL) due to changes in own credit risk	**22**	(20)	(44)
Fair value losses/(gains)	**28**	(28)	(61)
Deferred tax	**(6)**	8	17
Movement in retirement benefit fund assets and liabilities	**(62)**	(9)	(24)
Decrease in retirement benefit surplus	**(87)**	(11)	(34)
Deferred tax	**25**	2	10
Items that are or may be subsequently reclassified to profit or loss	**3 377**	972	449
Movement in foreign currency translation reserve	**2**	—	—
Differences in translation of foreign operations	**2**	—	—
Movement in cash flow hedging reserve	**4 706**	973	916
Fair value gains	**7 534**	1 693	2 078
Amount removed from other comprehensive income and recognised in profit or loss	**(998)**	(342)	(806)
Deferred tax	**(1 830)**	(378)	(356)
Movement in fair value of debt instruments measured at FVOCI	**(1 331)**	(1)	(467)
Fair value losses	**(1 835)**	(2)	(629)
Release to profit or loss	**(14)**	—	(20)
Deferred tax	**518**	1	182
Total comprehensive income for the reporting period	**2 158**	5 534	8 276
Total comprehensive income attributable to:			
Ordinary equity holders	**1 652**	5 191	7 488
Non-controlling interest – ordinary shares	**—**	—	1
Preference shares	**172**	174	352
Additional Tier 1 capital	**334**	169	435
	2 158	5 534	8 276

Condensed consolidated statement of changes in equity

for the interim reporting period ended

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm
Balance at the end of the previous reporting period	**448 301**	**304**	**36 879**	**1**	**4 643**	**5 795**
Total comprehensive income	—	—	—	—	172	334
Loss for the period	—	—	—	—	172	334
Other comprehensive income	—	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	(172)	—
Distributions paid during the reporting period	—	—	—	—	—	(334)
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—	—
Movement in share-based payment reserve	—	—	—	—	—	—
Intercompany recharge	—	—	—	—	—	—
Value of employee services	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—
Balance at the end of the reporting period	**448 301**	**304**	**36 879**	**1**	**4 643**	**5 795**

All movements are reflected net of taxation.

[1] This includes ordinary shares and 'A' ordinary shares.

30 June 2020

Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
39 075	4 625	(480)	1 318	1	1 422	831	1 533	91 322	3	91 325
(1 726)	3 378	(1 331)	4 706	3	—	—	—	2 158	—	2 158
(1 676)	—	—	—	—	—	—	—	(1 170)	—	(1 170)
(50)	3 378	(1 331)	4 706	3	—	—	—	3 328	—	3 328
(2 000)	—	—	—	—	—	—	—	(2 172)	—	(2 172)
—	—	—	—	—	—	—	—	(334)	—	(334)
46	—	—	—	—	—	—	—	46	—	46
—	(104)	—	—	—	—	(104)	—	(104)	—	(104)
—	(207)	—	—	—	—	(207)	—	(207)	—	(207)
—	196	—	—	—	—	196	—	196	—	196
—	(93)	—	—	—	—	(93)	—	(93)	—	(93)
8	(8)	—	—	—	—	—	(8)	—	—	—
35 403	7 891	(1 811)	6 024	4	1 422	727	1 525	90 916	3	90 919

Condensed consolidated statement of changes in equity

for the interim reporting period ended

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm
Balance at the end of the previous reporting period	448 301	304	36 879	1	4 643	2 741
Impact of adopting new accounting standards at 1 January 2019						
IFRS 16	—	—	—	—	—	—
Adjusted balance at the beginning of the reporting period	448 301	304	36 879	1	4 643	2 741
Total comprehensive income	—	—	—	—	174	169
Profit for the period	—	—	—	—	174	169
Other comprehensive income	—	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	(174)	—
Transactions with non-controlling interest holders	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	(169)
Issuance of Additional Tier 1 capital	—	—	—	—	—	1 678
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—	—
Movement in share-based payment reserve	—	—	—	—	—	—
Intercompany recharge	—	—	—	—	—	—
Value of employee services	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	4 419

All movements are reflected net of taxation.

[1] This includes ordinary shares and 'A' ordinary shares.

30 June 2019

Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
35 209	3 918	(13)	402	1	1 422	794	1 312	83 695	(9)	83 686
(198)	—	—	—	—	—	—	—	(198)	—	(198)
35 011	3 918	(13)	402	1	1 422	794	1 312	83 497	(9)	83 488
4 217	974	1	973	—	—	—	—	5 534	—	5 534
4 246	—	—	—	—	—	—	—	4 589	—	4 589
(29)	974	1	973	—	—	—	—	945	—	945
(500)	—	—	—	—	—	—	—	(674)	—	(674)
—	—	—	—	—	—	—	—	—	10	10
—	—	—	—	—	—	—	—	(169)	—	(169)
—	—	—	—	—	—	—	—	1 678	—	1 678
2	—	—	—	—	—	—	—	2	—	2
—	46	—	—	—	—	46	—	46	—	46
—	(224)	—	—	—	—	(224)	—	(224)	—	(224)
—	244	—	—	—	—	244	—	244	—	244
—	26	—	—	—	—	26	—	26	—	26
(93)	93	—	—	—	—	—	93	—	—	—
38 637	5 031	(12)	1 375	1	1 422	840	1 405	89 914	1	89 915

Condensed consolidated statement of changes in equity

for the interim reporting period ended

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 capital Rm
Balance at the end of the previous reporting period	448 301	304	36 879	1	4 643	2 741
Impact of adopting new accounting standards at 1 January 2019						
IFRS 16	—	—	—	—	—	—
Adjusted balance at the beginning of the reporting period	448 301	304	36 879	1	4 643	2 741
Total comprehensive income	—	—	—	—	352	435
Profit for the period	—	—	—	—	352	435
Other comprehensive income	—	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	(352)	—
Transactions with non-controlling interest holders	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	(435)
Issuance of Additional Tier 1 capital	—	—	—	—	—	3 054
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—	—
Movement in share-based payment reserve	—	—	—	—	—	—
Intercompany recharge	—	—	—	—	—	—
Value of employee services	—	—	—	—	—	—
Deferred tax	—	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—	—
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	5 795

All movements are reflected net of taxation.

[1] This includes ordinary shares and 'A' ordinary shares.

31 December 2019

Retained earnings Rm	Total other reserves Rm	Fair value through other comprehensive income reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
35 209	3 918	(13)	402	1	1 422	794	1 312	83 695	(9)	83 686
(198)	—	—	—	—	—	—	—	(198)	—	(198)
35 011	3 918	(13)	402	1	1 422	794	1 312	83 497	(9)	83 488
7 039	449	(467)	916	—	—	—	—	8 275	1	8 276
7 098	—	—	—	—	—	—	—	7 885	1	7 886
(59)	449	(467)	916	—	—	—	—	390	—	390
(2 500)	—	—	—	—	—	—	—	(2 852)	—	(2 852)
—	—	—	—	—	—	—	—	—	11	11
—	—	—	—	—	—	—	—	(435)	—	(435)
—	—	—	—	—	—	—	—	3 054	—	3 054
(254)	—	—	—	—	—	—	—	(254)	—	(254)
—	37	—	—	—	—	37	—	37	—	37
—	(372)	—	—	—	—	(372)	—	(372)	—	(372)
—	430	—	—	—	—	430	—	430	—	430
—	(21)	—	—	—	—	(21)	—	(21)	—	(21)
(221)	221	—	—	—	—	—	221	—	—	—
39 075	4 625	(480)	1 318	1	1 422	831	1 533	91 322	3	91 325

Condensed consolidated statement of cash flow

for the interim reporting period ended

	Note	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Net cash generated from other operating activities		**(733)**	(2 760)	5 435
Income taxes paid		**(69)**	(1 904)	(3 326)
Net cash generated from other operating activities		**(664)**	(856)	8 761
Net cash utilised in investing activities		**985**	(2 110)	(5 213)
Purchase of property and equipment		**(1 375)**	(1 093)	(2 624)
Purchase of intangible assets		**(1 399)**	(1 190)	(2 881)
Proceeds from sale of non-current assets held for sale		**3 601**	63	50
Net cash generated from other investing activities		**158**	110	242
Net cash generated from/(utilised) financing activities		**(2 770)**	2 428	(334)
Issue of Additional Tier 1 capital		**—**	1 678	3 054
Proceeds from borrowed funds		**2 676**	1 580	1 580
Repayment of borrowed funds		**(2 500)**	—	(500)
Dividends paid		**(2 172)**	(664)	(2 841)
Net cash utilised in other financing activities		**(774)**	(166)	(1 627)
Net decrease in cash and cash equivalents		**(2 518)**	(2 442)	(112)
Cash and cash equivalents at the beginning of the reporting period	1	**9 846**	9 958	9 958
Cash and cash equivalents at the end of the reporting period	2	**7 328**	7 516	9 846

Notes to the condensed consolidated statement of cash flows

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

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Cash, cash balances and balances with central banks[1]	**8 898**	9 570	9 570
Loans and advances to banks[2]	**948**	388	388
	9 846	9 958	9 958

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

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Cash, cash balances and balances with central banks[1]	**7 206**	7 392	8 898
Loans and advances to banks[2]	**122**	124	948
	7 328	7 516	9 846

[1] Includes coins and bank notes

[2] Includes call advances, which are used as working capital for the Bank.

1. Impact of Covid-19

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

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

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

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

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

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

1. Impact of Covid-19 (continued)

Payment relief measures

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

Covid-19 customer payment relief

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

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

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

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

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

	Total gross carrying amount Rm	Percentage of portfolio Rm	Percentage of portfolio %
RBB South Africa	153 103	520 428	29.42
Home Loans	83 562	245 385	34.05
Vehicle and Asset Finance	28 611	87 592	32.66
Everyday Banking	14 295	60 677	23.56
Card	7 080	31 940	22.17
Personal Loans	7 154	24 569	29.12
Transactional and Deposits	61	4 168	1.46
Relationship Banking	26 635	126 774	21.01
CIB South Africa	37 376	307 517[1]	12.15
Loans and advances to customers	190 479	827 945	23.00

[1] Includes carrying amount of financial assets at fair value through profit and loss.

Government guaranteed loan scheme

In addition to the above, National Treasury, the South African Reserve Bank (SARB) and commercial banks jointly created a R100bn guaranteed loan scheme to assist small and medium-sized businesses, with an annual turnover of less than R300m (amended on 13 July 2020 to include larger corporates and to remove the turnover threshold), to cover short-term operational costs. The SARB has provided a special-purpose funding facility to the Bank, together with a credit guarantee. The loans granted have a maximum term of 60 months and are issued at the prime interest rate. A six-month repayment holiday commences from the first drawdown after which the repayment of interest and capital starts. Impairment losses on the loans are distributed so that the SARB absorbs a portion of impairment losses prior to the Bank. Any losses exceeding this 'first-loss' absorption, as well as the Bank's maximum loss participation (which is 6% of the notional value of loans granted), are fully recoverable in terms of the credit guarantee provided by the SARB. As at 30 June 2020 the value of loans approved amounted to **R500m**.

1. Impact of Covid-19 (continued)

Macroeconomic scenarios

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

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

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

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

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

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

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

Base scenario as at 30 June 2020

South Africa

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

Upside scenario as at 30 June 2020

South Africa

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

1. Impact of Covid-19 (continued)

Macroeconomic scenarios (continued)

Downside scenario as at 30 June 2020

South Africa

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

Estimation of probability of default, loss given default and significant increase in credit risk

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

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

Impairment losses pre- and post-management adjustments

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

	30 June				31 December
	2020				2019
	Impairments losses pre-management adjustments Rm	Macroeconomic variables management adjustment Rm	Impairment losses Rm	Impairment losses Rm	Impairment losses Rm
RBB South Africa	6 139	3 367	9 506	2 589	5 682
Home Loans	800	950	1 750	147	182
Vehicle and Asset Finance	1 203	926	2 129	548	1 099
Everyday Banking	3 257	1 023	4 280	1 708	4 082
Card	1 595	475	2 070	846	1 965
Personal Loans	1 401	466	1 867	637	1 610
Transactional and Deposits	261	82	343	225	507
Relationship Banking	880	468	1 348	188	322
RBB Other	(1)	—	(1)	(2)	(3)
CIB South Africa	881	776	1 657	284	367
Head Office, Treasury and other operations in South Africa	(1)	—	(1)	(13)	(17)
Total	7 019	4 143	11 162	2 860	6 032

Notes to the condensed consolidated financial results

for the interim reporting period ended

1. Impact of Covid-19 (continued)

Impairment losses pre- and post-management adjustments

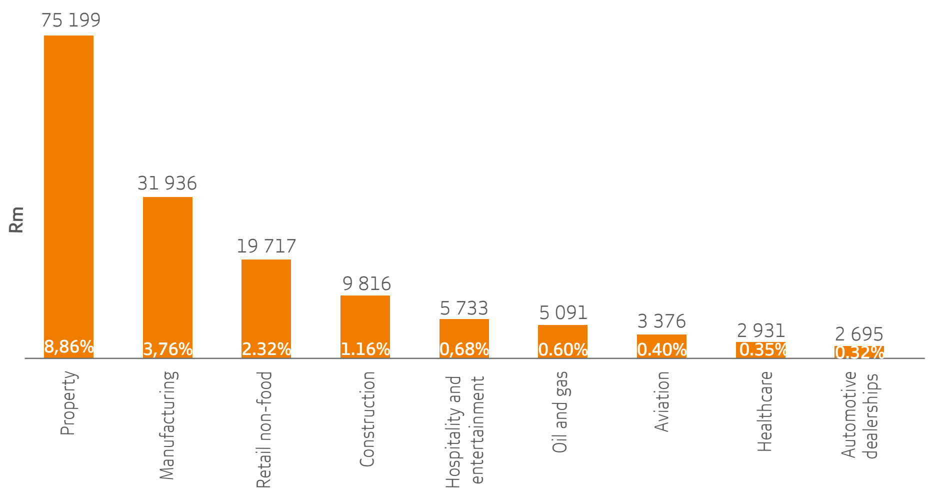
The impairment losses outlined in the table above have also been adversely impacted by increased level of risk for single name wholesale exposures. The Bank continuously monitored these exposures through the Group Distressed Assets Committee to ensure any potential risk was appropriately identified,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

	Single name impairment losses raised Rm
SA Relationship Banking	246
CIB SA	662
Total	**908**

Wholesale lending in key Covid-19 impacted industries

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

Concentration risk exposures (% of total loans)



Other estimates and judgements

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

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

1. Impact of Covid-19 (continued)

Other estimates and judgements (continued)

Post-retirement benefits	While the Absa Pension Fund meets the definition of a defined benefit pension plan, the majority of the Bank's employees are part of the defined contribution portion of the fund, and as a result the Bank's actuarial risk exposure is limited. Defined benefit pension plan valuations are determined using actuarial assumptions and due to the long-term nature of these plans, such estimates are subject to significant uncertainty. IAS 19 Employee Benefits does not require actuarial valuations to be carried out at each reporting date, however valuations must be updated for material changes in circumstances. Key assumptions at 30 June 2020 for the Absa Pension Fund include inflation of 4.6% (December 2019: 5.2%) and future salary increases of 5.6% (December 2019: 6.2%). Furthermore, IAS 19 limits the recognition of any pension fund surpluses depending on the fund's statutory rules. Although the statutory valuation of the Absa Pension Fund continues to indicate that the value of pension fund assets exceeds the actuarially determined liability, the valuation indicated negative returns attributable to the employer. The above resulted in adjustments to the amounts recognised at 30 June 2020. The negative returns attributable to the employer for the Absa Pension Fund resulted in a decrease in other comprehensive income (after tax) of **R62m** (30 June 2019: R9m decrease and 31 December 2019: R24m decrease).
Hedge accounting	Cash flow hedges are used by the Bank to protect against the potential cash flow variability arising from the Bank exposure to interest rate and foreign currency risk. The Bank's interest rate structural hedge represents its most significant cash flow hedge. An assessment of the Bank's hedge accounting position and the applied risk management strategy showed no significant changes to the way the Bank manages its risk; the movements in the hedging reserve are aligned to the movements in benchmark interest rates. Furthermore, there has been minimal impact of Covid-19 effects on hedge ineffectiveness recognised during the period ended 30 June 2020. At 30 June 2020, the Bank recognised a net increase (after tax) of **R4 706m** (30 June 2019: R971m and 31 December 2019: R913m) in other comprehensive income relating to its cash flow hedging activities following a reduction in the benchmark interest rates.

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

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

- RBB South Africa disposed a loan book with a carrying amount of **R3 685m**.
- Head Office, Treasury and other operations in South Africa transferred property and equipment with a carrying amount of **R28m** to non-current assets held for sale and a **R6m** impairment was recognised on remaining assets previously classified as held for sale.

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

- Head office, Treasury and other operations in South Africa disposed of property and equipment with carrying amount of R50m.

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

- RBB South Africa transferred Edcon loan book with a carrying amount of R3 685m to non-current assets held for sale.
- Head Office, Treasury and other operations in South Africa transferred property and equipment with a carrying amount of R21m to non-current assets held for sale.
- Head Office, Treasury and other operations in South Africa disposed of property and equipment with a carrying amount of R50m.

3. Loans and advances

3.1 ECL analysis by market segment and class of credit exposure

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	420 385	4 215	1.00
Home Loans	—	203 666	640	0.31
Vehicle and Asset Finance	—	70 073	918	1.31
Everyday Banking	—	42 914	1 984	4.62
Card	—	24 248	1 122	4.63
Personal Loans	—	16 239	726	4.47
Transactions and Deposits	—	2 427	136	5.60
Relationship Banking	—	103 732	673	0.65
RBB Other	—	—	—	—
CIB South Africa	61 392	202 762	1 352	0.67
Head Office, Treasury and other operations in South Africa	—	249	(201)	—
Loans and advances to customers	—	249	5	2.01
Reclassification to provisions[1]	—	—	(206)	—
Loans and advances to customers	61 392	623 396	5 366	0.86
Loans and advances to banks	57 630	32 909	17	0.05
Total loans and advances to customers and banks	119 022	656 305	5 383	0.82

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	428 461	2 746	0.64
Home Loans	—	203 935	266	0.13
Vehicle and Asset Finance	—	71 282	436	0.61
Everyday Banking	—	45 478	1 245	2.74
Card	—	25 719	714	2.78
Personal Loans	—	17 298	464	2.68
Transactions and Deposits	—	2 461	67	2.72
Relationship Banking	—	107 766	799	0.74
RBB Other	—	—	—	—
CIB South Africa	68 114	190 839	392	0.21
Head Office, Treasury and other operations in South Africa	—	296	(225)	—
Loans and advances to customers	—	296	7	2.36
Reclassification to provisions[1]	—	—	(232)	—
Loans and advances to customers	68 114	619 596	2 913	0.47
Loans and advances to banks	27 657	22 190	17	0.08
Total loans and advances to customers and banks	95 771	641 786	2 930	0.46

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

30 June 2020

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
54 482	5 746	10.55	45 617	19 588	42.94	490 935
19 086	523	2.74	22 633	6 134	27.10	238 088
10 774	1 164	10.80	6 745	2 999	44.46	82 511
7 922	2 672	33.73	9 849	7 374	74.87	48 655
3 059	1 389	45.41	4 641	3 701	79.75	25 736
3 743	931	24.87	4 587	3 310	72.16	19 602
1 120	352	31.43	621	363	58.45	3 317
16 700	1 387	8.31	6 337	3 029	47.80	121 680
—	—	—	53	52	98.11	1
38 543	444	1.15	4 719	949	20.11	304 671
251	(268)	—	—	(17)	—	986
251	0	—	—	—	—	495
—	(268)	—	—	(17)	—	491
93 276	5 922	6.35	50 336	20 520	40.77	796 592
922	3	0.33	—	—	—	91 441
94 198	5 925	6.29	50 336	20 520	40.77	888 033

30 June 2019

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
36 123	3 227	8.93	36 328	14 817	40.79	480 122
14 221	267	1.88	18 627	4 935	26.49	231 315
5 675	672	11.84	5 146	2 026	39.37	78 969
6 641	1 780	26.80	7 306	5 029	68.83	51 371
3 178	1 215	38.23	4 202	2 988	71.11	28 182
2 388	392	16.42	2 640	1 709	64.73	19 761
1 075	173	16.09	464	332	71.55	3 428
9 586	508	5.30	5 196	2 775	53.41	118 466
—	—	—	53	52	98.11	1
29 139	324	1.11	2 396	857	35.77	288 915
74	(236)	—	—	(16)	—	847
74	—	—	—	—	—	363
—	(236)	—	—	(16)	—	484
65 336	3 315	5.07	38 724	15 658	40.43	769 884
1 618	5	0.31	3	3	100.00	51 443
66 954	3 320	4.96	38 727	15 661	40.44	821 327

Notes to the condensed consolidated financial results

for the interim reporting period ended

3. Loans and advances (continued)

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

	Carrying amount of financial assets measured at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	443 382	2 977	0.67
Home Loans	—	210 223	293	0.14
Vehicle and Asset Finance	—	73 684	608	0.83
Everyday Banking	—	45 000	1 211	2.69
Card	—	24 493	650	2.65
Personal Loans	—	18 046	467	2.59
Transactions and Deposits	—	2 461	94	3.82
Relationship Banking	—	114 475	865	0.76
RBB Other	—	—	—	—
CIB South Africa	67 656	200 837	503	0.25
Head Office, Treasury and other operations in South Africa	—	310	(229)	—
Loans and advances to customers	—	310	12	3.87
Reclassification to provisions[1]	—	—	(241)	—
Loans and advances to customers	67 656	644 529	3 251	0.50
Loans and advances to banks	29 453	15 039	17	0.11
Total loans and advances to customers and banks	97 109	659 568	3 268	0.50

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

31 December 2019

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
36 802	3 381	9.19	36 741	14 781	40.23	495 786
13 825	235	1.70	18 780	4 909	26.14	237 391
7 996	622	7.78	5 254	1 963	37.36	83 741
6 880	1 998	29.04	7 367	5 337	72.44	50 701
2 886	1 188	41.16	3 717	2 889	77.72	26 369
2 788	489	17.54	3 107	2 128	68.49	20 857
1 206	321	26.62	543	320	58.93	3 475
8 101	526	6.49	5 287	2 520	47.66	123 952
—	—	—	53	52	98.11	1
28 905	316	1.09	1 803	615	34.11	297 767
9	(269)	—	—	(12)	—	829
9	—	—	—	—	—	307
—	(269)	—	—	(12)	—	522
65 716	3 428	5.22	38 544	15 384	39.91	794 382
521	3	0.58	—	—	—	44 993
66 237	3 431	5.18	38 544	15 384	39.91	839 375

3. Loans and advances (continued)

3.2 Reconciliation of ECL allowance

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

30 June 2020	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	29 549	2 745	(486)	31 808
Stage 1	4 215	1 352	(201)	5 366
Stage 2	5 746	444	(268)	5 922
Stage 3	19 588	949	(17)	20 520
Undrawn facilities	—	—	491	491
Stage 1	—	—	206	206
Stage 2	—	—	268	268
Stage 3	—	—	17	17
Total loans and advances to customers and undrawn facilities	29 549	2 745	5	32 299

30 June 2019	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	20 790	1 573	(478)	21 885
Stage 1	2 746	392	(226)	2 912
Stage 2	3 227	324	(236)	3 315
Stage 3	14 817	857	(16)	15 658
Undrawn facilities	—	—	484	484
Stage 1	—	—	232	232
Stage 2	—	—	236	236
Stage 3	—	—	16	16
Total loans and advances to customers and undrawn facilities	20 790	1 573	6	22 369

31 December 2019	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	21 137	1 434	(510)	22 061
Stage 1	2 977	503	(229)	3 251
Stage 2	3 380	316	(269)	3 427
Stage 3	14 780	615	(12)	15 383
Undrawn facilities	—	—	522	522
Stage 1	—	—	241	241
Stage 2	—	—	269	269
Stage 3	—	—	12	12
Total loans and advances to customers and undrawn facilities	21 137	1 434	12	22 583

3. Loans and advances (continued)

3.2 Reconciliation of ECL allowance (continued)

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

	30 June 2020			
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	**21 137**	**1 434**	**12**	**22 583**
Stage 1	2 977	503	12	3 492
Stage 2	3 380	316	—	3 696
Stage 3	14 780	615	—	15 395
Transfers between stages	—	—	—	—
Stage 1 net transfers	452	19	—	471
Stage 2 net transfers	(1 340)	(68)	—	(1 408)
Stage 3 net transfers	888	49	—	937
Impairment losses raised and interest in suspense	10 449	1 627	(7)	12 069
Amounts written off	(2 037)	(316)	—	(2 353)
Balance at the end of the reporting period	**29 549**	**2 745**	**5**	**32 299**
Stage 1	4 215	1 352	5	5 572
Stage 2	5 746	444	—	6 190
Stage 3	19 588	949	—	20 537

	30 June 2019			
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	20 172	2 698	6	22 876
Stage 1	2 682	415	6	3 103
Stage 2	3 255	305	—	3 560
Stage 3	14 235	1 978	—	16 213
Transfers between stages	—	—	—	—
Stage 1 net transfers	625	15	—	640
Stage 2 net transfers	(1 231)	(23)	—	(1 254)
Stage 3 net transfers	606	8	—	614
Impairment losses raised and interest in suspense	3 745	418	—	4 163
Amounts written off	(3 127)	(1 543)	—	(4 670)
Balance at the end of the reporting period	20 790	1 573	6	22 369
Stage 1	2 746	392	6	3 144
Stage 2	3 227	324	—	3 551
Stage 3	14 817	857	—	15 674

3. Loans and advances (continued)

3.2 Reconciliation of ECL allowance (continued)

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

	31 December 2019			
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balance at the beginning of the reporting period	20 172	2 698	6	22 876
Stage 1	2 682	415	6	3 103
Stage 2	3 255	305	—	3 560
Stage 3	14 235	1 978	—	16 213
Transfers between stages	—	—	—	—
Stage 1 net transfers	820	14	—	834
Stage 2 net transfers	(1 176)	(23)	—	(1 199)
Stage 3 net transfers	356	9	—	365
Impairment losses raised and interest in suspense	7 417	538	6	7 961
Amounts written off	(5 644)	(1 802)	—	(7 446)
Transfer to non-current assets held for sale	(808)	—	—	(808)
Balance at the end of the reporting period	21 137	1 434	12	22 583
Stage 1	2 977	503	12	3 492
Stage 2	3 380	316	—	3 696
Stage 3	14 780	615	—	15 395

4. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R2 676m** (30 June 2019: R1 580m; 31 December 2019 R1 580m) of subordinated notes were issued and **R2 500m** (30 June 2019: Rnil; 31 December 2019: R500m) were redeemed.

5. Disaggregation of non-interest income

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

	30 June 2020				
	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	8 338	1 088	51	—	9 477
Consulting and administration fees	141	8	91	—	240
Transactional fees and commissions	6 969	797	1	—	7 767
Cheque accounts	2 489	63	—	—	2 552
Credit cards	831	—	—	—	831
Electronic banking	1 968	485	—	—	2 453
Other[1]	883	249	1	—	1 133
Savings accounts	798	—	—	—	798
Merchant income	863	—	—	—	863
Trust and other fiduciary services fees	20	3	—	—	23
Other fees and commissions	23	97	(41)	—	79
Insurance commissions received	306	—	—	—	306
Investment banking fees	16	183	—	—	199
Other income from contracts with customers	24	—	—	—	24
Other non-interest income, net of expenses	(137)	146	(79)	226	156
Total non-interest income	8 225	1 234	(28)	226	9 657

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

5. Disaggregation of non-interest income (continued)

	30 June 2019				
	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	9 170	1 053	(9)	—	10 214
Consulting and administration fees	131	10	1	—	142
Transactional fees and commissions	7 776	803	9	—	8 588
Cheque accounts	2 700	68	—	—	2 768
Credit cards	1 100	—	—	—	1 100
Electronic banking	2 158	505	—	—	2 663
Other[1]	805	230	9	—	1 044
Savings accounts	1 013	—	—	—	1 013
Merchant income	891	—	—	—	891
Trust and other fiduciary services fees	34	2	—	—	36
Other fees and commissions	15	84	(19)	—	80
Insurance commissions received	298	—	—	—	298
Investment banking fees	25	154	—	—	179
Other income from contracts with customers	16	—	1	—	17
Other non-interest income, net of expenses	(42)	335	278	(28)	543
Total non-interest income	9 144	1 388	270	(28)	10 774

	31 December 2019				
	RBB South Africa Rm	CIB South Africa Rm	Head Office, Treasury and other operations in South Africa Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	18 590	2 184	(113)	—	20 661
Consulting and administration fees	283	19	—	—	302
Transactional fees and commissions	15 660	1 634	(19)	—	17 275
Cheque accounts	5 334	138	(1)	—	5 471
Credit cards	2 276	—	—	—	2 276
Electronic banking	4 377	1 020	—	—	5 397
Other[1]	1 679	476	(19)	—	2 136
Savings accounts	1 994	—	1	—	1 995
Merchant income	1 902	—	—	—	1 902
Trust and other fiduciary services fees	67	4	1	—	72
Other fees and commissions	39	178	(96)	—	121
Insurance commissions received	593	—	—	—	593
Investment banking fees	46	349	1	—	396
Other income from contracts with customers	57	—	7	—	64
Other non-interest income, net of expenses	(363)	596	59	(32)	260
Total non-interest income	18 284	2 780	(47)	(32)	20 985

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

6. Other impairments

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Intangible assets[1]	74	—	121
Non-current assets held for sale[2]	6	—	—
Property and equipment[3]	74	44	197
	154	44	318

7. Headline earnings

	30 June 2020 Gross Rm	30 June 2020 Net[4] Rm	30 June 2019 Gross Rm	30 June 2019 Net[4] Rm	31 December 2019 Gross Rm	31 December 2019 Net[4] Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holders of the Bank		(1 676)		4 246		7 098
Total headline earnings adjustments:		65		30		222
IFRS 3 – Gain on bargain purchase	(86)	(66)	—	—	—	—
IAS 16 – Loss/(Profit) on disposal of property and equipment	1	0	4	3	(6)	(4)
IAS 36 – Impairment of property and equipment	74	55	44	33	197	145
IAS 36 – Impairment of intangible assets	74	72	—	—	121	87
IFRS 5 – Re-measurement of non-current assets held for sale	6	4	(9)	(6)	(9)	(6)
Headline earnings/diluted headline earnings		**(1 611)**		4 276		7 320
Headline earnings per share/diluted headline earnings per share (cents)		**(359.6)**		953.6		1 632.8

[1] Relates to software that is no longer in use for which the value in use is Rnil.

[2] Relates to the decrease in fair value less cost to sell of non-current assets held for sale.

[3] Relates to property and equipment which are held for sale under IFRS 5. The impairment has been calculated with reference to fair value less cost to sell prior to the transfers of property and equipment to non-current assets held for sale.

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

8. Dividends per share

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
Dividends declared to ordinary equity holders			
Interim dividend[1] (13 August 2019: 446.12851 cents per share (cps))	—	2 000	2 000
Final dividend (11 March 2020: 446.129 cps)	—	—	2 000
	—	2 000	4 000
Dividends declared to preference equity holders			
Interim dividend **(24 August 2020: 2741.02740 cps)** (13 August 2019: 3 595.89 cps)	**136**	178	178
Final dividend (11 March 2020: 3 469.3151 cps)	—	—	172
	136	178	350
Distributions declared to Additional Tier 1 capital note holder			
10 January 2020: 29 049.32 Rands per note (rpn); 10 January 2019: 29 981.67 rpn	**36**	37	37
28 February 2020: 28 502.36 rpn	**48**	—	—
5 March 2020: 27 569.26 rpn	**38**	—	—
12 March 2020: 31 039.73 rpn; 12 March 2019: 31 561.64 rpn	**47**	47	47
14 April 2020: 30 061.64 rpn; 10 April 2019: 29 342.47 rpn	**36**	36	36
28 May 2020: 27 143.01 rpn	**46**	—	—
5 June 2020: 27 075.73 rpn	**37**	—	—
12 June 2020: 30 392.77 rpn; 12 June 2019: 32 263.01 rpn	**46**	49	49
10 July 2019: 29 688.43 rpn	—	—	37
28 August 2019: 29 344.21 rpn	—	—	49
12 September 2019: 32 031.12 rpn	—	—	48
10 October 2019: 29 659.28 rpn	—	—	37
28 November 2019: 28 525.04 rpn	—	—	48
12 December 2019: 31 059.67 rpn	—	—	47
	334	169	435
Dividends paid to ordinary equity holders			
Final dividend **(20 April 2020: 446.12851 cps)** (15 April 2019: 111.532 cps)	**2 000**	500	500
Interim dividend (16 September 2019: 446.12851 cps)	—	—	2 000
	2 000	500	2 500
Dividends paid to preference equity holders			
Final dividend **(20 April 2020: 3 595.89 cps)** (15 April 2019: 3 518.6986 cps)	**172**	174	174
Interim dividend (16 September 2019: 3 595.89 cps)	—	—	178
	172	174	352
Distributions paid to Additional Tier 1 capital note holder			
10 January 2020: 29 049.32 Rands per note (rpn); 10 January 2019: 29 981.67 rpn	**36**	37	37
28 February 2020: 28 502.36 rpn	**48**	—	—
5 March 2020: 27 569.26 rpn	**38**	—	—
12 March 2020: 31 039.73 rpn; 12 March 2019: 31 561.64 rpn	**47**	47	47
14 April 2020: 30 061.64 rpn; 10 April 2019: 29 342.47 rpn	**36**	36	36
28 May 2020: 27 143.01 rpn	**46**	—	—
5 June 2020: 27 075.73 rpn	**37**	—	—
12 June 2020: 30 392.77 rpn; 12 June 2019: 32 263.01 rpn	**46**	49	49
10 July 2019: 29 688.43 rpn	—	—	37
28 August 2019: 29 344.21 rpn	—	—	49
12 September 2019: 32 031.12 rpn	—	—	48
10 October 2019: 29 659.28 rpn	—	—	37
28 November 2019: 28 525.04 rpn	—	—	48
12 December 2019: 31 059.67 rpn	—	—	47
	334	169	435

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

9. Acquisitions and disposals of businesses and other similar transactions

9.1. Acquisitions of businesses during the current reporting period

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

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

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

The Bank fully disposed of the Edcon loan book on 1 February 2020. The Bank received a cash consideration of **R3 601m** on disposal.

9.3 Acquisitions and disposal of businesses during the previous reporting periods

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

10. Related parties

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

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

11. Contingencies, Commitments and Similar items

	30 June		31 December
	2020 Rm	2019 Rm	2019 Rm
Guarantees	**42 901**	35 020	33 523
Irrevocable debt facilities/other lending facilities	**146 507**	173 908	134 154
Letters of credit	**4 505**	6 161	5 303
Other	**7**	62	1
	193 920	215 151	172 981
Authorised capital expenditure			
Contracted but not provided for	**773**	763	187

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

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

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

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

11. Contingencies, Commitments and Similar items (continued)

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.

Legal matters

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

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

The Bank 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 Bank 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 Bank is or has been engaged.

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

Regulatory matters

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

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

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

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

Income taxes

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

The Bank 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 Bank's Tax Risk Framework.

12. Segment reporting

	30 June 2020 Rm	30 June 2019 Rm	31 December 2019 Rm
12.1 Total headline earnings by segment			
RBB South Africa	**(268)**	4 064	7 900
CIB South Africa	**326**	1 255	2 487
Head Office, Treasury and other operations in South Africa[1]	**(1 208)**	(580)	(1 747)
Barclays PLC separation effects[2]	**(461)**	(463)	(1 320)
Total headline earnings	**(1 611)**	4 276	7 320
12.2 Total income by segment			
RBB South Africa	**21 002**	21 114	42 889
CIB South Africa	**5 191**	4 884	9 993
Head Office, Treasury and other operations in South Africa[1]	**(770)**	(18)	(288)
Barclays PLC separation effects[2]	**279**	85	163
Total income	**25 702**	26 065	52 757
12.3 Total internal income by segment			
RBB South Africa	**(1 975)**	(4 166)	(7 907)
CIB South Africa	**(6 585)**	(3 206)	(7 817)
Head Office, Treasury and other operations in South Africa[1]	**4 430**	8 628	16 330
Barclays PLC separation effects[2]	**53**	113	195
Total internal income	**(4 077)**	1 369	801
12.4 Total assets by segment			
RBB South Africa	**866 831**	822 765	862 086
CIB South Africa[3]	**783 144**	638 131	651 038
Head Office, Treasury and other operations in South Africa[1],[3]	**(363 096)**	(309 937)	(357 795)
Barclays PLC separation effects[2]	**4 897**	3 869	4 496
Total assets	**1 291 776**	1 154 828	1 159 825
12.5 Total liabilities by segment			
RBB South Africa	**863 946**	816 255	851 699
CIB South Africa[3]	**782 020**	635 545	647 155
Head Office, Treasury and other operations in South Africa[1],[3]	**(443 701)**	(382 455)	(427 518)
Barclays PLC separation effects[2]	**(1 408)**	(4 432)	(2 836)
Total liabilities	**1 200 857**	1 064 913	1 068 500

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

[2] 'Barclays separation effect' is the reconciling stripe between IFRS and normalized results and does not represent a reportable segment.

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

13. Assets and liabilities not held at fair value

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

	30 June			
	2020		2019	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with the South African Reserve Bank	24 554	24 554	22 040	22 040
Coins and bank notes	7 206	7 206	7 392	7 392
Cash, cash balances and balances with central banks	31 760	31 760	29 432	29 432
Investment securities	29 815	31 084	6 612	6 710
Loans and advances to banks	33 811	33 811	23 786	23 786
Other assets	15 942	15 942	42 191	42 191
RBB South Africa	490 934	485 989	480 122	481 359
Home Loans	238 089	236 115	231 315	231 315
Vehicle and Asset Finance	82 511	81 224	78 969	79 291
Everyday Banking	48 654	47 937	51 371	52 161
Card	25 735	25 735	28 182	28 779
Personal loans	19 602	18 885	19 761	19 915
Transactions and Deposits	3 317	3 317	3 428	3 467
Relationship Banking	121 679	120 712	118 466	118 591
RBB Other	1	1	1	1
CIB South Africa	243 278	242 656	220 801	220 801
Head Office, Treasury and other operations in South Africa	988	988	847	847
Loans and advances to customers – net of impairment losses	735 200	729 633	701 770	703 007
Loans to Group companies	54 696	54 696	41 960	41 960
Total assets (not held at fair value)	901 224	896 926	845 751	847 086
Financial liabilities				
Deposits from banks	96 443	96 580	55 268	55 268
Other liabilities	35 662	35 662	16 148	16 148
Call deposits	82 537	82 537	64 226	64 226
Cheque account deposits	175 953	175 953	170 720	170 720
Credit card deposits	1 973	1 973	1 792	1 792
Fixed deposits	154 348	157 904	149 064	149 064
Foreign currency deposits	38 240	38 240	19 437	19 437
Notice deposits	72 019	72 019	62 106	62 106
Other deposits	600	600	1 021	1 021
Savings and transmission deposits	173 343	173 343	141 890	141 890
Deposits due to customers	699 013	702 569	610 256	610 256
Debt securities in issue	140 617	140 367	134 375	136 451
Borrowed funds	23 147	23 132	21 804	21 804
Total liabilities (not held at fair value)	994 882	998 310	837 851	839 927

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

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

	31 December 2019	
	Carrying amount Rm	Fair value Rm
Financial assets		
Balances with the South African Reserve Bank	16 587	16 587
Coins and bank notes	8 898	8 898
Cash, cash balances and balances with central banks	25 485	25 485
Investment securities	7 087	7 064
Loans and advances to banks	15 540	15 540
Other assets	19 183	19 183
RBB South Africa	495 786	497 234
Home Loans	237 391	237 391
Vehicle and Asset Finance	83 740	84 080
Everyday Banking	50 701	51 313
Card	26 369	26 778
Personal loans	20 857	21 022
Transactions and Deposits	3 475	3 513
Relationship Banking	123 953	124 449
RBB Other	1	1
CIB South Africa	230 111	230 111
Head Office, Treasury and other operations in South Africa	829	829
Loans and advances to customers – net of impairment losses	726 726	728 174
Loans to Group companies	50 460	50 460
Non-current assets held for sale	3 685	3 685
Total assets (not held at fair value)	848 166	849 591
Financial liabilities		
Deposits from banks	71 357	71 357
Other liabilities	11 701	11 701
Call deposits	52 406	52 406
Cheque account deposits	159 981	159 981
Credit card deposits	1 862	1 862
Fixed deposits	157 998	158 421
Foreign currency deposits	23 975	23 975
Notice deposits	68 997	68 997
Other deposits	722	722
Savings and transmission deposits	156 430	156 430
Deposits due to customers	622 371	622 794
Debt securities in issue	128 241	130 978
Borrowed funds	21 282	21 282
Total liabilities (not held at fair value)	854 952	858 112

14. Assets and liabilities held at fair value

14.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

Investment properties

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

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

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

14.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

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

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

14.2 Fair value measurements (continued)

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

Equity instruments

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

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

Derivatives

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

Loans and advances

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

Deposits, debt securities in issue and borrowed funds

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

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

14.3 Fair value adjustments

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

Bid-offer valuation adjustments

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

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

14.4 Fair value hierarchy

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

	30 June							
	2020				2019			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	39 480	22 983	8 065	70 528	41 880	25 501	13 029	80 410
Loans and advances to banks	—	57 630	—	57 630	—	27 657	—	27 657
Trading and hedging portfolio assets	47 593	120 064	1 046	168 703	41 886	55 878	4 976	102 740
Debt instruments	45 833	1 039	52	46 924	40 170	778	212	41 160
Derivative assets	—	107 460	366	107 826	—	47 734	2 783	50 517
Commodity derivatives	—	1 548	—	1 548	—	289	71	360
Credit derivatives	—	—	218	218	—	—	164	164
Equity derivatives	—	2 922	49	2 971	—	1 917	2 474	4 391
Foreign exchange derivatives	—	18 549	38	18 587	—	7 922	6	7 928
Interest rate derivatives	—	84 441	61	84 502	—	37 606	68	37 674
Equity instruments	511	—	—	511	651	—	—	651
Money market assets	1 249	11 565	628	13 442	1 065	7 366	1 981	10 412
Loans and advances to customers	—	51 372	10 020	61 392	—	52 181	15 933	68 114
Total financial assets	87 073	252 049	19 131	358 253	83 766	161 217	33 938	278 921
Financial liabilities								
Deposits from banks	—	14 684	—	14 684	—	66 491	3	66 494
Trading and hedging portfolio liabilities	7 914	95 788	2 681	106 383	8 789	37 281	1 193	47 263
Derivative liabilities	—	95 788	2 681	98 469	—	37 281	1 193	38 474
Commodity derivatives	—	1 344	—	1 344	—	394	69	463
Credit derivatives	—	—	292	292	—	—	145	145
Equity derivatives	—	2 413	2 057	4 470	—	1 952	589	2 541
Foreign exchange derivatives	—	16 752	11	16 763	—	7 279	136	7 415
Interest rate derivatives	—	75 279	321	75 600	—	27 656	254	27 910
Short positions	7 914	—	—	7 914	8 789	—	—	8 789
Deposits due to customers	120	42 383	3 514	46 017	—	45 814	3 276	49 090
Debt securities in issue	782	34 194	—	34 976	—	28 171	—	28 171
Total financial liabilities	8 816	187 049	6 195	202 060	8 789	177 757	4 472	191 018
Non-financial assets								
Commodities	1 202	—	—	1 202	927	—	—	927

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

14.4 Fair value hierarchy (continued)

	31 December 2019			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets				
Investment securities	32 732	23 178	12 233	68 143
Loans and advances to banks	—	29 453	—	29 453
Trading and hedging portfolio assets	41 613	66 410	6 256	114 279
Debt instruments	40 547	970	210	41 727
Derivative assets	—	56 771	3 672	60 443
Commodity derivatives	—	302	—	302
Credit derivatives	—	—	155	155
Equity derivatives	—	2 036	3 454	5 490
Foreign exchange derivatives	—	12 604	7	12 611
Interest rate derivatives	—	41 829	56	41 885
Equity instruments	520	—	—	520
Money market assets	546	8 669	2 374	11 589
Loans and advances to customers	—	56 752	10 904	67 656
Total financial assets	74 345	175 793	29 393	279 531
Financial liabilities				
Deposits from banks	—	48 120	—	48 120
Trading and hedging portfolio liabilities	10 401	45 815	1 131	57 347
Derivative liabilities	—	45 815	1 131	46 946
Commodity derivatives	—	475	—	475
Credit derivatives	—	—	132	132
Equity derivatives	—	1 125	707	1 832
Foreign exchange derivatives	—	11 901	15	11 916
Interest rate derivatives	—	32 314	277	32 591
Short positions	10 401	—	—	10 401
Deposits due to customers	156	51 440	3 842	55 438
Debt securities in issue	1 043	28 319	—	29 362
Total financial liabilities	11 600	173 694	4 973	190 267
Non-financial assets				
Commodities	668	—	—	668

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

14.5 Measurement of assets and liabilities categorised at Level 2

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

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

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

14.6 Reconciliation of Level 3 assets and liabilities

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

	30 June 2020				
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	**6 256**	**10 904**	**12 233**	**—**	**29 393**
Net interest income	**—**	**137**	**57**	**—**	**194**
Gains and losses from banking and trading activities	**(3 209)**	**283**	**(345)**	**—**	**(3 271)**
Purchases	**33**	**122**	**21**	**—**	**176**
Sales	**(5)**	**(143)**	**(2 536)**	**—**	**(2 684)**
Movement in other comprehensive income	**—**	**—**	**(170)**	**—**	**(170)**
Transfer to Level 3	**16**	**67**	**499**	**—**	**582**
Transfer out of Level 3	**(2 045)**	**(1 350)**	**(1 694)**	**—**	**(5 089)**
Closing balance at the end of the reporting period	**1 046**	**10 020**	**8 065**	**—**	**19 131**

	30 June 2019				
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	3 449	10 661	9 537	180	23 827
Net interest income	—	235	63	—	298
Gains and losses from banking and trading activities	656	506	38	—	1 200
Gains and losses from investment activities	398	4 679	—	—	5 077
Purchases	(46)	(82)	(10)	(180)	(318)
Sales	—	—	(73)	—	(73)
Movement in other comprehensive income					
Transfer to Level 3	1 244	21	3 979	—	5 244
Transfer out of Level 3	(725)	(87)	(505)	—	(1 317)
Closing balance at the end of the reporting period	4 976	15 933	13 029	—	33 938

	31 December 2019				
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	3 449	10 661	9 537	180	23 827
Net interest income	—	439	88	—	527
Gains and losses from banking and trading activities	1 973	(471)	1	—	1 503
Gains and losses from investment activities	—	—	19	—	19
Purchases	1 101	4 602	1 378	—	7 081
Sales	(333)	(1 767)	(273)	(180)	(2 553)
Movement in other comprehensive income	—	—	(109)	—	(109)
Settlements	—	—	(7)	—	(7)
Transfer to Level 3	962	52	2 134	—	3 148
Transfer out of Level 3	(896)	(2 612)	(535)	—	(4 043)
Closing balance at the end of the reporting period	6 256	10 904	12 233	—	29 393

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

14.6 Reconciliation of Level 3 assets and liabilities (continued)

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

	30 June 2020			
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	**—**	**1 131**	**3 842**	**4 973**
Gains and losses from banking and trading activities	**—**	**1 577**	**(43)**	**1 534**
Issues	**—**	**—**	**618**	**618**
Settlements	**—**	**(13)**	**(576)**	**(589)**
Transfer out of Level 3	**—**	**(14)**	**(327)**	**(341)**
Closing balance at the end of the reporting period	**—**	**2 681**	**3 514**	**6 195**

	30 June 2019			
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	19	1 454	2 822	4 295
Gains and losses from banking and trading activities	—	144	182	326
Issues	—	135	1 162	1 297
Settlements	(16)	—	(14)	(30)
Transfer out of Level 3	—	(540)	(876)	(1 416)
Closing balance at the end of the reporting period	3	1 193	3 276	4 472

	31 December 2019			
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	19	1 454	2 822	4 295
Gains and losses from banking and trading activities	—	276	96	372
Issues	—	36	3 808	3 844
Settlements	—	—	(1 887)	(1 887)
Transfer out of Level 3	(19)	(635)	(997)	(1 651)
Closing balance at the end of the reporting period	—	1 131	3 842	4 973

14.6.1 Significant transfers between levels

During the 2020 and 2019 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers have been reflected as if they had taken place at the beginning of the year.

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

14.7 Unrealised gains and losses on Level 3 assets and liabilities

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

	30 June 2020						
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	**305**	**1 498**	**41**	**1 844**	**(1 816)**	**(163)**	**(1 979)**

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

	31 December 2019						
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	3 197	539	220	3 956	(520)	163	(357)

14.8 Sensitivity analysis of valuations using unobservable inputs

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

The following table reflects the reasonable possible variances applied to significant parameters utilised in our valuations.

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

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

14.8 Sensitivity analysis of valuations using unobservable inputs (continued)

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

		30 June 2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	**Absa Group Limited/Absa funding**	**324/(368)**	**—/—**
Investment securities	**Risk adjustment yield curves, future earnings and marketability discounts**	**—/—**	**(151)/156**
Loans and advances to customers	**Credit spreads**	**(689)/760**	**—/—**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**31/(31)**	**—/—**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(18)/18**	**—/—**

		30 June 2019	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	AGL/Absa funding spread	180/(180)	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discounts	—/—	(32)/32
Loans and advances to customers	Credit spreads	(444)/444	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	455/(455)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(256)/256	—/—

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

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

14.9 Measurement of assets and liabilities at Level 3

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

			30 June		31 December
			2020	2019	2019
Category of asset/liability	**Valuation techniques applied**	**Significant unobservable inputs**	Range of estimates utilised for the unobservable inputs		
Loans and advances to banks and customers	Discounted cash flow and/or dividend yield models	Credit spreads	**0.66% to 2.92%**	2.45% to 3.21%	0.1% to 2.9%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Marketability discounts and/ or comparator multiples	**Discount rate of 7.75% to 8%**	Discount rate of 7.75% to 8%	Discount rate of 7.75% to 8%
Trading and hedging portfolio assets and liabilities					
Debt instruments	Discounted cash flow models	Credit spreads	**0.25% to 13.02%**	0.15% to 8.2%	0.5% to 12.8%
Derivative assets					
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, Recovery rates and/or, Quanto ratio	**0.02% to -26% 15% to -93% 60% to -90%**	0.03% to -14%, 15% to -76%, 60% to -90%	0.02% to -26%, 15% to -93.2%, 60% to -90%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**18.5% to 78.6%**	10.3% to 52.8%	9.3% to 67.3%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**0.57% to 25%**	1.41% to 27%	1.4% to 26%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (less than 1 year), repurchase agreement curves (less than 1 year), funding spreads	**0.25% to 6.5%**	0.05% to 8.7%	0.3% to 8.5%
Deposits due to customers	Discounted cash flowmodels	The Bank's funding spreads (greater than 5 years)	**1.2% to 1.9%**	2.2% to 3.7%	1.13% to 1.7%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.2% to 1.9%**	1.2% to 1.8%	1.13% to 1.7%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	**1 to 5 years**	1 to 6 years	1 to 6 years
		Annual selling price escalations	**6%**	6%	6%
		Annual rental escalations	**n/a**	n/a	6%
		Expense ratios	**n/a**	n/a	n/a
		Vacancy rates	**n/a**	n/a	n/a
		Income capitalisation rates	**7.75% to 8%**	7.5% to 8%	7.5% to 8%
		Risk adjusted discount rates	**10% to 15%**	10% to 15%	10% 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 to be observable, depending on other facts and circumstances.

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

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

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

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

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

	30 June		31 December
	2020 Rm	2019 Rm	2019 Rm
Opening balance at the beginning of the reporting period	**(407)**	(428)	(428)
New transactions	**(101)**	(21)	(52)
Amounts recognised in profit or loss during the reporting period	**21**	39	73
Closing balance at the end of the reporting period	**(487)**	(410)	(407)

14.11 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements during the current and previous reporting periods.

15. Additional risk management disclosure

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

15.1 Credit risk disclosures

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

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

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

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15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

	30 June 2020			
		Stage 1		
Maximum exposure to credit risk	Gross Maximum Exposure Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Balances with SARB	24 554	24 554	—	—
Cash, cash balances and balances with central banks	24 554	24 554	—	—
Government bonds	64 433	64 433	—	—
Other	20 984	19 071	297	—
Treasury bills	11 253	11 133	—	—
Investment securities	96 670	94 637	297	—
Loans and advances to banks	33 831	28 778	4 130	—
Accounts receivable	6 590	3 039	3 549	—
Settlement accounts	9 352	9 159	193	—
Other assets	15 942	12 198	3 742	—
RBB South Africa	520 486	30 140	372 676	17 568
Home Loans	245 385	7 833	189 693	6 139
Vehicle and Asset Finance	87 593	1 124	62 572	6 377
Everyday Banking	60 686	3 355	34 507	5 052
Card	31 949	2 605	19 550	2 094
Personal Loans	24 569	558	13 166	2 514
Transactions and Deposits	4 168	192	1 791	444
Relationship Banking	126 769	17 828	85 904	—
RBB Other	53	—	—	—
CIB South Africa	246 023	124 826	77 929	7
Head Office, Treasury and other operations in South Africa	500	238	11	—
Loans and advances to customers	767 009	155 204	450 616	17 575
Loans and advances to group companies	54 696	54 696	—	—
Off-statement of financial position exposure	—			
Guarantees	42 901			
Letters of credit	4 505			
Revocable and irrevocable debt facilities	178 041			
Total off-statement of financial position exposure	225 447			

	Stage 2		
DG1-9 Rm	DG10-19 Rm	DG20-21 Rm	Default Rm
—	—	—	—
—	—	—	—
—	—	—	—
348	1 268	—	—
—	120	—	—
348	1 388	—	—
33	868	22	—
—	2	—	—
—	—	—	—
—	2	—	—
5 057	35 945	13 479	45 621
3 073	10 633	5 380	22 634
1 218	4 846	4 709	6 747
105	4 428	3 390	9 849
39	1 688	1 332	4 641
22	1 874	1 848	4 587
44	866	210	621
661	16 038	—	6 338
—	—	—	53
11 668	23 481	3 393	4 719
—	251	—	—
16 725	59 677	16 872	50 340
—	—	—	—

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

		31 December 2019		
			Stage 1	
Maximum exposure to credit risk	Gross Maximum Exposure Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Balances with SARB	16 587	16 587	—	—
Cash, cash balances and balances with central banks	16 587	16 587	—	—
Government bonds	35 153	35 153	—	—
Other	20 321	19 999	—	—
Treasury bills	16 638	13 541	—	—
Investment securities	72 112	68 693	—	—
Loans and advances to banks	15 560	9 380	5 660	—
Accounts receivable	6 923	4 407	2 514	—
Settlement accounts	12 260	12 233	27	—
Other assets	19 183	16 640	2 541	—
RBB South Africa	516 926	38 579	384 525	20 278
Home Loans	242 828	12 528	190 205	7 490
Vehicle and Asset Finance	86 934	2 120	65 455	6 109
Everyday Banking	59 248	3 449	34 872	6 679
Card	31 097	2 581	19 846	2 066
Personal Loans	23 941	571	13 325	4 150
Transactions and Deposits	4 210	297	1 701	463
Relationship Banking	127 863	20 482	93 993	—
RBB Other	53	—	—	—
CIB South Africa	231 545	125 573	75 263	—
Head Office, Treasury and other operations in South Africa	319	293	17	—
Loans and advances to customers	748 790	164 445	459 805	20 278
Loans and advances to group companies	50 460	50 460	—	—
Off statement of financial position exposure	—			
Guarantees	33 523			
Letters of credit	5 303			
Revocable and irrevocable debt facilities	183 524			
Total off statement of financial position exposure	222 350			

Notes to the condensed consolidated financial results

for the interim reporting period ended

	Stage 2		
DG1-9 Rm	DG10-19 Rm	DG20-21 Rm	Default Rm
—	—	—	—
—	—	—	—
—	—	—	—
322	—	—	—
3 097	—	—	—
3 419	—	—	—
—	487	33	—
—	2	—	—
—	—	—	—
—	2	—	—
592	24 472	11 738	36 741
226	8 367	5 232	18 780
4	4 315	3 677	5 254
115	3 936	2 829	7 367
38	1 629	1 219	3 717
22	1 355	1 411	3 107
55	952	199	543
247	7 854	—	5 287
—	—	—	53
8 646	16 055	4 204	1 804
—	9	—	—
9 238	40 536	15 942	38 545
—	—	—	—

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

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

	30 June 2020			
Maximum exposure to credit risk	**Carrying amount Rm**	**DG1-9 Rm**	**DG10-19 Rm**	**DG20-21 Rm**
Investment securities	2 227	2 016	211	—
Government bonds	2 016	2 016	—	—
Other	211	—	211	—
Loans and advances to banks	57 631	13 265	44 366	—
Trading and hedging portfolio assets	168 192	131 990	35 979	223
Debt instruments	46 924	45 338	1 586	—
Derivative assets	107 826	80 862	26 741	223
Money market assets	13 442	5 790	7 652	—
Loans and advances to customers	61 393	35 668	25 725	—
Total	289 443	182 939	106 281	223

	31 December 2019			
Maximum exposure to credit risk	Carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Investment securities	1 443	943	500	—
Government bonds	924	924	—	—
Other	519	19	500	—
Loans and advances to banks	29 453	16 406	13 047	—
Trading and hedging portfolio assets[2]	113 759	100 418	13 292	49
Debt instruments	41 727	41 649	78	—
Derivative assets	60 443	48 315	12 079	49
Money market assets	11 589	10 454	1 135	—
Loans and advances to customers	67 656	33 399	34 026	231
Total	212 311	151 166	60 865	280

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

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Notes to the condensed consolidated financial results

for the interim reporting period ended

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

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

		Collateral – credit impaired financial assets			
Analysis of credit risk mitigation and collateral	Gross maximum exposure[1] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	91 462	—	—	—	—
Debt instruments	46 924	—	—	—	—
Derivative assets	107 826	—	—	—	—
Money market assets	13 442	—	—	—	—
Trading and hedging portfolio assets	168 192	—	—	—	—
RBB South Africa	630 965	36	28 913	109	101
Home Loans	298 215	—	20 573	—	—
Vehicle and Asset Finance	88 884	—	5 011	—	—
Everyday Banking	88 020	—	3	—	—
Card	53 873	—	—	—	—
Personal Loans	25 123	—	—	—	—
Transactions and Deposits	9 024	—	3	—	—
Relationship Banking	155 793	36	3 326	109	101
RBB Other	53	—	—	—	—
CIB South Africa	374 976	268	299	—	34
Head Office, Treasury and other operations in South Africa	501	—	—	—	—
Loans and advances to customers	1 006 442	304	29 212	109	135
Off-balance sheet	—	—			
Guarantees	42 901	—	—	—	—
Letters of credit	4 505	—	—	—	—
Total off-statement of financial position exposure	47 406	—	—	—	—

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

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

30 June 2020

		Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets[1] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[1] Rm
—	—	169	—	—	12 370	78 923	91 462
—	—	—	—	—	—	46 924	46 924
—	—	—	—	3 560	78 064	26 202	107 826
—	—	—	—	—	—	13 442	13 442
—	—	—	—	3 560	78 064	86 568	168 192
17 010	46 169	194	423 090	854	188	160 470	584 796
2 131	22 704	—	254 960	—	—	20 551	275 511
1 733	6 744	—	43 304	—	—	38 836	82 140
10 222	10 225	—	—	—	—	77 795	77 795
4 982	4 982	—	—	—	—	48 891	48 891
4 600	4 600	—	—	—	—	20 523	20 523
640	643	—	—	—	—	8 381	8 381
2 871	6 443	194	124 826	854	188	23 288	149 350
53	53	—	—	—	—	—	—
4 117	4 718	913	49 926	—	28 601	290 818	370 258
—	—	—	—	—	—	501	501
21 127	50 887	1 107	473 016	854	28 789	451 789	955 555
	—						—
562	562	12	4 360	674	24	37 269	42 339
—	—	—	—	—	—	4 505	4 505
562	562	12	4 360	674	24	41 774	46 844

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

		31 December 2019			
		Collateral – credit impaired financial assets			
Analysis of credit risk mitigation and collateral	Gross maximum exposure[(1)] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	45 013	—	—	—	—
Debt instruments	41 727	—	—	—	—
Derivative assets	60 442	—	—	—	—
Money market assets	11 589	—	—	—	—
Trading and hedging portfolio assets	113 758	—	—	—	—
RBB South Africa	634 874	18	24 000	26	24
Home Loans	294 915	—	17 349	—	—
Vehicle and Asset Finance	88 585	—	3 985	—	—
Everyday Banking	94 596	—	—	—	—
Card	61 161	—	—	—	—
Personal Loans	24 466	—	—	—	—
Transactions and Deposits	8 969	—	—	—	—
Relationship Banking	156 725	18	2 666	26	24
RBB Other	53	—	—	—	—
CIB South Africa	364 775	187	150	—	40
Head Office, Treasury and other operations in South Africa	319	—	—	—	—
Loans and advances to customers	999 968	205	24 150	26	64
Off-balance sheet	—				
Guarantees	33 523	—	1	—	—
Letters of credit	5 303	—	—	—	—
Total off-statement of financial position exposure	38 826	—	1	—	—

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

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

		31 December 2019					
		Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets[1] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[1] Rm
—	—	350	—	—	26 013	18 650	45 013
—	—	—	—	—	—	41 727	41 727
—	—	74	—	1 212	43 992	15 164	60 442
—	—	—	—	—	—	11 589	11 589
—	—	74	—	1 212	43 992	68 480	113 758
13 703	37 771	201	426 764	853	272	169 013	597 103
1 492	18 841	—	255 389	—	—	20 685	276 074
1 267	5 252	—	45 237	—	—	38 096	83 333
8 278	8 278	—	—	—	—	86 318	86 318
4 592	4 592	—	—	—	—	56 569	56 569
3 119	3 119	—	—	—	—	21 347	21 347
567	567	—	—	—	—	8 402	8 402
2 613	5 347	201	126 138	853	272	23 914	151 378
53	53	—	—	—	—	—	—
1 428	1 805	9 393	46 873	—	40 771	265 933	362 970
—	—	—	—	—	—	319	319
15 131	39 576	9 594	473 637	853	41 043	435 265	960 392
	—						—
247	248	11	3 905	636	21	28 702	33 275
—	—	—	—	—	—	5 303	5 303
247	248	11	3 905	636	21	34 005	38 578

15. Additional risk management disclosure (continued)

15.2 Treasury risk

15.2.1 Liquidity risk

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

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

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

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

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

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

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

	30 June 2020					
	Carrying value (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	31 761	—	—	—	—	31 761
Investment securities	3 660	13 813	34 917	47 955	(2)	100 343
Loans and advances to banks	15 677	68 908	5 173	1 704	(21)	91 441
Trading and hedging portfolio assets	157 491	1 043	8 512	1 659	—	168 705
Derivative assets	96 613	1 043	8 512	1 659	—	107 827
Non-derivative assets	60 878	—	—	—	—	60 878
Other financial assets	9 581	6 361	—	—	—	15 942
Loans and advances to customers	97 270	146 302	352 084	232 745	(31 809)	796 592
Loans to Group Companies	26 313	24 481	2 740	1 162	(161)	54 535
Financial assets	341 753	260 908	403 426	285 225	(31 993)	1 259 319
Non-financial assets						32 456
Total assets						1 291 776
Liabilities						
Deposits from banks	45 773	41 191	22 693	1 470	—	111 127
Trading and hedging portfolio liabilities	102 769	153	770	2 691	—	106 383
Derivative liabilities	94 855	153	770	2 691	—	98 469
Non-derivative liabilities	7 914	—	—	—	—	7 914
Other financial liabilities	26 620	5 677	—	—	—	32 297
Deposits due to customers	468 676	214 248	49 518	12 588	—	745 030
Debt securities in issue	890	94 987	70 982	8 734	—	175 593
Borrowed funds	—	3 594	19 553	—	—	23 147
Financial liabilities	644 728	359 850	163 516	25 483	—	1 193 577
Non-financial liabilities						7 280
Total liabilities						1 200 857
Equity						90 919
Total equity and liabilities						1 291 776
Net liquidity position of financial instruments	(302 975)	(98 942)	239 910	259 742	(31 993)	65 742

15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.1 Liquidity risk (continued)

	31 December 2019					
	Carrying value (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	25 485	—	—	—	—	25 485
Investment securities	4 289	19 776	23 985	27 180	—	75 230
Loans and advances to banks	10 734	32 861	1 418	—	(20)	44 993
Trading and hedging portfolio assets	110 925	191	2 346	817	—	114 279
Derivative assets	57 089	191	2 346	817	—	60 443
Non-derivative assets	53 836	—	—	—	—	53 836
Other financial assets	12 546	6 637	—	—	—	19 183
Loans and advances to customers	107 999	139 300	325 621	243 525	(22 063)	794 382
Non-current assets held for sale	3 685	—	—	—	—	3 685
Loans to group companies	27 774	11 096	11 098	653	(161)	50 460
Non-financial assets	303 437	209 861	364 468	272 175	(22 244)	1 127 697
Total assets						1 159 825
Liabilities						
Deposits from banks	28 903	71 851	18 638	85	—	119 477
Trading and hedging portfolio liabilities	55 979	112	446	811	—	57 347
Derivative liabilities	45 577	112	446	811	—	46 946
Non-derivative liabilities	10 401	—	—	—	—	10 401
Other financial liabilities	21 633	5 232	—	—	—	26 865
Deposits due to customers	397 185	217 229	51 479	11 916	—	677 809
Debt securities in issue	1 036	81 147	62 630	12 790	—	157 603
Borrowed funds	—	4 360	12 779	4 143	—	21 282
Financial liabilities	504 736	379 931	145 972	29 745	—	1 060 383
Non-financial liabilities						8 117
Total liabilities						1 068 500
Equity						91 325
Total equity and liabilities						1 159 825
Net liquidity position of financial instruments	(201 299)	(170 070)	218 496	242 430	(22 244)	67 314

15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.2 Capital management risk

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

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

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

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

Capital relief

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

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

Review of current reporting period

- The Group's capital position was well above minimum regulatory requirements as at 30 June 2020 and at the lower end of the Board target range of 11 to 12%.
- The capital ratios are weaker year-on-year due to the payment of the 2019 dividend and lower earnings during H1 2020 driven by higher impairment levels required by IFRS 9 due to the macroeconomic impact of the Covid-19 pandemic. Capital buffers remain strong and well above minimum regulatory requirements.
- Higher Stage 1 and Stage 2 impairments have reduced headline earnings which resulted in a lower CET1 ratio. However, R3bn of surplus impairments in excess of expected loss (capped at 0.6% of IRB credit risk RWA) has resulted in an increase to Tier 2 reserve funds which helped support the Capital Adequacy Ratio (CAR) with an additional R2.6bn of surplus impairments above the cap available to absorb future loses.

Capital Adequacy ratios

	30 June		31 December	30 June		30 June and 31 December	
Bank	**2020**	2019	2019	**Board target ranges 2020**	**Minimum regulatory capital requirements[1] 2020**	Board target ranges 2019	Minimum regulatory capital requirements 2019
Statutory capital ratios (includes unappropriated profits) (%)							
CET 1	**10.6**	12.2	11.9	**11.0 – 12.0**	**7.0**	11.0 – 12.0	7.5
Tier 1	**11.7**	13.2	13.1	**12.0 – 13.0**	**8.5**	12.0 – 13.0	9.3
Total capacity adequacy requirement (CAR)	**15.8**	16.6	16.7	**14.5 – 15.5**	**10.5**	14.5 – 15.5	11.5
Capital supply and demand for the reporting period (Rm)							
Qualifying capital	**98 056**	98 130	97 787				
Total RWA	**619 412**	589 127	601 900				

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

15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.3 Interest rate risk in the banking book (IRRBB)

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

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

	30 June		31 December
Key risk metrics	**2020 Rm**	2019 Rm	2019 Rm
Banking book net interest income (NII) sensitivity for a 2% downward shock in interest rates	**(1 942)**	(2 256)	(3 171)

Review of current reporting period

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

15.3 Traded market risk

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

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

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

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

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

Review of current reporting period

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

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

Condensed consolidated normalised financial results

for the interim reporting period ended

Normalised financial results as a consequence of the Barclays PLC separation

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

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

The separation process has had a significant impact on the Bank's financial results over the past three years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenues, and amortisation of the aforementioned assets as they are brought into use. The aforementioned results shows a disconnect between the underlying business performance and the IFRS financial results. Normalised results have therefore been disclosed and will continue to be disclosed while the underlying business performance is materially different from the IFRS financial results.

Refer to page 3 for the IFRS results.

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

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

Basis of presentation

Normalised financial results

The condensed consolidated normalised results have been prepared to illustrate the impact of the separation from Barclays PLC and adjust for the interest income on Barclays PLC's separation contribution, hedging linked to the separating activities, operating expenses (including amortisation of intangible assets) and other expenses, (collectively the "separation"). The Bank will present normalised results for future periods where the financial impact of separation is considered material. Normalisation does not affect divisional disclosures.

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

The normalised results have not been prepared using the accounting policies of the Bank and do not comply with IFRS. These results are considered to be pro forma financial information and have been presented in accordance with the JSE Listing Requirements which require that pro forma financial information be compiled in terms of the JSE Listing Requirements, the SAICA Guide on Pro Forma Financial Information and any relevant guidance issued by the IRBA. The normalised results are presented for illustration purposes only, have not been reviewed or reported on by the external auditors of the Bank and are the responsibility of the Bank's Board of Directors. Given its nature, the pro forma financial information may not fairly present the Bank's financial position, changes in equity, and results of operations or cash flows.

Condensed consolidated normalised salient features

for the interim reporting period ended

	30 June 2020	30 June 2019	31 December 2019
Statement of comprehensive income (Rm)			
Income	**25 423**	25 980	52 594
Operating expenses	**14 628**	15 827	33 351
Profit attributable to ordinary equity holders	**(1 157)**	4 709	8 418
Headline earnings[1]	**(1 150)**	4 739	8 640
Statement of financial position			
Total assets (Rm)	**1 286 879**	1 150 959	1 155 329
Financial performance (%)			
Return on equity (RoE)	**(3.1)**	13.7	12.2
Return on average assets (RoA)	**(0.2)**	0.86	0.76
Return on risk-weighted assets (RoRWA)	**(0.38)**	1.67	1.55
Operating performance (%)			
Net interest margin on average interest-bearing assets	**3.23**	3.46	3.46
Non-interest as a percentage of total income	**37.1**	41.6	40.0
Cost-to-income ratio	**57.5**	60.9	63.4
Jaws	**(5.0)**	1	3
Effective tax rate	**41.7**	25.3	23.5
Share statistics (million)			
Weighted average number of ordinary shares in issue	**448.3**	448.3	448.3
Diluted weighted average number of ordinary shares in issue	**448.3**	448.3	448.3
Share statistics (cents)			
Headline earnings per ordinary share (HEPS)	**(256.5)**	1 057.1	1 927.3
Diluted headline earnings per ordinary share (DHEPS)	**(256.5)**	1 057.1	1 927.3
Basic earnings per ordinary share (EPS)	**(258.1)**	1 050.4	1 877.8
Diluted basic earnings per ordinary share (DEPS)	**(258.1)**	1 050.4	1 877.8
Dividend per ordinary share relating to income for the reporting period	**—**	446.1	446.1
Dividend cover (times)	**—**	2.37	4.32
NAV per ordinary share	**15 648**	16 183	16 407
Tangible NAV per ordinary share	**15 079**	15 152	15 313
Capital adequacy (%)			
Absa Bank Limited	**15.5**	15.8	16.2
Common Equity Tier 1 (%)			
Absa Bank Limited	**10.2**	11.3	11.4

(1) Please refer to the condensed consolidated normalised reconciliation for the interim reporting period ended 30 June 2020 for the further information as presented on pages 66 to 68.

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

Condensed consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	30 June 2020		
	IFRS Bank performance[1]	Barclays separation effects[2]	Normalised Bank performance[3]
Statement of comprehensive income (Rm)			
Net interest income	16 045	(53)	15 992
Non-interest income	9 657	(226)	9 431
Total income	25 702	(279)	25 423
Impairment losses	(11 162)	—	(11 162)
Operating expenses	(15 390)	762	(14 628)
Other expenses	(849)	107	(742)
Share of post-tax results of associates and joint ventures	(8)	—	(8)
Operating profit before income tax	(1 707)	590	(1 117)
Tax expenses	537	(71)	466
(Loss)/profit for the reporting period	(1 170)	519	(651)
(Loss)/profit attributable to:			
Ordinary equity holders	(1 676)	519	1 157
Ordinary shares	—	—	—
Preference shares	172	—	172
Additional Tier 1	334	—	334
	(1 170)	519	(651)
Headline earnings	(1 611)	461	(1 150)
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.24	n/a	3.23
Credit loss ratio on gross loans and advances to customers and banks	2.49	n/a	2.49
Non-interest income as % of total income	37.6	n/a	37.1
Income growth (%)	(1.4)	n/a	(2.1)
Operating expenses growth (%)	(6.5)	n/a	(7.6)
Cost-to-income ratio	59.9	n/a	57.5
Effective tax rate	31.5	n/a	41.7
Statement of financial position (Rm)			
Loans and advances to customers	796 592	—	796 592
Loans and advances to banks	91 441	—	91 441
Investment securities	100 343	—	100 343
Other assets	303 400	(4 897)	298 503
Total assets	1 291 776	(4 897)	1 286 879
Deposits due to customers	745 030	—	745 030
Debt securities in issue	175 593	—	175 593
Other liabilities[4]	280 234	1 408	281 642
Total liabilities	1 200 857	1 408	1 202 265
Equity	90 919	(6 305)	84 614
Total equity and liabilities	1 291 776	(4 897)	1 286 879
Key performance ratios (%)			
RoA	(0.3)	n/a	(0.2)
RoE	(4.0)	n/a	(3.1)
Capital adequacy	15.8	n/a	15.5
Common Equity Tier 1	10.6	n/a	10.2
Share statistics (cents)			
Diluted headline earnings per ordinary share	(359.6)	n/a	(256.5)

[1] IFRS performance, presents the IFRS information as extracted from the Bank's condensed consolidated financial results for the reporting period ended 30 June 2020.
[2] Barclays separation effects, presents the financial effects of the separation on the condensed consolidated financial results of the Bank.
[3] Normalised performance, presents the condensed consolidated financial results of the Bank, after adjusting for the consequences of the separation.
[4] This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

Condensed consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	30 June 2019		
	IFRS Bank performance[(1)]	Barclays separation effects[(2)]	Normalised Bank performance[(3)]
Statement of comprehensive income (Rm)			
Net interest income	15 291	(114)	15 177
Non-interest income	10 774	29	10 803
Total income	26 065	(85)	25 980
Impairment losses	(2 860)	637	(2 860)
Operating expenses	(16 464)	—	(15 827)
Other expenses	(646)	25	(621)
Share of post-tax results of associates and joint ventures	93	—	93
Operating profit before income tax	6 188	577	6 765
Tax expenses	(1 599)	(114)	(1 713)
Profit for the reporting period	4 589	(463)	5 052
Profit attributable to:			
Ordinary equity holders	4 246	463	4 709
Preference shares	174	—	174
Additional Tier 1	169	—	169
	4 589	463	5 052
Headline earnings	4 276	463	4 739
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.48	n/a	3.46
Credit loss ratio on gross loans and advances to customers and banks	0.71	n/a	0.71
Non-interest income as % of total income	41.3	n/a	41.6
Income growth (%)	2.4	n/a	5
Operating expenses growth (%)	0.4	n/a	5
Cost-to-income ratio	63.2	n/a	60.9
Effective tax rate	25.8	n/a	25.3
Statement of financial position (Rm)			
Loans and advances to customers	769 884	—	769 884
Loans and advances to banks	51 443	—	51 443
Investment securities	87 022	—	87 022
Other assets	246 479	(3 869)	242 610
Total assets	1 154 828	(3 869)	1 150 959
Deposits due to customers	659 347	—	659 347
Debt securities in issue	162 547	—	162 547
Other liabilities[(4)]	243 019	4 432	247 451
Total liabilities	1 064 913	4 432	1 069 345
Equity	89 915	(8 301)	81 614
Total equity and liabilities	1 154 828	(3 869)	1 150 959
Key performance ratios (%)			
RoA	0.77	n/a	0.86
RoE	11.0	n/a	13.7
Capital adequacy	16.6	n/a	15.8
Common Equity Tier 1	12.2	n/a	11.3
Share statistics (cents)			
Diluted headline earnings per ordinary share	953.6	n/a	1 057.1

(1) IFRS performance, presents the IFRS information as extracted from the Bank's condensed consolidated financial results for the interim reporting period ended 30 June 2019.
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(4) This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

Condensed consolidated reconciliation of IFRS to normalised results

for the interim reporting period ended

	31 December 2019		
	IFRS Bank performance[1]	Barclays separation effects[2]	Normalised Bank performance[3]
Statement of comprehensive income (Rm)			
Net interest income	31 772	(195)	31 577
Non-interest income	20 985	32	21 017
Total income	52 757	(163)	52 594
Impairment losses	(6 032)	—	(6 032)
Operating expenses	(35 116)	1 765	(33 351)
Other expenses	(1 456)	56	(1 400)
Share of post-tax results of associates and joint ventures	221	—	221
Operating profit before income tax	10 374	1 658	12 032
Tax expenses	(2 488)	(338)	(2 826)
Profit for the reporting period	7 886	1 320	9 206
Profit attributable to:			
Ordinary equity holders	7 098	1 320	8 418
Ordinary shares	1	—	1
Preference shares	352	—	352
Additional Tier 1	435	—	435
	7 886	1 320	9 206
Headline earnings	7 320	(15 960)	(8 640)
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.53	n/a	3.53
Credit loss ratio on gross loans and advances to customers and banks[5]	0.72	n/a	0.72
Non-interest income as % of total income	39.8	n/a	40.0
Income growth (%)	1.8	n/a	3
Operating expenses growth (%)	2.3	n/a	6
Cost-to-income ratio	66.6	n/a	63.4
Effective tax rate	24.0	n/a	23.5
Statement of financial position (Rm)			
Loans and advances to customers	794 382	—	794 382
Loans and advances to banks	44 993	—	44 993
Investment securities	75 230	—	75 230
Other assets	245 220	(4 496)	240 724
Total assets	1 159 825	(4 496)	1 155 329
Deposits due to customers	677 809	—	677 809
Debt securities in issue	157 603	—	157 603
Other liabilities[4]	233 088	2 836	235 924
Total liabilities	1 068 500	2 836	1 071 336
Equity	91 325	(7 332)	83 993
Total equity and liabilities	1 159 825	(4 496)	1 155 329
Key performance ratios (%)			
RoA	0.64	n/a	0.76
RoE	9.3	n/a	12.2
Capital adequacy	16.7	n/a	16.2
Common Equity Tier 1	11.9	n/a	11.4
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 632.6	n/a	1 927.3

[1] IFRS Bank performance, presents the IFRS information as extracted from the Bank's condensed consolidated financial results for the interim reporting period ended 31 December 2019.

[2] Barclays separation effects, presents the financial effects of the separation on the condensed consolidated financial results of the Bank.

[3] Normalised performance, presents the condensed consolidated financial results of the Bank, after adjusting for the consequences of the separation.

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

[5] This ratio has been restated in order to correctly reflect the normalised credit loss ratio on gross loans and advances to customers and banks for the period ended 31 December 2019.

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